

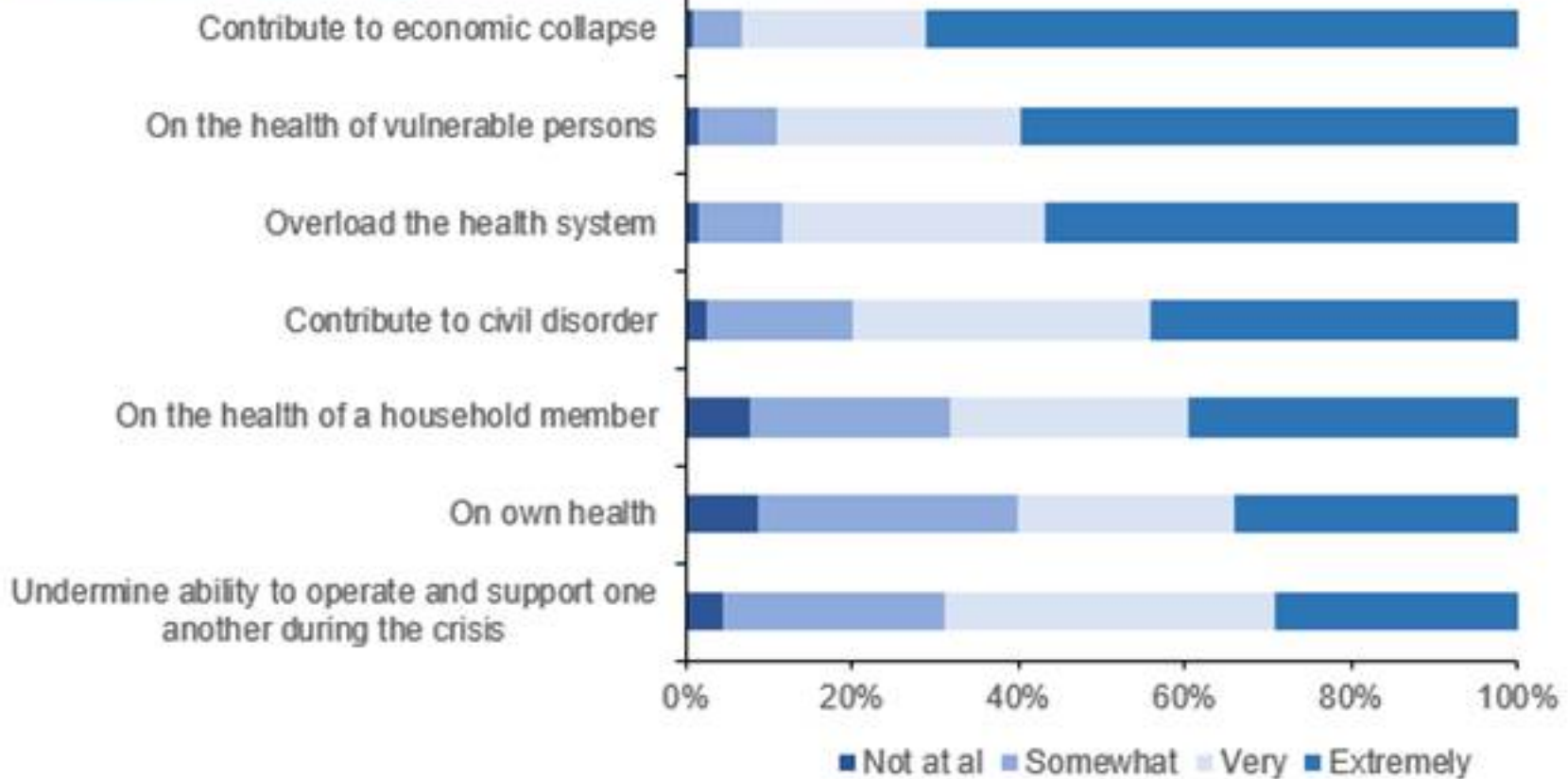


Covid-19 note

Friday 8 May 2020

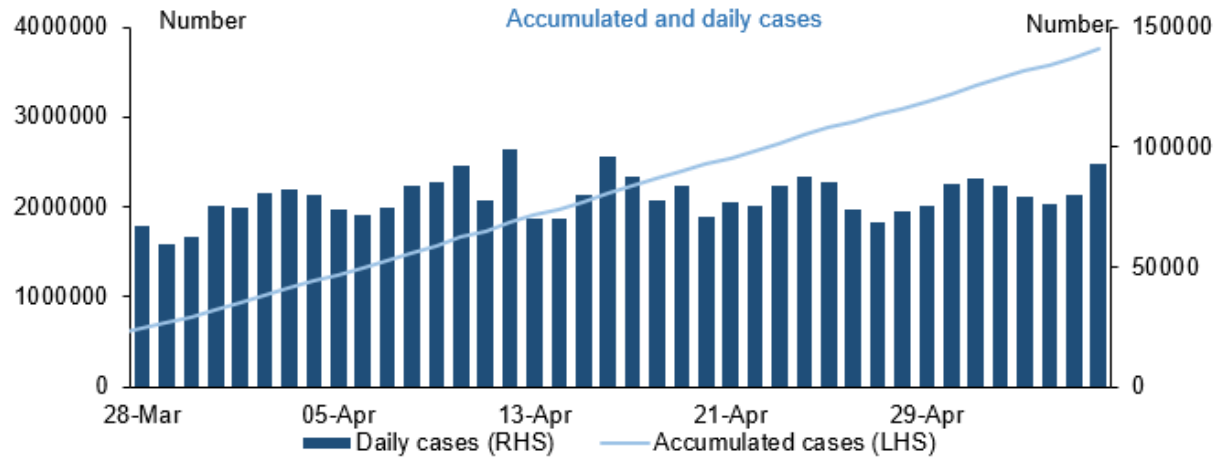
A meaningful recovery from recession, globally and domestically, will depend on the rapidity of exit from lockdown restrictions, broad based support measures and for SA particularly, a substantial easing in red tape

Concern about the impact of COVID-19 in South Africa



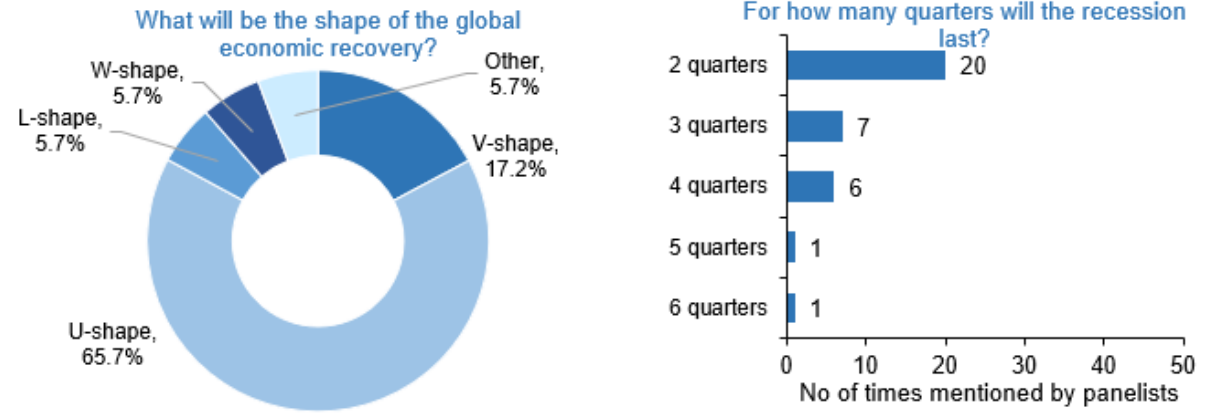
Source: Stats SA

World: accumulated and daily cases



Source: Focus Economics

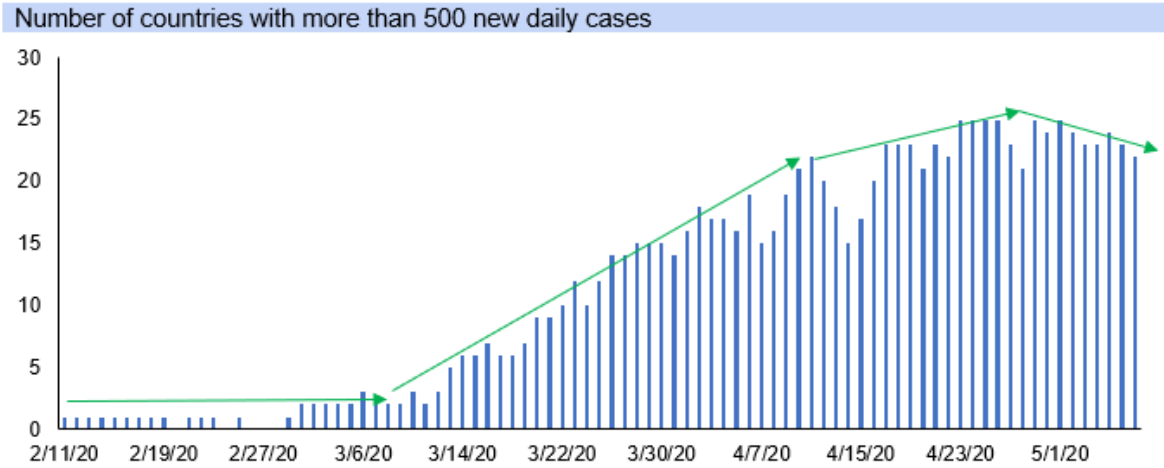
What will be the shape of the global economic recovery? And how many quarters will the recession last?



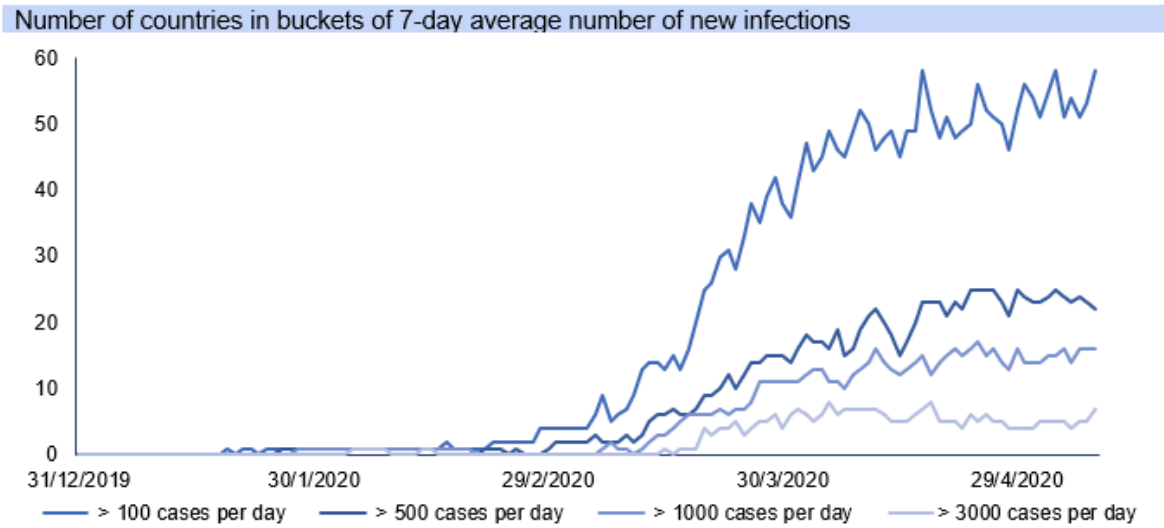
Source: Focus Economics Consensus Forecast panelists total responses

Note: Total responses in %

Note: Number of times mentioned by panellists



Source: ECDC and Investec



Source: ECDC and Investec

Economic Growth – quarterly forecasts (GDP, ann. var. %)

	Q1.20	Q2.20	Q3.20	Q4.20	Q1.21	Q2.21	Q3.21	Q4.21
Argentina	-3.1	-10.8	-6.4	-3.4	0.0	8.0	4.5	2.8
Brazil	-0.8	-7.7	-4.1	-2.1	0.6	8.1	4.0	2.4
Chile	-0.9	-7.5	-4.2	1.1	0.9	7.1	4.1	3.1
China	-6.8	1.1	4.6	6.1	14.8	8.3	5.0	3.5
France	-5.4	-10.3	-6.3	-4.2	-0.8	9.2	5.2	4.0
Germany	-2.4	-10.1	-6.3	-4.2	-0.9	9.0	5.4	3.8
India	3.0	-3.1	-0.8	2.4	4.9	9.6	8.4	6.9
Indonesia	3.0	-1.5	-0.1	1.3	3.4	8.4	6.8	6.1
Italy	-4.8	-13.1	-7.6	-6.1	-0.5	10.0	5.5	4.0
Japan	-2.0	-6.2	-5.1	-2.4	-0.8	4.1	3.4	2.9
Mexico	-1.6	-10.3	-6.9	-4.4	-2.0	6.7	4.7	2.9
Russia	0.7	-7.7	-5.8	-3.7	-1.4	6.1	4.8	4.2
South Korea	1.3	-2.0	-1.0	-0.8	1.7	4.2	3.8	3.9
Spain	-4.1	-12.7	-8.0	-6.1	-1.6	11.5	6.4	5.1
United Kingdom	-1.9	-11.8	-6.7	-4.2	-0.8	11.6	5.7	3.9
United States	0.3	-9.5	-6.4	-4.4	-1.3	9.9	6.8	5.3

Source: Focus Economics

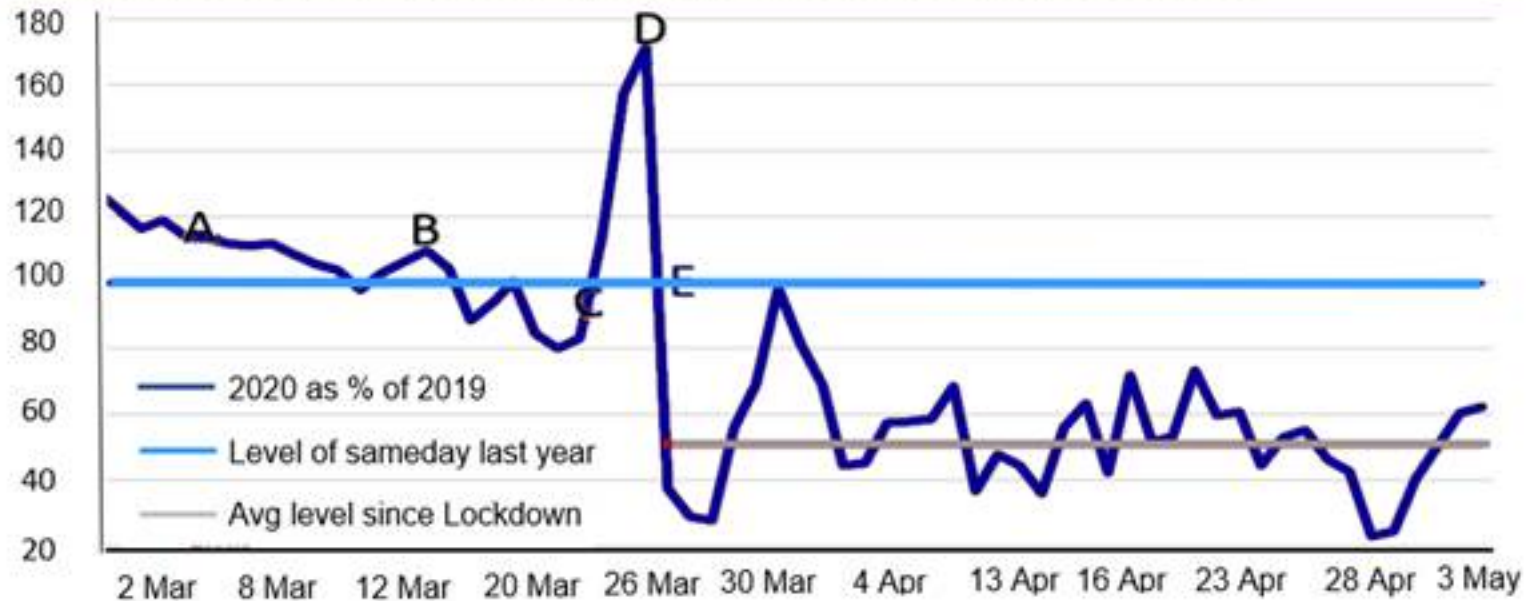
Summary, % real growth rates (incl. residual)	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4
GDP (real, y/y %)	-0.3	-12.1	-3.9	-2.8	-1.3	10.7	1.7	1.2	0.6	1.3	1.4	1.5
HCE (real, y/y %)	0.9	-5.8	-1.1	-0.9	-0.5	6.1	1.1	0.7	0.7	0.8	1.1	1.2
GCE (real, y/y %)	0.9	0.7	1.0	1.5	4.3	2.6	2.0	1.5	-0.9	0.6	0.9	1.2
GFCF (real, y/y %)	-4.0	-15.5	-12.8	-10.3	-4.6	5.8	2.5	2.8	1.2	2.8	2.0	2.1
GDE (real, y/y %)	0.1	-8.5	-4.8	-2.5	-1.1	5.8	3.1	1.9	0.7	1.3	1.5	1.7
Export (goods & non-factor services) - (real, y/y %)	-4.3	-24.5	-7.4	-8.2	-3.0	24.4	1.3	2.8	3.6	3.4	3.3	2.7
Imports (goods & non-factor services) - (real, y/y %)	-3.3	-12.2	-10.7	-7.1	-2.5	4.2	5.9	5.0	4.0	3.5	3.4	3.6
Current Account – (% GDP)	-0.7	-1.9	-2.2	-2.5	-3.1	-3.0	-3.0	-3.0	-3.7	-3.6	-3.7	-3.7
Imports as % of GDP	29.4	31.3	28.5	28.8	29.0	29.5	29.7	29.9	30.0	30.1	30.3	30.5
Exports as % of GDP	27.6	24.5	27.7	27.5	27.2	27.5	27.6	27.9	28.0	28.1	28.1	28.2

Note: The GDP figures are from the expenditure side and so include the residual. Source: Investec (historical SARB)

South Africa: macroeconomic forecasts	2019	2020	2021	2022	2023	2024	2025
GDP (real, %)	0.2	-4.8	2.9	1.2	1.6	1.9	2.3
HCE (real, %)	1.0	-1.7	1.8	1.0	1.6	1.9	2.1
GCE (real, %)	1.5	1.0	2.6	0.4	0.9	0.8	1.0
GFCF (real, %)	-0.9	-10.7	1.5	2.0	2.5	2.7	3.7
GDE (real, %)	0.6	-4.0	2.3	1.3	1.8	1.9	2.4
Export (goods & non-factor services) - (real, %)	-2.5	-11.1	5.4	3.2	3.6	4.0	4.2
Imports (goods & non-factor services) - (real, %)	-0.5	-8.4	3.1	3.6	4.2	4.0	4.5
Balance: Current Account - (% of GDP)	-3.0	-1.8	-3.0	-3.7	-3.8	-3.6	-3.6
Imports as % of GDP	30.6	29.5	29.5	30.2	31.0	31.6	32.3
Exports as % of GDP	28.8	26.8	27.5	28.1	28.7	29.3	29.8

Source: Investec. Note: updated forecasts

The volume of POS and ATM transactions in 2020 as a % of the same day in 2019



Source: BankServ Africa and Economists.co.za

- Globally, the advent of the easing of lockdowns turned attention to the prospects for economic recovery, boosting some financial market sentiment. However, a slower than hoped for pace of easing of restrictions would disappoint markets, and a return to temporary risk-off is not unlikely, particularly if a second wave of infections/ lengthening of lockdowns occur.
- Economic expectations of the impact of Covid-19 on the global economy continue to adjust, with economists slightly less pessimistic about the global economic outlook than a week ago according to the latest Focus Economics survey, but risks are still seen as heavily skewed to the downside.

- In South Africa, low survey responses are hampering hard data collection. The economy is expected to contract by -36.2% qqsaa in Q2.20 (Investec forecasts -37.1% qqsaa or -12.1% y/y), with business sentiment already depressed over the past decade, with economic growth weakened by poor state governance and a rapidly rising quantum of red tape.
- The latest Bloomberg economic consensus show's SA's GDP contraction this year forecast at -5.0% y/y (Investec -4.8% y/y). However, we now expect there is a rising chance that SA will see GDP growth contract by more than -6.0% y/y in 2020, as government's pace of easing the restrictions on the South African economy is proving to be extremely gradual.
- Already a report from BankServ (the largest automated payments clearing house in SA) analysing actual transactions, shows that in the thirty-eight days to the 3rd of May 2020 (since lockdown began on 26th March 2020 in SA) daily transactions are down sharply, by 49% after peaking in March, as consumer spending plummets.
- Specifically, "consumer transactions were down by half of the usual transaction volumes tracked by BankservAfrica's Point-of-Sale (POS)* and ATM transactions over the corresponding period in 2019". "April's month-end was 48% below the norm", and the "drop in the month-end transaction volumes between March and April was 58%".
- BankServ highlights that this "reflects a slower start to the April pay month so far. The actual same period in 2019 had a 20% increase in transactions." "This is a far cry from the average daily spend by consumers that is usually higher at the start of the pay month."
- Cheeringly, "indications so far suggest May 2020 will also be below the norm." "However, since 1 May 2020, when level 4 restrictions were applied, the average number of transactions processed by BankservAfrica increased slightly to 58% of the usual transaction spend", proving "a glimmer of hope for a gradual increase in spending over time."
- As lockdown restrictions are eased further, with businesses hoping for level 3 restrictions to come sooner rather than later, the circulation of money in the economy is likely to see some further impetus, but consumer confidence will have been severely repressed in Q2.20, with lockdown also largely eliminating expenditure on big ticket items and many luxuries.

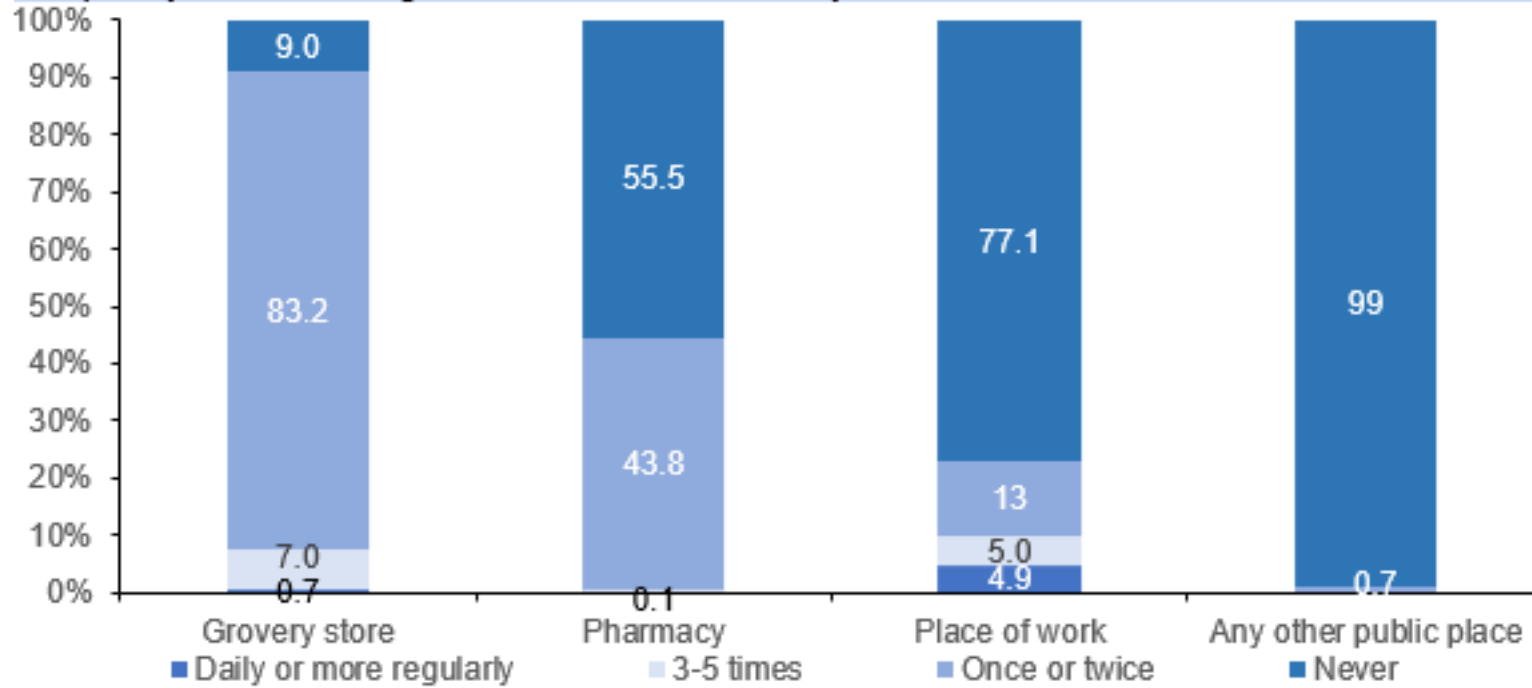
Consumption Expenditure forecasts	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3
HCE, total (real, y/y %)	0.9	-5.8	-1.1	-0.9	-0.5	6.1	1.1	0.7	0.7	0.8	1.1
HCE as % of GDP	62.8	66.4	63.9	63.8	63.3	63.7	63.5	63.4	63.4	63.4	63.3
Unemployment rate (%)	30.4	34.9	34.0	33.0	32.7	32.4	32.1	31.7	31.5	31.4	31.2
Population (million)	59.0	59.2	59.4	59.6	59.8	60.0	60.1	60.3	60.5	60.7	60.8
Employment growth rate (y/y %)	-1.2	-8.0	-6.5	-4.6	-2.5	4.8	3.7	2.9	2.6	2.3	2.1
Compensation employees (y/y %)	4.7	2.2	2.0	1.6	1.8	3.9	4.4	4.6	4.9	4.9	4.9
GCE as % of GDP	20.9	23.6	21.8	21.7	22.1	21.9	21.8	21.8	21.7	21.7	21.7

Source: Investec (historical

Inflation forecasts	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3
Consumer Inflation (Av: y/y %)	4.5	3.3	3.0	3.2	3.3	4.0	4.5	4.6	4.9	5.0	5.1
Producer Inflation (Av: y/y %)	4.2	2.4	2.9	3.4	3.8	3.9	4.1	4.2	4.3	4.9	5.4
Salary & wage increases (y/y %)	4.5	1.0	1.4	1.5	2.0	3.4	3.8	3.9	4.6	5.2	5.5
Source: Investec (historical											

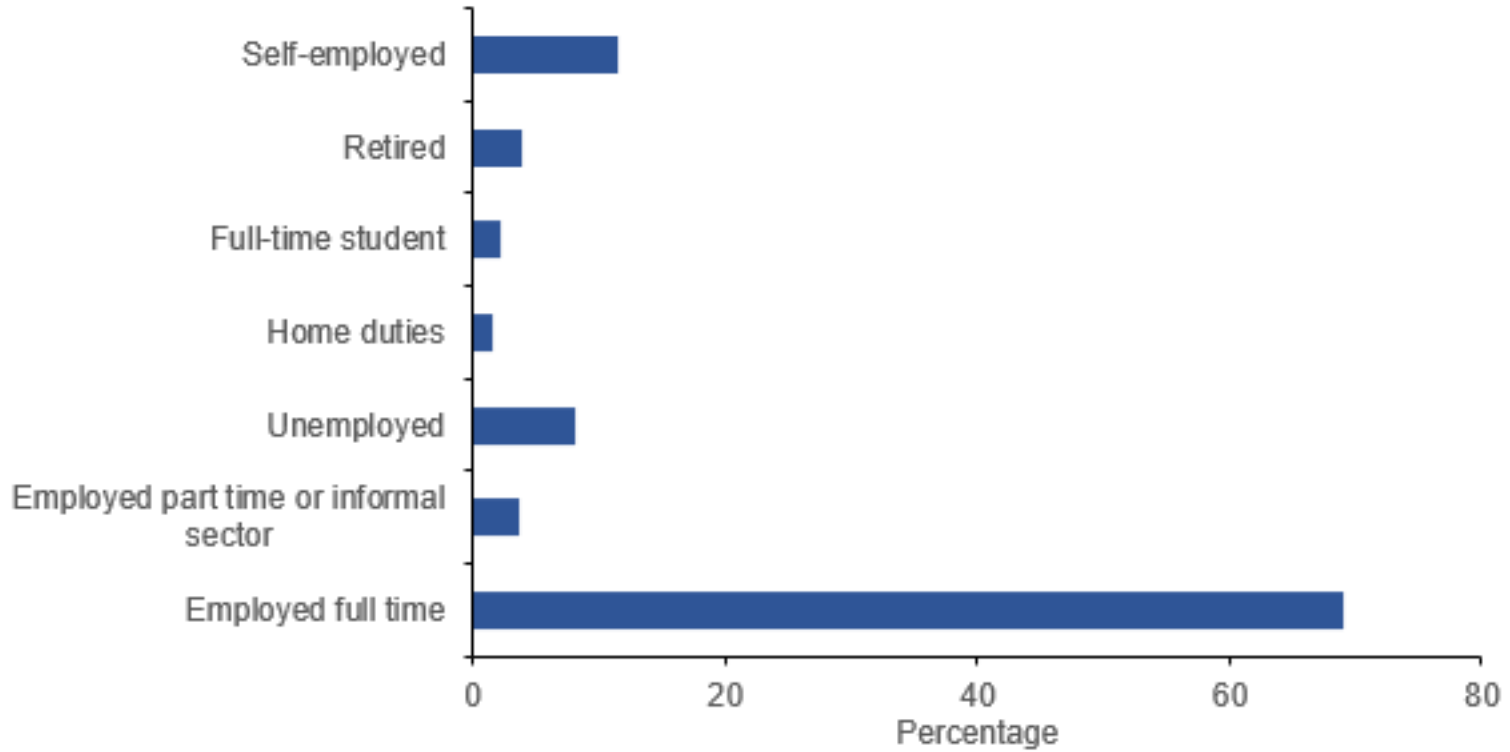
Monetary Sector forecasts	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3
Repo Rate (year-end: %)	5.25	4.00	4.00	4.00	4.00	4.25	4.25	4.25	4.50	4.50	4.50
Prime Overdraft Rate (year-end: %)	8.75	7.50	7.50	7.50	7.50	7.75	7.75	7.75	8.00	8.00	8.00
SA rand bond (Av: %)	9.15	10.80	10.80	10.70	10.70	10.70	10.60	10.60	10.50	9.75	10.00
Source: Investec (historical											

Places visited by respondents who had to leave their homes during the lockdown period by frequency of visits during the week before the survey



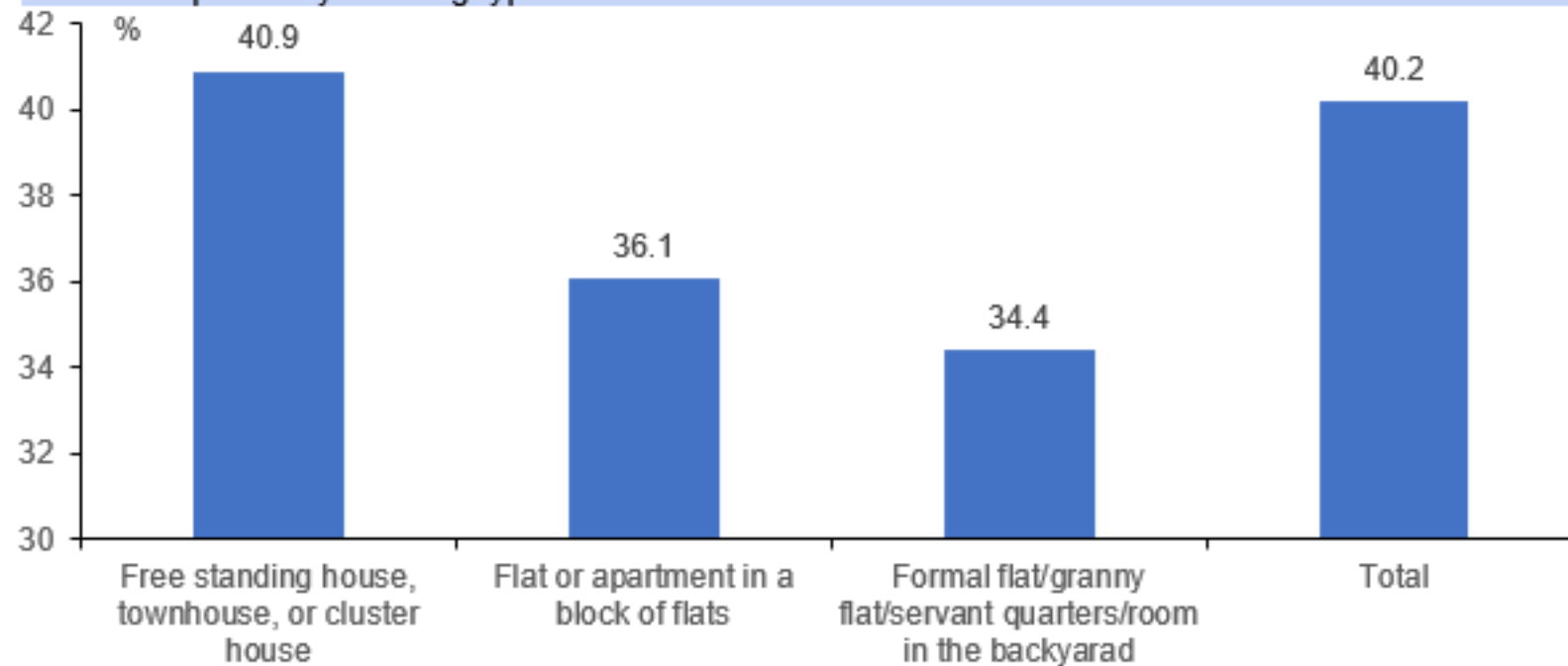
Source: Stats SA

Percentage distribution of respondents by employment status



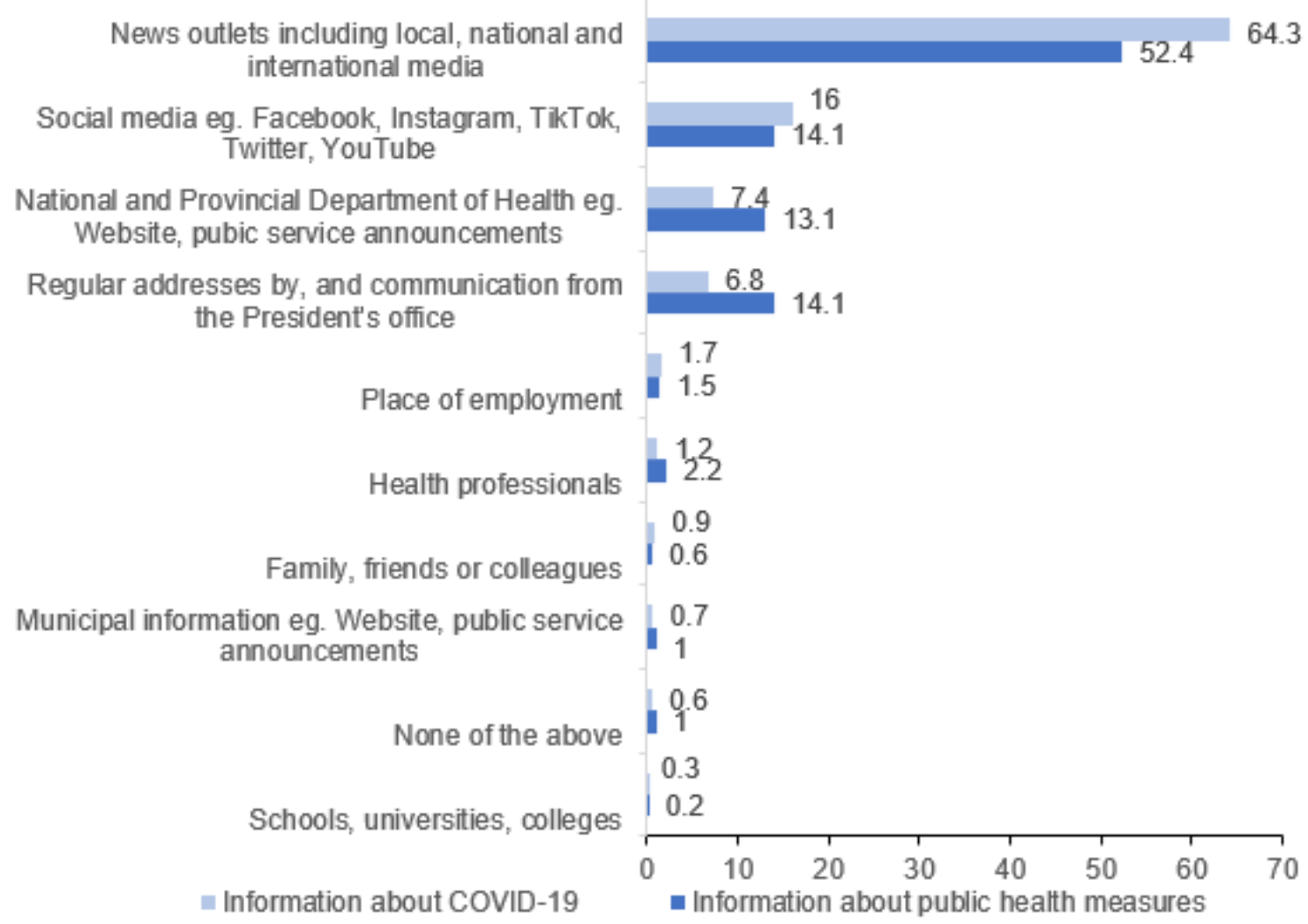
Source: Stats SA

Percentage distribution of respondents who are able to stay at home the whole time during the lockdown period by dwelling type



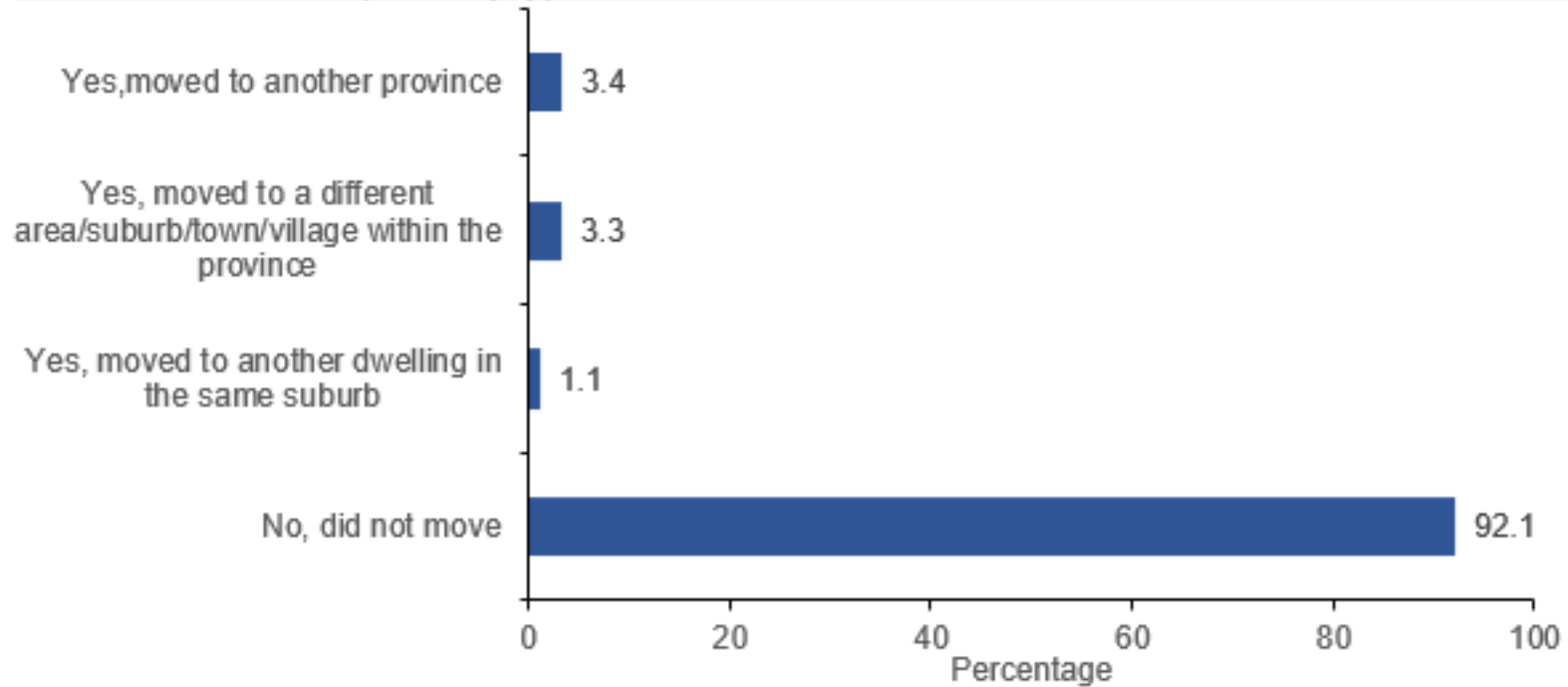
Source: Stats SA

Main sources of information about COVID-19 and current public health measures



Source: Stats SA

Percentage distribution of respondents who moved in the period between the announcement and start of the lockdown period by type of movement

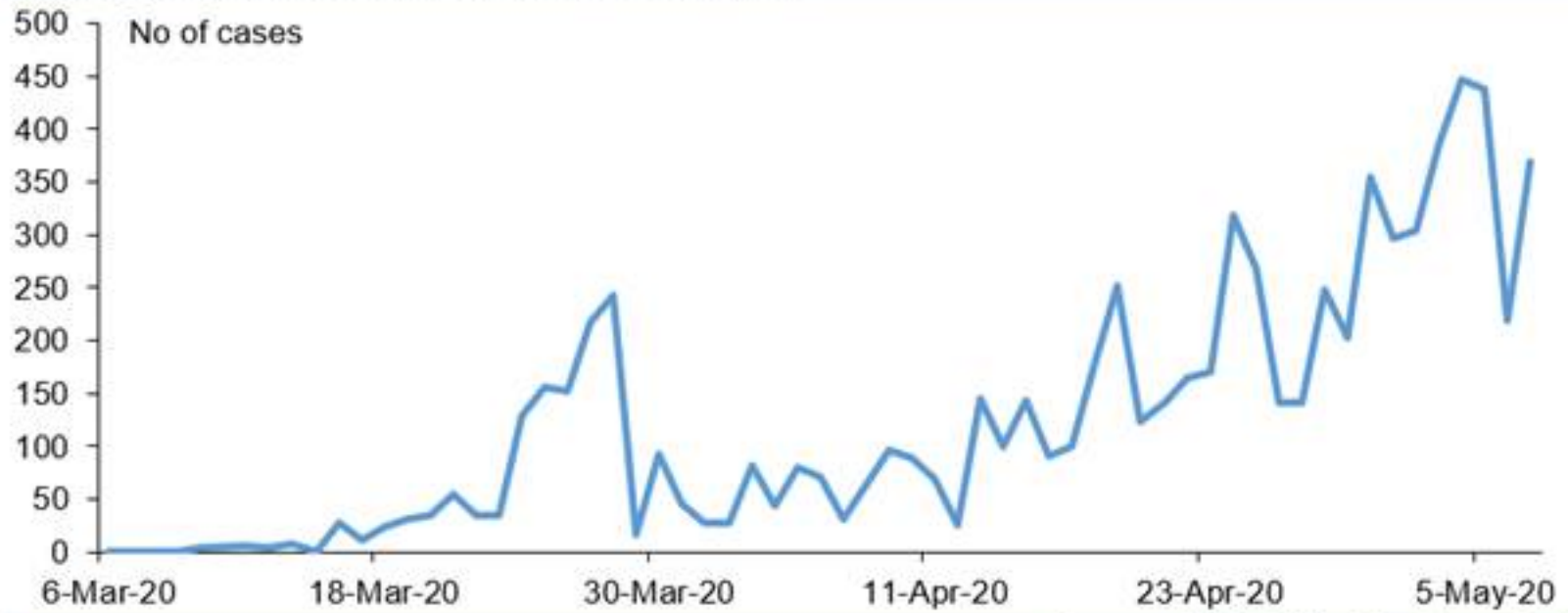


Source: Stats SA

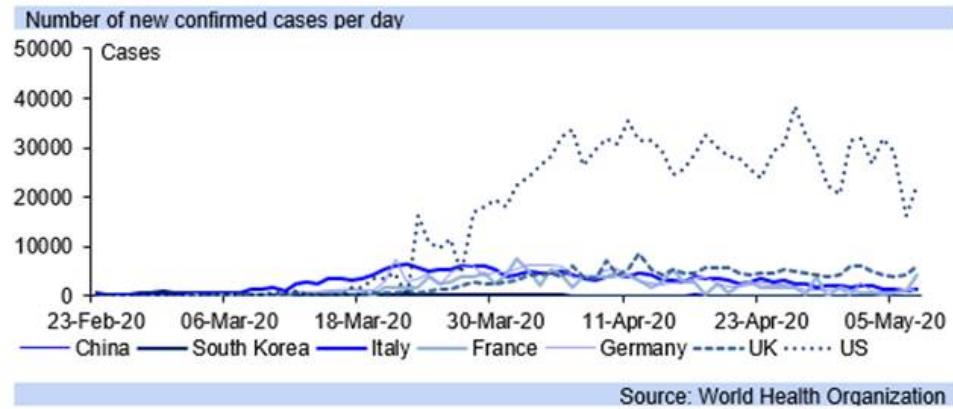
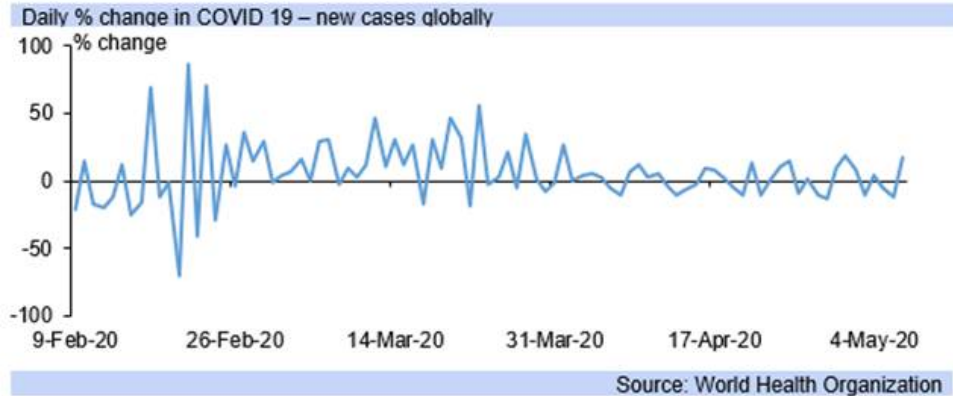
- South Africa is seeing a cautious approach to lifting lockdown restrictions. A relatively small, but widely open to public participation, survey from Statistics South Africa shows that over 70% of participants are extremely concerned that the impact of Covid-19 will contribute to economic collapse in SA, with 22% very concerned and 5.9% somewhat concerned.

- This survey from Statistics SA also shows that close to 80% of the respondents were very or extremely worried that Covid-19 will contribute to civil disorder erupting in South Africa, while closer to 90% felt that it was very likely that Covid-19 would overload the health system, and around 60% were very, or extremely worried about their own health.
- The same survey, “Behavioural and health impacts of the Covid-19 pandemic in South Africa” conducted between 19th and 26th April 2020 – in the heart of the lockdown restrictions, also shows that most respondents (98.1%) stayed at home, except for purchasing food, medical supplies or to obtain essential services.
- Even in the period between the announcement and start of the lockdown, 92.1% of contributors to the survey said they did not move to another province, town, village, suburb, area or dwelling. Additionally, 40.2% of respondents stayed at home at all times and 59.8% said they went out on occasion to work or obtain essential goods/services.
- Around the world, many countries are opening up their economies based on the pace of new Covid-19 infections. Restrictions on economies are increasingly lifted as the quantum of new Covid-19 infections in the countries ebb. Some countries are also differentiating geographically within their borders based on the path of the virus through populations.
- In China, which is ahead globally in the development of the path of the virus, citizens are now able to travel much more freely between cities without going into quarantine on return. The easing of health measures is also aimed at bolstering the restart of China’s economy, which fell by -6.8% y/y in Q1.20, but shows evidence of recovery in Q2.20.
- China’s manufacturing PMI entered positive territory in April, implying the sector expanded on the month. The Chinese economy is widely expected to see activity lift this quarter, leading the economic recovery globally, and lifting demand for commodities. The rest of the global economy will lag this recovery, and so provide a drag on China’s growth potential.
- Global trade volumes will be heavily muted in Q2.20, particularly in the first half, pulling down global GDP. In Europe, key economies Germany, France, Spain and Italy are expected to see sharp contractions in Q2.20, but rebound in Q3.20. Extensions/reinstatements of lockdown are key risks. Rising debt to GDP for Spain and Italy are of particular concern.
- In the US, the economy contracted by -4.8% y/y in Q1.20 with jobless claims at 30million by 25th April 2020. The US economy is also expected to rebound from Q3.20, with restrictions on economic activity currently varying between states. Its fiscal stimulus package is just under US\$3trillion, with zero bound rates, deep QE and substantial lending facilities.

Number of new infections per day in South Africa



Source: World Health Organization



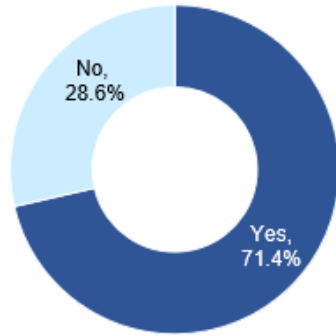
Situation in numbers (total and new cases in last 24 hours for the 7th May)

Reporting regions	Confirmed	Total confirmed new cases	Total Deaths	Total new deaths
Globally	3 672 238	83 465	254 045	6 539
European Region	1 626 037	32 209	150 238	2 458
Region of the Americas	1 542 829	35 681	84 804	3 734
Western Pacific Region	156 184	1 300	6 361	34
Eastern Mediterranean Region	229 198	7 968	8 465	175
South-East Asia Region	81 808	4 810	2 936	115
African Region	35 470	1 497	1 228	23

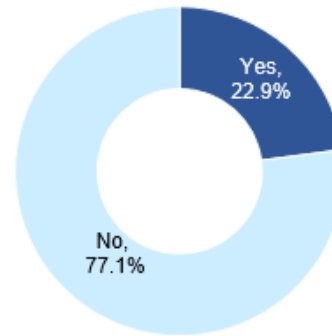
Source: World Health Organization

Will there be further monetary stimulus from major central banks and will the coronavirus-induced slump morph into a broader financial crisis?

Will there be further monetary stimulus from major central banks?



Will the coronavirus-induced slump morph into a broader financial crisis?

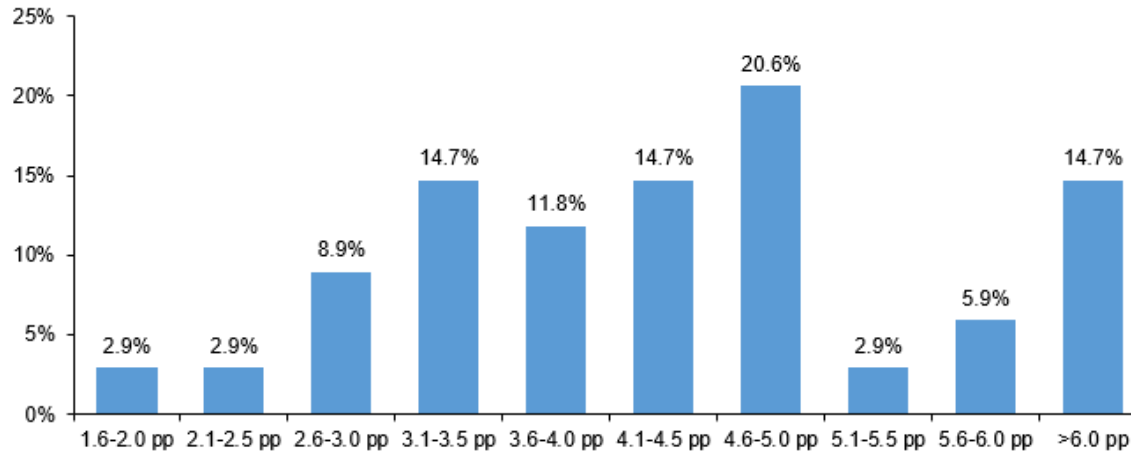


Source: Focus Economics Consensus Forecast panelists total responses

Note: Total responses in %

Note: Total responses in %

What will be the negative impact of Covid-19 on 2020 global growth in percentage points?



Source: Focus Economics

Note: Total responses in %

African Region						
Reporting Country/territory/Area*	Total confirmed cases [†]	Total confirmed new cases	Total deaths	Total new deaths	Transmission classification [‡]	Days since last reported case
South Africa	7808	369	153	5	Community transmission	0
Algeria	4997	159	478	6	Community transmission	0
Nigeria	3145	195	103	5	Community transmission	0
Ghana	2719	0	18	0	Clusters of cases	2
Cameroon	2265	0	108	0	Clusters of cases	1
Guinea	1856	45	11	1	Community transmission	0
Cote d'Ivoire	1516	52	18	0	Clusters of cases	0
Senegal	1433	104	12	1	Clusters of cases	0
Democratic Republic of the Congo	797	92	35	1	Clusters of cases	0
Niger	770	7	38	0	Clusters of cases	0
Burkina Faso	729	40	48	0	Community transmission	0
Mali	631	19	32	0	Clusters of cases	0
Kenya	582	47	26	0	Clusters of cases	0
Guinea-Bissau	508	216	2	0	Sporadic cases	0
United Republic of Tanzania	480	0	18	0	Clusters of cases	7
Equatorial Guinea	439	0	4	0	Clusters of cases	1
Gabon	397	0	6	0	Clusters of cases	1
Mauritius	332	0	10	0	Community transmission	10
Rwanda	268	7	0	0	Clusters of cases	0
Congo	264	28	10	0	Clusters of cases	0
Madagascar	193	35	0	0	Clusters of cases	0
Sierra Leone	225	26	14	3	Clusters of cases	0
Cabo Verde	191	5	2	0	Sporadic cases	0
Liberia	178	8	20	0	Clusters of cases	0
Sao Tome and Principe	174	3	3	0	Sporadic cases	0
Chad	170	0	17	0	Sporadic cases	1
Ethiopia	162	17	4	0	Clusters of cases	0
Zambia	139	2	4	0	Sporadic cases	0
Togo	128	0	9	0	Clusters of cases	1
Eswatini	123	4	2	1	Sporadic cases	0
Benin	102	0	2	0	Sporadic cases	1
Uganda	98	1	0	0	Sporadic cases	0
Central African Republic	94	0	0	0	Sporadic cases	2
Mozambique	81	1	0	0	Sporadic cases	0
South Sudan	58	9	0	0	Sporadic cases	0
Malawi	43	2	3	0	Sporadic cases	0
Eritrea	39	0	0	0	Sporadic cases	18
Angola	36	0	2	0	Sporadic cases	1
Zimbabwe	34	0	4	0	Sporadic cases	5
Botswana	23	0	1	0	Sporadic cases	8
Burundi	19	0	1	0	Sporadic cases	4
Gambia	17	0	1	0	Sporadic cases	4
Namibia	16	0	0	0	Sporadic cases	31
Seychelles	11	0	0	0	Sporadic cases	30
Comores	8	4	1	0	Pending	0
Mauritania	8	0	1	0	Sporadic cases	6
Territories**						
Mayotte	739	0	9	0	Clusters of cases	1
Reunion	425	0	0	0	Clusters of cases	1
Total	35470	1497	1228	23		138
Subtotal for all regions	3671526	83465	254032	6539		
Other*					-	
Grand total	3672238	83465	254045	6539		

Caution must be taken when interpreting all data presented. Differences are to be expected between information products published by WHO, national public health authorities, and other sources using different inclusion criteria and different data cut-off times. While steps are taken to ensure accuracy and reliability, all data are subject to continuous verification and change. Case detection, definitions, testing strategies, reporting practice, and lag times differ between countries/territories/areas. These factors, amongst others, influence the counts presented with variable underestimation of true case and death counts, and variable delays to reflecting these data at global level. The designations employed, and the presentation of these materials do not imply the expression of any opinion whatsoever on the part of WHO concerning the legal status of any country, territory or area or of its authorities, or concerning the delimitation of its frontiers or boundaries. Dotted and dashed lines on maps represent approximate border lines for which there may not yet be full agreement. Countries, territories and areas are arranged under the administering WHO region. [1] All references to Kosovo should be understood to be in the context of the United Nations Security Council resolution 1244 (1999). In the map, number of cases of Serbia and Kosovo (UNSCR 1244, 1999) have been aggregated for visualization purposes. Counts reflect laboratory-confirmed cases and deaths, based on WHO case definitions unless stated otherwise (see Country, territory, or area-specific updates and errata), and include both domestic and repatriated cases.

- ✦ Other: includes cases and deaths reported under the international conveyance (Diamond Princess)

Additional table notes

- Transmission classification is based on a process of country/territory/area self-reporting. Classifications are reviewed on a weekly basis, may be revised as new information becomes available, and are based on the highest category reported. Differing degrees of transmission may be present within countries/territories/areas. Categories:
 - No cases: with no confirmed cases (not shown in table).
 - Sporadic cases: with one or more cases, imported or locally detected.
 - Clusters of cases: experiencing cases, clustered in time, geographic location and/or by common exposures.
 - Community transmission: experiencing larger outbreaks of local transmission defined through an assessment of factors including, but not limited to: large numbers of cases not linkable to transmission chains; large numbers of cases from sentinel lab surveillance; and/or multiple unrelated clusters in several areas of the country/territory/area.
 - Pending: transmission classification not been reported to WHO.

** "Territories" include territories, areas, overseas dependencies and other jurisdictions of similar status

Country, territory, or area-specific updates and errata

The numbers of cases for Ecuador have been revised by national authorities

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https://www.investec.com/en_za/focus/economy.html



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