

# Joint Press Statement



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## **iLembe Business Confidence Index (iBCI) – 2020 Year-End**

The iLembe Chamber of Commerce, Industry & Tourism, in partnership with Enterprise iLembe, 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 2020 Year-End iBCI is the first business confidence review conducted since the pandemic enforced lockdown of 27 March 2020, and subsequent risk adjusted business constraints.

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**

- The Covid-19 crisis has turned, which in hindsight was perceived as a relatively positive upward local economic trend, into one of ravaged business confidence and significant uncertainty.
- Business confidence in the iLembe District, as measured through the iBCI, has plummeted to its lowest level since the inception of the iBCI. The iBCI 2020 Year-End was recorded at 41.1 index points, solidly entrenched in negative territory. The level of business confidence is 1.6 index points lower than the previous lowest level recorded by the 2017 Year-End iBCI.

- The survey component, which focuses on business constraints and expected business conditions as perceived by responding businesses, was at 31.8 index points, 15.5 index points lower than the 2<sup>nd</sup> half of 2019, and 3.5 index point below the lowest ever recorded.
- In relation to business sentiment **per economic sector**, all sectors recorded negative business confidence, i.e. below the neutral level of 50 index points. The *Agriculture, Forestry, Hunting* sector (42.5;<14.7) remained the most confident economic sector. The *Construction, Property Development, Property Sales* sector (39.4;<3.7) was the second most confident sector.
- The Covid-19 pandemic has wrenched the confidence from KZN North Coast's tourism sector. Having felt the full brunt of the business restrictions emanating from the pandemic, the *Tourism, Catering, Accommodation, Property Management* was the second least confident sector, with an index level of a mere 17 index points (17.0;<31.9). Business expectations within this sector, for the 1<sup>st</sup> half of 2021, remains dejected, indicative of the uncertainty experienced by many tourism businesses, and their struggle to plot an escape from the consequences of business restrictions.
- The least confident economic sector however remained the *Transport, Warehousing, Storage* sector (12.5;<15.8).
- Diminished confidence in the *Manufacturing, Assembly* sector (34.8;<8.6) was driven among others, by the uncertainty around the extent of the predicted reduction in consumer spending. The reduction in the demand for durable consumer goods, cautiousness from retailers and the loss of export orders supported this sentiment. The significant disruption in the supply of raw materials, depleted supplier stock levels and the influence thereof on raw material cost further eroded confidence within this sector.
- Business confidence in the *Wholesale, Retail, Vehicle Trade* sector (37.5;<15.2) was very much dependent on the subsector, with general retail (FMCG focus) and department stores appearing to be largely unaffected.
- The negative sentiment in the hospitality trade, specifically, was worsened by extended local power outages (even prior to the introduction of level 3 economic restrictions), depriving businesses from the opportunity to trade optimally during the most important trading period of the year, albeit a disrupted trading period.
- The iBCI survey also reflects on business expectations and outlook over the next six months. **Business expectations** for the 1<sup>st</sup> half of 2021 were recorded at an index low of 37.5 index points.

This disheartening outlook emphasises the extreme disruption caused by the lockdown regulations. And despite the adjustments to alert levels, it is obvious that businesses are not convinced that the destructive impact of the pandemic on the regional economy, and its businesses, will improve over the next 6 months. A further contributing factor is the lack of clarity on recovery measures and support to industry from all levels of government.

- The only sector that had a positive outlook for the 1<sup>st</sup> half of 2021 was the *Health & Wellness, incl Medical & Fitness* sector (57.9), substantiated by the anticipated increased activity in the Wellness subsector when schools reopen, and the need for psychological and mental support during this period of “business pessimism”.
- The majority of responding businesses, i.e. 51%, indicated that the market uncertainty brought about by pandemic induced business restrictions, and inconsistent responses to mitigate the impact of the restrictions, has presented itself as the biggest **constraint to conducting business** in the iLembe District.
- The contracting national economy, the related low overall business confidence and the disrupted regional trading environment resulted in the two market related indicators of *Competition* and *Market Size* jointly being the most significant business constraints selected by 57% of participating businesses.
- 23% of survey respondents listed *Regulations and compliance* as primary business constraints. Two further public sector indicators, *Service delivery & infrastructure provision* and *Property rates and taxes* were perceived business constraints of 22% and 17% of responding businesses respectively - making these three public sector indicators being chosen by 62% of respondents as stifling to business.
- The **Activity Index**, which measure actual major economic activity in the iLembe region, has improved in the 2<sup>nd</sup> half of 2020 and recovered from the lowest level since inception of the iBCI, and brings a welcomed balance to the negative business sentiments recorded.

### 2020/21 Christmas Holiday Trading

- Despite the promising start to the festive season, 76% of business that are benefitting from seasonal trade reported a drop in sales in comparison with the same period in 2019/2020. Almost 20% of these businesses reported a reduction in sales of more than 50%.
- The **Tourism** sector was the hardest hit with 96% of responding business indicating a reduction in turnover. Of these businesses, more than a quarter indicated a reduction in sales of 50% or more.

- 64% of businesses in the **Wholesale, Retail, Vehicle Trade** sector, that benefit from seasonal trade, reported a reduction in sales when compared to 2019/20. Increased or similar turnover was reported by 36% of businesses in this sector. Of businesses within the **Manufacturing, Assembly** sector that benefit from seasonal trade, 77% recorded a reduction in turnover.
- In comparison with the 2019/20 peak trading period, **employment levels** were significantly impacted on with 52% of responding businesses indicated that staffing was reduced, and 18% of those businesses reporting a reduction in staffing of up to 50%. Almost 40% of responding businesses in the Tourism sector reported cuts in employment of more than ¼ of their workforces.
- The sentiments expressed in the iBCI survey paints a picture of fading businesses resilience, with pleas for assistance that will help businesses navigate the crisis, among others by rates concession, and considered tariff adjustments.
- The threat to business and our regional economy remains real - 45% of responding business indicated that they will only remain viable, under the current conditions (Risk Adjusted Level 3, January 2021), for a period of up to six months.
- This risk is especially pertinent in the critically important Tourism sector where 26% of responding businesses have indicated that they will remain viable for a period of up to 3 months only, and 52% of tourism businesses indicated that they won't survive for longer than 6 months. These concerns emphasise the importance of "normal trading" over the upcoming Easter 2021 period.
- 41% of responding retail businesses indicated that they won't be viable for a period of longer than 6 months.

### **In conclusion**

The 2020 Year-End iBCI indicates that on many measures businesses are stabilising, many businesses remain challenged and hoping for government support of their sectors, but all remain anxious about what comes next and how the business environment will be propped up.

The emergence of new strains of the virus and the delayed start to a vaccine rollout represent serious threats to the business recovery timetable.

The private sector and all levels of government within the iLembe District are committed to dynamically partnering on specific initiatives to stabilise our economy, and 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 2020 Mid-Year iBCI**

Mid-August 2021

### **Attachments**

iLembe Business Confidence Index Review 2020 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**