

iLembe Business Confidence Index (iBCI) 2024 Year-End Review

February 2025



Insight
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Chamber of Commerce
Industry and Tourism


enterprise ilembe
ECONOMIC DEVELOPMENT AGENCY

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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 2024 Year-End was shaped by several macro and regional factors.

The 10-party Government of National Unity (GNU) and the KZN Government of Provincial Unity (GPU) brought policy continuity and increased investor confidence. Eskom's 300

consecutive days without load shedding (as of January 2025) improved national and local business confidence.

Interest rate cuts and subdued inflation contributed to improved economic sentiment.

At a regional and local level, Local governance instability in KwaDukuza Municipality (KDM) due to leadership changes and service delivery issues impacted business confidence.

- The **iLembe Business Confidence Index (iBCI)** for Year-End 2024 was recorded at **53.4 index points**, its highest level since the iBCI commenced. It is a 3.5 index point increase from the 2024 Mid-Year index and a 2.1 index point improvement year-on-year (Y/Y).
- The iBCI Year-End 2024 does not fully encapsulate the frustration and reputational challenges to the region's investment appeal due to **prolonged and unplanned power outages** during part of the survey period.
- The **iBCI Economic Activity Index** component was at **56.6 index points**, marking the eighth successive period of positive economic activity in the district.
- The **iBCI Survey Index** component, in which regional businesses leaders and investors indicate their sentiment about the region's economic and business performance, improved, reaching its highest level in 7.5 years. It was recorded at **50.2 index points**, 3 index points higher than the same period a year earlier.

- All the **business indicators** included in the iBCI Survey Index, except *Late delivery of orders*, were in the positive, with all these positive indicators showing an improvement in sentiment from the levels recorded in the previous survey period.

Sales Volumes (50;>7.2), as a measure of business performance, return on sales efforts and trading location, and *Order Book (51.6;>8.5)*, as a leading indicator of market depth and liquidity, showed strong improvement.

Employment levels (55.2; >8.5) showed a significant improvement. The positive outlook on job retention and creation marks a noteworthy shift from one of the most persistent and challenging economic conditions.

- With regards to business sentiment per **economic sector**, sentiment in critical regional economic sectors remain in the negative, i.e. below the neutral level of 50 index points.

Sentiment in critical regional economic sectors remain in the negative.

Agriculture, Forestry, Hunting (40.3;<19), *Construction, Property Development, Property Sales sector (47.3;>3.9)*, *Manufacturing, Assembly sector (48.0;>9.2)* and *Tourism, Catering, Accommodation, Property Management sector (48.4;>4)*.

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

Business expectations for the 1st half of 2025 remain positive, recorded at the 2nd highest level of 58.5 index points, 8.3. index points more positive than the current sentiment recorded.

This improved outlook is driven by positive sentiment expressed by respondents in all the industry sectors, except the *Manufacturing, Assembly sector* whose business expectations remained in the negative.

The two market related indicators of *Market size, and the economic decline*, and *Competitiveness and adaptability*, were indicated by 56% of participating businesses as primary **constraints to conducting business** in the iLembe District.

The public sector indicators of *Service delivery & infrastructure provision (37%)*, *Regulations and compliance (29%)*, and *Property rates and taxes (20%)* were selected by 86% of business respondents as primary business constraints.

2. Review of iBCI 2024 Year-End

The iLembe Business Confidence Index (iBCI) 2024 Year-End, assessing business confidence in the iLembe District during the second half of 2024, was shaped by several macro and regional factors.

The economic impact of the 10-party Government for National Unity (GNU), and the economic policy continuity resulting from the re-election of President Cyril Ramaphosa for a second term continued to have a positive impact on investor sentiment over the last 6 months.

Eskom's delivery of 300 consecutive days without loadshedding, in January 2025, further boosted national business confidence, especially with credit rating agencies and banks who viewed Eskom's performance as a key contributor to South Africa's GDP growth prospects. These economic growth tailwinds were further fanned by subdued inflation, and interest rate cuts.

At provincial level, the KZN Government of Provincial Unity (GPU) marked its 100-days in office during the 2nd half of 2024. The KZN Trade and Investment Conference in November 2024 highlighted significant investments.

At a local level, the removal of the KDM Mayor resulted in an extended leadership void that led to concerns about governance paralysis. On 5 November 2024, Muzi Ngidi and Sicelinjabulo Cele were elected as Mayor and Deputy Mayor, declaring an aim to restore stability in the municipality.

Frequent and prolonged unplanned power outages, in November and December 2024 into early 2025, resulted in calls for an audit of KDM's infrastructure, and concerns about inadequate maintenance and planning. It has diverted precious capex and operational investment to electrical generation and back-up.

Land invasions, and financial and administrative concerns have impacted the municipality's governance and service delivery, prompting calls for increased accountability and effective management.

As predicted in the previous survey period's iBCI Expectations Index, the upbeat trading environment filtered through, despite challenges at local level, and *business sentiment* in the

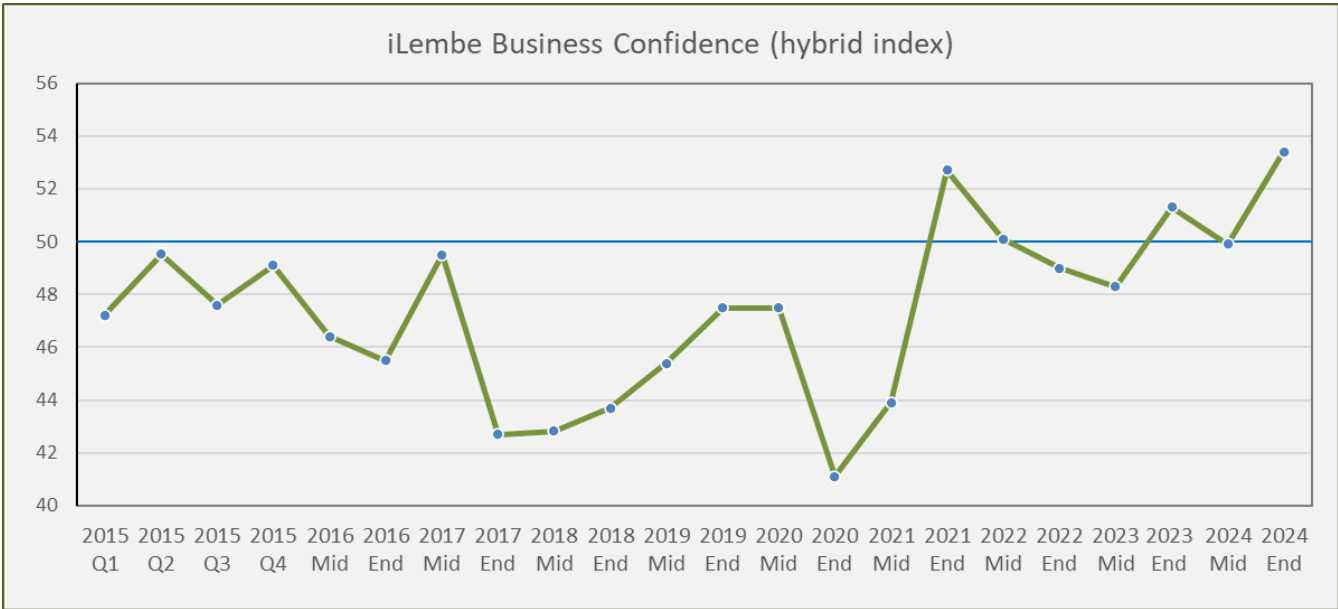
iLembe District during the second half of 2024, as measured through the iBCI Survey component, increased by 6.2 index points in comparison to the previous period (1st half of 2024).

Business sentiment of business owners and business leaders was recorded as positive, for only the 3rd time since the iBCI commenced, at **50.2 index points**. This level is the highest level recorded in 7.5 years, and 3 index points higher than the same period a year earlier.

The **iBCI Economic Activity** Index element was recorded at **56.6 index points**, an improvement of .8 index points on the previous period and the eight successive period of positive economic activity for the iLembe District.

The positive regional economic activity, combined with positive sentiment recorded, the combined hybrid iBCI (i.e. both the Survey and Economic Activity Indices) was recorded at its highest level since the iBCI commenced.

The **iBCI 2024 Year-End** was recorded at **53.4 index points**, an increase of 3.5 index points compared to the 1st half of 2024, and a 2.1 index point improvement Y/Y.



iBCI 2024 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 and inched into positive territory.

The **iBCI Survey Index** was recorded at 50.2 index points, only the third time since the commencement of the iBCI that business sentiment was recorded in the positive. All the **business indicators** included in the iBCI Survey Index, except *Late delivery of orders*, were in the positive, with all these positive indicators showing an improvement in sentiment from the levels recorded in the previous survey period.

Sales Volumes (50;>7.2), as a measure of business performance, return on sales efforts and trading location, and *Order Book (51.6;>8.5)*, as a leading indicator of market depth and liquidity, showed strong improvement.

Employment levels (55.2;>8.5) showed a significant improvement. *The positive outlook on job retention and creation marks a noteworthy shift from one of the most persistent and challenging economic conditions.*

Inventory Levels (50.6;>5.7) were also recorded in the positive.

Late Delivery of Orders/Delayed provision of services was the only negative indicator (40.9;<2.9).

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

Sectors recording positive sentiment are:

- Wholesale, Retail, Vehicle Trade (51.8;>17.7)
- Education, Financial & Business Services (incl. IT, Media, Security & related) (55.2;>4.1)
- Arts, Culture & Creative Industries (66.3;-)
- Transport, Warehousing, Storage (67.1;>5.1)

Sentiment in critical regional economic sectors remain in the negative:

- Agriculture, Forestry, Hunting (40.3;<19)
- Construction, Property Development, Property Sales sector (47.3;>3.9)
- Manufacturing, Assembly sector (48.0;>9.2)
- Tourism, Catering, Accommodation, Property Management sector (48.4;>4).

Agriculture, Forestry, Hunting sector

Sentiment in the *Agriculture, Forestry, Hunting* sector plummeted from being the second most confident sector in the district in the preceding index period, to being the least confident sector - a decline of 19.0 index points resulted in a confidence level of 40.3 index points, embedded in negative territory.

Extended, unplanned electrical outages, Tongaat Hulett Sugar's ongoing business rescue and resulting uncertainty around extended lease arrangements on farms, and onerous environmental regulations and budget constraints to address environmental concerns, dominated local sentiment in this sector.

Construction, Property Development, Property Sales sector

The gloomy business sentiment in the *Construction, Property Development, Property Sales* sector continued despite an improvement of 3.9 index points, resulting in business confidence in this key sector in the iLembe District's economy remaining in the negative at 47.3 index points.

Respondents reported improved sentiment around economic conditions, with the impact of the GNU being highlighted, as well as the interest rate cuts in the latter part of 2024 which had a positive impact on sales.

Respondents in this sector once again highlighted delayed planning and building control processes "costing development's millions". A common theme was the hugely disruptive impact of unplanned electrical outages highlighted the need for the development and maintenance of infrastructure, with electrical and road infrastructure specifically being highlighted, but also service delivery in general.

"The grand scale power failures tainted our region as a preferred investment destination. This is a serious threat to the economy of our region at every level, from grass roots through corporate. Provision and Maintenance of civic infrastructure and basic services is foundational to a thriving economy. The individuals managing this has to be properly educated and cannot be the ordinary man off the street!! "One cannot fly kite and think you can fly a Boeing" it is that simple!! Need one say any more??" (sic)

"...push hard to get KDM to fix electrical network..., and get their buy in to make our municipality a shining light and friendly towards business and tourism. We have the potential to be at the forefront of a huge boom period but KDM needs to catch up to the private sector, support us instead of hindering us at every turn (poor service provision, unnecessary approval delays, lack of communication, lack of delivery)."

Manufacturing, Assembly sector

The *Manufacturing, Assembly* sector remains one of the least confident business sectors in the iLembe District, despite an improvement of 9.2 index points against the previous period. This critical labour-intensive sector remained entrenched in the negative at 48 index points.

Despite the interest rate cuts in the 2nd half of 2024, anticipated to enhance domestic demand and stimulate economic activity, respondents to the iBCI Survey reported declining sales compared to comparable periods in the recent past. Cost-of-living continue to adversely affect consumers' disposable income and purchasing power, leading to a decline in discretionary spend and consumer demand, directly impacting the manufacturing sector. A further resulting consequence is an unpredictable demand for goods, and the sacrifice of cost advantages due to diseconomies of scale, and limited opportunity to pass on factory gate price inflation.

While Eskom's suspension of load shedding contributed to improved manufacturing sentiment nationally, the local sector in the KwaDukuza Municipal area did not experience the same benefits due to the continued and prolonged failure of the KwaDukuza Southern Electrical Grid during November and December 2024 – a theme central to the iBCI 2024 Year-End.

Challenges, including disruptions to operations caused by community members, business forums, and other entities, as well as deteriorating infrastructure in industrial nodes such as delayed road repairs, and the ongoing need for building and land maintenance, remained significant concerns.

“Festive season trade was lower than expected and lower than 2023/2024. Trading did not improve versus a comparable period in the recent past. Economic conditions are the main contributor to the low sales. People simply do not have the money to spend and are prioritising daily necessities such as food. (sic)”

“This was the worst Golden Trading Period, Electricity Supply was atrocious and will have an effect on future performance in the area. (sic)”

“Electricity supply is going to force company to move for the area to somewhere that service delivery is taken seriously. (sic)”

“Power supply issues are a problem and preventing expansion in the area (sic)”

Tourism, Catering, Accommodation, Property Management sector

Business confidence in the *Tourism, Catering, Accommodation, Property Management* sector have declined strongly over time – despite a further improvement in business sentiment of 4 index points in this survey period. This significant local economic sector remains entrenched in the negative at 48.4 index points.

It is deduced from survey responses that the KZN North Coast had bumper tourism numbers, primarily due to the post-election unrests in Mozambique and persistent water quality issues of the beaches in the neighbouring eThekweni. Respondents however report a “*very challenging and frustrating golden period*”, primarily due to the prolonged power outages over the busiest tourism period of the year. In addition to the cost of consumables and manpower to run and manage alternative and back-up power systems, respondents reported that visitors shortened their planned stays, guest bookings had to be refunded and guest had to be compensated through the offering of meal vouchers.

“This fiasco reflected poorly on everyone.”

Additional feedback indicates that individual spending declined despite the increased number of visitors to the North Coast. Some respondents reported stagnant turnover, even with higher foot traffic and price adjustments.

Sentiment in this sector 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, maintenance and cleanliness of beach facilities and infrastructure, such as the Ballito Promenade, sidewalks, public spaces, and public toilets, 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 once again been raised, as well as by-law enforcement and the scourge of anti-social behaviour.

“Electricity major threat/ challenge to tourism sector. Another threat is law breaking at beaches. This was largely dealt with successfully by collaboration and access controls - actually a glimpse of what things COULD/SHOULD look like. We need a week in/ week out approach though, as this element will be back on weekends and public holidays - not acceptable. Our water quality is reasonably good (ocean), largely due to Siza Water. It is imperative that their contract is renewed otherwise we are done. Thank you to Chamber and all role players. Probably the busiest but smoothest December I have experienced - at same time thanks to KDM for making it the hardest! (sic)”

Wholesale, Retail, Vehicle Trade

Having been the sector with the lowest business sentiment during the previous survey period, the *Wholesale, Retail, Vehicle Trade* sector recorded a 17.7 index point improvement, resulting in a confidence level of 51.8 index points.

“Was better than expected but still no growth on previous season. Flat sales for over 18 months. Diesel bill over R20,000 for December due to power outages. (sic)”

“Exceeded expectations better than LY Trading improved 2 pot system injection of money into economy Beaches open Not major interruptions by weather Roads open Interest rates reduction Fuel price reduction (sic)”

“we were down as sales dropped. i think new sales trend. generally customers no longer have a budget for home improvements. (sic)”

Regarding business sentiment across **regions** within the iLembe District, respondents in the **KwaDukuza Local Municipality** (48.4; >3.8) expressed the lowest confidence, largely reflecting concerns and frustrations over power failures in its Southern Electrical Network. Despite a 3.8-point improvement from the previous survey period, sentiment in this area remained subdued.

In contrast, all other regions recorded positive sentiment.

iBCI 2024 Year-End Business Expectations (1st half of 2025):

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

Business expectations for the 1st half of 2025 remain positive, recorded at the 2nd highest level of 58.5 index points, 8.3. index points more positive than the current sentiment recorded.

This improved 6-month business outlook is driven by positive sentiment expressed by respondents in all the industry sectors, except the *Manufacturing, Assembly* sector whose business expectations remained in the negative.

iBCI 2024 Year-End Activity Index Component:

The Activity Index part of the composite iBCI gives an indication of prospects that could prevail in the region. The Activity Index was recorded at 56.6 index points, suggesting that general business prospects in the region remain positive.

The Activity Index for the 2nd half of 2024 reached its highest level since the first half of 2020 - the period when COVID-19 restrictions were introduced. The index showed a marginal increase from 55.8 recorded in the 1st half of 2024, a period marked by policy uncertainty surrounding the national elections. The formation of the Government of National Unity (GNU) in the 2nd half of 2024 contributed to improved business prospects and fostered positive sentiment across the region. The Activity Index level suggests that overall business opportunities in the region remained favorable.

However, structural economic impediments persisted in certain local municipalities, particularly in relation to service delivery challenges and socio-political uncertainties, leaving businesses in a tentative and cautious position. Additional constraints, such as logistical inefficiencies in road transport, operational difficulties at harbors, and the "blue status" of beaches, further contributed to stagnation in some sectors.

During the 1st half of 2024, the Activity Index experienced a slight decline due to election-related political posturing and uncertainty. However, the establishment of the GNU, GPU and coalition agreements in the 2nd half of the year helped stabilise expectations, leading to improved business sentiment. This was reflected in several key year-on-year indicators, including growth in Construction Activity (+4.1%), increased Retail Trade (+4.6%), and lower Inflation (4.4% compared to 5.2% in the 1st half of 2024). Despite these gains, certain factors dampened overall prospects, such as a decline in Tourist Arrivals (-0.4%), a stronger Rand, affecting export competitiveness (-4.1%), and lower Manufacturing Output (-0.7%) compared to the 2nd half of 2023.

iLembe sub-region's economic activity showed improvements compared to the 1st half 2024.

Mandeni (+0.03%)



Maphumulo (+3.1%)



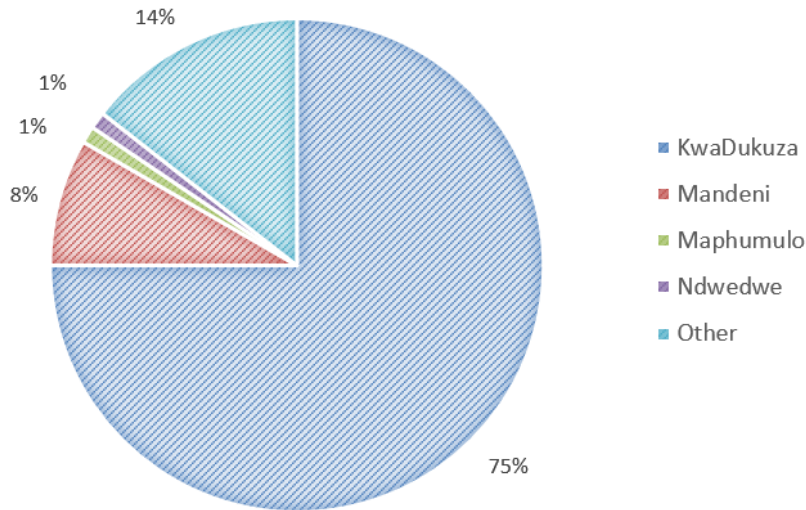
KwaDukuza (+0.5%)



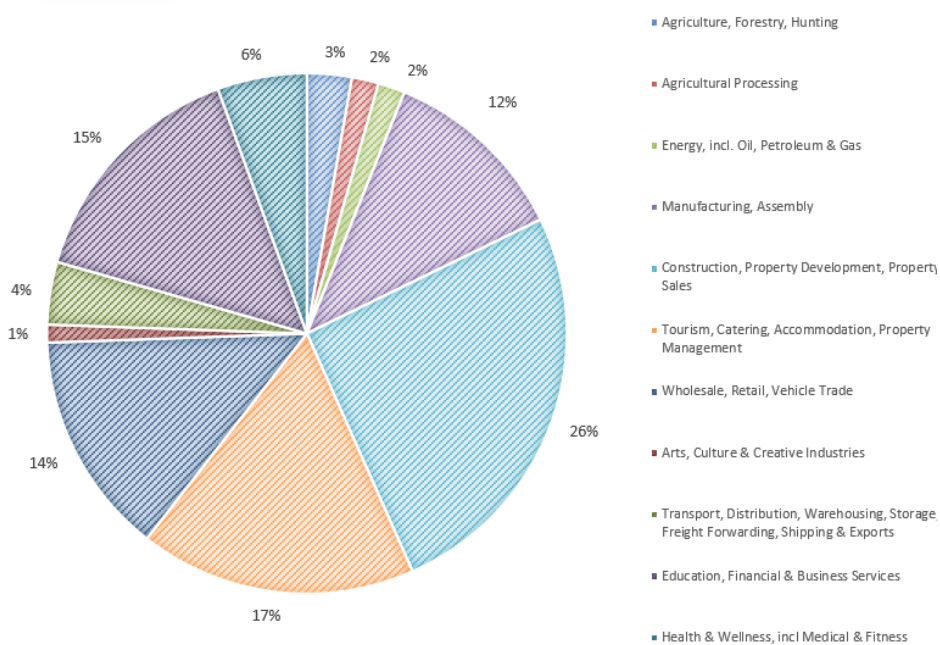
Ndwedwe (+3.0%)



iBCI survey responses from iLembe sub-regions

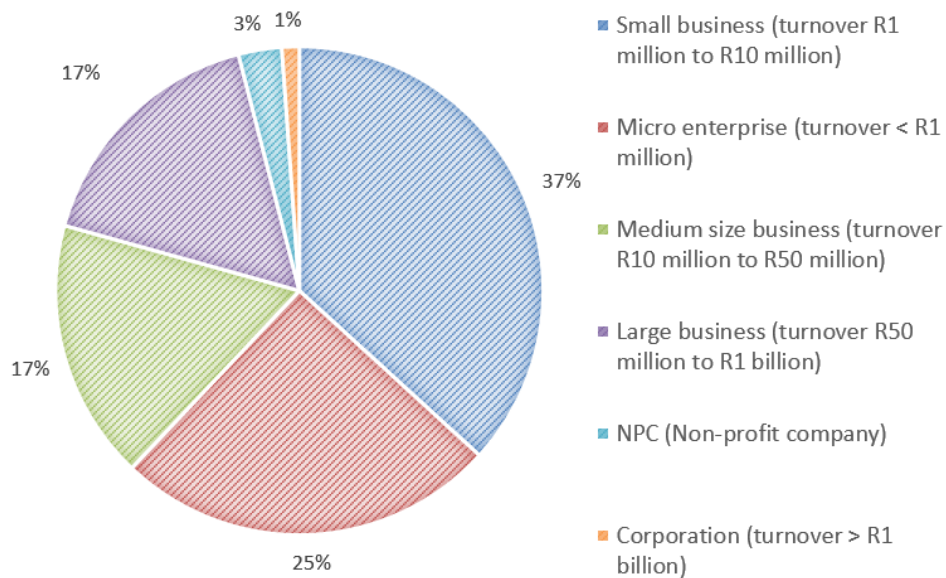


Economic sector participation in the iBCI survey:

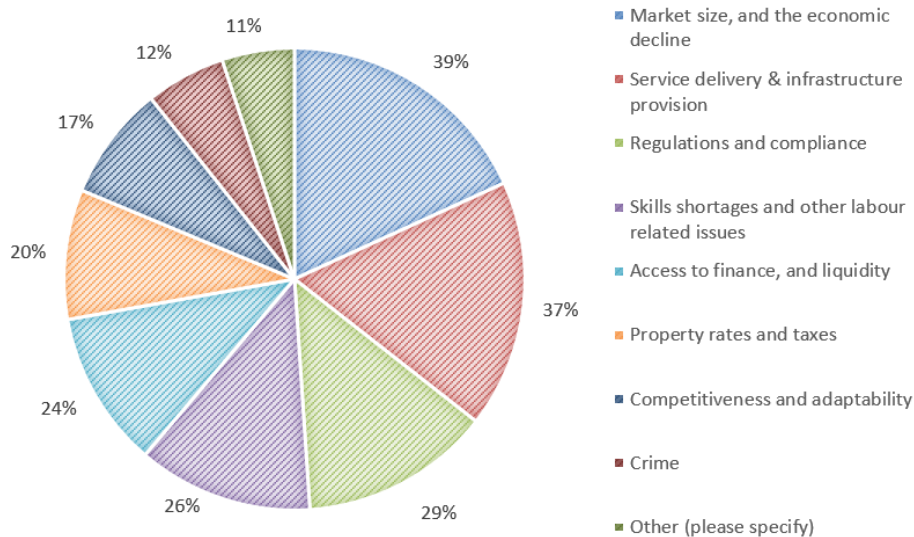


The majority of businesses participating in the 2024 Year-End iBCI Survey operated within the *Construction, Property Development, Property Sales* sector (26%), followed by the *Tourism, Catering, Accommodation, Property Management* sector (17%), *Education, Financial & Business Services (incl. IT, Media, Security & related)* (15%), *Wholesale, Retail, Vehicle Trade* (14%) and the *Manufacturing, Assembly* sector (12%).

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 56% of participating businesses as primary **constraints to conducting business** in the iLembe District.

The public sector indicators of *Service delivery & infrastructure provision* (37%), *Regulations and compliance* (29%), and *Property rates and taxes* (20%) were selected by 86% of business respondents as primary business constraints.

3. 2024/25 Christmas Holiday Trading

The Survey component of the iBCI 2024 Year-End requested feedback on the 2024/25 Christmas Trading Period, the golden trading period for the wider iLembe District.

Enterprise iLembe's Tourism Performance Bi-Annual Report for the period July to December 2024 indicates that the KZN North Coast welcomed 401,143 visitors, with accommodation establishments reporting occupancy levels of 66%. This was an increase of 11.86% in occupancy levels compared to the same period in 2023, and compares favourably to previous occupancy levels of 59% (2022) and 55% (2021).

Chronic risks to the tourism appeal of the KZN North Coast stubbornly persists. The condition of beach nodes and ablution facilities were highlighted.

"Tourists have a long memory and those inconvenienced during December won't be back, and they will tell their friends how they had to endure the heat when the power was off on some of the hottest days of the year."

"January 2025 some guests cancelled or wanted to cancel due to power outages, which can't happen again. The Dolphin Coast was definitely busier as control of beach access was great, but something needs to be done about traffic control on the beach road especially by Thompson's Bay. We need to limit guests onto Thompson's Bay and encourage guests to visit other beaches in the area. Around the peak holiday period, people were flocking to Thompson's Bay beach and parking was a nightmare, whereas Salt Rock and Ballito Main Beach had plenty open spaces."

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

2024/25 Holiday Season Scorecard	
Traffic management and control (especially primary shopping nodes)	56%
Provision of additional services to accommodate influx, e.g. waste collection and litter picking	58%
Visible policing and the enforcement of municipal bylaws	61%
Response from authorities to service interruptions	38%

4. SACCI BCI 2nd half 2024

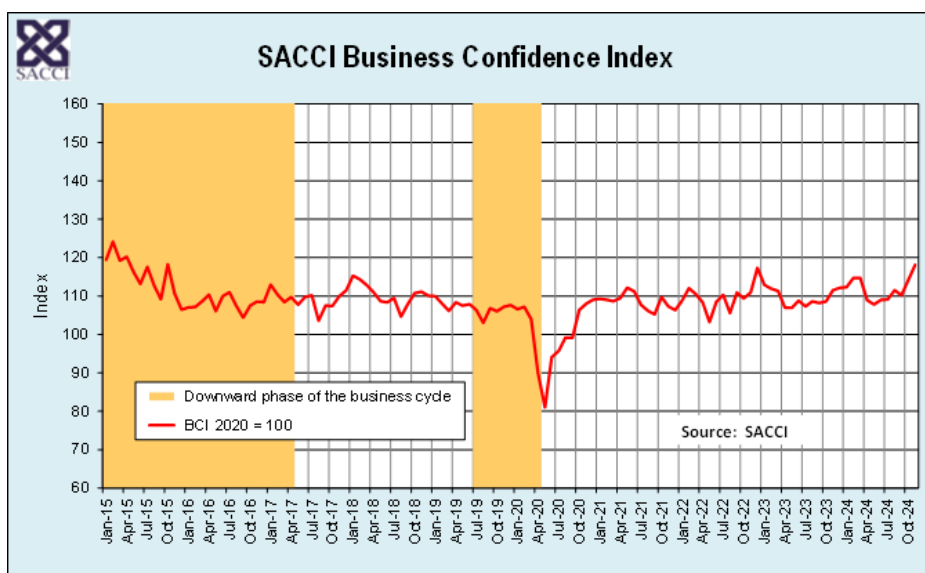
The SACCI Business Confidence Index (BCI) with 2020 as base year (2020=100) is a composite index of economic and financial indicators that inform overall business sentiment in South Africa.

After averaging 111.2 in the 1st half of 2024 with the highest level at of 114.7 in March 2024,

the BCI improved to 121.0 in December 2024 and averaged 114.0 in the 2nd half of 2024.

Between June 2024 and December 2024 eight of the fourteen sub-indices had positive impacts on business confidence.

Major negative impacts on business confidence over this period were caused by new vehicle sales and export volumes.



5. Macro-Economic Review 2nd half of 2024

The South African economy continues to face structural and performance challenges, resulting in sluggish real economic growth, persistently high unemployment, and significant socio-economic backlogs.

However, several positive developments emerged in the second half of 2024, including:

- o Improvements in power generation

- The formation of the Government of National Unity (GNU) in June 2024, which brought greater political stability
- Moderation in inflation
- An interest rate cut by the SARB, easing financial pressures
- A slight decline in unemployment, though levels remain high
- Potential for improved economic growth in 2025

These factors suggest a more optimistic outlook, though structural reforms remain crucial for sustained economic progress.

The South African economy continues to face several key challenges, including:

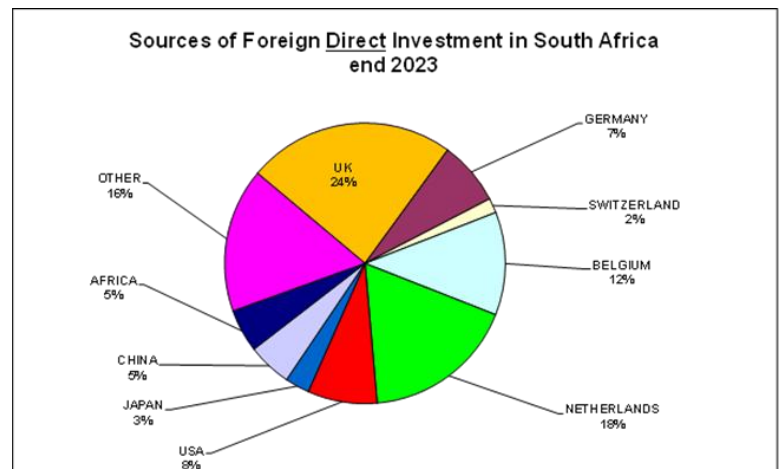
- Limited domestic capital and fixed investment (refer to figures)
- Ongoing disruptions in rail and port operations, impacting trade and logistics
- Sluggish economic growth in 2023 and 2024 (see figures below)
- Extreme weather events, including floods and severe droughts
- Persistent public sector deficits
- Public debt exceeding 75% of GDP by the end of 2024

Addressing these structural constraints remains critical for fostering long-term economic stability and growth.

Figure 1



Figure 2



Source: SA Reserve Bank. Quarterly Bulletin, December 2024.

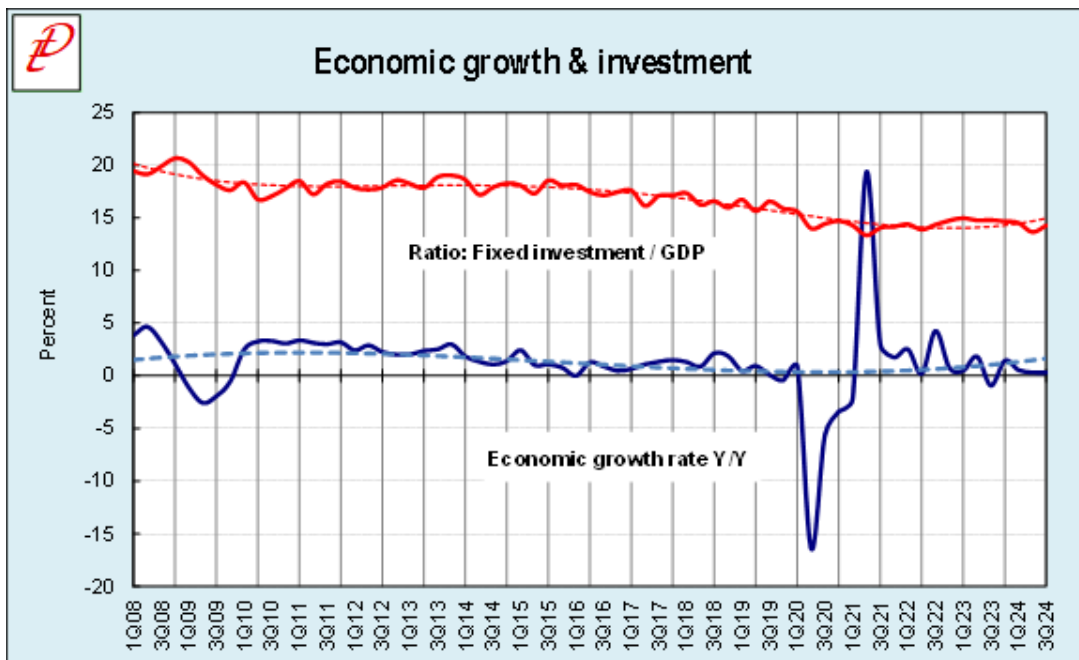
Up to the 3rd quarter of 2024, four of the ten main sectors experienced negative year-on-year economic growth – see tables below.

These include labour intensive sectors like Construction (-7.9% y/y), Agriculture, Forestry and Fishing (-10.5% y/y), and Wholesale and Retail Trade, Hotels and Restaurants (-2.6 y/y).

Electricity and Water; Personal Services; and Financial, Real Estate and Business Services recorded year-on-year growth in the 1st three quarters of 2024.

GDP GROWTH							
SECTOR	2022	4Q 2023	2023	1Q 2024	2Q 2024	3Q 2024	¾ 2024
	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
Electricity and water	-2.9%	0.8%	-4.0%	1.6%	5.1%	6.2%	3.4%
Finance, real estate and business services	3.3%	3.1%	1.6%	2.5%	3.6%	3.9%	3.0%
Personal services	2.5%	3.7%	1.8%	2.4%	2.2%	1.4%	2.3%
Transport and communication	8.6%	3.9%	4.1%	1.4%	0.6%	-1.7%	1.0%
General government services	0.4%	0.8%	0.5%	0.4%	1.4%	0.1%	0.9%
Mining and quarrying	-7.3%	3.4%	-0.5%	0.6%	-0.2%	1.4%	0.2%
Manufacturing	-0.4%	2.0%	0.3%	-0.4%	-1.4%	0.8%	-0.9%
Wholesale and retail trade; hotels and restaurants	3.4%	-2.4%	-1.8%	-2.8%	-2.4%	-1.9%	-2.6%
Construction	-3.2%	-4.5%	-0.1%	-8.7%	-6.9%	-2.9%	-7.8%
Agriculture, forestry and fishing	2.0%	-21.4%	-4.8%	-3.8%	-15.1%	-29.6%	-10.5%
GDP excluding general government	2.1%	1.4%	0.7%	0.6%	0.2%	0.3%	0.4%
GDP excluding agriculture	1.9%	1.9%	0.8%	0.7%	1.0%	1.2%	0.8%
GDP at market prices	1.9%	1.4%	0.7%	0.5%	0.3%	0.3%	0.4%

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



Source: SA Reserve Bank. Quarterly Bulletin, December 2024.

6. Conclusion

The iBCI Year-End 2024, recorded at 53.4 index points, reflected a relatively optimistic national trading environment, driven by relief from load shedding and positive sentiment toward the Government of National Unity (GNU) and the KZN Government of Provincial Unity (GPU).

However, the Year-End iBCI does not fully capture the frustration and reputational impact on the North Coast's investment climate caused by the prolonged and unplanned power outages during part of the survey period. Extensive press and social media coverage of these disruptions further highlighted concerns about business continuity and infrastructure reliability in the region.

Persistent uncertainty and weak confidence across key sectors in the region remain a concern, underscoring the need for a focused and coordinated approach to addressing fundamental issues. These include a responsive and efficient public sector, infrastructure revitalization, strengthened law and by-law enforcement, fostering community stability, reducing the cost of doing business, and eliminating regulatory red tape. Such measures are critical for enabling local businesses to navigate structural and modern economic challenges effectively.

Despite these hurdles, the iLembe District presents significant growth opportunities. The private sector and all levels of government remain committed to collaborative efforts aimed at stabilizing the local economy, supporting the growth and sustainability of small and medium enterprises (SMEs), and attracting investment into key economic sectors and strategic locations within the district.

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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.