

Policy certainty about lockdown levels is key to stimulating SA's economic recovery

Certainty that South Africa will not return to a hard lockdown - irrespective of Covid-19 infection rates - would stimulate economic activity by unlocking business investment projects and consumer spending plans, which are currently on hold due to concerns about government's response to a potential second wave of infections in South Africa.



Martin Kingston, B4SA steering committee chairman

The higher levels of economic lockdown had an extremely negative impact on the economy and jobs. The first hard lockdown, from April to July 2020, caused more than two-million job losses. Gross domestic product (GDP) fell by 51% quarter-on-quarter as consumer spending collapsed due to lockdown measures. SME bankruptcies increased to 6.5% from 4% in the previous year and are expected to reach over 10% as credit extensions and tax relief expire.

If all nine provinces remain on Alert level 1 – the lowest alert level – Business for South Africa (B4SA) estimates a 9.3% decline in GDP for 2020, a figure which already considers the positive offset of fiscal and monetary policy interventions and the Temporary Employee Relief Scheme (Ters) benefit.

Job losses

B4SA's modelling suggests that a one percentage point change in real GDP growth leads to a 0.91 percentage point change in employment numbers. One downside scenario modelled, which looks at South Africa moving back to Alert level 3 from mid-November and December, could result in a further 200 000 job losses and a 10.6% decline in GDP for 2020.

"We estimate that formal job losses have already reached 1.4 -1.6 million, with a further one million lost in the informal sector, and that it will take until 2024 for formal employment levels to return to the pre-COVID level of employment assuming that we pivot the economy onto a sustainable inclusive growth path. South Africa can ill afford additional job losses and compounded economic difficulty," says Martin Kingston, B4SA's steering committee chairman.

The impact of a return to Alert level 3 or above would be worsened by the fact that the majority of measures available to counter the negative economic effect on individuals and businesses may no longer be available:

- Covid-Ters is ending;
- Top-up social grants are unlikely to continue after the three-month extension;
- UIF and VAT relief cannot continue indefinitely; and
- Banks that extended credit to businesses and individuals now require payment.

Despite dire predictions, at the peak of infections the health system was largely able to cope with the Covid-19 caseload and has implemented treatments that improve mortality outcomes.

Behavioural changes

To improve investor and consumer confidence, the government should provide as much certainty as possible that there will not be another hard lockdown - irrespective of infection rates. Instead, B4SA proposes interventions that focus on behavioural change, but enable maximum economic activity.

The key to maintaining economic momentum is to put in place targeted interventions by sector rather than a hard lockdown. All industries should remain operational, unless specifically identified as being uniquely high risk. Universities, schools and other educational institutions should not be closed as participant risk is generally low. Restaurants, hotels and other accommodation and the broader leisure industry should be allowed to operate subject to adhering to health and safety protocols.

To minimise spread, government should articulate rational and aligned directives aimed at reducing or slowing the spread of the virus and protecting the most vulnerable in society, while ensuring the economy can function optimally. This should include limiting the numbers of people at social and religious gatherings and, if necessary, reintroducing an extended curfew. Reintroducing cigarette or alcohol bans should be avoided due to their significant adverse economic effects.

Business will continue to support government's messaging of behaviour change and focus on the safety of employees and customers. Companies will continue to adhere to health and hygiene protocols, including symptom screening, allowances for co-morbid staff, mask wearing, social distancing, restrictions on the size of gatherings, promoting work-from-home measures, encouraging safety during transportation and the downloading of the Covid app.

In-country travel should not be restricted, but existing safety measures should apply for all mass and public transport. In-bound and out-bound cross-border travel should be allowed subject to negative test results provided at departure and arrival. All of this should be reinforced through appropriate behavioural and safety protocols.

"The primary lever we have to reduce transmission is behavioural change: this has already lowered infections. Until an effective and widely available vaccine is found, we will need to learn to live with the virus. By working together on appropriate measures, we can ensure that the spread of the virus is contained without the devastating impact on the economy and jobs that was experienced following the first hard lockdown," says Kingston.

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