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### **The South African SMME's Business Confidence Index continues its downward plunge into the third Quarter of 2008**

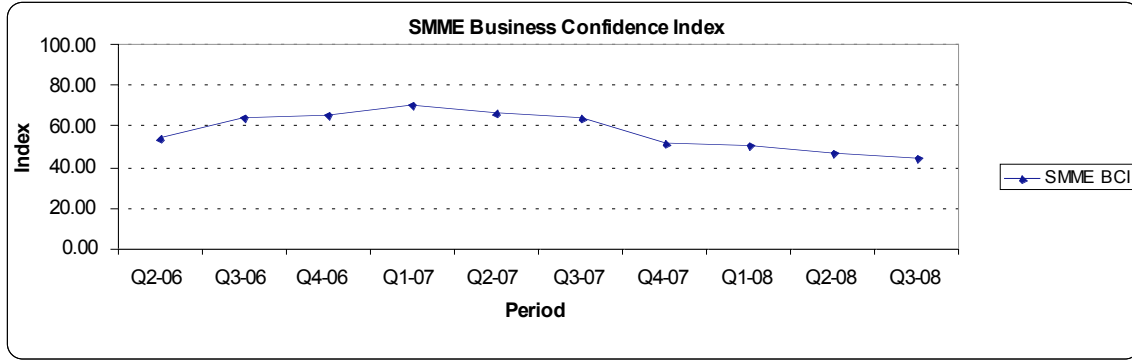
Amidst multiple signs of not so soft landing for the economy of South Africa, unless it is a temporary blip, owners of SMMEs remain pessimistic that their firms will successfully weather the current challenging business conditions. SMMEs Business Confidence Index dropped 4.66 percentage points in the third quarter of 2008. The year-to-date movement of the Business Confidence Index (BCI) since the beginning of the survey in 2006, shows a surge in BCI up to the first quarter of 2007. It however plunged in the second quarter of 2007 and continued into the first, second and third quarters of 2008.

The confidence levels in all the three areas viz. the industrial, trade and services sectors have dropped. Similar to the previous quarter, the services sector recorded the steepest decline. The confidence index for this sector dropped from 36.53% in the second quarter of 2008 to 32.74% in the third quarter of 2008, representing a decrease of 10.38%. In the industrial sector, the confidence index for the 3<sup>rd</sup> quarter of 2008 decreased to 44.56% from 47.21% in the 2<sup>nd</sup> quarter of 2008, a decrease of 5.61% whereas that of the trade sector has declined to 44.11% from 47.18% in the 2<sup>nd</sup> quarter of 2008 also representing a decrease of 6.51%.

In terms of the future business outlook, only the industrial sector expressed moderate optimism. The confidence index for future outlook in this sector increased from 46.50% in the 2<sup>nd</sup> quarter of 2008 to 47.21% in the third quarter of 2008, representing a modest increase of 1.53%. The confidence index for future outlook in the trade sector has decreased from 56.06% in the 2<sup>nd</sup> quarter of 2008 to 53.33% in the third quarter of 2008, a decrease of 4.87%. The index for the services sector also declined from 48.73% in the 2<sup>nd</sup> quarter of 2008 to 47.09% in the third quarter of 2008, representing a decrease of 3.37%.

The overall Business Confidence Index (which averages all the three business sectors in the country) shows a significant drop. The overall index decreased from 43.64% in the 2<sup>nd</sup> quarter of 2008 to 40.47% in the third quarter of 2008, a decrease of 7.26% in business confidence.

The graph below shows the overall trend of South African SMMEs Business Confidence Indices from 2006 the second quarter of 2008.



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