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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

In response to the COVID-19 pandemic that has caused such widespread disruption to economies and societies across the globe, Statistics South Africa has conducted two surveys on the impact of the pandemic on South African business. The first survey covered the period 30 March to 13 April 2020, and the results were published on 21 April. This publication provides the results of the second survey, covering the period 14 to 30 April 2020.

The second survey contains additional variables or questions that provide further insight into the impact of the COVID-19 pandemic, and the survey scope was also expanded by including the agriculture and hunting sectors. The findings contained in the first and second business impact surveys cover South Africa's level 5 lockdown period.

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); the following are excluded: financial intermediation, insurance, pension funding, government, education, and business services 'not elsewhere classified'
Number of responding businesses	2 182
Reference period	14 April 2020 – 30 April 2020

Table 1 – Responding businesses by industry

Industry	Number of businesses	% of total
Agriculture, hunting, forestry & fishing	701	32,1
Mining & quarrying	36	1,6
Manufacturing	279	12,8
Electricity, gas & water supply	39	1,8
Construction	168	7,7
Trade	304	13,9
Transport, storage & communication	90	4,1
Real estate & other business services	249	11,4
Community, social & personal services	200	9,2
Other	116	5,3
Total	2 182	100

Key results

- The majority of responding businesses (89,6%) reported that business turnover was below the normal range.
- 47,9% indicated temporary closure or paused trading activity.
- 508 of responding businesses with annual turnover less than R2 million indicated that they have temporarily closed or paused trading.
- 8,6% have permanently ceased trading.
- 36,4% reported the laying off of staff in the short term.
- 45,6% expected their workforce size to decrease in the two weeks following the reference period.
- 32,9% indicated that prices of materials, goods or services purchased increased more than normal.
- Access to financial resources: 38,3% indicated a decrease while 37,7% indicated access to financial resources remained the same.
- 30,0% of businesses responding to the survey indicated that they have applied for financial assistance using government relief schemes.
- 29,7% indicated they can survive less than a month without any turnover, while 55,3% can survive between 1 and 3 months.
- 50,4% of the workforce were unable to meet business demands, and 35,7% of the workforce were able to meet business demands (the rest reported 'not sure').
- A majority of respondents (56,3%) indicated that their businesses would be operating during the level 4 lockdown period.

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. Turnover includes sales of goods, services rendered, leasing and hiring of capital assets, and rental/leasing of land, buildings and other structures (see Stats SA's Annual Financial Statistics survey).

The second survey (14–30 April 2020) showed that 89,6% of responding businesses had turnover that was lower than their normal range, up from 85,4% in the first survey (30 March – 13 April); 1,1% reported that turnover was higher than their normal range; and 9,3% reported that turnover was within their normal range (Figure 1).

Figure 1 – Impact on business turnover

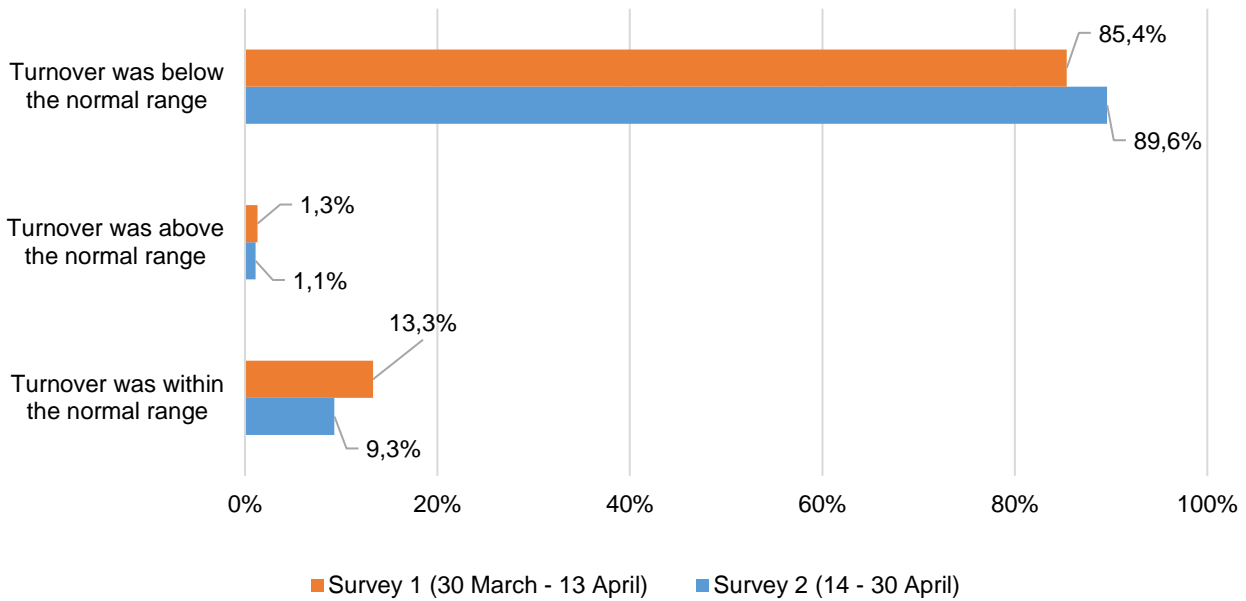


Figure 2 – Business turnover range by industry (cumulative % shown on horizontal axis)

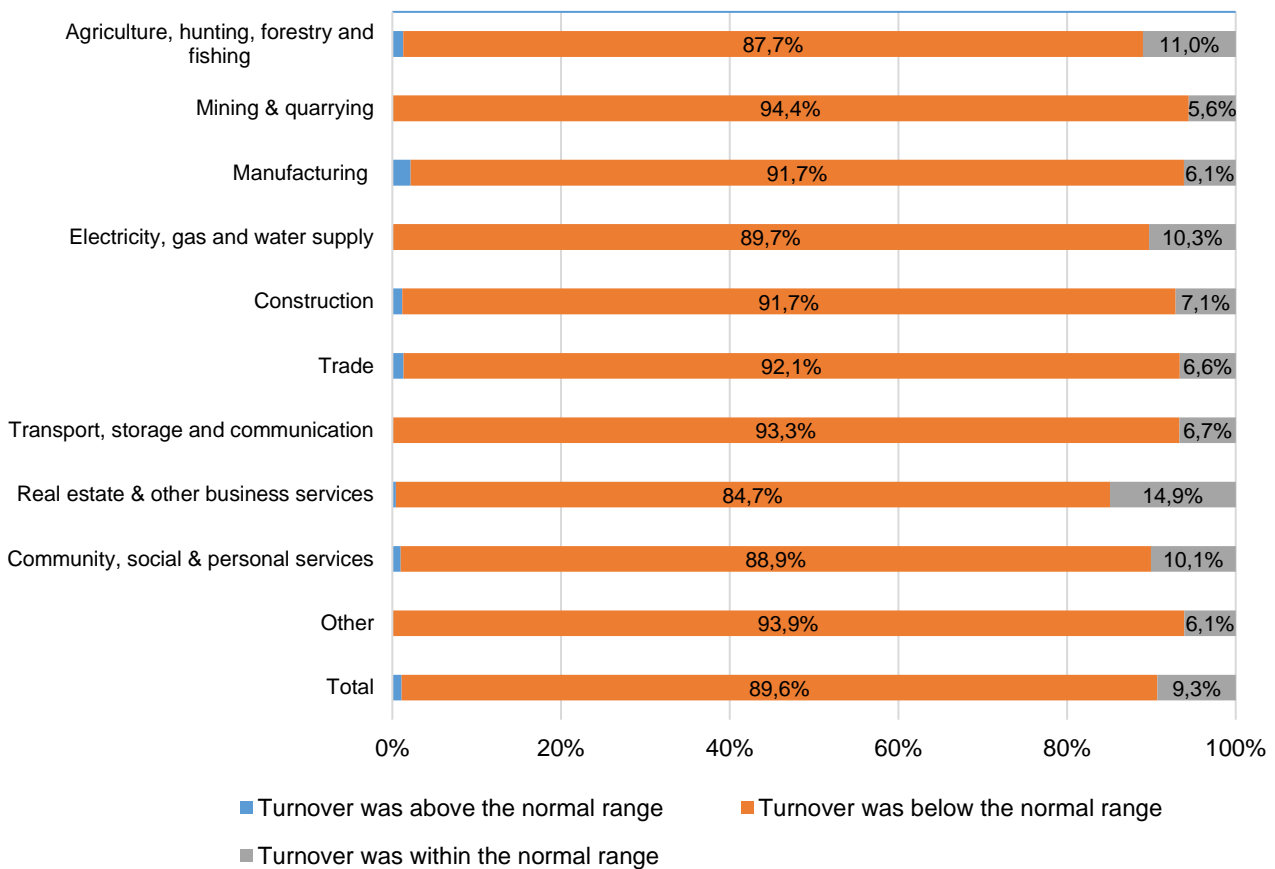


Figure 2 shows a widespread adverse impact of the COVID-19 pandemic on business turnover across all industries. The industries reporting the highest proportions within the normal range were agriculture, hunting, forestry and fishing; electricity, gas and water; and real estate and other business services. A limited number of respondents indicated that their turnover was above the normal range: these were in agriculture, hunting, forestry and fishing; manufacturing; construction; trade; and community, social and personal services.

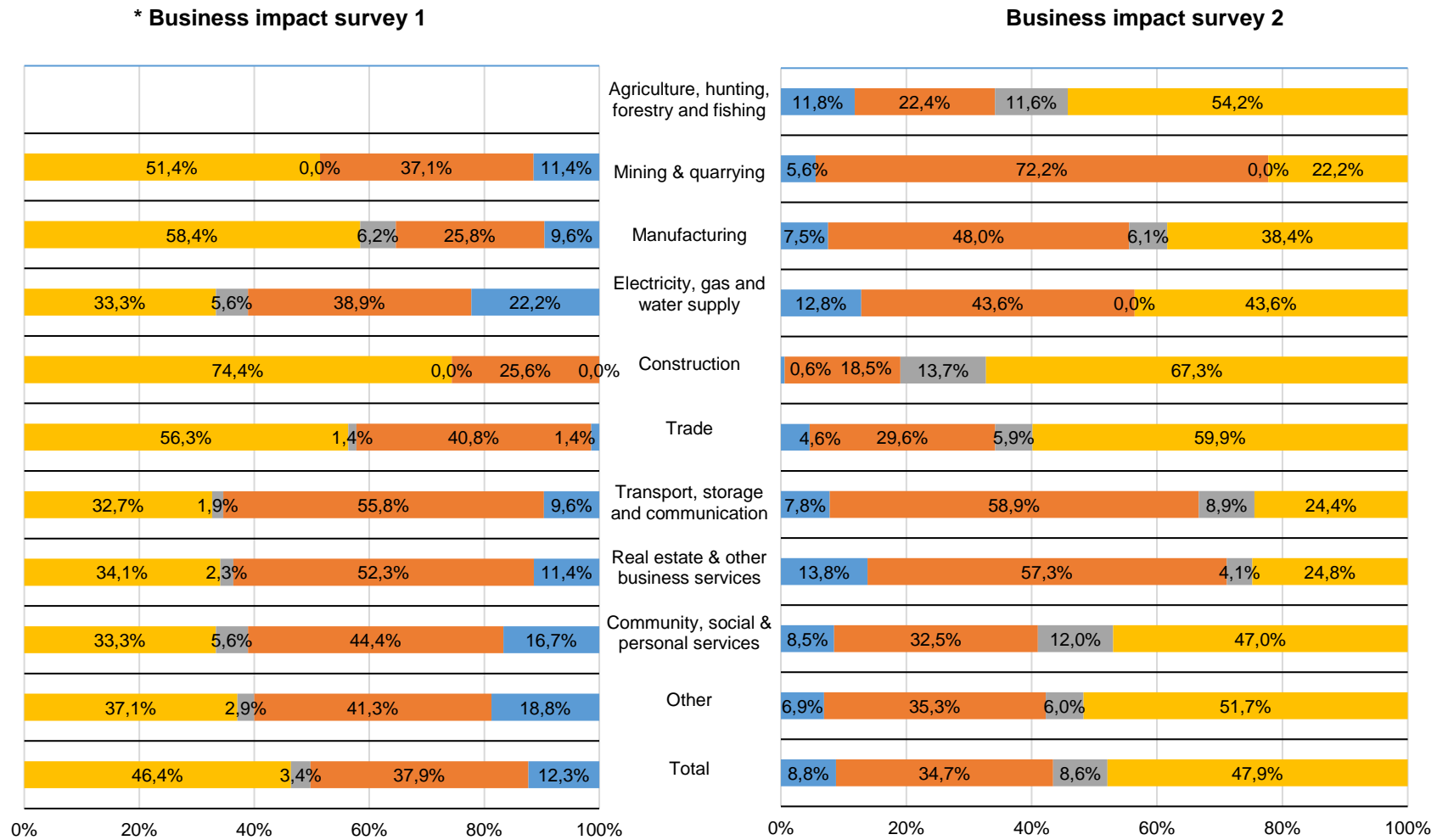
Table 2 – Business status by turnover range (number within each turnover range)

Annual turnover range	Continuing to trade at full capacity	Continuing to trade partially	Permanently ceased trading	Temporarily closed or paused trading	Not sure	Total
R0 - R2 million	39	209	112	508	4	872
R2 million - R30 million	57	282	62	377	0	778
R30 million - R80 million	21	90	7	49	0	167
R80 million - R300 million	30	73	2	53	0	158
R300 million - R500 million	8	26	0	13	0	47
R500 million - R1 billion	14	31	2	16	0	63
> R1 billion	19	41	2	18	0	80
Not sure	3	2	1	8	3	17
Total	191	754	188	1 042	7	2 182

There were 1 042 businesses that reported 'temporarily closed or paused trading', and 191 that continued trading at full capacity. The largest number of businesses that continued to trade at full capacity (57 out of 191) fell within the annual turnover range R2 million – R30 million. In the R0 – R2 million range, there were 508 businesses 'temporarily closed or paused trading' and 112 that reported 'permanently ceased trading'.

Figure 3 below provides a comparison of trading status between the first and second business impact surveys. In the first survey 12,3% of businesses continued to trade at full capacity, and this dropped to 8,8% in the second survey. The proportion of businesses that have temporarily closed or paused trading increased from 46,4% in the first survey to 47,9% in the second survey.

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



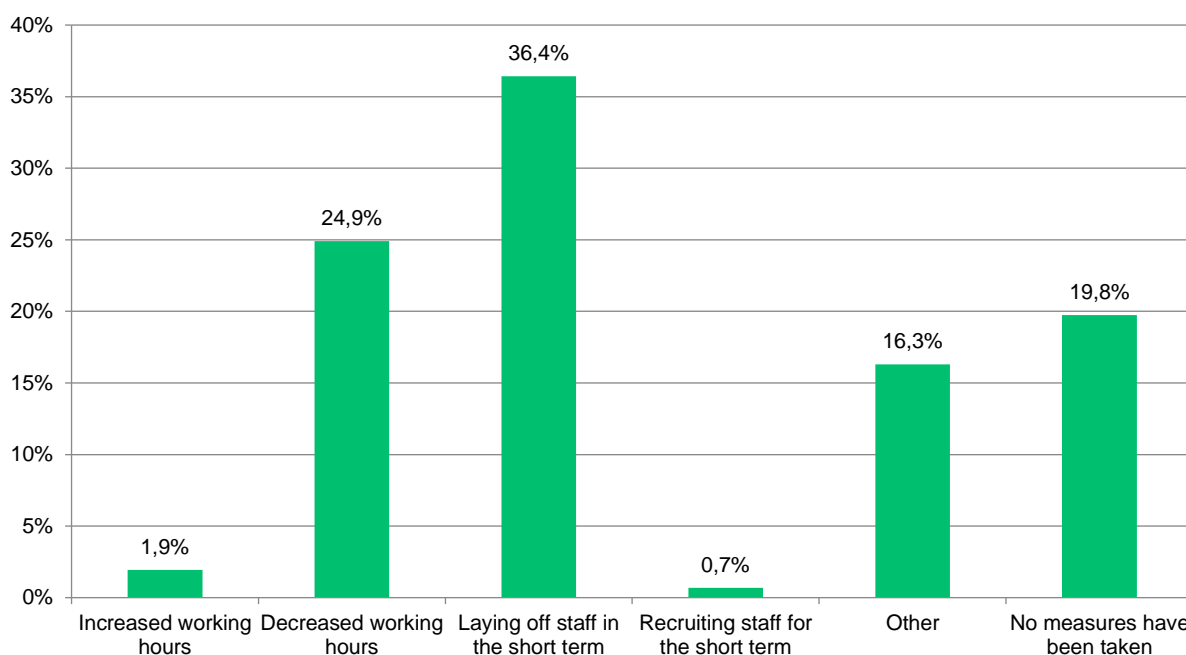
*Survey 1 excludes agriculture and hunting sectors

■ Continuing to trade at full capacity ■ Continuing to trade partially ■ Has permanently ceased trading ■ Has temporarily closed or paused trading

2. Workforce implications

Businesses were requested to indicate what measures were taken to cope with the impact of COVID-19 on their workforce, illustrated in Figure 4. More than half of respondents indicated either decreased working hours (24,9%) or laying off of staff in the short term (36,4%); 16,3% reported ‘other’ measures taken; 19,8% reported no measures taken; 1,9% reported increased working hours; and 0,7% will be recruiting staff in the short term.

Figure 4 – Workforce measures implemented

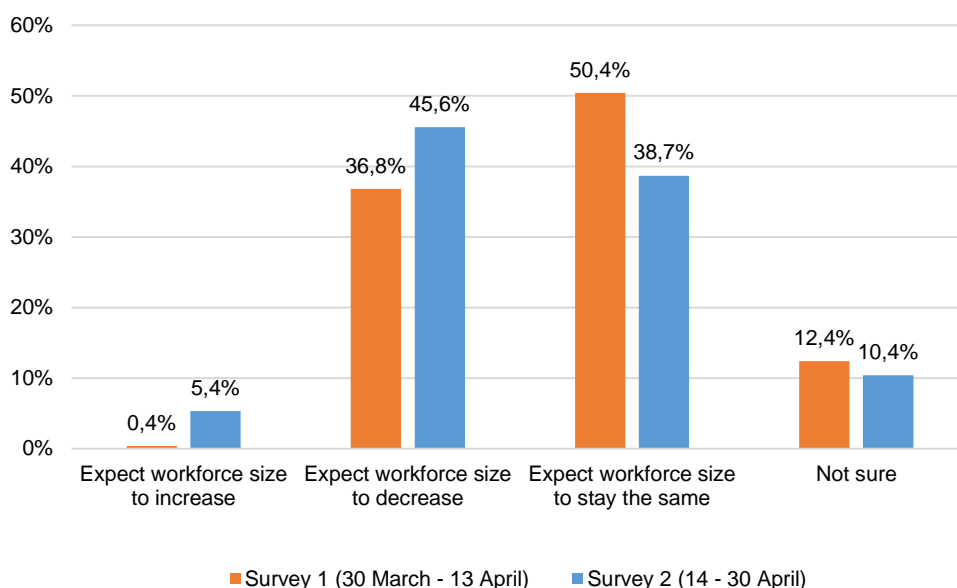


Businesses were also requested to indicate their expectations with regard to changes in their workforce in the two weeks following the reference period – see Table 3 and Figure 5.

Table 3 – Expected workforce size changes by employment range in the two weeks after the reference period (numbers within each employment range)

Employment range	Expect workforce size to decrease	Expect workforce size to increase	Expect workforce size to stay the same	Not sure	Total
Fewer than 10 employees	476	27	456	143	1 102
Between 10 - 49 employees	334	34	193	58	619
Between 50 - 249 employees	107	31	113	19	270
More than 250 employees	69	24	73	17	183
Not sure	2	0	4	2	8
Total	988	116	839	239	2 182

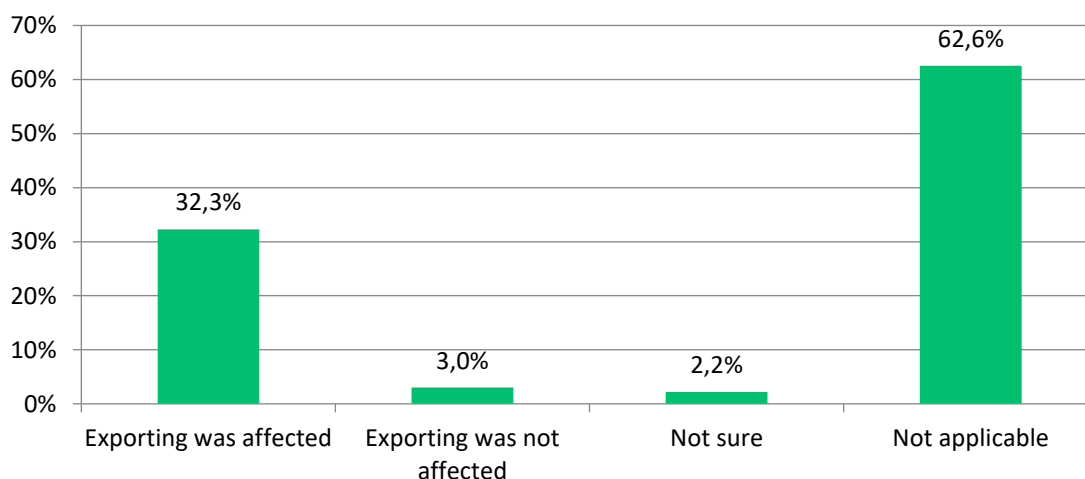
Figure 5 – Expected workforce size changes in the two weeks after the reference period



A large number of respondents (45,6%) expected their workforce size to decrease, and this was higher than the corresponding proportion in the first survey (36,8%). In the second survey 38,7% expected their workforce size to stay the same, down from 50,4% in the first survey. Businesses with fewer than 10 employees reported the highest number expecting a decrease in workforce (476, shown in Table 3).

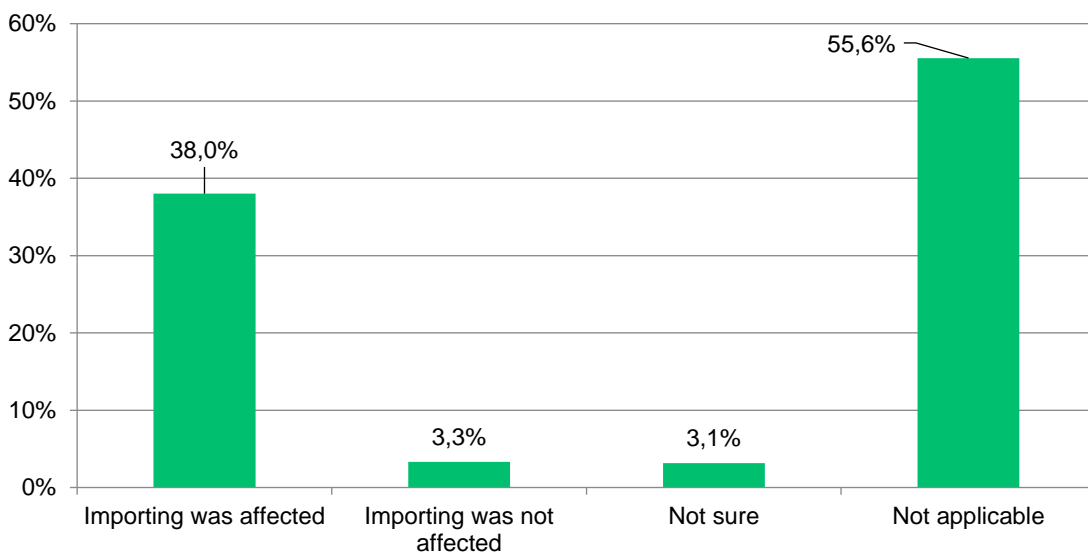
3. Business impact of COVID-19: other indicators

Figure 6 – Exporting of goods or services



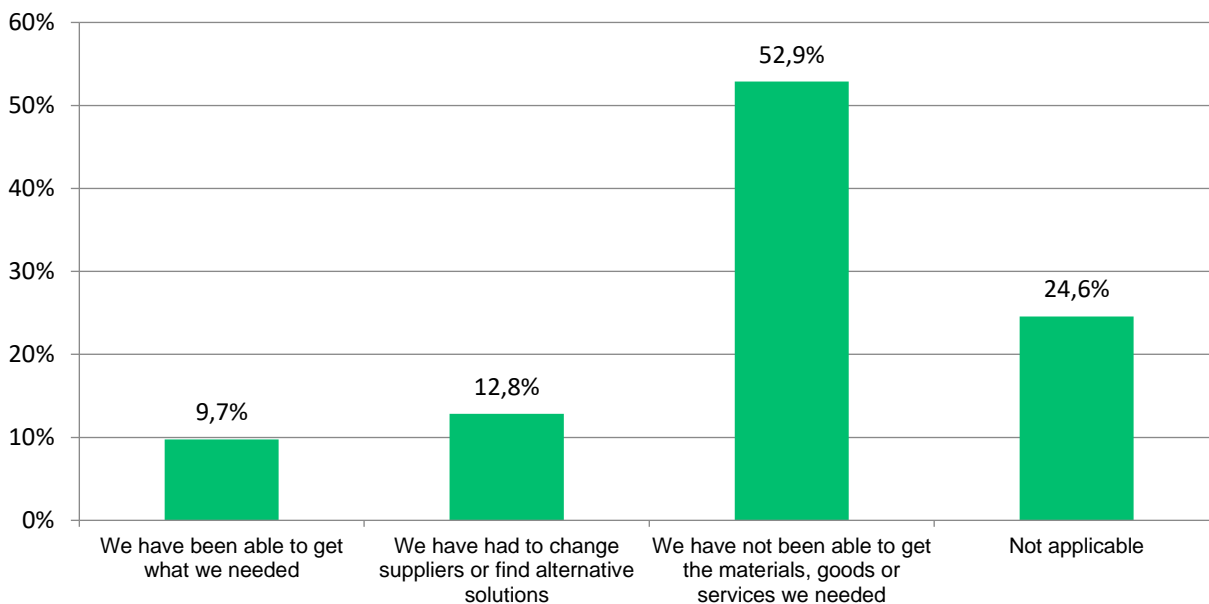
During the reference period covered in survey 2, 32,3% of responding businesses indicated that exporting of goods and services was affected by COVID-19.

Figure 7 – Importing of goods or services



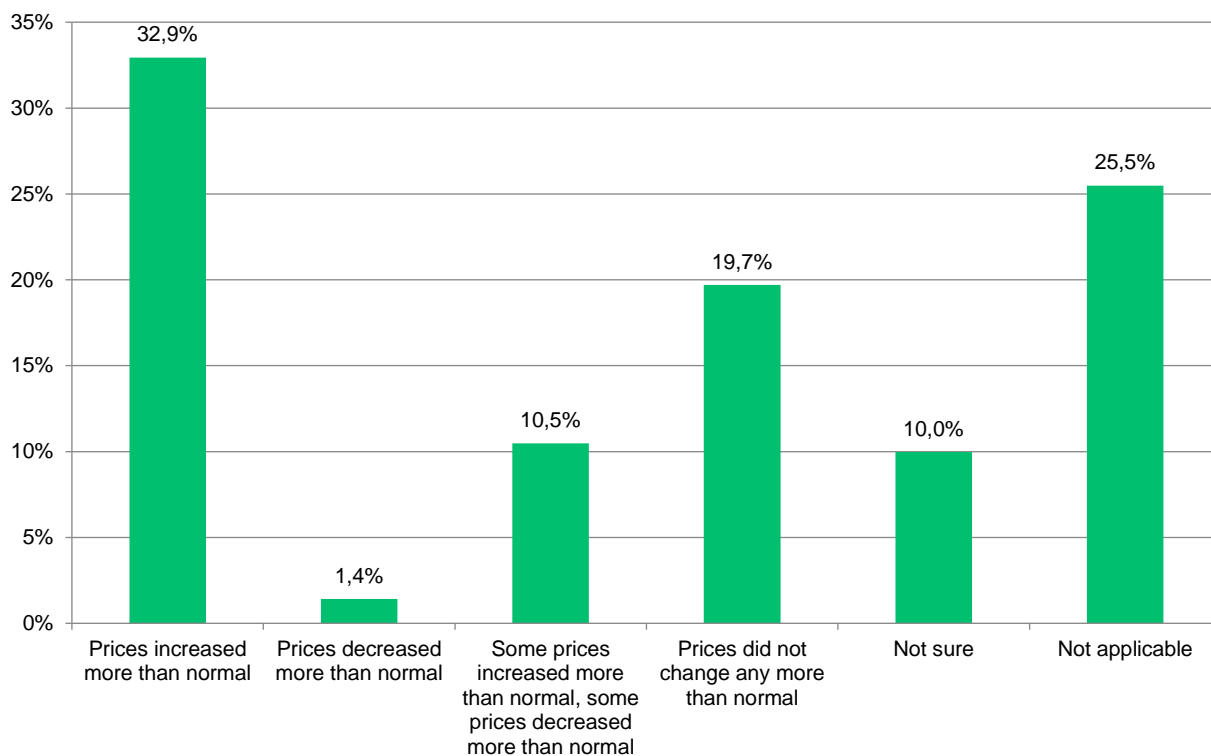
Approximately two fifths of responding businesses indicated that importing of goods and services was affected by COVID-19.

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



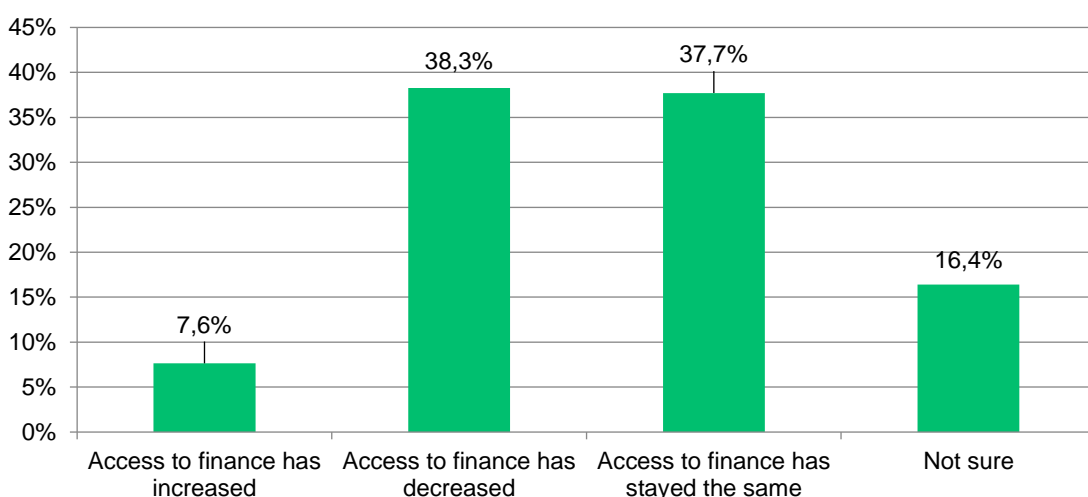
Almost 53% of businesses indicated that they were unable to get the required material, goods or services to conduct day-to-day operations.

Figure 9 – Change in the prices of supplies



There was a mixed response regarding prices of supplies, with 19,7% of businesses indicating that prices did *not* change any more than normal, and 32,9% indicating that prices increased more than normal.

Figure 10 – Change in ability to access financial resources between the first and second surveys



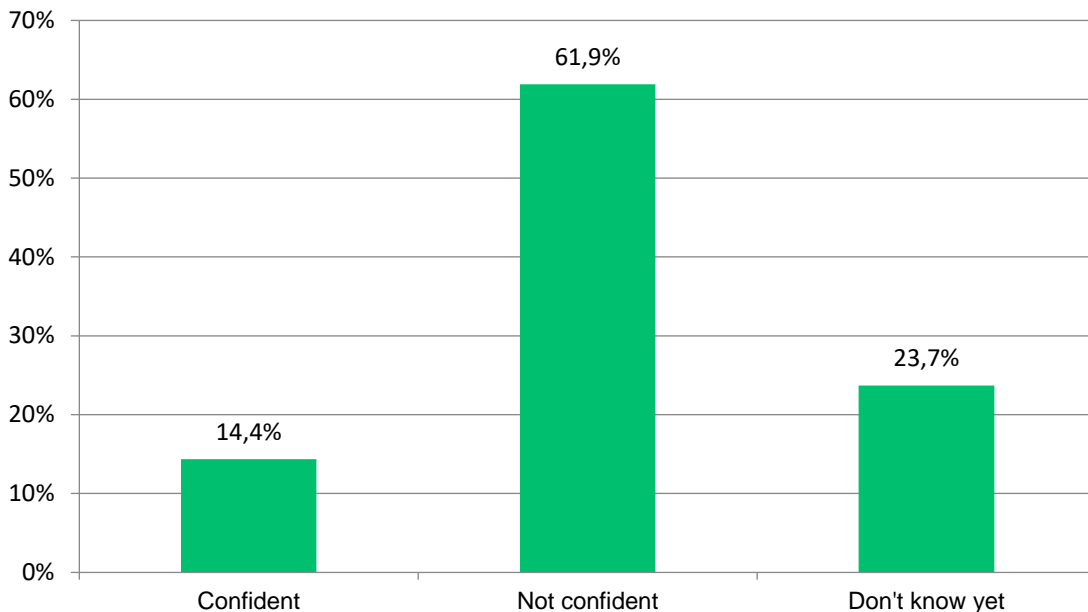
Access to financial resources: 38,3% indicated a decrease during the second reference period compared with the first reference period, while 37,7% indicated access to financial resources remained the same.

Table 4 – Financial assistance initiatives

Financial assistance initiatives	Survey 1 (30 March – 13 April)	Survey 2 (14 – 30 April)
Debt relief holiday	20,5%	22,2%
Deferring payments to the South African Revenue Service	22,8%	14,6%
Small businesses grant or loan schemes	13,3%	18,6%
Accredited finance agreements	6,5%	6,3%
Business Growth and Resilience Facility for essential service	2,7%	2,1%
Government relief schemes, e.g. COVID-19 temporary relief scheme	38,2%	30,0%
Other not listed above	11,1%	7,2%
Not sure	9,5%	7,0%
No plan for assistance	21,1%	22,1%
None of these	11,1%	15,4%

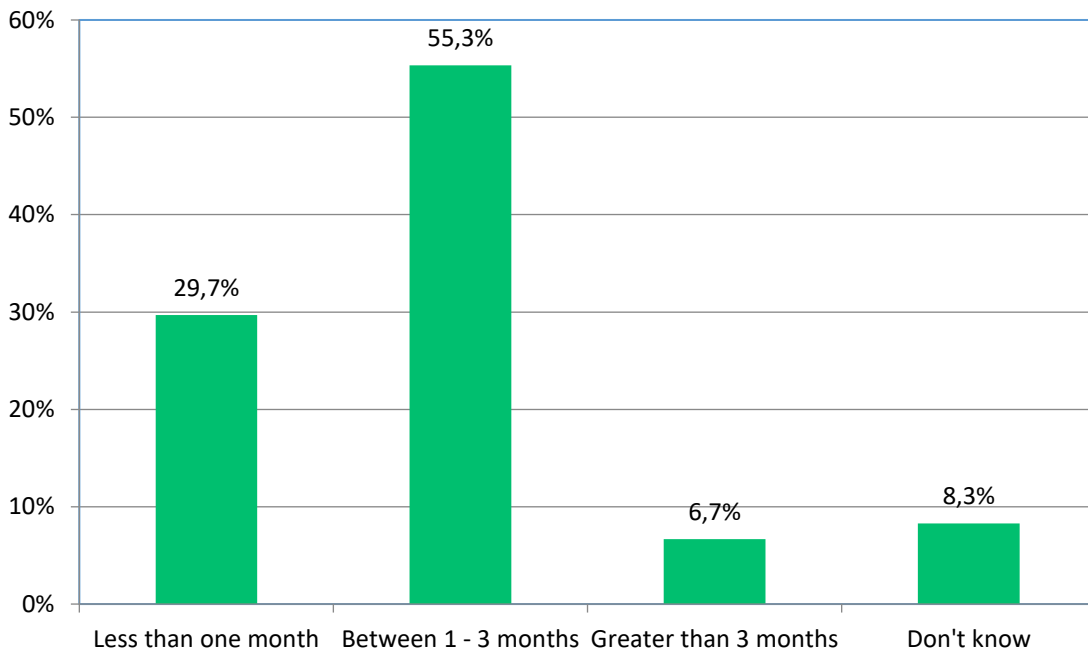
Table 4 shows financial assistance initiative comparisons between the first and second business impact surveys. In survey 2, 30,0% of responding businesses reported that they would use government relief schemes as a form of financial assistance, 22,2% reported debt relief holidays, and 18,6% reported small businesses grant or loan schemes.

Figure 11 – Adequacy of financial resources to continue operating throughout the pandemic



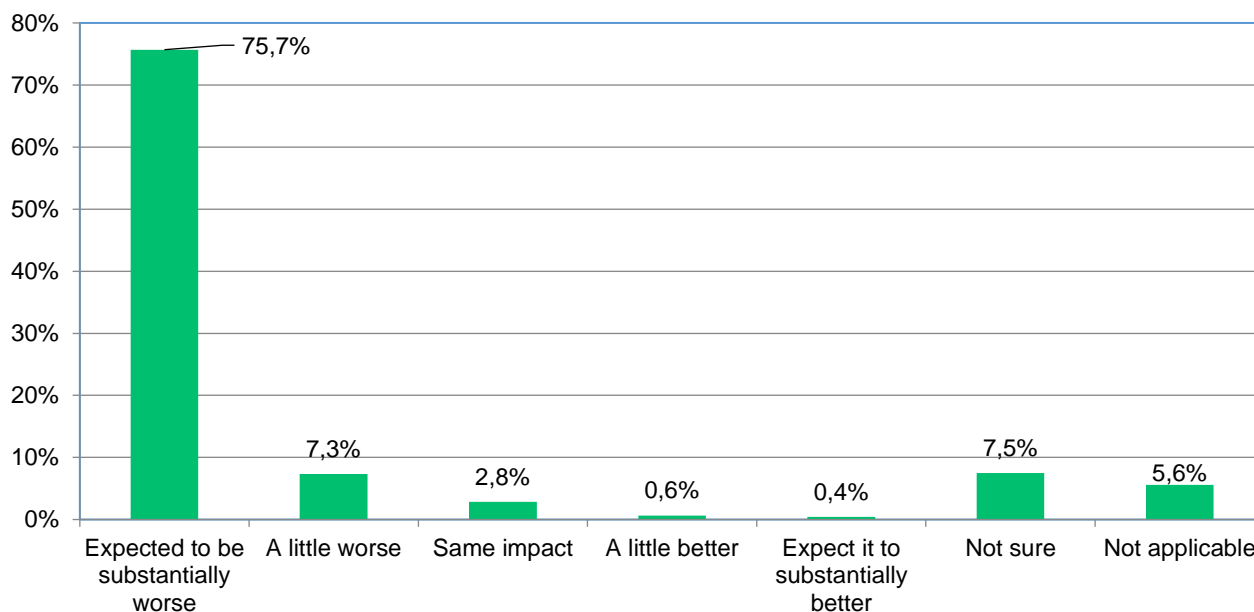
Over 60% of businesses indicated that they are not confident that their business has the financial resources to continue operating throughout the COVID-19 pandemic.

Figure 12 – Business survival without any turnover



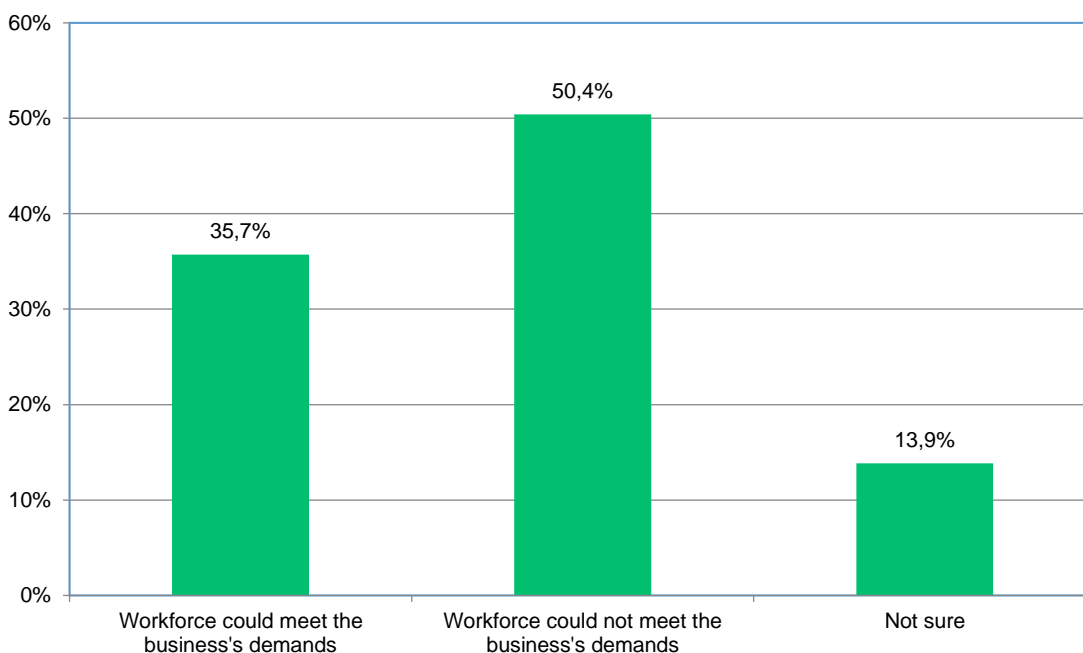
Business survival without turnover: 55,3% of businesses indicated they can survive between 1 and 3 months.

Figure 13 – Financial crisis (2008/2009) comparison



Many businesses, 75,7% in 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



Just over half of the workforce were unable to meet business demands, and 35,7% of the workforce were able to meet business demands (the rest reported 'not sure').

Table 5 – 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	64,7%	7,7%	7,3%	5,9%	14,4%
Working remotely instead of at their normal place of work	64,0%	9,0%	6,0%	5,3%	15,7%
Other	78,1%	4,5%	5,0%	3,2%	9,2%

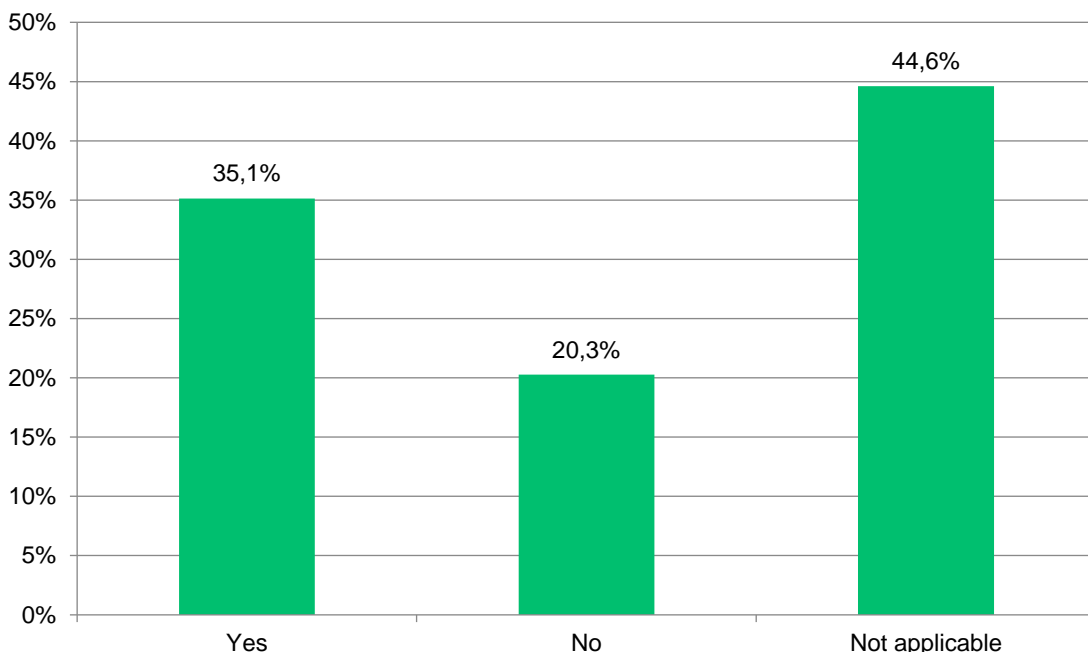
Table 5 shows that 64,7% of respondents reported that 0–20% of their workforce was working at their normal place of work; 7,7% of respondents reported that 21–40% of their workforce was working at their normal place of work; and 14,4% of respondents reported that 81–100% of their workforce was working at their normal place of work.

Table 6 – Employee working status

Status of workforce	0-20%	21-40%	41-60%	61-80%	81-100%
On vacation leave	67,4%	5,7%	5,3%	5,4%	16,1%
Off sick or in self-isolation due to coronavirus with statutory or company pay	81,8%	2,1%	2,3%	2,1%	11,8%
Made redundant	68,9%	6,2%	5,1%	4,9%	14,9%
Working as normal	50,7%	7,3%	8,9%	8,0%	25,1%
Other	77,5%	4,4%	3,4%	3,4%	11,2%

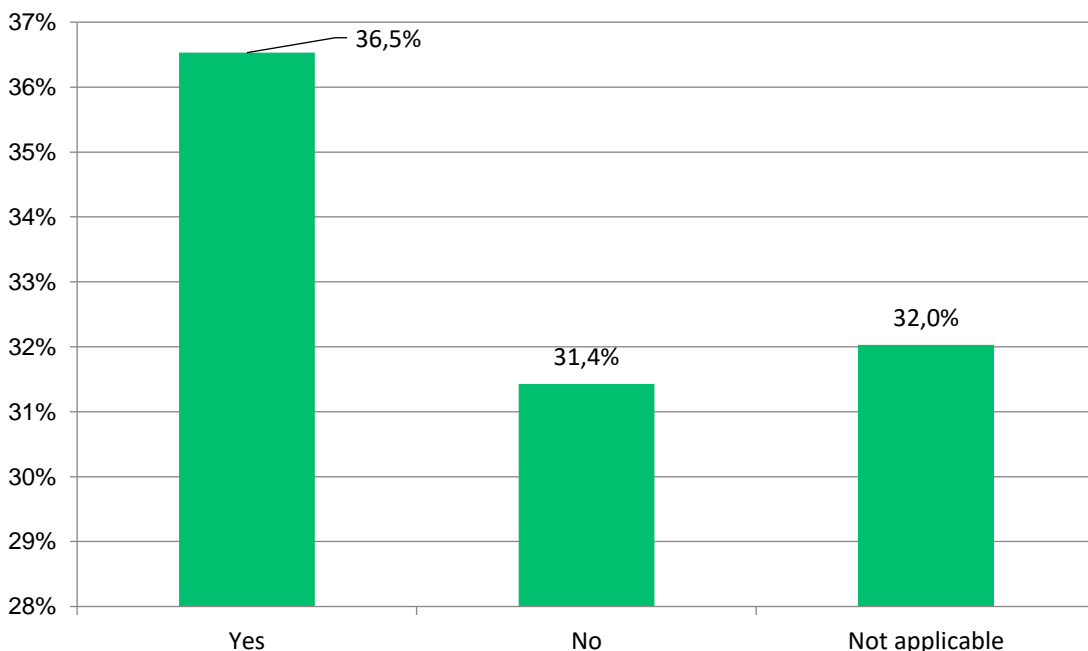
Table 6 shows that 68,9% of respondents reported that 0–20% of their workforce had been made redundant; 6,2% of respondents reported that 21–40% of their workforce had been made redundant; and 14,9% of respondents reported that 81–100% of their workforce had been made redundant.

Figure 15 – Robustness of IT systems to allow more employees to work from home



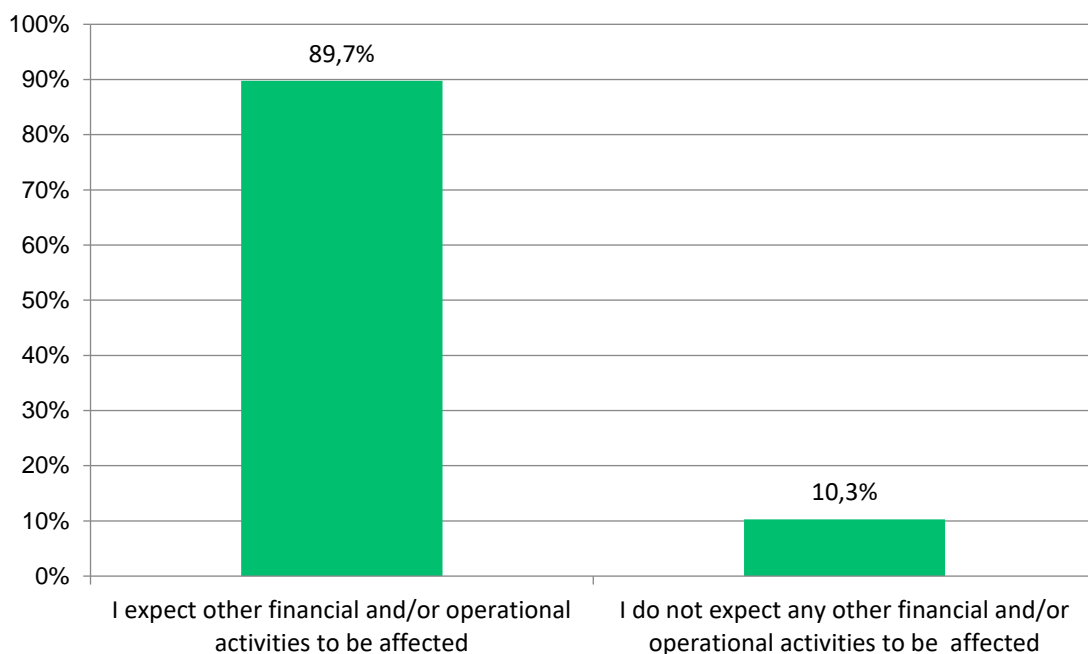
Just over 35,1% of respondents indicated that their IT systems are robust enough to handle the demand if more employees are required to work from home in the two weeks following the reference period.

Figure 16 – Family commitment having an adverse impact on ability to work remotely



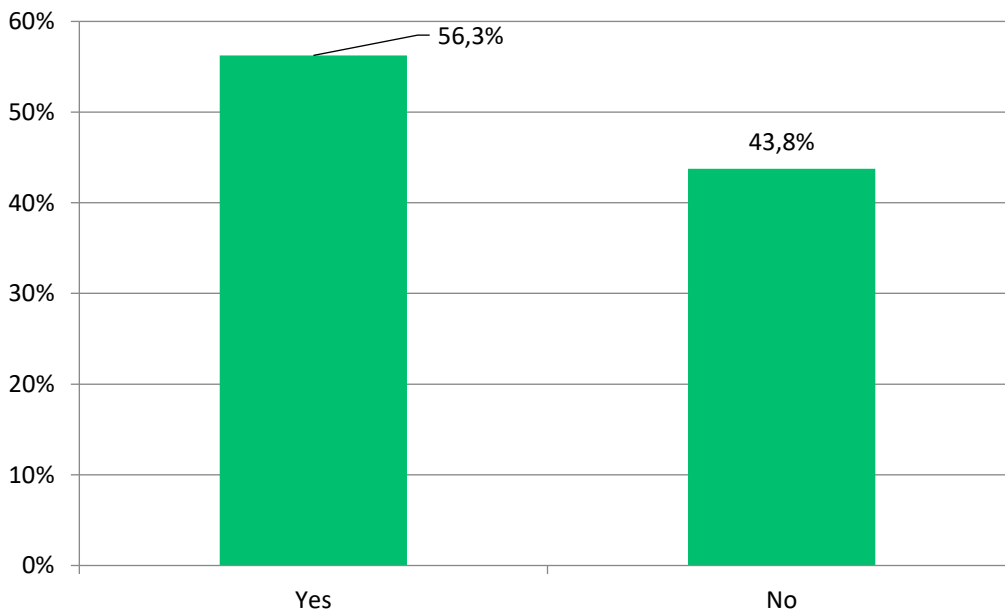
Over one third of respondents indicated that family commitments have adversely affected their ability to work remotely.

Figure 17 – Impact on other financial and/or operating activities over the next two weeks



A large number of respondents (89,7%) expected other financial and/or operational activities at their business to be affected by the COVID-19 pandemic during 1 – 15 May 2020, two weeks after the reference period.

Figure 18 – Businesses operating during Level 4 lockdown



A majority of respondents (56,3%) indicated that their business will be operating during the level 4 lockdown 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 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):

- What was your total number of employees during normal operations, i.e. before the impact of the coronavirus (COVID-19)? Estimated values are acceptable.
- What was your annual business turnover before the impact of the coronavirus (COVID-19)? Estimated values are acceptable.
- Was your business's turnover within its normal range during 14 – 30 April 2020?
- What is the current trading status of your business?
- Compared with the end of April 2020, do you expect your business's workforce size to change during 1 – 15 May due to the Coronavirus (COVID-19) outbreak?
- Which of the following measures has your business taken during 14 – 30 April 2020 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 during 14 – 30 April 2020?
- Was your business's importing of materials, goods or services affected by the Coronavirus (COVID-19) outbreak during 14 – 30 April 2020?
- Was your business able to get the materials, goods or services it needed from within South Africa during 14 – 30 April 2020?
- How did the prices of materials, goods or services purchased by your business change during 14 – 30 April 2020, compared with normal price fluctuations?
- Has your business's ability to access financial resources changed during 14 – 30 April 2020, compared with the first two weeks of the lockdown?
- 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 during 14 – 30 April 2020?
- During 14 – 30 April 2020, roughly what proportion of your business's workforce was working in the following ways?
- During 14 – 30 April 2020, 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 during 1 – 15 May?
- 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 during 1-15 May?
- Will the business be operational during level 4 lockdown?

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 and supplemented with data from agriculture and hunting sector sources.
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