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

Research Document on Various Economic Indicators

An Economic Intelligence Report

Impact of the Covid-19 pandemic on the performance of Free State Enterprises

December 2021

This issue of the Economic Intelligence Report provides an overview of the impact of Covid-19 on the performance of Free State enterprises. It also provides the results of the Free State Enterprises Covid-19 Business Impact Survey; This survey is developed to provide insight on the initial financial and non-financial performance of provincial companies as well as to share additional experiences and lessons learned during the Covid-19 pandemic.

DISCLAIMER

This report is compiled using available information from various sources. Any views or opinions expressed in this report are not necessarily those of, nor endorsed by, the Department of Economic, Small Business Development, Tourism and Environmental Affairs (DESTEA). Information disclosed in this report may not be accurate, current or complete and the Department disclaims all liability in this regard.[1] The issue of the Economic Intelligence Report focuses mainly on trends in economic indicators for 2021, specifically for the third quarter of 2021/22.

Comments and enquiries relating to this report are welcomed and should be addressed to:

Email: jansen@destea.gov.za.

[1] Cover image adapted from https://www.google.com/search?q=enterprises+in+south+africa&sxsrf=AOaemvlcK2VKXQ39dmich5nlWSw_Cb2l1w:1640015761890&source=lnms&tbm=isch&sa=X&ved=2ahUKEwj56abn3vL0AhXSMMAKHVECCGwQ_AUoAXoECAIQAw&biw=1536&bih=722&dpr=1.25#imgrc=WvlKn_RRYUOEdM

The report was compiled by:

Dikeleko Selobe

Economic Research Directorate

Signature: ____________________

Date: 2021/12/15

Verified by:

Abram Jansen

Deputy Director: Economic Intelligence Sub-Directorate

Economic Research Directorate

Signature: ____________________

Date: 2021/12/23

Approved by:

Jonas Mosia

Director: Economic Research Directorate

Signature: ____________________

Date: 2021/12/28

The report was compiled by:

Dikeleko Selobe

Economic Research Directorate

Signature: ______________________

Date: ______________________

Verified by:

Abram Jansen

Deputy Director: Economic Intelligence Sub-Directorate

Economic Research Directorate

Signature: ______________________

Date: ______________________

Approved by:

Jonas Mosia

Director: Economic Research Directorate

Signature: ______________________

Date: ______________________

Contents

1. INTRODUCTION AND BACKGROUND

The personal, social and economic impact of COVID-19 represents the biggest shock experienced by the world in the past 75 years. Uncertainties were created by this pandemic that led to countries take bold actions (including complete lockdowns of economies and social activities) to safeguard public health. Unfortunately efforts adopted to flatten the COVID-19 curve, coincidentally steepen the curve of economic recession in many countries, including South Africa. What further worsen the situation is that the pandemic started when the South African economy experienced a technical recession, complicated by the Moody's downgrade of the sovereign credit rating to junk status, making early and fast recovery very challenging. Bold actions by the South African Government, including a total lockdown, implementation of a stimulus package, aggressive screening, and testing contained the pandemic. However, the COVID-19 remained untamed in the first five months – with devastating impacts on the economy and the population.[2]

The South African government introduced hard lockdown restrictions at the end of March 2020 as the Covid-19 crisis escalated. In March 2021 the lockdown was lowered from an adjusted level 3 to an adjusted level 1.[3] Lockdown restrictions under adjusted Level 3 due to a third wave of Covid-19 infections, alongside civil unrest, destruction of property and looting in parts of the country during July, not only affected production, consumption and investment activity but also dented consumer, business and investor sentiment. Transport disruptions due to the July unrests and the cyber-attack on Transnet's computer systems, which affected its facilities at the port of Durban, also negatively impacted economic activity. Since then, stage 4 load-shedding on a number of occasions and strikes in the steel and engineering sector provided a clear warning that the economy is still facing serious challenges that may disrupt the recovery process.[4]

The IDC in their recent *Economic Overview* reported that business confidence consequently declined in the third quarter of 2021, while the leading business cycle

---

[2] Covid-19 in SA, Socio-Economic Impact Assessment, United Nations in South Africa.
[3] https://en.wikipedia.org/wiki/COVID-19_pandemic_in_South_Africa
[4] IDC. Economic Overview: Recent developments in the global and South African economies, Nov 2021

indicator and the manufacturing PMI also edged lower, providing an indication of slower growth in the months ahead. Nonetheless, for the year as a whole, real GDP is forecast to increase by a robust 5.1%. Although this will be the best performance since the 5.4% expansion recorded in 2007, it follows a 6.4% contraction in 2020.

These lockdowns and restrictions also impacted on people's livelihood. Social grants remained a vital safety net during this time, particularly in the poorest provinces. The rollout of the temporary COVID-19 Social Relief of Distress grant (SRD) in 2020 played a central role in protecting individuals and households against the loss of income during this period. Children's life were also impacted by the ongoing COVID-19 pandemic. According the General Household Survey the percentage of children (aged 0-4 years) that attended grade R, pre-school, nursery school, crèche, and educare centres decreased from 36,8% in 2019 to 24,2% in 2020, while the percentage of children that remained at home with a parent, guardian, other adults or children increased from 57,8% to 67,2% during the same period.[5]

The preliminary impact of the pandemic on the national economy has been well documented by data agencies such as Statistics South Africa, however provincial data remain very limited. The Economic Research Directorate has found it necessary to determine what the initial impact of the Covid-19 pandemic and subsequent lockdown have been on the provincial economy. This report is a fourth in a series of Economic Intelligence reports developed to establish the pandemic's impact on the provincial economy.

This issue of the Economic Intelligence report focuses specifically on the impact of the pandemic on the performance of Free State enterprises. The report presents the impact on national and provincial Gross Domestic Product (GDP) and employment. A Covid-19 Business Impact Survey was developed and distributed to provincial enterprises. This survey was developed to assess the impact on the productivity and workforce as a result of the Covid-19 pandemic. Enterprises in all five districts in the province were approached to participate in this initiative.

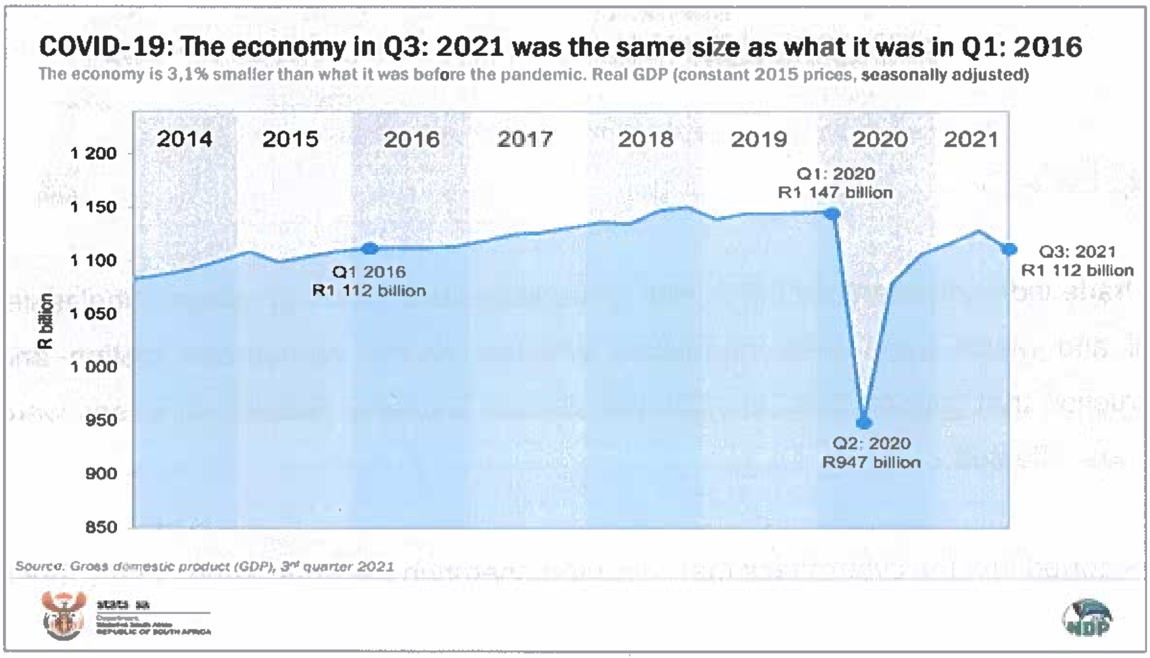
[5] Statistics South Africa, General Household Survey, 2020

2. SOUTH AFRICAN ECONOMY

South Africa's GDP decreased by 1,5% in the third quarter of 2021.[6] Statistics South Africa reported that unadjusted real GDP at market prices for the first nine months of 2021 increased by 5,8% compared with the first nine months of 2020. This contraction was due to the twin pressures of tighter COVID-19 lockdown restrictions and a spate of civil disorder in July, as well as several other headwinds.

After recording four consecutive quarters of positive growth, real GDP slumped by 1,5%, eroding some of the economic gains the country has made since the severe impact of COVID-19 in the second quarter of 2020. In the third quarter of 2021 the level of GDP was on par with the first quarter of 2016 as per figure 1 below.

Figure 1: Growth in Gross Domestic Product, 2014 – 2021- South Africa

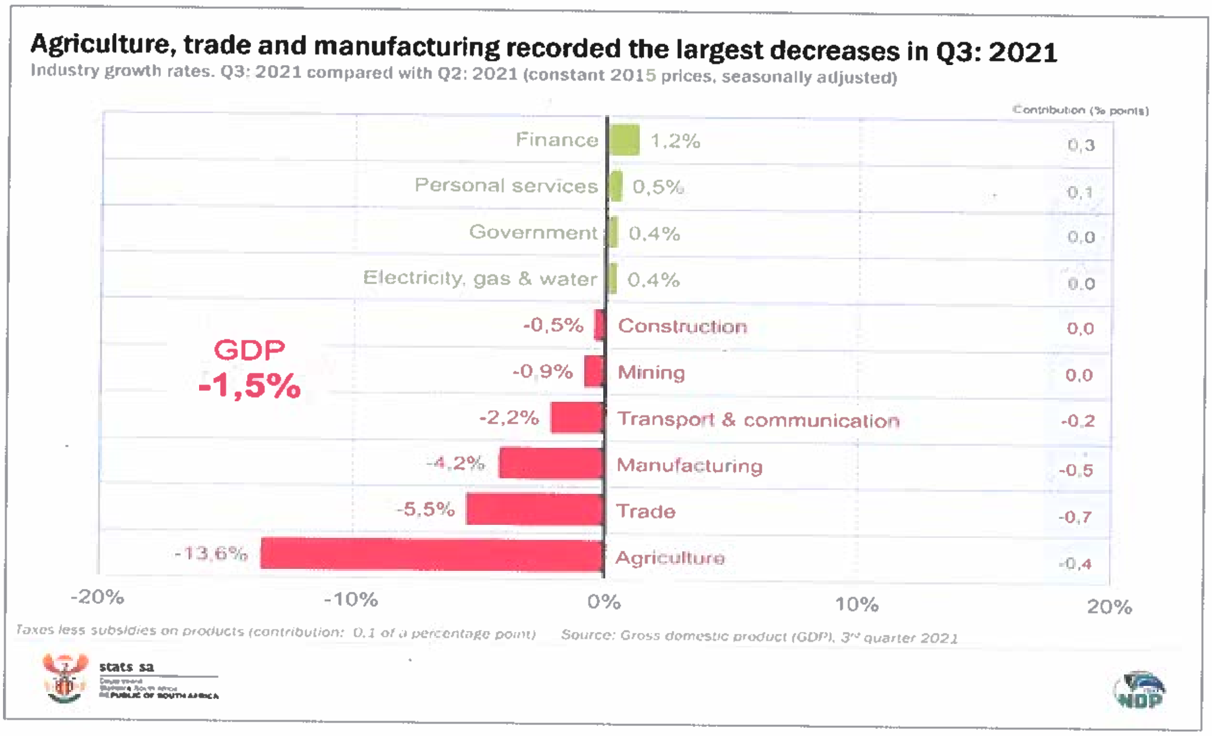


Six of the ten industries (as depicted in *figure* 2 below) that contributes to the national economy recorded a decline in production in the third quarter, with agriculture, trade and manufacturing the hardest hit. The agriculture industry recorded its biggest drop in production since 2016, contracting by 13,6%. Together with a decline in the production of animal products, the industry in KwaZulu-Natal was dealt a major blow

[6] Statistics South Africa, Gross Domestic Product (GDP), 3rd Quarter 2021

by the civil disorder in July. Commodities such as maize, citrus and sugarcane farms recorded losses from fires during this time.

Figure 2: Performance of industries, Q3: 2021



The trade industry shrank by 5,5%, with all trade sectors reporting losses. Wholesale, retail and motor trade were negatively affected by the widespread looting and destruction that gripped KwaZulu-Natal as well as Gauteng. Retail businesses were the most affected.

It is reported that the cyberattack that disrupted operations at South African ports dealt a further blow to motor trade. In response to the rapid spread of the COVID-19 Delta variant, the country was on Alert Level 4 lockdown from 28 June to 25 July. This stymied growth in the tourist accommodation sector, as well as constricting restaurant and catering trade.[7]

The manufacturing industry declined by 4,2% as a result of the civil disorder and global shortages of raw materials. Transport and communications declined by 2.2% attributed to road freight transport into and out of KwaZulu-Natal that was severely

[7] Statistics South Africa, Gross Domestic Product, Q3 2021

disrupted by the violence. Several domestic airlines recorded flight cancellations following leisure travel restrictions imposed by the Alert Level 4 lockdown.

Four industries managed to record positive growth rates. Finance increased economic activity by 1,2%; Personal services by 0.5% due to increased spending on private healthcare and the roll-out of COVID-19 vaccines for those aged between 18 and 35 years; General government expanded by 0,4%, attributed to a rise in employment in local government and extra-budgetary accounts and funds.

It is further reported that Household final consumption expenditure decreased by 2,4%. The looting and closure of retailers in KwaZulu-Natal during the civil disorder resulted in food shortages. Many consumers struggled to buy basic supplies. The Adjusted Level 4 lockdown restricted trading hours and limited restaurant activity. Declines in fuel sales and a decrease in the trade of furniture and appliances also contributed negatively to household expenditure growth.[8]

Economic activities with regard to exports were also disrupted. It is recorded that exports decreased by 5,9%. Shortages in parts disrupted the production and export of motor vehicles. The civil disorder in July also had an impact on manufacturers who struggled to transport goods to the Durban port.

Employment was also negatively affected by the pandemic. The South African economy as such sheds more than half a million jobs in the 3rd quarter of 2021 according to the latest *Quarterly Labour Force Survey (QLFS)* for the 3rd quarter of 2021. The number of employed persons declined by 660 000 to 14,3 million compared to the 2nd quarter of 2021.

The decline in employment is coupled with a decline in the number of unemployed persons to 7,6 million from 7,8 million, resulting in a decline in the labour force and an increase in the official unemployment rate.

---

[8] Statistics South Africa, Gross Domestic Product, Q3 2021

South Africa's unemployment rate in Q3:2021 increased by 0,5 of a percentage point to 34,9% as depicted in *table 1*. This is the highest official unemployment rate recorded since the start of the QLFS in 2008.

Table 1: Working Age Population, SA, Q3: 2021

WORKING AGE POPULATION IN SOUTH AFRICA (15-64 YEAR OLDS) 39.7M			
Labour force		**Not economically active**	
21.9m			
Employed 14.3m	Unemployed 7.6m	Discouraged Work Seekers 3.9m	Other NEA 14.0 m
	SA official unemployment rate 34.9%		

Source: Statistics SA, Quarterly Labour Force Survey, Q3: 2021

An increase is recorded in the number of discouraged work-seekers (up by 545 000) and an increase in the number of those that are not economically active (NEA) for reasons other than discouragement (up by 443 000), resulting in a net increase of 988 000 in the NEA population over this period. These results are reflective of a struggling economy suffering high job losses and high levels of economic inactivity, exacerbated by the COVID-19 pandemic lockdown restrictions and, more recently, the July 2021 social unrest that some parts of the country which experienced, which led to some businesses being permanently closed.[9]

When looking at employment in the industries between the 2nd and 3rd quarters of 2021, the number of employed persons decreased in all industries except Finance, where employment increased by 138 000. Trade shed 309 000 jobs, followed by Community and social services with 210 000, and Construction and Private Households with 65 000 each. The formal sector was the most affected by job losses while job gains were recorded in the informal sector (an increase of 9 000).

Although all provinces except Northern Cape experienced job losses when comparing the 2nd and 3rd quarters of 2021, the largest employment decreases were recorded in

[9] Statistics South Africa, Quarterly Labour Force Survey, Q3 2021

Gauteng (down by 200 000), North West (down by 128 000), KwaZulu-Natal (down by 123 000) and Limpopo (down by 112 000). KwaZulu-Natal and Gauteng provinces experienced riots and looting of businesses and these two provinces accounted for almost half (48,9%) of all job losses in the 3rd quarter of 2021 compared to the 2nd quarter of the same year. Free State lost the least jobs (down by 3 000) amongst the nine provinces.

3. FREE STATE ECONOMY: GDP AND EMPLOYMENT

With a GDP of R 279 billion in 2020 (up from R 160 billion in 2010), the Free State Province contributed 5.06% to the South Africa GDP of R 5.52 trillion in 2020 increasing in the share of the National Total from 5.24% in 2010.

Table 2: Gross Domestic Product (GDP) – Free State and South Africa, 2010-2020 (Annual Percentage Change, Constant 2010 prices)

	Free State	National Total
2010	2.1%	2.6%
2011	2.1%	3.2%
2012	3.1%	2.4%
2013	1.9%	2.5%
2014	1.4%	1.4%
2015	0.0%	1.3%
2016	0.1%	0.7%
2017	1.2%	1.2%
2018	0.9%	1.5%
2019	-0.4%	0.1%
2020	-6.6%	-6.4%
Average Annual growth 2010-2020	***0.34%***	***0.74%***

Source: IHS Markit Regional eXplorer version 2175

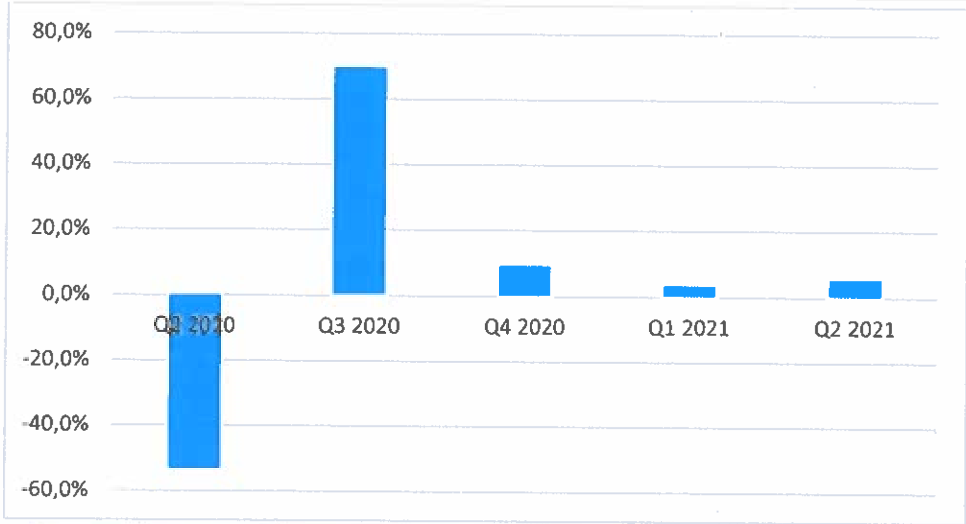
In 2020, the Free State Province achieved an annual growth rate of -6.55% which is almost similar than the growth rate of -6.43% of South Africa. Contrary to the short-term growth rate of 2020, the longer-term average growth rate for Free State (0.34%) is slightly lower than that of South Africa (0.74%). The economic growth in Free State peaked in 2012 at 3.06%.[10]

The provincial economy was severely impacted by the Covid-19 pandemic as indicated in figure 3 below. Growth in the quarterly GDP was the lowest in Q2: 2020 at -53.3%. An improvement was recorded in the quarterly GDP in Q3: 2020 which

[10] IHS Markit Regional eXplorer version 2175

however declined to 3.4% in Q1:2021. Growth in the quarterly GDP increased from 3.4% Q1: 2021 to 5.4% in Q2: 2021.

Figure 3: Free State GDP % change quarter-on-quarter (seasonally adjusted and annualised) and contribution to growth in Quarterly GDP from Q2:2020 to Q2:2021



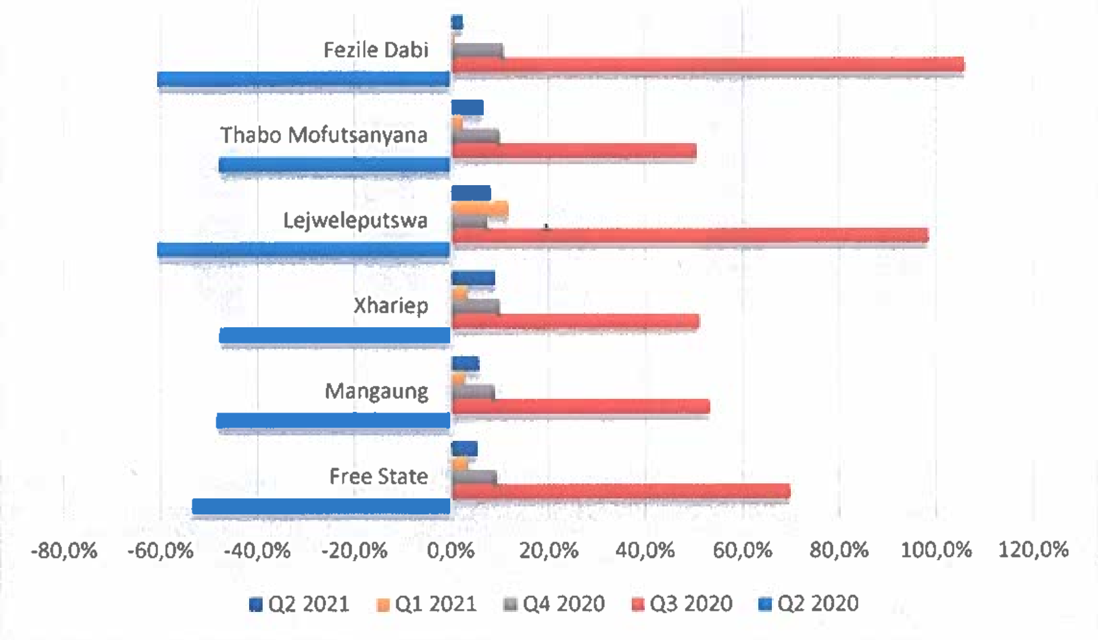
	Q2:2020	Q3:2020	Q4:2020	Q1:2021	Q2:2021
Contribution to growth in Quarterly GDP (% point, Constant prices)	-53.3%	69.7%	9.3%	3.4%	5.4%

Data Source: IHS Markit Regional eXplorer

Economic growth in the 5 regions of the province was also severely impacted by the Covid-19 pandemic. When looking at the quarterly GDP of the regions from Q2 2020 to Q2 2021 one can see the negative impact the pandemic had especially during Q2 2020 as depicted in *figure 4*.

Fezile Dabi and Lejweleputswa were mostly affected in Q2 2020 with declines of 60.8% and 60.7% respectively. A recovery in the quarterly GDP for all the districts were recorded in Q3 2020. All the districts except Lejweleputswa recorded increases in the quarterly GDP in Q2 2021 comparing it to Q1 2021; Xhariep 8.9% (from 3.3% in Q1 2021), Thabo Mofutsanyana 6.6% (from 2.2% in Q1 2021), Mangaung Metropolitan Municipality 5.6% (from 2.8% in Q1 2021), Fezile Dabi 2.4% (from 0.6% in Q1 2021). Lejweleputswa recorded 8.1% (from 11.7% in Q1 2021).

Figure 4: Quarterly GDP by Region, % change quarter-on-quarter (seasonally adjusted and annualised), Q2 2020 – Q2 2021



Source: IHS Markit Regional eXplorer 2175 (2.6p)

When looking at employment in the province it is reported by Statistics South Africa that the official unemployment rate increased by 1.6 percentage points, from 36.5% to 38.1% quarter-to-quarter (Q2: 2021 to Q3: 2021) and 2.6 percentage points year-on-year (Q3: 2020 to Q3: 2021).

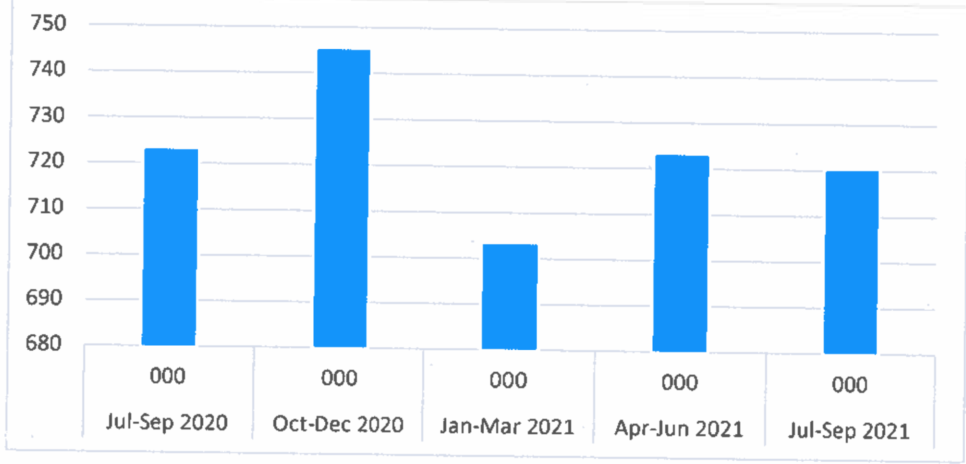
Table 3: Unemployment rate (%) Free State Province Q3:2020 to Q3:2021

		Jul-Sep 2020	Oct-Dec 2020	Jan-Mar 2021	Apr-Jun 2021	Jul-Sep 2021	Qtr-to-Qtr change	Y-on-Y change
South Africa	**Official unemployment rate**	30.8	32.5	32.6	34.4	34.9	0.5	4.1
	Expanded unemployment rate	43.1	42.6	43.2	44.4	46.6	2.2	3.5
Free State	**Official unemployment rate**	**35.5**	**33.4**	**35.6**	**36.5**	**38.1**	**1.6**	**2.6**
	Expanded unemployment rate	**42.6**	**39.9**	**43.4**	**45.2**	**45.8**	**0.6**	**3.2**

Source: Statistics SA, Quarterly Labour Force Survey Q3: 2021

The table below shows that Free State recorded employment losses both quarter-to-quarter (Q2: 2021 to Q3: 2021) and annually (Q3: 2020 to Q3: 2021) with 3 000 jobs for both periods respectively.

Figure 5: Total Employment Q3:2020 to Q3:2021, Free State



	Q3:2020	Q4:2020	Q1:2020	Q2:2021	Q3:2021	Quarter to Quarter	Year on Year	Quarter to Quarter (%)	Year on Year (%)
Total	**723 000**	**745 000**	**703 000**	**723 000**	**720 000**	-3 000	-3 000	-0.4%	-0.5%

Source: Statistics SA, Quarterly Labour Force Survey Q3:2021

The majority of the province's workforce in Q3 2021 was employed in Community & Social Services (178 000), followed by Trade (163 000). Finance and Trade experienced the highest gains in employment quarter-to-quarter recording 23 000 & 8 000 more jobs between Q2:2021 and Q3:2021. Construction, Manufacturing and Community & Social Services recorded the highest decreases in employment year-on-year up 37.9%, 34.7% and 8.1% respectively.[11]

Table 4: Employment losses and gains by industry – Free State Q3 2021 to Q3: 2020

GAINS	Industry	Year-on-Year Jul-Sep 2020 to Jul-Sep 2021			
	Agriculture	24 000			
	Mining	3 000		Manufacturing	17 000
	Utilities	3 000			
	Trade	3 000		Construction	20 000
	Transport	6 000		Community & Social Services	16 000
	Finance	10 000			
	Private Households	1 000			

Source: Statistics SA, Quarterly Labour Force Survey, Quarter 3: 2021

[11] Statistics South Africa. 2021. Quarterly Labour Force Survey Q3:2021

Seven industries recorded increases in employment in Q3: 2021 with the highest employment gains in Agriculture with 24 000 jobs. Employment in three industries decreased with the highest employment losses in Construction with 20 000 jobs.

The novel coronavirus also resulted in a big change in the way people doing their work. Some additional questions were included in the QLFS Q3: 2021 questionnaire to capture these changes. These included whether people were working from their usual places of work or working from home.

Of the 14,3 million persons who were employed in Q3: 2021 nationally, about four out of every five persons (85,2%) were expected to work during the national lockdown by the companies/organisations they work for.

Table 5 focuses on people in South Africa and Free State working from their usual places of work or working from home of only those who were employed.

Table 5: Work location for Free State and South Africa, Q2: 2021 and Q3: 2021

	Apr-Jun 2021			Jul-Sep 2021			Apr-Jun 2021	Jul-Sep 2021	Qtr-to-Qtr change (%)
	Usual place of work	Work from home	Total	Usual place of work	Work from home	Total	% worked from home Q2 2021	% worked from home Q3 2021	
	Thousand			Thousand			%		
Free State	571	25	**596**	564	38	**602**	4.1	6.3	2.2
SA	11 450	846	**12 296**	11 072	936	**12 008**	6.9	7.8	0.9

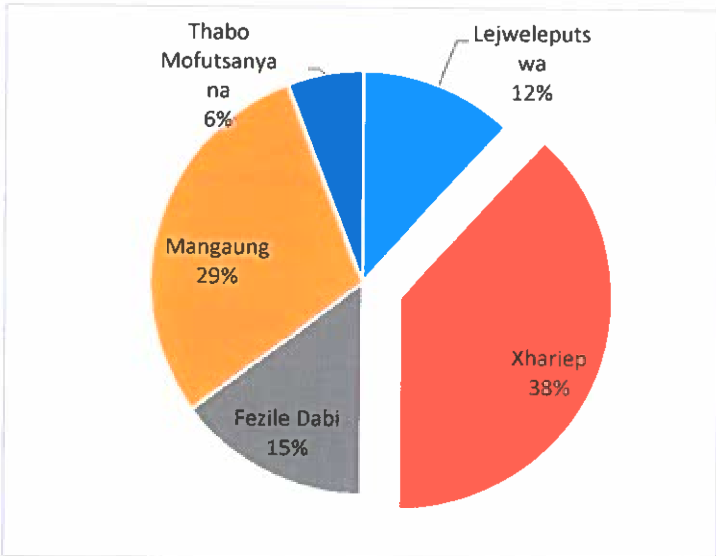
Source: Statistics SA, Quarterly Labour Force Survey, Quarter 3: 2021

This table shows that the majority of people in Free State worked from their usual place of work in both Q2: 2021 and Q3: 2021. In Q2: 2021, 4.1% of the employees indicated that they worked from home. There was a 2.2% increase in the proportion of workers who worked from home in Q3: 2021 compared to Q2: 2021.

4. FREE STATE ENTERPRISES COVID-19 BUSINESS IMPACT SURVEY RESULTS

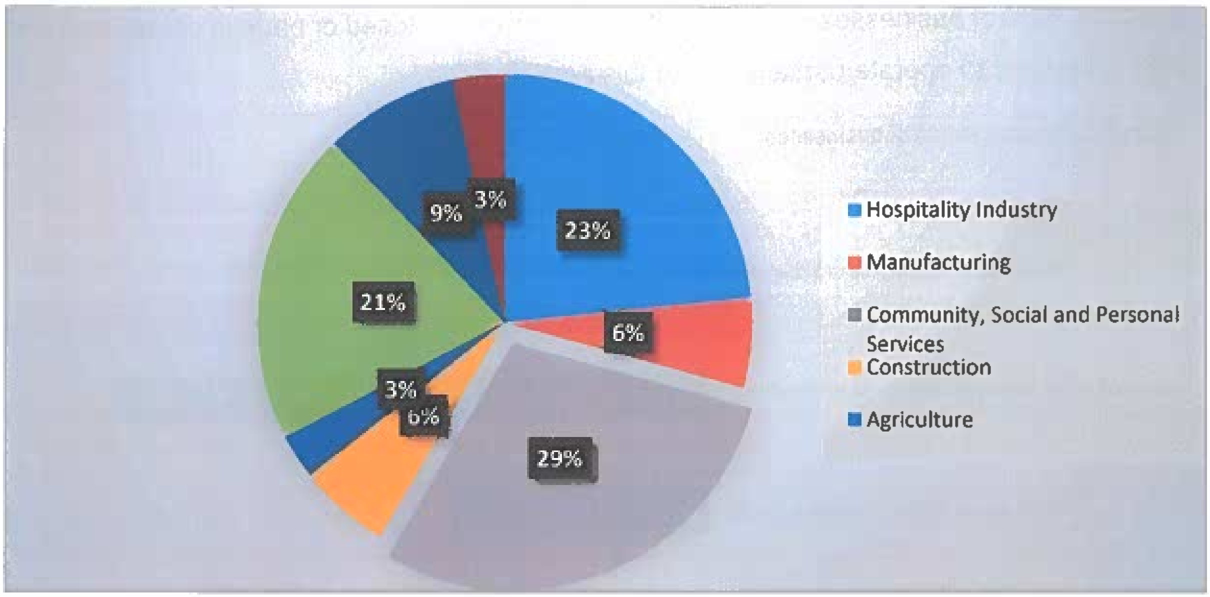
This section of the report presents the results of the Free State Enterprises Covid-19 Business Impact Survey conducted by Destea. The survey is a fourth in a series of surveys developed to determine the initial impact of the Covid-19 pandemic on the provincial economy. The full impact of the pandemic on the economy may only be realised in the long term. The accuracy of the survey is fully reliant on businesses' willingness to participate and offer accurate information. In adherence with national restrictions, the majority of surveys were administered electronically. Approximately n=88 businesses were requested to participate in the survey, of which a total of n=34 complied (accounting for 39% participation rate). Figure 6 below provides an illustration of the geographical spread of the participants. Most notably, 38% of the respondents originated from the Xhariep District Municipality and Mangaung Metropolitan Municipality (29%), followed by Fezile Dabi District Municipality (15%), Lejweleputswa District Municipality (12%) and Thabo Mofutsanyana District Municipality (6%). The high participation rate in Xhariep was due to personal visits to the area.

Figure 6: Surveyed Business' Area of Operation



The dominant industries in the respective districts were Community, Social and Personal Services (29%), followed by the Hospitality Industry (23%) and Wholesale and Retail (21%) as illustrated in figure 7 below.

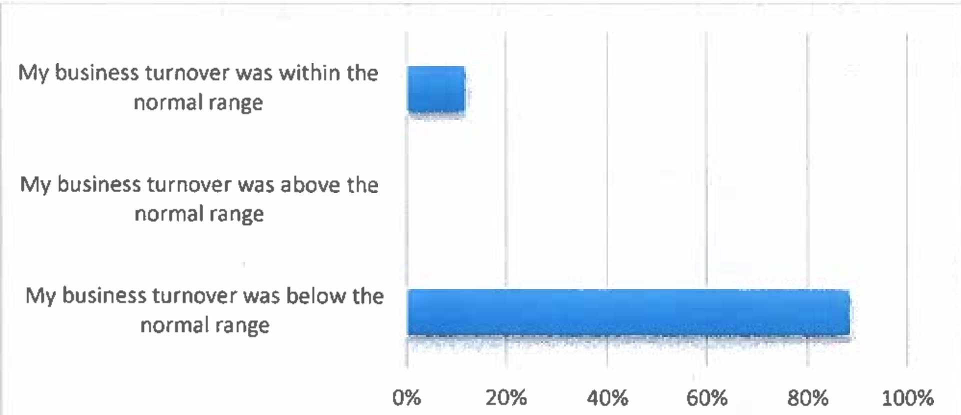
Figure 7: Type of Industry



4.1 Financial Performance

Turnover relates to the income generated by a business when conducting its core operations within a specified timeframe, and forms a key measure of business performance. As defined by Statistics SA, turnover includes sales of goods, services rendered, leasing and hiring of capital assets, and rental/leasing of land, buildings and other structures.[12] The data obtained through the survey indicate that 88% of the respondents had a turnover that was lower than their normal range as illustrated in the figure 8 below.

Figure 8: Impact on business turnover

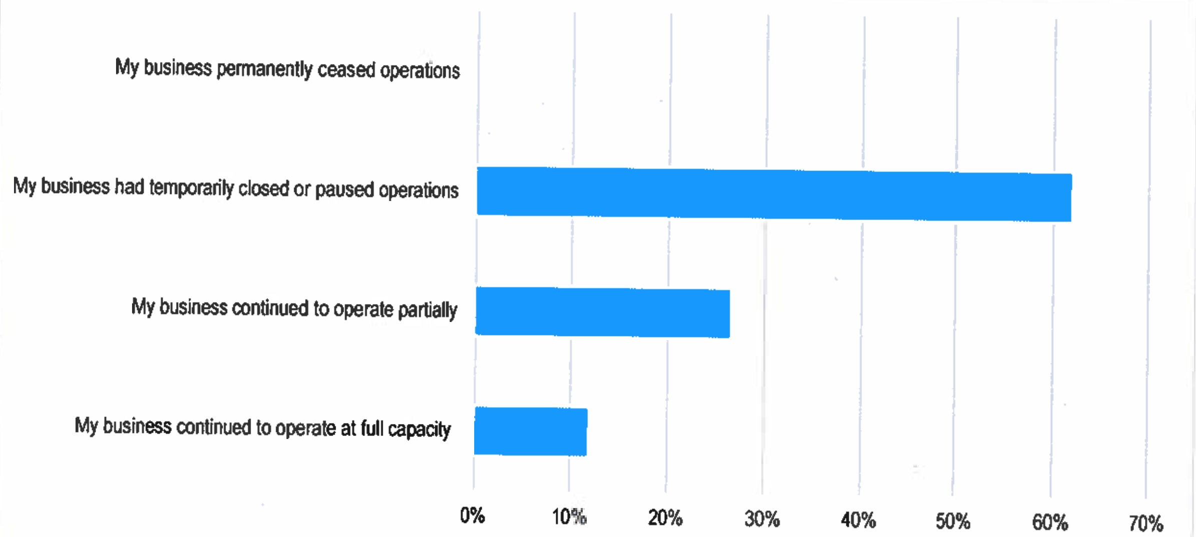


	My business turnover was below the normal range	My business turnover was above the normal range	My business turnover was within the normal range
Series1	88%	0%	12%

[12] Statistics South Africa. (2020). Annual Financial Statistics Survey

The survey enquired about businesses' operating status (figure 9 below) during the period in question, 62% of businesses reported that they temporarily closed or paused operations; while 26% continued to operate partially during this period.

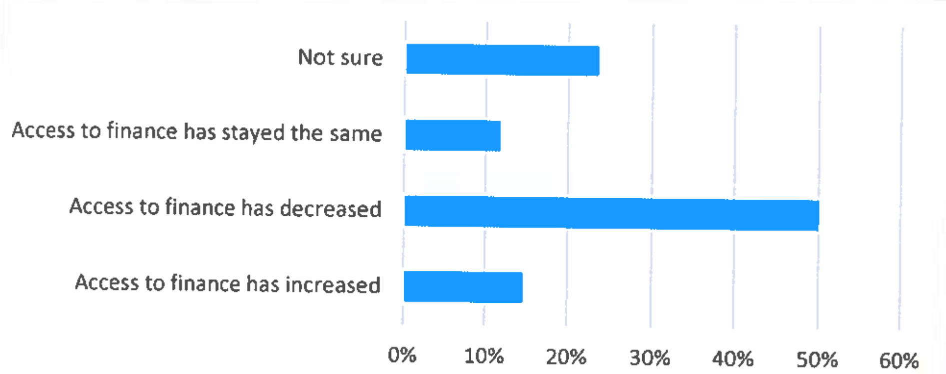
Figure 9: Operating status of businesses



	My business continued to operate at full capacity	My business continued to operate partially	My business had temporarily closed or paused operations	My business permanently ceased operations
Series1	12%	26%	62%	0%

As illustrated in figure 10 below, 50% of the respondents indicated that their ability to access finance had decreased, while 12% of respondents stated that their ability to access finance remained unchanged. A total of 24% of the respondents indicated that they were unsure of whether there was a change in their ability to access finance, while 15% indicated that their ability to access finance had increased since the Covid-19 national lockdown.

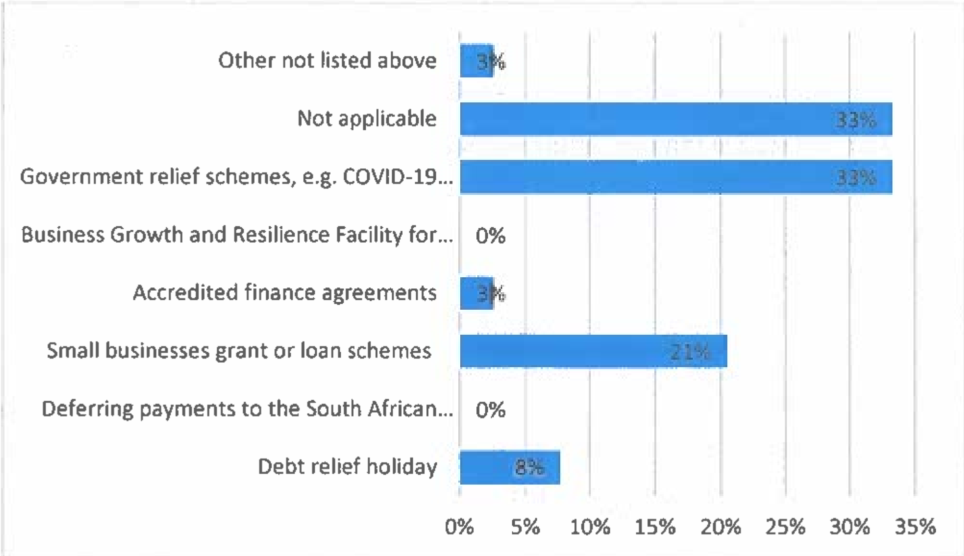
Figure 10: Change in ability to access financing



	Access to finance has increased	Access to finance has decreased	Access to finance has stayed the same	Not sure
Series1	15%	50%	12%	24%

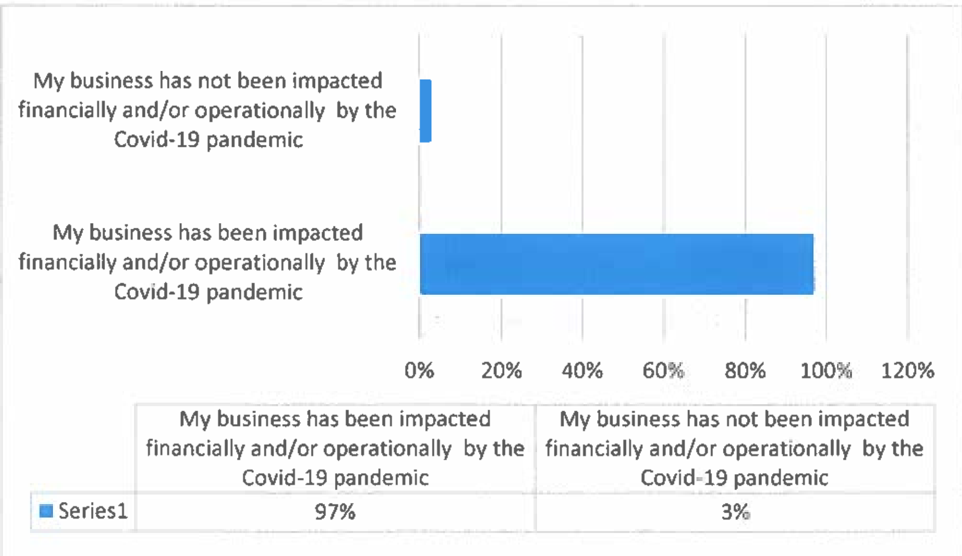
Figure 11 below reflects on the various financial assistance incentives available during the period of the Covid-19 pandemic.

Figure 11: Financial assistance incentives applied for



Amongst the various financial incentives offered during the period of the pandemic, 33% of the respondent applied for the Government Relief Schemes. Small businesses grant or loan schemes also attracted 21% of the respondents as seen in figure 11 above. Most of the enterprises (97%) agreed that they had been impacted financially and/or operationally by the Covid-19 pandemic (see figure 12 below).

Figure 12: Financial and/or operational impact of Covid-19 on business



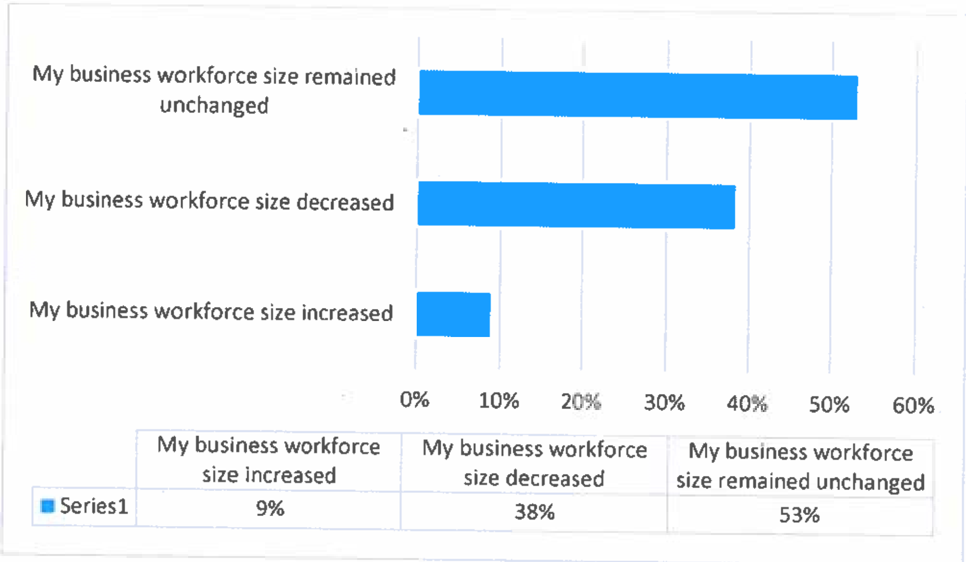
4.2 Workforce Implications

The full impact of the COVID-19 pandemic on employment will be determined over time as employment tends to be a lagging economic indicator. Notably, certain groups of workers remain vulnerable including those characterised as lowly skilled. During the pandemic, people deemed as high health risks face even higher levels of job vulnerability. As explained in section 3 in the report, the province unemployment rate increased by 2.6 percentage points year-on-year (Q3: 2020 to Q3: 2021) leaving 3000 more people without jobs.

Enterprises were requested to indicate how their workforce changed in size due to the pandemic.

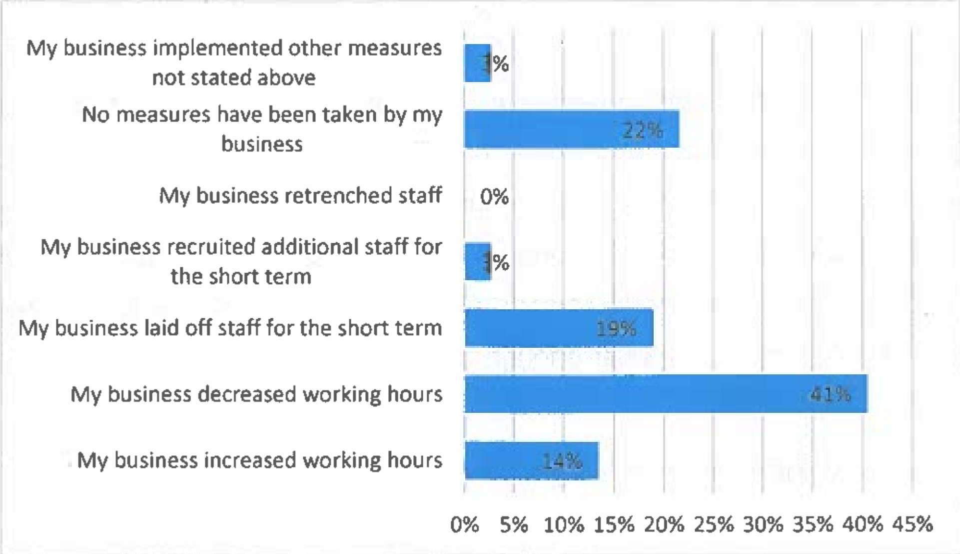
The feedback from the respondents indicates that, a majority (53%) of their workforce size remained unchanged since the beginning of the lockdown, whilst 38% of the respondent's experienced a decrease in workforce size (figure 13).

Figure 13: Changes in workforce size



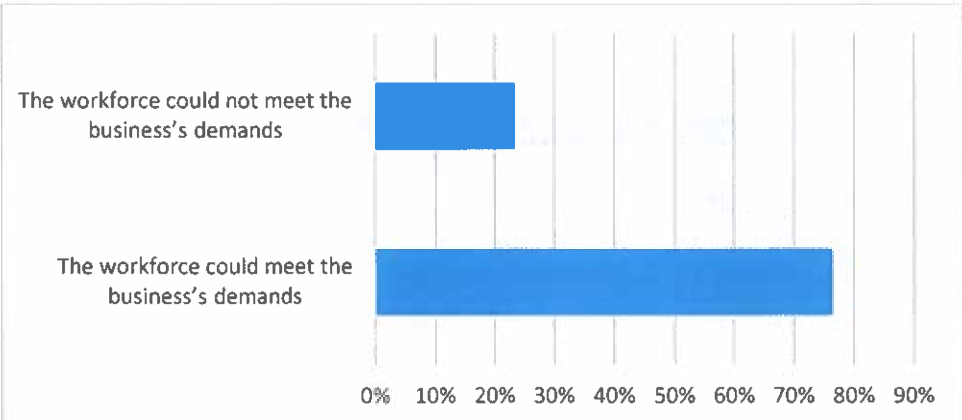
The surveyed also requested businesses to indicate which measures were taken to cope with the impact of Covid-19 on their workforce (as illustrated in figure 14).

Figure 14: Workforce measures implemented



Many of the respondents (41%) reported decreased working hours while none of the respondents indicated that they had retrenched staff during the pandemic. A further 19% reported that they had laid off staff for the short term, 14% increased working hours and 3% implemented other measures to cope with the impact of the pandemic. Of the enterprises surveyed (76%) indicated that their workforce was able to meet business demands (figure 15 below) during the pandemic and lockdown.

Figure 15: Ability of workforce to meet business demands



	The workforce could meet the business's demands	The workforce could not meet the business's demands
Series1	76%	24%

The pandemic has forced businesses to rethink how their workforce functions in the interest of protecting the health and safety of both staff and clients. Having robust Information Technology (IT) systems have become vital keeping businesses functional during the pandemic. Providing staff members with the necessary tools of trade and training to ensure that they are able to remain efficient while working remotely became very crucial (as depicted in figure 16 below). While the majority of respondents (59%) indicated that their entire workforce worked from their normal place of business, 15% specified that less than 20% of their workforce worked from their normal place of work. Only 12% of the respondents reported that their businesses' IT systems were robust enough to handle the demand of employees working from home (as per figure 17).

Figure 16: Share of workforce working from their normal place of work

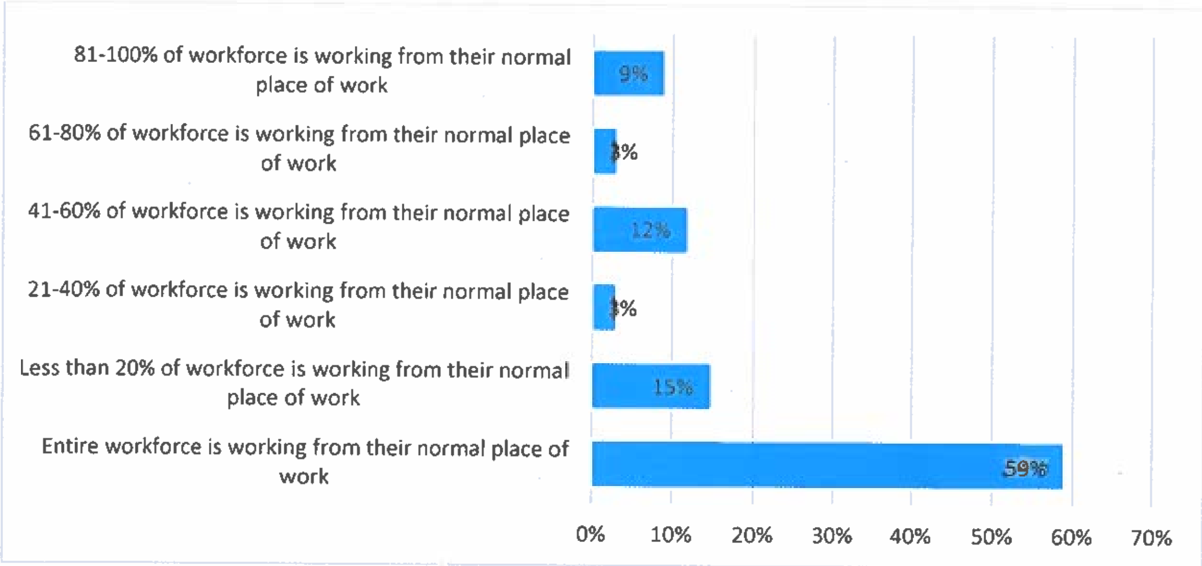
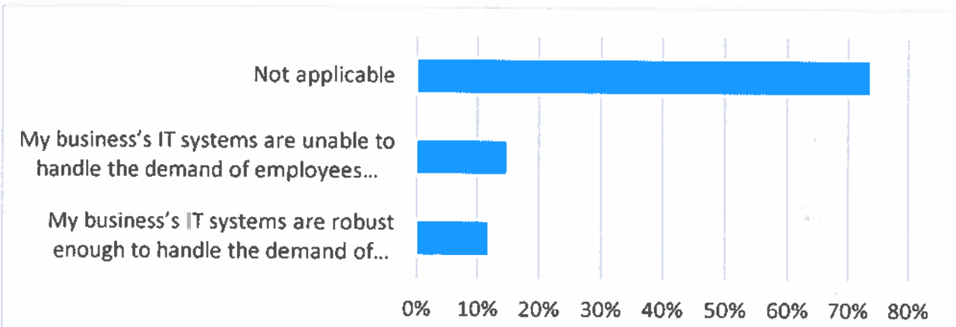


Figure 17: Robustness of IT systems



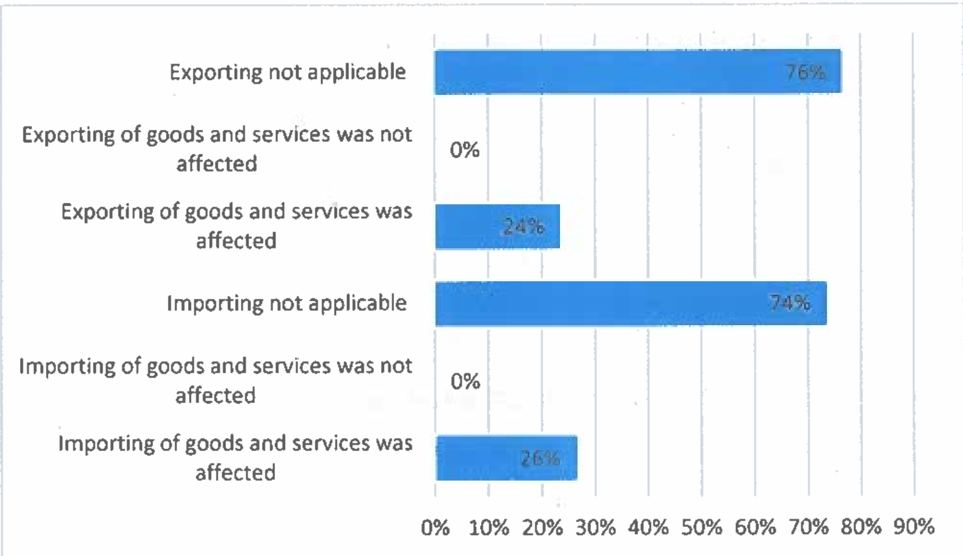
	My business's IT systems are robust enough to handle the demand of employees working from home	My business's IT systems are unable to handle the demand of employees working from home	Not applicable
Series1	12%	15%	74%

The pandemic has not only raised opportunities to advance technology-based solutions but also provided a rare opportunity to study the research and practice of technology, including information management, work practices, and design and use of technologies. The quick transition to telehealth, telework, and online education in response to the coronavirus threat is a reminder that digital technology brings many benefits and can play an essential role in managing and reducing the risks caused by the lockdown during the pandemic and even after the pandemic.[13]

4.3 Access to Goods and Services

Restrictions placed by the national lockdown posed a challenge to businesses in need of materials, goods and services. Of the respondents (as per figure 18 below), 76% reported that their businesses were not involved in exporting and 74% not in importing. A total of 24% of businesses indicated that as a result of the pandemic, exporting of goods and services were affected and 26% indicated that importing of goods and services were affected.

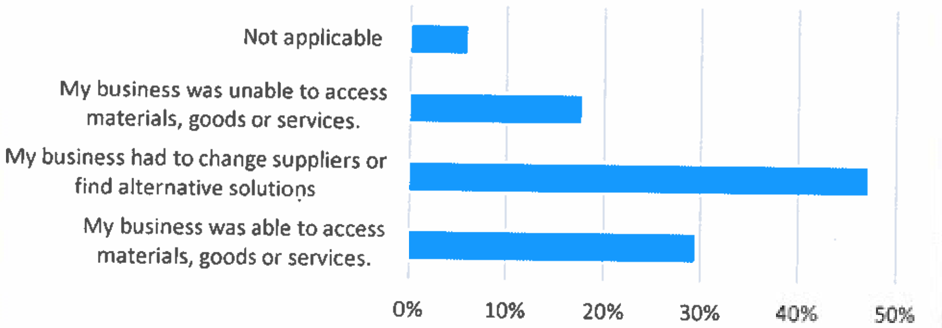
Figure 18: Exporting and importing of goods and services



The national lockdown led to challenges in business' ability to access materials, goods or services to conduct day-to-day operations; 47% of the respondents had to change suppliers or find alternative solutions and 18% were unable to access materials, goods or services (see figure 19).

[13] https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7724285/

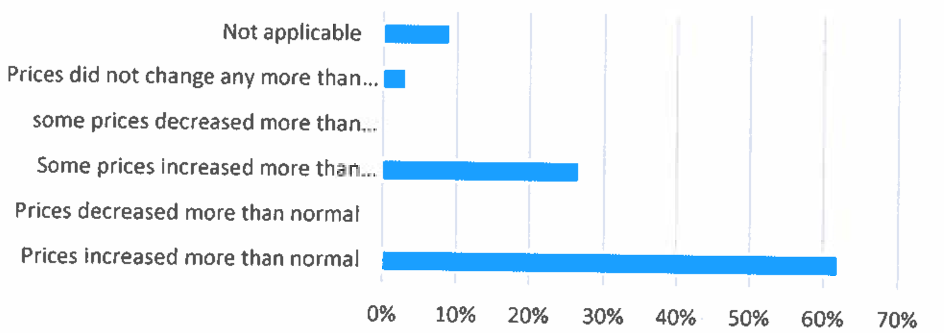
Figure 19: Ability to access materials, goods or services



	My business was able to access materials, goods or services.	My business had to change suppliers or find alternative solutions	My business was unable to access materials, goods or services.	Not applicable
Series1	29%	47%	18%	6%

The survey investigated whether there was a change in the prices of supplies (figure 20 below) used to conduct day-to-day operations, the majority of the survey's respondents (62%) indicated that prices increased more than normal.

Figure 20: Change in price of supplies



	Prices increased more than normal	Prices decreased more than normal	Some prices increased more than normal	some prices decreased more than normal	Prices did not change any more than normal	Not applicable
Series1	62%	0%	26%	0%	3%	9%

COVID-19 pandemic has posed significant challenges for supply chains globally. The national lockdowns have slowed down or even temporarily stopped the flow of raw materials and finished goods, disrupting manufacturing as a result. However, the pandemic has not necessarily created any new challenges for supply chains. In some areas, it brought to light previously unseen vulnerabilities, and of course, many organizations have suffered staff shortages and losses due to COVID-19. But overall, it has accelerated and magnified problems that already existed in the supply chain.[14]

4.4 Additional Findings

The survey requested businesses to elaborate on how productivity or output had been impacted by the pandemic. Among the respondents, two enterprises stated the following:

"We experienced sporadic staff shortages and have been impacted by increased operational costs. Our customers have also been facing financial challenges as a result many new contract deals did not get approved".

"The demand went down and prices went up".

Another respondent in the hospitality industry indicated that they "Refunded deposits of clients who already booked, prepaid and full deposits. Loss of approximately R70 000 in income".

An enterprise in the construction industry responded that "We could not be productive as we used to before Covid-19. The number of houses we used to build decreased due to suppliers closing down shop during the hard lockdown".

Another enterprise in the transport industry responded that "We could not operate our transport fleet at full capacity".

When asked whether the pandemic had impacted business's workforce, 19% reported that they had laid off staff for the short term. Providing further elaboration, one of the respondents stated the following:

"Yes, the business had to lay-off staff and could only manage with a few workers".

Another enterprise in the Community, Social and Personal industry responded that "Yes, we now operate with part-time inexperience staff since our normal staff had to find jobs elsewhere because we couldn't afford them anymore".

One enterprise highlighted how ill-health impacted the workforce, "Increased occurrences of sick leave often triggering a domino effect when staff infect each other".

[14] https://www.ey.com/en_gl/supply-chain/how-covid-19-impacted-supply-chains-and-what-comes-next

Of the 53% of respondents who indicated that their business' workforce had not been impacted by the pandemic, one explained that this was because their business do not have many support staff due to the size of the town and (small) business. Another respondent stated that they are still working with the same number of employees, except for one employee who decided to quit.

Some of the lessons learned by the enterprises included the importance of savings and proper planning. One of the respondents in arts and culture stated the following "To always be prepared for the worst. Make sure you have enough support structures" as a lesson learned. This realisation by the participants emerged from the challenges experienced as a result of the pandemic. While one participant expressed that "Always be ready for when disaster strikes. Adhere to the laws even if they are strict. In the end prevention is better than cure and in this regard there wasn't any cure" and another to "diversify in business activities". One respondent also indicated that "the country and province is not geared to handle situations such as Covid-19".

A recommendation by one respondent refers to the support and roll-out of Covid-19 support interventions by government:
"Not everyone was treated fairly. Grants - other industries could open and some allowed grants and others not. Masks are bought but condoms are free. Extra money to buy sanitizers".
Other enterprises indicated that "A full lockdown is not economically viable" and that load shedding needs urgent attention from all role-players.

Other recommendations from enterprises includes:

"Government to rethink travel restrictions - business is dependent on tourists from abroad and from other provinces such as Gauteng. Bethulie is a halfway mark between Gauteng and the Coastal Cities".

"Ensure that the business adheres to any laws by doing so we will be able to limit the spread of the virus and the sooner business activities will fall back to normal".

“People listen to too much nonsense from outside media - Facebook that make people to jump to conclusions. People should remain calm and analyse the situation first. Not going on a buying spree. Save money for a rainy day”.

“Don’t do a lockdown again - to look at alternative methods. Don't close especially liquor. Tourists during lockdown break-even just to pay the workers. Locals is a small percentage of your business”.

“E-commerce is the future even if you shop is closed is still operating full capacity online”.

“Businesses should adjust and adopt new skills that are relevant to their industries and understanding how to address the new demands of the consumers”.

“Easy access to loans for small businesses”.

“WhatsApp group for tourism - it helps in terms of discussing ideas. Drive-in serving customers is not tourism friendly. Covid-19 measures are necessary but should also be positive; Public participation to get ideas”.

It is also mentioned that the “Country and economy should stay open so that it recovers from the loss it had suffered. Business should operate as normal to avoid unemployment and high levels of crime”. Once again, the importance of E-commerce was emphasized and training and skills development. Venturing into other essential sectors and expanding business activities was also highlighted.

5 CONCLUSION

All industries driving the provincial economy to an extent were impacted by the Covid-19 pandemic to date. Some industry players were more affected than others by the new set of challenges, as mentioned in this report.

Governments, globally, nationally as well as provincially, in an effort to minimise the impact came with necessary counter measures to the virus, e.g. quarantines and other restrictions, which were in place since March 2020 until now. Efforts to control the virus by limiting human movement, and on the other hand Covid-19 support interventions to business enterprises to keep them operational and to limit job losses have been highly prioritised by government.

Some of the key results of the Free State Enterprise Covid-19 Business Impact Survey included the following:

- 88% of respondents had turnover that was lower than their normal range
- 62% of businesses reported that they temporarily closed or paused operations; while 26% continued to operate partially during this period.
- 50% of the respondents indicated that their ability to access finance had decreased. Only 15% of the businesses indicated that their ability to access finance had increased since the Covid-19 national lockdown.
- 38% of respondents indicated that their workforce had decreased in size since the beginning of the lockdown. Only 9% of the respondent's experienced an increase in workforce size.
- 59% of respondents indicated that their entire workforce worked from their normal place of business, 12% specified that 41-60 % of the workforce worked from their normal place of work, 9% specified that 81-100 % of the workforce worked from their normal place of work.
- 12% of the respondents reported that their businesses' IT systems were robust enough to handle the demand of employees working from home.
- 47% of the respondents had to change suppliers or find alternative solutions and 18% were unable to access materials, goods or services.
- 97% of respondents agreed that they had been impacted financially and/or operationally by the Covid-19 pandemic.

A key observation among the participants has been that prices increased more than normal. A positive is that the workforce (53%) had remained unchanged since the beginning of the lockdown. Diversification and e-commerce as well as training and skills development have been identified as an important drivers to fast-track and ensure future growth and development in the key industries driving the provincial economy.

Based on the feedback provided by the participants, this report strongly recommends that (1) government increases the roll-out and awareness of Covid-19 support interventions to enterprises in the five districts (2) These support interventions not be limited to specific industries, but all relevant industries affected by the pandemic and (3) to encourage diversification and e-commerce.

While the lockdown and restrictions that were imposed impacted severely on peoples livelihood, there is renewed hope that, if "we work harder during normal times to cover" for unexpected challenges the impact would not be so devastating on the economic landscape.