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iLembe Business Confidence Index (iBCI) – 2023 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 2023 Mid-Year was shaped by several macro and regional factors - a severe escalation in the Eskom power supply crisis resulted in a record-breaking 332 days of load shedding in 2023. Inflation decreased to 5.1% at the end of 2023, and congestion at the Durban Port benefitted from steps taken by

Transnet, towards the end of 2023, to tackle the port chaos.

At a regional level, the beach closures in the neighbouring eThekweni Metro continued, whilst the M4 Tongaat River Bridge reopened on the 14th of December 2023, easing access to the KZN North Coast.

The September announcement of the development of Club Med Tinley, with construction planning to commence early 2024, created the background to the 2nd half of 2023.

Highlights and Key Findings

- The positive regional business sentiment propelled the **combined hybrid iBCI** (i.e. the Survey and Economic Activity Indices) into positive territory (i.e. above the neutral level of 50 index points). The iBCI 2023 Year-End was recorded at **51.3 index points**, an increase of 3 index points compared to the 1st half of 2023, and a 2.3 index point improvement 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 **47.2 index points**. This level is however 4.7 index points higher than the same period a year earlier, and the highest level of business sentiment recorded in two years.

- The **iBCI Economic Activity Index** element was recorded at **55.5 index points**, a decline of 0.4 index points on the previous period and the sixth successive period of positive economic activity for the iLembe District.

Sales Volumes (48.1;>13.2), as a measure of business performance, return on sales efforts and trading location, and *Order Book (47.4;>9.0)*, as a leading indicator of market depth and liquidity, showed strong improvement despite remaining in negative territory.

Levels of Employment (48.9;>0.5) persistently remains in the negative, despite the slight improvement recorded. Sentiments around job retention and creation are symptomatic of the challenging economic conditions nationally, and in the region.

- All business indicators included in the iBCI Survey Index remained in negative territory, i.e. below 50, but improved on the 1st half of 2023, except for inventories that declined.
- With regards to business sentiment per economic sector, only the *Health & Wellness, incl Medical & Fitness* sector (55.6;>22.3) recorded positive business confidence, i.e. above the neutral level of 50 index points.

Business sentiment in other critical regional economic sectors remained in the negative, i.e. *Manufacturing, Assembly* sector (34.9;>6.5), *Tourism, Catering, Accommodation, Property Management* sector (37.9;<8.6), *Construction, Property Development, Property Sales* sector (43.1;<3.3), and the *Agriculture, Forestry, Hunting* sector (45.8; ↔).

Manufacturing, Assembly sector

- The Manufacturing, Assembly sector remains the least confident business sector in the iLembe District, despite a 6.5 index point improvement in business sentiment.
- Load shedding, load curtailment and power outages remain the primary drivers of dampened sentiment in the sector. The factors impact directly on production downtime, output capacity, the need to work overtime and profitability, and filtering through to business sentiment as well.

- Reduced and delayed demand from retailers, cost-of-living challenges and subdued local economic growth have left manufacturers with not only a reduction in sales volumes, but also with limited opportunity to pass on factory gate price inflation.
- Apart from energy insecurity, port inefficiencies, delayed repairs in road infrastructure, community demands, inadequate security, and decaying infrastructure in industrial nodes continue to take its toll on this vital, labour intensive, sector.

Tourism, Catering, Accommodation, Property Management sector

- Business confidence in the *Tourism, Catering, Accommodation, Property Management* sector declined strongly – not only is this significant sector firmly entrenched in the negative, it is also the 2nd least confident sector within the iLembe District.
- There was a mixed bag of responses from business respondents within this sector, with feedback being influenced by subsector, levels of competition and location of businesses.
- Competing pressures on the disposable income of consumers, the lack of overseas tourists, and the slumping tourism reputation of KZN, in general, were highlighted by respondents.
- Business respondents acknowledged the efforts of the authorities during the Christmas holiday period, specifically the local SAPS and the KwaDukuza Local Municipality, to enforce by-laws, curb anti-social behaviour, and ensure the cleanliness of beaches, other public spaces, and related amenities.
- Sentiment in this prominent local industry sector continues to be dominated by the lethargic response to the repair and replacement of damaged and decaying infrastructure.
- Upgrades to beach facilities, including the Ballito Promenade, aimed at creating a compelling tourist offering, were also mooted.
- Delays in obtaining business and liquor licenses, due to hold-ups in building control compliance, has been raised by a number of respondents in this sector for the first time.

Agriculture, Forestry, Hunting sector

- Sentiment in this sector showed a welcomed improvement of 8.8 index points, resulting in a confidence level of 45.8 index points, mirroring broader economic underperformance, and general agricultural conditions nationally.
- Uncertainty around the acceptance of Tongaat Hulett's business rescue plans continue to impact local sentiment in this sector.
- An increase in land invasions, and threats of land invasions, are also dampening sentiment.

- Constraints highlighted in this sector include the disruptions to operations at the Durban Port, impacting agricultural exports, as well as persistent load shedding.

Construction, Property Development, Property Sales sector

- Business sentiment in the *Construction, Property Development, Property Sales* sector decreased by 3.3 index points, resulting in business confidence in this key sector in the iLembe District's economy remaining firmly in the negative at 43.1 index points.
- 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.
- These constraints are magnified in periods of rapidly increasing input costs, and higher inflation in general, with respondents stating that it is not uncommon for developers to rework development costs, and return on cost, numerous times in between development plan submissions.
- Developers, especially, have benefitted from the reopening of the M4, but the market remains strained due to high interest rates and living costs.

The iBCI Survey component also reflects on **business expectations and business outlook** over the next six months.

Business expectations for the 1st half of 2024 remains marginally in the negative, being recorded at 49.8 index points, 2.6 index points more positive than the current sentiment.

The **Activity Index** of the composite iBCI for the 2nd half of 2023 was recorded at 55.6, confirming that the general business climate in the region is potentially better than what businesses perceive it to be according to the Survey Index (47.2).

The two market related indicators of *Market size, and the economic decline, and Competitiveness and adaptability*, were indicated by 55% of participating businesses as **primary constraints to conducting business** in the iLembe District.

The public sector indicators of *Service delivery & infrastructure provision (31%), Regulations and compliance (23%), and Property rates and taxes (23%)* were selected by 76% of business respondents as primary business constraints.

In conclusion

A concerted effort is required in addressing the “basics” viz. a responsive and effective public sector, refurbishing aging infrastructure, enhancing law and by-law enforcement, curbing community unrests, reining in the cost of doing business and removing red tape. These 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 2023 Year-End.

Release of iBCI 2024 Mid-Year

Mid-August 2024

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

