

Joint Press Statement



07 October 2020

Embargo: For immediate release.

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iLembe COVID-19 Economic and Business Impact Assessment September 2020

Resulting from the acknowledged levels of business confidence existing in the iLembe District's economy, the iLembe Chamber of Commerce and Enterprise iLembe decided to postpone the 2020 Mid-Year iLembe Business Confidence Index (iBCI).

Valuable feedback was obtained from iLembe-based businesses as part of the COVID-19 KZN Economic and Business Impact Assessment, conducted during May/June 2020.

The feedback highlighted the need for the periodic monitoring of the impact of the pandemic on local businesses and regional economies.

As a result, a further review of the impact of the COVID-19 pandemic, and the resulting regulatory limits on economic activity on businesses in the iLembe District, was conducted during September 2020.

The review assists understanding the ongoing impact of the pandemic on business, of different sizes, locations and sectors, across the iLembe District and will continue to shape interventions in support of the iLembe District's economic recovery.

Please note that the survey conducted during May/June 2020 incorporated Alert level 4 (effective 1 May 2020) and Alert level 3 (effective 1 June 2020). The follow-up survey conducted in September 2020 incorporated Alert level 2 (effective 18 August 2020) and Alert level 1 (effective 21 September 2020).

The iLembe Chamber partnered with Enterprise iLembe, with technical support provided by the Vuthela iLembe LED Programme, in delivering this assessment.

Impact:

- In May/June 2020, during Alert levels 4 and 3, 3.8% of responding businesses faced permanent closure. All these businesses had less than 50 employees.
- The percentage of businesses facing permanent closure, among respondents in the September 2020 survey, reduced to 2%. These businesses operated in the *Tourism, Catering, Accommodation, Property Management* and the *Wholesale, Retail, Vehicle Trade* sectors.
- The lessening of the impact, through the reduction of alert levels, is further demonstrated by the reduction in businesses facing “*Temporary closure*”, from 53% in May/June 2020, to 12% of responding businesses in the September 2020 survey.
- Half of the businesses who indicated “*Temporary closure*” as an impact, importantly, were from the *Tourism, Catering, Accommodation, Property Management* sector, whilst the *Construction, Property Development, Property Sales* sector was also severely impacted.
- Similarly, 19% of responding businesses reported “*No impact*” in the September 2020 survey, compared to only 5.5% in May/June.
- Despite a lessening of the impact resulting from the reduction in alert levels, the impact on business remains severe, with nearly 53% of responding businesses indicating a decline of operations of 50% or more.

Nature of impact:

- In gaining an understanding of the nature of the impact on businesses, respondents to both surveys indicated that “*Decline in demand for products and services*” was the most significant means of impact. As the economy opens up, this impact has diminished from nearly 70% of respondents in May/June 2020, to just below 60% of survey respondents in September 2020.
- When comparing the May/June survey with September 2020, the most significant change is around the inability of business to meet fixed operational costs – in May/June 58% of businesses reported this impact, whilst 31% did in September 2020.
- The “*Restructuring of operation and/or business*” (37%) and “*Cancellation and postponement of capital projects*” (33%) remains a significant, and concerning, impact -

such restructuring and capital projects are normally indicative of business expansion and/or operational improvements.

Impact on turnover:

- Almost a ¼ of responding businesses indicated that turnover was reduced by 50% or more, whilst a further 28% indicated a reduction in turnover of between 25% - 50%.
- Transaction data made available by Zapper, the local contactless payment provider, indicated that restaurant spending, both value and volume, was down almost 90% during Alert Level 5, improving through the various levels to be nearly at 100% of normal trade, pre-pandemic, on Alert Level 1.
- The importance of e-commerce during the lockdown is evident. Although 40% down during the severe restriction imposed as part of Alert Level 5, this sector showed an increase of 80% in volume during Alert Level 4. Especially of significance is the 130% increase in the value of daily average transactions compared with the daily average pre-Covid.
- As widely reported the impact on the local Tourism sector was significant, with no visitors being recorded during April 2020, and July 2020 visitor numbers only slightly increasing to 26% of the 2019 visitors' total. The data also shows an 86% decrease in tourist spend during the period March to July 2020, compared to the same period during 2019.

Impact on employees and staffing levels:

- With permanent redundancies being recorded by 12.5% of responding businesses in May/June 2020, and 7% of businesses in September 2020, it is evident that redundancies are continuing to take place under the reduced alert levels, albeit at a lower rate.
- Unaffected employee and staffing numbers were reported by 37% of companies in September 2020, signalling workforce stability being restored when compared with only 12% of business being unaffected in May/June 2020.
- The impact of the pandemic on employee and staffing levels remain significant with almost a quarter of businesses reporting that they were severely affected, and almost ⅓ reporting that employees have been forced to take paid leave and wages were only normalised through UIF TERS support.
- Not only does this put pressure on disposable income, it is expected to have a significant indirect and induced economic impact on the local iLembe economy.
- The total numbers of employees being made permanently redundant since the restrictions being imposed on economic activity, by responding businesses only, was 351 employees. It is worth noting that 120 jobs lost was reported by one company.

Relief funding and support:

- The most common form of business support applied for, in both the May/June and September 2020 surveys, was the UIF TERS benefit.
- This is followed by relief through financial institutions (53%), and privately funded business relief (43%) – a pattern similar to the May/June 2020 survey.
- 96% of respondents indicated that they did not receive any support from district or local government, whilst 1% indicated that they received financial support.

Business future and nature of support required:

- Indicating an improvement in the business climate, only 3% of companies indicated that they would last less than a month, compared to nearly 20% in the May/June 2020 survey.
- Grounds for concern around business viability however remain, nearly a third of businesses surveyed reported that they will not last beyond 6 months under the current relaxed alert levels.
- Mirroring the nature of support required, the vast majority of businesses indicated that the relaxation of regulations to normalise trade is the most important means of support required.
- Relief from banks and financial institutions, such as payment holidays with no penalties was also identified as an important means of support.

iBCI Activity Index component:

- The iBCI Activity Index lost 13.7 index points, from the 2nd half of 2019 to record a low of 34.0 index points for the 1st half of 2020.
- Five of the eight sub-indices of the iBCI Activity Index pulled the index down from its 2nd half 2019 levels.
- Tourism was the hardest hit with a -57% decline, followed by Construction -45%, Manufacturing -19%, and Trade -12%.

SACCI BCI

- After the SACCI Business Confidence Index (BCI) declined by 1.6 index points in the 2nd half of 2019 to 91.8, the BCI averaged 84.0 in the 1st half of 2020 with base-year 2015=100.
- The SACCI BCI declined from an average of 91.6 in the 1st quarter of 2020 to 76.4 in the 2nd quarter of 2020, but improved to 84.8 in the 3rd quarter of 2020. Measuring 77.8 in April 2020, the BCI retreated further to 70.1 in May 2020 after unexpectedly extending the strict lockdown to May 2020 with various contentious regulations being announced. This is the lowest level since the inception of the SACCI BCI in 1985.

In summary

The follow-up assessment on the impact of the Covid-19 pandemic on the iLembe economy and its businesses, conducted during September 2020, highlighted the key changes in economic activity when compared to the May/June 2020 survey.

It also highlighted the severity of the impact of the pandemic enforced lockdown on business and the region's economy – and emphasising that a sustained recovery of the regional economic cannot be reliant on the relaxation of the remaining lockdown regulations only.

With our regional economy and business confidence remaining fragile, enabling policies, processes and performance at local and district government level remain essential to restoring economic growth and job creation. This is especially relevant to vulnerable sectors, but also key economic sectors.

The private sector and all levels of government within the iLembe District remain committed to partnering on specific initiatives that will aid the viability and growth of small and medium enterprises and secure investment in key economic sectors and geographies in our district.

Release of 2020 Year-End iBCI

Mid-February 2021

Attachments

iLembe COVID-19 Economic and Business Impact Assessment - September 2020 Review

End