

Covid-19 note

Friday 19 June 2020

The number of daily deaths are rising in South Africa as the economy increasingly opens up, while second waves of new Covid-19 outbreaks in the US, China and elsewhere are unsettling financial markets

Covid-19 situation in numbers (total and new cases in past 24 hours for the 18th June)

Reporting regions	Confirmed	Total confirmed new cases	Total Deaths	Total new deaths	Ratio of deaths to infections
European Region	2 471 792	19 328	190 304	722	7.7
Globally	8 242 999	181 232	445 535	5 245	5.4
Region of the Americas	4 015 386	115 527	208 991	3 436	5.2
Western Pacific Region	201 462	876	7 249	10	3.6
South-East Asia Region	521 582	18 548	15 921	423	3.1
African Region	194 539	6 914	4 482	136	2.3
Eastern Mediterranean Region	837 497	20 039	18 575	518	2.2
South Africa	80 412	4 078	1 674	49	2.1

Source: World Health Organization

Covid-19 situation in numbers (total and new cases in past 24 hours for the 11th June)

Reporting regions	Confirmed	Total confirmed new cases	Total Deaths	Total new deaths	Ratio of deaths to infections
European Region	2 339 145	17 998	186 326	12	8.0
Globally	7 273 958	128 419	413 372	5 347	5.7
Region of the Americas	3 485 245	70 071	189 544	3 681	5.4
Western Pacific Region	194 470	1 292	7 144	12	3.7
South-East Asia Region	407 414	14 740	11 171	430	2.7
African Region	150 102	4 815	3 593	100	2.4
Eastern Mediterranean Region	696 841	19 503	15 581	335	2.2
South Africa	55 421	2 430	1 210	48	2.2

Source: World Health Organization



- The increase in the transmission of Covid-19 in some key economies around the world, after a previous decline in infections, has worried financial markets, even if the second waves are localised in clusters, with China, the US, Japan, South Korea, Iran and even New Zealand reporting such outbreaks recently.
- The number of confirmed cases of Covid-19 exceeds 8 million globally, at 8.2 million vs. 7.3 million last week, while the number of deaths are at 455 535 vs. 413 372 a week ago. The death to infection ratio has subsided further globally and in major reporting regions, with the exception of South East Asia.
- There are over 150 new infections reported in China, which has seen a second wave of infections in a cluster in Beijing, while in the US, the states that have been reopening their economies report significant numbers of new infections, and New Zealand, having declared itself free of the virus, has now seen some new cases on travel quarantine breaches.
- In China, schools still remain closed in Beijing, after China's capital reported a substantial number of new infections subsequent to having none for around two months. Air travel has been cancelled, sporting events suspended and it has closed some gyms, as the city sees lockdown restrictions substantially increased.

- While analysts in the US had indicated that the peak had past for Covid-19 infections, the second wave now shows an uptick of infections in Florida, Arizona, Nevada, Oklahoma, Texas and Oregon, with several states reopening in the midst of historic highs in unemployment rates.
- With the global economy expected to grow in Q3.20, the reopening of economies after economic lockdowns (expected to drive this lift in GDP versus Q2.20) has unsurprisingly seen Covid-19 infections rise. The USA has previously indicated that it will not go back into hard lockdowns, but this will not necessarily be the case for other economies.
- What is certain is that as restrictions are substantially eased, infections will rise and, absent a mass vaccine, will create concerns over the health and safety of populations, although the emergence of successful treatments in the main will help oppose fears. But there are still huge uncertainties and unknowns, including that there is no certainty Covid-19 is seasonal.
- Some epidemiologists have also indicated that it is potentially misleading to think of Covid-19 as having different waves of infections, as the disease will ebb and flow. All these uncertainties are having a negative impact on markets, as are views that new strain/s of the disease are developing from which previous Covid-19 infections may not offer immunity.
- Uncertainties over the trajectory of the disease (and attendant lockdown restrictions) create market uncertainty over the global recovery, as do growth downgrades of key economies. Rising uncertainty lifts risk aversion, leading to lower appetite for risky (EM) assets and currencies. The rand has weakened to R17.48/USD this week from R16.33/USD last week.





- In South Africa there are 83 890 confirmed cases of Covid-19 today vs. 58 568 a week ago, Friday to Friday (the tables of the WHO – World Health Organisation refer to Thursday this week versus Thursday last week as the WHO data is one day behind). SA records 1 737 deaths today vs. 1 210 a week ago.
- South Africa has not yet seen its infections from Covid-19 peak and then decline - a first wave of infections. Instead, it has been under various severe restrictions in lockdown, specifically in order to flatten the curve and so slow the development of a rapid peak in infections, in order to better cope with the disease.
- The reported number of Covid-19 deaths has jumped this week in SA, by 527 vs. last week, as has the number of confirmed infections, by 25 322 from the official government statistics, as SA has moved to level 3 this month, from the more restrictive levels of 4 and 5 in the previous two months (May and April respectively).
- SA's death to infection ratio is at 2.1% (today and yesterday), down from 2.2% last week Thursday (2.1% last week Friday), and is not moving much. It is also still extremely low internationally. The spread of the disease itself has seen greater momentum domestically as lockdown restrictions have eased, and this is likely to persist as SA sees further opening.
- SA is to move to advanced level 3 next, from level 3 currently, a further opening up of the economy, with more details set to be announced in the next two weeks, including the date of when advanced level 3 will commence, although it is entirely possible this will only be on 1st of July.

- Advanced level 3 will reportedly see the opening up of casinos, conferences and meetings, cinemas, theatres, sit down meals at restaurants, hotels, bed and breakfast establishments and other accredited and licenced accommodation (with the exception of Airbnb), as well as personal care services and some forms of sport.
- Any marked opening up of economic activities in economies tends to see a rise in infections, as is evidenced internationally, but SA cannot continue to see the livelihoods of its people eroded, nor that of its government finances via falling tax revenues, given the importance of government redistributing part of these taxes to the indigent.
- However, the wage bill of civil servants also constitutes a substantial proportion of government expenditure, with government borrowings and tax revenue used for expenditure. Indeed, borrowings (debt) are used for current expenditure as well as capital (fixed) expenditure, and expenditure on civil servants salaries and wages is current expenditure.
- Many civil servants are in the mid to upper income quartiles (Stats SA). Government highlights the necessity of a social compact between it, communities, labour and business but most in the private sector will see lower remuneration than last year - it is very timely that civil servant remuneration increases by only inflation or less in the special budget on 24th June.







