



Issue 3
2019

SICCI
SOLOMON ISLANDS CHAMBER
OF COMMERCE AND INDUSTRY

Business Confidence Survey

FOREWORD

The Solomon Islands Chamber of Commerce & Industry has conducted the Business Confidence Survey since 2017. The exercise is a pulse-test to identify the level of business confidence perceived by participating members from within its diverse membership.

The survey identifies trends and conditions in the private sector. Increased business confidence is an indicator of economic growth, associated with increased spending and more economic activity. On the other hand, a decrease in business confidence may indicate a slowing of the economy.

The data gathered enables the Chamber to consolidate business experience that informs how it progresses issues with government. The outlook for business, also informs the wider private sector and partners to government, of the standing of the economy as a whole.

This issue marks the third Business Confidence survey.

In this issue too you will find the results for the 2019 survey compared with responses from 2017, and from 2018.

From pages 13 to 22, the 2019 survey responses are presented in full, as normal practice. All members would have received the reports for 2017, 2018 when they were published, however if you would like copies again, do let Naomi know at services@solomonchamber.com.sb.

The 2019 survey also saw the introduction of comments section for questions related to General Business Situation (Q3) and Factors Limiting Expansion (Q6). This change is denoted by an asterisk *.

A final change with this issue is that the Business Confidence Survey report captures foreign investment, as well as Honiara City Council building permits for 2019. These were supplied to SICCI by InvestSolomons (Foreign Investment Division) of the Ministry of Commerce, Industry, Labour and Immigration as well as from the Planning Division of the Honiara City Council.

General Enquiries

Naomi Mara | Membership & Services Officer
(677) 7600734 | (677) 39542
services@solomonchamber.com.sb

Media Enquiries

Philip Lilomo | Media & Communications Officer
(677) 7885978 | (677) 39542
media@solomonchamber.com.sb



Business Confidence Survey 2019

Contents

Business Confidence in 2019	1
Survey Results 2017-2019	2
• Questions 1 & 2	2
• Questions 3 & 4	3
• Question 5	6
• Question 6	6
• Question 7	9
• Question 8	10
• Question 9	10
• Question 10	11
• Question 11	12
• Question 12	12
2019 Business Confidence Survey Results	13 - 22
2019 Statistic Foreign Investment Building Permit	23 - 28

Business confidence in 2019

When triangulating survey results from 2019, the impact of uncertainty on business conditions emerges as a dominant theme.

This uncertainty stemmed from a range of factors including changes to regulations, the macroeconomic climate, and also caused by elections both at central, and at municipal levels.

The national election held 3rd April was followed by period of policy formulation by the coalition government, Democratic Coalition Government for Advancement or DCGA.

There was strong interest by SICCI member businesses to understand what the policy priorities would be.

Member turnout for the Prime Minister Breakfast which for the first time was combined with DCGA launching its policy platform on 31st May 2019, was the highest recorded for an annual SICCI event for instance.

Chamber membership as at end of Quarter 4, 2019 was 227 businesses from all sectors including the larger-employing companies based in Western and in Guadalcanal provinces.

Of this number approximately 90% operate and live in Honiara.

Therefore the city council elections, and the executive's policies were also keenly followed particularly regarding revenue-raising priorities that would impact on business licenses, and council rates.

Uncertainty also resulted from the way that the review into the basic minimum wage was undertaken.

The overwhelming response from the snap survey done in January was that the review was welcomed and timely, however, members wanted the opportunity to make known their views.

A request for phasing in of the new wage was disregarded.

Yet again more uncertainty was reinforced late in the year regarding government response to swine flu with little advance communications, combined with changes in regulating imports.

It is now required that businesses are approved per import event as opposed to multiple imports under a single permit.

Survey results 2017-2019

Questions 1 & 2

2017 survey

In the first survey there were responses received from 74 out of the 175 members of SICCI. Businesses from all industry except Electrical & Hardware, and from Security Services, responded.

Out of the respondents, 34% were from small-sized businesses and when combined with companies with 10-19 employees (SICCI definition of Small- to Medium-Sized businesses), represented 44% of the respondents.

2018 survey

In 2018, a total of 58 members of 212, took part in the survey. The sectors that were not represented were Alternative Energy; and Security Services.

Most of the respondents again came from the small-sized businesses (<9workers). And when combined with businesses with 10-19 workers, constituted 56.1% of respondents. Large corporates of >100 workers made up 19% of

the respondents.

2019 survey

In 2019 the response rate was 21% out of the 226 members. Sectors not represented included Alternative Energy; Mining Oil & Gas; Property & Real Estate; Technology including ICT; Security Firms and Telecommunications & Postal.

For the 2019 survey, there was a shortened response time of 2 weeks and the date of circulation was early December instead of mid-November as is usual practice.

For 2019, most of the respondents came from Agribusiness. Small sized businesses made up the majority of respondents (29%) and when added with businesses with 10-19 workers, constituted 46% of total respondents.

Questions 3 & 4: General Business conditions

Respondents were asked to make general assessment of the country's as well as their own business situation for the coming year.

	2017	2018	2019
General business situation	Improve 45%	Improve 43%	Improve 40%
Your own business	Improve 61%	Improve 67%	Improve 56%

*2019 Survey Comments

Improve – 39.58%

- Projects coming online such as Tina River Hydro, Pacific Games, and Solomon Water.
- There are many large infrastructures and building projects starting from next year. Tina Hydro, Gold Ridge, start of facilities construction for 2023 Games, Australian Government SIIP, road building east and west, airport upgrade, and SIG own infrastructure projects.
- We are hopeful that the business situation will improve during the next six months considering that Solomon-China tie will on the track.
- Think the general business will improve once the coral seas cable comes lives next 2020.
- Premium agriculture commodities fetched at high market value from international buyers due to government's budget allocation increase in resources and development sector.
- Increased investment from other countries.
- Considering up coming Hydro Project, Gold Ridge Mining and others business certainly will improve.
- Business will grow generally, more opportunities arising as more development comes in.

- Reforms in taxation are underway, ICAC in place, huge investments in infrastructures etc will improve but with current political situations and effects of changes, there will be slightly negative effects but hoping for stability or staying the same
- The undersea cable is coming in and more infrastructure projects are also coming in which will bring more business for the country.
- Unless there are new business investments operating and running in the country like the Cable company, mineral companies, Gold ridge, upgrade of the airport, new road build, improved seaports, improved hotels and resorts to attract tourists and create more on export business for goods and services then we can improve.
- Lack of liquidity hurting consumption
- The economy is very weak so the only way to bring it back up is for the Government to invest on infrastructure project create new jobs and put stimulus support to existing and new businesses give them confidence.
- Fall in logging and mining, financial difficulties in PNG, possible unstable government in Solomon Islands.
- Lack of faith in the security of the region, high cost of living makes Honiara a costly place to visit, poor infrastructure with no real plans to improve it for tourists or make it easier for Solomon Islanders to develop industries. Poor budget planning and a lack of recurrent budgets for maintenance, extremely poor education of health, hygiene and respect in schools - tourists don't want to see spitting in the streets and shanty towns. Drift of people to Honiara bringing with them unemployment which then brings nuisance (alcohol, noise and smoke pollution).

Deteriorate – 27.08%

- The Government does not demonstrate real support for the SME sector or for business growth. Its China policies may also be anti-business.
- Overall situation of the country is very uncertain. It is very unclear what the future holds.
- World timber prices down will continue to impact exports, logging camp closures and resultants job reduction/losses will continue to impact retail/wholesale trade. No new investment in agriculture, mining, and manufacturing to replace logging.
- Loosing volume as less people buying our product.
- Looking at the economical fundamentals, the budget speech and purchasing power / disposable income on the ground, the real test is disposable income. If that does not improve, all other indicators of the government does not make sense if disposable income is not there no matter how good the intentions are.

Same – 22.92%

- Development and employee base shrinking. It will ONLY improve if the Government backs up the Local SME's with both finance and right policy to protect these businesses.
- Not easily determine by us.
- Not a lot can happen in a short pace of time.
- Successive Governments have not invested in the much-needed infrastructure to create or improve the enabling environment for businesses or the general economic environment to grow thus we continue to suffer slow economic performance.
- Take a while for new local projects to materialize.
- Government still relying heavily on existing revenue like logs and etc rather than setting up new avenues for Solomon business to grow.
- Unlikely that any projects sign off will encourage rebuilding or reinvestments or investments as a slump in economy is likely to continue prior to re-visiting of cash
- Now the businesses are complaining, that income is slow and after the switch to China, businesses are experience low turnouts especially the informal sectors.

Don't know – 10.42%

- I don't know because it depends on the government to improve the cost of electricity which is one of the biggest expenses for small businesses. For example, although we need to use air con to save our equipment, it is expensive to do so, connecting to internet for example is another challenge... therefore govt should look into bringing down the cost of power for small businesses to thrive.
- Too many uncertainties and no clear govt leadership.

Question 5: Staff

Respondents were asked to assess the ease in getting staff compared to 12 months ago.

	2017	2018	2019
Skilled/Specialist	Harder 49%	Harder 52%	Harder 48%
Unskilled/Temporary	Same 52%	Same 43%	Same 44%

Question 6: Single factor limiting expansion

Respondents were asked what was the single factor that was the most limiting on their ability to expand their activities. The table captures the two top factors for the year.

	2017	2018	2019
	Capacity 43%	Finance 48%	Finance 39%
	Demand 36%	Demand 31%	Demand 39%

*2019 Survey Comments

Finance – 39.58%

- Lack of Finance (operating capital) makes small business unable to employ skilled and specialist labourers. Thus, small business only afford to employ unskilled employees. This results in slow business growth.
- Finance is important in maintaining working capital, Office Rentals are so expensive for professional service providers like us. Power too is very expensive, power runs the office all day (lighting; air-conditioning; powering office equipment etc).
- Funding of capital works. cannot get good skilled staff.
- As for all business finance is key to growth, so we are financing our growth internally at this point in time
- Banks are very difficult to deal with – Government payments are extremely delayed causing cash flow issues for SMEs
- Lack of working capital to support buy and sale of agriculture commodities.
- Sometimes I don't have enough finance to facilitate project when there's no funding to implement the activities, things will at hold.
- Lack of a skilled pool of workforce, and the very high cot of finance - bank lending rates are too high and the margins between deposit and lending rates do not make sense - banks are profiteering generally, and no or very little investments in branches

or agencies, if any they are closing them. e.g ANZ in Auki.

- Need to expand but financial constrain is hindering my expansion.

Demand – 31.25%

- Affordability.
- Cost of Business.
- The demand in the market right now is very less and the company is paying goods tax outright at the wharf that caused us short in our cash flow tendency is to use our Overdraft facility to pay off our foreign suppliers.
- Increase demand then we can expand our activities stagnating sales
- Huge factor.
- Leveling of playing field, exempted goods into country and then local manufacturing at the high production costs, like electricity and sea freight, cannot compete and if tax base (all do not pay their taxes) is not equal, equally one cannot compete.
- The industry (Civil Works & Construction) requires huge capital investment to participate and sustain in. With a slow down in the economy, financial institutions are not willing to lend if we require new fleets/ machines for certain specialised work.
- Demand - In the transportation sector, SI

has seen an increase in the vessels brought in by Members of Parliament. Whilst these vessels are bought using public funds and are duty and tax free, vessels brought in by private businesses have huge mortgage and pay hefty duty and Sale tax. Vessel bought from public funds are brought in and allowed to operate and compete with the privately operated vessels. Whilst more vessels are brought in by MP's demand for services by these vessels are not increasing at the same rate. With slow down in the economy purchasing power of individuals and businesses around the islands in the country reduces and therefore the demand of services for shipping.

- Considering current business & industry activities.

Capacity – 22.92%

- Unfair competition from Donor supported voluntary organisations like VSA and AVI plus poorly developed donor funded programmes like Strongim Bisnis. Lack of understanding of the private sector by large NGOs like UNDP etc.
- We have the funds and the plans in place. However, the capacity in-country to deliver such high-end projects is lagging. What is available within the market has to be rationalized across the more critical

projects.

- Poor education and respect factors make it difficult to employ reliable trustworthy people. These people can't be employed when there is low demand because tourists are not coming.
- Buying things in Solomon Islands is very expensive so it is cheaper to import but taxes are high so finance is a problem
- Cost of production is too high to compete with imported good. Infrastructure also need to be improved.

Labour – 20.83%

- Finding skilled labour is nearly impossible.
- Shortage of qualified, experienced skilled personnel.
- Government incentive/taxes/regulations and skilled reliable labour force.
- Not having appropriately skilled and experienced staff.

Other – 20.83%

- Due to uncertainty and lack of confidence there is a general lack of will to expand activities. Once there is a bit more direction in which the country is heading, the will to expand may return
- Lack of confidence in the government and issues relating to land tenure.

- economy 2. global competition is limiting my ability to expand
- Location of the business is one reason, current location makes the business hidden and not easily seen by all most people are not aware unless we physically go and tell them, so team are driving marketing at this moment.

Question 7: Loan interest rates

Respondents were asked if they expected interest rates charged on loans to change in the coming twelve months.

2017	2018	2019
Same 41%	Same 38%	Same 50%

In 2017, 34% didn't know if interest rates would change.

In 2018, equal numbers 29% expected rates to increase, and 29% also responded saying that they didn't know.

In 2019, 20% expected it to increase with 15% not knowing.

Question 8: New investment

Respondents were asked if they expected the amount of new investment approved by their firm to change during the next 12 months compared to the last 12.

	2017	2018	2019
Building & Structures	Greater 29%	Greater 45%	Greater 29% Same 29%
Machinery & Equipment	Greater 39%	Greater 38%	Same 42%

Question 9: Business experience

Question 9 looked at business experience in terms of staff numbers; hours worked; staff turnover; costs; selling prices; profitability; domestic sales; and export sales.

In 2019, the question changed and did not include exporters. It also split the question into reflecting over past 12 months, and predicting for next quarter.

- *See table on page 11*

	2017	2018	2019 (past 12 months)	2019 (next 3 months)
Profile of full-time workers	Same	Same	Same 52%	Same 60%
Hours worked would increase	Same (46%) Increase (42%)	Same 62%	Same 68%	Same 66%
Labour turnover	Same	Same 46%	Same 68%	Same 66%
Average costs	Up 47%	Up 58%	Up 56%	Same 45%
Average selling price	Same	Up 44%	Same 54%	Same 47%
Profitability	Same	Up 41%	Same 39%	Same 41%
Domestic sales	Same	Up 41%		
Export sales	Same	Up 13%		

Question 10: Experience with Government services

In 2017, 37.8% of respondents reported that their experience with Government Services has improved, however a close 34% said that it had worsened.

In 2018, majority 45% said that experience with Government services was the same and 29% said it had worsened.

In 2019, a new approach was taken with the

survey in that it was split into reflecting on past year, and then predicting for the coming 12 months. Respondents reported that it has worsened over the past 12 months, and expecting it to remain so for the next 12.

2017	2018	2019 (past 12 months)	2019 (next 12 months)
Same 38%	Same 45%	Worsening 66%	Same 66%

Question 11: Doing business with other local businesses

In all three years, respondents have reported that doing business with other local businesses remained at steady rate, not increasing nor decreasing.

2017	2018	2019
Steady 68%	Steady 59%	Steady 50%

Question 12: Business view on quality and provision of private security services

This question assesses satisfaction with quality and provision of private security service. It has remained unchanged over the years.

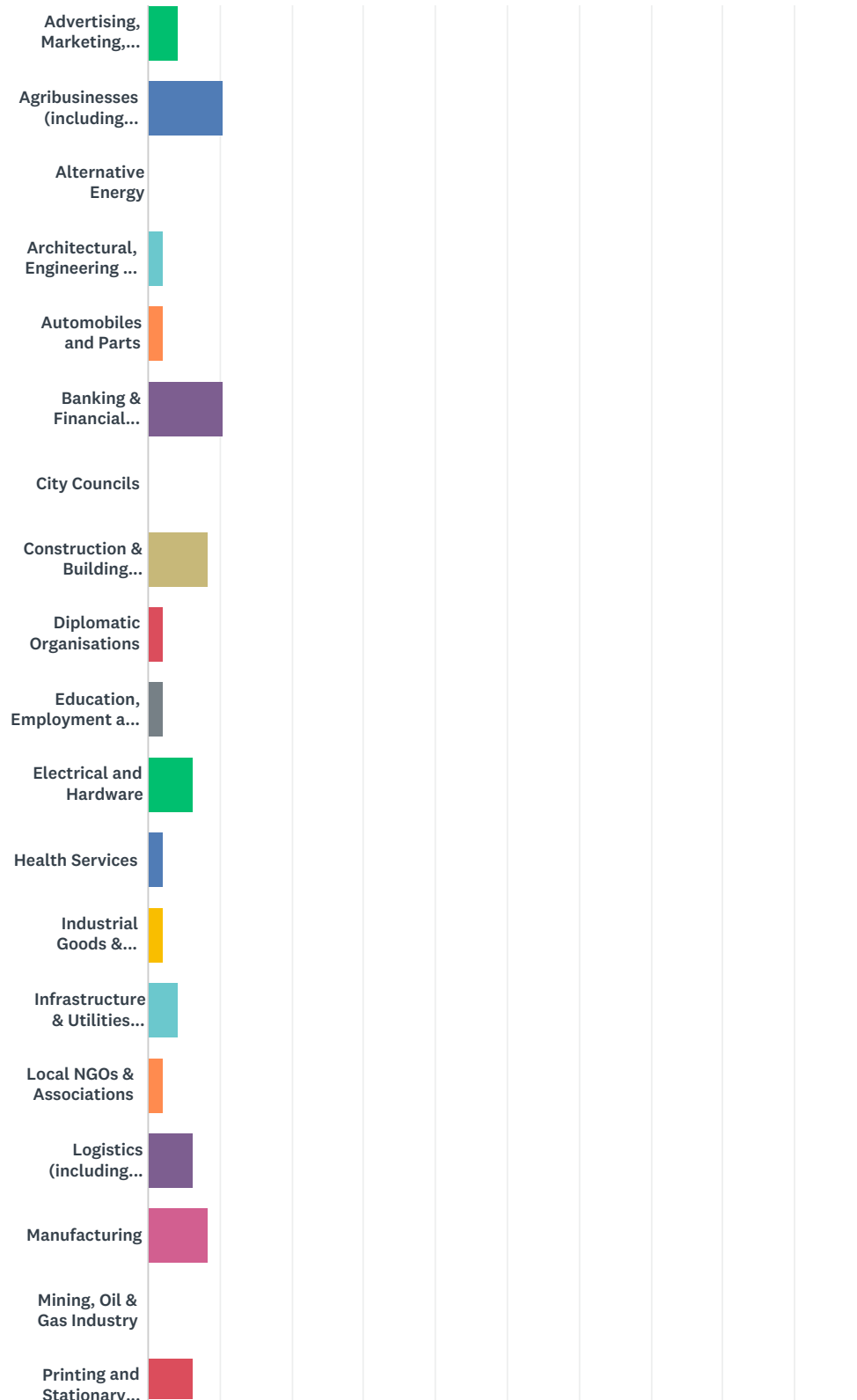
Although neutral over the three surveys, in 2017 second was positive experience (23%);

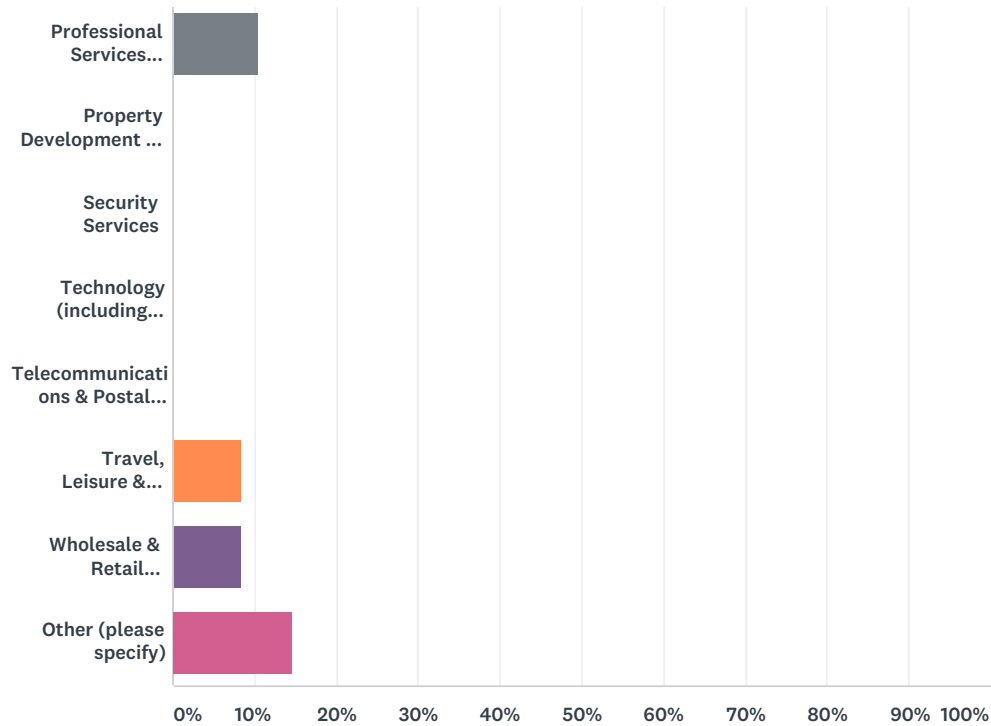
in 2018 positive (19%); and 2019 an equal number (21%) reported positive, as well as negative experiences.

2017	2018	2019
Neutral 36%	Neutral 47%	Neutral 47%

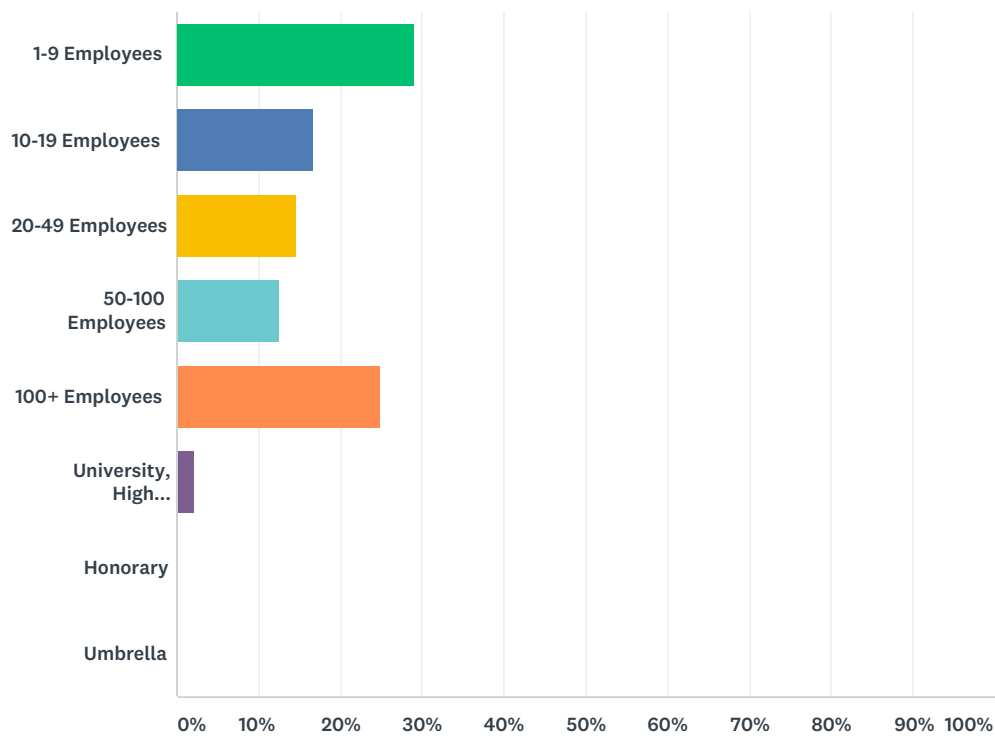
2019 Business Confidence Survey Results

Q1. Select one industry group that best describes the industry you are in.

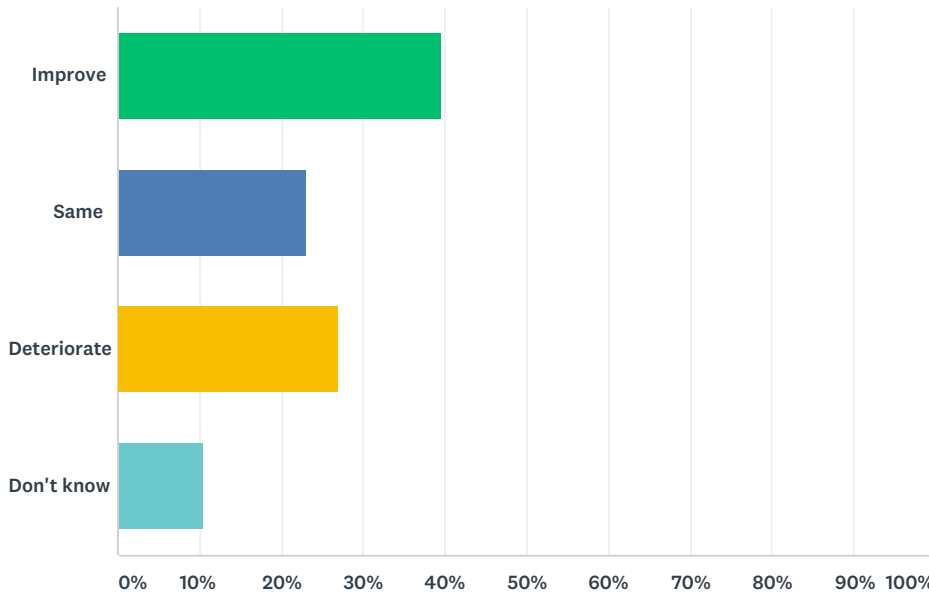




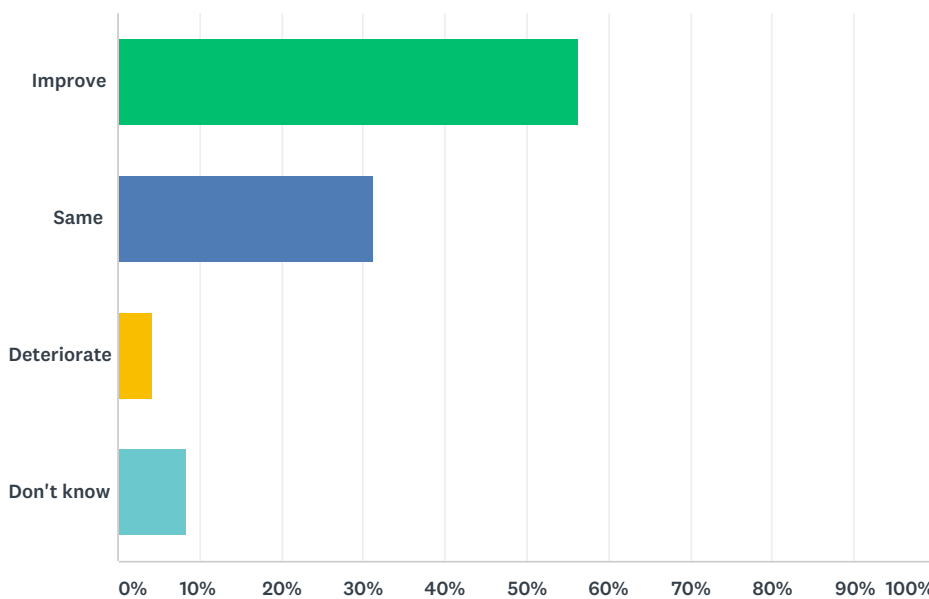
Q2. Select the Category that describes your business by number of employees.



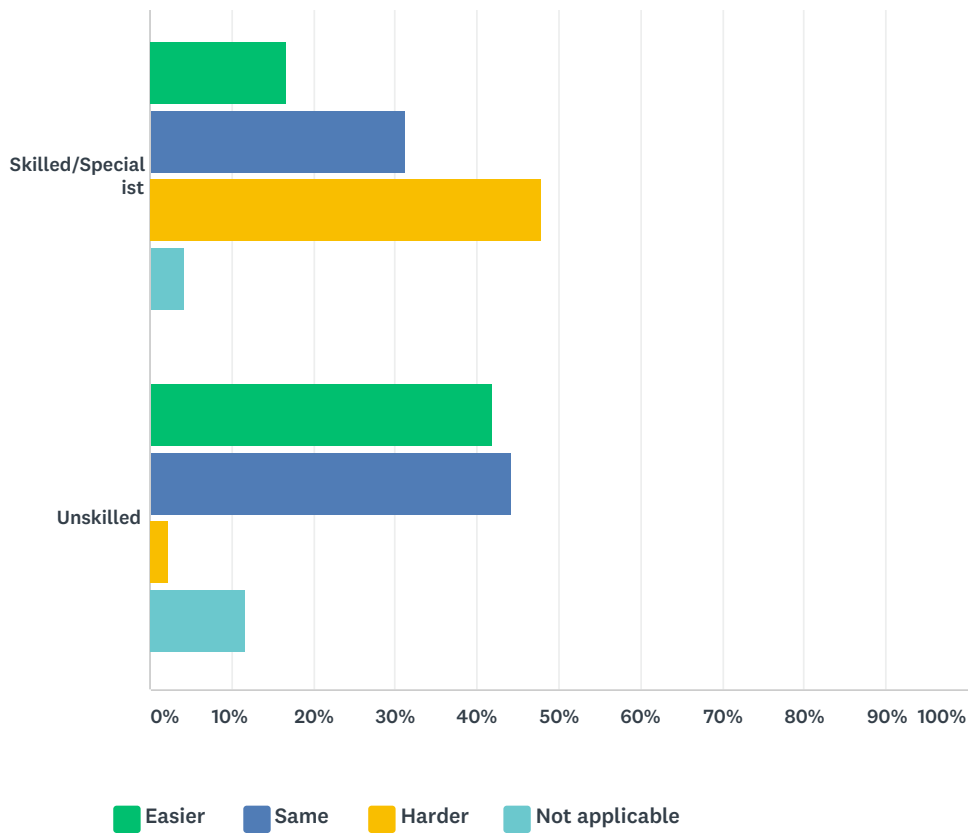
Q3. Do you believe that the general business situation in Solomon Islands will improve, remain the same or deteriorate during the next six months?



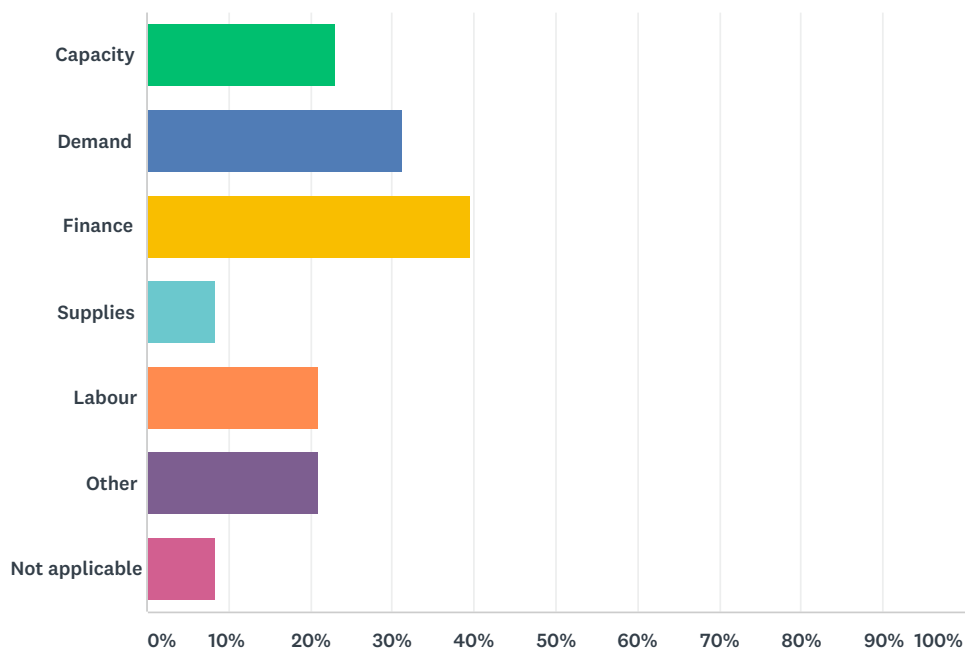
Q4. Do you believe that the general business situation in your own business will improve, remain the same or deteriorate during the next twelve months?



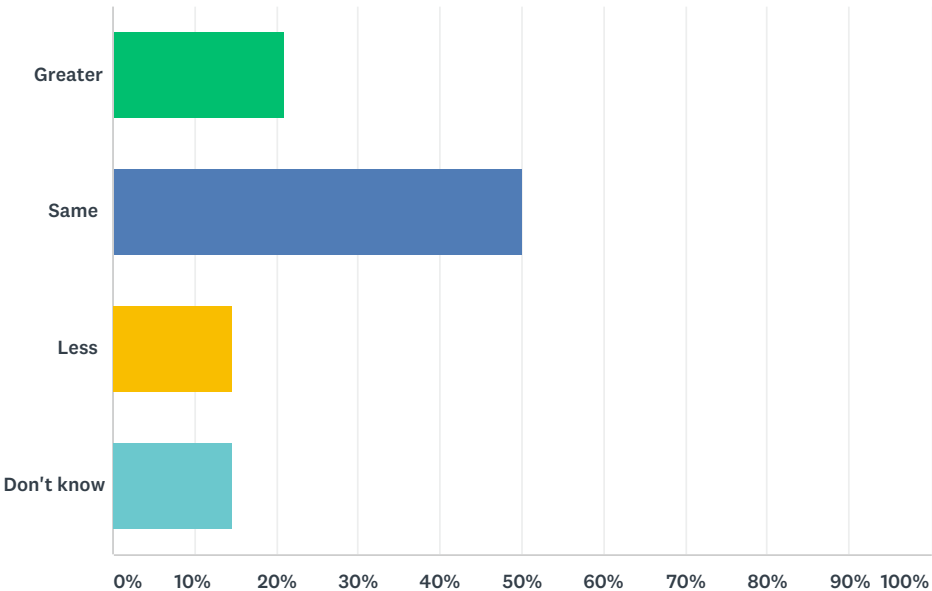
Q5. In general, do you find that getting staff you want today is easier, the same, or harder than it was twelve months ago?



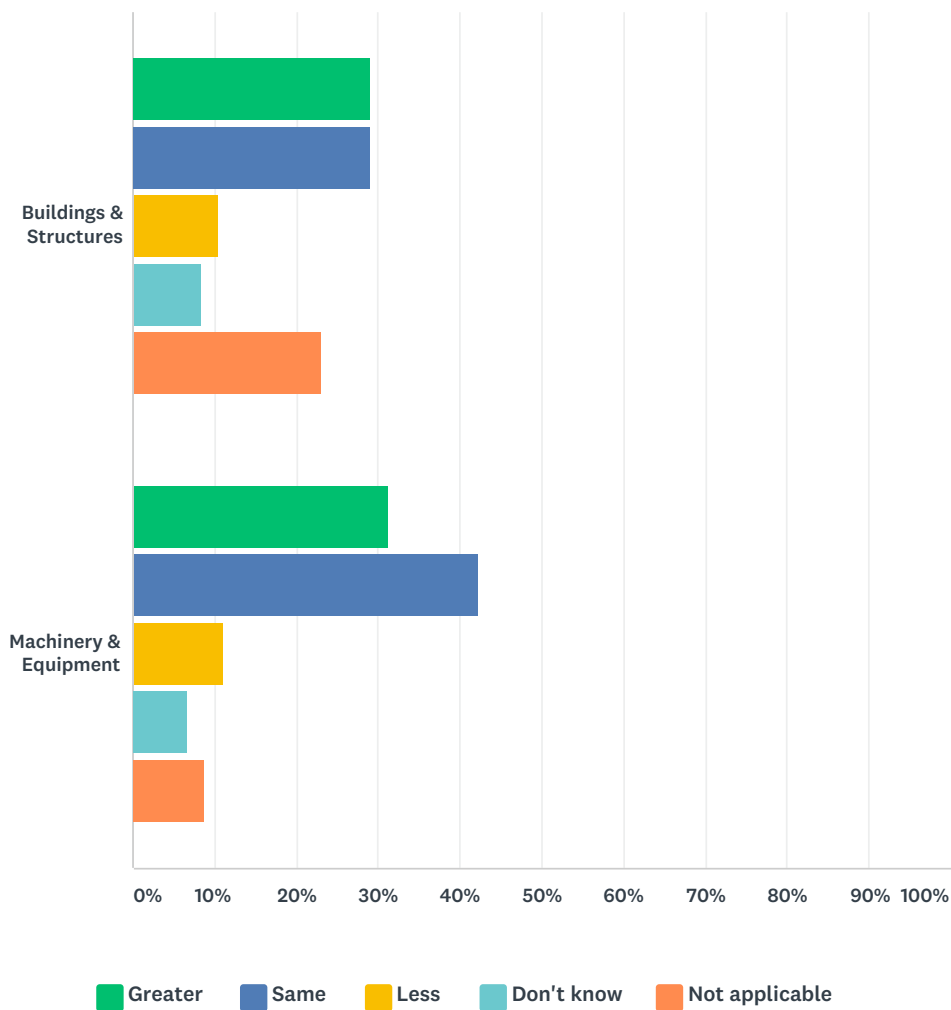
Q6. What single factor, if any, is most limiting your ability to expand your activities? (You may choose more than one answer). Shortage of:



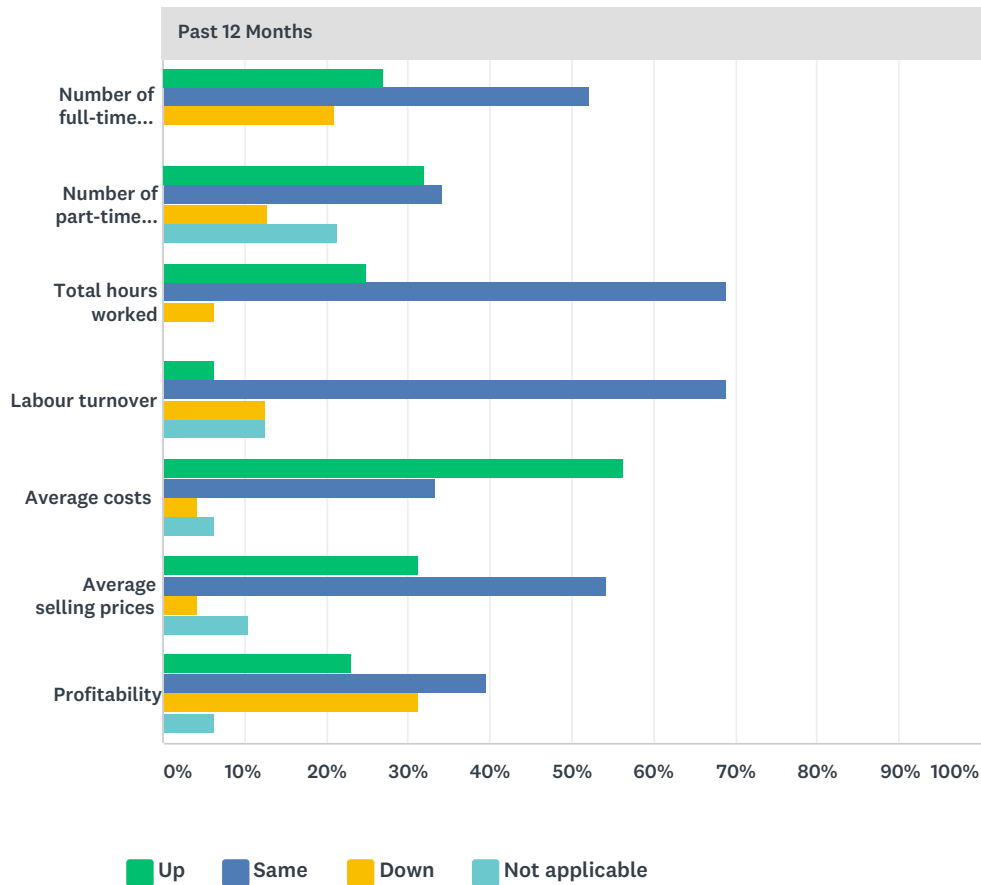
Q7. Do you expect interest rates charged on loans during the next twelve months to be greater, same, or less than those during the past twelve months?



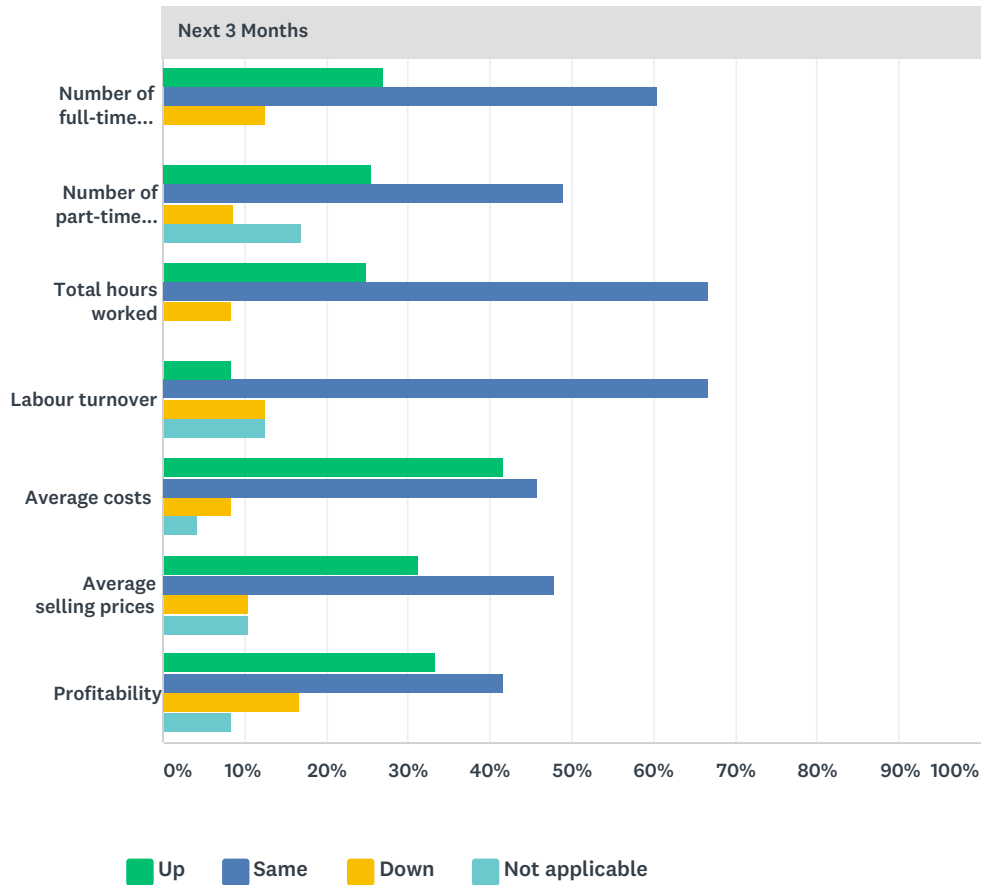
Q8. Do you expect the amount of new investment approved by your firm during the next twelve months to be greater, same, or less than those during the last twelve months?



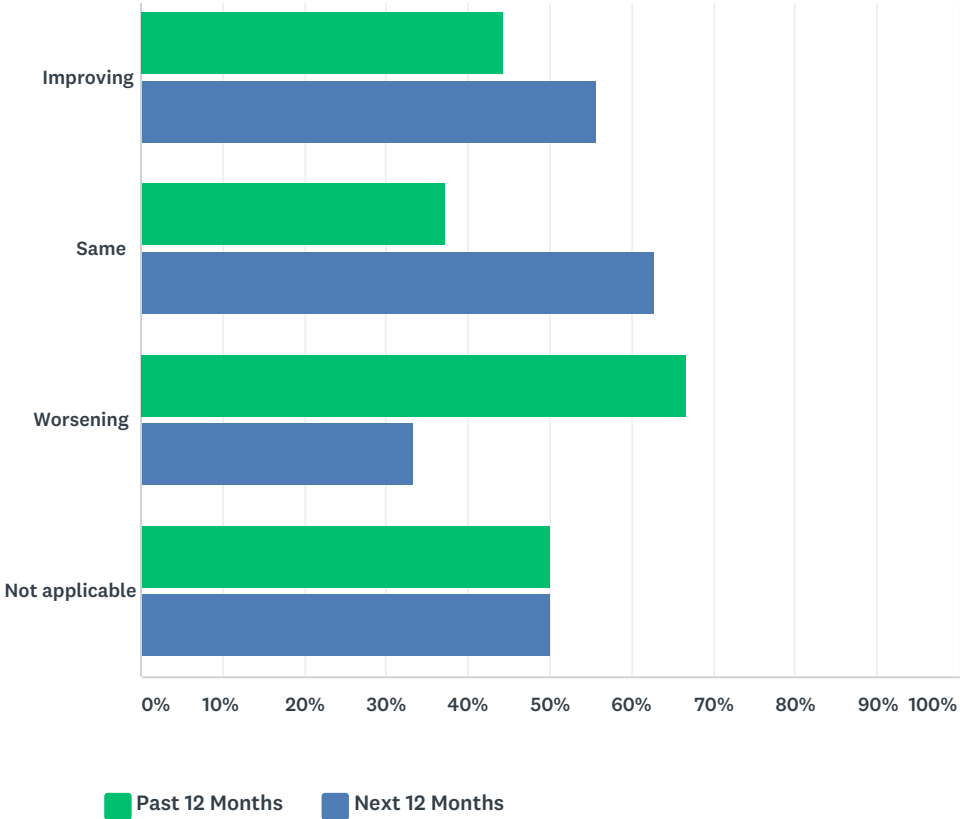
Q9. Excluding normal seasonal changes, what has been your business' experience during the past twelve months and what changes do you expect during the next three months in respect of:



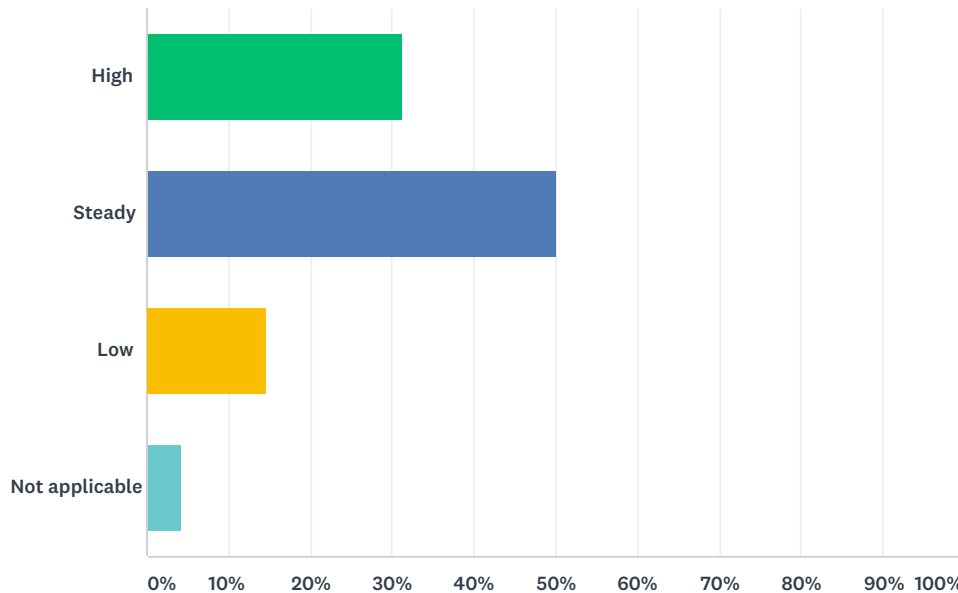
• *Continue next page*



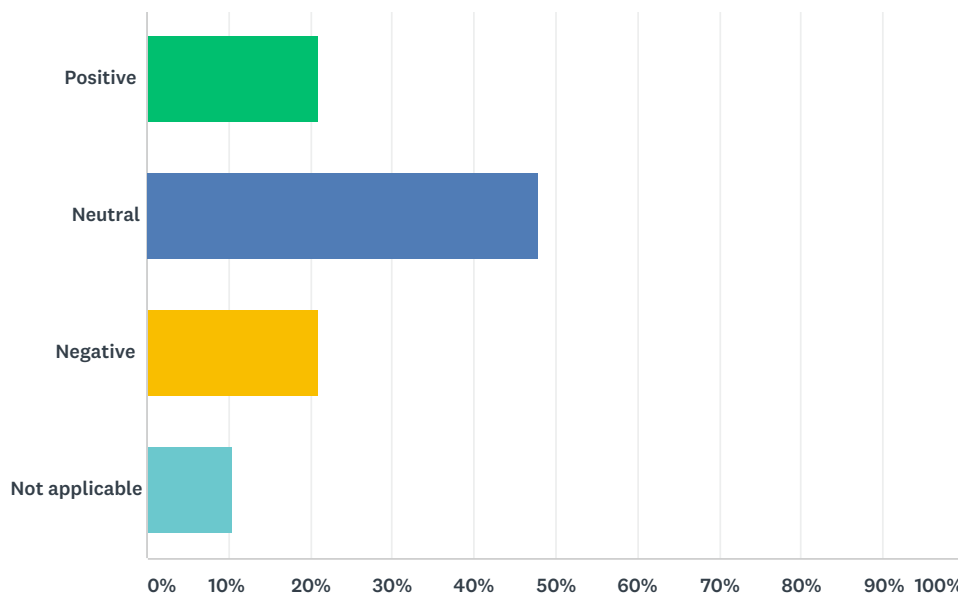
Q10. What has been your business experience with Government Services during the past twelve months and what changes do you expect in the next twelve months:



Q11. How would you rate your business at doing business with other local businesses?



Q12. What is your business view on the quality and provision of private security services?



2019 Statistic

Foreign Investment Building Permit

Table 1. Total Business Registration by Quarter

Month	Total New Registration
January	13
February	15
March	14
Q1	42
April	12
May	7
June	1
Q2	20
July	12
August	11
September	7
Q3	30
October	10
November	6
December	10
Q4	26
2019 Total	118

Table 2. Total Registration by Sector by Quarter

Sector	No. of Registration			
	Q1	Q2	Q3	Q4
Agriculture	2	0	3	1
Communications & Information Technology	2	1	0	1
Construction	1	3	1	4
Distribution	1	0	1	0
Education	0	0	0	0
Entertainment & Catering	1	0	2	3
Financials Institutions	0	0	0	0
Fisheries	1	0	0	3
Forestry	1	0	0	0
Health	0	0	0	0
Insurance Services	0	0	0	0
Manufacturing	1	1	2	1
Mining	2	0	2	1
Oil & Gas	0	0	0	0
Professional & Other services	3	4	6	3
Real Estate	1	0	0	1
Retail & Wholesale	23	11	11	6
Tourism	1	0	1	1
Transportation	0	0	0	0
Other	2	0	1	1
	42	20	30	26
2019 Total	118			

Table 3. Total Registration by Location by Quarter

Provinces	Total Registrations			
	Q1	Q2	Q3	Q4
Guadalcanal	3	0	5	4
Malaita	0	0	1	0
Central	0	0	0	0
Isabel	1	0	1	0
Western	2	1	1	1
Choiseul	0	0	0	0
Renbel	0	0	0	0
Makira	0	0	0	0
Temotu	0	0	0	0
Honiara	36	19	30	26
Total	42	20	30	26
2019 Total	118			

Table 4. Investment Figures by Quarter

Months	Total Propose Investment	Total Export	Total Sales
January	\$31,300,000	\$2,000,000	\$16,300,000
February	\$15,921,000	\$300,000	\$17,650,00
March	\$31,629,000		\$16,210,000
Total Q1	\$78,850,000	\$2,300,000	\$50,160,000
April	\$32,500,000	\$2,000,000	\$22,900,000
May	\$6,800,000	\$1,000,000	\$8,500,000
June	\$30,000,000		\$30,000,000
Total Q2	\$69,300,000	\$3,000,000	\$61,400,000
July	\$59,200,00		\$9,250,000
August	\$48,698,229		\$3,357,992,555
September	\$8,786,012	\$1,650,000	\$13,100,000
Total Q3	\$116,684,241	\$1,650,000	\$3,380,342,555
October	\$81,996,500	\$1,000,000	\$44,650,000
November	\$101,689,500	\$10,000,000	\$25,000,000
December	\$77,100,000	\$17,500,000	\$38,700,000
Total Q4	\$260,786,000	\$28,500,000	\$108,350,000
2019 Total	\$525,620,241	\$35,450,000	\$3,600,252,555

Table 5. Total
Employment Figures by
Quarter

Month	Total Local Nationals	Total Foreign Nationals
January	532	99
February	154	47
March	278	78
Total Q1	964	224
April	155	54
May	121	63
June	52	34
Total Q2	317	151
July	208	50
August	226	47
September	232	34
Total Q3	666	131
October	223	47
November	174	27
December	647	76
Total Q4	1044	150
2019 Total	2991	656

Table 6. Honiara City Council Building Permits by Quarter

Month	Residential	Total Cost	Commercial	Total Cast	Other	Total Cost
January	10	\$7,734,000	6	\$19,435,600	5	\$600,250
February	8	\$5,760,000	6	\$9,636,160	6	\$400,220
March	21	\$14,225,370	5	\$7,845,650	15	\$740,300
April	13	\$9,475,990	5	\$9,231,915	5	\$970,200
May	10	\$7,012,310	9	\$11,950,324	7	\$810,430
June	7	\$6,538,366	7	\$6,818,000	10	\$670,480
July	9	\$8,580,450	8	\$15,896,963	8	\$640,100
August	6	\$9,475,990	5	\$4,480,000	5	\$970,200
September	12	\$8,224,400	7	\$7,100,450	10	\$560,440
October	8	\$4,395,600	3	\$2,216,750	5	\$970,200
November	6	\$3,750,000	4	\$9,050,931	6	\$700,480
December	6	\$3,059,073	2	\$3,200,000	5	\$460,480
2019 Total	116	88,231,549	67	106,862,743	87	8,493,780

(Source: HCC City Planning Division)



Solomon Islands Chamber of Commerce & Industry (SICCI)

Suite 223, 1st Floor, Hyundai Mall, Central Honiara

PO Box 650, Honiara, Solomon Islands

Phone: (677) 39542/39543

Email: admin_sicci@solomonchamber.com.sb

Website: www.solomonchamber.com.sb