

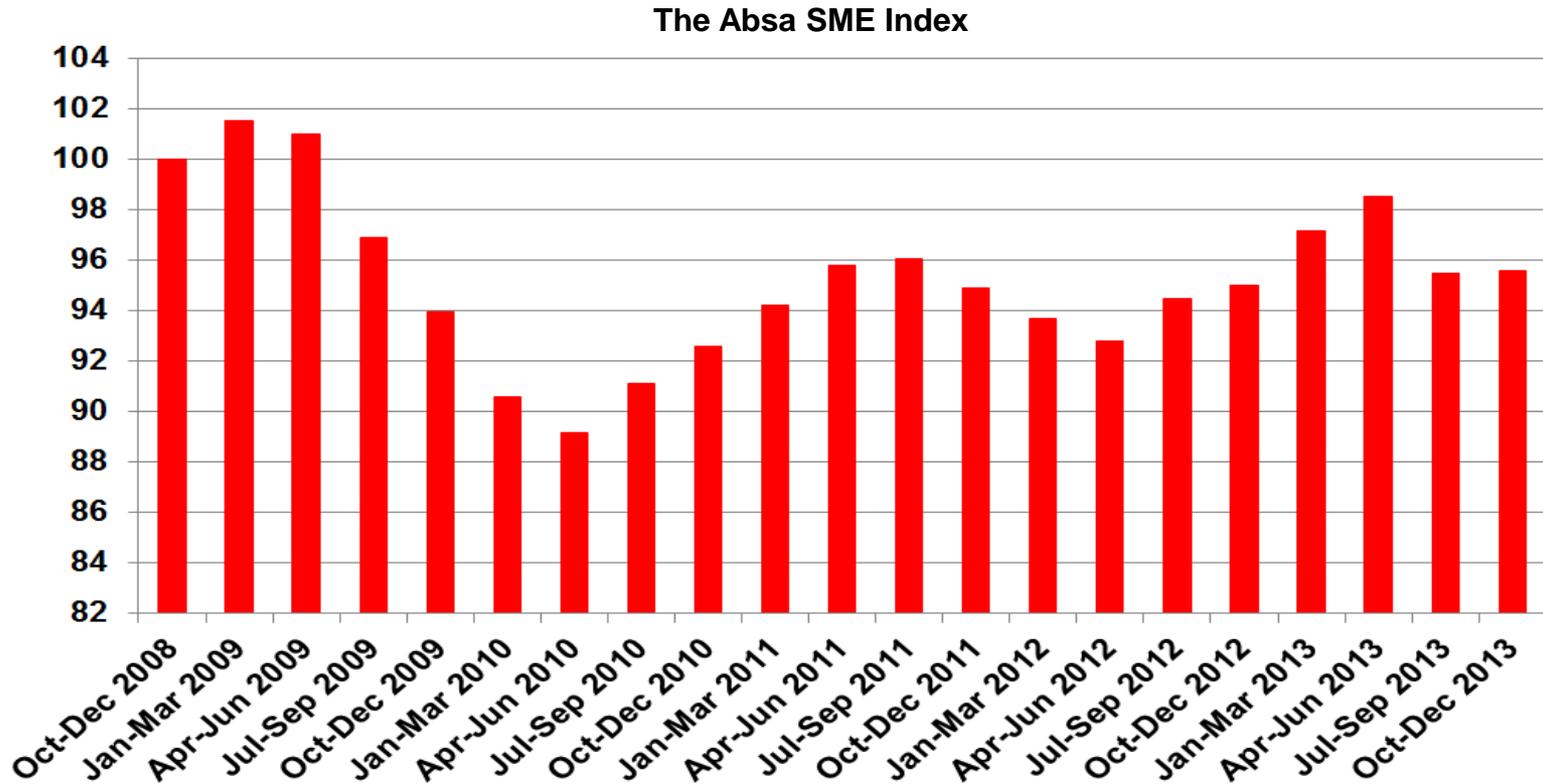
Absa SME Index

The Absa SME index remains flat as economic conditions impacted

April 2014

Source: Economists.co.za

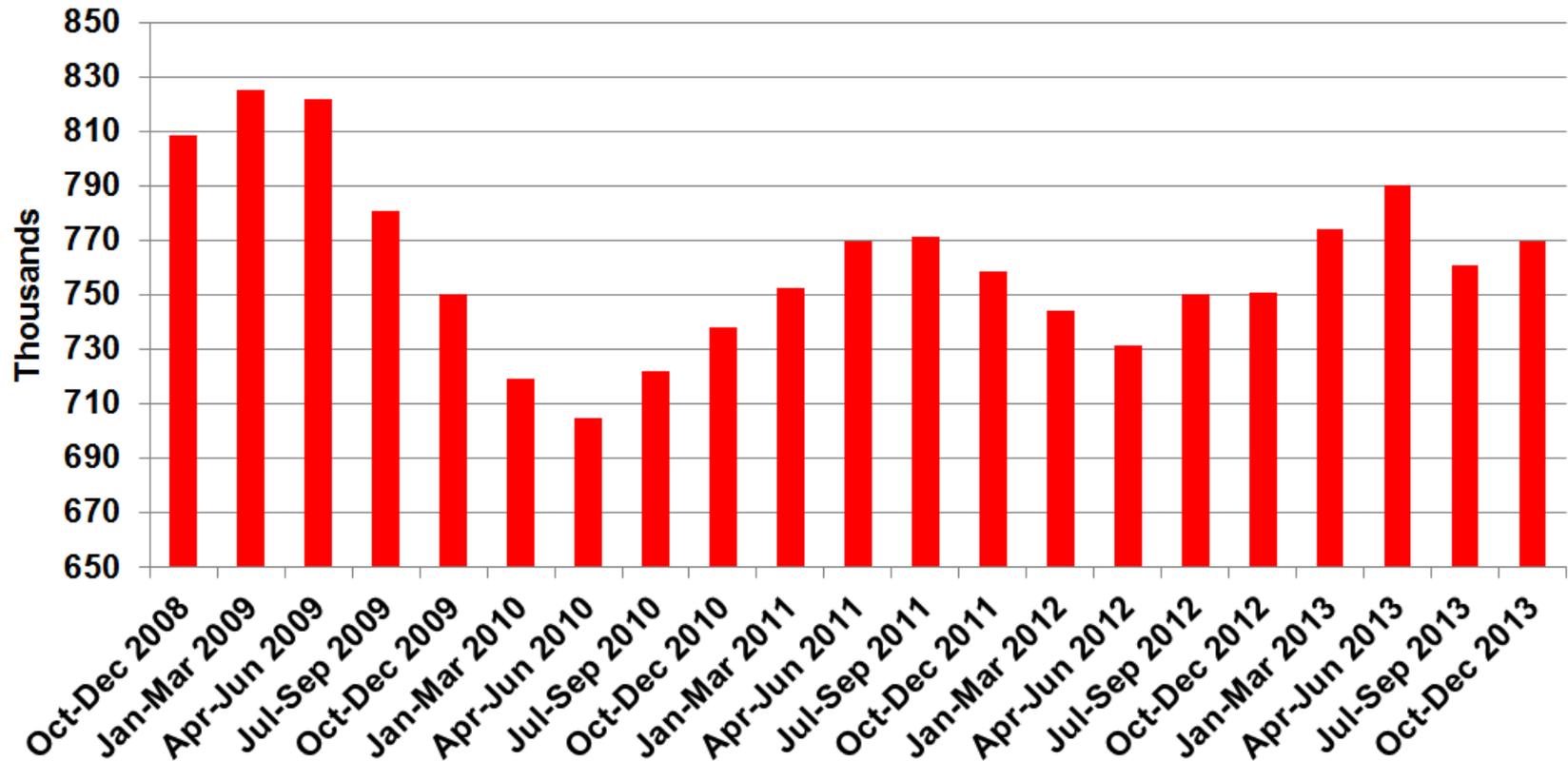
The Absa SME index remained flat in Q4 2013



- The Absa SME index remained flat in the fourth quarter of last year increasing on 0,1% in the quarter over the third quarter. The Absa SME index stood at 95, 6 at the end of 2013 which was little changed from the 95,5 in the September quarter.
- The increase over the last year for the Absa SME index was 0, 6%, which is the lowest increase in a year. The overall Absa SME index is still nearly 6% below its pre-recession peak indicating that many businesses have just not come back from the greatest recession in our lifetime. This decline from its recent peak indicates that the recovery for South African business has been fragile. But overall the Absa SME index has increased by 7% since its low point in early 2010.
- It does now however seem that the Absa SME index is feeling the effects of slower GDP growth partly due to the long strike season the country has had. The stalling nature of business formation in the South African economy has been the main characteristic over the last two quarters of 2013.

The growth in employers is encouraging

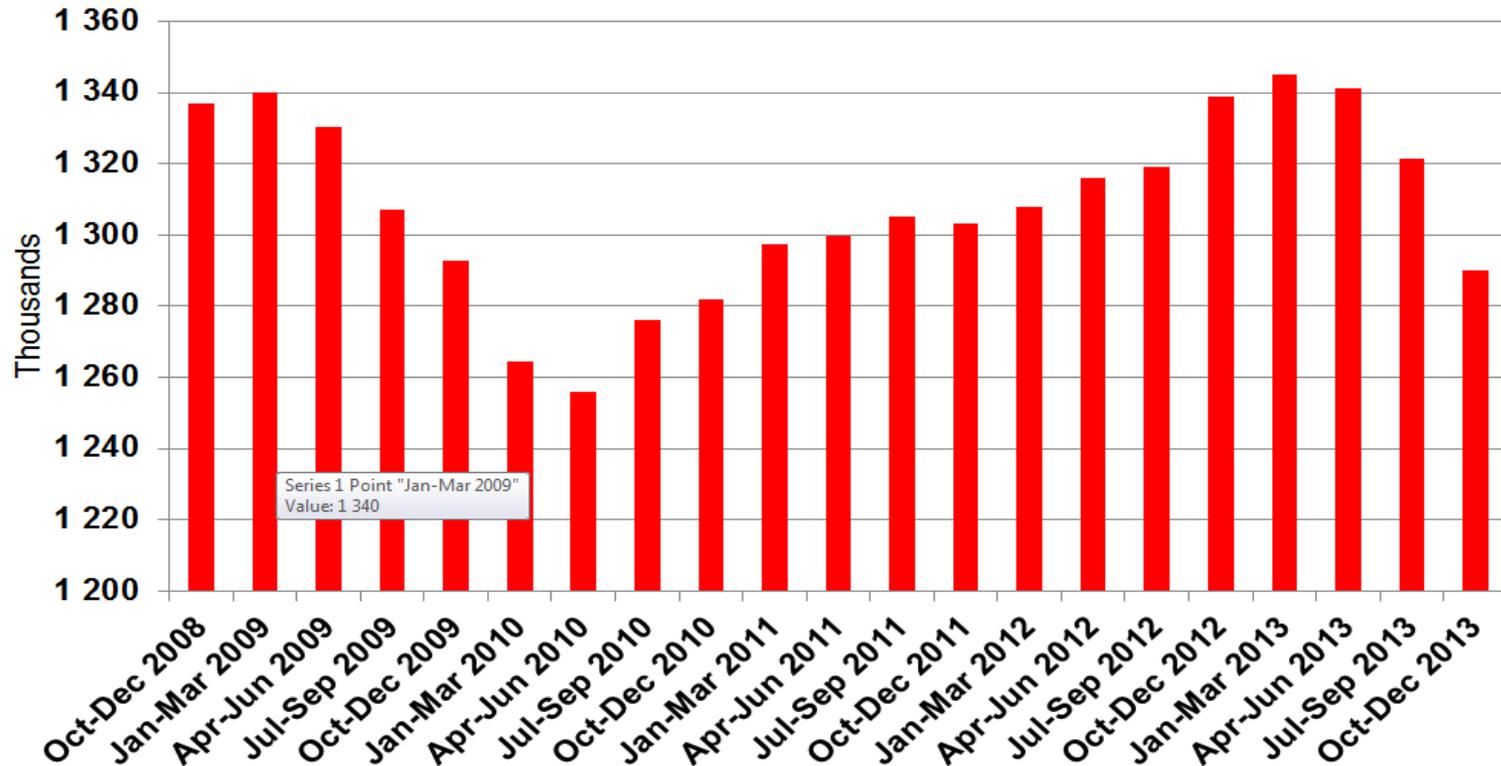
The number of employers in the SA economy



- The number of employers in South Africa increased to 770 000 from 764 000 a quarter ago. This increase of 1,2% over the quarter shows that slightly bigger enterprises are at least holding their own and growing steadily. The growth in employers was 2, 5% for the year to end December 2013 which is not only faster than GDP growth for 2013 but also much faster than the growth of the self-employed.

Self employed take the brunt of the economic strain

The number of self-employed adults in South Africa



- The slow economic growth over the last two years has had a major impact on the most vulnerable businesses - the self-employed. The number of Self-employed has been in decline for four quarters now and clearly demonstrates how the upheavals in the South African economy are impacting on the natural formation of smaller businesses.
- It is clear that long strikes and slower growth are making it very difficult in this the most exposed sector of the employment economy. Self-employment declined with 3,6% over the last year to 1 290 000 adults. The decline between the third and fourth quarter was 2,4% leaving the self-employment number at its lowest number since the 2nd quarter of 2010.
- This probably also indicates that the number of self-employed stepping up to become employers themselves may be about to run out of steam. Nobody wants to have less and less self-employed as it is clear from the other section of our research that South Africa has a clear lack of self-employed people compared to the rest of Africa where nearly half of the workforce is self-employed.

A small note of the changed numbers in this Absa SME release

- Since Statistics South Africa has adjusted its Labour Force Survey to reflect the 2011 population census it has resulted in about 1 million more people in work but it also shifted all the adult population and employer figures for the period 2008 to 2013.
- So our past publications will have the older employer and self-employed numbers in them. The rest of the Absa index did not really change as the methodology and the like remain the same as do the trends.
- The numbers are all just slightly higher but the biggest change is that the average number of employees per employer has risen from around 12 to just over 14, 5 people.