

Joint Press Release



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iLembe Business Confidence Index (iBCI) – 2016 Mid-Year

Enterprise iLembe in partnership with the iLembe Chamber of Commerce, Industry & Tourism collaborate to produce the iLembe Business Confidence Index (iBCI) aimed at providing a biannual picture of business confidence in the iLembe District, as well as an overall business outlook. Please note that the iBCI will from 2016 onwards be conducted on a biannual basis. During 2015 the iBCI was conducted on a quarterly basis.

Highlights and key findings

- The protests and resulting disruptions to businesses in the district during the 1st half of 2016, combined with a deteriorating national economic sentiment, impacted severely on the overall business confidence in the iLembe District, driving the combined hybrid iBCI (survey and activity indices) for the 1st half of 2016 down by 2.6 index points compared to the 4th quarter of 2015.
- The 2016 mid-year iBCI was recorded at 46.4 index points, the lowest level of business confidence recorded since the commencement of the iBCI, entrenching itself firmly in negative territory.
- The survey component of the iBCI, which was conducted between the mid and end of July 2016, and which records subjective business sentiment, was recorded at an all-time low of 44.7 index points, 5 points down from the Q4 2015 level.
- Negative outlooks around sales volumes (45.6; <10.5) and order books (42.7; <10) were the biggest contributors to the dejected local business sentiment. Sentiment around

levels of employment was the only economic activity recorded positively, at 51.1 index points.

- It was especially the business confidence in the Manufacturing & Assembly (39.8), Wholesale, Retail & Vehicle Trade (39.7) and Agriculture, Forestry & Hunting (40.7) sectors that contributed to the overall gloomy sentiment.
- The most confident economic sector was Tourism, Catering & Accommodation with businesses in this sector reflecting a business confidence level of 64.7 index points, balancing the overwhelming negativity expressed by the other economic sectors.
- In line with the aforementioned sector sentiment, the confidence expressed by businesses in the Mandeni Local Municipality, home to the Isithebe Industrial Estate which was significantly impacted by the protests, was firmly in the negative on 40.8.
- The local business outlook for the 6-month period July to December 2016, was encouragingly in positive territory at 51.3 index points, a gain of 1.4 points against the last quarter of 2015. This 6-month business expectation is the highest level since the high of 57.9 index points recorded in Q2 2015.
- The 6-month outlook around sales volumes, order book, sales prices and employment were all in positive territory.
- An increase in input prices continued to significantly impact on the overall business expectations for the next 6 months in the iLembe district.
- The iLembe Business Confidence Index (iBCI) is produced by Enterprise iLembe in partnership with the iLembe Chamber of Commerce, Industry & Tourism and is aimed at providing a biannual picture of business confidence in the iLembe District as well as an overall business outlook.
- The iBCI is a hybrid index derived from, firstly, a biannual business survey conducted in the iLembe district and secondly, with a weighted index of financial and economic variables.

SACCI BCI

- The SACCI Business Confidence Index (BCI) on average measured 93.6 (with 2015=100) in the 1st half of 2016 and lost 9.1 index points on the average of 1st half of 2015.
- The main year-on-year contribution to the deterioration of the SACCI BCI from June 2015 to June 2016 came from the weaker weighted rand exchange rate, higher real borrowing costs and slowing merchandise import volumes.

In summary

The extent of the disruption to business and investor confidence, caused by protests in the iLembe District during the 1st half of 2016, is reflected in the most negative iBCI recorded thus far.

It is however encouraging to observe that business expectations for the remainder of 2016 are positive at a level of 51.3. Considering the current positive economic data and other related activities, especially a strengthening rand and revised growth projections, should contribute significantly to the actual performance of businesses in the iLembe District during the 2nd half of 2016.

Release of 2016 Year-End iBCI

End February 2017

Attachments

- iLembe Business Confidence Index Review 2015 Q4

Why measure business confidence?

The measurement of business confidence is considered significant since it indicates the current and expected state of a region's economy. It is widely recognised that business leader's subjective, individual expectations play a key role in economic developments. It also considered as a very good leading indicator of the overall business cycle in South Africa and its regions.

What is the iBCI?

The iBCI is a biannual index that reflects on the business climate in the iLembe District. The index considers economic and market-related aspects that have a bearing on the business mood, amongst businesses, in the iLembe District of KZN.

It is likely that a region's business mood will be influenced both positively and negatively by various developments in markets and the economy as a whole and the iBCI seeks to reflect the net results of these influences.

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