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department of economic, small business development, tourism and environmental affairs
FREE STATE PROVINCE

[An Economic Intelligence Report]

[An overview of the Financial Services Sector in Free State]

[September 2020]

[This issue of the Economic Intelligence Report provides a perspective of the financial sector, nationally and provincially. It places emphasis on the recent performance of the financial sector in South Africa and Free State; access to financial services which is vital for achieving sustainable and inclusive development, especially for small and medium enterprises and households.]

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The issue of the *Economic Intelligence Report* focuses mainly on the financial sector in South Africa and in the Free State province.

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1. INTRODUCTION AND BACKGROUND

South Africa, despite its "emerging market" status, has a sophisticated financial sector. With the country's re-integration into the global sphere in 1994, corporate governance rules, disclosure, transparency and accountability have become an integral part of doing business in South Africa. Regulations governing the financial sector, and particularly risk management, have undergone considerable refinement to align them to internationally recognised standards and best practice[1].

The financial, real estate and business service sector accounted for nearly 20% of the country's real value added (value of total production) in 2006 and, together with other services sectors, has proved to be a pillar of the country's economic growth over the years. The sector boasts dozens of domestic and foreign institutions providing a full range of services - commercial, retail and merchant banking, mortgage lending, insurance and investment.[2]

South Africa's banking sector compares favourably with those of industrialised countries. Foreign banks are well represented. The World Economic Forum's Global Competitiveness Report 2019 ranked South Africa's financial system as the 19th most secure out of 141 countries reviewed. South Africa's competitiveness has regained momentum after the recent political landscape shift and climbs 7 places to 60th. The country is a regional financial hub (83.2, 19th), with well-developed equity, insurance and credit markets, all achieving a score of 100. This ranking is evident of the global confidence in South Africa's banks[3].

The second largest economy in Africa after Nigeria, South Africa, benefits from some of the most sophisticated financial markets in the world. South Africa with a robust regulatory system, is also home to the headquarters of a number of multinational players in the fields of industry, energy and financial services[4].

The banking sector in SA is well regulated and capitalised, as well as efficiently

[1] https://www.zuidafrika.nl/ks-finance-and-business-services
[2] Ibid.
[3] http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf\
[4] https://oxfordbusinessgroup.com/country/south-africa/financial-services

managed. Regulatory changes are set to further improve banking in South Africa in terms of soundness, stability and the treatment of customers. The sector is, however, facing a number of challenges. Economic growth in the country has slowed, which has in turn resulted in slower loan growth for banks, while high consumer credit levels and ratings downgrades raised concerns. Following the global financial crisis of 2008-09 authorities in South Africa started developing reforms such as the so-called Twin Peaks, Financial Sector Regulation Bill and the Treating Customer Fairly (TCF) framework relevant to the banking sector.[5]

The SA Reserve Bank, together with other institutions plays a pivotal role in ensuring financial stability in the interest of a balanced and sustainable economic growth in South Africa. This bank, according to the Institutional Sector Classification Guide, classified the financial sector as indicated in table 1 below.

Table 1: Standard Industrial Classification of all Economic Activities (SIC)[6]

	MAJOR DIVISION	DIVISION
Financial intermediation, insurance, real-estate and business services	8	
Financial intermediation, except insurance and pension funding.		81
Insurance and pension funding, except compulsory social security		82
Activities auxiliary to financial intermediation		83
Real-estate activities		84
Renting of machinery and equipment, without operator, and of personal and household goods		85
Computer and related activities		86
Research and development		87
Other business activities		88

Source: Appendix B, Institutional Sector Classification Guide December 2011, SA Reserve Bank

When looking at the provincial economy the financial sector is central to supporting the real economy and also has a vital role in the ongoing transformation of the society and to improve the lives of the people of Free State Province.

However, there is a limitation on data provincially, on this vital sector of the provincial economy, especially with regard to its growth and performance and key role-players.

[5] https://oxfordbusinessgroup.com/overview/time-adjustment-new-rules-and-guidelines-will-mean-stronger-more-stable-sector-long-term

[6] https://www.resbank.co.za/Publications/Guides/Documents/Appendix%20B%20-%20Standard%20industrial%20classification%20of%20all%20economic%20activities.pdf

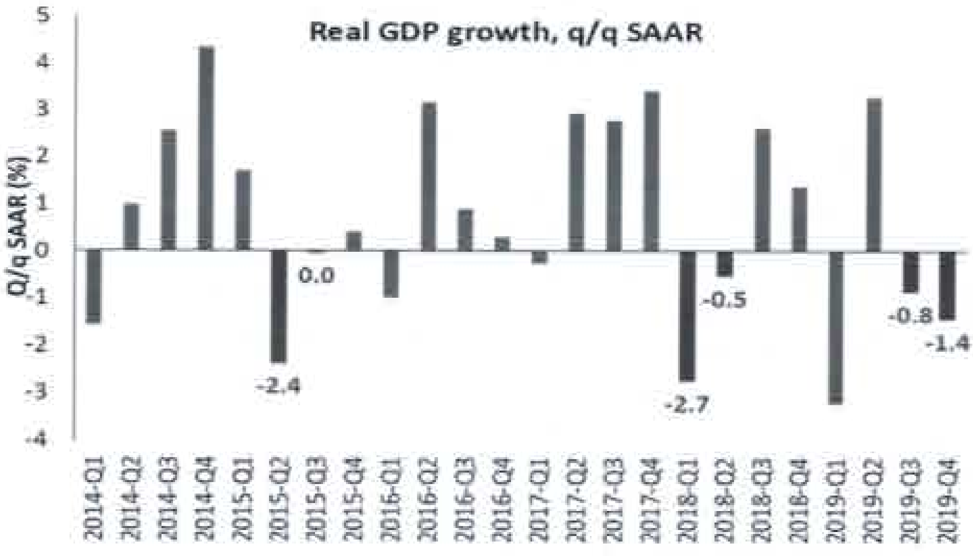
This report, taking into account the above, delves into the status and performance of the financial sector, providing insights both nationally and provincially. Furthermore, the report reflects on the role of the financial sector which is vital for achieving sustainable and inclusive development, especially for small and medium enterprises and households.

2. SOUTH AFRICAN FINANCIAL SECTOR PERFORMANCE

2.1 Sectoral performance during the Covid-19 pandemic

South Africa fell into a recession at the end of 2019 (as per figure 1 below) following an extended period of slow growth linked to electricity constraints, low business confidence and policy uncertainty. In light of COVID-19, the South African Reserve Bank (SARB) gross domestic product (GDP) growth forecast has been revised sharply lower to -7% for 2020, a decline more severe than the -1.5% recorded in 2009 at the height of the global financial crisis[7].

Figure 1: Real GDP growth, quarter-to quarter seasonally-adjusted and annualised (saar)



Source: SA Reserve Bank, Monetary Policy Review, April 2020

SARB is of the opinion that this economic shock came at a time of rising fiscal risk. Moody's Investors Service in March 2020 cut South Africa's sovereign credit rating to sub-investment grade. Reasons cited by this agency are structurally weak economic

[7] SA Reserve Bank, Financial Stability Review, May 2020

growth and increasing public debt. Moody's became the final major credit rating agency to move the country's sovereign credit rating to sub-investment grade status.

Both banks and non-bank financial institutions have experienced strain as a result of recent declines in financial asset prices. It is expected, cumulatively, that the effects of COVID-19 are likely to drive down the profitability of financial firms.

Major regulatory reforms have been undertaken over the past decade to enhance the resilience of the financial sector[8]. As a result, financial firms have built up significant capital and liquidity buffers, which can be used to absorb short-term losses or funding stress during this extraordinary time.

The virus has spread quickly across the world, forcing South Africa's government, along with many others, to institute containment measures, including a shutdown of non-essential activity. The resulting shock to the economy could be seen in the volatility in financial markets which has reached levels last seen during the global financial crisis. The JSE Limited (JSE) All-Share Index (Alsi) shed 12% and the JSE Financials Index 32% during the first four months of 2020. The rand depreciated by 33% against the United States (US) dollar over the same time frame.[9]

Banks and the insurance industry as key components of the financial sector have been negatively affected by the pandemic. Banks in this regard have already recorded losses on their holdings of financial assets, and are expected to experience an increase in non-performing loans (NPLs) over the coming months. The insurance sector is likely to face higher policy lapse rates as well as higher payout costs for claims relating to, among other things, business interruption, income protection, travel insurance, death and morbidity. Asset growth across the sector is also expected to be curtailed.

The SARB's estimate of the economy's growth potential has fallen consistently, from approximately 3% for 2014 to 0.6% for 2019. Structural challenges – including skills

[8] SA Reserve Bank, Financial Stability Review, May 2020

[9] Ibid.

shortages, infrastructure constraints (particularly in the energy sector) and policy uncertainty – have curbed the capacity of the economy to grow. An economic recovery after COVID-19 is anticipated by SARB. It is however likely to be a relatively muted one due to the mentioned structural constraints. GDP is expected to grow by 3.8% in 2021 and 2.9% in 2022. A sharp contraction in 2020 is projected and the level of real GDP in 2022 is likely be lower than that of 2018.[10] As a result, financial firms could face challenges over the next few months.

The SARB, however, has adopted various policy measures in response to the economic impact of COVID-19. These measures are all temporary and are intended to ensure that the financial sector remains stable for the duration of the shock caused by COVID-19.

2.2 Performance of the financial sector during quarter 2 2020

South Africa's gross domestic product (GDP) decreased by 51,0% in the second quarter of 2020 owing to the impact of the COVID-19 lockdown restrictions since the end of March 2020 as indicated in figure 2 below. This was the fourth consecutive decline in quarterly GDP since the second quarter of 2019[11].

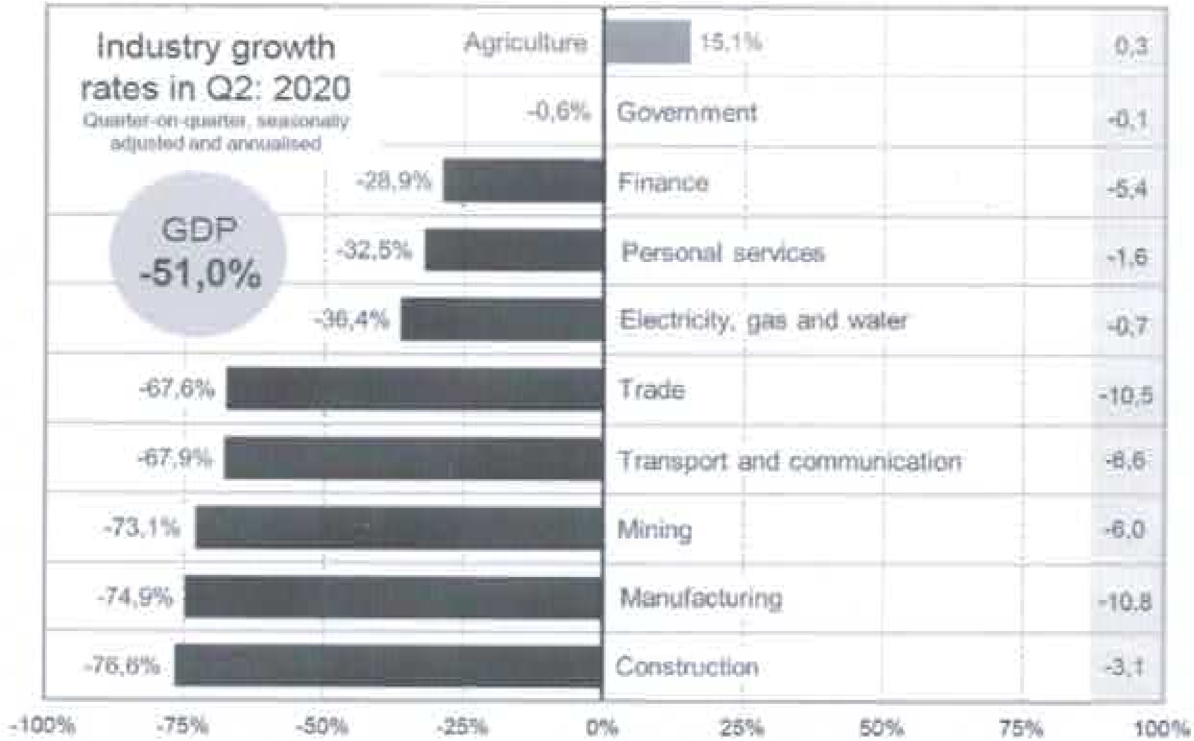
The largest negative contributors to growth in GDP in the second quarter were the manufacturing, trade and transport industries. Manufacturing decreased by 74,9% and contributed -10,8 percentage points to GDP growth. Trade, catering and accommodation decreased by 67,6% and contributed -10,5 percentage points. Transport, storage and communication decreased by 67,9% and contributed -6,6 percentage points. Agriculture, forestry and fishing was the only positive contributor to GDP growth.

Finance, real estate and business services decreased by 28,9% in the second quarter of 2020 and contributed -5,4 percentage points. Decreased economic activity was reported for financial intermediation, insurance and pension funding, auxiliary activities, and other business services. General government services decreased by

[10] SA Reserve Bank, Financial Stability Review, May 2020
[11] Statistics SA, Gross Domestic Product (GDP), 2nd Quarter 2020, 8 September 2020

0,6%, partially attributed to retirements and resignations of employees in the public service. Personal services decreased by 32,5%. Despite the increased need for health services, many services such as fitness centres, sporting and recreation activities, were not allowed to operate under lockdown and contributed to the decrease in the industry[12].

Figure 2: Industry growth rates in Q2 2020



Source: Statistics SA, GDP Q2 2020

2.3 Employment absorption in the financial sector

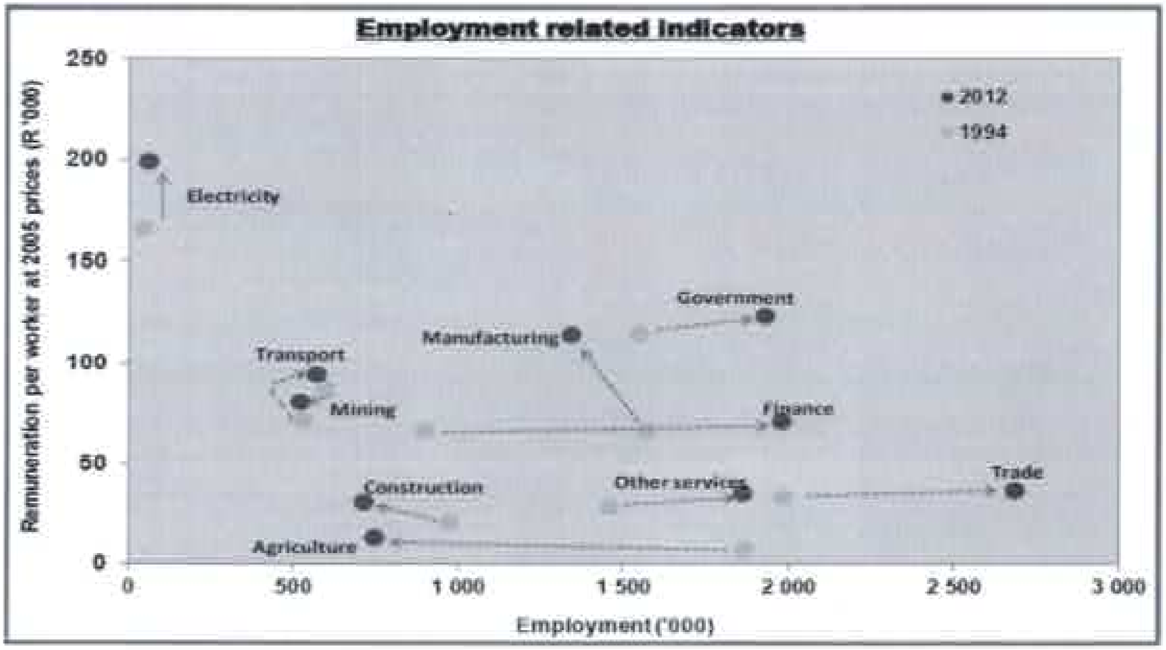
The South African economy has for many years not been able to generate sufficient employment opportunities to absorb a growing labour-force. Numerous factors have underpinned the extremely poor employment creation record, including: increased capital intensity in numerous sectors of economic activity, a mismatch of skills between what employers require and the available skills profiles; labour market rigidities and regulatory aspects; wage cost increases versus productivity growth[13]. The financial

[12] Statistics SA, Gross Domestic Product (GDP), 2nd Quarter 2020, 8 September 2020
[13] SA economy: An overview of key trends since 1994, IDC, Dec 2013

sector however did not shed jobs when looking at historic data (between 1994 -2012) and currently when comparing quarter 1 2019 with quarter 1 2020.

At the broad sector level, substantial job losses were reported over the period 1994 to 2012 (as depicted in figure 3 below) in sectors such as agriculture, forestry and fishing, manufacturing and in the construction sector (including civil engineering). The mining sector has shed about 80 000 jobs since 1994. Combined, these sectors lost 1.69 million job opportunities over the period 1994 to 2012.

Figure 3: Employment related indicators, 1994 - 2012



Source: SA economy: An overview of key trends since 1994, IDC, Dec 2013

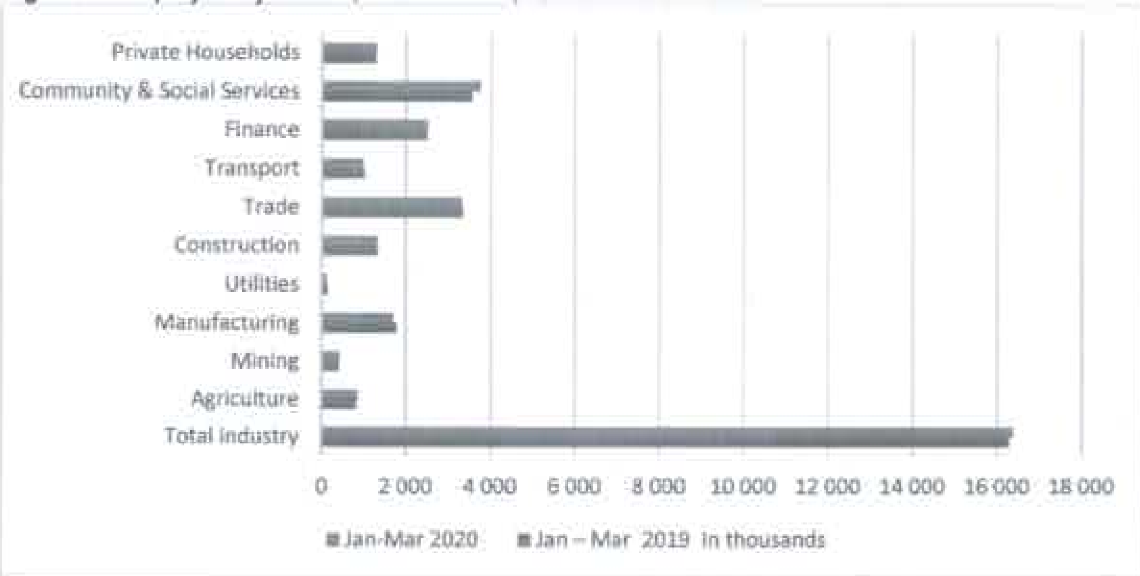
In turn, service-related sectors such as finance and business services ("finance"), trade, catering and accommodation ("trade"), transport, storage and communication ("transport"), as well as the government sector managed to increase their workforce at varying magnitudes[14].

Currently, the number of employed persons between Q4: 2019 and Q1: 2020 decreased in seven of the ten industries, with the largest decline recorded in Finance (50 000), followed by Community and social services (33 000) and Agriculture (21

[14] South African economy: An overview of key trends since 1994, IDC, December 2013

000). Increases in employment were recorded in the Trade (71 000), Private households (30 000) and Mining (6 000) industries.

Figure 4: Employed by Sector, South Africa, Q1:2019 & 01: 2020



Source: Statistics SA, QLFS, Quarter 1: 2020

Compared to the same period last year (figure 4 above), a net increase of 91 000 in total employment in Q1: 2020 was recorded in South Africa. This net increase was largely due to gains in the number of people employed in the Community and social services (185 000), Agriculture (27 000), Mining (18 000), and Private households (15 000) industries. Finance year-on-year only recorded an increase in employment of 1000 people. Employment losses were recorded in the Manufacturing (74 000), Utilities (34 000), Transport (30 000) and Trade (25 000) industries during the same period.

2.4 Access to financial services

Improving access to financial services, particularly for the poor and vulnerable, is vital for achieving sustainable and inclusive development in the financial sector. To increase access to affordable, convenient and appropriate financial services, financial inclusion interventions are essential.

National Treasury in this regard undertook a number of initiatives that contributed to developing a financial sector that provides access to the poor and thereby contributed to economic growth, job creation and poverty alleviation. These initiatives include developing the role of Co-operative and Dedicated Banks, strengthening the Postbank, and introducing a micro insurance framework.

National Treasury also worked with the financial sector, the trade unions and other stakeholders to finalise the gazetting and converting of the Financial Sector Charter into a Sector Code that will become binding on all reporting institutions[15].

Financial inclusion is about ensuring that all South Africans have access to financial services that encourage them to manage their money, save for the future, obtain credit and insure against unforeseen events.

Increasing access to formal financial services for individuals, households and micro, small and medium enterprises (MSMEs) has substantial benefits for the economy, including job creation, boosting economic growth, alleviating poverty, improving income distribution, and empowering women. Improving access to financial services will entail policy interventions, and changes to the institutional environment.

In recent years, government has undertaken a number of initiatives to accelerate financial inclusion. These include promoting entry into the banking sector, introducing deposit insurance for co-operative banks, and improving access to housing and small business finance. The purpose of these initiatives are as follows:

- **Co-operative banks**

The purpose of the Co-operative Banks Act is to create a regulatory framework that provides for the registration of Co-operative Financial Institutions (CFIs) as co-operative banks. CFIs include financial services co-operatives, saving and credit co-operatives, community banks, credit unions and village banks.

The Co-operative Banks Act also provides for establishing the Co-operative Banks Development Agency (CBDA) to support, promote and develop the co-operate banking sector.

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[15] A saver financial sector to serve SA better, 2011, National Treasury Policy

The first co-operative bank in South Africa was registered in 2011 and there are three registered co-operative banks: Ditsobotla Primary Savings and Credit Co-operative Bank, Ziphakamise Co-operative Bank, and OSK Koöperatiewe Bank[16].

- **Financial Sector Charter (FSC)**

The Financial Sector Charter came into effect in January 2004 as a result of the NEDLAC Financial Sector Summit. The FSC sets broader and deeper transformation targets, taking into account the specifics of the financial sector.

The Charter includes access targets in other sectors like the financing of low-income housing, small and medium enterprise finance, transformation infrastructure, and access to financial services such as affordable banking, insurance and savings products.

One of the key initiatives flowing from the FSC process is the Mzansi account. Mzansi was launched in 2004 by the four big banks and the Postbank. It is designed as an entry-level transactional account with common features to address the obstacles that deter consumers from being part of the formal banking sector. By August 2010, there were 3 million active Mzansi accounts[17].

- **Stokvels**

A stokvel is an association of individuals who make regular contributions to a common pool of savings, which is generally given in total or in part to each contributor on a rotational basis. The business of a stokvel is directed by a common bond that exists between its members.

- **Postbank**

The Postbank is a savings institution which operates as a division of the South African Post Office. It aims to provide banking facilities for people who previously had limited access to financial services

[16] Who Owns Whom, The Banking Industry, September 2019
[17] A saver financial sector to serve SA better, 2011, National Treasury Policy

- **Dedicated banks**

Government is committed to promote legislation to encourage greater competition in the retail banking sector, by facilitating entry for banks that are limited in complexity, scope and size. Dedicated banks are envisaged to be narrow or core banks that specialize in certain retail activities such as deposit taking or lending or both. The idea of narrowing the activities of such banks to the funding of risk-free or lower-risk retail assets is attractive as it reduces the bank-default risk of depositors[18].

In addition, the industry has introduced a number of initiatives that harness cutting-edge technology to provide innovative and useful products, i.e. *Domestic money transfer systems, Prepaid cards, Community banking mobile banking account, Virtual payments* (mimoney), *Pure cash back at point of sale (POS), Cash-back at POS, Transaction notification services.*

2.5 Support for Small, Medium and Micro Enterprises (SMMEs)

Ensuring the success of small business is high on government's agenda as small business is seen as a major force for economic growth and employment creation. Various support measures as mentioned below have been designed to assist small businesses.

The Asisa Foundation's financial literacy and micro-enterprise (Flame) development programme has successfully incubated 28 micro businesses in rural areas and townships. Through the Asisa Enterprise and Supplier Development Fund, the industry association provides investment and business development support to black-owned SMMEs in the supply chains of Asisa member companies.

Standard Bank has implemented a number of partnerships. The partnership with Small Enterprise Financial Agency (Sefa) resulted in SMEs that do not qualify for loans under the traditional credit-granting process are able to access finance. BizLaunch, BizConnect and BizDirect response centres are additional support initiatives implemented to assist entrepreneurs. This bank has a number of branches that, aside

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[18] A saver financial sector to serve SA better, 2011, National Treasury Policy

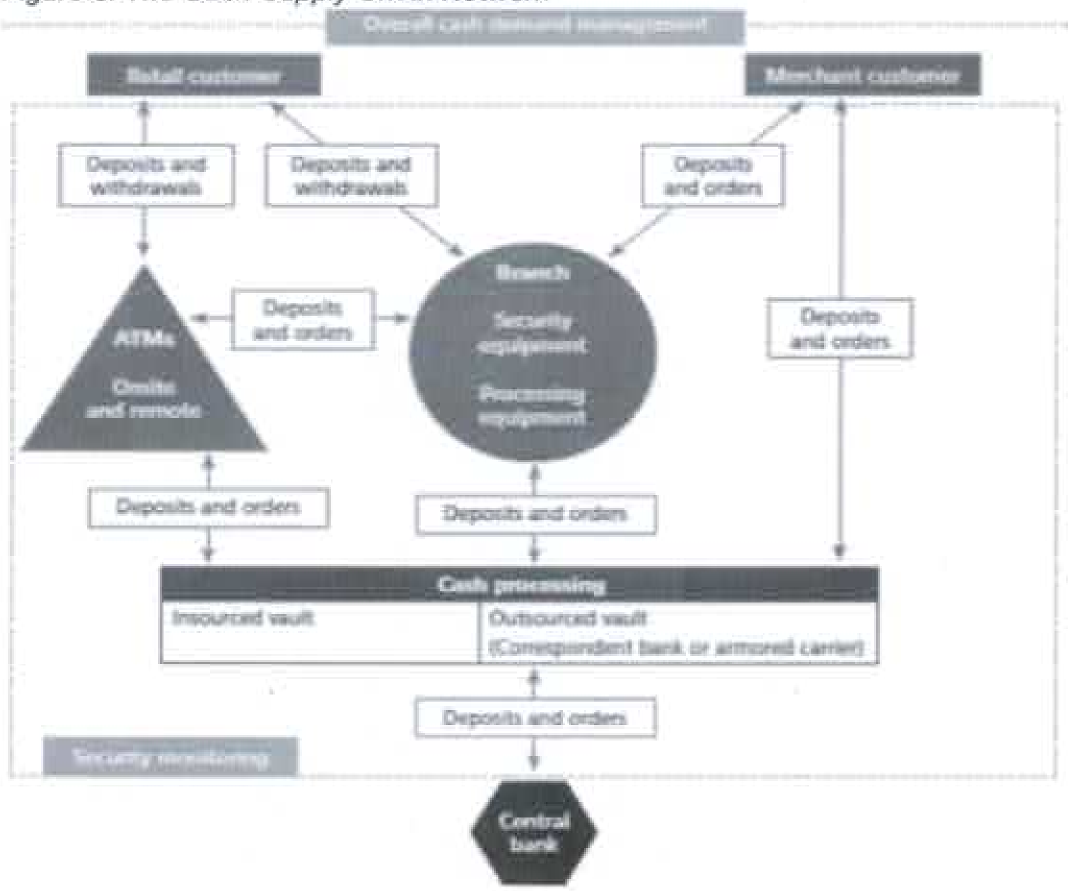
from offering normal banking services, also empower and guide entrepreneurs through financial training[19].

A number of Development Financial Institutions (DFIs) provide finance to SMEs and micro-enterprises. These include the Industrial Development Corporation (IDC), Khula Enterprise Finance, South African Microfinance Apex Fund (Samaf), National Empowerment Fund (NEF) and National Youth Development Agency.

3. INDUSTRY VALUE CHAIN

The South African banking sector is reliant on various sources for funding. Sources include the wholesale, corporate and retail sectors and government. The industry value chain is depicted in figure 5 below.

Figure 5: The Cash Supply Chain Network

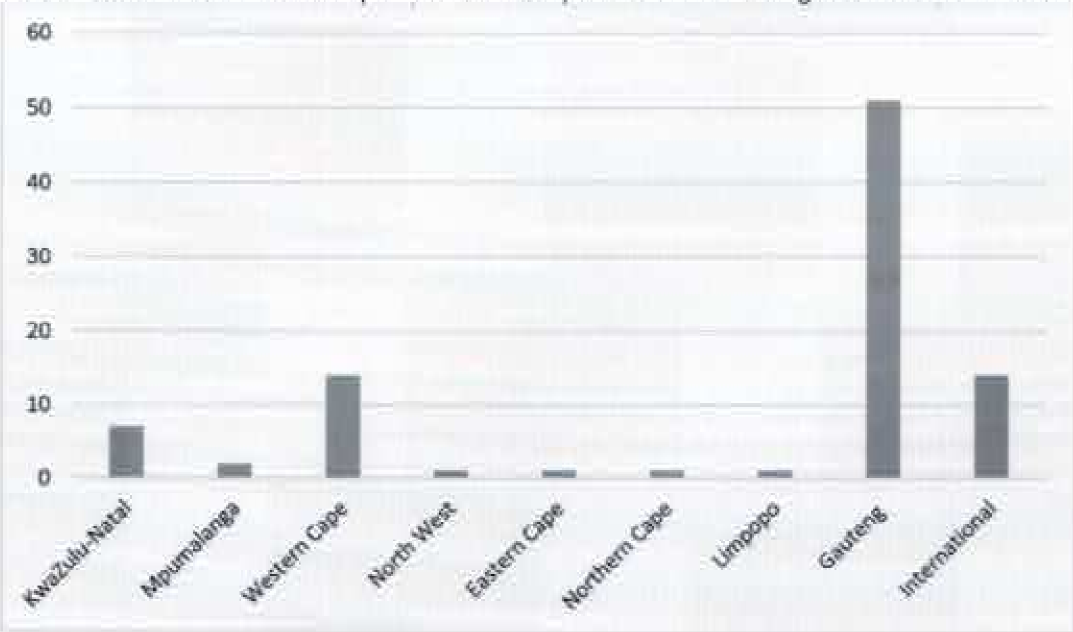


Source: The Banking Industry, Who Owns Whom, September 2019

[19] The Banking Industry, Who Owns Whom, September 2019

The geographic position of registered head offices of companies (key role-players in the financial sector) per province are indicated in figure 6 below. No registered head offices are recorded for Free State.

Figure 6: Concentration of Companies Profiled per Province – Registered Head Offices



Source: The Banking Industry, Who Owns Whom, September 2019

4. FREE STATE FINANCIAL SECTOR PERFORMANCE

4.1 Contribution of the Financial Sector to the provincial economy

Various industries contributes to the economy of the Free State Province. The table below reflects the Gross Value Added (GVA) of the Free State Province.

Table 2: Gross Value Added (GVA) by broad economic sector – Free State, 2019 (R Billions, Current prices)

	Free State	National Total	Free State as % of national
Agriculture	11.0	95.7	11.5%
Mining	23.8	376.4	6.3%
Manufacturing	24.1	598.2	4.0%
Electricity	9.4	173.4	5.4%
Construction	6.0	172.2	3.5%
Trade	32.5	685.3	4.7%
Transport	23.3	442.1	5.3%
Finance	36.1	889.3	4.1%
Community services	56.6	1,091.2	5.2%
Total Industries	222.9	4,523.6	4.9%

Source: IHS Markit Regional eXplorer version 1990

The Community Services sector (in 2019) is the largest within Free State Province accounting for R 56.6 billion or 25.4% of the total GVA in the province's economy. The sector_that contributes the second most to the GVA of the province is the Finance sector at 16.2%, followed by the Trade sector with 14.6%. The sector that contributes the least to the economy of Free State is the Construction sector with a contribution of R 6.04 billion or 2.71% of the total GVA.

Over a ten year period (as per table 3 below), from 2009 and 2019, the GVA in the Trade sector had the highest average annual growth rate in the province at 1.93%. The industry with the second highest average annual growth rate is the Community Services sector averaging at 1.91% per year. The financial sector recorded the third highest average annual growth of 1.50% per year. The mining sector had an average annual growth rate of -0.47%, while the agriculture sector had the lowest average annual growth of -2.62%.

Table 3: Gross Value Added (GVA) by broad economic sector – Free State, 2009, 2014 and 2019 (R Billions, 2010 constant prices)

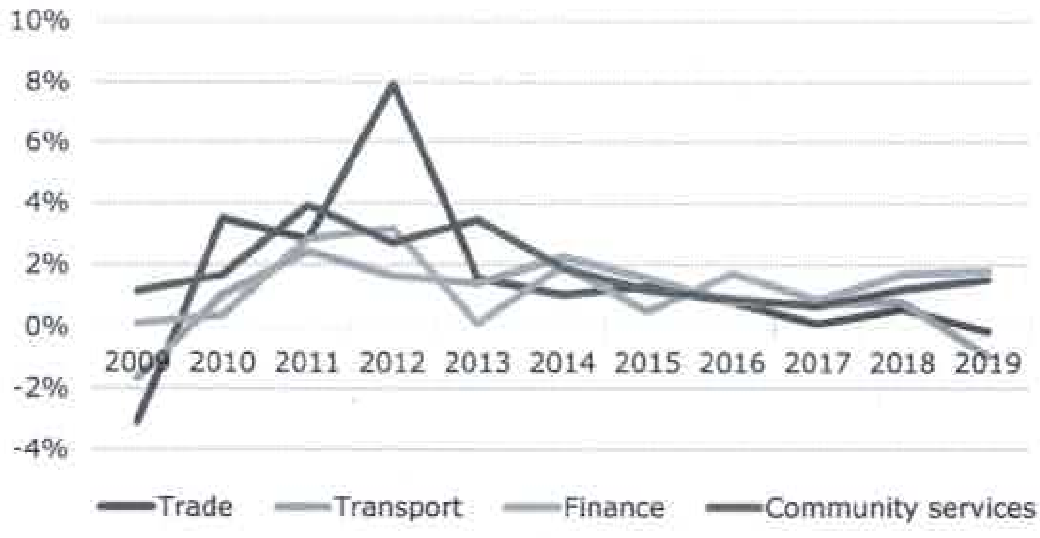
	2009	2014	2019	Average Annual growth
Agriculture	6.6	6.9	5.1	*-2.62%*
Mining	18.1	19.7	17.2	*-0.47%*
Manufacturing	13.8	15.4	15.5	*1.18%*
Electricity	4.4	4.5	4.3	*-0.11%*
Construction	4.0	4.1	4.0	*0.00%*
Trade	21.9	25.8	26.5	*1.93%*
Transport	11.4	12.5	12.9	*1.17%*
Finance	20.4	22.2	23.7	*1.50%*
Community services	30.0	34.3	36.3	*1.91%*
Total Industries	130.6	145.6	145.4	*1.08%*

Source: IHS Markit Regional eXplorer version 1990

The tertiary sector (trade, transport, finance and the community services sector) contributes the most to the GVA within the province at 66.7%. This is slightly lower than the national economy (68.7%). The secondary sector contributed a total of 17.7% (ranking second), while the primary sector contributed the least at 15.6%.

Figure 7 below depicts the average growth rates in the GVA of the Tertiary sector in Free State Province from 2009 to 2019.

Figure 7: Gross Value Added (GVA), Tertiary Sector – FS, 2009-2019 (Annual percentage change)



Source: IHS Markit Regional eXplorer version 1990

Trade experienced the highest positive growth in 2012 with a growth rate of 7.9%. Transport reached its highest point of growth in 2011 at 2.4%. Finance experienced the highest growth rate in 2012 when it grew by 3.2% and recorded the lowest growth rate in 2013 at 0.1%. Trade had the lowest growth rate in 2009 at -3.1%. Community Services, which largely consists of government, experienced its highest positive growth in 2011 with 3.9% and the lowest growth rate in 2017 with 0.7%.

4.2 Sector Growth Forecast

Table 4: Gross Value Added (GVA) by broad economic sector – Free State, 2019 - 2024 (R Billions, constant 2010 prices)

	2019	2020	2021	2022	2023	2024	Average Annual growth
Agriculture	5.1	5.3	5.3	5.4	5.5	5.7	*2.28%*
Mining	17.2	14.9	16.3	15.7	15.0	14.4	*-3.51%*
Manufacturing	15.5	14.2	14.7	15.1	15.4	15.7	*0.24%*
Electricity	4.3	4.0	4.1	4.1	4.1	4.1	*-1.09%*
Construction	4.0	3.1	3.1	3.2	3.2	3.3	*-3.74%*
Trade	26.5	23.2	23.8	24.1	24.4	24.8	*-1.34%*
Transport	12.9	11.6	11.9	12.0	12.3	12.5	*-0.54%*
Finance	23.7	22.8	23.5	24.1	24.6	25.2	*1.27%*
Community services	36.3	33.7	33.7	34.0	34.0	34.3	*-1.11%*
Total Industries	145.4	132.7	136.4	137.6	138.6	140.0	*-0.76%*

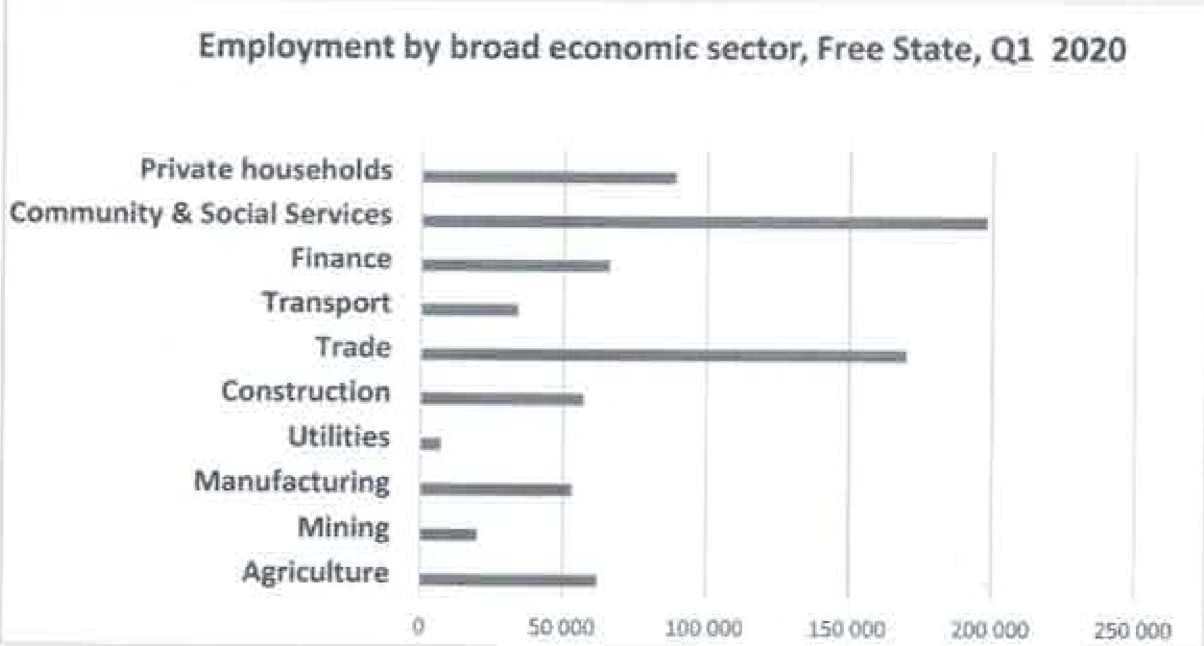
Source: IHS Markit Regional eXplorer version 1990

The finance sector is expected to grow at an average of 1.27% (as per table 4 above) annually from R 23.7 billion to R 25.2 billion in 2024. The agriculture sector is expected to grow fastest at an average of 2.28% annually from R 5.06 billion to R 5.67 billion in 2024. The community services sector is estimated to be the largest sector within the province in 2024, with a total share of 24.5% of the total GVA (as measured in current prices), growing at an average annual rate of -1.1%. The sector that is estimated to grow the slowest is the construction sector with an average annual growth rate of -3.74%.

4.3 Employment per sector

The economic sector that recorded the largest number of employment in Q1 2020 is community services with a total of 198 000 employed people or 26.19% of total employment in the province as depicted in figure 8 below.

Figure 8: Employment by broad economic sector, FS, Q1 2020



Source: Statistics SA. 2019. Quarterly Labour Force Survey Q1:2020

Trade with a total of 170 000 (22.49%) employs the second highest number of people relative to the rest of the sectors. Finance recorded the fourth highest number of people with a total of 66 000 employed people. The utilities sector with 7 000 (0.93%) is the sector that employs the least number of people in province, followed by the mining sector with 20 000 (2.65%) people employed.

5. RECOMMENDATIONS AND CONCLUSION

The financial services sector is at the heart of the South African economy and touches the life of each and every citizen. Financial services allow people to make daily economic transactions, save and preserve wealth to meet future aspirations and retirement needs, and insure against personal disaster. At the level of the macro-economy, the financial sector enables economic growth, job creation, the building of vital infrastructure and sustainable development for South Africans.[20]

The South African economy of today is radically different from the economy under siege prior to 1994. The average annual rate of economic growth since the advent of democracy has more than doubled when compared to the period spanning the years 1980 to 1993. Even higher rates of growth were being experienced prior to the global financial and economic crises, but the openness of South Africa's economy, now fully integrated within the world economy and capital markets, exposed its vulnerability to external developments[21].

The financial sector also plays a central role to support the Free State's provincial economy. Its role is vital for ongoing transformation of society and to bring a better life to all the people in the province. The pace of economic expansion has not only fallen short of its potential but has been unable to make a significant dent on the unemployment plight, particularly amongst youth in the province (47.0% Q3: 2019[22]), and to reduce substantially the incidence of poverty. The province also recorded employment losses in both the formal and informal sectors of the economy in the first quarter of 2020 when comparing it with the first quarter of 2019, with 19 000 and 7 000 respectively. The unemployment rate stood at 38.4% at the first quarter of 2020 (up with 3.5 percentage points year-on-year, from 34.9%), the second highest amongst the provinces in the South Africa[23].

Since the coronavirus outbreak (COVID-19) globally in December, more than 1,400

[20] A saver financial sector to serve SA better, 2011, National Treasury Policy
[21] South African economy: An overview of key trends since 1994, IDC, Dec 2013
[22] Statistics SA, QLFS, 3rd Quarter 2019
[23] Statistics SA, QLFS, 1st Quarter 2020

measures have been adopted to support the financial sector by more than 140 different countries[24]. The magnitude of this response reflects the severity of the economic damage caused by measures to halt the pandemic. The goals are to stabilize financial markets, so that credit and liquidity can keep flowing to the most affected and vulnerable sectors - especially small and medium enterprises, as well as households.

Flowing from the above the financial sector can be seen as a key element to help countries, including South Africa to mitigate the impact of the crisis on firms and households, and to support the economic recovery of the respective countries. The World Bank in this regard has been tracking and analysing the financial sector policy measures taken since late February. These measures have been grouped into four main categories of intervention: injecting liquidity and easing monetary conditions, supporting the banking sector and its borrowers, stabilizing financial markets and supporting Non-Bank Financial Institutions, and underpinning payments systems.

Despite the challenges faced by the financial sector it remains resilient, much of which is the result of the macroeconomic environment. The recovery from the 2008-09 economic slowdown has been weak, and lending growth has not picked up to match the rates of earlier years. Political tensions, low commodity prices, strikes and high consumer debt have weighed on banks' business as demand has slowed and risks in some areas have increased[25].

Given the need for higher economic growth and job creation, it is imperative for Free State province to ensure that the financial sector remains competitive and that efficient, effective and affordable financial services are more accessible. Comprehensive consultations with all stakeholders will have to take place for a renewed focus on maintaining and strengthening financial services and together building a safer financial sector for the province.

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[24] https://blogs.worldbank.org/psd/patterns-and-some-implications-covid-19-financial-sector-policy-interventions

[25] https://oxfordbusinessgroup.com/overview/time-adjustment-new-rules-and-guidelines-will-mean-stronger-more-stable-sector-long-term