WEBINAR EVENT with **DR THABI LEOKA** hosted on **28 APRIL 2020**

Questions from the audience:

1. **Agriculture - you mentioned the robustness of the value chain and the need for minimal interruptions. is this a timing issue or do you believe it will be resilient even as the COVID-19-related infections escalate in SA?**

   As an essential sector, the agriculture sector was allowed to remain operational throughout the lockdown. After two years of disruptions caused mainly by drought, the sector has had a good harvest and started the year strong. We supply food to the region as well and the government has ensured that the value chain operates without any disruptions. Food that is usually supplied to restaurants has been redirected to retailers who have had a larger-than-usual demand.

2. **AECI creation - when and why is the current regulatory environment suitable for such decisions and is this a realistic target or possibility for South Africa post-COVID-19?**

   National Treasury is currently looking into the gaps that have been created by the disruption in the global value chain. There are currently no regulations that would prevent a prospective individual or firm from wanting to supply a certain product that we imported. Such companies would be encouraged. I suspect some firms are already seeing a gap in the market. The most malleable companies will be the most successful post the pandemic.

3. **How big is the Reserve Bank's bond buying programme and what will be its impact on the economy?**

   Unfortunately, the SARB has chosen not to reveal the size of the bond buying programme. Bond buying has reduced the bond yields from +12% to about 9%. This means that bond-buying has reduced the cost of borrowing.

4. **How many ventilators do we have now? You mentioned we were around the 6,000 mark at the start of the crisis but local manufacturing has been ramped up. What are the current quantities?**

   We currently have 6,000 ventilators between the private and public hospitals. I am not sure how many we will produce, but it takes about 8 weeks to produce them.

5. **How practical is it to preserve jobs when there are no revenues to sustain them? What are you suggesting here exactly? How is this going to work? Are you suggesting people keep their jobs but just don't earn a salary from it?**

   Companies can cut pay or do what companies like EOH have done such as cutting salaries and introducing a four-day week. Arcelor Mittal has announced that salaries will be cut by 40 to 45% effective from 1 April 2020. I argue that laying off workers will slow economic recovery. If people earn a salary, they are likely to spend and this will help other companies survive because those who earn a salary will purchase from others.

6. **What is the status of SAA? There are conflicting reports on whether it has been allowed to go bankrupt.**

   The business rescue process (BRP) appears to be impacted by the lack of funding from government. I fear that the BRP may follow what the BRP at SAX has done – that is, to apply for liquidation. The decision to go the BRP route for SAA was taken by the Department of Public Enterprises. The BRP should make the final decision on the fate of an entity without any interference.

7. **Should the SARB not help in the relief fund by depleting a part of the reserve book?**

   There is no such thing as free money. Depleting the SARB's balance sheet and using its reserves is not ideal. The cheapest funding option is getting cheap money from the IMF, National Development Plan or the World Bank which we can pay back in 3 to 5 years. We have a problem with the misallocation of the Budget. We have always put money towards consumption instead of investment. This is a good time to reprioritise and streamline the fiscus and cut unnecessary projects.

8. **Is this also because inflationary pressure is a bit benign at least in the medium term?**

   Inflation is expected to average 3.5% in 2020 and 4.5% in 2021. The main driver of inflation is food and fuel inflation. We are currently seeing Brent crude oil at historical lows.