

Joint Press Statement



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iLembe Business Confidence Index (iBCI) – 2019 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, a weighted index of financial and economic activity variables.

Highlights and key findings

- Business confidence in the iLembe District has shown a further increase in the 1st half of 2019 to record the highest level of business confidence in the district in two years.
- The combined hybrid iBCI (i.e. both the survey and activity indices) for this period showed a positive adjustment of 1.7 index points, compared to the 2nd half of 2018. The index has now gained a moderate 2.7 points since its lowest level ever, recorded in the 2nd half of 2017.
- The iBCI 2019 Mid-Year was recorded at 45.4 index points, still remaining entrenched in negative territory, i.e. below the neutral level of 50 index points.
- The 42.1 index points, of the survey component, is still a considerable 10.3 index points below the 1st half of 2017, the highest ever recorded survey index.

- *Financial & Business Services, incl IT & Communications* featured as the most confident **economic sector**.
- The *Agriculture, Forestry, Hunting* sector remained the second most confident sector, with confidence continuing to be negatively affected by policy uncertainty around, and the impact of, expropriation without compensation, the level of the sugar price and sugar imports especially. On the positive side, opportunities to diversify revenue opportunities through alternative crops and renewed interest in ethanol contributed to the upbeat sentiment of this sector.
- *Construction, Property Development, Property Sales* sector recorded increased business confidence from the previous half-year period and is now the 3rd most confident sector.
- *Manufacturing, Assembly* is the 4th most confident sector, having been the most confident sector a mere 18 months ago. The period preceding the May 2019 elections saw significant disruption to business operations and damage to industrial property in the wider Isithebe region, primarily related to political discord prior to the elections.
- Confidence amongst businesses in this sector was not aided by the conclusion of the Whirlpool sale of its South African operations, and the announcement by at least one significant employer that it is discontinuing its operations in Isithebe.
- Business sentiment in the *Wholesale, Retail, Vehicle Trade* sector was underpinned by ongoing concerns about the size of the local market, with the restaurant/food sectors being singled out. The high cost of retail space, and the cost of amenities and level of municipal property rates exacerbated the pressure on businesses operating in this sector.
- The negative confidence surrounding the *Tourism, Catering, Accommodation, Property Management* sector prevailed, with this sector dropping to the 2nd least confident sector.
- The renewed targeting of HGV and long-distance truck drivers, road blockages, and the impact of poorly maintained roads on the cost of vehicle maintenance have contributed to the *Transport, Warehousing, Storage* sector being the least confident sector, dropping from the most confidence sector in the previous period.
- **Regionally**, the two smaller local municipalities of Maphumulo and Ndwedwe were the most confident. The Mandeni Local Municipality was the least confident region in the district, with one respondent summarising the sentiment as “*the worst market conditions in (the) last 25 years*”.
- The **business outlook** for the 6-month period July – December 2019 was recorded at a positive, two-year high of 54.1, a much-needed retort to the negative sentiments expressed through the Survey and the Activity Index components of the iBCI.
- The iBCI **Activity Index** lost .6 index points, from the previous period, to record a negative 48.7 index points.

SACCI BCI

- The SACCI Business Confidence Index (BCI), with base-year 2015=100, declined to an average of 93.4 for the 1st half of 2019.
- The 1st half of 2018 averaged 96.7 and manifest the period after the election of new leadership for the governing party. The SACCI BCI started on an exceptionally high level of 99.7 in January 2018, but gradually declined throughout 2018 to 95.2 in December 2018 and to measure 93.3 in June 2019.
- The decline in the SACCI BCI from January 2018 followed on the reality of structural economic adjustments that will be necessary to put the economy on a higher growth trajectory and to ensure policy certainty and consistency.
- Despite no further downgrades by reputable credit rating agencies, 61 percent of the business climate indicators of the SACCI BCI weakened between December 2018 and June 2019.
- The major challenges for South Africa's economy remain dwindling economic growth; structural public finance deficiencies; public sector maladministration, institutional incapacity and corruption; high unemployment; and inadequate fixed investment by the private sector and foreign investors. The debate on the land reform and the possible amendment to the Constitution continued to sow uncertainty on and inconsistency of economic policy.

In summary

At national level the continued poor performance by the domestic economy in the 1st quarter of 2019 (GDP decline of 3.2% Q/Q on a seasonally adjusted annual rate) are stressing inevitability of structural economic adjustment and realignment.

The dire straits of State-Owned Enterprise (SOE) service delivery and the financial doldrums of public sector institutions are seriously inhibiting economic performance.

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 February 2020

Attachments

iLembe Business Confidence Index Review 2019 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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