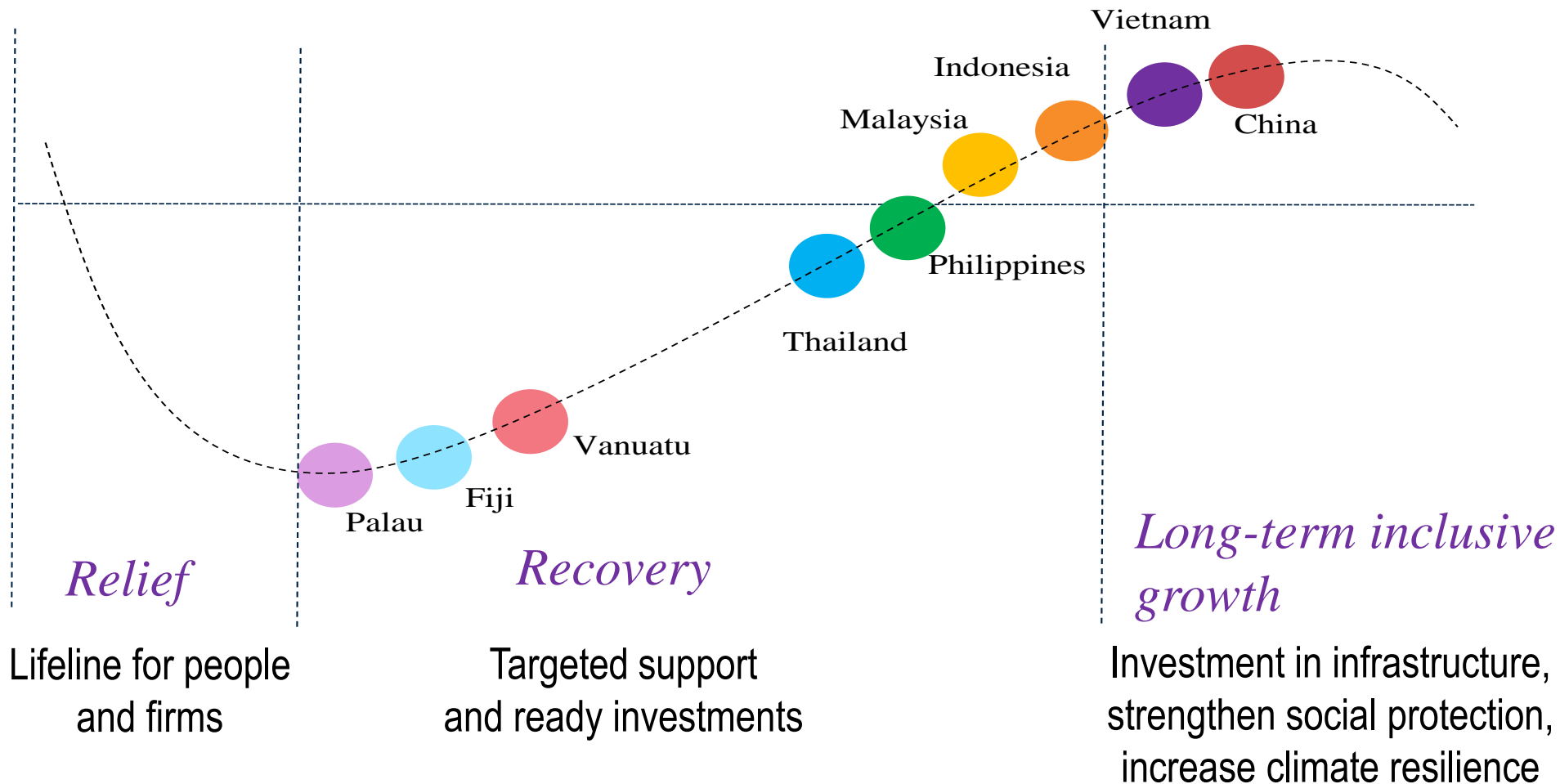


Designing Fiscal Policy for a Post-COVID World

November 1, 2022

East Asia and Pacific Chief Economist Seminar Series

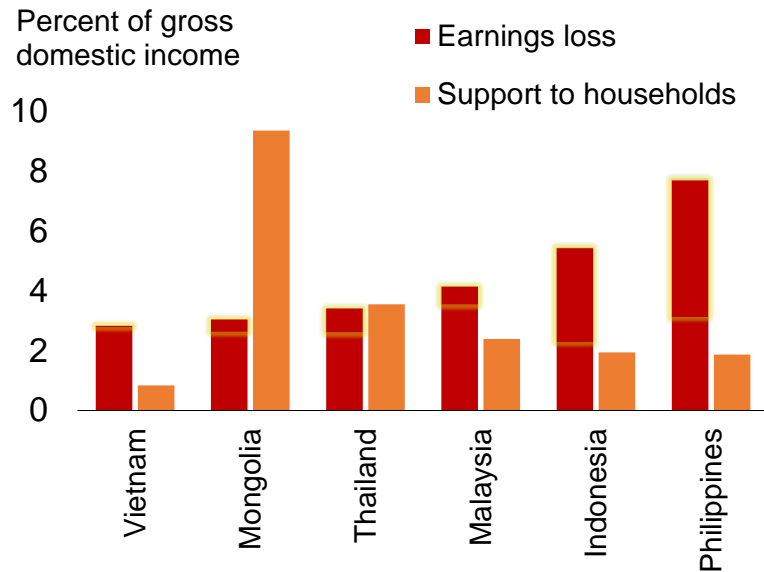
Fiscal policy emphasis depends on the state of the recovery



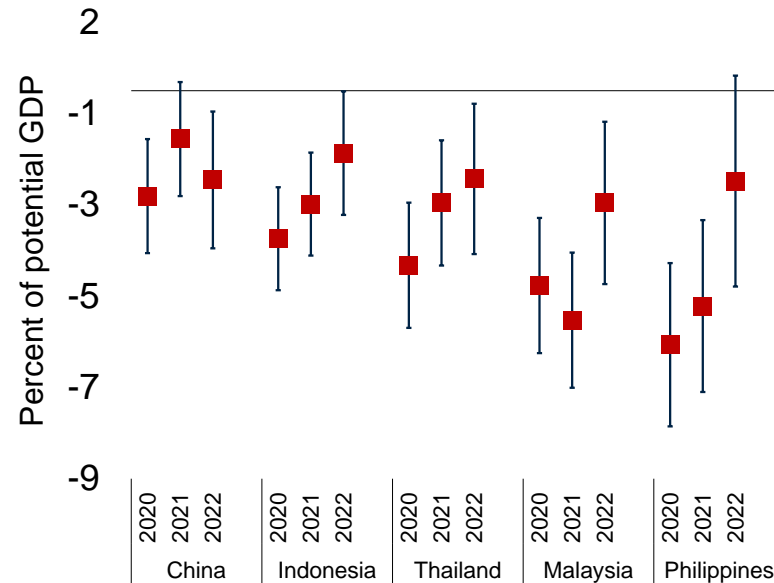
Note: The horizontal line indicates the level of GDP in December 2019.
[EAP Economic Update , April 2021 – Uneven Recovery p.75](#)

A demanding triple-role for fiscal policy

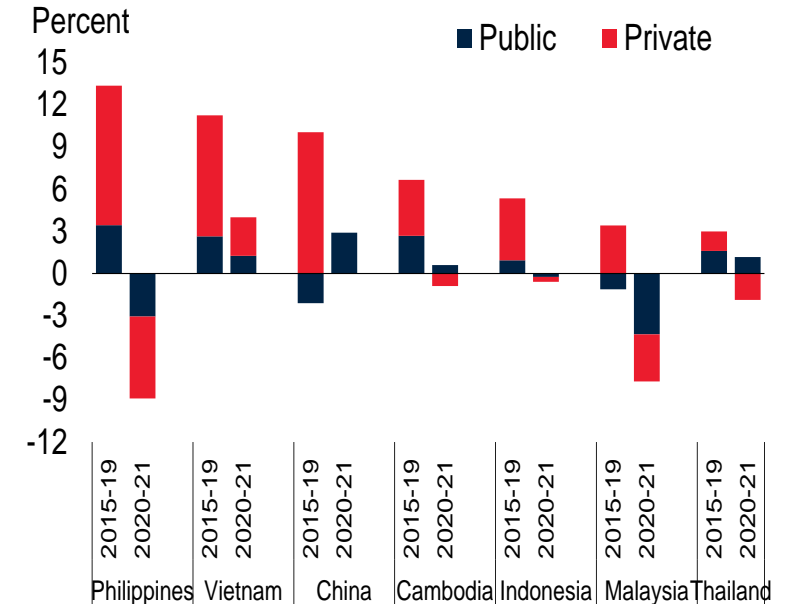
Earning losses and support to households



Output gaps after policy support



Public and private investment - contributions



Source: Consensus Economics; Haver Analytics; International Monetary Fund; J.P. Morgan; World Bank staff calculations.

Notes: Earnings losses are calculated as loss in employment multiplied by changes in wages. Output gap based on estimates from a modified multivariate filter model of World Bank (2018). Error bands reflect 90 percent confidence intervals. “Spending on income support” includes support in the form of direct transfers and revenue measures to both households and firms. Data is for year 2020

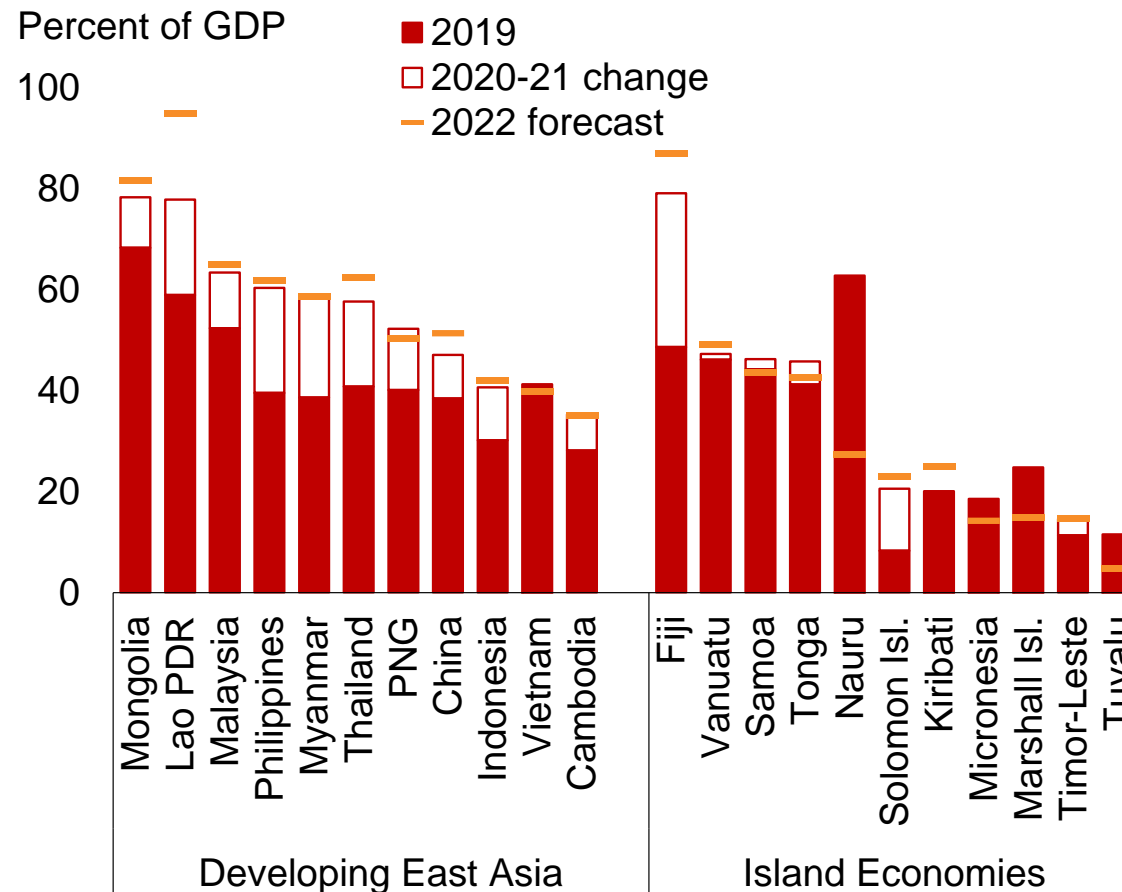
[EAP Economic Update April 2021 – Uneven Recovery page 19](#)

[EAP Economic Update October 2022 – Reforms for Recovery page 45](#)

[EAP Economic Update October 2022 – Reforms for Recovery page 20](#)

The burden of debt is increasing

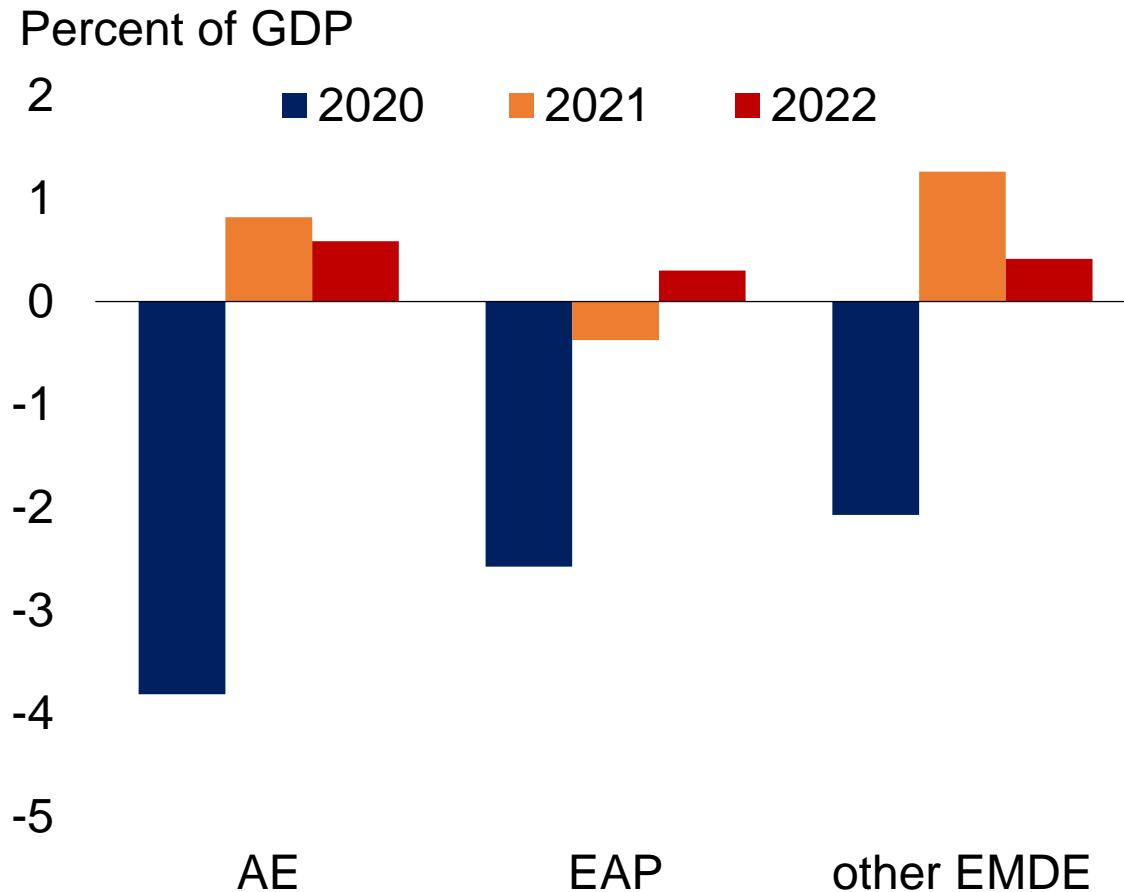
General government debt



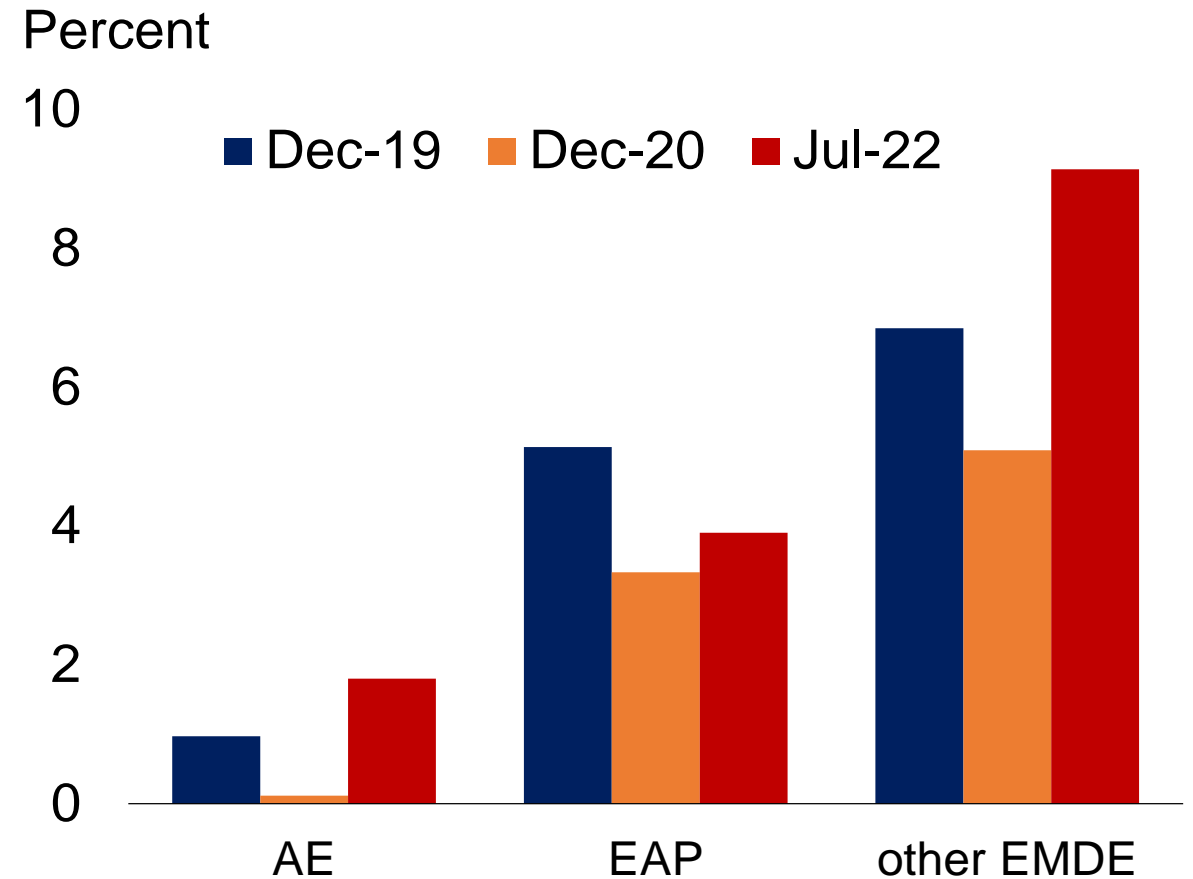
Source: International Monetary Fund, Haver Analytics, World Bank staff estimates

Recent fiscal and monetary tightening in EAP countries has been less than in other regions

Change in structural fiscal balance



Interest rates by region



Source: Haver Analytics. Note: B. Policy rates. Shows unweighted average interest rate of 10 EAP, 17 AE, 56 other EMDE countries

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