



## BUSINESS CONFIDENCE INDEX

### FOURTH QUARTER 2013 SUMMARY REPORT

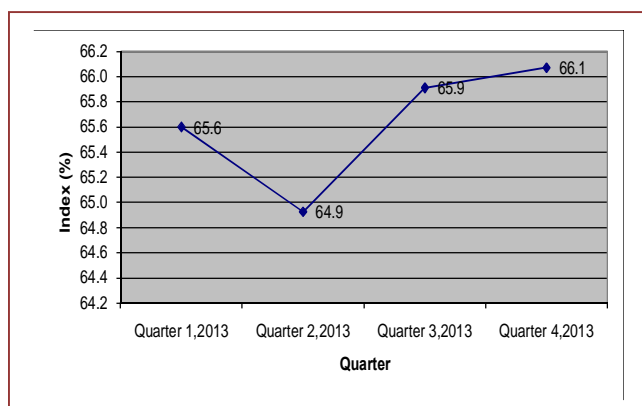
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**Business Confidence as at December 2013 was 16.1 points above normal**

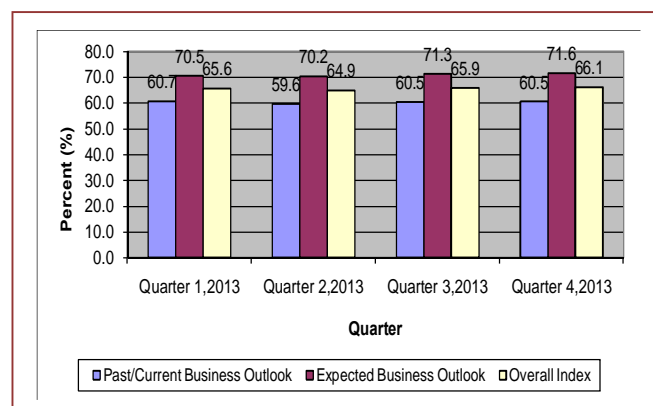
The Sierra Leone Business confidence Index for **the fourth quarter of 2013** was 66.1 index points which was 16.1 points above normal. The overall index for the fourth quarter of 2013 is 0.6% point above the third quarter of 2013 estimated at 65.9. This suggests that the sentiments of business people have slightly improved between the two quarters. The data show that this improvement in sentiments is due mainly to improvement in the expected index which rose by 0.28 percentage point from 71.3% in quarter 3 to 71.6% in quarter 4 (see Figure 2).

The main reason for enhanced sentiments of business executives could be attributed to stable macroeconomic environment that currently prevails in the country. In addition to the declining trend of inflation, stable exchange rate, robust economic growth, stable tax regime, improved security situation, and increase in water and electricity supplies, there are signs of declining interest rate, coupled with the Christmas festive celebrations, which boosted sales for many businesses in the country in quarter 4, 2013. This decline in interest rates, if sustained in the coming months and years, could lead to expansion in economic activities in the country as entrepreneurs may now have a more secure source of finance at a cheaper cost. This hope for cheaper credit has therefore enhanced 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 improvement in sentiments from quarter 3, 2013 to quarter 4, 2013, except for construct which recorded a slight decline in improvement reflecting the low in construction activities in the quarter.

More information can also be obtained from our website: [www.statistics.sl](http://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](mailto:statistics@statistics.sl) [info@statistics.sl](mailto:info@statistics.sl)

**Table 1: Type of Business Confidence Index by Industry**

Quarter	Construction	Manufacturing	Other services	W/R Trade
Quarter 1,2013	63.50	61.32	66.22	69.38
Quarter 2,2013	61.96	58.38	66.07	67.43
Quarter 3,2013	62.06	60.16	67.59	67.94
Quarter 4,2013	61.68	58.68	68.23	68.70

**Appendix 1: Index**

Description	Quarter 4,2013	
	Past/Current Business Outlook	Expected Business Outlook
Economy Wide Outlook	0.00	82.00
Business Outlook	54.76	81.02
General Economy and Business Outlook	54.76	81.51
Sales Volumes	69.94	80.56
Sales volumes	69.94	80.56
Profitability	47.55	65.41
Orders Placed With Suppliers	48.66	69.84
Average Selling Prices	49.58	64.75
Turnover/Selling Prices	48.60	66.67
Investment Changes	60.88	68.82
Capacity Utilization	55.22	73.34
Investment Plans	58.05	71.08
Employment Levels	52.58	68.52
Employment Total	52.58	68.52
High Interest Rates	73.87	70.84
Non-Availability of Bank Credit	55.64	59.28
Non-Availability Credit from other Financial Sources	58.23	57.84
Non-Availability of Foreign Exchange	60.76	62.03
Finance and Credit Markets	62.12	62.50
Taxes	88.35	82.36
Inflation	81.42	80.02
Exchanger Rate Instability	77.19	69.28
Macroeconomic Factors	82.32	77.22
Effect of Corruption	53.93	57.79
Effect of Crime	53.93	52.36
Effect of Bureaucracy	55.45	55.52
Effect of Internal Political Climate	54.44	57.08
Governance Factors Summary	55.29	55.69
Overall Business Confidence Index	<b>60.52</b>	<b>71.62</b>

Description	Quarter 4, 2013			
	Construction	Manufacturing	Other services	W/R Trade
General Economy and Business Outlook	62.91	54.43	82.72	63.02
Sales volumes	45.84	43.88	94.29	77.82
Turnover/Selling Prices	52.39	49.72	61.99	59.85
Investment Plans	58.27	54.85	71.59	65.54
Employment Total	52.95	52.77	66.43	62.36
Finance and Credit Markets	60.75	61.39	74.15	51.71
Macroeconomic Factors	66.86	68.70	95.46	76.07
Governance Factors Summary	51.27	56.09	61.61	51.17
Overall Business Confidence Index	<b>61.68</b>	<b>58.68</b>	<b>68.23</b>	<b>68.70</b>

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**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](mailto:statistics@statistics.sl)  
[info@statistics.sl](mailto:info@statistics.sl)  
**URL:** [www.statistics.sl](http://www.statistics.sl)