

2. Poverty and food insecurity could grow dramatically as COVID-19 spreads

David Laborde, Will Martin, and Rob Vos

Cases of COVID-19 worldwide are growing exponentially, with major impacts on [global staple food markets](#) and [poverty and hunger](#). On March 10, the number infections had just passed 110,000 with about 4,000 deaths. In the following month, the number of people with COVID-19 increased 20-fold (to over 2 million) and the number of deaths more than 30-fold (to over 135,000). The epicenter of the pandemic shifted from China to Europe and then to the United States. The coronavirus is now spreading rapidly in low- and middle-income countries, many of which lack robust health systems or strong social safety nets that can soften the pandemic's public health and economic impacts.

More than half of the world population is currently under some form of social distancing to contain the health crisis. As a result, millions of businesses have had to close shop. The [International Labour Organization anticipates 200 million](#) workers could be thrown into unemployment. In the United States alone, virtually overnight, 22 million people lost their jobs in early April. Governments in Europe and the United States have promised unprecedented fiscal and monetary stimulus measures to compensate for the income losses of businesses and workers and to contain an inevitable economic crisis. But the relief responses of low- and middle-income countries have thus far been more limited.

With COVID-19 and its economic fallout now spreading in the poorest parts of the world, many more people will become poor and food-insecure. In a new scenario analysis, we estimate that globally, absent interventions, over 140 million people could fall into extreme poverty (measured against the \$1.90 poverty line) in 2020 – an increase of 20% from present levels. This in turn would drive up food insecurity. A global health crisis could thus cause a major food crisis – unless steps are taken to provide unprecedented economic emergency relief.

While considerable uncertainty surrounds the outcome, the world is very likely to face a deep recession in 2020 – at least as severe as the one following the global financial crisis of 2008–2009. A steep global economic downturn has already set in. Even assuming a strong rebound in the second half of the year on the back of unprecedented economic stimulus measures in the United States and Europe, the economic damage in major developed countries for 2020 is likely to exceed that of the Great Recession.

Using [IFPRI's global model](#), we examined some of the likely impacts of the downturn for poverty worldwide and regionally.

Under the assumptions indicated in the box below, we project a downturn in global economic growth of 5% in 2020. This projection is broadly similar to the recent [IMF forecast](#), which shows a downturn of the world economy from the 2% to 3% growth anticipated pre-pandemic to an actual decline of 3%.

TABLE 1 COVID-19 global economic recession in 2020

	PERCENTAGE CHANGE FROM BASE YEAR VALUES				
	Real GDP	Household consumption	Export of goods (value in constant dollars)	Agrifood real value added	Agrifood exports (value in constant dollars)
World	-5.0	-1.0	-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
Southeast Asia	-7.0	-4.2	-27.7	-2.8	-31.9
Latin America	-5.9	-4.4	-30.8	-3.9	-28.5

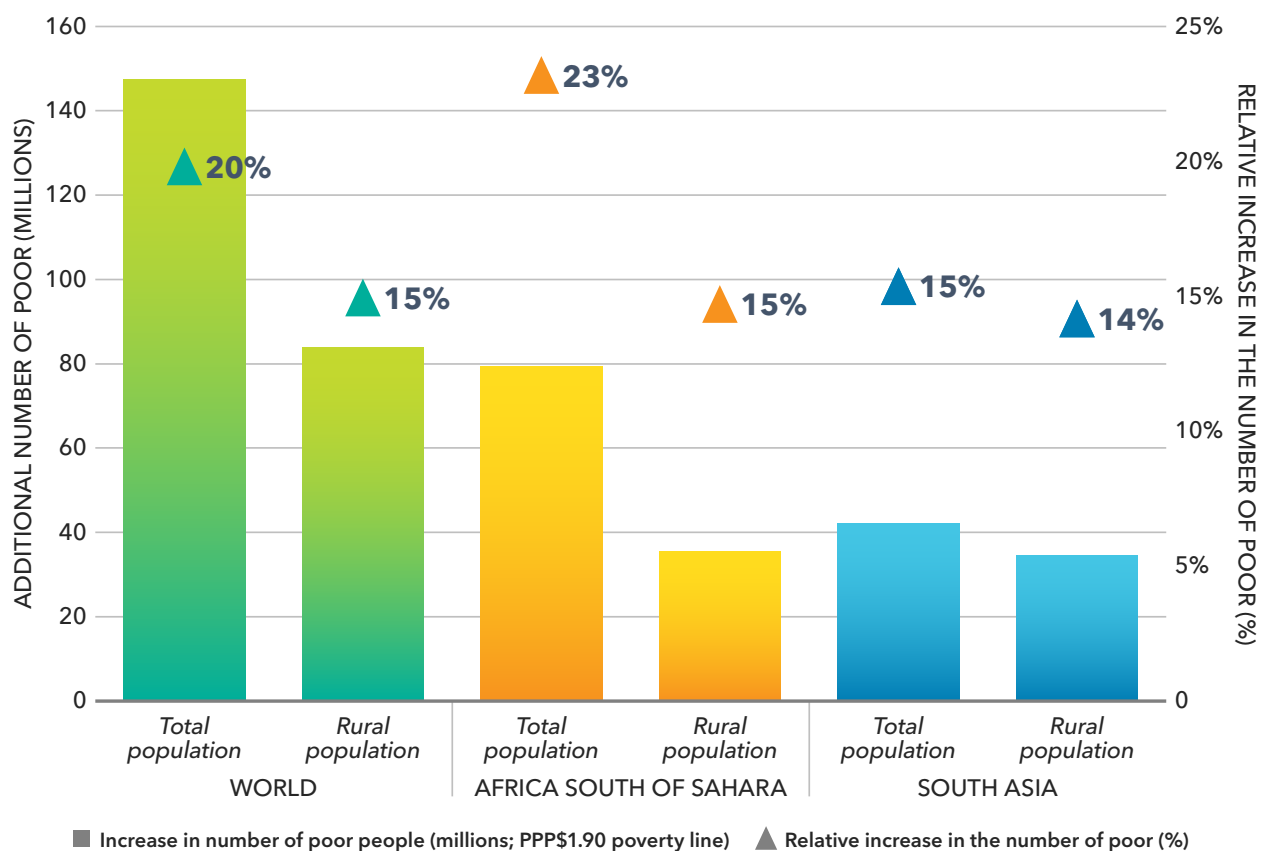
Source: Authors, based on simulations with MIRAGRODEP model, April 2020 IFPRI global reference scenario.

Our scenario, however, indicates that the poorest nations face significantly greater adversity. The recession that has already started in Europe and the United States is projected to depress economic activity across developed countries by 6% on average in 2020, despite an expected rebound later in the year as 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 economies will be hurt by the economic fallout caused by their own social distancing measures and by increased morbidity affecting the labor supply for farming and other business activity.

For developing countries as a group, the economic fallout would lead to a decline of their aggregate GDP of 3.6%, but economies in Africa south of the Sahara, Southeast Asia, and Latin America would be hit much harder due to their relatively high dependence on trade and primary commodity exports. The recession is expected to be less severe in China and the rest of East Asia, where we expect the economic recovery to start sooner with the earlier lifting of containment measures.

We expect economies in Africa to be hit hardest (almost a 9% decline). But agrifood sectors may be spared and expand, as the collapse in export earnings and loss of capacity to import food push up domestic production. Lower labor demand in urban service sectors may push workers to return to agriculture, also contributing to greater domestic food production. With more workers in the sector, however, individual incomes would remain low.

FIGURE 1 Impact of COVID-19 global economic crisis on extreme poverty



Source: Authors, based on simulations with MIRAGRODEP model.

Without social and economic mitigation measures such as fiscal stimulus and expansion of social safety nets, the impact on poverty would be devastating. (The scenario does not consider any such responses, as yet.) In addition to the 20% global increase in extreme poverty noted above, the scenario indicates urban and rural populations in Africa south of the Sahara would suffer most, as 80 million more people would join the ranks of the poor, a 23% increase. The number of poor in South Asia would increase by 15% or 42 million.

As these estimates refer to the extreme poor, that is, those who typically lack sufficient means to buy enough food, we expect a commensurate rise in the number of food-insecure people.

Heading off this dire outcome – a potential massive increase in global poverty and hunger – calls for an unprecedented policy response. High-income countries and international organizations should work to provide low- and middle-income countries with the necessary fiscal space and import capacity to expand health and social protection programs, strengthen food supply chains, and ensure adequate and affordable food supplies. Honoring the multiple calls for official and commercial debt relief would also help.

Key assumptions for the scenario analysis

- All countries affected by COVID-19 implement social distancing measures covering on average 40% to 50% of the population for between 2 and 3 months.
- International travel is essentially shut down, closing many tourism-related activities.
- Social distancing measures allow only essential work, such as food production and distribution, under normal conditions. We assume further that, on average, one-third of skilled workers can continue to work effectively via various forms of telecommuting.
- The containment measures cause bottlenecks and delays in international transport, pushing up freight costs by 3%.
- While the agriculture and food sectors have been identified as essential in most countries, we also assume some supply disruption caused by reduced labor mobility (for example, for seasonal migrant labor) and further, that perishable farm products suffer greater postharvest losses of 5% due to logistics problems and demand fallout.
- The present scenario accounts for the economic stimulus packages being implemented by countries in North America and in Europe, including significant income transfers to households. The scenario does not consider any additional international support or government stimulus in developing countries.

But even these measures are unlikely to be enough. There should also be concerted efforts to keep trade channels open to avoid piling an unnecessary food price crisis on top of the current health and economic disasters facing the world. We have developed a [tracker](#) to monitor these potentially damaging policy measures. In addition, large amounts of fresh, additional, low-conditionality funding will be needed to stave off a large-scale food crisis and invest in resilient food supply chains.

Detailed results of the scenario analysis can be [found here](#) and a detailed description of the underlying methodology can be found [here](#).

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*To read more about this topic, see: D. Laborde, W. Martin, J. Swinnen, and R. Vos. "COVID-19 Risks to Food Security." *Science* 369 (6503): 500–502.*

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