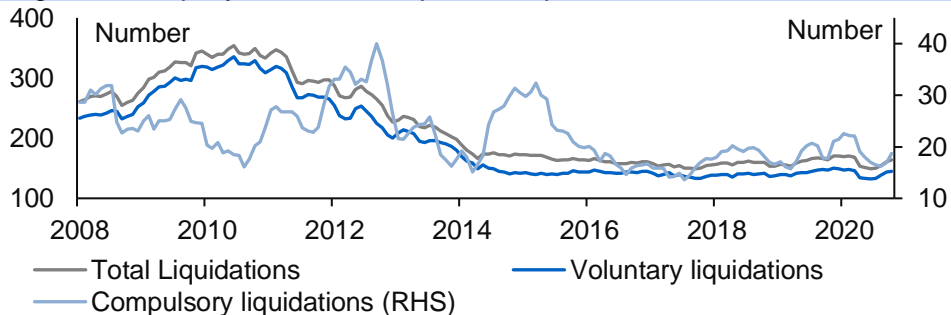




Liquidations and insolvencies update: Liquidations continued to increase on a three-month rolling basis in October

24th November 2020

Figure 1: Company and closed corporation liquidations *

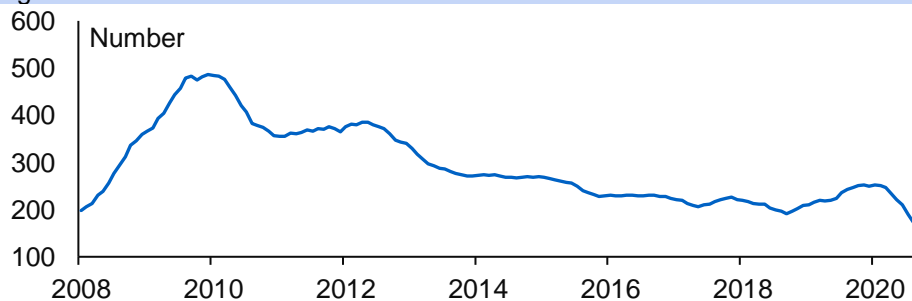


*12-month moving average

Sources: Stats SA, Investec

- The number of business liquidations totalled 215 in October, rising by 20.8% y/y. On a three-month (August – October) rolling basis, liquidations increased by 33.2% y/y.
- In October, the majority of liquidations were voluntary, at 179 cases versus compulsory liquidations of 36 cases. Compared to the previous year, voluntary liquidations increased by 9.8% y/y whilst compulsory liquidations rose by 140.0% y/y. The three-month rolling measure showed a 64.3% y/y increase in compulsory liquidations and a 30.3% y/y rise in voluntary liquidations.
- In October, the highest number of liquidations, of 79, occurred in the finance sector followed by the trade sector, of 40 cases (see figure 3).
- On a year to date basis (January– October), liquidations contracted at a rate of -4.7% y/y.
- However, on a trend basis, the 12-month moving average signalled an uptick in the actual number of liquidations which translated to a slower pace of contraction in total liquidations of -0.4% y/y in October versus -3.1% y/y in September (see figure 1).
- The estimated number of insolvencies, which relate to individuals and partnerships, decreased by -38.3% y/y to 153 cases in September. In the first nine months of the year, insolvencies contracted by -51.9% y/y and continued to decline on a trend basis (see figure 2).
- Insolvencies are at risk of increasing in the coming quarters amid household financial stress. According to the TransUnion SA Consumer Credit Index for Q3.20 consumer credit health remained weak amid diminished incomes, and elevated levels of consumer indebtedness (see figure 4 & 5). Moreover, highly indebted consumers are likely to struggle when the government assistance measures are wound down and the payment holidays offered by credit providers expire.
- Similarly, for companies, the eventual rolling back of temporary relief measures by financial institutions as well as the subdued pace of economic momentum could see financially vulnerable companies forced into liquidation.

Figure 2: Insolvencies



*12-month moving average

Sources: Stats SA, Investec



Liquidations and insolvencies update: Liquidations continued to increase on a three-month rolling basis in October

24th November 2020

Figure 3: Compulsory and voluntary liquidations by industry*

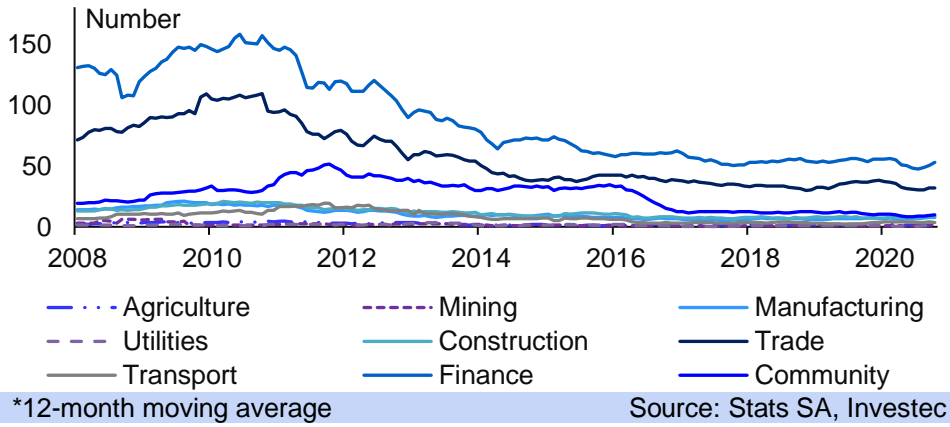


Figure 4: TransUnion SA Consumer Credit Index

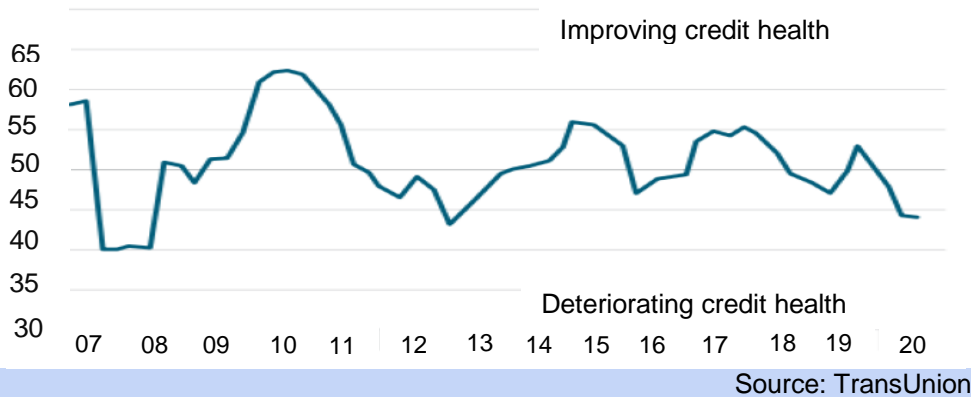
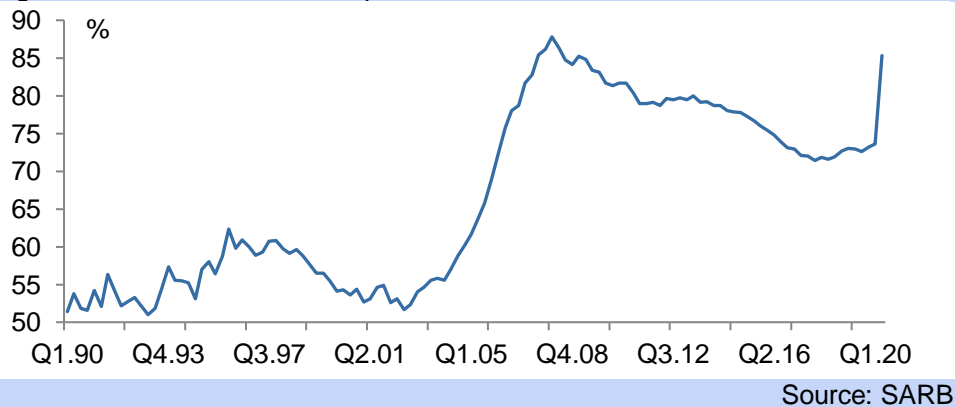


Figure 5: Household debt to disposable income ratio





Liquidations and insolvencies update: Liquidations continued to increase on a three-month rolling basis in October

24th November 2020

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Liquidations and insolvencies update: Liquidations continued to increase on a three-month rolling basis in October

24th November 2020

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