

Why 2018 could be brighter for SA startups

By  Tom Jackson

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The South African economy is showing early signs of turning the corner after a couple of years of disappointing growth and high volatility, meaning 2018 holds promise of increased opportunities for local small and medium enterprises (SMEs).



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This is according to Ben Bierman, managing director (MD) at South African risk finance firm [Business Partners](#), who said that although this turnaround is by no means a certainty, SMEs can consider shifting from survival mode to a more opportunity-seeking stance.

Bierman's cautious optimism stems from the first signs that the new leadership of the governing party may be able to put a stop to the widely reported mismanagement of the economy, which has led to what he calls a "triple deficit".



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"The first is the government budget deficit of an estimated 4.3% of GDP, the highest since 2009. Underlying it is the second deficit, South Africa's economic growth rate, which is far below its potential and that of its peers. The third is a lack of confidence in the South African economy, a result of the first two, and exacerbated by political turmoil and the mismanagement of the economy," he said.

Bierman said this triple deficit has severely impacted SMEs, who have had to face diminishing growth in their markets, sluggish sales performance, interest rate hikes and rising bad debts over the last few years.

However, he is hopeful SMEs will see two of the three deficits narrowing in the year ahead, with GDP growth set to rise to 1.4% in the next financial year from an estimated 0.9% in the current financial year, according to the Reserve Bank.



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“Hope of a good year ahead for the South African economy is also driven by increased global growth, particularly in the United States (US) and China, as well as an improved outlook for commodity prices,” he said.

Not to be underestimated is the potential effect of the recent leadership change in Zimbabwe on the Southern African Economic block. A recovery of the Zimbabwean economy will have such positive effects on South Africa that it is sure to offset any negative effects should a large number of Zimbabwean citizens working in South Africa return home.

One setback that SMEs are potentially faced with this year is that of increased taxes, Bierman said.

“SMEs with price-sensitive goods and services should take heed of the prospect that there is a chance that value-added tax is likely to rise by a percentage point, which may affect cash-flow,” he said.

Bierman believes 2018 may provide a unique opportunity for the forging of a new consensus between government, labour and business.

“While such processes are way beyond the control of any SME, now is a good time for small business owners to join a local chamber or business association in order to add their voice to that of civil society – which has grown stronger over the last few years,” he said.

ABOUT TOM JACKSON

Co-founder @DisruptAfrica. Tech and business journalist in Africa. Passionate about the vibrant tech startups scene in Africa, Tom can usually be found sniffing out the continent's most exciting new companies and entrepreneurs, funding rounds and any other developments within the growing ecosystem

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