



TRACKING THE BUSINESS  
AND ECONOMIC IMPACT OF  
**COVID-19**  
**IN ZIMBABWE**

NO 1  
02/04/2020

# COVID 19 THE GLOBAL PANDEMIC

The Covid-19 pandemic which originated in Wuhan Province in China has ravaged the whole world through morbidity and mortality, notwithstanding the socio economic implications of the pandemic on global economies. The disease is highly contagious knowing no barriers and in response countries have responded by locking down their economies. This has affected trade and investment, thereby disrupting global supply chains with downstream effects on value addition and the local economy has not been spared of Covid-19 effects.

## WEEKLY COVID19 ASSESSMENT

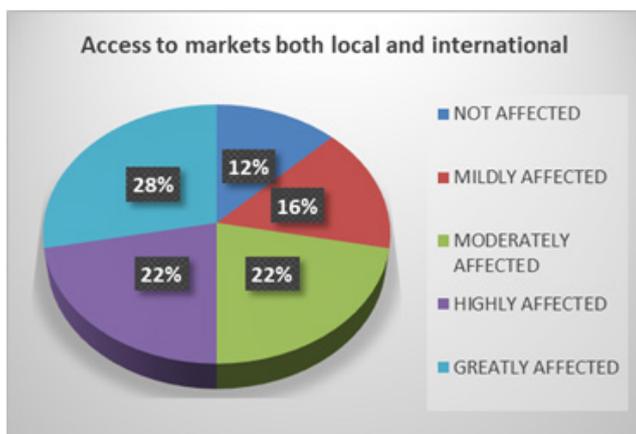
In order to assess the impact of the pandemic on the manufacturing sector, CZI is carrying out a weekly snap survey of the local industry. The study covers the period between 25 March 2020 to 30 March 2020 and responses were received from firms in the following sectors;



The government ordered a national lockdown in order to combat the spread of the disease, Covid-19. The effects of the lockdown are not captured in this current snap survey but will be captured in subsequent weekly surveys which will follow. Below is a synopsis of the results of the survey on the impact of the pandemic on business operations.

## ACCESS TO MARKETS

COVID19 has resulted in major market disruptions for the local industry. Eighty eight percent of the companies surveyed were affected as they are failing to access both source and export markets. Only 12 percent stated that they have not yet been affected by the pandemic.



### Impact of Lack of Access to Markets

- Limited access to international markets because of lockdown.
- Cannot meet local demand because of shortage of raw materials since source markets are closed.
- Reduced demand due to closure of schools
- Revenue streams affected negatively.
- Companies are also experiencing delivery risks.
- Other corporates have not experienced any negative impact from the Covid-19 pandemic so far.

## IMPACT ON SUPPLY CHAINS

Supply chains have been disrupted by this global pandemic, as countries are closing their borders and going into national lockdowns in a bid to try and contain the COVID19 pandemic which has resulted in more than 100000 deaths globally. The local industry was not spared as the snap survey results showed that 81 percent of the surveyed firms experienced supply chain disruptions. This has affected raw materials supply which is need to keep industry rolling.

## IMPACT OF COVID19 ON LOCAL AND INTERNATIONAL SUPPLY CHAINS



- Supplies are limited because of lockdown in source markets.
- Sudden increase in local and external demand for pharmaceuticals has affected efficiency of supply chains.
- The South African lockdown has had major impact in terms of raw material supply.

## IMPACT ON EMPLOYMENT AND EMPLOYEES

Human capital is of paramount importance for the successful operation of industry. As a result of the COVID19 pandemic employees and employers have been greatly affected. The graph below shows how employees have been affected by the global pandemic. Sixteen percent of the surveyed firms stated that they have sent employees on unpaid leave which is detrimental to employees' welfare since the majority live on hand to mouth. However, with some of the firms forced to shut down, they cannot afford to pay their employees. This will affect the welfare of the employees with downstream effects on education, health and distribution services. Aggregate demand will be negatively affected by loss of income for the employees which affect industry operations and ultimately economic growth and development. This development has production and welfare effects on employers and employees, and the economy as a whole.

## IMPACT ON EMPLOYEES



Companies highlighted the following:

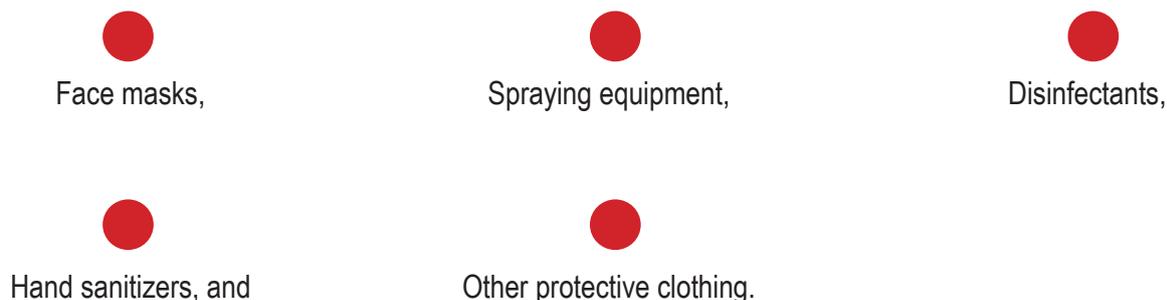
- High level employee anxiety due to fear of contracting the corona virus.
- Employees sent on unpaid leave or 50% wages
- Reduced working hours and rotation to reduce overcrowding.
- Non critical staff and those who use public transport not to report for duty.
- Workers are supplied with protective gear and sanitizers.
- Some companies have not experienced absenteeism due to the outbreak of the pandemic

The snap survey results showed that production and trading volumes declined by 36% on average. The decline was attributed to the following reasons



However the some of the firms stated that it was still too early to calculate the numbers.

In an effort to try and mitigate the impact of COVID19 and protect employees surveyed companies used up to ZWL 1,162,142.86 and USD 768,357.14 on average. Most of the expenses are as a result of purchasing protective clothing which include,



The cost of mitigating the impact of COVID19 as a percentage of the company's annual expenditure budget was estimated at 14% on average according to the snap survey.

Key business and macro-economic concerns that require policy intervention as a result of the COVID19 pandemic are highlighted in the table below.

## RESPONDENTS RECOMMENDATIONS TO FIGHT COVID-19

- *Government should formulate and implement consistent and credible policies to enable business to stay afloat.*
- *The Exchange Rate policy should be business enabling*
- *Government needs to review ZIMRA tax submission and payment procedures and deadlines. Payment of PAYE, VAT, QPD timelines need to be extended or even postponed. Future tax breaks to cushion businesses should be considered.*
- *Removal of the 2% IMTT should be considered.*
- *Duty to be waived for importation of raw materials used to manufacture Covid-19 related products*
- *Local producers should be protected from dumping.*
- *The local Procurement Policy should give preference to local enterprises.*
- *Cash flow packages may be necessary to cushion employees and help companies with working capital.*
- *There is a serious need of policy shift towards infrastructure development to ease the doing business environment.*
- *Government is encouraged to address the concerns of health workers for sustainable health delivery and ultimately national development. Human capital is a factor of production necessary for national development.*
- *Government should embrace the notion of free markets.*
- *Social distancing should be enforced in the fight against the Covid-19 Pandemic.*
- *Wage negotiations should be at NEC level.*
- *Suspension of payments to statutory bodies like NSSA, NEC & Standards Levy, City of Harare licences*
- *Removal of the Aids Levy or its temporary conversion to a COVID Levy.*

*For more information please contact the CZI Economics Department  
On +263 242 251496*