



SOUTH AFRICAN CULTURAL OBSERVATORY

**Measuring the impact of the COVID-19
Crisis on the Cultural and Creative
Industries in South Africa: One year on**

Submitted to:

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South African Cultural Observatory
Commissioned Research Report

**Measuring the impact of the COVID-19 Crisis on the
Cultural and Creative Industries in South Africa: One
year on**

September 2021

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Table of Abbreviations

ANOVA	Analysis of Variance
AV&IM	Audio-visual & Interactive Media
B&P	Books and Press
BASA	Business and Arts South Africa
C&NH	Cultural and Natural Heritage
CCI	Cultural and creative industries
D&CS	Design and Creative Services
DSAC	Department of Sport, Arts and Culture
DSBD	Department of Small Business Development
GDP	Gross domestic products
GVA	Gross value added
NAC	National Arts Council
NFVF	National Film and Video Foundation
NICD	National Institute of Communicable Diseases
P&C	Performance and Celebration
PESP	Presidential Employment Stimulus Programme
SAM	Social Accounting Matrix
SNA	System of National Accounts
UIF	Unemployment Insurance Fund
VA&C	Visual Arts and Crafts
DTIC	Department of Trade, Industry and Competition
SACO	South African Cultural Observatory
SMME	Small, medium and micro enterprises
UNCTAD	United Nations Conference on Trade and Development
UNESCO	United Nations Educational, Scientific and Cultural Organisation

Executive Summary

In all countries, the cultural and creative industries (CCIs) have been negatively affected by the COVID-19 pandemic. Using results from an online survey (326 responses), key stakeholder interviews, and macroeconomic modelling, this report investigates the medium-term impact of the lockdown on South Africa's CCIs. The survey included responses from freelancers (49%), employers (51%), formal (64%) and informal (36%) businesses.

Only 19% of respondents said they could continue with 60% or more of their normal business activities in 2020, which improved to 36% in 2021. While business continuity improved for all domains (defined using the UNESCO Framework, 2009), recovery was slower for domains with high levels of informality, freelancers, and those who operated in a mostly face-to-face mode. As found in the 2020 study, the most vulnerable domains were Performance and Celebration, Audio-Visual and Interactive Media, and Visual Arts and Crafts. Technical and support workers were one of the most negatively impacted.

Key stakeholders noted that impacts were more severe for emerging (early-career) creatives who do not yet have a track-record, strong industry networks, or an established following. Sectors relying on tourism, such as crafts and commercial museums, were also very negatively affected.

A much greater proportion of respondents to the 2021 survey (64%) than the 2020 survey (35%) reported moving their business activities online. However, key stakeholders commented that few had managed to monetise online content very effectively, and that online demand was constrained by poorer households not having access to data and devices needed to access content. Still, 66% of respondents said they would continue to develop their online activities when the pandemic had passed.

Other common adaptation strategies included using the time to upskill (47%) and working from home (44%). More than a third of respondents had to rely on using up their reserves or savings (37%) or on support from family and friends (33%). Strategies used by employers included ending short-term employment contracts (39%), closing their offices (41%) and cancelling contracts with suppliers (47%).

45% of respondents had applied for public funds, and 15% had applied for private sector support. Of those who applied for public funding 37% reported being successful, with a further 25% awaiting the outcome at the time of the survey. Knowledge about government support was lower for early-career creatives and those operating informally.

A third of respondents expected their turnover to have recovered by the end of 2021 or sooner at the time of the survey (June 2021). By December 2022, 74% expected their turnover to have recovered to pre-COVID levels.

Macroeconomic modelling estimated that the CCI's direct contribution to South African gross domestic product (GDP) fell from R84.3 billion in 2019, to R42.2 billion in 2020 i.e., a drop of 50%. While there has been some slow recovery in 2021, which is expected to continue, the contribution of the CCIs to South Africa's GDP in 2021 is forecast to be R46.9 billion – still 44% less than in 2019.

Key Findings

...

- 36% of respondents could continue with 60% or more of their normal business activities in 2021 (compared to 19% in 2020).
- 39% of employers reported ending short-term employment contracts, and 41% closed their offices.
- 45% of respondents applied for public funds.
- 61% said that they would find information about effective online business practice 'essential' or 'very useful.'
- 49% said they would continue to work from home after COVID.
- 33% of respondents expected their turnover to have recovered by the end of 2021, and 74% by the end of 2022.
- The direct and indirect contribution of the CCIs to SA's GDP fell to an estimated R42.2b in 2020 and a forecast of R46.9b in 2021 (i.e., a drop of R42.1b and R37b in 2020 and 2021 respectively).

1. Introduction

The mandate of SACO is to undertake research that provides up-to-date, policy and industry relevant data on the CCIs in South Africa. Since 23 March 2020, the COVID-19 lockdown has had an extremely negative impact on the cultural and creative sectors, especially (but not limited to) the live performing arts.

Since the first known case was identified in Wuhan, China, in December 2019, the virus has spread across the globe, with not much known about it and its mutations and variants. The most effective method of reducing the spread is complete lockdown, including isolation or quarantining of those who test positive for the disease, as well as physical or social distancing. Although this strategy has proven to be successful, it has also been very costly. Vaccines have been developed but do not offer complete protection. There is therefore a great deal of uncertainty and governments across the world have instituted some form or another of “lockdown”, prohibition or limiting of mass gathering. Businesses that rely on face-to-face contact, as is the case in many parts of the CCIs, are particularly disadvantaged by these restrictions. Even without formal restrictions, demand for CCIs products and services has contracted because their patrons are fearful of attending indoor gatherings, and because falling household incomes have reduced funds available for cultural goods and services.

An early assessment of the impact of the lockdown in South Africa (SACO, 2020) showed that 95% of respondents across all the CCIs domains (using the UNESCO Framework for Cultural Statistics, 2009) had experienced cancellation or indefinite postponement of work scheduled between the start of the survey and the end of 2020. All expected a fall in their normal business activities of between 50% and 85% (depending on the sector). For many, pivoting to doing business online was a very important adaptation strategy.

This report presents the results of a follow-up survey and key stakeholder interviews one year on from the first study. In addition to asking about short-term survival strategies, CCI freelancers and firm owners were also asked about their longer-term plans and prospects. Analysis is conducted by domain, and by sector characteristics, such as formally registered versus informally operated firms, by mode of operation and production (mostly face-to-face, such as in the live performing arts, or mostly not face-to-face), and freelancers versus employers. Based on patterns emerging from other studies, the 2021 survey also analysed the impact and responses to the lockdown by gender, age group, and career stage (emerging, mid-career, or established).

Finally, Section 6 of the report uses the information from the survey to develop realistic scenarios that are used to shock an econometric model to determine the economic impact of the COVID-19 lockdown on the CCIs including the direct and indirect effects on the South African economy. The method uses national primary data from several sources to build a model of the creative economy in South Africa, and then to determine the direct and indirect impact of the COVID-19 crisis on sector production by domain.

2. Goals and Methods

The main goals of the research are to provide an update on the 2020 assessment of:

- (i) The impact of the COVID-19 response measures on the ability of CCI firms and freelancers in both the formal and informal sectors to continue with their business.
- (ii) The strategies and adaptation methods that the CCIs are using to sustain their businesses one year on from the lockdown.

- (iii) The kinds of support that would be most useful to the sector as the COVID-19 lockdown extends into 2021.
- (iv) The economic impact of the lockdown on the CCIs and the South African economy.

As with the early assessment in 2020, the primary research method was an online survey that was distributed as widely as possible via the SACO website, social media platforms and newsletter, and industry associations who were willing to participate. SACO's database of CCIs practitioners was also used to distribute the link via SMS and email.

The survey targeted participants from firms (employers) and individual freelancers who worked in any part of the cultural or creative industries in South Africa, be it formally or informally. The CCIs were defined using the UNESCO Framework for Cultural Statistics (2009), shown in Figure 1.

In addition, six key stakeholder interviews with people in positions of creative industry leadership (one in each domain) were conducted online. The qualitative information from the interviews was used to update the online questionnaire, and as contextual information for interpreting the results.

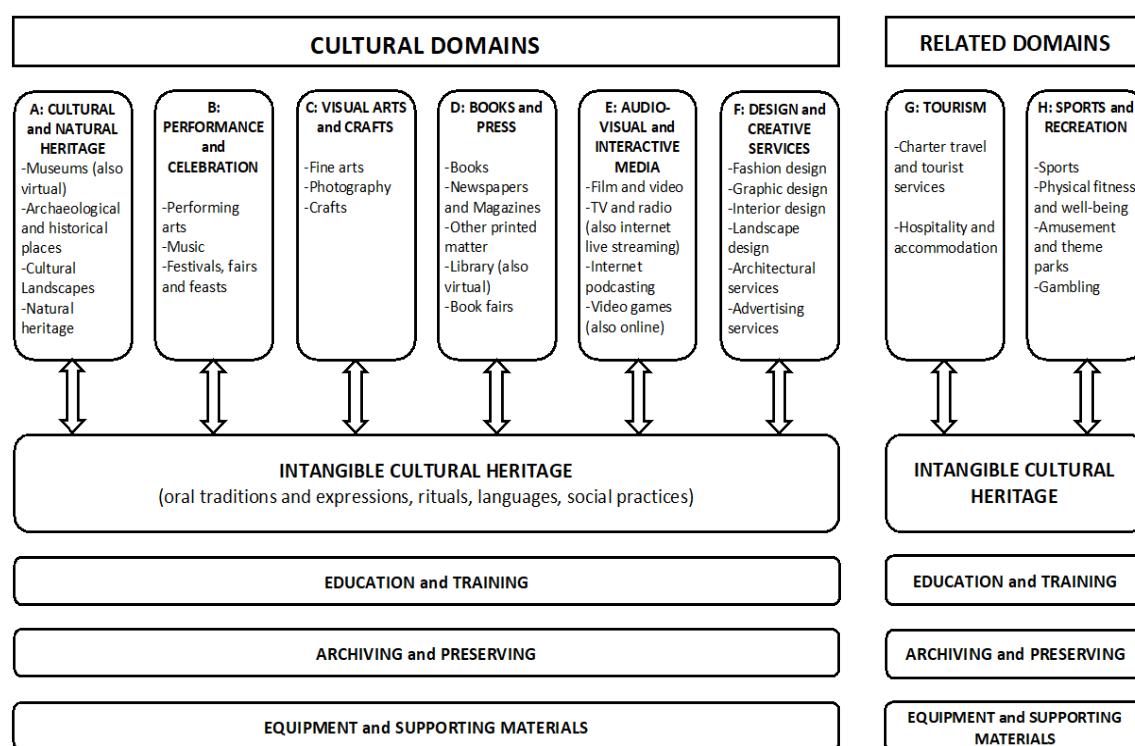


Figure 1: Defining Domains in the CCIs using the UNESCO Framework for Cultural Statistics (2009)

Macroeconomic data and modelling were combined with the survey and interview information to estimate the impact of the fall in CCI activity on the South African economy.

The research was granted Ethical Clearance by the Rhodes University Human Ethics Committee (Review Reference: 2020-1441-3437).

3. Contextual Literature Review

This section of the report starts with a review of the international impact of COVID-19 on the CCIs, including the common challenges experienced by the sector. It then shifts to the South African context, including a review of the South African creative economy before COVID-19, the lockdown levels imposed, and public support provided.

3.1 Review of the International Impact of COVID-19 on the CCIs

A striking feature of the international literature on the impact of the COVID-19 impact on the creative economy is how similar experiences were across countries and regions (Figure 2).

Restrictions imposed to contain the spread of the virus caused a sudden and dramatic fall in the incomes of almost all cultural institutions. Although live performance sectors were most immediately affected, all sectors, from museums to music recording studios, to art galleries were impacted. The primary impact from required closure eased as restrictions were lifted. However, for those sectors relying on tourism, especially international tourism, gradual business re-opening did not result in an increase in demand to pre-COVID levels. The fall in earned income was accompanied by a fall in private sector sponsorship, as businesses who usually support the arts started to struggle or go out of business themselves.

Fall in income	Small business & Freelancers	Deteriorating relationships with Government	Pivot to online platforms	Re-design of business models	Uncertainty and lack of longer term vision
• Decrease in earned income as tourism, local and international demand falls • Decrease in sponsor income	• Contracts cancelled • Future business uncertainty • Funding challenged through larger institutions.	• "Widespread contention and suspicion" • "Substantial loss of trust" • Lack of communication	• Initiated or speeded up digitisation and shift to online platforms.	• Much free content provided online • Monetisation strategies needed for long-term sustainability	• Focus on short-term crisis management & financial support • Need for longer-term strategies and vision.

Figure 2: Common international creative economy experiences of the COVID-19 restrictions

Buketi Buse (2020) compared quantitative studies of the impact of COVID-19 on sub-Saharan countries. The impacts varied depending on the size of the creative economy in each country, but also on the characteristics of the sector in terms of levels of informality (ranging from 80% in Kenya to 25% in Namibia), the kinds of employment (freelancers and part-time employees), and the small size of most companies. Overall, it is estimated that creative economies in the study suffered a loss in turnover of US\$1.5 billion in the second quarter of 2020.

A study of the impact of COVID-19 on the cultural sectors in Albania, Bosnia and Herzegovina, Montenegro and Serbia (UNESCO, 2020) also found this general fall in income, sometimes leading to the contracts of temporary or volunteer workers being ended. Government budget cuts to the creative industries, as funds were diverted towards more pressing health sector support, also exacerbated the situation.

Comparison table of COVID-19 economic impact surveys in Africa

1

REGIONAL ECONOMIC COMMUNITIES							
	Economic Community of West African States	Economic Community of Central African States	East African Community		Southern Africa Development Community		
	Member states: 15 Creation: 1975 Total population: 339,800,000 GDP(2016) : 716,700,000,000 USD	Member states: 11 Creation: 1983 Total population: 137,000,000 GDP : 300,588,000,000 USD	Member states: 6 Creation: 2000 Total population: 177,000,000 GDP : 193,700,000,000 USD		Member states: 16 Creation: 1992 Total population: 345,000,000 GDP (2018): 721,300,000,000 USD		
	Senegal	D.R. Congo*	Kenya*	Uganda	Namibia*	South Africa*	
	GDP: 23,578,000,000 USD <i>Culture et COVID-19 : quelles solutions ?</i> , April 2020 (Association des Métiers de la Musique du Sénégal)	GDP: 47,319,620,000 USD <i>La créativité au cœur de la diversité. Impact économique de la COVID-19 sur le secteur culturel et créatif en République Démocratique du Congo</i> , June 2020 (Prof. Ribio Nzeza)	GDP: 95,503,090,000 USD <i>COVID-19 resilience: creative industry options and strategies</i> , April 2020 (Heva Fund)	GDP: 34,387,000,000 USD <i>COVID-19 and its impact on Uganda's creative industry</i> , April 2020 (KQ Hub Africa)	GDP: 12,366,000,000USD <i>The Creative Industry Holds Economic Impact Survey</i> , May 2020 (Creative Industry Guide)	GDP: 351,431,650,000 USD <i>Measuring the impact of the COVID-19 crisis on the cultural and creative industries in South Africa: An early assessment</i> , May 2020 (South Africa Cultural Observatory)	
	1. Respondents	923	101	510	700	180	595
	2. Loss (turnover) 2 nd quarter 2020:	6,000,000 USD	27,411,780 USD	3,559,861,40 USD	134,360,13 USD	10,366,878,64 USD	1,493,639,269,27 USD
	3. Informal sector rate:	53,3%	-	80%	-	25%	35%
	4. Employment:	-	5,493 jobs affected	Majority of firms (58%) have part time employees (10 people max.)	-	51,7% of respondents are freelancers	29% of employers intend to terminate short term contracts and informal jobs; 25,5% to reduce wages; 7% to retrench permanent jobs

© All rights reserved. Prof. Ribio Nzeza Bunketi Buse/professor@ribionzeza.com, August 2020.

Figure 3: A review of African COVID-19 Creative Economy Impact (Source: Bunketi Buse, 2020)

In those countries that did offer government support, much of it was channeled through the larger cultural institutions. A review of how five “cultural capitals” in developed country contexts, which included London, New York, Paris, Toronto and Berlin, responded to the crisis showed that this was the case, even in cities where the creative sector was fairly well understood and had been an area targeted for growth in pre-COVID times (Anheier et al., 2021). Reaching smaller firms and freelancers was more difficult, and the uncertainty and lack of communication with the whole cultural ecosystem caused a significant deterioration of relationships between CCIs and government:

“There has been, and continues to be, widespread contention and suspicions as well as a sense of being overlooked and under-appreciated, especially among smaller cultural organisations, artists and freelancers. In other words, we are dealing with a substantial fall in the coordination and delivery capacities of these city governments” (Anheier et al., 2021).

As Joffe (2021) notes, “There was always going to be a question mark about the ability of African governments to protect and support the creative sector during C-19.” This was both because of the limited public resources, which needed to be re-prioritised to deal with the immediate health impacts of the pandemic, but also because, despite their growing profile, the CCIs do not receive a great deal of public sector financing in many African countries.

Another common theme was the pivot to online platforms made by many cultural institutions, including galleries, museums, performing artists, and the audio-visual sector. The UNESCO (2020) report on South-East European countries (Albania, Bosnia and Herzegovina, Montenegro and Serbia) noted the move to digitisation of cultural content, and the increased use of online communication through social media platforms. Serbia’s government launched a portal to provide information on free

platforms and tools for learning such as books, courses, films, music, television, and other cultural content.

While digitisation and the shift to online communication platforms was an important step in maintaining business continuity and audience or market contact during the pandemic, it can only be a sustainable strategy in the long term if content can be monetized. This necessitated the widespread re-design of business models: “The situation has been a wake-up call to rethink business models and improve the digital infrastructure for substantial digital media consumption” (UNESCO, 2020).

Vlassis (2021) also tracks the increasing rise of digital platforms as important sites of distribution and consumption of cultural content. Global platforms, mostly US based, have greatly increased their subscriptions and reach during the pandemic. Netflix, for example, increased their global subscriptions by 26 million in the first half of 2020. While online platforms have the potential to provide an important source of demand for creative content, Vlassis (2021) also cautions that their increasing dominance gives them exceptional market power, despite the competition between them. Going forward, Vlassis (2021) recommends that, rather than trying to regulate these platforms, national broadcasters should seek strategic alliances with them, going beyond the old analogue-broadcast issues, such as local content quotas, to strategies that work in the digital environment, such as boosting the discoverability and visibility of local content.

Another common theme was the extent to which work in the CCIs was exposed as vulnerable: “It was sobering for artists and cultural workers to realise that few had any cushioning or safety net with no plan B for how to generate income outside of these gigs. C-19...made visible the fragility of cultural work and project-based income generation in Africa’s CCIs” (Joffe, 2021:30).

However, not all parts of the creative industries, or types of cultural occupations, were equally vulnerable, as Buketi Buse (2020) also finds in his study of African countries. Sub-sectors with higher levels of formal operation, larger company sizes, lower use of freelance and short-term contract workers, and could shift at least some production and distribution activities online were less vulnerable. This group included digital media, online gaming, and other functions that could be digitised. The shutdown had a much more negative impact on sectors with higher levels of informality, that employed more freelance and short-term contract workers, had small company sizes, and relied on face-to-face methods for production and consumption. The most vulnerable sub-sectors included live performing arts, visual arts, and heritage.

Authors like Eikof (2020) and Comunian and England (2020) were also concerned that the pandemic would worsen existing inequalities in cultural occupations. Past research has shown that, in many countries, people working in cultural occupations tend to be disproportionately white, middle-class, and male. These patterns were partly blamed on the project-based “feast or famine” production mode of some parts of the creative industries, which make it more difficult for women (who often have care responsibilities at home), and those who need a stable income, to choose the sector as a career.

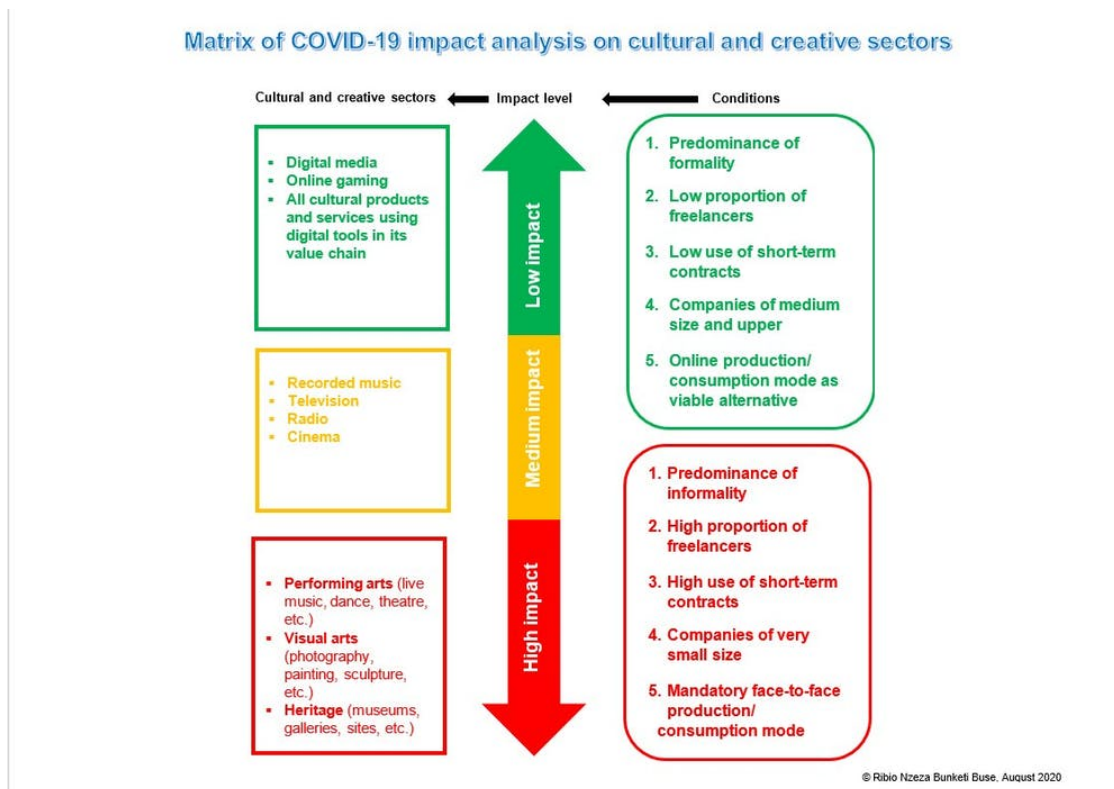


Figure 4: Determinants of vulnerability of cultural sectors (Source: Bunketi Buse, 2020)

Given the expected cuts in private and public sector support, as well as the fall in demand for many cultural goods and services, Eikhof (2020) argues that firms will try even harder to reduce costs by adopting strategies that limit permanent employees by appointing more people on shorter contracts at lower rates, and that they will cut back on any voluntary inclusive practices (such as supporting travel or childcare). Similarly, the shift to digital, online production has undoubtedly played an important role in the survival strategies of many CCI, but it has also reduced opportunities (through participation in events, festivals and art fairs, for example) for young, emerging creatives to establish and build the networks that are so important for their careers.

As pointed out by Comunian and England (2020), early research on the impact of COVID-19 on the creative economy generally did not include sociodemographic data or analysis. This was the case for the SACO 2020 survey, which focused on CCI business adaptations and impacts, without including demographic information. In the 2021 survey, demographic questions on age, gender, and self-assessed career stage (emerging, mid-career, or established) are now included.

3.2 The South African Context: The CCIs and the Economy

Performance of the South African Economy

The globally COVID-19 induced recession¹ is the worst in South Africa in the past century and even worse than the 2009 global financial recession. The COVID-19 induced recession was aggravated because the South African economy was already slowing down. The downswing phase of the business cycle ended in May 2020 and enjoyed rapid growth because the recovery was off a very low base caused by the shutdown. Although the depression was relatively short, there was a “V-shaped” rapid

¹ A recession is generally defined as a period of economic decline and is identified by a fall in GDP in two successive quarters.

recovery, albeit not to the GDP-level that South Africa experienced before the COVID-19 induced lockdowns. Indeed, although the economy is growing, the rate of growth has slowed down.

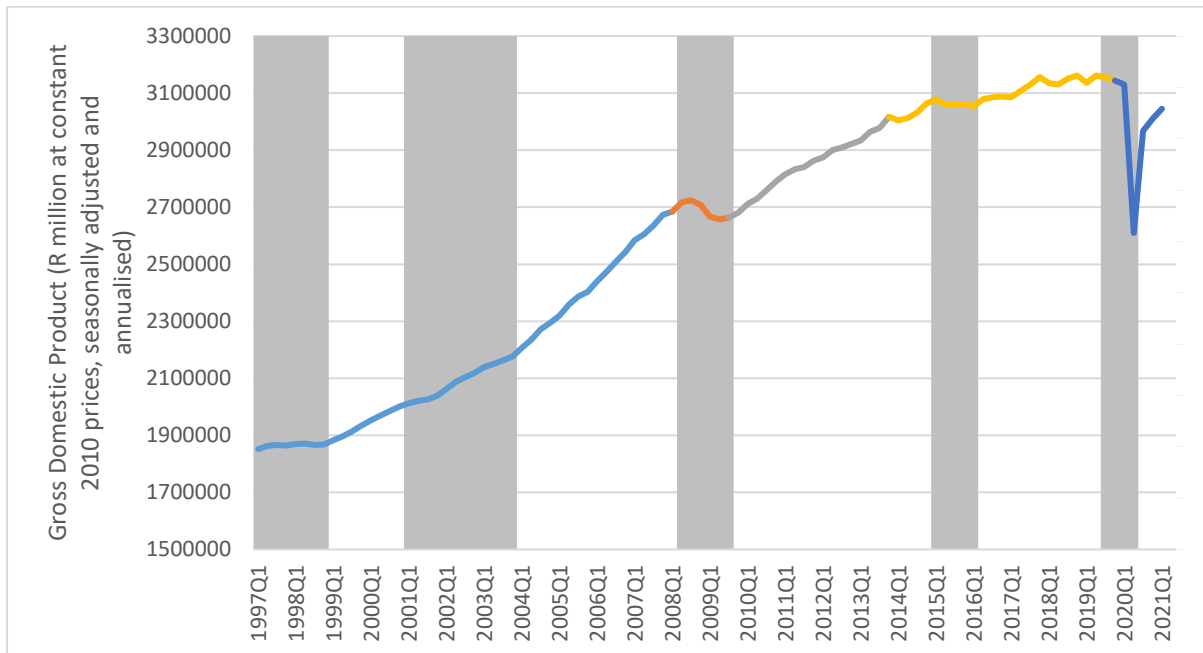


Figure 5: South African Gross Domestic Product²

(Source: SARB, 2021 and Federal Reserve Bank of St. Louis, 2021)

COVID-19 also had a devastating impact on manufacturing. Using Stats SA's Statistical Release (P 3041.2) Manufacturing: production and sales publication of April 2021, timeseries data on the total manufacturing and selected manufacturing sectors was analysed. The index of physical production volumes for total manufacturing is shown in Figure 6.

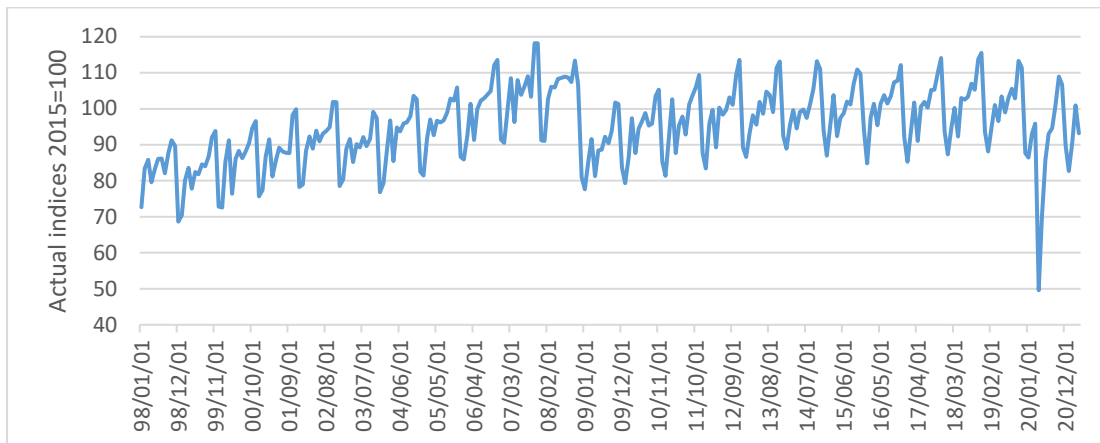


Figure 6: Index of physical volume production: total manufacturing

Figure 6 shows the impact of both the global financial crisis of 2008 and 2009 as well as the impact of COVID-19 on the physical volume of manufacturing. Clearly, the impact of the COVID-19 pandemic on the volume of goods manufactured in South Africa was more devastating with a crash in March and a

² The grey bands show the periods of recession in South Africa.

low in April 2020. Although manufacturing production did recover in August 2020, there does appear to be some continued general slowdown that can be attributed to the pandemic.

Although CCIs are not officially recognised as a separate economic sector, they make a significant contribution to the South African economy. However, there are a few official indicators that do shed some light on the performance of the sector (although these are not aligned to the UNESCO definitions). This includes information of production volumes for publishing, printing, recorded media, as well as the category “recreation, cultural and sporting activities”.

Using Stats SA’s Statistical Release (P 3041.2) data series, a long-term decline in publishing is evident since the index reached a high in October 2012.

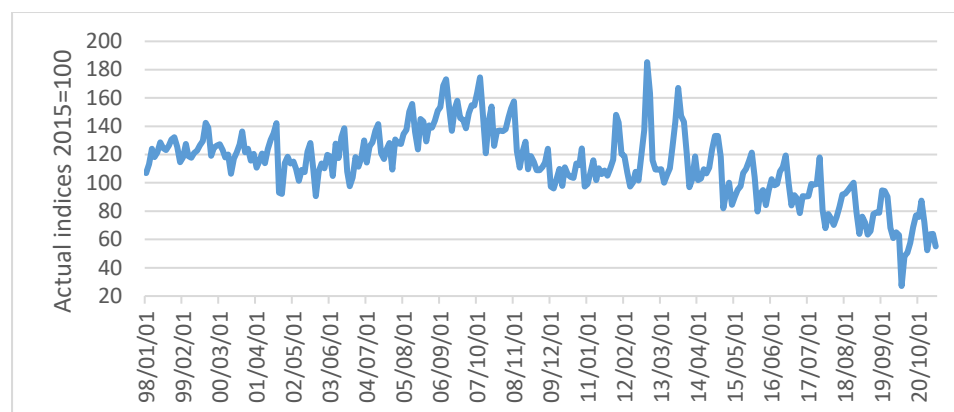


Figure 7: Index of physical volume production: publishing

Source: Stats SA (2021)

The impact of COVID-19 is clearer when looking at the monthly change in the output indices for publishing. A similar picture which emerges is that from total manufacturing in that there was a rapid decline of almost 60% from March 2020 to April 2021. However, there was a very rapid recovery in May 2020.

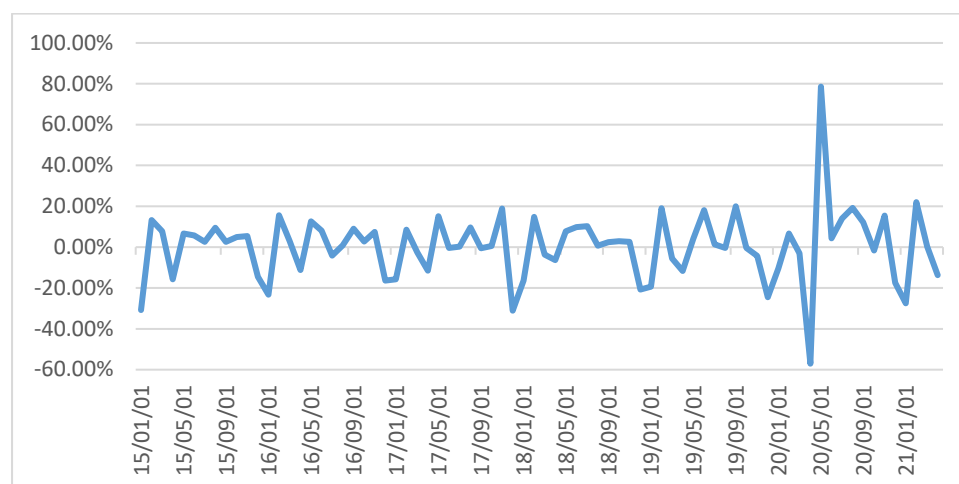


Figure 8: The growth rate of physical volume production: publishing

Source: Own calculations based on Stats SA (2021)

The growth trends for the publishing sector appeared to be returning to normal, but long-term decline that started before the pandemic is still evident. The printing and recorded media sector also showed a sharp drop in April 2020 but has shown a recovery, albeit not to its former level.

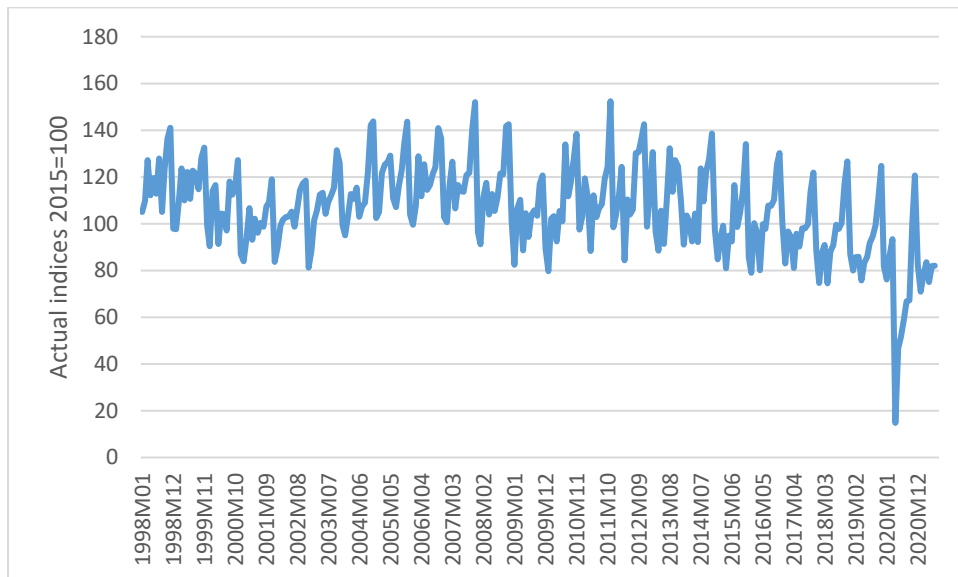


Figure 9: Index of physical volume production: printing, recorded media

Source: Stats SA (2021)

Quantec (2021) have also developed time series based on both official data and econometric techniques. Using their data (Figure 10) it is evident that the recreation, cultural, and sporting activities sector also showed a precipitous drop from growth rates in the order of 3- 4% in pre-COVID times minus 2.5% between 2019 to 2020. It must however be noted that the sector is very broadly defined, and includes non-CCI components.

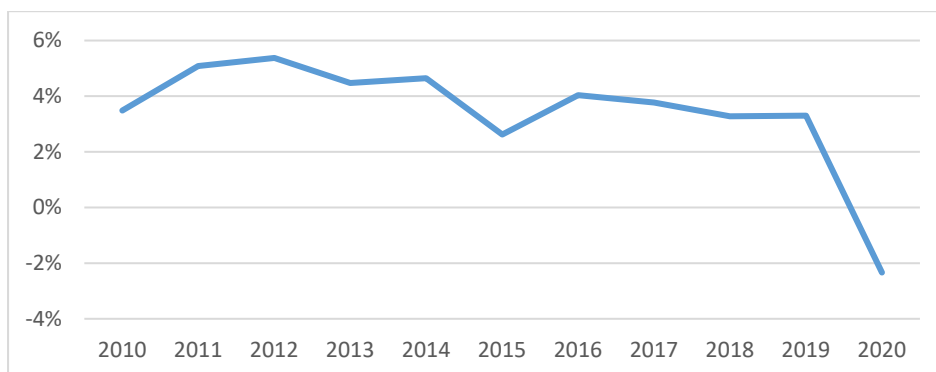


Figure 10: The growth rate of recreation, cultural, sport activities [QSIC 96]

Source: Own calculations based on Quantec (2021)

Using the Quantec (2021) data, it can also be seen that advertising, which is part of the Design and Creative Services domain, hardly grew between 2016 and 2019 and showed a plunge of 45% between 2019 and 2020 (Figure 11).

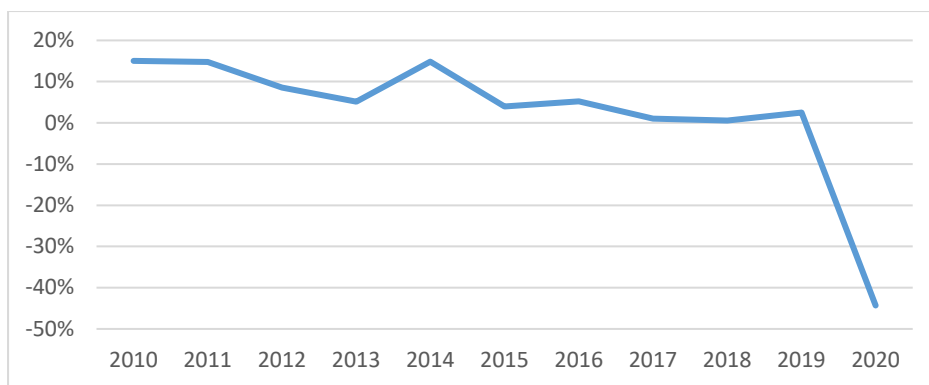


Figure 11: The growth rate of advertising [QSIC 883]

Source: Own calculations based on Quantec (2021)

Similarly, architectural, engineering and other technical activities were stagnant from 2017 to 2019 and suffered a huge drop in 2020.

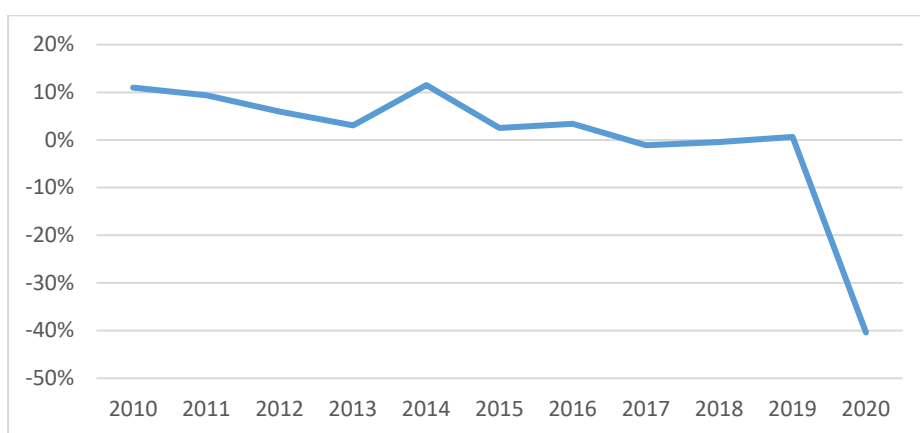


Figure 12: The growth rate of architectural, engineering and other technical activities [QSIC 882]

Source: Own calculations based on Quantec (2021)

There is also evidence that the COVID-19 lockdown had an impact on the demand side of the creative economy. Although not specific to the CCIs, the South African Reserve Bank publish broad categories of final household consumption expenditure. Four main categories include: durable goods, semi-durable goods, non-durable goods, and services. These main groups are further disaggregated as follows:

- Durable recreational and entertainment goods include jewellery, watches, therapeutic appliances, etc.
- Semi-durable goods recreational and entertainment goods comprise of sport and camping equipment, games, hobbies, toys, books and recording media.
- Non-durable recreational and entertainment goods, including newspapers, magazines, stationary, pets and related products, as well as garden products, plants and flowers.
- Recreational, entertainment and educational services include cinema, park, museum and theatre entrance fees, subscriptions to cable television, licences and hiring of equipment.

These subheadings are not arranged according to the domains included in the UNESCO Framework, but nevertheless give an indication of the impact of COVID-19 on household expenditure.

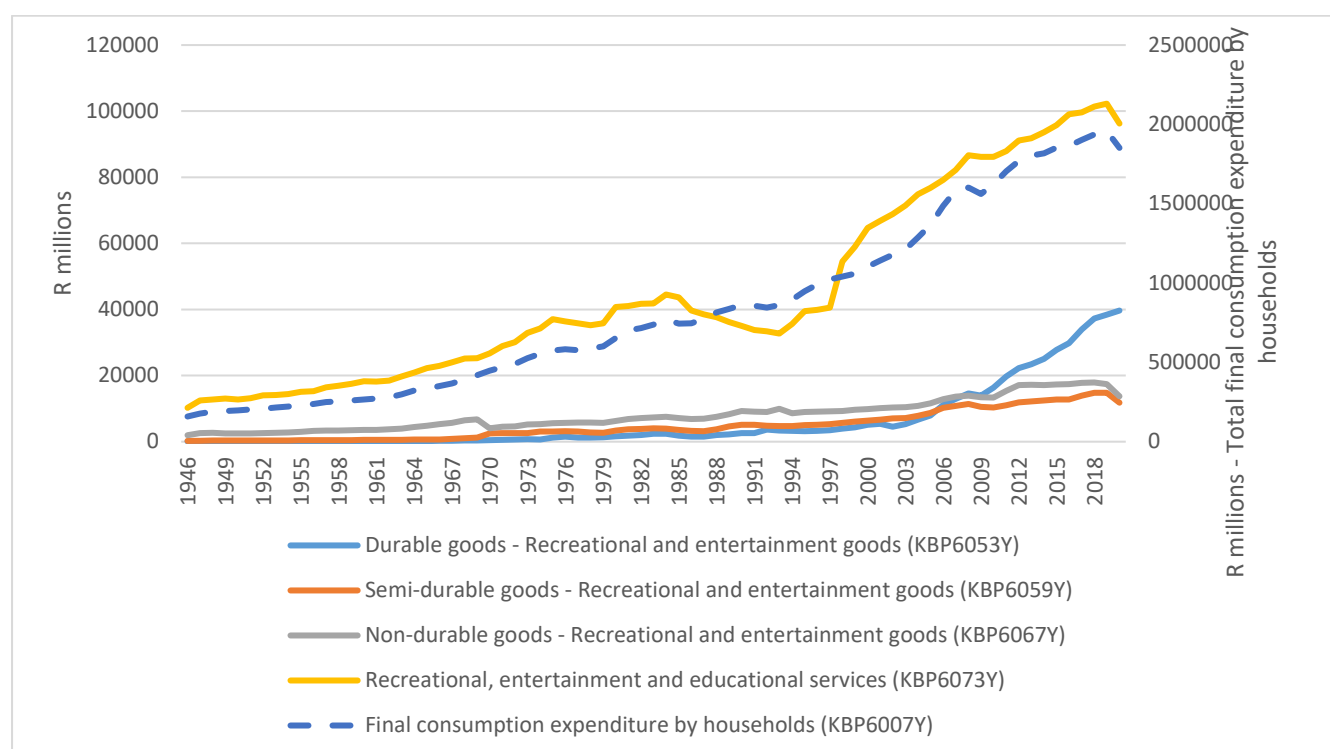


Figure 13: Final consumption expenditure of recreational, entertainment or educational products or services by households at constant 2010 prices

Household expenditure (the blue dotted line measured on the right-hand axis) declined significantly in 2020 (Figure 13). Indeed, expenditure on all categories of goods declined in 2020 except for the durable goods category (which includes jewellery). As found in other research (Kohler et al., 2021), this indicates that richer households were not as negatively affected by the lockdown as the others.

Figure 14 shows the percentage change per annum in household consumption expenditure. COVID-19 seems to have had a more severe impact on the relevant sectors of household expenditure than did the global financial recession of 2008/09. With the exception of the recreation, entertainment and educational services subsector, the rate of growth of household expenditure has generally slowed down since 2017. However, the change in 2020 was more significant especially for semi-durable and non-durable recreational and entertainment goods with a decline of 20%. Because the recreational and entertainment services subsector includes educational services, the decline for recreational and entertainment services has been masked to an extent, and would probably be larger if educational services were removed from the group. Further, the nature of the spending on recreational and entertainment services by households may have changed from attending live events, to spending more on online entertainment.

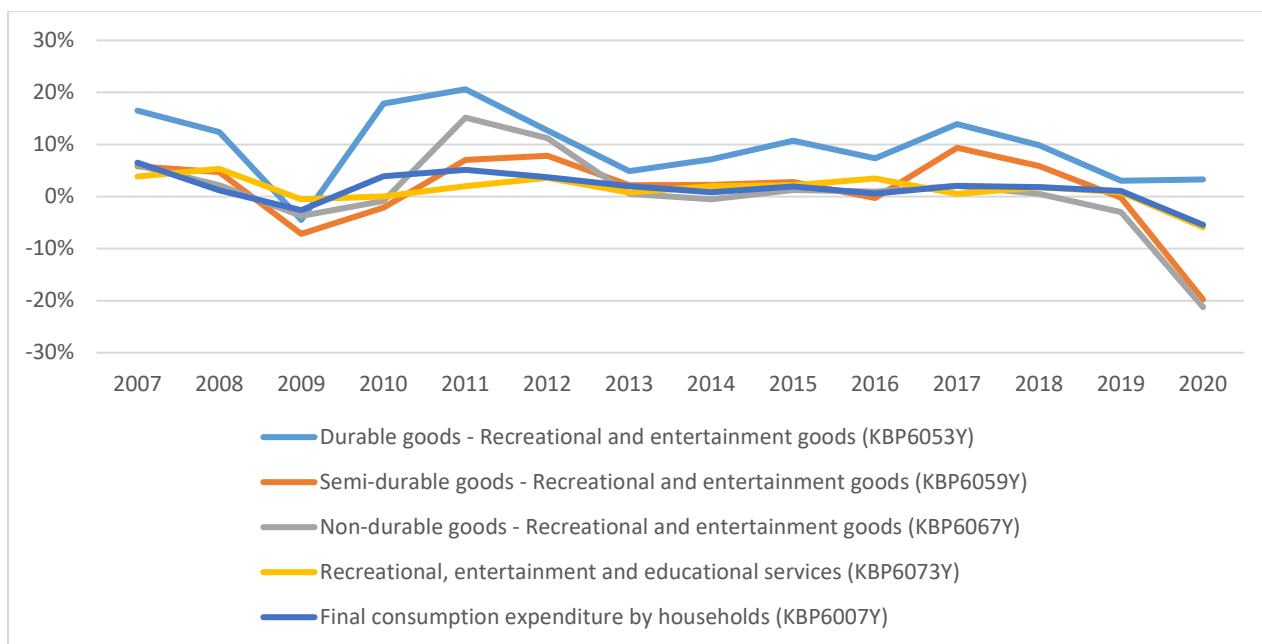


Figure 14: Annual change in final consumption expenditure of recreational, entertainment or educational products or services by households

The CCI's in South Africa in the Pre-COVID Era

As discussed above, although CCI's are not officially recognised as a separate economic sector, they play a significant role in the South African economy. Since there is currently no official cultural satellite account for South Africa, SACO have undertaken two mapping studies (2018; 2020) to estimate the size and characteristics of the CCI's.

The 2020 Mapping Study (SACO, 2020) showed that the CCI's direct contribution to South Africa's GDP in 2018 was R74.39 billion, (or 1.5% of the GDP). The next largest sector was Agriculture, which made up 2.4% of GDP (Figure 15).

Further, the GDP contribution of the CCI's was growing at an average rate of 2.4% per year between 2016 and 2018, compared to the whole South African economy, which grew at only 1.1% per year in this period. Some domains grew faster than others: Visual Art and Crafts (Domain C), Audio-Visual and Interactive Media (Domain E) and the Transversal Cultural Education Domain grew at more than 5% over the period 2016 to 2018. Table 2 shows the rate at which the CCI's are growing in terms of their contribution to GDP.

Besides the direct impact, the CCI's also affect other parts of the economy. These are referred to indirect and induced effects. Including the direct, as well as the indirect and induced impacts, it is estimated that the CCI's contributed R241.8 billion to the GDP of South Africa in 2018 (SACO Mapping Study, 2020).

Table 1: South African Cultural and Creative Industry Economic impact by Domain (R million, 2018 prices)

Cultural Domains	Production	GDP/Value Added ³	Fixed Capital Stock	Labour (Numbers)
A. Cultural & Natural Heritage	4 611	1 453	9 707	7 732
B. Performance & Celebration	12 904	3 980	22 081	16 757
C. Visual Arts & Crafts	17 499	2 510	9 203	17 788
D. Books & Press	26 054	10 079	25 167	14 615
E. Audio-Visual & Interactive Media	47 344	12 806	49 352	52 903
F. Design & Creative Services	93 838	33 657	133 659	130 868
G. Cultural Education	16 393	8 400	30 263	35 345
Total CCIs	218 641	74 370	282 642	288 041

Source: SACO (2020)

Table 2: Growth rate in GDP contribution per annum between 2016 and 2018 (%)

Cultural Domains	GDP Growth Rates
A. Cultural & Natural Heritage	-2.4%
B. Performance & Celebration	3.4%
C. Visual Arts & Crafts	5.3%
D. Books & Press	3.1%
E. Audio-Visual & Interactive Media	5.2%
F. Design & Creative Services	0.3%
Transversal: Cultural Education	5.9%
Total	2.4%

Source: SACO (2020)

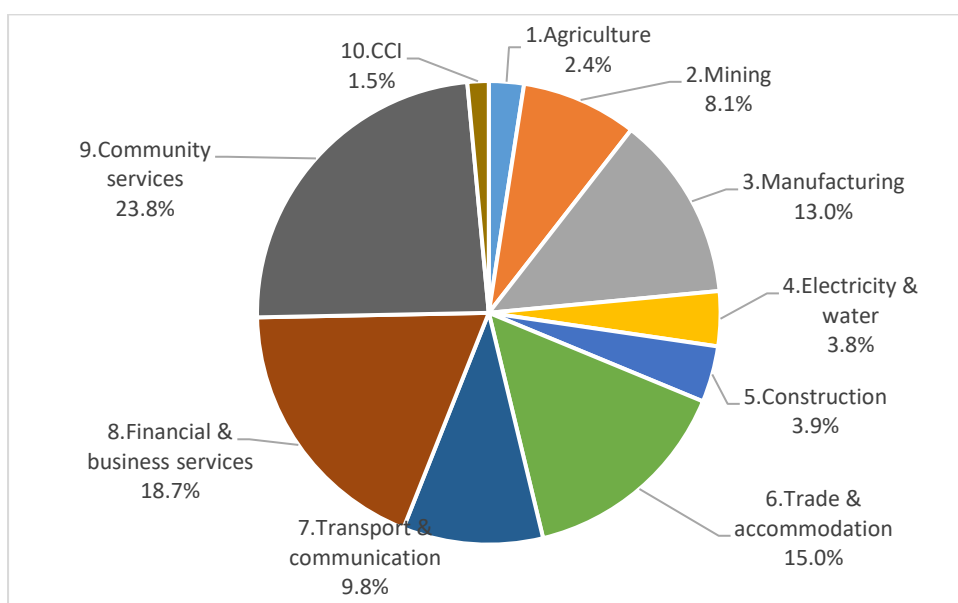


Figure 15: The contributions of sectors to South Africa's GDP (2018)

Source: SACO (2020)

³ The concept of Value Added is akin to the GDP. The main difference is that the GDP takes taxes and subsidies (on products, service and production) into account.

The 2020 Mapping Study found that 2.77% of employed people in South Africa were identified as being employed in cultural occupations in 2017. This included people in cultural occupation in a cultural or creative industry and people in cultural occupations in other industries. Creative economy employment accounted for an estimated 7% of all the jobs in South Africa in 2017. This means that 1.14 million jobs in South Africa were directly related in some way to cultural and creative activities.

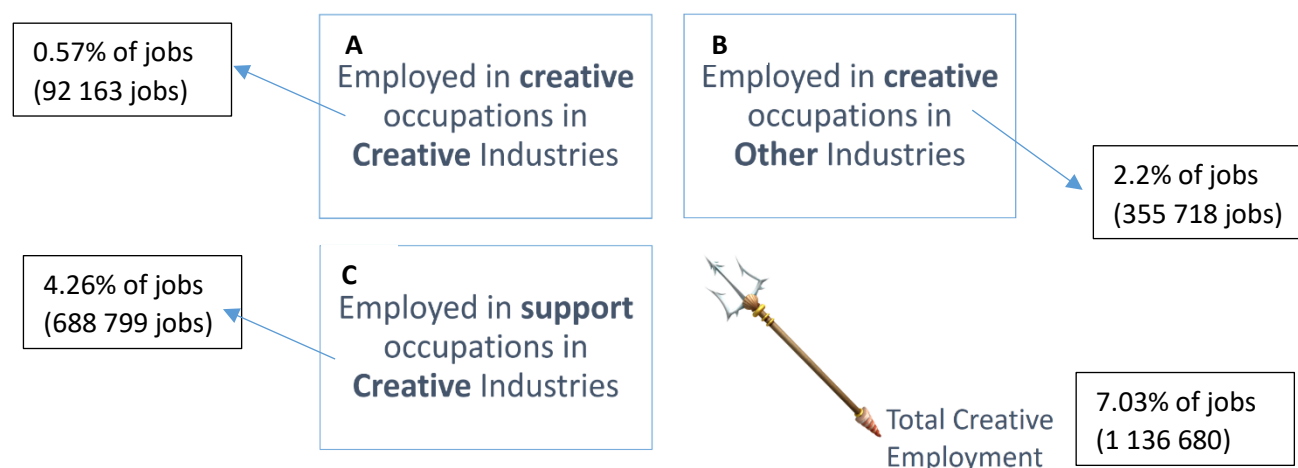


Figure 16: The Cultural Trident for South Africa (2017)

Source: SACO (2020)

The number of cultural occupations in South Africa is sensitive to changes in GDP growth, but grew at a faster rate than the number of jobs in other sectors in 2016 and 2017. SACO (2020) also found that the education and skills levels of people in cultural occupations have been increasing over time, and that the future growth of the sector will depend on having a well-educated and skilled labour force. As in many other countries, people working in cultural occupations in South Africa are more likely to be working as freelancers (34%) and in the informal sector (46%) than those in other kinds of occupations.

Table 3: Cultural Occupations in South Africa

	A. Cultural & Natural Heritage	B. Performance & Celebration	C. Visual Arts & Crafts	D. Books & Press	E. Audio- Visual & Interactive Media	F. Design & Creative Services
Share of cultural employment (2017)	0.60%	5.00%	43.80%	14.50%	2.70%	11.80%
Change in share of cultural employment between Period 1 (1996 – 1999) and Period 3 (2010-2016)	184%	25%	-6%	-46%	197%	31%
Average real monthly earnings in Period 3 (2010-2016)	R28,481	R19,813	R5,789	R17,217	R21,035	R17,901

Source: SACO (2020)

International trade in cultural goods and services has been linked to economic development in a number of ways. Cultural trade can be seen as the nexus between creativity and globalisation that can offer developing countries a valuable way to move up the value chain, as well as projecting an

international country image that could encourage investment in other sectors of the economy. A recent UNCTAD Creative Economy Outlook report (UNCTAD, 2018) shows that the global market for creative goods more than doubled between 2002 and 2015, and that South-South trade is rising, which could offer opportunities for new emerging market trading partners. However, the value of cultural goods exports made up only 0.47% of the value of South Africa's exports in 2018, and 0.5% of imports, indicating some room for growth (SACO, 2020).

South Africa has an overall cultural goods trade deficit, with the value of cultural imports being more than cultural exports. SACO (2020, Report 1) estimated that in 2018, South Africa had a cultural trade (including both goods and services) deficit of R1,9 billion. Happily, the cultural trade deficit has fallen dramatically since 2012 because cultural goods exports have grown faster than cultural goods imports.

Table 4: Trade indicators for CCI domains

	A. Cultural & Natural Heritage	B. Performance & Celebration	C. Visual Arts & Crafts	D. Books & Press	E. Audio-Visual & Interactive Media	F. Design & Creative Services
Trade Balance (Rm) 2018	-69	-300	2 065	-1 092	-2 727	331
Growth rate in cultural goods exports 2017-2018	5.1%	-5.0%	31.9%	26.2%	-50% (change in classification)	853.8% (note very low base)

Source: SACO (2020)

3.3 Lockdown levels and government support to the CCIs

On 5 March 2020, government confirmed the spread of COVID-19 to South Africa and on 15th of March a national state of disaster was announced, which included immediate travel restrictions and the closure of schools. There was also a prohibition of gatherings of more than 100 people.

The lockdown had an immediate impact on the CCIs, especially the Performance and Celebration domain, but also those who relied on diverse teams for in-person production, such as film, music and television, and those whose demand depends on tourism, such as museum, art galleries and crafts.

Research on the impact of COVID-19 on South African cultural festivals found that, of the 214 cultural festivals that took place in 2019, only 115 of them were held in 2020, 28 of these having occurred before the lockdown (Future Festivals South Africa, 2021). Live events cancelled or postponed in 2020 included: Mangaung African Cultural Festival (MACUFE);⁴ Bloem Show;⁵ AfrikaBurn;⁶ Cape Town International Jazz Festival;⁷ Klein Karoo Nasionale Kunstefees;⁸ Splashy Fen Festival;⁹ and Comic Con

⁴ "CORONAVIRUS: LOCAL AND INTERNATIONAL EVENTS CANCELLED". EWN. [Archived](#) from the original on 29 July 2020. Retrieved 20 March 2020

⁵ "Bloem Show on hold for now". News24. 18 March 2020. [Archived](#) from the original on 23 March 2020. Retrieved 19 March 2020.

⁶ "AfrikaBurn 2020 cancelled". News24. [Archived](#) from the original on 11 April 2020. Retrieved 13 March 2020.

⁷ "Coronavirus Fears Prompt Postponement of CT International Jazz Festival". EWN. [Archived](#) from the original on 29 July 2020. Retrieved 15 March 2020.

⁸ "KKNK not going ahead as planned • KKNK". KKNK. 14 March 2020. [Archived](#) from the original on 28 July 2020. Retrieved 15 March 2020

⁹ "New dates for 2020 Splashy Fen Music Festival". South Coast Sun. 17 March 2020. [Archived](#) from the original on 8 July 2020. Retrieved 19 March 2020.

Cape Town.¹⁰ South African tours were postponed by the Lighthouse Family¹¹, Boyz II Men¹² and BeBe Winans¹³ among others.

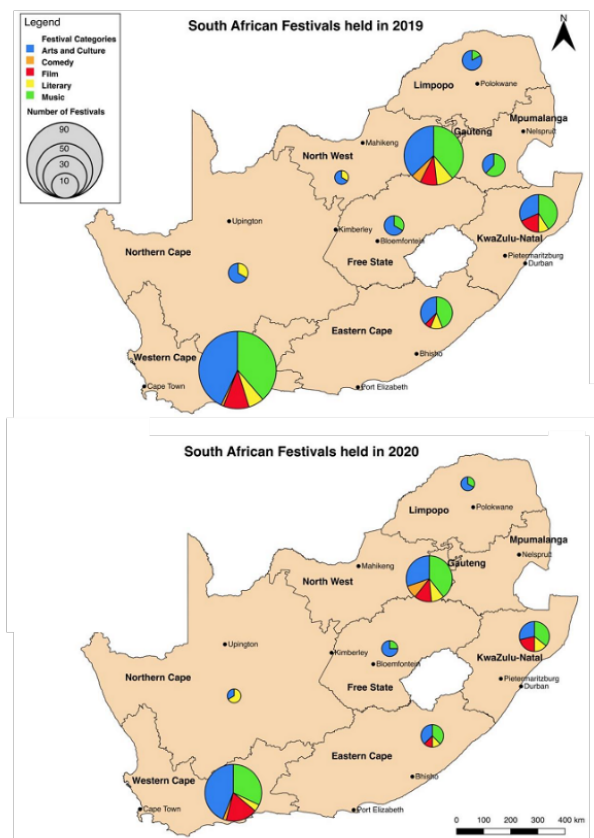


Figure 17: Cultural festivals held in South Africa in 2019 and 2020 by province and festival type

(Source: Future Festivals South Africa, 2021)

On 17 March, the National Coronavirus Command Council was established, "to lead the nation's plan to contain the spread and mitigate the negative impact of the coronavirus". On 23 March, a national lockdown was announced, starting from midnight 26 March 2020. This was the only Level 5 Lockdown imposed to date, and was particularly hard. All South Africans had to stay home except those providing or needing essential services or to buy essential goods. All South African borders were closed during the period of lockdown, except for the transportation of essential goods and fuel. All CCIs were

¹⁰ "Comic Con Cape Town postponed to 2021". Independent Online. South Africa. [Archived](#) from the original on 23 March 2020. Retrieved 19 March 2020.

¹¹ Isaacs, Alex (16 March 2020). "Lighthouse Family SA tour postponed due to coronavirus pandemic". Channel. [Archived](#) from the original on 2 April 2020. Retrieved 19 March 2020.

¹² Isaacs, Alex (16 March 2020). "Boyz II Men South African tour and the Scorpion Kings Live concerts postponed due to coronavirus pandemic". Channel. [Archived](#) from the original on 6 April 2020. Retrieved 19 March 2020.

¹³ Mvelashe, Phakamani (16 March 2020). "Bebe Winans' SA tour postponed". Channel. [Archived](#) from the original on 23 March 2020. Retrieved 19 March 2020.

impacted, with the exception of news media, who were designated an essential service, but still had to operate in line with COVID safety protocols.

Restrictions were slightly lifted when the Level 5 Lockdown was downgraded to a Level 4 Lockdown and subsequent changes shown in the table below. These changes were necessitated by subsequent increases in infection. For example, the second wave of COVID-19 infections hit South Africa¹⁴ in December 2020 and the lockdown was tightened from an adjusted level 1 to an adjusted level 3 starting on 29 December 2020. Figure 18 shows the timeframes of the lockdown levels and the number of new infections per day.

Table 5: The dates of South Africa's lockdown levels

Lockdown level	Start date	End date
Level 5	26 March 2020	30 April 2020
Level 4	01 May 2020	20 May 2020
Level 3	01 June 2020	17 August 2020
Level 2	18 August 2020	20 September 2020
Level 1	21 September 2020	28 December 2020
Level 3	29 December 2020	28 February 2021
Level 1	01 March 2021	30 May 2021
Level 2	31 May 2021	15 June 2021
Level 3	16 June 2021	27 June 2021
Level 4	28 June 2021	25 July 2021
Level 3	26 July 2021	

Source: <https://www.gov.za/Coronavirus>

¹⁴ Evans, Jenni. "Covid-19: SA enters second wave as Mkhize warns of surge in infections among teens". News24. Retrieved 10 December 2020.

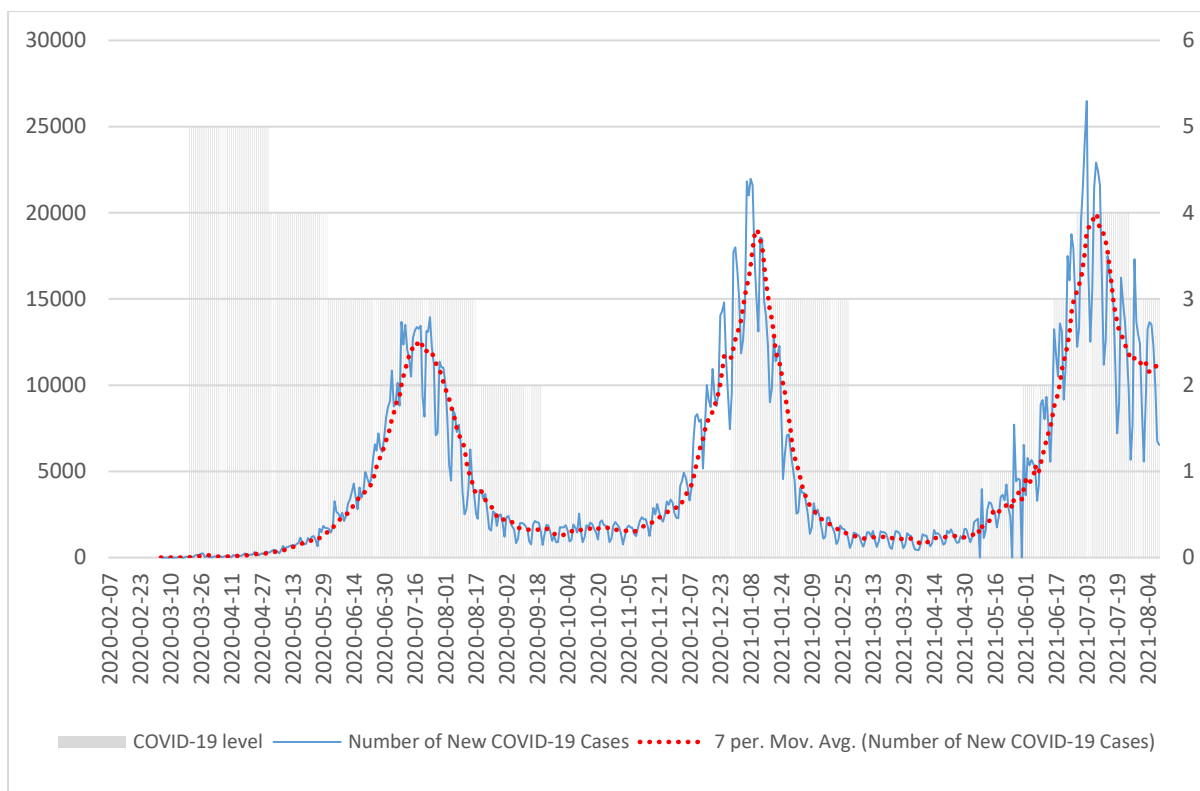


Figure 18: Lockdown levels and the number of new infections per day in South Africa

Source: Own calculations based on <https://www.gov.za/Coronavirus> and <https://github.com/owid/covid-19-data/blob/master/public/data/owid-covid-data.xlsx>

The negative economic impact necessitated that the South African government provide support, particularly to the most vulnerable people and on 21 April, a R500 billion stimulus was announced in response to the pandemic (National Treasury, 2020). This included the introduction of a completely new grant, the COVID-19 social relief of distress grant. The grant intended to assist the unemployed who did not receive any other forms of government assistance (SASSA, 2019).

The Department of Sport, Arts and Culture (DSAC) has a Relief Fund (R150-million) to assist artists, athletes, technical personnel and the core ecosystem of the sector. The criteria for access to the fund is the loss of income due to cancelled events or projects because of the national lockdown, the loss of income to athletes and arts-practitioners who were confirmed to participate in events that had been cancelled, and the provision of financial support for digital proposals that provided an alternative to conventional presentation platforms. DSAC also accepted proposals that respond to digital solutions, for the creatives to continue working. Applicants needed to provide evidence of bookings and cancellation, and had to be tax compliant.

Through the Presidential Employment Stimulus Programme (PESP), R665 million¹⁵ was made available to relieve the financial burden on entertainers and artists. The National Arts Council (NAC) was allocated R300 Million to implement the PESP focusing on job retention and job creation to the arts, culture and heritage sector.

- R200 million was allocated for job creation;
- R100 million was allocated for job retention;

¹⁵ Minister of Sport, Arts and Culture <https://pmg.org.za/committee-question/16024/>

- 5 % (per cent) of the total allocation was set aside for administration

Funding was also made available via the National Film and Video Foundation (NFVF) that is managing a program on job retention in the audio-visual industry. According to DSAC (*For The Record* Update, 4/8/2021), creative industries and sport have also benefited from funds made available to small, medium and micro enterprises, in partnership with the Department of Small Business Development (DSBD), and from the Solidarity Fund. In total, funding to culture and sport during the pandemic amounts to R642.9 million, benefitting 63 323 people.

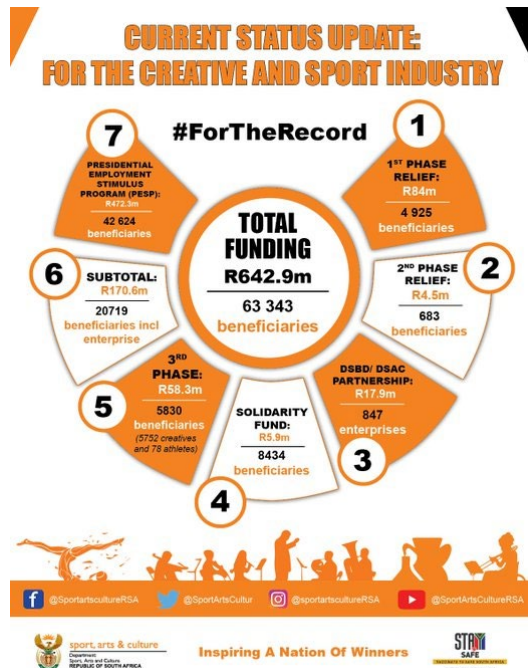


Figure 19: Support provided by DSAC to sport and culture during the pandemic

However, concerns have been raised by the sector about the delays in processing applications made by creatives to these various funds, and there have been public allegations that the NAC has mismanaged the funds (¹⁶Van Graan, 2021).

A study of national-level support provided specifically to the creative sector during the pandemic (including support in the first quarter of 2021), showed that South Africa had provided a total of US\$6.64 million, or an average of US\$0.10 per person (¹⁷Rea, 2021). The next lowest levels of support were provided by Singapore (US\$55.6 million), and South Korea (US\$269.1 million).

¹⁶ An artist's response to Nathi Mthethwa's alternative facts. Daily Maverick, 10/8/2021 <https://www.dailymaverick.co.za/article/2021-08-10-an-artists-response-to-nathi-mthethwas-alternative-facts/>

¹⁷ Data Visualization: Which Country Has Dedicated the Most Money to Arts Relief During the Pandemic? *ArtNet* 15/03/2021 https://news.artnet.com/art-world/pandemic-culture-bailouts-1950985?utm_content=from_artnetnewsbar&utm_source=Sailthru&utm_medium=email&utm_campaign=3%2F20%20Saturday&utm_term=Daily%20Newsletter%20%5BALL%5D%20%5BMORNING%5D

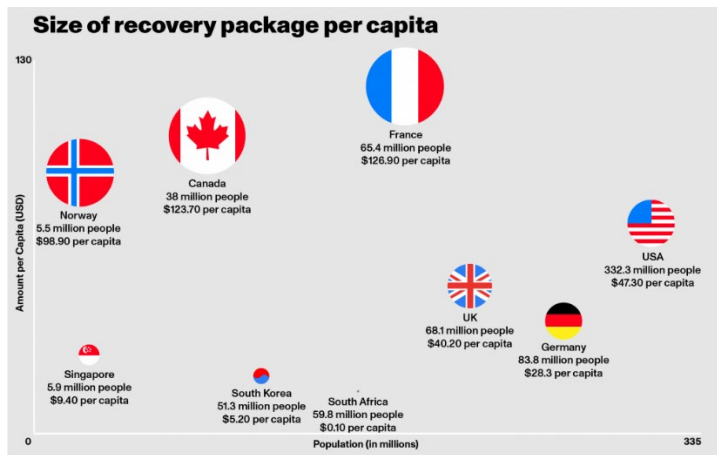


Figure 20: Government spending on CCI's recovery packages per capita

(Source: Rea, 2021)

Having provided an overview of the impact of COVID-19 on the South African economy, and reviewed measures put in place by government to support the creative economic, the remainder of the document reports on the primary research and modelling conducted.

Section 4 of the report analyses the survey responses and sample characteristics of the data collected via an online questionnaire. Section 5 presents the results and analysis, and Section 6 uses macroeconomic models to show the impact of the pandemic on the contributions of the CCIs to South Africa's GDP.

4. Survey Response Rate and Sample Characteristics

In total, 326 responses were received to the online survey, which was open from the end of May until the 21st of June. The lower number of responses, despite increased efforts to reach creatives in 2021 and to encourage them to complete the survey, is likely to be because of survey fatigue being experienced by many businesspeople. Nevertheless, the sample is reasonably large, and can be supplemented by the key stakeholder interviews, and results from the 2020 survey.

Table 6: Survey responses by Domain 2020 and 2021

	Frequency 2020	Percentage 2020	Frequency 2021	Percentage 2021
Cultural & Natural Heritage	20	3%	16	5%
Performance & Celebration	167	28%	173	53%
Visual Arts & Crafts	95	16%	38	12%
Books and Press	30	5%	30	9%
Audio-Visual & Interactive Media	181	31%	32	10%
Design & Creatives Services	62	10%	19	6%
Support Activities	36	6%	18	6%
TOTAL	591	100%	326	100%

As shown in Table 6, responses were received from all domains. In the 2021 study, there was a greater proportion of respondents in the Performance and Celebration domain (53%) than in 2020 (28%). This may be because this is the domain that was the most negatively affected by the COVID-19 lockdown restrictions, which encouraged businesses and freelancers in this domain to complete the survey.

What does need to be considered is that low numbers of responses in some domains, particularly Cultural and Natural Heritage, Design and Creative Services, and Support Activities, make results for these sectors less reliable.

Table 7: Survey responses by type of business, role and mode of operation in 2020 and 2021

		Frequency 2020	Percentage 2020	Frequency 2021	Percentage 2021
Type of Business	Formal (Registered)	364	65.1%	207	64%
	Informal (Unregistered)	195	34.9%	117	36%
Role	An Employer	218	37.6%	158	51%
	A Freelancer	362	62.4%	151	49%
Mode	Mostly face-to-face	403	68.8%	231	72%
	Mostly not face-to-face	183	31.2%	92	28%

Responses to the 2021 survey showed very similar proportions to the 2020 survey in terms of the type of business (operating informally versus as a registered business) and the proportion of respondents whose work was produced and delivered mostly face-to-face (live productions) versus those working in a mostly not face-to-face mode (Table 7). The 2021 survey had a slightly higher proportion of employers (51%) than in 2020 (37.6%), but still a reasonable number of responses in each category. Other than freelancers, the largest group in both the 2020 and 2021 sample were those who employed between 2 and 10 people (37% in 2021), with only a small proportion of respondents employing more than 10 people, as one would expect in an industry dominated by freelancers and small businesses.

Table 8: Respondent Employment categories 2020 and 2021

Employment Category	2020	2021
1: Freelancer, no employees	61%	49%
2-10 people (micro)	28%	37%
11-50 people (small)	8%	11%
51-250 people (medium)	2%	3%
>250 people (large)	1%	1%

New questions in the 2021 survey also asked about company type. Most respondents were operating as private (for-profit) businesses, but there were also several non-profit organisations (22%) and some public organisations (Table 9). Past research also showed that being a member of an industry association can affect the resilience and the strategies adopted by CCI's under COVID-19. The 2021 survey showed that 58% of respondents were part of an industry association.

Table 9: Survey responses by company type and industry association membership

Company Type	Percentage of the Sample
NPO	22%
Private	70%
Public	8%
Industry association member	
Yes	58%
Not a member or Unsure	42%

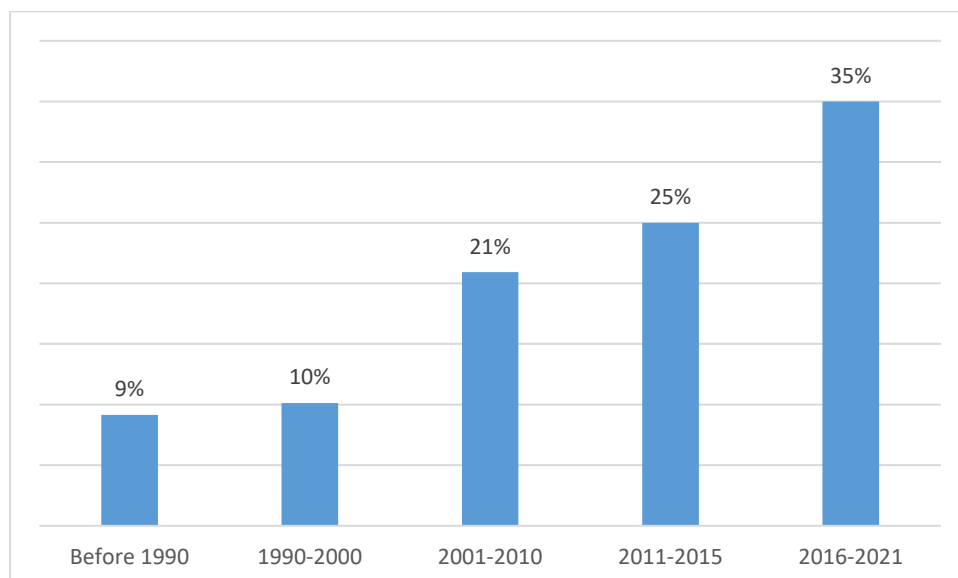


Figure 21: Year of Business Establishment

As in the 2020 survey, most of the respondents had established their business or started working in the sector in the last 10 years (60% in the 2021 sample, compared to 46% in the 2020 sample). 21% of firms or freelancers had entered the industry between 2001 and 2010, while 19% were established between 1990 and 2000 (10%) or before 1990 (9%).

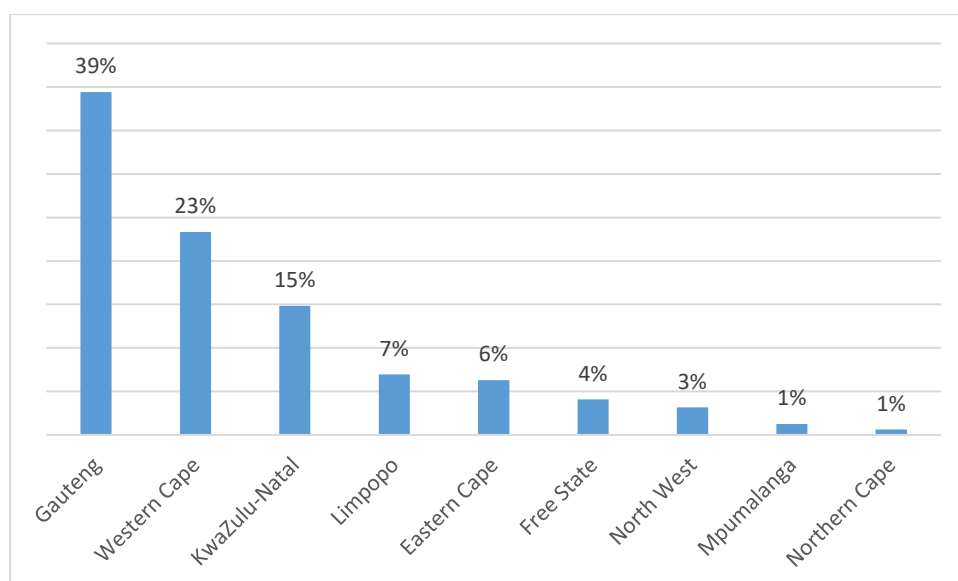


Figure 22: Distribution of Responses by Province

In terms of geographic location, at least some responses were received for each of the nine provinces. As in the 2020 study, most responses were from Gauteng (39%), the Western Cape (23%) and KwaZulu-Natal (15%). Since these are also the provinces with the largest proportion of CCIs (SACO Mapping Study, 2020), the sample characteristics seem to approximate the population in terms of geographic spread.

Table 10: Survey responses by Gender, Age Group and Career Stage

Gender (n=326)	Female	36.2%
	Male	58.3%
	Non-binary	1.2%
	Prefer not to answer	4.3%
Age group (n=326)	18-25	10.1%
	26-35	26.7%
	36-50	31.0%
	51-64	22.1%
	65 or older	7.4%
	Prefer not to answer	2.8%
Career Stage (n=326)	Emerging	17.8%
	Mid-career	39.3%
	Established	38.7%
	Prefer not to answer	4.3%

An innovation of the 2021 survey was the inclusion of some sociodemographic information. This was done in response to studies showing that COVID-19 impacts in the CCIs may not be evenly spread, with women, young people, and early-career creatives being most negatively affected (England and Communian, 2020; Eikof, 2020).

To test this in a South African context, respondents were asked to indicate their gender, age group, and give a self-assessment of their career stage described as follows:

- Emerging: Just starting out;
- Mid-career: Some success and growing;
- Established: Well recognised

As shown in the table, there was a majority of male respondents (58%) compared to others, which also approximates the demographics of those working in cultural occupations fairly well (SACO Mapping Study, 2020). Youth (18 – 35) made up 37% of the sample, and most respondents classified themselves as either mid-career (39.3%) or established (38.7%).

Thus, while the 2021 sample was not as large as the 2020 sample, it does show variation between groups, with large enough samples in sub-groups to allow for analysis. It is also fairly similar to the structure of the 2020 sample in terms of business types (although the 2021 sample has a somewhat higher proportion of employers versus freelancers). Where information on sample demographics and geographic location is available, the sample approximates characteristics from the CCI Mapping Study (SACO, 2020).

5. Survey Results and Analysis

The following section analyses the results of the survey in terms of the impact of COVID-19, continuity strategies used by the sector, their knowledge and utilisation of available support, and the most useful support going forward. Information from key stakeholder interviews is included in the discussion.

5.1 Turnover and Business Continuity in 2020 and 2021

To assess the impact of COVID-19, respondents were asked to disclose their business turnover for a normal year before the COVID-19 crisis (the 2019/20 financial year), and for the last financial year (2020/21) during the COVID-19 crisis. CCIs in most countries are dominated by small and micro industries, which is also the case in South Africa.

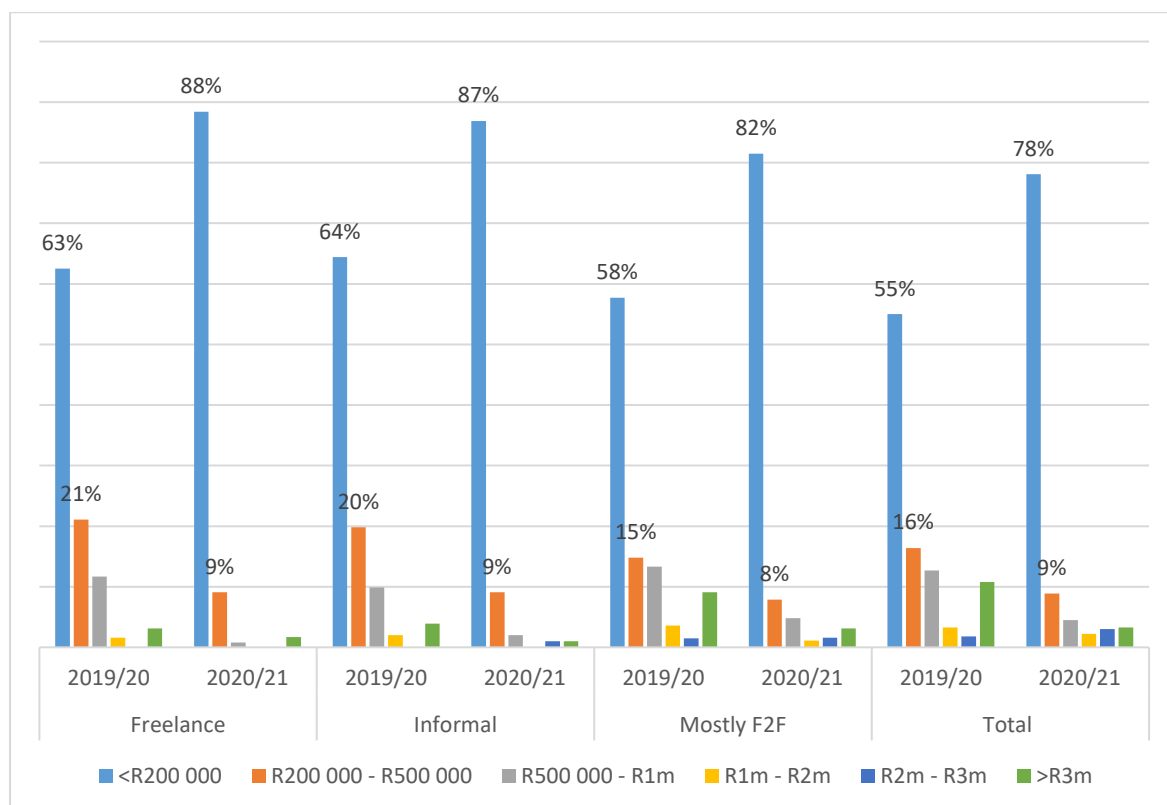


Figure 23: Turnover for 2019/20 and 2020/21 financial years by business type

The full analysis is shown in Appendix Table 1, but the figure shows the general pattern: In 2019/20, 55% of CCI firms and freelancers had a turnover of less than R200 000 for the year. In 2020/21, the proportion of firms and freelancers who fall into this category increases to more than three quarters of respondents (78%). The impact on turnover was especially severe for freelancers (88% of whom had a turnover of less than R200 000 in 2020/21), those operating informally (87% with turnover of less than R200 000 in 2020/21) and those operating mostly face-to-face (82% with turnover of less than R200 000 in 2020/21). The impact for employers, those operating formally, and those less reliant on face-to-face operation was also significantly negative, but somewhat less severe than for the most vulnerable groups (see Appendix Table 1).

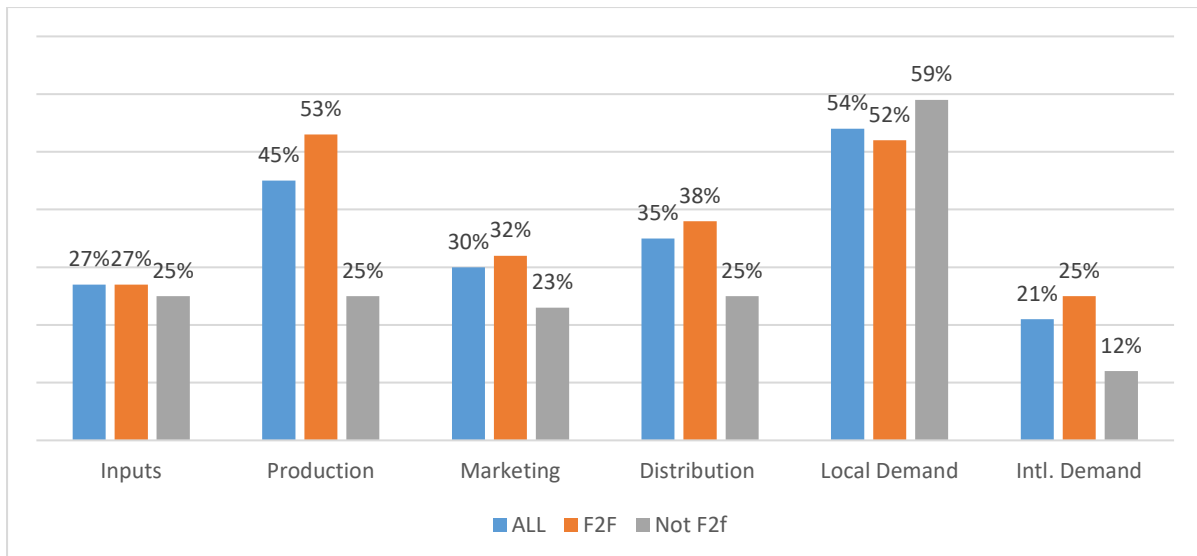


Figure 24: Value chain impacts

Respondents were also asked which parts of the value chain were most affected by the lockdown. As shown, the most affected area was local demand (“There was a drop in demand for my goods and services in South Africa”), followed by Production (“It was difficult to produce the goods and services I provide”). Less frequently disrupted parts of the value chain, which affected about a third of respondents, were Distribution (“It was difficult to get my goods and services to customers”) and Marketing (“It was difficult to advertise my goods or services”). For about a quarter of respondents, Inputs were also a challenge (“It was difficult to source the materials and skills I needed for production”), as was International (export) demand (“There was a drop in demand for my goods and services from international clients”).

For those producing in a mostly face-to-face mode of production, Production disruption was highest (53%), followed by the drop in local demand (52%), Distribution (38%) and Marketing (32%). For those operating in a mostly not face-to-face mode, the most frequently impacted part of the value chain was local demand (59%), but then followed by much smaller groups of respondents (25%) reporting disruptions in Production, Inputs and Distribution. The results demonstrate that, while all parts of the CCIs suffered some form of value chain disruption, it was disproportionately severe, and spread across more value chain categories, for those operating in mostly face-to-face modes.

Another important part of the survey was the extent to which the CCIs could continue with their business activities (i) before the COVID-19 pandemic, (ii) during the lockdowns and (iii) as recovery starts. When asked about the extent to which they could continue with their “normal” business activities during 2020, only 10% of respondents said they could continue with “most” activities, with a further 9% saying that they could continue with 60%-80% of activities. More than a quarter (26%) reported not being able to continue with any of their activities.

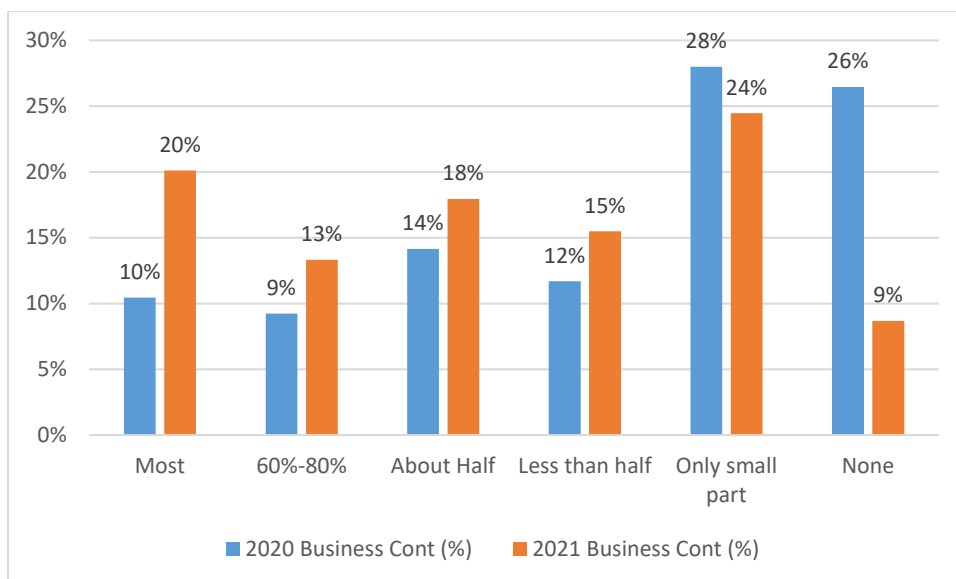


Figure 25: Extent of Business Continuity 2020 versus 2021

Some good news for the sector is that business continuity increased dramatically in 2021: 20% of respondents reported being able to continue with “most” of their normal business activities, and only 9% said that they could continue with none of their activities. This does show some recovery since the start of the year.

Key Stakeholder Interviews: Medium- and Longer-Term Impacts

Question: As the lockdown has extended, can you tell me what medium and longer-term impacts there have been on businesses and freelancers working in your domain?

Themes:

- The *financial impact* on the CCIs has been severe, especially for domains reliant on live interactions (P&C) and tourism (Visual Arts and Crafts (VA&C) and some part of Cultural and Natural Heritage (C&NH)).
- While some creatives have *shifted business activities online*, few have been successful in monetising online activities. For lower-income households, the costs of data and lack of equipment needed to access online content limits online demand.
- There is concern that *some creatives may have exited the CCIs permanently*, especially those who have had to sell their equipment to pay for living expenses (P&C), or larger businesses which have moved to other countries (AV&IM).
- *Emerging (early-career) creatives struggle most*, since they do not have the networks, track-record, or existing online presence needed to continue operating, and needed for some private sector funding opportunities.
- The *lack of opportunities to showcase their work*, usually provided by events, like festivals and art fairs, is also making it especially difficult for those starting out.
- Domains that have shifted online successfully have access to *new audiences and markets* and increased their visibility online, but competition in this space is fierce.
- For domains not reliant on face-to-face activities (Books and Press (B&P), C&NH, Design and Creative Services (D&CS)), production could continue, but the *demand side of the value chain was still disrupted*, especially those reliant on tourist “walk ins”, international business, and whose products are seen as “luxury” goods which households can no longer afford.

- CCI firms are finding it difficult to *conform with COVID-19 safety regulations*, which increases their costs of production.

Business continuity and recovery rates differed by type of business. Reported business continuity in 2020 (Figure 8) showed that the most negatively affected were those operating in a mostly face-to-face environment, where 61% could continue with none, or “only a small part” of business activities, followed by freelancers and those operating informally. Least negatively affected were those not operating in a primarily face-to-face mode, where 56% could continue with half or more of their business activities, followed by employers and registered businesses.

In 2021, business continuity improved across the board (Figure 9), but the same patterns in terms of vulnerability remain. The least affected were those not operating in a face-to-face environment, where 74% of businesses reported being able to continue with half or more of their normal business activities in 2021.¹⁸ Interestingly, a greater proportion of Freelancers (than Employers) and those operating Informally (than Registered) reported being able to continue with “most” of their normal business activities in the first half of 2021 (although there was no statistically significant difference between these groups overall).

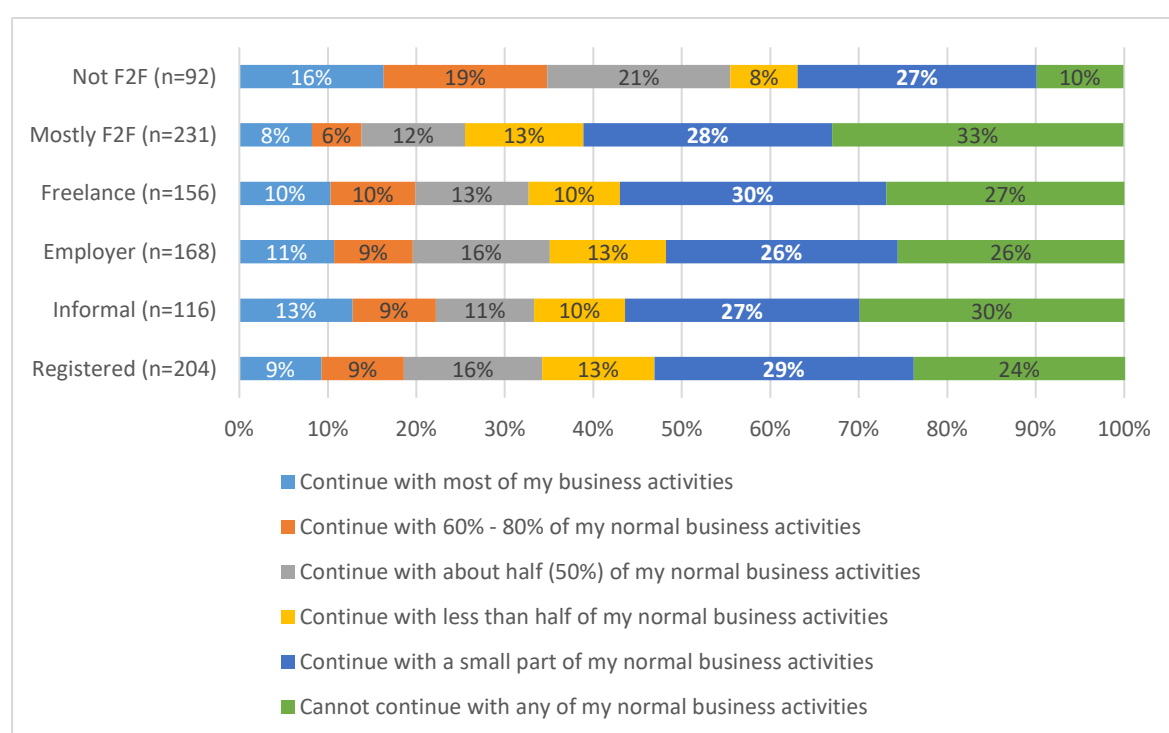


Figure 26: Business Continuity by Type of business 2020

¹⁸ It should be noted that the survey closed on the 21st of June, before the lockdown level was increased again in response to the 3rd wave of COVID-19 infections.

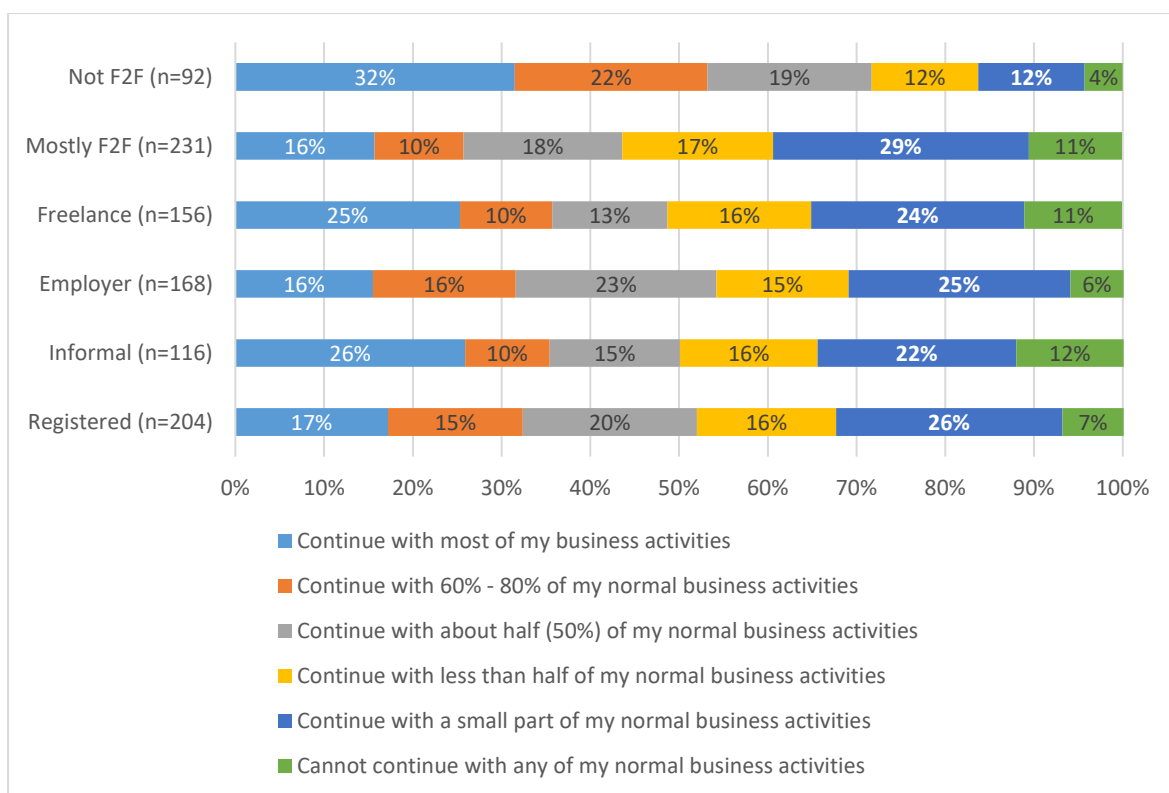


Figure 27: Business Continuity by Type of business 2021

Table 11: Mean and Median Business Continuity Score by Business type

	Registered	Informal	Employer	Freelance	Mostly F2F	Not F2F
Average Score 2020 (Std. Deviation shown in Brackets)	4.15 (1.61)	4.18 (1.76)	4.12 (1.66)	4.21 (1.67)	4.46 (1.57)	3.40 (1.66)
Median 2020	5	5	5	5	5	3
Average Score 2020 (Std. Deviation shown in Brackets)2021	3.38 (1.58)	3.35 (1.78)	3.36 (1.53)	3.36 (1.77)	3.65 (1.60)	2.64 (1.54)
Median 2021	3	4	3	4	4	2

Another way of analysing the results is to examine average (mean) and median business continuity scores, where responses to the question on business continuity are coded numerically, where 1 represents “continue with most of business activities” up to 6 “cannot continue with any of my normal business activities”. *Higher numbers thus represent lower levels of business continuity.*

In 2020, the average score for all business types, except those operating mostly not face-to-face, was around 4 (“I can continue with less than half of my normal business activities”) with the median being 5 (“I can continue with only a small part of my normal business activities”). The highest average score (indicating the lowest level of business activity) is for those businesses operating in a mostly face-to-face mode.

In 2021, the average drops to around 3 (“I can continue with about half of my normal business activities”), with the median between 3 and 4. The highest average score (indicating the lowest level of business activity) remains in the mostly face-to-face mode category.

To test for the statistical significance of the differences between the groups, Analysis of Variance (ANOVA) was used. While the patterns are clear, only the difference between those operating mostly face-to-face and those not operating in a face-to-face mode was statistically significant (at the 1% level of significance, indicating a 99% confidence interval).

5.2 Strategies and Adaptations by Business Type and Career Stage

Respondents were asked which strategies they used to keep their businesses going during the COVID-19 lockdown. Here there were some interesting differences between the results of the 2020 survey and the results of the 2021 survey.

One of the most noticeable differences is the proportion of respondents who reported “Moving business activities, such as meetings and production, online”. This strategy was chosen by only 35% of respondents early in the lockdown (May 2020), but by 64% by June 2021.

Larger proportions in the 2021 survey also reported other productive adaptations, such as using the time to upskill, arranging greater flexibility to work from home, agreeing with clients to postpone (but not cancel) work, and working on other aspects of production (such as archiving, administration, developing creative ideas) that can be done without face-to-face interaction.

Table 12: Strategies for business continuity 2020 and 2021

Strategies	2020	2021
Moving business activities, such as meetings and production, online	35%	64%
Using the time to upskill or train myself and/or my employees	32%	46%
Arranging for greater flexibility to work from home	26%	44%
Agreeing with clients to postpone (but not cancel) work until a future date	34%	42%
Working on aspects of production	36%	41%
Using up reserves or savings	40%	37%
Getting support (money or other services) from friends and family	20%	33%
Pivoting my business to other work, but still in the creative industries		29%
Building up a stock of the goods we produce, to be sold at a later date	7%	18%
Pivoting my business to other work not in the creative industries		14%
Extending existing loans or applying for new ones	13%	10%
No strategy	17%	3%

Two new strategies were also listed in 2021: “Pivoting my business to other work, but still in the creative industries” (29%) and pivoting to non-creative industries work (14%). Similar proportions reported using up reserves (40% in 2020 and 37% in 2021); and a larger proportion in 2021 reported “getting support from friends and family”.

Only 3% of respondents in 2021 reported that they could use no strategy to keep going, as compared to 17% in 2020, which also points to increasing adaptability.

Another interesting finding is that, despite their own financial struggles, 31% of respondents reported being involved in social welfare projects or support (such as distributing food parcels or supporting local schools); and 37% were involved in creative industries support (such as running or hosting

workshops for creatives on things like business in the digital environment, or artistic techniques and skills).

Key Stakeholder Interviews: Continuity Strategies

Question: What strategies have businesses and freelancers in your domain used to keep going during this [COVID-19] period?

Themes:

- Creatives in all domains have *shifted to online formats*, although there are challenges related to cost, skills, and technical requirements.
- Many creatives have engaged their audiences by *creating or upgrading their social media* platforms and websites.
- Marketing and communications are increasingly important to compete in the online space – need to *invest in building creatives' profiles* and followers to generate online sales (emerging/unknown creatives struggling).
- Some, including those offering technical support services, have *pivoted their businesses to support online CCI production* (e.g. equipment hiring companies setting up online streaming studios; venues partner with technology companies to deliver hybrid events).
- Others *pivoted their business to other sectors* (e.g. crafters making masks, using distribution networks to deliver food; museums used as pickup points).
- There has been an *increase in collaboration* between CCI firms, e.g. art auction houses and museums; venue managers and other parts of the creative economy; couriers and publishers.
- *Creative industries events (like book fairs) have moved online*, which has increased public engagement and audience access, but reduced networking opportunities important for building future demand.
- There is generally *more acceptance of online and "work from home" strategies*, and creatives have invested in hardware and software to enable them to do this.
- In some cases (AV&IM; D&CS), *CCI products have been adapted* to take into account COVID-19 restrictions.
- On the *demand side*, more acceptance and interest in online purchasing of CCI goods and services, and more appreciation for "handmade" products.
- On the *supply side*, there was more time to work on "backroom tasks" and plan new (innovative) creative products and services.

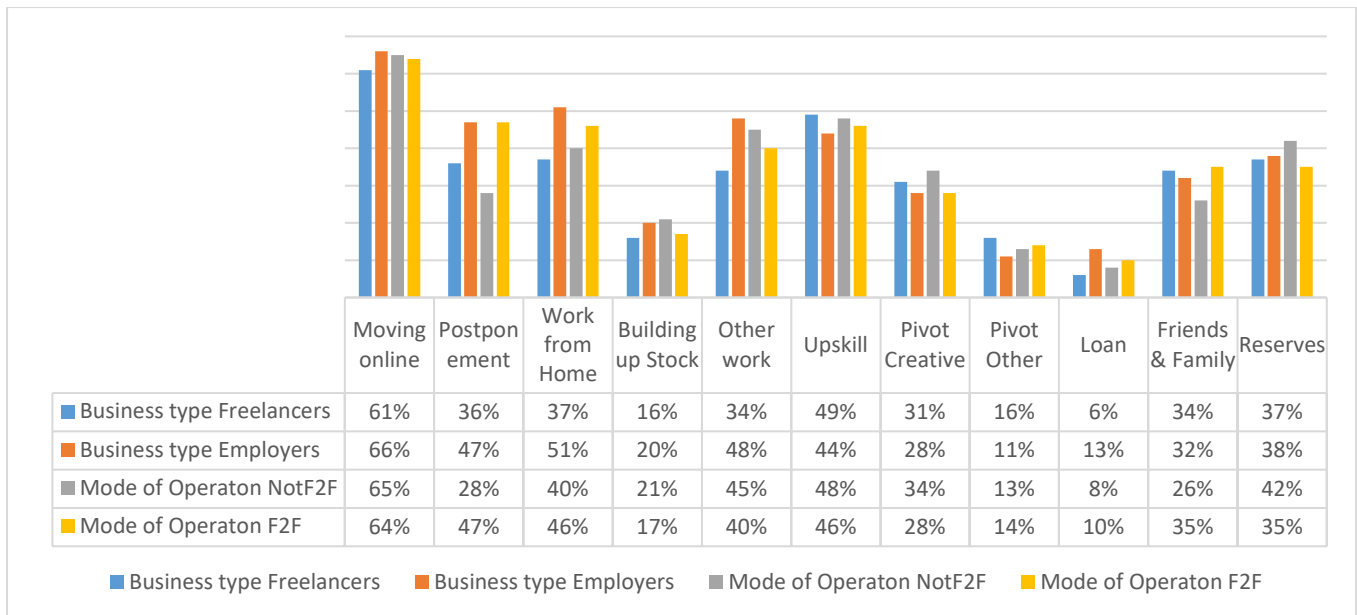


Figure 28: Strategies used to continue working during COVID-19 by business type and mode of operation

There are also some interesting differences in continuity strategies by sub-groups.

Freelancers were less likely than other groups to move their business activities online, or to be able to postpone work (rather than accepting cancellations), to adopt “work from home” strategies, or to continue work on other aspects of production that did not require face-to-face interactions. However, they were slightly more likely than employers to use their time to upskill (49%), and to pivot their work to other areas, both in the creative industries (31%) or in other sectors (16%). They were least likely to have applied for loans (6%), probably because of the proof of income requirements needed for most formal loans.

Employers were most likely to move business activities online (66%), and to be able to postpone work, rather than cancelling it (47%). They were much more likely to adopt “work from home” policies (51%) and be able to continue to build up stock to be sold later (20%).

Those businesses whose main mode of operation was face-to-face also moved online (64%) but were much more likely to negotiate for postponements than those who did not operate in a face-to-face mode (47% compared to 28%) and to adopt work from home strategies (46%).

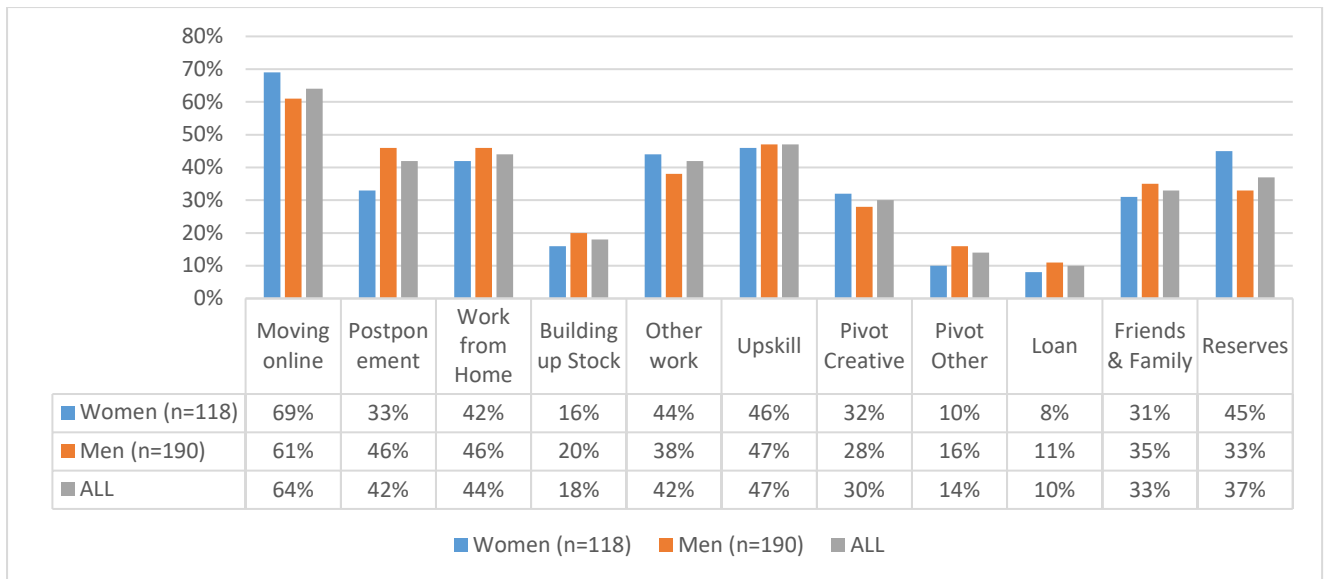


Figure 29: Strategies used to continue working during COVID-19 by Gender

Continuation strategies showed a few interesting gender differences¹⁹. A slightly higher proportion of women (69%) than men (61%) moved some of their business activities online, while a greater proportion of men (46%) than women (33%) were able to negotiate postponement of scheduled work. A greater proportion of women (45%) than men (33%) were able to draw on existing reserves to survive the COVID-19 period.

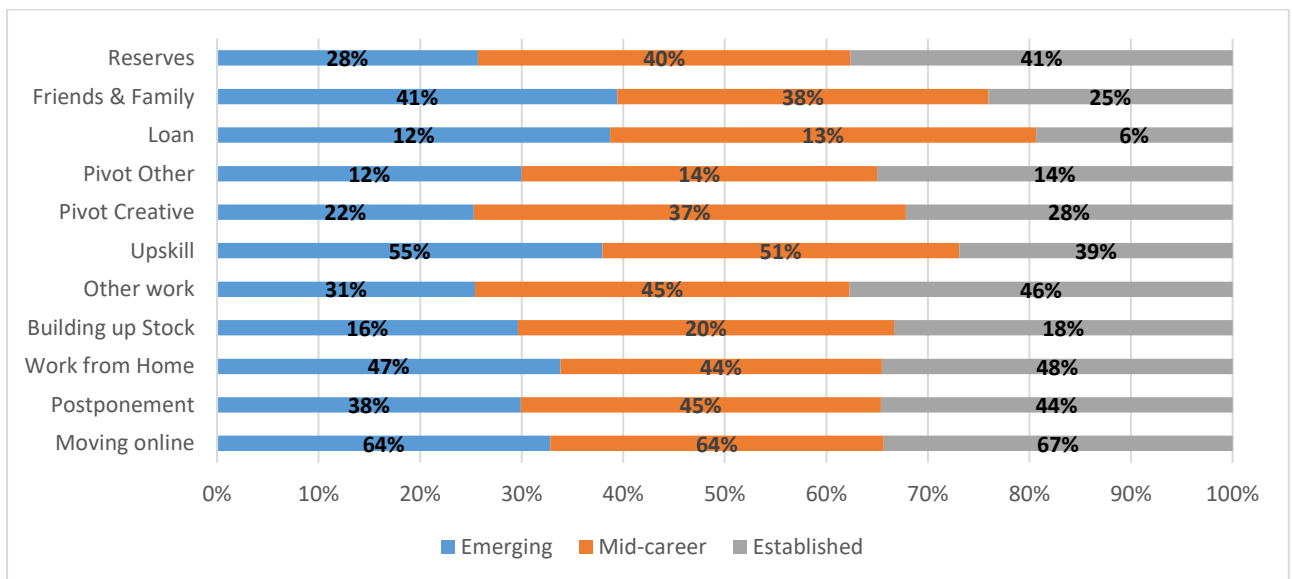


Figure 30: Continuity strategies by career stage

The continuity strategies adopted were also analysed by career stage (emerging, mid-career, and established).

Results were fairly similar across sub-groups, except that emerging creatives were less likely to be able to get on with other work (“Working on aspects of production, such as archiving, administration, development creative ideas, that can be done without face-to-face interaction”) than later career

¹⁹ A small number of respondents (1.2% of the sample) indicated their gender as non-binary or chose the “I prefer not to answer” category (4.3%). These groups were too small to analyze separately.

creatives. Established creatives were less likely than other groups to use the time to upskill, and mid-career creatives were most likely to pivot their work to other areas within the creative industries. Emerging creatives were most likely to get support from family and friends, and less likely to use up existing reserves or savings (presumably because they had not yet had time to build these up).

Respondents who indicated that they were employers (n=158) were asked a follow-up question: “If you are an employer, have you had to use any of the following strategies to keep your business going?”

Table 13: Employer continuity strategies 2020 and 2021

Employer Strategies	2021	2020
Cancelling contracts with suppliers	46.7%	15.7%
Closing offices	41.3%	
Ending short-term employment	38.9%	29.1%
Reducing salaries	29.3%	25.5%
Reducing hours worked	28.7%	14.7%
Freezing vacant posts	19.8%	
Retrenching employees	17.4%	7.4%
Asking employees to take unpaid leave	12.0%	11.3%
Reducing employment benefits	10.8%	
None apply: I continue to pay all employees their normal salary	10%	20.6
Pivoting business to other (non-creative) sectors	8.4%	
Asking employees to take paid leave	1.2%	19.1%

In the 2020 survey (done quite shortly after lockdown began), the most common employer strategies were ending the contracts of short-term employees (29%), reducing the salaries of current employees (26%), or asking employees to take paid leave (19%).

In the 2021 survey, the most common strategies used by employers were cancelling contracts with business input suppliers (46.7%), closing offices, and working from home (41.3%), and ending the contracts of short-term employees (38.9%). The percentage of employers who reduced the working hours of employees (28.7%), froze vacant posts (19.8%), or who retrenched employees (17.4%) also increased between 2020 and 2021, as the longer-term nature of the shutdown became apparent.

To determine which of the strategies adopted might continue to affect CCI business practices in the future, all respondents were asked: “If you have used any of the following work adaptation strategies during the lockdown, which do you expect to continue to use in the future, when the threat of the pandemic has passed?”

A majority (66%) said that they would continue online business or production activities, working in a hybrid mode with both in-person and digital work. Slightly higher proportions of male respondents, younger people, and early-career (emerging) creatives chose this option. Surprisingly, a much higher proportion of face-to-face mode operators (66%) than those operating mostly not face-to-face (34%) chose this option, suggesting that face-to-face mode operators (including live performing artists) do see the long-term potential of online business models.

Key Stakeholder Interview: Permanent changes

Question: Do you think any of the adaptation strategies will change the way your domain operates in the future, perhaps when the pandemic has passed?

Themes:

- All domain stakeholders thought that *online, or hybrid business models* were likely to continue, making skills related to digital technologies and eCommerce platforms more important over time.
- *Remote, work from home strategies* were also likely to continue, especially for meetings and production that could be done online, cutting down on travel costs.
- There is a demand for “physical”, in-person experiences, but *indoor infrastructure may need to change* to make these COVID-safe (larger spaces with better ventilation).
- For live, in-person events, there is likely to be a focus on *smaller events in non-traditional spaces* (gardens, sports fields, museums, and public spaces).
- Some expected an *increase in importance of digital repositories* and archives for cultural products (fine art, craft, films).
- The *need for the marketing and online exposure* of African cultural products and services was likely to continue and “accelerate”, especially for sectors facing international competition.
- The “*over reliance*” on international tourism for demand in some domains (VA&C; C&NH) needs to change so that products are created and marketed for local (SA) consumers.
- The *collaboration within and across domains is likely to continue*, enabled by technology.

Table 14: Continuity strategies that will be maintained after COVID-19

Future strategies		Online business or production (hybrid)	Work from home	Pivoting for diversified income streams
Gender	Women	62%	48%	58%
	Men	69%	49%	57%
Age group	18-25	85%	55%	61%
	26-35	66%	49%	60%
	36-50	66%	48%	62%
	51-64	57%	47%	50%
	65+	75%	50%	42%
Career Stage	Emerging	72%	45%	53%
	Mid-career	70%	49%	64%
	Established	62%	52%	53%
Mode of operation	F2F	66%	55%	66%
	Not F2F	34%	61%	66%
ALL		66%	49%	57%

More than half (57%) of survey respondents said they would continue to develop additional income streams in the creative or non-creative industries. This strategy was more common among younger

and mid-career creatives, suggesting that those who still have longer careers ahead of them are more likely to adopt diversification strategies.

Nearly half (49%) of respondents said they would continue to work flexibly from home and/or continue to divide their working time between home and the office. This strategy was most common among those not working in a face-to-face mode (61%).

5.3 Support Knowledge and Utilisation

A variety of public support was available to SMMEs (which was also applicable to the CCIs) or was specifically targeted to the creative industries. However, only 54% of respondents reported knowing about government support being offered while the rest did not know about it or were unsure.

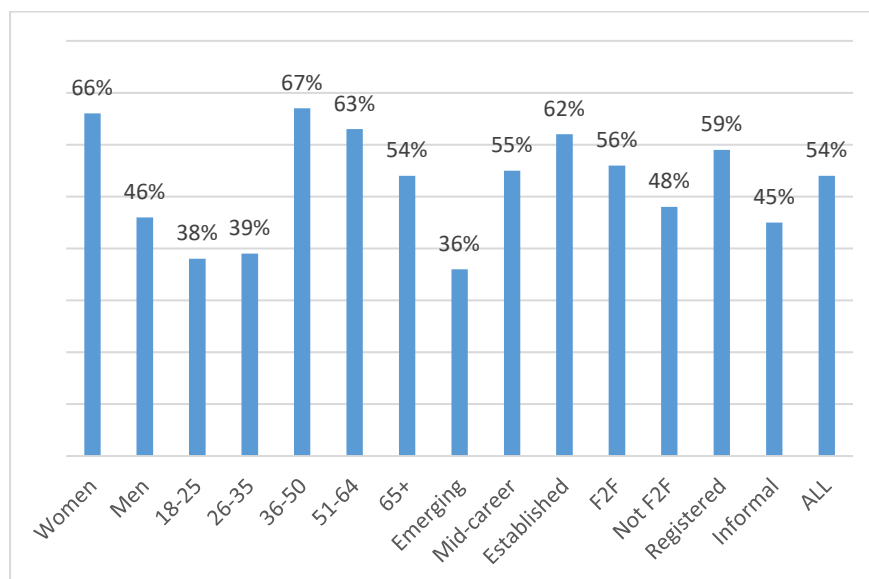


Figure 31: Knowledge of public support by demographics and business type

Women respondents (66%) were more likely to know about government support than men (46%). Older creatives (36+) and mid-career and established respondents were more likely to know about it than youth and emerging creatives – a somewhat worrying finding, given the vulnerability of the youth group.

In terms of business type, those operating in a mostly face-to-face mode were likely to be knowledgeable about public support options than those not operating face-to-face, and registered businesses were more likely to know about support than informal operators.

In all, 45% of respondents (148) reported applying for some form of government support. Of those who did apply, the most mentioned application type was the Presidential Employment Stimulus Package applied for by 48% of respondents, followed by wage support for Unemployment Insurance Fund contributors unable to pay employees (24%), and SMME relief finance schemes (21%). A small proportion of respondents (7%) mentioned other support, mostly that offered through the agencies of the DSAC, such as support offered by the NAC, the NFVF, the Art Bank, and provincial Departments of Sport and Recreation.

Table 15: Applications for Public and Private Sector support

Support Type	Percentage	Number
Applied for Government support	45%	148
SMME	21%	31
PESP	48%	71
Wage Support	24%	36
Other	7%	10
Applied for Private Sector support	15%	50

In terms of who applied, the sample size is somewhat small for detailed analysis, but some general patterns can be reported: More employers (46%) than freelancers (24%) applied, more face-to-face mode operators (41%) than those operating not face-to-face (23%); more men (40%) than women (29%), and more mid-career and established creatives (38% each) than emerging creatives (28%) applied.

Only 15% of respondents reported applying for any kind of private sector support. The most frequently mentioned organisation was Business and Arts South Africa (BASA), followed by other industry associations, such as the Arts and Culture Trust, SAFTA and SAMPRA. A few respondents mentioned applying to creative industries business, such as Mnet and the Netflix support fund. Some mention was made of financial institutions who have arts and culture support programmes (FNB, RMB), and a few mentioned local businesses and cultural associations where they had applied.

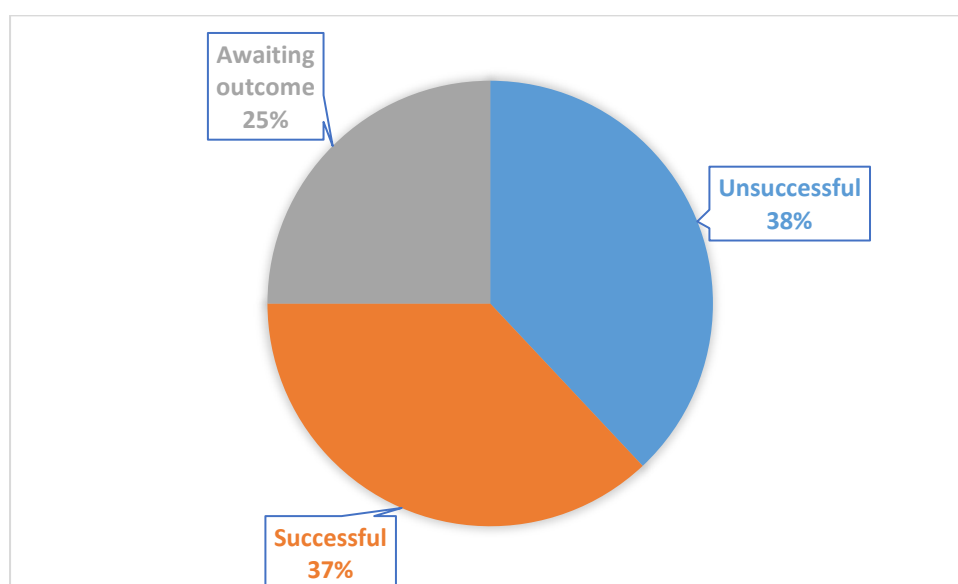


Figure 32: Success of public support applications

Those who did apply for public support were asked about the outcome of their applications to date. Of those who applied, 37% reported success, with a further 25% still awaiting the outcome of their application at the time of the survey.

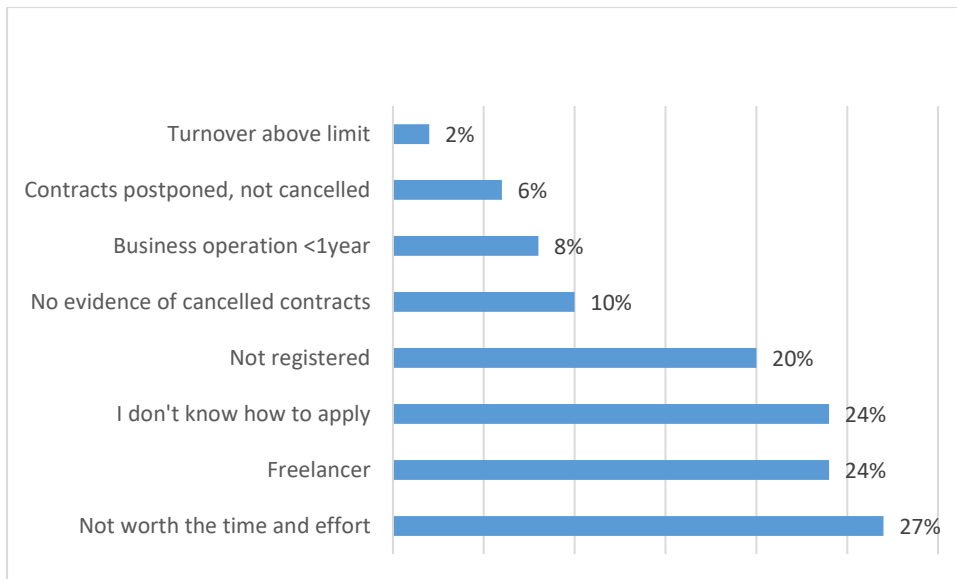


Figure 33: Reasons for not applying for government support²⁰.

Those who had not applied for government support were asked why they had not applied. The most common reasons were related to eligibility, such as their business not being registered (20%), being a freelance worker on short-term contracts (24%) and smaller groups who did not meet other criteria. However, 24% said that they did not know how to apply (compared to 21% in 2020), and 27% said that they did not think it was “worth the time and effort” of applying (compared to 23% in 2020).

In summary, there are still surprisingly low levels of reported knowledge about available government support for the sector, particularly those operating informally, and emerging career stage creatives. Nevertheless, nearly half of all respondents reported applying for some form of government support (45%), of which 38% have already been successful. Private sector support applications were much rarer (15%), emphasising the importance of government support for the sector.

5.4 Recovery Time Expectation by Type of Business

Respondents to the 2021 survey were asked: “By when do you expect your business to recover to pre-COVID levels of Turnover?”

Predictions about recovery are based on a number of factors: Expectations about how quickly the COVID-19 virus can be brought under control, expectations of economic conditions, such as how quickly demand will recover, and knowledge of the specific production processes on individual firms and freelancers.

The data below analyses the responses overall by time period, cumulatively and by business types. (Domain level analysis is discussed in Section 5.6).

²⁰ Note that categories add up to more than 100% because respondents could choose more than one response option.

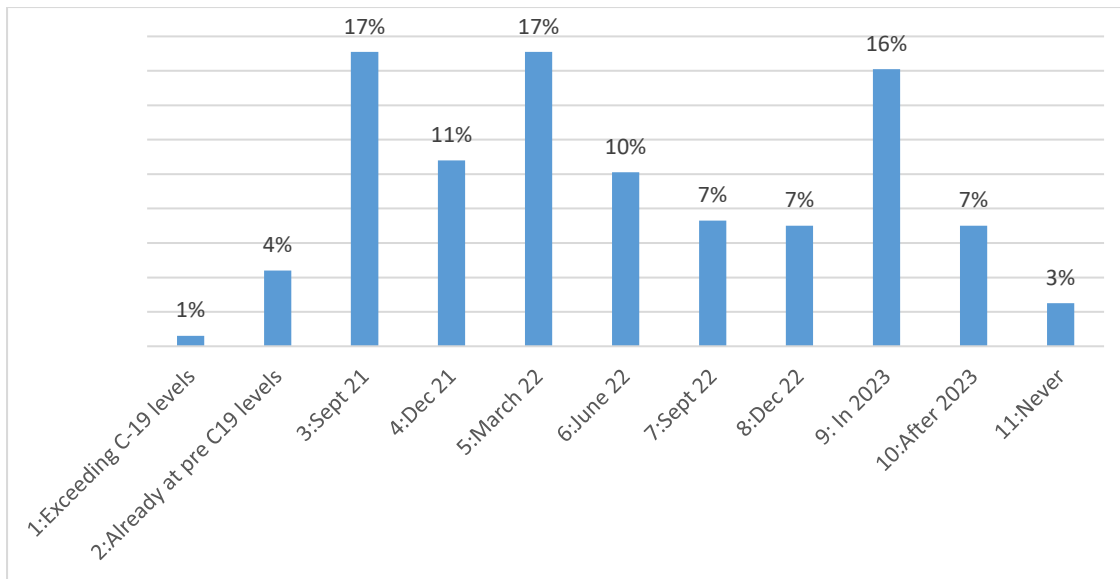


Figure 34: Expected business turnover recovery time by time intervals

A small percentage of respondents reported that their turnover levels are already exceeding pre-COVID-19 levels (1%), or already at pre-COVID levels (4%). Cumulatively, 33% expected their turnover to have recovered by the end of 2021, or sooner. By December 2022, 74% of respondents expected their turnover to have recovered, with a further 16% by the end of 2023. Smaller groups only expected recovery after 2023 (7%), and some never expected their turnover to recover to pre-COVID levels (3%).

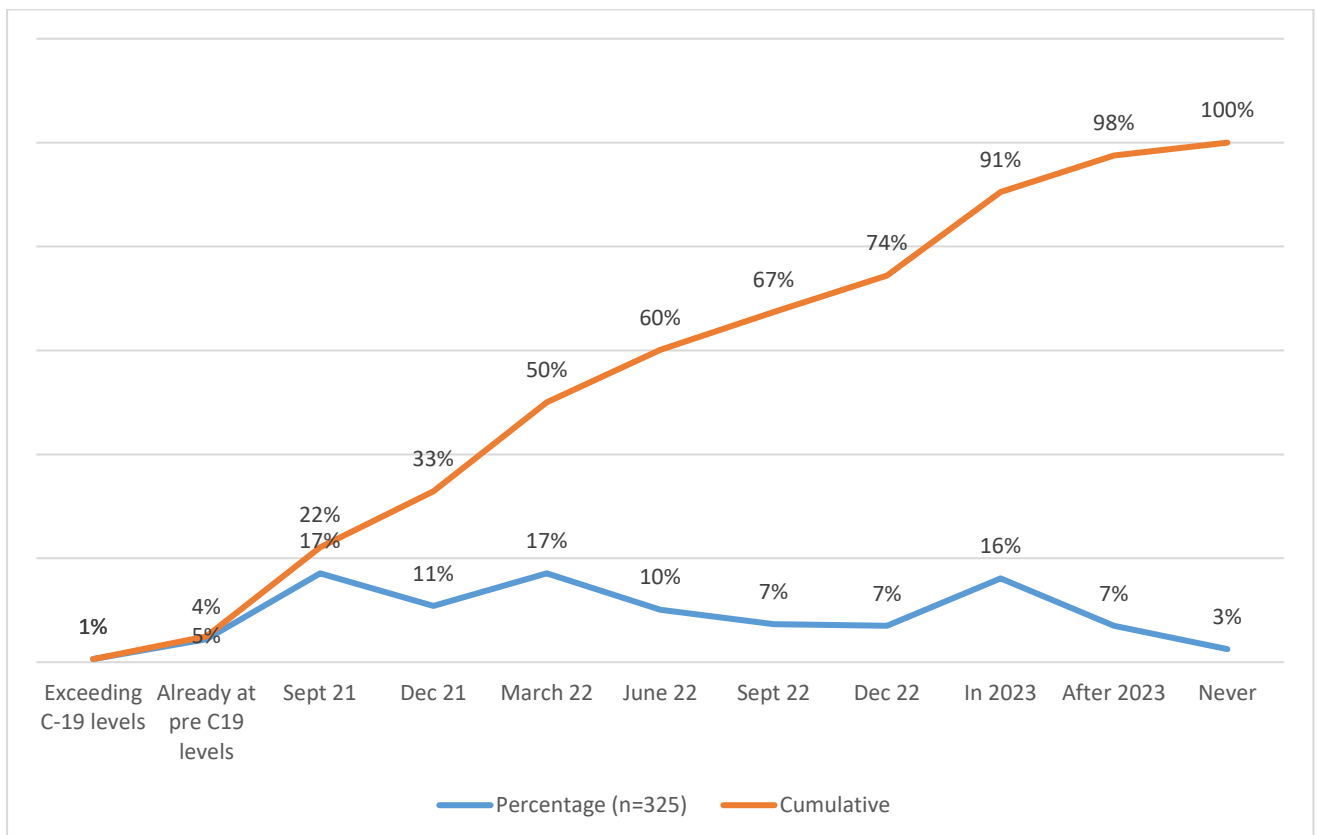


Figure 35: Cumulative expected business turnover recovery time

Recovery expectation times were compared by type of business as well (freelancers versus employers; registered businesses versus those operating informally, and those operating in a mostly face-to-face mode versus not).

Expectations were surprisingly similar across categories (See Appendix Tables 2 – 4). There was very little difference between the expected recovery times of Employers versus Freelancers. At the time of the survey, about a third of respondents expected their businesses to recover by the end of 2021 or sooner, with 50% expecting recovery by March 2022 or sooner. By the end of 2022, 75% expected their businesses to have recovered to pre-COVID levels, and 91% expected recovery in 2023, or sooner.

Comparing Registered business with those operating informally also shows very similar expected recovery paths, with those operating informally expecting a marginally slower recovery rate, but not by any statistically significant margin.

As with business continuity metrics, the biggest difference between categories in terms of recovery expectations was between those operating in a mostly face-to-face mode, and those not doing so. As expected, those operating mostly face-to-face expected a somewhat slower recovery than those not operating in this mode, especially in the earlier time periods, perhaps because they are starting from a lower base. Interestingly, 76% of those operating in mostly face-to-face mode expected to have recovered by December 2022, while only 71% of those operating mostly not in face-to-face mode expected to have done so.

5.5 Useful Support Going Forward

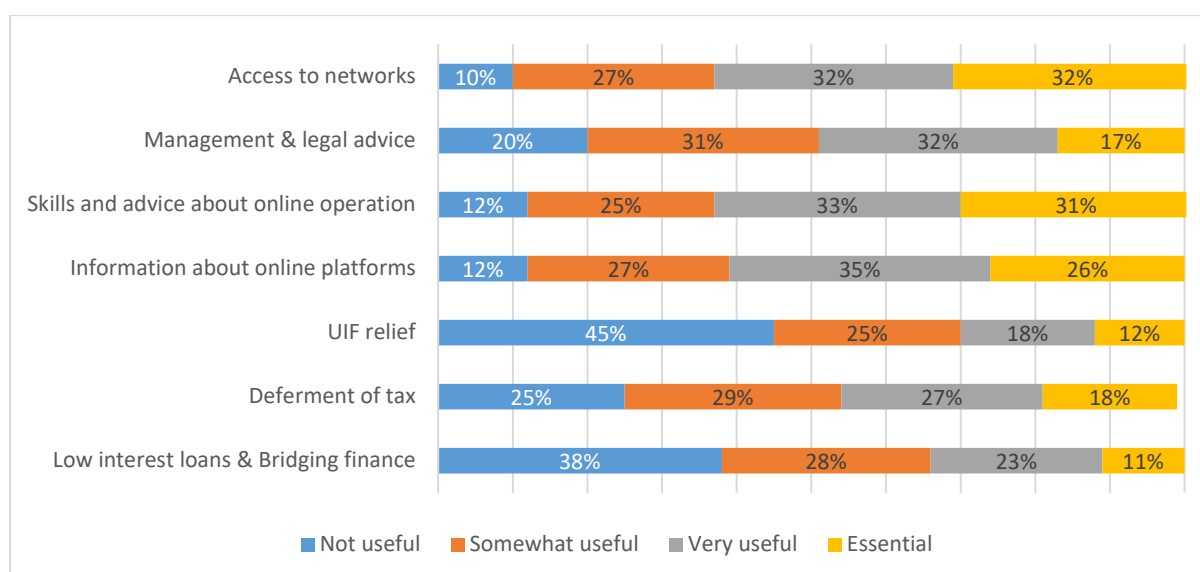


Figure 36: Useful support types going forward

Respondents were asked to rate various future support types on a scale from 1-4, where 1 meant “not useful at all” and 4 meant “essential”. Interestingly, the future support types most frequently related as “essential” or “very useful” were not primarily about financial support, but instead related to the shift to online business models and networking.

Information about online platforms that could be used to reach audiences or markets was rated as essential or very useful by 61% of respondents. Access to knowledge, skills and advice on how to operate in the online environment was rated as essential or very useful by 64% of respondents. Access

to networks of people working in the same sector as the respondent so that they could “collaborate and share knowledge and experiences” was rated as essential or very important by 64% of respondents. The results echo the comments made by key stakeholders: That online or hybrid business models are likely to become increasingly important for the survival and growth of the creative economy, even when COVID-19 has passed. The results also suggest that government and private sector agencies seeking to support the sector should also focus their attention on digital capacity-building and providing networking and collaboration opportunities.

Deferment of tax, low interest loans or bridging finance, and relief from paying employee contributions to the Unemployment Insurance Fund (UIF) were regarded as less useful, presumably because they only apply to formal sector operators, and employers. Nevertheless, as pointed out by key stakeholders, government support to medium and larger CCI firms will also help to protect and create jobs in the sector.

Table 16: Average scores for useful support types by Sub-group

	Finance	Tax Deferment	UIF Relief	Platform Info	Online Skills	Non-Finance Support	Networks
Women	1.74	2.24	1.6	2.9	2.85	2.41	2.94
Men	2.26	2.46	2.19	2.69	2.81	2.5	2.82
18-25	2.31	2.3	2.3	2.86	2.97	2.6	2.88
26-35	2.29	2.57	2.25	2.77	2.83	2.59	2.9
36-50	1.94	2.32	1.84	2.73	2.85	2.49	2.95
51-64	1.98	2.5	1.76	2.85	2.72	2.16	2.69
65+	1.73	1.69	1.44	2.53	2.7	2.5	2.89
Emerging	2.13	2.29	2.05	2.76	2.94	2.54	2.79
Mid-career	2.07	2.46	2.05	2.83	2.84	2.53	2.94
Established	2.05	2.4	1.89	2.73	2.75	2.41	2.82
F2F	2.15	2.41	2.08	2.79	2.89	2.51	2.9
Not F2F	1.89	2.35	1.7	2.69	2.67	2.38	2.77
Registered	2.14	2.46	2.04	2.76	2.83	2.48	2.84
Informal	1.92	2.24	1.79	2.74	2.81	2.43	2.89
ALL	2.06	2.39	1.96	2.75	2.82	2.47	2.86

Note: Coloured numbers show cases where there is a statistically significant difference between categories in the sub-group (using the ANOVA method).

Using the 1-4 rating given to each support type, average usefulness scores were computed for the whole sample, and also for sub-groups. Higher averages indicate greater usefulness. For example, the support types with the highest average scores were Access to Networks (2.86) and Skills and knowledge about how to operate in the online environment (2.82), indicating that these were rated, on average, as the most useful kinds of support. Support types with the lowest average usefulness scores were relief from paying employee UIF contributions (1.96) and access to finance through loans (2.06). The ANOVA method was used to determine statistically significant differences in the average scores between sub-groups.

Although not rated as very important overall, male respondents, younger people, registered firms and those operating in face-to-face mode were statistically significantly more likely to rate access to finance as important. These sub-groups were also more likely to find UIF relief useful, suggesting that differentiated support offerings could be appropriate going forward.

Key Stakeholder Interviews: Support measures

Question: What kinds of support (from arts organisations; from government) were most useful to businesses and freelancers in your domain during the lockdown? Are other kinds of support needed for the future?

Themes:

- Most stakeholders note the need for a *longer-term national creative economy recovery plan* that considers how much CCI work is done (short-term, often informal contracts, most in cultural occupations not eligible for UIF).
- Useful *private sector support* was provided, especially supporting the move to online business modes, e.g. Concerts SA Digital Mobility Fund; Netflix Screen Actor Support Fund; Private sector support to NGOs (although it is noted that many NGOs in the sector lost public and private funding).
- Many noted the great need *for training and mentoring for creatives*, especially SMMEs, to facilitate the pivot to online business (such as training in social media marketing, online business models, and business plans).
- Several domain stakeholders (P&C; VA&C) mentioned the need for financial support to facilitate the sudden change in business models, such as *tax exemptions for technology upgrades* and other kinds of industry investment.
- While public funding needed at *local levels for smaller businesses* and venues, *medium enterprises and established companies also need support* to maintain jobs and keep skills in South Africa.
- Support needed for the *whole creative economy value chain*, including technical and support services, production capacity and logistics issues.
- There is a *need for government to see CCI producers as partners* and help to stimulate local demand for local products (e.g. supporting publishers through Department of Basic Education partnerships; Public Library procurement policies; DTIC and DSBD promotion of local craft & design).

Most respondents rated access to online skills and advice on how to operate online as important, but those operating in a mostly face-to-face environment were statistically significantly more likely to rate this support type as useful. Since the face-to-face sub-group has been one of the hardest hit by the COVID-19 shutdown, facilitation of such skills and training could be a very important kind of support for the sector in the future.

Key stakeholders across the domains called to longer-term national strategies to support the creative economy from both the public and private sectors. There were calls for the government to see the creative economy as partners, and to collaborate with them to support both individuals across the CCI value chain, SMMEs and larger enterprises. Where financial support was mentioned, it was linked to productive expenditure (for example, support for shifting to online business methods), rather than as short-term relief or grants, as was observed in the 2020 survey, when the lockdown period may have been expected to be shorter.

5.6 Business Continuity and Vulnerability by Domain

Domains were defined using the UNESCO Framework for Cultural Statistics (2009):

- **Cultural and Natural Heritage (C&NH)**: museums, archaeological & historical places, cultural landscapes;
- **Performance and Celebration (P&C)**: performing arts, music, festivals;
- **Visual Arts and Crafts (VA&C)**: fine art, photography, crafts;
- **Books and Press (B&P)**: books, publishing, newspapers, magazines, libraries;
- **Audio-visual & Interactive Media (AV&IM)**: film & TV, internet podcasting, video games, broadcasting;
- **Design and Creative Services (D&CS)**: fashion, graphic design, architectural services, advertising;
- **Support Activities**: cultural education & training, archiving & preserving; provision of equipment and supporting materials.

While the results were compared to the larger 2020 sample, and supplemented by key stakeholder interviews conducted in 2021, it should be noted that sample sizes for some domains (Cultural and Natural Heritage, Design and Creative Services, and Support Activities) were smaller, and can thus produce less reliable results (see Section 4 for details of response rates).

Different domains were affected in different ways by the COVID-19 lockdowns. Respondents to the 2021 survey were asked the following two questions to gauge the extent to which their business activities were curtailed:

- “In 2020, since the start of the lockdown in March, to what extent were you (and your employees if you have them) able to continue doing your cultural or creative industries work?”
- “This year, since the start of 2021, to what extent were you (and your employees if you have them) able to continue doing your cultural or creative industries work?”

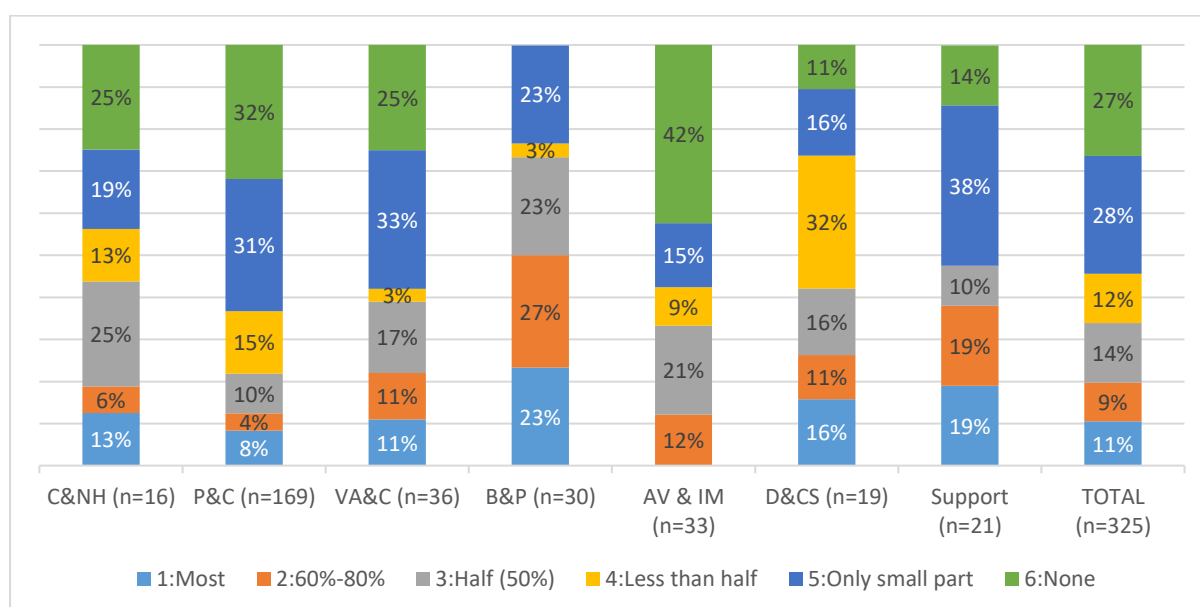


Figure 37: Business Continuity by Domain 2020

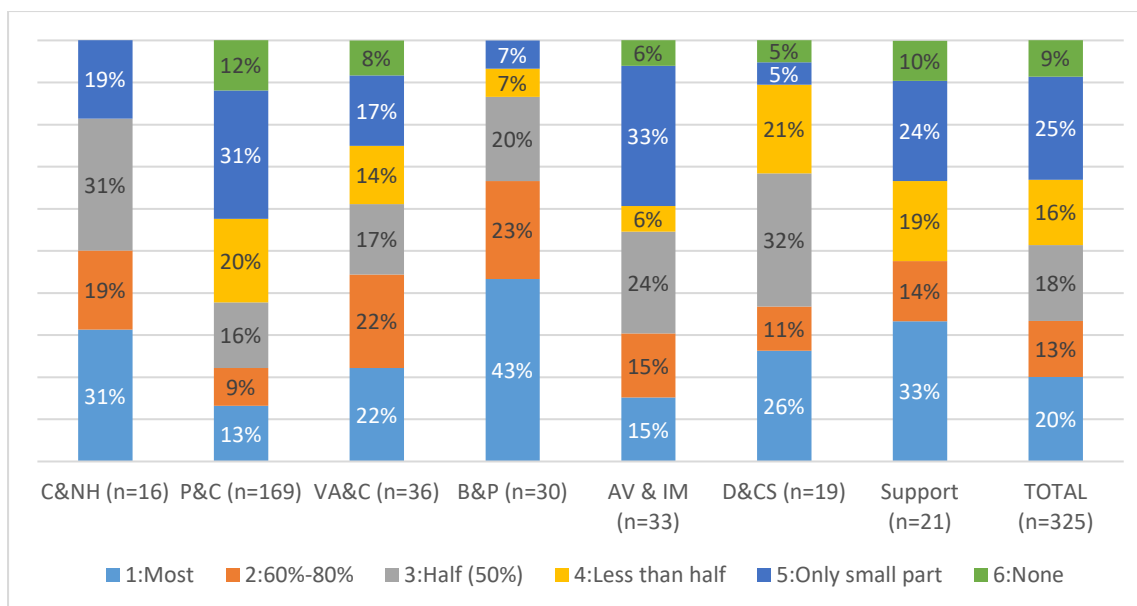


Figure 38: Business Continuity by Domain 2021

In 2020, it was not surprising that domains that relied more on a face-to-face mode of operation were least able to continue with their normal business activities, given the COVID-19 lockdown restrictions during much of this time. These included a ban, or strict 50% capacity limit on indoor events, and the restrictions on production activities of domains classified as “non-essential”.

By far the most negatively affected were Performance and Celebration, where 63% of respondents reported being able to continue with none (32%) or “only a small part” (31%) of their normal business activities. By the time of the survey in 2021 (June 2021), this had improved somewhat to 43% in the “none” or “only a small part” categories.

Almost as badly impacted was Audio-Visual and Interactive Media – a surprising result also observed in the 2020 survey data (SACO, 2020). While the demand side of this sector was not much disrupted, production activities in the Film and Television sector rely very much on bringing together large and diverse teams for face-to-face interactions, often also involving travel to remote filming locations. In 2020, 42% of respondents in this domain were unable to continue with any of their normal business activities, and a further 15% with “only a small part”. This improves significantly in 2021, where only 6% report not being able to continue at all.

Visual Arts and Crafts were also very negatively affected in 2021, with 25% of respondents in this domain unable to continue with any of their normal business activities, and a further 33% with “only a small part”. However, as with Audio-Visual and Interactive Media, their recovery in 2021 was quite dramatic, with only 8% of respondents reporting no normal business activity and 17% “only a small part”.

Domains like Design and Creative services and Books and Press, where remote production and distribution is possible, were less affected by the 2020 lockdown, and also faced improved business continuity in 2021. Cultural and Natural Heritage experienced some negative impacts in 2020, despite many people in this sector being employed on longer-term contracts, particularly those working in the public sector. However, it emerged in the key stakeholder interviews that private museums, and some public museums, are dependent on tourism to generate ticket sales, and on events which pay to hire museums venues. This part of the domain was severely negatively affected by lockdown restrictions.

While not specifically a domain, Support Activities are an important part of CCI operation. Following the UNESCO definition, they were described as including: cultural education and training; archiving and preserving; and the provision of equipment and supporting materials. Data shows that this sector, which is dependent on the other cultural domains, was also one of the most negatively impacted in 2020, with 52% of respondents being able to continue with none or “only a small part” of the business. This improves in 2021, but they are still one of the most negatively affected areas.

Another way of examining trends in business continuity is to code continuity levels as a number, and then to compare the mean (average) levels for each domain for 2020 and 2021. Coding was done as shown below, with higher numbers representing lower levels of business continuity.

Table 17: Business Continuity Score and Recovery Rate by Domain

Domain/Business Cont. Score	2020	2021	Recovery Rate (% change)
Cultural & Natural Heritage	3.94 (4: continue with less than half)	2.56 (3: continue with about half)	35%
Performance & Celebration	4.53 (5: continue with only a small part)	3.81 (4: continue with less than half)	16%
Visual Arts & Crafts	4.11 (4: continue with less than half)	3.06 (3: continue with about half)	26%
Books & Press	2.77 (3: continue with about half)	2.10 (2: continue with 60%-80%)	24%
Audio-Visual & Interactive Media	4.55 (5: continue with only a small part)	3.45 (3: continue with about half)	24%
Design & Creative Services	3.53 (3: continue with about half)	2.84 (3: continue with about half)	20%
Support occupations	3.62 (4: continue with less than half)	3.14 (3: continue with about half)	13%
Total	4.17 (4: continue with less than half)	3.37 (3: continue with about half)	19%

1=I can continue with most of my business activities; 2=I can continue with 60%-80% of my normal business activities; 3=I can continue with about half (50%) of my normal business activities; 4=I can continue with less than half of my normal business activities; 5=I can continue with only a small part of my normal business activities; 6 =I cannot continue with any of my normal business activities.

For 2020, average business continuity was lowest (highest average numbers) for Performance and Celebration, and Audio-Visual and Interactive Media. Except for Support occupations, Performance and Celebration also had the slowest average recovery rate in 2021 (because of the high proportion of face-to-face activities, and the continued COVID-19 restrictions. The Audio-Visual and Interactive Media domain was also badly affected, although they had a faster average recovery rate than Performance and Celebration.

Although badly affected in 2020, Visual Arts and Crafts had one of the faster recovery rates. Less badly affected domains were Cultural and Natural Heritage, Books and Press, and Design and Creative Services.

As demonstrated, the six main domains (as described by UNESCO) have different characteristics that make them more or less vulnerable to the restrictions imposed by the COVID-19 lockdowns. Using the same analysis as the previous report (SACO, 2020), a vulnerability score was calculated for each domain, weighted by the relative importance of the variables in determining business continuity. The

vulnerability score is out of 10, with *higher numbers indicating greater vulnerability*. Domains were then ranked from most vulnerable to least vulnerable.

Using the same weightings as in the analysis of the 2020 survey results (mostly face-to-face operation weighted as 5; Freelance operation weighted as 3; Informal operation weighted as 2), the most vulnerable sector was Performance and Celebration (which had the highest proportion of face-to-face operations), followed by Audio-Visual and Interactive Media (which has high levels of face-to-face production, as well as freelance workers) and then Visual Arts and Crafts. Cultural and Natural Heritage was ranked fourth most vulnerable in both 2020 and 2021.

Design and Creative Services was ranked as least vulnerable in 2021, a change from the 2020 rankings, while Books and Press was ranked as slightly more vulnerable in 2021 than in 2020. This change may be because of adaptation of business models (such as a greater shift to online modes of operation), or because of small differences in the samples, none of which were very large. However, the consistency of the results over time, substantiated by information from key stakeholder interviews, makes the domain analysis results reliable.

Table 18: Vulnerability Rankings by Domain 2020 and 2021

Domain	Freelance	Mostly F2F	Informal	Weighted score	Rank 2021	Rank 2020
Cultural & Natural Heritage	31.3%	68.8%	12.5%	4.629	4	4
Performance & Celebration	46.5%	93.5%	33.1%	6.732	1	1
Visual Arts & Crafts	50.0%	47.2%	54.3%	4.946	3	3
Books and Press	63.3%	13.3%	53.3%	3.63	5	6
Audio-Visual & Interactive Media	51.5%	72.7%	37.5%	5.93	2	2
Design & Creatives Services	57.9%	10.5%	42.1%	3.104	6	5
TOTAL	48.3%	71.6%	36.2%	5.753		

A new question in the 2021 survey regarding recovery rates was also analysed by domain and used to develop the socioeconomic impact scenarios discussed in Section 6. The question was “By when do you expect your business to recover to pre-COVID levels of turnover?”. Results are presented in two ways – Figure 17 shows the percentage of respondents in each domain by category of response, while Figures 18 and 19 show the cumulative expected recovery time for each domain.

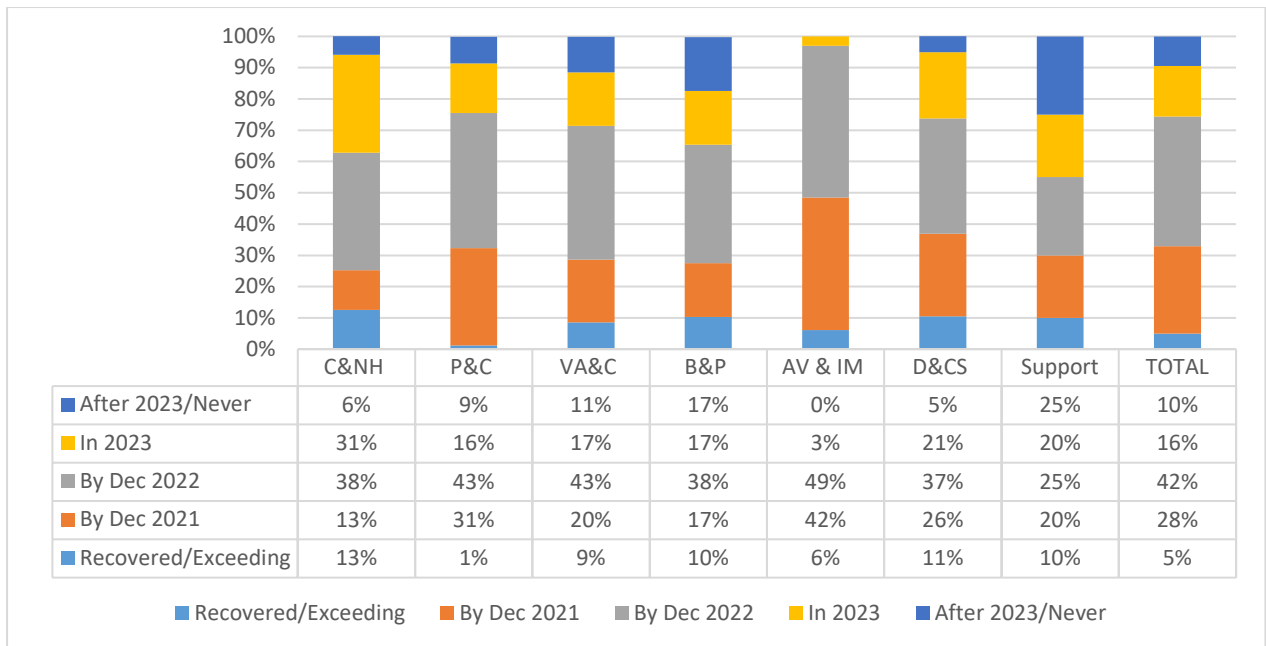


Figure 39: Recovery time expectations by domain

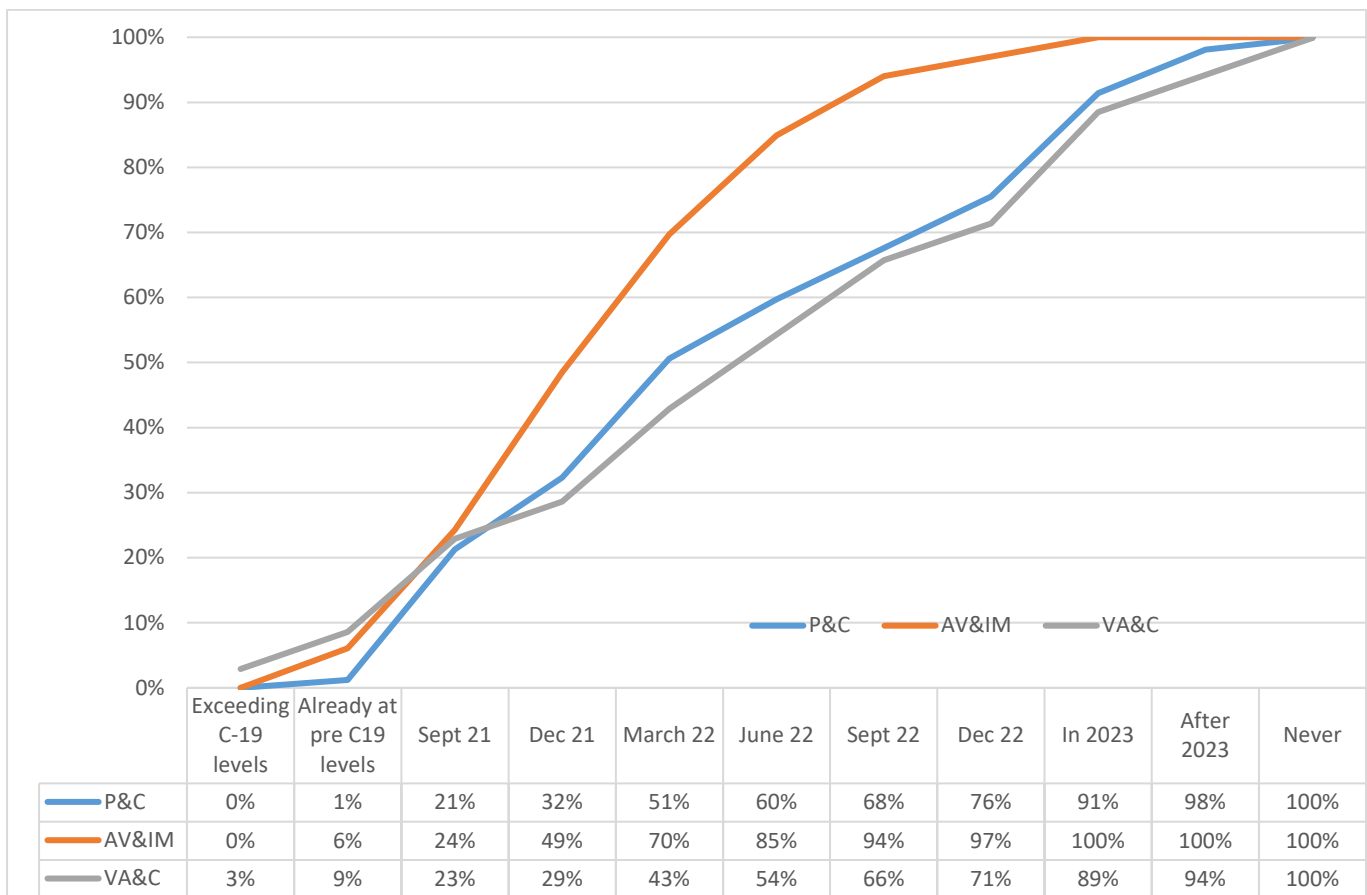


Figure 40: Cumulative Expected recovery time for the most vulnerable domains

Interestingly, expected recovery times for the three most vulnerable domains are somewhat different. While Visual Arts and Crafts, and Performance and Celebration have roughly the same projected path, Audio-Visual and Interactive Media respondents expect a much faster recovery (also reflected in their 2020 and 2021 business continuity improvement). 71% of Visual Arts and Crafts and 76% of Performance and Celebration respondents expect to have recovered by December of 2022, but 97% of those in the Audio-Visual and Interactive Media domain expect recovery by then. Comparing this result with changes in business continuity for the domain between 2020 and 2021, it can also be seen that this is a sector that has the potential to recover quickly.

The difference may be explained by the particular kinds of disruption that the COVID-19 measures have caused, and how this has affected the particular domain. For example, in Audio-Visual and Interactive Media, disruptions were related primarily to production, which has a high level of face-to-face mode operation, leaving demand relatively unaffected. For Performance and Celebration, both the supply and demand parts of the value chain were affected, perhaps accounting for the longer expected time for recovery.

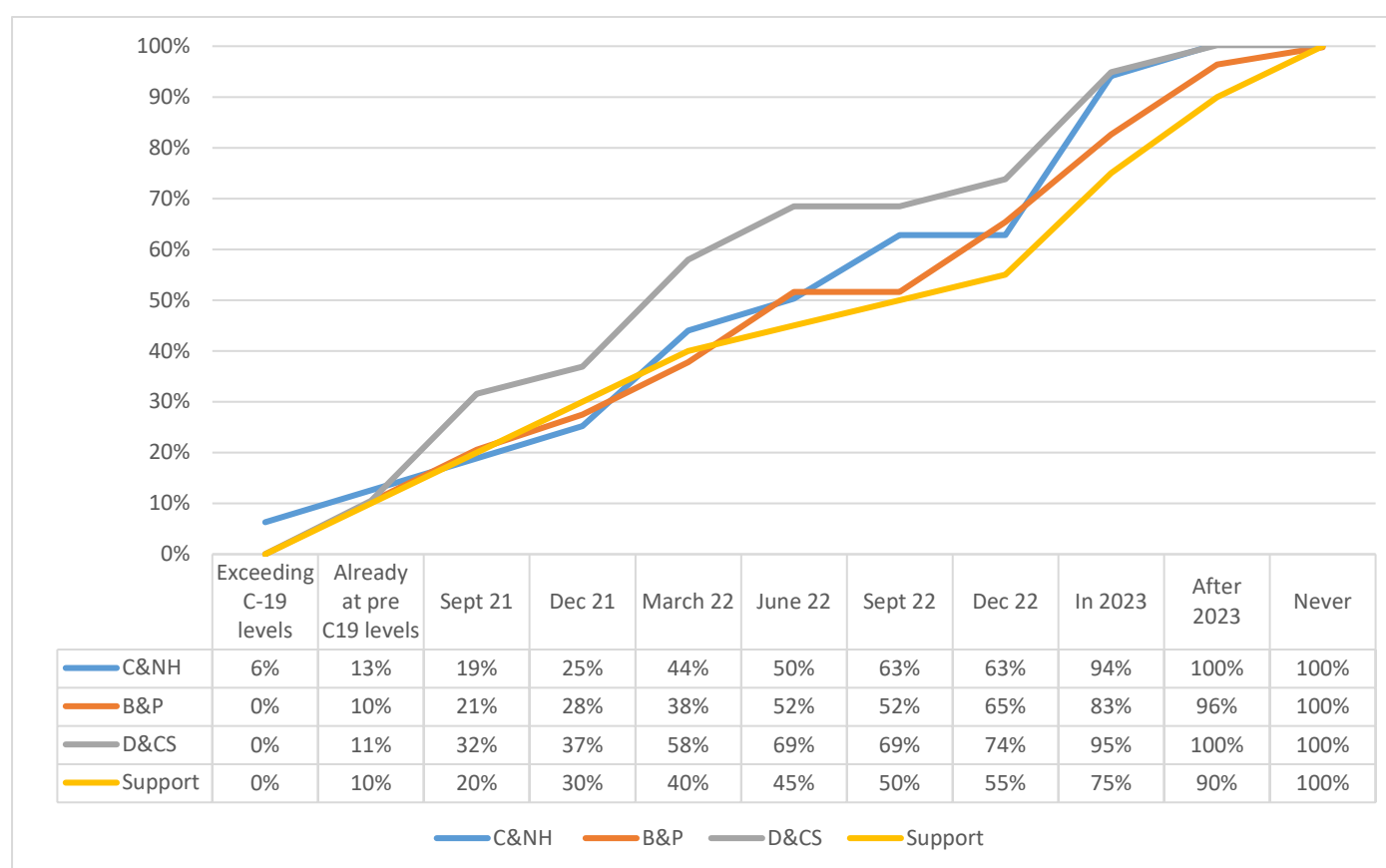


Figure 41: Cumulative Expected recovery time for other domains

For domains ranked less vulnerable to immediate disruption, Design and Creative Services had the fastest recovery time, with the expectation that, by December 2022, 74% of businesses would have recovered. Cultural and National Heritage and Books and Press have fairly similar expected recovery times, with 63% and 65% of respondents expecting recovery by December 2022. The more pessimistic prediction of those in the Books and Press domain may not be related only to the COVID-19 impacts, but also to the generally declining size of the traditional print industry in South Africa.

While the response rate for Support Activities was quite low, the data does show how negatively this important part of the CCI value chain has been affected. Their recovery is necessarily dependent on

the recovery of the other CCI domains, and lags behind all of them, with only 55% of respondents predicting recovery by December 2022.

To conclude, the domain level analysis shows some quite clear patterns. The three most vulnerable domains, and also those with the lowest levels of 2020 business continuity, were Performance and Celebration, Audio-Visual and Interactive Media, and Visual Arts and Crafts. As found in the analysis of the 2020 survey data, what makes these domains most vulnerable is their high levels of face-to-face operation, and the proportions of people working informally and on short-term contracts (freelancers).

Respondents in all these domains experienced improvements in business continuity in 2021, but Audio-Visual and Interactive Media domain respondents expected to recover most quickly. Support Activities, which are largely dependent on the other domains for business, were also badly affected, and have the slowest expected recovery rate.

The other domains were less immediately affected, and also experienced business continuity recovery in 2021, but some still expect quite slow recovery times. This is especially the case for Books and Press, where only 83% of respondents expect full recovery “sometime in 2023”. Results from this analysis will be used to construct scenarios for the estimation of the socioeconomic impact of the COVID-19 shutdown on the South African economy.

6. The Socioeconomic Impact of the COVID-19 Shutdown

Based on the information from the survey discussed above, realistic scenarios were developed and are used to shock an econometric model to determine the economic-wide impact of the COVID-19 lockdown on the CCIs including the direct and indirect effects on the South African economy.

The following section explains the development of an economic impact model that assesses the potential effect of the COVID-19 shutdown on the CCIs, and the overall impact of a decline in the sector on South Africa’s production, GDP or gross value added (GVA). These impacts are measured by attempting to isolate the effect of the COVID-19 shutdown and the subsequent shutdown on the CCIs given the structure of the economy and ignore other exogenous impacts.

The main goals of this section of the research are therefore to:

- Discuss the various scenarios that have been developed and are used in the modelling described below;
- Use an econometric model that can measure the impact of economic shocks on the various CCI domains as well as the economy-wide impact;
- Estimate the proportional direct impact that each sector was expected to experience;
- Extrapolate the expected impact for each level of lockdown and calculate a moving average to smooth impact each domain would experience and then to calculate a weighted impact per domain until 2024;
- Estimate the expected weighted impact of each domain on the South African economy.

6.1. Shocks to the Economy and the Econometric Impact Model

Changes in the general economy occur when there is an external shock, such as the COVID-19 lockdown, to the economy. Although the impact of the lockdown has a mostly negative impact on the CCIs, the impact feeds through to the economy through backward and forward linkages. If the demand in one sector declines, production in that sector would also decline, and the sector would stop buying inputs and selling its products to other industries. These phenomena are generally known as “multiplier effects”.

The economic impacts refer to the effect on the level of economic activity including the loss (or generation) of jobs, sales, disposable income, and taxes. To quantify the economic impact of the COVID-19 lockdown two types of economic impact can be measured: the initial direct impact and the overflow effects (indirect and induced impacts).

Firstly, the direct impact (or direct effects) are the initial and immediate impact that are generated directly by the firms within the sector. In the case of the shutdowns, CCIs have not been able to work and therefore could not have produced the goods or services that they would normally have done. Therefore, the output for the sector will be less. Under the circumstances, the firms make less profit and are often unable to pay their staff. Since they are not producing, they do not buy inputs from suppliers. Suppliers in turn do not buy further inputs, pay lower salaries or wages, and have lower profits. The figure shows the sources of the direct, indirect and induced effects or impacts.

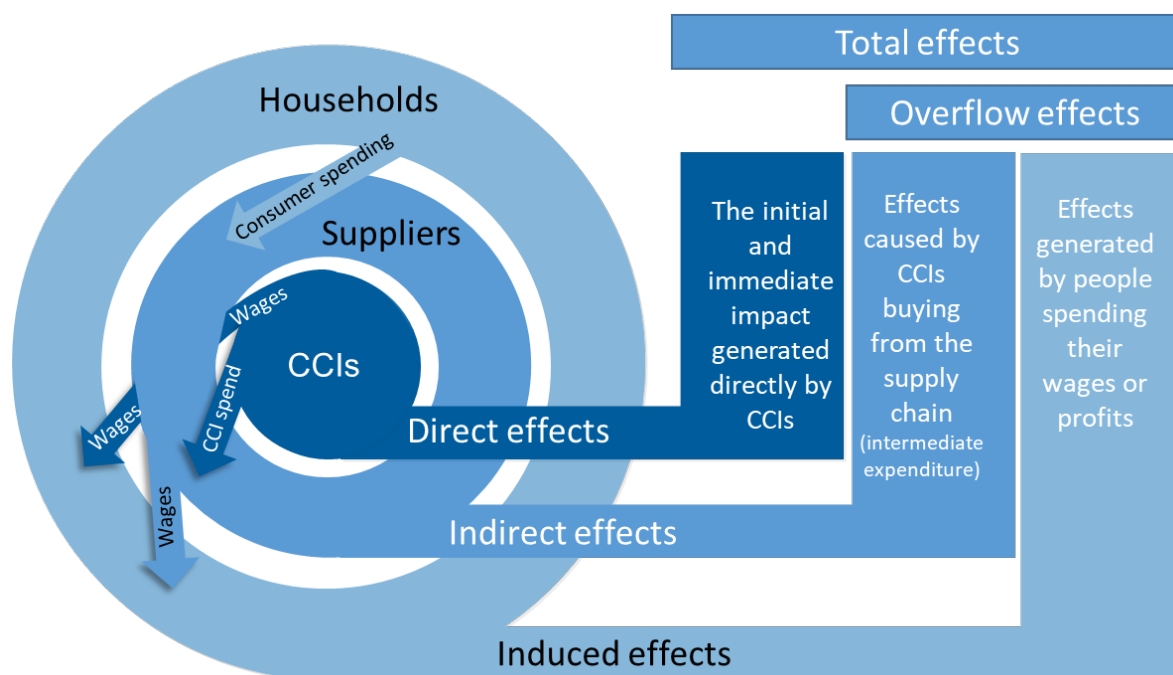


Figure 42: Types of economic effects or impacts

The direct economic effects are generally when an external shock (which can either be positive or negative) has an impact on the new jobs and purchases of goods and services that result directly from the shock. Direct impacts generally result in an increase or decrease in job creation, production, business sales and household income.

The indirect economic effects occur when the suppliers of goods and services to the sector that has been affected by the external shock, experience smaller (or larger) markets and potentially shrink (or expand). Similarly, these indirect impacts can affect job creation, GVA and household income.

A third type of impact - induced impact – represents further shifts by consumers in spending on consumer goods and services including food, clothing and shelter as a consequence of the change in worker's salaries or wages. This leads to further business growth or decline throughout the economy.

If a production is cancelled, the initial impact is the loss of income for the producer who is unable to pay wages or show a profit. Indeed, there may be sunk costs (e.g. the rent of the theatre that may be non-refundable). These are the direct effects. As a result of the lockdown, the firm will no longer

require a theatre, or costumes or any other inputs required for the production. These are the indirect effects.

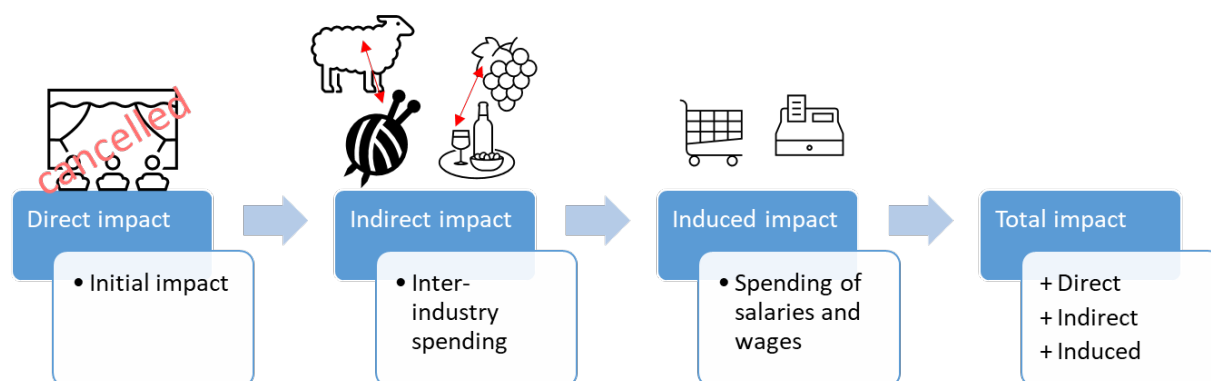


Figure 43: A graphic depiction of how the shocks to one sector impact the total economy

Without wages or profits, households have less disposable income and they cut back on expenditure. Again, this has a further knock-on effect in other sectors. This study will only estimate direct and indirect impacts, not induced impact. It must therefore be borne in mind the models below give conservative estimates of the impact of the COVID-19 lockdown on the South African economy, and that the total impact (when including induced effects that occur over time) will be larger.

Econometric Impact Modelling

The approach taken for the econometric impact modelling is a Social Accounting Matrix (SAM) model that represents flows of all economic transactions that take place within an economy. Fundamental to the SAM is a matrix representation of the National Accounts. At its core, a matrix representation of the National Accounts for a given country, but it can be extended to include non-national accounting flows. SAMs are square (having the same number of columns as rows) because all institutional agents (Firms, Households, Government and 'Rest of Economy' sector) are both buyers and sellers (UN, 1999; Miller and Blair, 2009; Martana *et al.*, 2012; Polo and Valle, 2012; UNSTATS, 2017; Mahajan *et al.*, 2018).

Although the SAM model is used for this study, there are other economic techniques that can be used. Faria-e-Castro, Duarte and Brinca (2020) measure labour demand and supply shocks at the sector level around the COVID-19 outbreak by estimating a Bayesian structural vector autoregression on monthly statistics of hours worked and real wages. Unfortunately, data required for this technique is not readily available.

A SAM was developed for the CCIs using information from Stats SA, the South African Reserve Bank and Quantec. SAMs are a static representation of the economy based on the system of National Accounts (SNA). This modelling approach has proven to be an effective method for evaluating the implications of exogenous changes to the economy and is recognised and accepted both nationally and internationally.

Model Assumptions

An economic model is a theoretical construct representing economic processes, economic agents and the quantitative relationships between them. Therefore, the economic model is a simplified framework designed to illustrate the real complex economic processes. A model may have various exogenous variables, and those variables may change causing responses in other economic variables. Methodological uses of models include investigation, theorising and fitting theories to the world.

The model depicts inter-industry relationships within an economy, showing how output from one industrial sector may become an input into another industrial sector. The model assumes that all firms in a particular industry use the same technology and relative inputs to produce a particular output. In the matrix, column entries are typically inputs to an industrial sector. Row entries represent outputs from a given sector. This format therefore shows the interdependency of each sector with other sectors - both as a customer of outputs from other sectors and as a supplier of inputs.

The model's fundamental assumptions include:

- Production activities in the economy are grouped in homogeneous sectors;
- The mutual interdependence of sectors is expressed in meaningful input functions;
- Each sector's inputs are only a function of the specific sector's production;
- The production by different sectors is equal to the sum of the separate sectors of production;
- The technical coefficients remain constant for the period over which the estimations and forecasts are made; and
- There will be no major change in technology.

The SAM model is generally linear in nature. This allows rapid computation as well as flexibility in computing the effects of changes in demand. The analysis is based on the economic structure of the economy for a particular time period.

Structure of the Economy

The data collection and preparation process for these models is resource intensive. Therefore input–output tables or SAMs are often published long after the year in which the data were collected. Therefore, the economic "snapshot" that the benchmark version of the tables provides of the economy's cross-section is typically taken only once every few years. Even though the SAM used to determine the impact is based on more recent data, the structure is based on Stats SA's 2014 Input–Output table. The models are generally updated using the RAS method. The main target of the RAS method is the balancing the columns and rows of input – output or Supply and Use Tables when updating or revising the technical coefficients of an Input–Output matrix (Trinh and Phong, 2013).

Data Requirements for a SAM

The mathematics of input–output economics in a SAM is straightforward, but the data requirements are enormous because the expenditures and revenues of each branch of economic activity have to be represented. A set of standards for the data's collection has been set out by the United Nations through its SNA. The CCI's are unfortunately not included as separate sectors in the SNA. The SAM therefore had to be adapted to disaggregate sectors to isolate the relevant CCI. The CCIs were then reaggregated per CCI domain.

Model Inputs

Before any estimates or predictions can be made of the impact of an external economic shock, it is necessary to determine how the shock will be felt in particular sectors. Although the model itself is mathematically sound, the model inputs are subject to question as they are based on assumptions. For the purposes of this report, the input that is required for this model will be referred to as scenarios.

6.2. Developing the Scenarios

The model requires an input that reflects the economic shock before the economic impact can be measured. The COVID-19 lockdown will affect the economy in several areas. Some sectors may experience a drop in demand because of lower disposable income. Other sectors may not be able to get the inputs that they require for production. International trade is also going to be impacted. The economy is complex with many interactive forces playing a role. Because of this, simplifying

assumptions must be made. However, the assumptions must be realistic and therefore based on sound information.

Scenario Assumptions

Not all sectors, domains, businesses or even individuals are impacted equally by the COVID-19 pandemic. At the beginning of any major change, the expected impact is also unknown. However, as more information becomes available, expectations also become more realistic. In the case of the current pandemic, both the science of how the virus is spread and the impact of the virus on humans as well as the measures that should be implemented to mitigate the consequences of the pandemic are relatively unknown. As more information becomes available regarding the cause and effect of the virus, mitigation strategies evolve. Therefore, the various economic agents reassess their own strategies and potential impact (both from a health point of view as well as an economic perspective) on themselves and their businesses.

As discussed above in Sections 4 and 5, a survey was undertaken to estimate the impact of the COVID-19 pandemic on the CCI's in South Africa, the extent to which freelancers and firms in each domain could continue to operate, and the strategies that they adopted, and would find most useful, to survive the crisis. These opinions are used to determine the extent of the economic impact on each domain. Government has decided to allocate different measures to each of five lockdown levels. Besides the five levels, adjusted levels were also introduced that allowed certain flexibilities. (These are discussed in Section 3.)

COVID-19 Scenarios

The pandemic is aggravated by the new mutations of the original COVID-19 virus. It is difficult to predict when these mutations will occur and how infectious and how deadly they will be.

Although the National Institute of Communicable Diseases (NICD) modelling has predicted that most provinces would have peaked by early to mid-August, with the third wave bottoming out in early September²¹, there is some talk of a possible fourth COVID-19 wave. Health experts are warning that while the COVID-19 vaccine programme has picked up pace, South Africa could still face a fourth wave of infections in the lead up to the Christmas holidays.²² Abdullah (2021) stated that “[a] fourth wave, and even possible future waves, are inevitable until vaccine coverage has reached a point where new infections and the risk of new mutations are severely reduced.”

After the nationwide lockdown was introduced starting from 27 March 2020, it was later announced that the lockdown would be ended in a phased in approach in five phases or levels. Level 5 is the most restrictive level with total lockdown with a few exemptions for key functions and essential services. Individuals under level 5 are not permitted to leave their homes except to buy food or medicine, seek medical attention or collect social grants. The dates of the lockdown levels are shown in Table 5.

Mutations and Future Lockdowns

Since the COVID-19 virus was identified at the end of 2019, there have been various mutations. Some of these mutations have had an insignificant effect as they were less deadly and less contagious. However, three mutations (named the Alpha, Beta, Delta viruses) have changed the lockdown levels as well as the outlook and perceptions of future lockdowns.

²¹ <https://businesstech.co.za/news/government/509106/fourth-covid-wave-in-south-africa-what-health-experts-are-saying/> Accessed 16 August 2021

²² <https://ewn.co.za/2021/07/27/covid-19-fourth-wave-likely-in-december-say-health-experts> downloaded 16 August 2021

South Africa has experienced three waves as the mutations have started to take effect. Some commentators have been forecasting a fourth wave. It is not clear what these forecasters have based their predictions on or precisely how they have come to the conclusions. It seems as though the fourth wave is expected in December 2021. However, looking at the graph below that maps the global and the South African new daily COVID-19 cases, it seems South Africa is ahead of the world curve.

The impact assessments of COVID-19 on the South African CCIs, and the economy as a whole based on macroeconomic data, and the information provided by the cultural and creative industry survey respondents reported on in Section 5 of this report.

The estimated impact may, however, differ from the actual impact because of several factors that affect the spread of the COVID-19 virus, including:

1. new mutations that are more deadly or more contagious;
2. the natural immunity (or herd immunity) that South Africans may experience;
3. the acceptance (and availability) of vaccines by South Africans; and
4. new medicines (both prophylactic, symptomatic, or therapeutic).

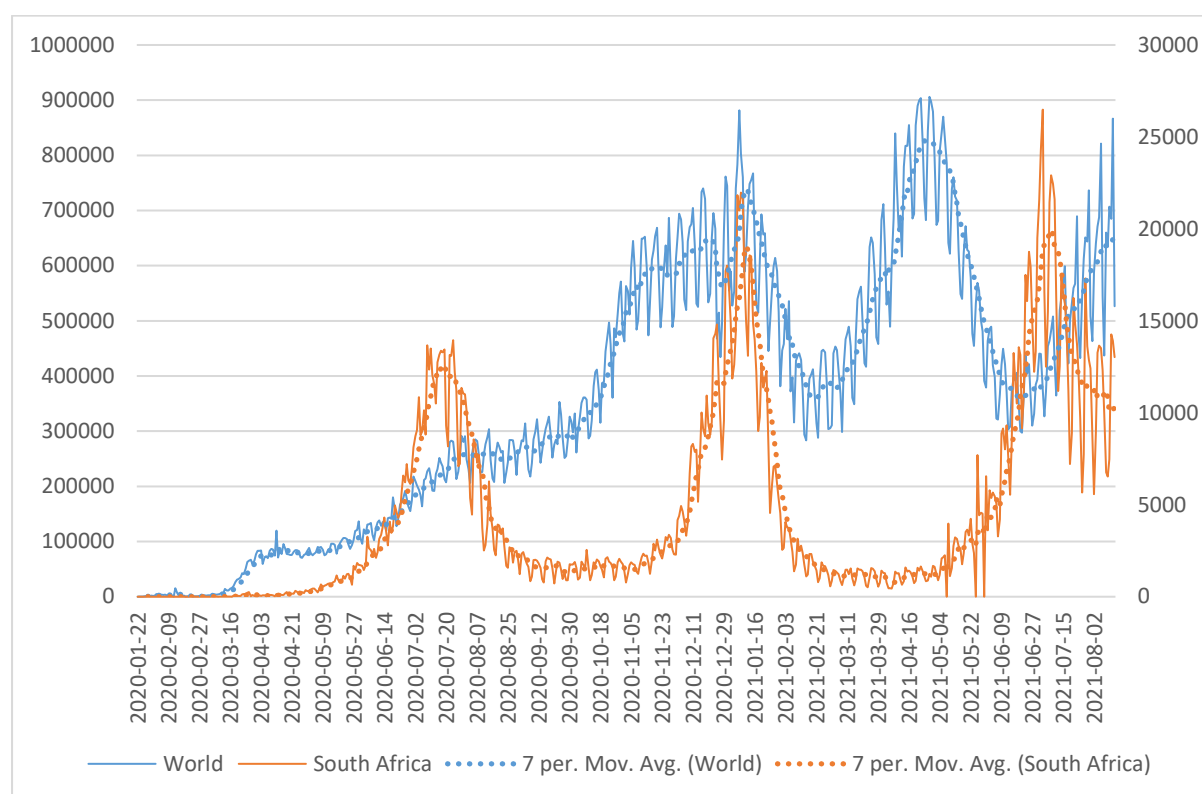


Figure 44: New COVID-19 case per day (Globally and in South Africa)

<https://github.com/owid/covid-19-data/blob/master/public/data/owid-covid-data.xlsx>

Impact scenarios

In designing economic impact scenarios for the creative economy, three factors need to be kept in mind:

1. The differential impact of the shutdown regulations on each domain (as discussed above);
2. The different sizes (in terms of GDP contribution) of each domain;
3. The different forward and backward linkage (multiplier) effects for each domain.

The impact of the COVID-19 shutdown is not symmetrical and each of the CCI domains experiences different consequences. Both the supply and demand factors are influenced differently depending on the nature of each domain. However, the impact of supply and demand has not been disaggregated for this report.

The following scenarios are based on the survey results that were reported on in Section 5 of the report. Firstly, the vulnerability index that gives an indication of the potential extent that the lockdowns would have on the various domains. The inverse of this value gives the percentage loss that the domain would experience annually.

Secondly, from the survey respondents were asked: “By when do you expect your business to recover to pre-COVID levels of turnover?” This information was then used to determine the potential recovery rate per annum of each domain. These are shown in Figure 44.

The Cultural and Natural Heritage Domain shows an “L-shaped” recovery. The sector has been battling and showed a small decline in 2018. Visitors are expected to start trickling back to visit cultural and natural heritage sites as they are vaccinated and build up immunity and become more confident about attending in-person events. The sector is expected to reach its normal levels only in 2024, but it is expected to have reached an almost full recovery by 2023.

The Performance and Celebration domain was particularly hard hit with almost no value added from the first lockdown (just over 20% of its normal capacity) till the end of 2020. With increased immunity, and as consumers of performance and celebration products and services slowly began to consume more, the sector began to grow. Also, it must be noted that producers of performance and celebration products and services began to use virtual technology.

This “U-shaped” recovery that is expected to be experienced by the Performance and Celebration domain is almost echoed in the Visual Arts and Crafts Domain.

The Books and Publication Domain has also battled to grow in the past few years, with a growth rate of only 3, 1% in 2018. Since the sector is not dependent on face-to-face contact, and is able to both produce and distribute books and publications virtually, the decline in the sector was not as severe as in other CCI domains. However, the traditional means of distribution (physical bookstores and libraries) will take longer to recover, especially given the consumers opportunity to experience virtual books during lockdown and also the ability (that has existed for some time) to buy books online.

The Audio-visual and Interactive Media Domain experienced a relatively sharp “V-shaped” recovery. For example, the first level V lockdown did prevent film producers from making films. However, the health and safety protocols were relatively easy to introduce, and production is expected to reach its pre-COVID-19 levels by the end of 2021.

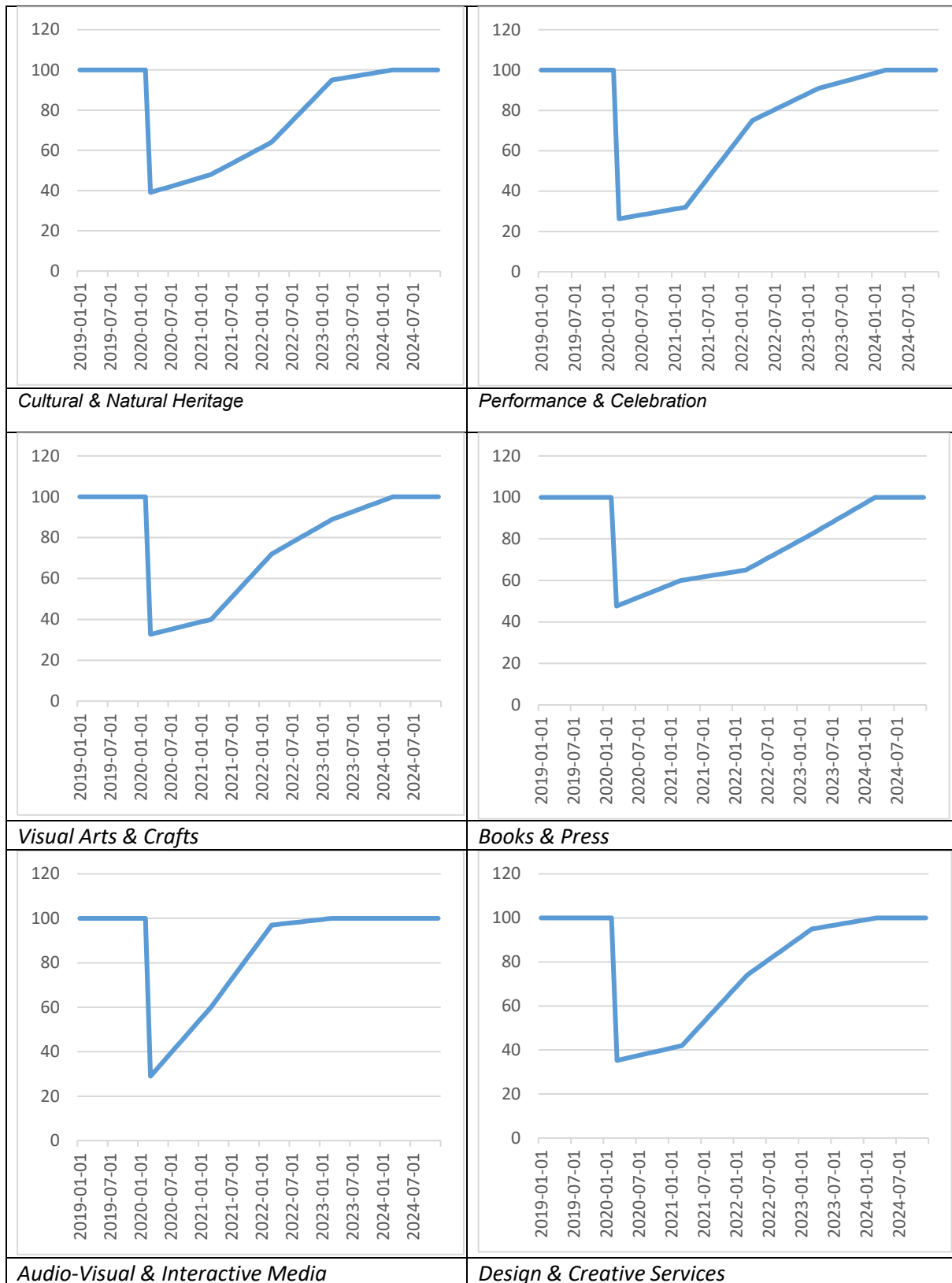


Figure 45: Expected recovery rates by domain

6.3. The Impact of COVID-19 on CCIs

Due to COVID-19 and its associated lockdowns, institutions such as Stats SA have not been able to perform all the data collection and verification that is necessary. However, with the data that was available Quantec who were able to estimate an Input Output table (that was adapted to take account of CCIs for this report) for 2019. Using the data from the mapping study that used 2018²³ data as a base year and other available data for 2019 and 2020 that was available, the drop in the respective domain's contribution to South Africa's economy from 2019 to 2024 was estimated.

Output and GDP

Most commentators would consider the GDP to be the most important economic indicator. Although the economic models that use Input Output tables traditionally for macroeconomic analysis such as to determine the GDP, it often focus on changes in the output. However, only looking at the output leads would lead to "double" counting and is not the same as the GDP (that is defined as the **final** consumption of goods and services). Both the changes to the CCIs contribution of both South Africa's output and the GDP, as a result of COVID-19, are reported below.

Estimated drop of output of CCIs

Based on the assumptions that were obtained from the survey, the following contributions to the output CCI domain are included in the table below. The table also shows the percentage drop per sector from 2019 (the last pre-COVID-19 estimates).

Table 19: Changes in each of the CCI domain's output from 2019 to 2020 and 2021

	Estimated output per domain in 2019	Estimated output per domain in 2020	Estimated decrease in 2020 from 2019	% change from 2019	Estimated output per domain in 2021	% change from 2019
A. Cultural & Natural Heritage	R 4 500	R 2 341	-R 2 160	-48%	R2 377	-47%
B. Performance & Celebration	R 13 343	R 5 382	-R 7 961	-60%	R6 047	-55%
C. Visual Arts & Crafts	R 18 024	R 8 325	-R 9 699	-54%	R8 984	-50%
D. Books & Press	R 26 862	R 16 176	-R 10 686	-40%	R16 467	-39%
E. Audio-Visual & Interactive Media	R 50 137	R 25 326	-R 24 811	-49%	R35 556	-29%
F. Design & Creative Services	R 94 120	R 45 301	-R 48 819	-52%	R46 653	-50%
G. Cultural Education	R 16 393	R 7 500	-R 8 893	-54%	R7 298	-55%
Total CCI Sector	R 223 379	R 110 350	-R113 028	-51%	R123 382	-45%

Economy-wide impact of the slowdown of CCIs

The economic activities of each domain influences other areas or sectors of the economy. For example, if fewer books or newspapers are bought, less paper would be needed. This is referred to as the backward linkages. However, it is possible that less vendors may be necessary because of the slump in demand. These are forward linkages. It is important to recognise that the estimates reported above, ignore the impact of COVID-19 on other economic sectors. To isolate the impact of the COVID-19 shutdown on each domain, scenarios are estimated as though the pandemic has zero impact on all the other sectors except the forward and backward linkages that the domain has on the other sectors.

²³ The estimates are based on the structure of the economy in 2019. The figures therefore differ a little from the latest SACO Mapping study that was based on the 2018 structure of the economy and was also in nominal 2018 Rands.

Therefore, the indirect impact of the consequences of the COVID-19 shutdown of each domain on the other sectors is estimated. Again, the figure below shows the direct, indirect and induced impacts. This report has focused on the direct and indirect impacts. The figure below shows economic impact on the total output the domains and other sectors that are affected by the forward and backward linkages of the CCIs.

Based on the assumptions discussed above, the total impact (without the induced impact) on total output of the COVID-19 shutdown on the CCIs is that the output dropped by-R89.6 billion to R95.6 in 2020 from R225 billion in 2019 (and R204 billion in 2018 (SACO, 2019)).²⁴ The total impact for the entire economy per sector is shown in Appendix Table 6.

Gross domestic product

The model that is used to estimate the impact of the lockdowns measures the output. Unfortunately, the output includes inputs into other sectors and therefore does not give a true reflection of the impact on the economy. A better measure is the GDP and based on the assumptions discussed above, it is estimated that the CCIs contribution to the GDP shrunk by R42.2billion in 2020 to R42.1 billion. In 2021 there is a slow improvement with the CCIs contribution to the GDP estimated at R46.9 billion. From 2022 there is a faster recovery. The recovery of the GDP per domain is shown in the table below²⁵.

The CCIs contribution to the GDP shrunk by R42.2 billion in 2020. In 2021 there was a slow improvement with the CCIs contribution to the GDP estimated at R46.9 billion. From 2022 a faster recovery is expected.

Table 20: The estimated recovery of the contribution to the GDP of CCI sectors (R mil 2019)²⁶

	2018	2019	2020	2021	2022	2023	2024
A. Cultural & Natural Heritage	R2 214	R2 182	R1 141	R1 160	R1 607	R2 049	R2 180
B. Performance & Celebration	R5 187	R5 395	R2 191	R2 460	R4 272	R4 988	R5 385
C. Visual Arts & Crafts	R2 294	R2 388	R1 107	R1 195	R1 833	R2 176	R2 382
D. Books & Press	R10 168	R11 502	R6 923	R7 107	R8 248	R9 128	R11 462
E. Audio-Visual & Interactive Media	R8 530	R14 040	R7 174	R9 887	R13 517	R12 865	R14 039

²⁴ These figures are in 2019 Rands

²⁵ The estimates are based on the structure of the economy in 2019. The figures therefore differ a little from the latest SACO Mapping study that was based on the 2018 structure of the economy and was also in nominal 2018 Rands.

²⁶ These estimates on the CCI economy of the COVID-19 shutdown are based on a number of assumptions that are subject to rather rapid change as new information comes regarding both the virus and regulations imposed in terms of the Disaster Management Act (57/2002). Much of the impact also depends on how both the producers and consumers of CCIs react.

F. Design & Creative Services	R37 484	R40 233	R19 719	R21 270	R32 322	R36 140	R40 191
G. Cultural Education	R8 513	R8 515	R3 896	R3 791	R5 189	R7 014	R8 471
Total CCI Sector	R74 390	R84 254	R42 152	R46 869	R66 988	R74 360	R84 109

The drop in the sectors contribution to GDP from 2019 to 2020 is shown in the table below.

In 2020 it is estimated that approximately R8,5billion less imports will be required as inputs into the CCI domains.

Table 21: The estimated change to the contribution to GDP of CCI sectors (R mil 2019)²⁷ in 2020 and 2021

	Estimated drop in CCI Contribution to GDP from 2019 to 2020	Percentage Change	Estimated drop in CCI Contribution to GDP from 2019 to 2021	Percentage Change
A. Cultural & Natural Heritage	-R1 041	-47.7%	-R1 021	-46.8%
B. Performance & Celebration	-R3 204	-59.4%	-R2 935	-54.4%
C. Visual Arts & Crafts	-R1 280	-53.6%	-R1 192	-49.9%
D. Books & Press	-R4 579	-39.8%	-R4 395	-38.2%
E. Audio-Visual & Interactive Media	-R6 865	-48.9%	-R4 153	-29.6%
F. Design & Creative Services	-R20 514	-51.0%	-R18 963	-47.1%
G. Cultural Education	-R4 619	-54.2%	-R4 724	-55.5%
Total CCI Sector	-R42 102	-50.0%	-R37 385	-44.4%

In 2020 the CCI's contributed just over 50% less to the nation's GDP from 2019 because of the COVID-19 related lockdowns. As discussed above, there is an asymmetric impact each domain. The Performance and Celebration domain was the worst hit and could only manage approximately 40% of its contribution to GDP in 2020 compared to 2019.

The table below based on the assumptions discussed above gives the baseline contribution to the GDP per domain until 2024.

The impact on exports is not possible to estimate because at this stage the impact on foreign demand for South African products is not known. Indeed, there currently seems to be a rather protective and inward-looking mood regarding international trade and export demand may take some time before it recovers.

Although the CCI economy is relatively small, the impact of the virus has been proportionately high. Many of the CCI enterprises are small with a number of freelancers. The negative impact on these businesses and economic agents will therefore be proportionately greater.

²⁷ These estimates on the CCI economy of the COVID-19 shutdown are based on a number of assumptions that are subject to rather rapid change as new information comes regarding both the virus and regulations imposed in terms of the Disaster Management Act (57/2002). Much of the impact also depends on how both the producers and consumers of CCIs react.

The negative impact that the virus has, and will have on tourism for example, will be particularly harsh and will have an impact indirectly on CCI especially those involved in Cultural Tourism.

7. Conclusions and Implications of the Findings

In all countries, the CCIs have been negatively affected by the COVID-19 pandemic. Using results from an online survey (326 responses), key stakeholder interviews, and macroeconomic modelling, this report follows on from a previous one (SACO, 2020) to determine the medium-term impact of the lockdown on South Africa's CCIs. The survey included responses from freelancers (49%), employers (51%), formal (64%) and informal (36%) businesses. The survey also included some demographic information on age group, career stage, and gender. The online survey was run during May and June of 2021, closing just before the latest Level 3 lockdown was implemented.

Although the pandemic continues to have a severe impact on the CCIs, some recovery is evident. In 2020, only 19% of respondents said they could continue with 60% or more of their normal business activities, which improved to 36% in 2021. While business continuity improved for all domains (defined using the UNESCO Framework, 2009), recovery was slower for domains with high levels of informality, a greater proportion of freelancers, and those who operated in a mostly face-to-face mode. As found in the 2020 study, the most vulnerable domains were Performance and Celebration, Audio-Visual and Interactive Media, and Visual Arts and Crafts. Technical and support workers were also one of the most negatively impacted sub-sectors.

There is much evidence that the online environment is becoming increasingly important for CCI business continuity, and that the shift to digital business models will, for some, remain important even after the pandemic has passed. A much greater proportion of respondents to the 2021 survey (64%) than the 2020 survey (35%) reported moving their business activities online, and 66% of respondents said they would continue online business activities post-COVID. However, key stakeholders commented that few had managed to monetise online content very effectively, and that online demand was constrained by poorer households not having access to data and devices needed to access content.

Other common adaptation strategies included using the time to upskill (47%) and working from home (44%). More than a third of respondents had to rely on using up their reserves or savings (37%) or on support from family and friends (33%). Strategies used by employers included ending short-term employment contracts (39%), closing their offices (41%) and cancelling contracts with suppliers (47%).

Useful support types going forward (other than information and training about online business models) were access to networks that facilitated sharing of knowledge and skills, and other kinds of non-financial support.

45% of respondents had applied for public funds, and 15% had applied for private sector support, emphasising the importance of government support for the industry. Of those who applied for public funding 37% reported being successful, with a further 25% awaiting the outcome at the time of the survey. Knowledge about government support was lower for early-career creatives and those operating informally.

A third of respondents expected their turnover to have recovered by the end of 2021 or sooner at the time of the survey (June 2021). By December 2022, 74% expected their turnover to have recovered to pre-COVID levels.

Macroeconomic modelling estimated that the CCI's direct contribution to South African GDP fell from R84.3 billion in 2019, to R42.2 billion²⁸ in 2020 - a drop of 50%. While there has been some slow recovery in 2021, which is expected to continue, the contribution of the CCIs to South Africa's GDP in 2021 is forecast to be R46.9 billion – still 44% less than in 2019.

These figures are based on survey data and economy-wide modelling, which showed that direct CCI output fell to R110.3 billion in 2020 (compared to R223.4 billion in 2019), and is forecast to be R113 billion in 2021.

Some policy implications of the findings are that:

More support for the shift to online business models will be key going forward, even once the pandemic has passed. As well as funding for the needed investment in equipment, there is a great need for skills and knowledge, as well as networking and mentoring opportunities, that will help CCIs to better understand online business models and effectively monetise their offerings. Some public sector entities, like the NFVF, and some private sector companies, like the National Arts Festival and Netflix, have already started to do this.

Domain-specific support should be considered as part of the recovery plan. Impacts and recovery times differ by domain, depending on the domain characteristics and which parts of the value chain have been most impacted by the COVID-19 lockdowns. For example, Visual Arts and Crafts could continue with a large part of their production activities but struggled to reach markets because they rely on in-person tourism for much of their demand. Audio-visual and interactive media had less of a fall in demand, but their production activities (which rely on in-person contact and involve travel) were severely impacted. Such differences affect recovery time, adaptation strategies, and the kinds of support that they would find most useful.

Young and early-career creatives should be especially supported in developing industry networks and marketing their offerings. Key stakeholders noted that impacts were more severe for emerging (early-career) creatives who do not yet have a track-record, strong industry networks, or an established following (demand). The lack of in-person events, like festivals and art fairs, is making it more difficult for them to enter an already highly competitive sector.

Key stakeholders across the domains called for longer-term national strategies to support the creative economy. There were calls for the government to see the creative economy as partners, and to collaborate with them to support both individuals across the CCI value chain, SMMEs and larger enterprises. Where financial support was mentioned, it was linked to productive expenditure (for example, support for shifting to online business methods), rather than as short-term relief or grants, as was observed in the 2020 survey, when the lockdown period may have been expected to be shorter.

What is becoming clear in South Africa, and in the rest of the world, is that the COVID-19 pandemic represents a permanent change in creative economy business models, and in the ways in which audiences consume and participate in cultural and creative activities. Even after the pandemic has passed, there will be a need to design policies and support strategies to assist the sector to adapt to the new reality if they are not to fall behind.

²⁸ These figures are based on 2019 prices.

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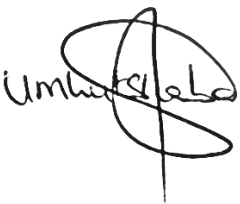
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APPROVALS FOR THE SOUTH AFRICAN CULTURAL OBSERVATORY – Measuring the impact of the COVID-19 Crisis on the Cultural and Creative Industries in South Africa: One year on – September 2021

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Appendices

Appendix Table 1: Turnover before and after COVID-19 by Business Type (n=275)

Turnover p/a Before C19	Freelance	Employer	Informal	Formal	Mostly F2F	Mostly not F2f	TOTAL
<R200 000	62.5%	49.0%	64.4%	48.8%	57.7%	47.4%	55.0%
R200 000 - R500 000	21.1%	12.2%	19.8%	15.1%	14.8%	21.8%	16.4%
R500 000 - R1m	11.7%	13.6%	9.9%	14.5%	13.3%	11.5%	12.7%
R1m - R2m	1.6%	4.8%	2.0%	4.1%	3.6%	2.6%	3.3%
R2m - R3m	0.0%	3.4%	0.0%	2.9%	1.5%	2.6%	1.8%
R3m - R5m	0.8%	5.4%	3.0%	3.5%	1.5%	7.7%	3.3%
R5m - R10m	0.0%	7.5%	0.0%	6.4%	4.6%	2.6%	4.0%
>R10m	2.3%	4.1%	0.9%	4.7%	3.0%	3.8%	3.5%
Total	100%	100%	100%	100%	100%	100%	100%
Average (out of 12)	1.77	2.75	1.71	2.65	2.20	2.55	2.30
Turnover 2020/21	Freelance	Employer	Informal	Formal	Mostly F2F	Mostly not F2f	TOTAL
<R200 000	88.4%	69.6%	86.9%	72.6%	81.5%	69.6%	78.1%
R200 000 - R500 000	9.1%	8.8%	9.1%	8.9%	7.9%	11.4%	8.9%
R500 000 - R1m	0.8%	7.4%	2.0%	6.0%	4.8%	3.8%	4.5%
R1m - R2m	0.0%	4.1%	0.0%	3.6%	1.1%	5.1%	2.2%
R2m - R3m	0.0%	5.4%	1.0%	4.2%	1.6%	6.3%	3.0%
R3m - R5m	0.0%	0.7%	0.0%	0.6%	0.5%	0.0%	0.4%
R5m - R10m	0.0%	2.7%	0.0%	2.4%	1.6%	1.3%	1.5%
>R10m	1.7%	1.3%	1.0%	1.7%	1.0%	2.5%	1.4%
Total	100%	100%	100%	100%	100%	100%	100%
Average (out of 12)	1.29	1.91	1.28	1.84	1.51	1.92	1.63
Turnover drop (category)	0.48	0.84	0.43	0.81	0.69	0.63	0.67

Appendix Table 2: Expected Business Recovery times for Employers vs Freelance operators

Category	Employer (n=165)	Employer Cumulative	Freelance (n=150)	Freelance Cumulative
1: Already exceeding pro-COVID levels of Turnover	1%	1%	0%	0%
2: My business is already trading at pre-COVID levels of turnover	2%	4%	7%	7%
3: Sept 21	18%	22%	16%	23%
4: Dec 21	12%	33%	10%	33%
5: March 22	17%	50%	17%	49%
6: June 22	10%	61%	10%	59%
7: Sept 22	8%	69%	7%	66%
8: Dec 22	6%	74%	9%	75%
9: In 2023	16%	90%	16%	91%
10: After 2023	7%	98%	7%	98%
11: Never	2%	100%	3%	100%

Appendix Table 3: Expected Business Recovery times for Registered vs Informal operators

Category	Registered (n=198)	Registered Cumulative	Informal (n=160)	Informal Cumulative
1: My business is already exceeding pro-COVID levels of Turnover	1%	1%	0.0%	0%
2: My business is already trading at pre-COVID levels of turnover	3%	4%	6.0%	6%
3: Sept 21	18%	22%	15.5%	22%
4: Dec 21	10%	32%	12.1%	34%
5: March 22	18%	51%	14.7%	48%
6: June 22	10%	61%	10.3%	59%
7: Sept 22	7%	68%	7.8%	66%
8: Dec 22	7%	74%	7.8%	74%
9: In 2023	17%	91%	15.5%	90%
10: After 2023	7%	98%	6.9%	97%
11: Never	2%	100%	3.4%	100%

Appendix Table 4: Expected Business Recovery times for Mostly face-to-face operators vs those operating in mostly not face-to-face.

Category	Mostly F2F (n=225)	Mostly F2F Cumulative	Mostly not F2F (n=90)	Mostly not F2f Cumulative
1: My business is already exceeding pro-COVID levels of Turnover	0.4%	0%	1%	1%
2:My business is already trading at pre-COVID levels of turnover	4.0%	4%	6%	7%
3:Sept 21	16.9%	21%	18%	25%
4:Dec 21	12.0%	33%	8%	32%
5:March 22	18.2%	52%	14%	47%
6:June 22	9.8%	61%	11%	58%
7:Sept 22	8.4%	70%	4%	62%
8:Dec 22	6.2%	76%	9%	71%
9: In 2023	15.1%	91%	18%	89%
10:After 2023	6.2%	97%	9%	98%
11:Never	2.7%	100%	2%	100%

Appendix 5: Leontief Technical Methodology

The 1993 United Nations SNA defines a SAM as a means of presenting the SNA in a matrix format that simplifies the linkages between Supply and Use Tables and institutional sector accounts. In this respect, a SAM contains data on production activities, intermediate inputs, primary factors, commodities, households and other institutions such as enterprises, the government and the rest of the world or equivalent. It also has the advantages that it links data for economic and social fields together in one matrix and that data from various sources can be collected, incorporated, reconciled and 'linked' in one matrix or in satellite accounts (Stats SA, 2009, 2012, 2015).

The basic Leontief methodology (1999) starts with the equation:

$$D = X - AX \quad (1)$$

where demand is equal to total production minus the production needed by other industries as inputs. In this equation:

- D = demand vector (how much, in for example rand terms, of each type of output is demanded by consumers and the rest of the world).
- X = the production vector (for internal and external demand).
- AX = production needed by other industries as inputs (total amount of products needed in production) with A being the technology matrix or technical coefficient matrix (this matrix shows how much output from each industry a given industry requires to produce R1 of its own output).

The goal of a Leontief-based economic impact model is to solve X from this equation, i.e. finding the total production for each of several type of goods and services needed to fill a certain demand.

Any matrix that is multiplied by an identity matrix is equal to itself, i.e. $IX = X$. This results in:

$$D = IX - AX \quad (2)$$

By factoring out an X on both terms on the right-hand side results in:

$$D = (I - A)X \quad (3)$$

To solve X both sides are multiplied by: $(I - A)^{-1}$:

$$(I - A)^{-1}D = (I - A)^{-1}(I - A)X \quad (4)$$

A matrix multiplied by its inverse is equal to an identity matrix $(I - A)^{-1}(I - A) = I$ and by substituting I with $(I - A)^{-1}(I - A)$ results:

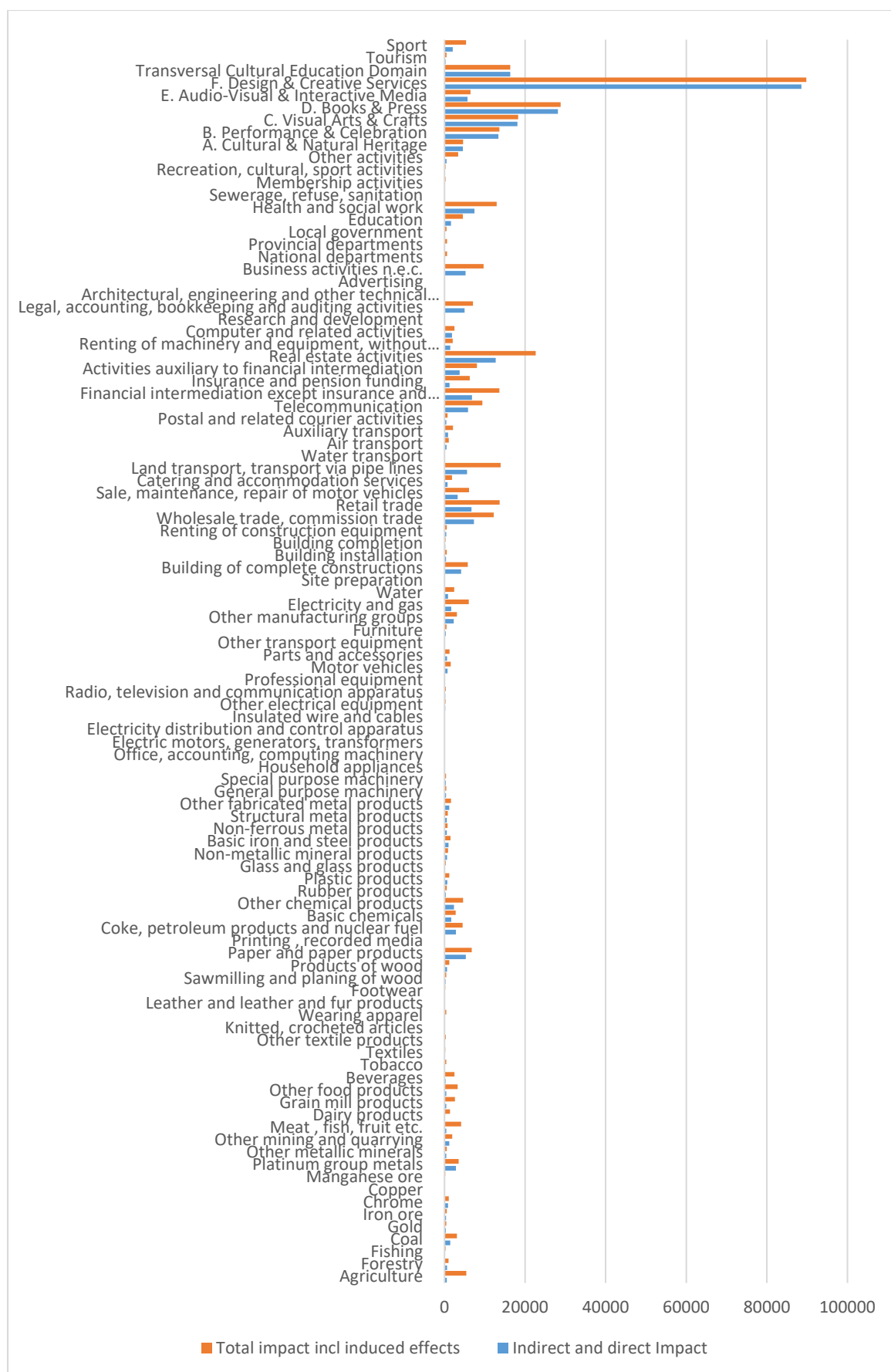
$$(I - A)^{-1}D = IX \quad (5)$$

And since $IX = X$ as stated above, X can be substituted for:

$$IX, (I - A)^{-1}D = X, \quad (6)$$

This results in the equation required to solve total production needed to satisfy an economy with a known demand vector D and a known technology matrix A in:

$$X = (I - A)^{-1}D \quad (7)$$



Appendix Table 6: The economy-wide impact on total output of the COVID-19 shutdown on CCIs in 2020