

Joint Press Statement



11 February 2019

Embargo: For immediate release.

Enquiries:

Nathi Nkomzwayo, CEO, Enterprise iLembe, nathi@enterpriseilembe.co.za

Cobus Oelofse, CEO, iLembe Chamber of Commerce, ceo@ilembechamber.co.za

Richard Downing, Economist, Econdow, econdow@axxess.co.za

iLembe Business Confidence Index (iBCI) – 2018 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, a weighted index of financial and economic activity variables.

Highlights and key findings

- Business confidence in the iLembe District has shown a slight increase from the record low levels recorded in the previous two half year periods.
- The combined hybrid iBCI (i.e. both the survey and activity indices) for the 2nd half of 2018 showed a positive adjustment of .9 index points, compared to the 1st half of 2018. The iBCI 2018 Year-End was recorded at 43.7 index points, despite the positive adjustment it remains entrenched in negative territory, i.e. below the neutral level of 50 index points.
- The survey component of the iBCI, which was conducted in the latter half of January 2019 and which records subjective business sentiment, showed a positive adjustment of 2.8 index points on the all-time low recorded in the previous 6-month period.

- The 38.1 index points is still a considerable 14.3 index points below the highest recorded survey component in the 1st half of 2017.
- *Transport, Warehousing, Storage* featured as the most confident **economic sector**.
- *Agriculture, Forestry, Hunting* remains the second most confident sector, with *Tourism, Catering, Accommodation, Property Management* remaining third in the ranking.
- Despite a slight increase in confidence, the *Manufacturing, Assembly* sector slipped to the 6th most confident sector, having been the most confident sector 12 months ago.
- The decline in confidence in the *Construction, Property Development, Property Sales* sector, a key sector in the iLembe District's economy, saw this sector tumble from the 2nd most confident sector, in the previous 6-month period, to one of the least confident sectors.
- The *Manufacturing, Assembly* sector's woes continue, with the ongoing spates of industrial unrest, community protests and interference with business in the region's main industrial areas, being exacerbated over the past 6-months by re-introduced Eskom load shedding, and defaulting debtors. Feedback to validate this sector's performance includes a reluctance to invest in larger manufacturing equipment because of the unreliability and cost of electricity, the increasing and unrealistic enterprise development expectations from communities surrounding industrial precincts, the costs of logistics from secluded industrial areas, and the crumbling infrastructure, in especially the Isithebe Industrial Park, and the lack of response from the authorities in this regard.
- The negativity of sentiment in the key sector of *Construction, Property Development, Property Sales* remained being substantiated by delayed planning approvals, unwieldy building control processes and apathy towards the time sensitivity of property development. In addition, the development of infrastructure, increasing concern about the capacity of the road infrastructure and resulting traffic congestion, work disruptions, stoppages and extortion by "business forums" and land occupations contributed to what one respondent described as a "difficult property market".
- The negative sentiment in the *Tourism, Catering, Accommodation, Property Management* sector relates to perceptions expressed that the KZN North Coast is "unsafe" and "unstable", ongoing 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 expressed relates to the growth in AirBnB establishments and the inability of registered establishments to compete on a cost basis with such establishments, as well as a need to promote the KZN North Coast to international tourists.

- The Mandeni Local Municipality was the district's most confident **region**. Although the index points remain in negative territory, this local municipal area, home to the Isithebe Industrial Estate, showed a significant recovery from the record low in the previous period. Business confidence in the Ndwedwe Local Municipality retracted by 23% to embed itself in the negative, despite being the 2nd most confident area in the district.
- The **business outlook** for the 6-month period January to June 2019 was recorded at its lowest level, since commencement of the iBCI, at 40.5, a further .9 index points down from the previous low of 41.4 index points recorded for the 1st half of 2018.
- The **iBCI Activity Index** was recorded at a negative 49.3 index points, the 3rd highest Activity Index level recorded.

SACCI BCI

- The **SACCI Business Confidence Index (BCI)** was recorded at 94.3 for the 2nd half of 2018, 0.6 index points higher than the 2nd half of 2017. The 2nd half 2018 business confidence index slipped by 2.4 index points compared to the 1st half of 2018.
- The World Economic Forum's (WEF) meeting in Davos, from 22 to 25 January 2019, paid specific attention to the future of economic progress. 2019 is regarded as '... the year of confusion...' due to the uncertain outcome of Brexit, European economic turmoil, the USA trade difficulties with notably China, and a slowing world economy.
- The continued poor performance by the domestic economy in 2018 (annual GDP growth of 0.8%) and an anticipated 1.3% for 2019, are stressing the desperate need for policy certainty and appropriate sustainable economic policy.

In summary

SACCI's BCI confirms that the major challenges for South Africa's economy still remain slow economic growth, structural public finance deficiencies, public sector maladministration, institutional capacity and corruption, unemployment and inadequate fixed investment by the private sector and foreign investors alike.

The debate on land reform and the possible amendment to the Constitution has added an additional uncertainty to economic policy.

The continued poor performance by the domestic economy in 2018 (annual GDP growth of 0.8%) and an anticipated 1.3% for 2019, are stressing the desperate need for policy certainty and appropriate sustainable economic policy.

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 2019 Mid-Year iBCI

Early August 2019

Attachments

iLembe Business Confidence Index Review 2018 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.

End