

Joint Press Statement



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iLembe Business Confidence Index (iBCI) – 2018 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. 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.

Highlights and key findings

- Business confidence in the iLembe District in the 1st half of 2018 has practically remained unchanged from its lowest ever level, recorded in the previous half-year period.
- The combined hybrid iBCI for the 1st half of 2018 showed an immaterial adjustment of .1 index points compared to the 2nd half of 2017, the 2nd lowest level recorded since the commencement of the index in 2015.
- The survey component of the iBCI, which was conducted in July 2018 and which records subjective business sentiment, was recorded at the all-time low of 35.3 index points, 3.9 index points down from the 2017 Year-End level, the previous low.
- This level is also a significant 17.1 index points lower than the highest survey component points recorded in the 1st half of 2017.
- The *Agriculture, Forestry, Hunting* sector featured as the most confident **economic sector**. Together with *Construction, Property Development, Property Sales*), these sectors were

ahead of *Tourism, Catering, Accommodation, Property Management* which remained the third most confident economic sector.

- The *Manufacturing, Assembly* sector tumbled, from the most confident sector in the previous period, to only the 4th most confident sector. This deterioration resulted from the ongoing spates of industrial unrest, community protests and interference with business operations in the region's main industrial areas.
- The negative sentiment around *Tourism, Catering, Accommodation, Property Management* continues with businesses confidence in this sector retracting by 21.4 index points over the past two periods. This deterioration, despite the continued popularity of the KZN North Coast as a tourist and event tourism destination, relates to concerns about the management of public spaces, especially beach nodes and facilities such as ablutions, and a disregard for municipal by-laws and the associated anti-social behaviour. Further concerns relate to "overtrading" in certain tourism subsectors, the persisting seasonal nature of tourism, skills availability, and the pressure on leisure spending due to the increase in VAT and escalating fuel prices.
- The deterioration of sentiment in the *Wholesale, Retail, Vehicle Trade* sector were substantiated by a number of comments, including concerns about the size of the local market and "too much competition", customer safety, theft and diminishing spending power due to VAT, fuel price increases and rates being levied on businesses. Opportunities offered included improved traffic management and efforts to attract additional business and visitors to retail nodes.
- The factors contributing to the retracting sentiment in the *Construction, Property Development, Property Sales* sector remained unwieldy administrative processes, a lack of support by both the private and public sector for local contractors and professionals, late or no payments, and the lack of national investor confidence that is preventing significant international investors to commit to the region (coupled with the fear that local investor interest is not adequate to unlock the region's full economic potential).
- The Ndwedwe Local Municipality was the only **region** to record positive business sentiment.
- The overwhelming negative sentiment expressed by respondents in the Mandeni Local Municipality, home to the Isithebe Industrial Estate, is especially concerning. The mood in the region, which was the most confident in the previous period, was severely impacted on by the ongoing disruptions to business operations.
- Business confidence in KwaDukuza also retracted, with disruptions in peri-urban areas impacting on the commute of workers being highlighted as a concern.
- The business outlook for the 6-month period July to December 2018 was recorded at its lowest level, since commencement of the iBCI, at 41.4 index points, a disappointing 6.6 index points down from outlooks for the 1st half of 2018, the previous lowest period.

- The iBCI Activity Index gained 4.2 index points and measured a positive 50.4 in the 1st half of 2018, compared to 46.2 in the 2nd half of 2017. This is .9 index points higher than the previous highest activity index level recorded in the 3rd quarter of 2015. The positive Activity Index is a welcome retort to the negative sentiments expressed through the survey and business expectation components of the iBCI. It is however apparent that businesses are experiencing conditions worse than what is indicated by the activity index.

SACCI BCI

- The consensus is that the positiveness during the 1st quarter of 2018 retracted, mainly due to weak business activity and resulting disappointing economic growth figures, exacerbated by the fuel price and VAT increases, as well as local and international concerns around uncertain land policies, especially.
- The major challenges for South Africa's economy still remain slow economic growth, structural unaffordable public finance exposure, public sector management matters and insufficient fixed investment by the private sector. The debate on the land and amendment of the Constitution has entered an additional uncertainty.
- The continued poor performance by the domestic economy into 2018 (GDP growth of 0.8% y/y in the 1st quarter 2018) and an anticipated 1.3% for the whole of 2018, are accentuating the desperate need for policy certainty and a feasible economic policy direction.

In summary

Both major South African indices confirm that business confidence in South Africa is deteriorating. In addition to the SACCI BCI summarised above, the Rand Merchant Bank (RMB)/Bureau for Economic Research (BER) Business Confidence Index (BCI) reported a decline in business confidence in the 2nd quarter of 2018, after surging in the first quarter.

According to RMB, close to three-fifths of respondents regard prevailing business conditions as unsatisfactory.

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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 2018 Year-End iBCI

Early February 2019

Attachments

- iLembe Business Confidence Index Review 2018 Mid-Year.

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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