Economists in the international financial institutions have been updating their assessments of the damage the lockdown and pandemic are having on African economies on a weekly basis, reports *Africa Confidential*. Caution is the watchword and optimism is in short supply.

According to the African Development Bank (AfDB)’s July 8th forecast, growth across the continent’s 54 countries is to contract on average by at least 1.7% in 2020. But it could be less than half that if the pandemic, now seen spreading at an exponential rate across Africa, continues unabated for the second half of the year.

Those losses, says the AfDB, could amount to almost a quarter of a trillion dollars with over 30m jobs gone. The best projection for now was that Africa’s economies would grow between 2.4% and 3% in 2021 after the 2020 crash.

The International Monetary Fund (IMF) predicts sub-Saharan African economies will shrink on average by 3.2% in 2020, double the contraction predicted in April. The *World Bank* reckons SSA will contract in 2020 by 2.8%, which still amounts to worse than minus 5% in per capita terms, meaning that between 26 to 39m people will fall into acute poverty.

There are also concerns, given constraints such as debt and capital flight, that Africa’s rebound could be slower than emerging markets in other regions, which are forecast to reach around 5% in 2021, not in a ‘V-shaped’ recovery. IMF and Bank forecasts reckon at best in 2021 that Africa will return to growth rates of just over 3%, a pace predicted before the pandemic. That would neither improve living standards nor compensate for the losses of 2020.

Across Africa’s 54 states conditions for growth, fiscal and debt management vary hugely. Its two biggest economies, Nigeria and South Africa, have taken the heaviest hits. But the World Bank predicts that in 2020, those two aside, commodity importers rather than commodity exporters could lose most.

Oil exporters are finding that lower prices and production limits are hitting revenues and fiscal deficits. In the medium term they will see delays to oil and gas projects and licensing rounds, and more cautious investors.

Tourism, hit by ailing airlines, international travel slowdown and national boundary closures, will suffer especially. South Africa’s and Kenya’s governments are trying to rescue their national carriers; so far, Ethiopian Airways is weathering the storm.

Although low-income economies should on average perform better in GDP growth terms than ‘their’ middle-income counterparts, they are more vulnerable to a lengthy pandemic. This crisis hits casual workers and small farmers most of all. Even if the pandemic is contained, the poorest economies will see less of a rebound in 2021. For many finance ministers and central bank governors, there is little room for manoeuvre: the average size of stimulus packages in Africa is around 3% of GDP, according to the IMF, far less than other emerging and advanced economies. Much of Africa’s stimulus is a redirection of spending, previously allocated for investment and capital budgets, not new money.

A growing concern is the ability of governments to sustain higher public health and education spending – needed to ward off a second wave – amid falling export revenues and reduced remittances from the diaspora.

The IMF advises governments to continue “broad fiscal support” during this phase of the pandemic. That means holding off on plans to reform and boost revenue. Higher taxes might help balance budgets, but they could wreck companies and jobs with them.

Neither governments, nor the institutions that advise them, agree on a timeline to shift to policies that could restructure budget and revenue systems, which will mean difficult trade-offs in this new landscape.

Nigeria has just introduced a Naira 2.3trn (US$6.4bn) stimulus package under an “economic sustainability plan” which targets spending on agriculture, housing, education, health, social safety nets and support for small businesses over the next year. The World Bank divides its response recommendations in Nigeria between near-term (3-6 months) and medium-term (6-15 month) measures. Revenue mobilisation reforms are medium-term; and measures for food security, cash transfers, support to local healthcare workers, and boosting coronavirus-tracking and testing are for the short-term.

So far, there are few signs that African policymakers will use the crisis to make major structural reforms or, as IMF Africa department director Abebe Selassie now suggests, “rethink their development models” to focus on production and jobs. For now, the debates within cabinet rooms and central bank board rooms are about batten ing down the hatches and fighting the fire next time. (*Africa Confidential* 9/7)

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**ZIMBABWE**

**Stock Trading Suspended**

Is this another nail in the coffin for the economy?

Zimbabwe’s stock exchange suspended trading on June 29th following a weekend government order that also forced mobile money transfer platforms to temporarily halt business as authorities tried to protect the country’s currency.

As galloping inflation has ratcheted up tension, the Information Ministry permanent secretary announced in a surprise statement on June 26th the immediate suspension of trade on the ZSE and transfers on mobile money platforms that are key to retail trade.

Information Ministry Permanent Secretary Nick Mangwana blamed mobile money transfer platforms for causing a gap between the market exchange rate for the Zimbabwean dollar and the official exchange rate.

He said government was in “possession of impeccable intelligence … whereby mobile-based platforms are conspiring with the help of the Zimbabwe Stock Exchange – either deliberately or inadvertently – in illicit activities that are sabotaging the economy.”

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**International Financial Institutions – Pandemic Damage to Africa**

![Graph](image-url)