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RESEARCH BRIEF

SHORT TERM SOCIO-ECONOMIC EFFECTS OF COVID-19

This research brief documents the short-term economic impacts of the COVID-19 pandemic on low-income households in Western Kenya. It demonstrates the indirect effects of the pandemic, as no COVID-cases were registered in the study areas, yet government preventive measures were put in place. We find that income from work decreased with almost one third and income from gifts and remittances reduced by more than one third since the start of the pandemic. Households responded to this income shortfall by reducing expenditures on education and transportation, but were able to keep food expenditures at par.

After its discovery in December 2019 in Wuhan, China, the COVID-19 outbreak has now spread to nearly all countries across the globe. In Kenya, the first case was detected on March 13, 2020. The Kenyan government immediately announced strong measures to contain the spread of the virus. On March 15, schools were closed, public gatherings were banned, and all public and private workers were directed to work from home if possible. By early April, international flights had been suspended, bars and restaurants closed, a national curfew had been installed, and by May travel restrictions were put in place. As of 1 June, there were 2,021 confirmed cases, mostly in Nairobi and surrounding areas, and only 1 in Kakamega. At the same time, 69 deaths had been recorded – none of them in Kisumu and Kakamega. Although the health effects so far have been limited, the fear of the epidemic in combination with harsh preventive measures and faltering supply chains could have far more dramatic consequences, including deaths, than the virus itself.

The COVID-19 outbreak and accompanying government counter measures raise several important questions: What is the impact on daily incomes and expenditures of adhering to social distancing and other preventive measures? How do families cope financially, if incomes are falling and savings are low? Do they manage to keep their food consumption at par?

The answers to these questions are of immediate concern to the Kenyan people, public health practitioners and policy makers. However, real-time data are scarce and even more difficult to collect now that enumerators can no longer travel to the communities and collect data.

In the absence of real-time data, several reports and working papers have attempted to quantify the economic effects on people living in low-income countries. For example, the World Bank estimates that the COVID-19 crisis can push between 40-60 million people into extreme poverty, with the largest burden falling on sub-Saharan Africa. However, most of these studies rely on macroeconomic data and assumptions on the effect of the crisis. A detailed picture of the immediate effects of the COVID-19 pandemic at the household-level is lacking.

Key Points

- The COVID-19 pandemic reached Kenya mid-March and the government took immediate policy action by restricting movements to contain the spread of the virus
- Using weekly data from 330 households in Kakamega and Kisumu, this brief highlights the economic effects of the pandemic during the five weeks after the discovery of the first COVID infection in Kenya. These are indirect COVID-19 effects, since only 1 COVID-19 case had been confirmed in Kakamega and none in Kisumu.
- Income from work decreased with almost one third and income from gifts and remittances reduced by more than one third since the start of the pandemic.
- Fortunately, household expenditures on food remained at pre-outbreak levels after preventive measures were implemented. In response to the shortfall in income, households significantly reduced expenditures on schooling and transportation.

The Financial and Health Diaries Research in Kisumu and Kakamega County

Since December 2019, the Amsterdam Institute for Global Health and Development (AIGHD) and the African Population and Health Research Center (APHRC) have been tracking on a weekly basis a sample of 330 households in Western Kenya. These households are target populations of a free public care pilot in Kisumu and a subsidized health insurance program (i-PUSH) in Kakamega, the latter to be implemented by Amref Health Africa and PharmAccess Foundation as soon as the situation allows. Enumerators have been visiting the households every week to collect (in 10-15 minute interviews) a detailed record of each adult's financial transactions in the past week (income, expenditures, gifts, loans, remittances and savings – including savings in informal groups) and the health events of all household members (illnesses, injuries, maternal and child health consultations, health expenditures). Since the new COVID-19 mitigation measures were put in place, data collection has shifted from in-person interviews to phone interviews, conducted by the same, trusted enumerators.

Our longitudinal and high-detail Diaries data provide detailed information on pre-COVID-19 trends in income, consumption, health problems and healthcare utilization in our sample of rural, low-income households. The results from the ongoing study hence allow for a granular, nearly real-time analysis of the immediate impacts of the COVID-19 crisis on households' economic wellbeing and the strategies they use to cope with the financial consequences of the pandemic.

Early Findings

This policy brief presents the short-term effects of the COVID-19 crisis on household income and expenditures in our rural, low-income study population. As pre-COVID-19 period, we take the weeks between early February and mid-March 2020, when the first case was detected and the first measures were taken in Kenya. While no cases were detected at that time in our study area, the measures put in place by the government affected all counties and citizens. Figures 1 and 2 present the weekly cash flows coming in and going out of the households. Both figures clearly show a decreasing trend since mid-March, indicating that both incomes and expenditures of our households have taken a hit. Average cash inflow dropped from KSH 3,835 in the six-week period before half March to KSH 2,701 five weeks later.

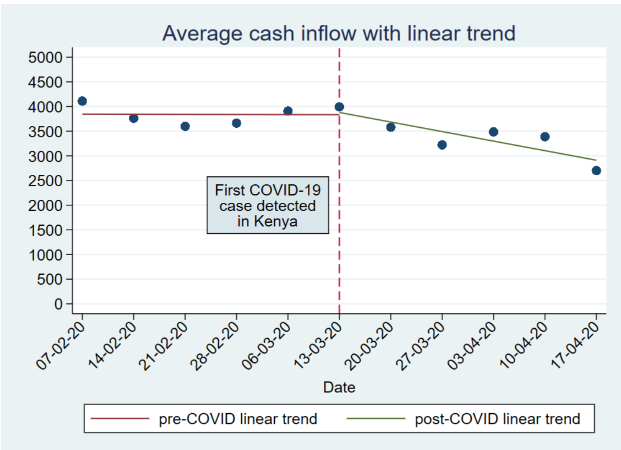

Figure 1. Cash inflow

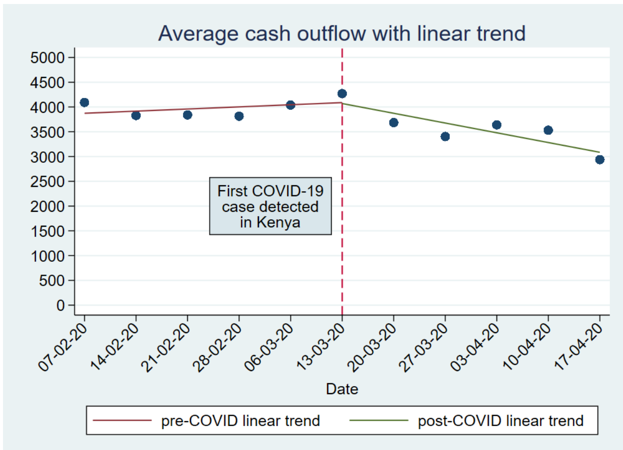

Figure 2. Cash outflow

Zooming in more closely on the various sources of income, we see that especially income from work (e.g. revenue from informal business, or wage work) as well as remittances and gifts have gone down since the start of the COVID-19 crisis. Indeed, income has declined with more than KSH 660 per week on average, compared to a pre-COVID average of KSH 2,036 weekly earnings — indicating a nearly one third decrease in household income from work (Figure 3). Remittances account for a significant share of our households' income sources, making up about 22 percent of total household income before the pandemic hit. Remittances have also decreased considerably, by KSH 318– a decrease of more than one third compared to the pre-COVID levels of KSH 852 (Figure 4). This could be due to the crisis severely affecting urban wage workers, who are the main source of remittances for families in the countryside; 50% of all remittances received are from a relative outside the community. We do not yet see substantial increases in loans nor in the sales of productive assets to generate additional cash.

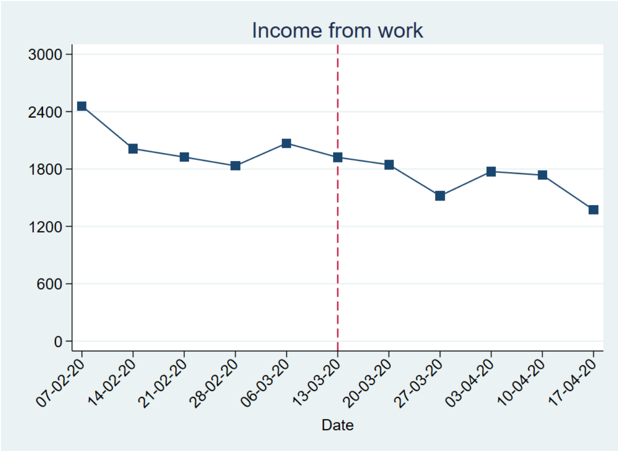

Figure 3. Income from work

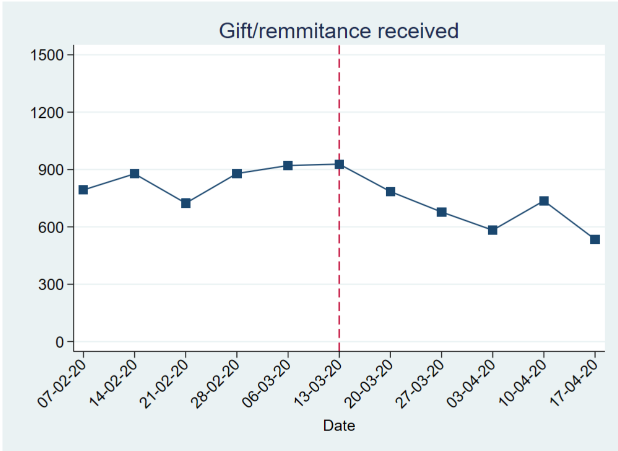

Figure 4. Gifts/remittances received

On the expenditure side, a major concern is whether families are able to uphold spending levels on necessary items, most importantly on food. Our findings show that, despite the decline in income, families are still able to spend the same amount of money on food as before the crisis struck (Figure 5). However, households are spending much less on education and transportation, in line with the school closures and travel restrictions (Figures 6 and 7). This may have given households some room in their budget to maintain food consumption.

Figure 5. Expenditure on food

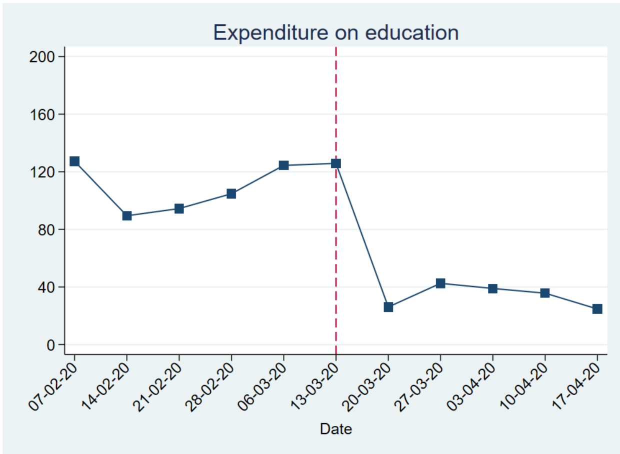

Figure 6. Expenditure on education

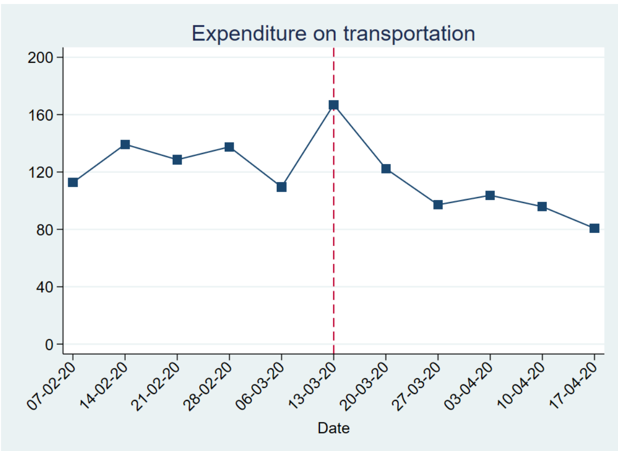

Figure 7. Expenditure on transportation

Implications

As long as the preventive measures persist, household incomes are expected to remain low and potentially decline even further. While households are currently able to maintain food spending, this could become more difficult in the near future. To avoid food insecurity and economic hardship, the Kenyan government has announced several economic response measures, including tax relief, reduction of VAT, and a reduction of income and business tax. However, since most of our households are employed in the informal sector, these relief measures will not be of help to them. The most relevant and rapid types of relief programs at this stage might be cash transfer programs and other direct support programs, such as the Inua Jamii program, which distributed KSH 8,000 to the elderly, orphans and other vulnerable populations during the week of 20 April. As the pandemic unfolds, our Diaries data will be keeping close track of the impact of any sources of support and households' ability to cope with the crisis.

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