

# The Economic and Social Impact of COVID 19 in Selected African Countries

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# I. Growth & the Macroeconomic Condition

The Presentation is made based on country studies that have fairly different structure to give us the continental picture. Thus, we have

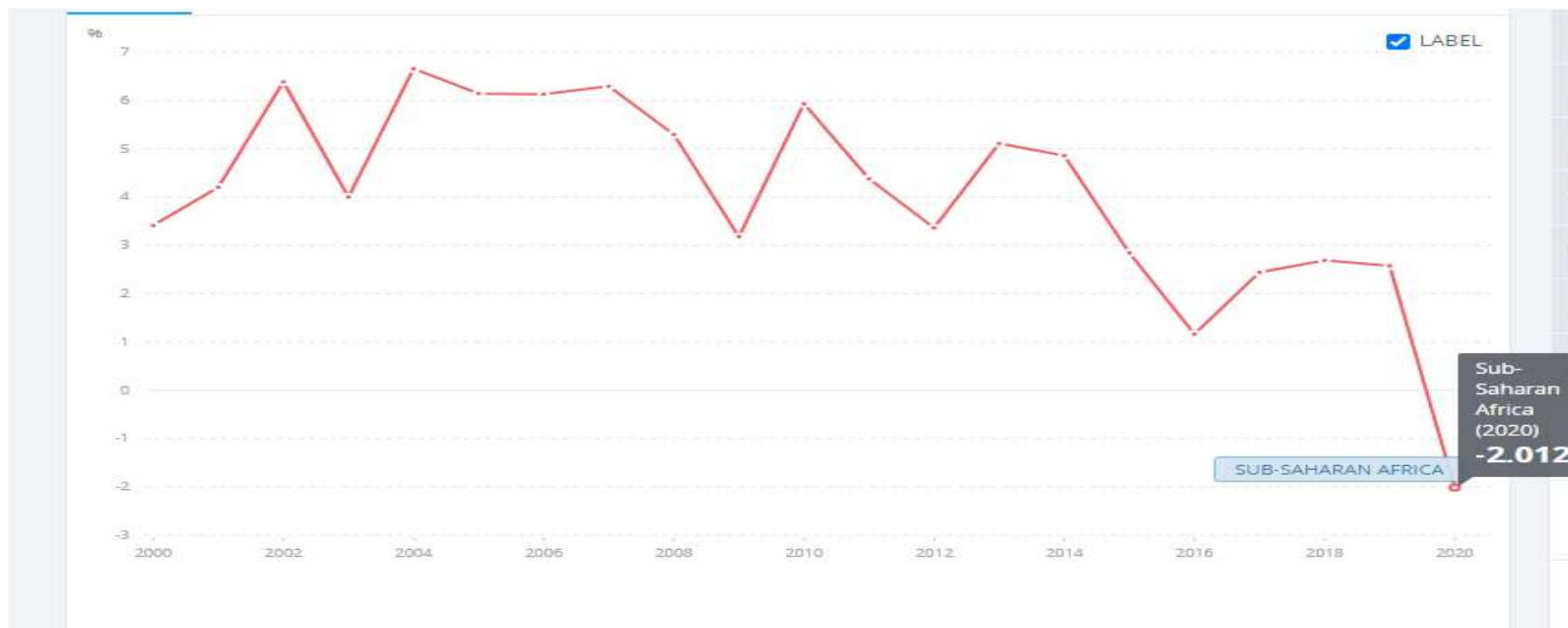
- a) **Ethiopia**: a very big country where employment is dominated by agriculture, less urbanized (20% of the 120 million population, dependent on agricultural export
- b) **Kenya** a fairly diversified economy, with diversified export (a good part to Africa), well developed financial sector
- c) **Zambia**: A mineral dependent economy where copper accounts for over 70% exports, urbanized, and relatively small size of population

With this features I looked at **macro and growth** condition, **socio-economic effect** of the pan & **recovery challenges** and issue

# I. Growth & the Macroeconomic Environment

In all the three cases growth decelerated significantly in tandem with the continental trend:

- In Africa GDP growth has decelerate by 2.1% in 2020 and projected to grow by 3.4 percent in 2021 (AfDB)
- The East African region saw a 3.0 percent contraction of GDP in 2020 and projected to grow of 3.3 percent in 2021 and 3.4 percent in 2022. (AfDB/World Bank )



# Economic Effect...Ethiopia.

Table 2 Forecast of the Economic Effect of COVID-19 by Different Institutions

GDP Growth (Various Estimates)	Previous Fiscal Year 2019/2020		Fiscal Year 2020/21 (Forecast)	
	Without COVID-19 Effect (Earlier Forecast)	With COVID-19 Effect (Latest Estimate)	Pure COVID-19 Effect (From the Base- run)	COVID-19 Effect Included: [Including Gov't 8.5% growth forecast (Best Case Scenario, with Q1 effect only)]
Government of Ethiopia (Actual)	9.0%	6.0%		8.5%
World Bank, is for 2020/2021 fiscal yr.	6.0%	<del>2.9%</del>		(0.0) %
IMF, is for 2020&2021	6.0%	3.2%		2.0%
AfDB, is for 2020 &2021		3.6%		5.5%
[Worst case scenario]	7.1%	[2.6%]		[3.1%]
EEA, SAM-based Model, for 2020/21			-5.9 to-6.7	2.6
[Worst case scenario]			[-13.1]	[0.6]
<b>This Study ,2020/2021**</b>			<b>-6.6</b>	<b>2.0%</b>
<b>[Worst case scenario] *</b>		<b>2.85%</b>	<b>[-10.0]</b>	<b>[-1.5]</b>

\*Note: Best case scenario assumes the effect of COVID-19 to be limited to the 1<sup>st</sup> Quarter of fiscal year 2020/21; while the worst-case scenario, given in [ ], assumes this effect to stay for 1<sup>st</sup> & 2<sup>nd</sup> Quarters of 2020/21, its effect in the 2<sup>nd</sup> quarter being mild, being reduced by 50%.

\*\* UNCTAD studies (TOR 2020; McKinley 2021; Cripps, 2021) are not included in the table because they are not directly comparable. These studies use calendar year which matters in particular for the analysis in 2020, especially as their GDP growth estimates were finalized in mid-2020 when the full impact of Covid-19 in the second part of the year was unknown. Accordingly, GDP growth was estimated at 1.95% for 2020; further, following the economic contraction in 2021 the projected average annual growth during 2021 and 2022 was 2.1%percent.

# I. Growth & the ...Kenya

Figure 1: The Effect of COVID-19 on Kenya's GDP Growth (Annual and Quarterly Growth)



Source: Author's computation based on Central Bank of Kenya (CBK) and Kenya National Bureau of Statistics (KNBS) data, 2021

Note: the 2021 annual growth rate is the simple average of the 4 quarters in 2021. The data for the 3<sup>rd</sup> & 4<sup>th</sup> quarter of 2021 is from KNBS

# Economic/Growth Effect & the Zambia

*Figure 1: The Effect of COVID-19 on Zambia's GDP Growth (Quarterly Growth)*

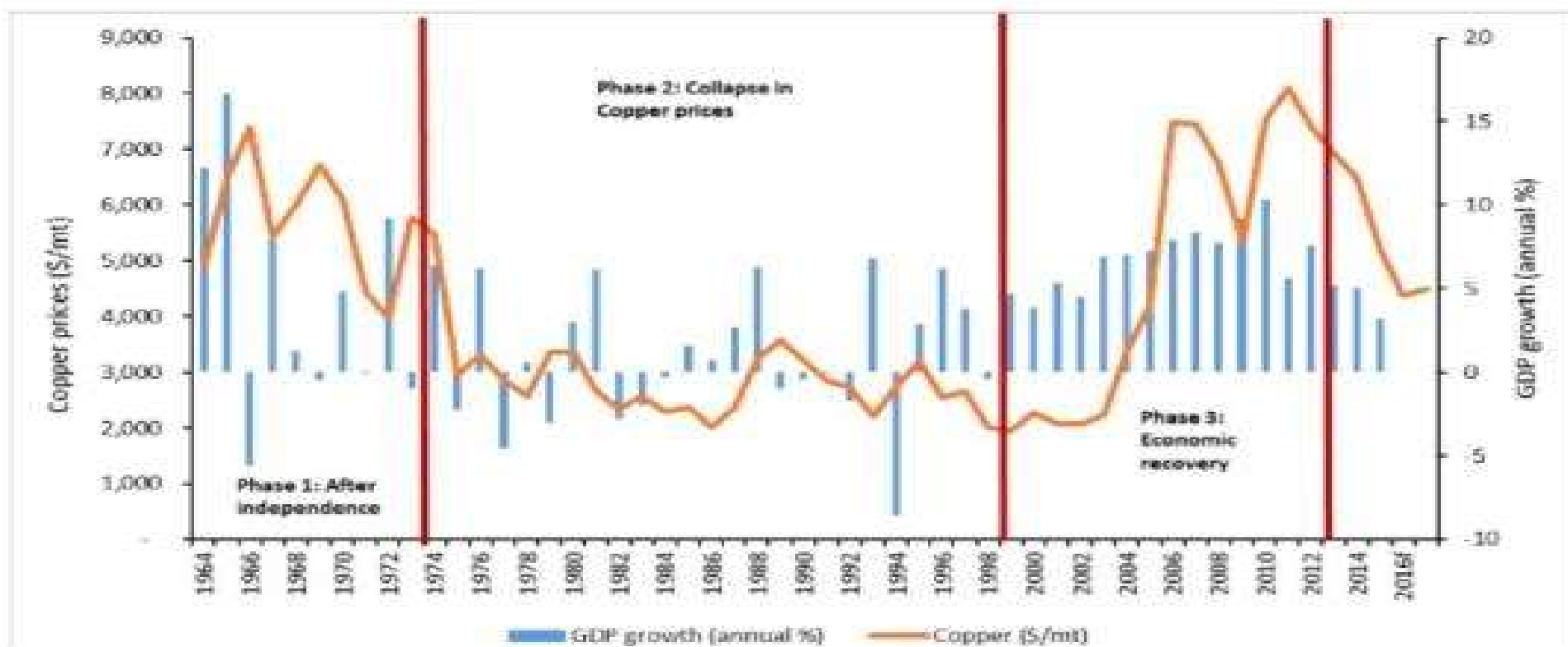


*Source: Author's Computation based on Ministry of Finance (MoF) Annual Economic Report 2019 and Zambian Statistical Agency, 2021*

# Economic/Growth Effect & the Zambia

- For mineral exports like Zambia growth is conditional on commodity price (copper in this case)

*Figure 2b: GDP Growth and Copper Price in Zambia*



# Economic/Growth Effect & the.. Zambia

Figure 2: Daily Copper Price, US\$/Ton (Monthly Trend, Central Bank of Zambia Data)



Source: Author's Computation based on Bank of Zambia data (2021)



## II. Socio Economic Effect

In these studies we have also examined

- the effect of the pandemic on the private sector and their response,
- as well as the government response/ fiscal support.
- We have also attempted to see in a very general manner the effect on poverty including its gender dimension.
- From all the studies we observed the following common points

## II. Socio Economic Effect

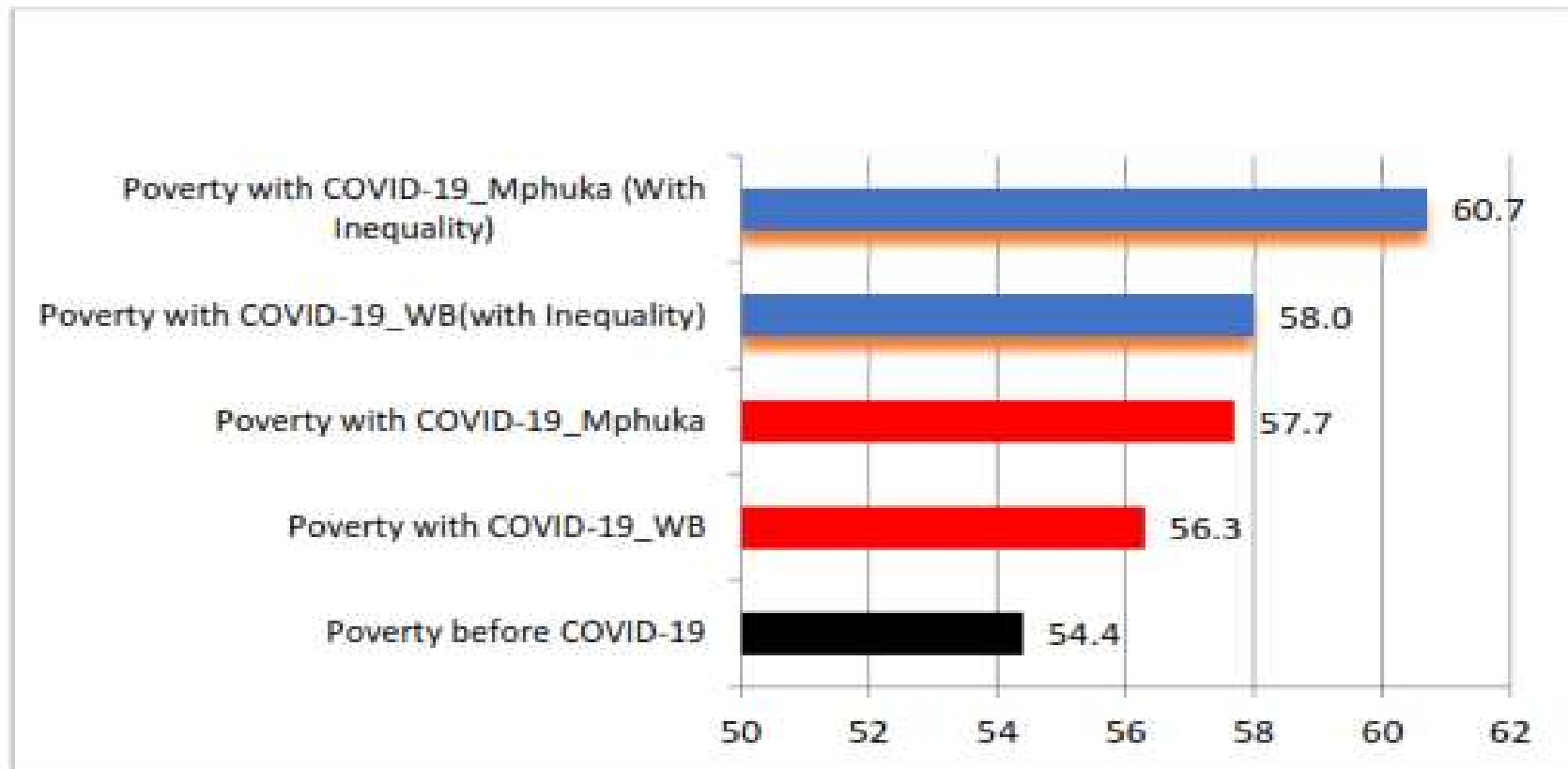
From all the studies we observed the following common points

- Generally all firms suffered but the burnt of the cost of pandemic has fallen on small and micro firms who severely affected by the pandemic than larger and medium size firms
- The pandemic is disproportionately affecting businesses with a large share of female employees: for instance, the number of food insecure MSE households which was just 14 percent before the pandemic has dramatically increased to 61 percent during April-June 2020 (in Kenya ).
- The majority of agricultural and manufacturing firms have been able to remain open. Within the service sector there are large differences in the operating status of firms. In all the case study countries the service sector and the sectors with strong linkage to the global economy suffered a lot
- In all countries poverty has increase: the poverty effect of the pandemic was severe across the continent and this has a generally a gender bias.

## II. Socio Economic Effect

- Eg (COVID effect on Poverty in Zambia)

Figure 5 The Poverty Impact of COVID-19 in Zambia



Source: Author's Computation based on CSO data

# III: Recovery and Fiscal Space Challenge

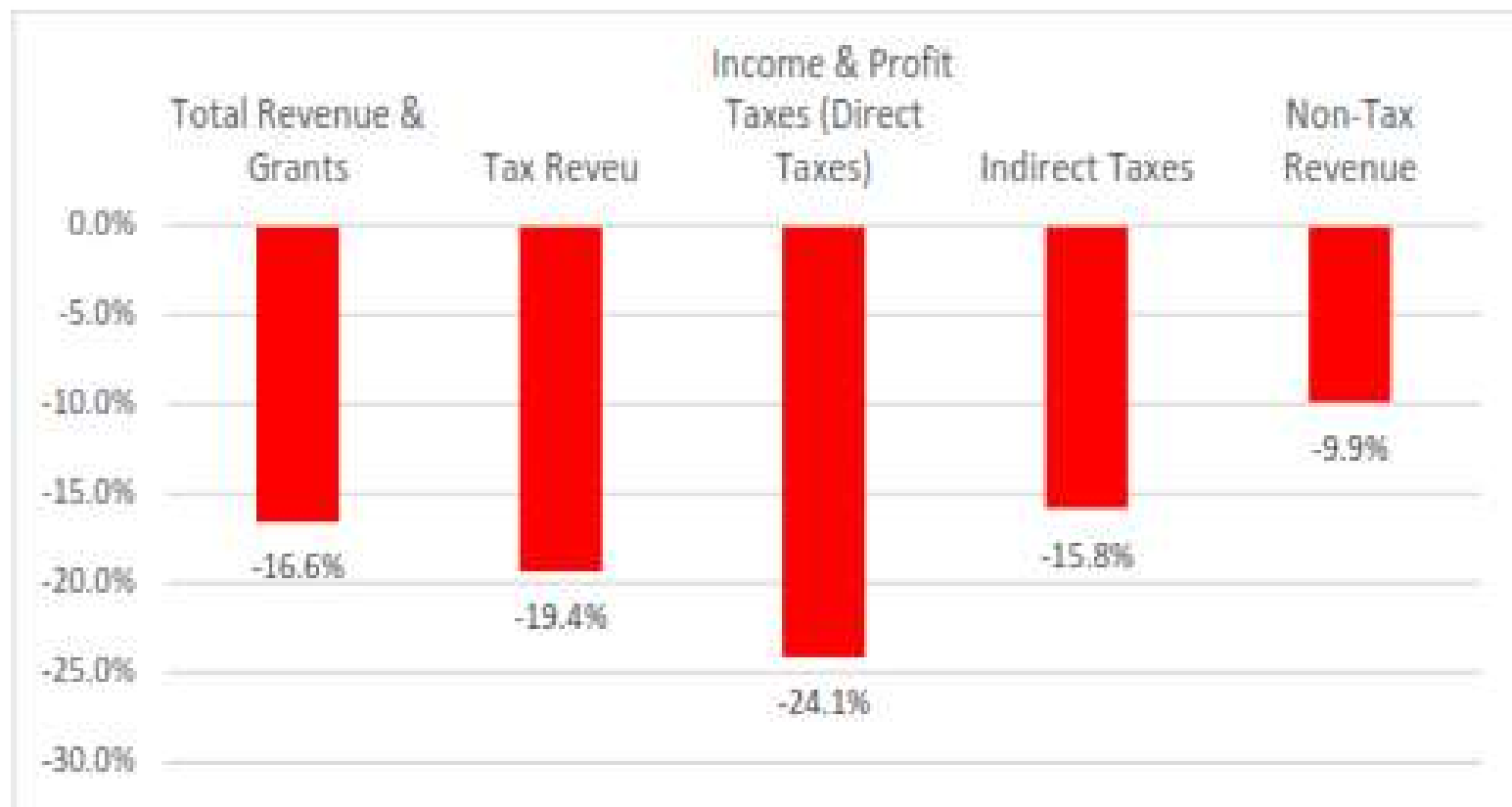
In all countries we found the following as major **macro/fiscal features** which can fairly be generalized to countries in the continent

- They all had been ridden by fiscal challenges before the pandemic such as growing level of debt. The COVID-19 effect was to aggravate the indebtedness both domestically and externally.
- Macroeconomic instability persisted (inflation, esp, in Zambia, Ethiopia; budget deficit, BOP deficit all increased)
- In all we witnessed the inability to carry domestic demand (stimulus) based recovery as that of the global North for Structural problems in the economy (supply doesn't respond)
- Their macro condition shows the need and importance of for external resources for sustained recovery.

# III: Recovery and Fiscal Space Challenge

- Eg. (COVID effect on government revenue Ethiopia)

*Figure 5: The Effect of COVID-19 on Public Revenue*



## III: Recovery and Fiscal Space Challenge

For instance, in its 2021 African Economic Report the AfDB also found the COVID-19 pandemic has caused a surge in government financing needs in Africa.

- Since the COVID-19 pandemic began in early 2020, governments have announced fiscal stimulus packages ranging in cost from about 0.02 per-cent of GDP in South Sudan to about 10.4 percent of GDP in South Africa.
- The Bank estimates that African governments need additional gross financing of about \$154 billion in 2020/21 to respond to the crisis

# IV. Conclusion

The challenge of recovery will be enormous. Hence, this pandemic shock and its effect underscores:

- The importance of **external assistance** to and **market access with stable or rising commodity price** to have a sustained recovery in the short run
- The importance of the global recovery (and hence commodity price) for African sustained recovery
- The importance of **diversification** and intra-Africa trade (as the case of Kenya shows)
- A focus on **food security, agricultural** and design **social protection** for the poor and the vulnerable.

The End



***THANK YOU***