

FACT SHEET
Poverty Scenarios and the Crisis

- Since the 1980s, six world financial crises have hit Latin America and the Caribbean. IDB researchers found that these crises caused per capita output to contract on average 1.4 percent annually over a two-year period. If the current crisis replicates such average, the number of poor people in the region could rise by 7 percent, or 12.7 million by 2010, according to the IDB estimates. The number of people under extreme poverty would rise by 7.0 million, or 9 percent.
- The number of poor people may increase by 2.8 million this year under the latest economic scenario by the International Monetary Fund. Under the Fund's scenario, output per capita in Latin America and the Caribbean will fall 0.14 percent this year, for the first time since 2002.
- However, the impact on poverty could be dramatic if the region replicates the same economic performance as it had during the early 1980s debt crisis, according to IDB estimates. The number of poor would rise by 34 million in the next three years—a considerable number given that 48 million were lifted above the poverty level since 2003.

Increase in the Number of Poor and Extreme Poor under Different Crisis Scenarios

Crisis Scenario	Crisis duration (years)	Average Annual Per Capita GDP Growth	Increase during crisis duration (millions of people)	
			Total Poor	Extreme poor
IMF Projections	1	-0.14	2.8	1.2
Russian Crisis	2	-1.45	12.9	7.2
Early 80's Crisis	3	-3.04	33.8	20.5
Late 80's Crisis	3	-1.25	17.8	9.8
Mexican Crisis	1	-1.30	6.0	3.2
Asian Crisis	1	-1.34	6.1	3.3
Average	2	-1.42	12.7	7.0

Note: Crisis duration is the number of year annual per capita income will contract
Calculations based on data from the International Monetary Fund and Cepal

- The IDB poverty estimates are part of a study that will be released later in 2009 on the long-term social impact of financial crises in Latin America.
- The impact on poverty will depend on the duration of the crisis, the size of the output contraction and anti-cyclical social policies that may be adopted by governments
- About 192 million people in Latin America and the Caribbean, or a third of the region's total population are in poverty now and 75 million, or 13 percent, are in extreme poverty.