



Economic Digest 8 **March 26th 2020**

The Economy in the Time of Covid-19

Barely a month ago the newspaper headlines were dominated by Finance Minister Tito Mboweni's budget speech, delivered amidst the challenges of a downgrade by Moody's; an economy in recession; high unemployment; low growth; and a growing deficit. Enter the Covid-19 virus and the challenges to our economy have increased ten-fold. So how does South Africa respond? The few articles below may help to understand the impact that the Covid-19 will have on our economy.

The impact of trade disruption on South African business

According to research by the International Monetary Fund (IMF), a one percentage point drop in Chinese growth would reduce South African growth by 0.2 percentage points. Many of South Africa's industries will see an adverse impact from COVID-19, including mobile operators, automotive manufacturers, and the hospitality industry. Retail establishments and the tourism sector will suffer significantly; for example, three out of four Chinese tourists to South Africa undertake personal shopping activities. <https://tinyurl.com/slv6tay>

Why Covid-19's economic effects will be worse than the 2008 financial crisis

Whereas the 2008 financial crisis was induced by a financial sector crash that spilt over to the real economy, Covid-19 is a health crisis that has turned into an economic crisis with complex political, security and behavioural dimensions. <https://tinyurl.com/vqpfm9u>

Junk rating this week may be the least of SA's problems

As South Africa heads into a three-week lockdown that will shut down large parts of its already shrinking economy, a possible downgrade of its credit rating to 'junk' on Friday could be the least of its problems. <https://tinyurl.com/wqtwppl>

South Africa's economic stimulus response: Using the UIF to support workers

Government has confirmed that workers negatively impacted by the Covid-19 lockdown have several Unemployment Insurance Fund (UIF) options. Most are existing benefits such as illness, support when sick leave is exhausted or short-time is introduced, and the loss of jobs. <https://tinyurl.com/sc4omr9>

South Africa's economic stimulus response: Tourism

The tourism department has set aside R200m to support small, medium and micro enterprises (SMMEs) in the tourism and hospitality sectors whose businesses will suffer due to the pandemic. <https://tinyurl.com/vpqhk8v>

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