

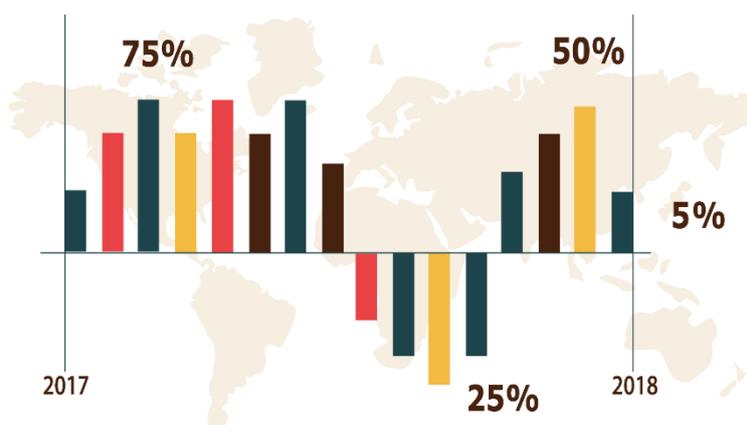


ZAMBIA CHAMBER OF COMMERCE AND INDUSTRY

BUSINESS CONFIDENCE INDEX QUARTER FOUR 2018

February, 2019

- Overall BCI substantially increases to 161.4 points
- Manufacturing sector records highest positive sentiments
- Bottlenecks to business



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BUSINESS CONFIDENCE INDEX

Business Confidence Index (BCI) is the ZACCI proprietary tool that measures the level of business executives' 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

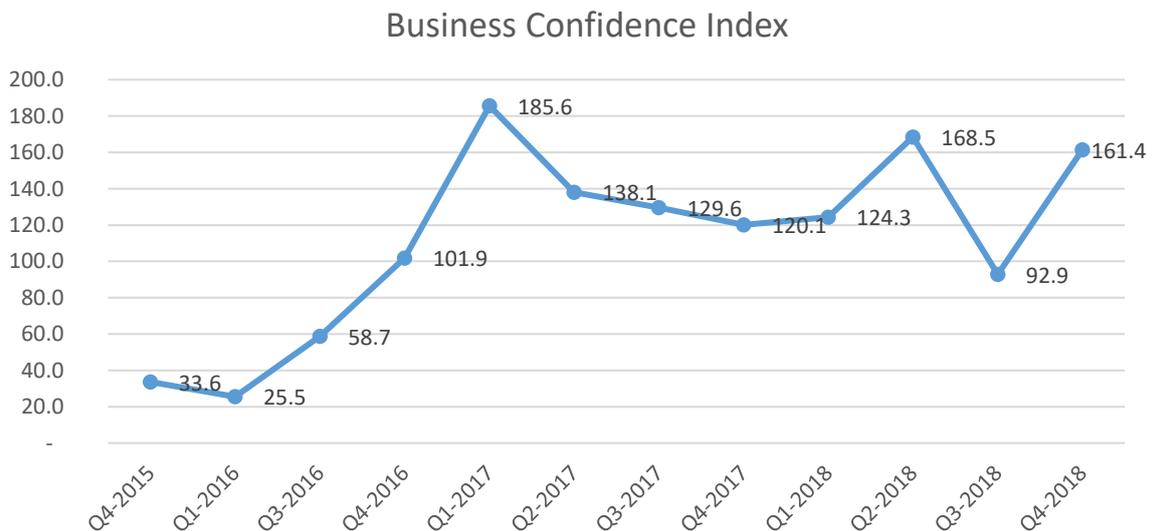
100 points as the median. A BCI higher than 100 points signifies positive sentiments about the business climate and a BCI lower than 100 points signifies negative sentiments about the business climate. It is calculated out of current business mood and expectations for the future.

Overall Business Confidence Index

The overall Business Confidence Index in Q4 of 2018 (October to December 2018) has increased according to the ZACCI Business Confidence survey conducted on 247 members of ZACCI across all sectors and Provinces. From the confidence of 92.9 points in Q3 of 2018, business confidence has substantially increased by 68.5 points

to 161.4 points in Q4 of 2018 as shown in figure 1 below. This was mainly driven by respondents' expectations that the state of their businesses will improve in Q1 of 2019. Another factor which contributed to the increase in the BCI was increased demand for goods and services especially in the financial sector.

Fig 1: Overall BCI Trend



Source: ZACCI 2019 filed survey

Business Confidence Index by Sector

All sectors recorded positive sentiments on the business environment as shown in

table 1 below. The manufacturing sector recorded the highest BCI at 116.2 points

followed by the construction sector at 114.4 points, while the energy sector recorded the lowest at 101.2 points.

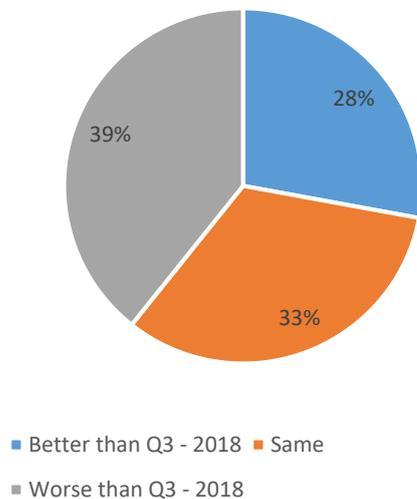
Table 1: Business Confidence Index by Sector

SECTOR	INDEX
Agriculture	101.7 points
Mining and Quarrying	102 points
Manufacturing	116.2 points
Energy	101.2 points
Construction	114.4 points
Wholesale/Retail	107.8 points
Tourism	102.7 points
Transport/Communication	103.3 points
Financial	111.2 points
Community and Social	105.9 points

Source: ZACCI 2019 field survey

STATE OF BUSINESS

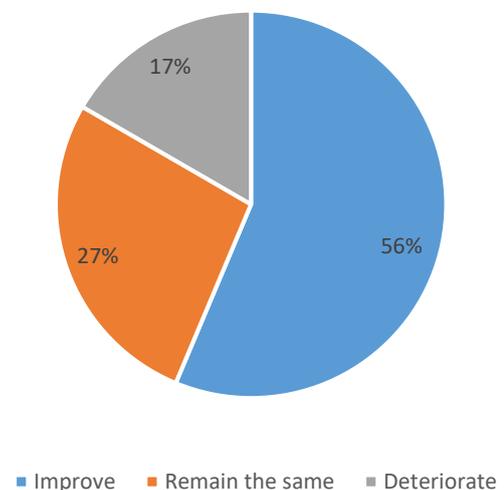
Fig 2: State of business Q4 2018



Source: ZACCI 2019 filed survey

Figure 2 above shows the state of business in Q4 of 2018. The figure shows that most of the respondents (39 percent) were of the view that their businesses performed worse in Q4 of 2018 than in Q3 of 2018, 33 percent of the respondents said their businesses operated at same level in Q4 of

Fig 3 Expected State of Business Q1 2019



Source: ZACCI 2019 field survey

2018 as in Q3 of 2018, while 28 percent felt that their businesses performed better in Q4 of 2018 than in Q3 of 2018.

Figure 3 above shows expectations for Q1 of 2019. The figure shows that most of the respondents (56 percent) expect the

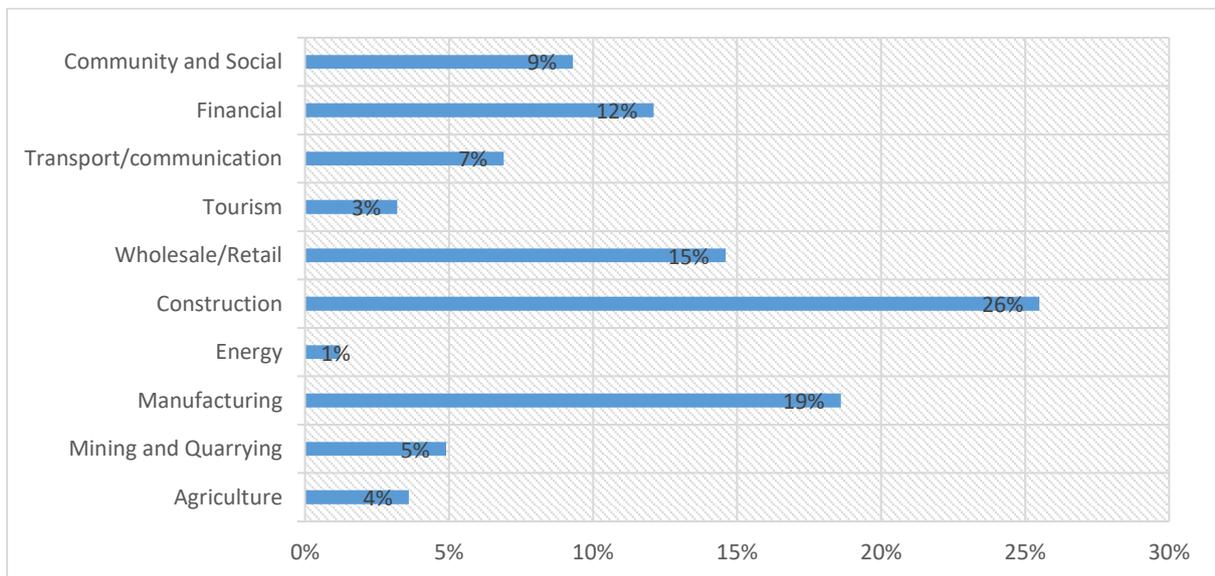
performance of their businesses to improve in Q1 of 2019, 27 percent do not expect any changes in the performance of their businesses in Q1 of 2019, while 17 percent of the respondents expect their businesses to deteriorate in Q1 of 2019.

Most respondents with favourable responses cited increased demand for goods and services as one of the factors that led to improved performance in their

businesses. On the other hand, respondents who gave unfavourable responses cited high energy cost (fuel), delayed payments from Government, stiff competition from foreign companies, fluctuations in the exchange rates and low crop prices in the case of the agriculture sector as factors that affected the performance of their businesses in Q4 of 2018.

RESPONSE BY SECTOR

Fig 4: Response Sector



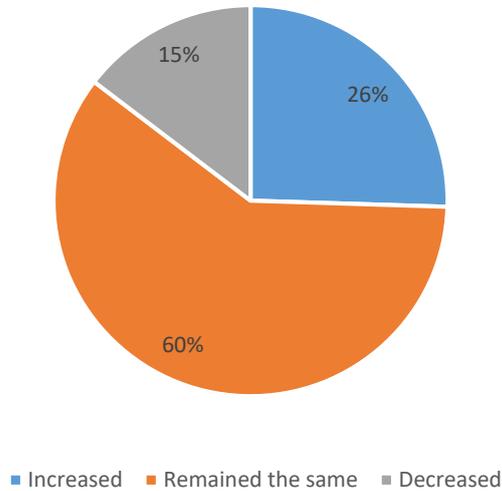
Source: ZACCI 2019 filed survey

Figure 4 above shows responses by sector. The highest number of responses were received from construction sector (26 percent) followed by manufacturing sector at 19 percent. The figure further shows

that the energy sector recorded the lowest number of responses at 1 percent of the total responses while tourism sector had the second lowest responses at 3 percent.

EMPLOYMENT SITUATION

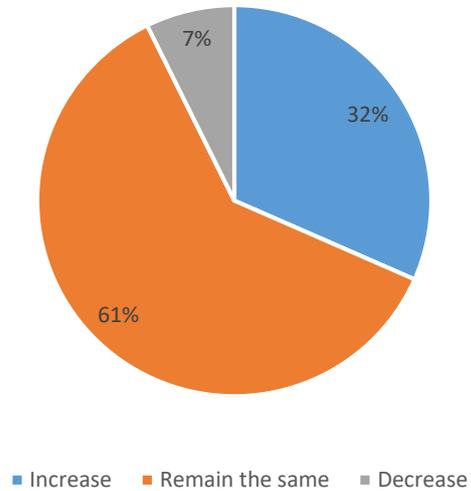
Fig 5: Employment situation in Q4 2018



Source: ZACCI 2019 field survey

Figure 5 above shows employment situation in Q4 of 2018. The figure indicates that most of the respondents (60 percent) maintained the number of employees, 26 percent indicated that they employed more staff, while 15 percent of the respondents reduced the number of employees in the same period.

Fig 6: Expected Employment situation in Q1 2019

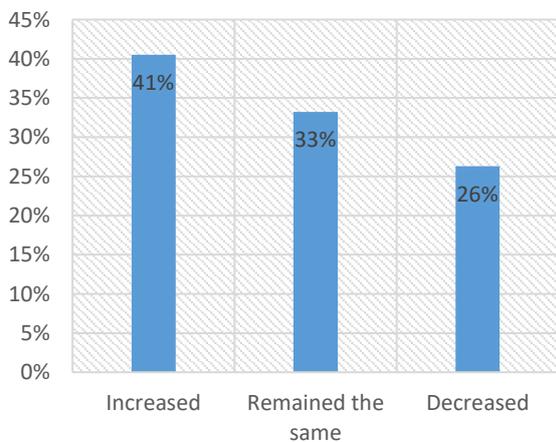


Source: ZACCI 2019 field survey

Figure 6 above shows employment expectations in Q1 of 2019. The figure shows that most of the respondents (61 percent) expect to maintain the number of employees, 32 percent expect to employ more staff, while only 7 percent of the respondents expect to reduce the number of employees in the same period.

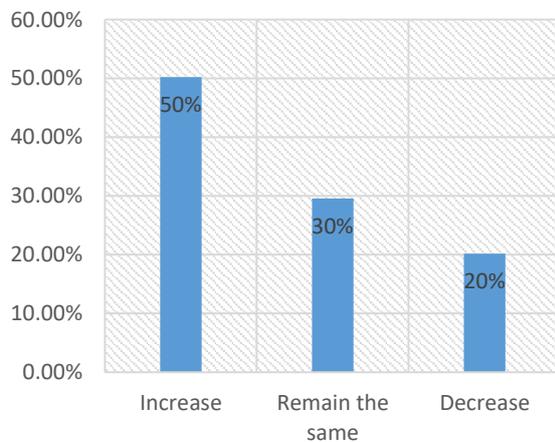
DEMAND FOR GOODS AND SERVICES

Fig 7: Demand for goods and services Q4 2018



Source: ZACCI 2019 field survey

Fig 8: Expected Demand for goods and services Q1 2019



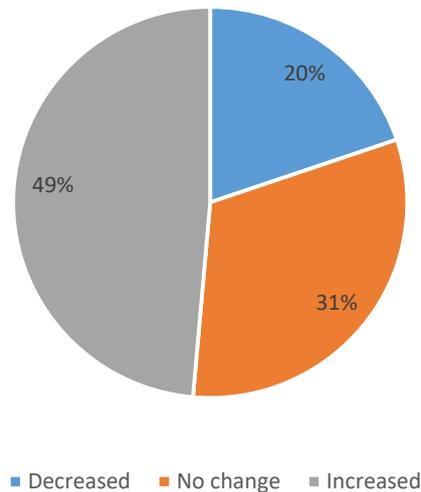
Source: ZACCI 2019 field survey

Figure 7 above shows demand for goods and services in Q4 of 2018. The figure indicates that most of the respondents (41 percent) experienced increased demand for their goods and services, 33 percent indicated that there was no change in demand for their goods and services, while 26 percent said demand for their goods and services decreased in the same period.

Figure 8 above shows expected demand for goods and services in Q1 of 2019. The figure shows that most of the respondents (50 percent) expect demand for their goods and services to increase, 30 percent expect demand for their goods and services to remain the same, while 20 percent of the respondents expect demand for goods and services to reduce in the same period.

IEWS ON THE GENERAL COST OF DOING BUSINESS IN Q4 OF 2018

Fig 9: Respondents' views on the general cost of doing business in Q4 2018



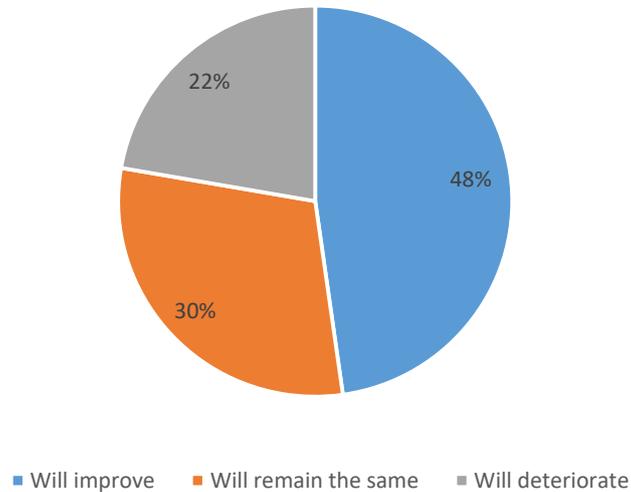
Source: ZACCI 2019 field survey

Figure 9 above shows respondents' views on the general cost of doing business in Q4 of 2018. The figure shows that most of the respondents (49 percent) indicated that the general cost of doing business increased in Q4 of 2018, 31 percent were

of the view that the general cost of doing business remained the same in the same period, while 20 percent indicated that the general cost of doing business decreased in the same period.

EXPECTATIONS ON THE OVERALL PERFORMANCE OF THE ECONOMY

Fig 10: Respondents' expectations on the overall performance of the economy



Source: ZACCI 2019 field survey

Figure 10 above shows respondents' expectations on the overall performance of the economy. 48 percent of the respondents were of the view that the performance of the economy will improve,

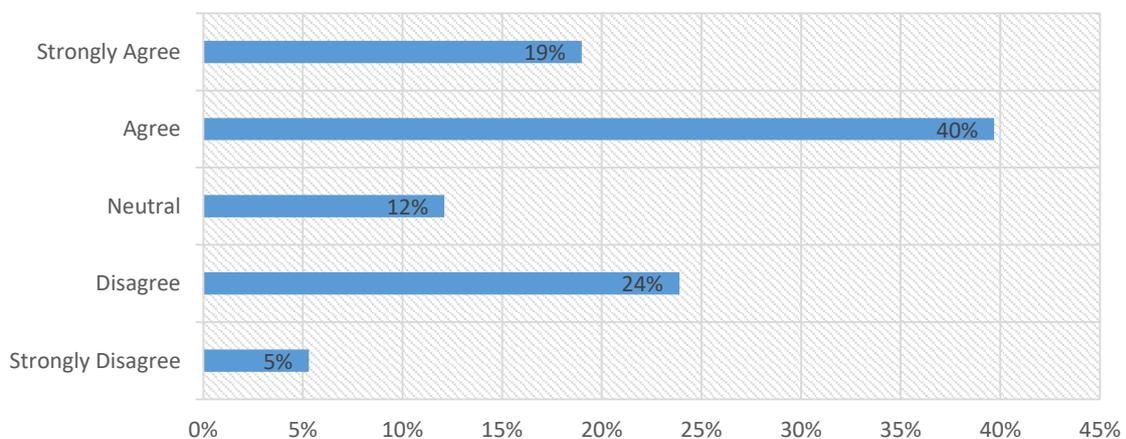
30 percent indicated that the performance of the economy will remain the same, while 20 percent said the economy will deteriorate going forward.

BOTTLENECKS EXPERIENCED DURING THE YEAR 2018

Different questions were asked regarding the factors that affected the performance

of business during the year 2018 . The respondents indicated as follows:

Fig 11: Policy inconsistency affected my business

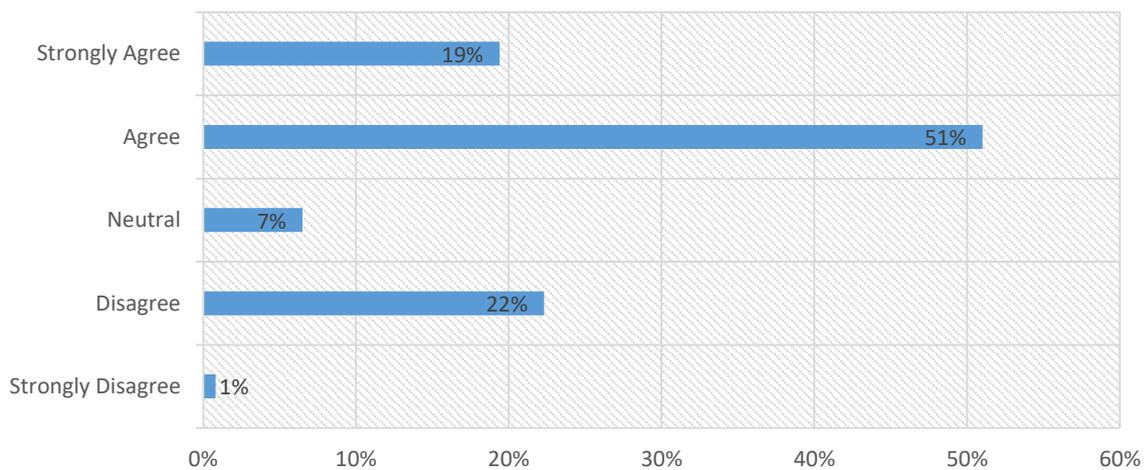


Source: ZACCI 2019 field survey

Figure 11 above shows that most of the respondents (40 percent) agreed that policy inconsistency affected the performance of their businesses, 24 percent disagreed, 19 percent strongly agreed, 12 percent neither agreed nor

disagreed, while only 5 percent strongly disagreed. This revealed that policy inconsistency affected the performance of business during the period of 2018 as shown by 59 percent of respondents who either strongly agreed or agreed.

Fig 12: Local tax made my business uncompetitive in the region

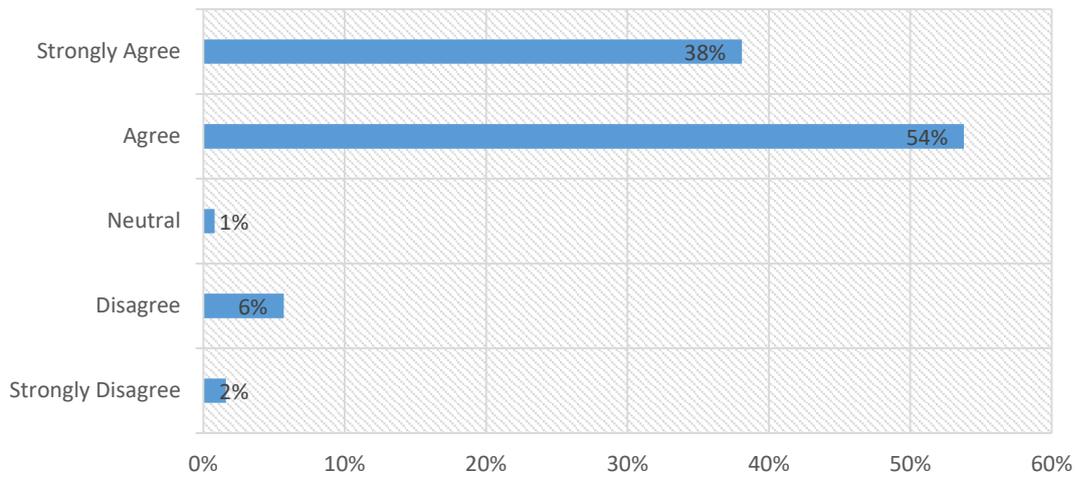


Source: ZACCI 2019 field survey

Figure 12 above indicates that most of the respondents (51 percent) agreed that local tax made their business uncompetitive in the region, 22 percent disagreed, 19 percent strongly agreed, 7 percent neither agreed nor disagreed, while only 1 percent

strongly disagreed. This revealed that local tax made business uncompetitive in the region during the period of 2018 as indicated by 70 percent of respondents who either strongly agreed or agreed.

Fig 13: The cost of fuel was too high

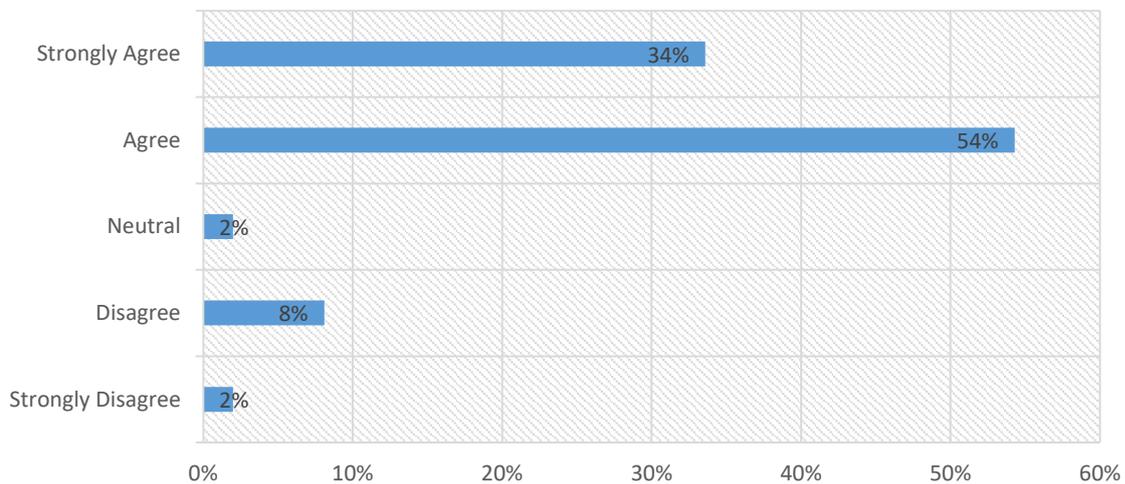


Source: ZACCI 2019 field Survey

Figure 13 above shows that most of the respondents (54 percent) agreed that the cost of fuel was too high in 2018, 38 percent agreed, 6 percent disagreed, 1 percent neither agreed nor disagreed,

while 2 percent strongly disagreed. This revealed that the cost of fuel was too high during the period of 2018 as indicated by 92 percent of respondents who either strongly agreed or agreed.

Fig 14: Transport by road was too expensive



Source: ZACCI 2019 field survey

Figure 14 above indicates that most of the respondents (54 percent) agreed that transport by road was too expensive in 2018, 34 percent strongly agreed, 8 percent disagreed, while 2 percent neither

agreed nor disagreed and the other 2 percent strongly disagreed. This revealed that transport by road was too expensive during the period of 2018 as indicated by 88 percent of respondents who either

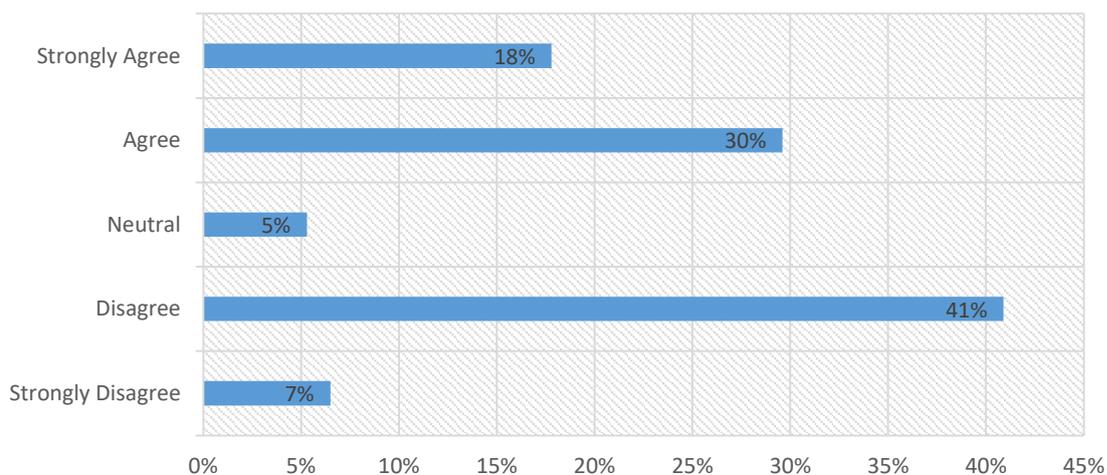
strongly agreed or agreed. This could have been due to the upward fuel adjustments as indicated in table 2 below.

Table 2: Fuel Prices

PRODUCT	NATIONAL UNIFORM PUMP PRICES K/Liter	
	PREVIOUS	CURRENT
Petrol	13.75	16.06
Diesel	12.01	14.65
Kerosene	8.85	11.34

Source: Energy Regulation Board Press Statement, October, 2018

Fig 15: Road blocks affected my business

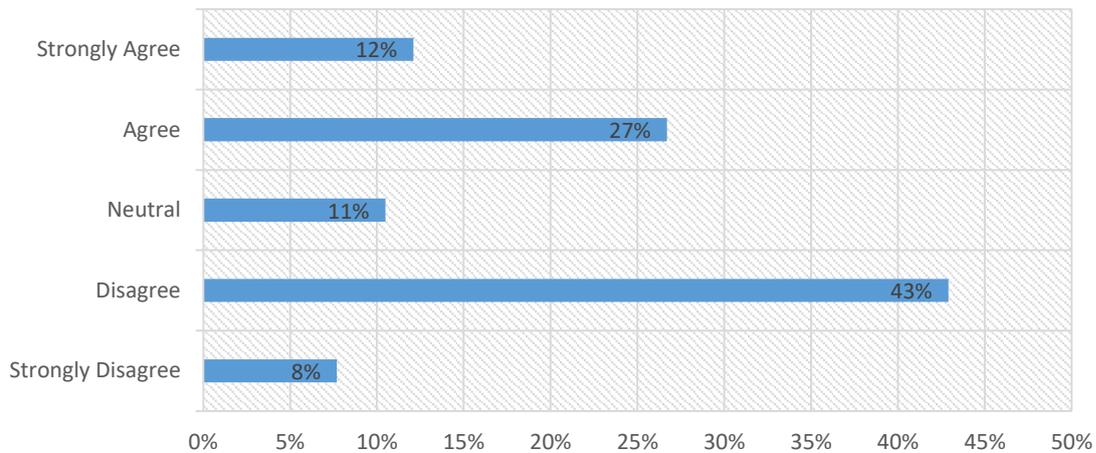


Source: ZACCI 2019 field survey

Figure 15 above shows that most of the respondents (41 percent) disagreed that road blocks affected their businesses in 2018, 30 percent agreed, 18 percent strongly agreed, 7 percent strongly

disagreed, while 5 percent neither agreed nor disagreed. This revealed that most businesses surveyed were not affected by road blocks during the period of 2018.

Fig 16: Poor ICT infrastructure affected my business

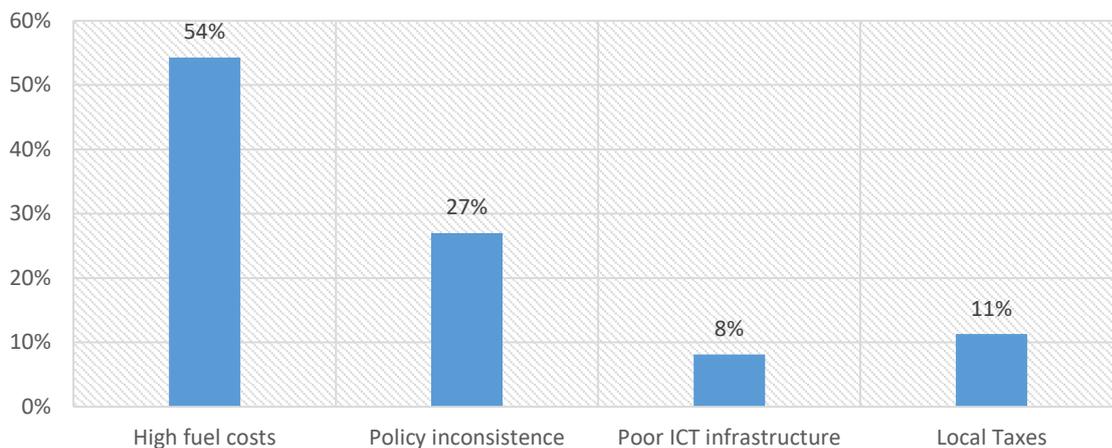


Source: ZACCI 2019 field survey

Figure 16 above indicates that most of the respondents (43 percent) disagreed that poor ICT infrastructure affected their businesses in 2018, 27 percent agreed, 11 percent neither agreed nor disagreed, 12

percent strongly agreed, while 8 percent strongly disagreed. This revealed that most businesses surveyed were not affected by ICT infrastructure during the period of 2018.

Fig 17: Obstacles affecting business performance the most



Source: ZACCI 2019 field survey

Figure 17 indicates that high fuel costs affected business performance the most (54 percent) followed by policy inconsistent (27 percent), local taxes (11 percent) and poor ICT infrastructure (8 percent) respectively.

Other bottlenecks

Other bottlenecks cited by respondents included stiff competition from foreign companies and poor road infrastructure.

Conclusion

The survey has revealed that the business executives' level of confidence about the business environment has substantially increased from 92.9 points in Q3 of 2018 to 161.4 points in Q4 of 2018. This was mainly due to respondents' expectations that the performance of their business will improve in Q1 2019. Another factor that contributing to the increase in the BCI was increased demand for goods and services especially in the financial sector. The survey reveals that the performance of business has worsened in Q4 of 2018 compared to Q3 of 2018 due to high energy cost (fuel), delayed payments from Government, stiff competition from foreign companies, fluctuations in the exchange rates and low crop prices in the case of the agriculture sector.

Further, the survey reveals that only few businesses employed more staff in Q4 2018. Furthermore, most businesses experienced increased demand for their products in the same period. Additionally, the survey reveals that the general cost of doing business increased in Q4 of 2018.

As regards bottlenecks, the survey reveals that high fuel costs affected business performance the most followed by policy

inconsistent. Other bottlenecks included stiff competition from foreign companies and poor road infrastructure.

Recommendations

- Government timely payment to suppliers of goods and services to avoid shocking business.
 - Government to commence the process of reducing Corporate Tax from 35% to 25% at a rate of 2.5% per annum. This measure has minimal loss of revenue in the short term but with long term benefits to the country it is likely to result increased flow of Foreign Direct Investment (FDI), reinvestments and increased tax compliance.
 - Exempt up to K30, 000 annual income of Micro, Small and Medium Enterprises (MSMEs) from turnover tax to provide for capital allowance relief to SMEs.
 - Government should be consistent in policy to ensure a predictable business environment to allow for better businesses planning.
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