

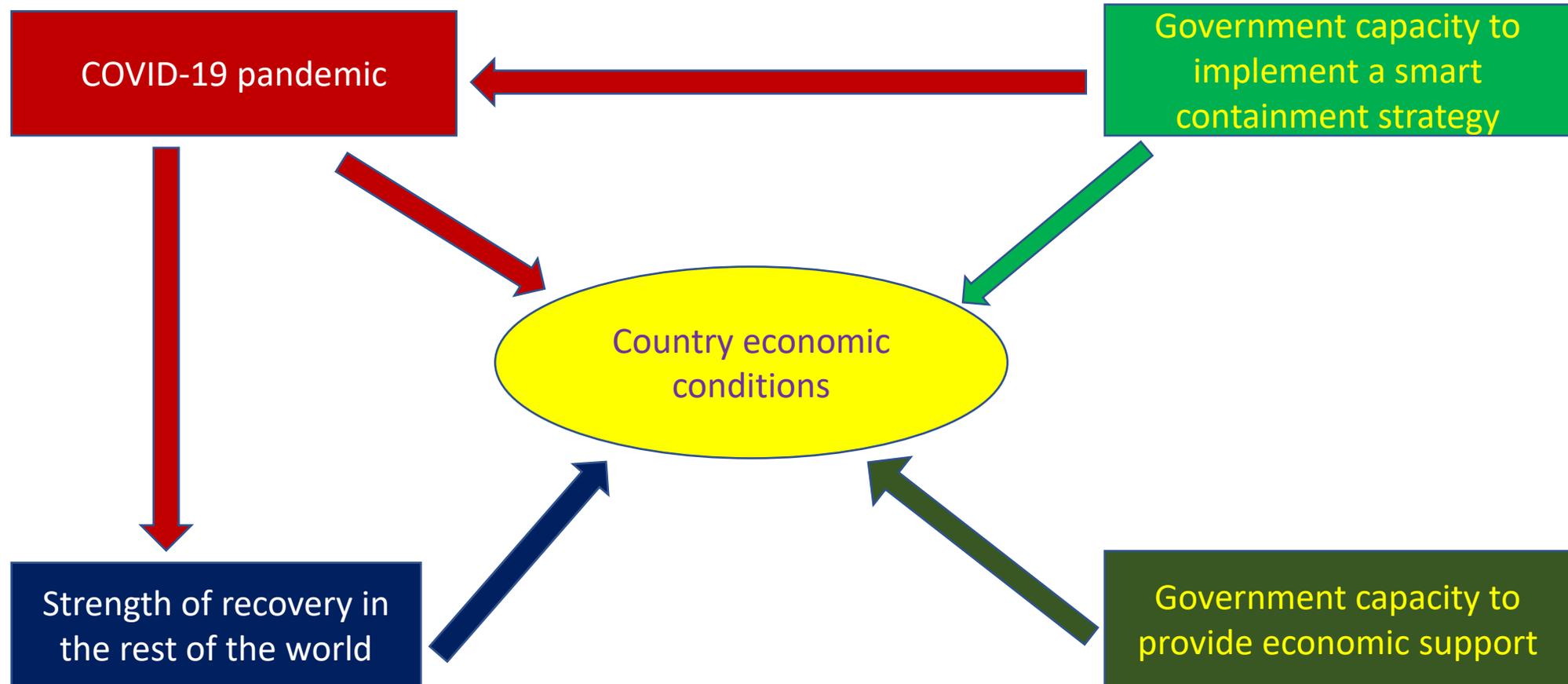
# The Economics of COVID-19 in Developing East Asia and the Pacific

## An Introductory Course

November 2021

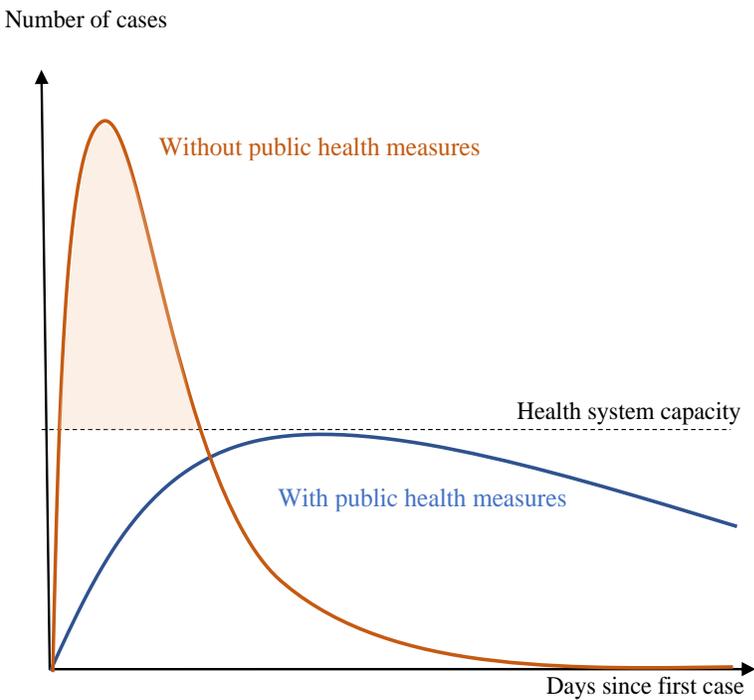


# COVID-19 has delivered a triple-shock to the EAP economy

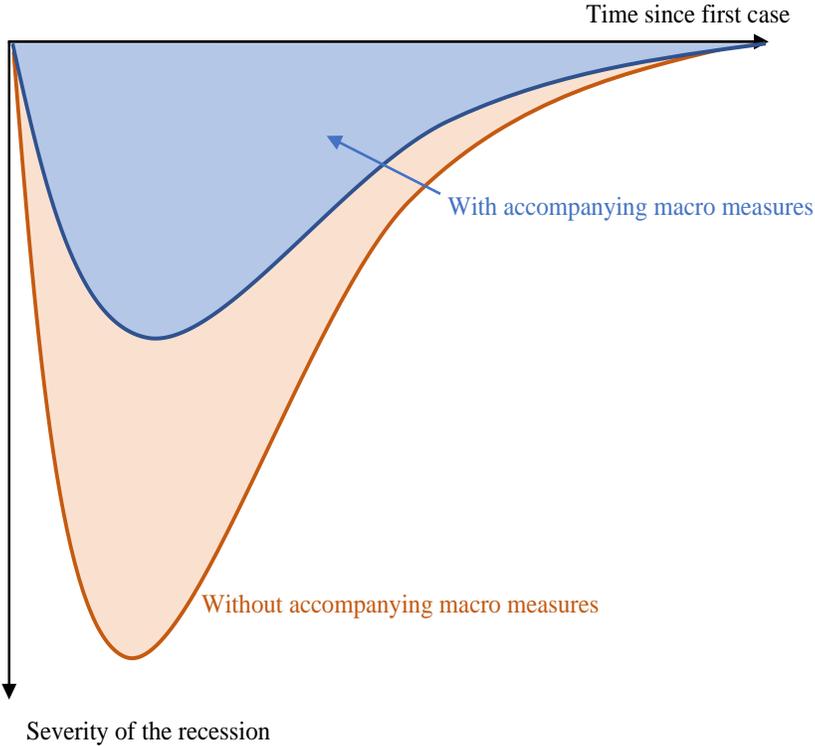


# Response to COVID-19 must integrate health and economic policy

## Flattening the pandemic curve through containment policies

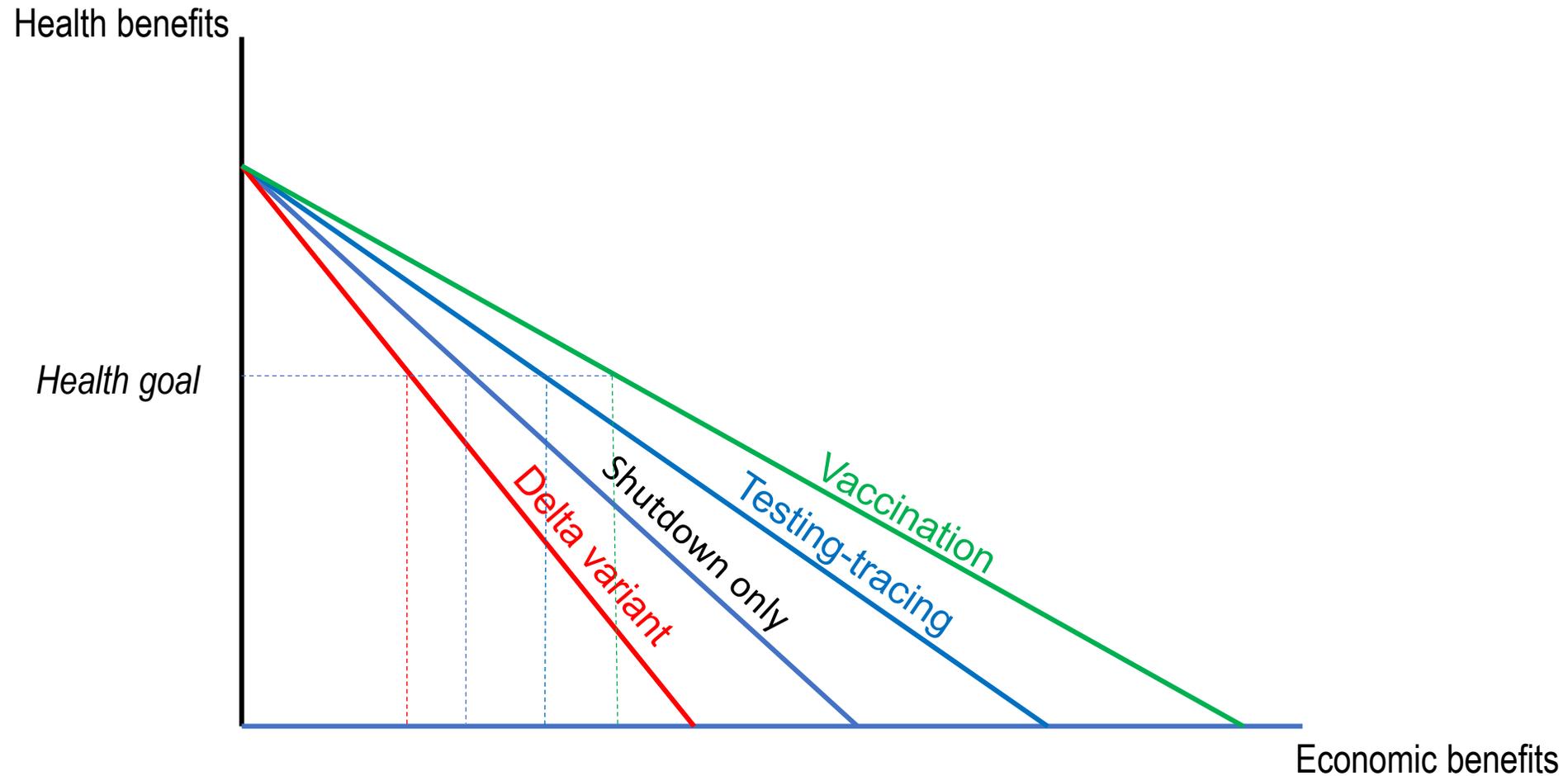


## Flattening the recession curve through macroeconomic policies



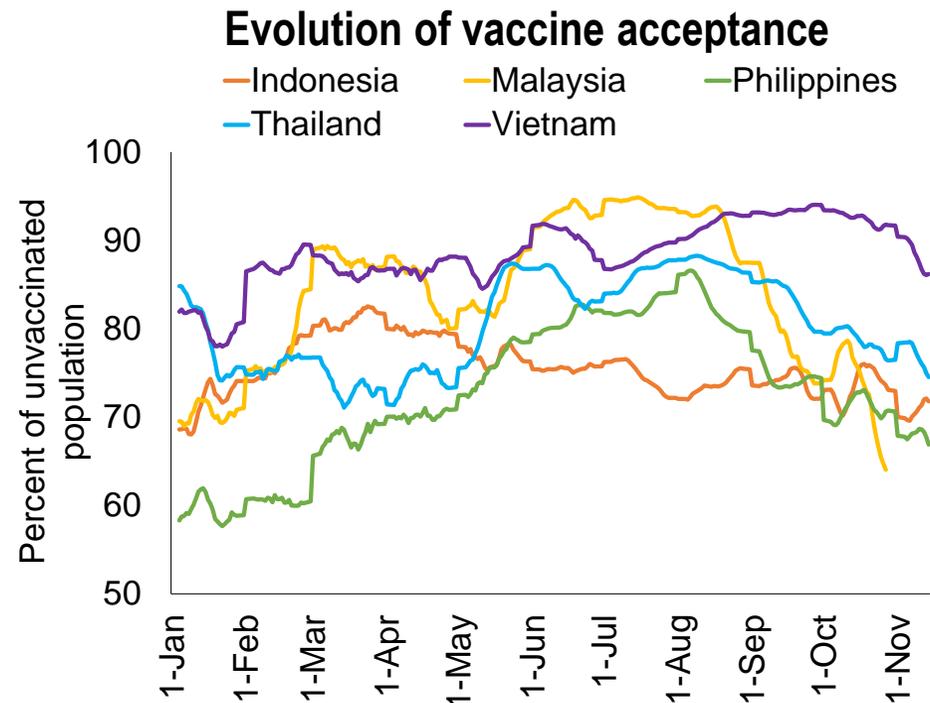
Source: Staff illustrations based on Gourinchas (2020)

# The tradeoff between health and economic benefits depends on the *COVID-19* variant and the *containment method*



# To attain and sustain a benign phase will need a multi-faceted effort

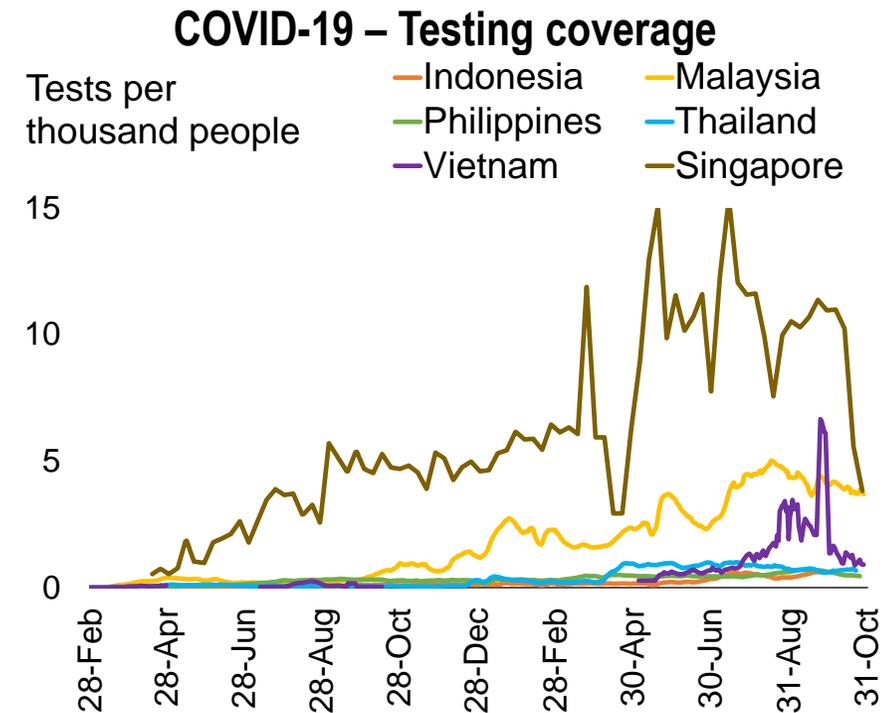
## 1. Overcome vaccine hesitancy



## 2. Improve distribution

## 3. Expand regional production

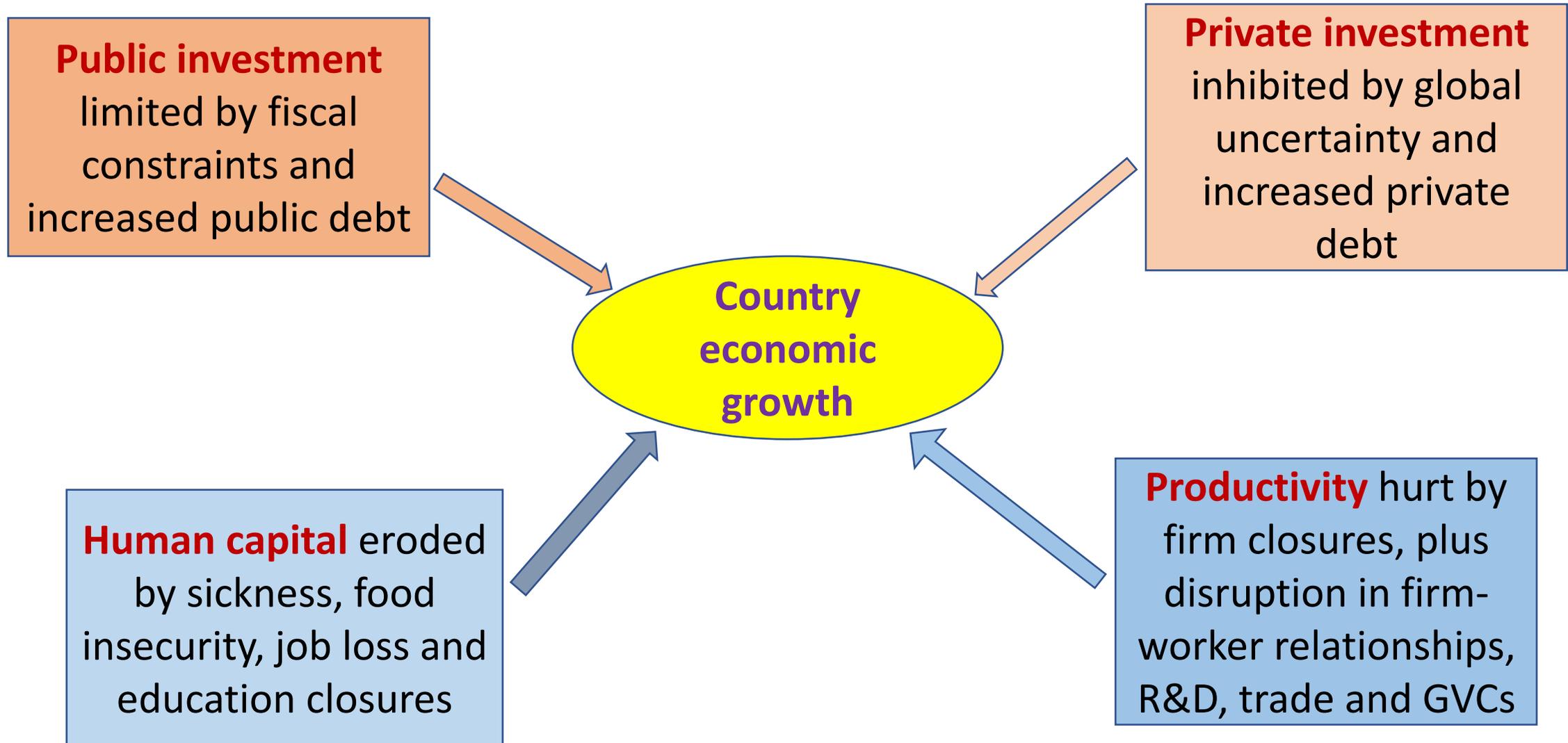
## 4. Enhance testing-tracing-isolation



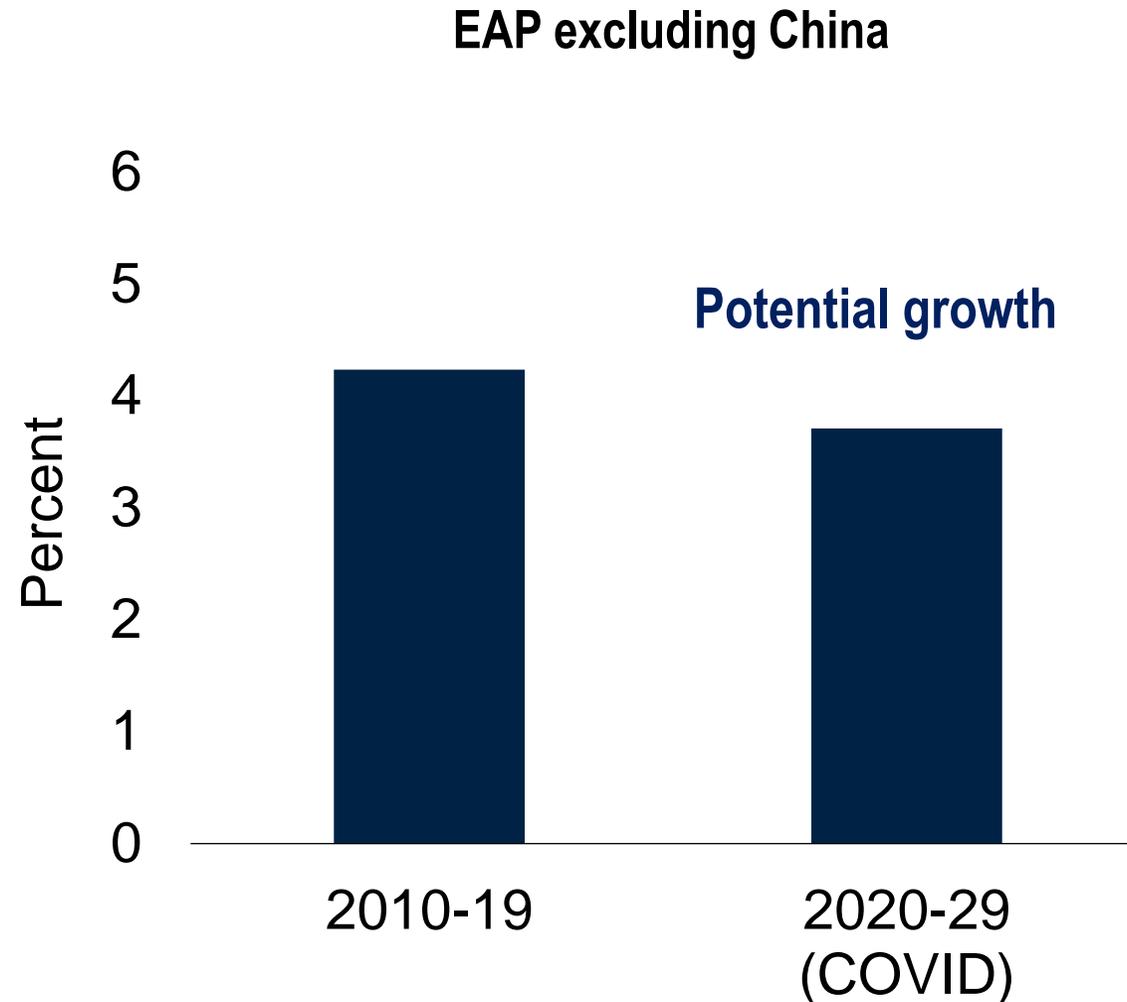
## 5. Precautions: social distancing, masks

## 6. Equip health systems for Long COVID

# The risk: a shock to inclusive growth...



# Bold and comprehensive reforms could spur inclusive and sustainable growth



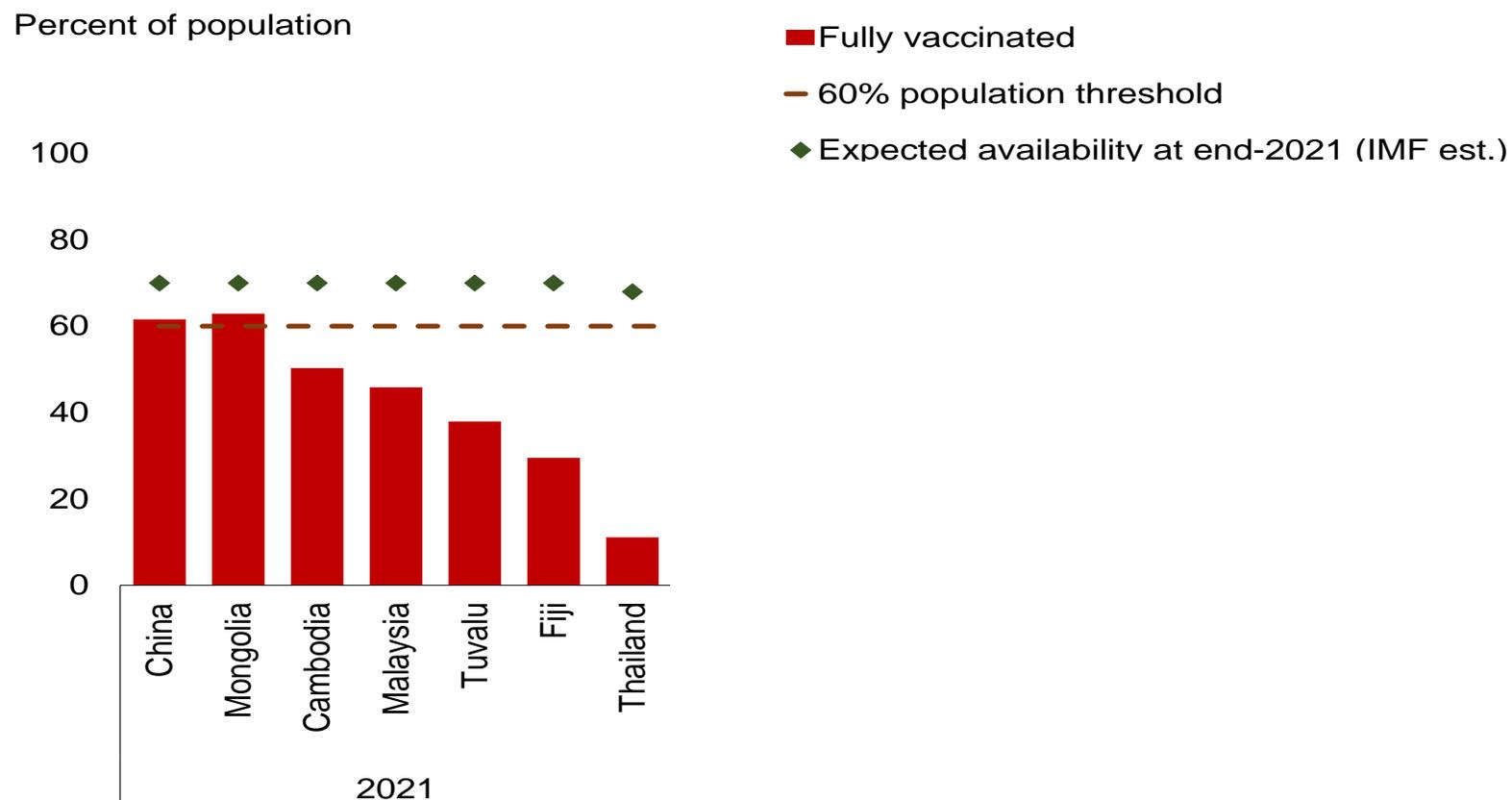
# Course agenda

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1. **Macroeconomics:** Providing support without creating instability  
- Q&A
2. **Trade and GVCs:** Responding to shifting comparative advantage  
- Q&A
3. **Firms and technology:** Supporting firms without inhibiting reallocation  
- Q&A
4. **Households:** Helping to avoid distress today and inequality tomorrow  
- Q&A

# Good news: most economies could vaccinate a large share of their populations by mid-2022

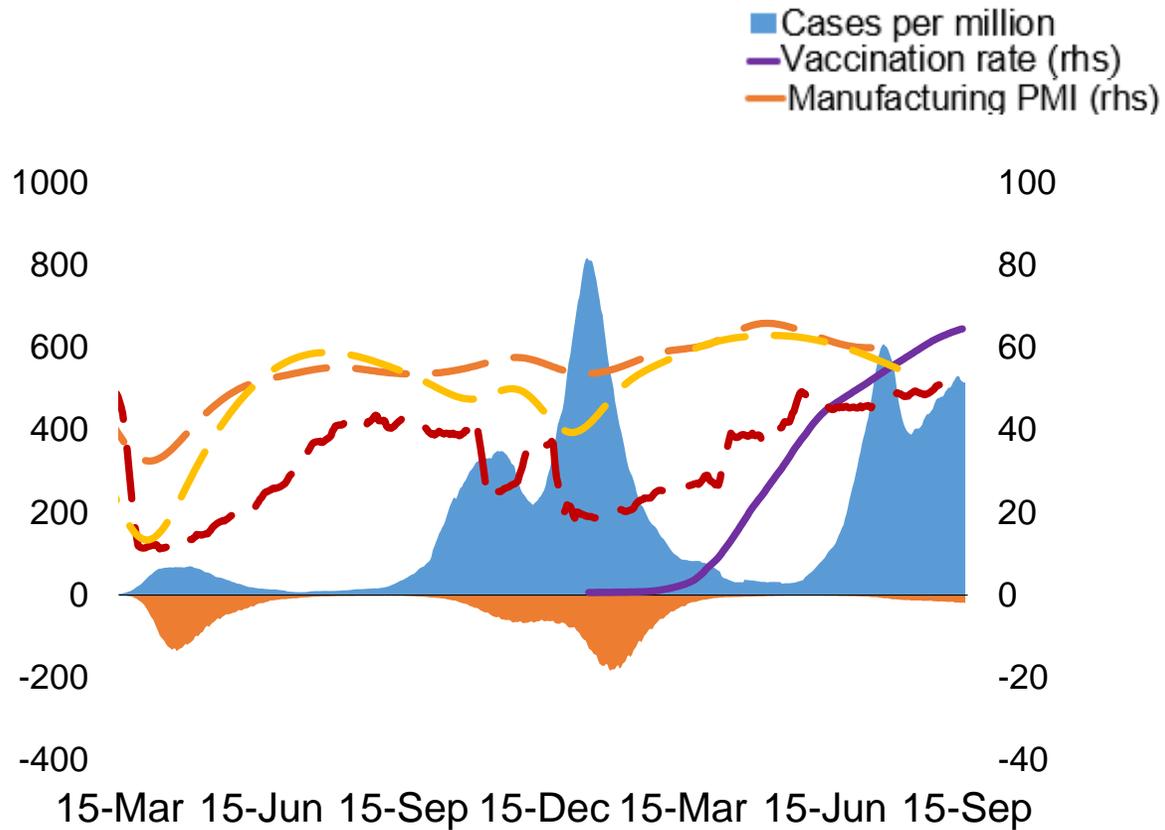
Current vaccination coverage, estimated vaccine availability at end-2021, and when 60 percent coverage is likely to be achieved



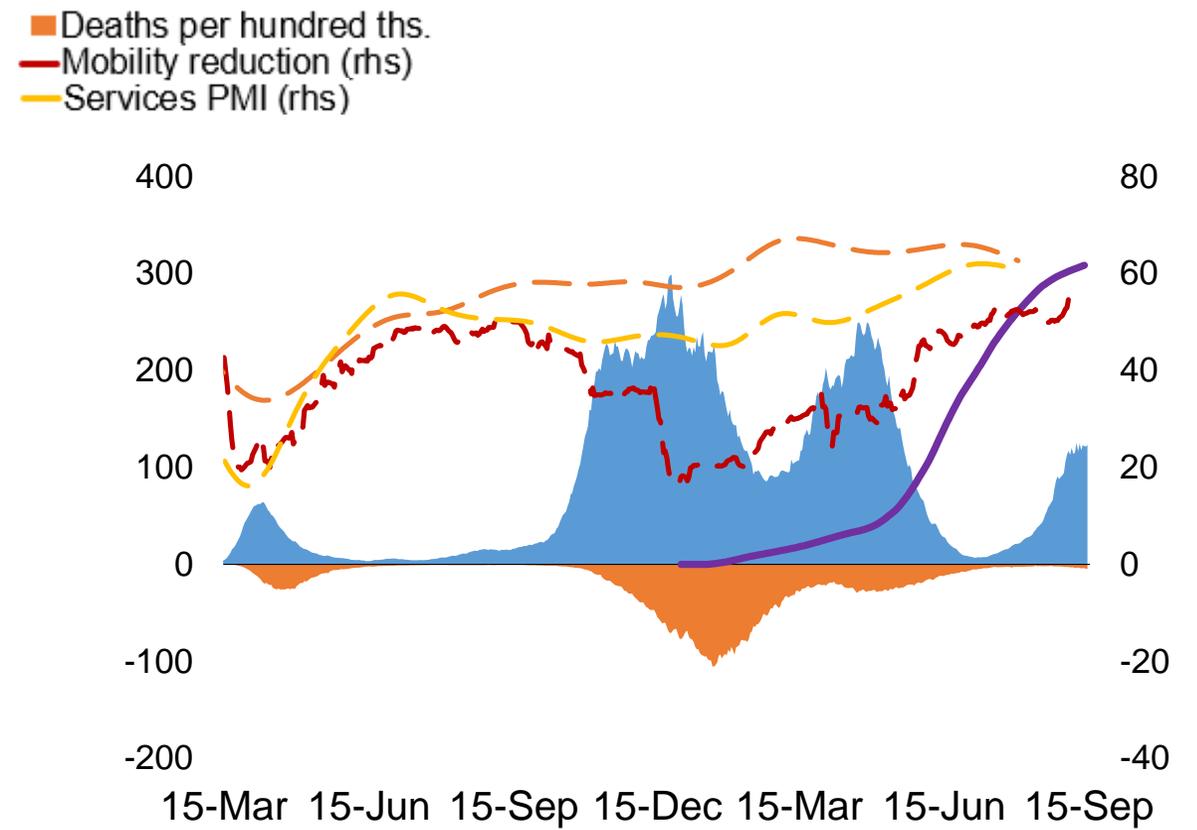
Estimated timing of achieving 60% population coverage based on current pace of vaccination and expected availability of vaccines

# ...which could usher in a relatively benign phase of COVID-19

...and vaccination above certain thresholds is associated with increase mobility and economic activity



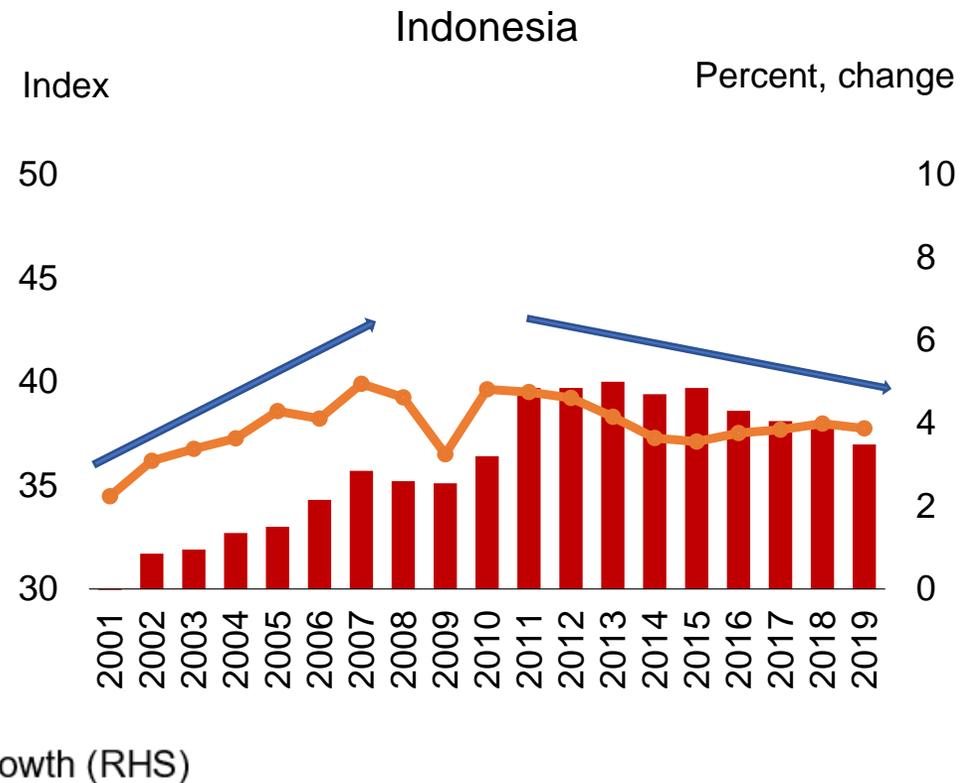
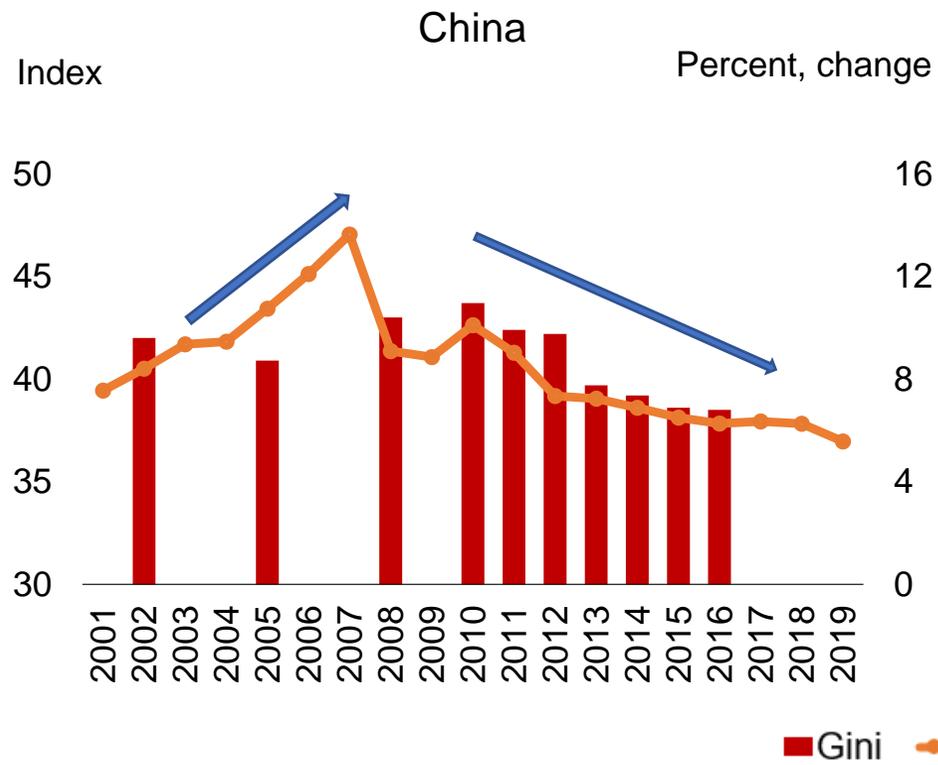
United Kingdom



Germany

# This century, the region saw either an increase in both growth and inequality or a decline in both

Per capita growth and inequality in the 2000s

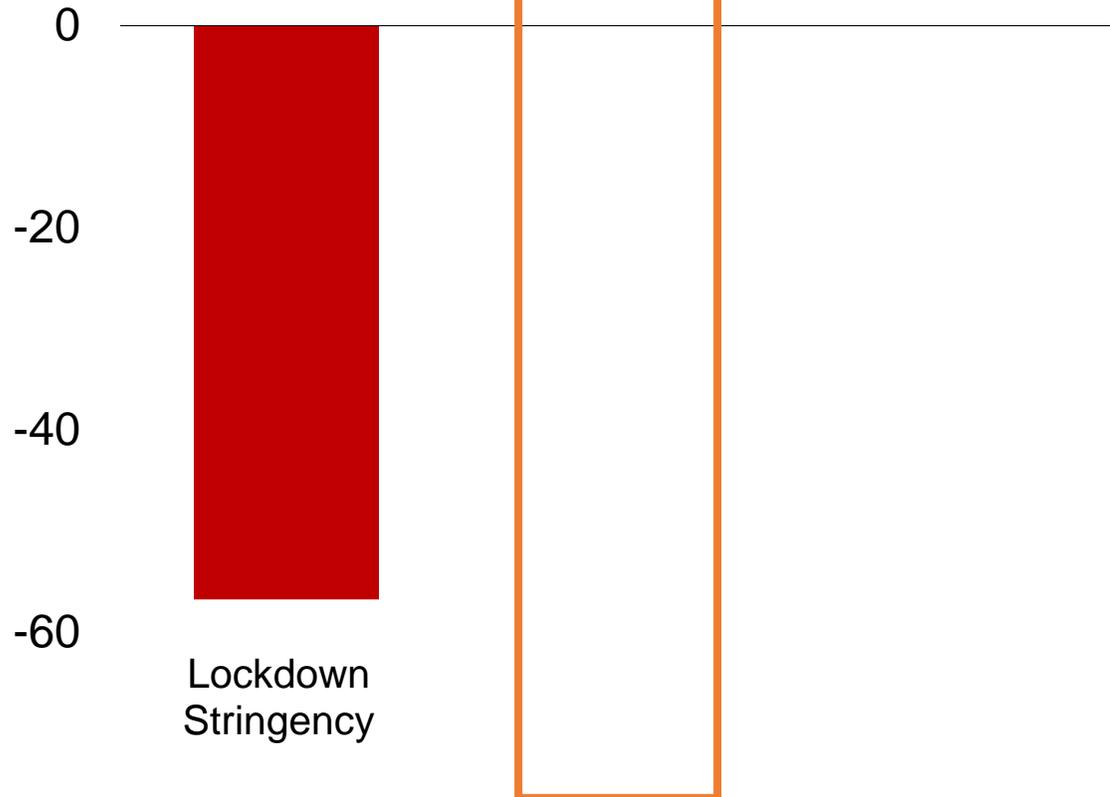


# Efficient containment

## Lockdowns saved lives but hurt livelihoods; testing saved both

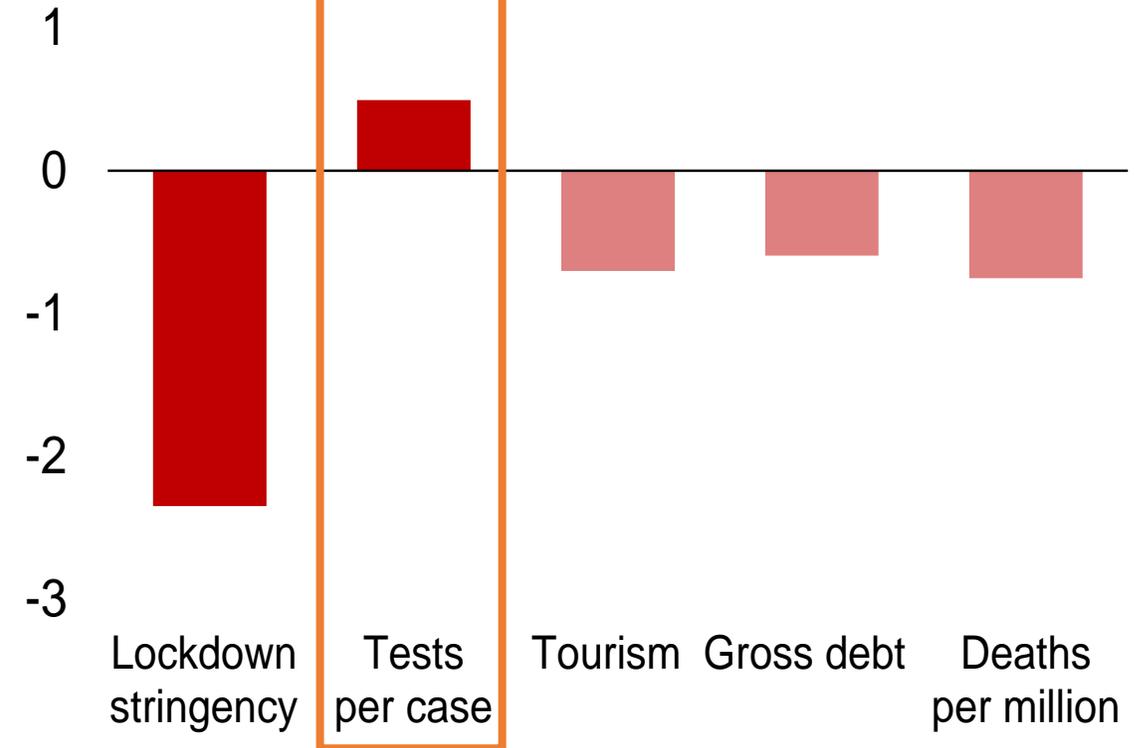
### The impact of policies on COVID-19 infections

Reduction in cumulative infection growth rate (percent)

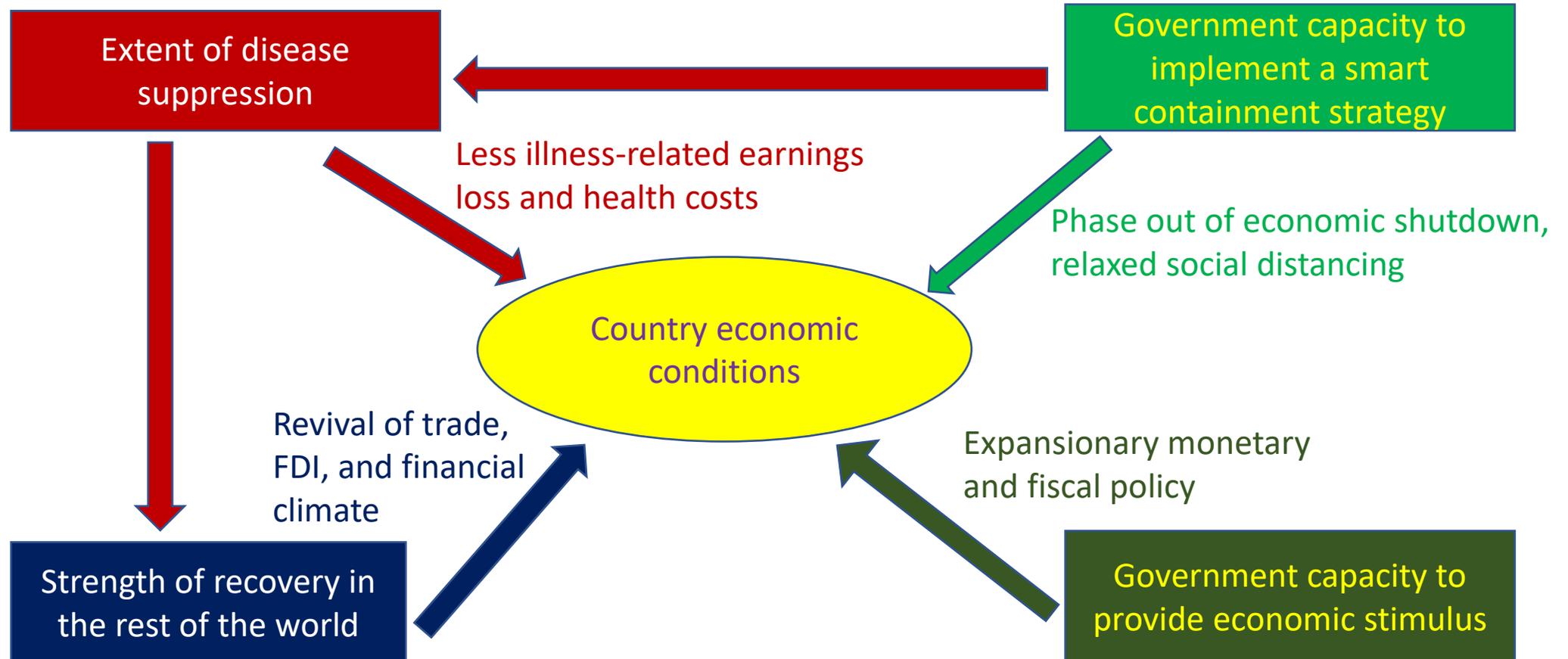


### The impact of country conditions on economic growth

Marginal effect on GDP growth (percent)

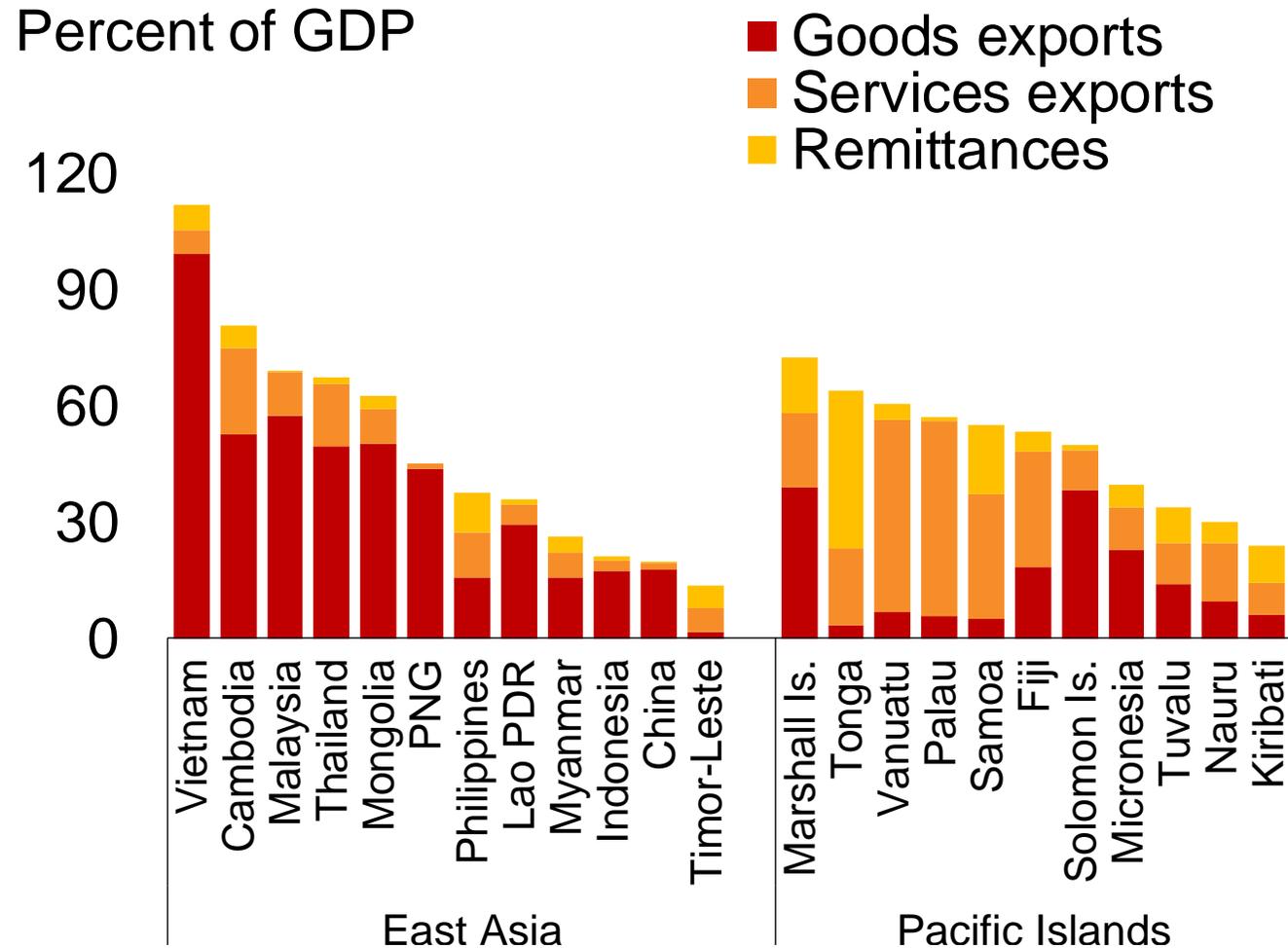


# Why?



# EAP countries are exceptionally but differently exposed

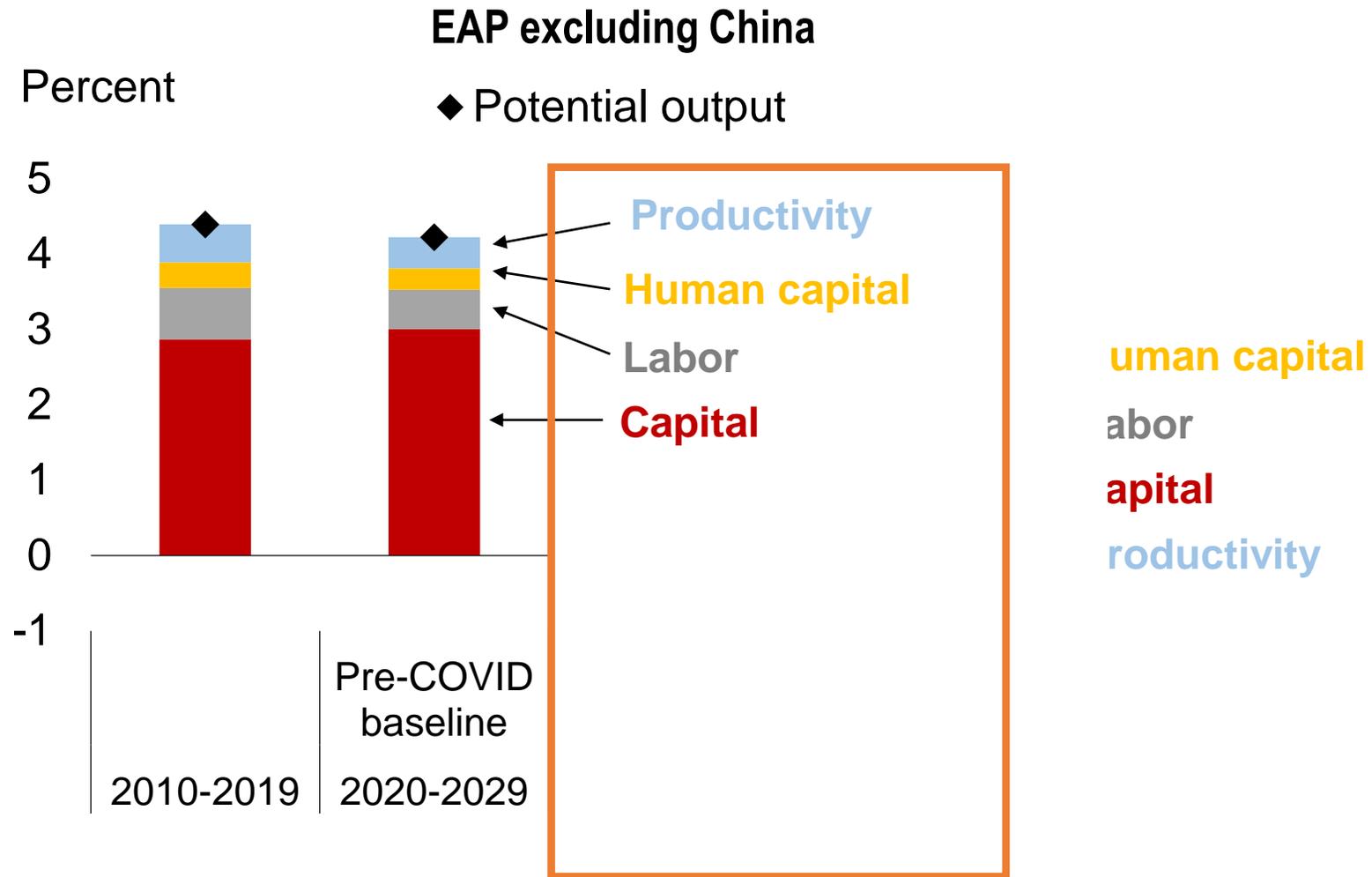
## Exposure to trade and remittances



Source: World Bank.

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

# ...could lead to a decade of slower growth...



Source: Penn World Tables; World Bank Staff estimations

Notes: GDP-weighted averages of production function-based potential growth. Productivity refers to total factor productivity growth