



SUBSTANTIAL PICKUP IN GROWTH OF INSOLVENCIES AND COMPULSORY LIQUIDATIONS IN DECEMBER AND JANUARY

BOTTOMLINE:

- For a number of months now we have been commenting on the amazingly low numbers being reported for insolvencies and compulsory company liquidations, especially in the light of the cumulative 4% rise in interest rates between June 2006 and December 2007. In the face of anecdotal evidence suggesting an increase in financial hardship, we have interpreted the low level of insolvencies and liquidations to be a function of two developments. Firstly, the introduction of the National Credit Act might have resulted in creditors being compelled to be more lenient in taking action against debtors. Secondly, we have suggested that bureaucracy and inefficiency in the commercial justice system might be encouraging creditors to seek other ways of recouping bad debts.
- However, publication of the latest batch of statistics on insolvencies and compulsory company liquidations does indeed point to a sudden increase in financial pain. Firstly, in the case of insolvencies data, the historical figures have been revised upwards substantially. For several months growth in insolvencies had been recorded as being negative. However, now we see that in the second and third quarters, growth in insolvencies was indeed positive. Even then, however, growth in insolvencies for the whole of 2007, at 0.3%, is barely higher than the 0.1% growth in insolvencies recorded in 2006. Nonetheless, in December specifically, growth in insolvencies once again turned highly positive, to 13.2%, well above the -10.5% growth recorded for the 4th qtr as a whole.
- More spectacularly, in the case of compulsory company liquidations, the highly negative growth rate of -55.9% in the 4th qtr of 2007 and the growth of -78.4% in December specifically, was transformed into a 100% yo-y growth rate in January. For 2007 as a whole, compulsory company liquidations apparently fell by -6.0%. Although this may be less negative than the -20.7% growth recorded in 2006, it is still a negative growth rate all the same.
- In the case of voluntary company liquidations, January saw a further decline in growth, to -16.8%, from -8.5% in December and -8.7% in the 4th qtr of 2007. For the whole of 2007, voluntary liquidations did indeed record a substantial increase, of 24.0%.
- In conclusion, with the exception of the voluntary liquidations data, the most recent data on insolvencies and compulsory company liquidations does indeed reflect a deterioration in the financial conditions of individuals and businesses. However, the time series are being revised so much and are proving to be so volatile from one month to the next that it is difficult to draw dogmatic conclusions from them as to just how badly financial solvency may be suffering as a result of the rise in interest rates.

Year-on-Year Growth Figures (%)

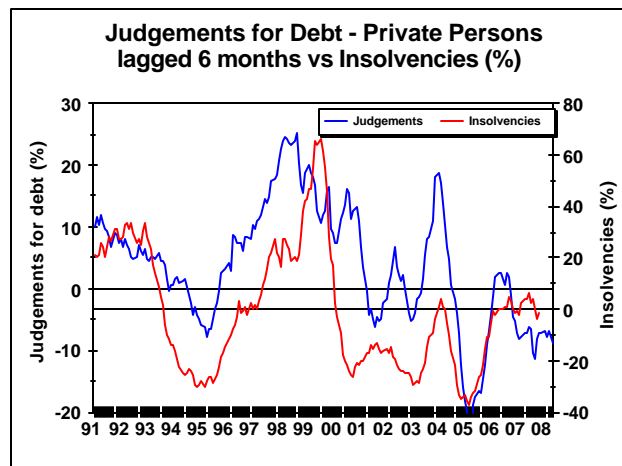
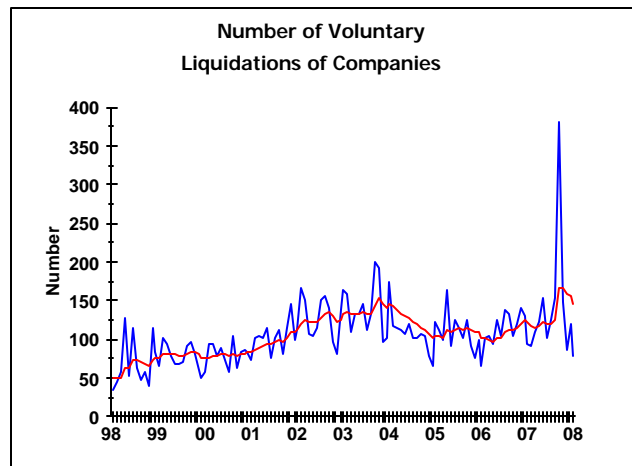
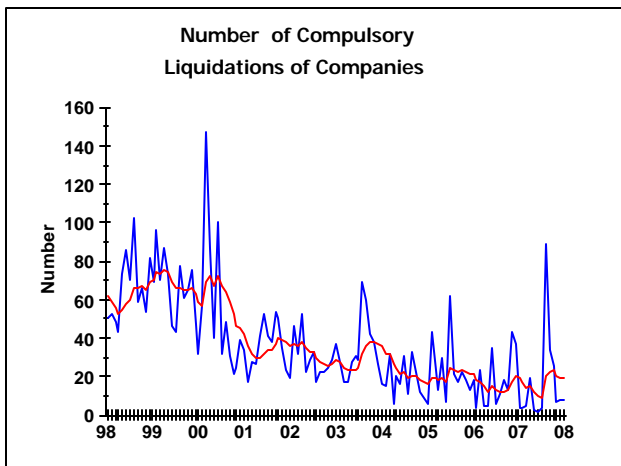
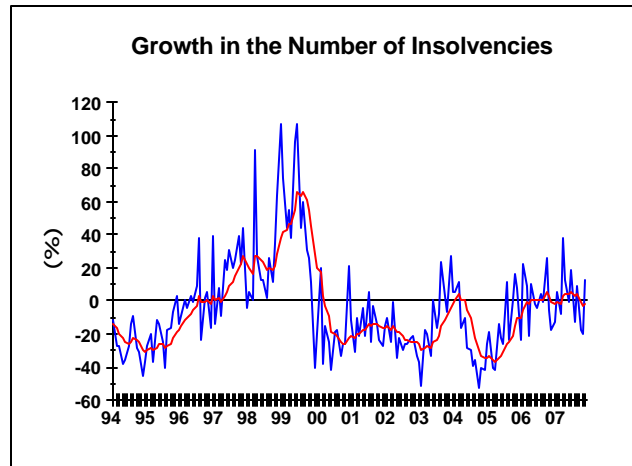
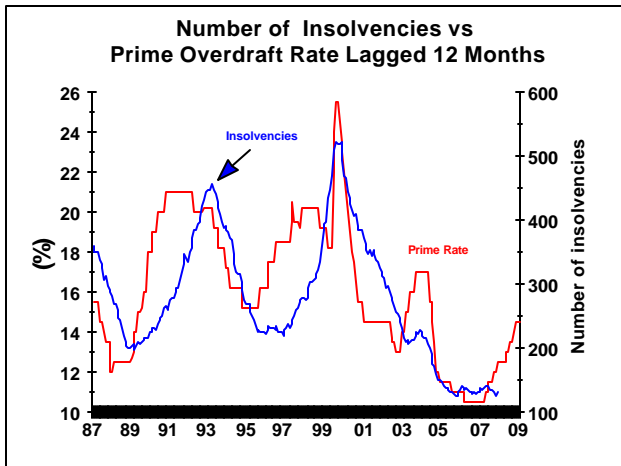
	2003	2004	2005	2006	2007	2007	2007	2007	2007	Dec 07	Jan 08
						1st Qtr	2nd Qtr	3rd Qtr	4th Qtr		
No of insolvencies	-13.2	-25.5	-17.5	0.1	0.3	-3.9	14.2	2.3	-10.5	13.2	na
No of compulsory Liquidations	24.8	-47.3	23.3	-20.7	-6.0	-71.1	-46.7	262.9	-55.9	-78.4	100.0
No of voluntary Liquidations	10.3	-22.4	1.5	2.6	24.0	8.0	16.6	76.3	-8.7	-8.5	-16.8

figures revised

* year-to-date

Total Number Of Liquidations According To Industry

Industry	2007 Total			2008 y-t-d		
	Compulsory	Voluntary	Total	Compulsory	Voluntary	Total
Agriculture, hunting, forestry and fishing	6	24	30	0	0	0
Mining and quarrying	22	11	33	0	0	0
Manufacturing	25	129	154	5	17	22
Electricity, gas and water	7	11	18	0	2	2
Construction	34	134	168	2	3	5
Wholesale and retail trade, catering and accommodation	86	775	861	10	42	52
Transport, storage and communication	8	68	76	2	2	4
Financing, insurance, real estate and business services	113	1455	1568	10	52	62
Community, social and personal services	25	218	243	0	13	13
Total	326	2825	3151	29	131	160



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