Impact Assessment of Covid-19

The Case of Eastern Africa

UNECA Sub-Regional Office for Eastern Africa
Eastern Africa one of the fastest growing regions in the world

Average Growth Rates (%), 2014 - 2020

In 2019, the fastest growing economies were:

Source: National sources, UNDESA, ECA calculations
Note: Eastern Africa average excludes Somalia and South Sudan; *Estimate/forecast
Despite high levels of growth, severe economic vulnerabilities still remain in Eastern Africa as a whole...

- Slow paced structural change
- Demographic pressures
- Lack of job opportunities
- Reduced trade performance in recent years
Demographic pressures are real...

Each year, these economies need to create an aggregate of 7 million new jobs

Working Age Population (millions)
Annual Increase between 2015 and 2030

- Djibouti: 0
- Eritrea: 0
- Ethiopia: 1
- Kenya: 2.1
- Madagascar: 1
- Rwanda: 0.5
- Seychelles: 0.2
- Somalia: 0.3
- South Sudan: 0.1
- Tanzania: 1.2
- Uganda: 1

Source: UNdata & ILO
Yet job creation has not kept pace with economic expansion.

6% growth required simply to absorb new entrants to job market.

Job creation rate well below rate of economic expansion.

Source: UNdata & ILO
Intra-regional trade has stopped growing and stagnated over the past decade in Eastern Africa

Source: ECA; UNCTADstat
Covid-19 brings a whole new level of vulnerabilities...

In Africa as a whole and Eastern Africa in particular, some economic effects are expected in the Service sector:

• Slow-down in economic activity due to preventive and restrictive measures
• Will result in

• Losses to regional Airlines
• Loss of public revenues and households income through tourism-related activities;
Regional exports heavily dependent on services, so if economic activity slows down and services are hit, effects could be substantial.

Source: UNCTADStat
African services trade generate more than 150 Bn USD per year

African Services Exports, USD Billions

Imports
Exports
Trade balance

United Nations Economic Commission for Africa
Trade deficits are less present in services than in Merchandises
The Contribution of Tourism sector in some Top Tourism destinations in Africa amount to 140 bn USD in 2019. In a scenario where the sector looses 20% of revenues, that will correspond to a 28 bn USD loss from COVID.

<table>
<thead>
<tr>
<th>Country</th>
<th>GDP (USD bn)</th>
<th>% share of GDP</th>
<th>Visitor exports of GDP</th>
<th>% share of exports</th>
<th>International arrivals (mn)</th>
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</thead>
<tbody>
<tr>
<td>South Africa</td>
<td>32.1</td>
<td>9</td>
<td>9.7</td>
<td>9</td>
<td>10.5</td>
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<tr>
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<td>Morocco</td>
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<td>9.6</td>
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<td>Nigeria</td>
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<td>5</td>
<td>1.6</td>
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<td>Kenya</td>
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<td>9</td>
<td>1.7</td>
<td>15</td>
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<tr>
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<td>16</td>
<td>2.2</td>
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<td>10</td>
<td>0.5</td>
<td>4</td>
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<tr>
<td>Mauritius</td>
<td>3.5</td>
<td>24</td>
<td>2.2</td>
<td>37</td>
<td>1.4</td>
</tr>
</tbody>
</table>
Air transports provide substantial revenues to several economies (about 9 bn USD in total for countries listed below). With flights suspended because of COVID 19, important losses ahead.

**Top African Air transport exports, USD Millions, 2017**

- Ethiopia: 2,576
- Morocco: 1,598
- Egypt: 1,439
- Kenya: 828
- Tunisia: 580
- Madagascar: 337
- Mauritius: 274
- Algeria: 256
- Rwanda: 183
- Seychelles: 156
- United Republic of Tanzania: 155
- Togo: 139
- Côte d’Ivoire: 125
- Ghana: 122
- Namibia: 114
- Cabo Verde: 86
Some African economies dependent heavily on tourism: Among the top 10 in this category, 3 are from Eastern Africa (Tourism share of GDP, %)

Countries:
- Botswana: 13%
- Rwanda: 14%
- Madagascar: 16%
- Tunisia: 16%
- Morocco: 19%
- Gambia: 20%
- Mauritius: 24%
- Sao Tome and Principe: 28%
- Cape Verde: 46%
- Seychelles: 67%
In Eastern Africa the contribution of tourism to the economies varies across countries, and so COVID 19 will have different effects via this sector.

EA Tourism Percentage Share of GDP

- Democratic Republic of Congo
- Uganda
- Tanzania
- Seychelles
- Rwanda
- Madagascar
- Kenya
- Ethiopia
- Comoros
- Burundi
For the continent, the number of tourists coming from African countries is growing, but that might not be enough to protect the sector from experiencing important losses as travel bans are in the rise.
Indeed, the origin of tourists is well diversified for several countries, but still COVID is likely to affect substantially the revenues.

### Distribution of Tourists by region of origin (in %)

- **Kenya, 2019**
- **Tanzania**
- **Côte d'Ivoire**
- **South Africa**
- **Morocco**
- **Seychelles**
- **Egypt**

- **Tourists from Africa**
- **Tourists from Asia-Pacific**
- **Tourists from Americas**
- **Tourists from Europe**
- **Not specified**
the region is a net commodity importer...

...and so the overall impact of CODIV is likely to be more ambiguous as prices of oil and other commodities are going down
Conclusions

1. Regional growth likely to be very negatively impacted by Coronavirus

2. Measures to prevent spread of disease will slow down economic activity and hit severely the Service sector, across the board.

3. Commodity Price shock will hit hard the net commodity exporters in the region – but will be more ambiguous on other countries.

4. Disruption to trade likely to be severe – but will require creative responses by regional governments to scarcities in some sectors.

5. Over the mid-to long-term, disruption in supply chains (particularly with China) could lead to filling the gap by regional producers – need to implement the AfCFTA!
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