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ZAMBIA CHAMBER OF COMMERCE AND INDUSTRY

PRESS BRIEFING ON THE BUSINESS CONFIDENCE INDEX SURVEY FOR FOURTH QUARTER OF 2018

Monday 25th February, 2019, Lusaka.

BUSINESS CONFIDENCE INDEX FOR FOURTH QUARTER OF 2018

Business Confidence Index (BCI) is the ZACCI proprietary tool that measures the level of confidence of business executives 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 moods and expectations for the future.

Overall BCI for Fourth Quarter 2018

The overall Business Confidence Index (BCI) has substantially increased by 68.5 points to 161.4 points in Quarter 4 (October to December) of 2018 from the confidence of 92.9 points in Quarter 3 (July to September) of 2018 according to the ZACCI Business Confidence survey conducted on 247 members of ZACCI across all sectors. ***The recorded BCI of 161.4 points which is higher than 100 points signifies positive sentiments about the business climate in Quarter 4, 2018.***

This was mainly driven by respondents' expectations that the state of their businesses would improve in Q1 of 2019. Another factor which contributed to the increase in the BCI was increased demand for goods and services especially financial services.



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BCI by Sector

All study sectors recorded positive sentiments on the business environment. 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.

SURVEY RESULTS

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.

Bottlenecks/Obstacles Experienced During the 2018 Period

As regards bottlenecks that affected business performance in 2018, the survey revealed that policy inconsistency affected the performance of business and that local tax made business uncompetitive in the region during the period of 2018. The survey also revealed that the cost of fuel was too high which might have made transport by road too expensive during the period of 2018. Additionally, 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.
- We reiterate that Government should 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



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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.

The next BCI results (for Quarter 1) will be released in April, 2019.

Michael Nyirenda
ZACCI President

For the BCI survey report and more information, visit our website: www.zambiachamber.org
or contact Mr. Alfred Chitalu at research-1@zacci.