Coping with the Post-COVID-19 Economic Recession

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Food and Agriculture Organization of the United Nations

May 11th, 2020
First phase of COVID-19 Containment
The basic channels of transmission

1. Logistics – health and lockdown
2. Macro policies
3. Health policies - lockdown
4. Trade policies
5. Economic recession

Global stocks of food staples

Wheat
Corn
Rice
Sugar
Barley
Coffee
Butter
Cheese
Palm Oil
Soy Oil
Poultry
Pork

Source: U.S. Dept. of Agriculture
Then and now: food export restrictions during two crisis

Kazakhstan plans to abolish wheat, flour export quotas in June

As a share of global trade (calories)*

<table>
<thead>
<tr>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>30%</td>
<td>10</td>
<td>33</td>
</tr>
<tr>
<td>25%</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>20%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Number of countries applying export restrictions

- Covid-19[2020]: 10
- FoodPriceCrisis[2008]: 33

Note: * global trade is defined on non-intra EU trade flows, and for unprocessed food products and excluding sugar.

Source: Laborde (2020), IFPRI
Second phase

Consequences
Latest World Economic Outlook growth projections

(percent change)

**World**
- 2019 Estimate: 2.9%
- 2020 Projections: -3.0%
- 2021 Projections: 5.8%

(real GDP growth, percent change)

**United States**
- 2019: 2.3%
- 2020: -5.9%
- 2021: 4.7%

**Euro Area**
- 2019: 1.2%
- 2020: -7.5%
- 2021: 4.7%

**Middle East and Central Asia**
- 2019: 1.2%
- 2020: -2.8%
- 2021: 4.0%

**Emerging and Developing Asia**
- 2019: 5.5%
- 2020: 1.0%
- 2021: 8.5%

**Latin America and the Caribbean**
- 2019: 0.1%
- 2020: -5.2%
- 2021: 3.4%

**Sub-Saharan Africa**
- 2019: 3.1%
- 2020: -1.6%
- 2021: 4.1%

**Source:** IMF, World Economic Outlook, April 2020.

**Note:** Order of bars for each group indicates (left to right): 2019, 2020 projections, and 2021 projections.
Real GDP Growth
Annual percent change

Source: IMF - Outlook
## Jobs at risk

<table>
<thead>
<tr>
<th>Food Systems</th>
<th>JOBS</th>
<th>LIVELIHOOD</th>
<th>Jobs at risk</th>
<th>Livelihoods at risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Production</td>
<td>761.77</td>
<td>2,023.80</td>
<td>152.35</td>
<td>404.76</td>
</tr>
<tr>
<td>Food Processing</td>
<td>200.73</td>
<td>484.54</td>
<td>120.44</td>
<td>290.72</td>
</tr>
<tr>
<td>Food Services</td>
<td>168.97</td>
<td>339.44</td>
<td>101.38</td>
<td>203.66</td>
</tr>
<tr>
<td>Distribution Services</td>
<td>96.34</td>
<td>241.48</td>
<td>57.81</td>
<td>144.89</td>
</tr>
<tr>
<td>Transportation Services</td>
<td>41.61</td>
<td>101.05</td>
<td>16.64</td>
<td>40.42</td>
</tr>
<tr>
<td>Machinery</td>
<td>6.51</td>
<td>13.18</td>
<td>1.72</td>
<td>3.48</td>
</tr>
<tr>
<td>Inputs</td>
<td>4.89</td>
<td>11.06</td>
<td>1.29</td>
<td>2.92</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>0.13</td>
<td>0.29</td>
<td>0.02</td>
<td>0.03</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,280.93</td>
<td>3,214.84</td>
<td>451.64</td>
<td>1,090.89</td>
</tr>
</tbody>
</table>

% of total  
- Jobs at risk: 35.28%  
- Livelihoods at risk: 33.93%

**Source:**  
* Based on extrapolation from ILO  
Elaborated: FAO/IFPRI
FIGURE 2 | Rising undernourishment in net food-importing countries, as a result of the three hypothetical GDP growth reduction scenarios (millions of people)

Source: Authors’ own elaboration, based on the methodology, data and analysis described in Conti, Cafiero and Sánchez (2020) (see https://doi.org/10.4060/ca8815en).
Countries Requiring External Assistance for Food in Africa
March 2020

Data source: FAO GIEWS

Disclaimer: The designations employed and the presentation of material in the maps do not imply the expression of any opinion whatsoever on the part of FAO concerning the legal or constitutional status of any country, territory or sea area, or concerning the delimitation of frontiers.
Highest Valued Exports
## Top African agricultural imports and exports

<table>
<thead>
<tr>
<th>Top importer of African agricultural products</th>
<th>Share of African agricultural exports (%)</th>
<th>Top agricultural exporter to Africa</th>
<th>Share of African agricultural imports (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Netherlands</td>
<td>8.58</td>
<td>Brazil</td>
<td>9.24</td>
</tr>
<tr>
<td>France</td>
<td>6.98</td>
<td>Russian Federation</td>
<td>7.04</td>
</tr>
<tr>
<td>Spain</td>
<td>5.66</td>
<td>Argentina</td>
<td>5.87</td>
</tr>
<tr>
<td>United States</td>
<td>5.28</td>
<td>France</td>
<td>5.77</td>
</tr>
<tr>
<td>Germany</td>
<td>4.65</td>
<td>India</td>
<td>4.77</td>
</tr>
<tr>
<td>China</td>
<td>4.49</td>
<td>United States</td>
<td>4.39</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>4.38</td>
<td>Indonesia</td>
<td>4.19</td>
</tr>
<tr>
<td>India</td>
<td>3.96</td>
<td>China</td>
<td>3.73</td>
</tr>
<tr>
<td>Italy</td>
<td>3.52</td>
<td>Malaysia</td>
<td>3.44</td>
</tr>
<tr>
<td>Belgium</td>
<td>3.26</td>
<td>Ukraine</td>
<td>3.33</td>
</tr>
</tbody>
</table>

Source: COMTRADE (2019) and authors’ calculations.
<table>
<thead>
<tr>
<th>Country</th>
<th>Tourism (% GDP)</th>
<th>External Debt (% GDP)</th>
<th>Reserves (no of months of imports)</th>
<th>Estimated Fall in GDP (%)</th>
<th>Financial Assistance Needed (million USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maldives</td>
<td>56</td>
<td>48</td>
<td>2</td>
<td>17%</td>
<td>1,150</td>
</tr>
<tr>
<td>Seychelles</td>
<td>66</td>
<td>198</td>
<td>3</td>
<td>16%</td>
<td>153</td>
</tr>
<tr>
<td>St. Kitts and Nevis</td>
<td>63</td>
<td>20</td>
<td>6</td>
<td>16%</td>
<td>92</td>
</tr>
<tr>
<td>Grenada</td>
<td>56</td>
<td>59</td>
<td>4</td>
<td>14%</td>
<td>137</td>
</tr>
<tr>
<td>Vanuatu</td>
<td>48</td>
<td>46</td>
<td>10</td>
<td>12%</td>
<td>81</td>
</tr>
<tr>
<td>Cabo Verde</td>
<td>46</td>
<td>89</td>
<td>5</td>
<td>12%</td>
<td>131</td>
</tr>
<tr>
<td>St. Vincent and the Grenadines</td>
<td>46</td>
<td>38</td>
<td>4</td>
<td>12%</td>
<td>60</td>
</tr>
<tr>
<td>Antigua and Barbuda</td>
<td>45</td>
<td>34</td>
<td>3</td>
<td>11%</td>
<td>243</td>
</tr>
<tr>
<td>St. Lucia</td>
<td>43</td>
<td>35</td>
<td>3</td>
<td>11%</td>
<td>250</td>
</tr>
<tr>
<td>Palau</td>
<td>43</td>
<td>31</td>
<td>na</td>
<td>11%</td>
<td>31</td>
</tr>
<tr>
<td>Bahamas, The</td>
<td>40</td>
<td>194</td>
<td>3</td>
<td>10%</td>
<td>846</td>
</tr>
<tr>
<td>Fiji</td>
<td>40</td>
<td>17</td>
<td>3</td>
<td>10%</td>
<td>343</td>
</tr>
<tr>
<td>Dominica</td>
<td>38</td>
<td>55</td>
<td>5</td>
<td>10%</td>
<td>28</td>
</tr>
<tr>
<td>Barbados</td>
<td>36</td>
<td>29</td>
<td>3</td>
<td>9%</td>
<td>369</td>
</tr>
<tr>
<td>Jamaica</td>
<td>35</td>
<td>108</td>
<td>5</td>
<td>9%</td>
<td>775</td>
</tr>
<tr>
<td>TOTAL SIDS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5,523</td>
</tr>
</tbody>
</table>

<table>
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<th>Financial Assistance Needed (million USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sao Tome and Principe</td>
<td>27</td>
<td>59</td>
<td>3</td>
<td>7%</td>
<td>25</td>
</tr>
<tr>
<td>Mauritius</td>
<td>24</td>
<td>72</td>
<td>5</td>
<td>6%</td>
<td>540</td>
</tr>
<tr>
<td>Samoa</td>
<td>23</td>
<td>51</td>
<td>4</td>
<td>6%</td>
<td>48</td>
</tr>
<tr>
<td>Tonga</td>
<td>21</td>
<td>41</td>
<td>8</td>
<td>5%</td>
<td>12</td>
</tr>
<tr>
<td>Kiribati</td>
<td>19</td>
<td>8</td>
<td>na</td>
<td>5%</td>
<td>1</td>
</tr>
<tr>
<td>Solomon Islands</td>
<td>13</td>
<td>29</td>
<td>9</td>
<td>3%</td>
<td>23</td>
</tr>
<tr>
<td>Comoros</td>
<td>10</td>
<td>17</td>
<td>7</td>
<td>3%</td>
<td>19</td>
</tr>
<tr>
<td>Marshall Islands</td>
<td>9</td>
<td>82</td>
<td>na</td>
<td>2%</td>
<td>5</td>
</tr>
<tr>
<td>Micronesia, Fed. Sts.</td>
<td>8</td>
<td>29</td>
<td>5</td>
<td>2%</td>
<td>6</td>
</tr>
<tr>
<td>Trinidad and Tobago</td>
<td>8</td>
<td>30</td>
<td>9</td>
<td>2%</td>
<td>135</td>
</tr>
<tr>
<td>Tuvalu</td>
<td>6</td>
<td>45</td>
<td>na</td>
<td>2%</td>
<td>1</td>
</tr>
<tr>
<td>Timor-Leste</td>
<td>3</td>
<td>7</td>
<td>7</td>
<td>1%</td>
<td>20</td>
</tr>
<tr>
<td>Nauru</td>
<td>1</td>
<td>22</td>
<td>na</td>
<td>0%</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: UNCTAD based on data from UNCTADStat, WTTc, World Bank, IMF and national statistics. Aggregates figures are GDP weighted averages. SIDS are defined according to the UNCTAD classification.
Lower tourism
The collapse in tourism is hurting many Caribbean countries.

Tourism shock
Daily inbound flights to the Caribbean have diminished following border closures and travel restrictions.

Source: Flightradar24; and IMF staff calculations.
As the coronavirus pandemic worsened, commodity prices fell

Index US$ (Jan 2018 = 100)

Energy | Agriculture | Metals

Sharp fall in commodity prices
Caribbean commodity exporters are losing significant export and fiscal revenues.

Last observation is March 2020
Source: World Bank • Embed this chart

Source: IMF World Economic Outlook (WEO) database; and IMF staff calculations.
Weak demand sends oil tumbling

Brent crude ($ per barrel)

Oil-dependent economies face sharp GDP contraction

2020 forecast (GDP change, %)

Source: Refinitiv © FT

Source: IMF © FT
## Current drop in oil demand outpaces previous global recessions

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage decline in oil demand</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>-9.3</td>
</tr>
<tr>
<td>1980</td>
<td>-4.12</td>
</tr>
<tr>
<td>1981</td>
<td>-3.08</td>
</tr>
<tr>
<td>1982</td>
<td>-2.69</td>
</tr>
<tr>
<td>1974</td>
<td>-1.42</td>
</tr>
<tr>
<td>2009</td>
<td>-0.97</td>
</tr>
<tr>
<td>1975</td>
<td>-0.83</td>
</tr>
<tr>
<td>2008</td>
<td>-0.66</td>
</tr>
<tr>
<td>1983</td>
<td>-0.24</td>
</tr>
<tr>
<td>1993</td>
<td>-0.22</td>
</tr>
</tbody>
</table>

*Data for 2020 is based on IEA estimates*

Source: BP Statistical Review, IEA, and World Bank • [Embed this chart](#)
World remittance flows

$bn

Source: World Bank
© FT
Biggest recipients of remittances
% of GDP, 2019

- Tonga
- Haiti
- South Sudan
- Kyrgyz Republic
- Tajikistan
- Nepal
- Montenegro
- Honduras
- Lesotho
- El Salvador
- West Bank and Gaza
- Samoa
- Moldova

Change in remittances flows by recipient region
2020, year-on-year projection (%)

- East Asia and Pacific
- Latin America and the Caribbean
- Middle East and North Africa
- South Asia
- Sub-Saharan Africa
- Europe and central Asia

Source: World Bank © FT
What to do?

Health-food-development trilogy
Meet immediate needs of vulnerable populations: Urgent increases in food availability from smallholder farmer food production

- Provide productivity-enhancing safety nets
- Reduce post-harvest crop losses and improve food stocks along the value chain
- Remove artificial constraints to domestic trade throughout the food chain in order to link smallholder farmers to markets
- Address basic energy needs of smallholders and rural households
Disclaimer: The designations employed and the presentation of material in the maps do not imply the expression of any opinion whatsoever on the part of FAO concerning the legal or constitutional status of any country, territory or sea area, or concerning the delimitation of frontiers.
Meet immediate needs of vulnerable populations: Issues on trade and tax policies

Adjustments to trade and tax policies

- Encourage better functioning food markets through improved regional political and economic integration and better functioning for trade in food
- Immediately review trade and taxation policy options and their likely impacts
- Avoid generalized subsidies for food consumers
- Reduce restrictions on use of stocks
- Improve efficiency of trade facilitation
- Use limited strategic grain reserves
- Minimize use of export restrictions
- Reduce import tariffs and other restrictions
- Temporarily reduce VAT and other taxes
Why intra-Africa trade matters?

Achieving economies of scale and exploiting comparative advantages
- Income growth and reaching minimal size to develop industries

Trade integration among “similar” countries could generate a lot of benefits
- e.g. European Union
- Reduced institutional differences or gaps in standards (e.g. SPS).
- Generate a lot of intra-sectoral trade leading to reduced adjustment costs

Regional value chains are important to favor integration in global value chains
- Example ASEAN
- Developing regional markets is not aimed to replace global integration, just to do the right choices at the right scale

Risk pooling strategy
- Integrated markets are more resilient to risk: e.g. weather shocks, locusts etc.
- Price stabilization
Intraregional trade of agricultural products

Intra Africa trade represents 20% of the continent agricultural trade

<table>
<thead>
<tr>
<th></th>
<th>Dollars</th>
<th>Calories</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of African exports going to Africa</td>
<td>21.8%</td>
<td>42.0%</td>
</tr>
<tr>
<td>Share of African imports from Africa</td>
<td>16.4%</td>
<td>9.2%</td>
</tr>
</tbody>
</table>

African integration of agricultural products has significantly improved over the last 20 years, and is not lagging specially behind the other continents.
Intra-Africa trade has increased but remains limited. Still, it is more intensive in processed food with additional value added.

Source: Laborde and al. (2019, AATM report)
Potential large gains for the AfCFTA

Real Income:

- **+$6bn** (per year, 2024 or +0.25% welfare)

AfCFTA with tariff elimination

Real Income:

- **+$20bn** (per year, 2024 or +0.81% welfare)

AfCFTA with tariff elimination, trade facilitation and FDI

Source: Laborde and Fousseini (2019)
Africa Continental Free Trade Area (AfCFTA): Level of customs duties on intraregional imports and on all imports

Source: Authors’ elaboration using COMTRADE (2019).
Note: Intra-imp represents the intra-regional imports and All is total imports. COMESA for Common Market for Eastern and Southern Africa, SADC for Southern Africa Development Community, AMU for Arab Maghreb Union, ECCAS for Economic Community of Central African States, EAC for East African Community, ECOWAS for Economic Community of West African States.
This figure illustrates the level of average tariffs on intra-REC trade in Africa in 2015. Since that date, there has been a change in these customs duties. For example, there are no longer any customs duties on trade in goods within ECOWAS.
Africa Continental Free Trade Area (AfCFTA): Quality of infrastructure 2018

Source: Constructed by the authors using Logistics Performance Indicators (2019) and World Economic Forum (2019).
Note: (i) Logistics performance index: Quality of trade and transport-related infrastructure (1 = low to 5 = high); (ii) Quality of port infrastructure, WEF (1 = extremely underdeveloped to 7 = well developed and efficient by international standards). COMESA for Common Market for Eastern and Southern Africa, SADC for Southern Africa Development Community, AMU for Arab Maghreb Union, ECCAS for Economic Community of Central African States, EAC for East African Community, ECOWAS for Economic Community of West African States.
Africa Continental Free Trade Area (AfCFTA): Costly Non-tariff Measures (NTMs)

Share of NTMs faced by Kenya

Share of NTMs faced by Tanzania

Source: Constructed by the authors using the International Trade Center Business Surveys (2019).
Note: Data presented are the latest available year for each country (between 2010 and 2011). COMESA for Common Market for Eastern and Southern Africa, SADC for Southern Africa Development Community, AMU for Arab Maghreb Union, ECCAS for Economic Community of Central African States, EAC for East African Community, ECOWAS for Economic Community of West African States, NTM for Non-Tariff Measure.

Source: Bouet and Odjo, Africa Agriculture Trade Monitor 2019
THANK YOU