

COVID-19: NEDLAC

Address by Min Ebrahim Patel

Introduction

The COVID-19 crisis will require the best traditions of social partnership to ensure that we contain the spread of the virus and make every effort to protect employment, earnings and industrial output. Nedlac constituencies closed ranks during the 2008/2009 Global Economic Crisis and can draw on that experience, with the added-speed that the current crisis requires.

Key interventions have been identified in the following six areas:

- Monitoring and modeling the impact on the economy
- Secure supplies of public hygiene health-stocks
- Industry and Workplace measures to protect against infection
- Sector and Work organization to address potential downtime and shutdowns
- Economic slowdown: measures to address and mitigate
- Securing the Supply-chain and managing disruptions

The focus is on providing the greatest social solidarity and coordination of all our resources as stakeholders, in

- Supporting the health-driven measures announced by the President
- Supporting enterprises (particularly SMEs) and workers during this period;
- keeping production and supply of key-products for the SA market and maintain supply-lines to the rest of Africa.

Key elements of the interventions

1. Monitoring and modeling the impact on the economy

Government has been in dialogue with companies in a number of sectors, including

- Food & beverages
- Agriculture
- Steel
- Autos
- Clothing retail
- Food retail
- Pharmaceuticals
- Mining
- Tourism

Government has done modeling on the various scenarios based on global demand, drawing on local and international sources. These all show that the impact can be serious and that we need to manage that which can influence and shape.

Key points to note:

- The OECD Global growth forecast has been cut by 0,5%; and their projections of SA growth has also been cut by 0,3%+ (2 March 2020 document). In today's Financial Times, some commentators are predicting a possible global recession. What is clear is that we are looking at a major shock to the global economy.
- Impact of global slowdown on SA
 - Previous work by the IMF says each 1% reduction on China growth translates to a 0,2% reduction in the SA-GDP; whilst SARB estimates were higher. These will be looked at carefully, and will be influenced by the demand-reduction in products SA supplies, and on tourism receipts.
- Domestic drivers of a slow-down include the impact of the virus on consumer and business confidence, the potential economic loss caused by infections and quarantines, and the cost of dealing with COVID-19

- Potential all sectors of the economy will be affected to some extent. The main industries that will be affected include: entertainment; consumer products; autos; luxuries; wholesale and distribution; hospitality; transport; construction; mining; real-estate; personal services; and the financial sector.
- Particularly vulnerable sectors include all export-oriented industries; and inward and domestic tourism (including the conference-industry)
- The impact on SMEs can be severe
- There is the potential for supply-chain disruptions, but these may vary between companies and industries, based on their current sourcing countries-of-origin
- Significant measures have been taken by a number of countries to put economic packages together, including the USA; Australia; New Zealand; China and others, using a range of measures including rate cuts and fiscal support.

2. Secure supplies of public hygiene stocks

As an immediate step, we need to ensure a domestic supply of key products required to address and contain the spread of the virus. The following have been identified:

- Hand-sanitiser
- Industrial sanitizer
- Face-masks
- Gloves
- Protective clothing
- Test-kits
- Hospital beds
- Testing and screening facilities

Work has been done on quantifying the current production capacity in SA for a number of the products listed; what potential there is to scale-up production; and what the constraints are to increasing production (such as critical imports of components and raw materials, industrial funding; work-time arrangements).

It will be important to mobilise the private sector to see how we can scale-up key products and to ensure that prices are not hiked off the back of the disease. The consumer and competition regulators will be placed on high-alert; and business leaders will need to reinforce this message.

Where cooperation is required between competitors in the public interest, this will be facilitated.

3. industry and Workplace measures to protect against infection

It will be necessary to have basic measures in place in each industry and workplace to limit the spread of the infection and to detect risks as early as possible. These include the following:

- Maintain social distance in the workplace: including the canteens, clocking in arrangements, and work-organisation
- Industrial hygiene and mass cleaning of surfaces, as well as hand-sanitisers available at the workplace
- Use of workplace medical facilities, including where appropriate for neighbouring communities

4. Sector and Work organization to address potential downtime and shutdowns

A number of provisions will need to be looked at to prepare for readiness in the event of downtime due to loss of orders or shortage of components; and potential shutdowns of firms due to the spread of the virus. These measures will only be invoked where necessary and may include

- Short-time
- job-sharing work arrangements
- Use of UIF/WCA resources
- Work-from-home provisions
- Sick leave provisions, including increasing it for COVID19-related illness

5. Economic slowdown: measures to address and mitigate these

The National Command Council will receive regular report on the impact of COVID-19 on the economy. This will enable interventions that are necessary to mitigate the impact. These may include:

- DFI-support to companies in distress
- Support for SMEs
- Measures by commercial banks and financial sector, to maintain credit and working capital arrangements and be as supportive to companies affected by COVID-19; and to housing bond-holders and debtors
- Appropriate macro-economic measures as and when necessary to support the fight against COVID-19.

6. Securing the Supply-chain and addressing disruption

Our efforts are directed at securing the critical supply-lines during the period. This includes:

- Monitoring critical industries:
 - Healthcare – chronic medication and other critical medications
 - food and beverage – ensure that the food supply-chains remain stocked and functioning well
 - key industries like automobiles that can generate foreign exchange during this period
 - mining and other large employers of labour
- We will need to identify where we need to move faster, introduce import rebate arrangements where required and fast-track critical products at ports of entry.
- Avoid panic stock-piling.

Conclusion

It will be necessary to work closely together to ensure we maintain confidence across the society and work in a flexible, fast-response manner, to limit the health and economic impact of COVID-19. Within each of the constituencies, appropriate coordinating structures that can be mobilised rapidly, should be set up. In particular, the private medical profession and the pharmaceutical and medical supplier industries will need direct contact with Government on a daily basis.