



## ECONOMIC COMMENTARY - By Dr. Francois Stofberg

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### JULY: COVID CONFUSION

In July, South Africans heard that they would be placed under a stricter level 3 lockdown. In one of his addresses to the nation, President Cyril Ramaphosa announced that the government would restrict the movement and consumption of South Africans. This would be an attempt to curb the spread of COVID-19. Amongst these restrictions were: the 21:00 evening curfew, a ban on alcohol sales, and schools that would once again be closed. Initially, I believed we might be going back to level 4, or even higher, but I now realize this would have been a mistake. My belief that level 4 was a possibility was a logical deduction based on the assumption that the South African government would be able to effectively administer the necessary aid to individuals and businesses throughout South Africa. But as news broke about the government's persistent inefficient nature, I soon realised that a stricter lockdown would be much more detrimental in the short- and long term. Individuals who needed it were left without the grants to keep them and their extended families well nurtured and cared for.

More importantly, however, is that businesses, the lifeblood of the South African economy, were left without the support they needed to make it through a forced shut down of operations. The government initially chose a route to support lives over livelihoods, something we all agree on. But even the success of this can be debated. It seems other than forcing the economy to shut down, scant little was done to deploy resources to combat COVID-19, like the flash-hospitals and clinics that were erected in many other countries. Whatever the case may be, we first needed more information about the cost to life and livelihoods. But extending the lockdown seemed excessive after we realized that the total amount of deaths from COVID (8 300 over four months) were mute compared to other causes of death in South Africa (roughly 4 200 monthly). Especially if one considers that the death rate was only slightly higher than 1.5% and that the recovery rate was strong; this meant that even if the pandemic increased exponentially, the cost to life would still not measure up. However, if we consider the conservative impact on livelihoods, one measure is to look at the GDP per capita, which shows that income per person will fall to 2004 levels. As we have explained in the past, if history has taught us anything, it is that poverty is the greatest killer of all. Without sufficient support for businesses, who were forced to shut down, it seems our economy will be kept in the dark ages for a while to come.

The South African Reserve Bank (SARB) also cut interest rates by another 0.25% after inflation reached a decade long low of 2.1% in May. In total, the SARB has cut rates by 2.75% in 2020, decreasing the cost of household debt by R63 billion. Creditors finally agreed to a deal regarding South African Airways (SAA). However, we still do not know where the R10 billion bailout money will come from. It is a "he said, she said" story between Minister of Public Enterprises, Pravin Gordhan, and Finance Minister, Tito Mboweni. Over in the United States, the Democrats are pushing for a \$3 trillion, second-round support package for Americans, but have fierce opposition from Republicans. Trump announced a ban on TikTok and Microsoft swooped in with an offer to purchase TikTok's rights in the United States, Canada, Australia, and New Zealand. Lastly some exciting news from outer space. SpaceX successfully brought back the two astronauts they previously shuttled to the International Space Station.