

# LONG COVID

EAP ECONOMIC UPDATE OCTOBER 2021



# Agenda

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

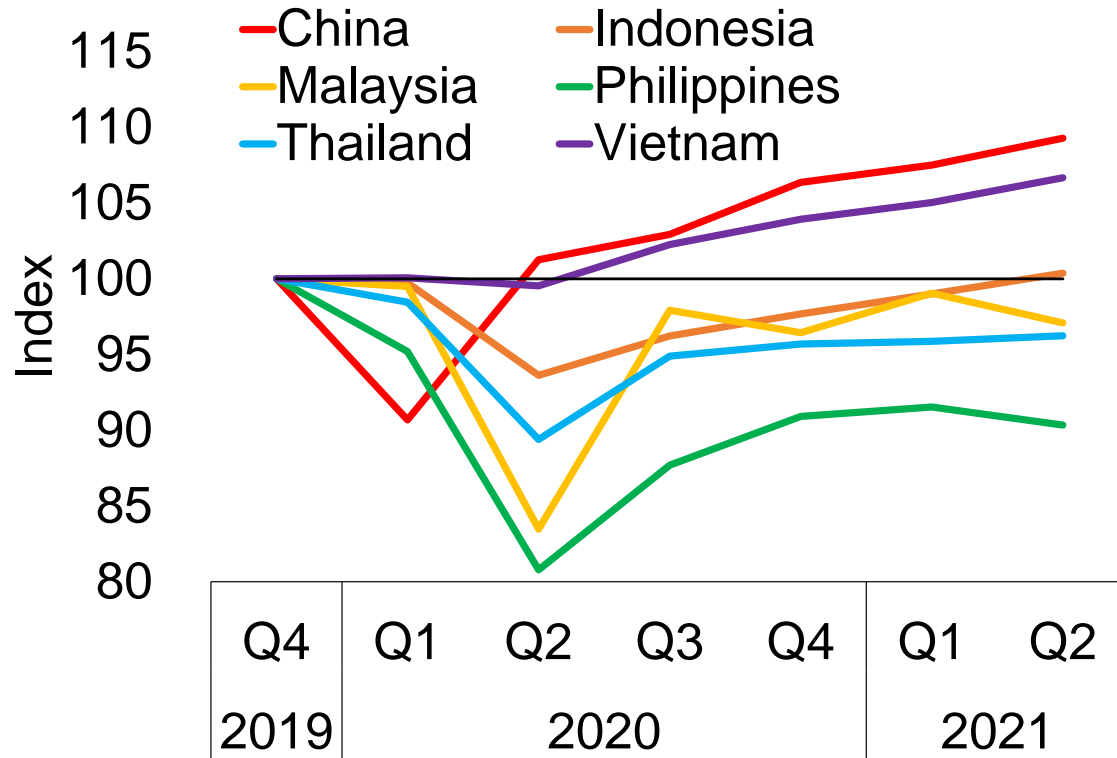
# What is happening?

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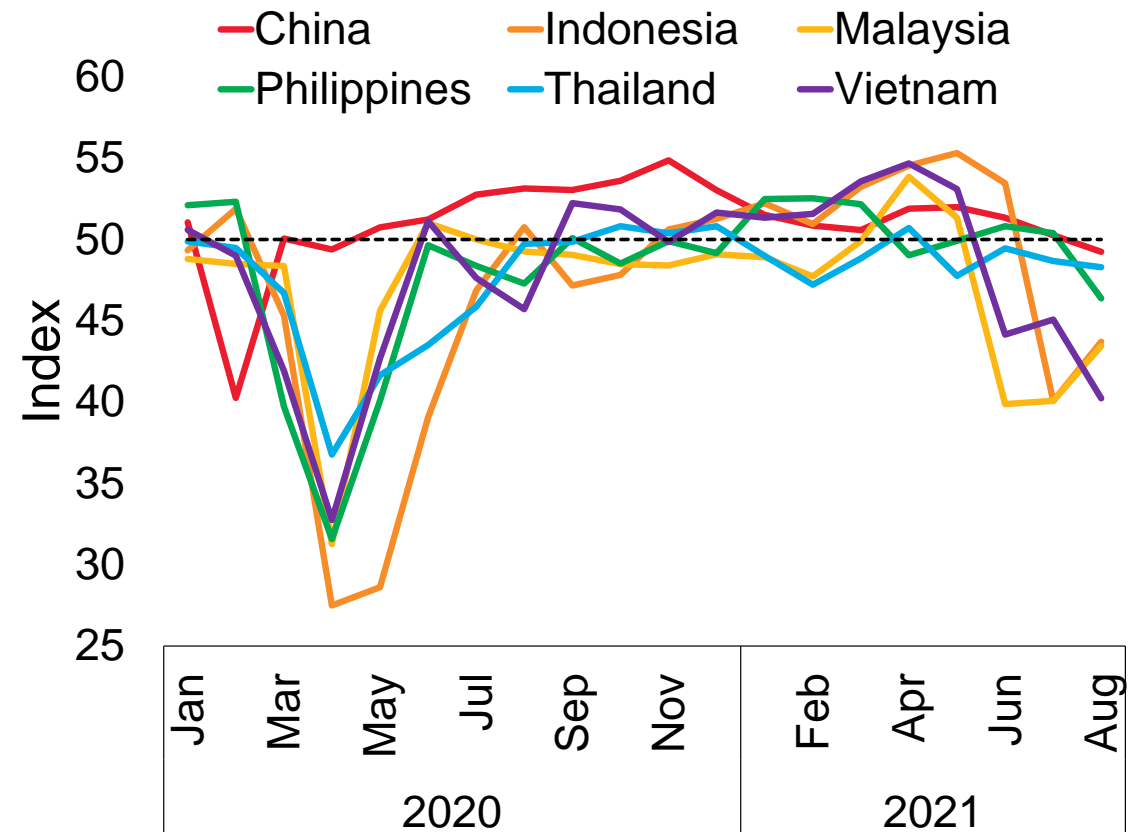
What is happening?

# Multispeed recovery faces a setback

GDP growth, 2019Q4 = 100

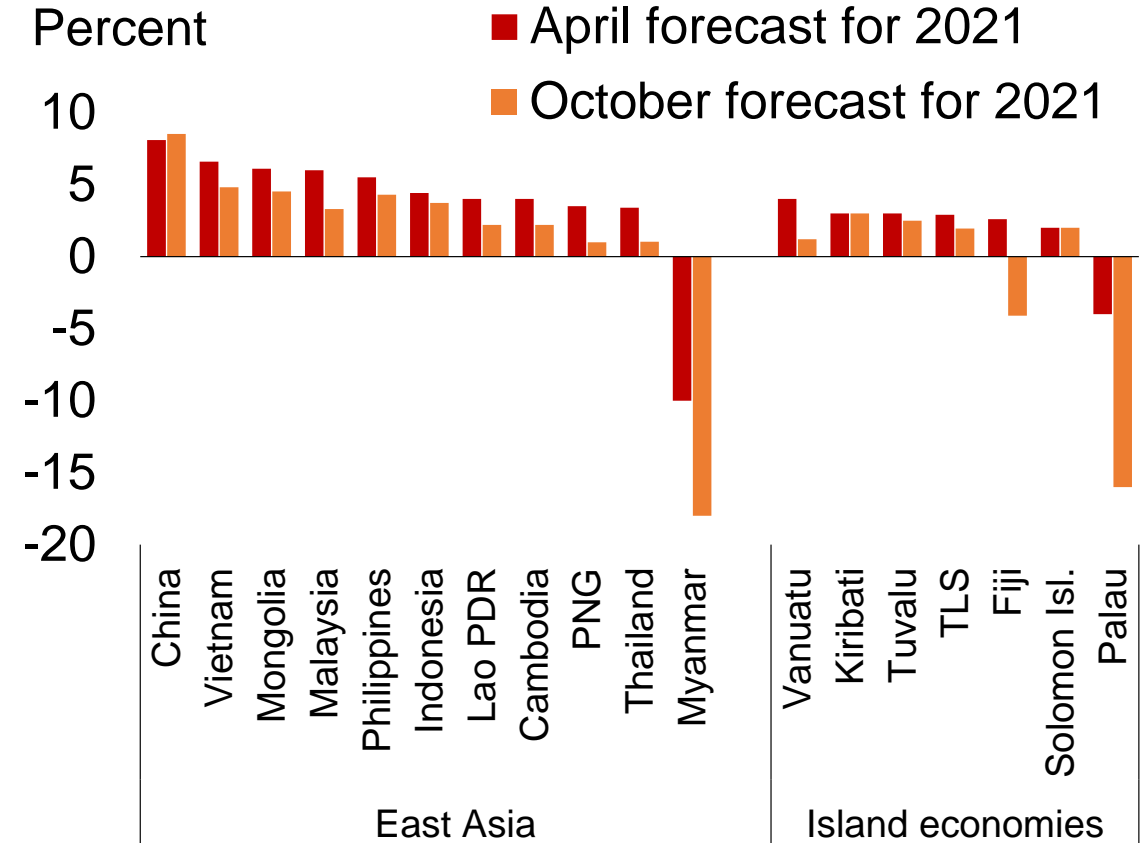
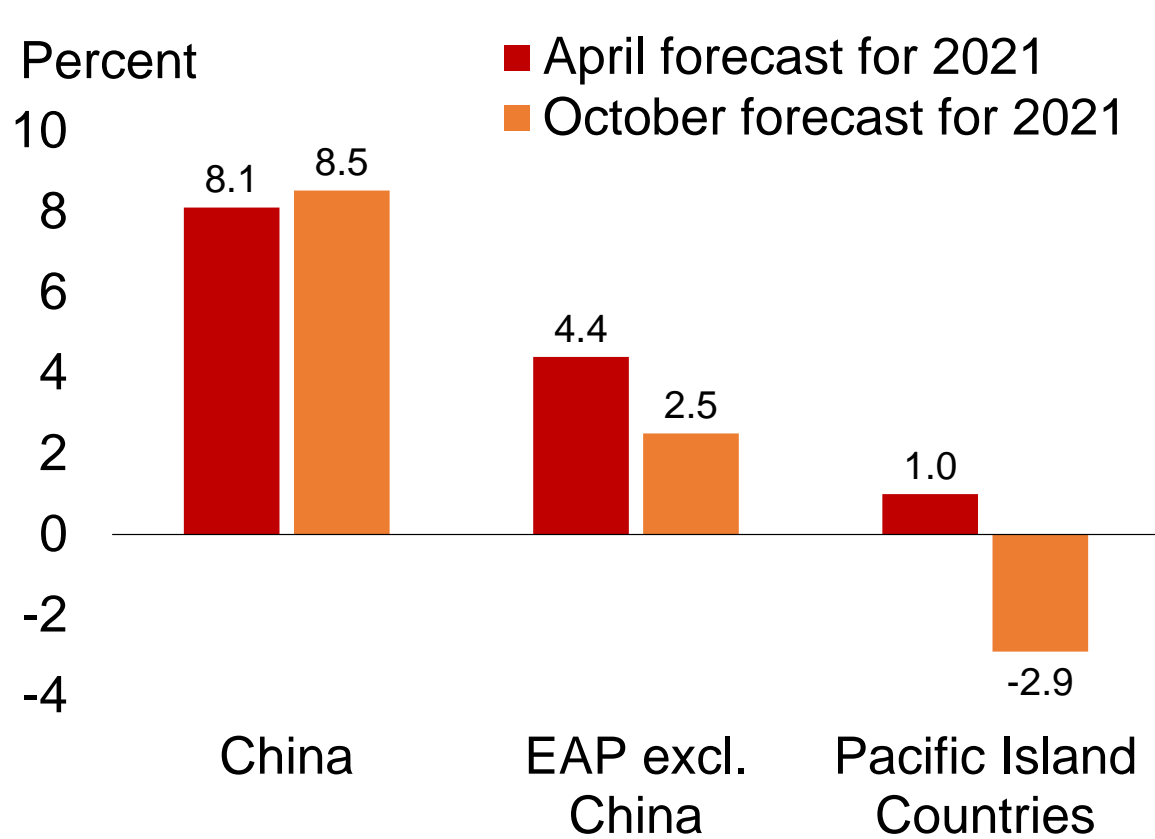


Purchasing Manager's Index, 50+=expansion



What is happening?

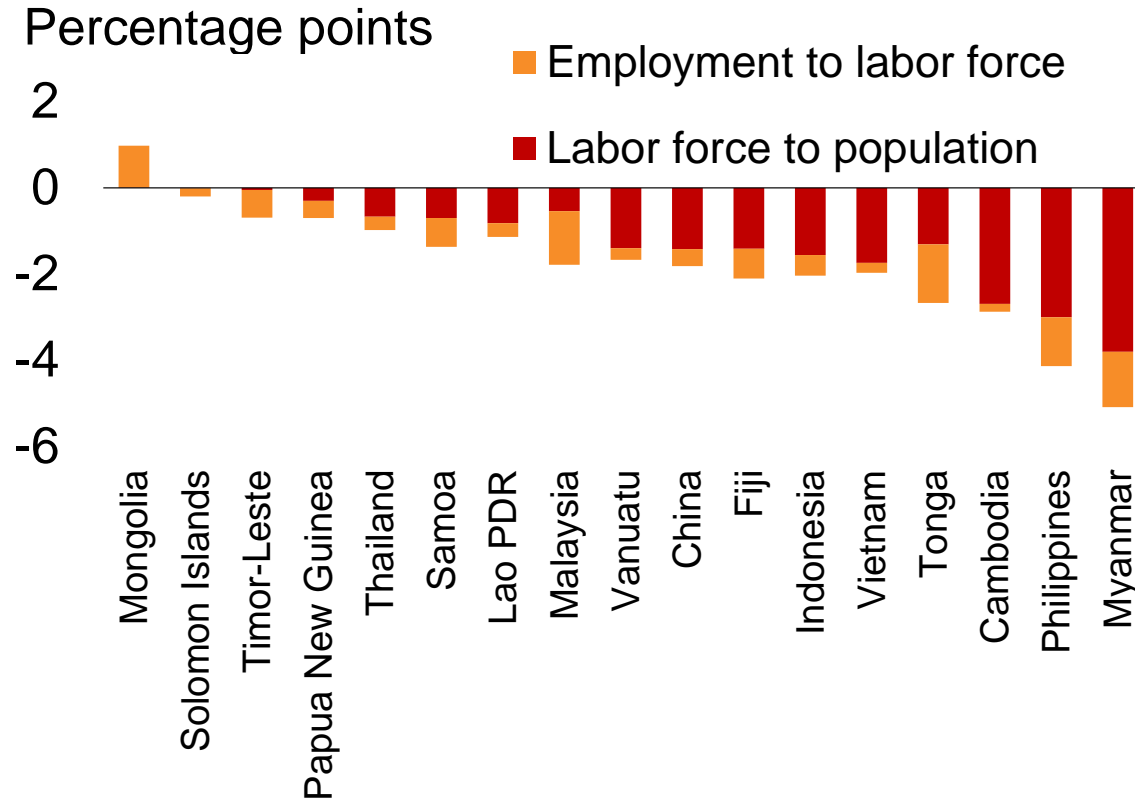
# Worsening prospects for growth



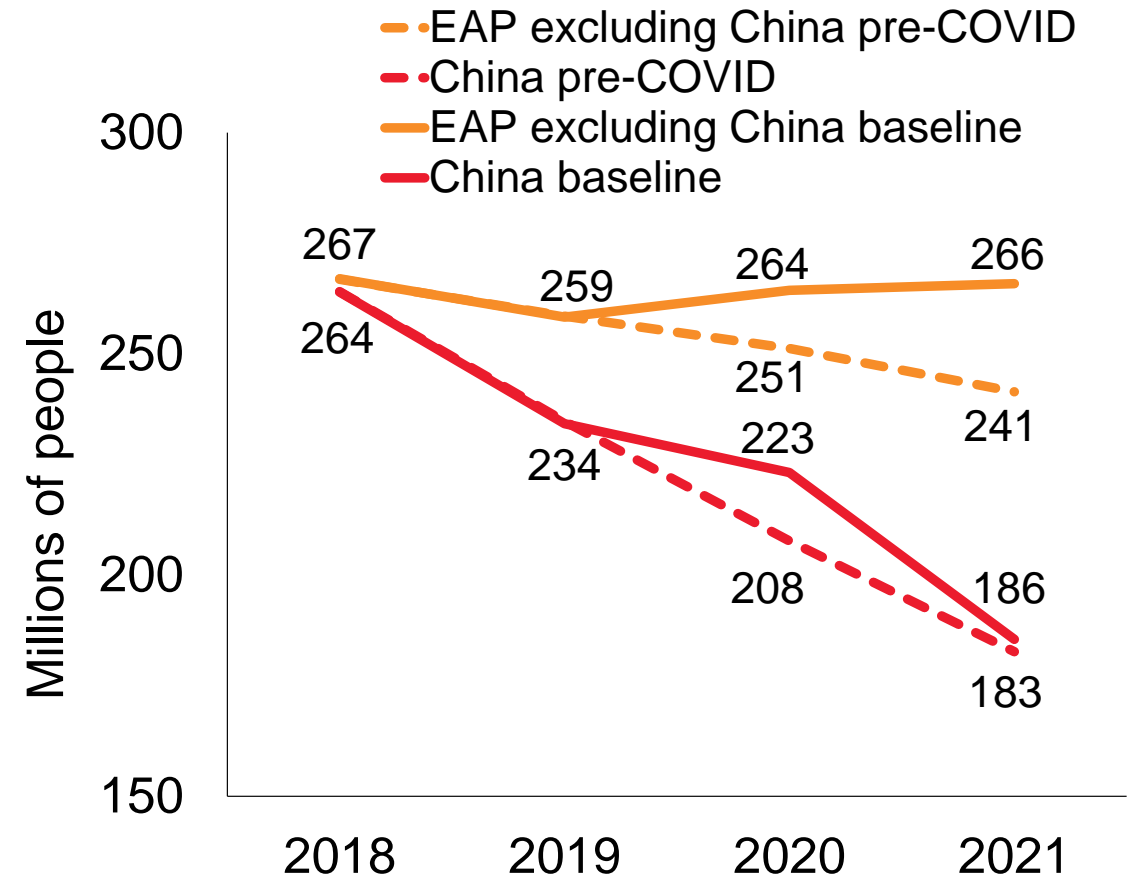
What is happening?

# Declining employment and fewer people will escape poverty

### Employment to population and Labor Force Participation



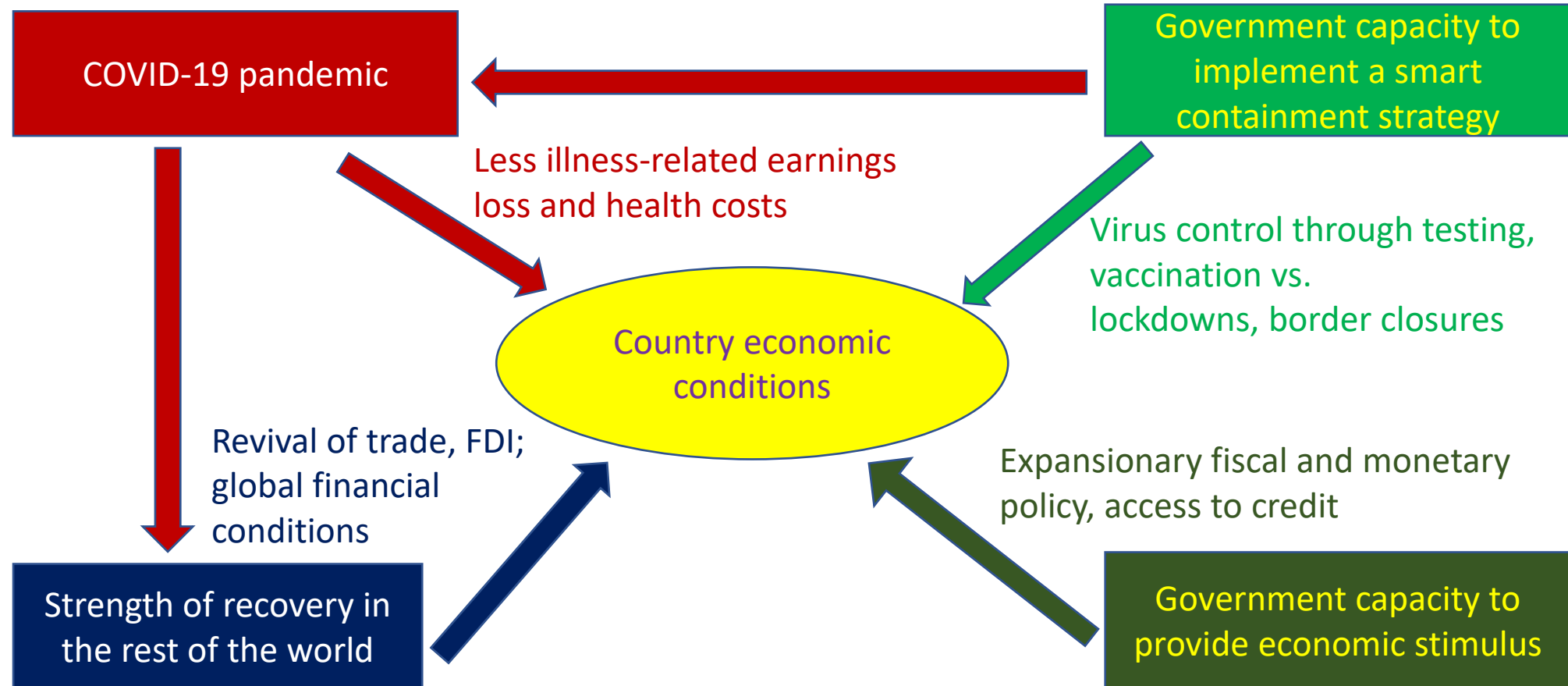
### Number of poor (USD 5.50 poverty line)



# Why?

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# ...because of a reversal of fortune

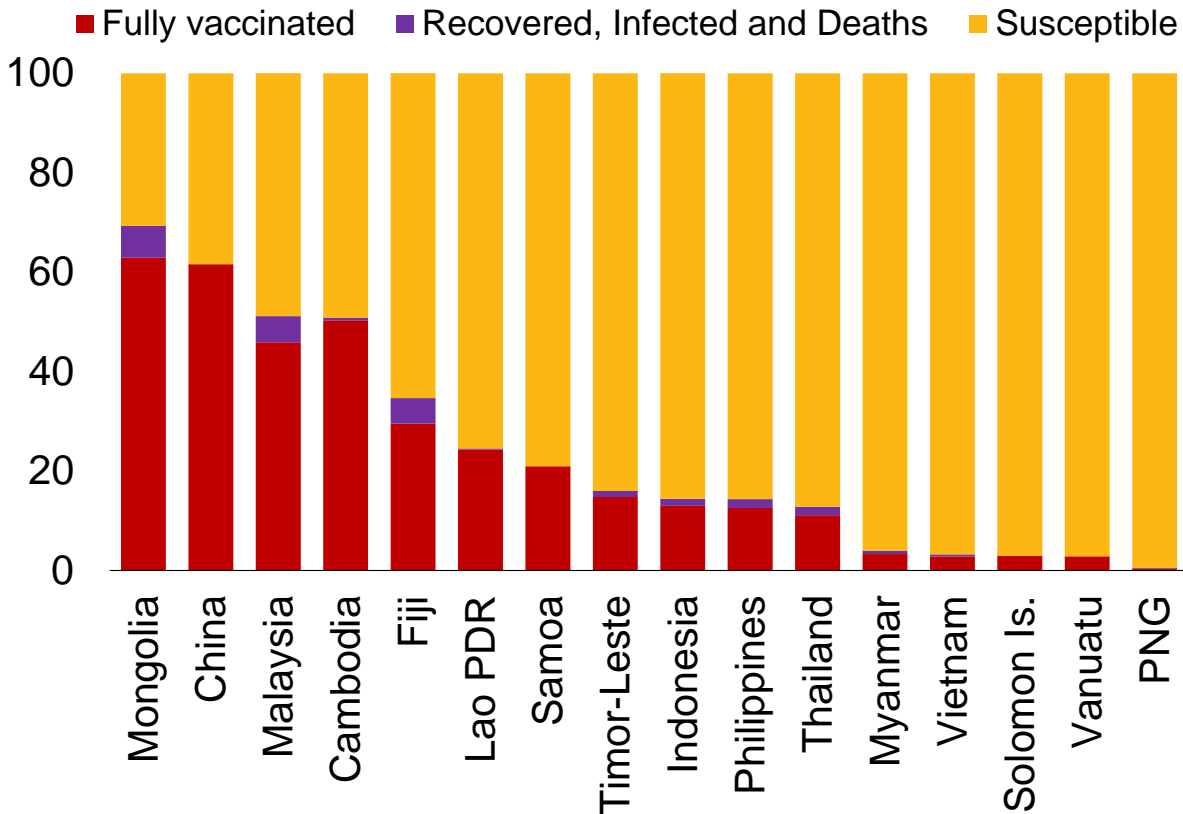




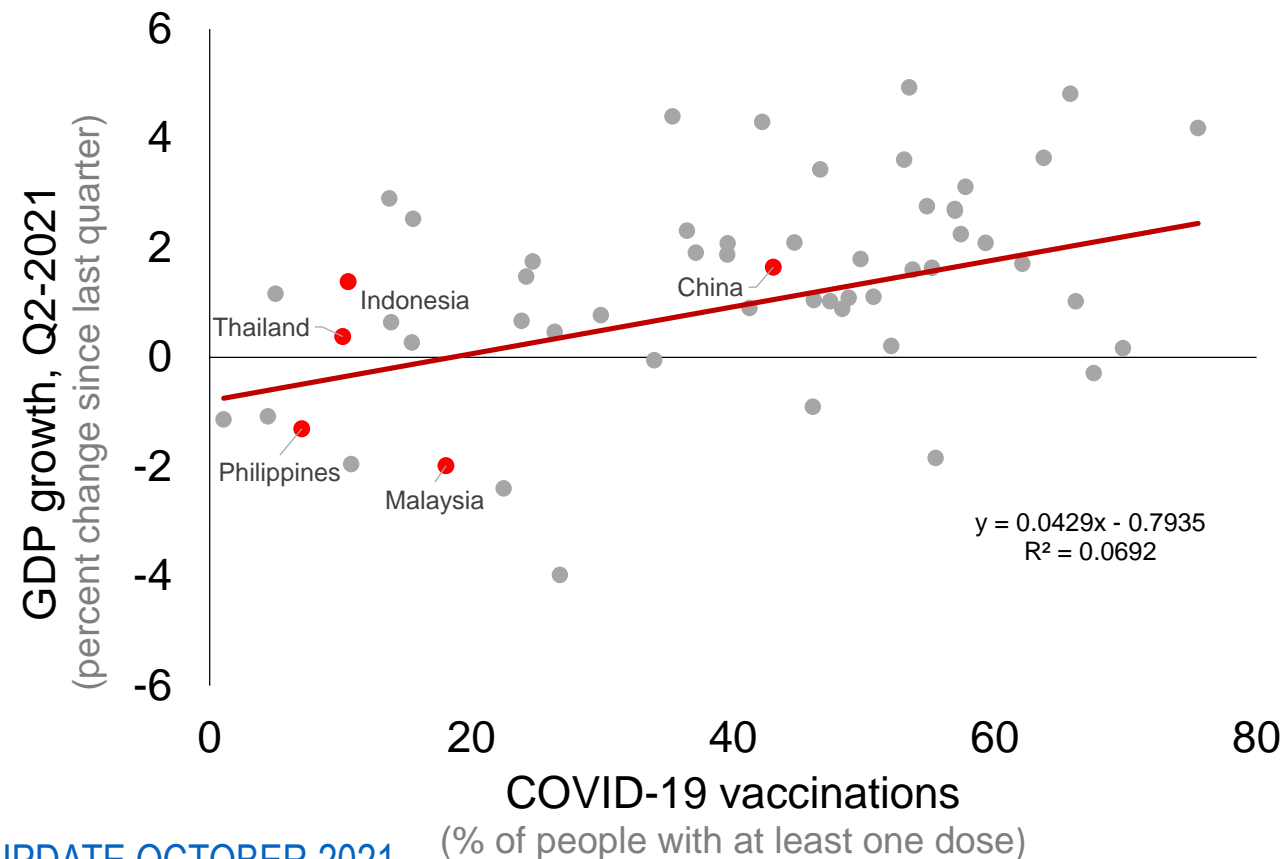
Why?

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

### Susceptible, infected, recovered, vaccinated



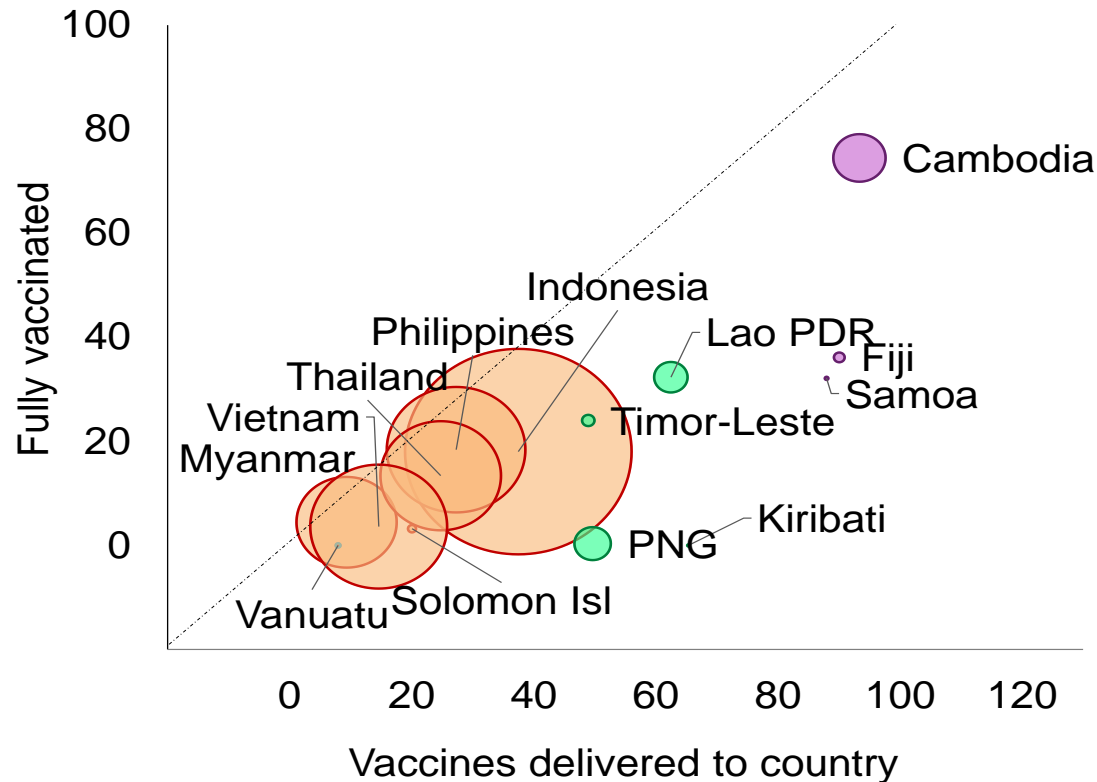
### Vaccination coverage and growth



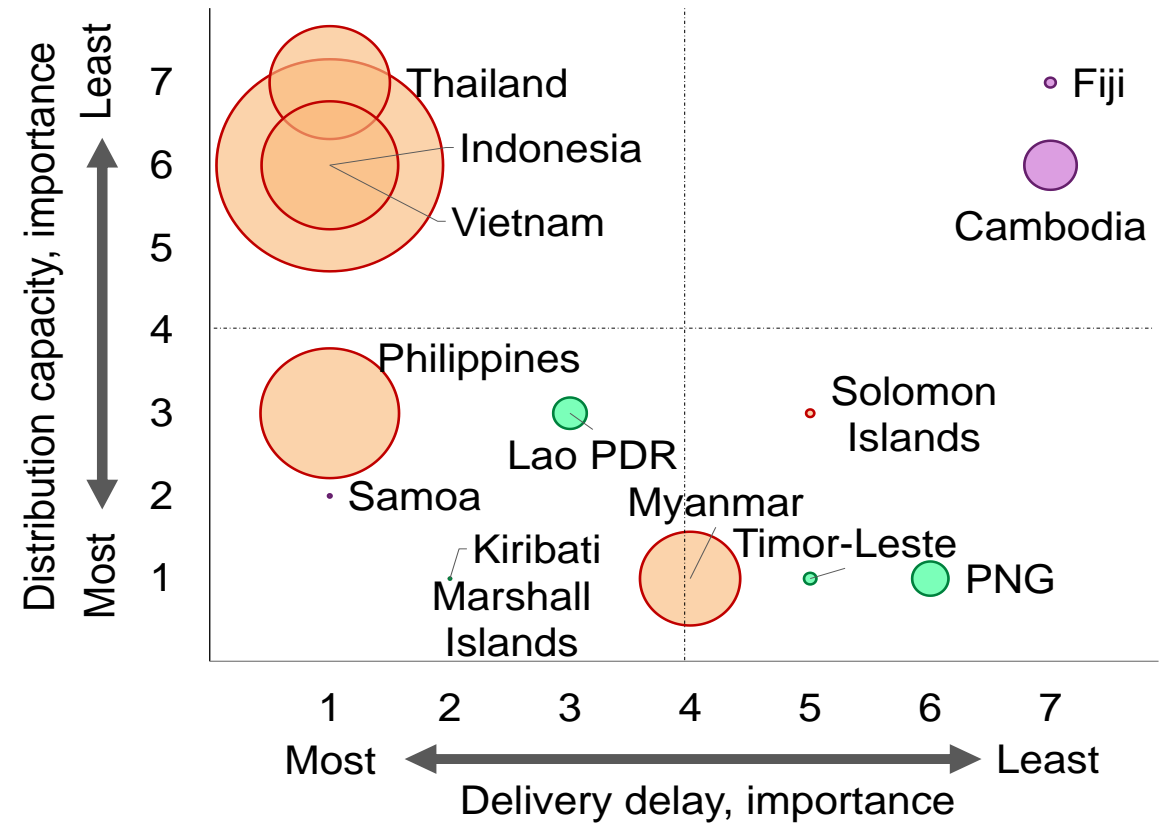
Why?

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

### Delivered vaccines versus administered



### Delivery delay vs. distribution (perception)



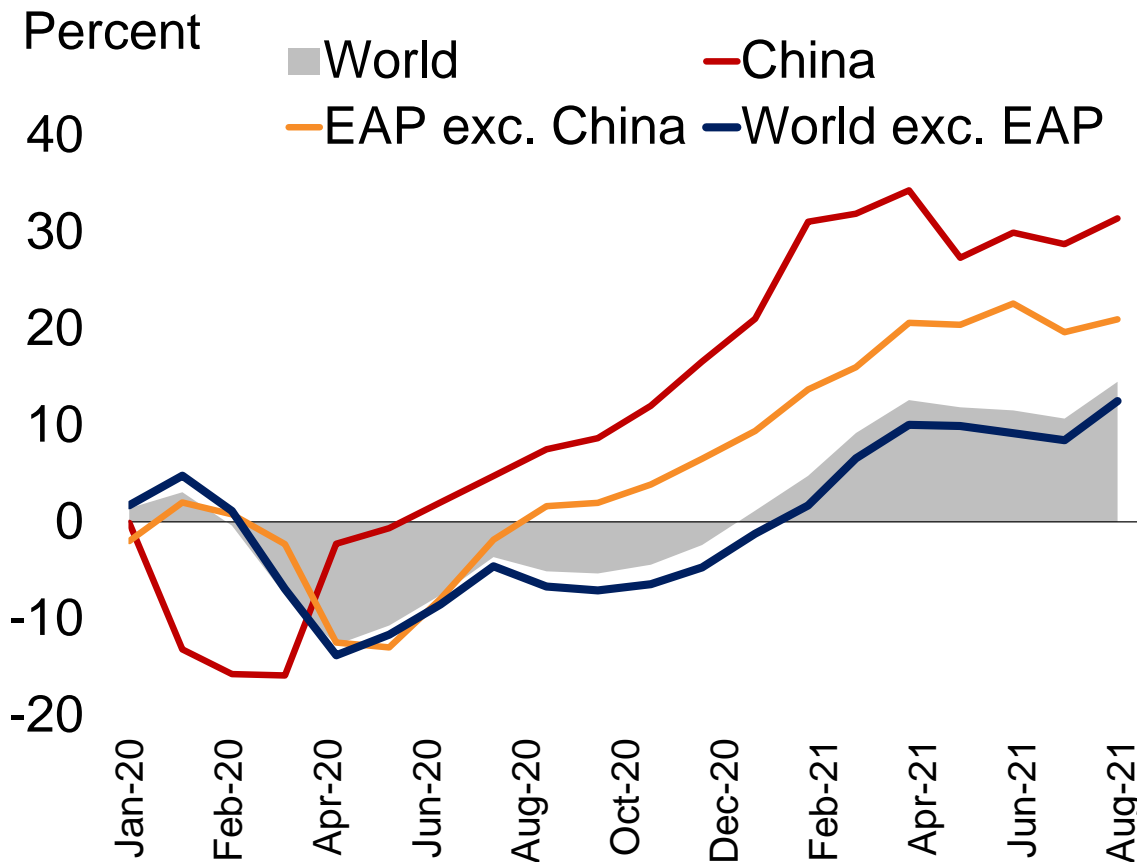
Note: x and y-axis shows percent to eligible population

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

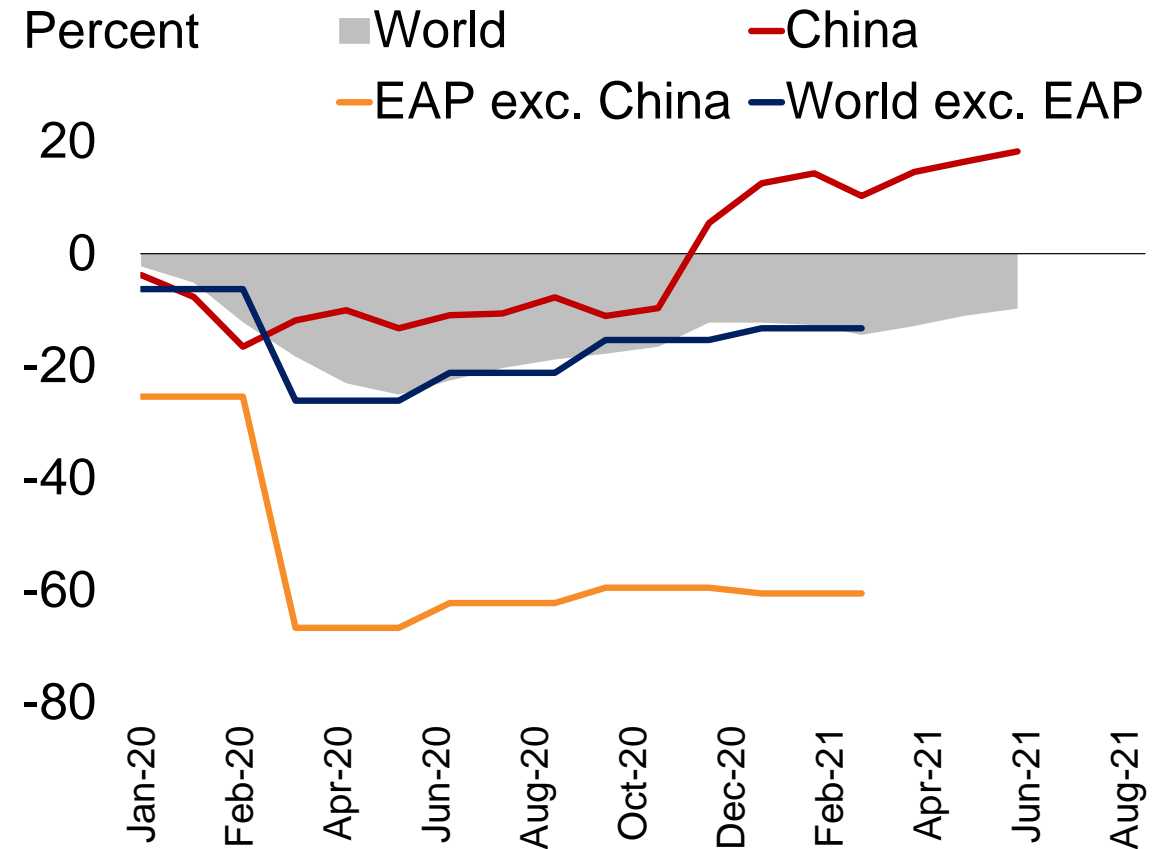
Why?

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

### Change in goods exports



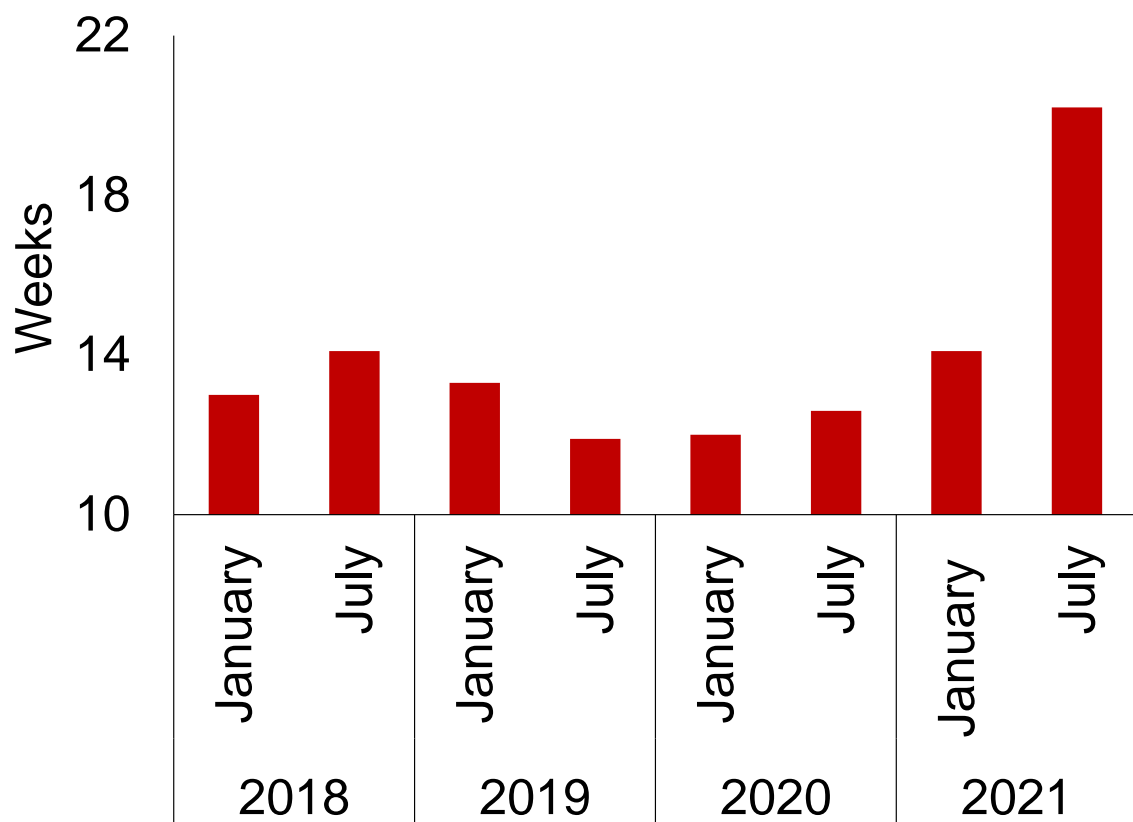
### Change in services exports



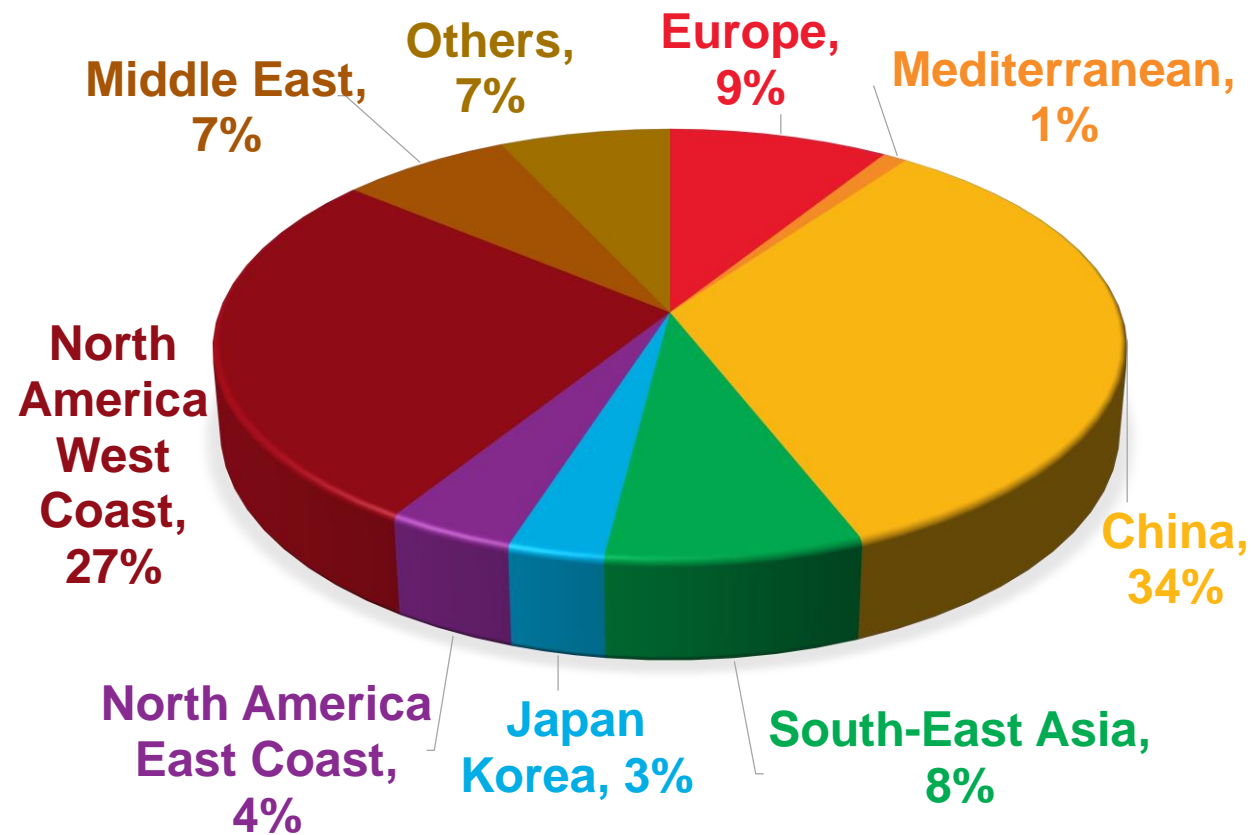
Why?

# Shortages of essentials and shipping delays

Gap between ordering and delivering a chip



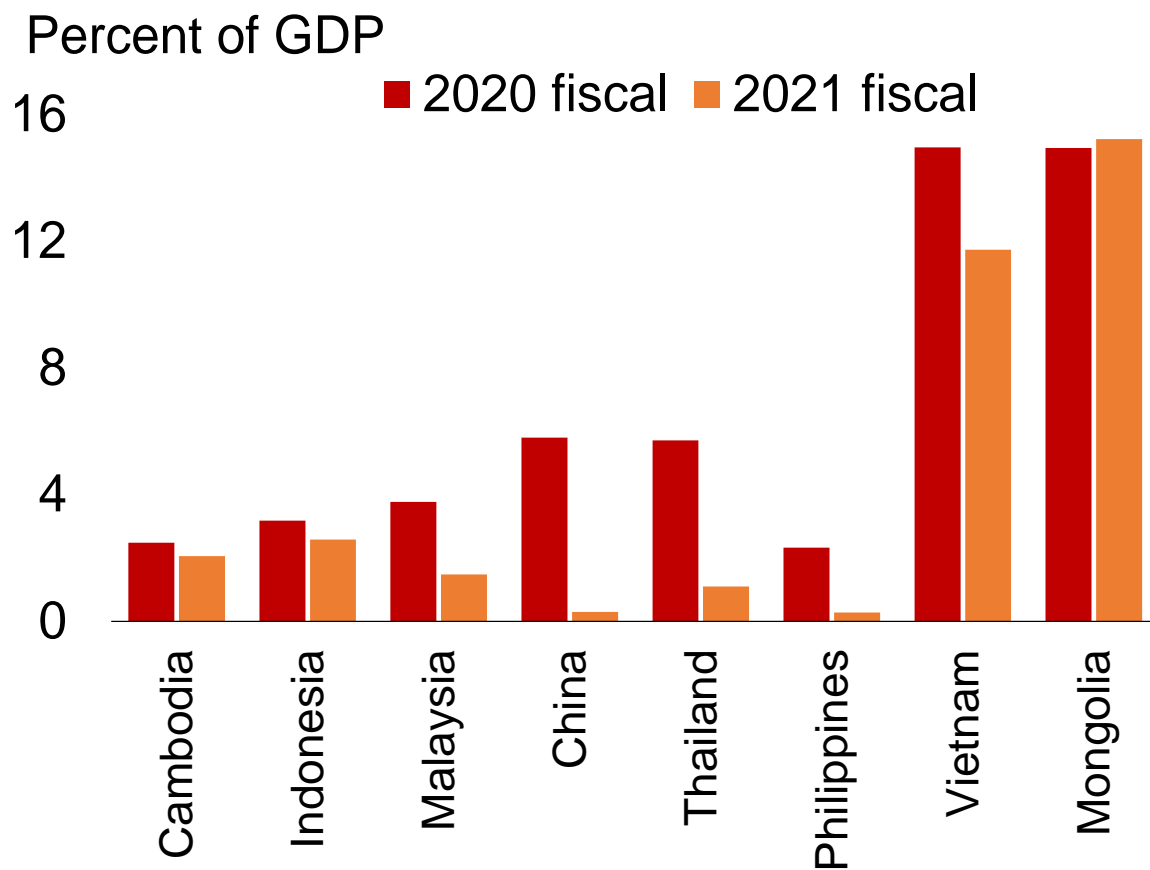
Source of shipping delays



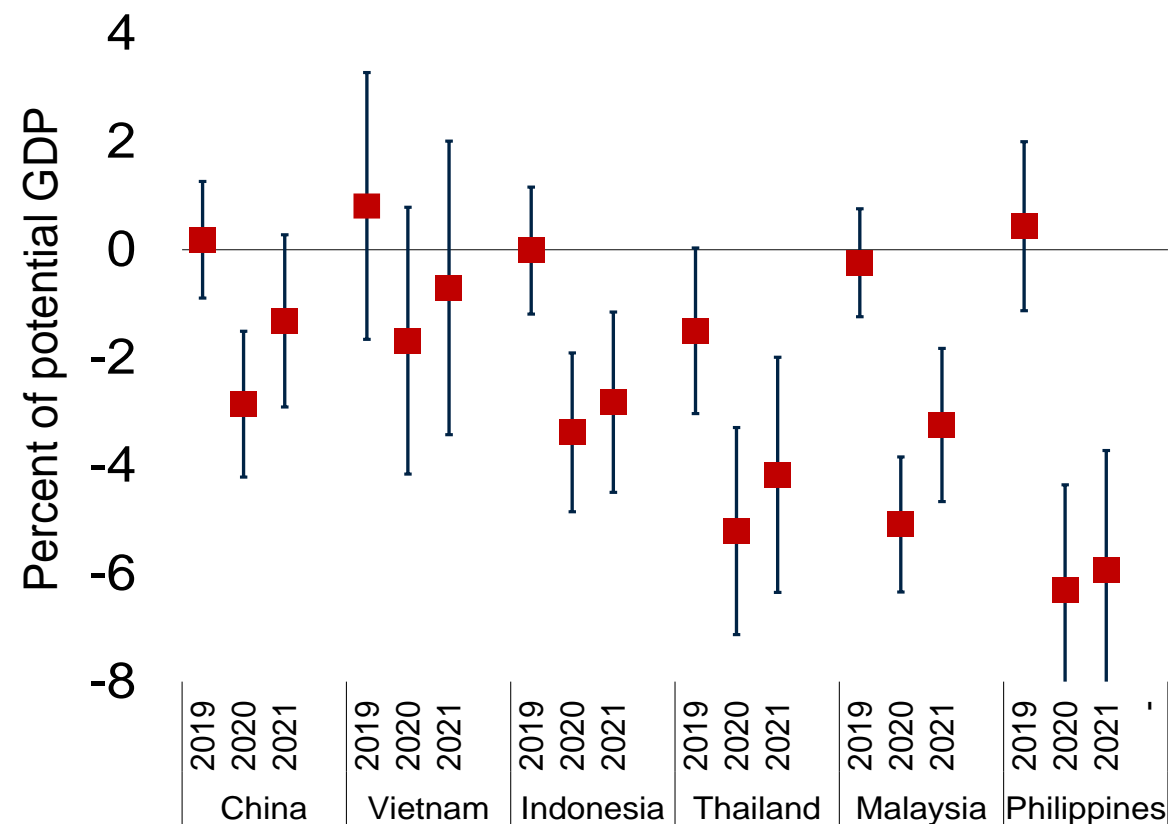
Why?

# Government support has been declining while output gaps endure

## Government support



## Output gaps

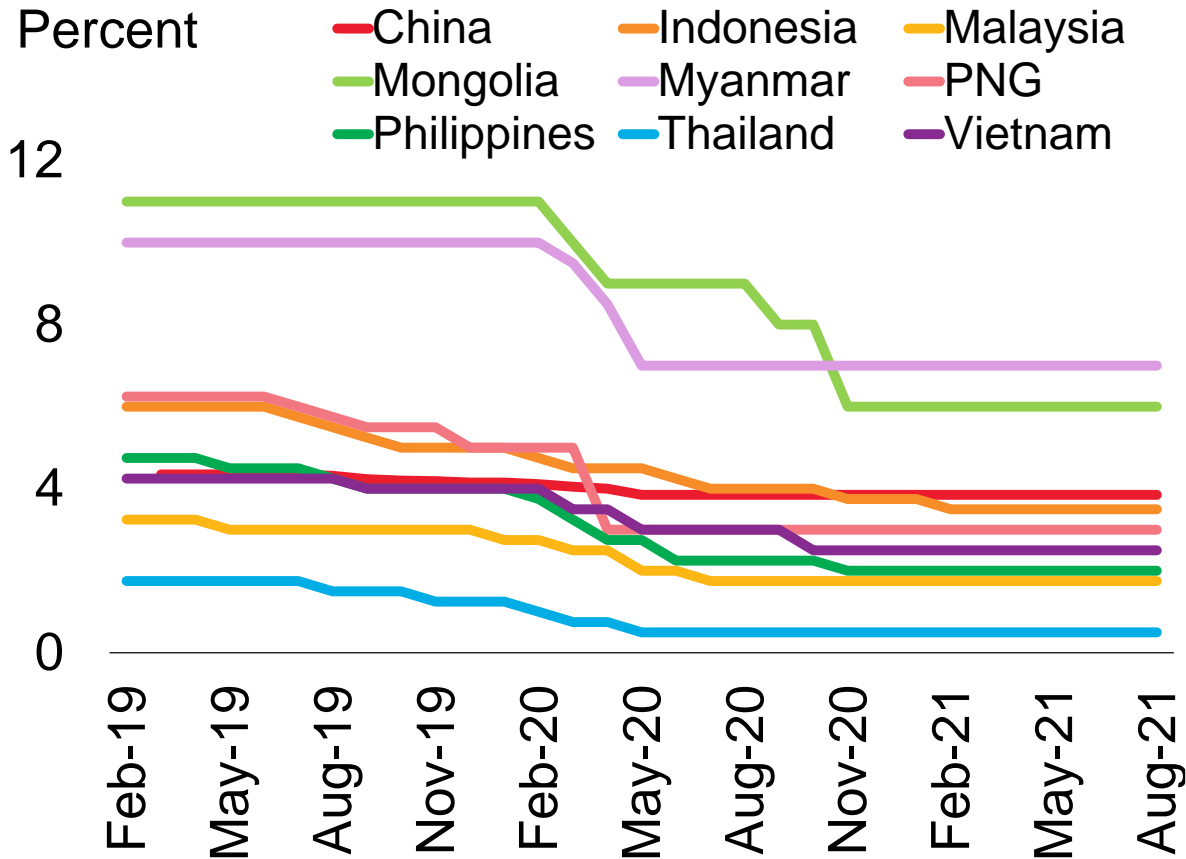


Why?

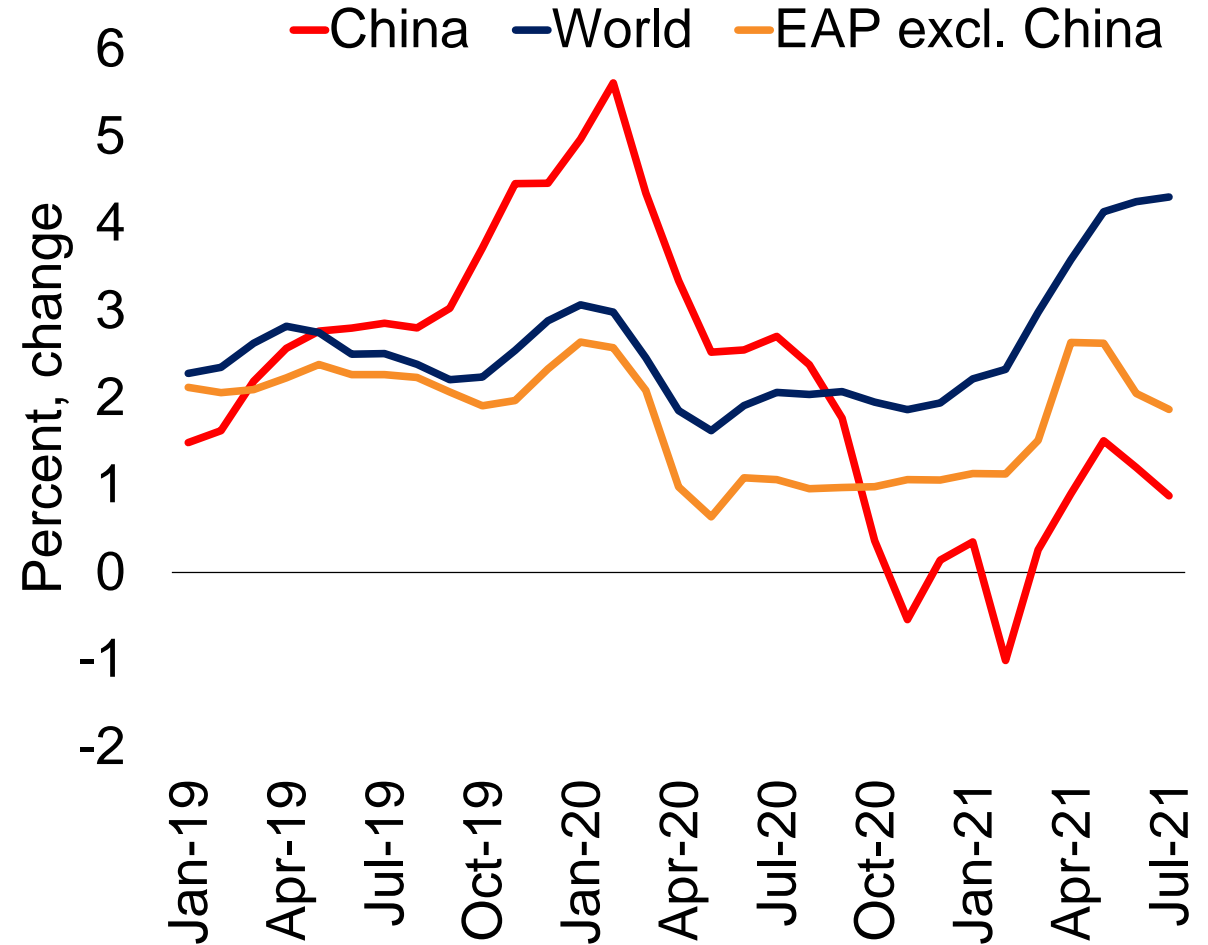
# Supportive monetary stance has not yet provoked inflation

Policy rates

Percent



CPI inflation

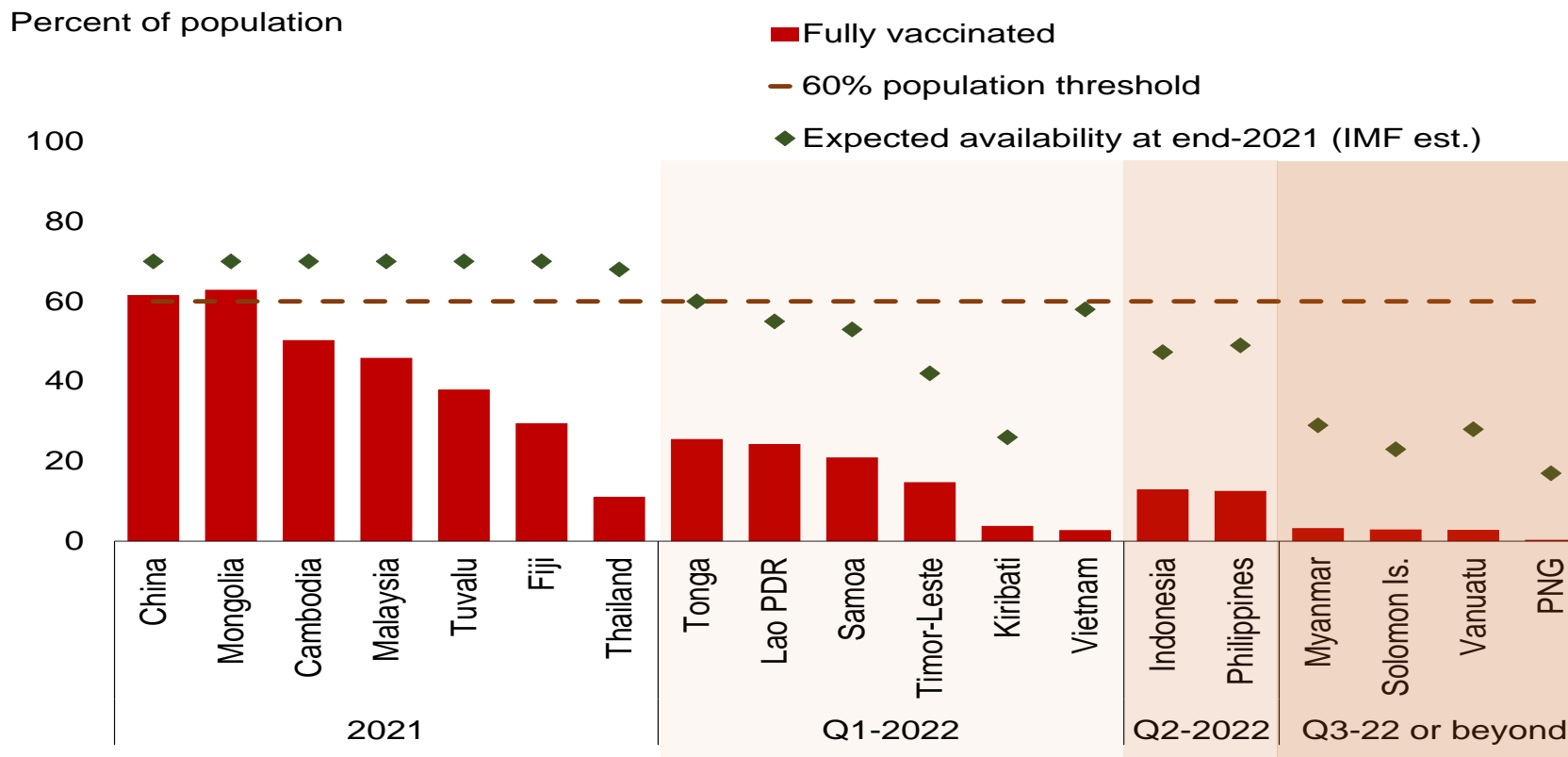


# The immediate policy challenge: Containing COVID

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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



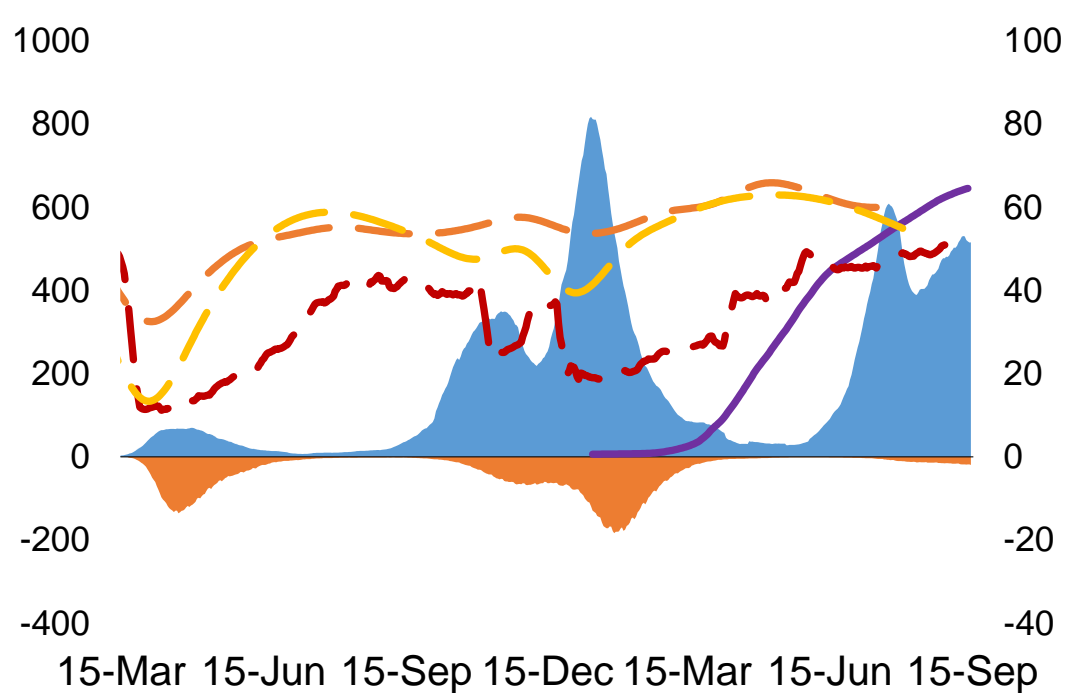
Estimated timing of achieving 60% population coverage based on current pace of vaccination and expected availability of vaccines



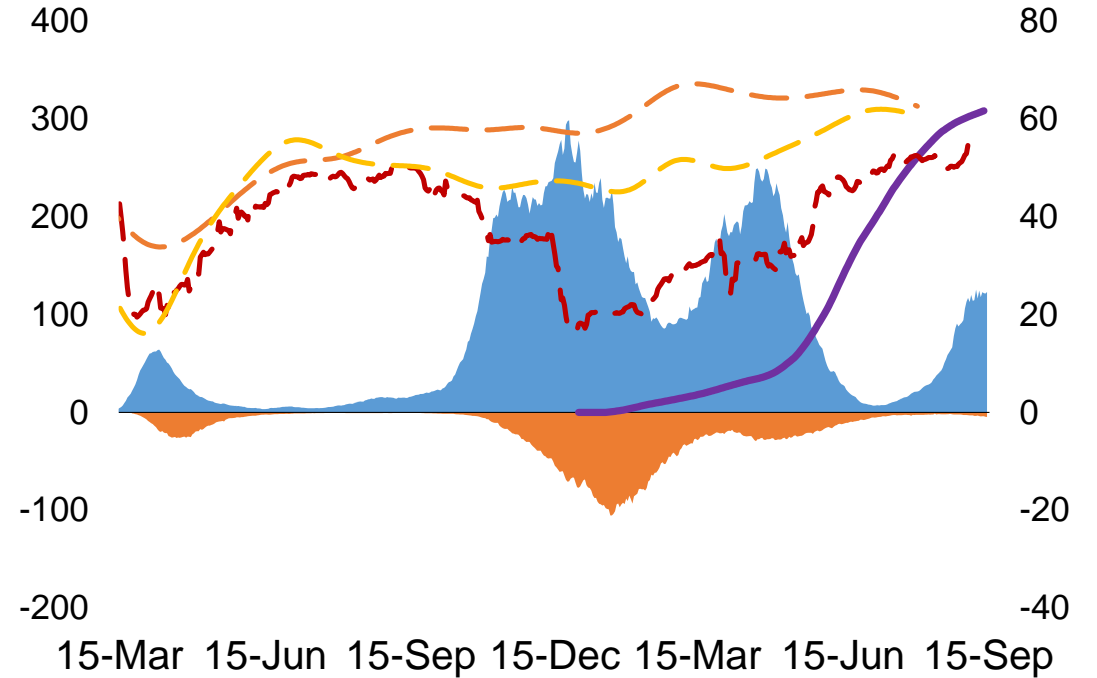
# ...which could usher in a relatively benign phase of COVID-19

...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

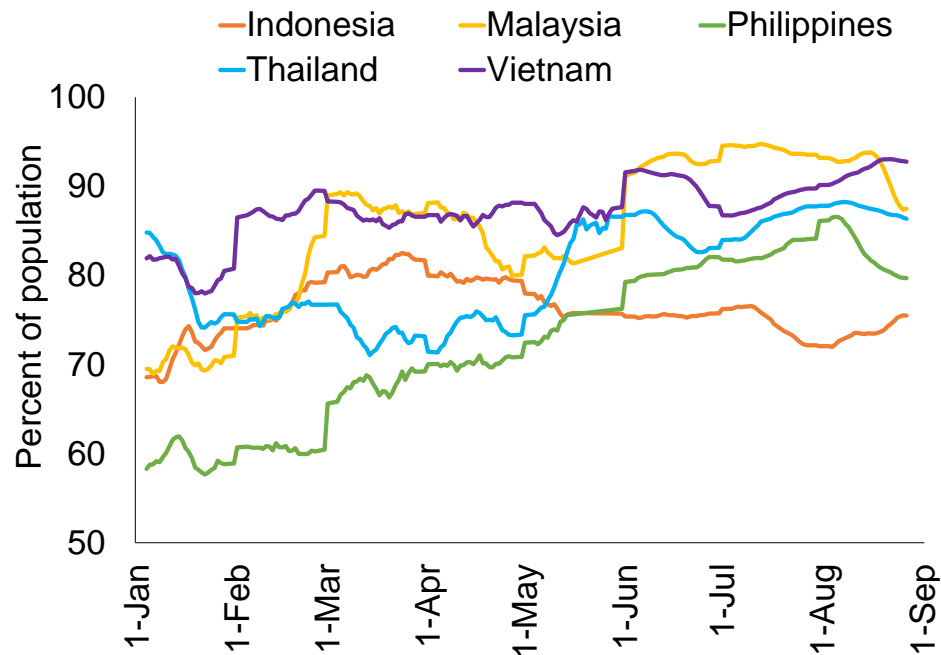


Germany

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

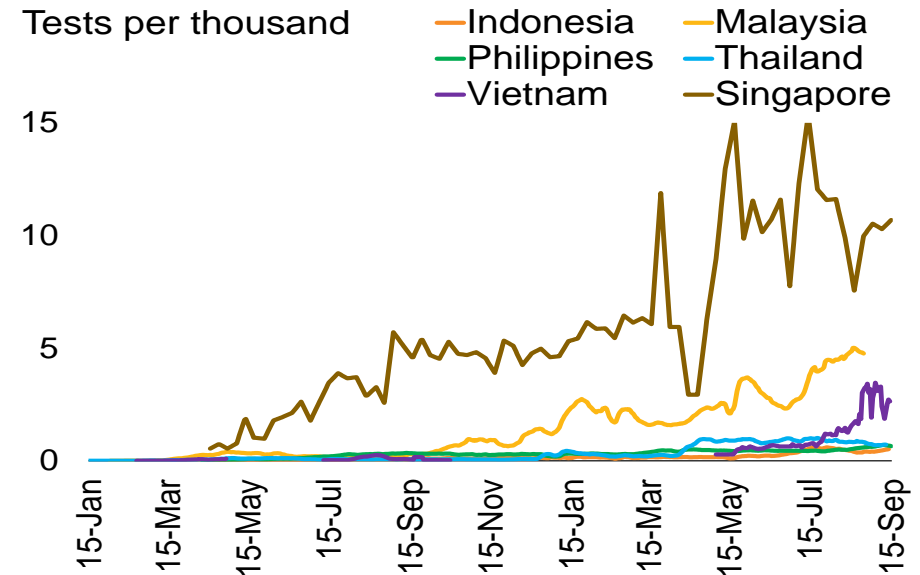
## 1. Overcome vaccine hesitancy

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

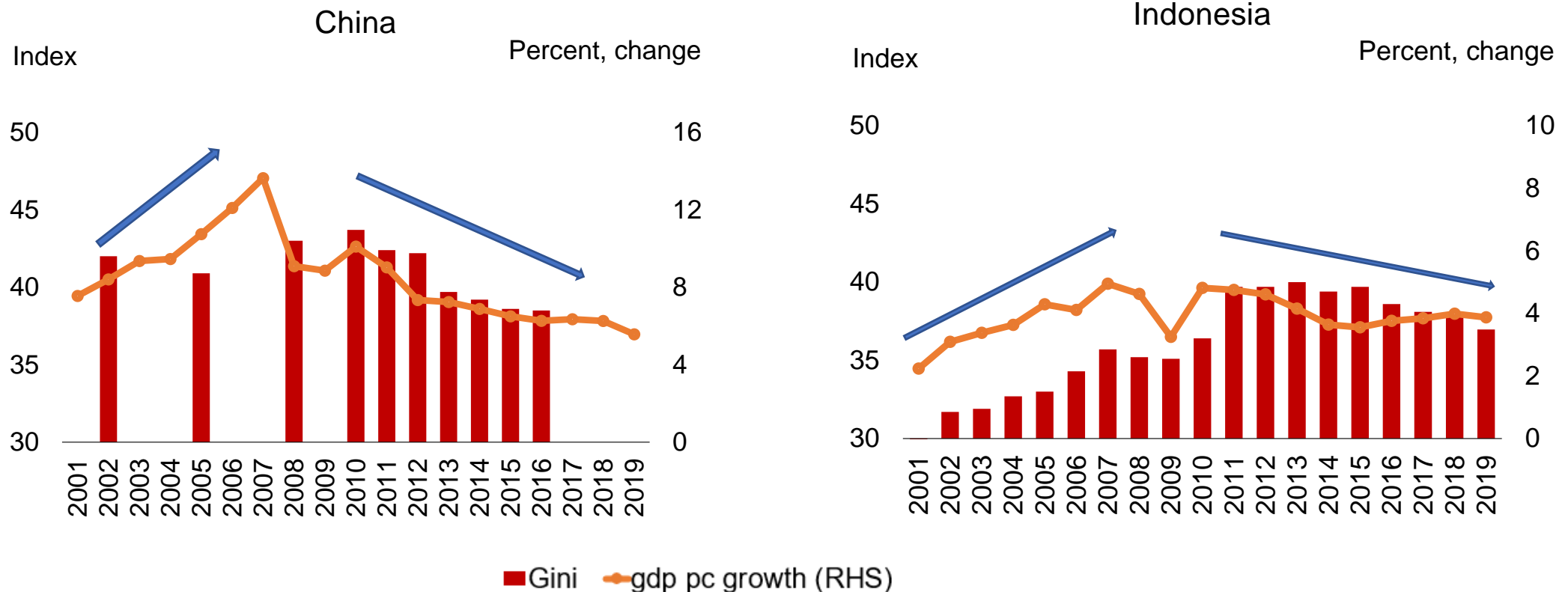
## 6. Equip health systems for Long COVID

# The longer-term policy challenge: Spurring inclusive growth

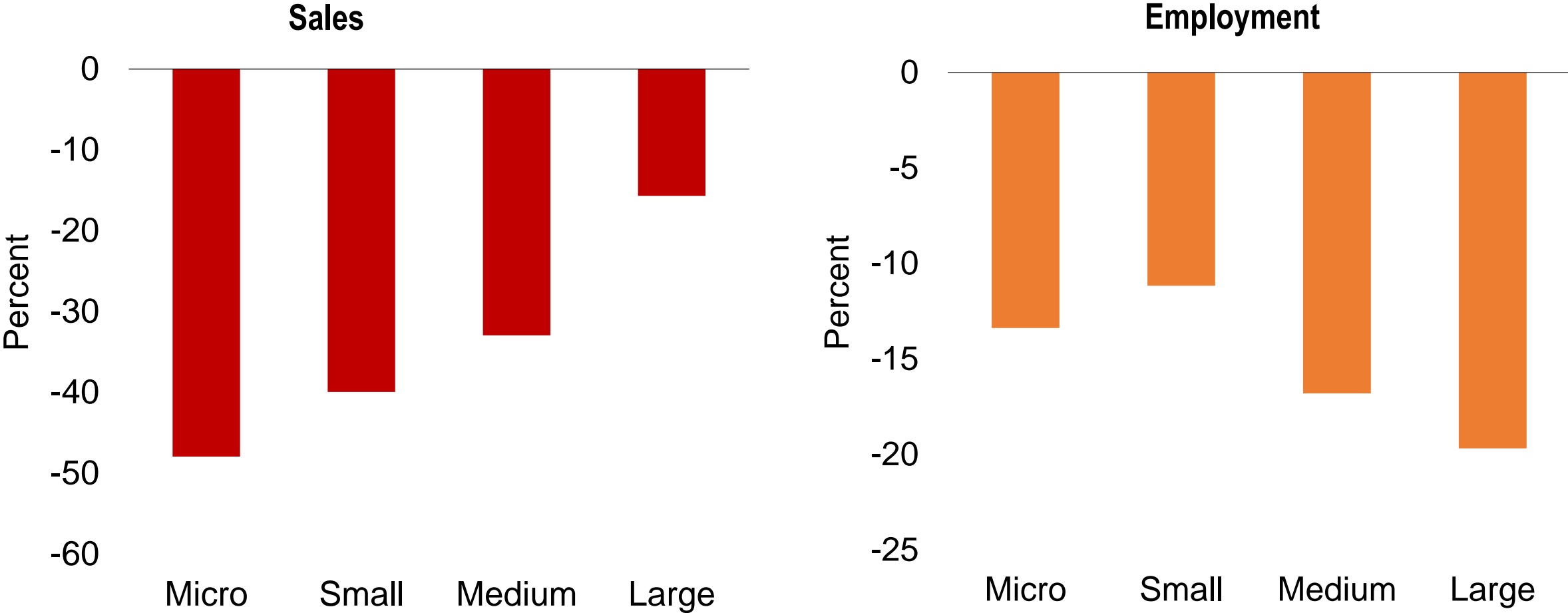
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# This century, the region saw either an increase in both growth and inequality or a decline in both

Per capita growth and inequality in the 2000s

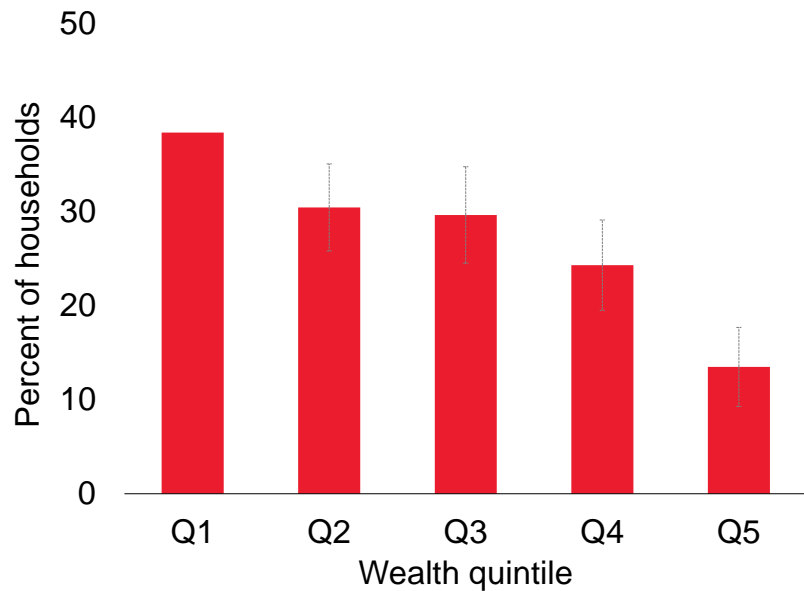


# For the first time this century, a potential double blow: slowing growth

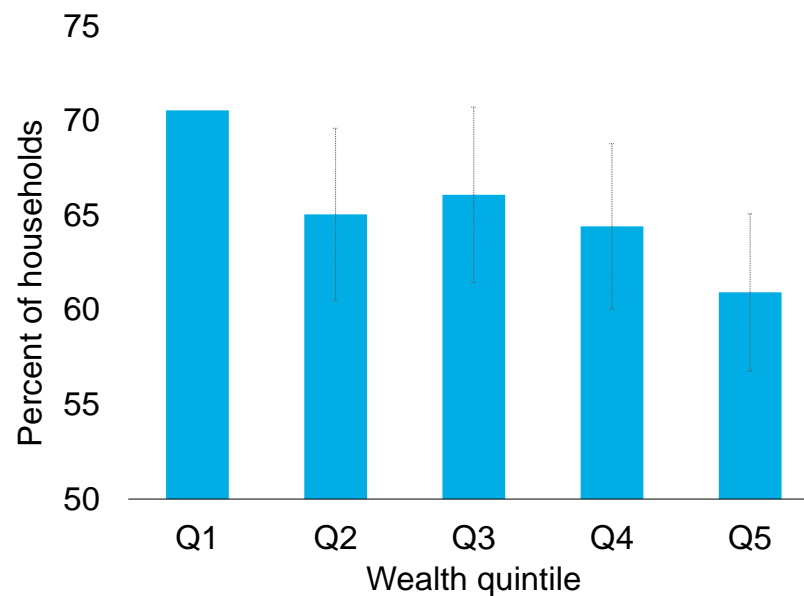


# ...and rising inequality across multiple dimensions

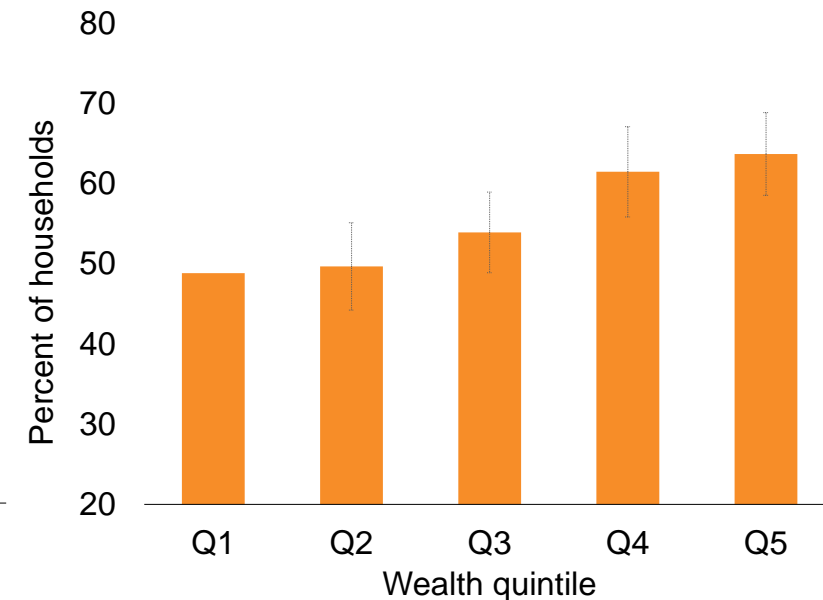
## Food insecurity



## Increased debt or sale of assets

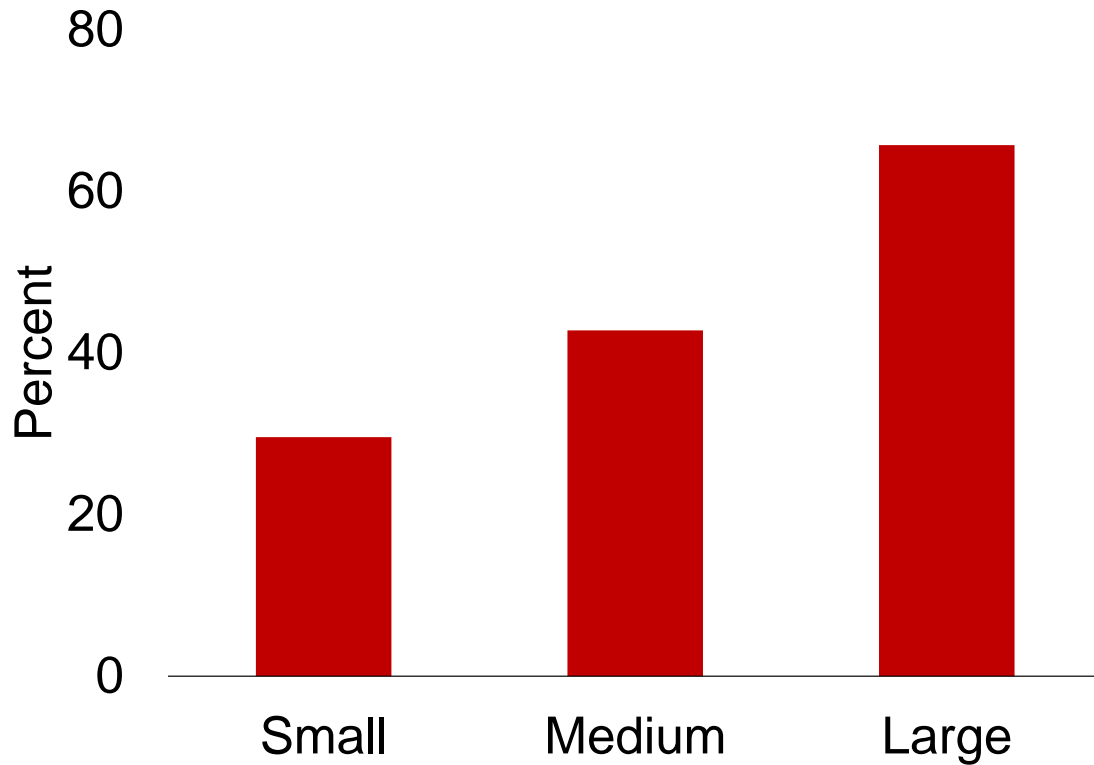


## Interactive education opportunities

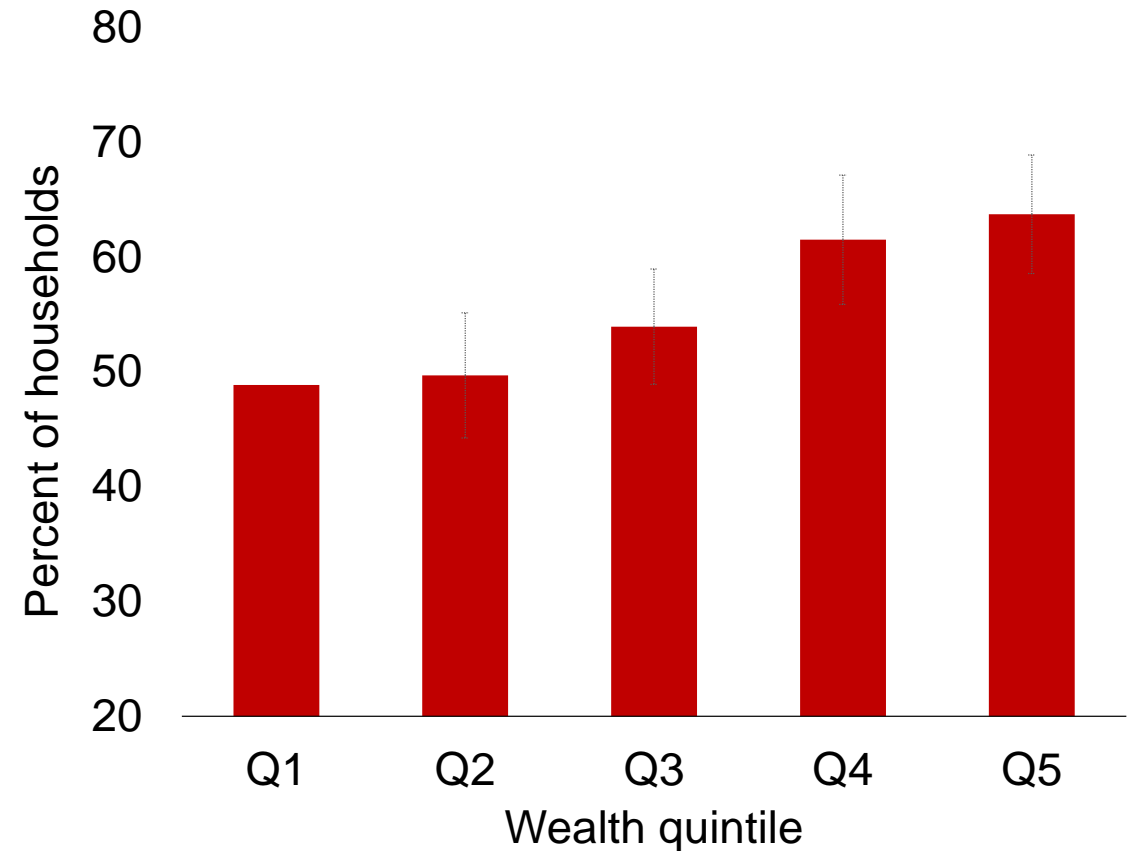


# 1. Greater use and wider access to digital technologies can support inclusive recovery

Supply chain management

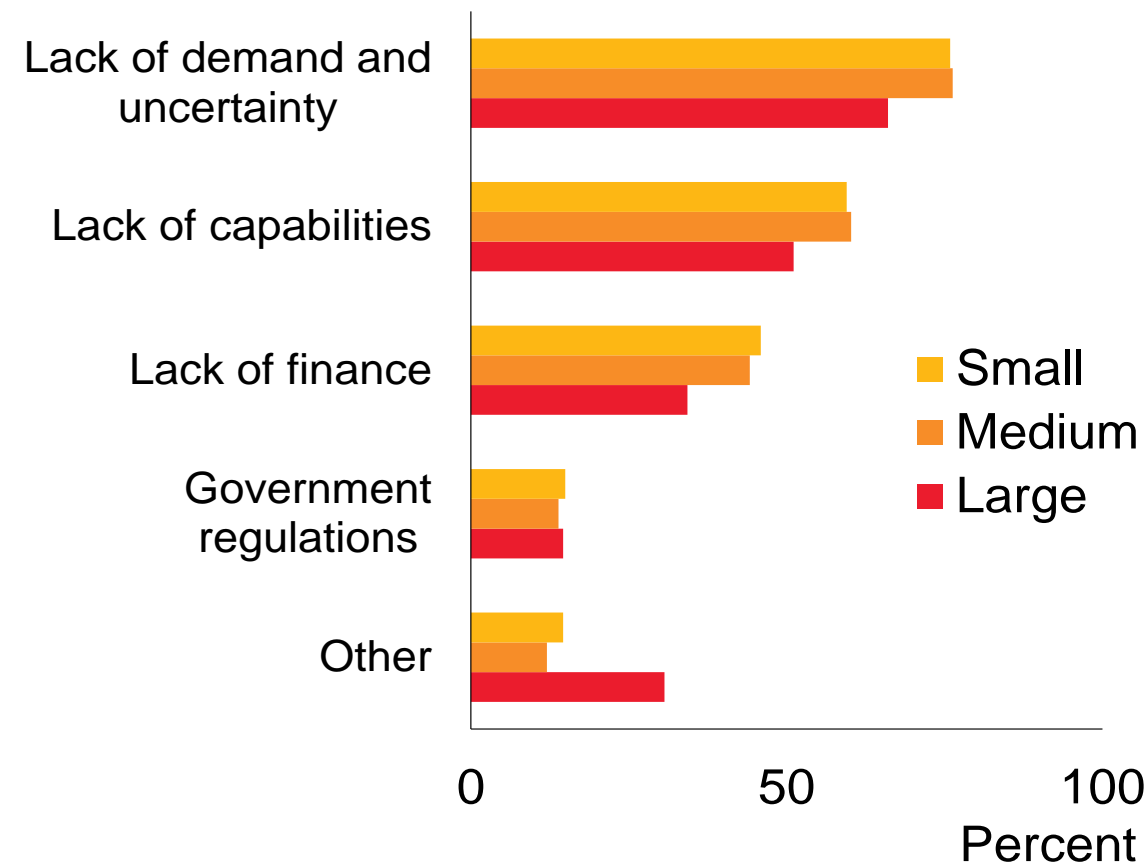


Interactive education opportunities

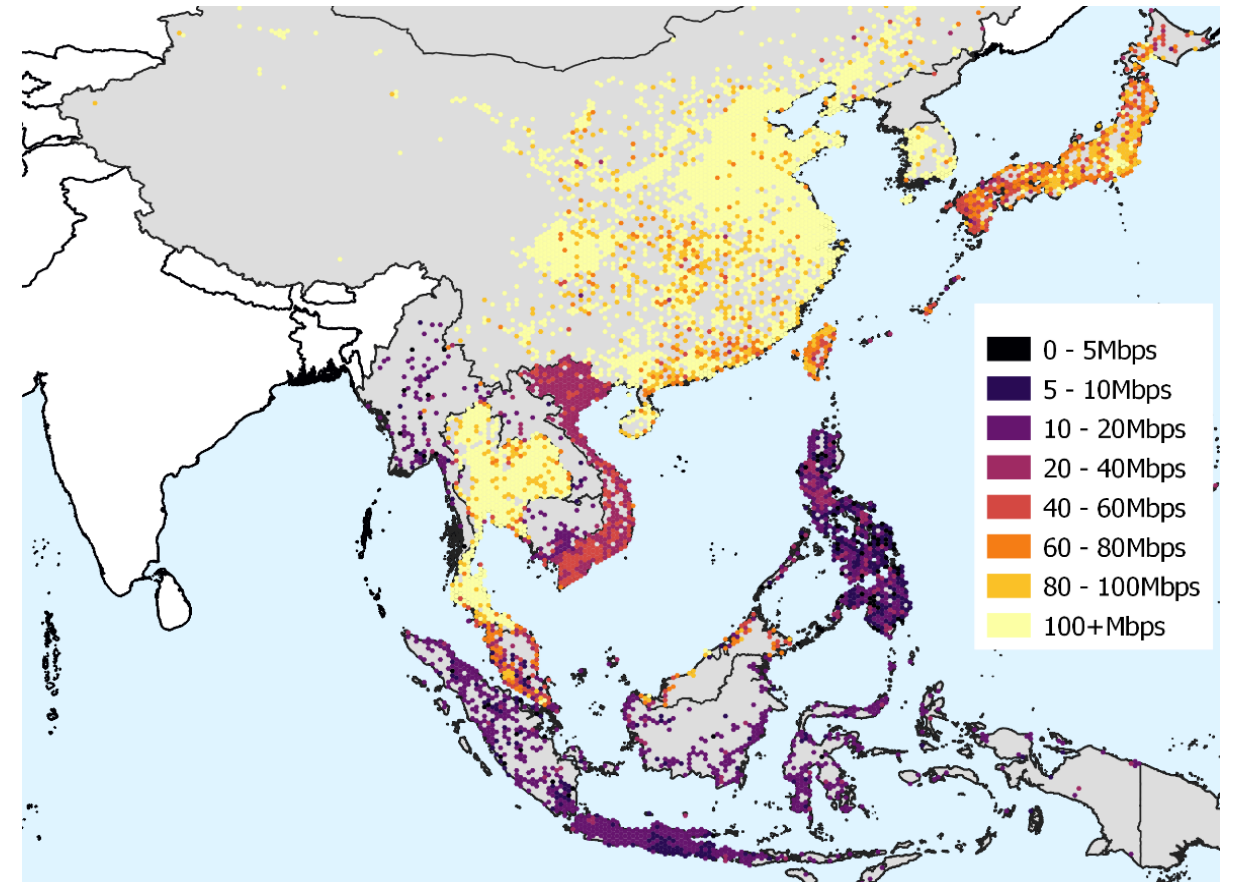


# Addressing the constraints to the diffusion of technology

## Perceived constrained



## Fixed broadband speeds



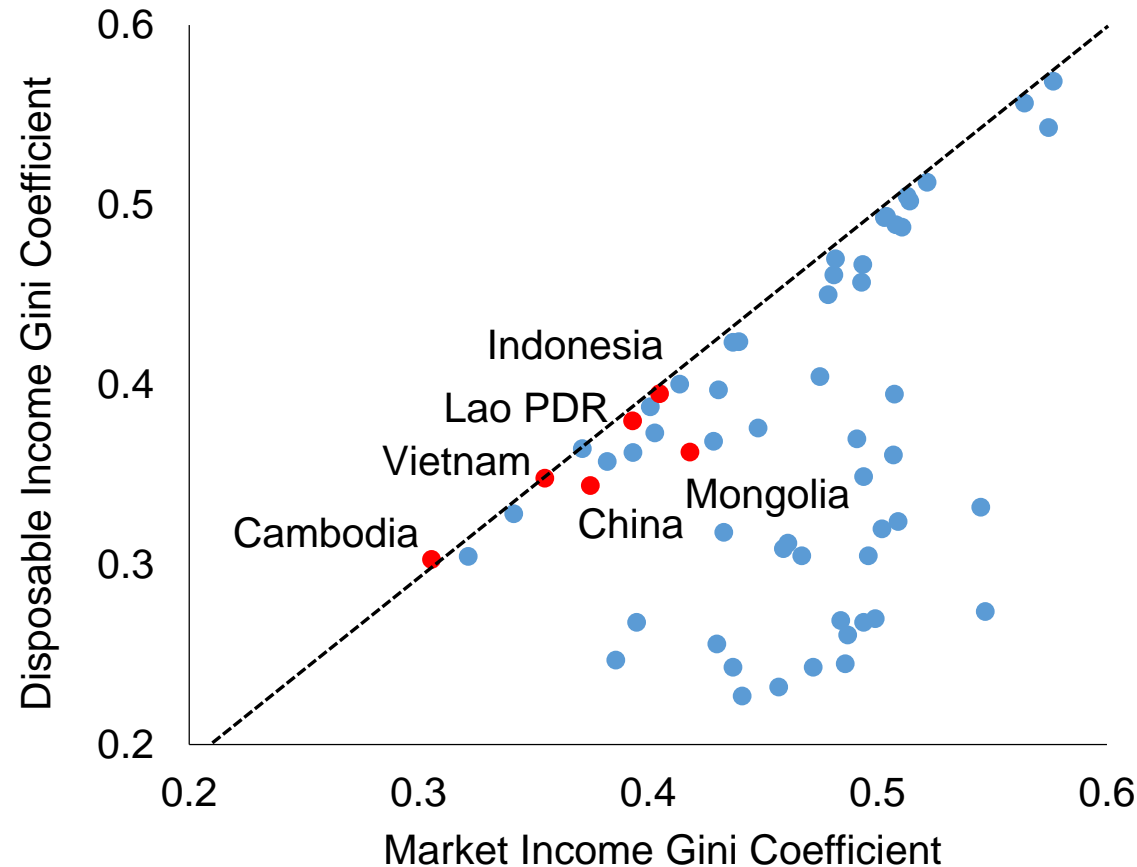


## 2. Democratizing education: By harnessing technology through broader reforms

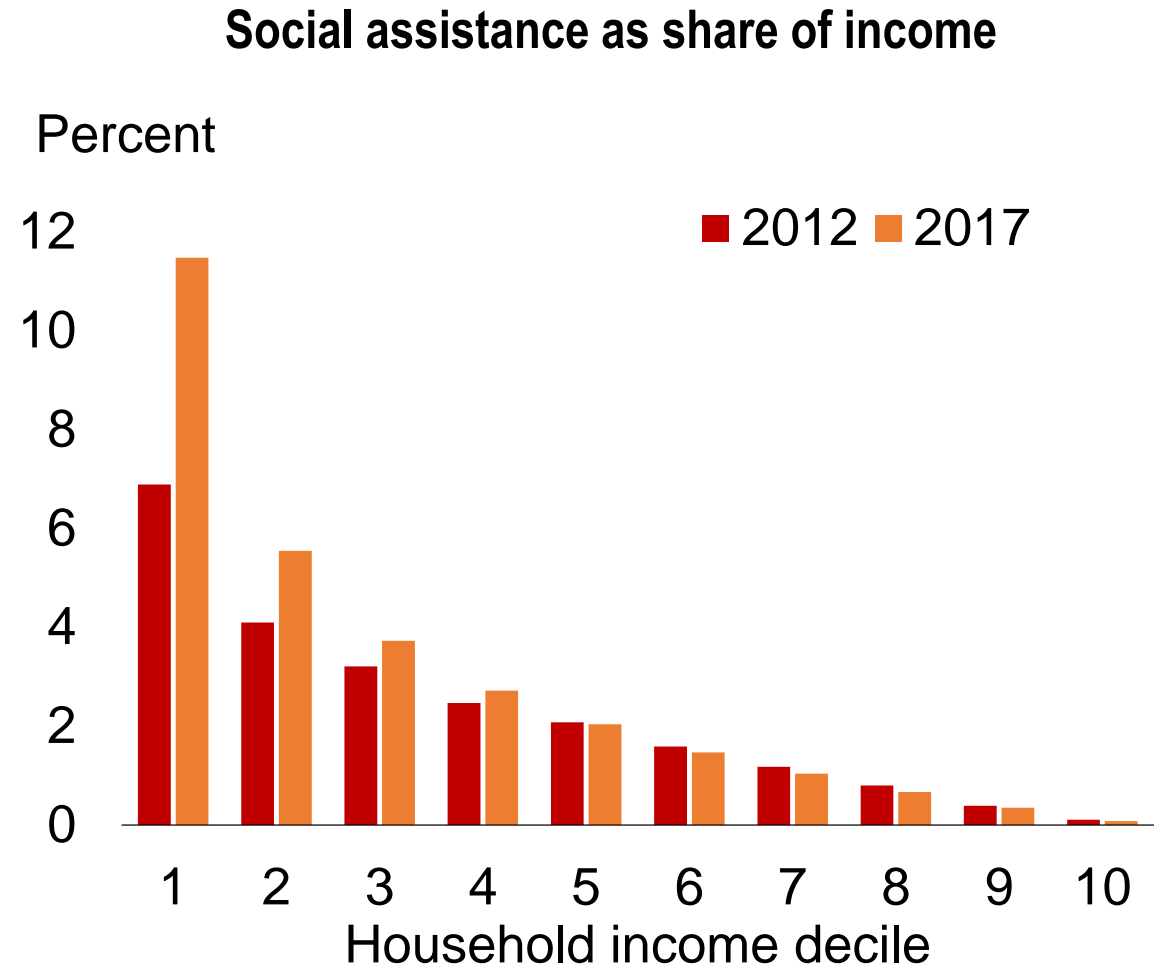
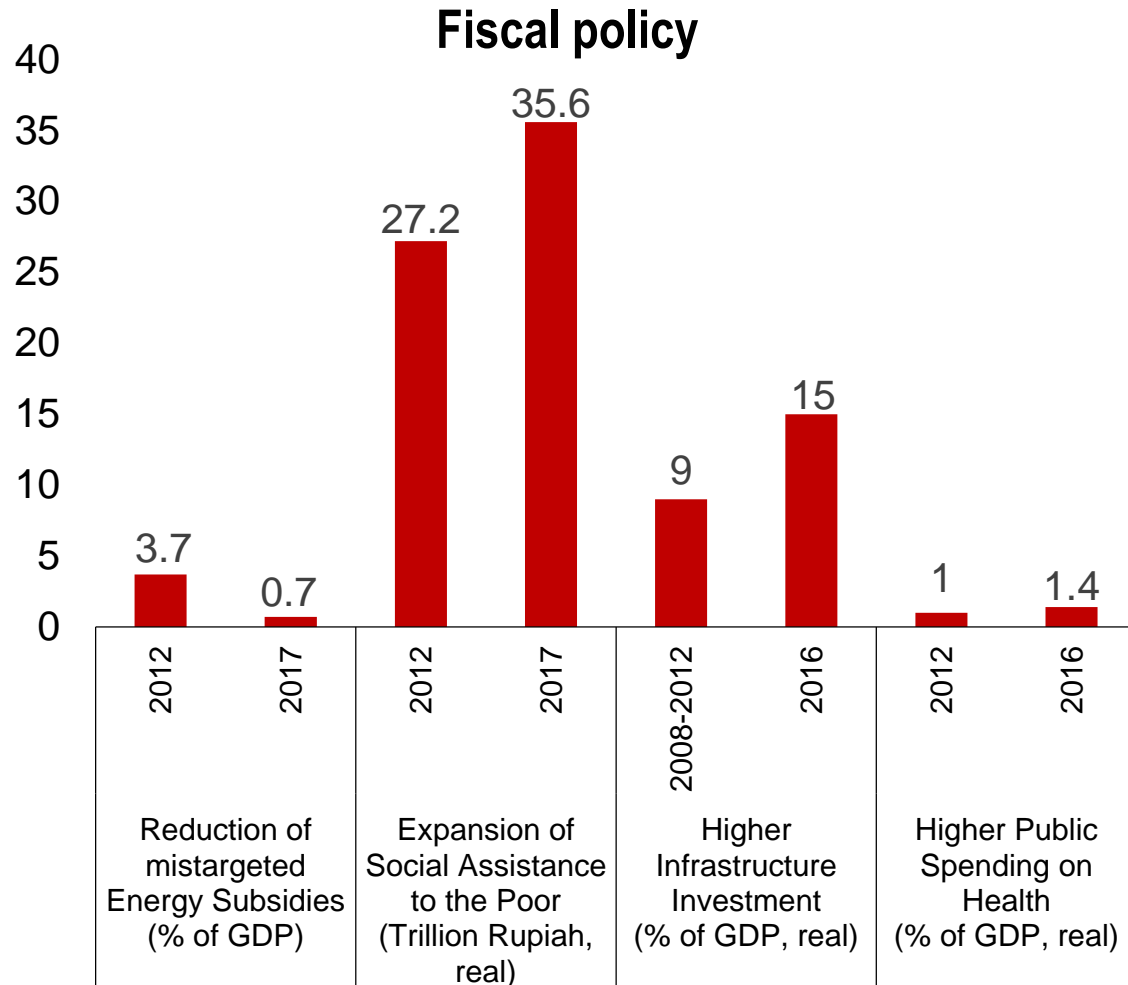
Countries have employed multiple distance learning modalities to cope with the pandemic

		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					✗				✗				✗			

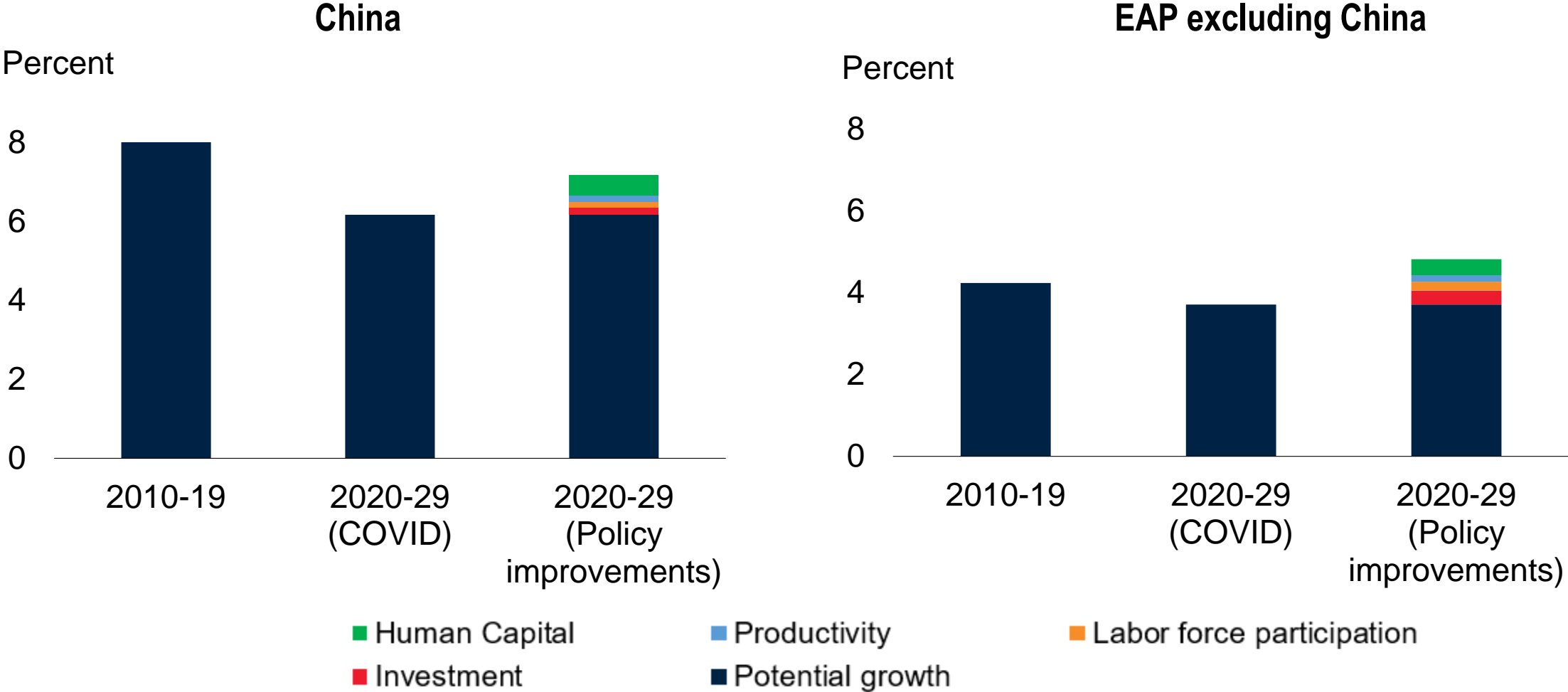
# 3. Direct taxes and transfers have limited redistributive impacts in developing East Asia



# 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!

