COVID-19 global economic recession: Avoiding hunger must be at the centre of the economic stimulus

The International Monetary Fund (IMF) forecast in January that the global economy would grow by 3.3 percent in 2020, however its latest outlook, in April, now forecasts a contraction of 3.0 percent, with no upside scenarios and numerous risks.

The scenario presented in this brief predicts that if the anticipated global recession, due to the effects of COVID-19, were to trigger a reduction in the growth rate of gross domestic product (GDP) of between two and ten percentage points in all countries in 2020, then the number of undernourished people in net food-importing countries would increase by 14.4 million to 80.3 million, with the majority of the increase coming from low-income countries.

Economic stimulus in all countries must be focused on keeping the food supply chains functioning, while also protecting access to locally-, regionally- and globally-produced food. Stimulus measures that tackle the current menace to food access should emphasize efforts to build resilience into food systems to safeguard them against future economic slowdowns and downturns.

BACKGROUND

After decades of steady decline, the trend in world hunger reverted in 2015, and the number of people who suffer from hunger – as measured by the prevalence of undernourishment (PoU) – began slowly to increase. As a result, more than 820 million people in the world were hungry in 2018, which underscores the immense challenge of achieving the Sustainable Development Goal (SDG) of Zero Hunger by 2030. Last year, The State of Food Security and Nutrition in the World showed that the uneven pace of economic recovery and continuing poor economic performance in many countries after the 2008–2009 global economic downturn, were among the key factors undermining efforts to end hunger and malnutrition (FAO, IFAD, UNICEF, WFP and WHO, 2019). The report presented evidence that most countries (65 out of 77) that experienced a rise in undernourishment between 2011 and 2017 simultaneously suffered an economic slowdown or downturn. This observation was timely, given the episodes of financial stress, elevated trade tensions and tightening financial conditions that were contributing to uncertain global economic prospects in 2019. Now, the unprecedented COVID-19 pandemic is obscuring those global economic prospects in ways no one could have anticipated. The economic performance-undernourishment nexus has become even more relevant in 2020.

1 The 2017 and 2018 editions of The State of Food Security and Nutrition in the World had respectively shown that conflict and climate variability and extremes were also among the key factors undermining efforts to end hunger and malnutrition. Estimates on the number of hungry people in the world for 2019 are forthcoming in the 2020 edition of this report, which is expected to be launched mid-2020.
The State of Food Security and Nutrition in the World also called for action on two fronts (FAO, IFAD, UNICEF, WFP and WHO, 2019). The first, safeguarding food security and nutrition through economic and social policies that help counteract the effects of economic slowdowns or downturns. The second, tackling existing inequalities at all levels through multisectoral policies that make it possible to more permanently escape from food insecurity and malnutrition. These policy recommendations are more essential in the face of the COVID-19 pandemic.

**HEADING TOWARD A SEVERE GLOBAL RECESSION IN 2020**

While navigating a substantial amount of uncertainty, lack of data and clarity about the near future, the expected economic impact of the COVID-19 pandemic is a severe global recession for 2020. Most international bodies, financial companies and research institutes point to that assessment.

Despite the fact that most countries have maintained the flow of essential goods and services, governments all over the world have had no choice but to use public health measures like physical distancing and isolation to slow the spread of this new virus. Massive lockdowns and household isolation measures are, no doubt, delivering a major fall in economic activity.

Since these measures were taken at different times across and within countries, the economic recovery will take time to materialize.

It is clear that there will be shocks on both the demand and the supply sides of the world economy through multiple transmission mechanisms. The Food and Agriculture Organization of the United Nations (FAO) has recently explained what this means for food and agriculture (FAO, 2020a). The containment measures governments around the world are putting in place include a severe and unprecedented reduction in the transportation of goods and people (ground, ocean freight and air freight). Revisions of earnings of the largest multinational enterprises suggest that foreign direct investment flows could fall between 30 percent to 40 percent during 2020–2021, according to the United Nations Conference on Trade and Development (UNCTAD, 2020). The International Labour Organization (ILO) initially predicted that global unemployment could increase by almost 25 million people (ILO, 2020), but even this estimate is quickly falling well short of reality, as workers are being laid off in much higher than expected numbers due to the crisis. The World Trade Organization expects world merchandise trade to plummet by between 13 percent and 32 percent in 2020 (WTO, 2020).

The IMF has confirmed that the world is set to face the worst economic downturn since the Great Depression. Its April World Economic Outlook (WEO) projects a global contraction of 3 percent in 2020; in January, its baseline expectation was growth of 3.3 percent. For advanced economies, WEO sees GDP declining 6.1 percent, and for emerging and developing economies it predicts a 1 percent decline. There are no upside scenarios in the WEO, only downside risks to the scenario, which basically represents the possibility that the current pandemic cannot be stopped or that a similar situation recurs in 2021. Others have already provided equally pessimistic forecasts. According to projections from the Organisation for Economic Co-operation and Development (OECD), the lockdown will directly affect sectors that account for one-third of GDP in the major economies (OECD, 2020). OECD further warns that for each month of containment, there will be a loss of 2 percentage points (p.p.) in annual GDP growth, and has called for a “global Marshall plan” to counteract the COVID-19 pandemic’s effects. A scenario from Oxford Economics expects a contraction of 1.3 percent for 2020 (Oxford Economics, 2020). The United States of America, the European Union and China would see GDP in 2020 shrink by 2.6 percent, 3.2 percent and 0.9 percent, respectively. The Economist Intelligence Unit (EIU) has cut its forecast and is now expecting a contraction of 2.2 percent in 2020 for the global economy (EIU, 2020). Comparing its
COVID-19 global economic recession: avoiding hunger must be at the centre of the economic stimulus

forecast from before and during (through 26 March 2020) the COVID-19 pandemic, the EIU estimates that, for the G20 countries, the real GDP growth may be reduced by around 2 p.p. (Japan) to up to around 8 p.p. (Brazil and Germany) and 7 p.p. (Italy and Turkey) for various countries as a result of the COVID-19 recession. China’s economy and that of the United States of America would grow less as a result of the COVID-19 pandemic, respectively by around 4.9 and 4.5 p.p. The forecast is revised down by 4.5 p.p. for the world economy and is expected to be reduced around the same p.p. or less for nine countries.

The evolving and uncertain nature of these forecasts make it a challenge to analyse the impacts. Nonetheless, we know that the human and economic toll will be massive and that low- and middle-income countries are poised to be worse affected. These countries, especially those with the lowest income levels, are hosts to the highest numbers of hungry, food insecure, malnourished and poor people in the world. Although some high-income countries are also having difficulty coping with the effects of the COVID-19 pandemic, it is worse for low- and middle-income countries which do not have the institutional capacity and or the contingency mechanisms and funds to stimulate their economies and protect the livelihoods of the most vulnerable people during a global crisis. Low- and middle-income countries are also losing trade and suffering from significant capital outflows, as investors look for safer havens. Remittances are decreasing and tourism revenue is collapsing. In Africa and Latin America, the budgets of oil exporting countries are being seriously affected by the recent massive drop in the price of crude. Least developed countries and small island developing states have a lot to lose, too. For example, small island developing states are food-importing countries, and they are also witnessing unprecedented losses in terms of tourism and remittances while at the same time being hit by climate shocks.

By late March, the IMF had received requests from 50 low-income and 31 middle-income countries for emergency financing. The IMF has estimated that emerging countries might need a minimum of USD 2.5 trillion, overall. With local financial markets and national reserves unable to keep liquidity flowing, a large amount of funding from international creditors will be required. The IMF’s trillion-dollar lending facility has been made available and the World Bank has put up USD 160 billion in long-term financial support over the next 15 months (World Bank, 2020a). Among the measures taken by the IMF and the World Bank on behalf of the poorest countries are debt front-loading grants and soft-loan support, but also debt relief that was approved by the G20. Both institutions have asked bilateral creditors to hold debt payments for low-income countries. Collapsing currencies against the dollar are making dollarized debt servicing costs close to unsustainable, despite a low interest rate era, and may trigger domestic food price inflation in food importing countries. This might make the actions of major central banks, particularly the United States Federal Reserve System, of vital importance for these countries.

Clearly, economic stimulus is urgently needed and is being deployed throughout the world. However, it should not only be facilitated through the aforementioned lending facilities from the international financial institutions, but also through contingency mechanisms and funds for countries that have saved for such an eventuality, resources generated through public expenditure reallocations, and even foreign aid to countries that most need it.

Economic stimulus should revolve around the health, agriculture and food sectors. Health must be first, but good health will be elusive without access to nutritious food for the most vulnerable. Lockdowns and quarantine are restricting food supply chains, consumer spending and purchasing power. Economic stimulus measures must shield all pillars of food security (availability, access, utilization and stability). If during this COVID-19 pandemic crisis economic stimulus measures do not ensure that all people at all times have physical, social and economic
access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life, the pandemic will not only kill people due to the viral disease, but lives will be lost and health severely impaired due to hunger.

**ANY SCENARIO POINTS TO A SIGNIFICANT HUNGER TOLL – CETERIS PARIBUS**

Given the situation, economic forecasts are subject to a great degree of uncertainty and will remain so for some time. Even as pandemic experts are working with various scenarios, FAO is foreseeing, through a quantitative analysis, the potential outcomes of the global economic recession on hunger. This endeavour is justified: no matter how optimistic the scenario may be, the hunger toll could be significant, so appropriate measures are needed before it is too late.

FAO’s statistical analysis for low- and middle-income countries in the period 1995–2017 shows that a great deal of the impact of economic slowdowns and temporary recessions on food availability is explained by the level of the per capita GDP reduction. Relatively limited slowdowns have proven to significantly affect the net food supply in food-importing countries. Food supply in the group of low-income food-deficit countries (LIFDC), which are not self-sufficient enough to produce the food they consume, has been seriously affected by virtually any type of economic deceleration. Findings show that, on average, one percentage point of GDP growth reduction has reduced the food supply in these countries by 0.306 percent. As a comparison, for the group of net food-importing countries when including also middle-income levels, we find that one percentage point of GDP growth reduction has cut the food supply by 0.154 percent. For net food-exporting countries, this relationship is not statistically significant. More details on the methods underpinning these statistical estimates, the definition of country groups and samples, and the analysis that follows below are found in Conti, Cafiero and Sánchez (2020).

By applying these estimates, we have gauged the impact of three hypothetical scenarios of real GDP growth reduction on the net food supply of 101 net food-importing countries (of which 47 are LIFDCs), in order to predict the effect on PoU in all of them. These sample countries – with a population of 5.2 billion people in 2018 – cover a vast area of the world (Figure 1). One important caveat here is that the analysis may not capture the overall impact of GDP growth reduction on the PoU as it does not reflect the possible effects of a reduction in food access.2 Moreover, even the numbers presented here under the most pessimistic scenario must be considered an underestimation of the potential impacts of the COVID-19 pandemic on food security worldwide, as they only focus on undernourishment, or hunger, which is a result of severe food insecurity. Many more people, in all countries in the world, will likely see their ability to regularly access food to be severely compromised, at least in the short run, due to various measures put in place to limit the spread of the infection.3

---

2 As containment measures are put in place and the economic crisis hits livelihoods and incomes, the poorer and more vulnerable population groups find it more difficult, if not sometimes impossible, to have access to food. In the absence of effective policies, those with higher income capabilities will have the most access to food, which would be reflected in more inequality of food consumption. However, available historic data needed to estimate the extent of inequality in food consumption in countries does not provide sufficiently time-granular evidence to capture the direct impact of GDP slowdowns and downturns on the coefficient of variation of habitual dietary energy intake in the population, which is the other important parameter that leads to estimates of the PoU. In a next phase, FAO will predict the potential impact of the global economic crisis on the PoU, by coupling the estimated impact of the net food supply with possible scenarios in terms of changes in food consumption inequality. Moreover, the estimated number of undernourished people presented here are based on historic series of PoU estimates for China and India, which are long due for a revision, and that FAO will revise as new official information on food consumption in recent past years becomes available.

3 Moderate food insecurity has been estimated to be affecting 1.3 billion people in the world over the period 2016–2018, as reported in FAO, IFAD, UNICEF, WFP and WHO (2019).
COVID-19 global economic recession: avoiding hunger must be at the centre of the economic stimulus

FIGURE 1 | Sample of 101 net food-importing countries used in the GDP growth reduction scenario analysis

Note: Map boundaries comply with UN World Map, February 2020.
Source: Authors’ own elaboration.

Given the evolving and uncertain nature of economic forecasts, the choice of GDP growth reduction in the three hypothetical scenarios is using the EIU’s forecast for before and during (through 26 March 2020) the COVID-19 pandemic as a guide, and only for defining ranges of reduction. Accordingly, GDP growth could be reduced by around 2 p.p. (as forecast for Japan), 5 p.p. (the average reduction for all G20 countries), or around 8 p.p. (as forecast for Brazil). We added 2 p.p. to Brazil’s forecast to delineate a more pessimistic scenario whereby all countries experience a hypothetical GDP growth reduction of 10 p.p. The second scenario (5 p.p. GDP growth reduction) is close to what the IMF’s April WEO predicts for low-income developing countries (4.7 p.p. reduction in annual growth between 2019 and 2020) and emerging market and developing economies (5.7 p.p.).

Results. Moving from the more to the less optimistic assumptions of GDP growth reduction (2 p.p., 5 p.p. and 10 p.p. of GDP growth reduction), around 14.4 million to 80.3 million people in the 101 net food-importing countries would become undernourished compared with available PoU estimates (Figure 2). These estimates are mostly driven by what occurs in LIFDCs, which are the most vulnerable countries.
COVID-19 global economic recession: avoiding hunger must be at the centre of the economic stimulus

FIGURE 2 | Rising undernourishment in net food-importing countries, as a result of the three hypothetical GDP growth reduction scenarios (millions of people)

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Low-income food-deficit countries (LIFDCs) (n=47)</th>
<th>Net food-importing countries, excluding LIFDCs (n=54)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Optimistic</td>
<td>14.4 million</td>
<td></td>
</tr>
<tr>
<td>Mild</td>
<td>38.2 million</td>
<td></td>
</tr>
<tr>
<td>Pessimistic</td>
<td>80.3 million</td>
<td></td>
</tr>
</tbody>
</table>

Source: Authors’ own elaboration, based on the methodology, data and analysis described in Conti, Cafiero and Sánchez (2020) (see https://doi.org/10.4060/ca8815en).

Although they were developed for illustrative purposes, these estimates raise alarms! Even more alarming is the fact that these estimates are likely an underestimation of the potential impacts of such hypothetical GDP growth decelerations on global hunger, given that we are capturing the impact on the PoU only through changes in the food supply (availability) and only in net food-importing countries. First, the number of new undernourished people in the world as a result of the simulated GDP growth decelerations would be significantly higher if, at the same time, the economic crisis results in a long-lasting deterioration of the overall inequality in access to food. The latter may already be taking place in many countries due to the emergency measures adopted to limit the spread of the infection and reductions in incomes, particularly affecting the poor. Second, high-income countries and net food-exporting countries are not included. Very large recessions may even impact the net food supply, including in traditionally exporting countries, perhaps through production-side effects to some extent, but most importantly through a reduction in the demand from their trading partners. Moreover, while their food availability may not be severely compromised, vulnerable population groups in these countries may be left without access to food during the COVID-19 pandemic. No doubt, economic stimulus in all countries must both keep the food supply chain active while also taking measures to protect people’s access to food.

POLICY RESPONSES ARE URGENTLY NEEDED TO SOFTEN THE IMPACT ON HUNGER

Because the food supply chain is globally integrated, cooperative and coordinated work between and within all countries becomes of paramount importance. All key players in the international community, and the United Nations system in particular, have a central role to play.

So far, the major economic policy response from most countries has been to inject vast amounts of liquidity through fiscal and monetary policies to support demand, including postponing financial obligations, safety nets such as cash transfers for the newly unemployed, and adequate supply of credit. Central banks from high-income countries have gone back to their emergency quantitative-easing, debt-buying programmes, which are aimed at bolstering...
bond prices and containing interest rates. In March, the European Central Bank, added EUR 120 billion and later EUR 750 billion to its bond-buying programme. European Union (EU) leaders are debating mutualization of spending in the form of a possible European recovery fund for transfers, not loans, of EUR 1.5 trillion, using the same mechanism as the EU budget, and lasting two or three years. In March, the United States Federal Reserve System also announced a similar USD 700 billion programme, with an additional round being considered. In the second week of April, it announced new loan facilities (bond purchasing) worth USD 2.3 trillion to deliver credit to small businesses and municipalities.

Injecting liquidity and overall spending commitments will be a challenge for emerging economies and the poorest countries. These countries most likely lack the tools to use those stimulus policies at the level that is required for the magnitude of the COVID-19 challenge. The IMF’s USD 1 trillion facility and the World Bank’s long-term financial support might not be enough. Therefore, the international community must act together now to facilitate economic stimulus in countries without the savings capacity to act by themselves. These countries, in turn, are obliged to exert fiscal responsibility and objectivity to reallocate their own resources into the most urgent needs that the COVID-19 pandemic has created for them and to put in place the right incentives for the private sector to act in unison.

Economic stimulus measures in all countries of the world must address two urgent short-term necessities:

- Firstly, by maintaining food availability at all times by means of ensuring that the food supply chain is kept active and is without interruption.
- Secondly, and most importantly, measures must be put immediately into place to ensure that disrupted economic activity in all supply chains in general, and in food supply chains in particular, which are already creating a massive drop in monthly incomes with which the poorest and most vulnerable populations cannot cope on their own, does not worsen people’s access to food.

FAO is identifying a number of areas for interventions to keep the food supply chains active, beginning with trade policies. Enhanced market transparency, through agricultural market information systems such as the Agricultural Market Information System (AMIS), coordinating with trading partners, and avoiding certain trade-restrictive measures, are among the effective mechanisms recommended to stimulate consumption and production (FAO, 2020b). FAO has also been calling for enhanced logistics along the food supply chain, with proper coordination with all actors. This includes allocating resources to boost a number of key sectors (e.g. transport) and businesses such as agri-dealers and livestock supplies shops, food processors and retailers, in particular small and medium-sized enterprises, as well as leveraging the power of public procurement and innovation to allow local markets to remain open (FAO, 2020c). Ensuring smallholders have access to markets is of paramount importance (FAO, 2020d). These are just a few important areas of intervention among various others that FAO has also identified to keep food supply chains active (FAO, 2020e).

While aiming at ensuring that food is available by maintaining the food supply chain, this brief emphasizes the need for policies to address a longstanding issue in middle- and low-income countries: inequality. Governments have an opportunity to tackle inequality head on by targeting the required stimulus packages full of fiscal and monetary policies to the poorest and undernourished. In this regard, the stimulus packages should focus on both cash and in-kind

---

4 FAO is documenting this work stream through several policy briefs related to COVID-19. For more details see: www.fao.org/2019-ncoy/resources/policy-briefs
transfers. Everything from new credit lines, safety nets, income support through cash transfers, to food distribution programmes like food banks/stamps and continuing school-feeding delivery, should be directed to the “have-nots” not just because they are the most in need but because it would have a positive effect on demand, keeping it dynamic, softening the blow on the economy while connecting the poorest to it. FAO strongly recommends social protection measures to shield the rural poor from the impact of the COVID-19 pandemic (FAO, 2020f). Those measures that specifically target enabling access to food, and information campaigns more broadly, should ensure that this food is nutritious. FAO also strongly recommends maintaining good nutrition, particularly in the face of the COVID-19 pandemic (FAO, 2020g).

If these emergency measures fail to guarantee the distribution of nutritious food, naturally, the numbers of undernourished people will climb and food insecurity will increase, which will only contribute to higher economic inequality. This would also create a significant setback for the United Nations Decade of Action on Nutrition.

Some encouraging examples of “stimulus for food” are emerging in low- and middle-income countries, showing it is possible to stimulate the economy in the face of the COVID-19 pandemic, while keeping in mind the need to provide access to food. Though these stimulus measures are small at this point, they can still prevent millions of people from joining the ranks of the hungry in the world, which would help to prevent adverse scenarios such as those presented earlier. A real-time review of social protection policy measures from the World Bank and ILO shows that, as of early April, 106 countries had introduced or adapted social protection measures (Gentilini, Almenfi and Orton, 2020). Cash transfers have been the most commonly used mechanism. However, the review of examples of policies warns of a major gap: social protection responses associated with stimulus packages are clearly present in all regions, except Africa, where only a few countries have been able to implement programmes so far. This is worrisome, considering that it is in Africa, and particularly in the sub-Saharan African region, where FAO observes the highest prevalence of undernourishment in the world. A new World Bank report projects the first recession in 25 years for the sub-Saharan region (World Bank, 2020b). Africa will not only face an economic slowdown and disrupted demand/supply chains, it will also likely be unable to avoid a grave health crisis as COVID-19 starts to spread in the region (UNECA and ATPC, 2020; The New York Times, 2020). African leaders must be on high alert, and they must work together on stimulus measures to ensure access to food for their populations and for other developing regions. The international community must stand by ready to support them.

**Let us not forget about the long run**

Last, but not least, let us not forget about the long run. We do not know when the COVID-19 era will end. Uncertainty about the future will be reflected in uncertain and frequently adjusted forecasts and in uneven economic recovery all over the world. Ending the COVID-19 era will not only depend on stimulus policies, but also on the availability of a vaccine and methods for avoiding new outbreaks, as well as on a number of other economic and societal reinventions.

To the greatest extent possible, stimulus measures that tackle the current threats to food availability and access should be designed with a view to building the resilience of food systems to safeguard them against economic slowdowns and downturns. Last year, *The State of Food Security and Nutrition in the World* also underscored the need for such long-term policies (FAO, IFAD, UNICEF, WFP and WHO, 2019). Countries will need to invest wisely if they go through periods of economic booms, after recovering from the damages associated with the COVID-19 pandemic, to reduce economic vulnerabilities and inequalities. They will need to build capacity to withstand shocks, maintain health and other social expenditures, use policy tools
to create healthier food environments, and quickly recover if economic turmoil erupts once again. This is important for the resilience of food systems and requires balancing a set of policies and investments to achieve a structural transformation that also fosters poverty reduction and more egalitarian societies. These policy recommendations are more relevant today than ever before, if we are to achieve the SDG of Zero Hunger by 2030.

REFERENCES


FAO. 2020d. COVID-19 and smallholder producers’ access to markets. Rome (also available at https://doi.org/10.4060/ca8657en).

FAO. 2020e. COVID-19 and the risk to food supply chains: How to respond? Rome (also available at https://doi.org/10.4060/ca8388en).


COVID-19 global economic recession: avoiding hunger must be at the centre of the economic stimulus


**ACKNOWLEDGEMENTS**

This brief was written by Marco V. Sánchez, Pedro Sousa and Valentina Conti of the Agricultural Development Economic Division of FAO.

The authors developed the statistical estimations underpinning the analysis presented in this brief on the impact of GDP growth reductions on the food supply and undernourishment, in close collaboration with Carlo Cafiero and Adeeba Ishaq, FAO Statistics Division (ESS) and Giuseppe Maggio, FAO Agricultural Development Economics Division (ESA). The authors are grateful to Daniela Verona for design and publishing support.