

RESULTS

Delphi Study: Anticipating the Impact of COVID-19 in SA, 2020-2021

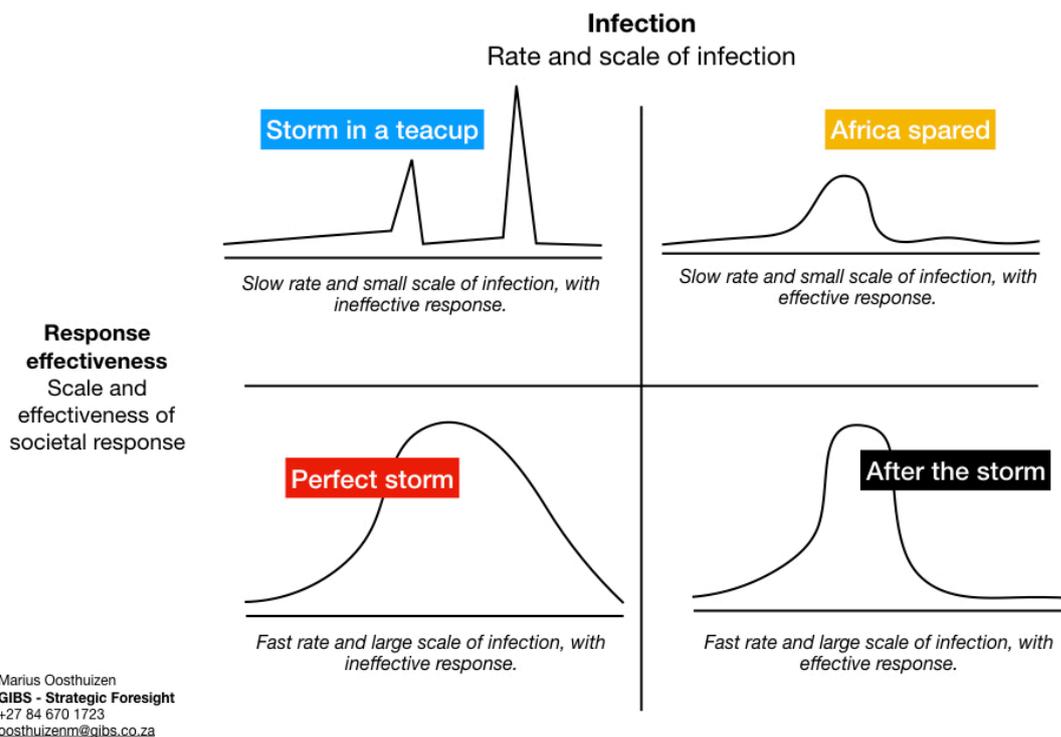
Background

This Delphi study aimed to develop a consensus view, to the extent possible, of the impact of COVID-19 in South Africa. Participation was by invitation only, and included 10 senior executives.

Alternative Scenarios

4 Scenarios for COVID-19 in SA

PHASES: 1. Build=up -> 2. Spread -> 3. Containment -> 4. Recovery



COVID-19 Scenarios for SA: The impact of Coronavirus is largely dependent on the scale and effectiveness of our societal response. We can avoid the “perfect storm” scenario through proactive hygiene, social distancing, early detection and treatment. #COVID19

At this stage the “After the storm” scenario seems most plausible. This indicates the need for a ramp-up in societal response in April-May, and a prolonged period of social and economic recovery to follow.

Scenario	<i>Storm in a teacup</i>	<i>Africa spared</i>	<i>Perfect storm</i>	<i>After the storm</i>
Anticipated infections (SA)	Under 1000	Under 5000	Millions	Two hundred thousand at a time
Capacity of health system to cope	Public hospitals control outbreak	Private hospitals provide assistance	Quarantine centres erected in school halls.	Regional quarantine centres remain
Economic impact	Recessionary impact. Supply chain reorientation.	Recessionary impact. Job and revenue losses passed through system.	Fiscal crisis, currency devaluation, decade-long recovery. Major risk to mining, tourism, airline industry.	Fiscal crisis, currency devaluation, decades-long recovery.
Social impact	Isolated, pocketed deaths, widespread social distancing as precaution.	Isolated, pocketed deaths, widespread social distancing as precaution.	Social shut-down, inter-community tensions. Conflict over resources. National tragedy among immunodeficient populations.	Temporary social shut-down, isolated tensions, pocketed community tragedies.
Political fall-out	Negligible	Temporary drop in confidence in government responsiveness.	Loss in adherence to rule of law, breakdown of societal norms. State of emergency, with local securitisation.	Temporary drop in confidence in government responsiveness. Significant fracture in political support of dominant parties.

Delphi results - Impact of COVID-19 SA

Delphi results for the section: Overall agreement (7.2/10) with a standard deviation of 0.89.

1. Immediate impact

We expect a reduction of SA's economic growth in 2020 (due to the slowdown in China and material implications for global and SA trade). The main impact on the SA economy won't be through intermediate inputs or consumer goods, but through a decline in demand for major exports especially if China loses 2% of growth.

We expect a notable fall in international tourist arrivals, air travel and higher end accommodation and entertainment. In addition, there will be a decline in group attendance at sports and social events.

2. Impacts April-May 2020

Falling demand for SA commodities, disrupted supply chains (direct and indirect) will occur, due to dependence on Chinese manufacturing, especially in electronics and telecoms.

3. Impact 2020-2021

Quote:

"Monetary policy will have to adjust, supporting the economy with 50-100bp in rate cuts. Real rates down to 1.5% though critical to leave room. Sovereign rating agencies will be interesting to watch. COVID-19 is the exact 'external event' that methodologies leaves space for and how an economy is able to react to minimise the impact is critical."

Total infections: SA sees 3000-6000 cases, largely dependent on the effectiveness of the societal response and degree of social distancing. Delphi results: some consensus among 50% of respondents, but divergence of views, standard deviation of 0.48.

Critically, a major threat exists of a spread in immunocompromised populations, especially among communities where anti-retroviral drugs are not consistently taken.

We expect the diverting of sourcing to other markets and the introduction and adoption of e-services, while internet connection capacity is a constraint in some parts of the country.

We expect reduced global economic demand, which further pushes SA into year-long recession. This will be accompanied by dampened retail and manufacturing demand.

We expect SAA to fail due to fiscal pressure and lower air travel demand.

Global markets will brace for "inevitable widespread dissemination" of the virus, embracing a "slow it down" strategy.

Inequalities in the South African health system will surface strongly in the discourse as a public management and national ethical issue. Social flare-ups are unlikely, with only occasional incidences. Delphi results: Overall agreement with a standard deviation of 0.39.

Wildcard: The secondary effect of the pandemic's economic fall-out, may be that South Africa's fiscal situation worsens substantially, requiring external intervention.

The political climate resulting from COVID-19 might afford political elites the adaptive space with their stakeholders to pass unpopular but critical reform measures, including restructuring of SOEs and overall public sector debt. Delphi results: Divergence of views, with a standard deviation of 0.66.

4. Global Economic Impact

We expect between 1.5% and 2.5% reduction of global GDP growth. Delphi results: Overall agreement with a standard deviation of 0.66.

Tourism and travel, airlines and leisure will be hardest hit, followed by mining and manufacturing. Delphi results: mostly agreement, with a standard deviation of 0.66.

Lasting effects are that new norms will emerge in business and travel, especially the reduction in non-essential travel, followed by localisation of South African supply chains in line with similar effects elsewhere around the globe, and a major increase in digital and online services, especially in education and training.

There will unlikely be a major shift in government and public services to online, with "business as usual" returning in late 2020. Delphi results: mostly agreement, with a standard deviation of 0.89 due to one outlier.

It is unlikely that global pandemic with catastrophic consequences emerges, but with greater impacts in nations with weak and under-capacitated health systems. Delphi results: mostly agreement, with a standard deviation of 0.77.

Remaining uncertainties

Effects of warm climate and seasonality are uncertain. Winter's approach might change the trajectory of the pandemic in SA.

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