TIPS TRACKER
TRADE & INDUSTRIAL POLICY STRATEGIES
Tracking trends and analysing the COVID-19 pandemic and responses

THE ECONOMY AND THE PANDEMIC

WEEK 15 to 21 JUNE

KEY FINDINGS FOR THE WEEK

On the pandemic

- Transmission in Gauteng and the Eastern Cape continued on the accelerated path that kicked off with the move to Level 4 and escalated in Level 3. In Gauteng, the number of cases nearly doubled over the week to reach 137 per 100 000 residents; in the Eastern Cape, the figure topped 200; and in the Western Cape, it was over 700. In the other provinces, the incidence remained under 30. Differences in provincial testing strategies make comparisons increasingly difficult, however.
- Government effectively reopened nearly all economic activity but continued to ban family gatherings except for funerals. It argued that relaxing restrictions on economic activity means individuals become responsible for limiting transmission. Government announced a new Ministerial Advisory Committee comprising religious and civil society representatives to promote behavioural change.
- Government accelerated economic reopening largely in response to intense lobbying by businesses, often backed by the relevant Ministers (notably for mining, tourism and small enterprise). But it also reflects a conceptual contradiction: is COVID-19 like the flu, with an inevitable winter spike that equally predictably dissipates, or like HIV or TB, where behavioural changes can prevent transmission for long periods? If it is like flu, government should focus on bolstering the health system to deal with the surge in cases; if it is like HIV or TB, it should focus on changing behaviour plus tracing and isolating new cases.

On the economy

- The economic bounce from Level 3 largely levelled out by mid-June. The banks now expect up to 10% impaired loans, compared to 6% in 2008/9. They have deferred payments for business and individuals on a large scale, but mostly only through June.
- National Treasury will announce the supplementary budget on Wednesday, promising fundamental restructuring to address the COVID-19 depression. It expects the GDP to return to 2019 levels only around 2023.
- Given South Africa's unusual inequalities, the economic-policy response to the pandemic imposes tough choices. Hotspots have emerged almost exclusively in the metros' dense townships and informal settlements, while workplace clusters mostly affect manual workers in mining, manufacturing, retail and public and private services. In contrast, higher-income professionals and managers can largely maintain physical distancing at work and while commuting, or even work from home. The state has effectively agreed to encourage businesses to reopen to boost incomes despite accelerating transmission, rather than extending the grants and UIF payments that enabled low-income households to avoid infections at work and in public transport.

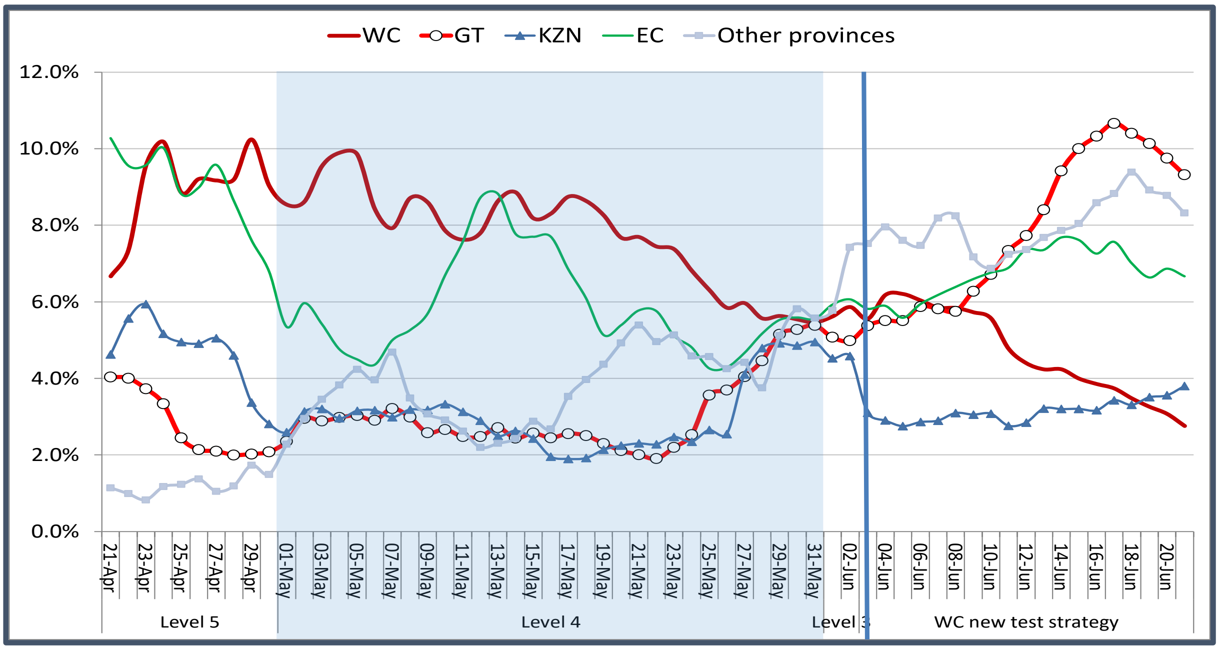
TRENDS IN THE PANDEMIC

Overall trends

The rate of growth in new cases remained elevated in Gauteng, the Eastern Cape and the North West over the past week. In contrast, it appeared to slow down in the Western Cape. That trend is, however, likely exaggerated by the adoption of a new testing protocol there. The Minister of Health indicated that other provinces may also have begun to change their testing strategy.

The rate of growth averaged 9,3% a day in Gauteng and 6,7% in the Eastern Cape over the week to 21 June. In both provinces, the seven-day rolling average appeared to slow in the second half of the week. The national government expressed more concerns about the Eastern Cape, which has relatively weak health infrastructure, than Gauteng. Moreover, while Nelson Mandela Bay and Buffalo City are still the main hotspots, there is some spread in the historic labour-sending regions, where health infrastructure is very limited. Of the provinces, North West had the highest rate of growth in new cases, mostly on the platinum belt. It averaged 13,9% a day in the week to 21 June, but the incidence was far lower than in the other high-transmission provinces. In contrast, reported growth in new cases declined to 2,8% in the Western Cape. As noted, some observers argued the data were not comparable to earlier figures because the province changed its criteria for testing in early June.

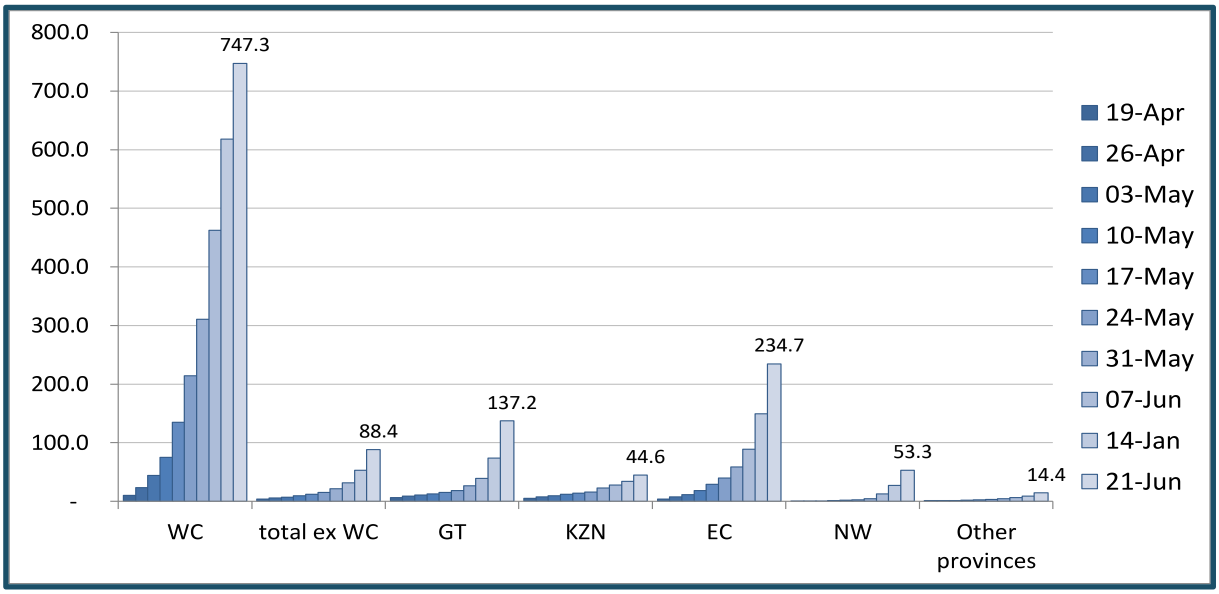
Graph 1. Seven-day rolling average growth in reported cases from 21 April to 21 June, by province (a)



Note: (a) The sharp decline in the reported growth in cases in the Western Cape in June may be partly due to a change in testing strategy, which was announced on 3 June. *Source:* Calculated from data accessed at www.sacoronavirus.co.za on relevant dates.

The acceleration in transmission meant that the incidence of cases climbed rapidly over the past week. In Gauteng, it rose from 74 per 100 000 residents on 14 June to 137 per 100 000 on 21 June. In the Eastern Cape, the incidence climbed from 149 to 235; in the Western Cape, from 618 to 747. In the North West, the incidence doubled off a low base, rising from 27 to 53. It was 45 in KwaZulu Natal and 14 in the rest of the country.

Graph 2. Number of cases per 100 000 people by province, weekly, from 28 April to 21 June

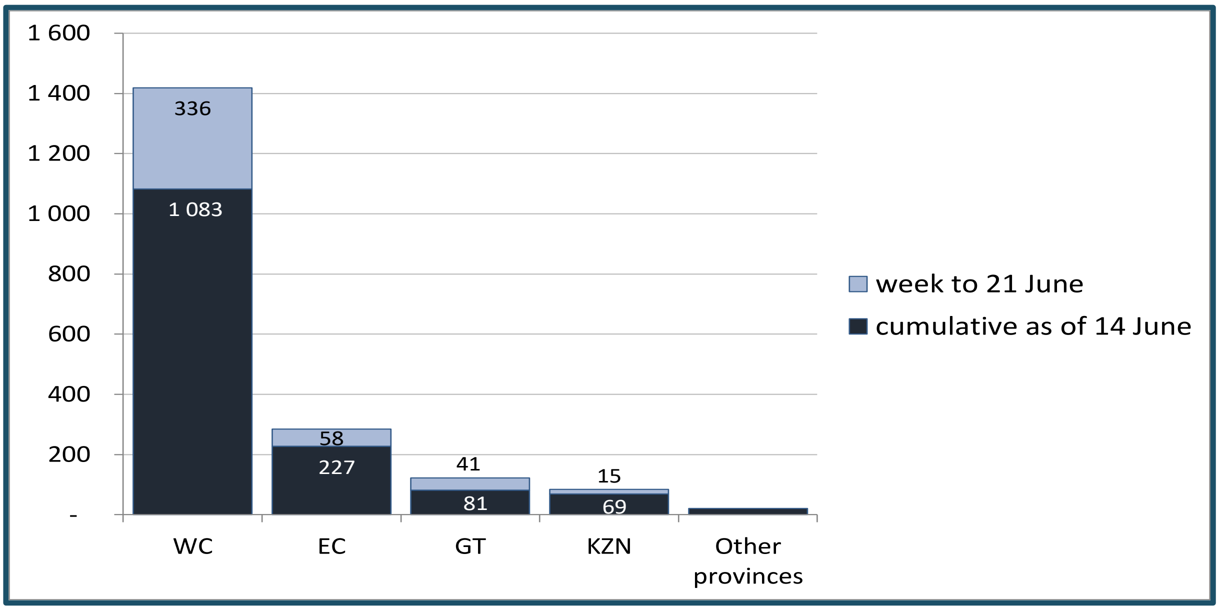


Source: Calculated from data accessed at www.sacoronavirus.co.za on relevant dates.

A higher incidence, reflecting broader community spread, means more resources are needed for successful contact tracing and isolation of actual or potential new cases. In Gauteng, the number of people traced per new case fell from over five in early May to under 2,5 on 10 June, and under 1,5 by the middle of last week. Not surprisingly, cases began to emerge with no obvious transmission path, for instance in schools and retail outlets.

The Western Cape continued to account for the majority of deaths from COVID-19. But weekly growth in deaths had slowed from 90% in the third week of May to 30% in the past week. In contrast, in the rest of the country the number of deaths grew fairly consistently at around 25% a week. That said, deaths usually lag infections by around three weeks. The acceleration in transmission in Gauteng, the Eastern Cape and the North West over the past six weeks will likely lead to a visible uptick in July. In Gauteng, the number of deaths climbed 14% at the end of May but around 50% over the past two weeks.

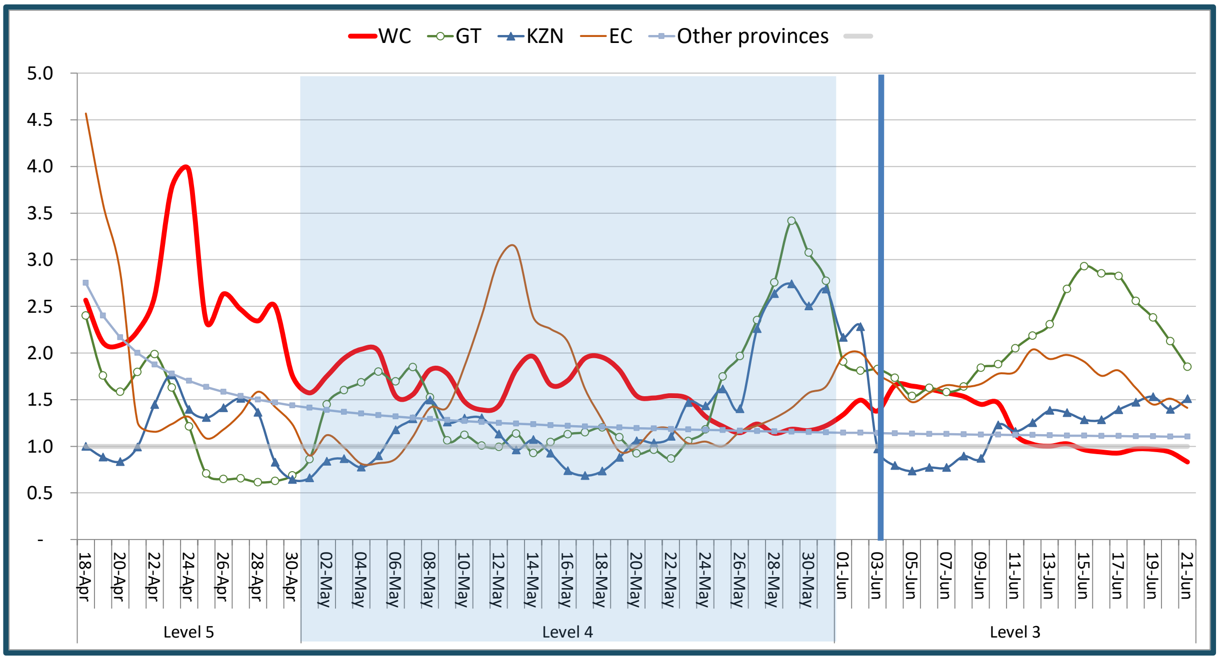
Graph 3. COVID-19 deaths by province, cumulative to 14 June and in the week to 21 June



Source: Calculated from data accessed at www.sacoronavirus.co.za on relevant dates.

Nationally, the ratio of new cases to cases discovered a week earlier was around 1,5, suggesting that on average each new infection led to 1,5 more new cases. Absent stronger behavioural change to prevent infections, that means the number of cases will continue to rise exponentially. Still, the ratio reportedly declined for most provinces over the past week. It was under one (which would mean new cases will start to decline) only in the Western Cape, but the low number there may result from changes in testing strategy. Experience over the past two months suggests that last week's reopening of relatively high-risk personal services, restaurants and casinos will boost the figure at least temporarily.

Graph 4. Number of new cases compared to cases reported seven days earlier (using rolling seven-day averages for daily figures), 18 April to 21 June, by province (a)



Note: (a) The blue line indicates the announced start of a new testing strategy in the Western Cape. *Source:* Calculated from data accessed at www.sacoronavirus.co.za on relevant dates.

Some observers argued that the adoption of a new public-private testing regime in the Western Cape from early June meant that the province was understating the number of new cases. Because of the shortage of testing kits nationally and globally, the province began to prioritise tests for people who are hospitalised, aged over 55, or have co-morbidities, as well as for health workers. The average number of tests there fell from 5 500 in the week to 28 May to 3 900 in the week to 11 June, but recovered to 4 100 in the week to 18 June. The share of positive tests in the total rose from 25% in the week to 28 May to 30% in the week to 18 June. In contrast, in the rest of the country the positive share tripled from 3% to 9%. The increase mostly reflected the surge in infections, but it is possible that the other provinces also began to prioritise higher-risk cases in the face of shortfalls in testing kits.

The risk for old-age homes

A recent study by the European Centre for Disease Prevention and Control found that, in Europe and the US, through mid-May, deaths in old-age homes accounted for between a fifth and two thirds of all deaths from COVID-19. Four factors appear to have led to this outcome. First, most old-age homes in the global North rely on shared facilities and common living spaces. Second, they house a relatively high share of the elderly population – around 5% in the UK and the US, for instance, or 420 000 residents in the UK and 2,5 million in the US.

Third, most old-age homes rely on low-income, often immigrant caregivers, who often lack resources to shield themselves from infection at home or while commuting. As a result, they end up bringing the infection into their workplaces. Finally, once COVID-19 spread widely in communities, it proved impossible to insulate older people. Everyone has some kind of outside contact, especially when they need help with cleaning and meals. The UK and Sweden both argued that older people could effectively protect themselves, but COVID-19 cases soared in old-age homes anyway.

From this standpoint, South Africa has three main advantages. First, only around a tenth of the population is aged over 60, compared to between a fifth and a quarter in most of the global North. Second, according to the Department of Social Development, there are only around 420 old-age homes in the country. The number of residents is not published, but it is likely under 10 000. It is not clear if these figures include all old-age residences, for instance retirement homes with frail-care centres. Still, most retirement communities in South Africa comprise separate houses rather than flats with shared dining and recreational rooms. Overall, in South Africa fewer than one in seven people over 60 lives in a flat or cluster house alone or with a partner. Third, retirement homes generally serve relatively well-off people, which means they have more resources to protect themselves. In addition, the government is providing old-age homes with protective equipment and training in infection prevention, and has prioritised them for screening and testing.

Despite these advantages, South Africa has seen a number of outbreaks of COVID-19 in old-age homes. In one Durbanville retirement community, one resident died, and 22 residents and 25 staff in the frail-care centre tested positive. The infection emerged even though residents were in lockdown – in itself a hardship – while caregivers were not allowed to use taxis and changed their clothes when they arrived. Another retirement centre in the Western Cape suffered a death, with more than 40 cases among staff and residents, while others have reported multiple infections.

Other residential facilities also face higher risks. In the first two weeks of June, five elderly nuns died at a convent in the Eastern Cape, and 17 more cases were confirmed among the 40 residents. One of the nuns apparently contracted COVID-19 while working as a nurse. A psychiatric hospital in the Eastern Cape also had an outbreak. It has 400 workers and 320 patients; four died in May and six in the first two weeks of June, but it is not clear if all the deaths resulted from COVID-19. In corrections facilities, around a thousand inmates and 625 officials had been infected, and 12 had died as of 17 June. The deaths were all in the Western and Eastern Cape. Overall, South Africa has 156 000 inmates in 240 corrections facilities. To reduce density, 19 000 are being released over the coming weeks because they did not commit violent crimes and are a low risk to the community.

The change in course on preventing infections

During the week, government permitted personal services, casinos, hotels and restaurants to open subject to regulations on safety requirements. The near-total opening of the economy in all districts set the seal on a fundamental change in course for government policy on the pandemic.

As of Friday, the government had gazetted regulations only for personal services, which include such high-risk activities as spas, tattooing parlours and hair salons. The regulations centred on wearing masks and sanitation as well as spacing of customers, since physical distancing between customers and workers is largely impossible in these industries. The rules encouraged, but did not require, vulnerable employees and employers – that is, people aged over 60 or with co-morbidities such as serious overweight or diabetes – not to come to work.

Initially the government planned to limit transmission of COVID-19 by delaying the opening of high-risk activities until the number of new cases was dropping, leading to lower incidence of active cases. It argued, too, that districts should vary restrictions on economic activities depending on the local level of transmission as well as the extent to which hospitals could manage new cases.

In practice, this “risk-adjusted” strategy has now been replaced by

- efforts to restore economic activity as rapidly as possible across the country, including in “hotspots” with a relatively high incidence of COVID-19, while
- restrictions on social and family interactions outside of worship and funerals remain.

The only businesses that are still closed appear to be bars, clubs and concerts. The strategy on hotspots and clusters now appears to be, not to restrict activities, but to bolster resources for the health sector and to expand communication on how to avoid risks.

In the past week, government spokespeople emphasised that the new strategy means individuals now have the responsibility for changing their behaviour to limit the transmission of COVID-19. It has assisted by introducing regulations to ensure safer operations in workplaces, public transport, retail outlets and personal services, as well as limiting meetings that do not have an economic purpose, such as reuniting with family and friends. It has not, however, done much to improve information and communication on how to manage the risk of infection, or to ensure particularly low-income people have the resources they need to do so effectively.

For instance, the regulations on personal services say that “Employees and owners above the age of 60 or with co-morbidities must be discouraged from working.” It does not, however, specify that the affected workers will be eligible for continued pay or UIF support if they do not return to work when the business is allowed to reopen. As a result, many vulnerable workers in service industries, who typically earn low pay and have limited savings, may have no choice but to go back to work despite the risks. Moreover, the regulations do not define co-morbidities, which means workers and employers may not know which conditions would justify staying away from work.

The Ministry of Health has established a new Ministerial Advisory Council (MAC) to assist in promoting behavioural change. The MAC has 41 members, including 16 from religious organisations and between three and five apiece from public-sector unions, women’s organisations, health-advocacy groups, other civil society groupings, as well as two organisations for older people and one law firm. It is chaired by Bishop Malusi Mpumlwana of the South African Council of Churches. It was not clear if the establishment of the MAC would be linked to improved resourcing for programmes to enable and empower people to manage the risks of the pandemic better.

Government’s acceleration of economic reopening seemed to result largely from intense lobbying by business groups from sectors originally considered too risky. It appears that the Ministers responsible for supporting and regulating their activities, notably in mining, tourism and small enterprise, also acted as advocates for these groups. Moreover, the unions largely supported faster reopening of economic activities. They argued that their members needed to go back to work because the government was not prepared to extend the UIF support programme for workers affected by the lockdown. They balanced their call to end restrictions on economic activities with demands that employers and the state do more to enforce the new safety regulations in workplaces and public transport.

The shift in the government's approach to reopening the economy also reflected two contradictory approaches to dealing with epidemics. One view holds that, as with the seasonal flu, the pandemic in South Africa is approaching a "spike" – that is, a rapid surge in cases followed by a sharp decline. The flu brings an inevitable winter season that equally predictably dissipates, usually without inflicting severe harm in the process. A second theme in government's response seems to draw more on experiences with HIV or TB, where there is no natural spike and the illness is often lethal.

These two analogies for the COVID-19 pandemic lead to divergent public health responses.

- If COVID-19 is analogous to a severe flu, government should focus mostly on ensuring sufficient capacity to deal with the peak number of cases. It may encourage behavioural change to delay the peak, but does not aim for a steep reduction in the total number infected. At some point, new cases will start to decline on their own. This approach appears to underpin the view of the Premier of the Western Cape, who contended this week that the province is approaching the "peak" of COVID-19 infections. He did not, however, specify what would drive a decline in cases, since only a tiny fraction of the population has had COVID-19 and there are still no broadly effective treatments.
- In contrast, if COVID-19 is seen as a serious infectious disease that will not dissipate of itself, then it is worth encouraging far-reaching, often disruptive, behavioural changes to hold down the number of cases for as long as possible, even for years. Moreover, the expense of tracing contacts for each case and isolating them becomes worthwhile to hold down the incidence of the disease.

The divergence in analogies used to frame projections for COVID-19 generates a conceptual confusion around whether and how to open up the economy. If the pandemic is like a flu, then at some point the surge cannot be avoided but it will not be unbearable for society. The costs of keeping any activities closed, however high risk, then become unnecessary and unacceptable. If the pandemic will not necessarily spike and then go away, however, it is worth a substantial economic cost to keep the incidence as low as possible. People who face a high risk of catching COVID-19 – for instance, because they work in risky jobs, live in dense settlements or have co-morbidities – are more likely to see the economic cost of restrictions as worthwhile. In either case, individuals who have the resources to avoid infection are more likely to resist government strictures on the economy than people who cannot effectively isolate themselves at work, while commuting, or at home.

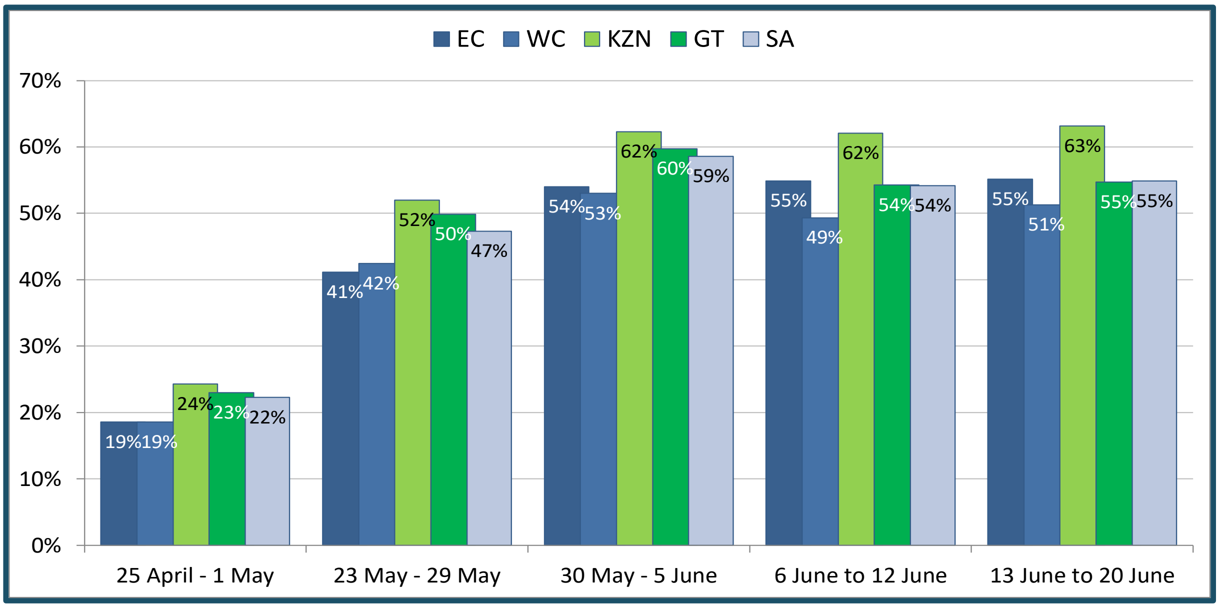
TRENDS IN THE ECONOMY

Macroeconomic developments

The available evidence suggests that, as with the move to Level 4, Level 3 brought an initial bounce, but then economic activity largely levelled off again. At the same time, the extent of the damage wrought by the downturn is becoming increasingly apparent, including through a record increase in impaired debts.

The Yoco tracker of small business turnover found that, in the week to 20 June, small business turnover was essentially unchanged on the previous week, after declining slightly from an initial uptick with the move to Level 3 in the first week of May. Gauteng and the Western Cape have seen a decline over the past two weeks.

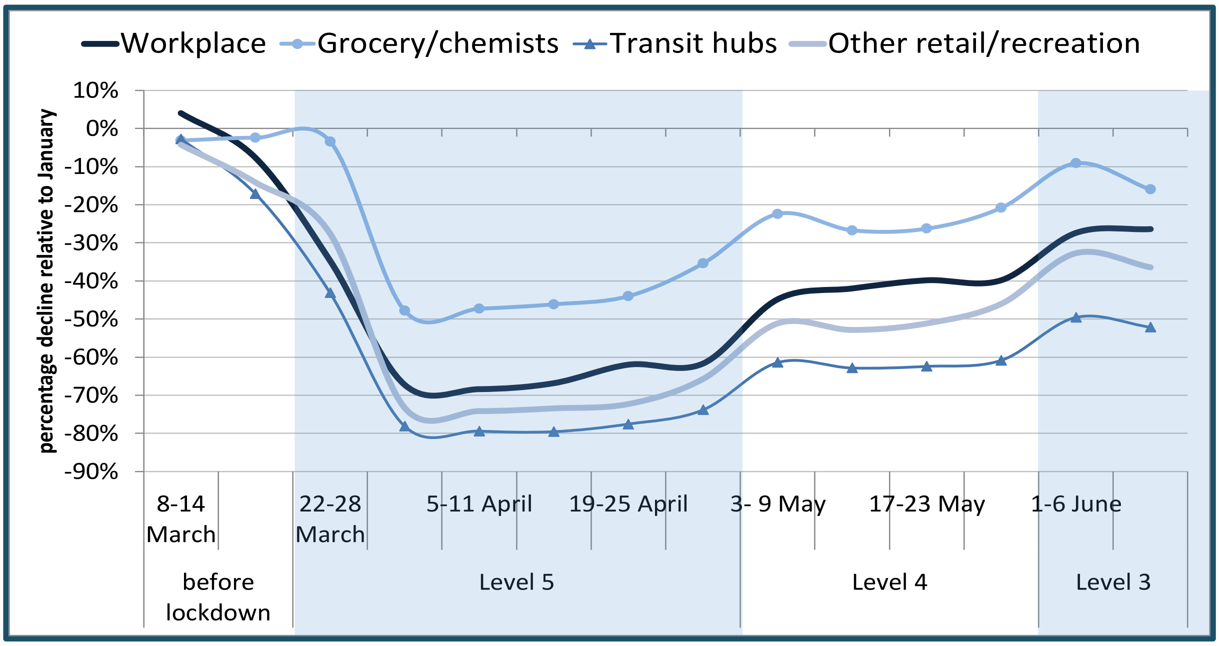
Graph 5. Small business turnover relative to the first two weeks of January, average for week to Friday through 20 June



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

Eskom did not publish the usual weekly figures for electricity sent out. But travel for retail and recreation and for public transport actually declined slightly across the country in the second week of June, while travel to work was basically unchanged.

Graph 6. Percentage change in travel by type of destination, weekly average from 8 March to 7 June, compared to January 2020

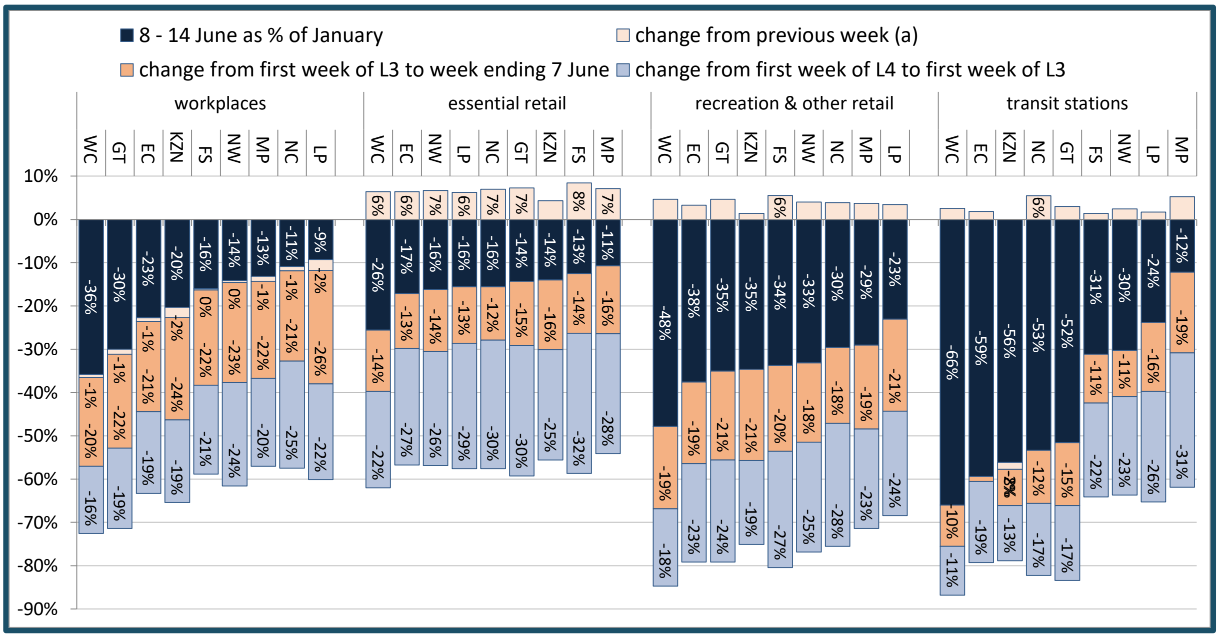


Source: Calculated from Google COVID-19 Community Mobility Reports. Accessed on relevant dates at https://www.google.com/covid19/mobility/.

The data continue to suggest that the slowest return to normality occurred in the provinces with the highest incidence – the Western and Eastern Cape, Gauteng and KwaZulu Natal. As people become aware of escalating infections in their regions, they are more likely to avoid unnecessary trips, especially for retail and recreation.

Graph 7. Percentage change in travel by type of destination, by province, weekly average for selected weeks compared to January 2020

Note: Positive figures mean that travel declined in the period.



Source: Calculated from Google COVID-19 Community Mobility Reports. Accessed on relevant dates at https://www.google.com/covid19/mobility/.

The extent of the downturn due to the pandemic was demonstrated by the Banking Association's estimate that bad debts could reach 10% of the total. That compared to just 6% during the global financial crisis in 2008/9.

In May, the level of bad debts was still only 4,3%, but that figure largely reflected extensive relief provided by creditors – which was due to come to an end in July. The banks approved a total of almost R12 billion in deferred payments for 124 000 small and medium businesses (out of a total of 132 000 applications) from the start of the lockdown. The average value of relief came to R95 000. The banks also provided R16,5 billion in relief to 2,2 million individuals of the 2,6 million that applied. Housing bonds account for the bulk of individual debt. The Banking Association urged debtors to apply for an extension, and at least one major bank is offering another three months' extension. Still, the level of deferred payments means companies will face increased pressure down the road.

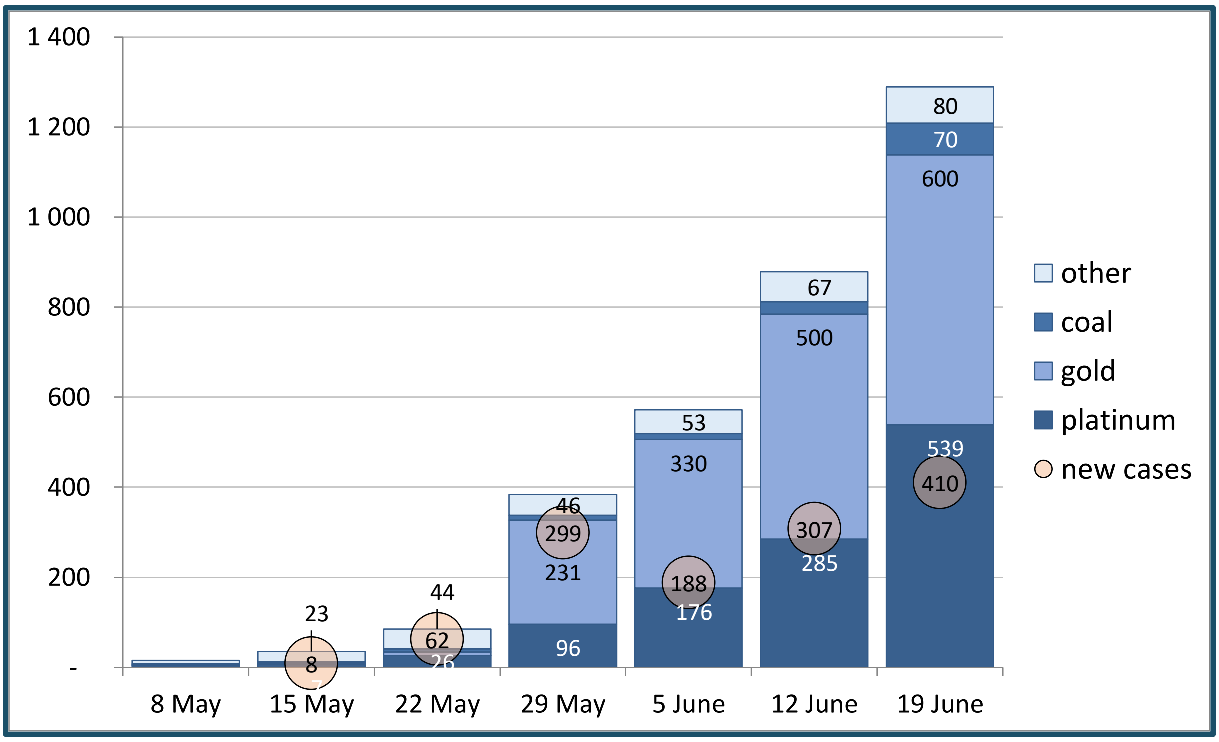
Company developments

Infections

Clusters continued to emerge in both public and private workplaces, pointing to the limitations of regulations designed to manage the risk. Only mining, however, established an industry-wide system to consistently report on trends, which in turn made it possible to identify risk factors systematically. No industry appeared to have set up systems to analyse clusters so as to identify ways to improve practices for preventing infection.

The number of cases in mining climbed from 879 as of 12 June to 1 289 a week later. Almost all of the new cases were in underground gold and platinum mines. The surge in platinum largely explained the escalation in cases in the North West. The Minerals Council calculated that there were 290 cases per 100 000 miners, although the incidence was substantially higher in gold and platinum. For mining as a whole, the rate was just over twice as high as for the country. The mines had conducted 3 010 tests per 100 000 miners, compared to a national average of 2 070. Despite the high level of testing on the mines, however, 9,5% of tests came back positive, compared to only 6,8% for the rest of the country.

Graph 8. Reported cases in mining by commodity, 30 May to 19 June



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

A representative of the Minerals Council told the Parliamentary portfolio committee that crowded quarters in cages and shafts means underground mines are as much at risk for infection as prisons and similar "congregate settings". That is why miners have long faced challenges around TB. At the same hearing, union representatives complained of inadequate communication about cases, risks and safety measures. As a result, workers end up relying on rumours, which increases their stress.

Clusters continued to show up in other industries, but in contrast to mining they did not have a system to provide a consistent, up-to-date overview. Often workplace clusters got publicity only because unions went to the media in an effort to leverage improved information or prevention measures from employers.

On Wednesday, labour inspectors compelled Sea Harvest to temporarily close its Saldanha Bay operations because it did not comply with physical distancing requirements. Some 80 out of its 1 400 employees on the West Coast tested positive for Covid-19. It will be allowed to reopen when it can demonstrate that it is complying with safety regulations.

In Midrand, a large Dischem warehouse reported eight cases out of almost 2 000 workers. The cases were found because the contacts of a symptomatic worker were traced and tested.

Television production was permitted under Level 4, but a number of series have been stopped because of COVID-19 infections in the cast or crew. *Muvhango* shut down last week after a crew member was exposed to an infected person. It followed in the footsteps of M-Net's *The River* and SABC's *Skeem Saam*, which closed earlier because of exposure to infections.

As noted last week, public sector cases are more widely reported, especially in healthcare and more recently in education.

In the health sector, the hardest hit has been the Western Cape, followed by the Eastern Cape. The Western Cape Department of Health anticipates that actual and suspected infections will result in a 20% absentee rate. It hopes to fill the gaps through redeployment within and between hospitals, contracting agency staff, and recruiting new personnel. As of last week, a total of eight nurses had died. Two were at a primary health centre, which underscores the risks in hotspots even outside of hospitals. Groote Schuur has about 300 doctors and 1 370 nurses as well as support staff working in rotation across the COVID-19 wards; some 296 staff had tested positive by last week. In the Eastern Cape, over 200 health workers tested positive. Bisho Hospital had to close for a second time last week because eight workers had COVID-19; the first time, on 20 May, it had to discharge or transfer 55 patients because a nurse died and three others tested positive. At Middelburg Hospital, some 30 staff members tested positive.

Debates have emerged over the causes of clusters in hospitals. Management consistently argues that the nurses do not maintain social distancing when socialising or in common spaces such as kitchens. Moreover, as in other industries, they often insisted workers must have caught the infection off-site, reducing their liability under occupational health and safety laws. In response, nurses and other workers generally blame inadequate protective equipment and making people return to work after they have been exposed unless they have a positive test result. In both the Eastern and Western Cape, test results can be delayed by two weeks or more, increasing the risk of transmission in the interim.

Labour inspectors closed non-medical parts of Tygerberg Hospital last week. They shut down the main kitchen, storerooms, lifts, the engineering department and parts of the administration block because they did not comply with safety regulations.

The reopening of the schools brought a series of actual and rumoured cases. Nationally, over a hundred schools have been closed at least temporarily because staff or learners were ill or feared they had been exposed. Often there was no obvious source for the infection. For instance, two teachers, a principal and a school administration clerk in North West Province tested positive for Covid-19. They were asked to self-isolate while the school was closed for deep cleaning.

Meanwhile, the Department of Employment and Labour had to temporarily close its own Labour Centres in Paarl and Mitchell's Plain, as well as a satellite office in Nyanga, after an employee tested positive. It had previously had cases at an office in the Eastern Cape and another in the Western Cape. The UIF head office in Pretoria also had to shut down temporarily because of an infected worker.

While the union federations all welcomed the reopening of businesses, they expressed concerns that employers did not fully comply with regulations and that public transport remained unsafe. When clusters emerged, or were rumoured, workers often protested or walked off the job because they felt that the employer was not providing the resources required to work safely – typically protective equipment, deep cleaning, testing and payment for self-isolation or quarantine. But pushing the responsibility onto individual employers rarely works. Addressing workplace risks consistently required both stronger training for workers on risks and prevention measures, and consistent analysis of clusters so as to continually improve infection-prevention measures.

Industry and company developments

Internationally and in South Africa, companies that were in trouble before the pandemic now face the prospect of serious downsizing or even bankruptcy. In contrast, businesses that were in better shape in early 2020 face severe stress but still seem far less likely to fall into crisis. Some even expect to expand their market share at the expense of weaker rivals.

Taxis

Gauteng's main taxi associations blockaded commuter transport on 22 June to back up their demands for a larger subsidy from the state to compensate for their loss of business. The lockdown affected the taxi industry nationally by reducing the number of commuters. As a result, the government estimates that one in five had to stop running altogether at least through Level 4. At the same time, to ensure social distancing, taxis have to leave 30% of seats empty as well as requiring masks and sanitation for passengers. Their business model, however, requires that they run full to cover their costs, which often include loan payments on the taxis themselves. Pressure on owners has intensified because many deferred payments until July, so they urgently need an extension or increased revenue.

To help taxi owners deal with pandemic-related losses, government offered R1,14 billion, or around R5 000 per taxi. In return, the taxis would have to register to pay tax and open a bank account. The national taxi association, Santaco, called for a minimum of R15 000 per taxi, down from an initial demand of R20 000. The total cost would come to over R3 billion.

Santaco also plans a R4 to R5 increase in fares. That could add up to a 45% hike on some routes (for instance, from Alex to Sandton). It would impose real hardship on many workers, most of whom faced pay cuts during the lockdown while many are still working reduced hours.

Sasol

Sasol announced substantial downsizing during the week, although it has not indicated how many of its 26 000 South African workers will be affected. For several years the company has made losses on a major new chemicals project in the US, with its profits mostly coming from its coal-to-liquid fuels plants in South Africa as well as its majority share in the Natref refinery. The coal liquification process is fairly expensive, so Sasol has suffered from the sharp fall in world petroleum prices following the pandemic lockdowns. Natref closed due to lack of demand especially for jet fuel during the lockdown, but expects to resume production by the end of June.

As part of its restructuring strategy, Sasol plans to sell oil interests in West Africa and further downsize its basic chemicals production, which is located largely in South Africa. It also expects to sell a share of its US chemicals project, although the downturn from the pandemic will make that more difficult.

Mining

Although mining has been allowed to open fully under Level 3, only around 60% of workers had returned by the middle of last week. Delays were caused in part by the need for screening and fitness tests at TEBA offices, while closed borders kept out most foreign-born miners. The low staffing levels undermine profitability at underground mines, which are trying to accelerate the return of both local and foreign miners. Miners were mostly paid for just 21 days, or four weeks, work during the lockdown, sometimes with support from the UIF COVID-19 TERS fund.

Some marginal mines are looking at retrenchments. Moreover, the mines rely heavily on contract workers – often 20% to 30% of the total – and many have simply not called them back.

Village Main Reef, near Klerksdorp, has had severe financial problems since February as a result of poor ore grades and, according to the unions, mismanagement and internal theft. It had planned to lay off 6 000 workers in April, but put off downsizing until the end of the lockdown. Its employees demonstrated during the week, demanding that the owner's licence be transferred to another operator. Glencore/Merafe is also facing financial and operational challenges at its ferrochrome smelters and mines, and plans to retrench as well. It blames the escalation in electricity prices over the past decade, combined with rising Chinese competition and weak global demand. In addition, a number of small coal mines expect to retrench.

Amplats production is down 50% on pre-lockdown levels, but it expects to reach 70% to 80% by the end of 2020. It spent R1 billion on salaries during the lockdown. Its response to COVID-19 is expected to cost an additional R128 million, largely for protective equipment, a thousand-bed quarantine centre, test kits and sanitiser. It expects the infection rate on the mines to reach 7% to 10% of its 24 500 workers.

Hotels

South Africa's high-end tourism industry faces immense challenges because it relies heavily on international travel. Even after overseas flights restart, it is not clear how many people will be willing to undertake the very long-distance trips required to get to South Africa from overseas destinations. In addition, an inflow of international tourists seems improbable as long as COVID-19 is spreading rapidly in South Africa.

Tsogo Sun plans to reopen with social distancing, masks and sanitiser. Its debt has increased by R12 billion in the year to June, however, while its revenues came to just R2 billion. HCI has planned for an R822 million impairment as a result of the lockdown. Marriot will no longer operate the Mount Grace in Magaliesburg as well as its Protea Hotels in Hazyview and Durban, which it is returning to Tsogo Sun.

High-income housing

The share of residential tenants in good standing is expected to fall from 82% in the first quarter of 2020 to 73% in May. That is a higher share than forecast, in part because landlords have made concessions of various kinds. An expert at First National Bank expects residential rentals to recover fully only in 2023, with a loss of around 7% in their value through 2022, as a result of both lower household incomes and reduced tourism.

Housing sales are expected to fall by 45% in 2020, compared to a 40% drop during the global financial crisis in 2008/9. Prices on houses worth R1,5 million to R3 million – which are affordable only for the richest 10% of households – are expected to lose at least 5% on their prices despite lower interest rates.

Retail

Retail chains forewent huge sums in revenue from almost all products other than food and pharmaceuticals during the lockdown. Their ability to manage the losses depends in large part on how healthy they were at the start of the year.

Foschini has more than 4 000 stores in South Africa, other African countries, the UK and Australia, with 22 000 employees. It has been unable to open in the UK; could begin reopening its South African stores with limited customers under Levels 3 and 4; but did not have to close its Australian chain at all. Moreover, it had begun to build e-commerce capabilities before the pandemic. Still, it plans to close shops in South Africa in malls that face a decline in customers, with some down by 30% to 40%, unless property managers give it a discount on rentals.

In contrast, Edcon underwent restructuring two years ago and was in trouble even before the lockdown. In the past week it issued retrenchment notices to its 22 000 workers as it faces liquidation. It still hopes to sell its stores as a going concern so that all these jobs will not in fact be lost, but it will not know until July if it can find a buyer.

Massmart, which owns Game and Makro (and is itself owned by the US company Walmart), saw a R4,6 billion decline in sales from 30 March to the end of May compared to the previous year because it is mostly not in essential retail. Before the lockdown, it was already making losses, leading it to close down Dion Wired and start to reposition Game. Massmart has over 350 stores in South Africa and almost 40 in other countries in the region, with around 40 000 employees.

E-commerce

The lockdown spurred rapid growth in e-commerce both in South Africa and internationally. But the pandemic makes large, centralised call centres far riskier. In response, it appears that Amazon is looking to set up home-based call-service support. Specifically, it has advertised for 3 000 people in South Africa to work from home to provide support (sometimes during the night) for US and European customers. Applicants will need to be computer literate and have both matric and access to the internet. Through Amazon Web Services, Amazon already has 4 000 employees in South Africa, with cutting-edge software developers that help maintain its global network.

State-owned companies

Loss-making state-owned companies continue to seek solutions as government support dried up in the face of the pandemic. Of the troubled enterprises in this group, only Eskom seemed sure of support, because it is far too big to fail.

The business rescue practitioners at South African Airways (SAA) have tabled a package that would cost government over R25 billion. The largest cost elements are R16 billion in guaranteed debt, which the state will have to pay even if the airline is liquidated; R3 billion for unclaimed outstanding tickets mostly due to the lockdown; R2,2 billion to provide the minimum legal severance package for 3 700 workers, with only a thousand staying on at the new airline; R2 billion to revive the airline; and R1,7 billion for equipment leases. To succeed, three quarters of SAA's creditors, which essentially means the major banks, will have to approve the plan. The problem is that, given the impact of the pandemic on the aviation industry, there is little chance of a major new investor. The new airline would keep two US routes, two European routes, and one Australian route, as well as all of SAA's routes in Africa except for Abidjan and, in South Africa, East London. But it is unclear when it can open up international routes, and will likely make losses for at least the next three years.

South African Express is being liquidated separately from SAA. The available funds may not be sufficient to pay severance packages to the nearly one thousand affected employees. The airline has not paid its workers since March, but they have received support from the UIF COVID-19 TERS scheme.

The SABC plans to retrench up to 600 of its 3 000 workers. It blames plummeting advertising revenues as a result of COVID-19. That said, for at least two years it has sought to downsize, hoping to retrench up to a thousand workers in the past, and to date has made little progress.

The stimulus package

The Presidency is working to establish a platform with major domestic banks and foreign as well as local fund managers to promote public-private partnerships in infrastructure investment. It expects that the platform will fund projects worth R1,5 trillion over the coming decade, but also hopes to use it to mobilise expertise in packaging and construction.

The Presidency has worked with the state-owned companies and government departments to identify 270 potential projects for partnerships. It plans to highlight 92 of them at a virtual investment conference on Tuesday, 23 June. The projects include water and sanitation, energy, low-income housing, agriculture and communications. In the future, the Presidency hopes to expand the platform to support social infrastructure such as clinics and hospitals.

Experience shows that, in a highly unequal society like South Africa, public-private partnerships are much easier in theory than in practice. The Presidency has explicitly acknowledged that public-private partnerships have to generate a revenue stream for the private investor. It is not clear, then, how the model can meet the needs of poor households and communities that cannot pay in full for infrastructure services. Experience shows that private investors are willing to invest in infrastructure to serve individuals and companies that can pay the full cost, as for instance when Transnet provides ore lines to the mines or Gautrain meets the need of high-end commuters (although it also gets a substantial subsidy). They will also invest where the state pays on behalf of users, as in the case of RDP housing and corrections. Unless systems are in place to give voice to the beneficiaries, however, providers often skimp on quality.

Lending under the government's R200-billion credit guarantee scheme, the centrepiece of its stimulus programme, remains limited. By the first week of June, the banks had approved R7 billion worth of loans for 4 800 businesses under the scheme. They had rejected another 11 000 because they were ineligible or not creditworthy, while a further 14 100 applications were still under review. In other words, the applications totalled less than a quarter of the number of businesses that got private credit relief. Successful borrowers averaged loans of R1,4 million – close to 15 times the average value of relief provided by private relief. The Reserve Bank, National Treasury and stakeholders are reviewing the rules of the scheme in an effort to make it more accessible and useful to businesses.

As of Friday, the UIF COVID-19 TERS scheme had paid R6 billion for 1,4 million workers for May. Applications for May were opened only in June. In total, the scheme has paid out R23 billion to 3,7 million workers and 320 000 employers.

The stimulus package also includes a strong commitment to buying local – another area where progress is easier in theory than in practice. The national Departments of Health and Finance set up a database for suppliers of 17 key kinds of protective equipment for COVID-19. Companies have to list where their products are produced, but importers are allowed to register. As of 7 June, 20 000 businesses were listed but only 2 600 had uploaded details about which products were in stock.

National Treasury plans to unveil its supplementary budget in the coming week. It has sought to restructure spending fundamentally to take into account both the new demands arising from the pandemic and the sharp fall in revenues expected for the year. Projections suggest the deficit may rise over 10% of the GDP, with the economy only returning to 2019 levels in 2023.

A key area of contestation is Treasury's proposal to reduce real pay for public servants by 3%. It is not clear if it will succeed given the need to maintain support from health and other essential workers during the pandemic. Already a number of hospitals have faced protests over conditions, access to protective equipment, and in one case a failure to pay overtime. That said, Treasury has recently urged municipalities to apply for an exemption from a 6,25% increment provided for local-government workers as part of a three-year wage agreement two years ago.