Emerging from recent crises:
Understanding the macroeconomic context

Hamza Ali Malik
Director, Macroeconomic Policy and Financing for Development Division
Economic and Social Commission for Asia and the Pacific

The Third Ministerial Conference on Regional Economic Cooperation and Integration in Asia and the Pacific
Bangkok, 28-30 September 2022
Main messages

- Ongoing geopolitical uncertainties have disrupted the economic rebound from the impacts of the pandemic ... expect prolonged economic difficulties and (further) delays in progress towards the SDGs.

- Substantial fiscal and debt pressures along with rising inflation and increasing interest rates suggest limited policy space ... supporting economic recovery through macroeconomic policies would be challenging.

- Prioritize inclusive economic development, invest in resilience to economic and non-economic shocks, and “spend smartly” and “tax fairly”.

- Regional cooperation can facilitate in
  - strengthening integrated regional markets;
  - supporting those that are being left behind;
  - promoting joint response to shared challenges.
Economic rebound remains uneven and fragile

Note: Median of 13 developing Asia-Pacific countries for which data are available.
The crises will leave lasting scars on people and economies

- **Disruptions to labour markets** – erodes workers’ skills and reduce their chances of returning to the workforce
- **Lack of capital investments** – weaker future growth and less employment opportunities
- **Learning deficits** – long-term consequences on learning and earning potentials from prolonged school closures

Vulnerable groups and the poor are most affected

![Chart showing increase in poverty in 2021 due to the pandemic in Asia-Pacific]

Source: ESCAP estimates and projections.
Rising domestic inflationary pressures, together with monetary tightening in advanced economies, are leading to increases in interest rates.

Headline, core and food inflation in developing Asia-Pacific

Central bank interest rate decisions in developing Asia-Pacific countries

Source: Based on CEIC (accessed on 28 August 2022).

Note: Central bank interest rate decisions are based on policy rate data for 26 countries in developing countries in the Asia-Pacific region.
Fiscal space has dwindled, and debt sustainability concerns are on the rise

Fiscal balance projection for developing Asia-Pacific

Public debt-to-GDP ratio projections

Source: IMF, Fiscal Monitor Database, April 2022
### How to respond? – Some economic policy considerations

<table>
<thead>
<tr>
<th>Prioritize inclusive development</th>
<th>Strengthen economic resilience</th>
<th>Spend smartly</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Protect and strengthen public spending on health, education and social protection.</td>
<td>• Invest in resilience and sustainable development to reduce pre-existing vulnerabilities.</td>
<td>• Improve efficiency and effectiveness of public spending in generating developmental payoffs.</td>
</tr>
<tr>
<td>• Support labor markets and promote job-rich economic transformation.</td>
<td>• “Mitigating setbacks” is equally important as “accelerating growth”</td>
<td>• Prepare projects in advance during normal/stable times for countercyclical spending.</td>
</tr>
<tr>
<td>• Redistribute through progressive taxation and targeted fiscal transfers.</td>
<td>• Strengthen institutional and governance capabilities to be better prepared for shocks.</td>
<td>• Leverage digital technology and data for targeting and fiscal disbursements.</td>
</tr>
<tr>
<td>• Explore inclusive central banking options.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
How can regional economic cooperation and integration help?

**Support vulnerable countries and groups**
- Expand regional health and vaccine cooperation for robust economic recovery and a safe transition towards living with COVID-19.
- Promote multistakeholder debt discussions to bring all stakeholders together for innovative and effective debt relief solutions.

**Strengthen integrated regional markets**
- Support regional tourism recovery; it’s an essential economic lifeline for many smaller and vulnerable Asia-Pacific countries and poor population groups.
- Strengthen trade and investment cooperation, especially through regional value chains.

**Promote joint responses to shared challenges**
- Encourage coordination on economic and fiscal policies for climate action and a transformation towards green economies.
- Strengthen regional tax cooperation to combat tax base erosion and international harmful tax practices.
Further Readings:

- Emerging from recent crises: understanding the macroeconomic context
- Economic and Social Survey of Asia and the Pacific 2021: Towards post-COVID-19 resilient economies
- Economic and Social Survey of Asia and the Pacific 2022: Economic policies for an inclusive recovery and development

Follow us

- www.unescap.org
- unescap
- unitednationescap
- united-nations-escap
- unescap
- unescap