



BUSINESS CONFIDENCE INDEX-SUMMARY REPORT

Released on Friday January 30, 2015 at 12:00 Noon

Business Confidence as at December 2014 was 5.1 points above normal

The Sierra Leone Business confidence Index for the fourth quarter of 2014 was 56.3 index points which was 5.1 points above normal. The overall index for the fourth quarter of 2014 is 4.1% point below the third quarter of 2014 estimated at 59.4%. This suggests that although the index is slightly above normal, yet there is a dip in the sentiments of business people in quarter 4, 2014, indicating a sharp decline in the confidence of the business people to continue business in the country.

The main reason for this decline in the confidence of business executives could be attributed to the outbreak of the Ebola virus disease (EVD) in the country since May 2014. The EVD outbreak has affected the stability of the macroeconomic environment as inflation is on the rise once again and the exchange rate is fluctuating. Economic activities have been seriously affected with the state of emergency declared in August by the President; western area and other districts were under isolation; and trade and other business activities restricted throughout the country. This has seriously undermined the confidence of the business community to continue doing business in the country.

Figure 1: Overall Business confidence

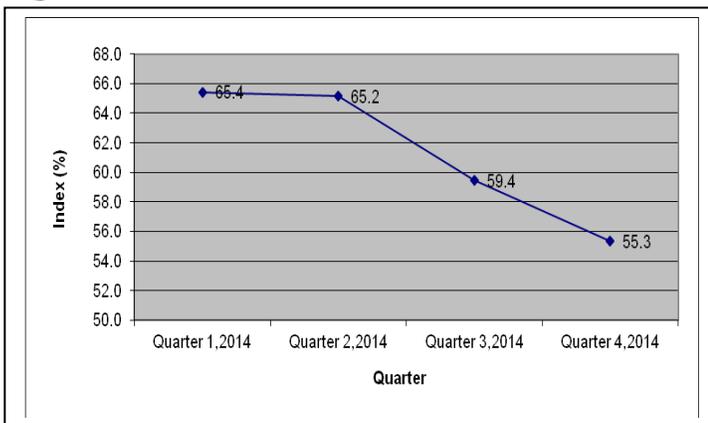
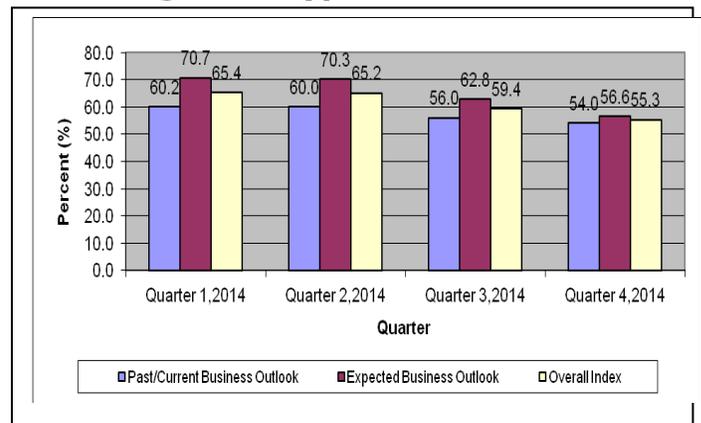


Figure 2: Type of Indices



When analyzed by industry, the index shows the sentiments of business people is lower in construction and manufacturing industries (Table 1), when compared with trade and other services industries between quarter 3 and quarter 4, 2014.

Overall Business confidence by Sector

Quarter	Construction	Manufacturing	Other services	Wholesale/Retail Trade
Quarter 1,2014	61.7	58.7	67.6	67.4
Quarter 2,2014	61.3	58.4	67.8	66.7
Quarter 3,2014	55.5	54.8	59.1	63.0
Quarter 4,2014	50.8	53.4	58.6	53.5

However, construction seemed to have suffered more than all the other industries. This could be a reflection of the level of impact of EVD experienced by these companies. The EVD impact on trade is also serious between the two quarters.

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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