



Risks and Opportunities for the Impact of Corona Virus in Africa

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Abstract

China is a major exporter of commodities to African countries, and the economic contraction in China is expected to have spillover consequences for African countries through the negative impact on African businesses that rely heavily on China for the supply of primary and intermediate raw materials. The coronavirus crisis is affecting many African countries, and the number of confirmed cases have been rising rapidly with a particularly severe situation in South Africa, Egypt, Algeria, Morocco and Cameroon.

The COVID-19 pandemic began to impact African economies heavily and destroy livelihoods. Among the factors were: falling demand for Africa's commodities; capital flight from Africa; a virtual collapse of tourism and air transport associated with lockdowns and border closures; and depreciation of local currencies as a result of a deterioration in the current account balance.

This study analyses the COVID-19 pandemic which has affected the global economy has also affected the African economy through spillovers to African countries. as well as, introduce snapshot of immediate impacts of the pandemic on health, economies, peace, security, human rights and humanitarian assistance in Africa.

Affects of COVID-19 in Africa sectors

The poor and the vulnerable bear the brunt of the negative consequences of both the pandemic and the measures to mitigate its spread. Moreover, economically vulnerable households face a higher risk of contracting the virus due to crowding and lack of access to basic facilities and are more at risk of losing access to basic needs. Without sufficient provisions for food and other necessities for the poor and unemployed, successful enforcement of a total lockdown is an immense challenge in Africa.¹

Increased food prices due to COVID 19 would result in a higher percentage of the household's income spent on food leaving less money for healthcare and other key expenses. This further predisposes children to malnutrition given that disease and inadequate health care is a key contributor to malnutrition.

Recessionary trends at the global level and the potential for a prolonged reduction of economic growth in China will have direct impacts on commodity exports in the region ranging from copper in Zambia, precious metals in Tanzania, coltan in DRC and petroleum in Angola and the Republic of Congo.²

Table 1: Coronavirus Affects of Africa Sectors

A Food Crisis	Health	Jobs
It is becoming clear that one near-term impact of this pandemic will be a dramatic rise in food insecurity and potentially devastating disruptions to the global food supply chain.	Enhance production and innovation through intra-African collaboration; expand deployment of community health workers, which proved effective during previous health crises; and boost medical personnel capacity, including by tapping into diaspora expertise. ³	estimate that this pandemic could result in the loss of nearly half of all jobs in Africa where unemployment is already a major concern . This is likely to further aggravate Africa’s fragile economic situation, As shown in the following table :

Source: Preparation by researcher

Table 2: Illustrated Consequences Of Covid -19 In Africa

	First Order Effects	Second Order Effects	Third Order Effects
Economic	<ul style="list-style-type: none"> • GDP drops • Trade Balance worsens • Job and livelihood losses • Wealth depletion • Increased health and related spending 	<ul style="list-style-type: none"> • Domestic supply chains collapse • Economic activity stalls • Increased non-formal activity 	<ul style="list-style-type: none"> • Recession • Debt crisis • Financial distress
Social	<ul style="list-style-type: none"> • Loss of lives • Social spending reduced • Disproportionate impact on vulnerable groups • Social services disrupted 	<ul style="list-style-type: none"> • Widespread deprivation • Social disaffection • Breakdown in social services 	<ul style="list-style-type: none"> • Increased inequalities • Human development losses • Vulnerable groups victimized • Societal unrest
Political	<ul style="list-style-type: none"> • Politicized responses 	<ul style="list-style-type: none"> • Erosion of trust • Politicization of law enforcement 	<ul style="list-style-type: none"> • Political unrest • Political violence

Source: UNCTAD, 2019, Economic Development in Africa

COVID -19 emanated from East Asia being a manufacturing hub and spread fast to the other industrial giants, i.e., the US and other European nations thus creating direct supply disruptions. Since manufacturing goods depend on aggregate demand and purchasing power, less-affected nations find it tougher and more expensive to obtain the necessary imported industrial inputs

from the hard-hit nations, and consequently from each other thus thwarting production. This has led to firms delaying investments and consumers resort to wait-and-see purchases. No doubt, the service sector which includes tourism, aviation, entertainment, restaurants, in all affected countries are also hit hard but it is quite visible that the manufacturing sector faces the biggest knockout.⁴

Impact on African Trade

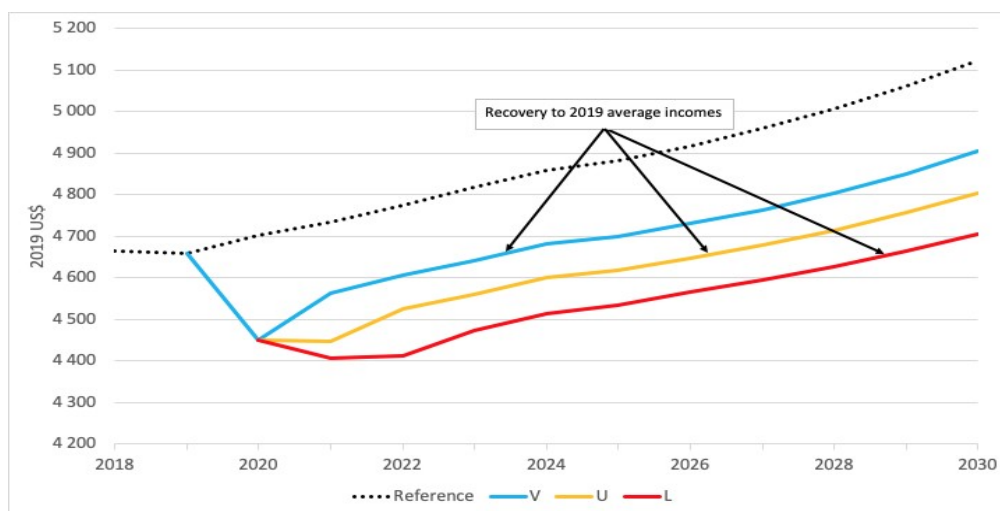
The risks to trade may stem from two fronts. First, close to half of Africa's merchandise trade is with economies and regions that are highly impacted by the pandemic, including China, EU and USA. As these economies experience declining aggregate demand as a result of the pandemic, the need for inputs that support manufacturing processes will continue to fall, thereby limiting African exports of raw materials to these large markets.

If such downward pressure on commodity prices persist, some of the largest economies in Africa that disproportionately rely on commodity trade for foreign exchange and government revenue could experience significant external and fiscal imbalances that are exacerbated by rising debt levels.⁵

Revenue reductions and resource constraints

Africa has very limited capacity to respond to COVID-19 for reasons including low tax-to-GDP ratios and high debt levels. UNECA estimates that the continent's response to the pandemic is at a mere 0.5% of GDP (US\$44.7 billion). Half of that came from just two countries – South Africa and Egypt.

The economic contraction results in a large decline in GDP per capita, which can be used as a proximate measure for average incomes in Africa, and is presented in Figure 1. From 2019 to 2020, GDP per capita in Africa, with its population of 1.3 billion, is expected to decline by about US\$44 per person. In the V scenario, GDP per capita in Africa will recover to 2019 levels (US\$4 657 per person) in 2024. In the L scenario that does not occur until 2029.⁶



Source: IFs 7.45 initialising from IMF

Figure 1: GDP per capita under different scenarios

The disease nonetheless has already had a destabilizing effect on the lives of millions of Africans with disproportionate impact on the poor and under-served, there have been disruptions in Africa's global supply chains in the face of tumbling oil prices and a lowered global demand for African non-oil products, which constitutes a threat to the economic stability of the continent.⁷

Table 3: Opportunities created by the COVID-19 pandemic

Table : COVID-19 Opportunities	
Country	Opportunities
Tanzania	(i) use legislation to pass an economic relief bill into law
South Africa	(ii) make private health care affordable to poor citizens
Ghana	(iii) use legislation to pass an economic relief bill into law
Mauritius) preserve the existing social welfare system) use legislation to pass an economic relief bill into law) expand the capacity of the country's health system
Guinea) use legislation to pass an economic relief bill into law) preserve the social welfare system
Sierra Leone) create a well-functioning distance learning education system) use legislation to an economic relief bill into law
Kenya) improve self-sufficient food production) improve the health care system) use legislation to pass an economic relief bill into law
Nigeria) repair the public health system) use legislation to create a national welfare system) create a well-functioning digital economy) establish a digital learning platform

Source: Ozili, P.K. (2020). COVID-19 in Africa: socioeconomic impact, policy response and opportunities. International Journal of Sociology and Social Policy, pp28.

Now, most of those developing countries are in Africa and their economies are already facing a hard and harsh impact from the coronavirus. So far, Africa accounts for just a fraction of total cases of the disease which has infected nearly five million people worldwide. But then it just might be the hardest hit economically. One of the reasons being that many countries on the continent have what is called mono product based economies.

The oil and gas industry for instance contributes about 65% of Nigeria's Government revenue and 88% of the country's foreign exchange earnings. What this means is that happenings in the industry tend to have an impact on almost all other sectors of the economy. Today the global price of oil hovers around 30 dollars per barrel, a severe low. State revenues would decline and many things like funding of the budget for critical infrastructure, the power of the local currency, payment of salaries, and general government runnings would be affected.⁸

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