

Box 1.3 Potential economic impacts of the A H1N1 flu outbreak

At the time of this writing (June 1, 2009), the outbreak of H1N1 flu has not run its course, although there are encouraging signs that it is neither as deadly nor as easily spread as might have been first thought. Initial estimates suggest that its clinical severity is similar to that of the Hong Kong flu of 1968–69 and that while its infectiousness (rate of spread) is higher than normal flu it is in the lower range of previous influenza pandemics (Fraser and others 2009). Younger populations and individuals with chronic disease appear to be most vulnerable, in part because as much as 33 percent of people 60 and older appear to have some immunity to it (Centers for Disease Control and Prevention, 2009).

To date, the World Health Organization reports some 12,954 laboratory confirmed cases of the flu in 46 different countries, and 92 deaths. More than 90 percent of the cases recorded so far are in North America, with all but 12 deaths having been in Mexico—which accounts for about one-third of all cases.

It is not yet known what explains the much lower mortality rates outside of Mexico. Possible explanations include: a much higher incidence of disease than reported in Mexico and therefore a lower mortality rate, the timing of the outbreak toward the end of the flu season in the Northern hemisphere, and some aggravating and as yet unknown cofactor.

So far, the economic costs of the epidemic have been concentrated in Mexico and in the transportation sectors. Air travel to and from Mexico is down by 80 percent, and hotels in popular resorts report vacancy rates as high as 80 percent. Overall, tourism revenues are down an estimated 43 percent, increasing Mexico's external financing gap because tourism is an important source of foreign currency. Following an initial closure of restaurants, theaters, and sports stadiums, the Mexican authorities ordered all businesses to shut down for five days in an effort to stem the spread of the disease. Because this last measure fell over a long weekend, its economic effect was much smaller than it would have been had it been declared during the course of a full business week. Should recent levels of disruption in the commerce, restaurant, hotel, and transportation businesses in the Mexico City region (representing 30 percent of the country's GDP) persist, they could reduce second-quarter GDP by as much as 2.2 percent.

Although the spread of A H1N1 appears to have eased, its spread is likely to pick up as the flu season begins in the southern hemisphere and again when it returns in the northern hemisphere. Even if it does not mutate into a more deadly form, a second wave of the flu in low-income countries' could have serious consequences—given poor countries limited capacity to monitor and treat an outbreak and the higher incidence of chronic disease within their populations (the pre-existence of chronic health conditions and delays before medical intervention appear to be among the factors that have contributed to deaths where they have occurred). More worrisome is the possibility that H1N1 could mutate into or combine with a more aggressive form of the flu—such as H5N1 (avian influenza). As a flu for which much of the world's population has limited pre-existing immunity (WHO 2009), A H1N1 could infect as much as 35 percent of the world's population (WHO 2006)—spreading throughout the world in as few as 180 days during flu season.

As compared with a normal flu season, where some 0.2–1.5 million die (WHO 2003), deaths from even a mild new flu might include an additional 1.4 million people worldwide. A more virulent form, such as the 1918–19 flu, which was more deadly for healthy adults than a normal flu, could have much more serious consequences, killing as many as 1 in 40 infected individuals (Barry 2005), or some 71 million. Some authors suggest that as many as 180 million to 260 million could die in a worst-case scenario (Osterholm 2005).

Simulations of the potential economic and human costs of a global pandemic undertaken for the 2006 *Global Development Finance* report in the context of avian influenza (Burns, van der Mensbrugghe, and Timmer 2006, 2008) suggest that the costs of a global influenza pandemic could range from 0.7 to 4.8 percent of global GDP depending on the severity of the outbreak. The lower estimate is based on the Hong Kong flu of 1968–69, while the upper bound was benchmarked on the 1918–19 Spanish flu. In the case of a serious flu, 70 percent of the overall economic cost would come from absenteeism and efforts to avoid infection. Generally speaking, developing countries would be hardest hit, because higher population densities, relatively weak health care systems, and poverty accentuate the economic impacts in some countries.