

SACCI PRESS RELEASE

EMBARGO: 11:30 on 6 October 2009

Building Business Confidence

The **SACCI** Business Confidence Index (BCI) for September 2009 was released today.

The **SACCI** Business Confidence Index (BCI) improved notably to 85.5 in September 2009 from 83 in August 2009. The BCI is 6.6 index points higher than the depressed level of 78.9 measured in March 2009.

The September 2009 level is the best level recorded since November 2008 when the index stood at 86.7. The majority of the BCI sub-indices had a positive impact on the BCI in September 2009 on a month-to-month basis suggesting that business confidence may continue improving over the medium term. The majority of the year-on-year changes in the sub-indices are negative except for inflation, the weighted rand exchange rate, precious metal prices and liquidations. The improvement in business confidence may therefore be a slow process depending largely on healthier real global economic conditions.

To fully comprehend the substance of the improved BCI, the latest level of the BCI must be viewed against the economic context we currently face. Given the slow economic global recovery and low inflation and even deflation in the US, Japan, China and a number of other economies, it becomes apparent that markets may be too optimistic about the strength of the recovery of the global economy. In its October 2009 World Economic Outlook, the IMF indicated that the pace of recovery is slow, and activity remains far below pre-crisis levels in some economies.

South Africa must also be wary of a twin deficit risk (public sector borrowing requirement and current account deficit of the BOP) that could retard South Africa's growth ability and recovery from the present economic situation. Crowding out the private sector from the capital markets in a low savings economy, remains a risk for SA's economic outlook.

Business confidence and economic performance will however to a large extent depend on the pace of the global economic recovery and the ability of South Africans to seize opportunities.

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Released by the SACCI, Johannesburg – 6 October 2009