



Asia-Pacific
Economic Cooperation

APEC REGIONAL TRENDS ANALYSIS

February 2021 Update

Uneven Recovery, Unequal Impact

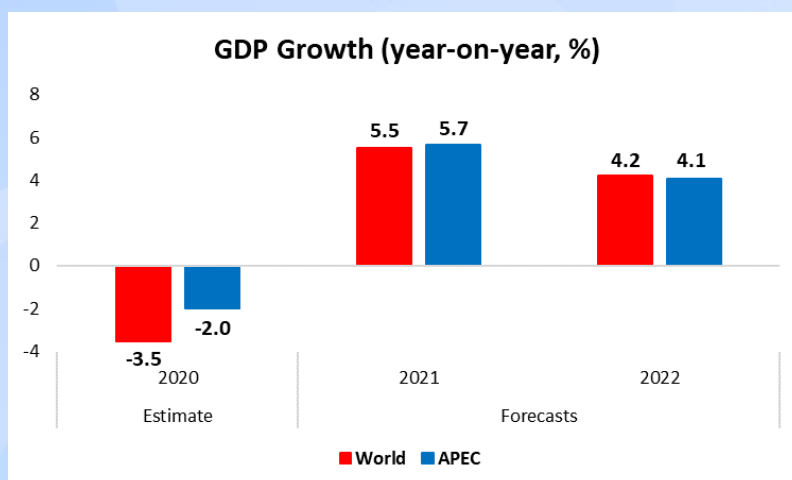
By Rhea C. Hernando

KEY MESSAGES

- The APEC region is estimated to have contracted by 2.0 percent in 2020 or an output loss of USD 1.5 trillion, better than the 2.5 percent decline projected in November 2020.
- Near-term outlook points to improved growth prospects, with APEC projected to grow by 5.7 percent in 2021 and 4.1 percent in 2022, but extreme uncertainty remains.
- The region faces uneven growth across APEC economies, with the speed of recovery largely hinged on effective virus containment through vaccination access and uptake. Unequal impact of COVID-19, particularly on the poor, women and the youth needs to be addressed for growth to be inclusive.
- Economic recovery requires: 1) universal access to healthcare and widespread immunisation; 2) maintenance of fiscal and monetary stimulus measures; and 3) stepped-up regional cooperation efforts.

Uneven Growth, Unequal Impact

The rebound in economic activity in the second half of 2020 as economies emerged from lockdowns while fiscal and monetary support were maintained has resulted in an estimated lower contraction of 2.0 percent in APEC GDP for 2020, a 0.5 percentage point improvement compared to the earlier projection. Higher government spending through a series of fiscal stimulus packages formed a significant part of the response to the economic fallout from COVID-19. In turn, these stimulus measures, particularly the liquidity assistance and loan moratorium extended to businesses as well as cash handouts and wide-ranging subsidies given to households led to a slight pick-up in domestic consumption as economies gradually reopened.



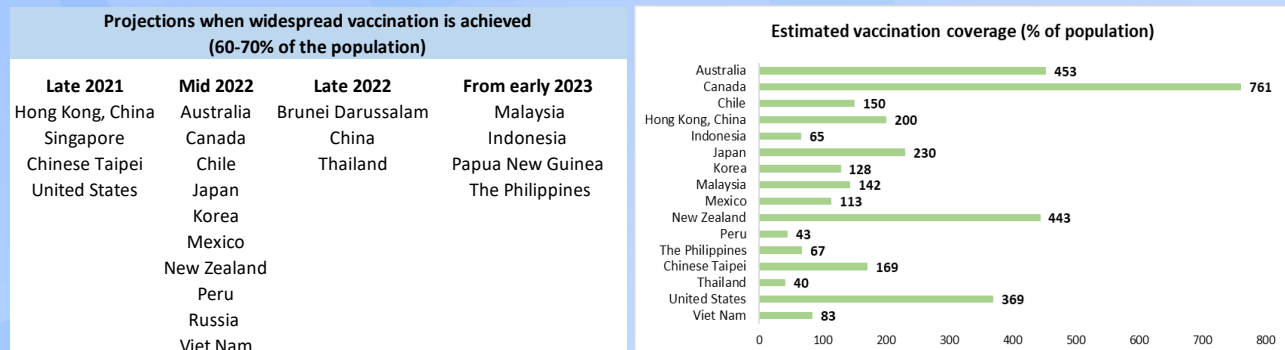
Source: IMF World Economic Outlook (January 2021 Update) and Economy sources.

Although the region is projected to grow by 5.7 percent in 2021 and 4.1 percent in 2022, growth will be uneven across APEC economies, with the speed and strength of economic recovery largely determined by the effective management of the pandemic and successful vaccination programs. Latest available

Advancing Free Trade for Asia-Pacific Prosperity

APEC Member Economies: Australia; Brunei Darussalam; Canada; Chile; China; Hong Kong, China; Indonesia; Japan; Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; Philippines; Russia; Singapore; Chinese Taipei; Thailand; United States of America; and Viet Nam.

information reveals different vaccination coverages across the region, which could mean different schedules as to when at least 60-70 percent of the population will be immunised. Some APEC economies could achieve widespread vaccination as early as the latter part of this year, with 10 other members by mid-2022. Different levels of access and schedules of mass immunisation, in turn, will be reflected in different timings of economic and border reopening across the region, translating into diverging speeds of economic recovery.



Source: Economist Intelligence Unit.

Notes: Vaccination coverage is computed as the confirmed vaccine doses as a percent of the population. Vaccines purchased by APEC economies included in the dataset are Oxford-AstraZeneca, Pfizer-BioNTech, J&J, Moderna, Sanofi-GSK, Sinovac, Novavax, and Sputnik V. Data not available for some APEC economies.
Source: Duke Global Health Innovation Centre (as of 22 Jan 2021).

Meanwhile, COVAX, a global mechanism for pooled procurement and equitable distribution of COVID-19 vaccines has announced that, as of January 2021, it is on track to deliver around 1.8 billion doses of COVID-19 vaccines to 92 lower income economies by end-2021, corresponding to a population coverage of around 27 percent.¹

Widespread immunization also necessitates vaccination acceptance and social cohesion. Misinformation and weak social cohesion have worsened the adverse impacts of COVID-19 while also hampering efforts to contain it.² Governments and the private sector, including health practitioners, the media and community representatives need to come together to educate the population on the various vaccines' efficacy and side effects to encourage higher uptake.

Aside from vaccine access and uptake, APEC also has to contend with the unequal impact of COVID-19 on various segments of society, especially the poor, women, and the youth.³

The World Bank projects that the ongoing pandemic has pushed 88-115 million people into extreme poverty in 2020, with the total expected to increase further to 150 million people in 2021.⁴ The International Labor Organization (ILO) has reported 114 million job losses in 2020, with global labour income declining by 8.3 percent, equivalent to USD 3.7 trillion or 4.4 percent of world GDP. Employment losses were found to be higher for women at 5 percent and the youth at 8.7 percent.⁵

COVID-19 is affecting women disproportionately. The impact on women's employment is greater than men's employment since the hardest hit sectors employ a higher proportion of women. McKinsey estimates that women's jobs are 1.8 times more vulnerable to this pandemic than men's jobs, accounting

¹ See COVAX Global Supply Forecast (20 January 2021):

<https://www.gavi.org/sites/default/files/covid/covax/COVAX%20Supply%20Forecast.pdf>

² See APEC Strategy for Strengthening Quality Growth Final Assessment Report: <https://www.apec.org/Publications/2020/11/APEC-Strategy-for-Strengthening-Quality-Growth---Final-Assessment>

³ See APEC Regional Trends Analysis November 2020: <https://www.apec.org/Publications/2020/11/APEC-Regional-Trends-Analysis---November-2020>

⁴ See World Bank Press Release (7 October 2020): <https://www.worldbank.org/en/news/press-release/2020/10/07/covid-19-to-add-as-many-as-150-million-extreme-poor-by-2021#:~:text=The%20COVID%2D19%20pandemic%20is,severity%20of%20the%20economic%20contraction.>

⁵ See ILO Monitor (25 January 2021):

https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms_767028.pdf

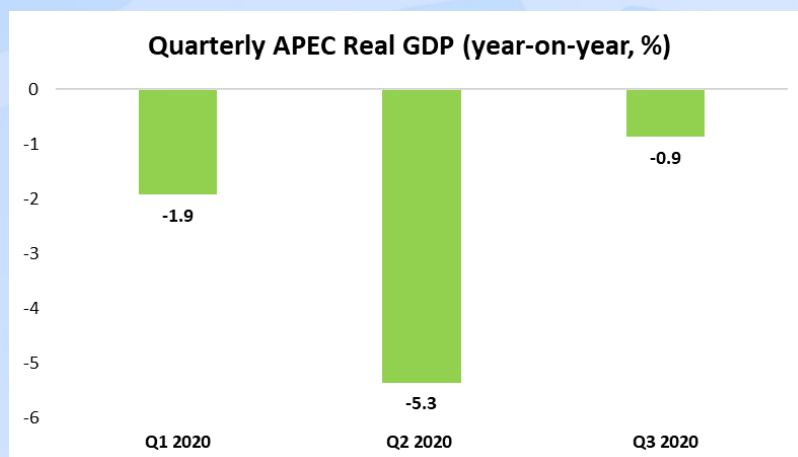
for around 54 percent of overall job losses.⁶ In addition, women are more likely to be working in informal businesses, of which 25 percent globally have said that the pandemic is pushing them to bankruptcy.⁷ In APEC, data reported by some economies show that the proportion of women in non-agricultural informal employment ranged from 29 percent to as high as 75 percent in 2019.⁸ The impact on jobs and incomes is compounded by the lack of unemployment insurance and health benefits in informal employment.

Moreover, the ensuing economic recession has repercussions on women-led small businesses; in particular, 64 percent of these enterprises reported that the pandemic has had a severe impact on their business operations compared to 52 percent of men-led firms.⁹ In addition, the shift to telecommuting means that women face increasing challenges in balancing gainful employment with unpaid care work such as helping small children with online learning, doing household chores, or caring for sick family members. Available data reveal that women in the region spend an average of 3-4 hours a day doing unpaid domestic and care work, more than double that of men's share in domestic responsibilities.¹⁰ Furthermore, financial strains combined with lockdown measures could lead to a 20 percent surge in domestic violence as victims are trapped with their abusers. This translates into an additional 15 million cases of domestic violence for an average lockdown of 3 months and as high as 61 million cases when confinement measures extend for a year.¹¹

The pandemic has also given rise to immediate and long-term effects on the youth. A report by the ILO reveals that 73 percent of young people 18-29 years old who study or combine study with work experienced school closures since the start of the pandemic, but not all were able to shift to online learning, leaving one in eight young people without access to courses, teaching or training. Moreover, one in six of the youth employed before the pandemic had to stop work entirely.¹² The lack of access to education and skills training, exacerbated by weak digital infrastructure and lack of digital equipment necessary for distance learning generate scarring effects that could, in turn, be reflected in lower wages, limited career development opportunities and diminished prospects for better jobs.

GDP improves while trade shows mixed performance in Q3 2020

Real GDP growth for the APEC region improved to -0.9 percent in Q3 compared to the deep contraction especially in Q2 2020 (-5.3 percent) when economic activity ground to a near-standstill as economies implemented various forms of movement restrictions to contain the spread of the virus. Increased overall domestic consumption as governments ramped up spending to support businesses and households, together with the gradual economic reopening lifted GDP in Q3 2020.



Source: Economy sources and PSU staff calculations.

⁶ Anu Madgavkar, Olivia White, Mekala Krishnan, Deepa Mahajan, and Xavier Azcue (July 2020), "COVID-19 and gender equality: Countering the regressive effects", McKinsey Global Institute.

⁷ International Trade Center (2020), "COVID-19: The great lockdown and its impact on small businesses".

⁸ ILOStat, "Proportion of informal employment in non-agricultural employment, Female (Harmonized series)".

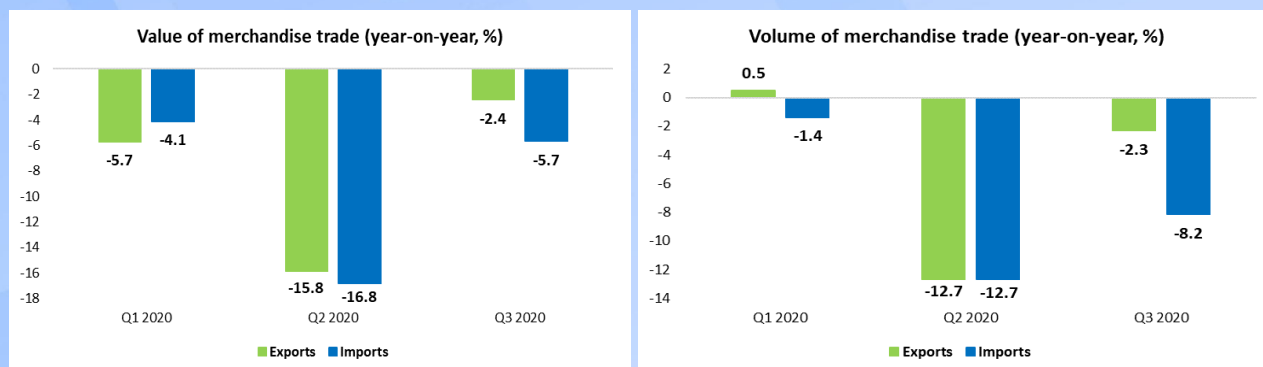
⁹ International Trade Center (2020), op.cit.

¹⁰ Data from WDI "Proportion of time spent on unpaid domestic and care work"; and OECD Employment database.

¹¹ United Nations Population Fund (April 2020), "Impact of the COVID-19 Pandemic on Family Planning and Ending Gender-based Violence, Female Genital Mutilation and Child Marriage".

¹² International Labor Organization (August 2020), "Youth and COVID-19: Impacts on jobs, education, rights and mental well-being".

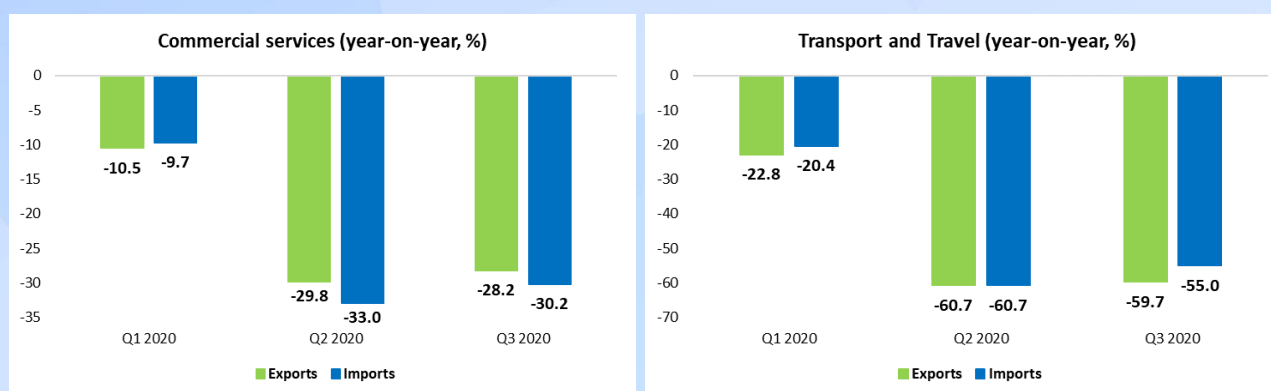
Merchandise exports and imports also performed better in Q3 2020 from Q2 2020, with the value and volume of trade declining at a lower rate. APEC's merchandise trade performance is in line with global trade, which recorded a relatively softer contraction of 4.5 percent in Q3 2020 after decreasing by as much as 19 percent (year-on-year) in the previous quarter. Trade in medical supplies such as personal protective equipment, diagnostic kits, disinfectants, and hospital equipment grew by more than 50 percent since April 2020, while demand for home office and communication equipment, textiles and apparel also increased.



Note: Quarterly data on merchandise trade are not available for Papua New Guinea.
Source: WTO and PSU staff calculations.

For the whole year of 2020, the World Trade Organization (WTO) projects a 9.2 percent fall in world merchandise trade, better than the earlier forecast of a 13 percent drop. A 7.2 percent rise in global trade is expected in 2021.¹³ The International Monetary Fund (IMF) also revised its global trade forecast to a 9.6 percent decline in 2020 (from 11 percent), with a projected increase of 8.1 percent in 2021.¹⁴

However, APEC's trade in commercial services continued its downward trend in Q3 2020, in line with global developments. Transport and travel sustained substantial losses at the onset of the pandemic until Q3 2020 when it decreased by almost 60 percent. For the period January-September 2020, commercial services plunged by a cumulative 22.9 percent for exports and 24.5 percent for imports.



Note: Data on transport and travel services do not include Viet Nam due to unavailability of data.
Source: WTO and PSU staff calculations.

Estimates by the World Tourism and Travel Council (WTTC) show that the significant downturn in the travel and tourism sector has reduced its contribution to global output by USD 3.8 trillion in 2020, with international arrivals decreasing by 65 percent. A bleaker outlook remains a possibility in 2021: if there are no improvements, tourist arrivals could drop by as much as 73 percent and jobs lost could surge to around 175 million.¹⁵

¹³ See WTO Press Release (6 October 2020): https://www.wto.org/english/news_e/pres20_e/pr862_e.htm

¹⁴ See IMF WEO Update (January 2021): <https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update>

¹⁵ See World Travel and Tourism Council Global Recovery Scenarios 2020 (6 November 2020): <https://wtcc.org/Research/Economic-Impact/Recovery-Scenarios>

Imperatives for economic recovery

A year into a pandemic that shows no sign of abating, economies continue to grapple between extending movement restrictions at the risk of long-term economic scarring, or reopening the economy at the risk of a resurgence in infections.

The first priority is the effective containment of the virus. Public health efforts at contact tracing, testing, isolating and treating patients need to be sustained; while wearing of masks and social distancing need to continue as the pandemic rages. Vaccines could eventually end the pandemic, but this requires universal access. Regional fora, like APEC could play an important role in ensuring a free and rapid flow of vaccines and therapeutics across borders. APEC could also launch an intensified information campaign to boost vaccine uptake and combat misinformation. Moreover, sharing of information on effective vaccine rollout systems could help economies address logistical and distribution issues.

Equally important, economies need to continue employing fiscal and monetary stimulus support measures to maintain livelihoods. Even as liquidity assistance to businesses and cash handouts to households need to continue to be provided in the immediate term, economies also need to take advantage of digital opportunities. The pandemic has highlighted the role of innovation and necessitated the move towards digitalization. When fiscal space allows, economies can invest in digital infrastructure, green jobs and new technologies, while also ensuring the upskilling/reskilling of the workforce.

It is also imperative for regional cooperation mechanisms to take a more pro-active role in building back better. APEC could develop a system that facilitates timely exchange of information and expertise related to the pandemic. A regional understanding on effective mass testing, quarantining, travel corridors, and protocols could pave the way towards gradual border reopening. Strengthening trust and coordination among member-economies to boost trade facilitation and resilience of supply chains especially amid the crucial phase of vaccine acquisition and distribution remains important. And there has never been a more urgent time than now to advance structural reforms that encourage innovation and digitalization, facilitate equitable access to healthcare as well as education and skills training, and promote women's economic empowerment.

For APEC to move towards growth that is sustainable, resilient and inclusive, it needs to collectively take meaningful steps to make sure that no one is left behind. Perhaps New Zealand's theme for APEC 2021 best captures today's imperative: "Join. Work. Grow. Together. Haumi ē, Hui ē, Tāiki ē."

Rhea C. Hernando is a Researcher at the APEC Policy Support Unit.

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Address: 35 Heng Mui Keng Terrace, Singapore 119616

Website: www.apec.org/About-Us/Policy-Support-Unit

E-mail: psugroup@apec.org

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