



Economic outlook for 2020 and 2021

Economic output is unlikely to return to pre-pandemic levels across most Emerging Asian economies in 2021. The outlook varies greatly among countries depending on factors such as the length and severity of restrictions and lockdowns, differing initial conditions and economic structures, and government capacity to support households and businesses. Lingering health concerns and government restrictions have weakened consumer spending. Subdued global growth has also weakened the external sector's contribution to growth in Emerging Asia. Nearly all countries are expected to experience a deterioration of their current account balance, with the sharpest corrections in countries highly dependent on tourism and exports. Lockdowns have led to more significant job losses than in past recessions. Finally, risks to the inflation outlook are broadly balanced, as the pandemic-induced recession has left its mark on both global and domestic factors underpinning price developments.

Many obstacles pose a threat to the economic recovery. Until an effective vaccine against COVID-19 is widely available, viral transmission, including the emergence of more contagious strains, and high fatality rates, will continue to put considerable pressure on health care systems. They will also prevent a timely withdrawal of social restrictions and a return to normal economic conditions. Policy makers need to enhance their pandemic management strategies continuously throughout this period, guaranteeing efficient storage and equitable distribution of vaccines.

In addition, governments in the region have much less ammunition to ramp up countercyclical policy if recovery momentum falters. It is likely that the focus of monetary policy will change from further rate cuts to improving monetary policy transmission. Several alternative policy options could be considered. One is a monetary policy regime shift in the form of average inflation targeting, or using the natural interest rate as a supplementary reference of monetary policy. Moreover, a raft of support measures in 2020 has stretched budget deficits, constraining governments' capacity to engage in further fiscal expansion. With narrower fiscal space, policy makers should devote their attention to improving fiscal multipliers to achieve the dual objective of supporting the economy while restoring fiscal rectitude.

Reallocating resources for digitalisation in response to COVID-19: Health, education and Industry 4.0

Digital health was already an emerging policy priority in the region before COVID-19, and the pandemic has intensified its importance. Various initiatives are necessary to ensure the continuity of telemedicine as a viable alternative to traditional health care. Policy makers need to establish a clear legal framework for data protection. Moreover, simplifying reimbursement rules and expanding their coverage could accelerate telemedicine adoption and ensure its financial sustainability. In addition, policy makers need to overcome several technical and infrastructure barriers to the development and wider adoption of telemedicine and guarantee digital health benefits are equitably distributed.

The pandemic and subsequent government responses have disrupted or transformed the education of billions of students around the globe. Despite much progress in switching to a digital environment, a considerable amount of work remains to be done, including expanding information and communication technology (ICT) infrastructure and access to the Internet and digital devices. Many instructors and

teachers may need to upgrade their digital skills. And at a time when the pandemic is disrupting industries such as travel, tourism and hospitality, causing job losses, there is a significant demand to upskill and reskill adult workers. While lifelong learning programmes and the technical and vocational education and training (TVET) sector could provide this support, they must first adapt to the digital age.

Finally, the COVID-19 pandemic appears to be triggering the acceleration of the fourth industrial revolution. Industry 4.0 technologies have allowed firms to stay responsive to market needs. Several countries in Emerging Asia have taken decisive steps to support digitalisation during the pandemic. The most common measure has been to provide firms with incentives to encourage e-commerce adoption and the digitalisation of operations and trade channels. While the region faces common challenges to achieving Industry 4.0, country-specific challenges prevail. Greater regional co-operation is necessary to respond to increasingly sophisticated cyber threats and to strengthen cyber resilience in the region.

Contact: Kensuke Tanaka, Head of Asia Desk, OECD Development Centre (Kensuke.tanaka@oecd.org , tkensuke2017@gmail.com) and/or Prasiwi Ibrahim, Deputy Head of Asia Desk, OECD Development Centre (Prasiwi.ibrahim@oecd.org , Tel: +33.1.85.55.68.57)
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