

Joint Press Statement



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iLembe Business Confidence Index (iBCI) – 2017 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. 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, as measured through the iBCI, has dropped to its lowest levels since the introduction of the index in 2015.
- The iBCI 2017 Year-End was recorded at 42.7 index points, entrenching itself firmly in negative territory, i.e. below the neutral level of 50 index points.
- The survey component of the iBCI, which was conducted between mid and end January 2018, and which records subjective business sentiment, was recorded at the all-time low of 39.2 index points, 13.2 index points down from the 2017 Mid-Year level, a substantial drop of 25%.
- With regards to business confidence **per economic sector**, the *Manufacturing, Assembly* Sector featured for the first time as the most confident economic sector, despite a drop in the sector's overall business confidence. This sector replaced *Tourism, Catering, Accommodation, Property Management* which moved to the third most confident economic sector after *Construction, Property Development, Property Sales*.

- The negative sentiment around *Tourism, Catering, Accommodation, Property Management* sector is especially alarming, with businesses in this sector reflecting negative business confidence at 40.6 index points; 15.2 index points down from the level measured mid-year 2017.
- The negative performance of another significant sector for the iLembe regional economy, *Wholesale, Retail, Vehicle Trade*, is similarly concerning – businesses in this sector recorded negative sentiment at 34.6 index points, a downwards movement of 14.7 index points (-30%).
- A 3.5 index point reduction in the confidence of the *Manufacturing, Assembly* sector was ascribed to the ongoing spates of industrial unrest, community protests and disruption to business in the region's main industrial zones, especially the Isithebe Industrial Park in Mandeni.
- With regards to business confidence per region within the iLembe District, businesses in the Mandeni Local Municipality, home to the Isithebe Industrial Estate, were the most confident, despite a 12.3 negative movement to 41.7 index points.
- The business outlook for the 6-month period January to June 2018 was also recorded at its lowest level since commencement at 48 index points, a disappointing 7.4 index points down from outlooks for the 2nd half of 2017. These 6-month business expectations outlook incorporates two golden trading periods for the iLembe District, namely the Easter and mid-year holiday periods.
- The following business sectors however recorded positive business expectations over the next 6 months, i.e. Manufacturing, Assembly (58.9), Transport, Warehousing, Storage (57.5), Construction, Property Development, Property Sales (51.3) and Financial & Business Services, incl IT & Communications (50.3).
- In addition to business sentiment, the iBCI's activity component lost 0.4 index points and measured 46.2 in the 2nd half of 2017 compared to 46.6 in the 1st half. Since the 3rd quarter of 2015, when the highest activity index level was recorded, the activity index has shed 3.3 index points.
- With regards to the 2017/18 Christmas Holiday trading period, it appears that the variety and choice on offer impressed consumers and visitors alike, with significant growth being reported in total retail spend.
- Individual retailers' feedback was however a mixed bag and reflective of a significantly disrupted market - restaurant and take-away establishments reported above expected trading, whilst some established restaurants, located outside high foot traffic retail areas, reported drops in sales, some even significant drops. Other smaller traders indicated that trading was marginally better but did not meet the expectations.

- Enterprise iLembe's District Accommodation Survey for December 2017 indicated occupancy levels of 72% in Kwadukuza based accommodation establishments, with 64% of overnight visitors hailing from South Africa (excluding KZN), and 12% from international destinations. The majority of international tourists were German.
- For more detail on the Christmas Holiday trading period, please see Section 3 of the detailed iBCI Review.

SACCI BCI

- The SACCI Business Confidence Index (BCI) averaged 93.7 (base 2015=100) in the 2nd half of 2017, a decline of 1.3 index points on the average 95.0 of the 1st half of 2017.
- The World Economic Forum (WEF) has also recently published its 2017/18 Competitiveness Report. It is worth noting South Africa's position according to various matters that is important to business in the global environment. The numbers give an indication of individual areas of performance in South Africa out of 137 countries - overall (61/137), basic requirements (92/137), efficiency enhancers (52/137) and innovation and sophistication (39/147). An executive opinion survey by the WEF identified the following six weakest elements for doing business in South Africa amongst 16 problematic factors (in declining order):
 1. Corruption
 2. Crime and theft
 3. Political instability
 4. Tax rates
 5. Inefficient government bureaucracy
 6. Poor work ethics.

In summary

The credit rating downgrades, an underperforming national economy, concerns about public finances and increasing levels of unemployment, nationally, and concerns around the iLembe district's economy and the cost of doing business locally, are 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 2018 Mid-Year iBCI

Early August 2018

Attachments

- iLembe Business Confidence Index Review 2017 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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