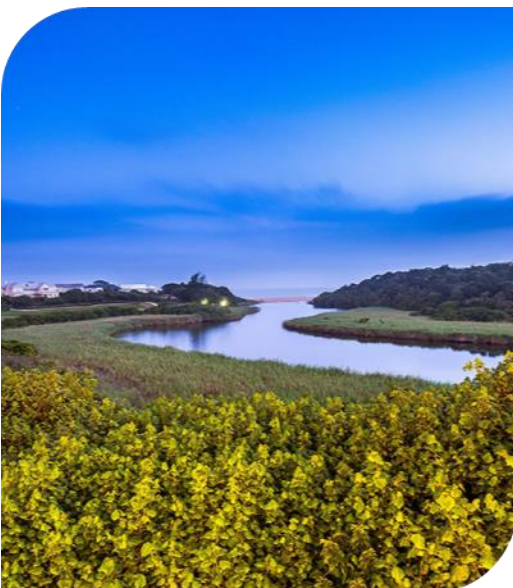


iLembe Business Confidence Index (iBCI)

2023 Year-End Review

February 2024



Insight
ilembe
Chamber of Commerce
Industry and Tourism


enterprise ilembe
ECONOMIC DEVELOPMENT AGENCY

Copyright and disclaimer

Copyright and all other intellectual property contained herein rests with the iLembe Chamber of Commerce, Industry & Tourism (iCCIT) and Enterprise iLembe (Ei).

The information contained in this document may not be reproduced in either whole or part without prior written consent of the iCCIT or Ei.

Although reasonable professional skill, care and diligence are exercised to record and interpret all information correctly, iCCIT, Ei and the author(s) do not accept any liability for any direct or indirect loss whatsoever that might result from unintentional inaccurate data and interpretations provided in this review as well as any interpretations by third parties. The iCCIT or Ei do not accept any liability for the consequences of any decisions or actions taken by any third party on the basis of information provided in this review. The views, conclusions or opinions contained in this publication are those of the iCCIT and Ei and do not necessarily reflect those of the iLembe District Municipality.

Table of Contents

	Page
1 Highlights and Key Findings	4
2 Review of iBCI 2023 Year-End	8
3 2023/24 Christmas Holiday Trading	17
4 SACCI BCI 2nd Half 2023	18
5 Macro-Economic Review 2 nd Half 2023	19
6 Conclusion	22
Annexure 1 - Background	23
Annexure 2 - Methodology	24

1. Highlights and Key Findings

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 5.10% 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.

- 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 .4 on the previous period and the sixth successive period of positive economic activity for the iLembe District.

- Although all business indicators included in the iBCI Survey Index remained in the negative, all the indicators, except *Inventory Levels*, showed an improvement on levels recorded in the previous period.

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.

- 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.

2. Review of iBCI 2023 Year-End

The iLembe Business Confidence Index (iBCI) 2023 Year-End, assessing business confidence in the iLembe District during the second half of 2023, was shaped by several macro and regional factors.

Eskom's power generating woes resulted in only 13 loadshedding free days in 2023 – with South Africans enduring a record-breaking 332 days of load shedding, a severe escalation in the country's power supply crisis.

Damage to electronic equipment, the functioning of businesses at reduced capacity and resulting losses in production, and an increase in operational costs due to the investment in, and operation of, backup power solutions, have added to the financial burden on businesses. Investment is also suffering, with especially foreign investors being deterred by the energy crisis.

Inflation decreased to 5.10% at the end of 2023, and is expected to decline to 5.0% during 2024. Congestion at the Durban Port,

which has been plagued by equipment failures, insufficient infrastructure maintenance, and adverse weather conditions, benefitted from steps taken by Transnet, towards the end of 2023, to tackle the port chaos, with congestion expected to be cleared by February 2024.

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.

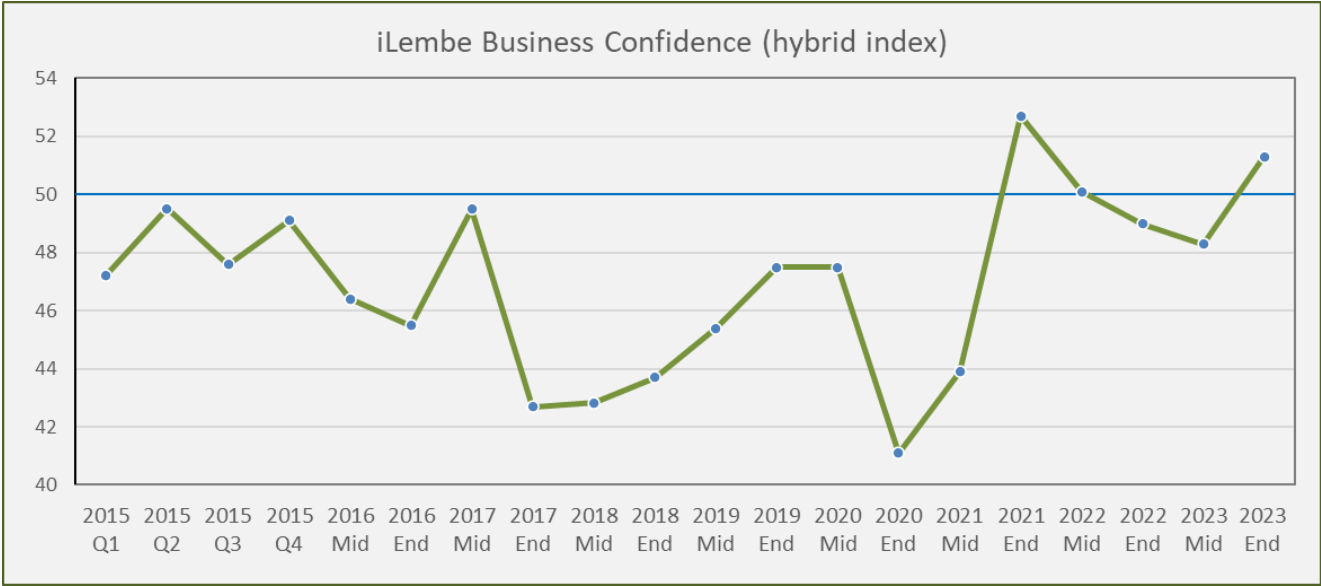
The September announcement of the development of Club Med Tinley, with construction planning to commence early 2024, created the background to the 2nd half of 2023.

This trading environment resulted in *business sentiment* during the second half of 2023, as measured through the iBCI Survey component, improving by 6.6 index points in comparison to the previous period (1st half of 2023).

Despite the improved **business sentiment** of business owners and business leaders, the sentiment remains entrenched 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 .4 on the previous period and the sixth successive period of positive economic activity for the iLembe District.

The positive regional business sentiment propelled the combined hybrid iBCI (i.e. both 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.



iBCI 2023 Year-End Survey Component:

The iBCI Survey component, in which regional businesses leaders and investors indicate their **sentiment about the region’s economic and business performance**, improved strongly despite remaining in negative territory.

The **iBCI Survey Index** was recorded at 47.2 index points, the highest level of business sentiment recorded for two years. Although all the **business indicators** included in the iBCI Survey Index remained in the negative, all the indicators, except *Inventory Levels*, showed an improvement on the levels recorded in the previous survey period.

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.

The other business indicators of *Late Delivery of Orders* (47.0;>4.4), and *Inventory Levels* (41.0;<2.0) were also recorded in the negative.

With regards to business sentiment per **economic sector**, only one sector recorded positive business confidence, i.e. above the neutral level of 50 index points.

The only sector that recorded positive sentiment is the *Health & Wellness, incl Medical & Fitness* sector (55.6;>22.3).

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 – up from the lowest level recorded since the introduction of the iBCI in the previous period.

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, as indicated above, 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.

The cost of finance is forcing manufacturers to focus on remaining in operation, while investments in expanding operations will remain on hold.

“Municipality uninterested in supporting businesses. Poor maintenance and repairs of basic infrastructure. More business are leaving our area because of business sustainability and uncertainty of the conditions going forward following the rapid decline in the last 5 years. (sic)”

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. This dampened sentiment persisted despite what is considered to have been a successful 2023 peak holiday season, with visitor numbers up by 9% Y/Y, occupancy levels of 84%, increased visitor spend, and increased contribution to local GDP.

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.

At a macro and regional economic level, the competing pressures on the disposable income of consumers, the lack of overseas tourists, and the slumping tourism reputation of KZN, in general, were highlighted. The ongoing impact of load shedding, exacerbated by local electrical outages, and prohibitive operational costs also once again featured as constraints within this sector.

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. These elements contributed to a pleasant beach experience for locals and visitors alike.

Sentiment in this prominent local industry sector however continues to be dominated by the lethargic response to the repair and replacement of damaged and decaying infrastructure, specifically roads, some of which remain restricted following the KZN floods back in 2022. Upgrades to beach facilities, including the Ballito Promenade, aimed at creating a compelling tourist offering, were also mooted.

“Our beaches need to be Prioritized - as it is THE attraction, and visitors will move on if not looked after (sic).”

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 the *Agriculture, Forestry, Hunting* sector showed a welcomed improvement of 8.8 index points, resulting in a confidence level of 45.8 index points – sentiment levels that mirror 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

Following a reprieve in the previous period, the slump in business sentiment in the *Construction, Property Development, Property Sales* sector resumed with a decrease of 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. Since visitors, in general, are not interested in buying properties whilst on holiday, real estate sales teams are expecting increased interest from prospective buyers after the holidays period.

“We find a lot of clients very negative about poor seawater quality due to mismanagement of the sewer treatment works south of the Tongati River, we are in KDM however, but clients struggle to differentiate between eThekweni and KDM as they see us at Durban. Basically, good interest but lack of commitment to investing in property. (sic)”

With regards to business sentiment **per region** within the iLembe District, and in line with the sentiments expressed by respondents in the *Manufacturing, Assembly* sector, the Mandeni Local Municipality (36.4;>12.4), which hosts the Isithebe Industrial Estate, the manufacturing heartland of the iLembe District, remained the least confident region in the iLembe District.

Business sentiment in KwaDukuza (47.9;>6.4) improved but remain entrenched in the negative.

iBCI 2023 Year-End Business Expectations (1st half of 2024):

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.

This improved 6-month business outlook is driven by positive sentiment expressed by respondents in all the industry sectors, except the *Manufacturing, Assembly* sector, *Transport, Warehousing, Storage* sector, and the *Tourism, Catering, Accommodation, Property Management* sector whose business expectations remained in the negative.

iBCI 2023 Year-End Activity Index Component:

The Activity Index of the composite iBCI remained virtually unchanged for the fourth consecutive half year, up to the end of 2023. The Activity Index appears stuck around 56 index points, with no upward momentum. A level above 50 index points is however still an indication that there is positive business potential in the region.

The 2nd half of 2023 level of 55.6 for the Activity Index confirms 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 effect of exogenous events over the last three years in specifically KZN are still having a lagged effect on the business environment of the iLembe district. Some regional specific events and the inability of the authorities to 'normalise' services in specific areas, left business with an uncertain and perplexing situation.

Logistical problems with road transport, and difficulties at the Durban Harbour further contribute to the ambiguous circumstances - most probably contributing to the disparity between the Activity Index and the Survey Index.

The level of the 2nd half of 2023 overall Activity Index resulted from the positive impact of the weaker rand against currencies of overseas tourists (US\$ +2.8%); lower inflation (+3.9%), and increased number of tourists (+12.2%). Construction activity (-21.1%); tighter credit to business (-3.3%); less manufacturing output (-0.2%); and decreased retail trade volumes (-1.2%) toppled prospects in the iLembe region.

Depending on the type and weight of economic activity in the iLembe sub-regions, overall prospects for activities in the 2nd half of 2023 compared to the 1st half of 2023 deteriorated in Mandeni (-0.3%), Maphumulo (-0.8%), KwaDukuza (-0.9%) and Ndwedwe (-1.0%).



Mandeni (-0.3%)



Maphumulo (-0.8%)

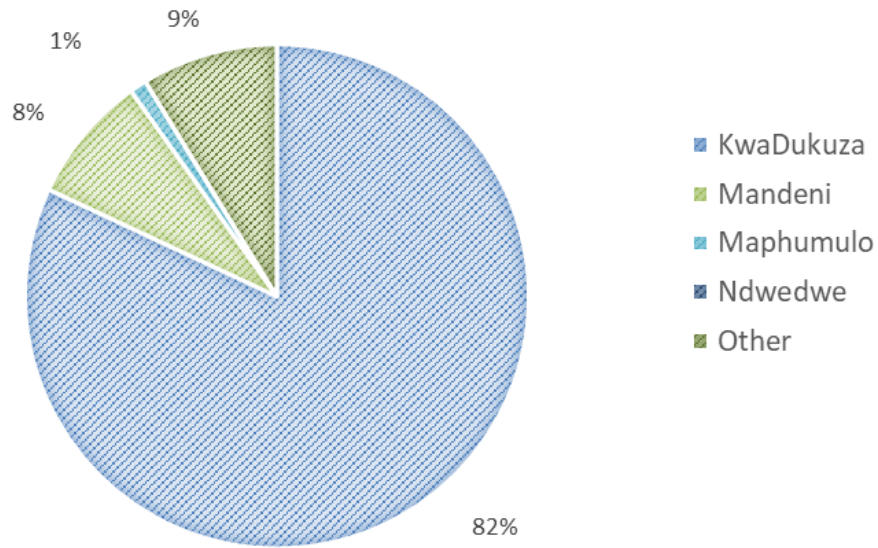


KwaDukuza (-0.9%)

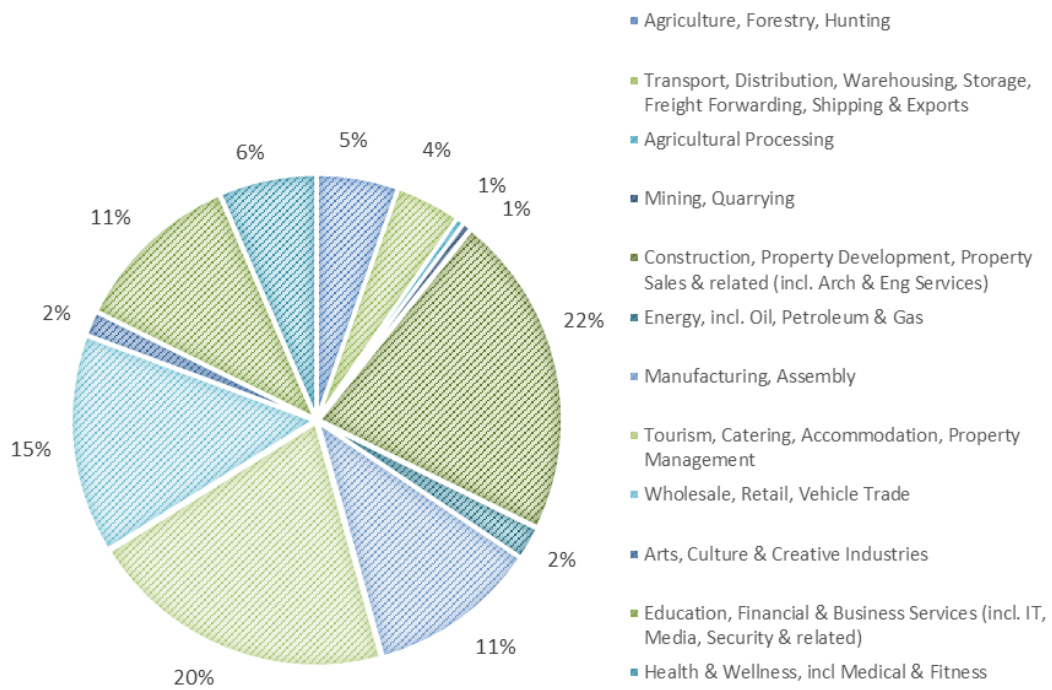


Ndwedwe (-1.0%)

iBCI survey responses from iLembe sub-regions:

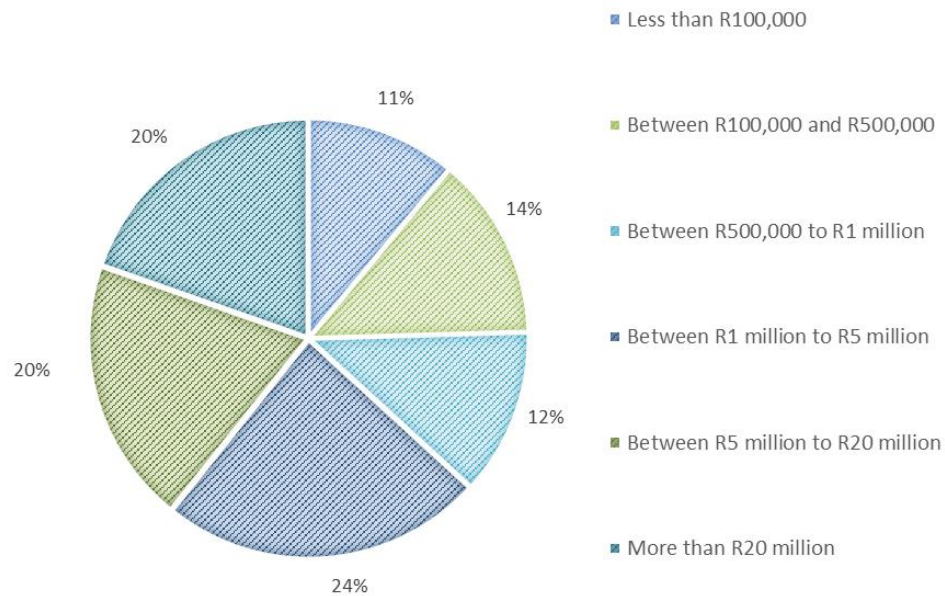


Economic sector participation in the iBCI survey:

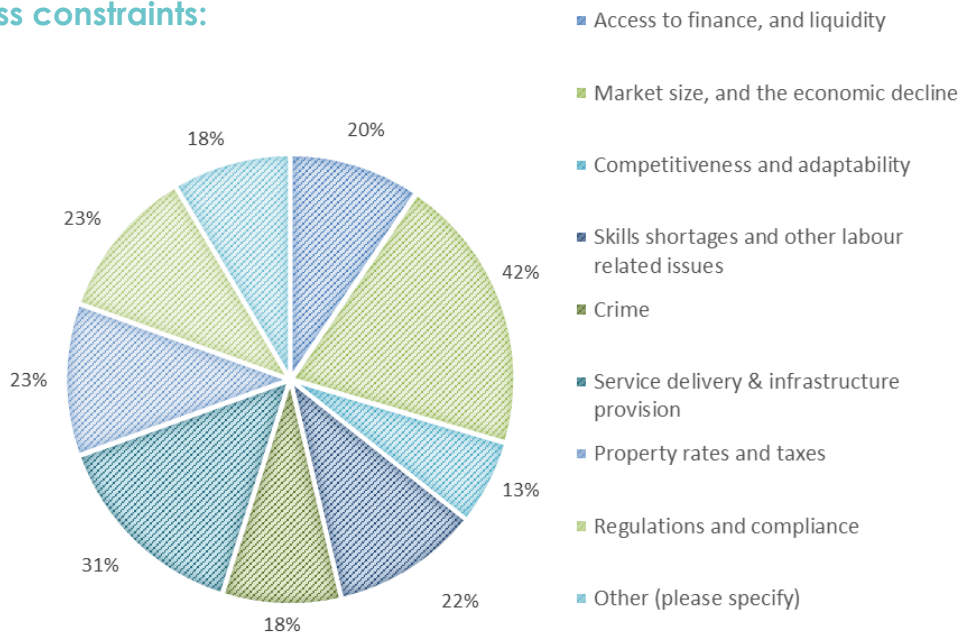


The majority of businesses participating in the 2023 Year-End iBCI Survey operated within the *Construction, Property Development, Property Sales* sector (22%), followed by *Tourism, Catering, Accommodation, Property Management* (20%), and *Wholesale, Retail, Vehicle Trade* (15%).

Participation in the iBCI survey by annual turnover level:



Perceived business constraints:



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.

3. 2023/24 Christmas Holiday Trading

The Survey component of the iBCI 2023 Year-End requested feedback on the 2023/24 Christmas Trading Period, the golden trading period for the wider iLembe District. The survey responses were supplemented with feedback gained through personal interviews conducted in January 2024.

Enterprise iLembe's Tourism Performance Bi-Annual Report for the period July to December 2023 indicates that Ballito, specifically, welcomed 119 116 visitors, with occupancy levels of 84%. This was a decrease of 5% compared to December 2022, but compares favorably to occupancy levels of 65% in 2021 and 79% in 2019.

Respondents to the iBCI Survey component indicated that 2023 holiday season visitor numbers were an improvement on the previous year, but also suggested that per capita spend was lower than in previous years, despite the festive season being longer.

Chronic risks to the tourism appeal of the KZN North Coast stubbornly persists.

"Clean up the beach and enforce bylaws regarding liquor consumption. The beach is why people come here. However, the bad state and neglect of the beach as well as non-enforcement of bylaws regarding liquor consumption in public places has a hugely detrimental effect on tourism and causes holidaymakers to feel unsafe. We need enforcement of bylaws with regard to traffic, unacceptable noise and liquor AT ALL TIMES OF THE YEAR. sic"

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

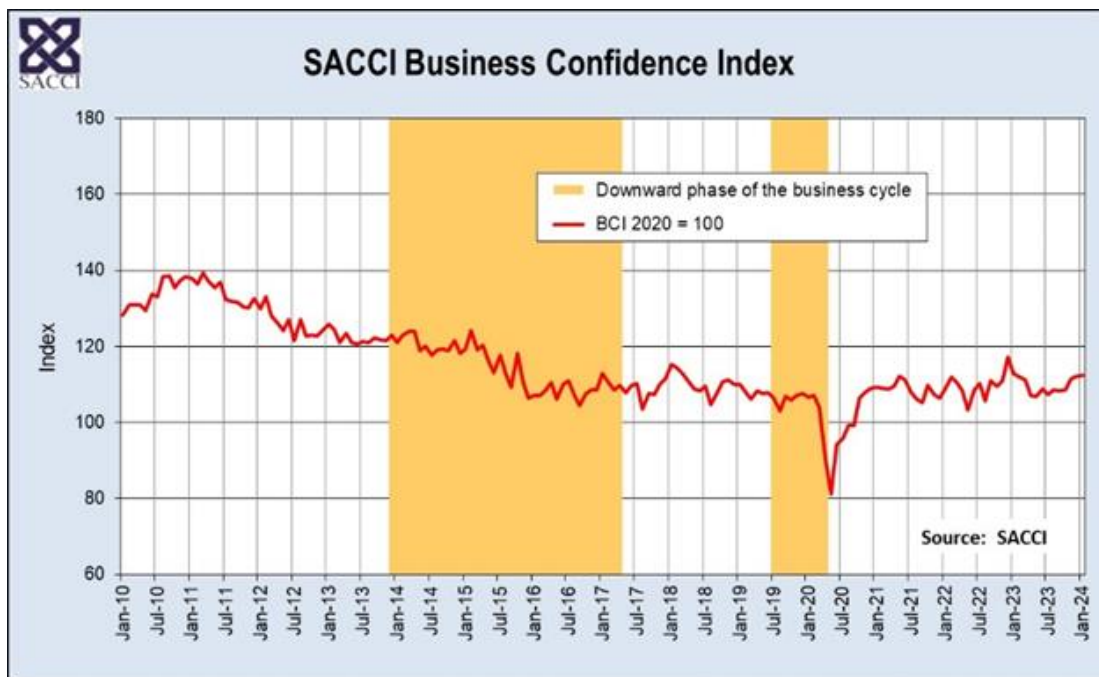
2023/24 Holiday Season Scorecard

Traffic management and control (especially primary shopping nodes)	42%
Provision of additional services to accommodate influx, e.g. waste collection and litter picking	55%
Visible policing and the enforcement of municipal bylaws	52%
Response from authorities to service interruptions	41%

4. SACCI BCI 2nd Half 2023

The **SACCI** Business Confidence Index (BCI), with 2020 as base year (2020=100), is a composite index of economic and financial indicators for South Africa that inform business sentiment, and thus business confidence levels.

After averaging 109.8 in the 1st half of 2023, with the highest level 112.9 in January 2023, the BCI declined marginally to average 109.4 in the 2nd half of 2023. After a lull period towards the middle of 2023, the **SACCI** BCI recovered to 112.1 in December 2023.



Between June 2023 and December 2023, five of the fourteen sub-indices had a negative impact on business confidence. These included the smaller volume of retail sales, fewer new vehicles sold, continued shortage of electricity supply (load shedding), less real value of building plans passed, and lower share prices on the JSE. Positive impacts on business confidence between December 2023 and June 2023 came from higher precious metal prices, more foreign tourists, and increased merchandise export and import volumes. The other five sub-indices had a neutral effect on the BCI between June 2023 and December 2023.

The persistent electricity supply crisis and resulting load shedding, the continuation of the Russian invasion of Ukraine, the war between Hamas and Israel and South Africa's case of genocide against Israel may have an effect on South Africa's global business and investment relationships.

5. Macro-Economic Review 2nd Half 2023

The South African economy continue to face several structural and performance challenges that are throttling economic, employment and social opportunities. There are concerns regarding the performance of particularly sectors such as electricity and water; agriculture, forestry and fishing; hotels and restaurants; and an array of public sector services.

Additionally subdued household-spending

due to high inflation, unemployment, and debt servicing costs continue to put pressure on the demand side of the economy. In the 3rd quarter of 2023 agriculture, forestry and fishing (-19%); electricity and water (-3%); and wholesale and retail trade, hotels and restaurants (-2.3%) declined notably year-on-year. However, personal services; transport and communication; and manufacturing recorded positive year-on-year growth in the 3rd quarter of 2023.

GDP GROWTH								
SECTOR	2021	3Q 2022	4Q 2022	2022	1Q 2023	2Q 2023	3Q 2023	¾ 2023
	Y-o-Y %Δ	Y-o-Y %Δ	Y-o-Y %Δ	Y-o-Y %Δ	Y-o-Y %Δ	Y-o-Y %Δ	Y-o-Y %Δ	Y-o-Y %Δ
Personal services	5.3%	1.9%	-0.8%	2.6%	0.3%	0.1%	1.9%	0.8%
Transport and communication	5.0%	10.9%	7.5%	8.3%	7.8%	3.5%	1.2%	4.0%
General government services	0.0%	-0.2%	-0.4%	0.1%	-1.0%	1.0%	1.0%	0.3%
Manufacturing	6.7%	2.9%	-1.5%	-0.4%	-3.6%	3.9%	0.3%	0.2%
Finance, real estate and business services	2.5%	4.6%	3.5%	3.4%	2.3%	0.5%	-0.1%	0.9%
Construction	-2.0%	-1.7%	1.0%	-3.4%	4.2%	5.7%	-2.0%	2.6%
Mining and quarrying	12.0%	-6.6%	-7.3%	-7.1%	-3.5%	0.9%	-2.2%	-1.6%
Wholesale and retail trade; hotels and restaurants	6.2%	7.9%	-0.2%	3.5%	-1.5%	-0.9%	-2.3%	-1.6%
Electricity and water	1.9%	-4.3%	-3.7%	-2.5%	-6.3%	-6.6%	-3.2%	-5.4%
Agriculture, forestry and fishing	7.4%	31.5%	8.8%	0.9%	-4.9%	15.4%	-19.9%	-3.2%
GDP excluding general government	4.9%	4.6%	1.0%	2.1%	0.3%	1.6%	-0.9%	0.3%
GDP excluding agriculture	4.3%	3.3%	0.7%	2.0%	0.4%	1.0%	0.0%	0.4%
GDP at market prices	4.7%	4.1%	0.8%	1.9%	0.2%	1.5%	-0.7%	0.3%

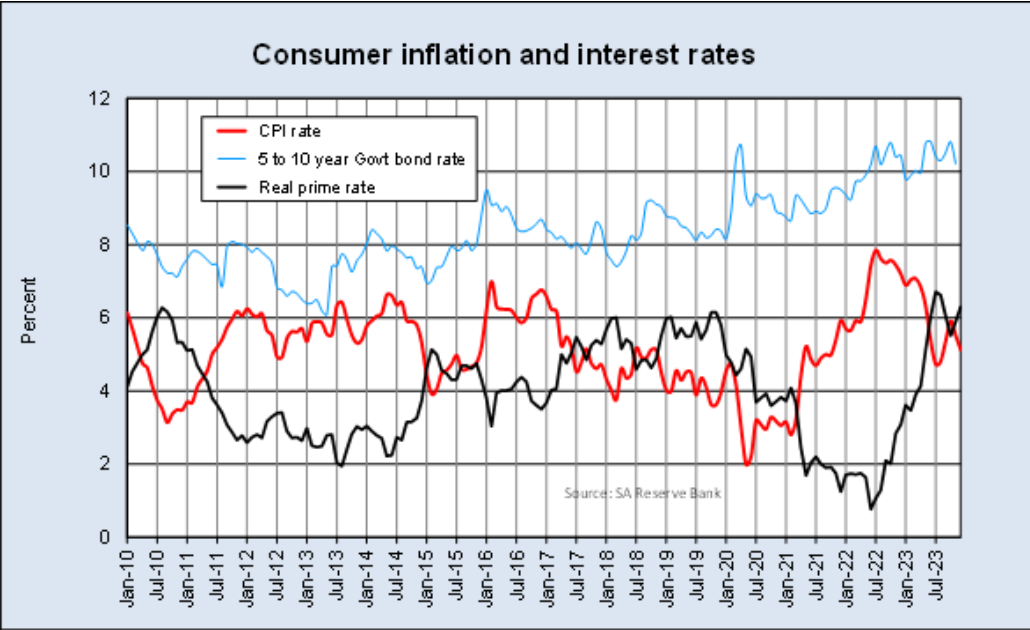
Source: StatsSA. Note: Y-o-Y %Δ = year-on-year %

The IMF, in its January 2024 updated outlook of the global economy, projects world economic growth to be an estimated 3.1% in 2023 and 2024, up to 3.2% in 2025.

South Africa will however barely register positive growth in 2023, while 2024 might see growth of about 1% and 1.3% in 2025, according to the IMF. The SA Reserve Bank forecast growth of 0.6% in 2023, 1.2% in 2024, and 1.3% in 2025.

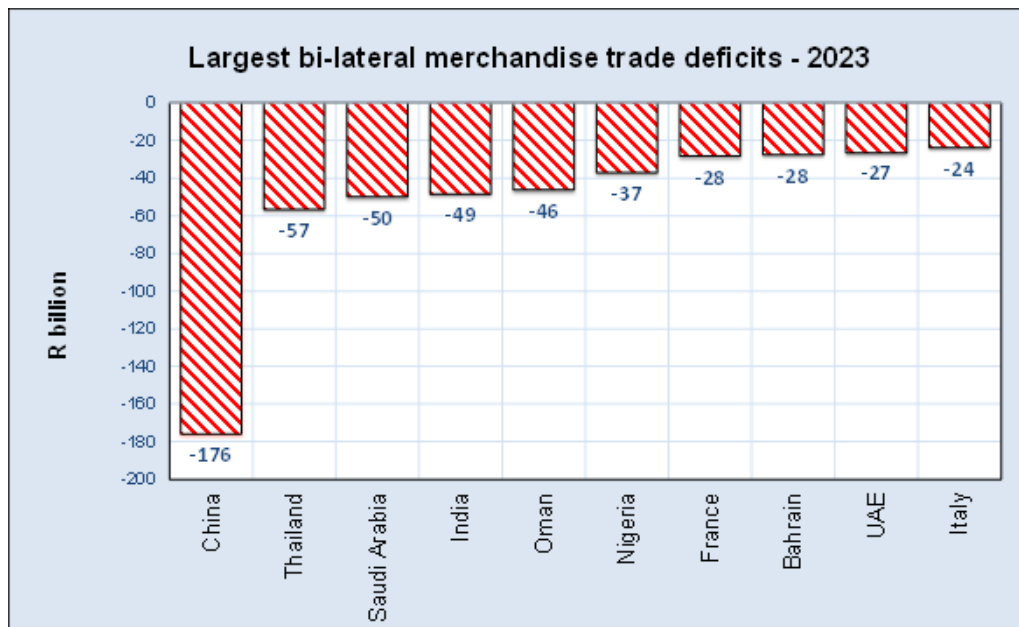
Household spending is under stress due to a decrease in real disposable income, high food inflation, persistently high unemployment rates, and high level of debt and debt servicing costs.

The SA Reserve Bank at its most recent MPC meeting has decided to keep rates unchanged for the time being as headline inflation dipped below the upper target range of 6%. Headline inflation was 5.9% in 2023 with SARB forecasting 5% headline inflation for 2024 and 4.6% for 2025.



The delivery of various public sector services remains a serious problem and is disrupting the proper functioning of the economy. The government's limited fiscal capacity to provide relief is compounded by mounting demands for social spending and grants. Critical electricity shortages and transportation logistic disruptions continue and further obstruct the effective delivery of goods and services due to these supportive activities' sensitive links in the economy.

The rand's value is expected to remain volatile and under pressure, depending on how South Africa resolves its international trading and investment relationships. A growing deficit with foreign trading partners (see figure below) could further weaken the rand, while capital outflows may increase unless the country's global political positioning aligns with economic realities. The weakening and unpredictable rand and the Red Sea route disruptions will impact transport and energy costs despite a relatively stable global crude oil price. The electricity shortage, in particular, is only expected to be resolved in the longer-term, thereby continuing to limit the economy's output potential.



South Africa has faced many economic challenges since July 2019 - with a questionable upward phase of the business cycle since May 2020. South Africa's dire public sector finances further limits its ability to implement appropriate counter cyclical measures.

Budget 2024 will at the core of starting to recuperate public finances. Consequently, high unemployment levels will persist primarily due to inflexible labour regulations, an unaffordable minimum wage to particularly SMMEs, and subdued economic growth.

6. Conclusion

The iBCI Year-End 2023 reflected mixed sentiment among business respondents – the iBCI of 51.3 index points, only the third positive sentiment ever recorded, however indicates a cautious, yet resilient, outlook towards the economic prospects of our region.

Despite the challenges and constraints highlighted, there are notable areas of optimism. The uncertainty and negative confidence of key sectors remain a concern, and 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 iLembe District's economic landscape continues to present opportunities for growth amid its ongoing 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.

Cobus Oelofse

CEO: iLembe Chamber
ceo@ilembechamber.co.za
+27 (0)87 354 6343

Linda Mncube

CEO: Enterprise iLembe
linda@enterpriseilembe.co.za
+27 (0)32 946 1256

Richard Downing

Economist: Econdow
econdow@axxess.co.za

Annexure 1 - Background

The iLembe District Municipality is situated on the east coast of South Africa and is one of the 11 district municipalities of the KwaZulu-Natal province. It is the smallest district municipality in the province, measured by population. There are four local municipalities within the iLembe District, i.e. KwaDukuza, Maphumulo, Ndwedwe and Mandeni.

Enterprise iLembe (EI) is the Economic Development Agency of the iLembe District Municipality with its key mandate to drive economic development and to promote of trade and investment.

The iLembe Chamber of Commerce, Industry & Tourism (iCCIT) is a business association that supports businesses, in the iLembe District, to optimise their commercial potential.

The compiling of the iLembe Business Confidence Index (iBCI) forms part of a wider collaboration between the iCCIT and EI aimed at presenting regional economic indicators and intelligence that will support economic development and investment promotion in iLembe.

It also aims to assist stakeholders, both in the private and the public sector, by providing indicators that will assist with business attraction and retention.

The iBCI is generated by iCCIT and Econdow on behalf of Enterprise iLembe. Econdow also compiles the South African Chamber of Commerce and Industry (SACCI) Business Confidence Index (BCI), one of the foremost business confidence indices in South Africa, and allowing the iBCI to be interpreted against the measurement of the broader business mood in South Africa.

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 in iLembe.

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.

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.

Annexure 2 - Methodology

The iBCI is a hybrid index derived from, firstly, a biannual business survey conducted in the iLembe district and facilitated by the iCCIT on behalf of Enterprise iLembe. It is combined, secondly, with a weighted index of financial and economic variables. Economic and market data are used to calculate the 8 (eight) sub-indices that make up the combined weighted index part of the iBCI.

The indicators monitored are considered to

have a significant bearing on the business mood and climate in iLembe. However, changing economic and business circumstances could necessitate updating and reassessing the indicators that are important to business in the area.

This composite iBCI merges the business survey and the combined weighted index into one business confidence measurement of the business mood in the iLembe district.

Technical features of the iBCI:

- The iBCI is a composite hybrid index;
- The iBCI includes a biannual business survey conducted amongst businesses in the iLembe District;
- It incorporates the combined weighted index of 8 sub-indices;
- The iBCI is built from the bottom up:
 - incorporating the four sub-regions that make up the iLembe District;
 - regional iBCI weighted according to most prominent activities in the sub-regions;
 - data collected from various sources. i.e. StatsSA, the IMF and the SA Reserve Bank;
 - iBCI is weighted according to regional economic contribution of each region, and
 - on a quarterly basis change in iLembe activity is merged with survey results.

The iBCI business survey:

The iBCI survey covers nine major economic sectors and focuses on perceived business constraints and expected business conditions. Business conditions are represented through eight elements, amongst others expected changes in sales volumes, orders, sales prices, and employment levels.

The survey results are obtained from electronic questionnaires completed by senior managers and business owners during the last month of every six-month period. The sample of respondents remains the same from one survey to the next.

The survey questionnaire contains qualitative questions and no figures or data are requested. Survey responses provide unique information, such as business confidence, rating of business conditions and respondents' expectations (or forecasts) for the next six-month period, for which no official figures exist.

The business survey results are processed as follows:

- Weighted into a combined survey index covering sales volumes (0.25), new orders (0.3), supplier deliveries (0.15), inventory levels (0.1) and employment (0.2);
- Survey results are recorded as up, same or down;
- The confidence index ranges between zero and 100, with zero reflecting an extreme lack of confidence and 100 extreme confidence where all participants are satisfied with current business conditions, with 50 indicating neutrality, and
- An increase in business confidence indicates that economic activity in the area could improve in the medium term. The opposite applies if confidence declines. The change in the index between quarters gives an indication of a deterioration or an improvement in the business climate.

Business confidence tends to rise when the increase in business activity matches or surpasses previous expectations and the external environment (e.g. the political situation in South Africa, economic policy, the world economy) remains relatively stable.

Low business confidence could be the result of uncertainty about business prospects and/or dissatisfaction with current business performance. This may reflect uncertainty about the macro-environment within which the company operates and/or that business activity (e.g. sales, orders, production and new contracts) is low.

The Combined Weighted Index:

The following sub-indices are contained in the combined iBCI:

- The exchange rate of the rand against the US dollar;
- Consumer inflation rate for metropolitan and urban areas excluding food, non-alcoholic beverages, and petrol;
- Retail sales volumes;
- Volume of manufacturing output;
- Real value of private sector building plans passed;
- US dollar sugar price;
- Business borrowing from the banking sector, and
- Number of holiday tourists.