



# THE SIERRA LEONE BUSINESS CONFIDENCE INDEX (SLBCI) 2010

Economic Statistics Division  
Statistics Sierra Leone

April, 2011

## ACKNOWLEDGEMENTS

This Business Confidence survey was carried out on the approval of the Monetary Policy Committee (MPC) following the recommendation of the Monetary Policy Technical Committee (MPTC) for an instrument that could be used to gauge and manage business expectations. Statistics Sierra Leone extends special thanks to the MPTC, and the MPC for providing constructive suggestions on the structure of the Index and the Government of Sierra Leone for providing funds to carry out the survey. Our sincere thanks and appreciation go to the many business executives who responded to the survey questionnaire in a timely manner.

The Management of Statistics Sierra Leone extends special thanks and appreciation to all SSL staff who have immensely contributed to the success of the survey, especially Mr. Philip S. Amara, former Director of the Economic Statistics Division for contributing to the conceptual framework of the survey, designing of the Data Entry forms and carrying out data analysis for the first volume of this work (quarter 2 data); and Mr Abu Bakarr Turay, Head of the National Accounts Section and Officer-in-Charge of the Economic Statistics Division, for coordinating all aspects of the survey, including the preparation of this annual report.

We also acknowledge the efforts of Mr Francis Brewah, Head of External Trade Statistics, Mr Samuel Turay, Head of Price and Labour Statistics, Mr Jinnah Jusu Ngobeh, Head of the Business and Industry Statistics Section, Mr Sillah Bah, Statistician, Ministry of Transport and Aviation, Mr Alusine Kamara, Statistician, Ministry of Labour, Employment and Social Security, Mr. Momodu J. Bundu, Statistician, Ministry of Tourism and Mr. Ibrahim S. Kamara, Assistant Statistician, Ministry of Trade in actively participating in the design and implementation of the survey.

We also appreciate very much the sacrifices of our committed Enumerators (who are entirely SSL staff) during the course of collecting the data for all the quarters, as well as the patience of our valued respondents.

Finally, we thank God for everything we have been able to accomplish with this survey.

**Mohamed King-Koroma**  
**Acting Statistician General**

## TABLE OF CONTENT

Acknowledgement.....	i
Table of Contents.....	ii
List of Figures.....	iii
List of Tables.....	iii
Executive Summary.....	iv
<b>1.0 INTRODUCTION.....</b>	<b>1</b>
1.1 Coverage.....	1
1.2 Periodicity and Timeliness of Data.....	1
1.3 Objective of the Survey.....	1
<b>2.0 SURVEY METHODOLOGY.....</b>	<b>3</b>
2.1 Sampling Frame.....	3
2.2 Reporting Unit and Sampling Unit.....	3
2.3 Sample Size and Sample Size Allocation.....	3
2.4 Survey Instrument.....	3
2.5 Sample Design.....	4
2.6 Data Collection.....	4
2.7 Organization of the Survey.....	5
<b>3.0 PROCESSING, ANALYSIS AND REPORTING OF THE SURVEY RESULTS.....</b>	<b>6</b>
3.1 Index Estimation Procedures.....	6
3.2 Type of Indices Computed.....	7
3.3 Interpretation of Results.....	8
<b>4.0 PRESENTATION AND ANALYSIS OF SURVEY RESULTS.....</b>	<b>9</b>
4.1.1 The Indicators of Business Confidence.....	9
4.1.2 Aggregate Business Confidence Indicators.....	9
4.1.3 Aggregate Business Confidence Indicators by Period.....	10
4.2 General Economy and Sector Wide Outlook.....	12
4.3 Production, Sales Volumes or Demand for Services.....	12
4.4 Turnover/Selling Prices.....	13
4.5 Investment Plans.....	14
4.6 Employment.....	15
4.7 Finance and Credit Markets.....	16
4.8 Macroeconomic Factors.....	17
4.9 Governance Factors.....	18
<b>5.0 CONCLUSION.....</b>	<b>20</b>
<b>6.0 REFERENCES.....</b>	<b>21</b>
<b>7.0 APPENDIX.....</b>	<b>22</b>

## LIST OF FIGURES

Figure 4.1.2: Overall Business Confidence Index.....	9
Figure 4.1.3: Overall Business Confidence Indicators by Period.....	10
Figure 4.1.4: Overall Business Confidence Indicators by Size of Establishment.....	11
Figure 4.2: General Economy and Sector Wide Outlook.....	12
Figure 4.3: Production, Sales Volumes or Demand for Services.....	13
Figure 4.4: Turnover/Selling Prices.....	14
Figure 4.5: Investment Plans.....	15
Figure 4.6: Total Employment Index.....	15
Figure 4.7: Finance and Credit Markets.....	16
Figure 4.8: Macroeconomic Factors.....	17
Figure 4.9: Governance Factors.....	19

## LIST OF TABLES

Table 4.1.3: Overall Business Confidence Indicators by Sector.....	11
--	----

## APPENDICES

### Appendix A: Sierra Leone Business Confidence Index - 2010

Annual Table of Results.....	23
Table A.1: Overall Business Outlook Indices and Quarterly Percentage Change.....	23
Table A.2: Summary Business Outlook Indices by Quarter.....	23
Table A.3: Detail Overall Index Summary by Quarter.....	24
Table A.4: Quarter 2 Detail Overall Index Summary by Sector.....	25
Table A.5: Quarter 3 Detail Overall Index Summary by Sector.....	26
Table A.6: Quarter 4 Detail Overall Index Summary by Sector.....	27
Table A.7: Quarter 2 Detail Overall Index Summary by Size of Establishment....	28
Table A.8: Quarter 3 Detail Overall Index Summary by Size of Establishment....	29
Table A.9: Quarter 4 Detail Overall Index Summary by Size of Establishment....	30

### Appendix B: Business Confidence Index Press Releases..... 31

Appendix B.1: Quarter 2 Press Release.....	32
Appendix B.2: Quarter 3 Press Release.....	33
Appendix B.3: Quarter 4 Press Release.....	34

### Appendix C: Sample Questionnaire (Manufacturing Sector)..... 35

## EXECUTIVE SUMMARY

The survey for the compilation of the Sierra Leone Business Confidence Index (SLBCI) was approved by the Monetary Policy Committee following the need expressed by the Monetary Policy Technical Committee for a tool to gauge and manage business expectations. This is the first time such an index is being compiled in Sierra Leone, which is meant to capture the perception of business people on the economy. The Index therefore, measures the perception of top business executives and managers of business establishments on the past/current and future political and macroeconomic developments and indicators as they affect business performance and expectations. The Business confidence index is presented as a diffusion index (DI) and measured on a scale of 0 to 100, where 0 indicates total lack of confidence and 100 indicates extreme confidence. A score of 50 index point indicates business sentiments remain stable. The Survey Questionnaire covers eight broad themes that together address 20 specific economic policy relevant issues. Questions asked in the survey require the respondent to choose among three options; normal, above normal or below normal or same, increase or decrease. Two types of indices are compiled; the past/current business outlook index (the index derived from perceptions about past/current performance), and the business expectations outlook index (the index derived from business peoples' expectation of performance three months in advance). These two indices are calculated for every variable and aggregated to form a composite business confidence index.

Broadly, two types of indicators are computed, which are confidence-building indicators, which capture positive sentiment about the economy such as those that relate to general economic situation, sales volumes, output levels, business turnover, profitability, investment plan, capacity utilization, and employment level; and confidence-undermining indicators, which capture negative sentiment of business owners about macroeconomic factors, finance and credit markets and governance factors as they affect business operations. As a result, the overall index is computed as a weighted average of all the positive and negative indices highlighted above (all 8 of them) and 50 is added to that average. This is because for a DI, 50 is the base; 50 is therefore the benchmark for comparison. This is done for both the past/current outlook and expected outlook indices.

The index is compiled based on a quarterly survey of all establishments carrying out similar kind of activities such as in Manufacturing, Wholesale and Retail Trade, Construction and Other Services sectors in the Western Area of Sierra Leone. These establishments are classified by employment size in to small scale establishments (<10 employees), medium scale establishments (10-49 employees) and large scale enterprises (50+ employees). The first survey was conducted in June, 2010. The second and third surveys were conducted in September and December 2010 respectively.

The sample size consists of 160 reporting units allocated equally within the four strata to allow for sector comparison. Both purposive (judgmental) sampling and ordered probability proportional to size (PPS) of employment sampling techniques were used to select the sample. For each sector, the top ten establishments were purposively selected and the remaining establishments were reorganized by size of employees. Within each sector an ordered list of establishments was reconstructed

from which the first 30 establishments on the list were selected and added to the 10 already selected. The pre-coded questionnaire for each sector was then sent to selected establishments for completion. Those establishments that were selected for the quarter 2 survey were maintained and surveyed in quarters 3 and 4. This allowed for the generation of a panel data set, which is handy in conducting trend analysis of responses. Only few replacements have been made to the original list due to non-availability of respondents.

### **Key Finding : The key findings of this survey were as follows -**

- The Sierra Leone Business confidence Index for the second quarter of 2010 was 60.32 index points which was 10.32 points above normal; third quarter was 61.98 index points, which was 11.98 above normal; and fourth quarter was 59.28, which was 9.28 index points above normal. This gives an average of 60.53 index points which is 10.53 above normal. This implies that business managers were generally optimistic about future business prospects in the economy despite the inflationary pressures in the economy coming from a hike in fuel prices and the continuous depreciation of the Le.
- The data shows that the Past/current performance index increased from 55.1% in quarter 2 to 57.71% in quarter 3 and 59.15% in quarter 4. This suggests a continuous improvement in the sentiments of businesses with regards to the current performance of business operations in the country.
- On the other hand, the expected business outlook index continuously declined from 65.12 in quarter 2 to 64.82 in quarter 3 to 59.41% in quarter 4 reflecting a decline in the ability of business executives to predict the impact of macroeconomic and governance factors on future business operations.
- When analysed by sector for quarter 2, Manufacturing has the least current outlook of 50.98, followed by Wholesale and Retail Trade (51.63) and construction (52.09), which explains the goods and services tax (GST) impact on these sectors. These indices improved considerable in quarter 3 and quarter 4. Other services sector expressed the strongest business sentiments regarding past/current business operations throughout the 3 quarters.
- The data show that future expectations were generally higher than normal for each sector in each quarter; expectations were particularly higher in other services sector with 73.48 in quarter 2, 70.60 in quarter 3 and 63.78 in quarter 4.
- By size of establishments, the past/current outlook index improved considerably across the size of establishment from quarter 2 to quarter 4; but particularly for quarter 4 which recorded an index of 59.8% for small scale establishments, 58.2% for medium scale and 59.5% for large scale establishments. On the other hand, quarter 4 recoded the least future business outlook index for all sizes of establishments. This means that business people felt more confident with the current trend of activities and less predictive about the future.
- When analysed by sector for quarter 2, Manufacturing has the least current outlook of 50.98, followed by Wholesale and Retail Trade (51.63) and construction (52.09), which is partly explained by the GST impact on these sectors. These indices improved considerable in quarter 3 and quarter 4. Other services sector expressed the strongest business sentiments regarding past/current business operations for quarters 2 and 3; whereas in quarter 4, all the four sectors expressed similar sentiments regarding past/current business index of about 59%.
- Expectations were generally higher than normal for each sector in each quarter; particularly for other services sector with 73.48 in quarter 2, 70.60 in quarter 3 and 60.45 in quarter 4.
- Regarding the economic wide outlook index, the data show that the average assessment by all respondents of current or past performance of business was below normal (43.7 percent) in

quarter 2 but improved in quarter 3 (52.4%), but dipped again in quarter 4 (50.8%) largely due to renewed concerns over the impact of macroeconomic factors (such as inflation and exchange rate instability) and governance factors (such as crime and corruption) on business operations in the country. Also, the expected business outlook index improved between quarter 2 and quarter 3 but declined from 73.4% in quarter 3 to 51.0% in quarter 4.

- The production and sales index data show that the business confidence index for past/current level of business activity was above average for all the quarters, but declined slightly in quarter 4. On the other hand, the expected business confidence index declined sharply from 73.0% in quarter 2 to 55.9% in quarter 3 and 48.5% (which is below normal) in quarter 4 reflecting a down grading of future production, sales and/or demand levels of businesses from one quarter to the other.
- The sales/selling prices index data show that past/current business outlook on turnover was below normal at 41.7% and 42.2% in quarter 2 and quarter 3 respectively; but above average at 50.6% in quarter 4. This could be connected to the usual expected boom in sales during Christmas festive period. Also expected business outlook index was above normal for all the three quarters but however declined in quarter 4 indicating a drop in the confidence level regarding sales levels in the next 3 months.
- The investment plan index data shows that the past/current indices were slightly above normal for quarters 2 and 3, but slightly below normal (49.4%) in quarter 4. This underlines that fact that current capacity utilisation was just above average for most businesses in the country. In addition, the expected business outlook though above normal, declined from 62.0% in quarter 3 to 51.1% in quarter 4.
- The total employment index shows that the past/current employment outlook for all sectors was below average in quarter 3 (48.7%) indicating a drop in current sentiment to expand employment from 54.6% in quarter 2. However, sentiment to expand current employment levels improved considerable to 68.5% in quarter 4.
- The Financial and Credit Market index shows that average past/current outlook was 62.1% in quarter 2, 64.2% in quarter 3 and 68.9% in quarter 4. This means that the current business confidence dropped significantly in quarter 4; The expected business outlook index and the overall index also declined, which represents a continuous drop in the confidence level of business executives over the three quarters.
- The macroeconomic factors index shows that the past/current business index recorded a significant drop from 80.0% in quarter 2 to 70.2% in quarter 4; while the expected business outlook dropped from 77.8% in quarter 2 to 70.2% in quarter 4. As a result, the overall macroeconomic index dropped from 80.4 in quarter 2 to 70.2% in quarter 4. This means that there has been a some improvement in the confidence level over the three quarters, as business people lower the scores on the impact of macroeconomic factors on their businesses.
- For the governance factors index, both the past/current outlook index and the expected business outlook index recorded a decline between quarter 2 and quarter 3. Of course with the invocation of MAC-P, the joint military and police patrols reduced crime and instability in the city coupled with the closure of the two political radio stations in March. The confidence did improve, for example, the overall business confidence index declined from 55.7% in quarter 2 to 53.0% in quarter 3. However, the confidence dropped again in quarter 4 (as indicated by the 58.9 index points) due to increased fear about the impact of crime, corruption and bureaucracy on business operations.

## **1.0 INTRODUCTION**

The Sierra Leone Business Confidence Index measures the perception of Company Chief Executives, Managers, and in some cases Business Owners' on the current and future state of the economy as it affects business operations and investment decisions. The Index estimates business peoples' perception of current and expected developments regarding general economic performance, sales, investments, employment, selling prices, capital inflows or outflows, exchange rates and instability of the Leone etc. The Sierra Leone Business confidence index is measured on a scale of 0 to 100, where 0 indicates total lack of confidence and 100 indicates extreme confidence. The Survey Questionnaire covers seven broad themes that together address 20 specific economic policy relevant issues. The respondent is required to choose from three options; higher, lower or the same for each of the questions. Two types of indices are compiled; the current/past status index (the index derived from perceptions about current/past performance), and the business confidence index (the index derived from business peoples' expectation of performance three months in advance). These two indices are calculated for every variable and aggregated to form a composite index

### **1.1 Coverage**

The index is compiled based on a quarterly survey of all establishments carrying out the same kind of activities in selected sectors in the Western Area of Sierra Leone classified by employment size in to small scale establishments (<10 employees), medium scale establishments(10-49 employees) and large scale establishments(50+ employees). The survey covers four main sectors of the economy; Industry (Manufacturing, Quarrying and Mining), Wholesale and Retail Trade, Construction and Other Services (Tourism, Banking, Insurance and Transport and Communication) sectors of the economy. The target respondents are top executives, business leaders, owners and top managers of these establishments.

### **1.2 Periodicity and Timeliness of Data**

The Sierra Leone Business Confidence survey is carried out quarterly with a quarterly reference period. This means information collected on a quarterly basis will refer to the past three months and the next three months. The survey is carried out four times in the year during the second and third week of the last month of the quarter. The survey results are released at the end of the first month of the following quarter. The first survey was conducted in quarter 2, 2010.

### **1.3 Objective of the Survey**

The main aim of the Sierra Leone Business Confidence survey is to obtain qualitative information for use in monitoring the current and future business situation and forecasting short-term developments in the economy. It is intended to provide economic decision makers particularly the Monetary Policy Committee with necessary information about future business outlook

and expectations that could be used to determine monetary policy. The survey is carried out with the aim of finding out the opinion of senior managers of the major private sector enterprises about the recent past, present and the future macroeconomic developments as they affect production, investment, demand, sales, capacity utilization and inflation expectations. It is widely recognized that business peoples' expectations play a major role in economic development and taking this into consideration in making short-term business decisions is crucial to avoid economic and financial crisis.

## **2.0 SURVEY METHODOLOGY**

This section outlines the methodology of the survey, including index compilation procedures.

### **2.1 Sampling Frame**

The Business Register maintained by SSL was used to reconstruct the sampling frame. The frame consisted of all establishments carrying out the same industrial activity (Kind-of-Activity-Units) in the Western Area of the Country classified as belonging to the following four sectors: Construction, Industry (represented by Manufacturing and Mining), Wholesale and Retail Trade, Other Services (Tourism, Banking, Insurance, Transport and Communication). The frame was updated using records provided by the National Revenue Authority (NRA), the National Social Security and Insurance Trust (NASSIT) and field work done by Statistics Sierra Leone. The regrouping of establishments was done in order to capture pertinent information on key industries of the economy.

### **2.2 Reporting Unit and Sampling Unit**

The frame consisted of several establishments operating from one location and carrying out predominantly one kind of activity. In this case the reporting unit was the same as the sampling unit. However, where the sampled unit (the establishment) carries out several of the same kind of activity in different locations, or several activities in the same location, then the main establishment or head office was used as reporting unit even if the branch was selected. This is particularly applicable wherein the head office keeps a centralized books of accounts for all activities and branches.

### **2.3 Sample Size and Sample Size Allocation**

The sample size was determined on the basis of a rule of thumb that about 30 reporting units were required to obtain an acceptable level of precision for each stratum. Thus 160 reporting units were selected for the study allocated equally within the four strata, ten extra to allow for sample shortfall due to non response. The sample size was allocated equally among the four sectors covered in the study. Thus there were forty reporting units each from Construction, Industry, Wholesale and Retail Trade, and Other Services (Tourism, Banking, Insurance, and Transport and Communication) sectors. An equal sample size allocation was adopted to allow for comparison of the business expectations across sectors.

### **2.4 Survey Instrument**

The questionnaire was designed following the guidelines set in the Organization for Economic Cooperation and Development Handbook (OECD Handbook on Business Tendency Surveys). The standard OECD harmonized

questionnaire for Business Tendency Surveys was used as the main framework adapted to our country specific situation. However, the survey questionnaire is much longer than the standard OECD questionnaire. The Sierra Leone Business Confidence questionnaire contains 40 questions, 20 intended to address past/current business performance and 20 to measure future business expectations. The questions cover eight broad themes that together address 20 specific economic policy relevant issues on both past/current business performance and future expectations. The main themes covered by the survey are; General Economy and Business wide outlook, Sales/Production Volumes, Turnover/Selling Prices, Investment Plans, Employment, Finance and Credit Markets, Macroeconomic Factors and Governance Factors.

There are four questionnaires which are similar in scope but each modified slightly to suit the special needs of the sector surveyed. Three optional multiple choice questions are used in harmony with standard practice. Respondents were asked for judgment on business developments in the recent past; give an assessment of the current situation and their expectation on the future trend of the selected indicators. When asked to assess their current business operations, respondents were asked to state whether they were; “above normal”, “normal” or “below normal”. Alternatively questions on business expectations normally require the respondents to state whether their operations will “increased”, “decrease” or remain the “same”.

## 2.5 Sample Design

The sample design was a combination of purposive (judgmental) sampling and ordered probability proportional to size sampling techniques. For each sector, the top ten companies were purposively selected using the number of employees as size measure. The remaining establishments were reorganized into four strata, each stratum representing one sector. The sample was selected by stratum. Thus for each establishment in the stratum, the number of employees was represented by  $x_i$  and a random number  $U_i$  between 0 and 1 was associated with each establishment. A variable  $Z$  such that  $Z = nx_i/\sum x_i$ , where  $n$  is sample size,  $x_i$  is the number of employees in enterprise  $i$ . ( $i = 1, 2, 3 \dots N$ ) and  $\sum x_i$  is the cumulative total number of employees for all establishments of the specified type was computed. The ranking variable  $Q$  which was a function of  $Z$  such that  $Q_i = U_i(1-Z_i)/Z_i(1-U_i)$  where  $Z_i$  and  $U_i$  are defined as above was constructed. The values of  $Q_{is}$  obtained were sorted in ascending order and for each sector 30 additional establishments with the smallest value of the ranking variable ( $Q$ ) were selected. The ranking was very useful because during field work the establishments that were found to be unsuitable were replaced with the next ones in the ranking. Thus ordered PPS provided some flexibility and made replacement statistically robust.

To reduce sample variance, measure changes over time more accurately and reduce the cost of the survey a fixed panel of reporting units and respondents are used each quarter. However, the panel could be changed every year to allow for flexibility and to reduce respondent fatigue.

## **2.6 Data Collection**

The Business Confidence Survey is carried out by Statistics Sierra Leone using the already established real sector data collection framework. A self administered questionnaire is sent to each selected establishment (reporting unit) accompanied by a letter from the Statistician General requesting the unit to participate in the study on a quarterly basis and providing additional information on the survey. Data Collectors make return visits to collect completed questionnaires or to answer questions relating to the survey. The data collection normal lasted for 10 days.

## **2.7 Organization of the Survey**

The survey is implemented by the National Accounts Section in the Economic Statistics Division at SSL. The existing real sector data collection framework is used to implement the survey. The Head of the National Accounts Section serves as Survey Coordinator while the Director of the Division provides overall supervision and technical expertise in the design and construction of the indices. To ensure credibility and prompt response from business executives, all Section Heads, Statisticians and other staff in the Economic Statistics Division served as Data Collectors.

## 3.0 PROCESSING, ANALYSIS AND REPORTING OF THE SURVEY RESULTS

### 3.1 Index Estimation Procedures

In the survey questionnaire, respondents were given any of three answer choices to select from for each question. The choices may be differently worded but they can broadly be classified as positive, negative and unchanged. This is the standard practice in confidence surveys. These qualitative responses are then converted into quantitative responses by scoring the responses received using the criteria below:

- The score of +1 is assigned to the answers that show positive sentiment
- The score of 0 is given to “unchanged” answers.
- The score of -1 is assigned to “negative” responses

Two approaches are used to estimate 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 are first converted into percentages. The net balance is calculated by subtracting the negative percentages from the positive percentages. The formula used to compute the balances is  $B=100(P-N)$  where P is the fraction of positive responses in the total and N is the fraction of the negative responses in the total.

The net balances computed are then converted into diffusion indices using the following relationship;  $DI = (100+ B)/2$  where DI is the Diffusion Index and B is the Net Balances computed as above.

The indices computed using the net balances approach range from -100 to 100 while diffusion indices range from 0 to 100. The Sierra Leone Business Confidence Index is presented as a diffusion index for ease of presentation and interpretation. However, both index types have exactly the same information content and each represents another way of presenting the same information. First balances are computed for each question based on the total number of responses for each of the three response option. Using the formula outlined above, an elementary diffusion index is computed for each question. The overall indices by sub-indicator, main indicator and eventually sector are computed as simple averages of the item indices. Separate indices are computed for Industry, Construction, Wholesale and Retail Trade, and Other Services Sectors. These are then aggregated to compute the overall Business Confidence Index. The index is computed as a past/current performance index and a future expectations index. It is also presented by size of establishments divided into small scale establishments (< 9 employees), medium scale establishments (10-49 employees) and large scale establishments (50+ employees).

## 3.2 Type of Indices Computed

Broadly, two types of indicators are computed:

<p><b>A. Confidence-building indicators</b> These indicators capture positive sentiment about the economy-are those that relate to general economic situation, sales volumes, output levels, business turnover, profitability, investment plan, capacity utilization, and employment level. These indicators are summarized as follows:</p>
<p>1. General Economy and Business Outlook (positive average) Business Outlook Economy Wide Outlook</p> <p>2. Sales volumes (positive average) Sales volumes</p> <p>3. Turnover/Selling Prices (positive average) Profitability Orders Placed With Suppliers Average Selling Prices</p> <p>4. Investment Plans (positive average) Investment Changes Capacity Utilization</p> <p>5. Employment Total (positive average) Employment Levels</p> <p>Thus the net-balances of these 5 main indicators were given a positive sign in the computation of the composite DI</p>
<p><b>B. Confidence-undermining indicators</b> These are indicators captures negative sentiment of business owners about the factors under investigation. Three broad indicators are estimated here as show below:</p>
<p>6. Finance and Credit Markets (negative average) High Interest Rates Non-availability of Bank Credit Non-availability of Credit from other Financial Sources Non-availability of Foreign Exchange</p> <p>7. Macroeconomic Factors (negative average) Taxes Inflation Exchanger Rate instability</p> <p>8. Governance Factors Summary (negative average) Effect of Corruption Effect of Crime Effect of Bureaucracy Effect of Internal Political Climate</p>

As a result, the net-balances of these 3 main indicators (6-8) were given a negative sign in the computation of the composite DI

### Computing the Overall Composite Index:

The overall index is computed as a weighted average of all the positive and negative indices highlighted above (all 8 of them) and 50 is added to that average. This is because for a DI 50 is the base; 50 is therefore the benchmark for comparison. This is done for both the current and expected indices. Thus overall index is computed as follows: Average (1,2,3,4,5,-6,-7,-8)+50

### Weights

Two sets of weights are used in the computation of the overall index: establishment weights and sectoral weights. Establishment weights are obtained from the business register based on the sample selected, while sectoral weights are obtained as the sectoral share in the gross domestic product (GDP). The two weights ensured that the index obtained is nationally representative.

## 3.3 Interpretation of Results

A Diffusion Index ranges from 0 to 100 and is interpreted as follows;

- (i) Index of 50 means that business sentiment remains stable.
- (ii) Index above 50 means business confidence has improved
- (iii) Index below 50 means business confidence has worsened

In the computation of the overall index, the following variables; Finance and Credit Markets (Effect of High Interest Rates, Non-Availability of Bank Credit, Non-Availability of Credit from other sources and Non-Availability of Foreign Exchange); Macroeconomic Factors (effect of taxes, Inflation and Exchange Rate Instability); and Governance Factors (Effect of Bureaucracy, Corruption, Crime and Internal Political Climate) were computed as confidence undermining factors and hence assigned a negative value. As a result, a score above 50 for each of these factors should be regarded as a worsening in confidence. Since these variables are regarded as confidence undermining factors, the higher the score on them the lower the business confidence. Thus in the computation of the overall index their score is netted out as a negative balance.

## 4.0 PRESENTATION AND ANALYSIS OF SURVEY RESULTS

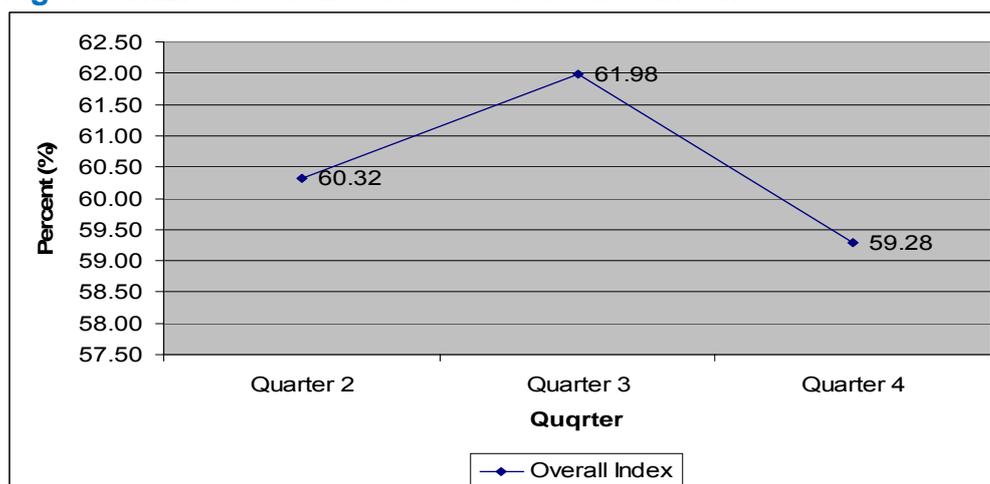
### 4.1.1 The Indicators of Business Confidence

The Sierra Leone Business Confidence survey questionnaire contained 40 questions, 20 intended to address past/current business performance and 20 to measure future business expectations. The questions covered eight broad themes that together addressed 20 specific economic policy relevant issues on both past/current business performance and future expectations. There were four questionnaires which were similar in scope but each modified slightly to suit the special needs of the sector surveyed. Three optional multiple choice questions were used in harmony with standard practice. Respondents were asked for judgment on business developments in the recent past, give an assessment of the current situation and their expectation on the future trend of the selected indicators. When asked to assess their current business operations respondents were asked to state whether they were; “above normal”, “normal” or “below normal”. Alternatively questions on business expectations required the respondents to state whether their future operations will “increase”, “decrease” or remain the “same”.

### 4.1.2 Aggregate Business Confidence Indicators

The Sierra Leone Business confidence Index for the second quarter of 2010 was 60.32 index points which was 10.32 points above normal; third quarter was 61.98 index points, which was 11.98 above normal; and fourth quarter was 59.28, which was 9.28 index points above normal. This gives an average of 60.53 index points, which is 10.53 above normal. This implies that business managers were generally optimistic about future business prospects in the economy despite the hike in prices and transportation cost.

**Figure 4.1.2: Overall Business Confidence Index**



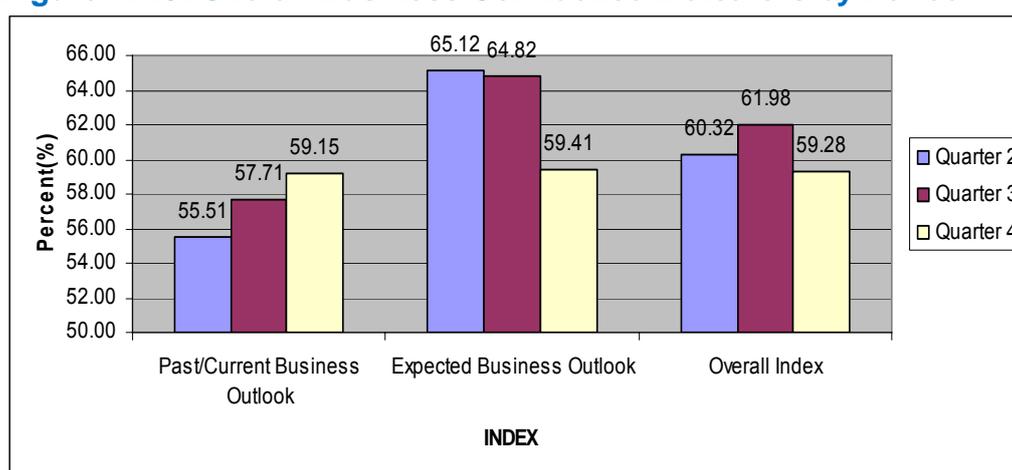
The 2.76 percentage point increase in the index from quarter 1 to quarter 2 was due to the decline in the macroeconomic factor index which captures the effect of taxes, inflation and Exchange rate instability on business operations from 84.44% in the quarter 2 to 73.21% in quarter 3 mainly due to the decline in tax assessment from 84.11% in quarter 2 to 77.23% in quarter 3; and inflation assessment from 84.77 in quarter 2 to 69.97% in quarter 3 (See

Appendix Table 3). This reflects the fading away of the potential impact of the goods and services tax (GST) introduced in January 2010 on future business operations in the country and the easing of inflationary pressure in the economy. Of course governance factors also played a role in improving the index (See Appendix Table 3). On the other hand, the 4.35 percentage point decline in the overall index from quarter 3 to quarter 4 represents an increase in the magnitude of the inflation assessment from 69.97% in quarter 3 to 76.10% in quarter 4, as well as the worsening of the governance factor from 52.98 in quarter 3 to 58.89 in quarter 4 as a result of increase in the effect of corruption index from 54.71 to in quarter 3 to 57.747% in quarter 4, as well as the effect of crime index from 51.71 in Quarter 3 to 68.86% in Quarter 4. The financial credit index also worsened between quarter 3 and quarter 4 (See Appendix Table 3).

### 4.1.3 Aggregate Business Confidence Indicators by Period

The data in Figure 4.1.3 shows that the Past/current performance index increased from 55.1% in quarter 2 to 57.71% in quarter 3 and 59.15% in quarter 4. This suggests a continuous improvement in the assessment of business executives with regards to the general economic outlook, turnover/selling prices and employment expansion on one hand, and the decline in the assessment with regards to the impact of macroeconomic factors such as inflation, taxes and governance factors such as crime and political instability on current operations (see appendix Table 3). On the other hand, the expected business outlook index continuously declined from 65.12 in quarter 2 to 64.82 in quarter 3 to 59.41% in quarter 4 reflecting a decline in the ability of business executives to predict the impact of macroeconomic factors on future business operations.

**Figure 4.1.3: Overall Business Confidence Indicators by Period**



This behaviour of the Expected Business Outlook index over the 3 quarters is consistent with economic theory which suggests that as expectations are built into inflation, the future becomes less predictive and as a result business planning time horizon is reduced; this would have negative impact on business operations in the long-term.

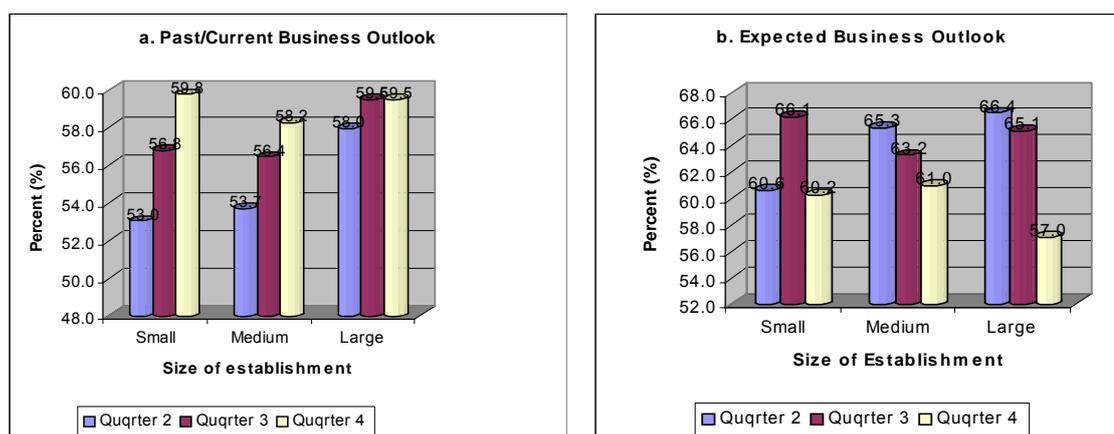
**Table 4.1.3: Overall Business Confidence Indicators by Sector**

Quarter	Construction		Manufacturing		Other services		W/R Trade	
	Past/Current Business Outlook	Expected Business Outlook						
Quarter 2	52.09	62.90	50.98	61.05	63.39	73.48	51.63	57.69
Quarter 3	60.28	68.40	56.93	59.49	60.92	70.60	53.59	59.92
Quarter 4	59.56	60.51	59.70	60.51	59.05	60.45	58.77	58.43

When analysed by sector for quarter 2, Manufacturing has the least current outlook of 50.98, followed by Wholesale and Retail Trade (51.63) and construction (52.09), which is partly explained by the GST impact on these sectors. These indices improved considerable in quarter 3 and quarter 4. Other services sector expressed the strongest business sentiments regarding past/current business operations for quarters 2 and 3; whereas in quarter 4, all the four sectors expressed similar sentiments regarding past/current business index of about 59%.

Expectations were generally higher than normal for each sector in each quarter; expectations were particularly higher in other services sector with 73.48 in quarter 2, 70.60 in quarter 3 and 60.45 in quarter 4.

**Figure 4.1.4: Overall Business Confidence Indicators by Size of Establishment**



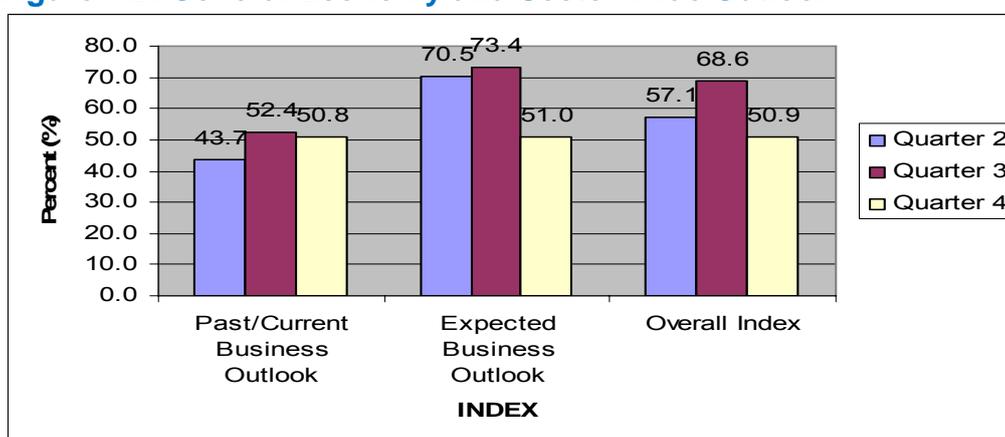
By size of establishments, the past/current outlook index improved considerably across the size of establishment from quarter 2 to quarter 4; but particularly for quarter 4 which recorded an index of 59.8% for small scale establishments, 58.2% for medium scale and 59.5% for large scale establishments (Figure 4.1.4a). On the other hand, quarter 4 recoded the least future business outlook index for all sizes of establishments. This means that business people felt more confident with the current trend of activities and less predictive about the future. Quarter 3 which saw the easing of inflation

and the fading away of the impact of GST recorded a stable future business outlook index above 63% for all sizes of establishments (Figure 4.1.4b).

## 4.2 General Economy and Sector Wide Outlook

Three questions were used to compute this indicator. On the expectation side respondents were asked to rate how they will expect the national economy or the business situation in their sector to perform in the next three months. They were also asked to rate as good, satisfactory or bad the current business situation in their sector. These responses were used to compute two indicators; Economy wide outlook and Business outlook. The indicator “economy wide outlook” reflects the respondents’ perception of the future performance of the economy only. Unlike the Business Outlook indicator which had a question on both the current and future outlook, no question was asked to assess current or past performance of the general economy.

**Figure 4.2: General Economy and Sector Wide Outlook**



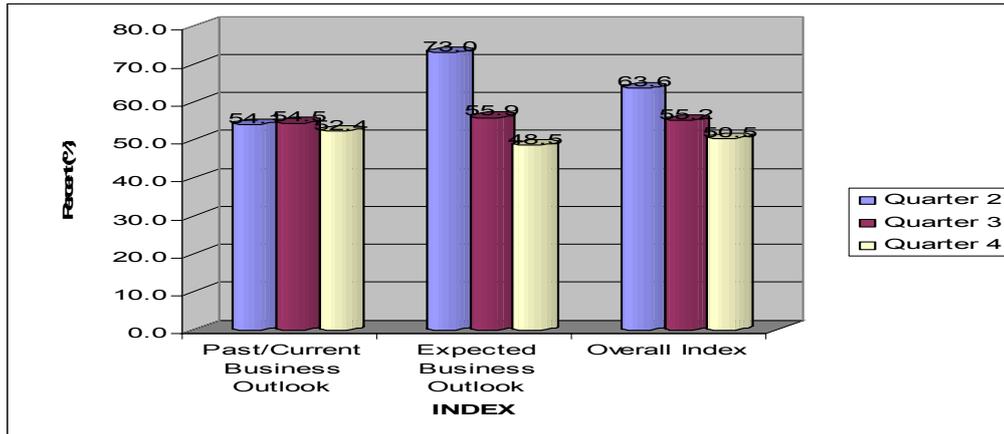
The data in Figure 4.2 show that the average assessment by all respondents of current or past performance of business in their sector was below normal (43.7 percent) in quarter 2 but improved in quarter 3 (52.4%), but dipped again in quarter 4 (50.8%) largely due to renewed concerns over the impact of macroeconomic factors (such as inflation and exchange rate instability) and governance factors (such as crime and corruption) on business operations in the country. Also, the expected business outlook index improved between quarter 2 and quarter 3 but declined from 73.4% in quarter 3 to 51.0% in quarter 4 amid fear of a possible negative impact of the increase in prices resulting from the increase in the pump price of fuel in the country. The overall index was above normal for all the quarters.

## 4.3 Production, Sales Volumes or Demand for Services

Three types of questions were asked to determine this indicator slightly modified to meet the needs of the targeted sector. In the manufacturing sector the questions were asked to address production, in the Retail trade sector the three questions address sale volumes, in construction information was sort on level of business activity while in the services sector, questions were modified to address demand for services. Respondents were asked what had been

their company's level of production, sales volumes, demand for services or level of business activity in the past three months, what changes they expected in the next three months and what their current level of stocks, level of contracts currently been executed or current level of competition in the sector was. The two questions relating to current performance were grouped together to compute the current Production, Sales or Demand for services index while only one question was used to determine the future production, sales or demand for services index.

**Figure 4.3 Production, Sales Volumes or Demand for Services**



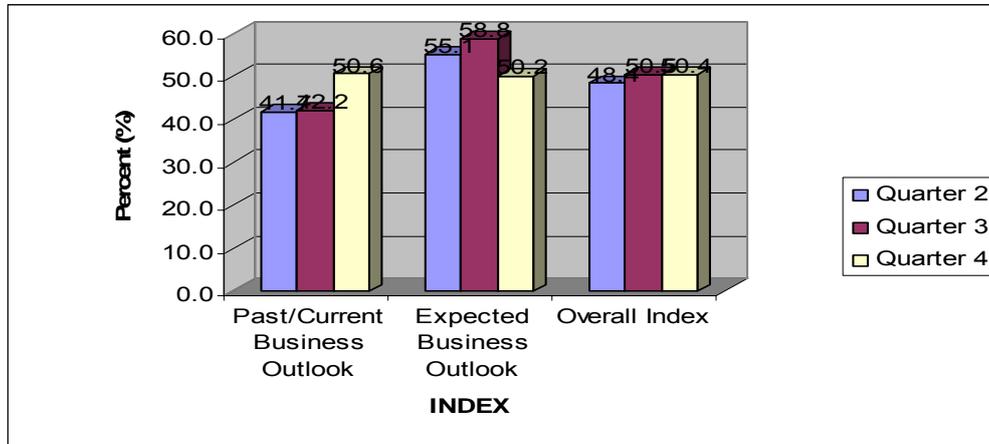
As shown on Figure 4.3 above, the business confidence index for past/current level of business activity in country was above average for all the quarters, but declined slightly in quarter 4. On the other hand, the expected business confidence index declined sharply from 73.0% in quarter 2 to 55.9% in quarter 3 and 48.5% (which is below normal) in quarter 4 reflecting a down grading of future production, sales and/or demand levels of businesses from one quarter to the other. As a result, the overall index declined from 63.6% in quarter 2 to 50.5% in quarter 4 representing a drop in the sentiment expressed for future prospects in production, sales and demand levels.

#### 4.4 Turnover/Selling Prices

This indicator measures the value of the sales of the business organisation or its revenue. It also refers to how quickly the company sells its inventory. A high turnover means that goods are sold quickly, while a low turnover means that goods are sold slowly. Both the total turnover and the rate of turnover affects the profitability of the business. Turnover as an index should be interpreted in a positive light. A high turnover index is good and the higher it is above the 50 index point or the normal level, the more the score on confidence. Three indicators are combined to form this indicator; profitability, orders placed with suppliers and average selling prices. In the Services Sector, profitability is combined with capital Inflows and capital outflows to produce the turnover index. Thus six questions were asked, three on current outlook and three on expected performance on these indicators. Respondents were asked whether in the past three months their profitability, orders placed with suppliers, selling prices or net inflows from abroad increased, decreased or remained the same. The responses to these questions were compiled into

past/current performance and expected performance indicators for each of these indicators and combined to make up the turnover confidence index

**Figure 4.4: Turnover/Selling Prices**



The data in Figure 4.4 show that past/current business outlook on turnover was below normal at 41.7% and 42.2% in quarter 2 and quarter 3 respectively; but above average at 50.6% in quarter 4. This could be connected to the usual expected boom in sales during Christmas festive period.

Also expected business outlook index was above normal for all the three quarters but however declined in quarter 4 indicating a drop in the confidence level regarding sales levels in the next 3 months.

#### 4.5 Investment Plans

For the purpose of the index, four questions were asked; two to solicit responses on investment changes and two on capacity utilisation. To determine current or expected changes in capacity, respondents were asked whether their company changed in capacity during the past three months or expect to change in capacity during the next three months. The company is said to change in capacity if it made new investments, increased space, added new outlets, expanded to new locations, increased working capital, introduced new technology or introduce new distribution networks. The two questions on capacity utilisation asked whether the respondents' current or future operations relative to optimal capacity were above normal, normal or below normal. Figure 4.5 below illustrates sentiments on current and future investment plans of businesses.

**Figure 4.5: Investment Plans**

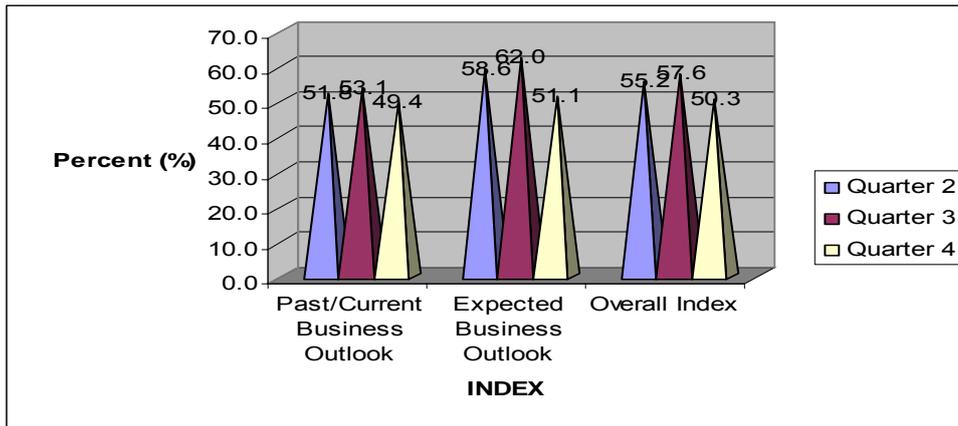


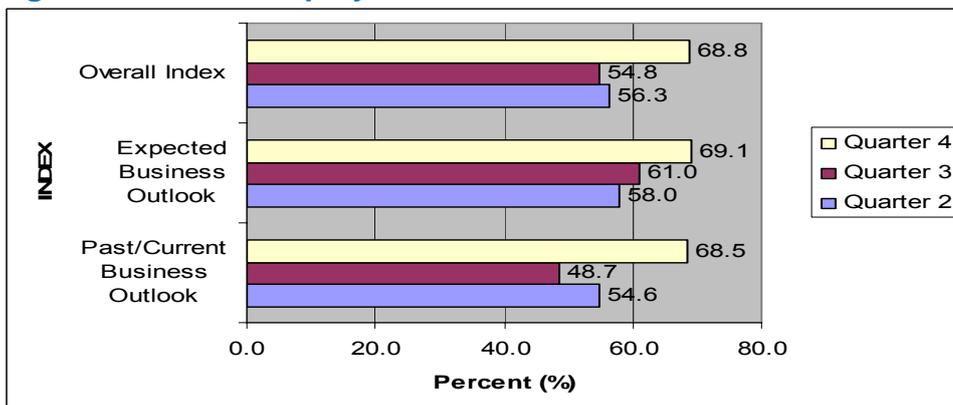
Figure 4.5 shows that the past/current indices were slightly above normal for quarters 2 and 3, but slightly below normal (49.4%) in quarter 4. This underlines that fact that current capacity utilisation was just above average for most businesses in the country. This means that the extent to which the company's productive resources were utilised for the generation of goods and services was below potential. Low capacity utilisation could be as a result of insufficient demand exists for the good or service being produced, may be as a result of stiff competition in the economy.

On the other hand, business executives expressed sentiments above normal expected increases in capacity utilisation for all the quarters, however, declined from 62.0% in quarter 3 to 51.1% in quarter 4. As a result the overall index in quarter 4 was just slightly above normal (50.3%).

## 4.6 Employment

To compute the employment indices, two questions were asked to determine past and future employment levels. Respondents were asked to state whether their employment levels in the past three months compared with the same period last year increased, decreased or remained the same and how they expect employment levels to be in the coming period. Their responses are illustrated in Figure 4.6 below.

**Figure 4.6: Total Employment Index**

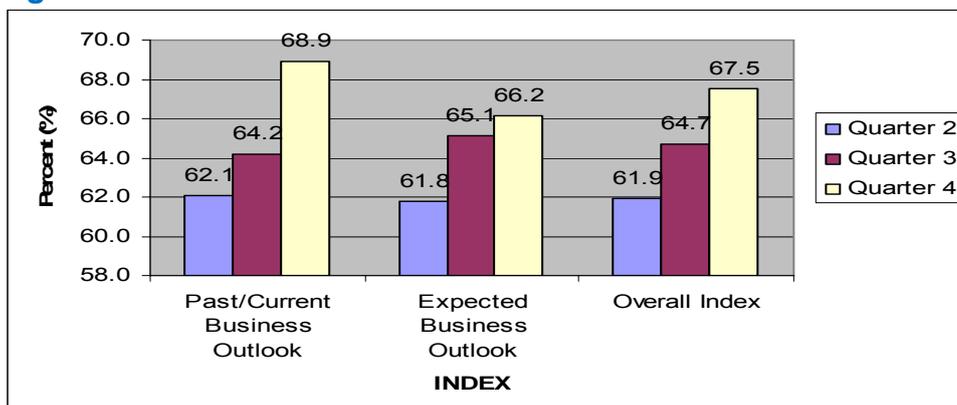


As shown on Figure 4.6 the average past/current employment outlook for all sectors was below average in quarter 3 (48.7%) indicating a drop in current sentiment to expand employment from 54.6% in quarter 2. However, sentiment to expand current employment levels improved considerably to 68.5% in quarter 4, which could be as a result of the optimism of business executives with regards to business turnover/sales. Also the expected business outlook indices were all above average, especially in quarter 4. This is also the case for the overall indices. This means that there is hope for future expansion of employment levels in the economy, which is good for the reduction of unemployment.

#### 4.7 Finance and Credit Markets

Four economic variables were combined to compute this aggregate variable. These were; interest rates, bank credit, credit from other financial sources and availability of foreign exchange. These variables are closely related to transactions on the financial markets where financial transactions in the form of bonds, shares, foreign exchange, short term credit etc. take place. The intention is to provide a measure of the aggregate impact of these variables on business confidence. Respondents were asked the questions; “How did the following financial and monetary factors affect your business operations in the past three months?” and “How do you expect the following financial and monetary factors to affect your business in the next three months?”. The respondents were required to state whether; “Greatly”, “No effect” or “Less Extent”. In the computation of the specific indicators on each of the variables, a score of +1 was given to “Greatly” responses, 0 score on “No effect” responses and -1 score was given for “less extent” responses. The indices computed for each of these variables and the aggregated index (Financial and Credit Markets) should be interpreted as reflecting the negative impact of these variables on the business. If high interest rates, non-availability of bank credit, credit from other financial sources and non-availability of foreign exchange affected the business greatly that would be regarded as a confidence undermining factor. A high index on each of these variables implies a decrease in confidence. So in the computation of the aggregated business confidence index the score on each of these variables and by implication the index on financial and credit markets was regarded as a negative balance and netted out.

**Figure 4.7: Finance and Credit Markets**



The average current Financial and Credit Market Outlook which represents the combined effect of increase in high interest rates, and the non-availability of bank credit, credit from other financial sources and foreign exchange on business operations was 62.1% in quarter 2, 64.2% in quarter 3 and 68.9% in quarter 4. This means that the past/current business confidence worsened significantly in quarter 4; the continuous decline of the exchange rate could be a significant factor behind this drop in this indicator. The trend is the same for the expected business outlook index and the overall index, which represents a continuous drop in the confidence level of business executives over the three quarters.

## 4.8 Macroeconomic Factors

The macroeconomic variables referred to were the impact of taxes, inflation and the instability of the Leone which is closely linked to foreign exchange transactions. Respondents were asked the questions "To what extent do you think the following macroeconomic factors affected your business in the last quarter?" and "To what extent do you think the following macroeconomic factors will affect your "business in the next quarter"? The required responses were "Greatly", "No effect" or "To a less extent". The responses were combined to compute the current and expected aggregate macroeconomic index. In the computation of the final Business Confidence Index, Macroeconomic variables were treated as confidence undermining factors and netted out in the same way as Financial and Credit Market factors. Figure 3.1 and 3.2 below illustrate the results.

**Figure 4.8: Macroeconomic Factors**

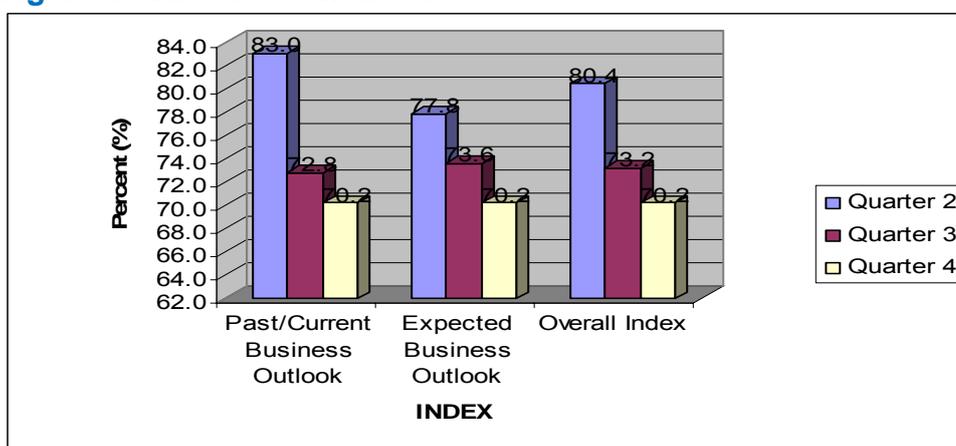


Figure 4.8 shows that the past/current business index recorded a significant drop from 80.0% in quarter 2 to 70.2% in quarter 4; while the expected business outlook dropped from 77.8% in quarter 2 to 70.2% in quarter 4. As a result, the overall index dropped from 80.4 in quarter 2 to 70.2% in quarter 4. This means that there has been an improvement in the confidence level over the three quarters. The data shows that as business people got to understand the GST better and accepted it as part of their tax obligations, they scaled down the impact of the GST on their business. Although the indices are still

high (due to the inflation), yet they represent a significant improvement in the confidence level of businesses regarding macroeconomic factors.

## 4.9 Governance Factors

Four indicators were combined to compile what we call the governance index. These include; effect of corruption, effect of crime, effect of bureaucracy, and the effect of internal political climate.

The effect of bureaucracy refers to the impact of any existing time consuming paperwork and administrative procedures in place to regulate the conduct of business. It referred to the extent to which current structures and organizational arrangements in place to regulate business activities such as the need for many signatures to get business approvals added costs, or delayed business operations.

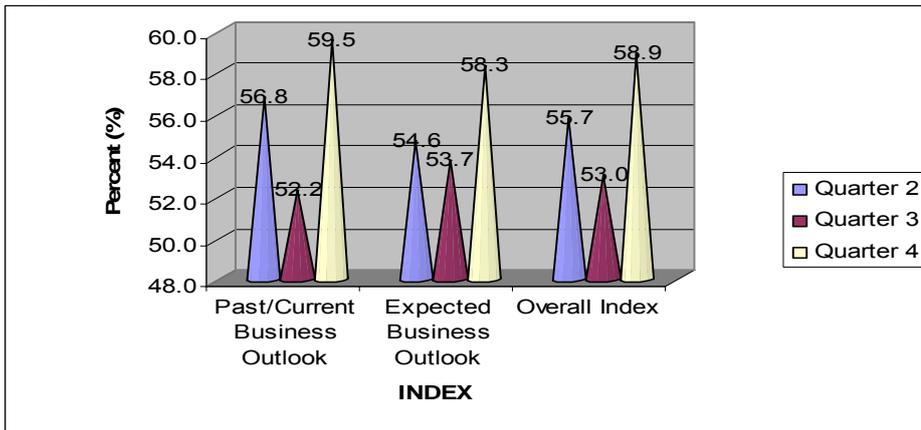
Corruption refers to bribery; the practice of giving money or anything of value to influence actions of officials in charge of decision making to induce them to alter their decisions in favor of the company. Companies may give money to avoid being taken to task for business irregularities or they may merely pay bribes to avoid harassment from government officials who are responsible for checking certain irregularities. The indicator is also intended to find out whether establishments have to pay bribe to continue in business or gain certain privileges such as winning contracts.

The crime indicator measures the extent to which establishments are affected by employee dishonesty and cheating to promote personal interest. It includes fraud, forgery, embezzlement etc.

The effect of political climate refers to the prevailing political attitudes, standards, policies or conditions in the country. Respondents were required to assess the extent to which factors such as political unrest, political affiliation, changes in government policy etc affect business operations. This indicator is also included in the study to gauge the impact of political events such as local, municipal or national elections on business confidence

The respondents were asked the questions “ To what extent did the following governance related factors affect your business in the last quarter?” and “To what extent do you expect the following governance related factors to affect your business in the next quarter?”. They were required to respond “Greatly”, “No effect” and “To a Less Extent”. The responses “Greatly were regarded as positive responses, “No effect” as neutral responses and “To a less Extent” as negative responses. The net balance for each of these indicators was treated like the macroeconomic factors and in the compilation of the overall balance were netted out.

**Figure 4.9: Governance Factors**



All the indices recorded a decline between quarter 2 and quarter 3. Of course with the invocation of MAC-P, the joint military and police patrols reduced crime and instability in the city coupled with the closure of the two political radio stations in March. The confidence did improve, for example, the overall business confidence index declined from 55.7% in quarter 2 to 53.0% in quarter 3. However, the confidence dropped again in quarter 4 (as indicated by the 58.9 index points) due to increased fear about the impact of crime, corruption and bureaucracy on business operations.

## 5.0 CONCLUSION

One positive outcome of this study was that sentiments about future business outlook (though declining over the 3 quarters) were higher than sentiments about past/current business performance. This means that business executives were optimistic about the future, expecting improvement in performance for all indicators, which is a sign of a macroeconomic and governance indicators are not yet out-of-control, all things being equal.

The data has showed there was a high level of capacity under utilisation in all sectors surveyed particularly in the manufacturing sector. Capacity under utilisation is associated with increasing costs as total costs per unit remain high. Thus, the results show that most managers reported below normal profitability or decreases in profitability, due to increased competition from cheap imports and high inflation.

Widespread capacity underutilization implies that actual output was below the economy's potential output. A negative output gap may create problems of unemployment (which is widespread among the youth), weak business profits and low investment. With a low output base there is likely to be a large number of people out of work which means that wages could decline. A decline in demand and slump in profits also mean that the amount of tax revenue that can be raised declines. Inflationary pressures are currently high with double digit rates of inflation reported to be undermining business confidence. It might be worthwhile to further investigate the extent of capacity underutilization particularly in industry and the implications for monetary policy.

Negative Sentiments about the impact of macroeconomic factors such as taxes, inflation and exchange rate stability were very high particularly among managers of small and medium size establishments. With the introduction of the Goods and Services Tax (GST) in January 2010 and the consequent surge in prices led to double digit rates of inflation, which led to the high negative sentiments expressed by managers of the effect of these macroeconomic factors on their business is not surprising. GST is said to replace about seven taxes and is regarded as advantageous to business so it is expected that negative sentiments about its effects would disappear as the advantages of GST become clearer. The Leone has been depreciating continuously over the past 12 months, and it is obvious that managers reacted to this downward trend in the exchange rate which led to the high negative assessment of macroeconomic indicators within the reference period.

Attention needed to be paid to the operations of finance and credit markets. Negative sentiments on the impact of factors such as high interest rates, non-availability of bank credit, credit from other financial sources and foreign exchange were very high. Key sectors such as construction and industry reported were the most affected especially by high interest rates and the non-availability of bank credit.

The main governance factors undermining business confidence particularly in the construction and wholesale and retail trade sectors were corruption and crime, especially in the second and third quarters. The impact of other factors such as, internal political climate, and bureaucracy were manageable although above normal. The focus of policy should therefore be to intensify the current efforts to reduce crime, corruption and bureaucratic procedures on business operations in the country.

## **6.0 REFERENCES**

Building up a Real Sector Business Confidence Index for Turkey  
Dilara Ece, Türknur Hamsici, Ece Oral, Central Bank of the Republic of Turkey Research and Monetary Policy Department, - November 2005

Business Tendency Surveys; A Handbook; Organization for Economic Cooperation and Development (OECD)

# APPENDIXES

## APPENDIX A:

### SIERRA LEONE BUSINESS CONFIDENCE INDEX - 2010 ANNUAL TABLES OF RESULTS

<b>Table 1: Overall Business Outlook Indices and Quarterly Percentage Change</b>			
Quarter	Past/Current Business Outlook	Expected Business Outlook	Overall Index
Quarter 2	55.51	65.12	60.32
Quarter 3	57.71	64.82	61.98
Quarter 4	59.15	59.41	59.28
Annual Av	57.45	63.12	60.53
<b>Quarterly Change</b>			
Quarter 2	..	..	..
Quarter 3	3.96	-0.47	2.76
<b>Quarter 4</b>	<b>2.50</b>	<b>-8.34</b>	<b>-4.35</b>

<b>Table 2: Summary Business Outlook Indices by Quarter</b>									
Description	Quarter 2			Quarter 3			Quarter 4		
	Past/Current Business Outlook	Expected Business Outlook	Overall Index	Past/Current Business Outlook	Expected Business Outlook	Overall Index	Past/Current Business Outlook	Expected Business Outlook	Overall Index
General Economy and Business Outlook	43.68	70.52	57.10	52.39	73.38	68.62	50.84	51.04	50.94
Sales volumes	54.13	72.98	63.55	54.46	55.87	55.16	52.38	48.53	50.46
Turnover/Selling Prices	41.70	55.11	48.41	42.23	58.79	50.51	50.59	50.18	50.39
Investment Plans	51.81	58.64	55.22	53.15	61.99	57.57	49.43	51.09	50.26
Employment Total	54.64	57.97	56.30	48.69	60.98	54.83	68.49	69.14	68.82
Finance and Credit Markets	62.06	61.75	61.91	64.20	65.12	64.66	68.88	66.15	67.52
Macroeconomic Factors	83.05	77.83	80.44	72.84	73.59	73.21	70.19	70.22	70.20
Governance Factors Summary	56.78	54.64	55.71	52.23	53.74	52.98	59.48	58.29	58.89
<b>Overall Business Confidence Index</b>	<b>55.51</b>	<b>65.12</b>	<b>60.32</b>	<b>57.71</b>	<b>64.82</b>	<b>61.98</b>	<b>59.15</b>	<b>59.41</b>	<b>59.28</b>

**Table 3: Detail Overall Index Summary by Quarter**

Description	Quarter 2		Quarter 3		Quarter 4		Overall Index			
	Past/Current Business Outlook	Expected Business Outlook	Past/Current Business Outlook	Expected Business Outlook	Past/Current Business Outlook	Expected Business Outlook	Quarter 2	Quarter 3	Quarter 4	Annual Average
Economy Wide Outlook	0.00	71.84	0.00	75.33	0.00	52.83	71.84	75.33	52.83	66.66
Business Outlook	43.68	69.21	52.39	71.44	50.84	49.37	56.44	61.91	50.11	56.15
General Economy and Business Outlook	43.68	70.52	52.39	73.38	50.84	51.04	57.10	68.62	50.94	58.89
Sales Volumes	54.13	72.98	54.46	55.87	52.38	48.53	63.55	55.16	50.46	56.39
Sales volumes	54.13	72.98	54.46	55.87	52.38	48.53	63.55	55.16	50.46	56.39
Profitability	33.77	52.32	39.18	52.49	50.63	49.91	43.05	45.83	50.27	46.38
Orders Placed With Suppliers	36.77	58.58	35.98	62.76	50.02	50.21	47.68	49.37	50.11	49.05
Average Selling Prices	54.57	54.43	51.53	61.12	51.12	50.42	54.50	56.32	50.77	53.86
Turnover/Selling Prices	41.70	55.11	42.23	58.79	50.59	50.18	48.41	50.51	50.39	49.77
Investment Changes	56.79	59.32	55.94	61.95	50.46	51.23	58.05	58.95	50.84	55.95
Capacity Utilisation	46.83	57.95	50.35	62.03	48.41	50.95	52.39	56.19	49.68	52.75
Investment Plans	51.81	58.64	53.15	61.99	49.43	51.09	55.22	57.57	50.26	54.35
Employment Levels	54.64	57.97	48.69	60.98	69.36	69.14	56.30	54.83	68.82	59.98
Employment Total	54.64	57.97	48.69	60.98	69.36	69.14	56.30	54.83	68.82	59.98
High Interest Rates	72.83	67.39	74.27	74.99	60.18	74.08	70.11	74.63	68.01	70.92
Non-Availability of Bank Credit	56.88	60.61	59.01	60.17	76.92	57.16	58.75	59.59	67.44	61.93
Non-Availability Credit from other Financial Sources	51.71	53.75	58.19	56.38	73.18	56.79	52.73	57.28	64.98	58.33
Non-Availability of Foreign Exchange	66.83	65.26	65.31	68.96	62.32	75.93	66.04	67.14	69.64	67.61
Finance and Credit Markets	62.06	61.75	64.20	65.12	68.15	65.99	61.91	64.66	67.52	64.70
Taxes	87.31	80.91	76.27	78.18	63.73	60.38	84.11	77.23	64.81	75.38
Inflation	88.42	81.11	67.48	72.46	76.98	71.83	84.77	69.97	76.61	77.11
Exchange Rate Instability	73.41	71.48	74.76	70.13	65.79	65.45	72.44	72.45	69.19	71.36
Macroeconomic Factors	83.05	77.83	72.84	73.59	68.83	65.89	80.44	73.21	70.20	74.62
Effect of Corruption	50.91	56.65	51.95	57.47	58.54	53.79	53.78	54.71	57.74	55.41
Effect of Crime	50.91	48.33	51.95	51.62	68.95	66.30	49.62	51.78	68.86	56.75
Effect of Bureaucracy	62.82	60.76	56.20	58.04	52.89	59.12	61.79	57.12	56.12	58.34
Effect of Internal Political Climate	55.64	52.81	48.83	47.83	53.89	51.80	54.22	48.33	52.84	51.80
Governance Factors Summary	56.78	54.64	52.23	53.74	58.57	57.75	55.71	52.98	58.89	55.86
<b>Overall Business Confidence Index</b>	<b>55.51</b>	<b>65.12</b>	<b>57.71</b>	<b>64.82</b>	<b>59.63</b>	<b>60.04</b>	<b>60.32</b>	<b>61.98</b>	<b>59.28</b>	<b>60.53</b>

**Table 4: Quarter 2 Detail Overall Index Summary by Sector**

Description	Construction			Manufacturing			Other services			Wholesale and Retail Trade		
	Past/Current Business Outlook	Expected Business Outlook	Overall Index	Past/Current Business Outlook	Expected Business Outlook	Overall Index	Past/Current Business Outlook	Expected Business Outlook	Overall Index	Past/Current Business Outlook	Expected Business Outlook	Overall Index
Economy Wide Outlook	0.00	75.92	75.92	0.00	57.40	57.40	0.00	91.70	91.70	0.00	62.31	62.31
Business Outlook	51.75	67.41	59.58	36.56	55.68	46.12	52.93	88.66	70.79	33.94	57.44	45.69
General Economy and Business Outlook	51.75	70.80	61.28	36.56	55.68	46.12	52.93	89.32	71.12	33.94	59.01	46.48
Sales Volumes	40.43	59.48	49.96	37.65	56.34	47.00	74.90	84.71	79.81	48.71	58.50	53.60
Sales volumes	40.43	59.48	49.96	37.65	56.34	47.00	74.90	84.71	79.81	48.71	58.50	53.60
Profitability	32.44	50.16	41.30	18.28	40.72	29.50	55.14	74.10	64.62	20.81	37.43	29.12
Orders Placed With Suppliers	35.70	64.48	50.09	20.78	43.21	31.99	55.14	85.13	70.13	26.95	36.78	31.87
Average Selling Prices	41.36	54.62	47.99	59.00	67.31	63.16	60.87	53.37	57.12	52.65	48.96	50.81
Turnover/Selling Prices	36.50	56.42	46.46	32.69	50.42	41.55	57.05	70.87	63.96	33.47	41.06	37.26
Investment Changes	56.42	62.94	59.68	57.34	60.66	59.00	67.26	66.60	66.93	46.21	49.56	47.89
Capacity Utilisation	41.36	61.75	51.55	36.56	54.85	45.71	59.77	71.23	65.50	41.77	44.32	43.04
Investment Plans	48.89	62.35	55.62	46.95	57.76	52.35	63.52	68.92	66.22	43.99	46.94	45.47
Employment Levels	45.03	57.95	51.49	49.86	47.37	48.61	65.72	76.53	71.12	50.76	44.72	47.74
Employment Total	45.03	57.95	51.49	49.86	47.37	48.61	65.72	76.53	71.12	50.76	44.72	47.74
Interest Rates	80.40	73.47	76.93	71.47	57.34	64.40	68.59	71.23	69.91	73.96	65.53	69.74
Bank Credit	69.34	72.47	70.90	47.37	54.02	50.69	52.71	62.19	57.45	59.59	56.39	57.99
Credit from other Financial Sources	56.75	54.35	55.55	49.03	49.03	49.03	52.05	59.77	55.91	50.21	49.81	50.01
Availability of Foreign Exchange	61.61	64.94	63.28	54.85	45.71	50.28	67.71	70.57	69.14	74.56	69.87	72.22
Finance and Credit Markets	67.02	66.31	66.67	55.68	51.52	53.60	60.26	65.94	63.10	64.58	60.40	62.49
Taxes	89.19	89.19	89.19	88.92	78.12	83.52	96.38	86.45	91.41	76.51	72.61	74.56
Inflation	87.99	86.79	87.39	90.58	70.64	80.61	92.19	84.03	88.11	83.79	80.60	82.20
Exchange Rate Stability	74.20	75.07	74.63	78.95	73.96	76.45	73.44	74.98	74.21	70.22	64.93	67.57
Macroeconomic Factors	83.79	83.68	83.74	86.15	74.24	80.19	87.33	81.82	84.58	76.84	72.71	74.78
Effect of Corruption	50.22	58.68	54.45	49.03	52.35	50.69	57.34	54.25	55.80	45.76	60.19	52.98
Effect of Crime	50.22	48.36	49.29	49.03	53.19	51.11	57.34	50.94	54.14	45.76	43.27	44.52
Effect of Bureaucracy	64.41	64.41	64.41	55.68	55.68	55.68	62.19	56.02	59.10	66.23	66.23	66.23
Effect of Internal Political Climate	44.89	43.83	44.36	55.68	52.35	54.02	61.97	57.78	59.88	54.65	52.55	53.60
Governance Factors Summary	55.07	53.82	54.44	54.02	53.39	53.70	59.38	54.75	57.06	56.43	55.56	56.00
<b>Overall Business Confidence Index</b>	<b>52.09</b>	<b>62.90</b>	<b>57.49</b>	<b>50.98</b>	<b>61.05</b>	<b>56.02</b>	<b>63.39</b>	<b>73.48</b>	<b>68.44</b>	<b>51.63</b>	<b>57.69</b>	<b>54.66</b>

**Table 5: Quarter 3 Detail Overall Index Summary by Sector**

Description	Construction			Manufacturing			Other Services			Wholesale and Retail Trade		
	Past/Current Business Outlook	Expected Business Outlook	Overall Index	Past/Current Business Outlook	Expected Business Outlook	Overall Index	Past/Current Business Outlook	Expected Business Outlook	Overall Index	Past/Current Business Outlook	Expected Business Outlook	Overall Index
Economy Wide Outlook	0.00	71.07	71.07	0.00	65.65	65.65	0.00	91.74	91.74	0.00	65.88	65.88
Business Outlook	54.69	76.40	65.54	54.02	61.50	57.76	64.18	88.44	76.31	38.63	56.94	47.79
General Economy and Business Outlook	54.69	73.74	68.31	54.02	63.57	61.70	64.18	90.09	84.03	38.63	61.41	56.83
Sales Volumes	60.21	45.89	53.05	54.43	34.90	44.67	68.15	78.07	73.11	37.90	49.13	43.52
Sales volumes	60.21	45.89	53.05	54.43	34.90	44.67	68.15	78.07	73.11	37.90	49.13	43.52
Profitability	41.03	50.56	45.79	41.55	47.37	44.46	50.94	65.28	58.11	25.30	43.22	34.26
Orders Placed With Suppliers	46.09	71.60	58.85	39.06	46.54	42.80	35.51	78.51	57.01	29.84	50.71	40.27
Average Selling Prices	52.09	66.81	59.45	54.02	58.17	56.09	51.83	67.71	59.77	49.71	53.15	51.43
Turnover/Selling Prices	46.40	62.99	54.70	44.88	50.69	47.78	46.09	70.50	58.30	34.95	49.03	41.99
Investment Changes	55.02	72.14	63.58	48.20	53.19	50.69	66.16	69.25	67.71	50.06	53.95	52.00
Capacity Utilisation	47.96	62.81	55.38	37.40	50.69	44.04	63.96	79.39	71.68	44.42	49.96	47.19
Investment Plans	51.49	67.47	59.48	42.80	51.94	47.37	65.06	74.32	69.69	47.24	51.95	49.59
Employment Levels	51.42	67.47	59.45	45.71	63.99	54.85	54.47	69.69	62.08	43.02	47.51	45.27
Employment Total	51.42	67.47	59.45	45.71	63.99	54.85	54.47	69.69	62.08	43.02	47.51	45.27
Interest Rates	70.54	64.34	67.44	72.30	69.81	71.05	82.26	86.67	84.47	69.12	71.22	70.17
Bank Credit	49.16	47.36	48.26	68.14	63.99	66.07	62.63	67.71	65.17	55.75	57.14	56.44
Credit from other Financial Sources	47.42	47.42	47.42	63.16	60.66	61.91	65.28	61.09	63.18	54.00	54.00	54.00
Availability of Foreign Exchange	41.23	38.30	39.76	74.79	72.30	73.55	78.29	86.45	82.37	59.64	65.13	62.38
Finance and Credit Markets	52.09	49.36	50.72	69.60	66.69	68.14	72.12	75.48	73.80	59.63	61.87	60.75
Taxes	81.06	75.33	78.20	66.48	73.13	69.81	84.86	89.45	87.16	70.18	70.86	70.52
Inflation	76.40	67.07	71.74	65.82	80.61	73.21	69.43	75.51	72.47	61.89	68.02	64.96
Exchange Rate Stability	71.20	71.20	71.20	79.78	69.81	74.79	86.05	83.85	84.95	62.73	56.05	59.39
Macroeconomic Factors	76.22	71.20	73.71	70.69	74.51	72.60	80.11	82.94	81.53	64.94	64.98	64.96
Effect of Corruption	62.61	59.68	61.15	44.04	49.03	46.54	58.44	56.46	57.45	44.07	61.58	52.83
Effect of Crime	62.61	53.82	58.22	44.04	48.20	46.12	58.44	57.34	57.89	44.07	46.51	45.29
Effect of Bureaucracy	43.63	42.23	42.93	44.04	45.71	44.88	62.68	68.37	65.52	62.08	61.78	61.93
Effect of Internal Political Climate	45.69	43.63	44.66	52.35	49.03	50.69	53.81	55.58	54.69	43.67	41.57	42.62
Governance Factors Summary	53.64	49.84	51.74	46.12	47.99	47.06	58.34	59.44	58.89	48.47	52.86	50.67
<b>Overall Business Confidence Index</b>	<b>60.28</b>	<b>68.40</b>	<b>64.85</b>	<b>56.93</b>	<b>59.49</b>	<b>58.57</b>	<b>60.92</b>	<b>70.60</b>	<b>66.62</b>	<b>53.59</b>	<b>59.92</b>	<b>57.60</b>

**Table 6: Quarter 4 Detail Overall Index Summary by Sector**

Description	Construction			Manufacturing			Other Services			Wholesale and Retail Trade		
	Past/Current Business Outlook	Expected Business Outlook	Overall Index	Past/Current Business Outlook	Expected Business Outlook	Overall Index	Past/Current Business Outlook	Expected Business Outlook	Overall Index	Past/Current Business Outlook	Expected Business Outlook	Overall Index
Economy Wide Outlook	0.00	75.00	75.00	0.00	50.50	50.50	0.00	59.61	59.61	0.00	50.30	50.30
Business Outlook	54.43	73.75	64.09	48.33	48.28	48.31	53.06	53.96	53.51	48.08	46.62	47.35
General Economy and Business Outlook	54.427245	74.375	64.40112	48.332	49.3907	48.8614	53.057	56.6	54.83	48.08	48.46	48.27
Sales Volumes	49.72	36.25	42.99	49.48	47.60	48.54	54.98	55.15	55.07	52.57	43.90	48.24
Sales volumes	49.720193	36.25	42.9851	49.478	47.6008	48.5393	54.983	55.15	55.07	52.57	43.90	48.24
Profitability	46.37	52.50	49.43	49.83	52.25	51.04	54.06	56.22	55.14	49.74	44.45	47.10
Orders Placed With Suppliers	46.82	68.75	57.79	49.98	54.68	52.33	56.28	52.83	54.56	45.38	46.97	46.18
Average Selling Prices	46.67	58.75	52.71	51.11	45.47	48.29	56.28	53.72	55.00	48.20	50.02	49.11
Turnover/Selling Prices	46.617948	60	53.30897	50.303	50.803	50.5532	55.539	54.26	54.9	47.77	47.15	47.46
Investment Changes	52.84	66.25	59.54	49.08	49.66	49.37	54.85	59.45	57.15	45.56	46.11	45.84
Capacity Utilisation	45.37	67.50	56.44	48.38	51.34	49.86	53.93	54.15	54.04	44.41	48.97	46.69
Investment Plans	49.105401	66.875	57.9902	48.731	50.5005	49.6159	54.391	56.8	55.59	44.98	47.54	46.26
Employment Levels	63.96	63.75	63.85	74.05	75.53	74.79	77.95	75.36	76.65	61.12	63.24	62.18
Employment Total	63.959114	63.75	63.85456	74.053	75.5305	74.7918	77.947	75.36	76.65	61.12	63.24	62.18
Interest Rates	56.64	77.50	67.07	51.34	74.05	62.70	67.02	82.54	74.78	59.52	67.94	63.73
Bank Credit	70.83	77.50	74.17	75.53	48.38	61.96	87.89	64.51	76.20	69.70	57.70	63.70
Credit from other Financial Sources	69.45	56.25	62.85	74.05	48.38	61.22	82.54	61.64	72.09	65.24	61.85	63.54
Availability of Foreign Exchange	59.13	67.50	63.32	51.34	75.53	63.43	71.25	84.19	77.72	60.04	70.41	65.22
Finance and Credit Markets	64.0128	69.6875	66.85015	63.065	61.5878	62.3265	77.177	73.22	75.2	63.62	64.48	64.05
Taxes	63.12	96.25	79.69	64.06	61.83	62.94	67.99	64.02	66.01	63.98	61.52	62.75
Inflation	74.63	92.50	83.56	75.86	77.85	76.85	84.77	81.47	83.12	70.92	70.03	70.48
Exchange Rate Stability	62.97	81.25	72.11	61.50	62.43	61.96	78.77	71.17	74.97	61.24	66.47	63.85
Macroeconomic Factors	66.90665	90	78.45332	67.135	67.368	67.2517	77.177	72.22	74.7	65.38	66.00	65.69
Effect of Corruption	50.17	62.50	56.34	61.69	56.88	59.28	65.10	58.83	61.96	54.60	48.90	51.75
Effect of Crime	66.52	51.25	58.89	73.46	67.05	70.25	72.99	74.81	73.90	63.87	61.55	62.71
Effect of Bureaucracy	50.06	68.75	59.41	57.17	59.40	58.29	54.21	66.21	60.21	50.85	52.53	51.69
Effect of Internal Political Climate	51.70	47.50	49.60	51.39	55.79	53.59	57.84	56.47	57.15	52.28	46.61	49.44
Governance Factors Summary	54.613548	57.5	56.05677	60.93	59.7772	60.3534	62.532	64.08	63.3	55.40	52.40	53.90
<b>Overall Business Confidence Index</b>	<b>59.787113</b>	<b>60.507813</b>	<b>60.14746</b>	<b>59.971</b>	<b>60.6366</b>	<b>60.3037</b>	<b>59.879</b>	<b>61.08</b>	<b>60.48</b>	<b>58.77</b>	<b>58.43</b>	<b>58.60</b>

**Table 7: Quarter 2 Detail Overall Index Summary by Size of Establishment**

Description	Small Scale Business Establishments		Medium Scale Establishments		Large Scale Establishments	
	Current Business Outlook	Expected Business Outlook	Current Business Outlook	Expected Business Outlook	Current Business Outlook	Expected Business Outlook
Economy Wide Outlook	0.00	65.13	0.00	76.35	0.00	74.03
Business Outlook	43.33	66.58	37.27	65.50	50.42	75.56
General Economy and Business Outlook	43.33	65.86	37.27	70.92	50.42	74.80
Sales Volumes	40.61	55.32	44.75	64.42	62.23	75.37
Sales volumes	40.61	55.32	44.75	64.42	62.23	75.37
Profitability	35.78	46.08	28.31	50.00	37.21	60.89
Orders Placed With Suppliers	37.60	56.50	32.29	57.17	40.44	62.09
Average Selling Prices	62.06	62.24	44.79	49.22	56.86	51.84
Turnover/Selling Prices	45.14	54.94	35.13	52.13	44.84	58.27
Investment Changes	47.42	49.35	59.77	56.66	63.16	71.95
Capacity Utilisation	41.35	54.15	41.46	59.15	57.69	60.55
Investment Plans	44.39	51.75	50.62	57.91	60.43	66.25
Employment Levels	49.47	54.83	54.38	58.97	60.07	60.11
Employment Total	49.47	54.83	54.38	58.97	60.07	60.11
Interest Rates	67.72	63.63	65.59	61.51	85.17	77.02
Bank Credit	55.41	62.40	52.81	54.12	62.43	65.31
Credit from other Financial Sources	47.74	58.07	46.34	44.26	61.07	58.94
Availability of Foreign Exchange	57.77	62.50	65.95	63.33	76.77	69.94
Finance and Credit Markets	57.16	61.65	57.67	55.81	71.36	67.80
Taxes	89.25	83.96	88.47	80.66	84.21	78.09
Inflation	88.25	82.83	87.53	78.47	89.48	82.03
Exchange Rate Stability	65.07	66.76	71.22	65.49	83.94	82.18
Macroeconomic Factors	80.86	77.85	82.41	74.88	85.88	80.77
Effect of Corruption	55.19	59.99	51.28	52.12	46.26	57.85
Effect of Crime	55.19	53.79	51.28	46.83	46.26	44.36
Effect of Bureaucracy	70.37	65.04	55.18	55.22	62.91	62.03
Effect of Internal Political Climate	58.42	53.76	52.13	49.76	56.35	54.91
Governance Factors Summary	60.65	58.15	52.61	50.98	57.09	54.78
<b>Overall Business Confidence Index</b>	<b>53.03</b>	<b>60.63</b>	<b>53.68</b>	<b>65.33</b>	<b>57.96</b>	<b>66.43</b>

**Table 8: Quarter 3 Detail Overall Index Summary by Size of Establishment**

Description	Small Scale Business Establishments		Medium Scale Establishments		Large Scale Establishments	
	Current Business Outlook	Expected Business Outlook	Current Business Outlook	Expected Business Outlook	Current Business Outlook	Expected Business Outlook
Economy Wide Outlook	0.00	74.78	0.00	73.98	0.00	77.22
Business Outlook	54.06	74.00	48.70	65.93	54.39	74.40
General Economy and Business Outlook	54.06	74.39	48.70	69.96	54.39	75.81
Sales Volumes	52.66	51.68	52.63	56.17	58.08	59.75
Sales volumes	52.66	51.68	52.63	56.17	58.08	59.75
Profitability	37.29	61.90	35.06	47.35	45.19	48.21
Orders Placed With Suppliers	36.28	66.99	34.11	61.60	37.54	59.69
Average Selling Prices	52.98	61.13	44.62	56.97	56.99	65.24
Turnover/Selling Prices	42.18	63.34	37.93	55.31	46.57	57.72
Investment Changes	50.47	55.43	50.53	63.24	66.83	67.19
Capacity Utilisation	41.20	61.65	52.97	58.36	56.88	66.10
Investment Plans	45.83	58.54	51.75	60.80	61.85	66.65
Employment Levels	47.50	63.91	46.09	56.37	52.47	62.65
Employment Total	47.50	63.91	46.09	56.37	52.47	62.65
Interest Rates	70.92	72.55	73.70	71.62	78.19	80.80
Bank Credit	56.66	59.40	59.41	57.94	60.96	63.18
Credit from other Financial Sources	57.05	54.41	57.75	56.62	59.76	58.10
Availability of Foreign Exchange	66.04	62.65	60.25	63.97	69.65	80.26
Finance and Credit Markets	62.67	62.25	62.78	62.54	67.14	70.59
Taxes	80.16	82.20	65.09	74.28	83.57	78.07
Inflation	68.43	67.41	65.95	75.01	68.05	74.96
Exchange Rate Stability	75.17	63.38	73.83	71.68	75.28	75.33
Macroeconomic Factors	74.59	71.00	68.29	73.66	75.63	76.12
Effect of Corruption	49.94	58.34	51.74	55.14	54.16	58.92
Effect of Crime	49.94	46.81	51.74	54.49	54.16	53.56
Effect of Bureaucracy	49.87	47.17	61.27	65.37	57.45	61.58
Effect of Internal Political Climate	46.22	45.47	51.21	51.25	49.07	46.76
Governance Factors Summary	50.75	49.45	54.64	56.56	54.72	55.21
<b>Overall Business Confidence Index</b>	<b>56.78</b>	<b>66.14</b>	<b>56.43</b>	<b>63.23</b>	<b>59.48</b>	<b>65.08</b>

**Table 9: Quarter 4 Detail Overall Index Summary by Size of Establishment**

Description	Small Scale Business Establishments		Medium Scale Establishments		Large Scale Establishments	
	Current Business Outlook	Expected Business Outlook	Current Business Outlook	Expected Business Outlook	Current Business Outlook	Expected Business Outlook
Economy Wide Outlook	0.00	54.63	0.00	51.09	0.00	52.77
Business Outlook	54.00	53.37	50.37	51.49	48.16	43.25
General Economy and Business Outlook	54.00	54.00	50.37	51.11	48.16	48.01
Sales Volumes	57.89	52.32	53.12	51.02	46.14	42.25
Sales volumes	57.89	52.32	53.12	51.02	46.14	42.25
Profitability	54.81	52.93	50.20	50.28	46.89	46.52
Orders Placed With Suppliers	51.94	55.38	49.98	50.92	48.14	44.32
Average Selling Prices	52.81	51.40	52.16	53.94	48.40	45.92
Turnover/Selling Prices	53.19	53.24	50.78	51.71	47.81	45.59
Investment Changes	54.73	53.71	51.74	46.80	44.91	53.17
Capacity Utilisation	49.45	50.22	40.22	56.92	55.56	45.72
Investment Plans	52.09	51.96	45.98	51.86	50.23	49.45
Employment Levels	63.78	65.92	65.76	71.86	75.94	69.65
Employment Total	63.78	65.92	65.76	71.86	75.94	69.65
Interest Rates	59.62	75.00	63.46	70.61	62.76	76.62
Bank Credit	78.71	53.85	80.44	54.49	72.22	64.93
Credit from other Financial Sources	74.94	55.75	70.00	55.18	74.59	59.44
Availability of Foreign Exchange	64.33	75.28	67.31	80.28	58.23	72.38
Finance and Credit Markets	69.40	64.97	70.30	65.14	66.95	68.34
Taxes	67.75	63.27	65.66	63.24	63.39	65.55
Inflation	79.71	75.56	77.54	76.84	75.41	74.60
Exchange Rate Stability	73.22	74.52	64.20	64.71	64.82	73.68
Macroeconomic Factors	73.56	71.12	69.14	68.26	67.87	71.28
Effect of Corruption	58.52	56.49	61.83	51.22	60.98	57.39
Effect of Crime	71.03	68.65	73.87	67.01	67.26	65.33
Effect of Bureaucracy	55.19	61.08	51.97	55.43	51.51	61.52
Effect of Internal Political Climate	55.09	51.95	55.11	51.70	51.46	51.77
Governance Factors Summary	59.96	59.54	60.69	56.34	57.80	59.00
<b>Overall Business Confidence Index</b>	<b>59.75</b>	<b>60.23</b>	<b>58.23</b>	<b>60.98</b>	<b>59.46</b>	<b>57.04</b>

**APPENDIX B: SIERRA LEONE BUSINESS  
CONFIDENCE PRESS RELEASES**

## APPENDIX B1: QUARTER 2 PRESS RELEASE

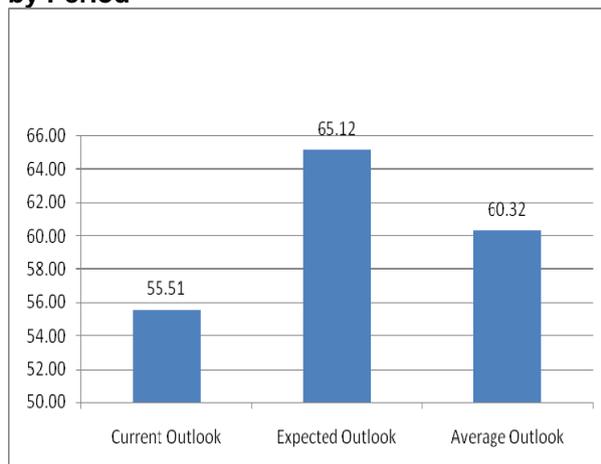


### BUSINESS CONFIDENCE INDEX (BCI) SECOND QUARTER 2010, SUMMARY REPORT

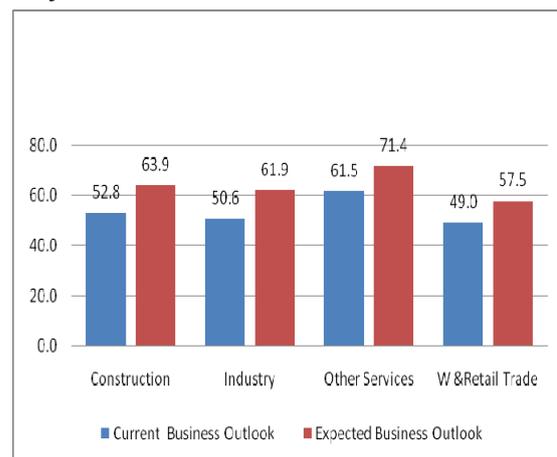
**Released on Wednesday July 7, at 1:00 pm**  
**Business Confidence as at May 2010 was 10.3 points above normal**

The Sierra Leone Business confidence Index for the second quarter of 2010 was 60.32 index points which was 10.32 points above normal. This implies that business sentiments were high and confidence was strong. The current performance index was relatively lower at 55.51 index points (5.51 points above normal) largely due to the impact of macroeconomic factors such as taxes, inflation, and exchange rate stability which collectively exerted a considerable negative impact on business sentiments there by undermining confidence. Nevertheless, confidence was still high because business expectations were higher at 65.12 index points.

**Figure 1.1: Overall Business Confidence Indices by Period**



**Figure 1.2: Business Confidence indices by Sector**



When analyzed by sector, current outlook was below normal in the wholesale and retail sector(49 index points) which in addition to the negative impact of macroeconomic factors mentioned above have a low business outlook(32.50),profitability(28.75), sales(32.88), and capacity utilization(38.75). Although expectations were 7.5 index points above normal, they were relatively lower in this sector than in other sectors. Current outlook was almost neutral in the Industry sector(50.6 index points) although expectations were about 12 points above normal. Current performance in this sector was low because of the low current assessment on capacity utilization(35.0 index points), Business outlook(38.75 points), profitability(20 point) and sales (31.88 points). Current outlook(61.5 index points) and expectations(71.4 index points) were higher in the Other Services Sector represented by Banking, Tourism, Transport and Communications establishments than in all other sectors.

By size of establishments, current outlook was better for large sized establishments(56.42 points) than for Medium sized establishments(51.77 points) and small size establishments(51.62 points).Similarly large scale establishments had higher expectations (65.39 points) than medium scale establishments(63.33 points) and small scale establishments(59.08 points).The difference in outlook was due to the difference in current and expected outlook on profitability, capacity utilization, investment changes, and employment levels. Large sized establishments scored higher on this factors than medium and small sized establishments. Alternatively small sized establishments scored higher on confidence undermining factors such as increase taxes, and governance factors such as effect of corruption, crime/theft, internal political climate and bureaucracy than medium and large scale establishments.

## APPENDIX B2: QUARTER 3 PRESS RELEASE

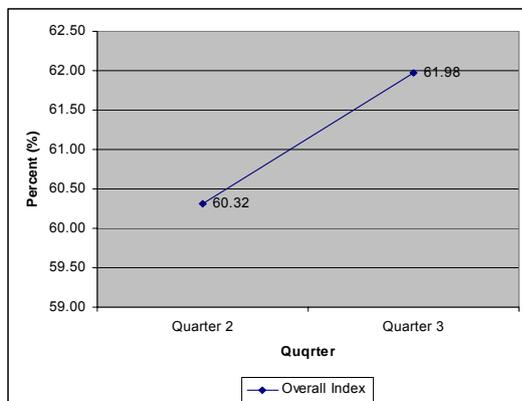


### BUSINESS CONFIDENCE INDEX (BCI) THIRD QUARTER 2010, SUMMARY REPORT

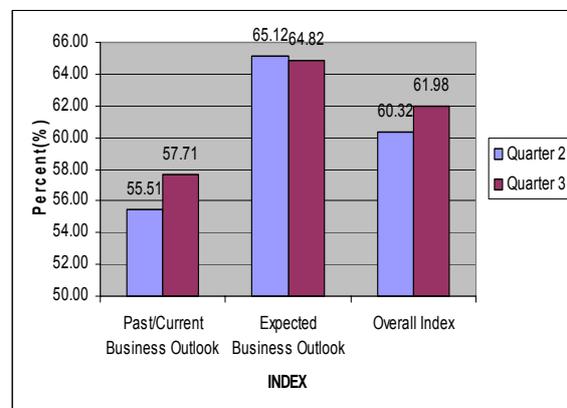
**Released on Wednesday December 15, at 12:00 Noon**  
**Business Confidence as at September 2010 was 11.98 points above normal**

The Sierra Leone Business confidence Index for the third quarter of 2010 was 61.98 index points which was 11.98 points above normal. This is above the second quarter estimate of 60.32, which represents a 2.8% percentage point increase over the quarter2 estimate. This implies that business sentiments improved between quarter 2 and quarter 3, which means that sentiments were stronger in quarter 3. The past/current performance index also improved from 55.51 index points (5.51 points above normal) in quarter 2 to 57.71 index point (7.71 points above normal) in quarter 3 largely due to the decline in the perceived impact of macroeconomic factors such as taxes (waning down of the goods and services tax effect), inflation, and exchange rate in stability which collectively reduced the negative impact on business sentiments thereby improving the confidence level. On the other hand, business expectations index slightly declined from 65.12 in quarter 2 to 64.82, which means that business people were less predictive about the future impact of macroeconomic factors on their business operations. Nevertheless, the overall business outlook improved due to the increase in the past/current outlook index (Figure2).

**Figure 1: Overall Business confidence**



**Figure2: Type of Business Confidence Index**



When analyzed by sector, the overall index for construction improved from 57.5 in quarter 2 to 64.9 in quarter 3, however the index for other services declined from 68.4 in quarter 2 to 66.6 in quarter 3 table 1. However, all the sectors expressed positive sentiments, which improved the business confidence level in quarter 3.

Quarter	Construction	Manufacturing	Other services	Wholesale/Retail Trade
Quarter 2	57.5	56.0	68.4	54.7
Quarter 3	64.9	58.6	66.6	57.6

By size of establishments, the past/current outlook index improved considerably across the size of establishment from quarter 2 to quarter 3, which means that sentiments were more favourable in quarter 3.

## APPENDIX B3: QUARTER 4 PRESS RELEASE

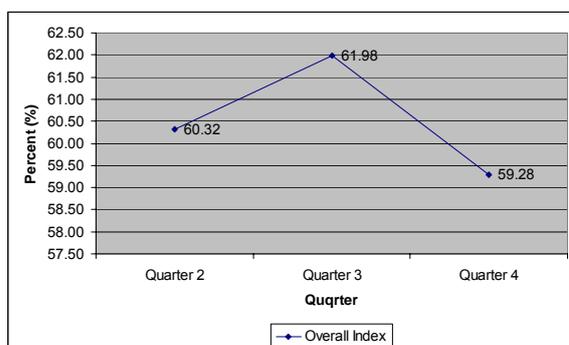


### BUSINESS CONFIDENCE INDEXES (BCI) FOURTH QUARTER 2010, SUMMARY REPORT

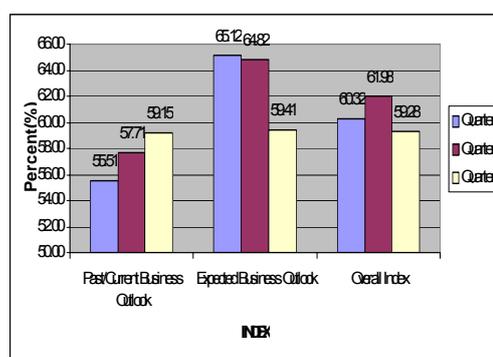
**Released on Tuesday February 01, 2011 at 12:00 Noon**  
**Business Confidence as at December 2010 was 9.28 points above normal**

The Sierra Leone Business confidence Index for the fourth quarter of 2010 was 59.28 index points which was 9.28 points above normal. This is below the third quarter estimate of 61.98, which represents a 4.35% percentage point decline over the quarter 3 estimate. This implies that business sentiments, though positive, declined between quarter 3 and quarter 4, which means that sentiments were weaker in quarter 4 than in quarter 3. The past/current performance index also improved from 55.51 index points (5.51 points above normal) in quarter 2 to 57.71 index point (7.71 points above normal) in quarter 3 and 59.15 index points (9.15 above normal) in quarter 4 largely due to the decline in the perceived impact of macroeconomic factors such as taxes (waning down of the goods and services tax effect), inflation, and a decline in the political instability assessment, which collectively reduced the negative impact on business sentiments thereby improving the confidence level in the present assessment. On the other hand, business expectations index slightly declined from 65.12 in quarter 2 to 64.82 in quarter 3 and 59.41 in quarter 4, which means that business people were less predictive about the future impact of macroeconomic factors on their business operations. This could be due to the renewed fears about the possible impact of inflation, corruption and crime on business operations. As a result the overall index declined between quarter 3 and 4. Nevertheless, the overall business outlook improved due to the increase in the past/current outlook index (Figure2).

**Figure 1: Overall Business confidence**



**Figure2; Type of Business Confidence Index**



When analyzed by sector, the overall index for construction improved from 57.5 in quarter 2 to 64.9 in quarter 3, but declined in quarter 4 to 60. However the index for other services declined from 68.4 in quarter 2 to 59.7 in quarter 4 (see table below).

Quarter	Construction	Manufacturing	Other services	Wholesale/Retail Trade
Quarter 2	57.5	56.0	68.4	54.7
Quarter 3	64.9	58.6	66.6	57.6
Quarter 4	60.0	60.1	59.7	58.6



(ii) Excluding normal seasonal changes, what changes do you expect in the next three months with regard to volume of production?

(1) Up (0) Unchanged (-1) Down

(iii) Excluding normal seasonal changes, do you consider that your present level of stocks of finished goods in volume terms is;

(1) Above normal (0) Unchanged (-1) Below normal

#### 4 : Turnover/Selling Prices

**4A:** Excluding for seasonal changes, did activity level for the past three months in the following areas increase, remain the same or decrease;. **Please tick the appropriate response in the column and row against it**

Item	Increased (1)	Same (0)	Decreased (-1)
(i) Profitability			
(ii) Total Sales			
(iii) Average selling prices			

**4B:** Excluding for seasonal changes, what changes do you expect to see in the next three months with regard to your; **Please tick the appropriate response in the column and row against it**

Item	Increased (1)	Same (0)	Decreased (-1)
(i) Profitability			
(ii) Total Sales			
(iii) Average selling prices			

#### 5A: Investment Plans

(i) Did your company change in capacity (e.g. made new investments or increase space, additional outlets, expand to new location, working capital, computerization or distribution network) during the past three months compared to the same period the previous year

(1) Increased (0) Unchanged (-1) Decreased

(ii) What changes in the level of your capital investment expenditure or capacity (i.e. increase space, additional outlets, location, working capital, computerization or distribution network) do you expect over the next three months?

(1) Increased (0) No change (-1) Decreased

#### 5B: Capacity Utilisation

(iii) How do you assess your current level of operations relative to optimal capacity?

(1) Above normal (0) Unchanged (-1) Below normal

(iv) How do you assess your expected level of operations in the next three Months relative to optimal capacity?

(1) Expected to increase (0) Normal (-1) Expected decrease

#### 6: Employment

(i) How was the number of employees of your company during the past three months compared to the same period of the previous year

(1) Increased (0) Same (-1) Decreased

(ii) How do you expect it to be in the coming period compared to the same period of the previous year?

(1) Increased (0) Same (-1) Decreased

## 7: Finance and Credit Markets

**A:** How did the following financial and monetary factors affect your business in the last quarter? **Please tick the appropriate response in the column and row against it**

Item	Greatly (1)	No effect (0)	Less extent (-1)
(i) High Interest rates			
(ii) Non-availability of banking credit			
(iii) Non-availability of other financial alternative sources of credit			
(iv) Non-availability of Foreign currency			

**B:** To what extent do you anticipate the following financial and monetary factors will affect your business in the next quarter? **Please tick the appropriate response in the column and row against it**

Item	Greatly (1)	No effect (0)	Less extent (-1)
(i) High Interest rates			
(ii) Non-availability of banking credit			
(iii) Non-availability of other financial alternative sources of credit			
(iv) Non-availability of Foreign currency			

## 8: Macroeconomic Factors

**A:** To what extent did the following macroeconomic factors affect your business in the last quarter? **Please tick the appropriate response in the column and row against it**

Item	Greatly (1)	No effect (0)	Less extent (-1)
(i) Taxes			
(ii) Inflation			
(iii) Instability of the Leone (Le)			
(iv) Low Market Demand			

**B:** To what extent do you think the following macroeconomic factors will affect your business in the next quarter? **Please tick the appropriate response in the column and row against it**

Item	Greatly (1)	No effect (0)	Less extent (-1)
(i) Taxes			
(ii) Inflation			
(iii) Instability of the Leone (Le)			
(iv) Low Market Demand			

## 9: Governance Factors

**A:** To what extent did the following governance factors affect your business in the last quarter?

Internal political situation? **Please tick the appropriate response in the column and row against it**

Item	Greatly (1)	No effect (0)	Less extent (-1)
(i) Corruption			
(ii) Crime/Theft			
(iii) Bureaucracy			
(iv) Internal Political Climate/Good Governance			

**B:** To what extent do you anticipate the following governance factors will affect your business in the next quarter? **Please tick the appropriate response in the column and row against it**

Item	Greatly (1)	No effect (0)	Less extent (-1)
(i) Corruption			
(ii) Crime/Theft			
(iii) Bureaucracy			
(iv) Internal Political Climate/Good Governance			