

BUSINESS CONFIDENCE INDEX

Quarter 3 - 2018

The Zambia Chamber of Commerce and Industry (ZACCI) BCI Quarter 3-2018 Survey covers the period from July, 2018 to September, 2018. The BCI survey captures the current business climate in Zambia and factors affecting business growth. It allows short term forecasting and provides valuable information to businesses, investors and Government.



BUSINESS CONFIDENCE INDEX

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BCI is the ZACCI *proprietary tool* that measures the level of confidence in the business environment and predicts short term business trends. It simply expresses perceptions on the state of business climate in one figure (index) with 100 points as the median. A BCI higher than 100 points signify positive sentiments about the business climate and a BCI lower than 100 points signify negative sentiments about the business climate. It is calculated out of current business mood and expectations for the future.

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Business Confidence Index (BCI) has decreased in Quarter 3 of 2018 according to the ZACCI Business Confidence survey conducted on 102 members of ZACCI across all sectors and Provinces.

The recorded BCI of 92.9 points which is lower than 100 points signifies negative sentiments about the business climate in Quarter 3, 2018.

The main reasons that led to the decline in the BCI include the depreciation of the kwacha, low sales due to seasonal demand, delayed payments by Government, poor liquidity and future expectations that fuel hike will further increase the cost of doing business.

BUSINESS CONFIDENCE INDEX



OVERALL BUSINESS CONFIDENCE INDEX

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Fig 1: Overall BCI Trend



Business Confidence Index (BCI)¹ has decreased in Quarter 3 of 2018 according to the ZACCI Business Confidence survey conducted on 102 members of ZACCI across all sectors and Provinces. From the confidence of 168.5 points in Quarter 2 of 2018, business confidence has substantially decreased by 75.6 points to 92.9 points in Quarter 3 of 2018 as shown in figure 1 above.

¹ BCI is the ZACCI proprietary tool that measures the level of confidence in the business environment and predicts short term business trends. It simply expresses perceptions on the state of business climate in one figure (index) with 100 points as the median. A BCI higher than 100 points signify positive sentiments about the business climate and a BCI lower than 100 points signify negative sentiments about the business climate. It is calculated out of current business mood and expectations for the future.



STATE OF BUSINESS

Response by Sector

Fig 2: Responses by sector

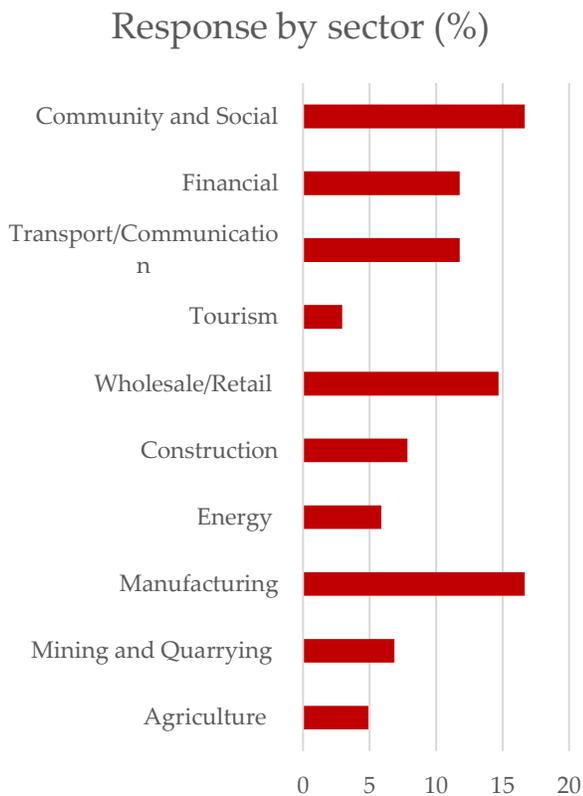


Figure 2 above shows responses by sector. The highest number of responses were received from Manufacturing, Community and Social sector (16.7 percent) followed by whole/retail at 14.7 percent. The figure further shows that the Tourism sector recorded the lowest number of responses at 2.9 percent of the total responses

while agriculture sector had the second lowest responses at 4.9 percent.

Business situation in Quarter 3

Fig 2: Business Situation in Quarter 3

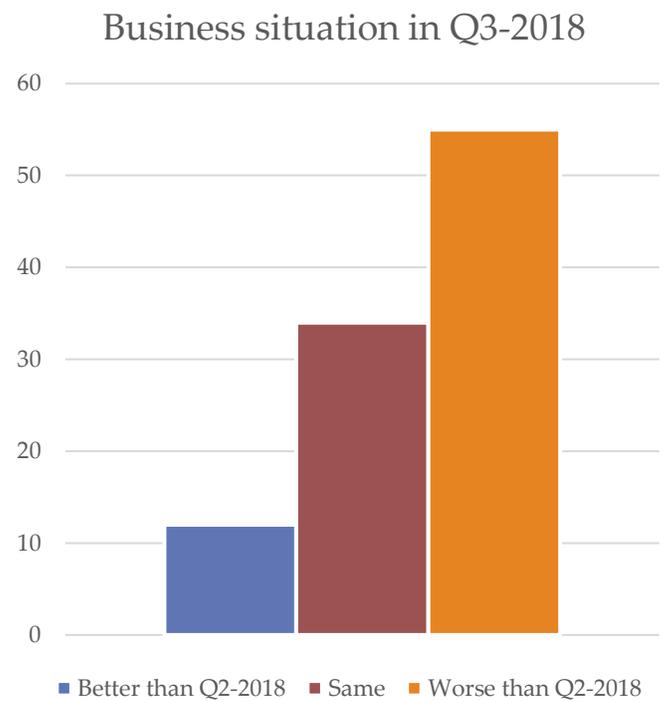


Figure 3 above shows the state of business in Quarter 3 of 2018. The figure shows that most of the respondents (55 percent) were of the view that their businesses performed worse in Quarter 3 of 2018 than in Quarter 2 of 2018, 12 percent of the respondents felt their business performed better in Quarter 3 of 2018 compared to Quarter



Reasons for reduction in BCI



Respondents cited *the depreciation of the kwacha, low sales due to seasonal demand, delayed payments by Government, poor liquidity and future expectations that fuel hike will further increase the cost of doing business.*

2 of 2018, while 34 percent said their businesses operated at the same level in Quarter 3 of 2018 as in Quarter 2 of 2018.

Fig 4: Expectation on Business in Quarter 4

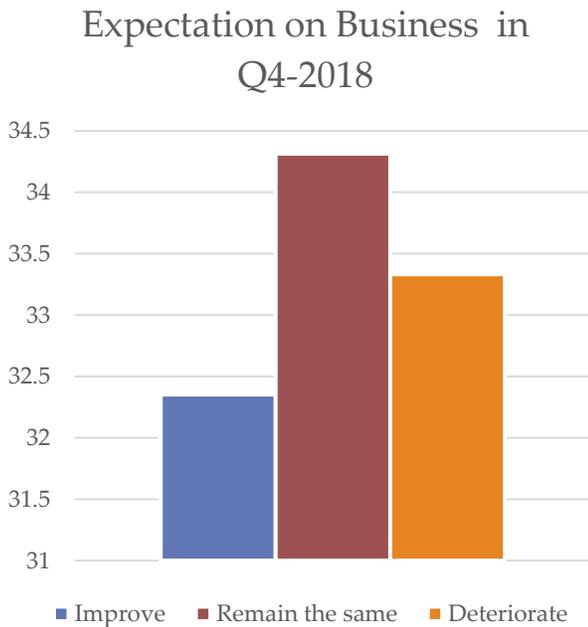


Figure 4 above shows expectations for Quarter 4 of 2018. The figure shows that most of the respondents (34.3 percent) expect the performance of their businesses to remain the same in Quarter 4 of 2018, 33 percent expect the performance of their businesses to deteriorate in Quarter 4 of 2018, while 32.3 percent of the respondents expect their businesses to improve in Quarter 4 of 2018.

STATE OF EMPLOYMENT

Fig 5: Employment Situation in Quarter 3

Employment situation in Q3-2018

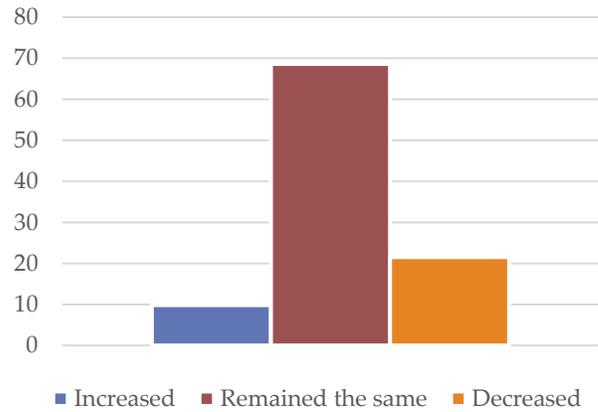


Figure 5 above shows employment situation in Quarter 3 of 2018. The figure indicates that most of the respondents (68.6 percent) maintained the same number of employees, 21.5 percent indicated that they reduced the number of staff, while 9.8 percent of the respondents increased the number of employees in the same period.





DEMAND FOR GOODS AND SERVICES

Fig 7: Demand for Goods and Services in Quarter 3

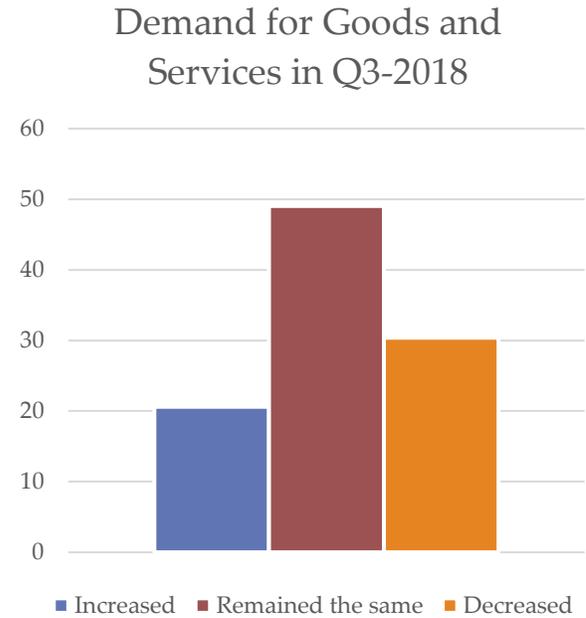


Figure 7 above shows demand for goods and services in Quarter 3 of 2018. The figure indicates that most of the respondents (49 percent) did not experience any change in demand for their goods and services, 30.3 percent indicated that demand for their goods and services reduced, while 20.5 percent said demand for their goods and services increased in the same period.

Fig 6: Employment Expectations

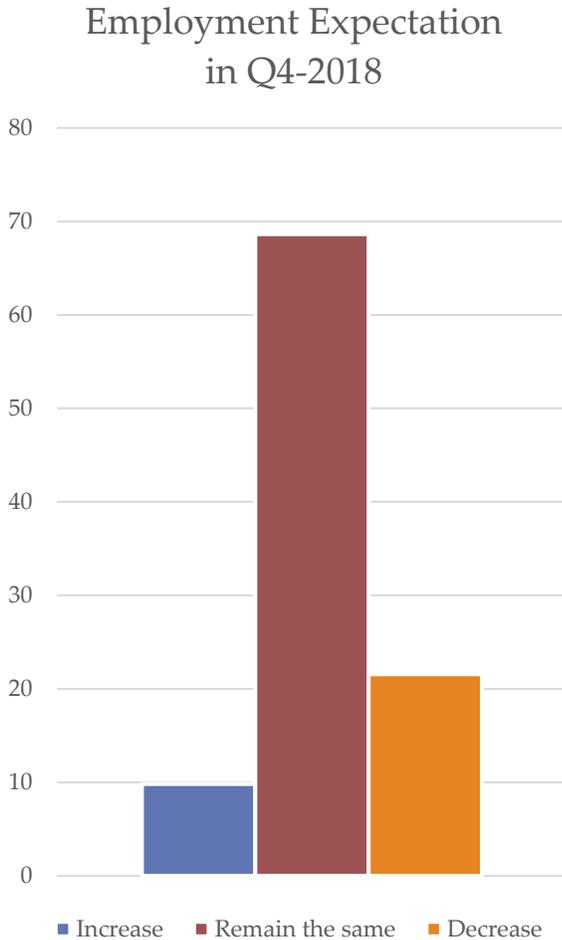


Figure 6 above shows employment expectations in Quarter 4 of 2018. The figure reviews that most of the respondents (68.6 percent) expect to maintain the number of employees, 21.5 percent expect to reduce their staff, while only 9.8 percent of the respondents expect to increase staff levels in the same period.





Fig 8: Expected Demand for Goods and Services in Quarter 4

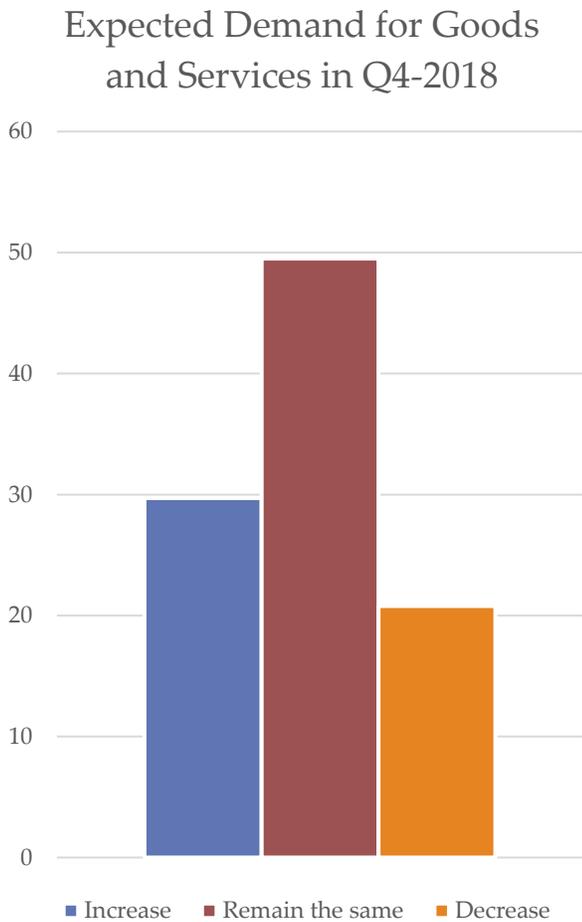


Figure 8 above shows expected demand for goods and services in Quarter 4 of 2018. The figure reveals that most of the respondents (49.5 percent) expect demand for their goods and services to remain the same, 29.7 percent expect demand for their goods and services to increase, while 20.8 percent of the respondents expect demand for goods and services to reduce in the same period.

COST DOING BUSINESS
Fig 9: Cost of Business in Quarter 3

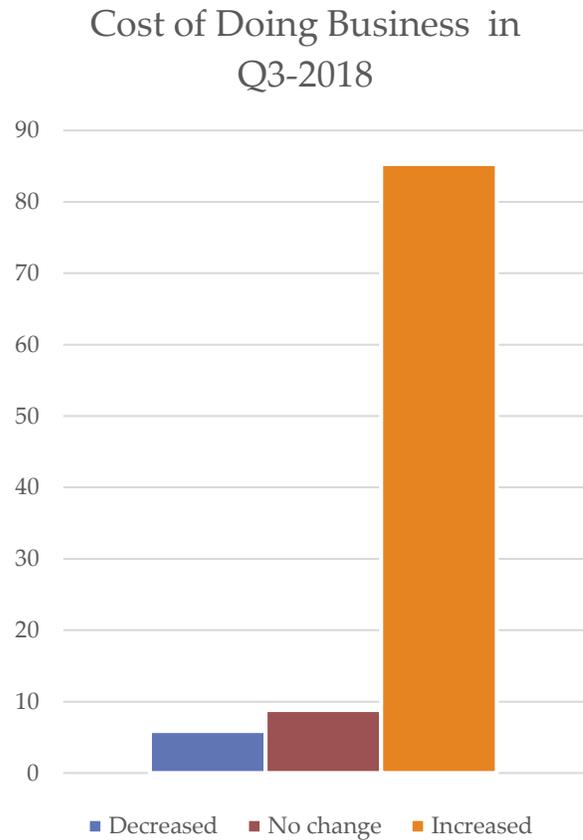


Figure 9 above shows respondents' views on the general cost of doing business in Quarter 3 of 2018. The figure reveals that most of the respondents (85.3 percent) indicated that the general cost of doing business increased in Quarter 3 of 2018, 8.8 percent were of the view that the general cost of doing business remained the same in the same period, while 5.8 percent indicated that the general cost of doing business decreased in the same period.





SALES TAX

Many respondents indicated a need to further look into the details of the Sales Tax legislation.

Some respondents were open to the Sales tax and some others were against it while a substantial portion expressed concerns that it would have negative implications on business and VAT refunds especially in the mining sector.

“There is much information that has been disseminated and most Zambians don't even understand this” - Respondent

EXCHANGE RATE & FUEL HIKE BUSINESS IMPACT

Respondents indicated that the fuel hike really affected the cost of doing business. For many businesses it became more costly to import goods and services. Respondents noted the cost of transportation increased substantially affecting the cost of doing business.

“Prices of Commodities are high, Fuel is the engine of many a business” - Respondent

OVERALL ECONOMY

Fig 10: Overall performance of the economy

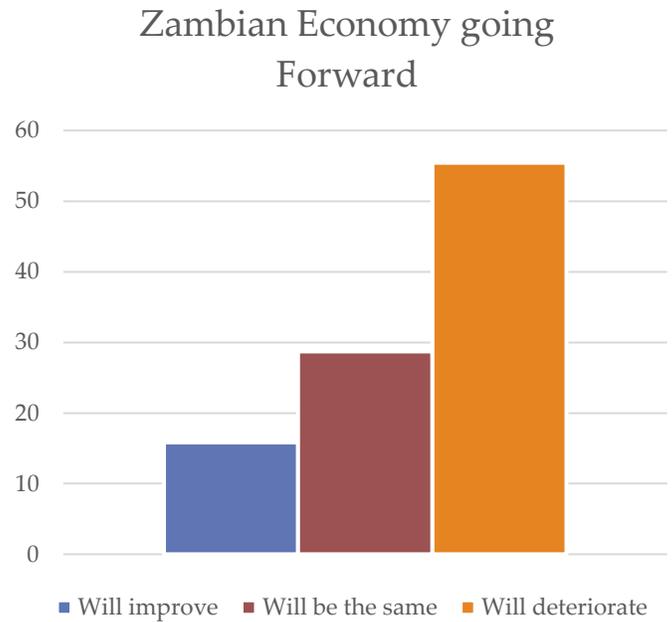


Figure 10 above shows respondents' expectations on the overall performance of the economy. 55.4 percent of the respondents were of the view that the economy will deteriorate, 28.7 percent indicated that the economy will be the same, while 15.8 percent said the economy will improve going forward.

CONCLUSION

The Quarter 3 Business Confidence Index survey has revealed that the business executives' sentiments about the business environment has substantially reduced. This was mainly due to the depreciation of the kwacha, low sales due to seasonal demand, delayed payments by

BUSINESS CONFIDENCE INDEX



Government, poor liquidity and future expectations that fuel hike will further increase the cost of doing business.

