Dear Sir/Madam,

Please see the results from the 4th Quarter, 2012 Enterprise iLembe Quarterly Business and Tourism Surveys below. **Thank you to the many businesses who take the time to fill out this online survey each quarter**. This sort of research is scarce at district level and is, therefore, very valuable. Information is used to understand the business environment, analyse trends, provide information to potential investors, and guide future development.

The results form part of the Enterprise iLembe Quarterly Economic Indicators and Intelligence Report which can be found at the following web address:

http://www.enterpriseilembe.co.za/Media_Room/Research_Report/iLembe_Economic_Indicators/Pages/default.aspx

SALIENT POINTS:

- **The Business Confidence Index for Quarter 4 of 2012 is 7.2** The index has increased quite substantially by 20 points from quarter 3 2012 when it was 5.2. This is the highest since the commencement of this survey. Expectations for next quarter are neutral with the majority of businesses saying they expect conditions to remain unchanged.
- The largest constraints to business growth in quarter 4 are once again poor municipal services, the small size of the local market, and poor infrastructure (electricity, water and roads).
- **Tourism confidence has increased this quarter to 6.7** which, similar to other business confidence, is the highest since the survey commenced over a year ago.
- The major constraints to tourism include poor infrastructure and municipal services, poor marketing, crime and high costs of rates and property.

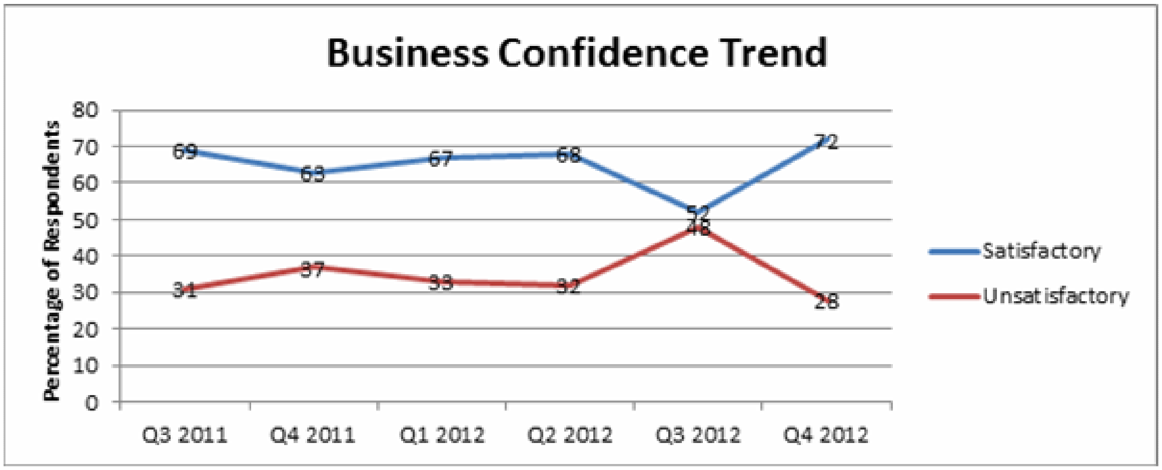
ENTERPRISE ILEMBE SURVEY REPORT: QUARTER 4: 2012

Both the business and tourism surveys are conducted online in the month after the end of each quarter, and run for approximately two weeks. Emails containing the unique link to the online surveys are sent out to businesses that are registered with the iLembe Business Chamber, and businesses on the Urban-Econ database (please contact Urban-Econ if you wish to be added to this database and receive the quarterly survey results). There are no criteria for businesses to take part in the business survey other than they must be located in iLembe. This is the fifth quarter in which this survey has been running.

BUSINESS SURVEY

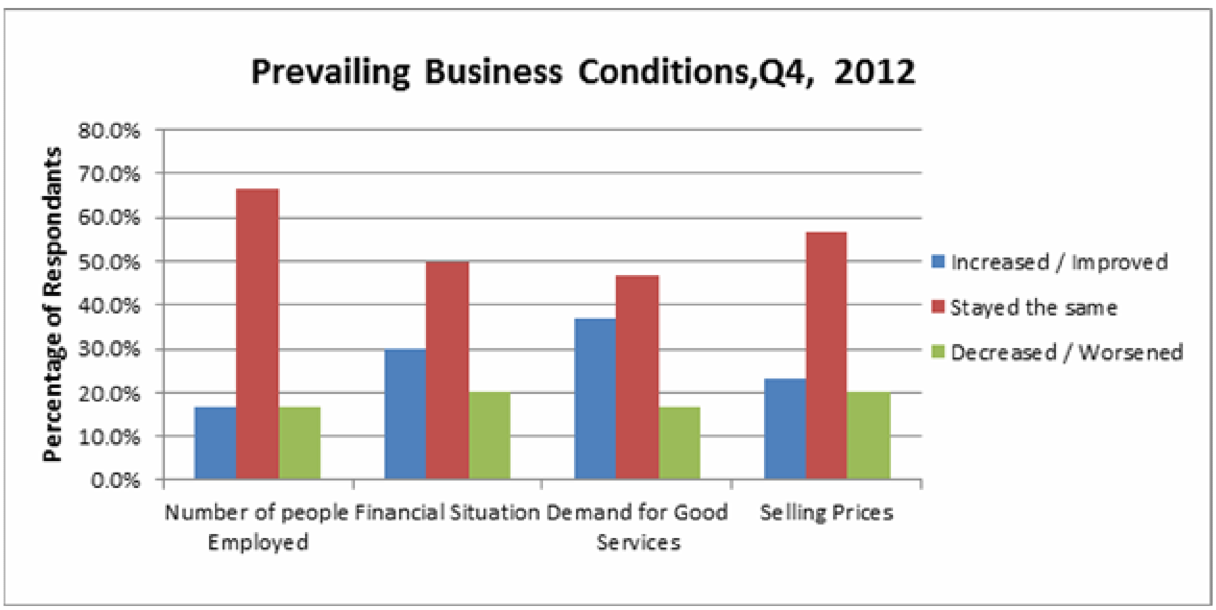
BUSINESS CONFIDENCE

Business confidence is represented by the number of respondents that are satisfied with the prevailing business conditions. **The Business Confidence Index for Quarter 4 of 2012 is 7.2** which means that 72% of respondents are satisfied with the business conditions. The index has increased quite substantially by 20 points from quarter 3 2012 when it was 5.2. This is the highest since the commencement of this survey as is portrayed in the graph below.



Prevailing Business Conditions

Businesses were asked to indicate movement (increase, decrease, no change) in certain indicators within their business in quarter 4, 2012 compared with quarter 3, 2012. As shown in the graph below, **the majority of respondents said that their business conditions had remained unchanged (between 45% and 67%).** Interestingly, the remainder was spread between improved and worsened conditions (between 30 and 20% respectively). The most positive results were for the demand of goods and services which 36.7% of businesses say has increased in quarter 4 (largely seasonal).



The largest constraints to business growth in quarter 4 are the same as in quarter 3. These are poor municipal services, the small size of the local market, and poor infrastructure.

Future Expectations

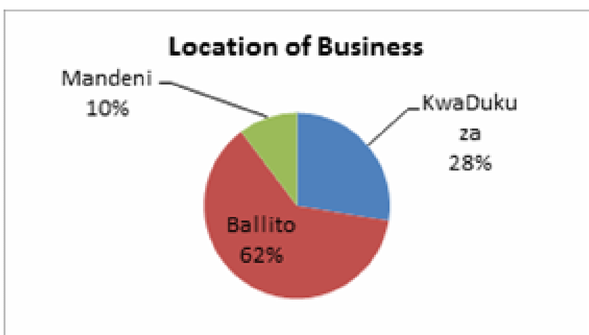
Businesses were asked to estimate movement in indicators within their business in the next quarter (1 2013) in comparison to the current quarter (4 2012). **Expectations are positive with the vast majority of businesses**

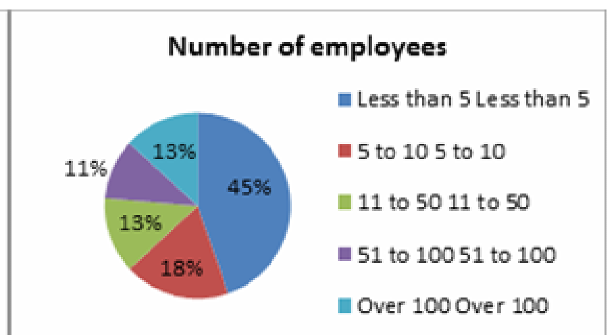
stating that all indicators will either stay the same or improve in quarter 1 2013. This is in line with the high business confidence.

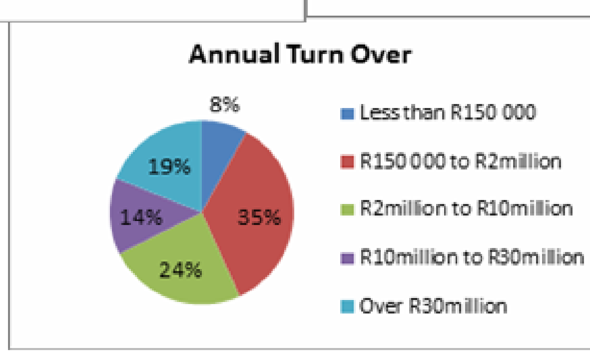
Business Profiles

The majority of businesses this quarter are in the construction and manufacturing industries. 63% of respondents are part of the iLembe Business Chamber.

The graphs below describe the number of full time staff, average annual turnover and location of businesses who responded. The majority of businesses (45%) have less than 5 staff members, with 13% having 11-50 staff. The majority of businesses turn over between R2million to R10million (24%), and R150 000 to R2million (35%) annually. This profile suggests that the majority of respondents are small businesses who reside in greater Ballito.



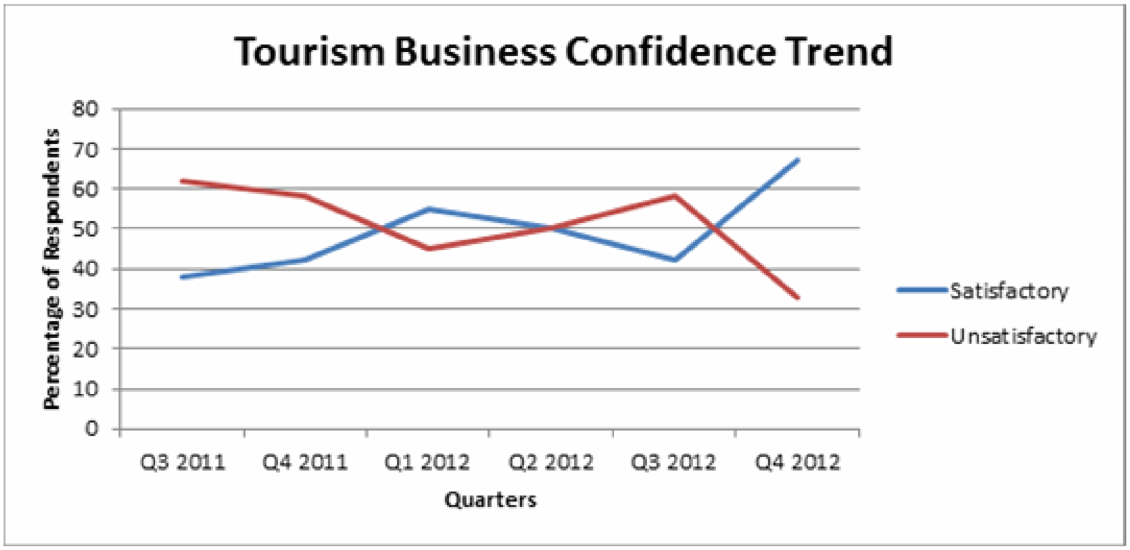




Tourism Survey

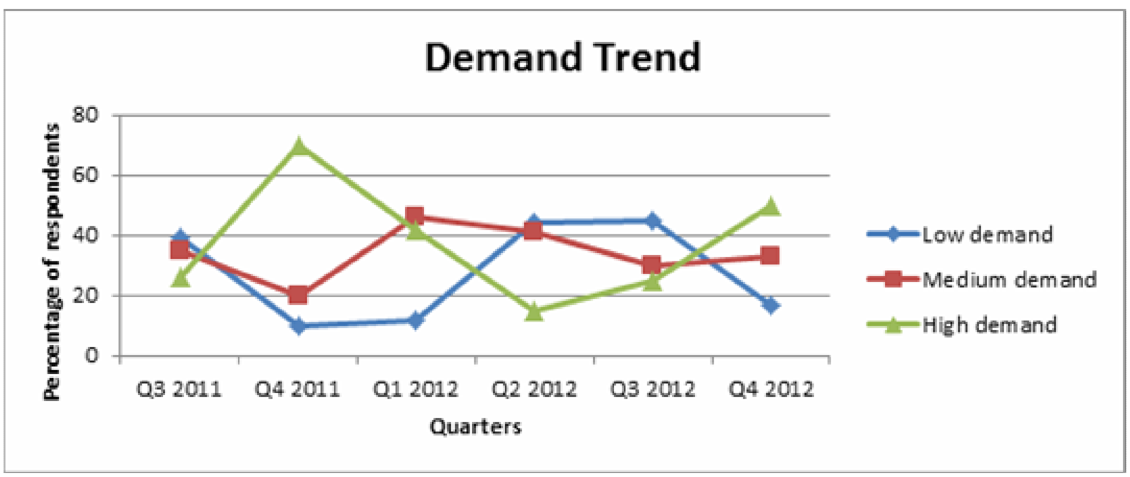
Tourism Business Confidence

Similarly to the business survey, business confidence for tourism in iLembe is represented by the number of respondents that are satisfied with the prevailing tourism conditions. It is clear from the graph below that **tourism confidence (blue line) has increased this quarter to 6.7**. Confidence is higher this quarter than all previous quarters.

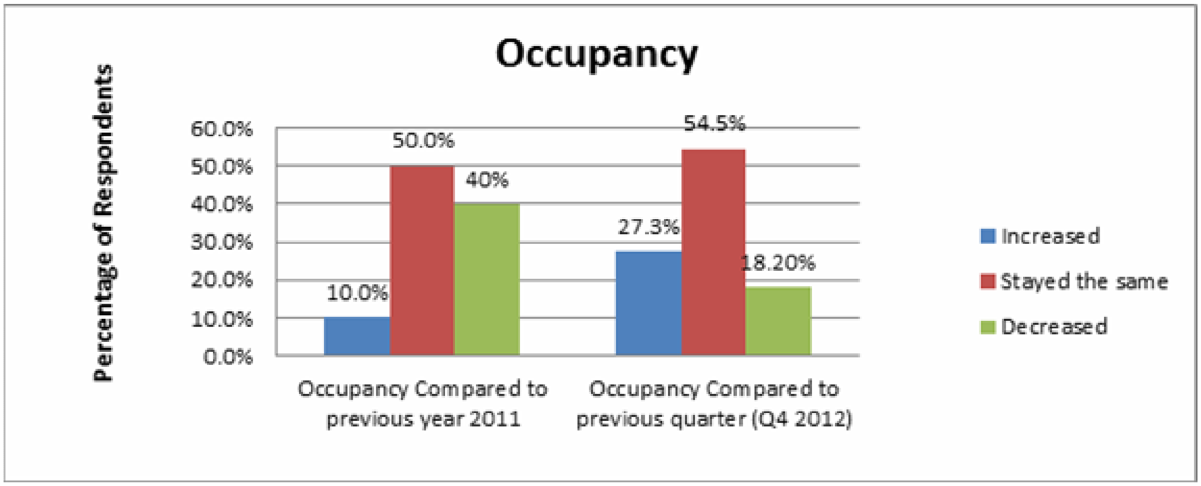


Prevailing Business Conditions (Tourism)

The graph below shows the trend for demand for tourism services over the previous year. It is positive to see that 50% of respondents experienced high demand in quarter 4, increased from 25% in quarter 3. 33% experienced medium demand and 17% experienced low demand which is more than one would expect for the peak season.

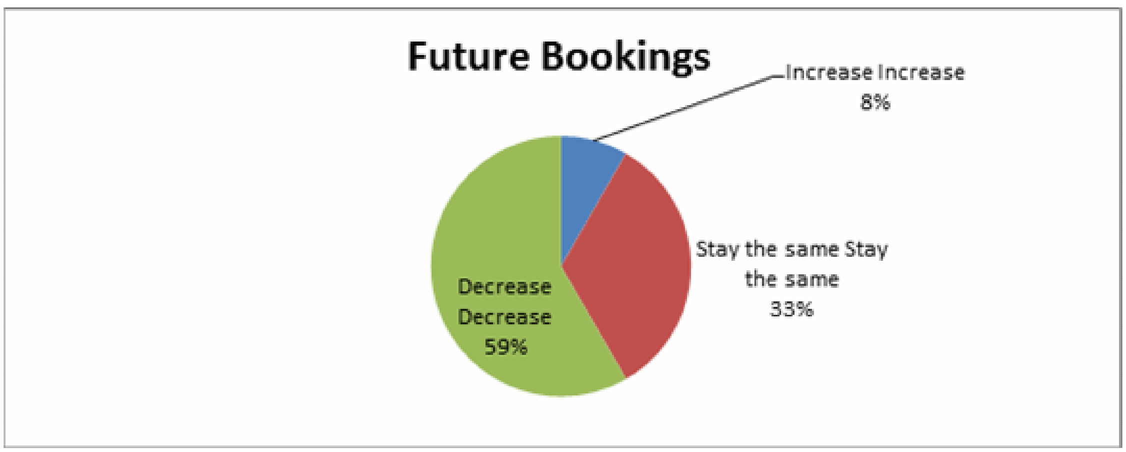


The graph below describes occupancy as compared to the previous quarter and the previous year. The majority of tourism businesses (50%-55%) said that occupancy remained the same in quarter 4 compared to the previous year and the previous quarter. 40% of businesses said that occupancy decreased in quarter 4 in comparison to quarter 4 last year.



Future Expectations (Tourism)

8% of respondents expect bookings to increase over the next quarter (Q1 2013), a 50% decrease from the previous quarter. This is likely



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