

Press Statement

16 March 2020

About us

The Consumer Unity and Trust Society (CUTS) International, Lusaka is an NGO that was established in 2000 to function as a center for research, advocacy and networking on issues of trade and development, economic governance and consumer welfare.

The mission of the center is to function as a resource, co-ordination, as well as networking center, to promote South-South cooperation on trade and development by involving state and non-state actors (NSAs).

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THANK YOU!

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The Economic Implications of Covid-19

Since its origin in Wuhan, China, at the end of last year, the Covid-19 outbreak has rapidly spread across the globe and has been declared a global health emergency by WHO. While there are no confirmed cases of the Covid-19 in Zambia, Zambia has been identified as a high-risk country by WHO due to its strong ties with China. On Saturday, 14 March, the Minister of Health released a statement on Covid-19 on additional preventive and control measures. While the Covid-19 is indeed a severe health risk, it is also having an economic impact on a number of economies.

A drop in output was observed in China following the shutting down of a number of factories and delays in resuming of business operations after the Chinese New Year. China's Manufacturing Purchasing Manager's Index (PMI), a critical production index, fell by about 22 points in February implying a reduction in exports of about 2 percent on an annualized basis. This decline in output is having a negative effect on economies around the world given the importance of China within the global economy. According to UNCTAD, "even if the outbreak of Covid-19 is contained mostly within China the fact that Chinese suppliers are critical for many companies around the world implies that any disruption in China will be also felt outside China's borders."

Commodity exporters such as Zambia are already beginning to face a drop in demand. In recent weeks we have seen copper prices decline: at the start of the year, prices traded above USD 6300 per tonne, however this has since dropped to USD 5483 as of March amidst the news of the virus. China is a top destination for Zambia's exports (USD 5.07 billion as of 2018) and the longer the virus limits Chinese economic growth, the worse the picture is like Zambia which is currently experiencing a slowdown in economic growth and whose copper exports to China are central to its stability. According to a market intelligence firm Wood Mackenzie, if quarantine measures imposed by Chinese authorities in several cities in key copper refining regions are implemented to curb the spread of the disease, this could wipe up to one month's worth of domestic copper demand, or about one million tonnes.

Additionally, commodity importers who travel to China are facing difficulties. There are a number of traders that travel to China to buy various goods for resale in Zambia and their livelihoods are also being affected. This has spillover effects onto the consumers who are dependent on these imports. The implications of Covid-19 are extending to the global tourism industry as well. China is currently the biggest source of outbound tourists in the world and last year Zambia expressed interest in expanding tourism cooperation with China. Globally the UNWTO had initially projected a positive growth of 3 percent to 4 percent for 2020 but has since revised its prospects for international tourist arrivals to a negative growth of between one percent and three percent, translating into an estimated loss of US\$ 30 to 50 billion in international tourism receipts. Since the outbreak various countries have implemented travel bans resulting in a reduction in the movements of tourists and the cancellation of meetings and conferences.

The virus is disrupting markets and supply chains and overall has the potential to stagnate the economic growth of affected countries and the world at large. The full extent of the impact will depend on much the virus extends, but also on how proactive governments are in their response. We commend the steps that the Government has been implementing at the borders however we urge it to continue to ensure close monitoring of the situation and undertake a public sensitization campaign to ensure that everyone is aware of the steps they need to take to minimize contraction of the disease. We also encourage the public to pay attention to health measures that will protect them and their families.

By Chenai Mukumba, Director and Aquila Ng'onga, Research Assistant