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iLembe Business Confidence Index (iBCI) – 2025 Year-End

The iLembe Chamber of Commerce, Industry & Tourism, in partnership with Enterprise iLembe, collaborate to produce the iLembe Business Confidence Index (iBCI), aimed at providing a biannual picture of business confidence in the iLembe District, as well as an overall business outlook.

The iBCI is a hybrid index derived from two components:

- a biannual business confidence survey conducted among businesses operating in the iLembe District, and
- a weighted composite index of key financial and economic activity variables relevant to the regional economy.

The iBCI for the second half of 2025 were shaped by a more stable macroeconomic environment. Moderating inflation, improved financial conditions, a stronger rand, and firmer retail, tourism, and construction activity supported business sentiment, despite overall economic growth remaining subdued.

The KwaZulu-Natal Government of Provincial Unity (GPU) initially provided greater political stability. Business confidence was dampened by late 2025 as the NFP threatened to exit the GPU, a move that eventually materialised and triggered a legislative deadlock.

At local government level, ongoing governance, infrastructure, and service delivery challenges continued to weigh on business confidence and investment decisions. At KDM parallel investigations and regulatory processes involving KZN COGTA, the Special Investigating Unit (SIU), and NERSA's Electricity Infrastructure Audit further reduced planning certainty and investor confidence.

- The **iLembe Business Confidence Index (iBCI)** for the Year-End 2025 was recorded at **55.5** index points, its highest level since the iBCI commenced. This represents a 2.9 index point increase compared to the first half of 2025 and a 2.1 index point improvement year-on-year.
- The **iBCI Economic Activity Index** component was recorded at **58.6** index points, marking the eleventh successive period of positive economic activity in the district. The combination of sustained positive economic activity and improved business sentiment resulted in the hybrid iBCI reaching a new historical high.
- The **iBCI Survey Index** strengthened further and was recorded at **52.5** index points, only the fourth time since inception that business sentiment shifted into positive territory.

- All **business indicators** were positive except *Late Delivery of Orders/Delayed Provision of Services*, which remained negative despite an improvement.

Sales Volumes (58.1) and *Order Books (50.9)* showed strong improvement.

Inventory Levels (50.5) remained marginally positive, despite softening from the previous period.

Employment levels (56.3) remained positive, despite a marginal softening, indicating continued confidence in job retention and selective job creation.

- Business confidence remained uneven across **sectors**. Positive sentiment was recorded in *Agriculture, Transport, Construction, and Tourism*, while *Manufacturing, Wholesale & Retail,* and *Education and Business Services* remained below the neutral threshold. Despite improvements in several sectors, manufacturing- and retail-related activities continued to face margin pressure and constrained demand.

Sentiment in critical regional economic sectors were as follows:

Tourism, Catering, Accommodation, Property Management sector (58.8;>14)

Construction, Property Development, Property Sales sector (56.2;>4.3)

Agriculture, Forestry, Hunting (55.4;>5)

Manufacturing, Assembly sector (47.7;<3.7)

Wholesale, Retail, Vehicle Trade (47.3;>2.9)

Business expectations for the first half of 2026 remained positive at **55.8** index points, although expectations in the *Wholesale & Retail and Health & Wellness* sector remained subdued.

Market-related constraints, notably market size, economic decline, competitiveness, and adaptability, were identified by 50% of respondents as primary **business constraints**. Public sector-related constraints were highlighted by 86% of respondents, namely *Service delivery and infrastructure provision* (28%), *Property rates and taxes* (31%), and *Regulations and compliance* (27%).

Skills shortages and labour-related issues were cited by 29% of respondents, reinforcing concerns around productivity and growth capacity.

Attachment

iLembe Business Confidence Index Review 2025 Year-End.

Release of iBCI 2026 Mid-Year

Mid August 2026

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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