



The big picture: Outlook amid the chaos

May 2020





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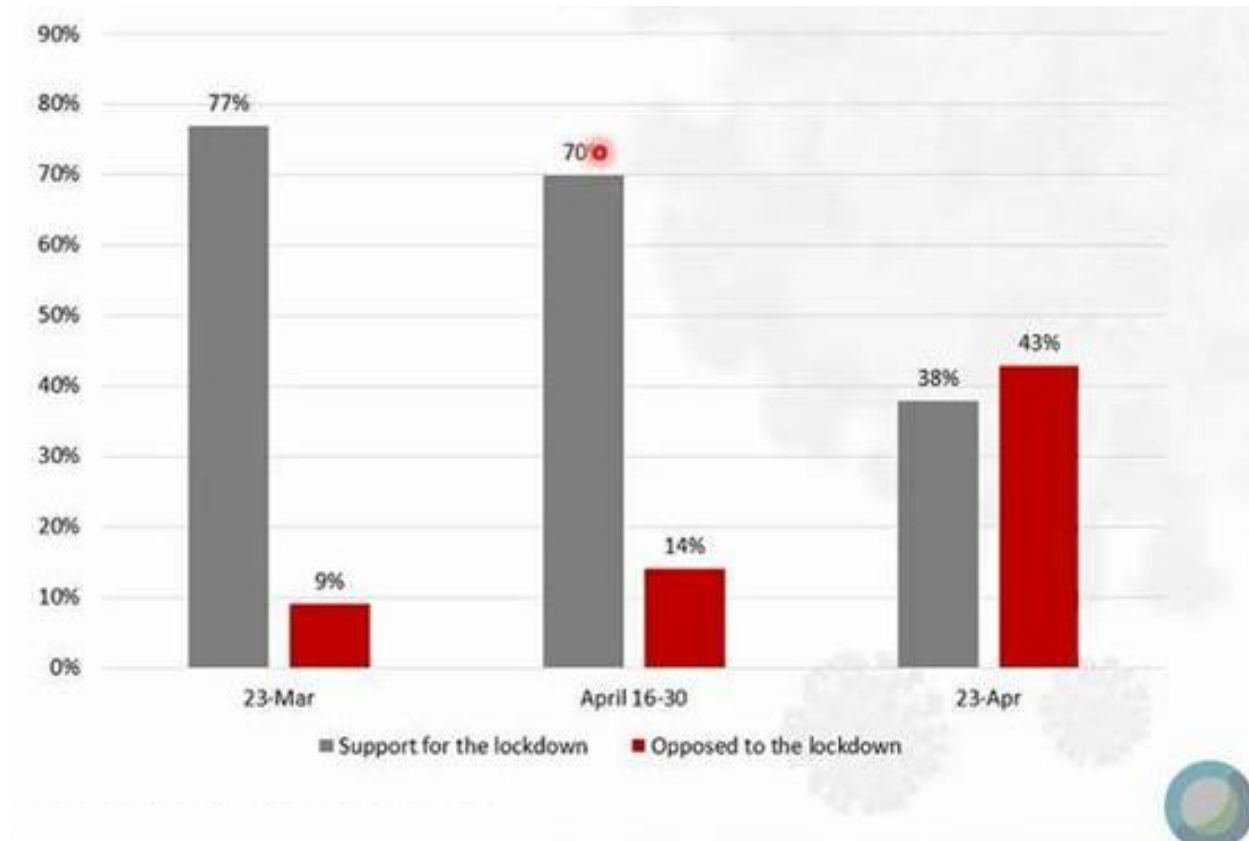
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SA political dynamics

Nationwide polling for the support and opposition of the lockdown

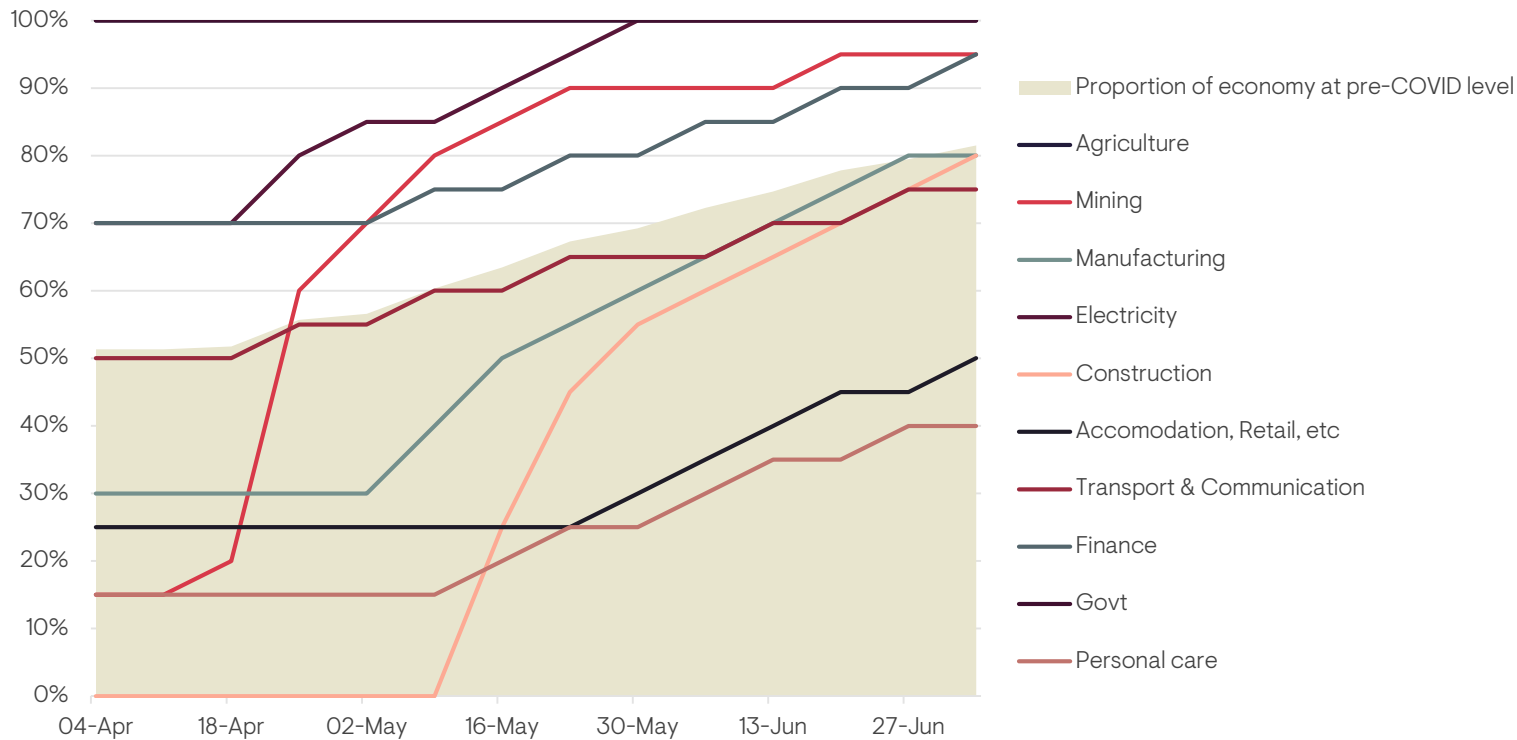


National support for the lockdown has waned due to:
(1) the economic reality, and (2) Ministerial bungling

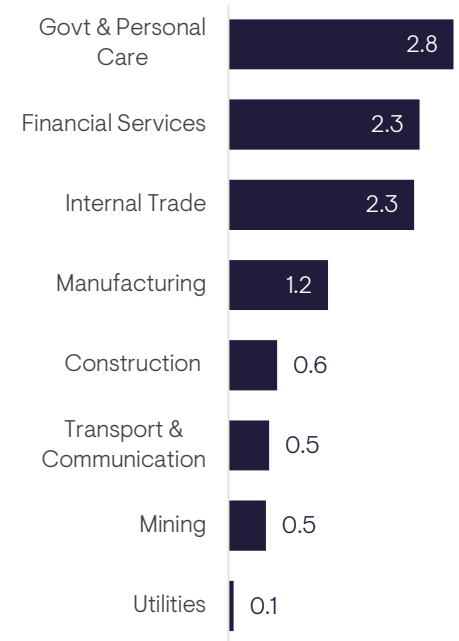


The COVID-19 Pandemic will have an unprecedented damaging effect on the SA economy with a surge in job losses & poverty

SA economy ramp-up by sector post 5-week lock-down



of employees per sectors in millions

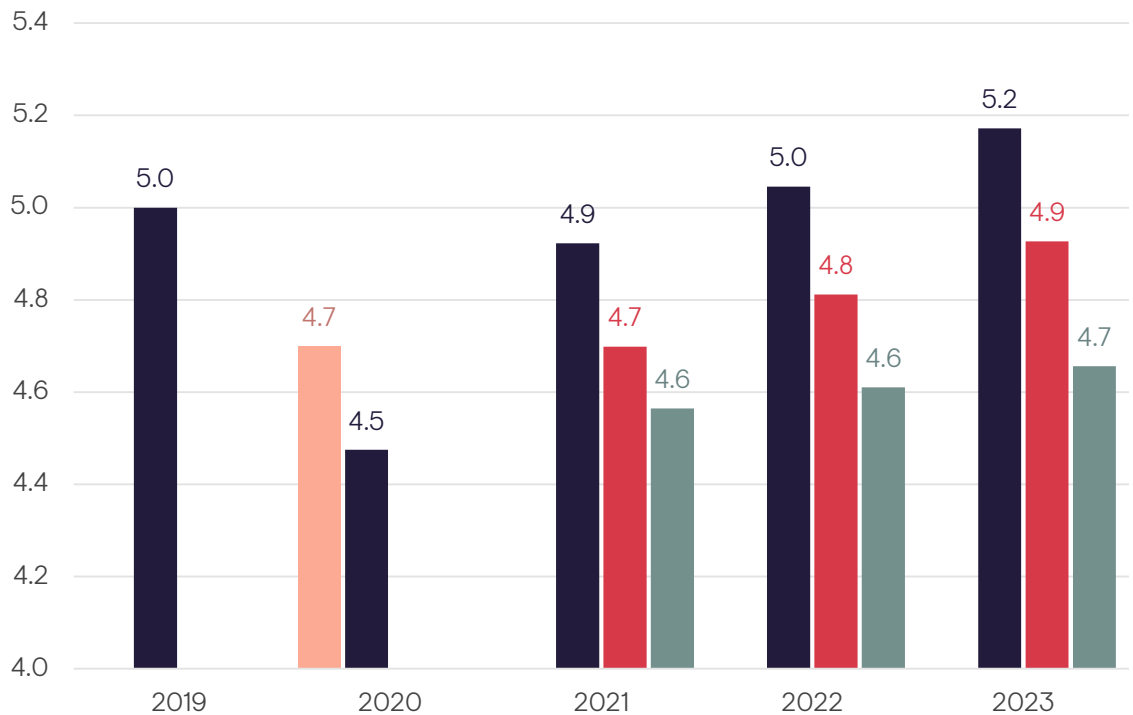


Ramp-up could be much slower resulting in 30%+ contraction in 2Q20. SA operating at 80% of Pre-COVID-19 level at end-June, GDP contracts -10.5% in 2020



With a long term impact on economic capacity

Size of South Africa's GDP under different recovery scenarios. 2019 = ZAR5 trillion



Growth assumptions for each scenario

■ V-shaped recovery	-10.5%	10.0%	2.5%	2.5%
■ Wide U-shaped	-10.5%	5.0%	2.0%	2.0%
■ L-shaped	-10.5%	2.0%	1.0%	1.0%
■ SA GDP with 6% contraction in 2020				

Shape of the recovery in 2021 is key. What are the assumptions behind each scenario?

V-shaped recovery – the SA economy is back to pre-COVID levels by 2022:

- Preservation of existing capacity (incl wage support, balance sheet support)
- Bold structural reforms by government

Wide U-shaped recovery – the SA economy heads back to pre-COVID levels by end-2023:

- Preservation of existing capacity (incl wage support, balance sheet support)
- Limited government reforms

L-shaped recovery – the SA economy is still smaller than 2019 levels in 2030:

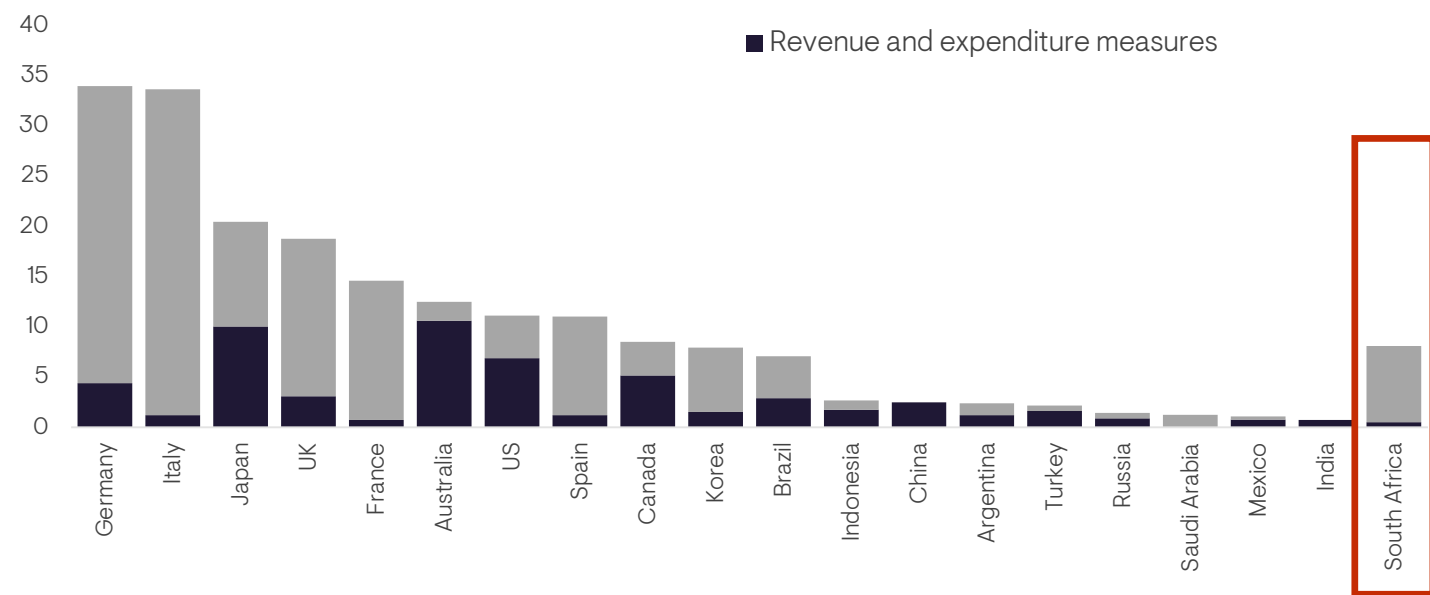
- Widespread destruction of capacity, with many large and small firms closing
- Limited government reforms



The financial response needs to be significant and involve all pools of capital. Current plans may not be enough

- The financial response will need to equate to 15%-20% of GDP
- SA government has limited capacity to provide fiscal stimulus
- Bulk of recent package involves redirection of expenditure and provision of guarantees
- To date, equity & debt issuance running well behind other markets and last year

Announced fiscal stimulus & loan guarantees (% of GDP)

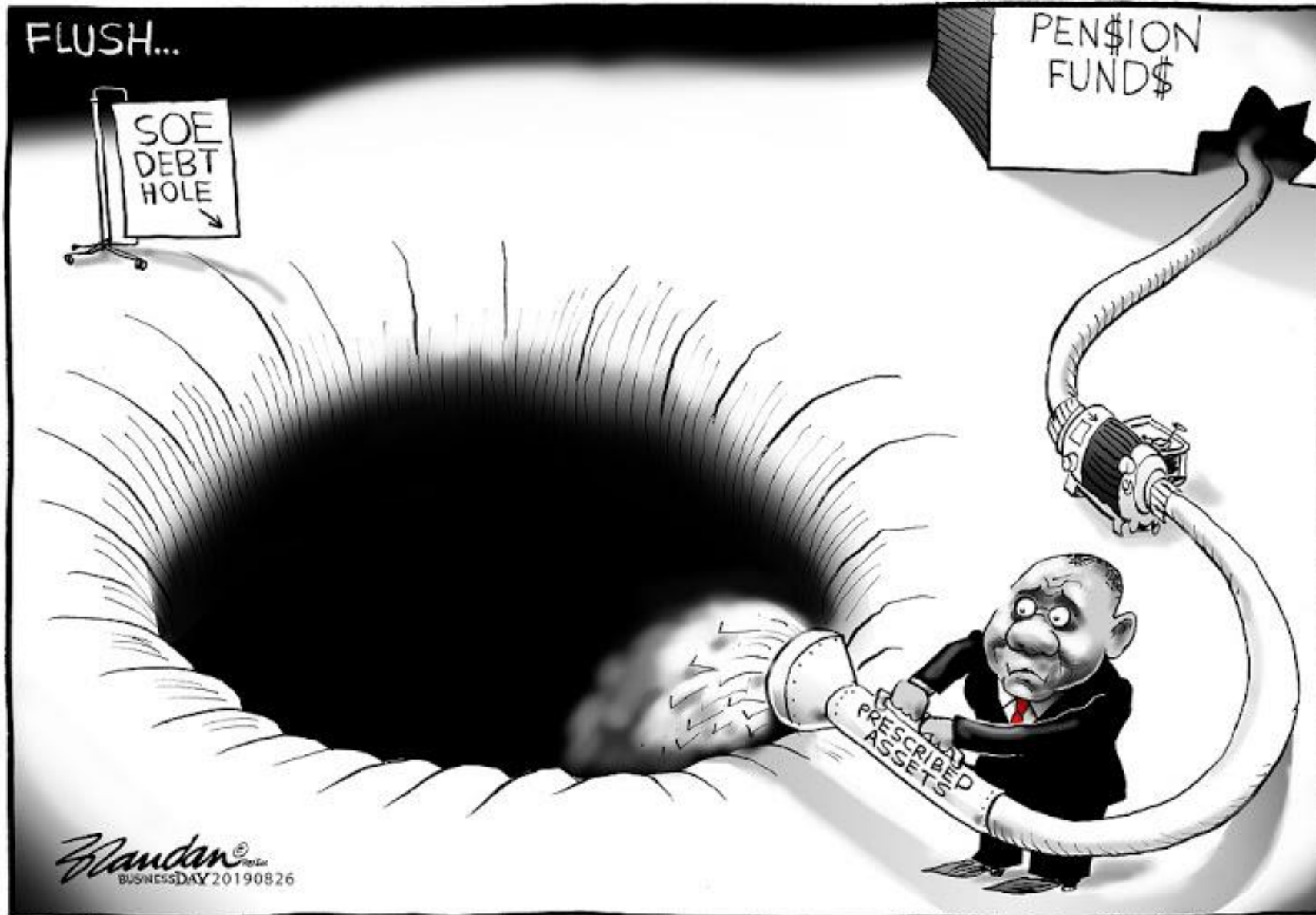


SA well below estimated requirement. Our savings pool therefore has to play a role



Prescribed assets

When would government consider this route?





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