

MACRO ANALYSIS OF **COVID-19** THREATS TO FOOD SECURITY AND LIVELIHOODS IN ASIA AND THE PACIFIC

June 2020





A WFP cash distribution site in Afghanistan. Staff now wear protective masks as part of the COVID-19 prevention measures.
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The report may refer to all countries in Asia and the Pacific region, but focus will be on countries where WFP is operational: South Asia - Afghanistan, Bangladesh, Bhutan, India, Nepal, Pakistan and Sri Lanka; Southeast Asia - Cambodia, Democratic People's Republic of Korea, Indonesia, Lao PDR, Myanmar, the Philippines, Timor-Leste; the Pacific: Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, Palau, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu

1. SUMMARY

175 million jobs may be lost¹

52 million more people in Asia could be classified as extreme poor²

The COVID-19 pandemic is set to severely derail development gains in Asian and Pacific nations. It compounds pre-crisis levels of food insecurity and malnutrition with job losses, supply chain disruptions, and declines in revenue from key exports and remittances.

Globally, WFP predicts that the number of people facing acute food insecurity around the world will almost double to 270 million, including 121 million newly food insecure due to COVID-19.³

Afghanistan, Nepal, Timor-Leste and the Pacific Island Countries (PICs) are among the countries most at risk due to high dependency on food imports and remittances as well as a drop in revenue from exports. In Afghanistan alone, nearly 3 million additional people may experience acute food insecurity.

Bangladesh, Myanmar, Pakistan, India, Sri Lanka, Cambodia, and Lao PDR also are likely to be severely affected by lost incomes and livelihoods.

Food production is generally not yet impacted by the pandemic, but supply chains and the availability of labour have been disrupted by measures taken to contain the virus. Common natural hazards in the region, such as drought, floods, landslides and storms may also jeopardize supplies in some places and put further pressure on food security. Conflict and insecurity also compound the risk of hunger in some countries in Asia and the Pacific.

Slum dwellers, informal labourers and low-paid daily wage workers from affected sectors like tourism and export industries are among those most at risk of hunger and malnutrition due to income loss. Very few of these groups have access to national social protection systems.

Many governments across Asia and the Pacific have launched short-term emergency relief programmes to reduce the human, social and economic pain inflicted by COVID-19. But many of the needy families are being left out and require urgent attention.

1 ILO Monitor: COVID-19 and the World of Work. Third Edition Updated Estimates and Analysis: https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms_743146.pdf

2 IFPRI Tableau public: COVID-19 Impacts on Global Poverty: https://public.tableau.com/profile/laborde6680#!/vizhome/EconomicImpactEconomicsslowdownduetoCovid-19/IFPRIblogApril16th2020/Blog04162020_IFPRI?publish=yes

3 WFP Global Response to COVID-19, June 2020

2. UPDATE ON COVID-19 PANDEMIC IN ASIA AND THE PACIFIC

The COVID-19 pandemic continues to progress in the region. However, making an accurate interpretation of current COVID-19 data is challenging due to the different testing strategies and capacities across the countries.

In South Asia, India has the highest number of cumulative cases and deaths, and the infections are increasingly recorded in rural areas. Afghanistan, Bangladesh and Pakistan also continue to see significant growth in daily new cases. In other countries in the region, the pandemic is progressing relatively more slowly.

In Southeast Asia, the pandemic seems to be more contained at the moment with the exceptions of Indonesia and the Philippines. Timor-Leste last registered a new case on 24 April and hasn't had any new cases since then.

In the Pacific, Fiji recorded the last case on 21 April and no new cases since then. No COVID-19 related deaths have been recorded, and around a dozen countries remain virus-free.



WFP food assistance continues in the camps for the Rohingya refugees living in Cox's Bazar, Bangladesh.
©WFP Bangladesh/Nalifa Mehelin

3. OVERVIEW OF THE ECONOMIC CRISIS

The global economic outlook remains highly uncertain: the vast and rapid spread of COVID-19 is so exceptional that modern economic history provides few precedents from which to draw comparisons. Most forecasts assume containment of the virus within the year and a return to normalcy next year, but outcomes could be far worse if the outbreak continues to spread or in the event of later even more devastating second and third pandemic waves.⁴

- Global GDP is likely to contract by 5.2 percent (baseline forecast) in 2020. Emerging market and developing economies are forecast to contract by 2.5 percent.⁵
- The International Labour Organization estimates that global working hours in the second quarter will be 10.5 percent lower than the last quarter of 2019, equivalent to a loss of 305 million full-time jobs globally, and 175 million jobs in Asia and the Pacific.⁶
- Regional growth for South Asia is projected to be between 1.8 and 2.8 percent for calendar year 2020, down from forecasts of 6.3 percent projected in late 2019.⁷ Southeast Asia growth is forecast at 1 percent, down from 4.4 percent.⁸
- In South Asia and Southeast Asia respectively, 42 and 9.6 million people are projected to become extreme poor due to COVID-19.⁹
- The Pacific economies are expected to be heavily affected by COVID-19 with major GDP contraction projected in 2020 for Fiji, Samoa and Vanuatu.¹⁰

A possible financial crisis could significantly exacerbate the economic pain: March witnessed a surge in capital outflows from emerging Asian markets, and many currencies have depreciated against the US dollar even faster than during recent shocks (including 2008); Indonesia's currency depreciation has been the most severe, at 11.5 percent.¹¹ A recently announced G20 debt relief will ameliorate the situation for several countries across the region.¹²

4 Asian Development Bank, "Asian Development Outlook 2020: What Drives Innovation in Asia?," Asian Development Outlook (Manila, the Philippines: Asian Development Bank, April 2020), <https://doi.org/10.22617/FLS200119-3>.

5 The Global Economic Outlook During the COVID-19 Pandemic: A Changed World. <https://www.worldbank.org/en/news/feature/2020/06/08/the-global-economic-outlook-during-the-covid-19-pandemic-a-changed-world>.

6 ILO Monitor: COVID-19 and the world of work. Third Edition Updated Estimates and Analysis https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms_743146.pdf

7 World Bank, South Asia Economic Focus, Spring 2020: The Cursed Blessing of Public Banks (The World Bank, 2020), <https://doi.org/10.1596/978-1-4648-1566-9>.

8 World Bank, World Bank East Asia and Pacific Economic Update, April 2020.

9 IFPRI Poverty and food insecurity could grow dramatically as COVID-19 spreads: <https://www.ifpri.org/blog/poverty-and-food-insecurity-could-grow-dramatically-covid-19-spreads>

10 World Bank, World Bank East Asia and Pacific Economic Update, April 2020.

11 Asian Development Bank, "Asian Development Outlook 2020."

12 [https://g20.org/en/media/Documents/G20_FMCBG_Communicu%C3%A9_EN%20\(2\).pdf](https://g20.org/en/media/Documents/G20_FMCBG_Communicu%C3%A9_EN%20(2).pdf)

Countries of concern

The WFP Regional Bureau in Asia and the Pacific undertook an analysis to identify countries that are highly vulnerable to COVID-19-induced negative economic shocks, which may aggravate food insecurity and nutrition levels. The analysis examined each country's: GDP performance and economic stability; dependence on commodity export revenue; food imports; income from international tourism; remittances; overall security; and pre-crisis levels of food insecurity and malnutrition, which could exacerbate the impacts of COVID-19.

- 1. Afghanistan is at high risk of increased food insecurity** due to its extensive levels of poverty, poor health services, ongoing insecurity, and high dependence on food imports.
- 2. Nepal faces significant risk of increased poverty and food insecurity**, due to its high dependence on tourism and overseas remittances.
- 3. Timor-Leste and the Pacific Islands Countries** are also at risk due to their high dependency on tourism, remittances and food imports. In addition, Timor-Leste's reliance on oil export revenue makes it especially vulnerable due to collapsing oil prices.
- 4. Certain sectors within countries are more vulnerable.** Countries with economies heavily dependent on sectors such as tourism, commodity and manufacturing exports, and remittances are at higher risk than others in countries that may be resilient as a whole: India, Pakistan, Bangladesh, Sri Lanka, Myanmar, Cambodia, Lao PDR and Viet Nam.

Regional updates

South Asia

The situation in Afghanistan is dire; some estimates project its GDP to contract by as much as 4 percent this year.¹³ Due to border closures with Pakistan, Afghanistan has also suffered soaring prices for numerous imported food items such as onions, potatoes and flour. The price of wheat, for example, which accounts for around 67 percent of daily food consumption,¹⁴ increased by 72 percent in a single day in April.¹⁵ Most of the local markets have seen double-digit increase in retail prices of wheat in the last 6 months (Oct-Mar), with the highest increase in Kandahar, where prices increased by 32 percent. Prices continued to increase in April and slightly increased or stabilized in May but are overall much higher than in March. Due to the lockdown measures, unemployment is increasing, with estimates from the Biruni Institute, a local think tank, predicting that 6 million Afghans have lost their jobs. Remittances are expected to halve due to the return of Afghan migrant workers from host countries.¹⁶ WFP estimates that the number of people who are severely food insecure will have grown from 12.6 million to nearly 15.4 million as a result of the lockdown.¹⁷

Nepal's local economy relies heavily on remittance inflows (which comprised 29 percent of GDP in 2018¹⁸). Remittances have been forecast to fall by 14 percent in 2020 due to the global shutdown measures. The impact has also been seen on the tourism and manufacturing sectors due to travel restrictions and decreases in supplies of raw materials from China and India. About 31 percent of the

13 World Bank, South Asia Economic Focus, Spring 2020.

14 "FAOSTAT," accessed April 25, 2020, <http://www.fao.org/faostat/en/#data/FBS>.

15 ODI, "Economic Impacts of and Policy Responses to the Coronavirus Pandemic: Early Evidence from Afghanistan," n.d., 2.

16 IMF Policy Paper, April 2020: <https://www.imf.org/en/Publications/Policy-Papers/Issues/2020/04/16/Catastrophe-Containment-And-Relief-Trust-Approval-Of-Grant-Assistance-For-Debt-Service-Relief-49330>

17 WFP estimates.

18 World Bank, Personal remittances received (% of GDP): <https://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS?end=2018&locations=NP&start=2006>

population who earn between US\$ 1.90 and 3.20 a day are at significant risk of falling into extreme poverty.¹⁹ Annual inflation is set to rise to 6 percent in 2020 largely as a result of food prices which have increased because of a delayed monsoon, supply chain disruptions and border closures.²⁰

Pakistan's economic growth is expected to contract by 1.5 percent in 2020, with particularly bad implications for the country's informal workers, who account for roughly 72 percent of the workforce.²¹ Pakistan will also see double-digit inflation fuelled by escalating food prices, hikes in utility charges and currency depreciation.²² Remittances (which make up 6.7 percent of GDP) are expected to decline by 23 percent. The textiles sector is highly exposed to disruptions and labour shortages caused by the shutdown. Pakistan's recent application to the G20 for US\$ 1.8 billion debt relief was approved, allowing the country to use the savings to fight the COVID-19 pandemic.²³

Bangladesh will suffer from the decline in global and domestic demand for manufactured goods, particularly garments, where 81 percent of total exports come from. According to the Bangladesh Garment Manufacturers and Exporters Association, cancelled orders will account for about US\$ 3 billion in lost revenue and affect more than 2 million workers. This will substantially increase poverty levels, since 1 in 4 employees in the manufacturing sector are already poor and 1 in 4 households living in poverty derive income from informal activities.²⁴

Southeast Asia

Decline in domestic demand is likely to be the most significant economic impact in Southeast Asian countries, where consumption represents about 60 percent of GDP.²⁵ Many Southeast Asian economies, which are highly open to trade, will also see their primary exports badly hit, whether palm oil and metals from Indonesia, manufactured components from Viet Nam and the Philippines, or textiles from Cambodia.²⁶

Countries that are heavily reliant on tourism are also vulnerable, particularly Cambodia and Lao PDR. In the Philippines, overseas worker remittances, which constitute 10 percent of GDP, are expected to decline by 20 to 30 percent.²⁷ Several countries are highly indebted, with low foreign currency reserves, which increases their risk of financial crisis. G20 debt relief will ameliorate the situation in Lao PDR and Cambodia, which have high debt/GDP ratios. Despite this, GDP in Lao PDR, Myanmar and the Philippines is still projected to grow in both best- and worst-case scenarios for 2020, albeit at significantly lower levels than in 2019.²⁸

Timor-Leste's economic growth is expected to contract by 2-3 percent in 2020 due to the decline in economic activities and sharp fall in oil prices. The country significantly relies on imports of food staples, particularly rice and cereals, as local production levels are insufficient. This imposes high risks of food insecurity if food supply chains are disrupted. In addition, recent heavy rains in March have caused severe floods in parts of Timor-Leste that affected thousands of people.²⁹

19 World Bank, South Asia Economic Focus, Spring 2020.

20 ODI, "Economic Impacts of and Policy Responses to the Coronavirus Pandemic: Early Evidence from Nepal," n.d., 2.

21 World Bank, South Asia Economic Focus, Spring 2020.

22 Asian Development Bank, "Asian Development Outlook 2020": <https://www.adb.org/publications/asian-development-outlook-2020-innovation-asia>

23 <https://www.thenews.com.pk/print/654402-pakistan-seeks-1-87-bn-debt-relief-from-g20-countries>

24 World Bank, South Asia Economic Focus, Spring 2020.

25 Asian Development Bank, "Asian Development Outlook 2020."

26 "The Economic Toll of Covid-19 on Southeast Asia: Recession Looms as Growth Prospects Dim," accessed April 25, 2020, <https://www.csis.org/analysis/economic-toll-covid-19-southeast-asia-recession-looms-growth-prospects-dim>.

27 https://www.knomad.org/sites/default/files/2020-04/Migration%20and%20Development%20Brief%2032_0.pdf

28 World Bank, World Bank East Asia and Pacific Economic Update, April 2020.

29 World Bank, Timor-Leste Economic Report: A Nation under Pressure, April 2020: <https://openknowledge.worldbank.org/bitstream/handle/10986/33749/Timor-Leste-Economic-Report-A-Nation-Under-Pressure.pdf?sequence=1&isAllowed=y>

The Pacific Island Countries (PICs)

Economies in the Pacific are among the most vulnerable in the region due to their heavy reliance on tourism, remittances and food imports. In Palau, GDP growth is projected to fall by nearly 12 percent in 2020 due to the negative impacts on the tourism sector, which contributes 20 percent to GDP. This also implies a loss of jobs of nearly 1000 Palauans, equivalent to 18 percent of the total number of Palauans employed.³⁰ Vanuatu's economy could contract by as much as 8 percent due to decline in tourism revenues.³¹

Papua New Guinea's GDP growth is expected to slow year-on-year due to downward pressure on mining and petrochemical exports, which account for 28 percent of the country's economic output. Though the national economy will take a significant hit, these extractive industries employ just 0.4 percent of the labour force, compared with 66 percent in agriculture, forestry and fishing, which are expected to be better insulated from the crisis.³²

In addition to losing remittances and tourism income, Vanuatu and Fiji are contending with the damage caused recently by Tropical Cyclone Harold. The storm hit Vanuatu's main agricultural islands, causing up to US\$ 600 million³³ in damage with major implications for Vanuatu's agricultural exports. Around 159,000 people (some 54 percent of the population) are estimated to have been affected³⁴ with 90 percent of homes damaged³⁵. In the worst-case scenario, 2020 GDP growth could contract by 8 percent.³⁶ In Fiji, the storm caused an estimated US\$ 11 million of damage to the agricultural sector³⁷ and rendered 10,000 people (around 1 percent of the population) in need of immediate assistance. The severe weather coupled with lockdown-induced panic buying recently triggered temporary price increases of 250 percent in taro and 54 percent in cassava, both key root crops.³⁸ Furthermore, the shutdown of international tourism puts 118,500 people at risk of unemployment, equivalent to 13 percent of the population. As a result of COVID-19 and cyclone Harold, Fiji's GDP is now expected to contract by about 6 percent in 2020.³⁹ Micronesia and the Marshall Islands will also experience sharp contractions.⁴⁰

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