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QUARTERLY ECONOMIC CHRONICLES

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ABOUT THIS PUBLICATION

The Quarterly Economic Chronicles is Vindilac Analytics' economic flagship, highlighting a series of economic events taking place at the national, regional and global levels. It is highly driven by the need for economic literacy and financial journalism on the African continent. By providing an economic report that is clear to a non-economist, we unintentionally create an enabling environment for citizens to make informed economic decisions. Our report is unique for it is now compiled and published in several official languages spoken in South Africa. This enables readers to understand economic chronicles in their mother tongues. It is worth noting that this report aims to complement existing economic reports in South Africa.

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The whole team would like to give thanks to the Almighty God, for the strength and guidance throughout this work.

1. EXECUTIVE SUMMARY

It has been more than one hundred days since the World Health Organisation (WHO) declared the coronavirus outbreak as a pandemic. The pandemic has sparked a significant amount of uncertainty and volatility in the financial markets and the global economy. The seemingly ambitious desire for economic recovery remains undermined by the continued uncertainties amid the coronavirus pandemic. Worryingly, unknown time for the so-called “post Covid-19” period does not imply that the economy would revert to its pre-pandemic levels sooner. As governments continue to grapple with the spread of Covid-19 as well as its health and economic ramifications, a second wave of Covid-19 infections looms. This is expected to delay economic recovery and place more pressure on already constrained public finances.

The easing of the economy has seen most of the country’s activities resume and the movement of people being more flexible. For many, it is a relief as normal business activities can resume. The introduction of level 3 restrictions in June 2020 in South Africa has allowed for restaurants, clothing stores, and other non-essential businesses to continue to trade. Unfortunately, the easing of lockdown restrictions does not come as a relief for some businesses as the hard lockdown had already caused permanent damage. Businesses that already had financial constraints before the lockdown have been forced to close indefinitely or retrench employees. The South African government has introduced numerous relief measures for South African businesses such as the Debt Relief Finance Scheme; Spaza Support Scheme; Tourism Relief Fund and the Agricultural Disaster Support Fund (SA Government, 2020). These measures are there to keep businesses afloat and protect jobs. However, support is only for businesses that meet a certain criterion. Thus far, the government has provided more than R10 billion of loans to small businesses to be able to continue to pay operational expenses as of June 2020 (National Treasury, 2020).

On a lighter note, Covid-19 has indeed made the word “unprecedented” more popular and fashionable. This was evidenced by the emergency supplementary budget tabled by the Minister of Finance on the 24th of June 2020. The budget took a phased-in approach, involving three phases: financial aid, recovery and growth. The Covid-19 pandemic has pushed fiscal indicators to unprecedented levels. For example, the budget deficit is expected to reach 15.7 per cent of the Gross Domestic Product (GDP) by 2020/21, higher than the 6.8 percentage estimated in February 2020 (National Treasury, 2020). In addition, the debt to GDP ratio is expected to reach 81.8 per cent, higher than the 2020 budget of 65.6 per cent (Donnelly, 2020). Even worse, the GDP, which measures the total value of all final goods and services produced, is expected to contract by 7.2 per cent, much worse than the previous estimate of 0.9 per cent. This has had a knock-on effect on tax revenue as actual tax revenue is expected to fall short of projections by as much as R300 billion, further exacerbating the budget deficit.

Nonetheless, it is worth acknowledging the efforts made by government institutions such as the National Treasury and South African Reserve Bank (SARB) among others. Monetary policy has been responsive to ensure that financial systems remains safeguarded during the Covid19 pandemic. The SARB has cut its repo rate by 275 basis points between January and June 2020, which brought the policy rate to 3.75 per cent. The general sentiments indicate the likelihood that the SARB might have reached the end of its cutting cycle.

There has been an overall sigh of relief in the formal and informal sectors as restrictions are lifted. Relaxed restrictions have allowed the reopening of key industries such as the grooming, food and alcohol selling businesses and others that constitute 54.9 per cent of the informal sector. However, the relaxed restriction is unlikely to mean business as usual. Business is likely to be slow because customers may still be weary of going out to consume the goods and their disposable incomes may have been negatively affected by the current economic climate resulting in reduced demand.

Amid South Africa's battle against Covid-19 infections and the effect of government lockdowns, the country's power utility giant "Eskom" grapples with electricity production and maintenance of its old power stations. Meanwhile, as Covid-19 lockdown levels ease, most economic activities resume, which places continued strain on the national power grid. This strain propels the power utility to introduce power cuts to deal with excess electricity demand (Philip, 2020). The greatest advantage of the technology industry in this crisis is the ability to conduct most of its operations remotely and the industry's capability of full exploitation of technological gadgets. Despite challenges facing the industry, there is a level of optimism that the Covid-19 crisis might spark creativity and innovation the industry needs.

In the education sector, the Covid-19 lockdown regulations expelled about 80% of learners worldwide out of school (Saavedra, 2020), and about 209 million learners in Africa and above 14 million learners in South Africa (Ngogi, 2020). While online learning strategy as an immediate response to the pandemic can provide an opportunity to access quality education, the unequal distribution of access to resources necessary for online learning, including electricity, internet access, and television among other necessities, implied widening inequality gap in accessing quality education. As the world began relaxing lockdown regulations to open and protect the economy, citizens encouraged to practice social distancing, wear masks, and wash hands to protect themselves from the virus. However, The World Bank (2020) data revealed that only 44 per cent of the South African population had basic handwashing facilities, including soap and water. This would imply that about 66 per cent of the population is unable to fully prevent contracting the virus by washing hands.

After recording substantial losses in the first three months of the year, financial markets started to show positive momentum towards the end of April 2020. Confidence in the future was however dented by growing fears of a second wave of Covid-19 virus infections that have recently emerged. The second wave of infections may translate into new lockdowns and more disruptions in global economic activity and therefore prolong the economic and social impacts of the pandemic. All this poses threat to things like expected company earnings and expected dividend growth and hence may escalate stock market volatility going forward.

The response of the South African government to the pandemic has included cutting the repo rate by more than 200 basis points and also the roll-out of R350 grants to millions of unemployed people around the country. While these efforts are commendable and expected to put some extra money back into the pockets of South African households, they may not achieve their ultimate objective of poverty and inequality reduction if people do not possess the necessary knowledge and skills to manage their limited financial resources and enhance their welfare. It is therefore important for the government to consider investment in financial education initiatives as these will help people of the country to protect, grow and sustain their wealth in the face of an ever-changing economic and financial environment.

2. COMMUNITIES AND LIVELIHOODS

- **Caleb Qoyo**

2.1. How the Covid -19 pandemic continues to affect communities

On the first of June 2020, the South African nation entered Level 3 of the national lockdown with lower restrictions on movement and work. This was soon followed by another announcement by the President detailing a further easing of restrictions on the 17th of June 2020, provided that certain safety protocols are met. This signalled a general switch from trying to contain the spread of the virus at all costs to one of accepting that it would be with us for the foreseeable future. Therefore, it is best to start learning how to resume a normal life with Covid-19 as part of it. As pointed out in the 2020 first quarter QEC report, the initial lockdown had a detrimental effect on the informal sector and the livelihoods of the most vulnerable in society. It is worth evaluating now what the relaxed restrictions mean or the informal sector and low-income households.

2.2. Informal sector – the slow road to recovery

There has been an overall sigh of relief in the formal and informal sectors as restrictions are lifted. Relaxed restrictions have allowed the reopening of key industries such as the grooming, food and alcohol selling businesses and others that constitute 54.9 per cent of the informal sector[1]. Lockdown levels 5 and 4 resulted in a complete loss of turnover for many businesses. Exact estimates are currently unavailable. In some respects, the informal retail sector fared better than the formal. Informal retailers tend to keep smaller amounts of stock so when the lockdown occurred the expenses from stock perishing or storage costs are potentially lower than those of larger formal counterparts.

However, the relaxed restriction is unlikely to mean business as usual. Business is likely to be slow because customers may still be weary of going out to consume the goods and their disposable incomes may have been negatively affected by the current economic climate resulting in reduced demand.

2.3. Food security - early signs of a budding hunger pandemic

Reported hunger has increased by 3 percent since the start of the lockdown, with concerns that things may get worse (Statistics South Africa, 2020). This is attributed to the increase in food prices despite strict guidelines by the National Consumer Commission discouraging this (Reddy, 2020). National retailers like Pick'n'Pay report not increasing prices by significant amounts yet local food traders that service low-income communities have been reported to have hiked prices significantly, in Kwazulu-Natal the increase is reported to be as high as 7.8 percent (Reddy, 2020). Staple foods such as cooking oil, rice, onions and beans are reported to have increased by 9 per cent, 12 per cent, 58 per cent and 8 per cent respectively (Pietermaritzburg Economic Justice and Dignity, 2020).

For comparison, the price of onions only increased by 23 per cent in large retailers like Checkers. The exact cause of this these increase prices is yet to be identified, local food traders attribute it to increased prices of suppliers yet AgriSA reports general food production levels have remained the same as pre-lockdown, so it is not a matter of shortage in supply driving prices up (Grootes, 2020). Globally there is a surplus of food.

[1] *Author's own calculation based on WIEGO 2009 report. This is the percentage of entrepreneurs (self-employed). Percentage of those who are salaried employees in these industries is 34.68%*

Another potential explanation proposed by Mhilali Xhala (Head of Corporate Chamber at AgriSA) is that the increases are a result of reduced competitiveness in the market creating no pressure for retailers to run promotions where they incur losses on some items with the goal recouping them through the increased volumes of customers they draw in. this, combined with the restrictions to movement has led consumers to be price takers as they can't shop for better deals. The table below shows the changes in the prices of staple foods in June 2020.

Table 1: Changes in the prices of staple foods

Cost of core foods in Household Food Basket: *these foods are bought first & essential to households*		
Core foods	**June 2020 cost**	**Jun 2019 vs. Jun 2020 (%)**
Maize meal *(25kg + 10kg)*	R 253,98	14%
Rice *(10kg)*	R 112,19	43%
Cake Flour *(10kg)*	R 78,99	17%
White sugar *(10kg)*	R 150,99	6%
Sugar beans *(5kg)*	R 99,79	18%
Samp *(5kg)*	R 34,24	9%
Cooking oil *(5L)*	R 102,59	30%
Salt *(1kg)*	R 15,59	5%
Potatoes *(10kg)*	R 43,62	-14%
Onions *(10kg)*	R 88,55	66%
Frozen chicken pieces *(10kg*)	R 337,89	2%
Curry powder *(200g)*	R 28,59	-1%
Stock cubes *(24 cubes x2)*	R 36,78	8%
Soup *(400g x2*)	R 29,18	7%
Tea *(250g*)	R 22,99	-17%
Subtotal of core foods	**R 1 435,96**	**12,8%**

Source: Economic Justice and Dignity (2020)

2.4.Social security - much to be desired

The social -wage interventions such as the R350 unemployment grant have been slow to get money into people's hands (Dayimani, 2020). Many have complained of registering but have not yet received their money. The issue of the R300 child grant top up not accounting for the number of children per household has not been addressed (Signatories of an open letter to Parliament's finance committee, 2020). These issues threatened to undermine the effectiveness of the social-wage relief measures.

In conclusion, the likely slow recovery of the informal sector combined with the increased food prices and slow delivery of cash transfers that were promised threatens to be a greater threat to the wellbeing of low-income South Africans than Covid-19.

3. EDUCATION AND HEALTH

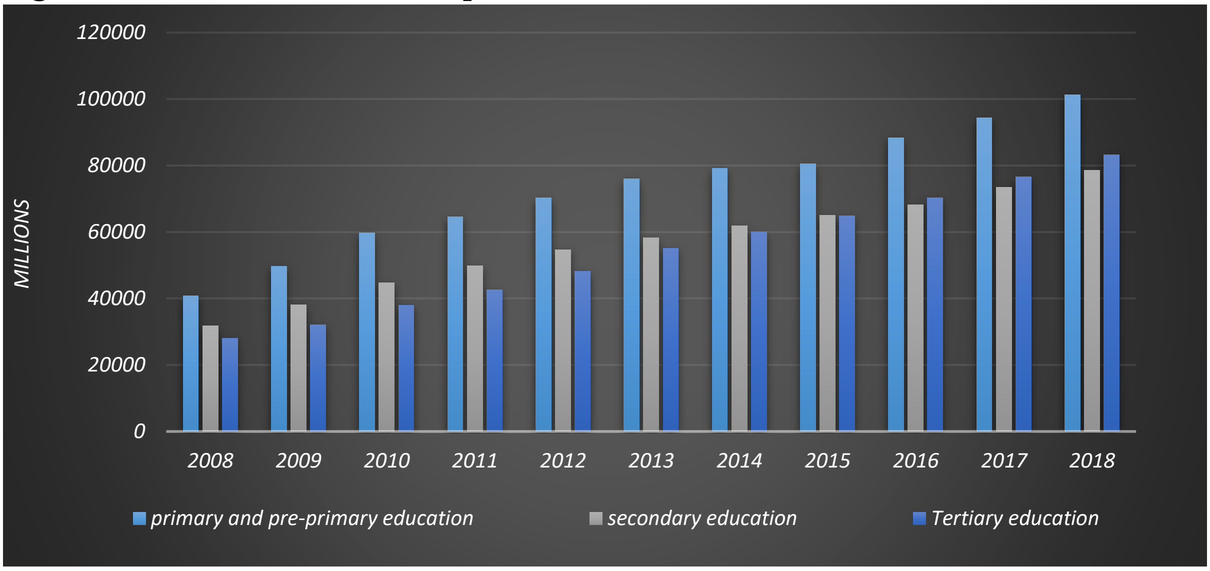
- Chwayita Mkrola

3.1. Education spending, outcomes and the likely effects of Covid-19

The Covid-19 lockdown regulations forced 80 per cent of learners worldwide out of school (Saavedra, 2020), 209 million learners in Africa and above 14 million learners in South Africa (Ngogi, 2020). While online learning strategy as an immediate response to the pandemic can provide an opportunity to access quality education, the unequal distribution of access to resources necessary for online learning, including electricity, internet access, and television among other necessities, implied widening inequality gap in accessing quality education. Even when provided with the necessary digital resources, digital literacy/computer literacy remains a determining factor to accessing education. Although the Department of Basic Education had plans to reopen schools through the phasing in approach on 01 June 2020 to save academic year (Tamar Kahn, 2020; Jan Gerber, 2020), the closure of schools due to Covid-19 seems to be inevitable. As of 27 June 2020, 775 schools were affected by Covid-19 as 523 pupils and 1 169 school staff tested positive for Covid-19 (Karrim, 2020).

On 23 July 2020, President Cyril Ramaphosa announced the closure of public schools due to the rise in Covid-19 cases while private schools remain open (The South African Government, 2020). This will widen the inequality gap in access to education. The anxiety from parents, teachers, and learners and the instability in learning and teaching may disturb learner performance and subsequently, education outcomes. Thus, it is imperative for the department of education and the society to develop effective learning and teaching strategies to ascertain continued delivery of quality education; while mindful of the economic impact of Covid-19 on government revenue and household income, and ultimately financing education. The figure1 below presents trends in expenditure on education between 2008 and 2018.

Figure 1: Trends in Education Expenditure



Source: StatsSA (2020)

Government spending on all levels of education continued to rise throughout the period 2008-2018, reflecting a commitment to improving the quality of education and developing human capital. Spending on basic education (pre-primary, primary and secondary education) remained higher than tertiary education. This can be attributed to the commitment by the government to address inequalities in education that were induced by the apartheid government. This involves eradicating infrastructural backlogs in basic education as stipulated by the National Development Plan, including refurbishment and building of schools, addressing lack of water, sanitation and electricity (National Planning Commission, 2011; McLarren, 2017). Although government spending on basic education remained higher than government spending on tertiary education for most of the period, spending on secondary education fell lower than spending on tertiary education from 2015 to 2018. In addition, the growth rate in tertiary spending remained the highest between 2011 and 2018. During that period, the cost of higher education doubled (Statistics South Africa, 2019) while most infrastructural backlogs in basic education were addressed, although insubstantially (UNICEF, 2018).

Notably, total government spending on education remains higher than household spending on education. Between 2008 and 2018, the average total government spending on education was R226.7 billion while the average final consumption by households on education was only R54.5 billion during the same period. This implies that the burden of financing education lies largely with the government. Naape (2020) documents that reduced business profits, job cuts, and a subsequent decline in government tax revenues are some of the economic impacts of Covid-19. Thus, reduced government revenue may cause a decline or below-average growth in government expenditure on education. Meanwhile, a potential decline in household income as a result of job cuts may force some parents to transfer their children from fee-paying schools to non-fee-paying public schools as school fees become unaffordable. In line with this, BusinessTech (2020) reported an increase in parents who couldn't pay school-fees due to above inflation increases in school fees. The impact of Covid-19 is only an addition to this pre-existing condition.

The potential increase in public school enrolment rate accompanied by a potential decrease in expenditure on education will overwhelm an already overwhelmed public educational infrastructure, threatening the quality of education and education outcomes such as school completion rates, enrolment rates, and dropout rates. As of 2017, 2.84 million South African youth aged between 18 and 24 were not attending school. While 19.5 per cent of this out of school population was satisfied with their educational attainment, 50.80 per cent were out due to lack of funds, 11.6 per cent were out due to family commitment and 18.1 per cent were out due to poor academic performance. Of the 50.8 per cent who ascribed being out of school due to lack of funds, 92.8 completed secondary education, 3.8 per cent had completed primary education while 3 per cent had completed post-secondary education (Statistics South Africa, 2019). The effect of Covid-19 on an already ailing economy poses a further risk of driving school children out of school.

3.2. Covid-19 and Health

As the world began relaxing lockdown regulations to open and protect the economy, citizens are encouraged to practice social distancing, wear masks, and wash hands to protect themselves from the coronavirus. While this hold, the World Bank (2020) data revealed that as at 2017, only 44% of the South African population had basic hand washing facilities, including soap and water. This would imply that about 66 per cent of the population is unable to fully prevent contracting the virus by washing hands (based on 2017 data). On the upside, the South African government allocated R20 billion to municipalities to provide emergency water supply amongst other things (South African Government, 2020). Although Covid-19 cases rose with the relaxation of lockdown rules (Kirk, 2020), Table 2 below shows that Covid-19 recovery rates remain higher than death rates even in countries with lower average expenditure on health. This may partly be due to the initial lockdown allowing health system amble time to prepare for the coronavirus as well as the sudden increase in current expenditure on health (International Monetary Fund, 2020). However, a cross-country comparison of expenditure on health and Covid-19 outcomes give an impression that Covid-19 outcomes are not strongly related to health expenditure. The following table compares Covid-19 death and recovery rates with the Covid-19 health relief package and the average health expenditure, across selected countries with high number of confirmed Covid-19 cases.

Table 2: Health expenditure, Covid-19 recovery rate, Covid-19 death rate

Country	Average health expenditure Per capita	Covid-19 health relief package (billions)	Covid-19 recovery rate	Covid-19 death rate
Brazil	US$645.21	US$11.76	67.81%	3.64%
Chile	US$776.98	US$1.72	91.91%	2.61%
Germany	US$4090.57	US$25.14	92.45%	4.47%
India	US$40.07	US$2.19	63.58%	2.35%
Italy	US$2743.75	US$7.10	80.70%	14.29%
Mexico	US$490.67	US$1.86	64.16%	11.30%
Pakistan	US$26.72	US$1.12	81.28%	2.13%
Russia	US$448.01	US$3.17	73.51%	1.63%
South Africa	US$400.13	US$1.14	58.24%	1.5%
Spain	US$2239.78	US$4.7	2.20%	8.90%
United States	US$7456.27	US$304	47.74%	3.50%
New Zealand	US$2766.34	US$0.32	0.01%	1.41%

Source: (CoronaTracker , 2020; The World Bank, 2020; International Monetary Fund, 2020)

As at 25 July 2020, the World had recorded 15.9 million Covid-19 cases. South Africa in particular, had recorded 434 200 Covid-19 cases during the same period. The recovery rate stood at 58.24 per cent while the death rate stood at 1.5 per cent. The average per capita current expenditure on health between 2000 and 2017 amounts to US$400 (R6600) in South Africa while US$1.14 billion (R20 billion) of the Covid-19 relief package was allocated to health care. In contrast, the United States allocated US$304 billion of the Covid-19 relief package to health care and had the highest average per capita expenditure on health of US$7456 between 2000 and 2017. Despite the United States' comparably high expenditure on health, Covid-19 outcomes were not extraordinary as the recovery rate remained at 47.39 per cent while the death rate stood at 3.5 per cent, with 4 248 327 cases confirmed. New Zealand had the highest recovery rate of 97.2 with confirmed cases standing at a low 1 556, despite having a lower health relief package and health expenditure than the United States. This shows that expenditure on health is necessary but not sufficient to respond to the coronavirus. Strict lockdown regulations and discipline play a crucial complementary role.

4. FISCAL POLICY AND GOVERNANCE

- **Baneng Naape**

As governments continue to grapple with the spread of Covid-19 as well as its health and economic ramifications, a second wave of Covid-19 infections looms. This is expected to delay economic recovery and place more pressure on already constrained public finances. On a lighter note, Covid-19 has indeed made the word "unprecedented" more popular and fashionable. This was evidenced by the emergency supplementary budget tabled by the Minister of Finance on the 24th of June 2020. The budget took a phased-in approach, involving three phases: financial aid, recovery and growth.

In line with the above, the Covid-19 pandemic has pushed macroeconomic indicators to unprecedented levels. For example, the budget deficit[2] is expected to reach 15.7 per cent of GDP by 2020/21, higher than the 6.8 per cent estimated in February 2020 (National Treasury, 2020). Also, the debt to GDP ratio is expected to reach 81.8 per cent, higher than the 2020 budget of 65.6 per cent (Donnelly, 2020). Even worse, the GDP, which measures the total value of all final goods and services produced, is expected to contract by 7.2 per cent, much worse than the previous estimate of 0.9 per cent. This has had a knock-on effect on tax revenue collections as tax revenue is expected to fall short of projections by as much as R300 billion, further exacerbating the budget deficit. As a ratio of GDP, the main budget revenue is expected to decline from 26.2 per cent in 2019/20 to 22.6 per cent in 2020/21 while main budget expenditure is expected to increase from 32.9 per cent to 37.2 per cent during the same period. The revised macroeconomic statistics are provided in table 3 below.

Table 3: Main budget framework

R billion/percentage of GDP	2019/20 Preliminary	2020/21	
		Budget 2020	Revised
Main budget revenue	1 345.3 26.2%	1 398.0 25.8%	1 099.5 22.6%
Main budget expenditure	1 690.6 32.9%	1 766.0 32.5%	1 809.2 37.2%
Non-interest expenditure	1 485.8 28.9%	1 536.7 28.3%	1 572.7 32.4%
Debt service costs	204.8 4.0%	229.3 4.2%	236.4 4.9%
Main budget balance	-345.3 -6.7%	-368.0 -6.8%	-709.7 -14.6%
Primary balance	-140.5 -2.7%	-138.7 -2.6%	-437.2 -9.7%

Source: National Treasury (2020)

Of the total budget, R21.6 billion was allocated towards health-related expenses, R20 billion has been set aside for job creation and protection while the loan guarantee scheme has provided more than R10 billion in financial support to small businesses. As stated in the first issue of the Quarterly Economic Chronicles, imposed lockdowns and social distancing measures have resulted in massive disruptions to business. For South Africa, the socio-economic effects of Covid-19 emerged at the back of sluggish growth and widespread unemployment and

[2] *Simplified definitions of the budget deficit and debt-to-GDP ratio were provided in the first issue of 2020.*

inequality. The economy grew by just 0.2 per cent in 2019 while the unemployment rate skyrocketed to 30.1 per cent in the first quarter of 2020 (Statistics South Africa, 2020). Meanwhile, the National Treasury's worst-case scenario predicted that the unemployment rate could reach 50% while more than 2.5 million jobs could be cut as a result of the coronavirus pandemic (Marvin, 2020). In an attempt to counter the widespread economic ramifications of covid-19, the government has allocated an additional R25.5 billion towards social grants to provide financial means to the most vulnerable households. To date, the Unemployment Insurance Fund has provided R23 billion in Covid-19 relief to over 4.7 million workers who have received salary reductions or temporarily lost their jobs due to Covid-19 (National Treasury, 2020).

It is sufficient to note that the additional spending by the government has placed public finances in an unsustainable path. While the government plans to stabilise debt at 87.4 per cent, this is rather a seemingly difficult task amid revenue shortfalls and the need for increased health and social spending. To avoid a sovereign debt crisis, large spending cuts and moderate tax increases are necessary.

5. BUSINESS AND FINANCE

- Zaziwe Maluleke

5.1.The impact of Covid-19 on South African businesses

The easing of the economy has seen most of the country's activities resume and the movement of people being more flexible. For many, it is a relief as normal business activities can resume. The introduction of level 3 restrictions in June 2020 has allowed for restaurants, clothing stores, and other non-essential businesses to continue to trade. Unfortunately, the easing of lockdown restrictions does not come as a relief for some businesses as the lockdown had already caused damage. Businesses that already had financial constraints before the lockdown have been forced to close indefinitely or retrench employees. However, domestic and export demand; and constraints to business conditions due to lockdown measures (BER, 2020).

The South African government has introduced numerous relief measures for South African businesses such as the Debt Relief Finance Scheme; Spaza Support Scheme; Tourism Relief Fund; Agricultural Disaster Support Fund (SA Government, 2020). These measures are there to keep businesses afloat and protect jobs. However, support is only for businesses that meet a certain criterion such as being registered with the Companies and Intellectual Property Commission (CIPC). Thus far, the government has provided more than R10 billion of loans to small businesses to be able to continue to pay operational expenses as of June 2020 (National Treasury, 2020).

5.2.Business confidence

The business confidence seems to be on a downward trajectory, with levels being worse than the 2008 financial crisis. An index less than 50 is said to indicate a loss of confidence, while an index of more than 50 shows increased confidence. As can be seen in Figure 2, the business confidence fell from 18 index points in 2020Q1 to 5 index points in 2020Q2. The pandemic has brought about increasing uncertainty which has also worsened business conditions. This is the lowest since the start of the survey in 1975 (BER, 2020). Weak confidence in manufacturing, wholesale, building contractors and new vehicle dealers contributed to the overall low confidence with indices ranging from 4-6 while the retail sector did not contract as much with an index of 11. The low domestic demand may be the case as durable[3] goods are in demand than non-durable goods[4].

Figure 2: RMB/BER Business confidence index

Source: Bureau for Economic Research (2020)

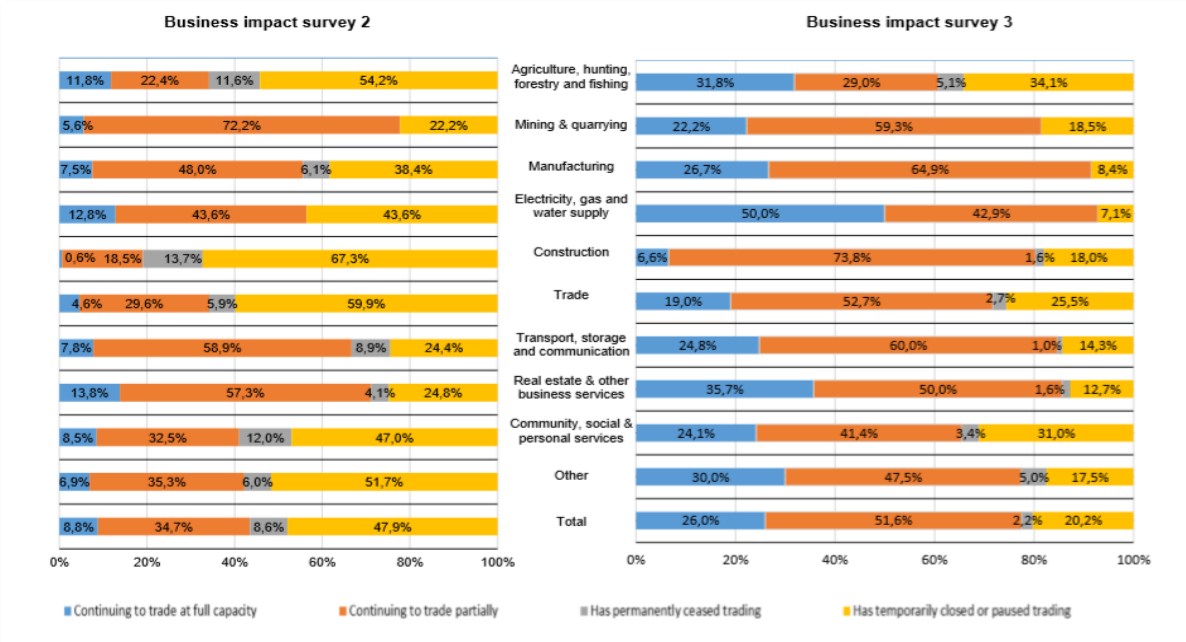
[3] *Durable goods are goods that do not have to be replaced regularly e.g.: microwave, cars, fridges etc.*
[4] *Non-durable goods are that are consumed/used within a short period of time e.g.: food, clothing etc.*

5.3.Are businesses coping?

Several big companies such as Edcon have gone into business rescue and served over 22 000 employees with retrenchment notices. Considering that on average, each household has 4 people, this would translate into a multiplier effect of 88 000 people affected. Comair is also on business rescue and its survival depends on selling more than half of its planes. South African Airways (SAA) has been caught in between continuing with business rescue or liquidation. The entity has been surviving on government bailouts as they are unable to pay the debt and operational costs. The Department of Public Enterprises(DPE) is against liquidation as it will have harmful effects on the employees as they will be left jobless and also that the assets will be undervalued; the DPE finds the business rescue process viable as it preserves jobs and it allows the airline the opportunity to rise from ashes (DPE, 2020). On the logistics side, a courier company Time Freight is temporarily not operating. The company's executives are in consultations with regards to final closure, this can see 1400 employees losing their jobs (Nair, 2020). A luxury Italian store, Prada has also shut down permanently during the lockdown including its competitor Zara.

On the brighter side, Mango Arlines and FlySafair have resumed flights for essential and business travel. Unilever which produces and supplies personal care, food and hygiene products has been partially affected by the closure of the tourism industry as it supplies products to them; supply chain disruptions have been evident but have taken the opportunity to partner with more local suppliers (Hartzenburg, 2020). Despite being affected by lockdown level 5, Imperial logistics exiting Europe and putting a focus more on Africa due to its potential and is looking to support trade flows into and out of Africa (Phillip, 2020). This will be beneficial for job creation in Africa. On the other hand, DHL supply chain has introduced a robotic platform which reduces integration and programming efforts and automated devices into the warehouse, which will increase efficiency (Logistics Update Africa, 2020). This will expand into 5 continents including Africa.

Figure 3: Trading status of businesses (cumulative % shown on the horizontal axis)



Source: StatsSA (2020)

Two surveys[5] carried out by Statistics South Africa (StatsSA) surveyed over 3000 businesses. The results are provided in figure 3. This shows that easing of lockdown restrictions has had a positive impact on businesses. This is evidenced by more businesses opening as temporal trading has resumed, increasing the capacity from 47.9% to 20.2%. More businesses are trading at full capacity which has increased the capacity from 8.8% to 26%. Also, businesses that have continued to trade partially have also increased significantly from 34.7% to 51.6%. Trading partially is done to decrease the spread of the virus by implementing work rotational schedules. Businesses that have closed permanently have decreased from 8.6% to 2.2%. This may be caused by the loss of income due to no operations and fixed costs such as rent and salaries that still need to be paid regardless of inflows

5.4.The proposed solution

The second wave of Covid-19 remains a threat to the global and domestic business climate. Therefore, individuals and businesses need to take it upon themselves to come with strategies that can help the best shield themselves against the effects of Covid-19. Mergers and acquisitions are also a viable idea for businesses that have gotten the most from this pandemic as most companies that are in debt tend to be undervalued. DHL is a good example of how businesses need to be innovative considering that the world is moving towards digitalisation. Technological innovation still needs to be at the forefront of businesses new normal.

[5] *Business survey 2: 10-30 April 2020*
Business survey 3: 1-30 May 2020

6. MONETARY FRAMEWORK

- **Marius Masoga**

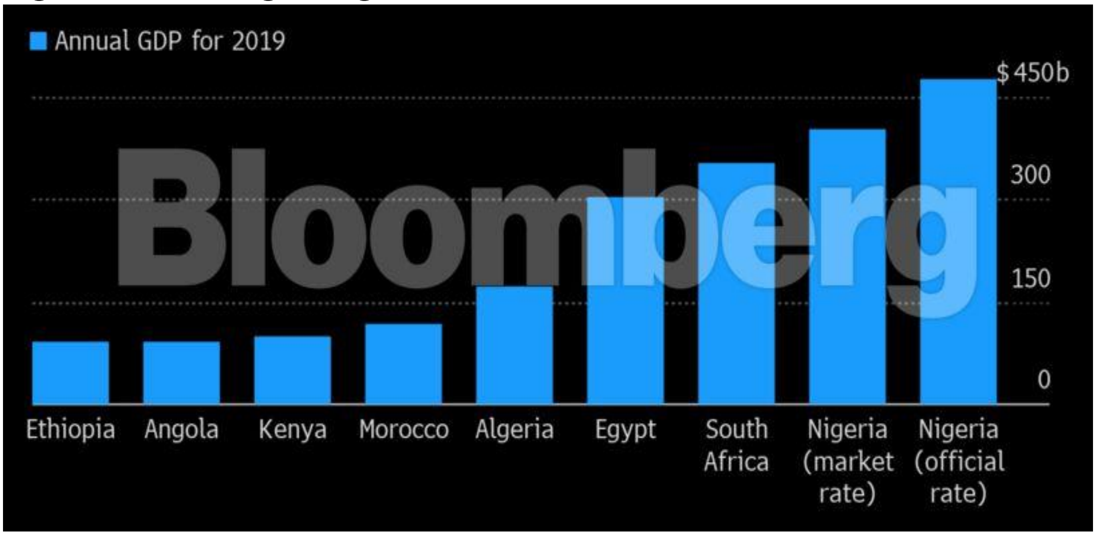
The seemingly ambitious desire for economic recovery remains undermined by the continued uncertainties amid coronavirus pandemic. Worryingly, unknown time for the so-called “post Covid-19” period does not imply that the economy would revert to its pre-pandemic levels sooner. While the lockdown restrictions have been eased (between May and June 2020) to resume economic activities in South Africa and other countries in the world, the storm doesn’t seem to be nearing the end yet. Therefore, government policies should be strengthened further to shield the majority of sectors in the economy. It is worth acknowledging the efforts made by government institutions such as National Treasury and the South African Reserve Bank among others. However, the economic environment remains desperate and eager to realise the benefits and improvements borne by its key economic sectors and institutions. For instance, the GDP growth figures for the first quarter of 2020 indicated an ailing economy in the absence of knock-on effects imposed by lockdown in mid-March 2020.

Nevertheless, monetary policy has been responsive to ensure that financial systems remains safeguarded during Covid-19 pandemic. The South African Reserve Bank (SARB) has cut its repo rate by 275 basis points between January and June 2020, which brought the policy rate to 3.75%. The general sentiments indicate the likelihood that the SARB might have reached the end of its cutting cycle. However, the domestic and global data on recent developments should serve as a tool that drives monetary policy decisions. Most importantly, the GDP growth, inflation expectations, the rand exchange rate and market functionality must be considered in order to assess the level of risks that could further damage the economy.

Globally, the central banks have applied similar measures to stimulate liquidity by keeping policy rates at lower levels. Hence, the near end of June 2020 saw a couple of monetary policy announcements from the Bank of Japan (BoJ) and Bank of England (BoE). The BoJ sustained its policy rate at 0.1%, with almost 0% of long-term borrowing costs (Bureau for Economic Research, 2020). While the BoE kept the rate at 0.1% and has increased the amount to bond purchases to 745 billion pounds. More policy response from the global central banks included an establishment of a Euro-system repo facility for central banks (EUREP), aimed to enhance liquidity in the euro and other central banks outside the euro area (International Capital Market Association, 2020). Among other liquidity-boosting measures, the European central bank also announced the so-called “pandemic emergency longer-term refinancing operations”. In the US, the Federal Reserve reported that the funds rate will be at 0.00% - 0.25%, while the Primary Market Corporate Credit Facility would support market liquidity and ensure availability of credit for large employers. In view of the paths taken by major central banks, monetary policy in other countries is assumed to follow similar trends.

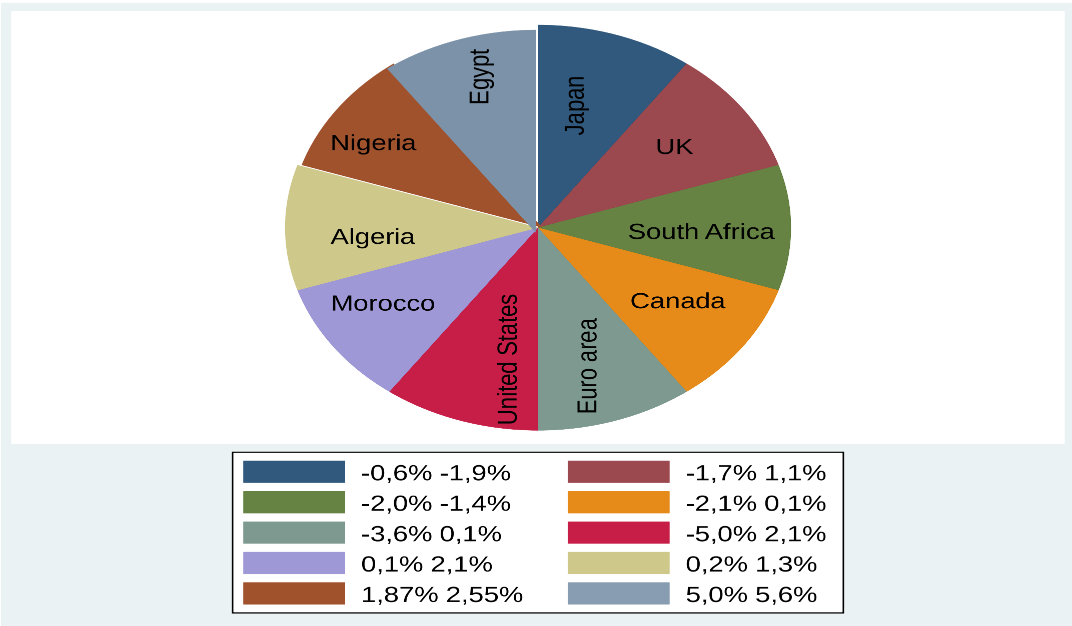
As a result of three consecutive quarters of GDP contraction, South Africa has lost its spot as the best-growing economy in Africa (see Figure 4). During the second quarter of 2020, StatsSA reported the GDP figures for South Africa signalling deep recession (0.2%), while Nigeria’s economy grew by 1.87%. The comparison of GDP figures for the best five African and Advanced economies is presented in Figure 5.

Figure 4: The best growing economies in Africa



Source: Bloomberg, IMF, national statistical offices

Figure 5: Comparison between the five best African and advanced economies

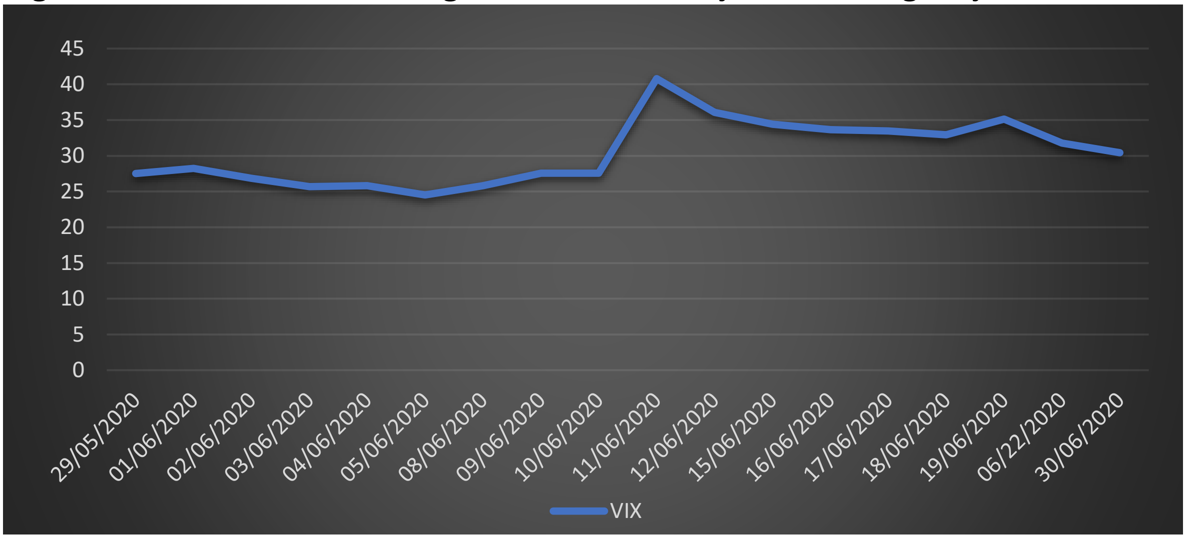


7. TRADE & FINANCIAL MARKETS

- **Bekithemba Qeqe**

It has been more than one hundred days since the WHO declared the coronavirus outbreak as a pandemic. The pandemic has sparked a significant amount of uncertainty and volatility in the financial markets across the world. After recording substantial losses in the first three months of the year, markets started to show positive momentum towards the end of April 2020. Figure 6 shows the trends in the Chicago Board Options Exchange (CBOE) VIX global stock index, a measure o global stock volatility and uncertainty during May and June 2020. As shown in the diagram VIX index had declined to below 30% by the end of May into early June 2020, indicating improved optimism and less volatility in the markets. This was mainly fuelled by the central bank and fiscal stimulus and hopes of economic recovery as countries began to gradually lift restrictions (Smith, 2020).

Figure 6: Trends in CBOE VIX global stock volatility index during May and June 2020



Source: *own diagram made with data from CBOE*

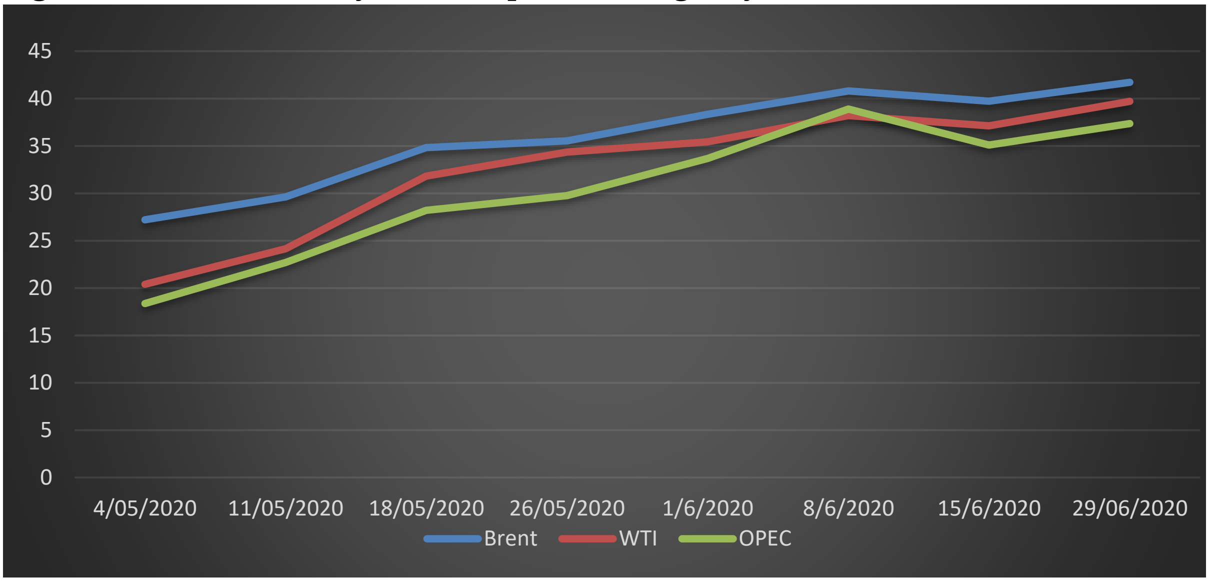
Confidence in the future was however dented by growing fears of a second wave of Covid-19 virus infections that have recently emerged as a serious threat to quick global economic recovery after reports of new infections and hospitalisations across in some states in the US and over 100 new cases linked to the wholesale food market in Beijing. The second wave of infections may translate into new lockdowns and more disruptions in global economic activity and therefore prolong the economic and social impacts of the pandemic. All this pose threat to things like expected company earnings and expected dividend growth and hence may escalate stock market volatility going forward. As shown in figure 6, global stock market volatility had sharply climbed back up to above 30% by 30 June 2020. Local markets followed similar trends as global markets for most of the above-mentioned period. The JSE All-share index closed at 54,362 points while the top 40 companies index closed at 50.175 47,919 on 30 June 2020 (Eye Witness News (EWN), 2020).

Variations in the performance of currencies have been a persistent trend in emerging markets since the start of the year (Golden, 2020). The MSCI index which tracks the movement of emerging market currencies shows that the Turkish lira fell by 15% between December 2019 and the end of March 2020, while the Brazilian real and South African rand fell by 25% and

26% respectively during the same period (Asian Review, 2020). The SA rand remained relatively weak around R17.3725/$ at 1500 GMT on 30 June 2020(EWN, 2020). The weak currencies reflect amongst other things investor concerns that the interest and debt payment will increase if their currencies continue to fall as the outbreak continues to unfold (Asian review, 2020). Foreign holding of South African bonds declined from 37.3% in January to 31.5% in May 2020 as a result of credit downgrades and growing fears associated with the outbreak of the pandemic (Toyana, 2020). The daily average yield on 10-year SA bonds was sitting around 9.265% on 30 June 2020 as compared to the 8.85% at the beginning of the month (Reuters, 2020; EWN, 2020).

Driven by demand for safe haven assets, the price of gold is up by almost 14% since the start of the year while the price of base metals such as zinc and copper have risen by 10% after declining in the first three months of the year (Reuters, 2020). A significant amount of volatility has also been observed in the oil markets since the start of the year.

Figure 7: Trends in weekly crude oil prices during May and June 2020



Source: own diagram made with data from Statista

Figure 7 shows the trends in weekly oil prices during May and June 2020. While crude oil prices had fallen to record lows during late April 2020, prices started to recover in May 2020 due to record supply cuts by OPEC and uptick in demand associated with returning to economic activity by world countries (Stevens, 2020). By the 1st of June 2020, the price of the OPEC basket was sitting at around $33.68/barrel while the price of Brent and West Texas Intermediary (WTI) had risen to $38,32/barrel and $35,44/barrel respectively. Figure 7 shows oil prices slightly declined between 8 and 15 June 2020 possibly due to growing fears of a second wave of coronavirus and its potential to create more disruptions in economic activity. Oil prices gradually recovered towards the end of June with the price of the OPEC basket, Brent and WTI closing at around $37.34, $41.71 and $39.70 per barrel respectively on 29 June 2020. Financial market trends have a huge impact on the real side of the economy. Oil price instability in particular has a significant impact on economic growth and exchange rate as well as an indirect impact on inflation through the exchange rate (African Union (AU) (2020). Oil producers are therefore faced with the risk of depreciation of their currency during this crisis, especially now with growing fears of a possible second wave of Covid-19 infections. This is especially true for countries like those in Central Africa whose economies are less diversified and strongly dependent on petroleum and hydrocarbon products as main sources of government revenue (AU, 2020). Oil accounts for more than half of government revenue and more than 70% of national exports in these countries (AU, 2020). The government revenues of such countries are likely to decline substantially over the life span of the virus leading to higher debts and deficits as well as higher rates of poverty and inequality.

It has been widely recognised that financial development matters for the economic growth and prosperity of a country (Askar, Ouattara & Zhang, 2020). Financial education in particular is being considered in the literature as having an important role to play inequality and poverty reduction. The importance of financial education is not just in understanding basic technical financial terms in the financial system (such as saving and budgeting), but also for educating people on adopting a proper perspective and attitudes towards money (Mrwebo, 2020). Lack of financial education may lead to poor financial decision making and planning. The responsibility and risk of financial decisions have a significant impact on individuals future (OECD, 2006).

Despite this, financial education is still one of the most neglected subjects by many individuals and families around the world (Mrwebo, 2020). As a result of this, many of these individuals and families are misinformed about their finances and this leads to poor decision making and planning and leaves households drowning in debt due to the growing sophistication of the financial market and complexity of products offered, individuals may not even be able to choose the right savings and investment for themselves and may be at risk of fraud if they are not financially literate (OECD, 2006). In this current environment of uncertainty and risk for example, lack of financial literacy may also cause the uniformed household investor who is participating in stock markets to sell winning stock too quickly or hold on to losing stock for too long and this may negatively affect the household wealth.

The response of the South African government to the pandemic has included cutting the repo rate by more than 200 basis points and also the roll-out of R350 grants to millions of unemployed people around the country. While these efforts are commendable and expected to put some extra money back into the pockets of SA households, they may not achieve their ultimate objective of poverty and inequality reduction if people do not possess the necessary knowledge and skills to manage their limited financial resources and sustain their welfare during this testing time. It is therefore important for the government to consider investment in financial education initiatives as these will help people of the country to protect, grow and sustain their wealth in the face of an ever-changing economic and financial environment. In line with Mrwebo (2020), one of the most important prepositions going forward is that financial education is a "neglected crisis which deserves national attention, it deserves a national programme and should be incorporated into national development policies".

8. ENERGY & TECH

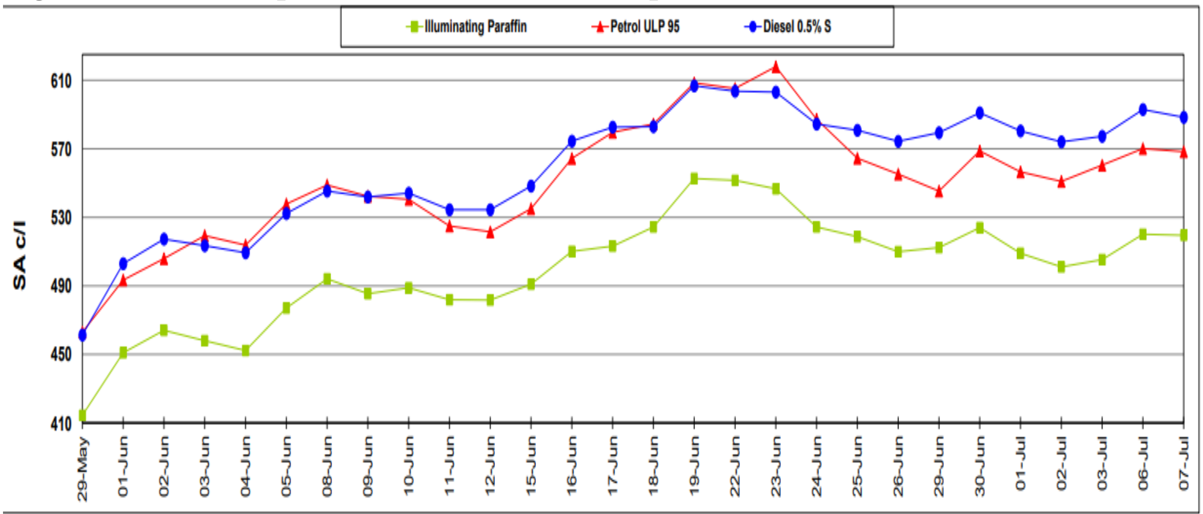
- **Thabang Serobe**

8.1.Trends in the Energy Sector

Amid South Africa's battle against Covid-19 infections and the effect of government lockdowns, the country's power utility giant "Eskom" grapples with electricity production and maintenance of its old power stations. Meanwhile, as Covid-19 lockdown levels ease, most economic activities resume, which places continued strain on the national power grid. This strain propels the power utility to introduce power cuts to deal with excess electricity demand (Philip, 2020). Eskom's load shedding poses an enormous economic impact with dire consequences. At the beginning of July 2020, Eskom implemented stage 2 load shedding. This implies a planned electricity cut of 2000 MW from the national grid (Eskom, 2020). The move comes as the power utility faces a major battle in dealing with the increase in municipalities' electricity debts. As of May 2020, municipalities' electricity debts were heading to about R30 Billion (Davis, 2020).

In recent years, there has been a sudden decline in the availability of electricity in the country. This decline resulted in slowed economic growth and the decline is expected to continue throughout 2020. A drop from 78.0% in 2016/17 year to 71.8% in 2018 and a devastating 63.2% at the start of 2019 (SARB, 2019). The emergence of countries from Covid-19 lockdowns turned to have serious effects on fuel production as well as fuel prices. Due to geopolitical tensions as well as the Covid-19 crisis, fuel prices have been unstable. The health crisis prompted oil producers to cut production to cope with the strain imposed by various government lockdowns.

Figure 8: Basic fuel price in South Africa cents per litre



Source: CEF Group Daily fuel price (2020)

Figure 8 above illustrates a gradual increase in fuel prices. As shown above, there has been an increase of about 460 c/l on the 29th of May for both Petrol and Diesel, to the peak of 610 c/l for Diesel and about 620 c/l for Petrol. Fuel price remains high and it is expected to increase further as the demand increases. However, there is still a high level of uncertainty as most countries experience the second wave of Covid-19 infections. The other reason for an increase in fuel prices in the country is the result of the depreciation in South African Rand against the US' Dollar, and an increase in international oil prices. Head (2020) suggests another reason for the increase is the result of fear over South Africa's localized fuel shortages. From a microeconomics point of view, this increase in fuel prices will negatively affect consumer behaviour and spending. Moreover, on a macroeconomic level, the fuel price increase will result in inflationary hikes as part of an increase in cost of production and delivery of goods.

8.2.Trends in tech

Covid-19 crisis has disrupted and negatively affected most sectors and the technology industry is no exception. Both on a local and global level, the technology industry received its fair share of enormous disruption from halted production operations, postponed mass marketing events, supply-chain disruptions and failed showcase conferences (Bombe, 2020). These disruptions have slowed 2020 Q1 growth for most companies in the technology industry. However, there are certain aspects of the industry that have experienced growth as more people rely on online platforms for business, learning and social interactions.

Similar to other industries, there is a need for a quick and decisive response from companies. The greatest advantage of the tech industry in this crisis is the ability to conduct most of its operations remotely and the industry's capability of full exploitation of technological gadgets. This has been seen in the call for remote and work from home suggestions from major technology companies. Despite challenges facing the industry, there is a level of optimism that the Covid-19 crisis might spark creativity and innovation the industry needs (PwC, 2020).

9. FEATURED ARTICLE

- Olwethu Shedi

9.1.The economics of gender during the COVID-19 Pandemic

The novel coronavirus (Covid-19) was first reported in China's Wuhan city in Hubei province and it has rapidly spread across the world. According to the WHO, Covid-19 is primarily transmitted through respiratory droplets, by direct contact with infected persons, or by contact with contaminated objects and surfaces. This makes Covid-19 a unique adversary, that is, it spreads easily and fast. The WHO declared it a pandemic and called for a global health emergency in January 2020. South Africa has not been spared from the public health threat posed by the outbreak of Covid-19. The South African government responded to this threat by announcing a lockdown which came into effect on March 26, 2020.

Covid-19 has not much made obscure issues for South Africa, if anything, it has worsened the effectively unstable economic environment and laid bare the inequalities that exist between the poor and the rich and the inequalities between men and women – their roles in society and in the household. In what follows, this article will provide an overview of the dynamics in unpaid care work in the household considering the pandemic. The United Nations Development Program (UNDP) has made gender equality central to its work and has seen remarkable progress in the past 20 years. The UNDP's gender equality not only calls for equality between genders but also advocates for an end of gender-based violence, but South Africa has a long way to go in this respect. In recent years, South Africa has seen a sharp rise in the number of gender-based crimes, the number of reported rape cases rose from 3.9 per cent to 41.58 per cent through March in the year, the highest recorded statistics in four years (Cohen and Vecchiatto, 2019 – Bloomberg).

Gender based violence is unfortunately not the only source of gender inequality, according to the UNDP estimates, women only earn 77c of every dollar that men earn for the same work. Evidence from South Africa shows that, though South Africa introduced policies to address the racial and gender inequalities in employment, women, especially black and coloured, still remain under-represented in high skilled jobs. Also, there remains big pay gaps between male and females, supporting the UNDP estimates (Espi, Francis and Valodia; 2019). Latest findings by Career Junctions latest gender survey (2019) which explores gender issues in relation to the workplace, revealed that in South Africa, over a third of working women expressed that their gender and parental responsibilities are proving to be burdensome in advancing their careers.

It would therefore be implausible to disregard the gendered impact of Covid-19 as we have seen that there are large disparities between men and women. The South African government has declared the national state of disaster, placed the country on lockdown and suspended many activities that include closure of universities and schools to limit the risk of infection. The enforcement of lockdown regulations on schools and society at large, imply that majority of individuals are at home the burden of care for the children and the rest of the family will most likely fall to women, who according to the Stats SA's Survey of Time use, already spend more hours doing unpaid care-work than men. Even with work being conducted remotely, it is mostly women who will have to adjust their working schedules to take up more caregiving roles, while men remain less affected. Even in cases where a family member gets infected, the role of taking care of them falls on the mother (Sonke Gender Justice, 2020). These statements may not be farfetched as Forbes Women (2019) shows that even when women work, they still take on more household work than men. The UN's Policy brief: The Impact of COVID-19 on women, highlighted the disproportionate impact of the virus on women of both unpaid care work and the escalating gender-based violence incidences under the lock-down conditions. To put this in context, women are locked at home with perpetrators and have limited access to support groups at this stage. The report further highlighted that women's health will be adversely impacted by the virus through the reallocation of resources and reprioritising of emergency treatments to infected patients. As a result, women will not receive enough sexual and reproductive health services (United Nations, 2020).

Statistics South Africa (2018) reports that there are more female informal traders than men. During the first stages of the lock-down, street trading was prohibited in South Africa, this implied that women had no income for the duration of the lock-down period. Poverty has been widely feminised, many households living under poverty are female-headed (Nwosu and Ndinda, 2018) this implies that many homes, especially female-headed homes, are disproportionately and adversely hit by the impact of Covid-19 way above other homes.

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