



Africa
Foresight
Group

Foresights: A nuanced perspective on COVID-19 in Africa

May 2020



What will be covered in this **foresight edition**



**Geographic analysis of
COVID-19 outbreak**



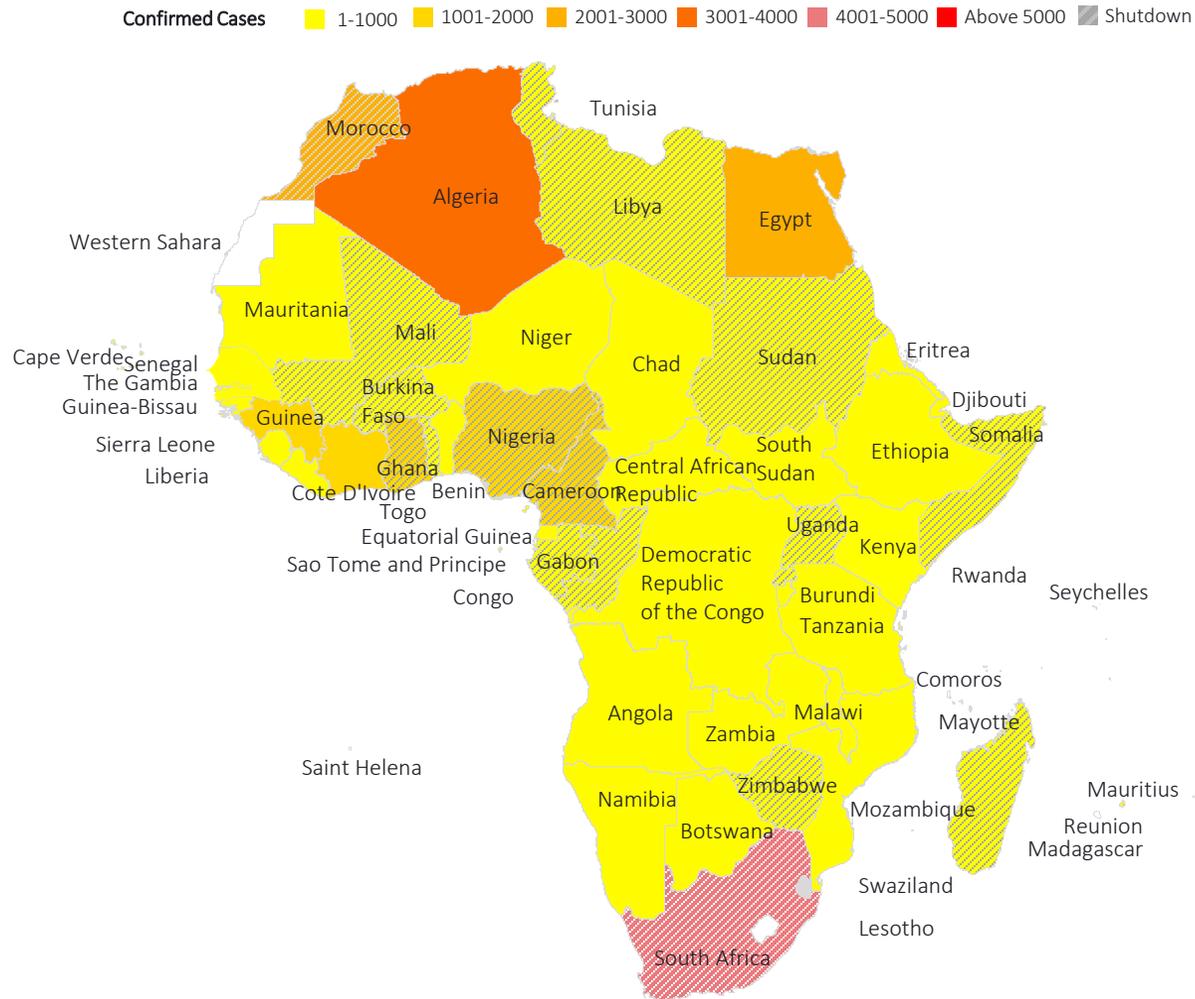
**Mapping of COVID-19
economic impact**



**Sector-specific
recommendations**

COVID-19 and the African response

Where COVID-19 has hit so far (as of 1 May 2020)



Government responses

The **primary responses by governments to this pandemic have been focused on prohibiting freedom of movement and curbing rights to peaceful assembly** in line with social distancing rules targeted at controlling community spread. This includes travel bans, total and partial lockdowns of all gatherings, or limiting gatherings to smaller crowds.

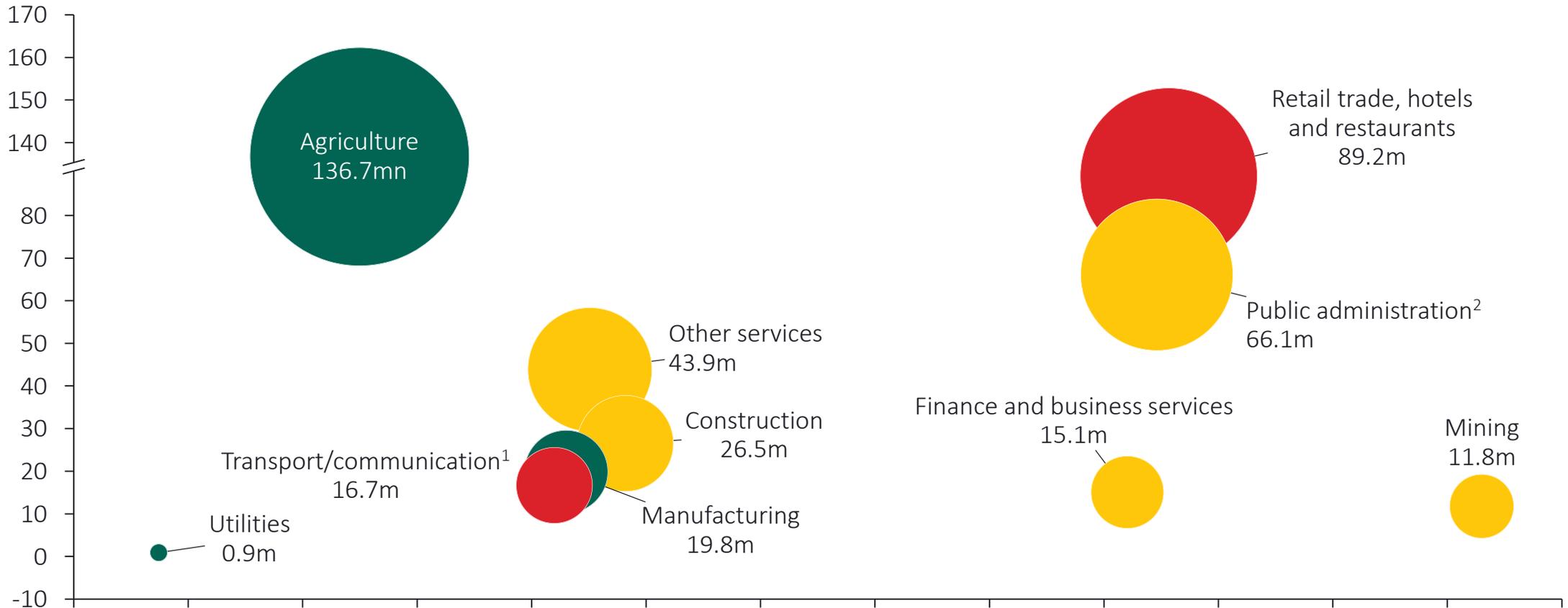
Fiscal stimulus packages and interventions aimed at widening social safety nets are being rolled out with the aim of keeping economies alive. So far, **some countries have pledged an estimated 1% of their GDP** in response to the crisis and have introduced business **loan guarantees, cash transfers, pro-poor food and utilities payment assistance programs.**

The pandemic has **given rise to an innovative use of existing technology.** In South Africa, a WhatsApp platform was successfully deployed by a non-profit known as **Prækelt.org**, that uses machine learning technology to deliver automated responses for free with information on coronavirus. Following its success the WHO has introduced the service worldwide.

The trade, hospitality, transport and communication sectors employ ~110mn Africans and will likely be hit the hardest by this crisis

Estimated # of Africans working in the sector (in mn)

- Sectors with secondary impact: Affected by the crisis due to their high dependence on B2B/global business
- Sectors with opportunity: Can turn around the crisis to their benefit if the right actions are taken
- Sectors we must save: Severely impacted by the crisis with immediate impact
- Bubble size indicates # at jobs in Africa



1 – Transport highly affected, communication less so

2 – Includes education and healthcare services offered by public institutions

Source: ILO, World Bank, team analysis based on labour productivity of sectors and available per-country data

How we can save businesses in the most threatened sectors

	Transport	Trade	Hospitality
The threat	<p>Social distancing rules and lockdowns have made any form of shared transport unattractive, be it planes, mini buses or ride-sharing services</p>	<p>World trade volumes are to fall by 13-32% in 2020 <u>according to WTO</u> – this trade decline will also affect formal and informal trade channels all across Africa</p>	<p>The global tourism industry might shrink by more than 50% in 2020 due to the pandemic and will be the main driver of formal job losses alongside restaurant businesses.</p>
What businesses can do to survive	<ul style="list-style-type: none"> - Heavy restructuring in the African airline industry, first and foremost <u>South African Airways who is on the brink of bankruptcy</u> - Transportation companies must repurpose their assets towards moving goods instead of people - New types of transportation that allow for more social distancing might be winners of this crisis 	<ul style="list-style-type: none"> - Resourcing source of supply due to the breakdown of some supply chains, ideally moving away from foreign currency trading since a devaluation of currencies can be expected in many markets - Add more essential goods to product portfolio in order to keep business afloat with things consumers keep buying despite the crisis 	<ul style="list-style-type: none"> - Hotels must aggressively repurpose their spaces – in London, <u>many hotels have turned into shelters for the homeless</u> or started to offer hourly meeting spaces for remote teams - Restaurants can only rely on food delivery revenue and must form alliances for delivery instead of using large delivery platforms with low margins

Sectors with secondary impact

	Construction	Healthcare & education	Finance and business services
The potential threat	While construction sites have not necessarily been subject to shutdowns in most countries, there will likely be funding freezes that affect especially larger projects	African nations <u>will lose sources of international funding and debt refinancing</u> that might affect the health and education sectors at a time where both are crucial	The digitisation of finance and business services in Africa is still in its early days – hence the sectors might take a taller hit from lockdowns and social distancing.
What businesses can do to plan ahead	<ul style="list-style-type: none"> - Careful review of contractual provisions and cashflow planning to foresee financial risk from uncompleted projects early with the help of legal experts - Focus on tenders for basic infrastructure projects, especially in healthcare, to set off any losses from slowdowns of construction in other sectors 	<ul style="list-style-type: none"> - Businesses in these sectors should secure grant funding to expand faster in a quest to absorb the potential larger gap left behind by public sector - 90% of households in Africa do not have a computer – businesses in these sectors must leverage other channels (radio podcasts, telemedicine) to engage until lockdowns are over 	<ul style="list-style-type: none"> - Banks must find workarounds to introduce flexible work methods despite regulatory barriers to deal with limitations to branch-based banking and office work - Business service providers have to rethink their service and product portfolio to start including services that matter to businesses working remotely (e.g. remote IT support)

Sectors with opportunity

Agriculture

Why there is a chance to win

FAO has already forecasted that a severe food crisis in Africa as a result of Covid 19 is unlikely since there is **sufficient carry-over stock and a good crop year expected**; however, agricultural exports will suffer which means local demand must be strengthened

What businesses can do to capture the growth during this crisis

- **Input manufacturers** will win if they are able to keep supply up for agricultural inputs by manufacturing locally as much as possible – the likely shortage will lead to a light surge in prices for inputs
- **Farmers can benefit from more demand for local foods** as people stay and cook home, expanding value-addition opportunities to capture margin
- **Mechanisation service providers can take advantage of the drop in fuel prices** to make their services more price-competitive and increase share

Manufacturing

Recently, Kenya has banned the import of second-hand clothing from abroad, which poses a significant opportunity for local manufacturers to step up in the national textile industry. Generally, **Covid19 could become a platform for import substitution.**

- **Reviewing product portfolio** to include essential goods that are stable in demand despite reduction of consumption in most markets, repurposing existing machinery where required
- **Leveraging higher consumer attention in fully home-bound households** for dedicated marketing campaigns to increase share
- **Driving advocacy activity** to demand stronger protection for locally manufactured goods in order to keep economies going and save jobs

What are foresights?

Foresights are monthly publications of AFG bringing you research insights on a current business topic related to Africa – brief and “on point”.

Think ahead.

