Economic Fallout of Covid-19: Evidence from South Africa

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ABSTRACT

The covid 19 pandemic was quite challenging for policy makers in that it presented both an economic and health crisis. This meant that policy makers had to strike a balance between saving lives and protecting livelihoods. Against this backdrop, the primary goal of this study is to examine the economic fallout of covid 19 in South Africa. On the education front, the study finds that nearly 15% (2 million) of public-school pupils did not return to school post covid 19. Furthermore, the study finds that the covid 19 pandemic exacerbated the entrenched digital divide in the education system. As regards the economic implications of the covid 19 pandemic, the study found that business liquidations increased by as much as 48.9% following the outbreak of the covid 19 pandemic. Even worse, the total number of civil summonses issued for debt increased by 28.9% in the three months ending July 2021 compared to July 2020. Meanwhile, the value of civil judgements recorded for debt doubled from R483 million to R855 million during the same period. This indicates that following the outbreak of covid 19, a significant number of citizens were facing a litany of cash flow challenges amid reductions in salaries and forced retrenchments, hence the default in loan repayments. There remains a strong need for epidemic preparedness given that disease outbreaks are not likely to disappear in the near future. This can be achieved by harnessing lessons from previous pandemics and establishing effective surveillance and response systems.

Introduction

The novel coronavirus pandemic (covid19) brought the global economy to a standstill amid restrictions on business activity and mobility. This saw several businesses operating below optimal capacity in order to avoid total shutdown and consequently, bankruptcy. In other industries however, such as the tourism and hospitality industry, business operations were halted indefinitely (Cooper et al., 2020). Compared to other crises, the covid19 pandemic had devastating effects, in that, most growth enhancing sectors were adversely affected. Moreover, the covid19 pandemic was particularly challenging for policy makers in that, it presented both health and economic shocks. Eliminating health shocks meant that policy makers had to implement various restrictions on movement and trade which ultimately strengthened economic shocks. As such, policy makers had to use their discretion to strike a balance...
between saving lives and protecting livelihoods. At the global level, the Gross Domestic Product (GDP) contracted by 3.5% while global trade fell by 5.3% (World Bank, 2023). As a result of the sharp decline in national income, public revenue was negatively affected, which implied that governments had relatively less income to enact unprecedented levels of emergency support to keep households and companies afloat. The South African economy in particular, contracted by 6.3% following the outset of covid 19. It is sufficient to note that the South African economy was already in a parlous state prior to the covid19 pandemic (Erero and Makananisa, 2021).

Some of the major economic ills characterising the South African economy include high levels of unemployment, unequal distribution of income and wealth, crime and corruption as well as the poor maintenance of state infrastructure (Gittings et al., 2021). This can be easily evidenced by the country’s inability to meet energy demands, particularly in relation to electricity as the country’s state-owned power utility is facing a litany of challenges. It is worth noting however, that both fiscal and monetary authorities played a significant role in combating the far-reaching effects of covid19. In fact, both fiscal and monetary policies were discretionary in nature, involving a combination of tax relief measures, increased government spending, reductions in interest rates and increases in open market operations. Against this backdrop, the key objective of this study is to examine the economic fallout of covid19 in South Africa. This area of research is particularly important given that disease outbreaks are not likely to disappear in the near future, hence, there is a strong need for epidemic preparedness. The next section provides a detailed discussion of empirical literature in relation to the effect of covid19 on learning, the environment and economy at large.

Literature Review

Dev and Sengupta (2020) analysed the impact of covid19 on the economy of India. The authors concluded that given the prolonged country-wide lockdown, global economic downturn and associated disruption of demand and supply chains, the economy is likely to face a protracted period of slowdown. A similar study by Chaudhary, Sodani and Das (2020) examined the impact of covid19 on the Indian economy with a closer look on the aviation, tourism, retail, capital markets, MSMEs, and oil sectors. The study established that given the restrictions on movement and trade, revenues generated by travel and tourism, which contributes 9.2% of the GDP, will take a major toll on the GDP growth rate. Furthermore, the study found that Aviation revenues will decline by as much as USD 1.56 billion while, to date, foreign investors have withdrawn as much as USD 571.4 million from the Indian economy.

Debata, Patnaik and Mishra (2020) conducted a study on the impact of covid19 on the environment, people and the economy at large. The study revealed that as a result of the covid19 pandemic, a sense of fear and insecurity has increased among people due to probable job and pay loss. The study further revealed that the
nationwide lockdown imposed by the government has increased cases of domestic violence and child abuse. On the economic side, the most vulnerable sectors including tourism, agriculture, construction, retail, hotels, textile, gems/jewellery, fast moving consumer goods and start-ups had closed temporarily. This led to significant reductions in personnel and revenue loss. A study by Kaye et al., (2021) provided an international perspective on the economic effect of covid19 on health care systems and facilities. In overall, the study concluded that the covid19 pandemic exposed several deficiencies in the health care systems of the world, including the lack of personal protective equipment (PPE) for healthcare workers, hospital equipment, sanitizing supplies, toilet paper, and water supply. The study further noted that these deficiencies have prompted healthcare organizations around the world to invent new essential plans for pandemic preparedness.

Pak, Adegboye, Adekunle, Rahman, McBryde and Eisen (2021) documented the economic consequences of the covid19 pandemic outbreak. The study accentuated that there is a strong need for epidemic preparedness given that disease outbreaks are not likely to disappear in the near future. Fang (2021) examined the far-reaching effects of the covid19 pandemic on labour market outcomes in Asian countries, particular with regard to how the covid19 pandemic accelerated the shift to hybrid working arrangements and the reconfiguration of global supply chains. The study concluded that while the covid19 pandemic disrupted global supply chains and adversely affected unskilled workers, small and medium businesses lacking the technical resources of large companies are the most vulnerable to rapid changes in the economy. As such, the exit of small and medium businesses is expected to exacerbate the unemployment crisis. A study by Gondwe (2020) estimated the impact of the covid19 pandemic on the overall economic performance of African countries. The study revealed that economic growth in African countries is expected to contract by 1.4% while public revenues are estimated to decline by 5% on average.

Method

This study adopts a mixed methods approach in that both qualitative and quantitative methods are employed. To be specific, the study made use of a desktop approach by drawing inferences from empirical literature while making use of descriptive analysis to further quantify the results. Hafsa (2019) defines mixed methods research design as the combination of both qualitative and quantitative research in one study. Outside of the criticism echoed about this methodology, it is often harnessed for its ability and capacity to offset the forecast and shortcomings in one single research (Millán et al., 2020). Thus, it extends more validity and reliability to the findings of the study. The convergent parallel mixed method will be utilized. Defined as the convergence of qualitative and quantitative data in different stages of the study aimed at deducing a holistic inquiry of the research question (Altonji et al.,
2001). Usually, the qualitative and quantitative data set is simultaneously collected and incorporated in the analysis stage of the research (Hasfa, 2019).

The suitability of using a mixed method is in its capacity to integrate both methods, while it expands and strengthens the tenants of the findings and conclusion of the study and ultimately contributing to existing literature. The descriptive analysis of the study aims to describe, summarize and illustrate data points in a constructive manner. It often takes on an exploratory approach as it aims to describe a phenomenon, situation or population accurately and systematically (Loeb, Dynarski, McFarland, Morris, Reardon, and Reber, 2017). Herein, for the purpose of this study, the descriptive statistics are sourced from a range of data segments in accordance with topics of discussion. For the education section the data is sourced from the 2020/21 Budget Speech statement on education and the Department of Basic Education. Data for the economic sector is predominantly sourced from Statistics South Africa and the South African Reserve Bank. The data is expressed through tables and graphs. Both the above stated methods aim to systemically understand and investigate the economic fallout pronounced by the pandemic, the immediate effects and the prolonged impacts post the pandemic.

Result And Discussions

Effect on education

The COVID-19 pandemic pronounced a global standstill that saw many sectors affected. Irrespective of the global recovery that demonstrates substantial improvements, the fallout that came with the pandemic is still prevalent, addressing those sectors and individuals that were affected and still has not been recovered.

a) School absenteeism and those left behind

The South African basic education system is no exception to these fallouts. Mostly exposed by the country’s backdrop in school infrastructure and services. As UNICEF (2021) notes that the pandemic led to pupils being a year behind in their studies, this accounts for 75% of pupils in South Africa. While statistics suggest that between 400 000 and 500 000 learners have allegedly dropped out of school and a large percentage of these dropouts was accounted for by pupils in rural and informal urban areas where poverty is a major attribution careless context. Timm (2021) posits that post the COVID-19 closure of schools, up to 300 000 learners in public primary did not return to school, while in January 2021 it was reported that about 15% (about 2 million learners) of public-school pupils did not return to school after the lockdown. Furthermore, there was a loss of over 2000 teachers attributed to the pandemic (Timm, 2021). The absenteeism trend being experienced in the country, is expected to surge around 2027 according to UNESCO (ibid). Apart from this, COVID-19 related
dropouts are estimated to decrease the country’s GDP by US$ 2.6 billion (ibid). Herein, a table on the return of pupils to school post the pandemic lockdown.

Table 1 Adult reported return of learners to school in November 2020 and April 2021

<table>
<thead>
<tr>
<th>Categories of pupils</th>
<th>GHS 2018</th>
<th>NIDS/CRAM November 2020</th>
<th>NIDS/CRAM April 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion of adults residing with 7- to 17-year-olds reporting that NO learners in the household are attending/have returned to school</td>
<td>1.0</td>
<td>1.0</td>
<td>0.5</td>
</tr>
<tr>
<td></td>
<td>(0.07)</td>
<td>(0.25)</td>
<td>(0.18)</td>
</tr>
<tr>
<td>Proportion of adults residing with 7- to 17-year-olds reporting that AT LEAST ONE but NOT ALL learners in the household are attending/have returned to school</td>
<td>2.1</td>
<td>4.3</td>
<td>9.6</td>
</tr>
<tr>
<td></td>
<td>(0.09)</td>
<td>(0.49)</td>
<td>(0.84)</td>
</tr>
<tr>
<td>Proportion of adults residing with 7- to 17-year-olds reporting that ALL learners in household are attending/have returned to school</td>
<td>96.8</td>
<td>94.7</td>
<td>89.9</td>
</tr>
<tr>
<td></td>
<td>(0.11)</td>
<td>(0.56)</td>
<td>(0.86)</td>
</tr>
<tr>
<td>Average household attendance rate</td>
<td>98.0</td>
<td>97.0</td>
<td>94.8</td>
</tr>
<tr>
<td></td>
<td>(0.16)</td>
<td>(0.34)</td>
<td>(0.47)</td>
</tr>
</tbody>
</table>

*Author’s computations using data from National Income Dynamics Study (NIDS)*

The status quo above can be accounted for by the shortfalls of the education system that already existed pre-Covid-19 periods. Therefore, the pandemic exacerbated these constraints and exposed the distasteful and inequitable position of South Africa’s education system. Soudien, Reddy and Harvey (2021) suggest that in unpacking the effects of the pandemic in South Africa the existing social context of these cannot be overlooked. South Africa is challenged by a triple threat of inequality, poverty, and unemployment which has been mounting over the past decades and largely undermined the strides taken to reduce inequality and poverty since the inception of democracy in 1994 (Soudien et al. 2021).

Rendering to the numerous dynamics that intersect in this discussion, Soudien et al. (2021) flags the fragility in the education system of South Africa. Specifically pertaining to the prolonged and entrenched unequal system that still exists in the
democratic education system of South Africa from a statistical point of view little has been done to avert these differences. According to a report from the 2016 Department of basic Education, there are 29 749 established public and registered independent schools in the country and from this ratio 14 795 primary schools accommodate 62 998 834 pupils with 203 139 teachers. While 6186 secondary schools account for 3 989 236 pupils and 140 532 teachers while 4 593 combined and intermediate schools handle 2 013 465 leaners with 74 942 teachers. From the whole education system, out of 13 307 830 leaners in the system, 12 342 283 were in public schools and 590 282 were in private or independent schools (Soudien et al., 2021). The above statistics are compared in the table below.

Table 2 Number of learners, teachers, and schools in public and independent by province from 2019 to 2021

<table>
<thead>
<tr>
<th>Province</th>
<th>Learners 2019</th>
<th>Learners 2020</th>
<th>Learners 2021</th>
<th>Educators 2019</th>
<th>Educators 2020</th>
<th>Educators 2021</th>
<th>Schools 2019</th>
<th>Schools 2020</th>
<th>Schools 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>EC</td>
<td>1 843 814</td>
<td>1 843 297</td>
<td>1 848 053</td>
<td>64 273</td>
<td>62 647</td>
<td>62 698</td>
<td>5 430</td>
<td>5 452</td>
<td>5 341</td>
</tr>
<tr>
<td>FS</td>
<td>716 080</td>
<td>719 847</td>
<td>726 713</td>
<td>24 027</td>
<td>23 702</td>
<td>23 867</td>
<td>1 156</td>
<td>1 122</td>
<td>1 071</td>
</tr>
<tr>
<td>GT</td>
<td>2 447 377</td>
<td>2 508 387</td>
<td>2 564 812</td>
<td>87 728</td>
<td>89 397</td>
<td>91 958</td>
<td>2 813</td>
<td>2 905</td>
<td>2 941</td>
</tr>
<tr>
<td>KZN</td>
<td>2 844 764</td>
<td>2 867 271</td>
<td>2 893 958</td>
<td>97 563</td>
<td>96 397</td>
<td>96 659</td>
<td>6 036</td>
<td>6 191</td>
<td>6 022</td>
</tr>
<tr>
<td>LP</td>
<td>1 753 819</td>
<td>1 759 322</td>
<td>1 799 130</td>
<td>54 019</td>
<td>53 598</td>
<td>53 582</td>
<td>3 931</td>
<td>3 886</td>
<td>3 855</td>
</tr>
<tr>
<td>MP</td>
<td>1 094 941</td>
<td>1 107 890</td>
<td>1 134 889</td>
<td>36 979</td>
<td>36 818</td>
<td>36 963</td>
<td>1 795</td>
<td>1 782</td>
<td>1 785</td>
</tr>
<tr>
<td>NC</td>
<td>298 88</td>
<td>304 237</td>
<td>304 566</td>
<td>10 653</td>
<td>10 527</td>
<td>10 486</td>
<td>583</td>
<td>585</td>
<td>585</td>
</tr>
<tr>
<td>NW</td>
<td>852 589</td>
<td>863</td>
<td>872</td>
<td>28</td>
<td>28</td>
<td>28</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>WC</td>
<td>1 188 926</td>
<td>1 243 150</td>
<td>1 264 527</td>
<td>41 603</td>
<td>41 892</td>
<td>42 662</td>
<td>1 718</td>
<td>1 744</td>
<td>1 755</td>
</tr>
<tr>
<td>National</td>
<td>13 041</td>
<td>13 216 472</td>
<td>13 409</td>
<td>444</td>
<td>447</td>
<td>447</td>
<td>24</td>
<td>25</td>
<td>24</td>
</tr>
</tbody>
</table>

Author’s computation using data from School Realities (2021)

A closer scrutiny of these statistics reflects a true tiered system characterized by inequality with 75% of the pupils in public schools and are mostly from disadvantaged backgrounds while 25% of the pupils are in privileged schools. These inequalities are illustrated in the performance index of these fundamentally different schools (Fang et al., 2020). The educational inequalities of South Africa can be understood from the Marxist Functionalist school of thought. Asserting that education is not neutral rather serves as a political and ideological tool to replicate socio-economic disparities
through the unequal educational opportunities provided to different individuals (De Clereq, 2020). The minimal reconfiguration of South Africa’s education system with clear differences not only in the setting of schools, their infrastructure but also in the quality of output produced by public and private schools.

Shepherd and Mohohlwane (2021) shine light into how COVID affected school attendance and heightened absenteeism in schools. Post Covid-19 strides have been taken to curb the education fallout however, rendering to the rate of digitalization which has become vital in day-to-day activities and how the economy is recovering there are bound to be fallout. Post pandemic recovery is transpiring in an unprecedented yet uneven way (United Nations Development Programme, 2022). This is signaled by those individuals who were left vulnerable and destitute post the pandemic (Gittings, Toska, Medley, Cluver, Logie, Rayolo, Chen and Mbith-Dikgole, 2021). This is not alien in the education system of South Africa.

b) Budget cuts to broken infrastructure

From the 2023 Budget Speech, the minister of finance announced that R22 billion was allocated to the department of basic education (Budget speech, 2023). However, it is noteworthy to flag that the pandemic affected the initial budgeting for the basic education sector due to the reprioritization of funds in combating and dealing with the pandemic and the sustainability of fiscal consolidation (Du Plessis, 2020). For example, in 2020, R1 billion was cut from the national department of basic education’s budget, a net total of R1.7 billion was cut from the school infrastructure grants (Du Plessis, 2020). A further R4.4 billion was reallocated from the funds to cover Covid-19 expenses. Furthermore, R50 million was reprioritized from the National School nutrition program (Du Plessis, 2020). Prior to these emergency cuts, government spending per learner on basic education shows an erosive pattern where on average the government spending per learner decreased by 2.3% between 2009 and 2018. Consequently, the 2020 budget deepened these atrocities with basic education by cutting the budget in actual terms. These cuts are not without aftermaths and criticism where numerous education activists flagged the significance of transparency over the budget cuts and tabling. This is mainly due to the materialized impacts they are bound to have on the education system and pupils’ future endeavors.

The impediments being experienced in the education system and making education impossible to attain are weakening and eroding prospects of a solid education foundation that is essential for prospects for every individual. McDonald
points to a pattern of apartheid resurfacing or rather its unresolved legacy characterized by inequalities and deteriorating infrastructure and so too the quality of the education rendered by the South African system. Moreover, UNICEF (2020) notes that according to the IMF’s social assessments, South Africa’s basic education expenditure is poor, which is mainly traced within the education system itself instead of the public finance management. West and Meier (2020) states that the government continues to struggle in providing adequate school infrastructure. The Eastern Cape province continues to be identified lacking proper education infrastructure. This is mainly due to the poor maintenance of infrastructure and the shortage of qualified teachers. Unfortunately, the latter is rife throughout the whole country, particularly in public schools, characterized by overcrowded classes and broken infrastructure. Mohammed (2020) notes that resolving these infrastructure challenges comes with reluctance from the government as the Limpopo department of basic education notes that it might need about 14 years to replace all pit latrines while in the Eastern Cape, they have a leaner to toilet ratio of 1:30. In Kwa Zulu-Natal more than 210 000 pupils walk to school for more than an hour each day. Mohammed (2020) claims that fieldwork conducted by Amnesty International saw many cases of teacher to learner ratio surpassing the benchmarked ratio of 1:35 rather the actual case is of a double figure.

c) The digital divide in the education system of South Africa

A clear explicit line of divide resurfaces with the pacing rate of digitalization in the country and across the globe. South Africa understands digitalization as a digital divide, especially in the education sector (Hanekom, 2020). Nationwide, only 37% of South African households have stable internet through smart technologies. Meanwhile, the department of basic education had to cancel the 2020 academic year due to disparities in digital access experienced by the whole system (Hanekom, 2020). In contrast, their counterparts from private/independent schools continued studying from the comfort of their home. Nearly 83.5% (about 550 000) of the pupils engaged in online classes during the lockdown (ibid). Chisango and Marongwe (2021) introduced the Van Dijk’s (2008) access model in elucidating the digital divide of South Africa. The model asserts that access and usage is influenced by motivational access, material access, skills access, and usage access. When applied to digitalisation, for one to apt technology they need to be motivated, this is prone in those who believe in technology.

Secondly, one need access to the actual technology resources, but this is accompanied by skills to effect positive outcomes and frequent usage and diversity
applications of the device (Chisango and Marongwe, 2021). Herein, when applying this model to the digital divide of South Africa, the majority of teachers and pupils in public schools have an attitude towards engaging advanced technologies. These technologies are alien to everyday lives of the majority in the basic education system. The alienation stems from, among others, inadequate ICT infrastructure, limited internet access and challenges encountered by available ICT devices such as smart boards freezing (Chisango and Marongwe, 2021). Furthermore, teachers have limited skills on engaging these technologies and there is often vandalism and theft of these technologies. From the empirical evidence, the education system is plagued with many insufficiencies that need urgent attention before they can effect technologies throughout the country. The major concern is not on the appropriateness of these technologies being adopted, rather the crux lies in the readiness to embrace and effectively use these technologies.

Effect on macroeconomic variables

The unprecedented coronavirus pandemic (covid-19) and subsequent restrictions on travel and trade had severe repercussions on labour market outcomes and business confidence. Among those affected were small and medium businesses as well as low-skilled and unskilled workers in fragile sectors. The government’s response involved a number of interventions targeted at securing livelihoods and providing financial relief to businesses experiencing cash-flow problems. Despite government intervention, numerous businesses had to consider salary reductions and staff retrenchments. In worst case scenarios, several businesses had to file for either voluntary or compulsory liquidation.

Table 3 Business liquidations

<table>
<thead>
<tr>
<th></th>
<th>March 2019</th>
<th>March 2020</th>
<th>March 2021</th>
<th>March 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compulsory liquidations</td>
<td>10</td>
<td>8</td>
<td>18</td>
<td>25</td>
</tr>
<tr>
<td>Voluntary liquidations</td>
<td>168</td>
<td>137</td>
<td>198</td>
<td>157</td>
</tr>
<tr>
<td>Total number of liquidations</td>
<td>178</td>
<td>145</td>
<td>216</td>
<td>182</td>
</tr>
</tbody>
</table>

Source: StatsSA (2022)

Preliminary findings from the statistics of liquidations and insolvencies revealed that the total number of business liquidations increased substantially from 145 in March 2020 during the outbreak of covid-19 to 216 in March 2021 as the adverse effects of the covid19 pandemic intensified (StatsSA, 2022). This translates into a
quarter-on-quarter increase of 48.9% in March 2021 compared to March 2020. The majority of business liquidations were recorded in fragile economic sectors including Financing, insurance, real estate and business services; Trade, catering and accommodation; Community, social and personal services. On the upside, the total number of liquidations recorded decreased by 15.7% (34 fewer cases) in March 2022 compared with March 2021 as several covid19 restrictions were lifted. A survey on the impact of covid19 on small business conducted by StatsSA (2020) established that nearly 85.4% of the responding businesses reported turnover below the normal range while some 46.4% indicated temporary closure or paused trading activity.

Table 4 Civil Debt Cases

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of civil summonses issued for debt</td>
<td>90 399</td>
<td>116 494</td>
<td>28.9</td>
</tr>
<tr>
<td>Number of civil judgements recorded for debt</td>
<td>24 830</td>
<td>37 995</td>
<td>53.0</td>
</tr>
<tr>
<td>Value of civil judgements recorded for debt (R million)</td>
<td>483,5</td>
<td>854,5</td>
<td>76.7</td>
</tr>
</tbody>
</table>

Source: StatsSA (2022)

The total number of civil summonses issued for debt increased from 90 399 in the three months ended July 2020 to 116 494 in the three months ended July 2021. This translates into an increase of 28.9%. Meanwhile, the value of civil judgements recorded for debt doubled from R483.5 million to R854.5 million during the same period. This indicates that a year later following the outbreak of covid19, a significant number of employees were facing cash flow problems amid reductions in salaries and retrenchments, hence the default in loan repayments. Table 5 below documents key labour market outcomes. It is worth noting that the covid19 pandemic stroke at the back of deteriorating labour market conditions. Following the onset of the covid19 pandemic, the unemployment rate dropped significantly from 30.1% in the first quarter of 2020 to 23.3% in the second quarter of 2020. This was largely the result of government-imposed restrictions on business and trade which, in turn, affected citizens’ ability to participate in economic activities, including their ability to actively search for jobs. Nevertheless, the working-age population increased by 578 000 or 1.5% in the second quarter of 2021 compared to the second quarter of 2020. In contrast, nearly 7.8 million people were unemployed by the second quarter of 2021 compared to 4.3 million in the second quarter of 2020. This translates into a year-on-year change...
of 82.2%. Also, this implies that at least 3.5 million more people were unemployed a year later following the outbreak of covid19.

Table 5: Key labour market indicators

<table>
<thead>
<tr>
<th>(Thousand)</th>
<th>Apr-Jun 2020</th>
<th>Jan-Mar 2021</th>
<th>Apr-Jun 2021</th>
<th>Qtr-to-qtr change</th>
<th>Year-on year change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour force</td>
<td>18 443</td>
<td>22 237</td>
<td>22 768</td>
<td>2.4</td>
<td>23.4</td>
</tr>
<tr>
<td>Employed</td>
<td>14 148</td>
<td>14 995</td>
<td>14 942</td>
<td>-0.4</td>
<td>5.6</td>
</tr>
<tr>
<td>Unemployed</td>
<td>4 295</td>
<td>7 242</td>
<td>7 826</td>
<td>8.1</td>
<td>82.2</td>
</tr>
<tr>
<td>Discouraged work-seekers</td>
<td>2 471</td>
<td>3 131</td>
<td>3 317</td>
<td>5.9</td>
<td>34.3</td>
</tr>
<tr>
<td>Other (not economically active)</td>
<td>18 107</td>
<td>14 086</td>
<td>13 515</td>
<td>-4.1</td>
<td>-25.4</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>23.3%</td>
<td>32.6%</td>
<td>34.4%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: StatsSA (2022)

The number of discouraged work-seekers increased from 2.4 million in the second quarter of 2020 to 3.3 million in the second quarter of 2021, resulting in unemployment rate of 34.4% as at June 2021. The bulk of the burden in unemployment was borne was those without formal education.

Table 6: Inflation and interest rates

<table>
<thead>
<tr>
<th></th>
<th>April/May 2020</th>
<th>April/May 2021</th>
<th>April/May 2022</th>
<th>April/May 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>CPI</td>
<td>3%</td>
<td>4.4%</td>
<td>5.9%</td>
<td>6.8%</td>
</tr>
<tr>
<td>Repo rate</td>
<td>4.25%</td>
<td>3.5%</td>
<td>4.75%</td>
<td>8.25%</td>
</tr>
</tbody>
</table>

Source: South African Reserve Bank (2023)

Headline inflation stood at 3% during the first quarter of 2020 in light of a stagnant economy. Although the South African Reserve Bank (SARB) had reduced the central bank lending rate by 100 basis points in March 2020 to stimulate aggregate demand, this saw headline inflation fall from 4.1% in March 2020 to 3% in April 2020. Nonetheless, headline inflation stood at 4.4% in April 2021 amid restrictions on business activity which inadvertently created supply chain disruptions and disparities in global trade patterns. Geopolitical issues particularly the Ukraine/Russia war exacerbated supply chain disruptions by constraining oil suppliers. As global demand for oil outstripped supply, this saw the price of oil hit highest level in nearly a decade. Also, this placed upward pressure on energy and food prices, the combination which...
led to headline inflation rate of 5.9% by April 2022. It is worth noting that low- and middle-income earners are generally more vulnerable to rising food and energy prices than their wealthier counterparts. As such, it can be reasonably assumed that during the covid19 pandemic, low- and middle-income earners did not only suffer the loss of income and savings but were also prone to relatively higher prices of goods and services. At last, Figure 1 below shows the overall impact of the covid19 pandemic at an aggregate level, measured by the Gross Domestic Product (GDP).

Source: StatsSA (2022)

Figure 1: q-o-q changes in GDP

The South African economy plunged by nearly 17.1% in the second quarter of 2020 as the covid19 pandemic took its toll. This translates into an annualised GDP rate of -51% (StatsSA, 2021). The biggest losers included the construction, manufacturing, wholesale and retail trade as well as the finance and personal services sectors. It is sufficient to not that by the second quarter of 2020, most government imposed covid19 restrictions were already in effect, including the ban on alcohol sales, which significantly hampered manufacturing output. Also, considering the restrictions on movement, this implied that activities such as air travel, hospitality and tourism came to a complete halt. This is particularly concerning given that the majority of individuals employed in the affected sectors are either low-skilled or semi-skilled employees with relatively lower chances of employment.

Conclusion
The primary objective of the study was to investigate the economic fallout of the covid19 pandemic in South Africa. The study made use of both a desktop approach and descriptive analysis to observe trends and infer on the economic fallout of the covid19 pandemic. Several observations were made, including on the health, education and economic sectors. The study revealed that the majority of pupils in South Africa were left out of school given the lack of access to adequate ICT infrastructure, limited internet access and teacher’s inability to engage with available technological gadgets. Furthermore, a significant number of citizens faced cash flow problems amid a combination of salary cuts and forced retrenchments. Also, small and medium businesses were not spared, especially those with limited fiscal space and the lack of technical abilities necessary to keep up with the rapidly changing environment. There remains a strong need for epidemic preparedness given that disease outbreaks are not likely to disappear in the near future. This can be achieved through proper policy planning and implementation as well as harnessing lessons from previous pandemics. Future research studies can focus on the impact of covid19 at a sectoral level such as the health, education and trade sectors. Also, other researcher that have access to adequate data may examine the effect and causal relationship between health shocks and economic performance.

References


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