

'60 MN COULD BE PUSHED INTO POVERTY'

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

David Malpass

The COVID-19 pandemic is expected to have “severe” short and long-term effects on economic growth, the World Bank said in its Global Economic Prospects (GEP) June 2020 report, part of which was released on Tuesday. EMDEs (Emerging Market and Developing Economies) are especially vulnerable, the report says.

Sixty million people could be pushed into extreme poverty this year, World Bank President David Malpass said.

“The scope and speed with which the COVID-19 pandemic and economic shutdowns have devastated the poor around the world are unprecedented in modern times. Current estimates show that 60 million people could be pushed into extreme poverty in 2020. These estimates are likely to rise further, with the reopening of advanced economies the primary determinant,” Mr. Malpass said in a statement.

Policy choices

“Policy choices made today — including greater debt transparency to invite new investment, faster advances in digital connectivity, and a major expansion of cash safety nets for the poor — will help limit the damage and build a stronger recovery,” Mr. Malpass said.

“The financing and building of productive infrastructure are among the hardest-to-solve development challenges in the post-pandemic recovery. We need to see measures to speed litigation and the resolution of bankruptcies and reform the costly subsidies, monopolies and protected state-owned enterprises that have slowed development,” he said.

The report said EMDEs face health crises, restrictions and external shocks like falling trade, tourism and commodity prices, as well as capital outflows. These countries are expected to have a 3-8% output loss in the short term, based on studies of previous pandemics, as per the Bank’s analysis. EMDEs are also expected to witness the spillover effects of the U.S., the Euro Area and China, which represent almost half of global output, being unlikely to return to pre-pandemic levels of output before the end of 2021. If these three big economies simultaneously lose 1% in output, EMDEs (excluding China) are expected to lose 1.3% in their output with the lag of a year, the Bank warned. Longer term, there is a risk not just of a drop in the level of output but a lowering of potential output growth, it said. The severity of the current recession has been unseen in eight decades.

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