



<u>FACULTY</u>	: Humanities
<u>DEPARTMENT</u>	: Strategic Communication
<u>CAMPUS</u>	: APK
<u>MODULE</u>	: SCC3AA3/SCM3AA3 Strategic Communication Theory 3A
<u>SEMESTER</u>	: First
<u>EXAM</u>	: July 2020

<u>DATE</u>	: July 2020	<u>SESSION</u>	: Online
<u>ASSESSOR(S)</u>	MR C CHAMBWERA : DR C DAVIS		
<u>MODERATOR</u>	: DR L DE LANGE		
<u>DURATION</u>	: 3 HOURS	<u>MARKS</u>	: 100

NUMBER OF PAGES: 4 PAGES

INSTRUCTIONS:

1. Read the case study provided and answer the ONE question that follows:
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CASE STUDY

How much could Covid-19 impact the SA economy? You have to look down the supply chain.

Patrick Cairns/ 16 March 2020 00:11

Retrieved from: <https://www.moneyweb.co.za/news/south-africa/how-much-could-covid-19-impact-the-sa-economy/>

In declaring a national state of disaster on Sunday evening, President Cyril Ramaphosa made it clear how seriously the government views the threat of the coronavirus. He also acknowledged that this is not simply a question of the nation's health:

"In addition to the impact that this pandemic will have on [the] health and well-being of our people, and the impact it will have on the day-to-day life of our society, Covid-19 will also have a significant and potentially lasting impact on our economy," Ramaphosa said.

Given the already weak state of South Africa's economy, this is something the country can ill-afford. The president however noted that cabinet is putting together a "package of interventions to mitigate the impact".

"This package, which will consist of various fiscal and other measures, will be concluded following consultation with business, labour and other relevant institutions," said Ramaphosa.

The impact

The specifics of what this will include will be important, because there is no question that the potential for disruption is significant. The turmoil in financial markets last week clearly showed how worried investors are about the impact of the coronavirus at a global level. The Dow Jones Industrial Average entered bear market territory after falling more than 20% from its peak.

Read: [The six days that broke Wall Street's longest-ever bull market](#)

By Friday's close, the FTSE/JSE All Share Index was down 22.6% for the year to date. Bond yields had shot up from 8.25% at the start of the year to almost 10%.

How long, and how deep?

There is, however, still a lot of discussion about how lasting the impacts of Covid-19 will be.

"With economic activity disrupted and capital markets dislocated, investors have been debating if Covid-19, known colloquially as the coronavirus, could derail the global cycle," Chetan Ahya, global chief economist at Morgan Stanley, noted last week. "Given the sharp drops in global asset markets recently, the coronavirus could deliver a sizeable impact to global growth in the first half of the year. However some clear perspective on the outlook for the full year is warranted." At the start of the year, Morgan Stanley had a positive view on the world economy, and was expecting a potential rebound in growth.

"The outbreak of Covid-19 has certainly changed that near-term narrative," said Ahya. "Considering the weak starting point for global growth and still nascent recovery, this untimely disruption to economic activity will likely slow global growth this quarter."

The important question is whether the shock will extend beyond that.

“This has gone well beyond the virus itself,” noted Clyde Rossouw, co-head of quality at Ninety One (previously Investec Asset Management). “This is about a seizing up of world economic activity, disruptions to supply chains, and disruptions to world financial markets.”

Quarter by quarter

How long this disruption lasts will be significant. If the virus is contained by the end of March and the impact on global production is limited to the first quarter, then Morgan Stanley believes that the world economy would take a short-term knock, but would recover strongly over the rest of the year. However, if new cases continue to rise into April and May, then the effects start to amplify.

This could start to affect the profitability and cash flows of growing numbers of companies, which is particularly serious for those with high levels of debt who may struggle to make payment.

“If the dislocations in asset markets also persist into the second quarter, a sharp tightening in financial conditions may mark a tipping point, exacerbating the impact on growth via weaker corporate confidence, falling capital expenditures and cutbacks in hiring,” Ahya noted.

Should the virus and its impacts not be contained by the third quarter, Morgan Stanley believes, that would most likely lead to a global recession.

Local risks

South Africa cannot escape these global forces, and businesses could be heavily disrupted if the number of local cases grows.

“The impacts on South Africa could be very significant,” said Jeremy Gardiner, a director at Ninety One.

“We’re struggling to grow as it is. East London, for instance, survives on [automotive] factory jobs,” he said. “But if one person in a factory goes down you have to close the factory. You can’t work from home and make cars.”

Another sector that could feel sizeable impacts is tourism. Ramaphosa halted travel from a list of high-risk countries, including the UK, Germany, China and the USA, which account for a large part of South Africa’s tourists. At the same time, some other countries are restricting all international travel.

“For every eight tourists, one permanent job is created in South Africa,” Gardiner pointed out. “But it looks like some countries are going to go into lockdown – they are going to stop travelling. So what happens to our tourism?”

As this means people will be flying less, both locally and abroad, this has implications for SAA as the business practitioners try to find a way to save it.

Anecdotally, already many local hospitality companies are receiving cancellations for the coming months. The biggest impact will be on smaller tourism operators, guest houses and restaurants that don’t have big balance sheets that could sustain them through a period of low cash flows.

Making ends meet

The same is true of many small businesses across a number of sectors that are already feeling the impacts of lower orders and supply chain disruptions.

“Global supply chains are under threat,” Gardiner pointed out. “China is the workshop of the world. If China can’t produce, that means that nobody gets those products, and if they can’t sell products, what happens to their revenues?”

Businesses with a lot of debt that aren’t generating enough cash to meet repayments are going to be hardest hit. The shutdown in Italy illustrates how seriously this impact could be felt across sectors should South Africa have to restrict movement to the same extent.

Read: [Italy’s nightmare offers a chilling preview of what’s coming](#)

As economic development specialist Omar Hassan [wrote in The UK Independent last week](#), the coronavirus may bankrupt more people than it kills. This is why the government and policy response is so important.

As Rossouw pointed out, the good news is that there is a growing sense of urgency, and a realisation that these issues need to be considered and dealt with.

“When people ignore them, that’s when we’re in trouble,” he noted.

QUESTION 1

With reference to the case study, discuss which two theoretical paradigms you will use to analyse and discuss how private sector organisations in South Africa responded to the Covid-19 crisis. Identify the most effective strategies that were used, in your opinion. Conclude your discussion with specific recommendations for dealing with the consequences of this crisis strategically going forward.

[100]

TOTAL: 100