

# THE ECONOMY AND THE PANDEMIC

21 SEPTEMBER – 4 OCTOBER 2020

## KEY FINDINGS

### On the pandemic

- The rate of transmission of COVID-19 has continued on a secular upward trend, but the increase has been both slow and unpredictable. The long holiday weekend around Heritage Day on 24 September appears to have fuelled an uptick a week later.
- The rate of transmission depends largely on the extent to which public health authorities are able to convince people to wear masks and avoid social gatherings, whether in homes or businesses.
- Overall, excess deaths during the COVID-19 pandemic seem likely to be the largest single source of natural deaths in South Africa this year. For comparison, COVID-19 is now estimated as the 12th largest cause of death globally, but ranks first in New York, Brazil and Peru, second in the UK, and third in Sweden.

### On the economy

- In a pattern seen worldwide, the recovery has taken a “swoosh” shape, with a relatively sharp rebound in April and May fading into a more gradual improvement over the past four months. Breakdowns in Eskom plants remain a binding constraint, with a downturn in electricity sales in September.
- As usual with economic and natural disasters, damage from the pandemic is falling disproportionately on the poorest communities and households. Employment data for the second quarter show that job losses were highest for lower-skilled, lower-income and informal workers. These groups will also be hard hit by the termination of the COVID-19 special grant and the supplement to other social grants, currently due to end on 15 October.

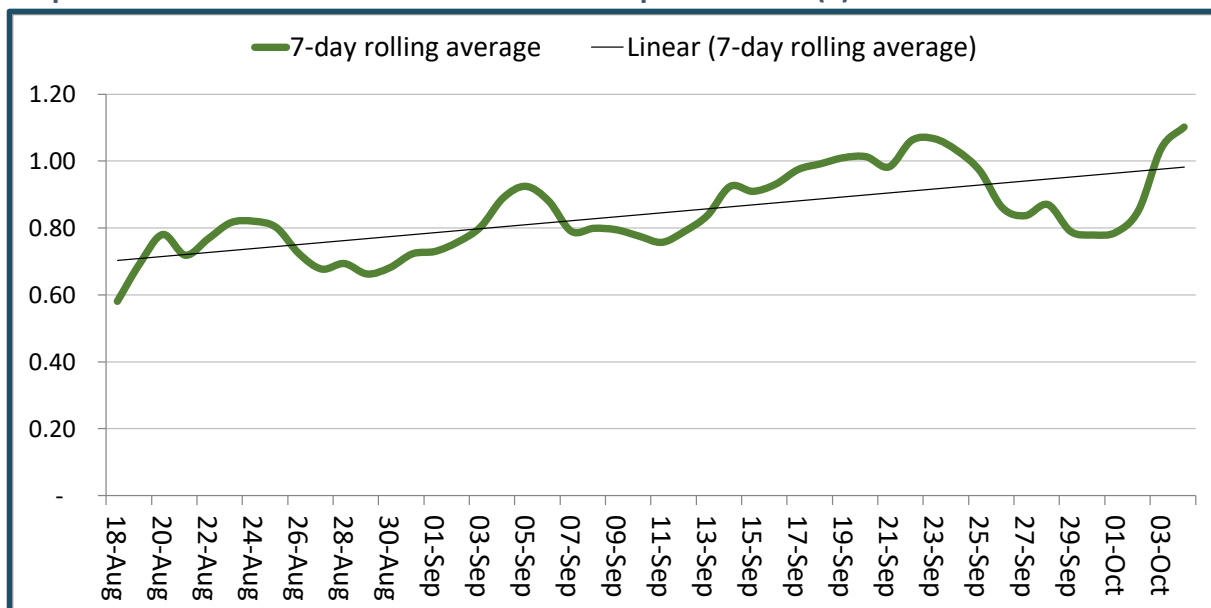
*Since the pandemic and the economy have stabilised, this will be the last Tracker. TIPS will continue to publish periodic in-depth analyses of developments and debates around recovery and reconstruction. Our quarterly Real Economy Bulletin will also include a section on the impact of the pandemic on the economy.*

## TRENDS IN THE PANDEMIC

In the past two weeks, the rate of transmission maintained the secular upward trend that started with the move to Level 2 in mid-August. Still, the rate remained low enough to ensure a continued slow decline in new cases. If it continues to climb at the current rate, however, the number of new cases will start to increase again from the middle of October.

Graph 1 shows the national transmission rate from 18 August, when Level 2 began, to 4 October. While the rate fluctuates, the trend line shows an upward trend. The long weekend for Heritage Day appears to have spurred a sharp uptick a week later, reflecting the incubation period for new cases. The transmission rate is calculated here as the seven-day rolling average of reported new cases divided by diagnoses from a week earlier.

**Graph 1. National transmission rate based on reported cases (a)**

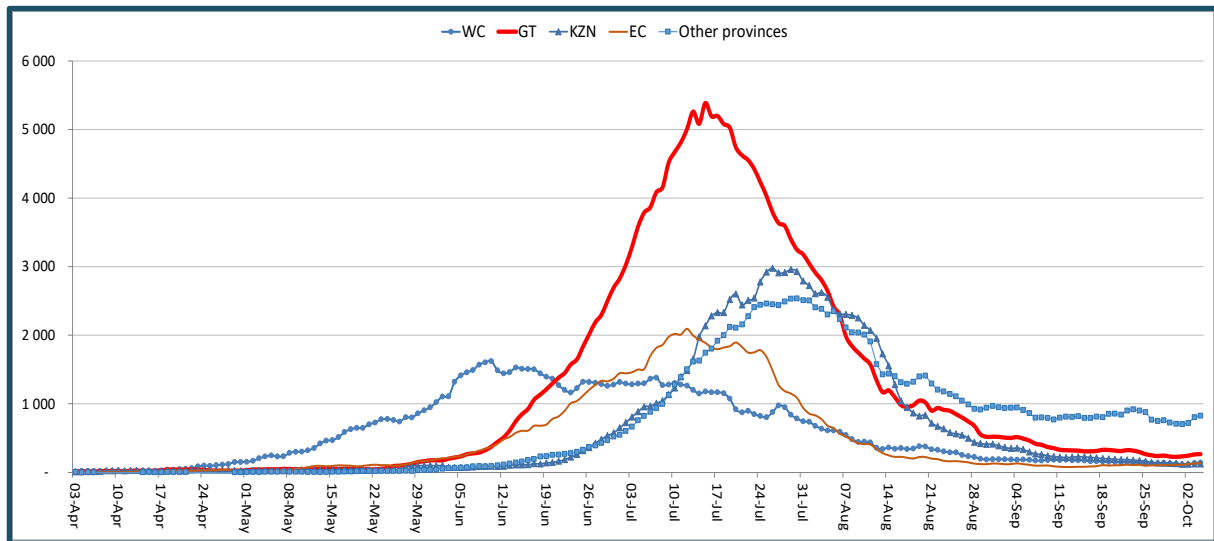


Note: (a) Calculated as the seven-day rolling average of new diagnoses divided by the figure for a week earlier.

Source: Calculated from data accessed at [www.sacoronavirus.co.za](http://www.sacoronavirus.co.za) on relevant dates.

The transmission rate helps forecast trends in new cases. The number of reported new cases has fallen from a high of over 12 000 a day in mid-July to an average of under 1 600 in the week to 4 October. The past week saw a daily average of 2,6 diagnoses per 100 000 people, comparable to the start of June but up from under 2,2 before Heritage Day.

**Graph 2. Reported new cases by province, 3 April to 4 October (seven-day rolling averages)**



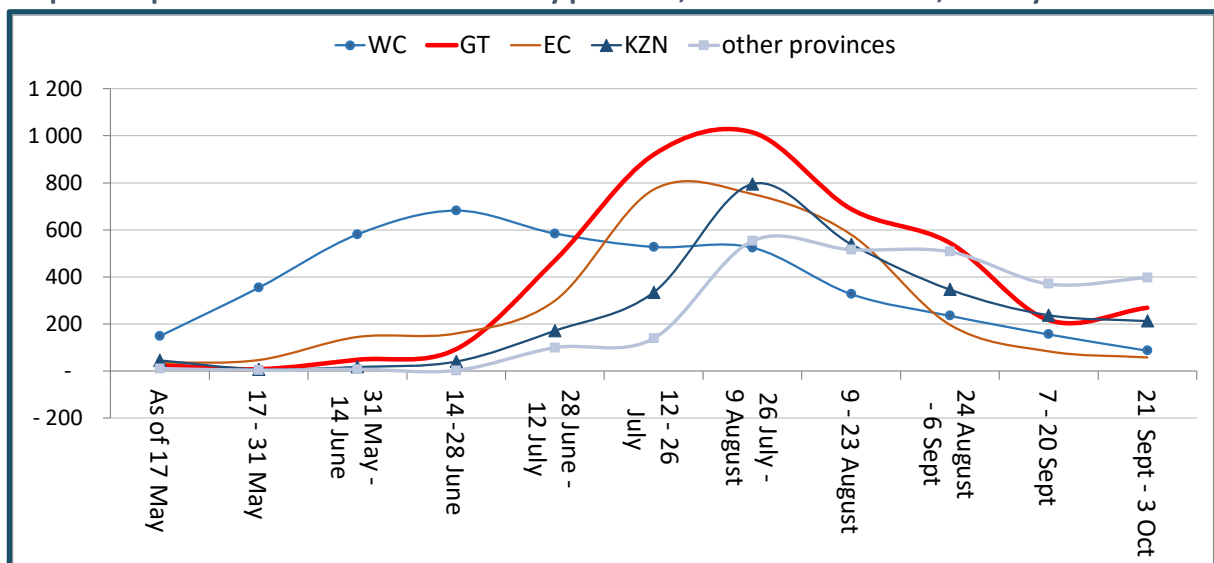
Source: Calculated from data accessed at [www.sacoronavirus.co.za](http://www.sacoronavirus.co.za) on relevant dates.

In recognition of the importance of expanding safe social and business practices to avoid a renewed surge in COVID-19 cases, the national Department of Health reconstituted its scientific advisory council to include more public health experts. Hopefully this will strengthen efforts to identify more efficient and effective behaviours to reduce transmission and to assist communities and individuals to adopt them.

The US and much of Europe show the economic and human costs of allowing transmission rates to accelerate. These regions face a renewed surge of cases, mainly spread by reopened entertainment venues, especially bars, and universities, combined with summer tourism. According to the European Centre for Disease Control, in the two weeks to 27 September, Spain saw an average of 23 diagnoses daily per 100 000 people – almost 10 times as high as South Africa. France averaged 16 new diagnoses per 100 000 citizens; the US, 13; and the UK, seven. In contrast, the rate in Germany and Norway was only two, and it was 3,5 in Sweden.

In South Africa, deaths reported from COVID-19 have continued to decline. Deaths typically lag around three weeks behind diagnoses.

**Graph 3. Reported deaths from COVID-19 by province, two-week intervals, 17 May to 4 October**



Source: Calculated from data accessed at [www.sacoronavirus.co.za](http://www.sacoronavirus.co.za) on relevant dates.

Even if there is no second wave, the 45 000 excess deaths associated with COVID-19 would make it the deadliest single disease in South Africa this year (using 2017 data for causes of death, the latest available figures). Counting only the 16 000 deaths when COVID-19 was diagnosed, it would rank as the eighth largest cause of death. Globally, COVID-19 is the 12th largest cause of death. But there are large regional differences. It is the leading cause of death in New York, Brazil and Peru, the second most important in the UK, and the third in Sweden.<sup>1</sup> In South Africa, excess deaths represented a 13% increase on fatalities over the norm for the year to early September. That would translate into a 10% increase for the full year.

While high, deaths from COVID-19 remain far behind the burden of HIV/AIDS before the public health sector began to provide antiretrovirals on a mass scale. In 2005/6 alone, South Africa saw 150 000 more deaths than in 2017, almost entirely as a result of the delays in providing antiretrovirals. Deaths in 2005/6 were a third higher than in 2017.

## TRENDS IN THE ECONOMY

The economic recovery has apparently settled into a “swoosh” – that is, a sharp rebound from April to May, followed by far more gradual improvements despite the continued loosening of disaster regulations.

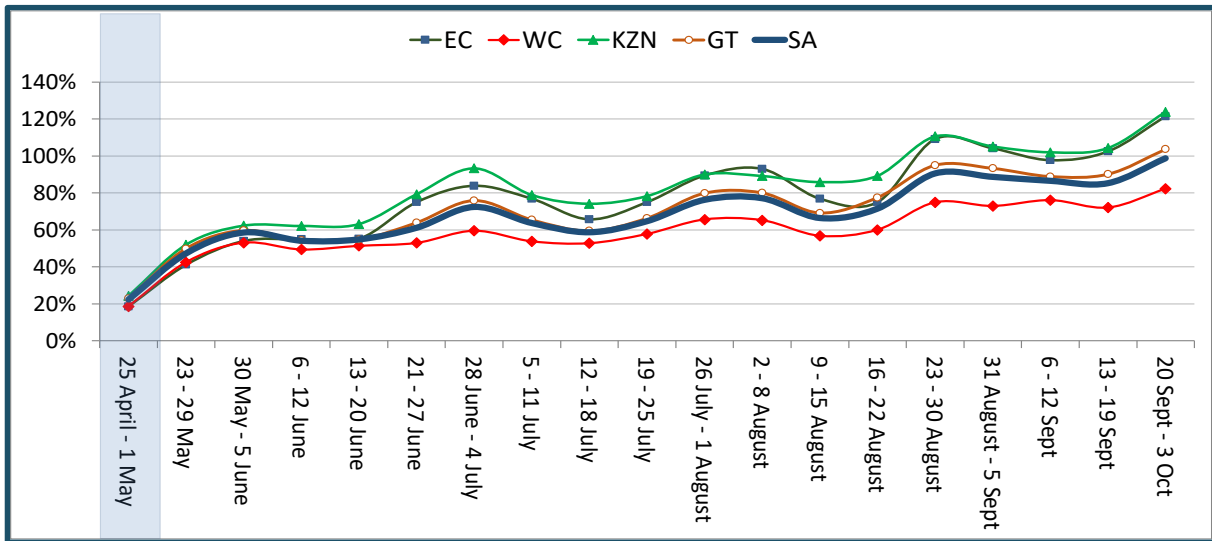
The available indicators suggest that economic activity remains 5% to 10% below March levels. Emerging binding constraints include depressed demand for high-risk services, lower household incomes, slow global demand and the electricity shortage. As in other recovering economies, goods production has come back more swiftly than services, which are both riskier and more labour-intensive. Job losses have been heaviest for less-skilled and more informal workers, in part because they cannot easily work from home and in part because personal services and non-essential retail cannot recover fully as long as COVID-19 remains a threat.

The Yoco small business tracker suggests that small business turnover nationally has almost returned to pre-pandemic levels, although the figures are affected by payday at the end of the month. They were also likely boosted by the long weekend around Heritage Day, since small business is centred on retail, personal and food services, and entertainment.

---

<sup>1</sup> Troeger, C. 2020. Just how do deaths due to COVID-19 stack up? In Think Global Health. 15 September 2020. Accessed at <https://www.thinkglobalhealth.org/article/just-how-do-deaths-due-covid-19-stack> on 3 October 2020.

**Graph 4. Small business turnover relative to the first two weeks of January, average for week to Saturday through 3 October**

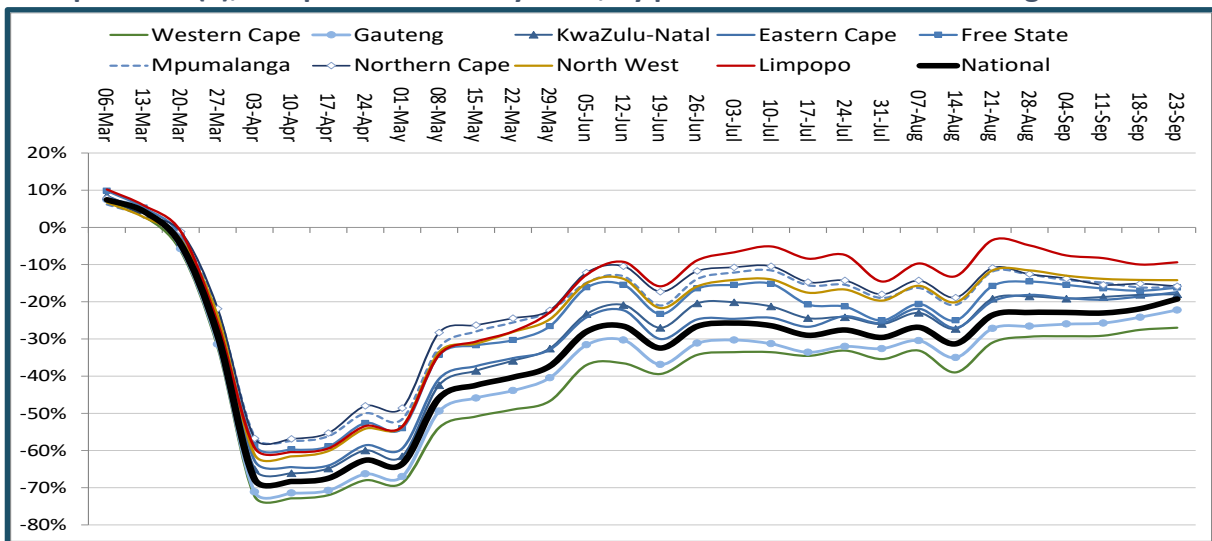


Source: Calculated from Yoco Small Business Recovery Monitor. Downloaded at [www.yoco.co.za](http://www.yoco.co.za) on relevant dates.

The Western Cape continues to lag the rest of the country, presumably in large part because of the limitations on foreign tourists. Restrictions on travel by Europeans combined with the second wave of COVID-19 in much of the global North means they are unlikely to return in the near future, even when allowed by South African regulations.

A similar picture emerges from Google’s analysis of local mobility. For the past two weeks, it provides data only on travel to work, comparing the level through 25 September to January. The data in Graph 5 are weekly averages, but for the final week exclude Thursday and Friday because of the long weekend. As of late September, travel to workplaces nationally remained around a fifth below pre-pandemic levels, despite an increase with the shift to Level 1.

**Graph 5. Percentage change in travel to work, weekly average from 8 March to 23 September (a), compared to January 2020, by province and national average**



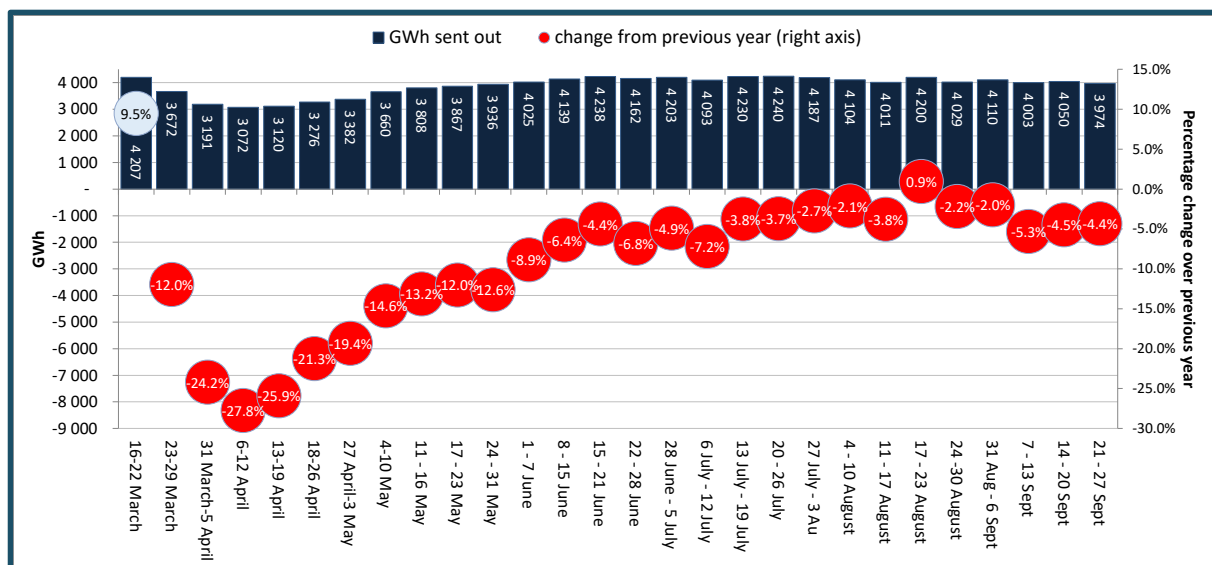
Note: Week to date except for 23 September, which covers only Saturday to Wednesday because of the holiday on Thursday 24 September, which substantially reduced travel to work on both Thursday and Friday that week.

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

The relatively slow recovery in travel to work reflects in part the ability of professionals and managers to work from home. That could explain why the Western Cape and Gauteng lag behind on this indicator, since they account for a disproportionate share of managers and professionals. But the low level of travel to work also results from the loss of jobs as demand has proven slow to recover especially for high-risk, labour-intensive services.

As the economy normalises, the challenges at Eskom have re-emerged as a core obstacle to growth. Eskom electricity sales recovered steadily through August, but stalled in September because both its old and new plants faced persistent breakdowns. As the following graph shows, for the last three weeks of September electricity use was over 4% below the equivalent period in 2019.

**Graph 6. Electricity sent out in GWh, weekly, 24 March to 27 September, 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>

On 29 September, Statistics South Africa published the Quarterly Labour Force Survey (QLFS) data for the second quarter of 2020. The survey was curtailed by the pandemic, so that the data are not fully comparable with pre-pandemic figures. Still, they underscore the relatively heavy hit sustained by lower level workers, especially in the informal sector and domestic work.

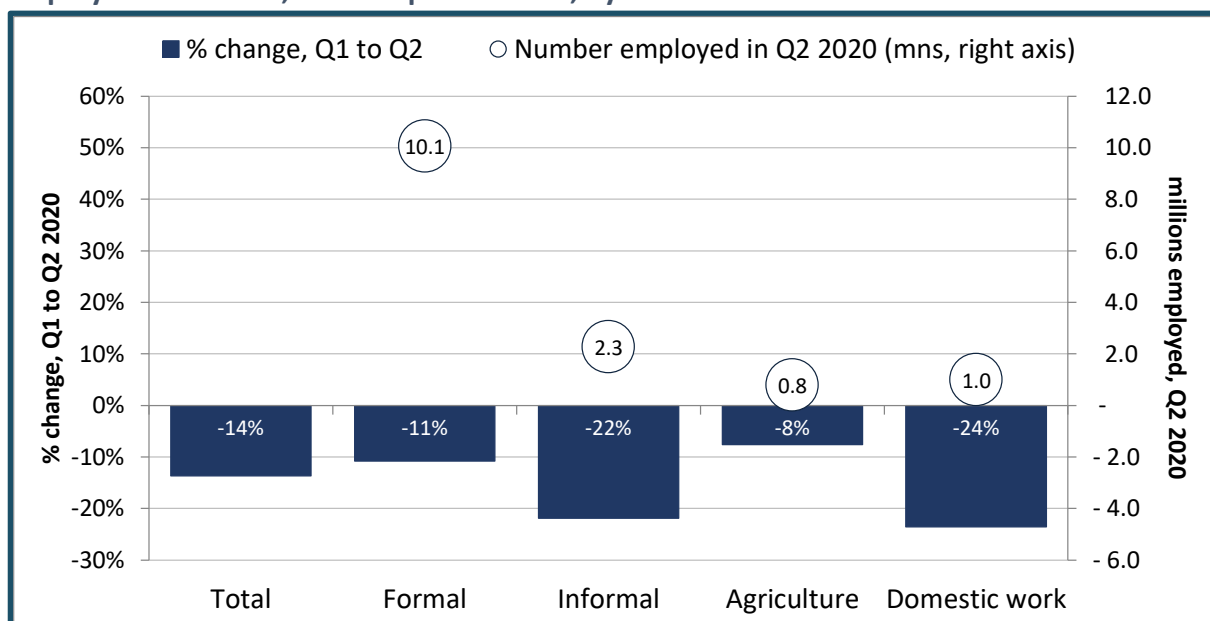
Due to COVID-19, the QLFS was conducted only by telephone, rather than through in-person interviews. As a result, it covers only 47 000 people, down from 67 000 in the first quarter. The difference was not random, since households with telephones tend to be better off than those without. Statistics South Africa reweighted the survey in an effort to compensate for the change in the sample, using an analysis of households with and without telephones in earlier surveys. That approach will not, however, fully capture the disruption caused by the pandemic.

In addition, the QLFS figures are an average of monthly findings, yet employment levels changed radically over the course of the second quarter. Usually, the QLFS averages data that it collects in each of the three months in a quarter. That approach makes sense when monthly changes are slight. In 2020, however, the economy experienced a huge shock in April, with a sharp recovery in May and June. Average figures capture neither the full extent of the April

downturn nor the subsequent rebound. Moreover, because of the lockdown, no data at all were collected for April, so the survey does not reflect the deepest part of the downturn.

The QLFS indicates that the economy as a whole lost over two million jobs from the first to the second quarter of 2020. It is not clear how many of these have been recovered since then. For comparison, in the 2008/9 global financial crisis, South Africa lost a million jobs over almost two years. As the following graph shows, over a fifth of informal and domestic workers lost their jobs, compared to around a tenth of formal workers. As a result, although informal and domestic work contribute only around a quarter of total employment, they suffered close to half of all job losses.

**Graph 7. Percentage change in employment from first to second quarter 2020, and number employed in millions, second quarter 2020, by sector**



Source: Calculated from Statistics South Africa. Quarterly Labour Force Survey. First and second quarters 2020. Electronic database. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za).

The QLFS data are not seasonally adjusted, which particularly affects the figures for agriculture. In the second quarter of 2020, agricultural employment was down by 5% compared to the same period in 2019.

Predictably, public employment shrank far less than the private sector during the downturn. According to the QLFS, it declined only 5%, compared to 12% in the formal private sector. The public sector contributes around a quarter of all formal employment.

Within the formal private sector, management, professional and semi-professional employment fell by only 3% from the first to the second quarter. In contrast, other occupations saw a net loss of 15%. That is, lower level workers saw at least one in seven jobs disappear during the worst of the downturn. Again, many of these have been recovered since April, but no figures are yet available. By industry, the sharpest decline in formal private employment was in construction, personal services, bars and restaurants, all of which reportedly lost around one job in four.

As noted, the data from the QLFS for the second quarter can only be considered indicative. In addition, the Unemployment Insurance Fund (UIF) COVID-19 Temporary Employee/Employer Relief Scheme (TERS) programme succeeded in limiting actual retrenchments. It is not clear if

TERS beneficiaries said they were employed for the purposes of the QLFS. The programme has now been extended until the end of the national state of disaster, but many employers said that they could still end up retrenching a significant share of their workforce if the recovery remained slow.

A core challenge has been to provide relief for working people and the poor hit by joblessness, despite the constraints on government revenues. Given South Africa's deep inequalities, the top decile of households generally have the physical and social capital to protect themselves despite the sharp downturn in the economy. For formal workers, the UIF TERS programme has been a lifeline, although the average payment is only R3 500 a month. Another 3,5 million people now get R350 a month under the COVID-19 special grant, and other social grants were increased as well. Unlike the UIF TERS, however, these programmes are expected to end on 15 October. The elimination of this safety net even as the poorest households continue to suffer the loss of jobs and incomes will significantly strain social and political systems.

\*\*\*

*This is the final TIPS tracker on the pandemic and the economy. TIPS will however continue to publish in-depth and focused analyses on aspects of the recovery and reconstruction. We wish to thank Janet Wilhelm, Annie Neo Parsons, Nokwanda Maseko and Rene Grawitzky for their support in producing the Tracker over the past seven months.*

## TIPS TRACKERS

**TIPS Tracker: The economy and the pandemic** highlights important trends in the COVID-19 pandemic in South Africa, and how they affect the economy (covering the period 11 May 2020 to 4 October 2020).

**TIPS FDI Tracker** monitors inward foreign direct investment projects. It reports on new FDI projects, analyses these, and adds them to an ongoing list of investment projects.

**TIPS Export Tracker** provides updates on export trends and identifies sectors and products that are performing well and those that are lagging.

**TIPS Import Tracker** provides an overview of import patterns and looks at the causes of surges in imports, and their likely impact on industry.

**Trade & Industrial Policy Strategies (TIPS)**

[info@tips.org.za](mailto:info@tips.org.za) | +27 12 433 9340 | [www.tips.org.za](http://www.tips.org.za)