

# After the pandemic: Economy, poverty and climate in the post-COVID-19 era

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The COVID-19 pandemic had devastating impacts on economic activity in 2020, but how long will its impact persist, and what will be its long-term impact on the decarbonization of our societies?

In an International Monetary Fund (IMF) Working Paper, a study led by the RFF-CMCC European Institute on Economics and the Environment (EIEE) and the IMF predicts the economic impacts of COVID-19 will persist, based on an analysis of the effects of five previous major epidemics in this century (SARS, H1N1, MERS, Ebola and Zika).

"This pandemic has taken everyone by surprise" says Massimo Tavoni, EIEE's Director and professor of climate economics. "In fact, we have seen several other episodes happening in the recent past, with important and dangerous repercussions for economic and social sustainability. We have looked at these recent events to learn what we should do differently this time."

Scientists estimated how past pandemics affected our economies and societies and found that they led to significant and persistent reductions of GDP, along with increases in unemployment, income inequality and public debt-to-GDP ratios.

"Pandemics in the past have had a significant and persistent impact on the economy, society, and the environment" explains Johannes Emmerling, Head of the Low Carbon Pathways Unit at EIEE and lead author of the study. "In terms of [energy demand](#) and emissions, the effect has mainly been cyclical and not led to systemic efficiency improvements."

The research shows that energy demand and CO<sub>2</sub> emissions drop significantly during a pandemic event, but mostly because of the persistent decline in the level of [economic activity](#) rather than structural changes in the energy sector. Only about one-third of CO<sub>2</sub> emission reduction can be attributed to the decarbonization of energy, an insufficient share to contribute significantly to a greener economy, as without deliberate policy actions, initial environmental gains will not remain entrenched.

"Applied to the current COVID-19 crisis, the results suggest that without a clear environmental focus of the recovery packages, the reduction in emissions will be mostly transitory" continues Emmerling.

Applying such historical estimates to project the impact of COVID-19, the study foresees significant scarring in economic performance and income distribution through 2025.

The combined impact on economic growth and inequality has led to an increase in poverty of approximately 75 million people in 2020, and also here policies are key to revert this process" says Emmerling, specifying that the study likely provides lower-bound estimates of the effects of COVID-19, since it is more widespread than the average health crisis in the considered sample and containment measures undertaken to limit the contagion are without precedents.

These projections, affirm the authors, point to the need for a strong policy response to counter the lingering adverse effects of COVID-19. A fiscal and other macro policies should be calibrated to achieve equitable and sustainable growth. Moreover, there is a need for a "green" design of stimulus packages, to not only address economic and social impacts, but also to ensure medium- and long-term improvement in energy and emission intensity, including alleviating the costs of future climate mitigation action.

**More information:** Working paper: [www.imf.org/en/Publications/WP...-Pandemics-50288](http://www.imf.org/en/Publications/WP...-Pandemics-50288)

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