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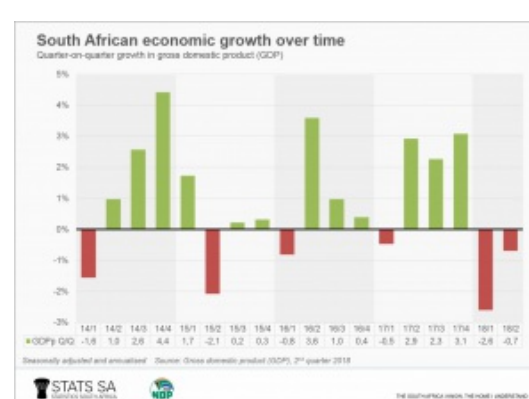
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September 2018 Newsletter

Economy Shrinks By 0.7%

The South African economy slipped into recession during the second quarter of 2018, shrinking by 0,7% quarter-on-quarter. This followed a revised 2,6% contraction in the first quarter of 2018.

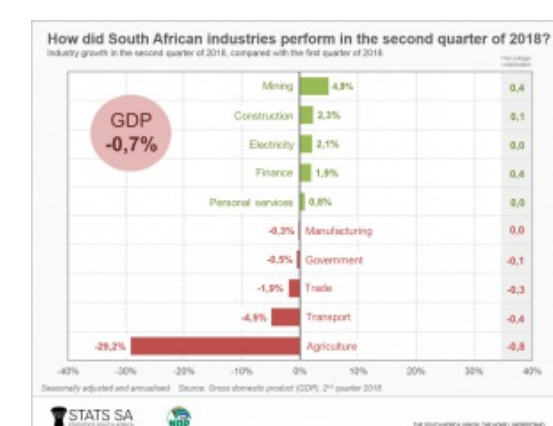


The widely recognised indicator of recession is two (or more) consecutive quarters of negative growth. South Africa experienced its last recession during the 2008–2009 global financial crisis with three consecutive quarters of economic decline.

The 0,7% downturn in the second quarter of 2018 was a result of a fall-off in activity in the agriculture, transport, trade, government and manufacturing industries.

Agriculture production fell by 29,2% in the second quarter of 2018, following a 33,6% slump in the first quarter. This was largely driven by a decline in the production of field crops and horticultural products. Continued drought conditions in Western Cape and a severe hailstorm in Mpumalanga, resulting in extensive crop damage, also placed additional pressure on production in the second quarter.

The transport industry contracted by 4,9%, largely a result of decreased activity in both land and air transport. Industrial action within the industry, combined with a decline in freight transport, contributed to the slowdown.



The trade industry experienced its second consecutive quarter of negative growth, falling by 1,9%. Subdued sales in both motor and retail trade contributed to the decline. South African household consumption expenditure fell in the second quarter of 2018 compared with the first quarter of 2018, in line with the fall in retail trade sales. Households spent less on products such as transport, food, beverages and clothing.

Government activity decreased by 0,5%, largely because of falling employment numbers in the civil service.

Manufacturing was the third industry to record a second consecutive quarter of negative growth, following in the footsteps of agriculture and trade. Manufacturing activity fell by 0,3%, driven by a fall in the production of electrical machinery, transport equipment and products within the furniture and 'other' manufacturing division.

Mining, construction, electricity, finance and personal services experienced positive growth, but not enough to lift overall economic growth out of negative territory. Mining's growth rate of 4,9% was largely spurred on by a rise in the production of platinum group metals, copper and nickel. Construction activity increased by 2,3%, driven by a rise in non-residential buildings and construction work activities.

The key question is what can we do about it? If you are concerned about trading conditions and a declining economy, feel free to contact us for professional advice in this regard.

Recession - Strategic Thinking, Planning & Action

Our previous article detailed the technical analysis of our current recession. We need to develop a strategic plan to assess the impact on our lives and businesses, and plan accordingly. Even if you don't think the current recession will impact your business you still need to have a strategic plan.

The Characteristics of Thinking Strategically:



Opportunity:

What are the opportunities for your company to work more efficiently, serve its customers, or enter into new markets?

Problem solving:

How can you build solutions that serve the interests of the company as a whole? Where your business is failing, you may need to think strategically about how you can improve systems and operations or find a solution to turn your business completely around.

Vision:

Can you imagine your ideal organisation and then figure out the practical steps for getting there?

The planning phase can be simplified by asking yourself three questions:

- Where are we now?
- Where are we going?
- How will we get there?

A strategic plan presents the company and team members with a clear course of action that aligns with the organisation's long-term vision. But don't see the planning document as an end in itself.

Set specific action plans that lead to implementing your goals. It is important to eliminate non-critical actions. You need to implement measures to track progress, so that forward momentum is felt throughout the organisation.

As you start to put your ideas into practice, remember that strategic thinking is not something you do alone. Collaboration is essential for gaining other people's perspectives on critical issues, as well as their buy-in for solutions. Further, by collaborating with your team members and employees, you build bridges between groups that will serve you well. And by engaging the creativity of your employees, you can boost both their satisfaction and performance. Accountability and high visibility are needed to help drive change. Each measure, goal, data source and initiative needs to have an owner.

How to Choose A Business Partner

When you are contemplating going into business with someone, either in the form of a joint venture, partnership or as co-owners of a business, there is no way to guarantee that it will work. However, there are some things you can do to try and prevent any problems down the line.



Here is a list of some of those things to look at when deciding:

- Take your time - Rather delay the start-up of the venture until are ready
- Don't duplicate yourself – Your potential partner should have skills, strengths, and personality traits that compliment yours. Yes, definitely you should have a shared vision and values, however in terms of work flow, you might be a "creator" or a "star" (creative, people orientated, sales) and it would not be beneficial to have another "creator" or "star" on board. A mechanic (designing systems) or support person (strong in detail or administration), or even a trader (seeing opportunity) would better compliment the star or creator's style
- Be objective - Try to make your decision without any emotional ties or friendship. Have a set of criteria that you are looking for and objectively judge how that potential partner meets those criteria. Evaluate based on skills and personality, not emotional ties
- He or she must be just as enthusiastic and driven as you are
- Do background checks - References, criminal checks, past work experience
- Assign roles and responsibilities and stick to them - Put these into a written agreement. Develop a clearly defined set of functions for each partner- each stick to what each one's strengths are
- Protect yourself legally - While trust and integrity are important, as is that "golden" handshake, it is still essential to put everything in writing. The agreement will cover issues you never even considered - that may become vital at a later stage. Set up a buy and sell agreement, backed up by life insurance
- Equal input or contribution – Make sure your prospective partner has the means and resources to contribute equally to the business - either financially, in terms of sweat equity, or skills

Third Top Up Due 28th September

A voluntary provisional tax payment, often referred to as a "top-up" payment, can be made in respect of the third period of provisional tax. The payment is generally not determined through an estimation of taxable income but is instead based on actual taxable income for the year as this figure is often known to the provisional taxpayer when making the top-up payment.



No penalties are levied in respect of the third period. Interest will be levied at the prescribed rate from the effective date until the date of payment if the top-up payment is paid after the effective date.

Should require professional assistance in this regard please do not hesitate to contact us.

Sincerely,

