



## Enquiries

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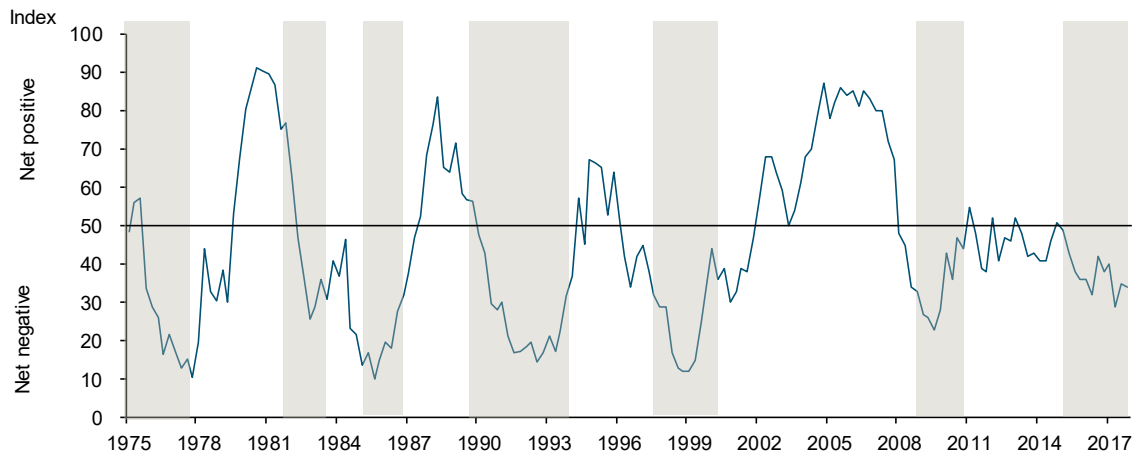
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## Press release

### Business confidence stuck at low levels

The RMB/BER Business Confidence Index (BCI) essentially flatlined at 34 in the fourth quarter. While this is an improvement on the seven and a half-year low of 29 in the second quarter, sentiment clearly remained depressed.

Figure 1: RMB/BER Business Confidence



Source: BER, SARB (Shaded areas represent economic downswings)

The fieldwork for the fourth quarter survey was completed in the first three weeks of November and covered 1 600 senior business people in the building, manufacturing, retail, wholesale and motor trade sectors. The poll was therefore finalised ahead of Standard & Poor's decision to downgrade South Africa's local currency credit rating to speculative grade, as well as before Black Friday.

### Highlights

In the fourth quarter, the overall RMB/BER BCI effectively moved sideways as an improvement in motor trade confidence was offset by deteriorations in the retail trade, building contractors, and to a lesser extent, the manufacturing sector. Sentiment in the wholesale trade sector improved marginally.

**Motor trade** confidence increased by 13 points from a low 19 in the third quarter as business conditions and new vehicle sales improved somewhat further.

**Building confidence** fell from 44 to 34, so fully reversing the third quarter's gain. Challenging conditions in the non-residential sector have long been a drag on building confidence, and the fourth quarter was no exception; sentiment dropped to a shockingly low 11. Although the mood also soured a little among residential contractors, at 43 the index remained high in comparison to that of non-residential contractors.

**Retail confidence** dropped by nine points to 29 – a level last seen 18 months ago. Clothing retailers had it particularly bad in the fourth quarter, while food retailers continued to struggle as well, due to weak profitability. By contrast, a recovery in sales volumes coupled with a slight increase in pricing power saw sentiment among retailers of durable consumer goods improve. The jury is still out whether Black Friday and the approaching festive shopping season will have lifted retailers' profitability in the fourth quarter as a whole.

**Manufacturing confidence** declined marginally from 27 to 24. With domestic sales volumes having remained under pressure, the deterioration during the fourth quarter would have been even more pronounced had it not been for a noticeable export-led recovery in production volumes. Export order volumes also improved on the back of still vibrant global trade conditions. Needless to say, the general political climate remained a bugbear, continuously weighing down on business sentiment. Lower profitability also dampened confidence.

**Wholesale confidence** increased slightly from 48 to 51 as a slightly better performance from the consumer goods sector more than compensated for another poor showing from the non-consumer goods sector.

### **Bottom line**

A mid-30 sideways movement in the RMB/BER BCI is consistent with the private sector's current wait-and-see stance. What will change this, and so help to kick the economy into gear, is the emergence of a strong new political leadership with the determination to implement market-friendly policies and to root out corruption. With Moody's giving South Africa a 90-day rating reprieve, the outcome of the December ANC leadership contest and

policy pronouncements that will be included in the February 2018 National Budget have just become that much more important. “The government has a narrow window of opportunity to put in place an action plan to change the country’s longer-term growth path for good. We need bold and unpopular solutions for the jam South Africa is in” said Etienne Le Roux chief economist at Rand Merchant Bank.