

Projected poverty impacts of COVID-19 (coronavirus)

June 8, 2020

OVERVIEW OF RESULTS¹

Poverty projections suggest that the **social and economic impacts of the crisis are likely to be quite significant**. Estimates based on growth projections from the [June 2020 Global Economic Prospects report](#) show that, when compared with pre-crisis forecasts, COVID-19 could push 71 million people into extreme poverty in 2020 under the baseline scenario and 100 million under the downside scenario. As a result, the global extreme poverty rate would increase from 8.23% in 2019 to 8.82% under the baseline scenario or 9.18% under the downside scenario, representing the first increase in global extreme poverty since 1998, effectively wiping out progress made since 2017. While a small decline in poverty is expected in 2021 under the baseline scenario, projected impacts are likely to be long-lasting.

The number of people living under the international poverty lines for lower and upper middle-income countries – \$3.20/day and \$5.50/day in 2011 PPP, respectively – is also projected to increase significantly, signaling that social and economic impacts will be widely felt. Specifically, under the baseline scenario, COVID-19 could generate 176 million additional poor at \$3.20 and 177 million additional poor at \$5.50. This is equivalent to an increase in the poverty rate of 2.3 percentage points compared to a no-COVID-19 scenario.

A large share of the new extreme poor will be concentrated in countries that are already struggling with high poverty rates and numbers of poor. Almost half of the projected new poor will be in South Asia, and more than a third in Sub-Saharan Africa. Under the baseline scenario, the number of extreme poor in IDA, Blend and FCV countries is projected to increase by 21, 10 and 18 million, respectively.

The increase in the **extreme poverty rate and number of extreme poor are projected to be significantly higher under both the baseline and downside scenario if inequality were to increase** as a consequence of the crisis. For instance, a 1% increase in the Gini coefficient (on the upper side of the experience of previous pandemics²) would translate into an additional 19 million in extreme poverty, bringing the global total to 90 million in the baseline scenario. In the downside scenario, there would be an additional 16 million extreme poor, bringing the global total to 116 million. Further increases in inequality would only worsen this picture.

The same is true were GDP growth to be lower than projected under the downside scenario. Specifically, a 2 percentage point decline in GDP growth, vis-a-vis the downside scenario, would raise the number of additional extreme poor to 124 million.

¹ Estimates prepared by PovcalNet team, with inputs from Poverty and Equity Global Practice. See Table 1 for full results under multiple growth and inequality scenarios and for all poverty lines (\$1.90/day, \$3.20/day and \$5.50/day at 2011 PPP).

² Evidence suggest that in the year after past pandemics, the Gini coefficient has increased by about 0.2%. <https://blogs.imf.org/2020/05/11/how-pandemics-leave-the-poor-even-farther-behind/>

OVERVIEW OF METHODS

Poverty projections are constructed using household survey data and growth projections for 166 countries. In particular, we take data from the latest year for which [PovcalNet](#) (an online tool provided by the World Bank for estimating global poverty) has poverty estimates for a country and extrapolate forward using the growth projections from the June 2020 [Global Economic Prospects](#).

We project changes in both poverty rates and the number of poor using the International (extreme) Poverty Line (\$1.90 in 2011 PPP) and the poverty lines for lower- and upper-middle-income countries (\$3.20/day and \$5.50/day, respectively), and consider a variety of growth and inequality scenarios as follows:

- Real GDP growth scenarios: (i) GEP baseline scenario, (ii) GEP downside scenario, (iii) second downside scenario with GDP growth 2 percentage points below scenario (ii)
- Inequality scenarios: (i) no change in distribution of income, (ii) increase in Gini coefficient of 1%, 2%, 5%, and 10%

Projected changes discussed in the main text are constructed comparing real GDP growth forecasts from the June 2020 and January 2020 editions of the *Global Economic Prospects* (Table 1, panel A). In addition, we provide a temporal comparison between poverty rates and number of poor in 2019 (nowcast estimates based on actual growth rates) and projected values for 2020 using GEP growth projections (Table 1, panel B). The first set of projected changes (preferred) is based on a contemporaneous comparison—i.e. COVID vs. non-COVID in 2020; while the second set is based on a temporal comparison—i.e. pre-COVID (2019) and COVID (2020).

In all cases, the projections assume that 85% of growth in real GDP/capita is passed through to growth observed in household surveys in line with historical evidence from more than 1,000 surveys. Changes in the Gini coefficient are implemented assuming countries follow a linear growth incidence curve.

Table 1. Projected changes in poverty rates and number of poor

A. Scenarios for global poverty in 2020 relative to forecasts for 2020 before COVID-19

		Impact on global poverty headcount (millions of people)					Impact on global poverty rate (percentage points)					
		Increase in each country's Gini					Increase in each country's Gini					
		no change	1%	2%	5%	10%	no change	1%	2%	5%	10%	
\$1.90 poverty line	Growth in each country's real GDP	Baseline	71	90	105	162	266	0.9	1.2	1.4	2.1	3.4
		Downside	100	116	131	188	297	1.3	1.5	1.7	2.4	3.8
		2pp less than downside	124	141	158	217	327	1.6	1.8	2.0	2.8	4.2
\$3.20 poverty line	Growth in each country's real GDP	Baseline	176	199	225	296	425	2.3	2.6	2.9	3.8	5.5
		Downside	230	254	275	346	472	3.0	3.3	3.5	4.5	6.1
		2pp less than downside	280	304	324	396	514	3.6	3.9	4.2	5.1	6.6
\$5.50 poverty line	Growth in each country's real GDP	Baseline	177	192	209	257	342	2.3	2.5	2.7	3.3	4.4
		Downside	233	245	263	308	390	3	3.2	3.4	4	5
		2pp less than downside	282	294	313	358	430	3.6	3.8	4	4.6	5.5

Note: The scenarios are based on comparing real GDP forecasts from the June 2020 and January 2020 editions of the Global Economic Prospects. The projections assume that 85% of growth in real GDP/capita is passed through to growth observed in household surveys in line with historical evidence from more than 1,000 surveys. Changes in the Gini coefficient are implemented assuming countries follow a linear growth incidence curve. Some evidence suggests that in the year after past pandemics, the Gini coefficient has increased by about 0.2%: <https://blogs.imf.org/2020/05/11/how-pandemics-leave-the-poor-even-farther-behind/>.

Scenarios for global poverty in 2020 relative to 2019 (not discussed in main text)

		Impact on global poverty headcount (millions of people)					Impact on global poverty rate (percentage points)					
		Increase in each country's Gini					Increase in each country's Gini					
		no change	1%	2%	5%	10%	no change	1%	2%	5%	10%	
\$1.90 poverty line	Growth in each country's real GDP	Baseline	52	71	86	142	247	0.6	0.8	1.0	1.8	3.1
		Downside	81	97	112	169	278	1.0	1.2	1.4	2.1	3.5
		2pp less than downside	105	122	139	198	308	1.3	1.5	1.7	2.5	3.9
\$3.20 poverty line	Growth in each country's real GDP	Baseline	105	128	154	225	354	1.1	1.4	1.8	2.7	4.3
		Downside	159	183	204	275	401	1.8	2.1	2.4	3.3	5.0
		2pp less than downside	209	233	253	326	444	2.5	2.8	3.0	4.0	5.5
\$3.20 poverty line	Growth in each country's real GDP	Baseline	119	134	150	199	283	1.1	1.3	1.5	2.1	3.2
		Downside	174	186	205	250	332	1.8	2.0	2.2	2.8	3.9
		2pp less than downside	224	235	255	300	372	2.5	2.6	2.9	3.4	4.4

Note: The scenarios are based on real GDP forecasts from the June 2020 edition of the Global Economic Prospects. The projections assume that 85% of growth in real GDP/capita is passed through to growth observed in household surveys in line with historical evidence from more than 1,000 surveys. Changes in the Gini coefficient are implemented assuming countries follow a linear growth incidence curve. Some evidence suggests that in the year after past pandemics, the Gini coefficient has increased by about 0.2%: <https://blogs.imf.org/2020/05/11/how-pandemics-leave-the-poor-even-farther-behind/>.