Economic Effects of the COVID-19 on Central Africa

Economic Commission for Africa

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COVID-19 pandemic impact on Central Africa - Main channels

• China is the main trading partner of Central African countries: Slower growth in China (and in the rest of the world) could reduce demand for many Central Africa's export products
• As factories are closing throughout the world, reduction in demand of raw material will impact non-oil exports of all Central Africa countries
• Oil represents top export commodity of many countries in the sub-region: Reduction in oil prices will impact the budget of most Central Africa countries. Drop in oil prices down to US$30 a barrel over one year could mean massive losses in export revenue for Central African economies
• Some countries such as Sao Tome on Principle are highly dependent on tourism: Travel restrictions in Europe will dent the islands' revenue
• Current and budgetary deficits will further hold back public and private investment, which is essential for supporting economic growth
As COVID-19 has now spread throughout the world and was declared a global pandemic, the economic relations of Central Africa with all other regions of the world will be affected. Central Africa countries trade mostly with Asia and Europe, the two most affected regions so far.

Central Africa countries most exposed through the three main channels

- Oil rent (share of GDP)
- Tourism revenue (share of exports)
- Non-oil exports (share of GDP)
COVID-19 outbreak expected impact (% of GDP), Central Africa

Central Africa-11

- Fiscal imbalances expected
- Oil export channel most critical
COVID-19 outbreak expected impact (% of GDP) on oil exporting countries, Central Africa

As barrel prices are going down, oil exporting countries will take the biggest blow.
COVID-19 outbreak expected impact (% of GDP) on mineral exporting countries, Central Africa

Central Africa Republic

-0.9%

Congo, DR

-1.9%

Mineral exporting countries will be impacted through reduced international demand
COVID-19 outbreak expected impact (% of GDP) on commodity exporting countries, Central Africa

Cameroon

-4.1%

Congo, DR

-1.9%

Commodity exporting countries will also be affected
COVID-19 outbreak expected impact (% of GDP) on service exporting countries, Central Africa

Services exporting countries will be impacted through the tourism channel
Serious challenge to SDGs’ achievement as we are entering the decade of action

- SDGs implementation should be gaining momentum now
- A slowdown now will put many countries off target

- Reduction in social protection program mean more vulnerabilities
- Significant job losses, particularly in the informal sector where job protection is weaker
- Central Africa has high levels of inequalities and this is likely to increase

Poverty levels in Central Africa
Potential social impact channels in Central Africa

- Highly urbanized population in Central Africa
  - Lower remittances from abroad
  - Limited access to credit
  - Most of the urban employment is in the informal sector
    - Poor households living on the informal sector will take longer to recover from the shock
    - Urban informal sector takes the hit
  - Closure of non-essential businesses to limit the internal propagation of the COVID-19
    - No social security system in the informal sector
  - Potential impact on social stability and crime rate
  - Potential increase on urban poverty and inequalities
  - Potential increase in unemployment and under-employment, in particular in vulnerable sub-populations (women, youth, people with disability)
POLICY MEASURES

• Could CEMAC countries use expansionary monetary policies (including quantitative easing and other stimulus) as a short-term measure given constraints of the CFA zone?
• Accelerating economic diversification is the medium to long-term solution to Central Africa's vexed problems.
• However, securing fiscal space for accelerating economic diversification remains a challenge.
• An inward looking investment and development strategy centred on the AfCFTA will reduce exposure to external shocks.