

Covid-19: Socioeconomic Impacts on Africa



Aerial view of empty streets in Cape Town, South Africa during the Covid 19 lockdown @Shutterstock

Introduction

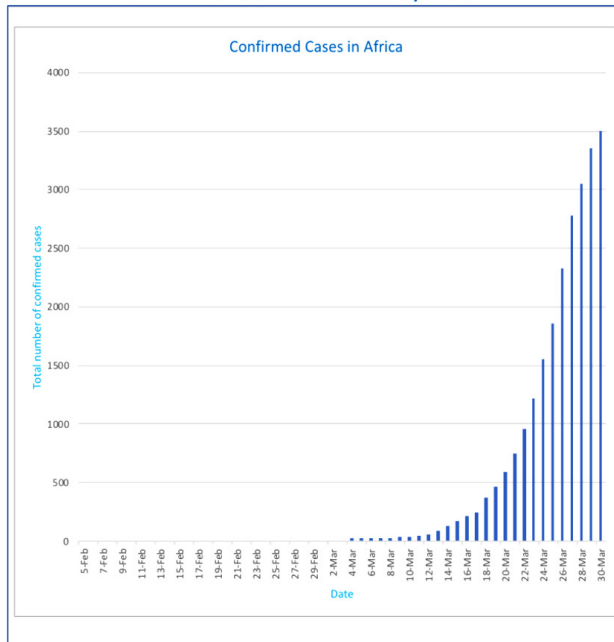
The novel coronavirus is a global health, economic and social crisis. With over 750 000 confirmed cases in 202 countries, territories and areas, Covid-19 had by the 1st of April 2020 caused over 35 000 deaths (WHO Africa, 2020). The effects of the virus have brought economies to an abrupt halt and will affect the possibility to achieve many of the Sustainable Development Goals (SDGs).

While Africa is (as of March 31st) the continent with the least cases globally, the number of cases has been growing rapidly over the last few days. As of 31 March 2020, the number of cases were approaching 3,500. With 1326 infected, South Africa is currently the African country with most cases, accounting for almost 40 % of the continent's registered cases.

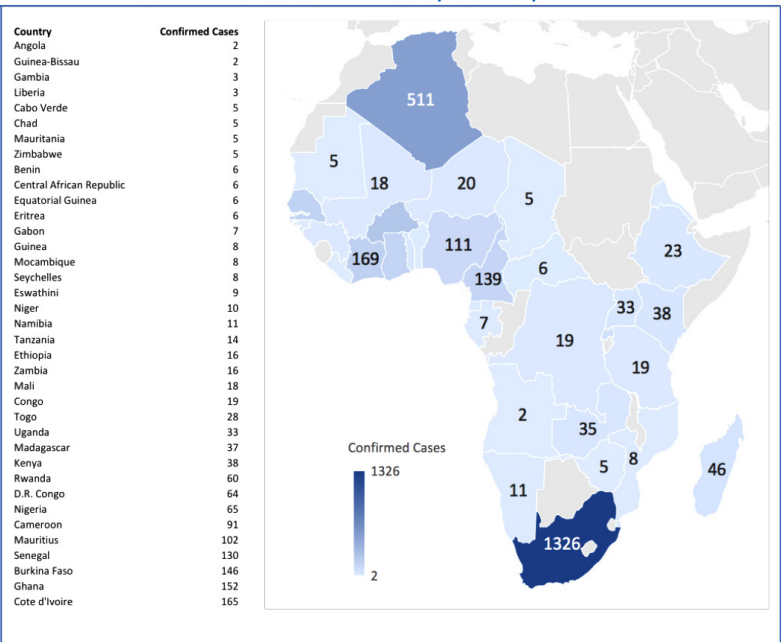
Health Impacts

At the beginning of the Covid-19 outbreak, only two countries in the WHO African region could test for the disease. However, as of 30th March 2020, all forty-seven countries in the WHO African region could test for COVID-19. The extent to which countries can combat Covid-19 is however largely dependent on their health care systems. In general, life expectancy and universal health coverage are lower in Africa than on other continents. Lower respiratory conditions and HIV represent the top two cause of both morbidity and mortality in Africa. These can both increase the deadliness of Covid-19 in Africa, along with other major public health risks on the continent that have a strong relation to Covid-19. Furthermore, the mortality rate attributed to exposure to unsafe WASH services is higher in WHO Africa region than any other WHO region (WHO, 2019). Africa is also the region with least global health security (GHS Index, 2019). In total, these factors will have an impact on the ability for African countries to deal with Covid-19.

Confirmed Cases in Africa by Date

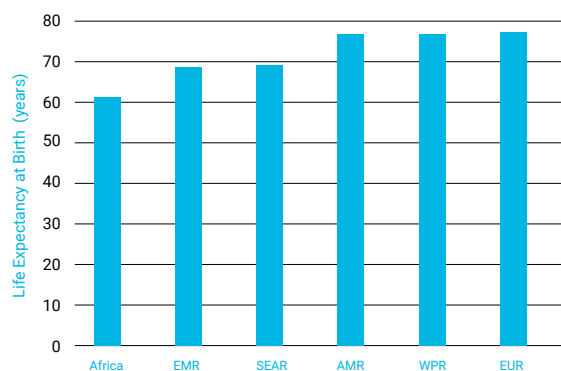


Confirmed Cases in Africa by Country



Graph 1: Confirmed Covid-19 Cases in Africa by Date and Country. UN-Habitat based on data from WHO Africa (2020)

Life Expectancy for World Regions



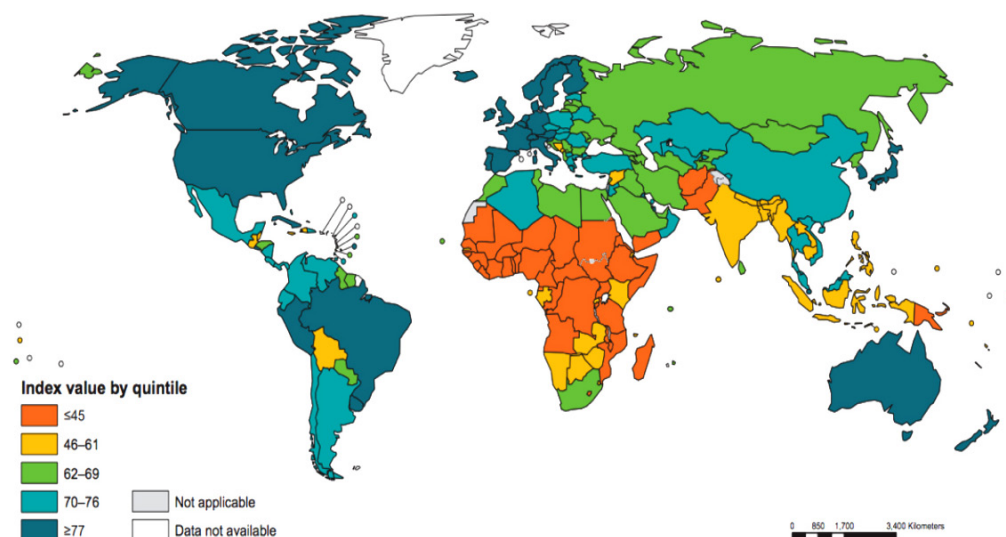
Regions follow WHO classifications:

- Africa
- EMR: Eastern Mediterranean Region
- SEAR: South-East Asia Region
- AMR: Region of Americas
- WPR: Western Pacific Region
- EUR: European Region

On a global level, there have been export restrictions on medical equipment since the Covid-19 outbreak. This will likely hit African countries with lower capacity to produce their own medical equipment especially hard.

Graph 2a: Life Expectancy for World Regions

Universal Health Coverage index by country (2015)



Graph 2b: UN-Habitat based on data from WHO (2019). Universal Health Coverage Index by Country (right) WHO (2019)

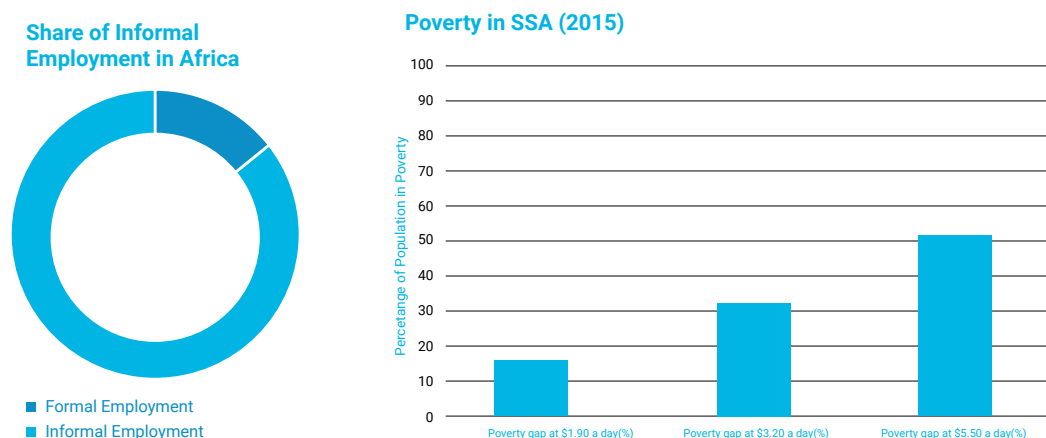
Social Impacts

Africa is the continent where the greatest proportion of the population does not have access to social protection and adequate health care (ILO, 2017), and with the largest share in poverty (Brookings Institute, 2019). This will play a role on how Covid-19 will impact the region, especially for marginalized groups. Covid-19 has taken more lives among the older population and Africa generally has a younger population than other regions.

However, higher levels of malnutrition and diseases means Covid-19 could be deadlier for the African population in general than on other continents. Africa is also the most rapidly urbanizing region in the world, with 60% of urban settlements being informal. The populations of these informal settlements often live in precarious housing where families share rooms

and houses. Informal settlements and overcrowded public spaces such as buses and markets in African countries may spread COVID-19 in unpredictable ways. The lack of access to land, shelter, basic services and transport drive a higher risk from the virus itself and make the countries less resilient to a shock like this.

The labor force of the continent, with an informality level over 80 % (ILO 2018), often lack insurance for lost income. As schools, government institutions and businesses are shut down, many people are forced to go home with no alternative source of income, which constitutes a risk for increased poverty on the African continent. The lack of alternative sources of income also means a higher risk that people will not adhere to social distancing policies in African countries. In this way, poverty can impact contagion, and contagion can impact poverty.



Graph 3: Share of Informal Employment in Africa (left), UN-Habitat based on data from ILO (2018). Poverty in Sub-Saharan Africa (right), UN-Habitat based on data from World Development Indicators (2020)

Economic impacts

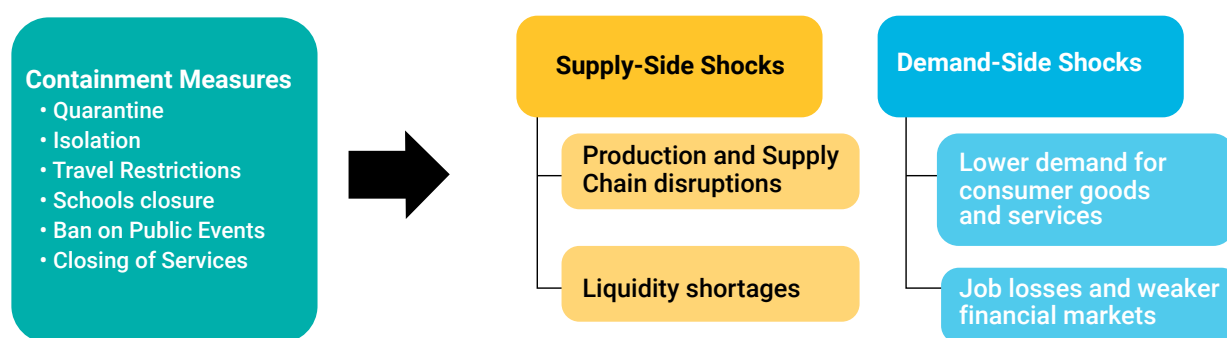
Even before the Covid-19 outbreak, the global economy exhibited underlying vulnerabilities. These vulnerabilities include:

- (i) high levels of debt,
- (ii) trade tensions between major economies, and
- (iii) gaps in income, wealth and job stability in many countries.

Furthermore, a main difference between this pandemic and earlier ones (such as the SARS episode in the beginning of the 21st century) is that the world is more globalized today. China is significantly more integrated in the global economy today, which means COVID-19 spreads more rapidly and has a bigger effect on the world economy.

Finally, combined with the COVID-19 outbreak, there was recently a slump in oil prices. In the month of March 2020, oil prices fell by approximately 50 percent. This will negatively impact net oil-exporting countries. However, lower oil prices could potentially have a positive economic impact for oil-importing countries and consumers.

The containment measures following Covid-19 are essential to flattening the Covid-19 curve, but inflicts both a demand-side and supply-side shock to economies worldwide. On the supply-side, production and supply chain disruptions are causing an impact together with liquidity shortages. On the demand-side, lower global demand for consumer goods and services along with job losses and weaker financial markets are causing a negative impact.



Graph 4: Containment Measures Causing Supply-Side and Demand-Side Shocks. UN-Habitat

Some major contributors to Africa's GDP include; agriculture, forestry & fishing, tourism, industry and manufacturing, mining, and the financial sector. Many of these sectors are now exposed due to the supply-side and demand-side shocks. In many of these sectors, workers cannot work from home, which increases job losses. Globally, most of the small and medium firms (SMEs) have less than one-month cash-flow to stay in business (JP Morgan Institute, 2016). In low and middle-income countries, SMEs are under even harder pressure. In total, many companies are threatened in Africa and bankruptcy or closure would lead to widespread job losses.

In total, the economic effects from Covid-19 are already showing, and estimations predict negative growth effects. Below is a chart compiling estimations on GDP growth impact for the world, sub-Saharan Africa, Latin America and the Caribbean, and Asia. It is important to note that estimations are being updated continuously. On 30th of March the OECD announced in a new estimation, that major economies will lose two percentage points in annual GDP growth for each month of containment (OECD 2020).

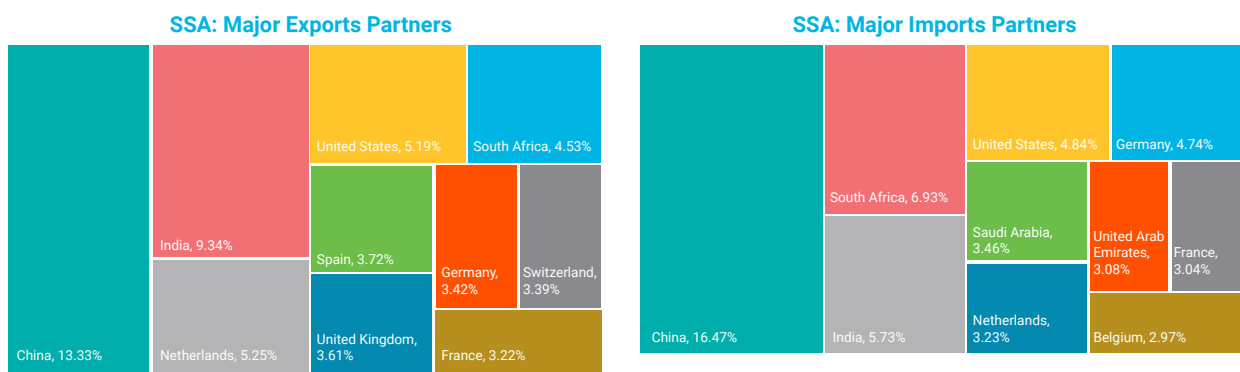
	Organisation for Economic Cooperation and Development (OECD) (Global)*1	Brookings Institute (for SS African Economies)*2	United nations Economic Commission for Africa (UNECA) Growth in Africa*3	United nations Economic Commission for Latin American and Caribbean (UNECLAC) Growth in LAC*4	Asian Development Bank (ADB) Growth in Asia Pacific *5
Baseline	2.9%	3.59	3.2%		
COVID-19 Low Impact	2.4% (-0.5)	2.5 (-1.09)	1.8% (-1.4%)	-1.8%	China: -0.32 Developing Asia (excl. China): -0.17
COVID-19 High Impact	1.4% (-1.5)	1.5% (-2.09)			China: -1.7 Developing Asia (excl. China): -0.46

Table 1: GDP Growth Projections Accounting for Covid-19 Impacts. UN-Habitat based on OECD (2020), Brookings Institute (2020), UNECA (2020), UNECLAC (2020) and ADB (2020)

As of 2018, Sub-Saharan Africa's GDP per capita stood at \$1 585. Before the Covid-19 outbreak, Africa's economy had been predicted to grow 3.9% in 2020 and 4.1% in 2021 (AfDB, 2020). In the 2009 crisis GDP per capita growth dropped to almost zero and in 2016, Sub-Saharan Africa had negative GDP per capita growth (World Bank, 2020a).

Following the Covid-19 economic effects, the United Nations Economic Commission for Africa (UNECA) has predicted a GDP growth drop of 1.4 percentage points in Africa, from 3.2% to 1.8%.

There are several reasons for this, a major one being that many of Africa's most important trade partners are heavily infected by Covid-19. In fact, as of the 30th of March, of the ten countries most affected by Covid-19, eight are top 10 export partners to Africa and 5 are top 10 import partners to the continent.

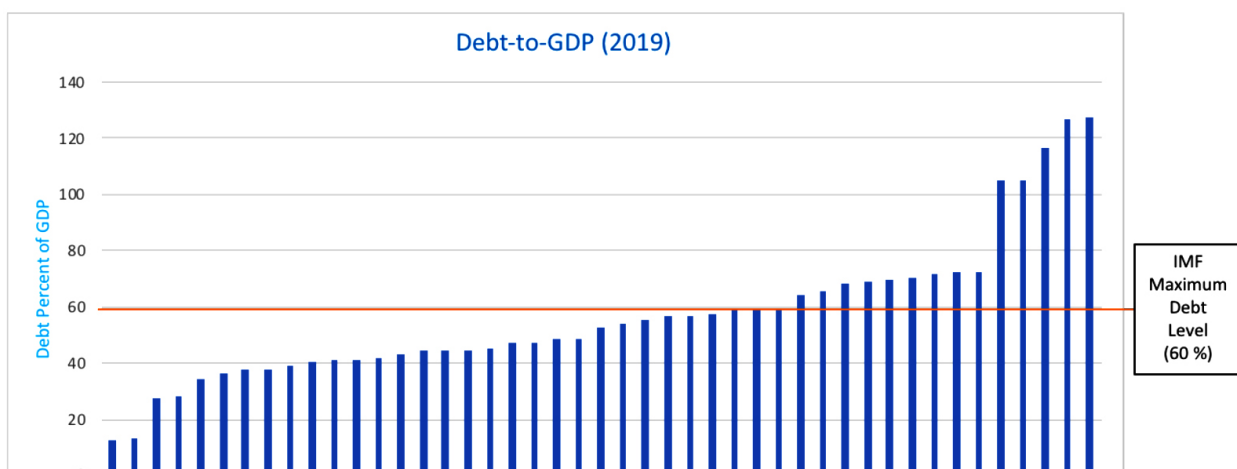


Graph 5: Major Export and Import Partners to Africa. UN-Habitat based on data from World Bank (2020b)

Africa's top import and export partner is China, the starting point of the Covid-19 pandemic and until recently the country with most cases globally. Middle-income countries have benefitted from China import penetration, and now the high dependency on China for imports and exports is hurting African countries' roles in global value chains.

The disruption on global value chains stemming from China was however only the initial shock, now impacts are coming from other major trading partners in Europe and North America. It is likely that African countries also will experience delays in implementation of development projects and reduced or delayed delivery of foreign direct investment (FDI).

African countries' debt levels pose a major risk in this crisis, given that heavily-indebted developing countries face a larger economic threat. A decade ago, the African region was spared from a lot of the global financial crisis. Lower debt levels then meant that most countries had room to increase spending and they could implement counter-cyclical policies. Today, many countries in sub-Saharan Africa have limited room in their budgets to increase spending. Another factor is that African countries are more reliant on global capital markets today (IMF 2020a). The Covid-19 effects for the African public sector could be severe, in terms of reduced tax revenues and limitations on access to foreign currency. African governments will face rising deficits and increased pressure on currencies.



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