THE ECONOMY AND THE PANDEMIC

WEEK 25 to 31 MAY 2020

KEY FINDINGS FOR THE WEEK

On the pandemic

- The rate of growth in cases surged in KwaZulu Natal and Gauteng, although it slowed in the Western Cape. If the rate of growth outside of the Western Cape is not contained, the number of cases there will double in two weeks – about a week sooner than if the rate of growth had remained the same as last week.
- Government’s decision to define Level 3 as opening most of the economy plus churches and schools represented a fundamental shift in approach and responsibility. It required individuals and groups to manage risk rather than adhering to regulations banning hazardous activities. To succeed, this strategy must combine measures to ensure that people have the information and resources they need for sound decision-making with stringent and swift management of outbreaks. Government did not, however, move to substantially scale-up programmes and expertise to help individuals understand risks and change their behaviour. Nonetheless, it appeared increasingly willing to permit even highly risky activities to reopen in the near future.
- New studies suggested that COVID-19 is disproportionately spread through a few super-spreading events, typically when large numbers are in fairly crowded spaces for a significant period. By extension, the biggest risks under Level 3 arise from public transport, mines, churches, and spaces where significant groups meet at work, including during breaks.

On the economy

- Under Level 3, which starts on 1 June, all businesses except for personal services, recreation and sit-down restaurants will be permitted to reopen. That means that around 90% of workers could return to work, although employers must still have people work from home when possible.
- The third week of Level 4 showed only a limited increase in economic activity but a surge in work-related hotspots, notably in the mines but also in health and the police as well as some retail chains and factories. Most industries did not, however, appear to have a defined structure to identify and mitigate risk factors as they emerged.
- Significant differences emerged in the effectiveness of the various funds established to support workers, businesses and households during the lockdown. The programmes that built on existing programmes have disbursed billions of funds. In contrast, when disbursements required new systems to identify and appraise applicants, relatively few applicants have received any support.
TRENDS IN THE PANDEMIC

Trends in COVID-19 infections in the Western Cape continue to look qualitatively different from the rest of the country. But the rate of growth in KwaZulu Natal and Gauteng accelerated sharply in the past week, while it continued to slow in the Western Cape.

On 30 May, there were 310 cases per 100 000 people in the Western Cape, compared to 22 in the rest of the country.

The next highest incidence was in the Eastern Cape, where there were 59 known cases per 100 000 residents.

Graph 1. Number of cases per 100 000 people by province, weekly, 5 April to 31 May

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

The number of deaths from COVID-19 reached 683 on 31 May.

The Western Cape continued to account for most of these deaths. Because patients usually only die only two to three weeks after reporting symptoms, the numbers in the province will likely continue to rise even if the rate of infection continues to decline over the next few weeks.

Similarly, the current outbreaks in other provinces will only show up in a higher number of deaths from the middle to end of June.

TIPS Tracker: The economy and the pandemic compiled by Neva Makgetla with inputs by Lutendo Maiwashe
The reported growth in the contagion in the Western Cape dropped sharply over the week, from a daily rate (based on the seven-day rolling average to each day) of 7.6% between 17 and 24 May to just 5.7% in the past week. But the daily growth rate doubled in Gauteng and KwaZulu Natal over the week, and fell only slightly in the Eastern Cape. As a result, outside of the Western Cape reported cases increased by 4.7% a day between 24 and 31 May. If Gauteng and KwaZulu Natal do not contain the acceleration in infections, the number of cases will double in two weeks, down from three weeks in the rest of May.

Graph 3. Average daily (a) rate of growth for the week of 24 to 31 May compared to previous weeks, by province

Note: (a) Calculated using seven-day rolling averages for first and last day of each week. Source: Calculated from data accessed at www.sacoronavirus.co.za on relevant dates.
The surge in cases in Gauteng and KwaZulu Natal suggests that, in the past few weeks, each new infection has been transmitted to more people. It takes around five days for new cases to become symptomatic. The ratio of cases reported in the current week to cases five days previously thus provides a statistical indication of the new cases resulting from earlier infections (an approximation of the average R0, or number infected by each patient, for all known cases). As the following graph shows, over recent weeks the ratio climbed steeply in Gauteng and KwaZulu Natal at least through 28 May, while it has dropped in the Western Cape for most of the past month. In both Gauteng and KwaZulu Natal, in the last week of May the ratio spiked to its highest level in six weeks.

**Graph 4.** Number of new cases compared to cases reported five days earlier (using rolling seven-day averages for daily figures), by province

![Graph 4](image)

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

The rate of infections in Gauteng and KwaZulu Natal began to increase around three weeks after the country moved to Level 4, which saw more workers return to the mines, factories and malls. In Gauteng, the jump was linked in part to an outbreak at a newly reopened gold mine in the West Rand, as reported in last week’s Tracker. As of 30 May, the mine reported 164 cases, or a seventh of all new cases in Gauteng through 31 May.

The surge in cases in the past week raises the question of whether South Africa will be able to end of the lockdown without letting the pandemic get out of control nationally. Experience from other countries over the past five months suggests that there is no foreordained path. **Graph 5** shows the evolution of cases per 100 000 residents over time in a few major economies. Some managed to avoid a major peak altogether; others reduced new cases to near zero after reaching a far higher level than currently in South Africa. Within regions, countries show very different trajectories, as shown by the divergent experiences of Brazil and Argentina, and Singapore and Vietnam. As in South Africa, in most countries a few cities endured unusually high caseloads, as demonstrated most graphically by New York City in the US as well as in Wuhan in China’s Hubei province.
For South Africa, a critical challenge is to contain infections while reopening most of the economy plus religious services. In effect, allowing more activities means that the contagion will be managed, not through strict and comprehensive regulation, but through a combination of individual and collective choices with public health measures.

In this framing, the Level 3 package aims to control COVID-19 through three main strategies: banning a few kinds of activities outright because they may cause substantial outbreaks; expecting individuals and institutions to manage the risk of other activities; and implementing rigorous measures to identify and isolate cases and outbreaks so as to limit transmission.

1. Under Level 3, most social activities except for worship are still restricted. In contrast, in terms of economic activity the state has reopened virtually everything except personal services and recreational activities that require substantial in-door gatherings. Services such as beauty salons and tattooing are high risk because they require that people stay in close contact for significant periods. It typically takes more than 10 minutes to infect a contact; a hairdo can take hours. Many recreational activities, including restaurants, gyms and clubs, keep large numbers of people together for significant periods indoors, which is often a factor in substantial outbreaks.

Research increasingly points to the importance of “super-spreader events”, which usually arise when groups meet indoors over long periods. In these circumstances, a single individual can infect dozens of others. The large-scale outbreaks in deep-level mines, for instance, appear to follow from long periods spent in closed spaces such as lifts to get underground, even if occupants maintain physical distance. Large numbers have been affected in mines not only in South Africa, but also in Ghana (where 70 people were
infected at one gold mine), Czechia (200 at a coal mine), and Siberia (over 800 around another gold mine). In South Africa, sizeable outbreaks have also occurred among retail employees, who often work together closely and, because they do not have formal spaces for breaks, end up sitting next to each other outside.

2. The reduced restrictions on economic activities and worship mean individuals and institutions have to manage the risks for themselves. The assumption is that they have the resources and understanding to limit risks as far as possible through social distancing, using masks, sanitation and ventilation, as generally required by regulations. Once the risks have been minimised, individuals and institutions are expected to make rational choices based on their priorities and circumstances. For instance, people who are older or have chronic conditions that make a severe case of COVID-19 more likely should continue to work from home. If people must go to work, they should avoid public transport. As these instances suggest, the ability to manage risks depends heavily on whether one has adequate resources. It is far easier to avoid public transport if one has a car or can afford an Uber, or to work from home if one has internet and a professional occupation.

3. The state has committed to rapid action to stop new cases and outbreaks from spreading widely by monitoring them carefully, ensuring they are isolated, and tracing their contacts, who may also require isolating. For individuals, that means self-isolation at home if possible, or going to a quarantine centre if it is not.

All of these strategic elements have been implemented rigorously in countries that have succeeded in limiting the spread of COVID-19. In South Africa, some challenges have already emerged around their implementation.

First, Level 3 depends on people understanding the risks of different activities and working constructively to minimise and where possible avoid them. But these efforts are undermined by mixed messages on the level of risk of different activities, as well as limited and mostly very general communication on how to reduce the risk of infection.

Government has not articulated clear criteria for its decisions on which activities to open and which to restrict. Most people were willing to accept a strategy of opening the economy but offsetting the increase in the risk of infection by continued restrictions on even more risky personal services and socialising. The logic of this approach has been undermined, however, by the decision to allow religious worship, which has enabled super-spreader events in many countries including South Africa, as well as the push to reopen high-risk activities such as indoor dining and hairdressing. The apparent lack of consistency also opened the door to high-profile lobbying.

In these circumstances, the government seems to find it increasingly difficult to hold the line on high-risk activities of any kind. In contrast, countries that have succeeded in controlling COVID-19 outbreaks generally kept tight controls on non-essential retail as well as recreational and personal services until the level of new cases had fallen substantially. See TIPS policy brief *Reopening the economy: Lessons from success*.

Second, South Africa’s profound inequalities mean that many people have very limited freedom to avoid risks. Moreover, it remains hard to find information on how best to mitigate the danger of infection from different kinds of activities. Unless government and employers step up assistance and communication, more people will end up taking undesirable risks. The ultimate result may be far higher costs as COVID-19 cases spiral out of control.
In particular, while the government has established regulations to reduce risks at work, while shopping and in public transport, it is not resourcing their implementation or enforcing them consistently. Public transport and taxi ranks remain overcrowded, often in defiance of regulations. Government’s expert advisory panel does not appear to include social scientists or communications experts, who could help develop more effective ways to encourage and enable safer behaviour.

Finally, it remains to be seen how vigorously government will respond when outbreaks emerge in newly opened enterprises or in politically sensitive regions. Some industries have already experienced a series of outbreaks. They include retail in the Western Cape, the police and mining. In these cases, there has not been a visible process to identify and address systemic risks, rather than dealing with each affected employer or institution separately.

In this context, employers in both the public and private sectors appear uncertain if, when a worker shows symptoms, they should immediately go into isolation or quarantine or wait for test results. Since getting the results from a public sector test can take over a week, waiting for them can lead to many newer cases. Workers often complain that this situation has led to new infections on the job.

Efforts to monitor the spread of COVID-19 have been hindered by the global shortage of testing kits and related supplies. Countries that do not have strong systems for contact tracing, notably the US and the UK, have sought to use mass testing instead. The consequence has been a huge demand for the world’s limited supply of testing materials. In the resulting competition, many countries have far more market power and resources than South Africa. As a result, South Africa has not been able to process almost 20% of tests conducted within the desired timeframe of two to three days.

It follows that South Africa needs innovative ways to supplement and enhance testing, rather than just trying to expand it. The primary goal remains identifying and isolating known cases, then following up with close contacts within two days. In contrast to the US and parts of Europe, South Africa can build on its relatively well-developed contact-tracing system, which was established to control HIV and TB. It has also used existing community and occupational health systems as the basis for screening people on a large scale so as to identify infections that cannot be tracked back to known cases. Screening is less reliable than testing, since somewhere between 10% and 40% of COVID-19 cases may remain asymptomatic and people can spread the disease before they develop symptoms. Still, it can help identify problem areas. These systems are not perfect, but they have already been critical in slowing down the spread of COVID-19. The challenge is to maintain their effectiveness in the face of rising caseloads and outbreaks.

TRENDS IN THE ECONOMY

Macroeconomic developments

The (very limited) available data suggest that the move to Level 4 no longer exerted much impact on the economy by the third week of May. Both electricity use and travel to work grew very little over the week through 23 May.

As Graph 6 shows, electricity use climbed just 1,5% in the third week of May, compared to 4% in the preceding week and 8% in the week before that, when Level 4 began. As a result, it remained 8% below the level in mid-March, just before the lockdown started. Transnet
reported that freight rail increased to 87% of its pre-lockdown projections under Level 4, compared to 34% in late March when the lockdown started.

**Graph 6. Electricity sent out in GWh, weekly, 16 March to 23 May**

![Graph 6](image-url)


Similarly, there was very little rebound in travel to work as measured by Google’s COVID-19 mobility tracker. At the national level, trips to workplaces rose by 5%, but remained 42% below the pre-lockdown level. Travel for other reasons – for shopping, recreation and to public transport hubs – was essentially flat.

**Graph 7. Percentage change in travel by type of destination, weekly average from 8 March to 24 May, compared to January 2020**

![Graph 7](image-url)

*Source: Calculated from Google COVID-19 Community Mobility Reports. Accessed on 23 May 2020 at https://www.google.com/covid19/mobility/*
Virtually all provinces showed a slight increase in travel to work. The Western Cape continued to show the lowest level of recovery. That situation may have reflected the high levels of contagion (Graph 8). Internationally, experience showed that in areas with high caseloads, people are less likely to take advantage of more relaxed restrictions, because they fear getting infected. A City Press survey published on 31 May found that around three quarters of respondents considered it too risky to attend sports events, go to restaurants, get a haircut or visit friends; just over half would not go to church or work on site instead of from home; and almost half considered it too risky to look for a job.

Graph 8. Percentage change in travel by type of destination, by province, weekly average from 26 April to 23 May

Note: The graph shows the actual difference from January for the week of 17 to 23 May. For the other three weeks, it shows the difference in the level of travel compared to the following week. If the level of travel declined, the difference is a positive number (above the axis). If the level of travel increased, the difference is a negative number.

The economy should benefit from the modest recovery in international commodity prices outside of coal over the past few weeks. Still, only gold (which attracts investors in times of uncertainty) and iron ore (thanks to the recovery in the Chinese economy now that the country has controlled COVID-19) have higher prices than before the pandemic.
Graph 9. Indices of US dollar prices of South Africa’s main mining exports, 17 April and 31 May (1 January 2020 = 100)


Company developments

Infections

As noted last week, the return of underground mining to full production has brought a spate of outbreaks. On 29 May, the Minerals Council reported a total of 384 cases among miners, with 231 in gold and 96 in platinum. The number of reported cases had more than quadrupled over the week, mostly as a result of large outbreaks at a few major mines. There were 85 cases per 100 000 miners – far higher than the overall rates reported for Gauteng, Limpopo and the North West, where the main mine outbreaks emerged.

Graph 10. Reported cases in mining by commodity, 8 May to 29 May

The Mponeng gold mine in Gauteng accounted for most of the new gold mining cases, with 164 cases reported at the end of last week. Because of the large scale of the outbreak, the Gauteng provincial government designated the West Rand district a COVID-19 hotspot. In the past week Sibanye Stillwater found 51 cases at its underground platinum operations in Rustenburg. Two miners on a shaft tested positive, and the rest were found through tracing. A total of 120 miners went into isolation, with quarantine facilities provided on site if requested. Before this outbreak, the company had discovered only 14 cases, which were not associated with a cluster.

In contrast to gold and platinum, the coal mines, many of which remained open during Level 5 to supply Eskom and Sasol, have fewer cases. Many are open pit mines, which employ less people, mostly out of doors.

As the Minister of Mineral Resources pointed out in a press conference on 29 May, whenever mines reopen, there’s “a spiral” of cases in the area. He argued that his department does not seek to close mines, but sometimes it has no choice. For instance, he claimed that the Dwarsrivier mine, which found an outbreak last week, was neither screening nor testing workers appropriately. As a result, it was closed down by the department and had not reopened as of 28 May. After the large outbreak was found at Mponeng gold mine, it agreed to close while it considered next steps.

As of 28 May, 841 police had been diagnosed with COVID-19. Some 601 of them were in the Western Cape. Eight had died of the disease. The rate of infection for the police, at around 530 per 100 000 police members, was far higher than for the country as a whole. In the Western Cape, the rate of infection equated to about 3 000 per 100 000 members.

The past week saw reports of a case at Bothasig station in the Western Cape as well as at Ennerdale in Johannesburg and Chatsworth in KwaZulu-Natal. Another KwaZulu-Natal police station, at Phoenix, found several infected officers; the initial case had shared cars and docketts with colleagues.

Health workers have also seen rising numbers of infections, with clusters at several hospitals. No national figures have, however, been published, although the Minister announced that 14 health workers had died as of 28 May. In the Western Cape, there were 1 010 confirmed cases among workers in the public health sector through 27 May. Six had died and over 450 had recovered. Of the total infected, 61 were doctors and 389 were nurses.

The Level 3 regulations provide some protection for workers, based on existing health and safety systems. In the event, however, the Department of Employment and Labour found that of 3 844 premises inspected through 29 May, 1 724 did not comply with safety directives for COVID-19.

Under the regulations, employees may refuse to work if they have a reasonable belief that the necessary precautions are not in place. Employers are expected to provide 14 days’ paid sick leave for any employee who had close contact with a colleague diagnosed with COVID-19. They also have to supply masks and reorganise work and break spaces to ensure physical distancing. Larger employers have to screen workers and stagger shifts to minimise crowding in transport and entryways.

In addition to the regulations, the Minister of Trade, Industry and Competition is working toward stakeholder compacts on measures to reduce the risk of infection in both workplaces and commuter travel, including through staggered hours in some cases. At the end of the
week, he said that compacts had been concluded, and would soon be released, with the automotive, construction, food and retail sectors.

Efforts to manage the contagion have been roiled by distrust and sometimes conflict between employers and workers. Workers often want colleagues to be sent home as soon as they show symptoms, rather than waiting for test results; question the quality and availability of personal protective equipment; and demand that operations be closed for cleaning when an employee tests positive. Debates have also emerged about whether workers caught COVID-19 off site or at work, sometimes even in the case of health workers. The National Education, Health and Allied Workers’ Union (NEHAWU) claimed that some Western Cape hospitals require workers who test positive to return after a single week, rather than the standard two weeks of quarantine.

Relatively limited strikes and protests have been held at some schools, clinics and hospitals as a result of this kind of conflict. In addition, some unions – including those for miners and teachers – have opposed calls to return to work because they feel employers have not adequately mitigated the risks.

**Industry and company developments**

*Industries that will not be allowed to open under Level 3*

The main industries whose on-site operations will remain mostly closed under Level 3 are dine-in restaurants, clubs, hotels and other short-term accommodation, creative industries and personal services, including gyms and hair stylists. Hotels will be permitted to open for business travellers, and game parks for visitors who come from the same province and drive themselves. Restaurants can provide takeaway and delivery meals, but that generally generates far less income and requires far fewer employees than in-house dining.

Taken together, these activities account for around a tenth of formal employment, or about 1.5 million workers. According to Quantec estimates, they contribute about 3% of the GDP.

Difficulties and fears around travel as well as lower incomes for most households seem likely to slow the recovery of tourism for a significant period of time. The International Air Transport Association (IATA) says global air travel is down by over half due to the pandemic, and expects it to remain 30% to 40% lower than in 2019 for another 18 months or so.

It seems unlikely that large gatherings will be permitted for recreational purposes any time in the near future. Some of the affected creatives and enterprises have developed on-line products, but the resulting income tends to be relatively low. In theory, both these services and restaurants would be safer if they provided services outside, but that would often entail considerable restructuring of their premises and operations, and sometimes changes to bylaws. In any case, the government seems likely to maintain low ceilings on crowds, even out of doors.

The Department of Trade, Industry and Competition has said it would consider allowing personal services to open if it could be done safely. As noted, the risks arise when services entail close personal contact, as with hairdressing, nail salons and spas. In the US, a single hairdresser with early COVID-19 was found to have exposed 91 customers in a week.

Industries that cannot reopen on Level 3 will remain eligible for Unemployment Insurance Fund (UIF) support through June. In addition, the Departments of Tourism and of Arts and
Culture have established funds to support enterprises that fall within their mandates. The resources involved are limited, however; very little has been paid out to date; and neither fund is designed to prioritise innovative business models that would be viable while COVID-19 remains a health threat.

The Tourism Relief Fund has apparently not paid out any funds as yet, but expects to provide successful applicants with once-off R50 000 grants. It has a total of R200 million for this. Applications for the fund closed on 30 May. It received around 6 000 applications, with around two thirds for catering and accommodation. The fund supports only small, medium and micro enterprises (SMMEs), but will not provide resources for clubs or cultural activities.

The Department of Arts and Culture established a COVID fund with R150 million to support both cultural workers and sports. The provincial departments of arts and culture have provided another R50 million for this purpose.

At the start of May, Arts and Culture had received around 6 000 applications. As of 30 May, it had approved 1 520 arts and culture applicants; paid 1 320; and disallowed 1 660 applications. A major obstacle was that applicants had to provide contract or other documentary evidence, in paper form, that they had lost income as a result of the lockdown. That was difficult for many freelance and self-employed artists since they often work without formal contracts and on a very short-term basis.

**Transport equipment and logistics**

Gauteng’s Auto Industry Development Centre (AIDC) anticipates a 30% fall in local sales and in total auto assembly in South Africa. That would be a slightly larger decline than in 2008. The AIDC expects the global industry to recover fully only in two to five years. The depreciation of the rand, which may help other exporters, will not benefit the auto industry because local labour and parts contribute a relatively small share of the value of the final vehicle. In line with the TIPS policy brief on the auto industry and COVID-19, *Covid-19: the South African auto industry*, the AIDC argues that companies will not be able to reach targets agreed with government before the pandemic. In particular, producers will struggle to produce 50 000 vehicles a year and to avoid job losses.

VWSA has restarted both exports and local sales. Its parent company has supported it with protocols for preventing infection. They include education for workers, with a booklet and orientation session, as well as signs across the workplace and masks for workers. Where they can, VW says it encourages employees to work from home.

Barloworld is embarking on a retrenchment process, although it did not indicate the scale of job losses. In large part, this decision results from the sharp downturn at Avis, which has seen a decline of over half in its fleet utilisation. Barloworld’s new vehicle sales have dropped by 90%. The company expects to survive the downturn but will downsize.

Under Level 3, limited travel will resume between Cape Town, Durban and Johannesburg, but only for business travellers. Phased opening of other airports will occur under Levels 2 and 1.

IATA expects that as a group the South African airlines will see a 56% fall in revenues this year. It found a 53% decline in air travel compared to a year ago, measured by passenger kilometres. That puts the international industry back to 2006 levels. In contrast, air cargo fell only 15%. In South Africa, for the period from 26 March to 22 May, OR Tambo International Airport saw a 60% increase in cargo flights compared to the same time in 2019. It received
476 flights in April 2020 but only 294 in April 2019, mostly carrying protective equipment, medical devices and pharmaceuticals for South Africa and other countries in the region.

**Food, beverages and packaging**

Tiger Brands anticipated that the pandemic would increase its costs by a total of R140 million in April and May, with another R311 million through December. The largest component of the anticipated cost arose from an effective price freeze on essential products during the lockdown. It estimated that this measure cost it R95 million in April and May, and expected the total opportunity cost to rise to R357 by December. In addition, closing non-essential production in April and May cost the company R73 million. Tigerbrands expects to downsize its operations, but did not say by how much.

The winemakers’ association Vinpro said on Thursday that around 80 wineries and 350 producers have gone out of business, at the cost of 18 000 jobs. It estimated revenue losses on local and export sales during the lockdown at R3 billion. Moreover, it expressed concern that the interruption in exports could lead to a longer-run loss of market share overseas. In US dollar terms, wine exports almost doubled from 2017 to 2019, after growing relatively slowly over the previous decade.

Nampak expected to see impairments of R3 billion, mostly due to write-downs in Angola and Nigeria but also in South Africa. All three countries face a slowdown because of the pandemic, with Angola and Nigeria hard hit by low oil prices. Nampak also has significant dollar-denominated debt, which meant that depreciation increased its gearing ratio to over 80%. Still, it expected some recovery in South African sales when the alcohol market reopens under Level 3. The unions have agreed to a wage freeze, and its executives have accepted salary cuts of between 15% and 30%. Some staff have taken annual or unpaid leave during the lockdown.

**Mining**

The pandemic will likely mean that overall mining production will be 6% to 10% lower for 2020. The impact has been lessened by the continued operation of coal and opencast mines throughout the lockdown. The depreciation of the rand has also partly offset the decline in sales by increasing revenues in rand terms.

The new safety measures on the mines represent a significant additional cost in this context. To screen all miners entering a large mine in the morning can take hours, which requires substantial resourcing and slows down production. The risk is that managers may be tempted to fast-track the process at the cost of reliable results. If the industry does not prevent new outbreaks, however, it will see repeated stoppages, which entail even greater costs.

The mining downturn comes after a long slide since 2011, when the global commodity boom ended, bringing a sharp fall in export prices. As a result, the Department of Mineral Resources told the portfolio committee this week that it feared even leading companies could end up cutting both employment and investment. Moreover, some producers, especially smaller companies, could go out of business without fulfilling their social and labour plans or environmental responsibilities. In response, the department wants to enable the mines to access funds set aside for environmental rehabilitation and, if possible, to contract for lower-cost electricity.

Kangra is placing its mine in Mpumalanga on care and maintenance. It blamed the global lockdowns for COVID-19 combined with depressed demand for thermal coal.
Government funding schemes

At the start of the lockdown, the government announced several schemes to support workers and their employers, especially small businesses, as well as the longer-term unemployed. Many of these schemes required the establishment of new systems to identify and pay beneficiaries. That in turn required that departments both establish and resource decision-making procedures and balance the aim of acting swiftly against the risk of fraud or inappropriate payments. As a result, the new targeted funds have generally only just started to make payments, often to very small numbers compared to the need. In contrast, some of the new schemes provide payments through existing systems. They have moved relatively quickly to provide billions of rand in support of businesses and individuals affected by the lockdown. These funds include the UIF COVID-19 TERS (temporary employer/employee relief scheme), which essentially helps employers pay salaries during the lockdown; various tax incentives; the four-month holiday on the skills levy that started in May; the increase in the child support grant; and the provision of food parcels through NGO networks.

The UIF’s COVID-19 TERS fund provides at least part of workers’ salaries to avoid retrenchment. The aim is to maintain employment relationships and consequently enterprise capacity, laying the basis for a faster recovery from the lockdown. The programme is funded from the UIF’s accumulated surplus, which stood at around R160 billion before the crisis, although they have lost some value as a result of the downturn in financial markets. The Department of Employment and Labour does not provide regular reports on the amounts disbursed, but by mid-May payments totalled around R15 billion for almost three million workers.

The Department of Employment and Labour has published a list of the over 150 000 companies that have received funds from the UIF’s COVID-19 TERS fund. In addition to some listed companies, recipients include a host of small businesses.

The Congress of South African Trade Unions (COSATU) has approached the Minister of Finance to request a change in pension regulations so that workers can supplement UIF grants with retirement savings. The option would only apply to workers who get a UIF payment that is less than their salary. Workers who do not need support from the UIF would be excluded. The association of pension fund advisors is setting up a team with union representatives to explore the proposal, but National Treasury had not published a response as of 31 May.

In May, the government initiated a four-month holiday from the skills levy. The Department of Higher Education and Training estimates that this measure will save business R6 billion, of which almost R5 billion would have gone to the Sector Education and Training Authorities (SETAs) and the rest to the National Skills Fund. Since the SETAs generally maintain large surpluses, the loss of income should not affect their programmes.

Only partial information was available on the progress of the R100-billion loan guarantee fund established by National Treasury. FNB said it had disbursed R200 million by the end of May, and Absa R100 million. Participating banks are required to apply normal credit rules, with some exceptions for sole proprietors in good standing. Some applicants argued that the resulting demands for surety were too onerous, given the uncertainty of the economic climate. The government guarantee does not hold, however, if loans are considered reckless. Still, National Treasury and the Black Business Council are discussing ways to bring in clients who have not previously used the banks’ services.
As noted, the special funds for cultural workers and the tourism industry, each with around R200 million available, faced substantial delays in identifying and paying applicants. Similarly, the national Department of Agriculture set aside R1,3 billion to support small commercial farmers. As of 28 May, it had received 50 000 applicants, approved 15 036 (of whom a third were women), and paid out R585 million. That would suggest an average of payment of around R40 000. Most of the applications came from KwaZulu Natal and the North West.

The COVID-19 special grant for unemployed people with no other income continued to face delays. The grant provides R350 (under half the poverty line) for individuals who are jobless and do not get any other social grant. The initial proposal for the grant estimated that between 10 and 15 million individuals would qualify. That is around the same number as those receiving child support grants.

By 25 May, the South African Social Security Agency (SASSA) had processed 38 000 payments, with another 65 000 submitted for payment but waiting to be processed. It had approved 666 000 applications but still needed to get their banking details. Overall, it had validated the identification of 6,4 million applicants out of a total of 13 million. Some 1,5 million of the validated applications had been rejected because a check with the South African Revenue Service (SARS) showed they had other income sources.

By the end of May, the Department of Social Development had directly distributed over half a million food parcels, plus another 790 000 in collaboration with other organisations, including the Solidarity Fund. Since the food packages go to families, it estimates that they reached five million people in total. The parcels cost R111 million, with almost half provided by provincial governments.

According to a City Press survey published on 31 May, two out of five black respondents, but less than one in 10 minority ones, thought that the UIF payment was adequate; that government was supporting small businesses adequately; and that government was doing enough to provide food parcels to those in need.

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**TIPS TRACKERS**

**TIPS Tacker**: The economy and the pandemic highlights important trends in the COVID-19 pandemic in South Africa, and how they affect the economy.

**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 manufacturing imports, and their likely impact on industry.

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