

Thank you, Chair.

The IMF would like to thank ESCAP members and its secretariat for giving us the opportunity to discuss our world economic outlook.

The Covid 19 pandemic and the lockdowns and restraints of economic activities taken to contain the pandemic have had grave impact on economic activities. In addition to tragic loss of lives, the year 2020 saw the shrinkage of world GDP by 3.5 percent, the largest shrinkage since the Great Depression in the late 1920s. Not only did Advanced economies shrink 4.9 percent, but even Emerging and Developing Economies, which continued to grow in most of past economic downturns, also shrank by 2.4 percent.

The crisis is far from over, and Governments need to continue to do what needs to be done to save lives and livelihoods. As fiscal resources are limited, the big near-term challenge is to determine when to start normalizing. At this juncture, the IMF is advising to avoid premature withdrawal of lifelines, and very gradually shifting to support reallocation of resources.

We have started to see some recovery, but the recovery is incomplete, uneven, and subject to tremendous uncertainty.

Even after we are successful in containing the pandemic, we will face plenty of policy challenges in the future.

First, the Pandemic has affected supply side capacity and will likely leave long lasting scars on economies. This has long-term potential growth implications: The world may not be able to go back to the pre-pandemic growth path.

For example, the decline in labor force participation, loss of educational opportunities that damage human capital, loss of business knowhow due to discontinued businesses, among

other things.

Also, the large buildup of debt, both Public and Private, will pose a big challenge. Here, on the private side, bankruptcy has been kept artificially low, in order to save livelihoods. But as extraordinary support policy normalizes, we will need to tackle the private sector debt overhang issue and the banking sector bad loan problem. We have observed that, after the past financial crises including the GFC, the recovery path will be dragged down and prolonged when there is an issue for financial stability.

We need strong, sustainable and inclusive growth, and the challenges ahead are daunting.

On the bright side, the world now seems to recognize more explicitly the need for a greener and more sustainable recovery. Public investments in these areas are expected to boost the economy and advance SDG objectives. In making these public investments, it would be better if the public investment has a crowding-in effect to encourage the private sector to invest, as well as to improve productivity. Also, spending wisely is very important and the IMF offers capacity development and technical assistance to help national governments to manage public finances and public investment more efficiently and effectively.

As another bright point, the world now seems to recognize more explicitly the need for international collaboration in the efforts above.

The IMF stands ready to support member countries through financial assistance, as needed, as well as with technical assistance and capacity development, including through workshops. Thank you very much.