

Joint Press Statement



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iLembe Business Confidence Index (iBCI) – 2022 Mid-Year

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 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.

The 2022 Mid-Year iBCI was shaped by the long-awaited removal of the pandemic induced economic restrictions, the lifting of the General State of Disaster, the gradual recovery of businesses after the destruction of the violent civil unrest of July 2021, and, significantly, the devastation caused by the KZN floods of April and May 2022. The disruption in the provision of utilities following the floods was exacerbated by unprecedented load shedding and localised power outages.

Highlights and Key Findings

- Positive regional economic activity assisted the **combined hybrid iBCI** to remain, although only slightly, in positive territory, i.e. above the neutral level of 50 index points, for the second survey period in succession.

The iBCI 2022 Mid- Year was recorded at 50.1 index points, a positive level for only the second time since the iBCI was introduced. The iBCI showed a decline of 2.6 index points compared to the 2nd half of 2021, and a 6.2 index point improvement Y/Y.

- The above trading environment resulted in business sentiment as measured through the **iBCI Survey Index component**, declining by 5.1 index points compared to the previous period (2nd half of 2021). Despite being significantly more positive than the lowest level recorded 12 months earlier, the business sentiment has fallen firmly back into negative territory at 44.6 index points.

The **iBCI Economic Activity Index component** remained unchanged at 55.6 index points, the fourth successive period of positive economic activity for the iLembe District.

- The performance of **business indicators** included in the iBCI Survey Index was varied against the levels recorded in the previous survey period.
 - *Sales Volumes*, as a measure of business performance, return on sales efforts and trading location, and *Order Book*, as a leading indicator of market depth and liquidity, recorded significant declines against the levels of the previous period and are firmly entrenched in negative territory.
 - *Levels of Employment* remains persistently negative, symptomatic of the adverse events and economic conditions on employment, and social security, in our region.

- With regards to business confidence per **economic sector**, four sectors recorded positive business confidence.
 - These sectors were the *Transport, Distribution, Warehousing, Storage, Freight Forwarding, Shipping & Exports* sector, *Wholesale, Retail, Vehicle Trade* sector, *Agriculture, Forestry, Hunting* sector, and the *Arts, Culture & Creative Industries* sector.
 - Business sentiment in other pertinent regional sectors were in the negative, namely *Manufacturing, Assembly* sector, *Tourism, Catering, Accommodation, Property Management* and the *Construction, Property Development, Property Sales* sector.

- Business confidence in the second most confident sector during the previous period, the *Tourism, Catering, Accommodation, Property Management* sector, declined significantly.
 - Despite the lifting of Covid-19 restrictions and the successful and uneventful delivery of the 2022 edition of the Ballito Pro Surfing competition, this all-important local industry was severely impacted on by the KZN floods that caused significant uncertainty, and disruption, immediately prior to the 2022 Easter peak holiday period.
 - Concerns and uncertainty about disruptions to water supply, damage to road infrastructure, specifically the economic arteries of the N2, M4, R102 and P103, that restricted access to the iLembe District, resulted in a significant number of holiday booking cancellations.
 - The impact of the procrastination around road repairs, especially, continues, with the restrictions on the N2 continuing, and the M4 remaining closed four months after the flood destruction.
 - The woes of this economic sector were further exacerbated by unprecedented load shedding and localised power outages.

- Other sub-sectors that indicated a debilitating impact of road repair delays are *Retail, Property Sales, Manufacturing* and *Transport & Distribution*.

- The *Construction, Property Development, Property Sales* sector slumped to the 6th most confident business sector. Views expressed by responding businesses in this sector once again highlighted delayed planning approvals, unwieldy building control processes, development of infrastructure, expectations around developers' contributions towards infrastructure development, an increasing concern about the capacity of especially road infrastructure and resulting traffic congestion.

- *Agriculture, Forestry, Hunting* sector was the second most confident sector. This positive sentiment is driven by the good rainfall season, resulting in above average crop yields. The

sector has also reported a growth in investment, possibly at the expense of other industries, which is reassuring for a notoriously capital-intensive economic sector.

- It does however disguise concerns around the escalation in especially fertiliser prices that have tripled over the past 12 months, but with hope that prices will stabilise and reduce in the near future. Although export crops were doing well, the global logistics turmoil has seriously impacted the export of these crops.
- The damage to the local road infrastructure has necessitated the use of alternative routes, adding significantly to the cost of freight. The operations and performance of local milling companies have been severely impacted on by floods, and specifically the delayed responses from authorities to restore utility supply.
- The iBCI Survey component also reflects on business expectations and business outlook over the next six months. Business expectations for the 2nd half of 2022 remained positive, although at a lower level than the most positive business outlook recorded in the previous period.
- With regards to **constraints 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 *Market size, and the economic decline*, and *Competitiveness and adaptability* jointly being the most significant business constraints, selected by 68% of participating businesses.
 - 40% 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 as significant business constraints by 21% and 32% of responding businesses respectively.

In conclusion

A concerted effort is required in addressing the “basics” viz. refurbishing aging infrastructure, enhancing law enforcement, curbing community unrests, reining in the cost of doing business and removing red tape. The aforementioned elements are all essential for local businesses to overcome the numerous structural and other modern economic challenges.

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.

Attachment

iLembe Business Confidence Index Review 2022 Mid-Year.

Release of iBCI 2022 Year-End

February 2023

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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