



**AFRICAN  
DEPARTMENT**



# **A DIFFICULT ROAD TO RECOVERY**

**NOVEMBER 2020**

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Regional Economic Outlook

# Roadmap

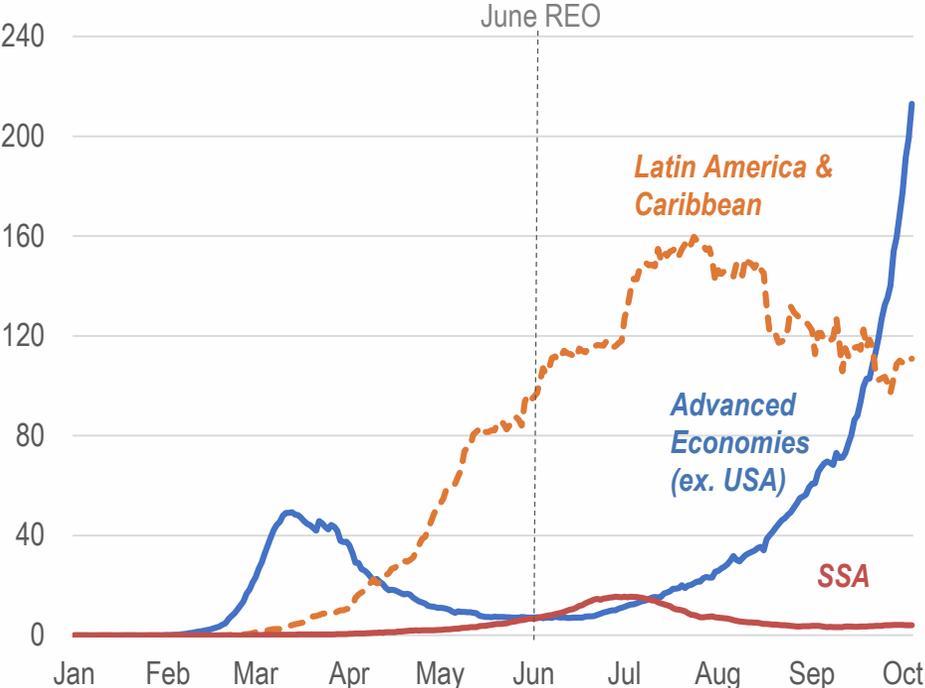
- Health Developments
- Impact on the Region
- Outlook and Policies

# Health Developments

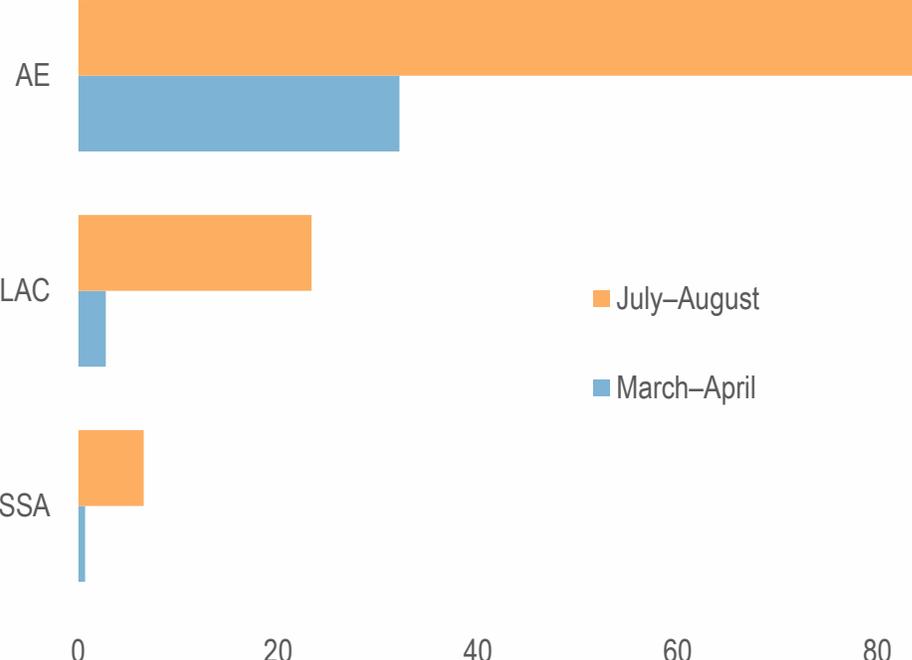
# Lower cases and out of sync with the rest of the world

**New COVID Cases, Selected Regions**

(Per million population, 7-day moving average)



**Number of COVID-19 Tests per 1,000 People**

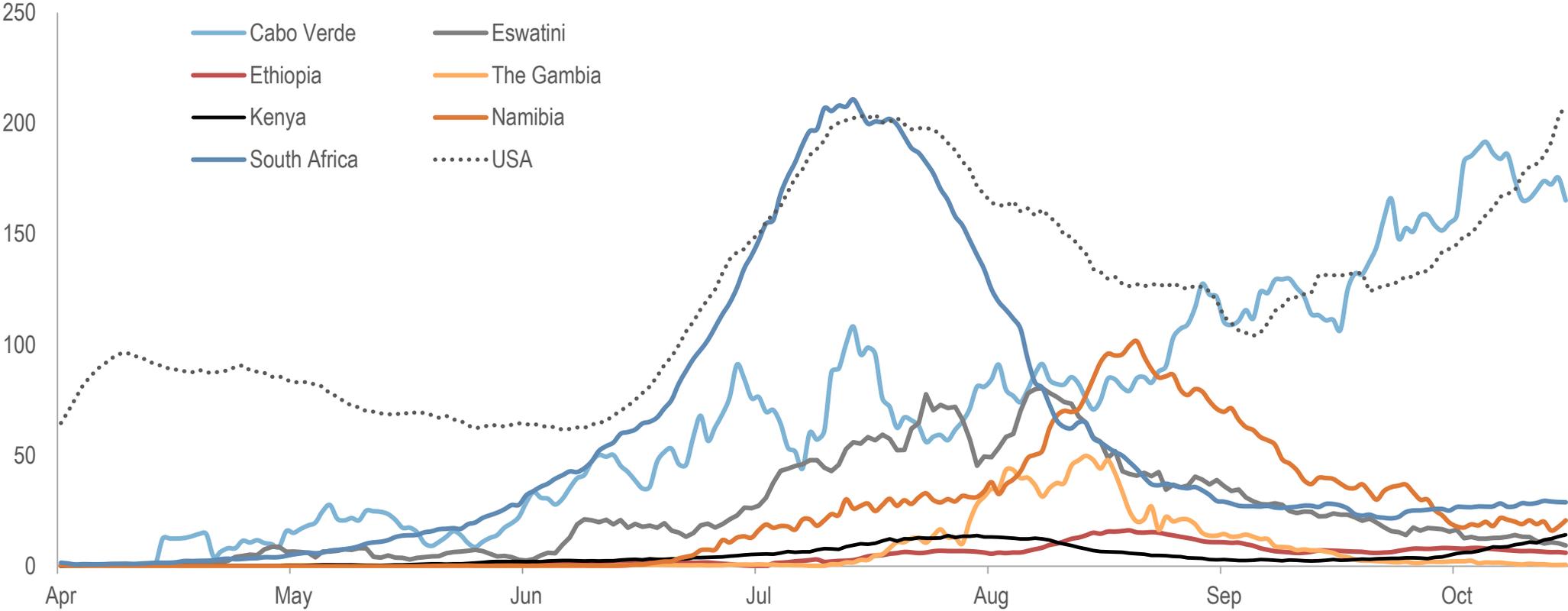


Sources: Johns Hopkins University COVID Tracker, Our World in Data, and IMF staff calculations.

# However, the regional experience is far from uniform

**New Confirmed Cases of COVID-19 per Million, SSA and USA**

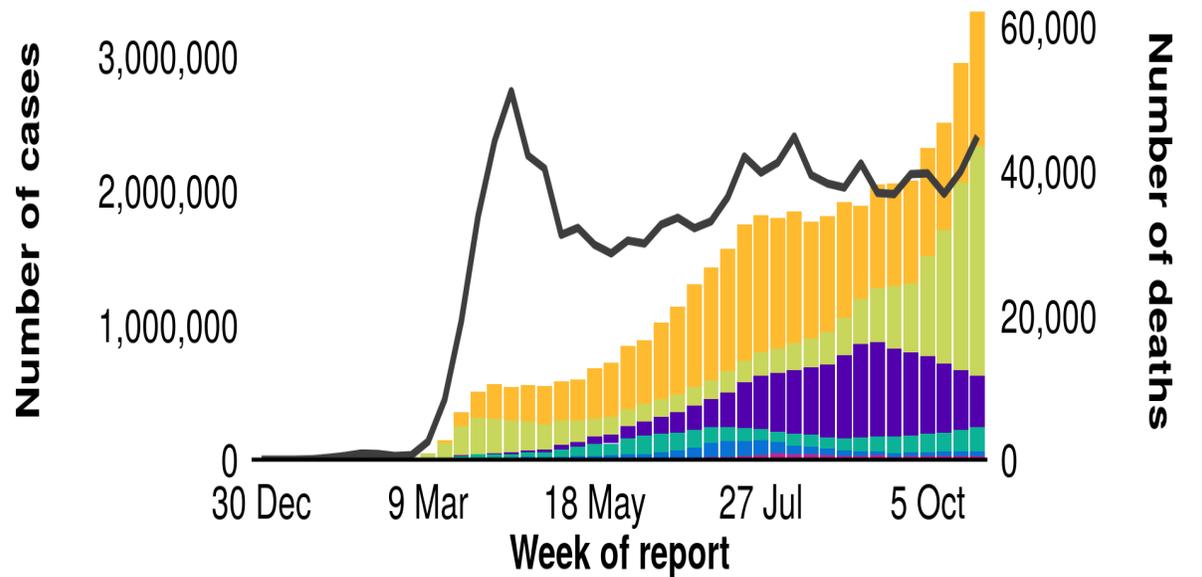
(7-day moving average)



Sources: Johns Hopkins University COVID Tracker and IMF staff calculations.

# COVID-19 Global Update

Number of confirmed COVID-19 cases and deaths by WHO Region (Data as of 1<sup>st</sup> Nov 2020)



\* Data are incomplete for the current week. Cases depicted by bars; deaths depicted by line.

## Total Cases Globally reported as of 1 Nov 2020

- A total of **44,166,182** confirmed cases
- 3,329,514 cases reported in previous 7 days

## Total deaths Globally reported as of 1 Nov 2020

- **1,196,362** deaths
- 44,784 deaths reported in previous 7 days

## Cases in WHO African Region as of 1 Nov 2020

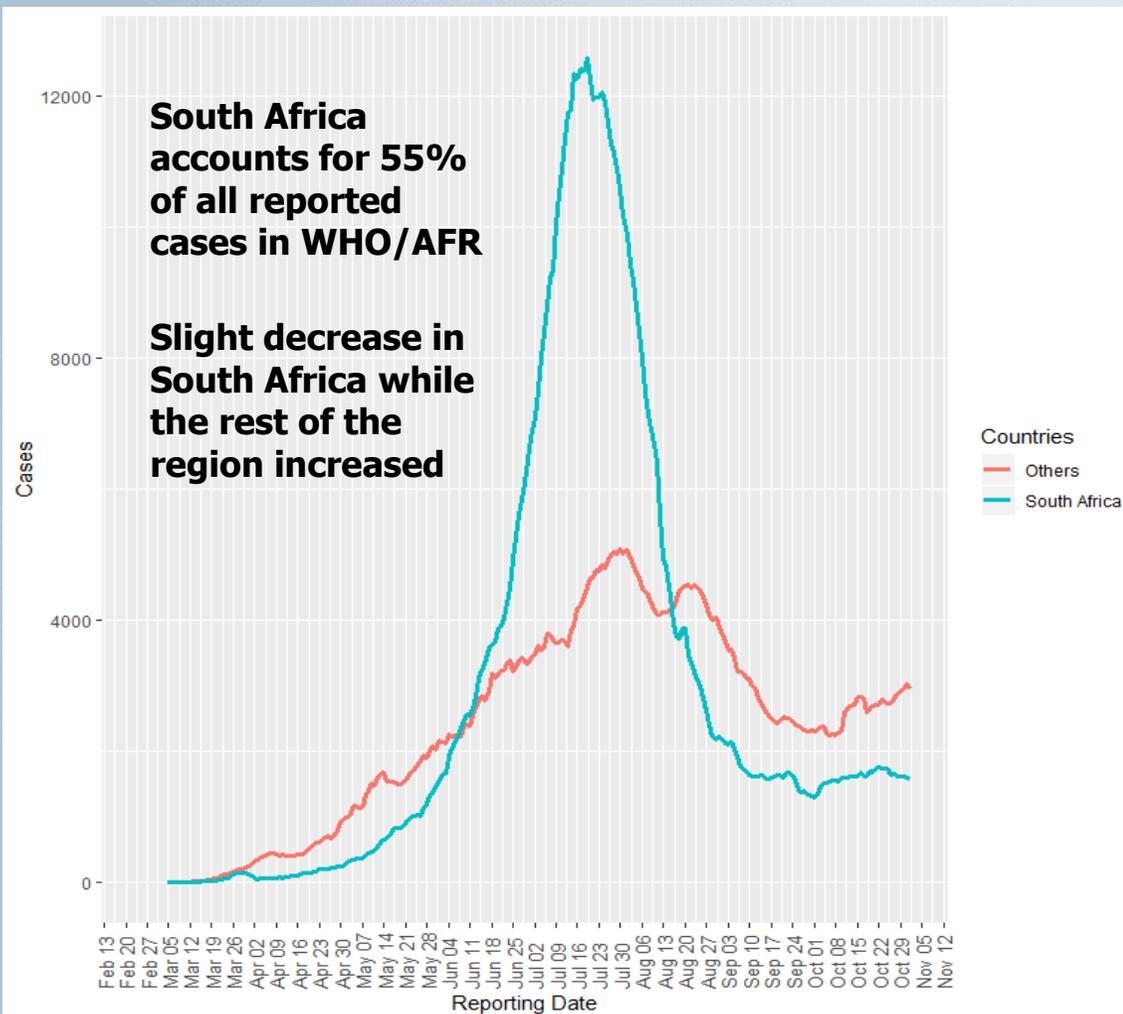
- A total of **1,324,258** confirmed cases
- 32,943 cases reported in previous 7 days

## Deaths in WHO African Region as of 11 Oct 2020

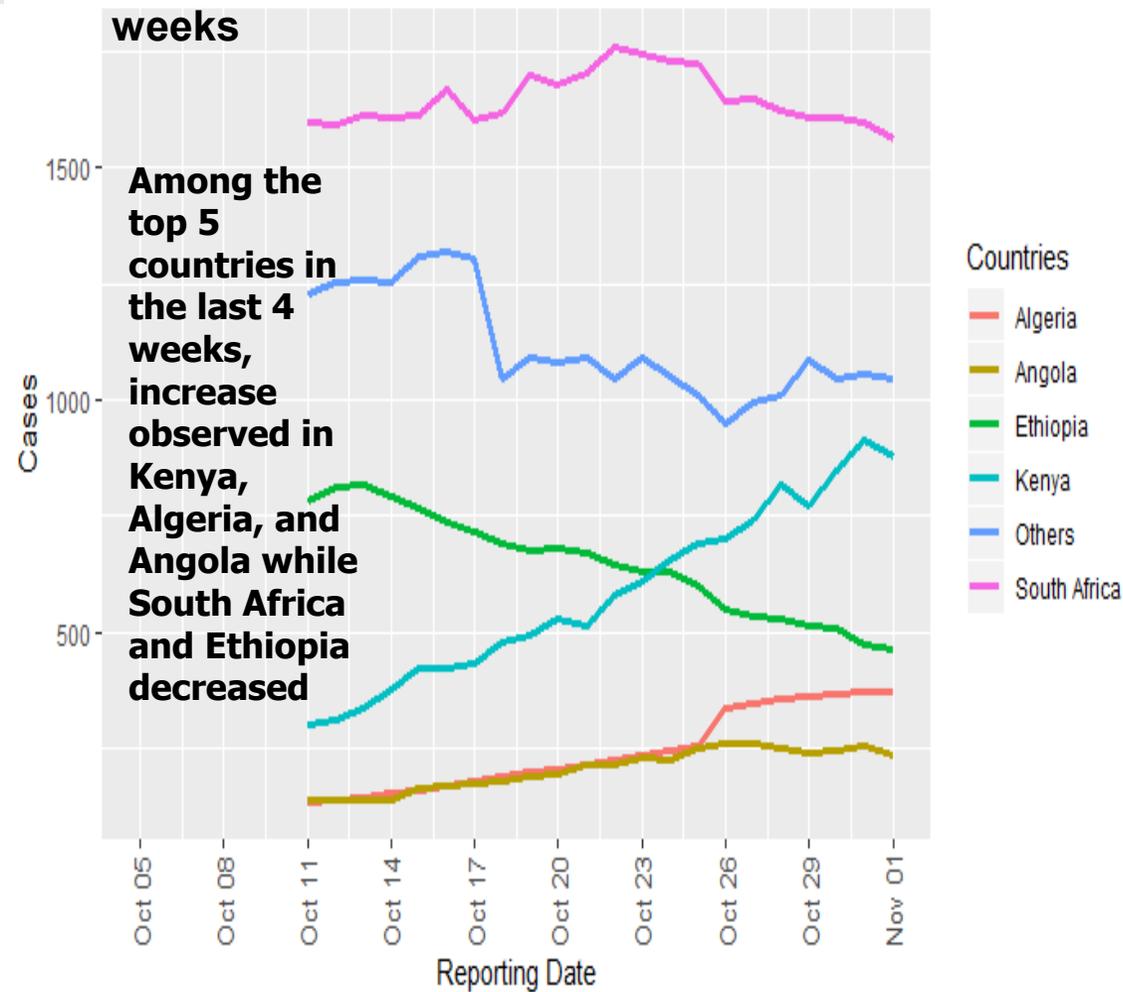
- **29,785** deaths
- 640 deaths reported in previous 7 days

# COVID-19: WHO Africa Region

Daily reported COVID-19 Cases in South Africa and rest of WHO/AFR countries



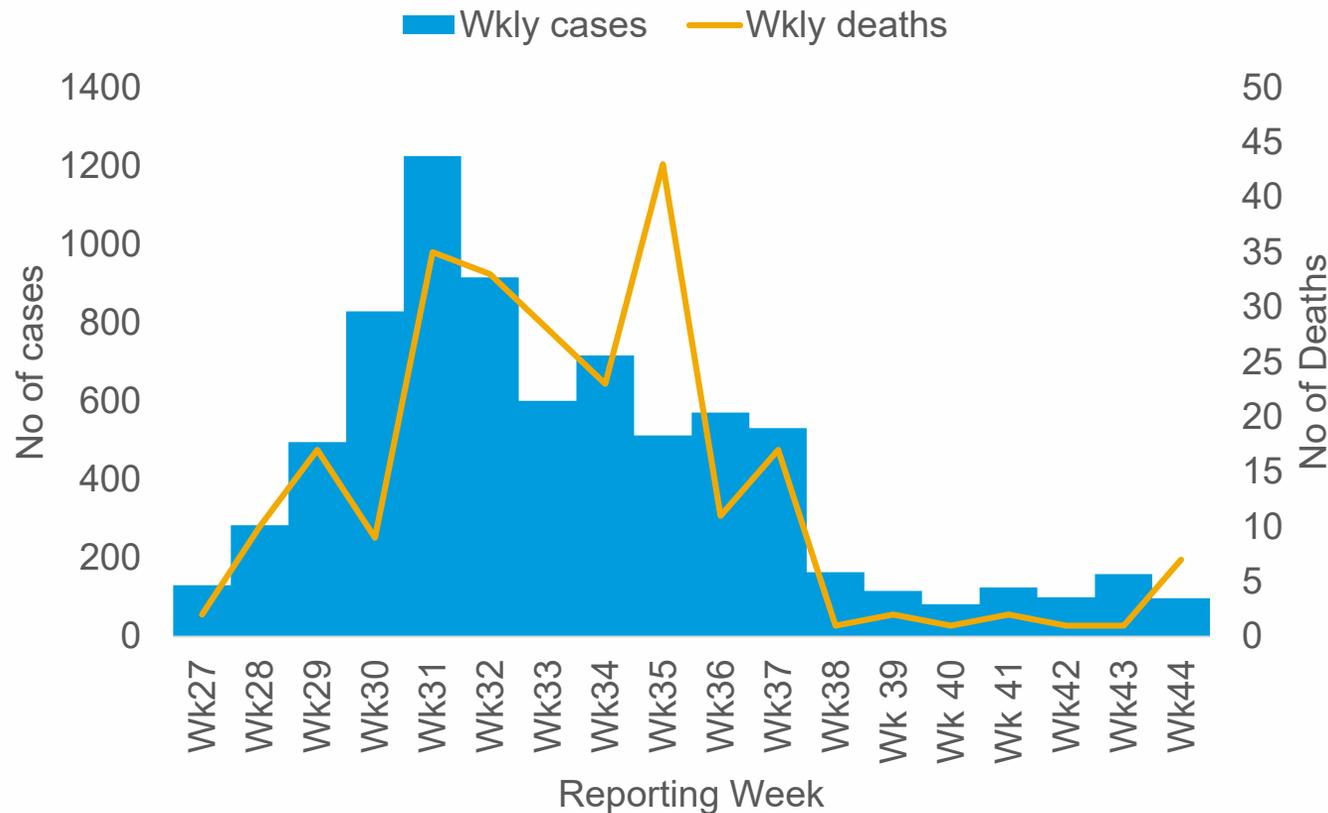
Daily reported COVID-19 Cases 5 highest burden countries and rest of WHO/AFR last 4 weeks



Nb: trend lines are based on 7-day moving average

# COVID-19 Situation Zimbabwe

Number of confirmed COVID-19 cases and deaths in Zimbabwe by Epidemiological Week 27-44 (July-Oct 2020\*)

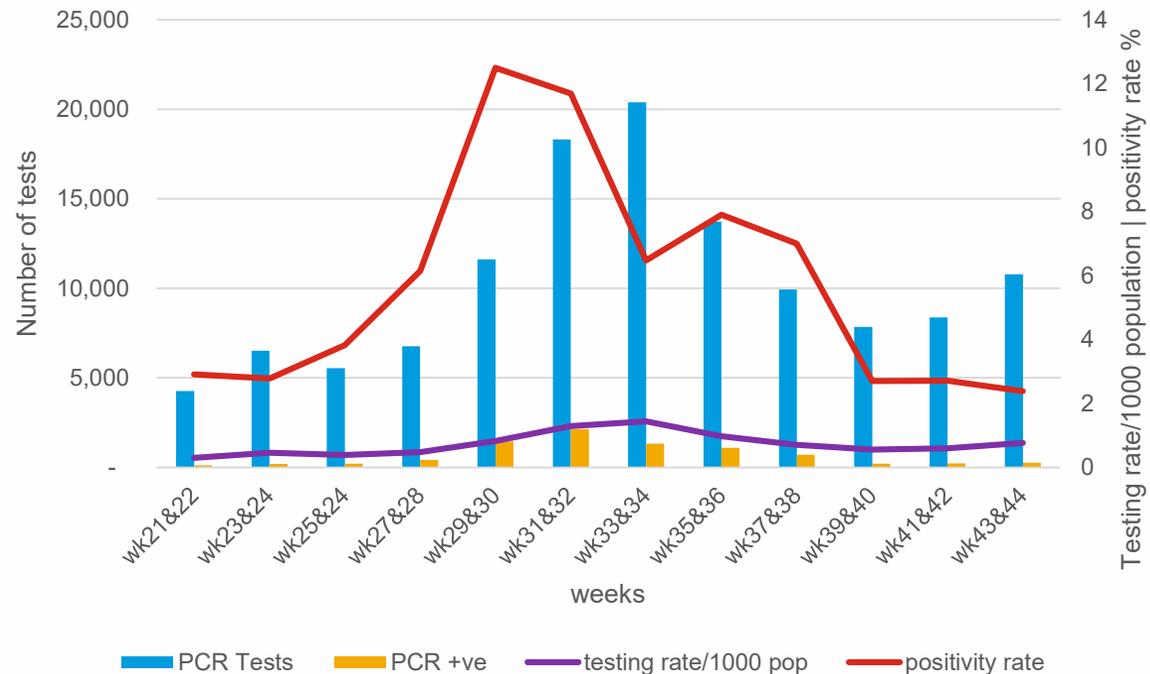


\*Data up to Epidemiological week 44 (26-31 Oct 2020)

- As of **2 Nov 2020**, Zimbabwe has a cumulative total of 8,389 confirmed cases, 7,939 recoveries (95%) and 245 deaths
- Gender: 56% of all confirmed cases female; 44% male
- Children of school going age, 5-19 years account for 6% of all reported cases
- Sharp decline in weekly reported cases from epi week 31 (26 Jul-1 Aug 2020) to epi week 38 (13-19 Sept 2020)
- Overall plateau in confirmed cases between Epi week 38 (13-19 Sept 2020) and Epi week 44 (26-31 Oct)
- Significant increase in reported COVID-19 deaths in epi week 44. 71% of deaths in epi week 44 were from Bulawayo.

# National COVID-19 response

National Trends in COVID-19 Laboratory Testing in Zimbabwe, June-Oct 2020



## Recent Developments

- Strengthening of comprehensive surveillance as all sectors of the economy continue to open up and in advance of opening of main land borders on 1<sup>st</sup> December 2020
- Risk community and community engagement to address emerging complacency
- On the job mentoring and on-the-job training for front line health workers including laboratory staff

# Impact on the Region

# COVID-19: An Extreme Exogenous Shock to the Real Economy

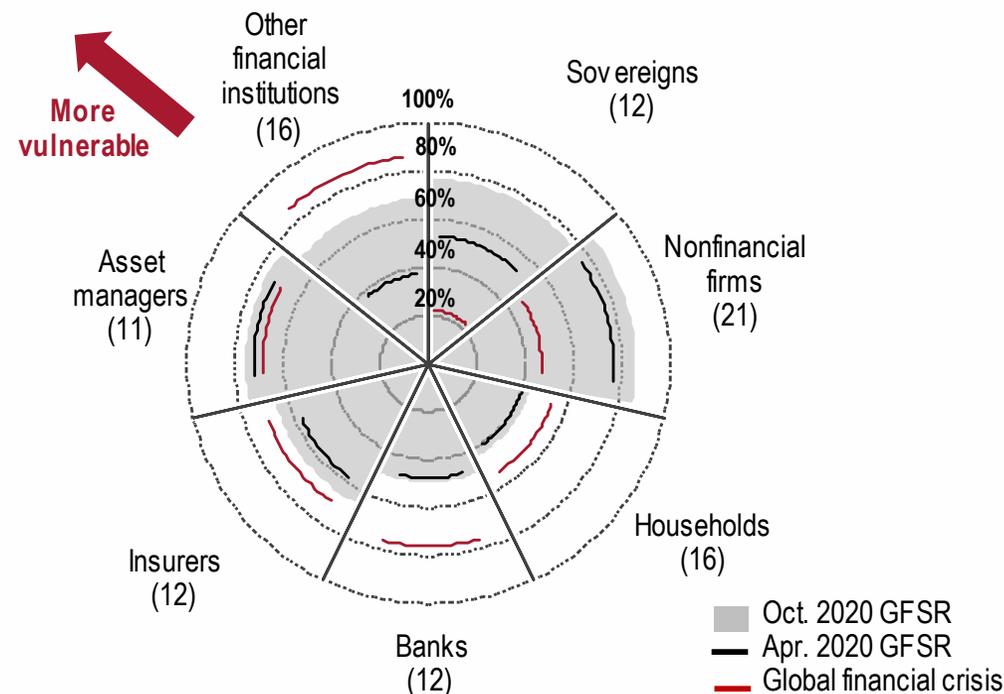
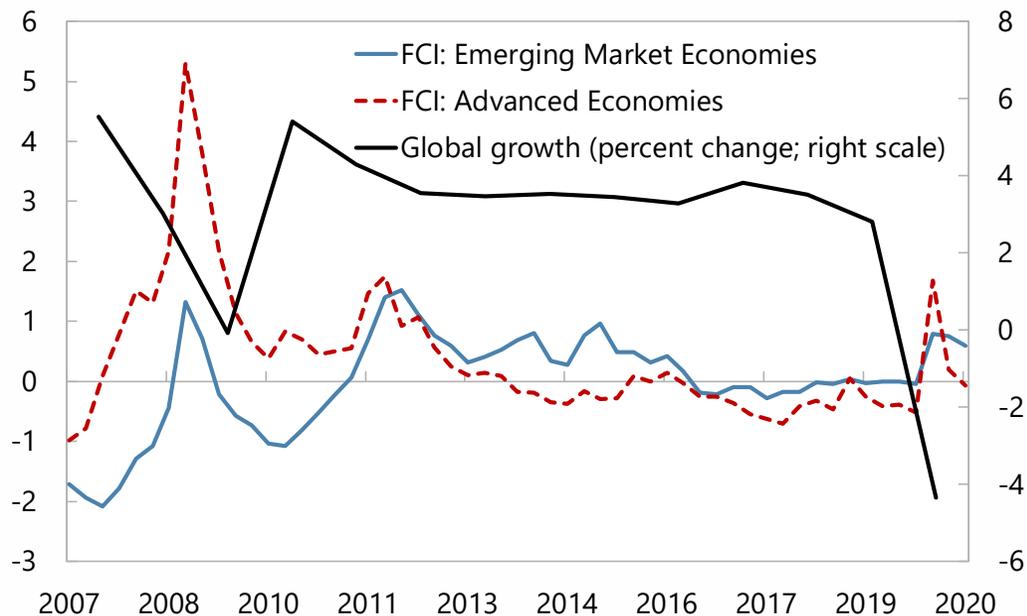
Unlike a crisis that originates in the financial system

- Unprecedented GDP contraction
- Major policy interventions limited the severity and duration of tighter financial conditions

- Hard hit to corporate and sovereign risk and some asset managers and insurers ...
- ...but most banks have so far proven resilient

## Growth and Financial Conditions

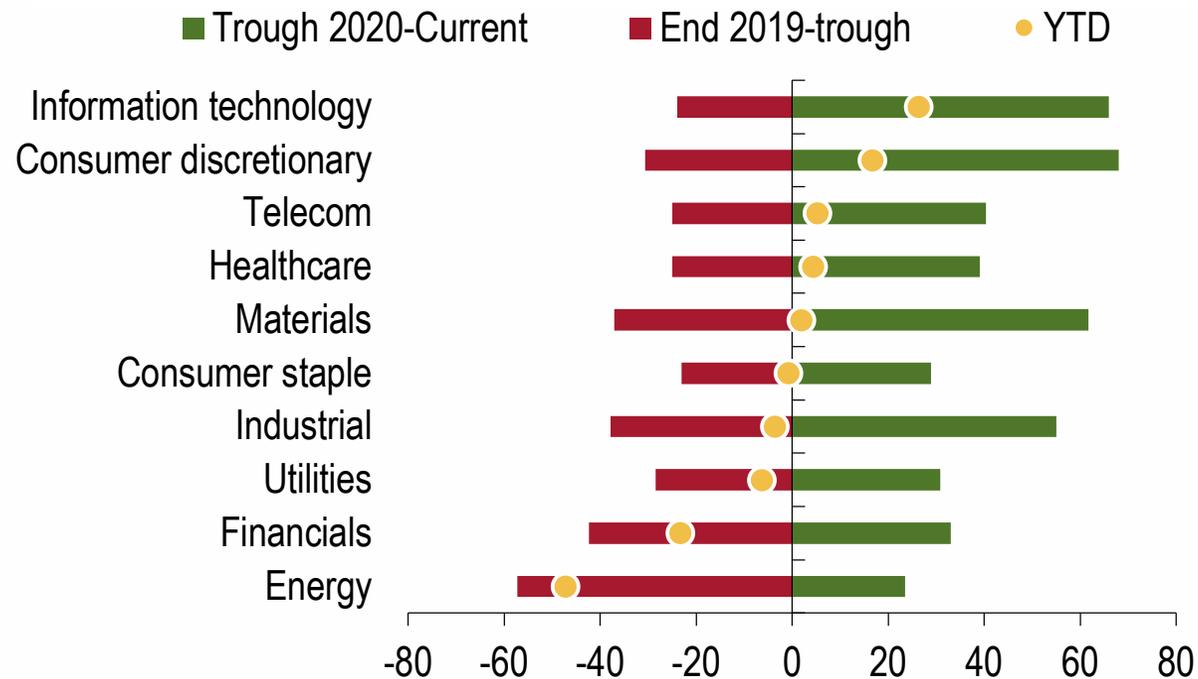
(Standard deviation from mean unless noted otherwise)



# A Shock with Significant Differentiation across Business Sectors

Noticeable Cross-Industry Differences of Impact

## Global Equity Markets: Economic Sectors (Percent)

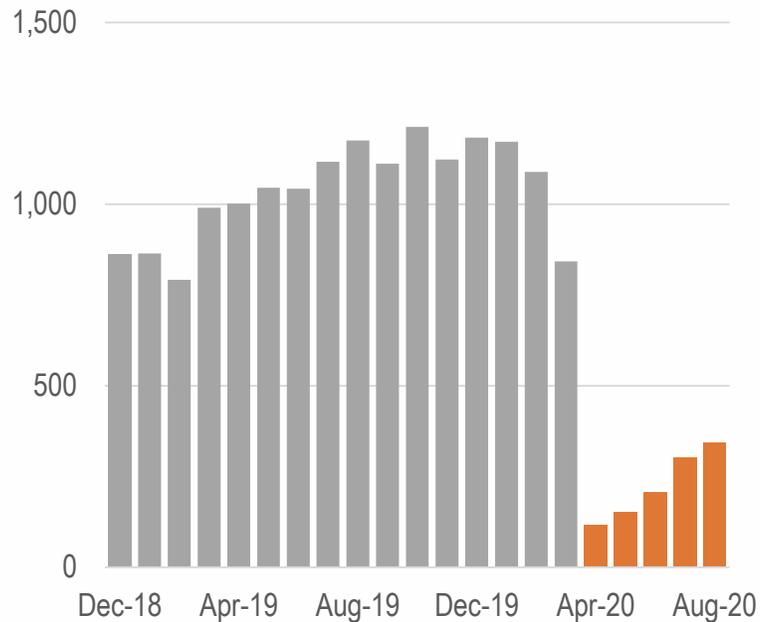


- Impact of pandemic—differs substantially across industries
- Some are doing even better after the shock (IT, consumer discretionary, telecom)
- Some are impacted more—energy, financials, utilities, and industrials

# Lockdowns weighed on travel, trade, and commodities

## Flight Arrivals in SSA

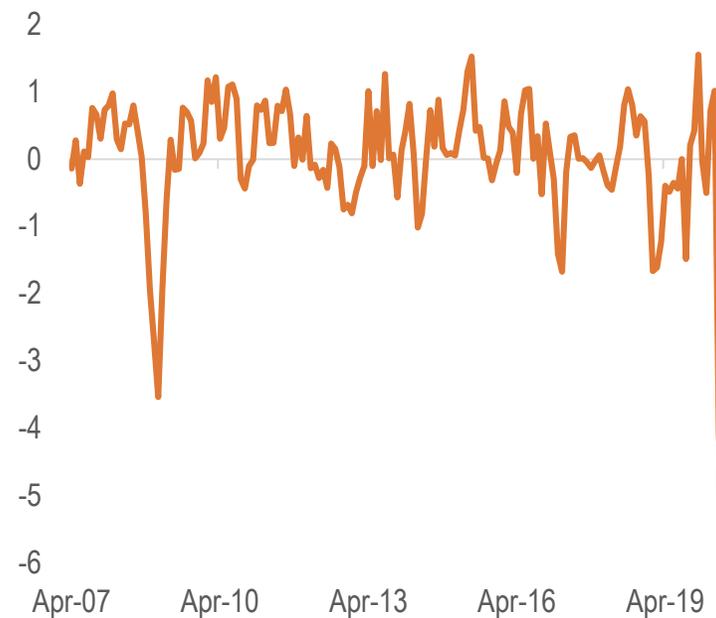
(Flights per month, mean)



Sources: FlightRadar24 and IMF staff calculations.

## Export Volumes: Africa, Middle East

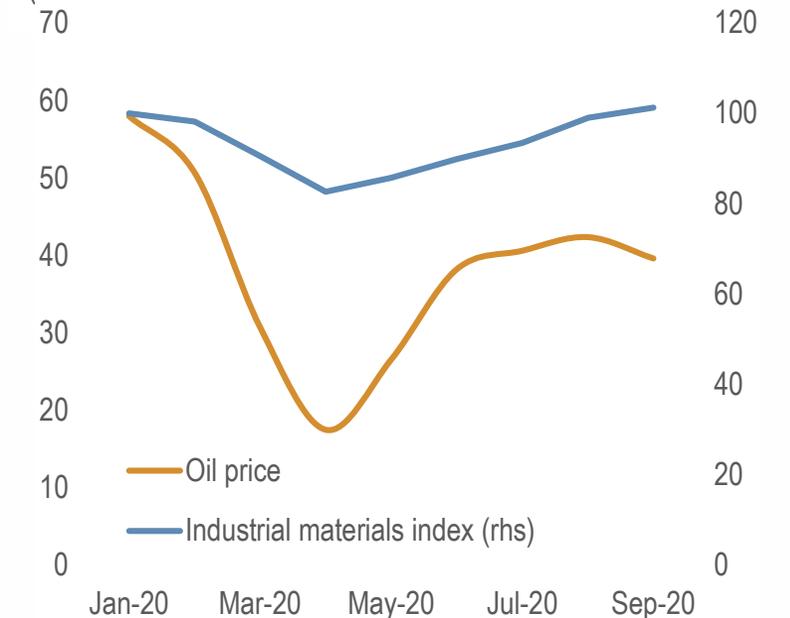
(Percent change, 3-month moving average)



Sources: CPB World Trade Monitor and IMF staff calculations.

## Oil and Non-oil Commodity Prices

(US\$) (Index, Jan. 2020=100)

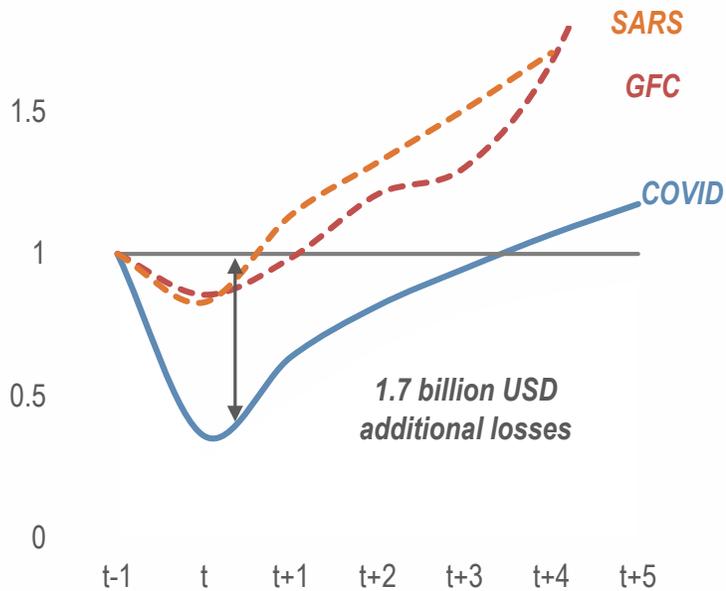


Sources: Haver Analytics and IMF staff calculations.

# ... devastating tourism-dependent countries

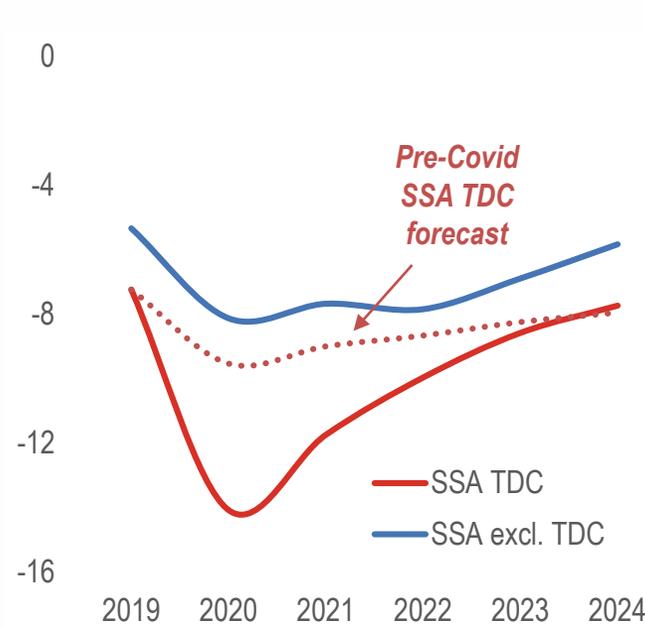
**Projected Tourism Export Receipts**

(Index)



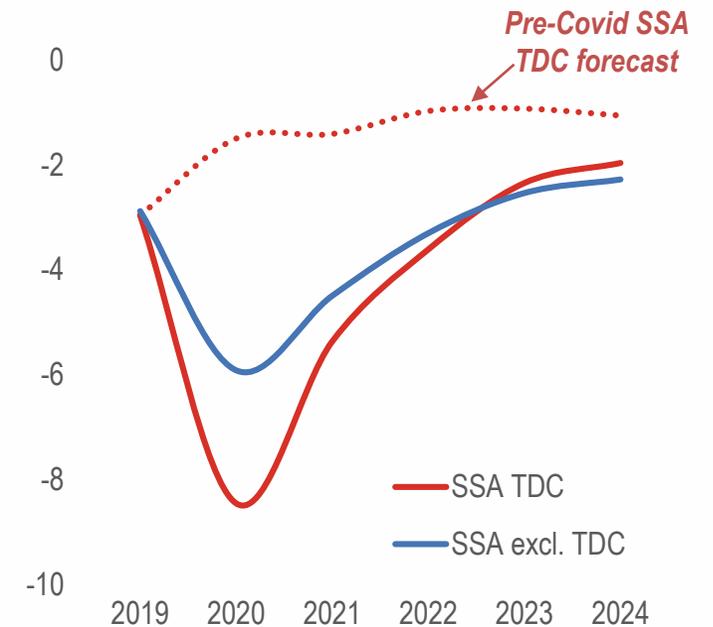
**Current Account Balances**

(Percent of GDP, mean)



**Fiscal Deficits**

(Percent of GDP, mean)



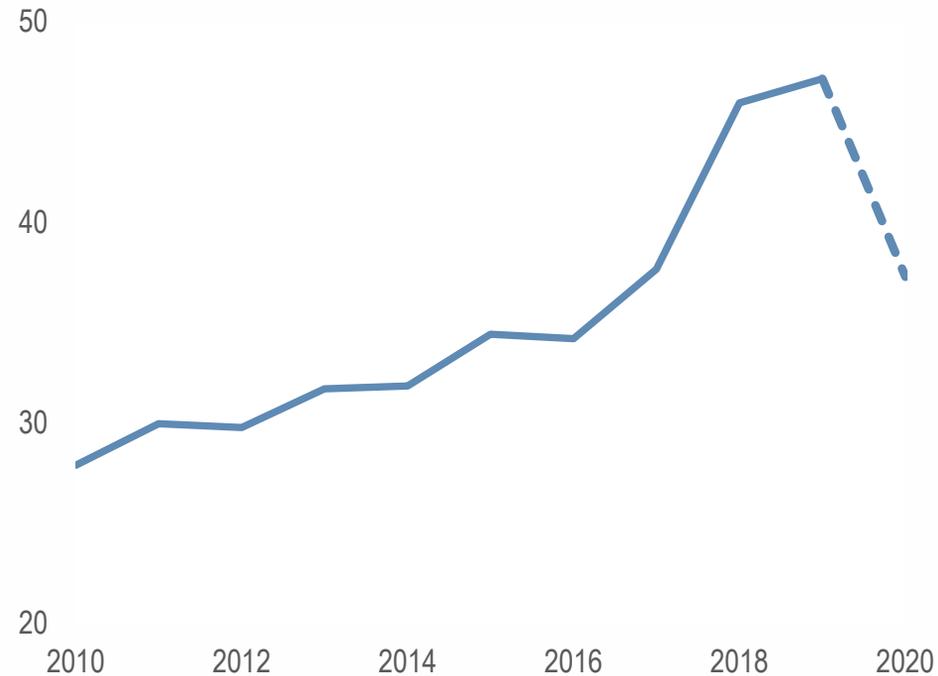
Sources: IMF, World Economic Outlook, IMF staff survey, and IMF staff calculations.

Notes: For COVID and GFC, sample of countries is Cabo Verde, The Gambia, Mauritius, São Tomé and Príncipe, and Seychelles. For SARS, sample of countries includes, Hong Kong, China, Singapore and Taiwan. "t-1" for COVID is 2019, for GFC is 2008, and for SARS is 2002. TDC includes Comoros in addition to the countries above.

# Remittances and capital inflows also affected

## Remittance Flows to SSA

(Billion US\$)



Sources: World Bank Bilateral Remittance Matrix and IMF staff calculations.

## Cumulative Portfolio Flows in SSA Frontier Markets

(Percent of GDP since the start of each episode)

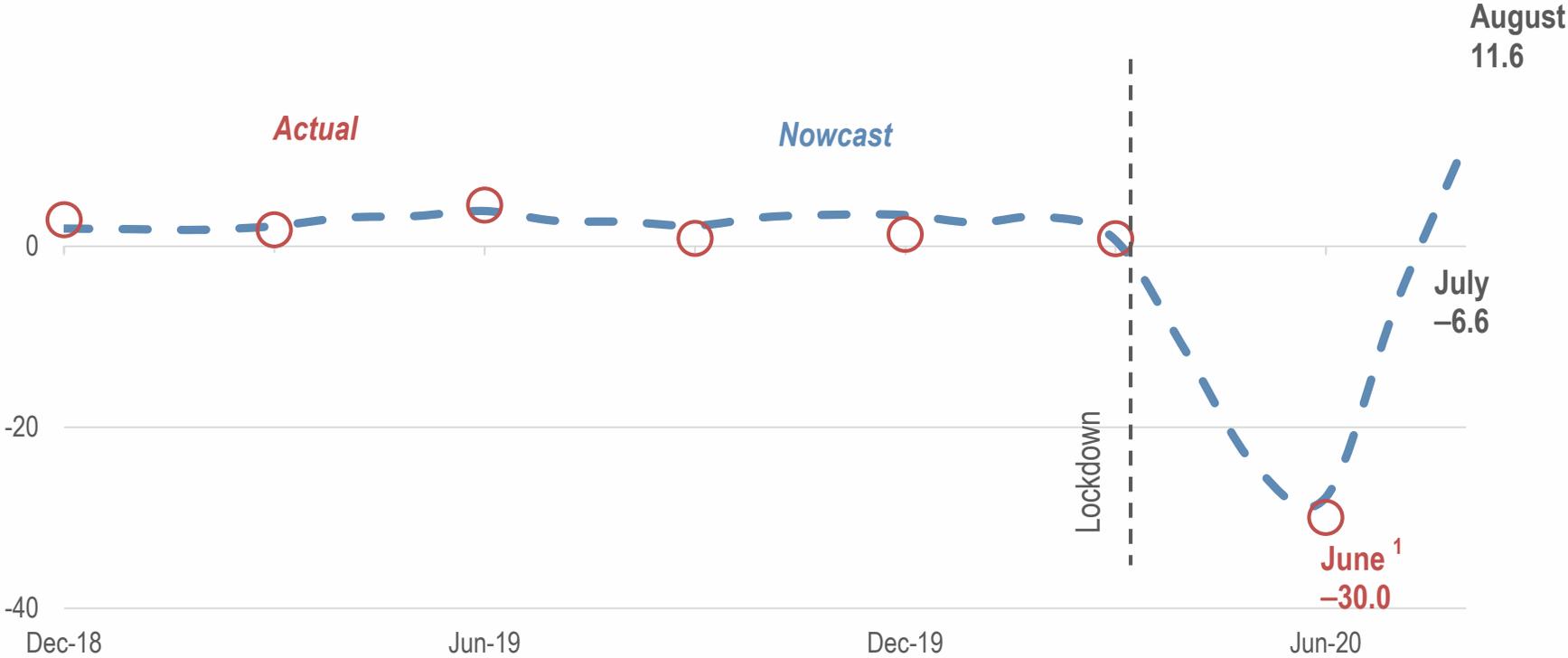


Sources: Haver Analytics, IMF, World Economic Outlook, and IMF staff calculations.

# Output seems to have bottomed out...

### Real GDP Growth, Data and Nowcasts, 2018-20

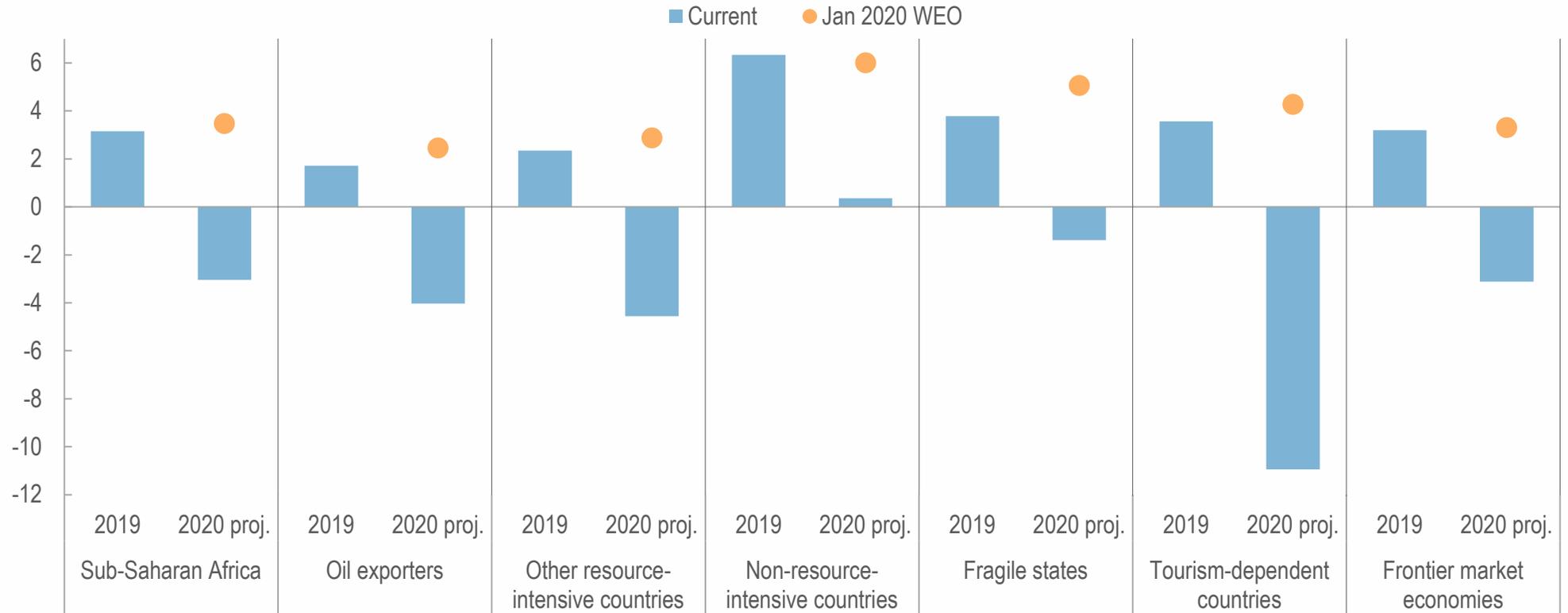
(Percent, rolling q-on-q annualized)



<sup>1</sup>Estimate  
Sources: Haver Analytics, national authorities, and IMF staff calculations.

# Output will contract by 3.0 percent in 2020

## Real GDP Growth (Percent)

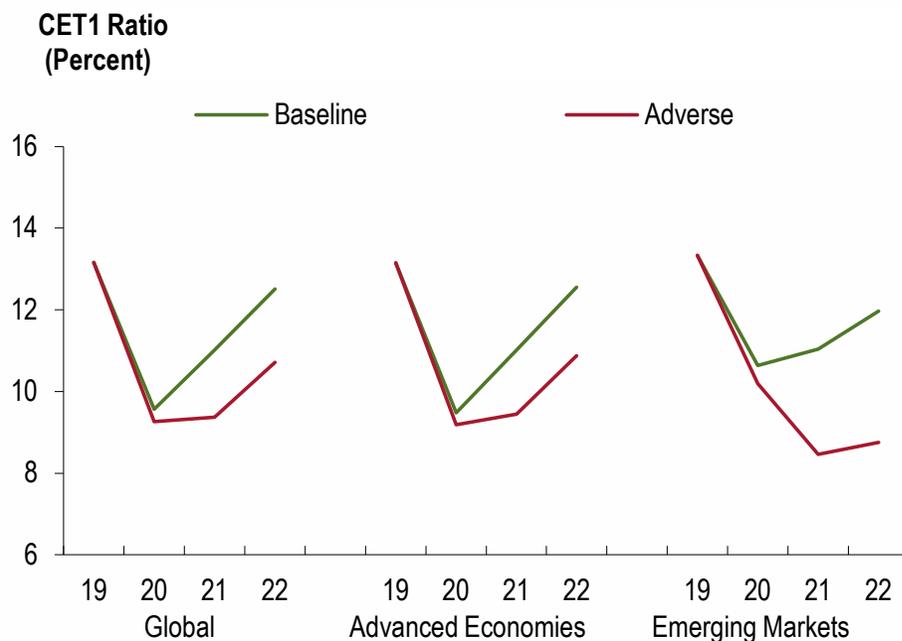


Sources: IMF, World Economic Outlook and IMF staff calculations.

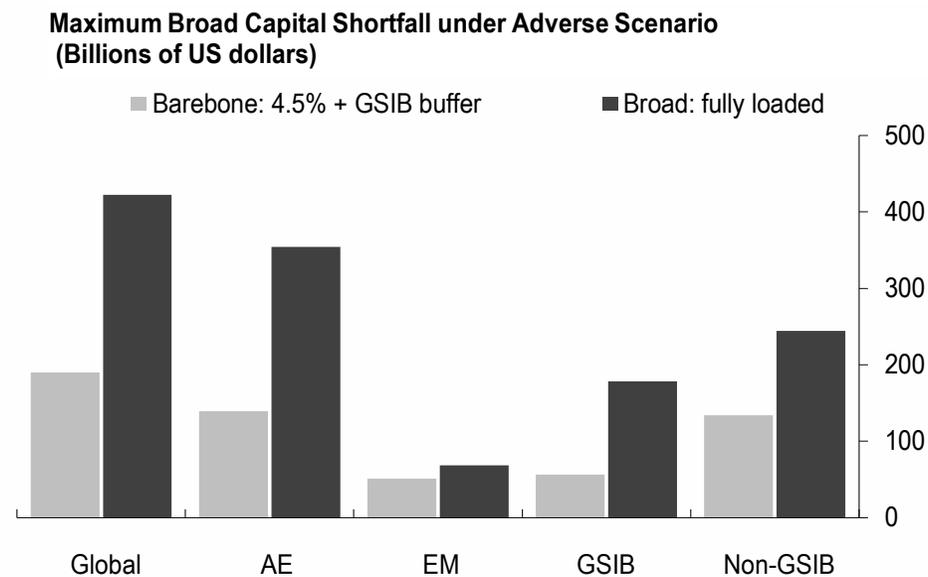
# Impact on Financial Institutions Could be Sizeable

- **Without policy support**, the Global Bank Solvency Stress Test (GST) in October GFSR shows that bank capital ratios could decline by **3.6 percentage points** in the **baseline** and **3.9 percentage points** in the **adverse** scenario.
- ...with **capital shortfalls** reaching over \$400 billion (**1.1 percent** of country **GDP** on average)

## Global Bank Solvency Stress Test Results under COVID without Bank-Specific Policy Mitigation

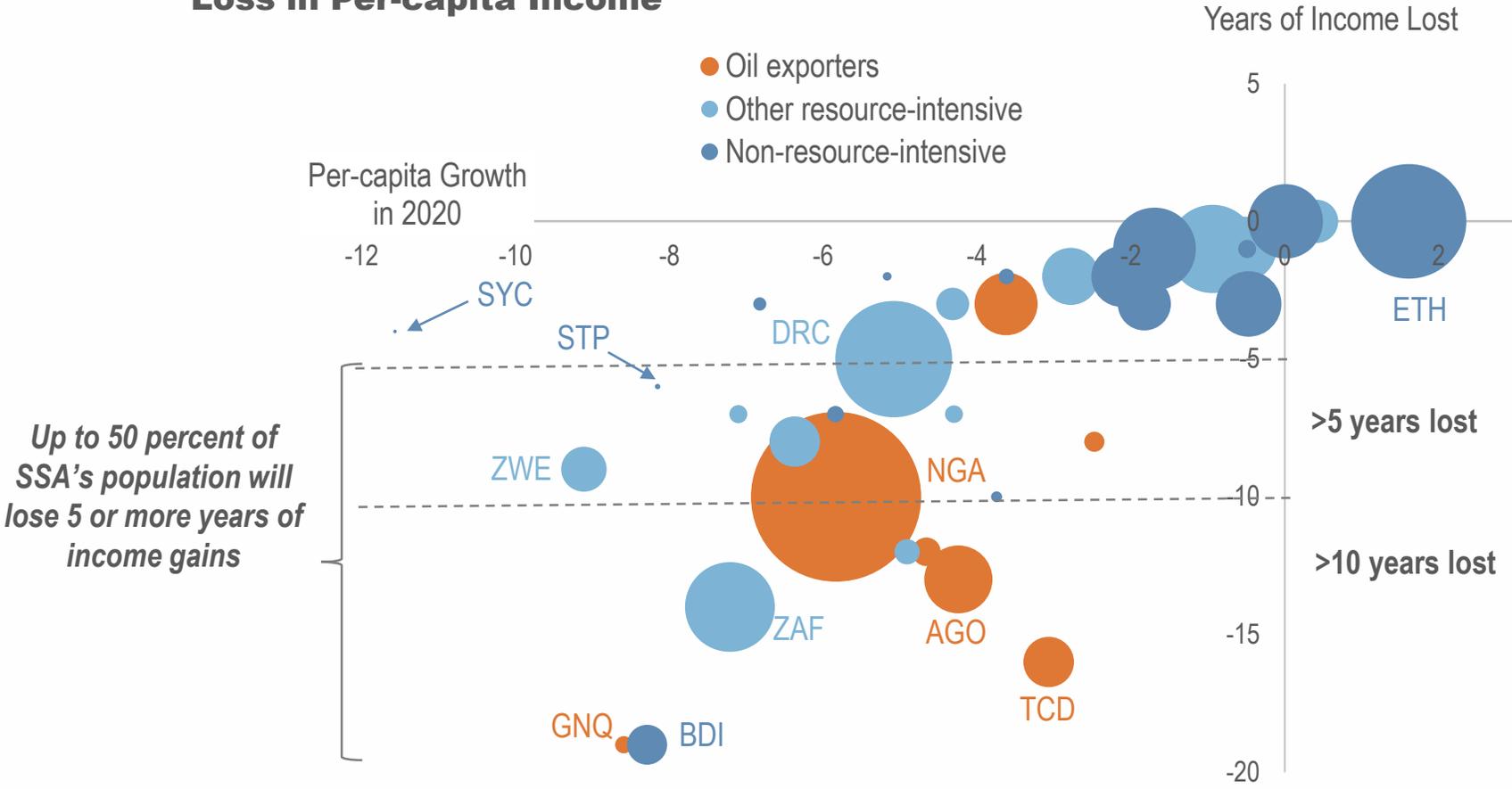


The maximum capital shortfall against a broad statutory capital requirement could reach over \$400 billion.

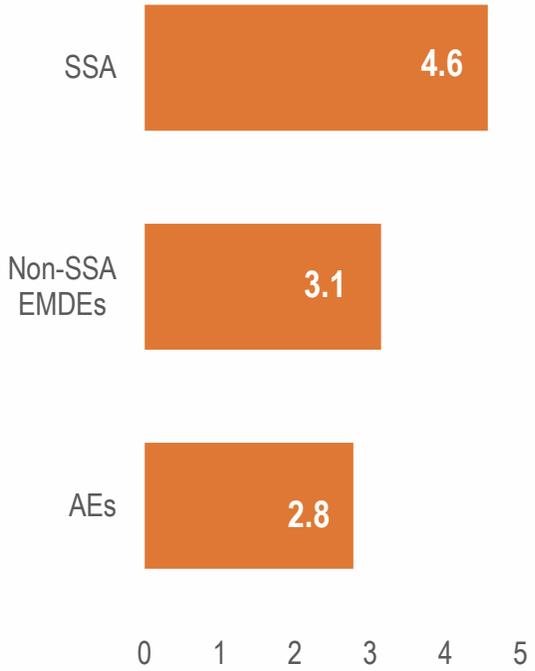


# The crisis will set back hard-won gains in income

## Loss in Per-capita Income



## Fall in Cumulative GDP Per-capita Growth, 2020–21 (Percent)



Sources: IMF, World Economic Outlook and IMF staff calculations.  
 Note: Each circle is proportional to the size of the population. The x-axis represents the number of years of per-capita income that was wiped out in 2020.

# Covid 19: Data Issues and Concerns

Genuine problems of collecting data:

- e.g. how do you collect data, carry out surveys, compile data during lock-downs

Genuine problem of interpreting data:

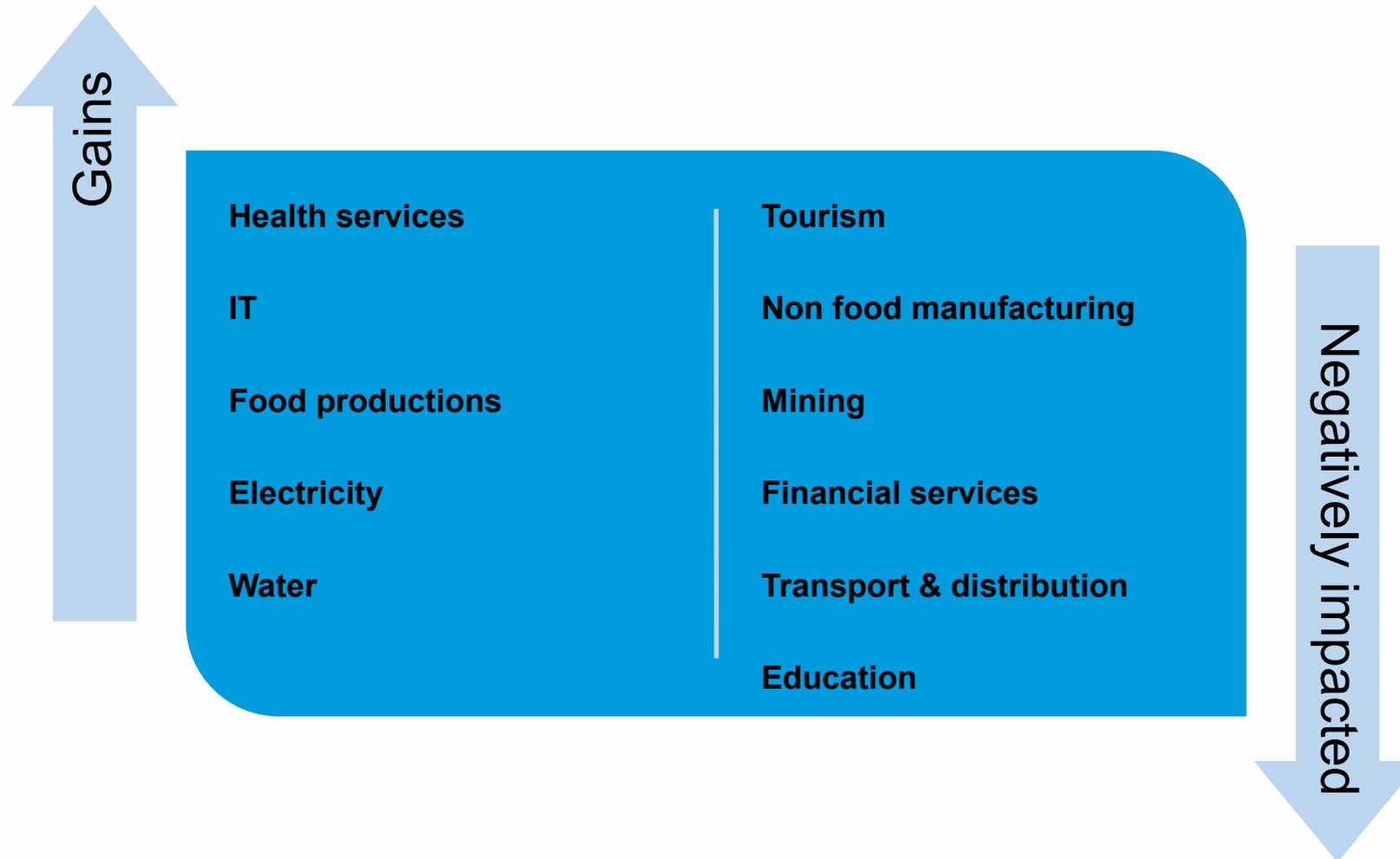
- Inflation (e.g. consumption basket has changed)
- GDP (e.g. paying teachers who don't teach—how adjust GDP?)

Some changes of how data are calculated

- Blended inflation

Data challenges make it difficult to interpret what is really happening in the economy

# COVID-19 Pandemic Impact on Zimbabwe



# Growth is heavily impacted in 2020 ...



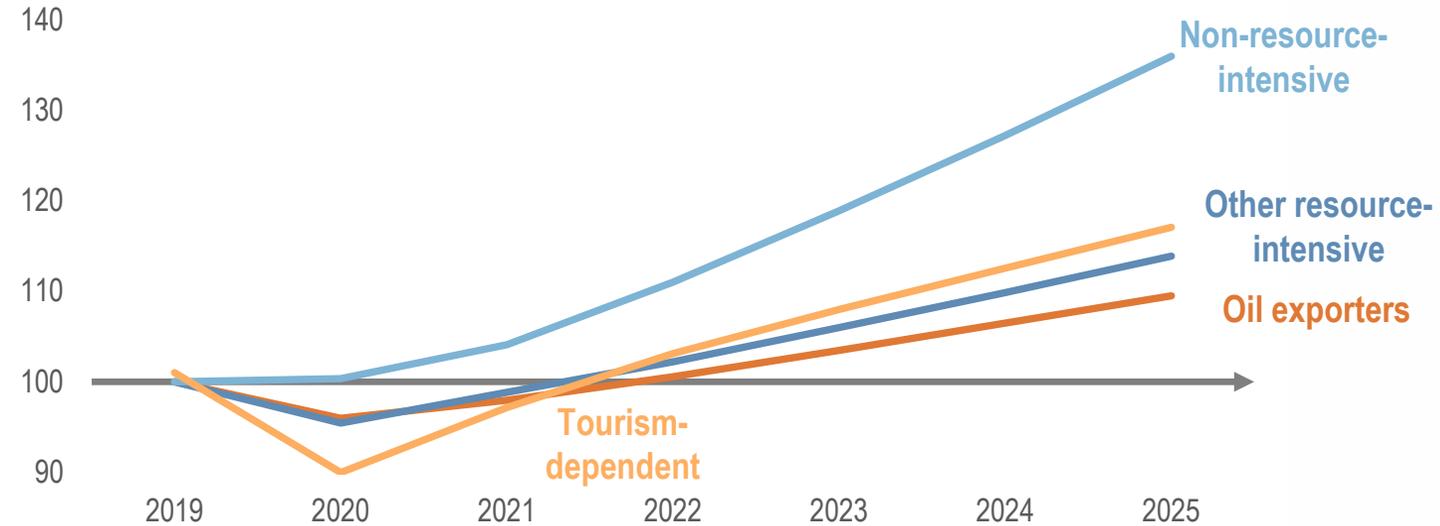
# Outlook and Policies

# Prolonged and uneven recovery to start in 2021...

## Baseline Scenario

### Real GDP

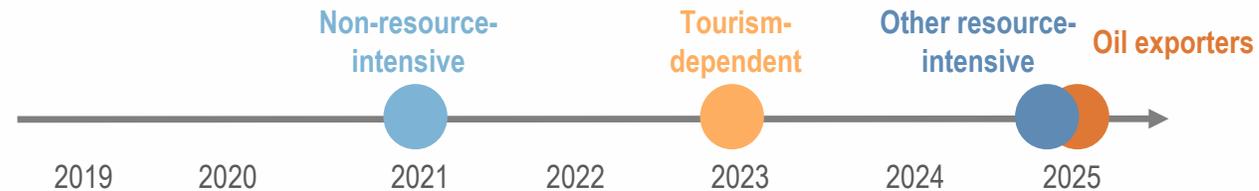
(Index, 2019=100)



## Downside Scenario

### The Length of the Recovery

(Time at which GDP returns to 2019 level)

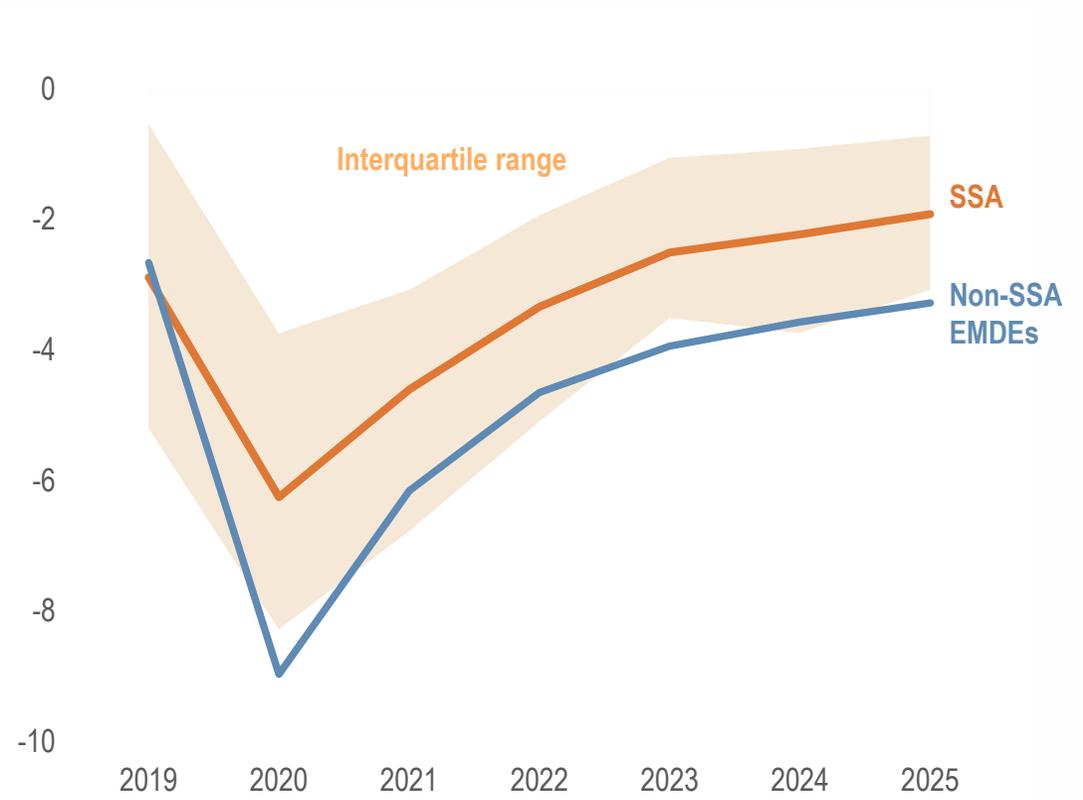


Sources: IMF, World Economic Outlook and IMF staff calculations.

# Consolidation will weigh on outlook

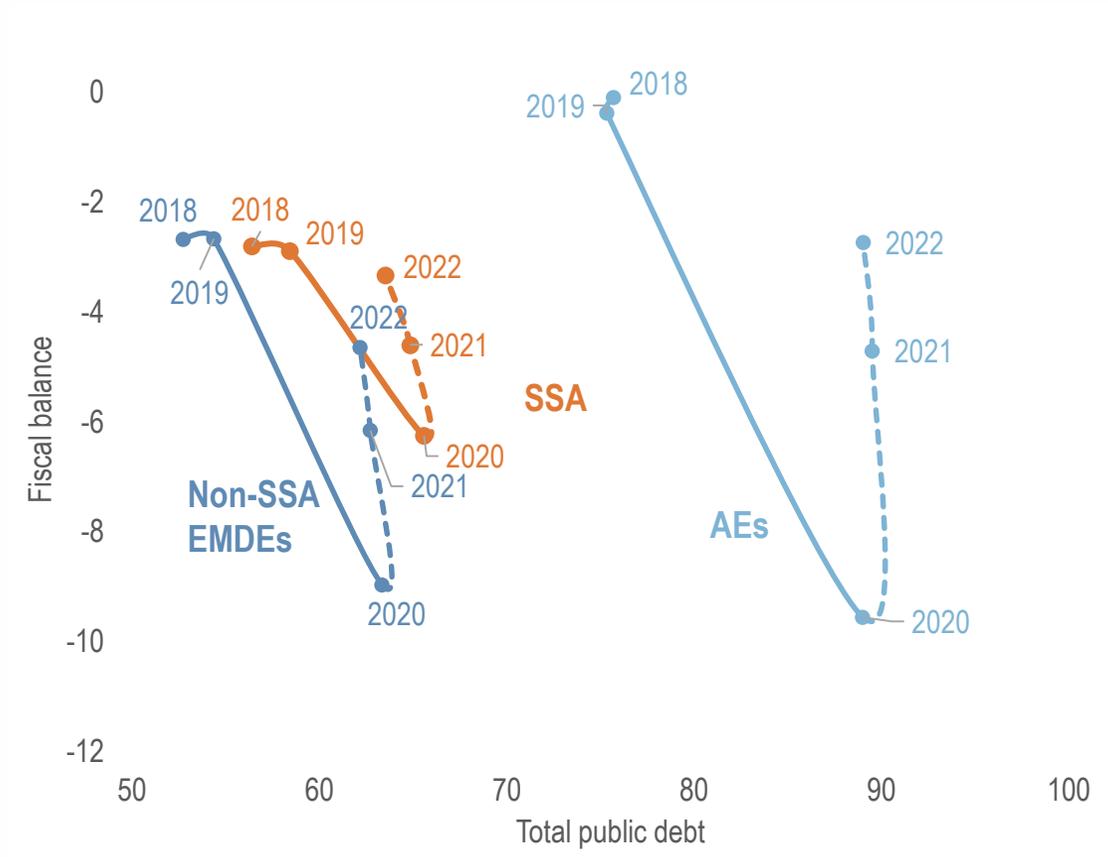
## Fiscal Deficits

(Percent of GDP, mean)



## Fiscal Balance and Public Debt, 2018–22

(Percent of GDP, mean)



Sources: IMF, World Economic Outlook and IMF staff calculations.

# Shape of recovery hinges on transformative reforms...

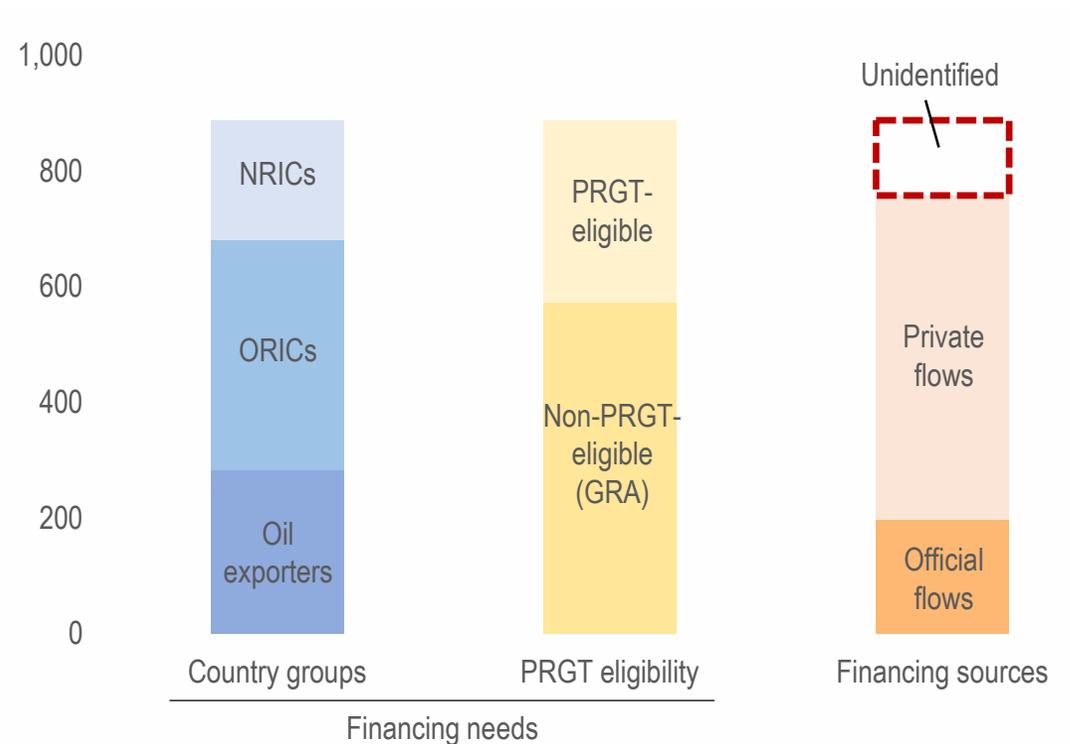
These reforms include:

- *Domestic revenue mobilization;*
- A strengthened focus on *social protection* to reverse the COVID-19 induced increase in poverty;
- Policies to promote connectivity and *digitalization;*
- Enhancing *transparency*, improving *governance*, eliminating corruption.

# ...as well as significant external financing

- The region's gross financing needs are projected at approximately **US\$900 billion** for 2020–23, of which just over **50 percent** are external debt amortization.
- The DSSI has contributed **0.3 percent** of the financing needs thus far.
- A substantial financing gap remains, estimated between **US\$130–410 billion** for 2020–23.

**External Financing Needs and Sources, 2020–23**  
(Billion US\$)



Source: IMF staff calculations.

Note: This scenario (optimistically) assumes private financial flows revert close to pre-crisis levels. NRICs = non-resource-intensive countries; ORICs = other resource-intensive countries.

# Growing commitments to better governance

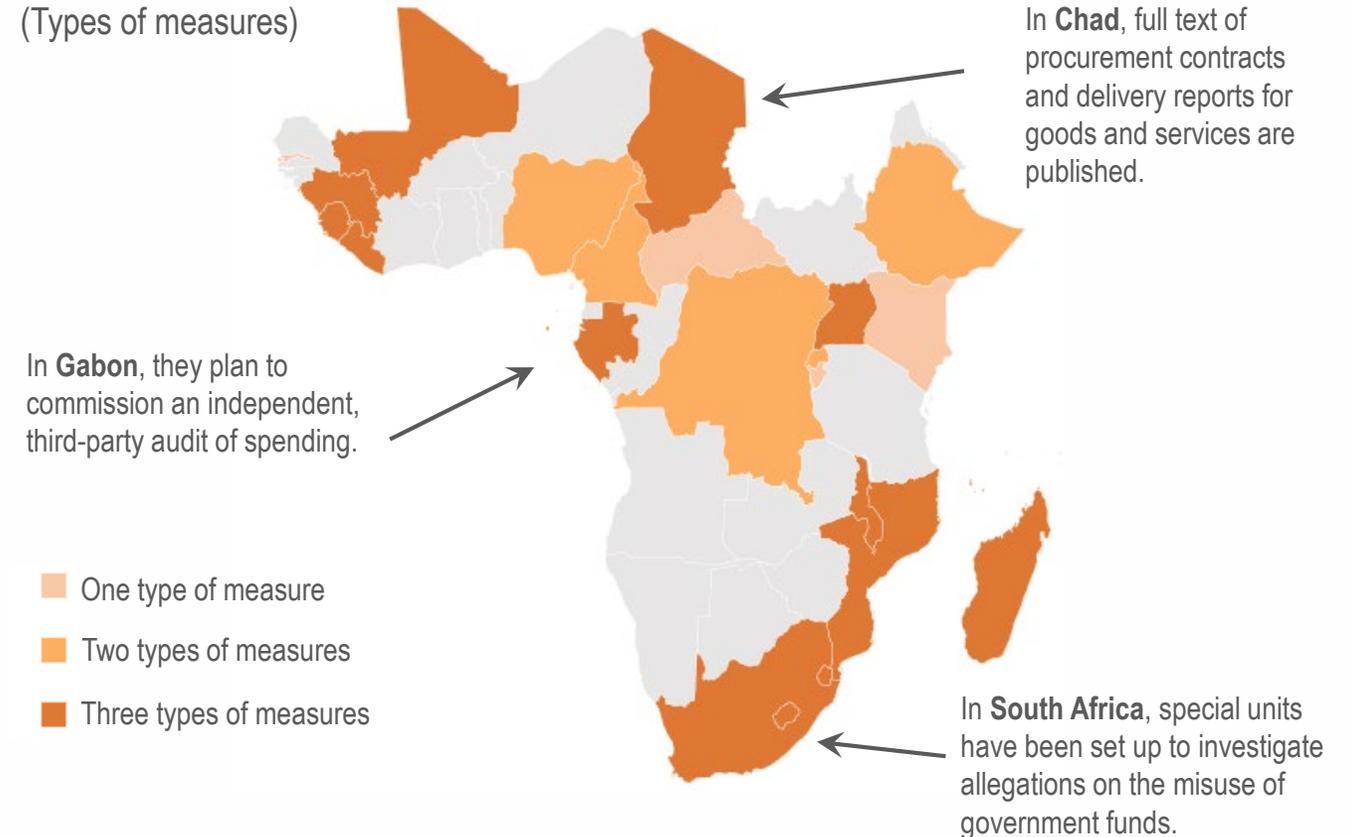
*Many countries are putting in place additional enhanced governance measures to track COVID-19 related spending:*

- Procurement publication;
- Publication of ex-post delivery reports; and
- Targeted audits of spending.

*Others have authorized special units to investigate allegations on the misuse of government funds.*

## Additional Commitments to Governance Measures under Emergency Financing

(Types of measures)



Source: IMF staff compilation.

Note: The type of measures comprise of: (i) procurement publication; (ii) publication of ex-post delivery reports; and (iii) targeted audits of spending.

# Key messages

- The *recovery* ahead remains difficult and *risks* are tilted to the downside.
- *Protecting lives and livelihoods* remains a priority...
- ...but *debt* must be brought back to sustainable levels without jeopardizing *longer-term growth*...
- ...and *transformative reforms* are urgently needed to promote a greener, inclusive, job-rich, and resilient recovery...
- ...which will be difficult without *external support*.

# How will “New Normal” Shape Zimbabwe

## EXTERNALLY/EXOGENOUS FACTORS

- When will an effective Covid-19 vaccine be available
- With 2<sup>nd</sup> and 3<sup>rd</sup> ways around the world, will there be more Covid-19 lockdowns?
- Will Covid-19 create lasting changes in behaviours?
- How will New Normal impact world trade, commodity demand, tourism, etc.?
- 2020/21 weather/rainfall patterns?

# How will “New Normal” Shape Zimbabwe (Con’t)

## ENDOGENOUS FACTORS:

- Will policies be consistent?
- How will 2021 budget look like, and how will it be financed?
- How will socio-economic environment evolve?
- How will command agriculture be financed?
- How can growth be revived and sustained?”