

■ ECONOMY

Downgrade pushes SA to the brink

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Wine farmers obtained an urgent legal opinion to be able to continue with the necessary steps for the harvesting and preservation process during the lockdown. They stressed that halting their work could result in a whole season's harvest potentially going to waste.

Azar Jammie, chief economist at Econometrix, said tough times were approaching as the downgrade would give rise to long-term interest rates and government debt servicing costs.

He said although the downgrade was expected, with a lockdown the country's fiscus would suffer, forcing the government to borrow even more.

"Companies are currently making losses and they won't be able to pay tax.

"On the other hand, the government will have to spend more on business recovery plans. This means the government will have to borrow more money at a high interest rate because of a downgrade," he said.

Seraj Toefy, Custodian of Entrepreneurship at the University of Stellenbosch Business School, called on banks, insurance companies and corporates to rally behind small businesses.

He predicted that many small businesses were going to die after the lockdown and the government would not be able to rescue them all.

Stanford Mazhindu, spokesperson for the trade union UASA, said the downgrade was expected but could not have come at a worse time, given the country's battle against the coronavirus