Emerging from recent crises: Building forward fairer

Shuvojit Banerjee
Officer-in-Charge, Macroeconomic Policy and Analysis Section, Macroeconomic Policy and Development Division, ESCAP

2022 SPECA Economic Forum
16-17 November 2022, Almaty, Kazakhstan
Main messages

▪ The economic rebound from the impacts of the pandemic has been disrupted by ongoing geopolitical uncertainties which are expected to continue, prolonging economic challenges and further constraining progress towards the SDGs

▪ Rising inflation and associated increases in interest rates are likely to dampen economic prospects, adversely affecting the poor and posing additional fiscal challenges

▪ Fiscal and debt pressures have increased, suggesting limited policy space to support inclusive economic recovery and sustainable development

▪ Economic policies need to be people-centric, and not just promote GDP growth.
Economic rebound remains uneven and fragile

Sectoral growth recovery in developing Asia-Pacific

Developing Asia-Pacific output loss

Total output loss in 2020-2022 is $2 trillion

40
50
60
70
80
90
100
110

2019-Q4
2020-Q1
2020-Q2
2020-Q3
2020-Q4
2021-Q1
2021-Q2
2021-Q3
2021-Q4
2022-Q1
2022-Q2

Change relative to pre-pandemic level

Trillions of United States dollars

2017
2018
2019
2020
2021
2022

GDP for developing Asia-Pacific countries if following previous trend
Forecasted GDP for developing Asia-Pacific countries 2020-2022

Source: Based on CEIC (accessed 26 August 2022).
Note: Median of 13 developing Asia-Pacific countries for which data are available.
Geopolitical uncertainties have compounded economic challenges

Impact channels from the geopolitical uncertainties:

- Higher global commodity prices
  - Higher inflation
  - Higher import bill
  - Larger fiscal subsidies
    - Higher financing cost
    - Weaker domestic demand
    - Policy rate hike

- Weaker global demand
  - Lower exports and investments
    - Higher unemployment
    - Lower tax revenue
    - Larger fiscal support
  - Lower remittances and tourism earnings
    - Weaker domestic demand

- Higher economic uncertainty
  - Capital outflows and volatility
    - Lower asset prices
    - Tighter financial conditions
    - Weaker domestic demand
  - Limited access to global financial markets
    - Higher financing cost

Source: UNESCAP (2022), The War in Ukraine: Impacts, exposure and policy issues in Asia and the Pacific.
Easing restrictions supported growth in many economies while several were impacted by geopolitical uncertainties in the first half of 2022.
Inflationary pressures have reached double digits in several economies, surpassing central bank targets, leading to interest rate hikes.

6-month average headline inflation and latest headline rates (Aug/Sep 2022)

- Tajikistan
- Uzbekistan
- Azerbaijan
- Kyrgyzstan
- Kazakhstan

Source: Based on CEIC. Latest data is September 2022 with the exception of Tajikistan for which latest data is as of July 2022.

Central bank interest rate decisions in developing Asia-Pacific countries

Source: Based on CEIC (accessed on 28 August 2022).
Note: Central bank interest rates decisions are based on policy rate data for 26 countries in developing countries in the Asia-Pacific region.
High inflation will hold back an already fragile recovery and push millions more into poverty

**Potential impact on GDP and consumption from higher oil price on Asia-Pacific economies**

**Number of people falling into poverty globally from impact of soaring food and energy prices**

Source: ESCAP estimates

Source: UNDP, 2022. Addressing the cost-of-living crisis in developing countries: Poverty and vulnerability projections and policy responses
Higher interest rates will shrink fiscal space and bring debt sustainability concerns to the fore.

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

<table>
<thead>
<tr>
<th>Prioritize inclusive development</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Protect and strengthen public spending on health, education and social production</td>
</tr>
<tr>
<td>▪ Support labor markets and promote job-rich economic transformation</td>
</tr>
<tr>
<td>▪ Redistribute through progressive taxation and targeted fiscal transfers</td>
</tr>
<tr>
<td>▪ Explore inclusive central banking options</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Strengthening economic resilience</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Invest in resilience and sustainable development to reduce pre-existing vulnerabilities</td>
</tr>
<tr>
<td>▪ “Mitigating setbacks” is equally important as “accelerating growth”</td>
</tr>
<tr>
<td>▪ Strengthen institutional and governance capabilities to be better prepared for shocks</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Spend smartly</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Improve efficiency and effectiveness of public spending in generating development payoffs</td>
</tr>
<tr>
<td>▪ Prepare projects in advance during normal/stable times for countercyclical spending</td>
</tr>
<tr>
<td>▪ Leverage digital technology and data for targeting and fiscal disbursements</td>
</tr>
</tbody>
</table>
Addressing ongoing crises means addressing urban challenges

<table>
<thead>
<tr>
<th>70% of global:</th>
<th>Poorly planned and governed urbanization leads to:</th>
</tr>
</thead>
<tbody>
<tr>
<td>global energy consumption</td>
<td>spatial inequalities and social exclusion</td>
</tr>
<tr>
<td>greenhouse gas emissions</td>
<td>multidimensional poverty and high unemployment</td>
</tr>
<tr>
<td>resource use</td>
<td>slums, unaffordable and inadequate housing</td>
</tr>
</tbody>
</table>
‘Cities and communities’ are crosscutting across all SDGs

<table>
<thead>
<tr>
<th>Relevant Targets</th>
<th>RELEVENT TARGETS</th>
<th>RELEVANT TARGETS</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.1, 9.a</td>
<td>11.1, 11.2, 11.3</td>
<td>1.1, 1.2, 1.4</td>
</tr>
<tr>
<td>10.1, 10.2, 10.3, 10.4</td>
<td>12.1, 12.2, 12.3</td>
<td>2.2, 2.3</td>
</tr>
<tr>
<td>12.4, 12.5</td>
<td>13.1, 13.3</td>
<td>3.1, 3.2, 3.3, 3.7</td>
</tr>
<tr>
<td>14.1, 14.2, 14.3, 14.4</td>
<td>15.1, 15.2, 15.3, 15.5</td>
<td>4.1, 4.2, 4.3, 4.4, 4.5, 4.6, 4.7, 4.8, 4.a, 4.b, 4.c</td>
</tr>
<tr>
<td>16.1, 16.2, 16.3, 16.4, 16.5, 16.6</td>
<td>17.1, 17.2, 17.3, 17.4, 17.5</td>
<td>5.1, 5.2, 5.3, 5.4, 5.5, 5.6, 5.7, 5.8, 5.9, 5.b, 5.c</td>
</tr>
<tr>
<td>17.8, 17.17, 17.19</td>
<td>18.1, 18.2, 18.3, 18.4, 18.5, 18.6, 18.7, 18.8, 18.9, 18.10</td>
<td>6.1, 6.2</td>
</tr>
</tbody>
</table>

**11 Sustainable Cities and Communities**
Urban policies for inclusive development, resilience, and smart spending

Socio-economic challenges
- Facilitate and support affordable and barrier-free housing
- Limit exclusionary housing market practices
- Enhance urban finance

Climate and Environment
- Plan and build with climate and natural disaster resilience in mind
- Compact and well-managed cities are the most sustainable for environment

Energy
- Increase reliance on renewable energy
- Invest in energy efficiency

Transportation
- Encourage “walkability” for all in planning and building
- Develop accessible and affordable public transport systems

Leverage smart city solutions
Further Readings:

• Economic and Social Survey of Asia and the Pacific 2021: Towards post-COVID-19 resilient economies | ESCAP (unescap.org)

• Economic and Social Survey of Asia and the Pacific 2022: Economic policies for an inclusive recovery and development | ESCAP (unescap.org)

• The war in Ukraine: impacts, exposure and policy issues in Asia and the Pacific | ESCAP (unescap.org)

Follow us

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