THE REAL ECONOMY BULLETIN

TRENDS, DEVELOPMENTS AND DATA

FIRST QUARTER 2020

The Real Economy Bulletin is a TIPS review of quarterly trends, developments and data in the real economy, together with a comprehensive analysis of the main manufacturing industries and key data in Excel format.*

Trends in GDP growth

The first quarter of 2020 saw South Africa enter a third straight quarter of economic decline. But 2020 began a qualitative shift in the national and global economy. In the second half of 2019, the downturn was driven largely by the continued stagnation in commodity prices. From January to March 2020, however, the economy was increasingly weighed down by the impact of the COVID-19 pandemic. As a result, the South African economy is expected to shrink by around 7% in the coming year, while the global economy will fall by 5%, and by 6% if China is excluded.

As Graph 1 shows, the first quarter of 2020 marked the second deepest decline in GDP since 1994. While the contraction over the past nine months has not been as deep as the 2008/9 global financial crisis, the lockdown in April means the coming quarter will probably be the deepest downturn since the transition to democracy. The South African Reserve Bank has forecast a decline of 7% in the GDP for the year.

*Available at: www.tips.org.za/the-real-economy-bulletin

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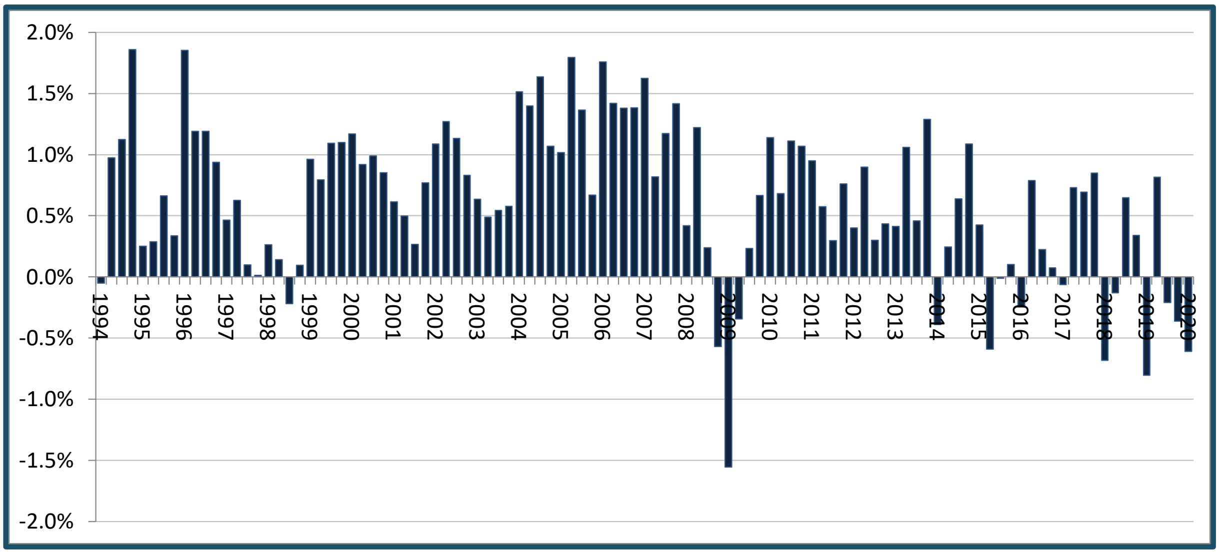
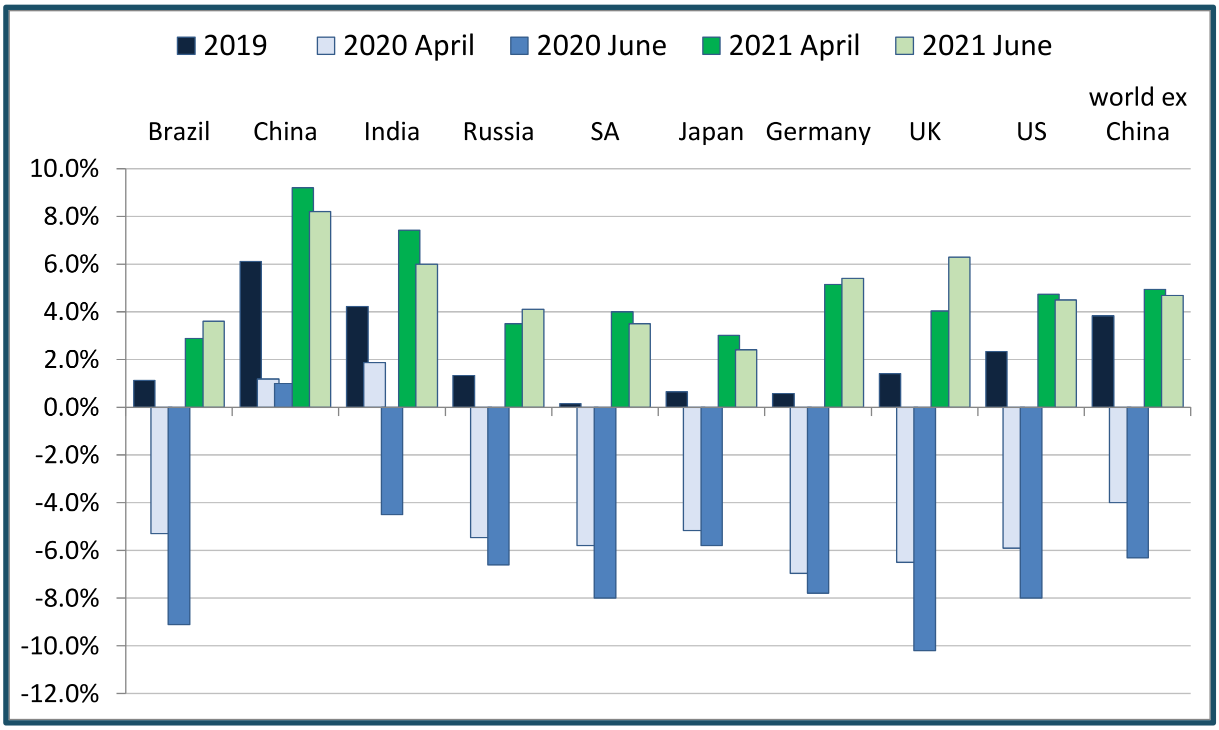
Graph 1. Quarterly change in GDP, Q1 1994 to Q1 2020



Source: Statistics South Africa. GDP quarterly figures. Excel spreadsheet downloaded www.statssa.gov.za in June 2020.

Globally, the downturn as a result of the COVID-19 pandemic is expected to exceed the 2008/9 crisis. Of South Africa's main trading partners, only China is expected to report any economic growth. Usually, lower- and middle-income economies perform better than high-income countries. In this case, however, growth will also depend on the extent to which countries manage to control the contagion.

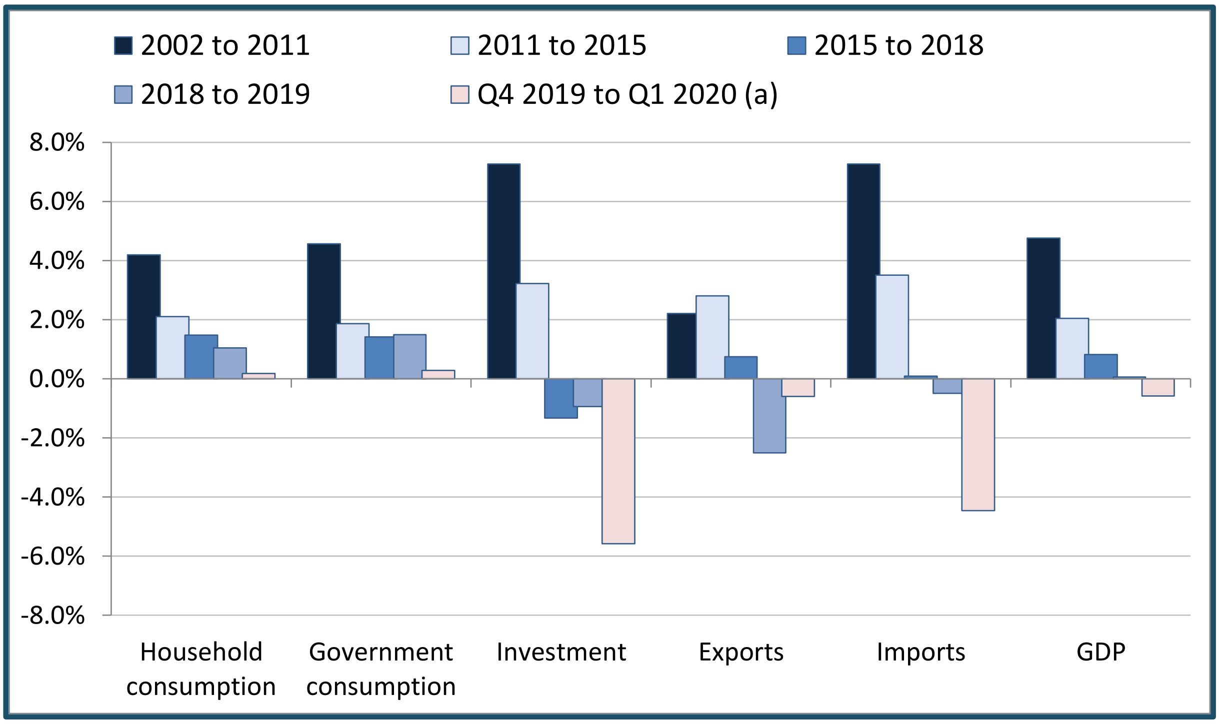
Graph 2. IMF forecasts for full-year growth for 2020 and 2021 as of April and June 2020



Source: IMF. World Economic Outlook for April 2020; and June 2020 Update. Downloaded from www.imf.org in June 2020.

As the section on trade indicates, the decline in the first quarter of 2020 resulted mainly from a sharp fall in investment, largely due to global uncertainty in the face of the pandemic, combined with a modest decline in exports. From April, the downturn will be driven principally by the supply-side shock of the lockdown and the gradual reopening of the economy. Most observers expect that the reduction in household and company incomes because of the lockdown will in turn lead to a more prolonged fall in demand, even after economies have opened up. A failure to control the virus either in South Africa or overseas, with the United States as the highest risk at present, would also prolong the COVID-19 depression.

Graph 3. Change in expenditure on GDP, average annual growth for various periods, and change from Q4 2019 to Q1 2020

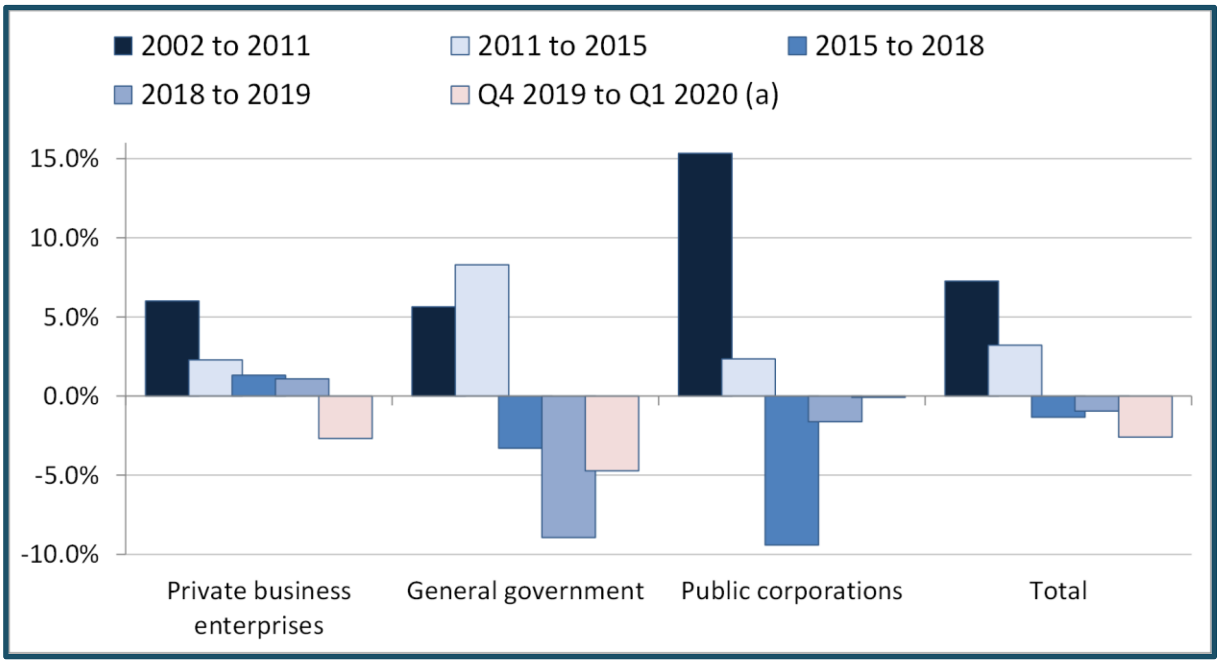


Note: (a) Seasonally adjusted. Source: Statistics South Africa. Gross Domestic Product (Quarterly) (2019Q4). Excel spreadsheet downloaded from www.statssa.gov.za in June 2020.

As Graph 4 shows, private investment plunged in the first quarter of 2020.

The decline was associated with a broader flight of capital from emerging markets, which in turn brought a sharp depreciation in the rand. International investor concerns also pushed up the price of gold. In this period, public investment continued its decline, which had started five years earlier, but shrank less rapidly than in 2019.

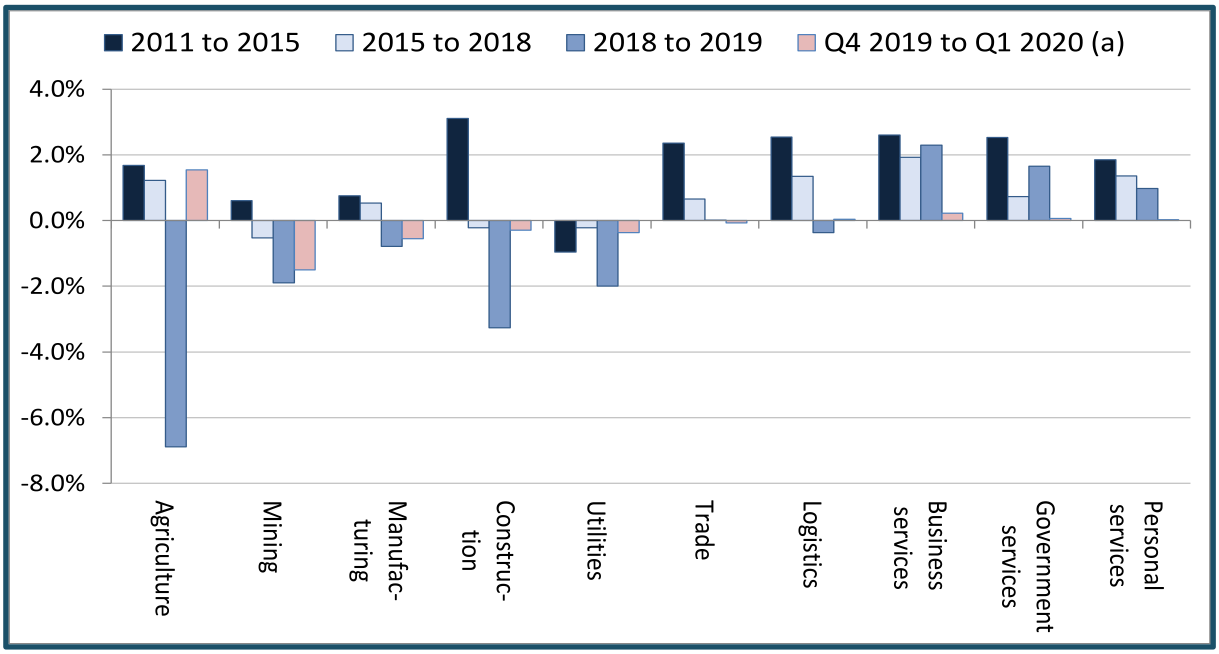
Graph 4. Change in investment by type of investor, average annual growth for various periods, and change from Q4 2019 to Q1 2020



Note: (a) Seasonally adjusted. Source: Statistics South Africa. Gross Domestic Product (Quarterly) (2019 Q4). Excel spreadsheet downloaded from www.statssa.gov.za in June 2020.

By sector, only agriculture saw significant growth in the first quarter. Public and private services and logistics saw modest growth. Mining value added dropped sharply for the quarter, with a 2% decline in manufacturing and a smaller fall in construction.

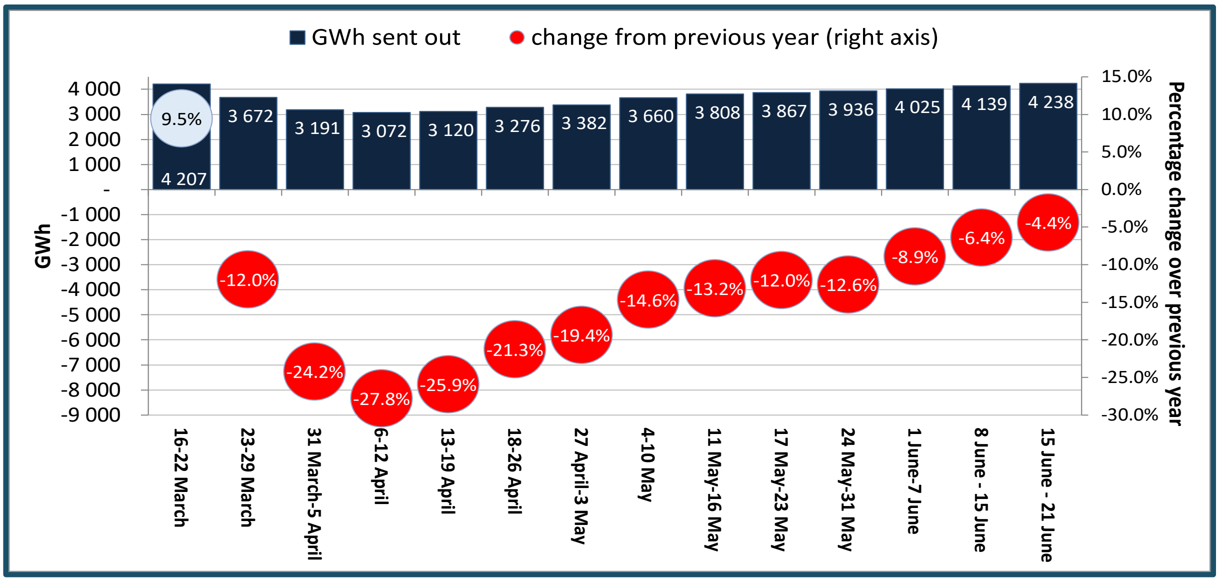
Graph 5. Growth rates by sector, annual averages from 2011 to 2019 and fourth quarter 2019 to first quarter 2020



Note: (a) Seasonally adjusted. Source: Statistics South Africa. Gross Domestic Product (Quarterly)(2019Q4). Excel spreadsheet downloaded from www.statssa.gov.za in June 2020.

GDP data are not available for the second quarter of 2020, but trends in electricity use point to both the effects of the lockdown and the gradual recovery since then. In mid-March 2020, electricity sent out by Eskom was 10% higher than a year earlier. By mid-April, it was more than 25% lower, as the lockdown closed down most of industry, including the highly energy-intensive metals refineries. The gradual reopening of the economy saw a relatively swift increase in electricity use. By 21 June 2020, it was only 4% below the previous year, and Eskom was again warning of a risk of loadshedding because of breakdowns. That said, it had used the slack period during the lockdown to conduct some repairs and upgrade the boilers at Medupi, although it could not undertake most long-term repairs because of the difficulties in getting supplies as well as limits on domestic travel.

Graph 6. Electricity sent out in GWh, weekly, 16 March to 21 June, and percentage difference from the same week in 2019

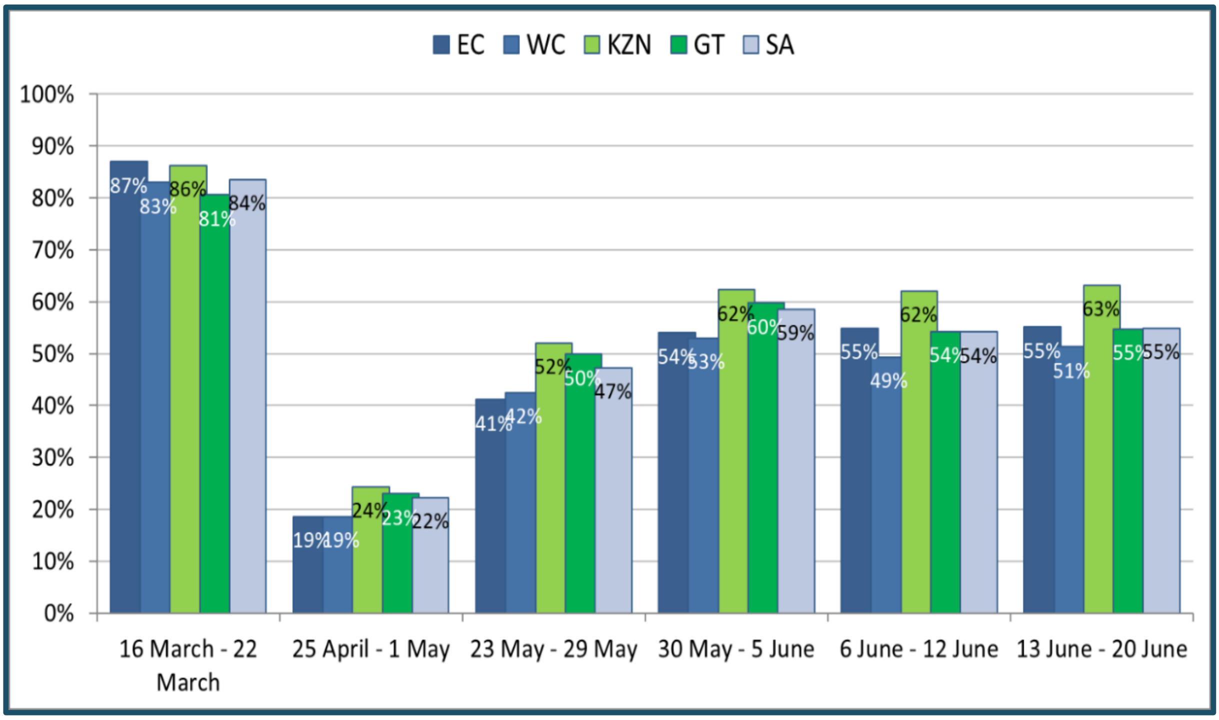


Source: Calculated from Eskom System Adequacy Reports for relevant weeks. Accessed at http://www.eskom.co.za/Whatweredoing/S/upplyStatus/Pages/SupplyStatusT.aspx.

A similar pattern emerges from the Yoco Small Business Recovery Monitor, with a sharp decline in turnover among small- and medium-sized businesses from April, followed by a gradual and incomplete recovery with the move to Level 3.

The data suggest that, at least by this measure, the impetus from the reopening of the economy largely flattened out through late-June. Moreover, it remained relatively subdued in the Eastern and Western Cape and Gauteng, which saw particularly rapid growth in new cases as the economy opened up again. (See *TIPS Tracker: The economy and the pandemic Week 22-28 June 2020*)

Graph 7. Small business turnover relative to the first two weeks of January 2020



Source: Calculated from Yoco Small Business Recovery Monitor. Downloaded at www.yoco.co.za.

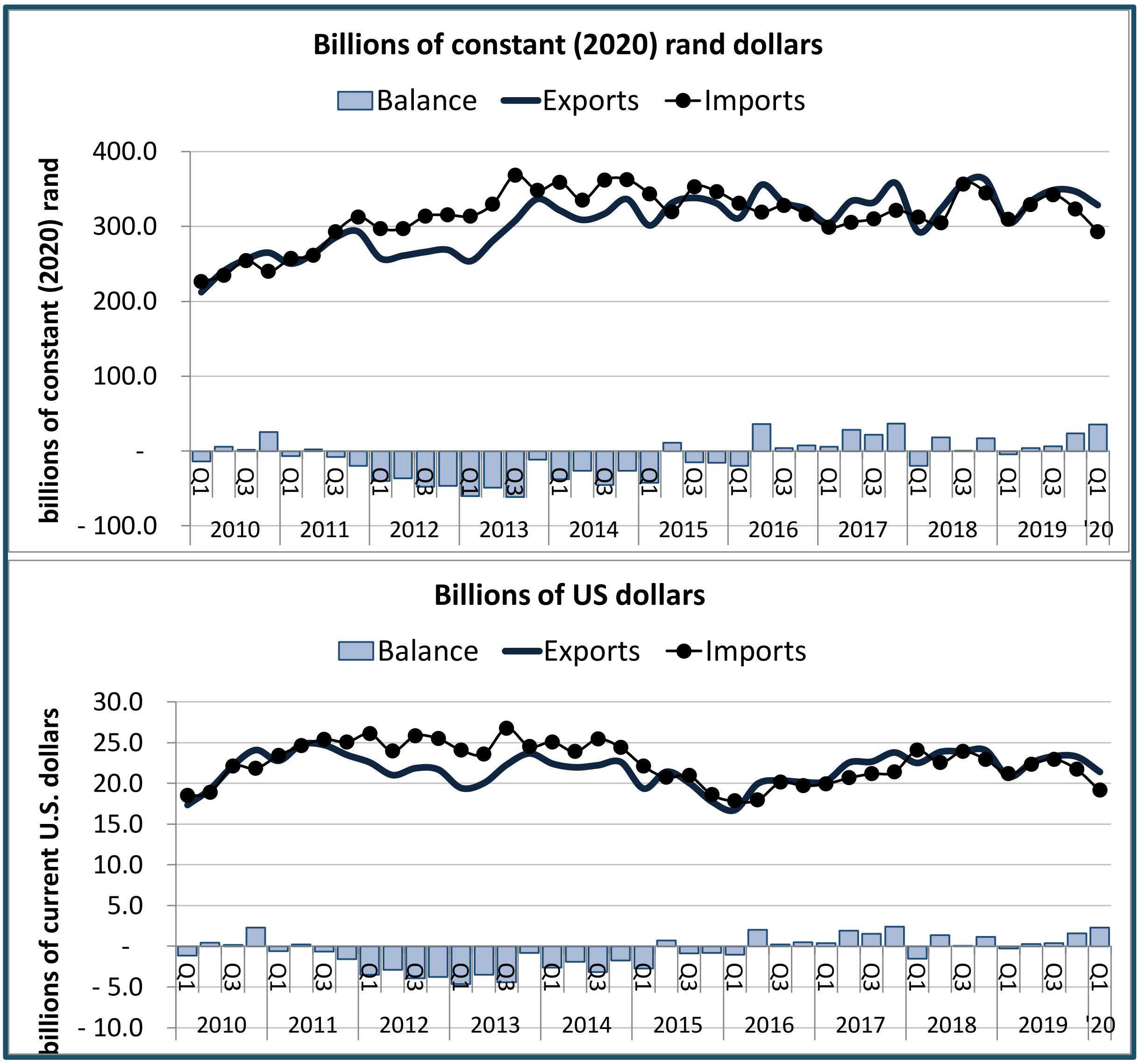
International trade

South African exports in January and February showed signs of a recovery compared to the previous year, but they began to fall in March as the effects of the pandemic widened.

In April, with the lockdown, they dropped by 60% in US dollars, as the mines, metal refineries and auto companies largely ceased foreign sales. Imports also began to fall from January, in large part due to declining oil prices, but they shrank much less than exports from March to April, at 16% in US dollar terms. The trade figures were affected by the sharp depreciation in the rand, as the pandemic led investors to pull funds out of emerging markets including South Africa.

In US dollar terms, exports climbed 2.7% from the first quarter of 2019 to the first quarter of 2020, while imports dropped by 9.6%. Depreciation meant that, in constant rand terms, exports climbed 7.7% while imports shrank by 5.2%. These trends meant that, for only the second time since 2010, South Africa had a balance of trade surplus for the first quarter.

Graph 8. Exports, imports and balance of trade in constant rand and current US dollars, year to first quarter

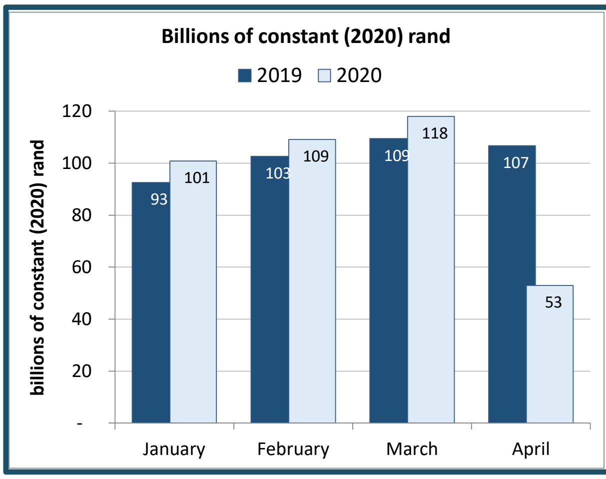


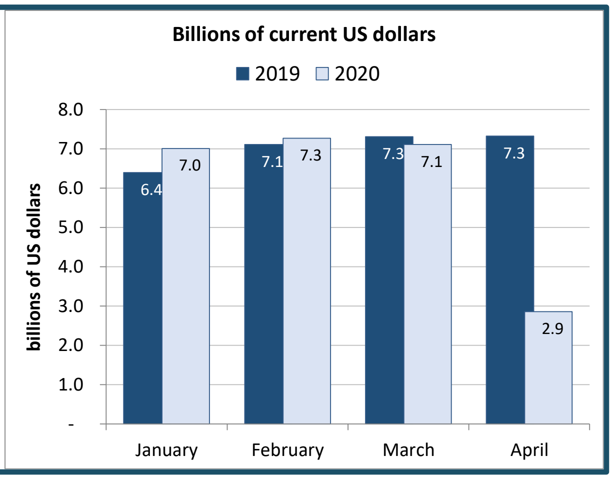
Source: South African Revenue Service (SARS) monthly data.

The monthly data for January to April point to the growing strains on global trade from the pandemic. In January, South African exports in US dollar terms were still 10% higher than a year earlier. They began to slow down in February, however, as the Chinese economy in particular slowed down, leading to a fall in commodity prices and sales. By March, they were 3% below their 2019 level. In April, with the lockdown, exports dropped 60%. The data are not yet available, but the reopening of the economy from May, especially the mines and auto, will have led to some recovery, although not to pre-lockdown levels.

In rand terms, exports in early 2020 did better compared to 2019 due to depreciation of over a third in the rand/dollar rate from January through late April. It has since recovered by over 10%.

Graph 9. Monthly exports from January to April 2019 compared to 2020, in billions of constant (2020) rand (a) and US dollars

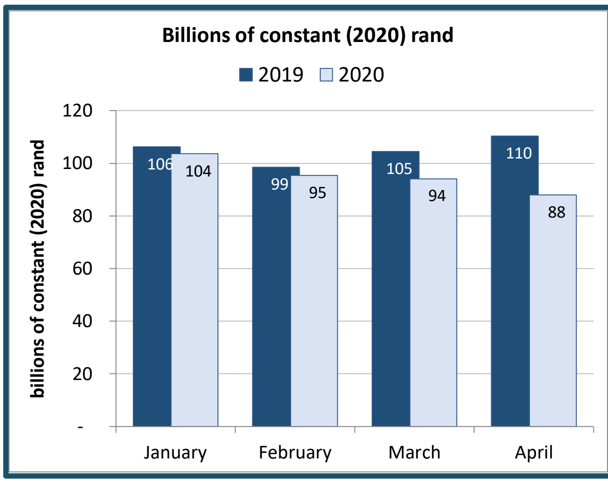


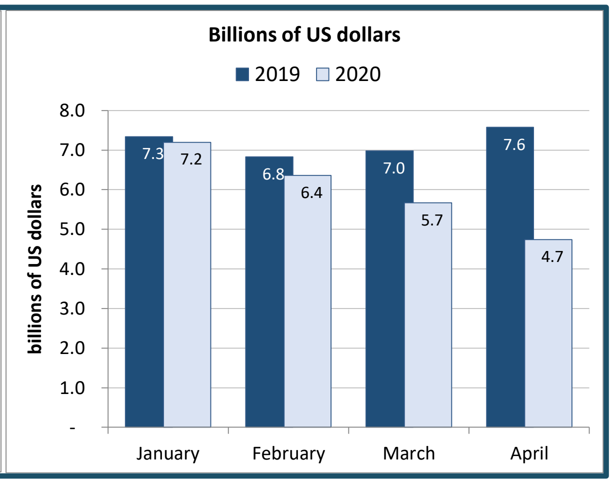


Source: South African Revenue Service (SARS) monthly data.

Imports began to slow from January, in part because petroleum prices plummeted by two thirds from 1 January to 30 April. By the end of June, they had recovered to 40% below January levels. In addition, supply chains from China were disrupted, further depressing foreign purchases. From January to April, imports dropped by 34% in US dollar terms, with a 16% fall from March to April alone. Again, depreciation over the period meant that the decline was less in rand terms. As with exports, the reopening of the economy starting in May likely boosted imports, but data are not yet available.

Graph 10. Monthly imports from January to April 2019 compared to 2020, in billions of constant (2020) rand (a) and US dollars



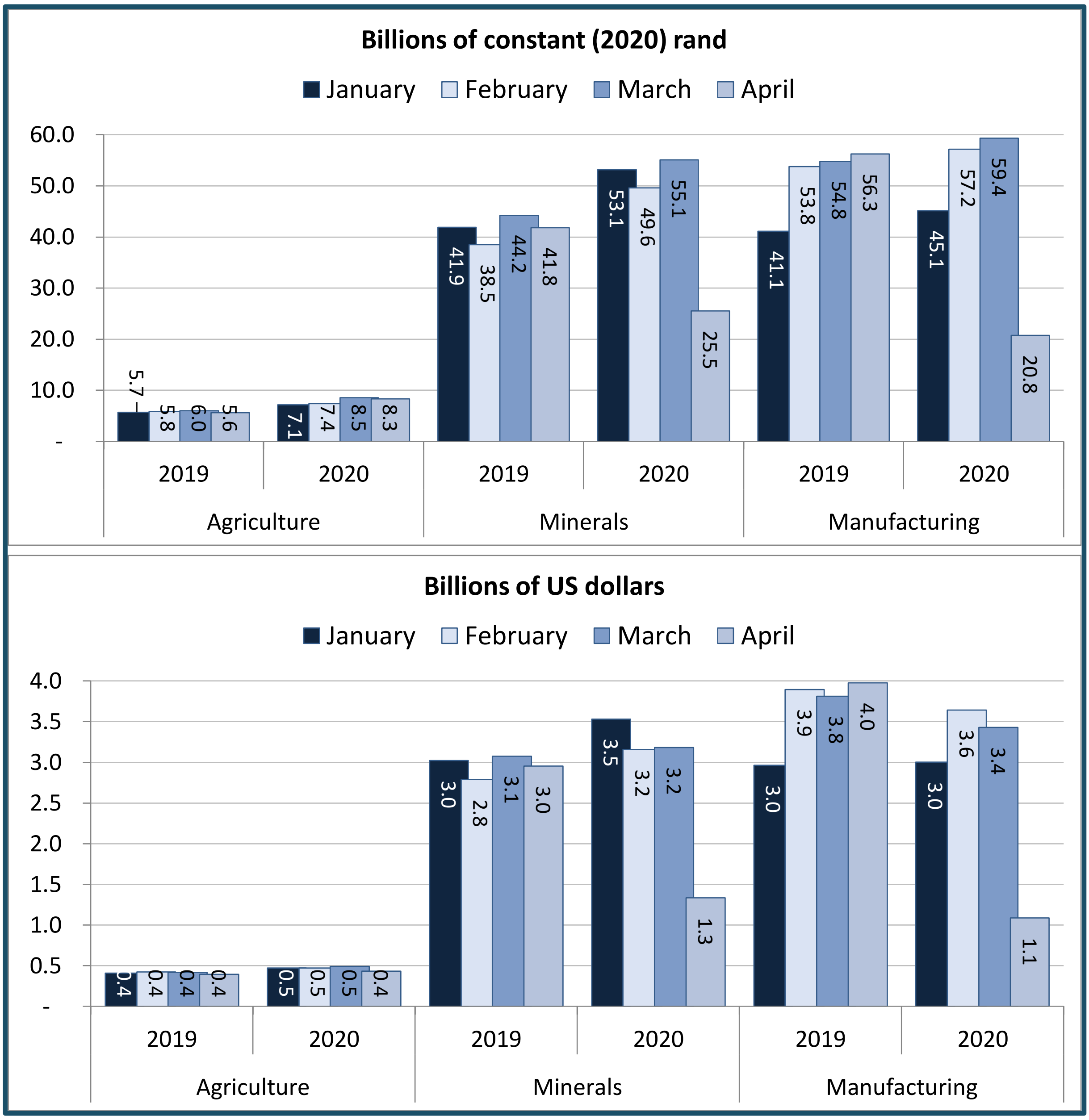


Note: (a) Deflated with CPI rebased to April 2020. Source: South African Revenue Service (SARS) monthly data.

By sector, mining drove the growth in exports in the first quarter of 2020 compared to the first quarter of 2019. Mining exports increased by 11% in US dollar terms and 16% in rand terms. In contrast, manufacturing exports declined by 5% in US dollar terms, and by 1% in constant 2020 rand terms. Again, the depreciation of the rand compensated for falling exports in dollar terms in the first quarter of 2020. In terms of imports, manufacturing fell sharply in both rand and US dollar terms in the first quarter of 2020 compared to the first quarter of 2019, essentially reflected the broader economic slowdown. Mining imports, which essentially refers to petroleum, were basically flat.

From January to April, the impact of the pandemic and the lockdown differed for the main export sectors. Agriculture was barely affected, although wine exports were halted and non-tariff barriers to trade expanded. In contrast, mining and manufacturing exports dropped by around two thirds in US dollar terms. The decline was somewhat less in constant rand terms due to depreciation.

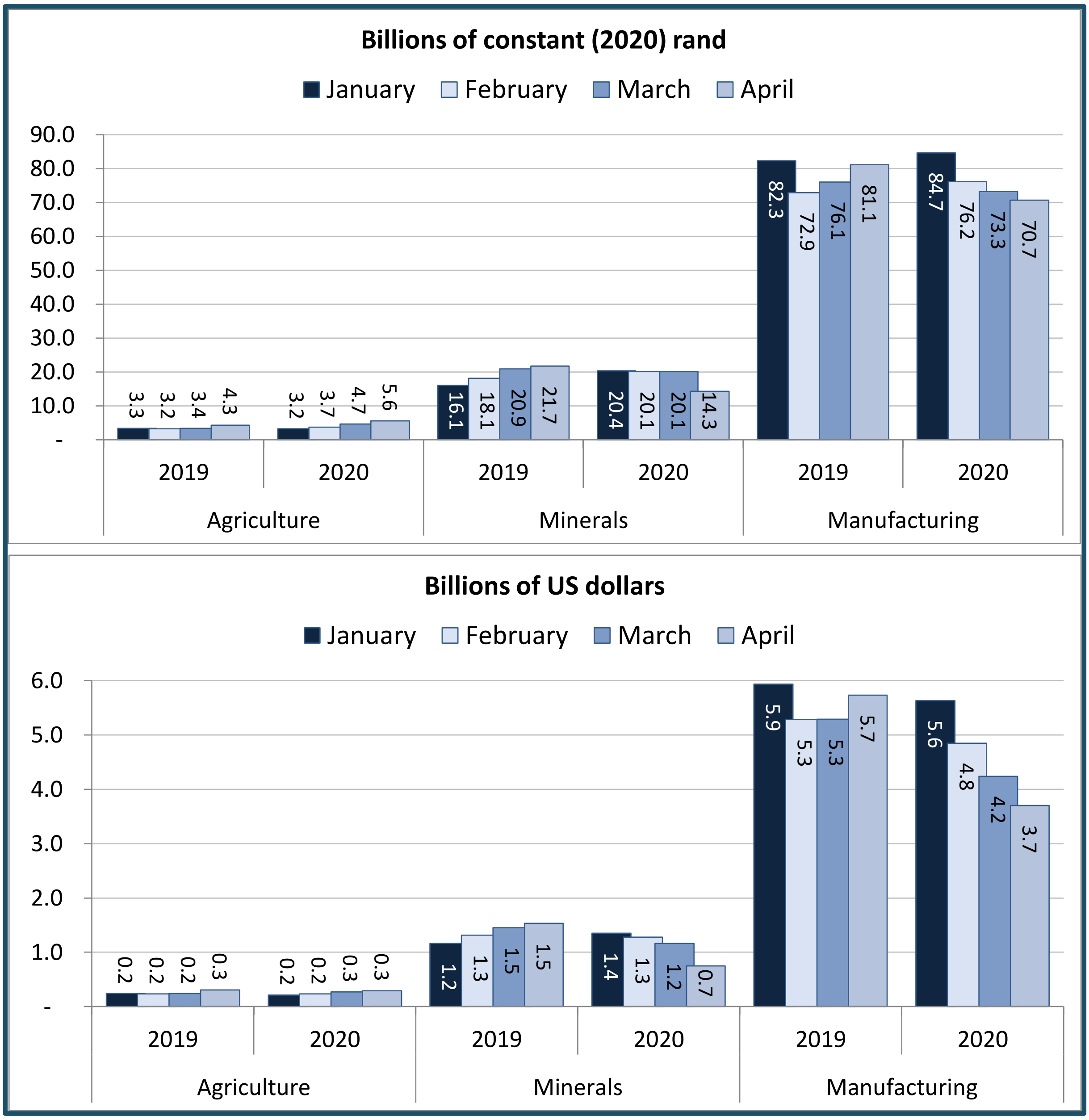
Graph 11. Monthly imports from January to April in 2019 compared to 2020, in constant (2020) rand (a) and in US dollars



Note: (a) Deflated with CPI rebased to April 2020. Source: South African Revenue Service (SARS) monthly data.

A similar sectoral pattern emerged for imports. Agricultural imports increased despite the lockdown. Mineral imports – almost exclusively petroleum – fell in US dollar terms due to falling oil prices through April. Manufacturing imports dropped steadily from January, in large part due to the decline in intermediate inputs and machinery from China, especially for the auto industry. In constant rand terms, the value of imports fell less due to the depreciation of the rand over this period.

Graph 12. Monthly exports from January to April in 2019 compared to 2020, in constant (2020) rand (a) and in US dollars



Note: (a) Deflated with CPI rebased to April 2020. Source: South African Revenue Service (SARS) monthly data.

Metals and auto, which account for around half of all manufactured exports, fell in constant rand terms by 63% and 85% respectively in April compared to the monthly average in the first quarter. In contrast, the figure for agriculture was just 4%. As noted, metals and auto began to restart exports in May, but the figures are expected to remain depressed as a result of low global demand as well as delays in returning operations to full capacity because of the need to reorganise work to prevent infections.

In terms of imports, machinery and equipment, which make up around a third of the total, fell by over 10% in constant rand. The wood value chain dropped the most, by around a third. In contrast, clothing imports climbed, presumably reflecting large-scale imports of protective equipment for healthcare workers.

Table 1: Trade by manufacturing industry, in rand and US dollars, monthly averages January to March and April 2020

Industry	ZAR monthly average, Q1 2020	ZAR April 2020	ZAR % change	USD monthly average, Q1 2020	USD April 2020	USD % change
EXPORTS						
Food, beverages, tobacco	4.4	4.2	-4%	283	224	-21%
Textiles, clothing, leather and footwear	2.1	0.4	-80%	134	22	-83%
Wood and wood products	0.6	0.2	-63%	40	12	-70%
Paper and publishing	2.0	1.6	-20%	134	88	-35%
Chemicals, rubber, plastic	9.0	5.9	-34%	584	318	-46%
Glass and non-metallic mineral products	0.5	0.1	-89%	34	3	-91%
Metal products	10.6	3.9	-63%	695	211	-70%
Machinery and appliances	8.7	1.5	-83%	567	81	-86%
Transport equipment/components	12.8	1.9	-85%	825	101	-88%
IMPORTS						
Food, beverages, tobacco	4.1	4.1	0%	271	223	-18%
Textiles, clothing, leather and footwear	5.3	6.8	28%	352	366	4%
Wood and wood products	0.5	0.3	-30%	30	17	-43%
Paper and publishing	2.8	1.7	-39%	183	91	-50%
Chemicals, rubber, plastic	14.5	16.2	12%	950	874	-8%
Glass and non-metallic mineral products	1.0	1.1	5%	68	58	-14%
Metal products	4.9	4.6	-6%	322	248	-23%
Machinery and appliances	22.5	20.1	-11%	1 479	1 084	-27%
Transport equipment/components	8.2	6.3	-23%	536	338	-37%

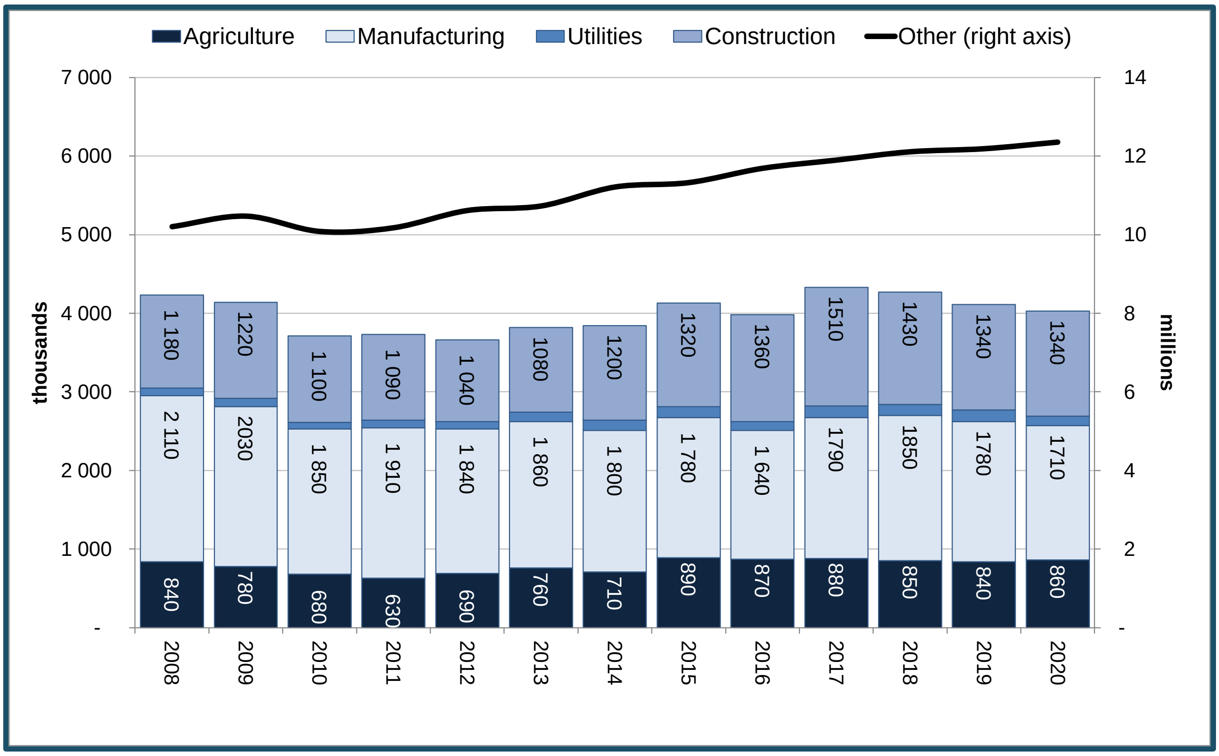
Source: South African Revenue Services (SARS) monthly data.

Employment

Although the year to the first quarter of 2020 saw some jobs growth, employment fell sharply during the lockdown, and has recovered only slowly since then. In the year to March 2020, employment climbed by 90 000 jobs. But the available data suggest that over a third of all formal private-sector employees were unable to work in April, during Level 5 of the lockdown. Depressed international and domestic demand mean that the reopening of the economy will not restore all of those jobs.

Like GDP data, figures on employment are only available through March, which means they do not reflect the full weight of the COVID-19 downturn. Overall, employment climbed by 90 000 in the year to March 2020, reaching 16.4 million. Manufacturing saw job losses of 75 000 over this period, however, which in part reflected the slowdown in China and the start of the global downturn. In contrast, agriculture gained 20 000 positions, and at 860 000 jobs was on the average for the past five years. Construction, which shed jobs from 2017, gained 45 000 new positions, reaching 1.3 million jobs – still down by around 10% from its 2017 figure of 1.5 million.

Graph 13. Employment by sector, first quarter



Source: Calculated from StatsSA. QLFS –2008-2020 Q1. Electronic database. Downloaded from www.statssa.gov.za.

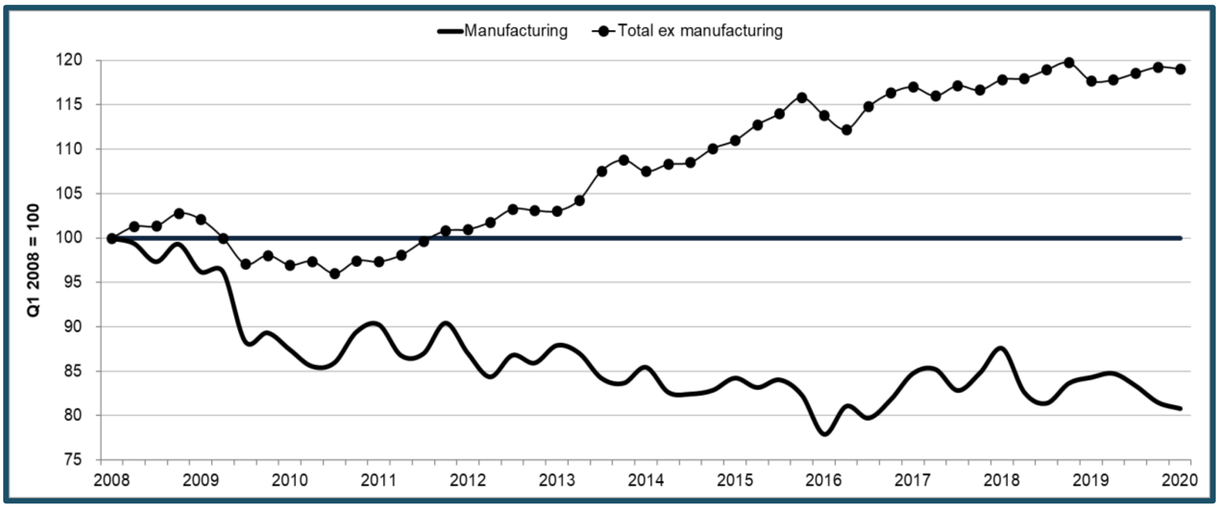
The available indicators suggest that the modest gains in employment in the year to March 2020 were wiped out by the effects of the COVID-19 pandemic in the following months. In particular, the UIF COVID-19 Temporary Employee/Employer Relief Scheme (TERS) received applications for 3.7 million workers for April. That is equal to over a third of all formal employees in the private sector.

The COVID-19 TERS scheme limited job losses during the lockdown, but a number of surveys indicate that many employers anticipate downsizing employment after the lockdown ends, mostly because of reduced demand.

A small survey conducted by TIPS in collaboration with Business Unity South Africa and the Manufacturing Circle found that over a third of respondents anticipated job losses, with an average loss (weighted by employment) of around a quarter of their positions.

For the past five years manufacturing employment has fluctuated in a narrow band around 1.75 million; the decline in the year to March 2020 represented the third quarter of job losses. In contrast, employment in the rest of the economy gained almost a million jobs over the five years to March 2020, but was essentially flat from mid-2018.

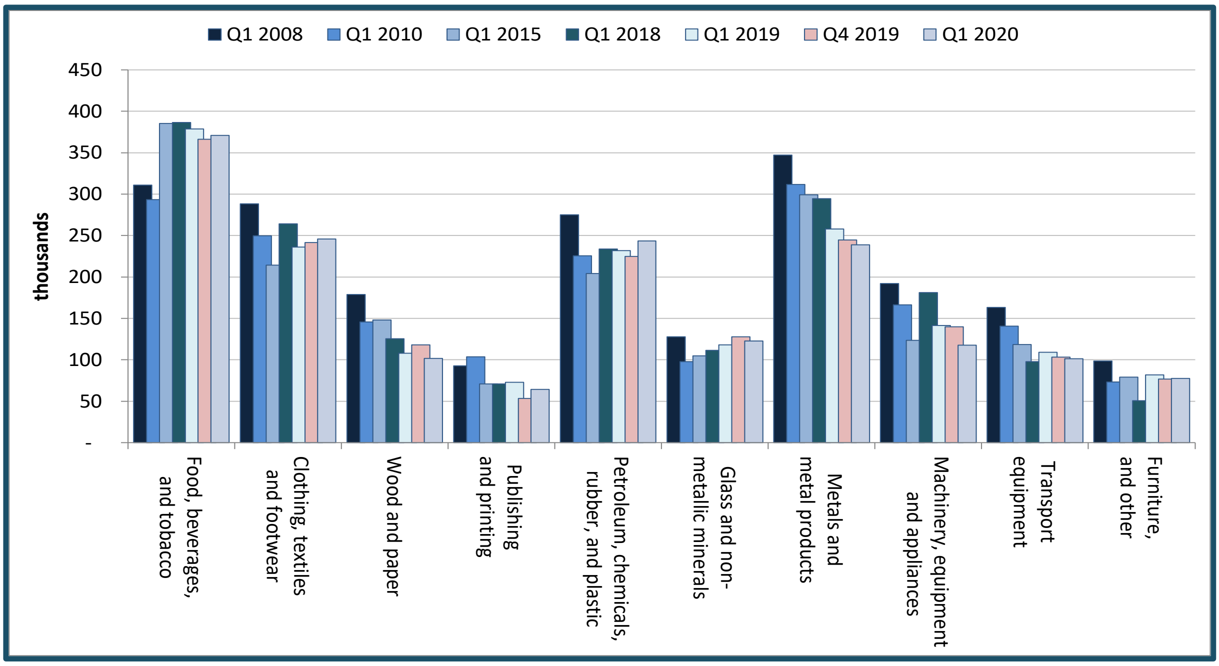
Graph 14. Indices of employment in manufacturing and the rest of the economy (first quarter 2008 = 100)



Source: Calculated from StatsSA. QLFS –2008-2020 Q1. Electronic database. Downloaded from www.statssa.gov.za.

For manufacturing subsectors, the figures to the year to March 2020 show *downturns* in metals, machinery and auto – all of which were likely affected by the initial impact of the pandemic on the Chinese economy. Global value chains began to show strain in the first quarter of the year, with both interruptions to the supply of inputs and falling demand for mining and metals products as well as other goods. Food processing, which had been a key source of manufacturing growth from 2010 to 2015, continue to stagnate. In contrast, clothing, chemicals and non-mineral products (mostly building materials and glass) saw some improvement over the year to the first quarter of 2020. Most other manufacturing subsectors saw modest net job losses over the period.

Graph 15. Employment by manufacturing industry, first quarter of 2008, 2010, 2015, 2018, 2019 and 2020, and fourth quarter of 2019

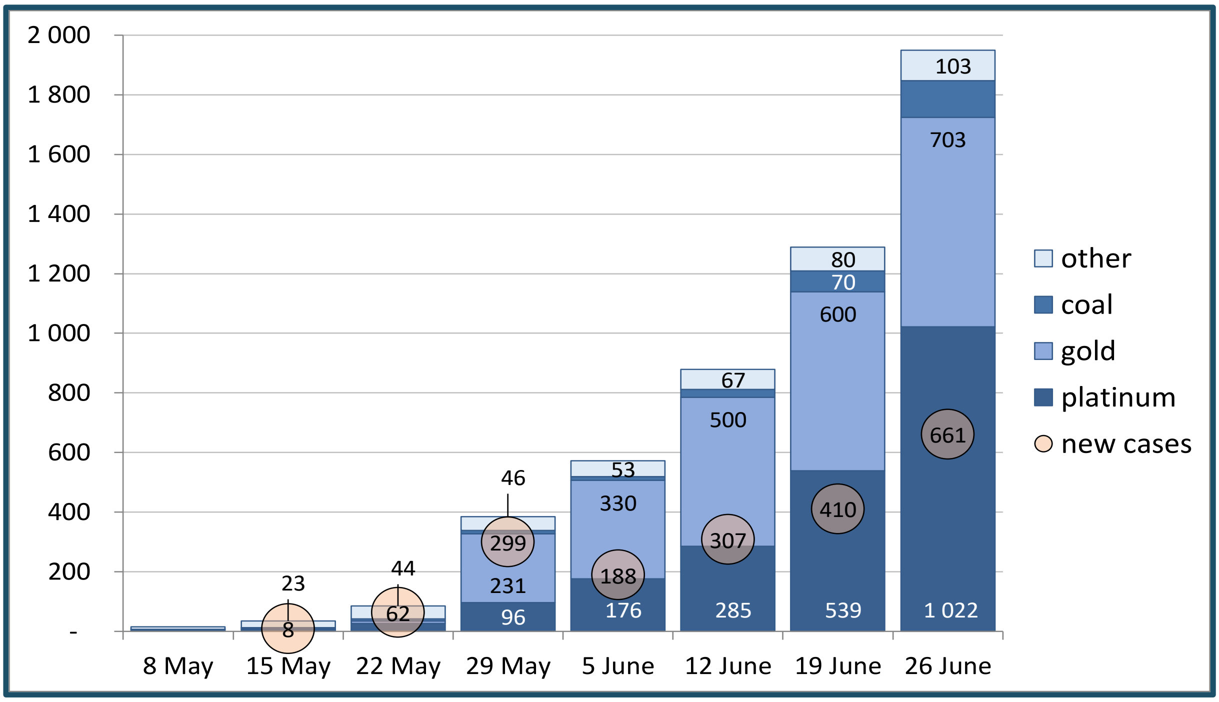


Source: Calculated from StatsSA. QLFS –2008-2020 Q1. Electronic database. Downloaded from www.statssa.gov.za.

Statistics South Africa recommends the Quarterly Employment Statistics (QES), which lag a quarter behind the Quarterly Labour Force Survey (QLFS), for employment data. The data show virtually no change in employment in mining in the year to the final quarter of 2019. The lockdown saw virtually all underground mining close, but the open-pit iron ore mines and coal supply for Eskom remained largely open. Underground mining was allowed to open with physical distancing measures from the start of Level 4. As of the end of June, around half of all mineworkers had returned to work.

As the following graph indicates, the underground platinum and gold mines were plagued by clusters of infection, which contributed to the acceleration of COVID-19 outbreaks especially in the North West and Gauteng. On 26 June, the Minerals Council estimated that there were 460 COVID-19 cases for every 100 000 miners, more than twice the national incidence.

Graph 16. Reported COVID-19 cases in mining by commodity, Fridays, 30 May to 26 June



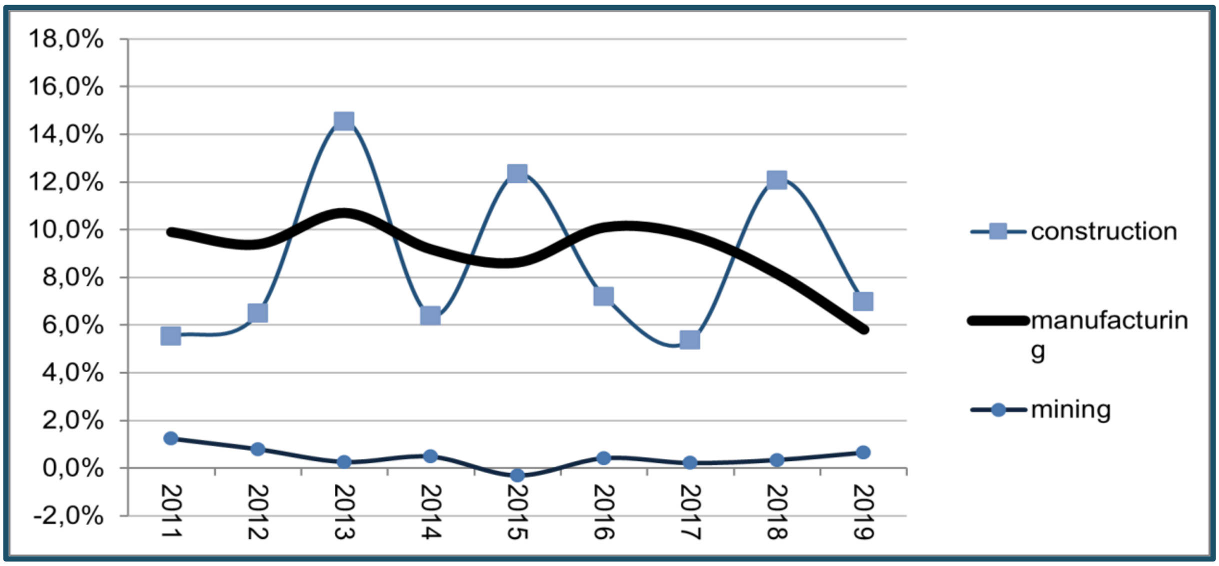
Source: Minerals Council. COVID-19 Dashboard. Downloaded on relevant dates from https://www.mineralscouncil.org.za/minerals-council-position-on-covid-19.

Investment and profitability

Investment and profitability data are only available through the end of 2019. As noted, the available indicators point to a liquidity crisis across business as incomes fell to near zero in April and demand has only come back slowly as the lockdown has eased, while many companies face substantial start-up costs.

In the year to the fourth quarter of 2019 (the latest available data), returns on assets for the manufacturing sector declined from 8.2% in 2018 to 5.8% in 2019, continuing with the downward trend of the past three years. In contrast, mining saw a modest improvement in profitability, rising from 0.3% in 2018 to 0.6% in 2019. Profitability in the construction sector remained highly volatile. The sector's rate of return more than doubled from 5.4% in 2017 to 12.1% in 2018, before the sharp decline to just 7.0% in 2019. Profitability in the rest of the economy showed decreasing returns, falling from 4.2% to 4.1%.

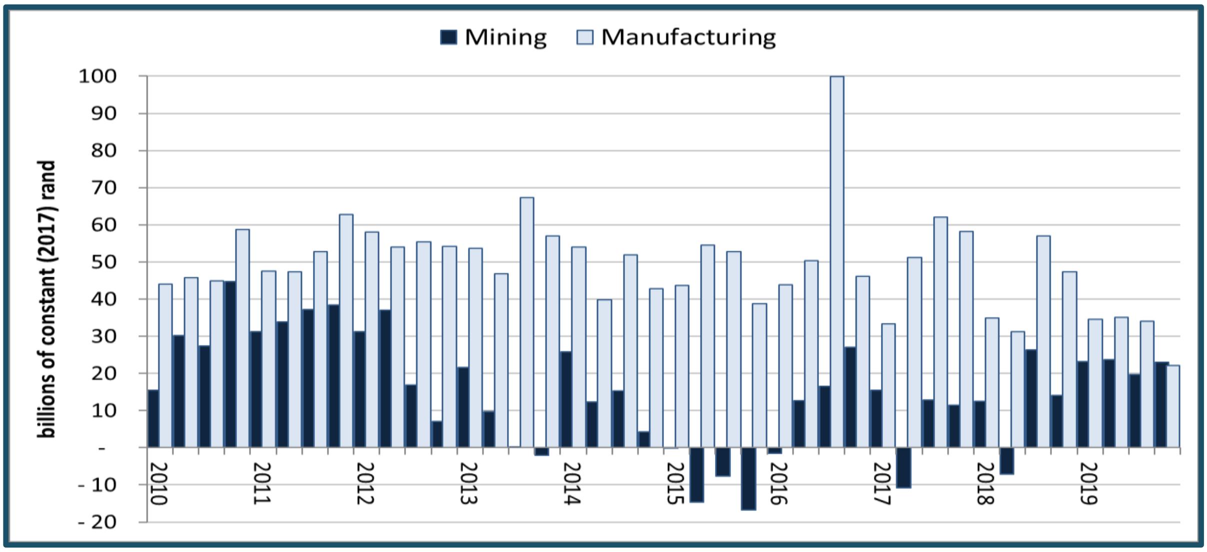
Graph 17. Return on assets (a) (year to fourth quarter)



Note: (a) Net profit or loss before tax as percentage of total assets. Source: StatsSA, Quarterly Financial Statistics.

Quarterly manufacturing profits in constant 2019 rand fell sharply in the fourth quarter of 2019 compared to the previous quarters. Manufacturing profits fell from R34 billion in constant 2019 rand in the third quarter of 2010 to R22 billion in the fourth quarter – its lowest level of profits since 2010. Within the mining sector, in contrast, profits increased for much of 2019, rising from R20 billion in constant 2019 rand in the third quarter to R23 billion in quarter four. Profits in the mining sector indicate three quarters of profitability improvements for 2019.

Graph 18. Quarterly profits in manufacturing and mining in billions of constant (2019) rand (a)



Note: (a) Deflated with CPI rebased to September 2019. Source: StatsSA, Quarterly Financial Statistics.

Foreign direct investment projects

The TIPS Foreign Direct Investment Tracker monitors FDI projects, on a quarterly basis, using published information. Twenty-four projects were recorded this quarter with an investment value of about R40.7 billion. Most of the projects reported this quarter were already under way or complete but were not captured in the Tracker. The effect of lockdown measures on individual projects becomes clearer in the second quarter, when these measures slowed the progress of existing projects. In compliance with lockdown regulations, company's adapted activities suspending operations.

Table 2: FDI projects captured in Q1, 2020

	Announced	Pre-feasibility	Feasibility	Construction/ Implementation	Complete
Number of projects	4	4	7	2	8
Value (R billions)	2.5	1.12	23.1	7.8	6.2
Industries	1 Construction 3 Mining	4 Mining	7 Mining	1 Utilities 1 Mining	4 Utilities 3 Manufacturing 1 Mining
Type	4 Greenfield	3 Expansion 1 Brownfield	3 Upgrade 1 Expansion 2 Brownfield	2 Greenfield	3 Upgrades 4 Greenfield 1 Expansion
Company	Menar BMW South Africa	Anglo American Platinum Jupiter Mines (Tshipi é Ntle Manganese Mining)	Anglo American Platinum	AB InBev/ South African Breweries (SAB) Kropz	Hyundai Menar Scatec Solar BASF, Impala Platinum & Sibanye-Stillwater Mahindra Multotec Astron Energy

Source: TIPS FDI Tracker database

New projects

BMW announced the construction of a new school in the township of Ga-Rankuwa in Pretoria, near the Rosslyn plant. Construction of the US$6.6 million (R113 million) school is expected to start in 2021.

Australian mining company Jupiter Mines completed a concept study exploring the expansion of the Tshipi Borwa Mine. The company expects to complete the study in a year and, subject to the outcome, the total investment is expected to be R1.03 billion.

Luxembourg mining investment company Menar has four operations in South Africa: Canyon Coal, Zululand Anthracite Colliery, Kangra Coal and Sitatunga Resources. Menar has announced a R7 billion investment for coal projects between end the 2019 and 2022, with the potential for about 5 600 jobs.

Existing projects

Renewable Energy

Norway-based solar power producer, Scatec Solar, completed the development of two of three solar plants that make up a 258 MW solar photovoltaic (PV) power complex in Upington. Scatec and its partners have invested approximately R4.76 billion in the project.

Anheuser-Busch InBev (AB InBev) is rolling out the installation of solar power facilities at seven major breweries in South Africa. The investment is part of the company's 2025 global sustainability goals, which include sourcing 100% of energy needs across manufacturing facilities from renewables. This initial investment will come to about R5.6 billion.

Multotec, a mineral processing original equipment manufacturer, completed the installation of renewable power at a moulding facility in Johannesburg. The investment value was not reported.

Hyundai Automotive South Africa completed the installation of a R3 million solar energy system at the company's parts distribution in Ekurhuleni. The investment is to reduce downtime due to loadshedding, in addition to savings in electricity costs in the long term, and environmental concerns.

Manufacturing

Astron Energy invested about R400 million to upgrade its refinery in Milnerton, Cape Town for the production of very low sulphur fuel oil that meets the new International Maritime Organisation. The refinery also produces petrol, diesel, jet fuel, liquid petroleum gas and other speciality products.

German chemical company BASF launched the Tri-Metal Catalyst, a technology that enables partial substitution of palladium with platinum in light-duty gasoline vehicles. It was developed in collaboration with Sibanye-Stillwater and Impala Platinum as co-investors.

Mahindra South Africa has opened a new specialist fitment centre in Gauteng. It was established to enable the introduction of special edition models that are designed and tested locally. The company further intends to source parts from local suppliers. The value of this investment was not reported.

Mining

Anglo American is undertaking a series of investments, including upgrades and expansions for multiple mining operations in Limpopo and one in the North West. So far, R89 million has gone towards the project studies. The combined value for these projects come to approximately R3.3 billion.

Platinum Group Metals (PTM) plans to develop the Waterberg PGM mine, an underground platinum group metals resource. The estimated investment value of the project is US$1.06 billion (R18 billion).

Kropz is developing the Elandsfontein phosphate mine in the Western Cape. The mine was commissioned in 2017, but production stopped soon after to improve the processing plant, as well as a low phosphate price at the time. Kropz has invested about US$120 million to date on developing the project, with a substantial portion spent on implementing green mining practices.

Updates

Google is ending the Google Station initiative, a free public Wi-Fi offering. In South Africa it was launched in partnership with Think WiFi. Google will be transferring the local operations to Think WiFi and will provide support through the transition until the end of 2020.

WeWork's Cape Town location is operating, after expansion to the city was announced in 2019. WeWork offers workspace with other locations in Rosebank and Sandton. Globally, the company has had increasing financial challenges since it filed papers for an initial public offering in August 2019. In addition to empty office spaces and closures, employees in some locations have been retrenched.

Saudi Aramco has selected Richards Bay as the location for the planned US$10 billion (R138 billion) crude oil refinery and petrochemical plant. Saudi Aramco and the Central Energy Fund have also started working on a pre-feasibility study.

Construction at Rio Tinto's Richard Bay Minerals' R6.5 billion Zulti South project was paused at the end of 2019. The shutdown was preceded by tensions in the surrounding communities.While not related to the company, these caused disruptions. Following an intervention by provincial authorities and a three-week shut down operations were being phased in at the beginning of 2020.

Orion Minerals Prieska copper/zinc project in the Northern Cape has been granted an environmental authorisation for the Vardocube resource in the southeast extension of the Prieska orebody. This is a move towards securing a mining right for the southeast extension for the ore deposit. The investment for the project comes to about A$378-million (R4.4 billion).

Briefing Note: Coronavirus – The impact of COVID-19 is likely to exacerbate pre-existing inequalities

The lockdown regulations in response to the COVID-19 health crisis have disrupted economic activity, the organisation of work, and communities. COVID-19 has presented itself as a health crisis, burying itself in a host of pre-existing inequalities and has manifested as an economic crisis in South Africa.

As a result of the persistent challenge of inequality in South Africa, the public health and economic response to the pandemic is likely to have differentiated outcomes for different groups in society, and pre-existing inequalities shape the health and economic response to the pandemic.

In this context, South Africa's COVID-19 Risk Adjustment Strategy to managing the spread of the virus and opening the economy involves an iterative process of predicting the differentiated outcomes for different groups as a result of implementing the regulations. This approach to managing the feedback loops resulting from the lockdown regulations intends to balance and minimise the risks for different groups, when possible. Applying gender and race dimensions to the analysis of likely outcomes is central to understanding the feedback loops or outcomes of the public and economic response to the pandemic. This briefing note aims to consider the impact of the lockdown regulations on different groups in society from a gender perspective.

The latest Statistics South Africa (StatsSA) employment data reveal that unemployment is now at 30.1%, and the percentage of women in long-term unemployment is 69% (StatsSA, 2017). While the number of unemployed have increased, a comprehensive picture of the impact of the lockdown on employment is likely to lag. BankServe Africa data measuring changes in net take-home pay, to some extent, offers an indication of the impact of the lockdown regulations on employment in real time. The latest data on net take-home pay, show that over the year to May 2020, wages and salaries paid to employees declined by 7% (after adjusting for inflation). This data is biased towards large companies and is likely an underestimation of changes in compensation. However, the data provide a breakdown of changes in compensation by level of occupation. The latest data reveal that lower income earning employees (earning between R6 000 and R10 000 a month) have been disproportionately affected. This highlights differentiated outcomes by sector and the organisation of work.

In terms of women's employment, women are over-represented in healthcare, retail, education, personal services, tourism, domestic work, food and beverages, and the clothing and textiles industry. Black women tend to be clustered on the lower end of the income distribution within these industries. Excluding healthcare and education, these sectors are characterised by low pay (median pay of between R2 700 and R4 700 in 2016 (StatsSA, 2016)).

The pattern of women's employment reflects their concentration in paid caring activities of all kinds, from nursing to teaching to domestic work and hair salons. In the age of COVID-19, these are particularly risky activities, and nursing in particular has seen a very high incidence of infection in South Africa and internationally. Yet the skills involved in caring (and in retail, another key employment area for women) have been systematically undervalued, as reflected in comparatively low pay. Even professionals in the caring industries have lower median salaries than other occupations with similar skills requirements. Moreover, many workers in personal services, cleaning and much of retail have limited job security and were not paid when the lockdown barred them from working.

In terms of business ownership, in the formal and informal sector, women are clustered in tourism retail, film, clothing and textiles, and social and personal services. Informal businesses in personal services often provide financial security by supplementing incomes and provide community services which are fundamental to reproducing labour and to the functioning of society, e.g. education, childcare and community services. In terms of formal businesses, women tend to own smaller-sized businesses and are clustered in industries that have historically not received consistent and/or significant industrial support relative to heavy industry. In 2018, R7.9 billion was approved for black industrialists and approximately R2.2 billion was approved for businesses with female ownership of more than 25%. The structure of support provided typically applies a cost-sharing model. In a context in which access to capital, provided by the public and private sector, has been a persistent challenge for women, structural constraints faced by women-owned business are likely to persist.

In practice, the lockdown intensified unpaid work mostly for women, who ended up with the burden of childcare as schools closed, and often additional cleaning because they were expected to end outside help, whether paid or from relatives. Yet women are over-represented in the essential services, especially in healthcare, retail and food and personal protective equipment (PPE) production.

The consistent undervaluation of women's work emerged in the decision to increase grants to caregivers for children by only R500 for five months from May. The new grant goes to people who already receive child-support grants. Like the child-support grant, it is only around half the poverty line estimated by Statistics South Africa. In other words, it will lift half a person out of poverty. For comparison, the old-age and disability grants are both large enough to support two people above the poverty line. It is difficult to disentangle the complex and long-entrenched processes that shaped gendered patterns of race and gender in the labour market. However, as South Africa moves from the relief to the recovery phase of the economic response to the pandemic, South Africa's COVID-19 Risk Adjusted Strategy should look at the ways in which different groups in society are affected so as to avoid aggravating and reproducing pre-existing inequalities.

Briefing Note: Coronavirus – South Africa's banking system response to SMMEs

The impact of the 2008 global financial crisis on South Africa's financial system was not the massive losses to nefarious financial products but rather the tightening of credit markets that constrained the economy for up to two years after the crises. This constraint was particularly hard on the small business sector and, according to Gabriel Davel from Centre for Credit Market Development, the decline in credit was 20% less between 2008 and 2010 (in the lending to the category of small- and medium-sized businesses (SMEs) receiving finance up to R12.5 million).

With the economic impact of COVID-19 likely to be worse than the 2008 financial crisis, the risk to the economy is a significant reduction in credit and less financial liquidity. The impact would be that small businesses in particular would struggle with cash flow in addition to the myriad of other problems in the post COVID-19 economy, including a drop in consumer credit, constrained demand, and disruptions of supply chains.

Have there been lessons learned from a recent financial crisis, and a resultant shift in the approach taken during this economic crisis by the South African banking system?

Banks accepted the Prudential Authority (PA) temporarily amending Directive 7 of 2015 on Restructured Exposures hence, for the duration of the crisis, loans restructured will not attract a higher capital charge. This amendment covers loans to households, SMEs and corporates, and for specialised lending. For the duration of the crisis, the Liquidity Coverage Ratio (LCR), a ratio setting out the liquid assets a bank has to maintain in relation to its anticipated outflows, is being lowered from 100% to 80%. In relation to capital relief, the Pillar 2A capital buffer, which is set at 1% of risk-weighted assets, is now set at zero. The PA has also provided clear criteria that provide for banks to dip into their capital conservation buffer, which is set at 2.5% of risk-weighted assets. This combined set of measures is an important part of the response as it offers scope for the banks to increase liquidity and lend more at a lower cost during this crisis.

In terms of specific bank actions, Absa, First National Bank (FNB), Nedbank and Standard Bank have partnered with the South African Future Trust (SAFT), the Oppenheimer fund, to administer a soft loan to affected small, micro and medium enterprises (SMMEs), based on number of employees. SMMEs will be able to apply for a five-year interest-free loan to give their employees a lifeline. Qualifying SMMEs will receive weekly payments of R750 per employee over 15 weeks. The loan has no minimum monthly payment requirements, and no interest will be charged; it does, however, need to be settled in full at the end December 2025.

Further, Standard Bank is offering a Coronavirus Payment Interruption Scheme on business loans for small businesses with a turnover of less than R20 million a year, which means a three-month instalment relief for all personal loans for small business owners. Nedbank and Absa also have a similar model, i.e. payment holidays where a business can delay loan repayments through a three-month payment holiday.

FNB has committed R8 million in grant funding to enable micro-entrepreneurs to resume work during and post the COVID-19 pandemic. In addition, firms with Asset Based Finance or Commercial Property Finance can apply for a payment break on the loan for up to three months, and firms may qualify for a reduction from 10% to 5% on their minimum monthly Business Credit Card instalments. FNB also has a loan scheme whereby the loan period is 66 months and includes a six-month payment break.

A further measure is the government loan guarantee programme that sees the National Treasury offering guarantees via the South African Reserve Bank to the banks for a specialised COVID-19 loan. The uptake of this facility has been exceptionally low, and most recent reports show that two months after its launch the uptake was approximately R10 billion of the R200 billion available. This low uptake of the single largest intervention in response to the current economic crisis is a concern; businesses are either not applying for, or able to access, this facility. Improvements have been made in structuring the facility, with considerations given to the size of loan, asset requirements, and other factors. A bigger shift may, however, be needed, and consideration should be given to shifting some of the resources from this COVID-19 Loan Guarantee into the more generalised loans made by banks to SMEs and provide a guarantee for those loans, and thereby stabilise access to credit by small businesses.