Economic Impact of the COVID-19 on Africa
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

Source: UN WHO, 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%

1.4 percentage point decline expected from effects of COVID-19 as at March 2020 (USD 29 Billion)
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

**Investments**
1. Decline in FDI flows
2. Capital flight
3. Domestic financial market tightening
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

<table>
<thead>
<tr>
<th>Country</th>
<th>Fiscal Deficit (% of GDP)</th>
<th>Debt (% of GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nigeria</td>
<td>-2.6</td>
<td>55.8</td>
</tr>
<tr>
<td>South Africa</td>
<td>-5.9</td>
<td>55.9</td>
</tr>
<tr>
<td>Egypt, Arab Rep.</td>
<td>-8.0</td>
<td>84.9</td>
</tr>
<tr>
<td>Algeria</td>
<td>-7.6</td>
<td>46.1</td>
</tr>
<tr>
<td>Angola</td>
<td>0.7</td>
<td>95.0</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>-2.7</td>
<td>59.1</td>
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<tr>
<td>Kenya</td>
<td>-7.2</td>
<td>61.6</td>
</tr>
<tr>
<td>Cote d'Ivoire</td>
<td>-3.2</td>
<td>52.7</td>
</tr>
<tr>
<td>Ghana</td>
<td>-5.0</td>
<td>63.8</td>
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<td>Zambia</td>
<td>-4.6</td>
<td>91.6</td>
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<tr>
<td>Mozambique</td>
<td>-6.1</td>
<td>108.8</td>
</tr>
</tbody>
</table>
Central Africa: Differentiated impact of Corona Virus

- **Central Africa-11**
  - Oil prices: -0.5
  - Tourism: -56
  - Non-oil exports: -20
  - Fiscal imbalances expected
  - Oil export channel most critical
  - Tight measures required

- **Angola**
  - Oil prices: -4.7%
  - Tourism: -5.7%
  - Non-oil exports: -0.4%
  - Fiscal imbalances expected
  - Oil export channel most critical
  - Tight measures required

- **Burundi**
  - Oil prices: -3.1%
  - Tourism: -10.6%
  - Non-oil exports: -4.8%
  - Fiscal imbalances expected
  - Tourism and non-oil exports channels higher
  - Tight measures required

- **Cameroon**
  - Oil prices: 0.4%
  - Tourism: 1.9%
  - Non-oil exports: 7.5%
  - Fiscal imbalances expected
  - Oil export channel most critical
  - Tight measures required

- **Central Africa Republic**
  - Oil prices: -0.9%
  - Tourism: -5.0%
  - Non-oil exports: -6.3%
  - Fiscal imbalances expected
  - Tight measures required

- **Chad**
  - Oil prices: -7.5%
  - Tourism: -4.8%
  - Non-oil exports: -15.6%
  - Fiscal imbalances expected
  - Tight measures required

- **Congo, DR**
  - Oil prices: -10.6%
  - Tourism: -7.5%
  - Non-oil exports: -5.0%
  - Fiscal imbalances expected
  - Tight measures required

- **Congo, Rep**
  - Oil prices: -34%
  - Tourism: -10.6%
  - Non-oil exports: -6.3%
  - Fiscal imbalances expected
  - Tight measures required

- **Equatorial Guinea**
  - Oil prices: -4.7%
  - Tourism: -0.4%
  - Non-oil exports: 3.1%
  - Fiscal imbalances expected
  - Tight measures required

- **Gabon**
  - Oil prices: -4.7%
  - Tourism: -0.4%
  - Non-oil exports: 3.1%
  - Fiscal imbalances expected
  - Tight measures required

- **Rwanda**
  - Oil prices: -6.3%
  - Tourism: -5.0%
  - Non-oil exports: -3.1%
  - Fiscal imbalances expected
  - Tight measures required

- **Sao Tome and Principe**
  - Oil prices: -34%
  - Tourism: -10.6%
  - Non-oil exports: -6.3%
  - Fiscal imbalances expected
  - Tight measures required
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)

- Petroleum oils, oils from bitumin. materials, etc. > 70% oil
- Gold, non-monetary (excluding gold ores)
- Natural gas, whether or not liquefied
- Petroleum oils or bituminous minerals > 70%
- Copper
- Pearls, precious & semi-precious stones
- Fruits and nuts (excluding oil nuts), fresh or dried
- Motor vehicles for the transport of persons
- Cocoa
- Ores and concentrates of base metals, n.e.s.
- Silver, platinum, other metals of the group
- Coal, whether or not pulverized, not further prepared
- Equipment for distributing electricity, n.e.s.
- Fertilizers (other than those of group 272)
- Iron ore and concentrates
- Liquefied propane and butane
- Pig iron & spiegelisen, sponge iron, powder, etc.
- Vegetables
- Motor vehic. for transport of goods, special...
- Articles of apparel, of textile fabrics, n.e.s.
- Aluminium
- Inorganic chemical elements, oxides & halides
- Fish, fresh (live or dead), chilled or frozen
- Women’s clothing, of textile fabrics
- Ships, boats & floating structures

Top 25 Imports (US$ bn)

- Petroleum oils or bituminous minerals > 70 % oil
- Motor vehicles for the transport of persons
- Telecommunication equipment, n.e.s.; &... enabled
- Petroleum oils, oils from bitumin. materials,...
- Medicaments (incl. veterinary medicaments)
- Wheat (including spelt) and meslin, unmilled
- Motor vehic. for transport of goods, special...
- Civil engineering & contractors’ plant &...
- Ships, boats & floating structures
- Parts & accessories of vehicles of 722, 781,...
- Other machinery for particular industries, n.e.s.
- Apparatus for electrical circuits; board, panels
- Sugar, molasses and honey
- Rice
- Manufactures of base metal, n.e.s.
- Paper and paperboard
- Equipment for distributing electricity, n.e.s.
- Electrical machinery & apparatus, n.e.s.
- Tubes, pipes & hollow profiles, fittings, iron,...
- Aircraft & associated equipment; spacecraft,...
- Iron & steel bars, rods, angles, shapes &...
- Articles, n.e.s., of plastics
- Pumps (excluding liquid), gas compressors &...
- Automatic data processing machines, n.e.s.
- Heating & cooling equipment & parts thereof,...

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 \textit{(based on 2016-18 averages)}:

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

\textit{Source: ECA based on UNCTADStat}
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.).
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)

Source: ECA based on UNCTADStat
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):**

  - Fruits and nuts (excl. oil nuts) (Exports: $10.0 bn)
  - Cocoa (Exports: $8.4 bn)
  - Vegetables (Exports: $4.0 bn)
  - Fish, fresh, chilled or frozen (Exports: $2.8 bn)
  - Coffee and substitutes (Exports: $2.2 bn)
  - Sugar, molasses and honey (Exports: $2.0 bn)
  - Oil seeds (Exports: $1.8 bn)
  - Shellfish (Exports: $1.8 bn)
  - Tea and mate (Exports: $1.7 bn)
  - Fish, prepared, preserved (Exports: $1.7 bn)

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

  - Wheat and meslin, unmilled (Imports: $9.9 bn)
  - Sugar, molasses and honey (Imports: $5.9 bn)
  - Rice (Imports: $5.2 bn)
  - Edible products, n.e.s. (Imports: $4.3 bn)
  - Fixed vegetable fats & oils, fract. (Imports: $4.3 bn)
  - Maize, unmilled (Imports: $4.0 bn)
  - Fish, fresh, chilled or frozen (Imports: $3.4 bn)
  - Milk and cream (excl. butter, cheese) (Imports: $3.2 bn)
  - Animal Feed (Imports: $3.2 bn)
  - Fixed vegetable fats & oils, fractio. (Imports: $2.9 bn)

Source: ECA based on UNCTADStat
**Focus on basic food (cont.)**

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

  - **Wheat (incl. spelt) and meslin, unmilled:**
    - Total Imports: US$ 9.9 bn
    - Egypt: 20.4%
    - Algeria: 17.9%
    - Morocco: 11.6%
    - Nigeria: 11.9%
    - Tunisia: 11.6%
    - Top 6-10:
    - Others: 4.9%

  - **Rice:**
    - Total Imports: US$ 5.9 bn
    - Benin: 14.6%
    - Côte d’Ivoire: 10.8%
    - South Africa: 9.2%
    - Ghana: 6.7%
    - Senegal: 6.5%
    - Top 6-10:
    - Others: 6.7%

  - **Sugar, molasses and honey:**
    - Total Imports: US$ 5.2 bn
    - Algeria: 16.0%
    - Egypt: 9.1%
    - Nigeria: 8.8%
    - Sudan: 8.6%
    - Morocco: 7.8%
    - Top 6-10:
    - Others: 7.8%

  - **Edible products and preparations, n.e.s.:**
    - Total Imports: US$ 4.3 bn
    - Nigeria: 12.7%
    - Algeria: 11.6%
    - South Africa: 6.2%
    - Egypt: 6.2%
    - Senegal: 6.2%
    - Top 6-10:
    - Others: 4.0%

  - **Fixed vegetable fats & oils, crude, refined, fract.:**
    - Total Imports: US$ 4.2 bn
    - Egypt: 14.0%
    - Kenya: 10.4%
    - South Africa: 8.6%
    - Ethiopia: 8.6%
    - Tanzania: 6.7%
    - Top 6-10:
    - Others: 8.6%
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!