

FROM CONTAINMENT TO RECOVERY

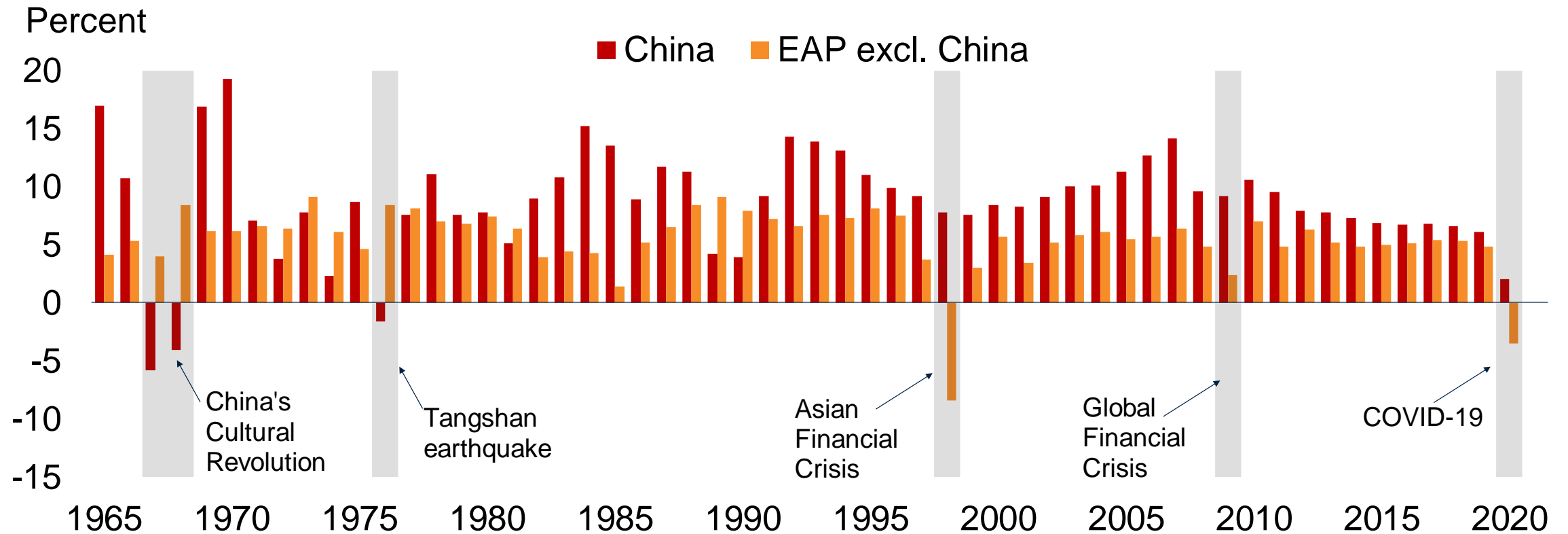


Presented by:

Aaditya Mattoo
Chief Economist
East Asia and the Pacific Region
World Bank

October 2020

COVID-19 has sharply reduced growth in the region



Source: World Bank Economic Monitoring

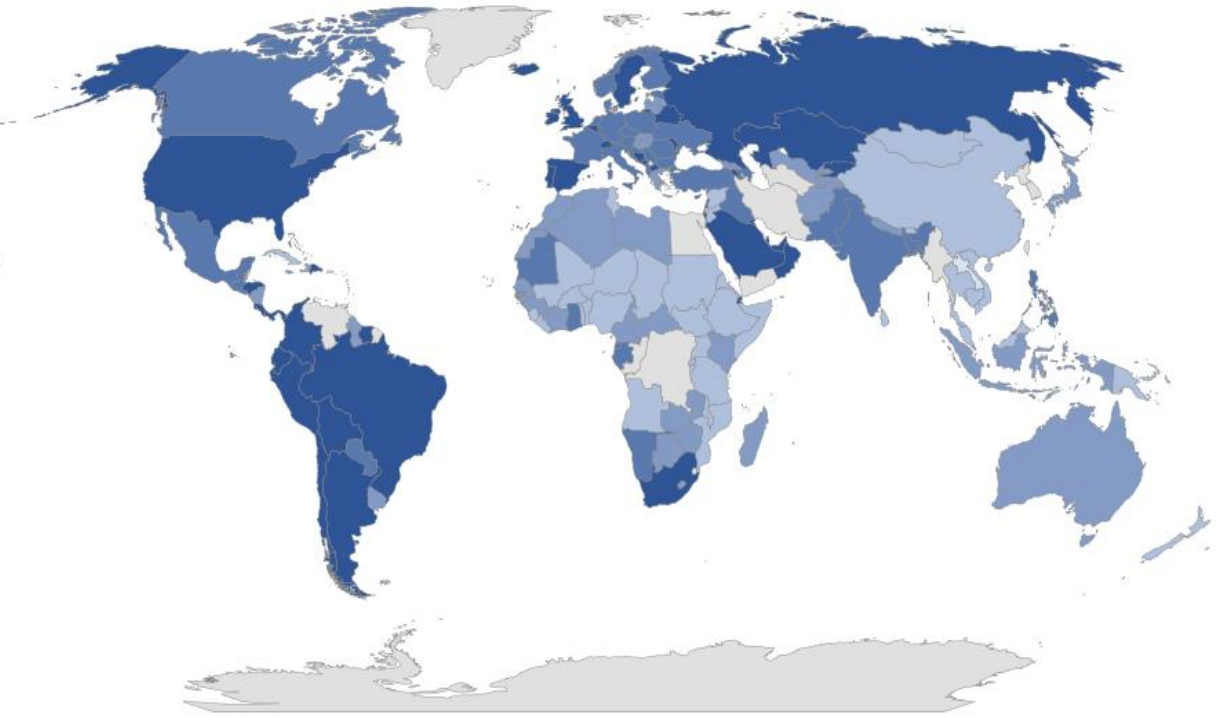
Note: Growth for 2020 refers to October 2020 EAP Update estimate

Key points

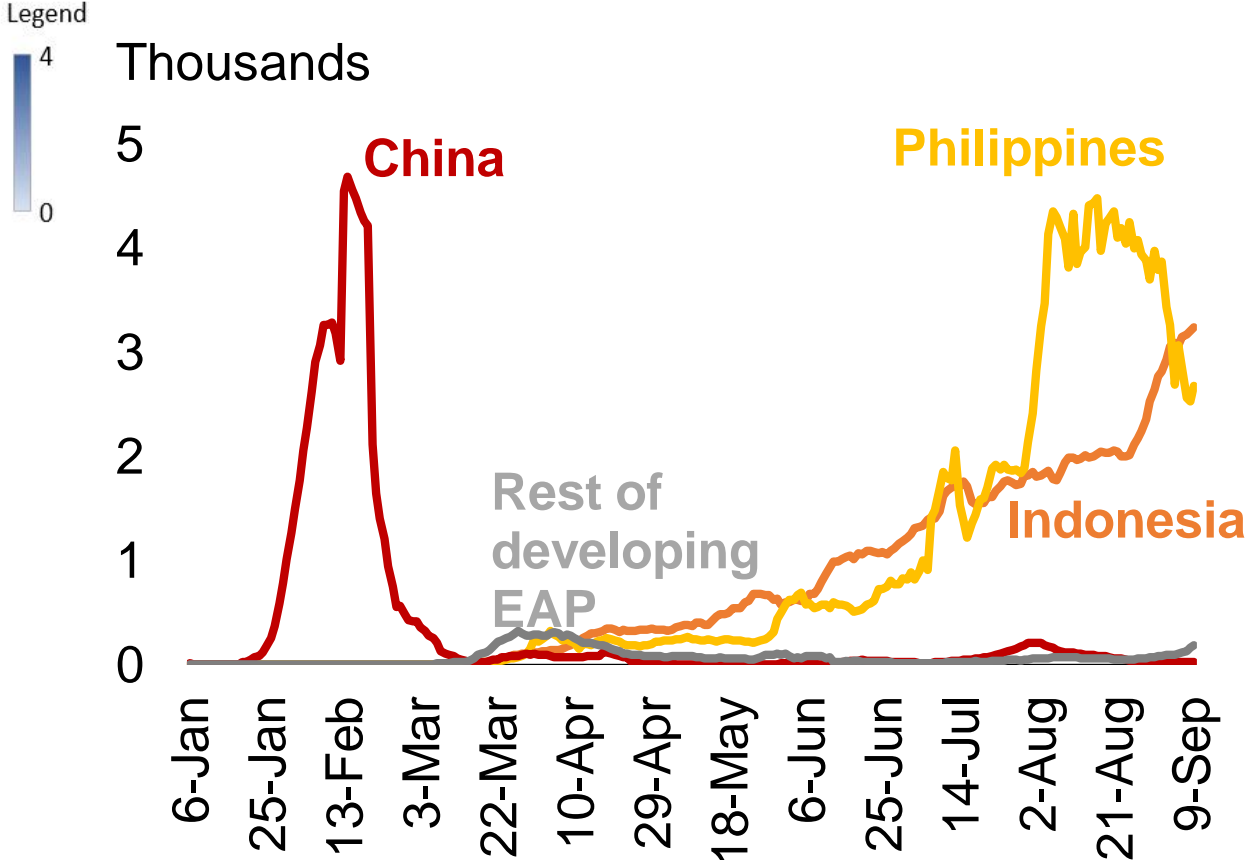
- Relatively successful containment and relief, but will struggle to recover and grow.
- Longer-term impact depends less on the virus and more on how governments respond.
- Growth rates could be 1% lower every year for the next ten years – unless there is meaningful reform.

Successful containment with important exceptions

A. Total confirmed cases
(Cumulative number per million)



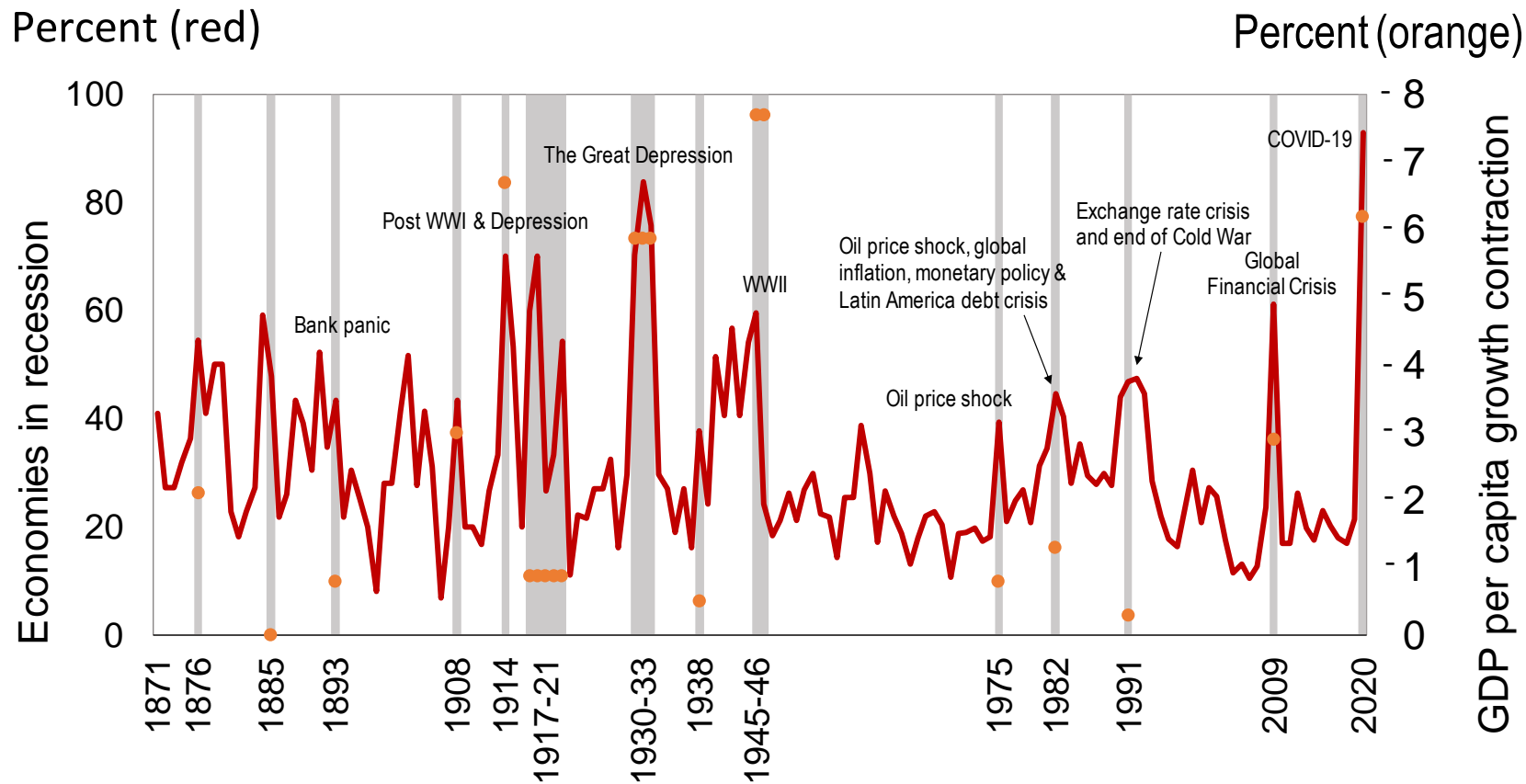
B. New confirmed cases
(7-day moving average)



Source: European Centre for Disease Prevention and Control 2020.; World Bank staff elaboration.
Note: Last data point September 10.

Much of the world has sunk into an unprecedented recession

Proportion of economies in recession and the contraction in GDP per capita growth

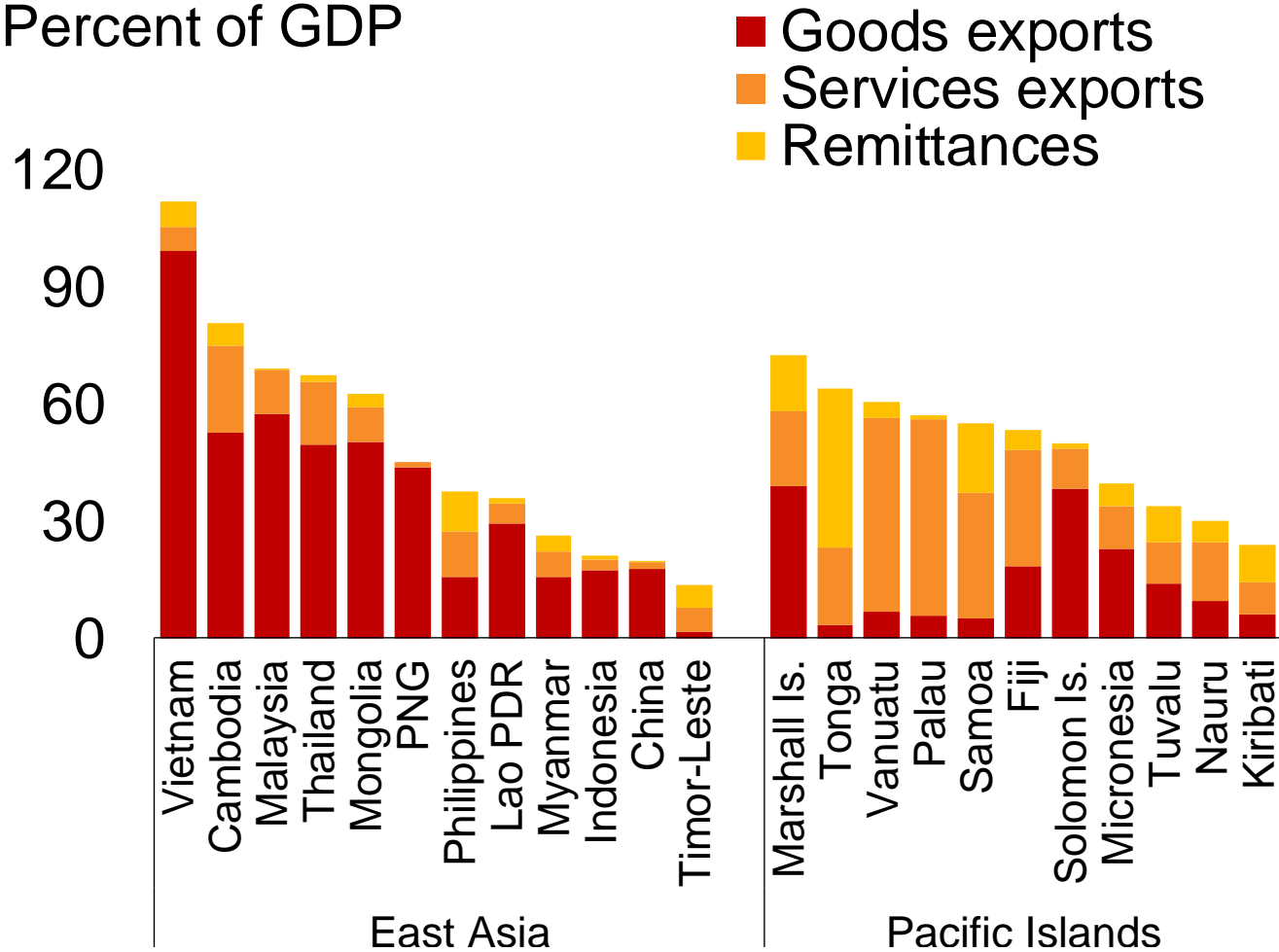


Source: Authors' figure adapted from World Bank 2020a. Data from Inklaar et al. 2018; Kose, Sugawara, and Terrones 2019, 2020.

Note: 2020 uses forecast data. Shaded areas refer to global recessions. Sample includes 183 economies though the sample size varies significantly by year. For crises that last for more than a year, the annualized average of the cumulative contraction of GDP per capita growth during the crisis is used.

EAP countries are exceptionally but differently exposed

Exposure to trade and remittances

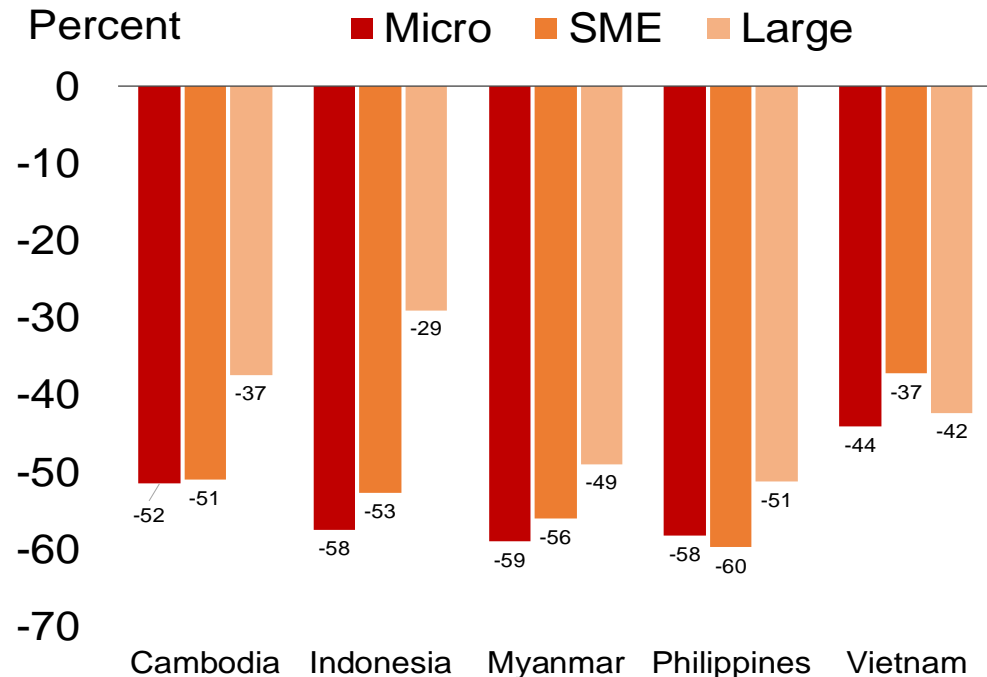


Source: World Bank.

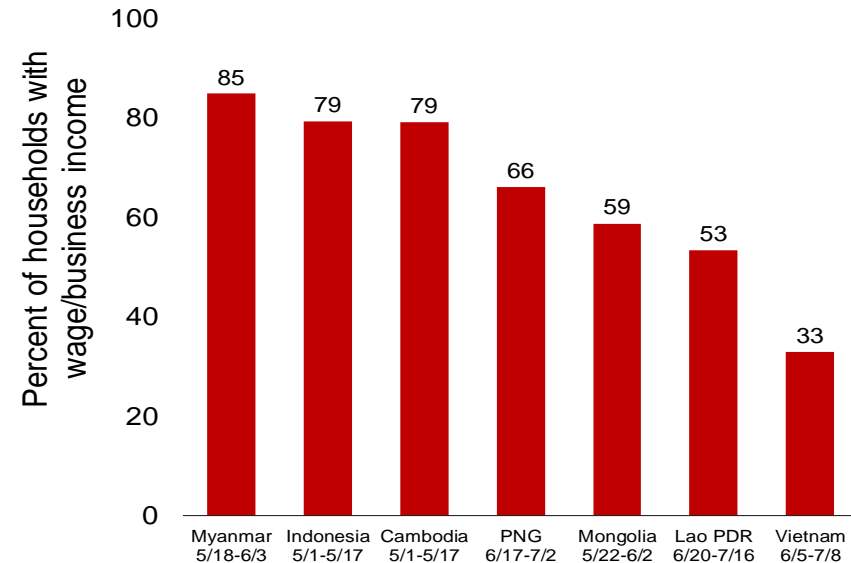
Note: Unweighted average over 2017-19 period or three latest years available.

Firm sales and household earnings mirror the macroeconomic contraction

A. Drop in monthly sales (vs prior year)



B. Share of households with earning losses from either wage or non-farm family business sources (%)

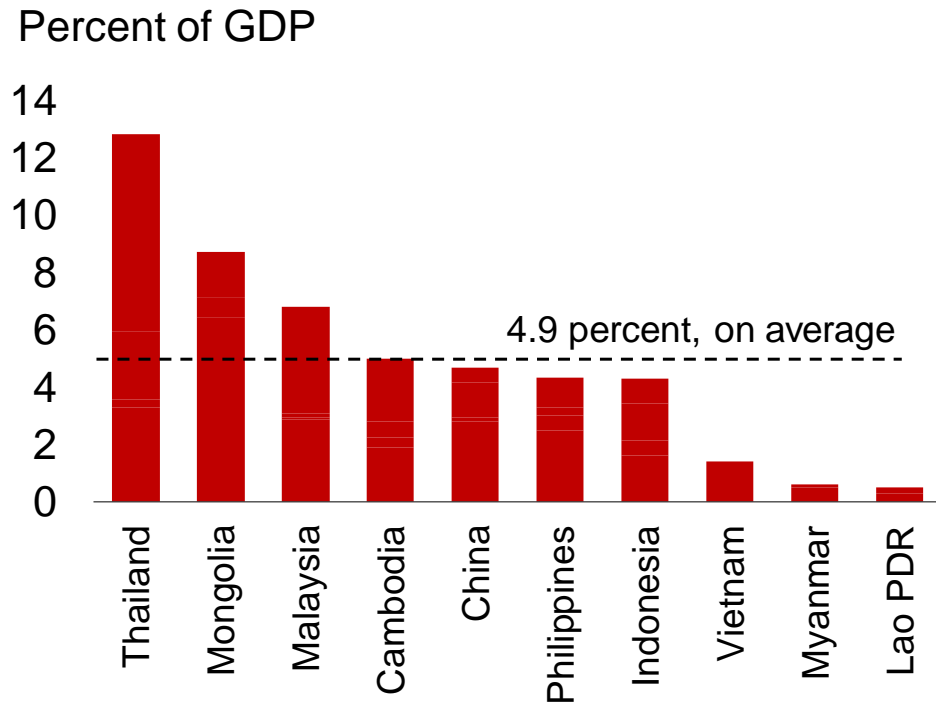


Source: Business Pulse Surveys. EAP High frequency phone surveys, first round.

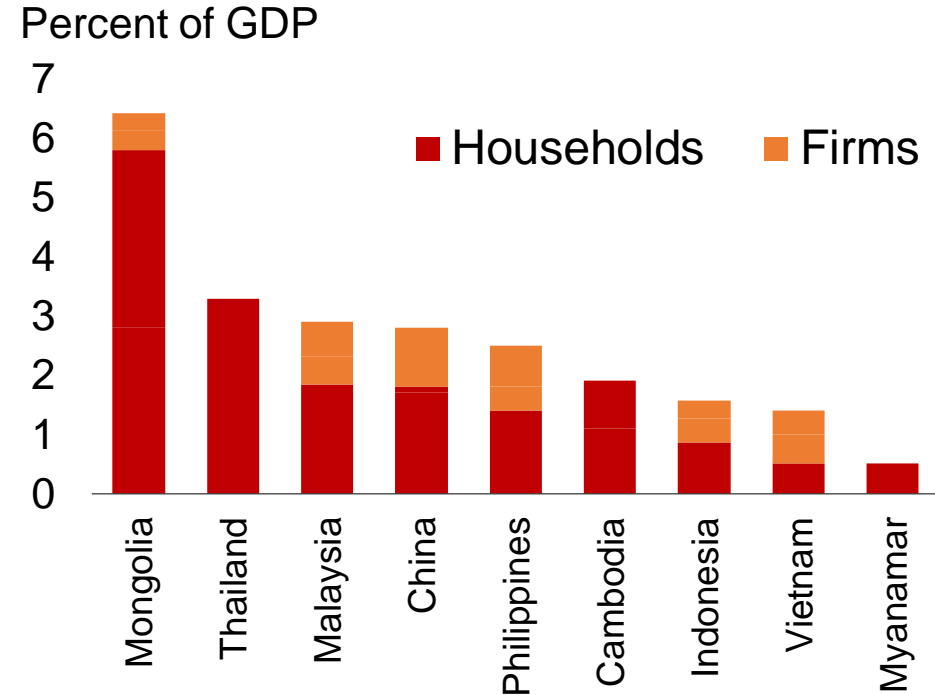
Note: A. The survey was conducted in May for Myanmar, June for Cambodia, Indonesia, Vietnam, and July for the Philippines. Monthly sales refers to firm sales in the last completed month (in the case of Myanmar) or the last 30 days (other countries) prior to the survey, relative to the same period in 2019. Micro is defined as firms having less than 5 employees, SME as having 5-99 employees, large as having 100+ employees. In the case of the Philippines, the change is between July and April, when Enhanced Community Quarantine (ECQ) was adopted. B. Survey dates are indicated underneath the country names. In Mongolia and Cambodia, wage losses are reported for the whole household, not only head of households.

To stem the pain, governments provided fiscal support to firms and households

A. Fiscal support



B. Income support and revenue exemptions

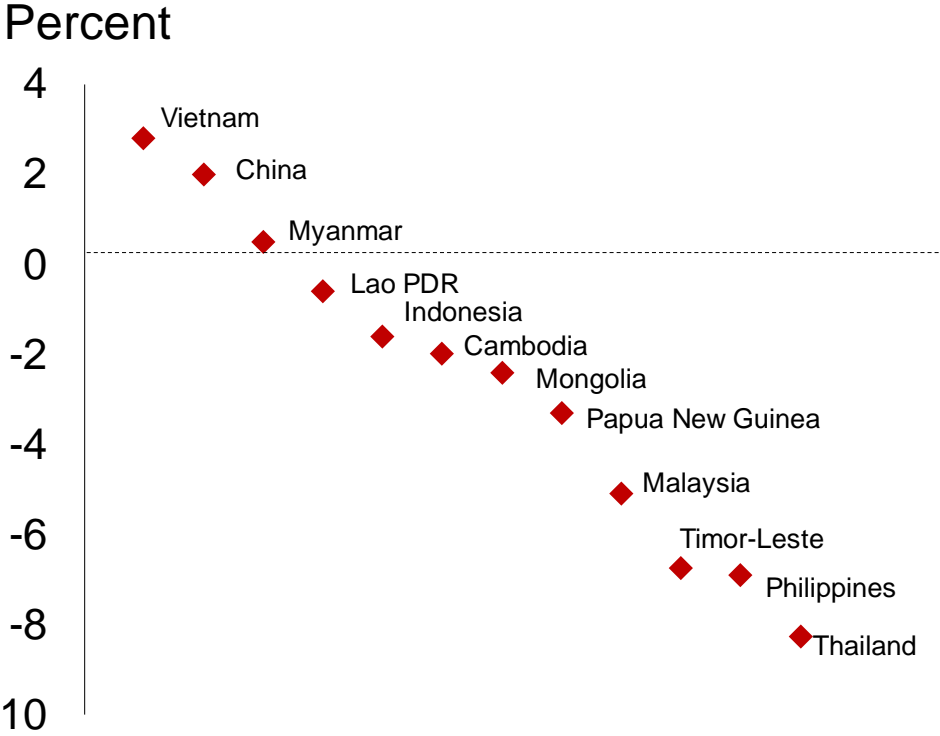


Source: International Monetary Fund June 2020 World Economic Outlook Update; World Bank staff estimates.

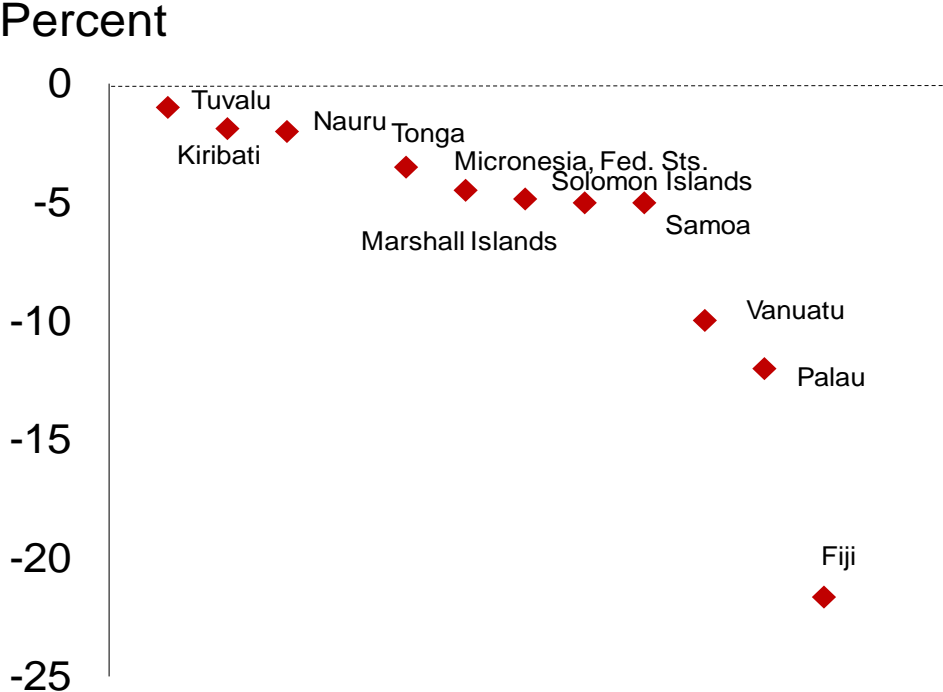
Note: Data are as of September 12, 2020. Data refer to general government, except for Indonesia, Malaysia and the Philippines which refer to central government only. Income and revenue support measures include direct transfer payments, reduction or deferral of payment commitments, foregone revenue from tax cuts, credits and exemptions, and other financial assistance to individuals and firms

Most regional economies are expected to contract in 2020

A. Developing East Asia, projected growth 2020



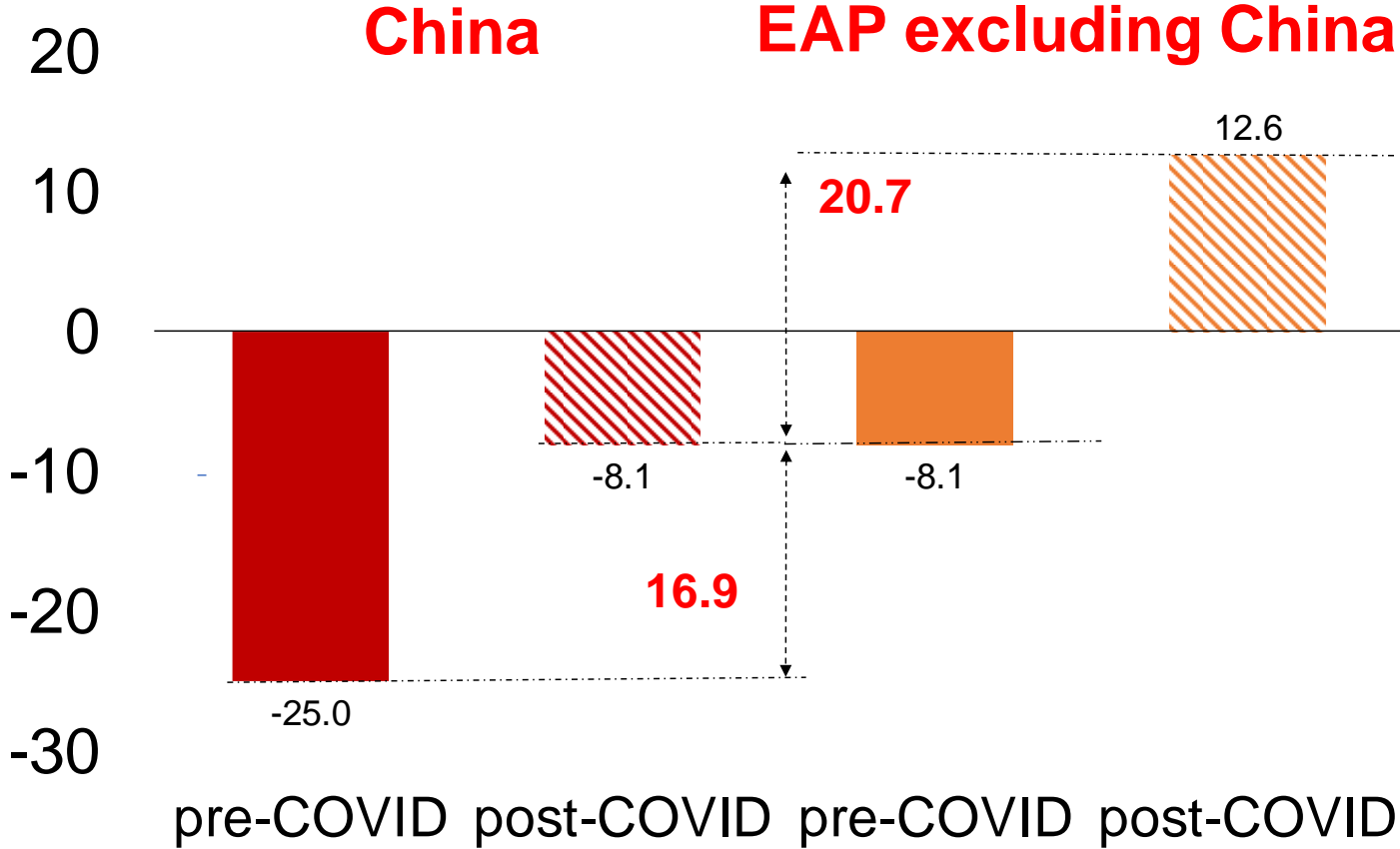
B. Pacific Island economies, projected growth 2020



Source: World Bank.
Note: Estimates

Up to 38 million more people could be pushed into poverty

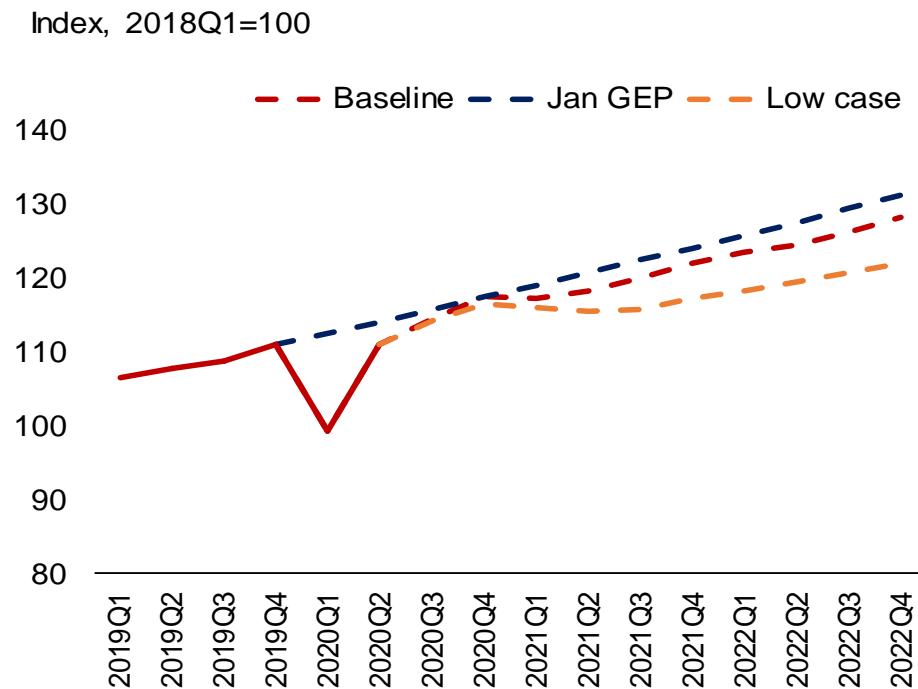
Change 2019-2020, million



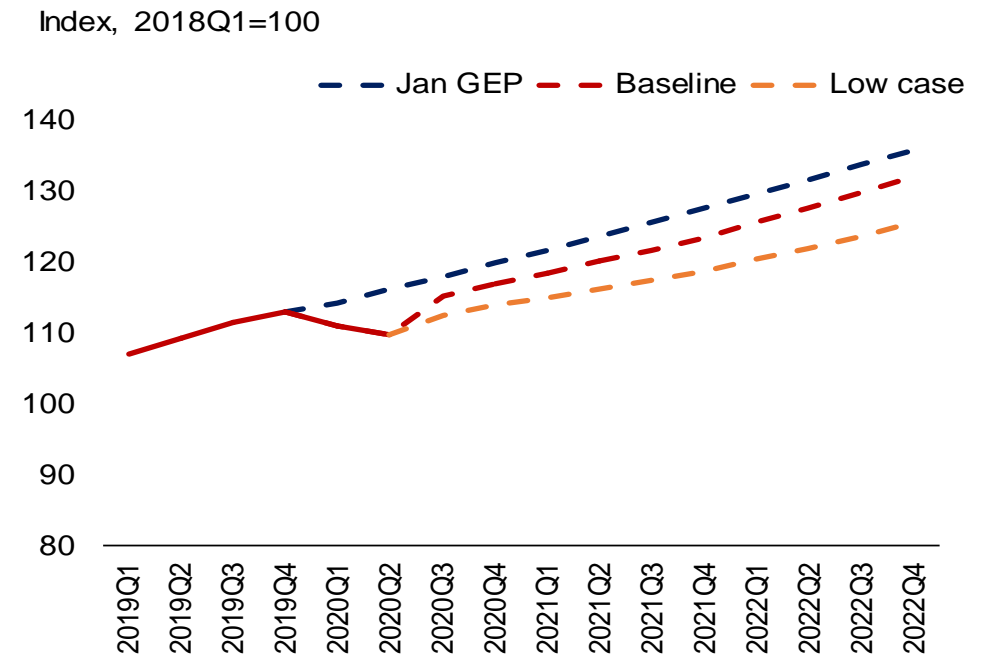
Source: World Bank East Asia and Pacific Team for Statistical Development. Poverty estimates are based on growth forecasts, population projections, and historical growth elasticities of poverty. Note: \$5.50/day (2011 PPP) indicates the poverty line for upper middle-income countries. The baseline and lower-case forecasts are as of September 17, 2020

Some countries are likely to recover faster

A. China



B. Vietnam

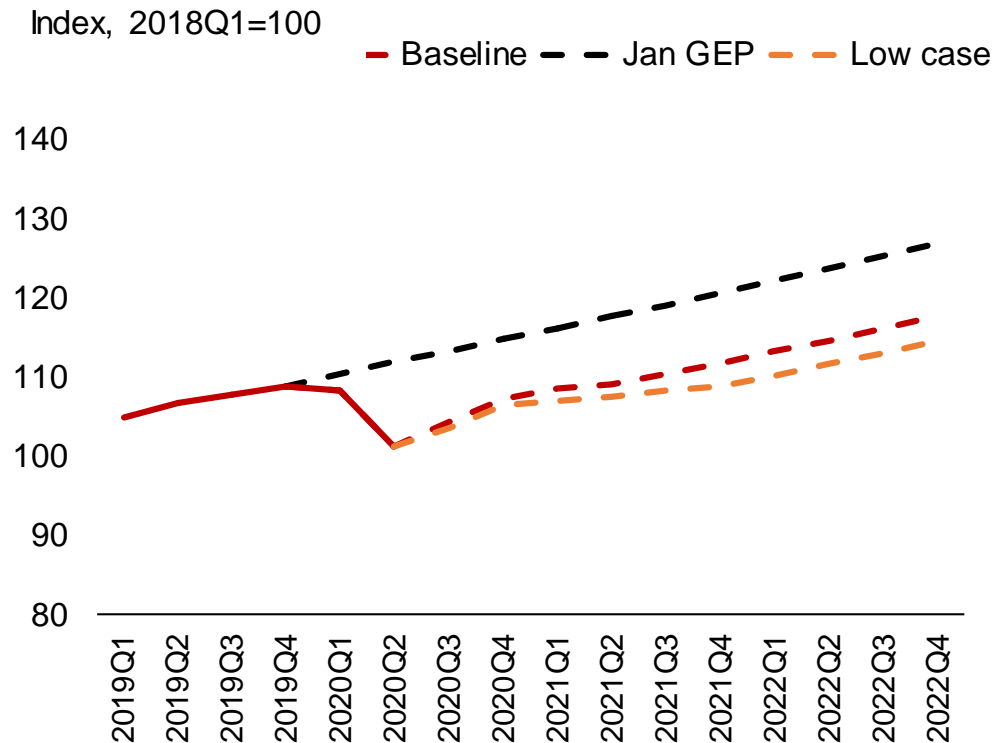


Source: World Bank.

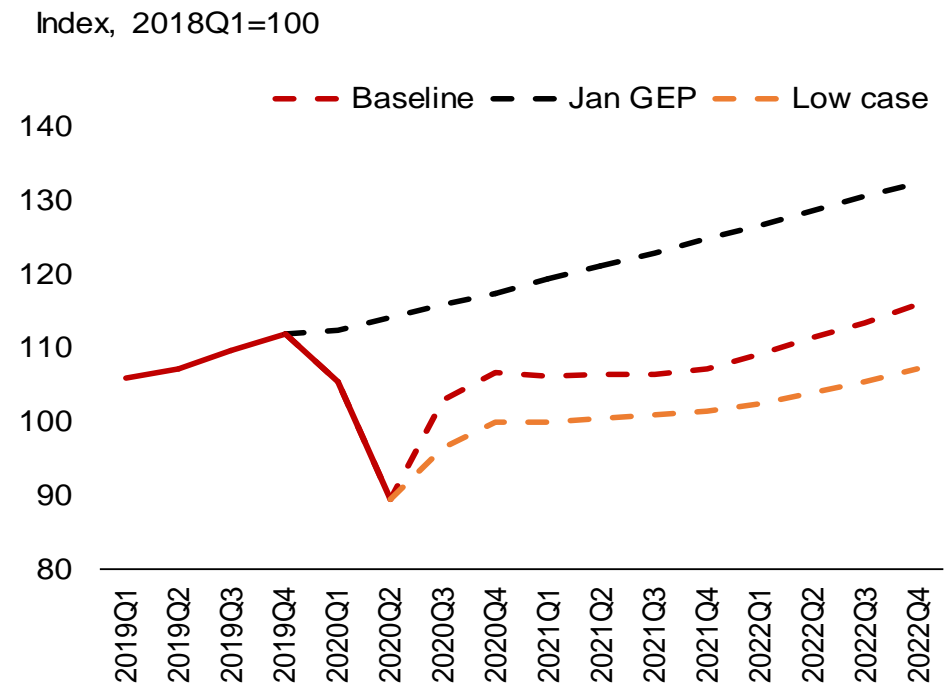
Note: Preliminary projections

Recovery is likely to be slower in other countries

A. Indonesia



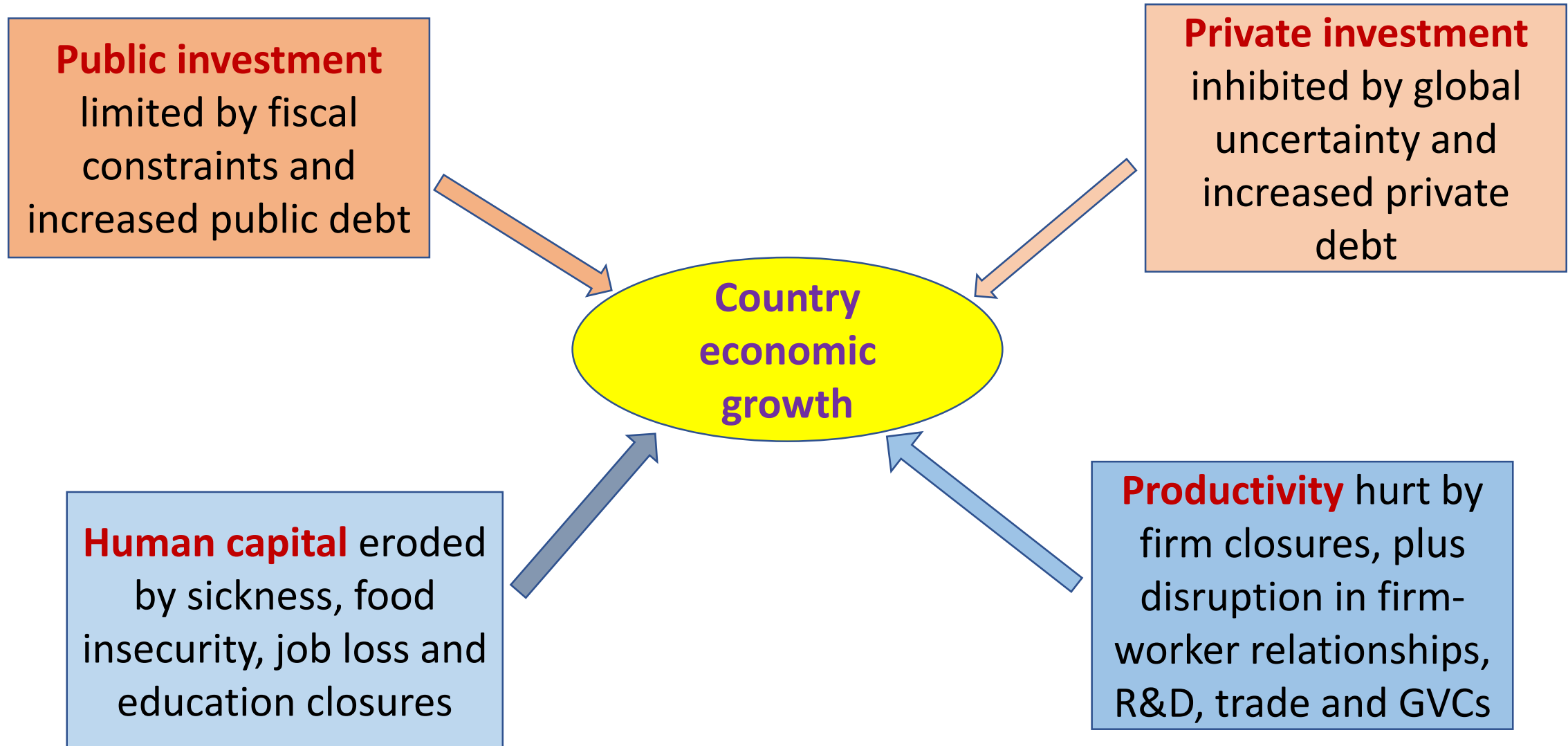
B. Philippines



Source: World Bank.

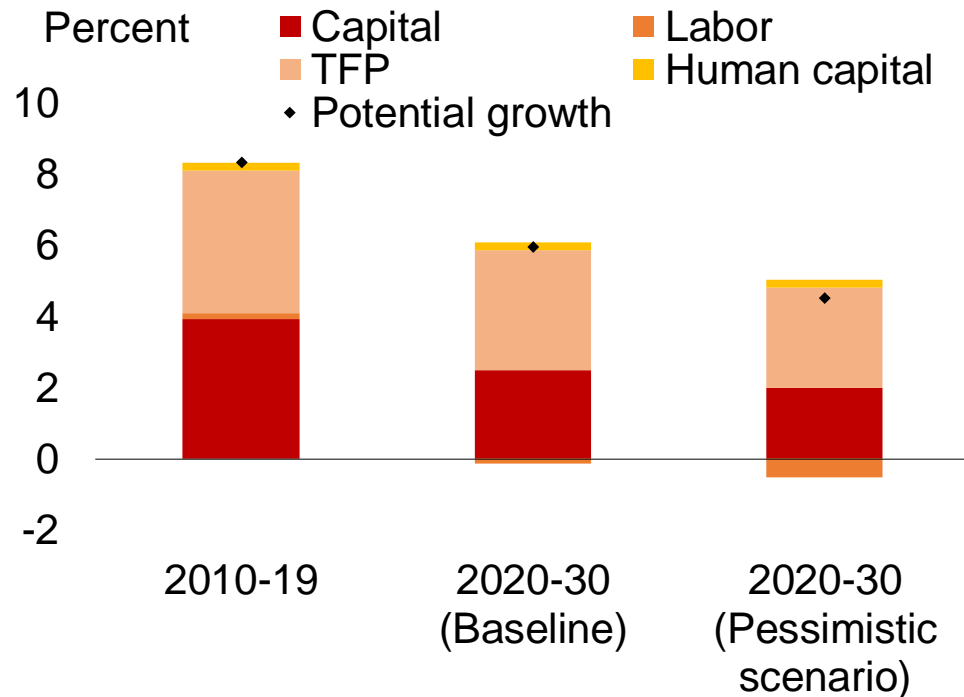
Note: Preliminary projections

The COVID-19 shock will hurt longer-term growth

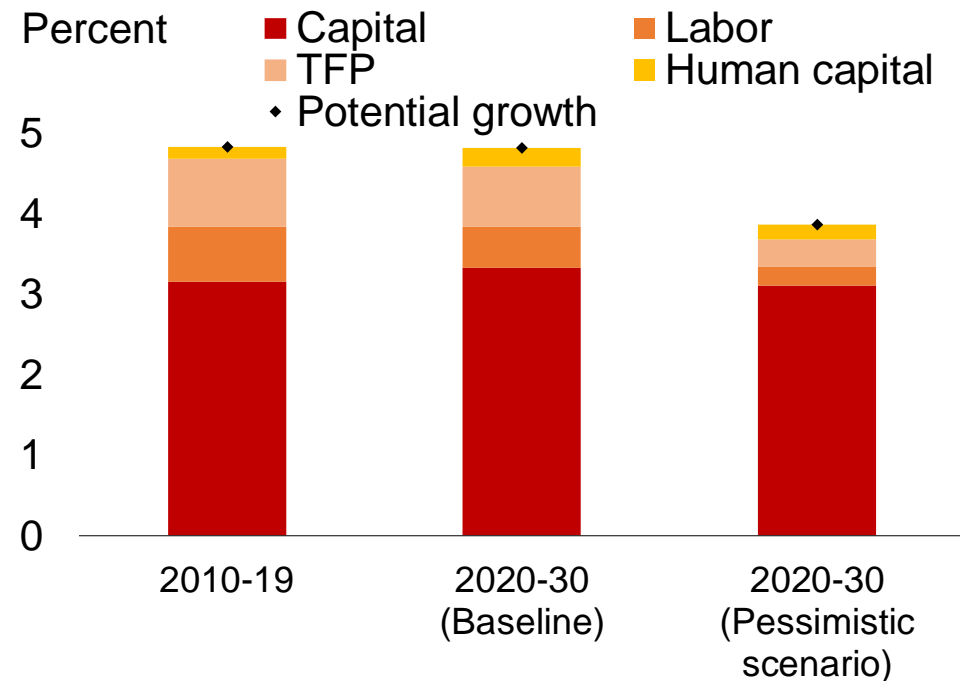


COVID-19 will dampen potential growth

A. China



B. EAP excl. China



Source: Penn World Tables; World Bank Staff estimations

Notes: GDP-weighted averages of production function-based potential growth. TFP is total factor productivity growth

Integrated view of policy

Building capacity for smart containment: test, trace and isolate; incentivize development and prepare to distribute vaccine efficiently and fairly

Widening social protection: to cover all existing and new poor; investment in the infrastructure of delivery

Support for firms: to prevent bankruptcies and unemployment; without inhibiting the efficient reallocation of workers and resources to firms and sectors

Initiating fiscal reforms: widening the tax base with more progressive taxation; less wasteful spending on energy subsidies

Smart schooling: sanitary protocols, social distance practices, student re-enrollment

Deepen trade reform: especially of still-protected **services** sectors – finance, transport, communications; greater MFN openness in China.

Financial prudence: credible commitments to transparency and to early restoration of financial discipline

WORLD BANK EAST ASIA AND PACIFIC ECONOMIC UPDATE OCTOBER 2020

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