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EC business confidence levels rise to six-year high

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BUSINESS confidence levels in the Eastern Cape have risen to their highest in almost six years, a key barometer of regional sentiment has found. Among 15 components measured in the business confidence index published by the PE Regional Chamber of Commerce and Industry (Percci), 13 have improved, one has remained unchanged, and only one has declined. Specialist economist Dr Neal Bruton, who carries out the survey for the chamber, said indicators that had improved included growth in new car sales in the metro. This component “has bottomed out and moved into a phase of recovery, as has the trend cycle in the total new vehicle market in the country which is now also reflecting cyclical growth”, said Bruton. Other boosts in confidence were on the exports front, despite the strength of the rand, while imports were also picking up, said Bruton, a director of newly listed RGT Smart.

“The trend cycles in the real value of building plans passed in the metro and in the value of buildings completed are also reflecting improvement. The trend cycle in passengers arriving at the PE Airport has reflected some improvement. “Furthermore, the PEBCI was supported by a decline in the local rate of inflation to 5.3% in March and trend cycle growth in the real value of retail sales in the Eastern Cape, which is beginning to reflect slow recovery. “A resumption of growth on the underlying trend in the JSE all-share index and in the rand-US dollar exchange rate also supported the index through March. “Finally, the index further benefited by strong growth in the level of consumer confidence in the Eastern Cape during the first quarter of 2010, with the index rising to 26, the highest level since June 2004.” Of the remaining two indexes, the seasonally adjusted value of manufacturing sales moved sideways, while sentiment on the gold price “eased marginally”. Bruton issued a caution on future prospects.

“The index’s rate of growth appears to have begun slowing, a development that could well correspond with developments in the broader economy.” Reasons for this included that the economic stimulus provided to the economy “has yet to be as strongly reflected in the consumption side”. “Key indicators of economic activity such as money supply growth, growth in credit extension and growth in credit extended to the private sector remain at historically low levels and the annual change in real retail sales remained at -1.5% in February. “Households remain heavily in debt which together with significant job losses during 2009 continues to negatively influence the willingness of households to spend and to utilise credit. “Strict bank lending criteria, while easing, also continue to limit the recovery and the rate of growth in credit extension to the private sector.” Nevertheless, recent developments – lower interest rates, a good stock exchange performance, and improvements in consumer and business confidence – “auger well for accelerated recovery in consumption demand”.