

Joint Press Statement



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iLembe Business Confidence Index (iBCI) – 2021 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 2021 Year-End iBCI was set against the backdrop of more relaxed economic restrictions associated with the Covid-19 Risk Adjusted Strategy, the global *outrageous overreaction* to the fourth wave in South Africa attributed to the Omicron variant, and the destruction of businesses and business confidence during the violent civil unrest that engulfed KwaZulu-Natal, and parts of Gauteng, during July 2021.

The iBCI demonstrates the resilience of the iLembe District's economy, and a turn on a positive trajectory that was aided by the economic recovery strategy of the region.

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

- iLembe based businesses came back to life during the 2nd half of 2021 with the combined hybrid iBCI (i.e. both the Survey and Economic Activity Indices) being recorded at the highest level ever. The iBCI 2021 Year-End was recorded at 52.7 index points, the first positive index recorded, i.e., above the neutral level of 50 index points, since the introduction of the iBCI.

- Although the iBCI Survey component marginally recorded negative sentiment at 49.7 index points, the 18.3 index point improvement on the previous period greatly contributed to the overall level of the composite index.
The positive iBCI Economic Activity Index component of 55.6 index points was the third successive period of positive economic activity for the iLembe District.
- All the **business indicators** included in the **iBCI Survey Index** improved against the levels recorded in the previous 6- and 12-month periods.
 - Sales Volumes, as a measure of business performance, return on sales efforts and trading location, was at the best levels in 6 years.
 - Similarly, Order Book, as a leading indicator of market depth and liquidity, was at the best level since the 1st half of 2017.
 - Whilst the business sentiment recorded for the remainder of the business indicators, i.e. Levels of Employment, Inventory Levels and Late delivery of orders remained in negative territory, all showed improvements compared to the lows of the previous 6 months. The persisting negative sentiment around *Levels of Employment* is symptomatic of the dilemma of employment stagnation in our region, and more effort is required to eliminate barriers to job creation and the constraints to conducting business.
- With regards to business confidence **per economic sector**, three sectors recorded positive business confidence, i.e. above the neutral level of 50 index points. The *Health & Wellness, incl Medical & Fitness* sector was the most confident economic sector, followed by *Tourism, Catering, Accommodation, Property Management* and the *Wholesale, Retail, Vehicle Trade* sector.
Despite sentiment remaining in the negative, all other pertinent sectors recorded improved sentiment, namely the *Construction, Property Development, Property Sales* sector, *Agriculture, Forestry, Hunting* sector, the *Transport, Distribution, Warehousing, Storage, Freight Forwarding, Shipping & Exports* sector, and the *Manufacturing, Assembly* sector.
- Having felt the full brunt of the pandemic induced economic restrictions, the *Tourism, Catering, Accommodation, Property Management* sector, the most pessimistic sector during the 1st half of 2021, benefitted from the decision to maintain Alert Level 1, and the hasty global response to the Omicron variant. In addition to beaches remaining open and international travel restrictions forcing South Africans to make alternative local holiday plans, the return of the popular Ballito Rage and the Ballito Pro contributed to the positive sentiment.
The common concern expressed by respondents in this sector was the need to maintain the positive trajectory of the North Coast of KZN, and the ability to respond to, and address, the risks that has the potential to wreck it.
- The confidence level of the *Construction, Property Development, Property Sales* sector, a key sector in the iLembe District's economy, remained in negative territory. Views expressed by responding businesses in this sector repeated concerns pertaining to delayed planning approvals and unwieldy building control processes.

The development of infrastructure, the expectations around developers' contributions towards infrastructure development, an increasing concern about the capacity of the road infrastructure and resulting traffic congestion continue to contribute to the prevailing sentiment.

One survey respondent summarised the business sentiment as follows:

“The challenges to development/growth in the region is very quickly being narrowed down to infrastructure. Roads that are below the minimum requirement, and roads not being maintained. Electricity and water infrastructure under increased strain. All the above are highly visible and does not inspire confidence.”

- Despite an improvement in business sentiment, business confidence in the *Manufacturing, Assembly* sector remains firmly entrenched in negative territory. A variety of factors are influencing this sentiment, including macro-economic factors such as raw material pricing and the availability of input stock, both locally and imported.
- The iBCI Survey component also reflects on **business expectations** and business outlook over the next six months. Business expectations for the 1st half of 2022 continues on its positive trajectory, recording the most positive business outlook, 58 index points, since the commencement of the iBCI.

The sentiments expressed in the iBCI survey paints a picture of light at the end of a very long tunnel, with local business emerging from the crisis weaker than going into it.

Business requires local government, and its public sector partners, to urgently respond to its pleas around addressing the “basics”, viz. tackling decaying infrastructure, effective law enforcement, reining in the cost of doing business and removing red tape, if local businesses is to stand a chance to survive the numerous structural and other modern economic challenges it faces.

- With regards to **constraints to conducting business** in the iLembe District, 32% of responding businesses indicated that the market uncertainty brought about by the Covid-19 pandemic, and the inconsistency of responses to mitigate the business impact thereof was their primary constraint.
 - The subdued national economy, the related low overall business confidence and the disrupted regional trading environment resulted in the two market related indicators of *Market size, and the economic decline* and *Competitiveness and adaptability* jointly being the most significant business constraints selected by 43% of participating businesses.
 - 31% of survey respondents listed *Service delivery & infrastructure provision* as primary business constraints. Two further public sector indicators, *Regulations and compliance* and *Property rates and taxes* were perceived business constraints of 19% and 24% of responding businesses respectively - making these three public sector indicators being chosen by an overwhelming 74% of respondents as the primary risk to business.

2021/22 Christmas Holiday Trading

- With significant numbers of tourists descending on KZN North Coast, some businesses in especially the hospitality industry described the 2021/22 Christmas holiday period as “the best season yet in recent years”.
International travel restrictions that required tourists to look at local alternatives, and the return of the Ballito Rage (despite being cancelled on the 2nd day of the event) and the rescheduled Ballito Pro surfing competition contributed to an extended, bumper season.
- Whilst feedback from the Tourism, Hospitality, Retail and related sectors such as warehousing and storage were overwhelmingly positive, *people flocking* to the KZN North Coast resulted in new business start-ups and more competition.
- Chronic risks to the tourism appeal of the KZN North Coast stubbornly persists. One respondent reflected that “...the unruly behaviour on the beaches and in the Village area will very quickly undo any progress made in this regard. Without safe clean beaches, Ballito will quickly lose its tourism.”
Questions were also raised about the timing of road works and infrastructure maintenance during the busiest time of the year, with one respondent observing that it “is illogical and delivered a poor experience for holiday makers”.
- Feedback from a number of other sectors were more subdued. Unemployment and the resulting strain on disposable income and consumer spend impacted on the traditional year-end demand for household goods such as lounge suites and appliances, as well as long distance coach travel.
- The rating of elements that impact on the local trading environment and visitors experience, during the recent peak holiday season were as follows:
 - Traffic management and control (especially primary shopping nodes) – **Fair to Good**
 - Provision of additional services to accommodate influx, e.g. waste collection and litter picking - **Fair to Good**
 - Visible policing and the enforcement of municipal bylaws - **Fair to Good**
 - Response from authorities to service interruptions – **Poor to Fair**

In conclusion

The Covid-19 crisis, combined with the civil unrest in the iLembe District, ravaged business sentiment and created significant uncertainty within the regional economy.

Resolute political leadership, intent on reassuring the private sector of an improved and supportive business and investment environment, speedy relief to affected businesses, and an improved trajectory of the vaccine rollout will aid our region’s 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 2022 Mid-Year iBCI

August 2022

Attachments

iLembe Business Confidence Index Review 2021 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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