Joint Press Statement

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iLembe Business Confidence Index (iBCI) – 2022 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 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 iBCI 2022 Year-End was shaped by a number of macro and local factors - Eskom's record levels of rotational loadshedding, record high fuel prices, and the impact of the Transnet strike in October 2022 on operations of the Durban Harbour. At a regional level, the delay in repairing critical roads, following the KZN floods of April and May 2022, the closure of the adjacent Durban and eThekwini beaches due to critically high E. coli levels, and Tongaat Hulett's business rescue intervention towards the end of October 2022 formed the background to a challenging 2nd half of 2022.

Highlights and Key Findings

- Negative business sentiment resulted in the iBCI 2022 Year-End (i.e. both the Survey and Economic Activity Indices) declining into negative territory, recorded at 49 index points, a decline of 1.1 index points compared to the 1st half of 2022, and a 3.7 index point decline Y/Y.

- The iBCI Survey Index component, in which regional businesses leaders and investors indicate their sentiment about the region's economic and business performance, remained in negative territory at 42.5 index points – the lowest level recorded since the first half of 2021.
  The iBCI Economic Activity Index component remained unchanged at 55.6 index points, the fifth successive period of positive economic prospects for the iLembe District.

- The performance of the **business indicators** included in the iBCI Survey Index was varied against the levels recorded in the previous survey period, with all the indicators however being in the negative.
  - *Sales Volumes* (45.5;>3.8), as a measure of business performance, return on sales efforts and trading location, and *Order Book* (38.5;<4.4), as a leading indicator of market depth and liquidity, remained firmly entrenched in negative territory.
  - *Levels of Employment* (40.0;<4.2) remains persistently negative, symptomatic of the adverse events and economic conditions on employment, and social security, in the region.

- With regards to business confidence **per economic sector**, three sectors recorded positive business confidence, i.e. above the neutral level of 50 index points.
  - These sectors were *Energy, incl. Oil, Petroleum & Gas* sector (51.3;-), *Wholesale, Retail, Vehicle Trade* sector (54.2;0), and *Arts, Culture & Creative Industries* sector (57.5;<5) being the most confident.
  - Business sentiment in other prominent regional sectors were in the negative, namely *Manufacturing, Assembly* sector (30;<9.7), *Agriculture, Forestry, Hunting* sector (40.5;<14.0), *Construction, Property Development, Property Sales* sector (40.7;<6.6) and the *Tourism, Catering, Accommodation, Property Management* (44;>3.3).

- Business confidence in the *Tourism, Catering, Accommodation, Property Management* sector remained entrenched in the negative, despite a slight improvement from the gloomy sentiment expressed during the previous 6-month period.
  - Responses indicated that general trade in this sector have not yet recovered to pre-Covid levels, and that international tourists, especially, are still less than 2019 levels.
  - Respondents indicated that 2022 visitor numbers were an improvement on the previous year and that domestic marketing is “starting to pay off”.
  - In addition to the impact of the cost of fuel on the travel decisions of holidaymakers, increases in revenue were negated by sharp increases in input costs, especially fuel for stand-by generators. One business reported that generator fuel equates to 2% of its turnover, whilst others reported that the need for electricity generation doubled their operational electricity expenses.
  - Several respondents highlighted the water quality issues which resulted in the closure of a number of Durban and wider eThekwini Metro beaches, and the confusion about whether those issues extended into the KZN North Coast. There was consensus among respondents that local tourism role players have their work cut out to ensure that KZN North Coast brand does not experience collateral damage.

- Business sentiment in the *Construction, Property Development, Property Sales* sector continued its slump, with this key sector in the iLembe District’s economy becoming the 5th least confident business sector.

- Sentiment in the *Agriculture, Forestry, Hunting* sector declined by 14 index points, mainly on the back of the Tongaat Hulett business rescue intervention and the uncertainty it placed on the entire sugar value chain, including cane supply, milling operations, refining, and animal feeds.

- The strike in October 2022 that crippled South Africa's ports, including Durban, contributed to business sentiment in the *Transport, Distribution, Warehousing, Storage, Freight Forwarding, Shipping & Exports* sector declining by 19.1 index points and resulting in this sector being the second least confidence sector.
  The "dismal" road infrastructure repairs and maintenance following the 2022 floods has added a daily burden of inconvenience of operators in this industry.

- *Manufacturing, Assembly* sector was the least confident business sector.
  Load shedding/load curtailment, power outages, industrial and especially community unrest, inadequate security, and decaying and inadequate infrastructure in industrial nodes, continue to take its toll on this labour-intensive sector.

- The *Mandeni Local Municipality* (31.9;<4.1), which hosts the Isithebe Industrial Estate, the manufacturing heartland of the iLembe District, remained the least confident region in the iLembe District.
  The most confident local municipality was Maphumulo (72.5; –), whilst KwaDukuza (43.5;<.3) declined by .3 index points to entrench itself in negative sentiment.

- The iBCI Survey component also reflects on **business expectations and business outlook** over the next six months. **Business expectations** for the 1st half of 2023 remains negative, being recorded at 44.4 index points, 4.6 index points more negative than the current sentiment.
- The **Activity Index** of the composite iBCI remained unchanged in the 2nd half of 2022 at 55.6 index points, confirming that the business potential in the iLembe region is at a better level than what businesses in the region actually experience.

- The two market related indicators of *Market size, and the economic decline,* and *Competitiveness and adaptability*, were indicated by 60% of participating businesses as the **constraints to conducting business** in the iLembe District.
  - The public sector indicators *of Service delivery & infrastructure provision (41%), Regulations and compliance (31%),* and *Property rates and taxes (28%) were selected by all the business respondents* as primary business constraints.

2021/22 Christmas Holiday Trading

- Enterprise iLembe's Tourism Performance Bi-Annual Report for the period July to December 2022 indicates that Ballito, specifically, welcomed 108 447 visitors, with occupancy levels of 89%. This was an increase of 24% compared to December 2021, and compared to 79% in 2019.

- Respondents to the iBCI Survey component also indicated that 2022 visitor numbers were an improvement on the previous year and that domestic marketing is "starting to pay off".

- Chronic risks to the tourism appeal of the KZN North Coast stubbornly persists.
  One respondent reflected that with "drunken behaviour and littering on beaches (the) trajectory is surely downward...unless by-laws are enforced…. We need to WAKE UP and fast…(there) needs to be collaboration and strong leadership."

- Businesses were also asked to rate elements that impact on the local trading environment and visitors experience, during the recent peak holiday season.

2022/23 Holiday Season Scorecard	
Traffic management and control (especially primary shopping nodes)	51%
Provision of additional services to accommodate influx, e.g. waste collection and litter picking	67.3%
Visible policing and the enforcement of municipal bylaws	56.9%
Response from authorities to service interruptions	45.5%

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. The potential exists!

Attachment

iLembe Business Confidence Index Review 2022 Year-End.

Release of iBCI 2023 Mid-Year

August 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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