

9 trends impacting your small business in 2024

 By [Catherine Wijnberg](#)

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Small and medium enterprises (SMEs) play a critically important role in driving inclusive growth and development. It's estimated that SMEs currently make up more than 90% of registered businesses in South Africa, provide employment to more than half of the labour force, and account for more than a third of GDP, representing one of the most promising opportunities for economic recovery.



Source: [Unsplash](#)

However, as the pandemic years clearly illustrated, the SME sector is also particularly vulnerable to economic downturns and economic shocks. As the general election later this year looms, SMEs need to brace for yet another unpredictable year.

The key trends I see impacting SME businesses in 2024 include the following:

1. A low-growth economy and persistently high unemployment

The International Monetary Fund (IMF) recently downgraded its growth forecast for South Africa for 2024 to 1%, citing logistical challenges and energy shortages as a significant constraint to growth.

A low-growth economy makes it harder to reduce high unemployment or grow tax revenues. It's no surprise that in this environment, business confidence indicators are declining. RMB's Bureau for Economic Research Business Confidence Index fell to 31 points in the fourth quarter of 2024, from 33 points in the third quarter.

2. The election raises the risk of social unrest

The general election scheduled for later this year promises to be noisy and potentially disruptive. Small businesses are particularly vulnerable to the risk of social unrest in the form of looting and violence.

3. South African-specific risks can be an opportunity for SMEs

South Africa's energy, water, and logistics challenges have been well documented.

The continual erosion of municipal services and critical infrastructure poses an additional risk for SMEs, but is also an opportunity for the private sector to step in to provide these essential services as citizens increasingly look to 'state proof' themselves from the risk of state collapse.

In the energy sector, for example, the shift towards solar is an opportunity for solar installers. Ideally, we need to work on creating a supply chain entirely reliant on green technologies.

4. Geo-political conflict

The global balance of power is in a precarious position as a result of the conflict in Ukraine and the Middle East. In addition to impacting global supply chains, it's also having a negative impact on sentiment and sentiment is ultimately what drives economic growth.

Global sentiment has a knock-on effect on local business confidence levels which, in turn, impacts SMEs. Local SMEs need to be aware of the potential impact of geo-political risks on their businesses and build flexibility into their risk mitigation strategies.

5. A greater focus on sustainability

There is pressure on businesses globally to incorporate more sustainable models which consider their impact on the environment, and society at large and which emphasise good governance.

This trend is also starting to be felt in South Africa. What tends to differentiate South African entrepreneurs from those in more developed countries is their strong social conscience. In my experience, the majority of entrepreneurs are driven to make a positive social impact.

6. Bringing supply chains closer to home

A focus on sustainability also reflects in supply chains. The rise in geo-political tensions coupled with local port and other logistics constraints means that many businesses will be looking to bring their supply chains closer to home.

This presents an opportunity for SMEs to become part of the supply chains of larger businesses. The African Continental Free Trade Area (ACFTA) – which aims to establish a single market for goods and services from the African continent – also offers the potential for increased intra-African trade.



7. Embracing technology

SMEs that embrace technology, including artificial intelligence, machine learning, and digital payment platforms, have a competitive advantage over those that don't. Personalisation and ease of doing business are also key consumer expectations, where technology can assist.

As cyber risks grow, implementing some measure of cybersecurity has become critically important. In an increasingly competitive and complex operating environment, every advantage counts.

8. Educated and experienced entrepreneurs have a higher likelihood of success

Interestingly, we are seeing more and more South Africans choose to leave formal corporate employment once they have gained some experience in order to establish their entrepreneurial ventures.

Our data reveals that the entrepreneurial ventures of these individuals have a high likelihood of succeeding. Less educated individuals, particularly those living in township areas, however, often have a harder time succeeding which is why they need more support and mentorship to succeed.

9. Growing resilience within the SME sector

There will be an increased focus on ensuring SMEs become more resilient in order to ensure their sustainability and survival. While every small business needs to learn to roll with the punches, they also need to learn how to use their size as an advantage rather than a disadvantage and embrace their ability to be agile and pivot in a new direction when necessary.

Having a strategic growth plan in place and the ability to talk the language of investors is critical when they are planning to scale and are looking for investors.

Given South Africa's current socio-economic situation, it's all too easy to become bogged down in a quagmire of pessimism. However, a challenging environment is often one that is rich in opportunity for entrepreneurially focused SMEs.

As American entrepreneur Victor Kiam so succinctly put it, "Entrepreneurs are simply those who understand that there is little difference between obstacle and opportunity and are able to turn both to their advantage."

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