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THE MSUNDUZI MUNICIPALITY & UMGUNGUNDLOVU DISTRICT MUNICIPALITY

# QUARTERLY ECONOMIC AND BUSINESS REPORT- PIETERMARITZBURG and UMGUNGUNDLOVU DISTRICT

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## CONFIDENTIALLITY

Due to confidentiality agreements very few of the actual data of the variables will be displayed in the graphs, thus the X-axis may not always be clear or self-explanatory. An X-axis with e6 means six values after the prime before the comma, for example 5,5e6 implies 5 500 000.

## MESSAGE FROM ANDREW LAYMAN

In time gone by the concept of local economic development did not occupy the minds of business people, nor those engaged in local government. It was something which either happened, or didn't happen without any expectation that it should be driven. Now, however, it has fallen to municipalities to take responsibility for it, for the simple reason that the plight of the rural, the under-developed, the poor, the disadvantaged and the unemployed cannot be addressed without the development and growth of the local economy.

Opinions about how this growth should be stimulated abound, yet there is little empirical basis for any of them. The local economy is not simply a microcosm of the national economy and its dynamics are both varied and unique. In order to understand it better, and to plot a more relevant course for its development, we have to know its statistical profile. Unfortunately, however, the collection of data and their effective use as a tool for analysis and strategic planning are among our country's weaknesses, especially at the local level. Accessible data are usually far enough out of date to render them almost useless, except as describers of a past landscape. In business, strategic planning based on out-of-date figures would lead to abject failure. Local government and the business community, partners in the drive for local economic growth, need to have access to relevant information that can properly inform their planning and implementation.

It is for this reason that the Pietermaritzburg Chamber of Business requested the academic assistance of the University of KwaZulu-Natal to develop an index by which the progress of the local economy could be monitored on a regular basis. Under the direction of Clive Coetzee, a masters graduate, and with the co-operation of the School of Business, the project grew in extent to include quarterly reporting that give more insights than the index originally envisaged. The outcome of the work done will be of enormous value to our city and district and the status of the local economy at any time will guide planning and evaluation.

We believe this to be a development quite unique to our city. The model, designed with appropriate academic credibility, is worthy of replication in other municipalities that may also benefit from its economic value.

ANDREW LAYMAN
CEO, Pietermaritzburg Chamber of Business

## MESSAGE FROM ROB HASWELL

The compilation and publication of this quarterly index could not have been better timed, because Pietermaritzburg is no longer poised for growth, but is growing rapidly into a fully-fledged provincial capital in the new South Africa.

This publication also reflects an increasingly common and pro-active approach to the city's economy, by the province, the city, business and the university, which augurs well.

We therefore commend Clive Coetzee for this initiative.

ROB HASWELL
STRATEGIC EXECUTIVE MANAGER
ECONOMIC DEVELOPMENT & GROWTH

## BACKGROUND TO THE PROJECT

There was (and still is) a lot of speculation about the current performance and structure of the Pietermaritzburg and uMgungundlovu District economy and business environment. The debate is mainly driven by haphazard observations and subjective feelings, thus hampering effective and efficient decision-making and the allocation of scare resources.

The need for relevant data prompted the School of Business (University of KwaZulu-Natal, Pietermaritzburg) and the Pietermaritzburg Chamber of Business to undertake a joint venture to develop and publish a quarterly economic and business report. Support for this project has increased substantially since its initial inception, with the local council (Msunduzi TLC), the uMgungundlovu District Municipality and the Provincial Ministry of Economic Development and Tourism now lending their support to the project. Local businesses are also starting to show signs of interest. It is also interesting to note that businesses as far as Cape Town and Johannesburg have indicated their interest in the data.

The key aim of this project is to gain a better understanding of the economic and business environment of Pietermaritzburg and the uMgungundlovu District. It is foreseen and hoped that this report will contribute to the sustainable growth and development of the Pietermaritzburg and the uMgungundlovu economies, via an improved allocation of resources, increased efficiencies, an inflow of investments, more informed production decisions and better long-term planning.

If successful, this project can be used as a blueprint for other local authorities and chambers of commerce/business. It is, thus, not a project that will only benefit Pietermaritzburg and the uMgungundlovu District, but also has the potential to be of benefit to all other local business communities and municipalities in SA. It can also have a spill over effect to the province and to the national economy.

## METHODOLOGY

There is very little in terms of previous research available, because this is an area that has received little or no attention, especially in SA. There are several cities in the USA that publish an Economic and Business Report on an annual or quarterly basis. Bramton is one of the most notable cities in terms of local economic and business research. More information can be obtained from their website; **http://www.city.brampton.on.ca/economic-development/index.taf?** Swindon is a city in the United Kingdom that produces an annual economic report very similar to this report. Their website is **http://www.swindon.gov.uk/sbc-business.htm**

This economic and business report will be a quarterly report. It is envisaged that it will be published in April (first quarter), July (second quarter), October (third quarter) and January (fourth quarter) of each year. The report will consist of three sections:

**Section 1**: This section will focus on the presentation and analysis of the individual economic indicators (using secondary data). The individual indicators will be discussed in terms of the past, present and future economic and business environment of the region. The analysis will make use of the **Kernel smoothing technique** where necessary.

**Section 2**: The individual indicators will then be grouped in two categories: leading and coincident indicators, i.e. economic performance indicators (using secondary data). **The standard and best practice methodologies** will be employed in terms of weightings to construct the above two composite indices. January 2003 will serve as the base year.

**Section 3**: A quarterly business survey (to compile a business confidence index) will be conducted, via an electronic questionnaire. Such a survey will further contribute to the effectiveness of this report and will also generate new data.

**THE KWAZULU-NATAL ECONOMY**

The key strengths of the province's economy, according to the Provincial Department of Economic Development and Tourism (DEAT), are its trade and transport infrastructure. The Province ranks second after Gauteng in terms of contribution to GDP and third in terms of household expenditure. However, with a total estimated population of working age people of over 6 mil (and where over half of them are not economically active and with an unemployment rate of 33.5%) it has the second highest working age population and unemployment rate of all the provinces, and the highest estimated prevalence of HIV-AIDS.

Manufacturing is the largest sector. It enjoys a comparative advantage over industry elsewhere in SA in terms of access to basic production inputs such as water and coal, as well as accessible marine waste disposal (DEAT). The major sub-sectors in KwaZulu-Natal's manufacturing segment comprise the following:

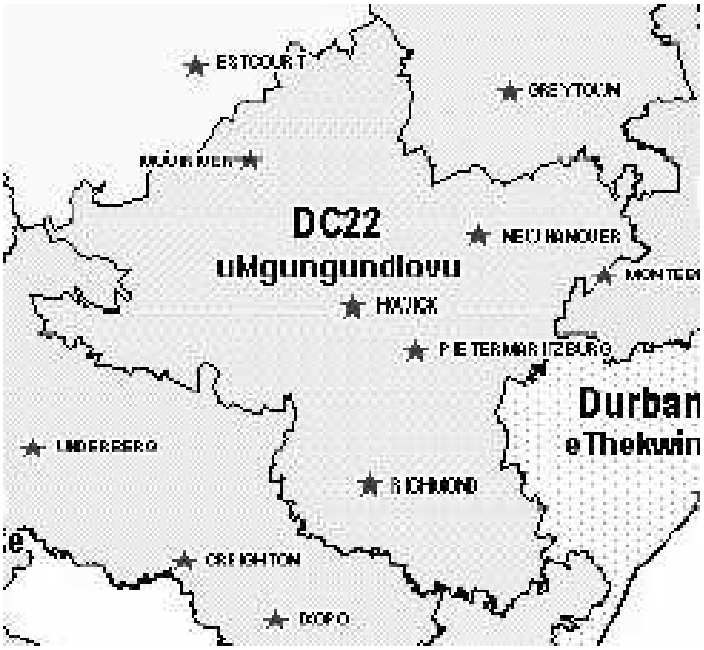
1. Textiles, clothing, leather and footwear.
2. Pulp and paper products.
3. Basic metals.
4. Food and beverages.
5. Chemicals, rubber and plastics.

Pietermaritzburg and the surrounding areas (the region) contribute about 9% to the gross geographical product (GGP) of the province. The region has a population of almost 630 000 inhabitants. It is estimated that the region had an estimated average annual growth rate of about 2.1% during the period from 1995 to 2000. The targeted industries in the region are:

1. Footwear.
2. Wood products and furniture.
3. Aluminum.
4. Tourism.

Some interesting statistics on Pietermaritzburg's climate are as follows:

1. The average temperature for January and July is 22.9 and 12.9 Celcius respectively.
2. The average number of sunshine hours for January and July is 185 and 251, respectively. Pietermaritzburg is the capital city with the least amount of summer sunshine hours and the second least amount of winter sunshine hours (Cape Town has the least amount of winter sunshine hours i.e. 193 hours of sunshine).
3. The average rainfall for January and July is 141mm and 11mm respectively, with an average annual rainfall of 844mm. Pietermaritzburg, if compared to the other capital cities, receives most of its rain in the summer and ranks third in terms of winter rainfall.
4. The average number of rainy days for January and July is 18 and 3, respectively.




uMshwathi Municipality
Area Size: 1 924 sq/km

uMngeni Municipality
Area Size: 1 568 sq/km

Mpofana Municipality
Area Size: 1 679 sq/km

Impendle Municipality
Area Size: 1 223 sq/km

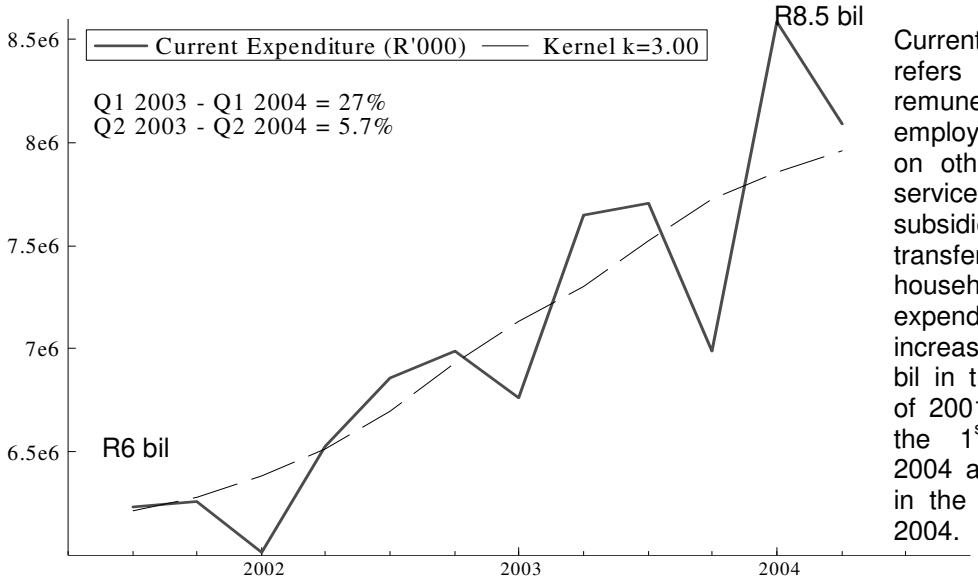
Msunduzi Municipality
Area Size: 649.27 sq/km

Mkhambathini Municipality
Area Size: 916.91 sq/km

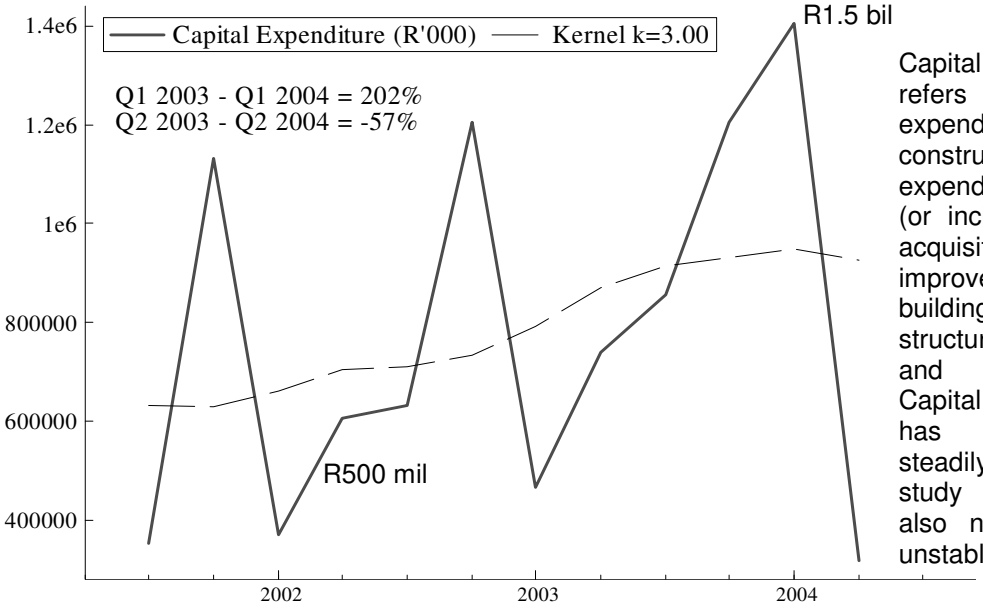
Richmond Municipality
Area Size: 1 226 sq/km

# SECTION 1: INDIVIDUAL ECONOMIC INDICATORS

## PROVINCIAL GOVERNMENT EXPENDITURE IN KWAZULU-NATAL




Current Expenditure refers to the remuneration of employees, spending on other goods and services, interest, subsidies and current transfer to households. Current expenditure has increased from R6.5 bil in the 2nd quarter of 2001 to R8.5bil in the 1st quarter of 2004 and to R8.1 bil in the 2nd quarter of 2004.




Capital Expenditure refers to any expenditure on new construction and expenditure incurred (or incidental to) the acquisition or improvement of land, buildings, engineering structures, machinery and equipment. Capital expenditure has increased steadily over the study period. It is also noticeably very unstable over time.

Provincial fiscal spending, in terms of capital and current expenditure, has increased substantially since 2001, indicating that expansionary fiscal policy in the provincial and local economy has occurred. Future increases in both types of expenditure have been budgeted for, thus indicating that the local economy can expect further fiscal expansion. It is interesting to note that both current and capital expenditure typically decrease in the last quarter of each year. Although this is expenditure data for the province, it can be argued that the provincial expenditure in Pietermaritzburg and uMgungundlovu District follows a similar pattern, because of the involvement and presence of the provincial government in Pietermaritzburg and the nature of the equitable share system.

Expected expenditure on new construction works in 2004 and 2005 by the public sector according to level of government (R'000).

| National Government, Provincial Governments and extra budgetary accounts | 2004 | 2005 |
|---|---|---|
| Pietermaritzburg | 104297 | 99600 |
| Rest of district | 8251 | 7443 |
| Municipalities | | |
| Pietermaritzburg | 85357 | 95857 |
| Rest of district | 26180 | 24192 |
| Universities and technikons | | |
| Pietermaritzburg | 3400 | 3400 |
| Rest of district | 0 | 0 |
| Government enterprises and corporations | | |
| Pietermaritzburg | 224157 | 276147 |
| Rest of district | 163326 | 176839 |
| Total | 614968 | 683478 |
| % change | | **11.14** |

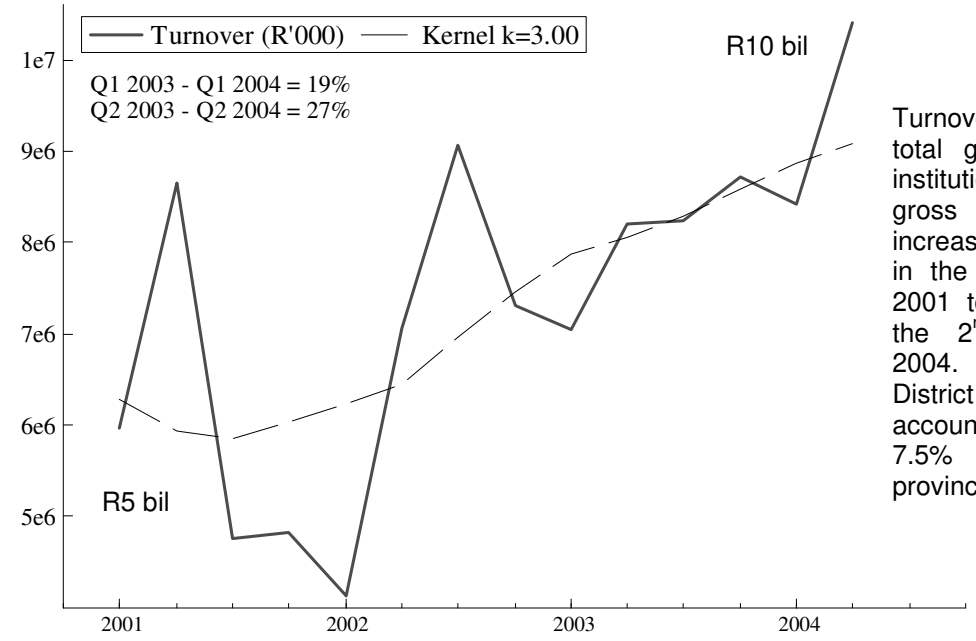
The provisional budgets of the different levels of government (as stated) indicate an 11.4% increase in new construction expenditure in the local economy during 2005. The building and construction industry will be the main beneficiaries of this increased expenditure.

The following table gives a breakdown of the current and capital expenditure per provincial department for the first quarter of 2004. The last column indicates each department's total expenditure as a percentage of total provincial expenditure.

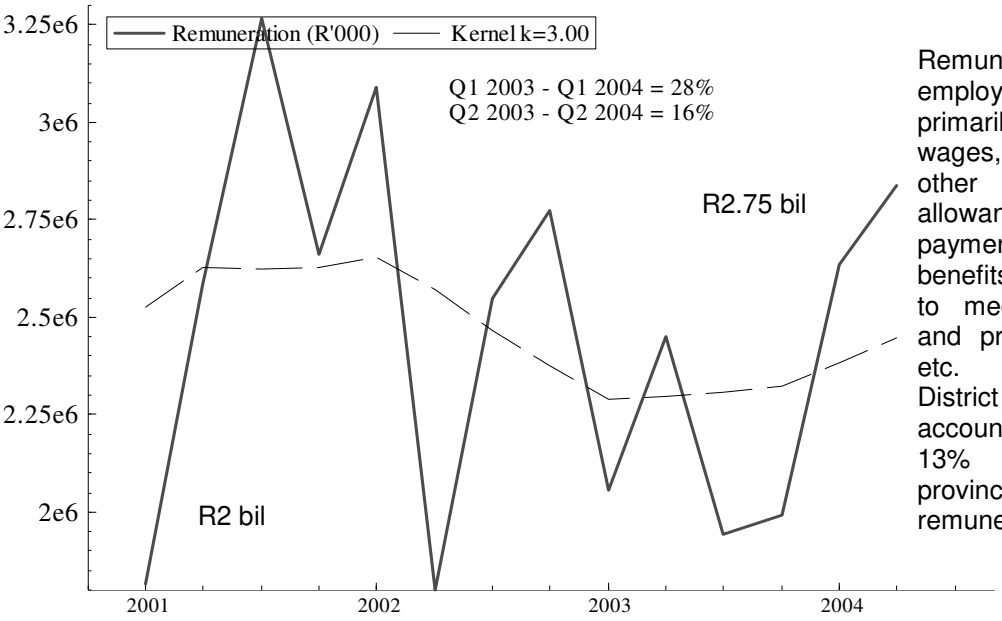
| Expenditure per department (R'000) | January 2004 to March 2004 | | | |
|---|---|---|---|---|
| | Current | Capital | Total | % |
| Office of the Premier | 49483 | 2854 | 52337 | 0.52 |
| Provincial Parliament | 22191 | 327 | 22518 | 0.23 |
| Agriculture and Environmental Affairs | 188100 | 18082 | 206182 | 2.06 |
| Economic Development and Tourism | 57748 | 876 | 58624 | 0.59 |
| Education and Culture | 3074733 | 349686 | 3424419 | 34.28 |
| Provincial Treasury | 55897 | 1848 | 57745 | 0.58 |
| Health | 2083257 | 211007 | 2294264 | 22.97 |
| Housing | 42408 | 288316 | 330724 | 3.31 |
| Safety and Security | 4342 | 201 | 4543 | 0.05 |
| The Royal Household | 5364 | 806 | 6170 | 0.06 |
| Traditional and Local Government Affairs | 104006 | 30377 | 134383 | 1.35 |
| Transport | 114655 | 471645 | 586300 | 5.87 |
| Welfare and Population Development | 2623712 | 17459 | 2641171 | 26.44 |
| Works | 159119 | 11003 | 170122 | 1.70 |
| Reconstruction and Development Programme | 307 | 0 | 307 | 0.00 |
| Total | 8585322 | 1404487 | 9989809 | 100 |

## TURNOVER AND REMUNERATION

A wide range of enterprises and employers are required to register and pay monthly levies on turnover and payrolls. This data can potentially be used to conduct economic and sector analysis of the region and cities and to determine regional and local comparative advantages of geographical shifts in economic activity within regions and cities, according to Oldham and Hickson (Turnover and payroll levies: an unexploited source of regional economic data, Development Southern Africa, 2003).



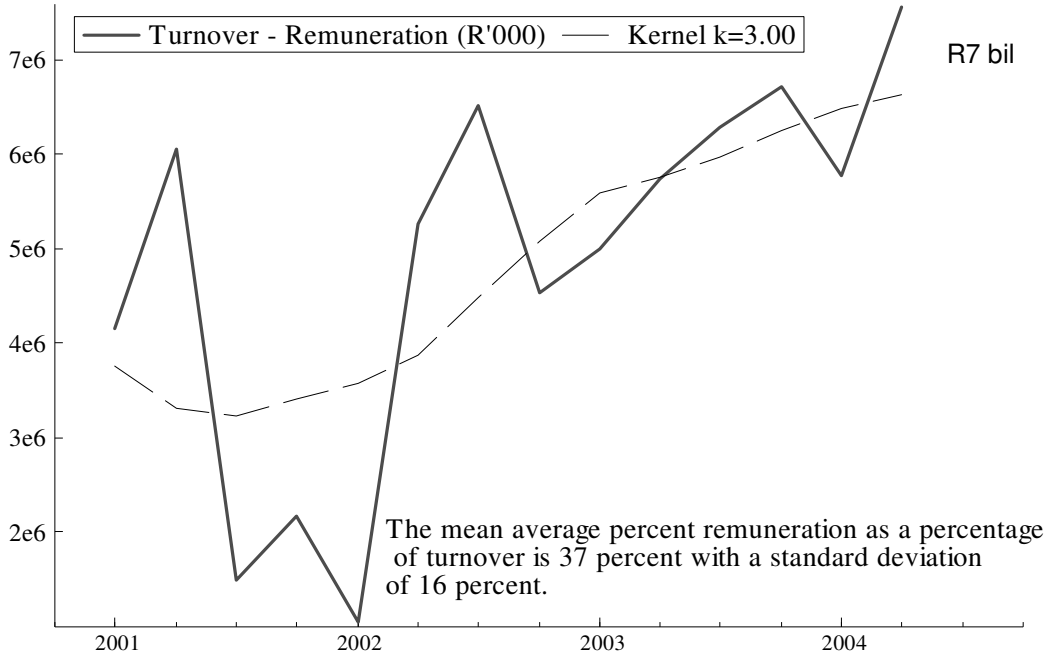

Turnover refers to total gross sales of institutions. Total gross sales have increased from R6 bil in the 1st quarter of 2001 to R10.4 bil in the 2nd quarter of 2004.
District turnover accounts for a mere 7.5% of the total provincial turnover.




Remuneration of employees includes primarily, salaries, wages, services and other bonuses, allowances, overtime payments, retirement benefits, contributions to medical, pension and provident funds, etc.
District remuneration accounts for a mere 13% of the total provincial remuneration.

It seems that the beginning of 2002 was a definite turning point, wrt turnover. Turnover increased in 2003 and the first two quarters of 2004 in real terms, with 18 percent and 10 percent respectively. Oldham and Hickson indicate that Pietermaritzburg contributes about 85 percent (in 2000) to the economic activity of the district. It is therefore safe to assume that most of the growth in turnover originated in Pietermaritzburg. Whilst turnover showed a positive growth trend post 2002, the wage bill shows a negative growth trend post 2002. If one consider that the wage bill of the government sector dominates the district's wage bill (about 40 percent) and that the government wage bill constitutes about 60 to 70 percent of current government expenditure (which has increased post 2002) than the steady decrease in the total wage bill for the district is very puzzling and something that needs further investigation. There are, however, signs that remuneration has started to pick up post 2004. There seems, if looking at the graphs, to be an inverse and lagging relationship between remuneration and turnover.

The inverse relationship between turnover and remuneration becomes apparent, especially post 2002, in the following graph. A correlation coefficient of –0.25 indicates, however, a weak inverse relationship between these two variables. There also does not seem to be a statistically significant relationship between these two variables. Thus suggests that businesses do not make employment decisions on current sales, but rather on the basis of long-term sales, i.e. sales performance over a year and expected sales.




The following table indicates that Wholesale and Retail, Real Estate & Business Services and Social & Personal Services constitute about 65% of the businesses in the district. This is very much in support of the theory that Pietermaritzburg is mainly a consumer driven economy.

The table also clearly indicates that 70% of all businesses are located in Pietermaritzburg.

| Sector | Number of firms in each Sector (Q) | Sector Total as Percentage of Overall Total |
|---|---|---|
| Agriculture, Forestry, Hunting | 184 | 1.50 |
| Farming | 923 | 7.53 |
| Mining | 5 | 0.04 |
| Quarrying | 19 | 0.15 |
| Manufacturing | 838 | 6.84 |
| Electricity, Gas & Water | 106 | 0.86 |
| Construction | 1136 | 9.27 |
| Educational Institutions | 191 | 1.56 |
| Catering & Accommodation | 1179 | 9.62 |
| Wholesale & Retail | 2307 | 18.82 |
| Transport, Storage & Communion | 299 | 2.44 |
| Banks | 10 | 0.08 |
| Insurance | 53 | 0.43 |
| Pension & Medical Aid Funds | 13 | 0.11 |
| Real Estate & Business Service | 3597 | 29.34 |
| Building Societies | 2 | 0.02 |
| Central Government | 15 | 0.12 |
| Local Government | 24 | 0.20 |
| Provincial Government | 7 | 0.06 |
| Social & Personal Services | 1341 | 10.94 |
| Taxis | 11 | 0.09 |
| Total | 12260 | 100.00 |

| Area | Number of firms in each Area (Q) | Area Total as Percentage of Overall Total |
|---|---|---|
| Kz225 Ashburton | 45 | 0.37 |
| Kz225 Ashdown | 27 | 0.22 |
| Kz221 Cool Air | 6 | 0.05 |
| Kz226 Camperdown | 313 | 2.55 |
| Kz221 Dalton | 113 | 0.92 |
| Kz225 Edendale | 201 | 1.64 |
| Kz222 Hilton | 213 | 1.74 |
| Kz222 Howick | 856 | 6.98 |
| Kz225 Imbali | 204 | 1.66 |
| Kz224 Impendle | 258 | 2.10 |
| Kz222 Mount Michal | 8 | 0.07 |
| Kz223 Mooi River | 327 | 2.67 |
| Kz221 Mpolweni | 2 | 0.02 |
| Kz221 New Hanover | 221 | 1.80 |
| Kz222 Nottingham Road | 129 | 1.05 |
| Kz 225 Pietermaritzburg | 8716 | 71.09 |
| Kz226 Richmond | 333 | 2.72 |
| Kz225 Sobantu | 42 | 0.34 |
| Kz225 Vulindlela | 71 | 0.58 |
| Kz221 Wartburg | 175 | 1.43 |
| Total | 12260 | 100.00 |

| Sector | Average Quarterly Nominal Percentage Change in Turnover | Average Quarterly Nominal Percentage Change in Remuneration |
|---|---|---|
| Agriculture, Forestry, Hunting | 1.88 | -104.52 |
| Farming | 2.14 | 6.88 |
| Mining | -112.88 | 2.98 |
| Quarrying | -3.43 | -24.55 |
| Manufacturing | 9.72 | -8.66 |
| Electricity, Gas & Water | 1.30 | 5.02 |
| Construction | 3.62 | 2.13 |
| Educational Institutions | 7.96 | 6.58 |
| Catering & Accommodation | 3.41 | 4.50 |
| Wholesale & Retail | 5.31 | 3.69 |
| Transport, Storage & Communion | 13.49 | 2.58 |
| Banks | 9.20 | 10.26 |
| Insurance | -29.38 | 9.32 |
| Pension & Medical Aid Funds | -39.52 | 0.09 |
| Real Estate & Business Service | 4.16 | 6.18 |
| Building Societies | -31.87 | -4315.68 |
| Central Government | -174.04 | 2.82 |
| Local Government | 0.17 | 5.36 |
| Provincial Government | 15.29 | -33.81 |
| Social & Personal Services | 7.73 | 6.56 |
| Taxis | -31.48 | -19.59 |
| Total | 7.10 | 4.81 |
| **Area** | | |
| Kz225 Ashburton | -0.44 | -1.93 |
| Kz225 Ashdown | 20.00 | 20.00 |
| Kz221 Cool Air | -299.85 | -117.19 |
| Kz226 Camperdown | -0.49 | 11.21 |
| Kz221 Dalton | -0.42 | 10.88 |
| Kz225 Edendale | -5.30 | -29.71 |
| Kz222 Hilton | -7.71 | -6.48 |
| Kz222 Howick | 6.49 | 5.04 |
| Kz225 Imbali | -560.41 | 29.82 |
| Kz224 Impendle | -56.86 | -165.15 |
| Kz 222 Mount Michal | 29.20 | 7.52 |
| Kz 223 Mooi River | 10.16 | 3.06 |
| Kz221 Mpolweni | -43.16 | -21.97 |
| Kz221 New Hanover | 1.16 | -2.21 |
| Kz222 Nottingham Road | 8.61 | -119.37 |
| Kz 225 Pietermaritzburg | 7.72 | 4.22 |
| Kz226 Richmond | 1.35 | 12.38 |
| Kz 225 Sobantu | -198.44 | -190.34 |
| Kz225 Vulindlela | -45.54 | -633.29 |
| Kz221 Wartburg | 1.55 | 0.46 |
| Total | 7.10 | 4.81 |

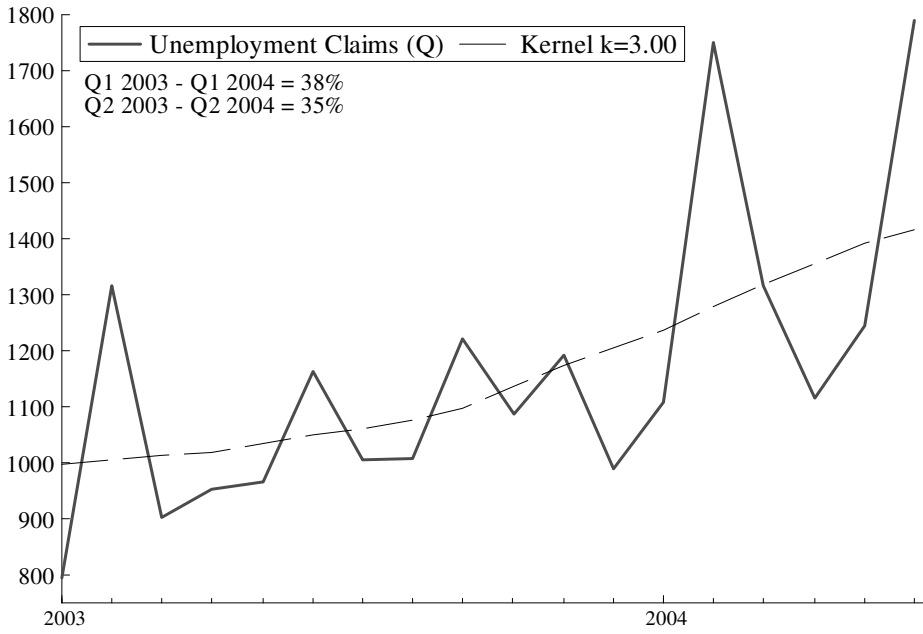
The average quarterly nominal increase (Q1 2003 to Q2 2004) in turnover and remuneration was **7.10 and 4.81 percent** (4.10 and 1.81 percent in real terms) respectively, for the district.

| Sector | Sector remuneration as a percentage of total remuneration | Sector turnover as a percentage of total turnover |
|---|---|---|
| Agriculture, Forestry, Hunting | 5.69 | 4.63 |
| Farming | 4.67 | 5.94 |
| Mining | 0.00 | 0.00 |
| Quarrying | 0.16 | 0.10 |
| Manufacturing | 14.18 | 35.24 |
| Electricity, Gas & Water | 3.09 | 0.81 |
| Construction | 1.54 | 1.83 |
| Educational Institutions | 3.66 | 0.21 |
| Catering & Accommodation | 2.00 | 3.34 |
| Wholesale & Retail | 8.18 | 23.47 |
| Transport, Storage & Communion | 2.31 | 2.39 |
| Banks | 1.37 | 2.02 |
| Insurance | 0.72 | 0.15 |
| Pension & Medical Aid Funds | 0.05 | 1.03 |
| Real Estate & Business Service | 16.78 | 14.08 |
| Building Societies | 0.15 | 0.00 |
| Central Government | 7.16 | 0.08 |
| Local Government | 15.61 | 2.21 |
| Provincial Government | 9.91 | 0.14 |
| Social & Personal Services | 2.76 | 2.33 |
| Taxis | 0.01 | 0.00 |
| Total | 100.00 | 100.00 |

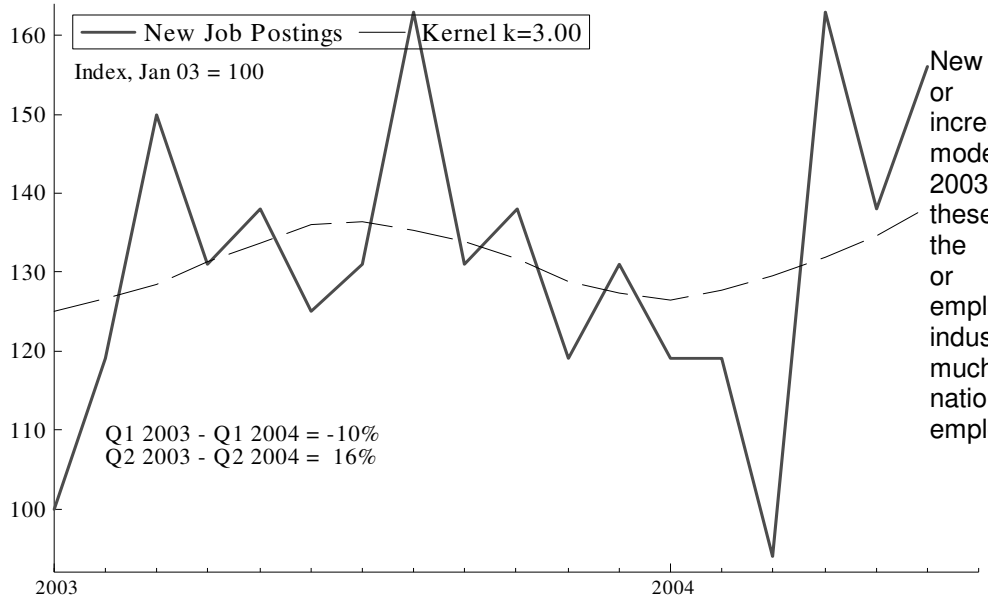
| Area | Area remuneration as a percentage of total remuneration | Area turnover as a percentage of total turnover |
|---|---|---|
| Kz225 Ashburton | 0.09 | 0.11 |
| Kz225 Ashdown | 0.00 | 0.00 |
| Kz221 Cool Air | 0.00 | 0.00 |
| Kz226 Camperdown | 1.38 | 2.89 |
| Kz221 Dalton | 0.82 | 1.10 |
| Kz225 Edendale | 0.56 | 0.83 |
| Kz222 Hilton | 0.79 | 0.77 |
| Kz222 Howick | 3.91 | 4.04 |
| Kz225 Imbali | 0.01 | 0.01 |
| Kz224 Impendle | 0.03 | 0.05 |
| Kz 222 Mount Michal | 0.05 | 0.00 |
| Kz 223 Mooi River | 0.85 | 1.79 |
| Kz221 Mpolweni | 0.00 | 0.01 |
| Kz221 New Hanover | 3.34 | 1.93 |
| Kz222 Nottingham Road | 0.74 | 0.98 |
| Kz 225 Pietermaritzburg | 85.50 | 83.20 |
| Kz226 Richmond | 1.51 | 1.23 |
| Kz 225 Sobantu | 0.00 | 0.00 |
| Kz225 Vulindlela | 0.00 | 0.00 |
| Kz221 Wartburg | 0.43 | 1.06 |
| Total | 100.00 | 100.00 |

The government wage bill is about 32 percent of the total district wage bill.

## LABOUR MARKET




The total population for the district was about 927845 persons in 2000 (up from 872717 in 1996). An estimate of over a million people living in the district in 2004 is very possible. Over 60 percent of the district population and 65 percent of all employed people resides in Pietermaritzburg making Pietermaritzburg the central location for the district.




New jobs placement, or job creation, increased very moderately through 2003. The majority of these new jobs were in the services industry or as service employees in other industries. This is very much inline with national trends in employment.

The number of claims for unemployment benefits has increased moderately to strongly through 2003 and the beginning of 2004. This could be due to a number of reasons, one being that a number of workers was retrenched or laid off, or simply that more unemployed workers realized that they could claim unemployment benefits. There have, according to the Department of Labour, been a number of firms that have laid off workers due to adverse business conditions during 2003 and the beginning of 2004. The majority of these layoffs were in the manufacturing, agriculture and timber industries. The decrease in unemployment claims at the end of 2003 was mainly due to seasonable employment.

In 2000 Pietermaritzburg had a total labour force (which consists of all citizens aged between 16-65) of approximately 370 000, and 36% of these were not economically active (they were for example, attending school and/or other educational institutions and are therefore not considered part of the economically active population). Residents who were able to work and were either actively looking for employment or were gainfully employed amounted to approximately 250 000. Of this group (the economic active population) 49% were unemployed (up from 40% in 1996); this gives a figure of only 127500 people in formal employment in the year 2000. It is very possible that the number of unemployed people in Pietermaritzburg has increased to about 51-52% in 2004, due to the very high base effect, urbanization and the widening gap between the number of unemployment claims and job creation. The statistics for the district do not look much better either. The number of people formally employed in the district in 2000 was 197052, down from 201712 in 1996. The number of people unemployed increased over the same period from 122848 to 169539.

The total average monthly formal income for the district was approximately between **R 850 100 100 and R910 000 000** during the two years between 2002 and 2004.

The number of people (2001 compared to 1996) employed in the various industries in the district, and their professions, are as follows;

| Persons | 2001 | 1996 |
|---|---|---|
| Agriculture/Forestry/ Fishing | 34443 | 26894 |
| Community/Social/ Personal | 42076 | 34276 |
| Construction | 8041 | 8811 |
| Electricity/Gas/Water | 1550 | 2345 |
| Financial/Insurance/ Real Estate/Business | 14795 | 12687 |
| Manufacturing | 26135 | 25352 |
| Mining/Quarrying | 550 | 567 |
| Other | 9 | - |
| Private Households | 19507 | 24946 |
| Transport/Storage/ Communication | 6782 | 8781 |
| Undetermined | 17602 | 39211 |
| Wholesale/Retail | 25563 | 18699 |

| Persons | 2001 | 1996 |
|---|---|---|
| Clerks | 17922 | 12842 |
| Craft/Trade | 18776 | 20733 |
| Elementary | 58285 | 55548 |
| Legislators/Senior Officials | 8802 | 5403 |
| Unspecified/Not Economically Classified | 0 | - |
| Plant/Machine Operators | 18634 | 16307 |
| Professionals | 12038 | 18438 |
| Service Workers | 19410 | 16253 |
| Agricultural/Fishery | 10730 | - |
| Technicians | 19002 | 10996 |
| Undetermined | 13455 | |

Elementary work includes domestic and garden workers

The individual monthly income and individual's mode of transport (2001 compared to 1996) in the district are as follows;

| Persons (pm) | 2001 | 1996 |
|---|---|---|
| None | 640706 | 465944 |
| R1 - 400 | 59105 | 24845 |
| R401 - 800 | 96571 | 119720 |
| R801 - 1600 | 43892 | 31180 |
| R1601 - 3200 | 38279 | 28036 |
| R3201 - 6400 | 28068 | 35664 |
| R6401 - 12800 | 13790 | 8151 |
| R12801 - 25600 | 4427 | 1706 |
| R25601 - 51200 | 1297 | 891 |
| R51201 - 102400 | 941 | 330 |
| R102401 - 204800 | 596 | - |
| Over R204801 | 182 | |

| Persons | 2001 |
|---|---|
| Bicycle | 2640 |
| Bus | 17677 |
| Car Driver | 43052 |
| Car Passenger | 48522 |
| Minibus/Taxi | 73149 |
| Motorcycle | 3089 |
| Train | 1878 |
| NA | 456719 |
| Foot | 276546 |
| Other | 4559 |

(Municipal Demarcation Board, Municipal Profiles 2003, http://www.demarcation.org.za/)

It is very interesting to note the considerable decrease in professional persons in the district.

## ANNUAL HOUSEHOLD INCOME & EXPENDITURE PATTERNS

| Item (Total expenditure pa = R15bil) | Item expenditure as % of total expenditure |
|---|---|
| Food | 17.52 |
| Drinks | 1.04 |
| Tobacco | 2.33 |
| Clothing | 1.79 |
| Footwear | 0.72 |
| Housing | 14.68 |
| Fuel and power | 0.51 |
| Furniture and equipment | 1.32 |
| Household operation | 0.87 |
| Servants | 2.29 |
| Medical services & requirements | 2.38 |
| Transport | 8.42 |
| Communications | 2.17 |
| Recreation, sport, etc | 0.75 |
| Reading matter | 0.52 |
| Education | 4.23 |
| Personal care | 2.95 |
| Restaurants, bars, etc | 0.02 |
| Holidays | 19.98 |
| Income tax | 4.86 |
| Other | 10.66 |

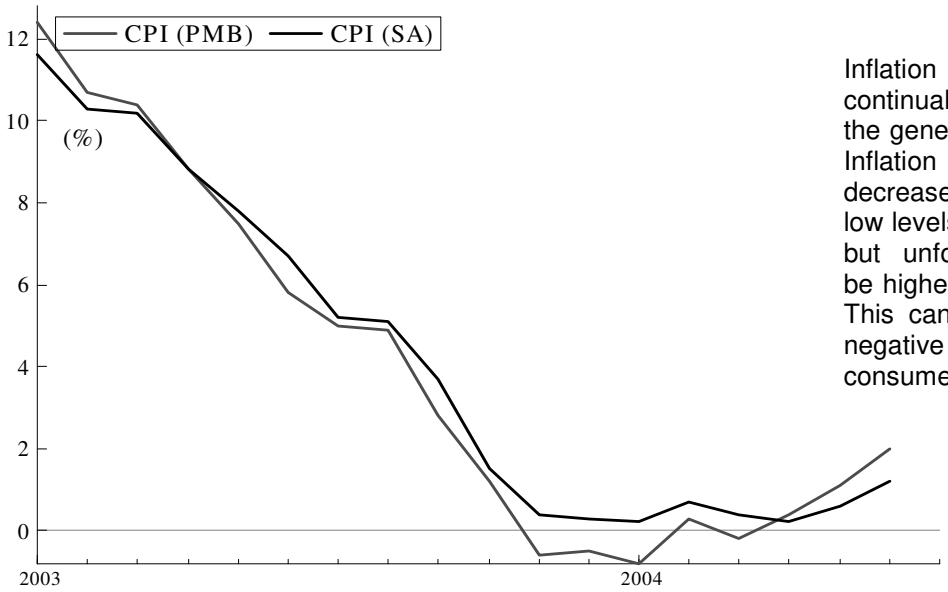
| Household Expenditure (Rand per year) | Weighted average spent on each item for each income category (per year) | | | | | |
|---|---|---|---|---|---|---|
| | R 0 - R 8 070 | R 8 071 R 12 263 | R 12 264 R 24 365 | R 24 366 R 55 159 | R 55 159 and more | TOTAL |
| A. **Number of households** | 35 | 33 | 50 | 55 | 46 | 219 |
| B. **Items** | | | | | | |
| 1. Food | 1 850 | 4 123 | 5 791 | 11 295 | 18 272 | 9 126 |
| 2. Drinks | 59 | 124 | 289 | 565 | 1 364 | 542 |
| 3. Tobacco | 392 | 641 | 782 | 1 131 | 2 152 | 1 212 |
| 4. Clothing | 96 | 322 | 509 | 1 161 | 2 063 | 932 |
| 5. Footwear | 51 | 180 | 214 | 492 | 746 | 374 |
| 6. Housing | 334 | 579 | 2 494 | 4 033 | 25 985 | 7 650 |
| 7. Fuel and power | 233 | 221 | 279 | 435 | 133 | 267 |
| 8. Furniture and equipment | 57 | 83 | 472 | 561 | 1 863 | 689 |
| 9. Household operation | 100 | 149 | 290 | 544 | 945 | 451 |
| 10. Servants | 123 | 412 | 651 | 1 485 | 2 637 | 1 191 |
| 11. Medical services | 67 | 90 | 121 | 580 | 4 548 | 1 240 |
| 12. Transport | 457 | 790 | 1 162 | 3 033 | 13 914 | 4 388 |
| 13. Communications | 18 | 74 | 293 | 843 | 3 679 | 1 130 |
| 14. Recreation, sport, etc | 7 | 6 | 23 | 109 | 1 548 | 390 |
| 15. Reading matter | 8 | 1 | 16 | 362 | 780 | 272 |
| 16. Education | 95 | 142 | 627 | 1 789 | 6 936 | 2 205 |
| 17. Personal care | 399 | 564 | 792 | 1 826 | 3 361 | 1 538 |
| 18. Restaurants, bars, etc | 5 | 17 | 5 | 10 | 28 | 13 |
| 19. Holidays | 0 | | | 5 699 | 12 511 | 10 408 |
| 20. Income tax | 0 | 0 | 39 | 1 001 | 9 886 | 2 531 |
| 21. Other | 793 | 1 081 | 1 689 | 4 423 | 16 592 | 5 554 |
| TOTAL | 5 153 | 9609 | 16 547 | 41 387 | 129 955 | 52 113 |
| C. **Average household income (Rand per year)** | | | | | | |
| 1. Regular income | 6 028 | 8 468 | 13 758 | 35 451 | 97 047 | 36 185 |
| 2. Other Income | 756 | 1 611 | 2 551 | 2 770 | 9 292 | 3 733 |
| TOTAL | 6784 | 10 079 | 16 310 | 38 222 | 106 340 | 39 919 |

Total expenditure by residents of the district (but not necessary in the district) amounted to about **R15 bil** in 2003.

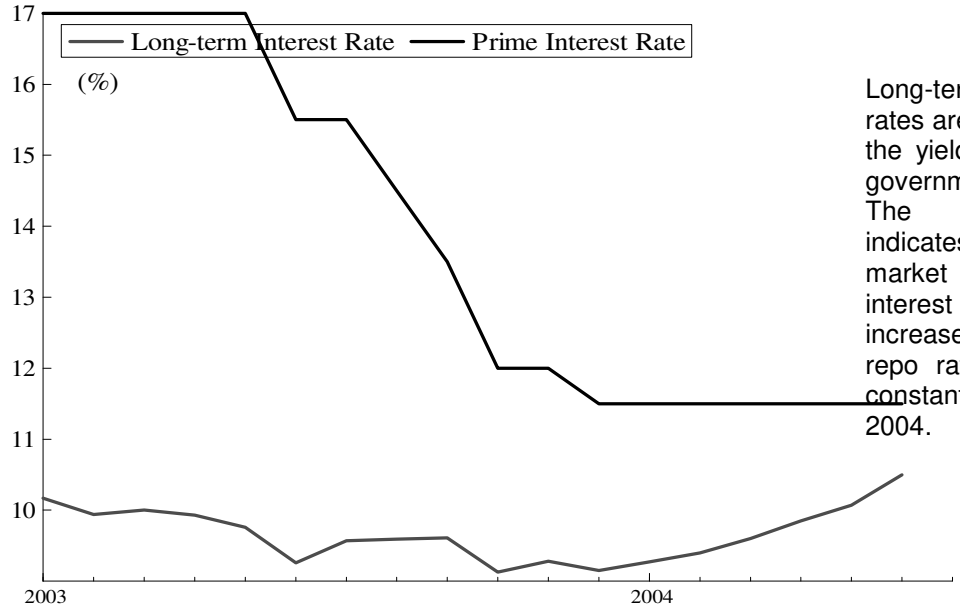
Food, Housing and Transport constitute **40%** of household expenditure. Expenditure on holidays is significant, but only for the middle and higher income groups. It is very interesting to note that expenditure on tobacco is the same as expenditure on clothing and footwear combined.

Per Capita expenditure is about **R14 000 to R15 000** per year for the uMgungundlovu district.

## MONETARY SECTOR



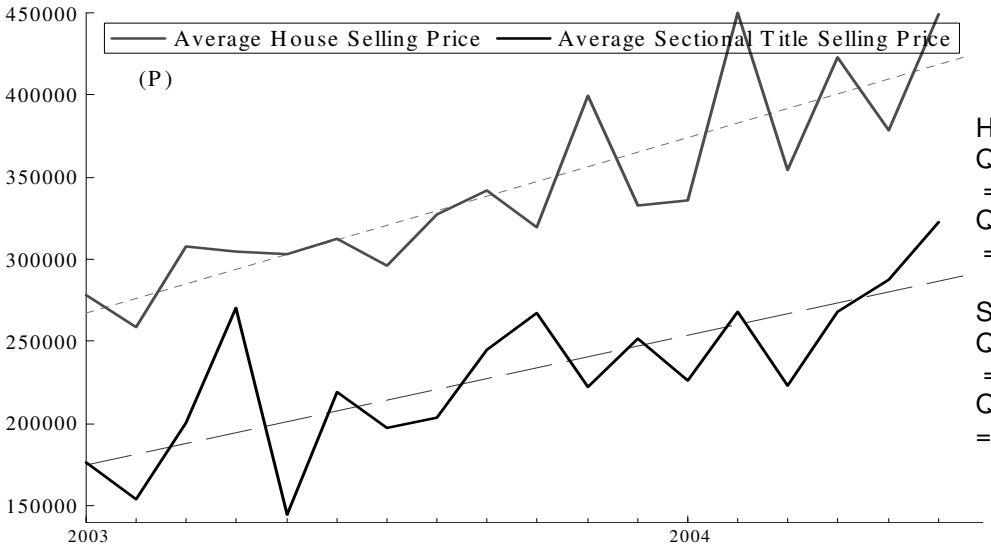

Inflation is the continual increase in the general price level. Inflation has decreased to historic low levels during 2003, but unfortunately will be higher during 2004. This can have a very negative effect on consumer confidence.




Long-terms interest rates are measured via the yield on the R153 government bond. The yield curve indicates that the market is expecting interest rates to increase, although the repo rate has stayed constant up to June 2004.

Inflation and interest rates are at historic low levels at present. This should by itself have a stimulating effect on the business and economic environment in the region. The benefits of low interest rates to the local economy should start materializing during 2004. It is also encouraging to see that the increases in consumer prices have eased to below the national average for the whole of 2003 and part of 2004. This would also have had a positive effect on consumer spending. It is, however, of concern that local inflation, after March 2004, has increased by more that the national inflation rate, which could dampen consumer spending in the region. Thus from an interest rate perspective we could expect the local economy in terms of consumer spending to expand and business activities (sales) to pick up. Inflation expectations, on the other hand, could dampen consumer confidence and spending.

## RESIDENTIAL PROPERTY MARKET




House Prices
Q1 2002 – Q1 2004
= 35% increase
Q2 2003 – Q2 2004
= 36% increase

Sectional Title
Q1 2002 – Q1 2004
= 35% increase
Q2 2003 – Q2 2004
= 38% increase

Houses Sold
Q1 2002 – Q1 2004
= 7% decrease
Q2 2003 – Q2 2004
= 18% decrease

Sectional Title
Q1 2002 – Q1 2004
= 42% increase
Q2 2003 – Q2 2004
= 24% increase

The prices of both housing and sectional title units have increased substantially during 2003 and the beginning of 2004, (price relationships have a statistically significant correlation coefficient of +0.72). The increases in residential prices have caused the number of housing units sold to decrease, but surprisingly not the number of sectional title units. This could be an affordability reason, i.e. they are substitutes. It is also interesting to note that the price difference between houses and sectional title units has stayed fairly constant and may even be increasing. There is definitely more buoyancy to come in the property market in Pietermaritzburg and this could spill over to the other towns in the district, especially the towns near Pietermaritzburg. Booming property prices create a wealth effect, i.e. residents feel wealthier, thus spending increases.

| | Rand | % change | |
|---|---|---|---|
| 2002 Q4 | 308883 | | |
| 2003 Q1 | 338280 | 9.52 | |
| 2003 Q2 | 371419 | 9.80 | |
| 2003 Q3 | 405433 | 9.16 | 8.4% |
| 2003 Q4 | 440649 | 8.69 | |
| 2004 Q1 | 475290 | 7.86 | |
| 2004 Q2 | 499537 | 7.86 | |

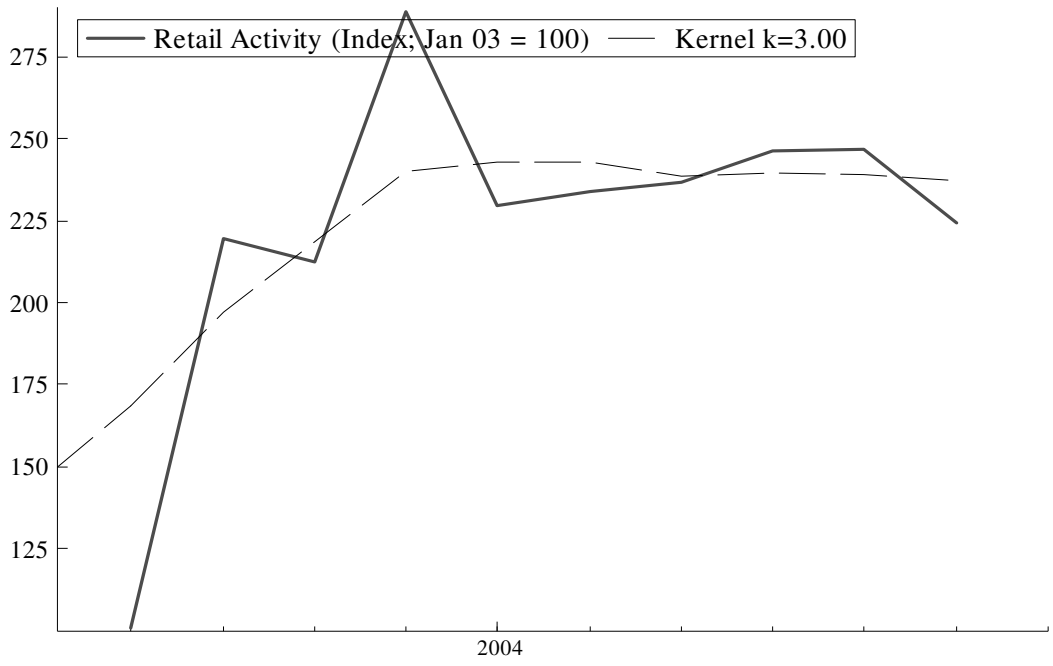
| Rand per quarter | Small | Medium | Big |
|---|---|---|---|
| 2002 Q4 | 193301 | 280447 | 465264 |
| 2003 Q1 | 198 546 | 307 737 | 518408 |
| 2003 Q2 | 208351 | 351146 | 606327 |
| 2003 Q3 | 280406 | 400089 | 599496 |
| 2003 Q4 | 286946 | 434350 | 627888 |
| 2004 Q1 | 293485 | 468610 | 656279 |
| 2004 Q2 | 312920 | 512805 | 636565 |

The average quarterly nominal increase of an average house in Pietermaritzburg was 8 percent from September 2002 to June 2004. The total nominal cumulative increase for the same period was 62 percent (about 35 percent in real terms). The size of a small, medium and big house is respectively 80-140m², 141-220m² and 221-400m².

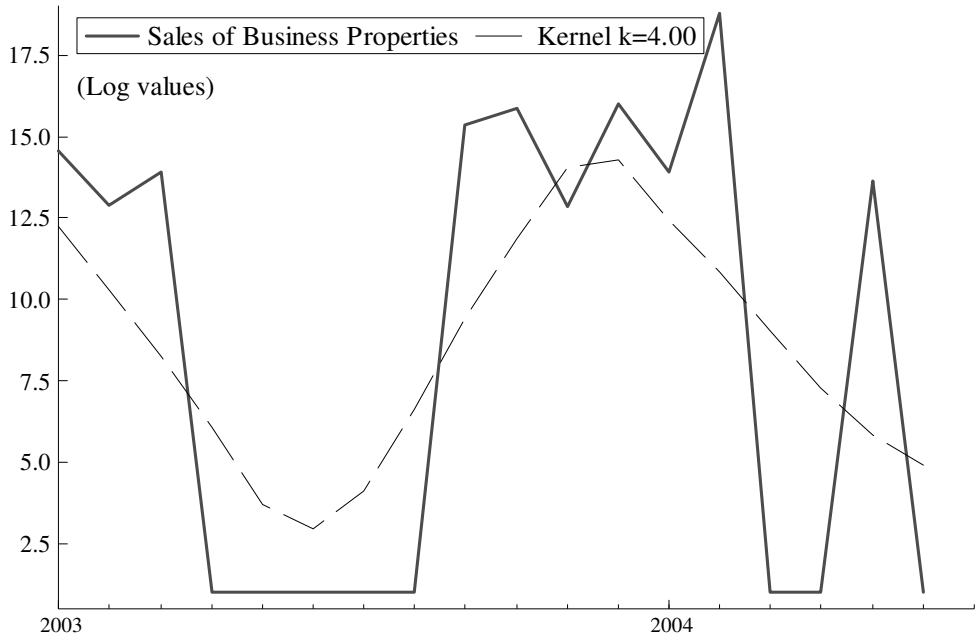
## RETAIL ACTIVITY

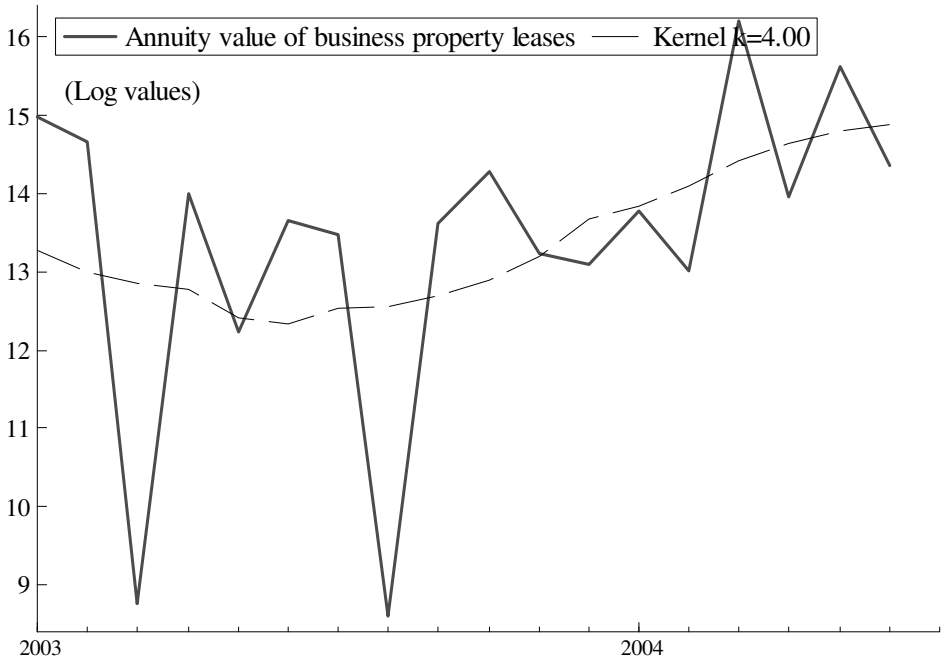
There has been a sharp increase in retail activity in Pietermaritzburg as measured by the head counts in the major shopping complexes. This is mostly due to the recently constructed Liberty Mall. What is very interesting is that the number of shoppers has increased, i.e. new shoppers. There was a fear that the existing shoppers would move from one shopping complex to the other, i.e. trade diversion. This clearly did not occur. The data indicate that what actually happened was trade creation, i.e. total retail activity increased, which is good for the local economy.

What is of concern is that most of the consumer expenditure takes place at national retail outlets. Thus money flows out of Pietermaritzburg and the district, because these outlets do not buy their stock locally.



## BUSINESS PROPERTY MARKET

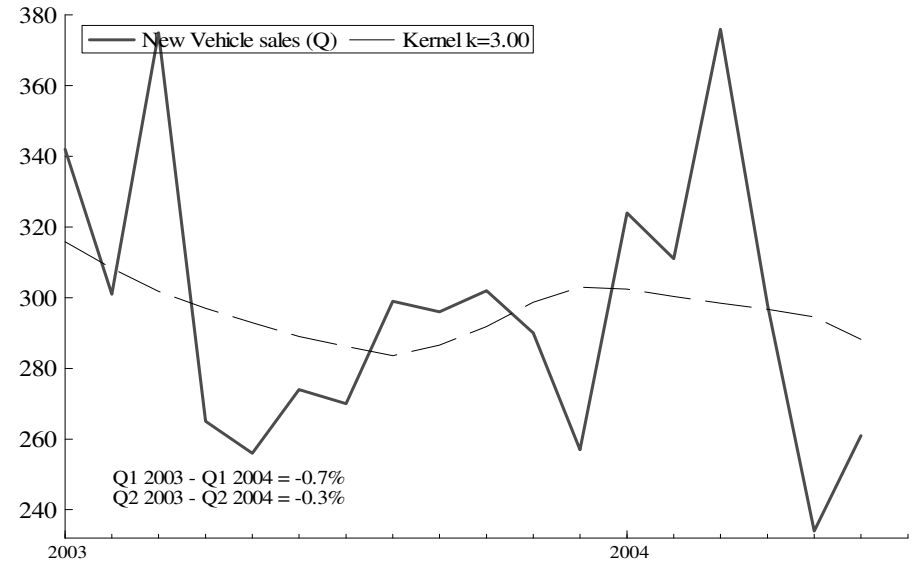


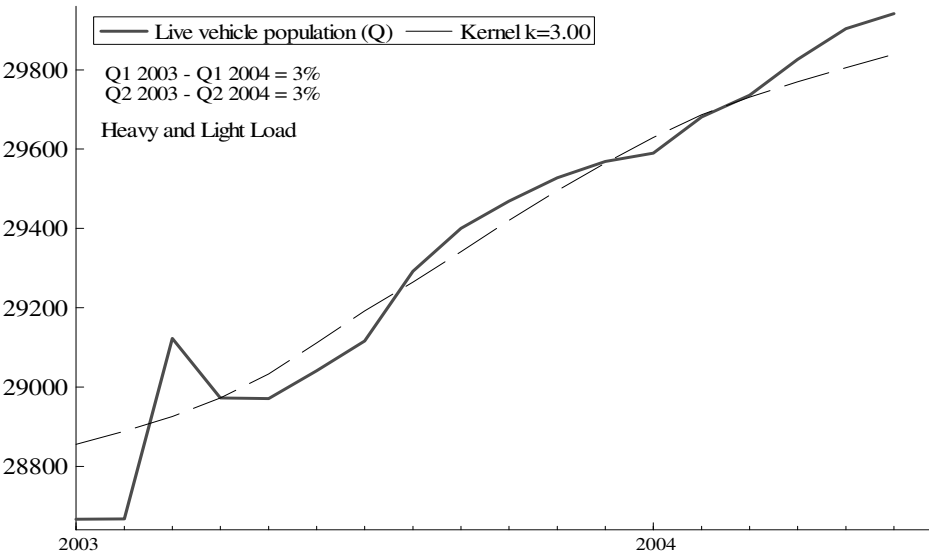



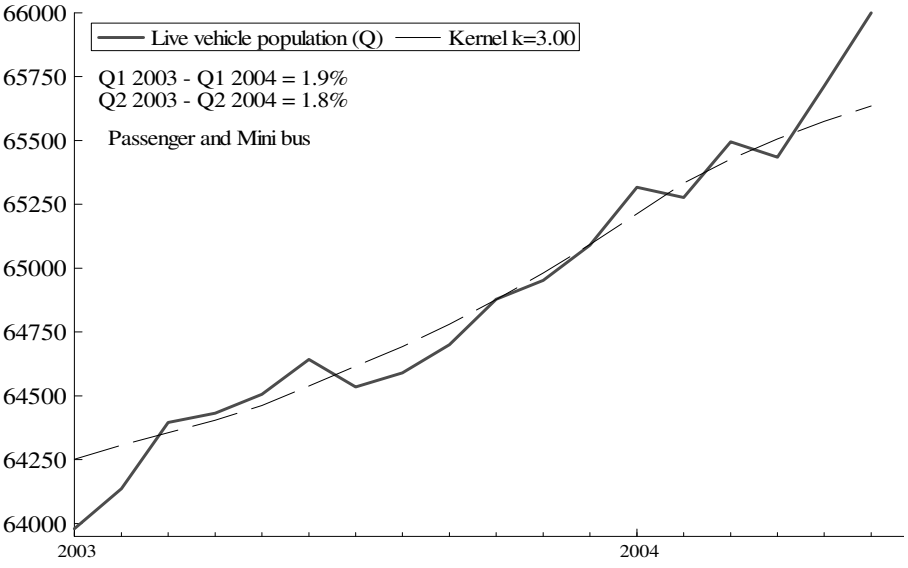

The graphs show that the sales of business properties seem to be very cyclical. Most buying and selling activity, typically, takes place in the 3rd and 4th quarter of the year.

The annuity value of leases has increased very moderately since the middle of 2003. This could be a sign of increased levels of business activity and confidence. Interestingly, business turnover also started to increase in the same period.

## VEHICLE AND TRANSPORT SECTOR



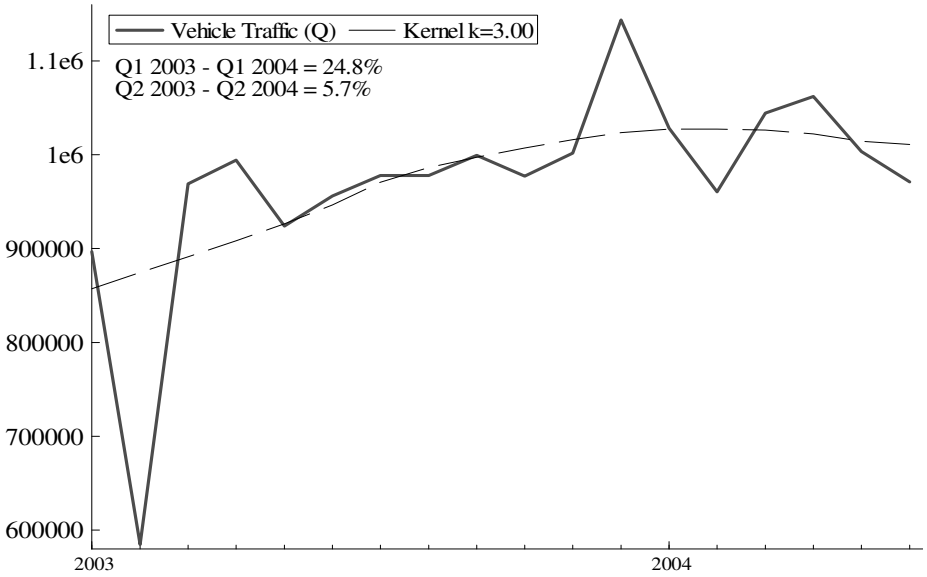



New vehicle sales have, surprisingly, decreased throughout the first two quarters of 2003 when compared to the national trend, but increased in the third quarter of 2003. The increasing trend was, however, very short lived and a decreasing trend emerged during the first two quarters of 2004.

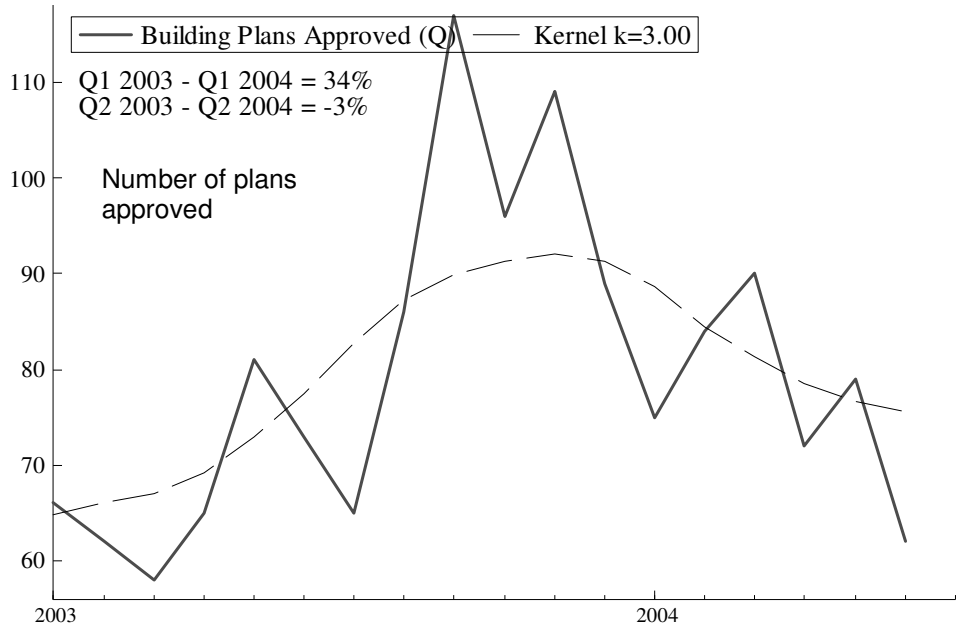
The number of Pietermaritzburg registered heavy, light load, passenger and minibus vehicles has increased substantially since the beginning of 2003. This suggests an increasing demand for second hand vehicles of all types. One of the major causes of the increase in demand is the current interest rate level. The increase in demand, especially for heavy and light load vehicles, can also be attributed to an increase in local economic activity, especially in the construction sector.

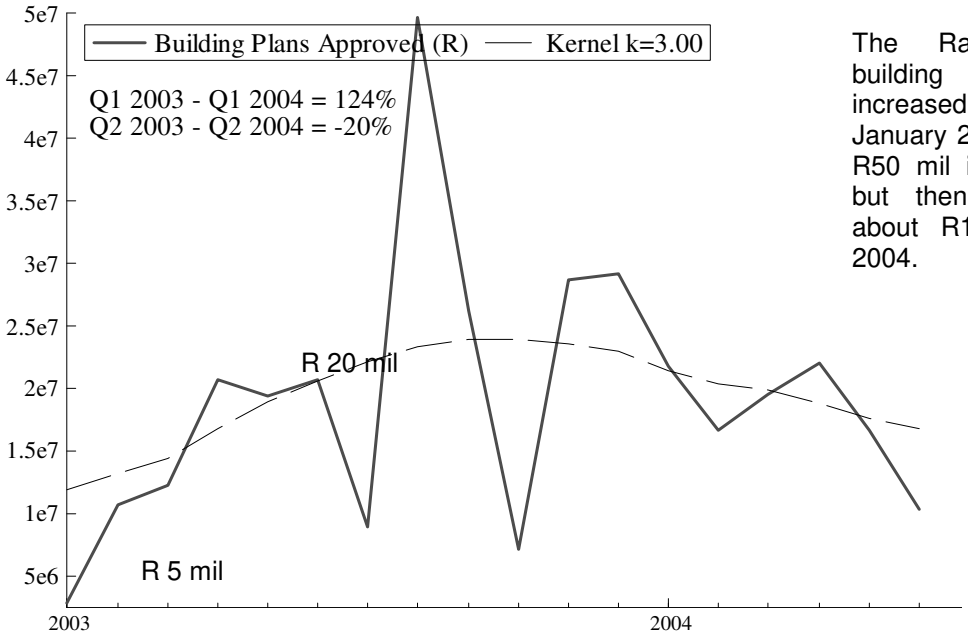
The increase in the number of vehicles using Durban Road is a clear indication of an increase in economic activity in Pietermaritzburg. The traffic counter is situated between New England and Durban Roads.




## BUILDING AND DEVELOPMENT SECTOR

The housing market tends to be a leading indicator of economic activity. Aside from seasonal fluctuations, sharp increases (decreases) in home construction or sales lead to a corresponding increase (decrease) in the economy due to the fact that housing accounts for a significant percentage of investment spending and overall spending in the national economy. The housing market also impacts on construction employment. A decline in the number of permits issued signals a decrease in construction employment.

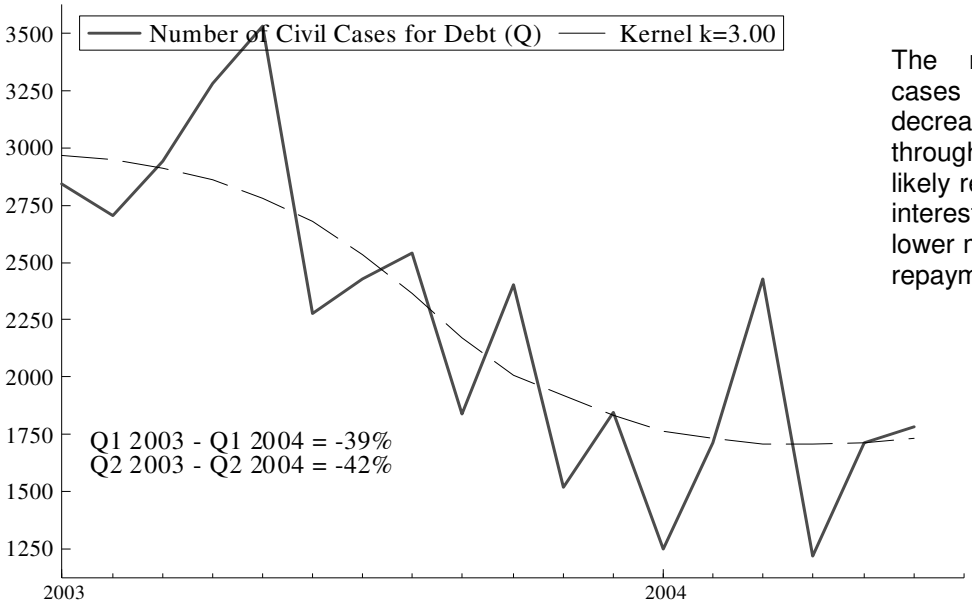


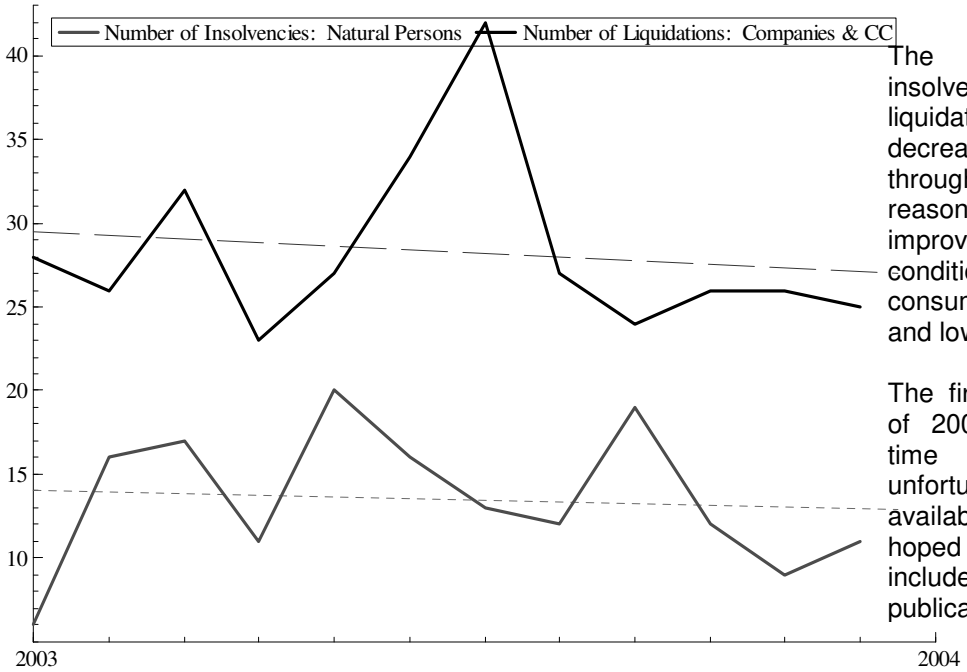

The Rand value of building plans approved increased form R5 mil in January 2003 to a high of R50 mil in August 2003, but then decreased to about R10 mil in June 2004.

Both the number and the value of building plans approved have increased through 2003, with the normal decrease evident towards the end of the year. This is to be expected in an environment where house prices have increased, i.e. the wealth effect via the property market. The two major categories of building plans approved are alterations and additions to dwellings and non-residential dwellings. Increases in the value of building plans approved can be interpreted as a sign of business and consumer confidence in the local economy. The first 6 months of 2004 indicate a decline in these two variables, but this may be only a correction after the 2003 boom cycle. It is envisaged that there is still more strength to come, because interest rates will stay low for longer and thus house prices have yet to reach their peak.

## NUMBER OF CIVIL CASES FOR DEBT, LIQUIDATIONS & INSOLVENCIES




The number of civil cases for debt has decreased dramatically through 2003. The most likely reason being lower interest rates and thus lower mortgage and debt repayments obligations.



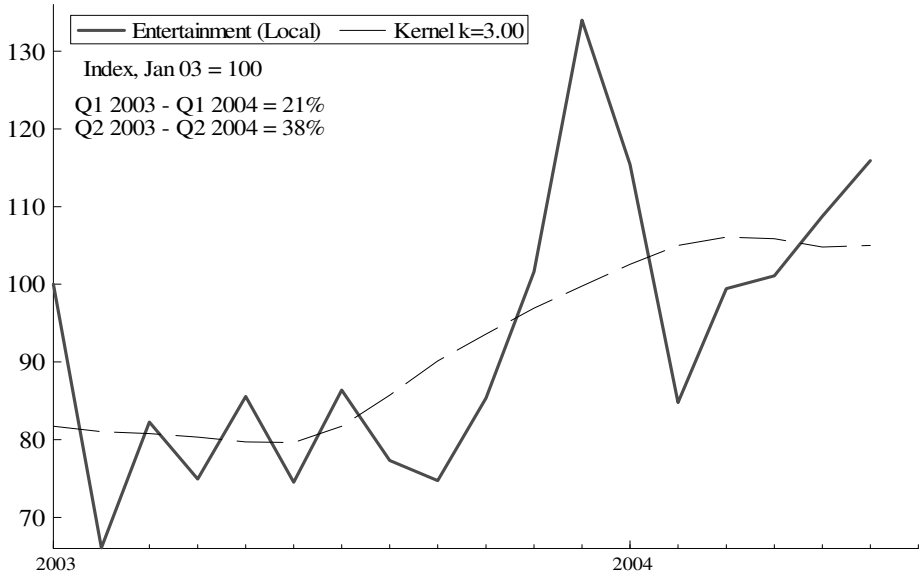

The number insolvencies and liquidations have decreased steadily through 2003. Likely reasons being improved business conditions, increased consumer spending and low interest rates.

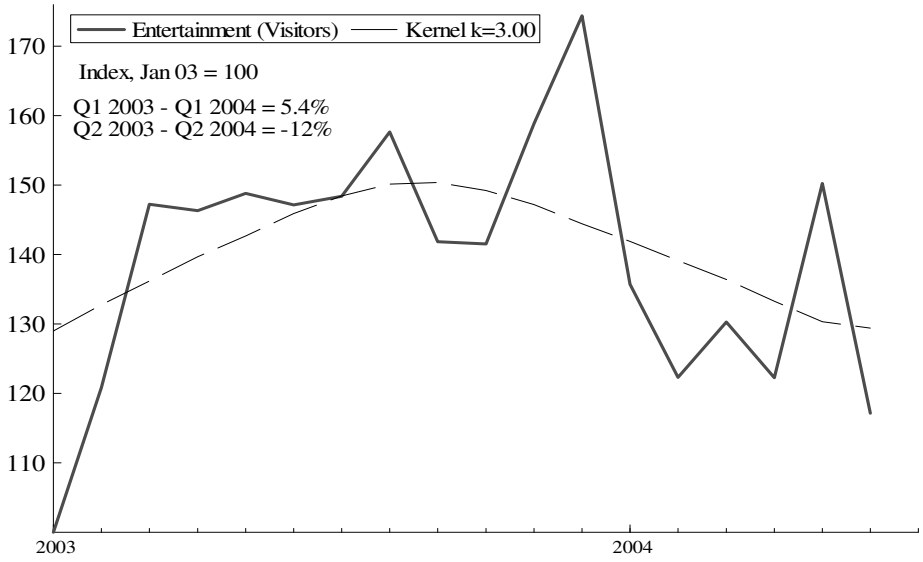
The first two quarters of 2004 was at the time of printing, unfortunately, not available, but it is hoped that it will be included in the next publication.

## HOSPITALITY & ENTERTAINMENT SECTOR

The number of local and foreign (non Pietermaritzburg) people making use of the local hospitality and entertainment facilities increased throughout 2003. For the local people this may be because of the wealth effect, low interest and inflation rates. Pietermaritzburg has attracted foreign people, especially business people, because of its change in civic status and the opportunities that this has created.

There has, however, been a slowdown (foreign people much more than local people) in both the categories in the first two quarters of 2004. The current levels are, however, still higher than the corresponding levels two years ago.

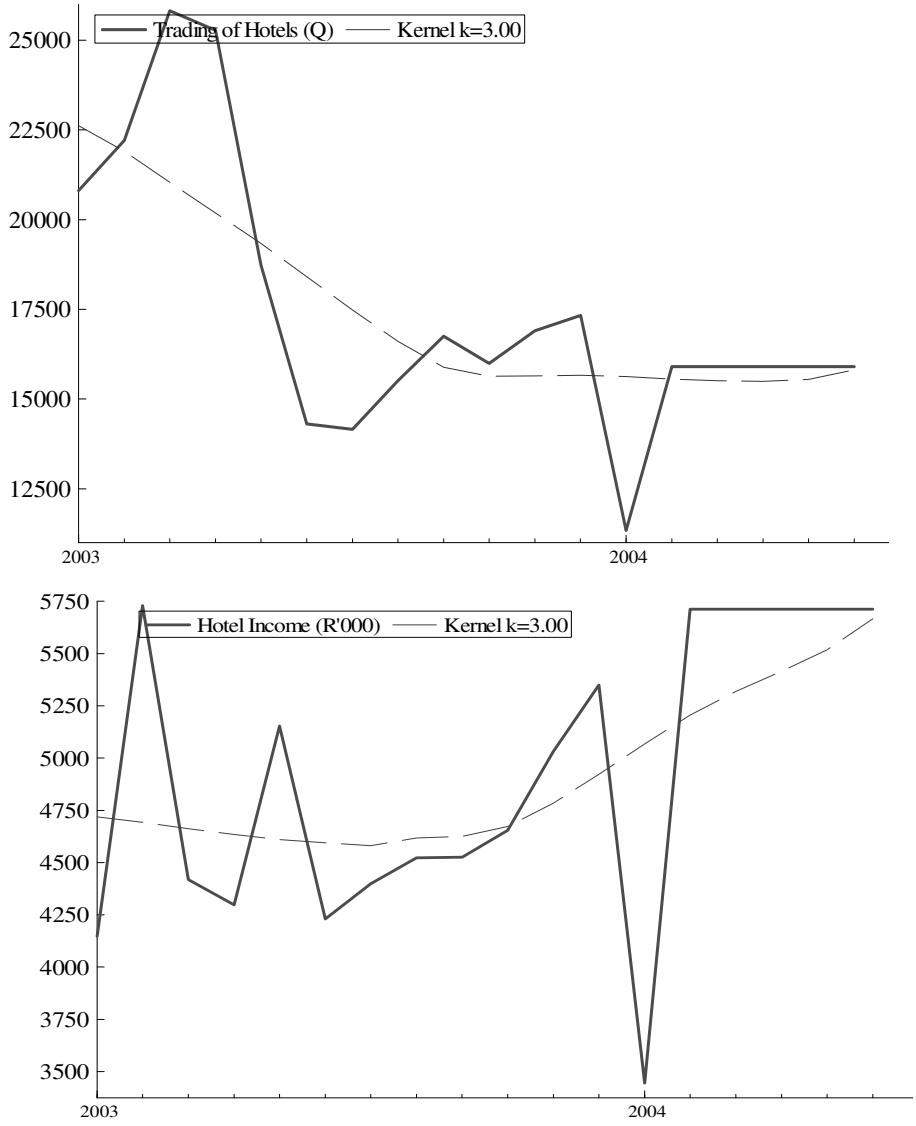



## TRADING OF HOTELS

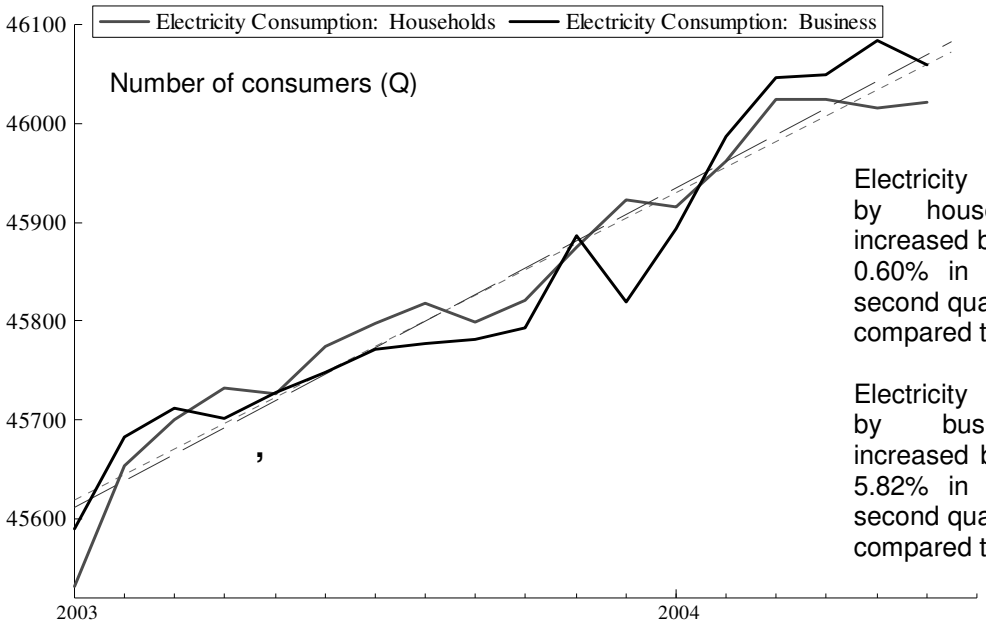
The number of rooms and bed nights sold by hotels has decreased steadily since the first quarter of 2003. This resulted in reduced hotel income until August 2003, after which there was revival and growth in income. This time series has since been discontinued due to reliability issues, thus the accuracy of the hotel statistics cannot be guaranteed. Stats SA is, fortunately, in the process

of redesigning the sample, etc so we hope to have reliable and accurate statistics for the latter part of 2004.




## ELECTRICITY CONSUMPTION

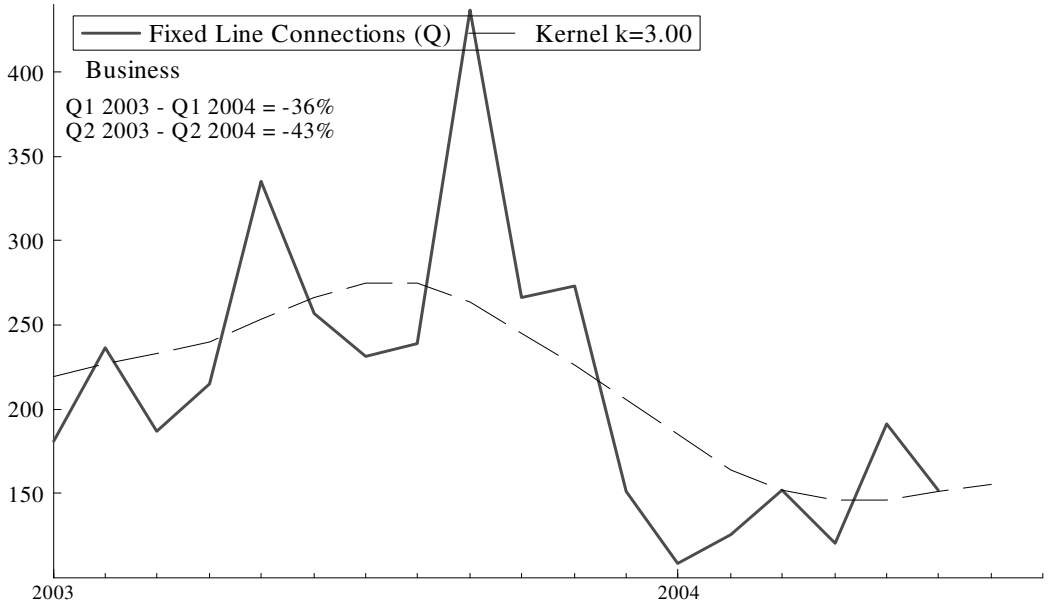
Electricity consumption by both business and households has increased consistently throughout 2003. The increase in electricity usage by the business sector is particularly encouraging since this suggests an increase in output and production levels. The rapid increases in October and November are mainly due to seasonal December shopping demand increases. The increasing trend in both statistics has, somewhat surprisingly, continued through the first six months of 2004. This is surprising, because the first 4 months of the year are normally characterized by a slowdown in electricity consumption, especially by business. This has not proved to be the case in Pietermaritzburg.



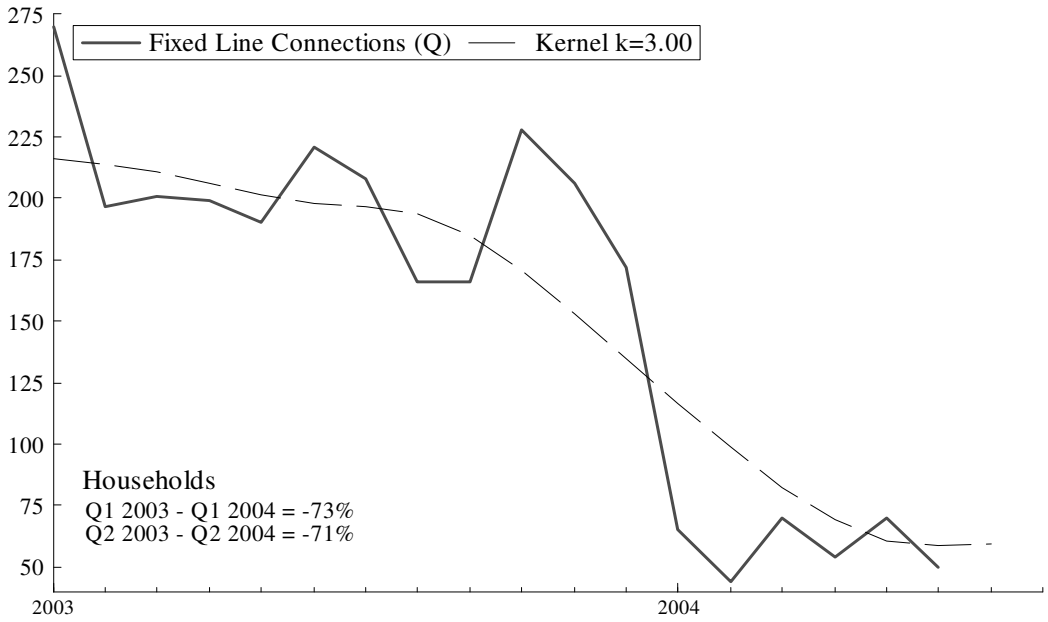

Electricity consumption by households has increased by 0.76% and 0.60% in the first and second quarters of 2004, compared to 2003.

Electricity consumption by business has increased by 5.46% and 5.82% in the first and second quarters of 2004, compared to 2003.

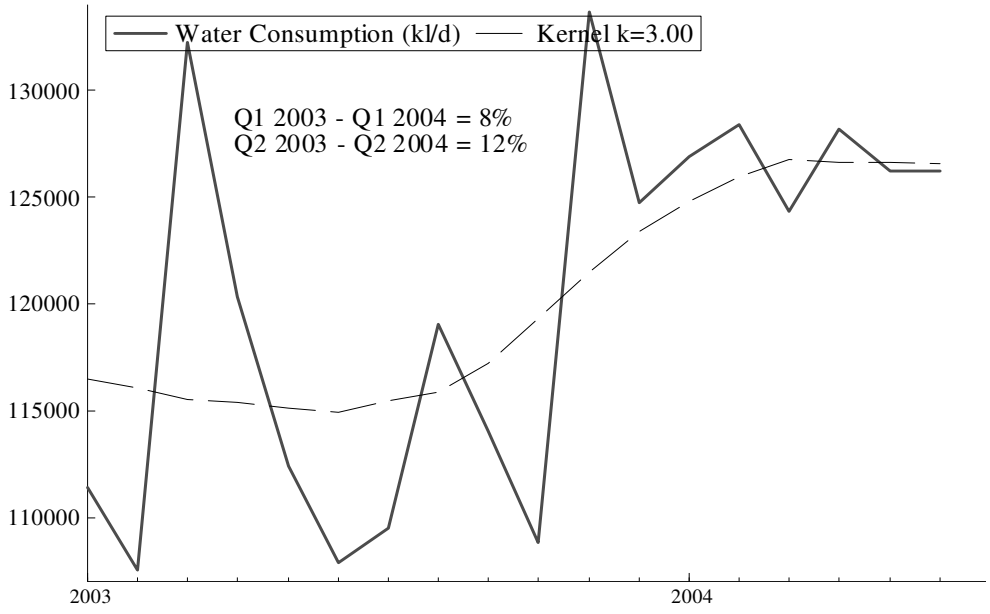
## COMMUNICATIONS




The number of new fixed line connections by business has increased very moderately throughout the first 6 months of 2004, and has decreased consistently since then. More recently it appears as if a recovery is taking place. The number of new fixed line connections by households has decreased rapidly since the beginning of 2004. The two most apparent explanations for this sharp decrease are that most households are substituting cellular phones for fixed lines and the sharp price increases implemented by Telkom.



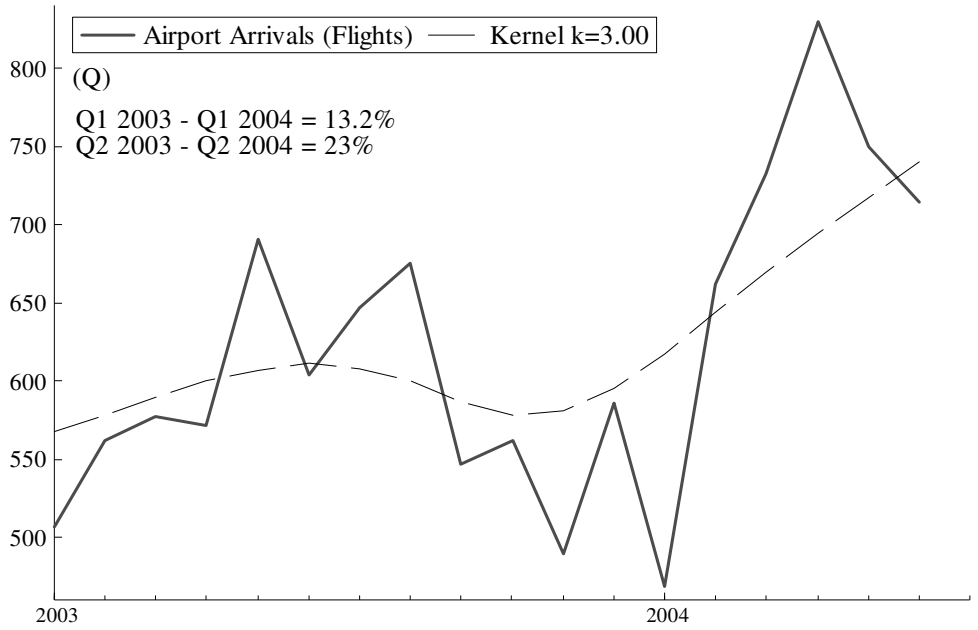

## WATER CONSUMPTION

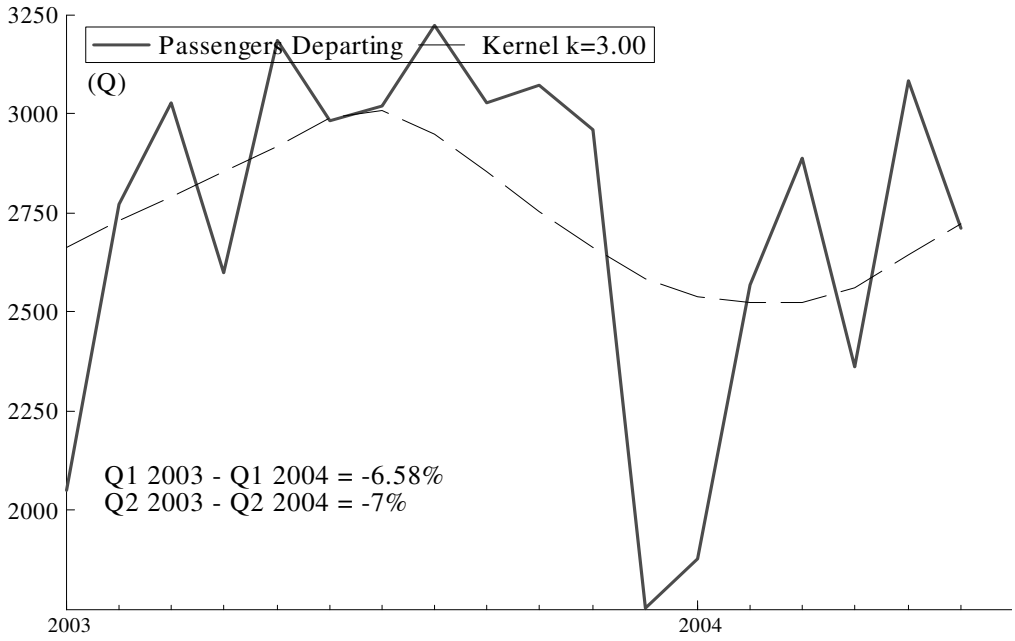



Water consumption depicts the use of fresh surface water and fresh ground water for the production of drinking water, processed water and cooling water for industry and the use of irrigation water for agriculture. The increase in total water consumption (especially during the last quarter of 2003) is therefore due to increases in the above listed usages of water.

## AIRPORT ARRIVALS AND DEPARTURES

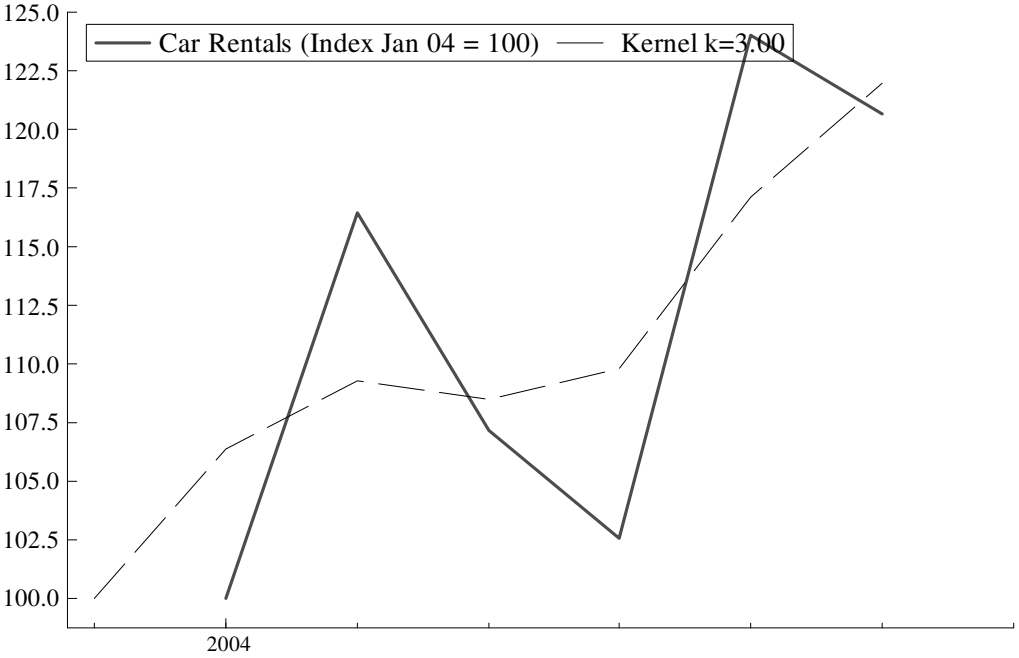
The number of arrivals has increased significantly since the last quarter of 2003. The majority of the people arriving, according to the airport management, are business people. This is clearly an indication of the growing business interest in Pietermaritzburg.



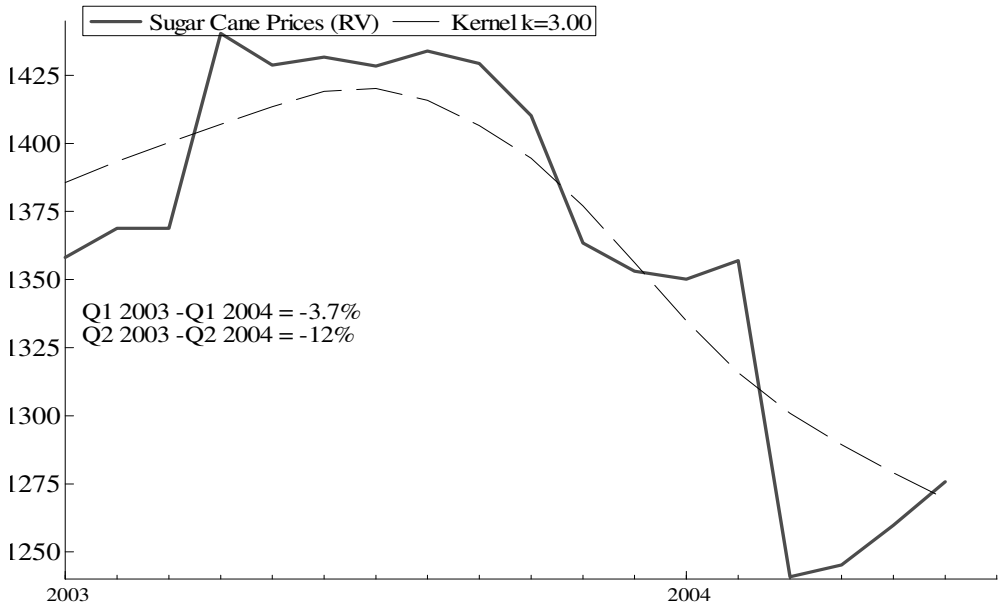
## CAR RENTALS

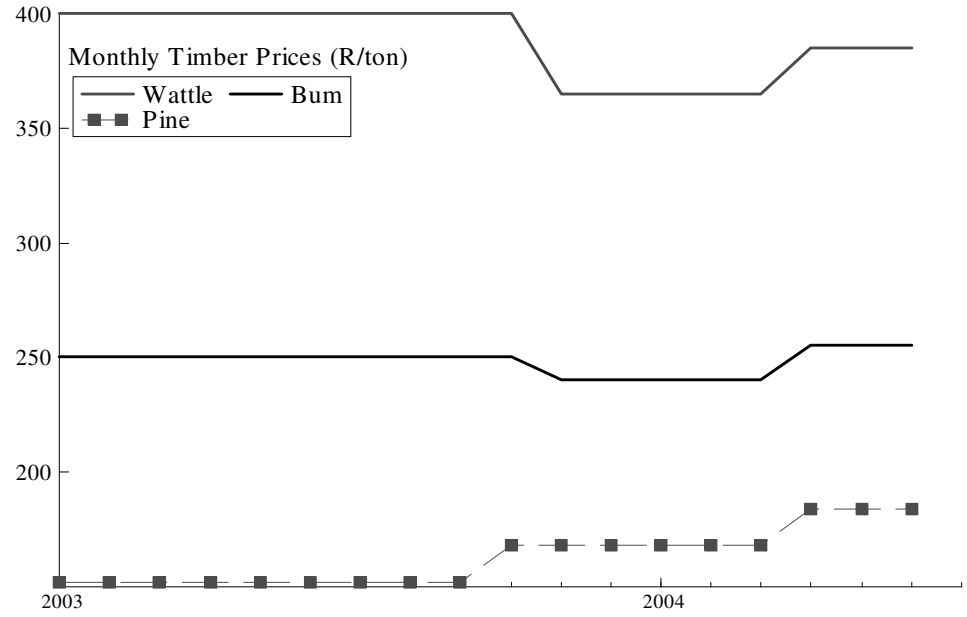
The number of car rentals indicates a similar picture to airport arrivals and supports the view that there is a growing business interest in Pietermaritzburg.

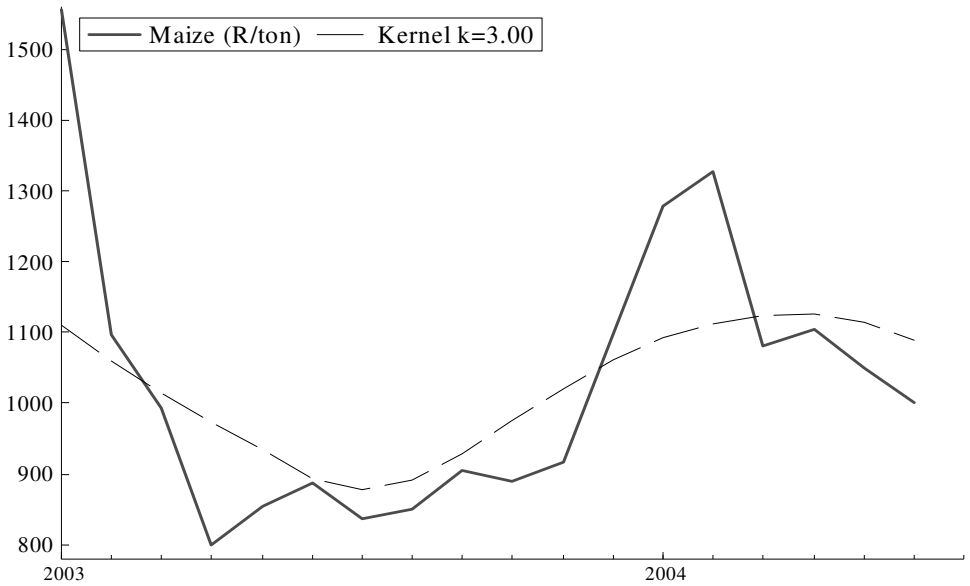


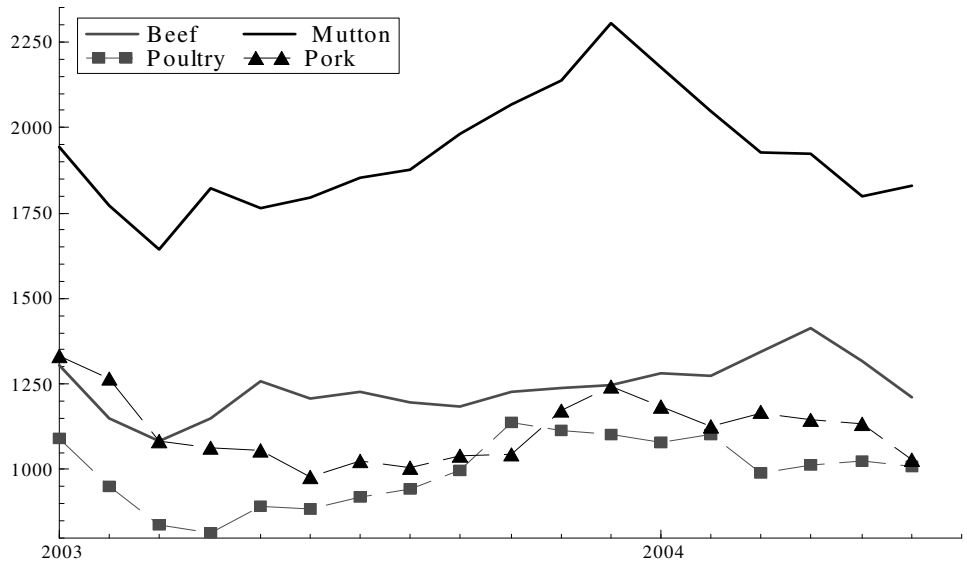

## AGRICULTURE AND FORESTRY

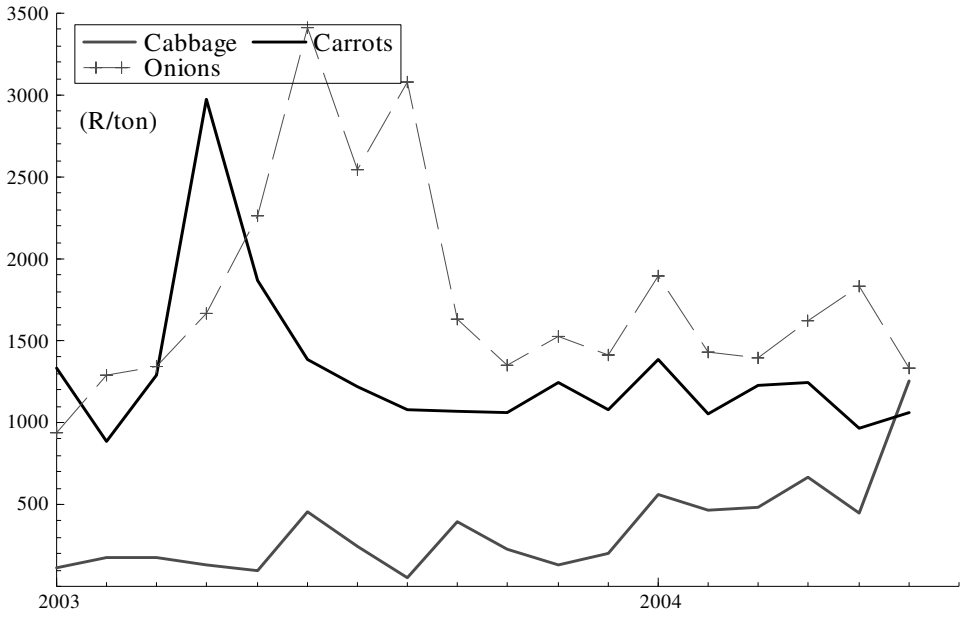
The two main areas of Pietermaritzburg that are not doing that well are the forestry and agricultural sectors, due mainly to falling producer prices. Falling producer prices mean less revenue for their products and thus margins become tighter. This sequence of events negatively affects producer's production and expenditure behaviour, i.e. costs are more closely watched.




Monthly Timber Prices (R/ton)
Wattle
Bum
Pine
400
350
300
250
200
2003
2004


Maize (R/ton)
Kernel k=3.00
1500
1400
1300
1200
1100
1000
900
800
2003
2004

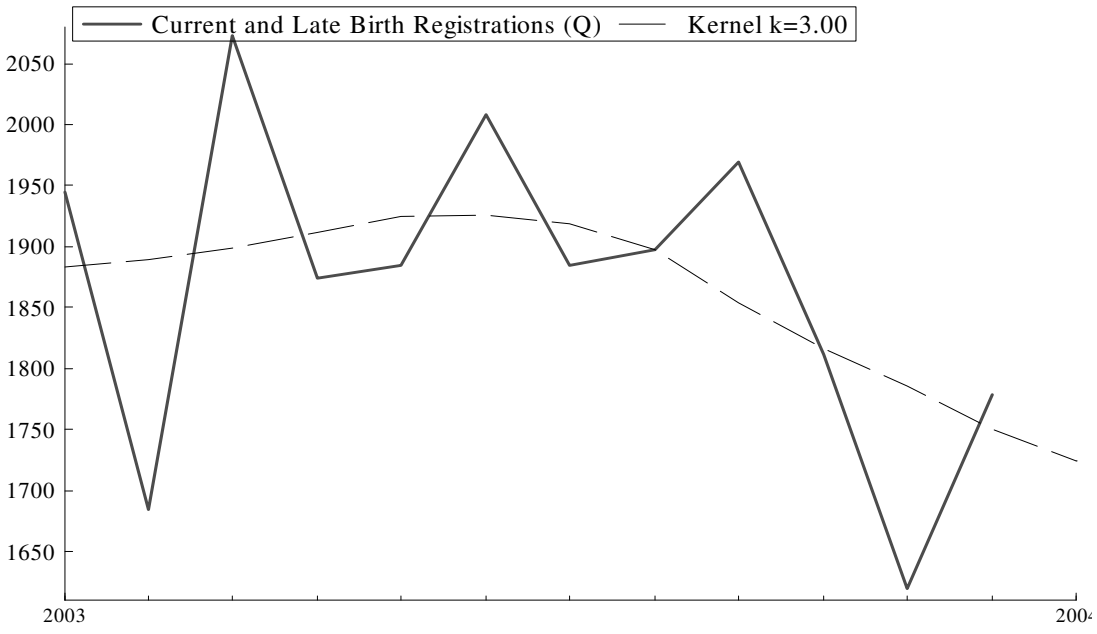

Beef
Mutton
Poultry
Pork
2250
2000
1750
1500
1250
1000
2003
2004




The falling trend in producer prices is very good news for consumers and the inflation rate because food prices have a large weighting in the calculation of inflation. Thus falling food prices contribute to lower inflation and lower interest rates.

## POPULATION DYNAMICS

The birth rate in the district has decreased as indicated by the following graph and table. Gender by age cohort also exhibits the prevalence of the HIV/AIDS pandemic. Both males and females have experienced negative growth (or declines per annum respectively) between 1996 and 2004, in the age cohort 15 to 34.



The number of African persons living in the district has increased, whilst the number of Indian and White persons has decreased fairly substantially.

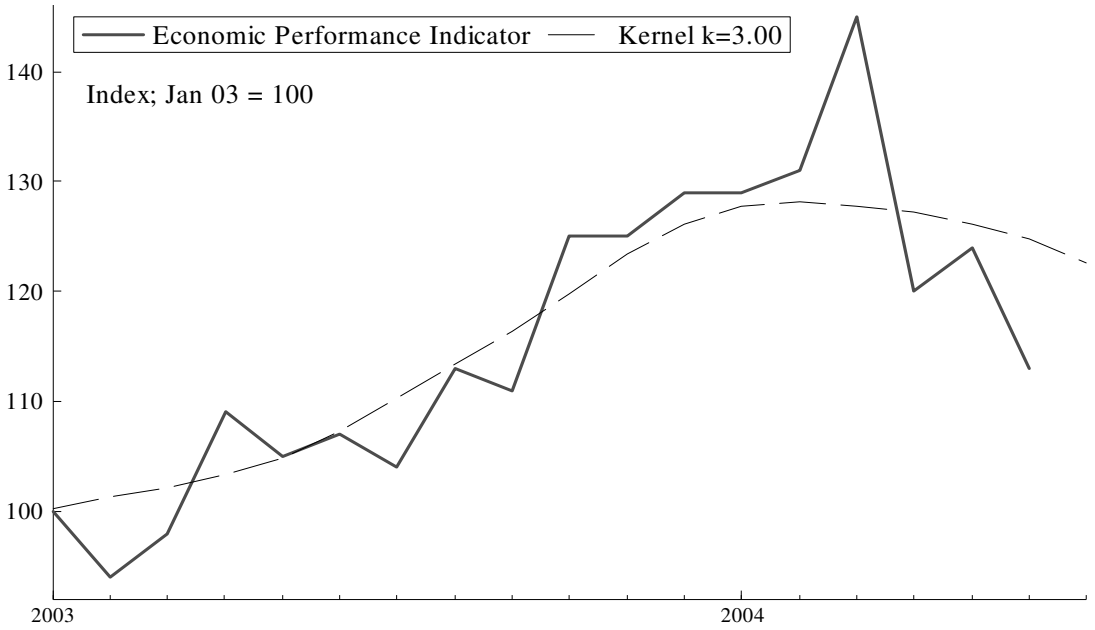
| Population Group | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Persons** | **2004** | **2001** | **1996** | **Percentage of Total 2004** | **Percentage of Total 2001** | **Percentage of Total 1996** | **Change** |
| African | 855294 | 767148 | 690964 | 86.58 | 82.68 | 79.17 | ↑ |
| Coloured | 23910 | 20503 | 17725 | 2.42 | 2.21 | 2.03 | ↑ |
| Indian | 69953 | 73084 | 76412 | 7.08 | 7.88 | 8.76 | ↓ |
| White | 56358 | 67110 | 80939 | 5.71 | 7.23 | 9.27 | ↓ |
| Total Population | 987858 | 927845 | 872717 | 100.00 | 100.00 | 100.00 | |
| **Gender By Age** | | | | | | | |
| **Persons** | | | | | | | |
| Males - 0 to 4 | 44267 | 43620 | 42986 | 4.48 | 4.70 | 4.93 | ↓ |
| Males - 5 to 14 | 110033 | 101338 | 93557 | 11.14 | 10.92 | 10.72 | ↑ |
| Males - 15 to 34 | 183545 | 171557 | 160616 | 18.58 | 18.49 | 18.40 | ↑ |
| Males - 35 to 64 | 118164 | 106128 | 95707 | 11.96 | 11.44 | 10.97 | ↑ |
| Males - Over 65 | 15797 | 15710 | 15624 | 1.60 | 1.69 | 1.79 | ↓ |
| Females - 0 to 4 | 44321 | 43748 | 43185 | 4.49 | 4.72 | 4.95 | ↓ |
| Females - 5 to 14 | 107216 | 100147 | 93701 | 10.85 | 10.79 | 10.74 | ↑ |
| Females - 15 to 34 | 186475 | 181422 | 176555 | 18.88 | 19.55 | 20.23 | ↓ |
| Females - 35 to 64 | 153456 | 133179 | 116389 | 15.53 | 14.35 | 13.34 | ↑ |
| Females - Over 65 | 36511 | 31001 | 26565 | 3.70 | 3.34 | 3.04 | ↑ |
| Males - Total | 471288 | 438353 | 408490 | 47.71 | 47.24 | 46.81 | ↑ |
| Females - Total | 525977 | 489497 | 456395 | 53.24 | 52.76 | 52.30 | ↑ |
| **Age** | | | | | | | |
| **Persons** | | | | | | | |
| 0 to 4 | 89171 | 87366 | 85611 | 9.03 | 9.42 | 9.81 | ↓ |
| 5 to 14 | 218398 | 201484 | 186313 | 22.11 | 21.72 | 21.35 | ↑ |
| 15 to 34 | 371558 | 352978 | 335649 | 37.61 | 38.04 | 38.46 | ↓ |
| 35 to 64 | 273555 | 239308 | 210656 | 27.69 | 25.79 | 24.14 | ↑ |
| Over 65 | 51602 | 46710 | 42431 | 5.22 | 5.03 | 4.86 | ↑ |

# SECTION 2: LEADING INDICATOR FOR SOUTH AFRICA AND ECONOMIC PERFORMANCE INDICATOR FOR PIETERMARITZBURG AND THE UMGUNGUNDLOVU DISTRICT

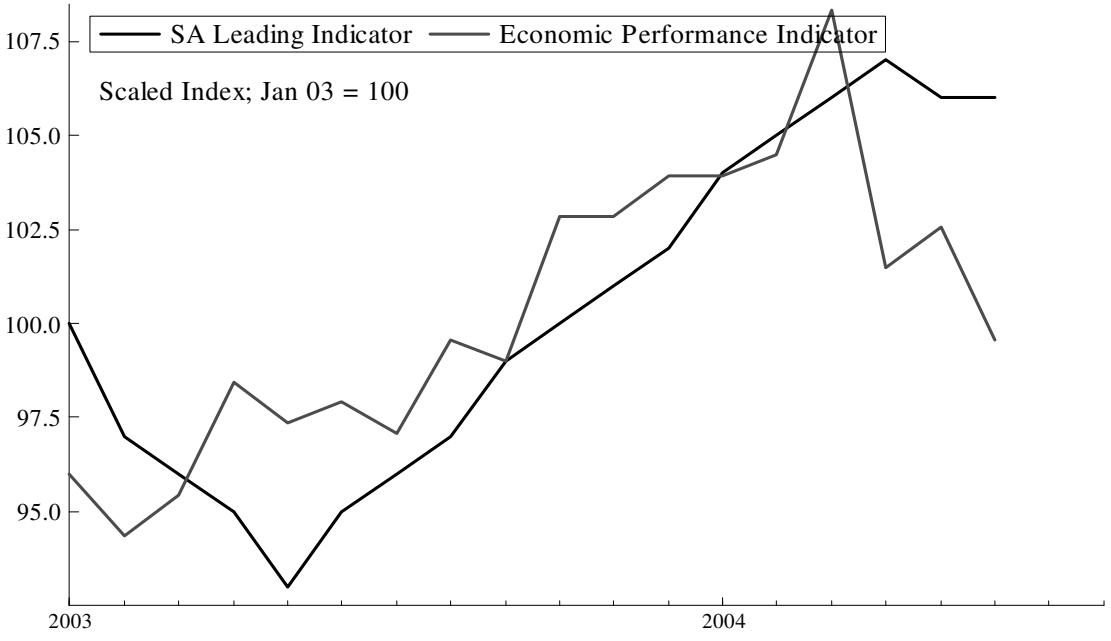
The Composite leading indicators are a times series. The Economic Performance Indicator (EPI) is similar and is formed by aggregating a variety of component indicators. The EPI for Pietermaritzburg and the Umgungundlovu district is designed to provide qualitative and quantitative information on short-term economic movements, especially at the turning points, and long-term trend movements in the economy. The EPI comprises a set of component series selected from a wide range of key short-term economic indicators (most of the individual economic indicators are included).

These key short-term economic indicators are weighted in terms of their relative importance in influencing the performance of the district economy; the EPI is thus a weighted economic performance indicator.

The EPI shows a **30** percent increase in economic activity during 2003 and a **20** percent increase for 2003 and the first two quarters of 2004.

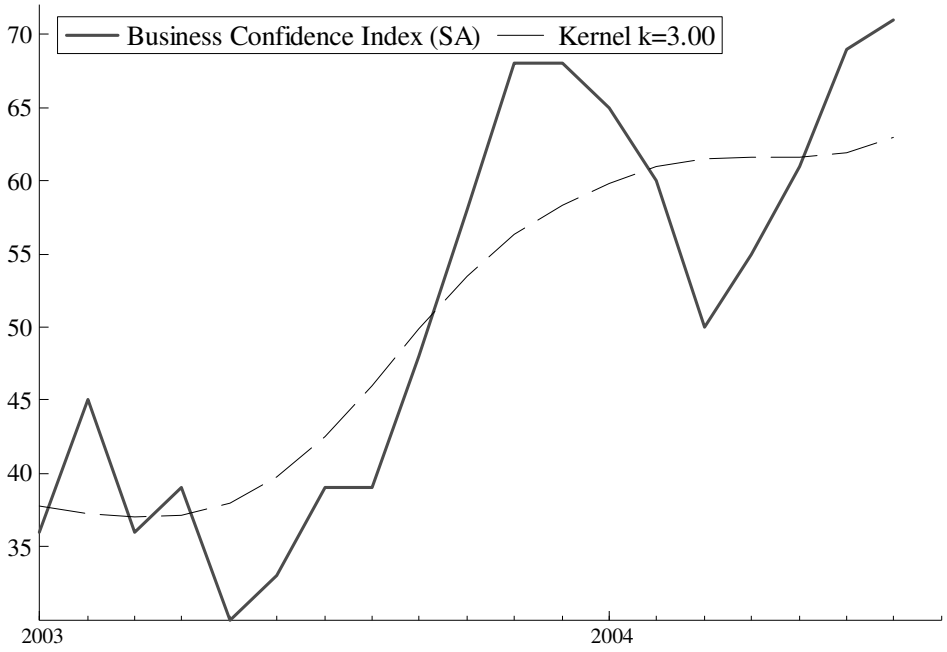



There seems to be a statistically significant relationship between the SA leading Indicator and the Economic performance indicator for Pietermaritzburg and the Umgungundlovu district, i.e. a correlation coefficient of +0.71. Further analysis is however necessary and will be included in the next publication.



# SECTION 3: BUSINESS CONFIDENCE SURVEY AND REPORT

Research by Teresa Santero and Niels Westerlund (http://econpapers.hhs.se/paper/oedoecdec/170.htm) found that sentiment measures obtained from business surveys provide valuable information for the assessment of the economic situation of an area and can facilitate forecasting. The measurement of business confidence is important, as it reliably indicates the current and expected state of the national economy. It is widely recognised that business people's subjective individual expectations play a key role in economic developments, according to the Bureau for Economic Research (BER) (http://www.sun.ac.za/beo/downloads/Complementary/MeasuringBCI_CCI.pdf). The BER business confidence index (BCI) for South Africa from Dec 2000 to June 2004 is illustrated by the following graph.




The business confidence index varies between 0 and 100. Respondents in the retail, wholesale, motor trade, manufacturing, building & construction sectors are asked to rate current business conditions as "satisfactory" or "unsatisfactory". The business confidence index is derived as the gross percentage of the respondents responding "satisfactory". The business confidence index should therefore be interpreted as follows, i.e. a value of 50 is indicative of neutrality, 100 indicates extreme confidence and 0 indicates extreme lack of confidence.

The online business confidence survey questionnaire for Pietermaritzburg and the uMgungundlovu District can be found on the following website;
http://www.SASurvey.co.za/x.asp?x=909

The online survey was conducted between the 12th of July 2004 and the 30th of July 2004. The online survey was emailed, with the support of various organizations, to about 2 000 individuals. One hundred and sixty nine respondents were completed, i.e. an almost 9 percent success rate.

The results of the survey indicate some very interesting characteristics about the behaviour of businesses in the district. The values highlighted in red indicate the average scores in each question.

| Industry by sector in which your business operates? | Percent of total score |
|---|---|
| Agriculture | 3.85% |
| Manufacturing | 13.85% |
| Wholesale Trade | 0,77% |
| Retail Trade | 10% |
| Services (Medical, Legal, Financial) | 14.62% |
| Hotels, Bed & Breakfasts, Meander | 21.54% |
| Communications/Utilities | 0.77% |
| Real Estate Services | 2.31% |
| Construction | 3.08% |
| Restaurant, | 2.31% |
| Other | 23.08% |

| How many employees do you have? | Percent of total score | Less than Ogive |
|---|---|---|
| **0 - 30** | 72.31% | 72.31% |
| 31 - 100 | 15.38% | 87.69% |
| 101 - 300 | 6.92% | 94.61% |
| 301+ | 2.31% | 96.92% |

| Labour Relations? (1= least important & 10 = critically important) | Percent of total score | Less than Ogive |
|---|---|---|
| 1 | 7.87% | 7.87% |
| 2 | 6.74% | 14.61% |
| 3 | 8.99% | 23.60% |
| 4 | 1.12% | 24.72% |
| 5 | 12.36% | 37.08% |
| **6** | 5.62% | 42.70% |
| **7** | 8.99% | 51.69% |
| 8 | 19.10% | 70.79% |
| 9 | 10.11% | 80.90% |
| 10 | 19.10% | 100.00% |

| Crime and Violence? (1= least important & 10 = critically important) | Percent of total score | Less than Ogive |
|---|---|---|
| 1 | 5.13% | 5.13% |
| 2 | 7.59% | 12.72% |
| 3 | 10.26% | 22.98% |
| 4 | 2.56% | 25.54% |
| 5 | 5.98% | 31.52% |
| 6 | 3.42% | 34.94% |
| **7** | 13.68% | 48.62% |
| **8** | 16.24% | 64.86% |
| 9 | 6.84% | 71.70% |
| 10 | 28.21% | 99.91% |

| Political Stability? (1= least important & 10 = critically important) | Percent of total score | Less than Ogive |
|---|---|---|
| 1 | 1.57% | 1.57% |
| 2 | 4.72% | 6.29% |
| 3 | 3.94% | 10.23% |
| 4 | 4.72% | 14.95% |
| 5 | 9.45% | 24.40% |
| 6 | 11.02% | 35.42% |
| 7 | 10.24% | 45.66% |
| 8 | 18.90% | 64.56% |
| 9 | 14.17% | 78.73% |
| 10 | 21.26% | 99.99% |

| Cost of money? (1= least important & 10 = critically important) | Percent of total score | Less than Ogive |
|---|---|---|
| 1 | 3.97% | 3.97% |
| 2 | 2.38% | 6.35% |
| 3 | 11.11% | 17.46% |
| 4 | 5.56% | 23.02% |
| 5 | 4.76% | 27.78% |
| 6 | 3.97% | 31.75% |
| 7 | 13.49% | 45.24% |
| 8 | 20.63% | 65.87% |
| 9 | 10.32% | 76.19% |
| 10 | 23.81% | 100.00% |

| Rates and Taxes? (1= least important & 10 = critically important) | Percent of total score | Less that Ogive |
|---|---|---|
| 1 | 3.15% | 3.15% |
| 2 | 4.72% | 7.87% |
| 3 | 7.87% | 15.74% |
| 4 | 4.72% | 20.46% |
| 5 | 8.66% | 29.12% |
| 6 | 9.45% | 38.57% |
| 7 | 14.17% | 52.74% |
| 8 | 18.11% | 70.85% |
| 9 | 11.81% | 82.66% |
| 10 | 17.32% | 99.98% |

| New technology/R&D/Training ? (1= least important & 10 = critically important) | Percent of total score | Less than Ogive |
|---|---|---|
| 1 | 4.76% | 4.76% |
| 2 | 1.59% | 6.35% |
| 3 | 4.76% | 11.11% |
| 4 | 5.56% | 16.67% |
| 5 | 6.35% | 23.02% |
| 6 | 7.94% | 30.96% |
| 7 | 12.70% | 43.66% |
| 8 | 21.43% | 65.09% |
| 9 | 13.49% | 78.58% |
| 10 | 21.43% | 100.01% |

| World economy? (1= least important & 10 = critically important) | Percent of total score | Less than Ogive |
|---|---|---|
| 1 | 3.17% | 3.17% |
| 2 | 3.97% | 7.14% |
| 3 | 8.73% | 15.87% |
| 4 | 3.17% | 19.04% |
| 5 | 15.87% | 34.91% |
| 6 | 10.32% | 45.23% |
| 7 | 11.90% | 57.13% |
| 8 | 17.46% | 74.59% |
| 9 | 11.11% | 85.70% |
| 10 | 14.29% | 99.99% |

| Infrastructure? (1= least important & 10 = critically important) | Percent of total score | Less than Ogive |
|---|---|---|
| 1 | 3.94% | 3.94% |
| 2 | 7.09% | 11.03% |
| 3 | 6.30% | 17.33% |
| 4 | 5.51% | 22.84% |
| 5 | 15.75% | 38.59% |
| 6 | 11.02% | 49.61% |
| 7 | 7.87% | 57.48% |
| 8 | 14.96% | 72.44% |
| 9 | 9.45% | 81.89% |
| 10 | 18.11% | 100.00% |

| Does your company export (overseas)? | |
|---|---|
| Yes | 11.54% |
| No | 84.62% |

| Does your company import (overseas)? | |
|---|---|
| Yes | 22.31% |
| No | 73.85% |

| Competition -Local? (1= least important & 10 = critically important) | Percent of total score | Less than Ogive |
|---|---|---|
| 1 | 2.38% | 2.38% |
| 2 | 5.56% | 7.94% |
| 3 | 6.35% | 14.29% |
| 4 | 6.35% | 20.64% |
| 5 | 7.94% | 28.58% |
| **6** | 11.11% | 39.69% |
| **7** | 17.67% | 57.36% |
| 8 | 14.29% | 71.65% |
| 9 | 10.32% | 81.97% |
| 10 | 19.05% | 101.02% |

| Competition - Foreign? (1= least important & 10 = critically important) | Percent of total score | Less than Ogive |
|---|---|---|
| 1 | 29.13% | 29.13% |
| **2** | 12.60% | 41.73% |
| **3** | 17.32% | 59.05% |
| 4 | 8.66% | 67.71% |
| 5 | 8.66% | 76.37% |
| 6 | 5.51% | 81.88% |
| 7 | 4.72% | 86.60% |
| 8 | 6.30% | 92.90% |
| 9 | 1.57% | 94.47% |
| 10 | 5.51% | 99.98% |

| What do you believe the level of inflation for SA for the year to be? | Percent of total score | Less than Ogive |
|---|---|---|
| 1% and Less | 0.77% | 0.77% |
| 2% | 2.31% | 3.08% |
| 3% | 5.38% | 8.46% |
| 4% | 12.31% | 20.77% |
| **5%** | 13.08% | 33.85% |
| **6%** | 18.46% | 52.31% |
| 7% | 13.08% | 65.39% |
| 8% | 16.92% | 82.31% |
| 9% and Greater | 13.85% | 96.16% |

| What do you believe the economic growth rate for SA for the year to be? | Percent of total score | Less than Ogive |
|---|---|---|
| 1% and Less | 0.77% | 0.77% |
| **2%** | 28.46% | 29.23% |
| **3%** | 26.92% | 56.15% |
| 4% | 8.46% | 64.61% |
| 5% | 12.31% | 76.92% |
| 6% | 4.62% | 81.54% |
| 7% | 3.08% | 84.62% |
| 8% | 3.08% | 87.70% |
| 9% and Greater | 4.62% | 92.32% |

| What do you expect the average Rand Dollar exchange rate for the year to be (R/$) | Percent of total score | Less than Ogive |
|---|---|---|
| R6.00 and Less | 17.69% | 17.69% |
| **R 6.50** | 58.46% | 76.15% |
| R 7.00 | 13.08% | 89.23% |
| R 7.50 | 1.54% | 90.77% |
| R 8.00 | 3.85% | 94.62% |
| R8.50 and Greater | 0.77% | 95.39% |

| What is the % labour cost to total cost of your company? | Percent of total score | Less than Ogive |
|---|---|---|
| 0% | 1.54% | 1.54% |
| 15% | 16.16% | 17.70% |
| **25%** | 25.39% | 43.09% |
| **35%** | 13.04% | 56.13% |
| 45% | 2.31% | 58.44% |
| 55% | 9.23% | 67.67% |
| 65% | 8.46% | 76.13% |
| 75% | 8.46% | 84.59% |
| 85% | 3.08% | 87.67% |

The less than ogive column shows how many items in the distribution have a value less than the upper limit of each class.

| Your company is currently operating on …% capacity? | Percent of total score | Less than Ogive |
|---|---|---|
| 15% | 6.93% | 6.93% |
| 25% | 3.39% | 10.32% |
| 35% | 8.70% | 19.02% |
| 45% | 6.92% | 25.94% |
| 55% | 8.46% | 34.40% |
| **65%** | 8.46% | 42.86% |
| **75%** | 10.77% | 53.63% |
| 85% | 20.00% | 73.63% |
| 100% | 9.23% | 82.86% |

| As a percentage, what wage/salary increases do you expect to grant for the year (nominal terms)? | Percent of total score | Less than Ogive |
|---|---|---|
| 4% and Less | 3.85% | 3.85% |
| 5% | 12.31% | 16.16% |
| 6% | 16.92% | 33.08% |
| **7%** | 16.92% | 50.00% |
| **8%** | 20.77% | 70.77% |
| 9% | 1.54% | 72.31% |
| 10% | 21.54% | 93.85% |
| 11% | 1.54% | 95.39% |
| 12 and Greater | 0.77% | 96.16% |

| As a percentage, what turnover increases do you expect for the year (nominal terms)? | Percent of total score | Less than Ogive |
|---|---|---|
| 1% and Less | 7.69% | 7.69% |
| 2% | 5.38% | 13.07% |
| 3% | 3.08% | 16.15% |
| 4% | 0.77% | 16.92% |
| 5% | 13.85% | 30.77% |
| 6% | 3.85% | 34.62% |
| 7% | 5.38% | 40.00% |
| 8% | 5.38% | 45.38% |
| **9%** | 1.54% | 46.92% |
| **10%** | 22.31% | 69.23% |
| 11% and Greater | 23.85% | 93.08% |

| Present business/trading conditions are? | Percent of total score | Less than Ogive |
|---|---|---|
| **Excellent** | 10.77% | 10.77% |
| **Good** | 39.23% | 50.00% |
| Fair | 36.92% | 86.92% |
| Poor | 8.46% | 95.38% |
| Very poor | 3.08% | 98.46% |

| Your expected sales performance over the next three months? | Percent of total score | Less than Ogive |
|---|---|---|
| **Much better** | 7.69% | 7.69% |
| **Better** | 43.85% | 51.54% |
| Same | 36.15% | 87.69% |
| Worse | 3.08% | 90.77% |
| Much worse | 3.08% | 93.85% |

The Business Confidence Index (BCI) for Pietermaritzburg and the uMgungundlovu District is derived as the gross percentage of respondents responding Good and Fair in the question "Present business/trading conditions are?" and Better and Same in the question "Your expected sales performance over the next three months?". The BCI for Pietermaritzburg and the uMgungundlovu District for the second quarter of 2004 is **81** (71 for South Africa) and should be interpreted as follows, i.e. a value of 50 is indicative of neutrality, 100 indicates extreme confidence and 0 indicates extreme lack of confidence. It seems that businesses are very positive

and confident about the current and future state of business in Pietermaritzburg and in the uMgungundlovu District.

## BUSINESS TRADING

There seems to be a strong demand for businesses in the uMgungundlovu District and in Pietermaritzburg specifically. The six most prominent buyer markets (with their sizes in brackets) seem to be 1) Pretoria, Silverlakes and Rustenberg (35%); 2) local businesses (28%); 3) Gauteng (15%); 4) Zimbabwe (12%); 5) North Coast of KZN (6%) and the United Kingdom, Germany and Holland (1%). The most prominent businesses (with their selling prices in brackets) in demand are 1) service stations (R850 000 to R9 mil); 2) franchises, i.e. KFC, Spur, Wimpy, Steers, Pizza café's and video rentals (R280 000 to R4 mil); 3) manufacturing, i.e. furniture, agriculture and hydroponics (R600 000 to R4.5 mil); 4) country lodges and hotels (R3 mil to R12 mil) and 5) small private businesses (under R400 000).

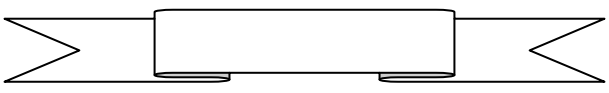
The three most prominent types of buyers of businesses at present are 1) ex general managers and chief executive officers of major national companies that left their companies; 2) displaced people, i.e. people that have left Pietermaritzburg and now wants to return and 3) repeat business owners, i.e. current owners buying more businesses. It is estimated that the demand for business exceeds the supply of business with a ratio of 10:1, i.e. for every one business that becomes available there are 10 potential buyers. It is especially businesses that are showing a net return of 40% before tax and drawings that are very popular. There, also, seems to be some speculation taking place at present, i.e. the buying and selling of a business, but not for trading.

## SUMMURY AND CONCLUSIONS

Pietermaritzburg and the uMgungundlovu District have achieved remarkable growth in economic activity during 2003 and the first two quarters of 2004. Business confidence is also very favorable at present. Both these two facts bode extremely well for Pietermaritzburg and the uMgungundlovu District.

Informed decision-making comes from a long tradition of guessing and then blaming others for inadequate results.

**Scott Adams**



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Pietermaritzburg.co.za – Durban.co.za
SouthCoast.co.za – NorthCoast.co.za

**About Us:**

KwaZulu-Natal.co.za was established in 1997 in providing a Marketing & Information platform for our province. Our focus is in developing cost effective Internet marketing products to various businesses and tourism related establishments to communicate effectively with local and international tourists and prospective clients. We enjoy the support of various corporate companies including PMB Tourism, The Pavilion Shopping Centre, PMB B&B Network, The Quarry Shopping Centre, Hayfields Shopping Centre and various other businesses and associations throughout KwaZulu-Natal.

**The Site:**

The KwaZulu-Natal.co.za site features a unique and interactive layout whereby the user is able to discover the many facets of tourist attractions and establishments that our various cities have to offer. Incorporating our other powerful domains (over 20), they assist in promoting most of the individual areas within the province. The PMB.co.za or Pietermaritzburg.co.za Portals provide up-to-date and useful information about the city of Pietermaritzburg and its community of accommodation establishments, shopping centres, tour guides and related businesses.

Over 20 other Internet domains, including Durban.co.za, Pinetown.co.za SouthCoast.co.za and NorthCoast.co.za, provide communities in the respective areas related local information. This affords our site and supporting clients ease of management and direct target marketing.

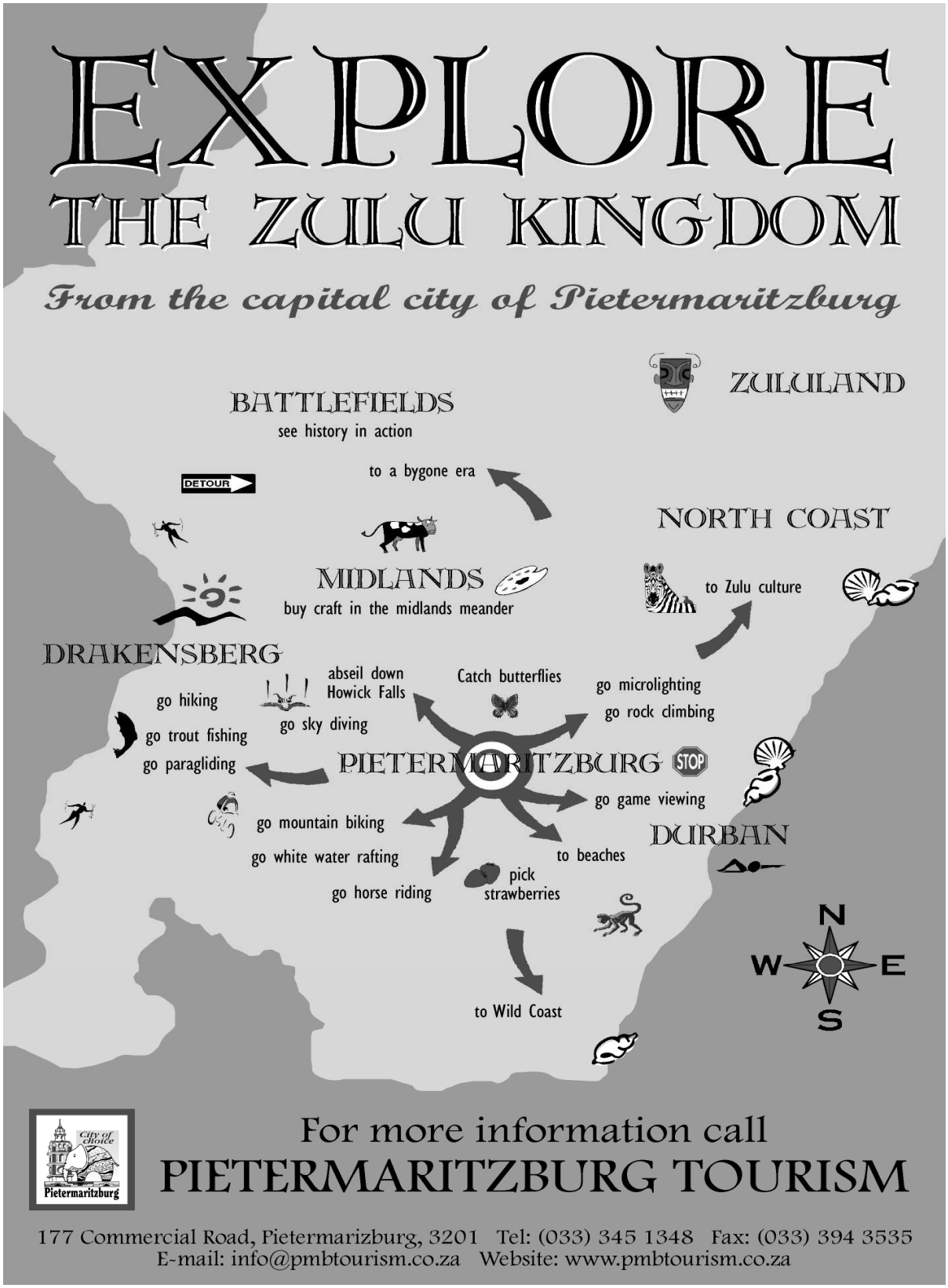
**Features:**

Search Directory – Shopping, Accommodation, & Business
What's On – the local event guide
Free Classifieds – general, motoring, property & employment
Out & About – regional tourist destinations & information
Noticeboards – view establishments' news, specials & promotions
Fact File – history of the city, historical sites & general information
Photo Gallery – various images of places of interest

**Contact Us:**

Please feel free to make contact with our office to provide your establishment a cost effective online marketing tool that actually works.

Tel: 033 396 2293
Fax: 033 396 2298
E-Mail: **info@kwazulu-natal.co.za**


EXPLORE
THE ZULU KINGDOM
From the capital city of Pietermaritzburg
ZULULAND
BATTLEFIELDS
see history in action
to a bygone era
DETOUR
NORTH COAST
MIDLANDS
buy craft in the midlands meander
to Zulu culture
DRAKENSBERG
abseil down Howick Falls
Catch butterflies
go microlighting
go rock climbing
go hiking
go sky diving
go trout fishing
go paragliding
PIETERMARITZBURG
STOP
go game viewing
DURBAN
go mountain biking
go white water rafting
to beaches
pick strawberries
go horse riding
to Wild Coast
N
W
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