



COVID-19 Webinar

2 April 2020

Housekeeping

- The webinar is conducted under Chatham House rules, meaning we will take notes of the discussion but will not attribute any comments/questions to individuals or countries
- The slide presentation will be recorded and shared but Q&A will be confidential so please feel able to ask any questions
- We will circulate the slides, the video recording, notes, and links after the webinar to all CEoG network members
- You can also send any additional questions, or data and analysis requests to: network@africaceog.org

Overview of World Bank Group responses to the crisis

World Bank Group responses to the pandemic crisis

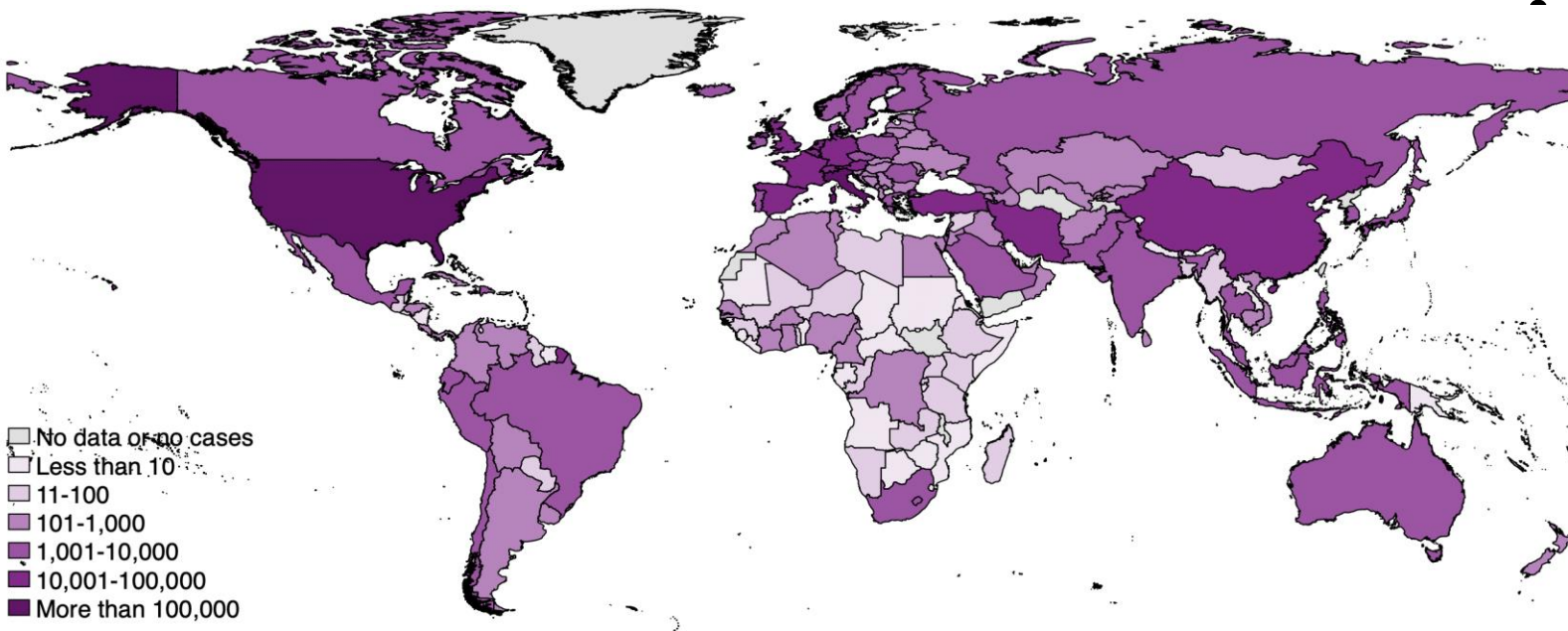
- New \$14bn fast-track financing facility
- \$160bn in overall WBG resources to respond over next 15months
- 25 projects (\$2 billion) sent to WB Board for grants, credits and loans (27 March)
- **WB Africa Chief Economist Office:**
 - Africa's Pulse will be released on April 9, 2020
 - Will include country specific growth projections and special discussion of impacts of Covid-19
 - Future Covid-19 webinars for chief economic advisors on demand

Outline

1. Overview of COVID-19
2. Economic consequences: global picture
3. Economic consequences: African picture
4. Policy responses
5. Q&A

The spread of COVID-19 is now truly global

Total cumulative reported COVID-19 cases as of April 1st, 2020



Data source: WHO, last accessed 1 April 2020

- 108 countries have reported over 100 cases

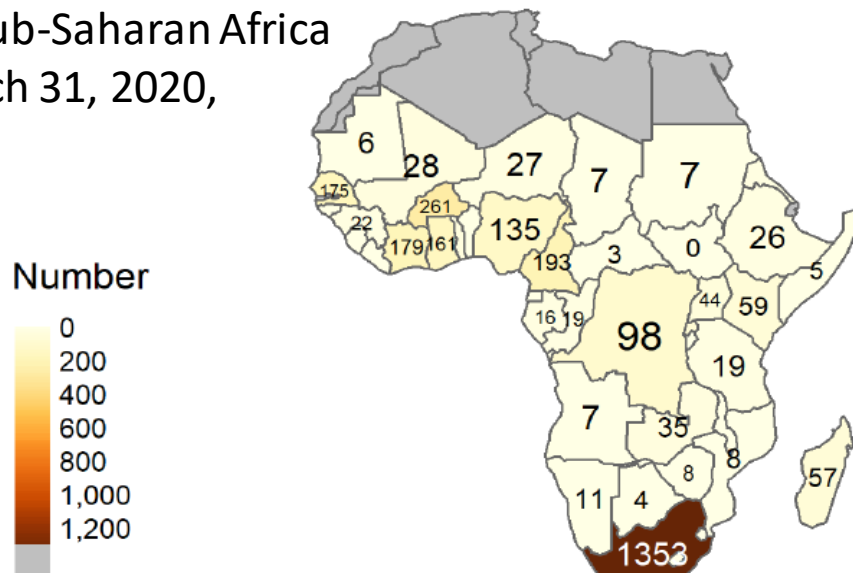
- However, spread has been lagged to different regions:

- China hit 100 cases on 19 Jan
- S.Korea on 20 Feb
- Italy on 23 Feb
- Iran on 27 Feb
- France on Feb 29
- Germany on 1 Mar
- USA and Spain on 2 Mar

After a delay the virus is also spreading across sub-Saharan Africa

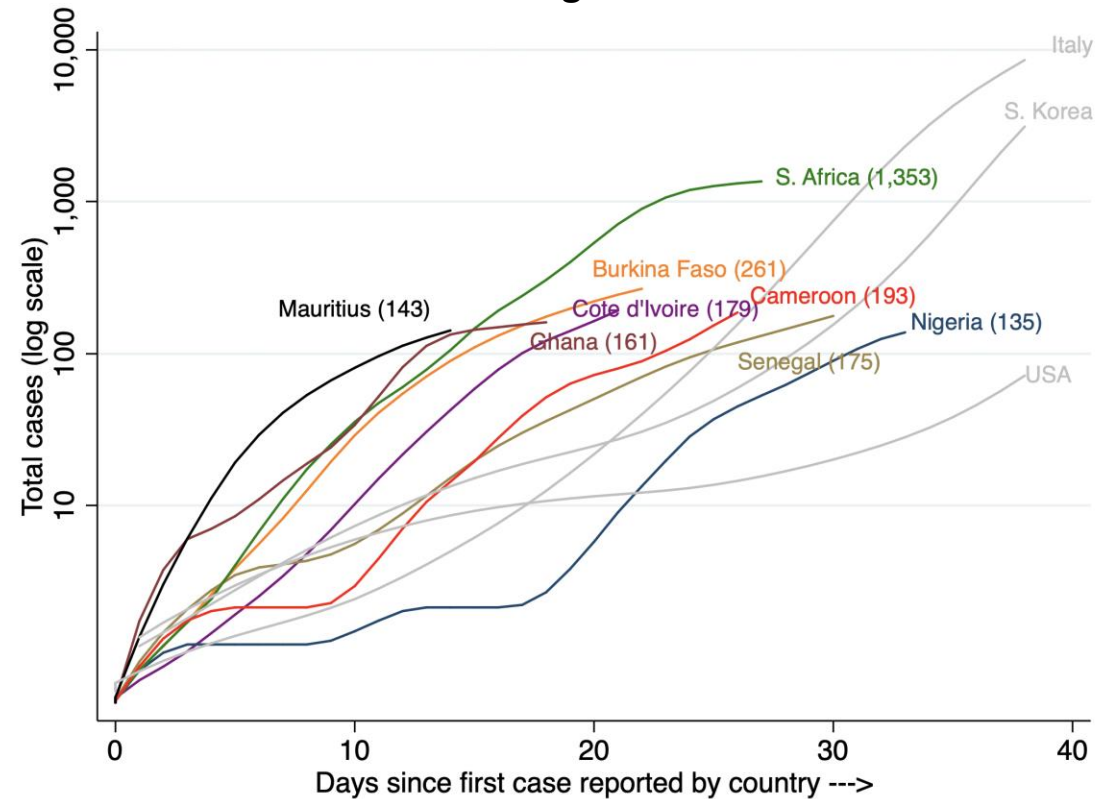
- 8 SSA countries have reported more than 100 cases
- **Growth rates in Africa are comparable to other countries hit earlier such as USA, S.Korea and Italy**

Cases in sub-Saharan Africa as of March 31, 2020,



Source: World Bank, 31 March

COVID-19 cumulative total reported cases in Sub-Saharan African countries exceeding 100 cumulative cases



Source: own elaboration using CSSE Johns Hopkins data and World Bank, 31 March

Large estimated differences between unmitigated scenario and suppression scenarios for sub-Saharan Africa

- Model results very sensitive to inputs and assumptions

Sub-Saharan Africa:

- Unmitigated scenario:
 - 1bn infections, 2.4m deaths
- Moderate suppression scenario:
 - 450m infections, 1.2m deaths
- Aggressive suppression scenario:
 - 110m infections, 300k deaths
- **Shielding of vulnerable groups may be better strategy than suppression in low income countries**

(Source: London School of Hygiene & Tropical Medicine)

Table 1: Estimated impact of suppression strategies. The impact on infections and deaths over 250 days for two different suppression strategies triggered according to different thresholds for mortality incidence (0.2 and 1.6 deaths per 100,000 population per week).

	Unmitigated Scenario		Suppression at 0.2 deaths per 100,000 population per week		Suppression at 1.6 deaths per 100,000 population per week	
	Infections	Deaths	Infections	Deaths	Infections	Deaths
East Asia & Pacific	2,117,131,000	15,303,000	92,544,000	442,000	632,619,000	3,315,000
Europe & Central Asia	801,770,000	7,276,000	61,578,000	279,000	257,706,000	1,397,000
Latin America & Caribbean	566,993,000	3,194,000	45,346,000	158,000	186,595,000	729,000
Middle East & North Africa	419,138,000	1,700,000	30,459,000	113,000	152,262,000	594,000
North America	326,079,000	2,981,000	17,730,000	92,000	90,529,000	520,000
South Asia	1,737,766,000	7,687,000	111,703,000	475,000	629,164,000	2,693,000
Sub-Saharan Africa	1,044,858,000	2,483,000	110,164,000	298,000	454,968,000	1,204,000
Total	7,013,734,000	40,624,000	469,523,000	1,858,000	2,403,843,000	10,452,000

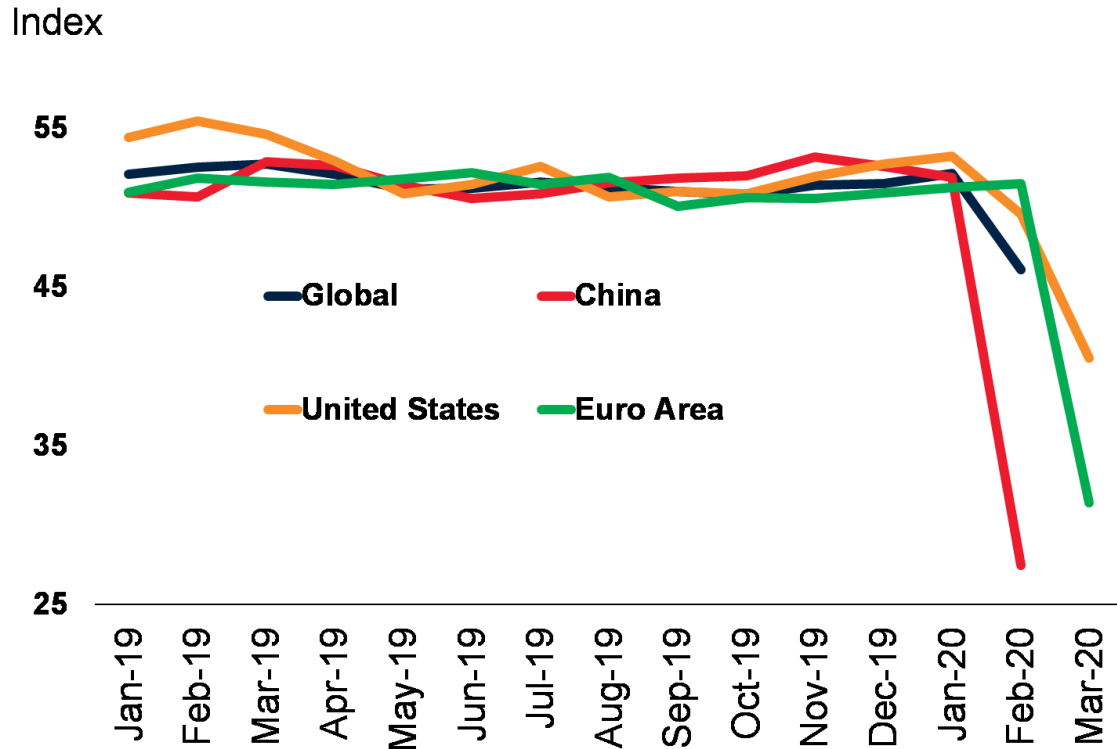
Source: Imperial College, Report 12, The Global Impact of COVID-19 and Strategies for Mitigation and Suppression March 26, 2020

Timeframes to consider

- Wuhan/Hubei shutdown was very extensive and **lasted for 2+ months**, with now only gradual reopening
- Reopening of Asia economies conditioned on aggressive and effective testing and contact tracing
- **Reoccurrence may occur** –1918 Spanish Flu pandemic saw mild Spring outbreak and more serious Fall recurrence
- **USA:** official shutdown now extended to **45 days**
- Some states (e.g. Virginia) have **70 day** official shutdowns. Aggressively building testing capacity in meantime.
- **Treatments may be available sooner**, but also depend on public health system capacity to administer at scale. (WHO.int)
- **Vaccine may be minimum of 12-18months away**. No vaccine developed in less than five years before. Does not include time to distribute to population in low income countries. (Kobinger, 2020)

Economic consequences:
the global picture

Outbreak leading to a global recession in the first half of 2020

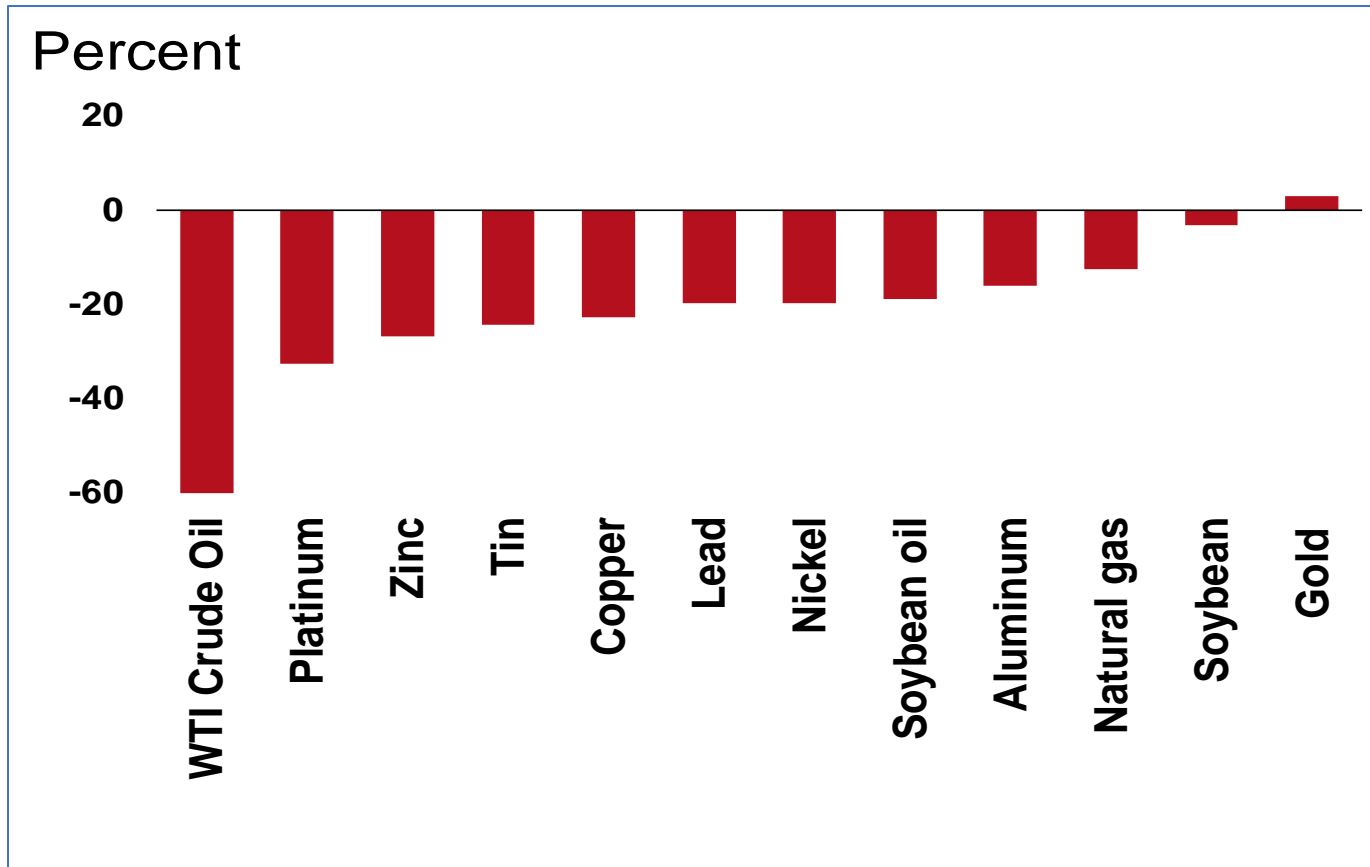


Purchasing Manager's Index tracks business activity in the private sector.

Source: Haver Analytics, Bloomberg and World Bank

- January 2020 Global Economic Prospects had forecast a rebound in global activity
- Now IMF predict: “a **recession** at least as bad as during the **global financial crisis or worse.**” (IMF, March 23)
- Industrial production, fixed asset investment, services, production and retail sales fell in China between January and February 2020

Commodity prices have been declining since January. WTI crude oil price stands at ~\$20/barrel



- Rebound in commodity prices will depend not just on China reopening but also the recovery in Chinese markets: US, EU and Asia which could take longer
- Oil price war (Saudi, Russia, US fracking) is exacerbating the slump in crude

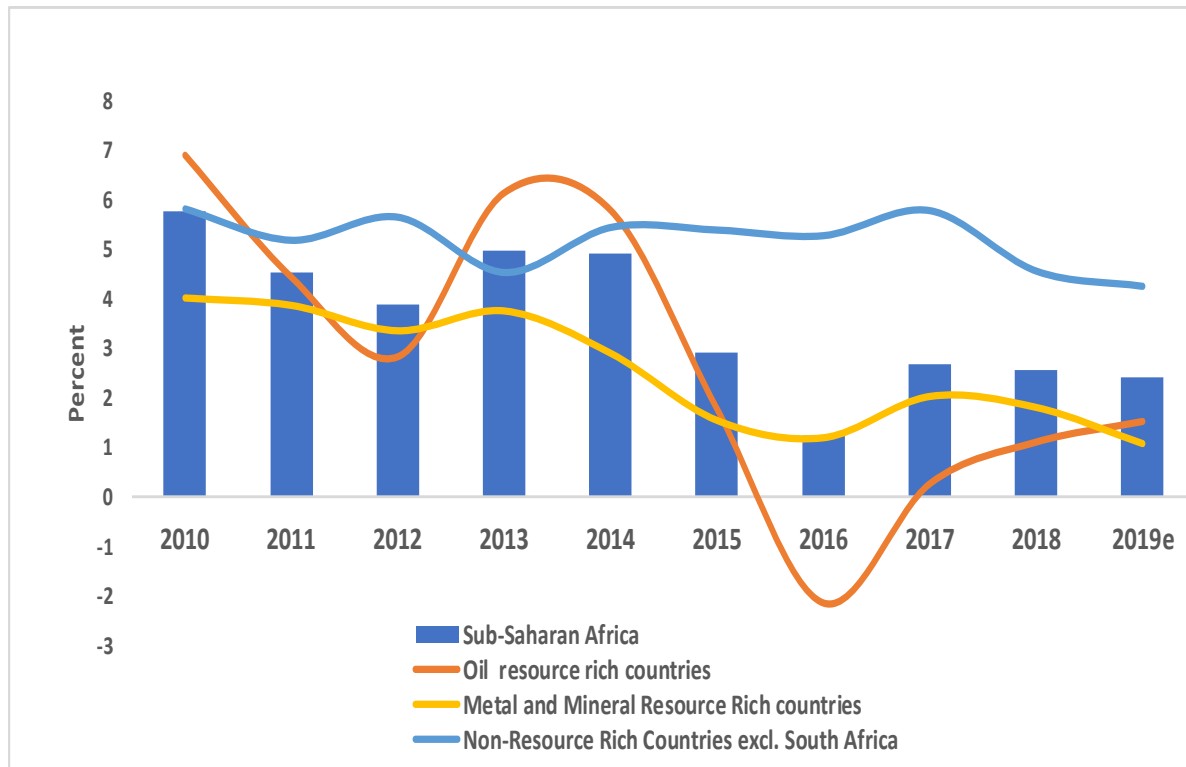
Change in commodity prices since January 2020

Source: World Bank

Economic consequences:
the African picture

Recovery was sluggish before the shock, and will likely see recession post-crisis

Real GDP Growth until 2019



Source: World Bank MFMMod, World Bank staff estimates

Significant downside risks threaten prospects:

- Longer-than-expected economic impact of the coronavirus
- Mounting fiscal pressures and greater debt vulnerabilities
- Protracted impact on human capital accumulation
- A wider than expected spread of the virus in sub-Saharan Africa

COVID-19 will affect African countries through 5 main channels

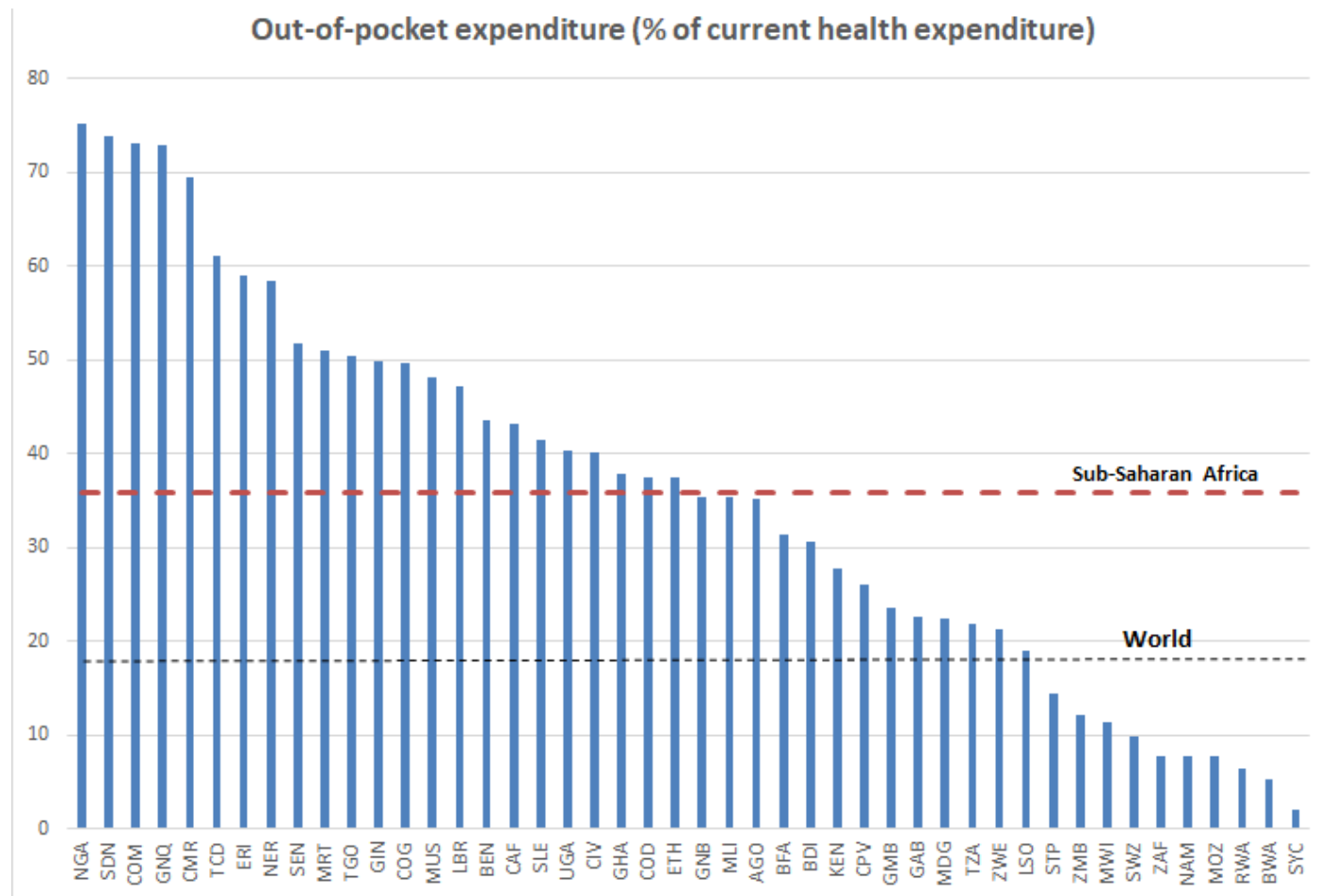
Within Africa:

1. Direct health costs
2. Reduced economic activity due to national mitigation measures

External shocks:

3. International trade losses
4. Reduced capital flows
5. Lost revenue from tourism

1. Direct health costs will hit both governments and households

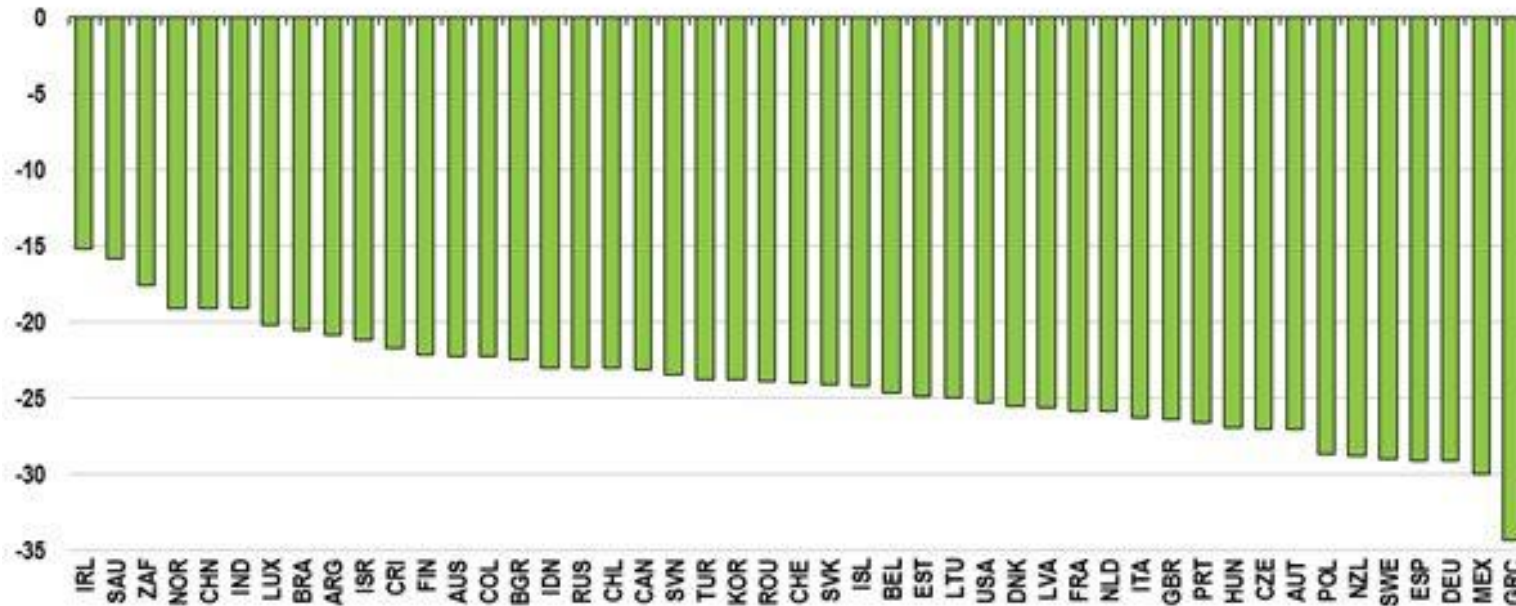


Direct costs are heavily borne by households :

- SSA out-of-pocket expenses for healthcare are higher than the global average.
- Government health expenditure represents 35% of current health expenditure in SSA, against 74.26% in the world

2. Shutdowns carry their own severe economic burden

The potential initial impact on activity of partial or complete shutdowns on activity
% GDP at constant prices



Sources: OECD Annual National Accounts, OECD Trade in Value-Added database, Statistics Korea; Brazilian Institute of Geography and Statistics; and OECD calculations.

- OECD estimates initial economic costs of shutdown:
- South Africa >15% GDP
- USA >25% GDP
- Mexico ~30% GDP

Source: OECD, 2020

3. Trade shocks mean that current account deficits are set to widen

Low oil prices severely impact fiscal positions and growth of major economies:

Oil Price and Fiscal Position of Select SSA Countries

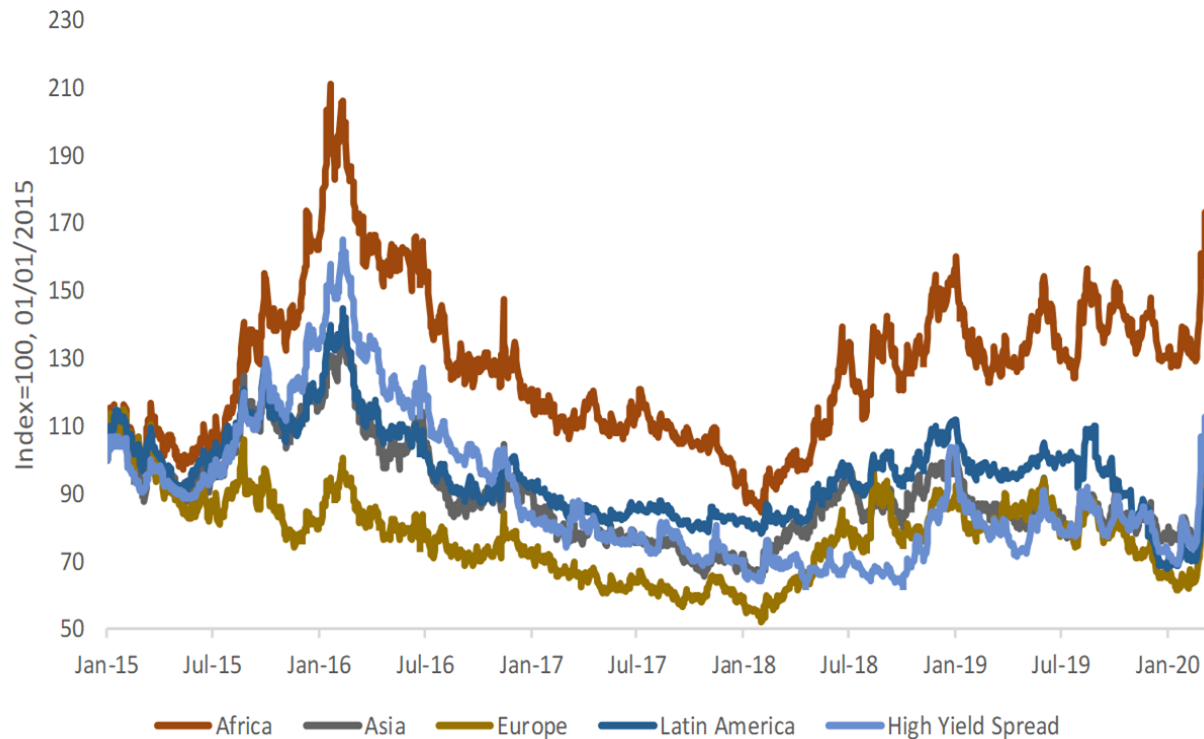
	Budgeted Oil Price	Expenditure Budgeted	Oil-related Expend. Loss	General Government Interest Payments	General Government Commodity Revenues	Fiscal Balance Overall	Balance Primary	General Government Gross Debt	Oil GDP			
Country	2020 (US\$ / bbl)	2020 (% GDP)	2020 (% GDP)	2019 (% Expense)	2019 (% GDP)	2019 (% Total)	2019 (% GDP)	2019 (% GDP)	2019 (% Total)			
Angola	55	20.2	7 ^{6.}	32.24	5.13	60.75	12.13	0.76	5.89	94.99	5.07	28.48
Chad	55	19.0	7 ^{3.}	10.75	1.10	35.15	5.48	0.31	1.41	44.74	4.71	19.15
Congo, Rep.	55	24.6	5 ^{8.}	9.50	1.78	63.27	19.92	8.56	10.28	78.49	2.68	61.58
Equatorial Guinea	57	16.7	9 ^{5.}	7.33	0.80	66.67	11.65	0.90	1.70	45.42	8.65	30.20
Gabon				16.64	2.15	36.06	6.60	1.61	3.76	56.38	4.76	31.58
Nigeria	57	6.6	6 ^{1.}	15.86	1.61	46.22	3.56	-4.98	-3.36	29.78	7.34	8.57
South Sudan	55	32.2	6 ^{15.}	1.45	0.41	88.55	27.66	2.42	2.83	34.35	11.37	63.35

Key drivers are external and demand driven for now:

- Slump in Chinese demand for inputs
- Low (and falling) commodity prices
- African shutdowns could lead to further domestic demand and supply shocks hitting trade

4. Capital inflows down, outflows up

Sovereign bond spreads have jumped in SSA

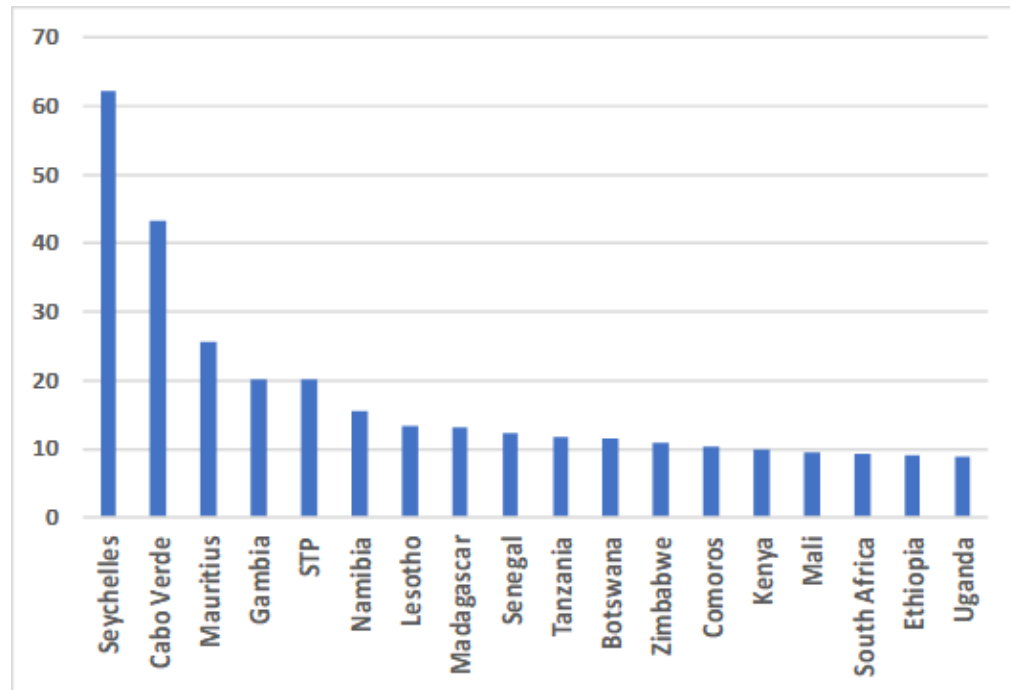


Source: Bloomberg

- Risk sentiment will likely slow Eurobond issuance activity
- Falling commodity prices will reduce foreign direct investment flows
- Remittances will be reduced by shutdowns and slowdown elsewhere

5. Countries with large tourism sectors will be heavily affected, such as Seychelles, Mauritius and Namibia

Contribution of tourism to GDP (%)



Source: World Bank World Development Indicators

- Service and hospitality sectors most impacted by containment measures
- 10 sub-Saharan African countries have closed borders
(Source: Al Jazeera 03/30/20)
- African airlines estimated to lose up to \$4bn from foregone passenger revenue
(Source: International Air Transport Association)

Policy Responses

Possible policy measures to consider for both saving lives and protecting livelihoods

Saving Lives

- Strengthen health systems in Sub-Saharan Africa
- Increase the supply of protective personal equipment for medical personal (physicians and nurses)
- Call for volunteers to participate in medical response teams —as it was the case of Guinea in the 2014-16 Ebola outbreak
- Reduce/eliminate tariffs or VAT on the importation of medical equipment and supplies
- Support consumption of essential items (zero tariffs on all food products, no bans/taxes on critical food staples)
- Efforts to Identify capacity (and comparative advantages) within the region to repurpose production for COVID-19 related goods.

Protecting livelihoods

Fiscal policy

- Direct transfers to support poor households during the isolation period.
- Direct transfers to independent workers
- Postponement of households' payments of public utilities
- Extension for the income tax declaration for SMEs
- Flexibility to enterprises and households in the repayment of tax liabilities.
- Creation of the fund to help qualified SMEs to secure working capital and/or refinance debts.

Monetary/Financial Policy

- Central Bank guaranteed loans to enterprises (especially SMEs) for working capital.
- Encourage bank lending to households and SMEs by lowering reserve requirements.
- Temporary easing of bank provisioning needs and of bank loan classification rules

Country examples of fiscal measures to cushion short-term economic hardship

- South Africa:
 - Social security agency doing **early payments of social grants to older people** and disabilities from March 30-31, 2020.
 - Gov. **paid sick leave** to lockdown or virus affected workers
 - **Unemployment insurance benefits** for affected workers through the new and existing schemes.
- Kenya:
 - National Treasury giving **cash transfers** to vulnerable of additional KSh 10 billion (approximately US\$ 100 million) - targeting elderly, orphans, etc.
 - Gov. approved **fee waivers on person-to-person mobile money mobile transaction** on M-PESA
 - Gov. planning to implement a **100 percent tax relief** for people earning less than Ksh.24,000.
- Ghana:
 - Suspended **financial charges of all mobile money transfer** that do not exceed GH¢100 for the next three months

Question and Answer

References and links

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