

World Bank: South Asian economies hit hard by COVID-19

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The World Bank's recently released South Asia Economic Focus, Fall 2020 report has revealed the sharp economic impact of COVID-19 in a region that is home to 1.38 billion people or one fourth of the world's population.

Entitled "Beaten or Broken? Informality and COVID-19," the report says that South Asia is experiencing its worst ever recession, with economic activity in the area brought "to a near standstill." It estimates that the regional economy will contract by 7.7 percent this year, with India contracting by 9.9 percent and Maldives and Sri Lanka by 19.5 and 6.8 percent respectively.

Although the World Bank optimistically expects South Asia to rebound by 4.5 percent in 2021, its per-capita income will be 6 percent lower than in 2019 and its population far poorer than that year.

The report, which estimates that over three quarters of the total work force is in the informal sector, states that "more people will be added to the ranks of the extreme poor in South Asia than in any other region in 2020."

On October 14, South Asia had officially recorded more than eight million coronavirus cases and 125,000 deaths. These figures, however, are not reliable because of the low rates of testing and the deliberate negligence of data-gathering by governments in order to downplay the extent of the pandemic.

"Beaten or Broken? Informality and COVID-19," reports that millions of jobs have been destroyed in India, producing a sharp increase in urban poverty and the creation of a "new poor."

Indian economic growth, which was already slowing prior to the pandemic, underwent an unprecedented economic contraction of almost 25 percent in the April to June quarter. According to the Centre for Monitoring Indian Economy (CMIE), an independent body, 18.9

million permanent jobs were destroyed in that quarter.

Pakistan has also been severely affected, particularly its service sector, with the overall economy expected to contract by 1.5 percent and a serious increase in poverty. The consumer price inflation has already risen to 10.7 percent and the Pakistani rupee has fallen by 13.8 percent so far this year.

Bangladesh's economic growth is expected to fall from 8.1 percent in 2019 to 2 percent this year and poverty likely to "increase significantly" with the greatest impact on "daily and self-employed workers in the non-agricultural sector and salaried workers in the manufacturing sector."

The average wages of salaried and daily workers in Bangladesh declined by 37 percent, compared to usual earnings immediately prior to the COVID-19 pandemic, according to the World Bank survey. About 68 percent of the directly-affected workers are concentrated in Dhaka and Chittagong, cities that account for 26 million of the country's 166 million population.

Afghanistan, which has been devastated by the US-led 20-year invasion and occupation, is expected to experience a 30 percent fall in revenue due to weak economic activity and disruptions to trade caused by the COVID-19. The World Bank report estimates that the "combination of reduced incomes and higher prices could drive the poverty rate to as high as 72 percent."

The Sri Lankan economy, the survey notes, contracted by 1.6 percent in the first quarter of 2020 after growing by 2.3 in 2019. The fall "was driven by weak performances in the construction, textile, mining and tea industries." The budget deficit is estimated to balloon to 11.1 percent, up from 6.8 percent in 2019, and debt-to-GDP ratio projected to exceed 100 percent, up from 86.8 percent in 2019.

Moody's downgrading of Sri Lanka's credit rating on September 28, from B2 to CAA1, further indicates how the existing economic crisis has been worsened by the pandemic. Sri Lanka's credit rating is just one above debt default and in the same league as Iraq, Angola, Congo and Mali.

Moody's also pointed to the "persistently weak revenue from textile garment exports, tourism and overseas remittances," and said the "credibility of the government policy" is highly sensitive for "investor sentiment."

Moody's estimates that government liquidity and external risks will intensify, as the external debt service payments reach approximately \$US4 billion between 2020 and 2025.

While the Rajapakse government has not released any data on job losses caused by the pandemic, the labour department reported that in July nearly 400,000 jobs were lost in the manufacturing sector alone. About 40 percent of Sri Lankan workers are employed in the informal sector, which has been severely impacted.

The Maldives, which has a population of about 515,600, is heavily dependent on tourism which directly employs 22,000 people, not including seasonal workers, third-party providers and guest house employees. COVID-19 has "paralysed" the industry and led to the destruction of tens of thousands of jobs.

"Tourism inflows," the World Bank report notes, "remained anaemic even after borders reopened in mid-July. Only 13,787 tourists visited between July 15 and September 15, a 95 percent y-o-y decline; the average number of daily international commercial flights has declined to four (compared to 40 before the pandemic) and half of all resorts remain shut."

"Beaten or Broken? Informality and COVID-19," also reports on COVID-19's impact on other South Asian countries, such as Nepal and Bhutan. Economic growth of Nepal is expected to drop to 2 percent, down from 7 percent last year, and Bhutan's will be reduced from last year's 3.8 percent growth to 1.5 percent.

Comparing South Asia with industrially developed countries, the report states that "people in lower-income countries, like in South Asia, are disproportionately affected because they are more exposed to the virus through their work in densely-packed urban areas and have fewer opportunities to enjoy fresh air."

The report notes that, "COVID-19 will profoundly transform South Asia for years to come" and emphasises the need for "smartly designed recovery programs" for a "sustainable future."

Hopes for "smartly designed recovery programs" are a fantasy under capitalism. The pandemic, in fact, has accelerated what was an already brewing economic downturn crisis in the region and internationally.

South Asian governments, like the counterparts internationally, are imposing homicidal "herd immunity" back-to-work policies and rubber-stamping company cuts to wages and jobs and increasing exploitation through longer working hours.

Nervous about the rising social anger, the Modi government in India, the Rajapakse administration in Sri Lanka and every regime in the region is rapidly moving towards autocratic forms of rule.



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