



BUSINESS CONFIDENCE INDEX

SECOND QUARTER 2013 SUMMARY REPORT

Released on Friday July 12, 2013 at 12:00 Noon

Business Confidence as at June, 2013 was 14.9 points above normal

The Sierra Leone Business confidence Index for the **second quarter** of 2013 was 64.9 index points which was 14.9 points above normal. The overall index for the second quarter of 2013 is just 0.7% point below the first quarter of 2013 estimated at 65.6. This suggests that the sentiments of business people are stable and have not changed much between the two quarters. The data show that there have not been many changes in both the current and past indices of the index, which is reflected in the stability of the overall index (see Figure 2).

The main reason for this stability of the index could be attributed to stable macroeconomic environment that currently prevails in the country. Although key macroeconomic indicators such as inflation rate, economic growth, have improved over the period, the exchange rate is beginning to depreciate against the dollar, especially in June, 2013. In addition, the supply of electricity, which is key for business operations, has not improved much between the two quarters. This therefore affected the sentiment of business people regarding the conduciveness of the business environment in the country.

Figure 1: Overall Business confidence

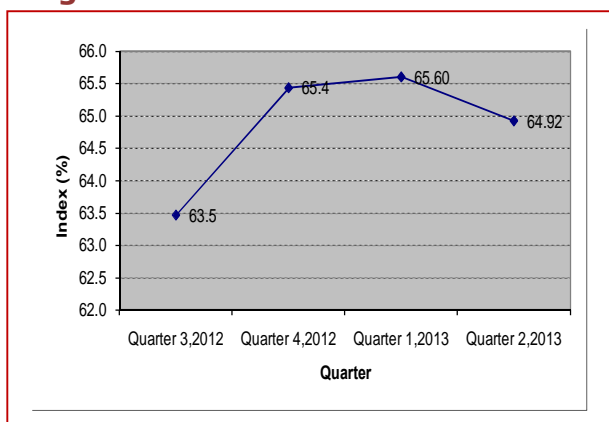
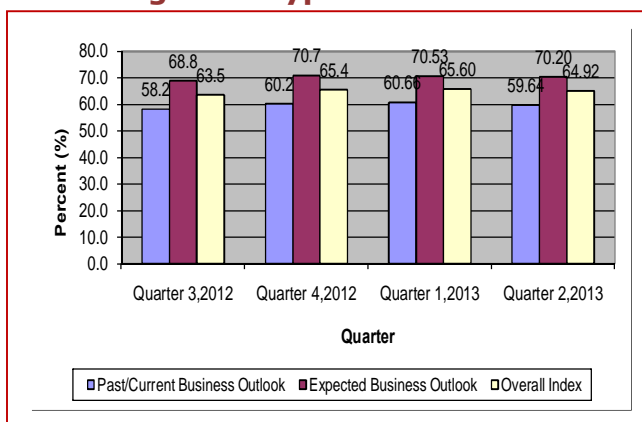


Figure 2: Type of Indices



When analyzed by industry, the index shows decline in sentiments from quarter 1, 2013 to quarter 2, 2013, especially for manufacturing which recorded a decline from 61.32% in quarter 1, 2013 to 58.38% in quarter 2, 2013. This could be that the sector is beginning to feel the impact of the exchange rate depreciation, as such is affecting the import of inputs for production.

Table 1: Type of Business Confidence Index by industry

Quarter	Construction	Manufacturing	Other services	W/R Trade
Quarter 3,2012	68.42	59.33	68.66	63.95
Quarter 4,2012	61.68	58.68	67.59	67.43
Quarter 1,2013	63.50	61.32	66.22	69.38
Quarter 2,2013	61.96	58.38	66.07	67.43

Appendix 1: Index

Description	Quarter 2,2013		
	Past/Current Business Outlook	Expected Business Outlook	Overall Index
Economy Wide Outlook	0.0	76.3	76.3
Business Outlook	50.6	74.8	62.7
General Economy and Business Outlook	50.6	75.5	63.0
Sales Volumes	65.3	74.9	70.1
Sales volumes	65.3	74.9	70.1
Profitability	43.5	60.4	51.9
Orders Placed With Suppliers	45.1	64.8	54.9
Average Selling Prices	44.9	59.8	52.4
Turnover/Selling Prices	44.5	61.7	53.1
Investment Changes	55.5	63.6	59.6
Capacity Utilization	50.6	67.6	59.1
Investment Plans	53.0	65.6	59.3
Employment Levels	48.3	64.2	56.3
Employment Total	48.3	64.2	56.3
High Interest Rates	68.4	65.4	66.9
Non-Availability of Bank Credit	52.2	55.3	53.7
Non-Availability Credit from other Financial Sources	54.0	53.5	53.8
Non-Availability of Foreign Exchange	56.9	57.0	56.9
Finance and Credit Markets	57.9	57.8	57.8
Taxes	81.9	76.1	79.0
Inflation	75.4	74.7	75.0
Exchanger Rate Instability	70.7	64.2	67.5
Macroeconomic Factors	76.0	71.7	73.8
Effect of Corruption	49.5	53.0	51.3
Effect of Crime	49.5	47.6	48.5
Effect of Bureaucracy	50.4	50.6	50.5
Effect of Internal Political Climate	49.8	51.7	50.8
Governance Factors Summary	50.7	50.7	50.7
Overall Business Confidence Index	59.6	70.2	64.9

Description	Quarter 2, 2013			
	Construction	Manufacturing	Other services	W/R Trade
General Economy and Business Outlook	65.5	52.4	71.9	58.3
Sales volumes	46.8	42.4	83.8	73.0
Turnover/Selling Prices	52.1	47.9	53.9	55.3
Investment Plans	57.4	52.8	62.2	60.6
Employment Total	56.0	50.8	57.7	57.7
Finance and Credit Markets	63.3	59.1	64.4	47.8
Macroeconomic Factors	70.3	66.2	83.0	70.4
Governance Factors Summary	48.4	54.0	53.6	47.3
Overall Business Confidence Index	62.0	58.4	66.1	67.4

Appendix 2: Methodology Notes: The Sierra Leone Business Confidence Index measures the perception of Business Executives, Managers, and Business Owners' on current and expected developments regarding business and general economic performance. The sample size comprises of 160 kind of activity establishments divided equally among four sectors, Construction, Industry(manufacturing, mining and quarrying), Other Services(Banking, Tourism, Transport and Communication) and Whole sale and Retail Establishments and grouped by size into small scale (<10 employees) medium scale(10-49 employees) and large scale establishments(50+ employees). In each sector, the top ten establishments were purposively selected and the remaining 30 were selected using ordered probability proportional to size sampling technique. Two approaches were used to compile the indices; the balances approach(Net-Balances) and the Diffusion Indices approach. In using the Balance Approach, the positive(1), neutral(0) and Negative(-1) responses were first converted into percentages. The net balance was calculated by subtracting the negative percentages from the positive percentages. The net balances were then converted into diffusion indices. The index is measured on a scale of 0 to 100 where 0 indicates total lack of confidence and 100 indicates extreme confidence. Additionally an index of 50 means business sentiment remains stable, an index above 50 means business confidence has improved and an index below 50 means business confidence has worsened. For each sector and for each size measure, two type of indices are computed; the current outlook and the expected outlook indices. The Business Confidence Index is computed as a simple average of the current/past performance index and the business expectations index. Sector weights representing the gross value added of each sector are introduced only at the final aggregation stage.

CONTACT DETAILS:

The Statistician General
Statistics Sierra Leone
P.O. Box 595
A.J. Momoh Street
Tower hill
Freetown

Telephone: +232-22-223287
Mobile: +232-76-610004
Fax: +232-22-223897

Email: statistics@statistics.sl
info@statistics.sl
URL: www.statistics.sl