



Media Statement

CFO survey examines the effect of COVID-19 on business

By Kedibone Pilusa, SAICA Project Director: Corporate Reporting, and Thakhani Masindi, SAICA Project Manager: Corporate Reporting

Johannesburg, 1 June 2020 - The COVID-19 pandemic has reduced the business optimism of chief financial officers (CFOs) to an extremely low point according to the SAICA and Duke University business outlook survey (<https://www.cfosurvey.org>). The quarterly survey was conducted over six weeks, beginning 25 February 2020. The results document the impact of COVID-19 on businesses around the world, and mentioned below are the results specific to South Africa and Africa, unless stated otherwise.

The survey indicates that 60% of CFOs are less optimistic about the financial prospects for their own companies compared to only 45% in last quarter of 2019. Then CFOs were most concerned about government policies; now their main concern is economic uncertainty. The COVID-19 pandemic has forced everyone to adjust to the 'new normal' with regulations being amended.

Employment

South Africa's National Treasury estimates that almost 15% of jobs could be lost due to the COVID-19 pandemic and the lockdown. The impact of the pandemic is coupled with the recent downgrade of South Africa's credit rating below investment grade. [National Treasury also indicates](#) that the South African Reserve Bank (SARB) expects the economy to contract by 6.1% in 2020. Regulators such as the SARB [have urged companies](#) to prioritise cash preservation over the payment of dividends and short-term benefits.

The CFOs who participated in the survey have indicated that they expect full-time employment to increase by 2% in the next year, which indicates that companies are still hiring and gearing themselves for the unpredictable near future.

Small businesses

Small, medium and micro enterprises (SMMEs) are most imminently affected by a downturn in the economy. Businesses in certain sectors – largely the construction, manufacturing, tourism and hospitality sectors – bear the brunt of the pandemic, the lockdown and the recession. It is worth noting that 57% of executives surveyed in the fourth quarter of 2019 [expected a recession](#) in 2020. SMMEs are finding out the hard way that certain technologies,

including reliable teleconferencing applications, are a necessity. This coincides with the survey findings that finance executives expect a 6.8% increase in capital expenditure in the next 12 months, compared with only 2.8% expected growth in the last quarter of 2019.

SMMEs would not generally have contingency plans that take pandemics into account. The way they respond to the changes, including the economic downturn, will determine if they thrive or not during the lockdown and beyond.

Beyond the pandemic

It is unquestionable that many sectors will drastically change during and beyond the lockdown and that many businesses will be compelled to change their business models. Twitter announced that their employees [can work from home even beyond the lockdown](#), “forever”.

The pandemic will quite possibly change the way we work going forward. There have been many working groups and special engagements in various industries to better understand the impact, and to weather the pandemic in terms of accounting, financial estimates and compliance with laws and regulations.

Various industries are apprehending how success may be defined amidst the current pandemic and the lockdown. The following could be taken into consideration:

- Having functional systems in place that allow for employees to continue to service customers/clients during lockdown.
- E-commerce is no-longer optional. It has become the only way to respond to lockdown regulations that do not allow offices and stores to open their doors. The Government [announced on 14 May 2020](#) that all goods may be transacted through e-commerce platforms with the exception of alcohol and cigarettes. Companies that offer a better online experience to customers/clients will reap the benefits. This poses a challenge to those SMMEs that may not be prepared for a completely online business model.
- Creatively reinventing the business to make it accessible online. How does a game reserve or a museum seize opportunities during a global lockdown? We have [seen how a virtual safari can thrive](#) during lockdown and retain jobs that normally rely on holiday makers and tourists from abroad.

For more details, find the complete survey [here](#).

Ends

Useful links

- http://www.treasury.gov.za/comm_media/press/2020/JT%20SCoF%20and%20SCoA%20briefing%20COV19.pdf

- <https://www.resbank.co.za/Lists/News%20and%20Publications/Attachments/9845/GN4%20of%202020%20-%20Dividends%20and%20bonus%20payments%20in%20response%20to%20Covid19.pdf>
- <https://www.saica.co.za/Portals/0/documents/CFOs%20preparing%20for%20a%20bumpy%20road%20in%202020.pdf>
- https://blog.twitter.com/en_us/topics/company/2020/keeping-our-employees-and-partners-safe-during-coronavirus.html
- https://www.coronavirusmonitor.co.za/wp-content/uploads/2020/05/43321_14-5_TradeIndustryCompetition.pdf

About SAICA

The South African Institute of Chartered Accountants (SAICA), South Africa's pre-eminent accountancy body, is widely recognised as one of the world's leading accounting institutes. The Institute provides a wide range of support services to more than 50 000 members and associates who are chartered accountants (CAs[SA]), as well as associate general accountants (AGAs[SA]) and accounting technicians (ATs[SA]), who hold positions as CEOs, MDs, board directors, business owners, chief financial officers, auditors and leaders in every sphere of commerce and industry, and who play a significant role in the nation's highly dynamic business sector and economic development.

SAICA Media Contacts

Kulani Chauke

Project Manager: Corporate Communications

SAICA Brand Division

011 479 0698/071 266 0019

kulanic@saica.co.za