COVID-19: SOCIO-ECONOMIC IMPACTS

POVERTY

- The World Bank indicates that in addition to the immediate impact on health outcomes and lives, COVID-19 is likely to have long-lasting economic and social impacts of global proportions due to the direct and indirect effects of illness, the preventive behaviors of people, and governmental transmission control policies.

![Image: Diagram showing the main channels for short-term impacts of COVID-19 on welfare](Image)

Source: WB 2020/04/16

- GDP projections have been revised downward for most regions and countries, due to the shocks to both domestic demand and supply, sharp declines in the circulation of goods and services, as well as people and capital. Revisions will continue while the ultimate size and persistence of the economic impact remains unknown.

- During the first few months of the pandemic, governments around the world have been rightly focused on managing COVID-19 spread, often relying on stringent transmission control measures without placing a high weight on their current and future economic costs. Now that the significant economic and social costs, are more clear governments are increasingly turning their attention to a broader set of policies and introducing mitigating social protection and fiscal measures (WB 2020/04/16)

- Analysis by researchers from King’s College London, Australian National University and the UNWIDER (United Nations University World Institute for Development Economics Research) warns that the economic contraction caused by Covid-19 could push an additional 500 million people (8 per cent of the world’s population) into poverty, reversing 30 years of economic improvement. UN-WIDER, King's College and Australian National University (2020/04/08)

- IFPRI’s poverty model, projects severe impact at regional and global levels, with a downturn in global economic growth of 5 per cent in 2020, similar to the IMF forecasting, a global recession, with a contraction of economic growth (-3 per cent) and recovery is not expected until 2021.

- The ongoing recession in Europe and the USA is projected to reduce economic activity across developed countries by 6 per cent on average. Despite the expected rebound later this year when social distancing measures are lifted, and stimulus measures take effect; this recession will spill over to the rest of the world through lower demand for trade and lower commodity prices. Developing
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Economies will be hurt by the economic fallout as result of their own social distancing measures and by increased morbidity, affecting labour supply for farming and other business activity.

| TABLE 1 COVID-19 Global Economic Recession in 2020 (April 2020 IFPRI Global Reference Scenario) |
|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Percentage Change from Base Year Values | Real GDP | Household consumption | Export of goods (value in constant 2010 US dollars) | Agrifood Real Value Added | Agrifood exports (value in constant 2010 US dollars) |
| World | −5.0 | −0.1 | −20.9 | −1.8 | −24.8 |
| Developed countries | −6.2 | −0.1 | −23.5 | −3.1 | −23.8 |
| Developing countries | −3.6 | −2.5 | −18.0 | +0.1 | −30.5 |
| Africa South of Sahara | −8.9 | −3.2 | −35.2 | +3.9 | −20.6 |
| South Asia | −5.0 | −3.7 | −27.1 | −2.0 | −30.7 |
| South-East Asia | −7.0 | −4.2 | −27.7 | −2.8 | −31.9 |
| Latin America | −5.9 | −4.4 | −30.8 | −3.9 | −28.5 |

Source: IFPRI 2020/04/16

- Without social and economic mitigation measures such as fiscal stimulus and expansion of social safety nets, the impact on poverty would be devastating and could result on around 140 million people falling into extreme poverty (measured against the $1.90 poverty line) in 2020 (a 20 per cent increase from present levels) and increase food insecurity.

Latin American and Caribbean: According to the ECLAC, the region COVID-19 is causing the biggest contraction in economic activity in the history of the region: a -5.3 per cent drop in 2020, increasing unemployment by 10 per cent. This could result in poverty in the region raising from 185 million to 220 million people, out of 620 million inhabitants in total; and the quantity of people living in extreme poverty could increase from 67.4 million to 90 million (CEPAL 2020/04/21).

WORK AND EMPLOYMENT
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The impact on labour markets at a glance

**68%**

**EMPLOYED IN COUNTRIES WITH WORKPLACE CLOSURES**

As of 29 April 2020, ILO estimates show that the proportion of workers living in countries with recommended or required workplace closures has increased from 41 to 68 per cent over the last two weeks.

**37.5%**

**EMPLOYED IN AT-RISK SECTORS**

Sectors considered at high risk of disruptive include accommodation and food service activities, retail trade, manufacturing, and real estate, business and administrative services.

**10.5%**

**DECLINE IN WORKING HOURS**

Global working hours in the second quarter are expected to be 10.5 per cent lower than in the last pre-crisis quarter. This is equivalent to 305 million full-time jobs, which represents a significant deterioration on 3.5 per cent growth rate of 175 million for the second quarter. This has been driven mainly by prolongation and extension of containment measures.

As job losses escalate, nearly half of global workforce at immediate risk of losing their livelihoods, resulting in no income, no food, no security and no future for millions of informal workers. *(ILO 2020/04/29)*

**INFORMAL ECONOMY WORKERS**

- Almost 1.6 billion informal economy workers are significantly impacted by lockdown measures and/or working in the hardest-hit sectors. Almost half of the global workforce in danger of losing their livelihoods.

- Estimated 60 per cent decline in earnings of informal workers globally during the first month of crisis. By region, the largest expected decline is in Africa and Latin America, at 81 per cent. Regarding income groups, it is 82 per cent in lower-middle and low-income countries, 28 per cent in upper-middle-income countries, and 76 per cent in high-income countries.

- The rate of relative poverty, defined as the proportion of workers with monthly earnings below 50 per cent of the median earnings in the population, expected to increase by almost 34 percentage points globally for informal workers, ranging from 21 percentage points in upper-middle-income countries to 56 percentage points in lower-middle-income economies. *(ILO 2020/04/29)*

**LOSSES IN WORKING HOURS (2020 Q1+Q2)**

- Global working hours declined around 4.5 percent in 2020 Q1, equivalent to around 130 million full-time jobs, compared to before (2019 Q4)

- Global working hours in Q2 expected to be 10.5 per cent lower than before the crisis (2019 Q4). Equivalent to 305 million full-time jobs, driven by prolongation and extension of containment measures

- Greatest loss in working hours experienced in the Americas (12.4 percent) and Europe and Central Asia (11.8 percent). Lower-middle-income countries are expected to register the highest rate of hours lost, at 12.5 per cent *(ILO 2020/04/29)*

**ILO - UNEMPLOYMENT SCENARIOS**

- **LOW SCENARIO:** GDP growth drops by 2 per cent: Global unemployment increase by 5.3 million - uncertainty of 3.5 to 7 million.

- **MID SCENARIO:** GDP growth drops by 4 per cent: Global unemployment increase by 13 million (7.4 million in high-income countries) - uncertainty of 7.7 to 18.3 million.
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- **HIGH SCENARIO:** COVID-19 has serious disruptive effects, GDP growth drops by 8 per cent: Global unemployment increase by 24.7 million, uncertainty of 13 to 36 million *(ILO 2020/04/19)*

**REMITTANCES**

- Global remittances projected to **decline sharply by about 20 per cent** in 2020, due to COVID-19 pandemic, shutdown and economic crisis.
- **LMICS:** Remittances to low and middle-income countries (LMICs) are projected to **fall by 19.7 per cent** to $445 billion, loss of a crucial financing lifeline for many vulnerable households.
- Despite the decline, **remittance flows are expected to become even more important as a source of external financing** for LMICs as the fall in foreign direct investment is expected to be larger (over 35 per cent).
- Remittance flows are expected to fall across all WB regions, higher drop in **Europe and Central Asia (27.5 per cent)**, followed by **Sub-Saharan Africa (23.1 per cent)**, **South Asia (22.1 per cent)**, the **Middle East and North Africa (19.6 per cent)**, **Latin America and the Caribbean (19.3 per cent)**, and **East Asia and the Pacific (13 per cent)**.
- Global average cost of sending $200 remains high at 6.8 percent in the first quarter of 2020, only slightly below the previous year. **Sub-Saharan Africa** continued to have the **highest average cost**, at about 9 per cent *(WB 2020/04/22)*

**FOOD SECURITY**

- **WFP** alerts of the risk of **hunger pandemic** as COVID-19 set to almost double acute hunger, with additional 130 million lives and livelihoods at risk reaching 265 million people by end of 2020. 135 million people suffering food crisis or worse (IPC/CH phase 3 or above) in 2019, the highest in the four years of the GRFC's existence. This number likely to raise and **265 million people in low and middle-income countries** will be under severe threat unless swift action is taken to tackle the pandemic *(WFP/FAO 2020/04)*.
The COVID-19 pandemic drives global increase in humanitarian food assistance needs: Measures to suppress the transmission of COVID-19 result in sharp declines in income among many poor households. FEWS NET estimates for 2020 is **94 million people in need of humanitarian food** assistance across its 29 presence and remotely monitored countries, **55 per cent above the five-year average** of food assistance needs for the same countries, and **a 25 percent increase from last year** (FEWSNET 2020/04/27).

According to the Economic Community of West African States (ECOWAS), the impact of the coronavirus pandemic could **increase** from 17 million to 50 million the number of **people at risk of a food insecurity and malnutrition** between June-August 2020 (ECOWAS2020/04/).

**MARKETS**

According to IASC, countries most at risk are those heavily dependent on food imports, including small and/or insular countries that are well integrated in the global economy and specialized in other economic sectors.

IASC mentioned examples of countries most at risk in which oil/ mineral revenue provides more than **60% of government revenue** include: Angola, Bolivia, Nigeria, Iraq, Libya, South Sudan, Zambia, Niger, and Venezuela.

Prices of primary commodities, whose export is vital for large parts of the developing world, have plunged with the price of crude oil falling from more than **60 USD/barrel at the beginning of the year to around 25 USD/barrel** (April 2020) with jaw-dropping implications for export earnings from oil (WAN WFP).