



BANKSERVAFRICA

July 2020 BETI report to accompany press release

Date: 12 August 2020

Strong recovery for the BETI continues into July 2020

But economic transactions were still 9% down year-on-year

The BankservAfrica Economic Transaction Index (BETI) recorded an increase of 9.6% between June and July 2020. The quarter to July 2020 compared to the quarter to April 2020 reflected a 9.7% increase, also the strongest movement since the start of the BETI record keeping.

The monthly and quarterly increases are clearly the result of parts of the economy bouncing back from the terrible blows in April and May 2020. The COVID-19 lockdown has been harsh on the overall South African economy. However, the gradual easing of restrictions and re-opening of the economy have brought positive movements.

The very fact that the level of economic activity in April was the lowest in 15 years, as seen in our data, has meant that there was likely to be an improvement as South Africa slowly released some of the lockdown measures and provided a massive stimulus to the economy.

An additional R20 billion per month was made available to the economy through the UIF COVID-19 Temporary Employee Relief Scheme (TERS) pay-outs to the value of about R12 billion between the end of April and early August, and SASSA payments of about R8 billion a month at the beginning of August over and above the normal grant payments. These made transactions on the retail side possible. Consumers and businesses also had more room to spend through other funds such as the Solidarity Fund, loan and rent holidays. As such, some transactions that were not made in April were done in the June or July months.

All of the above helped to stabilise the economy in the short-term. The turnaround and catch-up have really helped to lift the economy off the ground. Never has so much been spent from government and business relief funds.

As can be seen in the transactions processed by BankservAfrica through the National Payments System, the extra payments facilitated consumer purchases for goods and services, giving businesses more reason to order more products and provide more services. These, together with the advanced lockdown level 3 that involved the re-opening of restaurants, personal care services, casinos, motor car sales at dealerships and general stores, amongst others and combined with the short period of alcohol sales, have helped the economy. The good news is that the economy has recovered 56.2% of what it lost since January.

The overall standardised economic transactions for July was R867.4 billion - R188 billion more in nominal terms than in April. A rough estimate of the amount of money made available in the South African economy to combat the economic slowdown and disease would suggest that at least 12% of the improvement (the R188 billion) comes from the extra spending by the South African Government. This suggests that most of the improvement is sustainable. However, there will be a high risk of some smaller declines in the economy going forward.

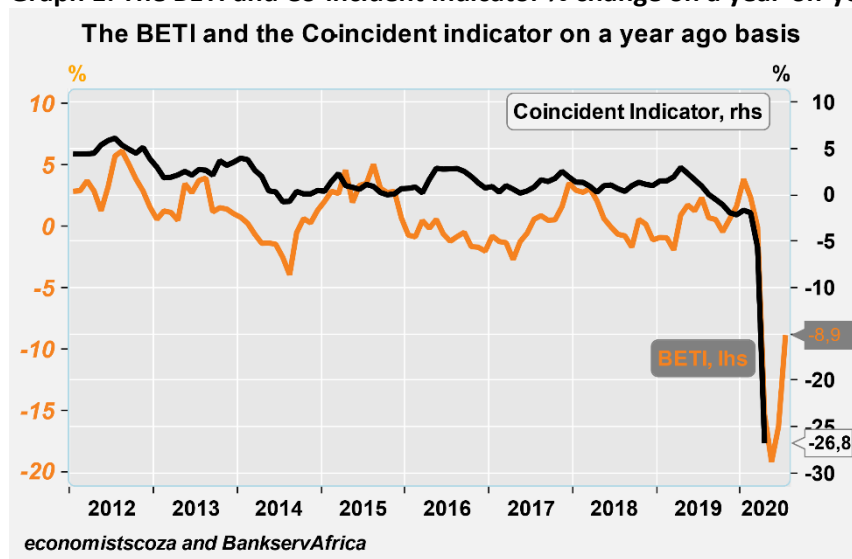
The next three months will be critical for the SA economy

The South African economy is not out of the woods yet. The real value of economic transactions is still 9% below July 2019's levels. To put this into context, the decline of 19.2% during the heavy lockdown period to May is the deepest quarterly decline on record in the BETI's history, and comes as a result of the lockdown.

So, while the economy has bounced back strongly – partly on the back of the extra spending and low interest rates – the fact is the economy is still very weak as these improvements have come off a very low base from South Africa's technical recession before COVID-19. The UIF TERS funding is slowly diminishing while the extra SASSA payments will end in October. These can disrupt the economy's recovery - or slow it down.

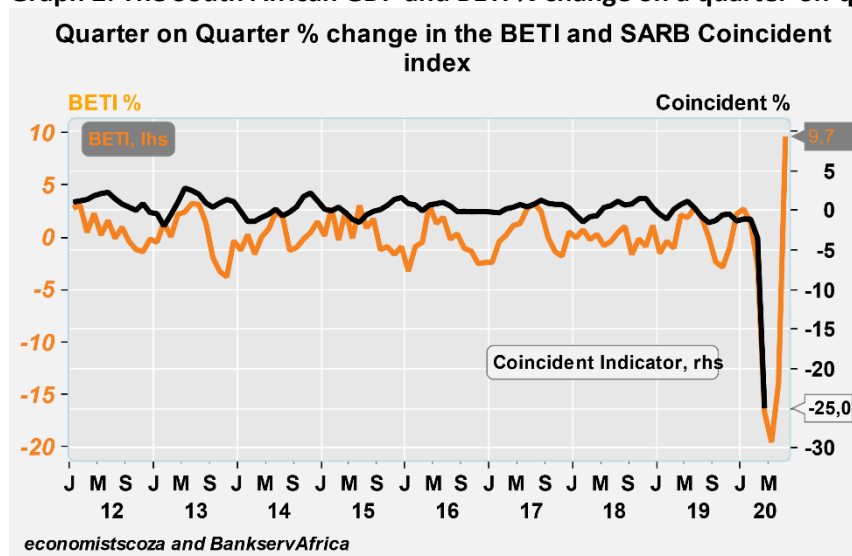
The July BETI was as good as it could be expected. The next three months will be critical for the sustained recovery of the South African economy. We could see a flatter movement in the coming months, especially when considering the downturn in manufacturing output, the limitations on airfreight and its direct impact on the distribution and the sale of goods. In addition to these, the tourism sector, a major contributor to South Africa's economic growth, remains closed to domestic and international travellers due to COVID-19, and will surely affect the overall numbers.

Graph 1: The BETI and Co-incident Indicator % change on a year-on-year basis



Source: *BankservAfrica and Economists.co.za*

Graph 2: The South African GDP and BETI % change on a quarter-on-quarter basis



Source: *BankservAfrica and Economists.co.za*

Table 1: The BankservAfrica Economic Transaction Index

	The BETI Index	The headline BETI % change	BETI quarterly % change	BETI monthly % change
01-Jan-19	118,6	-0,9%	-1,5%	-1,5%
01-Feb-19	119,9	-0,9%	-0,4%	1,2%
01-Mar-19	119,2	-1,9%	-1,0%	-0,6%
01-Apr-19	121,1	0,9%	2,1%	1,6%
01-May-19	122,2	1,7%	1,9%	0,9%
01-Jun-19	122,6	1,3%	2,9%	0,3%
01-Jul-19	123,4	2,3%	1,9%	0,7%
01-Aug-19	122,2	0,7%	0,0%	-0,9%
01-Sep-19	119,7	0,5%	-2,3%	-2,1%
01-Oct-19	119,8	-0,4%	-2,8%	0,1%
01-Nov-19	121,1	0,6%	-1,0%	1,0%
01-Dec-19	122,4	1,6%	2,2%	1,1%
01-Jan-20	123,1	3,8%	2,7%	0,6%
01-Feb-20	122,8	2,4%	1,4%	-0,3%
01-Mar-20	119,1	-0,1%	-2,7%	-3,0%
01-Apr-20	102,5	-15,3%	-16,7%	-13,9%
01-May-20	98,7	-19,2%	-19,6%	-3,7%
01-Jun-20	102,5	-16,3%	-13,9%	3,9%
01-Jul-20	112,4	-8,9%	9,7%	9,6%

Source: BankservAfrica and Economists.co.za

Table 2: The volume and average value of transactions and the Standardised BETI in nominal terms

	Nominal standardised value of transactions	Number of transactions	Average transaction value	Change in transaction volume
01-Jan-19	752 358 786 621	95 486 618	8056	3,5%
01-Feb-19	871 083 597 460	96 912 302	8333	2,4%
01-Mar-19	875 728 911 568	99 987 336	8444	-1,4%
01-Apr-19	895 209 267 983	103 384 373	8246	6,6%
01-May-19	885 765 229 153	101 623 908	8662	1,2%
01-Jun-19	889 664 961 147	93 655 106	8761	-8,1%
01-Jul-19	886 274 974 884	104 673 384	8890	3,6%
01-Aug-19	882 317 305 978	104 325 966	8647	-0,4%
01-Sep-19	876 129 253 723	99 715 632	8621	3,0%
01-Oct-19	895 393 805 918	101 551 480	9258	-5,6%
01-Nov-19	944 390 173 867	104 794 252	8843	-0,7%
01-Dec-19	983 730 036 244	104 150 830	8816	0,0%
01-Jan-20	827 069 468 236	98 568 174	8339	3,2%
01-Feb-20	921 749 299 725	101 662 462	8522	4,9%
01-Mar-20	891 197 747 730	103 280 758	8822	3,3%
01-Apr-20	679 399 945 727	90 027 122	6960	-12,9%
01-May-20	703 813 457 711	92 353 231	7348	-9,1%

01-Jun-20	795 028 150 576	99 747 038	7821	6,5%
01-Jul-20	867 421 508 835	105 177 728	8659	0,5%

Source: *BankservAfrica and Economists.co.za*