

How much will poverty rise in Sub-Saharan Africa in 2020?

An update forecast based on October 2020 GDP projections

December, 2020¹

Abstract: *This note updates previously published estimates of COVID-19's effect on poverty levels in Sub-Saharan Africa (SSA), using GDP growth projections from October 2020 instead of April 2020. The ongoing pandemic is expected to drastically slow GDP growth in SSA by almost 7 percentage points compared to pre-pandemic forecasts for 2020, which is 2 percentage points higher than the April 2020 projections. The new GDP also estimates a significant increase in the total number of additional poor due to the crisis, from 17.7 to 26.6 million, according to the international poverty line of \$1.90 per day in 2011 PPP. Additionally, the estimates suggest a slightly larger increase in the poverty rate, by 2.4 instead of the previously estimated 1.6 percentage points. By region, the poverty rate is expected to increase around 3 percentage points for Western/Central Africa and by almost 2 percentage points for Eastern/Southern Africa. Preliminary data from high-frequency phone surveys also indicate major disruptions to labor markets, household income, food security, and educational attainment within the SSA region.*

Since its initial outbreak, the COVID-19 has brought about a sharp reduction in global economy activity. For Sub-Saharan Africa (SSA), daily infections rates have declined since mid-July, although recently, there has been a small spike in new cases as countries continue to conduct more testing. While the officially reported infections in SSA remain relatively low compared to other regions, the data may be misleading given that testing capacity is limited in many countries, and we may still be in the intermediate stages of the pandemic in the region.² Areas with weak healthcare infrastructure could easily be overwhelmed by a rapidly expanding pandemic, the effects of which will be aggravated by the global economic downturn as well as government-mandated lockdowns in the region. This note presents estimates of the increase in poverty due to the pandemic in SSA given the current state of knowledge and as an update from the original note which was published in May 2020.³ Updated estimates based on the October 2020 WEO vintage suggest that COVID-19 will have a more severe impact on poverty rates than originally projected. Additionally, data from high-frequency phone surveys suggest that the pandemic has created severe disturbances in the labor market, household income, food security, and educational attainment within the region. With the pandemic still ongoing, this assessment may need to be revised regularly to consider the latest developments.

¹ This note was written by the SSA Team for Statistical Development in the World Bank's Poverty and Equity Global Practice. This note was originally published in April 2020 and has since been updated to account for the revised 2011 PPPs as well as to incorporate country-specific Macro Poverty Outlook (MPO) projections.

² As of November 9, 2020, less than 3% of the total official Covid-19 cases, globally of about 51 million, were reported to be in Sub-Saharan Africa (Sources: africacdc.org, bbc.com).

³ Montes, Jose, et al. "How much will poverty rise in Sub-Saharan Africa in 2020?" World Bank Group. May 2020. <https://elibrary.worldbank.org/doi/abs/10.1596/33765>.

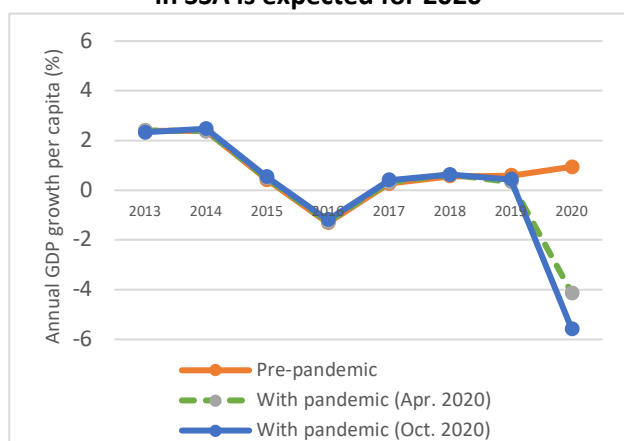
Methodology

The methodology used for this note is identical to that in the version published in May 2020. We first define shock to GDP as the difference between the two most recent GDP projections from the IMF's World Economic Outlook (WEO). We then simulate the change in poverty rates by adjusting the welfare of households from a database of household surveys, forecasting the welfare aggregate of each country by the growth of the GDP per capita assuming a "distributionally neutral" impact in welfare. The difference in lined-up poverty rates between the two vintages is a rough estimate of the effect of the crisis on poverty. For more information, refer to Montes et al. (2020).⁴

Updated Implications for GDP in SSA in 2020

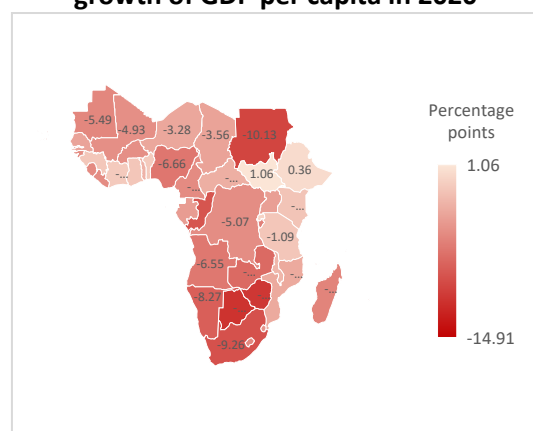
GDP per capita will contract and is now expected to be lower than the April 2020 estimates (Figures 1a and 1b). Prior to the pandemic, SSA's GDP per capita was forecasted to grow at 0.9%. As a result of the pandemic and other associated shocks, the GDP per capita growth forecast is now expected to be more than 6 percentage points lower, reaching -5.6%. This projection is slightly more pessimistic than the April 2020 WEO forecasts, which projected SSA's GDP per capita to lower by around 5 percentage points, reaching -4.1%. Based on the October 2020 vintage, the GDP per capita is projected to shrink by more than 7% in 13 countries in the region (Figure 1b) and by more than 10% in 10 countries (Angola, Burkina Faso, Republic of the Congo, Liberia, Mauritius, Namibia, Sudan, Seychelles, South Africa, and Zimbabwe).

Figure 1a: A negative GDP per capita growth in SSA is expected for 2020



Source: WEO

Figure 1b: Projected reduction in the growth of GDP per capita in 2020



Source: WEO

Updated Implications for poverty in SSA in 2020

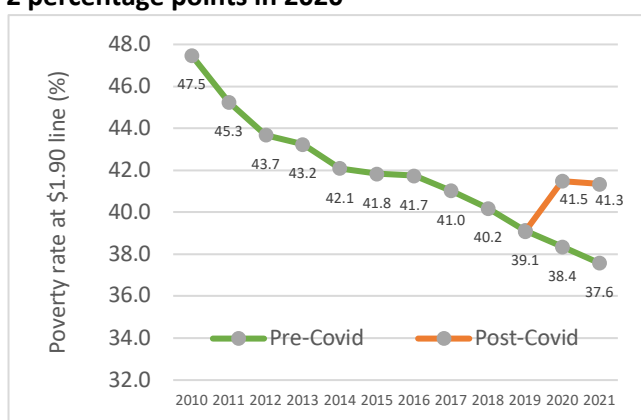
The revised SSA poverty rate is expected to increase by at least three percentage points, which is slightly higher than the April 2020 estimates (Figure 3). Based on the April projections, poverty was forecasted to decrease by around 2 percentage points. The new estimates indicate that an additional 26.6 million people will fall into poverty (defined as those living under \$1.90 per day in 2011 PPP) in the region, compared to the previously projected 17.7 million new poor. The new projected increase in the poverty

⁴ Ibid, 1-2.

rate would return SSA to 2016 poverty levels, effectively wiping out four years of progress in reducing impoverishment. This would also be the first time that the poverty rate of SSA will increase since 2010.

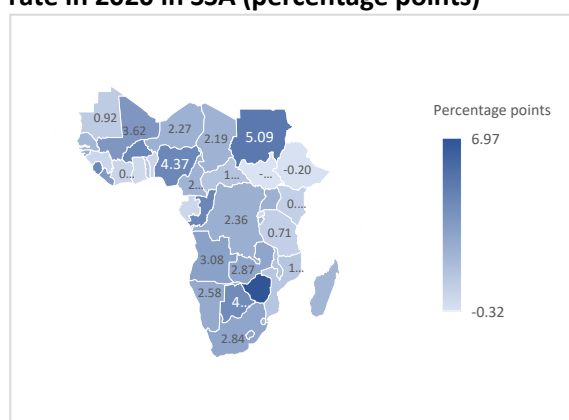
Poverty is expected to increase in almost all SSA countries. Figure 4 presents the rise in poverty rates for all countries in the region. Around half of the new poor will live in three countries: Democratic Republic of Congo, Nigeria, and South Africa – with Nigeria contributing the most with 9 million new poor. Botswana, Burkina Faso, Nigeria, Republic of Congo, Sudan, Sao Tome and Principe, and Zimbabwe are countries that are expected to see the largest increase in poverty rates. Figures 5a and 5b present the increase in poverty rates by region in SSA.

Figure 3: Poverty rate for SSA will increase more than 2 percentage points in 2020



Sources: SSAPOV/GMD database and WEO forecasts

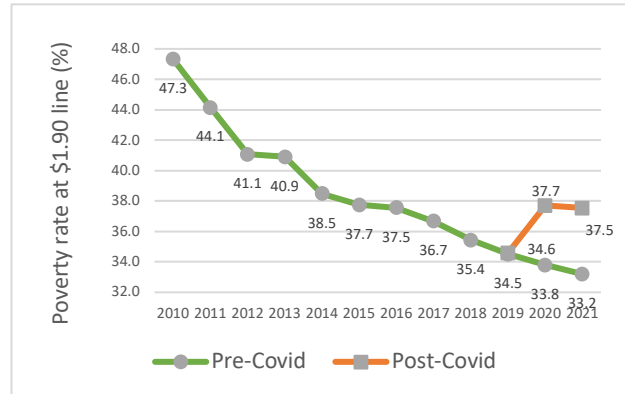
Figure 4: Forecasted increase in poverty rate in 2020 in SSA (percentage points)



Sources: SSAPOV/GMD database and WEO forecasts

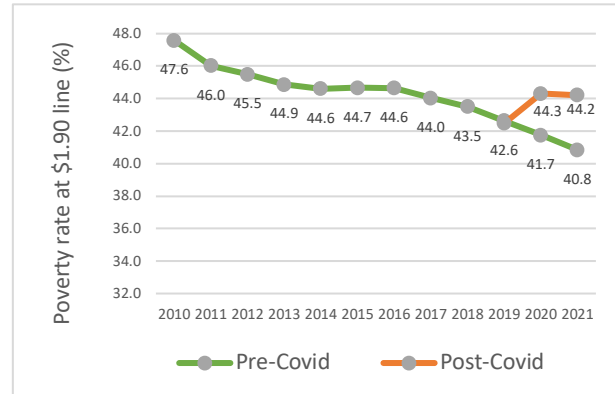
The pandemic is projected to have a slightly higher impact on poverty levels in Western/Central Africa than Eastern/Southern Africa (Figures 5a and 5b). Poverty is expected to increase around 3 percentage points for Western/Central Africa (AFW), effectively wiping out four years of progress in reducing poverty. Poverty is also estimated to increase by almost 2 percentage points for Eastern/Southern Africa (AFE), negating over three years of progress. However, overall poverty rates are still lower in AFW compared to AFE. The poverty rate in AFW is projected to be around 37 percent for 2020, while the poverty rate in AFE is estimated to be between 44 percent for the same year. The difference in poverty rates between the two regions is a stark contrast to 10 years ago, when the two regions' poverty rates were both around 47 percent. It appears that countries in the AFW region have overall been more effective at reducing poverty compared to AFE countries, which may explain why AFW countries' poverty rates were slightly more impacted by the pandemic.

Figure 5a: Poverty rate for AFW will increase 3 percentage points in 2020



Sources: SSAPOV/GMD database and WEO forecasts

Figure 5b: Poverty rate for AFE will increase almost 2 percentage points in 2020

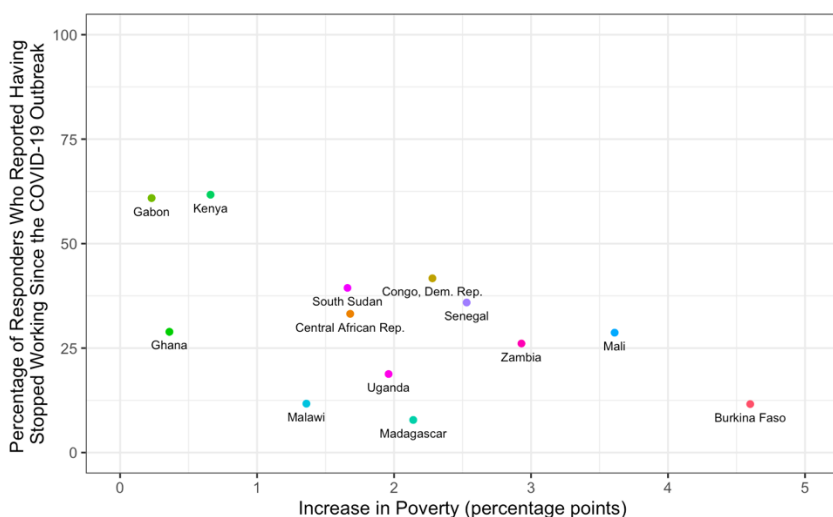


Sources: SSAPOV/GMD database and WEO forecasts

Impact of Covid-19 on Households in SSA Countries⁵

1. **The labor market in the SSA region has been negatively impacted by the COVID-19 outbreak.** Over 29 percent of respondents reported losing their job after the outbreak (for the 11 surveyed countries with this indicator). In both Gabon and Kenya, 61 percent of respondents reported that they had stopped working since the COVID-19 outbreak. In general, employed respondents were more likely to be involved with farming activities than non-farm enterprises.

Figure 6a. Scatterplot depicting relationship between poverty rate increases and labor disruption by country.

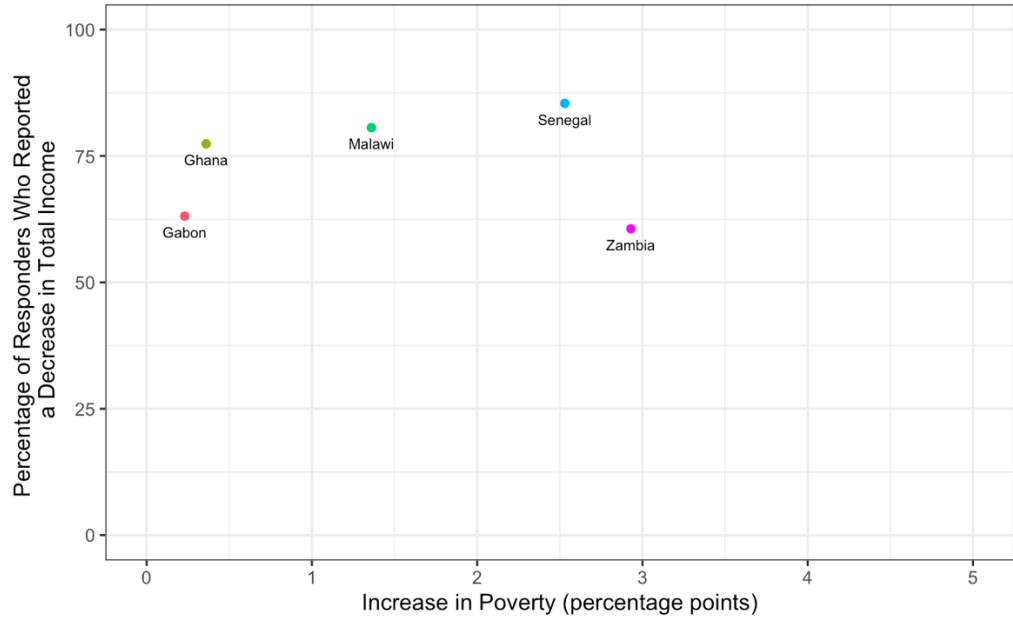


2. **Income has sharply decreased in all surveyed SSA countries, particularly for non-farming enterprises.** In Gabon, Malawi, and Zambia over 60 percent of households reported a decrease in total

⁵ Key SSA Findings from the Covid-19 global high-frequency monitoring database.

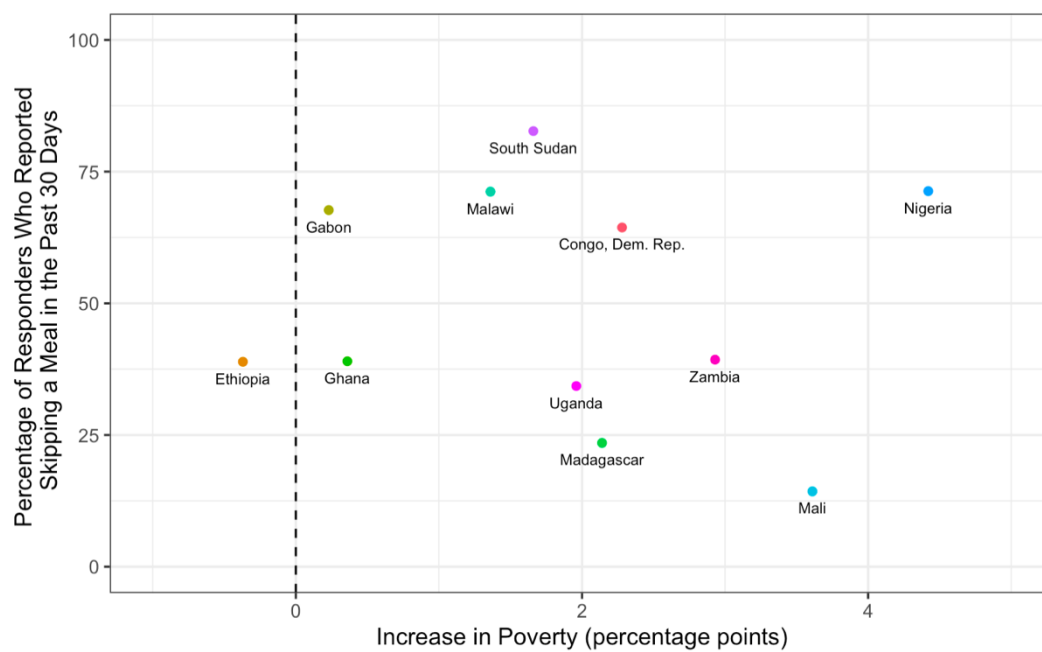
income since the pandemic. For wage income specifically, over 24 percent of households, with available information, reported a decrease. In half of these countries, over 53 percent of households reported a decrease in wage income, with Malawi being the highest at 86 percent. The impact on income was more severe for non-farm family businesses than farm businesses, although for both sectors, at least 24 percent of households in all surveyed countries reported an income decrease. For the majority of countries that were surveyed on remittances, over 58 percent of households reported a decrease in remittances.

Figure 6b. Scatterplot depicting relationship between poverty rate increases and income disruption by country.



3. **The pandemic has created damaging consequences on food security for people who live in SSA countries.** For half of the 10 countries that were surveyed on this indicator, over 64 percent of respondents reported skipping a meal in the last 30 days due to lack of money or resources. Food security levels did not appear to correlate with the industry sector that a person worked in (the four categories were agriculture, commerce, mining/manufacturing, and other services). There also did not seem to be a link between food security and urban/rural residents.

Figure 6c. Scatterplot depicting relationship between poverty rate increases and food security by country.



4. **The pandemic has led to a significant decrease in school-aged children's educational engagement.** Before the pandemic, over 71 percent of all households with school-aged children of the 11 surveyed countries (aside from Gabon) had children enrolled in primary and/or secondary schools. However, since school closures, less than 24 percent of households with school-aged children in all countries had children who had completed any school assignments. School closures have led to a disproportionate impact on different SSA countries in terms of non-school educational engagement. In wealthier countries, school-aged children have been able to engage in alternative educational activities more than school-aged children in poorer countries. In general, school-aged children in urban areas were more likely to be engaged in learning activities compared to those in rural areas. This is likely due to rural areas having less access to electricity, and by extension, the scarcity of electricity-dependent learning resources such as computers, radios, and internet all pose problems for educational attainment for school-aged children in rural areas.

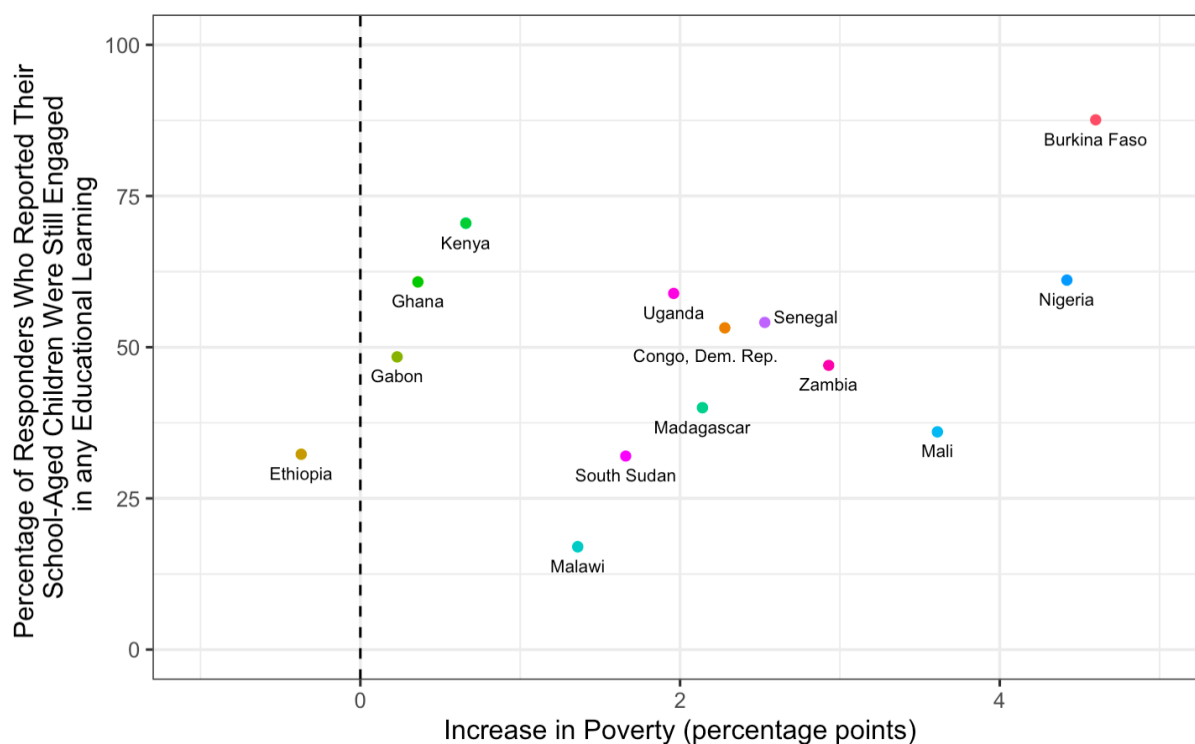


Table 1: Oct 2020 forecast GDP per capita growth and poverty rates pre-COVID and with COVID

Highlighted are the top 10 countries whose GDP growths were most impacted for both the October 2020 and April 2020 WEO vintages.

Country (East and South)	Population in 2020 (millions)	GDP per capita growth, pct (WEO Oct 2019)	Poverty rate, pct ¹	GDP per capita growth, pct (WEO Oct 2020)	Oct 2020 GDP per capita ranking (most to least severe)	Poverty rate, percent ¹	GDP per capita growth, pct (WEO April 2020)	April 2020 GDP per capita ranking (most to least severe)
Country (East)								
Angola	31.03	-3.17	53.46	-10.34	8	56.75	-4.25	17
Botswana	2.42	1.59	12.75	-10.28	9	17.11	-7.11	6
Burundi	11.9	-2.51	80.03	-7.19	13	81.55	-8.29	3
Comoros	0.9	-1.42	18.81	-5.17	15	20.21	-3.75	19
Congo, Dem. Rep.	100.82	1.25	70.96	-3.73	20	73.24	-5.09	12
Eswatini	1.13	0.31	27.99	-4.34	17	30.14	-1.99	26
Ethiopia	98.13	5.75	20.61	6.57	44	20.24	1.61	42
Kenya	48.69	2.75	31.32	1.68	38	31.97	-1.70	28
Lesotho	2.1	2.07	26.64	-5.17	16	30.23	-5.84	10
Madagascar	27.58	2.39	74.93	-3.59	22	77.07	-2.12	25
Malawi	20.87	1.57	68.91	-0.68	35	70.27	-1.83	27

Mauritius	1.3	3.58	0.13	-11.72	5	0.37	-6.83	7
Mozambique	32	-0.87	62.40	-3.49	23	63.41	-0.47	36
Namibia	2.5	-2.03	15.90	-11.05	6	18.61	-4.30	16
Rwanda	12.7	5.32	49.61	6.59	45	48.74	1.14	41
São Tomé and Príncipe	0.22	0.45	35.19	-9.19	11	41.01	-8.16	4
Seychelles	0.1	2.49	0.84	-11.99	4	1.15	-11.57	1
South Africa	59.7	-0.86	19.59	-10.53	7	22.54	-7.22	5
South Sudan	13.78	4.69	84.90	-1.11	34	86.56	1.74	44
Sudan	44.35	-5.41	13.85	-15.45	2	18.90	N/A	N/A
Tanzania	58	2.13	48.19	2.76	40	47.79	-0.94	31
Uganda	41.22	3.49	37.95	0.16	36	39.91	0.01	37
Zambia	18.88	-1.03	58.52	-9.13	12	61.45	-6.37	8
Zimbabwe	15.19	-8.72	36.37	-19.26	1	43.07	-9.11	2
Country (West and Central)								
Benin	12.1	3.63	43.07	3.11	42	43.38	1.66	43
Burkina Faso	20.9	2.97	32.43	-2.23	26	37.02	-0.89	32
Cameroon	26.1	1.46	22.74	-3.89	18	24.89	-3.63	20
Cabo Verde	0.56	3.74	2.13	-3.79	19	2.83	-5.17	11
Central African Rep.	4.8	2.45	70.42	-1.48	31	72.10	-0.74	33
Chad	16.4	-0.21	41.18	-3.63	21	43.23	-3.07	22
Côte d'Ivoire	27	4.77	20.89	3.01	41	21.63	0.10	38
Gabon	2.1	1.57	3.39	-1.63	30	3.61	-2.48	24
Ghana	30.8	5.27	10.96	3.19	43	11.31	-0.53	34
Guinea	13.8	3.31	20.88	2.01	39	21.41	0.41	40
Guinea-Bissau	1.8	2.35	62.55	-2.85	25	65.04	-3.62	21
Liberia	4.7	-2.07	46.24	-10.08	10	52.15	-4.91	13
Mali	19.7	2.00	42.07	-2.92	24	45.68	-1.42	30
Mauritania	4.1	4.30	5.70	-1.94	28	6.77	-4.1	18
Niger	24.2	2.32	40.13	-1.32	32	42.56	-2.78	23
Nigeria	206.1	-0.30	39.33	-7.04	14	43.75	-5.84	9
Rep. Congo	4.68	1.44	40.59	-12.03	3	46.59	-4.66	14
Senegal	16.8	3.11	26.97	-1.13	33	29.50	0.14	39
Sierra Leone	8	2.74	40.63	-2.17	27	44.57	-4.32	15
The Gambia	2.4	3.41	8.21	-1.85	29	9.72	-0.49	35
Togo	8.29	2.52	45.31	0.27	37	46.32	-1.48	29