

Joint Press Release



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iLembe Business Confidence Index (iBCI) – 2015 Q2

Enterprise iLembe in partnership with the iLembe Chamber of Commerce, Industry & Tourism collaborate 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.

Highlights and key findings

- The combined hybrid iBCI for Q2 2015 was recorded at 49.5 index points; despite remaining in negative territory it is an improvement of 2.3 index points compared with the 1st quarter of 2015.
- The survey component of the iBCI, which was conducted between the 25th of June and 9 July 2015, reflected no change in sentiment (50.00) compared to Q1 of 2015, whilst the overall activity measurement (49.00) was negative, i.e. below the significant level of 50 index points that reflect no change.
- This quarterly improvement in the iBCI is in contrast with the national SACCI Business Confidence Index (BCI) which lost 3.3 index points in the 2nd quarter of 2015 compared to the 1st quarter of 2015. National business confidence worsened notably in the first half of 2015 and was at its worst level in 16½ years.
- The iBCI survey suggests a positive outlook on business conditions of 57.9 index points over the next 6 months. This positivity was especially supported by 66.28% of respondents indicating an increase in sales volumes and 50% of respondents indicating an increase in orders.

- The Construction, Property Development, Property Sales sector remains positively strong comparing 2015 Q2 vs 2015 Q1 whilst the 6 months outlook suggests an even more positive performance for this sector.
- The majority of respondents from the Agriculture, Forestry, Hunting and Agricultural Processing sectors expressed a deterioration in the trading environment compared with Q1 of 2015, as well as the outlook for the next 6 months of 2015.
- These sectors reported job losses as a result of the worst drought in a century and the accompanying water crisis.
- In some mill areas crop decrease is feared to be as high as 53% - which is likely to result in further job losses.
- Losses in output and increases in operational costs have resulted in earnings forecasts for businesses within these two sectors being severely negatively affected. It is also envisaged that suppliers of services to businesses in these sectors would not escape the impact.
- 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.

SACCI BCI

- The SACCI Business Confidence Index (BCI) measured 87.1 in the 2nd quarter of 2015 and lost 3.3 index points compared to the 1st quarter of 2015. The 2nd quarter 2015 SACCI BCI is also 3.3 index points lower than in the 2nd quarter of 2014.
- Business confidence worsened notably in the first half of 2015 and was at its worst level in 16½ years. The overall economic situation tightened further and it is anticipated to be even less supportive of the general business climate.

In summary

The overall South African economic situation has tightened further in Q2 of 2015 and it is anticipated to soon not be supportive of the general business climate, a sentiment supported by business confidence worsening to its worst level in 16½ years.

In contrast the quarterly iBCI for 2015 Q2 improved by 2.3 index points to 49.5 index points. Despite this improvement, the overall iBCI remained in negative territory and was

dominated by the devastating outlook for the agricultural and related sectors as a result of the drought and water crisis in the iLembe District.

Release of 2015 Q3 iBCI

Mid October 2015

Attachments

- iLembe Business Confidence Index Review 2015 Q2
- 2015 Q2 iBCI Infographic

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.

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