

Ebola: Economic Impact Already Serious; Could Be “Catastrophic” Without Swift Response

Largest economic impacts resulting from behavior associated with fear of contagion, not the disease itself

WASHINGTON, September 17, 2014—A World Bank Group analysis of the Ebola epidemic released today finds that if the virus continues to surge in the three worst-affected countries – Guinea, Liberia, and Sierra Leone – its economic impact could grow eight-fold, dealing a potentially catastrophic blow to the already fragile states. However, the analysis finds that economic costs can be limited if swift national and international responses succeed in containing the epidemic and mitigating “aversion behavior” – a fear factor resulting from peoples’ concerns about contagion, which is fueling the economic impact.

World Bank Group President Jim Yong Kim said, *“The primary cost of this tragic outbreak is in human lives and suffering, which has already been terribly difficult to bear. But our findings make clear that the sooner we get an adequate containment response and decrease the level of fear and uncertainty, the faster we can blunt Ebola’s economic impact.”*

“We have seen in recent days a serious scaling up on the part of international donors to contain the Ebola epidemic. Today’s report underscores the huge potential costs of the epidemic if we don’t ramp up our efforts to stop it now,” said **Kim**.

The analysis uses two alternative scenarios to estimate the medium-term impact of the epidemic to the end of calendar year 2015. A “Low Ebola” scenario envisions rapid containment within the three core countries, while “High Ebola” corresponds to the upper ranges of current epidemiological estimates.

Estimates of impacts on output individually and in aggregate, in the short term (2014) and medium term (2015)

	Short Term Impact 2014	Medium-term impact (2015 - Low Ebola)	Medium-term impact (2015 - High Ebola)
Guinea	\$130 million (2.1 pp)	- \$43 million (1.0 pp)	\$142 million (2.3 pp)
Liberia	\$66 million (3.4 pp)	\$82 million (4.2 pp)	\$228 million (11.7 pp)
Sierra Leone	\$163 million (3.3 pp)	\$59 million (1.2 pp)	\$439 million (8.9 pp)
Core Three Countries	\$359 million	\$97 million	\$809 million

Entries are in current US dollars (with percentage points of GDP in brackets where appropriate).

The analysis estimates the short-term impact on output to be 2.1 percentage points of GDP in Guinea (reducing growth from 4.5 percent to 2.4 percent); 3.4 percentage points in Liberia (reducing growth from 5.9 percent to 2.5 percent); and 3.3 percentage points in Sierra Leone (reducing growth from 11.3 percent to 8 percent). This forgone output corresponds to \$359 million in 2014 prices. However, if Ebola is not contained, these estimates rise to \$809 million in the three countries alone. In Liberia, the hardest hit country, the High Ebola scenario sees output hit 11.7 percentage points in 2015 (reducing growth from 6.8 percent to -4.9 percent).

The short-term fiscal impacts are also large, at \$93 million for Liberia (4.7 percent of GDP); \$79 million for Sierra Leone (1.8 percent of GDP); and \$120 million for Guinea (1.8 percent of GDP). Slow containment gaps would almost certainly lead to even greater financing gaps in 2015, the analysis finds.

Inflation and food prices were initially contained but are now rising in response to shortages, panic buying, and speculation. Those families already vulnerable to food price shocks are becoming increasingly exposed. Exchange rate volatility has increased in all three countries, particularly since June, fueled by uncertainty and some capital flight.

The analysis finds that the largest economic effects of the crisis are not as a result of the direct costs (mortality, morbidity, caregiving, and the associated losses to working days) but rather those resulting from aversion behavior driven by fear of contagion. This in turn leads to a fear of association with others and reduces labor force participation, closes places of employment, disrupts transportation, and motivates some government and private decision-makers to close sea ports and airports. In the recent history of infectious disease outbreaks such as the SARS epidemic of 2002-2004 and the H1N1 flu epidemic of 2009, the analysis notes that behavioral effects have been responsible for as much as 80 – 90 percent of the total economic impact of the epidemics.

The findings of the analysis underline the need for a concerted international response. External financing is clearly needed in the three core countries, and the impact estimates suggest that containment and mitigation expenditures as high as several billion dollars would be cost-effective if they successfully avert the worse scenario.

The analysis describes four related activities such a response should include:

- **Humanitarian support:** Such as desperately needed personal protective equipment and hazard pay for health workers, emergency treatment units, standardized and universally applied protocols for care, etc.
- **Fiscal support:** The fiscal gap, just for 2014, is estimated at around \$290 million. Increased injections of external support can strengthen growth in these fragile economies.
- **Screening facilities at airports and seaports:** Policies are required that will enable the flow of relief and encourage commercial exchange with the affected countries.
- **Strengthening the surveillance, detection, and treatment capacity of African health systems:** Weak health sectors in Africa are a threat not only to their own citizens but also to their trading partners and the world at large. The enormous economic cost of the current outbreak could be avoided by prudent ongoing investment in health system strengthening.

The World Bank Group's Ebola Response To-Date

The World Bank Group is mobilizing a \$230 million financing package for the three countries hardest hit by the Ebola crisis, which will help contain the spread of infections, help communities cope with the economic impact of the crisis, and improve public health systems throughout West Africa. The WBG is supporting country responses in line with the WHO Roadmap, and is coordinating assistance closely with the UN and other international and country partners. As of mid-September 2014, of the pledged \$230 million, the WBG has mobilized \$117 million for the emergency response, which includes IDA* grants of \$58 million for Liberia, \$34 million for Sierra Leone, and \$25 million for Guinea. These funds are paying for essential supplies and drugs, personal protective equipment and infection prevention control materials, health workers training, hazard pay and death benefits to Ebola health workers and volunteers, contact tracing, vehicles, data management equipment and door-to-door public health education outreach. Additional support will help strengthen countries' health systems and capacity to delivery essential health services, along with disease surveillance and laboratory networks to guard against future outbreaks.

About the World Bank Group

The World Bank Group is a vital source of financial and technical assistance to developing countries around the world, with the goals of ending extreme poverty and boosting shared prosperity. Improving people's health is integral to achieving these goals. The Bank Group provides financing, state-of-the-art analysis, and policy advice to help countries expand access to quality, affordable health care; protect people from falling into poverty or worsening poverty due to illness; and promote investments in all sectors that form the foundation of healthy societies.

IDA, or the International Development Association, is the Bank's fund for the world's poorest countries.

