



The Influence of Local vs. National Factors on Business Confidence

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Back Ground

This study presents the comparative findings of an annual business survey conducted in five cities (Durban, Pietermaritzburg, Richards Bay, Newcastle and Port Shepstone) in the province of KwaZulu-Natal (KZN), South Africa since 2011. These cities contribute approximately 70% to the provincial gross domestic product.

The study will attempt to determine whether or not the main factors supporting/explaining city business sentiment and confidence are local factors or national factors.

Back Ground

However, these cities are not homogeneous, i.e., the cities do differ from each other in terms of geographical location, business mix, population size, demographics and natural resources for example (local factors). On the other hand these cities are very similar, i.e., they operate within the context of the national economy, share the same tax and interest rate regimes, business and labour laws and electricity supply for example (national factors).

Back Ground

This study focuses on five areas covered in the annual business survey, namely: Present business or trading conditions, expected sales performance over the next year, expectations to expand business operations during the year, expanding the workforce during the year and whether an increase in economic activity in the local economy during the past year was experienced.

Business Survey

In South Africa, both the Bureau for Economic Research (BER) and the South African Chamber of Commerce and Industry (SACCI) conduct business surveys. The BER states that a business survey is a simple and rapid survey, designed to meet the needs of short-term analysis of business conditions in the trade, manufacturing, construction and financial sectors (BER, 2016). The BER disseminates questionnaires quarterly to a panel of respondents.

Business Survey

SACCI generates a monthly Business Confidence Index as a measure of business confidence within the South African economy. SACCI does not depend on actual questionnaires, but rather uses various economic and market indicators to compile the 13 sub-indices that make up their monthly business confidence index (SACCI, 2016). The BER and SACCI use two very different methodologies to measure business confidence. However, both only focus on the national economy.

Business Survey

Van Rooyen (2011) states that business confidence helps to explain the sentiments of business owners or managers towards current and future business conditions. This business confidence is mostly surveyed at the level of the nation-state rather than at the level of municipalities or towns. Kershoff (2000) and Pellissier (2002) state that business confidence is an important consideration for future entrepreneurs and policy-makers as it indicates perceptions about the potential profitability of business in a specific locality. This, in turn, can for example have a major impact on employment patterns.

Method

The annual KZN business survey (survey) follows the methodology employed by the BER in that a questionnaire is sent out annually to a panel of potential respondents. The questionnaire contains 25 questions and is conducted through the various local chambers of commerce and other local business organisations operating in the cities. The survey is an online anonymous business survey designed specifically to generate data and information on a number of local economic characteristics and trends, and the general level of business confidence in the particular city.



Method

The survey is conducted at the same time each year to ensure consistency, during March and April. This is an internet-based survey and the web link is forwarded with a cover letter to the various chambers of commerce and other business organisations. The survey is closed after two months and processed.

Method

In general, the response rate is on average between 2 and 5% of the total membership of the various chambers of commerce and business organisations, totalling between 150 and 200 respondents across the cities. This is not an ideal situation, since a response rate closer to 10% would improve the statistical significance of the survey. None the less, the results do show some interesting and significant trends that are fairly representative of the wider business sentiment and confidence in these cities.

Research Results (2011 to 2015)

In response to the current business and trading conditions, the possible options ranged between “Excellent, Good, Fair, Poor and Very Poor”. In general, the sentiment was fairly negative in that 72% and 28% of the respondents and across the cities opted for “Fair” or “Poor”. These responses were consistent over the period and fairly similar across the cities suggesting that local factors had only a limited impact in supporting/explaining their satisfaction or dissatisfaction with city business and trading conditions.

Research Results (2011 to 2015)

The expectations of respondents on future sales ranged between: “Much Better, Better, Same, Worse and Much Worse”. In general, for the period the sentiment was positive to neutral in that the option/s with the most responses in general were “Better” and “Same”. The responses differed fairly significantly across the cities for example the majority of respondents in Durban expected better sales whereas the majority of respondents in Port Shepstone expected the current sales performance to continue. The majority of responses in Richards Bay varied substantially from year to year, whereas in Durban it was very consistent over the period. The fairly large differences across the cities suggest that local factors had a fairly large impact in supporting/explaining the expected sales performance responses.

Research Results (2011 to 2015)

The expectations of respondents to expand their business operations during the next year ranged between: “Yes Definitely, Yes, Maybe, No and Downsizing”. The results were mixed, especially year on year. There were also significant differences across the cities, except for 2015 when all businesses irrespective of city responded in the majority with no plans to expand. Of the respondents, 44% opted “no”, while 32% opted “yes”. Twenty per cent opted for “maybe” and 4% (Port Shepstone in 2012) “yes definitely”. Richards Bay had the most “yes responses, Port Shepstone the most “no” responses and Pietermaritzburg had the most “maybe” responses. Newcastle had the most volatility in the responses, as no consecutive year had the same majority response.

Research Results (2011 to 2015)

The possible options regarding possible expansion of the workforce during the year were: “Yes Definitely, Yes, Maybe, No and Downsizing”. The majority of respondents in Durban and Pietermaritzburg consistently indicated “no”, with Port Shepstone too, with the exception of 2015, where the majority of respondents indicated “downsizing”. The responses in Richards Bay were mixed with no consecutive year having the same majority responses and ranging from “yes definitely” in 2014 to “downsizing” in 2015. The majority of Newcastle respondents indicated “no” and “downsizing” during 2015. There seems to be a fairly general consensus of “no” responses across the cities (76%).

Research Results (2011 to 2015)

Respondents were asked whether they experienced any increase in economic activity in the city during the past year. The majority of respondents irrespective of city and year consistently indicated “no” (88%). The majority of responses in 2014 in Durban and Pietermaritzburg were “maybe”, whereas in Richards Bay in 2014 responded with a “yes”, which were the only exceptions during the study period.

Research Results (2011 to 2015)

Present business/trading conditions are?	Durban	PMB	Rbay	Port Shepstone	Newcastle	Range	Average
Excellent	1.74	0.9	2.36	0.85	3.28		
Good	14.8	18.58	13.1	12.97	16.86		
Fair	44.34	41.04	39.06	47.22	46.52	8.16	43.636
Poor	30.4	28.58	41.42	18.91	18.56		
Very poor	8.72	10.9	4.065	20.03	14.78		

Your expected sales performance over the next year?	Durban	PMB	Rbay	Port Shepstone	Newcastle	Range	Average
Much better	9.38	6.04	3.735	3.62	3.3		
Better	42.16	38.44	31.915	24.06	33.7	18.1	34.055
Same	29.5	33.9	35.2	46.85	44.48		
Worse	16.64	16.86	24.64	16.84	11.82		
Much worse	2.32	4.96	4.51	8.63	6.72		

Research Results (2011 to 2015)

I am expecting to expand my business operations during the year?	Durban	PMB	Rbay	Port Shepstone	Newcastle	Range	Average
Yes, definitely	10.98	3.52	7.7	12.91	9.62		
Yes	25.86	33	30.14	13.16	20.82		
Maybe	23.02	25.4	25.36	8.15	23.9		
No	34.64	29.44	30.54	51.57	32.04	22.12667	35.64533
Downsizing	5.52	8.64	6.26	14.21	13.6		

I am expecting to expand my workforce during the year?	Durban	PMB	Rbay	Port Shepstone	Newcastle	Range	Average
Yes, definitely	4.14	1.66	13.34	0.00	8.38		
Yes	20.58	19.6	13.16	9.84	6.7		
Maybe	23.26	13.14	25.84	18.11	19.14		
No	41	48.6	27.22	53.91	43	26.68667	42.74533
Downsizing	11.04	17	20.44	18.13	22.76		


Research Results (2011 to 2015)

I have experienced an increase in economic activity in the local economy during the past year?	Durban	PMB	Rbay	Port Shepstone	Newcastle	Range	Average
Yes, definitely	6.32	2.12	0	2.77	6.6		
Yes	16.38	13.62	26.22	5.92	14.92		
Maybe	24.46	17.38	5.58	14.67	12.24		
No	37.82	44.86	37	55.5	48.74	18.5	44.784
No, definitely	15.02	22.02	31.2	21.13	17.48		

Research Results (2011 to 2015)

Average Reponse	Present business/trading conditions are?	Your expected sales performance over the next year?	I am expecting to expand my business operations during the year?	I am expecting to expand my workforce during the year?	I have experienced an increase in economic activity in the local economy during the past year?
2011	3.4	2.4	4.2	4	4
2012	3	2.2	4.6	3.6	4
2013	3.4	3	3.8	4	4
2014	3.2	2.6	4.2	3.4	3.8
2015	3.4	2.8	4	4.6	4
Average	3.28	2.6	4.16	3.92	3.96
Range	0.40	0.80	0.80	1.20	0.20

1	Excellent
2	Good
3	Fair
4	Poor
5	Very poor

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- The results suggests that although business sentiment and confidence across the cities in general seems fairly similar some significant large differences do exists, supporting the argument that local factors do matter in supporting/explaining business sentiment and confidence at a city level. However it seems evident that it is rather national factors that shape the general perceptions of businesspeople in the cities compared to local factors.



Thank You

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