W HOSPITALITY GROUP

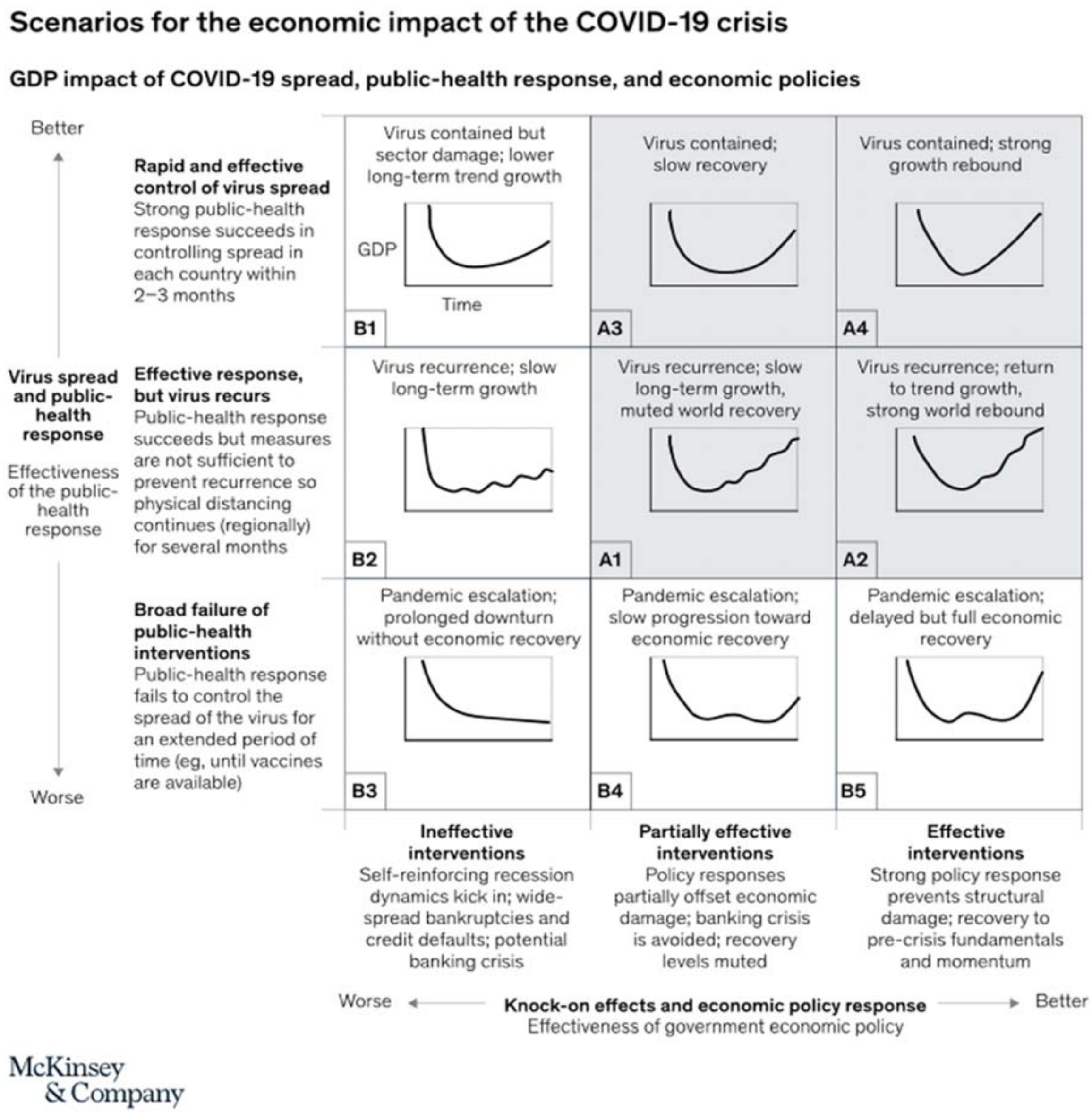
**INTRODUCTION TO THIS DOCUMENT**

**McKinsey's COVID-19 scenarios for economic recovery, including in Nigeria, South Africa and Kenya.**

**OUR TAKE-AWAYS:**

**<u>This is what we learned from this document:</u>**

- **Nigeria with a reduction in GDP of approximately $20 billion will see an economic contraction.**
- **South Africa under the contained outbreak scenario, its GDP growth could decline from 0.8% to -2.1%.**
- **Kenya could see a decline from 5.2% (after the 2020 locust invasion) to 1.9% representing a reduction in GDP of Ksh3 billion.**




https://www.mckinsey.com/business-functions/risk/our-insights/covid-19-implications-for-business

While the pandemic's economic impact—alongside the oil-price shock—will be serious right across the continent, it will be felt differently in different countries. For example, our analysis suggests that the following impacts would occur in Nigeria, South Africa, and Kenya:

- *Nigeria.* Across all scenarios, Nigeria is facing a likely economic contraction. In the least worst-case scenario (contained outbreak), Nigeria's GDP growth could decline from 2.5 percent to −3.4 percent in 2020—in other words, a decline of nearly six percentage points. That would represent a reduction in GDP of approximately $20 billion, with more than two-thirds of the direct impact coming from oil-price effects, given Nigeria's status as a major oil exporter. In scenarios in which the outbreak is not contained, Nigeria's GDP growth rate could fall to −8.8 percent, representing a reduction in GDP of some $40 billion. The biggest driver of this loss would be a reduction in consumer spending in food and beverages, clothing, and transport.

- • *South Africa.* Across all scenarios, South Africa is facing a likely economic contraction. Under the contained-outbreak scenario, GDP growth could decline from 0.8 percent to −2.1 percent. This would represent a reduction in GDP of some $10 billion, with about 40 percent of that stemming from supply-chain import disruptions, which will impact manufacturing, metals and mining in particular. There will also be major impact on tourism and consumption. However, as South Africa is an oil importer, this impact will be cushioned by lower oil prices. In scenarios in which the outbreak is not contained, South Africa's GDP growth could fall to −8.3 percent, representing a loss to GDP of some $35 billion. This impact would be driven by disruptions in household and business spending on transport, food and beverages, and entertainment, as well as prolonged pressure on exports. South Africa's recent sovereign-credit downgrade is likely to exacerbate this outlook.
- • *Kenya.* In two out of four scenarios, Kenya is facing a likely economic contraction. Under the contained-outbreak scenario, GDP growth could decline from 5.2 percent (after accounting for the 2020 locust invasion) to 1.9 percent—representing a reduction in GDP of $3 billion. The biggest impacts in terms of loss to GDP are reductions in household and business spending (about 50 percent), disruption to supply chain for key inputs in machinery and chemicals (about 30 percent), and tourism (about 20 percent). In scenarios in which the outbreak is not contained, Kenya's GDP growth rate could fall to −5 percent, representing a loss to GDP of $10 billion. As in Nigeria, disruption of consumer spend would be the biggest driver of this loss.

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