business climate surveys

bcs

THE VOICE OF THE PRIVATE SECTOR

BUSINESS CLIMATE SURVEY
SUMMARY OF RESULTS FOR THE SADC REGION
•MANUFACTURING SECTOR•

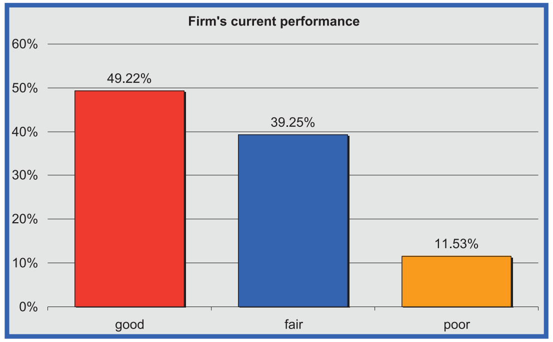
the ASSOCIATION
of SADC CHAMBERS of COMMERCE & INDUSTRY

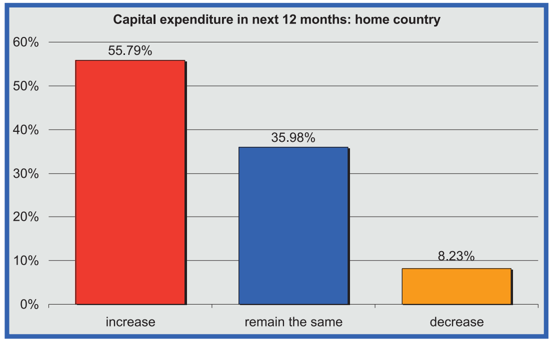
2004

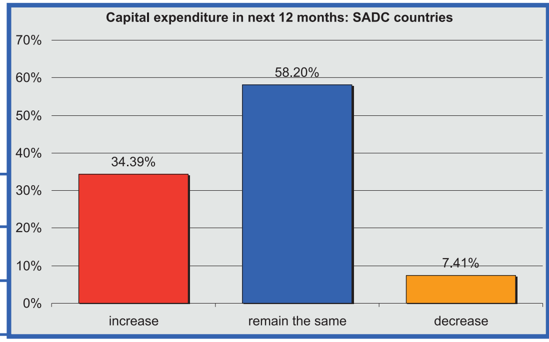
EXECUTIVE SUMMARY

The Pilot Business Climate Survey for the SADC region reveals a favourable regional economic climate. Manufacturing firms participating in the survey have optimistic economic expectations for the next twelve months.

- Respondents rate current business performance above satisfactory level.
- They are optimistic about their expected performance in the next 12 months.
- Concerning employment, the overall picture is positive. Some increase is expected.
- Manufacturing firms expect to increase capital expenditure in the coming year in their home country.
- They are also expecting to increase investment in other SADC countries but at a lower rate than in their home country.
- Manufacturers are expecting higher export revenue from other SADC countries.
- Their expectations of export growth to non-SADC countries are higher than SADC countries.
- Manufacturing sector firms expect increases in imports from SADC countries.
- They are expecting still higher import growth from non-SADC countries.
- Among the potential obstacles to business activities in the SADC region, fluctuations in exchange rates are the primary concern.
- SADC countries expect higher trade intensification with non-SADC countries than with SADC countries in the next 12 months.







ABOUT THIS SURVEY

In numerous countries, Business Climate Surveys (BCS's) have proven to be a useful tool for private sector development. The BCS obtains information on economic development by making direct contact with decision makers in enterprises. The BCS provides unique information about current business environments as well as investment and employment forecasts.

POTENTIAL USES OF THE BCS

- A tool for Governmental financial and economical related policy decisions.
- An instrument for private sector institutions, which can be used to support their members.
- A business decision-making vehicle for private individuals and investors.
- An engine for driving regional integration.

PARTICIPANTS & METHODOLOGY

The BCS was conceived as a survey among companies of the manufacturing sector across the SADC region. The manufacturing sector was chosen as a starting point for the BCS project because many manufacturing companies operate throughout the SADC region and thus SADC related issues are of particular concern for them.

ASCCI Business Associations in all SADC countries were invited to participate. Countries who participated were: Botswana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, and Zambia. The response rate differed from country to country.

The method in which the questionnaires were administered was left to the participating Private Sector Organizations (PSOs); possible options included: mail, email, face-to-face interviews and telephone interviews. This allowed for PSOs to use the most cost effective or most practical method.

The questionnaire used the ISIC categories for the classification of sub-sectors of the manufacturing sector. The ISIC categories were grouped into five sub-sector clusters.

ASCCI

The Association of SADC Chambers of Commerce and Industry (ASCCI) is a regional umbrella business institution comprising the national and multi-sectoral private sector institutions of SADC countries.

The main objective of ASCCI is to network business institutions, business organizations and business people within the region. ASCCI also fulfils an advocacy function with the national and regional authorities to bring major socio-economic issues to the attention of the national and regional policy decision makers. ASCCI thereby contributes to the creation of an enabling environment in the regions.

THE RESEARCHERS

The Namibian Economic Policy Research Unit (NEPRU) conducted the BCS. NEPRU was set up in 1990 and is an autonomous Namibian Non-Governmental Organisation that undertakes applied socio-economic, policy related research for local and international institutions. NEPRU's experience with monitoring regional integration was a prime factor in selection for this project.

NEPRU's primary clients are multilateral and bilateral development organisation, the private sector and NGO's.

NEPRU also cooperates with other research institutions in the region and beyond.

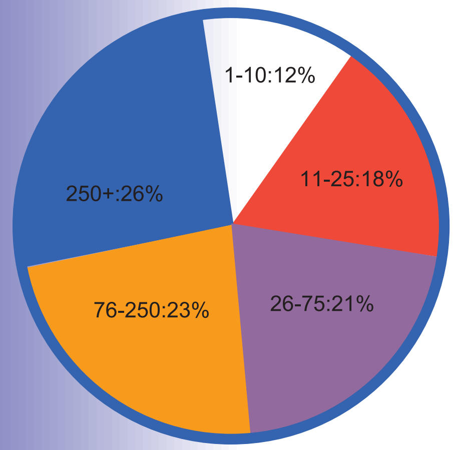
THE BUSINESS CLIMATE

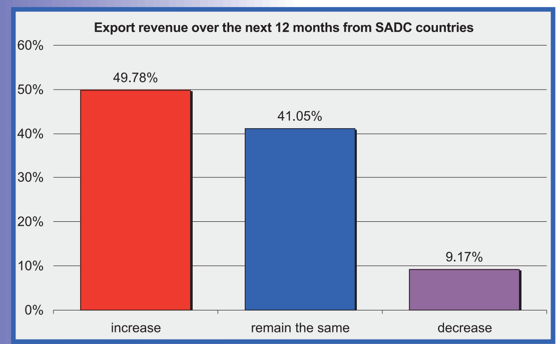
EXPECTED BUSINESS PERFORMANCE

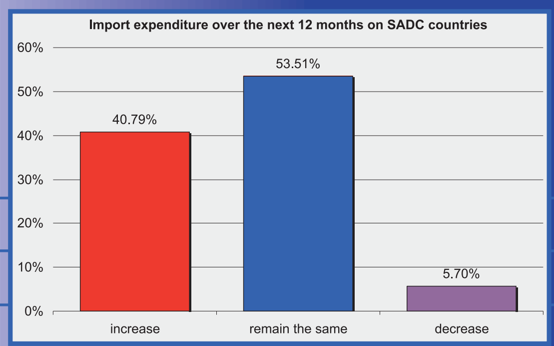
Respondents not only believe that their current performance is rather good but are more optimistic about their future performance in the next 12 months. It is the best score among the nine indicators.

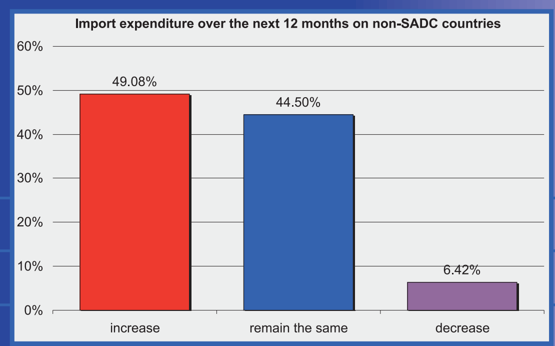
Firms with more than 251 employees made up the largest group of respondents while the smallest firms, those with one to ten employees, made up the smallest group of respondents. The size distribution of the responding firms, with many of the firms having large numbers of employees, reflects the larger numbers of employees needed for most types of manufacturing.

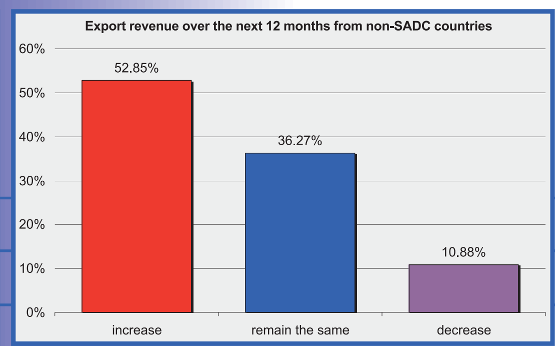
RESPONDENTS BY COMPANY SIZE











TRADE TRENDS

EXPORT REVENUES

In general, respondents expect to earn more from exports to both SADC and non-SADC countries in the next 12 months. However, export revenues from non-SADC countries are expected to increase more.

IMPORT EXPENDITURE

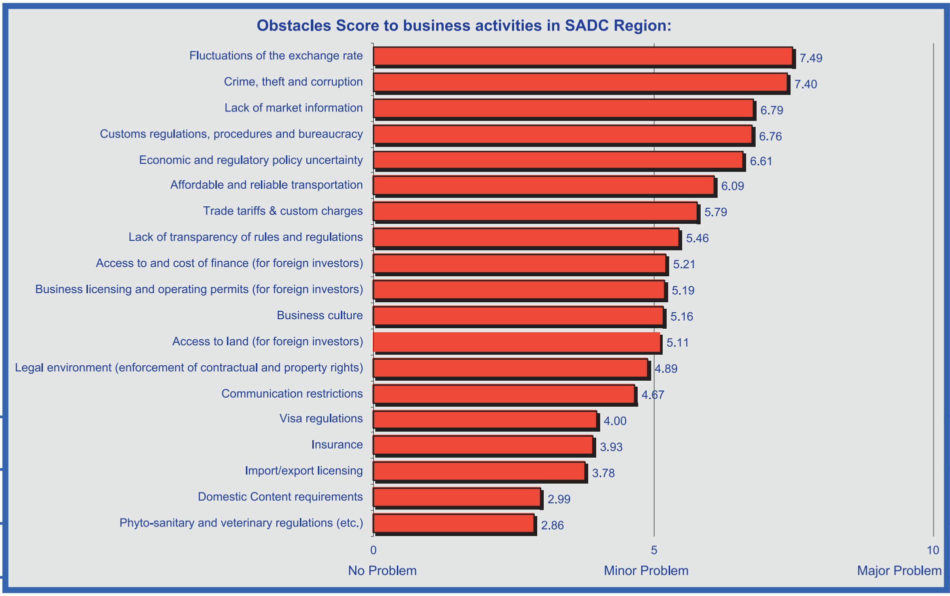
Overall scores show that respondents expect expenditures on imports from both SADC and non-SADC countries to increase.

In general, the results indicate that expenditure on imports from non-SADC countries is expected to be higher than that from SADC countries.

Thus business of SADC manufacturing sector expects to increase trade with non-SADC countries to a larger extent than trade with SADC countries during the next 12 months.

OBSTACLES TO TRADE IN THE SADC

Fluctuation in exchange rates was considered to be the major problem to the manufacturing businesses in the SADC. Other important factors affecting businesses were import/export regulations; the cost of raw materials; access to/cost of finance; high transport costs; and cheap imports.



IMPLICATIONS FOR REGIONAL INTEGRATION

In general, the results of the survey emphasize the fact that the SADC region faces constraints. These pose challenges to policies of harmonization and integration.

The SADC economy indicates that production in the region is labour intensive. This is because of the nature of the industry, which is mostly agro-processing; and processing of naturals resources like minerals. Therefore, there is need to ensure adequate supply of professional, skilled and other forms of labour through a harmonized policy on the movement of persons in the region.

The SADC intra-trade balance is positive while the region's trade balance with non-SADC countries is in deficit. The manufacturing sector's trade is higher with non-SADC countries, a reflection of the nature of products, which are mostly agro-processed (food, beverages and tobacco) or semi-processed natural resources like minerals.

Necessary measures should be taken to ensure that investment transactions be fluid and allow for free movement of capital in the region. Cross border investments are influenced among many other things by restrictions of the flow of capital, but flow of capital is not even the major factor.

Volatile exchange rate; crime and corruption; import/export regulations; cost of raw materials; and difficulties in accessing/cost of finance are the major obstacles to trade in the SADC. There is a need to improve on the macroeconomic environment; governance issues; security; and bureaucracy in the region.

FOR THE COMPLETE REPORT OF THIS SURVEY
PLEASE CONTACT:

manager@aspb-sadc.co.za

IN ASSOCIATION WITH:

Promoting trade through regional integration

ASPB
Advisory Service for
Private Business

Promoting regional integration through trade

Bundesministerium für
wirtschaftliche Zusammenarbeit
und Entwicklung

FUNDED BY :

The Federal Ministry for Economic Cooperation and Development (BMZ) who is responsible for planning and implementing the German government's development policy.