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Business impact survey of the COVID-19 pandemic in South Africa

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The South Africa I know, the home I understand



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Background

The COVID-19 pandemic has created profound disruptions to our economy and society. Many South African industries are experiencing an adverse impact from the pandemic, which is consistent with other countries fighting the disease. In its response to the crisis, the South African government has (from 27 March 2020) placed the country under a national lockdown to reduce the spread of the virus, resulting in the closure of many businesses. The businesses affected by the national lockdown are those that are not regarded as providing essential services. These industries include, amongst others, those reliant on the movement of goods (supply chain disruptions), the telecommunications sector, selected mining activities due to a decrease in demand for minerals, accommodation and tourism due to travel bans, construction, transport, and various services.

Measuring the impact of the pandemic on the economy will depend heavily on information and related facts provided by businesses who complete surveys conducted by Statistics South Africa (Stats SA). The actual impact remains unknown until critical variables can be identified, including the duration of the pandemic and its intensity in terms of infection rates. The pandemic has highlighted the need to obtain accurate information as close as possible to real time. Accordingly, Stats SA has set out to determine the impact on businesses and the economy at large by conducting an experimental study.

The business impact study is administered through a basic survey focusing on financial performance related to the trading status, business impact, turnover, import and export of goods, purchases, price changes, financial burden and assistance, business survival, and workforce. The results include the aggregated responses from businesses based on a series of questions.

Survey information

Survey status	Experimental statistics aimed at providing an early indicator of the business impact resulting from COVID-19
Selection criteria	Selected businesses operating within various industries in South Africa that are registered for value added tax (VAT)
Number of responding businesses	707
Reference period	30 March 2020 – 13 April 2020

Table 1 – Responding businesses by industry

Industry	Number of businesses	% contribution
Forestry & fishing	10	1,4
Mining & quarrying	35	5,0
Manufacturing	180	25,5
Electricity, gas & water supply	18	2,6
Construction	39	5,5
Trade	71	10,0
Transport, storage & communication	52	7,4
Real estate & other business services	44	6,2
Community, social & personal services	18	2,6
Other	240	34,0
Total	707	100

Key results

- The majority of responding businesses (85,4%) reported turnover below the normal range.
- 46,4% indicated temporary closure or paused trading activity.
- 50,4% expected their workforce size to stay the same in the two weeks after the survey, while 36,8% reported that their workforce size is expected to decrease.
- 28,3% indicated that their workforce has decreased working hours and 19,6% reported laying off of staff in the short term.
- 19,1% indicated that prices of materials, goods or services purchased increased more than normal.
- Access to financial resources: 23,8% indicated a decrease while 52,6% indicated access to financial resources remained the same.
- 38,2% of businesses applying for financial assistance reported that they would use government relief schemes.
- 30,6% indicated they can survive less than a month without any turnover, while 54,0% can survive between 1 and 3 months.
- 46,3% of the workforce were able to meet business demands, and 43,0% of the workforce were not able to meet business demands (the rest reported 'unsure').

1. Financial performance

Turnover relates to the income generated by a business when conducting its core operations within a specified timeframe, and forms a key measure of business performance. According to the Annual Financial Statistics survey conducted by Stats SA, turnover includes sales of goods, services rendered, leasing and hiring of capital assets, and rental/leasing of land, buildings and other structures.

The survey showed that 85,4% of responding businesses had turnover that was lower than their normal range; 1,3% reported that turnover was higher than their normal range; and 13,3% reported that turnover was within their normal range (Figure 1). This was for the two-week reference period covered by the survey.

Figure 1 – Impact on business turnover

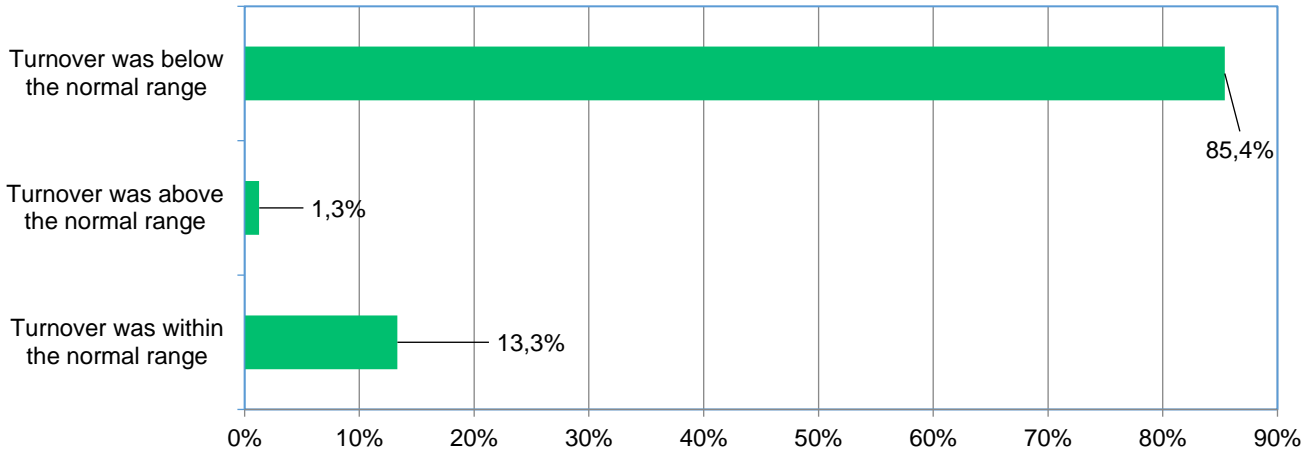


Figure 2 shows a widespread adverse impact of the COVID-19 pandemic on business turnover across all industries. The industries reporting the highest proportions within the normal range were mining and quarrying; electricity, gas and water; and community, social and personal services. A limited number of respondents operating within the manufacturing, construction and trade sectors indicated that their turnover was above the normal range. The sub-sectors that indicated turnover above the normal range included architectural and engineering services, manufacturing of grain mill products, manufacturing of chemicals, and trade in household goods.

Figure 2 – Business turnover range by industry (cumulative % shown on horizontal axis)

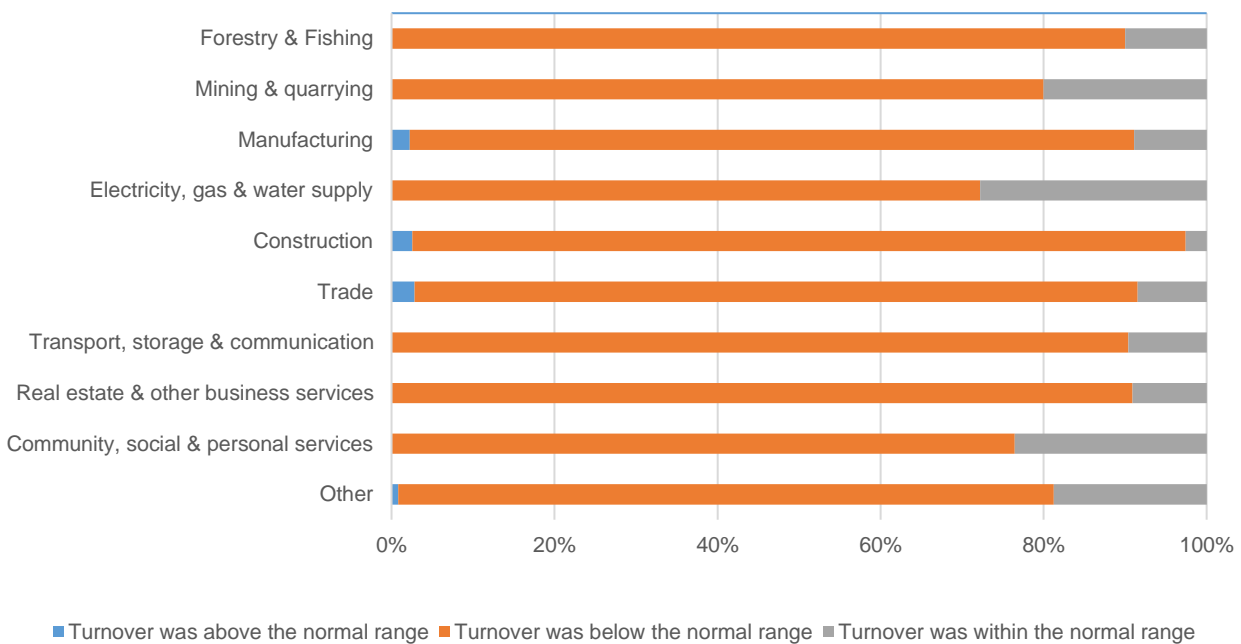
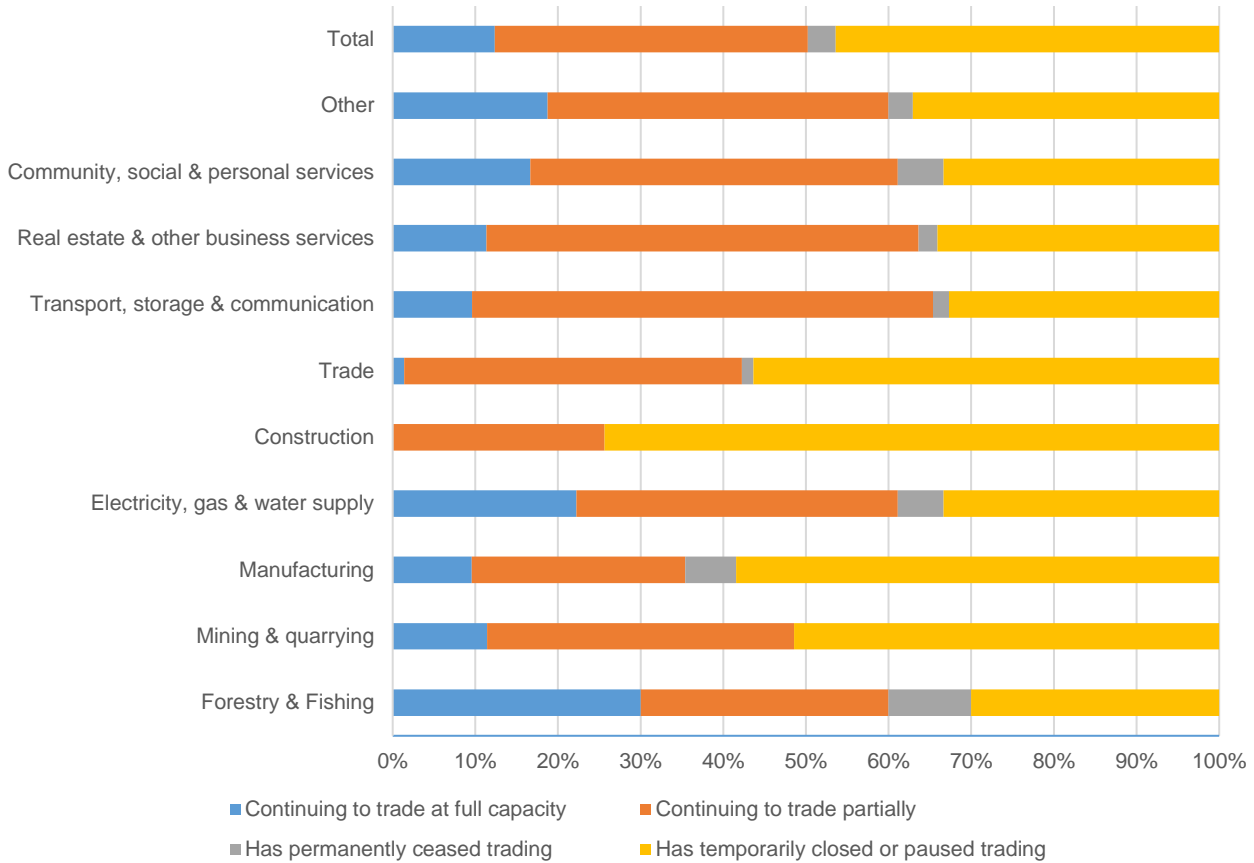


Figure 3 shows that a low proportion of businesses continued to trade at full capacity. The proportion trading at full capacity ranged from zero in construction to 30,0% in forestry and fishing, and the total was 12,3%. Almost half (46,4%) reported 'temporarily closed or paused trading'.

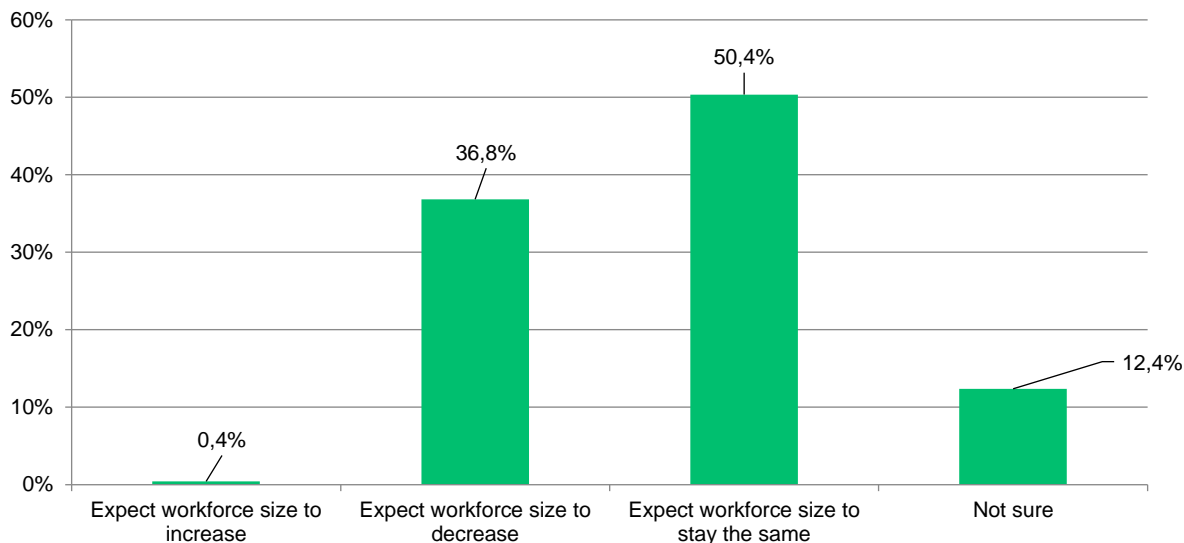
Figure 3 – Trading status of businesses (cumulative % shown on horizontal axis)



2. Workforce implications

The full impact of the COVID-19 pandemic on employment will be determined over time; employment tends to be a lagging economic indicator. Particularly vulnerable are workers with underlying health conditions and those more sensitive to labour market conditions, e.g. construction workers. Businesses were requested to indicate their expectations with regard to changes in workforce size due to the pandemic – see Figure 4.

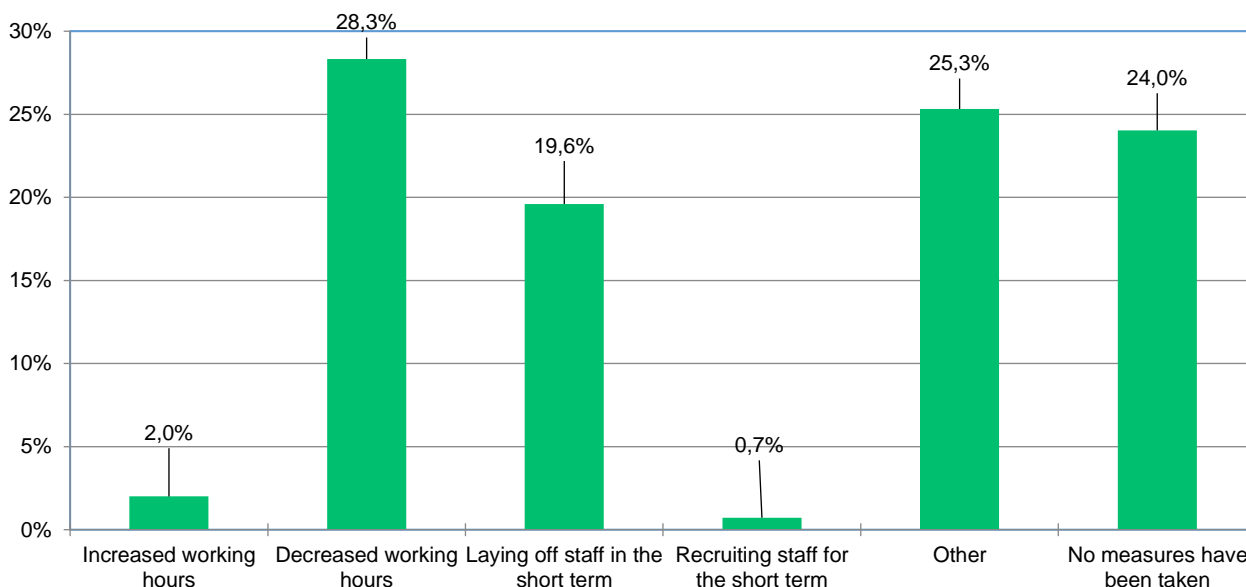
Figure 4 – Expected changes to workforce size in the two weeks after the reference period



Results from the survey indicate that 50,4% of businesses expected their workforce size to stay the same over the two weeks after the reference period, 36,8% reported that their workforce size is expected to decrease, 12,4% were not sure, and 0,4% expected their workforce size to increase.

Businesses were also requested to indicate what measures were taken to cope with the impact of COVID-19 on their workforce, illustrated in Figure 5.

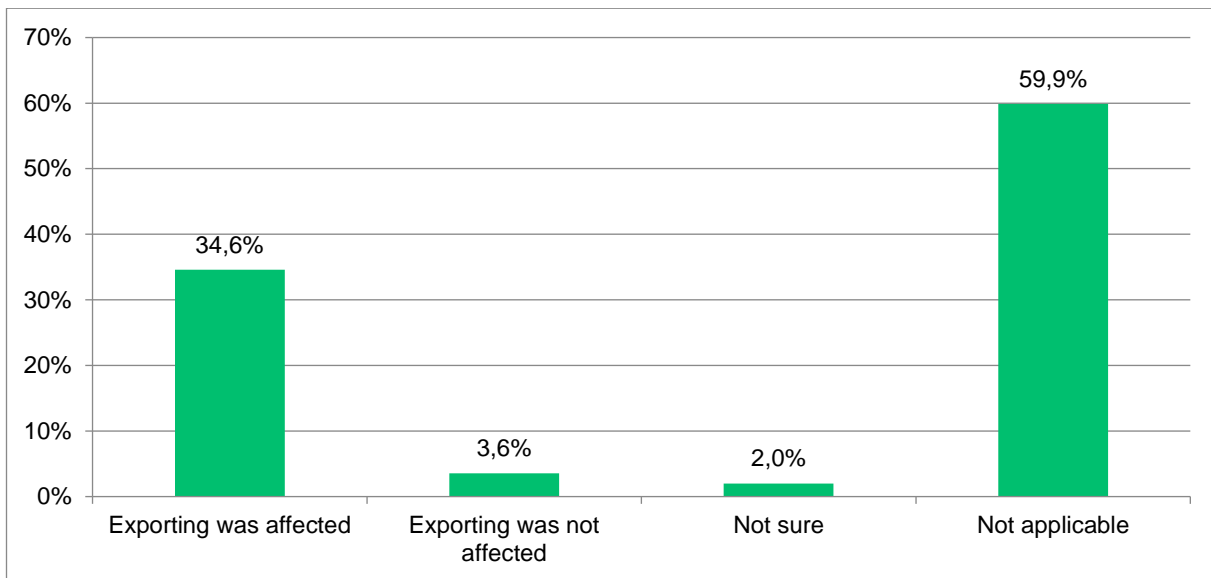
Figure 5 – Workforce measures implemented



Approximately half of respondents indicated either decreased working hours (28,3%) or laying off of staff in the short term (19,6%); 25,3% reported 'other' measures taken; 24,0% reported no measures taken; 2,0% reported increased working hours; and 0,7% will be recruiting staff in the short term.

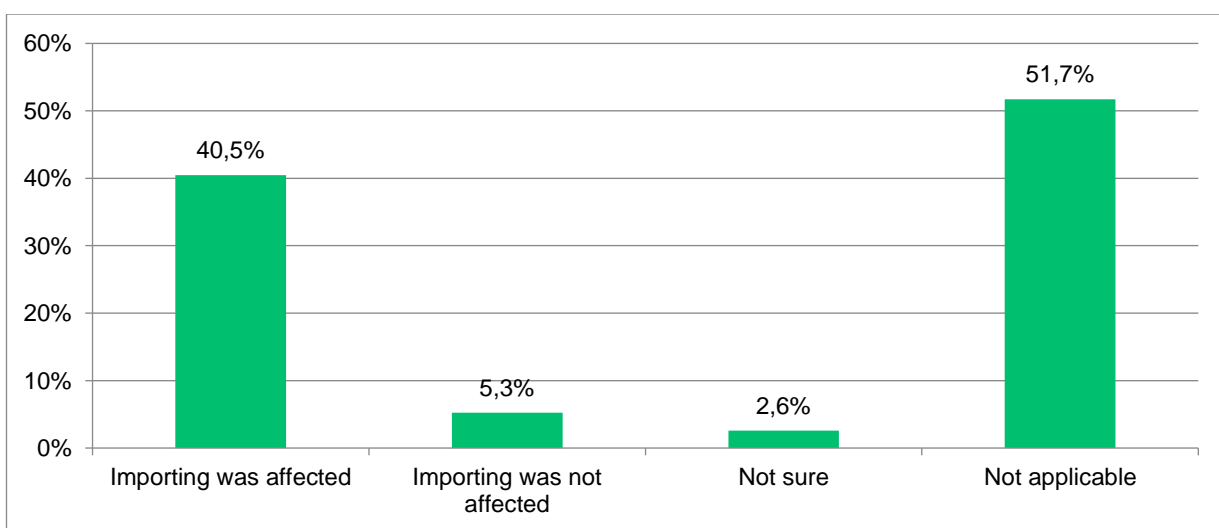
3. Business impact of COVID-19: other indicators

Figure 6 – Exporting of goods or services



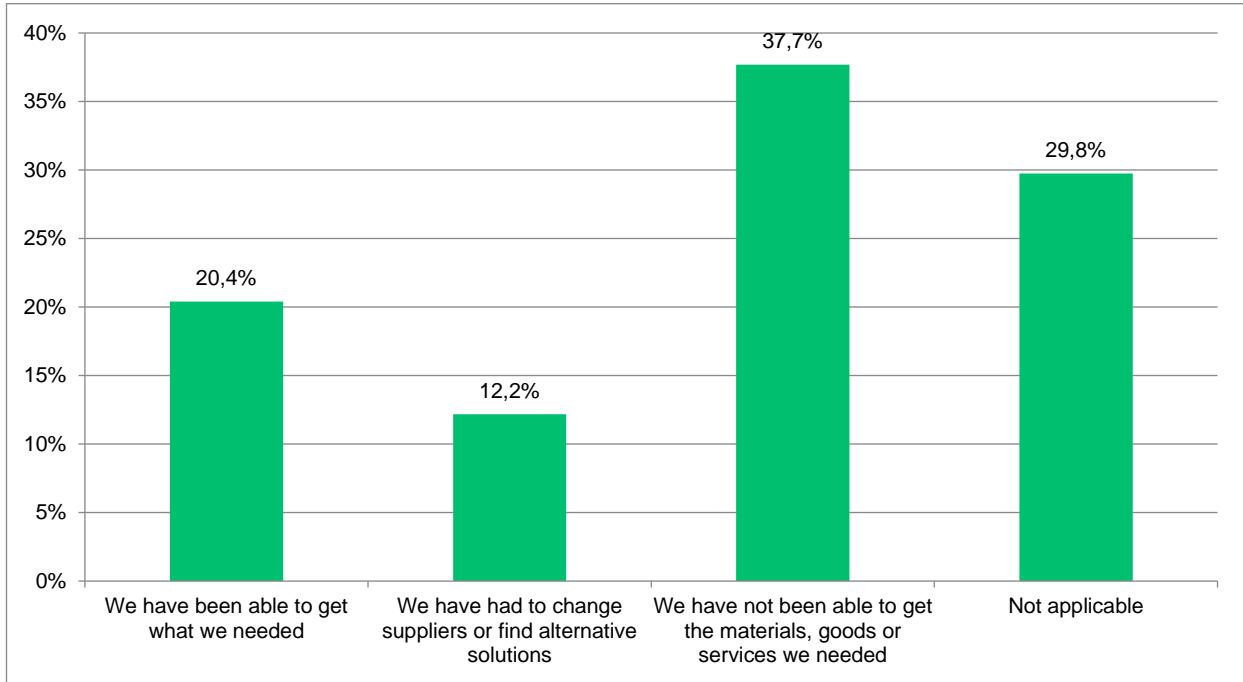
For the two weeks of the reference period, 34,6% of responding businesses indicated that exporting of goods and services was affected by COVID-19.

Figure 7 – Importing of goods or services



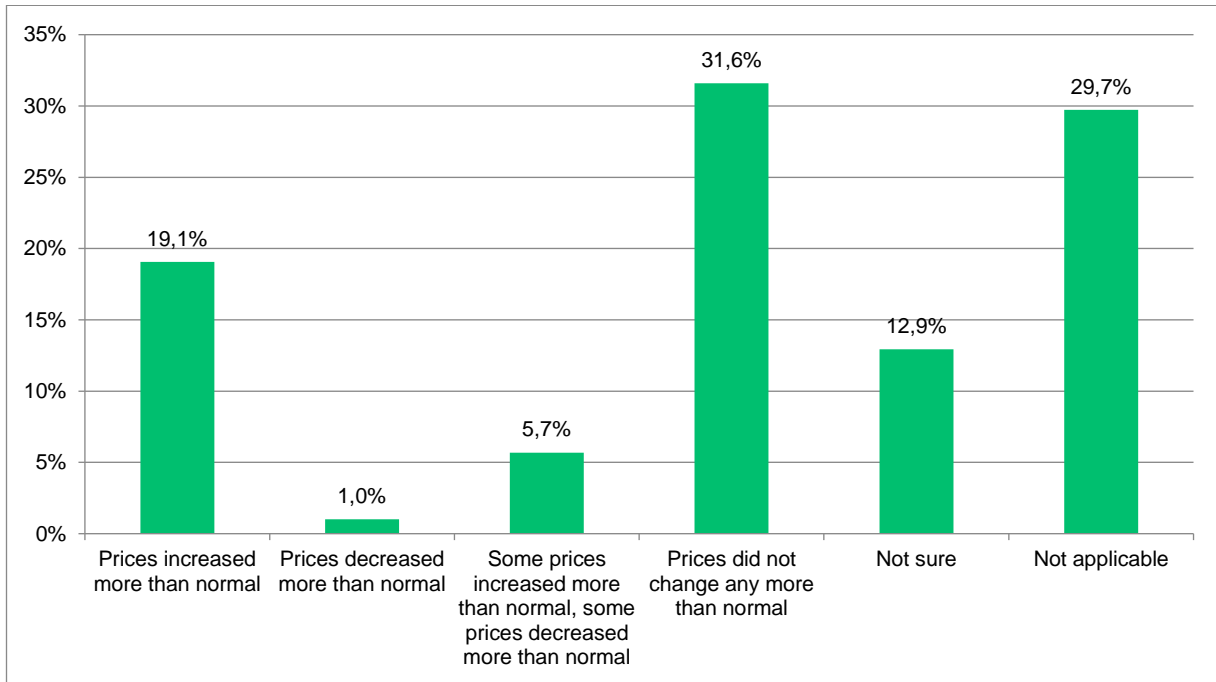
Approximately 40% of responding businesses indicated that importing of goods and services was affected by COVID-19.

Figure 8 – Access to materials, goods or services within South Africa



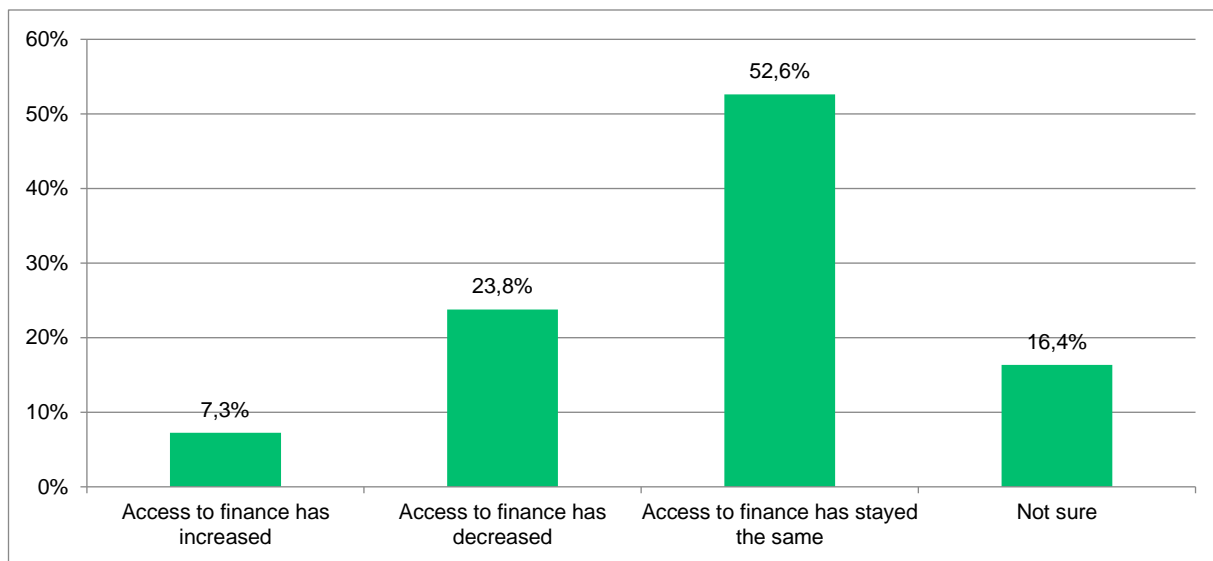
Almost 38% of businesses indicated that they were unable to get the required material, goods or services to conduct day-to-day operations.

Figure 9 – Change in the prices of supplies



There was a mixed response regarding prices of supplies, with 31,6% of businesses indicating that prices did *not* change any more than normal, and 19,1% indicating that prices increased more than normal.

Figure 10 – Change in ability to access financial resources



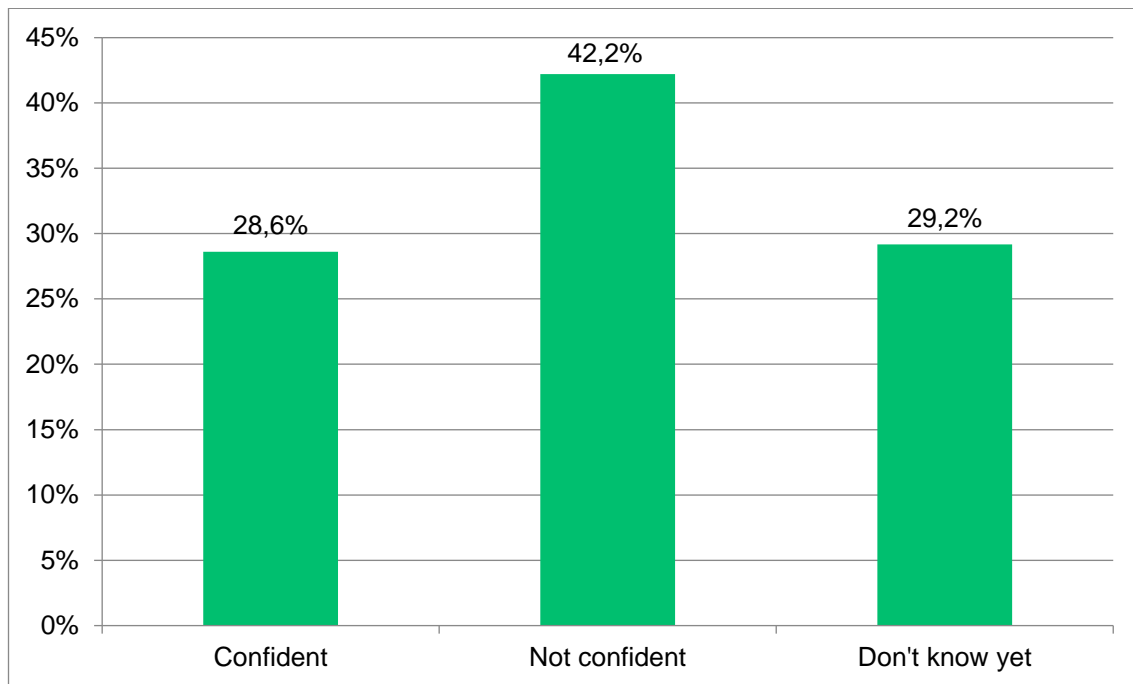
Access to financial resources: 23,8% indicated a decrease while 52,6% indicated access to financial resources remained the same.

Table 2 – Financial assistance initiatives

Financial assistance initiatives	% response
Debt relief holiday	20,5
Deferring payments to the South African Revenue Service	22,8
Small businesses grant or loan schemes	13,3
Accredited finance agreements	6,5
Business Growth and Resilience Facility for essential service	2,7
Government relief schemes, e.g. COVID-19 temporary relief scheme	38,2
Other not listed above	11,1
Not sure	9,5
No plan for assistance	21,1
None of these	11,1

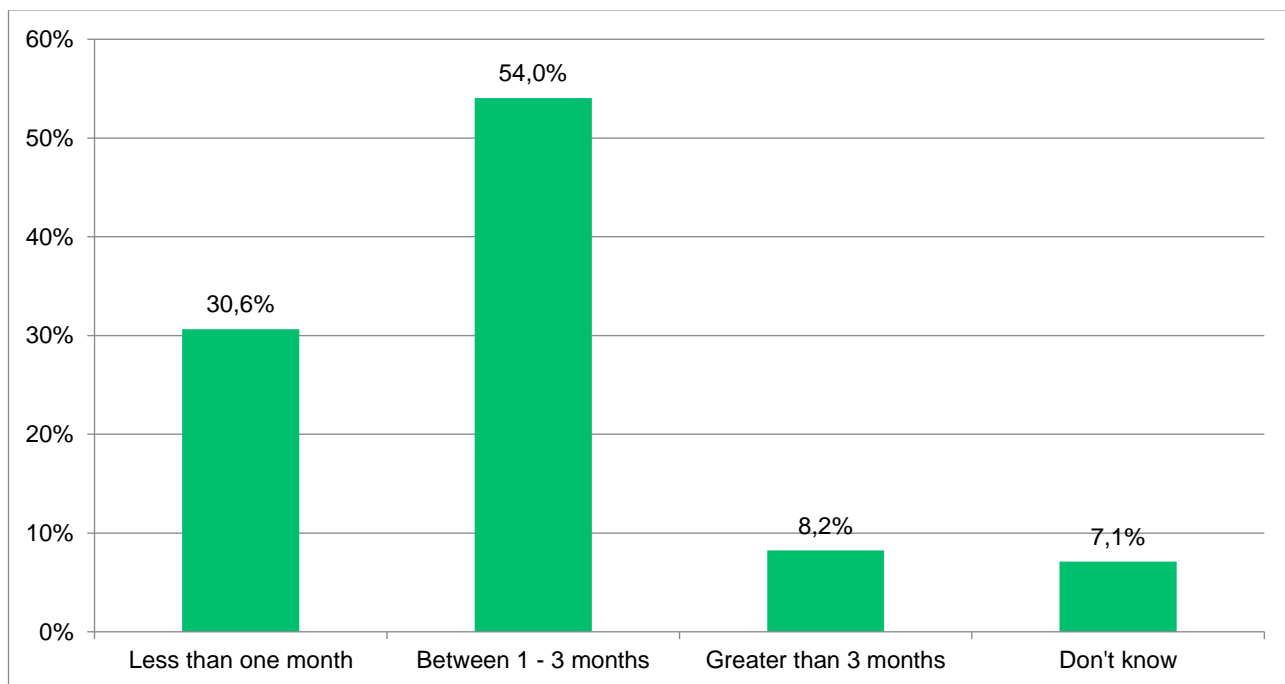
Approximately 38% of businesses applying for financial assistance reported that they would use government relief schemes, and approximately 23% reported deferring payments to the South African Revenue Service.

Figure 11 – Adequacy of financial resources



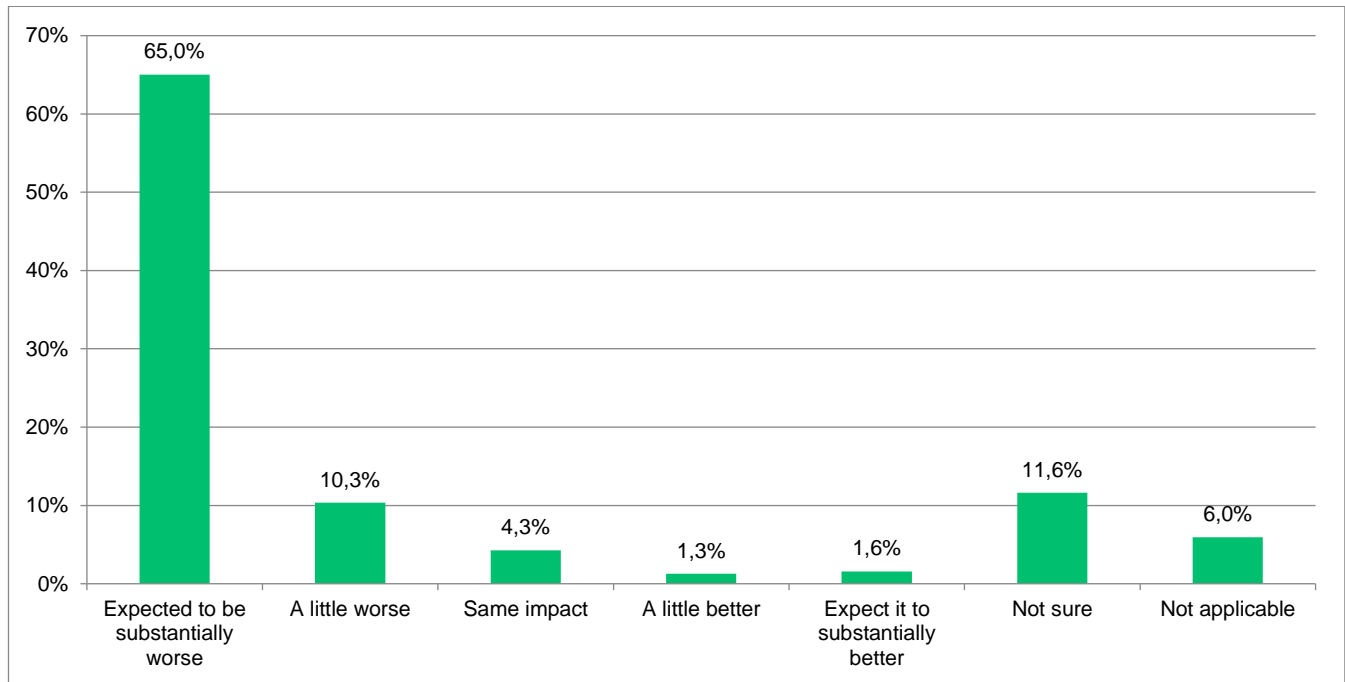
Over 40% of businesses indicated that they are not confident that their business has the financial resources to continue operating throughout the COVID-19 pandemic.

Figure 12 – Business survival



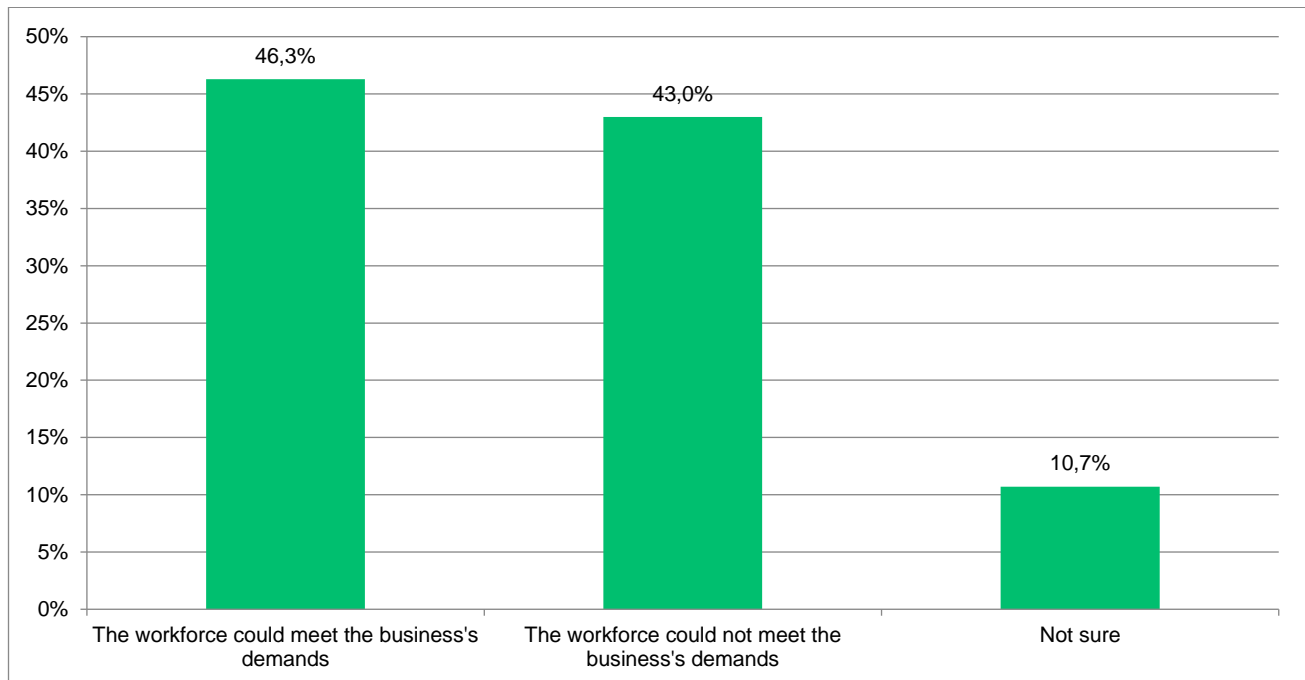
Business survival without turnover: 54,0% of businesses indicated they can survive between 1 and 3 months.

Figure 13 – Financial crisis (2008/2009) comparison



Many businesses, 65,0% according to this study, anticipate that the COVID-19 pandemic will have a substantially worse impact on their business compared with the financial crisis during 2008/2009.

Figure 14 – Ability of workforce to meet business demands



Over 46% of the workforce were able to meet business demands, and 43,0% of the workforce were not able to meet business demands (the rest reported 'unsure').

Table 3 – Working remotely vs. normal place of work

Working type	0-20%	21-40%	41-60%	61-80%	81-100%
Working at their normal place of work	71,6%	5,8%	5,6%	6,7%	10,3%
Working remotely instead of at their normal place of work	49,3%	12,9%	6,9%	11,2%	19,8%
Other	70,2%	4,8%	6,0%	5,4%	13,7%

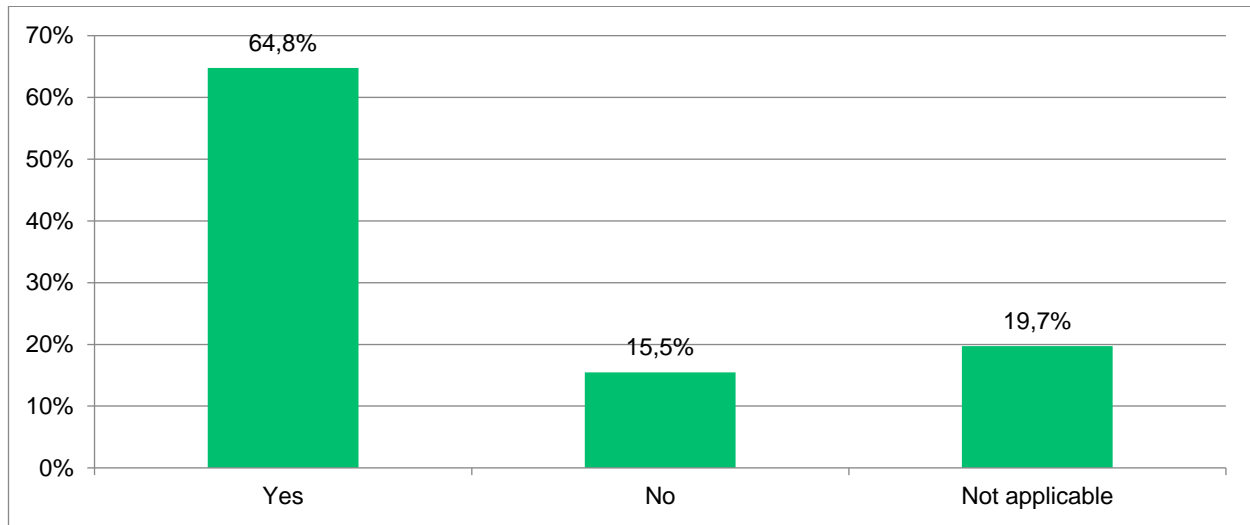
Table 3 shows that 71,6% of respondents reported that 0–20% of their workforce was working at their normal place of work; 5,8% of respondents reported that 21–40% of their workforce was working at their normal place of work; and 10,3% of respondents reported that 81–100% of their workforce was working at their normal place of work.

Table 4 – Employee working status

Status of workforce	0-20%	21-40%	41-60%	61-80%	81-100%
On vacation leave	66,1%	6,7%	5,7%	8,1%	13,3%
Off sick or in self-isolation due to coronavirus with statutory or company pay	87,8%	2,2%	0,5%	2,6%	6,9%
Made redundant	84,3%	3,0%	1,6%	3,5%	7,6%
Working as normal	38,9%	9,3%	10,1%	10,5%	31,2%
Other	67,5%	2,0%	5,1%	5,1%	20,3%

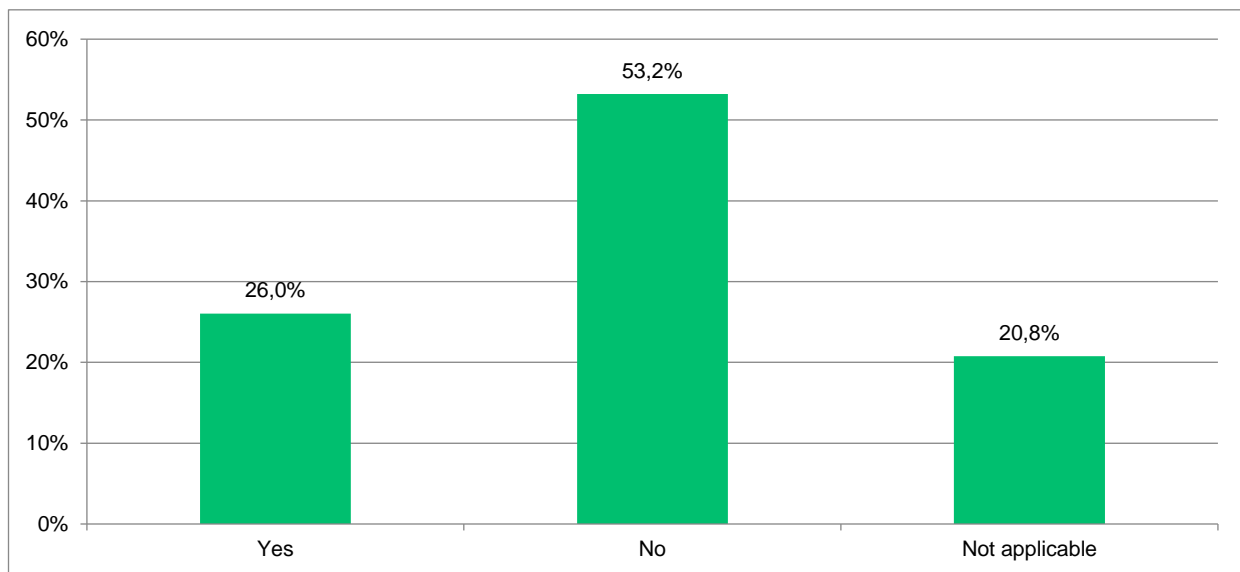
Table 4 shows that 84,3% of respondents reported that 0–20% of their workforce had been made redundant; 3,0% of respondents reported that 21–40% of their workforce had been made redundant; and 7,6% of respondents reported that 81–100% of their workforce had been made redundant.

Figure 15 – Robustness of IT systems



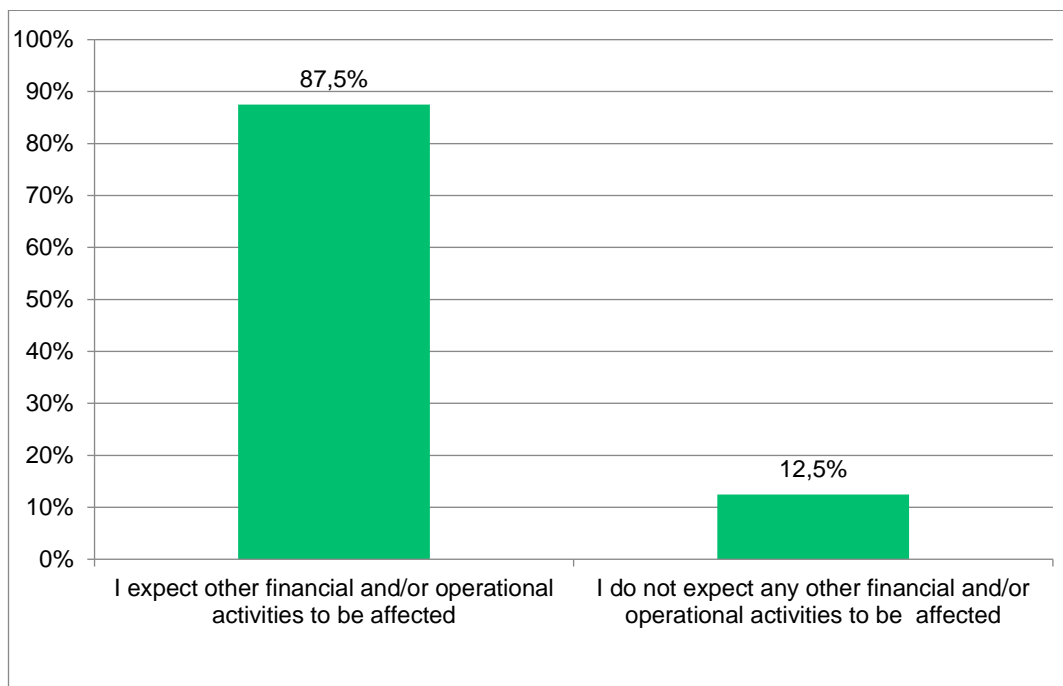
Almost 65% of respondents indicated that their IT systems are robust enough to handle the demand if more employees are required to work from home.

Figure 16 – Family commitment impact on ability to work remotely



A majority (53,2%) of respondents indicated that family commitments have *not* adversely affected their ability to work remotely.

Figure 17 – Impact on other financial and/or operating activities



A large number of respondents (87,5%) expected other financial and/or operational activities at their business to be affected by the COVID-19 pandemic in the two weeks after the reference period.

Conclusion

The purpose of this survey is to provide close to real-time economic insight into the impact of the COVID-19 pandemic on VAT-registered businesses by using a rapid response survey. The indicators and analysis presented in this document depend on the responses received from businesses, which capture their perceptions and views of the COVID-19 pandemic and the related impact.

The business impact survey is designed as an experimental study and is subject to specific strengths and limitations. Some limitations of the survey are that micro businesses (annual turnover below R2 million) are excluded; results are based on perceptions due to the qualitative nature of the survey; and interpretation is based on limited responses. The strengths of the survey are that close to real-time insight is provided; the respondents’ experiences and insights are communicated quickly; and the experimental study can be used to supplement reliable statistics produced according to statistical value chain processes.

EXPLANATORY NOTES

Background

The information contained herein consists of aggregated responses from selected enterprises operating in the formal business sector of the South African economy. The aggregates are generated from information collected through a business impact survey conducted by Stats SA.

The business impact survey was based on the following questions (respondents selected options related to each question):

- Was your business's turnover within its normal range in the last two weeks?
- What is the current trading status of your business?
- Do you expect your business's workforce size to change over the next two weeks due to the Coronavirus (COVID-19) outbreak?
- Which of the following measures has your business taken to cope with the impact of Coronavirus (COVID-19) on its workforce?
- Has your business's exporting of goods or services been affected by the Coronavirus (COVID-19) outbreak in the last two weeks?
- Was your business's importing of materials, goods or services affected by the Coronavirus (COVID-19) outbreak in the last two weeks?
- Was your business able to get the materials, goods or services it needed from within South Africa in the last two weeks?
- How did the prices of materials, goods or services purchased by your business change in the last two weeks, compared with normal price fluctuations?
- Has your business's ability to access financial resources changed in the last two weeks?
- Has your business applied for or plan to apply for financial assistance to fund operations due to the Coronavirus (COVID-19) outbreak? Which of the following initiatives is your business interested in using, if any?
- How confident are you that your business has the financial resources to continue operating throughout the Coronavirus (COVID-19) outbreak?
- How long can your business survive without any turnover?
- Compared to the financial crisis that occurred during 2008/2009, what do you anticipate the impact of the Coronavirus to be on your business?
- Was your business's workforce able to meet the demands of the business in the last two weeks?
- In the last two weeks, roughly what proportion of your business's workforce was working in the following ways?
- In the last two weeks, roughly what proportion of your business's workforce was on vacation, off due to Coronavirus or made redundant?
- Is your IT system robust enough to handle the demand if more employees are working from home?
- Have COVID-19 family commitments adversely affected your ability to work remotely?
- Are you expecting any other financial and/or operational activities at your business to be affected by the Coronavirus (COVID-19) outbreak over the next two weeks?

Purpose of the survey	The purpose of the survey is to provide close to real-time economic insight into the impact of the COVID-19 pandemic.
Classification	Classification into the relevant industry was reported by the survey respondent. Statistics in this publication are presented at industry level. Respondents were requested to classify their business into an industry that reflects the predominant activity of the enterprise.
Statistical unit	The statistical unit for the collection of information in this survey is the enterprise, defined as a legal unit (or combination of legal units) that includes and directly controls all functions necessary to carry out its activities.
Selection of businesses	Businesses were selected from the data reported in the P0021 Annual Financial Statistics (AFS) survey.
Rounding off	Where figures have been rounded off, discrepancies may occur between the sums of the component items and totals.
Additional information	An anonymised dataset can be made available on request. Please send requests to: krisseelang@statssa.gov.za