

SUB-SAHARAN AFRICA: Coronavirus – it’s the economy

- As of 4 March, there are now three confirmed COVID-19 cases in sub-Saharan Africa.
- The disease is likely to spread further to countries that are particularly exposed to international air traffic, i.e. Cote d’Ivoire, Ethiopia, Kenya, Mauritius, South Africa, and Tanzania.
- However, COVID-19 is unlikely to become a major policy priority for governments in the region.
- Angola, the Republic of Congo, Zambia, and Gabon appear most exposed to the adverse economic impact associated with the disease.

On 3 March, Senegalese authorities confirmed the second COVID-19 case in the country’s capital Dakar, constituting the third official case recorded in sub-Saharan Africa (SSA) so far. Patient zero, a French expatriate, had arrived on a flight from France on 26 February and admitted himself to a hospital after developing symptoms of the disease. Senegal’s first reported case is thus very similar to Nigeria’s [last week](#).

As explained previously, the general problems in detecting COVID-19 cases at the point of entry, coupled with poor diagnostics facilities across the continent, suggest infected persons might have entered several SSA countries already. At the beginning of February, only two countries on the continent had the diagnostic capacity to test for COVID-19 cases, but by 24 February, 41 countries had been capacitated. This means it is highly likely that more cases will be detected over the coming weeks and months. A sudden rise in infections should also not be excluded. This would not necessarily be indicative of a sudden spike of COVID-19 cases, but more likely be the result of a gradually improving data picture.

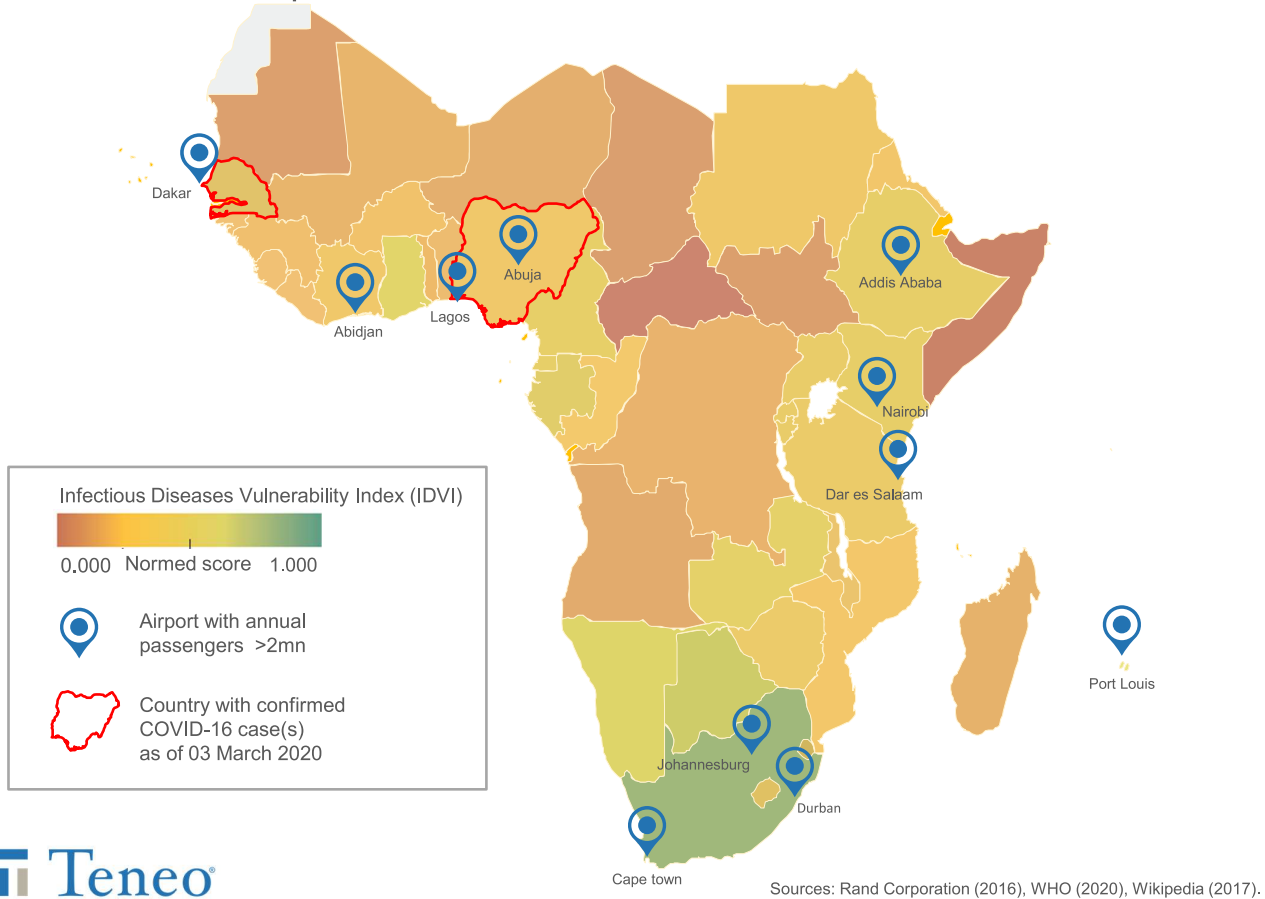
How may COVID-19 spread across the continent?

Initial research trying to model the likely spread of COVID-19 to SSA has heavily focused on air travel from China, and combined this data with datasets measuring the preparedness and resilience of local healthcare systems. The emphasis placed on China in terms of departure airports has since proven to be outdated, not just for Nigeria or Senegal, but elsewhere.

Focusing instead on SSA’s largest airports in terms of annual passenger traffic – most of which is destined to or from outside the continent – would suggest that, in addition to Nigeria and Senegal, Cote d’Ivoire, Ethiopia, Kenya, Mauritius, South Africa, and Tanzania have the highest risk of registering COVID-19 cases. South Africa’s three largest airports combined accounted for about half (37.4mn) of all passengers (74.5mn) landing at or departing from SSA airports that registered at least 2mn passengers in 2017.

The map below combines these findings with each country’s vulnerability score on the Infectious Diseases Vulnerability Index (IDVI) developed by the Rand Corporation in 2016. The IDVI assesses domains including demographics and healthcare systems, as well as environmental, political, and economic factors. Unsurprisingly, South Africa’s capacity to deal with disease outbreaks is rated highest in SSA, while Nigeria scored weakest among those countries with a considerable volume of air passengers (though it [successfully contained](#) the spread of Ebola in 2014). Of the 25 most-vulnerable countries on the IDVI globally, 22 are located in SSA.

Exposure to COVID-19 in sub-Saharan Africa



Is COVID-19 a policy priority for governments in the region?

In many SSA countries, there are ongoing public health emergencies with much higher case fatality ratios (CFRs) than associated with COVID-19 (currently estimated at 2.3% or lower). Nigeria, for instance, is currently fighting a Lassa fever outbreak in 26 out of 36 states (CFR: 15-20%), while DR Congo battles a persistent Ebola outbreak in its eastern provinces (CFR: 25-90%). Furthermore, in 2018, there were 212mn registered malaria cases in SSA (93% of the world total) and an associated 380,000 deaths (94% of the world total).

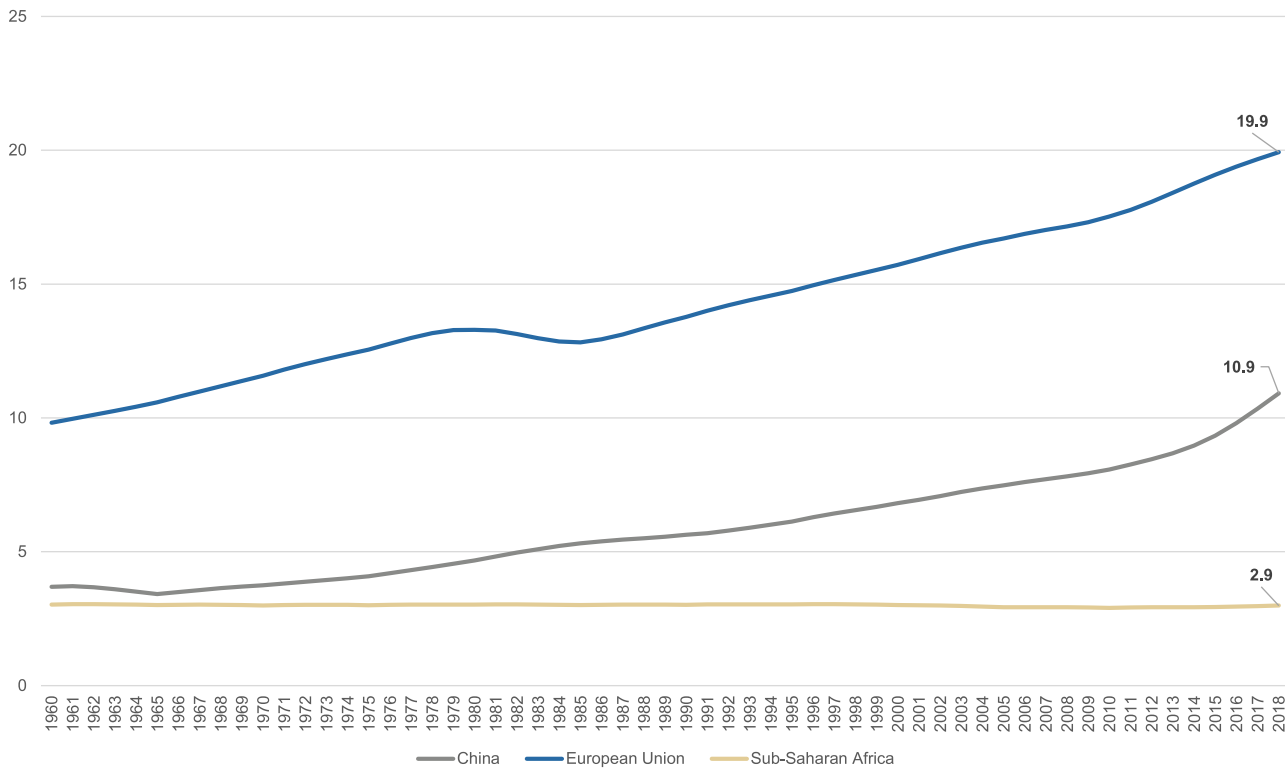
In addition to public health emergencies, natural disasters pose a devastating risk in some countries. A case in point is the ongoing desert locust infestation across East Africa. The subregion's worst infestation in decades threatens massive losses in agricultural production and worsening food insecurity for some 20mn people. Ethiopia, Somalia, and Kenya are the worst affected, though Djibouti and Eritrea, and to a lesser extent, South Sudan, Uganda and Tanzania, have also been affected or reported swarms.

Elsewhere in the region, many governments are still coping with the effects of drought (for example Southern Africa, including Zambia and South Africa) and cyclones (which saw Mozambique's 2019 growth slump to the lowest level since the devastating floods of 2000). As a result, governments' policy responses and fiscal stimulus – where possible in a context of ballooning debt, which has risen by an average 20 percentage points of GDP in SSA since 2010 – will likely focus primarily on domestic emergencies, rather than COVID-19.

Besides, SSA has the youngest population on the planet with a median age of 18.7 years, and the lowest share of people aged 65 and above (see chart below). As the latter age group appears to be particularly vulnerable to COVID-19, this might suggest that the CFR associated with the disease could be even lower in SSA. In a region where malaria is a daily

occurrence, the comparatively mild, flu-like symptoms associated with COVID-19 could go unnoticed or dismissed by many infected.

Population ages 65 and above (% of total population)



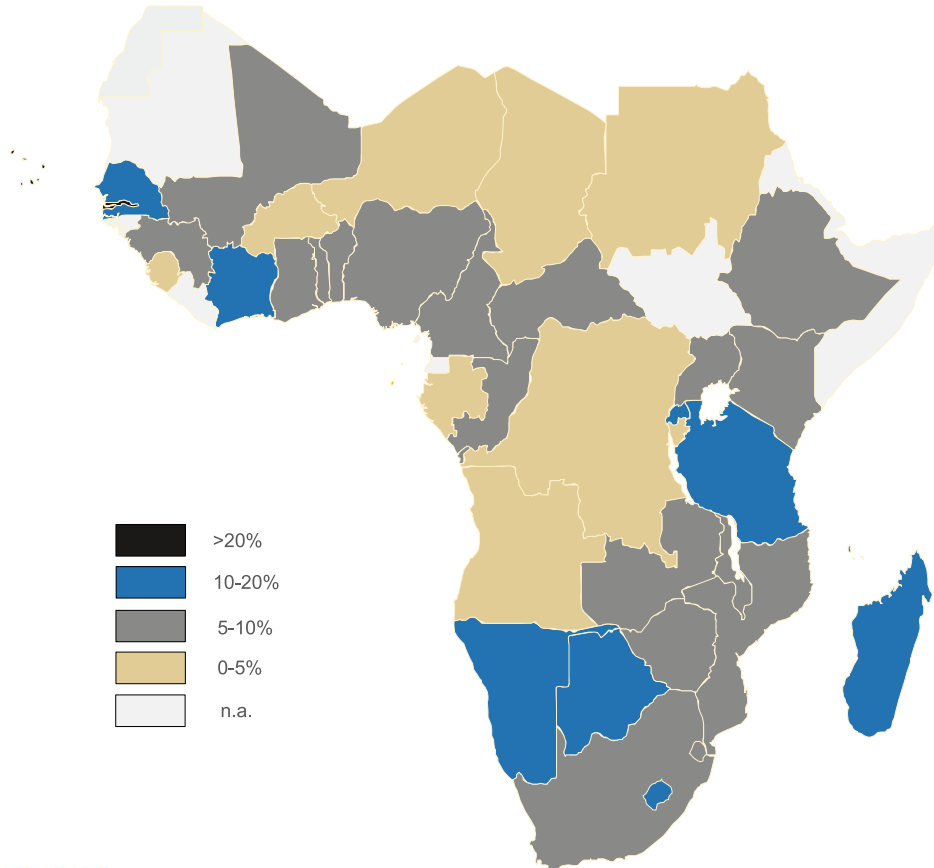
Source: World Bank, 2020.

Accordingly, governments are unlikely to press for large-scale, Chinese-style quarantine measures. These would be hugely unpopular and near-impossible to enforce anyway, given the low capacity of most security services across the region and the large informal sector. Rather, the approach will likely combine much inaction with localized interventions including active tracing (proven in countries like [Nigeria](#) during the 2014 Ebola outbreak), setting up isolation and treatment facilities (Kenya), and banning exports of face masks.

What will be the economic impact of COVID-19?

Arguably more important than the impact on local health systems will be the economic costs associated with the disease. Already, a less favorable global environment is expected to shave around one percentage point off average SSA growth in 2020. Unsurprisingly, countries most exposed to China in terms of trade and investment are likely to suffer the most. However, countries are likely to be impacted differently from an overall economic slowdown in China (and potentially the global economy) depending on whether they are net exporters or importers, and how important bilateral trade is in terms of GDP. Other vulnerabilities will include the impact of the COVID-19 outbreak on investment trends, as well as SSA countries' dependence on the tourism industry (see map below).

Contribution of travel and tourism to GDP



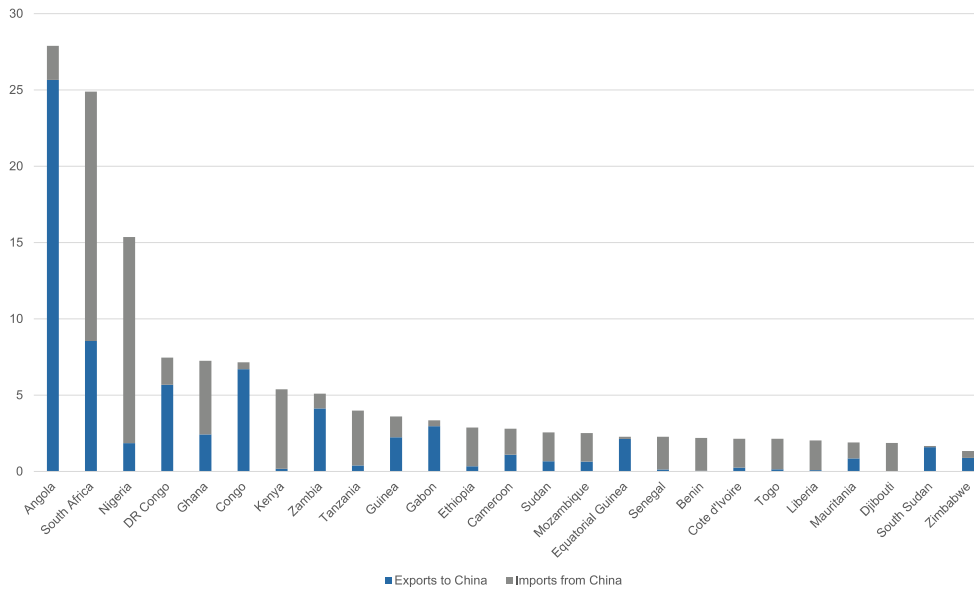
Source: World Travel & Tourism Council, 2019.

Major net exporters to China are most likely to see their export volumes decline in the short-to-medium term, both due to weakening demand from China and the slide in key commodity prices that have already fallen by some 20% over the past six weeks (most notably copper, oil, and coal). In turn, this will put pressure on these countries' currencies and government revenues, impacting their ability to service [Eurobond](#) and other debt.

Given their high export volumes to China, which are driven by commodity exports, as well as the overall importance of Chinese trade to their economies, Angola, Congo-Brazzaville, Zambia, and Gabon appear most exposed to the adverse economic effects of COVID-19. However, authorities in other jurisdictions are also starting to warn about downside risks to their economies, including Mozambique, South Africa, Namibia, and Botswana. An exogenous shock like the COVID-19 outbreak is particularly bad timing for these countries because they are already registering either recessions or low growth combined with very high debt levels.

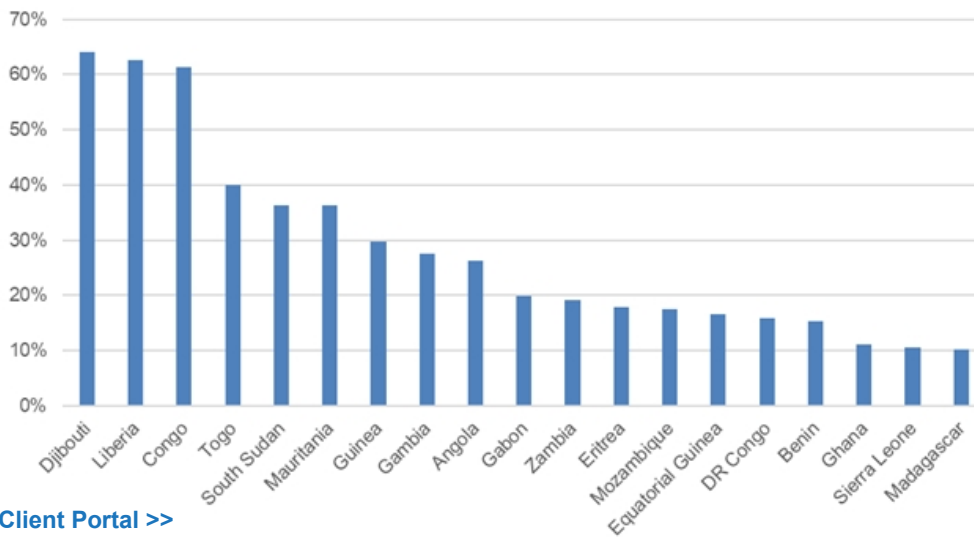
Major importers, on the other hand, might be facing supply constraints in the short-term, and an associated spike in inflation. While this might provide temporary relief from overwhelming Chinese competition, any potential short-term boost to local industries is likely to be short-lived.

Bilateral trade volume (USD bn, 2018)



Source: Johns Hopkins China Africa Research Initiative

China trade as % of GDP (2018)



[Client Portal >>](#)

Malte Liewerscheidt
 Vice President
 +44 20 7186 8870
 malte.liewerscheidt@teneo.com

Anne Frühauf
 Managing Director
 +52 1 55 610 22899
 anne.fruhauf@teneo.com

© 2020 Teneo. All rights reserved. This material was produced by Teneo for use solely by the recipient. This communication is intended as general background research and is not intended to constitute advice on any particular commercial investment or trade matter or issue and should not be relied upon for such purposes. The views expressed here represent opinions as of this date and are subject to change without notice. The information has been obtained from sources believed to be reliable but no guarantees can be given as to its accuracy, completeness or reliability. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic or otherwise, without the prior consent of Teneo.