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African Economic Outlook

2020

Amid COVID-19

SUPPLEMENT

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GROUPE DE LA BANQUE AFRICAINE
DE DEVELOPPEMENT



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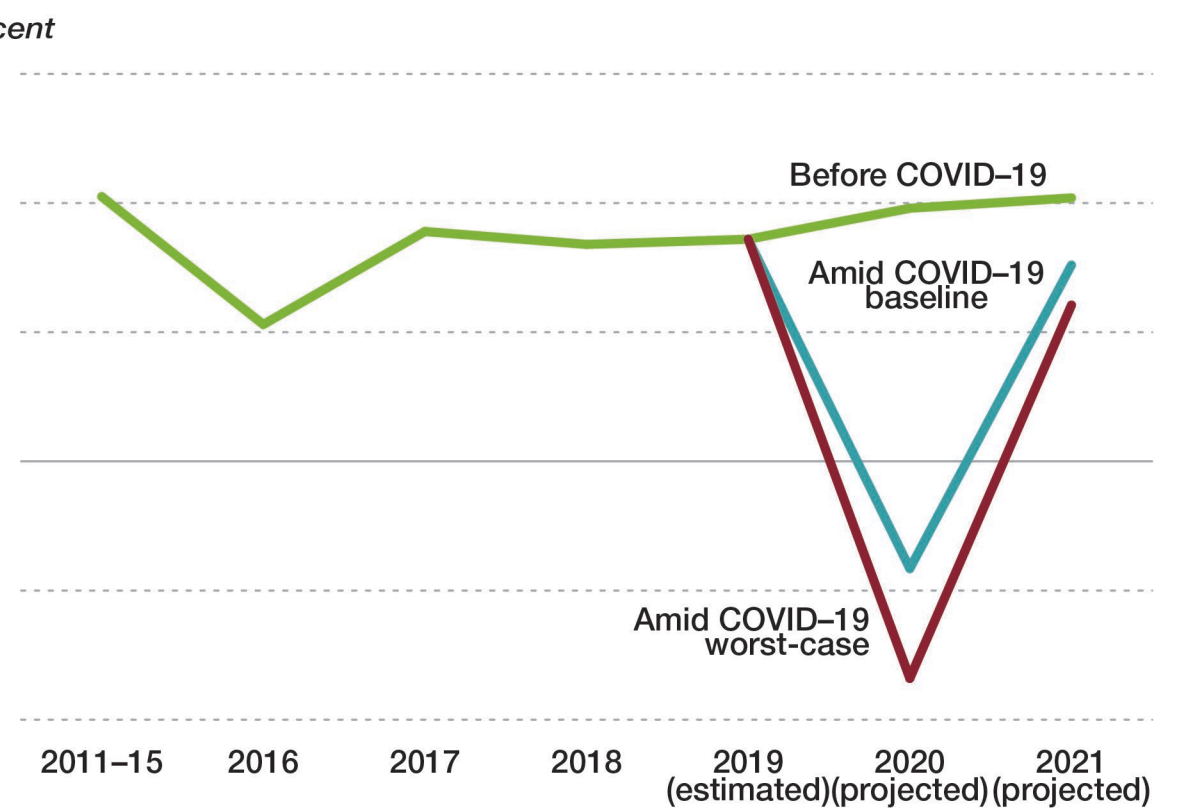
SECTION 1

MACROECONOMIC PERFORMANCE AND PROSPECTS

COVID-19 HAS REVERSED AFRICA'S STRONG GROWTH TRAJECTORY

- Under the baseline scenario, real GDP in Africa is projected to contract by 1.7 percent in 2020.
- In the worst-case scenario, GDP could fall by –3.4 percent in 2020.
- Partial recovery of about 3 percent is projected for 2021.

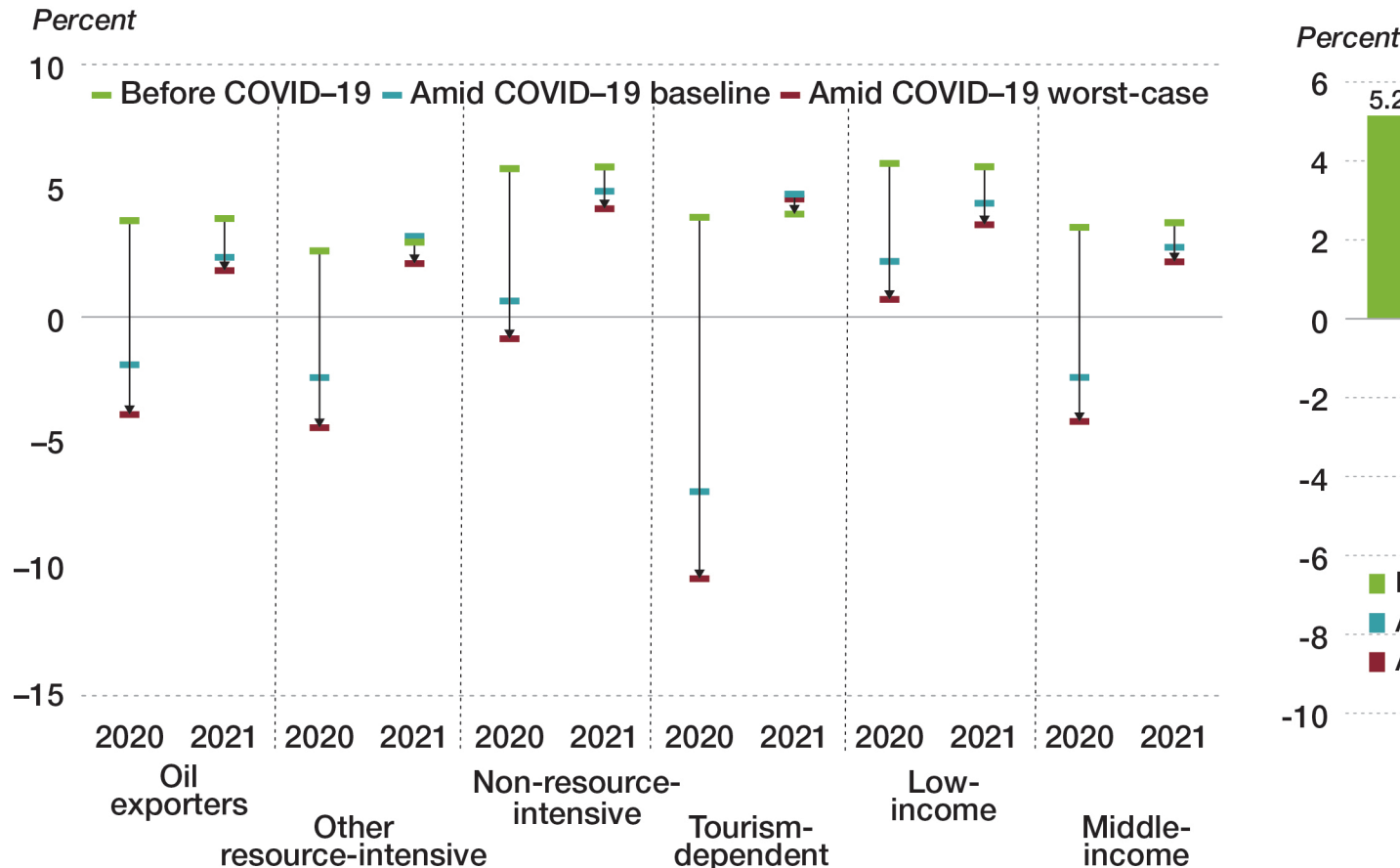
Africa is projected to fall into a recession in 2020



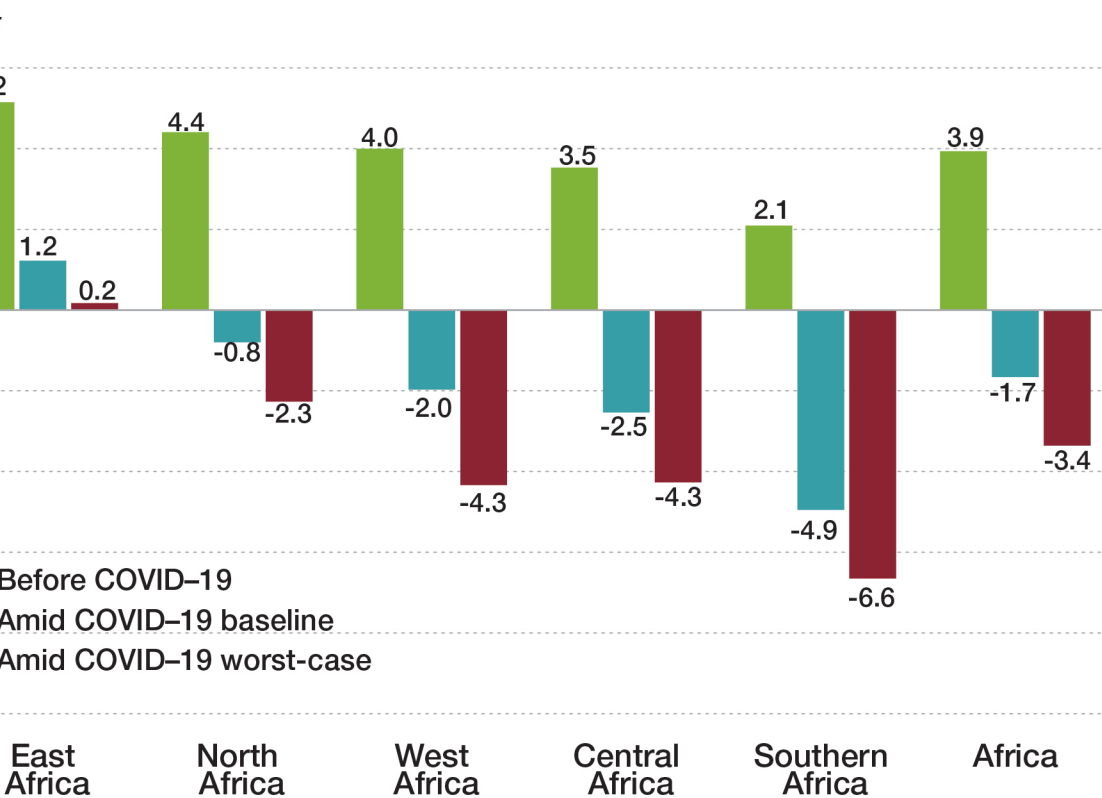
Source: African Development Bank statistics

THE IMPACT OF COVID-19 AND PROSPECTS FOR RECOVERY VARIES ACROSS REGIONS AND ECONOMIES

Tourism-dependent economies and oil-exporters would suffer more losses than non-resource-intensive economies

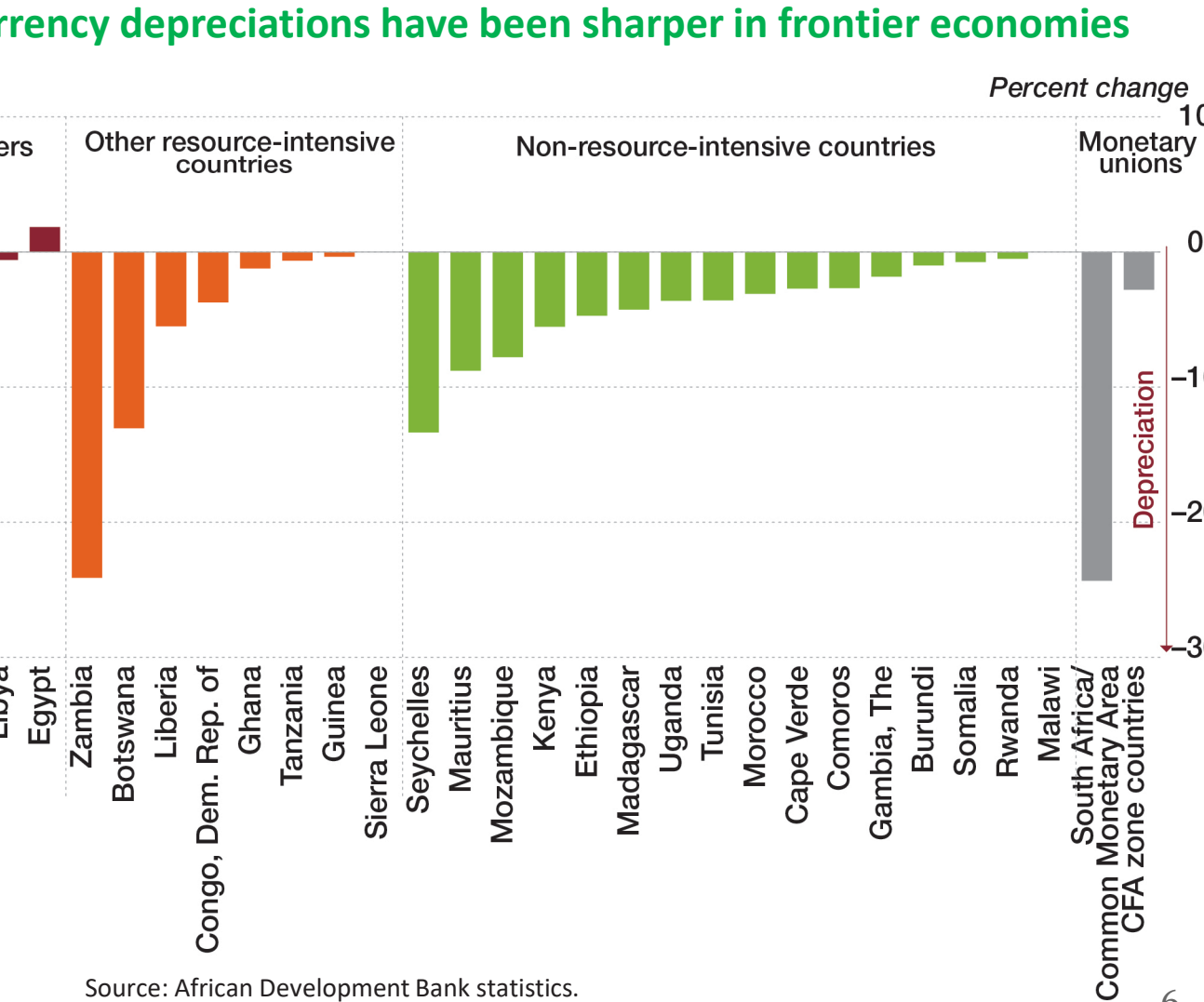


East Africa would be the most resilient, while Southern Africa could be the hardest hit in 2020



MACROECONOMIC FUNDAMENTALS ARE DETERIORATING

- Inflation has quickly increased in the continent because of supply chain disruptions—up to 5 pp more in some countries
- Exchange rates have fluctuated widely, especially for frontier economies as a result of capital outflows.

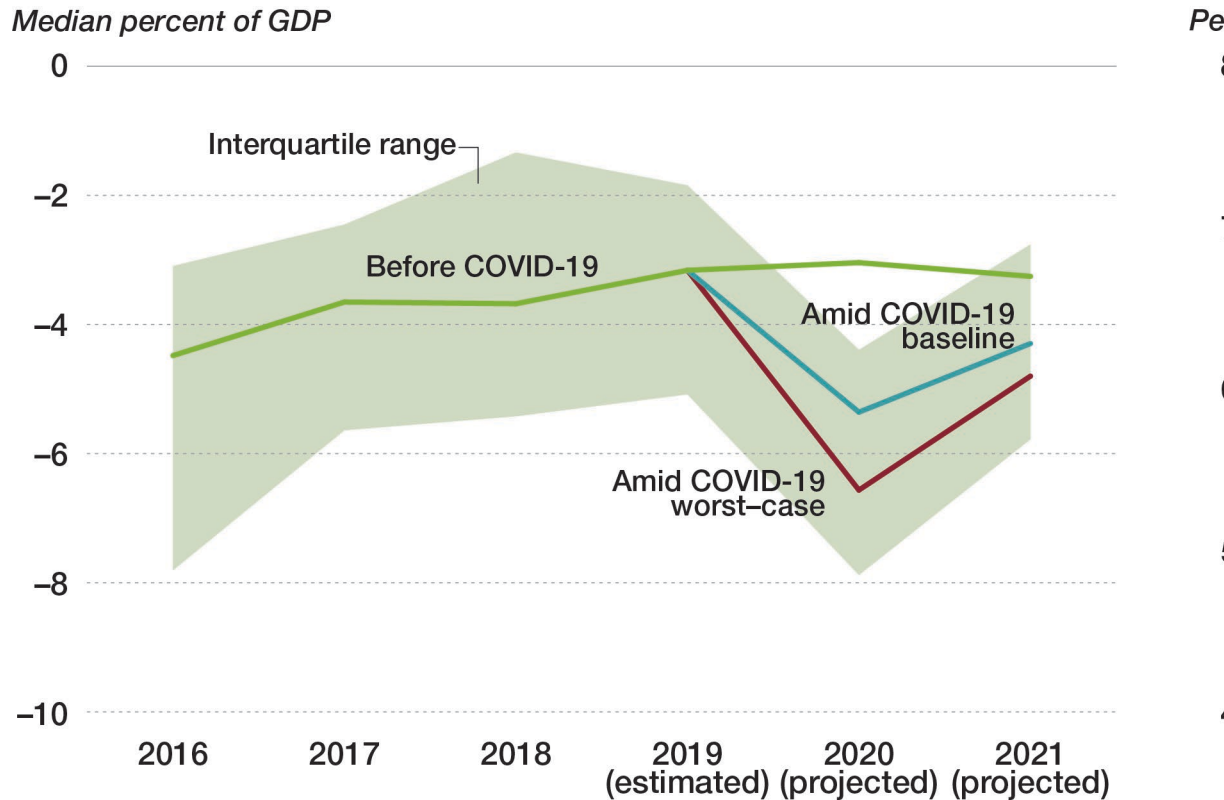


Source: African Development Bank statistics.

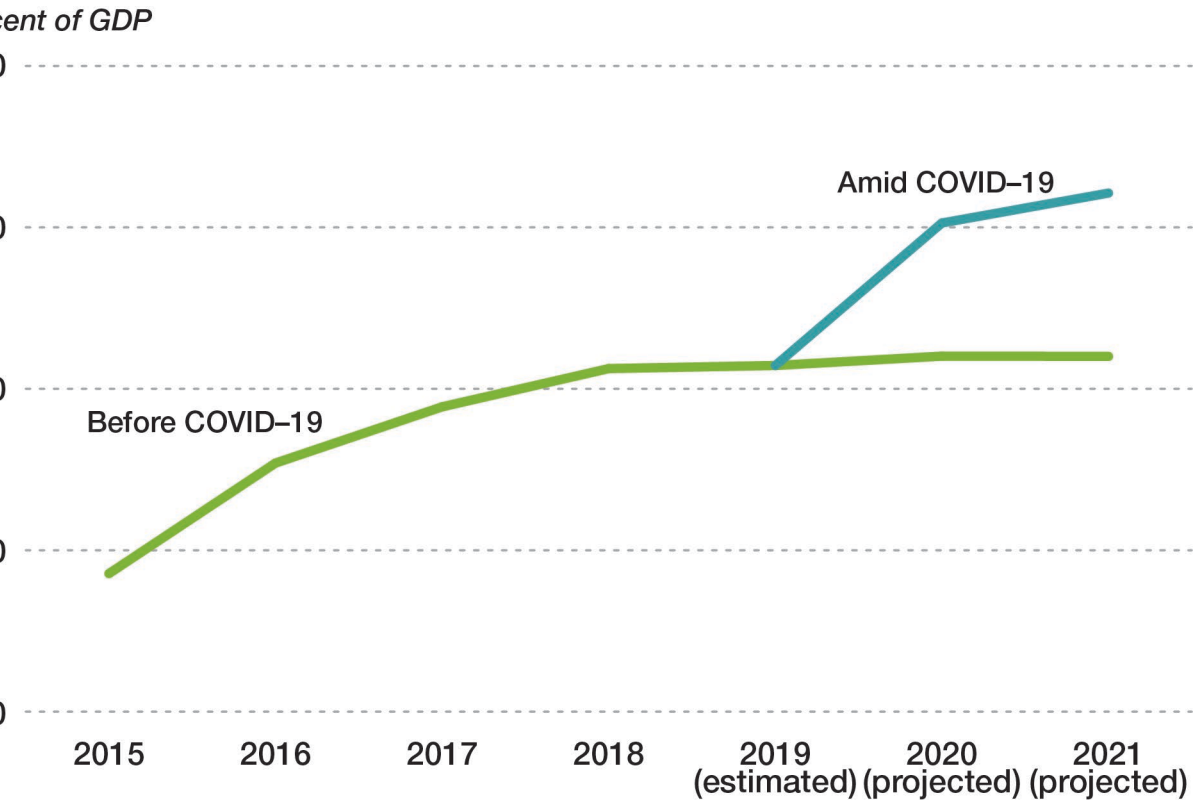
FISCAL DEFICITS AND DEBT LEVELS ARE RISING

Fiscal deficits are projected to at least double in 2020

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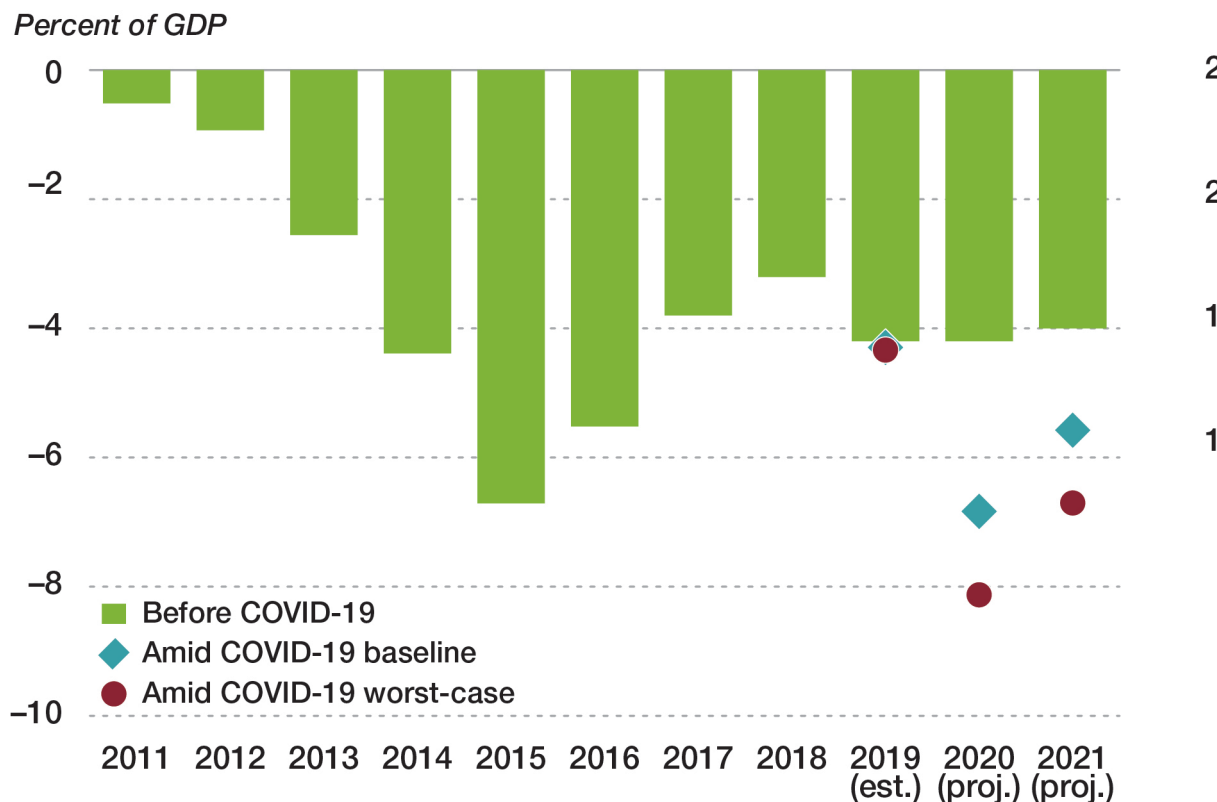


...while debt-to-GDP ratios are projected to increase further by up to 10pp

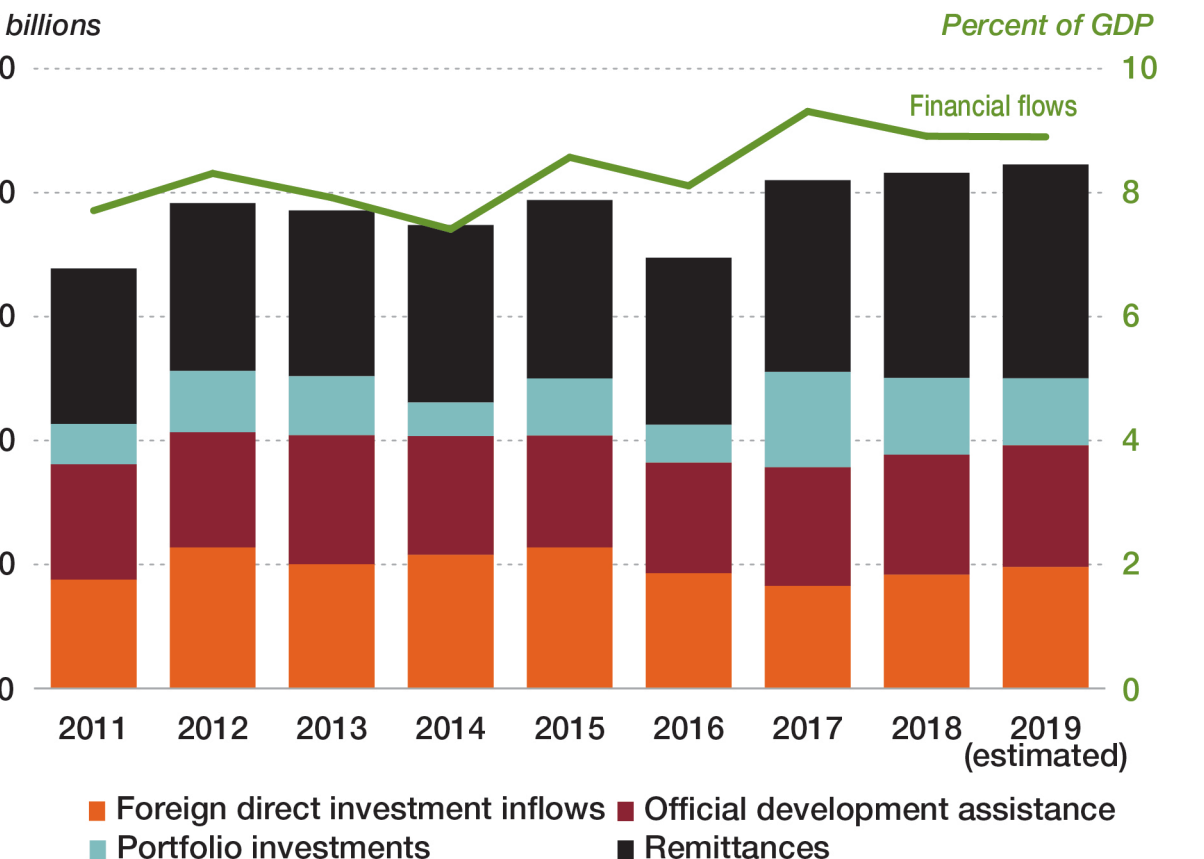


EXTERNAL POSITIONS ARE EXPECTED TO WORSEN SIGNIFICANTLY DURING THE CRISIS

Africa's current account is expected to worsen to 8.1 percent of GDP in 2020



Foreign direct investment and remittances flows will be disrupted





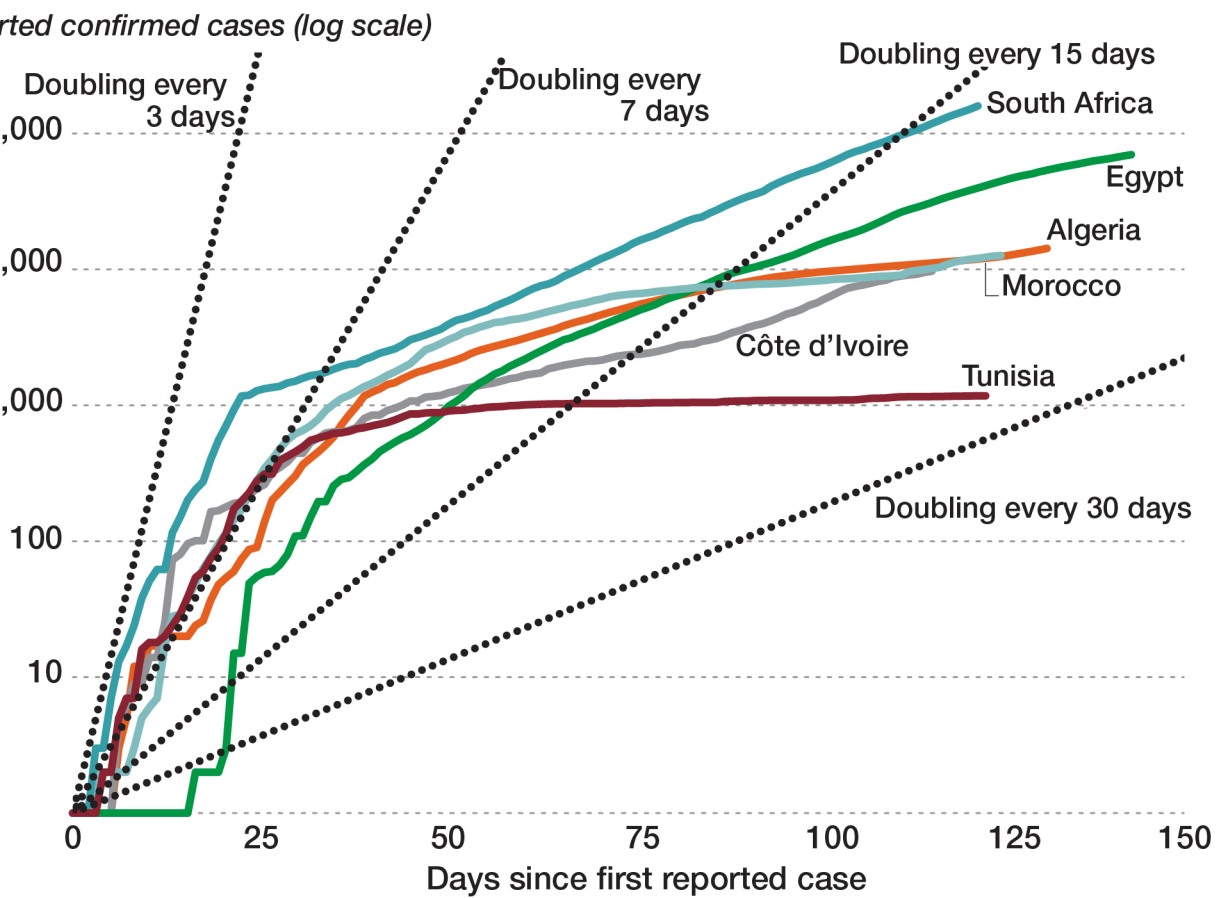
SECTION 2

SOCIO-ECONOMIC IMPACTS OF COVID-19 ON AFRICA

ALTHOUGH COVID-19 ARRIVED IN AFRICA RELATIVELY LATE, ALL 54 COUNTRIES ARE NOW AFFECTED

- With over 1,200,000 reported cases and 28,850 reported deaths as of August 27, 2020, Africa has been the least affected continent.
- The curve of the pandemic is bending gradually in Africa, but hotspots are present in South Africa, Egypt, Nigeria, and Algeria.

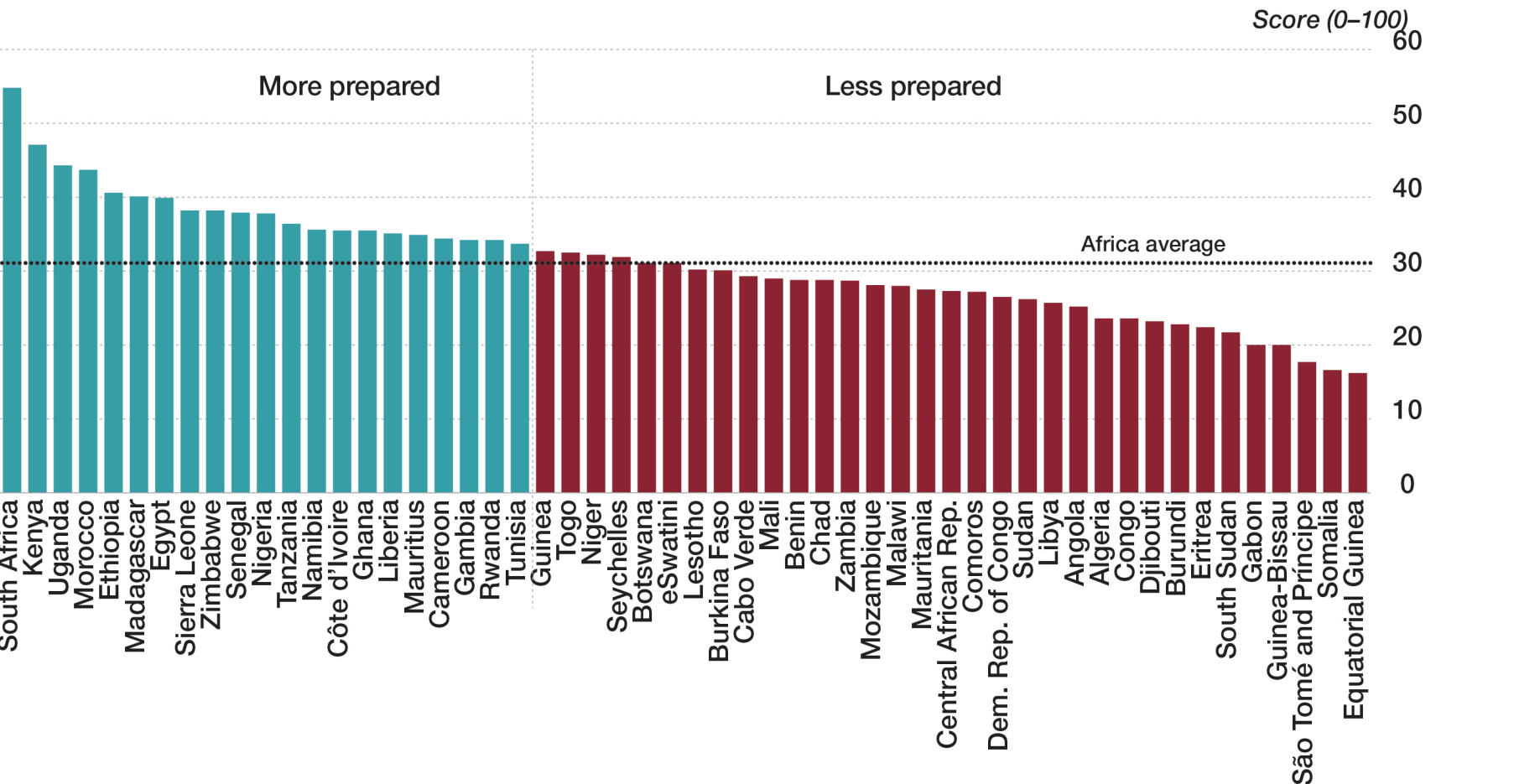
The curve of the pandemic in Africa is bending gradually



Source: Johns Hopkins University COVID-19 database.

AFRICA IS INADEQUATELY PREPARED TO CONTAIN THE PANDEMIC

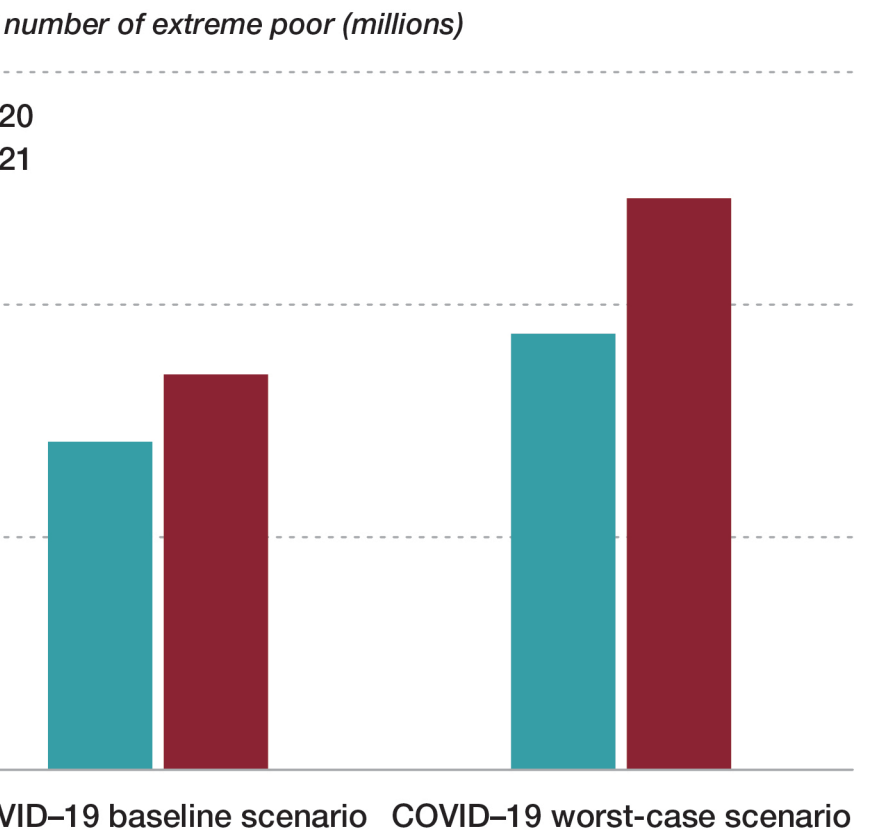
Health system preparedness for epidemic threats varies significantly, with 33 countries rated as least prepared



COVID-19 HAS REVERSED THE GAINS IN MEETING SDG TARGETS FOR POVERTY AND EMPLOYMENT

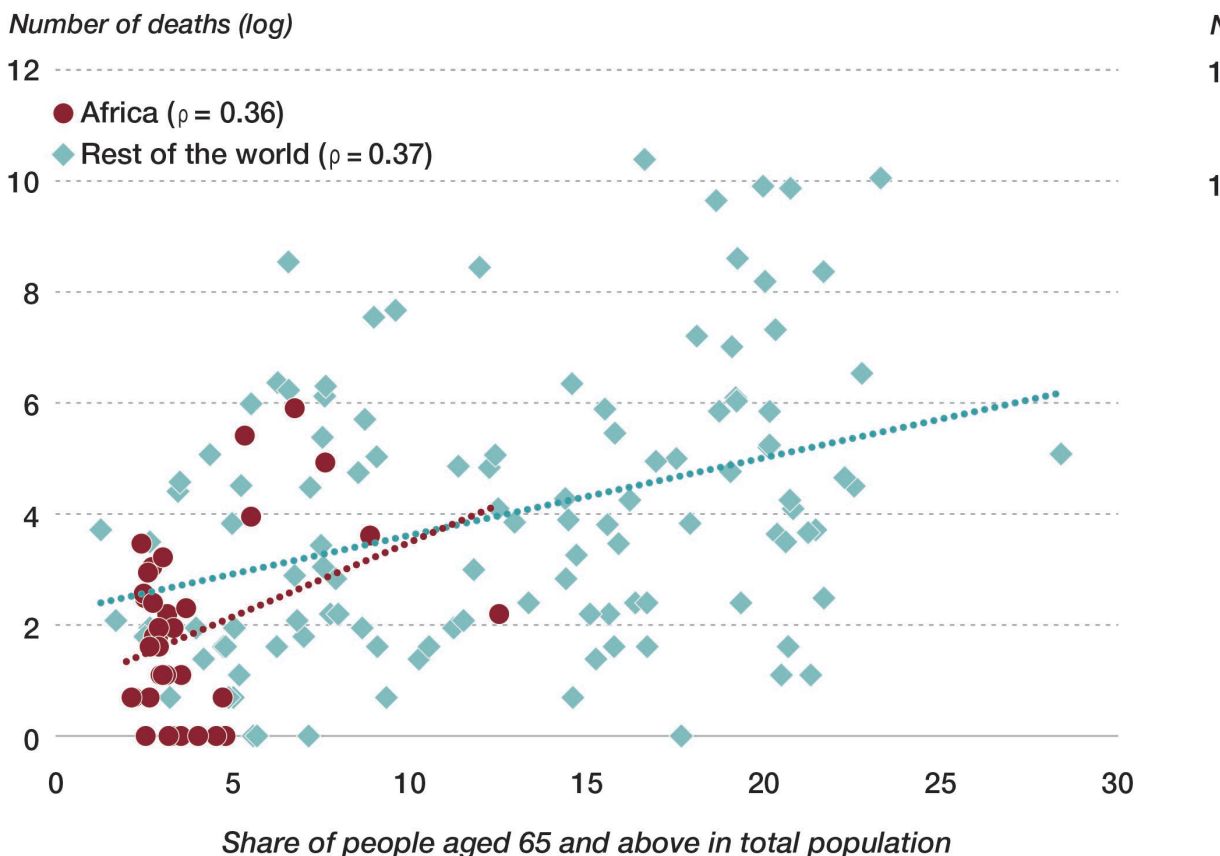
- Extreme poverty is projected to increase by 2.14-2.84 pp in 2020 and by 2.51-3.63 pp in 2021. COVID-19 could push 49 million into extreme poverty.
- An estimated 25 to 30 million jobs could be lost as a result of the economic fallout caused by COVID-19.

Between 28.2 and 49.2 million people to fall into extreme poverty

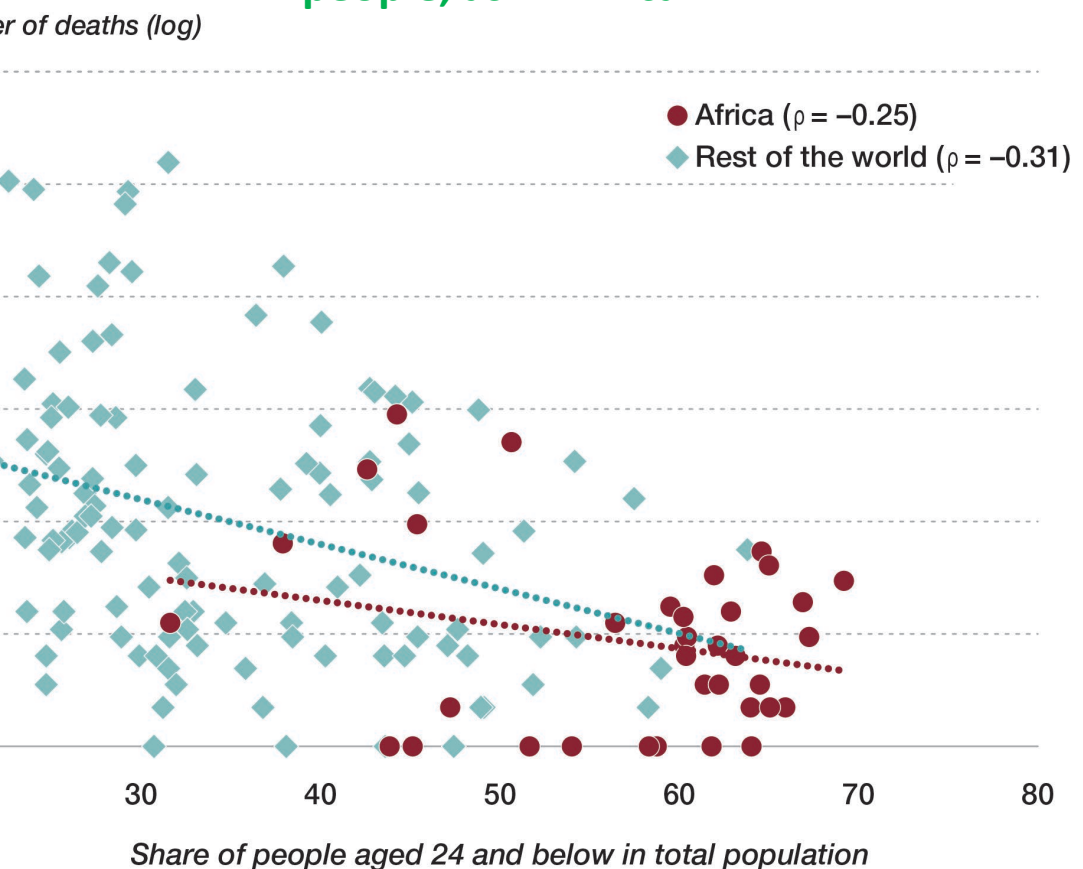


AFRICA'S YOUNGER DEMOGRAPHIC STRUCTURE COULD BE HELPING TO MITIGATE THE HEALTH IMPACTS OF COVID-19

Fatality rates are higher for countries with large shares of older people...



...and lower for those with large shares of younger people, as in Africa





SECTION 3



POLICY OPTIONS

MAIN POLICY RECOMMENDATIONS

Public health responses:

- Develop effective information sharing and communication strategies.
- Allocate sufficient resources to the health sector and develop emergency plans.

Fiscal policy responses:

- Support vulnerable households with targeted cash transfers and social safety net programs.
- Help businesses stay afloat by providing targeted subsidies and tax reliefs.

Monetary policy responses:

- Ease financial conditions by injecting liquidity.
- Use unconventional policy tools to support affected sectors.

Labour market and informal sector responses:

- Assist vulnerable groups, especially women and youth in informality.
- Use active labour market policies to protect workers and their jobs.

STRATEGIES FOR REOPENING ECONOMIES AND ACCELERATING RECOVERY

The “zero tolerance” approach:

- Governments would refrain from reopening economic and social activity until there are zero or no reported new cases of the infection. This is likely to take longer and have unbearable costs.

The “staggered” approach:

- Governments would reopen economic and social activity in a phased and incremental manner on the basis of transmission risks.
- Businesses with low-to-medium transmission risks such as manufacturing, construction and some retail services can be reopened first.
- If there are no rebounds, proceed to open high transmission risk activities such as hotels, schools, restaurants, sports, and entertainment.

KEY TAKEAWAYS

Despite the COVID-19 pandemic, **opportunities** abound in Africa:

- GDP growth projected to rebound in 2021. A V-shaped recovery still in view.
- A large, vibrant and youthful market with consumer business spending estimated \$6.7trillion per annum.
- With the AfCFTA, there is a one-stop-shop worth \$3trillion, and population of 1.3 billion.
- Increasing participation in GVCs due to lower wages, and growing productivity.
- Improving doing business climates through the adopting of strong business environment reforms.

THANK YOU

