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South African SMME Business Confidence Index Report: Second Quarter 2007

Compiled by: Africagrowth Institute

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Introduction

Results from the Africagrowth Research SMME Business Confidence Survey for the 2nd Quarter of 2007 have just been compiled. The general trend in the overall business mood showed a decrease in business confidence when compared to results from the 1st quarter of 2007. The results for the 2nd Quarter of 2007 survey are summarized as follows:

1 Sectoral Present outlook

1.1 Industrial Sector Present Outlook (Perception)

The industrial sector illustrated a decreasing confidence in business after it has shown a gradual increase over the past 3 quarters. The business confidence level for present outlook for the Industrial Sector decreased from 62.52 in the 1st quarter of 2007 to 59.60 in the 2nd quarter of 2007 representing a decrease of 4.68%. This trend is in line with that observed by the most recent Investec Purchasing Managers Index, which shows a slowdown in growth in the manufacturing sector

1.2 Trade Sector Present Outlook (Perception)

There was a marginal decrease in business confidence in the trade sector. The business confidence level for present outlook for the Trade Sector decreased from 64.35 in the 1st quarter of 2007 to 62.74 in the 2nd quarter of 2007 representing a decrease of 2.51%.

1.3 Services Sector Present Outlook (Perception)

The business confidence level for present outlook for the Services Sector decreased from 67.11 in the 1st quarter of 2007 to 56.42 in the 2nd quarter of 2007 representing a decrease of 15.93%.

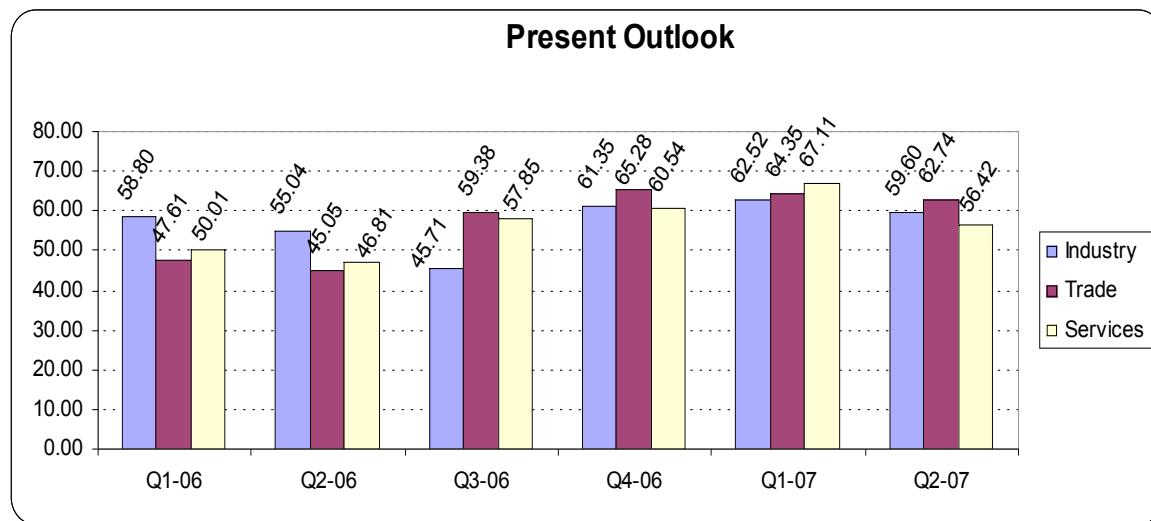


Figure 1 Present Outlook

2. Sectorial Future Outlook

2.1. Industrial Sector Future Outlook (Perception)

This sector expressed negativity about future business outlook. The business confidence level for future outlook (Figure 2) for the Industrial Sector decreased from 78.58 in the 1st quarter of 2007 to 74.91 in the 2nd quarter of 2007 representing a decrease of 4.67%

2.2. Trade Sector Future Outlook (Perception)

The confidence index for future outlook in this sector decreased from 76.23 in the 1st quarter of 2007 to 72.09 in the 2nd quarter of 2007, a decrease of 5.43%. This sector shows a pessimistic view about future business expectations. It appears that the pessimistic view was led by the domestic petrol prices in the light of international crude oil price increases.

2.3. Services Sector Future Outlook (Perception).

The services sector expressed the most pessimistic outlook for future business activity. The confidence index for future outlook decreased from 77.28 in the 1st quarter of 2007 to 72.46 in the 2nd quarter of 2007 (Figure 2), representing a decrease of 6.23%.

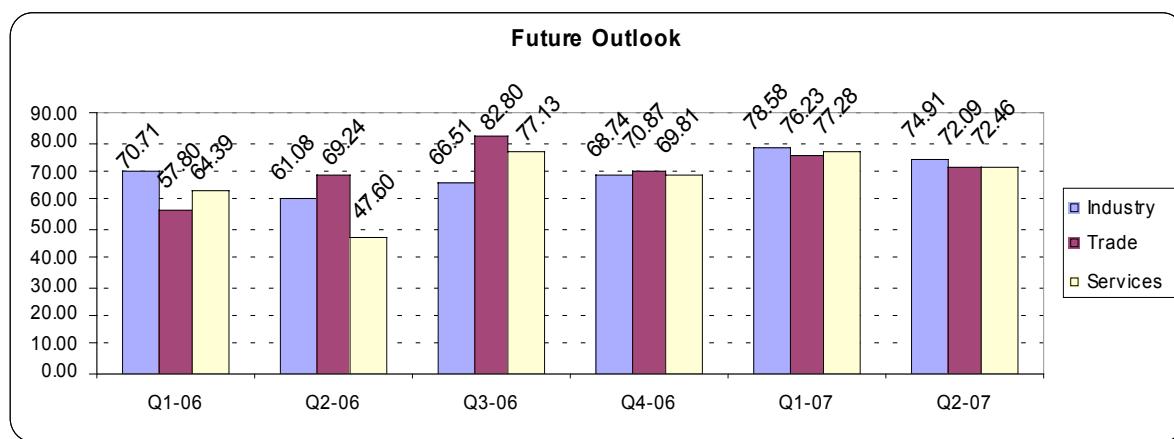


Figure 2 Future Outlook

3. Overall Present Index.

The business confidence index for present outlook in the 2nd quarter of 2007 dropped from 64.66 to 59.59 compared to that of the 1st quarter of 2007 representing a decrease of 7.84%.

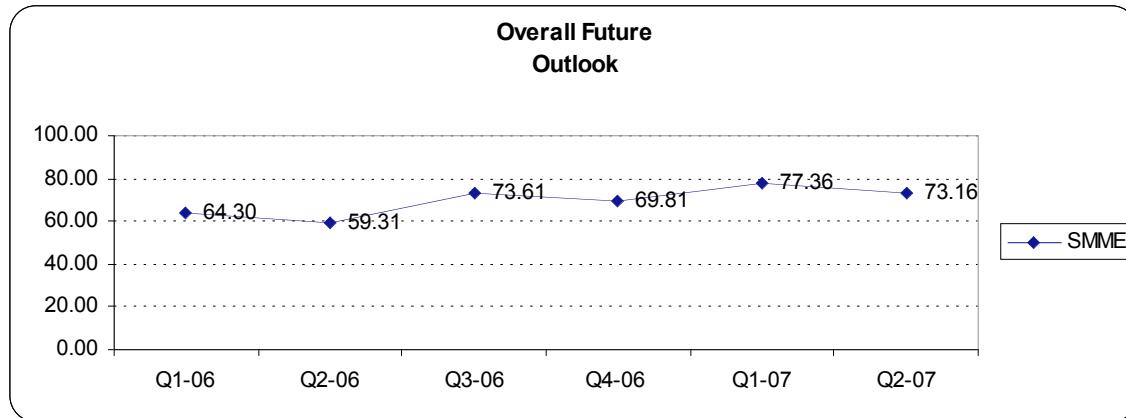


Figure 3 Overall Present Outlook Change

4. Overall Future Index.

The future outlook in the 2nd quarter of the 2007 survey results (Figure 4) also show a pessimistic trend in business activities. The overall future outlook index decreased from 77.36 in the 1st quarter of 2007 to 73.16 in the 2nd quarter of 2007, a decrease of 5.43%.

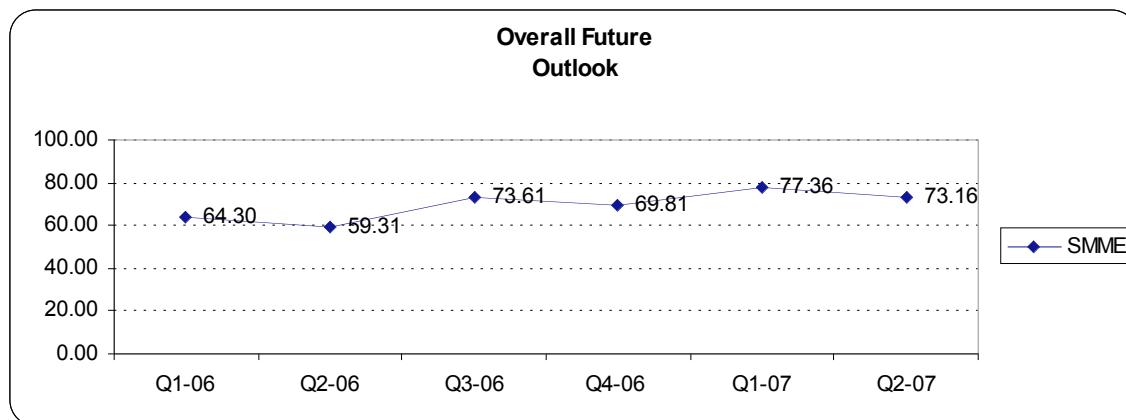


Figure 4 Overall Future Outlook Change

5. Overall Index Movement

Inflationary pressures from previous petrol price increases as well as interest rate hike appear to be affecting the general business environment hence reducing

business confidence in the SMME sector. The overall SMME Business Confidence Index (Figure 5) illustrated a gradual descending trend in the second quarter 2007. The overall index decreased from 71.01 in the 1st quarter of 2007 to 66.37 in the 2nd quarter of 2007, a decrease of 6.54% in business confidence. It does appear that, SMMEs are not optimistic about future trends in business activity for the rest of the year 2007.

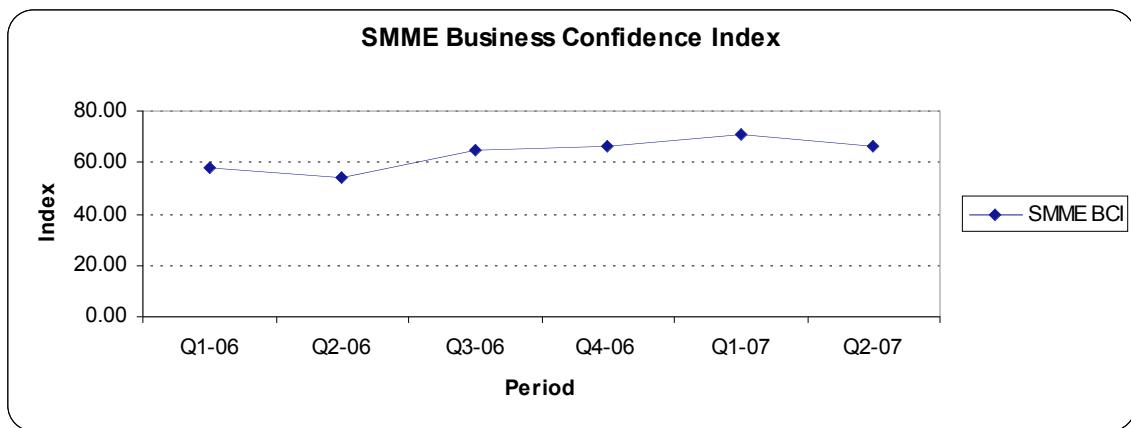


Figure 5 SMME Business Confidence Index

The year-to-date growth rate (Figure 6) for business confidence since the beginning of the surveys in 2006, show a general increasing growth in business confidence. This increasing trend has however slowed down during the first and second quarters of 2007. The year-on-year growth rates show a decline in business confidence in relative terms, with the period between the first and second quarters of 2007, witnessing the biggest decline in business confidence.

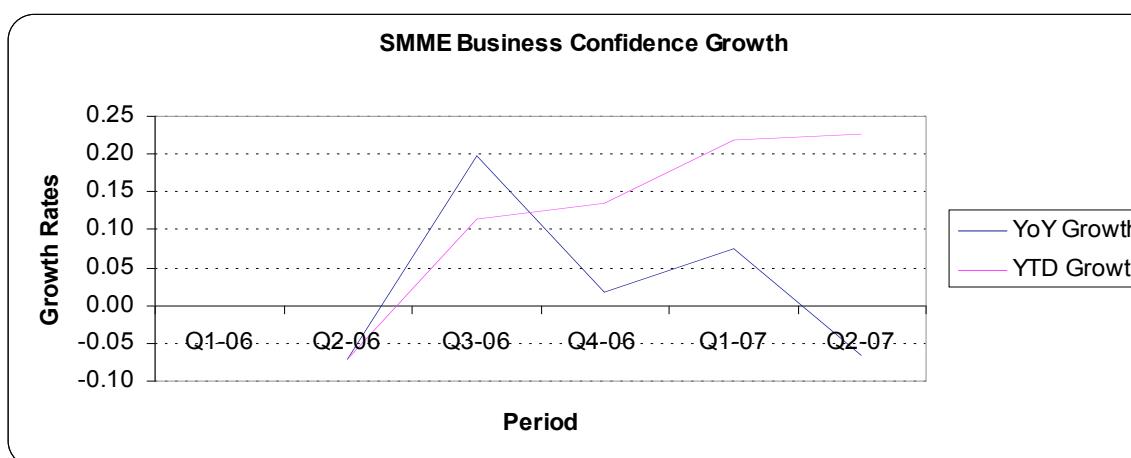


Figure 6 SMME Business Confidence Growth