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ZAMBIA CHAMBER OF COMMERCE AND INDUSTRY

PRESS BRIEFING ON THE BUSINESS CONFIDENCE INDEX FOR FIRST AND SECOND QUARTER OF 2020

Wednesday 28th October, 2020, Lusaka.

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.

BCI FOR FIRST QUARTER 2020

The BCI for Q1 of 2020 was recorded at 60.3 points according to the ZACCI Business Confidence survey conducted on 114 members of ZACCI. Though an improvement from the 13.2 recorded in Q4 of 2019, the 60.3 points implies that the business executives expressed negative sentiments about the business environment. The main reasons that led to negative sentiments on the business environment were depreciation of the kwacha, load shedding and poor liquidity in the economy affecting demand for goods and services. Other factors that contributed to negative sentiments were lost contracts to supply the mines, particularly in the Copperbelt and the gassing incidences that the Country experienced.



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BCI by Sector

All the 8 study sectors (mining and quarrying, manufacturing, wholesale/retail, financial, tourism, transport and communication, social and community and construction) recorded negative sentiments on business environment.

BCI by Province

All the 3 study Provinces (Copperbelt and Lusaka and North Western) recorded negative sentiments on the business environment.

SURVEY RESULTS

The survey reveals that the performance of business has worsened in Q1 of 2020 compared to Q4 of 2019 due to the aforementioned reasons. Further, the survey reveals that most businesses maintained their staff in Q1 2020. Furthermore, businesses experienced reduced demand for their products in the same period. Additionally, the survey reveals that the general cost of doing business increased in Q1 of 2020.

BCI FOR SECOND QUARTER 2020

The BCI for Q2 of 2020 was recorded at 38 points, a decline from 60.3 points recorded in Q1 of 2020 according to the ZACCI Business Confidence survey conducted on 114 members of ZACCI. The 38 points recorded implies that the business executives expressed negative sentiments about the business environment. The main reasons that led to negative sentiments on the business environment were load shedding and the outbreak of COVID-19 leading to closures of borders. The survey reveals that the performance of business has worsened in Q2 of 2020 compared to Q1 of 2020 due to the aforementioned reasons.

BCI by Sector

All the 8 study sectors (mining and quarrying, manufacturing, wholesale/retail, financial, tourism, transport and communication, social and community and construction) recorded negative sentiments on business environment.



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BCI by Province

All the 3 study Provinces (Copperbelt and Lusaka and North Western) recorded negative sentiments on the business environment.

SURVEY RESULTS

The survey reveals that the performance of business has worsened in Q2 of 2020 compared to Q1 of 2020 due to the aforementioned reasons. Further, the survey reveals that most businesses reduced their staff in Q2 2020. Furthermore, businesses experienced reduced demand for their products in the same period. Additionally, the survey reveals that the general cost of doing business increased in Q2 of 2020. The survey also reveals that businesses expect the overall performance of the economy to deteriorate going forward.

As regards the effect of COVID-19 on business, the survey reveals that COVID-19 outbreak led to reduced demand for goods and services, delayed delivery of goods and services due to closures of borders as well as closures of some businesses due to reduced cash flows. Companies employed survival mechanisms such as laying off some workers, salary cuts, putting some workers on hold, diversifying business operations, proactive marketing and borrowing to sustain business operations. Other factors affecting businesses included depreciation of the Kwacha against major convertibles, high taxation, loading shedding, high fuel costs and high electricity tariffs.

Recommendations

- Government should fund the stimulus package relief designed by ZESCO for targeted customer categories. The stimulus package requires Government funding to cover 50% of the cost of electricity for the commercial and residential customers falling within R1 and C1 consumption categories respectively prior to implementation by ZESCO. This would help especially SMEs to survive amidst and post COVID-19.
- Government should encourage investments in alternative sources of energy by offering special incentives.



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- Investors should take advantage of the Electricity Act of 2019 which opens up the energy sector and gives equal access to the electricity infrastructure in terms of transmission and distribution.
- Government to should cut VAT, Turnover Tax, PAYE and Corporate Income Tax Rates. VAT should be reduced from 16% to 10% for all transactions. This will allow businesses to channel the savings back into staff retention and manufacturers for increased production.

The next BCI results (for Quarter 3 2020) will be released in November, 2020.

Chabuka J. Kawesha

ZACCI President

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