

# Joint Press Release



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## iLembe Business Confidence Index (iBCI) – 2015 Q1

In a regional first in South Africa, Enterprise iLembe in partnership with the iLembe Chamber of Commerce, Industry & Tourism have collaborated to produce the iLembe Business Confidence Index (iBCI) aimed at providing a quarterly picture of business confidence in the iLembe District, as well as an overall business outlook. The iBCI for the first quarter of 2015 is the first iBCI produced through collaboration between these two entities.

### **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 quarterly 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.

## Highlights and key findings

- The iBCI is a hybrid index derived from, firstly, a quarterly business survey conducted in the iLembe district and secondly, with a weighted index of financial and economic variables.
- The iBCI was recorded at 47.2 index points indicating lower, or negative, business confidence in the 1st quarter of 2015 compared to the 4th quarter of 2014.
- Both the survey component of the iBCI (45.8) and the activity measurement (48.6) were negative, i.e. below the significant level of 50 index points that reflect no change.
- The iBCI survey, which was conducted between 17 and 31 March 2015, suggests that 55.9% of the respondents were positive about business conditions over the next six months.
- Respondents felt especially upbeat about sales volumes, increased order book, sales prices and employment.
- 34.4% of respondents indicated that Service Delivery & Infrastructure Provision are the biggest constraints to business.
- Similarly, 34.4% of respondents have indicated that Skills Shortages & Other Labour Related Issues are a business constraint.
- Competition (31.3%) and market size (25%) were the next major business constraints. Combined, these two market related indicators were identified by more than 56% of survey respondents as a business constraint.
- Amongst smaller businesses (business with an annual turnover of less than R1million), 35% of respondents indicated Access to Finance as the biggest constraint to business.

## SACCI BCI

The SACCI BCI was recorded as 90.4 in the 1st quarter of 2015 – a gain of 1.1 index points on the 4th quarter of 2014. However, it is worth noting that the 1st quarter SACCI BCI is 1.3 index points lower than in the 1st quarter of 2014. Business confidence therefore appeared to be more depressed than in the 1st three months of 2015 than in the corresponding period of 2014. Despite the 1st quarter of 2015 BCI implied an improved business

confidence compared to the end of 2014, the overall economic situation is not supportive of a restored business mood.

Although the latest SACCI BCI figure is better than the 15-year low level for the BCI recorded in July 2014, the domestic and global business climate for South Africa have not been much changed since then.

### **In summary**

The South African economy remains characterised by the tapering off of the demand side on the one hand and impact of load shedding and labour strife on the supply side.

It appears that the trend within the iLembe region is not much different although local businesses are feeling much more positive about the short term future.

### **Release of 2015 Q2 iBCI**

Mid July 2015

### **Attachments**

- iLembe Business Confidence Index Review 2015 Q1
- 2015 Q1 iBCI Infographic

**End**