

# The 'U-turn': Business confidence in a Karoo town

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## ABSTRACT

*Business confidence* helps explain the sentiments that business owners or managers have towards current and future business conditions. This article compares several ways of measuring business confidence. Business confidence is mostly surveyed at the level of the nation-state rather than at the level of municipalities or towns. This article provides a methodology for business-confidence surveys at the local level. This approach has been piloted in the town of Beaufort West in the Karoo area of South Africa. There are plans for a new uranium mine near Beaufort West, and the researchers speculate on its impact on the broader local business confidence.

**Key words:** business confidence, Karoo, Beaufort West, Bureau for Economic Research (BER), South African Chamber of Commerce and Industry (SACCI), South African small, medium and micro enterprise (SMME) sector

## Introduction

Generally, very little comparative and academic research has been conducted to date in respect of business confidence (Aylmer & Gill 2003: 6; Collins 2001: 3; Raut 2009: 255), and those indexes that do exist have been constructed in terms of countries, with very few focusing on either the regional or the sub-regional level. Yet business confidence is an important consideration for future entrepreneurs and policy-makers (Kershoff 2000; Pellissier 2002), as it indicates perceptions about the potential profitability of business in a specific locality. This, in turn, can have a major impact on employment patterns and development of a town.

This article firstly gives an overview of the concept of *business confidence* and subsequently explains how business confidence is measured in different countries. It

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then describes the three methods that are utilised in South Africa for the measurement of business confidence. Most measures of business confidence refer to a country as a whole, but the researcher has adapted this methodology to suit the situation of a local town. The Karoo town of Beaufort West offered a good opportunity to test the methodology in that there were plans to open a uranium mine near Beaufort West in the near future, and it was therefore an ideal time to investigate the business confidence and morale of the business community. The 2007 study reported in this article was a precursor to a similar survey to be undertaken in 2009, closer to the time that the uranium mine would be opened. The methodologies of the two studies will therefore make comparisons about changes in the local business environment (Santero & Westerlund 1996: 5) as well as the levels of business confidence in Beaufort West. The researcher investigated the confidence that the business operators have in the present and future opportunities in the town and the present business conditions in Beaufort West.

Used at the local level, a business survey is an important and effective tool for stimulating and sustaining regulatory and administrative reforms. A business survey reveals and prioritises “in an easy-to-understand way the regulatory and administrative bottlenecks to private sector development” (Kaufmann, Madelung, Spatz & Wegmann 2008, in Rogerson 2009: 60).

## Background and theoretical foundation

### What is business confidence?

According to Pellissier (2002: 52), *business confidence* means “the degree of sentiment towards risk-taking by business for whatever reason”. The concept of business confidence is a valuable tool for measuring the prevailing economic climate. Research has shown that business-conditions surveys (the term preferred by Aylmer & Gill 2003: 19) help us to predict business behaviour (Collins 2001: 1). An increase in business confidence might increase private investment in fixed capital goods, which will also eventually support economic growth. A decline in business confidence suggests that people are uncertain about the prospects of their company's performance and in the business-environment within which the company operates (Aylmer & Gill 2003; Kershoff 2000: 2–4).

Confidence levels do not always play a major role in the analysis of economic behaviour (Santero & Westerlund 1996: 5), because their subjective nature elicits questions about the solidity of the assessments. However, it is also widely recognised that these subjective individual expectations play a key role in economic developments.

Longitudinal data are also a useful means of comparing sentiments at different points in time and of providing a means of tracking cyclical movements by pinpointing trend changes and establishing forecasts (Kershoff 2000: 2). Business surveys provide quantitative as well as qualitative indications about a range of issues relating to economic conditions. Business people will only consider investing in an endeavour if the odds (within the broader economic environment) are favourable. Therefore, according to Pellissier (2002: 52), business people consider their perceptions of the prevailing business conditions and also of future expectations.

There are essentially two ways of expressing the measurement of business confidence. Firstly, in a formal way, *business confidence* refers almost exclusively to a composite time series compiled from the results of a qualitative business tendency survey (such as the Bureau for Economic Research [BER] surveys) or quantitative series (such as the South African Chamber of Commerce and Industry [SACCI] index). These concepts are discussed later in the section on measuring business confidence in South Africa. Composite series are mostly good business cycle indicators and consequently track the growth in gross domestic product (GDP) and private investment well over time.

Secondly, *business confidence* refers to the views of business people at a specific point in time. In this way, simple and rapid interviews (in the form of short questionnaires) are conducted with business people. This is the definition used to explain the situation in the case study discussed in this article (Beaufort West and uranium mining). The information requested in such interviews relates to judgement on recent trends, on current business conditions and on expectations for short-term developments (Santero & Westerlund 1996: 5) and can also be compared with other periods. Questions are generally formulated as multiple-choice questions, requesting answers of the type 'up', 'same', 'down', 'improved', 'unchanged' or 'worsened'. Aylmer and Gill (2003: 2) note that businesses may be asked to report on how confident they are about the future, as well as on more specific aspects of their business, such as actual and expected sales, profitability, employment and capital expenditure.

## Business confidence in various countries

Business-confidence surveys are currently conducted in almost 60 countries. Research and progress made in respect of the business-survey technique are presented every 18 months at an international conference organised by Ciret (Centre for International Research on Economic Tendency Surveys). Today, the business-survey technique has high standing among academics, business people and policy-makers in South Africa and abroad (Kershoff 2000: 1).

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In the United States, the National Association of Purchasing Managers Report on Business Purchasing Managers' Index is based on the percentage of positive responses. The reason why this monthly report on business is so highly respected is that it is based on hard survey data rather than on conjecture (Collins 2001: 3). The Business Survey Committee, comprising more than 300 purchasing and supply executives from across the country, provides its views on business trends. Members of the committee respond anonymously and confidentially to a monthly questionnaire designed to elicit fact – rather than opinion – about changes in production, new orders, new export orders, imports, employment, inventories, prices, lead times and the timelines of supplier deliveries in their companies, comparing the current month with the previous month (Institute of Supply Management 2008).

The Index of Business Confidence, the quarterly survey of chief executive officers (CEOs) of Canadian business organisations, uses a confidential questionnaire mailed to the CEOs of approximately one thousand Canadian business organisations. The questionnaire includes both general attitudinal questions designed to measure people's perceptions of the current economic environment and questions on investment intentions and their determinants (Conference Board of Canada 2008). The percentage of respondents who stated positive opinions (belief that the financial situation of a business will improve) and negative ones (worsening of the financial situation of a business) is calculated for each of the ten attitudinal questions.

In Germany, the IFO (Institut für Wirtschaftsforschung an der Universität München [Institute for Economic Research at the University of Munich]) Business Climate Index is based on the percentage of business executives who answer 'good', as compared with those answering 'poor'. The IFO Business Climate Index is based on 7 000 monthly survey responses of firms in manufacturing, construction, wholesaling and retailing (Collins 2001: 3). The firms are requested to give their assessments of the current business situation and their expectations for the next six months (Institute for Economic Research 2008).

The National Australian Bank publishes a monthly survey generated from economic data on where business confidence in Australia stands (Aylmer & Gill 2003: 6; National Australian Bank 2008). In 2007, Precision Group International also launched a small-business survey measuring how much confidence small businesses have in the economy and gauging their sentiments about operating a business in Australia (Costello 2007).

In Japan, the Tankan All Enterprises Survey is a notified statistical survey submitted to the Minister of Internal Affairs and Communications in accordance with the Statistics Law (Law No. 18 of 1947). The survey is conducted to provide an accurate picture of the business trends of enterprises in Japan, thereby contributing

to the appropriate implementation of monetary policy (Bank of Japan 2008). The survey is conducted quarterly. The population of the survey is approximately 210 000 private enterprises (excluding financial institutions) in Japan with at least 20 million yen in capital (Collins 2001: 3). The survey (conducted in June 2004) is based on a document – *Establishment and Enterprise Census of Japan* – developed by the Ministry of Internal Affairs and Communications. It is an aggregate based on the percentage of respondents answering ‘favourable’ or ‘unfavourable’.

Figure 1 indicates that during 2008, most of the countries experienced a drop in business confidence (standardised) due to the world economic recession. Each of the countries reached rock-bottom low business-confidence ratings between November 2008 and March 2009. South Africa’s business confidence levels only reached the lowest mark in June 2009, and this ‘low’ (of 94.96) was not as low as levels in some other countries (for example, China, where levels dropped to 88.89; and Australia, where levels dropped to 87.88). Moreover, South Africa experienced a gradual drop, rather than a drastic drop in confidence levels as in Brazil (from 105.11 in August 2008 to 93.51 in February 2009). At that time, economists predicted that the confidence levels would turn around and would rise consistently into 2010 at a steady rate for most of the countries. As has been seen, the business confidence levels of all the countries indeed turned upwards and are steadily increasing.

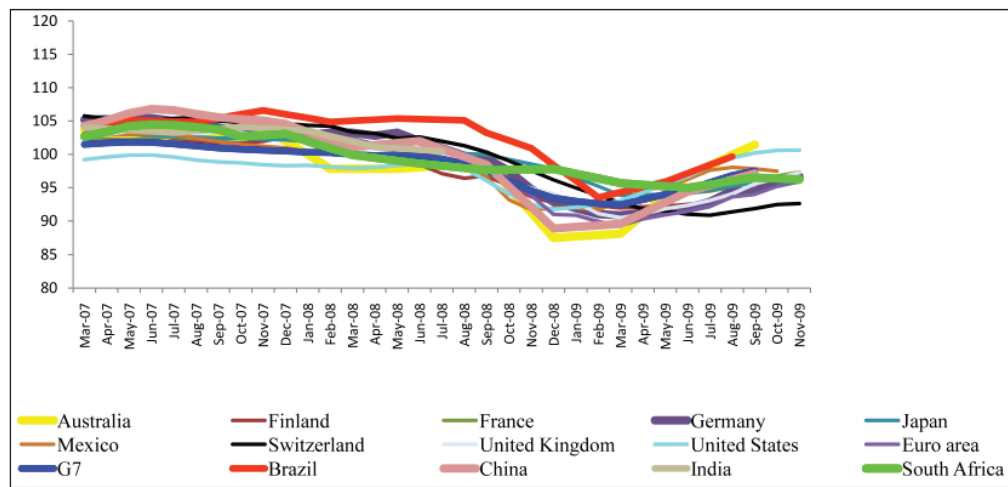
The Bureau of Economic Research Business Confidence Index (in South Africa) also measures the percentage of respondents who rate prevailing conditions as satisfactory rather than unsatisfactory. The next section elaborates on how business confidence is measured in South Africa.

Figure 1 compares various OECD (Organisation for Economic Co-operation and Development) countries’ standardised Business Confidence Index (BCI).

In South Africa, there are three instruments for measuring business confidence: the index developed by the Bureau for Economic Research (BER) at Stellenbosch; the instrument developed by the South African Chamber of Commerce and Industry (SACCI) – formerly the South African Chamber of Business (SACOB); and the recently developed business-confidence index for the South African small, medium and micro enterprise (SMME) sector (developed by Africa Growth Institute). Table 1 compares the three indicators.

The SACCI business-confidence index (BCI) is a composite index of weighted, adjusted, monthly economic data from 13 economic sub-indexes. The following indicators have been judged by business to have the greatest bearing on the business mood: liquidations, manufacturing, exports, imports, vehicle sales, retail sales, construction (buildings), inflation, share prices, private-sector borrowing, real financing cost, precious metal prices and the Rand exchange rate. These indexes may

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Source: OECD (2010)

Figure 1: Reflection of business confidence in selected OECD and other countries (March 2007–November 2009)

be used in combination so as to enable one to predict the confidence that the business community has in doing business – it reflects on the business conditions in which they conduct business or transactions. The BCI is a market-related index that reflects not what business is saying but what it is doing and experiencing (Pellissier 2002: 55). It seeks to reflect the net result of influences of positive or negative business moods by economic developments (SACCI 2008).

The BER survey results are obtained from questionnaires sent to approximately 1400 senior executives in the trade, manufacturing and building sectors. The response rate is about 50%. A panel is established, because the same executives complete the questionnaire every quarter. The participants are reviewed to ensure that the company is classified correctly according to turnover and sector representation (Kershoff 2000: 2). The BER takes the gross percentage of respondents that rated prevailing conditions as satisfactory as an indicator or proxy of business confidence. The composite business confidence index is the unweighted mean of the five sectoral indexes, namely that of manufactures, building contractors, retailers, wholesalers and dealers in new vehicles. The method employed by the BER essentially implies that “changes in confidence lead to changes in action” (Kershoff 2000: 3).

Economic growth in South Africa is partly dependent on the expansion of the SMME sector (Biekpe 2007a). By measuring the degree of confidence in this sector,

Table 1: Three business–confidence indicators in South Africa

DETAILS	BER	SACCI (formerly SACOB)	SMME
<b>Comparative period</b>	Quarterly	Monthly	Quarterly
<b>Date of introduction</b>	Since 1975	Since 1985	Since 2005
<b>Type of data</b>	Perceptions of business people	Degree of recent business activity	Opinions of SMME manager and owners
<b>Nature of data</b>	Unadjusted composite raw–data series displaying the percentage of business people who are satisfied with prevailing business conditions	Composite index of weighted, adjusted monthly economic data series, selected by business people	Index is a weighted (firm size – number of employees) average of responses to questions on policy factors
<b>Qualitative/quantitative data</b>	Qualitative in nature	Quantitative in nature	Qualitative in nature
<b>Subjective/objective data</b>	Psychological business mood (perception–based)	Investment and stockpile (actual activity of business people) (market–related)	Current and future business sentiment of SMME managers (perception–based)
<b>Substantive data generated</b>	Satisfaction/dissatisfaction with business conditions	Leading economic indicators	Responses to questions on policy factors
<b>Business expectations (ex ante) or business performance (ex post)</b>	Ex ante indicator of economic activity	Ex post indicator of economic activity	Ex ante indicator of economic activity
<b>Source</b>	Kershoff (2000)	Pellissier (2002)	Biekpe (2007b)

one is able to determine the assessment by businesses in the sector of the conditions in which they operate. Other BCI surveys tend to focus on large businesses, while SMMEs, by official definition, employ fewer than 200 employees. The SMME BCI is a short-term predictor by small-business owners, policy-makers, researchers, analysts, banks and investors. It serves as a tool to enable analysts to forecast success in the SMME sector; it gives insights regarding business trends and the performance of smaller businesses; and it identifies the main issues and challenges affecting small-business development in South Africa (Africa Growth Institute 2007). The sample is drawn from various databases – Department of Technology and Industry (North West Province), Kimberley Business Service Centre databases, Western Cape Chamber of Commerce and Industry, Economic Development and Tourism Database, Mpumalanga Provincial SMME databases and the Yellow Pages. Questionnaires are sent to managers or owners of SMMEs (in the industrial, trade and services subsectors) to indicate whether trends in attributes have gone up, gone down or remained the same.

The BER and the SMME business surveys are similar because both are determined by perceptions of business people in respect of the following: satisfaction or dissatisfaction with business conditions (BER) and employment trends; financial situations; new orders/contracts; stock levels; and increasing or decreasing levels of demand for services and products. These two surveys are also both conducted quarterly. In terms of the BER, respondents in the retail, wholesale, motor trade, manufacturing, building and construction sectors are requested to rate current business conditions as either 'satisfactory' or 'unsatisfactory'. The Business Confidence Index is derived as the gross percentage of the respondents returning responses of 'satisfactory'. The SMME indexes are divided into the industrial, trade and services business sectors. It is important to take into account all three of these confidence indicators, because the hard economic data are not always readily available; the sentiment indicators are useful from a 'storytelling' point of view, because they mirror movements in economic variables and appear to offer support for projections often based on solid evidence (Santero & Westerlund 1996: 5).

From 2000, all the business confidence indexes in South Africa suggested that confidence levels were steadily improving, and in 2006/7, levels were indeed very high. Towards the end of 2007, however, business confidence started declining dramatically (Cape Business News 2008; SACCI 2008). This could be due to several macro-environmental factors such as the electricity hikes by Eskom, the rise in interest rates, the political turmoil in Zimbabwe, the higher fuel and food prices, the rise in inflation, the world recession and the decrease in international investments (Mail & Guardian Online 2008; RMB 2008: 2). South Africa's business confidence levels



only reached the lowest mark in June 2009 (94.96), and this was the lowest mark in ten years (Mail & Guardian Online 2009; RMB 2009: 2). Economists predicted that confidence levels would turn around and would rise consistently into 2010 at a steady rate for most of the countries.

In South Africa, business confidence is generally only measured in the context of the entire country, and sometimes separated in terms of the nine provincial jurisdictions of South Africa. Business confidence is never measured in a smaller entity, such as a municipality or a town. This article deviates from the norm in that it attempts to measure business confidence within one town, namely the Karoo town of Beaufort West in the Western Cape Province of South Africa.

### Town-based business confidence

Generally, very little comparative and academic research has been conducted in respect of business confidence (Aylmer & Gill 2003: 6; Collins 2001: 3; Raut 2009: 255). The indexes that are used are generally only constructed in terms of a country as a whole; very few are constructed at the regional or even sub-regional level. The Small Business Research Board (SBRB) in the United States of America (USA) developed a National City Small Business Confidence Index for business surveys conducted with various small businesses in different cities across the USA, with a view to comparing the regions (SBRB 2010). These surveys, comparing a small entity, also always form part of the larger survey studying other economic factors – examples include the measurement of regional competitiveness in the West Midlands region in England (Moll & Worrall 2001); the study of corruption in Hong Kong (Wilson 1995: 63); and the economic profile and opinion poll in Long Island, New York (Long Island Business News 1998: 24).

Megha Raut (2009) tried to develop an ‘out of the box’ inventive model in the case of Alice Springs, Australia so as to be able to form a meaningful picture of the economy of the town. She mentioned that baseline data were difficult to obtain in respect of small regions, because of the population size and importance for the national interest (Raut 2009: 251). A good example of a similar case in South Africa could be the research study conducted to determine the growth potential of towns in the Western Cape (Van der Merwe, Ferreira, Swart & Zietsman 2005: 48, 53 & 74; Van der Merwe, Ferreira & Zietsman 2005). One hundred and thirty-one towns in the Western Cape were evaluated in accordance with a set of quantitative and qualitative variables synthesised as indicators of urban development. A business survey was also conducted in Graaff-Reinet and Aberdeen (Atkinson 2006) to determine business conditions in these Karoo towns.

Similar to the BER Business Confidence Index in South Africa, the survey of business owners and managers of Beaufort West tested perceptions of business people by evaluating their satisfaction or dissatisfaction with business conditions. The BER asks the business to indicate whether they are satisfied with prevailing business conditions and whether certain factors have improved, remained static or declined. The same questions were asked when the Beaufort West businesses were surveyed. Although BER is measured quarterly, the case study discussed in this article is a measure at a single point in time. It is recommended that the survey be repeated several times to establish a longitudinal study for comparative business cycles. However, a clear picture can now be established of how owners and managers of businesses assess the future economic prospects of the town, which could have social as well as political implications. The case of Beaufort West is unusual in that (1) it is a relatively small and remote town (compared with Hong Kong and New York), and (2) it is in a developing country. This raises the issue of whether additional factors should be taken into account in a business survey. For example, a smaller-scale local survey includes a considerable amount of data on race, education and formality of business. This is very unusual in a business-confidence study. When a researcher does a business-confidence study in a small, remote or underdeveloped area, this type of background data is important in order to contextualise the findings. In big cities, it is typically business executives and corporate CEOs who respond to quarterly or even monthly business-confidence surveys, whereas in Beaufort West, the respondent could well be a street vendor or the owner of an informal *spaza* shop run from the 'owner's' home. For the purposes of this study, national business-confidence methodologies have thus been transposed to a small and developing local town (namely Beaufort West) with specific stratifications related to business size, sophistication, actual business-orientated respondents and areas in town.

## Nature and purpose of the survey

The purpose of the study was to assess the sentiments of business people in Beaufort West regarding the local economy. The hypothesis tested in this survey was that local business people believed that the establishment of the uranium mine would have a significant impact on the economy of Beaufort West. The researcher hypothesised that the change in business confidence had been due to the people's belief in the uranium mine and that the people believed that this would in turn lead to economic growth in the town. However, the mine could also have had negative consequences (such as increased crime), which could undermine business confidence (in other

words, there was possibly no simple equation in the relationship between *mining* and *improved business confidence*).

## Research methodologies

This survey was a quantitative study (Neuman 2000) and part of an iterative process whereby evidence is evaluated, and theories and research questions are refined (Hancock 1998: 2). A survey was conducted among business owners and managers to assess their views on the current local economy in Beaufort West. Face-to-face interviews using a questionnaire (with both open-ended and closed questions) were conducted to be able to elicit a broader view of the business sentiment in the town. The questions tried to define the context of the businesses. The interviews were conducted with as many businesses in Beaufort West as possible so as to compile a representative view of opinions. In the section on the micro-environment, questions pertaining to the main activities of the business, the kind of premises, the number of employees, training, the size of the business, and the expansion of the business were asked. The market environment was investigated by means of questions on the customers, the suppliers and the competitors. Questions about the municipality, the uranium mine and the economy of Beaufort West were asked in order to investigate the external environment.

## Sampling

According to the Telkom telephone directory, there are approximately 300 businesses in Beaufort West. A 100% response rate is not possible with any business survey (because owners and managers are busy people) and therefore all the businesses were approached, including businesses not listed in the telephone directory, such as *spaza* shops, taxi drivers, *shebeens* (taverns) and informal hawkers.

## Survey logistics

The Community Development Workers from the Beaufort West District Municipality assisted as fieldworkers to gain experience and also to gain access to information about the businesses in the area. They conducted the majority of the interviews with the assistance of the researcher.

## Questionnaires completed and response rate

During the last week of November 2007, a total of 129 questionnaires were completed. The response rate was calculated at 43%. The non-responses were due to a lack of co-operation from business owners.

## The study area of Beaufort West

The town of Beaufort West was established in 1818 on the farm Hooyvlakkte at the request of Lord Charles Somerset, who was then governor of the Cape. Beaufort West was originally established as a service centre for rail and road transport and, to a lesser extent, for rural agriculture. The *raison d'être* for the town's existence was primarily the railways. This orientation is slowly changing and becoming more directed towards the flow of road traffic passing through the town. Beaufort West is strategically situated approximately 450 kilometres northwest of Cape Town along the N1 route that connects Cape Town with Bloemfontein and Johannesburg. Even though both rail transport and agriculture are in decline, the town has managed to maintain a steady level of growth because of the high volume of passing road traffic (Beaufort West Tourism Bureau 2006).

The annual growth trend of the regional (Central Karoo District) gross domestic product per region (GDPR) is generally positive. Santero and Westerlund (1996), as well as Mourougane and Roma (2003), established that there is a linear relationship between real GDP and confidence indicators, and that confidence indicators can be useful in forecasting real GDP growth rates in the short term in 90% of the Euro area (Belgium, Spain, Germany, France, Italy and the Netherlands). The BER Confidence Index also provides a good indication of overall GDP growth and of the overall business cycle in South Africa (Kershoff 2000: 6). This was confirmed because the real GDP growth varied from 3.1% in 1995 to 3.7% in 2004, and the BER business confidence index improved from 66 in March 1995 to 87 in December 2004 (RMB 2010). The 3% rate of growth in the GDP of Beaufort West between 1995 and 2004 would similarly have had a positive influence on the town's business confidence. It can therefore also be predicted that the GDP growth rate will increase even further for the following years as a result of the positive sentiment in respect of business confidence.

Pellissier (2002: 54) notes that any change in business confidence could primarily be attributed to the realisation or non-realisation of expectations. Business confidence possibly also increased because of the economic prospects that the uranium mine *could* bring to the town. The significant average annual growth increase in manufacturing and construction shows that there were already many building activities in the

area. This could be due to the expectations regarding mine development or to the introduction of the National Integrated Sustainable Rural Development Programme (ISRDP), in terms of which the Central Karoo became a rural nodal point (Business Trust and Department of Provincial and Local Government 2007). The prospect of uranium mining dramatically changed the economic prospects of Beaufort West. The map in Figure 2 (Cole 2009) indicates the distribution of uranium reserves in South Africa. Given the rapid rise in petroleum and electricity prices, and the possible turn to nuclear energy generation (Reuters 2010), the importance of these uranium reserves can hardly be overstated.

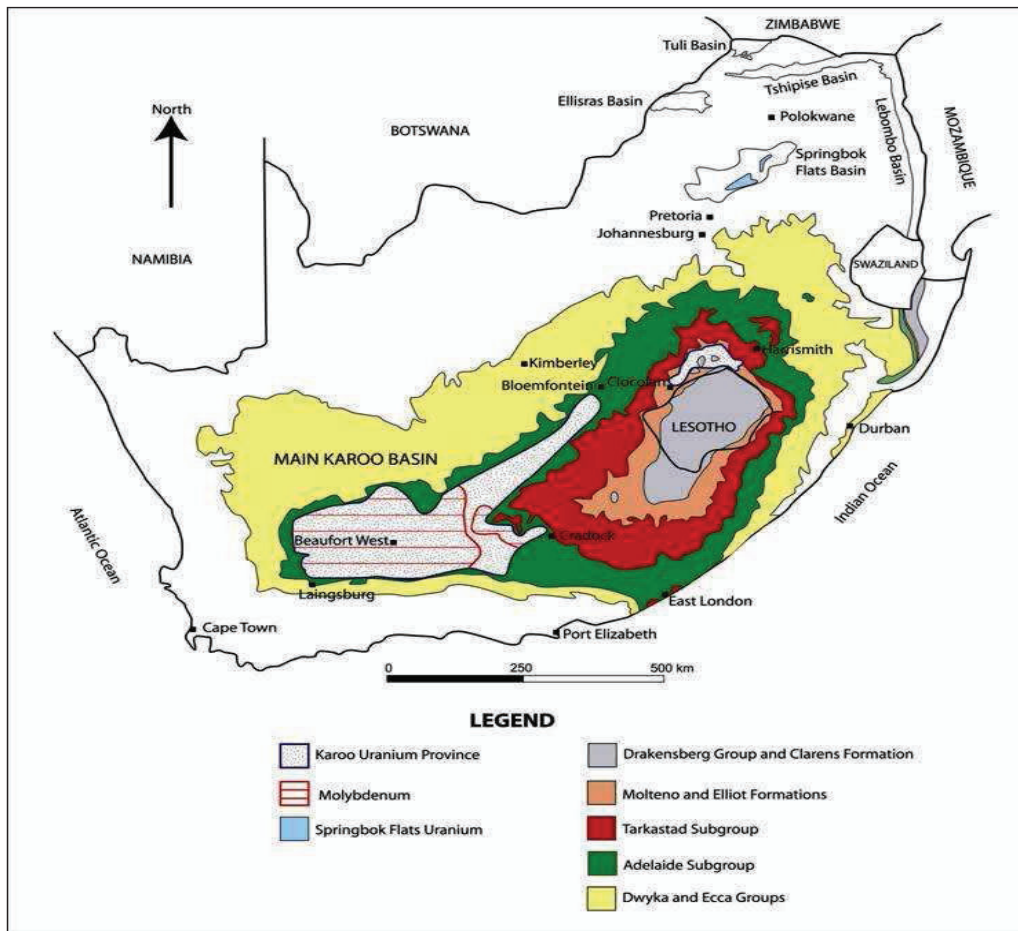
It is possible that business confidence was not affected by the rumours of the uranium mine but by other factors, such as the increase in tourist activities in the Karoo. The study on which this article is based examined the level of confidence of the business community at a time when rumours about and anticipation of the uranium mine were prevalent (November 2007). The study examined whether the proposed uranium mine could potentially have been chiefly responsible for the improvement in business confidence as at November 2007. This study set out to establish the sentiments of the business owners and managers in an attempt to determine the potential impact that the mere rumour of this development had on the business confidence and general morale of the economic environment in this Karoo town.

## Findings

### Profile of respondents

Most of the respondents (53%) interviewed were both the owners and the managers of businesses. Of the other interviewees, 32% were managers only, and 15% were owners only. More than half of the respondents were between 26 and 55 years old (30% were between 26 and 35 years old, 28% were between 36 and 45 years old, and 26% were between 46 and 55 years old). There was a good distribution between white-owned businesses (53%) and businesses owned or managed by coloured people (35%), and 10% of the respondents were black business people. Almost 70% of the respondents had received a good education: 38% had completed secondary schooling or a diploma or certificate and 31% had a degree. There were also a few entrepreneurs who had received very little formal training. Of these, 3.2% had no education or, at most, Grade 1 or Grade 2. These were in the minority, however, attesting to how remarkably well-educated the business sector actually is.

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Source: Cole (2009)

Figure 2: Uranium reserves in South Africa

Although there were a few respondents who owned businesses in brick structures next to the home (6%) or in shacks next to the home (3%), or who were working within the home (10%), respondents mostly owned or managed formal businesses located either in the CBD (63%) or in the industrial area (13%).

The respondents were asked about the main activity of their businesses. The responses were recoded according to specific sectors and industries. The majority of the respondents' business operations were in the retail sector (49%), followed by the tourism and services sector (19%), which also includes the food and beverage (11%) and the accommodation sector (9%). In the retail and trade sector, 21% of

the businesses were general dealers or provided basic groceries, which would suggest that the local economy is based primarily on local purchasing power. This is further illustrated by the fact that the majority of the respondents (53%) indicated that 83% of their clients were from Beaufort West. Only 3.1% of the businesses interviewed could be considered to be part of the manufacturing sector. This sector is an important driver of economic growth and employment opportunities, but requires both substantial capital investment and confidence in the area.

The majority of the respondents (71%) had been resident in Beaufort West for more than ten years, and even 17% of the business owners or managers had been living in Beaufort West for more than 40 years. The average period of residence in Beaufort West of 23.9 years illustrates that the business community really understands and comprehends the business activities of the town and will therefore have a good understanding of shifts in business confidence in Beaufort West. Alternatively, they may be inordinately conservative in their thinking.

Although many respondents had been resident in the town for several years, many of the businesses had only been in existence for less than a year (20%). A total of 83% owners or managers had been in the business for a period of less than ten years. The average life of businesses was calculated as 6.6 years. Perhaps the fact that many people were opening new businesses at the time of the survey suggests a revival of business confidence.

## Views of business conditions

As in the BER Survey, we asked the businesses to indicate whether they were satisfied with prevailing business conditions and whether certain factors had improved, remained the same or declined since two years previously. Table 2 highlights those questions and answers focused on testing the business confidence in Beaufort West in 2007. It would be ideal to be able to compare the sentiments for several years and to measure any change in confidence levels.

The survey indicated that members of the business community were generally positive (54%) about the then current trading conditions in Beaufort West. Only 6% noted that trading conditions were poor. Most of the respondents (79%) also believed that the economy of Beaufort West was improving, mentioning that much development was taking place in the town (40% of interviewees referred to the growing number of businesses and population) and that more employment opportunities were available (18%). This was most probably attributable to the increasing number of construction projects in town. Conversely, 6% of the business people mentioned that the local

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**Table 2:** Testing business confidence in Beaufort West

Question	Details	% of confidence	Reason for answer	% of reason
Present trading conditions in Beaufort West	Good Fair	48.3% 40%	-	-
Since two years ago: number of clients changed	Increased	68.8%	Increased demand, more contracts, economic expansion	37%
Since two years ago: general business conditions	Better	63%	-	-
Since two years ago: sales	Up	69.8%	-	-
Since two years ago: employees	Same	55.2%	-	-
Since two years ago: profitability	Up	60.7%	-	-
Beaufort West economy	Improving	78.7%	Development in Beaufort West - more business, population & property	39.8%
Growth in consumer market in future	Yes	93.7%	Development in Beaufort West	18%
Rate: confidence in future of own business	Positive	77.5%	Average: 8.43	-
Rate: confidence in future of Beaufort West economy	Positive	75.2%	Average: 7.47	-

people were not benefiting, and that development favoured the 'rich outsiders'. This was not a true reflection, however, because there were only a few new businesses in Beaufort West owned by newcomers (17.5%) and these had been in operation for less than two years. The majority of the new businesses (62.5%) were owned or managed by people who had been residing in Beaufort West for more than 11 years.

When asked whether they foresaw growth in their consumer market in Beaufort West in the future, a total of 94% of the business owners or managers indicated that the market would grow because of development. The prevailing mood of optimism in Beaufort West stood in stark contrast to the views of the business sector in Aberdeen (another very small Karoo town, approximately 150 kilometres distant). In Aberdeen, 40% of business owners believed there was an upswing; 27% believed quite the opposite; and, a third claimed that the business climate was static (Atkinson 2006: 30). Fifty percent (of 138 participants) of the respondents in a Graaff-Reinet business



survey were of the view that the economy of the town had improved; whereas 23% believed that it had declined, and 26% felt the economy was static (Atkinson 2008: 13). This was a generally positive perspective on Graaff-Reinet's economic outlook, but not as positive as that measured in Beaufort West.

The survey also required respondents to compare the business environment with the situation two years previously (in terms of clients, business conditions, sales, employees and profitability). The respondents indicated that the majority of these aspects had improved. Almost seventy per cent (69%) of the respondents indicated that the number of clients had increased because of the increased demand, population and expansion in Beaufort West (37%). Competition – both from illegal traders and large chain stores – was mentioned as the main problem preventing the businesses from increasing their client numbers (34%).

Other aspects underlined by business owners and managers as more positive than two years before were that the general business conditions were better (63%), sales figures had improved (70%) and profitability had increased (61%). In terms of employment, the sentiments were rather more mixed. A total of 55% of respondents felt that the employee numbers had stagnated, but almost 40% indicated that employee numbers had increased. This suggests that the business environment had already improved in Beaufort West, but that such business development had not always created a large number of employment opportunities for the local population. This reflects a degree of 'jobless growth'.

The business owners and managers also rated the confidence they had in their own businesses (average of 8.43 out of 10) and the confidence they had in the Beaufort West economy (average of 7.97). Almost 50% of these owners or managers gave a rating of 10 out of 10 for the confidence they had in their own business, while 62% gave a rating of between 8 and 10 for confidence in the Beaufort West economy.

Those owners/managers who had resided in Beaufort West for a period of less than two years seemed slightly more optimistic than those who had resided in the town for longer than ten years. For example, 71.4% of the 'newcomers' to the town were of the opinion that the general business conditions were better than had been the case two years earlier, compared with 66.2% of those who had been living in the town for more than ten years. The group of owners/managers that was least optimistic had been residing in the town for between three and ten years (only 47.4% of these were of the opinion that the general business conditions were better than those experienced two years before, compared with 42.1% of this group who felt that the conditions had remained the same). Similar percentages can be given in respect of the concepts of sales, profitability and present trading conditions of the business. In contrast, only 75% of the owners/managers residing in Beaufort West for a period of

less than two years noted that the economy of the town was improving, while 83.3% of the respondents who had been residing in the town for between two and ten years believed there was an improvement, and 78% of those who had been living in the town for longer than ten years were of the opinion that there was an improvement.

In conclusion, the business owners/managers were pleased with the economic development and future prospects of the town at that particular point in time. Therefore, business confidence was rated as high by the local owners/managers. Similarly, the BER BCI for South Africa in November 2007 was also reasonably high (67) (RMB 2010). Yet levels of confidence and optimism in Beaufort West seemed to be slightly higher than in South Africa in general. The confidence was measured just before the decline that South Africa experienced during the worldwide recession. Businesses in Beaufort West were even more positive at that point in time, because they could start looking forward to increased growth and development in the town as a result of the prospective uranium mine.

## Conclusion

The business owners and managers indicated that economic conditions had increased or improved over the preceding two years. This was mostly the result of new development (tourism, malls and residential property) and the increase in the population of the town. Therefore, the potential for future economic development in Beaufort West is positive. The proposed establishment of the uranium mine will take place in a context of growing business confidence. If this mine is not established, however, the opposite effect is likely to be experienced. It is also likely that a large investment, such as mining, in a small Karoo town will further improve the business environment and confidence.

A limitation of the study is that the researcher was unable to establish an index for the business confidence of the town but could at least establish percentages for the positive and negative aspects of the business environment. This was only the first year that business confidence in Beaufort West was measured. The survey should be completed at regular intervals to give a true reflection of business cycles in the town. The researcher plans to do a follow-up survey to test whether business confidence still remains high or whether the morale of the business community has declined. In future it makes more sense to capture one composite index at various points in time for easy comparison. A further limitation was the dearth of comparative studies with which to compare methodologies and findings.

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