

SACCI PRESS RELEASE

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Indecisive Business Climate

The **SACCI** Business Confidence Index (BCI) for February 2015 was released this morning at the **SACCI** Office in Rosebank, Johannesburg.

In February 2015, **SACCI's** Business Confidence Index (BCI) accelerated surprisingly by 3.5 index points to 92.8 from 89.3 in January 2015 and follows on the 1.0 index point increase in January 2015. Rather than broad based, the marked increase of the BCI can be ascribed to more specific developments. Whether an increase in business confidence will generally be supported by economic and business conditions in 2015 is still uncertain.

Higher import and export volumes were the main source for the latest overall rise of the BCI and although the month-on-month changes in export and import volumes were negative in February, it remained on relative high levels. Five of the thirteen sub-indices made negative month-on-month impacts in February while the financial component of six sub-indices had only one negative month-on-month impact from precious metal prices.

Eight of the thirteen sub-indices were at lower levels than a year ago and had negative year-on-year impacts on the BCI. Four of the six financial sub-indices were below the February 2014 levels and put the BCI under pressure. Two sub-indices namely the exchange rate of the rand weighted against the British pound, US dollar and euro, and the volume of private sector borrowing, made positive year-on-year impacts on the BCI in February 2015.

Public finance has been jolted into a problematic stalemate that makes it tough to alter if economic conditions necessitate change. It is apparent from the Budget that there is still a strong bias towards social spending. The social spending imperative is one of the reasons for an inflexible budget. Rising public sector debt is cause for concern.

The Budget did not do much to quell the concerns of business about the direction in which the economy is moving. There is a sense that government still sees itself as the main vehicle to propel the economy to a better performance. The standoff in business confidence will continue until the private sector sense a changing business climate.

Lower inflation provided much and timely relief to the consumer and some parastatals such as Eskom and SAA. Unfortunately, higher personal income tax could curtail expenditure while the much higher fuel levy will affect all income groups.

For a full background to this month's **SACCI** BCI see the Economic Commentary in the BCI report on www.sacci.org.za.

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