

COVID-19 Impact on the Economy

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The Department of Trade, Industry and Competition (**the dtic**) has noted with concern a series of recent comments and news articles that give the impression that the Minister of Trade, Industry and Competition, Mr Ebrahim Patel, has underplayed the extent of the costs that Covid-19 and the lockdown will impose on the economy. This is exactly the opposite of the truth. The impression seems to be based on an interview that Minister Patel conducted with the Sunday Times shortly after he had addressed Members of Parliament regarding Covid-19 in a session that was broadcasted live.

In the address to the Parliamentary Committee, he stated that the pandemic has caused a massive and rapid shock on the economy, starting globally and transmitted rapidly to South Africa and the rest of the continent, with a dual impact on the demand and supply-side of the economy. He also stated that the impact on GDP will be very significant – with a projected recession with severe contraction of the economy in 2020, accompanied by big job losses and firm closures with high levels of social hardship.

Minister Patel told the Parliamentary Committee: “Our work has indicated that the pandemic will affect the South African economy in very deep and significant ways. The estimates of the impact vary. The work is still being done as we see the extent to which different parts of the economy are affected.” He illustrated with estimates from the IMF, SARB and IDC which projected declines in gross domestic product of approximately 6%.

In the interview Minister Patel made the self-evident point that it was too early to get a firm figure of the extent of the damage with a range of projections by different economists, and that one of the numbers in the public domain referred to a lockdown-cost of about R13 billion a day. This he pointed out, was simply based on taking the size of the GDP (about R5 trillion) and dividing it by the number of days in a year. Such a figure is clearly at best a guesstimate of impact since the full extent of the cost would depend on a number of factors; and does not take into account that key sectors were working during the lockdown, including the agriculture and food-processing sectors as well as healthcare and parts of mining.

Unfortunately, the subsequent media story in our view did not contextualise the reply adequately, as it focused on only the Minister Patel’s cautioning of this particular estimate.

On 8 May 2020 Minister Patel addressed a meeting of about 100 CEOs convened by BLSA, where he stated that the pandemic was likely to have a devastating effect on the economy, though the extent of the damage was not yet clear; that many firms in South Africa were in difficulty as a result of the current circumstances and millions of workers were without an income.

The Department would like to reiterate that Minister Patel has consistently put forward

the view on the devastating impact of COVID-19 on the SA economy since the declaration of the national disaster. He pointed out already on 24 March 2020 at a media briefing that the pandemic will put a strain on the economy, including small business owners and ordinary citizens. Minister Patel also called for all South Africans and corporates to pull together to ensure that our people and economy come through this challenge with their lives, their jobs, their businesses, their livelihoods and their property intact.

The Department would also like to put it on record that Minister Patel recognises the very significant impact of the pandemic and the lockdown on the economy. It is imperative that there is a more measured and responsible public commentary during this trying times in our country in particularly and the globe in general, given the enormous consequence on human lives if we get it wrong.

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