

-KEY ECONOMIC DEVELOPMENTS IN 2020-

The year 2020 was an eventful one for the ASEAN+3 region. Expectations at the start of the year of a strong economic recovery quickly gave way to a global pandemic that was relentless in its spread and indiscriminate in its impact. Policy responses across the region were swift and decisive, balancing the need to protect lives and livelihoods. The introduction of strict containment measures was complemented by large fiscal stimuli, accommodative monetary and credit policies, and a wide range of financial and regulatory measures to safeguard financial stability.

The COVID-19 outbreak in the region has been relatively well contained compared to the rest of the world, enabling a quicker and sharper rebound in growth. While the region covers 30% of the global population, it accounted for only 2% of total global COVID-19 cases in 2020. Alongside governments' supportive policies, which mitigated the impact on industries and the workforce, regional economies were able to resume economic activities in the second half of 2020, and respond rapidly to the pick-up in global demand. Going forward, the rapid deployment of vaccines to build herd immunity will enable broader economic reopening.

The region's resilience is largely attributable to its solid macroeconomic fundamentals and available policy space, hard won through reforms instituted in the wake of the Asian Financial Crisis. Notwithstanding the disruptions to

global supply chains and the decimation of the travel and tourism industry, ASEAN+3 growth is estimated to have been relatively flat in 2020, at -0.2%, compared to an estimated -6.6% in the Euro Area and -3.5% in the United States. The region is expected to recover strongly in 2021 before moderating to pre-pandemic rates in 2022.

Despite the severe damage to many sectors of the regional economy, the pandemic has inadvertently revealed some bright spots. Adaptive lifestyle changes amid the unprecedented wide-scale lockdowns have helped accelerate digitalization in the region, and benefitted sub-sectors such as e-commerce, food delivery services, electronics, and digital banking. These developments are providing a strong foundation and springboard for transitioning to the technology-driven "new economy".

Nonetheless, the region's outlook remains challenging. The operating environment remains subject to evolving risks, particularly pandemic- and trade-related developments. Continuing policy support will be crucial to bolstering the economic recovery in the immediate future, and the skillful withdrawal of policy stimulus will be critical to avoid cliff effects. Realistically, any concerted rebuilding of policy space will take some time, but consolidation will be necessary to restore economic resilience to safeguard against future crises and sustain investor confidence.

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