



Asia-Pacific
Economic Cooperation

Uncertainty Tests APEC's Resilience amid COVID-19

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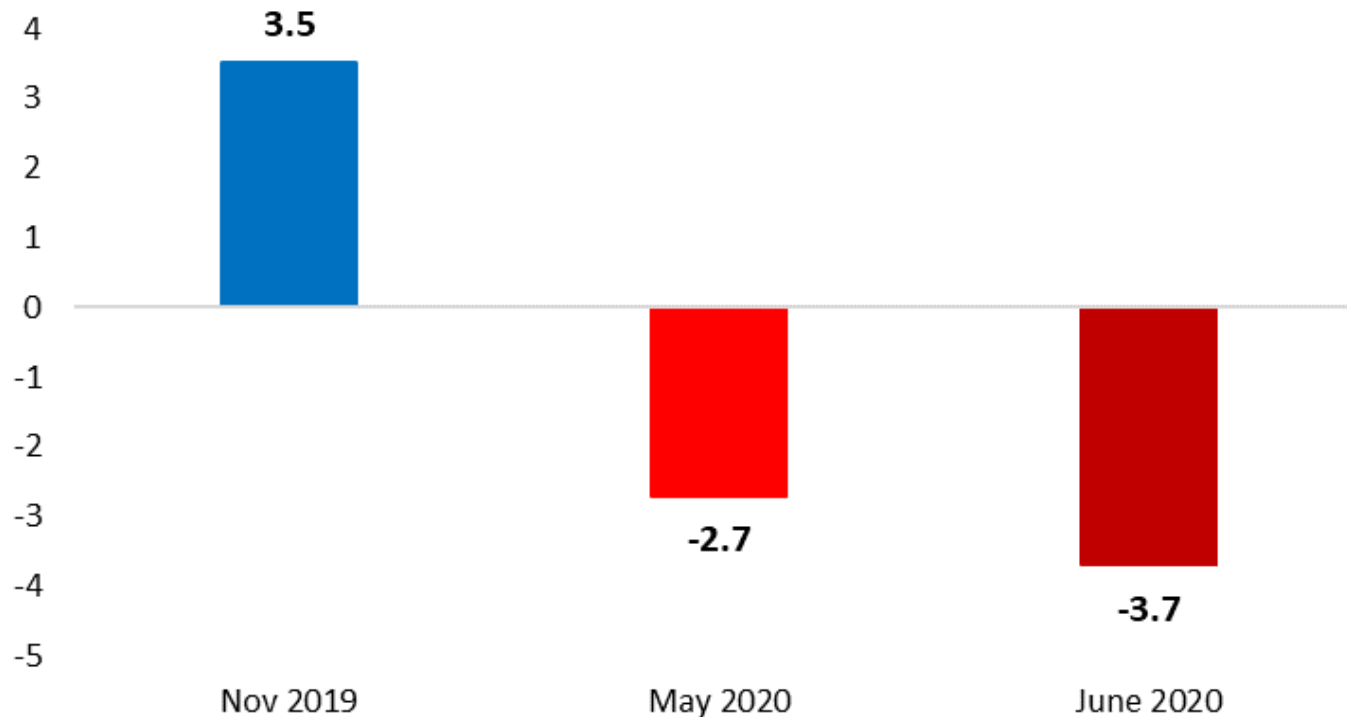
Advancing Free Trade
for Asia-Pacific Prosperity

APEC now projected to contract by 3.7% in 2020

Equivalent to an output loss of USD 2.9 trillion

- Deeper contraction due to the negative economic impact of COVID-19

APEC 2020 GDP Growth Projections

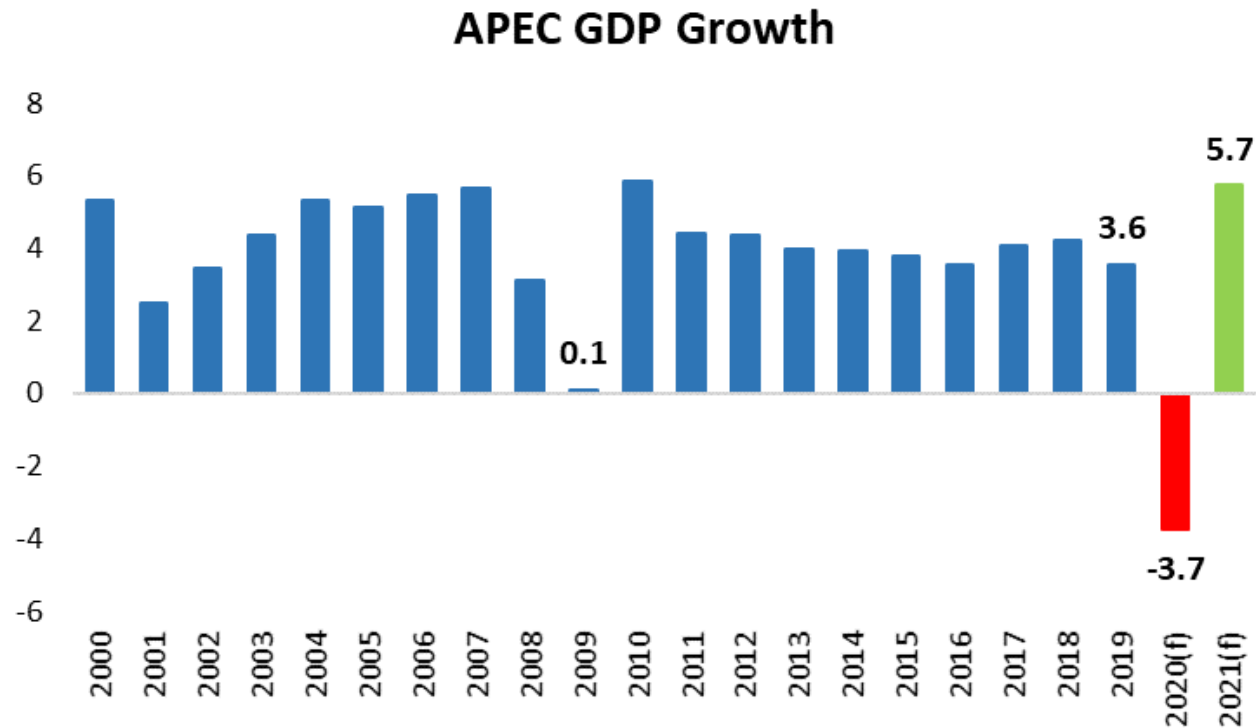


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Deeper contraction in 2020; slower recovery in 2021

Effectiveness of measures is key to recovery

- Economic rebound at 5.7% is projected in 2021, slower than the previous forecast of 6.3%, and **hinged on the effectiveness of containment and economic measures**

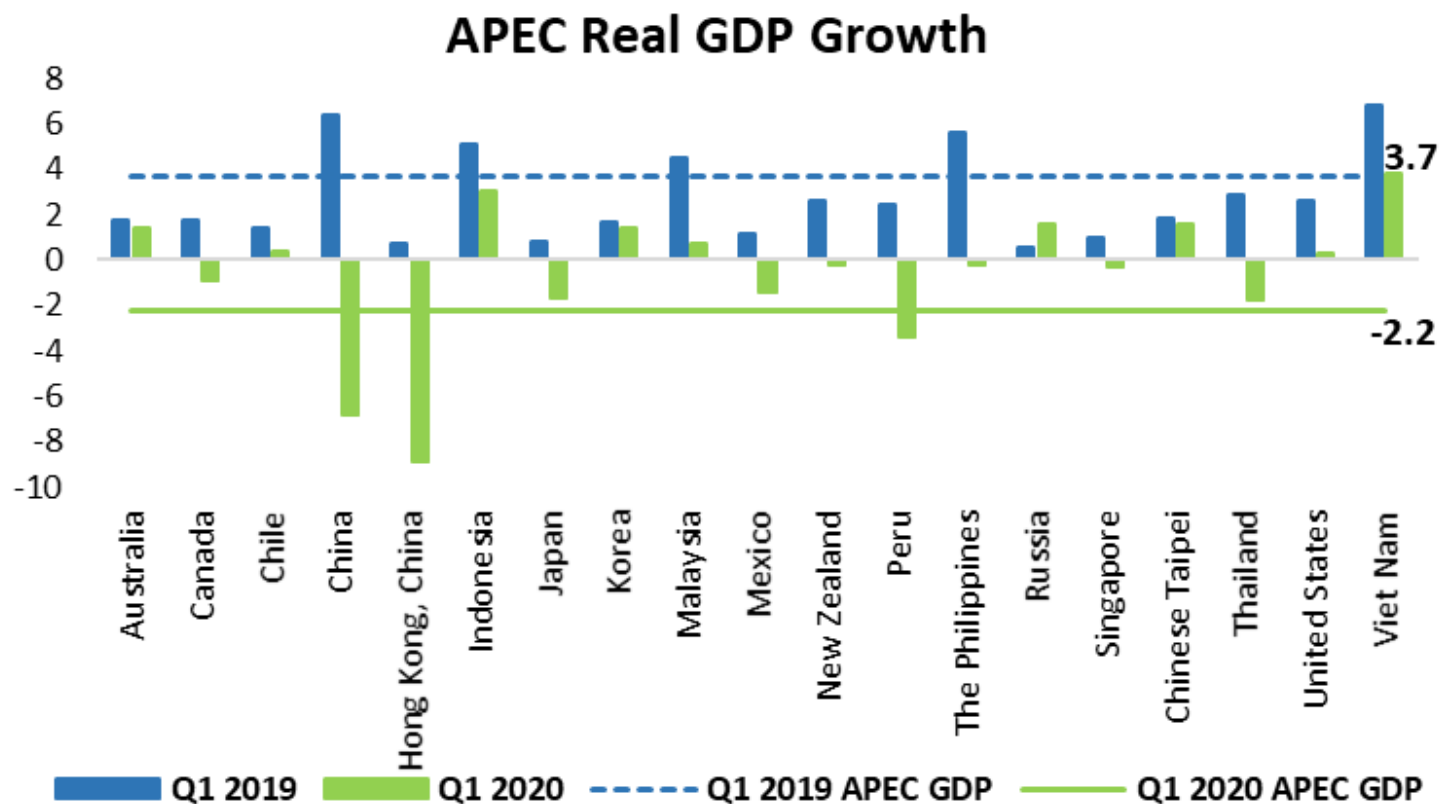


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Q1 2020 APEC GDP reflects economic fallout from COVID-19

GDP contracts by 2.2% from a growth of 3.7% in Q1 2019

- Travel restrictions and start of widespread lockdown measures ground economic activity to a near-halt

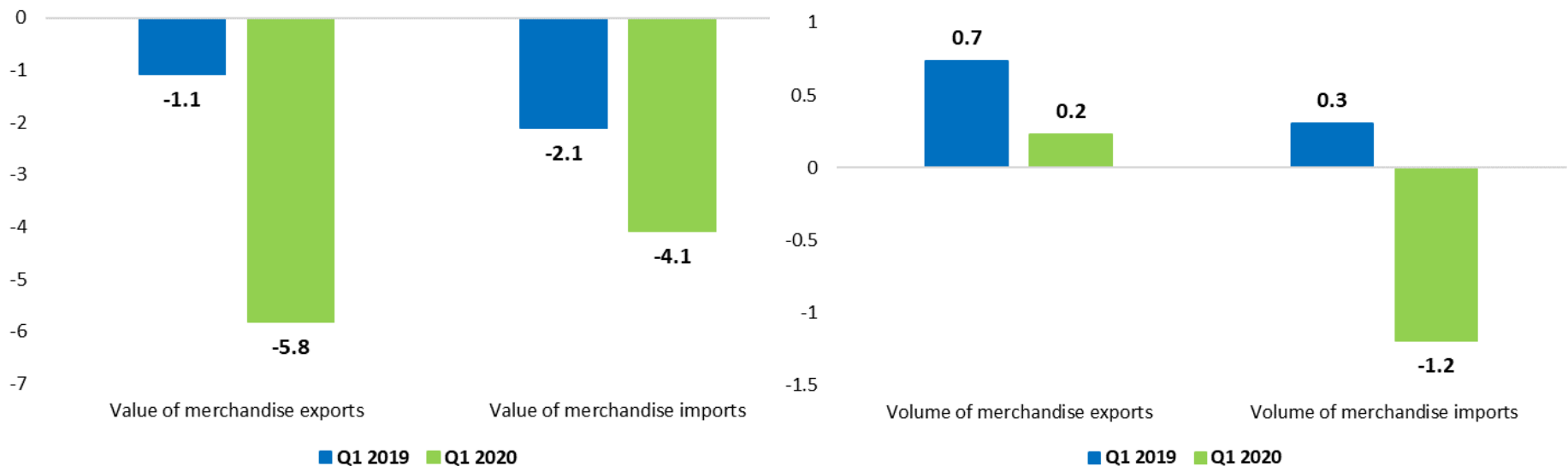


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Q1 2020 merchandise trade shows bigger contraction

Trade tensions combine with global supply chain disruptions

- Temporary restrictions imposed on food and medical supplies amid the pandemic further weakened trade

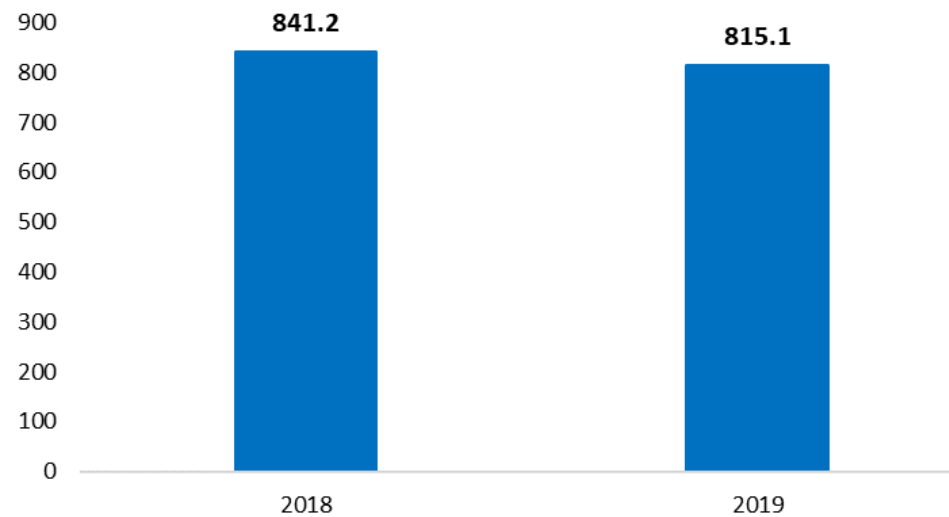


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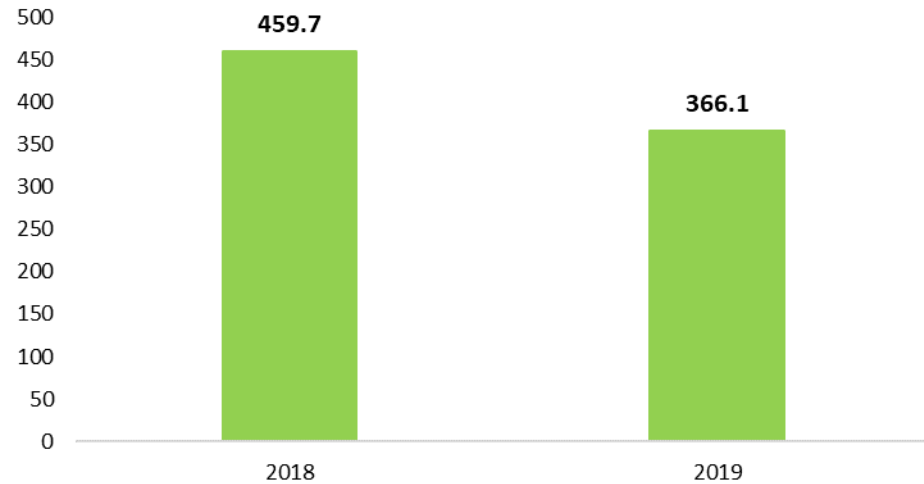
FDI inflows decrease; greenfield investments drop sharply

- FDI inflows to APEC declined by 3.1% in 2019, while greenfield investments dropped sharply by 20.4%

APEC FDI inflows



APEC greenfield investments



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Trade, investments and consumption expected to slow down in the near-term

- WTO expects **world trade to drop substantially in the 13–32 percent range in 2020**
 - The wide range reflects the extreme uncertainty regarding the severity and duration of the pandemic.
 - A steeper decline is anticipated for sectors with complex value chains, especially electronics and automotive, while services trade will be also directly affected.
- UNCTAD estimates a **reduction in global FDI flows by 40 percent in 2020**
 - Combination of demand and supply shocks adversely affecting earnings and investment decisions.
 - A further 5-10 percent decrease is projected for 2021.
- A **positive turnaround** in trade growth could happen in 2021 and a rebound for FDI could begin in 2022.
 - Depending on the pace of economic recovery and the direction of fiscal, monetary and trade policies.
- Demand shocks from containment measures and temporary border closures hit global consumption
 - Travel, tourism and **overall economic activity ground to a near-standstill**
 - As long as **uncertainty significantly and negatively feeds into consumer sentiments**, demand will remain subdued.



Economic measures amid COVID-19

APEC responded swiftly and significantly

FISCAL MEASURES

Strengthen health systems	Support for households	Support for businesses	Support for MSMEs
Medical supplies and equipment	Direct cash transfer	Wage subsidy	Low-interest lending facilities
Hospital capacity: isolation units, intensive care units	Unemployment insurance	Tax relief (reduction, refund, deferment)	Tax relief (reduction, refund, deferment)
Higher salary, hazard pay and life insurance for health workers	Subsidies (food, utilities, tuition fees, childcare services)	Loan restructuring/ moratorium and credit guarantee	Loan and credit guarantees
Mass testing, contact tracing, isolation	Moratorium on loans, credit card bills	Other subsidies (rent, utilities, social contributions)	Subsidies/deferments on rental and utilities
Updating data, monitoring cases	Work and training programs	Capital injections to specific sectors (e.g., aviation)	Debt refinancing/ forgiveness



Economic measures amid COVID-19

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MONETARY MEASURES

Conventional	Non-conventional	Others
Reduced monetary policy rates	Bond purchases (government and/or corporates)	Temporary relaxation of loan-loss provisioning requirements
Lower reserve requirement ratio	Bilateral swaps	Easier access to central bank facilities
Liquidity/credit-enhancing facilities		Mortgage forbearance
Expand list of eligible collateral		Waiving banking charges



Economic measures amid COVID-19

APEC responded swiftly and significantly

MACRO-FINANCIAL MEASURES

Regulatory forbearance	Macro-prudential measures
Loosen capital or regulatory requirement	Ease sectoral lending (e.g., microfinance, agriculture sector)
Temporary modification of loan classification	Increase lending growth
Debt relief/restructuring	
Extend period of loan deferments	



Role of regional cooperation towards economic recovery

Deeper contraction calls for decisive action

Current conditions

- **Deeper** economic contraction in 2020 and a **slower** recovery in 2021
- **Outlook is highly uncertain**
 - protracted duration of pandemic translating into personal and global costs
 - health and economic crisis aggravated by trade and technology tensions

Responding through regional cooperation:

- **Revive economic activity by maintaining fiscal and monetary stimulus**
 - support households
 - help businesses recover, particularly MSMEs
- **Resolve trade and technology tensions**
 - Keep communication lines open
 - Keep supply chains open, especially medical and food products
- **Re-assess regional priorities** and consider refocusing on:
 - Digital inclusion
 - Social protection
 - Regional pandemic preparedness policy toolkit

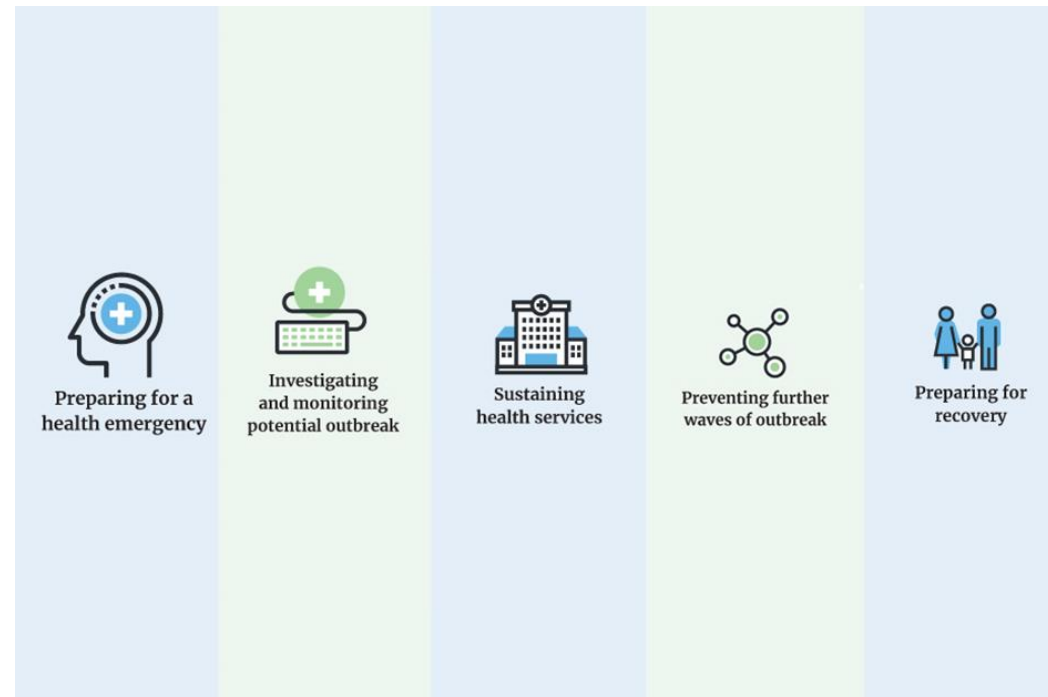


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Role of regional cooperation to prepare for any pandemic

APEC needs a pandemic preparedness policy toolkit

- The COVID-19 pandemic should bring about a realisation:
 - ✓ **APEC economies should be prepared for any pandemic**, just as they have tools ready to be deployed in an economic and financial crisis
- APEC economies need to work together to develop a **regional pandemic planning and policy toolkit**:
 - ✓ **reflective of what is available, appropriate and feasible** given different levels of capacity and resources
 - ✓ **participative in nature**, with active engagement from government, private sector and general community

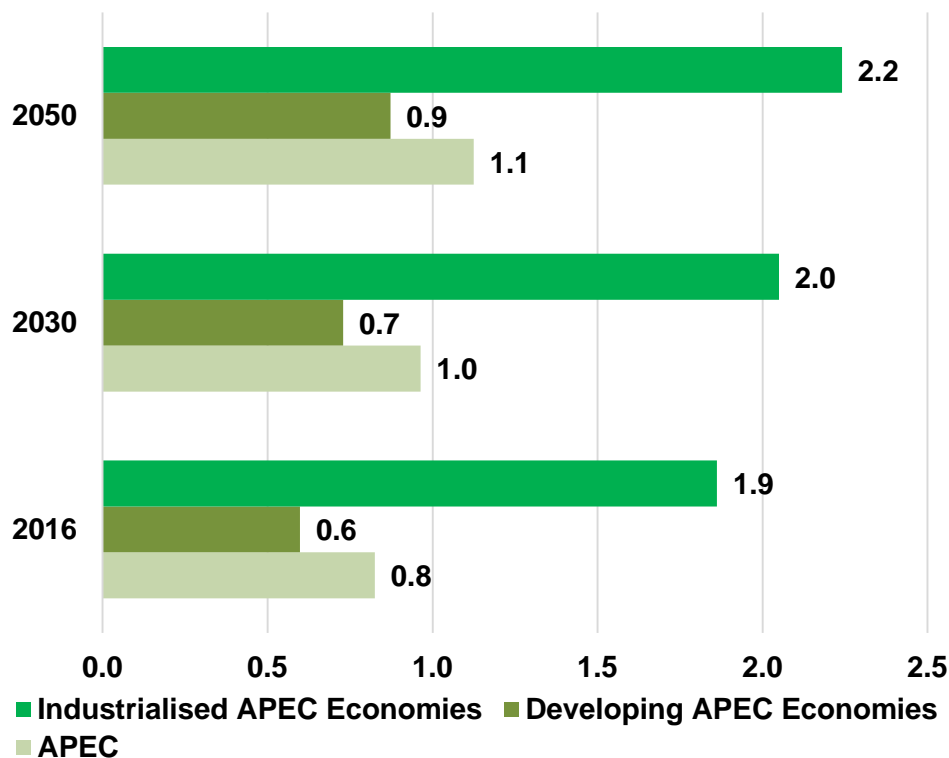


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What goes around comes around

Waste crisis is growing

Daily Solid Waste Generation per Capita in APEC (in kg)



- Annual global **solid waste generation to rise by 69%** between 2016 and 2050
- **APEC economies are responsible for a significant share** of global solid waste:
 - 43% in 2016
 - 37% in 2050
- 59% of waste in APEC is mismanaged



Circular economy presents opportunities

Even in the midst of COVID-19

Sharing Platforms



Circular Supplies



Product Life Extension



Product as a Service



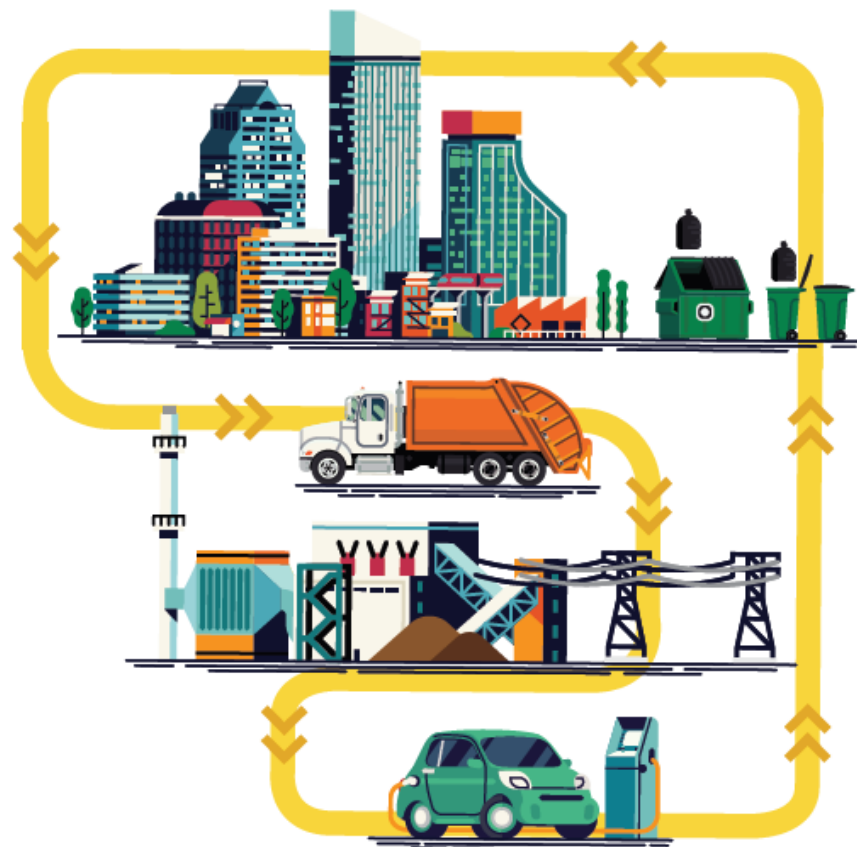
Resource Recovery



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Role of regional cooperation to transition to circular economy

- Promote standardisation
- Encourage businesses to adapt and transform
- Develop benchmarks for progress
- Raise public awareness



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