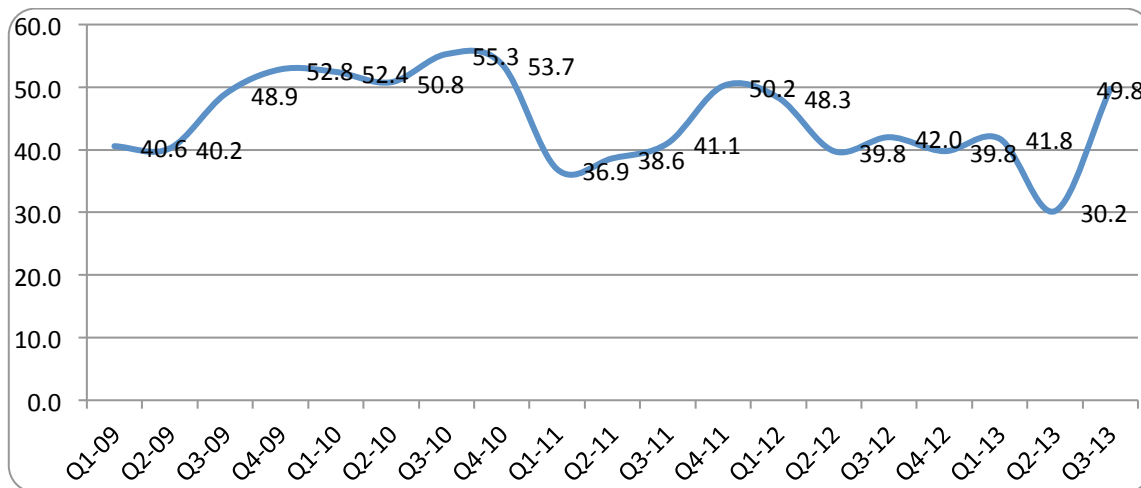


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### Business Confidence Index bounces back after slump

The confidence of the South African SMME sector in the business environment increased during the third quarter of the year 2013. The overall business confidence index improved considerably from 30.2% during the second quarter of 2013 to 49.8% in the third quarter of 2013. The level of confidence of the South African SMME has seen the biggest increase in the past three years. Figure 1 shows the overall trend of South African SMMEs Business Confidence Indices from the first quarter of 2009 until the third quarter of 2013.



The increasing trend in confidence can be attributed to an improvement in the confidence of the SMMEs in all sectors of the economy. The best performing sector was the trade sector which increased, on average, from 27.69% in the second quarter of 2013 to 65.13% in the third quarter of 2013. This represents a massive increase of 135.2%. The business confidence in the services sector increased from 34.68% in the second quarter of 2013 to 52.42% during the third quarter of 2013, representing an increase of 51.14%. The industrial sector also witnessed a growth in confidence from 28.27% in the second quarter of 2013 to 31.72% in the third quarter of 2013 representing a growth of 12.2%. Most of the businesses surveyed cited a number of inhibiting factors impacting negatively on their businesses. These include high employee costs, high operating costs, insufficient demand, high government taxes and regulations and shortage of skilled labour.

StatsSA attributes this turnaround to a firm contribution from the manufacturing sector. Also contributing to the rise in economic activity were finance, real estate and business services and the wholesale, retail and motor trade, catering and accommodation industry.

The National Treasury adds that although the South African economy is still fragile, it is on track to recovery. The country still has a sound fiscal policy and the government has done a good job at addressing the issues of deteriorating external finance and structural constraints to growth. This growth can also be attributed to a positive global economic outlook, with the Eurozone showing signs of recovery and emerging markets beginning to grow at more modest levels.

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*The South African SMME Index is constructed by Africagrowth Institute. The Founding Sponsors for the Index are the Industrial Development Corporation (IDC) and WK Kellogg Foundation*

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