

# LONG COVID

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**EAP ECONOMIC UPDATE, OCTOBER 2021**

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**East Asia and Pacific Chief Economist Office**  
**World Bank**

# Agenda

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- What is happening?
- Why?
- What are the big risks?
- What can be done?

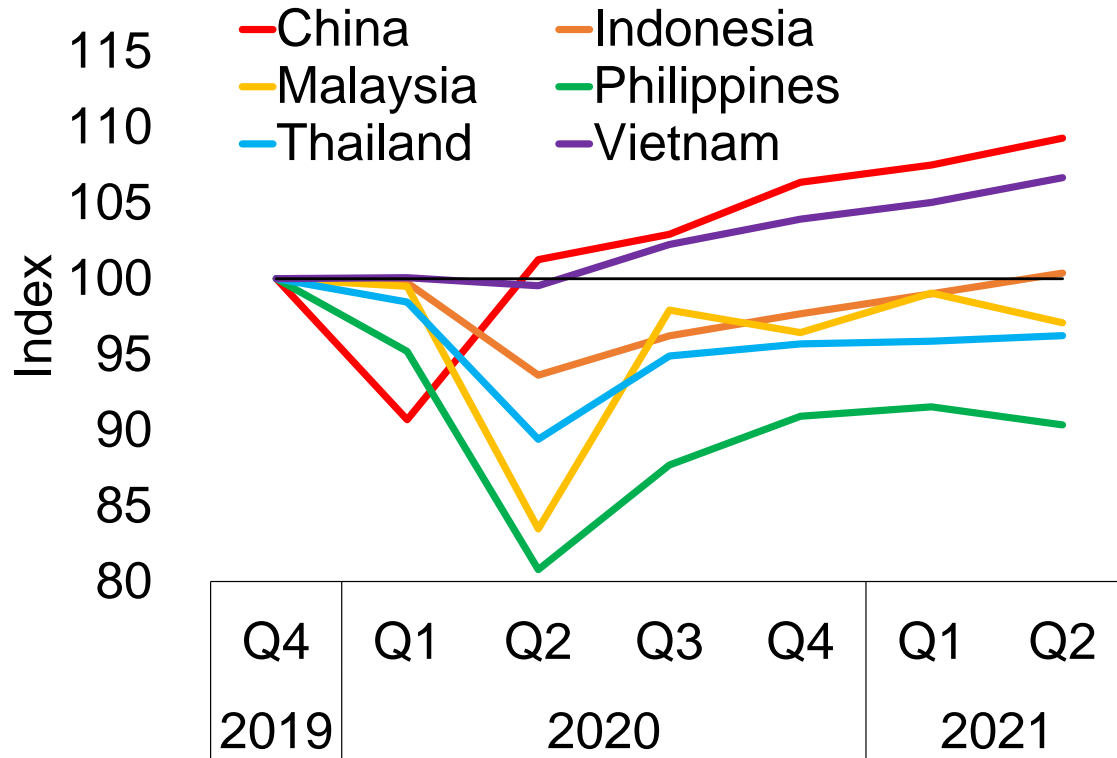
# What is happening?

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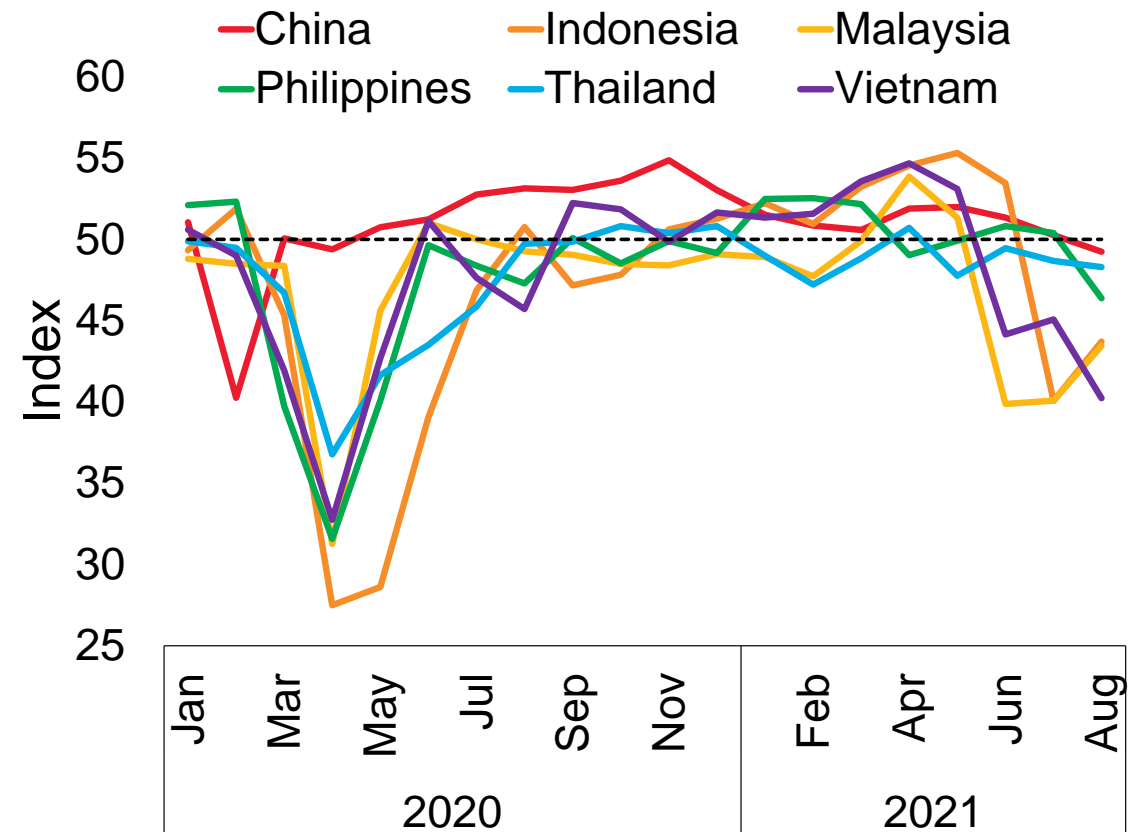
What is happening?

# Multispeed recovery faces a setback

GDP growth, 2019Q4 = 100

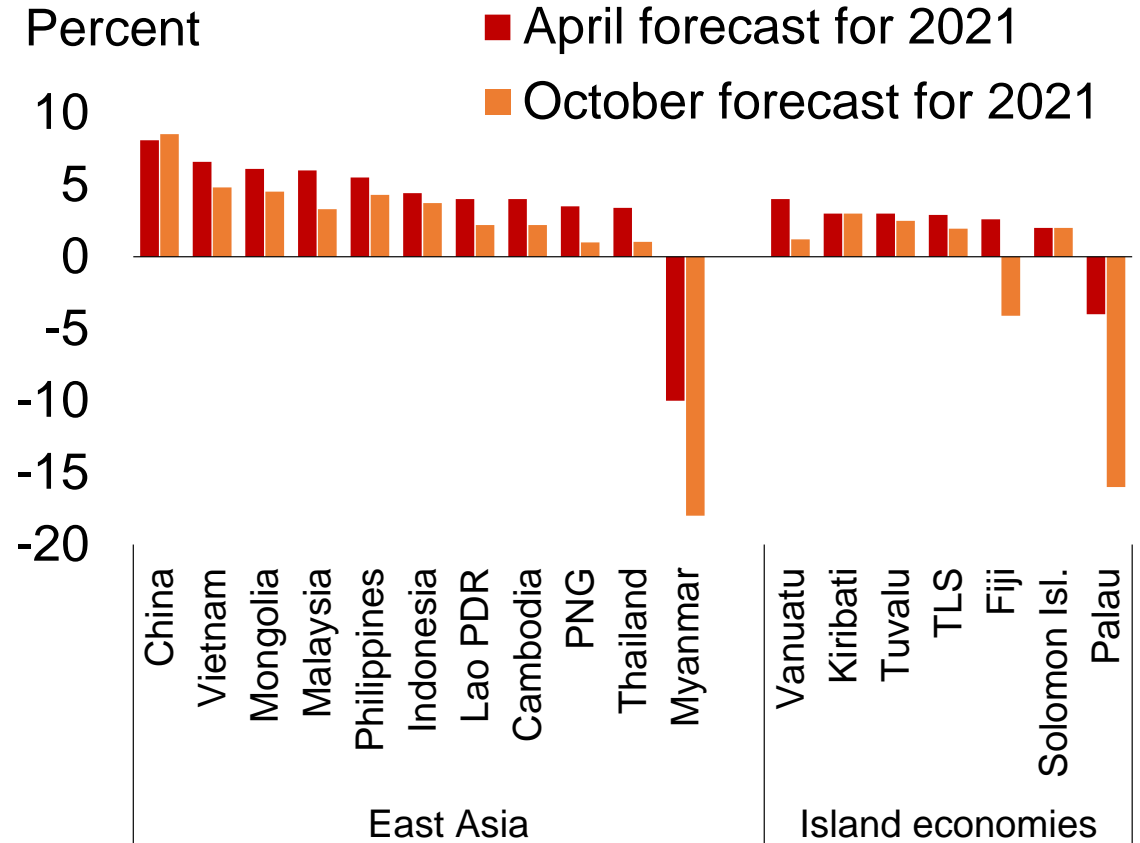
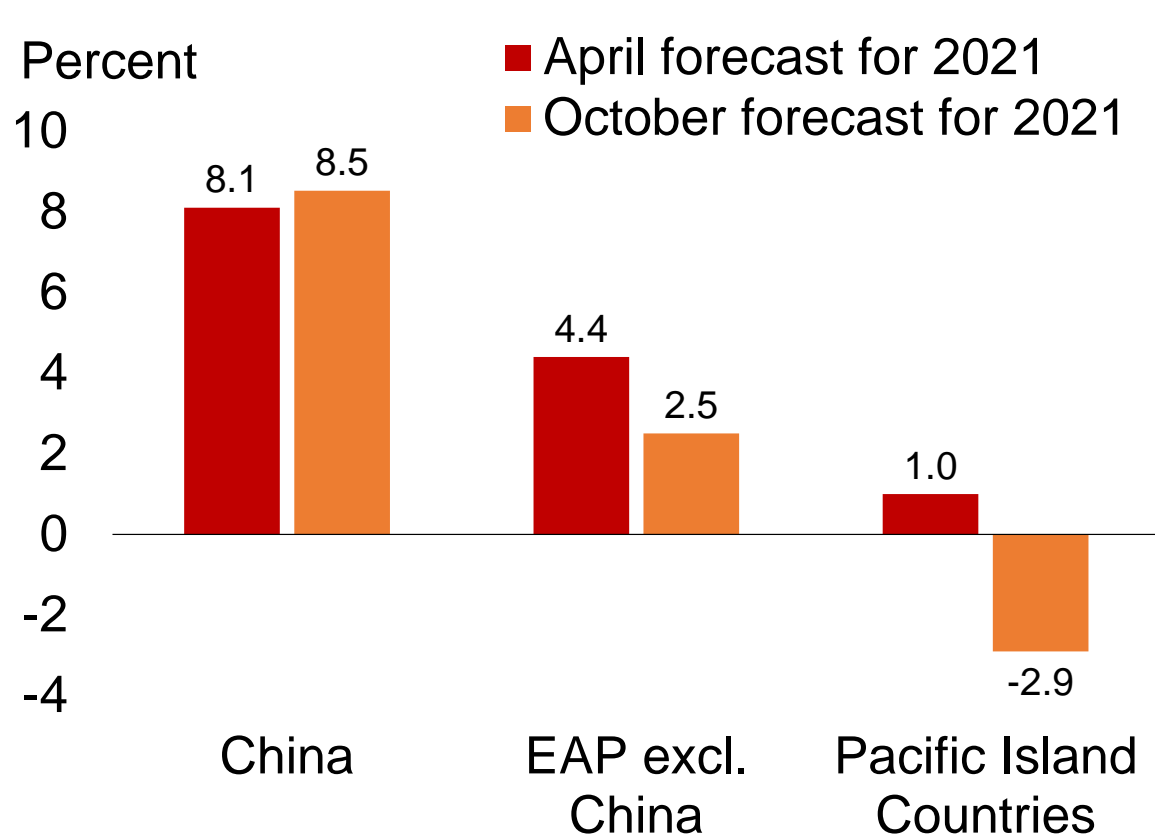


Purchasing Manager's Index, 50+=expansion



What is happening?

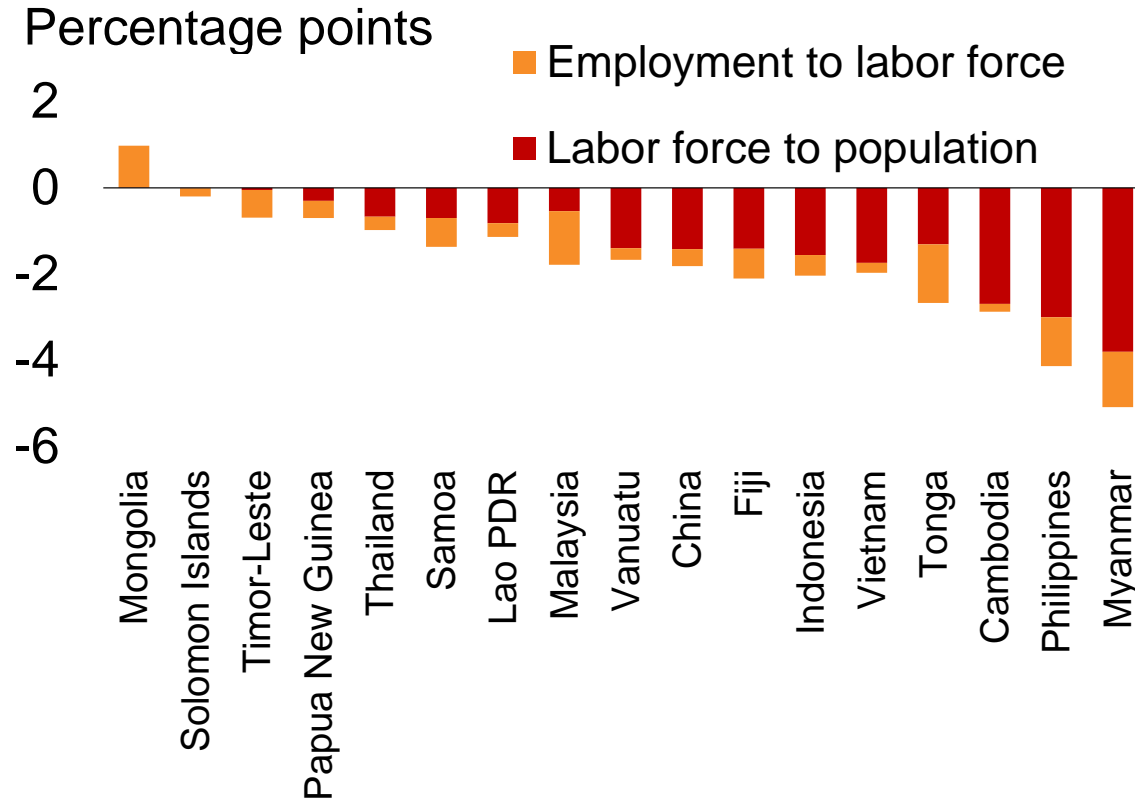
# Worsening prospects for growth



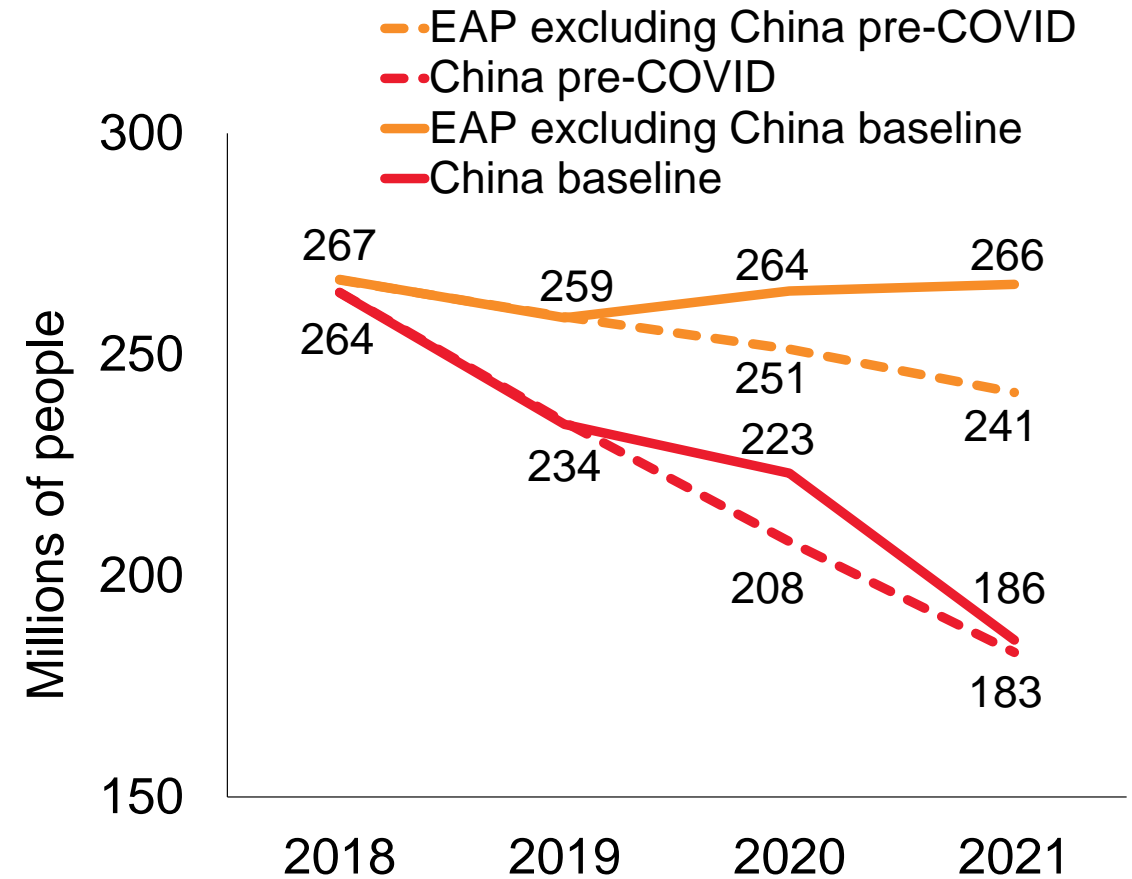
What is happening?

# Declining employment and fewer people will escape poverty

### Employment to population and Labor Force Participation



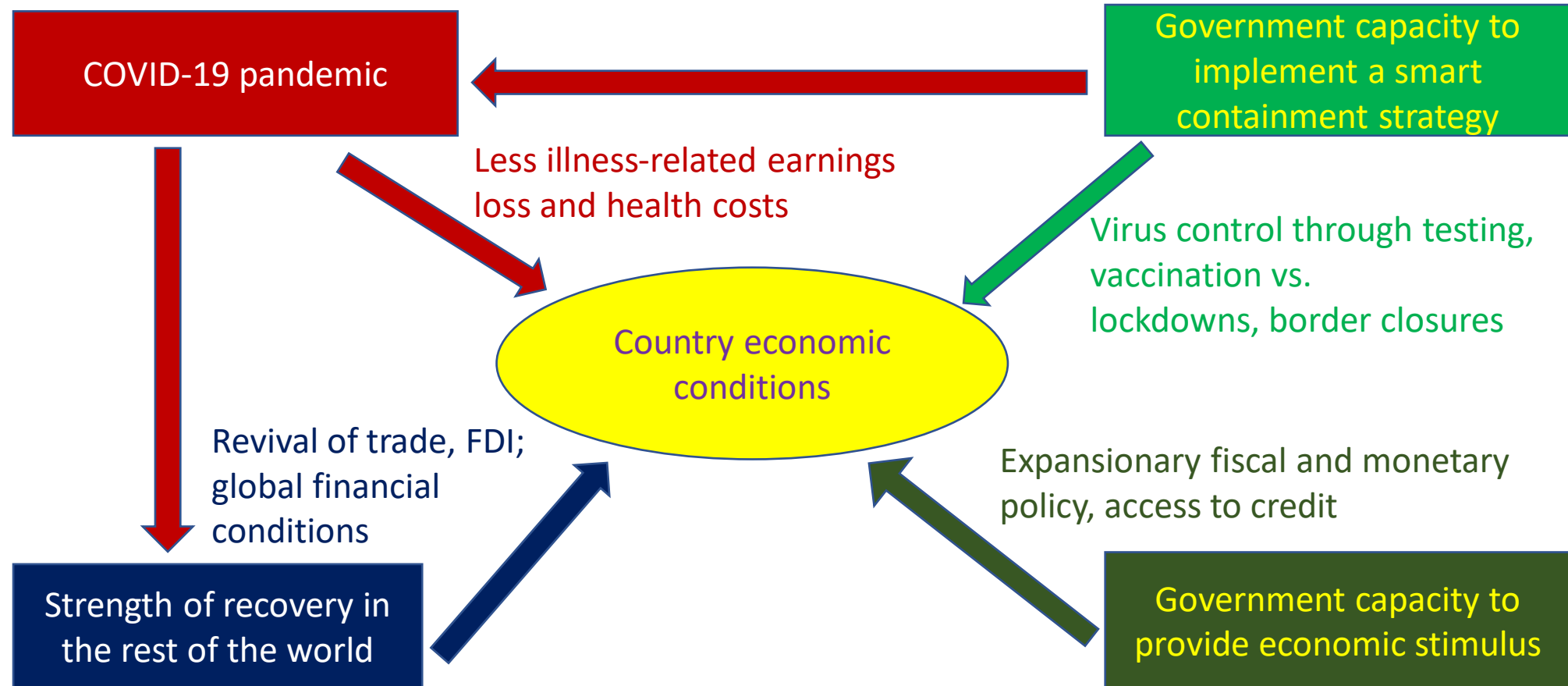
### Number of poor (USD 5.50 poverty line)



# Why?

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# ...because of a reversal of fortune

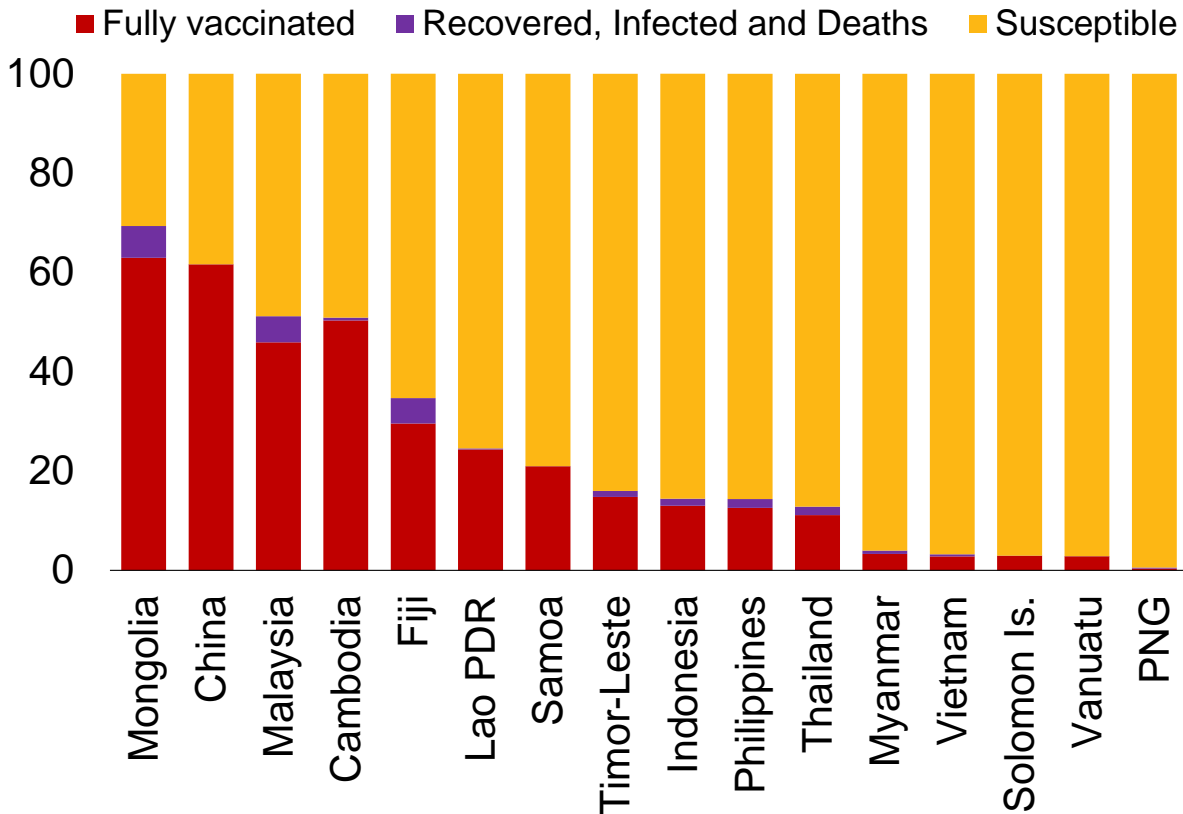




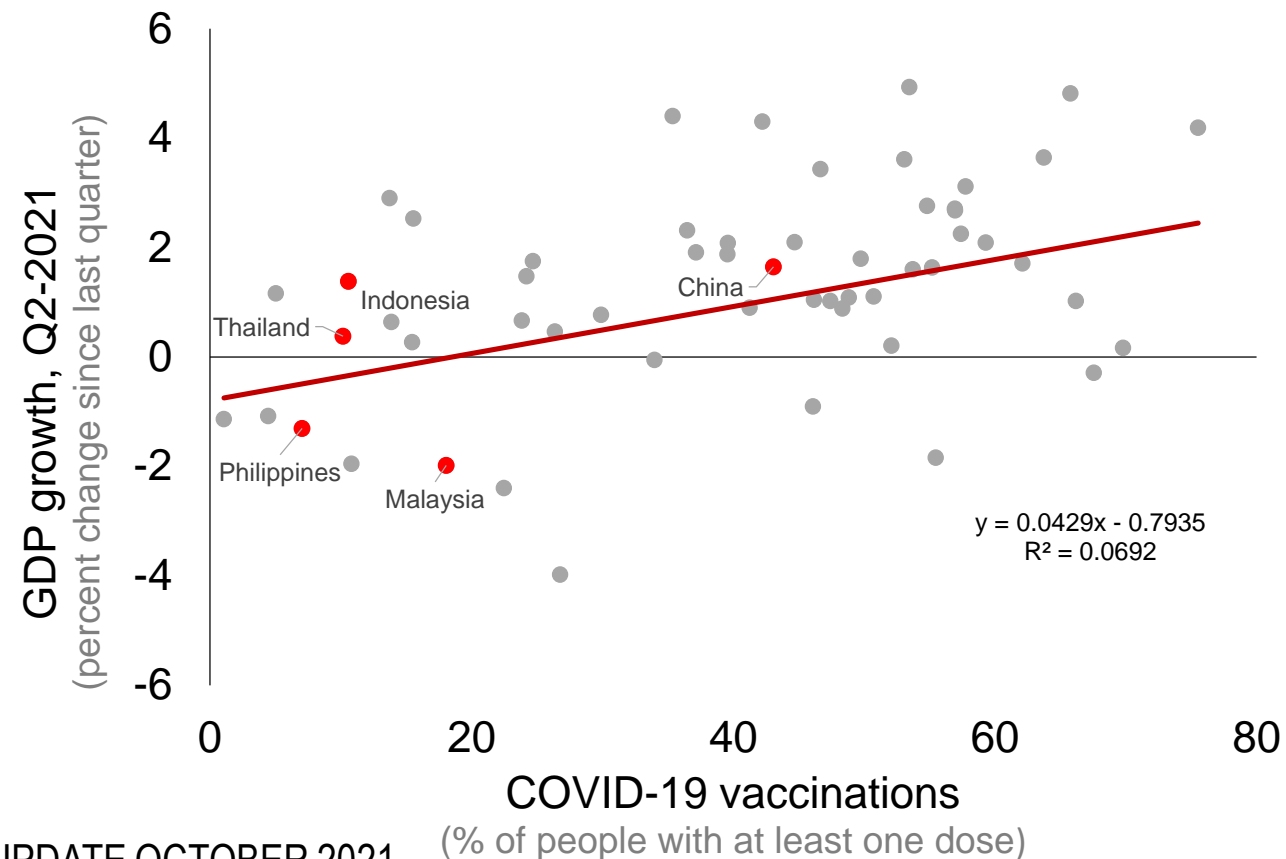
Why?

# Because of high vulnerability, vaccination is needed to revive growth

### Susceptible, infected, recovered, vaccinated



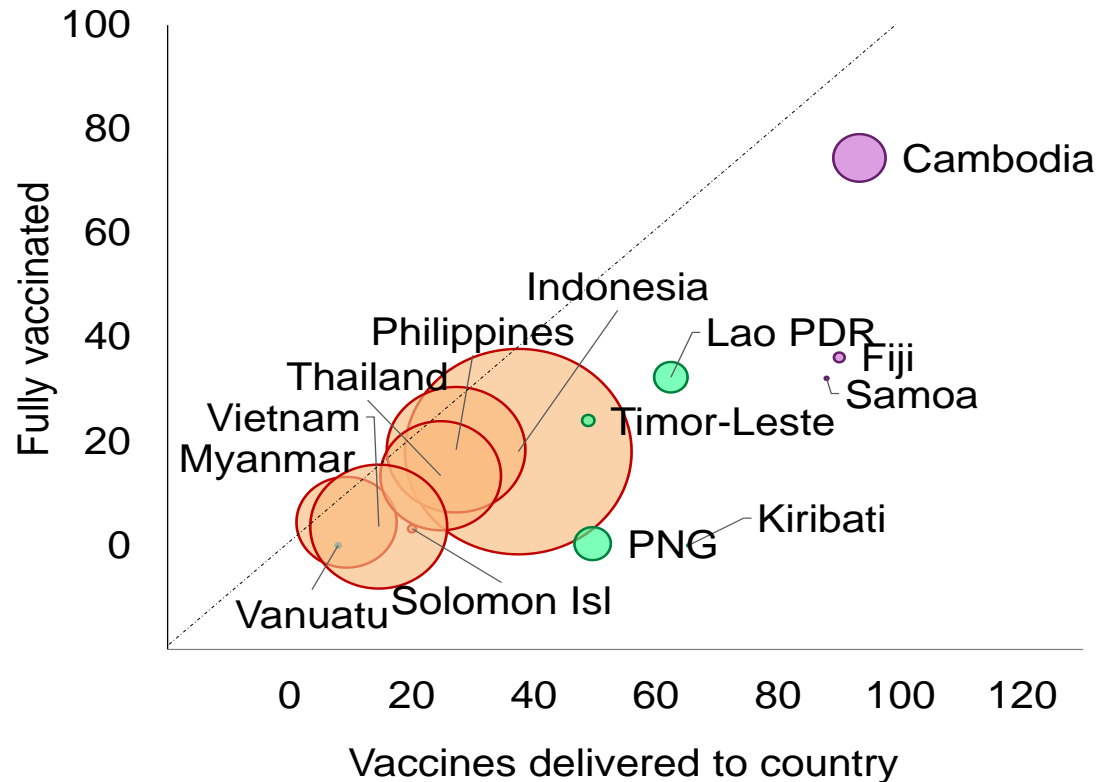
### Vaccination coverage and growth



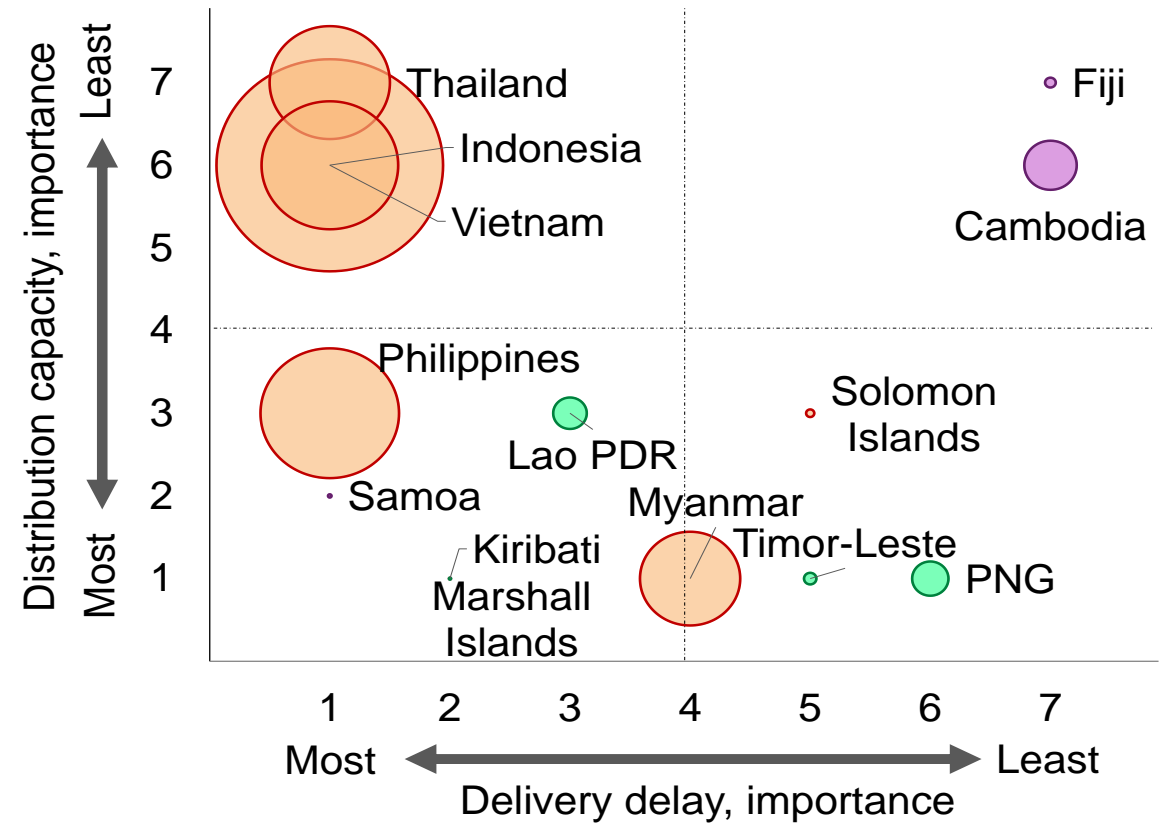
Why?

# Delivery drives vaccination and delays a problem for larger countries, distribution for smaller, poorer

### Delivered vaccines versus administered



### Delivery delay vs. distribution (perception)

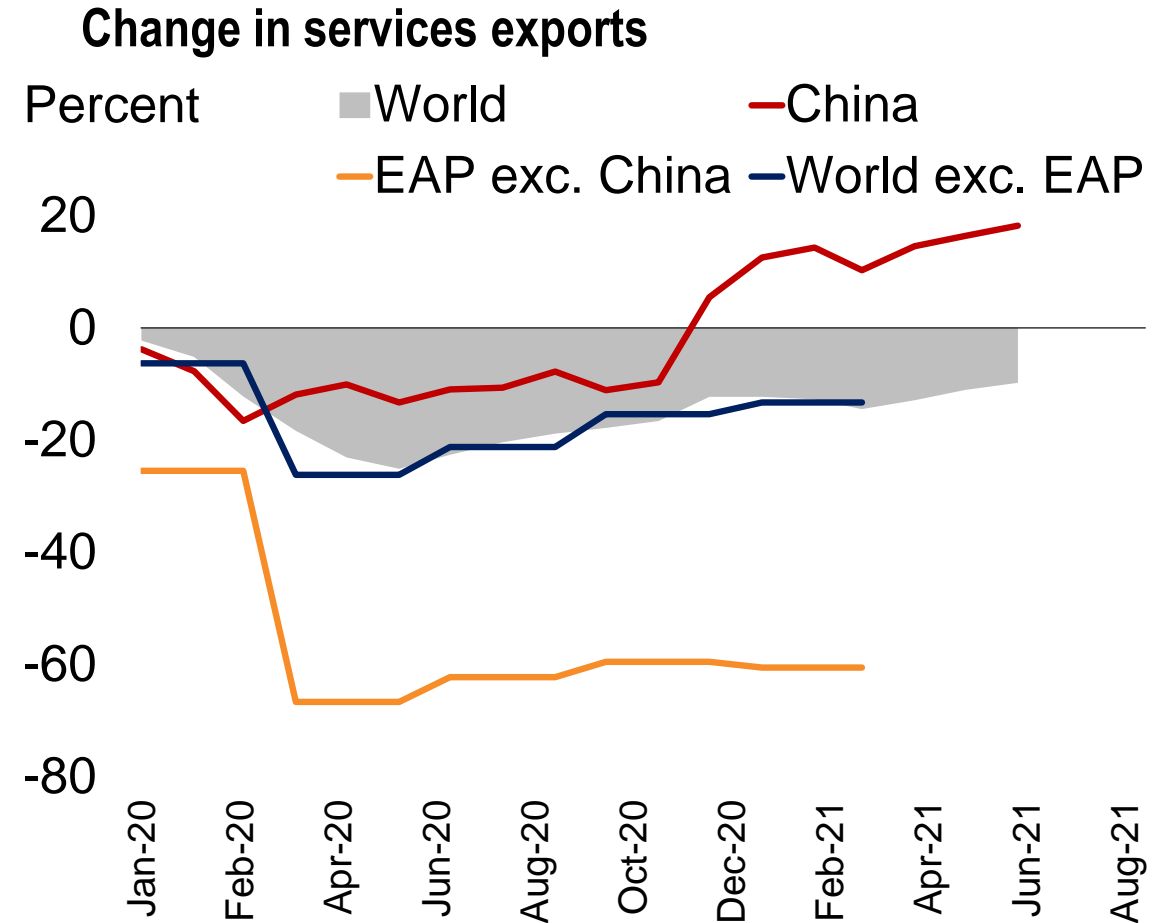
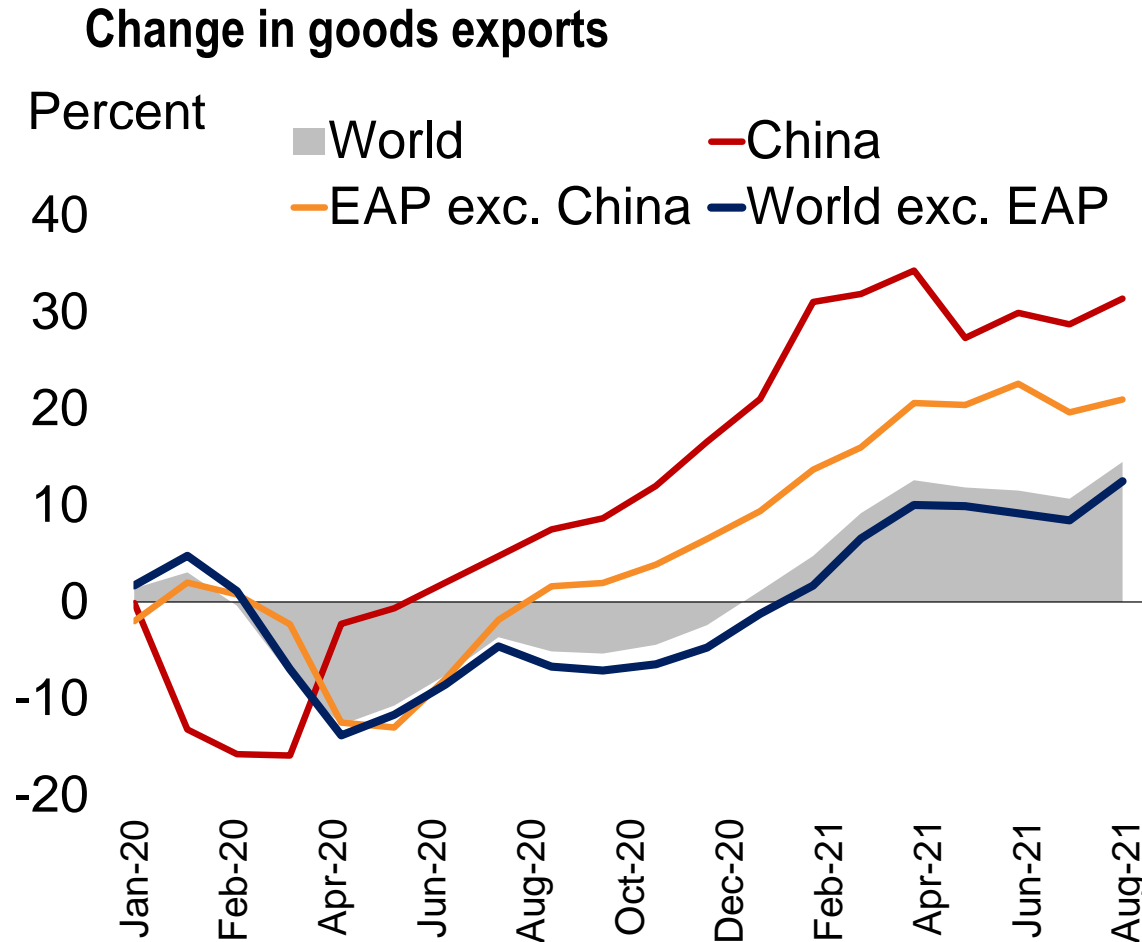


Note: x and y-axis shows percent to eligible population

Delivered vaccines:    ● <40%    ● 40%-80%    ● ≥80%

Why?

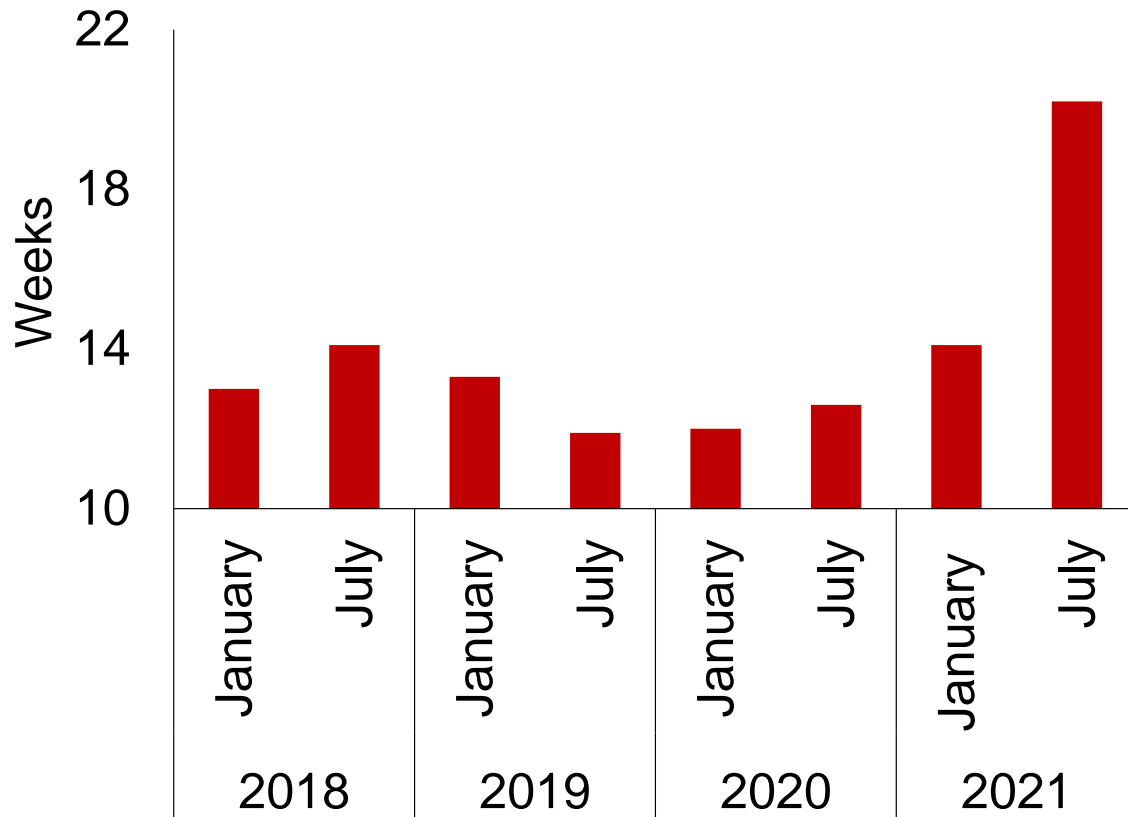
# Goods exports have recovered and are plateauing; services exports still languish except in China



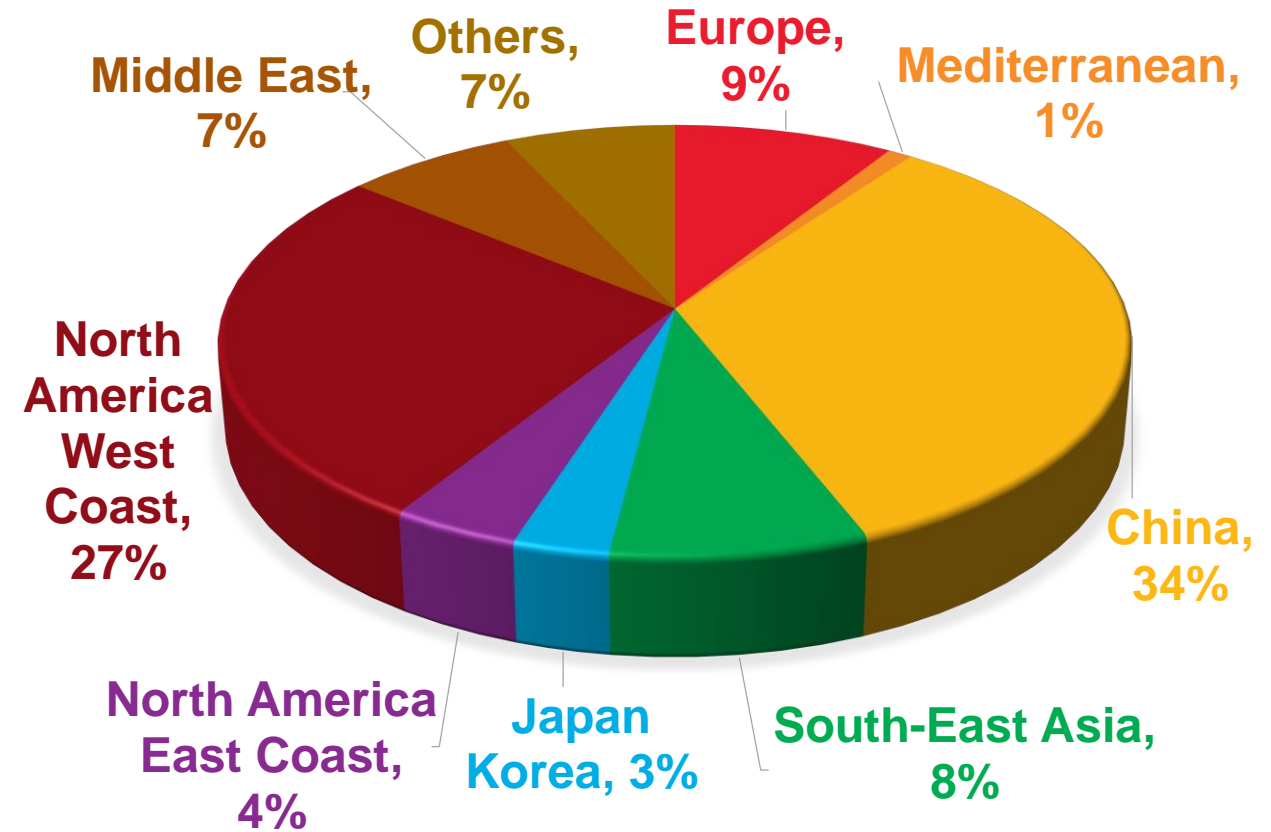
Why?

# Shortages of essentials and shipping delays

Gap between ordering and delivering a chip

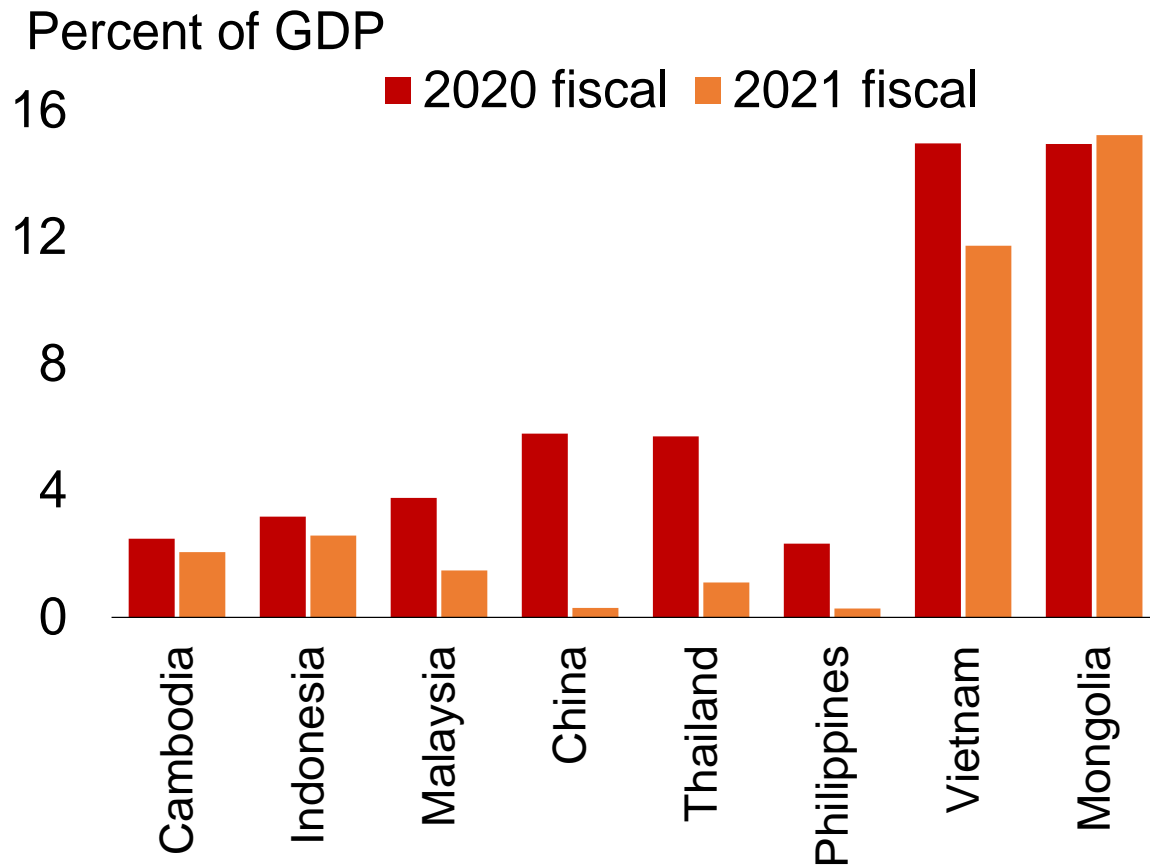


Source of shipping delays

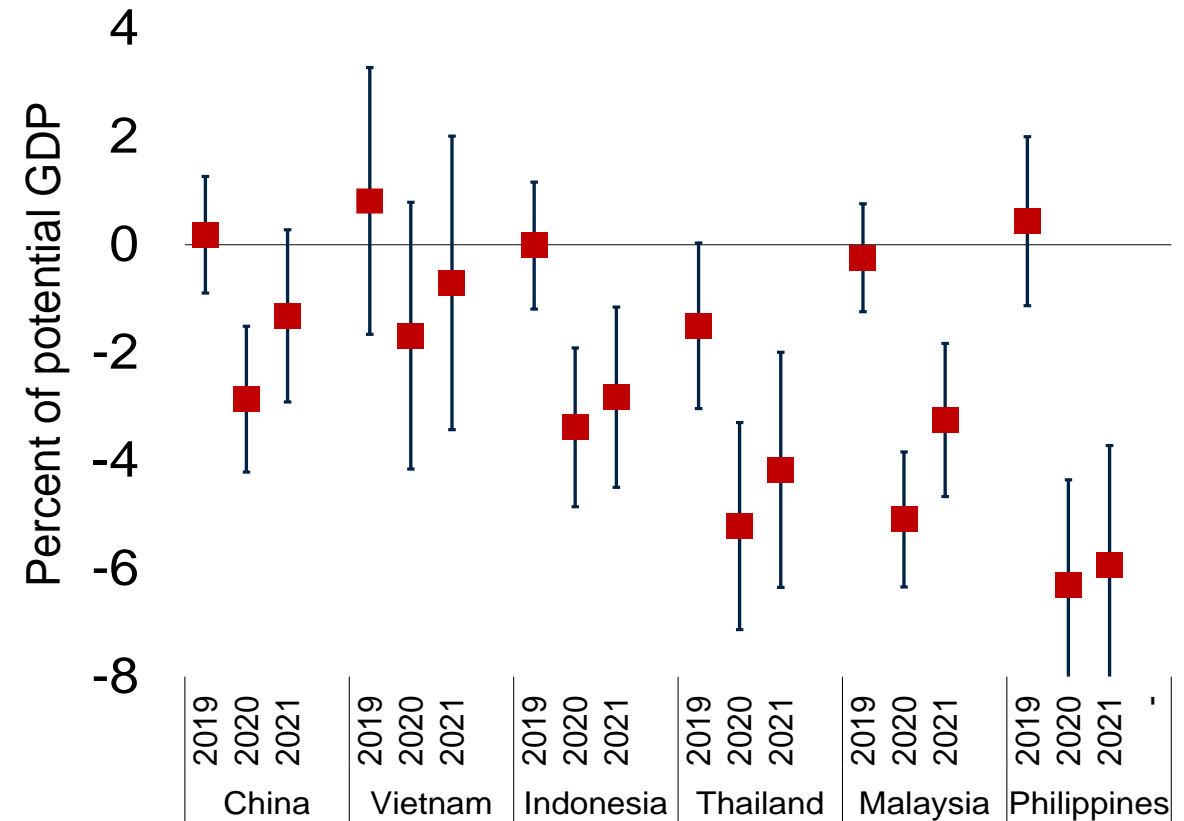


# Government support has been declining while output gaps endure

Government support



Output gaps

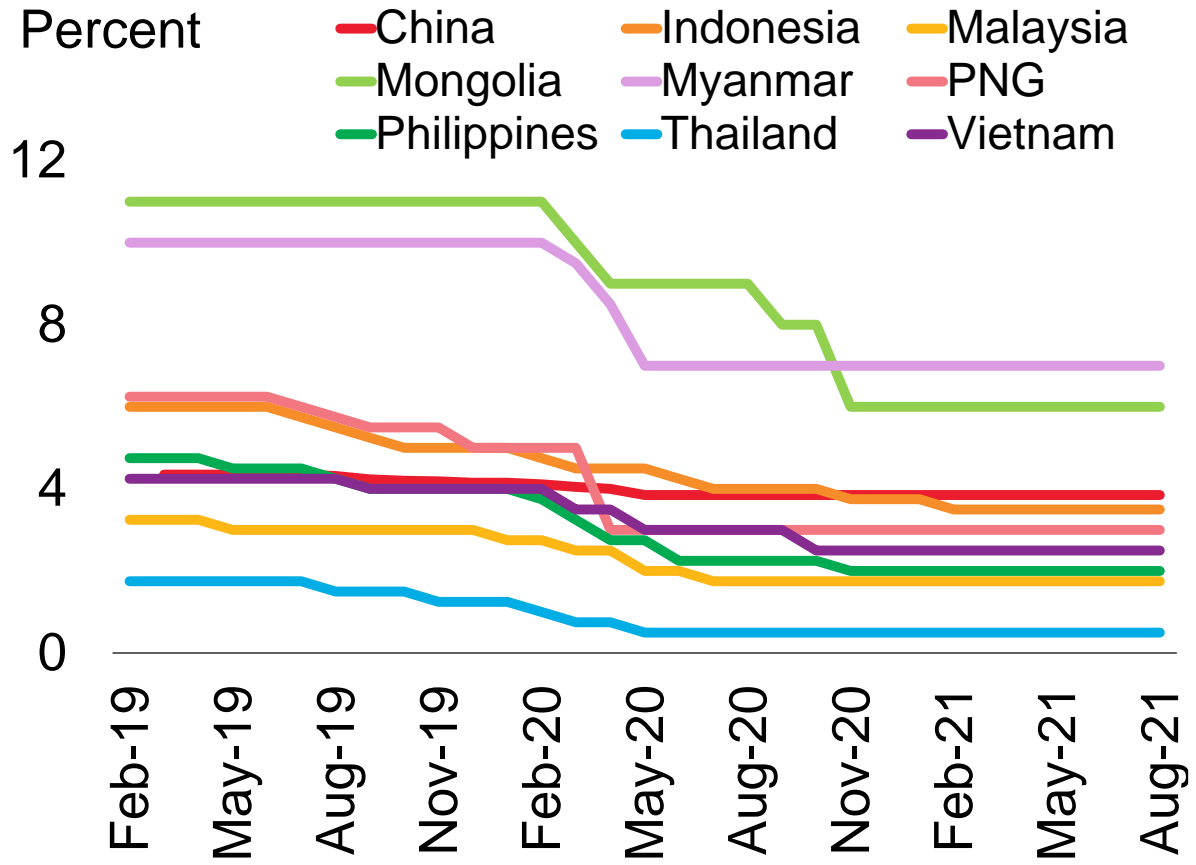


Why?

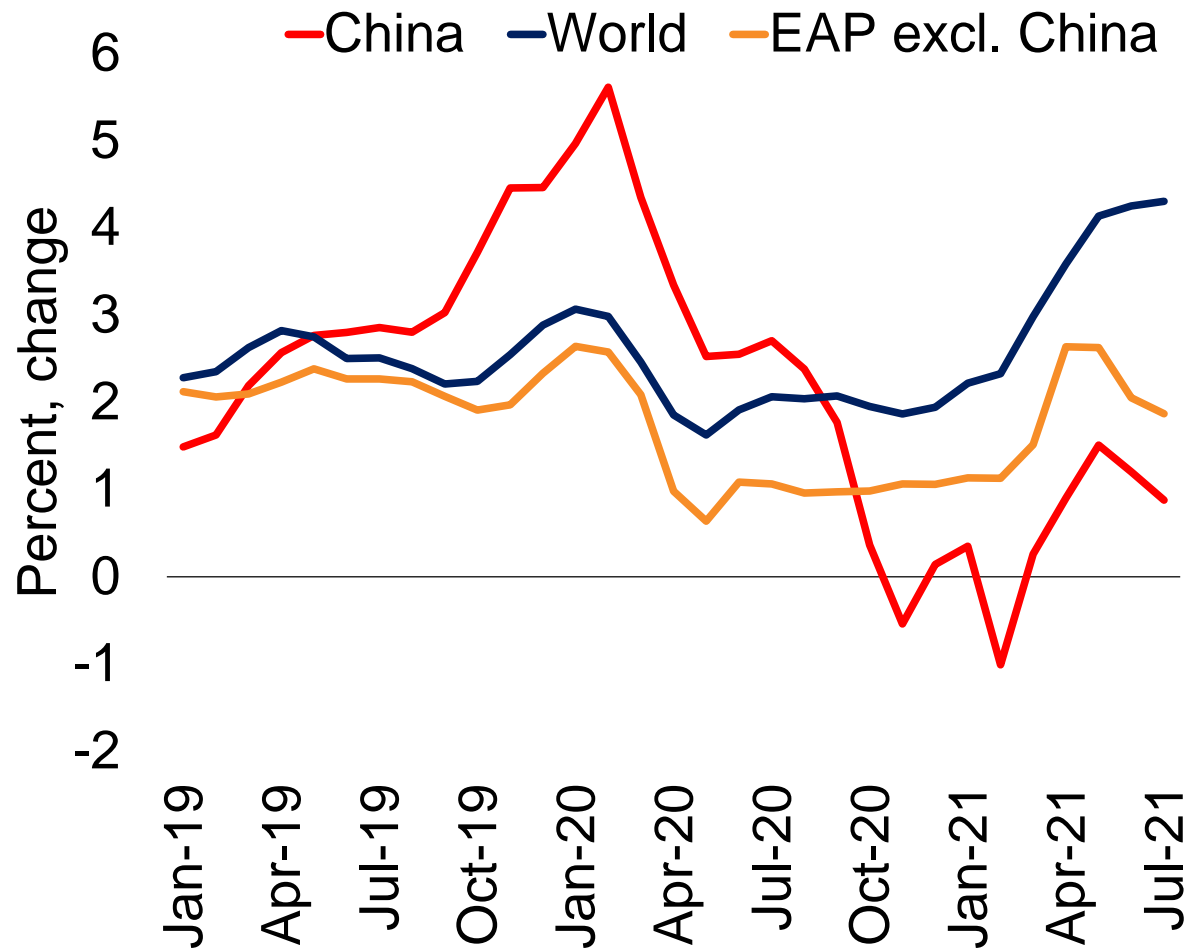
# Supportive monetary stance has not yet provoked inflation

Policy rates

Percent



CPI inflation

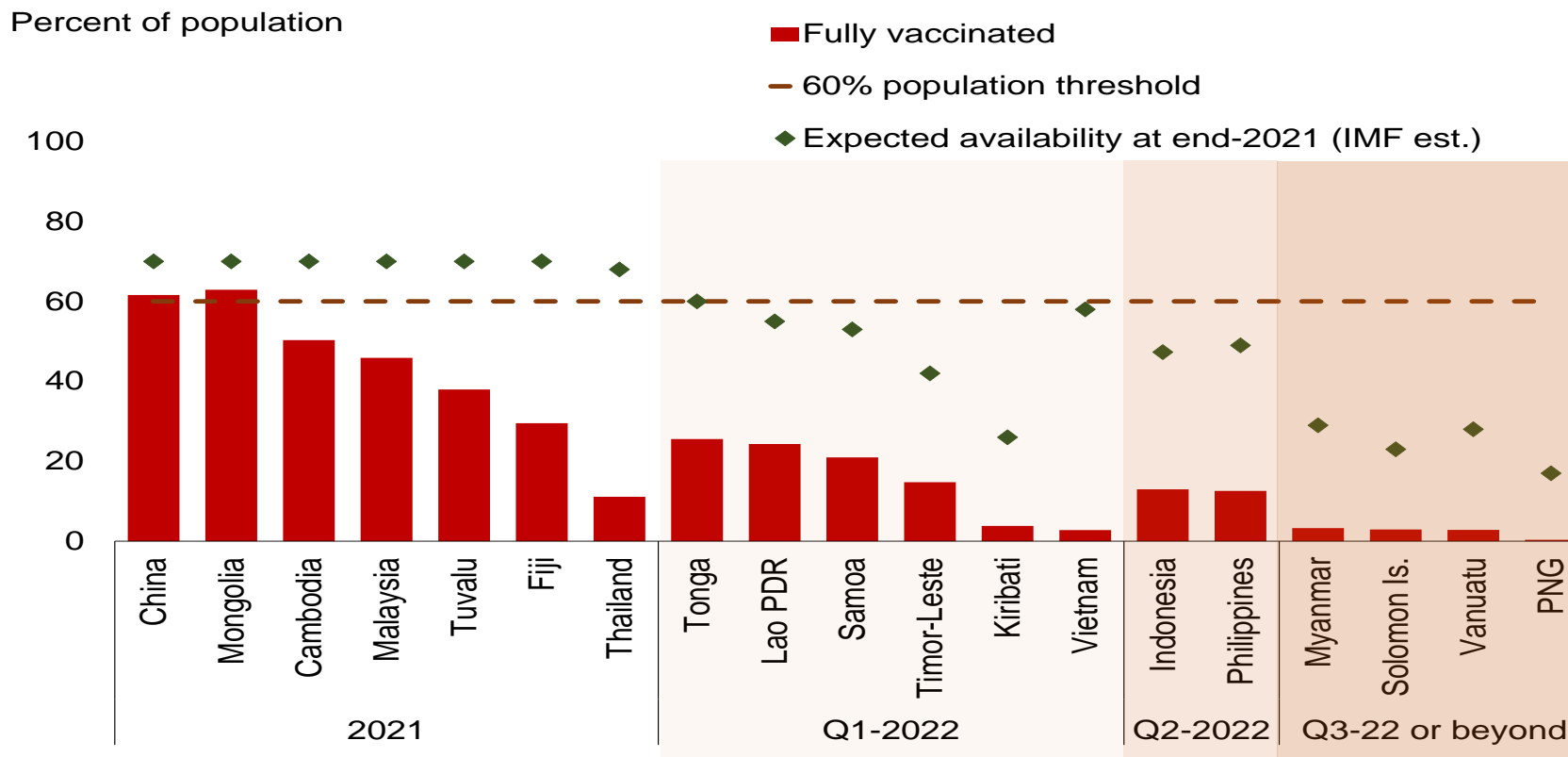


# The immediate policy challenge: Containing COVID

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# 1. 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



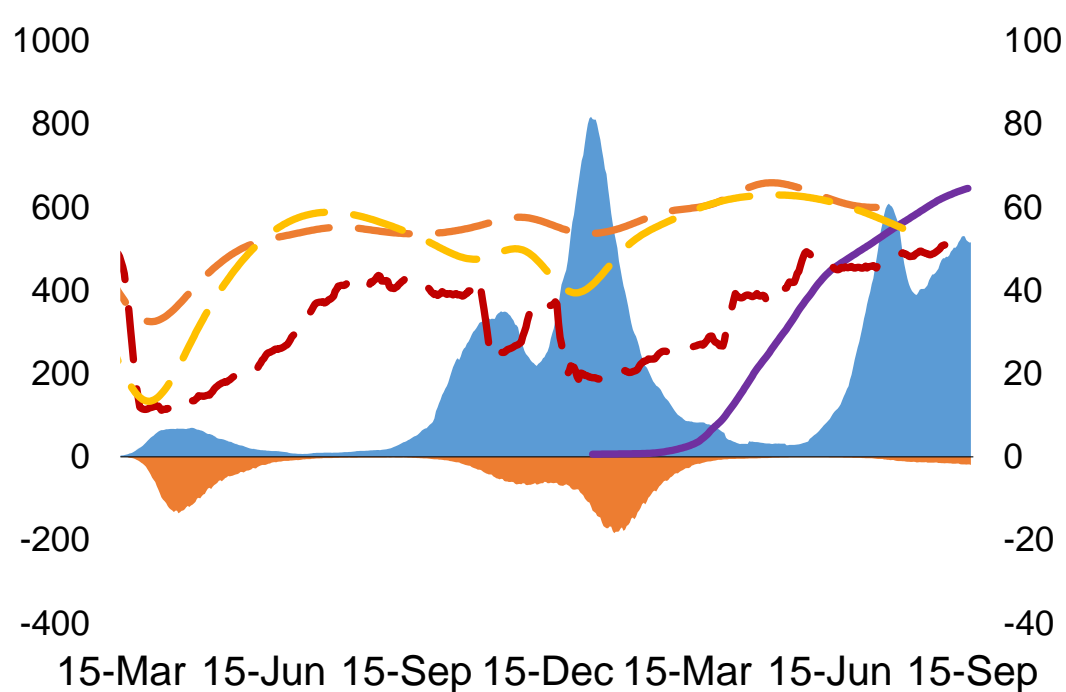
Estimated timing of achieving 60% population coverage based on current pace of vaccination and expected availability of vaccines



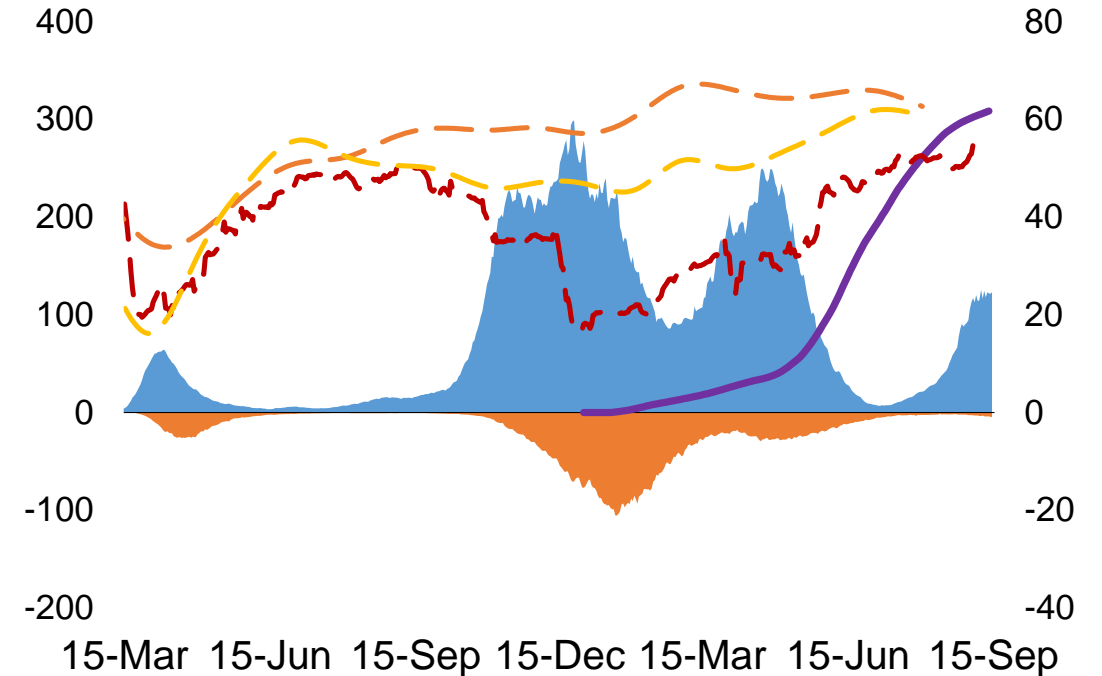
# ...which could usher in a relatively benign phase of COVID-19

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

- Cases per million
- Vaccination rate (rhs)
- Deaths per hundred ths.
- Mobility reduction (rhs)
- Manufacturing PMI (rhs)
- Services PMI (rhs)



United Kingdom

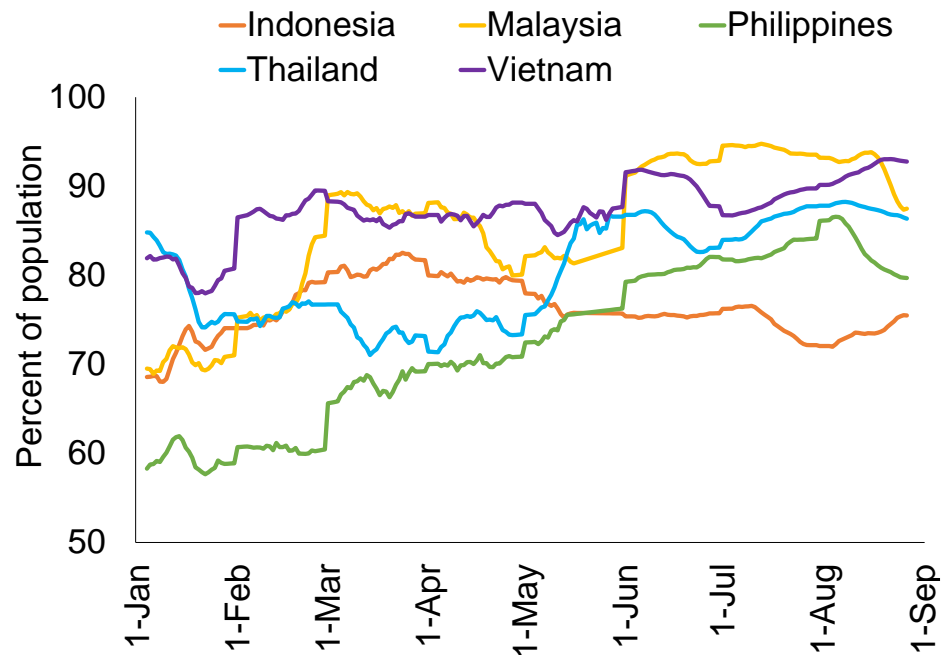


Germany

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

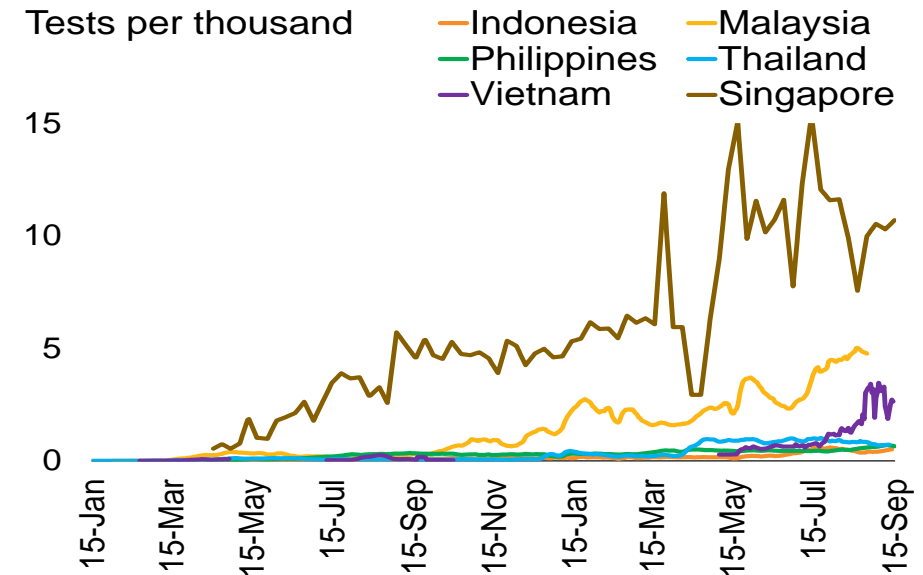
## 1. Overcome vaccine hesitancy

Evolution of vaccine acceptance



## 4. Enhance testing-tracing-isolation

COVID-19 – Testing coverage



## 2. Improve distribution

## 3. Expand regional production

## 5. Precautions: social distancing, masks

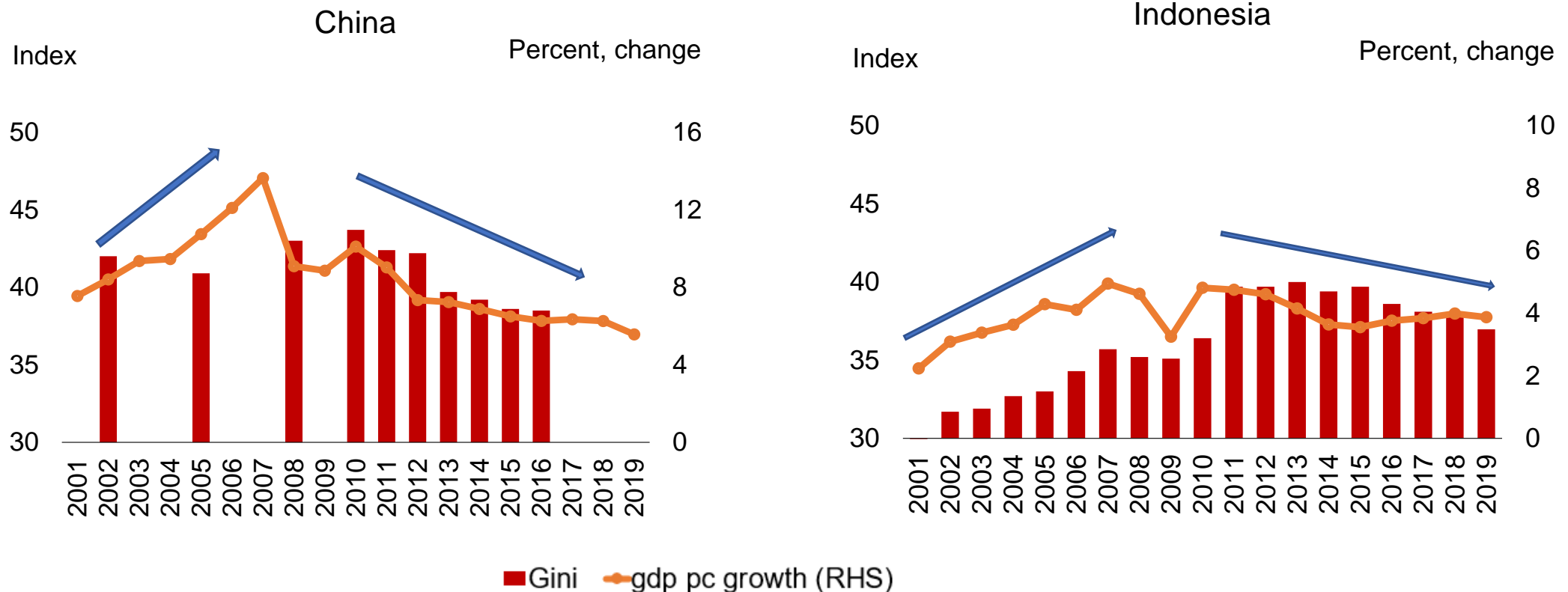
## 6. Equip health systems for Long COVID

# The longer-term policy challenge: Spurring inclusive growth

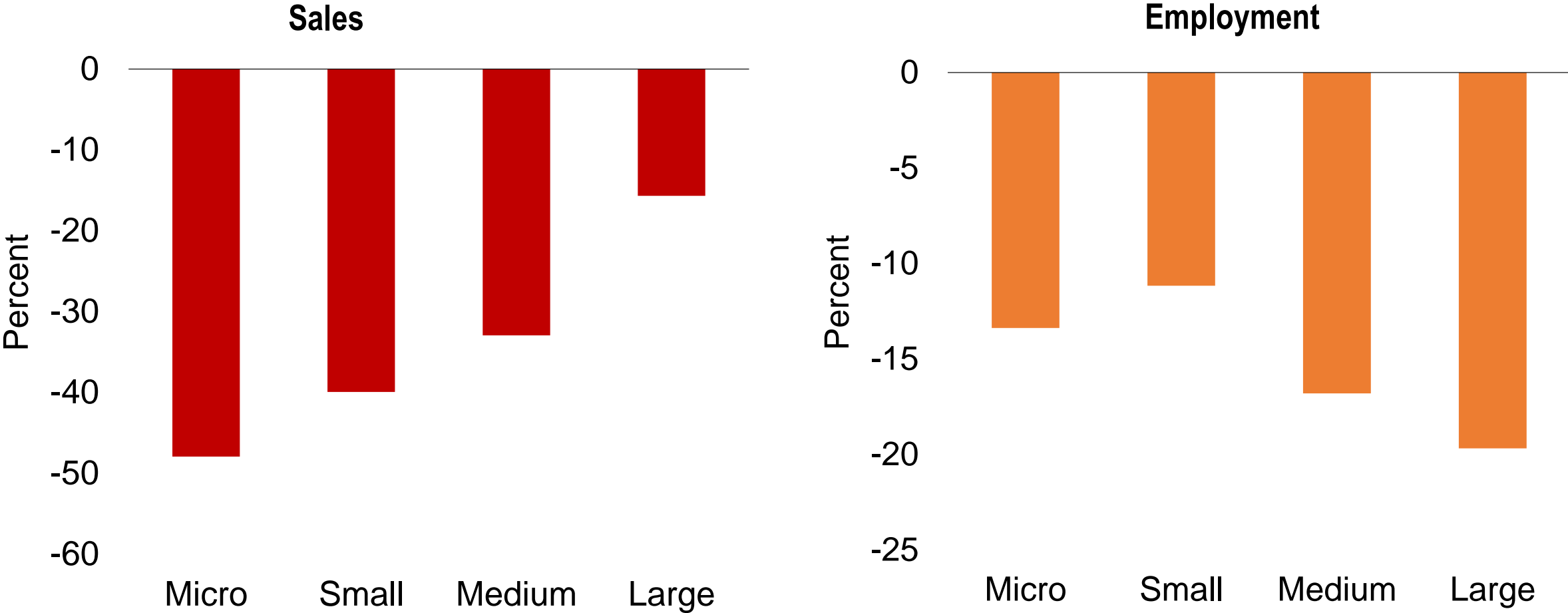
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# This century, the region saw either an increase in both growth and inequality or a decline in both

Per capita growth and inequality in the 2000s

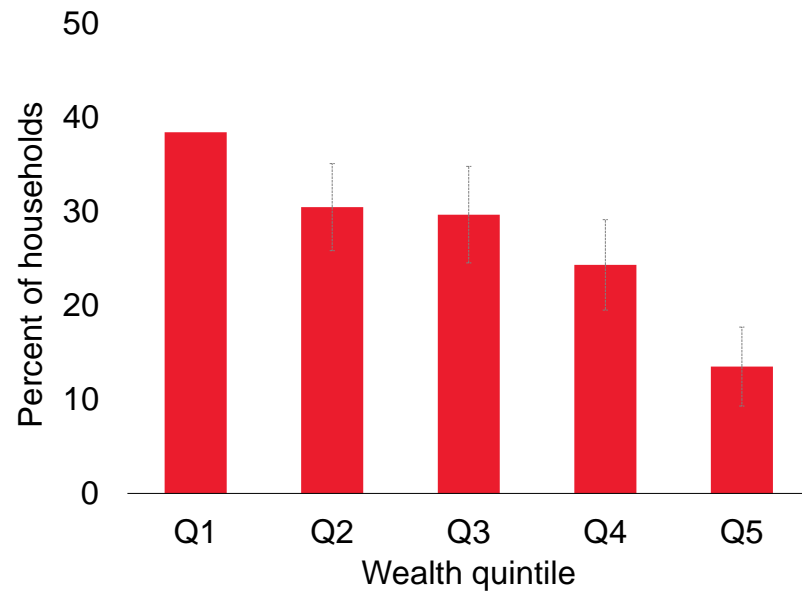


# For the first time this century, a potential double blow: slowing growth

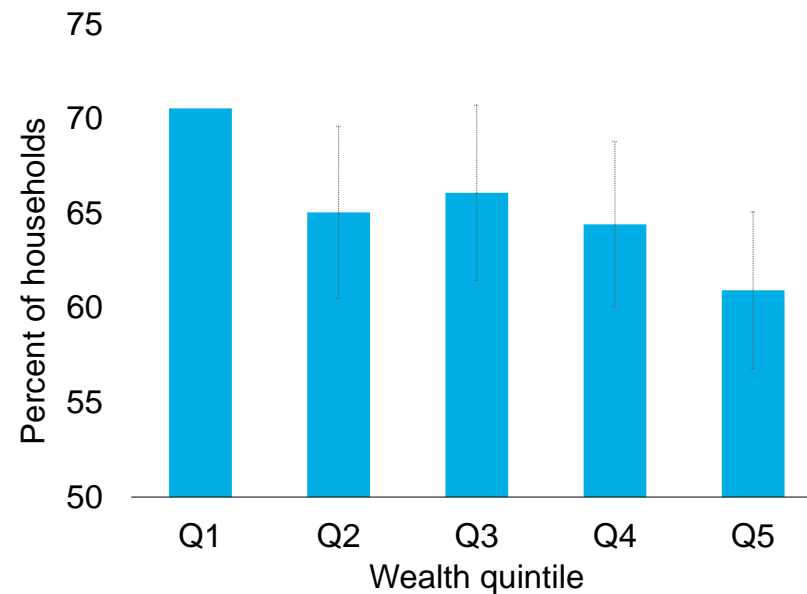


# ...and rising inequality across multiple dimensions

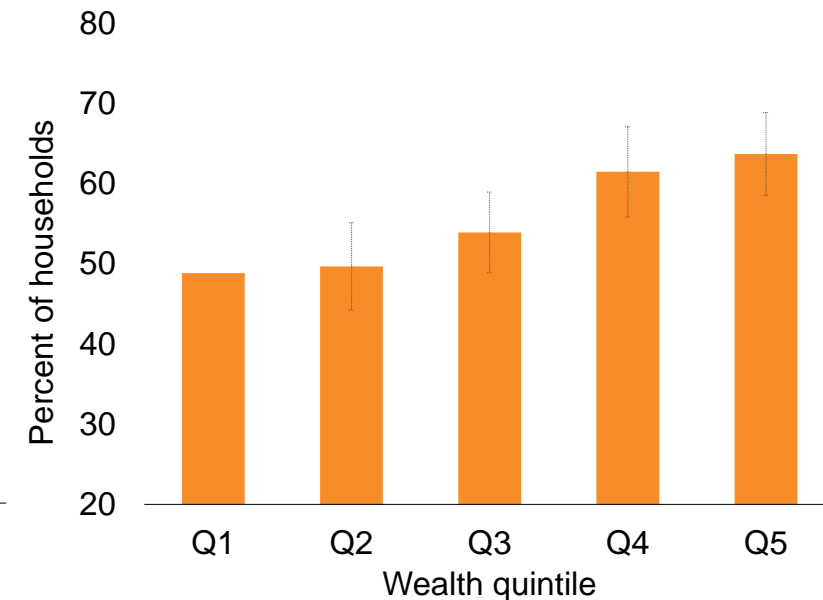
## Food insecurity



## Increased debt or sale of assets

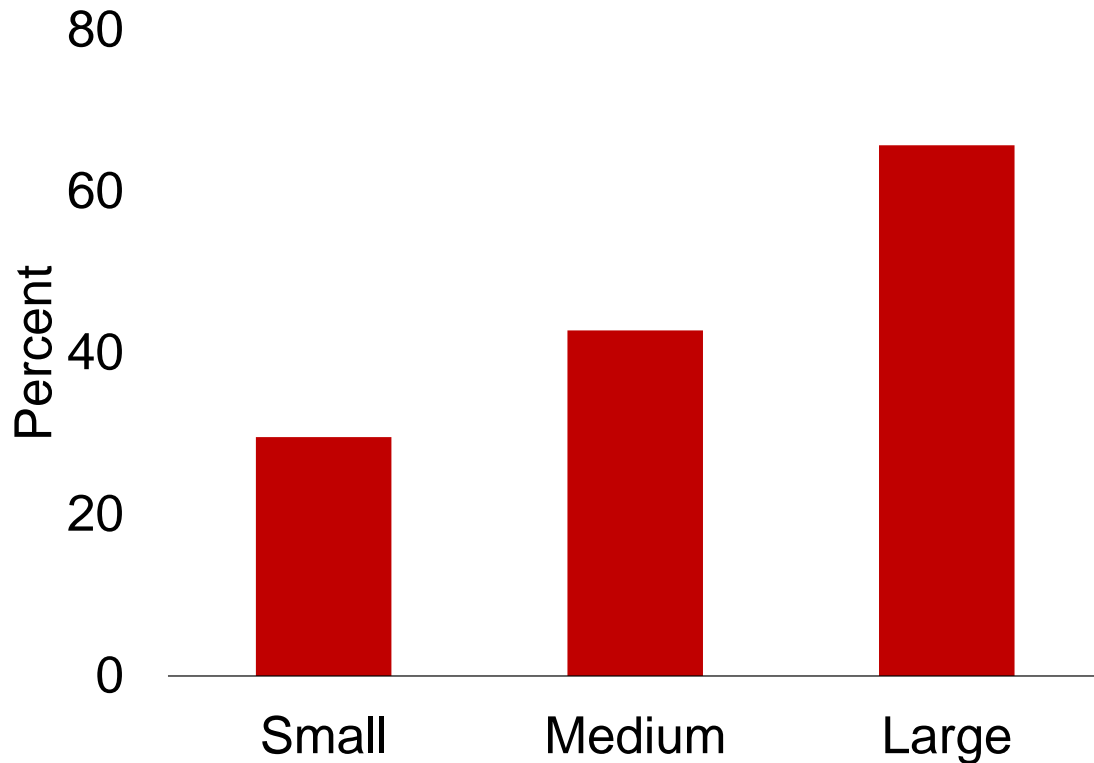


## Interactive education opportunities

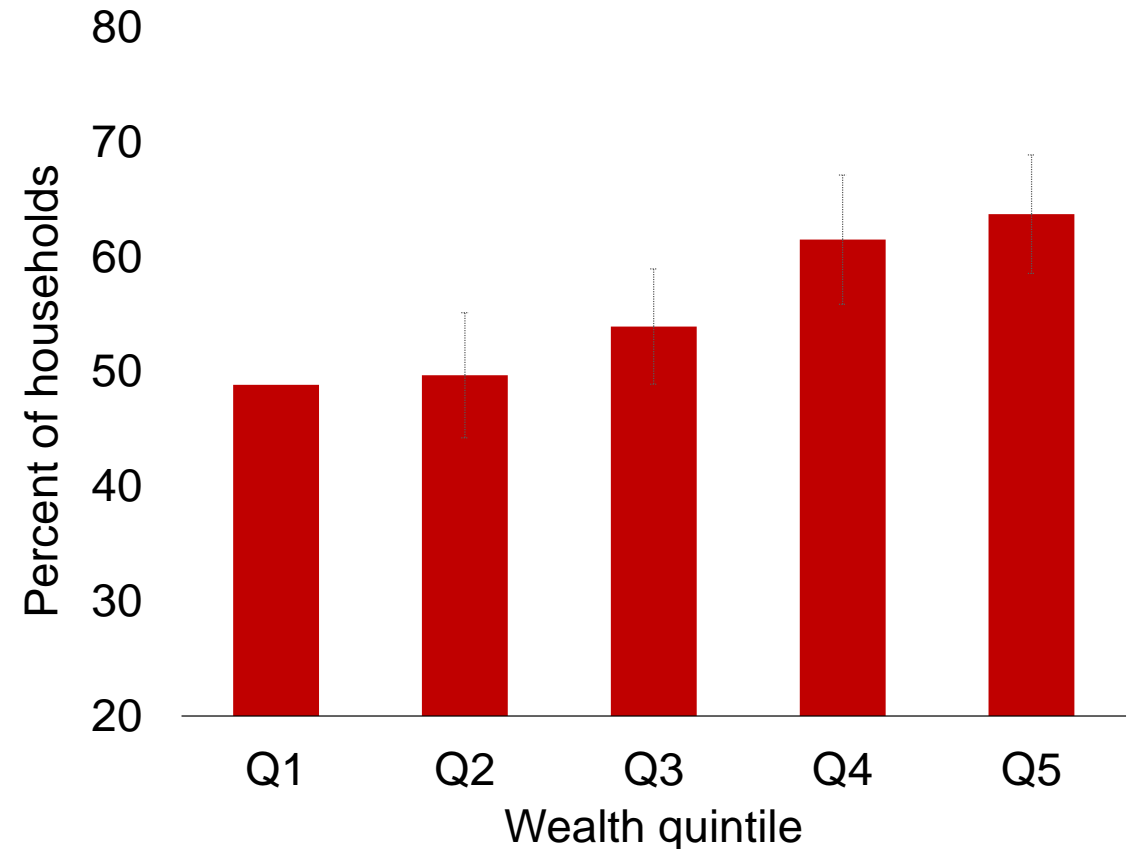


# 1. Greater use and wider access to digital technologies can support inclusive recovery

Supply chain management

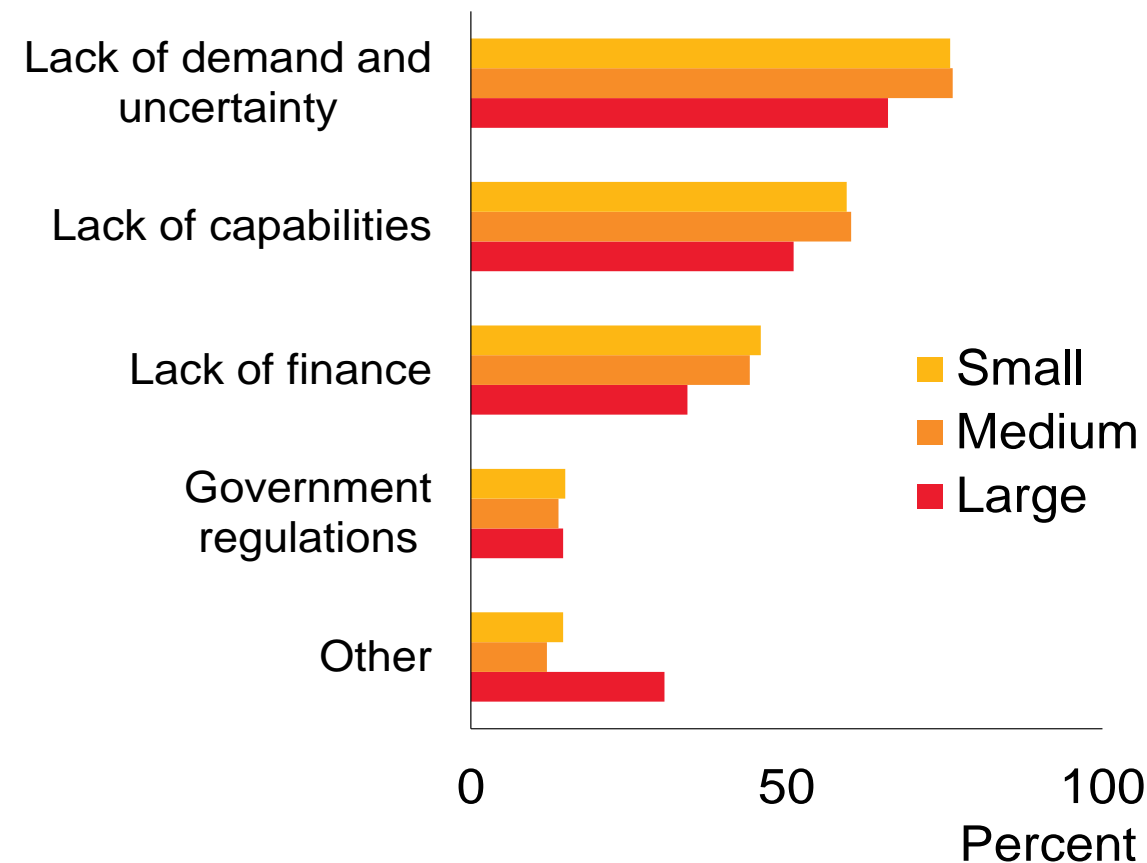


Interactive education opportunities

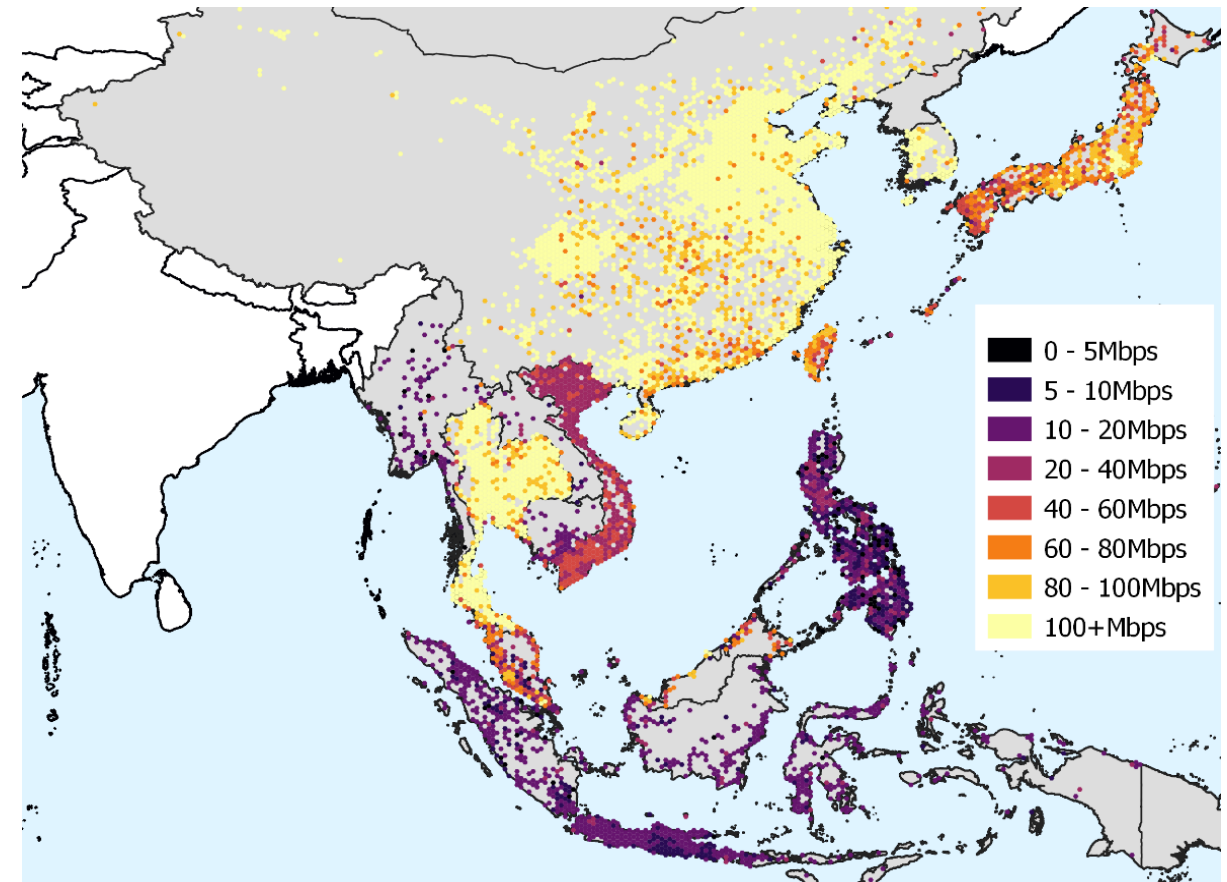


# Addressing the constraints to the diffusion of technology

## Perceived constrained



## Fixed broadband speeds



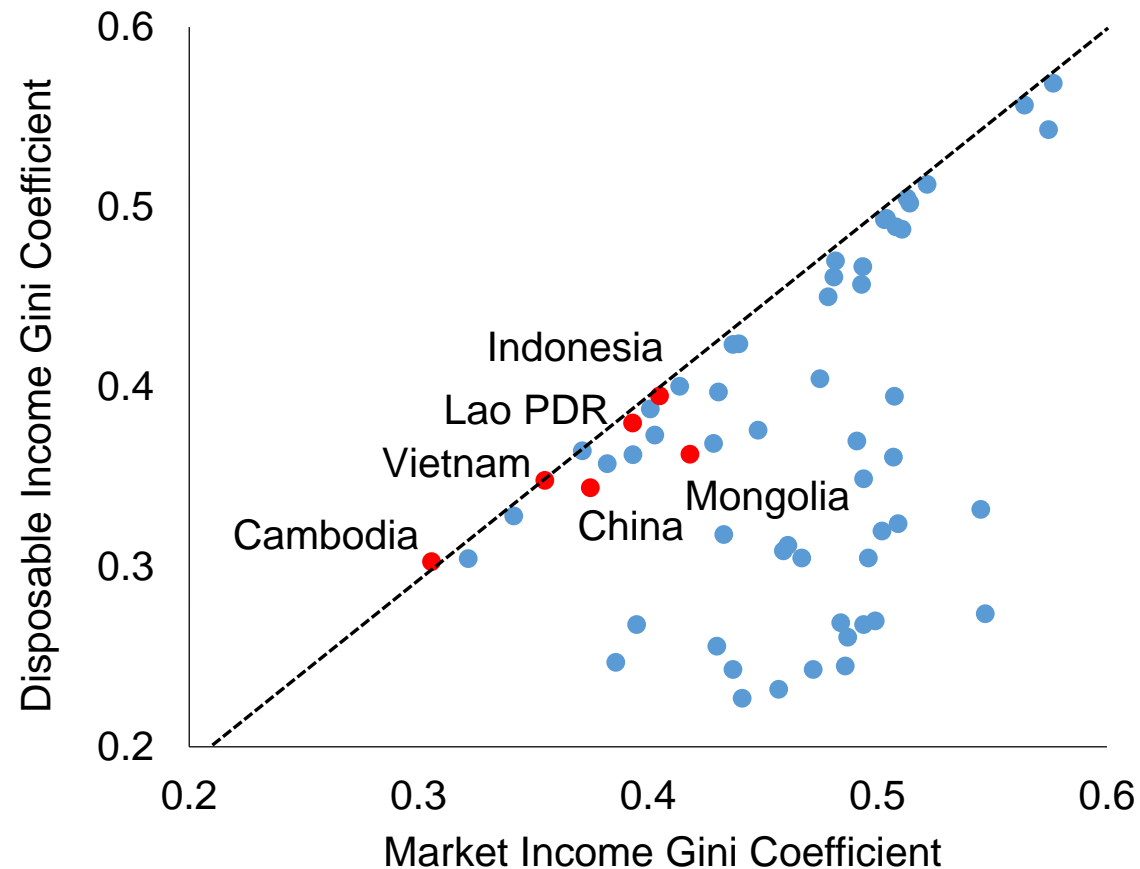


## 2. Democratizing education: By harnessing technology through broader reforms

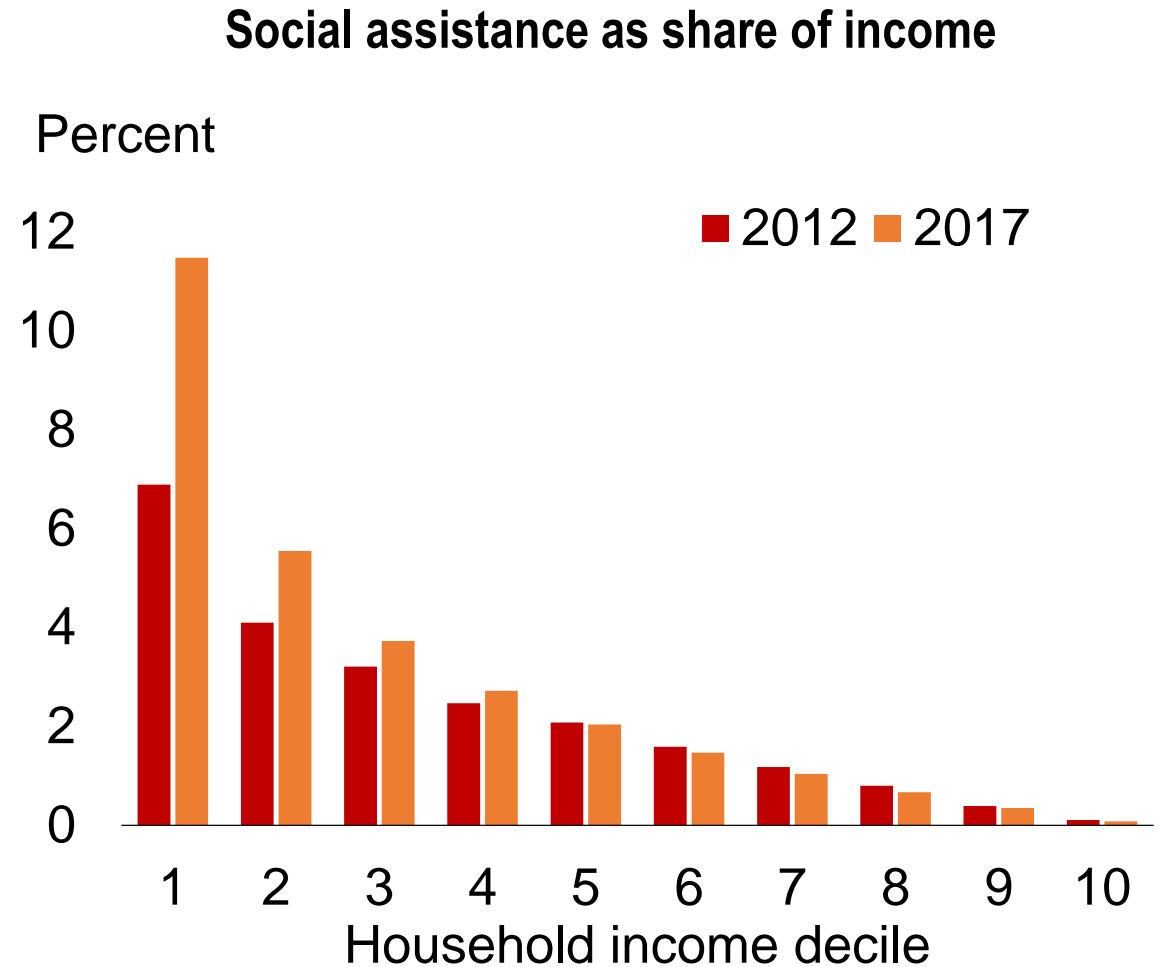
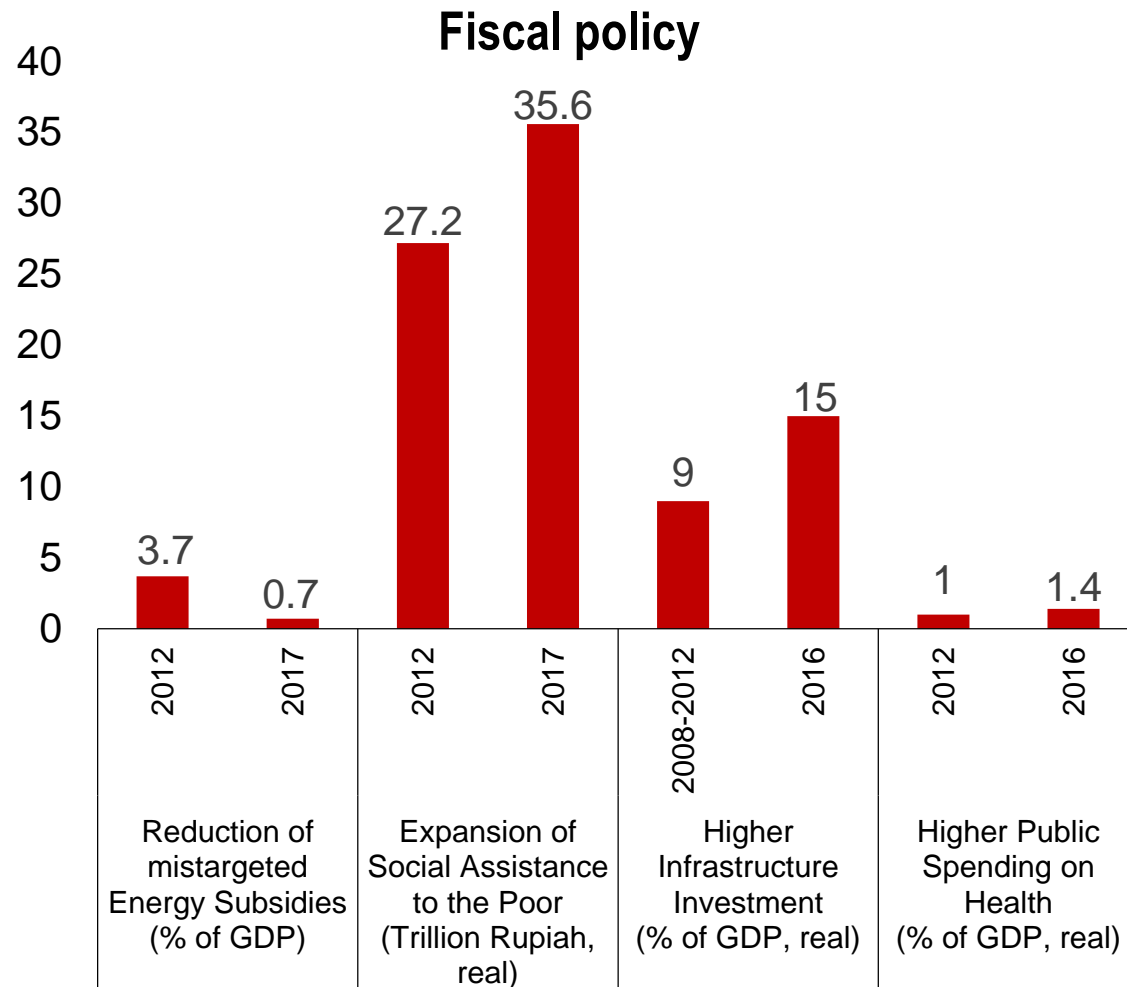
Countries have employed multiple distance learning modalities to cope with the pandemic

		Pre-Primary				Primary				Lower Secondary				Upper Secondary			
		online	paper	radio	tv	online	paper	radio	tv	online	paper	radio	tv	online	paper	radio	tv
High income EAP	China, Hong Kong Sp..	✗	✗			✗	✗			✗	✗			✗	✗		
	China, Macao Specia..	✗	✗			✗	✗			✗	✗			✗	✗		
	Japan	✗	✗			✗	✗			✗	✗			✗	✗		
	Singapore	✗	✗			✗	✗			✗	✗			✗	✗		
China	China					✗	✗		✗	✗		✗	✗	✗	✗		✗
ASEANS	Philippines	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗
	Malaysia	✗	✗			✗	✗		✗	✗	✗		✗	✗	✗		✗
	Viet Nam					✗		✗	✗	✗		✗	✗	✗		✗	✗
	Indonesia					✗	✗		✗	✗		✗	✗	✗		✗	✗
	Thailand				✗	✗			✗	✗		✗	✗	✗		✗	✗
Small East Asian Economies	Timor-Leste	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗
	Lao People's Democr..			✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗
	Cambodia	✗	✗	✗	✗	✗	✗		✗	✗	✗		✗	✗	✗		✗
	Myanmar	✗				✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗
	Papua New Guinea							✗	✗	✗		✗	✗	✗		✗	✗
Pacific Island Countries	Tuvalu		✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗
	Fiji			✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗
	Tonga		✗			✗	✗	✗		✗	✗		✗	✗		✗	✗
	Palau		✗				✗			✗	✗		✗	✗		✗	✗
	Solomon Islands			✗				✗				✗				✗	
	Kiribati					✗				✗				✗			

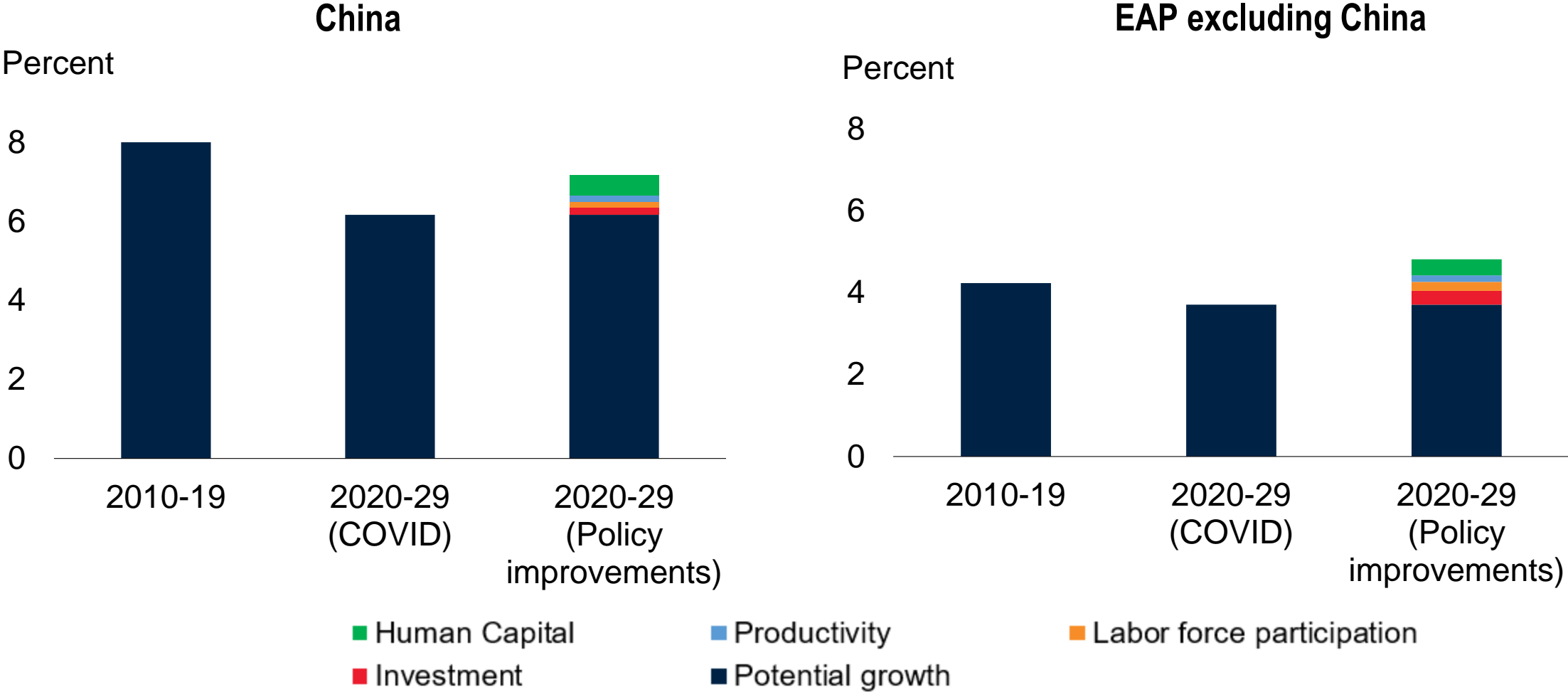
# 3. Direct taxes and transfers have limited redistributive impacts in developing East Asia



# Policy can more effectively address inequality: An example from Indonesia



# Bold and comprehensive reforms could spur inclusive and sustainable growth



# LONG COVID

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Thank You!

