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Economic Cooperation

APEC Regional Trends Analysis (ARTA): *Uneven Recovery, Unequal Impact*

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Advancing Free Trade
for Asia-Pacific **Prosperity**

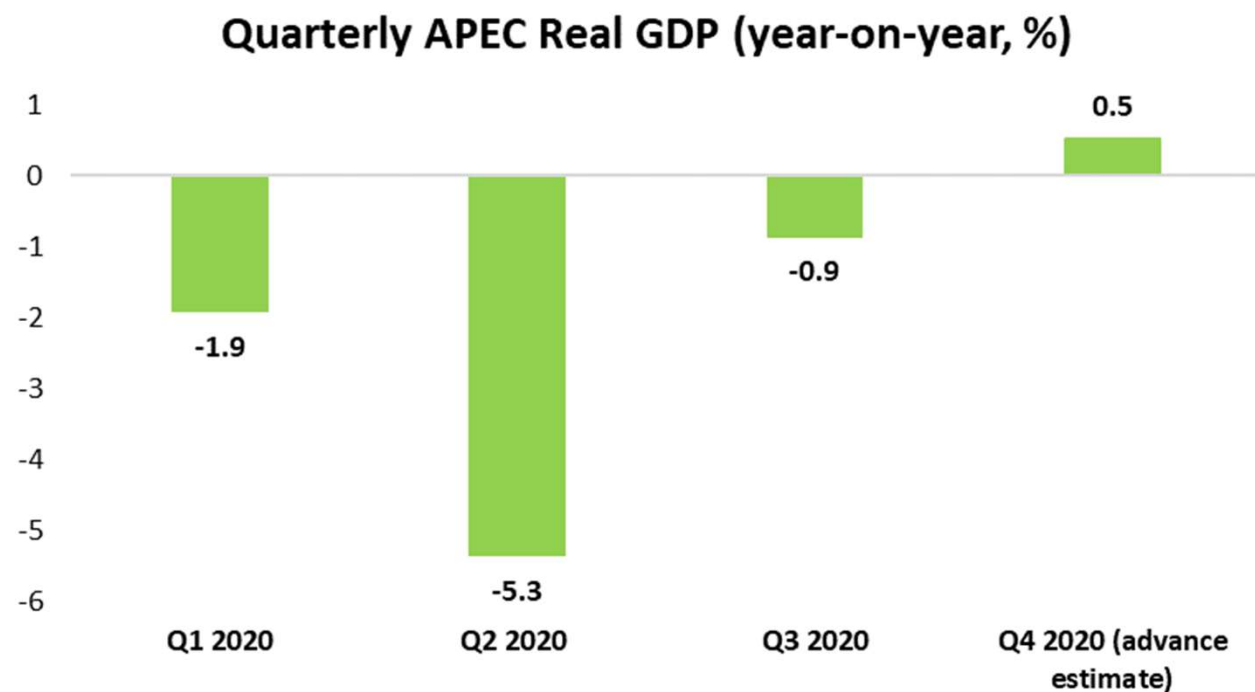
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APEC GDP gains pace in the second half of 2020

Fiscal and monetary stimulus provided much-needed support

- Deep contraction in Q2 2020 due to lockdown measures at the onset of the pandemic
- Pick up in domestic consumption and gradual economic reopening lifted GDP in Q3-Q4 2020



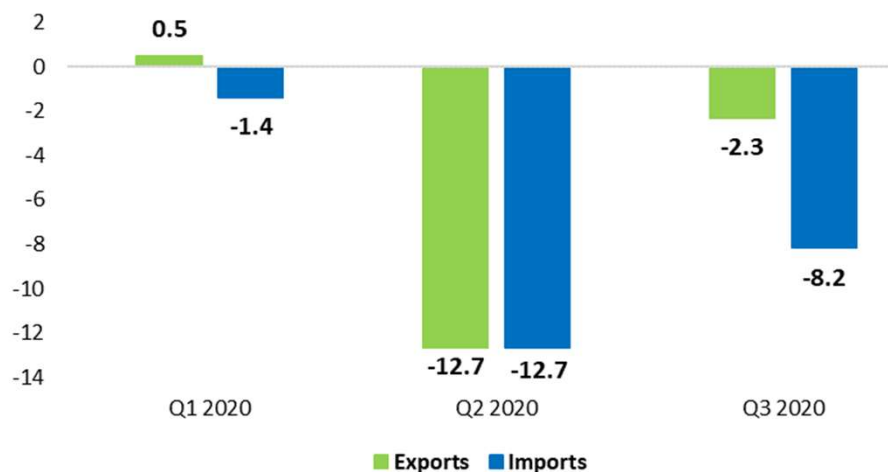
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Merchandise trade improves in Q3 2020...

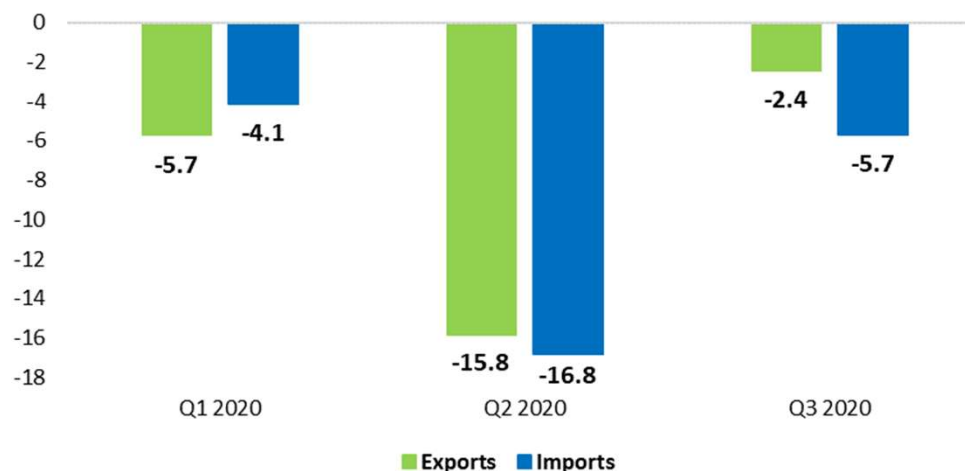
Trade in medical supplies has grown by more than 50% since April 2020

- Also, higher demand for home office and communication equipment, and textiles and apparel
- Trade in automotive and energy sectors remains low

Volume of merchandise trade (y-o-y, %)



Value of merchandise trade (y-o-y, %)



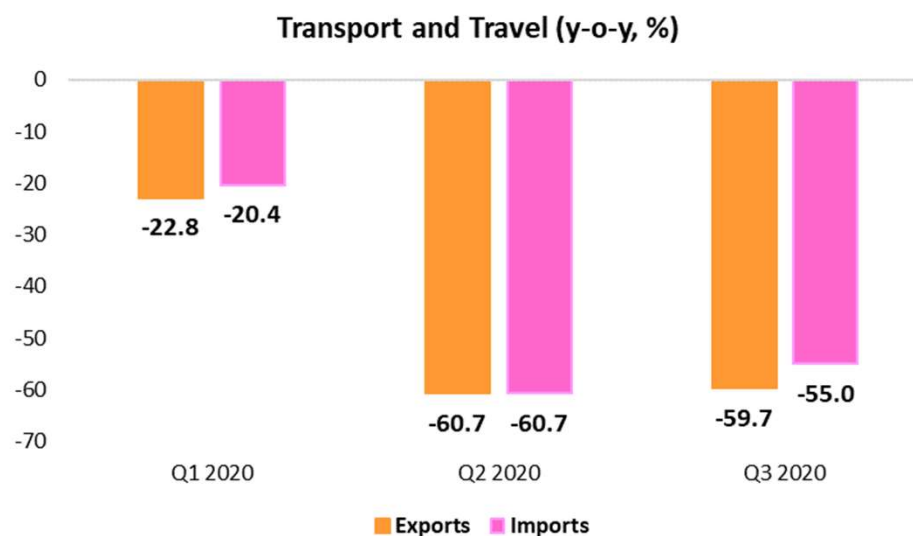
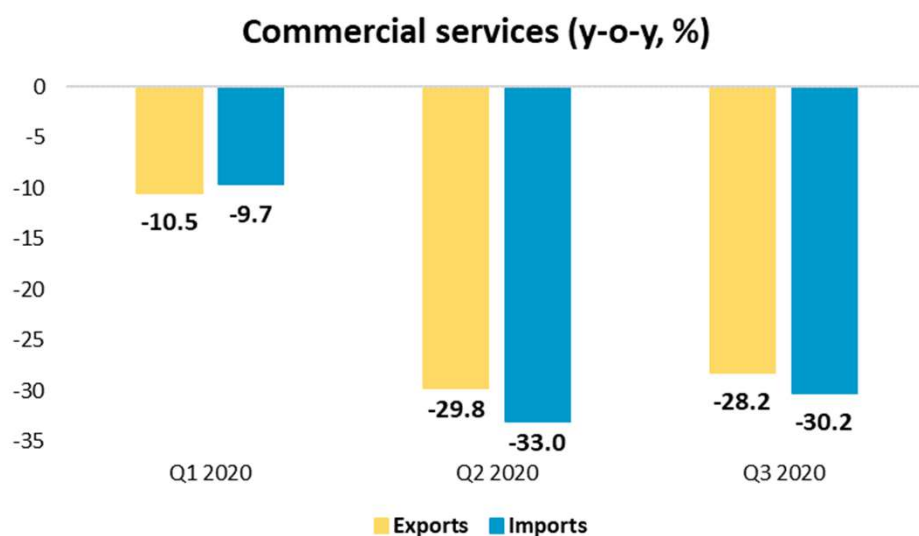
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Note: Data not available for Papua New Guinea.
Sources: UNCTAD Statistics for trade volume; WTO for trade value; and APEC PSU staff calculations.

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...but commercial services plunge with sustained losses in transport and travel

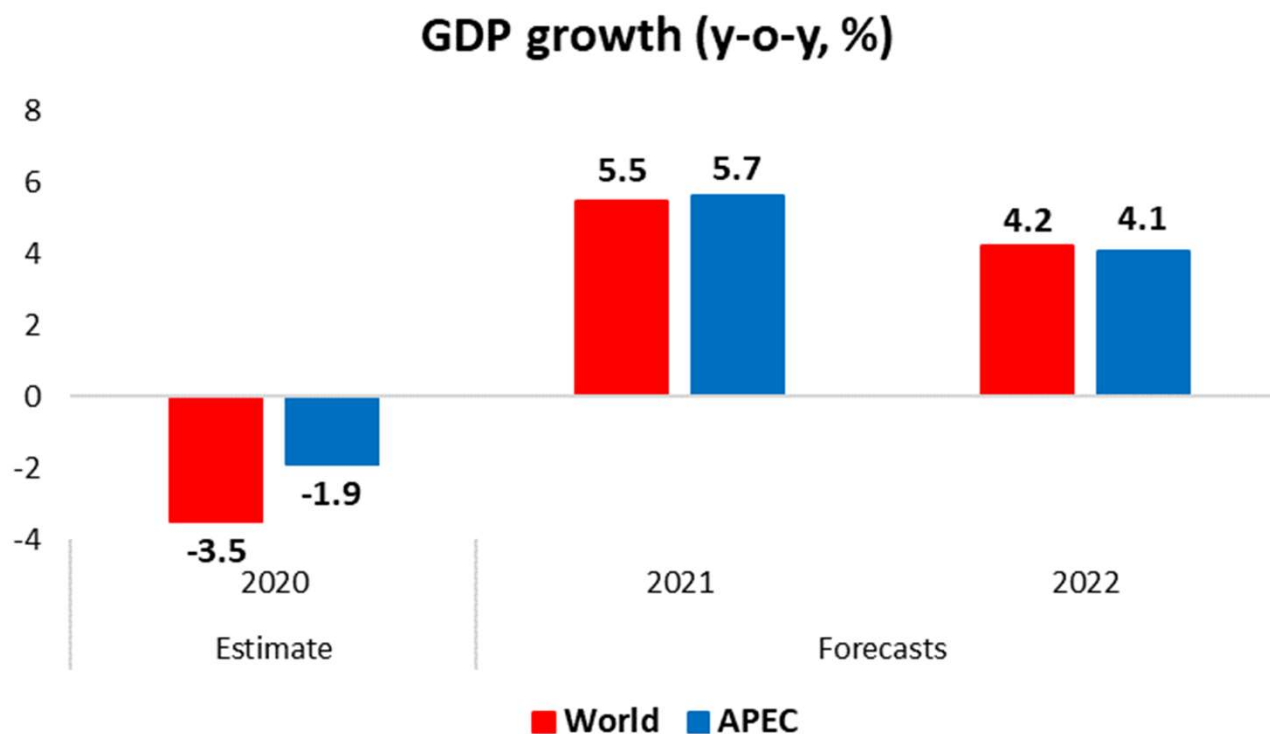
- Transport and travel declined by 60% in Q2-Q3 2020 due to border closures and lockdown measures



APEC sees softer contraction of 1.9% in 2020

Uneven recovery in the near-term

- Economic rebound seen in second half of 2020
- Fiscal and monetary measures fuel economic recovery
- But growth expected to be uneven across APEC

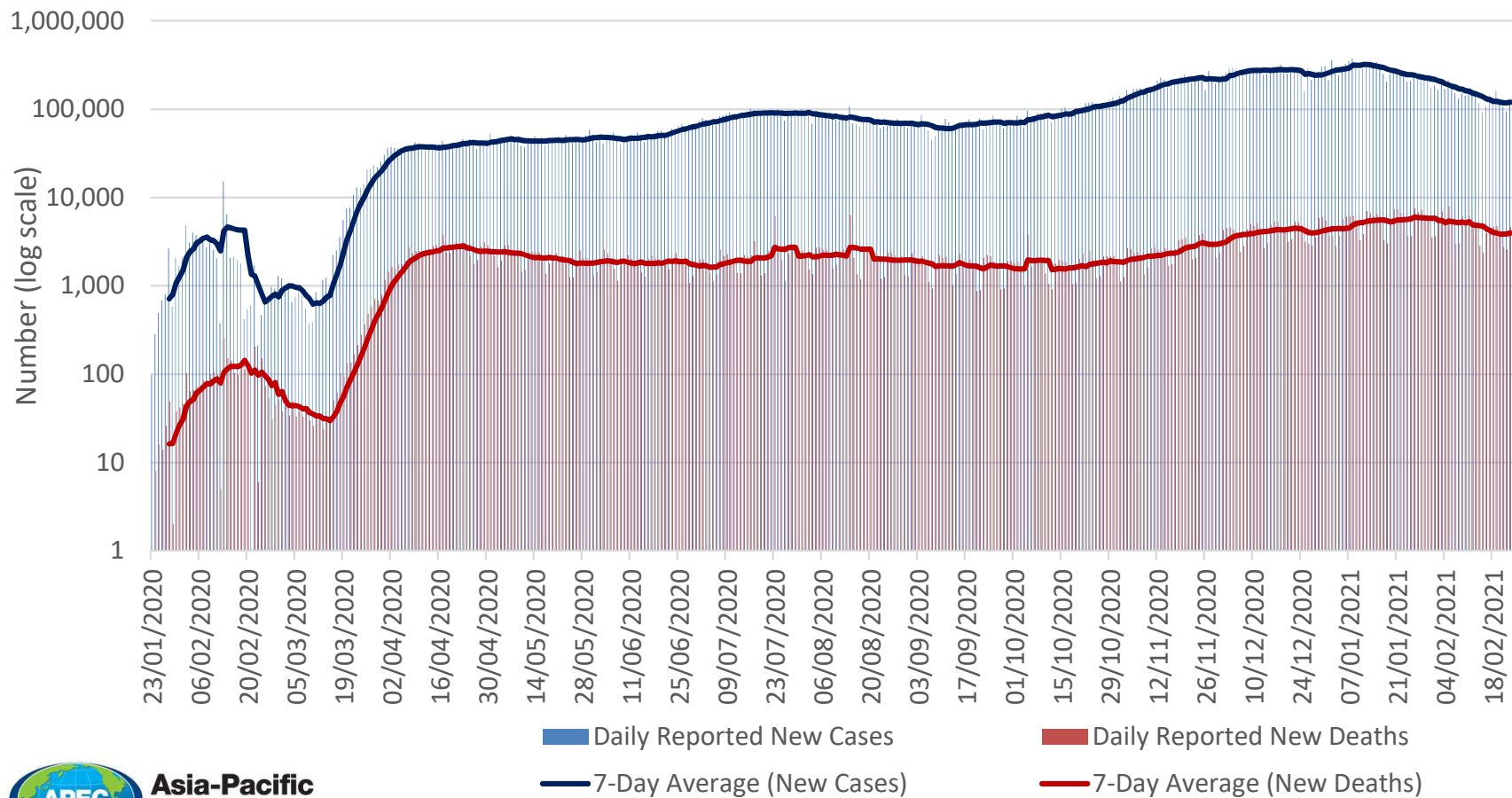


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The COVID-19 pandemic is not over

Some economies have contained it, others are going through second or third waves

- APEC-wide daily reported cases and deaths have not slowed down as of end-February 2021
- The pandemic is not over anywhere unless it is contained everywhere



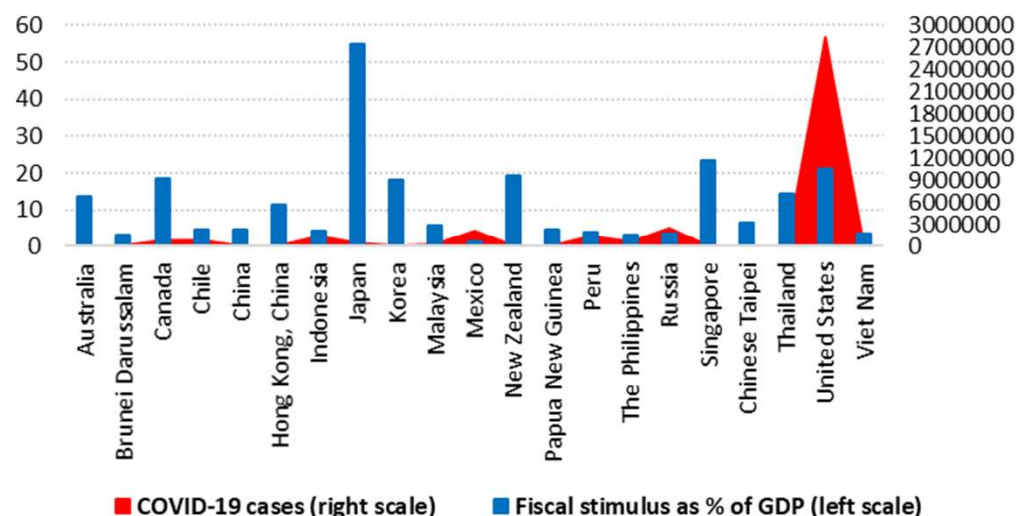
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Uneven recovery, Unequal response

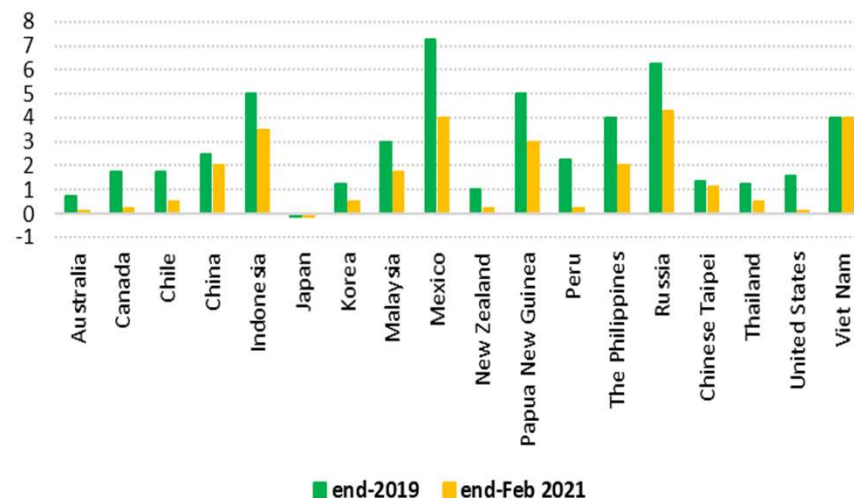
Different magnitudes of economic response, different strengths of economic recovery

- As of end-February 2021, APEC accounted for 35% of global COVID-19 cases and 37% of global deaths
- Economies implemented a series of fiscal stimulus and significant reductions in monetary policy rates

Fiscal stimulus vis-a-vis COVID-19 cases



Monetary policy rates (%)



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Uneven recovery, Unequal access

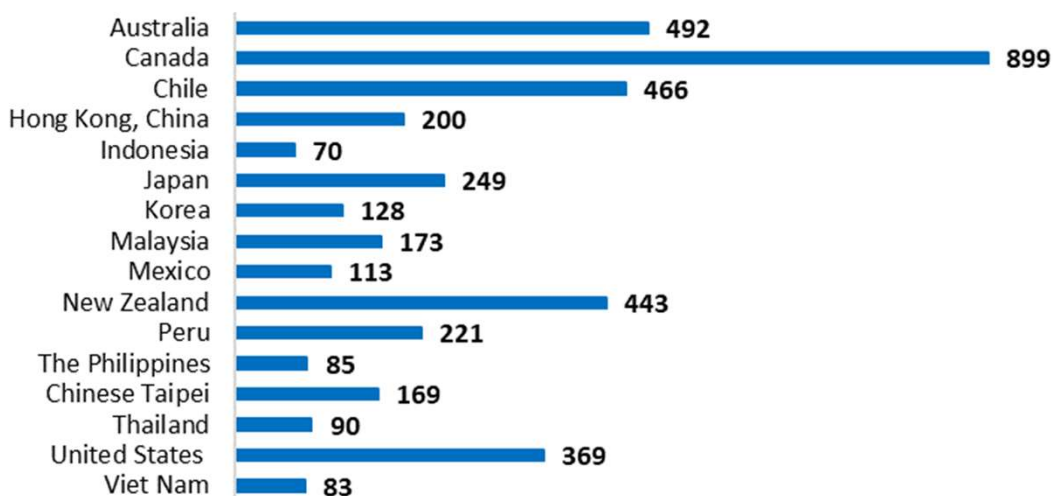
Different vaccination schedules, different speeds of economic recovery

- Different levels of vaccination coverage and different schedules of widespread immunisation could mean different timings of economic and border reopening
- Unabated COVID-19 transmissions provide opportunities for virus mutation, which could reverse gains from vaccination

Projections when widespread vaccination is achieved (60-70% of the population)

Late 2021	Mid 2022	Late 2022	From early 2023
Hong Kong, China	Australia	Brunei Darussalam	Malaysia
Singapore	Canada	China	Indonesia
Chinese Taipei	Chile	Thailand	Papua New Guinea
United States	Japan		The Philippines
	Korea		
	Mexico		
	New Zealand		
	Peru		
	Russia		
	Viet Nam		

Estimated vaccination coverage (as % of population)



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Uneven Recovery, Unequal impact

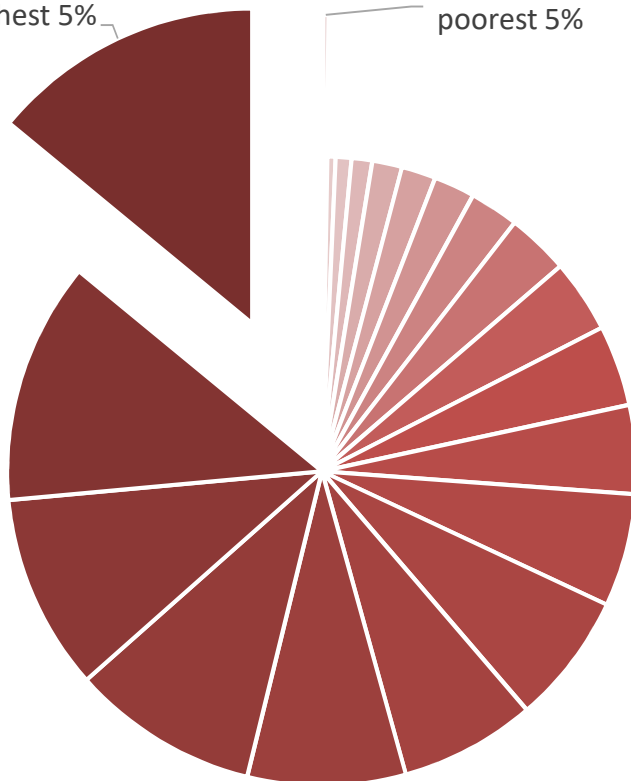
Different impacts of COVID-19 with potential scarring effects on the poor, women and the youth

Distribution of 30-year income gains

Each slice went to the same proportion of the population

Slice of the
richest 5%

Slice of the
poorest 5%



Unable to afford
healthcare



Lack access to
infrastructure and technology

COVID-19 HAS ONLY MADE AN EXISTING PROBLEM WORSE

Decades of economic growth have resulted in increasing affluence and poverty reduction, but its distribution has been far from equitable: **In 30 years, more than 50% of income gains have gone to the richest quarter of the population; the poorest quarter got 4%.**



Have precarious jobs

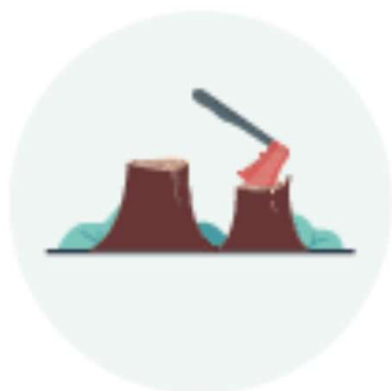


Existing gender
inequalities



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COVID-19 and environmental damage



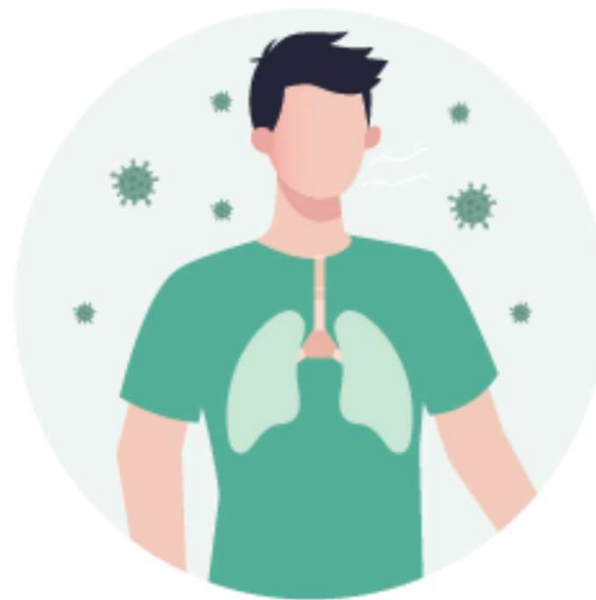
Habitat destruction



Waste mismanagement



Climate change



Increased public health risks



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COVID-19 and the future of work

Accelerating automation and addressing unintended consequences

Before the pandemic,
firms adopt automation to:



Lower labour costs
Savings from capital investment outweigh labour costs.



Keep up with market innovation
4IR technologies are developing rapidly.



Speed up routine tasks
Automation of repetitive processes found in blue- and white-collar jobs.

After the pandemic,
firms may speed up automation to:



Reduce risks
Protection from liability to workers.



Observe new guidelines
Social distancing is now required.



Cushion financial impact
Automation as a cost-saving measure.

The pandemic puts certain workers at a disadvantage



Youth



Women



Elderly



Vulnerable



Restrictions on labour mobility can discourage the hiring of workers.

Policymakers need to promote 4IR innovation while addressing social risks



Expand social safety nets
Protect workers' livelihoods and ensure their basic needs are met.



Monitor automation trends
Work closely with the private sector for a deeper analysis of 4IR issues.



Support upskilling and retraining
Adapt skills training programmes to the needs of the post-pandemic digital economy.



Humanise 4IR ecosystems
Put people first in digital economy policy.

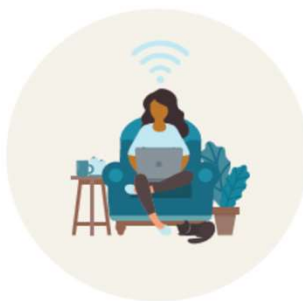


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COVID-19 and new technologies



E-commerce and digital payment services are helping MSMEs do business while customers remain at home



Households rely on digital platforms for communications, purchases and access to services



Public health authorities are using digital tools for COVID-19 contact tracing and monitoring of cases



Cybersecurity and fraud



Consumer protection and privacy



Automation and job precarity



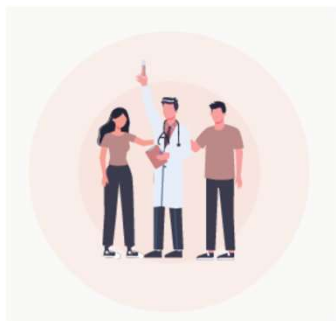
Fake news and misinformation



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Imperatives for economic recovery

Contain, Continue, Cooperate



✓ **Contain** COVID-19 and keep resurgence at bay

- ✓ Sustain public health efforts at contact tracing, testing, isolating and treating patients, wearing of masks and social distancing measures
- ✓ Ensure access to vaccines and therapeutics
- ✓ Combat misinformation to achieve widespread immunisation



✓ **Continue** fiscal and monetary support measures to maintain livelihoods

- ✓ Extend liquidity support, credit guarantees, wage, rental and other subsidies to businesses, especially MSMEs and hard hit sectors
- ✓ Provide cash transfers and wide-ranging subsidies to households

Imperatives for economic recovery

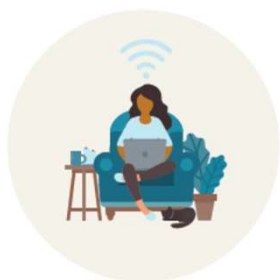
Contain, Continue, Cooperate

- ✓ **Cooperate:** APEC could play a more pro-active role in building back better

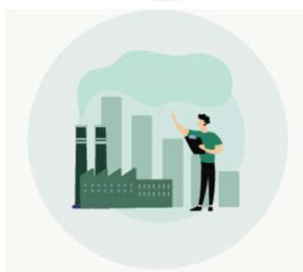
In the short-term:

- ✓ Regional understanding on effective quarantine measures, travel corridors, health requirements and other protocols to allow gradual border reopening
- ✓ Strengthen coordination for rapid and free flow of vaccines and therapeutics across borders
- ✓ Widen access to vaccines, especially by lower income economies

Rebuilding a better Asia-Pacific:



- ✓ Advance women's economic empowerment
- ✓ Upskill/reskill the workforce
- ✓ Address economic, social, digital and gender divides



- ✓ Encourage innovation and digitalization
- ✓ Invest in green jobs, infrastructure and new technologies

- ✓ Ensure equitable access to healthcare, education and skills training, infrastructure and technology
- ✓ Improve access to social protection



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APEC Putrajaya Vision 2040

Our vision is an open, dynamic, resilient and peaceful Asia-Pacific community by 2040, for the prosperity of all our people and future generations.

Main Elements:

- ✓ Trade and Investment
- ✓ Innovation and Digitalisation
- ✓ Strong, Balanced, Secure, Sustainable and Inclusive Growth
- ✓ Continuous Improvement of APEC as an Institution



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