

# COVID-19: An update since our last note

Living and adapting to a fluid environment seems to be the new normal. We bring you a weekly summary of some of the key changes over the past week.

## Key market indicators (weekly movement)

|   |  |  |   |
|---|--|--|---|
| FTSE/JSE All Share TR ZAR<br>Level: 48 011.56<br>▲ 3.8% | FTSE/JSE Financials Index TR ZAR<br>Level: 26 077.24<br>▲ 7.6% | FTSE/JSE SA Industrials TR ZAR<br>Level: 71 378.14<br>▲ 1.3% | FTSE/JSE Fin&Ind TR ZAR<br>Level: 64 807.27<br>▲ 1.9% |
| FTSE/JSE All Bond TR ZAR<br>Level: 649.341<br>▲ 2.6%    | S&P 500 TR USD<br>Level: 2 761.63<br>▲ 3.7%                    | DJ Industrial Ave TR USD<br>Level: 23 390.77<br>▲ 3.1%       | FTSE; 100 TR GBP<br>Level: 5 842.66<br>▲ 4.7%         |
| Hang Seng HSI TR HKD<br>Level: 24 300.33<br>▲ 2.3%      | USDZAR<br>Level: 18.1299<br>▼ 2.9%                             | GBPZAR<br>Level: 22.6593<br>▼ 0.8%                           | EURZAR<br>Level: 19.7821<br>▼ 1.8%                    |

Data as at 13 April 2020. Measurement from Monday 6 April to Monday 13 April 2020. Percentage returns reflect weekly change. Source: Bloomberg.

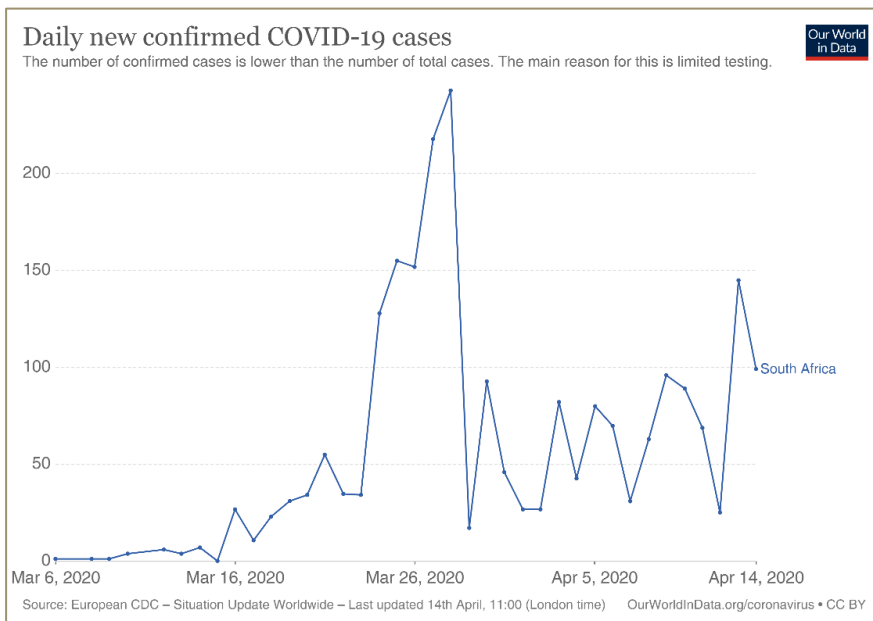
## COVID-19 statistics for South Africa

|              |                      |                |           |
|--------------|----------------------|----------------|-----------|
| 87 022 tests | 2 415 positive cases | 410 recoveries | 27 deaths |
|--------------|----------------------|----------------|-----------|

Data as at 15 April 2020, 10h00. Source: <https://sacoronavirus.co.za/>

## Lockdown extended

On Thursday 9 April, President Cyril Ramaphosa announced the extension of South Africa’s lockdown period until 1 May 2020. In his speech, the President outlined the rapid escalation trajectory the pandemic has followed across the globe and stated that South Africa’s lockdown has helped to slow down the rate at which the disease is spreading in the country. A key question facing leaders is when the lockdown can be safely lifted, especially in light of recent warnings by the World Health Organisation that lifting restrictions too early can see a resurgence in cases. China recorded an increase in the number of new infections, as Chinese nationals began returning home from abroad. At a briefing with Health Minister Zweli Mkhize on 13 April, Professor Salim Abdool Karim of the COVID-19 advisory group indicated that Government will closely be watching the epidemiological (R<sub>0</sub>) criterion to determine how long the lockdown should remain in place, and emphasised that it should not be ended abruptly to prevent a resurgence. The average daily increase in cases becomes one of the key indicators to watch.



Source: Ourworldindata.org, 15 April 10h00

## Containing the economic costs of lockdown

Countries across the globe are counting the economic costs of COVID-19.

- The [International Monetary Fund](#) (IMF) stated on 9 April that COVID-19 will turn economic growth “sharply negative” in 2020, with 170 (out of 189) member countries expected to record negative per capita income growth for the year.
- In the latest [Monetary Policy Review](#), the South African Reserve Bank indicated it expects economic growth to decline by between 2% and 4% in 2020, with “downside risks should the lockdown be extended, or if the global economy weakens more than currently projected”. (The report was released on 6 April, before the extension of South Africa’s lockdown was announced.)
- [US unemployment numbers](#) have risen as businesses close in light of the COVID-19 outbreak, with an increase in unemployment claims.

In its brief statement, the IMF outlines four steps for recovery:

- containing the spread of the virus
- implementing targeted fiscal and financial measures to ensure lifelines for business and households are in place
- reducing stress to the financial system and avoiding contagion
- planning for recovery, including when to ease containment measures

## What South Africa is doing to manage the economic impact

Cushioning the impact of the COVID-19 outbreak on small and medium enterprises (SMEs) is key to ensuring the country’s economic recovery.

- On 14 April, the South African Reserve Bank cut interest rates by a further 1% to 4.25% p.a. This is in addition to an earlier 1% interest rate cut announced on 19 March 2020.
- Revisions to the Employment Tax Incentive (ETI) tailored towards alleviating the economic impact of COVID-19. ETI benefits apply to employees earning less than R6 500 per month.
- The Unemployment Insurance Fund (UIF) has set aside R30 billion for COVID-19 relief through the COVID-19 temporary Employer/Employee Relief scheme.
- The deferment of PAYE and provisional tax liabilities for compliant small- to medium-sized businesses, in line with the parameters set by Government.
- The Industrial Development Corporation has made R500 million available to assist SMEs
- The South African Future Trust (funded by the Oppenheims) has made R1 billion in zero-interest loan funding available to SMEs in distress.
- The Department of Social Development is working with community-based organisations and the Solidarity Fund to scale up food distribution programmes. The Solidarity Fund had grown to R2.2 billion by 9 April, and R1 billion had been allocated to buy protective gear for healthcare workers, test kits and ventilators.
- Most insurers and banks have announced relief measures. You are advised to check with your insurer or bank, since each institution has its own criteria to qualify.
- In addition, Government announced R1.2 billion has been earmarked to assist distressed small-scale farmers.
- The Ruperts’ Sukuma Fund, seeded with R1 billion, reached its limits on 9 April.

A list of mitigation measures, and detail on how to apply, is available on the official [COVID-19 website](#).

## ICYMI: COVID-19 legal snippets

- The [Master’s Offices](#) are only rendering certain services during the lockdown period. These include: payments for the benefit of minors and those under curatorship, burial documents and urgent appointment of curators. All non-urgent criminal and civil cases have been postponed. All evictions and attachment orders have been suspended for the duration of the lockdown.
- Regulations were relaxed to allow the exchange of children between parents with shared [custody arrangements](#).

## Research into the virus continues

- Three variants of the virus have been identified according to [a recent research paper](#).
- It is unclear to what extent humans gain [immunity](#) to SARS-CoV-2 (the virus that causes COVID-19), amid reports that some recovered patients have tested positive again.
- Further research into how SARS-CoV-2 spreads found it can be carried on the [shoes](#) of healthcare workers.
- Comparisons of figures in Europe, the US and China seem to indicate that [men are at greater risk](#) of dying due to COVID-19 than women.



## Consider any action on investments with care

We remind all investors to be selective about the sources of information they trust at times like these. We expect volatility to continue for some time. If your portfolio is correctly structured for your needs, the best policy may be to do nothing. If you sell out now, you are only likely to lock in losses. Given time, the prices of well-run companies with robust balance sheets are likely to recover. On the other hand, many speculative investments may fall by the wayside. Being selective is key, and quality remains a crucial determinant in investment decisions. Relying on thorough analysis and trusted advice is important. Before making any investment decisions, always consult with your financial adviser, who is best placed to help you ensure that your overall financial plan stays on track.

The official government site for COVID-19 news is: <https://sacoronavirus.co.za/> and our previous communication on the topic can be found at: <https://www.psg.co.za/support/faq/general/covid-19>

**PSG Konsult announced its annual results on 14 April 2020. The firm will donate R10 million to the Solidarity Fund.**