



**BANKSERVAFRICA**

September 2020 BETI report to accompany press release

Date: 14 October 2020

## **September 2020 BETI: The ‘swoosh’ recovery continues**

*SA’s Q3 2020 GDP growth likely to be the highest on record*

The BankservAfrica Economic Transactions Index (BETI) improved for the fourth consecutive month in September 2020 and indicates South Africa’s approaching third-quarter gross domestic product (GDP) figure will be the strongest on record.

The headline BETI, which tracks economic transactions on an annualised basis, was marginally higher for the first time in six months. The unexpected improvement of 0.4% – the first since March 2020 and a significant shift from -4.3% in August 2020 – is welcomed news.

However, one must take into consideration that September 2019 and October 2019 were weak months, recording the lowest turnover in the economy for the last nine months of 2019. Therefore, although all periods over which we measure the BETI for were positive, the fact is that the economy is not nearly at the level it reached in January 2020 or July 2019.

Perhaps the monthly data changes are a better reflection of the state of the economy at present. Four months of declines, of which April’s -13.9% dip was by far the deepest, followed by four months of increases of which July was the strongest then followed by three successive months of gradually slowing increases in the South African economy, with September being the slowest increase - an archetypal ‘swoosh’ recovery.

There is no doubt that the economy has had a bounce that could be due to the move to lockdown level 1 in September 2020, which brought some relief to businesses and consumers. In addition, the government’s relief funds helped to avert an even bigger socio-economic disaster. Most of the spending, in the form of COVID-19 UIF-TERS benefit payments, COVID-19 Social Relief of Distress (SRD) payments and other institutional pay-outs, which in total amounted to over R100 billion since May 2020, helped to keep consumer spending and economic activity afloat.

Moreover, while the lower interest rates will be around for a lengthier time, the decline in COVID-19 UIF-TERS payments will have an impact, as well as the possible discontinuation of the special COVID-19 Social Relief of Distress grant, which is expected to end in October 2020. South Africa’s leading economic indicators will probably show a better reflection of the post-COVID-19 reality in the coming months.

So, while recovery is slowing as expected, the improvement has been quicker than one would have dared to hope for. However, the debt burden and possible declines in extra grant payments may result in a slower recovery from November 2020 and onwards.

The BETI provides South Africa with a fast indication of underlying economic trends across the economy and is generally in sync with the broader GDP changes in the country. With the latest data, we are convinced that the GDP growth for Q3 2020 is likely to be the fastest on record – or at least since 1946. We expect that the seasonally adjusted and annualised growth to be around 40% to 50%.

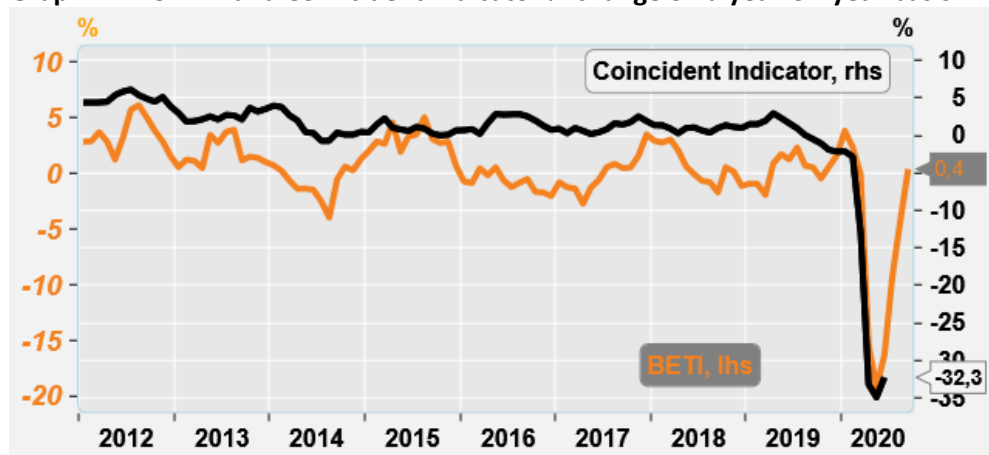
We still contend that the closer the economy gets to its previous level, the smaller the growth rate becomes as capacity problems, such as electricity constraints, resurface. The SA economy’s full recovery is likely to show in 2022 or thereafter. As stated in the BETI for August 2020, ‘the swoosh recovery, like the Nike logo, is a recovery that is quick at first (in Q3 2020) and slower later (during 2021)’.

Although the rate of growth for the BETI was slower in September 2020 than in June 2020, there is an appreciation of the monthly growth, which was still in an upward direction – and far from the plummeting declines experienced in the initial months of the COVID-19 lockdown.

**The standardised transaction values**

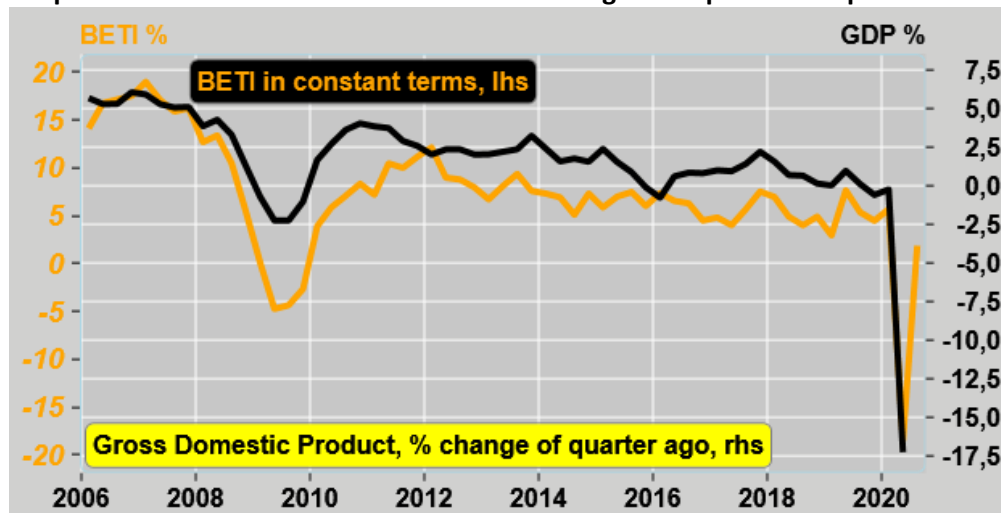
The nominal standardised transaction value was R930.6 billion, which was the highest for 2020 but below November and December 2019’s values. The number of transactions was 102.9 million, which was less than the July 2020 number of transactions yet higher than most months of 2020.

**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	117,0	-4,3%	3,5%	4,5%
01-Sep-20	120,2	0,4%	14,9%	2,7%

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%
01-Sep-20	930 626 296 685	102 937 823	9123	3,2%

Source: BankservAfrica and Economists.co.za