



REASSURING DECLINE IN GROWTH OF INSOLVENCIES IN MARCH, BUT DRAMATIC RISE IN COMPULSORY COMPANY LIQUIDATIONS IN APRIL

BOTTOMLINE:

- *The latest data on insolvencies and liquidations provide a mixed bag of evidence regarding the financial health of individuals and corporations.*
 - *In the case of insolvencies for March, one can draw some encouragement from the fact that y-o-y growth declined to -6.6% in March from 17.2% in February and 34.9% in January. Given that March 2009 contained two additional working days in which to process insolvencies compared with March 2008, one might have expected growth in insolvencies for the month to have increased, yet the opposite occurred. Superficially, this suggests that the financial plight of individuals and partnerships has not been as adverse as believed by those citing anecdotal evidence of a huge deterioration in personal finances.*
 - *The danger with drawing an unduly positive conclusion from the above figures on insolvencies is that the figures have become notorious in terms of the data being revised from time to time. It is therefore quite conceivable that in retrospect the negative growth reflected in the March data might turn out to be significantly positive.*
 - *In contrast with the favourable data on insolvencies, growth in compulsory company liquidations rose dramatically in April to 237.5% from -26.7% and -20.0% in February and March respectively. Superficially, this indicates a fairly meaningful deterioration in the finances of the corporate sector in April. However, dramatic jumps from one month to the next in compulsory company liquidations of this sort are not entirely new. Accordingly, in precisely the opposite manner from that relating to insolvencies in which we have warned against complacency, it would be dangerous to be become unduly alarmed by the dramatic jump in a single month's data on compulsory company liquidations.*
 - *For one thing, it is interesting to note that the growth in the number of voluntary liquidations declined for a second successive month from 113.7% in February and 46.9% in March to 26.0% in April.*
 - *Again on the slightly negative side, growth in liquidations of close corporations shot up in April. In the case of compulsory liquidations of close corporations, growth picked up from -93.5% in March to 0.0% in April, whilst in the case of voluntary liquidations of close corporations, growth rose from 22.2% in March to 45.0% in April.*
 - *In conclusion, it would be tempting to interpret the rise in liquidations as indicative of the deteriorating financial situation amongst businesses. It is clearly far too soon for the declining trend of interest rates since December last year to have assisted in alleviating some of the financial strain being experienced by individuals and corporations. At the same time, the figures are notoriously volatile and come to be revised substantially from time to time, leading one to caution against reading too much into a single month's deterioration.*
-
-

Total Number Of Liquidations According To Industry

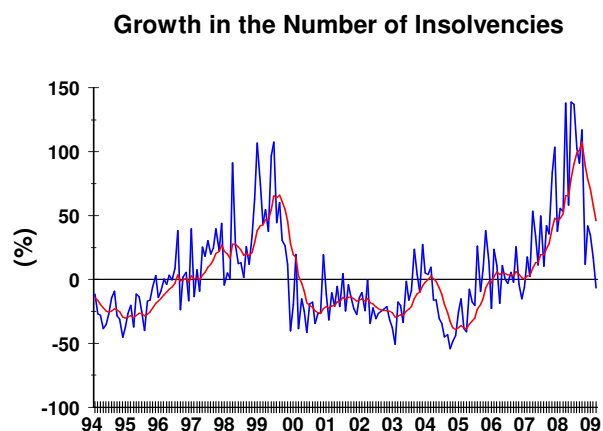
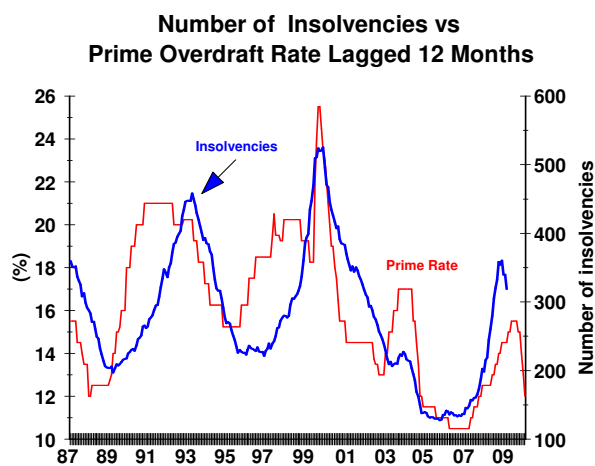
Industry	2008 Total			2009 Y-T-D		
	Compulsory	Voluntary	Total	Compulsory	Voluntary	Total
Agriculture, hunting, forestry and fishing	6	32	38	3	15	18
Mining and quarrying	4	66	70	0	6	6
Manufacturing	26	176	202	11	68	79
Electricity, gas and water	2	12	14	0	11	11
Construction	19	152	171	5	67	72
Wholesale and retail trade, catering and accommodation	96	892	988	62	374	436
Transport, storage and communication	9	117	126	5	24	29
Financing, insurance, real estate and business services	87	1341	1428	43	518	561
Community, social and personal services	27	236	263	2	143	145
Total	276	3024	3300	131	1226	1357

Liquidations and Insolvencies

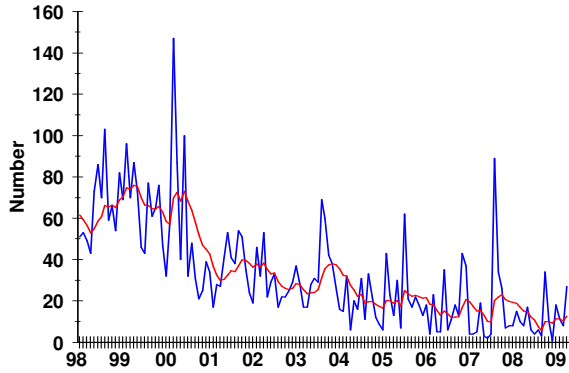
Year-on-Year Growth Figures (%)

	2007	2008	2008 3rd Qtr	2008 4th Qtr	2009 1st Qtr	Jan 09	Feb 09	Mar 09	Apr 09
Insolvencies	34.6	79.5	109.0	53.1	10.5	34.9	17.2	-6.6	na
Compulsory Liquidations of Companies	-6.0	-40.5	-89.2	9.8	12.1	125.0	-26.7	-20.0	237.5
Voluntary Liquidations of Companies	24.0	-14.2	-34.6	29.3	64.2	21.5	113.7	46.9	26.0
Compulsory Liquidations of Close Corporations	-22.9	27.3	6.7	0.0	1.9	71.4	na	-93.5	0.0
Voluntary Liquidations of Close Corporations	-12.0	38.8	32.1	52.2	42.4	130.8	30.1	22.2	45.0

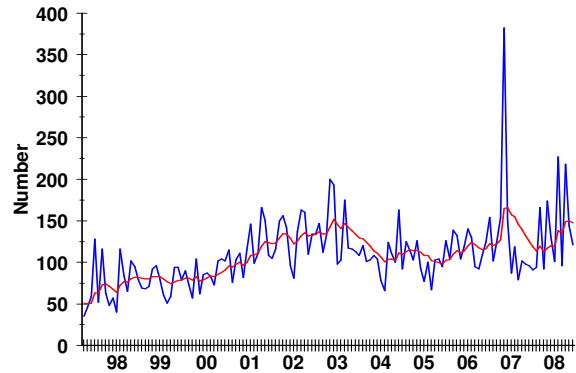
figures revised



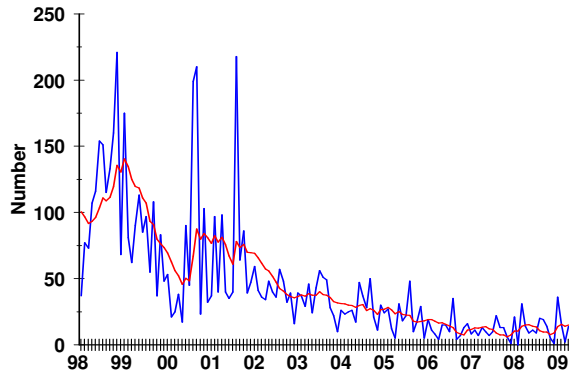
Number of Compulsory Liquidations of Companies



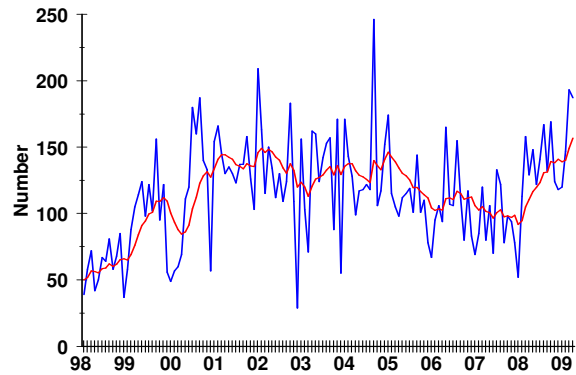
Number of Voluntary Liquidations of Companies



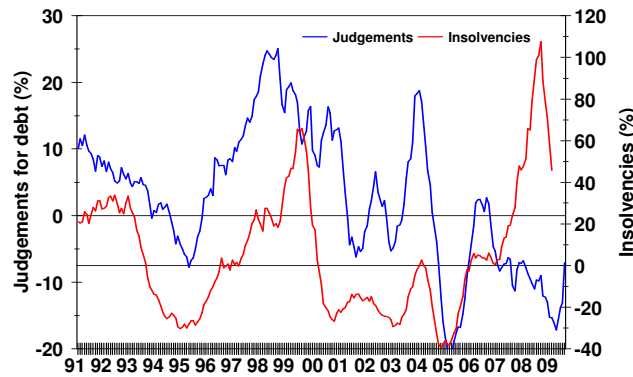
Number of Compulsory Liquidations of Close Corporations



Number of Voluntary Liquidations of Close Corporations



Judgements for Debt - Private Persons lagged 6 months vs Insolvencies (%)



CONSULTATION :

(011) 483-1421
 Dr Azar Jammine
 Tony Twine
 Dr Michael Jackson
 Rob Jeffrey

CLIENT QUERIES :

macrohotline@econometrix.co.za

WEBSITE :

www.econometrix.co.za

SALES ENQUIRIES :

(011) 483-1421
 Brian Nash
 Geraldine Englund
 Vuyo Majaja