



United Nations
Economic Commission for Africa

Economic Impact of the COVID-19 on Africa

Economic Commission for Africa



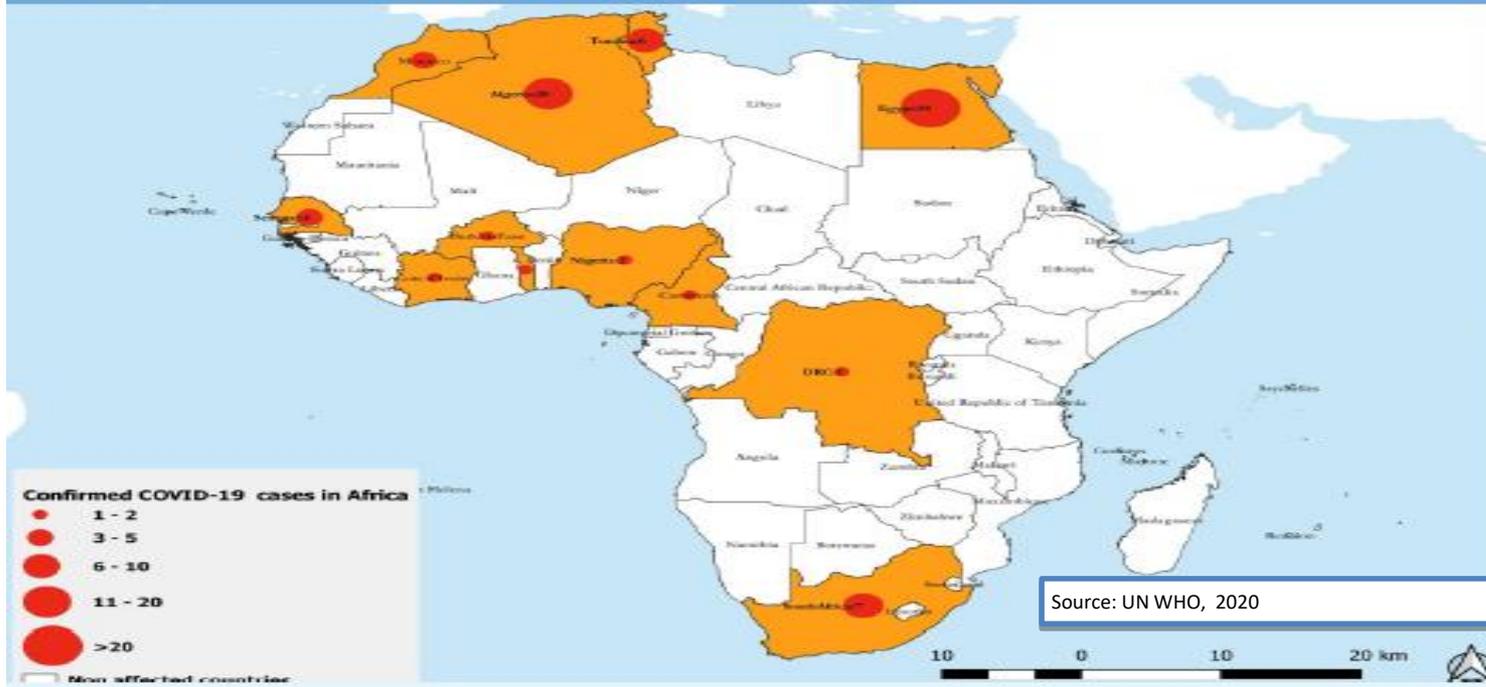
Addis Ababa, Ethiopia
March 13, 2020

Of 118,000 known cases, less than 50 in Africa However disproportionate economic impact

WHAT IS THE SITUATION GLOBALLY

- ◆ 114 countries affected: 3 New countries reported cases
- ◆ 118,326 total confirmed cases: 4,292 total deaths

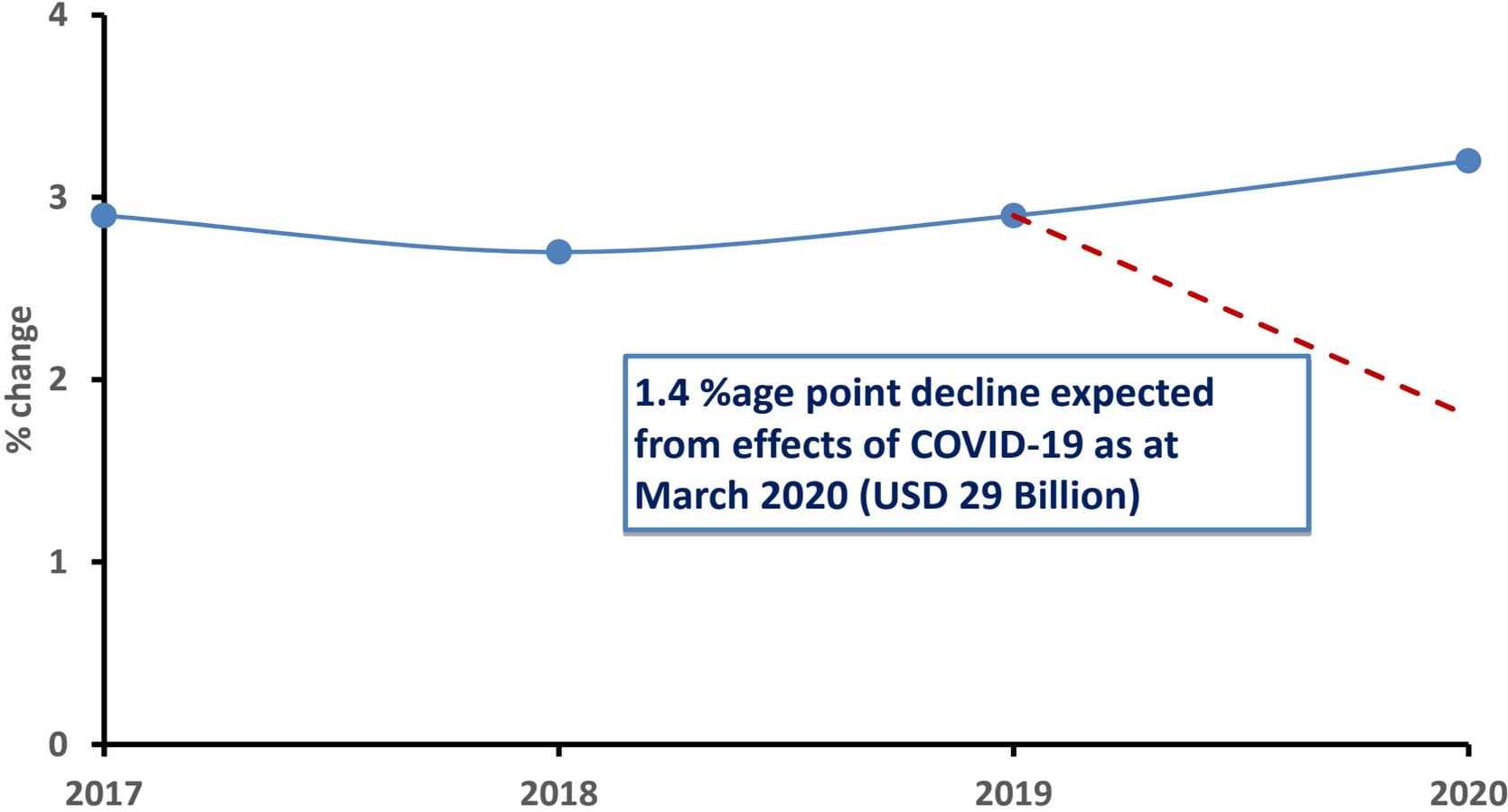
Fig 1: African Countries reporting confirmed COVID-19 cases as of March 11, 2020



Ghana, Kenya and Ethiopia reported first cases on 13 March
15 countries in Africa of 117 countries globally affected

Africa: Corona Virus new blow to economy

Growth expected to drop from 3.2% to 1.8%



Africa is increasingly interconnected with the rest of the world – Channels of Transmission:

Trade

1. Directly through trade links with China and Europe
 2. Indirectly through trade links between China, Europe and the rest of the world
 3. Trade links with rest of the world
 4. Remittances and Tourism
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Investments

1. Decline in FDI flows
 2. Capital flight
 3. Domestic financial market tightening
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Effects of COVID-19 on Africa

- Disruption of global supply chains – drop in value creation
- Demand side shocks: Oil, tourism, remittances
- Slow down in investment hence job losses
- For oil exporters, revenue losses of up to USD 65 billion
- Inflationary pressures due to supply side shortages (Food and Pharma)
- Unanticipated increases in Health Spending of up to USD 10.6 billion.
- Revenue losses could lead to unsustainable debt.

Decline in commodity prices could lead to fiscal pressures for Africa's largest economies

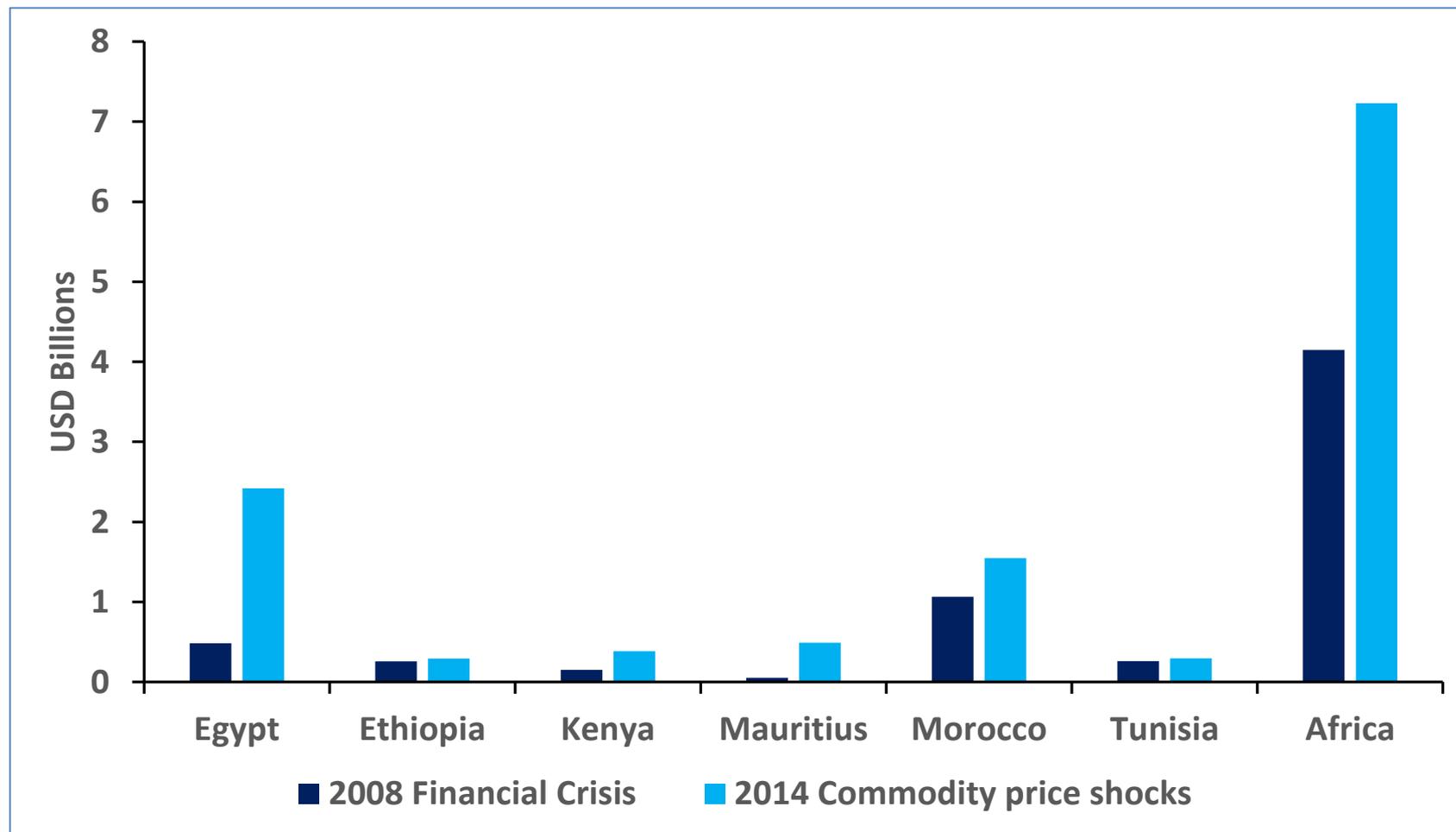
Making it impossible to respond to COVID-19 crisis

	Fiscal Deficit (% of GDP)	Debt (% of GDP)
Nigeria	-2.6	55.8
South Africa	-5.9	55.9
Egypt, Arab Rep.	-8.0	84.9
Algeria	-7.6	46.1
Angola	0.7	95.0
Ethiopia	-2.7	59.1
Kenya	-7.2	61.6
Cote d'Ivoire	-3.2	52.7
Ghana	-5.0	63.8
Zambia	-4.6	91.6
Mozambique	-6.1	108.8

Central Africa: Differentiated impact of Corona Virus



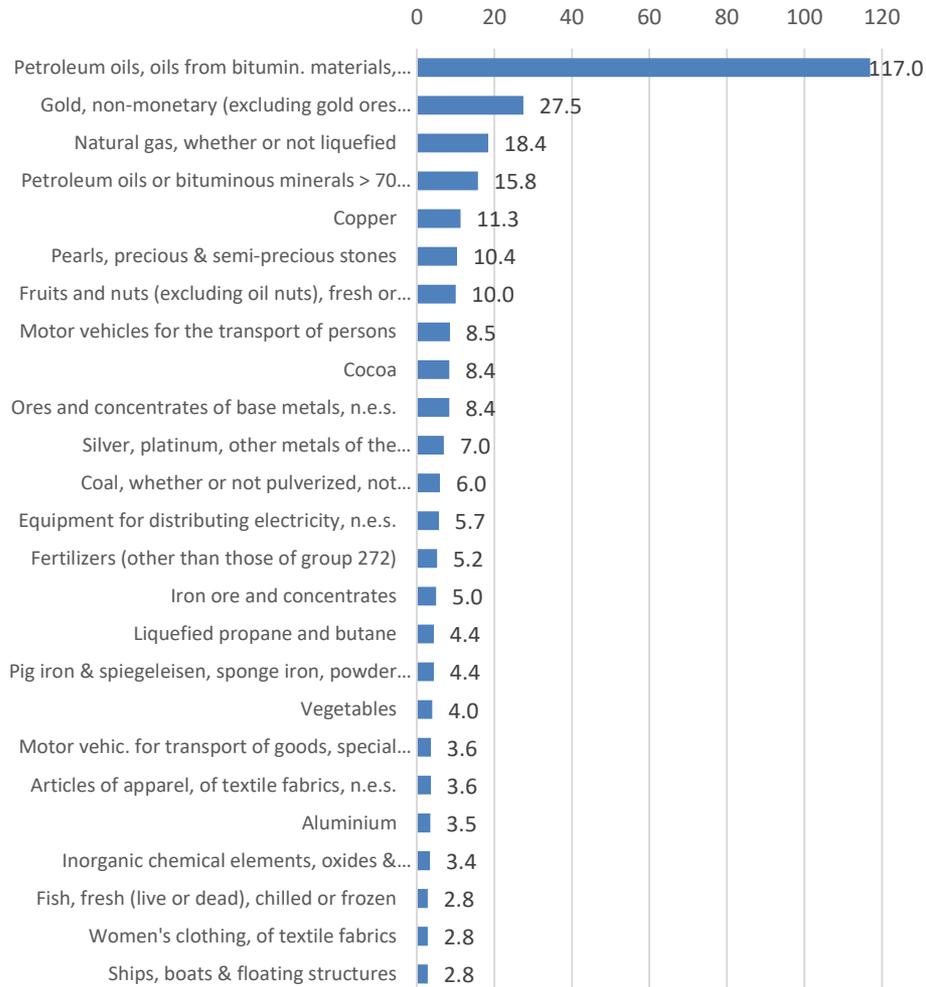
In past crisis, Africa's tourism experienced losses of up to \$US7.2bn



High Trade Vulnerability to COVID19

Africa's Top 25 exports and imports of goods – Average (2016-18)

Top 25 Exports (US\$ bn)



Top 25 Imports (US\$ bn)

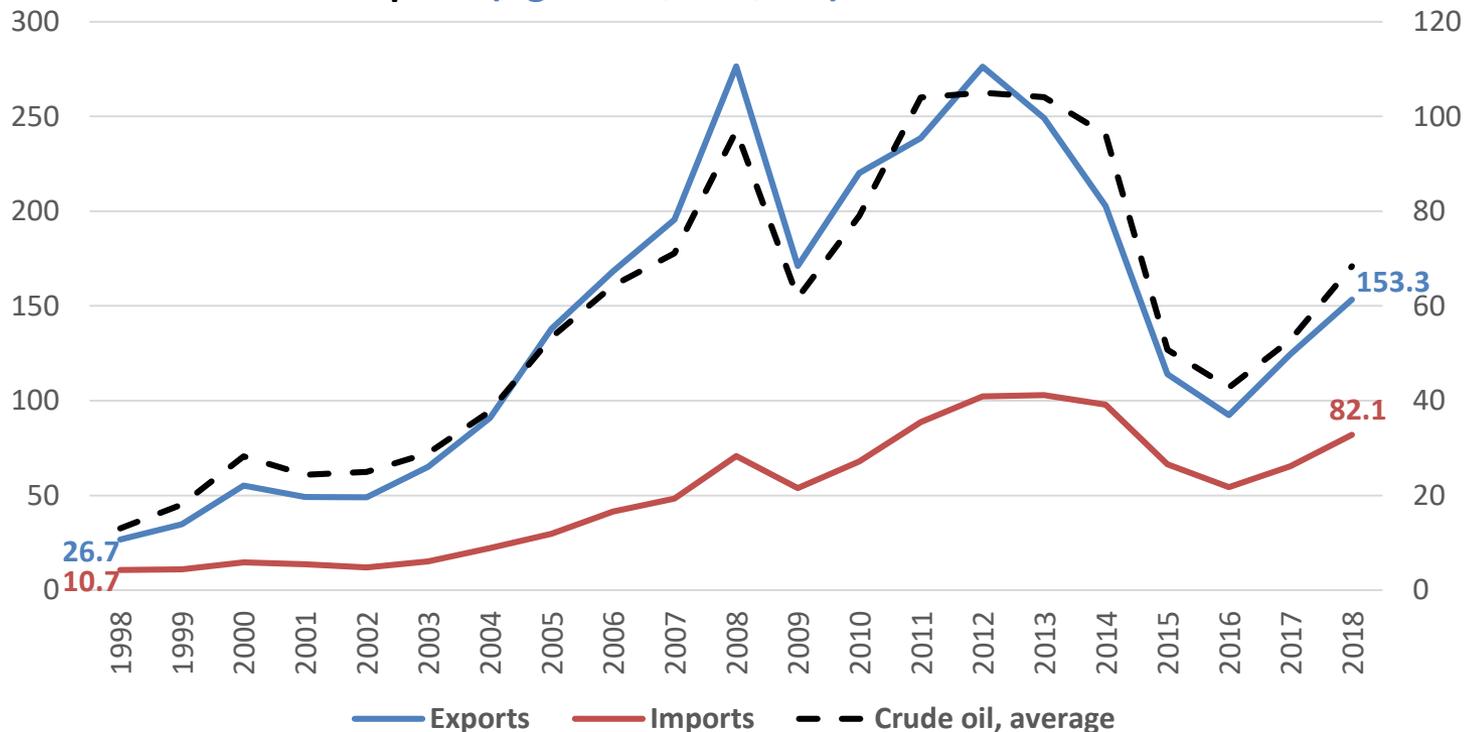


Source: ECA based on UNCTADStat

Focus on fuels : Largest export - 7.4% of GDP

- Fuels account for 7.4% of Africa's GDP for average period 2016-18; peaked at 20% of GDP in 2008);
- Africa is a large net exporter of fuels; exports of fuels tend to fluctuate and closely follow evolution of crude oil prices:

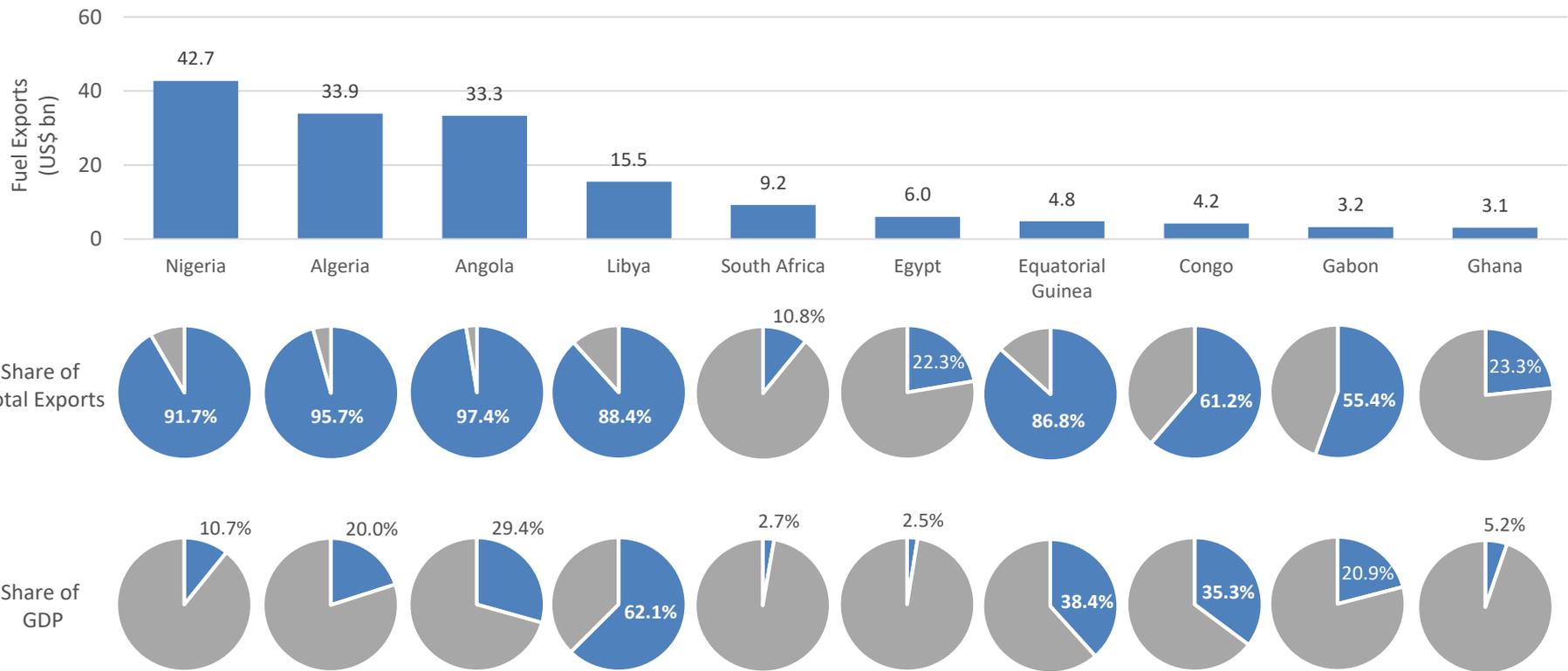
Evolution of Africa's total exports vs. imports of fuels (left axis; US\$ billion) and crude oil price (right axis; US\$/bbl) – 1998-2018



Source: ECA based on UNCTADStat

Focus on fuels: Over US\$65bn losses expected

- Top 10 African exporters of fuels will be hit *(based on 2016-18 averages)*:



- Average 2016-18 yearly exports revenues from fuels for Africa were **US\$ 166 billion**, with WTI average yearly price for the period at **US\$ 57.6**;

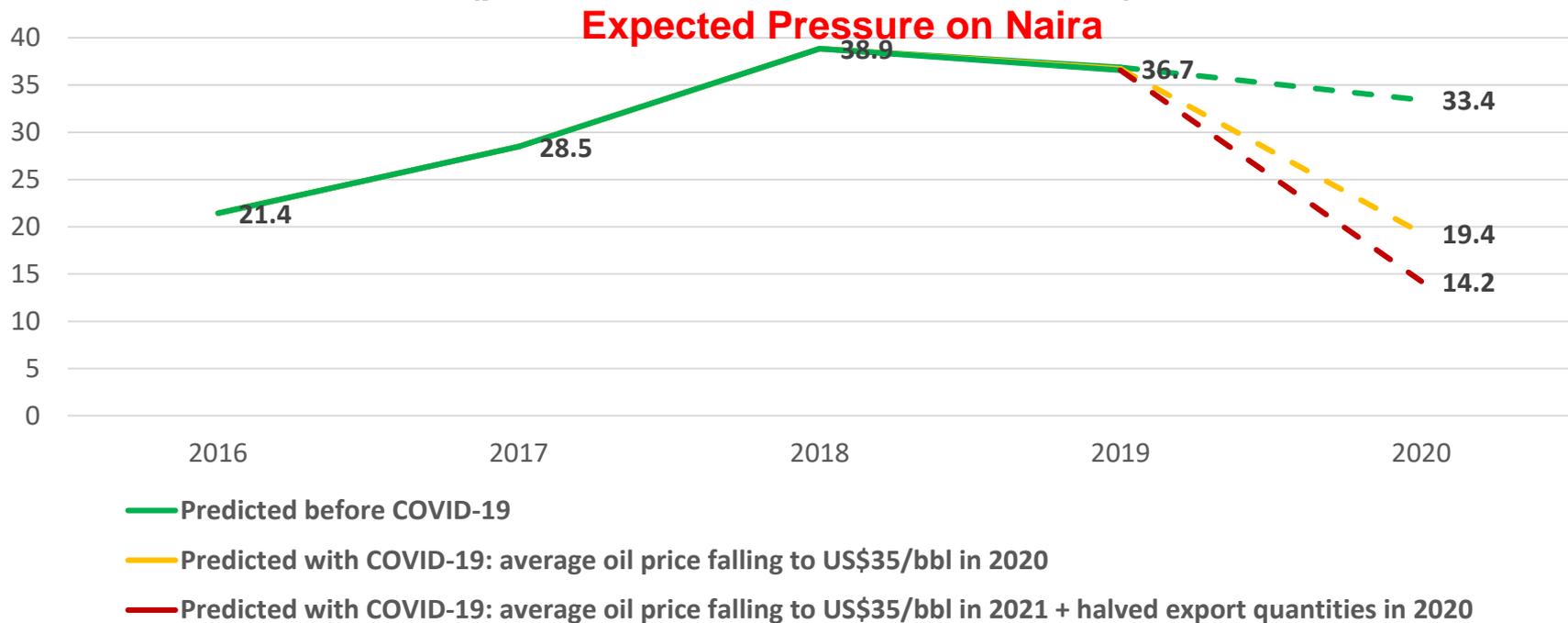
Source: ECA based on UNCTADStat

...fuels: Price declines and demand contraction

- **Assuming identical volume of barrels of fuels to be exported in 2020 as in average 2016-18 period, with average 2020 price at US\$ 35*, COVID-19 could lead to Africa's export revenues from fuels falling to around US\$ 101 billion in 2020 (with countries in above table most negatively affected);**
- ***Observed prices of \$61.6 (Jan.), \$53.4 (Feb.), \$35 (Mar.) and predicted prices of \$30 Apr. through Dec. due in part to OPEC policy differences***
- **Further drops in demand could compound price drops: (e.g. cancellation of flights, lower use of cars due to lock downs and quarantine measures, etc.).**

Fuels cont'd: zoom on Nigeria upto \$19b loss

Evolution of crude oil exports from Nigeria – 2016-19 (observed) and 2020 (predicted under various scenarios) – US\$ billion:



Source: ECA based on Central Bank of Nigeria (observed; prices and quantities) and Trading Economics (predicted; quantities) as well as EIA and WTI (predicted prices)
Remark: observed export values here are for strictly crude oil when there were based on fuels (i.e. mineral fuels and lubricant as per STIC 3 nomenclature)

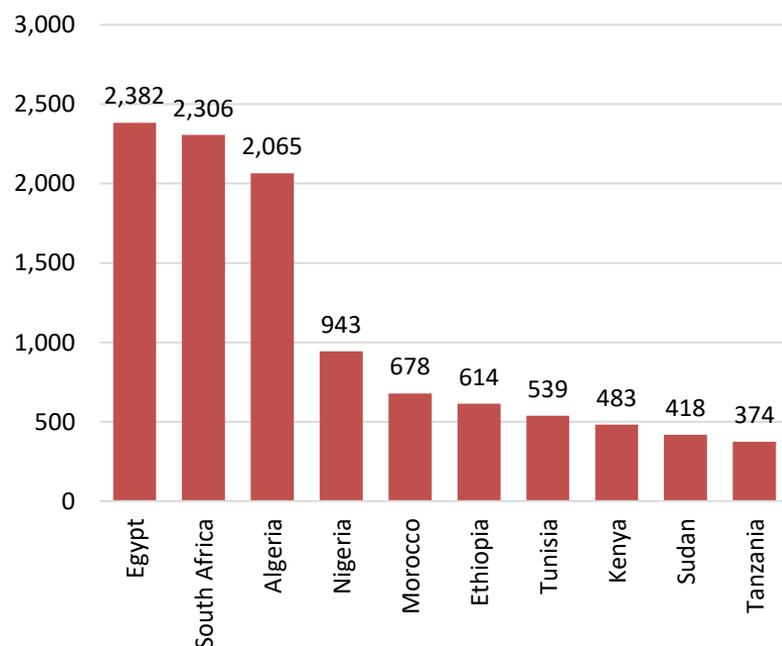
- **COVID-19 could reduce Nigeria's total exports of crude oil in 2020 by between US \$14 billion and US\$ 19 billion (compared to predicted exports without COVID-19).**

Pharmaceuticals: High external dependence \$16bn or 94 percent (imported)

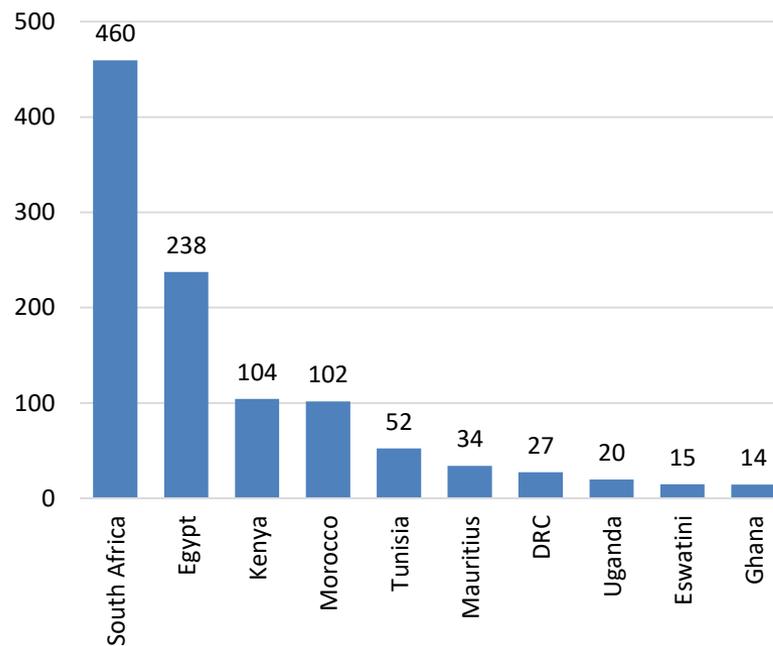
- All African countries are net importers of medical and pharmaceutical products;

Top 10 African exporters/importers of medicinal and pharmaceutical products– Average (2016-18)

Top 10 African Importers (in US\$ mm)



Top 10 African Exporters (in US\$ mm)



Source: ECA based on UNCTADStat

Pharmaceuticals: Europe, India, China 80% of total imports

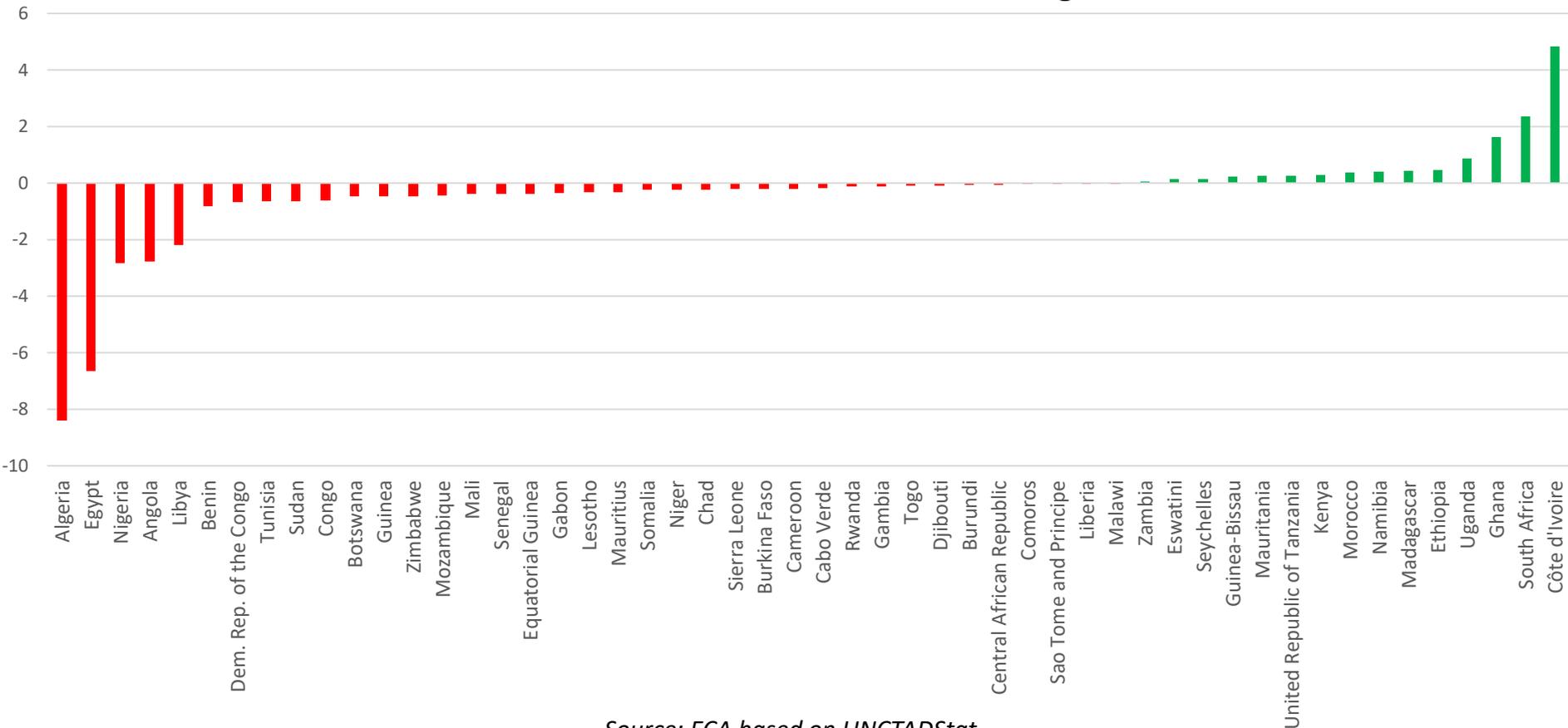
- **COVID19 affected countries are Africa's main exporters**
- **Medical and pharmaceutical products imported from the EU-27 (51.5% of Africa's total imports) but also India (19.3%) and to a lesser extent Switzerland (7.7%), China (5.2%), the US (4.3%) and the UK (3.3%);**
- **from Africa, South Africa is the largest source of imports (2.2% of Africa's total imports);**
- **African exports of medicinal and pharmaceutical products, although quite limited, are essentially directed to Africa (56.5% of Africa's total exports), the EU-27 (16.5%) and to some extent Saudi Arabia (3.3%), the US (3.0%) and Yemen (2.6%).**

Source: ECA based on UNCTADStat

Focus on basic food

- Only 15 African countries are net exporters of basic food
- *Countries do not consume what they export*

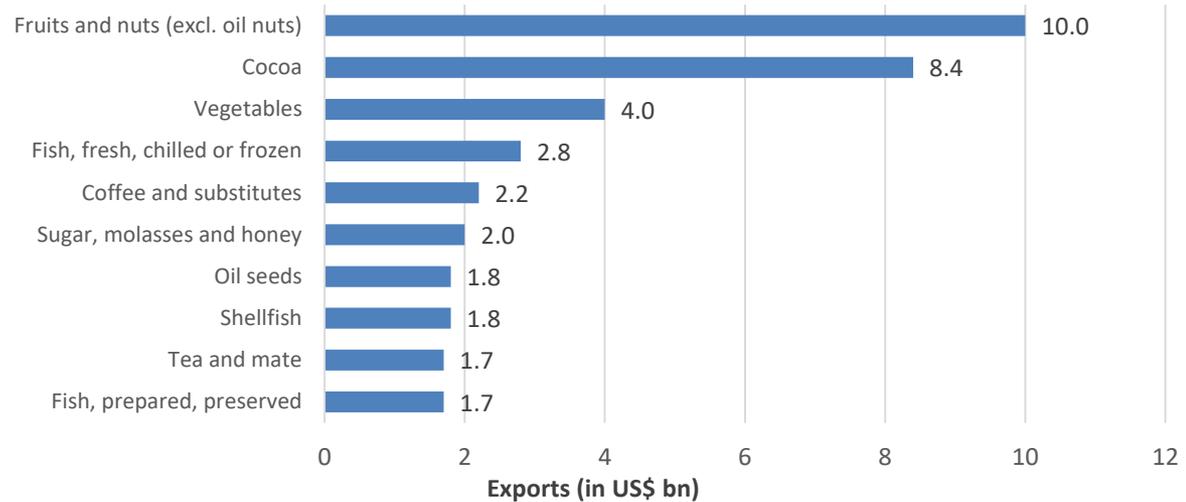
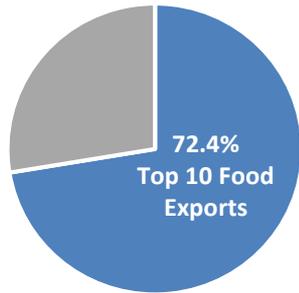
Net trade balance of basic food – African countries – Average 2016-18 – US\$ billion



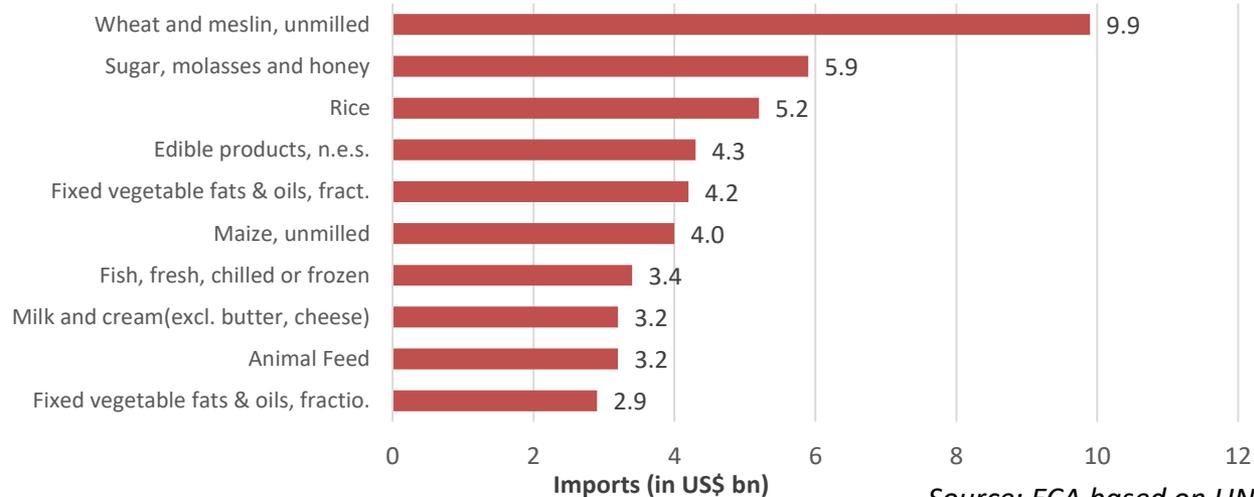
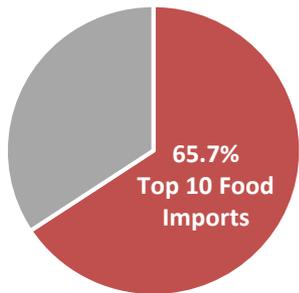
Source: ECA based on UNCTADStat

Focus on basic food : Net Importers

Top 10 exported basic food items by Africa (average 2016-18):



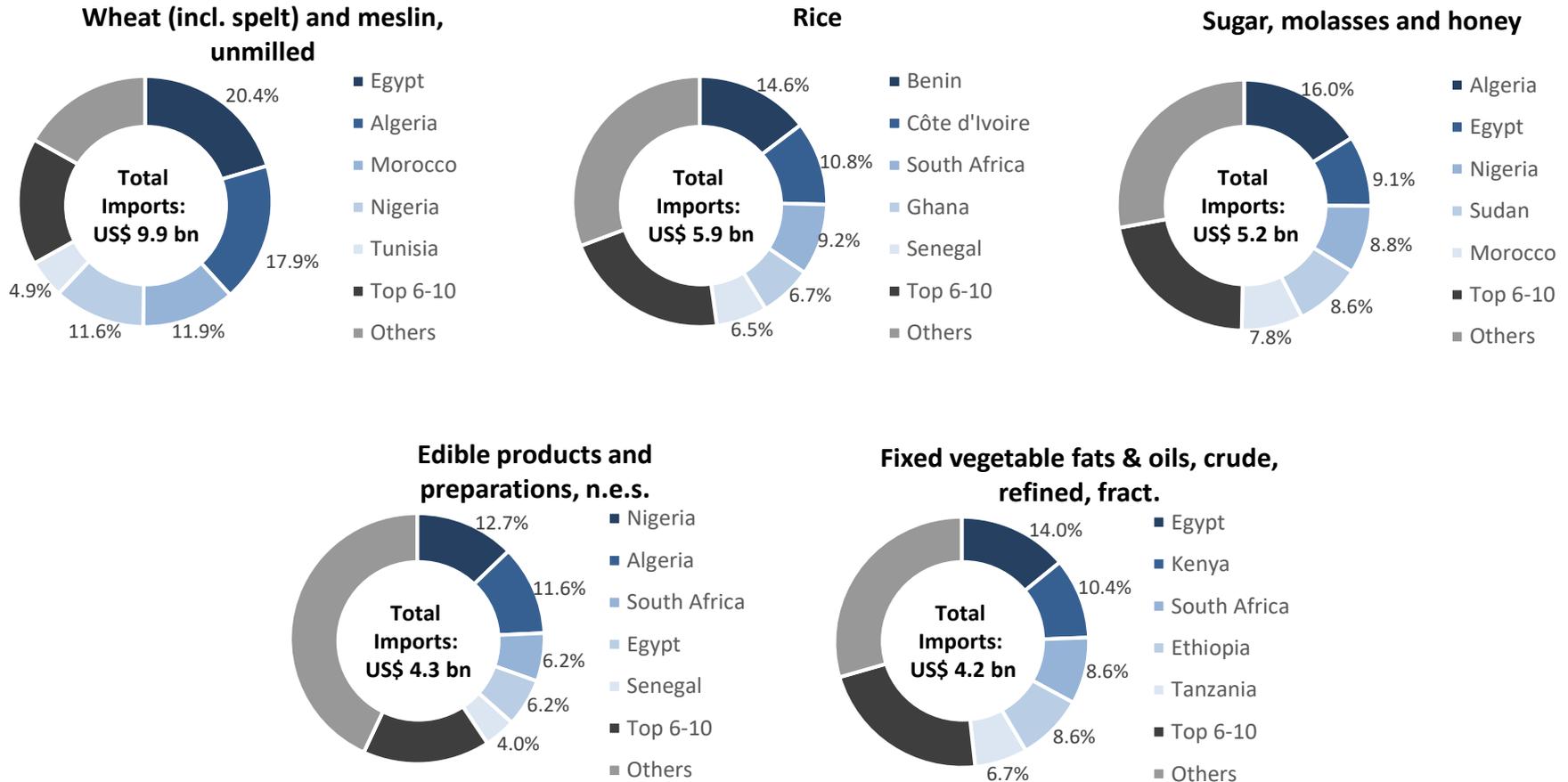
Top 10 imported basic food items by Africa (average 2016-18):



Source: ECA based on UNCTADStat

Focus on basic food (cont.)

■ Largest Importers of Top 5 Imported Foods in Africa (average 2016-18):



Source: ECA based on UNCTADStat

Policy Options



Recommendations

- **African governments could review and revise their budgets to reprioritize spending towards mitigating expected negative impacts from COVID-19 on their economies, such as:**
 - **As a safety net, provide incentives for food importers to quickly forward purchase to ensure sufficient food reserves in key basic foods items;**
 - **Fund virus preparedness, prevention and curative facilities including logistics.**
 - **Use crisis to improve health systems**
 - **Prepare fiscal stimulus packages (e.g. guaranteeing wages for those unable to work due to the crisis, favoring consumption and investment);**
 - **Maintain infrastructure investments to protect jobs**

- **Maintain momentum on CFTA as mechanism for building long term continental resilience and volatility management. For example increase intra African trade on pharmaceutical and basic food products**



THANK YOU!