

COVID-19: An update since our last note

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

Key market indicators (weekly movement)

| | | | |
|---|---|--|--|
| FTSE/JSE All Share TR ZAR Level: 50 202.9 ▲ 2.07% | FTSE/JSE Financials Index TR ZAR Level: 24 521.1 ▼ -0.64% | FTSE/JSE SA Industrials TR ZAR Level: 76 983.7 ▲ 4.73% | FTSE/JSE Fin&Ind TR ZAR Level: 6 544.7 ▲ 3.29% |
| FTSE/JSE All Bond TR ZAR Level: 720.3 ▲ 2.40% | S&P 500 TR USD Level: 2 930.3 ▲ 3.08% | DJ Industrial Ave TR USD Level: 24 222.0 ▲ 1.99% | FTSE: 100 TR GBP Level: 5 939.7 ▲ 3.23% |
| Hang Seng HSI TR HKD Level: 24 602.06 ▲ 4.19% | USD/ZAR Level: 18.42 ▲ 0.88% | GBP/ZAR Level: 22.72 ▲ 1.67% | EUR/ZAR Level: 19.91 ▲ 1.79% |

Data as at 11 May 2020. Measurement from Monday 4 May to Monday 11 May 2020. Percentage returns reflect weekly change. Source: Bloomberg.

COVID-19 statistics for South Africa

| | | | |
|---------------|-----------------------|------------------|------------|
| 369 697 tests | 11 350 positive cases | 4 357 recoveries | 206 deaths |
|---------------|-----------------------|------------------|------------|

Data as at 12 May 2020, 14h30. Source: <https://sacoronavirus.co.za/>

South Africa seeks international support for funding remaining COVID-19 initiatives

Detail has now been revealed on how South Africa aims to fund its R500 billion COVID-19 stimulus package (equal to about 10% of the country's GDP). R200 billion will be generated from the South African Reserve Bank, National Treasury and the Banking Association of South Africa, R130 billion from the base reprioritisation of budgets, R60 billion via transfers from social security funds and R15 billion from the Department of Social Development. National Treasury now seeks to borrow the remaining R95 billion from the World Bank, the International Monetary Fund (IMF) and the New Development Bank, with the majority coming from the IMF. According to National Treasury, South Africa is entitled to US\$4.2 billion in funding from the IMF while the World Bank offered between US\$55 million and US\$60 million in financial aid. The New Development Bank has also indicated that it has set aside R1 billion for the country should the need arise. Current indications are that Government is managing the policy response of the outbreak while aiming to keep overall debt levels in check. The overall impact on the fiscus may therefore be less than what is generally believed.



R200 billion from South African Reserve Bank (SARB), National Treasury and the Banking Association of SA (BASA)



R130 billion from the base reprioritisation of budgets



R60 billion from additional transfers from social security funds



R15 billion from available funds from the Department of Social Development



R95bn remaining – to be borrowed from the World Bank, IMF and the New Development Bank

Source: [PSG Wealth](#)

New regulations on the movement of persons and goods during level 4

South Africans needing to cross provincial, metropolitan or district boundaries to move to a new home, either because they signed a new lease (before or during lockdown) or took transfer of a property (before lockdown), have until 7 June to do so. They may also move their household furniture and effects during this period, provided they obtain a permit from the Commander of a police station. The new regulations published by the Department of Cooperative Governance and Traditional Affairs can be viewed [here](#).

Why everyone is talking about the shape of the recession

A key question for policymakers and economists alike is how long economies across the globe are likely to take to recover. Recessions tend to be labelled for the shape or pattern economic growth follows in the wake of a downturn, and there are four basic types:

- A V-shaped recovery is followed by a sharp correction and a quick recovery – the best-case scenario for economies since it would mean the recession only lasts a few quarters and production quickly regains pre-crisis levels.
- In a U-shaped recovery, GDP tends to shrink for a few consecutive quarters, so recovery to pre-crisis levels takes longer than in the V-shaped recovery.
- A W-shaped (or double-dip) recession occurs where the first signs of an economic recovery is in fact a ‘false start’ and after apparent positive signs, economic growth dips again into a second downward leg.
- The worst-case scenario is an L-shaped recession (or depression), where the economy suffers a sharp contraction and growth does not recover to pre-crisis levels for several years.

Government policies – both fiscal (government spending/revenue) and monetary (interest rates and money supply) policy measures – can cushion some of the impact on the economy and thus lessen the impact on citizens.

Markets and recessions – what about my portfolio?

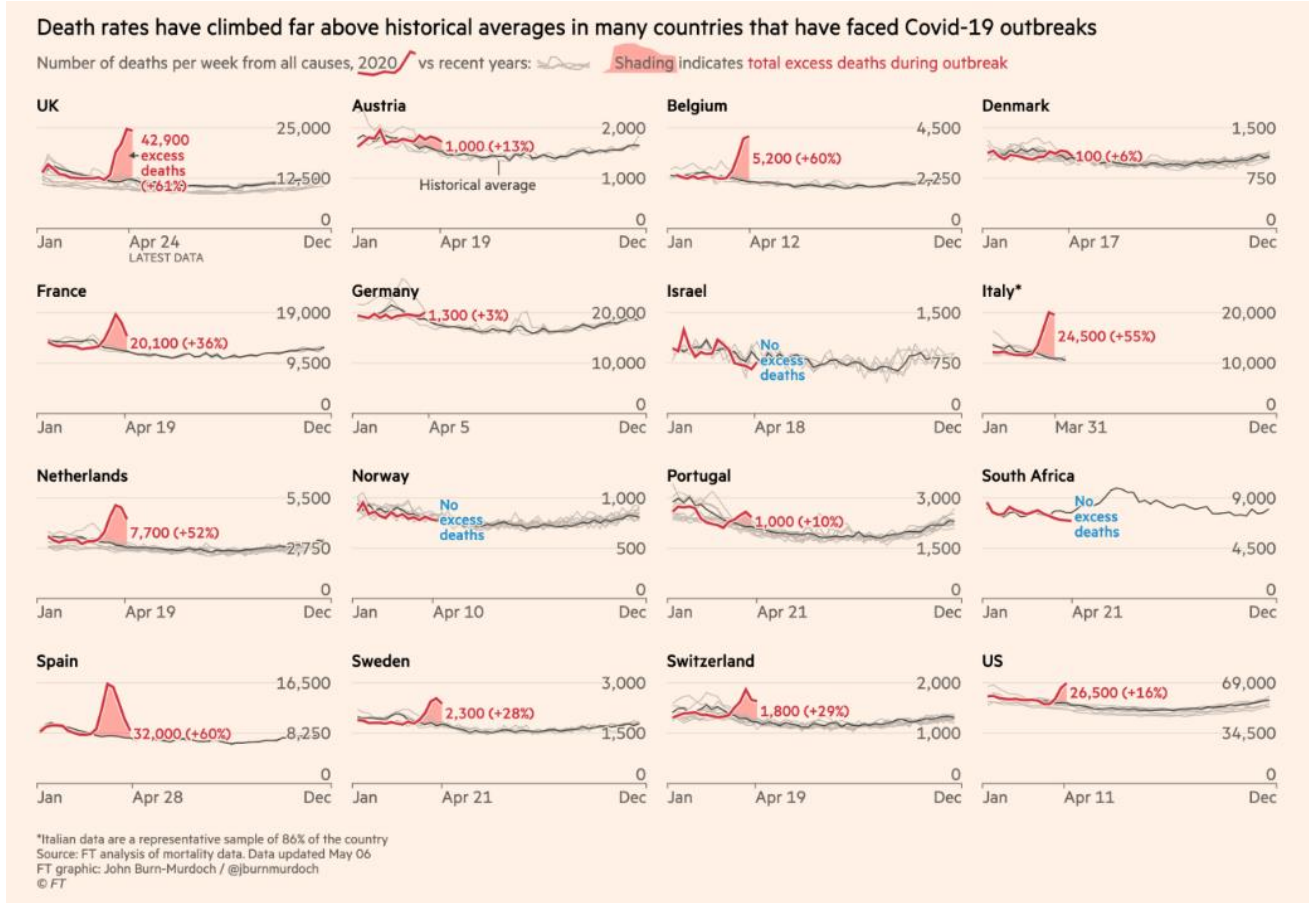
In the latest edition of PSG Asset Management’s *Angles & Perspectives* publication, the investment team elaborates on the impact of COVID-19 on markets. They explain that although the revenue of many companies will be under pressure, some have only seen a marginal reduction in intrinsic values despite tough market conditions. These conditions also offer an opportunity for quality companies to grow their market share as weaker competitors fall by the wayside, while low share prices offer the opportunity to buy quality assets at depressed prices – setting the stage for good future returns. Read the full edition [here](#).

Economic snippets from around the world

- The Director General of National Treasury, Dondo Mogajane, said that South Africa’s [unemployment rate could reach 40%](#).
- A recent [IPSOS survey](#) found 90% of South Africans surveyed expected the COVID-19 outbreak to have a lasting impact on the economy.
- The People’s Bank of China indicated it will use [additional policy measures](#) to counter the effects of the COVID-19 outbreak on the economy.
- Australia recorded a [record trade surplus](#) of US\$6.8 billion as commodity imports surged on the reopening of the Chinese economy.
- [Unemployment rates in the USA](#) have risen to 14.7% and a reported 20.5 million job losses in April.
- The [European Union](#) expects its economy to contract by 7.4% in 2020. The estimate was revised downward from a 1.4% growth estimate released in February this year.
- Japan is considering [additional stimulus measures](#), on news that it is expected to report a second consecutive quarter of negative economic growth due to the impact of the COVID-19 pandemic.

Analysing excess mortality numbers to measure the COVID-19 impact

Concerns remain that reported COVID-19 figures are not accurately reflecting actual mortality. The Financial Times compared reported mortality rates for 2020 to the average deaths recorded over the past few years. The difference, which they label 'excess mortality', indicates that for some countries excess deaths can be much higher than COVID-19 related deaths being reported. South Africa has had fewer deaths than during comparable periods. Read the full story [here](#).



Source: Financial Times

South Africa begins BCG-vaccine trail

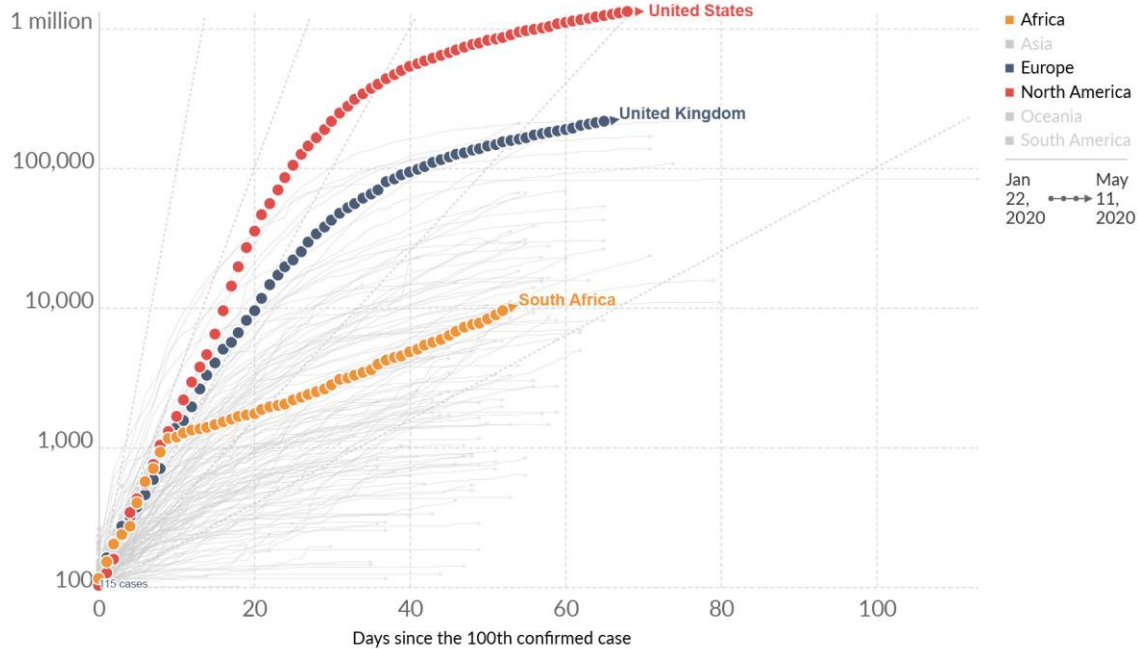
South Africa has begun inoculating 250 healthcare workers with the [Bacille-Calmette-Guerin \(BCG\) vaccine](#) as part of a clinical study. The study aims to determine whether the BCG vaccine helps to reduce the likelihood of infection, or the severity of symptoms. BCG is used as a vaccine against tuberculosis, but may help to protect against other respiratory tract infections.

Global confirmed cases reach 4 million

Total confirmed global cases have passed the 4 million mark. Concern is growing about the large increase in numbers reported in the Western Cape. At 6 105 reported cases as at 12 May, it is the province with the highest reported number of cases. A [press release dated 10 May 2020](#) states that 84% of total new cases were reported in the Western Cape and Eastern Cape. It also cited the 17 257 tests that were completed during that reporting period as a new record.

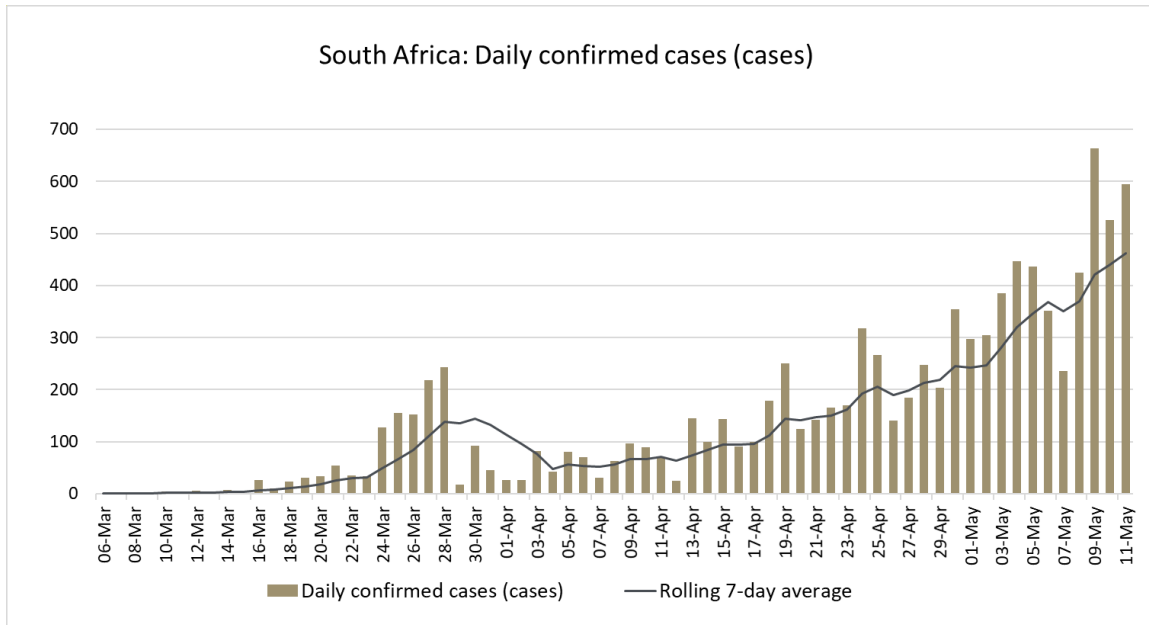
Total confirmed COVID-19 cases: how rapidly are they increasing?

The number of confirmed COVID-19 cases is lower than the number of total cases. The main reason for this is limited testing.



Source: European CDC – Situation Update Worldwide – Last updated 11th May, 11:15 (London time) OurWorldInData.org/coronavirus • CC BY

Source: Ourworldindata.org as at 11 May 2020.



Sources: Ourworldindata.org and PSG as at 11 May 2020.

Choose what you share with care

Spreading fake news remains a punishable offense. Therefore, it is critical to choose what you share online with care. 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>