“BUILDING FORWARD BETTER” POLICY PACKAGE:
COUNTRY PERSPECTIVES

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OECD, DEV

5 May 2021
South-East Asia Policy Dialogue
Economic and Social Survey of Asia and the Pacific
2021
Outline

- Comments on the Survey 2021
- 6 policy challenges for Southeast Asia
Growth prospects in ASEAN

Real GDP growth rate of ASEAN-10, 2019-21

<table>
<thead>
<tr>
<th>Year</th>
<th>ASEAN-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>4.7</td>
</tr>
<tr>
<td>2020</td>
<td>-3.4</td>
</tr>
<tr>
<td>2021</td>
<td>5.1</td>
</tr>
</tbody>
</table>

*Note: Data are as of 5 January 2021. Emerging Asia is comprised of the ASEAN-10 member countries, plus China and India. Data for India and Myanmar relate to fiscal years. The projections for China, India and Indonesia for 2020 and 2021 are based on the OECD Economic Outlook, December 2020.*

*Source: OECD Development Centre.*
Substantial employment impact

Changes in unemployment around recession periods in selected ASEAN economies, 1991-2020

- Change in unemployment rate during the recession
- Change in unemployment rate during the year following the end of the recession
- Change in unemployment rate between 2019Q4 and 2020Q2 (COVID-19 crisis)

Percentage points

<table>
<thead>
<tr>
<th>Year</th>
<th>Malaysia</th>
<th>Philippines</th>
<th>Singapore</th>
<th>Thailand</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009Q1-2009Q3</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>(Global financial crisis)</td>
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<tr>
<td>1991Q2-1991Q3</td>
<td>0</td>
<td>3</td>
<td>-1</td>
<td>0</td>
</tr>
<tr>
<td>(Asian financial crisis)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1998Q2-1998Q4</td>
<td>-2</td>
<td>-1</td>
<td>0</td>
<td>-1</td>
</tr>
<tr>
<td>(Dot-com bubble)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2001Q3-2002Q1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>(Global financial crisis)</td>
<td></td>
<td></td>
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<tr>
<td>2008Q3-2009Q2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>(Global financial crisis)</td>
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<tr>
<td>2008Q4-2009Q3</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>(Global financial crisis)</td>
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</tbody>
</table>

Note: Recessions are defined as two consecutive quarters of negative real GDP growth. The horizontal axis reports the starting and ending quarter of the recession. Data on quarterly GDP growth for Malaysia are only available starting from Q1 2001. Data on the quarterly unemployment rate in Thailand are not available for the period Q2 1997 to Q4 1998, which has also been identified as a recession. “Change in unemployment rate during the recession” refers to the difference between the unemployment rate prevalent in the ending quarter of the recession and the unemployment rate prevalent in the starting quarter. “Change in the unemployment rate during the year following the end of the recession” refers to the difference between the unemployment rate four quarters after the end of the recession and the unemployment rate prevalent in the ending quarter of the recession. The 1991 Philippine recession was triggered by a combination of fiscal imbalances and exogenous shocks, including worldwide interest rate increases and an unprecedented succession of natural disasters. Source: OECD Development Centre based on data from CEIC and national sources.
Policy challenges and responses

Reaction by

- Health
- Monetary &
- Fiscal policies
Policy response 1: Health

Scaling up current good practices: raising awareness about personal hygiene; shifting focus from treatment to prevention

Better allocation of resources: adequate supply of PPE; building more hospitals; training health professionals

Safe, efficient and equitable distribution of vaccines: steady and affordable supply of vaccines; appropriate logistical infrastructure with cold-storage facilities

Dealing with uncertainty (new virus mutations): ability to respond to a quick deterioration of the health situation due to the continuous emergence of new virus mutations
Policy response 2: Monetary

- **The scope for additional rate cuts is limited** in most countries => The focus of monetary policy could shift from lowering interest rates to improving policy transmission.

- **Quantitative easing (QE) and a yield curve control (YCC) policy** are potential avenues, but they have limitations.

- **Several other options**: using the natural rate of interest as a supplementary benchmark for monetary policy, shifting to “average inflation targeting”, etc.
Policy response 3: Fiscal

— The pandemic will leave a lasting mark on public finances in the region

— The key focus in 2021 will be stabilising budget deficits, debt burdens and debt servicing costs

— With narrower fiscal space, fiscal support should become more targeted → improving fiscal multipliers is essential for maximising the effectiveness of scarce resources
Reallocation resources for digitalisation in response to COVID-19

- Digital health
- E-learning
- Industry 4.0
Interest in digital health increases as COVID-19 cases rise

Interest in telehealth and cumulative confirmed cases of COVID-19 in selected ASEAN economies, February-November 2020

Source: OECD Development Centre based on data from Johns Hopkins University and Google Trends (accessed on 8 December 2020).
Usage of telemedicine platforms soars during pandemic

Daily active users of telemedicine platforms in Indonesia and Singapore, March 2020
Percentage increase versus 2019 average

Internet usage varies by level of educational attainment and income

Internet usage by level of education and income in selected Emerging Asian economies, 2019

Note: Data refer to percentage of people who use the Internet at least occasionally or report owning a smartphone.
Source: Pew Research Centre (2020).
Policy response 4: Digital health

- **Regulatory framework**: define clear rules and regulations for the practice of telemedicine; strengthen data protection rules

- **Reimbursement rules**: simple reimbursement rules; expansion of coverage by insurance policies

- **Overcome technical and infrastructure barriers**: reliable infrastructure; Internet coverage; upgrade health workers’ technical skills

- **Equitable distribution of digital health benefits**: access to reliable, affordable and easy-to-use equipment; education campaigns

- **Strengthen cybersecurity**: critical infrastructure technology; robust cybersecurity safeguards; regional co-operation
Internet availability and quality differs among Emerging Asian countries

Fixed broadband subscriptions and speed in selected Emerging Asian economies

Note: Data on fixed broadband subscriptions are as of 2019, except for Myanmar (2018) and world average (2018). Data on fixed broadband speed (download) are as of September 2020.

Source: OECD Development Centre based on data from World Bank and Speedtest Global Index.
Policy response 5: E-learning

- **ICT infrastructure and access to the Internet and digital devices must be expanded**: data access; devices; coverage and capabilities of Internet networks

- **Ensuring quality of online education**: student retention; exam administration; subjects with practical components

- **Upgrading teachers’ and instructors’ digital skills is essential**: adjust school curricula; lifelong learning

- **Technical and vocational education and training (TVET) could support the recovery**: digitalisation of TVET; TVET quality frameworks
### Policy response 6: Industry 4.0

**Measures to support Industry 4.0:**
- Industry 4.0 faces country-specific challenges
- Several initiatives to spur digitalisation

<table>
<thead>
<tr>
<th>Country</th>
<th>Initiative</th>
</tr>
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<tbody>
<tr>
<td>ASEAN-5</td>
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<tr>
<td>Indonesia</td>
<td>IoT Smart Machine</td>
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<tr>
<td>Malaysia</td>
<td>National Economic Recovery Plan (PENJANA)</td>
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<tr>
<td>Philippines</td>
<td>Small Enterprise Technology Upgrading Programme (SET-UP)</td>
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<tr>
<td>Thailand</td>
<td>Saphan Digital</td>
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<tr>
<td>Viet Nam</td>
<td>Digital transformation campaign</td>
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<tr>
<td>Brunei Darussalam and Singapore</td>
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<tr>
<td>Brunei Darussalam</td>
<td>eKadaiBrunei</td>
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<tr>
<td>Singapore</td>
<td>Stay Healthy, Go Digital</td>
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<td>China and India</td>
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<tr>
<td>China</td>
<td>Action Plan to Digitalise MSMEs</td>
</tr>
<tr>
<td>India</td>
<td>Digitalising MSMEs</td>
</tr>
</tbody>
</table>

*Source: OECD Development Centre based on various national sources.*
Thank you very much

February 2021 release –
Economic Outlook for Southeast Asia, China and India 2021: Reallocating resources for digitalisation

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