

How much will vaccine inequity cost?

A report by The Economist Intelligence Unit



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How much will vaccine inequity cost?

We think US\$2.3trn by 2025

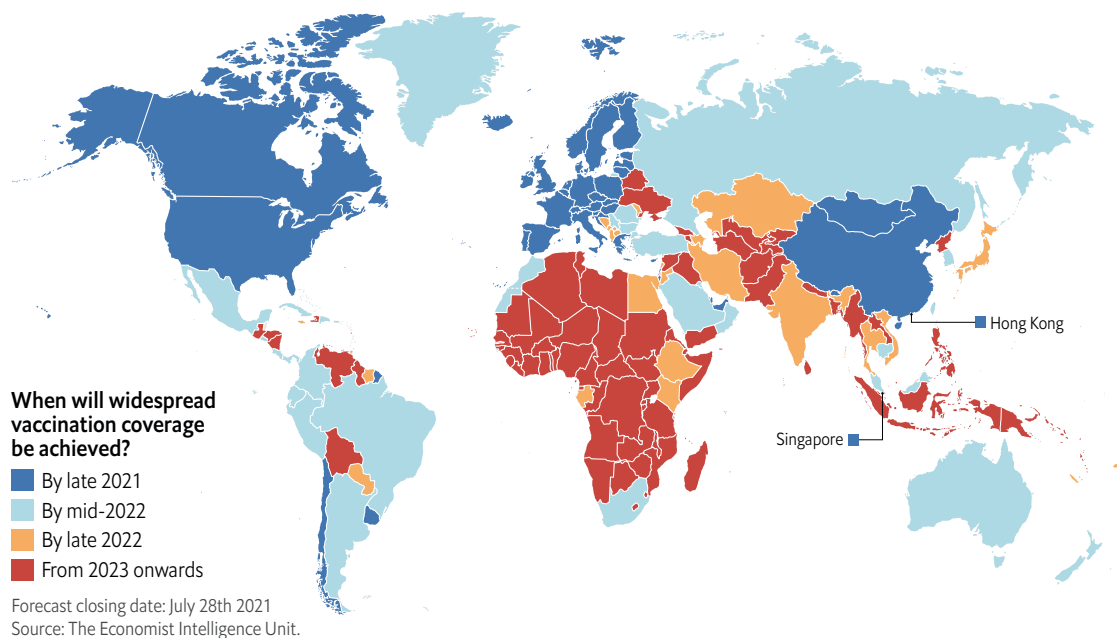
Only around 18 months after the coronavirus (Covid-19) pandemic began, vaccination campaigns are in full swing in advanced economies. As at late August, around 60% of the population of higher-income countries had received at least one dose of coronavirus vaccine (full vaccination generally requires two doses).

By contrast, vaccination campaigns are progressing at a glacial pace in lower-income economies. At the same point, only 1% of poorer populations had received at least one dose of a vaccine. To put this in context, rich countries have administered 100 times as many vaccines as have poorer states.

A combination of factors is fuelling vaccine inequity

Vaccine inequity has arisen owing to a combination of factors. The first issue relates to a global shortage of raw materials and limited production capacities, especially in developing countries (many emerging states initially relied on supplies from India, but Indian authorities have since begun to retain these for domestic use).

Rich countries will have vaccinated the bulk of their populations earlier than others

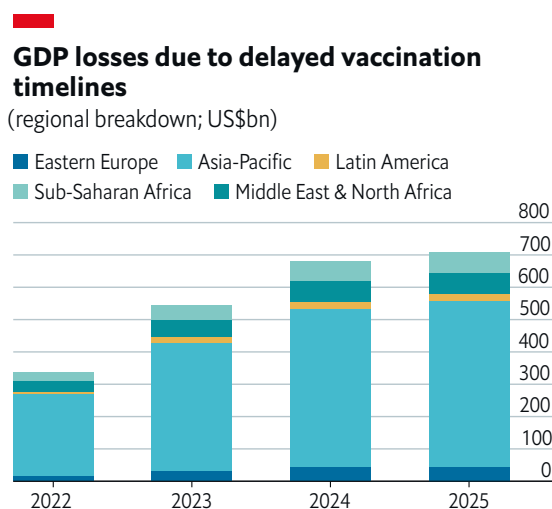


Financing is another constraint; few developing countries can afford the vaccines, especially if they are already struggling to provide crucial basic services such as clean water. Logistics also represent a barrier: shipping and storing vaccines requires adequate transport infrastructure and cold chains. Many developing countries also lack the healthcare personnel to administer shots. Finally, vaccine hesitancy is not solely a first-world problem; the population of many developing countries, including Ukraine, Vietnam and India, also exhibit high levels of mistrust of vaccines.

Delayed vaccination timelines will cost the global economy US\$2.3trn in 2022-25

Beyond ethical concerns, delays in vaccinating the global population will come at a high cost. The Economist Intelligence Unit has developed a model that indicates that those countries that will vaccinate less than 60% of their population by mid-2022 will register GDP losses totalling US\$2.3trn in 2022-25 (roughly equivalent to the annual GDP of France). Emerging countries will shoulder around two-thirds of these losses, further delaying their economic convergence with more developed countries.

In absolute terms, Asia will be by far the most severely affected continent (with cumulative projected losses of US\$1.7trn). As a share of GDP, countries in sub-Saharan Africa will register the highest losses (totalling 3% of the region's forecast GDP in 2022-25). These estimates are striking but they only partially capture missed economic opportunities, especially in the long term. For instance, our model does not account for the impact of lockdowns on schooling—there is often no such thing as remote learning in developing economies.



Note: GDP data are at market-exchange rates. All data are forecasts for 2022-25. North America and Western Europe will complete vaccination by end-2021. Source: The Economist Intelligence Unit.

The rich-poor divide over access to vaccines may well widen

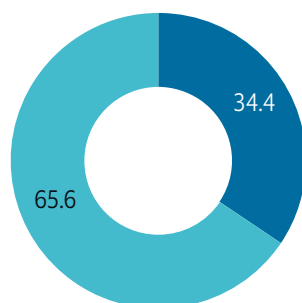
There is little chance that the divide over access to vaccines will ever be bridged. COVAX, the WHO-sponsored initiative to ship vaccines to emerging economies, has failed to live up to (modest) expectations. The programme is supposed to deliver 1.9bn vaccine doses to developed economies this year. It has, to date, shipped only around 210m doses (sufficient to inoculate just 15% of the population of lower-income economies). Some developed economies, notably the UK and Canada, chose to order jabs from COVAX, compounding COVAX's woes; in late June the UK received 539,000 doses of vaccine from COVAX (this was more than double the amount of vaccines that COVAX sent to Africa in that month).

Developing countries will shoulder the cost of vaccine inequity

Breakdown of GDP losses between richer and poorer economies

(% share of forecast global GDP losses in 2022-25)

■ Developed economies ■ Developing economies



Note. GDP data are at market-exchange rates. All data are forecasts for 2022-25.

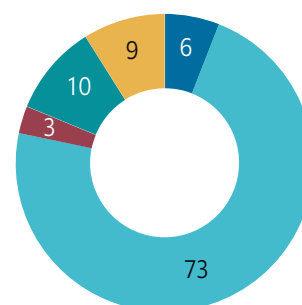
Source: The Economist Intelligence Unit.

The Asia-Pacific region will be most affected by delayed vaccination timelines

Breakdown of GDP losses between regions

(% share of forecast global GDP losses in 2022-25)

■ Eastern Europe ■ Asia-Pacific
■ Latin America ■ Middle East & North Africa
■ Sub-Saharan Africa



Note. GDP data are at market-exchange rates. All data are forecasts for 2022-25. The regional shares add up to more than 100% due to rounding. North America and Western Europe will complete vaccination by end-2021. Source: The Economist Intelligence Unit.

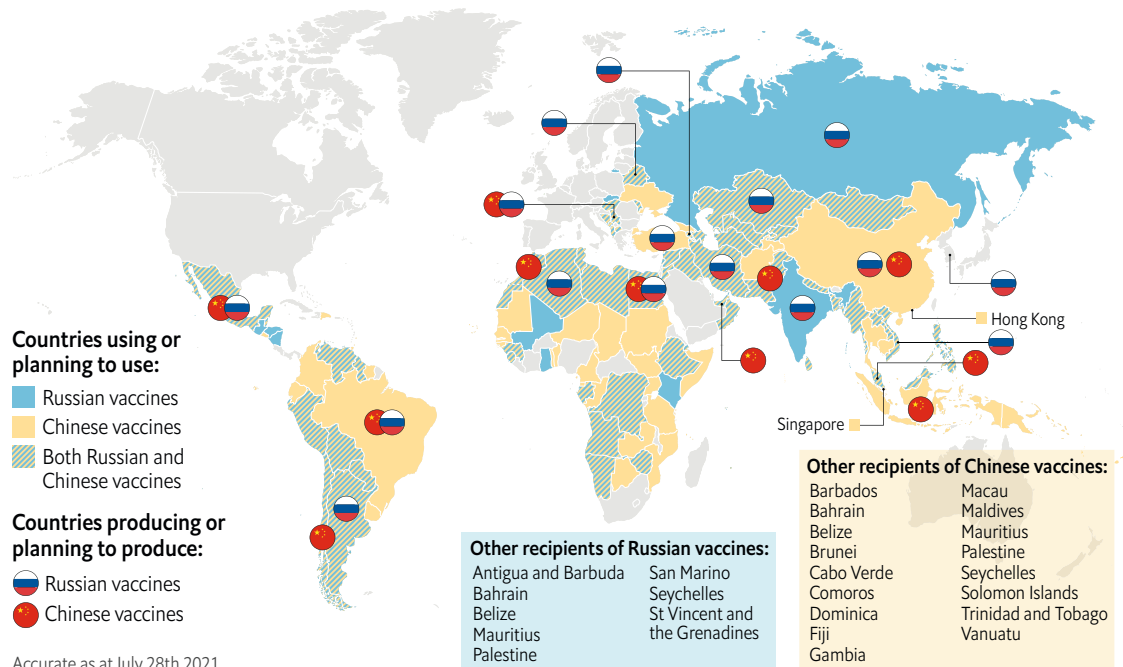
Despite flattering press releases and generous promises, donations from rich countries have also covered only a fraction of requirements—and, often, they are not even delivered. To date, the UK has delivered only around 10% of the 100m doses it has promised to donate to developing countries by mid-2022. Finally, the focus in developed economies is gradually shifting towards vaccinating children and administering booster doses to the general population, which will compound shortages of raw materials and production bottlenecks. The US will start the widespread administration of third doses of vaccines in September.

Vaccine inequity will reshape the global political and social landscape

Vaccine inequity will have serious long-term consequences. The most obvious is related to the economic impact of the lack of access to vaccines in poorer states. Our forecasts show that timelines for economic recovery will be longer in poorer economies than in advanced ones. This is due, in part, to our expectation that social-distancing measures will sometimes need to be re-imposed in countries where vaccination rates remain low.

Tourism flows could also be re-routed. Unvaccinated people are often barred from entering vaccinated countries or are forced to quarantine for long periods of time upon arrival. Conversely, travellers from vaccinated countries may prove reluctant to visit unvaccinated (and often poorer) destinations in the future. A third set of consequences will be political: resentment in emerging countries, both against local governments (which are seen as unable to provide much-needed vaccines) and richer states (which are perceived to be hoarding vaccines) is running high. Bouts of social unrest are highly likely in the coming months and years.

China and Russia's vaccine diplomacy spans across the globe



Russia's vaccine diplomacy has, to date, been a failure

Vaccine inequity is also fuelling vaccine diplomacy. Since the start of 2021, China and Russia have sent hundreds of millions of coronavirus jabs to emerging countries as part of a “vaccine diplomacy” operation. Eight months after they started, the results of these operations have been mixed. Despite aggressive media campaigns highlighting Russia’s commitment to coming to the rescue of developing countries, Russia’s vaccine diplomacy has, to date, been a failure.

Production difficulties have delayed the delivery of second shots of the Russian-developed Sputnik V vaccine, fuelling resentment in local populations. In Argentina, these delivery delays have led to a bitter diplomatic row between the two governments. In addition, a lack of transparency over clinical data, and doubts around the quality of some batches of the vaccine (in Slovakia, for example), have increased hesitancy towards the (to date, non-WHO approved) Russian-made vaccine.

China is busy sending jabs to developing states, but this comes with risks

By contrast, China’s vaccine diplomacy has been a success. Despite its huge population, the country has managed to vaccinate residents at a fast pace (China is on track to reach 70% immunisation by end-2021), while becoming the world’s largest exporter of vaccines. However, this impressive feat comes with a warning for those countries that depend on Chinese vaccines: some of these shots appear to offer lower levels of protection than Western jabs. The Seychelles, which had vaccinated the majority of its population with China’s Sinopharm vaccine, had to re-impose a lockdown in June.

The lower efficacy rate of Chinese vaccines poses two risks. The first is that the countries that relied on Chinese shots may need to administer boosters (a strategy that Chile, which mostly used China's Sinovac vaccine, is currently implementing) or mix different brands of vaccines (as Thailand is doing). For these countries, the total vaccine bill may prove higher than expected—and in some cases unaffordable. The second has to do with vaccine passports; most Western countries do not recognise inoculation with Chinese jabs. This will hinder travel, further widening the divide between richer and poorer economies.

The Delta variant of coronavirus means that vaccination will not be enough

The emergence of the Delta variant of the coronavirus, which is now dominant across the world, means that vaccination may not prove to be the magic bullet that many governments hoped for. All WHO-approved vaccines offer protection against infections, severe disease and death. Data from France, for example, show that vaccinated people are around ten times less likely to be admitted to an intensive care unit as the result of a coronavirus infection. As such, vaccines are a crucial first step in the fight against the pandemic.

However, some features of the Delta variant mean that vaccines alone may not be enough to control the virus. Delta is far more transmissible than the original strain of the coronavirus (someone infected with Delta contaminates another 5-9 people, compared with 2-3 from the original strain). In addition, even vaccinated people appear to have high viral loads, raising the risk that they may spread the disease (although vaccination appears to be cutting down the period of time in which people are infectious, reducing contagion). Israel, which has one of the highest immunisation rates in the world, illustrates how Delta is a game changer; after hope that the disease was under control, the country is now grappling with a fourth wave of cases.

With Delta, the global herd-immunity threshold looks unattainable

A more aggressive virus, in the form of the Delta variant, means that the global vaccination threshold to achieve herd immunity (whereby a virus disappears for lack of people to infect) now stands at around 90%, up from 60-70% previously. Such a high immunisation rate appears unachievable in developed countries (owing to vaccine hesitancy), let alone in developing ones (owing to vaccine inequity).

In the meantime, there have been only a handful of breakthroughs in terms of coronavirus treatments (although incremental improvements in medical protocols have helped to push down mortality rates in developed countries). This has two main implications. First, the principal goal of vaccination programmes may no longer be to reach herd immunity. Instead, vaccination may seek—more modestly—to reduce the risk of severe symptoms, hospitalisation and death. Second, the pandemic is likely to remain prevalent for several more years in an endemic form; living with the virus will become the new normal.

Governments need to reconsider their long-term Covid strategies

The future endemic nature of the virus means that some governments will have to revisit their public health strategies. The zero-Covid approach that several countries (including Australia, China and New Zealand) have adopted is unlikely to be sustainable in the long term. Such policies represent a future missed economic opportunity if the rest of the world re-opens, as they imply the imposition of stringent lockdowns as soon as any cases of coronavirus are detected.

By contrast, some countries, such as the UK, have already decided that suppressing the disease is not possible (the UK lifted all coronavirus-related restrictions in July). Over the past year, political leaders have been busy responding to short-term emergencies, such as rapid accelerations in infection rates. They now need to design a longer-term strategy to tackle the coronavirus. Here, again, the rich-poor contrast will be stark: vaccinated, richer states will have choices, while unvaccinated, poorer ones will not.

Methodology

Methodology of The EIU's model assessing the cost of delayed vaccination timelines:

The Economist Intelligence Unit has built a model assessing the costs of delayed vaccination timelines worldwide. The work was conducted by combining our in-house forecasts for vaccination timelines in around 200 countries with GDP growth forecasts from our proprietary econometric models. First, we listed those countries that will achieve 60% immunisation coverage against coronavirus between mid-2022 and early 2023 (depicted in orange on the global vaccination timeline map) and those that will achieve this vaccination rate in 2023 and beyond (depicted in red). We then calculated the "virtual" boost to GDP growth in 2022-25 that faster immunisation timelines would afford to each of these countries. Finally, we compared these data with our "regular" GDP growth forecasts to assess global and regional GDP losses owing to delayed vaccination timelines. All the data are calculated at market-exchange rates.

Forecast GDP losses due to delayed vaccination (% of region's forecast GDP)

	2022	2023	2024	2025	Total 2022-25
North America	0%	0%	0%	0%	0%
Western Europe	0%	0%	0%	0%	0%
Eastern Europe	0.1%	0.1%	0.2%	0.2%	0.1%
Asia-Pacific	0.8%	1.2%	1.5%	1.5%	1.3%
Latin America	0.1%	0.3%	0.3%	0.4%	0.3%
Middle East & North Africa	0.9%	1.4%	1.7%	1.7%	1.4%
Sub-Saharan Africa	1.7%	2.8%	3.5%	3.5%	2.9%

Note. GDP data are at market-exchange rates. All data are forecasts for 2022-25.

Cumulative data are based on each region's total forecast GDP for 2022-25.

Source: The Economist Intelligence Unit.

Methodology of The EIU's map of vaccination timelines:

This map depicts the latest forecasts from The EIU for the rollout of coronavirus vaccines, reflecting the time when countries may expect to have vaccinated the majority (60-70%) of their population. Criteria taken into account include supply deals, production constraints, vaccine hesitancy, the size of the population, and the availability of healthcare workers. The data are adjusted by analysts to reflect specific conditions on the ground.

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