

## A.1 Recent developments and prospects<sup>1</sup>

**Conditions in the region and the rest of the world have changed dramatically since the April 2020 East Asia and Pacific Economic Update** (World Bank 2020a). In addition to still unfolding unprecedented health crisis, the world is now experiencing the deepest global recession since the Second World War (World Bank 2020b). The global economy is projected to contract by 5.2 percent this year, with output in emerging market and developing economies (EMDEs) shrinking by 2.5 percent—the first contraction in at least sixty years.<sup>2</sup>

**The COVID-19 pandemic has resulted in a significant loss of life and has had severe economic effects on the developing East Asia and Pacific (EAP) region.** Growth in the region's economies is projected to slow sharply in 2020, to 0.9 percent—the lowest rate since 1967—reflecting the impact of pandemic-related lockdowns and a deep contraction in exports. The impact of the pandemic is expected to be more severe on the EAP region excluding China and could be devastating for some tourism dependent Pacific Island Countries (PICs). Despite the projected recovery in GDP growth, output levels in much of the region are expected to remain below their pre-crisis levels until mid-2021 and well below pre-crisis projections by 2022.

**Many governments have responded to the pandemic-induced shock with sizable fiscal and monetary support.** Authorities in the majority of EAP countries have loosened monetary policy and implemented a wide range of measures to support the financial sector. The size of fiscal measures announced to date in developing EAP, estimated at around 5 percent of GDP on average, was comparable to the other developing regions but was about one-fourth of fiscal policy support announced in advanced economies.

**Although subject to significant uncertainty, regional growth is expected to rebound to 7.4 percent in 2021 as the pace of new infections declines, remaining restrictions are lifted, and global demand recovers.** Key downside risks include a longer-than-expected duration of the pandemic, renewed financial sector related stress because of financial sector carryovers, and a sharper- and longer-than-expected contraction in global trade compounded by escalating trade tensions. If outbreaks persist for longer than expected, restrictions on movement are maintained or reintroduced, and financial stress reemerges, regional growth could be markedly lower. In such a downside scenario, the GDP in the region could slow to 0.3 percent on average and the output in the region excluding China contract by as much as 4.8 percent in 2020. Faster- and

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<sup>1</sup> This analysis was conducted to inform the October 2020 East Asia and Pacific Economic Update

<sup>2</sup> June 2020 Global Economic Prospects projections

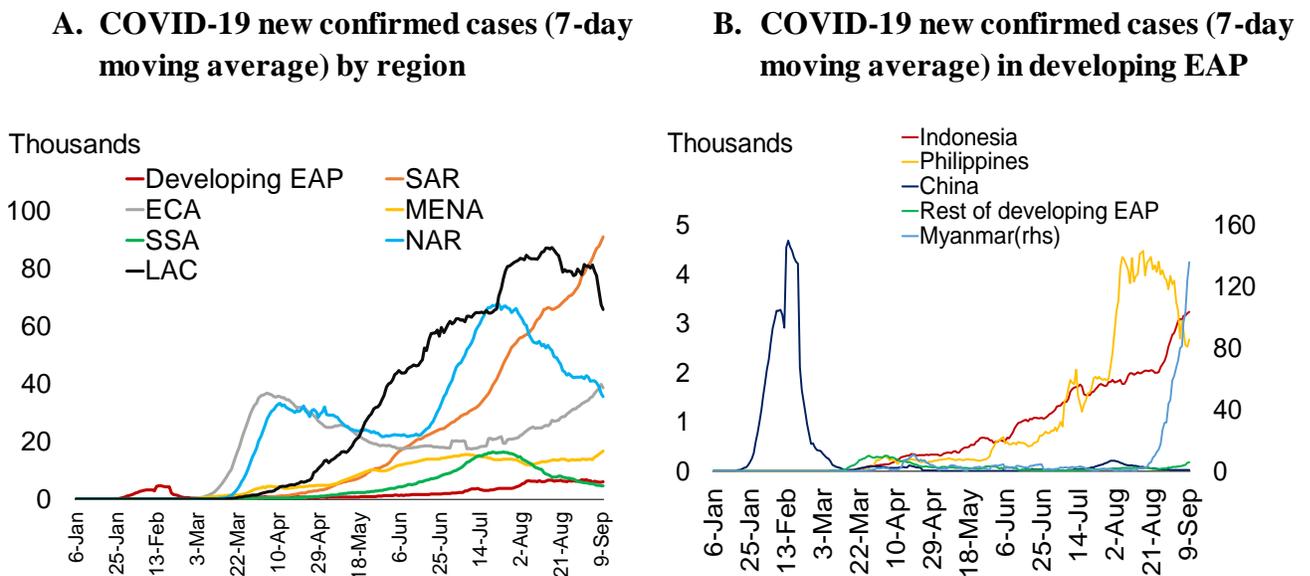
stronger-than-expected rebound of major economies and global demand presents an upside risk to the regional outlook.

### The state of COVID-19

**The global number of confirmed COVID-19 cases has surpassed 30 million, with almost one million fatalities.** New cases are accumulating at a rate of more than 200 thousand per day, with particular concentrations in South-East Asia, the United States, Latin America, Russia, and South Africa. The EAP region was the first region to experience the outbreak in late-2019. By September, the spread of the COVID-19 pandemic appears to have slowed across the EAP region except in Indonesia, Myanmar, and the Philippines (Figure A.1.1; Figure A.1.2). However, in the absence of an effective medical treatment or vaccination, some social distancing measures, travel restriction, and policy uncertainty are expected to remain in place in much of the region.

**Figure A.1.1. Incidence of new COVID-19 infections and official COVID-19 deaths**

*The EAP region has seen fewer new COVID-19 infections and deaths compared to the rest of the world since March...but cases and deaths are growing in Indonesia, Myanmar, and the Philippines.*

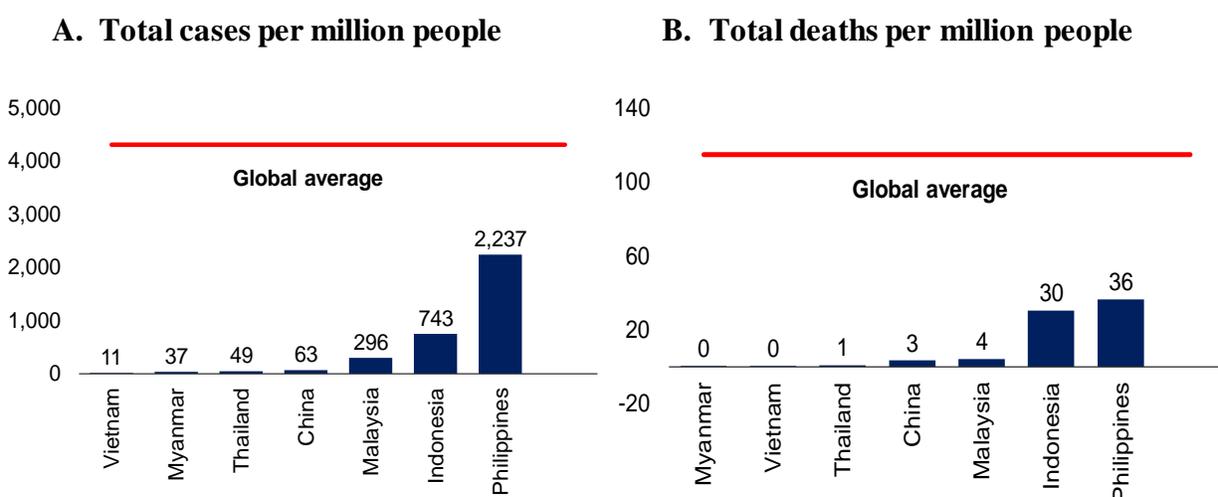


Source: Johns Hopkins University, Center for Systems Science and Engineering COVID-19 Dashboard.  
 Notes: Regions include Advanced Economies. EAP, ECA, LAC, MNA, SAR, and SSA refer to, respectively, East Asia and Pacific, Europe and Central Asia, Latin America and the Caribbean, Middle East and North Africa, South Asia, and Sub-Saharan Africa. Figure shows 7-day moving average of cases by date of case reporting. [Sample

includes 48 advanced economies (including two cruise ships) and 167 EMDEs excluding China, consisting of 15 EAP (excluding China), 24 ECA, 50 LAC, 20 MNA, 8 SAR, and 50 SSA. Last observation is September 10, 2020.

### Figure A.1.2. The COVID-19 infections and deaths per million people

*The COVID-19 infections and deaths per million in the region have been considerably lower than in the rest of the world...but have been raising in the Philippines.*



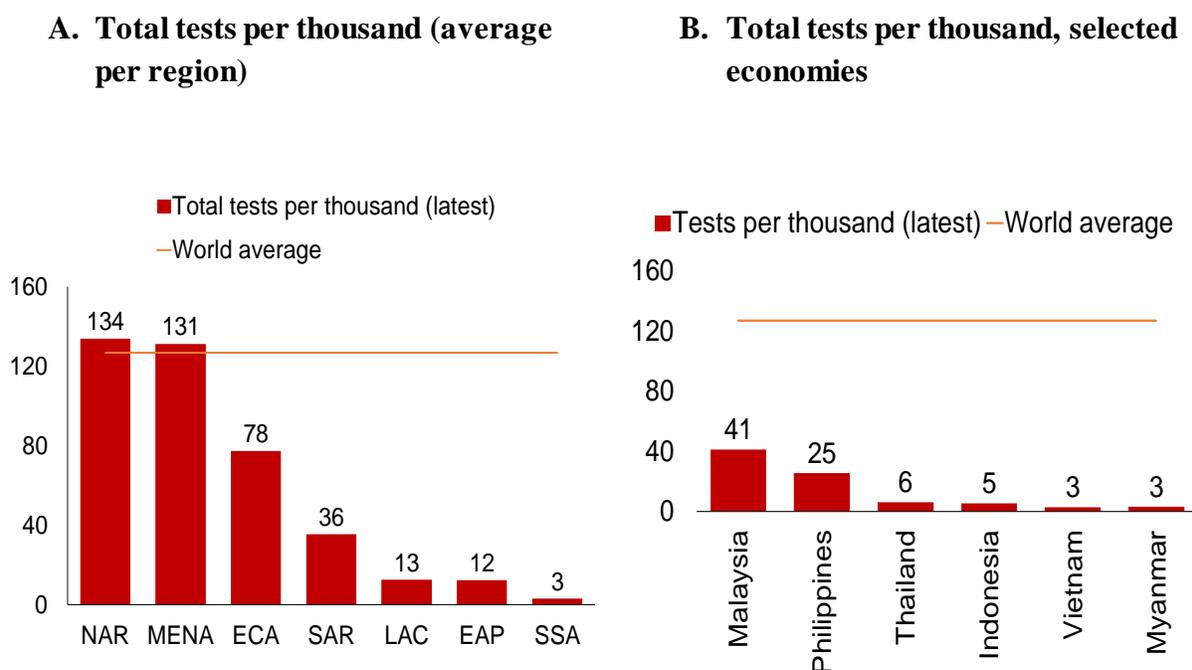
Source: Johns Hopkins University, Center for Systems Science and Engineering COVID-19 Dashboard.

Notes: EAP, ECA, LAC, MNA, SAR, and SSA refer to, respectively, East Asia and Pacific, Europe and Central Asia, Latin America and the Caribbean, Middle East and North Africa, South Asia, and Sub-Saharan Africa.

**In addition to the uncertainty related to the pandemic, there is also significant uncertainty related to the severity of the COVID-19 outbreak in the region, especially in some countries with relatively limited testing capacity.** Only about one in sixty of the population in the developing EAP region has undergone COVID-19 screening to date, just over half the global average of 90 per thousand residents (Figure A.1.3). Testing rates also varied widely across the developing EAP countries. Indonesia, Vietnam, and Myanmar have conducted fewer than 5 tests per thousand residents thus far, compared to 34 in Malaysia and 15 in the Philippines, and testing data were not available in many other smaller countries in the region.

**Figure A.1.3. COVID-19 testing**

*COVID-19 testing capacity has remained relatively limited in the EAP region*



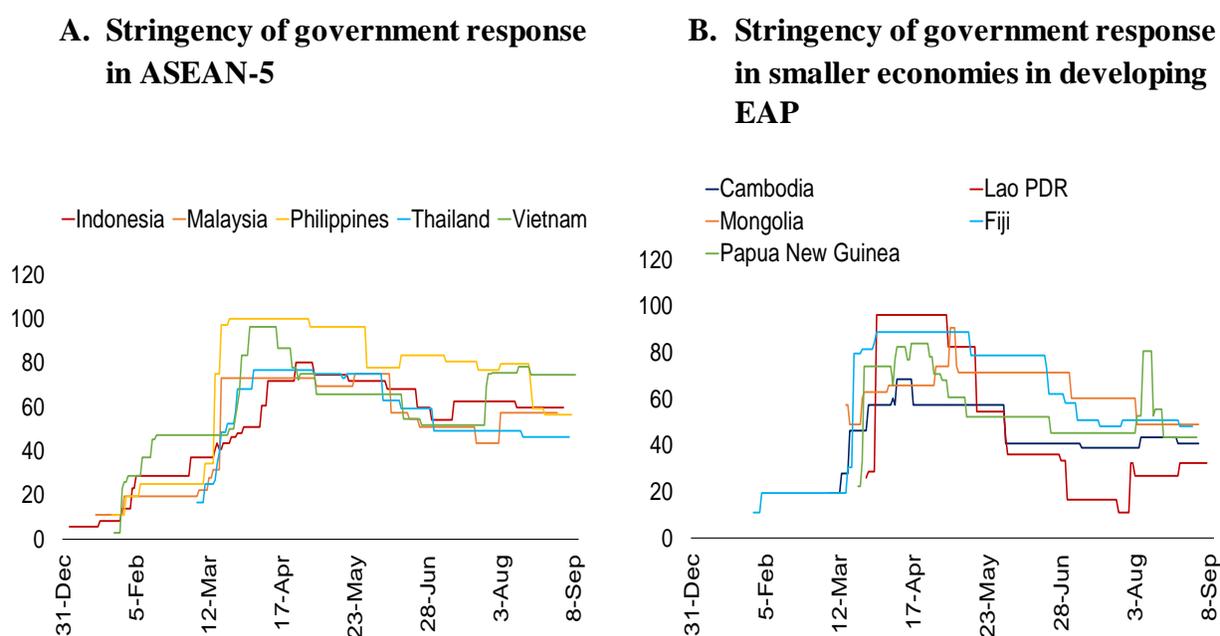
*Source:* Johns Hopkins University, Center for Systems Science and Engineering COVID-19 Dashboard; Oxford University, Our World in Data.

*Notes:* Regions include Advanced Economies. Figures show cumulative testing data up to September 9 2020. High incidence of testing in MENA largely reflects high number of tests in the United Arab Emirates (UAE).

**Most developing EAP economies implemented and later relaxed government restrictions on social interactions.** Domestic lockdowns and other social distancing measures have eased considerably across the region from their peak levels in mid-March, as the spread of the COVID-19 pandemic has generally subsided in most countries (Figure A.1.4). The notable exceptions were Indonesia, Myanmar and the Philippines, in which targeted lockdowns were recently reinstated amid surges of COVID-19 infections. Despite the significant relaxation, some social distancing policies, and restrictions on travel are expected to remain in place for some time.

## Figure A.1.4. Stringency of government response

*Government restrictions on social interactions and business operations have started to ease in most developing EAP countries. A similar imposition and relaxation of restrictions happened across the World*



Source: Oxford University.

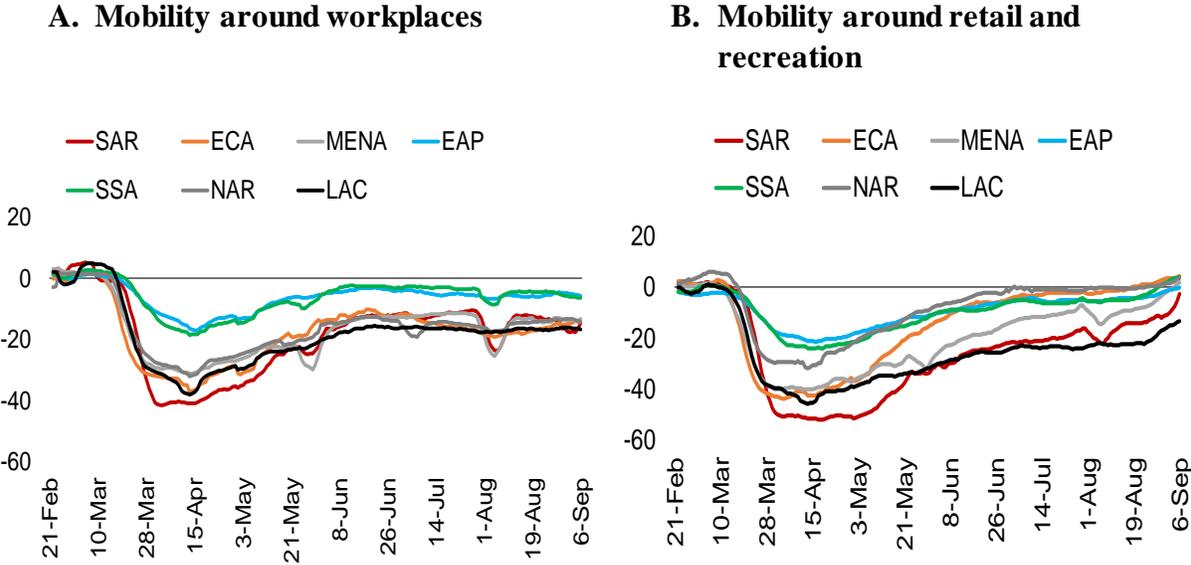
Notes: Stringency Index is an aggregate policy score based on the number and strictness of government policies, collected by the Oxford COVID-19 Government Response Tracker (OxCGRT). 0 to 100, 100 = strictest. Last observation is September 8, 2020.

**Mobility has picked up globally and regionally following the relaxation of government restrictions** (Figure A.1.5). Real-time mobility data suggest that activity around workplace and retail areas in developing EAP declined less than most other regions when it troughed in April and approached 90 percent of its pre-pandemic levels in 2020Q3. Within the region, mobility has improved considerably in all countries to reach at least 70 percent of the pre-COVID-19 levels

by August, except the Philippines in which targeted quarantine measures remained in place to stem the continued rise in infections (Figure A.1.6).

**Figure A.1.5. Mobility indicators show recovery in activity**

*Various mobility indicators have improved markedly across the regions, led by EAP, and Sub-Saharan Africa regions, but remain below their pre-crisis levels.*

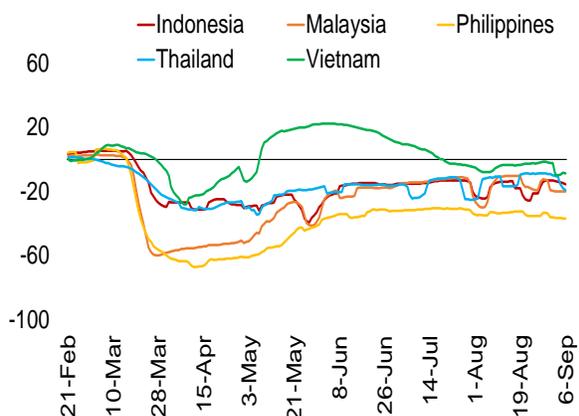


Source: Google Mobility Reports.

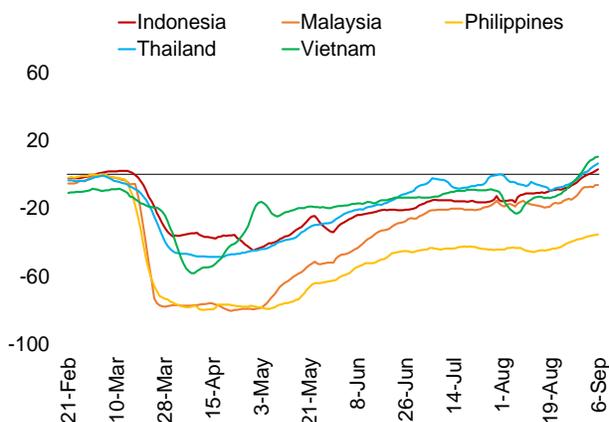
Notes: Relative volume of direction requests compared to a baseline volume on [January 13th, 2020]. Last observation is September 6, 2020.

**Figure A.1.6. Mobility indicators**

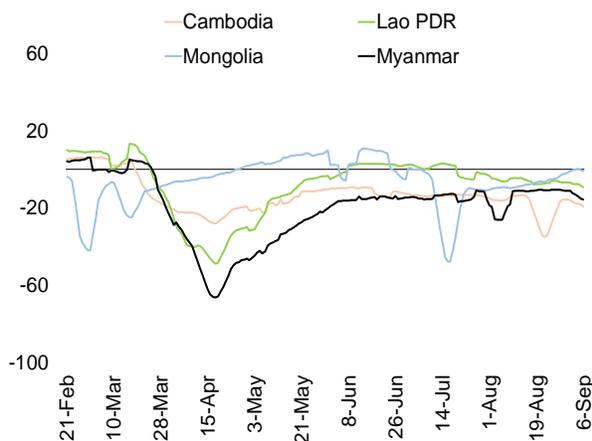
**A. Mobility around workplaces in ASEAN-5**



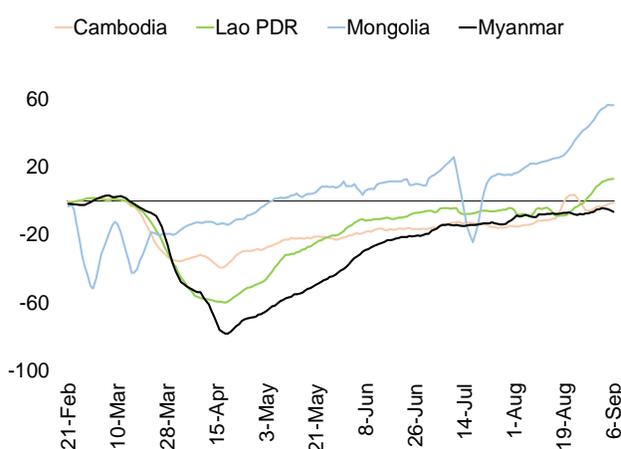
**B. Mobility around retail and recreation in ASEAN-5**



**C. Mobility around workplaces in smaller EAP economies**



**D. Mobility around retail and recreation in smaller EAP economies**



Source: Google Mobility Reports.

Notes: Relative volume of direction requests compared to a baseline volume on [January 13th, 2020]. Last observation is September 6, 2020.

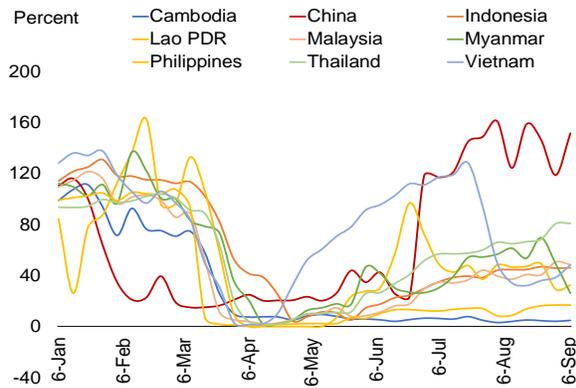
**Domestic air travel has also picked up, albeit more gradually, in most countries, but international travel remains severely affected by international travel restrictions.** Domestic passenger flight capacity has improved at varying pace across the region – except in Cambodia and the Philippines – after plunging by more than 90 percent in April, reflecting the gradual easing of local travel restrictions in most countries (Figure A.1.7). Meanwhile, international

travel – especially within the region – has remained depressed across the region as most countries continued to have their borders fully or partially closed to non-essential overseas travel.

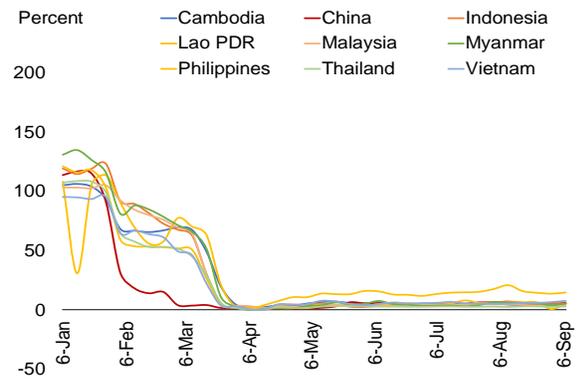
**Figure A.1.7. Domestic and international travel**

*Domestic travel has gradually picked up in a few countries, but international travel, especially within the region, remains severely affected in the aftermath of the COVID-19 pandemic.*

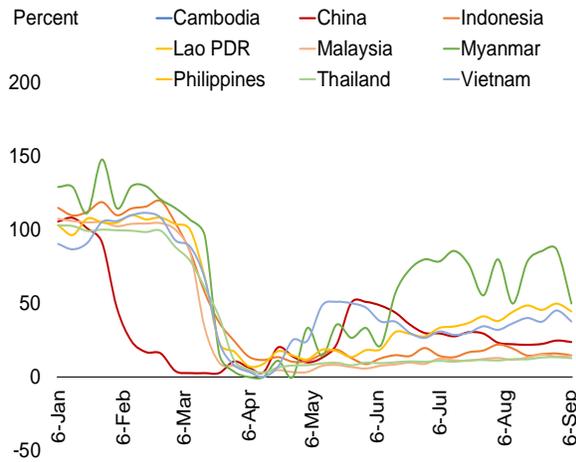
**A. Domestic passenger flights (y/y)**



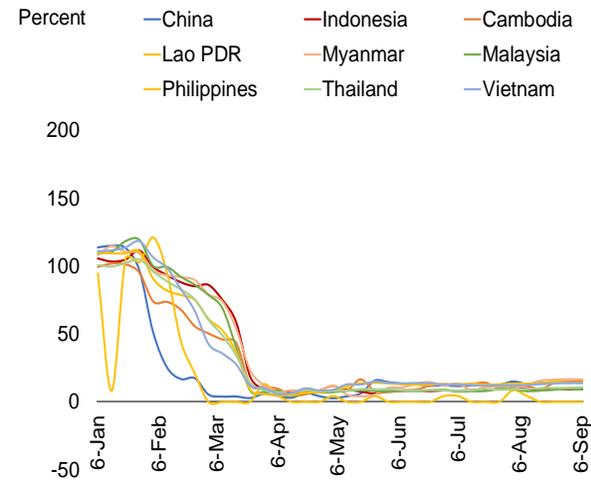
**B. Within developing EAP flights (y/y)**



**C. Outside EAO flights (y/y)**



**D. Within developed EAP flights (y/y)**



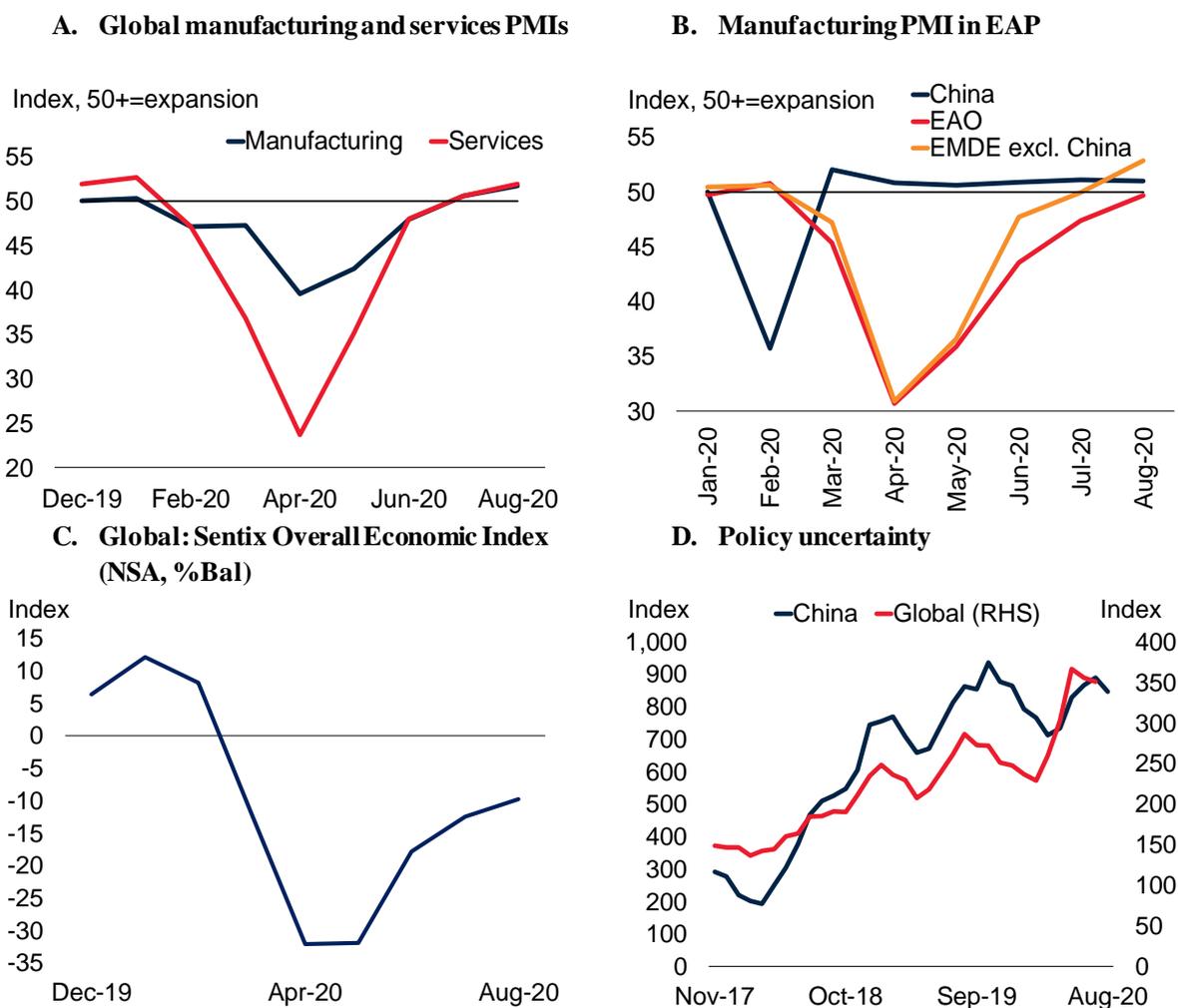
Source: World Bank staff calculations based on FlightRadar24 data.

Notes: Weekly passenger flight arrivals. B. Intra-regional = flights arriving from another EAP country. C. Inter-regional = flights arriving from another country outside EAP.

## The global and regional economy

Despite the continuing spread of the virus, recent data suggest that global activity is slowly firming (Figure A.1.8). The composite PMI rose to 52.4 in August, above its trough of 26.2 in April, while the Sentix global economic sentiment index rose to -9.7 in August, above its trough of -32.2 in April. These improvements notwithstanding, high frequency data suggest that the recovery is far from being complete and remains fragile, and uneven.

**Figure A.1.8. Global and regional activity, global economic sentiment, and global policy uncertainty**

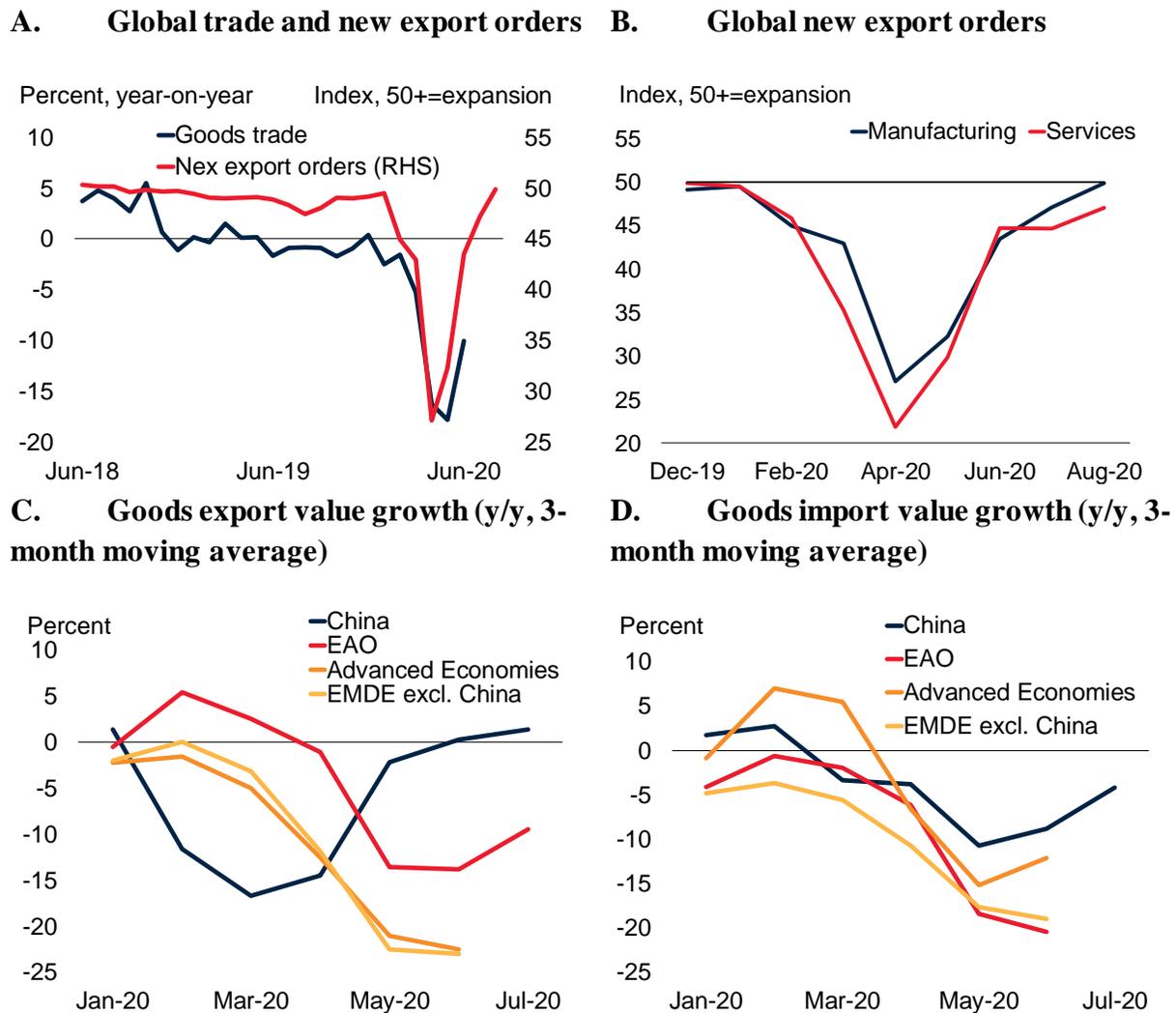


Source: Haver Analytics; World Bank.

Notes: A. B. Purchasing Managers' Indices. Reading below 50 indicate contraction in economic activity. Horizontal line indicates expansionary threshold. C. Global: Sentix Overall Economic Index (NSA, %Bal). D. Global Economic Policy Uncertainty Index (Mean=100); China, News-Based Economic Policy Uncertainty Index (Mean=100).

**Following a double-digit contraction in 2020H1, global trade is now improving, but remains weak (Figure A.1.9).** The global composite new export orders PMI rose to 49.2 in August, still below 50 but well above its trough of 25.9 in April. In July, seaborne trade volumes exceeded the 2017-19 average for the first time since April. The number of global commercial flights more than tripled between April and August but was still around 20 percent below its pre-crisis level. International tourist arrivals, which plunged by more than 90 percent in 2020Q2 relative to a year ago, are still significantly below their pre-pandemic levels.

**Figure A.1.9. Global and regional trade**

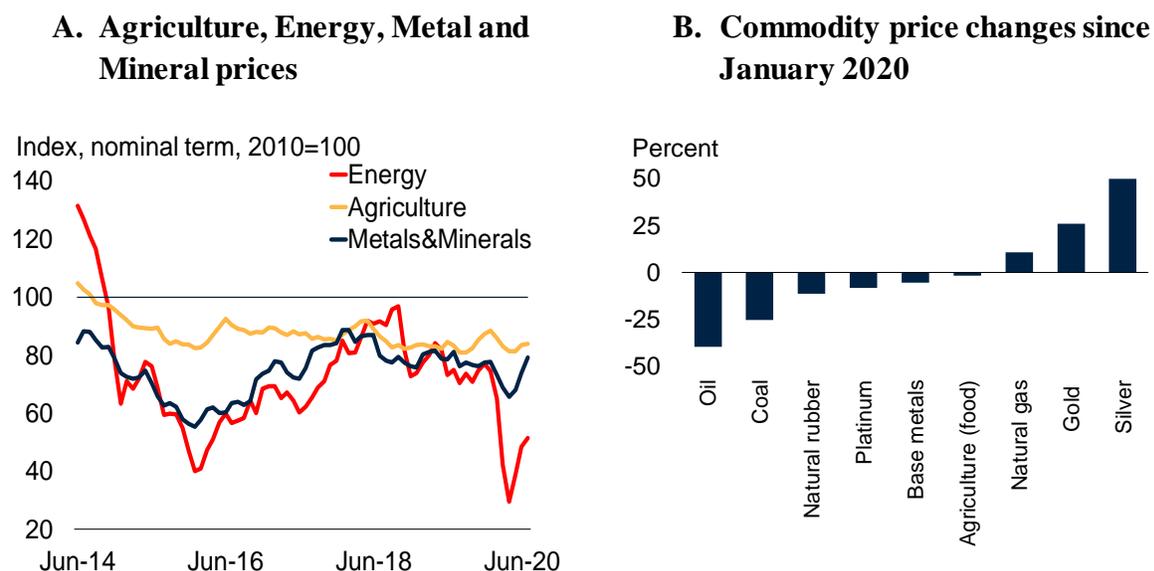


*Source:* Haver Analytics; CPB Bureau for Economic Policy Analysis; Haver Analytics; World Bank.  
*Notes:* Trade is the average of import and export volumes. New export orders are for manufacturing and measured by PMI. Readings above (below) 50 indicate expansion (contraction).

**Commodity prices are recovering but are still below their pre-pandemic levels (Figure A.1.10).** Most commodity prices continued to rebound in recent months, led by crude oil. The price of Brent crude oil rose to \$45/bbl recently after falling below \$20/bbl in April. Oil prices have been bolstered by a relaxation of lockdown measures alongside with extended production cuts by OPEC. The prices of base metals also increased recently, boosted by optimism about the speed of the recovery in China and, supply disruptions.

**Figure A.1.10. Commodity prices**

*Most commodity prices continued to rebound in recent months, led by crude oil. The price of Brent crude oil averaged \$45/bbl, up from \$20/bbl in April. However, most commodity prices, are still below their levels at the start of the year.*



Source: Haver Analytics; World Bank.

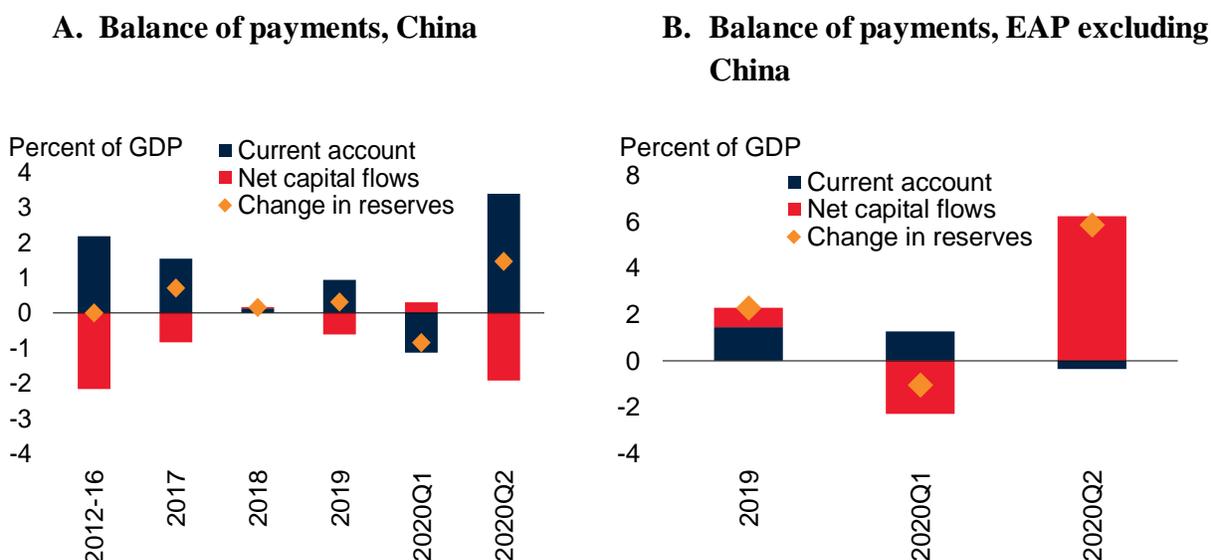
Notes: A. B. Figure shows the change in the monthly average of commodity prices between January 2020 and the last observation, which is May 2020. Price changes for “Base metals” and “Food” show World Bank Pink Sheet indexes. Oil price is unweighted average of Brent, WTI and Dubai prices.

**Capital flows to EMDEs slowed recently, as investors sentiment towards emerging markets turned more negative on accelerating spread of the COVID-19 and rising policy uncertainty (Figure A.1.11).** Following very large losses in 2020Q1, global equity markets posted significant quarterly gains in 2020Q2, in response to the gradual reopening of economies and fueled by policy easing by major Central Banks. Financial markets however remain volatile and the recovery of portfolio flows to EMDEs slowed sharply in August and early September.

**EMDE borrowing costs have trended down after reaching their highest level since the global financial crisis in March; however, the EMBI spread remains about 100 basis points higher than at the start of the year.** Most EMDE currencies have also repaired some of the losses experienced earlier in the year, but gains have been considerably less in countries with large continuing outbreaks of COVID-19 and high financial stability risks. However, currencies of several EMDEs experienced renewed depreciation pressures in early September on renewed portfolio outflows (e.g., Indonesia).

**Figure A.1.11. Global financing conditions, EMBI spreads, balance of payments**

*Global financing conditions have improved, and the regional financial markets have stabilized, but borrowing costs remain around higher on average than before the pandemic.*



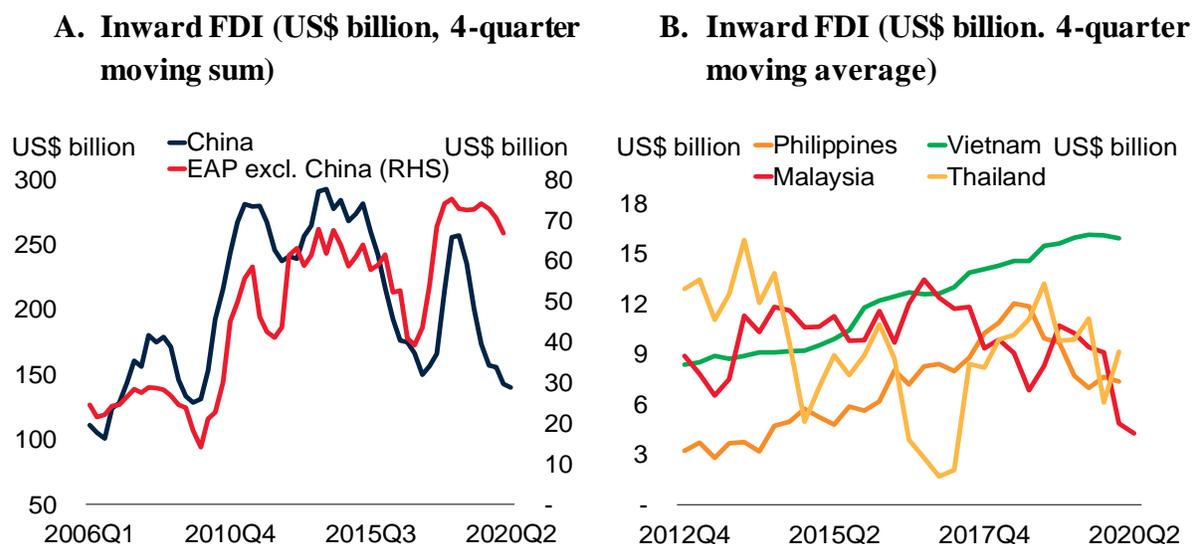
Source: Haver Analytics.

Notes: A. Dow Jones global index (Dec. 31, 1991=100). U.S. CBOE volatility index (VIX). B. Includes Indonesia, Malaysia, Philippines, Thailand, Vietnam. C. D. Net capital flows include errors and omissions.

**Consistent with global trends, regional financial markets have also stabilized since initial major disruption in March, but remain tighter than before the pandemic.** The borrowing costs in the region remain around 50 basis point higher on average than before the pandemic. The main stock indices in EAP have rebounded but remain volatile. By July, equity prices in China had fully recovered earlier losses, but in other major economies, where losses were much larger, asset prices remain below their pre-pandemic levels, with Indonesia, Philippines, and Thailand still around 20 percent below their January levels.

**In addition to more volatile capital flows, net foreign direct investment (FDI) has also declined in most developing EAP countries.** FDI flows into the region were already moderating before the COVID-19 pandemic amid rising protectionism and other uncertainties around trade and investment policies (Figure A.1.12).

**Figure A.1.12. Net capital flows and foreign direct investment**



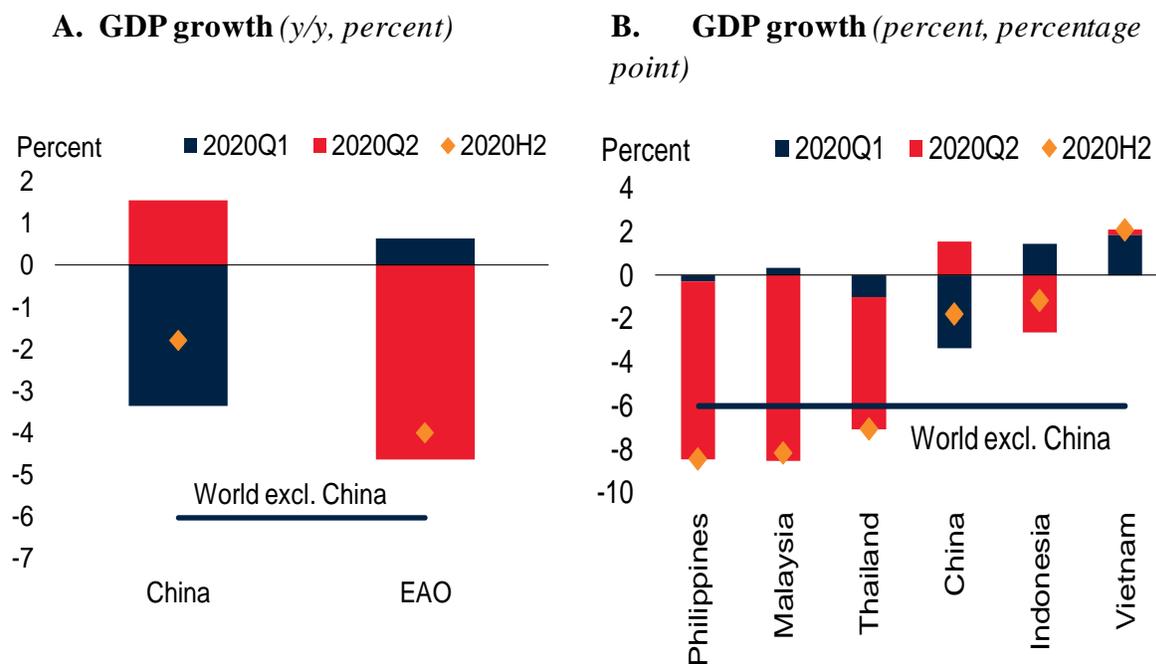
Source: Haver Analytics

### ***Regional economic developments***

**The COVID-19 pandemic has taken a severe economic toll on EAP.** The regional output contracted by more than 2 percent (y/y) in 2020H2—the lowest rate since 1967—reflecting impact of pandemic-related lockdowns, tighter financing conditions, and a deep contraction in exports. The severity of the pandemic-induced shock on the regional economies was uneven across the region. Economic disruptions were more severe and protracted in those countries with larger domestic outbreaks, greater exposure to international spillovers (particularly through exposure to global commodity and financial markets, global value chains, and tourism), and idiosyncratic domestic challenges such as policy uncertainty and natural disasters. Output in China contracting by 1.8 percent and shrinking by 4.0 percent in the rest of the region (Figure A.1.13).

**Figure A.1.13. GDP growth, EAP excluding China**

*In EAP excl. China, where lockdowns were imposed since March, output contracted sharply in 2020Q2 with the decline concentrated in Malaysia, the Philippines, and Thailand.*



Source: Haver Analytics.

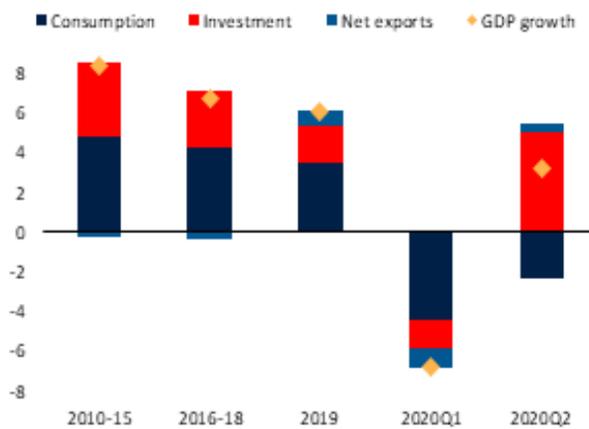
**In China, the pandemic upended incipient economic momentum that was building after the Phase 1 of the China-U.S. trade deal was concluded in December 2019 (World Bank 2020c).** The lockdown measures imposed in February triggered a combined supply and demand shock (World Bank 2020c) and led to a 6.8 percent y/y contraction of GDP in 2020Q1. The downturn was concentrated in industry, which fell 8.5 percent (Figure A.1.14). Output in the service sector declined by 5.2 percent, while agricultural output dropped 3.8 percent. COVID-19 hit private consumption particularly hard. The decline in consumption accounted for almost two-thirds of GDP contraction in 2020Q1. Investment, especially of the private sector, also plummeted.

**The Chinese economy returned to growth in 2020Q2, with activity expanding 3.2 percent (y/y), amid the relaxation of the lockdown measures and support from monetary and fiscal policy (Figure A.1.14)].** The contraction in the first half of 2020 narrowed to 1.8 percent y/y. The economy recovered at an uneven pace with industrial production and infrastructure investment normalizing much faster than services, consumption and private investment. On the production side, the rebound was led by industry, which expanded 4.7 percent y/y in 2020Q2. In

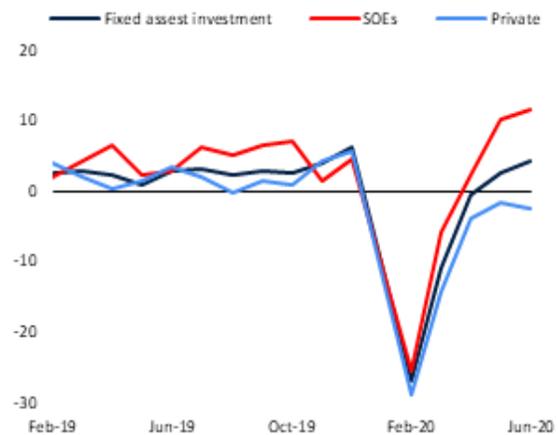
contrast, growth in the service sector remained subdued at 1.9 percent y/y, reflecting remaining restrictions on service activity and lingering behavioral impacts. On the demand side, the recovery was supported by public investment and exports, while private investment and consumption continued to underperform. The contribution of net exports to growth turned positive (0.5 pp) in 2020Q2, due largely to declining imports as well as stronger than expected exports driven by a surge in shipments of medical equipment and electronics (World Bank 2020c).

**Figure A.1.14. GDP growth, China**

**A. GDP growth (percent, percentage point)**



**B. Real fixed asset investment growth by ownership (y/y percent, in real terms)**

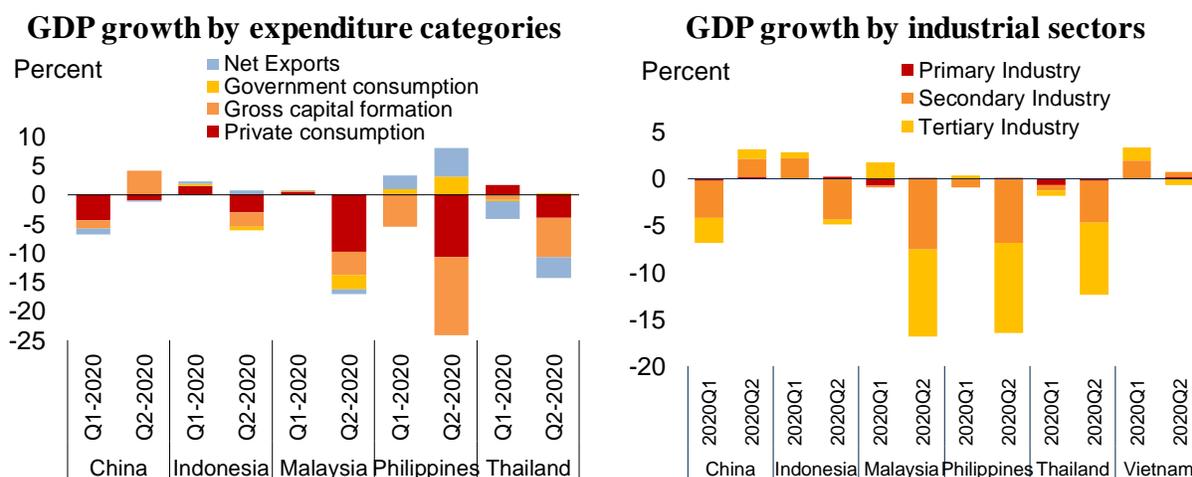


Source: Haver Analytics.

Notes:

**In contrast, economic conditions across the region deteriorated in March and remained stressed in 2020Q2 (Figure A.1.15).** Activity stalled amid national lockdowns, travel restrictions, and the collapse in domestic and global demand. Unemployment spiked, regional exports plummeted, tourist arrivals stalled, and capital inflows to the region dried up. Output in the region excluding China contracted by 7 percent on average on a quarterly annualized basis in the first quarter and by 31 percent in the second quarter.

**Figure A.1.15. GDP growth was pulled down by shrinking private consumption and investment, and by contracting manufacturing and services**



Source: Haver Analytics; World Bank.

Note: For China, consumption includes private and government consumption.

**In Vietnam, GDP growth slowed sharply to 0.4 percent (y/y) in 2020Q2—a near 10-year low—with continued growth in agriculture and industry offsetting a marked contraction in services sector activity.** However, by July, Vietnam’s output was effectively back to pre-COVID levels.

**In Indonesia, GDP contracted by 5.3 percent y/y in 2020Q2 from a 3.0 percent expansion in 2020Q1, the first contraction in more than two decades (Error! Reference source not found.).** The 2020Q2 contraction was broad-based. Private consumption growth plummeted by -5.6 percent. Government consumption also contracted by 6.9 percent y/y as a large part of government expenditure budget was shifted to in-kind social assistance. Heightened uncertainty, reduced construction activity due to mobility restrictions and lower commodity prices depressed investment, which shrank by -8.6 percent y/y. Export and import volumes plunged by 11.7 and 17 percent respectively. The sharper contraction of imports led to net exports which contributing to growth positively by 0.73 percentage points. Output was almost 8 percent below its pre-crisis level in 2020Q2 after contracting by 25 percent on a quarterly annualized basis during the quarter.

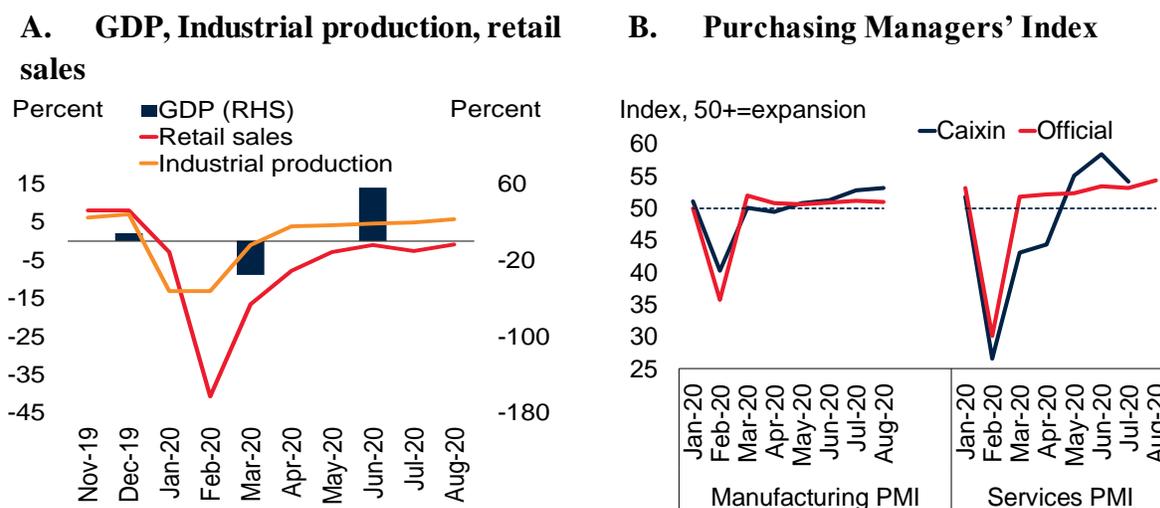
**Malaysia, the Philippines, and Thailand—all entered deep recessions, as GDP contracted for a second consecutive quarter in 2020Q2.** Malaysia experienced contracting growth in the quarter, with output almost 20 percent below its level at the end of 2019, but higher frequency data indicate that activity has bottomed out in 2020Q3. The Philippines was one of the hardest hit by COVID-19 with production contracting by 44 percent on an annual basis in April 2020.

By June, it remains about 20 percent below pre-COVID levels, and with activity still subdued amid continued rise in Covid-19 incidence cases. Thailand saw somewhat less severe output contraction than Malaysia and the Philippines, but the recovery remains protracted reflecting Thailand's significant dependence on tourism, at over 12 percent of output (**Error! Reference source not found.**) (**Error! Reference source not found.**).

**By early-2020Q3, the supply-side disruptions in some major regional economies have largely eased, and activity started to show some signs of bottoming out, but recovery has been uneven and stalled in some major economies most recently (Figure A.1.16).** In China, recovery has been strong, but uneven so far. In August, industrial production expanded by 5.7 percent (y/y), and fixed asset investment growth also accelerated. However, retail sales continued to contract by 1 percent (y/y) and core inflation remained subdued. Export growth accelerated to 9.5 percent in response to firming global demand. Imports continued to trail exports reflecting sluggish consumption. In the rest of the region, performance continued to be mixed. In Malaysia, the manufacturing PMI fell to 49.3—back into contraction territory in August, amid public health measures aimed at curbing the spread of the ongoing coronavirus pandemic. Although the manufacturing PMI in Indonesia rose to 50.8 in August, marking the first expansion since February, stocks plunged 5 percent on September 10th forcing an automatic trading pause and the central bank intervened to steady the rupiah after Covid-19 curbs were re-imposed in Jakarta in response to a surge in infections. In the Philippines, manufacturing PMI fell to 47.3 in August, pointing to the sixth straight month of contraction as the government imposed stricter quarantine measures in Manila following the recent rise in new COVID-19 cases. In Thailand manufacturing PMI jumped to 49.7 in August from 45.9 in July but remained a notch below the expansion threshold.

## Figure A.1.16. Economic activity, China

Following a collapse in 2020Q1, China's output appears to be recovering, but the pace of the recovery remains uneven... economic activity dropped precipitously in Q1 and remains subdued in many economies.



Source: Haver Analytics; World Bank.

Notes: A. China. Quarter-on-quarter annualized change of real GDP in 2015 prices. Year-on-year change of total real industrial value added (2005=100) and nominal retail sales. Last observation is 2020Q1 for GDP, June 2020 for industrial production and retail sales. B. Manufacturing and services Purchasing Managers' Indices. Reading below 50 indicate contraction in economic activity. Horizontal line indicates expansionary threshold. Last observation is August 2020.

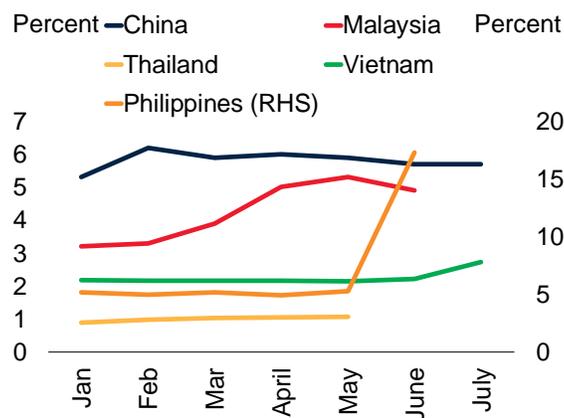
**The pandemic has had a very severe impact on the smallest economies with undiversified sources of growth and limited fiscal space to mitigate the impact of the outbreak.** In Cambodia, it had a severe impact on main drivers of growth, including merchandise exports, tourism, and construction. The pandemic has led to unprecedented shocks for many Pacific economies – which have high dependence on tourism. In Fiji, where tourism accounts for about 40 percent of the economy, output is projected to contract by around 22 percent this year – the worst in the country's history – as the devastating effects of COVID-19 were compounded by the widespread disruptions caused by Tropical Cyclone Harold in April.

**Employment and jobs.** The ILO estimates that the pandemic resulted in a fall in working hours globally equivalent to the loss of 400 million full-time jobs in 2020Q2 (Figure A.1.17). The pandemic has had a dramatic impact on the region's labor markets, after many companies shed large numbers of jobs or placed a significant portion of workers on government-backed furlough schemes.

**The extended quarantine period has adversely affected jobs in the Philippines,** where unemployment was estimated to reach 10 percent in July, with particularly adverse impact on jobs among informal workers. The pandemic had a devastating impact on labor markets in the region’s smallest economies. In Fiji, for example, nearly 100,000 or one third of the labor force has been affected by the pandemic.

**In contrast, a rapid economic recovery, helped to reduce unemployment in China, Malaysia, and Vietnam, most recently.** In Malaysia, for example, unemployment stood at 4.7 percent in July, down from its pandemic-related peak of 5.3 percent in May, but still substantially above the 3.3–3.5 percent that has prevailed for the past several years. Youth (15–24 years-old) unemployment remained elevated at 13.9 percent, only slightly below 14.2 percent in May 2020.

**Figure A.1.17. Unemployment rate, 2020**

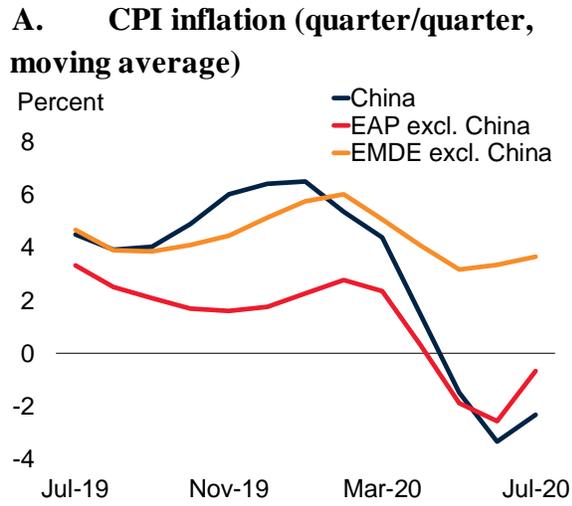


Source: Haver Analytics.

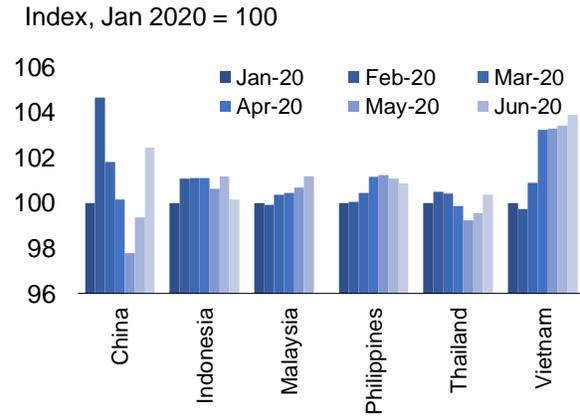
Note: The unemployment rate measures the number of people actively looking for a job as a percentage of the labor force.

**CPI inflation in the region dropped sharply in 2020Q2 reflecting a contraction in domestic demand (Figure A.1.18).** It started to normalize in 2020Q3 along with the recovery of domestic demand. In Malaysia and Thailand, consumer inflation contracted by almost 3 percent on average at its trough in April and May, but bottomed out most recently.

**Figure A.1.18. Inflation**



**B. Food inflation**



Source: Have Analytics.

Note: A. 3-month on 3-month moving average change of seasonally adjusted series.

## Growth outlook

### *Key assumptions*

**The duration of the pandemic remains uncertain.** COVID-19 continues to spread rapidly and high positive test rates in some countries suggest the virus is far more prevalent than suggested by confirmed cases. Countries that have been more successful in containing the virus continue to suffer periodic flare-ups. Intermittent lockdowns on domestic activity could become a new normal. International travel restrictions are expected to remain stringent and weigh on sectors dependent on travel and tourism.

**There is high uncertainty regarding COVID-19 vaccine and mass vaccination for the pandemic.** More than hundred vaccines are in early development, and several are now being tested. Some of these vaccines may become available by mid-2021. However, this is still uncertain. Even if there is widespread immunization by the second half of 2021 in advanced economies, rollout is expected to be much slower in EMDEs.

**Against this background, the recovery from the shock is expected to be uneven, and fragile.** A sharp contraction in 2020H1 in much of the region is expected to be followed by a subsequent rebound in 2020H2, reflecting a gradual normalization of domestic and global demand, which will nevertheless remain subdued reflecting lingering effects of the pandemic. The baseline projections assume that fiscal and monetary policy support in countries with available fiscal space will stimulate private consumption, and public investment and bolster business confidence, amid significant depletion of policy buffers.

**The regional forecasts also assume that global financial conditions will remain broadly accommodative, but volatile.** While supply side disruptions have largely eased in much of the region, weak domestic and external demand and heightened uncertainty will continue to weigh on activity. Private consumption is projected to remain muted as a sharp decline in household incomes, higher unemployment, and lingering behavioral impacts of the pandemic suppress discourage private spending, especially on services involving face-to-face interaction.

**Private investment is also expected to remain subdued, reflecting strained corporate revenues and profits, heightened policy uncertainty, and higher debt.** This weakness is expected to be partly offset by a pickup in public investment supported by accommodative fiscal policies.

**External demand, especially for services is expected to remain weak reflecting the global recession, remaining travel bans, stringent border controls, and impaired international transportation.** In 2021, import and export growth are expected to gradually pick up, barring

new unexpected shocks, as global demand stabilizes and domestic social distancing measures, along with restrictions on international travel and border controls, are gradually lifted in major economies.

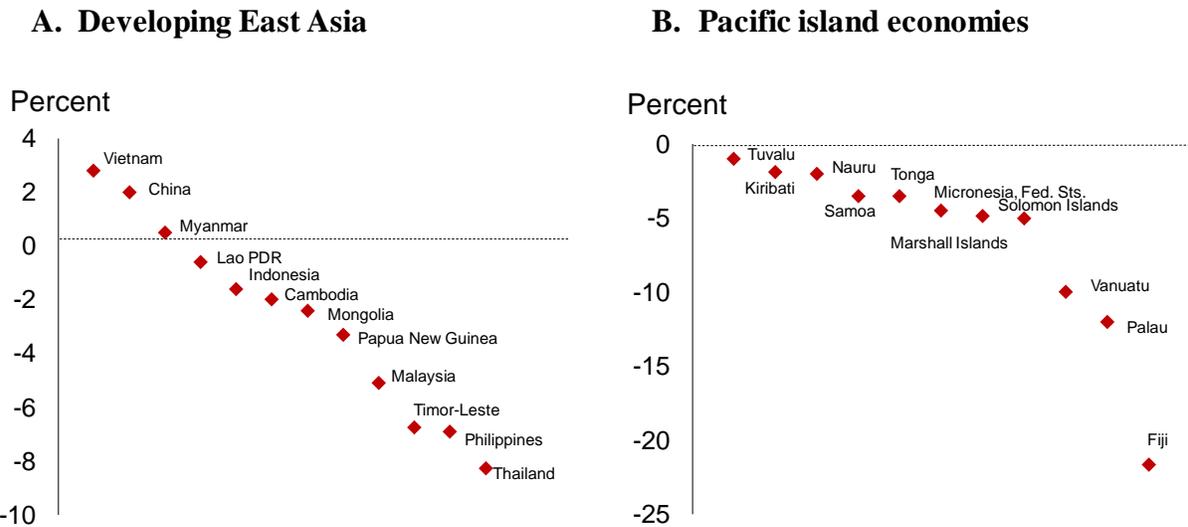
**Regional forecasts**

**Against this backdrop, regional growth is projected to slow sharply to 0.9 percent in 2020—the lowest rate since 1967.** GDP growth deceleration this year reflects the impact of pandemic-related lockdowns and a deep contraction in exports. Sizable policy support has prevented a more severe deceleration. Among the major economies, the largest downward revisions for 2020 are in Malaysia, the Philippines, and Thailand. Only a very small number of economies in EAP region are expected to grow this year, including China and Vietnam. Most economies in the region are expected to contract in 2020 (

Figure A.1.19).

**Figure A.1.19. The COVID-19 Shock is Expected to have Uneven Impact Across the Region.**

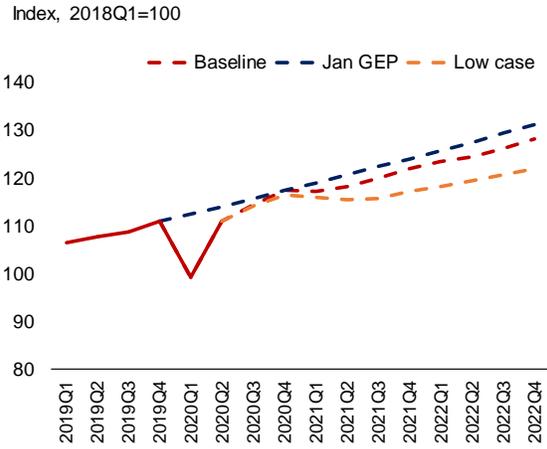
*About four fifths of the regional economies, including all Pacific Island economies are expected to contract in 2020*



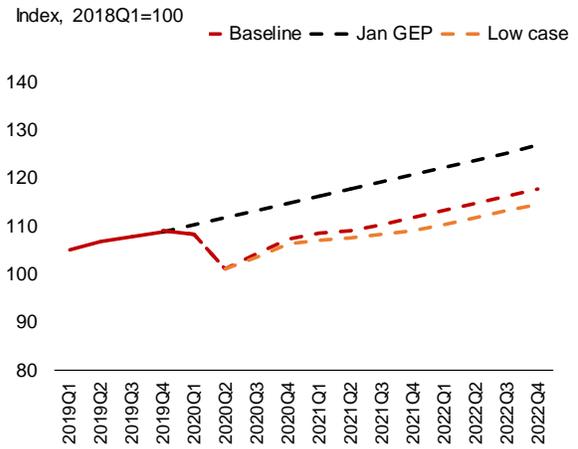
Source: World Bank.  
 Note: Preliminary projections.

**Figure A.1.20. Output is unlikely to catch up to the pre-crisis trend**

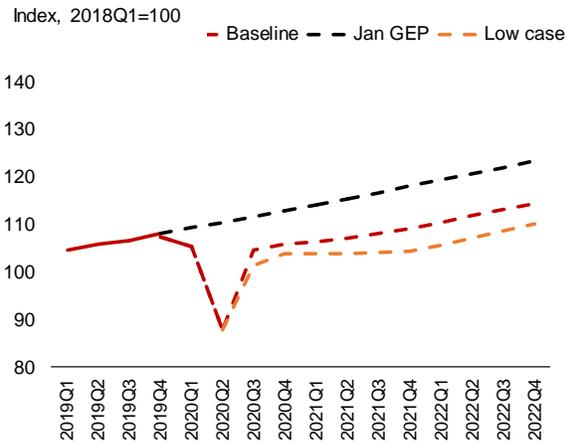
**A. China**



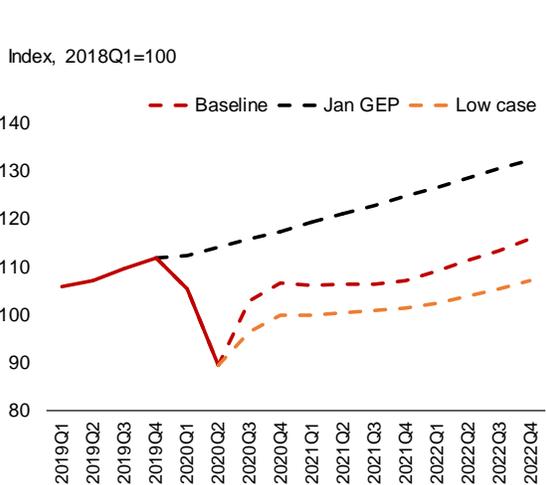
**B. Indonesia**



**C. Malaysia**

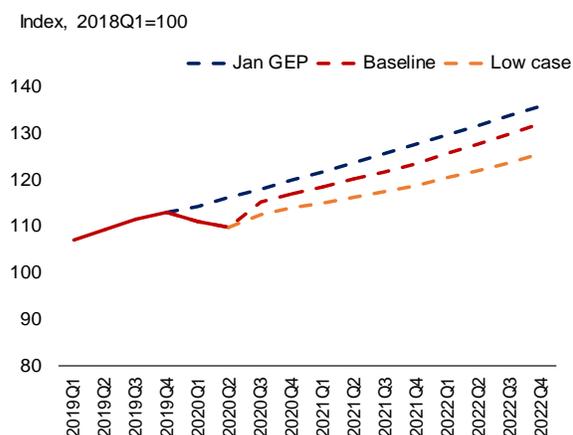
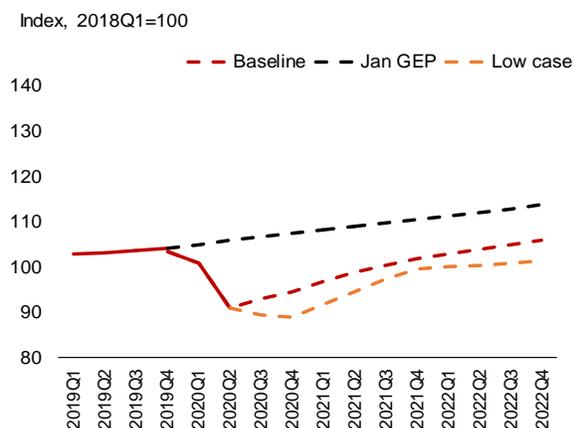


**D. Philippines**



**E. Thailand**

**F. Vietnam**



Source: World Bank staff estimates.

Note: Red and orange lines show quarterly projections of GDP growth. GEP refers to Global Economic Prospects.

**In China, the baseline forecast envisions a sharp slowdown of growth to 2 percent this year**—1 percentage points higher than projected in June—but still the slowest expansion since 1976. This scenario assumes a gradual but sustained recovery in the second half of 2020, as aggregate demand continues to normalize following a steep output contraction in 2020Q1 and a subsequent rebound in 2020Q2.

**In the rest of the region, output is expected to contract by around 3.5 percent this year**—the first contraction since the 1998 Asian financial crisis—before rebounding to 5.1 percent in 2021 as the effects of the virus dissipate. For some Pacific Island economies, the depth of contraction this year and outlook beyond 2020 are both highly uncertain and depend on the duration of the pandemic, prospects of global tourism, the size and effectiveness of international aid, and domestic policy measures.

**The near-term outlook remains highly uncertain, reflecting high probability of sporadic outbreaks until a mass vaccination, persistent behavioral changes, and scarring effects from the downturn on households, firms, and governments.** Although subject to significant uncertainty, regional growth is expected to rebound to 7.4 percent in 2021 as the pandemic subsides and global import demand recovers. Despite this recovery, the level of GDP in the region excluding China is forecast to remain below pre-pandemic forecasts (Figure A.1.20; Table II.A.1.1)

**Table II.A.1.1. Developing East Asia and Pacific: GDP growth projections**

	2017	2018	2019 <sup>a</sup>	Forecast		
				2020	2021	2022
<b>Developing EAP<sup>a</sup></b>	6.5	6.3	5.8	0.9	7.4	5.2
China	6.8	6.6	6.1	2.0	7.9	5.2
<b>Developing EAP excl. China<sup>a</sup></b>	5.4	5.2	4.8	-3.5	5.1	5.2
Developing ASEAN <sup>a</sup>	5.4	5.3	4.8	-3.5	5.1	5.2
Indonesia	5.1	5.2	5.0	-1.6	4.4	5.1
Malaysia	5.7	4.7	4.3	-4.9	6.3	4.4
Philippines	6.9	6.3	6.0	-6.9	5.3	5.6
Thailand	4.0	4.1	2.4	-8.3	4.9	5.0
Vietnam	6.8	7.1	7.0	2.8	6.8	6.5
Cambodia	7.0	7.5	7.1	-2.0	4.3	5.2
Lao PDR	6.9	6.3	4.7	-0.6	4.9	4.8
Myanmar <sup>c</sup>	5.8	6.4	6.8	0.5	5.9	7.9
Mongolia	5.4	7.0	5.0	-2.4	5.6	5.4
Fiji	5.4	3.5	-1.3	-21.7	6.4	4.4
Papua New Guinea	3.5	-0.8	5.9	-3.3	3.2	3.1
Solomon Islands	5.3	3.9	1.2	-4.8	3.2	3.5
Timor-Leste <sup>b</sup>	-3.8	-0.8	3.4	-6.8	3.1	4.2

Source: World Bank staff estimates.

Notes: a. Estimate. b. Nonoil GDP. c. Myanmar growth rates refer to the pre- and post-pandemic period for fiscal year from October to September.

**The balance of risks to the outlook is tilted to the downside.** Key downside risks include a longer-than-expected duration of the pandemic and its lingering impact, a renewed period of heightened financial stress, and a sharper- and longer-than-expected contraction in global trade compounded by reescalation of trade tensions. Faster- and stronger-than-expected rebound of major economies and global demand presents an upside risk to the regional outlook.

**The global forecast published in June assumed that mitigation measures in advanced economies would begin to be lifted around mid-2020, followed by relaxation of lockdowns in EMDE.** Global forecasts in June also assumed that although a moderate global recovery was envisioned in 2021, with global growth reaching 4.2 percent, output was not expected to return to its previously anticipated levels.

**Recent data indicates that the daily rise in new COVID-19 cases has continued to accelerate in many economies.** To varying degrees, some restrictions on movement and interactions have

been extended or reintroduced in some countries. A widespread flare up could lead to more stringent restrictions and result in negative growth in many countries. Although vaccine development is underway, it is not anticipated to be available until mid-2021 at the earliest. Delays to a vaccine could prolong the economic damage and generate financial market turmoil. Additionally, vaccine procurement and distribution may be hindered in EMDEs, which could lead to a more protracted downturn (**Error! Reference source not found.**).

**Small Pacific Island economies are facing additional significant risks directly related to the duration of the pandemic and prospects of global and regional tourism resumption.**

### **Policy support**

**The region has avoided more adverse outcomes through sizable fiscal and monetary policy support measures** (Background analysis B.1). Governments and central banks across the EAP region have implemented a wide array of fiscal, monetary and financial policy measures to lessen the near-term economic ramifications of the pandemic. Additional spending and revenue measures constituted nearly two-thirds of all budgetary measures announced to date in the developing EAP region, and were mostly directed to households (

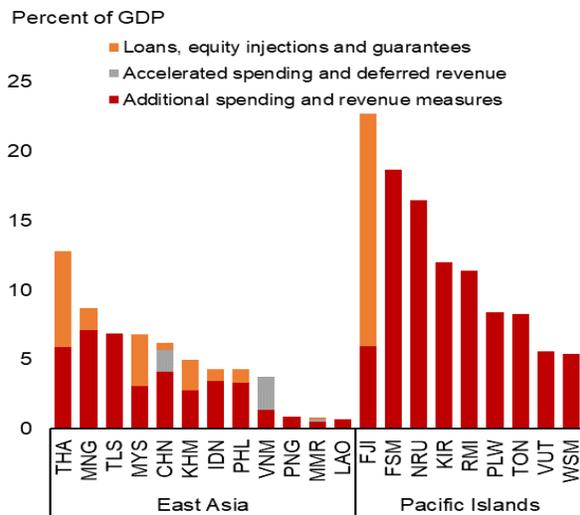
**Figure A.1.21**). In addition to direct fiscal measures, several governments provided sizable financial support, including loans, equity injections and sovereign guarantees, to businesses experiencing cashflow difficulties. Regional central banks have lowered their key policy rates by 125 basis points on average since January 2020. In addition to policy rate cuts, many central

banks have reduced reserve requirement ratios and provided liquidity support to ease pressure in the banking system and to slow down the growth of non-performing loans.

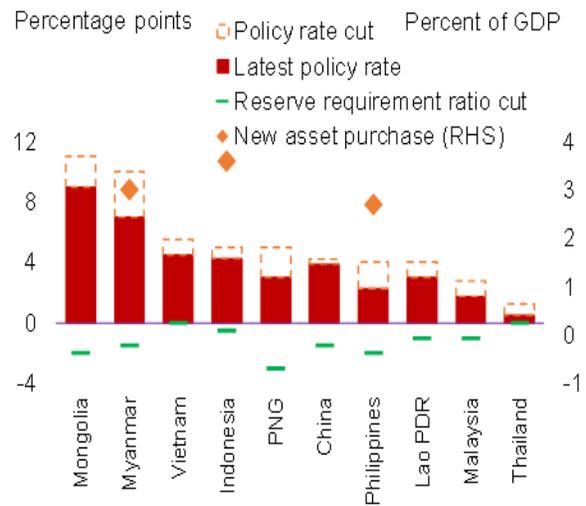
**Figure A.1.21. Policy support**

*Policy response has been swift but varied widely in scale and breath across developing EAP.*

**A. Fiscal support measures in developing EAP and the Pacific Island Countries**



**B. Monetary policy support measures in developing EAP and the Pacific Island Countries**



Source: Haver analytics; International Monetary Fund; World Bank.

Notes: A. Income and revenue support measures include direct transfer payments, reduction or deferral of payment commitments, foregone revenue from tax cuts, credits and exemptions, and other financial assistance to individuals and firms. Loans, equity and guarantees include equity injections, loans, asset purchases and debt assumptions, guarantees on loans and deposits as well as quasi-fiscal operations. B. Red bars denote cumulative policy rate cuts since the outbreak. Green lines denote cumulative cuts in reserve requirement ratio. Orange diamonds denote recently announced central bank asset purchases expressed relative to respective 2019 nominal GDPs. Last observation is June 02, 2020.

## **Fiscal balance and government debt**

**Fiscal positions are projected to deteriorate considerably across the region, reflecting additional fiscal spending and substantial revenue declines amid output contraction in most economies.** Fiscal deficits and government debt are projected to increase by around 5 and 7 percentage points of GDP on average in 2020, with large variations across the region. Many small open economies with significant global exposure to most severely and durably affected revenue channels, including tourism, trade and oil-related incomes, are expected to see the strongest negative impact on fiscal positions.

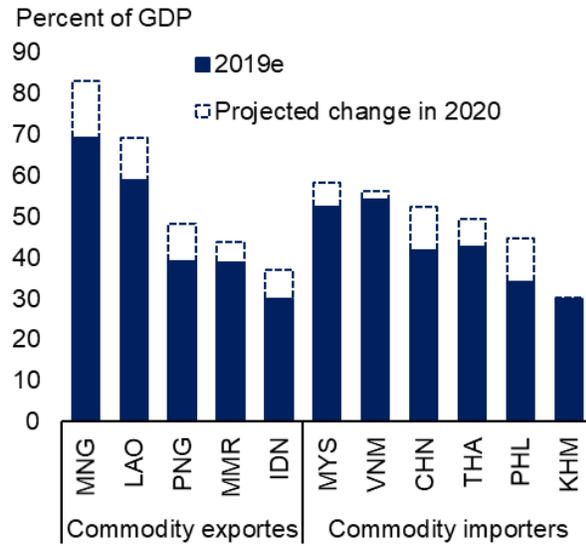
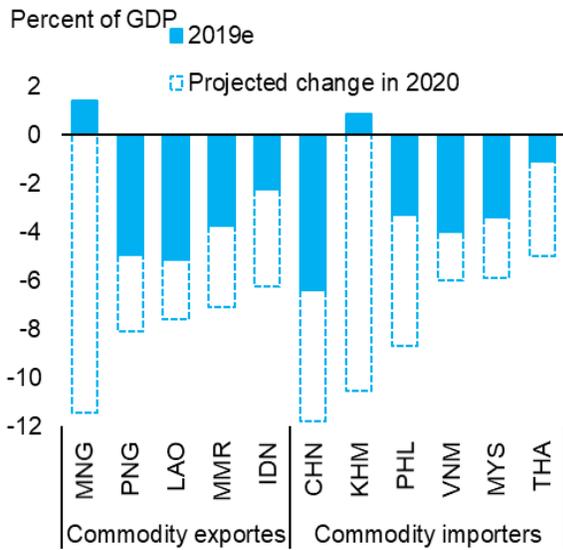
**Worsening fiscal prospects may compound existing vulnerabilities to shifting market sentiment in some countries.** Countries with large fiscal deficits or large debt burdens are particularly vulnerable. New bouts of debt distress and/or financial instability are possible and will become more likely in the absence of stepped-up external support (**Figure A.1.22; Figure A.1.23**).

### **Figure A.1.22 Fiscal balance and government debt**

*Sharp declines in government revenues and additional spending on large-scale fiscal support have resulted in a surge in fiscal deficits and elevated public debt levels in several EAP economies, increasing fiscal vulnerabilities and constraining the space for public investment and fiscal support against future shocks.*

#### **A. Government overall balance**

#### **B. Government gross debt**

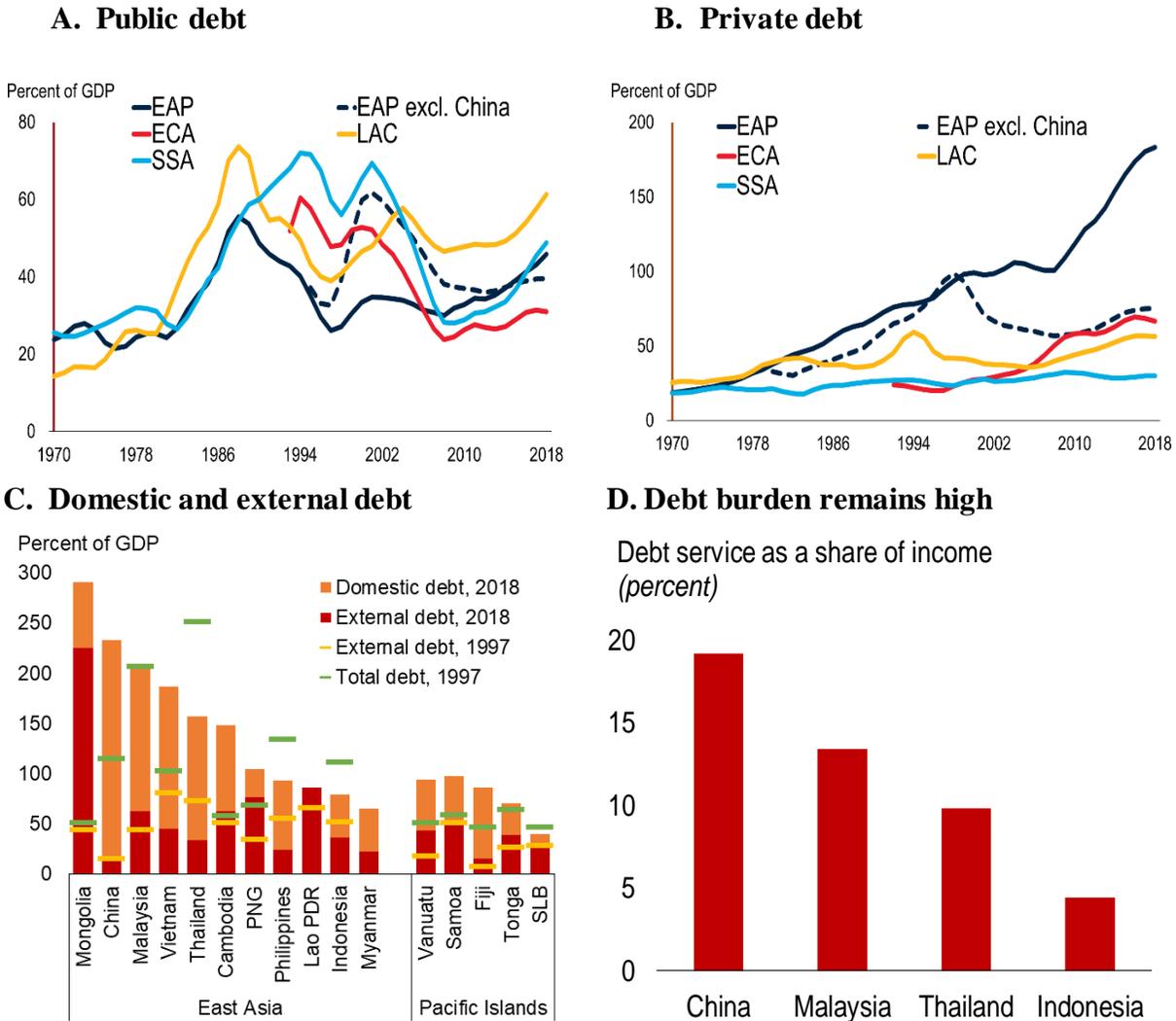


Source: IMF Fiscal Monitor April 2020; World Bank.

Note: Estimates refer to general government, except for Indonesia and Malaysia which refer to central government only.

**Figure A.1.23 Credit and debt**

The EAP region (especially China) entered the COVID-19 crisis with a significant buildup of private debt. High corporate leverage and debt overhangs may dampen future private investment and long-term growth.



Source: Bank of International Settlements; Haver Analytics; International Monetary Fund; World Bank.

Notes: Total debt is defined as a sum of domestic and external debt. Includes household, non-financial corporate, and public sector debt expressed as share of four-month average quarterly seasonally adjusted GDP.

### Durable changes due to COVID-19

Even as economic activity in EAP region rebounds, the shock is likely to leave lasting impacts on the regional economy. The pandemic could further slow potential growth in the region by

weakening investment and the supply chains that have been an important conduit for productivity gains over the past decade (GEP, June 2020). The negative impact could be broad-based and could add to the long-term slowdown from deteriorating demographic trends and falling growth in total factor productivity. Prior to the COVID-19 outbreak, there were already concerns about the prospects for long-term productivity growth in EAP region. The pandemic has added more uncertainty to the regional long-term growth prospected.

In general, epidemics that occurred since 2000 are estimated to have lowered labor productivity by a cumulative 4 percent after three years, mainly through their adverse impact on investment and the labor force (World Bank 2020a; World Bank 2020b). The COVID-19 pandemic may have a significantly worse impact on productivity, due to its global reach, constraints on activity posed by restrictions to stem its spread, and the heightened risk of financial stress. The immediate policy focus is to address the health crisis, but policymakers also need to introduce reforms to rekindle productivity growth once the health crisis abates.

Epidemics and pandemics can affect productivity and long-term economic growth through both supply- and demand-side channels. The impact on the supply can be propagated through 1. reduced labor force because of widespread sickness and fatalities; 2. weakened physical capital due to heightened uncertainty, and disrupted supply chains and innovation because of containment efforts; 3. erosion of human capital due to sickness, unemployment and closure of educational institutions. The demand side impact could happen through: 1. lower business investment due to elevated business uncertainty; and permanent decline in consumer demand due to job losses, reduced income, increased cost of debt service, higher uncertainty, the forced closure of marketing outlets, and, in the case of diseases, fear of infection.

Historical evidence suggests that the past epidemics led, on average, to a contemporaneous loss of productivity equal to about 1 percent. After three years, such epidemics lowered labor productivity by a cumulative amount of about 4 percent. Over the same horizon, investment declined by nearly 9 percent reflecting heightened uncertainty and risk aversion. The effects of COVID-19 could be worse than other disasters. These adverse effects may be diminished, first, if the pandemic accelerates productivity-enhancing changes in some dimensions—such as investment in more efficient business practices and digital technologies. Second, countries would need to implement deeper structural reforms to facilitate investment in human and physical capital; encourage reallocation of resources toward more productive sectors and firms; foster technology adoption and innovation; and promote a growth-friendly macroeconomic and institutional environment.

## Prospects for recovery

The COVID-19 pandemic crisis shares some similarities with other crises such as those stemming from natural hazards, wars, macroeconomic mismanagement, and international financial meltdowns (World Bank 2020a). However, this pandemic crisis arguably combines the worst features of all these crises. One way to see this is by assessing the shocks that different crises create. Table A.1.1 presents a taxonomy of crises and associated shocks, with the latter organized by their mechanism, scope, duration, and certainty. The COVID-19 pandemic involves a supply and demand shock, with a domestic and global scope, a projected long duration, and with high degree of uncertainty. According to the *Global Economic Prospects*, it is “the most adverse peacetime shock in over a century” (World Bank 2020a).

**Table A.1.1. A taxonomy of crises and associated shocks**

Types of crises:	Mechanism		Scope		Duration		Certainty	
	Supply	Demand	Domestic	Global	Short	Long	Uncertain	Very uncertain
Natural hazards	X		X		X		X	
Wars	X	X	X			X		X
Macroeconomic mismanagement (e.g. hyperinflation)		X	X			X		X
International financial crises		X		X	X		X	
Pandemics	X	X	X	X		X		X

*Source:* Authors’ formulation

Growth impacts and perceived uncertainty are two indicators of crisis severity. The current crisis is expected to bring about the largest contraction in global GDP per capita since World War II; in addition, it has the highest share of economies experiencing a recession in modern times. Moreover, the pandemic is associated with extraordinary uncertainty (Altig et al. 2020).

Several key lessons for recoveries can be drawn from past crises, taking into account the nature of the shock. First, *initial conditions* (such as fiscal space and governance capacity) can drive vulnerability and pose challenges to the implementation of recovery measures (Bandaogo 2020; Felbermayr and Groschl 2014; Kumar and Woo 2011; Panizza and Presbitero 2012; Romer and Romer 2018, 2019). Successful experience dealing with similar crises is an important condition.

Second, prior to embarking on a path of recovery, the *underlying shock* needs to be addressed and resolved to avoid a sudden return to emergency management and an inefficient allocation of resources. Third, once some degree of crisis resolution has been reached, economic management needs to focus on re-animating the *factors of production* most affected by a crisis. Fourth, as crisis management turns into recovery policies, measures need to emphasize *sustainability and future resilience* to similar shocks.

*Pandemics and epidemics* have been associated with a trade-off between health and economic harm. Public health policies are crucial to protect society and the economy from further losses. In the recovery phase, long-term health and human capital impacts need to be addressed. In countries affected by past epidemics (SARS, MERS, Ebola, and Zika), investment and output per worker remained on average 9 percent and 4 percent lower, respectively, relative to other comparable countries (The Economist 2020). In addition, past pandemics and epidemics have been associated with sharp productivity losses, which call for policies promoting investment in human and physical capital and a productive reallocation of resources, as well as structural and institutional reforms (Dieppe 2020).

*Wars* bring about stark challenges to recovery particularly through weakened state capacity and destroyed physical, human, and social capital, as well as being obviously threatened by conflict recurrence (Collier 2009). Evidence shows that a gradual recovery from such a crisis is feasible once it is overcome and lasting peace begins (Chen, Loayza, and Reynal-Querol 2008). Post-conflict reconstruction is often sensitive and local context and economic potential should be carefully considered, with the aim of animating domestic factors of production. In addition to the usual fiscal, monetary, and exchange rate policies, recoveries have tended to be more successful where inclusive growth was driven by employment and business environment policies (UNDP 2008).

*Natural disasters* tend to hold especially severe economic consequences for small, less-developed countries (Loayza et al. 2012; Noy 2009). During the recovery phase, the central element is reconstruction, which should be phased and sustainable (Benson and Clay 2004). Especially in countries with frequent events, implementing forward-thinking risk management and response strategies can improve the speed and quality of reconstruction. This has proven successful, for instance, in Indonesia where institutions and funds were prepared for this purpose following the 2004 earthquake and subsequent tsunami (Hallegatte, Rentschler, and Walsh 2018). Information availability plays a key role to promote prevention, which can reduce human and economic costs (World Bank 2010).

*Financial and banking crises* bring about severe output losses. In countries with high pre-crisis public debt levels, lack of fiscal space not only constrains the government's ability to implement

countercyclical policies, but also undermines the effectiveness of fiscal stimulus and the quality of fiscal performance (Botman and Kumar 2006). Importantly, the literature documents that expansionary fiscal responses lead to sustained economic recoveries after the crisis only when the financial sector's vulnerabilities are addressed without endangering fiscal sustainability (IMF 2009; Baldacci, Gupta, and Mulas-Granados 2012). During the GFC, exchange rate flexibility acted as a shock absorber, while a shift to inflation-targeting regimes in several EMDEs helped lower inflation in the run-up to the global recession. Countercyclical policies are no substitute for vigorous reforms in support of long-term growth as shown by experiences of financial and external shocks – thus, structural and governance reforms are important (Kose and Ohnsorge 2019).

### *The shapes of recovery*

Although there is a great deal of uncertainty regarding when and how the economic recovery will take place for various countries, a basic taxonomy of recovery patterns may be instructive. They will depend on how severely countries have been hit by the pandemic and the external shock and the policy responses that governments are deploying (macroeconomic, financial, and social protection policies). Although the following taxonomy is a conceptual exercise, it is based on the lessons from previous crises adapted and applied to the characteristics of the current pandemic crisis.

*a. Lack of recovery (L):* This is unfortunately possible for countries that are not able to put the pandemic under control and that squander their public resources with failed attempts at mitigation and recovery, allowing the pandemic crisis to morph into a macroeconomic, debt, and financial crises. In this case, the COVID-19 crisis may have a permanent effect on GDP via lost investment during and after the crisis, a loss of human capital, a deterioration of fiscal capacity, and a slowdown in productivity growth (Sheiner and Yilla 2020).

*b. Volatile recovery (W):* A volatile recovery may occur in countries that address public health concerns with strict but unsustainable measures, leading to a cycle of openings, outbreaks, and lockdowns. This may also happen to countries that, because of their structural characteristics, are very dependent on external conditions, which are likely to be volatile. A recovery with a double-dip recession has been relatively rare in past experiences (Barthélemy, Binet, and Pentecôte 2020; Reinhart and Rogoff 2014). It may, however, be a common feature of the pandemic crisis, reflecting the risks associated with renewed outbreaks and an exceptionally volatile international situation.

*c. Quick recovery (V):* A quick, V-shaped, recovery is in theory the best scenario after a shock. It is, however, unlikely for most countries because of the depth of the crisis (which has affected growth fundamentals) and the high degree of uncertainty surrounding the crisis. This is true even

if a vaccine is found in early 2021. Moreover, attempting a quick recovery by opening without proper public health measures in place and by pumping government stimulus packages where fiscal multipliers are low can be counterproductive (Loayza and Pennings 2020). Evidence indicates a disconnect between expectations in the financial market and patterns in the global economy, whereby the former shows signs of a V-shaped recovery while indicators for the latter show a deeper-than-expected downturn (IMF 2020a; World Bank 2020e).

*d. Gradual recovery (U):* A gradual recovery may be the most pragmatic scenario for most countries in the next few years. It may require a period of resilience, where smart public health measures are in place and economic activity resumes, albeit at a lower level, and where vulnerable households are supported and excessive destruction of firms is prevented. Recovery would occur based on resilient fundamentals, at a pace driven by the resolution of the pandemic (vaccination or effective treatment) and the normalization of global conditions (Furman 2020).

### ***Assessing recovery prospects***

The conceptual framework in the previous section can be applied to data on the evolution of the pandemic, the public policy response, and the social and economic vulnerabilities in order to assess the possibility and shape of economic recovery for various countries and regions around the world.

Sustainable economic recovery is only possible when the underlying problem has been addressed and is being resolved. For the pandemic crisis, this implies mitigating the spread of the disease to manageable levels (that is, preventing health systems from being overwhelmed and avoiding excessive deaths) while keeping the economy sufficiently active (that is, preventing worsening poverty, averting unnecessary business closures, and avoiding lasting damage to human capital and productivity). The policy challenge is easing the difficult trade-off between saving lives and livelihoods.

Saving lives and livelihoods requires a combination of supportive economic policies targeted at the most affected households and businesses and smart public health policies that rely less on indiscriminate lockdowns and more on sustainable mitigation measures (such as focalized quarantines; testing, tracing, and isolating the infected; and wearing face masks in public places) (Loayza 2020).

Addressing the underlying problem is a necessary but not a sufficient condition for sustained economic recovery, however. The two major threats to economic recovery are the recurrence of waves of infection and adverse external and domestic economic shocks. These threats are, in turn, dependent on social and economic vulnerabilities to the pandemic crisis.

How can this information help assess a country's ability to start and sustain a recovery from the pandemic crisis? First, the evolution of the pandemic: if rates of infection, case fatality, positive tests, and mortality are comparatively low, the country seems to have the pandemic under control, at least currently. Second, the public policy response: looking for evidence that lockdowns are easing, smart public health policies are in place, and vulnerable sectors are receiving support. For example, if the pandemic is under control and public policies are conducive to a resumption of social and economic activity, then the country has the right environment to start recovery from the crisis. In contrast, if the pandemic is raging and the country is in lockdown, the country is not ready for recovery and should focus on emergency and relief, that is, implementing smart policies to mitigate the pandemic and alleviate the economic fallout. Third, assess the vulnerabilities, which signal the risks of a sluggish or volatile recovery. The social vulnerability to the pandemic is given by the country's demographic profile, with older populations being more severely affected by the disease, and by working and living conditions, with higher labor informality and more overcrowded cities and dwellings being more conducive to infections. The economic vulnerability is determined by available fiscal resources, depleted in the context of high deficits, and by dependence on external conditions likely to remain volatile. For example, if a country has the pandemic under control and is starting recovery, it would need to remain vigilant if its social vulnerability to the pandemic is high and it would need to adjust its programs and expectations if its deficit is projected to be high and is dependent on external conditions.

This analysis can be applied to individual countries and groups of them. *East Asia and Pacific* countries have, once again, come ahead of other developing countries in handling the pandemic crisis. Their infection and fatality rates are among the lowest in the world. The relative youth of their populations and, possibly, their experience with previous pandemics have been in their advantage. Their fiscal and external accounts seem to be relatively strong. Their recovery will be gradual, linked to external conditions for countries that depend heavily on trade (such as Vietnam), commodities (Malaysia), and tourism (Thailand).

**China and Vietnam are already recovering.** China was hit first by the disease but has been able to control the pandemic and deal with subsequent outbreaks through targeted action. China's dependence on external markets is much diminished: the share of trade in GDP has declined from a peak of 64 percent in 2006 to 36 percent in 2019. Nevertheless, its recovery does remain vulnerable to a renewal of trade tensions. Vietnam too was able to control the pandemic at relatively low human and economic cost. Despite its high exposure to trade and deep engagement in global value chains, it is already beginning to see an economic revival.

**Recovery in other countries that have contained the disease is dependent on external conditions.** On the health front, Malaysia and Thailand's robust health systems seem equipped to

deal with future outbreaks, but Thailand is more vulnerable because it has an older population and denser living conditions. Externally, Malaysia and Thailand are suffering especially from the drop in exports and tourists. Their recovery is therefore likely to be slower than that of China and Vietnam.

**Cambodia, Lao PDR, Mongolia, and Myanmar have suffered less from the disease and their lockdowns have been relatively mild but are also vulnerable to the global recession.**

They have young populations, but the risk of infection is present because of poor living conditions and overcrowded dwellings. Dealing with outbreaks in some of these countries could be a challenge because of weaknesses in their health systems. Their main vulnerability, however, resides in the external front. All depend on tourism, trade, and external financing to varying degrees. They all have large current account deficits and, except Myanmar, sizeable external debt obligations. For all these countries, domestic economic activity is likely to revive but the strength and sustainability of recovery will ultimately depend on external conditions.

**Indonesia and the Philippines face uncertain prospects.** The region's two most populous countries after China, have not so far succeeded in controlling the pandemic. Indonesia has not imposed strict lockdowns and seems to be relying on softer measures, while the Philippines has gone on a cycle of repeated strict lockdowns and reopenings. Both countries have the advantage of young populations but suffer from large informal sectors and poor living conditions for a large fraction of their population. Indonesia is much less exposed than the Philippines to the rest of the world through trade, tourism, and remittances. Indonesia's output is therefore projected to be less affected than that of the Philippines but the outlook is uncertain. Indonesia, because of domestic conditions, and the Philippines, because of both domestic and external conditions, face the prospect of an uneven and volatile economic recovery.

**The Pacific Island countries have been largely spared by the pandemic but are highly vulnerable to the global crisis .** They are heavily reliant on tourism, fishing revenues, and international aid. They are likely to start on the path of sustained recovery only when international borders reopen and global conditions return to normal.

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