

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: 50 074.2 ▼ -2.55%	FTSE/JSE Financials Index TR ZAR Level: 23 857.5 ▲ 0.97%	FTSE/JSE SA Industrials TR ZAR Level: 74 629.1 ▼ -2.65%	FTSE/JSE Fin&Ind TR ZAR Level: 11 096.1 ▼ -1.73%
FTSE/JSE All Bond TR ZAR Level: 736.5 ▼ -1.21%	S&P 500 TR USD Level: 2 953.9 ▲ 0.05%	DJ Industrial Ave TR USD Level: 24 597.4 ▼ -0.54%	FTSE: 100 TR GBP Level: 6 048.6 ▼ -0.91%
Hang Seng HSI TR HKD Level: 23 934.77 ▼ -4.11%	USD/ZAR Level: 18.36 ▲ 3.88%	GBP/ZAR Level: 22.36 ▲ 3.76%	EUR/ZAR Level: 20.03 ▲ 3.99%

Data as at 25 May 2020. Measurement from Monday 18 May to Monday 25 May 2020. Percentage returns reflect weekly change. Source: Bloomberg.

COVID-19 statistics for South Africa

596 777 tests	23 615 positive cases	11 917 recoveries	481 deaths
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Data as at 26 May 2020, 11h00. Source: <https://sacoronavirus.co.za/>

South Africa moves to Alert Level 3

On 24 May President Ramaphosa [announced](#) that the country would move to Alert Level 3 from 1 June. While most sectors will be reopening, some activities will still be prohibited, including.

- Restaurants, bars and taverns, except for delivery or collection of food.
- Accommodation and domestic air travel, except for business travel, which will be phased-in on dates to be announced.
- Conferences, events, entertainment and sporting activities.
- Personal care services, including hairdressing and beauty services.

Exercise will now be allowed at any time of the day, and the sale of alcohol (for consumption at home) will resume. The sale of cigarettes remains prohibited. Further, the President announced a new approach to dealing with 'hot-spots' with high levels of infection, including the implementation of 'intensive interventions' including the assignment of a team of medical and other experts to put in place 'enhanced measures of surveillance, infection control and management.' Regulations are expected to be published later this week.



Back-to-school plans taking shape

Basic Education Minister Angie Motshekga has [confirmed that schools will reopen](#) on 1 June. Grade 7 and Grade 12 learners will be the first to return, followed by other grades thereafter in a phased manner. Schools will be required to adhere to strict health and hygiene measures including compulsory face masks, hand washing and sanitising. The Minister said the Department will release a trimmed curriculum. Sports programmes and other extra-curricular activities will, however, not yet resume.



SA Reserve Bank lowers interest rate as expected

As was widely expected, [the South African Reserve Bank \(SARB\) lowered interest rates](#) on 21 May 2020. Rates decreased by 0.5% to 3.75%. In its statement, the SARB indicated that global GDP is expected to contract by 3% for 2020, with the contraction expected to be the deepest during the second quarter, before seeing gradual recoveries in the third and fourth quarters. It also revised its growth forecast for South Africa down to -7.0% (from the previous -6.1%). They expect that it will take time for the country's GDP to get back to pre-pandemic levels, forecasting 3.8% growth in 2021 and 2.9% in 2022. Reserve Bank Governor Lesetja Kganyago subsequently indicated that the national lockdown has to date [prevented the SARB's interest rate cuts from having the anticipated effect](#) on the economy, and he also noted that [it is running out of scope to cut rates further](#). Lower interest rates, while good news for those with debt and widely used to stimulate levels of economic activity, pose a challenge to those who rely on interest-bearing instruments to generate an income. Retirees may therefore be well advised to check in with their advisers, and ensure their income is optimally structured for their needs.



Short-term insurance in a changing world

A crisis such as COVID-19 affects all business sectors, and it has also put insurers in the spotlight. Insurers have been inundated with requests for premium relief, as well as claims to help alleviate the financial losses clients are facing. Many insurers have offered premium holidays, reducing premiums on specific classes of insurance policies, or have made cash-back options available. Statistics from vehicle recovery companies have shown a drop of 75% in vehicle activity, causing a decrease in vehicle claims, but insurers have also seen an increase in household claims such as damage to TVs and glass claims caused by, for example, a cricket ball going through a window. Jump starting of vehicles has become a common request to assistance services as clients do not use their vehicles daily. If you have any [unoccupied properties](#) during this time, be sure to check you have sufficient insurance cover in place. If you have been home under level 5 and 4 of the lockdown, remember to review any changes you have made to save on your premiums during this time. While it may have made sense to save on your premiums while your income was under pressure, risks are likely to be back to normal soon – and you should ensure your policy will adequately cover you in the event of a claim.



IMF on the Great Lockdown and how it differs from other crises

The [IMF's Chief Economist, Gita Gopinath](#), shared her insights into the Great Lockdown, and how it differs to the 2008 Global Financial Crisis. Firstly, she highlights that because this is a health crisis, governments are required to prioritise spending on health. The second difference relates to the speed and scale with which the crisis is leading to a collapse in demand and job losses due to the measures put in place to contain the spread of the virus. She points out that there are three stages to the pandemic, which is due to last for some time, until a vaccine can be found and widely distributed. In phase 1, governments put containment measures in place, in phase 2 they reopen their economies and in phase 3 countries are dealing with elevated debt levels due to the containment efforts, and efforts to support their economies. While each phase requires a different type of response from governments, Gopinath points out that there are some actions that support countries at every stage of the outbreak, and also aid their subsequent recovery: firstly, testing, contact tracing, good medical facilities and good communication on the evolving health situation in the country; secondly, putting substantial fiscal measures in place to help households, workers and firms; finally, once a vaccine is available, it must be produced and distributed widely to ensure sustained economic recovery is possible.



Points of interest

Economics

- [S&P Global](#) maintained South Africa's credit rating at the current levels (BB- for foreign currency debt and BB for local currency debt) with a stable outlook. The scheduled review for May followed on the unscheduled April review, during which South Africa's credit was downgraded.

- [China dropped its official growth target](#) for the first time since 2002, citing the uncertainty caused by the COVID-19 pandemic and its impact on global trade. China also expects its budget deficit to increase to 3.6% of GDP (from 2.8% in 2019), and will increase local government special bond issuance. It has indicated that the government will issue 1 trillion yuan in special treasury bonds in 2020.
- [Trade tensions](#) between the USA and China have resurfaced.
- Car rental company [Hertz Global](#) has filed for bankruptcy in the USA.

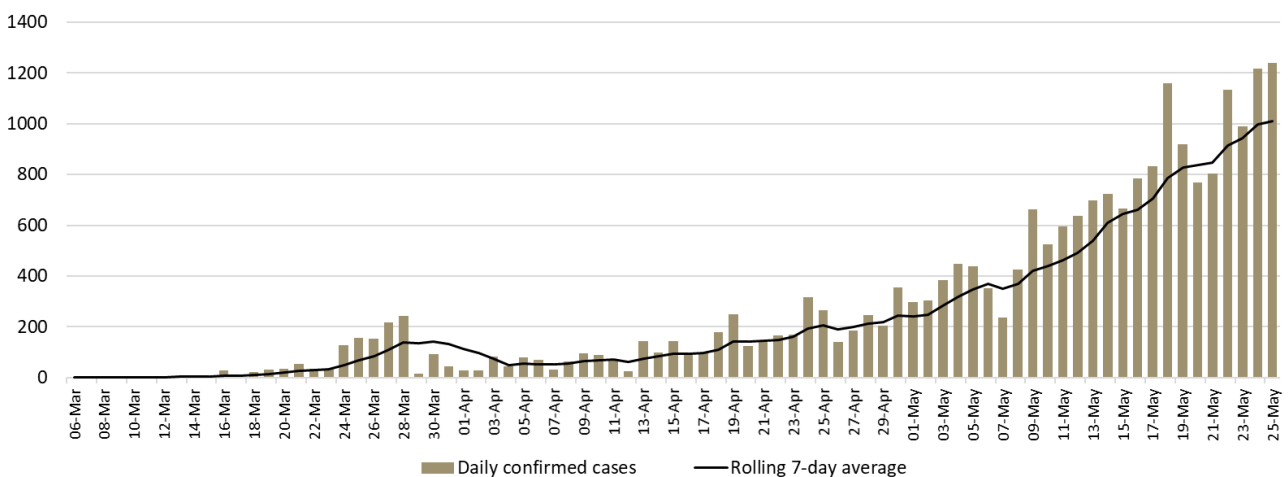
Health

- A hospital in Mumbai has safely delivered [more than 100 healthy babies](#) to mothers infected by the novel coronavirus. The hospital also recorded two deaths in pregnant mothers.
- The Western Cape revealed more detail on [where its COVID-19 hotspots are](#). At the press conference on 20 May, it was indicated that the high number of confirmed cases in the Western Cape may be due to community transmission having ‘seeded’ earlier than in other provinces.

South Africa’s recovery rate higher than the global average

In its [press release dated 24 May](#), the Department of Health states that South Africa has 11 100 recoveries with 11 483 active cases. The South African recovery rate, at 49%, is higher than the global recovery rate of 42%.

South Africa: Daily confirmed cases



Sources: Ourworldindata.org and PSG as at 25 May 2020



Always opt for trusted names

With interest rates in decline and equities expected to remain volatile for some time, criminals can be expected to be on the prowl, trying to convince investors with tempting offers of higher returns elsewhere. At times like these, it is good to remember that if it looks too good to be true, it probably is. We remind all investors to:

- continue doing business with reputable institutions
- avoid investing in risky and unproven ventures, especially with money they can ill-afford to lose
- ensure the institution and adviser they are entrusting their money to is listed with the [Financial Services Conduct Authority \(FSCA\)](#)
- continue to rely on diversification to help them manage risk

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>