## East Asia and the Pacific

# Macro Poverty Outlook

Country-by-country Analysis and Projections for the Developing World

Spring Meetings 2022

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# East Asia and the Pacific

Spring Meetings 2022

Cambodia
Central Pacific Islands
China
Fiji
Indonesia
Lao PDR
Malaysia
Mongolia
Myanmar
North Pacific Islands
Papua New Guinea
Philippines
Solomon Islands
South Pacific Islands
Thailand
Timor-Leste
Vietnam

# CAMBODIA

| Table 1 | 2021 |
|---|---|
| Population, million | 16.9 |
| GDP, current US$ billion | 28.5 |
| GDP per capita, current US$ | 1686.4 |
| School enrollment, primary (% gross)[a] | 105.4 |
| Life expectancy at birth, years[a] | 69.8 |
| Total GHG Emissions (mtCO2e) | 69.7 |

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2020); Life expectancy (2019).

*Under the baseline scenario, the growth projection for 2022 remains at 4.5 percent, as a stronger domestic recovery supported by the rollback of mobility restrictions is offset by worsening global demand and rising commodity prices. The recovery is expected to remain underpinned by domestic economic activity and agricultural commodity exports, while Cambodia's export-oriented manufacturing is expected to face headwinds. Inflationary pressures are projected to increase, led by rising food and oil prices triggered by the war in Ukraine . Risks to baseline forecast are broadly balanced and Cambodia maintains policy space that it could deploy should these risks materialize.*

## *Key conditions and challenges*

COVID-19 infections have resurged since February 2022, caused primarily by the Omicron variant. About 83 percent of the population have received two doses of coronavirus vaccine. Cambodia has shifted to a strategy for "living with COVID-19" enabling a broad-based economic recovery to take shape. While strong domestic economic momentum continues, a general slowdown in global demand is looming. Financial market tightening in the United States, changes in the growth and composition of economic activity, especially in China, and the war in Ukraine, will negatively affect the external environment. In addition, an unmanageable resurgence of Omicron or new variants could disrupt economic recovery. Rising energy and food prices could dampen consumer confidence and worsen people's welfare, negatively impacting poverty reduction. In addition, high credit growth and concentration of domestic credit in the construction and real estate sector remain a key risk to Cambodia's financial stability.

## *Recent developments*

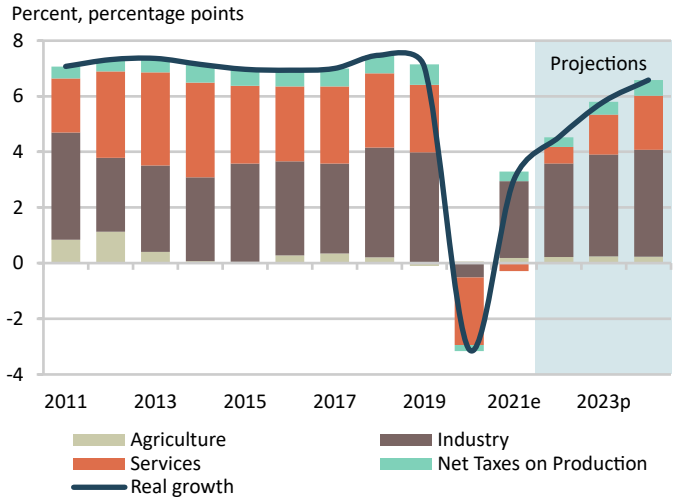
The economic recovery has held up but remains uneven. Traditional growth drivers, especially the garment, travel goods, footwear, and bicycle manufacturing industries, as well as agriculture, have fully recovered. In contrast, the important travel and tourism sector - one of Cambodia's main growth drivers, accounting for about 2 million jobs and a quarter of GDP during the pre-pandemic period - remained subdued. Labor market pressures have been magnified by an increased number of migrant workers who have returned home from abroad.

Cambodia's total goods (excluding gold) exports accelerated to 22.8 percent in 2021, driven mainly by surging goods exports to the United States which expanded 42.4 percent (figure 2). The trade (and current account) deficit, however, significantly widened, largely caused by rising imports of a few major items, especially gold used as a hedge against volatility.

Inflation has edged up further, reaching 4.1 percent in January 2022. Supported by central bank open market operations, the nominal exchange rate continued to be broadly stable, hovering at riel 4,100 per U.S. dollar. Gross international reserves, however, declined marginally, reaching US$ 19.7 billion (9 months of imports) in December 2021, down from US$21.2 billion at the end of 2020.

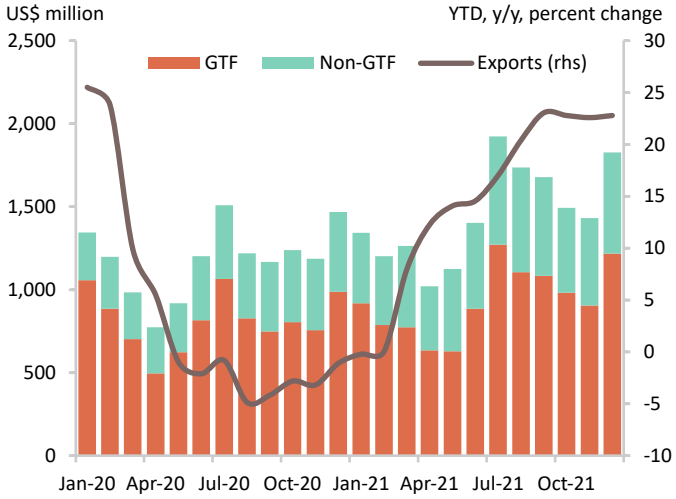
Monetary conditions continued to be accommodative. Broad money growth accelerated to 16.3 percent in 2021, compared to 15.3 percent in 2020. Thanks to improved confidence in the banking system and continued capital inflows, deposit growth outpaced its pre-pandemic growth rate, increasing at 17.2 percent, while domestic credit grew 24.1 percent in December 2021. The annual budget for 2022 is characterized by continued (countercyclical) fiscal

**FIGURE 1 Cambodia** / Real GDP growth and contributions to sectoral growth




Source: Cambodian authorities and World Bank staff projections. Notes: e = estimate; p = projection.

**FIGURE 2 Cambodia** / Merchandise (excluding gold) exports




Source: Cambodian authorities. Note: GFT = garment, travel goods, and footwear (and other textile products).

support with the fiscal deficit expected to widen to 6.0 percent of GDP. Expenditure is budgeted to reach 26.7 percent of GDP, driven by continued fiscal support to mitigate the impacts of the pandemic and expansion of public investment. External borrowing is expected to finance about 60 percent of the deficit, while the rest is to be financed by a drawdown of government deposits (fiscal reserves) which stood at 17.4 percent of GDP in December 2021, down from 23.7 percent of GDP at the end of 2020.

The cash transfer program has been the largest component of the government's support package. As of February 2022, it covered 690,000 households (2.7 million individuals) or approximately 19 percent of households. The program has disbursed US$ 593 million since the launch in June 2020, thus far mitigating some of the negative impacts for the poor and vulnerable households.

The official poverty rate measured at the national poverty line declined by 1.6 percentage points per year over the period 2009-2019/20, driven substantially by rising labor (especially wage) earnings.

## Outlook

Despite a general slowdown in global demand, growth is projected to hold up at 4.5 percent this year under the baseline scenario, thanks to the rollback of mobility restrictions made possible by Cambodia's high vaccination rate. The recovery is expected to remain underpinned by domestic economic activity and agricultural commodity exports. Under the downside scenario, growth is projected to reach only 3.8 percent in 2022. The downside scenario assumes a deterioration in domestic economic conditions caused by rising inflation, while external conditions worsen caused by a marked slowdown in external demand. Cambodia's export-oriented manufacturing is expected to face headwinds in the coming months, with a less favorable external environment which is being reshaped by cyclical slowdown in the U.S and structural slowdown in China. In addition, the energy and food prices hike due to the economic consequences of the war in Ukraine is expected to slow down the pace of poverty reduction as it weighs on household budgets.

Over the medium term, the economy is expected to trend back to potential, growing at around 6 percent. The new Law on Investment, the Cambodia-China and Cambodia-Republic of Korea free trade agreements and the Regional Comprehensive Economic Partnership are expected to help boost investment and trade in the coming years. On the upside, a less persistent global shock could improve the outlook for Cambodia.

However, the negative impacts of the coronavirus on jobs and welfare are expected to continue as the services sector, especially the travel, tourism, and hospitality industries, are facing persistent headwinds. It is crucial to implement structural reforms embedded in the economic recovery plan to improve Cambodia's external competitiveness. Addressing supply side bottlenecks by reducing costs of doing business, logistic, and energy, while eliminating rigidities in major labor market regulations that prevent a robust recovery of the job market remains key to a sustained economic recovery and job creation.

**TABLE 2 Cambodia** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

| | 2019 | 2020 | 2021e | 2022f | 2023f | 2024f |
|---|---|---|---|---|---|---|
| **Real GDP growth, at constant market prices** | 7.1 | -3.1 | 3.0 | 4.5 | 5.8 | 6.6 |
| Private Consumption | 7.0 | -0.8 | 1.3 | 1.3 | 1.4 | 1.5 |
| Government Consumption | 10.0 | 12.5 | -28.3 | 7.2 | 14.2 | 16.6 |
| Gross Fixed Capital Investment | 6.9 | 11.2 | -11.8 | 4.0 | 9.6 | 9.0 |
| Exports, Goods and Services | 7.8 | 1.1 | 14.9 | 16.5 | 17.2 | 18.5 |
| Imports, Goods and Services | 6.0 | 7.3 | 21.7 | 12.0 | 13.5 | 14.8 |
| **Real GDP growth, at constant factor prices** | 6.8 | -3.1 | 2.8 | 4.5 | 5.8 | 6.5 |
| Agriculture | -0.5 | 0.4 | 1.1 | 1.3 | 1.5 | 1.5 |
| Industry | 11.3 | -1.4 | 7.4 | 8.6 | 9.1 | 9.2 |
| Services | 6.2 | -6.2 | -1.0 | 1.6 | 4.1 | 5.6 |
| **Inflation (Consumer Price Index)** | 3.2 | 2.9 | 3.5 | 6.5 | 4.5 | 4.0 |
| **Current Account Balance (% of GDP)** | -15.2 | -12.0 | -28.5 | -15.8 | -13.6 | -13.2 |
| **Net Foreign Direct Investment (% of GDP)** | 13.2 | 13.0 | 12.7 | 12.9 | 13.9 | 15.0 |
| **Fiscal Balance (% of GDP)** | 1.5 | -4.3 | -5.7 | -6.0 | -4.9 | -3.7 |
| **Debt (% of GDP)** | 28.2 | 34.4 | 34.8 | 35.6 | 35.8 | 36.7 |
| **Primary Balance (% of GDP)** | 1.9 | -3.7 | -5.2 | -5.5 | -4.3 | -3.1 |
| **GHG emissions growth (mtCO2e)** | 2.6 | -1.5 | -0.4 | 1.5 | 2.5 | 2.5 |
| **Energy related GHG emissions (% of total)** | 23.0 | 22.2 | 22.1 | 23.3 | 25.0 | 26.7 |

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

# CENTRAL PACIFIC ISLANDS

| Table 1 | 2020 |
|---|---|
| Population, million | |
| Kiribati | 0.12 |
| Nauru | 0.01 |
| Tuvalu | 0.01 |
| GDP, US$, billion | |
| Kiribati | 0.19 |
| Nauru | 0.11 |
| Tuvalu | 0.05 |
| GDP per capita, current US$ | |
| Kiribati | 1671 |
| Nauru | 8867 |
| Tuvalu | 4663 |

Sources: WDI, World Bank staff estimates.

*Growth rates in Kiribati, Nauru and Tuvalu remain far below pre-pandemic levels. While Tuvalu and Nauru remain COVID-free, the fast spread of COVID-19 in Kiribati in January 2022 highlighted the need to reinforce preparedness. Higher commodity prices, exacerbated by the Ukraine-Russia war, will add to inflationary pressures and hold back growth. A narrow economic base and vulnerability to climate change are key challenges for growth and poverty reduction in the Central Pacific.*

## *Key conditions and challenges*

Until the emergence of the highly transmissible Omicron variant, the Central Pacific countries had been spared from severe health impacts due to the pandemic. However, in January 2022 an outbreak took hold in Kiribati's capital, with the virus managing to evade the strict quarantine protocols for inbound travelers. Nauru and Tuvalu remain COVID-free thus far, but may have to grapple with the rapid spread of the virus as they reopen their borders. In the long term, the Central Pacific faces major development challenges due to extreme vulnerability to climate change, small size, remoteness, heavily reliance on external grants, near-total dependence on imports for foods and fuel, and limited sources of revenue. All three countries have invested in trust funds in order to stabilize volatile revenues and provide long-term development financing, but fiscal sustainability remains an important challenge.

In recent years, **Kiribati**'s growing revenues from fisheries have allowed the government to rapidly increase public spending to tackle the country's high rates of poverty and deprivation. However, with the available fiscal space now exhausted, Kiribati will now need to focus on the quality of public spending – rather than the quantity – in order to achieve further development gains. According to a 2019 survey, 21.9 percent of the population were below the national poverty line, and high shares of the population were deprived of non-monetary needs, such as access to clean water, sanitation, and electricity.

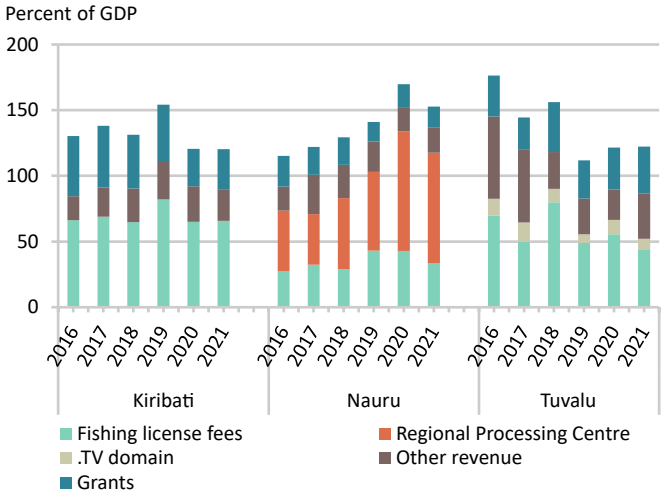
**Nauru** faces the challenge of adjusting to reduced fiscal revenues and finding new sources of economic growth and jobs over the medium term. Economic growth, employment and public revenues have been highly dependent on activity associated with Australia's Regional Processing Centre (RPC) for asylum seekers, phosphate mining and fishing. However, phosphate resources have now been fully exploited, and the RPC is now transitioning to a new 'enduring capability' arrangement with Australia, which will see the facility continue to operate on a significantly reduced scale.

In **Tuvalu**, fishing license fees are projected to decline as the El Nino cycle wanes. Strengthening public financial management is a priority, in particular reining in the elevated fiscal costs of overseas health care and improving procurement procedures to ensure more cost-effective capital spending. Though no recent data on poverty is available, in 2010 an estimated 26 percent of the population lived below the national poverty line.

## *Recent developments*

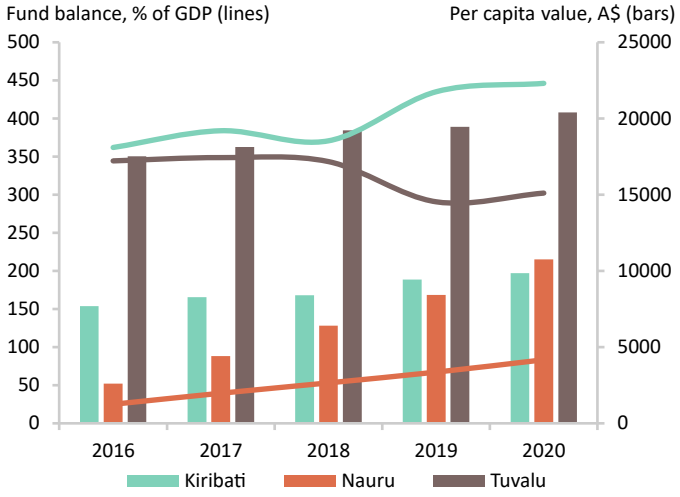
**Kiribati** experienced a modest economic recovery in 2021, with estimated 1.5 percent growth. COVID-19 border closures had resulted in a 0.5 percent contraction

**FIGURE 1 Central Pacific Islands** / Sources of revenue, 2016-2021




Sources: Country authorities, and World Bank and IMF staff estimates and projections. Notes: Nauru data are June years; Kiribati and Tuvalu are calendar years.

**FIGURE 2 Central Pacific Islands** / Sovereign wealth fund balances




Sources: Country authorities, and World Bank and IMF staff estimates and projections. Notes: Nauru data are June years; Kiribati and Tuvalu are calendar years. The Nauru Trust Fund was established in 2016.

in 2020, with major disruption to business travel, development projects, and fresh fish exports. However, increased public spending on social benefits in 2021 outweighed the ongoing effects of the border measures, and supported a modest return to growth. This included a new unemployment benefit for all 18–60-year-olds without a formal job. This is expected to help reduce poverty given that more than three quarters of Kiribati's adult population are eligible to receive support, but the broad coverage of the program dilutes the benefits to the Bottom 40. At an annual cost of 12 percent of GDP, the benefit has also introduced significant fiscal pressures. Nonetheless, a 14.5 percent of GDP drawdown from the sovereign wealth fund limited the 2021 fiscal deficit to an estimated at 3.7 percent of GDP. As of end 2021, the value of the sovereign wealth fund stood at 490 percent of GDP.

In **Nauru**, growth is projected to have reached 1.5 percent in FY21, with stronger than expected activity related to the RPC and a major port redevelopment project helping to offset the effects of border closures. In FY21, the fiscal cost of COVID-19 amounted to 5 percent of GDP, including funding for the vaccine rollout and subsidies to maintain vital air and sea freight links. However, with better-than-expected revenues from the RPC, Nauru was still able to achieve an estimated surplus of 11 percent of GDP. With this surplus and a drawdown on cash reserves, Nauru made a contribution worth 19 percent of GDP to its Intergenerational Trust Fund in FY21, bringing the fund balance to 109 percent of GDP. Meanwhile, in the first two quarters of FY22, RPC activity continued to exceed expectations. This, along with strong fisheries revenue receipts, has generated a fiscal surplus for the year to-date.

In **Tuvalu**, the pandemic impacted travel and trade but the country avoided a recession. The economy grew an estimated 2.5 percent in 2021, supported by the infrastructure projects linked to the airport and school reconstruction. Buoyant fishing license revenues, the country's main source of revenue, rose to an estimated 56 percent of GDP in 2020, much higher than expected. The fiscal deficit is expected to widen to 7 percent of GDP in 2021 due to a 20 percent fall in fishing license fees and an increase in expenditures, including additional COVID related spending and planned air service investment. The total stock of sovereign wealth funds for Tuvalu, comprising the Tuvalu Trust Fund (TTF), the Consolidated Investment Fund (CIF), and the Tuvalu Survival Fund (TSF), is around 292 percent of GDP at end-2021.

## *Outlook*

In **Kiribati**, moderate growth of about 1.8 percent is projected in 2022. Although a lockdown in the first quarter has subdued activity, supportive fiscal policy measures and the expected gradual return of international construction projects from the second half of 2022 will help to safeguard the recovery. After a slow start, the double dose vaccination rate has now reached 77 percent of adults (as of 3 March 2022), opening up the possibility that quarantine measures could be relaxed later this year. Meanwhile, inflationary pressures are expected to build in 2022, in line with international trends in food and fuel prices. The fiscal deficit is expected to reach 6.0 percent of GDP in 2022, after accounting for budget support grants and a 7.8 percent of GDP drawdown on the sovereign wealth fund. Kiribati's ample cash reserves mean that projected deficits can be sustainably financed over the medium term, but further expenditure growth would put this assessment at risk. The authorities' fiscal anchors on sovereign wealth fund drawdowns and maintaining adequate cash reserves provide important sustainability safeguards.

In **Nauru**, 96 percent of eligible adults are fully vaccinated, and the government is now launching a vaccine campaign for under-18s. The highly successful vaccination campaign has allowed for the gradual return of international travel, with quarantine requirements now removed for vaccinated travelers from Australia. Nonetheless, modest growth of only around 1 percent is expected in FY22, due to the expected wind-down of RPC activity in the second half of the year. However, a return to more robust growth of around 2.5 percent in FY23 and the medium term is projected, once the new port infrastructure comes online. Although the RPC wind-down will place growing pressure on government finances over the medium term, a balanced budget is projected for FY22. This is due to off-budget RPC income from previous years being recognized as revenues, cushioning the impact of the RPC wind-down, as well as strong fisheries revenue performance.

**Tuvalu**, with nearly 90 percent of adults fully vaccinated, is considering options for a gradual reopening of the borders with key countries, such as Fiji (the main hub for Tuvalu). Growth is therefore projected to rebound to 3.5 percent in 2022 and to climb steadily to 4 percent by 2024. The fiscal deficit will reach 2.9 percent of GDP in 2022 as expenditures fall back closer to pre-COVID levels while revenues are projected to fall by over 10 percent of GDP. Fishing license fees are expected to fall to 41.5 percent of GDP in 2022 from 43.5 percent in 2021. On the other hand, tuna transshipment in Funafuti, reinstated in February 2022 after a two-year ban due to COVID-19, is expected to bring additional revenues amounting to 2 percent of GDP. Over the medium-term, the fiscal deficit is projected to remain below 3 percent of GDP.

Risks to the Central Pacific outlook are substantial and include the unpredictability of the pandemic; volatility in revenue flows, including budget support from development partners; and the ever-present threat of climate-related natural disasters.

**TABLE 2 Central Pacific Islands** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

| | 2019 | 2020 | 2021f | 2022f | 2023f | 2024f |
|---|---|---|---|---|---|---|
| **Real GDP growth, at constant market prices** | | | | | | |
| Kiribati | -0.5 | -0.5 | 1.5 | 1.8 | 2.5 | 2.3 |
| Nauru | 1.0 | 0.7 | 1.5 | 0.9 | 2.6 | 2.4 |
| Tuvalu | 13.9 | 1.0 | 2.5 | 3.5 | 3.8 | 4.0 |
| **Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]** | | | | | | |
| Kiribati | 16.2 | 17.8 | 17.6 | 17.4 | 17.2 | 16.8 |

Sources: World Bank and IMF. e = estimate; f = forecast.
Note: Country authorities and World Bank and IMF staff estimates. Nauru data are based on the fiscal year ended June. Kiribati and Tuvalu are calendar years.
a/ Calculations based on EAPPOV harmonization, using 2019-HIES.
b/ Projection using neutral distribution (2019) with pass-through = 1 (High) based on GDP per capita in constant LCU.

# CHINA

| Table 1 | 2021 |
|---|---|
| Population, million | 1412.4 |
| GDP, current US$ billion | 17755.1 |
| GDP per capita, current US$ | 12571.2 |
| International poverty rate ($1.9)[a] | 0.1 |
| Lower middle-income poverty rate ($3.2)[a] | 1.7 |
| Upper middle-income poverty rate ($5.5)[a] | 15.8 |
| Gini index[a] | 38.2 |
| School enrollment, primary (% gross)[b] | 103.2 |
| Life expectancy at birth, years[b] | 76.9 |
| Total GHG Emissions (mtCO2e) | 12892.3 |

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2019), 2011 PPPs.
b/ WDI for School enrollment (2020); Life expectancy (2019).

*With rising external headwinds and domestic challenges, economic growth is projected to slow to 5.0 percent y/y in 2022. By 2022, 10.8 percent of the population in China are expected to fall below the $5.50/day per person poverty line (2011 PPP). The near-term outlook is highly uncertain with risks tilted to the downside amid frequent COVID outbreaks, an ongoing housing market correction, and the war in Ukraine.*

## Key conditions and challenges

After a swift rebound, China's economic recovery lost momentum in the second half of last year. Domestic demand has slowed, and the global economic environment has worsened significantly with the war in Ukraine. In addition, COVID incursions have become more frequent and widespread. China is currently experiencing the largest COVID wave since the end of the national lockdown in March 2020 with more than 50,000 cases since the start of 2022.

Over the medium term, China's potential growth is decelerating due to structural factors. The economy has embarked on a structural slowdown reflecting adverse demographics, tepid productivity growth and rising constraints to a growth model that relies excessively on investment. To avert a sharper slowdown China needs to revive productivity growth and rebalance the economy along multiple dimensions: from exports and investment to greater reliance on domestic consumption, from state-led to more market-driven growth, and from high to low-carbon growth.

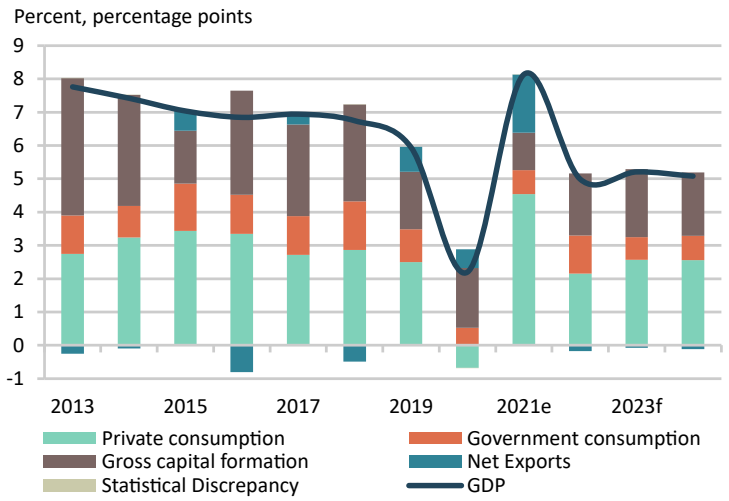
## Recent developments

Full-year GDP growth in 2021 accelerated to 8.1 percent y/y. After a strong rebound in the first half of 2021, growth cooled rapidly and remained below potential since the second half of 2021, as significant fiscal policy and regulatory tightening, a downturn in the housing market, and frequent COVID outbreaks weighed on economic activities.

The surveyed urban unemployment rate returned to 2019 levels and about 12.7 million new jobs were created in 2021, exceeding China's annual target of 11 million new urban jobs. After a marked slowdown in 2020, disposable household income grew strongly in 2021 by 8.1 percent y/y with faster growth among rural households. With rising household income, per capita consumption expenditure also accelerated by 12.6 percent y/y. As overall conditions improved, the poverty rate resumed its pre-pandemic declining trend, and is expected to fall below 12.3 percent in 2021 when considering the upper-middle income countries' poverty line of $5.50/day per person (2011 PPP).

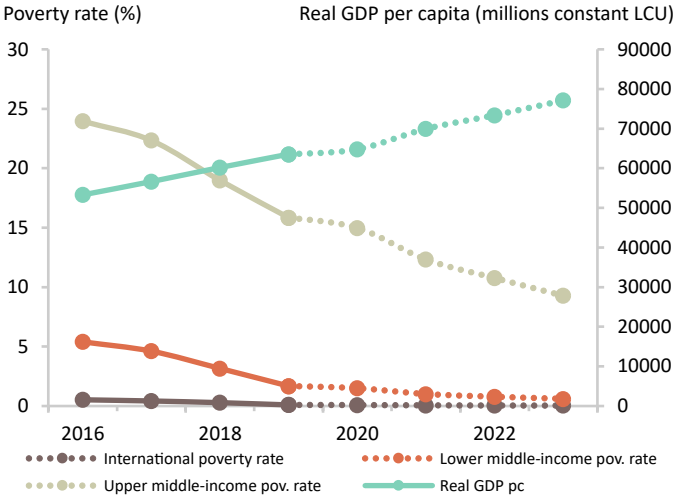
Although activity data for the first two months point to a robust start in 2022, COVID outbreaks, a challenging external environment, housing market downturn and a still-sluggish consumption recovery hint at further downside pressure on near-term economic activity. Faced with growing downside pressure on growth, policymakers have shifted to a more accommodative monetary and fiscal policy stance. While the government set the 2022 quota for special local government bond issuance to finance infrastructure projects at RMB 3.65 trillion, the actual quota might be substantially higher at about RMB 4.7 trillion due to the carryover of last year's bond proceeds. In addition, the State

**FIGURE 1** **China** / Real GDP growth and contributions to real GDP growth




Source: China's National Bureau of Statistics; World Bank staff estimates.

**FIGURE 2** **China** / Actual and projected poverty rates and real GDP per capita




Source: World Bank. Notes: see Table 2.

Council extended some of the tax and fee reduction policies for SMEs to the end of 2023. The PBOC has implemented multiple policy easing measures since last December including cuts in various interest rates and regulators have finetuned housing policies in recent months to support the real estate sector.

## Outlook

On the back of increasing headwinds, China's GDP growth is expected to slow to 5.0 percent in 2022. The recent and widespread Omicron wave will further delay the recovery in private consumptions and service-led activities. On the external side, China is expected to face a decline in its terms of trade as well as a decline in export demand, with the growth contribution of net exports likely turning negative in 2022. Private investment growth is expected to weaken as manufacturing investment slows owing to weaker external demand, and real estate investment remains subdued with the authorities maintaining their focus on reining in financial risks in the property sector. The growth projection assumes substantial loosening of fiscal policy to stem these headwinds which are expected to lead to accelerated infrastructure investment. Given the projected economic growth for 2022, the poverty rate measured at $5.50/day per person is expected to fall to 10.8 percent, with more than a third of the poor residing in urban areas. The decline represents 22 million fewer poor people than in 2021.

The outlook is highly uncertain with risks tilted to the downside. The key downside risk are more severe and protracted COVID outbreaks, which could impair production and domestic supply chains with knock on effects on investor and consumer confidence and trigger larger and more prolonged economic disruptions. Meanwhile, more severe financial stress among property developers could create negative spillovers to upstream sectors and weigh on investment and consumption. On the external side, risks could transmit through a stronger than expected slowdown in global demand and a longer lasting shock to commodity prices. In a downside scenario with a more dominant COVID shock growth could slow to 4.0 percent in 2022. While China has policy space to act, using excessive stimulus to boost investment could further aggravate domestic imbalances and delay the shift towards high quality growth. In light of these considerations, should China face further negative shocks, policy makers may want to settle for lower growth and maintain policy buffers rather than jeopardize hard-won rebalancing gains.

**TABLE 2** **China** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

| | 2019 | 2020 | 2021e | 2022f | 2023f | 2024f |
|---|---|---|---|---|---|---|
| **Real GDP growth, at constant market prices** | 6.0 | 2.2 | 8.1 | 5.0 | 5.2 | 5.1 |
| Private Consumption | 6.5 | -1.8 | 12.2 | 5.6 | 6.6 | 6.5 |
| Government Consumption | 6.0 | 3.2 | 4.3 | 7.1 | 4.1 | 4.4 |
| Gross Fixed Capital Investment | 5.3 | 3.2 | 2.7 | 4.2 | 5.1 | 4.8 |
| Exports, Goods and Services | 2.2 | 1.4 | 17.5 | 3.8 | 3.1 | 3.0 |
| Imports, Goods and Services | -1.7 | -1.7 | 9.9 | 5.8 | 4.3 | 4.3 |
| **Real GDP growth, at constant factor prices** | 6.0 | 2.2 | 8.1 | 5.0 | 5.2 | 5.1 |
| Agriculture | 3.1 | 3.1 | 7.1 | 3.2 | 3.1 | 3.1 |
| Industry | 4.9 | 2.5 | 8.2 | 4.8 | 4.6 | 4.5 |
| Services | 7.2 | 1.9 | 8.2 | 5.4 | 6.0 | 5.8 |
| **Inflation (Consumer Price Index)** | 2.9 | 2.5 | 0.9 | 2.2 | 2.0 | 1.9 |
| **Current Account Balance (% of GDP)** | 0.7 | 1.9 | 1.8 | 1.3 | 1.2 | 1.1 |
| **Net Foreign Direct Investment (% of GDP)** | 0.4 | 0.7 | 1.2 | 0.9 | 0.9 | 0.8 |
| **Fiscal Balance (% of GDP)[a]** | -4.6 | -8.6 | -4.4 | -7.1 | -5.5 | -4.3 |
| **Debt (% of GDP)** | 38.5 | 45.4 | 45.1 | 49.3 | 51.4 | 52.3 |
| **Primary Balance (% of GDP)** | -3.6 | -7.4 | -3.2 | -5.8 | -4.1 | -3.0 |
| **International poverty rate ($1.9 in 2011 PPP)[b,c]** | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| **Lower middle-income poverty rate ($3.2 in 2011 PPP)[b,c]** | 1.7 | 1.5 | 1.0 | 0.8 | 0.6 | 0.5 |
| **Upper middle-income poverty rate ($5.5 in 2011 PPP)[b,c]** | 15.8 | 15.0 | 12.3 | 10.8 | 9.3 | 7.9 |
| **GHG emissions growth (mtCO2e)** | 2.5 | 1.5 | 5.8 | 2.3 | 1.7 | 1.2 |
| **Energy related GHG emissions (% of total)** | 81.8 | 81.9 | 82.0 | 81.8 | 81.7 | 81.4 |

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
a/ The adjusted fiscal balance adds up the public finance budget, the government fund budget, the state capital management fund budget and the social security fund budget.
b/ Last grouped data available to calculate poverty is for 2019 provided by NBS.Actual data: 2019. Nowcast: 2020-2021. Forecasts are from 2021 to 2024.
c/ Projections based on GDP growth estimates, using a neutral distribution assumption with pass through 0.85 to per capita household consumption.

# FIJI

| Table 1 | 2021 |
|---|---|
| Population, million | 0.9 |
| GDP, current US$ billion | 4.7 |
| GDP per capita, current US$ | 5163.1 |
| International poverty rate ($1.9)[a] | 2.6 |
| Lower middle-income poverty rate ($3.2)[a] | 17.8 |
| Upper middle-income poverty rate ($5.5)[a] | 55.5 |
| School enrollment, primary (% gross)[b] | 116.5 |
| Life expectancy at birth, years[b] | 67.4 |

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2019), 2011 PPPs.
b/ Most recent WDI value (2019).

*Reopening of Fiji's borders to tourism in December 2021 marked a major step towards economic recovery. The economy is expected to reach the pre-pandemic level by 2024, supported by private consumption and investment. The outlook remains highly uncertain as the tourism sector may recover slower than expected. Risks also include re-emergence of COVID-19, cyclones and floods, and the impact of the Russia-Ukraine war. Speeding up economic recovery will require structural reforms while fiscal consolidation is needed to ensure that the public debt returns to a downward trajectory.*

## Key conditions and challenges

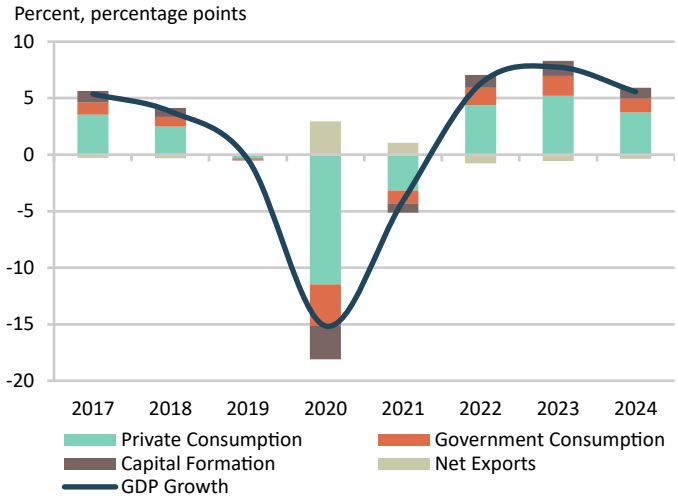
Fiji is a small island nation in the South Pacific Ocean with a population of about 900,000. Remoteness, natural hazards, and climate change represent major obstacles to development. Tourism is the main driver of the economy and a major source of foreign exchange, contributing nearly 40 percent of GDP, prior to COVID-19. In recent years to 2019, growth was underpinned by robust tourism, rising household consumption, and extensive reconstruction after major natural disasters. Before the onset of the global pandemic, Fiji's poverty rate was 17.8 percent and 55.5 percent based on the lower and upper middle-income poverty lines, respectively.

The COVID-19 pandemic presented Fiji with an economic crisis of unprecedented scale. The country recorded one of the steepest economic contractions in the world and the worst in its history. Following the onset of the pandemic and border closures in 2020, the tourism sector collapsed with a ripple effect on all segments of the economy. Real GDP contracted by 15.2 percent in 2020 and a further 4.1 percent in 2021 in the wake of the Delta variant outbreak. The country was also hit by Tropical Cyclone (TC) Harold and TC Yasa in 2020, and TC Ana in 2021 with extensive damage to agriculture, public buildings, and tourism facilities. These shocks aggravated pre-existing fiscal vulnerabilities and upended the authorities' fiscal policy goals, leading to a sharp increase in public debt. The compound effect of lost livelihoods across sectors and asset damage from the natural disasters exposed a significant proportion of the population to increased poverty and vulnerability. Excluding the impact of the COVID assistance measures, poverty rate based on the upper-middle income poverty line is estimated to have increased by 11 percentage points in 2020 from the pre-pandemic level. The Government introduced several measures to mitigate these impacts, including top-ups through existing social programs and the National Provident Fund unemployment assistance.

## Recent developments

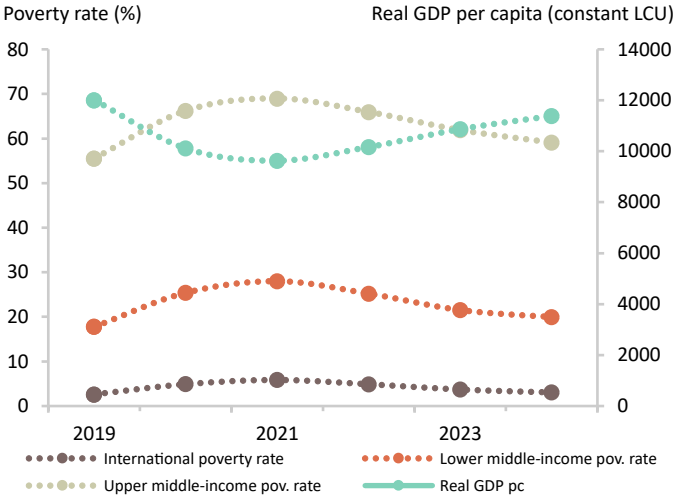
Reopening of Fiji's borders to tourism in December 2021 after a 21-month closure marked a major step towards economic recovery. Border reopening was enabled by a COVID-19 vaccination rate of over 90 percent and the adoption of best-practice COVID-19 control policies and protocols. Tourists and visitors have begun returning from the country's traditional source markets, especially Australia. The initial figures show the arrivals to be around 45 percent of pre-COVID-19 levels. However, while this is a positive sign, recovery is likely to be slow and risks remain due to the emergence of potential new variants, a highly vulnerable population given the high prevalence of non-communicable diseases, and the risk of cyclones and floods. The high dependence on tourism adds to

**FIGURE 1** **Fiji** / Real GDP growth and contributions to real GDP growth




Sources: Ministry of Economy, and IMF and World Bank staff estimates.

**FIGURE 2** **Fiji** / Actual and projected poverty rates and real GDP per capita




Source: World Bank. Notes: see Table 2.

the vulnerability of sustained recovery and highlights the need for diversified sources of growth. The structural reform agenda includes building climate resilience and creating a more supportive environment for private-sector-led growth. Attracting more FDI and expanding the role of the private sector in the economy will require modernizing the legal and regulatory framework.

A steep fall in revenue and rise in expenditures due to fiscal stimulus to mitigate the impact of the pandemic widened the fiscal deficit to 8.1 percent of GDP in 2020 and 12.8 percent in 2021. As a result, the public debt-to-GDP ratio increased to 87 percent in 2021 from 51.6 percent in 2019. Monetary policy was eased to counter the impact of COVID-19 and remains accommodative. The Central Bank cut the overnight policy rate from 0.50 to 0.25 percent in the first quarter of 2020. Inflation fell to a historic low of -2.8 percent at end-December 2020, in the context of a substantial output gap, and on account of lower food and fuel prices as well as reduced tariffs and taxes (implemented to mitigate the impact of the pandemic). Inflation remerged in the second half of 2021 due to the surge in global commodity prices and continued supply chain disruptions, reaching 3 percent at year-end. The current account deficit widened to 15.6 percent of GDP in 2021, relative to 13.2 percent in 2020, reflecting the drop in the service balance. Tourism receipts in 2021 fell by 94 percent from the pre-pandemic level. Pressure on the balance of payments has been cushioned by the influx of external financing through loans and grants from multilateral and bilateral creditors. This is supplemented by strong growth in personal remittances, which rose by 42 percent in 2021 from 2019, the sale of Energy Fiji Limited (EFL) shares abroad and the additional 2021 IMF SDR allocation. Reserves remained stable, US$1,570 million (9.9 months of prospective imports) at end-December 2021.

## Outlook

Outlook is subject to considerable uncertainty and hinges on the tourism sector's performance. Growth is projected to recover to 6.3 percent in 2022 and rise to 7.7 percent by 2023 driven by increased private consumption and investment supported by tourism and remittances. Poverty is expected to follow a downward trend, although it is not anticipated to return to pre-pandemic levels by 2024. The Russia-Ukraine war is likely to add to inflationary pressures and dampen external account and may also impact tourism. Higher food and energy prices will especially harm the poorest and most vulnerable as food accounts for about 40 percent of their consumption basket. The Government is committed to fiscal consolidation with the fiscal deficit projected to fall to 4.0 percent of GDP in 2024 from 12.1 percent in 2022. This will be achieved through efforts to mobilize domestic revenues, including through the revenue measures announced in the Revised Budget in March. In parallel, spending will be contained through strict wage bill control and a reduction in operating subsidies and capital outlays. The risk of debt distress has heightened with the debt-to-GDP ratio projected to climb to 90.9 percent of GDP in 2022, reflecting borrowing to counter the impact of COVID-19 and the contraction in nominal GDP. Public debt is assessed as sustainable over the medium-term, contingent on fiscal consolidation, the resumption of growth and commitment to borrow primarily on concessional terms. The current account deficit is expected to narrow to 8.8 percent of GDP in 2022 and converge to 6.8 percent of GDP by 2024 due to increases in the services and secondary income balance on account of higher anticipated tourism and remittance inflows. Risks to growth include a drop in tourism appetite, a new wave of COVID-19 in Fiji or Australia and New Zealand, impacts of adverse natural disasters, and the economic consequences of the Russia-Ukraine war.

**TABLE 2** **Fiji** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

| | 2019 | 2020 | 2021e | 2022f | 2023f | 2024f |
|---|---|---|---|---|---|---|
| **Real GDP growth, at constant market prices** | -0.4 | -15.2 | -4.1 | 6.3 | 7.7 | 5.6 |
| **Inflation (Consumer Price Index)** | -0.9 | -2.8 | 3.0 | 4.5 | 3.0 | 2.7 |
| **Current Account Balance (% of GDP)** | -12.6 | -13.2 | -15.6 | -8.8 | -7.0 | -6.8 |
| **Fiscal Balance (% of GDP)** | -4.3 | -8.1 | -12.8 | -12.1 | -6.4 | -4.0 |
| **International poverty rate ($1.9 in 2011 PPP)[a,b]** | 2.6 | 4.9 | 5.9 | 4.9 | 3.7 | 3.0 |
| **Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]** | 17.8 | 25.4 | 28.0 | 25.2 | 21.5 | 20.0 |
| **Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]** | 55.5 | 66.2 | 69.0 | 65.9 | 61.9 | 59.1 |

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
a/ Calculations based on EAPPOV harmonization, using 2019-HIES.Actual data: 2019. Nowcast: 2020-2021. Forecasts are from 2022 to 2024.
b/ Projection using neutral distribution (2019) with pass-through = 0.87 based on GDP per capita in constant LCU.

# INDONESIA

| Table 1 | 2021 |
|---|---|
| Population, million | 276.4 |
| GDP, current US$ billion | 1186.1 |
| GDP per capita, current US$ | 4291.8 |
| International poverty rate ($1.9)[a] | 2.2 |
| Lower middle-income poverty rate ($3.2)[a] | 18.0 |
| Upper middle-income poverty rate ($5.5)[a] | 50.2 |
| Gini index[a] | 37.3 |
| School enrollment, primary (% gross)[b] | 106.4 |
| Life expectancy at birth, years[b] | 71.7 |
| Total GHG Emissions (mtCO2e) | 1755.8 |

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2011 PPPs.
b/ WDI for School enrollment (2018); Life expectancy (2019).

*Indonesia's economy is recovering supported by growing commodities exports and accommodative fiscal policy. This helped reduce poverty closer to pre-pandemic levels. Medium term growth will be supported by rising private consumption and investment as aggregate demand picks up and structural reforms start paying off. Downside risks remain elevated and could derail recovery, including worsening global conditions and renewed COVID-19 outbreaks.*

## Key conditions and challenges

Sound macro fundamentals prior to the pandemic allowed Indonesia to build financial and fiscal buffers to respond to the crisis. However, the country faces several long-term structural challenges that can affect the recovery phase. Prudent macro management has been constrained by low tax effort, shallow financial markets and competitiveness challenges. Indonesia has responded well to the crisis, including in terms of addressing these challenges through structural reforms to boost taxation and investment.

Indonesia faces short-term cyclical challenges that can weigh on the recovery. As COVID-19 may become endemic, a strategy for accelerating the vaccination program over a protracted period is needed. Risks from US monetary tightening could also increase the cost of external financing, and rising tensions in Europe is worsening the external environment. Meanwhile, employment and incomes have not returned to pre-pandemic levels, especially among vulnerable households, and social assistance program coverage among targeted groups remains low.

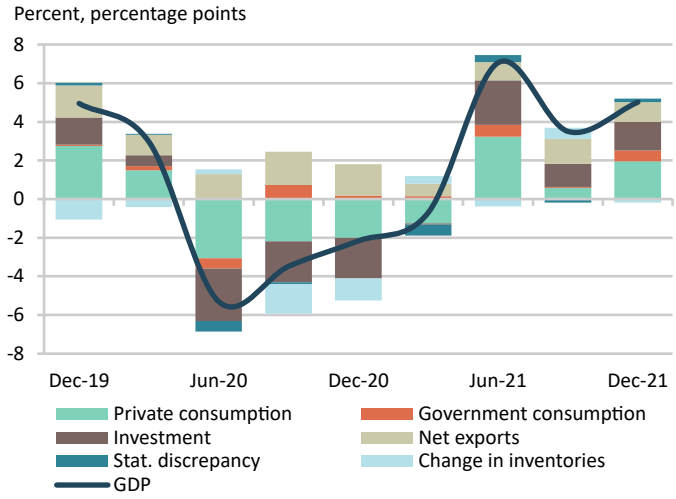
## Recent developments

Growth rebounded from -2.1 percent in 2020 to 3.7 percent in 2021, supported by public consumption and exports. This came on the back of a counter-cyclical fiscal and monetary response to the pandemic, higher commodity prices, and a pick-up in external demand. On the supply side, more than 60 percent of the contribution to growth in 2021 came from the manufacturing, wholesale & trade, construction, and telecom sectors reflecting growing demand especially in sectors less affected by COVID-19 restrictions. Leading indicators in February also pointed to sustained recovery in domestic demand, with Purchasing Manager Index, consumer confidence and retail sales improving.

Price pressures remained low despite inflation reaching a 20-month high of 2.1 percent (yoy) in February. This reflects rising food prices due to restrained supply, higher commodity prices, and in line with the narrowing output gap. Higher tobacco duties and adjustment in non-subsidized LPG prices also raised administered prices. Nevertheless, the inflation rate remains within Bank of Indonesia's target range (2-4 percent).

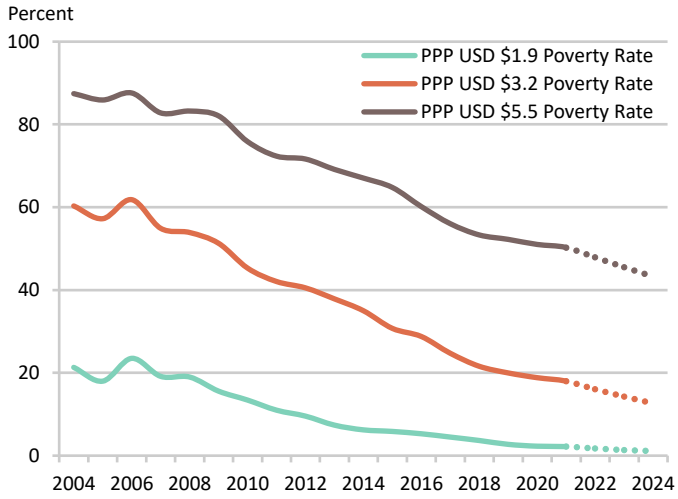
The external position remained sound despite tightening global monetary conditions. Indonesia ended the year with a small current account surplus of 0.3 percent of GDP, the first since 2011. This follows a solid performance by exports (up 46.1 percent) driven by commodities and manufactured goods. The position was supported by a stable Real Effective Exchange Rate (REER) and capital flows as well as improvement in the secondary income balance due to government grants for

**FIGURE 1** **Indonesia** / Real GDP growth and contributions to real GDP growth




Sources: National Statistics Agency and World Bank.

**FIGURE 2** **Indonesia** / Poverty rate is declining albeit at a slower pace than pre-pandemic years




Sources: National Statistics Agency and World Bank. Note: Forecast is from 2021 onwards.

COVID-19 support. Foreign reserves are adequate covering 7.2 months of imports by end 2021.

Fiscal policy has been accommodative to offset the pandemic's fallout. The fiscal package has focused on health, social assistance, and firms support. This was made possible by commodity and oil price windfalls that boosted fiscal revenues to 11.8 percent. The fiscal deficit narrowed from 6.1 to 4.6 percent of GDP in 2020-2021. Monetary policy has also been accommodative thus far but may tighten going forward in line with tighter global financial conditions. The authorities announced a rise in the reserve requirements ratio starting in March 2022, although the policy rate has remained unchanged since February 2021. Private sector credit increased slightly in recent months but has remained weak throughout the pandemic.

Poverty continued to decline, getting closer to its pre-pandemic level. In September 2021, the poverty headcount rate, based on the national poverty line, fell to 9.7 percent after peaking at 10.2 percent in 2020. Progress was observed in both urban and rural areas, stemming from employment growth in manufacturing, wholesale & trade, as well as in the food and accommodation sectors.

## *Outlook*

A recovery in private consumption and investment supported by structural reforms are expected to boost growth to 5.3 percent in the medium-term. Net exports will partially offset this as domestic demand boosts imports, while exports ease following moderation in external demand. As the output gap closes further, inflation is expected to increase over the medium term to 3.3 percent by 2024, slightly below the upper band target of the central bank. With improvements in domestic demand, the outlook projects a return to a current account deficit. However, external financing needs will remain moderate at 2.2 percent of GDP (average 2022-2024) aligned with an increase in FDI. As such, foreign reserves are expected to exceed 7.8 months of imports.

The fiscal stance is expected to tighten with the 2022 fiscal deficit projected at 3.7 percent of GDP. Consistent with its previous announcements, the government is committed to return to the legally mandated 3 percent of GDP deficit by 2023. The consolidation path will be anchored on scaling back the economic recovery program and on boosting domestic revenue mobilization. The recovery spending will ease from 4.0 percent of GDP in 2021 to 2.6 percent in 2022 in line with strengthening growth prospects. The recently approved Tax Harmonization Law will increase tax rates, broaden the tax base, facilitate tax compliance, and introduce a carbon tax.

Poverty is projected to continue falling as the recovery fuels private consumption. However, the pace of decline, based on lower-middle income countries poverty line of $3.2 per day in PPP terms, will be halved from -3.0 pp/year in pre-pandemic years 2014-2019 to -1.5 pp/year going forward (2019-2024). Whether this progress is achieved depends on the degree to which the recovery is inclusive of vulnerable groups. Meanwhile, strengthened efforts are needed to mitigate the pandemic's long-term scarring impacts on productivity and inequality through the human capital channel. Projections indicate large losses in lifetime earnings due to learning losses during widespread school closures in 2020-2021.

Downside risks to the outlook remain elevated. Risks are stemming from faster-than-expected global financial tightening and contagion effects from EMs that can render external financing more expensive, pandemic-related fiscal shocks that could derail pro-growth programs, further scarring with implications on productivity and competitiveness, and changing global demand and inflation related to the Russia-Ukraine war.

**TABLE 2 Indonesia** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

| | 2019 | 2020 | 2021e | 2022f | 2023f | 2024f |
|---|---|---|---|---|---|---|
| **Real GDP growth, at constant market prices** | 5.0 | -2.1 | 3.7 | 5.1 | 5.3 | 5.3 |
| Private Consumption | 5.2 | -2.7 | 2.0 | 4.7 | 5.0 | 5.2 |
| Government Consumption | 3.3 | 2.0 | 4.2 | 1.4 | 1.5 | 4.4 |
| Gross Fixed Capital Investment | 4.5 | -5.0 | 3.8 | 5.6 | 6.4 | 6.5 |
| Exports, Goods and Services | -0.5 | -8.1 | 24.0 | 14.7 | 10.3 | 8.3 |
| Imports, Goods and Services | -7.1 | -16.7 | 23.3 | 14.9 | 11.0 | 10.0 |
| **Real GDP growth, at constant factor prices** | 5.0 | -1.6 | 3.3 | 5.2 | 5.3 | 5.3 |
| Agriculture | 3.6 | 1.8 | 1.8 | 3.8 | 3.9 | 3.9 |
| Industry | 3.8 | -2.8 | 3.4 | 4.1 | 4.4 | 4.4 |
| Services | 6.4 | -1.5 | 3.6 | 6.6 | 6.4 | 6.5 |
| **Inflation (Consumer Price Index)** | 2.8 | 2.0 | 1.6 | 2.7 | 3.1 | 3.3 |
| **Current Account Balance (% of GDP)** | -2.7 | -0.4 | 0.3 | -0.9 | -1.4 | -1.9 |
| **Net Foreign Direct Investment (% of GDP)** | 1.8 | 1.3 | 1.4 | 1.6 | 1.8 | 1.9 |
| **Fiscal Balance (% of GDP)** | -2.2 | -6.1 | -4.6 | -3.7 | -3.0 | -3.0 |
| **Debt (% of GDP)** | 30.0 | 39.3 | 40.7 | 42.9 | 43.2 | 43.4 |
| **Primary Balance (% of GDP)** | -0.5 | -4.1 | -2.6 | -1.5 | -0.6 | -0.5 |
| **International poverty rate ($1.9 in 2011 PPP)[a,b]** | 2.7 | 2.3 | 2.2 | 1.7 | 1.4 | 1.1 |
| **Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]** | 19.9 | 18.8 | 18.0 | 16.0 | 14.2 | 12.6 |
| **Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]** | 52.2 | 51.0 | 50.3 | 47.9 | 45.5 | 43.2 |
| **GHG emissions growth (mtCO2e)** | 2.4 | -0.8 | 1.4 | 1.9 | 1.9 | 1.8 |
| **Energy related GHG emissions (% of total)** | 34.5 | 34.0 | 34.7 | 35.7 | 36.7 | 37.6 |

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
a/ Calculations based on EAPPOV harmonization, using 2011-SUSENAS and 2021-SUSENAS.Actual data: 2021. Forecastss are from 2022 to 2024.
b/ Projection using annualized elasticity (2011-2021) with pass-through = 1 based on GDP per capita in constant LCU.

# LAO PDR

| Table 1 | 2021 |
|---|---|
| Population, million | 7.4 |
| GDP, current US$ billion | 18.7 |
| GDP per capita, current US$ | 2539.0 |
| National Official Poverty Rate[a] | 18.3 |
| International poverty rate ($1.9)[a] | 10.0 |
| Lower middle-income poverty rate ($3.2)[a] | 37.4 |
| Gini index[a] | 38.8 |
| School enrollment, primary (% gross)[b] | 98.8 |
| Life expectancy at birth, years[b] | 67.9 |
| Total GHG Emissions (mtCO2e) | 42.3 |

Source: WDI, Macro Poverty Outlook, and official data.
a/ National Statistics Office. Most recent value (2018).
b/ WDI for School enrollment (2020); Life expectancy (2019).

*The economic recovery is expected to continue in 2022, mainly supported by industry and services, with growth projected to accelerate to 3.8 percent. However, growing macroeconomic vulnerabilities – mainly stemming from a high debt burden – and external shocks may affect the outlook. Labor market conditions remain subdued, while rising fuel and food prices are threatening poverty and food security. Addressing macroeconomic imbalances will be critical to laying the foundation for sustained economic growth and support poverty reduction.*

## Key conditions and challenges

Unaddressed debt challenges can hamper medium-term economic growth. High public debt levels and rising debt service obligations pose liquidity and solvency problems that compound other macroeconomic vulnerabilities – such as low revenue collection and limited foreign reserves. A positive conclusion of ongoing debt renegotiations will be vital for restoring macroeconomic stability. Growing debt service requirements, in a context of declining revenues and expenditure consolidation, have narrowed the fiscal space for investments in human and physical capital that are essential for long-term growth. While the financial sector provided some support to mitigate the impacts of COVID-19, vulnerabilities are high and forbearance measures impede a clear assessment of bank balance sheets. Improved connectivity and trade integration present an opportunity for greater economic dynamism, but need to be accompanied by structural reforms to enhance export competitiveness.

Domestic and external uncertainty affects economic prospects. COVID-19 vaccination rates have improved, with 58 percent of the population fully vaccinated, but a large Omicron outbreak could still undermine economic activity. Tightening global macroeconomic conditions and the Russian invasion of Ukraine could impact Lao PDR through higher commodity prices (especially fuel) and additional exchange rate depreciation pressures, which would increase inflation. Moreover, a slower-than-expected economic recovery in key trading and investment partners may curtail external demand. However, high mineral prices and the opening of the Lao-China railway (in December 2021) will likely support merchandise exports and the domestic services sector – especially transport and logistics services.

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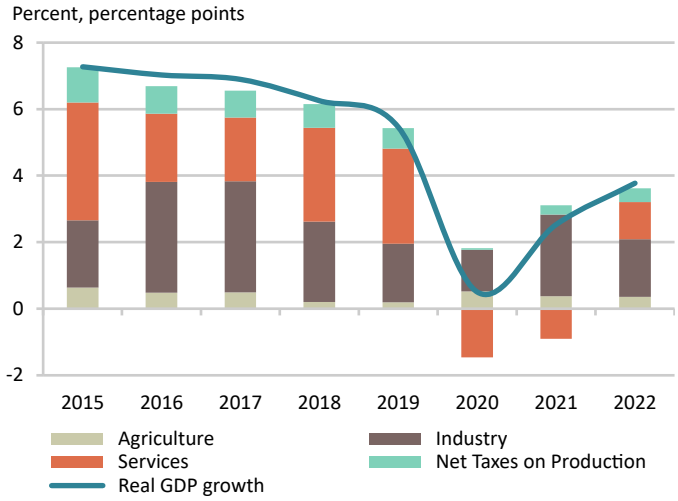
## Recent developments

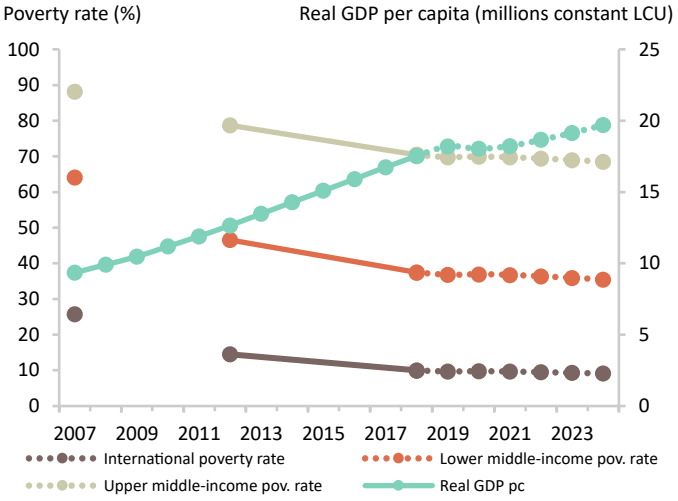
GDP growth is estimated to have rebounded to 2.5 percent in 2021, driven by industry (particularly mining, energy and some manufacturing subsectors) and agriculture

**FIGURE 1 Lao PDR** / Real GDP growth and contributions to real GDP growth




Sources: Lao Statistics Bureau and World Bank staff estimates.

**FIGURE 2 Lao PDR** / Actual and projected poverty rates and real GDP per capita




Source: World Bank. Notes: see Table 2.

– both of which were supported by solid external demand. However, the services sector continued to struggle. Inflation increased from less than 2 percent in February 2021 to 7.3 percent in February 2022 (year-on-year), mainly driven by fuel prices and a sharp depreciation against the US dollar. Nevertheless, the annual average inflation rate declined from 5.1 percent in 2020 to 3.8 percent in 2021.

The fiscal deficit declined significantly in 2021, owing to a recovery in revenue and expenditure cuts. Revenue collection rebounded mainly due to non-tax revenue and consumption taxes. Expenditure curbs continued with the postponement of new capital projects – which led to a 24 percent decline in capital spending. With limited access to international capital markets, financing needs were met through strong short-term domestic bank borrowing at the end of 2021.

The current account deficit improved, partly due to a large merchandise trade surplus. Merchandise exports grew by 22 percent – owing to electricity, minerals, and several agricultural and manufactured products – supported by strong external demand and commodity prices. Merchandise imports also increased, driven by fuel, vehicles, and machinery. Nonetheless, trade in services remained subdued and external debt service payments are elevated. High demand for foreign currency (especially to service external debts) coupled with limited reserve buffers contributed to a strong depreciation against the US dollar – 22 percent as of February 2022 (year-on-year).

The labor market remains subdued, and rising food prices place an additional burden on households. The share of adults employed fell from 76 percent in Q2 2021 to 69 percent in Q4 2021, following an outbreak of COVID-19. Disruptions to economic activities led to a decline in household income, with 63 percent of households experiencing a fall in household income between Q2 and Q4 2021, of which 21 percent saw their income reduced by more than half. Income losses combined with rising food prices present a threat to poverty and food insecurity. Constrained by limited fiscal space, government assistance programs were limited and mainly targeted formal workers. The poverty headcount rate (measured at the lower-middle-income poverty line or $3.2 (2011 PPP) a day) is estimated to have marginally declined from 36.9 percent in 2020 to 36.8 percent in 2021.

## Outlook

Economic activity is expected to recover gradually to 3.8 percent in 2022, supported by merchandise exports and the services sector – especially transport and logistics services (linked to the new railway) as well as wholesale and retail activities. In contrast, tourism will likely take longer to rebound. Infrastructure construction (including power projects and highway extensions) is also expected to contribute to the recovery. From the demand side, private consumption will increase, although public consumption and public investment will remain constrained – owing to the difficult fiscal situation. Private investment and exports will provide an important stimulus to the economy, although higher imports will partly offset these trends. Existing macroeconomic vulnerabilities and a less conducive external environment – due to tighter macroeconomic conditions and the war in Ukraine – will avert a faster economic recovery. In a downside scenario where domestic and external risks materialize, economic growth could slow to 3.3 percent in 2022.

Domestic labor market conditions are expected to improve gradually following the growth rebound, although permanent job losses and business closures induced by COVID-19 will continue to put pressure on household income. Rising food and fuel prices undermine households' purchasing power and, without adequate relief measures, put them at risk of falling into poverty.

Addressing internal and external imbalances will be key to accelerate economic growth and improve welfare. The deteriorating public debt situation is a main concern, with external debt repayments averaging around $1.3 billion a year over 2022-2025 – about half of the average domestic revenue. Upside risks to the outlook include a positive outcome from the ongoing debt renegotiations – providing much-needed fiscal space for growth-enhancing expenditures – and a fast and effective implementation of planned revenue-enhancing measures. A strengthened legal framework for foreign currency management may enhance foreign reserve buffers, while business environment reforms would help boost growth and job creation.

**TABLE 2 Lao PDR** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

| | 2019 | 2020 | 2021e | 2022f | 2023f | 2024f |
|---|---|---|---|---|---|---|
| **Real GDP growth, at constant market prices** | 5.5 | 0.5 | 2.5 | 3.8 | 4.0 | 4.2 |
| **Real GDP growth, at constant factor prices** | 5.5 | 0.5 | 2.5 | 3.8 | 4.0 | 4.2 |
| Agriculture | 1.2 | 3.2 | 2.3 | 2.2 | 2.5 | 2.6 |
| Industry | 5.6 | 4.0 | 7.6 | 5.2 | 4.0 | 3.4 |
| Services | 7.0 | -3.5 | -2.2 | 2.9 | 4.4 | 5.7 |
| **Inflation (Consumer Price Index)** | 3.3 | 5.1 | 3.8 | 6.0 | 5.5 | 5.0 |
| **Current Account Balance (% of GDP)** | -8.1 | -1.5 | 1.3 | -2.7 | -4.6 | -5.4 |
| **Fiscal Balance (% of GDP)** | -3.3 | -5.2 | -1.4 | -2.9 | -2.6 | -2.3 |
| **Debt (% of GDP)** | 59.0 | 62.3 | 77.9 | 79.0 | 79.3 | 79.2 |
| **Primary Balance (% of GDP)** | -1.6 | -3.7 | -0.1 | -0.1 | 0.1 | 0.5 |
| **International poverty rate ($1.9 in 2011 PPP)[a,b]** | 9.7 | 9.8 | 9.7 | 9.5 | 9.3 | 9.1 |
| **Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]** | 36.8 | 36.9 | 36.7 | 36.4 | 35.9 | 35.5 |
| **Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]** | 69.8 | 70.0 | 69.8 | 69.4 | 69.0 | 68.5 |
| **GHG emissions growth (mtCO2e)** | 1.9 | 3.2 | 4.1 | 4.4 | 5.0 | 4.7 |
| **Energy related GHG emissions (% of total)** | 48.0 | 48.5 | 49.5 | 50.6 | 51.9 | 53.0 |

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
a/ Calculations based on EAPPOV harmonization, using 2012-LECS and 2018-LECS.Actual data: 2018. Nowcast: 2019-2021. Forecasts are from 2022 to 2024.
b/ Projection using annualized elasticity (2012-2018) with pass-through = 0.7 based on GDP per capita in constant LCU.

# MALAYSIA

| Table 1 | 2021 |
|---|---|
| Population, million | 32.8 |
| GDP, current US$ billion | 372.7 |
| GDP per capita, current US$ | 11371.2 |
| International poverty rate ($1.9)[a] | 0.0 |
| Lower middle-income poverty rate ($3.2)[a] | 0.3 |
| Upper middle-income poverty rate ($5.5)[a] | 2.9 |
| Gini index[a] | 41.1 |
| School enrollment, primary (% gross)[b] | 104.4 |
| Life expectancy at birth, years[b] | 76.2 |
| Total GHG Emissions (mtCO2e) | 358.5 |

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2015), 2011 PPPs.
b/ Most recent WDI value (2019).

*The economy is projected to expand by 5.5 percent in 2022, supported by a recovery in domestic demand and an expansion in exports. Downside risks to growth remains, with the military conflict in Ukraine emerging as a key risk. While the economy is projected to be on a recovery path, COVID-19, food inflation, and floods are expected to weigh down progress on wellbeing of the poor and vulnerable.*

## *Key conditions and challenges*

Malaysia is gradually emerging from the worst wave of the pandemic. With vaccination program making impressive progress, most economic and social sectors are now allowed to operate. Nearly 100 percent of adults are fully vaccinated, and 64 percent have received their booster (third dose) in early March 2022. The government has also announced its plans to transition into endemicity, which include the reopening of international borders beginning April 2022. As such, this is expected to contribute to the recovery of the economy.

Nonetheless, key challenges remain. Fiscal space is expected to remain constrained, limiting the room for fiscal policy to play a bigger redistributive role. Gaps in the social protection system remain/persist, leaving out several vulnerable groups such as youth and informal workers. In addition, the triple shocks of COVID-19, food inflation, and floods may deplete poor and vulnerable Malaysians' resilience toward future shocks, and in turn, widen socioeconomic inequalities among Malaysians. Recognizing this, the government's top priorities are to ensure effective fiscal policies and develop inclusive social protection as stated in the Twelfth Malaysia Plan (2021-2025) and the Budget 2022.

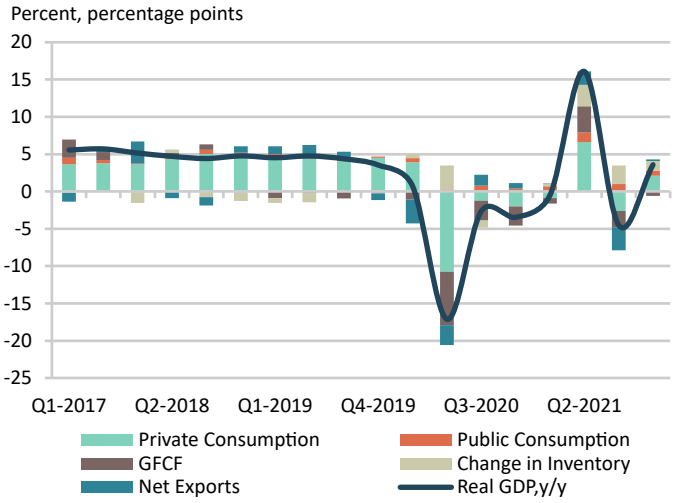
## *Recent developments*

For the year 2021, the economy grew at 3.1 percent (2020: -5.6 percent). Overall, the recovery in 2021 was driven by improvement in both private and public spending. On the supply side, the economy was supported by the rebound in the manufacturing, services, and mining sectors. Nevertheless, it is important to note that the economic performance in 2021 remains below pre-pandemic levels.

Conditions in the labor market have improved. The unemployment rate declined to 4.3 percent in 4Q 2021 (4Q 2020: 4.8 percent), partly driven by the various labor market incentives. Wages for manufacturing and services grew at 4.7 percent and 1.2 percent respectively in 4Q 2021. Employment was less volatile in the second half of 2021, according to the World Bank High-Frequency (HiFy) Phone Survey. As a result, more than half of households who fell into lower-income brackets by June 2021 have recovered to pre-pandemic levels by November 2021. However, disruptions to employment and labor income remain greater among the poor and vulnerable, including younger and less educated workers.

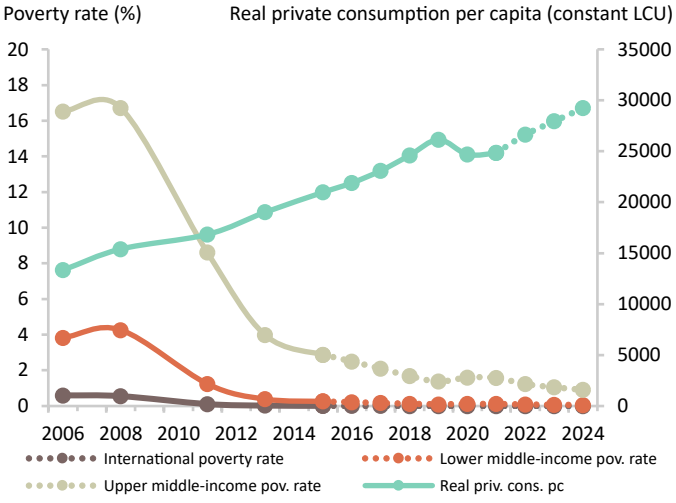
Inflation has been on an upward trend, consistent with a closing output gap. The CPI rose to 3.2 percent in December 2021 (Nov: 3.3 percent). The upward trend is mainly due to the rise in food and fuel prices, and base effects. Higher food prices were largely due to supply-related factors including adverse weather conditions and

**FIGURE 1 Malaysia** / Real GDP growth and contributions to real GDP growth




Sources: Department of Statistics Malaysia and World Bank staff calculations.

**FIGURE 2 Malaysia** / Actual and projected poverty rates and real private consumption per capita




Source: World Bank. Notes: see Table 2.

higher prices of animal feed stocks. The government announced that it has taken steps to stabilize prices on crucial food items such as rice and meat, including to extend the price controls on selected items and provide additional subsidies. Going forward, the central bank expects average inflation to remain moderate and core inflation to be modest. Reflecting this, monetary policy stance is expected to remain unchanged in the near term.

In late 2021, 11 states were hit with floods displacing an estimated 70,000 people; resulting in devastating losses of RM6.1 billion (0.4 percent of GDP). Households in the Klang Valley areas were hardest hit, involving damages to dwellings and vehicles. The Malaysian Family Flood Aid worth RM1.4 billion (0.1 percent of GDP) was allocated to alleviate the burden on households and businesses.

In January 2022, the central bank kept its overnight policy rate (OPR) at 1.75 percent, and reiterated its view that monetary policy remained accommodative. In the domestic financial markets, there has been an increased in volatility given the Ukraine military conflict. However, direct portfolio exposure to Russia and Ukraine is minimal. In the exchange rate market, the ringgit is on a depreciating trend. Between 1 January to 28 February 2022, the real effective exchange rate (REER) depreciated by 0.4 percent, and is slightly undervalued relative to fundamentals.

## Outlook

The economy is expected to recover this year, with growth projected at 5.5 percent, supported by a rebound in domestic demand and continued expansion in exports. The external sector will continue to lend its support especially electric and electronic (E&E) goods and medical rubber gloves. While economic recovery remains underway in early 2022, the balance of risks remains tilted to the downside. The unfolding developments surrounding the Ukraine military conflict has emerged as a key risk. Other risks include weaker-than-expected global growth, a worsening in supply chain disruptions, and the emergence of more severe COVID-19 variants.

Fiscal space is expected to remain limited in 2022 highlighting the need to rebuild fiscal buffers over the medium-term. A rise in commodity prices provides only temporary fiscal relief. Government revenue has been on a downward trend since 2012, and operating expenditures have grown markedly over time, resulting in significant budget rigidity. However, in the absence of a fiscal rule for commodities, the risk of fiscal policy pro-cyclicality increases. The government has proposed introducing a Fiscal Responsibility Act (FRA) which could establish a path for medium-term fiscal consolidation.

The welfare of poor and vulnerable households remains precarious given multiple shocks. Findings from the HiFy survey show that, even after receiving government assistance, more than 60 percent of lower-income households with monthly income RM4,000 or below (USD$958 current prices) self-assessed having inadequate financial resources to cover their basic needs in late-2021. Meanwhile, one-quarter of households reported having savings that will last only for three months or less, while 16 percent do not have savings at all.

**TABLE 2** **Malaysia** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

| | 2019 | 2020 | 2021e | 2022f | 2023f | 2024f |
|---|---|---|---|---|---|---|
| **Real GDP growth, at constant market prices** | 4.4 | -5.6 | 3.1 | 5.5 | 4.5 | 4.4 |
| Private Consumption | 7.7 | -4.3 | 1.9 | 8.5 | 6.2 | 5.9 |
| Government Consumption | 1.8 | 3.9 | 6.6 | 1.8 | 0.5 | 0.5 |
| Gross Fixed Capital Investment | -2.1 | -14.5 | -0.9 | 6.9 | 2.8 | 2.8 |
| Exports, Goods and Services | -1.0 | -8.9 | 15.9 | 4.3 | 4.3 | 4.2 |
| Imports, Goods and Services | -2.4 | -8.4 | 18.5 | 4.5 | 4.4 | 4.3 |
| **Real GDP growth, at constant factor prices** | 4.5 | -5.6 | 3.1 | 5.5 | 4.5 | 4.4 |
| Agriculture | 2.0 | -2.2 | -0.2 | 4.1 | 3.2 | 2.7 |
| Industry | 2.6 | -6.2 | 5.7 | 4.2 | 3.7 | 3.6 |
| Services | 6.2 | -5.7 | 1.9 | 6.7 | 5.2 | 5.2 |
| **Inflation (Consumer Price Index)** | 0.7 | -1.1 | 2.5 | 2.7 | 2.0 | 1.9 |
| **Current Account Balance (% of GDP)** | 3.5 | 4.2 | 3.5 | 4.1 | 3.7 | 3.7 |
| **Net Foreign Direct Investment (% of GDP)** | 0.4 | 0.2 | 2.1 | 1.7 | 1.8 | 1.8 |
| **Fiscal Balance (% of GDP)** | -3.4 | -6.2 | -6.4 | -5.9 | -5.3 | -4.6 |
| **Debt (% of GDP)** | 52.4 | 62.1 | 63.5 | 65.1 | 66.2 | 67.2 |
| **Primary Balance (% of GDP)** | -1.2 | -3.8 | -3.9 | -3.8 | -3.3 | -2.6 |
| **International poverty rate ($1.9 in 2011 PPP)[a,b]** | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]** | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| **Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]** | 1.4 | 1.6 | 1.6 | 1.2 | 1.1 | 0.9 |
| **GHG emissions growth (mtCO2e)** | -1.4 | -6.6 | 0.2 | 1.3 | 1.0 | 1.3 |
| **Energy related GHG emissions (% of total)** | 58.7 | 56.3 | 56.2 | 56.5 | 56.7 | 57.0 |

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
a/ Calculations based on EAPPOV harmonization, using 2011-HIS and 2015-HIS.Actual data: 2015. Nowcast: 2016-2021. Forecasts are from 2022 to 2024.
b/ Projection using annualized elasticity (2011-2015) with pass-through = 0.7 based on private consumption per capita in constant LCU.

# MONGOLIA

| Table 1 | 2021 |
|---|---|
| Population, million | 3.3 |
| GDP, current US$ billion | 15.5 |
| GDP per capita, current US$ | 4647.3 |
| National Official Poverty Rate[a] | 28.4 |
| Gini index[a] | 32.7 |
| School enrollment, primary (% gross)[b] | 103.4 |
| Life expectancy at birth, years[b] | 69.9 |
| Total GHG Emissions (mtCO2e) | 62.4 |

Source: WDI, Macro Poverty Outlook, and official data.
a/ National Statistics Office. Most recent value (2018).
b/ Most recent WDI value (2019).

*After posting 1.4 percent real GDP growth in 2021, growth will remain modest at 2.5 percent this year. Despite continued policy support and higher commodity prices, the recovery is dragged down by protracted logistical bottlenecks and the effects of the war in Ukraine. Additional significant risks include inflationary pressures, dwindling fiscal space, and widening external imbalances. Amid the modest recovery, poverty will only fall back to pre-COVID levels in 2023.*

## Key conditions and challenges

Mongolia's recovery remained subdued in 2021 despite high commodity prices, as COVID-related restrictions on cross-border traffic imposed by China especially during H2 weighed on exports and disrupted imports of production inputs and consumer goods. While domestic activities were supported by continued fiscal relief and stimulus measures as well as a rollback of mobility restrictions enabled by high vaccination rates, the economy remains below its pre-pandemic level and far from its potential. Meanwhile, sustained policy support has eroded fiscal space, and public debt – already high before COVID-19 – has increased sharply, now standing at 92 percent of GDP (including the central bank's liability under the People's Bank of China swap line). Public debt risks are further aggravated by sizable contingent liabilities including the Development Bank of Mongolia's external bond (US$800 million). External pressures could be compounded by rising fuel prices associated with the war in Ukraine as well as tighter global financing conditions that could complicate the rollover of upcoming large foreign debt repayments. Rapidly accelerating inflation and the appreciation of real exchange rate are further constraining available policy space. The pandemic exacerbated vulnerabilities associated with Mongolia's limited diversification of trade and trading partners and overreliance on imported inputs and consumer goods, reinforcing the need for structural reforms.

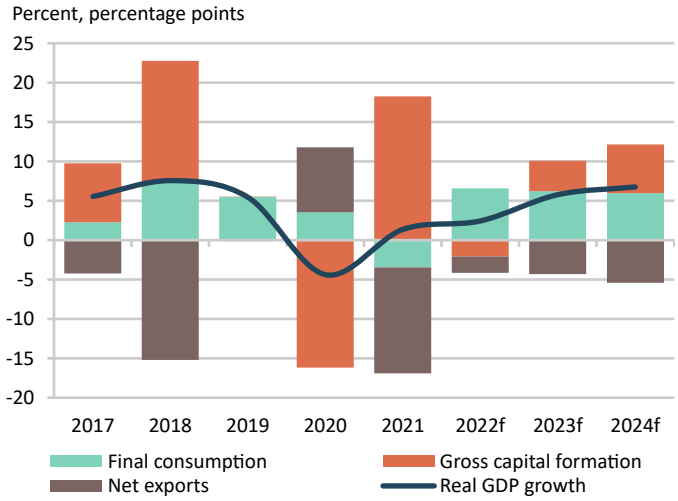
## Recent developments

After a strong economic rebound in early 2021, the recovery stalled in the last three quarters due to trade disruptions. Growth consequently was disappointing, reaching only 1.4 percent following the contraction of 4.4 percent in 2020. Economic growth was mainly supported by a strong rebound of coal mining in Q1, significant improvement in copper ore grade, and recovery in the services sector. In contrast, the manufacturing sector stagnated, and construction contracted significantly, amid supply shortages caused by border disruptions. Agriculture also contracted reflecting an outbreak of foot-and-mouth disease and harsh weather conditions.

Despite continued income support, private consumption declined as COVID-19 restrictions constrained mobility, rising inflation weighed on real incomes, and households increased precautionary saving amid persistent uncertainty. Investment recovered strongly, but this was mainly driven by a build-up of coal inventories as exports to China were stalled due to border frictions. FDI and subsidized loans under the government stimulus program also supported private investment in the mining and services sectors.

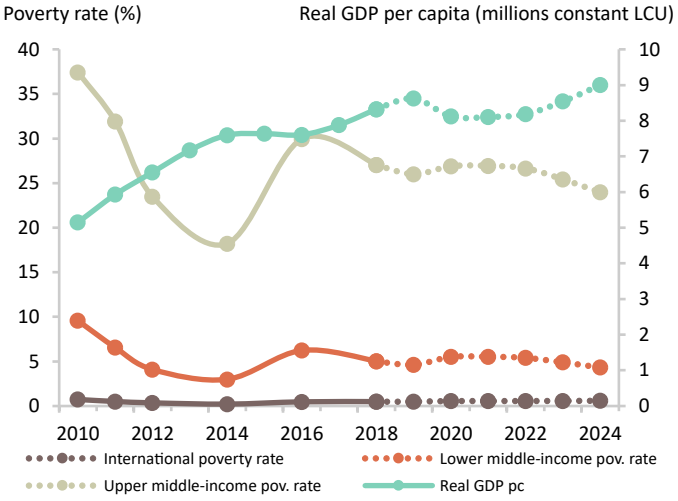
Following two years of expansionary fiscal policies, policy space has eroded with persistent fiscal imbalances threatening sustainability. Public spending increased in

**FIGURE 1 Mongolia** / Real GDP growth and contributions to real GDP growth




Sources: National Statistics Office and World Bank.

**FIGURE 2 Mongolia** / Actual and projected poverty rates and real GDP per capita




Source: World Bank. Notes: see Table 2.

2021 mostly driven by the generous but poorly targeted Child Money Program (CMP). The headline budget deficit nonetheless narrowed to 3.1 percent of GDP amid a one-off tax arrears collection (2.3 percent of GDP). The budget deficit is projected to increase in 2022, driven by increases in capital spending, the continuation of some COVID-related stimulus measures, and a discretionary pension increase (of around 1.5 percent of GDP). Meanwhile, the financing of the CMP through the Future Heritage Fund has weakened the fiscal framework and long-term sustainability. Public debt is expected to increase and fiscal buffers to further erode.

Inflation accelerated sharply to 14.2 percent (y/y) by February 2022, due to supply bottlenecks amid border closures as well as accelerating credit growth. Substantial real exchange rate appreciation and weak exports led to a widening current account deficit and the erosion of gross international reserves from over 7 months (in mid-2021) to 3.7 months of imports as of February 2022. The erosion of confidence related to the war in Ukraine and the persistent border frictions fueled increasing demand for foreign exchange, prompting banks to ration FX liquidity. This has started to affect some import payments. To stem these pressures the central bank raised its policy rate by 250 basis points.

## Outlook

Economic growth is projected to remain modest at 2.5 percent in 2022. This forecast reflects the impact of the war in Ukraine through higher prices of imported food, fuel and fertilizers coupled with lingering border frictions with China. Coal exports are expected to only recover towards the end of the year when border frictions with China may ease, following investments in upgrading border crossing and logistics facilities and an anticipated gradual loosening of COVID-related restrictions. As labor market conditions improve with the reopening of the economy, domestic demand is expected to recover driven by continued government support, rising investment and strengthening household consumption. The recent agreement with Rio Tinto over Mongolia's largest copper mine, Oyu Tolgoi (OT), will continue to support steady FDI inflows. While the anticipated drop in the quality of OT mining output - following last year's improvement - will weigh on mining output this year, the acceleration of investments will provide short-term support to the construction and services sectors and expand mining capacity in the long run. Over the medium-term, economic growth is expected to accelerate to above 6 percent in 2023-2024, as the underground mining phase of OT becomes operational during H2 2023. Poverty measured at the poverty line recommended for lower-middle income countries ($3.20 PPP) is projected to return to the pre-COVID level in 2023.

Risks are significant and tilted to the downside. In a downside scenario, economic growth could fall to 0.7 percent in 2022 if border restrictions with China persist throughout the year, and if the war in Ukraine leads to persistently higher energy prices and tighter global liquidity. Moreover, rising food inflation pressure could prompt poverty to remain above the pre-COVID level as the urban poor spends nearly 40 percent of their consumption on food. Heightened risks put a premium on preserving macroeconomic policy space. Better targeting fiscal measures to the poor would help contain fiscal imbalances and preserve valuable policy space in view of significant risks. Once the recovery is more entrenched, Mongolia should shift towards fiscal consolidation to ensure external and public debt sustainability. Structural reforms, including measures to reduce trade and transport costs, and facilitate foreign investment and domestic entrepreneurship, would help lay the foundation for more diversified and hence more resilient growth in the medium term.

**TABLE 2** **Mongolia** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

| | 2019 | 2020 | 2021e | 2022f | 2023f | 2024f |
|---|---|---|---|---|---|---|
| **Real GDP growth, at constant market prices** | 5.5 | -4.4 | 1.4 | 2.5 | 5.8 | 6.8 |
| Private Consumption | 5.8 | 2.1 | -6.5 | 8.9 | 7.6 | 7.0 |
| Government Consumption | 12.3 | 14.6 | 5.3 | 5.3 | 5.8 | 6.1 |
| Gross Fixed Capital Investment | 14.0 | -21.1 | 14.0 | 16.3 | 17.5 | 16.2 |
| Exports, Goods and Services | 12.0 | -5.3 | -14.5 | 4.0 | 18.0 | 17.1 |
| Imports, Goods and Services | 8.6 | -15.5 | 9.6 | 5.7 | 17.5 | 17.8 |
| **Real GDP growth, at constant factor prices** | 5.1 | -3.9 | 0.0 | 2.5 | 5.8 | 6.8 |
| Agriculture | 5.2 | 5.8 | -5.5 | 3.0 | 4.1 | 5.5 |
| Industry | 3.1 | -4.4 | -2.8 | 1.2 | 7.9 | 6.1 |
| Services | 6.4 | -6.5 | 3.6 | 3.0 | 5.1 | 7.6 |
| **Inflation (Consumer Price Index)** | 7.3 | 3.7 | 7.1 | 10.5 | 7.5 | 6.8 |
| **Current Account Balance (% of GDP)** | -15.2 | -4.3 | -12.7 | -15.6 | -13.8 | -11.6 |
| **Net Foreign Direct Investment (% of GDP)** | 16.4 | 12.2 | 13.1 | 12.6 | 11.8 | 11.1 |
| **Fiscal Balance (% of GDP)** | 1.4 | -9.4 | -3.1 | -4.8 | -4.8 | -4.4 |
| **Debt (% of GDP)[a]** | 68.4 | 77.3 | 79.5 | 83.6 | 81.7 | 80.0 |
| **Primary Balance (% of GDP)** | 3.6 | -6.8 | -1.1 | -2.8 | -1.9 | -1.1 |
| **International poverty rate ($1.9 in 2011 PPP)[b,c]** | 0.5 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| **Lower middle-income poverty rate ($3.2 in 2011 PPP)[b,c]** | 4.6 | 5.5 | 5.5 | 5.4 | 4.9 | 4.3 |
| **Upper middle-income poverty rate ($5.5 in 2011 PPP)[b,c]** | 26.0 | 26.9 | 26.9 | 26.7 | 25.4 | 24.0 |
| **GHG emissions growth (mtCO2e)** | 6.9 | 1.3 | 3.5 | 4.3 | 5.3 | 5.6 |
| **Energy related GHG emissions (% of total)** | 41.7 | 40.8 | 41.7 | 42.1 | 43.3 | 44.7 |

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
a/ Debt excludes contingent liabilities (DBM bond of 5% of GDP) and central bank's liability under the PBOC swap line (12% of GDP) by 2021.
b/ Calculations based on EAPPOV harmonization, using 2016-HSES and 2018-HSES.Actual data: 2018. Nowcast: 2019-2021. Forecasts are from 2022 to 2024.
c/ Projection using annualized elasticity (2016-2018) with pass-through = 1 based on GDP per capita in constant LCU.

# MYANMAR

| Table 1 | 2021 |
|---|---|
| Population, million | 54.8 |
| GDP, current US$ billion | 64.3 |
| GDP per capita, current US$ | 1173.4 |
| Lower middle-income poverty rate ($3.2)[a] | 14.9 |
| Upper middle-income poverty rate ($5.5)[a] | 54.3 |
| School enrollment, primary (% gross)[b] | 112.3 |
| Life expectancy at birth, years[b] | 67.1 |
| Total GHG Emissions (mtCO2e) | 219.0 |

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2017), 2011 PPPs.
b/ WDI for School enrollment (2018); Life expectancy (2019).

*Following the estimated 18 percent contraction in FY21, GDP is projected to expand by 1 percent in FY22, consistent with some stabilization in the economy but at a very low level. A deteriorating security environment, elevated inflationary pressures and worsening power outages are exacerbating the severe supply- and demand- side constraints associated with the aftermath of the February 2021 military coup. Livelihoods remain under severe strain and poverty is expected to have more than doubled in 2022 compared with pre-COVID levels.*

## Key conditions and challenges

A further wave of COVID-19 cases has increased health risks and economic challenges. Reported COVID-19 cases rose rapidly in February before declining in March. Although this recent outbreak appears to have been less severe than initially expected, testing has remained limited and there has likely been significant underreporting of cases. Moreover, the pandemic continues to pose health and economic risks given that only 38 percent of the population was fully vaccinated as at the end of February and treatment options are difficult to access.

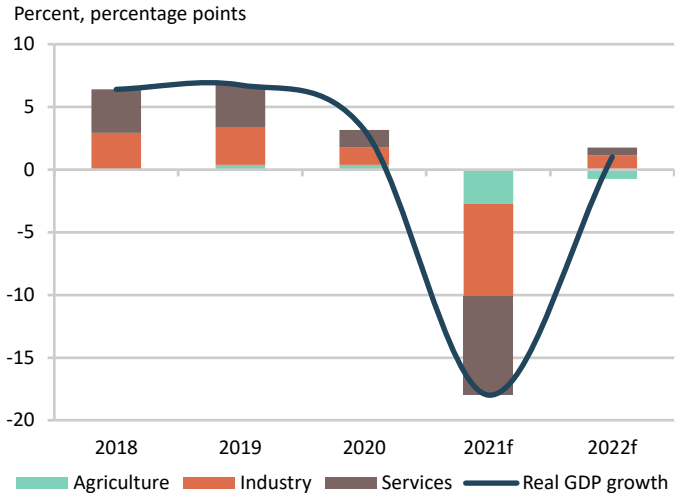
Indicators of conflict suggest that the security environment has deteriorated markedly since mid-2021, including in states and regions which have historically been relatively peaceful. At the same time as demand has fallen, firms have needed to devote scarce resources to dealing with security-related operating constraints and ensuring the safety of their staff and customers. Logistics have been hampered by an increase in the presence of security checkpoints and roadblocks, increasing transport times and costs. The ongoing threat of conflict has also affected businesses' confidence, and appetite to hire staff and invest.

An additional rise in fuel prices due to the conflict in Ukraine is exacerbating the severe supply-side constraints already affecting agricultural producers and manufacturers. The official kyat reference rate has depreciated by around a quarter against the US dollar since January 2021, and the spread between the official reference rate and the rates available on the market has increased sharply, indicating persistent exchange rate pressures. CPI inflation picked up to almost 10 percent (year-on-year) in October 2021, reflecting exchange rate depreciation, supply constraints and increases in transport costs. Local fuel prices have more than doubled over the past year, in part due to increases in global oil prices. Surveys indicate that rising input costs are a severe constraint to production across the economy. In recent weeks, electricity outages have also become increasingly frequent and long-lasting, negatively impacting households and critically affecting the ability of businesses to operate.

## Recent developments

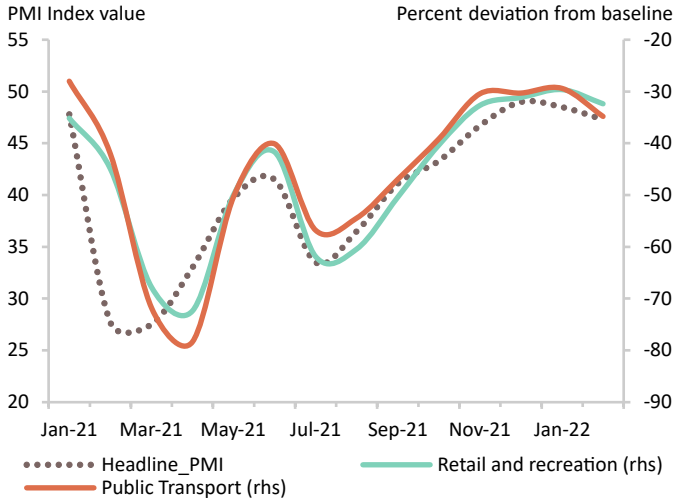
While some real-time indicators have improved in recent months, they remain consistent with a much lower level of economic activity than prior to the February coup. Mobility has recovered to pre-coup levels after falling 70 percent below pre-COVID-19 baseline levels in July, though mobility at retail, recreation and transport venues remains 30–40 percent below pre-COVID-19 levels. Manufacturing survey data indicate that the rate of contraction in output, employment, and new orders has eased since mid-2021. But the Purchasing Managers' Index dipped in early 2022 due to conflict-related disruptions, raw material

**FIGURE 1** **Myanmar** / Real GDP growth and contributions to real GDP growth by sector




Sources: Ministry of Planning and Finance and World Bank staff estimates.

**FIGURE 2** **Myanmar** / Manufacturing purchasing managers' index (PMI) / Mobility (month average)




Sources: Google COVID-19 Community Mobility Reports and IHS Markit.

shortages, higher input prices, and electricity outages.

Agriculture and manufacturing exports have picked up in recent months. Some border crossings with China have reopened – after closing in mid-2021 due to the third wave of COVID-19 – although cross-border trade remains subject to restrictions. Foreign direct investment (FDI) commitments have risen modestly since mid-2021, as has the number of company registrations. But several large international firms have announced their withdrawal from Myanmar over the same period.

Economic deterioration continues to damage livelihoods, which for many have been under severe strain since early 2020. Many households are experiencing declines in real income due to employment losses and/or reduced work hours and wages, combined with higher prices. While there is considerable uncertainty around these estimates, micro-simulations imply that the share of Myanmar's population living in poverty in 2022 (using national poverty lines) has more than doubled compared to levels before COVID-19 hit. With the price of some basic food items increasing sharply, and agricultural production constrained by higher input costs, in December the UN estimated that some 12 million people (about 22 percent of the population) are moderately food insecure in Myanmar, with an additional 1.2 million severely food insecure.

## Outlook

Following the estimated 18 percent contraction in FY21, GDP is projected to increase by 1 percent in FY22, consistent with some stabilization but at a very low level. Continued export demand for garments and a modest resumption of construction work are expected to support overall activity. On the other hand, the agriculture sector is expected to contract due to credit and logistics constraints and increases in fuel and fertilizer prices, which will be further exacerbated by the conflict in Ukraine. With gas export earnings of around 5 percent of GDP in FY21, the associated rise in global gas prices would have a positive impact on government revenues and overall economic activity in Myanmar. But the positive GDP impacts of higher gas prices are unlikely to benefit most of the population and will likely be more than offset by the negative GDP impacts of higher fuel prices on other sectors.

Downside risks are elevated. A further escalation in conflict would reduce demand, disrupt logistics and supply chains, and increase the constraints faced by businesses. If recent sharp increases in global oil prices persist, it would exacerbate broader inflationary pressures, stretching household budgets further and increasing firms' costs. Continued power outages would severely restrict the operating capacity of businesses, with higher fuel prices making the use of back-up generators less viable. Additional waves or new variants of COVID-19 remain a risk, particularly in the context of still low vaccination rates. A further contraction in economic activity is possible in FY22 to the extent that one or more of these downside risks materialize.

**TABLE 2** **Myanmar** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

| | 2017 | 2018 | 2019 | 2020 | 2021e | 2022f |
|---|---|---|---|---|---|---|
| **Real GDP growth, at constant market prices** | 5.8 | 6.4 | 6.8 | 3.2 | -18.0 | 1.0 |
| **Real GDP growth, at constant factor prices** | 5.8 | 6.4 | 6.8 | 3.2 | -18.0 | 1.0 |
| Agriculture | -1.5 | 0.1 | 1.6 | 1.7 | -12.5 | -3.2 |
| Industry | 8.7 | 8.3 | 8.4 | 3.8 | -20.3 | 3.3 |
| Services | 8.1 | 8.7 | 8.3 | 3.4 | -18.9 | 1.4 |
| **Inflation (Consumer Price Index)** | 4.7 | 5.9 | 8.5 | 5.8 | 3.6 | 10.0 |
| **Current Account Balance (% of GDP)** | -3.1 | -4.7 | -2.8 | 0.1 | -2.7 | 0.7 |
| **Fiscal Balance (% of GDP)[a]** | -2.7 | -2.9 | -3.7 | -6.6 | -8.8 | -8.0 |
| **Debt (% of GDP)** | 34.4 | 38.4 | 37.5 | 41.6 | 57.2 | 62.5 |
| **Primary Balance (% of GDP)[a]** | -1.3 | -1.7 | -2.4 | -5.2 | -7.0 | -6.6 |
| **GHG emissions growth (mtCO2e)** | 3.9 | 0.7 | 0.3 | -0.7 | -5.1 | 0.1 |
| **Energy related GHG emissions (% of total)** | 14.7 | 15.1 | 15.4 | 15.0 | 12.9 | 12.6 |

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
a/ Fiscal balances are reported in fiscal years (October 1st -September 30th).

# NORTH PACIFIC ISLANDS

| Table 1 | 2021 |
|---|---|
| Population, million | |
| Federated States of Micronesia | 0.12 |
| Republic of the Marshall Islands | 0.06 |
| Palau | 0.02 |
| North Pacific | 0.19 |
| GDP, US$, billion | |
| Federated States of Micronesia | 0.40 |
| Republic of the Marshall Islands | 0.24 |
| Palau | 0.22 |
| North Pacific | 0.86 |
| GDP per capita, current US$ | |
| Federated States of Micronesia | 3475 |
| Republic of the Marshall Islands | 4337 |
| Palau | 12405 |
| North Pacific | 4433 |

Sources: WDI, World Bank staff estimates.

*COVID-19 has led to recessions in the Federated States of Micronesia (FSM), Republic of the Marshall Islands (RMI) and Palau. A gradual recovery is projected from FY22. In the short term, moderate fiscal surpluses are projected for FSM and RMI, while Palau's fiscal deficit will remain sizable. Medium-term fiscal risks are substantial, primarily due to the scheduled expiry of US Compact-related fiscal transfers, highlighting the importance of structural reforms.*

## *Key conditions and challenges*

More than 95 percent of the population in **Palau** is fully vaccinated from COVID-19, and almost 70 percent of the population has received a third booster dose. The vaccination rate is relatively lower in **FSM** and **RMI**. Palau's border is now open for fully vaccinated international travelers. However, tourist arrivals are yet to recover with monthly arrival per end-January was only 6% of pre-COVID number. In the short term, the key challenges facing the North Pacific are: (1) The vaccine rollout and management of the pandemic, to pave the way for relaxed border restrictions and gradual recovery of international arrivals. (2) To support a sustainable and inclusive economic recovery while managing fiscal risks (particularly in Palau).

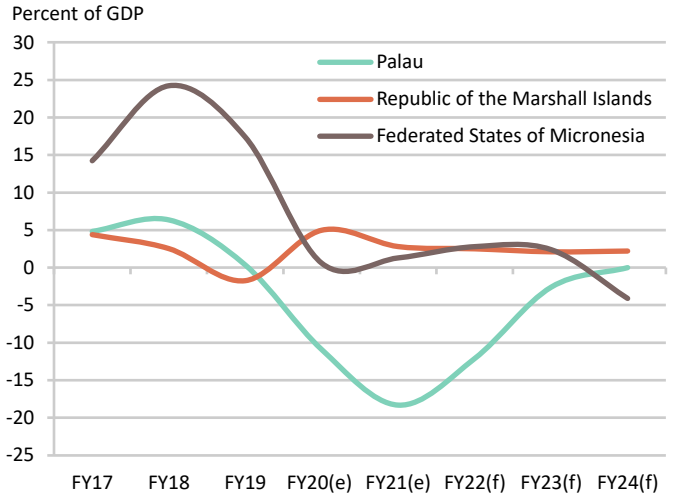
Over the medium term, the key challenge is the scheduled expiry of Compact-related grants and programs in 2023-2024. This poses a key structural risk to long-term fiscal sustainability, considering the limited space for additional debt. This is exacerbated by the fact that the projected annual distributions from the nations' Compact-related trust funds are not sufficient to fully offset the expiring fiscal transfers. Given this risk, reform-based fiscal adjustments, such as domestic revenue mobilization and expenditure rationalization, are critical to cover fiscal gaps. Natural disasters and climate change also pose a threat to livelihoods. Sea level rise threatens the physical viability of numerous islands, particularly in RMI. Finally, governments need to implement structural reforms to ensure sustainable economic recovery that supports livelihood of the bottom 40 percent of households. However, the lack of recent household data makes it challenging to monitor development progress and impacts of shocks while also limits the potential for evidence-based policy.

## *Recent developments*

The economic impact of the pandemic drove **FSM** and **RMI** into the second year of consecutive recession in FY21. Output is estimated to have contracted by a further 3.2 percent in FSM and 2.5 percent in RMI in FY21. Ongoing strict border closures and related trade disruptions have curtailed construction activity, transport and domestic consumption. Large parts of FSM and RMI government revenues have been relatively protected from the downturn in domestic activity, particularly donor grants and fishing revenues. Grants, combined with substantial fiscal buffers in FSM, provided fiscal space for stimulus, which was rolled out during FY20 and FY21. FSM and RMI registered fiscal surpluses of 1.3 percent and 2.8 percent of GDP in FY21, respectively.

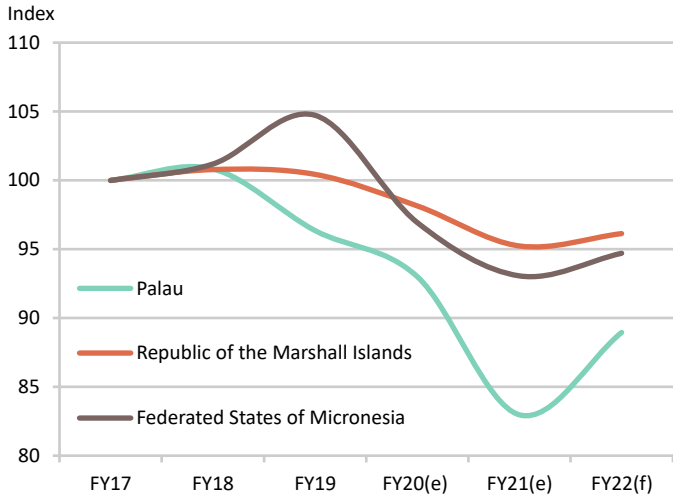
In **Palau**, the pandemic has severely impacted the economy. The tourism industry and its related business activities (around 40 percent of GDP) have been curtailed and trade flows are severely disrupted. GDP is estimated to have contracted further by 17.1

**FIGURE 1** **North Pacific Islands** / Overall fiscal balance (share of GDP)




Sources: National sources via EconMap and World Bank projections.

**FIGURE 2** **North Pacific Islands** / Formal sector employment (Index, 2017=100)




Sources: National sources via EconMap and World Bank projections.

percent in FY21, after more than 90 percent drop in tourist arrivals. The fiscal deficit widened to over 18 percent in 2021 driven by a decline in non-grant revenues and a rise in health spending and relief measures for firms and households. This deficit has been financed by external borrowing, which is estimated to have raised general government debt to around 85 percent of GDP from around 39 percent in FY19.

## Outlook

The timing and shape of the economic recovery in the North Pacific depends on when international arrivals can fully resume and the fallout of the Russia-Ukraine war. For FSM and RMI, easing border restrictions will facilitate entry of foreign workers, merchandise imports and business travels, while for Palau, increase in international arrivals will boost the tourism recovery. Conditional on the easing of restrictive arrivals by mid-2022 and a recovery in global economy, a rebound is projected in FY22. The economies of the **FSM** and **RMI** are projected to grow by 0.4 percent and 3.0 percent, due to the expected pick-up in construction, tourists, and foreign workers arrival. The **Palauan** economy is projected to grow by 7.2 percent, on the back of gradual recovery of the tourist arrivals to around one-third of the pre-crisis level. However, strong resurgence of the virus globally or local outbreaks could necessitate a significant tightening of containment measures and delays in reopening, which can derail the recovery and dampen growth prospects. Fiscal surpluses of 2.8 percent and 2.5 percent of GDP are projected in FSM and RMI, as tax revenues recover in line with economic activity. Another large deficit of 12.1 percent is projected in Palau, as non-grant revenues remain around 7 percent below pre-crisis levels.

GDP is not expected to recover to pre-crisis levels until FY23 in **RMI** and FY24 in **FSM**. For **Palau**, GDP is projected to remain on a relatively lower trajectory, compared to pre-pandemic level, until tourist arrivals fully recover in FY24. For all three countries, the negotiation with the U.S on Compact-related fiscal transfers is ongoing, and the terms and timing remain uncertain. Fiscal risks are tilted to the downside with potential reduction in grant revenues. Under current policies, the FSM will face a fiscal cliff in FY24 and projected fiscal deficit of 4-5 percent of GDP from FY24 onwards. In RMI, the fiscal surplus is projected to decline from 5 percent of GDP in FY20 to 2.2 percent of GDP by FY24. Palau is projected to have a fiscal deficit of 2.6 percent of GDP in FY23 before return to a balance in FY24 due to increase in tourism receipt and full implementation of tax reform bill.

Poverty in the North Pacific is expected to have risen relative to pre-crisis levels. The sharp economic contraction in FY20 and FY21 led to formal-sector job losses and lower demand for goods in the informal economy. The rebound in formal sector jobs in FY22 is expected to be slow. For Palau, the severe impacts on economic activity and jobs have led to increased vulnerability for substantial number of households that predominantly work in the tourism sector. For FSM and RMI, many households rely on annual remittance inflows (around 6 percent and 13 percent of GDP, respectively) that dropped in FY21 and is estimated to remain depressed in FY22 due to the impacts of the pandemic on US labor market conditions. There are only recent poverty estimates for RMI, in which poverty is predicted to fall slightly in FY22, if economic growth materializes. In FSM, the country with the highest poverty rate in the North Pacific, poverty reduction is likely to be slower, given the huge share of informal sector and lower rebound of economic growth in FY22.

**TABLE 2 North Pacific Islands** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

| | 2019 | 2020e | 2021e | 2022f | 2023f | 2024f |
|---|---|---|---|---|---|---|
| **Real GDP growth, at constant market prices** | | | | | | |
| Federated States of Micronesia | 1.2 | -1.8 | -3.2 | 0.4 | 3.2 | 1.9 |
| Republic of the Marshall Islands | 6.6 | -2.2 | -2.5 | 3.0 | 2.4 | 2.6 |
| Palau | -1.9 | -9.7 | -17.1 | 7.2 | 16.2 | 4.5 |
| **Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]** | | | | | | |
| Republic of the Marshall Islands | 22.5 | 24.0 | 26.7 | 24.5 | 24.1 | 23.0 |

Sources: ECONMAP, IMF, and Worldbank.
e = estimate; f = forecast.
Note: Values for each country correspond to their fiscal years ending September 30.
(a) Calculations based on EAPPOV harmonization, using 2019-HIES.
(b) Projection using neutral distribution (2019) with pass-through = 1 (High) based on GDP per capita in constant LCU.

# PAPUA NEW GUINEA

| Table 1 | 2021 |
|---|---|
| Population, million | 9.1 |
| GDP, current US$ billion | 25.3 |
| GDP per capita, current US$ | 2773.8 |
| National Poverty Rate[a] | 39.9 |
| Gini index[a] | 41.9 |
| School enrollment, primary (% gross)[b] | 116.0 |
| Life expectancy at birth, years[b] | 64.5 |
| Total GHG Emissions (mtCO2e) | 65.7 |

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2009/10). National values
b/ Most recent WDI value (2019).

*The economy rebounded modestly in 2021, supported by agriculture in the context of limited COVID-19 mobility restrictions. Rising fiscal deficit and the economic contraction placed the country at high risk of debt distress, requiring a fiscal consolidation. After two years of contraction, the extractive sector is projected to be the main driver of GDP growth in 2022. With low vaccination rates, limited fiscal space, and general elections in mid-2022, uncertainty remains high.*

## *Key conditions and challenges*

The COVID-19 crisis has come on top of PNG's structural economic challenges, notably the boom-and-bust cycles driven by swings in natural resource sector exports. These cycles have been exacerbated by sub-optimal fiscal and public expenditure management as expenditure goes up during booms, followed by spending cuts when the boom ends. Pandemic-related global and domestic travel restrictions have weakened external and domestic demand. In 2020, this has led to an economic contraction, a sizable fiscal deficit, and higher unemployment, and these outcomes were only partially reversed in 2021. PNG has a highly dispersed and fragmented population, low level of urbanization, significant gender disparities, high exposure to natural disasters, high degree of resource dependence, and inter-communal violence in some regions. Weak governance severely constrains the ability to effectively manage this challenging context. Fragility-related risks are exacerbated by the socio-economic impact of exogenous shocks, such as earthquakes and COVID-19.

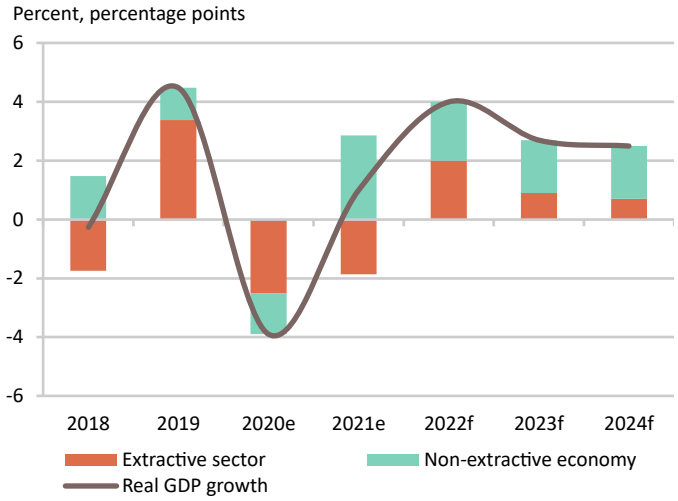
Socio-economic development is lagging for large sections of the population in PNG. The last available nationally representative household survey, from 2010, suggested that about 38 percent of the population was living below the US$1.90 per day (2011 PPP terms) poverty line. According to phone surveys conducted by the World Bank and UNICEF in mid-2021, more than half of households reported relying on subsistence agriculture as their main source of employment. More than two-thirds of households reported at least one episode of food insecurity in the previous 30 days, while nearly 40 percent of households reported insufficient access to water for drinking and handwashing.

## *Recent developments*

On the back of a strong global economic recovery, PNG reversed its downward economic growth trajectory in 2021. The economy contracted by 3.5 percent in 2020 before returning to positive growth of 1 percent in 2021. The impact of COVID-19 on economic output has been smaller than in many other EAP economies. The reasons for this include: low tourism exposure, good performance of the agriculture sector, a time lag in the spread of COVID-19 within the country, fiscal stimulus, and the recovery of commodity prices. However, growth has lagged global and regional averages. Economic performance in 2021 was constrained by falling gold and liquefied natural gas (LNG) production that resulted in a decline in extractive sector output for a second consecutive year.

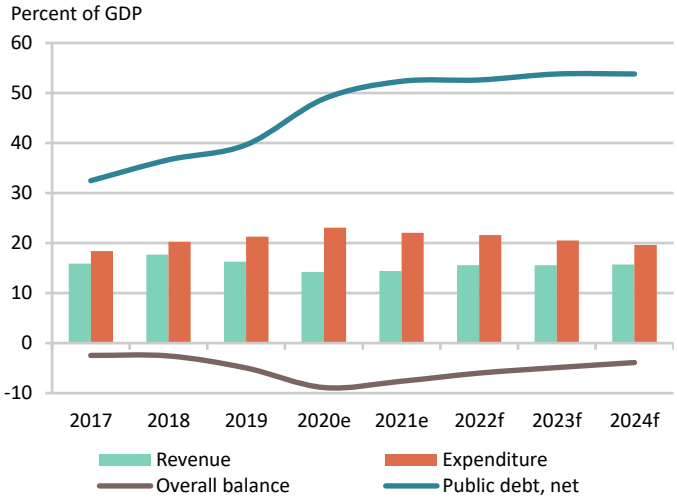
Despite reversing the trajectory of the widening fiscal deficit, it remained large at over 7 percent GDP in 2021. Public debt exceeded 50 percent of GDP, and the country is now classified at high risk of debt distress, according to the World Bank–IMF

**FIGURE 1 Papua New Guinea** / Real GDP growth and contributions to real GDP growth




Source: World Bank staff estimates and forecast.

**FIGURE 2 Papua New Guinea** / Key fiscal and debt indicators




Source: World Bank staff estimates and forecast.

Debt Sustainability Analysis. Contingent on prudent fiscal policies to be implemented, debt remain sustainable. The Bank of PNG maintained the Kina Facility Rate at 3 percent. Despite an accommodative monetary policy, private sector lending remained flat due to subdued economic conditions. Parliament passed amendments to the Central Bank Act in December 2021 that expanded its mandate beyond maintaining price stability to also promoting employment and economic growth. The current account surplus remained substantial owing to depressed imports and high commodity prices. However, due to the large debt repayments of the extractive sector, shortages of foreign currency remain a key challenge.

The impact of COVID-19 on livelihoods of the poor and vulnerable households was severe, according to four rounds of a World Bank mobile phone survey conducted between June 2020 and December 2021. More than one-quarter of those working in January 2020 were estimated to have stopped working by December 2020. Employment and income levels in mid-2021 were largely unchanged compared to December 2020. Preliminary analysis from the December 2021 survey shows that most households continued using detrimental coping strategies such as selling assets or drawing down on savings. Overall, the survey results are consistent with a stall in economic recovery.

## Outlook

In 2022, PNG is navigating a fragile recovery. On the positive side, the extractive sector is projected to rebound, driven by the planned reopening of the Porgera gold mine. Extractive sector growth is projected to be the main driver of overall GDP growth in 2022 at 4.0 percent. High commodity prices will amplify this effect, supporting the external accounts and providing (potentially) higher dividends to the state-owned companies that hold shares in joint projects in the resource sector.

Meanwhile, uncertainty remains high. The Omicron variant of COVID-19 has been spreading fast in PNG, the least vaccinated country in the EAP region. Less than 6 percent of the adult population received at least one vaccine dose, with 4 percent fully vaccinated. There is little prospect of a rapid increase in vaccination rates, given high rates of vaccine hesitancy. Combined with the low capacity of the public health system, this poses a risk of higher casualties and a negative impact on domestic economic activity. Meanwhile, after the recent widening of fiscal deficits, the government is expected to implement a gradual fiscal consolidation. The fiscal space for a significant policy response in case of an economic shock is limited. The repercussions of the Russia–Ukraine war might imply short-term gains from higher commodity prices. However, the medium-term growth impact is likely to be negative due to higher global uncertainty and lower growth. Additionally, general elections in mid-2022 heighten political uncertainties.

**TABLE 2 Papua New Guinea** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

| | 2019 | 2020e | 2021e | 2022f | 2023f | 2024f |
|---|---|---|---|---|---|---|
| **Real GDP growth, at constant market prices** | 4.5 | -3.5 | 1.0 | 4.0 | 2.7 | 2.5 |
| Extractive sector[a] | 11.3 | -8.4 | -6.2 | 6.8 | 2.9 | 2.4 |
| Non-extractive economy | 1.4 | -1.1 | 4.2 | 2.9 | 2.6 | 2.6 |
| **Inflation (Consumer Price Index), period average** | 3.7 | 4.9 | 5.1 | 7.2 | 5.1 | 4.9 |
| **Current account balance (% GDP)** | 22.1 | 19.5 | 20.5 | 21.9 | 21.5 | 20.8 |
| Extractive sector[a] | 26.1 | 21.3 | 21.0 | 22.8 | 22.9 | 22.4 |
| Non-extractive economy | -4.0 | -1.8 | -0.5 | -0.9 | -1.4 | -1.6 |
| **Overall fiscal balance (% of GDP)** | 5.0 | -8.6 | -7.6 | -6.0 | -4.9 | -3.9 |
| **Non-resource primary balance (% of non-extractive GDP)** | -6.1 | -10.4 | -8.8 | -6.9 | -5.2 | -3.6 |
| **Public debt, net (% of GDP)** | 40.2 | 48.9 | 52.3 | 52.4 | 53.7 | 53.6 |

Sources: World Bank staff estimates and forecast.
e = estimate; f = forecast.
(a) The extractive sector comprises mining, quarrying, petroleum and gas production.

# PHILIPPINES

| Table 1 | 2021 |
|---|---|
| Population, million | 111.0 |
| GDP, current US$ billion | 392.5 |
| GDP per capita, current US$ | 3534.3 |
| International poverty rate ($1.9)[a] | 2.7 |
| Lower middle-income poverty rate ($3.2)[a] | 17.0 |
| Upper middle-income poverty rate ($5.5)[a] | 46.9 |
| Gini index[a] | 42.3 |
| School enrollment, primary (% gross)[b] | 99.1 |
| Life expectancy at birth, years[b] | 71.2 |
| Total GHG Emissions (mtCO2e) | 214.4 |

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2011 PPPs.
b/ Most recent WDI value (2019).

*Following a deep contraction in 2020, the economy rebounded in 2021 supported by strong manufacturing and public investment. Economic policies have been supportive of the recovery, but policy space is narrowing. Poverty has likely improved between 2020 and 2021, but remains above pre-pandemic levels. The economy is projected to grow by about 5.6 percent per year over the medium term, anchored on more robust domestic activities. However, the outlook is subject to downside risks from external and domestic sources.*

## *Key conditions and challenges*

The Philippines swiftly contained its largest COVID-19 outbreak in early 2022. Metro Manila and other key regions were placed under Alert Level 1 since March 1, allowing for unimpeded cross-border travel and a return to full-capacity in workspaces, establishments, and public transportation. Progress in mass vaccination, amid declining vaccine hesitancy, continues to help drive domestic activity as nearly 60 percent of the population are fully vaccinated, with about 13.0 percent having received boosters. Current macroeconomic policies remain supportive of growth, although policy space continues to narrow given rising public debt and increasing inflationary expectation.

Risks remain tilted to the downside with significant implications on the macroeconomic policy setting. Foremost is the possibility of new COVID-19 variants which could lead to a resurgence in infections, possible re-introduction of containment measures, and additional burden on fiscal support. In addition, the upcoming national election raises uncertainty on policy continuity and priorities of the next administration. On the external front, the Russia-Ukraine war heightens the inflationary pressure already experienced in global markets, which could accelerate the tightening of the monetary policy in advanced economies and in the Philippines.

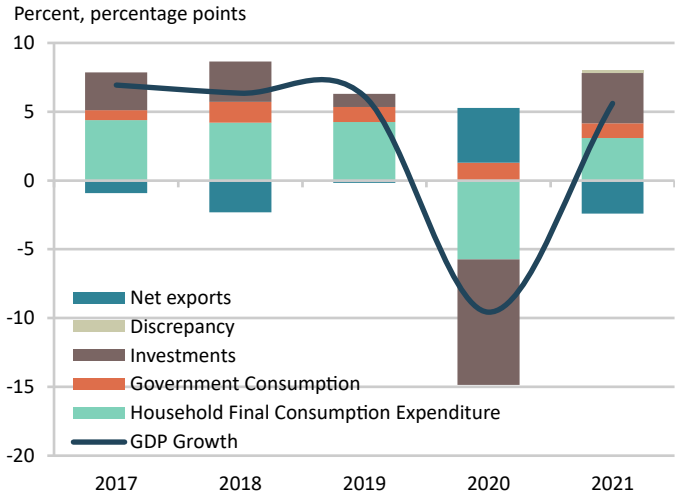
The new administration to take office in June 2022 would have to carefully manage rising vulnerabilities on the macroeconomic policy front, accelerate physical and human capital investments, and pursue structural reforms to strengthen long-term recovery. Rebuilding a narrowing fiscal space can be achieved by carefully pursuing fiscal consolidation. Ensuring inclusive and quality growth matters as the country pursues its Ambisyon Natin objective of reaching middle class society by 2040.

## *Recent developments*

The economy expanded by 5.6 percent year-on-year in 2021, fueled by a faster-than-expected recovery in the second half of the year. However, output remained below pre-pandemic level by around 5.0 percent, whereas many regional peers have closed the gap. Strong external demand buoyed manufacturing exports, while public investment drove growth in construction. The relaxation of containment measures, especially towards the end of the year, drove a rebound in services. However, agriculture struggled with a contraction in livestock production due to the African Swine Fever. On the expenditure side, private consumption was a key growth engine. Public investment accelerated, but uncertainty and weak confidence dampened private investment. Goods exports benefitted from a supportive external environment.

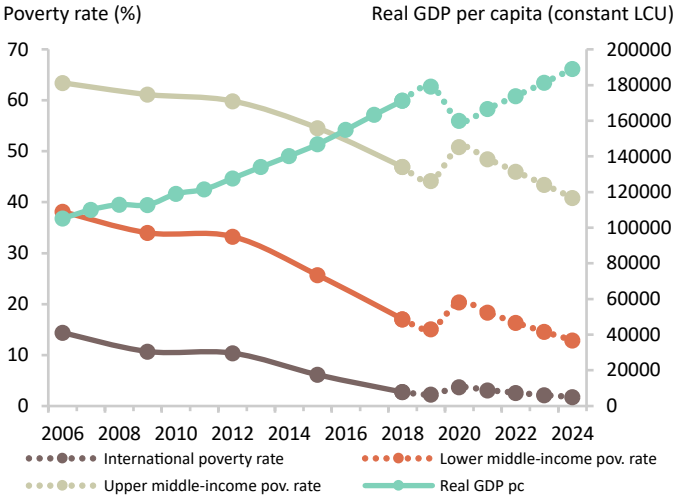
The fiscal deficit rose to 8.6 percent of GDP in 2021 fueled by an acceleration in public spending and a sharp decline in non-tax

**FIGURE 1 Philippines** / Real GDP growth and contributions to real GDP growth




Source: Philippines Statistics Authority.

**FIGURE 2 Philippines** / Actual and projected poverty rates and real GDP per capita




Source: World Bank staff calculations.

revenues. Public spending increased by 2.3 percent of GDP, anchored on public investment growth, and fiscal support measures. The central government debt increased from 54.6 percent of GDP in 2020 to 60.5 percent of GDP in 2021.

The central bank kept the key policy rate at 2.0 percent despite headline inflation breaching the 2-4 percent target in 2021. The uptick in headline inflation was due to rising global oil prices and a surge in food inflation as a result of food production challenges from the African Swine Fever and weather-related disturbances.

Labor force participation is 60.5 percent in January 2022, the same rate in January 2021. Female participation notably increased by 1.2 percentage points, while unemployment decreased to 6.4 percent from 8.8 percent in the same period. The labor market improvement may have helped lower poverty between 2020 and 2021, but it remains above pre-pandemic levels. There are danger signs of the low quality of jobs generated with workers moving to self-employment and low-skilled wage occupation, which can jeopardize future poverty reductions. The labor shift and human capital deterioration have increased inequality. The Gini coefficient is estimated to increase from 42.3 percent in 2018 to 45.0 percent in 2021, and would have been higher without the social assistance given at the height of the pandemic.

## Outlook

The economy is projected to grow at 5.7 percent in 2022 and 5.6 percent on average in 2023-24. Growth will draw strength from the domestic environment with declining COVID-19 cases, looser restrictions, and wider reopening. The strong domestic condition will help compensate for the weak external environment, reeling from a global growth deceleration, rising inflation, and geopolitical turmoil.

The reopening will benefit the contact-intensive services sector, while public investment will support construction and industry. Agriculture is expected to grow modestly as structural weaknesses persist. On the expenditure side, private consumption will expand with recovering employment and remittances, boosted by election-related spending. Consumption growth could have been higher if not for the Russia-Ukraine war driving inflationary pressure on fuel and food. Public consumption is expected to grow in line with the bigger national budget, while public infrastructure investments will contribute to capital formation growth. Net exports will be weaker amid a subdued external environment. In 2023-2024, private consumption will be supported by sustained remittances and domestic activities, while public consumption slows in view of fiscal consolidation. Capital growth may be tempered by rising interest rates and lingering uncertainty from the external environment.

Poverty incidence is estimated at 18.3 percent in 2021, based on the lower middle-income poverty line of 3.2 dollars a day, 2011 PPP. Following current growth projections, poverty incidence will decrease to 16.2 percent in 2022, and continue to decline through 2024. The Russia-Ukraine war may induce inflation spikes that may slowdown the decline in poverty, mainly through the knock-on effect of fuel price increases on food prices that disproportionately hurt the poor and economically vulnerable.

Significant risks emanate from the external environment. Central banks in advanced economies have signaled imminent interest rate hikes, which could lead to financial volatility in emerging markets. Rising global commodity and energy prices will intensify inflationary pressure. Domestically, the political transition risks policy discontinuity that may undermine market confidence. While the country has entered a benign phase of the pandemic, threat of a new variant-driven surge hangs over the outlook. Nevertheless, the country has adopted systems that allow more public mobility and localized responses to outbreaks, reducing adverse economic impacts.

**TABLE 2 Philippines** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

| | 2019 | 2020 | 2021e | 2022f | 2023f | 2024f |
|---|---|---|---|---|---|---|
| **Real GDP growth, at constant market prices** | 6.1 | -9.6 | 5.6 | 5.7 | 5.6 | 5.6 |
| Private Consumption | 5.9 | -7.9 | 4.2 | 5.5 | 5.6 | 5.6 |
| Government Consumption | 9.1 | 10.5 | 7.0 | 9.2 | 7.8 | 6.5 |
| Gross Fixed Capital Investment | 3.9 | -27.5 | 9.6 | 12.3 | 10.1 | 9.4 |
| Exports, Goods and Services | 2.6 | -16.3 | 7.8 | 7.6 | 7.3 | 7.0 |
| Imports, Goods and Services | 2.3 | -21.6 | 12.9 | 12.3 | 10.3 | 9.0 |
| **Real GDP growth, at constant factor prices** | 6.1 | -9.6 | 5.6 | 5.7 | 5.6 | 5.6 |
| Agriculture | 1.2 | -0.2 | -0.3 | 1.0 | 1.1 | 1.1 |
| Industry | 5.5 | -13.2 | 8.2 | 6.5 | 6.2 | 5.9 |
| Services | 7.2 | -9.2 | 5.3 | 6.0 | 6.1 | 6.1 |
| **Inflation (Consumer Price Index)** | 2.4 | 2.4 | 3.9 | 4.2 | 3.5 | 3.3 |
| **Current Account Balance (% of GDP)** | -0.8 | 3.2 | -1.8 | -4.0 | -3.5 | -3.3 |
| **Net Foreign Direct Investment (% of GDP)** | 2.3 | 1.9 | 2.7 | 2.8 | 3.0 | 3.0 |
| **Fiscal Balance (% of GDP)** | -3.4 | -7.6 | -8.6 | -7.1 | -6.0 | -5.1 |
| **General Government Debt (% of GDP)** | 34.1 | 48.1 | 54.6 | 56.2 | 56.9 | 57.0 |
| **Primary Balance (% of GDP)** | -1.5 | -5.5 | -6.4 | -4.6 | -3.5 | -2.6 |
| **International poverty rate ($1.9 in 2011 PPP)[a,b]** | 2.2 | 3.7 | 3.1 | 2.6 | 2.1 | 1.7 |
| **Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]** | 15.0 | 20.4 | 18.3 | 16.3 | 14.6 | 12.9 |
| **Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]** | 44.2 | 50.8 | 48.5 | 46.0 | 43.4 | 40.9 |
| **GHG emissions growth (mtCO2e)** | 3.3 | -12.2 | 0.6 | 2.3 | 2.1 | 2.0 |
| **Energy related GHG emissions (% of total)** | 58.8 | 54.8 | 55.1 | 54.8 | 54.4 | 54.0 |

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
a/ Calculations based on EAPPOV harmonization, using 2018-FIES.Actual data: 2018. Nowcast: 2019-2021. Forecasts are from 2022 to 2024.
b/ Projection using neutral distribution (2018) with pass-through = 1 based on GDP per capita in constant LCU.

# SOLOMON ISLANDS

| Table 1 | 2021 |
|---|---|
| Population, million | 0.7 |
| GDP, current US$ billion | 1.6 |
| GDP per capita, current US$ | 2322.0 |
| National Basic Needs Poverty Rate[a] | 12.7 |
| School enrollment, primary (% gross)[b] | 104.3 |
| Life expectancy at birth, years[b] | 73.0 |
| Total GHG Emissions (mtCO2e) | 46.4 |

Source: WDI, Macro Poverty Outlook, and official data.
a/ Solomon Islands National Statistics Office. Most recent value (2013).
b/ Most recent WDI value (2019).

*The economy is expected to shrink by -2.9 percent in 2022, reflecting the negative impact of the recent civil unrest and widespread community transmission of the coronavirus. These events have broad-based economic impacts and create pressure on the fiscal accounts. Risks to the outlook include a further spread of the coronavirus, higher imported inflation, a return of social unrest, and climate-related disasters.*

## Key conditions and challenges

Solomon Islands is a country with 700,000 people dispersed across 90 inhabited islands. The country faces large economic, development and governance challenges shaped by its geographical dispersion, remoteness to international markets, and vulnerability to natural disasters. In addition to the socio-geographic characteristics, capacity constraints, as well as a fragile political landscape pose a continuous threat to sustainable development. These challenges make the planning, delivery and management of infrastructure systems challenging and this has resulted in a large infrastructure gap. The need for economic diversification is urgent given economy's over-reliance on the logging sector. The government's attempt to find new sources of economic growth is constrained by several impediments, including limited human capital and an unfavorable business environment.

Development challenges have been further exacerbated by the COVID-19 pandemic which caused a sharp economic contraction and adversely affected people's livelihoods. According to a mobile phone survey collected from June to August 2021, there is no sign of employment recovery. To the contrary, the survey indicates a decline in the share of working individuals since the start of the pandemic. More than half of all households experienced reductions in their non-agricultural income during the period January-June 2021. Food insecurity remains prevalent, as more than two thirds of households had at least one episode of food insecurity in the month leading up to the survey. Common coping strategies, such as reducing food consumption or selling assets, could make those households further vulnerable.

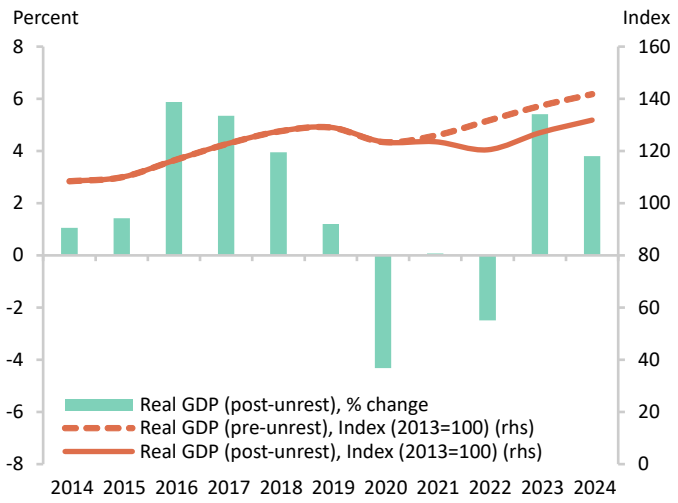
Strong and timely containment measures had been successful in preventing local transmission of the coronavirus until 2022, when a community outbreak rapidly spread through a largely unvaccinated population. At the end of February 2022 about 30 percent of the population had received at least one dose. The country expects to reopen its borders in the second half of 2022.

## Recent developments

The economy was set to grow by 0.4 percent in 2021. However, at the end of November 2021, protests at the Parliament building escalated into looting and rioting, causing severe damage and losses to buildings and goods, estimated at 7 percent of GDP. The civil unrest, driven by a complex web of local grievances and a lack of economic opportunities, reduced the economic growth rate by 0.3 percentage points in 2021 (to 0.1 percent), with knock-on effects in 2022. This reflects lower economic activity in the retail and wholesale sector, which accounted for half of all the civil unrest damage.

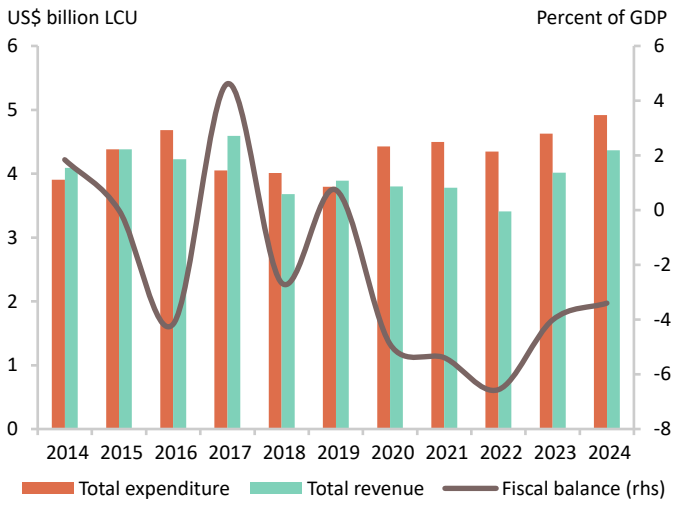
The fiscal deficit deteriorated to 5.4 percent of GDP in 2021. In the month of December

**FIGURE 1 Solomon Islands** / Real GDP growth, actual, pre-unrest trend and post-unrest forecast




Source: World Bank staff estimates.

**FIGURE 2 Solomon Islands** / Fiscal balance




Source: World Bank staff estimates.

2021, the revenue loss due to riots is estimated at 0.6 percent of GDP. In response, the government introduced austerity measures limiting payments to payroll, essential items and COVID-19 related expenditures, though this only partially offset the revenue loss. The remaining fiscal gap in 2021 was financed by a reduction in cash buffers, which stood 3 percent of GDP at the end of 2021.

The current account deficit widened to 5.2 percent of GDP in 2021, reflecting a large trade deficit which was partially offset by current transfers. The trade deficit was mainly driven by an increase in imports of machineries, fuel and basic manufactures and export of fish and agricultural products, as well as minerals.

## Outlook

Output is projected to contract by 2.9 percent in 2022, reflecting the impact of the civil unrest and COVID-19 lockdown. This represents a sharp deterioration compared to the pre-unrest projection for 2022 (4.5 percent growth). Investments to replace damaged productive capacity caused by the riots are unlikely to gain pace until later in the year. Furthermore, the lockdown to contain COVID-19 is likely to dent output in contact-intensive sectors, including services, which represents about 55 percent of output. Following a contraction in 2022, growth is projected to rebound to 5.3 percent of GDP in 2023 and to moderate to 3.8 percent in 2024. Infrastructure investment, a return of business tourism and increased mining activity are expected to support growth over the medium-term.

The deficit in both external and fiscal accounts will widen in 2022, to 18.3 percent and 7.7 percent of GDP, respectively. High demand for imported construction materials and machinery will drive current account deficit. A combination of lower economic activity and elevated spending on COVID-response and business recovery will increase the fiscal deficit. The deficit, in turn, will be financed by a further drawdown on the cash buffers and a combination of domestic and external lending. An expected rebound of economic activity and spending consolidation will lead to a narrowing of the fiscal deficit in 2023-2024. Similarly, the current account deficit will shrink over the medium term reflecting smaller fiscal deficit and reduction in construction-related imports.

COVID-19 remains a major risk to the economic outlook. A low vaccination intake—particularly among low-educated and female populations— may lead to the maintenance of a closed border policy, while a further community transmission may have human capital implications and hamper economic recovery. The Russia-Ukraine war may lead to sustained high commodity prices – especially fuel, which would have inflationary effects and negative implications on the external accounts (refined petroleum constitutes 20 percent of imports). A further deterioration of domestic economic conditions may lead to a return of social unrest, while natural disasters remain a significant risk for Solomon Islands.

**TABLE 2 Solomon Islands** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

| | 2019 | 2020 | 2021e | 2022f | 2023f | 2024f |
|---|---|---|---|---|---|---|
| **Real GDP growth, at constant market prices** | 1.2 | -4.3 | 0.1 | -2.9 | 5.3 | 3.8 |
| **Real GDP growth, at constant factor prices** | 1.3 | -4.3 | 0.1 | -2.9 | 5.3 | 3.8 |
| Agriculture | -4.4 | -2.3 | -0.6 | -6.6 | 2.2 | -1.2 |
| Industry | 6.3 | -12.7 | 6.8 | -1.9 | 18.7 | 17.7 |
| Services | 2.8 | -2.7 | -1.4 | -1.4 | 2.9 | 1.5 |
| **Inflation (Consumer Price Index)** | 1.6 | 3.0 | -0.2 | 8.8 | 3.5 | 3.5 |
| **Current Account Balance (% of GDP)** | -9.8 | -1.6 | -5.2 | -18.3 | -17.7 | -14.0 |
| **Net Foreign Direct Investment (% of GDP)** | -1.8 | -0.4 | -1.5 | -2.9 | -3.1 | -2.8 |
| **Fiscal Balance (% of GDP)** | 0.7 | -4.9 | -5.4 | -7.7 | -4.9 | -4.5 |
| **Debt (% of GDP)** | 8.3 | 14.0 | 20.6 | 23.7 | 25.6 | 26.8 |
| **Primary Balance (% of GDP)** | 1.2 | -4.2 | -5.1 | -7.3 | -4.4 | -4.0 |
| **GHG emissions growth (mtCO2e)** | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 |
| **Energy related GHG emissions (% of total)** | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 1.0 |

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

# SOUTH PACIFIC ISLANDS

| Table 1 | 2021 |
|---|---|
| Population, million | |
| Samoa | 0.20 |
| Tonga | 0.10 |
| Vanuatu | 0.31 |
| GDP, US$, billion | |
| Samoa | 0.79 |
| Tonga | 0.50 |
| Vanuatu | 1.00 |
| GDP per capita, current US$ | |
| Samoa | 3954 |
| Tonga | 4993 |
| Vanuatu | 3253 |

Sources: WDI, World Bank staff estimates.

*The economies of Samoa, Tonga and Vanuatu have been hit by natural disasters and the COVID-19 pandemic. These South Pacific countries just recorded their first COVID outbreaks. Tonga's outbreak was amid a volcanic eruption and subsequent tsunami. Strict travel restrictions have hit tourism-related activity with negative spillovers on the rest of the economy. Governments need to continue supporting the vulnerable and embark on structural reforms to support inclusive economic recovery.*

## *Key conditions and challenges*

Natural disasters and external shocks pose a constant threat to livelihoods, economic growth, and fiscal sustainability in the South Pacific. Enhancing resilience to external shocks is crucial to supporting long-run growth and achieving sustainable improvements in living standards and poverty reduction. Economic activity may remain depressed for another six to nine months as authorities remain cautious about border reopening to prevent overburdening their weak public health systems. The delayed recovery creates significant potential for scarring effects in the longer term, particularly in the tourism sector. Lost firms and jobs create adverse structural changes to the economy that are not reversed when aggregate demand recovers. These changes would disproportionately affect the lower educated, whose skills may not be as transferable to other sectors. The economic shocks and slow recovery also greatly increase the risk of poverty, particularly as households deplete savings and assets to cope with lost incomes.

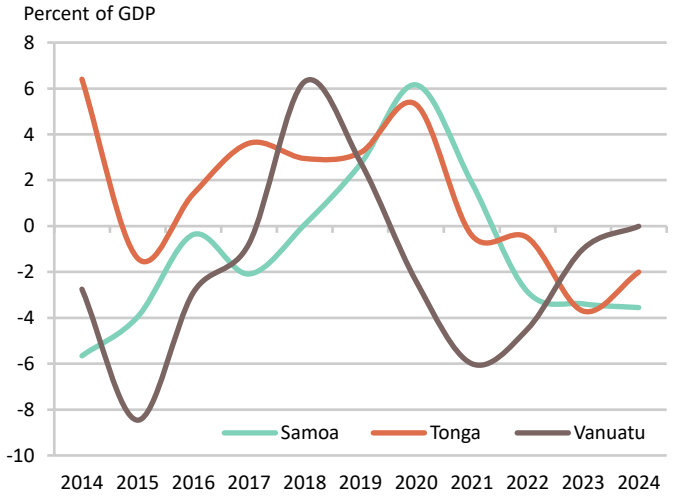
The main immediate challenge for all three countries is to contain the domestic COVID-19 outbreak. In addition, Vanuatu needs to sustain its recent uptick in vaccinations to minimize health and economic impacts from the outbreak while Tonga needs to prioritize response and recovery from the recent tsunami. The near-term challenge will be to strike an appropriate balance between catalyzing a sustainable and inclusive economic recovery and maintaining macroeconomic balance in the face of several competing pressures. With limited fiscal space and low capacity to carry debt, governments need to prioritize strategic measures that lay the foundation for the economic recovery, while also supporting livelihoods for the bottom 40 percent of households. Effective implementation of structural reforms will be critical to ensure a sustainable economic recovery.

## *Recent developments*

Border closures helped temporarily contain the pandemic but created economic downturns. Substantial donor funding cushioned the negative impact on fiscal and external balances. While the COVID-19 vaccination roll-out has been progressing well in Samoa and Tonga with approximately 90 percent of the adult population fully vaccinated as at end-February 2022, it has been relatively slow in Vanuatu. It lags with only 48 percent of the adult population fully vaccinated.

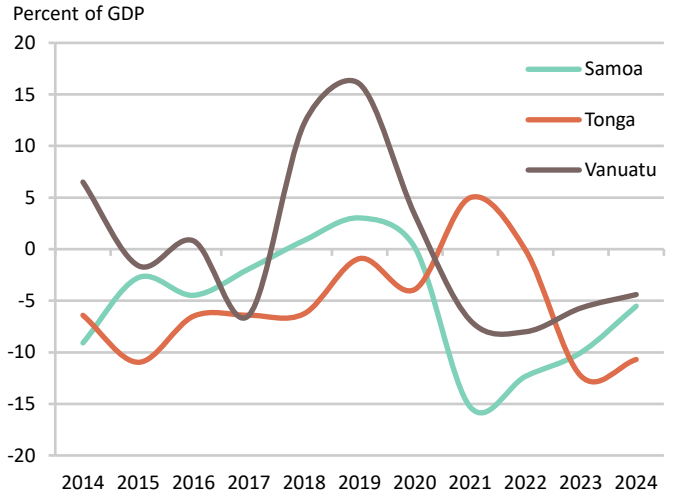
The **Samoan** economy recorded a historical-high recession in FY21. While border closure prevented domestic transmission of COVID-19, it resulted in a sharp contraction of tourism and related industries, and hindered construction activity. Despite policy support and robust remittances, real GDP declined by 8.1 percent. Poverty is likely to have risen from the pre-pandemic level, with urban areas affected more due to the higher concentration of

**FIGURE 1 South Pacific Islands** / Overall fiscal balance




Sources: National sources and World Bank projections.

**FIGURE 2 South Pacific Islands** / Current account balance




Sources: National sources and World Bank projections.

jobs in the service sector. Substantial development partner grants, spending under-execution and favorable tax revenue outturn, reflecting improved tax compliance and the phased rollout of the Tax Invoice Monitoring System (TIMS) helped attain a fiscal surplus of 1.9 percent of GDP. The current account recorded a substantial deficit (15.3 percent of GDP) as tourism receipts came to a standstill.

The **Tongan** economy is estimated to have contracted by 0.8 percent in FY21, due to the impacts of COVID-19 and TC Harold—a category 5 cyclone that struck the country in April 2020. These shocks have resulted in a slowdown in the tourism, retail, and agriculture sectors. However, a severe contraction was avoided due to the fiscal stimulus implementation, ramp-up of reconstruction activities from TC Gita (2018) and TC Harold, and buoyant remittance inflows. A marginal fiscal deficit of 0.4 percent of GDP was recorded, supported by relatively high grants and better-than-expected domestic revenue collections. Robust remittances and lower service imports helped attain a current account surplus (5 percent of GDP).

In **Vanuatu**, following a deep economic recession in 2020, growth is estimated to have recovered to 1.2 percent in 2021. The economic recovery was underpinned by continued fiscal stimulus, which supported livelihoods and funded reconstruction activity related to TC Harold. A sizeable fiscal deficit of 6 percent of GDP was recorded in 2021, driven by a fall in sovereign rents, particularly lower Economic Citizenship Program (ECP) receipts, alongside increased expenditures. The current account recorded a deficit of 8 percent of GDP, predominantly driven by subdued tourism receipts.

## *Outlook*

The near-term outlook remains dependent on the duration of COVID-19 related travel restrictions and the economic fallout from the Russia-Ukraine war. Among others, achieving herd immunity through vaccination is a key trigger for border reopening. Most of the adult population are expected to be fully vaccinated by end-March 2022 in Samoa and Tonga. In Vanuatu, vaccination demand has increased substantially due to the community transmission of the COVID-19. Tourism activity is expected to be sluggish in the near-term and gain momentum over the medium-term. While premature border reopening could have implications on the domestic COVID situation, economic activity will be constrained for as long as international travel restrictions remain in place. The implication is that poverty rates across the three countries will gradually decline as economic activity picks up and jobs become available but will remain higher than pre-pandemic levels until full economic recovery is achieved.

In **Samoa**, an economic contraction of 0.3 percent is projected in FY22, reflecting the global growth slowdown and COVID-related impact but is projected to accelerate to 3.8 percent by FY24. The recovery is expected to be driven by a gradual resumption of tourist activity from FY23, spillovers to other sectors and ramping up of capital projects. The fiscal balance is projected to record a deficit of 2.9 percent of GDP as development partner grants normalizes and capital expenditure picks up pace. With the delayed recovery in tourism, the current account deficit is projected to persist in FY22. The twin deficits are expected to narrow over the medium-term consistent with the economic recovery.

In **Tonga**, the economy is expected to contract by 1.6 percent in FY22, reflecting the impact of the recent tsunami on agricultural production, the commercial sector and tourism, aggravating the COVID-related impact. Borders are expected to remain closed until end of FY22 as the country battles its first COVID-19 outbreak. Growth is expected to rebound to 3.2 percent in FY23 and FY24 driven by reconstruction activity, recovery in agriculture production, and gradual pick-up in tourism receipts. The fiscal and current account deficits are projected to remain elevated in FY23-24 as reconstruction activities and recovery efforts take place, before narrowing over the medium term.

In **Vanuatu**, GDP growth is expected to accelerate to 3-4 percent between 2022-2024, supported by a gradual pick up in tourism and cyclone reconstruction activity. In tandem, the poverty rate is projected to gradually decline from 36.6 percent in 2022 to 35.9 percent in 2024. In the near term, the community transmission of COVID-19 is negatively affecting growth. The fiscal deficit is projected to deepen in 2022 – due to lower ECP revenues and increased COVID-spending but narrow onwards. A balanced budget is expected by 2024 as the recently passed Tax Administration Act helps boost tax revenues and the COVID stimulus is gradually withdrawn. These are expected to outweigh the projected decline in ECP revenues. Similarly, the current account deficit is projected to gradually narrow to approximately 4.4 percent of GDP by 2024, driven by a recovery in travel receipts.

**TABLE 2 South Pacific Islands** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

| | 2019 | 2020 | 2021e | 2022f | 2023f | 2024f |
|---|---|---|---|---|---|---|
| **Real GDP growth, at constant market prices** | | | | | | |
| Samoa | 4.4 | -2.6 | -8.1 | -0.3 | 2.5 | 3.8 |
| Tonga | 0.7 | 0.7 | -0.8 | -1.6 | 3.2 | 3.2 |
| Vanuatu | 3.9 | -6.8 | 1.2 | 2.0 | 4.1 | 3.7 |
| **Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]** | | | | | | |
| Vanuatu | 32.3 | 37.6 | 36.9 | 36.6 | 36.1 | 35.9 |

Sources: World Bank and IMF.
e = estimate; f = forecast.
Note: Financial years for Samoa and Tonga are July-June, for Vanuatu it is January-December.
(a) Calculations based on EAPPOV harmonization, using 2019-NSDP.
(b) Projection using neutral distribution (2019) with pass-through = 1 (High) based on GDP per capita in constant LCU.

# THAILAND

| Table 1 | 2021 |
|---|---|
| Population, million | 70.0 |
| GDP, current US$ billion | 506.0 |
| GDP per capita, current US$ | 7233.4 |
| Upper middle-income poverty rate ($5.5)[a] | 6.4 |
| Gini index[a] | 35.0 |
| School enrollment, primary (% gross)[b] | 102.2 |
| Life expectancy at birth, years[b] | 77.2 |
| Total GHG Emissions (mtCO2e) | 392.2 |

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2020), 2011 PPPs.
b/ WDI for School enrollment (2020); Life expectancy (2019).

*The economy expanded by just 1.6 percent in 2021 as tourism remained dormant and a surge in COVID-19 cases hit economic activity. Economic activity is expected to return to pre-pandemic levels by early 2023 supported by private consumption and services exports. The pace of recovery is expected to remain protracted and hinges on the evolution of COVID-19 infections, the resumption of tourism, and the fallout from the Ukraine-Russia war. Goods exports are likely to be affected by weakening global demand. Government relief measures are expected to gradually decline, amid ongoing fiscal consolidation.*

## Key conditions and challenges

The economy is on a recovery path following the reopening of borders and relaxation of lockdown measures. Growth is projected to reach 2.9 percent in 2022 after expanding by just 1.6 percent in 2021. However, risks to growth are skewed to the downside as several uncertainties cloud the outlook. The global trajectory of the pandemic remains unpredictable and the probability of future new vaccine-resistant strains of coronavirus could affect domestic consumption and border restrictions. The recovery will in part depend on continued progress with the vaccination rollout and booster shots, the ongoing implementation of other preventive and testing/tracing measures, and the sustained reopening of international borders.

The pandemic shock is expected to inflict lasting scars on productivity and socioeconomic development in Thailand. A decline in capital investment in 2020 diminished potential output, exacerbating the adverse effects of demographic aging and slow factor reallocation. Employment and learning losses were uneven with vulnerable groups disproportionately affected, worsening inequalities in income and human capital accumulation. Meanwhile, increasing levels of corporate and household debt could pose risks, including risks to the financial sector once existing forbearance measures expire. On the other hand, a deferral of productive investments due to weakened firm balance sheets would reduce potential output over the longer-term.

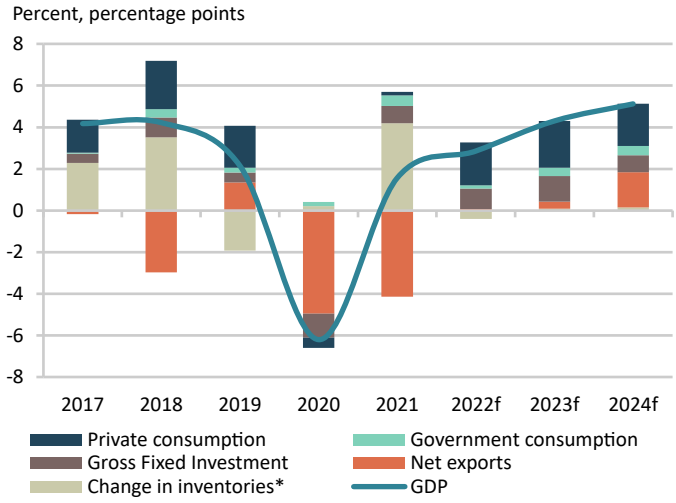
The Ukraine-Russia war is likely to have a substantial impact on domestic oil prices and consumer prices as Thailand is a net commodity importer. High consumer prices will weigh on household welfare. As the economic recovery is expected to be gradual, continued but scaled-down social assistance and government relief programs are necessary to mitigate the welfare impact of rising prices on household livelihoods.

## Recent developments

The economy expanded by 1.6 percent in 2021 as a surge in COVID-19 cases hit economic activity. This followed a contraction of 6.2 percent in 2020 - the worst since the Asian Financial Crisis. Private consumption weakened due to the COVID-19 outbreak and the containment measures in 2021. Goods exports were the main source of growth, following the pickup in global demand. The economy gained traction in the fourth quarter, growing by 1.9 percent (yoy), up from -0.2 percent in the previous quarter. Contributing factors included the relaxation of lockdown measures, the reopening of borders for vaccinated visitors, and continued COVID-19 relief measures.

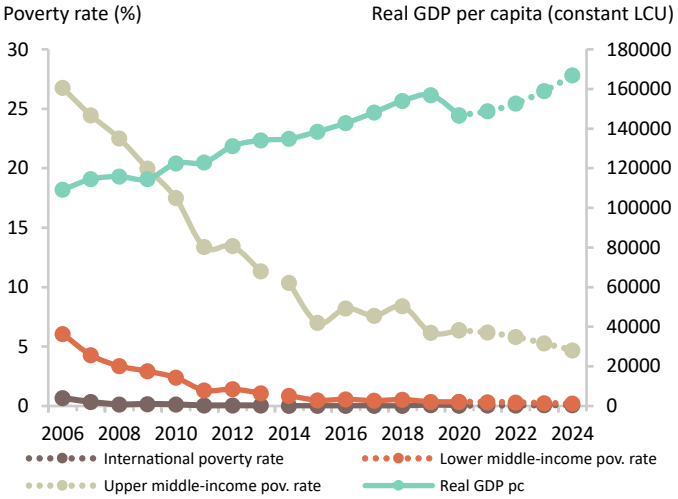
The central government fiscal deficit widened significantly in FY21 (year ended September) to 8.7 percent of GDP due to further increases in pandemic-response spending. Expenditures rose to 26.4 percent of GDP, up from 23.5 percent in FY20. Public debt increased to 57.8 percent of

**FIGURE 1 Thailand** / Real GDP growth and contributions to real GDP growth




Sources: World Bank staff calculations and NESDC. Note: * Includes statistical discrepancy.

**FIGURE 2 Thailand** / Actual and projected poverty rates and real GDP per capita




Source: World Bank. Notes: see Table 2.

GDP. The central bank continued to pursue accommodative monetary policy and the targeted distribution of liquidity support to SMEs. The current account balance turned negative for the first time in 8 years at 2.2 percent of GDP, reflecting the widening service exports deficit due to muted tourism receipts and soaring freight costs. The Real Effective Exchange Rate (REER) depreciated by 4.8 percent in 2021, the second worst-performing currency in Asia after the Japanese yen.

Employment has picked up following the relaxation of lockdown measures and the reopening of borders, but labor market conditions remained weaker than before the pandemic. The unemployment rate declined to 1.6 percent in Q4 2021 but remained above the level of 1.0 percent in 2019. Average household income grew 4.5 percent per year (in nominal terms) during 2019 – 2021, driven by incomes from social assistance and COVID-19 relief measures. Household debt surged during the same period, reaching 89.3 percent of GDP in 2021, which is high compared to regional peers. The poverty headcount rate (based on the upper middle-income poverty line of 5.5 dollars a day, 2011 PPP) was estimated to have declined from 6.4 percent in 2020 to 6.2 percent in 2021 due to significant fiscal support to households.

## Outlook

The economy is expected to return to pre-pandemic levels by early 2023. Growth is projected to reach 2.9 percent in 2022 and 4.3 percent in 2023, driven by increased private consumption and services exports. But weakening global demand will slow growth in goods exports. The fallout from the Ukraine-Russia war will weigh on domestic consumption, external demand, and tourism. Government relief measures are expected to gradually decline amid fiscal consolidation. Headline inflation is expected to rise markedly to 3.7 percent in 2022 due to supply-side driven factors, including the surge in global oil prices following the Ukraine-Russia war. However, second-round inflation pressures are projected to remain contained due to the remaining output gap, price administration, and anchored inflation expectations.

The pace of recovery will hinge on the evolution of COVID-19 infections and the resumption of tourist arrivals. Despite the reopening of borders, the pace of the tourism recovery is likely to be gradual due to the ongoing Omicron wave, continued travel restrictions by China, and the Ukraine–Russia war.

Labor market conditions are expected to gradually improve as the tourism sector continues to recover. Social assistance income is expected to rise due to an expansion of eligible beneficiaries of the state welfare card scheme from 13.5 million in 2021 to 20 million in 2022. Following the growth rebound, the expansion of the social assistance programs, and the continuation of the COVID-19 recovery programs, household income is expected to increase and the poverty headcount rate is projected to decline to 5.8 percent in 2022.

**TABLE 2 Thailand** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

| | 2019 | 2020 | 2021e | 2022f | 2023f | 2024f |
|---|---|---|---|---|---|---|
| **Real GDP growth, at constant market prices** | 2.2 | -6.2 | 1.6 | 2.9 | 4.3 | 5.1 |
| Private Consumption | 4.0 | -1.0 | 0.3 | 3.8 | 4.1 | 3.7 |
| Government Consumption | 1.6 | 1.4 | 3.2 | 0.9 | 2.5 | 2.9 |
| Gross Fixed Capital Investment | 2.0 | -4.8 | 3.4 | 4.0 | 4.9 | 3.3 |
| Exports, Goods and Services | -3.0 | -19.7 | 10.4 | 6.7 | 5.7 | 7.8 |
| Imports, Goods and Services | -5.2 | -14.1 | 17.9 | 6.5 | 5.1 | 5.3 |
| **Real GDP growth, at constant factor prices** | 2.2 | -5.6 | 1.6 | 2.8 | 4.3 | 5.1 |
| Agriculture | -0.5 | -3.2 | 1.3 | 1.3 | 1.2 | 1.2 |
| Industry | -0.7 | -5.3 | 3.4 | 4.8 | 3.9 | 3.9 |
| Services | 4.2 | -6.0 | 0.6 | 1.9 | 4.9 | 6.3 |
| **Inflation (Consumer Price Index)** | 0.7 | -0.8 | 1.2 | 3.7 | 0.9 | 1.1 |
| **Current Account Balance (% of GDP)** | 7.0 | 4.2 | -2.2 | -2.4 | 0.2 | 2.2 |
| **Net Foreign Direct Investment (% of GDP)** | -1.0 | -4.8 | 0.6 | 0.5 | 0.5 | 0.5 |
| **Fiscal Balance (% of GDP)** | 0.4 | -4.5 | -7.8 | -3.9 | -2.2 | -2.0 |
| **Debt (% of GDP)** | 40.9 | 50.1 | 57.7 | 62.6 | 63.2 | 61.8 |
| **Primary Balance (% of GDP)** | 1.4 | -3.6 | -6.5 | -2.8 | -0.9 | -0.8 |
| **International poverty rate ($1.9 in 2011 PPP)[a,b]** | 0.1 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 |
| **Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]** | 0.3 | 0.3 | 0.3 | 0.3 | 0.2 | 0.2 |
| **Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]** | 6.2 | 6.4 | 6.2 | 5.8 | 5.3 | 4.7 |
| **GHG emissions growth (mtCO2e)** | 0.0 | -6.0 | 1.8 | -0.7 | 1.8 | 3.6 |
| **Energy related GHG emissions (% of total)** | 61.3 | 59.5 | 60.1 | 59.4 | 59.6 | 60.5 |

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
a/ Calculations based on EAPPOV harmonization, using 2014-SES, 2019-SES, and 2020-SES.Actual data: 2020. Nowcast: 2021. Forecasts are from 2022 to 2024.
b/ Projection using annualized elasticity (2014-2019) with pass-through = 0.7 based on GDP per capita in constant LCU.

# TIMOR-LESTE

| Table 1 | 2021 |
|---|---|
| Population, million | 1.3 |
| GDP, current US$ billion | 1.7 |
| GDP per capita, current US$ | 1283.8 |
| International poverty rate ($1.9)[a] | 22.0 |
| Lower middle-income poverty rate ($3.2)[a] | 65.9 |
| Gini index[a] | 28.6 |
| School enrollment, primary (% gross)[b] | 112.5 |
| Life expectancy at birth, years[b] | 69.5 |
| Total GHG Emissions (mtCO2e) | 6.5 |

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2014), 2011 PPPs.
b/ Most recent WDI value (2019).

*The economy is showing signs of moderate recovery from the dual COVID-19 and natural disaster shocks in 2021. The economy is projected to grow by 2.4 percent in 2022 on the back of public spending and a strong COVID-19 vaccination campaign. Risks to the outlook include the recurrence of COVID-19 outbreaks and political uncertainty due to the upcoming Presidential election. Long-term growth prospects remain contingent on the ability of the Government to promote private sector growth and to build a more climate-resilient economy.*

## *Key conditions and challenges*

Economic growth driven by public spending has generated low returns in the past and is fiscally unsustainable going forward. Between 2013 and 2020, GDP growth averaged 0.3 percent per year, well below the EAP average of 6.0 percent. Public spending skyrocketed in 2007-2016 and remained one of the highest in the world (71.2 percent of GDP in 2020). But high public spending did not boost growth as expected and led to a large fiscal deficit of 18.2 percent of GDP in 2020. The fiscal deficit can be financed using the Petroleum Fund (about 19 times 2021 GDP) in the short to medium term. However, the Petroleum Fund will be depleted by 2032 under current spending trajectories.

Timor-Leste has had eight different governments since independence twenty years ago. Recent political instabilities, particularly in 2018 and 2020, have caused considerable delays in the approval, promulgation, and execution of the state budgets. Public investment declined by 17.9 percent and 49.1 percent in 2019 and 2020, respectively. A political consensus around key policy and regulatory reforms to support economic recovery and overcome socioeconomic challenges is urgently needed.

Timor-Leste is vulnerable to natural hazards and ranked 20th amongst countries with the highest disaster risks. The April 2021 natural disasters and related recovery costs have eroded fiscal space and undermined macroeconomic stability. The structural reform agenda includes creating a more supportive environment for private-sector-led growth and building a more climate-resilient economy.

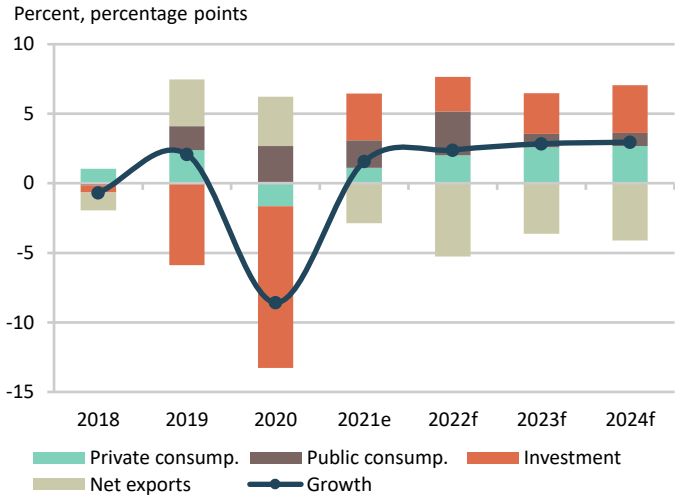
## *Recent developments*

After a relatively slow start, the vaccination campaign has accelerated rapidly. As of March, 21, 2022, 72.5 percent of eligible adults are fully vaccinated while more than 85 percent adults have received at least one dose. The government has started vaccinating children and adolescents aged between 12 and 18 years old. Booster shots have been made available since early this year. Timor-Leste is in the early phase of the third wave of transmission primarily driven by Omicron. Also, of concern is the surge of Dengue cases. There have been some 20 deaths and more than 3 000 reported cases of dengue fever since January 2022.

The country had a challenging year in 2021 as the economy was adversely impacted by the surge of COVID-19 cases and major flooding caused by Tropical Cyclone Seroja. High spending to respond these shocks has led to a budget deficit of 44.2 percent of GDP in 2021, but authorities were only able to execute 71 percent of the allocated budget. The 2022 budget was opportunely approved and promulgated on time in December 2021 and January 2022, respectively.

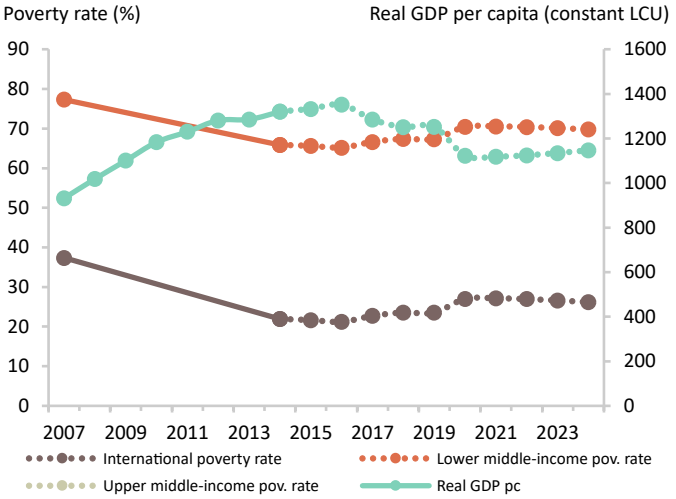
The dual shocks in 2021 might also increase poverty. Measured by an international poverty line of US$1.90 per day per capita (2011 PPP), poverty was estimated to have increased from 24 to 27 percent between

**FIGURE 1 Timor-Leste** / Real GDP growth and contributions to real GDP growth




Sources: Ministry of Finance and World Bank staff estimates.

**FIGURE 2 Timor-Leste** / Actual and projected poverty rates and real GDP per capita




Source: World Bank. Notes: see Table 2.

2019 and 2021. It is difficult to capture the impact of COVID-19 at the household level due to very limited data as the latest Timor-Leste Survey of Living Standard was in 2014. According to the nationally representative Socio-Economic Impact Assessment (SEIA) 2.0 survey conducted by the General Directorate of Statistics, Ministry of Finance and the UNDP in July-August 2021, around 40 percent of the employed population lost their jobs since the COVID-19 pandemic outbreak in March 2020. As of March 2021, 90 percent of them reported that they were back in employment. But this is characterized by informal work arrangements with unstable earnings and low productivity.

## Outlook

The economy is projected to expand by 2.4 percent in 2022 with the decline of COVID-19 infection rates. On the demand side, a gradual rebound in private consumption, supported by public sector wages and personal benefit transfer, and higher execution of Government expenditure will drive economic growth. Yet, it is concerning to note that the sustainable sources of revenue for the 2022 budget are set considerably below what is required to cover even the recurrent spending. Without major revenue reforms, fiscal deficit is projected to hover at around 40 percent of GDP in the medium term. Net exports will continue to be a drag on growth due to structural external sector imbalances (lack of diversified exports and high import demand).

External pressures will persist in the short term, owing in part to import-intensive infrastructure projects. Border re-openings, if carefully managed, will gradually support the tourism sector. High oil prices and slightly higher oil and gas production should help narrow the current account deficit. The financial account surplus will expand, although mainly due to divestments of the Petroleum Fund used to cover both the fiscal and current account deficits. Consumer price inflation is projected to gradually pick up, reflecting the increase in higher Government spending and the global energy prices.

The presidential vote is scheduled on March 19 with a potential runoff for the two top candidates on April 19. There is also a possibility of an early Parliamentary elections in case the elected President is from the opposition. As the country moves into an electoral period, policymaking and reform processes can be stalled.

Risks to the forecast are skewed to the downside. Worsening of the political environment, new waves of COVID-19, and impact of climate changes and natural disaster events could slow the recovery.

**TABLE 2 Timor-Leste** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

| | 2019 | 2020 | 2021e | 2022f | 2023f | 2024f |
|---|---|---|---|---|---|---|
| **Real GDP growth, at constant market prices** | 2.1 | -8.6 | 1.6 | 2.4 | 2.8 | 3.0 |
| Private Consumption | 3.7 | -2.5 | 1.6 | 2.9 | 3.7 | 3.8 |
| Government Consumption | 3.2 | 4.9 | 3.1 | 4.9 | 1.5 | 1.5 |
| Gross Fixed Capital Investment | -17.4 | -42.5 | 19.5 | 12.3 | 13.1 | 14.0 |
| Exports, Goods and Services | -17.2 | -51.1 | 13.1 | 11.8 | 13.8 | 14.0 |
| Imports, Goods and Services | -6.5 | -8.5 | 5.6 | 9.8 | 6.4 | 7.0 |
| **Real GDP growth, at constant factor prices** | 2.0 | -8.3 | 1.6 | 2.4 | 2.8 | 3.2 |
| Agriculture | 2.5 | 5.1 | 2.9 | 2.9 | 2.9 | -1.2 |
| Industry | 4.8 | -28.5 | 2.4 | 2.4 | 2.4 | 16.7 |
| Services | 1.2 | -7.1 | 1.1 | 2.2 | 2.9 | 2.0 |
| **Inflation (Consumer Price Index)** | 0.9 | 0.5 | 3.8 | 2.5 | 2.6 | 2.3 |
| **Current Account Balance (% of GDP)** | 7.8 | -19.3 | -33.5 | -42.7 | -49.1 | -55.4 |
| **Fiscal Balance (% of GDP)[a]** | -29.9 | -26.1 | -44.2 | -46.2 | -47.6 | -51.6 |
| **International poverty rate ($1.9 in 2011 PPP)[b,c]** | 23.6 | 27.0 | 27.2 | 27.0 | 26.6 | 26.2 |
| **Lower middle-income poverty rate ($3.2 in 2011 PPP)[b,c]** | 67.4 | 70.5 | 70.6 | 70.4 | 70.1 | 69.8 |
| **GHG emissions growth (mtCO2e)** | 1.5 | -5.7 | 1.8 | 3.2 | 3.8 | 3.9 |
| **Energy related GHG emissions (% of total)** | 9.7 | 9.5 | 9.6 | 9.7 | 9.7 | 9.7 |

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
a/ The ESI is part of total revenue, while excess withdrawals from the PF is a financing item.
b/ Calculations based on EAPPOV harmonization, using 2007-TLSLS and 2014-TLSLS.Actual data: 2014. Nowcast: 2015-2021. Forecasts are from 2022 to 2024.
c/ Projection using annualized elasticity (2007-2014) with pass-through = 1 based on GDP per capita in constant LCU.

# VIETNAM

| Table 1 | 2021 |
|---|---|
| Population, million | 98.2 |
| GDP, current US$ billion | 362.6 |
| GDP per capita, current US$ | 3693.7 |
| International poverty rate ($1.9)[a] | 1.8 |
| Lower middle-income poverty rate ($3.2)[a] | 6.6 |
| Upper middle-income poverty rate ($5.5)[a] | 22.4 |
| Gini index[a] | 35.7 |
| School enrollment, primary (% gross)[b] | 117.2 |
| Life expectancy at birth, years[b] | 75.4 |
| Total GHG Emissions (mtCO2e) | 419.7 |

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2011 PPPs.
b/ WDI for School enrollment (2020); Life expectancy (2019).

*Vietnam's economy is expected to grow by 5.3 percent in 2022, given the policy of living with COVID, strong performance by export-oriented manufacturing and domestic demand recovery. Poverty is expected to decline in 2022, but at a slower pace than pre-COVID. Over 78 percent of the population is fully vaccinated, but the economy still faces serious downside risks from possible new variants, the global ripple effects of the Russian invasion of Ukraine, rising commodity prices and economic slowdown in its major export markets.*

## Key conditions and challenges

The economy is recovering from extensive Q3-2021 lockdowns associated with the April 2021 COVID-19 outbreak. The vaccination of over 78 percent of population facilitated adoption of a "Living with COVID-19" strategy and the opening of the economy in Q4-2021. However, Vietnam is experiencing a surge in infections related to the OMICRON variant in Q1-2022 and will be affected by global effects of the war in Ukraine.

In the medium term, Vietnam's vision to become an upper-middle income economy will depend on its ability to evolve from its current growth model to a productivity and innovation led growth model. The government's institutional capacity to shepherd major structural reforms will be a key lever in this transition, which will need to focus on building a digitally transformed, greener and more resilient economy.

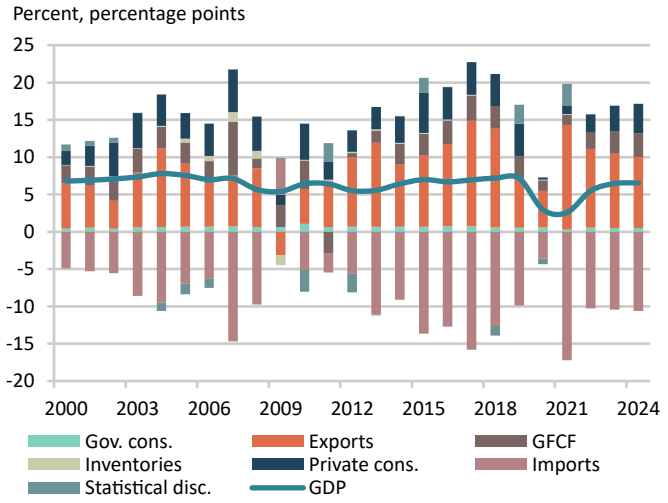
In 2021, inequality in both monetary and non-monetary dimensions is expected to increase, compounding the increase in inequality that occurred because of the COVID-19 crisis in 2020. Households in the bottom 20% of the population experienced the slowest income recovery into Q1-2021 even before the Q3-2021 lockdowns. Poor households were less able to cope with the impact from income shocks and were more reliant on external sources such as borrowing. The labor market outcomes for women and informal workers were more adversely impacted than men's.

## Recent developments

Vietnam's economy grew by 2.6 percent in 2021, well below its pre-pandemic trend of 7.0 percent. After a strong expansion in the first semester, the April 2021 COVID outbreak led to extensive lockdowns in major economic centers and a 6.2 percent (y/y) contraction of GDP in Q3. As restrictions were being lifted, the economy bounced back strongly, growing by 5.2 percent (y/y) in Q4. Industrial production rebounded quickly once Q3-2021 restrictions were removed, growing by 4.0 percent thanks to strong external demand. Because of their sensitivity to social distancing measures, services were hit hardest, growing by only 1.2 percent, much lower than its pre-pandemic growth rates.

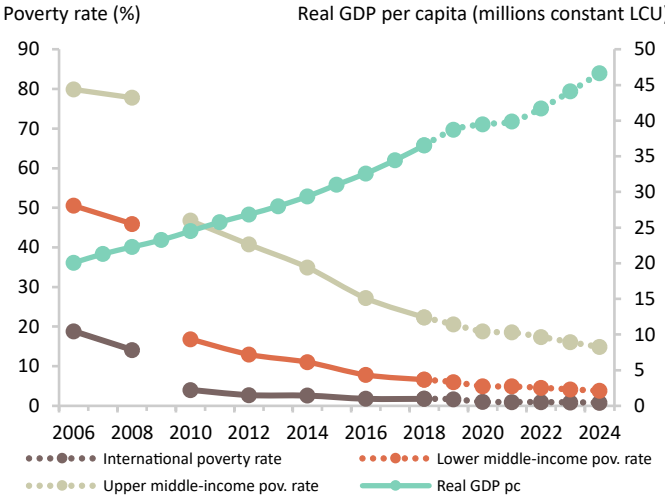
The April 2021 COVID-19 outbreak and ensuing measures to contain it had significant negative impacts on the labor market in Q3-2021. About 60 percent of the labor force reported experiencing negative labor market impacts, which ranged from loss of jobs to reduced hours, temporary business closures, and reduced pay. By Q4-2021, major indicators showed signs of recovery as economic activities resumed in major hub, but not yet to their pre-outbreak levels. Poverty reduction is estimated to have stagnated in 2021 under assumptions that the population experienced these impacts uniformly across the distribution, or there

**FIGURE 1 Vietnam** / Real GDP growth and contributions to real GDP growth




Source: World Bank.

**FIGURE 2 Vietnam** / Actual and projected poverty rates and real GDP per capita




Source: World Bank.

was no increase in inequality (Figure 2). However, it is likely crisis impacted more those at the bottom of the distribution. Widening inequality of even two percent would lead to a rise in poverty.

While monetary policy was relatively accommodative, the impact of the COVID shock in 2020 and 2021 was compounded by lack of an effective countercyclical fiscal policy. The State Bank of Vietnam kept refinancing rate at 4.0 percent (below pre-pandemic rate), encouraged banks to waive or reduce interest payment, and provided guidance on forbearance, ensuring ample liquidity in the market. On the other hand, the government's fiscal response was modest and piecemeal, despite availability of ample fiscal space. The support packages, which totaled about 2.0 percent of GDP in 2021, were largely composed of tax and land rent deferrals but included limited social assistance. Public investment, which was successfully ramped up to support economy recovery in 2020 also experienced slower execution in 2021.

## *Outlook*

Vietnam's GDP is expected to grow by 5.3 percent growth in 2022 and thereafter to stabilize at around 6.5 percent in a scenario with eased mobility restrictions domestically and internationally. The services sector is expected to gradually recover during the year as consumer confidence is restored and foreign tourism is expected to gradually resume from mid-2022 onward. Manufacturing exports is expected to grow at a slower pace mirroring moderating growth in Vietnam's main export markets (the United States, European Union, and China).

However, the outlook is subject to heightened risks to the downside. Slowing growth in major trading partners and terms-of-trade shock due to the Russian invasion of Ukraine and associated sanctions may affect recovery. This could be compounded by new COVID-19 variants. Economic recovery will also hinge on the recovery of the domestic private demand, which has been slow, highlighting consumers and investors uncertainty. The current surge in infections may lead to temporary labor supply and production disruptions. Since a strong economic rebound was underway at the start of the year, if the government deploys a strong fiscal policy support, the impact on economic growth could be mitigated. Monetary policy will need to remain accommodative, with continued vigilance to contain financial sector risks. Additional shocks could lead to a low case scenario where GDP grows 4 percent in 2022, recovering to 6 percent and 6.5 percent in 2023 and 2024, respectively.

Poverty reduction is expected to resume in 2022 assuming GDP growth recovery to pre-COVID rates, but the impact of the crisis may have longer term effects on rising inequality. Higher inequality can have economic and human capital consequences for the country. Sold assets cannot produce future income while the uneven quality and continuity of education during COVID-19 crisis has consequences for human capital formation and lifetime earning potentials.

**TABLE 2 Vietnam** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

| | 2019 | 2020 | 2021e | 2022f | 2023f | 2024f |
|---|---|---|---|---|---|---|
| **Real GDP growth, at constant market prices** | 7.2 | 2.9 | 2.6 | 5.3 | 6.5 | 6.5 |
| Private Consumption | 7.4 | 0.5 | 2.0 | 3.9 | 6.0 | 7.0 |
| Government Consumption | 5.8 | 6.2 | 2.9 | 5.6 | 5.4 | 5.2 |
| Gross Fixed Capital Investment | 8.3 | 4.1 | 4.0 | 6.0 | 8.2 | 8.5 |
| Exports, Goods and Services | 6.7 | 5.0 | 14.0 | 9.2 | 8.6 | 8.1 |
| Imports, Goods and Services | 9.5 | 3.4 | 16.2 | 8.2 | 8.4 | 8.4 |
| **Real GDP growth, at constant factor prices** | 7.6 | 3.4 | 2.6 | 5.3 | 6.5 | 6.5 |
| Agriculture | 2.0 | 2.7 | 2.9 | 2.0 | 2.0 | 2.0 |
| Industry | 9.6 | 4.7 | 4.0 | 6.2 | 7.9 | 7.9 |
| Services | 7.5 | 2.6 | 1.2 | 5.4 | 6.3 | 6.4 |
| **Inflation (Consumer Price Index)** | 2.8 | 3.2 | 1.8 | 3.6 | 4.0 | 4.0 |
| **Current Account Balance (% of GDP)** | 3.7 | 3.7 | -0.8 | 0.8 | 1.1 | 0.9 |
| **Net Foreign Direct Investment (% of GDP)** | 4.7 | 4.5 | 4.2 | 4.3 | 4.3 | 4.4 |
| **Fiscal Balance (% of GDP)** | -0.4 | -3.9 | -3.8 | -3.5 | -2.8 | -2.3 |
| **Debt (% of GDP)** | 43.6 | 44.1 | 45.5 | 46.4 | 45.2 | 44.0 |
| **Primary Balance (% of GDP)** | 1.0 | -2.6 | -2.5 | -2.2 | -1.3 | -0.9 |
| **International poverty rate ($1.9 in 2011 PPP)[a,b]** | 1.7 | 1.0 | 1.0 | 0.9 | 0.9 | 0.8 |
| **Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]** | 6.0 | 5.0 | 4.9 | 4.6 | 4.2 | 3.8 |
| **Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]** | 20.6 | 18.8 | 18.6 | 17.4 | 16.1 | 14.9 |
| **GHG emissions growth (mtCO2e)** | 9.6 | 2.6 | 2.4 | 8.1 | 9.4 | 9.5 |
| **Energy related GHG emissions (% of total)** | 64.9 | 64.6 | 64.3 | 65.7 | 67.4 | 69.0 |

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
a/ Calculations based on EAPPOV harmonization, using 2014-VHLSS and 2018-VHLSS.Actual data: 2018. Nowcast: 2019-2021. Forecasts are from 2022 to 2024.
b/ Projection using annualized elasticity (2014-2018) with pass-through = 0.7 based on GDP per capita in constant LCU.

# Macro Poverty Outlook

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