iLembe Business Confidence Index (iBCI)

2025 Year-End Review

February 2026

Insight ilembe
Chamber of Commerce Industry and Tourism

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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 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. The withdrawal of the NFP during the second half of 2025 however reintroduced uncertainty and moderated improvements in business confidence.

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.

2. Review of iBCI 2025 Year-End

The iLembe Business Confidence Index (iBCI) Year-End 2025 reflects a measured improvement in both business sentiment and economic activity across the iLembe District during the second half of 2025. This improvement occurred against a backdrop of moderating inflation, improved financial conditions, and firmer regional economic activity, albeit within an environment that remains constrained by structural and institutional challenges at national, provincial, and local government level.

From a broader economic perspective, the second half of 2025 benefited from a calmer and more predictable environment.
Inflation eased further, averaging around 3.5%, which helped to stabilise input costs and improve planning certainty for businesses. It also supported better access to credit and reduced pressure on household spending. The stronger rand helped keep imported prices down, although it made exports slightly less competitive for some local producers.

National economic activity showed modest improvement compared to the first half of the year. Retail trade picked up, tourism numbers increased, and construction activity improved, all of which had positive spill-over effects for regional economies such as iLembe. While overall economic growth remained slow, the second half of 2025 was noticeably more stable and predictable than earlier periods.

Provincially, the Government of Provincial Unity (GPU) provided limited political stability. The NFP's mounting intentions to exit the GPU in late 2025, which culminated in an official withdrawal in January 2026, reintroduced uncertainty and weakened government coordination, dampening business confidence and fostering a cautious outlook.

At local government level the operating environment remained challenging. Ongoing concerns around governance, financial management, electricity losses, infrastructure maintenance, and service delivery reliability continued to affect business costs and confidence.

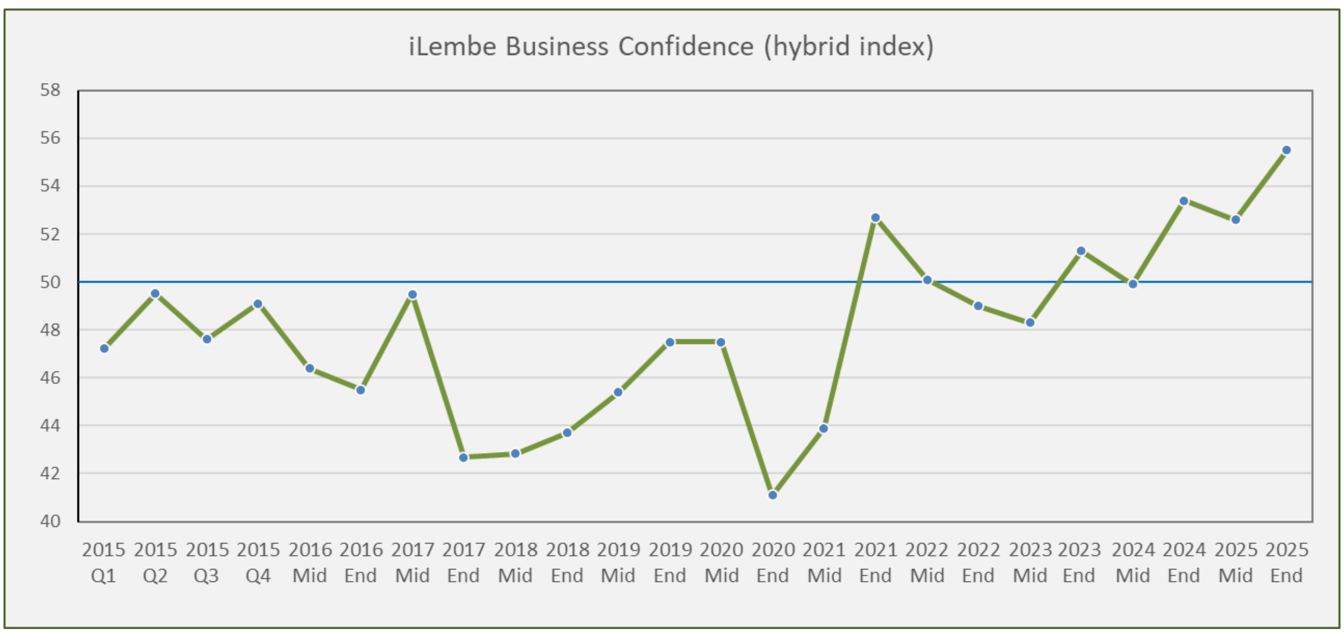
At the KwaDukuza Local Municipality, a series of parallel investigations and regulatory processes, by KZN COGTA, the Special Investigating Unit (SIU) and NERSA’s Electricity Infrastructure Audit, continue to weigh on business confidence, investment decisions, and planning certainty.

As predicted in the previous survey period's iBCI Expectations Index, the upbeat trading environment filtered through, despite the challenges at local level detailed above, and business sentiment in the iLembe District during the second half of 2025, as measured through the **iBCI Survey component**, increased by 5.1 index points in comparison to the previous period (1st half of 2025).
Business sentiment of business owners and business leaders was recorded as positive, for only the 4th time since the iBCI commenced, at **50.2 index points**. This level is also the highest level recorded of business sentiment recorded, and 2.3 index points higher than the same period a year earlier.

The **iBCI Economic Activity** Index element was recorded at **58.6 index points**, an improvement of .8 index points on the previous period and the eleventh successive period of positive economic activity in 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 2025 Year-End** was recorded at **55.5 index points**, an increase of 2.9 index points compared to the 1st half of 2025, and a 2.1 index point improvement Y/Y.



iBCI 2025 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**, strengthened and shifted decisively into positive territory.

The **iBCI Survey Index** was recorded at 52.5 index points, only the fourth 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. However, sentiment around *Inventory Levels* and *Employment* softened from the levels recorded in the previous survey period, despite remaining above the neutral threshold.

Sales Volumes (58.1;>11.5), as a measure of business performance, return on sales efforts and trading location, and *Order Book* (50.9;>7.8), as a leading indicator of market depth and liquidity, showed strong improvement.

Employment levels (56.3; <.6) remained in the positive, despite a slight decline in sentiment. The positive outlook on job retention and creation marks a noteworthy shift from one of the most persistent and challenging economic conditions.

Inventory Levels (50.5;<2), despite a decline were recorded in the positive.

Late Delivery of Orders/Delayed provision of services remained the only negative indicator, despite an improvement in sentiment (42.3;>1.2).

Business sentiment by **economic sector** is reflected in sectors recording either positive or negative confidence levels, measured relative to the neutral threshold of 50 index points, as outlined below:

Sectors recording positive sentiment are:

- Agriculture, Forestry, Hunting (55.4;>5)
- *Transport, Warehousing, Storage (56;>2.2)*
- *Construction, Property Development, Property Sales sector (56.2;>4.3)*
- *Tourism, Catering, Accommodation, Property Management sector (58.8;>14)*

Sentiment in critical regional economic sectors remain in the negative:

- *Education, Financial & Business Services (incl. IT, Media, Security & related) (48.7;>11)*
- *Manufacturing, Assembly sector (47.7;<3.7)*
- *Wholesale, Retail, Vehicle Trade (47.3;>2.9)*

Agriculture, Forestry, Hunting sector

The recovery of business sentiment in the *Agriculture, Forestry, Hunting* sector continued with a further improvement of 5 index points, an improvement of 15.1 index points compared to the same period a year ago. The confidence level was recorded at 55.4 index points.

Agricultural sentiment, particularly in the sugar sector, remained positive but cautious in the second half of 2025. Rising input costs, lower local sugar sales revenue, and the industry's competitiveness, emanating from tempered world sugar prices and the stronger rand, combined to constrain margins, limiting the positive impact of broader economic improvements.
The levels of sugar imports remain a material threat to local producers.

As reflected in the iBCI Survey, these constraints limited the extent to which improved economic activity translated into stronger forward-looking confidence.

Construction, Property Development, Property Sales sector

The improvement of business sentiment in the *Construction, Property Development, Property Sales* sector continued with a further improvement of 4.3 index points, resulting in business confidence in this key sector in the iLembe District's economy remaining above the neutral threshold at 56.2 index points.

Respondents reported improved sentiment around economic conditions, shaped by a buoyant demand-side, improved financing conditions, and ongoing structural constraints.
Concern was once again expressed about delays and inefficiencies in municipal planning and approval processes, including challenges with the electronic plan submission system, limited access to decision-makers, and inconsistent responsiveness from municipal officials.

Respondents also observed an increased presence of service providers from outside the iLembe District, intensifying competitive pressures in the local market.

"Trading was definitely better than the previous years as there where not too many utility restrictions compared to prior years, this however can still be improved in order to bring more business to local" (sic)

"Ilembe is well situated in KZN to host both local and national business activity" (sic)

"KDM approval process and commitment to timeous response to project submissions remain a problem." (sic)

Tourism, Catering, Accommodation, Property Management sector

Business confidence in the *Tourism, Catering, Accommodation and Property Management* sector recovered, during the current survey period, from a prolonged period of negative sentiment. A substantial improvement of 14 index points lifted this important local economic sector firmly into positive territory, with confidence registering at 58.8 index points.

The significant improvement in business sentiment in this sector in the second half of 2025 reflected improved trading conditions supported by a robust rebound in travel demand. South Africa welcomed over 10 million international visitors in 2025, and together with strong domestic travel resulted in particularly high occupancy levels along the KZN North Coast during a busy festive season.

It was highlighted by respondents that improved turnover did not always translate into higher profitability, as rising operating costs, particularly rates and taxes, continued to erode margins. Several respondents noted that while trade increased, consumer spending per head was down, with higher prices and an expanding number of competing restaurants and hospitality offerings dispersing expenditure across the area.

Operational and service delivery challenges remained a key concern. Increased visitor numbers placed pressure on parking, public infrastructure, beach management, and public order, with respondents highlighting limited visible policing, difficulties in managing beach crowds, and issues related to public drinking. Water supply was a challenge towards the end of the festive season, however, respondents acknowledged improved electricity stability, faster fault response times, and reduced downtime, helping operations to run smoothly overall, despite heightened activity levels.

"Trading was good. However, rates and taxes were too high..eats into our profits." (sic)

"The level of trade was exceeded. Trade was up but expenditure down yes trade improved We did not have long periods of electricity cuts and water cuts. Not enough police services to be seen around by the public." (sic)

"Better than anticipated with much higher demand. We kept very competitive rates and gave good discounts on longer stays." (sic)

"Concerned about the blitz that KDM did on accommodation providers. (Chamber to) Assist with facilitating dialogue between the Hospitality sector and KDM. Consultation needs to be conducted BEFORE bylaws are changed." (sic)

Manufacturing, Assembly sector

The *Manufacturing, Assembly* sector continues to reflect low confidence in the iLembe District, falling by 3.7 index points after a short-lived improvement in the previous period. This key labour-intensive sector slipped back into negative territory, recording 47.7 index points.

The *Manufacturing, Assembly* sector in the iLembe District continued to operate under pressure despite modest improvements in broader economic conditions. The strengthening of the rand lowered some input costs but reduced the competitiveness of locally produced goods, while subdued demand and limited pricing power constrained volumes and margins. These pressures were further compounded by declining disposable income, which continue to suppress demand for locally manufactured products, particularly in price-sensitive market segments.

Survey respondents highlighted rising operating costs as a major challenge for businesses, with electricity costs, specifically, escalating sharply over the past five years. Concerns were raised that these increases have not been matched by sufficient investment in maintaining and upgrading ageing electrical infrastructure. Persistent water supply and quality challenges were also identified as a critical operational risk, contributing to production disruptions and increased uncertainty for manufacturers.

Other operating conditions highlighted were disruptions linked to community members, business forums, and other entities. High crime levels in industrial areas continued to place pressure on profitability, with a significant share of earnings absorbed by security costs.

Negative publicity and illegal work stoppages added to the challenging operational environment, while ongoing skilled labour shortages remained a key constraint.

"Level of trading exceeded expectation for December 2025. Trading in 2024 was better than 2025. No, trading did not improve versus a comparable period from the recent past. Consumers buying power reduced & low prices from competitors." (sic)

"crime rate in industrial area.....30% of profits go for security and alarm services." (sic)

"Electricity costs have escalated far beyond manageable levels over the last 5 years. The money gained by the service providers are not adequately used to maintain the aging infrastructure."

"the biggest challege we face is the issue of water" (sic)

Wholesale, Retail, Vehicle Trade

Following a brief period of positive sentiment, business confidence in the *Wholesale, Retail, Vehicle Trade* sector declined by 2.9 index points, falling back below the neutral threshold to 47.3 index points.

Some respondents observed generally steady trading, supported by population growth, and year-round activity rather than sharp seasonal peaks. Businesses highlighted competitive pressures from large retailers, concept stores, and online platforms, altering buying behaviour and reducing market share for smaller and specialist operators. Respondents noted growth opportunities for businesses that can adapt through improved service, differentiation, and quality offerings. Concerns were raised around increased informal and external competition, and the need for greater support and skills development for local small businesses.

"Trading was flat at a order level. Margins were lower due to competitive market. Less profit in Dec 2025 vs Dec 2024" (sic)

"Steady trade but late start to season. Lots of people, but spend was down. Mood felt tired. New wave of spending, they buy differently, health is is not a top priority." (sic)

"turnover up due to price increases though number of transactions down , too much competition in the sector" (sic)

In terms of business sentiment across **regions** within the iLembe District, respondents in the **KwaDukuza Local Municipality** (54.9; >7.6) recorded the highest confidence levels, representing a notable reversal from the previous survey period. By contrast, the **Mandeni Local Municipality**, the district's primary industrial hub, recorded the weakest business sentiment (41.1;>8.3).

iBCI 2025 Year-End Business Expectations (1st half of 2026):

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

Business expectations for the 1st half of 2026 remain positive, recorded at 55.8 index points, 3.3. 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 *Wholesale, Retail, Vehicle Trade* and *Health & Wellness, incl Medical & Fitness* sectors whose business expectations remained in the negative.

iBCI 2025 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 58.6 index points, following an economic activity being recorded at 57.8 index points in the first half of the year, suggesting that general business prospects in the region remain firmly positive. The Activity Index for the 2nd half of 2025 reached its highest level since the commencement of the iBCI.

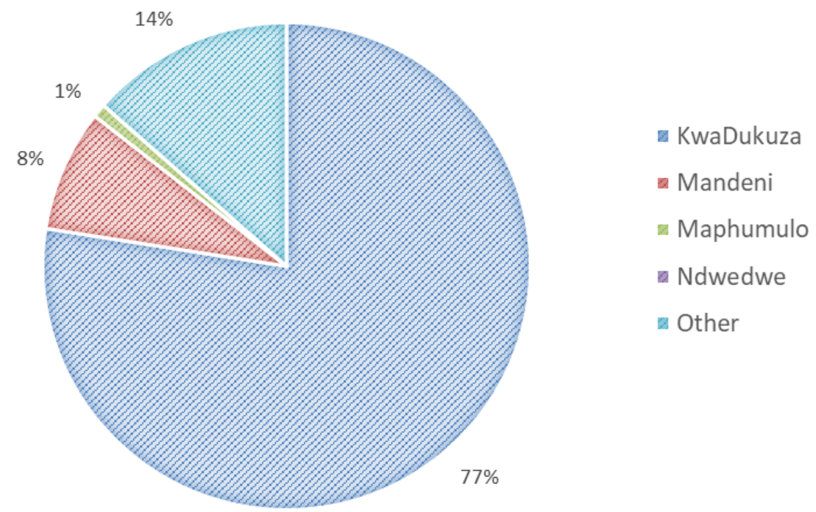
This improvement built on the recovery observed earlier in 2025 and reflects a more supportive economic environment relative to previous periods. The business activity in the second half of 2025 was underpinned by growth in retail trade, continued moderation in inflation, increased tourist arrivals, stronger construction activity, and improved access to credit, all of which supported economic momentum across the district. In contrast, declining international sugar prices and a stronger rand placed pressure on export-oriented activities and competitiveness, moderating the overall pace of improvement.

While the Activity Index confirms favourable business conditions at a regional level, structural constraints continue to limit the pace of expansion in certain areas. Ongoing service delivery challenges, infrastructure backlogs, and logistical inefficiencies remain key risks, particularly for businesses dependent on reliable utilities, transport networks, and tourism-related activity. These factors have contributed to uneven performance across sectors and have tempered business confidence, despite the generally positive outlook reflected in the Activity Index.

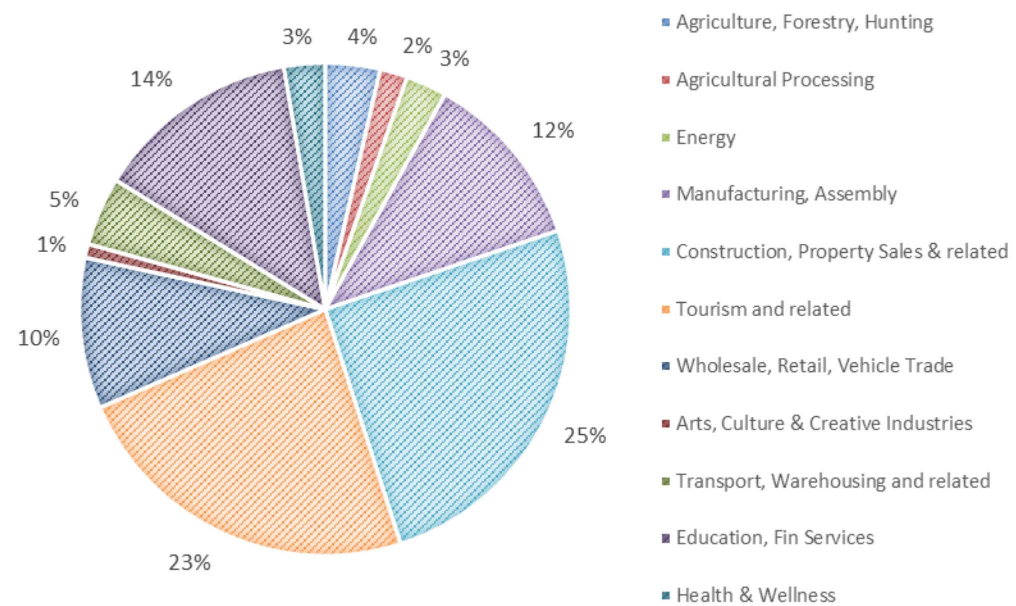
At a sub-regional level, economic prospects improved across all four iLembe local municipalities compared to the first half of 2025. Mandeni recorded a modest improvement of 0.6%, while stronger gains were observed in Maphumulo (+2.9%), KwaDukuza (+1.3%), and Ndwedwe (+2.0%). The overall economic prospects for the iLembe region improved by 1.1% over the previous period, indicating a broad-based recovery rather than growth concentrated in a single area.

Mandeni (+0.06%) **Maphumulo (+2.9%)** **KwaDukuza (+1.3%)** **Ndwedwe (+2.0%)**

iBCI survey responses from iLembe sub-regions

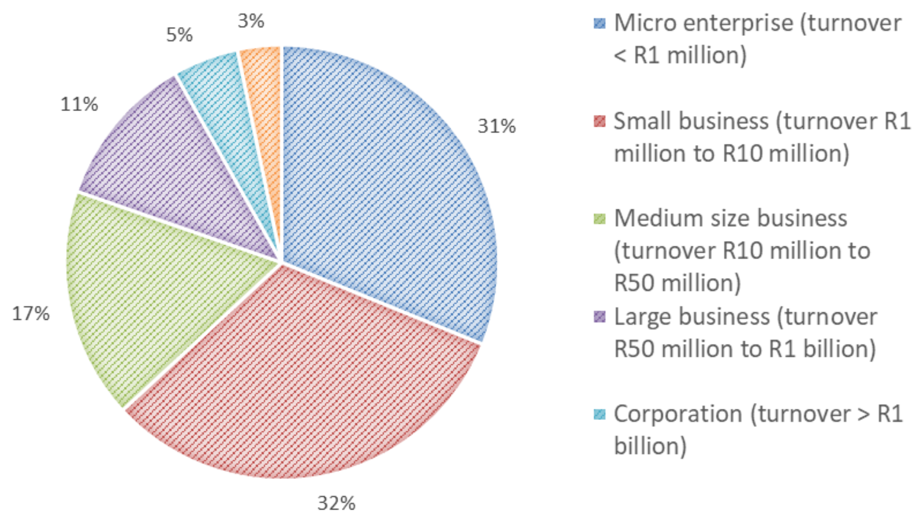


Economic sector participation in the iBCI survey:

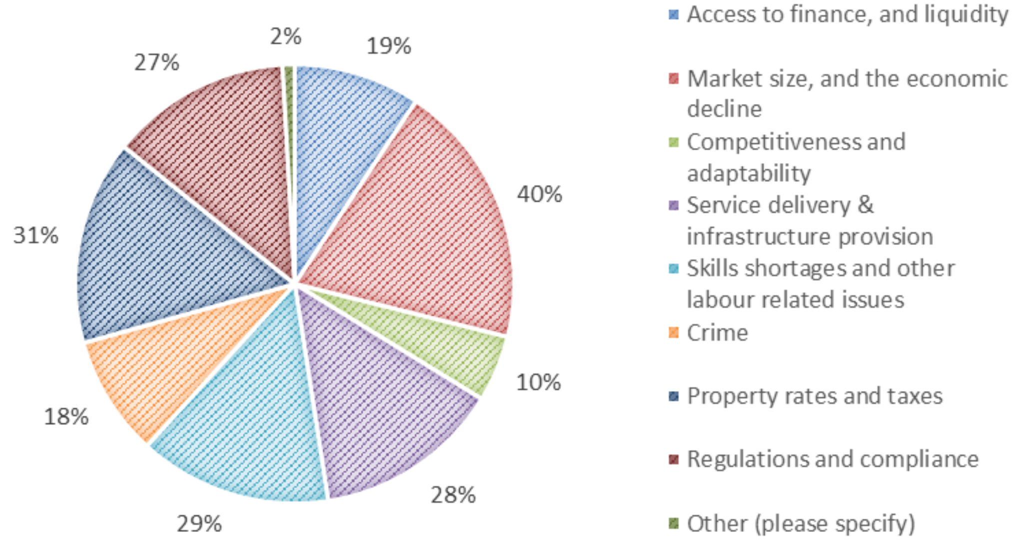


The majority of businesses participating in the 2025 Year-End iBCI Survey operated within the *Construction, Property Development, Property Sales* sector (25%), followed by the *Tourism, Catering, Accommodation, Property Management* sector (23%), *Education, Financial & Business Services (incl. IT, Media, Security & related*) (14%), *Manufacturing, Assembly* (12%), and the *Wholesale, Retail, Vehicle Trade* (10%).

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 50% of participating businesses as primary **constraints to conducting business** in the iLembe District.

The public sector indicators of *Service delivery & infrastructure provision* (28%), *Regulations and compliance* (27%), and *Property rates and taxes* (31%) were selected by 86% of business respondents as primary business constraints.

Skills shortages and other labour related issues were indicated by 29% of the respondents.

3. 2025/26 Christmas Holiday Trading

The Survey component of the iBCI 2025 Year-End requested feedback on the 2025/26 Christmas Trading Period, the golden trading period for the wider iLembe District.

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

> *"… The Beach Festival on the 27th is great for the young people in the area and it was well policed but we are never advised until the last minute of when it will happen and the constant noise for 12 hours is very damaging to the image of the village…"* (sic)
>
> *"Parking issues, infrastructure battles with influx of people" (sic)*
>
> *"Calmer period, uneventful, no lack of electricity."* (sic)
>
> *"The foot traffic was down in the **** and store turnovers were down compared to the 2024 December period. The spend per head was also down and I only can the local economic issues had something to do with this issue."* (sic)

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

2025/26 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	62% (>4%)
Visible policing and the enforcement of municipal bylaws	60% (<1%)
Response from authorities to service interruptions	57% (>19%)

Additional services (62%) showed a noticeable improvement relative to the prior survey period, with the most notable shift being in the response to service interruptions which improved materially compared to the 2024/25 season.

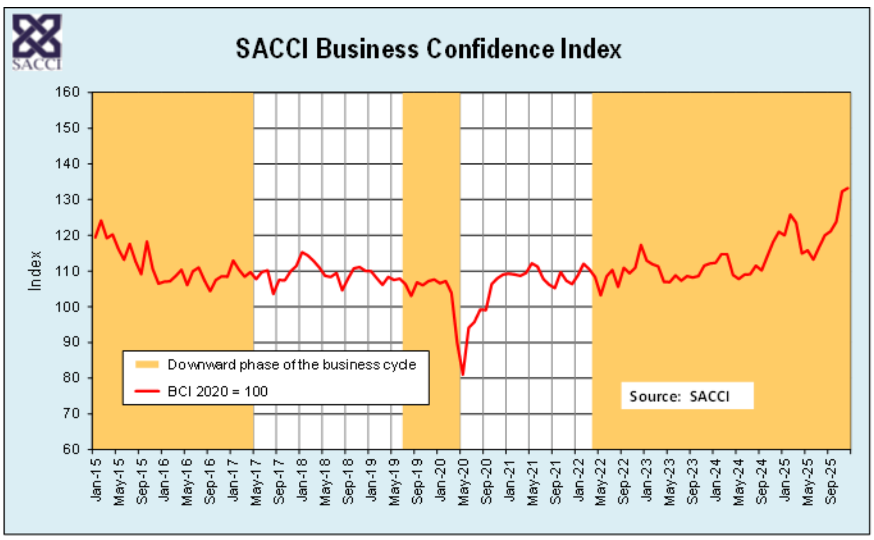
The feedback above suggests a more even service delivery profile during the 2025/26 holiday season, with fewer pressure points.

4. SACCI BCI 2nd half 2025

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

Between June and December 2025, eight of the fourteen sub-indices contributed positively to confidence, two were neutral, and four detracted from the business climate. Over this period, the BCI increased from 113.2 to 133.2, reflecting a strong but uneven improvement.

In the short term, the financial environment was broadly supportive, while real economic activity was marginally positive; over the medium term, financial indicators remained firmly positive, with real economic activity showing a more moderate but improving trend.



5. Macro-Economic Review 2nd half of 2025

The South African economy is still caught up in slow real economic growth, exceptional high unemployment and tight fiscal situation. Some positive developments took place over the last six months of 2025: the rand exchange rate improved against the US dollar, Euro, and British pound as currencies of major trading and investment partners; substantial rise in all-share prices on the JSE; continuing high US dollar price of precious metals; increase in new vehicle sales, lower consumer inflation and interest rates, and more steady electricity generation and lower fuel prices.

The slow growth trajectory, fiscal excesses, and public sector neglect of providing collective services are still contributing to economic ills, job losses, and high unemployment levels.

Remaining challenges for the South Africa economy are:

- Insufficient domestic savings capital and fixed investment;
- Improved but still sub-optimal rail and port operations;
- Subdued economic growth in 2024 and 2025 - see table;
- Challenging weather conditions;
- Government services in particularly local authorities lacking;
- Allegations of police corruption, rising criminality, political interference, and corruption in the criminal justice system, and
- Servicing public sector debt.

Figure 1

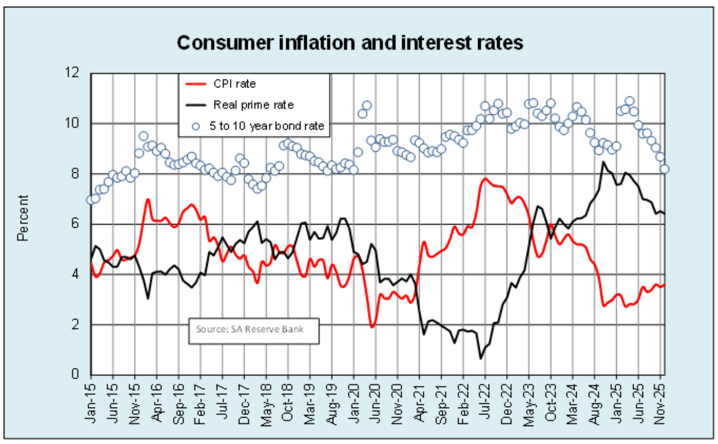
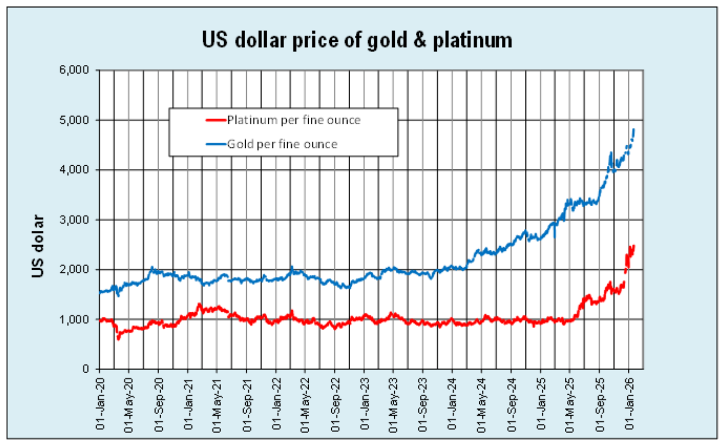


Figure 2



Source: Econdow

In the 1st three quarters of 2025 the output of five of the ten main sectors declined year-on-year, see table below. These include labour intensive sectors like mining & quarrying (-1.2%y/y) construction (-4.1%y/y), electricity & water (-3.2%y/y), and manufacturing (-1.5%y/y). Agriculture output rose by 19.52%y/y in the 1st three quarters of 2025.

GDP GROWTH						
SECTOR	2023	2024	1Q 2025	2Q 2025	3Q 2025	¾2025
	Y-o-Y %Δ	Y-o-Y %Δ	Y-o-Y %Δ	Y-o-Y %Δ	Y-o-Y %Δ	Y-o-Y %Δ
Agriculture, forestry and fishing	-4.6%	-8.7%	19.9%	2.1%	49.9%	19.5%
Finance, real estate and business services	1.4%	3.2%	3.7%	2.7%	1.9%	2.8%
Wholesale and retail trade; hotels and restaurants	-1.6%	-1.2%	1.2%	2.6%	3.7%	2.5%
Transport and communication	4.2%	-1.2%	-2.2%	1.3%	2.2%	0.4%
Personal services	2.1%	1.2%	-0.2%	0.2%	0.1%	0.1%
General government services	0.7%	0.3%	-1.0%	-0.2%	0.7%	-0.1%
Mining and quarrying	-0.1%	0.4%	-4.7%	-1.0%	1.8%	-1.2%
Manufacturing	0.4%	-0.4%	-2.1%	-1.5%	-0.9%	-1.5%
Electricity and water	-4.2%	3.5%	-1.1%	-2.2%	-6.2%	-3.2%
Construction	-0.5%	-5.4%	-3.9%	-3.8%	-4.5%	-4.1%
GDP excluding general government	0.8%	0.5%	1.0%	1.0%	2.2%	1.4%
GDP excluding agriculture	0.9%	0.8%	0.3%	0.8%	1.0%	0.7%
GDP at market prices	0.8%	0.5%	0.8%	0.9%	2.1%	1.2%

Source: StatsSA. December 2025. Note: Y-o-Y %Δ = year-on-year % change

Although the world is experiencing socio-political, geo-political and economic uncertainty, it is important that countries and economies adopt to changing circumstances for the best welfare and interests of their citizens. Under such oscillations it is important that business and investors are ensured or at least comforted, that stability and rational decision making will prevail in economic policy by taking a longer-term view and assessment of the outcome. International economic and business relations should be preserved beyond limited interests.

6. Conclusion

The iBCI Year-End 2025, recorded at 55.5 index points, reflects the highest level of business confidence since the index's inception. This improvement was supported by a more stable macroeconomic environment during the second half of 2025, improved electricity stability, moderating inflation, firmer regional economic activity, and a sustained recovery in business sentiment. While confidence strengthened meaningfully, gains remain uneven across sectors.

Structural and institutional constraints continue to weigh on business confidence and investment decisions, particularly relating to clean and effective governance, infrastructure, and service delivery at local level. Sectoral performance remains uneven, with confidence improving in Tourism, Construction, and Agriculture, while Manufacturing and Wholesale and Retail-related sectors remain below the neutral threshold. Rising operating costs, infrastructure reliability concerns, skills shortages, and competitive pressures continue to constrain growth.

The iBCI findings point to the need for a coordinated, outcomes-focused response centred on clean governance, predictable local government processes, accelerated infrastructure investment, stronger law and by-law enforcement, reduced regulatory burdens, and targeted skills and SME support.

Despite these challenges, the iLembe District continues to present meaningful growth opportunities, with sustained collaboration between the private sector and all spheres of government essential to stabilising the operating environment and further strengthening the region's investment appeal.

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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 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.

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.

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.