



August 2020 BETI report to accompany press release

Date: 09 September 2020

The swoosh recovery surfaces in August 2020

SA economy continues to pick up but at a slower pace

The BankservAfrica Economic Transaction Index improved again in August 2020 but at a slower pace than that experienced in July 2020. The BETI reading stood at 116.9, which is the highest level since March 2020. However, the BETI is still 5% below the 123.1 level in January 2020.

The V-shaped recovery is slowing. This is to be expected - after the lockdown changes to the economy in the previous months - and points to a more subdued recovery in the months ahead. The headline BETI was 4.4% lower than August 2019. However, the monthly improvement was 4.4% up on July, which was down on the 9.2% upward bounce between July and June.

The BETI provides South Africa with a fast indication of underlying economic trends across the economy. It showed that the economy was likely to have a large decline in the second quarter and that this fall would be in the region of 58% on an annualised basis, excluding agriculture. The decline, excluding agriculture, was 57% down which shows the value of the BankservAfrica BETI as an insightful now casting instrument. It is generally in sync with the country's broader Gross Domestic Product changes. Therefore, Stats SA's announcement of South Africa's GDP figures contracting by 51% in the second quarter of 2020 was predicted in the BETI index for June, where a steep downturn was forecasted owing to the poorly performing economic transactions over the COVID-19 lockdown period and the associated economic restrictions. However, the latest BETI data brings a different outlook.

While the quarter for the measurement of GDP only ends in September, we are convinced that the depressing decline of the economy in the second quarter – the worst in South Africa's economic history – is now behind us. The BETI indicates that the Q3 2020 GDP recovery will be one of the strongest on record.

Although the BETI confirms that the economy's recovery is underway, total recovery will take some time. Even with all indications that South Africa is in one of its strongest growth quarters on record, all is not over yet. It is not unusual, in circumstances such as these, for the worst and the best quarters on record to follow one another. That is, invariably, how the V-shaped recovery gains its distinctive shape, and, one might argue, would be the case at the start of this particular recovery.

Statistics, however, can be a confusing discipline, as this example will demonstrate: if one takes a loss from R100 to R50, that equates to a 50% decline. If one then improves by 50%, that only takes the value back to R75 – still R25 below the value it was before.

This exact situation is playing out at in South Africa where the decline in our GDP was very large in the second quarter. We are likely to see a strong bounce back in the third quarter. In percentage terms, this could be as big as the dip was.

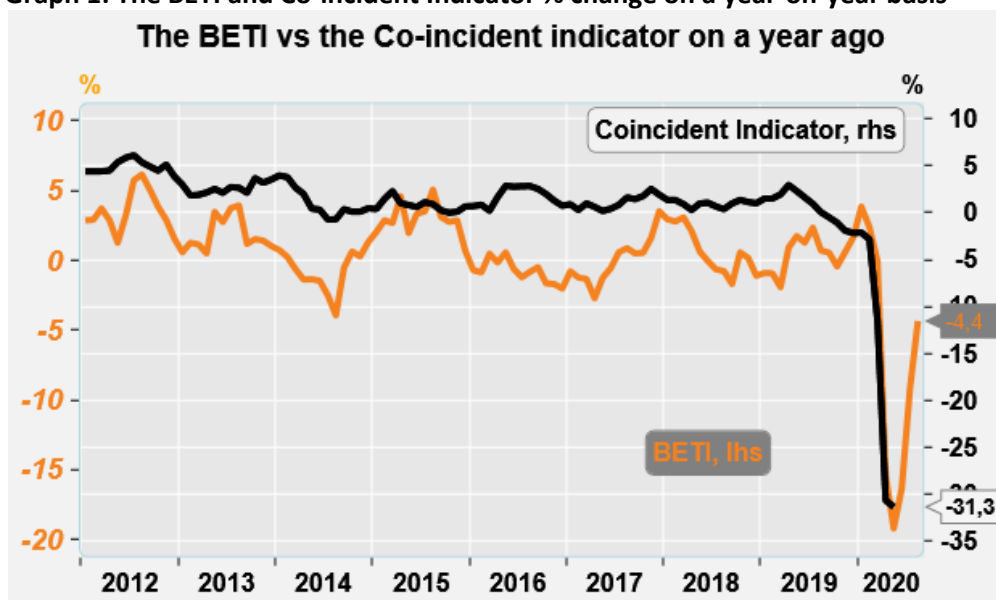
However, at the end of the third quarter, while the economy would have recovered at a very strong pace, the previous level – as seen at the end of 2019 – will not be reached easily.

The closer the economy gets to its previous level, the harder the catching up becomes as the capacity and inflationary issues as well as the potential reappearance of other bureaucratic hurdles, the relaxation of repayment holidays and other temporary measures that were introduced as financial crutches during this period. This is as the economic indicators, such as employment, lag economic recovery by a few quarters. The full recovery for the SA economy is still likely to be at least 18 months away, with some economists predicting that it could take up to four years to make a full recovery.

Economists refer to this as the ‘swoosh recovery’ as in the Nike logo. The decline was quick and the first part of the recovery is too. But after these, the tail is long. The recovery, however, is likely to continue but at a steadier and slower pace in the quarters to come. The closer to full recovery the economy gets, the slower the recovery process will be.

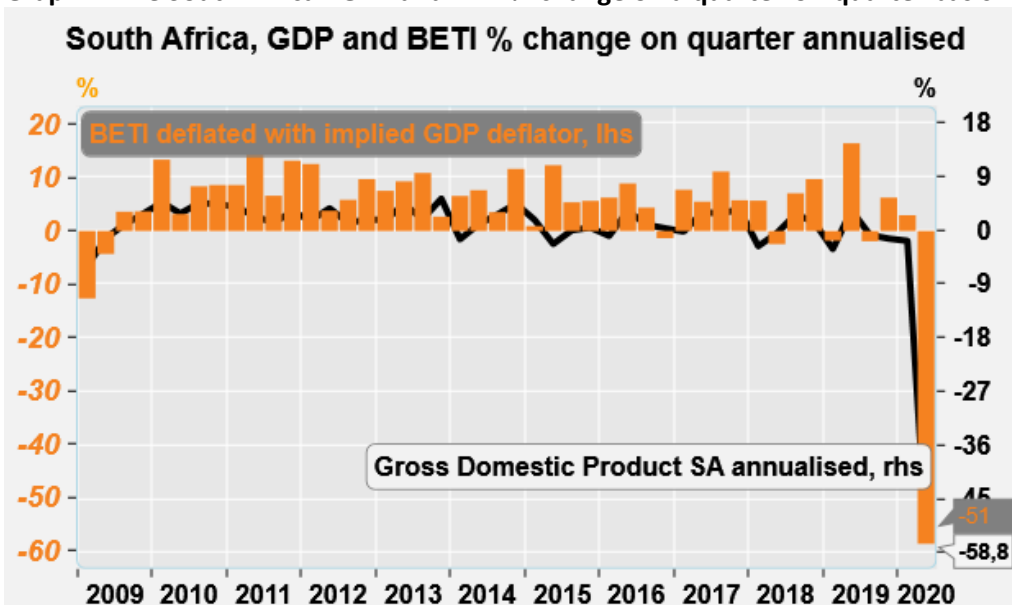
So, while the economy is getting back on its feet, the walking will take some time and the running will take even longer. But for now, the BETI indicates that the South African economy has jumped back on its feet. With that being said, it will take some time to get back to the level it was before lockdown.

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%	-0,4%	-1,5%
01-Feb-19	119,9	-0,9%	-0,2%	1,2%
01-Mar-19	119,2	-1,9%	-1,0%	-0,6%
01-Apr-19	121,1	0,9%	0,2%	1,6%
01-May-19	122,2	1,7%	1,0%	0,9%
01-Jun-19	122,6	1,3%	2,3%	0,3%
01-Jul-19	123,4	2,3%	2,2%	0,7%
01-Aug-19	122,2	0,7%	1,6%	-0,9%
01-Sep-19	119,7	0,5%	-0,2%	-2,1%
01-Oct-19	119,8	-0,4%	-1,7%	0,1%
01-Nov-19	121,1	0,6%	-2,0%	1,0%
01-Dec-19	122,4	1,6%	-0,5%	1,1%
01-Jan-20	123,1	3,8%	1,3%	0,6%
01-Feb-20	122,8	2,4%	2,1%	-0,3%
01-Mar-20	119,1	-0,1%	0,5%	-3,0%
01-Apr-20	102,5	-15,3%	-6,1%	-13,9%
01-May-20	98,7	-19,2%	-13,0%	-3,7%
01-Jun-20	102,5	-16,3%	-16,8%	3,9%
01-Jul-20	111,9	-9,3%	-9,0%	9,2%
01-Aug-20	116,9	-4,4%	3,5%	4,4%

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%
01-Aug-20	892 476 950 511	101 429 102	8550	-2,8%

Source: *BankservAfrica and Economists.co.za*