

Joint Press Release



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

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.

Highlights and key findings

- Business confidence in the iLembe District could not reverse the negative sentiment recorded in the previous period, nor escape the negativity of the national business climate indicators, with the combined hybrid iBCI (survey and activity indices) for the 2nd half of 2016 down a further 0.9 index points compared to the 1st half of 2016.
- The iBCI 2016 Year-End was recorded at 45.5 index points, the lowest level of business confidence recorded since the commencement of the iBCI.
- The survey component of the iBCI, which was conducted between the mid and end of January 2017, and which records subjective business sentiment, was recorded at the all-time low of 43.7 index points, 1 index point down from the 2016 Mid-Year level.
- The most confident economic sector in iLembe remained Tourism, Catering & Accommodation, with businesses in this sector reflecting positive business confidence at 50.2 index points; however, 14.5 index points down from the level measured mid-year 2016.

- With the rainfall levels edging back to normal levels, the Agriculture, Forestry & Hunting Sector (49.3;>8.6) showed a significant rise in positive sentiment.
- Other economic sectors remain entrenched in the negative with the gloomiest sentiments expressed by the Wholesale, Retail & Vehicle Trade (31.3), Transport, Warehousing & Storage (32) and Manufacturing & Assembly (39).
- Business confidence expressed by businesses in the Mandeni Local Municipality, home to the Isithebe Industrial Estate, deteriorated from the previous period and was recorded at 34.3 index points (<6.5).
- The iBCI activity index measured 47.2 in the 2nd half of 2016. In comparing the 2nd half of 2016 with the 2nd half of 2015 (y/y), the US\$ sugar price (-16%) and inflation (-3%) showed the largest negative impacts. Tourism numbers (+19%) and real value of building plans passed (+5%) reflect increases that positively added to the business climate.
- The iBCI survey also reflects on business expectations over the next six months. The business outlook for the 6-month period January to July 2017 fell to 45.9 index points, a disappointing move of 5.4 index points into negative territory. The 6-month outlook around *on-time supply, late delivery of orders, and inventory levels* contributed to the movement, with *sales volumes, order book, sales prices and input prices* all being viewed positive by business owners.

SACCI BCI

- The SACCI Business Confidence Index (BCI) averaged 93.3 (2015=100) in the 2nd half of 2016, a decrease by 4.0 index points on the 2nd half of 2015. The 2nd half of 2016 average of the BCI declined by 0.3 index points on the 1st half of 2016.
- The main year-on-year contributions to the deterioration of the **SACCI** BCI came from less new vehicles sold, followed by a decline of merchandise export volumes and lower all-share prices on the JSE. Higher inflation, less real retail sales, less credit extended, and higher cost of energy and lower manufacturing output contributed to lesser degree to disappointing business confidence.

In summary

The risk of the credit rating downgrade which was averted towards the end of 2016, an underperforming national economy, concerns about public finances and increasing levels of unemployment is reflected in the most negative iBCI recorded thus far.

The private sector and all levels of government within the iLembe District are committed to partnering on specific initiatives that will aid the viability and growth of small and medium enterprises and secure investment in key economic sectors and geographies in our district.

Release of 2017 Mid-Year iBCI

Early August 2017

Attachments

- iLembe Business Confidence Index Review 2016 Year-End.

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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