



[Brief #3: 10 April 2020](#)

THE IMPACT OF THE COVID-19 OUTBREAK ON TRADE IN THE GAMBIA

INTRODUCTION

Trade has always been an important economic activity in The Gambia creating job opportunities, generating income and contributing to inclusive growth and poverty reduction. The Gambia has served as a regional entrepot for decades, with imported goods being transported to the hinterland using the Gambia River. The country's position as a trading hub is supported by relatively low import taxes, a well-functioning port & customs services and limited administrative barriers.

Making the private sector and trade, the engine of growth, transformation, and job creation was identified as one of the Government's eight strategic priorities in the National Development Plan 2018-2021. The Gambia has been aiming to transition from a predominantly agriculture-based economy to a modern one linked to global markets and value chains.

STATUS OF THE TRADE IN THE GAMBIA

The trading base in The Gambia is narrow, with heavy reliance on two sectors (agriculture and tourism) for foreign exchange earnings over the past five decades. The trading landscape is characterized by declining and stagnant domestic exports and an increasing growth in imports which has led to a 30-year near continuous current account deficit (except 2003, 2007) which stood at -8.5 percent of GDP in 2019. The country's main agricultural exports, groundnuts, cashew nuts and fish & fish products, are still in the form of raw primary commodities, which have less value. This signals the need for value addition for Gambian agricultural produce. There is need to develop trade and market infrastructure and systems to ensure that produce for the domestic and international markets meet international standards especially for aflatoxin mitigation.

Although the Gambia still serves as the port to many countries within the sub-region, this has since declined due to lost competitiveness resulting from trade related policy decisions. The country has not been able to take full advantage of export market opportunities due to many inherent supply side constraints (e.g. WTO Sanitary and Phyto-Sanitary (SBS) requirements, Technical Barriers to Trade (TBT) Agreements).

The trade facilitation environment is challenged by the limited size and inefficiencies at the Banjul Sea Port, lack of automation, inadequate customs system, lack of consistency in the application of the ECOWAS Inter-State Road Transport Scheme within neighboring countries. The intermediation role of the financial sector is skeletal and is provided mainly by commercial banks.

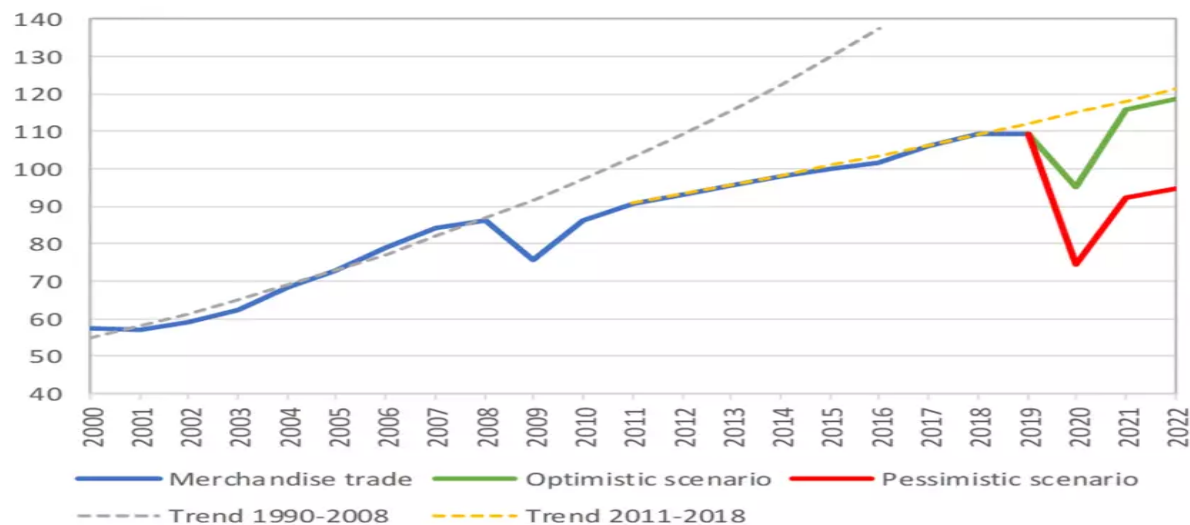
There are several envisioned initiatives to improve the trading landscape in the country including policy reforms, diversifying local production, strengthening market linkages and infrastructure and taking advantage of regional integration opportunities presented by ECOWAS and the AfCFTA.

GLOBAL DEVELOPMENTS IN TRADE RESULTING FROM COVID-19

The World Trade Organization has forecasted that the recession caused by the COVID-19 pandemic will have a more devastating effect on trade than the 2008-09 financial crisis did. The WTO warned that global trade could fall by up to a third. However, it is forecasted that while the goods trade would shrink more steeply this year than in the global financial crisis a decade ago, there is potential to rebound quickly, as early as 2021, as the COVID-19 pandemic recedes - if countries work together.

The WTO said global trade would fall this year by between 13 and 32 percent, giving a wide range because so much about the economic impact of the health crisis is still uncertain. At the height of the financial crisis in 2009, trade dropped by 12.5 percent.

Figure 1: Impact of COVID-19 on Global Merchandise Trade



Source: World Trade Organization

The WTO said that for 2021 it was forecasting a rebound in the global goods trade of between 21 and 24 percent, depending largely on the duration of the COVID-19 outbreak and the effectiveness of policy responses.

This year, nearly all regions would suffer double-digit percentage declines in trade, with exports from North America and Asia the hardest hit. Sectors with complex value chains, such as electronics and automotive products, would also see steeper falls.

Services are not included in the WTO's forecast, but the WTO said trade in this area may be hit hardest by COVID-19 because of transport and travel restrictions, with knock-on effects for goods. This would be the case in The Gambia that is heavily dependent on tourism and would have difficulties moving products due to the already limited transport links being further hampered.

DEVELOPMENTS IN TRADE SECTOR FROM COVID-19 OUTBREAK IN THE GAMBIA

The Gambia has a small, undiversified economy heavily reliant on tourism, trade, remittances and subsistence agriculture. The country is heavily dependent on imports (95% of total trade in 2019) from abroad to sustain the economy with some of the main imports being fuel and oils, iron and steel, cereals, sugars, vehicles and cement. Imports amount to about 32 percent of GDP compared to 7 percent for exports. Looking at trade over the course of the year, trade is usually heaviest in the periods during Ramadan and Tobaski which take place in late April and late July this year respectively.

The closure of land and air spaces will have a significant negative impact on trade. Wholesale and retail trade accounts for about 33 percent of GDP and a significant negative shock will have an equally negative effect on the country's growth outlook in 2020 and beyond.

Table 1: External Trade (GMD 'Millions) 2018-2019

Trade	2018	2019	% Change 2018-19
Total Trade	33,079	32,649	-1.3
Imports	32,482	31,076	-4.3
Domestic Exports	193.9	451.9	133
Re-Exports	403.1	1,121.2	178
Total Exports	597.0	1,573.0	163
Trade Balance	-31,885	-29,503	-7.5

Looking at the above table, it is very likely the progress being made in terms of export growth will be reduced as a result of the COVID-19 outbreak as the closure of the border with Senegal and the airspace will lead to difficulty for exporters to send their goods out to external markets.

There were increases in domestic exports, re-exports and total exports all by over 100 percent year-on-year from 2018 to 2019 as global demand increased for commodities. Projections for the first quarter of 2020 however show that exports will decline between 30-60% year-on-year as the effects of the health crisis are already starting to be felt.



The Gambia's largest trade partner is Cote D'Ivoire, a fellow ECOWAS member, as that is where the country imports most of its fuel products. Any decline or shortage in fuel will also have ripple effects throughout the Gambian economy from agriculture, to manufacturing, to electricity generation to tourism. The spread of COVID-19 will make access to commodities such as fuel difficult as not only The Gambia but other neighboring countries are also taking protective measures and closing their borders.

Outside of Africa, The Gambia's largest trading partner is Europe (about 25 percent of imports) also severely affected by the COVID-19 outbreak. The Gambia's main trading partners in Europe include the United Kingdom and Spain and the absence of these markets will negatively impact trade both in terms of imports of goods and export earnings leaving the country with an even greater trade deficit than the US\$45.8 million (2.6% of GDP) registered in 2019.

The COVID-19 outbreak also places uncertainty on global food prices which is the main determinant of inflation in The Gambia. Rising global food prices due to production declines as expected will severely impact The Gambia's steady inflation situation, its exchange rate stability and its import cover in terms of gross external reserves.

The stock levels of food and basic commodities will also be negatively impacted. Expected declines in rice, sugar, flour, milk, edible oils, onions, potatoes, chicken legs and cement could lead to food scarcity and will leave those most vulnerable in an even worse situation. Cement shortages will lead to a decline in the housing and construction sub-sector that has supported economic growth in recent years.

A joint press release by the Ministry of Trade, Industry, Regional Integration & Employment and the Ministry of Justice informed the public that the President of the Republic had promulgated the Essential Commodities Emergency Powers Regulations, 2020 to maintain the prices of essential commodities and to prohibit the hoarding of the same amid fears of rising food prices and potential shortages while also prohibiting the re-export of these commodities and petroleum products. Amidst smuggling of essential commodities by traders out of the country, the authorities are working hard to enforce this policy, arresting several smugglers and temporarily closing shops that have been found to be increasing prices of essential commodities.

In terms of remittances, with developed nations in which many Diaspora Gambians live also facing the negative effects of the COVID-19 outbreak, especially Europe and USA, remittances from abroad are sure to decline worsening the situation for many dependents in country.

RECOMMENDATIONS

Some recommendations from retail traders on how to mitigate the negative effects of the COVID-19 crisis:

- ✓ Government must incentivize non-essential workers to stay home in order to curtail the spread of the virus and allow for a quicker recovery;
- ✓ There has to be a measure of import substitution in the short-term, with local producers and exporters making sure they increase production for the populace to ensure food security and adequate provision of basic commodities.
- ✓ Traders should take advantage of digital technology and innovation in order to keep businesses running. Some companies are using online platforms, delivery services and mobile money to still be able to provide services to the people.
- ✓ Government and commercial banks should endeavor to ease the compliance of payments, especially of taxes and debt payments to help vendors to keep operating.
- ✓ The Gambia Port Authority can relax port charges/warfare etc. until the situation normalizes

NEXT STEPS

A more detailed study on the socio-economic impact of the COVID-19 outbreak on the trade sector should be undertaken given its importance to the Gambian economy. Exploration of the effect on global supply chains and subsequently on The Gambia's trade is essential.