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Microeconomic impact of COVID-19 pandemic: The need for Epidemic preparedness and economic policy in Africa

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This paper investigates the in-depth analysis of the Microeconomic impacts of the Covid-19 pandemic in Africa and the need for epidemic preparedness and policy implementation to avert the negative impact of the recent COVID-19 pandemic given the recent lockdown and restrictions on travel and movement of goods across African countries. This review shows that many industries, manufacturing companies, and firms' activities were halted with negative input supply across different countries resulting in loss of real GDP. Individual firms and small-scale enterprises which are a crucial part of the economy, have gone to induced large losses with the reduction in local production and distribution of goods causing difficulties to make payments as well as taxes. These calls for the continuous effort of the public and private sector to unanimously contribute to the health sector and more importantly, necessary policies should be adopted in each economy to adjust the interest rate and encourage local investment to target inflation outcomes.

Keywords: Microeconomic, COVID-19, epidemic preparedness, Africa

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INTRODUCTION

The Coronavirus disease (COVID-19) pandemic was firstly reported in Wuhan, China as an infectious upper respiratory illness caused by infection with severe acute respiratory syndrome. The virus later spread across the world making it the foremost dangerous global health issue in history, projecting a high negative impact on socio-economic development. The economic effects are mainly a consequence of the varied preventive measures adopted in several countries to scale back the spread of the deadly virus. The main measures employed by most countries to scale back the spread of the virus aren't

limited to the closure of the Nation's border, the entire lockdown of economic activities among other things such as business and faculty closure.

The impact of the COVID-19 pandemic first wave has plunged economic activities around the world into an emergency recession and inflation of products rising from the closure of borders which prevented international trade and importation of raw materials of some certain products. The economic effect has been a very unpleasant phenomenon in Africa and has put Africa's economic activities into a mess with the fact

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that a lot of economies are already in a weak condition with huge debt before entering the COVID-19 crisis.

However, the adopted preventive measures have resulted in a huge number of setbacks for African economies majorly in terms of productivity and international trade across the Africa continent. According to different studies from scientists and researchers, it's been observed that majority of these preventive measures has greatly affected the income and consumption pattern of many households. Subsequently, both private and public agencies have presented a forecast estimate of economic loss which may result from the implementation of those measures.

For instance, the International air transportation Association (IATA) forecast up to US\$113 billion loss of revenue, and therefore the United Nations Economic Commission for Africa (UNECA) forecast an estimate of about US\$65 billion as loss in revenue among the highest 10 fuel exporting economies in Africa. The United Nation Development Program of Africa's new report: "Analyzing long-term socio-economic impacts of COVID-19 across diverse African contexts" revealed that the effect of the COVID-19 pandemic will equally have an excellent macroeconomic impact on the event of Africa countries by 2030. The study also highlighted the socioeconomic implications of the COVID-19 pandemic across Africa which incorporates independent economic, mortality changes, international financial flows, and economic processes in selected Africa countries.

Covid-19 Pandemic as an Evidence of Rising Food Inflation across Africa Countries

During the 2014 Ebola outbreak in West Africa, there was a dramatic increase in the price of goods. For example, Cassava price experience about 150% increases while rice experienced about 30% increase in price. The outbreak of the pandemic has affected the supply of goods, planting of farm produce, and the production of certain commodities in the

manufacturing sector. These resulted in the hoarding of goods which triggered the prices as a result of demand greater than supply. In addition, the reduction in the importation of basic food and raw materials has further increased inflation and negatively affect businesses, households, and consumers alike.

Microeconomic Impacts of Covid-19 Pandemic on Consumer Behavior

The consumer's behavior in many countries was at some point alarmist with a lot of emergency buying of food and sanitary products. In the private sector, consumer behavior is also changing has difficulties to easy access to consumer goods has forced consumers to change their consumption pattern with more focus to scale on preference. Spash 2020, also argued that the technological use of modern products brought about by rapid innovation and individual consumerism is also likely to affect the linear economy model. This pandemic will also have a positive impact on Research & Development given the high likelihood that recession will cause companies to take short-term views, and cancel long and medium-term

Policy Responses to Minimize the Impact of COVID-19 in Africa

While the threat of potential recession in Africa is vivid mainly through the international trade links, only a few countries have the capacity to implement stimulus packages to cushion their economies from such an impending COVID-19 global recession. Efforts during this regard are recorded within the literature (see Ozili and Arun, 2020) these do cover all the countries that are badly hit by the infections. Most of the adopted measures include reduction of interest rates and also the provision of liquidity assistance to relieve households and firms from the pandemic impact. For countries with better and adequate economic policies, they also need to increase their social protection expenditure to effectively assist the poorest households during the lockdowns.

For instance, African nation has put aside about US\$ 160 million to cushion vulnerable businesses, about US\$ 8.4 billion for the unemployment insurance fund, tax subsidies for a minimum of 75,000 small and medium enterprises with a turnover of but US\$2.7 million, among other relevant fiscal and monetary policies⁶ Senegal has established a Euro 2.1 million response and solidarity fund “Force COVID-19” yet as a Euro 97.6 million contingency conceive to cushion herself from the impacts of COVID-19.⁷ Furthermore, Egypt, Tunisia and Morocco are set to inject US\$6.4 billion, US\$0.9 billion and US\$ 1 billion respectively into their economies as a part of their economic stimulus packages for enhancing liquidity during COVID-19.

CONCLUSION

African countries should re-examine their respective fiscal and economic-policy priorities, to enhance health and social support systems, particularly in countries that have failed to implement critical health related lockdowns due to a lack of social policy safeguards for both rural and urban populations. In the longer-term, Africa will need to build productive capacities to address underlying economic vulnerabilities and enhance continental capabilities to manage crises.

RECOMMENDATION

We see that micro, small, and medium enterprises are becoming the squeeze within the face of COVID-19 and associated business restrictions. It’s recommend that the authorities of Africa countries offer liquidity

interventions to support firms in addressing immediate liquidity challenges, reduce layoffs, and avoid firm closures and bankruptcies so as to release additional cash for businesses, the government can also consider the following: (i) Tax rate reduction (ii) Reducing taxable income (iii) Offering tax credits (iv) Offering tax refunds. (v) In addition, there should be payment of all the outstanding arrears against supplies made to government. Use of technology for access to credit should even be escalated during this crisis. for instance, mobile money and other e-platforms can simplify application processes and reduce turnaround times of MSME loans.

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