

**LIQUIDATION STATISTICS APRIL 2009:  
COMMENT BY LUKE DOIG, SENIOR ECONOMIST, CREDIT GUARANTEE  
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The 41.3% jump in April 2009 liquidations on the level a year ago (247 to 349) brings the year-to-date total to 1357, which is 45.3% higher than in the first four months of 2008. I honestly had expected that, with the surfeit of public holidays and the concomitant administrative delays, the rise would have been in the 20% region. There again, with the spate of company closures in the past months and the pick-up in the unemployment rate in the 1<sup>st</sup> quarter of 2009, I would have expected insolvencies to surge. However, a drop of 6.6% was recorded in March 2009 (240 from 257 a year earlier) taking 1<sup>st</sup> quarter 2009 sequestrations to a level 10.5% above that of the 1<sup>st</sup> quarter of 2008.

Sectorally speaking, for the first four months of the year, some alarming trends are emerging:

- Agricultural failures jumped 125% from 8 to 18
- Mining closures doubled to 6 from 3
- Manufacturing casualties rose 17.9% to 79 from 67
- Electricity, gas and water liquidations spiked from 4 to 11
- Despite the apparent boom, winding-up of construction firms leaped 105.7% to 71 from 35
- 26.7% more wholesale, retail trade, catering and accommodation firms folded (344 to 436)
- The logistics sector (transport, storage and communication) experienced 29 closures from 25
- The largest services industry, financing, insurance, real estate and business services saw 51.6% more failures at 561 from 370
- Community, social and personal services failures rose to 145 from 78.

The real economy is certainly feeling the effects of trimmed local and foreign demand and the lagged effect of lower interest rates is yet to kick in. In my mind, this presents a very strong argument for a 150 basis points cut in the Repo rate by the Monetary Policy Committee later this week as we seek to halt the slide. I project around 4,200 corporate closures (companies and CCs) this year from 3300 last year, just over 27% higher. That obviously presupposes that interest rate relief will start to benefit cash-strapped consumers and battling firms alike in the months ahead. Indeed, we have been experiencing tentative signs of a let-up in the severity and occurrence of potential payment defaults and hope that this is an early sign of bottoming out.

25 May 2009

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**About Credit Guarantee:**

Credit Guarantee Insurance Corporation of Africa Limited, registered in 1956, is the largest (by premium income) and leading (80% market share) South African underwriting company operating in the field of debtors insurance. Credit Guarantee is a subsidiary of listed company, Mutual & Federal which owns 51% of the company, ultimately making it part of the Old Mutual Group.

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