

The Potential Impact of the Ebola Outbreak on the Liberian Economy and Government's Planned Policy Interventions

Prepared by the EMT Secretariat

Presented by

Axel M. Addy
Minister of Commerce and Industry



Key Messages

- ▶ Health situation is very Challenging
 - As of 22 September 2014, the total number of cases in Liberia (confirmed, suspected & probable) was 3,022, with 1,578 deaths (that we know of)
 - EVD is currently spreading faster than efforts to contain it
- ▶ Will hurt beyond the health effect
 - Agricultural production and food insecurity
 - Prices of essential goods affecting poverty
 - GDP growth will fall in 2014, and could be negative in 2015 affected by substantial risks
- ▶ There is a shortfall in funding to fight crisis
 - Revenue shortfall of US\$116.9 million for FY 2014/2015.
 - Need international support on the ground
- ▶ We must prepare for life after Ebola



Macroeconomic Impact

- ▶ **\$359 million** - expected loss in economic output **this year**.
 - **Mining sector** activity is expected to slowdown by **2.5 per cent, down**.
 - **Agriculture sector** growth is expected to fall from 3.5 per cent to 1.3 per cent. This leads to risk of food insecurity.
 - **Manufacturing sector** growth is expected to decline
 - **Service sector** will be the most affected e.g. occupancy rates at most major hotels in the country have dropped from as high as 90 per cent to under 5 per cent.

- ▶ **-5% - +2.6% growth**, World Bank estimates of low and high impact scenarios project growth for 2015
 - **The future path of EVD infections is highly uncertain**, as well as the impact of the fear of contagion, meaning **projections for 2015** are also uncertain.



Monetary Outlook

- ▶ **Exchange rate** is expected to be relatively stable during the second half of 2014. However,
 - **The demand for foreign exchange** to import essential commodities and **CBL foreign exchange market intervention** will place tremendous pressure on the foreign reserve requirement of the Bank.
- ▶ **Inflation** is expected to close at **9 per cent** by end-year.
 - The upward revision takes into account higher domestic food prices and higher cost of imports due mainly to reduced domestic production and an expected rise in the cost of insurance and freight. There remain substantial risks should imports reduce.



Fiscal Outlook

▶ **Revenue shortfall of US\$91 million.**

- Preliminary estimates of revenue for FY 2014/2015 is expected to decline by **16 per cent** from the original projection of US\$559 million to about US\$468 million.

▶ **Gap of about US\$39 million in planned expenditure.**

- Government adjusted expenditure demand for the FY 2014/2015 is estimated at about US\$507 million against an adjusted revenue of US\$468.3 million.

▶ **Funding gap of about US\$116.9 million for FY 2014/2015.**

- Spending pressure of US\$78.3 million resulting from the outbreak.



Government's Policy Interventions

- ▶ The first priority in Government spending is being given to the fight against Ebola. In order to free up resources, the government is cutting back in other areas.
- ▶ The Government has established an Ebola Trust Fund at the Central Bank of Liberia, as a dedicated channel for government expenditure on Ebola interventions.
- ▶ These interventions include the feeding of patients in hospitals, clinics and treatment (isolation) centers, as well as providing safe drinking water and sanitary supplies to quarantined communities.



Government's Policy Interventions

- ▶ In order to make savings this fiscal year the Government is implementing a number of policies:
 - **Cuts in salaries** above US\$1000, on a sliding scale from 15 - 25% for three months.
 - Fifty per cent of all wages and **salaries will be paid in Liberian Dollars**, to ensure that foreign exchange is available to procure essential imports.
 - **Automatic reduction in foreign travels** in all agencies of Government by 40% for FY 2014/2015.
 - **Automatic reduction of fuel** and lubricant costs by 25% in all ministries, agencies and commissions that are not directly involved in the fight against Ebola.
 - Public corporations, commissions, and autonomous agencies are required to deposit into the Ebola Trust Fund 25% of Board and Sitting Fees for the next six (6) months.
- ▶ Development partners, including the EU, AfDB, World Bank and USAID have provided additional budget support, however the Government will still experience significant shortfalls: **additional general and health earmarked budget support is needed.**



Post-EBOLA Economic Stabilization and Recovery Plan

The Government is working on a post-Ebola stabilization eight point plan:

- ▶ Restoring momentum to projects aimed at rehabilitation of the country's transport infrastructure.
- ▶ Support to reduce the cost of electricity to end-users and rehabilitating the Mt. Coffee Hydroelectric dam to stimulate long term economic growth;
- ▶ Agricultural stimulus package, particularly to Ebola stricken communities and activities, to ensure food security, job creation and income generation;
- ▶ Manufacturing stimulus for the domestic private sector to stimulate production and employment, and thereby increase the Government's revenue generation potential;

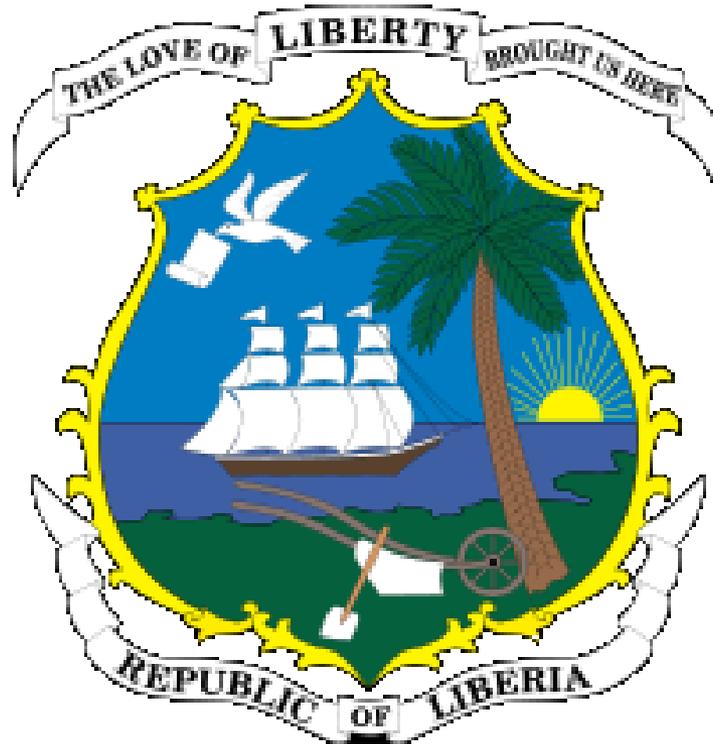


Post-EBOLA Economic Stabilization and Recovery Plan

- ▶ Conditional Cash Transfer to households and/or food aid to Ebola stricken communities in order to mitigate the adverse effects of the outbreak;
- ▶ Community based cash for work program to create jobs in local communities
- ▶ Reduction in communication costs by means of the country-wide connectivity of the fiber optic cables; and
- ▶ Diversification of activities within the economy to build new export sectors.



Thank You.



For more information, please visit us at
www.moci.gov.lr

