TIPS TRACKER

TRADE & INDUSTRIAL POLICY STRATEGIES

Tracking trends and analysing the COVID-19 pandemic and responses

THE ECONOMY AND THE PANDEMIC

WEEK 22-28 JUNE

KEY FINDINGS FOR THE WEEK

On the pandemic

- In the past week, the contagion continued to spread rapidly in Gauteng and the Eastern Cape. The daily growth rate in Gauteng (using a rolling average of the previous seven days) was around 8,5% in the week to 28 June, down from 10% two weeks ago, and in the Eastern Cape it continued to fluctuate around 7%. In contrast, for KwaZulu-Natal the daily growth rate more than doubled over the past two weeks, escalating from 3% to 8%, and in the North West it was 11%. As noted last week, new cases reported in the Western Cape declined, but the figures there may been affected by new testing protocols.
- The pandemic showed up the persistent inequalities in healthcare. The big metros have long had strong private health sectors as well as some excellent public-sector facilities linked largely to academic hospitals. In contrast, provinces like the Eastern Cape and the North West, which encompass largely historic labour-sending regions, have very limited private healthcare and weaker public systems. In this context, although the Eastern Cape has around a third as many cases per 100 000 residents as the Western Cape, it has begun to show severe strains.
- On 29 June, according to News24, the acting mayor of Nelson Mandela Bay said it should consider returning to Level 4 restrictions. But government has effectively given up on its original risk-adjustment strategy, in the sense that it was not modifying restrictions on economic and social behaviour by municipality depending on the level of contagion. Yet it also did not move vigorously to improve communications and resourcing to empower people and institutions to prevent new infections. The crisis in the taxi industry underscored the lack of consistency in this regard, which seemed likely to accelerate the contagion.

On the economy

- The available indicators were improved by monthly salary payments. The key economic centres of the Western Cape and Gauteng still showed a slower recovery than areas where the contagion was better controlled.
- The IMF now expects the global economy to shrink by 5% in 2020, down from its 3% forecast in April. The international slowdown will constrain recovery in South Africa, which has an unusually open economy.
- The supplementary budget announced this week will provide only a limited stimulus. Government borrowing will climb to almost 15% of the GDP almost exclusively because of the sharp decline in tax revenues due to the economic decline. In contrast, spending is expected to increase by only 1,1%, with increased healthcare, security and sanitation coming mostly out of the budgets for other functions.

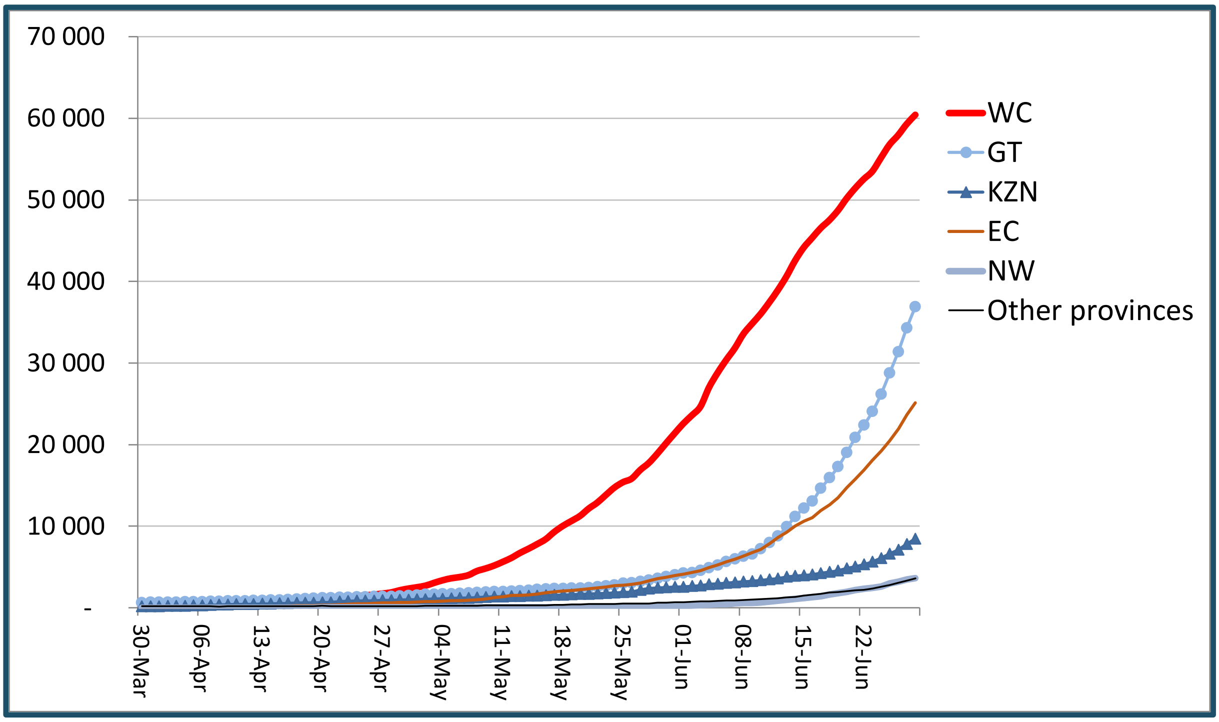
NOTE THAT THE TIPS TRACKER: THE ECONOMY AND THE PANDEMIC WILL APPEAR EVERY TWO WEEKS FROM NOW ON

TRENDS IN THE PANDEMIC

COVID-19 continued to spread rapidly in Gauteng and the Eastern Cape, with a new surge in KwaZulu-Natal. In the rest of the country, the rate of growth remained relatively low. The Western Cape, which has far higher levels of infection than the rest of the country, reported a continued decline in newly diagnosed cases.

The surge in cases that started with the move to Level 3 remained essentially out of control in Gauteng and the Eastern Cape. As the following graph shows, Gauteng saw exponential growth in the past week, while growth was also rapid in the Eastern Cape and a new surge emerged in KwaZulu-Natal. In contrast, the rate of growth in newly reported cases fell in the Western Cape. Some analysts argued, however, that this finding resulted from the province's decision from 3 June to limit tests to high-risk groups (people aged over 55 or with co-morbidities, hospitalised patients and health workers).

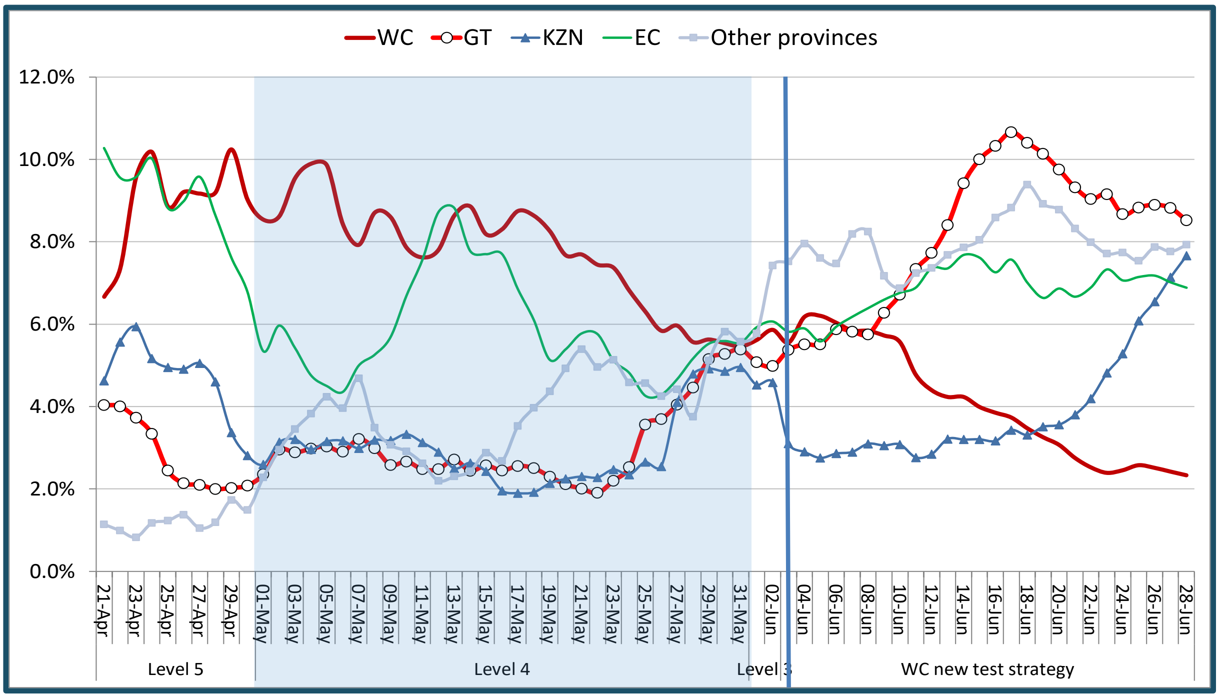
Graph 1. Total reported new cases, 3 April to 28 June



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

While the growth of new cases remained high in Gauteng and the Eastern Cape, it slowed somewhat over the past week, as Graph 2 shows. At the current rates, the number of new cases would double in eight days, and in the Eastern Cape in ten. The North West still had a relatively low number of cases, but they are doubling every week.

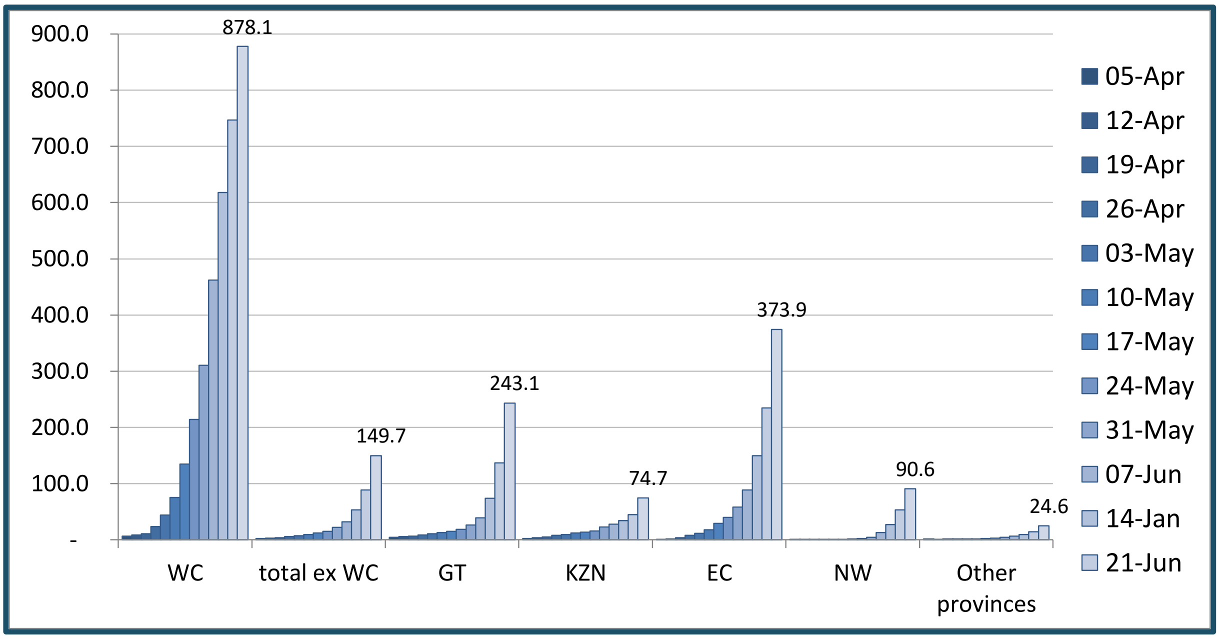
Graph 2. Seven-day rolling average of reported new cases by province (a), 3 April to 28 June



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 surge in cases after the move to Level 3 meant that the hardest-hit provinces all saw a sharp increase in the number of known cases per 100 000 people. In Gauteng, the number reached 243, up from 137 a week earlier; in the Eastern Cape, it was 374, up from 235; and in KwaZulu Natal, it was 70, up from 45. The North West had 91 cases per 100 000 people, more than three times the level two weeks earlier. In the Western Cape, the figure for reported cases was 878, compared to 747 a week earlier.

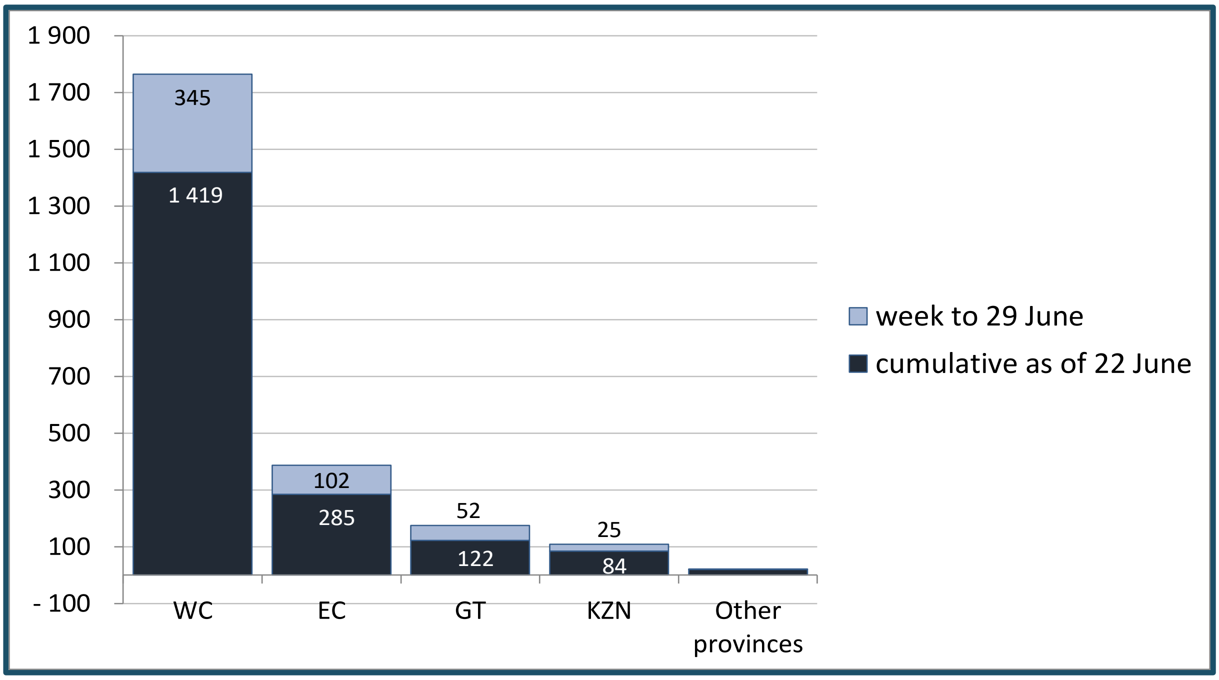
Graph 3. Number of known cases per 100 000 people by province, weekly, from 28 April to 28 June



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

Deaths typically lag reports on new cases by a few weeks. As a result, the rapid increase in cases in the Eastern Cape and Gauteng only began to show up in higher death rates this week, and the number was still far lower than in the Western Cape. As Graph 4 shows, in the Western Cape the number of deaths climbed by 345, or 24%, over the week. They rose by over a third in the Eastern Cape and Gauteng, although the numbers remained much smaller.

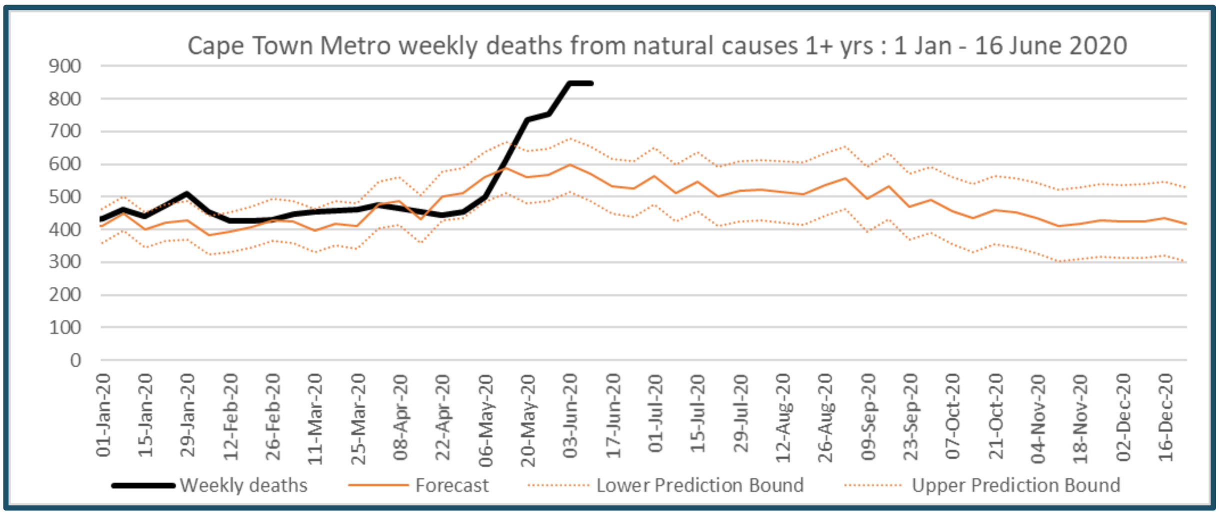
Graph 4. COVID-19 deaths by province, cumulative to 14 June and in the week to 21 June



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

The change in testing protocols in the Western Cape could also lead to an undercount of deaths from COVID-19. Figures for all deaths for the province, however, which are analysed by the Medical Research Council using Home Affairs reports, also indicated a slower rate of growth, although the numbers remained significantly above the provincial norm for mid-June. In South Africa as a whole, reported deaths from natural causes were still within forecast bounds, although they were above average in the Eastern Cape.

Graph 5. Weekly deaths in Cape Town compared to norm from other years



Source: Debbie Bradshaw *et. al.* 2020. *Report on weekly deaths in South Africa, 1 January – 16 June 2020 (week 24).* Downloaded from www.samrc.ac.za in June 2020.

It has become a commonplace that the pandemic shows up the fault lines of persistent inequality in South Africa, which derive partly from the extraordinary disparities in government spending by region under apartheid. Those inequalities emerge in the healthcare capacity of the different provinces. They are one reason that the Eastern Cape appears increasingly overwhelmed by the surge under Level 3, even though the incidence per 100 000 there remains a third as high in the Western Cape.

Figures from Statistics South Africa's Labour Market Dynamics Survey indicate the extent of the inequalities in healthcare. In 2018, there was one health worker, counting both the public and private sector and including non-professional employees, for every 70 residents in the Western Cape and Gauteng; in the Eastern Cape and the North West, there were 110 residents per healthcare worker – that is, there were over 50% more people per health employee. The disparity was mostly due to differences in the extent of private healthcare, which is concentrated in the richest areas of South Africa. As a result, just over half of all healthcare employees in Gauteng and the Western Cape were in the private sector, compared to a third in the North West and the Eastern Cape. Looking only at the public sector, there were 170 residents for each healthcare employee in the North West and the Eastern Cape, not far behind the figure for Gauteng and the Western Cape at 160.

A series of media stories underscored the strain on facilities in the Eastern Cape. A strike by auxiliary workers at Livingstone Hospital over a failure to pay overtime despite longer hours stalled cleaning for several days, leading to dangerously unhygienic conditions. The Dora Nginza Hospital has seen an uptick in patients and in infected nurses, one of whom died. On occasion personal protective equipment (PPE) ran short; several departments in the hospital closed for deep cleaning; and some nurses and auxiliary workers refused to work in sections with COVID-19 patients.

In Gauteng, the number of active cases was still much lower than in either the Western or the Eastern Cape, but it was rising rapidly. The province's healthcare system began to show signs of pressure in the past week. Three public hospitals were set aside to treat COVID-19. One of them, Tembisa Hospital, reported a shortage of beds in the past week, with new capacity only expected to be available next month.

Despite its relatively strong healthcare capacity, the Western Cape obviously did not control the contagion very effectively. In part, that appeared to result from a reluctance to quarantine suspected cases unless they had positive test results. The Western Cape told a parliamentary hearing that it considered the cost of quarantining suspected cases outweighed the benefits. Yet the global shortage of test kits is not going away, with effective rationing by the producing companies. As a result, even when South Africa was prepared to pay for kits, it could not always obtain them.

Only 15% to 20% of eligible cases in the Western Cape used quarantine centres in mid-June, and the province had only filled around a quarter of the available places. In contrast, Gauteng had used three quarters of its quarantine beds. Like the Western Cape, KwaZulu-Natal used only a quarter of its quarantine beds, but it had a far lower level of contagion.

Although cases had already begun to escalate after the move to Level 3 at the start of the month, during the past week the government published regulations that allowed casinos, conference centres and theatres to open with up to 50 customers at a time, as well as other infection prevention measures. The regulations also permitted restaurants to serve customers on their premises from Monday, 29 June. At a press conference, the Minister of

Tourism said that restaurants would still be unable to serve alcohol, which meant that most bars would remain closed. This restriction presumably arose because international experience, from the US to Korea, shows that bars are prone to host super-spreader events. They have been directly linked to the upsurge in cases in the US in the past week.

The move to open more places, permitting public meetings and socialising, pointed to the continued shift away from the original risk-adjusted strategy for controlling the pandemic. Instead, the government seems focused on preparing the health sector for a flood of new patients. Government spokespeople noted the need to change behaviour, but actual measures to achieve that aim remained hard to find. In the Western Cape, for instance, a document on managing hotspots provided considerable detail on the role of the police in enforcing regulations, but described the communications campaign only in very broad strokes.

In many cases, communities and individuals could not change behaviour without additional resources. This situation emerged dramatically in the taxi industry. Taxi fares are set on the assumption that they would mostly travel full. New regulations require, however, that they travel with only 70% of passengers in order to maintain physical distancing. For taxis to operate sustainably in these circumstances requires either a subsidy for owners or higher fares. The latter would effectively shift the cost to commuters and their employers. Even then, some taxis would likely still go out of business because demand would fall.

In response to this, taxi drivers imposed a boycott in Johannesburg on Monday, 22 June, which significantly disrupted the working day. A week later, the national taxi association has threatened to violate the capacity rules, and to go on strike if the police try to enforce them. Obviously, full taxis are likely to generate super-spreader events, with a huge potential cost to the country as well as to affected individuals.

Finally, this week saw two announcements that demonstrated the depth of South Africa's healthcare capacity, despite the challenges and inequalities in the system.

First, South Africa turns out to be a major global source of the steroid dexamethasone, which a new study shows may prevent a third of hospitalised deaths from COVID-19 if administered to severely ill patients (although it may be counterproductive for those with mild symptoms). Aspen can provide 10 million tablets in a month, and could expand production even further if required.

Second, this week the first South Africans entered a vaccine trial run by Oxford University and the University of the Witwatersrand. The test will involve over 50 000 people in the UK, the US, Brazil and South Africa. Trials of other vaccines are expected in South Africa in the future, since over 100 variations are in the works in the US, Europe and China.

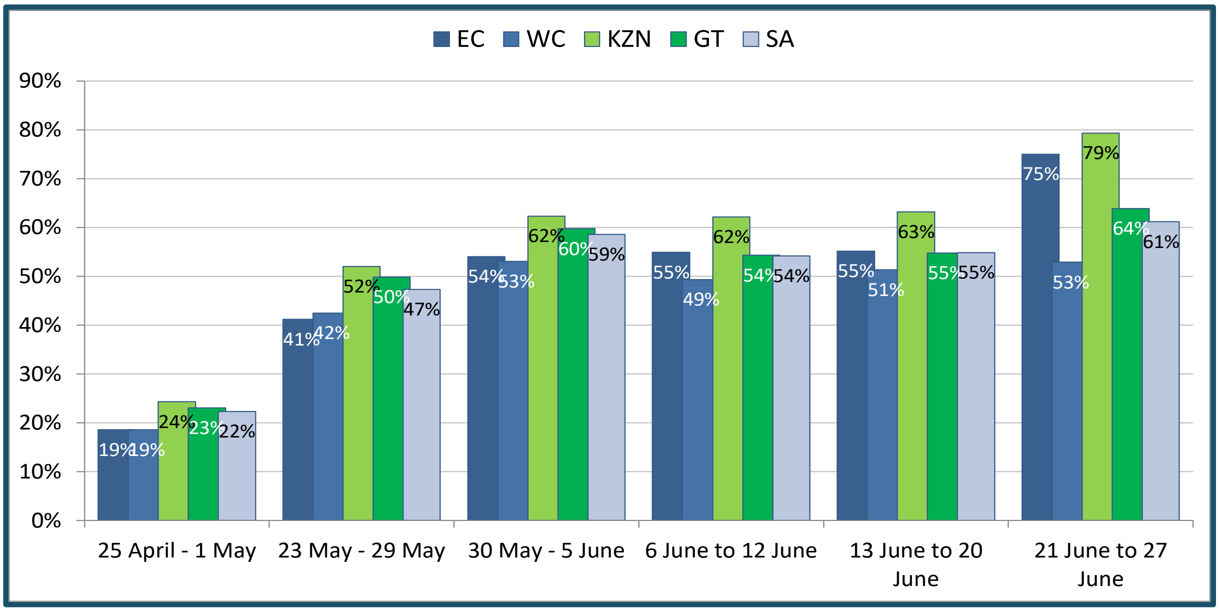
TRENDS IN THE ECONOMY

Overall trends

The available indicators suggest that economic recovery continued to pick up, although it remained below pre-lockdown levels. Moreover, the Western Cape and Gauteng – two key nodal points for the economy – were still recovering more slowly than the rest of the country.

The Yoco tracker of small business turnover indicates a sharp improvement in sales, which likely reflects the first payday many workers have had since the lockdown began. The jump was largest in KwaZulu-Natal and the Eastern Cape. In contrast, Gauteng saw a more subdued boost, and the figures for the Western Cape moved even less.

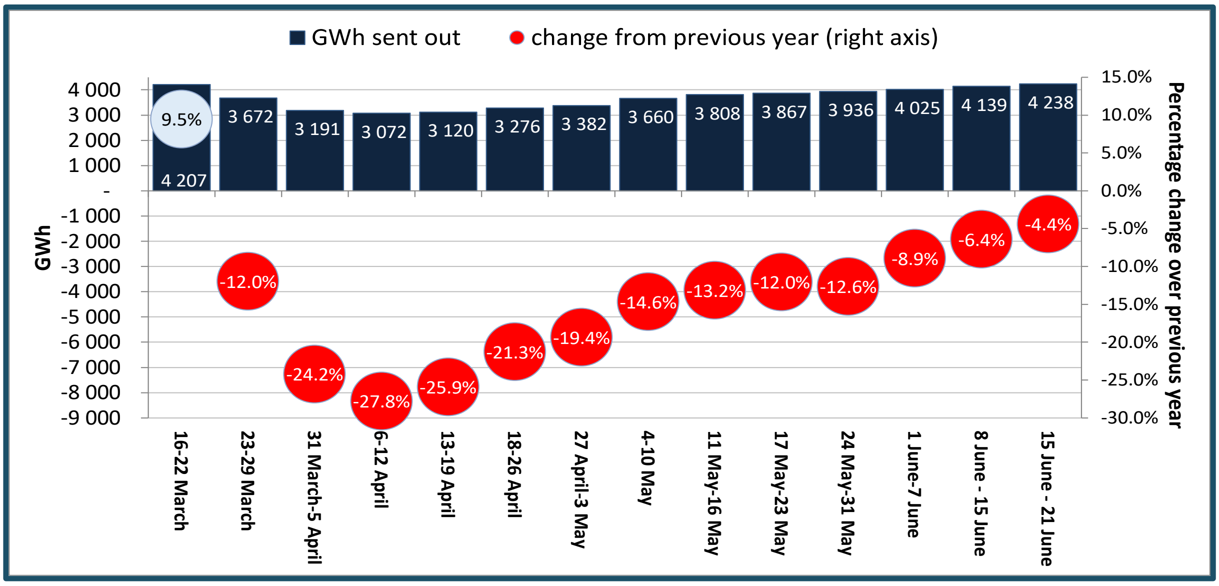
Graph 6. Small business turnover relative to the first two weeks of January, average for week to Saturday through 27 June



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

Eskom's figures for electricity sales, which are available only through 21 June, also suggested continued growth in economic activity. Electricity use was still 4,4% below 2019 levels. Eskom argued that demand was boosted by relatively cold weather. The electricity system began to show signs of pressure as demand increased, as discussed in the section on industry and company developments (see page 13).

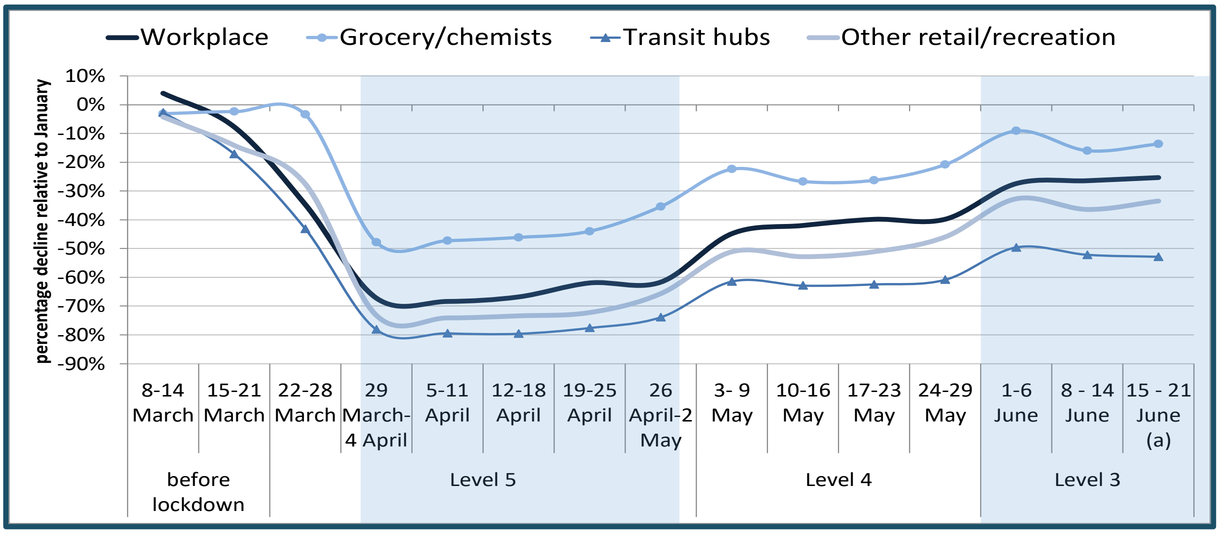
Graph 7. Electricity sent out in GWh, weekly, 24 March to 28 June, and percentage difference from the same week in 2019



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

A less optimistic picture emerges from the data on travel to workplaces, transit hubs and retail. Again, the data are only available to 21 June. They suggest that travel to work increased incrementally, while shopping and recreational trips also improved slightly after a decline in the second week of June. The use of public transport, however, apparently remained relatively depressed, likely reflecting fears about its safety during the pandemic.

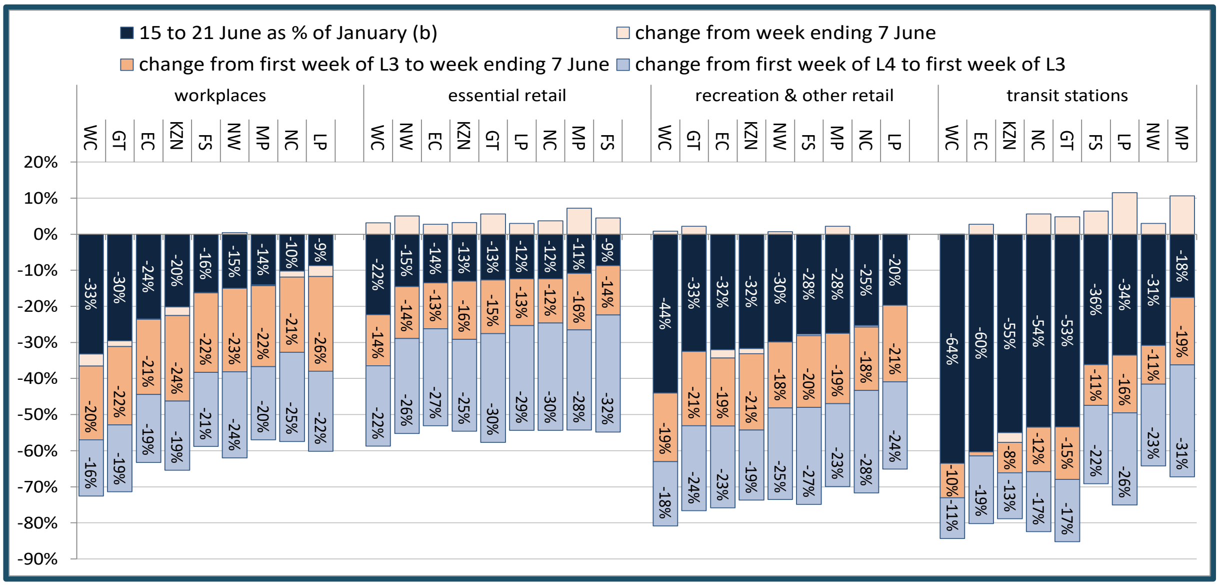
Graph 8. Percentage change in travel by type of destination, weekly average from 8 March to 21 June, compared to January 2020



Source: Calculated from Google COVID-19 Community Mobility Reports. Accessed at https://www.google.com/covid19/mobility/ on 13 June 2020.

At the provincial level, the Western Cape and Gauteng continued to have the lowest rates of travel to work. Generally, travel remained particularly subdued in the Western Cape, which apparently reflected the continued closure of the commuter rail system and the high incidence of COVID-19 as well as a relatively high share of people able to work from home. International experience suggests that, even without legal restrictions, people are more likely to stay at home if the level of contagion is high.

Graph 9. Percentage change in travel by type of destination, by province, weekly average from 26 April to 21 June, compared to January 2020
Note: Positive figures mean that travel declined in the period.



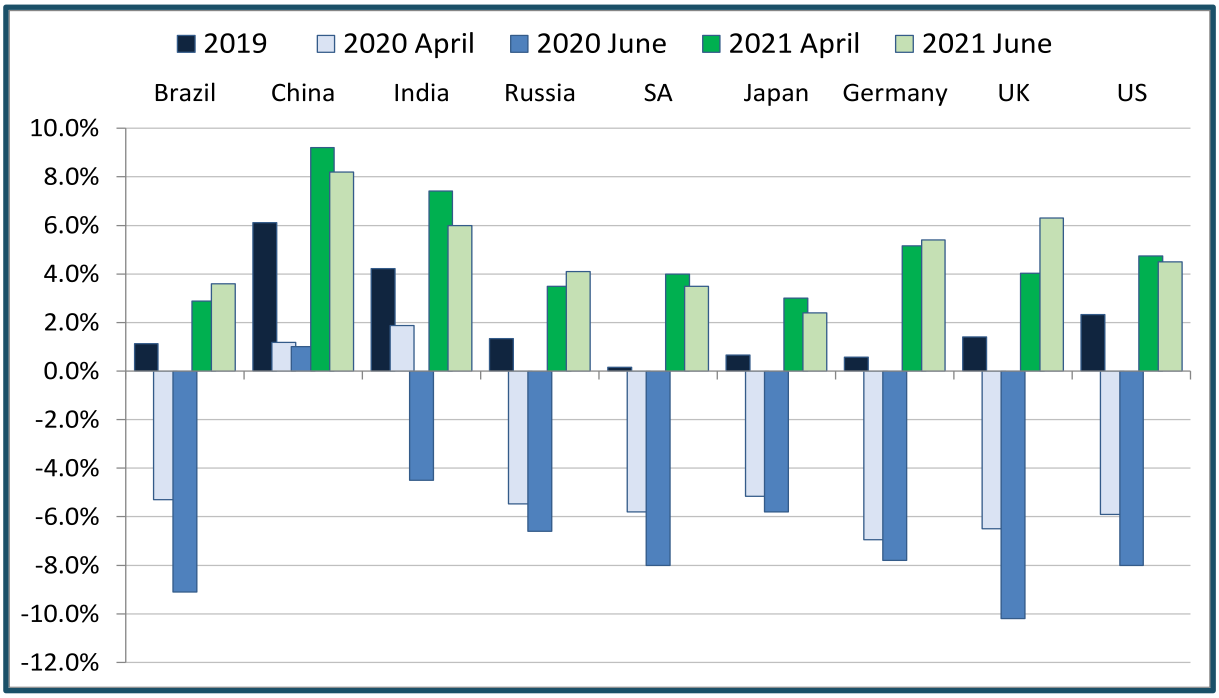
Source: Calculated from Google COVID-19 Community Mobility Reports. Accessed at https://www.google.com/covid19/mobility/ on relevant dates.

Companies with a financial year ending in June have begun to announce their earnings, and so far the indictors are predictably grim. Mpact, a packaging company that was able to keep some lines open throughout the lockdown, has announced that its earnings per share are down by 80%. It is aiming to control costs in the short run by negotiating lower rentals and salary sacrifices, as well as reviewing non-essential procurement and temporarily shutting down some capacity. Hudaco, which imports engineering and auto components, says its earnings have fallen by two thirds. Mr Price sales fell 89% in April, during the lockdown, which reduced its cash reserves by R2 billion. Its sales recovered 12% from 1 May to 20 June, and its on-line sales climbed 90%. The company had low debt and now expects to come out of the crisis with a higher market share. It is raising funds equal to 10% of its share capital to fund organic growth and acquisitions, although it is also cutting costs, including by not paying a divided and by reducing planned capital expenditure by a quarter.

In the past week, the IMF forecast for global growth in 2020 declined from -3% to -5%, with a more gradual recovery than it initially anticipated. It noted that low-income households would be most affected, with global poverty rates likely to rise. It cautioned that the situation remained unusually unstable, so its projections will continue to evolve in the coming months.

As the following graph shows, the IMF saw substantially worse prospects for growth in Brazil, India, the UK and South Africa, but virtually all major economies were expected to experience a sharper decline than originally expected. The biggest reductions in the forecast occurred in countries that have faced particular difficulty in controlling the contagion. Of the world's major economies – and South Africa's top trading partners – the IMF expected that only China would eke out any growth in 2020. It did not update its forecasts for other Southern African countries, but in April it expected that the Botswana economy would see a decline of 5,4% and Namibia, 2,5%. These two (small) countries are South Africa's largest African markets for manufactured products.

Graph 10. IMF forecasts for growth in 2020 and 2020 for major economies as of April 2020 and June 2020



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

The supplementary budget

On 24 June, the Minister of Finance unveiled a supplementary budget that essentially fulfilled four aims:

- It allocated funds to cover the special COVID-19 grant to jobless people;
- It compelled provincial governments to reprioritise their budgets to increase spending on needs arising from the pandemic, mostly for healthcare;
- It redirected funding to meet the costs of the police and defence forces resulting from the lockdown; and
- It committed to a modest increase in spending despite falling revenues as the economy slowed, which in turn meant the budget deficit would double to almost 15% of the GDP.

From this standpoint, the stimulus from the budget mostly occurred because National Treasury did not slash spending to match the decline in tax revenues. The increased funding for social grants, health and defence was achieved largely by redirecting around R25 billion in conditional grants that had already been committed to provinces and municipalities; by cutting incentive funds for manufacturing and value-added services from the Department of Trade, Industry and Competition, as well as smaller amounts from other departments; and by requiring the provinces to find R20 billion to increase healthcare spending from their own budgets, although the details of how were not yet available.

At the national level, the main programmes that see increases are social grants, which get R40 billion, plus another R19 billion for employment programmes, which has not been finally allocated. Spending on police and defence will climb by R5 billion, and health by R3 billion. Total national spending will increase by 4,3% (R33 billion), with increases beyond that achieved by cutting spending on other functions. Despite the renewed commitment to infrastructure, capital spending has been reduced – a typical response to budget cuts, since investment is typically project based and therefore easier than programmatic commitments to curtail quickly.

The provinces are expected to find an additional R20 billion for pandemic needs although their total allocation is cut by 0,6% (R5 billion), to R645 billion. The funds are expected to be sourced primarily from public works, roads and transport. Of the anticipated R20 billion, R15 billion is budgeted for health and the rest will go mostly to prevent infections at schools. Some 90% of provincial budgets go for education and health.

The municipalities will see a 5,6% (R7 billion) increase in total funding, to R140 billion. The extra funds are expected to go mostly for improved water and sanitation in informal settlements, shelters for homeless people, and similar programmes. That said, the metros are expected to see a decline of up to 30% in their own revenue, which far exceeds the value of the new transfers.

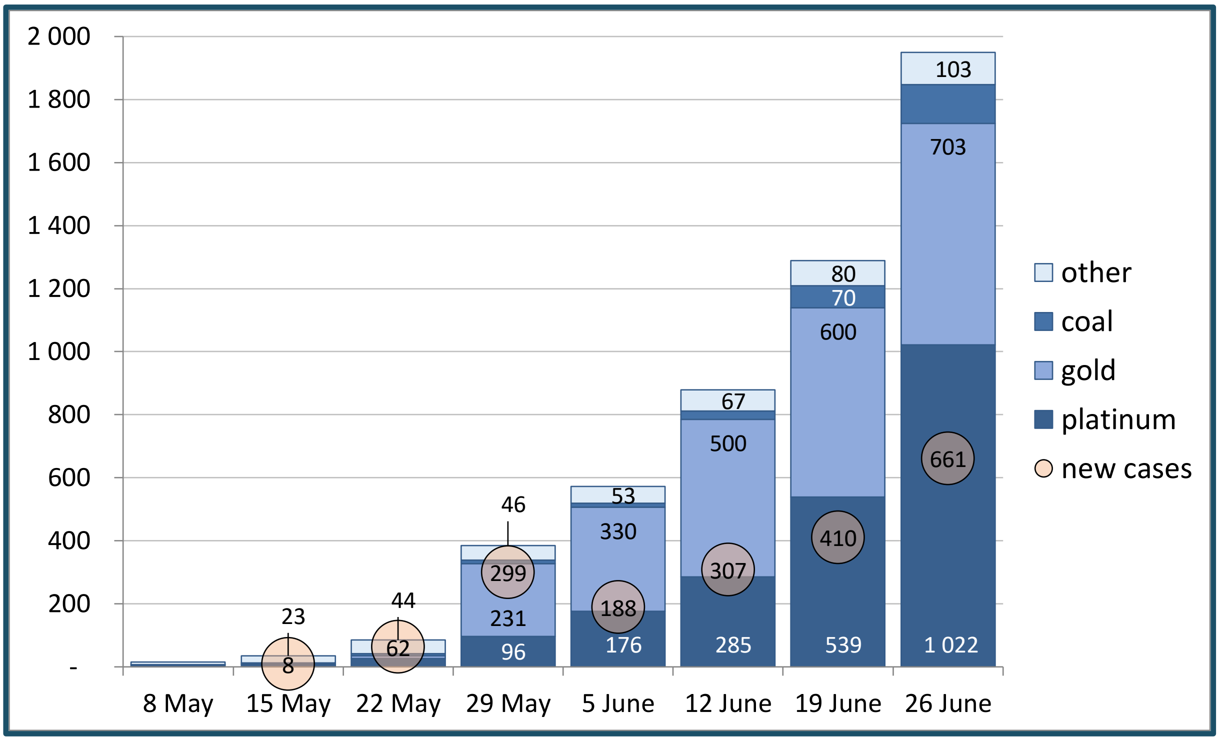
Company developments

Infections

As in previous weeks, reporting on clusters continued to be spotty, emerging mostly when outlets shut down or unions protested. The inconsistent information points to a deeper failure to analyse clusters over time as the basis for improving measures to prevent infection going forward. The frequent lack of transparency about workplace clusters fuelled suspicion, and periodic protests, among employees.

In the private sector, only mining provides industry-wide information. It continued to generate large clusters. In the past week, the number of cases climbed 50% for the third week in a row, reaching 1 950. The bulk of cases remained in gold and platinum, where the large underground mines clearly entailed a high infection risk. Reported new cases in platinum climbed more than fivefold from 5 June to 26 June, when they exceeded a thousand. On 26 June, the Minerals Council estimated that there were 460 cases for every 100 000 miners, more than twice the national incidence. Moreover, it found that 12% of miners tested were infected, compared to 8% for the country as a whole. Higher positive rates on tests generally point to higher underlying rates of infection.

Graph 11. Reported cases in mining by commodity, 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

Other industries did not attempt to track clusters, leading to a patchwork of indicators. Increasing reports of new cases in Gauteng, the Eastern Cape and KwaZulu-Natal reflected the higher overall incidence there, as well as growing risks with more people returning to work.

Several retail chains have reported clusters. This week, employees at a Clicks and Checkers in Pietermaritzburg tested positive. Five employees at a Nedbank in Germiston went into isolation.

TV productions were allowed to open in early May. Since then, a number have had to close because of COVID-19 cases on their sets. In the past week, 7de Laan, Scandal! and Rhythm City shut down, following Skeen Saam, The River and Muvhango over the previous two weeks.

As an essential service, the media stayed open through the lockdown. In the past week, Kaya FM temporarily closed its Johannesburg studios after a staff member tested positive.

An eNCA anchor also tested positive this week, and work colleagues all went into quarantine and got tests.

Public-sector clusters are typically more transparent. The hardest hit has been healthcare, followed by the police and education. A particular challenge is that one in five nurses is over 60 years old. While the regulations require special treatment of older workers and those with co-morbidities, it is not clear how well they are implemented.

By 16 June, 3 583 healthcare workers had tested positive for Covid-19, and 34 had died. Two thirds were in the Western Cape, where healthcare workers accounted for 6% of infections although only around 1% of the population. The absentee rate runs around 20%, however, since the contacts of infected healthcare workers also have to go into isolation. Cases have also been reported at several clinics and hospitals in the Eastern Cape, as well as at all three hospitals that provide for COVID-19 patients in Gauteng. A number of nurses at a private hospital at Linksfield in Johannesburg also reportedly tested positive.

Six clusters emerged in Gauteng's psychiatric hospitals in June – three in government facilities and three in contracted private settings. As of Tuesday, 19 out of the 699 patients (which the department calls "users") at Weskoppies Hospital had tested positive, while one with a co-morbidity had died. Eight staff members also tested positive. At Sterkfontein, none of the 490 users were positive, but seven of the 870 staff were and almost half the rest were waiting for results. At Tara, a user tested positive in early June, as did a contact of theirs on the staff. In the Baneng Care Centre, which is contracted to the Gauteng government, seven users have been confirmed positive, as well as nine staff members. At Waverley, another private service provider, one user and four staff were infected. Finally, at Morewa Memorial, 93 out of 426 users were positive, and one died on 17 June. In addition, 18 employees out of 61 were infected.

The reopening of the schools brought a spate of reported cases, in part because returning learners and educators underwent screening. Still, international evidence suggests that children are less likely to contract COVID-19, to show symptoms, and to infect others. That seemed to be the case in South Africa, where the number of infected education employees far exceeded the number of learners who tested positive.

In the Western Cape, over 700 education workers and 88 pupils tested positive as of 26 June. In the Eastern Cape, the figure totalled over 550 pupils, teachers and support staff, and some 154 provincial schools, or around 3%, had been temporarily closed. As of 25 June, 58 learners and 188 educators had tested positive in Gauteng, affecting 176 schools or more than 8% of the total.

In the past week, police stations in Tshwane and Limpopo closed for deep cleaning because officers tested positive. After two Tshwane metro police officers tested positive two weeks ago, another case emerged last week. The Sandton licensing centre suspended services after an employee tested positive on Tuesday, while nine testing centres in Cape Town were closed until further notice as of the start of the week.

Tshwane suspended its bus operations on 26 June because of a case there, with plans to disinfect its depots and buses. Over the preceding week, the municipal fresh produce market and over 15 other municipal buildings were closed because of new cases, among them the municipal headquarters and a fire station in Silverton. The Department of International Relations temporarily shut down its flagship building after two staffers tested positive.

Workplace clusters also highlighted, and aggravated, long-standing divisions in South African society – in this case, the persistence of hierarchical and conflict-ridden workplaces – as well as the growing fear and stigma attached to COVID-19. Workers typically feared that managers were not telling them when colleagues became infected. Moreover, they generally wanted all workers, rather than only close contacts, to be tested, and premises closed for deep cleaning. For their part, employers often prefer to believe that, even when a cluster emerges in workplaces, workers brought the infection from home. That both obviates any further infection control measures and means that managers are not responsible for quarantine, testing or treatment.

These issues emerged when over 80 workers at a packaging company in Germiston were suspended in the second week of June when they refused to work because a number of their colleagues tested positive. Management claimed the workers were on an unprotected strike, even though the regulations allow employees to stop work if they consider that infection-prevention measures are inadequate. The workers wanted the factory to be sterilised and are concerned because they do not have space to quarantine at home. The case is going to the Commission for Conciliation, Mediation and Arbitration (CCMA).

Similar situations have occurred repeatedly at clinics, hospitals and schools, as employees refuse to work where new cases have been found among staff members or patients. In response, the national Department of Health has begun to develop regulations to avoid continual disruptions at the cost of care. For its part, two months into the pandemic, the Western Cape Department of Health says it has set up a learning mechanism to help improve infection prevention, as well as meeting weekly with unions and trying to improve communication about cases and risks within facilities.

Industry and company developments

Eskom

Thanks to a combination of continued lower demand, as well as more space for short-run repairs during the lockdown, Eskom's Energy Availability Factor is expected to exceed 70% for June. That would obviate loadshedding for the month. Early in the week of 21 June, however, it suffered breakdowns at Kendal, Majuba and Lethabo; had to delay the re-entry of units at Duvha and Tutuka; and took a unit at Kendal offline for technical reasons and to cut emissions. As a result, its generation capacity fell by around a quarter, and it asked consumers to use less electricity to avoid loadshedding. Eskom had to defer longer-term planned maintenance under Levels 5 and 4 because of the restrictions on movement of people and goods.

Public transport

As noted, the taxi industry faces a crisis because it has to operate at 70% of capacity to reduce the (high) risk of infection. The owners are trying to get financial institutions to defer payments and repossessions of taxis in light of the downturn. The Minister of Transport says the dedicated finance company, SA Taxi Finance, should extend an initial one-month repayment holiday by two more months.

Next week, the Minister will announce which Prasa lines are reopening, with limited service expected to start on 1 July. Reopening has been hindered by extensive theft of cables as well as wagon components. The problem was apparently aggravated by disputes over security contracts. That said, some lines in Cape Town were already suspended in October due to vandalism and theft. Remedying the problems will likely cost Prasa billions of rand.

Cape Town accounts for the bulk of Prasa passengers and is by far the most dependent on it. But full service will be provided initially only on one line, and thanks to physical distancing, capacity will be well below pre-lockdown days.

Restaurants, hotels, car rentals and aviation

As of 28 June, the opening of restaurants for in-house dining had been approved, but only subject to a ban on on-site alcohol consumption as well as physical distancing and measures to prevent sharing of menus and condiments. Restaurants will also have to record the details of all visitors and employees to facilitate contact tracing; to screen them; and to ensure both employees and customers wear masks except when eating.

International experience indicates that measures to hinder infection, while unavoidable to prevent the super-spreader events often associated with eating out, will make it impossible for many restaurants and all bars to reopen profitably. Moreover, customers may not be interested in visiting restaurants as long as the number of new cases is escalating. This is likely to be particularly true in South Africa, where restaurants largely cater to the high-income group and to tourists. In contrast to much of East Asia and parts of the global North, they remain a luxury rather than a staple. Moreover, tourism is likely to remain depressed for several years, in part because travel and accommodation are largely not allowed except for business, and in part because of widespread concerns about the risks of long-distance air travel as well as rapidly rising infection levels in South Africa.

These realities emerged from plans announced by Sun International. As of 24 June, it planned to dismiss 1 800 employees out of its total of 15 000, to sell some land, and to close the Carousel Casino in the North West. Two thirds of the job losses are expected at Sun City. Sun International has a high debt burden, which it has renegotiated on condition that it reopens at least half its operations by January 2021. It has been paying staff 40% of salaries.

The restrictions on travel have also affected car rental companies. First Car Rental, which has almost 500 employees, plans to downsize by a total of 30% and has already dismissed 15% of its workers. It also expects to cut its car fleet by 15%. Motus, which owns Tempest and Empire, expects to downsize its employment by half, and its fleet by two fifths.

In terms of airlines, Virgin Atlantic hopes to restart flights to South Africa in September. The airline closed entirely from April to July, since it only flies internationally. Meanwhile, the saga at South African Airways (SAA) continues. Most recently, the National Union of Metalworkers of South Africa (NUMSA) and the cabin crew association blocked a decision on the recovery plan until July because they considered the retrenchment package, which averages R580 000 per worker, to be inadequate. The plan anticipates the loss of 4 700 jobs, with only a thousand workers kept on at the reconstituted airline.

Retail

Analysts at First National Bank forecast a 7% decline in retail spending for the year, in line with the anticipated drop in the GDP. They expect sales to still be 5% lower than in 2019 two years from now. Most malls are seeing around 25% fewer customers, and one shop in 10 remains closed. That said, at some high-end malls in metro areas, traffic is close to pre-lockdown levels, although spending has not recovered as much.

The decline in traditional retail has been offset in part by relatively rapid growth in various forms of e-commerce. In 2019, e-commerce in South Africa was estimated at only 1,4% of retail spending, but some estimates suggest that it could climb to 5% this year as consumers try to avoid risks and, in the process, develop new shopping habits. Deliveries of groceries and alcohol have escalated, with Checkers' delivery service adding staff and Woolworths' on-line sales more than doubling during the lockdown. The ride-hailing service Bolt now offers to deliver for restaurants and other businesses at R30 a trip. It has introduced Bolt Food in Cape Town with plans to expand to Johannesburg.

A problem remains that delivery services still often do not serve townships or rural areas, preferring to concentrate on suburbs which have higher demand as a result of much higher household incomes as well as better roads. Moreover, many low-income households do not have smart phones or broadband, which makes ordering more difficult.

TIPS TRACKERS

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