

ADB



ASIA-PACIFIC
SOCIAL PROTECTION WEEK 2023
Social Protection in a Changing World

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Global social protection responses to inflation

Prepared for Asian
Development Bank

Pacific and Asia Social
Protection Week



Key messages

- 1. Composition:** The responses have changed over time. While subsidies remain the most widely used response, the share has decreased from 79% at the onset of the crisis to 33%. At the same time, the share of social assistance response has almost doubled from 17% to 31%. Number of responses is proportional to country income status, with HICs recording the most measures (52%).
- 2. Spending:** A total of \$1.014 trillion, or 1.06% of global GDP, is being invested in social protection responses globally based on data recorded from 143 economies. Most of the expenditure is on subsidies (\$586.3 billion) followed by social assistance (\$256.3 billion).
- 3. Coverage:** 1.94 billion people were planned (or supposed) to be covered; 25% of the global population based on data from 116 economies. While the actual coverage data, although still emerging, is available for 36 economies, the estimated global coverage is 303.5 million people (4% of the global population).
- 4. Adequacy:** \$7 per person per day; 27% daily median income for cash transfers, vouchers, and subsidies. Based on 203 measures with recorded data available.
- 5. Duration:** Average initial program duration is 7.3 months based on 428 measures.
- 6. Extensions:** Extension information is available for 150 programs. On average, programs have been extended for 8.5 months.

Key messages for EAP/SAR

- 1. Inflation...** High inflation globally. But the level of inflation in EAP/SAR are lower compared to other regions (highest in MENA, followed by LAC, AFR)
- 2. Composition...** The most popular instrument is subsidies for SAR vs. social assistance for EAP; under sub. SAR focus on food and fertilizers/agriculture, EAP use more fee subsidies and fuels
- 3. Spending...** \$336 billion jointly; 0.8% and 1.85% of EAP's and SAR's regional GDP, respectively; 2 countries in the top 20 highest-spending
- 4. Coverage...** 946M people in SAR (largest, half of the population) and 199M people in EAP (8% of the population)
- 5. Adequacy...** \$4.3 and \$0.2 per person per day, representing 16% and 5% of daily median income in EAP and SAR, respectively
- 6. Duration...** SAR shortest (3 months with 7 programs) vs. EAP with the longest (12 months with 33 programs)

Categories of measures

1

SOCIAL ASSISTANCE

- Cash Transfers
- Social Pensions
- In-kind transfers
- School feeding
- Public works

2

SOCIAL INSURANCE

- Pensions
- Social security contributions/waivers
- Paid leave
- Health insurance
- Unemployment insurance

3

ACTIVE LABOR MARKET & ECONOMIC INCLUSION MEASURES

- Activation measures
- Wage subsidies
- Labor regulatory adjustment and enforcement
- Minimum wage increase

4

SUBSIDIES

- Fuel subsidies
- Food subsidies
- Fertilizer/agriculture subsidies
- Fee subsidies

5

TRADE RELATED MEASURES

- Export/import restriction or easing

6

TAX MEASURES

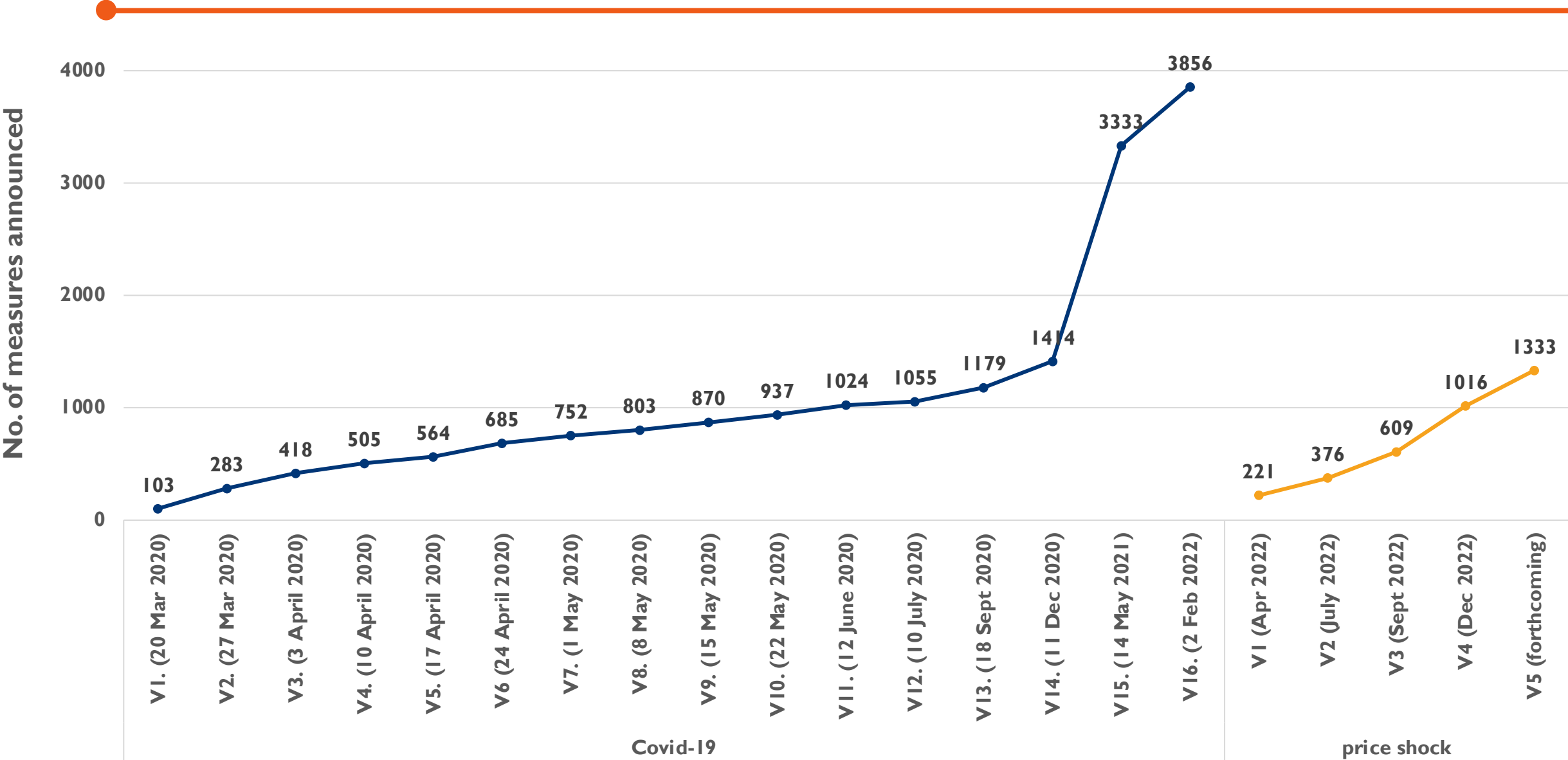
- Direct taxes
- Indirect taxes

1

Covid-19 vs. Inflation SP Responses

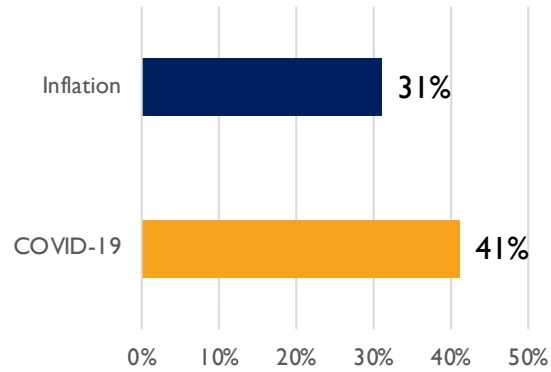


2020-2023: Global back-to-back responses

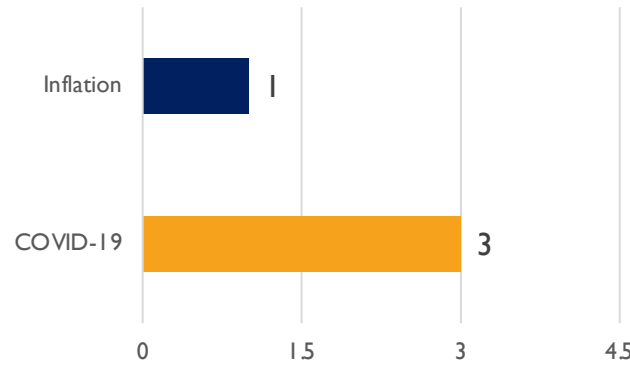


Contrasting global pandemic and inflation responses

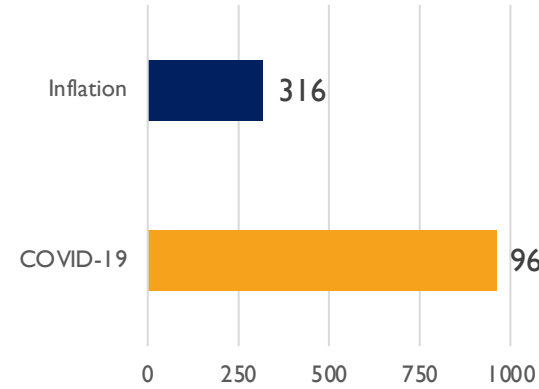
Share of social assistance measures



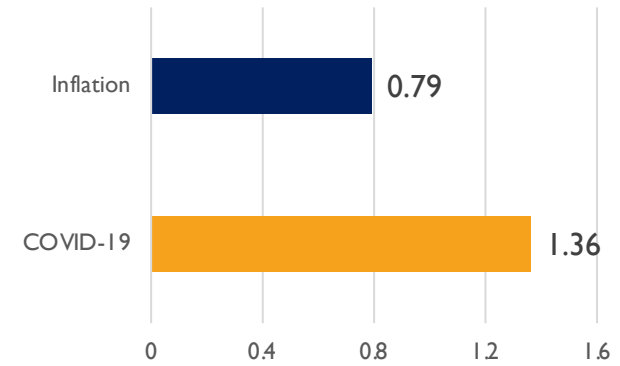
Social protection spending (in trillion; \$)



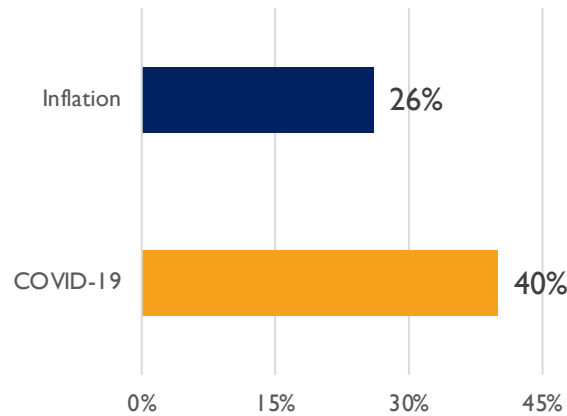
Number of cash measures



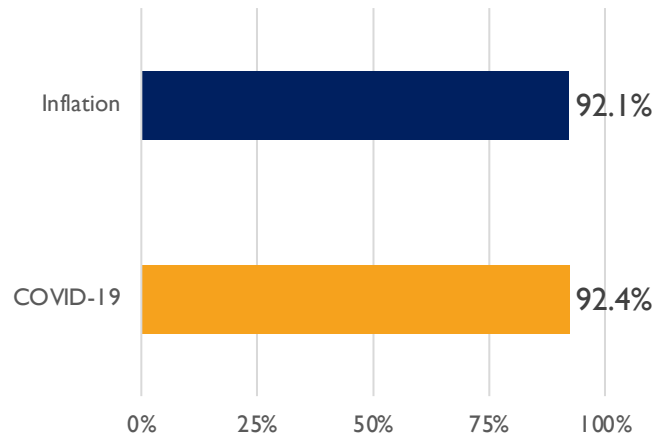
Coverage of cash transfers (planned; billion people)



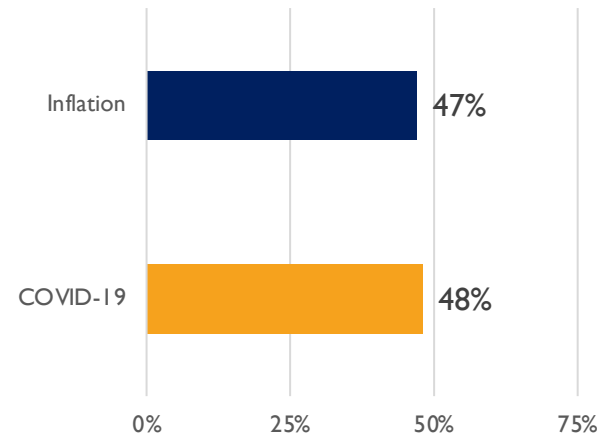
Adequacy of social assistance (% of daily median income)



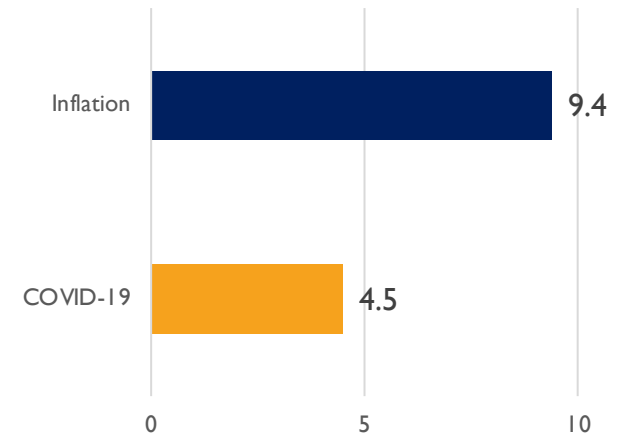
Share of 'new' cash transfer measures



Share of one-off cash transfer payments



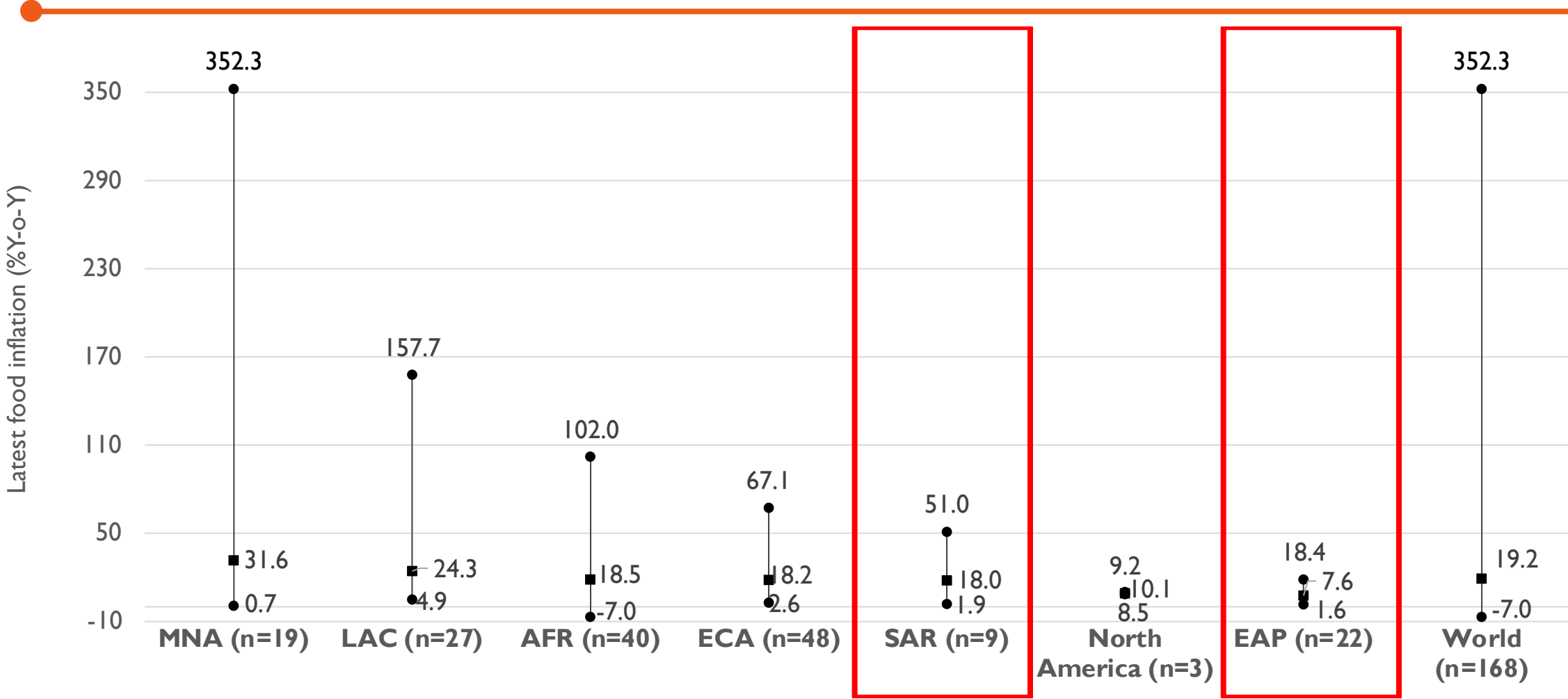
Duration of cash transfers (in months)



2 Inflation context



Nominal food Inflation (yearly % change)



Source: “Food Security Update, May 2023”, World Bank, 2023; IMF, 2023

Note: Calculations based on available monthly food inflation for each country between May 2022 and April 2023 for which the food component of the Consumer Price Index (CPI) and overall CPI data are available. This data shows the percentage change, year-on-year.

Global country level inflation (nominal)

TOP 10 HIGHEST FOOD INFLATION COUNTRIES IN THE WORLD

	Income Level	Latest Inflation ^a	Date Latest inflation	Maximum Inflation ^b	Date Max Inflation
Lebanon	LMIC	352.3	Mar-23	363.8	May-22
Venezuela	UMIC	157.7	Oct-22	157.9	Sept-22
Argentina	UMIC	106.6	Mar-23	106.6	Mar-23
Zimbabwe	LMIC	102	Apr-23	376	Nov-22
Iran, Islamic Republic of	LMIC	73.3	Nov-22	90.2	July-22
Turkey	UMIC	67.1	Mar-23	102	Nov-22
Egypt	LMIC	63	Mar-23	63	Mar-23
Rwanda	LIC	62.60	Mar-23	64.4	Nov-22
Suriname	UMIC	59.1	Mar-23	61.4	Dec-22
Lao People's Democratic Republic	LMIC	51	Mar-23	51	Mar-23

Source: "Food Security Update, May 2023", World Bank, 2023; IMF, 2023

Notes:

- a. Food inflation for each country is based on the latest month of available data between January 2022 and April 2023 for which the food component of the Consumer Price Index (CPI) and overall CPI data are available.
- b. Maximum nominal food inflation rate (%YoY) between August 2021 and April 2023.

EAP/SAR country level inflation (nominal)

TOP 10 HIGHEST FOOD INFLATION COUNTRIES ACROSS EAP/SAR						
	Region	Income Level	Latest Inflation ^a	Date Latest inflation	Maximum Inflation ^b	Date Max Inflation
Lao People's Democratic Republic	SAR	LMIC	51	Mar-23	51	Mar-23
Pakistan	SAR	LMIC	47.2	Mar-23	47.2	Mar-23
Sri Lanka	SAR	LIC	30.6	Apr-23	85.8	Sep-22
Myanmar	EAP	LMIC	18.4	Aug-22	18.4	Aug-22
Mongolia	EAP	LMIC	17.4	Mar-23	21.6	Jul-22
New Zealand	EAP	HIC	12.1	Mar-23	12.1	Mar-23
Vietnam	EAP	LMIC	11.9	Apr-23	11.9	Apr-23
East Timor	EAP	LMIC	10.9	Jan-23	10.9	Jan-23
Papua New Guinea	EAP	LMIC	9.5	Jul-22	9.5	Jul-22
Philippines	EAP	LMIC	9.5	Mar-23	11.2	Jan-23

Source: "Food Security Update, May 2023", World Bank, 2023; IMF, 2023

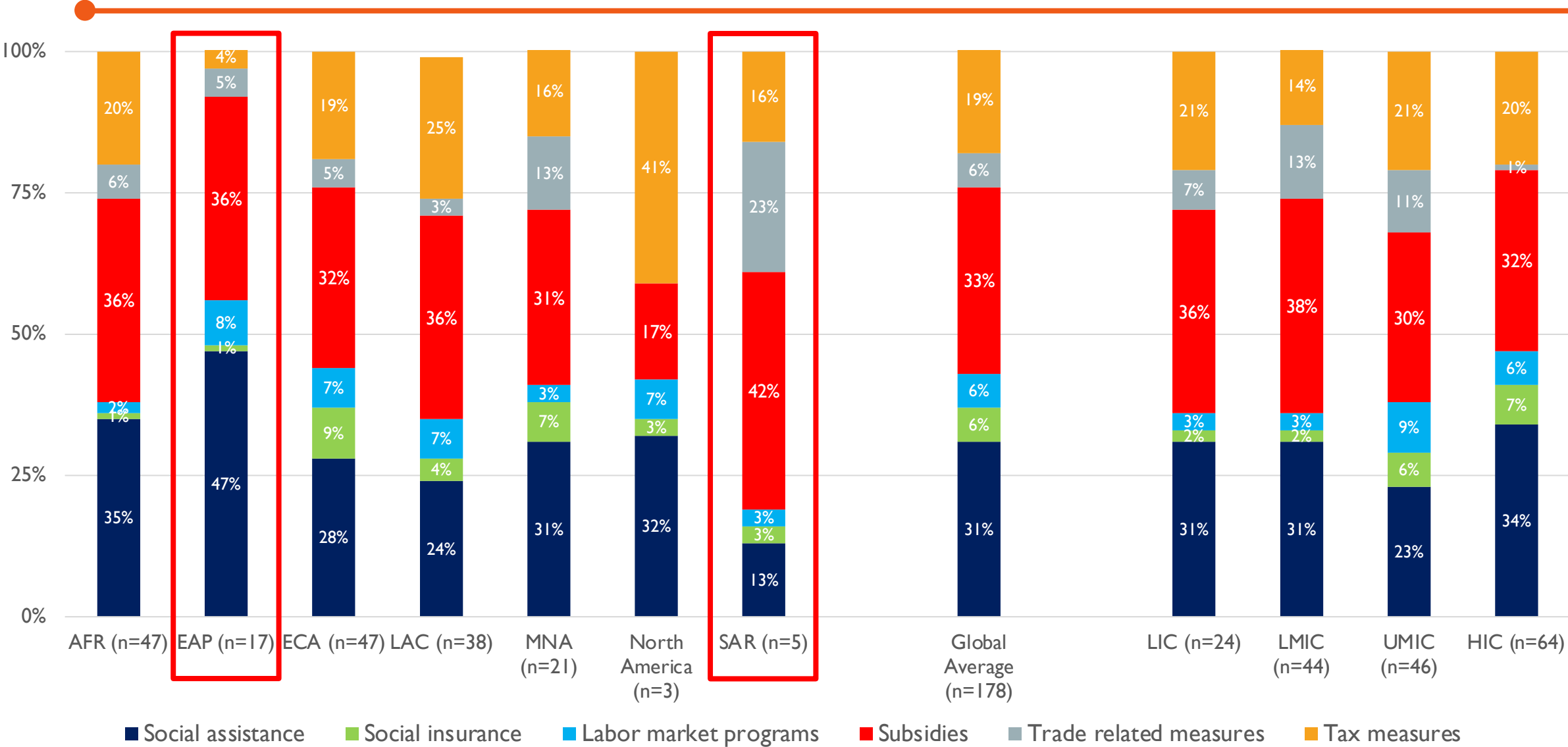
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3 Response composition

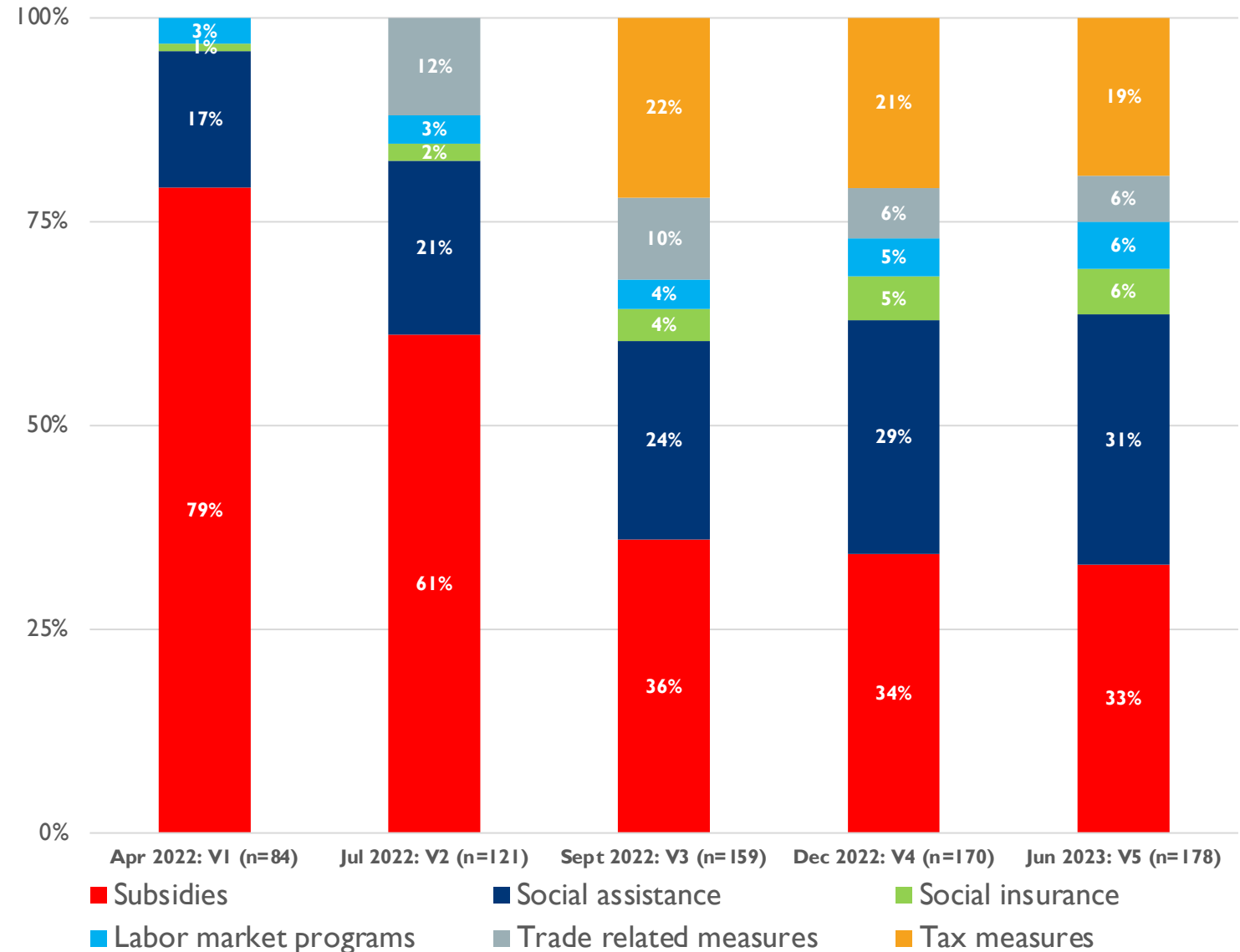


Composition of responses

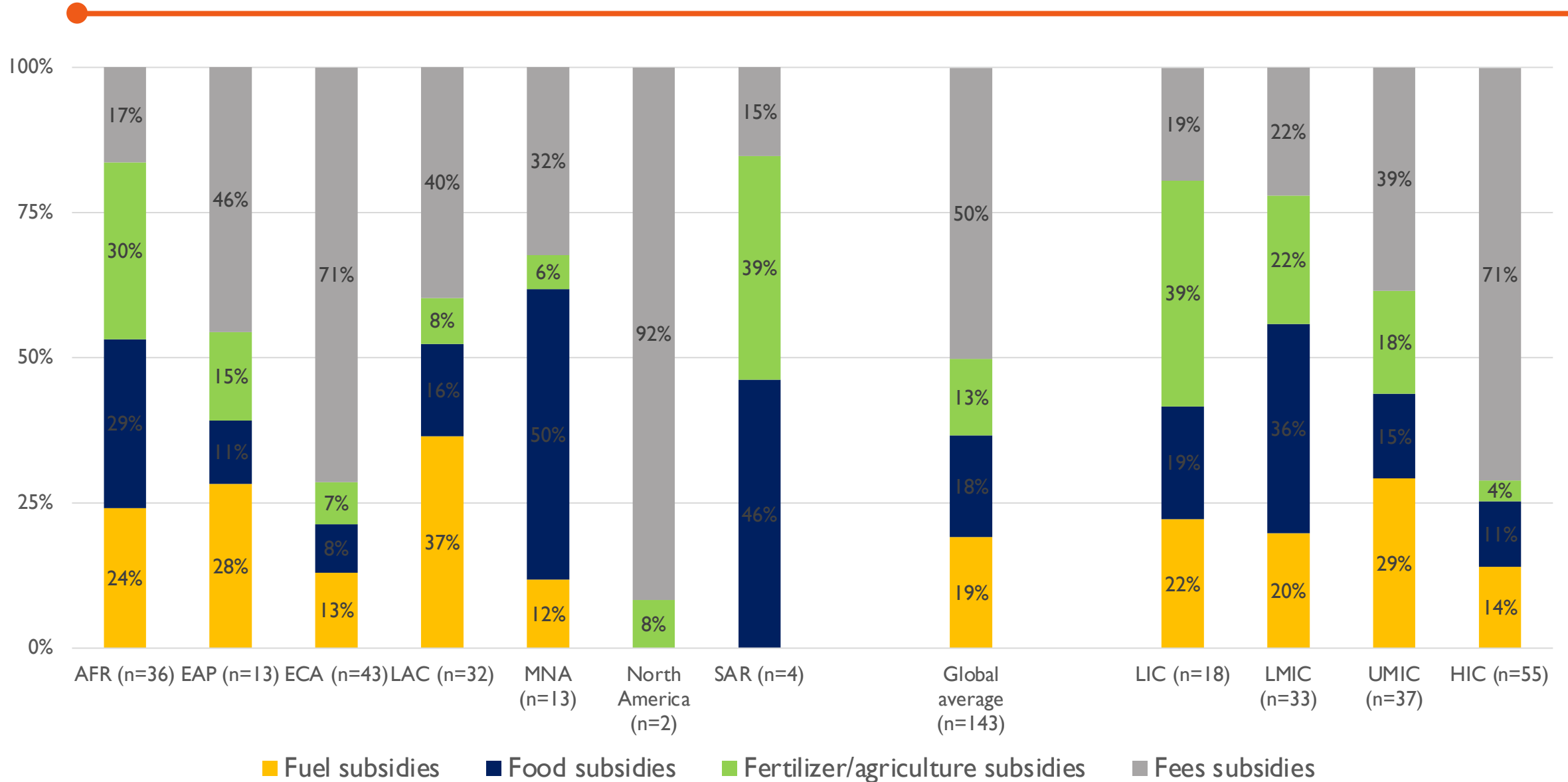


Evolution over time of the share of SPJ categories by version

- The share of **subsidy response** has decreased since Version 1, from 79% to 33%.
- At the same time, the share of **social assistance** response has increased from 17% to 31%.
- Similarly, **tax measures** increased from almost non-existent to 19%.



Composition of subsidies

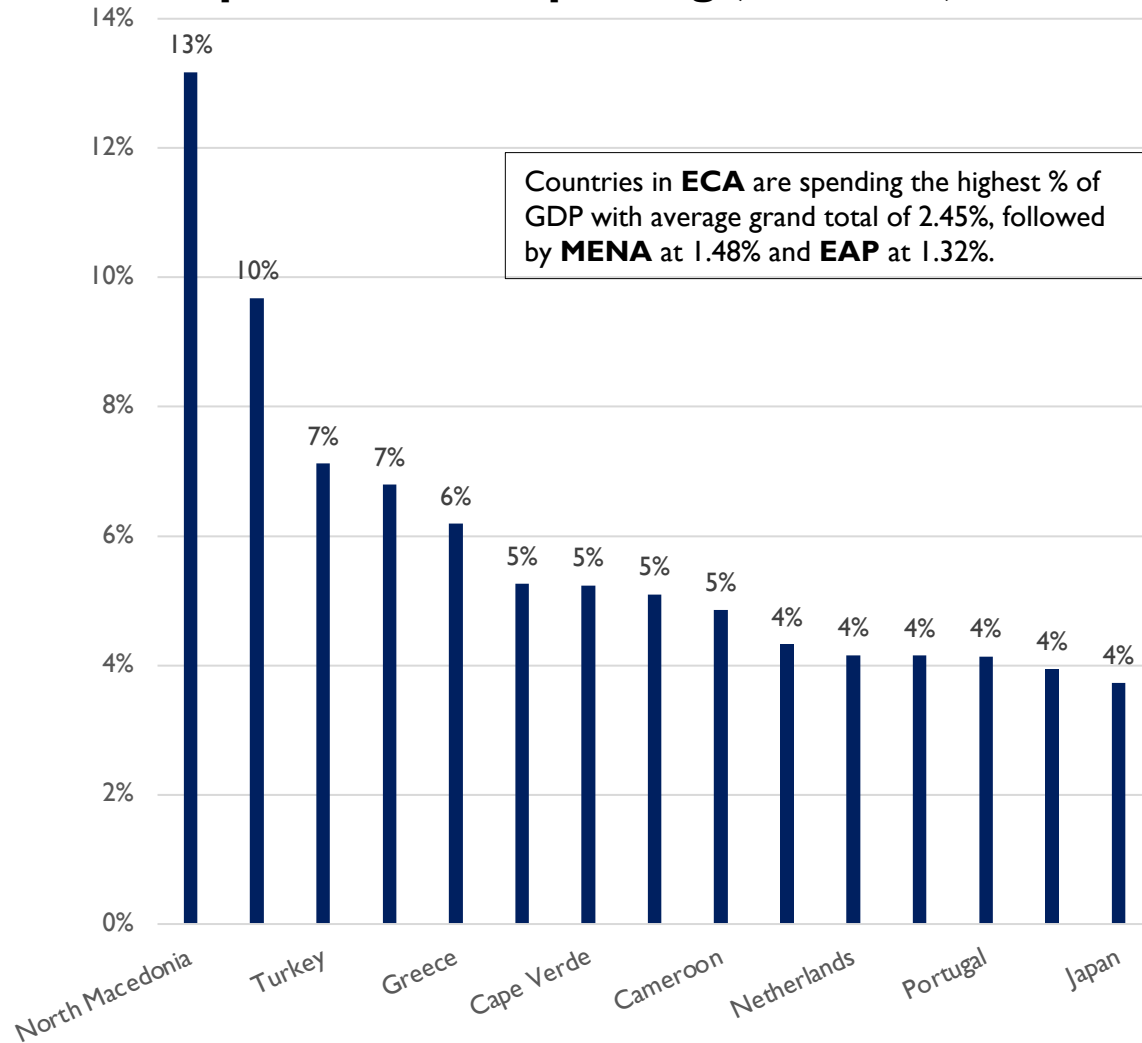


4 Spending

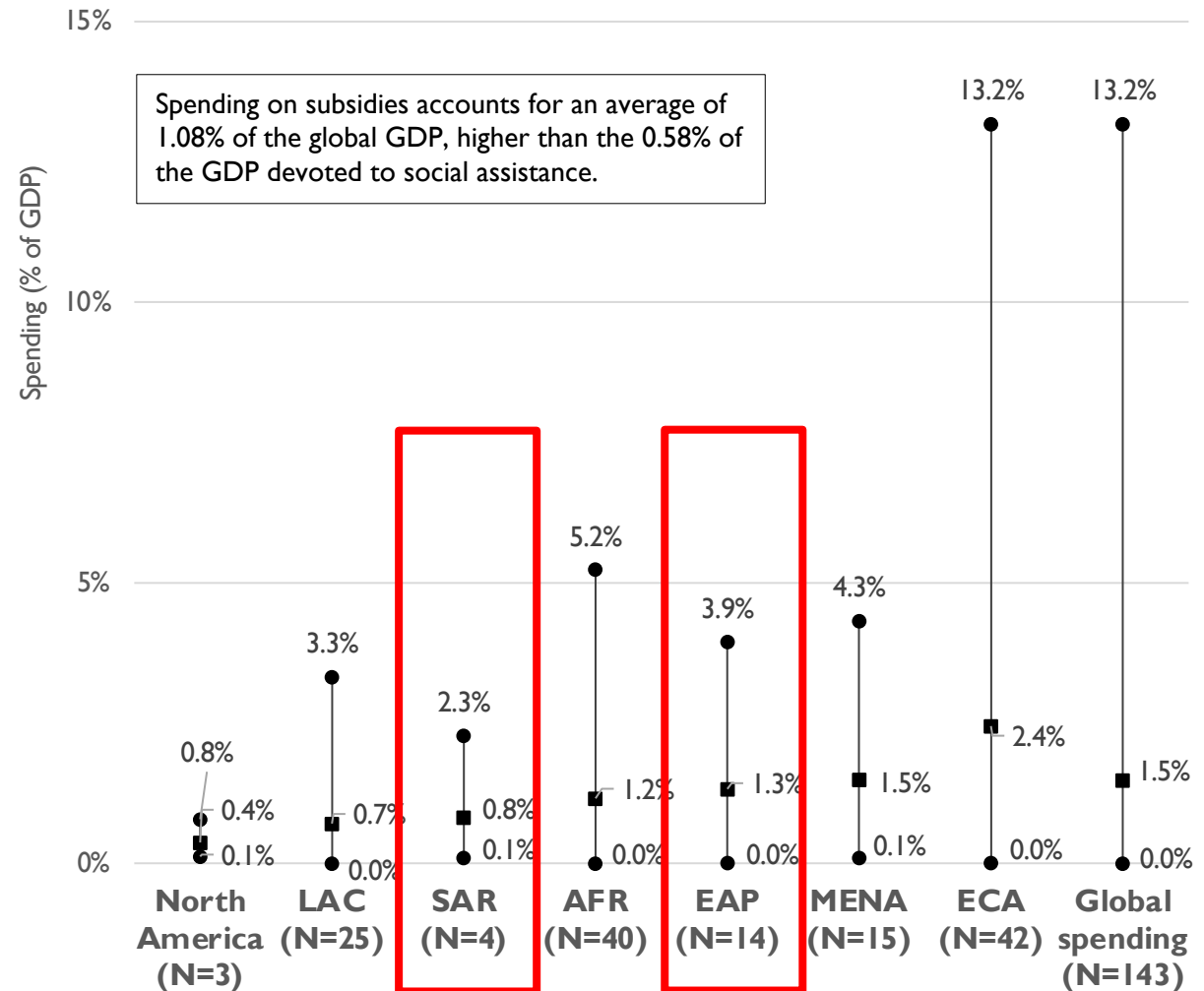


Global spending (% of GDP)

Top 15 countries spending (% of GDP)



Globally, on average, countries spent 1.5% of its GDP



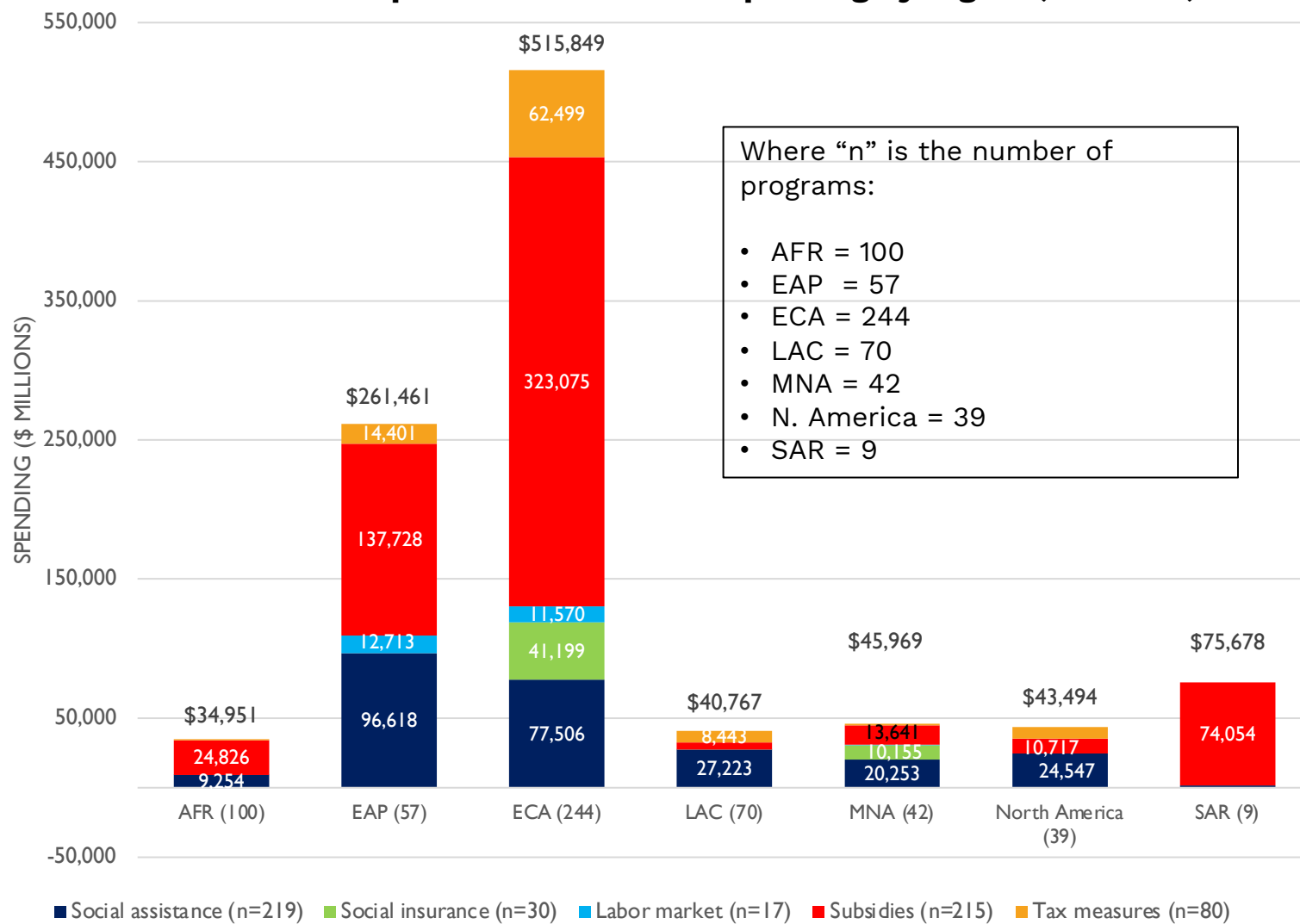
Global spending (USD)

- Only **561 measures** (out of 1333; **42%**) have data on expenditure.
- Globally countries **invested over \$1 trillion (1.06% of global GDP)**, accounting for a 43% increase of investment since Version 4.

Decomposition of spending:

- Highest spending is on **subsidies (\$586.3B)**
- Second highest spending on **SA (\$256.3B)**, least spending on social assistance (**\$51B**) and labor market programs (**\$24B**)

Social protection and labor spending by region (\$ million)

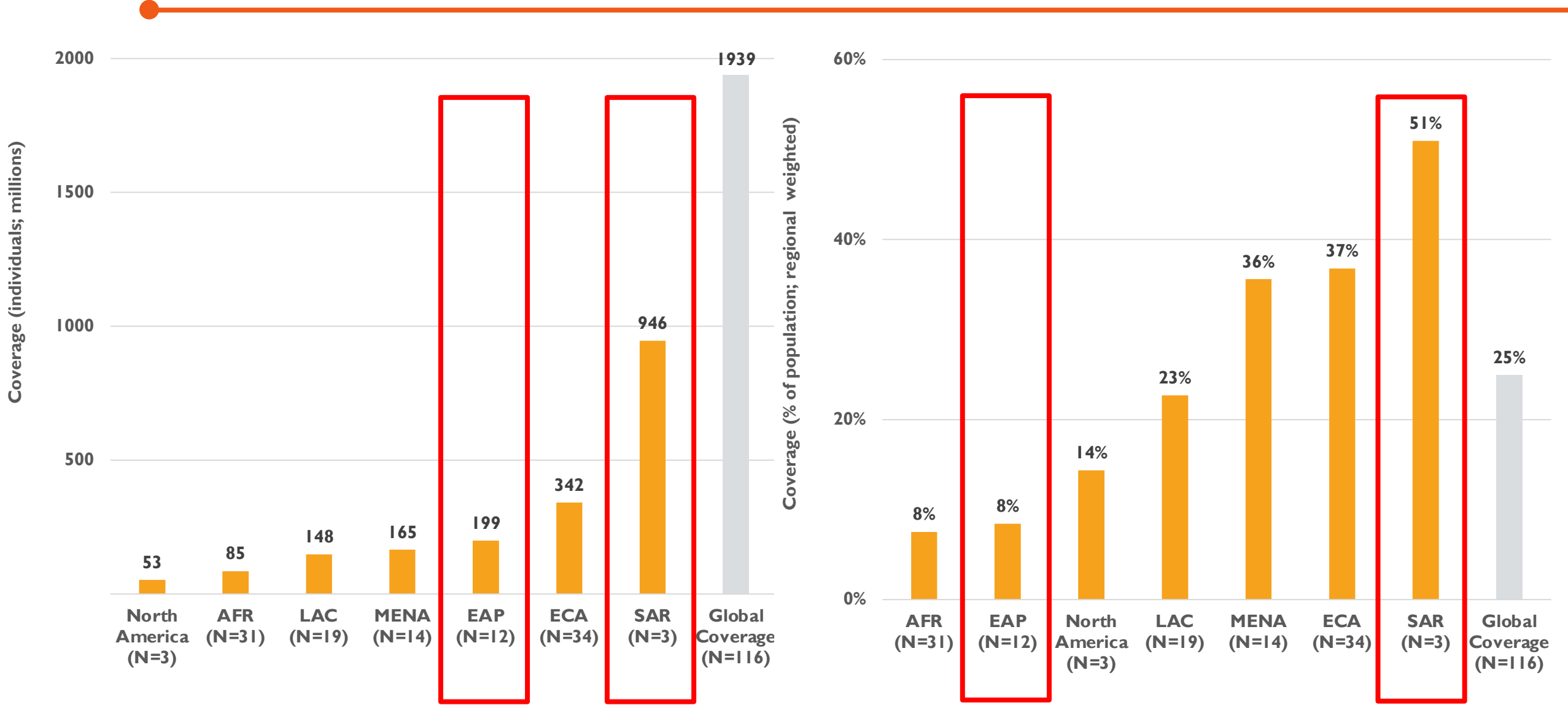


*Where "n" is the number of programs

5 Coverage



Coverage by region

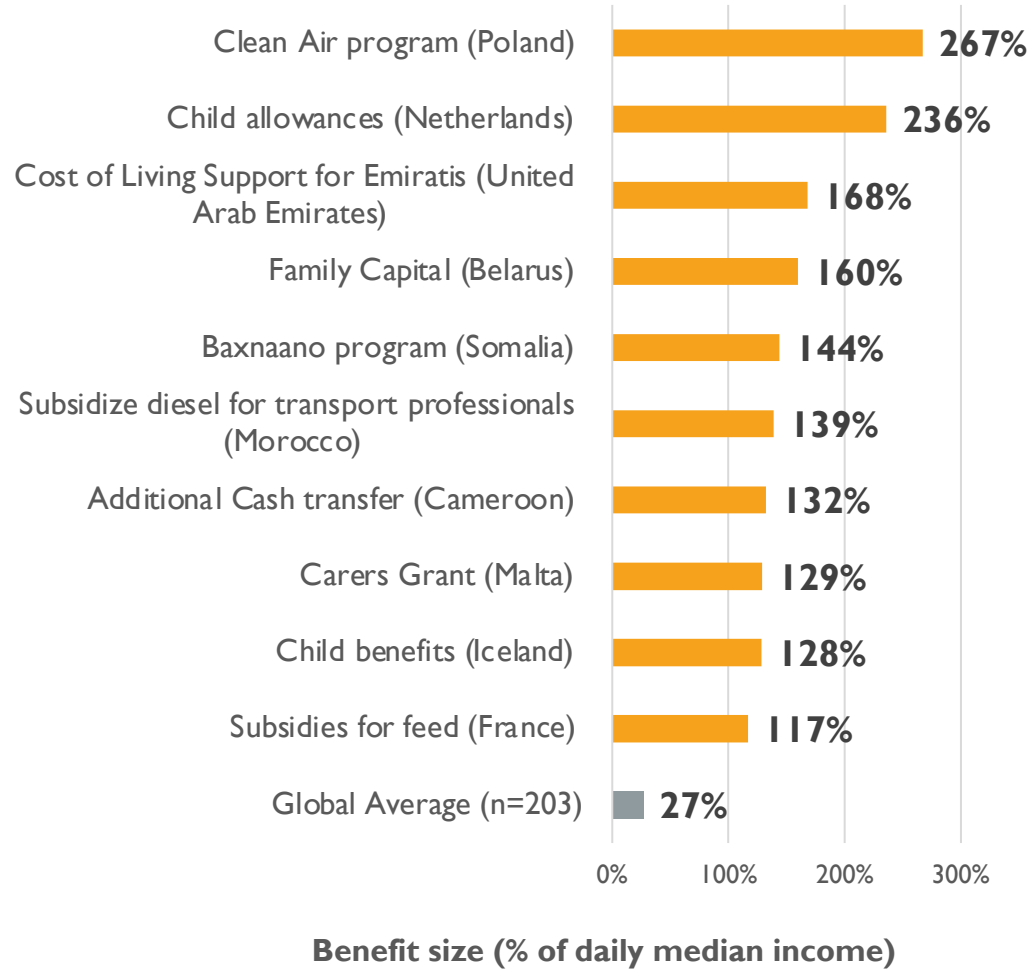


6 Adequacy

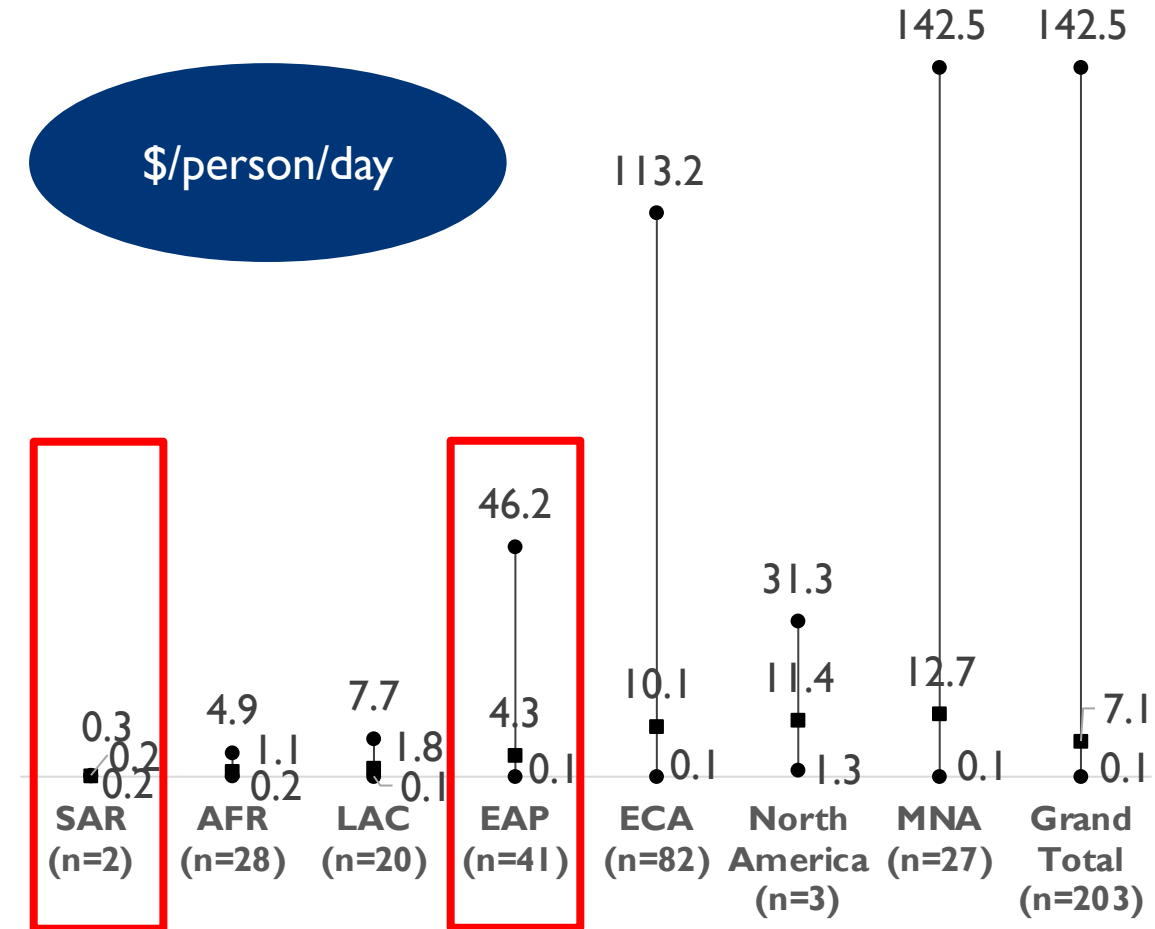


Adequacy

Top 10 programs: Adequacy (as a % of daily median income)



In absolute terms, average benefit size globally is \$7/day

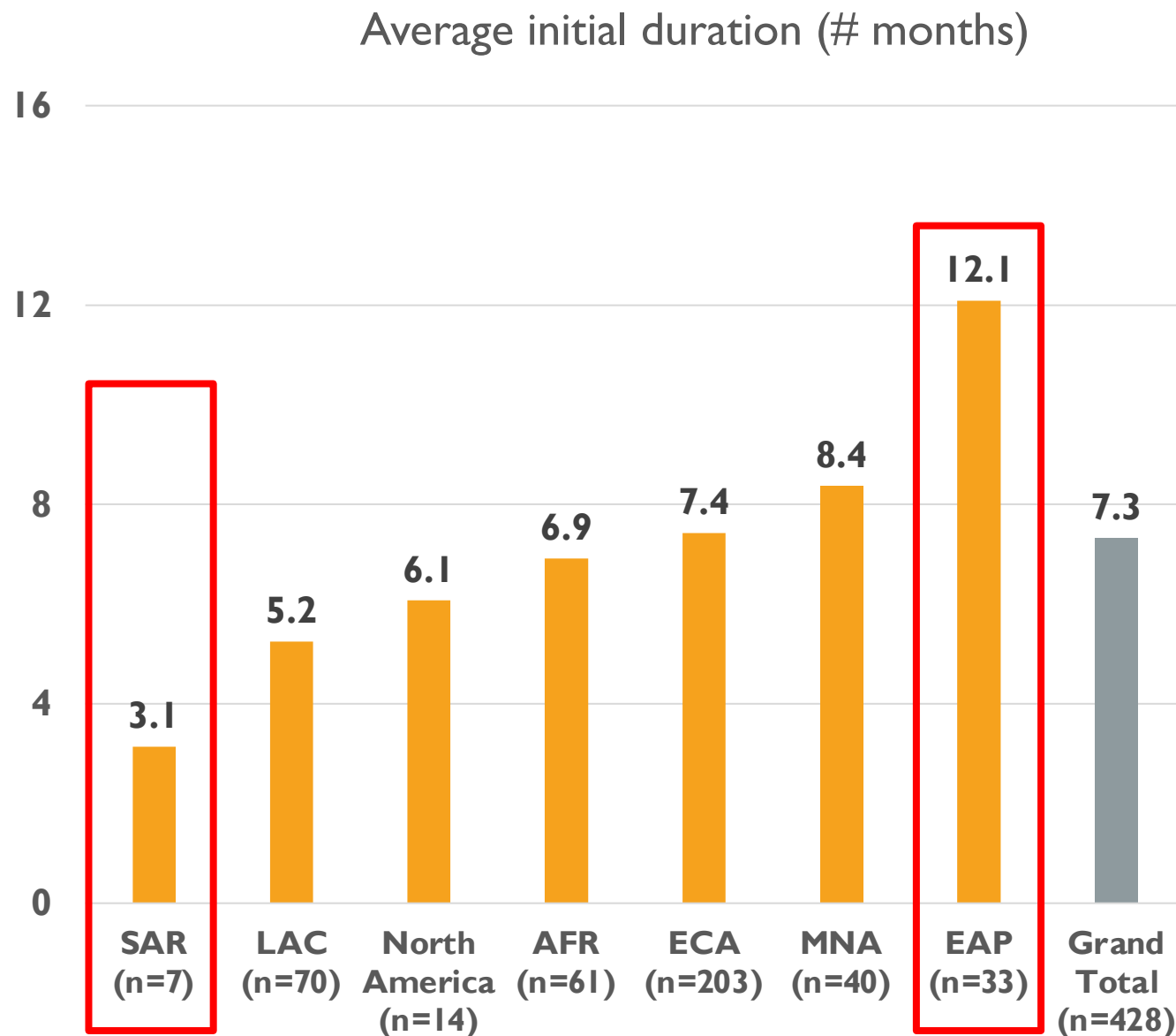


7 Duration



Duration

- **Globally**, on average, SPJ programs had a **duration** of **7.3 months**.
- **Duration** information is available for **428 measures** across 143 economies.
- **Extension** information is only available for **257 measures (19%)**.

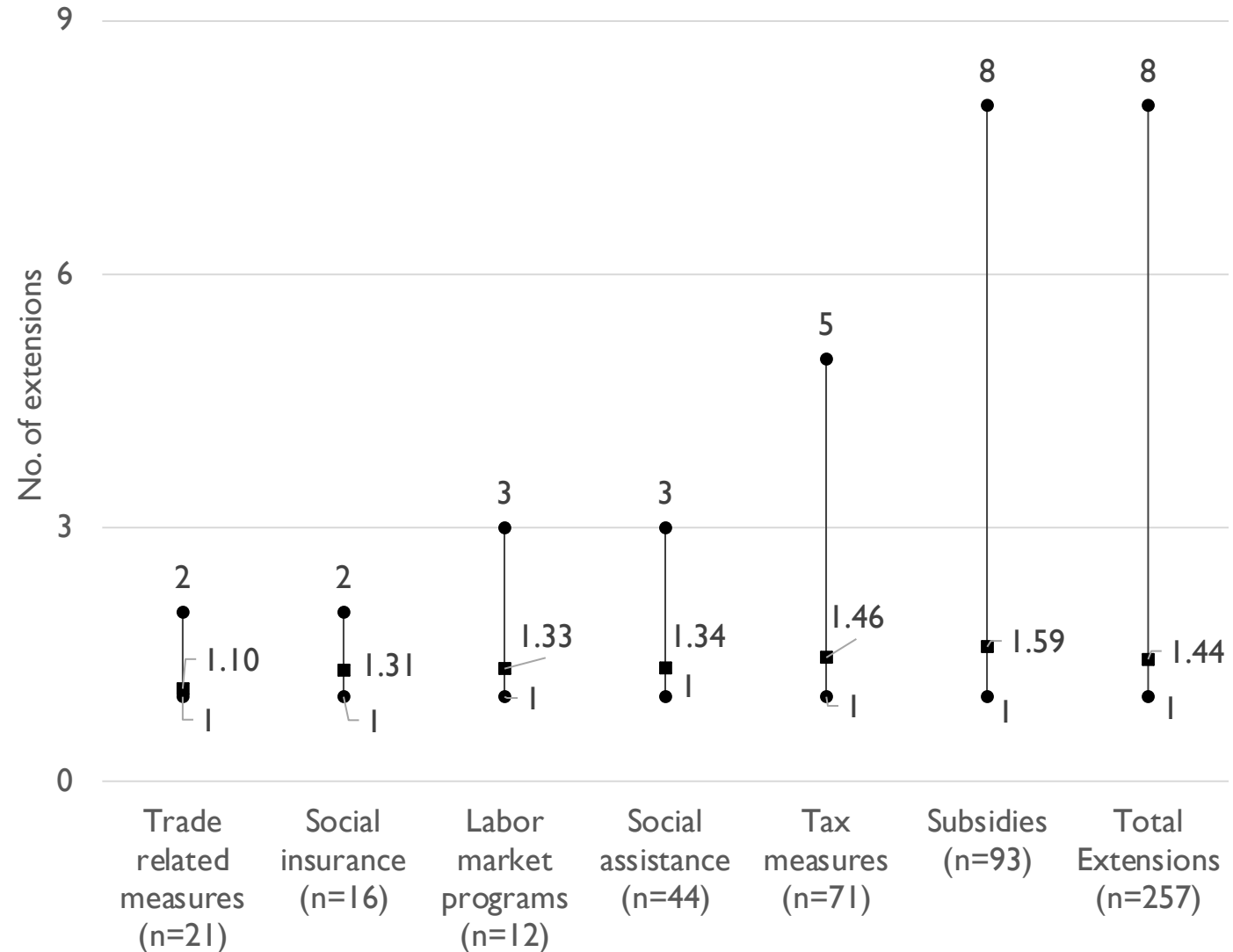


8 Extensions



Extensions

- **Globally**, information on program extension is available for 257 measures (19% of the total SPL responses).
- Many of these **measures were extended multiple times (1.4 times on average)**, and extensions were more frequent under subsidies and tax measures.
- **Over time**, the number of new measures introduced in response to inflation decreased while **extensions of existing responses picked up** (in absolute terms).



9 Conclusions



Main messages and implications

- **Social protection** responses are **at the center in responding to inflation**
 - Social Protection ensures that people have access to food in high inflationary context
 - Subsidies are the most popular tool. However, they are regressive and both fiscally and environmentally unsustainable
- Some similarities and differences between EAP and SAR protection responses, e.g.:
 - **Adequacy** of benefits equals 16% of daily median income in EAP, while it is only 5% in SAR
 - **Extension of existing responses** is similar between the two regions, for an average of 8.5 months and 9 months in EAP and SAR, respectively
 - In both regions, **subsidies play a key role**. For instance, Hong Kong and Japan announced several fee subsidies measures to cut the cost of energy; similarly, the Indian state of Punjab will support domestic consumers by providing electricity subsidies
- **Adaptive social protection enables more progressive policy choice**, highlighting the importance of continued investment in institutions, financing, delivery systems, data
- In **moving forward**, how can we further the agenda together?
 - Examples of our ongoing works on: How to make social safety net more “inflation proof”?
 - Food subsidies reforms primers with multisectoral supply chain perspective
 - Concerted efforts with partners: USP 2030 Working Groups on Food Systems, Financing, etc.

Thank you!

