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POLICY BRIEF

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Covid-19 in Africa and its Impact on the Economy

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- Official data substantially underreports the number of Covid-19 cases and deaths in Africa as testing and surveillance capacities are limited in many countries. Estimations of excess mortality show that Africa compares relatively favourably to other world regions, but the reporting gap is particularly high.
- The contraction of economic activity in 2020 was less severe than initially feared but still the worst on record and the first recession in 25 years. The economic fallout has been very heterogenous across countries and, in general, more severe in countries with a high share in the economy of services, tourism and international trade.
- Since mid-2020, the economic environment has improved again after the initial shock to the world economy in the spring. Mobility data confirms that the recovery is underway, albeit with interruptions due to renewed waves of infection.
- The pandemic is likely to have longer-term implications for development as both human and physical capital accumulation have been disrupted by the Covid-19 shock, and fiscal space and monetary policy options are exhausted in many African countries.
- A higher pace of vaccination is necessary to reduce pressure on health systems and the economy going forward. At only around 5 percent, the vaccination rate is still dramatically low in Africa compared with other world regions. The international community needs to ensure that sufficient and affordable supply of vaccines is provided quickly.

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OVERVIEW/ÜBERBLICK

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- A higher pace of vaccination is necessary to reduce pressure on health systems and the economy going forward. At only around 5 percent, the vaccination rate is still dramatically low in Africa compared with other world regions. The international community needs to ensure that sufficient and affordable supply of vaccines is provided quickly.

Keywords: Africa, Covid-19, economic development, economic policy

- Die Zahl der Covid-19-Fälle und der damit verbundenen Todesfälle in Afrika wird in den offiziellen Daten erheblich unterschätzt, da die Test- und Überwachungskapazitäten in vielen Ländern gering sind. Schätzungen der Übersterblichkeit zeigen, dass die Meldelücke im Vergleich zu anderen Weltregionen besonders groß ist, Afrika gleichwohl immer noch relativ gut abschneidet.
- Der Rückgang der wirtschaftlichen Aktivität in Afrika war im Jahr 2020 zwar weniger stark als ursprünglich befürchtet, ist aber dennoch der historisch stärkste Einbruch des BIP und die erste Rezession seit 25 Jahren. Die wirtschaftlichen Auswirkungen waren von Land zu Land sehr unterschiedlich und im Allgemeinen besonders stark ausgeprägt in Ländern mit einer hohen wirtschaftlichen Bedeutung von Dienstleistungen, Tourismus und internationalem Handel.
- Nach dem ersten Corona-Shock im Frühjahr 2020 hat sich das wirtschaftliche Umfeld für Afrika wieder verbessert. Auch Mobilitätsdaten für Afrika signalisieren, dass die Erholung eingesetzt hat, wenn auch mit Unterbrechungen durch erneute Infektionswellen.

- Die Pandemie dürfte die Entwicklung Afrikas auch längerfristig bremsen, da die Akkumulation sowohl von Human- als auch von Sachkapital durch den Covid-19-Schock beeinträchtigt wurde und der fiskalische Spielraum wie auch die geldpolitischen Optionen in vielen afrikanischen Ländern erschöpft sind.
- Um die künftigen gesundheitlichen und wirtschaftlichen Auswirkungen zu begrenzen, ist eine höhere Impfquote erforderlich. Mit nur etwa 5 Prozent ist die Impfquote in Afrika im Vergleich zu anderen Weltregionen immer noch dramatisch niedrig. Die internationale Gemeinschaft ist gefordert, rasch eine ausreichende und erschwingliche Versorgung mit Impfstoffen sicherzustellen.

Schlüsselwörter: Afrika, Covid-19, Entwicklung, Wirtschaftspolitik

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COVID-19 IN AFRICA AND ITS IMPACT ON THE ECONOMY

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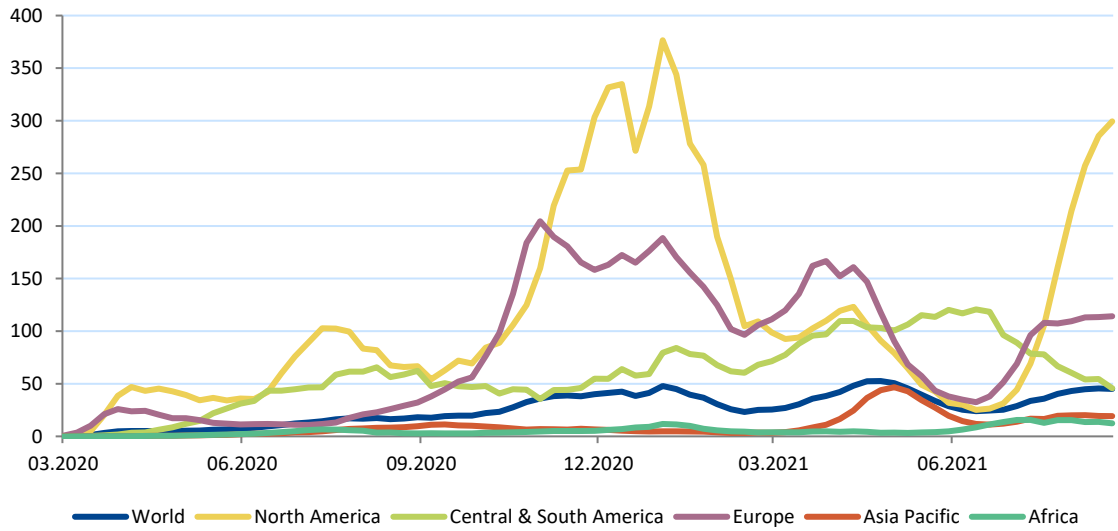
1 THE COVID-19 PANDEMIC IN AFRICA

Comparatively low official number of cases and deaths

As of the end of August 2021, more than 215 million cases have been recorded worldwide, most of them in Asia (32 percent), followed by Europe (26 percent), North America (21 percent) and South America (17 percent). Relative to the population, the Americas and Europe have been most affected, particularly in the winter 2020/2021 (Figure 1). In total, almost 4.5 million deaths related to Covid-19 have been reported around the globe so far. In Africa, only 3.5 percent—a total of 7.5 million—of all Covid-19 cases and 4.3 percent of all Covid-19 related deaths worldwide have been recorded, even though the continent accounts for almost 18 percent of the global population.

Figure 1:
Weekly confirmed Covid-19 cases by region (per 100 thousand)[a]



[a]Weekly data. Last value: 28.08.2021.

Source: Reuters (2021); Statista (2021); own calculations and illustration.

Substantial underreporting likely

The relatively low infection numbers in Africa cannot be fully explained by policy responses to the pandemic or favorable demographics. Also in Africa many governments promptly imposed shutdown measures in the early stage of the pandemic and ordered restrictions on international travel, cancellations of public events and school closures within few days after the first Covid-19 case was reported (Figure 2). Additional measures such as workplace closures, restrictions on domestic travel and stay-at-home orders followed in many countries. Stringency, however, varied across countries and containment measures often proved difficult to enforce. Algeria, Morocco and Zimbabwe have been among the countries with comparatively strict and long-lasting measures; South Africa and Uganda have been particularly strict regarding home confinement measures (Haider et al. 2020). Other countries like Burkina Faso, Niger or Tanzania fairly quickly reduced initially strict containment measures in the spring of 2020 and their stringency has been at a low level since then.[1] In addition to quick initial reactions, several other factors have been proposed to explain the comparatively low infection and mortality rates on the continent including the relatively young population.[2] According to the United Nations Department of Economic and Social Affairs only 5.5 percent of the people in Africa are older than 60, compared with almost 26 percent in Europe and 23 percent in North America, limiting the number of severe cases and deaths given the nature of the disease.

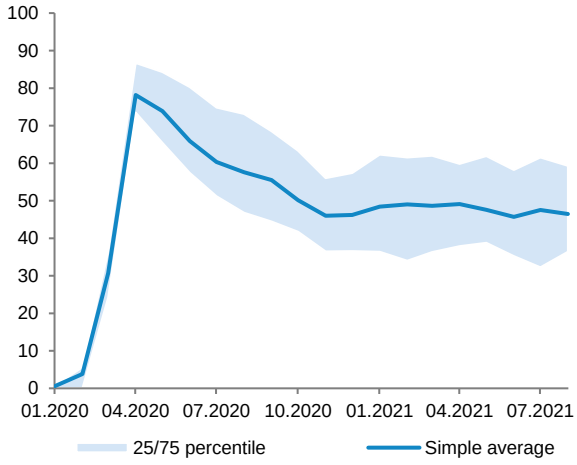
At the same time, the low numbers of Covid-19 cases and deaths are also related to limited testing and surveillance capacities in many countries (Tessema und Nkengasong 2021). Recorded cases of Covid-19 in Africa are concentrated in few countries. South Africa, Morocco and Tunisia account for more than 50 percent of the cases on the continent (South Africa: 35 percent; Morocco: 10 percent; Tunisia: 9 percent), but for only 8 percent of its population. Figure 3 reports the incidence of Covid-19 for a selected number of African countries with comparatively high numbers of infections per capita, including Morocco, Namibia, Libya, South Africa and Tunisia. Many other countries have extremely low incidence levels and death tolls.[3] Limited diagnostic and reporting capacities are a problem in this regard; many countries lack trained staff, laboratories and testing equipment (Mulu et al. 2021). Nigeria, for example, the most populous country in Africa, has never reported more than five infections per 100,000 inhabitants according to Reuters data. A study based on blood samples collected in its most populous city Lagos found that 23 percent had been infected (Bloomberg 2021), implying that

[1] The strictness of policy response measures implemented to contain the spread of Covid-19 is measured by the Stringency Index developed by Hale et al. (2021).

[2] These factors also include warmer temperatures and a high share of activities taking place outdoors reducing transmission rates, experience with other infectious diseases such as Ebola and HIV, a relatively low mobility of the population as well as genetic, immunity and comorbidity factors (see, for example, Tessema und Nkengasong 2021; Nguimkeu and Tadadjeu 2021).

[3] Available figures on cases, deaths and tests for individual countries are compiled in Annex Table A1, together with data on vaccinations and per-capita health care expenditures.

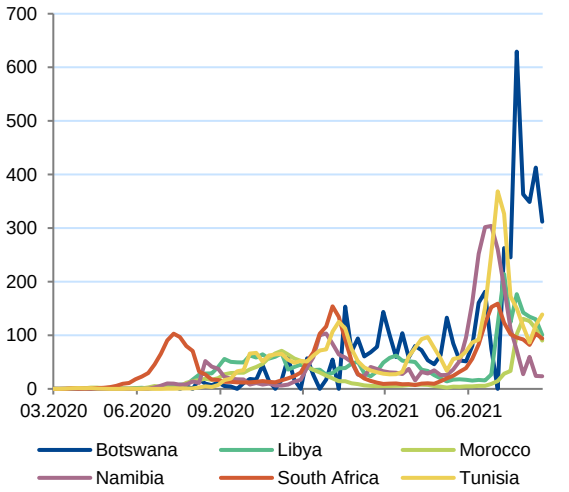
Figure 2:
Stringency of response measures in Africa[a]



[a]Monthly data. Last value: August 2021.

Source: Blavatnik School of Government, University of Oxford (2021); own calculations and illustration.

Figure 3:
Weekly confirmed Covid-19 cases in selected African countries (per 100 thousand)[a]



[a]Weekly data. Last value: 29.08.2021.

Source: Reuters (2021); Statista (2021); own calculations and illustration.

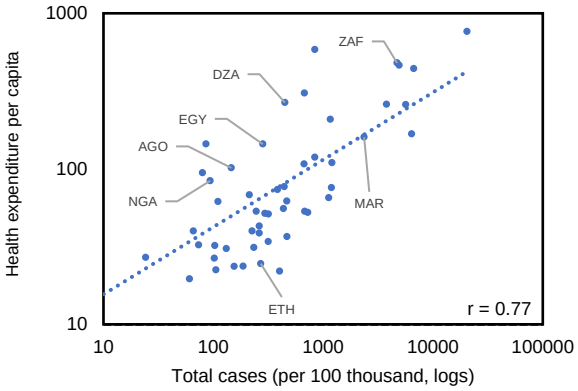
official case numbers substantially underestimate the actual infection rates.[4] There is a strong positive relationship between health expenditure per capita before the pandemic and the number of total tests and cases in relation to the population (Figure 4), suggesting that underreporting of Covid-19 is most pronounced in the least developed countries in Africa. While excess mortality—the number of deaths from all sources compared with a baseline that would be expected without Covid-19—would capture the impact of the pandemic regardless of differences in testing and reporting, this data is generally not available for African countries from official sources. The Economist (2021) estimates that there are between 850,000 and 2.2 million excess deaths in Africa using a machine learning methodology. Relative to the population, this corresponds to 62 to 160 excess deaths per 100,000 people but only 14.3 have been reported (Figure 5). While the degree of underreporting is particularly high in Africa, excess mortality is still relatively low in comparison to the excess mortality in other parts of the world (with the exception of Oceania). The reporting gap is similarly high only in Asia, but substantially lower in other world regions.

Third wave meets low vaccination

In the beginning of August 2021, the World Health Organization reported a record peak in weekly Covid-19 related deaths on the continent since the onset of the pandemic (WHO 2021a). Several countries, including Namibia, South Africa, Uganda and Zimbabwe tightened

[4] Other studies conducted among various (non-representative) population groups in different countries and at different points in time found that the share of people previously infected with Covid-19 ranged from 0.4 percent in Cabo Verde in June/July 2020 to almost 50 percent in antenatal care clinics in Kenya in December 2020 (Tessema und Nkengasong 2021).

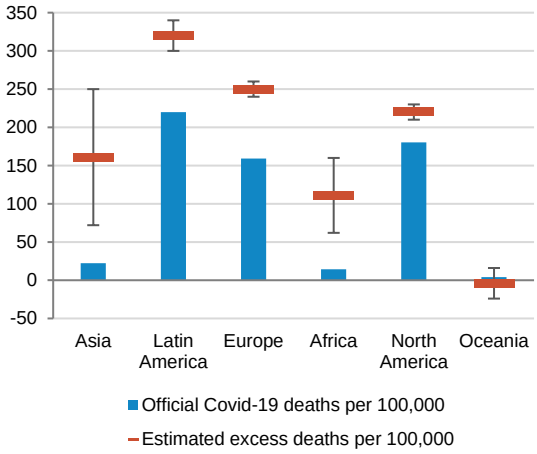
Figure 4:
Relationship between health expenditure before the pandemic and total cases[a]



[a]Last value of total cases: 27.08.21. Health expenditure is in USD per capita, averaged over 2015 to 2018.

Source: World Bank (2021); Reuters (2021); Statista (2021); own calculations and illustrations.

Figure 5:
Estimated excess deaths by region (per 100 thousand)[a]



[a]Estimations by The Economist (2021) are based on a machine-learning model using data on official excess-mortality and on more than 100 statistical indicators. In countries with limited data availability, uncertainty around the estimates is higher (confidence bands).

Source: The Economist (2021), as of 09/03/2021.

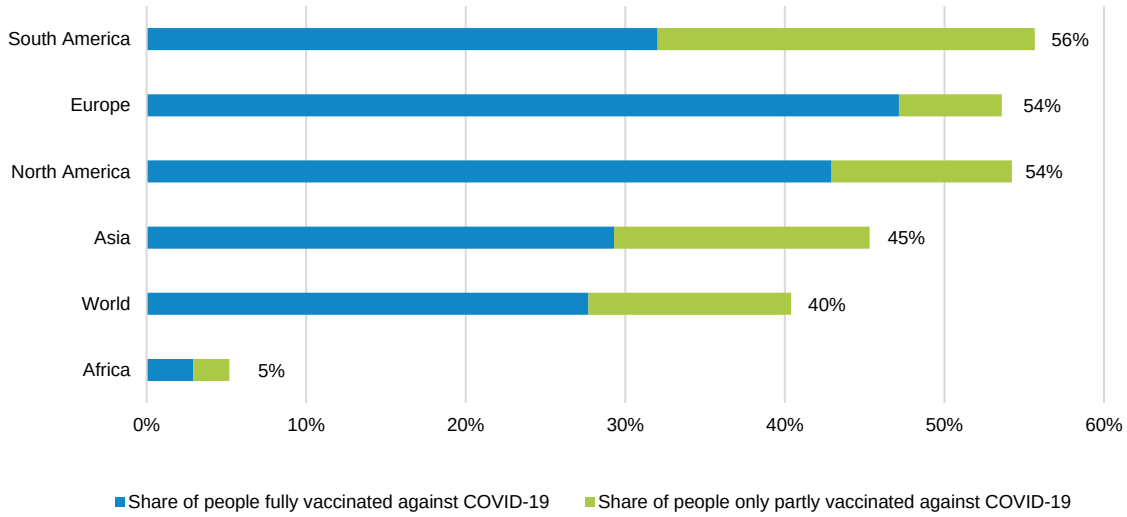
their response measures over the summer in response to surging infections. The arrival of new coronavirus variants and low vaccination rates have been identified as the main reasons for the renewed surge in infections and deaths. As of the beginning of September 2021, only around 5 percent of the population on the African continent have received at least one dose of the vaccine, even though vaccination campaigns have gained some momentum amid the most recent wave of infections and increased supply. However, the vaccination rate in Africa is still substantially lower compared with other world regions; in both North America, South America and in Europe, more than 50 percent of the people are at least partially vaccinated, in Asia over 40 percent have so far received at least one shot (Figure 6). The World Health Organization's Regional Office for Africa reported in the beginning of September that 42 of Africa's 54 states are set to miss the target of vaccinating the most vulnerable 10 percent of every country's population by the end of September (WHO 2021b). Morocco, Tunisia and South Africa are among the countries with relatively high vaccinations rates (ranging from 17 percent in South Africa to 51 percent in Morocco).

2 ECONOMIC CONSEQUENCES OF THE PANDEMIC

The economic impact of the Covid-19 shock on the global economy has been severe. World GDP dropped by 3.2 percent in 2020, according to the latest IMF estimates, and is expected to grow by 6 percent in 2021 as the economy rebounds (Figure 7). The contraction of output in both North Africa and sub-Saharan Africa was less severe than initially feared and it compares favorably with the huge drop in the advanced economies or in Latin America. However, at

–1.8 percent it is still the worst on the record and the first recession in 25 year. For 2021, sub-Saharan Africa is expected to grow by 3.4 percent, which is a relatively small number by international standards, while GDP in North Africa is expected to rebound by 7.3 percent. On a per capita basis GDP in Africa is expected to reach its pre-crisis level only after 2022, and in many countries not before 2025 (IMF 2021a).

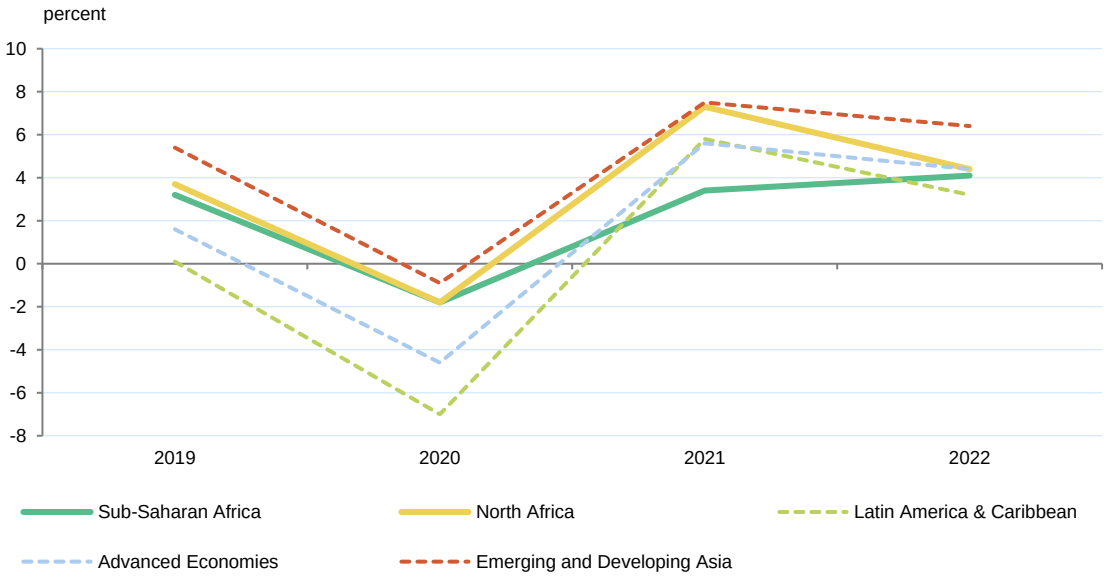
Figure 6:
Share of people vaccinated against COVID-19 (as of September, 2021)[a]



[a]The value at the end of the bars corresponds to the share of the population who received at least one dose of vaccine. Last value: 06.09.21

Source: Our World in Data (2021).

Figure 7:
GDP growth by region, 2019–2022

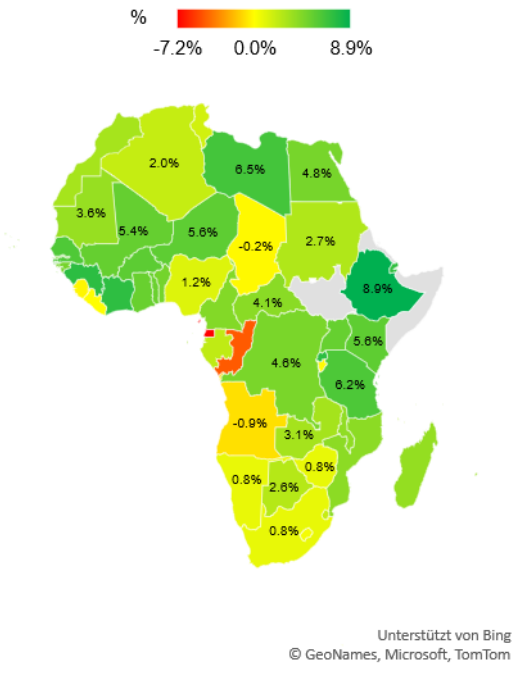


Source: IMF (2021b). North Africa: IMF(2021c).

Large variation of economic impact across countries

The economic impact of the pandemic varies across countries and was most severe in Southern and North Africa. Figures 8 and 9 give an overview of GDP growth in all African countries for which official GDP data is available. Figure 8 shows GDP growth before the pandemic, averaged over the years 2015 to 2019, while Figure 9 displays the growth rates for the year 2020, i.e. the first year of the pandemic. In Southern Africa, South Africa, Namibia and Botswana saw significant contractions of GDP ranging between 7 and 8 percent. The output loss was of similar magnitude in Tunisia and Morocco, but even more severe in Lesotho and in the tourism-dependent island states Cabo Verde, Mauritius and Seychelles, where the decline of GDP ranged between 10 and 15 percent. Furthermore, economic activity dropped markedly in oil exporting countries including in Algeria, Angola and—to a lesser extent—in Nigeria. Notable exceptions are Ethiopia and Egypt, where GDP growth only slowed down moderately compared to pre-pandemic growth rates. While this GDP data shows the heterogenous effects of the pandemic across the continent, they need to be interpreted with some caution as reflecting activity in the informal sector in the national accounts is a particular challenge for many low-income countries.[5] In sub-Saharan Africa, the informal share of production is estimated at between 25 and 65 percent, depending on the country; and the share of informal employment in the non-agricultural sector is estimated to range between 30 and 90 percent (Allard 2017).

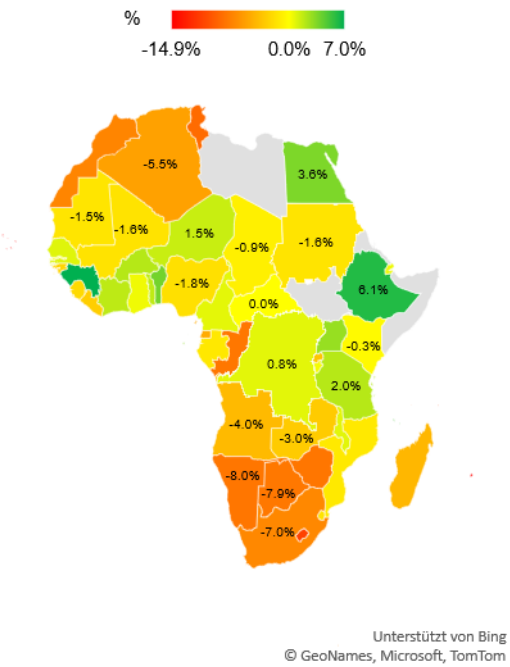
Figure 8:
Average GDP growth in Africa, 2015–2019



[a]Yearly data averaged over 2015–2019.

Source: World Bank (2021); own calculations and illustration.

Figure 9:
GDP growth in Africa, 2020



Source: World Bank (2021); own calculations and illustration.

[5] For an introduction to the issues see Eurostat (2021). Poor data quality has long been recognized as a problem in many low-income countries; see Jerven (2013) for more information on data quality and statistical challenges in Africa.

On average, the economic consequences were more severe in countries with relatively high shares in the economy of services, tourism and international trade. Simple correlations between the growth rate of GDP in 2020 and several country characteristics can provide some descriptive—though not causal—evidence on potential transmission channels of the Covid-19 shocks on the African economies (Figure 10).[6] The growth rate of GDP in 2020 is negatively correlated with the share of the tourism sector in GDP and the openness of the economy measured by the share of exports and imports in GDP, suggesting that African economies were hit by the drop in global demand for travel and import goods. There is also a negative relationship between the size of the service sector and GDP growth in 2020. Many service activities, especially contact-intensive ones, were affected particularly severely by the pandemic. At the same time, the size of the agricultural sector is positively correlated with the GDP growth rate in 2020. The share of industrial activity in GDP (not displayed) as well as the share of commodity exports in total exports are also related to the economic development in 2020, albeit the correlations are rather weak ($r=-0.25$). Industrial activity and export revenues of commodity exporting countries dropped disproportionally during the first wave of the pandemic due to workplace closures and the fall of commodity prices, respectively. At the same time, both industrial activity and commodity prices started to recover swiftly already in mid-2020, and thus much earlier than some services sectors including international tourism. The relationship between lockdown stringency and economic activity in 2020 is weak. This is in contrast to evidence from advanced economies, where a somewhat stronger negative relationship between these variables can be observed. A high degree of informality on the labor market and lacking government support measures could lead to lower lockdown compliance in developing countries, moderating the output losses from lockdown measures while at the same time reducing the effectiveness of the containment measures (Alon et al. 2020).

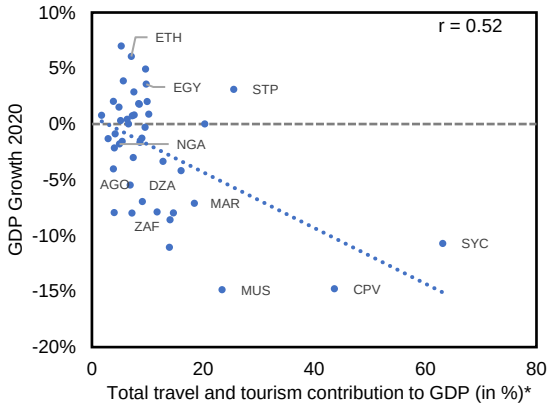
Bumpy recovery is underway

Mobility data suggests that after an initial sharp slowdown of economic activity, the recovery is underway. Figure 11 plots Google mobility data measuring the number of people visiting work places relative to a pre-pandemic baseline.[7] Mobility data has been widely used to proxy the pandemic's impact on economic activity (see, for example, OECD 2020). The data for Africa show that in all countries, mobility was substantially reduced in the early months of the pandemic when lockdown measures were imposed for the first time and, in addition, many people voluntarily changed their behavior in order to reduce the risk of infection. Mobility fell most drastically in Nigeria, Rwanda and South Africa where it was between 40 and 70 percent lower in April 2020 than before the outbreak of the pandemic. In most countries, the effects became less pronounced over time and the reduction in mobility was lower in subsequent waves of the pandemic. This pattern was also observable in other world regions (Gern et al. 2021). Nevertheless, a second drop in mobility can be observed around the turn of the year 2020/21 and in the summer of 2021 amid the second and third waves of infections. Most recently, mobility started to recover again in most countries.

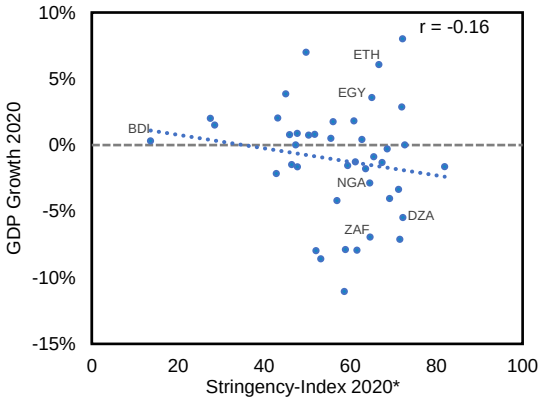
[6] We include the heavily tourism-dependent island states Cabo Verde, Mauritius, Seychelles and Sao Tome and Principe only in the scatterplot relating GDP growth in 2020 to the contribution of travel and tourism to GDP in Figure 10 due to their role as outliers.

[7] Unfortunately, Google mobility data is not available for all countries in Africa.

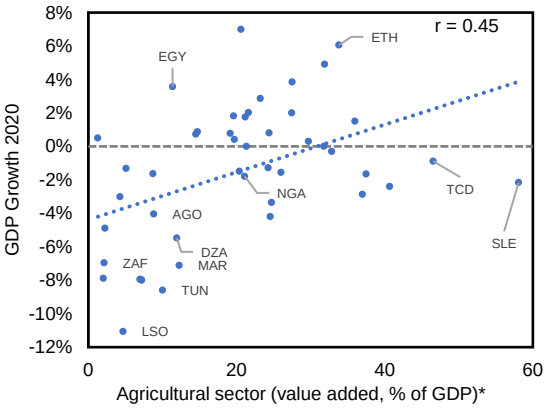
Figure 10:
Correlates of GDP growth in African countries in 2020



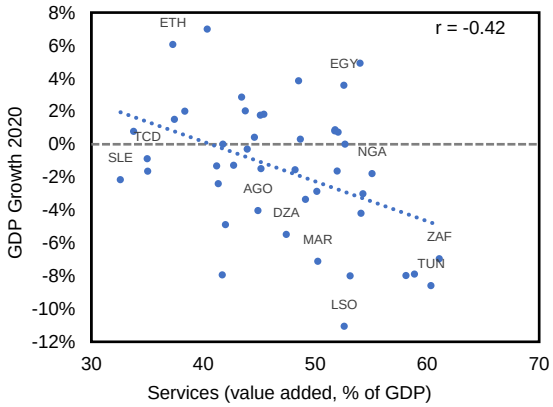
*Mean value from 2015 to 2019



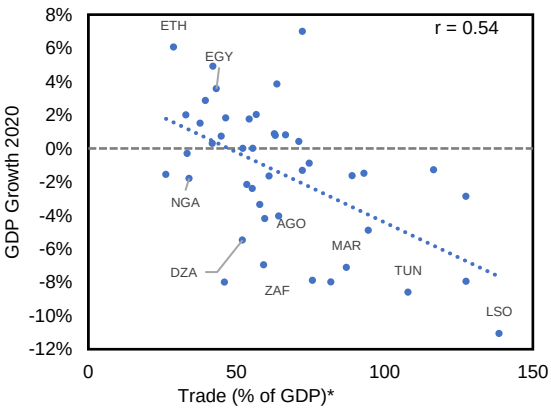
*Mean value from 03/20 to 12/20



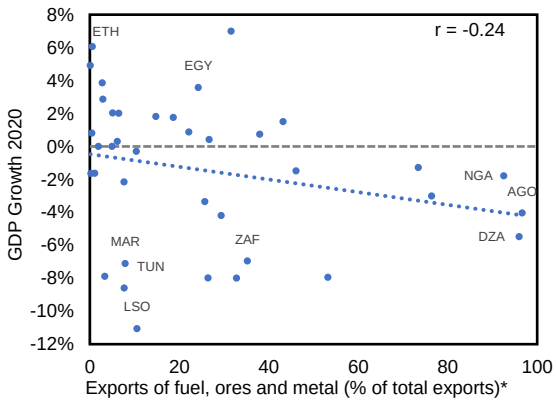
*Mean value from 2015 to 2019



*Mean value from 2015 to 2019



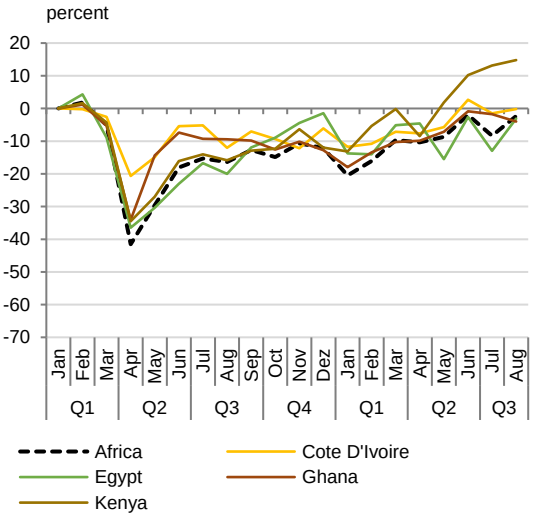
*2019



*Mean value from 2015 to 2019

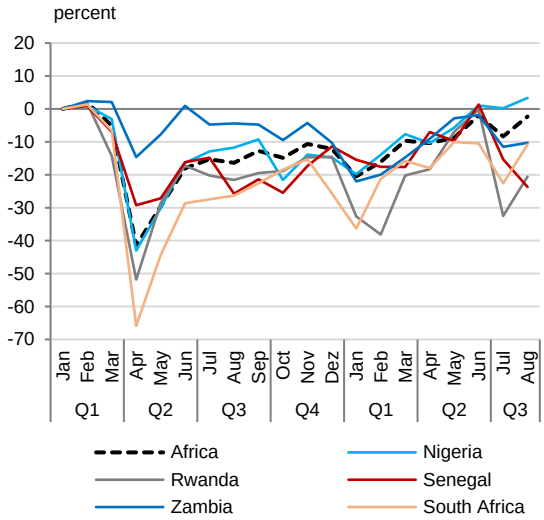
Source: World Bank (2021); World Travel and Tourism Council (2021); Our World in Data (2021); own calculations and illustration.

Figure 11:
Workplace mobility in selected African countries



Note: The aggregate Africa displays the GDP-weighted average mobility based on all African countries for which the data is available.

Source: Google (2021); own calculations and illustration.



Note: The aggregate Africa displays the GDP-weighted average mobility based on all African countries for which the data is available.

Source: Google (2021); own calculations and illustration.

The economic environment has improved for Africa after the initial Covid-19 shock, supporting the economic recovery. Commodity prices, which collapsed in the early stages of the pandemic (especially in the case of oil), rebounded in the second half of 2020 and firmed further in the course of 2021 in line with the world economy, supporting growth in producer countries. Similarly, global financial conditions improved significantly in the second half of 2020. Sovereign spreads in sub-Saharan Africa dropped by about 700 basis points over the course of 2020 from all-time highs they had reached in April amid the Covid-19 scare on international financial markets. As a result, regional Eurobond sales resumed at the end of 2020, and substantial further issuance is expected for 2021 (IMF 2021a). Outflows of portfolio capital from emerging and frontier markets in sub-Saharan Africa (the bulk of the portfolio capital flows relate to South Africa) reversed in July and substantial net inflows have been recorded since then. Finally, remittance inflows recovered for many countries on the back of the improving global economy. While remittance inflows are estimated to have dropped by about 7 percent in 2020, this is much less than initially expected. The upward revision for growth in the IMF Regional Economic Outlook reflects a surge in remittances on the back of the global recovery toward the end of the year which is expected to continue in 2021.

Clouds over the medium-term outlook

Even though economic activity has started to recover, the pandemic is likely to have longer-term implications for development due to effects on human and physical capital formation. According to estimates by international organizations, employment fell by 8.5 percent in 2020 and an additional 29 million people have been pushed into extreme poverty as a consequence of the pandemic (Mahler et al. 2021). People with a low level of education and informal jobs as well as women have been affected the most, not least because they often work in sectors

particularly hit by the pandemic (e.g. in contact-intensive sectors) and have limited options to work from home. For example, a study based on individual-level survey data from Nigeria shows that overall employment has decreased more for women than men amid the pandemic, and that in addition, more women shifted from business to agricultural activities where income is generally lower (Hossain and Hossain 2021). While not all of these job and income losses will be permanent, the recovery will take time in some sectors (e.g. the tourism industry), implying a setback in human capital formation and labor market outcomes. This is aggravated by long-lasting school closures and disruptions to health care (e.g. immunizations other than Covid-19).[8] In addition, physical capital formation has been negatively affected. According to UNCTAD (2021) FDI flows to Africa decreased by 16 percent in 2020. The drop was larger in North Africa (–25 percent) than in sub-Saharan Africa (–12 percent). Announcements of greenfield FDI in the manufacturing sector, an indicator of future investment activities, dropped by 75 percent—much more significantly than to other developing regions (Latin America: –46 percent; Asia: –40 percent). Elevated uncertainty regarding the further course of the pandemic in Africa—not least due to low vaccination rates—are likely to weigh on the recovery of FDI flows to the continent, preventing African economies to benefit from the positive effects associated with FDI.

3 ECONOMIC POLICY RESPONSE TO THE CRISIS

Limited policy space

Room to manoeuvre for macroeconomic policies to cushion the shock from Covid-19 has generally been limited in Africa compared to advanced economies and large emerging economies. With 16 countries in debt distress or at high risk of debt distress in 2019 before the crisis and access to financial markets generally constrained, fiscal space was lacking to engage in government support programs of comparable size to those rolled out in developed economies. More fundamentally, the fiscal capacity in Africa is generally small given low government revenues of only 19 percent in relation to GDP on average (compared to 30 percent in Brazil and some 45 percent in Germany). It is also challenging to distribute government support in an economy dominated by small enterprises and informal activity. With respect to monetary policy, in contrast to most advanced economies, key interest rates were still substantially above zero so that the traditional tool of reducing interest rates could be used and central banks did not need to engage in large scale quantitative easing to stimulate the economy as in the advanced economies. However, room for monetary loosening has nevertheless been limited given that exchange rates came under pressure and inflation picked up in the course of the crisis, and inflationary expectations are not well-anchored in Africa.

[8] Children in sub-Saharan Africa, where remote learning opportunities are largely unavailable, missed roughly four times as many days of school instruction as children in advanced economies and dropout rates have increased (AfDB 2021).

African governments reacted to the crisis by implementing programmes to support vulnerable groups and ailing enterprises and by stepping up health expenditures. However, in 2020 fiscal packages were generally small averaging only 2.6 percent of GDP in sub-Saharan Africa and between 1 and 3 percent of GDP in the Maghreb countries and Egypt (compared to an IMF estimate of 7.2 percent of GDP in advanced economies). Surveys conducted in summer and fall 2020 in several countries show that the share of households receiving assistance was low in comparison to the share of households facing income losses due to the pandemic (Furbush et al. 2021). Spending related to Covid-19 has also often come at the expense of essential spending in other areas (IMF 2021a). The budget deficit in sub-Saharan Africa increased from an average of 4.1 percent in 2019 to 6.9 percent in 2020, according to IMF figures, which is modest by international standards. The impact on the fiscal balance in Africa, however, differed substantially across countries, in part due to different size of fiscal support but also due to differences in the impact of the crisis on GDP. In general, the budget deficit rose stronger in middle-income countries (including the largest regional economies Nigeria and South Africa) than in low-income countries, where it increased by only 1 percent of GDP.

Debt relief initatives: Welcome but not sufficient

Government debt in relation to GDP has been on an upward trend before the crisis and increased further from 51.5 percent in 2019 to 58 percent in 2020. Debt servicing costs typically consume a large share of government revenues—between 10 and 20 percent in many countries, more than 30 percent in Nigeria and even above 50 percent in Ghana. The Debt Service Suspension Initiative (DSSI) launched in response to the crisis by the G-20 suspended debt servicing payments to official bilateral creditors temporarily for 37 eligible countries (of which 31 actually have signed on) and has delivered valuable liquidity support, to the extent of 1.8 billion Dollar from June–December 2020 and a potential 4.8 billion over January–June 2021, according to the IMF. However, debt servicing payments are not forgiven, and the scheme does not cover private debt nor debt with multilateral development banks and thus relates only to a small fraction of the outstanding external debt. The G20 Common Framework for Debt Treatment beyond the DSSI goes further and provides debt restructuring and debt relief for countries with unsustainable debt burdens. Treatment under this framework has so far been requested by only three countries (Chad, Ethiopia and Zambia), perhaps due to concerns about the potential impact on borrowing costs or sovereign credit ratings.[9] Against this backdrop, fiscal consolidation is high on the agenda in a number of countries, even though the negative repercussions of Covid-19 on the economy are far from over (Nair et al. 2021).

Monetary policy faces rising inflation

Many central banks in Africa have reduced key interest rates in response to the crisis and introduced measures to increase liquidity in the financial system. Sizeable rate cuts were implemented during 2020 in South Africa (to 3.5 percent from 6.25 percent) and Egypt (to

[9] Actually, Ethiopia's international credit rating was downgraded from B to CCC following its application for debt restructuring under the Common Framework amid uncertainties about the consequences for other bilateral official or private creditors (Fitch 2021).

8.25 percent from 12.25 percent), while interest rate reductions were less significant in most other countries. Against the backdrop of rising inflation in the context of recovering economic activity and higher commodity and food prices, monetary authorities have mostly kept interest rates constant so far in 2021. Some central banks, including those in Mozambique, Zambia and Angola, have already started to reverse course in response to rising inflationary pressure and a depreciating currency.

In a few sub-Saharan African countries, including economic heavyweights Nigeria and Ghana, central banks directly helped financing crisis spending amid widening fiscal needs and limited other sources of finance. The IMF (2021a) argues that direct central bank lending to the government may be justified in extraordinary circumstances provided it is used only as a last resort and is rewarded at market terms, time-limited, and with an explicit repayment plan over the medium term. Repeated monetization, however, risks ending in a high-inflation regime (or even hyperinflation such as in the case of Zimbabwe in 2008), with potential detrimental effects on growth and costs for the most vulnerable segments of the population.

4 SUMMARY AND CONCLUSIONS

The prevalence of Covid-19 in Africa is more difficult to assess than elsewhere as official data in most countries capture only the tip of the iceberg. Since the outbreak of the pandemic, the world has been severely affected by its health and economic consequences. Africa is no exception. While indicating low Covid-19 incidence in most countries, official data likely substantially underreports the number of Covid-19 cases and deaths on the continent as testing and surveillance capacities are limited, particularly in countries with low health expenditures before the pandemic. However, regarding the direct health effects of the pandemic, Africa is still likely to compare relatively favourably to other world regions. Excess mortality per capita is estimated to be lower in Africa than in the Americas, Europe and Asia, not least because of a comparatively young population.

The contraction of economic activity in 2020 was less severe than initially feared but is still the worst on record and the first recession in 25 years. The economic fallout has been very heterogenous across countries. Simple correlations show that the drop in GDP in 2020 was more severe in countries with a relatively high share in the economy of services, tourism and international trade. In addition, commodity exporters suffered disproportionally from the temporary fall in commodity prices, in particular of oil. Geographically, the countries in the south and the north of the continent have experienced the largest output losses. Since mid-2020, a recovery is underway supported by improvements in the economic environment after the initial shock to the world economy in the spring. Mobility data confirm that output is recovering, albeit with interruptions due to renewed waves of infection. Still, the pandemic is likely to have longer-term implications for development as both human and physical capital accumulation have been disrupted by the Covid-19 shock, especially as fiscal space and monetary policy options are exhausted in many African countries.

International support is necessary

Most importantly, the pace of vaccination needs to accelerate to limit the impact of future infection waves on the health of the population and the associated negative impact on the economy. At only around 5 percent, the vaccination rate is still dramatically low in Africa compared with other world regions. The international community, most notably the advanced economies, need to ensure quicker access to vaccines and other medical products, and may also need to provide assistance in implementing vaccination programs. Fiscal space was limited in most countries before the crisis and government support is generally much smaller than in other parts of the world, resulting in a substantial increase of people in absolute poverty. Monetary policy has also been restrained given relatively low confidence in monetary institutions, and some countries have already seen the necessity to tighten amid rising inflation and depreciating currencies. In order to prevent premature fiscal tightening and regain fiscal space further suspension of official debt payments and in some cases debt relief may be needed, provided medium-term consolidation programs including mobilization of tax revenues and realizing efficiency gains in the public sector are put in place. Finally, it will be important to reinvigorate FDI from developed nations, with government investment guarantee schemes as a potential instrument to mitigate the problem of increased uncertainty.

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ANNEX

Table A1:
Confirmed cases and deaths, tests, vaccinations and health expenditure in selected African countries[a]

	Cases	Deaths	Tests	% vaccinated (at least 1 dose)	Health expenditure
Algeria	443	12	No data	7.8	267
Angola	143	4	No data	3.4	101
Benin	103	1	5,284*	0.4	31
Botswana	6,544	94	No data	10.8	440
Burkina Faso	66	1	No data	0.3	40
Burundi	101	0	No data	No data	22
C. African Republic	233	2	No data	1.7	31
Cabo Verde	6,282	55	No data	38.2	167
Cameroon	314	5	No data	1.3	51
Chad	103	4	No data	0.7	32
Comoros	466	17	No data	20.1	62
Congo	245	3	No data	3.3	53
Cote D'Ivoire	206	2	3,337	4.9	68
Dem. Rep. of Congo	60	1	No data	0.1	20
Djibouti	1,186	16	No data	3.6	76
Egypt	281	16	No data	5.0	144
Equatorial Guinea	654	9	13,727	14.1	307
Eritrea	187	1	No data	No data	24
Eswatini	3,634	91	No data	8.3	259
Ethiopia	264	4	2,784	2.1	25
Gabon	1,157	7	47,704	3.5	208
Gambia, The	394	13	4,111	7.4	22
Ghana	375	3	4,406*	2.8	73
Guinea	222	2	No data	5.6	40
Guinea-Bissau	288	6	No data	1.4	52
Kenya	435	9	3,116*	3.5	77
Lesotho	672	19	No data	3.3	107
Liberia	109	5	No data	2.1	61
Libya	4,421	61	2,825	12.2	No data
Madagascar	155	3	855	0.7	24
Malawi	315	11	1,619	3.5	34
Mali	73	3	No data	0.9	32
Mauritania	704	15	5,029	4.9	52
Mauritius	681	2	No data	62.3	584
Morocco	2,285	33	21,578	49.2	160
Mozambique	462	6	2,608	3.9	37
Namibia	4,883	132	25,694	8.0	463
Niger	24	1	No data	1.7	27
Nigeria	92	1	1,323	1.2	84
Rwanda	662	8	18,213	9.6	53
Sao Tome & Principe	1,173	17	No data	14.7	109
Senegal	432	10	4,415	6.9	55
Seychelles	20,198	104	No data	75.0	762
Sierra Leone	80	2	No data	1.0	94
Somalia	107	6	No data	1.2	No data
South Africa	4,632	137	27,364	15.2	480
South Sudan	102	1	1,469*	0.5	27
Sudan	86	6	No data	1.5	144
Tanzania	2	0	No data	0.4	36
Togo	250	2	5,469	4.3	39
Tunisia	5,589	198	21,280	31.2	258
Uganda	221	6	3,414	2.0	43
Zambia	1,119	20	12,020	1.7	65
Zimbabwe	836	29	7,324	16.8	119

[a]Cumulative cases, deaths and tests since the beginning of the pandemic per 100,000 people. Last values included: August 2021 (*May 2021 due to data availability). Health expenditure between 2014 and 2018 (Average), per capita, PPP (current international $).

Source: Reuters (2021) (cases, deaths); Our World in Data (2021) (tests); World Bank (2021) (health expenditure); own calculations.

IMPRESSUM

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