

Increase in business closures marks challenging start to 2024

South Africa's business landscape has experienced a challenging beginning to 2024, marked by a rise in company closures. According to Statistics South Africa (Stats SA), liquidations increased by 34.6% in January 2024 compared to the same period in 2023. This translates to 109 business closures in January 2024, representing a 35% year-on-year increase.

By [Craig Blumenthal](#) 1 Mar 2024



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Mixed signals: Long-term trend vs. quarterly performance

While the year-on-year comparison paints a concerning picture, it's crucial to consider the three-month trend ending January 2024. This timeframe shows a 3.9% decrease in total liquidations compared to the same period in the previous year, offering a slightly more nuanced perspective.

Voluntary closures dominate, industry distribution varies

The majority of liquidations in January 2024 were voluntary, suggesting strategic business decisions rather than external pressure as the primary driver. However, 11 compulsory liquidations also occurred. Looking at industry breakdown, the "unclassified" category accounted for the most closures, followed by businesses in the financing, insurance, real estate, and business services sectors. The trade, catering, and accommodation sector also observed a significant number of closures.

Economic stagnation remains a headwind

The challenging business environment persists, mirroring the overall economic stagnation experienced throughout much of 2023. The BankservAfrica Economic Transactions Index (BETI) for January 2024 highlights this sluggishness, with the index remaining unchanged compared to December 2023 and showing minimal year-on-year growth.



Multiple factors contribute to stagnation

Despite positive developments like reduced load shedding and a fuel price cut, the South African economy faced persistent headwinds in January 2024. Elevated interest rates, high food price inflation, a lackluster job market, low wage growth, and declining consumer confidence continue to create a challenging environment for businesses.

Other indicators paint a similar picture:

- The S&P Global South Africa Purchasing Managers' Index (PMI) suggests a slow operating environment for private businesses, rising marginally from 49.0 in December 2023 to 49.2 in January 2024.
- The Absa PMI dropped to 43.6, indicating ongoing struggles in the manufacturing sector.
- Total vehicle sales also disappointed, with January 2024 marking the sixth consecutive month of decline, attributed to factors like the cost-of-living crisis, load shedding, and logistical challenges.

Job market pressures in mining sector

Amidst these broader economic concerns, the mining sector faces additional challenges. Several mining companies are reportedly preparing for potential job cuts, impacting thousands of workers.

Conclusion

While the business environment in South Africa remains challenging, it's important to acknowledge the nuances behind the headline figures. The long-term trend suggests a potential for improvement, but continued economic pressures and specific sectoral issues create an environment of uncertainty for many businesses.

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