



**International  
Monetary Fund**

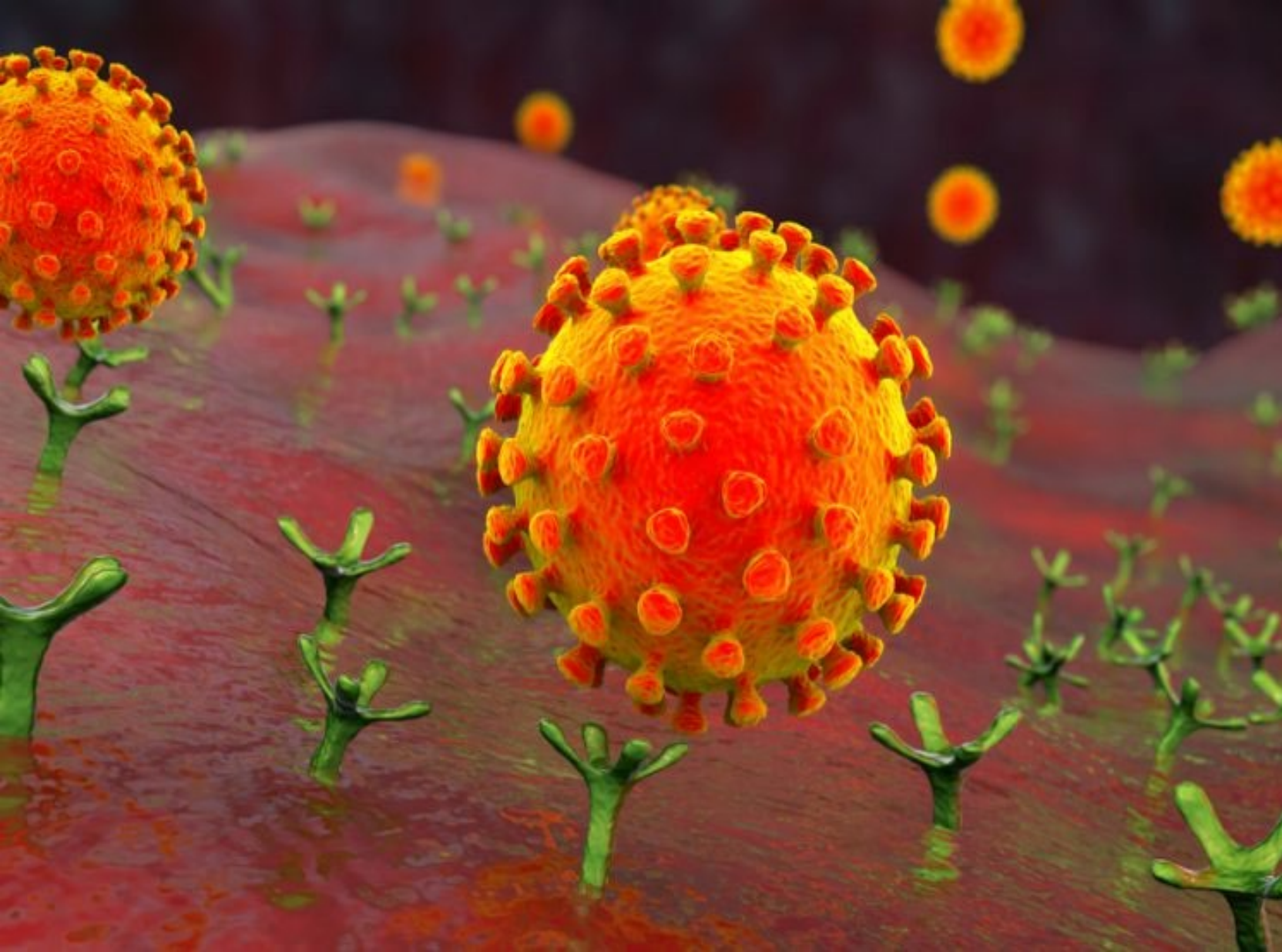
# **Navigating the Pandemic: Multi-Speed Recovery**

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Asia and the Pacific*

**November 4, 2020**

# Outline

- I. Where We Stand—Patches of Green Shoots
- II. Our Forecast—An Uncertain, Multi-speed Recovery
- III. Risks—Trade and Balance Sheets
- IV. Policy Recommendations

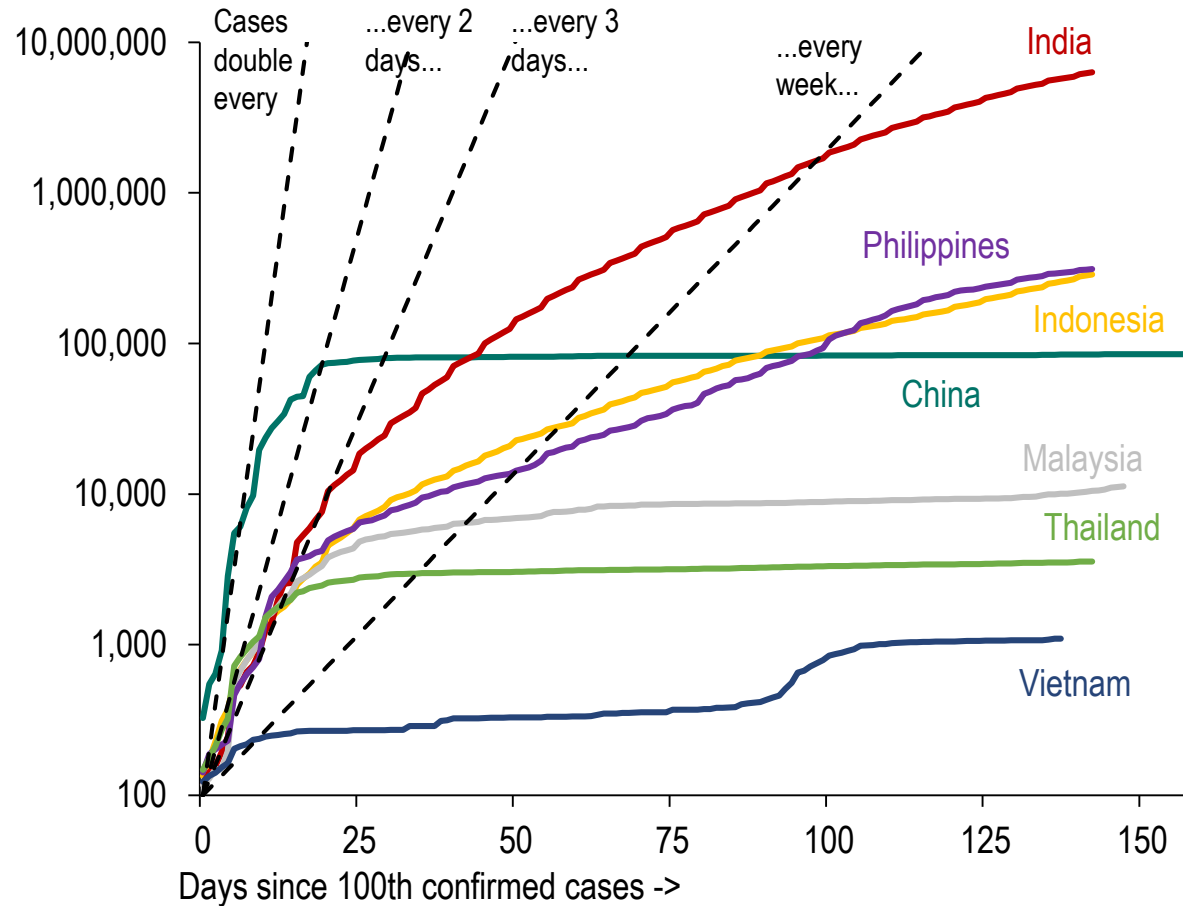


**Where We Stand—Patches of Green Shoots**

# Pandemic at various stages in Asia

## Cumulative Confirmed Cases, Emerging Asia

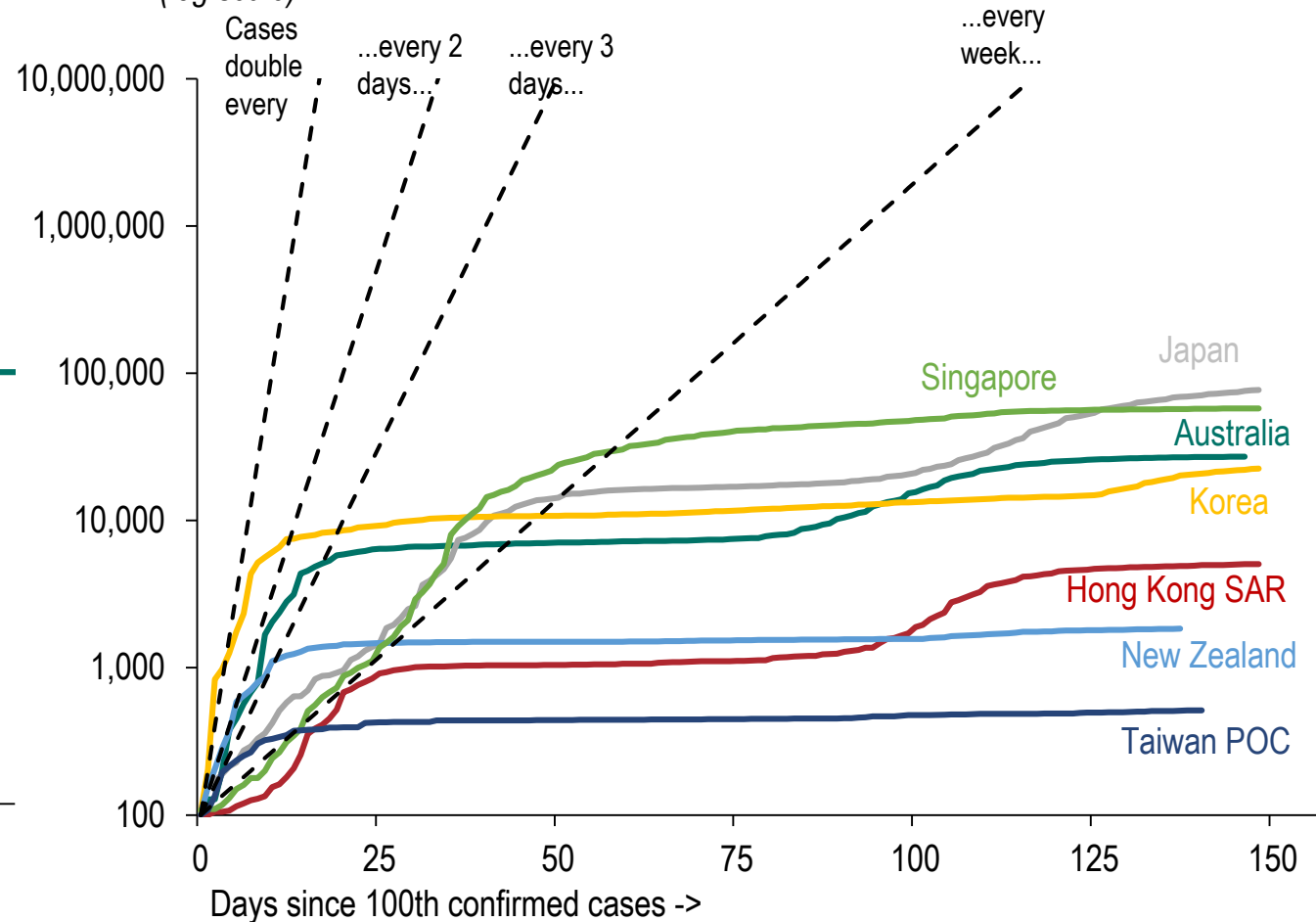
(log scale)



Sources: Johns Hopkins University, and IMF staff calculations.  
 Note: Data as of September 30, 2020. China's data as of August 15, and cases continue to be stable thereafter.

## Cumulative Confirmed Cases, Advanced Asia

(log scale)

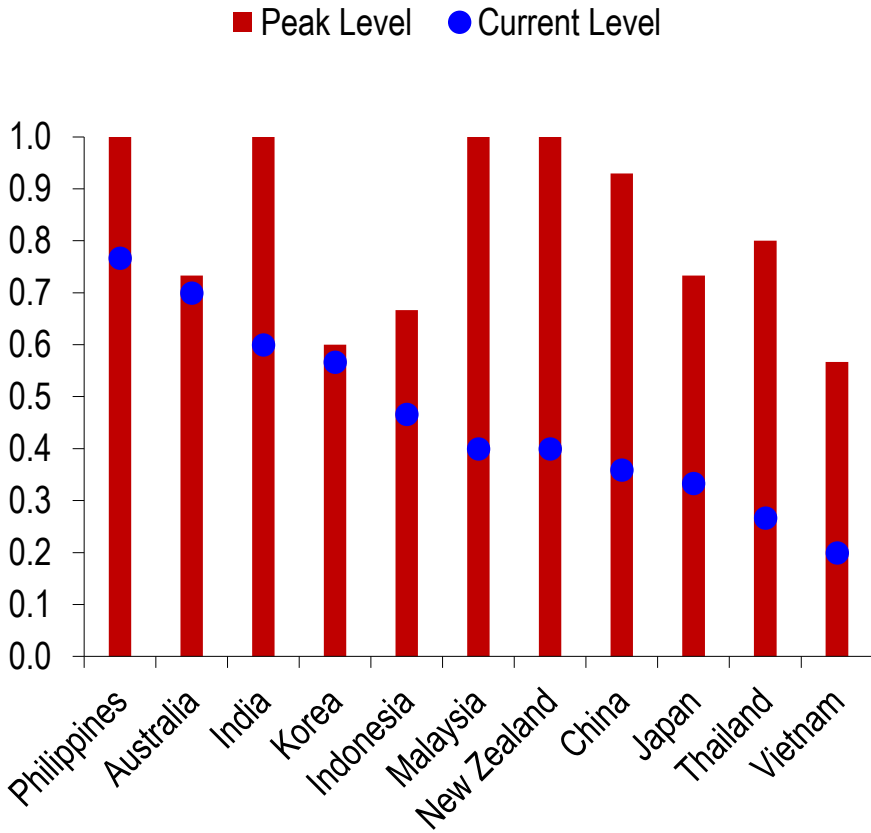


Sources: Johns Hopkins University, and IMF staff calculations.  
 Note: Data as of September 30, 2020.

# Containment measures being eased at different speeds

## Domestic Containment Stringency

(index, 0-1, 1=strictest)



Sources: IMF staff estimations.

Note: Data as of 09/08/2020. For some country's restriction have been eased further since 09/08/2020 (e.g. Australia, New Zealand).

## Status of Containment Measures

Country	Travel	School	Retail	Services	Industry	Gathering
AUS	Closed	Partially closed	Partially closed	Partially closed	Partially closed	Partially closed
CHN	Partially closed	Fully open	Open with restrictions	Partially closed	Fully open	Open with restrictions
IDN	Partially closed	Partially closed	Open with restrictions	Open with restrictions	Open with restrictions	Partially closed
IND	Partially closed	Closed	Open with restrictions	Open with restrictions	Open with restrictions	Closed
JPN	Partially closed	Open with restrictions	Open with restrictions	Open with restrictions	Open with restrictions	Open with restrictions
KOR	Open with restrictions	Partially closed	Open with restrictions	Partially closed	Open with restrictions	Closed
MYS	Partially closed	Partially closed	Open with restrictions	Open with restrictions	Open with restrictions	Open with restrictions
NZL	Closed	Open with restrictions	Open with restrictions	Open with restrictions	Open with restrictions	Partially closed
PHL	Partially closed	Closed	Partially closed	Partially closed	Partially closed	Closed
THA	Partially closed	Open with restrictions	Open with restrictions	Open with restrictions	Fully open	Open with restrictions
VNM	Partially closed	Open with restrictions	Fully open	Open with restrictions	Fully open	Open with restrictions

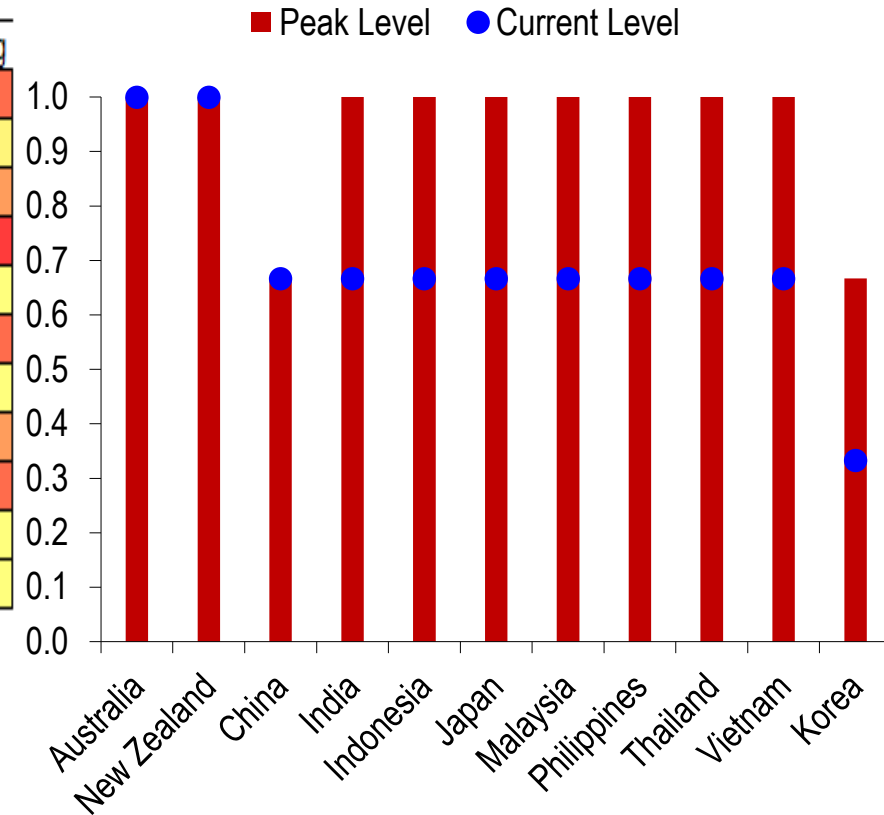


Sources: IMF staff estimations.

Note: Data as of 09/08/2020. For some country's restriction have been eased further since 09/08/2020 (e.g. Australia, New Zealand).

## External Containment Stringency

(index, 0-1, 1=strictest)



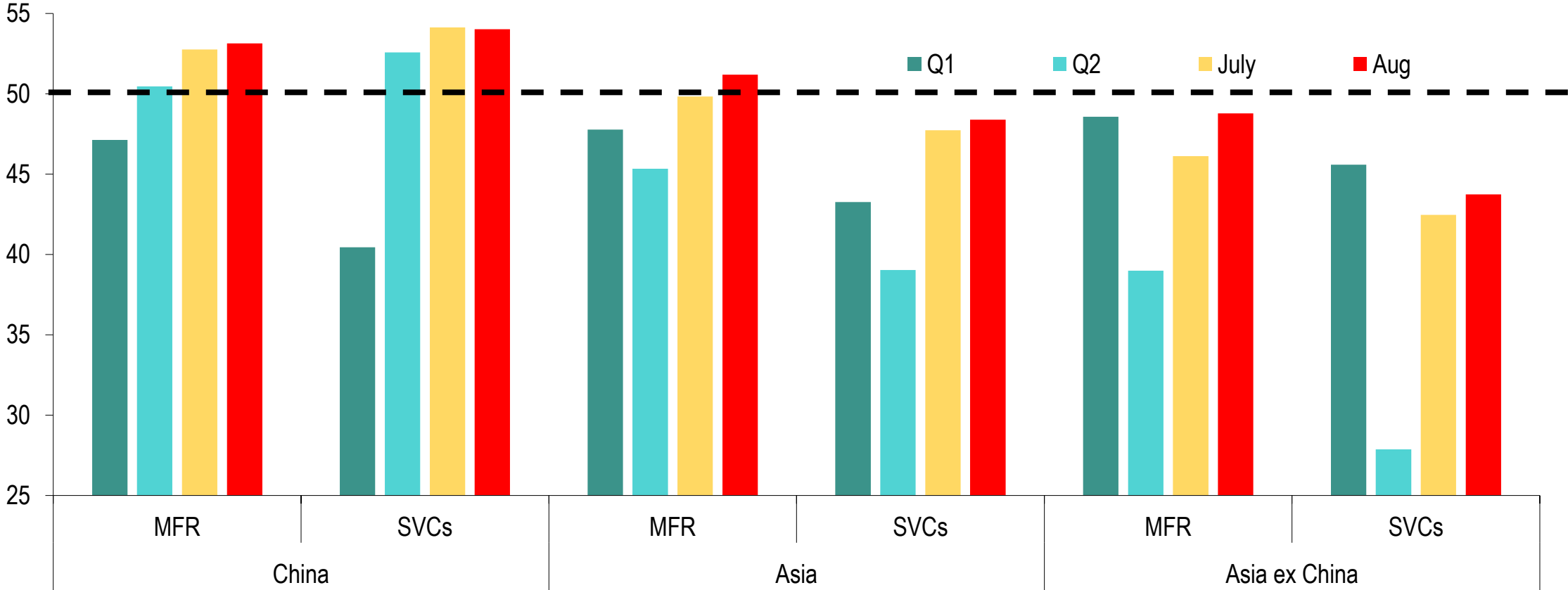
Sources: IMF staff estimations.

Note: Data as of 09/08/2020. For some country's restriction have been eased further since 09/08/2020 (e.g. Australia, New Zealand).

# Economic activity is picking up

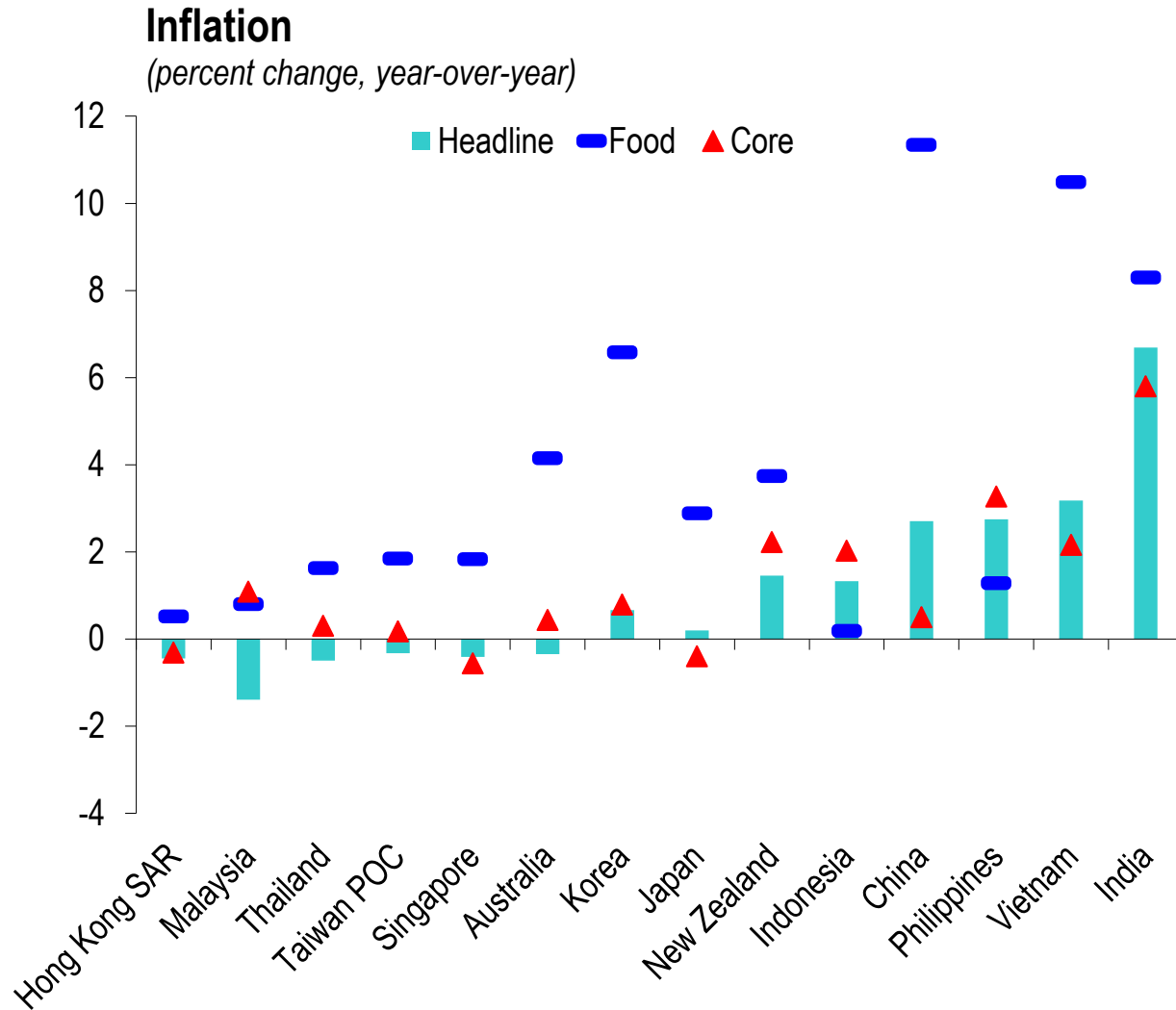
## Manufacturing and Services Purchasing Manager Index

(index, 50+ = expansion)



Source: Haver Analytics, and IMF staff calculations.  
Note: Data as of September 30, 2020.

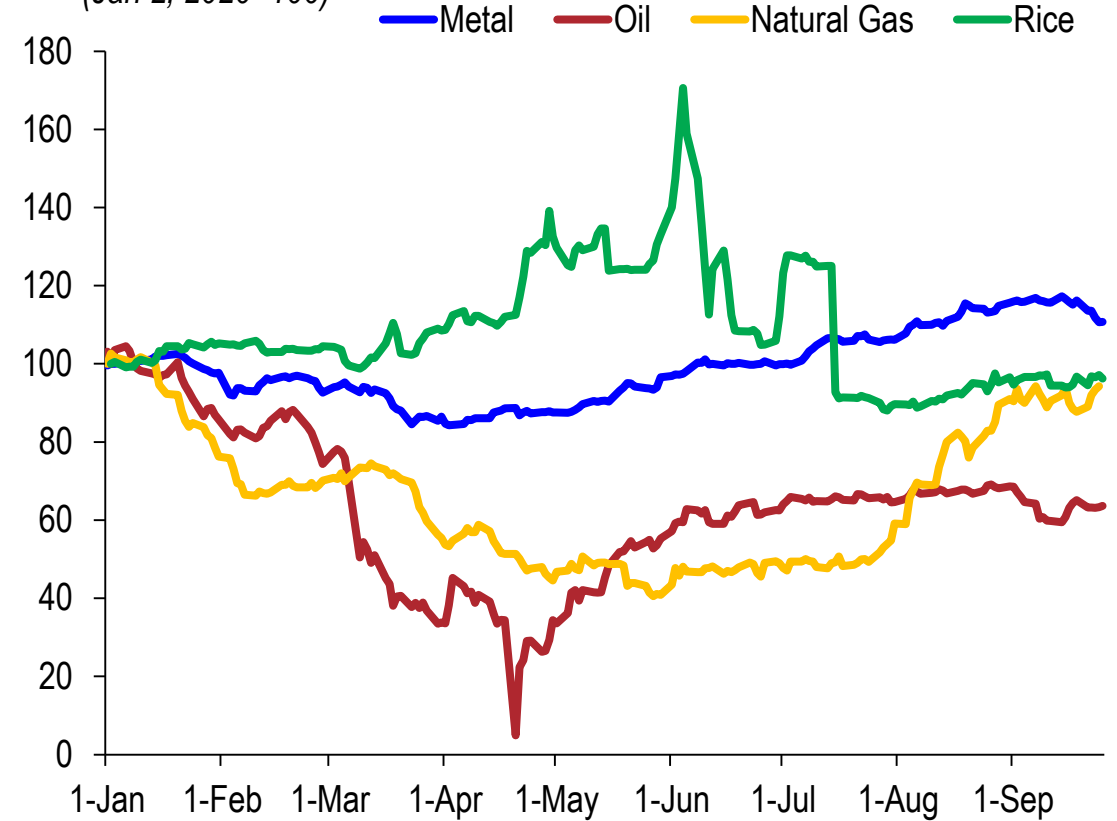
# Subdued inflation, apart from India



Sources: Haver Analytics and IMF staff calculations.  
 Note: Australia and New Zealand show data as of June; others show data as of August 2020.

### Commodity Prices

(Jan 2, 2020=100)



Sources: Bloomberg, L.P., Argus, Thomson Reuters Datastream, and IMF staff calculations.  
 Note: Data available as of September 30, 2020.



**Our Forecast: A Multi-speed Recovery**



# Forecast reflects a multi-speed recovery (Global)

(percent change from a year earlier)



World



Advanced Economies



U.S.



Euro Area



Japan



U.K.



Canada



China



EM and Developing

<b>2020</b>	<b>-4.4</b>	<b>-5.8</b>	<b>-4.3</b>	<b>-8.3</b>	<b>-5.3</b>	<b>-9.8</b>	<b>-7.1</b>	<b>1.9</b>	<b>-3.3</b>
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Revision from June 2020	0.8	2.3	3.7	1.9	0.5	0.4	1.3	0.9	-0.2
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<b>2021</b>	<b>5.2</b>	<b>3.9</b>	<b>3.1</b>	<b>5.2</b>	<b>2.3</b>	<b>5.9</b>	<b>5.2</b>	<b>8.2</b>	<b>6.0</b>
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Revision from June 2020	-0.2	-0.9	-1.4	-0.8	-0.1	-0.4	0.3	0.2	0.2
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Source: IMF, *World Economic Outlook*, October 2020.

# Forecast reflects a multi-speed recovery (advanced Asia)

## Growth projections: World, Asia, China, India, and Advanced Economies

(Percent change from a year earlier)

										
	World	Asia	China	India	Japan	Korea	Australia	New Zealand	Hong Kong SAR	Singapore
<b>2019</b>	<b>2.8</b>	<b>4.6</b>	<b>6.1</b>	<b>4.2</b>	<b>0.7</b>	<b>2.0</b>	<b>1.8</b>	<b>2.2</b>	<b>-1.2</b>	<b>0.7</b>
<b>2020</b>	<b>-4.4</b>	<b>-2.2</b>	<b>1.9</b>	<b>-10.3</b>	<b>-5.3</b>	<b>-1.9</b>	<b>-4.2</b>	<b>-6.1</b>	<b>-7.5</b>	<b>-6.0</b>
Revision from previous forecast	0.6	-0.6	0.9	-5.8	0.5	0.2	0.3	1.1	-2.7	0.0
<b>2021</b>	<b>5.2</b>	<b>6.9</b>	<b>8.2</b>	<b>8.8</b>	<b>2.3</b>	<b>2.9</b>	<b>3.0</b>	<b>4.4</b>	<b>3.7</b>	<b>5.0</b>
Revision from previous forecast	-0.3	0.3	-0.0	2.8	-0.1	-0.1	-1.0	-1.5	-0.2	0.0

Source: IMF *World Economic Outlook*.

Note: Projections based on October 2020 Vintage of WEO. Figures for India are on a fiscal year basis. Previous forecast was April, and, for selected economies, there was a June update.

# Forecast reflects a multi-speed recovery (EM Asia)

## Growth projections: Emerging Markets and Developing Economies

(Percent change from a year earlier)



Indonesia Lao P.D.R. Malaysia Myanmar Mongolia Nepal Philippines Sri Lanka Thailand Vietnam Bangladesh Brunei Darussalam Cambodia

<b>2019</b>	<b>5.0</b>	<b>5.2</b>	<b>4.3</b>	<b>6.5</b>	<b>5.1</b>	<b>7.1</b>	<b>6.0</b>	<b>2.3</b>	<b>2.4</b>	<b>7.0</b>	<b>8.2</b>	<b>3.9</b>	<b>7.0</b>
<b>2020</b>	<b>-1.5</b>	<b>0.2</b>	<b>-6.0</b>	<b>2.0</b>	<b>-2.0</b>	<b>0.0</b>	<b>-8.3</b>	<b>-4.6</b>	<b>-7.1</b>	<b>1.6</b>	<b>3.8</b>	<b>0.1</b>	<b>-2.8</b>
Revision from previous forecast	-1.2	-0.5	-2.2	0.6	-1.0	-1.0	-4.7	-4.1	-0.6	-1.1	0.0	-1.2	-1.2
<b>2021</b>	<b>6.1</b>	<b>4.8</b>	<b>7.8</b>	<b>5.7</b>	<b>6.0</b>	<b>2.5</b>	<b>7.4</b>	<b>5.3</b>	<b>4.0</b>	<b>6.7</b>	<b>4.4</b>	<b>3.2</b>	<b>6.8</b>
Revision from previous forecast	0.0	-0.8	1.5	-0.3	-2.0	-1.0	0.6	1.1	-1.0	-0.3	0.0	-0.3	0.7

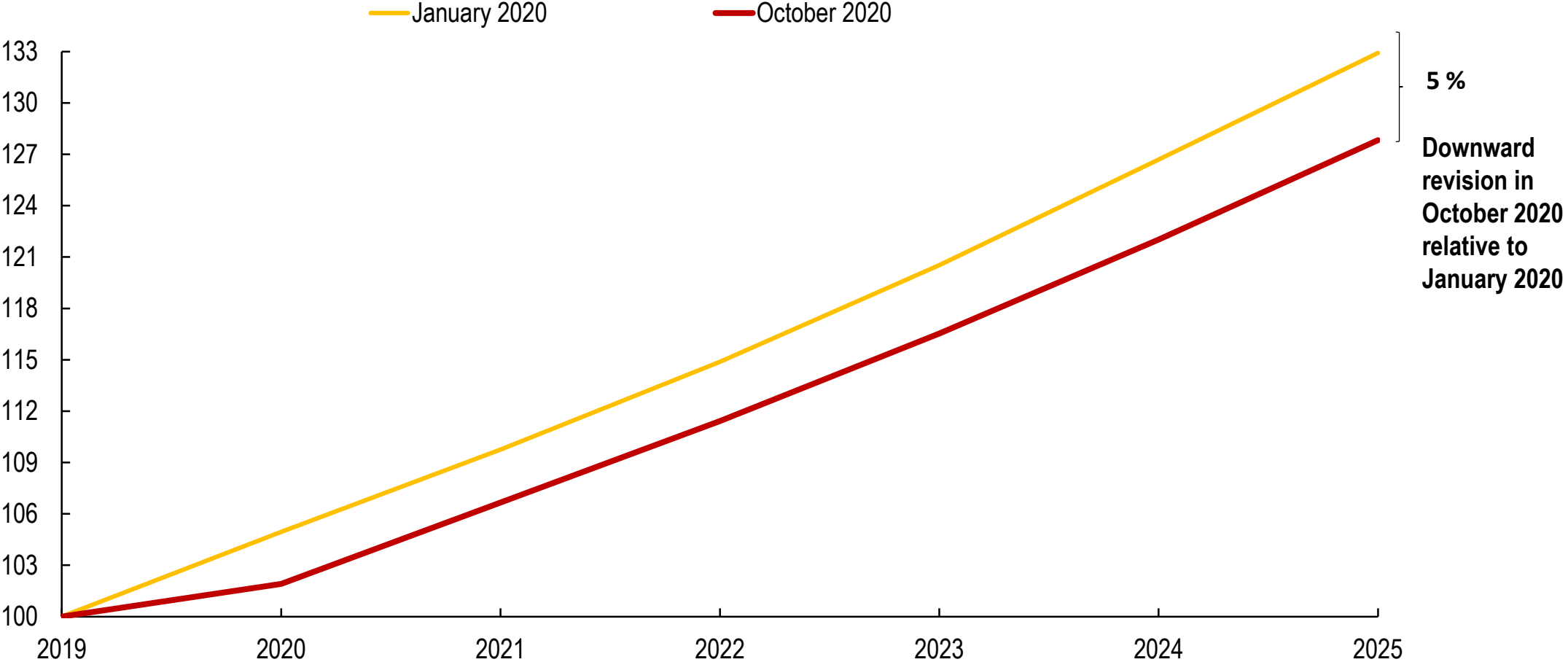
Source: IMF *World Economic Outlook*.

Note: Projections based on October 2020 Vintage of WEO. Figures for Bangladesh are on a fiscal year basis (the fiscal year 2020 ended in June 2020). Previous forecast was April, and, for selected economies, there was a June update.

# Persistent drop in potential output

## Asia Potential Output Forecast (2019=100)

(index)



Sources: World Economic Outlook, and IMF staff calculations.

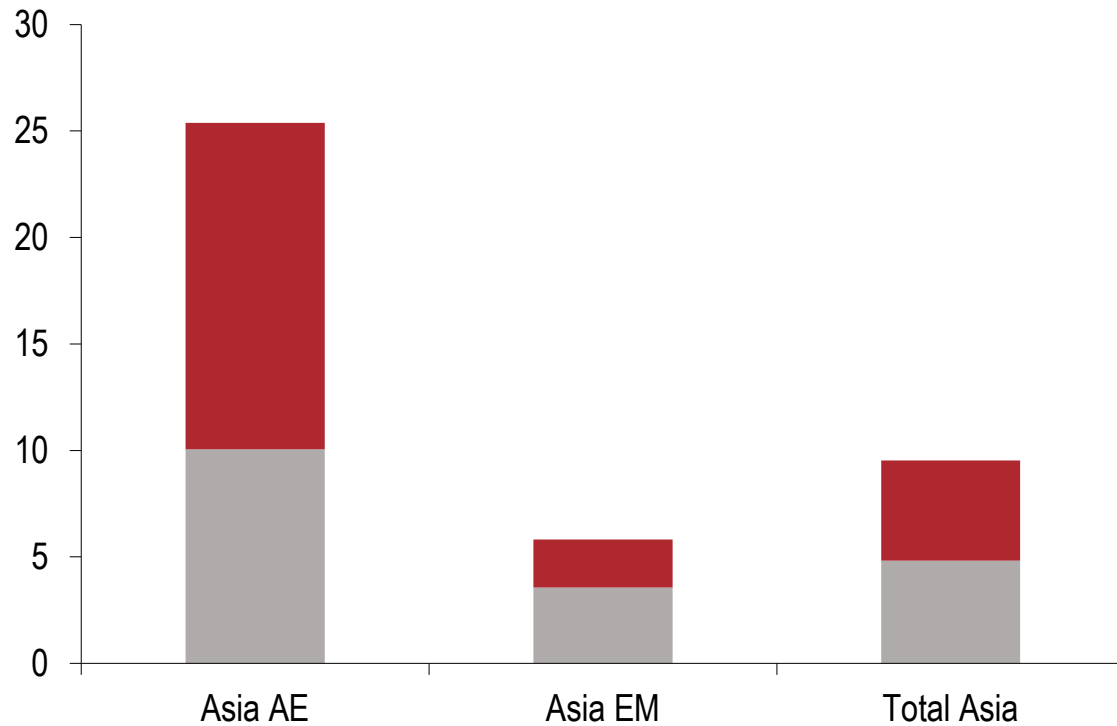
Note: Asia aggregate includes Australia, China, Hong Kong SAR, India, Indonesia, Japan, Korea, Malaysia, New Zealand, Philippines, Singapore, Taiwan Province of China, and Thailand.

# Macro policies have provided unprecedented support

## Fiscal Measures

(Weighted average; percent of GDP)

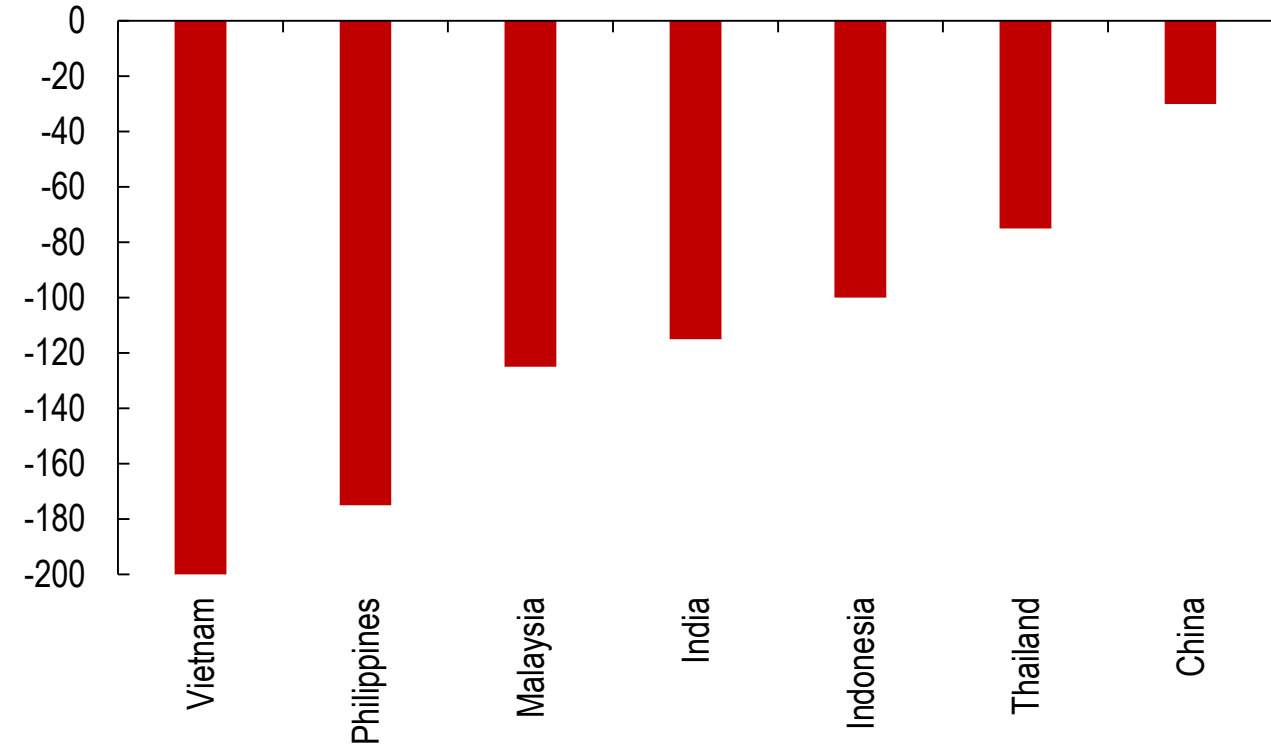
■ above the line ■ below the line



Source: Fiscal Monitor, October 2020.  
Note: Data as of September 30, 2020.

## Policy Rate Cuts in Asian EMs

(bps)



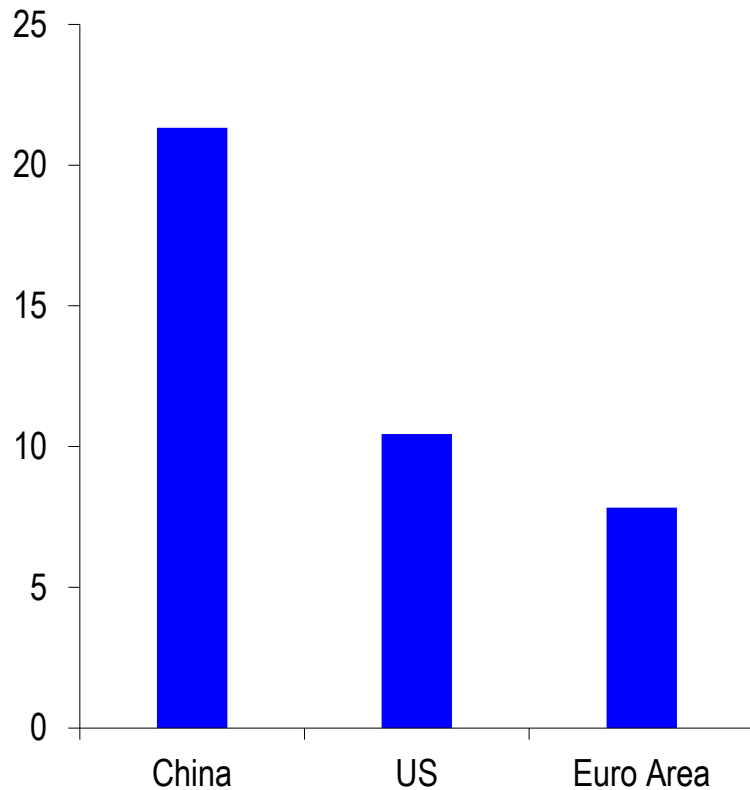
Sources: IMF Policy Tracker; Haver Analytics.  
Note: All rate cuts announced in 2020. In addition, several Asian central banks have adopted unconventional monetary policy measures.



**Risk: Trade**

# China recovery to support Asia

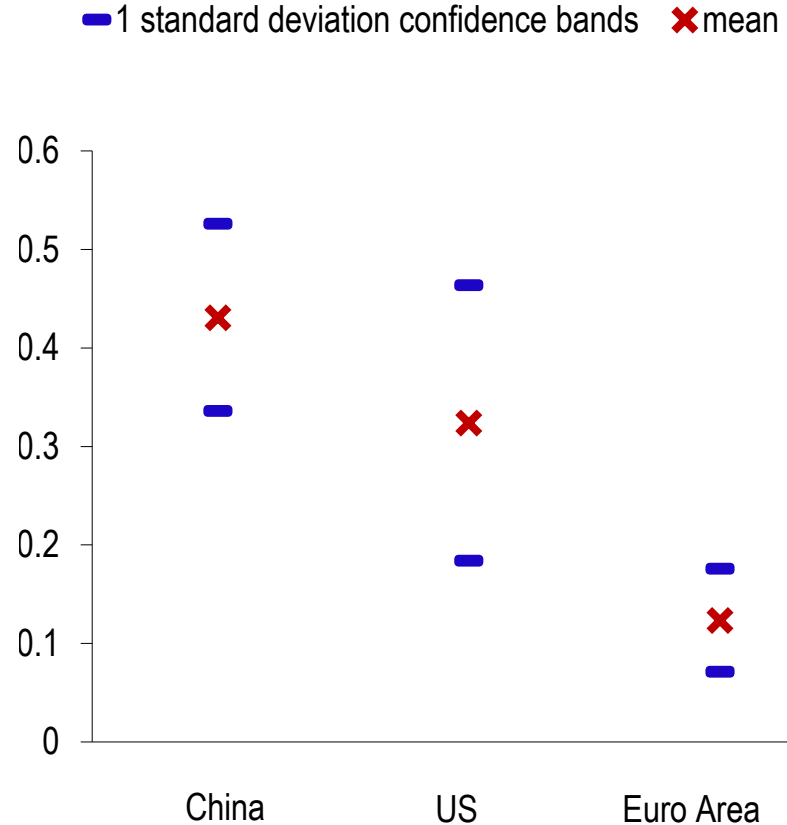
**Trade Exposure of REO 14**  
(percent of total trade)



Sources: IMF DOT, and IMF staff calculations.

Notes: The chart shows the share of trade exposure (import plus export) to China, United States and the Euro Area as percent of the total trade of respective countries. Data as of September 30, 2020.

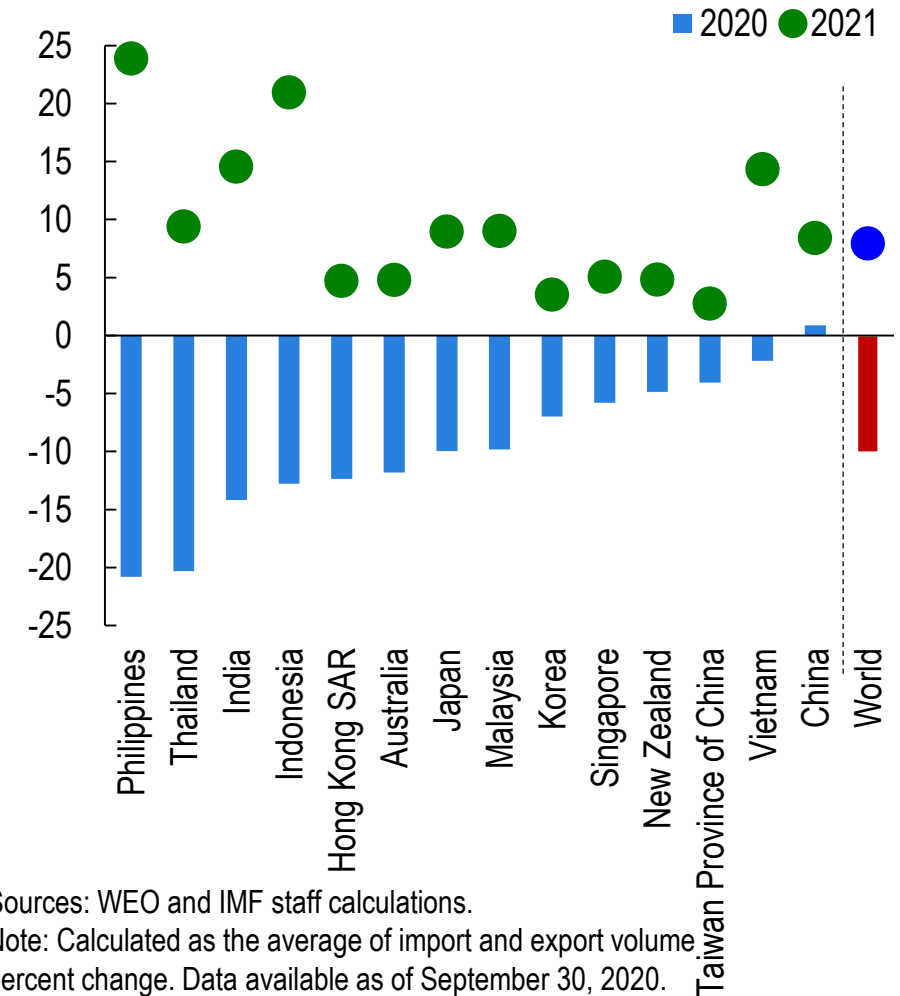
**Growth Spillover to REO 14**  
(beta)



Sources: Furceri, Jalles, and Zdzienicka (2017).

Notes: The chart reports the effect of 1 percentage point GDP growth increase in China, United States and the Euro Area on GDP Growth in REO 14 countries (excluding China).

**Projected Annual Trade Growth, 2020 and 2021**  
(Percent)

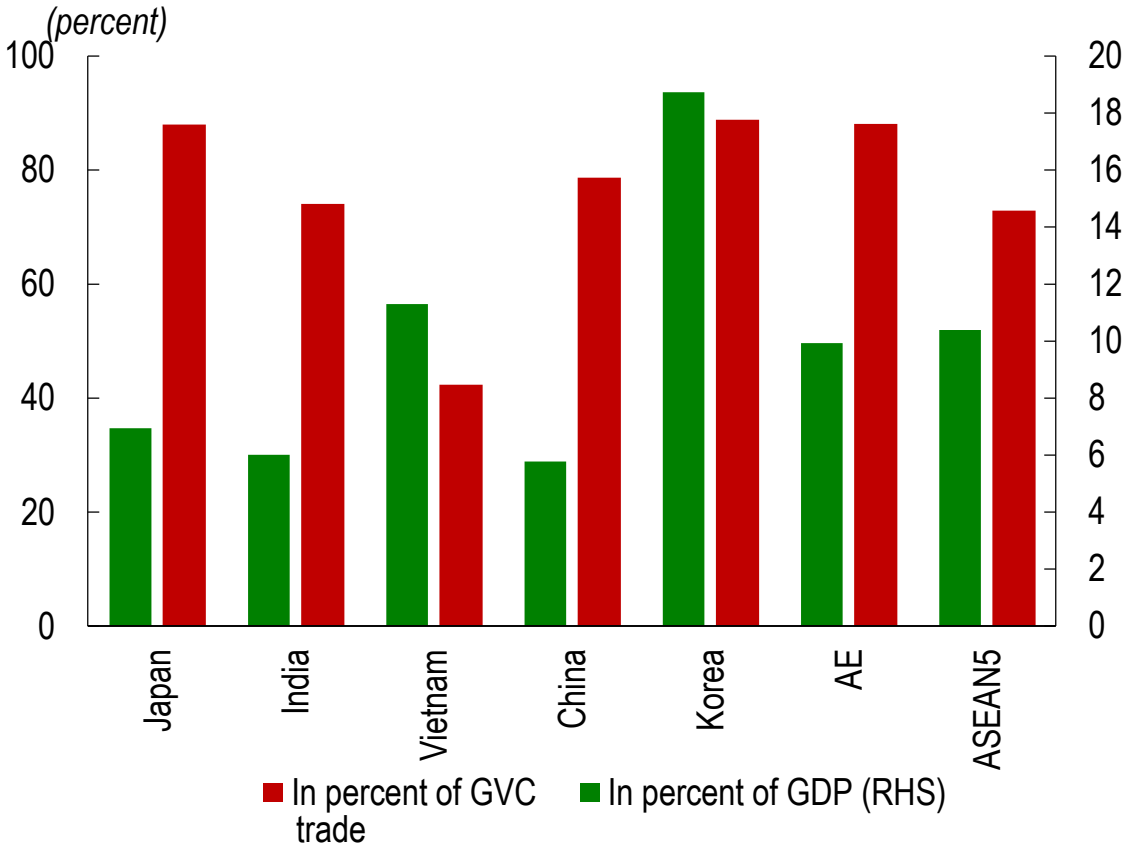


Sources: WEO and IMF staff calculations.

Note: Calculated as the average of import and export volume percent change. Data available as of September 30, 2020.

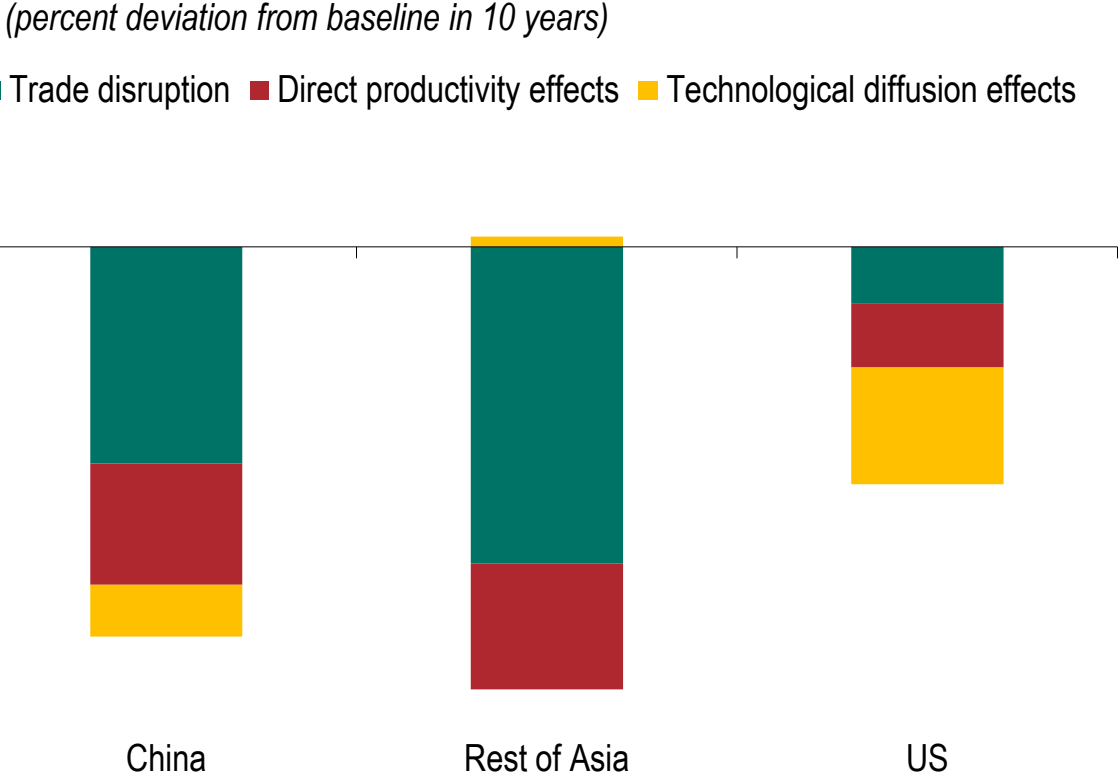
# China-US tensions pose downside risks

**High-Tech GVC Participation, 2017**



Source: Asian Development Bank database.  
 Note: High-tech industries include aircraft and spacecraft, pharmaceuticals, office machinery, telecommunications equipment, and medical and precision instruments. Red bars plot the share of GVC related trade that is in the high-tech sectors. Green bars show high-tech related GVC trade as a share of GDP.

**China-US: Technological Dislocation Scenario, Impact on GDP**



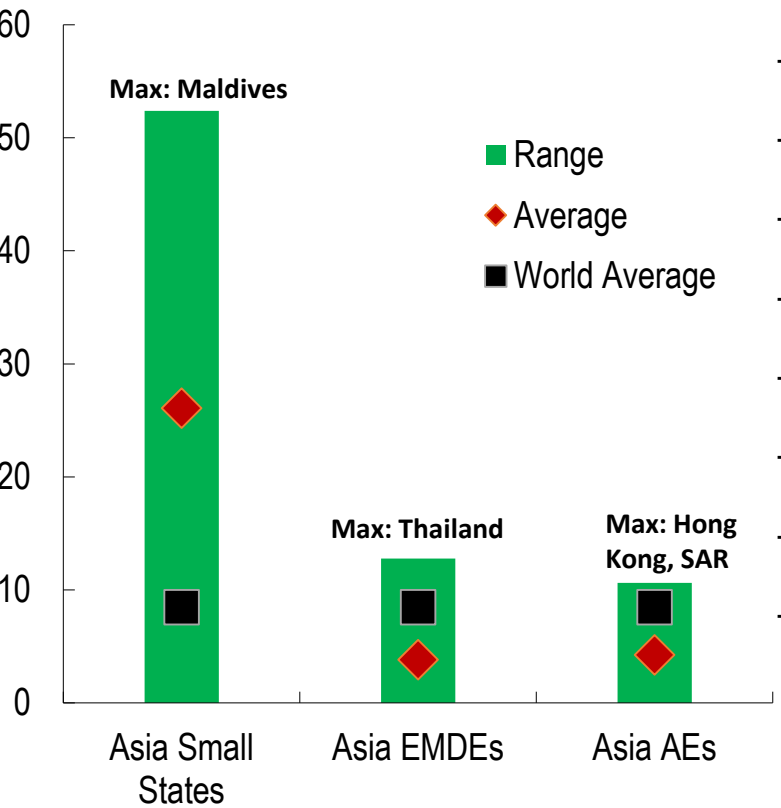
Source: IMF staff estimations.  
 Note: Simulations based on IMF Global Integrated Monetary and Fiscal Model (GIMF) to estimate real GDP impact of a new steady state with lower China-OECD high-tech trade. Three channels: loss of trade, lower productivity due to resource misallocation, and forgone productivity gains due to lack of technology spillovers (diffusion channel).



# Heavy reliance on tourism and remittances will hurt

## Tourism Receipts in Asia Pacific

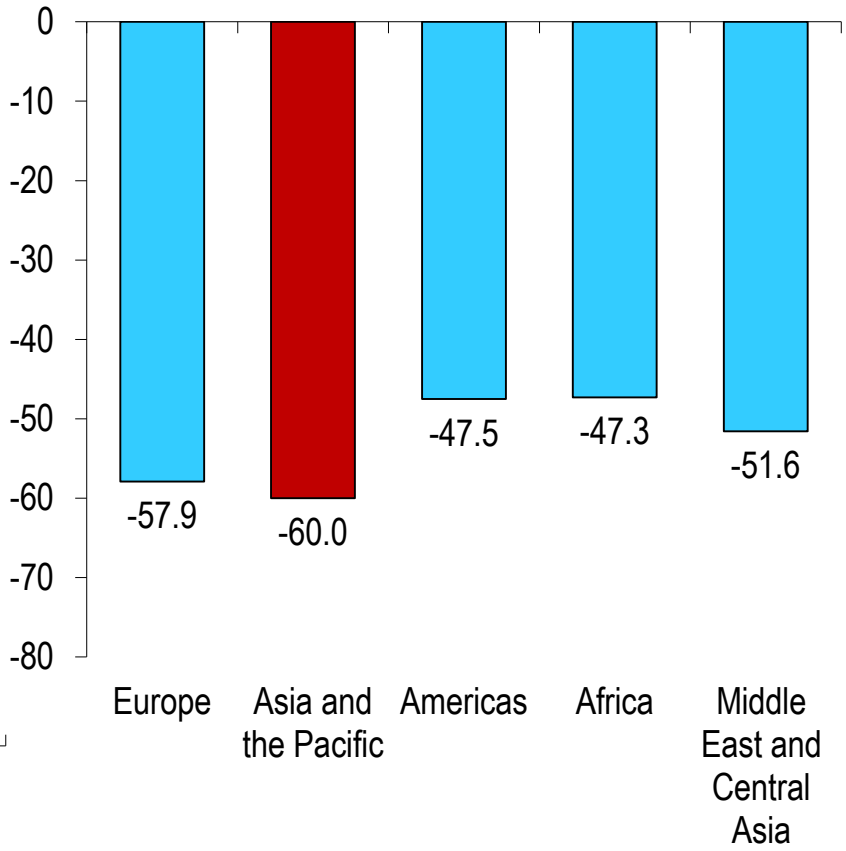
(percent of nominal GDP; range; GDP weighted average, 2018)



Source: World Development Indicators Database; IMF staff calculations.

## Tourists Arrival by Region

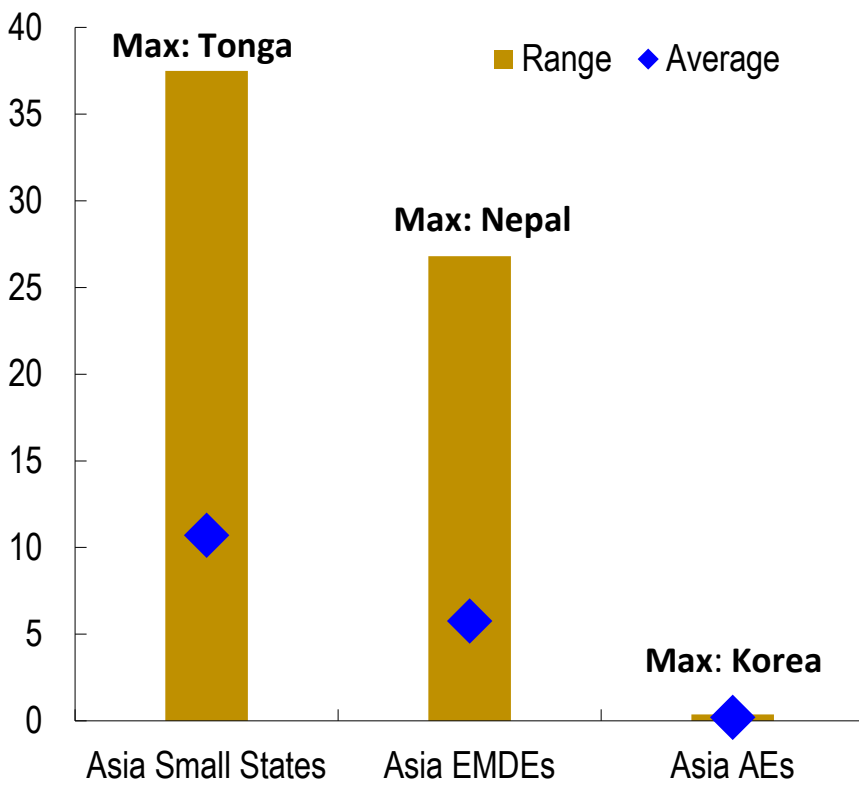
(percent change, year-over-year)



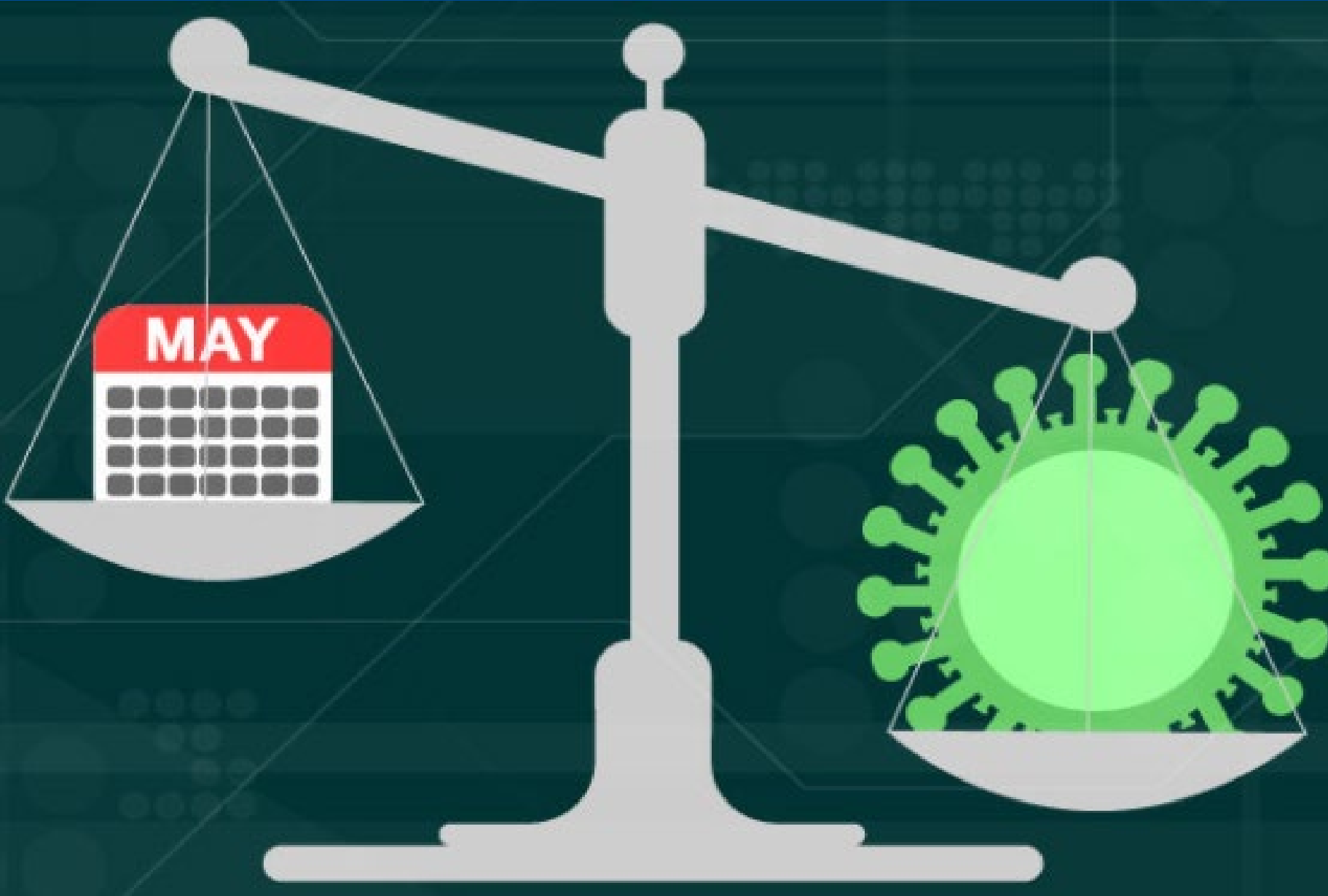
Sources: World Tourism Organization, and IMF staff calculations  
Note: Data as of May 2020.

## Remittances to Asia Pacific

(percent of GDP in 2019; range; GDP weighted average)



Source: World Bank Remittances Database; IMF staff calculations.

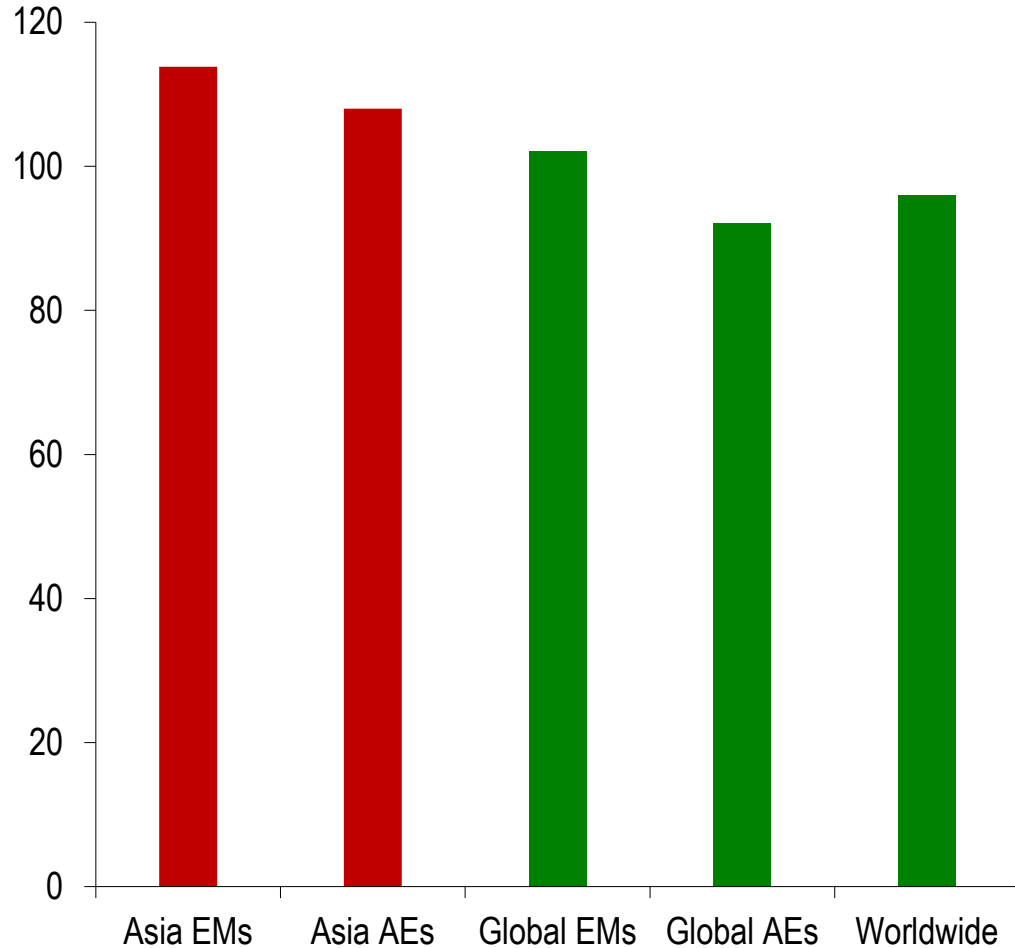


**Risk: Balance Sheets**

# Private balance sheets are highly leveraged

## Corporate Debt, Q1 2020

(percent of GDP)

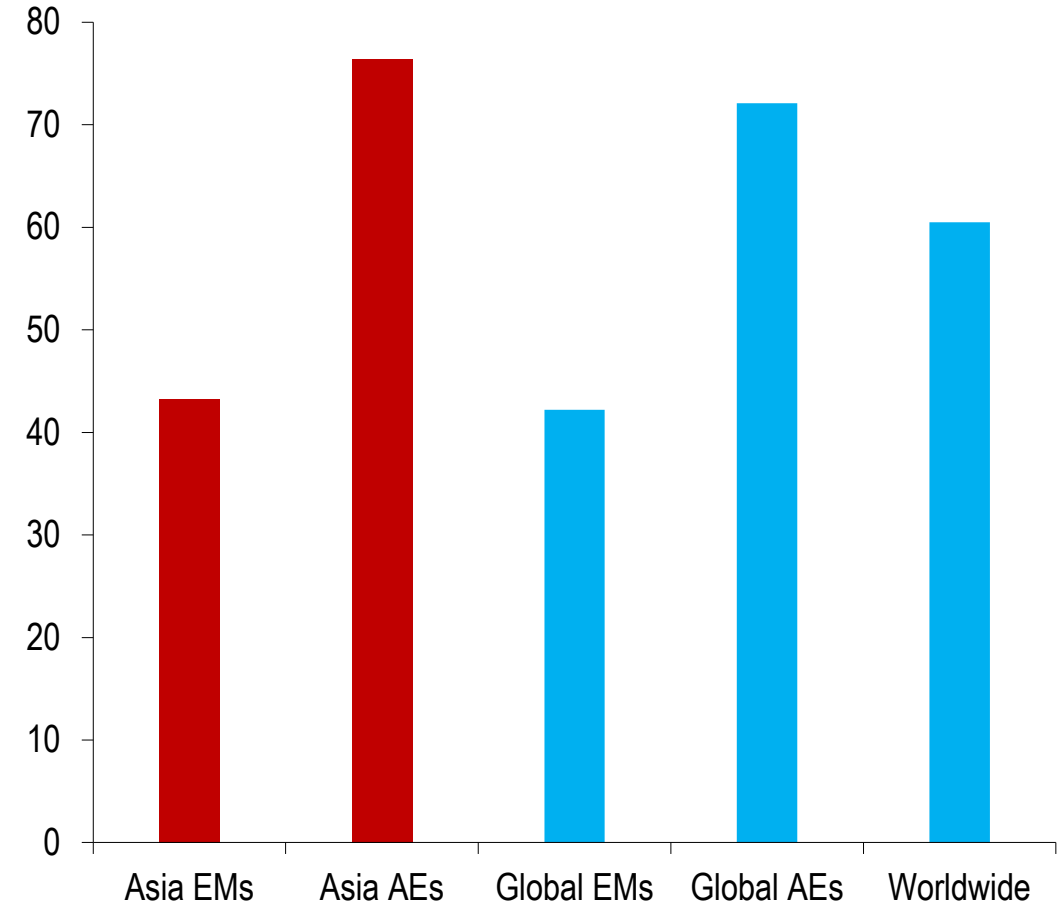


Sources: BIS and IMF staff calculations.

Note: Asia includes China, India, Indonesia, Malaysia, Thailand, Australia, Hong Kong SAR, Japan, Korea, New Zealand and Singapore. Data available as of September 30, 2020.

## Household Debt, Q1 2020

(percent of GDP)



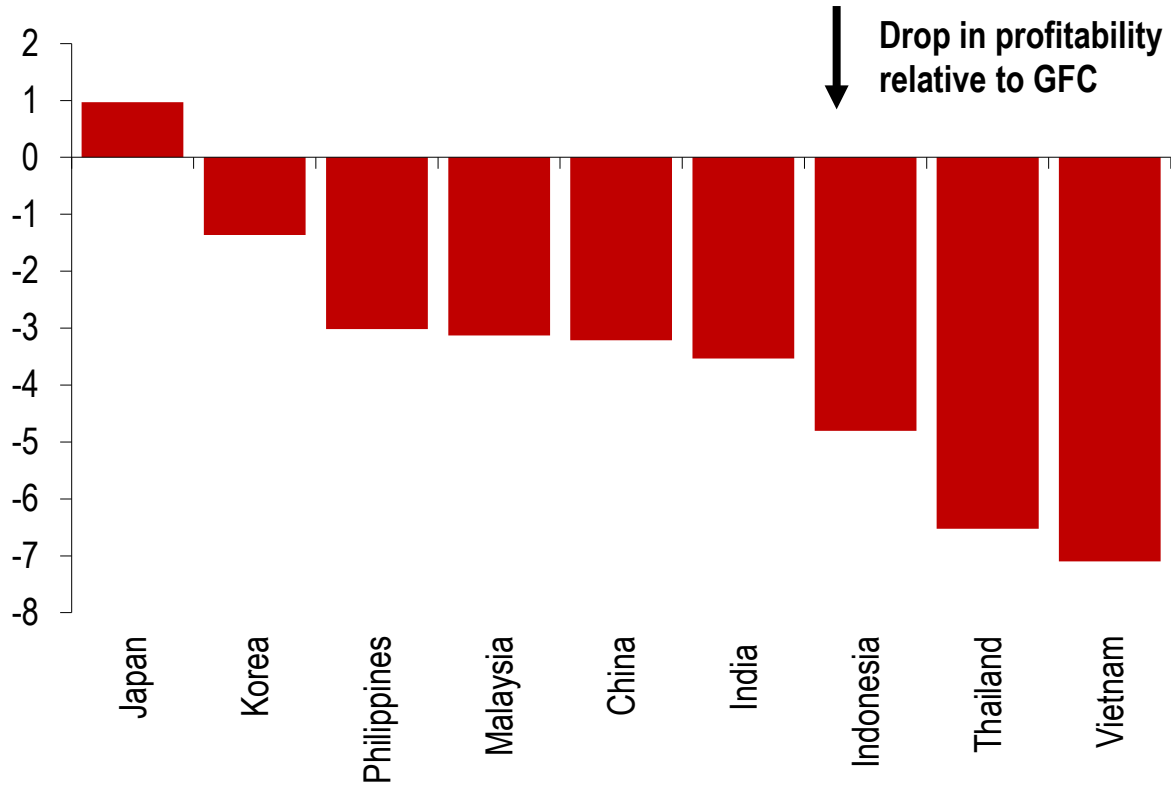
Sources: BIS and IMF staff calculations.

Note: Asia includes China, India, Indonesia, Malaysia, Thailand, Australia, Hong Kong SAR, Japan, Korea, New Zealand and Singapore. Data available as of September 30, 2020.

# Weak corporate balance sheets weigh on private investment

## Profitability: Global Financial Crisis (GFC) and COVID-19

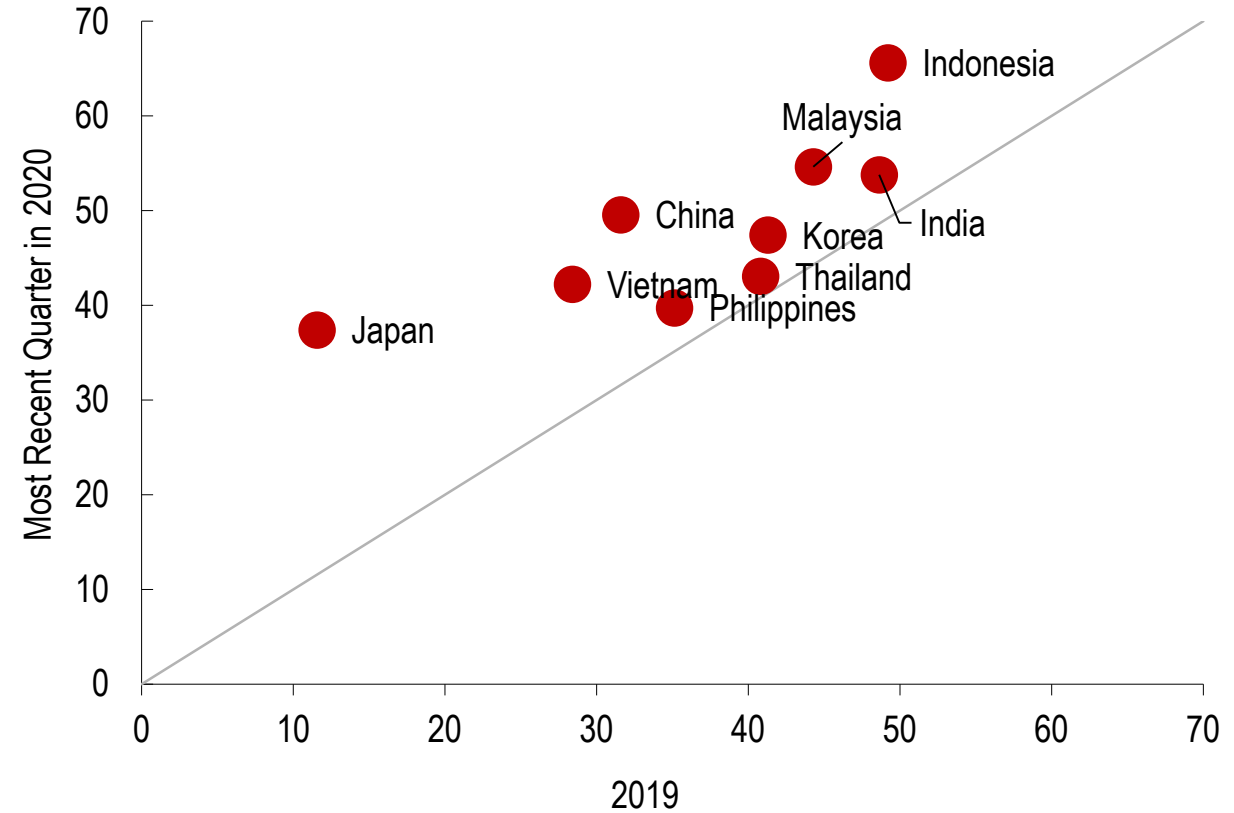
(Percent, EBIT/Total Asset, weighted average)



Sources: Bauer, A. et. al, forthcoming.

## Share of Corporates with Interest Coverage Ratio < 2

(Percent)



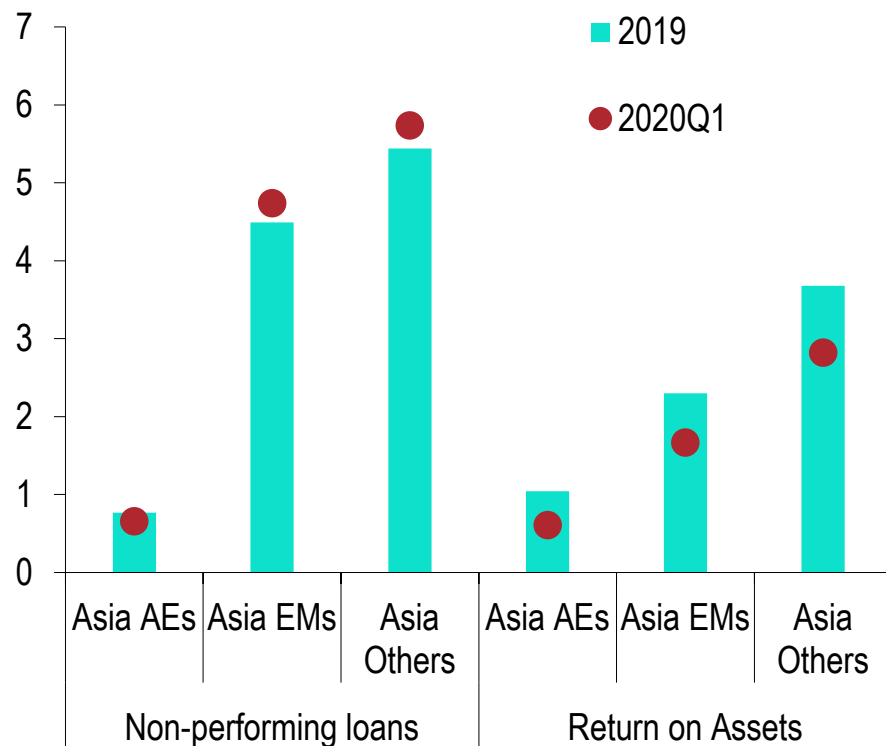
Sources: Bauer, A. et. al, forthcoming.

Note: Firms with capitalization of US\$1 million or more are included in the calculation. Data for 2020q2 are used for Japan, Indonesia, and Vietnam, and for 2020q1 for the other countries.

# Financial sector vulnerabilities are also rising

## Non-performing Loans and Return on Assets

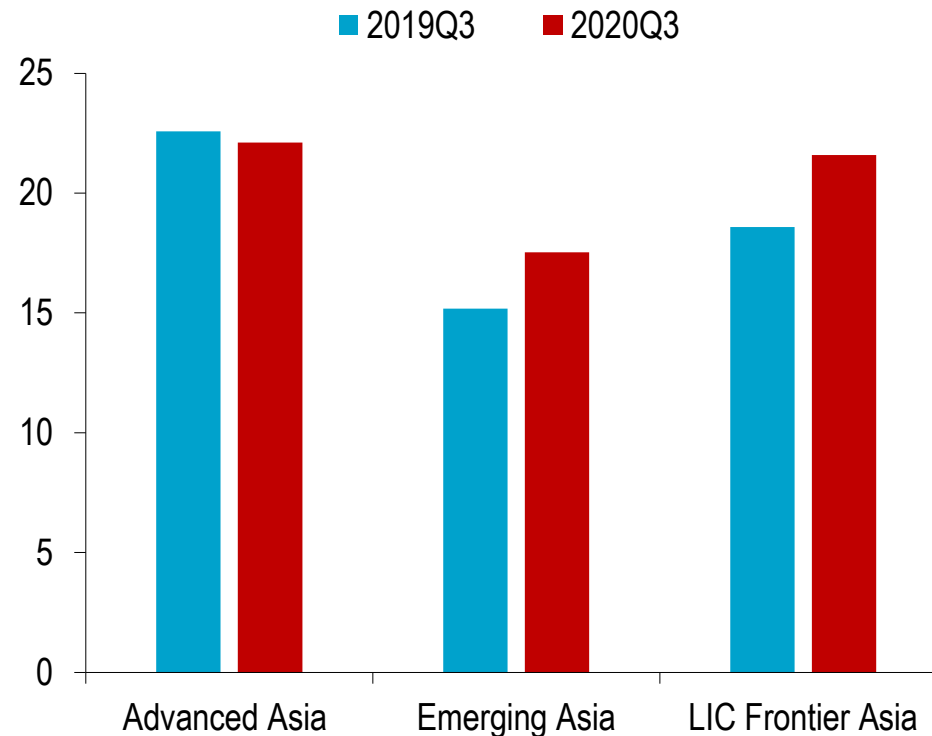
(percent)



Source: Financial Soundness Indicators, IMF.  
 Note: Data available as of September 30, 2020.

## Financial Risk Index

(index)

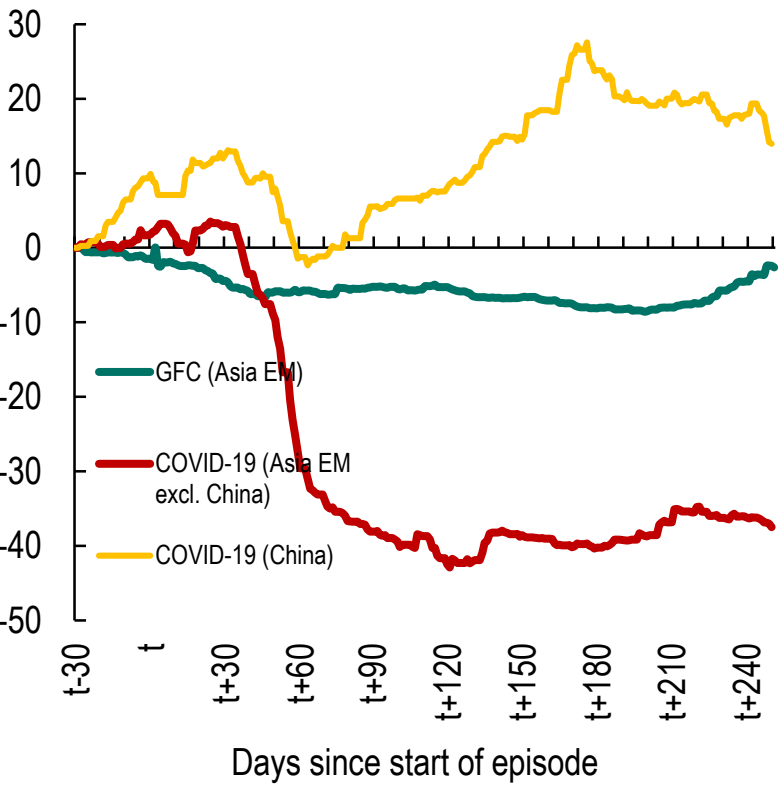


Source: IMF staff estimates.

Note: The Financial Sector Risk Index is a model-based assessment of the risk of a financial crisis, ranging from 0 to 100. Advanced Asia is Australia, Hong Kong SAR, Indonesia, Japan, Korea, Singapore. Emerging Asia is India, Indonesia, Malaysia, Philippines, Thailand, Vietnam, China. LIC Frontier Asia is Bangladesh, Myanmar, Cambodia, Sri Lanka, Lao PDR, Nepal and Mongolia. Data as of September 30, 2020.

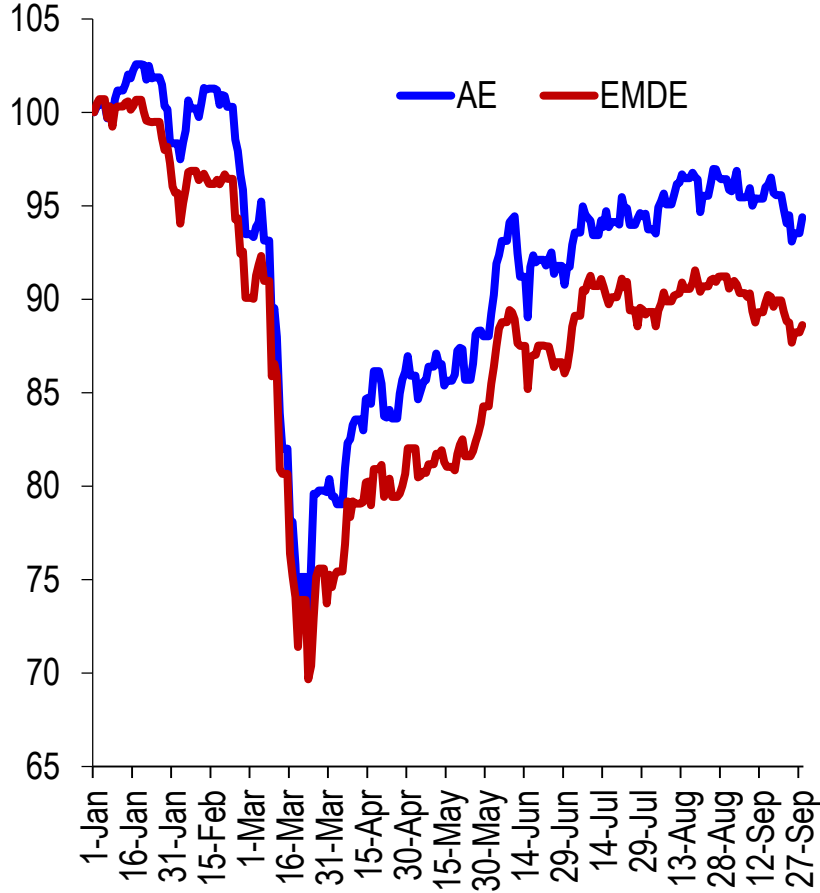
# A return to risk aversion could hurt financial stability

**Asia EM Cumulative Portfolio Flows**  
(billions of USD)



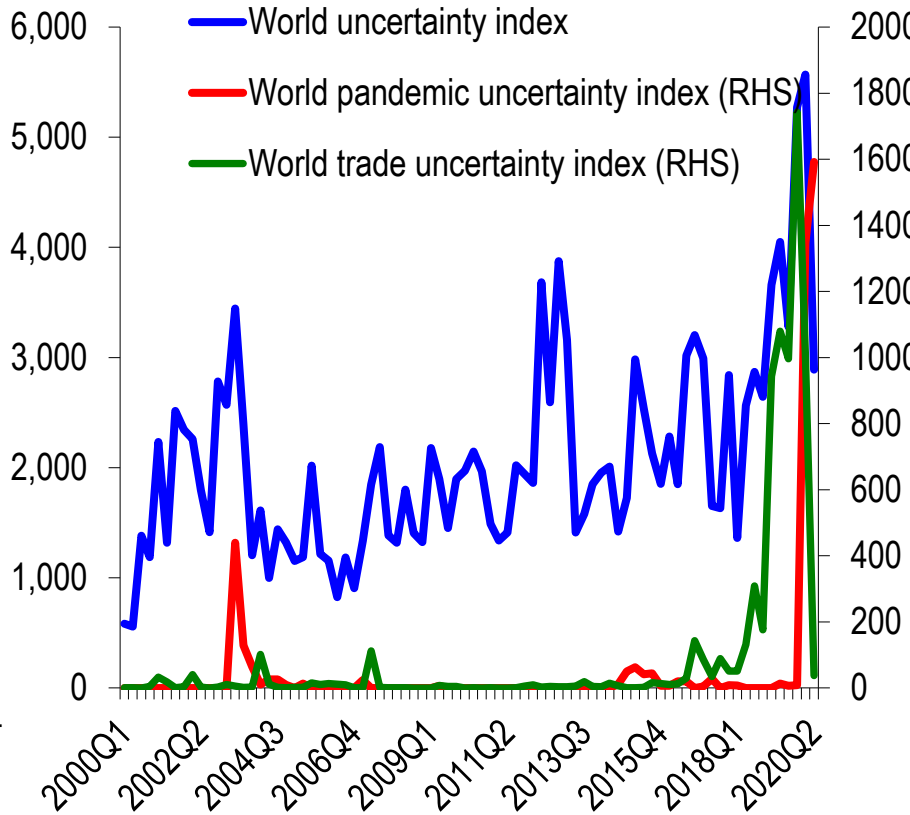
Sources: IIF and IMF staff calculations.  
Note: t=0 for GFC is August 15<sup>th</sup>, 2008. t=0 for COVID-19 is December 21<sup>st</sup>, 2019 when first case reported. Data as of September 30, 2020.

**Stock Market Performance**  
(index, Jan-01-2020=100)



Sources: Bloomberg, and IMF staff calculations.  
Note: Data as of September 30, 2020.

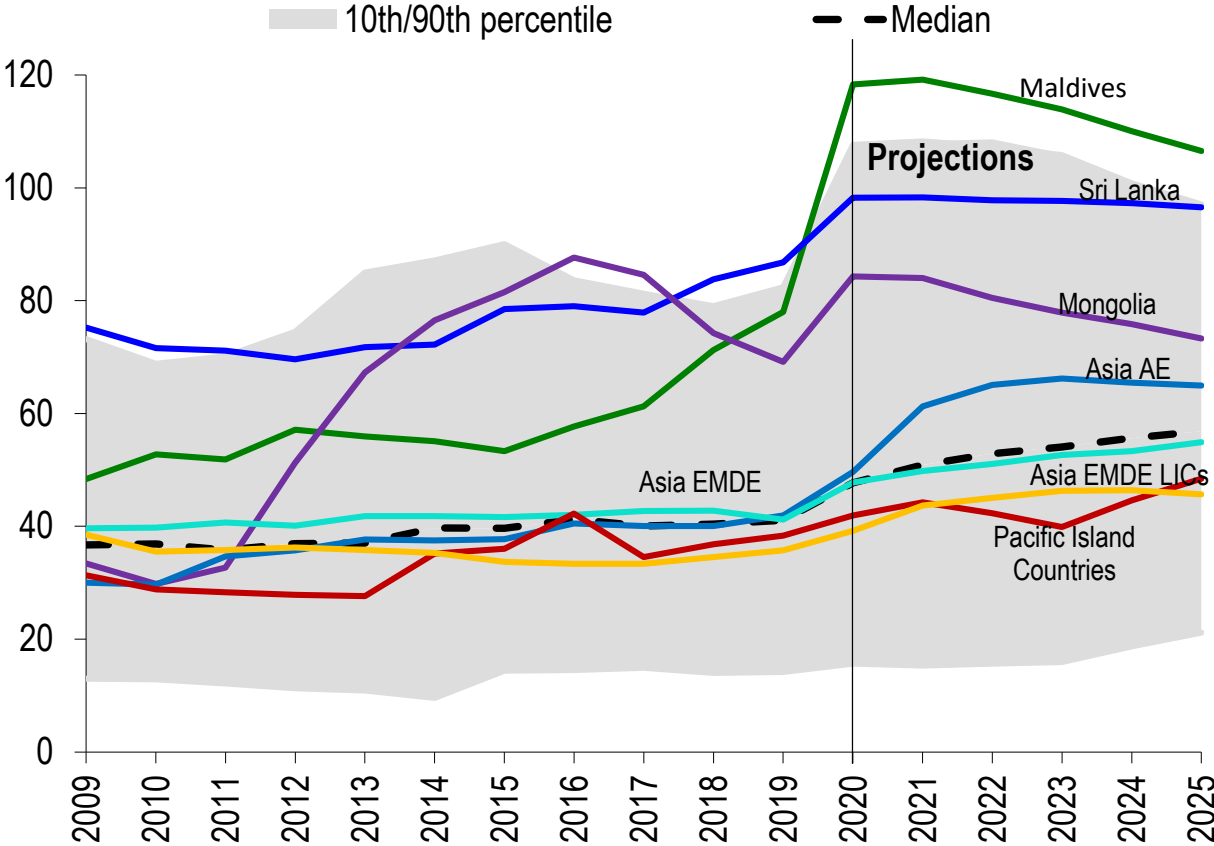
**Uncertainty Indices**  
(index, GDP weighted)



Source World Uncertainty Index. Ahir, Bloom and Furceri (2018).

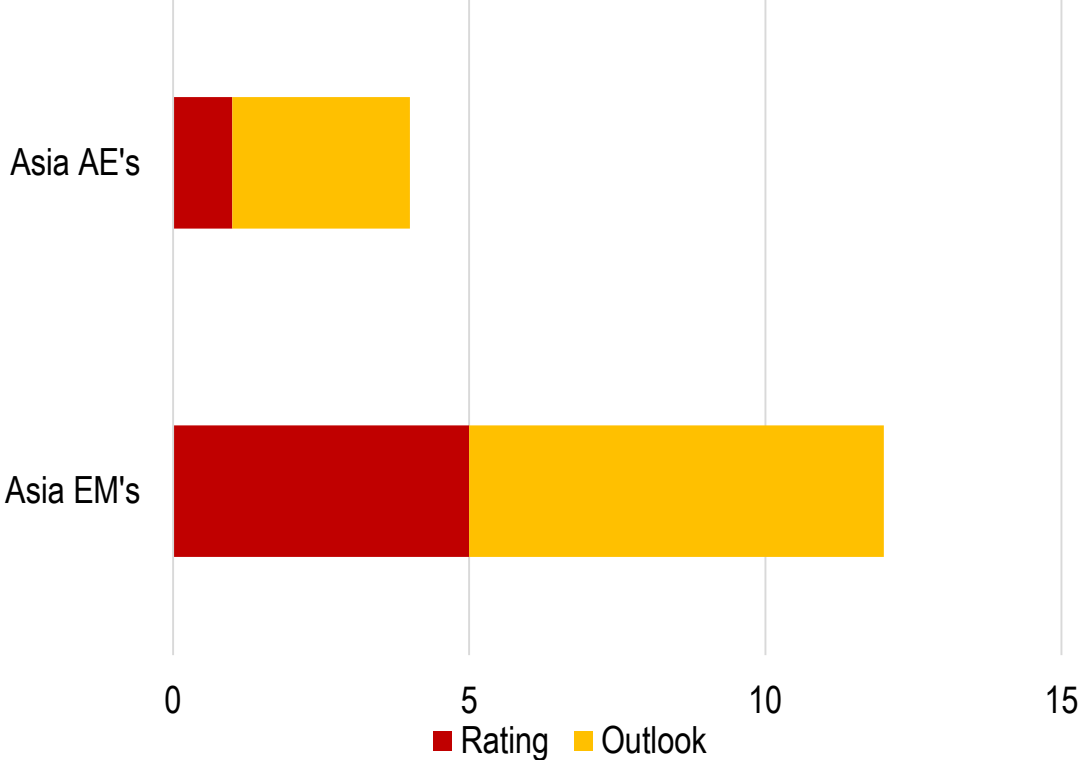
# Public debt sustainability is deteriorating

**Public Debt**  
(percent of GDP)



Sources: World Economic Outlook, and IMF staff calculations.  
Note: The regional aggregates are calculated as median for a given year.

**Downgrade in Sovereign Ratings or Outlook**  
(number of countries)



Sources: S&P, Moody's, and Fitch.  
Note: Includes downgrades in 2020. Data as of September 30, 2020.



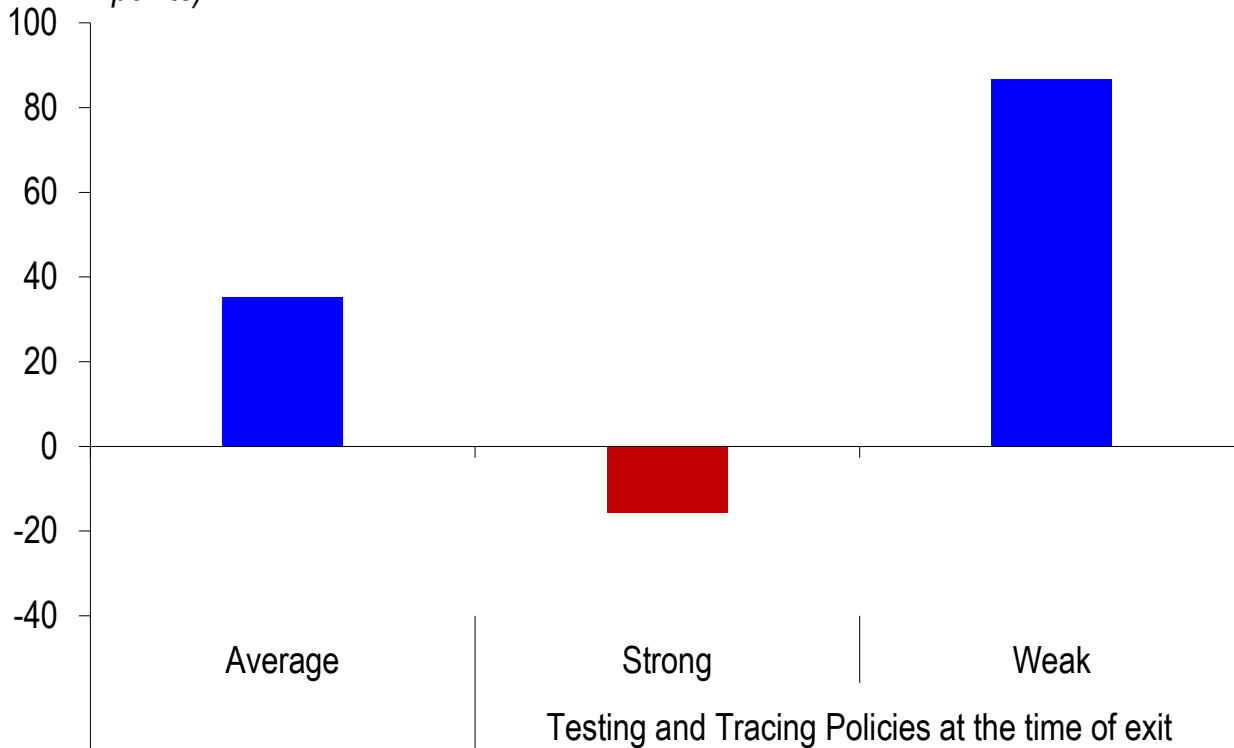
# Policy Recommendations



# Effective containment, testing/tracing, healthcare are vital

## Confirmed Cases, Deviation from Baseline

(30 days after relaxation of containment measures, log percentage points)



## Policy recommendations

- ❖ Strong containment (social distancing, enforceable self-quarantines)
- ❖ Increased capacity for accurate testing and timely and effective contact tracing
- ❖ Better healthcare systems: hospital capacity, medical equipment and service providers
- ❖ Vaccine distribution strategy

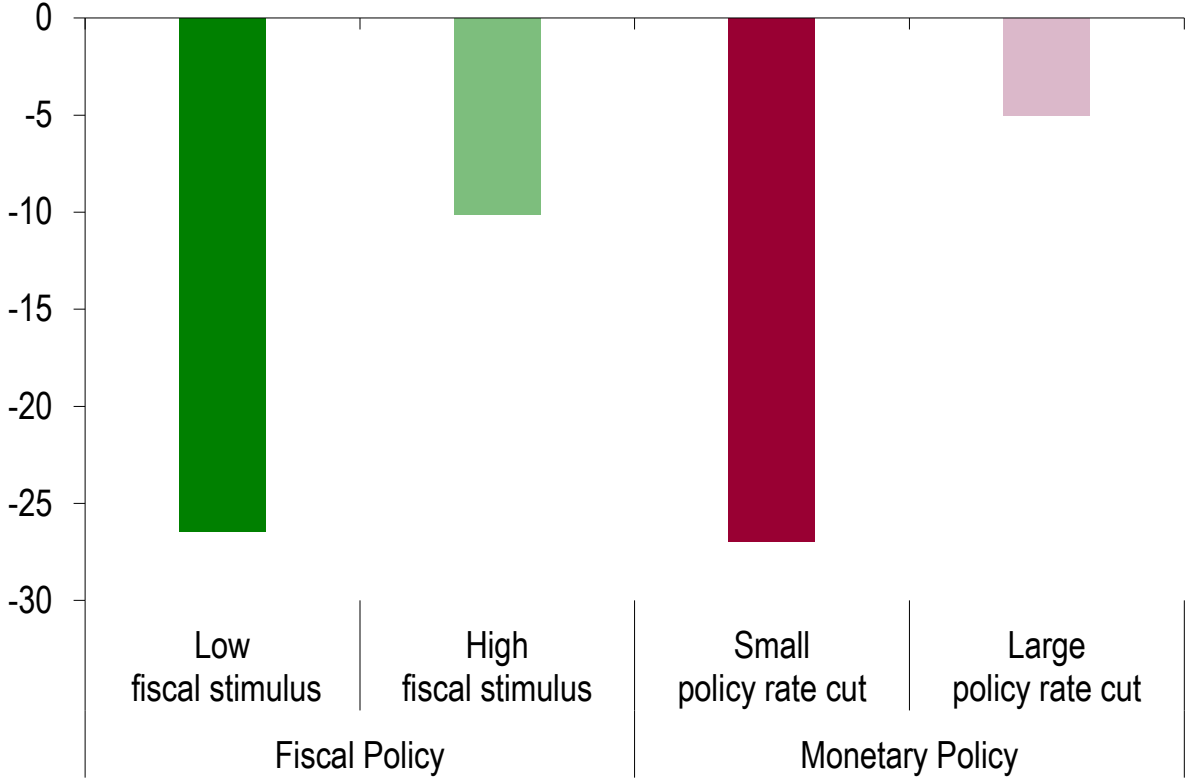
Source: Deb, Furceri, Ostry and Tawk (2020a).

Note: The bars show the impact after 30 days on the number of COVID-19 coronavirus disease infections to a unitary easing in the containment measures relative to a baseline of no change. The first bar shows the average effect, and the other two bars highlight the impact under strong and weak testing and tracing policies at the time of easing of lockdowns. The figure is displayed in log percentage points.

# Timely targeted fiscal support can be helpful

## Impact of Containment Policy on Industrial Production

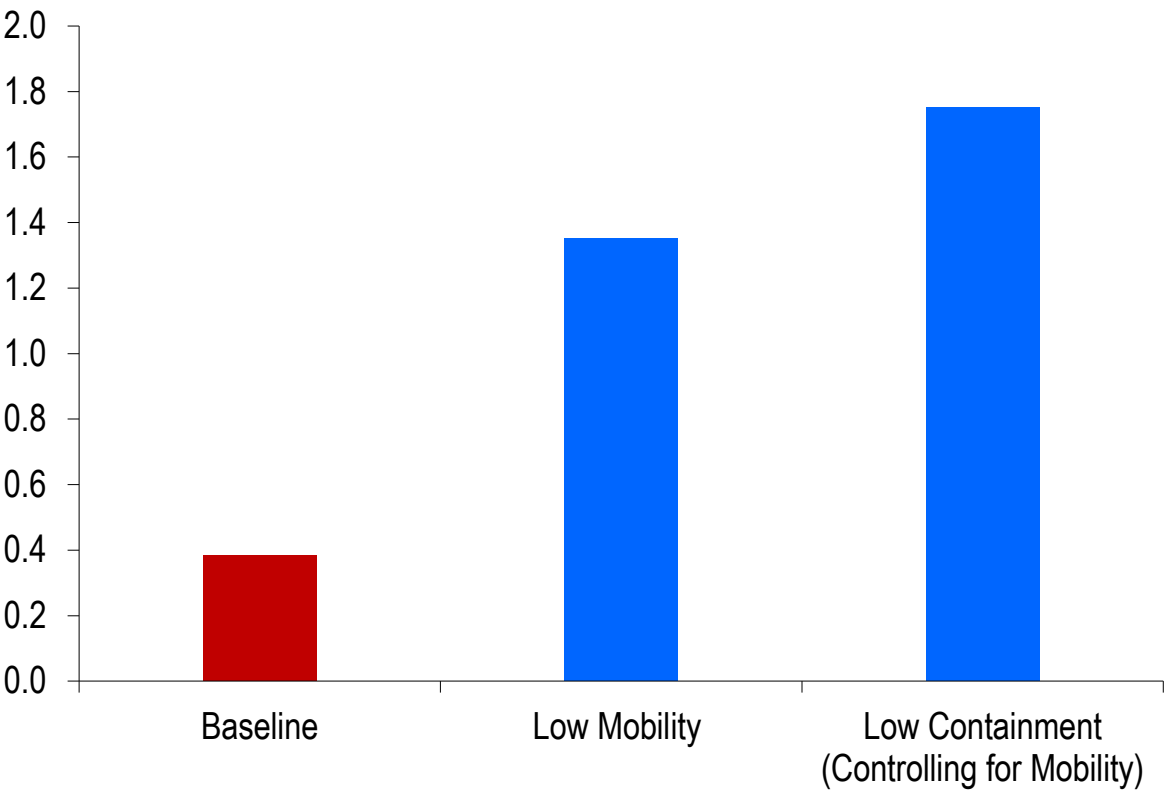
(implied impact on industrial production after 30 days, percent)



Source: Deb, Furceri, Ostry and Tawk (2020b).  
 Note: The bars show the impact after 30 days on industrial production (implied by changes in NO2 emissions) to a unitary tightening of containment measures relative to a baseline of no change.

## Impact of Fiscal Shocks on Industrial Production

(betas, percent)

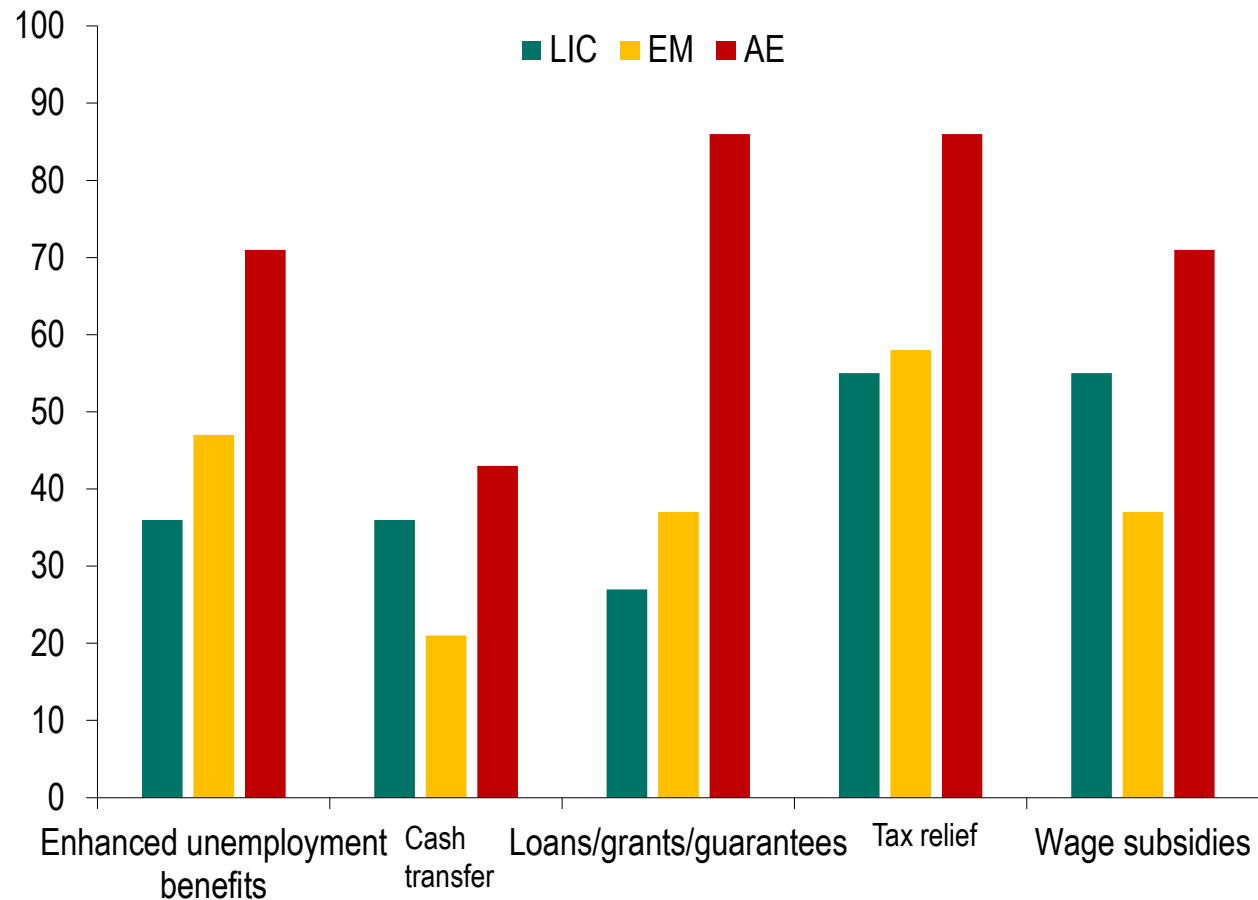


Source: Deb, Furceri, Ostry, Tawk and Yang (2020).  
 Note: Bars denote the impact (coefficients) of fiscal shocks on industrial production obtained from a panel regression of 39 countries from January 2020 to July 2020.

# Composition of fiscal expenditures is critical

## Asia: Targeted Help to Households and Workers

(percent of countries implementing the policy)



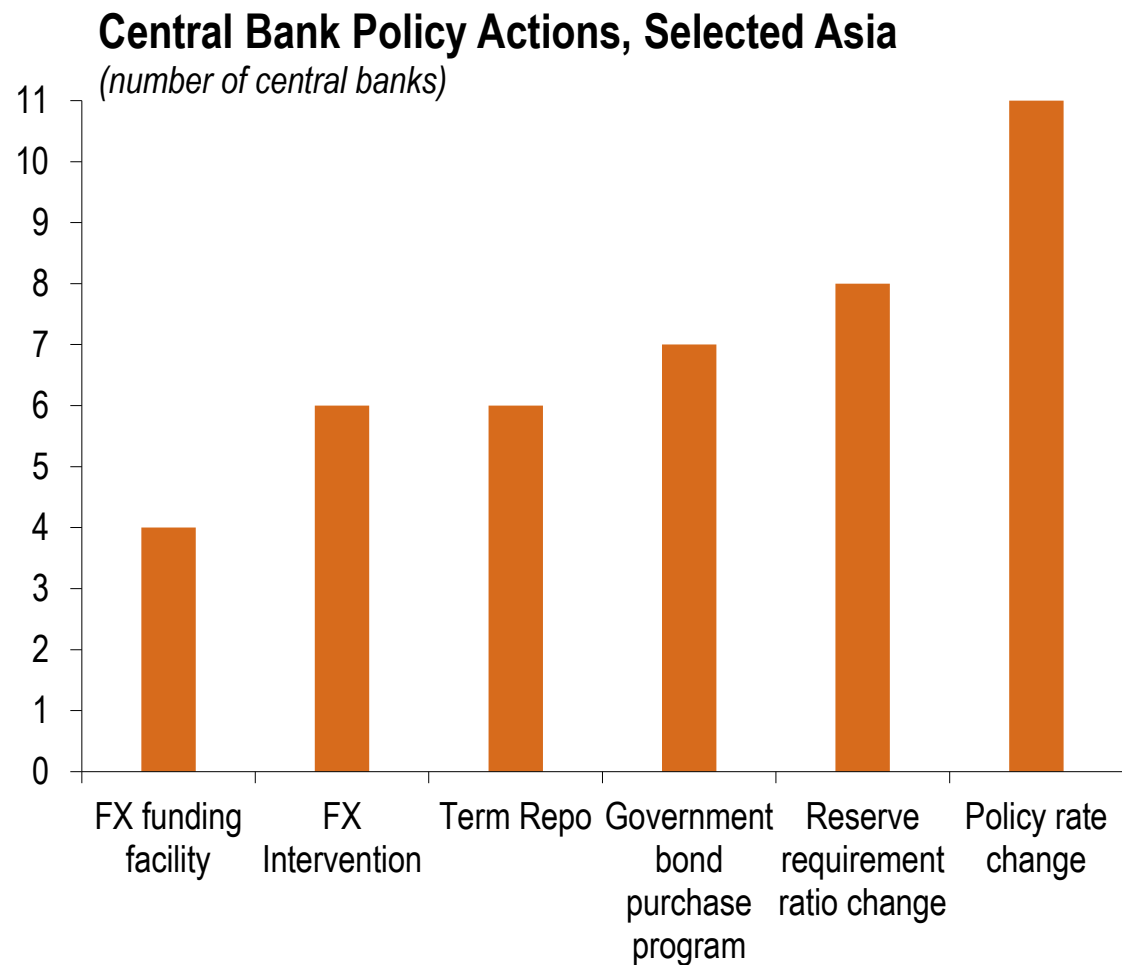
Sources: IMF Survey of Policy Response to Covid-19.

Note: Data as of September 30, 2020.

## Policy recommendation

- ✓ More direct budget support focused on: health care, better-targeted social protection, assistance for viable SMEs
- ✓ Prioritize green investment and technological infrastructure
- ✓ High debt countries should commit to credible medium-term fiscal strategy
- ✓ Concessional donor funds for low income countries (especially Pacific Islands Countries)

# Monetary policy support should continue



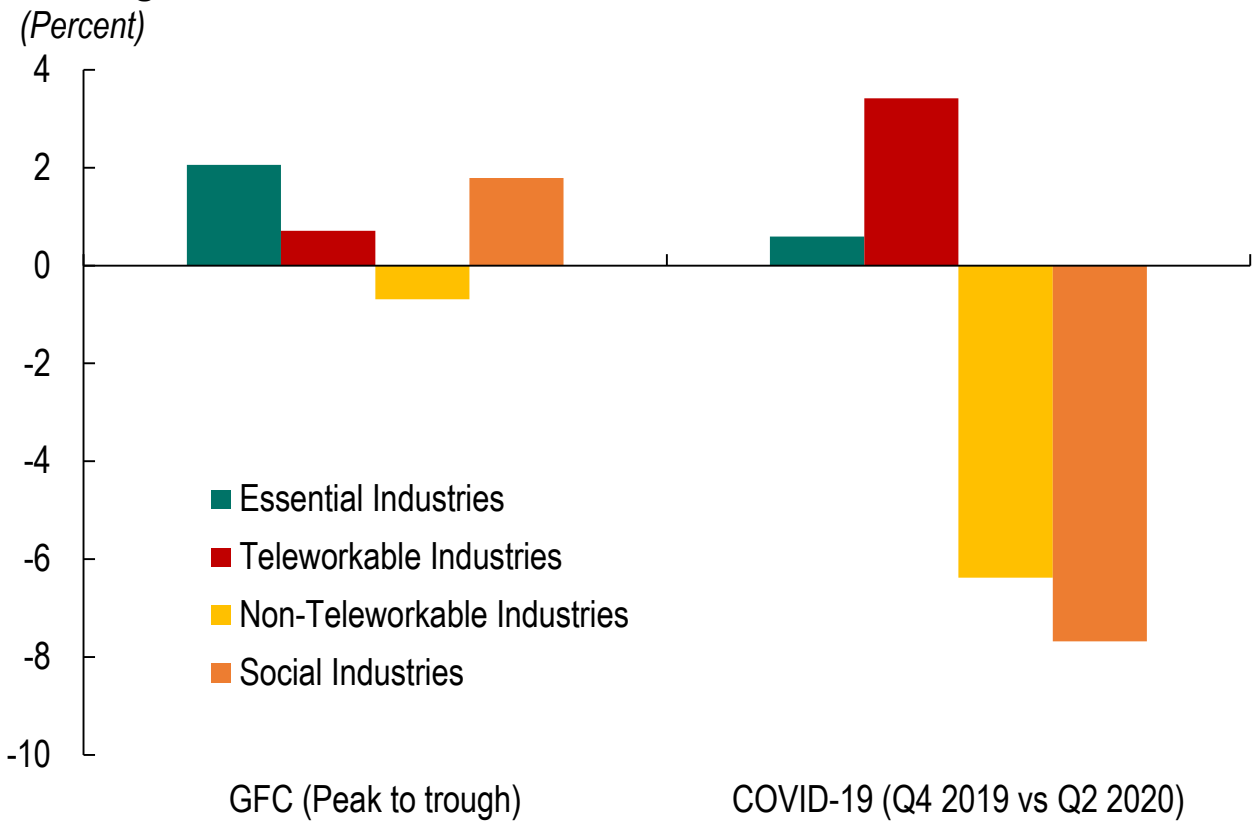
Note: Data sample includes 11 Asian economies: China, India, Indonesia, Sri Lanka, Laos, Malaysia, Mongolia, Philippines, Thailand, Vietnam and Papua New Guinea.  
Sources: Global Financial Stability Report (October 2020).

## Policy recommendation

- **Further easing and unconventional monetary policy as feasible, improve transmission**
- **Debt monetization may be considered (but time-bound within clear operational framework to preserve central bank independence)**
- **Greater attention to elevated financial risks, tighten macroprudential policies only if warranted**
- **Exchange rate should continue to act as a shock absorber**
- **Well-designed capital flow measures appropriate in some circumstances**

# Strategy to reduce scarring & support resource reallocation

**Asia: Change in Employment by Industry Classification During Crises**



Source: Haver Analytics and IMF Staff Calculations.  
Note: Data available as of September 30, 2020.

**Insolvency Regimes in Asia Pacific — Available Tools**

	Out-of-Court		Hybrid	In-Court	
	Enhanced Restructuring	SME Debt Restructuring	Hybrid Restructuring /Pre-packs	Reorganization	SME Simplified Reorganization
Australia					
Bangladesh					
China					
Hong Kong SAR					
India					
Indonesia					
Japan					
Malaysia					
Philippines					
Singapore					
Korea					
Sri Lanka					
Thailand					
Vietnam					

Source: Bauer, A. et. al, forthcoming.

# Main Conclusions



**A multi-speed recovery but the pandemic is far from over.  
Downside risks are large.**



**Policy support needed until recovery entrenched:  
strong healthcare and containment; targeted, sustainable  
public spending; supportive monetary policy.**



**Important to monitor elevated credit risks and tighten  
macroprudential policies in line with recovery.**



**Imperative to reduce scarring by facilitating resource  
reallocation and promote green and inclusive growth.**

**Thank you**

# **Additional Slides**



# Forecast reflects a multi-speed recovery

## Growth projections: Pacific Island Countries and Other Small States

(Percent change from a year earlier)



Bhutan    Fiji    Kiribati    Maldives    Marshall Islands    Micronesia    Nauru    Palau    PNG    Samoa    Solomon Islands    Timor-Leste    Tonga    Tuvalu    Vanuatu

<b>2019</b>	<b>3.8</b>	<b>-1.3</b>	<b>2.3</b>	<b>5.7</b>	<b>5.3</b>	<b>1.2</b>	<b>1.0</b>	<b>-1.8</b>	<b>4.9</b>	<b>3.5</b>	<b>1.2</b>	<b>3.1</b>	<b>0.7</b>	<b>6.0</b>	<b>3.3</b>
<b>2020</b>	<b>0.6</b>	<b>-21.0</b>	<b>-1.1</b>	<b>-18.6</b>	<b>-4.5</b>	<b>-3.8</b>	<b>0.7</b>	<b>-11.4</b>	<b>-3.3</b>	<b>-5.0</b>	<b>-5.0</b>	<b>-6.8</b>	<b>-2.5</b>	<b>-0.5</b>	<b>-8.3</b>
Revision from previous forecast	-2.1	-2.6	-0.5	-6.2	-4.3	0.0	2.4	0.0	-2.3	-1.3	0.5	-2.0	-1.3	0.5	-0.5
<b>2021</b>	<b>-0.5</b>	<b>11.5</b>	<b>3.0</b>	<b>12.7</b>	<b>-0.9</b>	<b>1.2</b>	<b>1.3</b>	<b>-7.4</b>	<b>1.2</b>	<b>-1.5</b>	<b>4.5</b>	<b>4.0</b>	<b>-3.5</b>	<b>3.0</b>	<b>4.3</b>
Revision from previous forecast	-3.4	0.0	0.6	2.3	-4.1	0.1	0.0	0.0	-1.7	-2.0	-1.1	0.0	-4.7	-0.5	-1.1

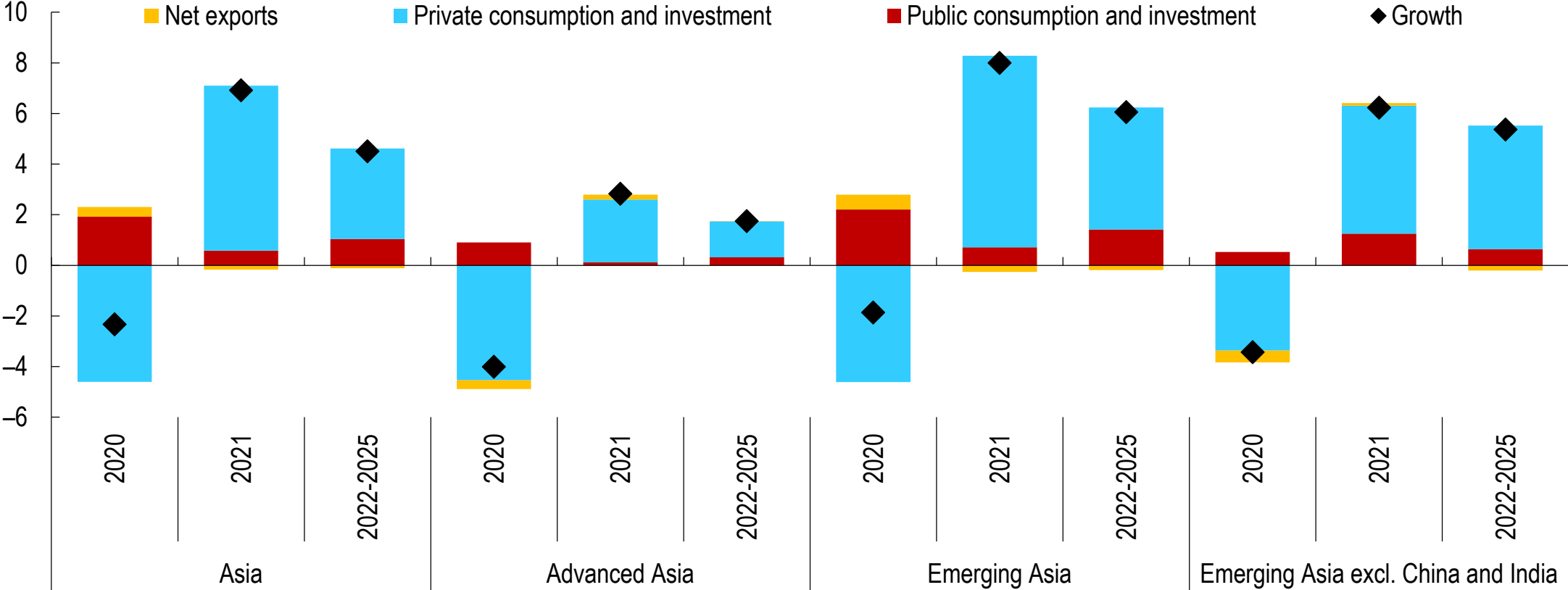
Source: IMF *World Economic Outlook*.

Note: Projections based on October 2020 Vintage of WEO. Figures for Tonga are on a fiscal year basis. Previous forecast was April, and, for selected economies, there was a June update.

# Will handover from public to private demand be smooth?

## Selected Asia: Contributions to Projected Growth

(Percentage points, year-over-year)



Sources: IMF, World Economic Outlook database; and IMF staff calculations.

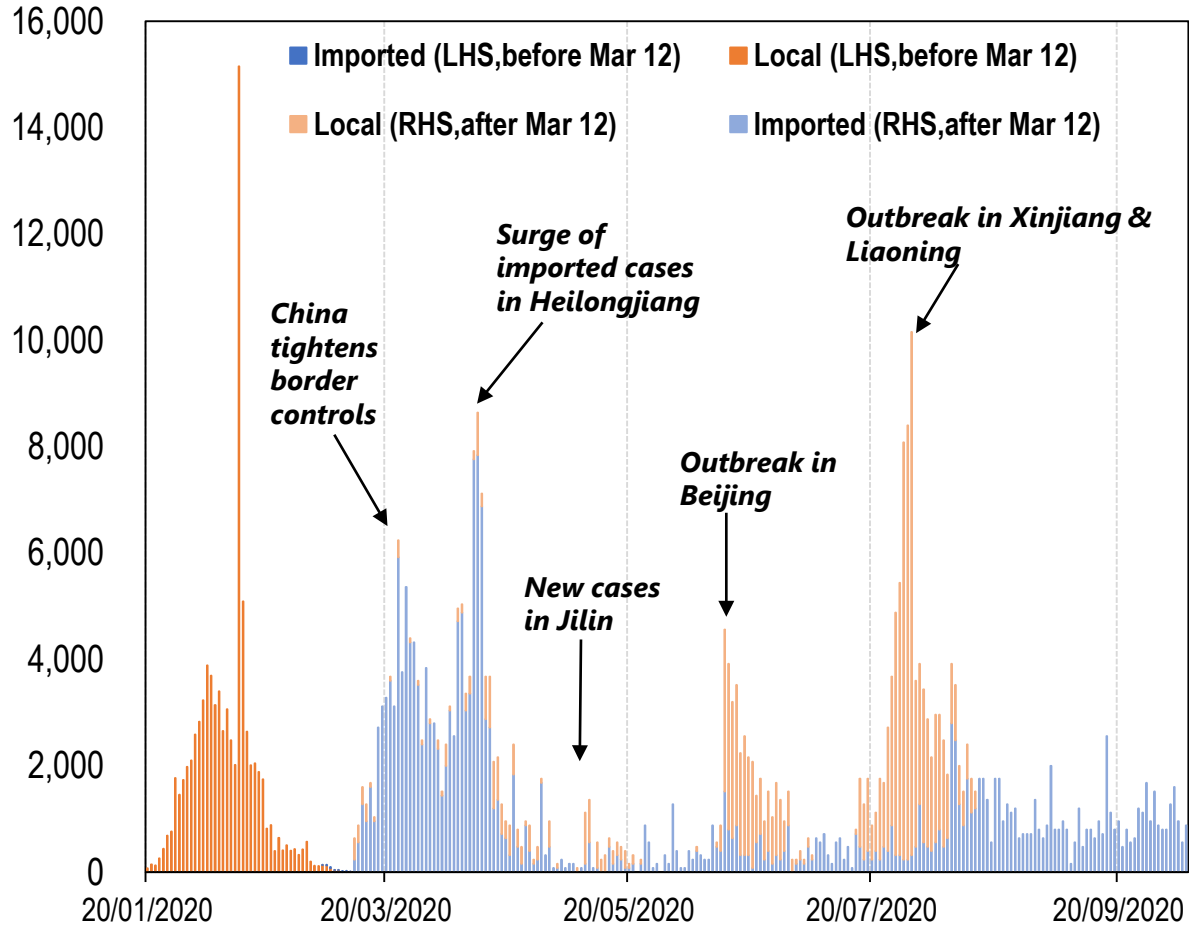
Note: Latest projections as of October 2020 WEO. 2022-2025 is average. Asia includes Australia, China, Hong Kong SAR, India, Indonesia, Japan, Korea, Malaysia, New Zealand, Philippines, Singapore, Taiwan Province of China, Thailand, and Vietnam. Advanced Asia includes Australia, Hong Kong SAR, Japan, Korea, New Zealand, Singapore, and Taiwan Province of China, while Emerging Asia includes the rest of the economies.



## Country-Specific Developments

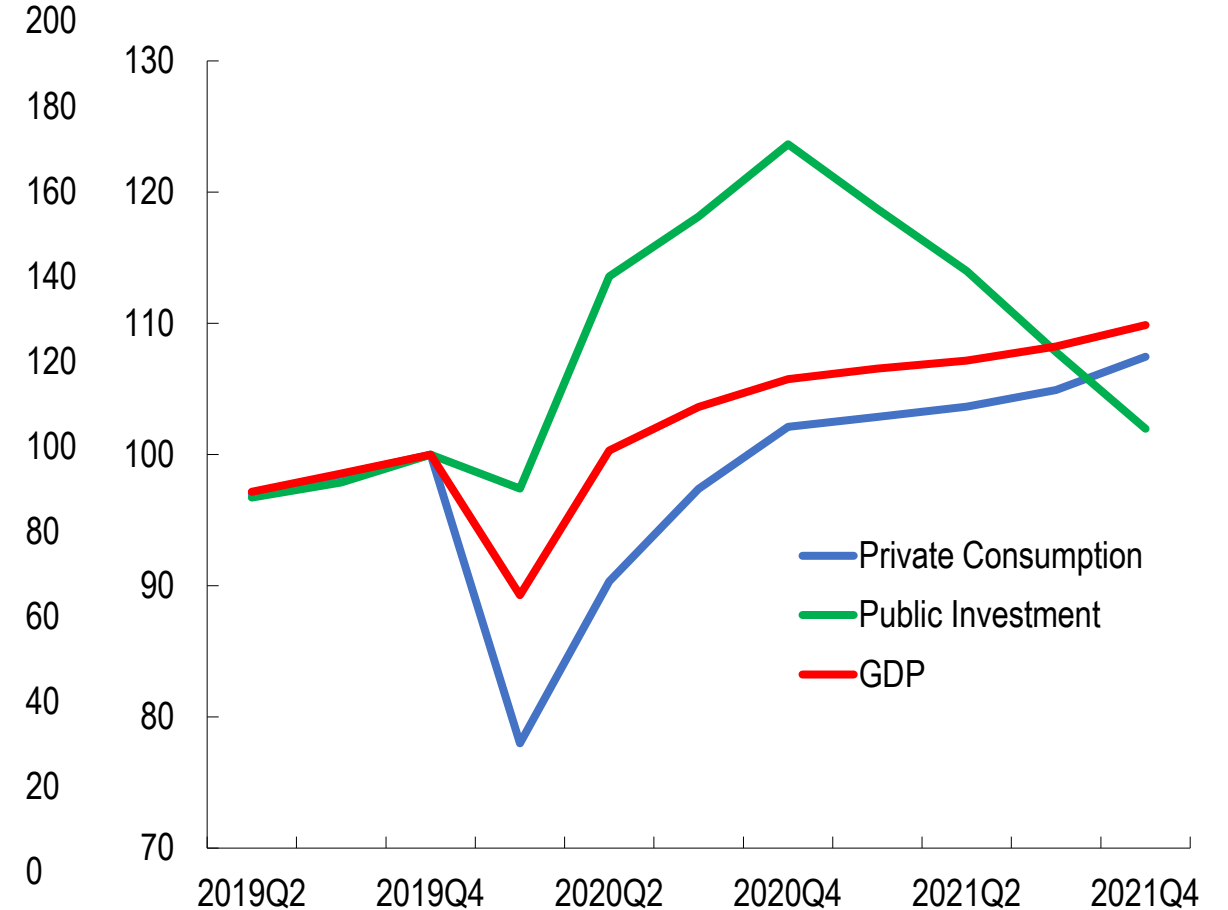
# China: Handoff from stimulus- to private-demand-driven recovery

## Daily Confirmed Covid-19 Cases in China



Source: China National Health Commission

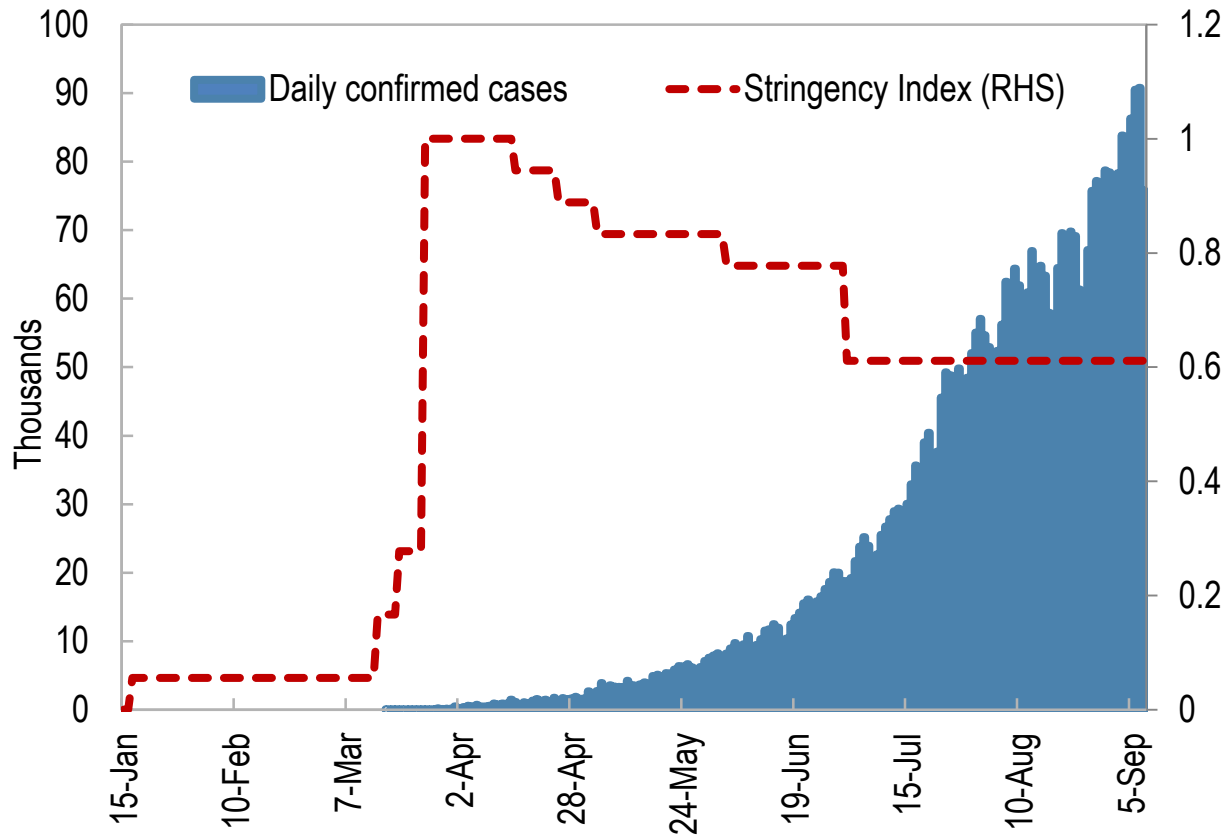
## Growth Forecast (2019Q4=100)



Source: China National Bureau of Statistics and IMF staff estimates.

# India: Policies cushion the slowdown, but more support needed

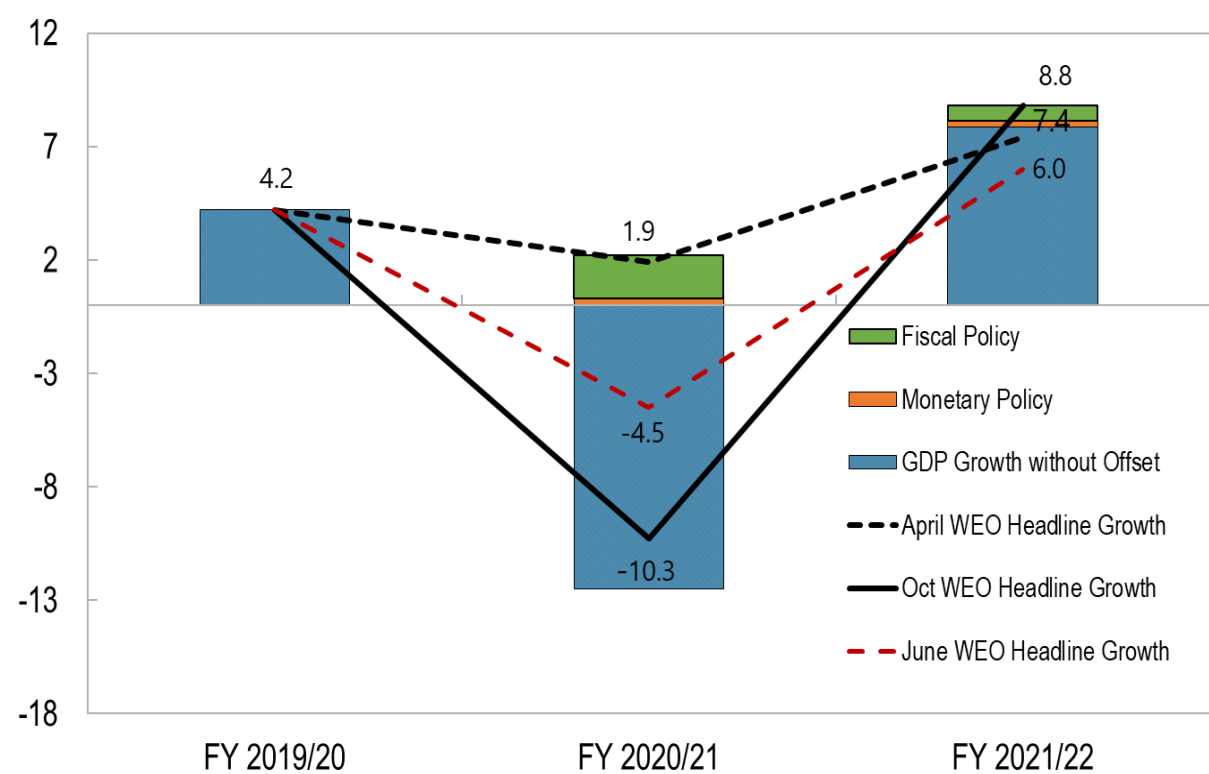
## COVID-19 Daily Cases and Stringency of Containment Measures



Sources: CEIC, and IMF staff calculation.

## India: GDP Growth Decomposition

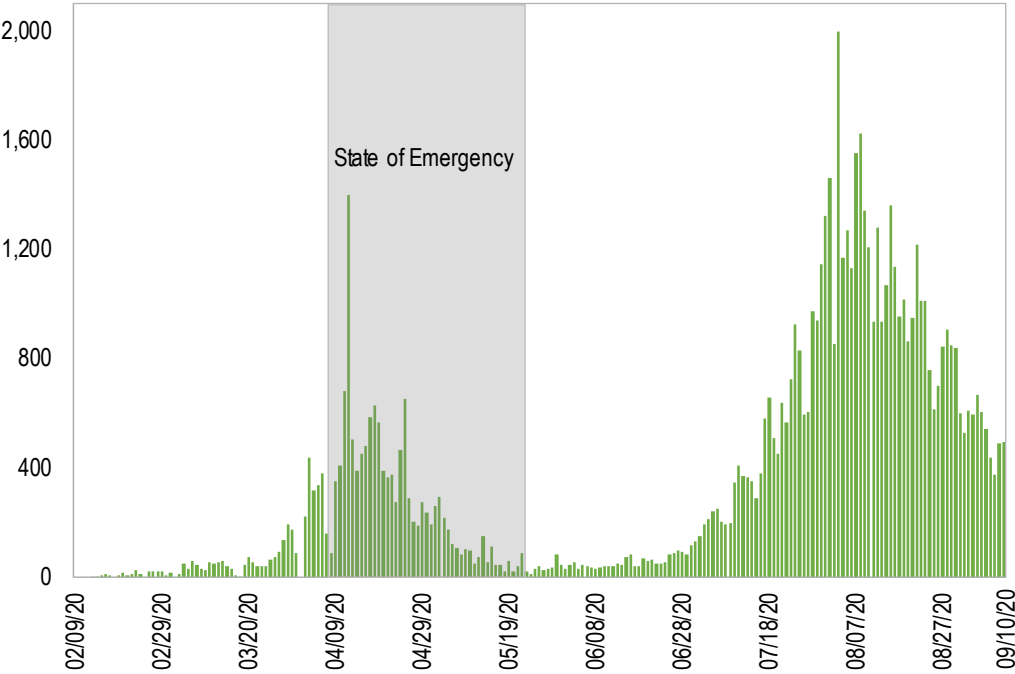
(In percent)



Sources: IMF World Economic Outlook, and staff estimates.

# Japan: Aggressive policy response supports economic outlook

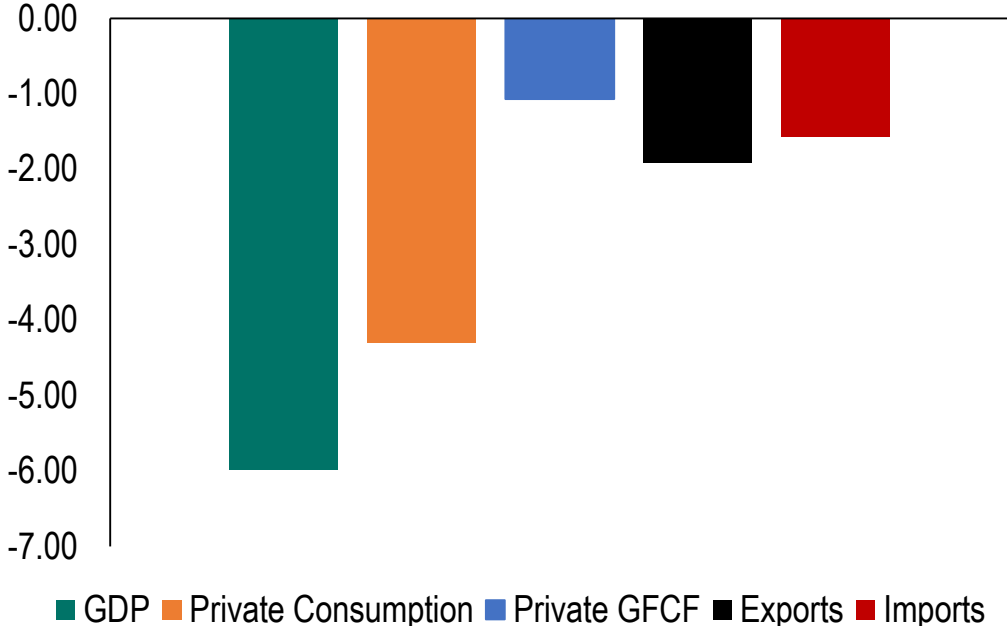
### Japan: Daily New COVID-19 Cases



Source: Our World in Data COVID-19 Dataset; and IMF staff.

### JPN: Contributions to 2020 Growth Revision

(October WEO- Jan WEO)

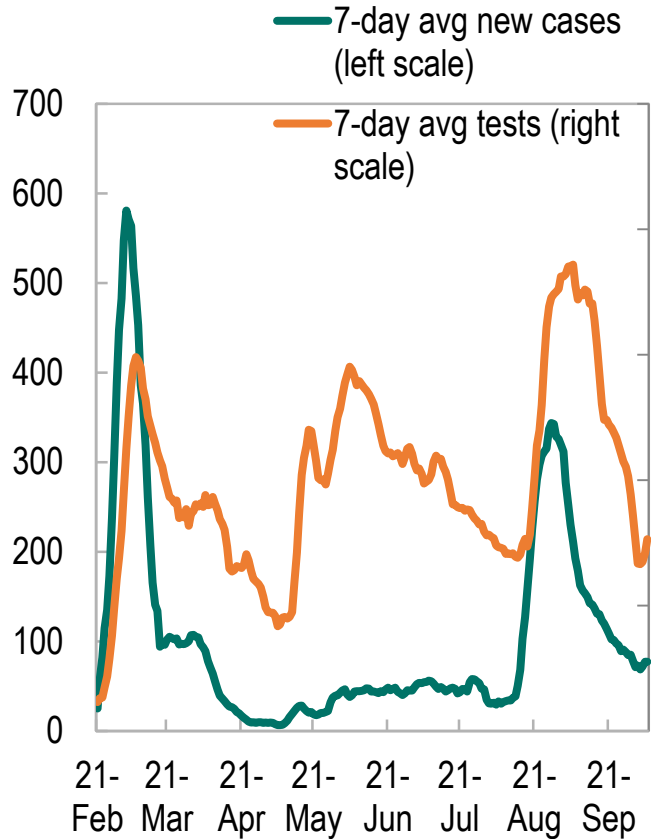


Sources: WEO October 2020; and IMF staff estimates.  
Note: GFCF corresponds to "Gross Fixed Capital Formation"

# Korea: Containment & policy support mitigate COVID impact

## COVID-19 Cases and Testing

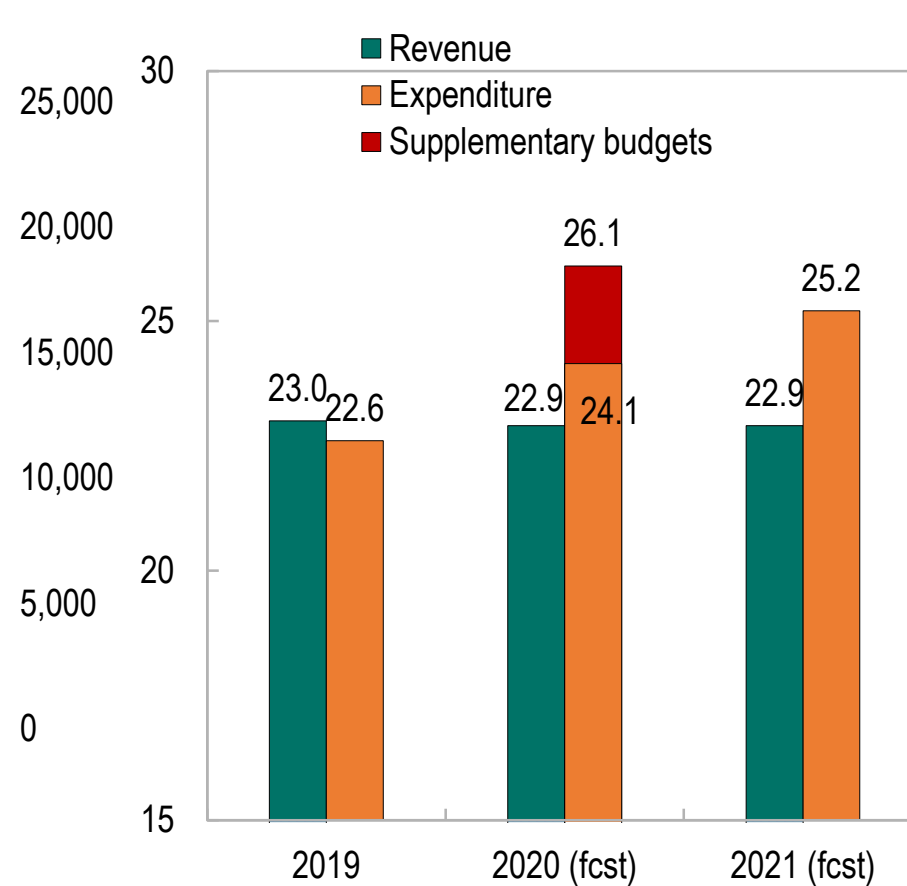
(7-day averages)



Sources: National authorities; and IMF staff calculations.

## Central government finances

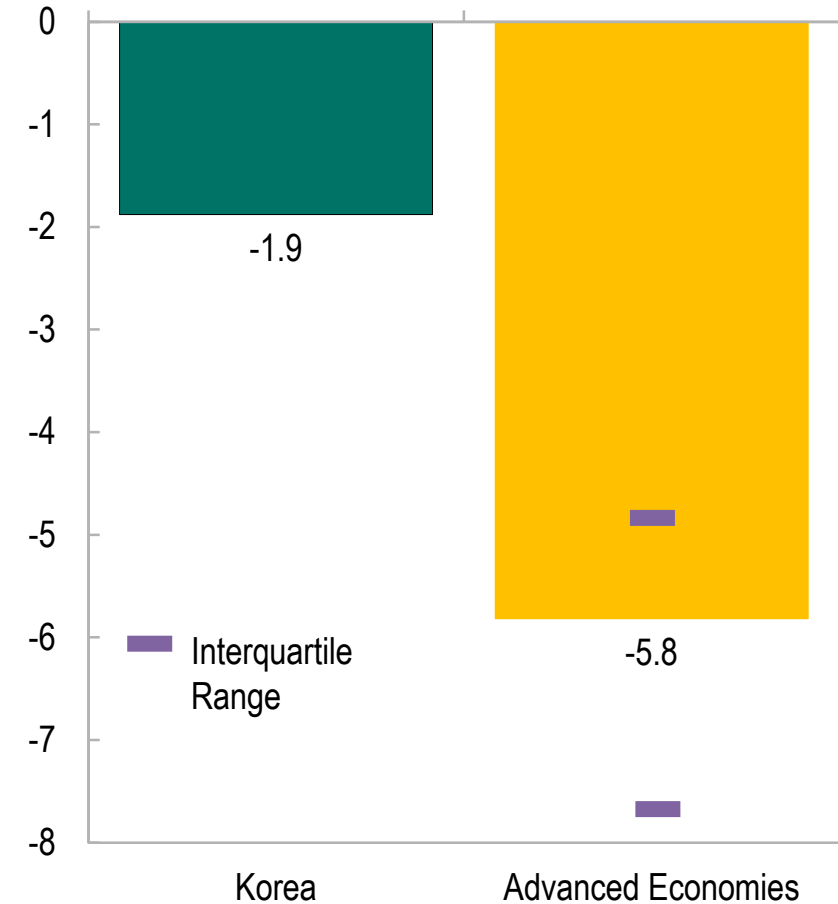
(percent of GDP)



Sources: IMF staff calculations.

## Real GDP Growth Forecasts

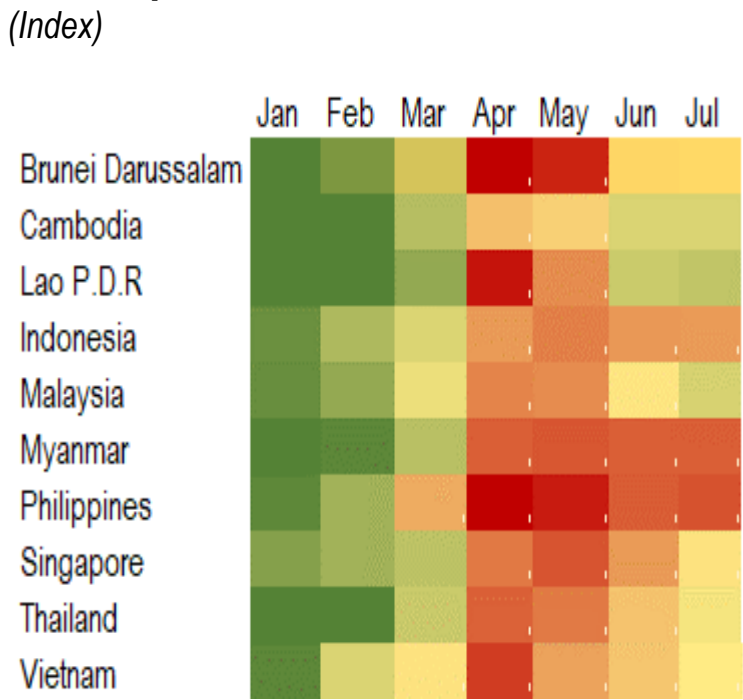
(2020)



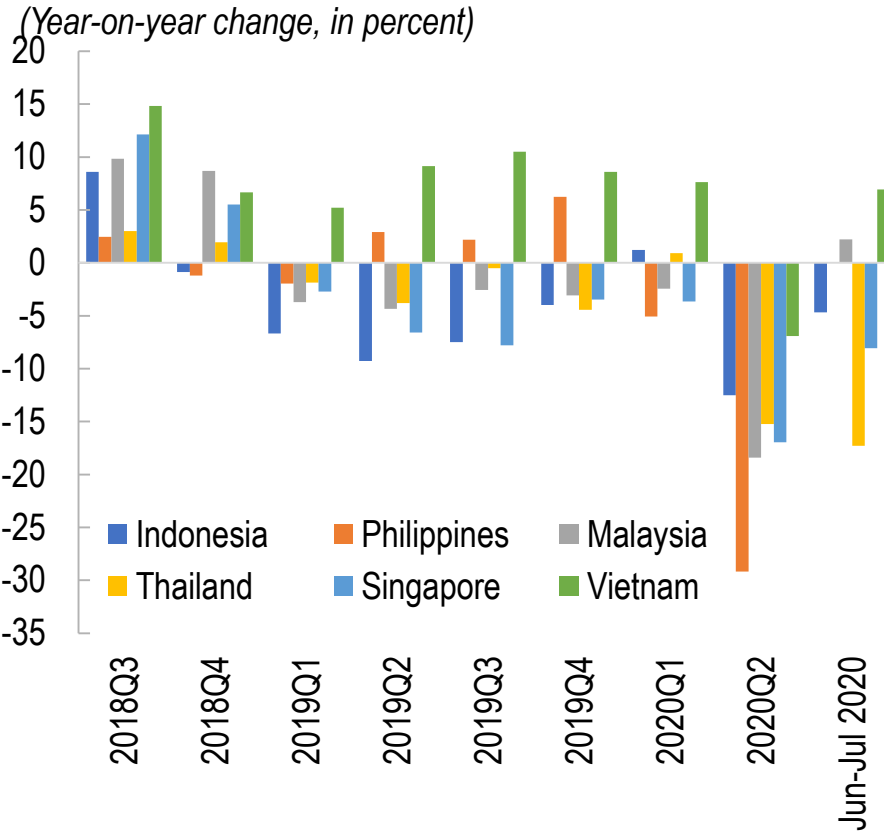
Sources: IMF. World Economic Outlook.

# ASEAN: Growth hit by stringent lockdown & external demand

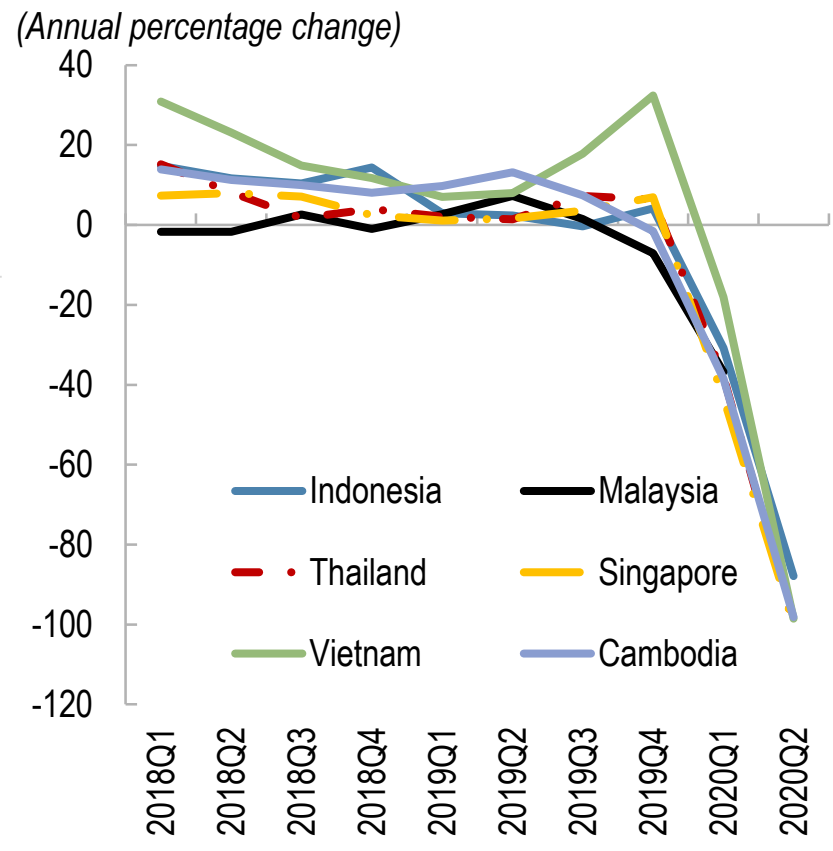
**Stringency of Containment Measures Heatmap**  
(Index)



**Exports in Goods Growth, Selected ASEAN Countries**  
(Year-on-year change, in percent)



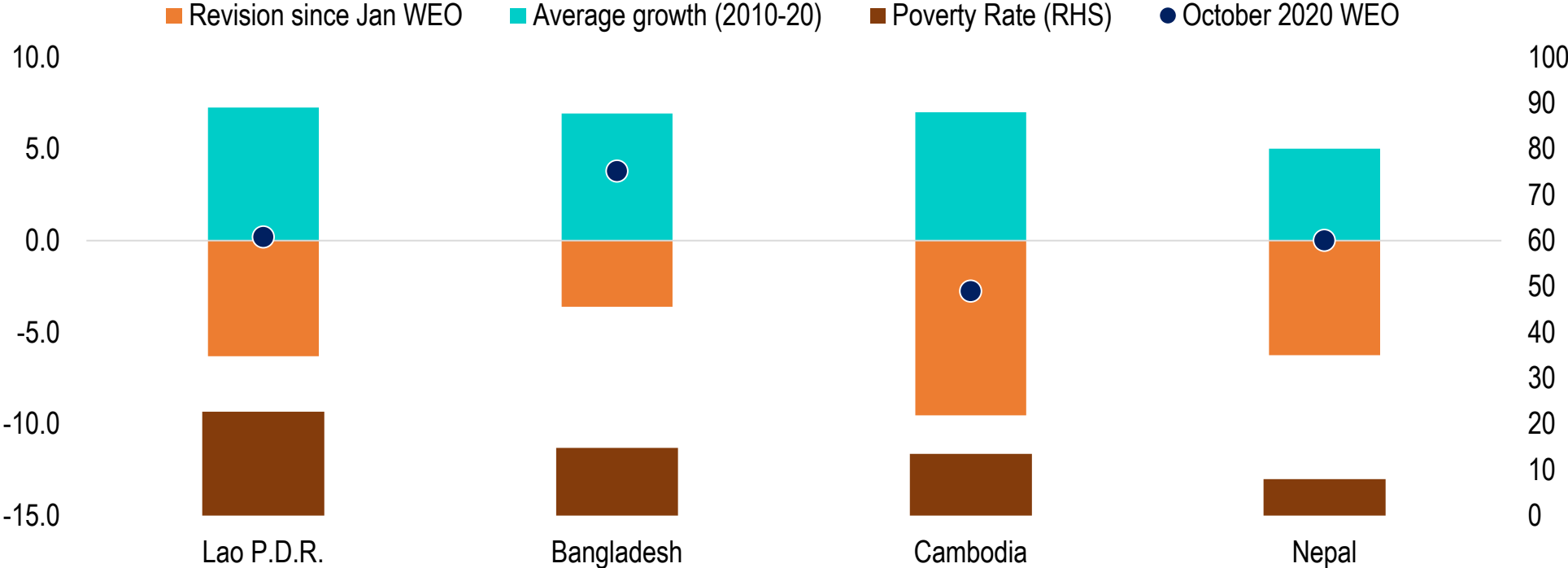
**Tourist Arrivals, Selected ASEAN Countries**  
(Annual percentage change)





# CLMV: Sharp decline in growth puts livelihoods at risk

## Real GDP Growth and Poverty Rate\* Comparison, 2020

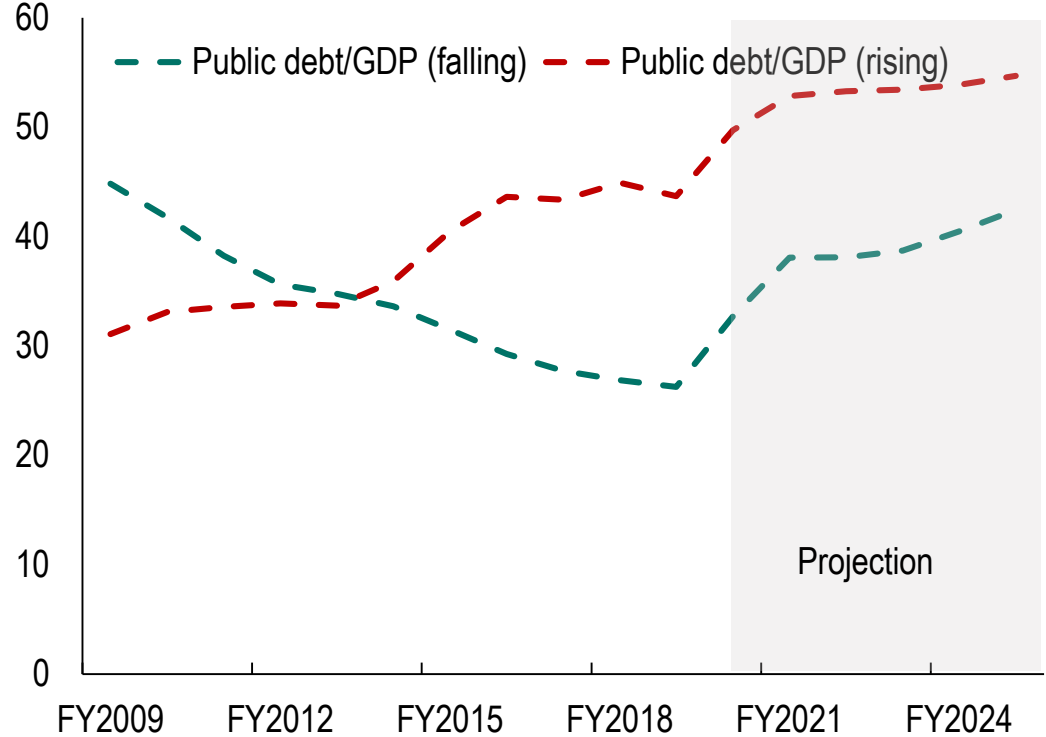


Source: IMF World Economic Outlook database, World Bank WDI and National Authorities.  
Note: Poverty Rate for latest year available: KHM-2014, LAO-2012, NPL-2019 and BGD-2016.  
Bangladesh's data is for fiscal year starting July 1 and ends June 30.

# Pacific Islands: Debt sustainability is a key concern

**Public debt to GDP ratio: by subgroup <sup>1/</sup>**

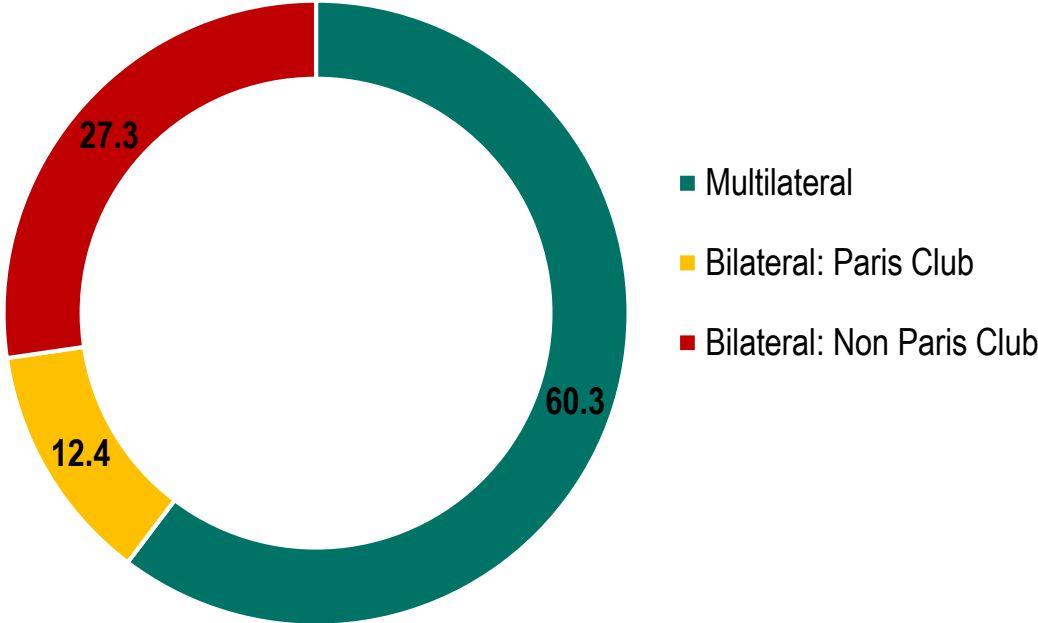
(In percent)



<sup>1/</sup> Debt falling: RMI, FJI, FSM, SLB.  
Sources: Country Teams.

**Debt composition by creditors <sup>1/</sup>**

(As of FY2019, In percent)

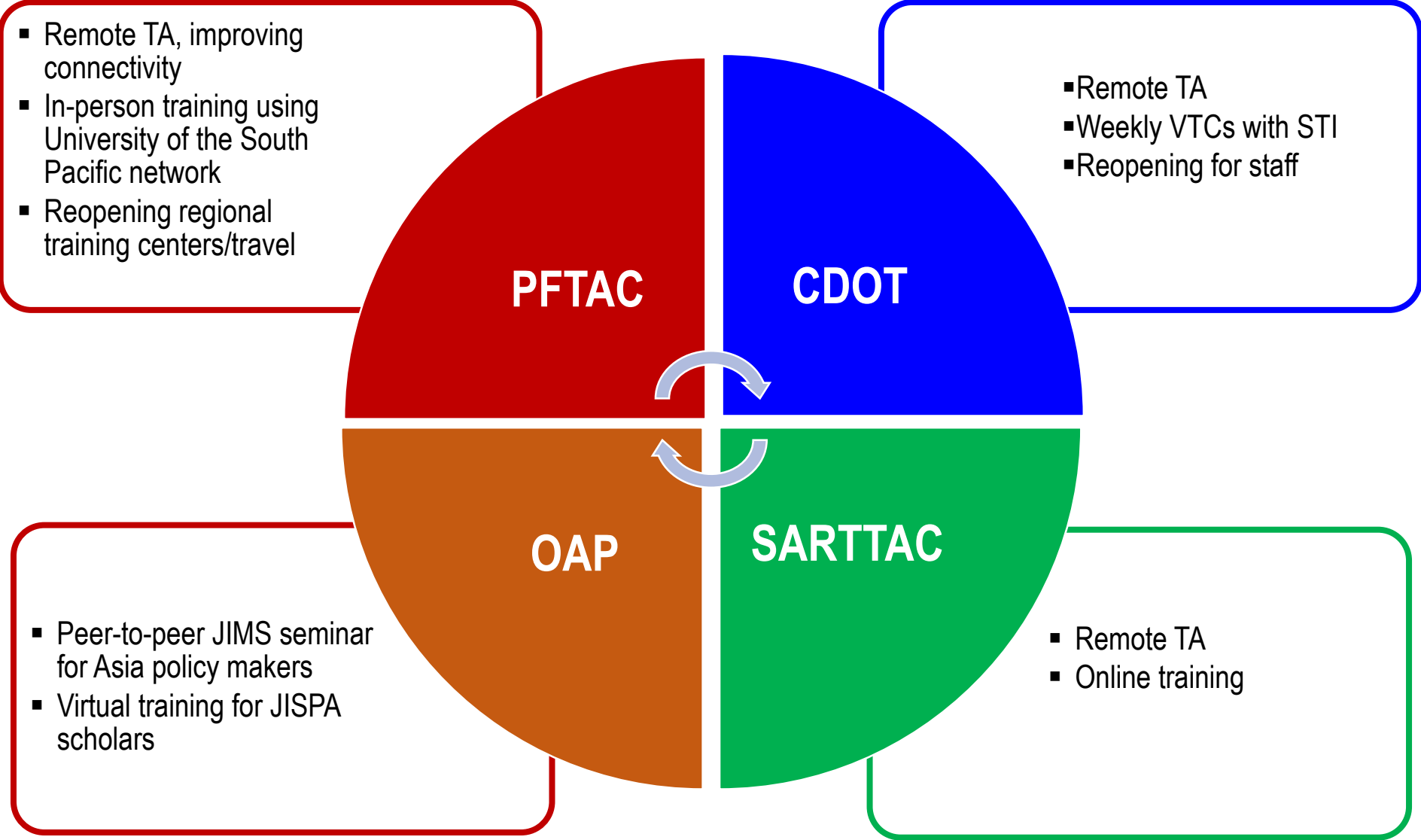


<sup>1/</sup> Nauru, Tuvalu are excluded. Marshall Islands and Micronesia (FY2018).  
Sources: Country Teams.



**IMF Support**

# Capacity development under COVID-19



Note: CDOT= Capacity Development Office Thailand; OAP= Regional Office for Asia and Pacific; PFTAC= Pacific Technical Assistance Center; SARTTAC= South Asia Regional Training and Technical Assistance Center; STI= Singapore Training Institute; JIMS= Japan-IMF Macroeconomic Seminar for Asia; JISPA= Japan-IMF Scholarship Program for Asia.





# Inequality and Social Unrest



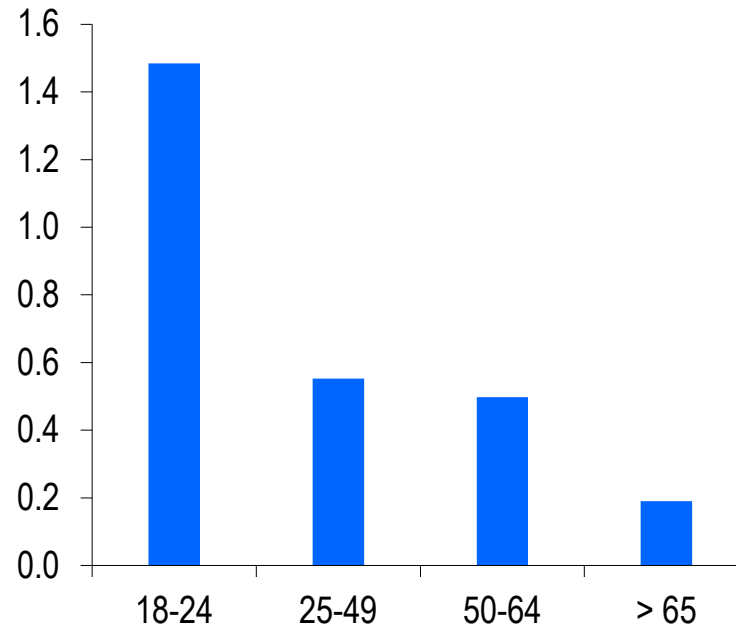
# Weak labor markets show signs of scarring

**Labor Force Participation Rate**  
(in percent)



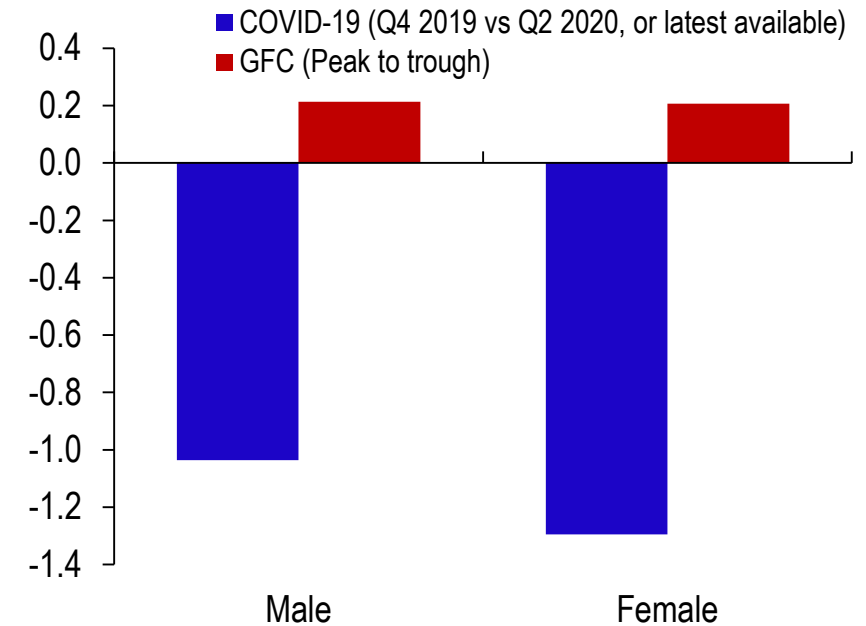
Source: Haver Analytics, IMF staff calculations.  
Note: Labor force participation rate for Asia refers to REO14, where available. Data available as of September 30, 2020.

**Asia: Change in Unemployment Rate by Age Cohort, Latest versus Pre-COVID**  
(median; in percentage points)



Source: Haver Analytics and IMF staff calculations.  
Note: Pre-COVID is 2019Q4 where quarterly data is available and Dec 2019 where monthly is available. Latest is the latest data point available post Feb 2020. Asia refers to Korea, Japan, Australia, New Zealand, Taiwan POC, Thailand.

**Asia: Change in Labor Force Participation Rate by Gender during Crises**  
(in percentage points)

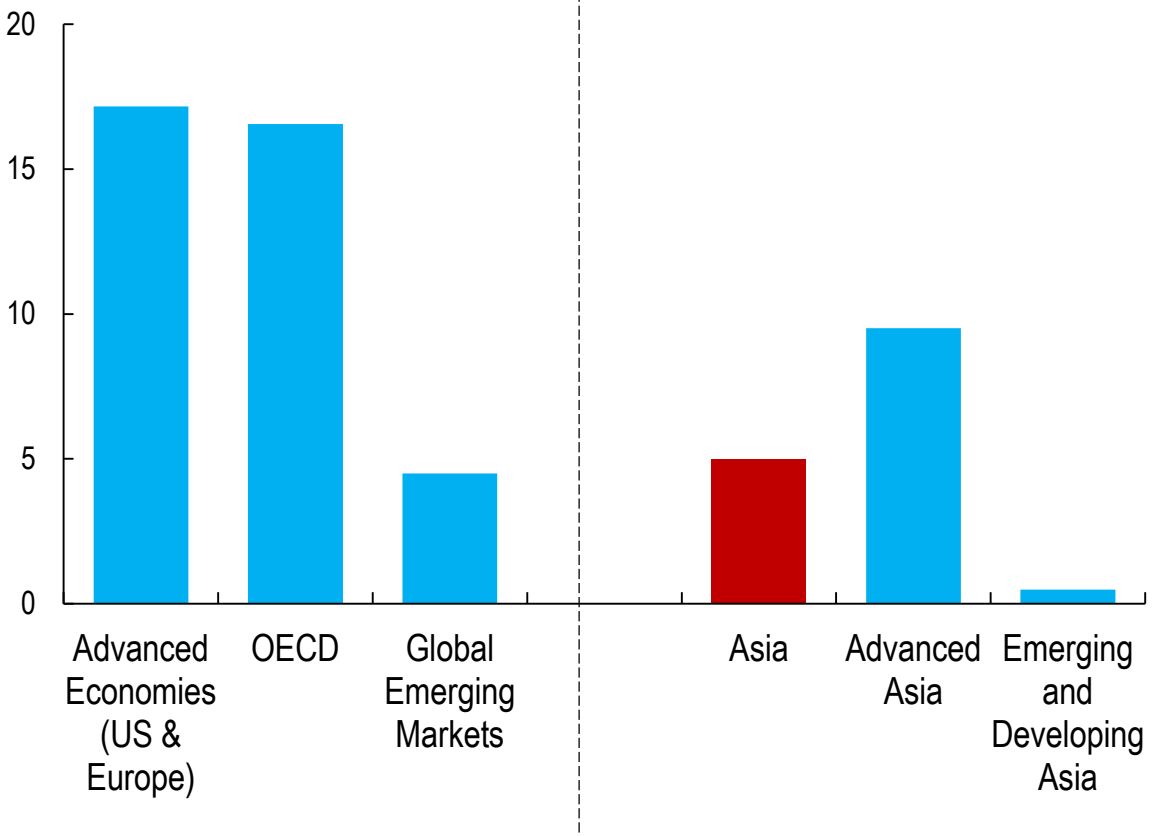


Source: Haver Analytics and IMF staff calculations.  
Notes: Asia refers to Australia, Japan, Korea, Singapore, Thailand and Philippines. Data are seasonally adjusted. For COVID-19, data are up to June 2020.

# High informality, limited redistribution will weigh on demand

## Redistribution: Regional Comparison

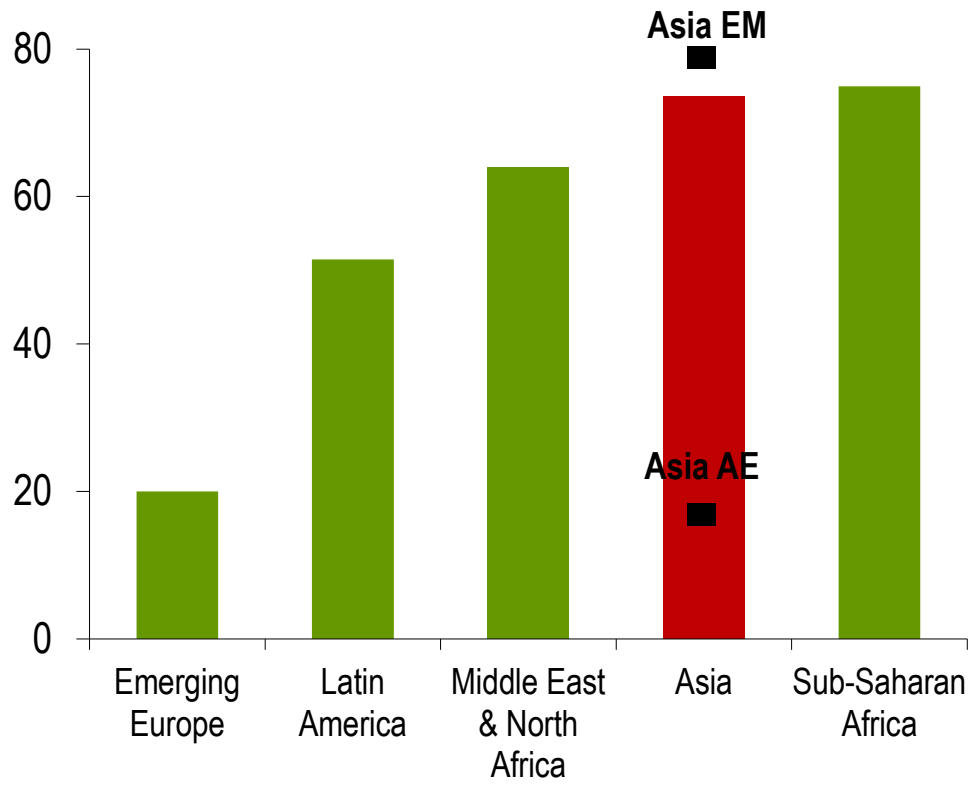
(in Gini points, 2016 or latest)



Source: SWIID v8.2, IMF staff calculations.  
 Note: Redistribution is computed as the difference between market Gini and net Gini. Market GINI is Gini calculated based on income before taxes and transfers. Net GINI is GINI calculated based on income after taxes and transfers.

## Share of Informal Employment: Regional Comparison

(percent of non-agricultural employment)

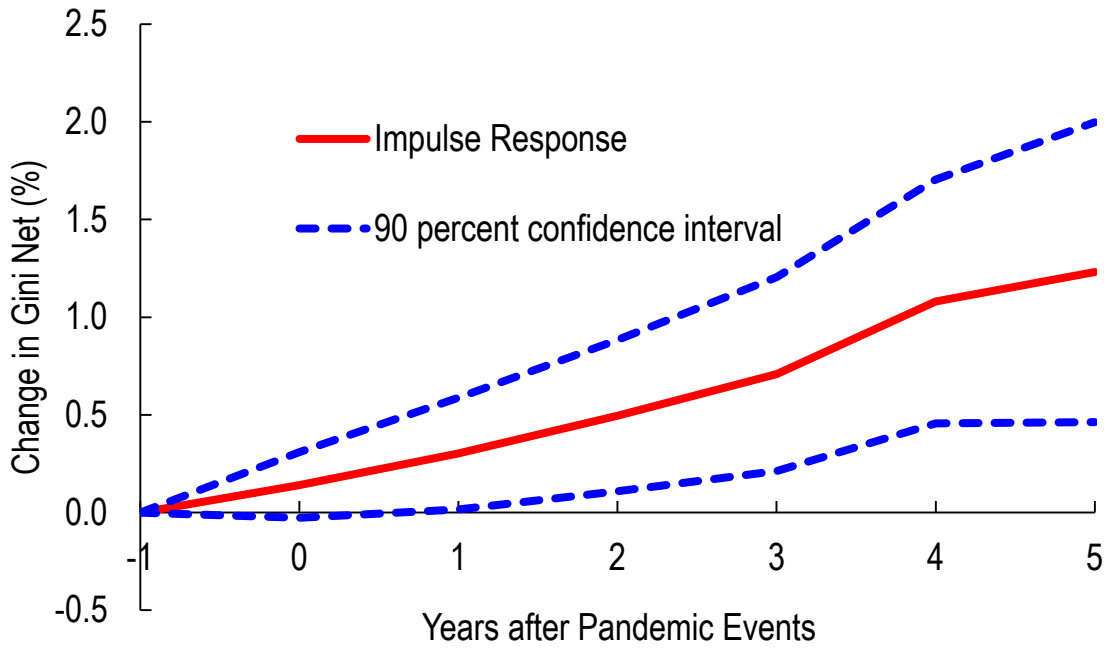


Note: Regional aggregation is based on population-weighted average. Asia AE includes Japan and Korea. Asia EM includes Bangladesh, Brunei Darussalam, Cambodia, India, Indonesia, Lao P.D.R., Maldives, Mongolia, Myanmar, Nepal, Sri Lanka, Thailand, Timor-Leste, Tonga and Vietnam.

# High and rising inequality increases risk of social unrest

## Average response net Gini to a pandemic for 175 countries, 1961-2017

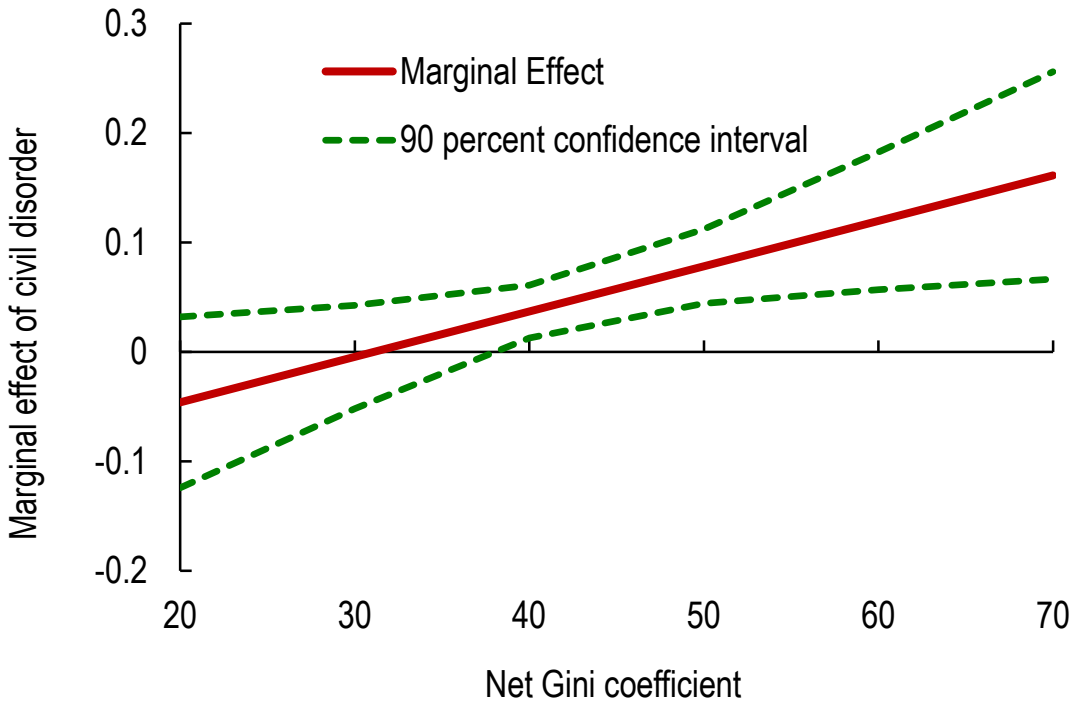
(with 90 percent CI; change in gini net; percent)



Source: Furceri, Loungani, Ostry and Pizzuto (2020).  
 Note: The chart estimates the average change in net Gini associated with a pandemic (impulse response functions and 90 percent confidence bands estimated using a sample of 175 countries over 1961-2017).

## Marginal Effect of Net Gini on Civil Disorder

(with 90 percent CI; ICRG sign inverted)



Source: ICRG and IMF staff calculations.  
 Note: Civil Disorder measures the potential risk to governance or investment from mass protest, such as anti-government demonstrations, strikes, etc. The score ranges from 0-4, where higher score means lower disorder. Given a non-linear relationship, the marginal effect of a 1-point (out of 100) increase in net Gini on Civil Disorder varies with the level with net Gini. Figure shows marginal effect of an increase in net Gini and 90 percent confidence intervals around the point estimates.



# Capacity development: program support priorities



**PNG:** PFM, revenue administration, bank supervision and regulation, and GFS



**WSM:** Tax revenue business continuity and insurance reform



**MDV:** Fiscal transparency, revenue administration, banking/insurance supervision, and national accounts



**MMR:** Revenue administration, expenditure reporting, financial reforms, and external debt statistics



**MNG:** Tax and customs administration