



**Business confidence: its not just the riots suppressing business confidence, low government productivity continues to impede higher levels of business activity**

Wednesday 8 September 2021

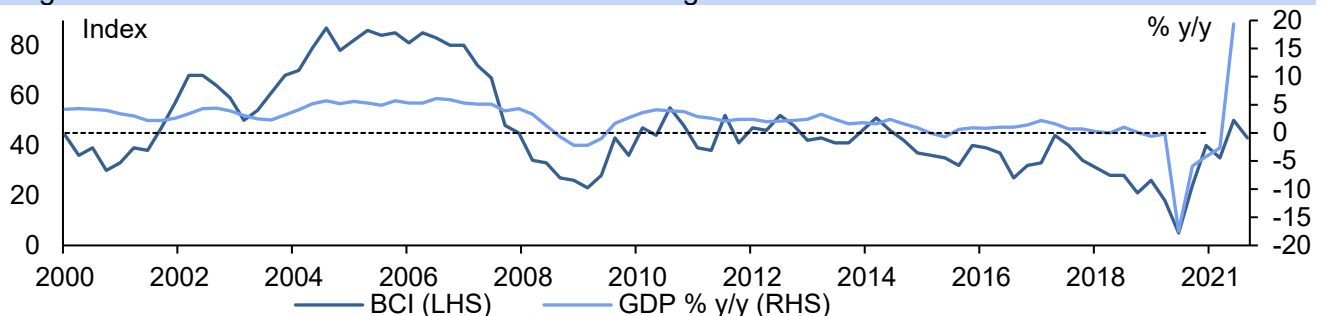
Figure 1: RMB/BER confidence index

	Q3.20	Q4.20	Q1.21	Q2.21	Q3.21	Change
Retail trade confidence index	36	50	37	54	56	2
Wholesale trade confidence index	33	59	58	63	55	-8
New vehicle dealers' confidence index	16	41	35	63	47	-16
Manufacturers confidence index	22	31	25	46	41	-5
Building contractors index	14	21	20	22	18	-4
<b>RMB/BER BCI</b>	<b>24</b>	<b>40</b>	<b>35</b>	<b>50</b>	<b>43</b>	<b>-7</b>

Source: BER

- The RMB/BER business confidence index (BCI) dropped to 43 in Q3.21, as 57% of businesses were depressed with prevailing business conditions. KwaZulu-Natal fell from 77% to only 27% satisfied with prevailing business conditions due largely to July's riots (the responses were surveyed between the 11<sup>th</sup> and 30<sup>st</sup> August).
- While some of the early economic indicators for August show that the impact of the riots in July are starting to be overcome, and others for July show somewhat less of a marked impact than may have been feared, this is irrelevant for the high unemployment rate in SA and growing joblessness which is a longer-term factor.
- The extremely high unemployment rate in South Africa, of 34.4% is wider for those fifteen to thirty-four years of age who are unemployed and not undergoing education or training, at 45% - or around nine million individuals. There are close to seventeen million South Africans of zero to fourteen years of age, 28% of the population, and the population growth rate in this segment has soared over the past decade. SA has a population of sixty million.
- However, prospects of employment are weak with close to eight million fifteen years old and older unemployed, or eleven million including those who have given up seeking work (the discouraged). It is consequently hugely problematic that businesses efforts to expand and employ more are blocked by government's slow productivity such as the backlog of prospecting mineral licenses, permit renewals etc. With many prospective mines in rural areas, government has to rapidly spark private sector employment by eradicating backlogs of mineral prospecting licenses (and renewing permits), as well as approvals for building projects at councils to boost employment in the construction industry. These industries train and upskill workers – which is vitally needed in SA.
- However, government also needs to cease importing labour from other counties such as Cuba and India when SA has its own engineers, IT skills and many other unemployed university graduates. Absent better government policies which actively support all South Africans in business and jobs creation, and in all sectors, SA will not return to the low unemployment rate of 21% achieved by the Mbeki inclusive growth years (despite denialism (absent recognition) of this to further factionalist agendas), nor will SA's unemployment rate drop lower towards single digits as SA was on track to see under Mbeki's government before his presidency was prematurely ended.

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



\*seasonally adjusted. Source: BER, Stats SA



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Figure 3: Business confidence and composite indicators

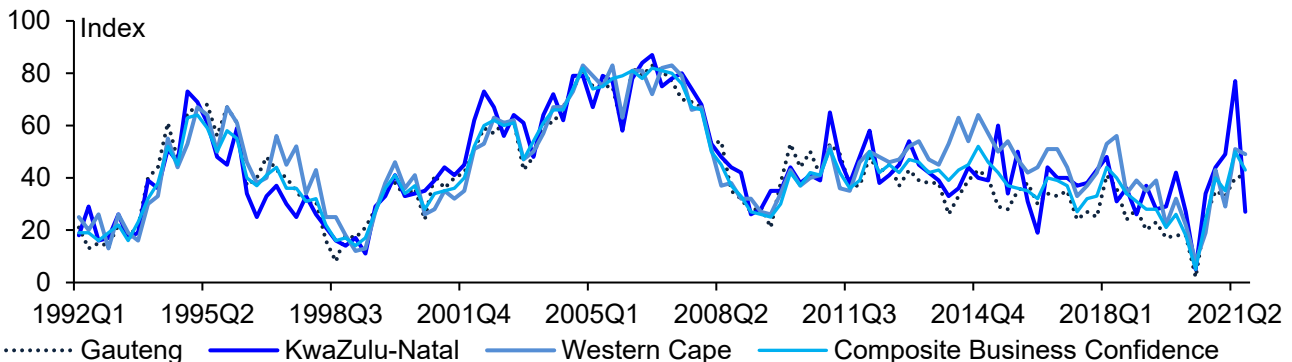
South Africa	Unit	19Q4	20Q1	20Q2	20Q3	20Q4	21Q1	21Q2	21Q3	Ch
<b>RMB/BER business confidence<sup>1</sup></b>	<b>%</b>	<b>26</b>	<b>18</b>	<b>5</b>	<b>24</b>	<b>40</b>	<b>35</b>	<b>50</b>	<b>43</b>	<b>-7</b>
<b>Composite confidence per province<sup>2</sup></b>										
Gauteng	%	18	18	2	25	35	33	40	41	1
KwaZulu-Natal	%	42	27	5	34	44	49	77	27	-50
Western Cape	%	32	22	8	19	43	29	51	49	-2
<b>Composite Indicators</b>										
Business conditions: realized <sup>1</sup>	Net %	-50	-60	-91	-63	-37	-43	25	-15	-40
Business conditions: expected <sup>1</sup>	Net %	-26	-37	-74	-47	-17	-6	16	10	-6
Business climate <sup>#,1</sup>	Net %	-38	-49	-83	-55	-27	-25	21	-3	-24
Activity <sup>3</sup>	Net %	-40	-54	-83	-59	-36	-38	16	-14	-30
Employment <sup>4</sup>	Net %	-21	-33	-48	-51	-40	-35	-19	-22	-3
Purchasing prices <sup>5</sup>	Net %	46	42	58	64	54	66	59	66	7
Selling prices <sup>6</sup>	Net %	8	8	4	10	16	22	31	22	-9
Inventories <sup>7</sup>	Net %	13	18	31	3	-11	-13	-20	-20	0

Source: BER

# Average between realized and expected business conditions 1. Building (build) (contractors only), manufacturing (mnf), retail (ret) wholesale(whs) and new vehicles (mot); 2. Build, mnf, ret, whs & mot; 3. Build, mnf, ret, whs, mot & other services (serv); 4. Build, mnf, ret, whs & serv; 5. Mnf, ret & whs; 6. Mnf, ret, whs & serv; 7. Mnf, ret, whs & mot; stocks relative to expected demand

- Besides persisting in employing many from other countries instead of South Africa's own unemployed, and preventing many private business from going ahead with expanding operations or creating new businesses due to slow/to standstill processing of various applications (ranging from mineral prospecting licenses/permits, plans for building projects or regulations prohibiting full private sector participation in various industries for all), SA suffers under a stranglehold of red tape and regulatory barriers and blockages.
- While some private sector participation has begun, this needs to be widespread, and blockages to private sector service provision and general business activity needs to be eradicated – the size of the private business sector must triple to absorb the unemployed, not be constrained by state controls, interventions and poor state productivity, and growing size of the state. SA is already in an extreme unemployment crisis.

Figure 4: Composite confidence per province



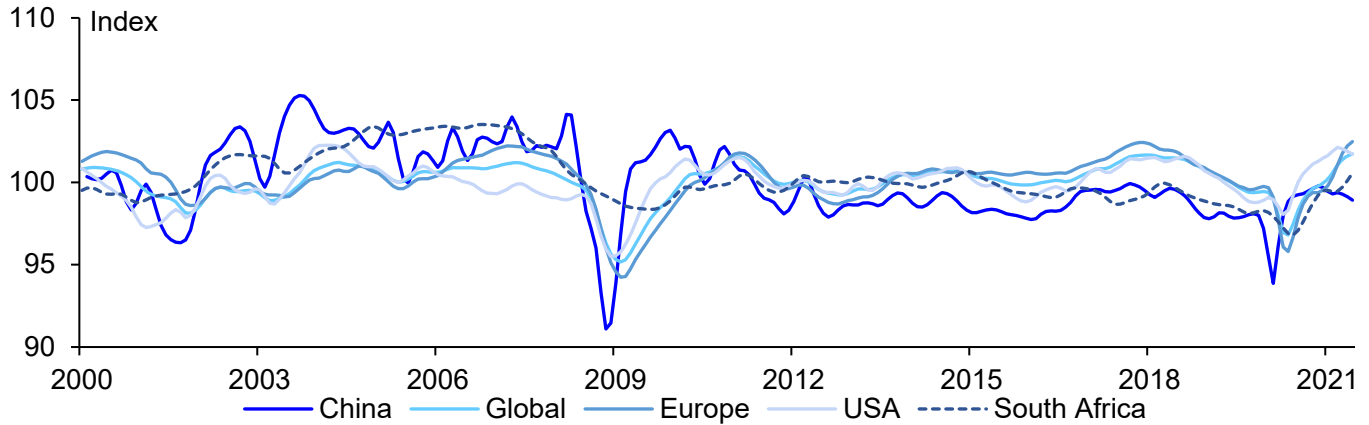
Source: BER



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Figure 5: OECD BCI



Source: OECD, Investec

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