

WORLD

As U.S. Economy Roars Back, Life in Many Poor Countries Gets Worse

Rich world is poised for strongest growth in decades, but developing world faces rising hunger, poverty and indebtedness

By [Gabriele Steinhauser](#) in Johannesburg, [Saeed Shah](#) in Islamabad, Pakistan, and [Ryan Dube](#) in Lima, Peru

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Powered by the U.S. and China, the global economy is set to make a stunning comeback this year from its deepest contraction since the Great Depression, economists say.

For many developing countries, though, 2021 is shaping up to look a lot like 2020, with the pandemic still raging and poverty deepening.

“Here in Washington, D.C., people are literally talking about the Roaring 20s and, you know, letting the doors fly off the U.S. economy,” said Geoffrey Okamoto, the International Monetary Fund’s first deputy managing director. “But the harsh reality is for the poorest countries, they’re not looking at vaccines being delivered to them until well into next year,” which means slower economic recoveries and more pain for the poor.

José Luís Rosas, a guide at Peru’s Machu Picchu ruins, survived 2020 by drawing down his pension and transferring his two young daughters from private to public school. Now, with foreign tourists unlikely to return this year, a slow vaccination drive and surging Covid-19 infections, Mr. Rosas said he may have no choice but to move his family to his parents’ remote village to farm avocados, mangos and limes.



Tourism is depressed at the archaeological site of Machu Picchu in Peru, cutting the income of guides and others.

PHOTO: ERNESTO BENAVIDES/AGENCE FRANCE-PRESSE/GETTY IMAGES

“I work only to eat, to buy cooking gas, a little bit of meat,” he said. “There isn’t anything to save—the only thing I’m working for is to survive.”

The IMF on Tuesday raised its global gross domestic product growth forecast to 6% this year, citing unprecedented government fiscal stimulus and an accelerating vaccination drive in the U.S. Some investment banks are forecasting 7% global growth for 2021, while the Federal Reserve expects the U.S. economy to expand by 6.5%, its highest rate since 1984.

Most developing countries are also seeing growth resume. But in many places, it isn’t nearly enough to make up for the economic damage caused last year. Many people who managed to hang on in 2020 by depleting savings or with limited government help have nothing to fall back on now.

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Emerging markets are on track to vaccinate just 28% of their populations by year-end, versus 72% for developed nations, according to UBS. And while advanced economies were able to increase government spending by more than 13% of their GDPs in 2020, unleashing billions of stimulus dollars, low-income countries mustered increases worth less than 2% of GDP, according to the IMF, and now have little left to spend.

As a result, the IMF expects Covid-19 to leave longer-lasting economic scars in developing countries than in advanced economies, which were more deeply affected by the 2008 financial crisis.

The pandemic caused the first increase in extreme poverty—those living on less than \$1.90 a day—since the 1990s, by far the biggest on record. Up to 124 million more people were living in extreme poverty at the end of 2020 as a result of the pandemic, with up to 39 million more set to be added to that number in 2021, the World Bank estimates

By the end of the decade, the United Nations warns, the number of people in extreme poverty could rise above one billion, an increase of around 250 million, due to the pandemic.

Mr. Rosas, the Peruvian guide, said a move to his parents' village in one of the country's poorest provinces would deprive his daughters not only of the private-school education they enjoyed, but also of the security, local library and educational workshops provided by the tourist town of Aguas Calientes.

“People have been compelled to take steps that are going to hurt their prospective recovery,” said Ambar Narayan, the World Bank's lead economist researching poverty. “They're cutting down their food consumption. In some cases they're late in paying back loans or selling assets.”



People lined up to receive free food in Karachi, Pakistan, last month.

PHOTO: SHAHZAIB AKBER/EPA/SHUTTERSTOCK

Because people in poor countries traded down from higher-priced meals, the pandemic increased demand and prices for staples such as corn, dairy products and sugar. The cost of vegetable oil, a key source of calories in many poor countries, rose 89% between May

and February, according to the Food and Agriculture Organization of the United Nations, even though its supply largely held up.

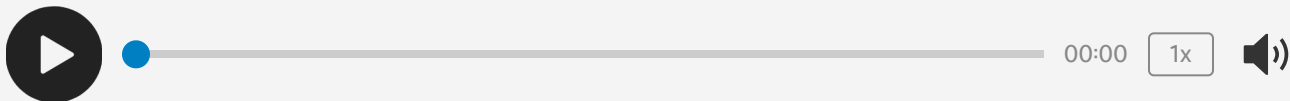
Azmat Ali, a government clerk and father of four in eastern Pakistan, said his household's monthly food bill has increased 40%, with staples such as lentils, rice and cooking oil shooting up. Even with a second job making shoes in a local workshop after-hours he said he no longer is making ends meet.

"When I get home in the evenings and I hear my children crying, all I can think of is how can I get more for them?" said Mr. Ali. "I pray a lot."

WHAT'S NEWS



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By the end of 2022, the IMF projects that per-capita income in emerging and developing countries, excluding China, will be 20% lower than it would have been had the pandemic never happened. For advanced economies, per-capita GDP loss is projected to be about 11%.

Developing-world governments are also facing a debt reckoning. An international program that gives low-income governments a break on some debt payments was extended Wednesday until the end of 2021, but it postponed just \$5.7 billion last year.

The 72 developing countries considered most vulnerable on the debt front are due to repay \$598 billion between now and the end of 2025, the U.N. said. More than half of low-income and more than a third of emerging-market economies are at risk of fiscal crises, according to the IMF and World Bank.

The public debt accumulated last year—totaling 9.7% of GDP for emerging markets and 5.2% of GDP for low-income countries—also makes them more vulnerable to rising interest rates in the West. Servicing debt, taken out at much higher interest rates than

those enjoyed by advanced economies, will eat up revenue that then can't be spent on health, education and other essential services.



Noordhoek beach in Cape Town, South Africa, in January. The pandemic has crippled the nation's tourism industry.

PHOTO: NIC BOTHMA/EPA/SHUTTERSTOCK

To be sure, emerging economies are recovering at different speeds. The World Bank expects GDP in India, which has its own vaccine production but is now seeing record Covid-19 infections, to grow 10% in the fiscal year that started this month, following an 8.5% contraction in the previous 12 months. South Africa's economy, which shrank 7% last year, is forecast to grow just 3%.

Small, tourism-dependent island states, such as St. Lucia, whose GDP collapsed by 20% last year and is expected to grow just 1.1% in 2021, will face some of the toughest recoveries. Tourism directly and indirectly contributes more than one-third of GDP in some islands in the Caribbean and off Africa, and between 7% and 20% for larger countries like South Africa, Kenya and Thailand, with few signs of a recovery this year.

While higher commodity prices are helping lift GDP projections for some developing countries that produce oil, copper or other natural resources, those gains often don't trickle down to the general population as much as would a revival of more labor-intensive sectors, such as tourism.



Phone repairmen waited for customers in Lagos, Nigeria, last month. Nigerians are suffering from a slumping economy and depressed currency.

PHOTO: ADETONA OMOKANYE/BLOOMBERG NEWS

In Nigeria, where the World Bank expects economic growth of just 1.4% this year following a 1.8% contraction in 2020, government coffers will benefit from higher oil prices. But an impending phaseout of fuel subsidies is compounding the impact on consumers of a local currency that has plunged against the dollar on the black market.

Doyin Adeyeme used to fly to China, Vietnam and Turkey at least five times a year to source clothes and accessories for her boutique in Nigeria's capital of Abuja. Travel bans have made these trips impossible, raising her costs, while many of her customers frown at price increases caused by the weakening naira currency.

"I'm still earning far less than what I used to make before the pandemic," said Ms. Adeyeme, a single mother of two who is also supporting two of her sisters. "I don't see a recovery before the end of the year."

—Gbenga Akingbule in Abuja, Nigeria, contributed to this article.

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Corrections & Amplifications

Up to 124 million more people globally were living in extreme poverty at the end of 2020 as a result of the pandemic, with up to 39 million more set to be added to that number in 2021. An earlier version of this article incorrectly said that the number of extremely poor people rose by as many as 124 million last year and was expected to climb by an extra 39 million this year. (Corrected on April 9.)

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