



BUSINESS CONFIDENCE INDEX

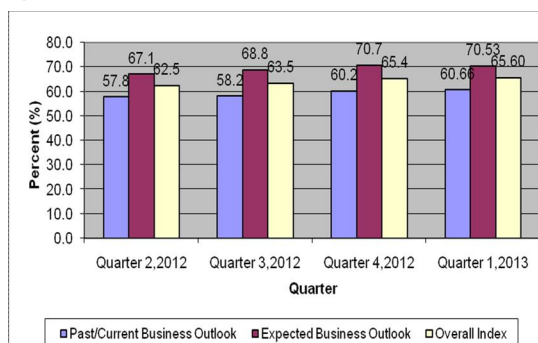
FIRST QUARTER 2013, SUMMARY REPORT

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Business Confidence as at March 2013 was 15.6 points above normal

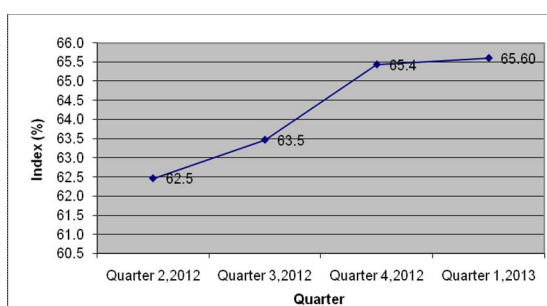
The Sierra Leone Business confidence Index for the **first quarter** of 2013 was 65.6 index points which was 15.6 points above normal. The overall index for the first quarter of 2013 is just 0.2% point above the fourth quarter of 2012 estimated at 65.4, which represents a 0.2 percentage point increase over quarter 4, 2012 estimate. This suggests that the sentiments of business people are stable and have not improved much between the two quarters. The data showed that there have not been much changes in both the current and past indices of the index, which reflects in the stability of the overall index (see Figure 2).

Figure 1: Overall Business confidence



The main reason for this the stability of the index could be attributed to the mix environment that currently prevails in the country. Although key macroeconomic indicators such as exchange rate, economic growth, inflation, etc have improved over the period, the supply of electricity and water, which is key for business operations has rapidly declined between quarter 4, 2012 and quarter 1, 2013. This mix therefore affected the sentiment of business people regarding conduciveness of the business environment in the country.

Figure2: Type of Indices



When analyzed by industry, the index shows improvement of sentiments from quarter 4, 2012 to quarter 1, 2013, except for other services which recorded a decline from 67.6% in quarter 4, 2012 to 66.2% in quarter 1, 2013. This is expected as other services are the hardest hit due to the limited supply of electricity and water in the capital city.

Table 1: Type of Business Confidence Index by industry

Quarter	Construction	Manufacturing	Other services	W/R Trade
Quarter 2,2012	66.67	57.12	66.54	60.69
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

Appendix 1: Index

Description	Quarter 1,2013		Overall Index
	Past/Current Business Outlook	Expected Business Outlook	
Economy Wide Outlook	0.0	76.7	76.7
Business Outlook	53.8	79.7	66.7
General Economy and Business Outlook	53.8	78.2	66.0
Sales Volumes	67.6	77.6	72.6
Sales volumes	67.6	77.6	72.6
Profitability	45.7	62.8	54.2
Orders Placed With Suppliers	46.8	67.0	56.9
Average Selling Prices	47.6	62.1	54.8
Turnover/Selling Prices	46.7	64.0	55.3
Investment Changes	58.7	66.1	62.4
Capacity utilization	52.9	70.3	61.6
Investment Plans	57.8	70.2	64.0
Employment Levels	50.6	66.7	58.6
Employment Total	50.6	65.7	58.1
High interest Rates	69.3	68.3	68.8
Non-Availability of Bank Credit	53.6	57.1	55.4
Non-Availability Credit from other Financial Sources	56.1	55.8	55.9
Non-Availability of Foreign Exchange	58.5	59.7	59.1
Finance and Credit Markets	59.9	60.2	60.1
Taxes	84.9	79.1	82.0
Inflation	78.2	76.9	77.6
Exchanger Rate Instability	77.2	68.5	72.9
Macroeconomic Factors	81.1	74.8	78.0
Effect of Corruption	51.9	55.0	53.5
Effect of Crime	51.9	48.4	50.2
Effect of Bureaucracy	53.5	54.5	54.0
Effect of Internal Political Climate	52.3	52.2	52.2
Governance Factors Summary	50.2	56.3	53.2
Overall Business Confidence Index	60.7	70.5	65.6

Quarter 1, 2013				
Description	Construction	Manufacturing	Other services	W/R Trade
General Economy and Business Outlook	64.9	55.4	80.5	58.3
Sales volumes	47.8	42.9	78.2	73.0
Turnover/Selling Prices	54.4	51.7	60.6	61.8
Investment Plans	60.3	56.8	68.8	67.5
Employment Total	55.0	53.8	63.8	57.7
Finance and Credit Markets	59.2	56.1	71.3	47.0
Macroeconomic Factors	65.4	62.9	91.7	69.8
Governance Factors Summary	49.8	51.1	59.2	46.5
Overall Business Confidence Index	63.5	61.3	66.2	69.4

More information can also be obtained from our website: www.statistics.sl

For More Detailed Information: Subscribe to the Detailed CPI Report. Please Contact: The Statistician General, Statistics Sierra Leone P. O. Box 595, Tower Hill, Freetown, SIERRA LEONE Telephone: (232) 22- 223287 Call: (232) 76 – 610004 Facsimile: (232) 22- 223897 E-Mail: statistics@statistics.sl

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.

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