

Thinking through the possible Economic consequences of COVID19 for South Africa

Information accurate as at 31 March 2020

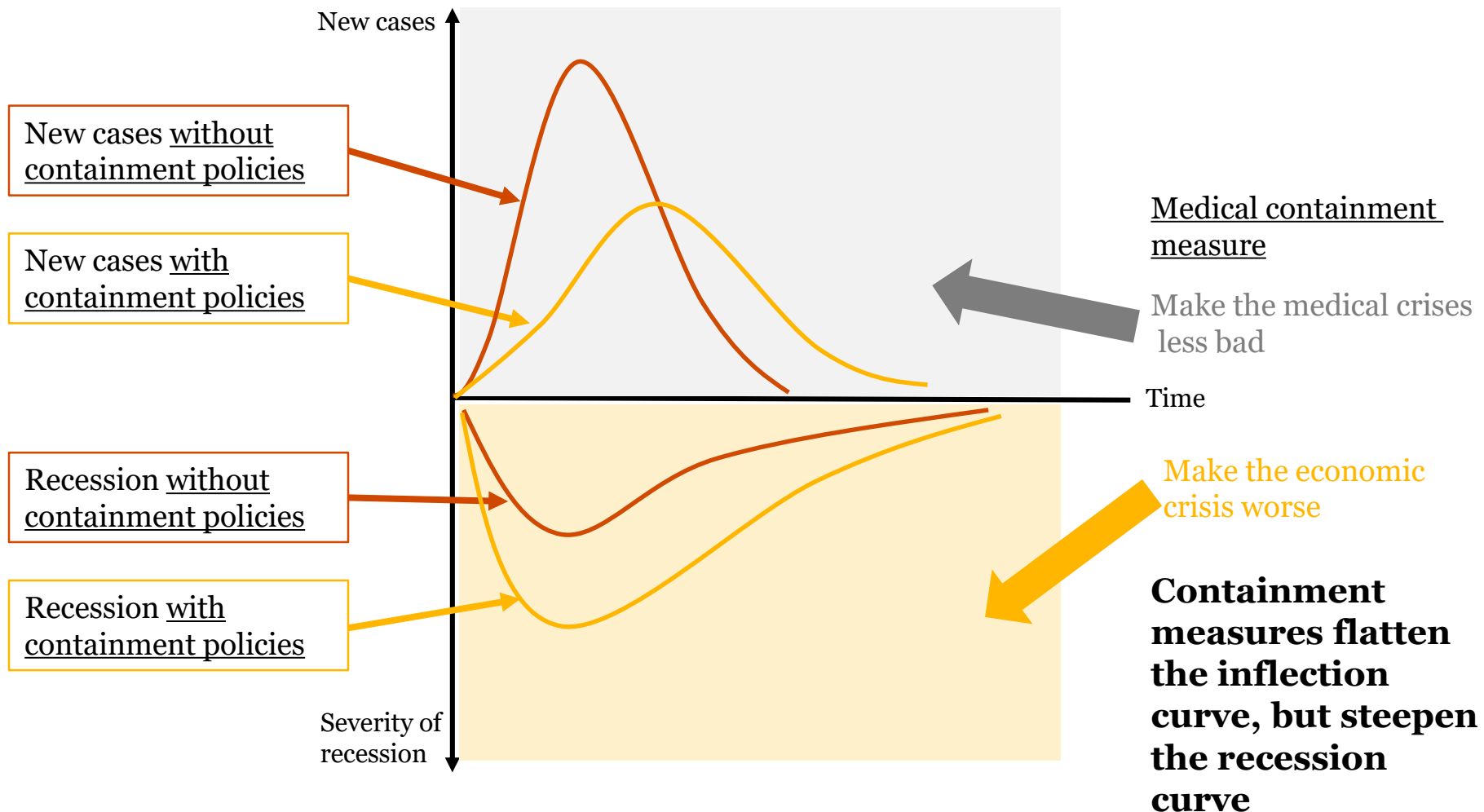
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1

Flattening the
curve,
understanding
the nature of the
shock and the
potential
recovery paths

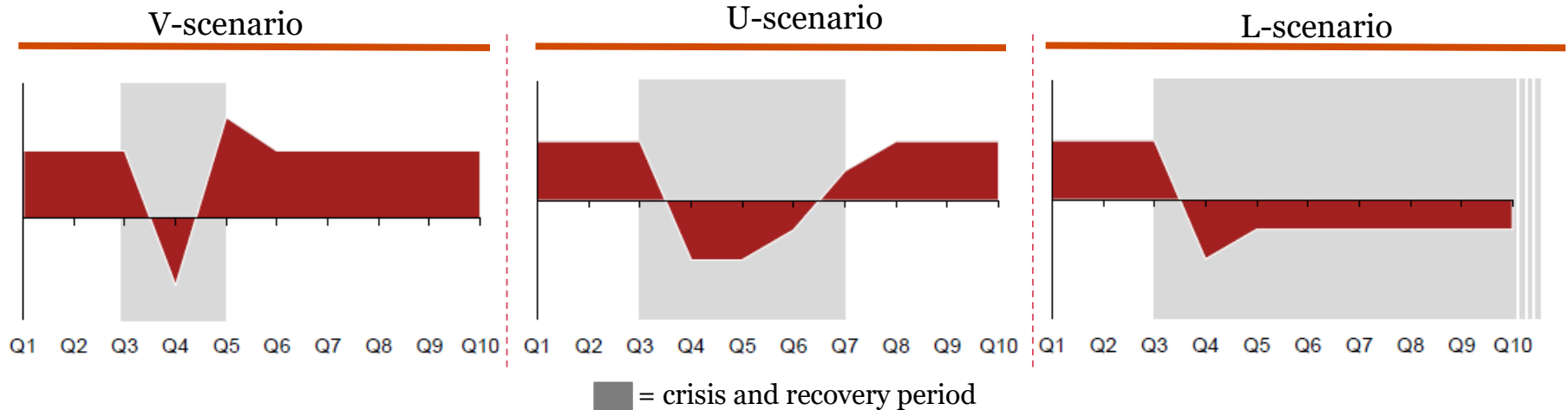
Containment policies flatten the medical curve, but steepen the recession / depression curve



Source: Centre for Economic Policy Research (CEPR)

V-, U- and L- shaped scenarios for overall economy- each would require a different set of interventions

Scenario rationale



Shock impact on the economy as a whole, followed by **swift and complete recovery**.

Reduction in full-year growth, but **limited to one year**

Postponement of investment and consumption **rather than cancellation**

Mild

Sustained recession, return to previous GDP level over several quarters

Performance and overall growth of **at least two full years affected**

Postponement and, in part, **sustained restriction of investment and consumption**

Medium

Drastic impact on economic performance and **prolonged recession**, threats to the monetary and financial system.

Return to the level of total output before COVID-19 **not foreseeable**

Deep restrictions on investment/consumption

Severe

Pandemic: the race between demand and supply

At first, covid-19 may look like a supply shock

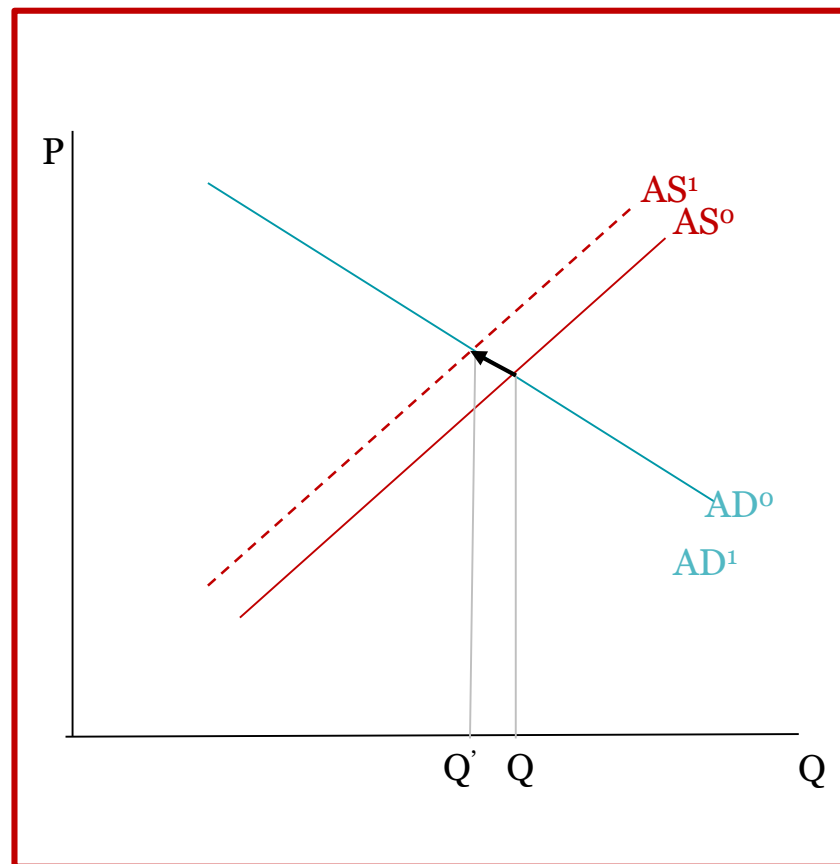
At **first**, covid-19 may **look like** a **supply shock**:

- Disruption in global supply chains.
- Quarantine and social distancing across the world decreasing labour supply.

Aggregate Supply (AS) moves from AS_0 to AS_1 .

Different from previous crises:

- Great recession of 2007-09: origin of supply shock was in the financial sector.
- War/natural disaster: origin of the supply shock is destruction of infrastructure or large-scale permanent loss in labour force.



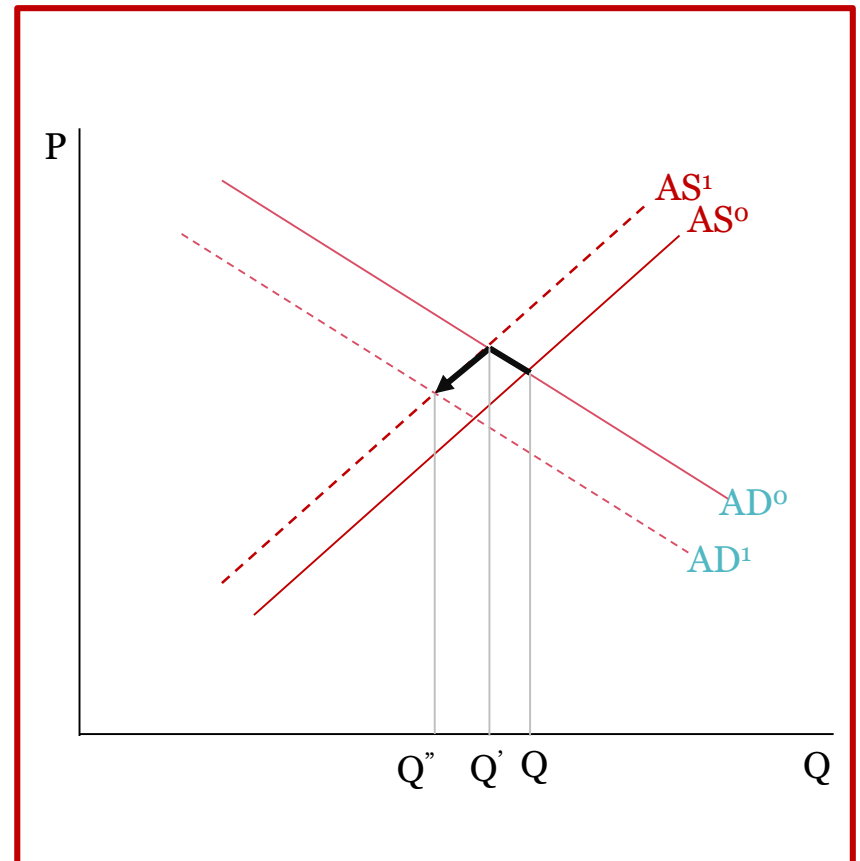
Source: Harvard Kennedy School

Pandemic: the race between demand and supply

Then, demand effects materialise

Then, **demand** effects **materialise**:

- Uncertainty about the progress of disease.
- Uncertainty about economic policies that will alleviate.
- Non-permanent workers will lose income, particularly in affected industries (e.g. hospitality, manufacturing).
- Households increase precautionary savings.
- Firms wary of investing until situation clears; also lack liquidity to do so.



Source: Harvard Kennedy School

Pandemic: the race between demand and supply

Feedback loop into supply

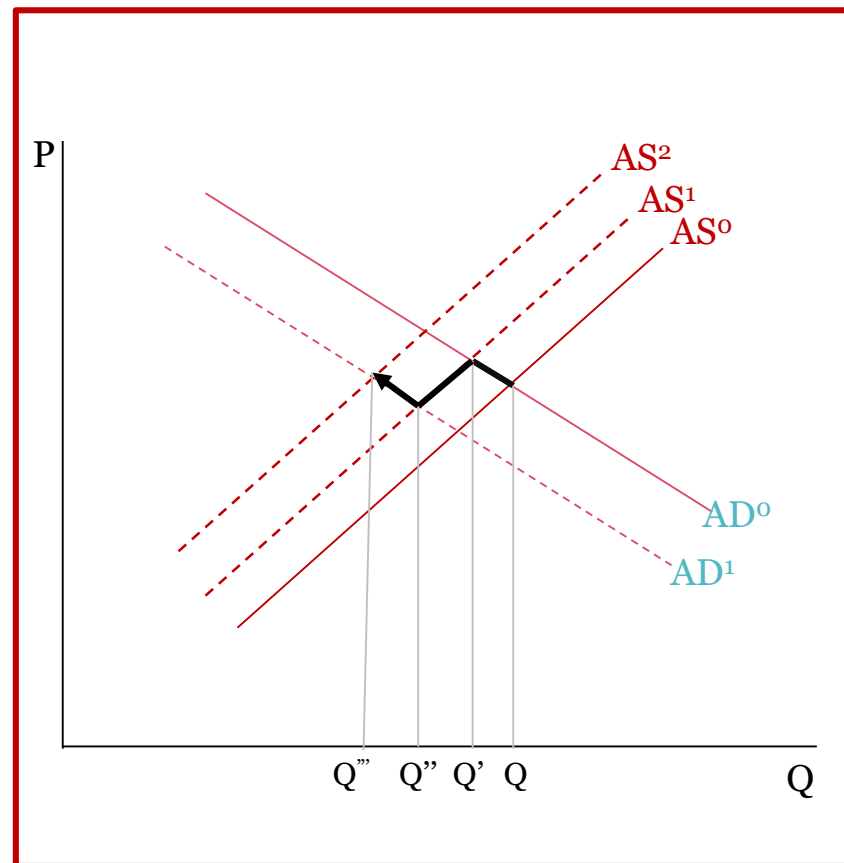
Feedback loop into supply:

Firms (especially those more dependent on cash flows) lack liquidity to fulfil commitments while facing lower demand and thus are forced to file for bankruptcies.

Demand and **supply** loop **similarly** to **financial crisis**, though **uncertainty** is about the **disease**.

Different from war/disaster:

There, demand might increase as governments redirect war efforts towards fight/rebuild and so potentially inflationary.

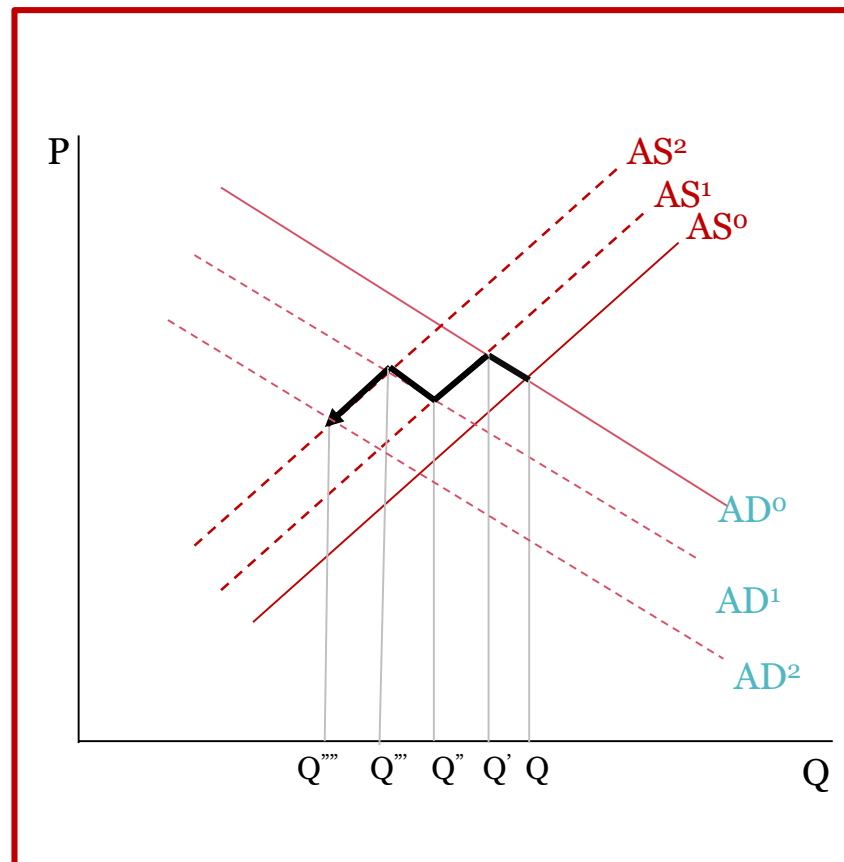


Pandemic: the race between demand and supply

Feedback loop into demand

Feedback loop into demand:

Workers who lose jobs from closing businesses do not have an income anymore and therefore we see lower consumption, eventually depressing aggregate demand.



Source: Harvard Kennedy School

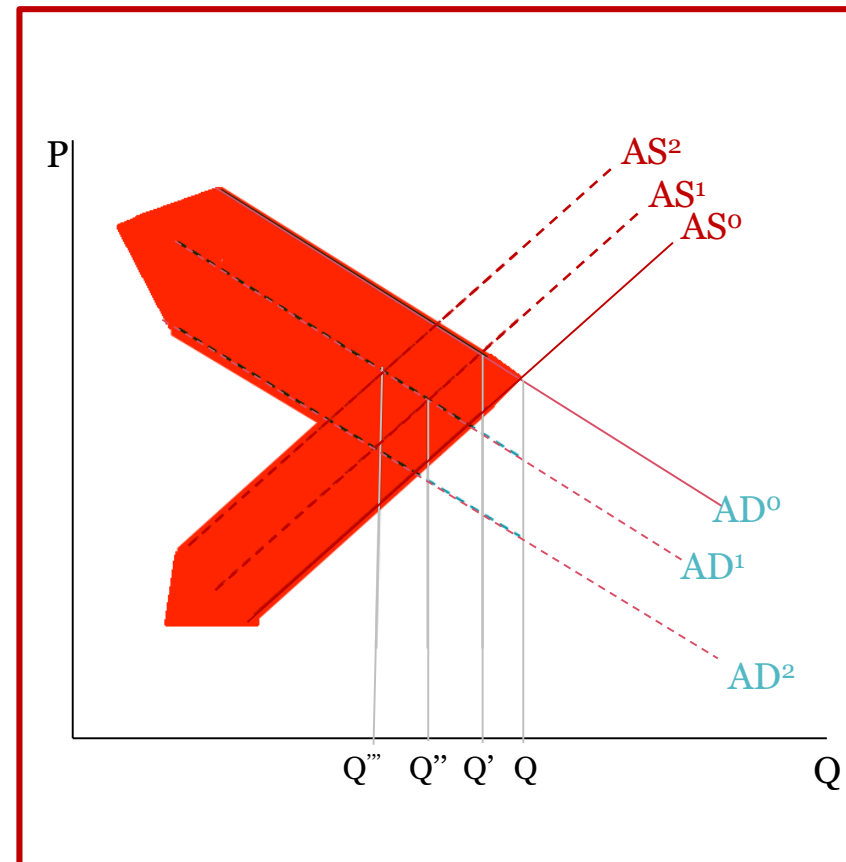
Pandemic: the race between demand and supply

Covid-19 virus introduces a wall between demand and supply

Covid-19 virus is not 'just' a (large) shock on real economic fundamentals; it **is** a **shock** on the **frictionless** of the **market**.

It introduces:

- A '**wall between demand and supply**' with strong complementary feedbacks in the real economy,
- a **contraction in supply**, leading to
- a contraction in demand, leading to contraction in supply.....leading to a large destruction of economic surplus (the red shaded area in the chart on the right)



Some key factors that will drive the ability of the economy to recover

01

The length of the lockdown

The drastically reduced market demand for products and services, and equally, reduced output due to supply chain disruptions and closures will lead to cash flow drying up and increasing business failures and job losses over time.

02

The choice of policy interventions

Policy interventions from both government and the private sector – such as banks and insurers - to support SMME's with cash flow constraints to minimise business failures and the more vulnerable citizenry with access to basic needs and services.

03

The speed of recovery of demand (local and global)

Dependent on the success of the lockdown to curb the spread of the virus and bring the number of infections under control. A premature easing of the restriction to movement could undo this objective.

04

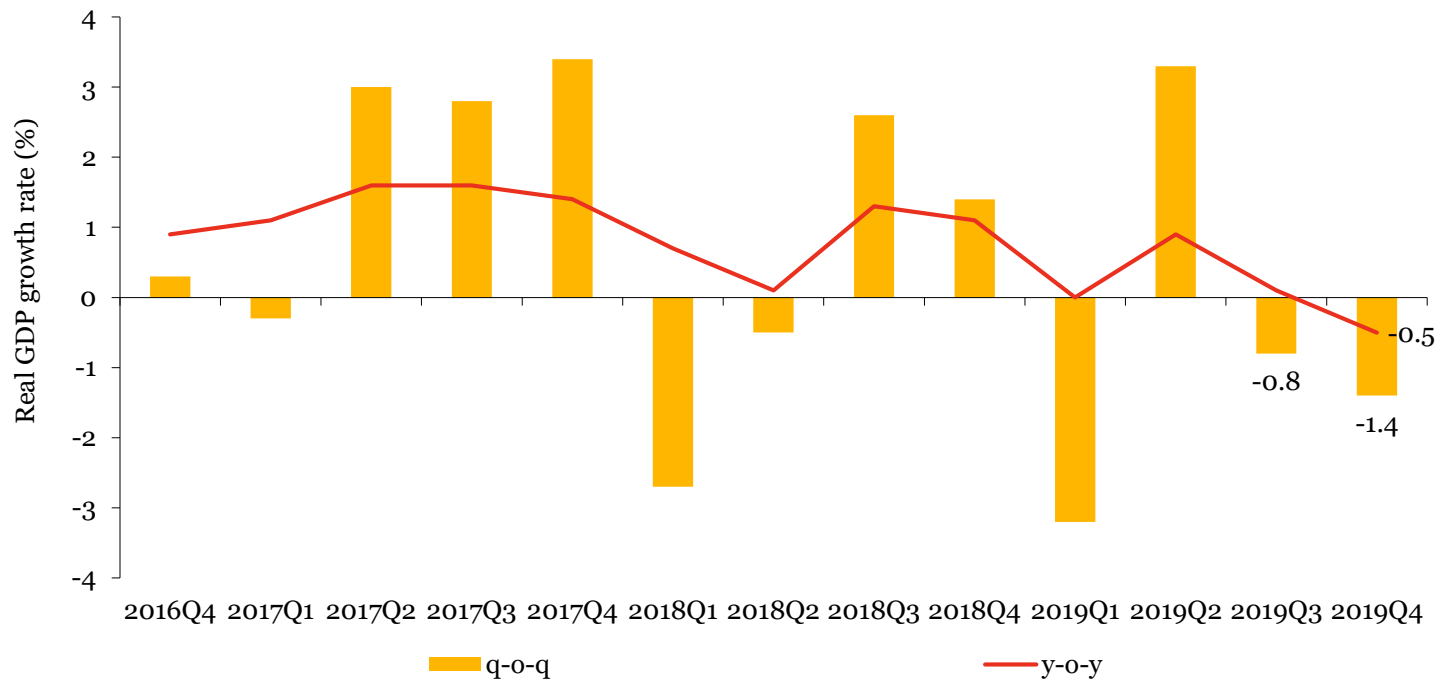
The reaction in supply to the recovery in demand

Dependent on the length of the lockdown and “return to normalcy” and the effect that this period had on the ability of the disrupted supply chains to bounce back and function as before as certain components could have gone under.

Source: PwC

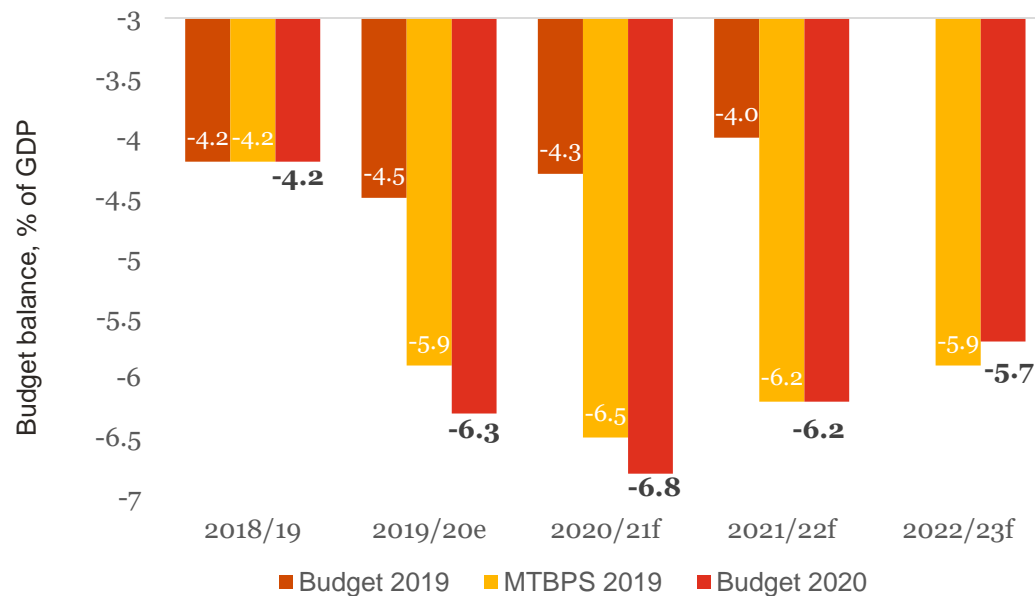
However, the ability of the South African economy to withstand this onslaught is worrying, given where it started 2020 from.

South Africa started the year with the news that the economy was in a technical recession after 2019Q4 saw a 1.8% q-o-q decline on the back of a 0.8% q-o-q decline during 2019Q3



The fiscal deficit widened to largest since 1990s, with little hope for a substantial decline in coming years

“...leaving South Africa with no fiscal space. Weaknesses in public enterprises are resulting in poor service delivery and weighing on the fiscus through bailouts or administrative interventions.” IMF – January 2020

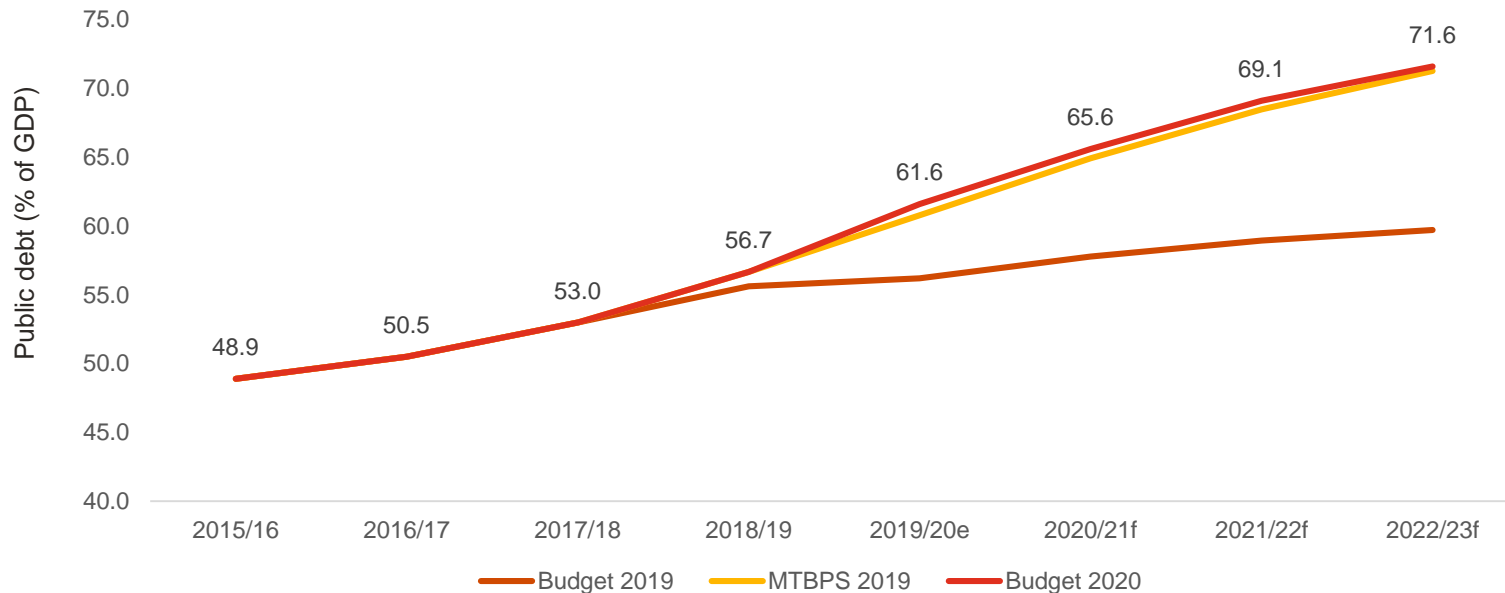


Key concerns:

- Massive difference to deficit projected in Budget Speech 2019, further increasing public debt and debt service payments
- Rating agencies have warned about this deterioration in fiscal metrics

Gross national debt was projected to be 71.6% of GDP by the end of 2022/23

“60% is an “uncomfortable level” - IMF – January 2020



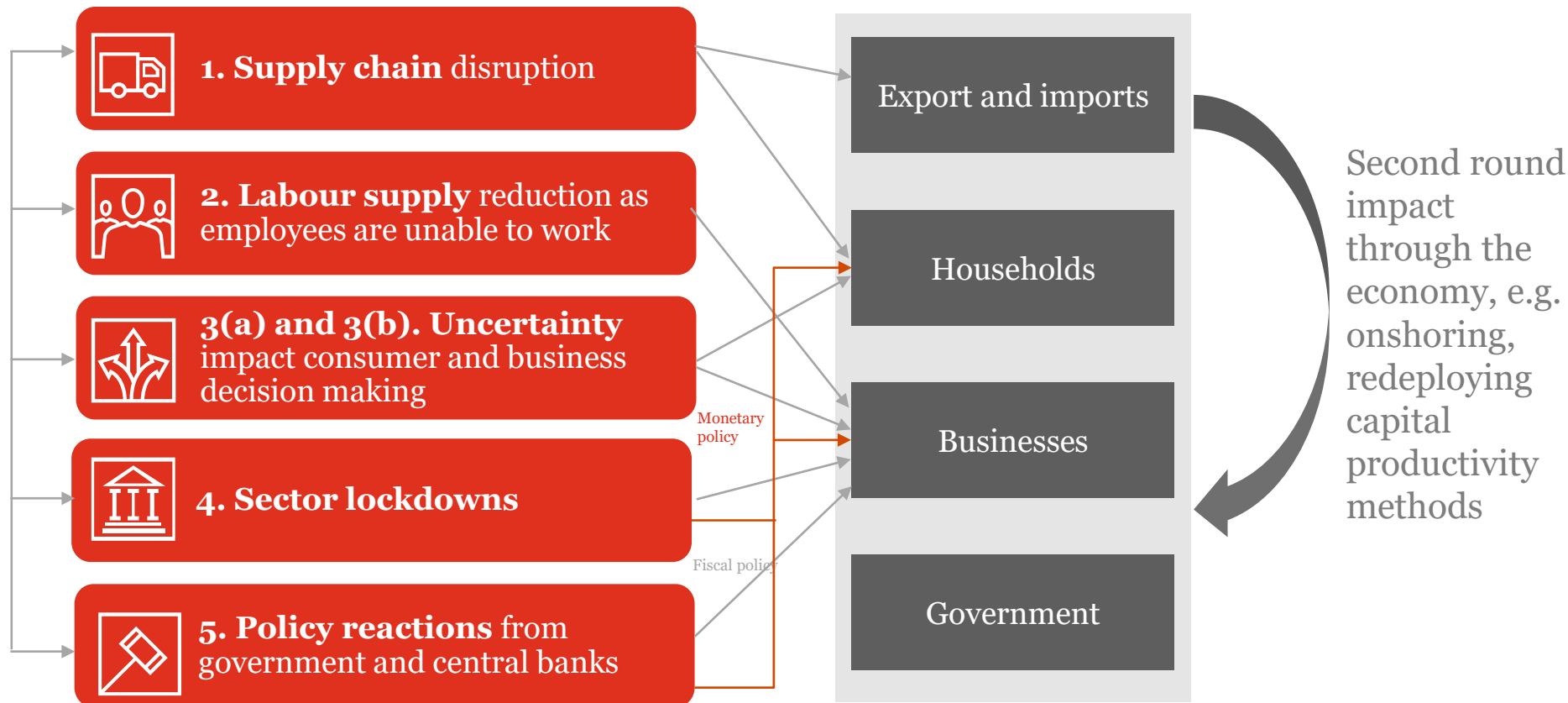
The IMF directors “noted that South Africa is in a difficult situation, given subdued growth, rising debt, and high poverty and unemployment rates. In that context, they encouraged the authorities to implement strong fiscal consolidation and SOE reforms to ensure debt sustainability, accompanied by decisive structural reform measures to boost private-sector led, inclusive growth.

2

Scenarios and
assumptions to
model the shock

We identify five main economic impact transmission channels

Although not exhaustive, we identify five main transmission channels through which COVID-19 can impact the SA economy. Other reinforcing and mitigating impacts are likely



The following 3 scenarios were modelled in terms of the impact on the economy

Scenario 1: Mild

Scenario 1

A one-month full lockdown with a nine-month gradual improvement in the economy.

Scenario 2: Medium

Scenario 2

A three-month full lockdown with a seven-month gradual improvement in the economy.

Scenario 3: Severe

Scenario 3

A three-month full lockdown with a seven-month gradual improvement in the economy, with the exception of the business confidence and supply chain components within the transmission channels that remain suppressed throughout the remainder of the calendar year (and beyond).

3

Supply chain
impacts

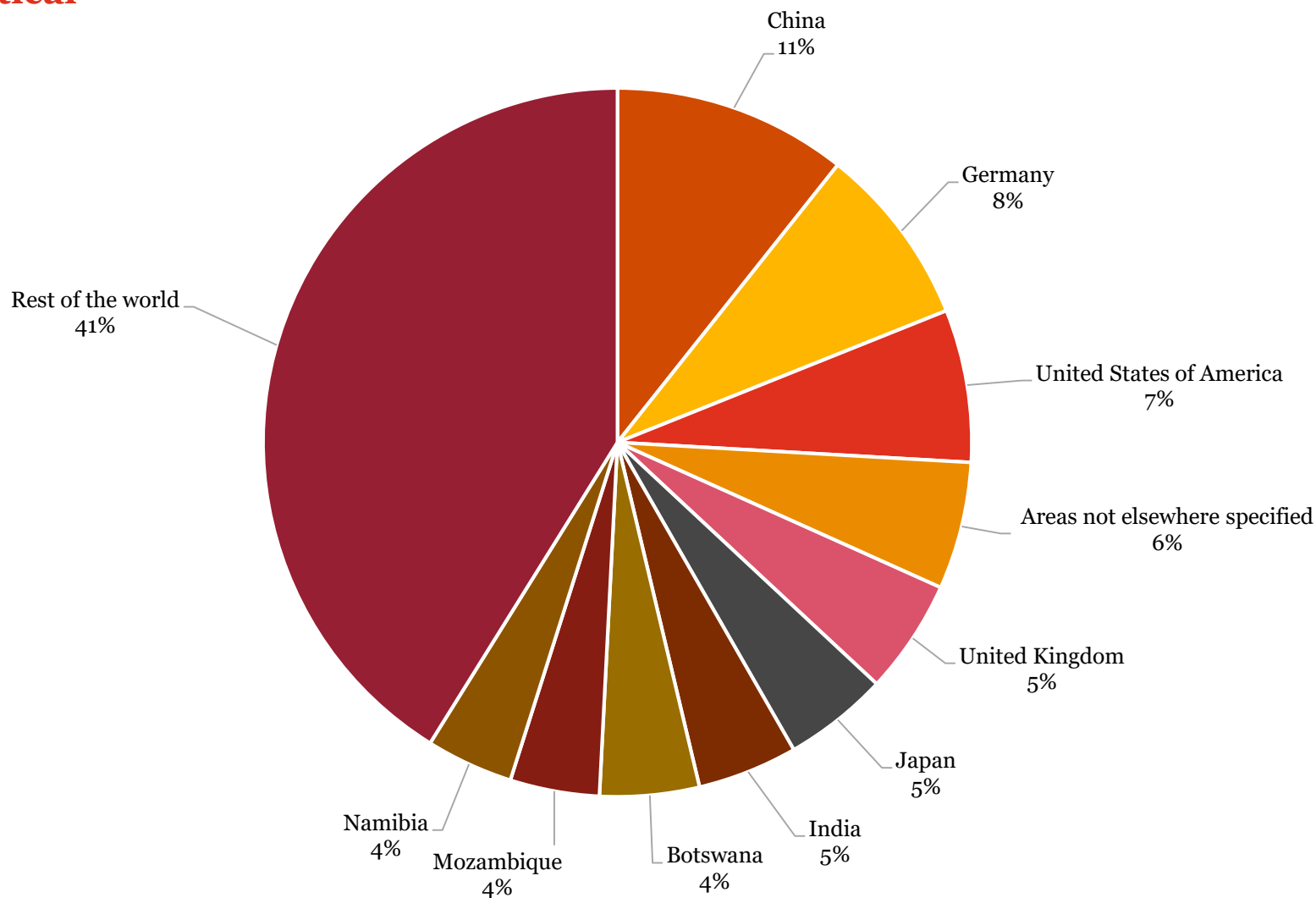
Supply chain

Supply chains will be impacted either via domestic disruption or disruption elsewhere in the world which has a knock on impact on domestic production and economic activity. It will also show in reduced export demand

	Scenarios		
	Scenario 1: Mild	Scenario 2: Medium	Scenario 3: Severe
Suppliers to affected businesses	Major disruption reduces demand throughout the supply chain. Businesses scale back production. Governments (re)direct exports to prioritise domestic needs.	Significant disruption over extended period of time reduces demand throughout the supply chain. Businesses scale back production. Some businesses are able to adapt their supply chains to alternative sources.	Significant disruption over extended period of time reduces demand throughout the supply chain. Businesses scale back production. Some businesses are able to find adapt their supply changes to alternative sources.
Buyers of the products of affected businesses	Major disruption to supply chains as a significant proportion of the workforce becomes unavailable for work and production facilities can't maintain output of basic materials and unfinished goods for a short period of time.	Significant disruption to supply chains as a significant proportion of the workforce becomes unavailable for work and production facilities can't maintain output of basic materials and unfinished goods for an extended period of time.	Significant disruption to supply chains as a significant proportion of the workforce becomes unavailable for work and production facilities can't maintain output of basic materials and unfinished goods for an extended period of time.
Overall impact	Significant reduction in imports and exports of around 8-10% for 6 months. This is similar to the trade reduction experienced during the global financial crisis. Disruptive impact on domestic supply chains during peak.	Shock to imports and exports for 12 months, peaking at around 12%. This is lower as delayed peak provides time for supply chains to respond. Some domestic supply chain disruption.	Shock to imports and exports for 18 months plus, peaking at around 14%. This is lower as delayed peak provides time for supply chains to respond. Some domestic supply chain disruption.

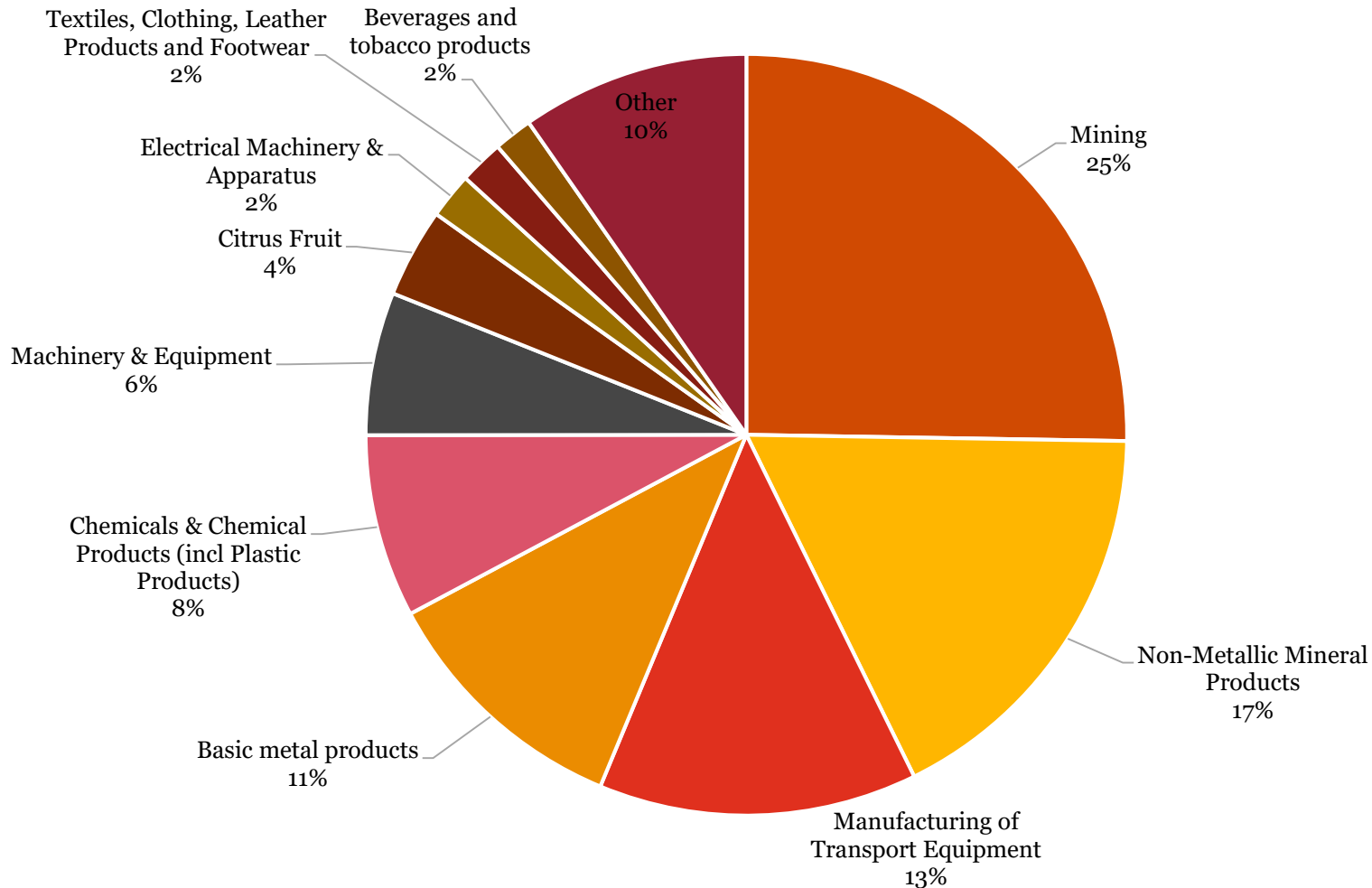
South African exports per country

The speed at which our trading partners can recover and open trade is also critical



South African exports by sector allocation

Mining, basic metals and non-metallic mineral products make up 53% of South Africa's exports



4

Labour impacts

Labour supply

The supply of labour will reduce mainly due to absenteeism from work, working for home, closures of businesses and parents staying at home to take care of dependents











	Scenarios		
	Scenario 1: Mild	Scenario 2: Medium	Scenario 3: Severe
Lost workdays due to infection	Lost workdays remain at historically high levels until at least Q2/Q3 of 2020 and then gradually start to revert to normal levels.	Lost workdays remain at historically high levels until at least the end of the year and then gradually start to revert to normal levels.	Lost workdays remain at historically high levels until at least the end of the year and then gradually start to revert to normal levels.
Workers not allowed to travel or forced to work from home	Businesses tell their non-essential workers to work from home across the entire country for an extended period. Focus on maintaining workforce in essential roles only.	Businesses tell their non-essential workers to work from home across the entire country for an extended period. Focus on maintaining workforce in essential roles only.	Businesses tell their non-essential workers to work from home across the entire country for an extended period. Focus on maintaining workforce in essential roles only.
Parents caring for dependents	Large number of confirmed cases over a short period of time means that parents have to stay at home to take care of sick dependants. Parents mostly unable to work from home. Self-employed parents suffer drop in income.	Large number of confirmed cases over a long period of time means that parents have to stay at home to take care of sick dependants. Also parents stay at home to take care of children due to country-wide school closures for long period of time. Parents mostly unable to work from home. Self-employed parents suffer drop in income.	Large number of confirmed cases over a long period of time means that parents have to stay at home to take care of sick dependants. Also parents stay at home to take care of children due to country-wide school closures for long period of time. Parents mostly unable to work from home. Self-employed parents suffer drop in income.
Fatalities	A large number of confirmed cases with a above average case fatality rate of 0.5% for 20-49 yr old and 2% for 50-59 yr olds because of a stressed health system means the number of fatalities is high.	A large number of confirmed cases, with a average case fatality rate of 0.3% for 20-49ys olds and 1.3% for 50-60 yr olds means that the number of deaths is considerable.	A large number of confirmed cases, with a average case fatality rate of 0.3% for 20-49ys olds and 1.3% for 50-60 yr olds means that the number of deaths is considerable.
Overall impact	75% of employees impacted 4 weeks per impacted worker	75% of employees impacted 12 weeks per impacted worker	75% of employees impacted 12 weeks per impacted worker

Source: PwC

Labour Supply

A profile of the South African labour force




Employment by Sector

	Sector	Number of employees ('000)
	Agriculture	885
	Mining	430
	Manufacturing	1 720
	Utilities	120
	Construction	1 350
	Trade	3 249
	Transport	1 011
	Finance	2 568
	Community and social services	3 792
	Private Households	1 286

Note: Skilled includes Managers, Professionals and Technicians. Semi-skilled includes Clerks, Sales and Services, Skilled agriculture, Crafts and trade, Plant and Machine operator. Unskilled includes elementary and domestic workers

Likely able to work from Home	15.6%
Unlikely to be able to work from home	84.4%

Employment by skill level

	Skilled	23%
	Semi-Skilled	48%
	Un-skilled	29%

Source: Quarterly Labour Force Survey, Quarter 4 2019

5

Business and
consumer
uncertainty and
changes in
consumer
spending and
business
investment

Uncertainty – consumer expenditure

Uncertainty will have an impact on households' consumption behaviour, particularly willingness to spend on high value goods, events, travel and discretionary spending

	Scenarios		
	Scenario 1: Mild	Scenario 2: Medium	Scenario 3: Severe
Delayed expenditure due to uncertainty	Consumers defer major purchase decisions because of uncertainties for 6-12 months.	Consumers defer major consumption decisions because of uncertainties for 12-18 months. Consumption focuses on essential items.	Consumers defer major consumption decisions because of uncertainties for 12-18 months. Consumption focuses on essential items.
Switched consumption due to precautionary measures	Consumers temporarily switch into goods and services that can be consumed at home. Spending on discretionary items virtually dries up for around two quarters and starts to recover as number of recoveries picks up.	Long-lasting changes to consumption behaviour, particularly around spending categories which include events, food, leisure, travel etc. Recovery driven recovered patients. Long-lasting increased demand for health products and services.	Long-lasting changes to consumption behaviour, particularly around spending categories which include events, food, leisure, travel etc. Recovery driven recovered patients. Long-lasting increased demand for health products and services.
Lack of availability of goods and services	Significant shortages of some goods and services particularly during Q2 2020.	Restrictions to the availability of many products and services (due to labour force and supply chain disruption). Inflationary pressures build in certain categories of goods and services.	Restrictions to the availability of many products and services (due to labour force and supply chain disruption). Inflationary pressures build in certain categories of goods and services.
Overall impact	Specific impacts on sectors impacted by lockdown. 100% shutdown of these sectors for a period of 1 month, with a gradual improvement thereafter. Higher positive or negative impacts in individual sectors.	Specific impacts on sectors impacted by lockdown. 100% shutdown of these sectors for a period of 3 months, with a gradual improvement thereafter. Higher positive or negative impacts in individual sectors.	Specific impacts on sectors impacted by lockdown. 100% shutdown of these sectors for a period of 3 months, with a slow improvement thereafter. Higher positive or negative impacts in individual sectors.

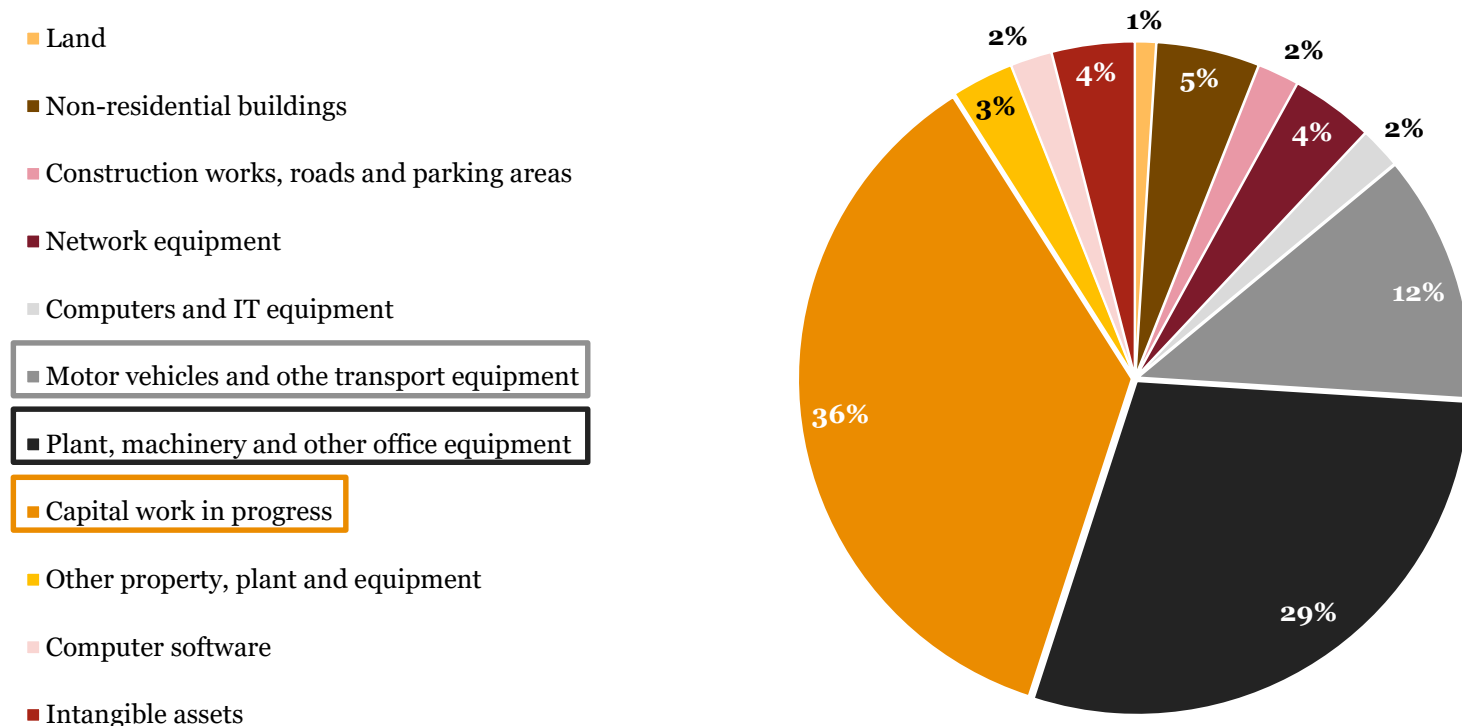
Uncertainty – business investment

Uncertainty on the future economic outlook deters businesses from investing until the outbreak is contained with a reasonable degree of certainty

	Scenarios		
	Scenario 1: Mild	Scenario 2: Medium	Scenario 3: Severe
Business investment	Uncertainty levels in the economy remain elevated and last 12 months. Businesses and other forms of investment virtually dries up in Q2/Q3 2020 with the exception of investment on infrastructure and facilities to counter the pandemic.	Significantly reduced levels of business and consumer confidence coupled with significant number of cases for an extended period of time results in a sharp and sustained downturn in business investment. Investment is re-focussed on infrastructure and facilities used to counter the pandemic.	Significantly reduced levels of business and consumer confidence coupled with significant number of cases for an extended period of time results in a sharp and sustained downturn in business investment. Investment is re-focussed on infrastructure and facilities used to counter the pandemic.
Overall impact	12% reduction in business investment for 6 months.	12% reduction in business investment for 12 months.	12% reduction in business investment for period longer than 12 months.

How business investment impacts are allocated in the impact model

Businesses are delaying investment due to uncertainty over South Africa's short- to medium-term economic outlook. This is entrenched by reduced economic activity in the near term due to the national lockdown.



Source: Statistics South Africa

6

Sector lockdown
impacts

Sector lockdowns

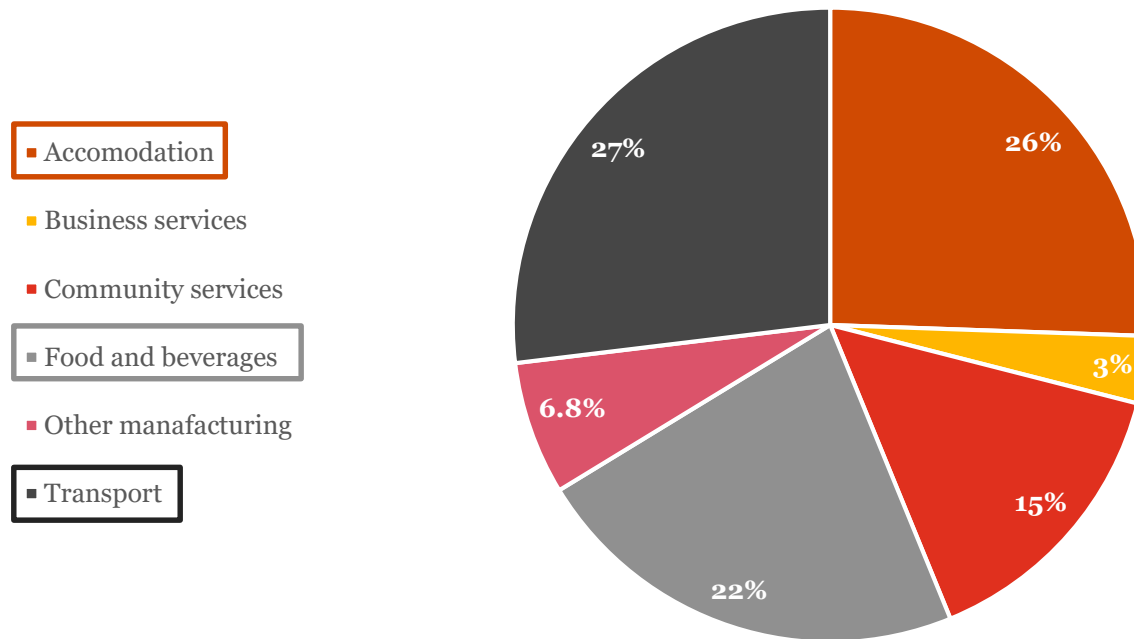
Government mandated lockdowns of sectors of the SA economy where there is a significantly higher likelihood of transmitting the virus including airlines, retail and leisure

	Scenarios		
	Scenario 1: Mild	Scenario 2: Medium	Scenario 3: Severe
Airlines	Significant periods of travel disruption with lockdown of most routes. No domestic air or train travel.	Significant periods of travel disruption with lockdown of most routes. No domestic air or train travel for about one month.	Significant periods of travel disruption with lockdown of most routes. No domestic air or train travel for about one month.
Leisure	Complete lockdown of museums, cafes, cinemas and restaurants. Sporting events cancelled.	Complete lockdown of museums, cafes, cinemas and restaurants. Sporting events cancelled.	Complete lockdown of museums, cafes, cinemas and restaurants. Sporting events cancelled.
Retail	Complete lockdown of large shopping centres (e.g. retail shopping centres). Grocery stores operate but with time restricted access and can only serve certain amount of client simultaneously. Pharmacies open with restricted access and timings. Some displacement of retail spending to online.	Complete lockdown of large shopping centres (e.g. retail shopping centres). Grocery stores operate but with time restricted access and can only serve certain amount of clients simultaneously. Pharmacies open with restricted access and timings. Some displacement of retail spending to online.	Complete lockdown of large shopping centres (e.g. retail shopping centres). Grocery stores operate but with time restricted access and can only serve certain amount of clients simultaneously. Pharmacies open with restricted access and timings. Some displacement of retail spending to online.
Overall impact	Airline, leisure and retail activities shut 100% of their operations (depending on sector) for 4 weeks.	Airline, leisure and retail activities shut 25-100% of their operations (depending on sector) for 12 weeks.	Airline, leisure and retail activities shut 25-100% of their operations (depending on sector) for 12 weeks.

Source: PwC

How tourism impacts are allocated in the impact model

The drastic drop in local and foreign tourist spending will lead to a decline in economic activity generated by businesses such as hotels, travel agencies, airlines and other passenger transportation services. The breakdown below shows how the impacts were allocated in the impact model.



Source: Statistics South Africa (StatsSA), 2018. Tourism Satellite Account for South Africa, final 2016 and provisional 2017 and 2018

How retail spending is allocated in the impact model

Even though food and pharmaceutical sales will continue, the loss in other retail activity will still lead to the economy losing activity generated by businesses such as clothing stores, hardware shops, and cosmetic retailers.

■ General dealers (non-specialised stores, predominantly food, beverages and tobacco)

■ Retailers of food, beverages and tobacco in specialised stores

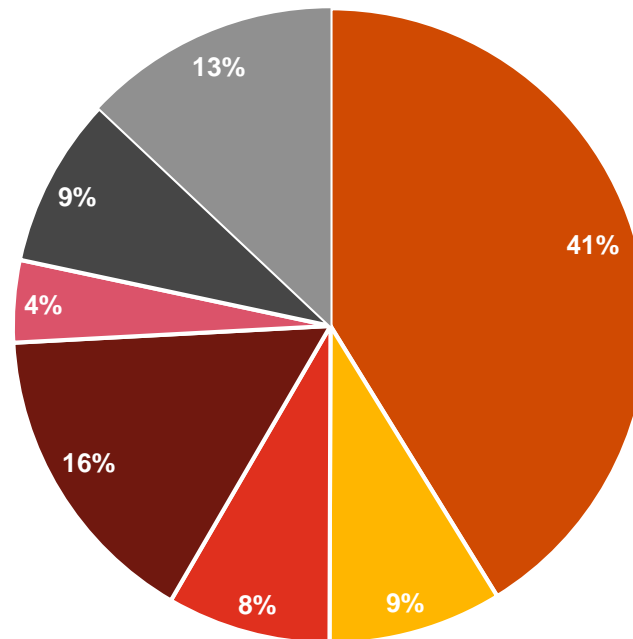
■ Retailers in pharmaceutical and medical goods, cosmetics and toiletries

■ Retailers in textiles, clothing, footwear and leather goods

■ Retailers in household furniture, appliances and equipment

■ Retailers in hardware, paint and glass

■ All other retailers



Source: Statistics South Africa

7

Policy responses
to date

Policy response

Fiscal response will be from increased expenditure in tackling the pandemic and providing financial support to otherwise viable businesses, but limited room. Interest rate reductions as well as quantitative easing option for SARB

	Scenarios		
	Scenario 1: Mild	Scenario 2: Medium	Scenario 3: Severe
Fiscal – pandemic related	Additional health expenditure, expenditure on R&D, more flexibility paying tax bills, corporate financial support/insurance. Investment or nationalisation in production facilities for medical supplies..	Additional health expenditure, expenditure on R&D, more flexibility paying tax bills, corporate financial support/insurance. Public guarantee or ownership of critical industries in financial difficulties. Investment in production facilities for essential supplies, including medical equipment.	Additional health expenditure, expenditure on R&D, more flexibility paying tax bills, corporate financial support/insurance. Public guarantee or ownership of critical industries in financial difficulties. Investment in production facilities for essential supplies, including medical equipment.
Fiscal – other support	Short-term R59bn stimulus.	Short-term R59bn stimulus.	Short-term R59bn stimulus.
Monetary policy	The SARB engages in a precautionary cut to its Repo Rate equivalent to 1 percentage point. The SARB also provides commercial banks with incentives to offer help to bank customers in dealing with supply chain and workforce disruptions.	The SARB cuts its Repo Rate by 2 percentage points. The SARB also provides commercial banks with incentives to offer help to bank customers in dealing with supply chain and workforce disruptions. SARB also intervenes through open market reactions, quantitative easing.	The SARB cuts its Repo Rate by 3 percentage points. The SARB also provides commercial banks with incentives to offer help to bank customers in dealing with supply chain and workforce disruptions. SARB also intervenes through open market reactions, quantitative easing.

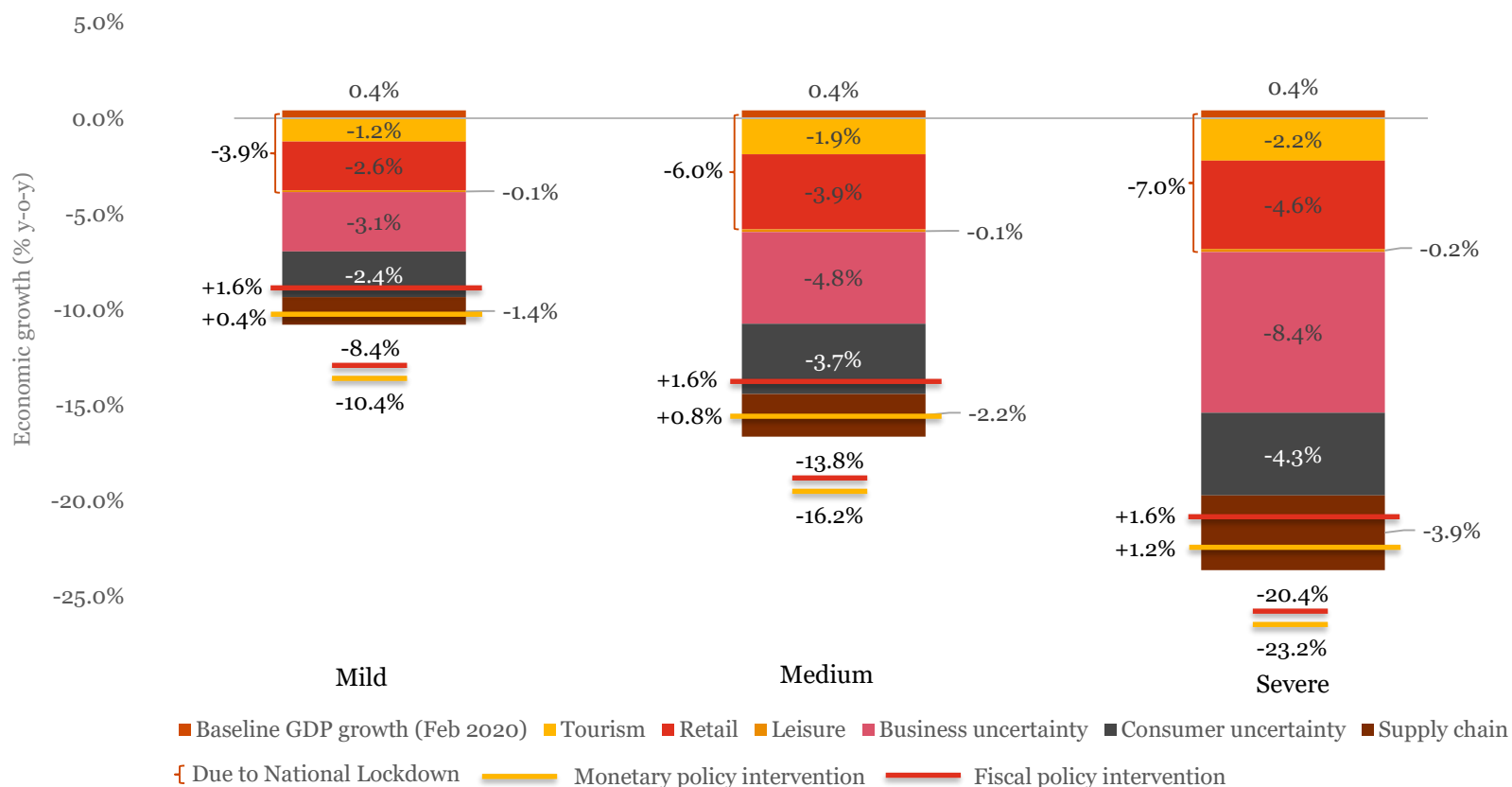
Source: PwC

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Potential impacts
of different
scenarios on
GDP, jobs and
the fiscus

Impact on real economic growth in 2020

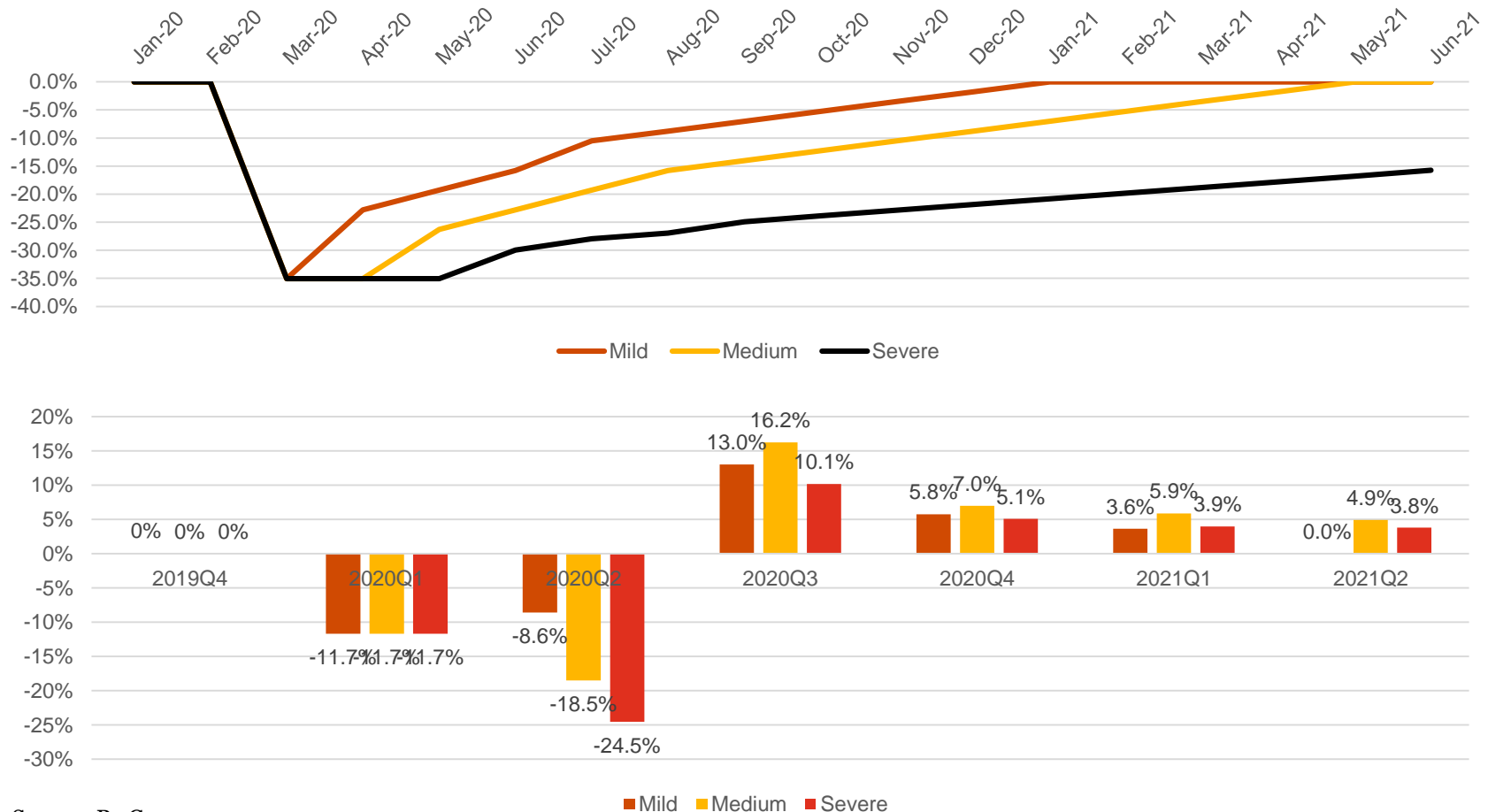
We assumed an expected real GDP growth of 0.4% for 2020. After factoring in the effect of monetary and fiscal policy responses, for scenario 1, South Africa could experience a real annual GDP contraction of 8.4%, -13.8% for scenario 2 and -20.4% for scenario 3, relative to the start of 2020.



Source: PwC

Modelled recovery: 18 months from January '20

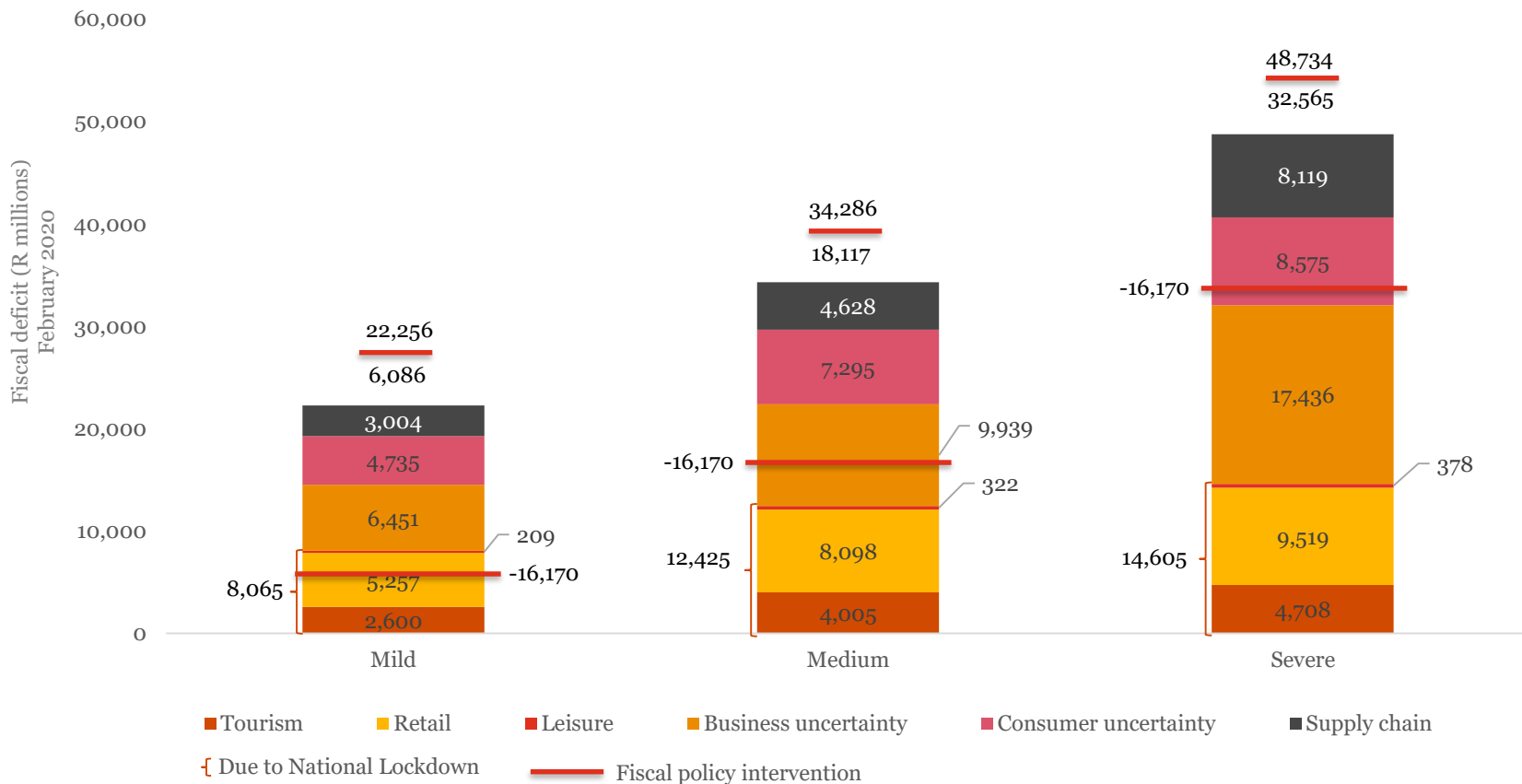
The first graph implies a V-shaped recovery under scenario 1, U-shaped recovery under scenario 2 and L-shaped recovery under scenario 3. The positions per month shows the relative change in output compared to the beginning of 2020. The second graph indicates the q-o-q growth rates.



Source: PwC

Impact on fiscal deficit (loss in tax revenue) in 2020

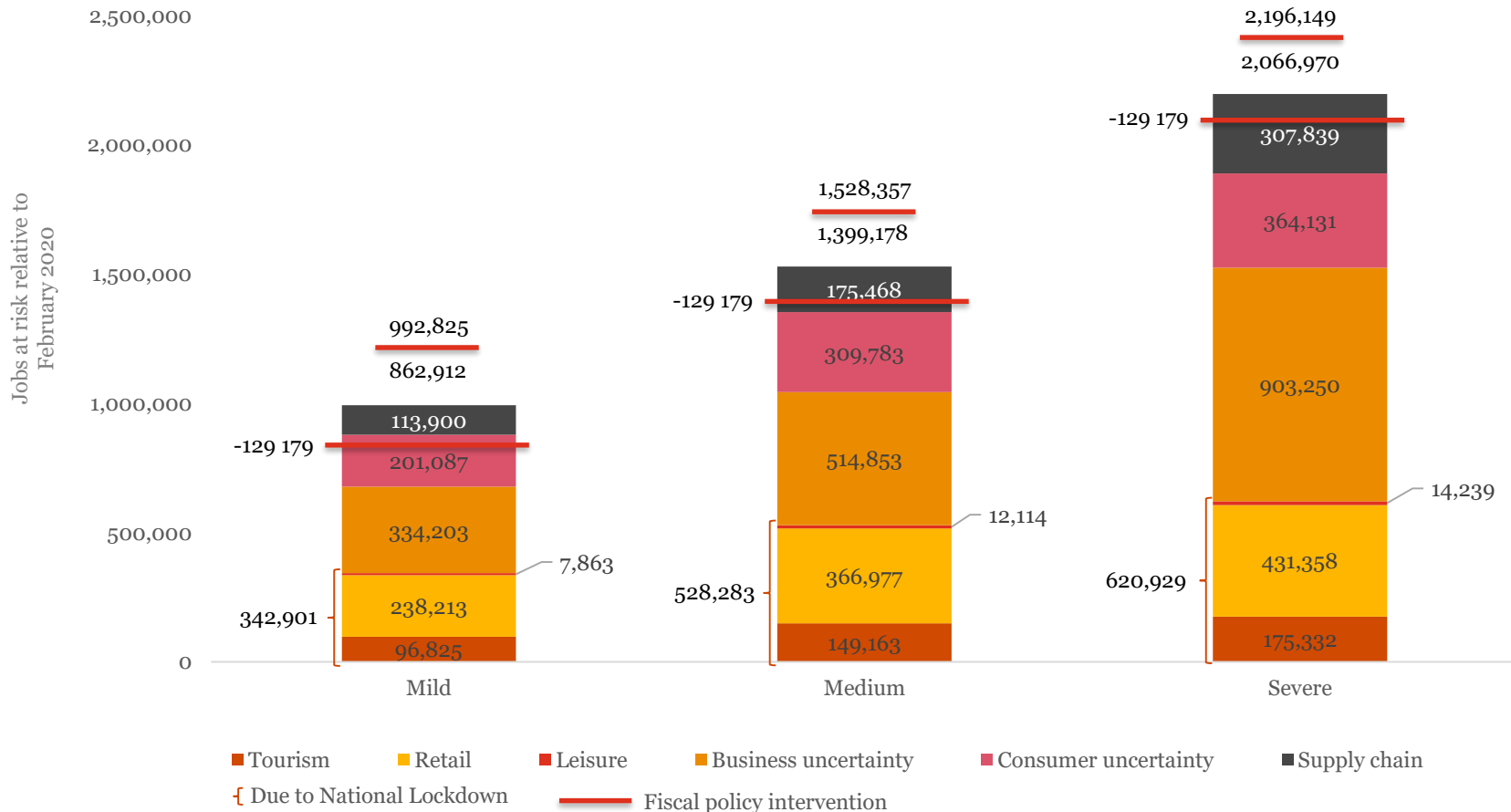
There would be an increase in the fiscal deficit from the baseline 2020 figure of 6.8% as per February 2020, to 7.8% under scenario 1, 8.8% under scenario 2 and 10.0% under scenario 3. After fiscal policy intervention (as per current information), S1 7.6%, S2 8.5% and S3 9.6%



Source: PwC

Impact of jobs at risk in 2020

From South Africa's baseline unemployment rate of 29.1% in February 2020, our model indicates an increase to 33.3% under scenario 1, 39.6% under scenario 2 and 47.6% under scenario 3. After policy intervention, S1 32.8%, S2 38.5% and S3 46.2%.



Source: PwC

From low growth, to recession - to depression

There is no one globally accepted definition of an economic depression, but the broad characteristics are:



Very high levels of unemployment.



Fall in real wages.



Very low inflation and possibly deflation.



Fall in asset prices, such as the stock market and house prices.



Significant fall in business and consumer confidence.



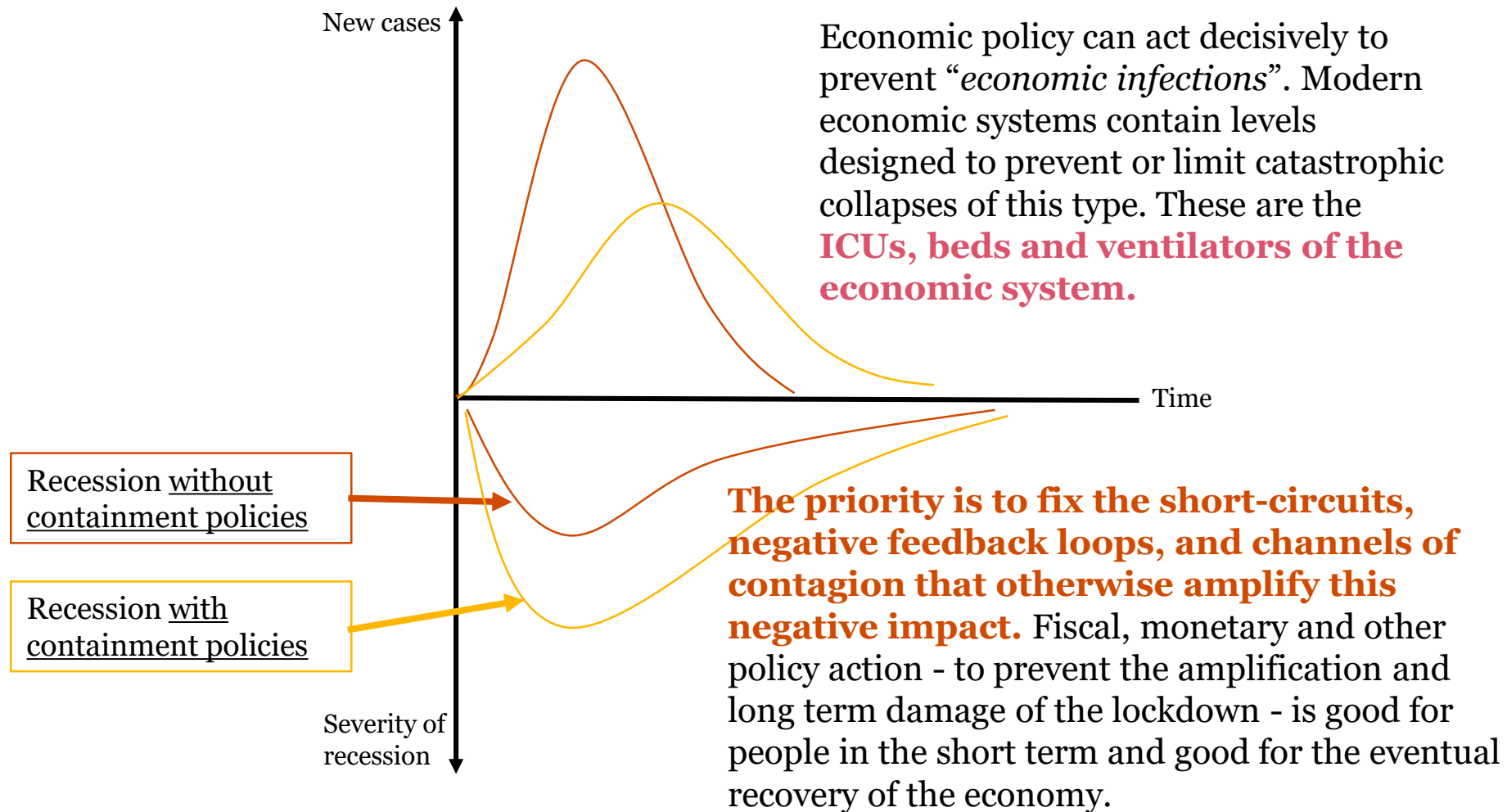
Liquidity trap – interest rates cut, but have little impact on demand.

9

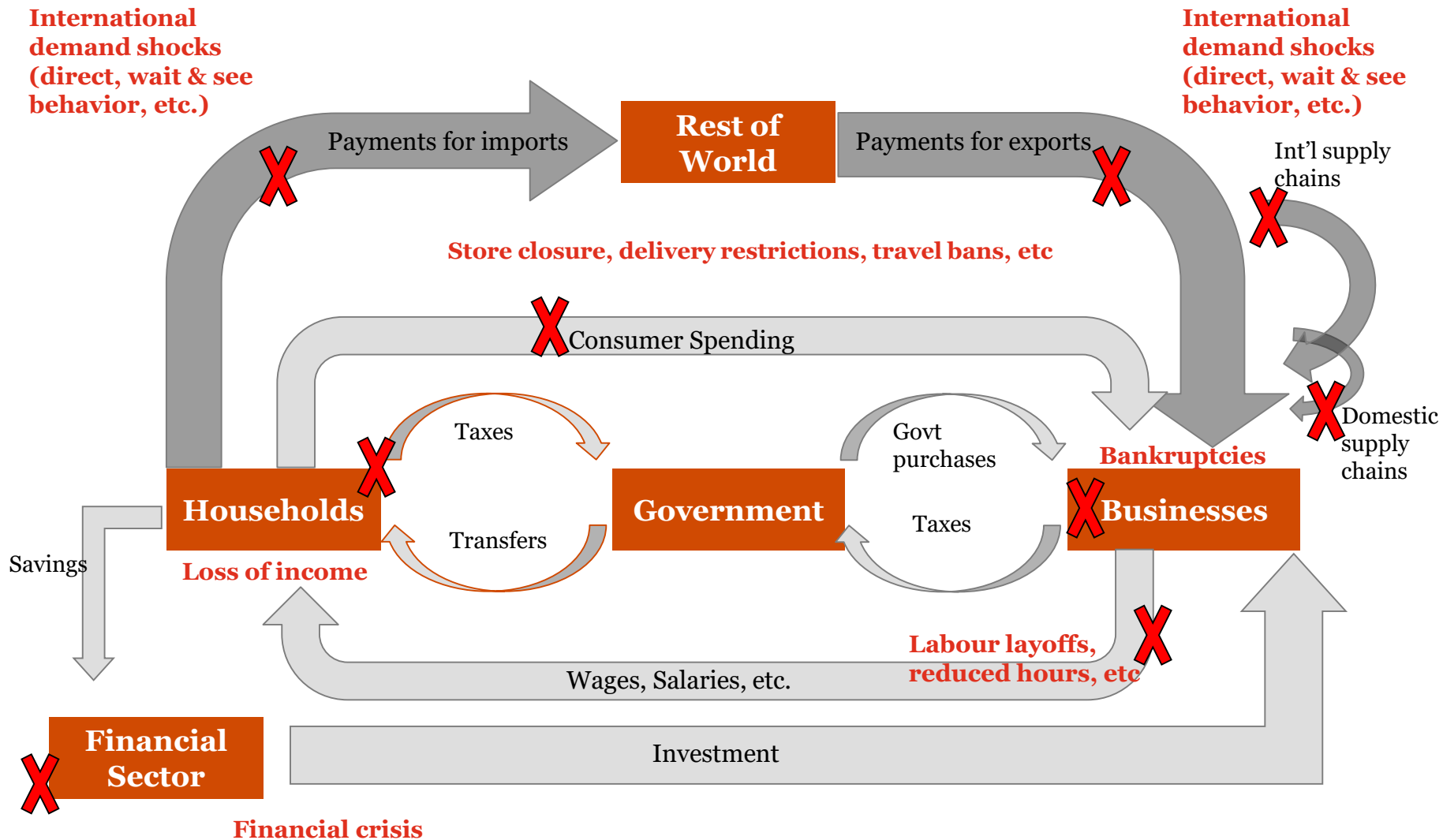
Flattening the
recession curve
and healing the
economic “scar
tissue”

Policy action to flattening the recession curve

Social distancing and lockdowns are good for disease fighting but bad for GDP



COVID19's multiple strikes in the circular flow of income diagram (X where interventions are required)



What should we be thinking of?

Some considerations and questions related to policy responses

1. Medical shock is transitory and it will (eventually) dissipate. How have we responded and how do we respond? What will the impact be?

2. First wave of economic impacts will come from containment measures

3. Second wave of impacts (and more longer lasting) are the expectation shocks

4. Economic damage could be persistent. Without preventative measures, jobs might not be there when this passes, many firms may go broke and bank and national balance sheets could be impaired

5. Reduce personal and corporate bankruptcies

6. Ensure people have money to keep spending even if not working

7. Increase public investment and healthcare spending

Policy buckets – the ‘beds and ventilators’ of the economy

Short, medium and long term policy interventions in the different areas



Responding to the “red crosses”

Short, medium and long term policy interventions in the different areas

Policy bucket	Principles of response / Key considerations from international benchmarking
Fiscal policy	<ul style="list-style-type: none"> • Fiscal policy should be the first to the rescue, as the shock has been in the real economy (packages globally ranging from 0.08% of GDP to 4.1% of GDP) • Timely, targeted and temporary • Targeted policies are more effective • “Whatever it takes” • First step is to expand capacity in the healthcare system • Next is to support firms and workers at risk due to economic fallout • Fiscal policy should ensure that decline in aggregate private sector expenditure not amplified in pro-cyclical manner • Quick and un-bureaucratic support • Short term: compensate negative effects on corporate liquidity and stability for banking system • Broad-based fiscal stimulus consistent with available fiscal space can help lift aggregate demand, but would most likely be more effective when business operations begin to normalize • Emergency assistance to workers, firms, and financial firms need to be put in place quickly

Responding to the “red crosses”

Short, medium and long term policy interventions in the different areas

Policy bucket	Principles of response / Key considerations from international benchmarking
Monetary policy	<ul style="list-style-type: none"> • Internationally, monetary policy have not been very effective to address the immediate impacts of the crisis, if one considers the financial market reaction (however, the SARB's QE measures from the last to days seemed to have had an effect, SA has more bandwidth in this space than most other countries) • While fiscal policy should be on the front line, monetary policy has to first play a supporting role, guaranteeing the liquidity of the financial system (not the equity market) • Coronavirus bond? • Broader monetary stimulus, such as policy rate cuts or asset purchases, can lift confidence and support financial markets if there is a marked risk of a sizable tightening in financial conditions (with actions by large central banks also generating favourable spill-overs for vulnerable countries) • The best course of action would be a monetary easing in coordination with a fiscal stimulus • Monetary policy response to this severe (yet ultimately temporary) shock has three key elements: first, safeguarding liquidity conditions in the banking system through a series of favourably priced long-term refinancing operations (LTROs); second, protecting the continued flow of credit to the real economy through a fundamental recalibration of the targeted longer-term refinancing operations (TLTROs); and third, via an increase in the asset purchase programme, preventing that financing conditions for the economy tighten in a pro-cyclical way • What monetary policy measures should emphasise is stopping financial panics in fixed-income and credit (not equity) markets, where it can make a material difference and has effectively unlimited ammunition to do so

Responding to the “red crosses”

Short, medium and long term policy interventions in the different areas

Policy bucket	Principles of response / Key considerations from international benchmarking
Financial regulation policies	<ul style="list-style-type: none"> • Making sure financial regulation doesn't exacerbate procyclicality • Regulation can exacerbate this procyclicality, requiring forward-looking loan classification (as under IFRS 9) and provisioning, as well as forcing an increase in risk weights and thus capital • Anticipating negative effects from the disruption for real economy and financial sector and mitigating these negative effects is therefore critical and urgent
Social insurance policies	<ul style="list-style-type: none"> • Restructuring of application to create fiscal space; deferred payments and refunding

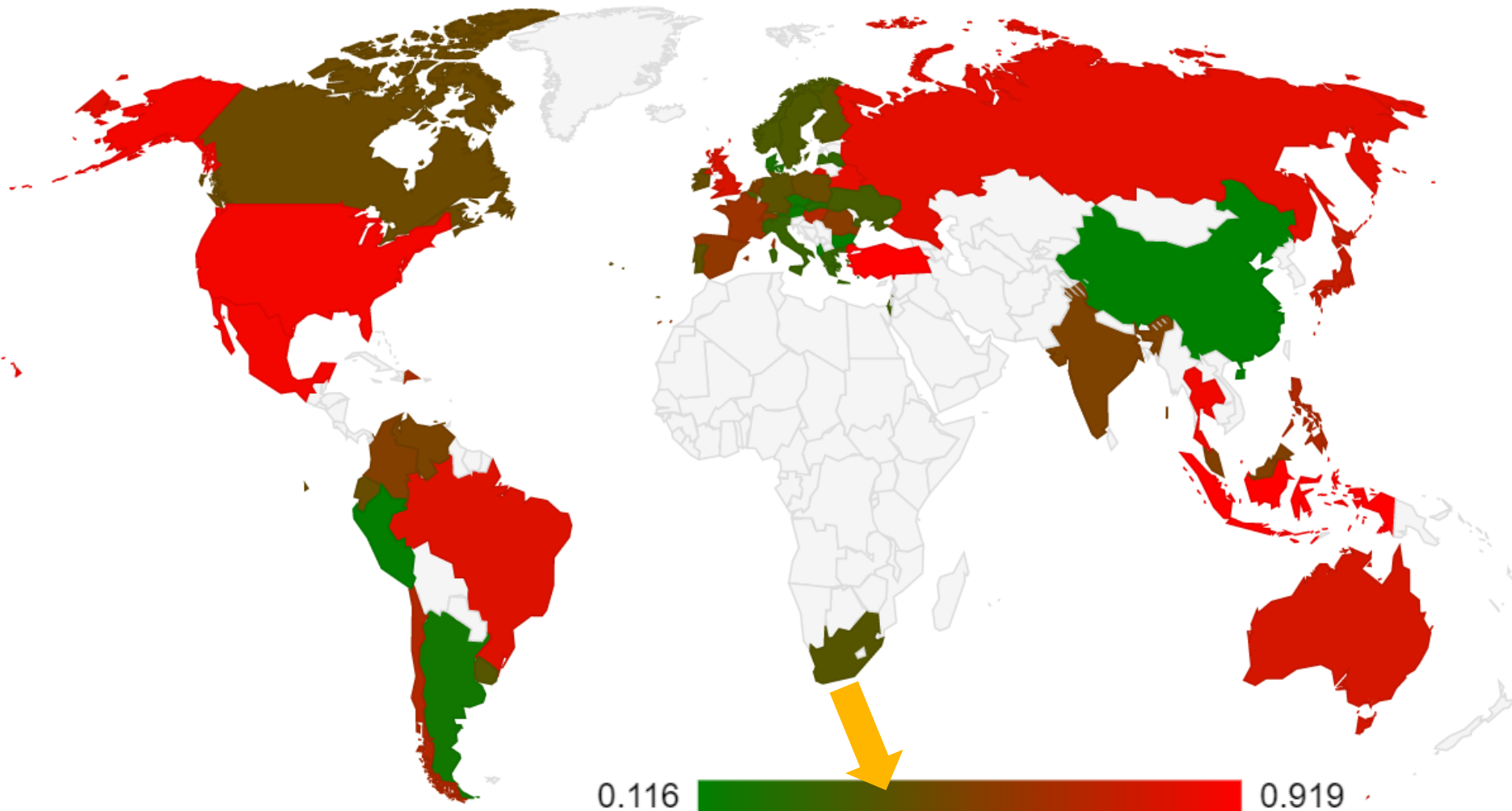
Responding to the “red crosses”

Short, medium and long term policy interventions in the different areas

Policy bucket	Principles of response / Key considerations from international benchmarking
Industry policies	<ul style="list-style-type: none"> • To support SMEs, the characteristics of the industry should warrant particular consideration, and support should be strengthened for SMEs in the service and manufacturing industries where the impact from the epidemic has been severe • A way to improve the investment environment for new industries by major corporations through deregulation should be sought in order to create decent jobs. In the longer term, after overcoming COVID-19, the country should establish industrial policies aimed at promoting smooth industrial restructuring
Trade policies	<ul style="list-style-type: none"> • Trade policies focusing on the stabilisation of foreign trade and investment
International policy cooperation	<ul style="list-style-type: none"> • This is going to be difficult to achieve, given the current circumstances, but it does not mean that it should not be considered • Considering the epidemic’s broad reach across many countries, the extensive cross-border economic linkages, as well as the large confidence effects impacting economic activity and financial and commodity markets, the argument for a coordinated, international response is clear • An internationally coordinated economic stimulus programme will be more effective in reducing global recessionary pressure than isolated interventions • Actions by individual countries reducing tariffs and non-tariff trade barriers can also help to fight a pandemic-induced recession

Is government doing enough? A view from the public

The share of respondents in a country stating that they perceive the governments reaction is insufficient.



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Appendix:
Current policy
and other
interventions

Stimulus and support measures implemented by the government and other institutions during the COVID-19 pandemic (1 of 9)

Category	Intervention	Date of ann.	Total	Tax	Other Fiscal	Monetary	Other
SME 1	The Department of Small Business Development made over R500 million available to assist SME's through a simplified application process	23 March 2020	R500 million		X		
SME 2	The Department of Tourism has made an additional R200 million available to SMEs in the tourism and hospitality sector who are under stress due to new travel restrictions	24 March 2020	R200 million		X		
SME 3	Tax compliant businesses with a turnover of less than R50 million will be allowed to delay 20% of their pay-as-you-earn liabilities over the next four months and a portion of their provisional corporate income tax payments without penalties or interest over the next six months. This is expected to assist over 75,000 SME's	23 March 2020		X			
SME 4	A safety net is still being developed to support persons in the informal sector	23 March 2020					X
SME 5	Rupert and Oppenheimer families committed R1 billion each to support small businesses and their employees	23 March 2020	R2 billion		X		
SME 6	The Industrial Development Corporation, with the Department of Trade, Industry and Competition, has put a package together of more than R3 billion for industrial funding to assist vulnerable firms and fast-track financing for companies critical to efforts to fight the virus and its economic impact. In addition, R500 million has been allocated for trade finance to import essential medical products and R700 million has been allocated for working capital and equipment and machinery	24 March 2020	Approx. R4.2 billion		X		

Stimulus and support measures implemented by the government and other institutions during the COVID-19 pandemic (2 of 9)

Category	Intervention	Date of ann.	Total	Tax	Other Fiscal	Monetary	Other
SME 7	Deferral of payment of 20 per cent of the PAYE liability, without SARS imposing administrative penalties and interest for the late payment thereof	29 March 2020					
SME 8	Deferral of a portion of the payment of the first and second provisional tax liability to SARS, without SARS imposing administrative penalties and interest for the late payment of the deferred amount: The first provisional tax payment due from 1 April 2020 to 30 September 2020 will be based on 15 percent of the estimated total tax liability, while the second provisional tax payment from 1 April 2020 to 31 March 2021 will be based on 65 percent of the estimated total tax liability	29 March 2020					
Employee Tax Incentive (ETI) support 1	Increasing the maximum amount of ETI claimable during this four month period for employees eligible under the current ETI Act from R1 000 to R1 500 in the first qualifying twelve months and from R500 to R1 000 in the second twelve qualifying months.	29 March 2020	R100	R1000			
Employee Tax Incentive (ETI) support 2	Allowing a monthly ETI claim in the amount of R500 during this four month period for employees from the ages of: * 18 to 29 who are no longer eligible for the ETI as the employer has claimed ETI in respect of those employees for 24 months; and * 30 to 65 who are not eligible for the ETI due to their age.	29 March 2020	R500	R500			
Employee Tax Incentive (ETI) support 3	Accelerating the payment of employment tax incentive reimbursements from twice a year to monthly as a means of getting cash into the hands of tax compliant employers as soon as possible.	29 March 2020					

Stimulus and support measures implemented by the government and other institutions during the COVID-19 pandemic (3 of 9)

Category	Intervention	Date of ann.	Total	Tax	Other fiscal	Monetary	Other
Tax support 1	A tax subsidy of up to R500 per month will be provided for the next four months for private sector employees earning below R6,500 under the Employment Tax Incentive, helping over 4 million workers	23 March 2020	R500 per employee	X			
Tax support 2	SARS will work towards accelerating the payment of employment tax incentive reimbursements from twice a year to monthly, in order to get cash into the hands of compliant employers	23 March 2020		X			
Employee wage support 1	Government is in consultation on a proposal for a special dispensation for companies in distress from COVID-19, where employees will receive wage payment through the Temporary Employee Relief Scheme, enabling companies to pay employees and avoid retrenchment	23 March 2020		X			
Employee wage support 2	Any employee who falls ill, through exposure at their workplace, will be paid through the Compensation Fund	23 March 2020		X			
Employee wage support 3	Government is exploring the temporary reduction of employer and employee contributions to the Unemployment Insurance Fund and employer contributions to the Skill Development Fund	23 March 2020					X
Employee wage support 4	National disaster fund headed under both the Labour Department and UIF to pay out workers at a flat rate of R3 500 rand a month, national minimum wage, for whatever period is shorter — a company's shutdown, or three months. After three months, the usual UIF provisions apply, on a sliding scale over 12 months. R30 billion will be made available from the UIF to tackle the coronavirus" related job losses, supporting job retention, illness payouts and reduced time claims, said Matthew Parks, Cosatu's parliamentary coordinator	23 March 2020	R30 billion		X		

Stimulus and support measures implemented by the government and other institutions during the COVID-19 pandemic (4 of 9)

Category	Intervention	Date of ann.	Total	Tax	Other fiscal	Monetary	Other
Bank support 1	Last week the SARB cut the repo rate by 100 basis point, providing relief to consumers and businesses	19 March 2020				X	
Bank support 2	The SARB has proactively been providing additional liquidity to the financial system	23 March 2020				X	
Bank support 3	Commercial banks are exempted from provisions of the Competition Act to enable them to develop common approaches to debt relief and other necessary measures	23 March 2020					X
Bank support 4	SARB proposes to allow banks to dispense with the 2.5% “capital conservation buffer” and the Pillar 2A of capital held for systemic risk.	29 March 2020	R180bn				
Bank support 5	SARB is requiring banks to raise provisioning wherever there is a change in the circumstances of the client that is not temporary. SARB is proposing a category of “Covid-19 related restructures” that can be undertaken without additional provisions being raised	29 March 2020	R33bn				
Bank support 6	SARB is reducing the liquidity coverage ratio from 100% to 80%. The LCR requires banks to hold sufficient “high quality liquid assets” (HQLA) to meet liquidity needs that would arise in a 30 day period of liquidity stress. By reducing the ratio, banks will not need to hold as much HQLA and/or can relax the asset mismatch in the 30 day bucket – i.e. hold a higher proportion of deposits on call compared to term deposits.	29 March 2020	R120bn				

Stimulus and support measures implemented by the government and other institutions during the COVID-19 pandemic (5 of 9)

Category	Intervention	Date of ann.	Total	Tax	Other fiscal	Monetary	Other
Human settlement support 1	Temporary shelters that meet the necessary hygiene standards will be identified for homeless people. Sites are also being identified for quarantine and self-isolation for people who cannot self-isolate at home. About 800 homeless people in Durban are expected to be thrown a lockdown lifeline, with the opening of the first facility to house them	25 March 2020					X
Human settlement support 2	Department of Human Settlements, Water and Sanitation has identified twenty-nine areas of priority for de-densification, with areas mainly found in Gauteng, KwaZulu Natal, Western Cape and Eastern Cape. Land parcels have already been secured to relocate and decant dense communities and are not far from their current place of residence	25 March 2020					X
Medical support 1	The Department of Science and Innovation task team is engaging with the Department of Health, the Medical Research Council, and the South African Health Products Regulatory Authority to mobilise funding, reprioritising research strategies and creating an enabling ethical and regulatory framework to facilitate research on the COVID-19 virus. The DSI has now made available R12 million rand and will redirect an additional R30 million to COVID-19 interventions. This includes re-purposing and testing a number of existing drugs for efficacy of the potential treatment for COVID-19	26 March 2020	R42 Million		X		
Medical support 2	The WCG Coronavirus Health Workstream is urgently addressing the need for various medical supplies, some of which are already en route. The province has placed orders for R45 million in medical equipment and personal protective equipment	25 March 2020	R45 million				X

Stimulus and support measures implemented by the government and other institutions during the COVID-19 pandemic (6 of 9)

Category	Intervention	Date of ann.	Total	Tax	Other fiscal	Monetary	Other
Education support 1	The Minister of Higher Education, Science and Innovation, Dr Blade Nzimande, is pleased with the report from the NSFAS Administrator, Dr Randall Carolissen on the contingency plans and disbursements of NSFAS student bursaries during the COVID-19 lockdown period. Total upfront payments made to institutions to date is an amount of R4,2 billion. This amount includes the 2nd upfront payment of R677 million which was paid to assist with transport and accommodation during the registration period	26 March 2020	R4.2 billion		X		
Education support 2	The Minister of Higher Education, Science and Innovation, Dr Blade Nzimande, has established COVID-19 Teams for the Department of Science and Technology and the Department of Higher Education and Training respectively. These two teams will assist the Minister for effective participation in the work of the President led National Command Council, as well as the sectors contribution in fighting COVID-19	26 March 2020					X
Education support 3	The Western Cape Education Department's (WCED's) ePortal has been updated for home learning with them planning for all eventualities – including home-based quality teaching and learning, using a variety of mechanisms including digital web-based resources, radio and televised broadcasts and catch-up programmes for when schools reopen	25 March 2020					X
Education support 4	The Western Cape Education Department (WCED) has arranged security at 450 schools across the province after schools were asked to ensure that alarm systems and other essential security features were tested before schools closed	25 March 2020					X

Stimulus and support measures implemented by the government and other institutions during the COVID-19 pandemic (7 of 9)

Category	Intervention	Date of ann.	Total	Tax	Other fiscal	Monetary	Other
Agricultural support 1	The Department of agriculture has set aside a package of R1.2 billion to address effects of the corona virus and ensure sustainable food production post the pandemic. The Department soon will make the details of this package together with the application channels available. The Department has also availed R100 million to the Land Bank to assist farmers under distress	24 March 2020	R1.3 billion		X		
Social support 1	The South African Social Security Agency (SASSA) is working on a step-by-step process to assist individuals and shelters / institutions who may require Social Relief of Distress (SRD) support during lockdown	25 March 2020					X
Water support 1	The Ministry of Human Settlements, Water and Sanitation (MHSWS) and Department of Co-operative Governance and Traditional Affairs (COGTA) have partnered on an intervention that focuses on water services infrastructure in order to improve water supply, access to sanitation and sanitizing of public spaces.	25 March 2020					X
Water support 2	Support from BUSA: engaged SANTACO to get commitment for the implementation of public hand washing facilities at taxi ranks; they will also provide health and hygiene promotions and are working with the Departmental Team to identify targeted areas for intervention assistance in both public and communal areas to ensure a coordinated approach	25 March 2020					X

Stimulus and support measures implemented by the government and other institutions during the COVID-19 pandemic (8 of 9)

Category	Intervention	Date of ann.	Total	Tax	Other Fiscal	Monetary	Other
Sports, arts and culture support 1	Statement by the Minister of Sports, Arts and Culture: collecting societies like SAMBRO, SAMPRO, IMPRA and CAPASSO have made commitments to pay royalties to members on time	25 March 2020					
Sports, arts and culture support 2	Department of Sports, Arts and Culture has allocated over R150 million to provide the much needed relief to practitioners in the sector. This will be used to render various forms of support to practitioners during this period, with priority given to artists and practitioners who were already booked by some of the cancelled and postponed events funded by the department, as well as to the legends of the industry	25 March 2020	R150 million		X		
Sports, arts and culture support 3	The department of Sports, Arts and Culture is partnering with the DSAC Playhouses to create live streaming programmes which includes amongst others stand-up comedy, poetry sessions and music	25 March 2020					X
Sports, arts and culture support 4	The National Film and Video Foundation (NFVF) will offer immediate relief to practitioners in the film industry by prioritising and making payments to beneficiaries that have submitted milestones in the past two weeks on an urgent basis. Beneficiaries who have yet to submit milestones over the next three months will also be paid	25 March 2020			X		
Sports, arts and culture support 5	The National Film and Video Foundation (NFVF) will provide a cash injection of R500,000 to the nine companies currently commissioned by the organisation. This relief will only be contained to the slates currently commissioned by the institution, and would be extended to anyone else in the industry	25 March 2020	R500,000		X		

Stimulus and support measures implemented by the government and other institutions during the COVID-19 pandemic (9 of 9)

Category	Intervention	Date of ann.	Total	Tax	Other fiscal	Monetary	Other
Sports, arts and culture support 6	As part of the slates programme which benefits young emerging producers, the National Film and Video Foundation (NFVF) has identified a savings of R4.5 million from the current fiscal, which will be used as part of the relief programme	25 March 2020	R4.5 million		X		
COVID-19 support 1	Western Cape: Provincial Treasury's proposal approved to make funds available for the Coronavirus response, in terms of Section 25 of the Public Finance Management Act. Therefore, under-spending on the compensation of employees in the Departments of Health, Social Development and Local Government from the 2019/20 year will be retained and reprioritised towards addressing the crisis. In other departments, the under spending will be consolidated and redirected where required	25 March 2020					X
COVID-19 support 2	Western Cape: Provincial Treasury's approved proposal also allows for funding kept aside in the 2020/21 financial year for unforeseen and unavoidable expenditure to be used to bolster the Western Cape Government's Coronavirus response	25 March 2020					X
COVID-19 support 3	Solidarity fund: Government is providing seed capital of R150 million, with the private sector pledging to support fund with financial contributions in the coming period. The Fund will focus efforts to combat and track the spread of the virus, and care and support those who are ill and whose lives are disrupted. R100m of this is from National Treasury; and R50m from the National Lotteries	24 March 2020	R150 million		X		