

# COVID-19 impacts and economic recovery in Kenya

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# Covid-19 and Food Security: Kenyan Context

- Agriculture - central to economy (1/3 GDP & more 1/2 of labour force).
- Households dedicate large share of disposable income to food (33% urban, and 48% rural).
- Prior to COVID-19, food poverty incidence in Kenya remained high, about 1 in every 3 individuals not able to meet the minimum daily calorific requirement of 2,250 Kcal as per their expenditures on food.
- Poverty higher in rural areas - 35.8 % below food poverty compared to 28.9 % in peri-urban areas and 24.4 per cent in core-urban.
- Tracking food security and nutritional impacts due to COVID-19 disruptions paramount.
- Government implemented a set of public spending and fiscal measures to mitigate impacts of COVID-19 on the economy and on household incomes.

# Why Impacts of COVID-19 on food security and nutrition?

- Food security - closely connected to evolution of household income during and after lockdown and capacity of food systems to produce foodstuff under constraints of social distancing along food supply chain.
- Complexity of interactions between COVID-19 lockdown impacts and government measures, makes analysis of household income and food security under the pandemic crucial.
- Nutrition and food security Projects in Kenya:
  - i. National Information Platforms for Nutrition (NIPN) – EU project
  - ii. Covid-19 Short term Impacts on economy – JRC and KIPPRA using the DEMETRA CGE model:
    - ✓ Effects of Covid-19 on the economy (Macroeconomics)
    - ✓ Impacts of government measures on the economy
    - ✓ Welfare effects of covid-19 and government measures

# Economy-wide impacts of Covid-19

- April-June 2020 lockdown could lead to **5.6% reduction in GDP** with the largest contributor being drops in **labour productivity (-4%)**, export demand (-0.8%) and internal demand (-0.4%)
- **Absorption** would reduce by **6.7%** with a contraction of both aggregate supply (-7.0%) and consumer demand (-7.3%).
- General **employment** would drop by **11.9%** in annual terms.
- Aggregate **exports demand** would reduce by **8.1% together**
- Export demand+ decrease in remittances, lead to a depreciation of the Kshs - price increase of imported commodities.
- Under higher prices, **imports would decline by 11.6%** with all impact channels combined, while **food crops imports would reduce by even more (-15.1%)**.

# Government measures Impacts on economy

- All government measures included, GDP impacts of the April-June lockdown decrease to -4.2%, total supply to -4.1% and consumer demand to -4.0%.
- Measures lead to a **short-term recovery** as the **tax rate reductions** determine an increase in real income and a **boost to internal demand**.
- **Positive changes** in sectoral output when **government measures** are included confirm the **important role of government** fiscal changes and **public spending** in re-launching the economy on the short-term after the end of the lockdown .
- **Resulting improvement** in household income determine the **food sectors** (food crops, livestock and processed food) **ability** to poster the **largest recovery** across non-service activities.
- Wheat, rice and oil seeds are the categories with the **lowest effect** from the **recovery interventions**, nevertheless **the effect is still sizeable**.
- A number of **food categories** (meat products, dairy, fish, roots, fruits, bakery and beverages) have a **net increase in demand** relative to the baseline indicating a **change in the composition of consumption baskets**.

# Take home...

- Efforts through **food and income support programmes** aimed at population in lower percentiles of income and calorie intake is key.
- Pandemic may generate **additional undernourished people worldwide** as suggested by preliminary projections by the UN FAO of possible increase of between 83 and 132 million people (FAO, 2020).
- **Adequate policy measures by governments**, supported financially by international community, could limit negative effects on global food security.
- Designing these measures require **government to target interventions towards** most fragile sectors of the population to allow for an equitable recovery from the pandemic.
- More analysis under way regarding the **medium-term pathways to recovery** in Kenya