



Business confidence: improving but still depressed

Wednesday 20 November 2024

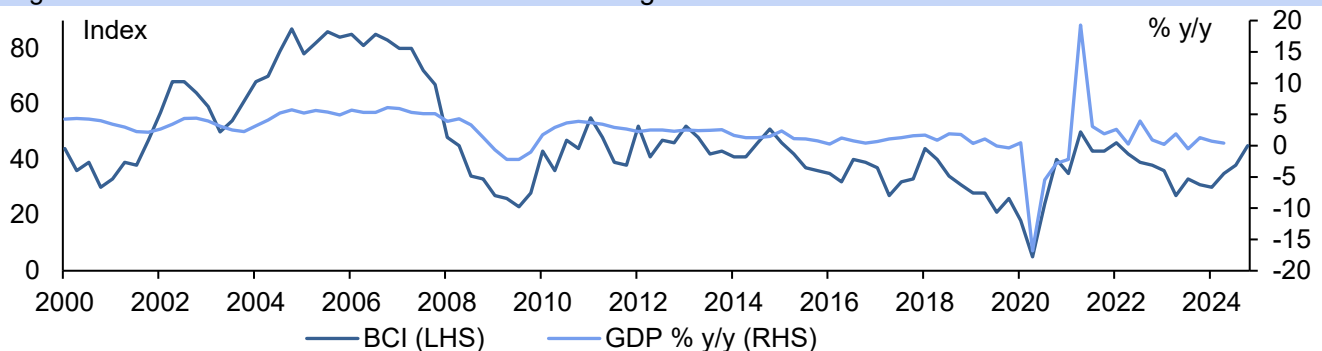
Figure 1: RMB/BER confidence index

	Q4.23	Q1.24	Q2.24	Q3.24	Q4.24	Change
Retail trade confidence index	47	34	39	45	54	9
Wholesale trade confidence index	36	37	53	51	60	9
New vehicle dealers' confidence index	6	16	10	27	23	-4
Manufacturers' confidence index	26	21	28	28	36	8
Building contractors index	41	42	47	41	51	10
RMB/BER BCI	31	30	35	38	45	7

Source: BER

- The RMB/BER business confidence index (BCI) reading remained in depressed territory, below the neutral 50 mark, but it did become less negative in Q4.24, moving to 45 from 38. The majority of businesses (55%) were, however, still dissatisfied with prevailing conditions, and so profitability.
- Building contractors (51 from 41), retailers (54 from 45) and wholesalers (60 from 51) sentiment turned positive or improved with the start of the interest rate cut cycle in South Africa in September (50 neutral).
- With the survey taking place from 24th October to 11th November, activity improved in certain sectors (retail and wholesale sales and construction) and became less negative overall. Consequent better business conditions than in Q3.24 were noted by survey respondents for Q4.24, and the outlook improved for Q1.25.
- Specifically, the forward-looking index, expected business conditions, became more positive, with the reading at 6, up from 3 in Q3.24 and -17 in Q2.24.
- Business confidence itself determined by the current reading of the quarter it's in, particularly on operating conditions and profitability.
- Businesses are cautiously optimistic about the future post the election and formation of the GNU, as evidenced by the gradual improvement in the forward looking component, from -25 in Q4.23 to the latest reading.
- Expectations of a further interest rate cut this month (on the 21st) and over the course of next year also likely improved the forward-looking outlook, along with the view that load shedding is largely over, at least for the year ahead. The business climate registered its first positive reading of 2 in Q4.24 in a number of years.
- The jump in business confidence itself, the reading on the current quarter, also displays likely improved sentiment from consumers, which affect the rising components.

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

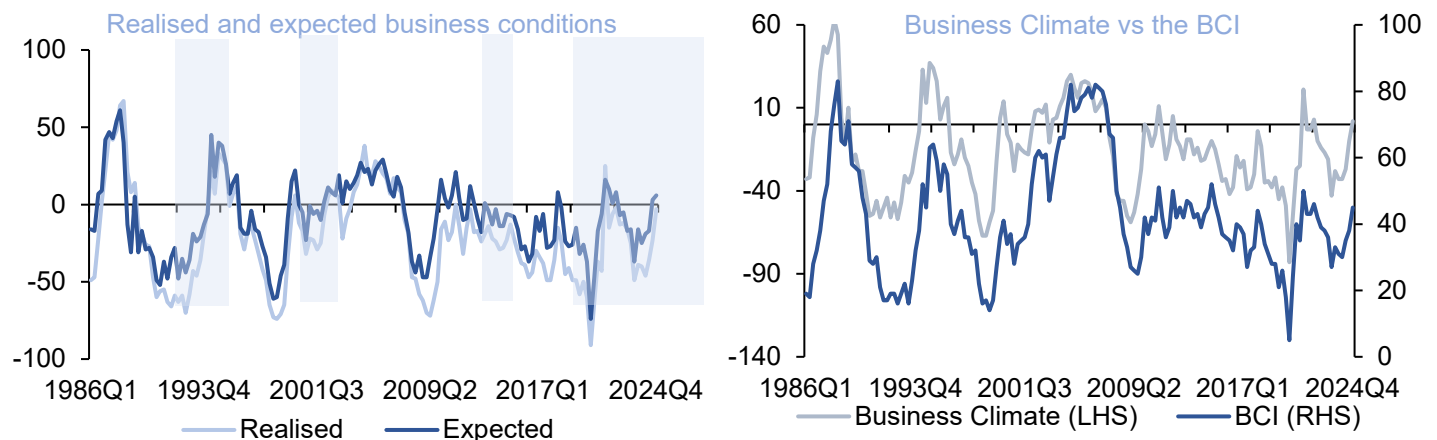
South Africa	Unit	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	Ch
RMB/BER business confidence	%	36	27	33	31	30	35	38	45	7
Gauteng	%	31	23	31	27	23	33	33	46	13
KwaZulu-Natal	%	56	39	37	41	18	39	53	40	-13
Western Cape	%	39	31	35	37	40	40	43	55	12
Business conditions: realised ¹	Net %	-25	-49	-39	-40	-46	-36	-23	-3	20
Business conditions: expected	Net %	-16	-37	-16	-25	-19	-17	3	6	3
Business climate ^{#,1}	Net %	-21	-43	-28	-33	-33	-27	-10	2	12
Activity ³	Net %	-18	-28	-24	-28	-29	-21	-22	-4	18
Employment ⁴	Net %	-7	-12	-5	-3	-13	-6	-9	-7	2
Purchasing prices ⁵	Net %	75	75	59	64	63	60	58	42	-16
Selling prices ⁶	Net %	46	42	32	26	40	34	28	21	-7
Inventories ⁷	Net %	3	8	21	23	18	22	24	19	-5

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

- Four categories of business confidence readings rose, with the remaining one being manufacturers sentiment, which lifted from 28 to 36. Vehicle dealers' confidence, however, fell to a very depressed 23 from 27.
- Manufacturers are still experiencing depressed sentiment, even if less so, as their businesses are negatively affected by the blockages at the ports in South Africa, as Transnet still experiences freight constraints, even if these have been lessened somewhat. Weak global demand has also had an impact on exports.
- Vehicle dealers have not seen confidence rise in late October and early November, with the small -25bp cut in interest rates in September having very little effect on big ticket items such as motor vehicles. Instead, it is likely to take a series of interest rate cuts to spur consumer interest in these expensive purchases.

Figure 4: Realised and expected business conditions and business climate vs the RMB/BER BCI



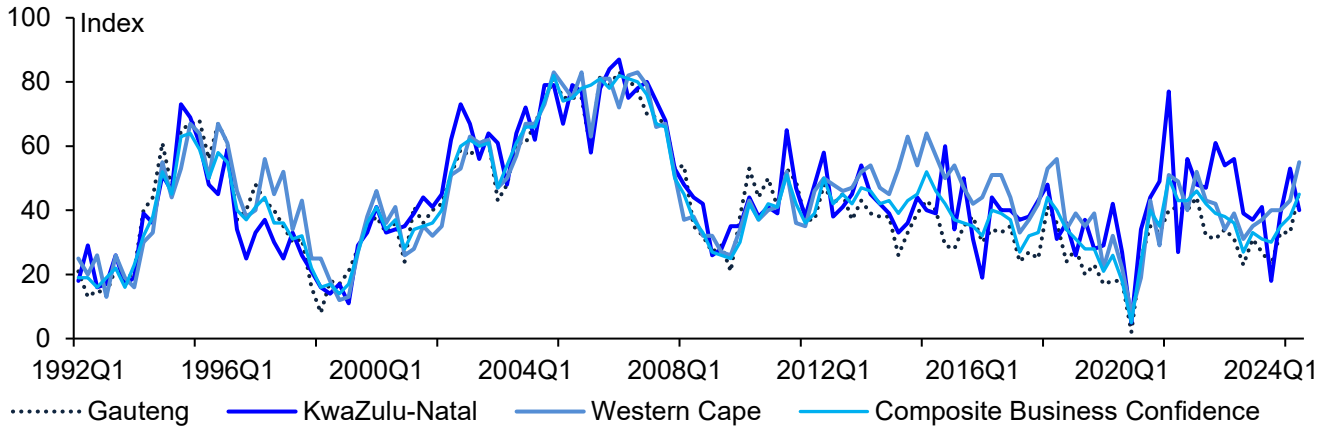
Source: BER



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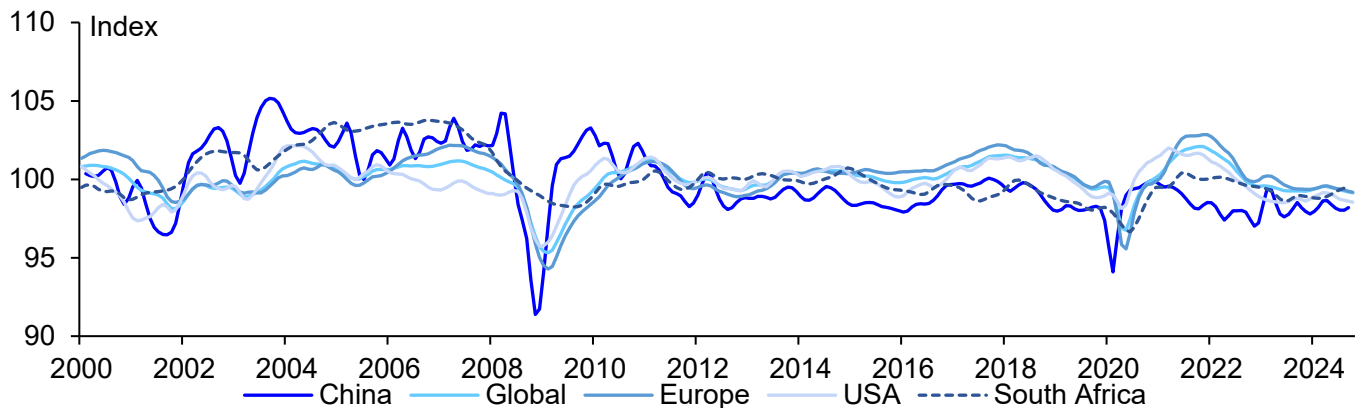
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Figure 5: Composite confidence per province



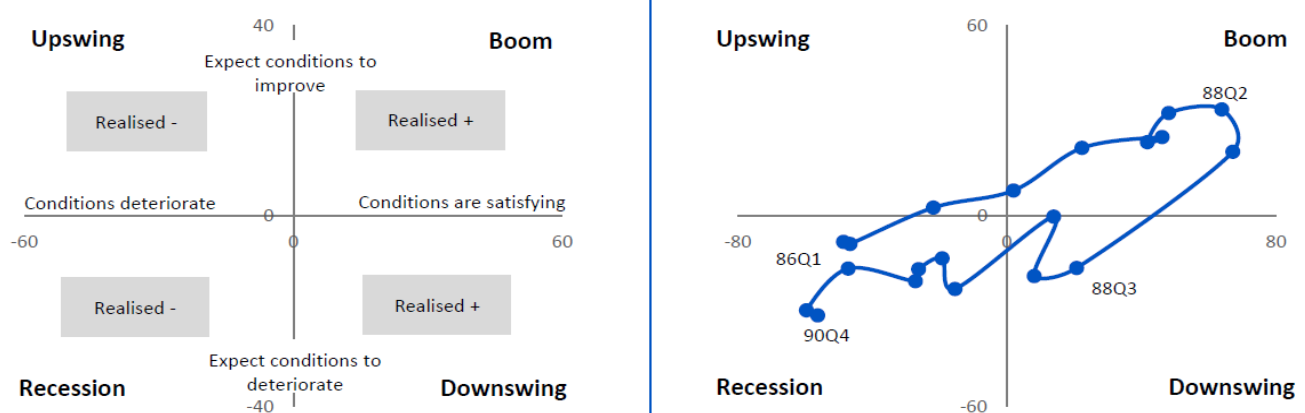
Source: BER

Figure 6: OECD BCI



Source: OECD

Figure 7: Business cycle clock



Source: BER



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