Business confidence: remains at levels reached during 2009’s global recession on persistent weak demand in the economy

13th June 2019

The RMB/BER business confidence index (BCI) remained at 28 in Q2.19, the same as in Q1.19, down from 31 in Q4.18. This means 72% of businesses surveyed find business conditions unsatisfactory.

The bulk of the Q2.19 survey took place between 15th May and 3rd June 2019. Indeed, manufacturers saw a further drop in confidence, to 22 in Q2.19, from 25 in Q1.19, 30 in Q4.18 and 34 in Q1.18. The BER reports manufacturing exports saw a small rebound in Q2.19, as did activity in April on an end to load shedding, but confidence remains depressed and business conditions for manufacturers are deemed highly dissatisfactory.

The deindustrialisation trend continues in South Africa, with unemployment rising alongside it, as industry is also seen to continue to face regulatory blockages and a high regulatory burden, with anecdotal evidence even of some inconsistent, and arbitrary application of these regulations.

Periodically reweighing the regulatory burden to ensure it is streamlined to promote economic growth while still fulfilling necessary functions, and boosting the ease of doing business in SA, particularly for the reindustrialisation of the country, is a necessity.

Additionally, if regulations are arbitrarily, inconsistently or retrospectively applied (with sudden deemed non-compliance), and/or even applied differently by one government employee or department to another, companies can feel misled (which damages business confidence). This is especially the case if years of operation were previously sanctioned, but then are suddenly deemed non-compliant, and severe, to draconian, punishments (heavy fines and/or threatened imprisonment of owners/directors) imposed.

Three of the five sectors have confidence readings in the 20s, or below, reflecting broad based weakness, with businesses profit margins reported to be narrowing on weak demand. Many businesses continue to battle to pass through high operating costs to financially vulnerable consumers. This has negatively impacted the desire to expand operations and so lift fixed investment to expand capacity for production, among other factors. The motor trade sector in particular saw a large drop in confidence in Q2.19.

Figure 2: GDP vs. BCI: Business Confidence leads growth

*seasonally adjusted. Source: BER, Stats SA
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