

Joint Press Statement



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iLembe Business Confidence Index (iBCI) – 2021 Mid-Year

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 2021 Mid-Year iBCI was conducted amidst the ongoing economic restrictions associated with the Covid-19 Risk Adjusted Strategy, as well as the worst civil unrest in democratic South Africa that affected KwaZulu-Natal and Gauteng.

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.

Highlights and Key Findings

- Business sentiment in the iLembe District, as measured through the iBCI Survey Index, has plummeted to its lowest level since the inception of the iBCI – it is also the 2nd successive survey period recording record lows, confirming the downward spiral of economic sentiment. The Covid-19 crisis, combined with the civil unrest in the iLembe District, ravaged business sentiment and created significant uncertainty within the regional economy.
- A positive iBCI Economic Activity Index contributed to the combined hybrid iBCI (i.e. both the Survey and Economic Activity Indices) showing a positive adjustment of 2.8 index points in this ½ year period, compared to the 2nd half of 2020, the lowest level ever recorded.

- The iBCI 2021 Mid-Year was recorded at 43.9 index points, remaining solidly entrenched in negative territory, i.e. below the neutral level of 50 index points.
- All the **business indicators** included in the **iBCI Survey Index** remains in the negative. Whilst the business sentiment around *Levels of Employment* improved slightly compared to the lows of the previous 6 months, it remained at the 2nd lowest level since the commencement of the iBCI Survey - indicating the continued deterioration of our region's employment dilemma.
Sales Volumes, as an indicator of business performance, return on sales efforts and trading location, was at the lowest level ever recorded. Similarly, *Order Book*, as a leading indicator of market depth and liquidity, was at an all-time low.
- With regards to business confidence **per economic sector**, all sectors recorded negative business confidence. The *Construction, Property Development, Property Sales* sector was the most confident economic sector. The KZN unrests contributed to the negative sentiment in this sector, with disruptions to existing contracts, impact on market demand, and investor sentiment being quoted as determinants of rebuilding, reinvestment, and new investments. Views expressed by responding businesses repeated concerns pertaining to delayed planning approvals and unwieldy building control processes.
- Having felt the full brunt of the pandemic induced economic restrictions, including limitations brought about by Risk Adjusted Alert Level 4 implemented from 28 June to 25 July 2021, the *Tourism, Catering, Accommodation, Property Management* was the most pessimistic sector. The safety and security concerns, and travel disruptions brought about by the KZN Unrests 21/7, added to distress of businesses continued struggle to plot an escape from the dire state of this sector. The common concern expressed was the urgent need to attract local and international tourists back to the North Coast of KZN, and to reassure them that it is a safe destination. The impact of event tourism being suspended, e.g. the cancellation of the Comrades Marathon and postponement of the Ballito Pro, is a body blow for the sector, and the end of the road for many businesses therein.
The comments by respondents to the survey paints the picture of an all-important local industry on its knees.
"The stop start of the covid lockdowns is play havoc (*sic*) on cashflow and a normal very profitable, well-run business is floundering."
"Short timed staff - have applied for TERS – high rates, taxes and water costs and not able to pay suppliers. Help please."
- The diminishing confidence in the *Manufacturing, Assembly* is driven by a variety of factors influencing sentiment. Load shedding/load curtailment, power failures, industrial and community unrest, inadequate security, and decaying and inadequate infrastructure

in industrial nodes, continue to undermine the sentiment in this sector, with a number of respondents indicating that alternative industrial premises are actively pursued. The availability and pricing of raw materials, combined with stagnant or declining market prices further add to the woes of this sector.

In general, a lack of support of industry, by local authorities, and ineffectual macro-economic initiatives such as the localisation policy, was highlighted as a risk to the re-industrialisation of our region's economy.

- The iBCI survey also reflects on business expectations and outlook over the next six months. **Business expectations** for the 2nd half of 2021 improves markedly, but remains negative. This dejected business outlook emphasises the extreme disruption caused by the pandemic induced lockdown regulations and apprehension in the aftermath of the KZN unrests. Local businesses are not convinced that the destructive impact of the pandemic and the unrests, on our region's economy will improve significantly over the next 6 months.
- The majority of responding businesses, i.e. 45%, indicated that the market uncertainty brought about by the Covid-19 pandemic, and the inconsistency of responses to mitigate the business impact thereof, has presented itself as the **biggest constraint to conducting business** in the iLembe District. The contracting national economy, the related low overall business confidence and the disrupted regional trading environment resulted in the two market related indicators of *Competition* and *Market Size* jointly being the most significant business constraints selected by 53% of participating businesses. 18% of survey respondents listed *Regulations and compliance* as primary business constraints. Two further public sector indicators, *Service delivery & infrastructure provision* and *Property rates and taxes* were perceived business constraints of 21% and 18% of responding businesses respectively - making these three public sector indicators being chosen by 57% of respondents as the primary risk to business.
- The **Activity Index**, which measures actual major economic activity in the iLembe region and reflects the potential if businesses were in a position to utilize the business climate as indicated by the economic backdrop/indicators, was the saving grace for the hybrid iLembe Business Confidence Index (iBCI). The Activity Index was recorded at its highest level since inception of the iBCI, and brings a welcomed balance to the negative business sentiments expressed.

In conclusion

The Covid-19 crisis, combined with the civil unrest in the iLembe District, ravaged business sentiment and created significant uncertainty within the regional economy.

Resolute political leadership, intent on reassuring the private sector of an improved and supportive business and investment environment, speedy relief to affected businesses, and an improved trajectory of the vaccine rollout will aid our region's business recovery timetable.

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.

Release of 2021 Year-End iBCI

February 2022

Attachments

iLembe Business Confidence Index Review 2021 Mid-Year.

Why measure business confidence?

The measurement of business confidence is considered significant since it indicates the current and expected state of a region's economy. It is widely recognised that business leader's subjective, individual expectations play a key role in economic developments. It also considered as a very good leading indicator of the overall business cycle in South Africa and its regions.

What is the iBCI?

The iBCI is a biannual index that reflects on the business climate in the iLembe District. The index considers economic and market-related aspects that have a bearing on the business mood, amongst businesses, in the iLembe District of KZN.

It is likely that a region's business mood will be influenced both positively and negatively by various developments in markets and the economy as a whole and the iBCI seeks to reflect the net results of these influences.

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