



The Avian Flu: Nothing to Sneeze About

Concerns are growing about the possibility of an avian flu pandemic and its implications for humans and the global economic and financial system. The World Health Organization (WHO) has confirmed that since 2003 close to 195 persons have been infected with the current strain of H5N1 virus around the world and nearly 110 have died. Experts fear the virus could change into a form easily transmitted from human to human and sweep the world, like the 1918 Spanish flu, which was the third most lethal pandemic in history. According to the WHO, the Spanish flu infected almost 25% of the global population and took the lives of almost 40 million (about 2% of the global population at the time).

Table 1: Number of Confirmed Human Cases of Avian Influenza (H5N1)

/as at 12 April 2006/

Country	2003		2004		2005		2006		Total	
	cases	deaths	cases	deaths	cases	deaths	cases	deaths	cases	deaths
Azerbaijan	0	0	0	0	0	0	8	5	8	5
Cambodia	0	0	0	0	4	4	2	2	6	6
China	0	0	0	0	8	5	8	6	16	11
Egypt	0	0	0	0	0	0	4	2	4	2
Indonesia	0	0	0	0	17	11	14	12	31	23
Iraq	0	0	0	0	0	0	2	2	2	2
Thailand	0	0	17	12	5	2	0	0	22	14
Turkey	0	0	0	0	0	0	12	4	12	4
Viet Nam	3	3	29	20	61	19	0	0	93	42
Total	3	3	46	32	95	41	50	33	194	109

Source: World Health Organization (Total number of cases includes number of deaths. WHO reports only laboratory-confirmed cases)

Potential Economic Impact

By the middle of 2005, the World Bank estimates that more than 140 million birds had died or been destroyed and losses to the poultry industry amounted to more than US\$10 billion. The severity of a pandemic will necessarily depend on several factors. Chief amongst these are fatality rates, duration of the virus, and preparedness of households firms and the health care system.

The IMF is of the view that the bird flu pandemic has the potential to substantially reduce economic activity and can result in high levels of illness and death. Economic contraction can directly come from high absenteeism rates as people become afraid of contracting the virus, or as people choose to stay at home to tend to sick relatives. Additionally, disruptions may occur to transportation, travel and payment systems, posing severe financial risks for some businesses. Consumer spending and investments may also diminish rapidly.

A severe pandemic has the potential to destabilize the global financial market, generating a temporary spike in risk aversion that especially causes a surge in the demand for cash. This can lead to considerable declines in asset prices and corresponding widening of credit spreads for sovereigns as well as corporates. Reduced global demand for commodities such as oil can result in a fall off in prices. The avian flu has the potential to cause a significant but temporary decline in capital flows to emerging market economies. The Fund also noted that the increased spending by governments on health and public safety would likely put pressure on fiscal balances, and monetary policy may need to be eased temporarily. Evidence from the SARS experience suggest that a shift in risk preference may result in significant realignment of investors' portfolios, operational disruptions in the financial systems, and a general loss of confidence in more vulnerable economies.

The IMF has warned that countries are not taking the H5N1 bird flu strain seriously and are actually lagging in preparations to limit an outbreak. It will call for greater cooperation among countries. Business continuity plans are crucial in managing operational risk in the financial sector. This may involve identification of recovery teams and back-up facilities at alternative sites. Central Banks should be prepared to make available adequate levels of cash, to ensure that financial institutions are able to meet the sudden increase in demand for liquidity.

The WHO has prepared a global plan and guidelines for pandemic preparedness and is developing a model country plan that will allow countries to assess their state of preparedness and identify priority needs. The WHO strategy has five strategic actions, summarized as follows:

Table 2: WHO Global Plan for Pandemic Preparedness

Phase	Strategic Action
Pre-pandemic	1. Reduce the opportunities for human infection 2. Strengthen the early warning system
Emergence of pandemic virus	3. Contain and/or delay the spread at source
Pandemic declared	4. Reduce morbidity, mortality and social disruption 5. Conduct research to guide response measures

Source: Avian Flu Economic Impact, Global Program for Avian Influenza and Human Pandemic - World Bank.

Countries would do well to adopt and refine these contingency plans. After all, an ounce of prevention is worth a pound of cure.

FINANCIAL & ECONOMIC INDICATORS

As at 12 April 2006

<u>Exchange Rate/US\$</u>	<u>Closing Value</u>	<u>Previous Week</u>
Yen	118.57	117.75
Euro	1.21	1.22
Jamaica	65.50	65.50
Guyana	200.70	200.40

<u>Commodity Prices</u>	<u>Closing Value</u>	<u>Previous Week</u>
Crude oil (US\$/bbl)	68.62	67.94
Natural Gas (US\$/mmbtu)	6.78	7.06
Gold (US\$/Troy Ounce)	598.38	595.30

Eurobond Indices (Returns, % YTD as of 12-April-06)

Lehman Brothers Global Aggregate Index	-1.05
JP Morgan EMBI+	-16.74
CMMB Eurobond Index	-0.47

<u>Policy Interest Rates (%)</u>	<u>Closing Value</u>	<u>Previous Month</u>
United States	4.75	4.75
Euro Zone	2.50	2.50
Japan	0.00	0.00
Brazil	16.50	16.50
Trinidad	6.75	6.75
Jamaica	12.60	12.60
Barbados	4.75	4.75

<u>Market Interest Rates (%)</u>	<u>Closing Value</u>	<u>Previous Week</u>
US 90-day T-Bill	4.59	4.58
US 10-Yr Treasury	4.98	4.87
3-month UK Libor	4.62	5.02
Japan 90-day T-Bill	0.18	0.18
Brazil 90-day T-Bill	15.48	15.57
TT 90-day T-Bill	5.47	5.43
Jamaica 90-day T-Bill	12.74	12.74
Barbados 90-day T-Bill	5.13	6.22

Sources: Bloomberg, CMMB Research Centre, Central Bank of Trinidad and Tobago, Bank of Jamaica, Central Bank of Barbados, Bank of Guyana

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