

## Talking point

---

### Ebola: A human and economic catastrophe in West Africa

---

October 9, 2014

Since its outbreak in December 2013 in Guinea, the Ebola epidemic in West Africa has resulted in over 3,000 deaths out of 7,000 cases, according to the World Health Organization. The actual figure could be higher since there is evidence of substantial under-reporting of cases and deaths. This outbreak has been spreading considerably faster than previous ones, mostly because it has reached urban areas in Liberia and Sierra Leone. It could spiral to over 500,000 infections, and potentially many more, by the end of January if control measures do not improve, according to the US Centers for Disease Control and Prevention. In contrast to this worst-case scenario, mobilisation by the international community as seen recently and increased education in affected countries could almost end the epidemic.

#### **A heavy human and economic toll in Liberia, Guinea and Sierra Leone**

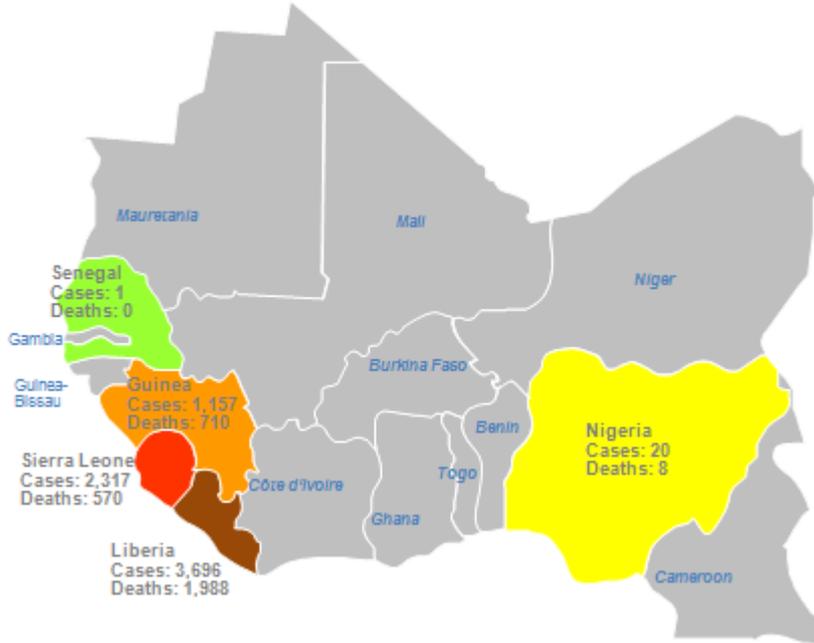
Three West African countries have been seriously affected so far, with major economic consequences: Liberia, Guinea and Sierra Leone (combined population: 22 m, combined GDP: USD 15 bn). With large numbers of people being sick and fleeing affected areas, economic output will be drastically reduced, especially in agriculture and mining. Already fragile, these economies are set to experience increased public expenditure needs as well as higher prices, especially for food, as a result of lower domestic agricultural production and trade disruptions. At the household level, incomes will be lower and poverty and food insecurity higher – contributing to risks of social unrest. The World Bank estimates that GDP growth could be reduced by around 2-3.5 pp in 2014 in the three countries. For 2015, a slow containment of the disease could translate into larger reductions in GDP growth – by almost 12 pp in Liberia, 9 pp in Sierra Leone and 2.3 pp in Guinea, with a combined GDP loss of over USD 800 m.

#### **Ripple effects in broader West Africa ...**

Broader regional economic damage could ensue, especially if Ebola spreads significantly into large neighbouring countries. In Nigeria (174 m people including 21 m in Lagos), twenty cases have been reported so far, resulting in 8 deaths, but the disease appears to have been successfully contained. However, neighbouring countries are directly impacted through the movement of infected people (into Nigeria and Senegal) and border closings – affecting various sectors of the economies of Ivory Coast and Senegal, including tourism.

Most importantly, the epidemic is having an indirect impact as fear of contagion is altering people's behaviour, sometimes with significant economic consequences. For example: in Nigeria, initial shock and fear have led to a significant decline in demand for commercial activities and mall purchases in Lagos, up to 20-40% according to press reports. Some Westerners are cancelling trips to various parts of Africa, including destinations far from West Africa. Behavioural effects accounted for 80% to 90% of the total economic impact of the SARS epidemic in 2002-2004 and the avian flu epidemic in 2009, according to the World Bank.

**Ebola: A deadly epidemic**



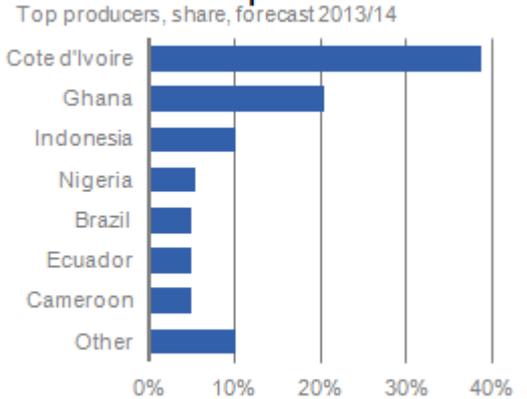
Sources: WHO, Deutsche Bank Research

**...and potential effects on commodity markets**

Given the nature of West Africa’s economies, focused on mining (predominantly gold and iron ore) and agriculture (cocoa, cotton, rubber, coffee, etc.), there have been concerns in commodity markets about the spread of the virus. The combined shares of global production of Liberia, Sierra Leone and Guinea are not large enough to have an impact on global markets but those shares could become significant for some commodities if neighbouring countries saw their production or logistics system impaired by Ebola.

Ivory Coast is by far the largest cocoa producer in the world, followed by Ghana. Adding Nigeria and Cameroon, the combined share is around 70% of global production. Should containment efforts fail, a serious Ebola outbreak in Ivory Coast could have a dramatic effect on global cocoa prices. To a lesser degree, gold would also be affected: our commodity research colleagues observed that Ghana and Mali account jointly for 5% of global gold output.

**Global cocoa production**



Sources: International Cocoa Organization, Deutsche Bank Research

**A global impact is unlikely at this stage ...**

Although a concern, most medical experts do not believe that the West African epidemic will spread globally. The Ebola virus is not airborne and is fairly easy to contain in the absence of development challenges. The latter prevented faster containment in the three affected countries, given lack of capacity for early detection and isolation, unreliable supplies of electricity and water, shortages of doctors, medical staff and supplies (as basic as gloves and syringes), and overcrowding in health facilities and households.

**... but Ebola generates an image problem for an otherwise attractive region**

One of the serious consequences of the Ebola outbreak may be that Africa has to rebuild its image and further break down the (often overly) negative connotation of a disease and famine-stricken continent. It is true that Africa does not fare well in terms of social development and faces major challenges including structural transformation. Nevertheless, the region has important assets, most notably favourable demographics and natural resources – metals and mining, oil and gas as well as arable land.

Please see also:

Mozambique: A growth story which can be sustained

Agricultural value chains in Sub-Saharan Africa: From a development challenge to a business opportunity

Ethiopia: The African tiger

Sub-Saharan Africa: A bright spot in spite of key challenges

Angola: Oil economy on a diversification path

Foreign investment in farmland: No low-hanging fruit



Author: Dr. Claire Schaffnit-Chatterjee (+49) 69 910-31821

...more information on **Emerging Markets / Country Risk**  
Talking Point - Archive

© Copyright 2014. Deutsche Bank AG, Deutsche Bank Research, D-60262 Frankfurt am Main, Germany. All rights reserved. When quoting please cite "Deutsche Bank Research".

The above information does not constitute the provision of investment, legal or tax advice. Any views expressed reflect the current views of the author, which do not necessarily correspond to the opinions of Deutsche Bank AG or its affiliates. Opinions expressed may change without notice. Opinions expressed may differ from views set out in other documents, including research, published by Deutsche Bank. The above information is provided for informational purposes only and without any obligation, whether contractual or otherwise. No warranty or representation is made as to the correctness, completeness and accuracy of the information given or the assessments made.

In Germany this information is approved and/or communicated by Deutsche Bank AG Frankfurt, authorised by Bundesanstalt für Finanzdienstleistungsaufsicht. In the United Kingdom this information is approved and/or communicated by Deutsche Bank AG London, a member of the London Stock Exchange regulated by the Financial Services Authority for the conduct of investment business in the UK. This information is distributed in Hong Kong by Deutsche Bank AG, Hong Kong Branch, in Korea by Deutsche Securities Korea Co. and in Singapore by Deutsche Bank AG, Singapore Branch. In Japan this information is approved and/or distributed by Deutsche Securities Limited, Tokyo Branch. In Australia, retail clients should obtain a copy of a Product Disclosure Statement (PDS) relating to any financial product referred to in this report and consider the PDS before making any decision about whether to acquire the product.