

COVID-19 Economic Impact and ADB's CPRO Loans and Grants to DMCs

James Villafuerte

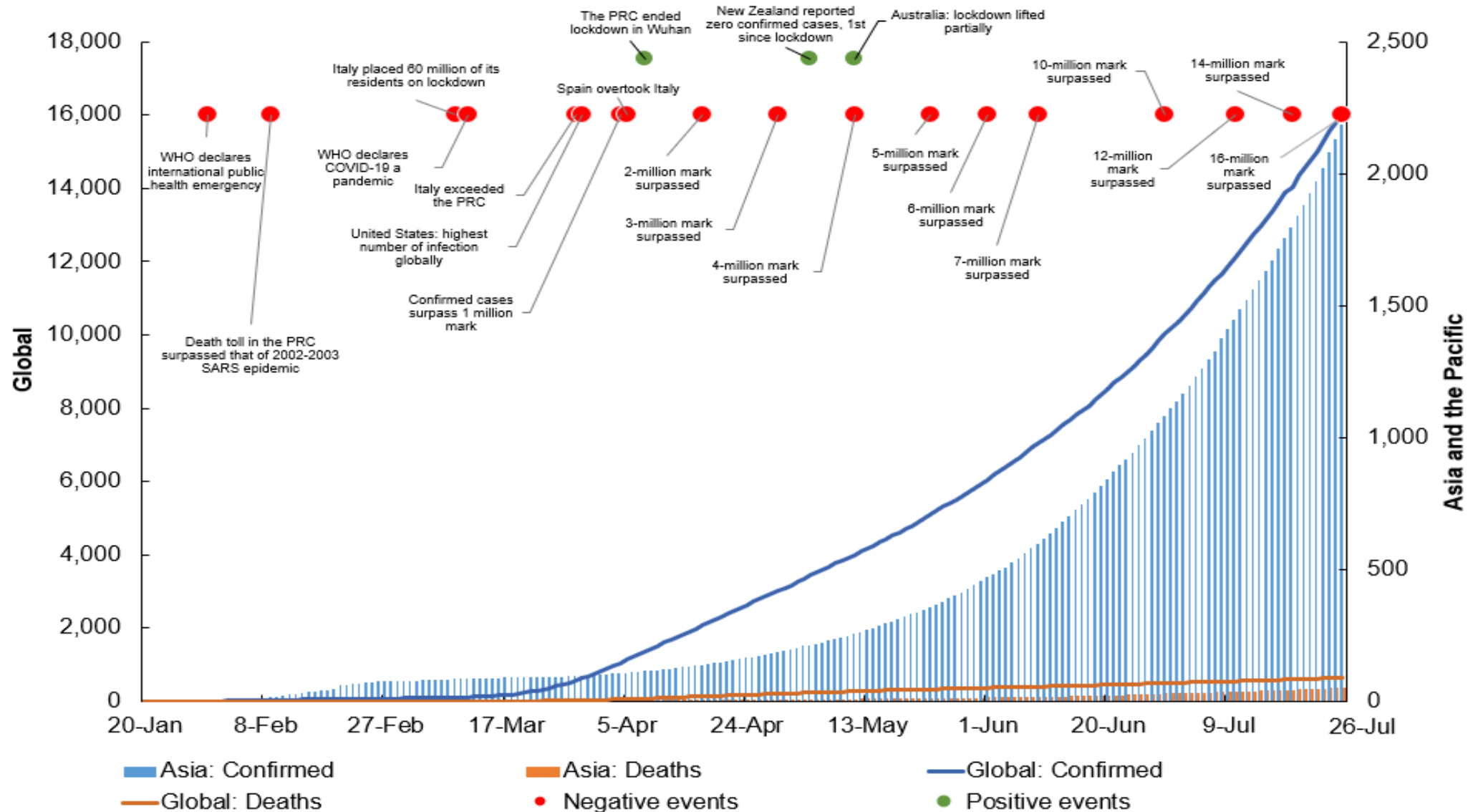
**APAC Regional Webinar on Economic Impact of
COVID-19 on Civil Aviation and the Financial
Alleviation Measures
13 August 2020**



Key Results

- 1. The COVID-19 pandemic is weighing heavily on health around the world with about 20.5 million infected and almost 750,000 lives lost.**
- 2. Tourist arrival could fall between 60% to 80% in 2020, with gradual recovery expected in Q3/Q4, and recovery of 2019 levels possible by 2023.**
- 3. The COVID-19 pandemic will also cut global output by \$5.8 trillion (short-containment) to \$8.8 trillion (long containment) or 6.4% to 9.7% of global GDP. government policy response could soften global impact by 30%–40.**
- 4. Enhanced health and hygiene protocols, boost to domestic tourism, use of digital technology, and developing regional tourism standards and protocol could help open up tourist destinations and revive the tourist industry.**
- 5. To date, ADB approved 20 COVID-19 Policy Response Option (CPROs) loans and grants amounting to \$10 billion or half of the ADB's COVID-19 response package of \$20 billion.**

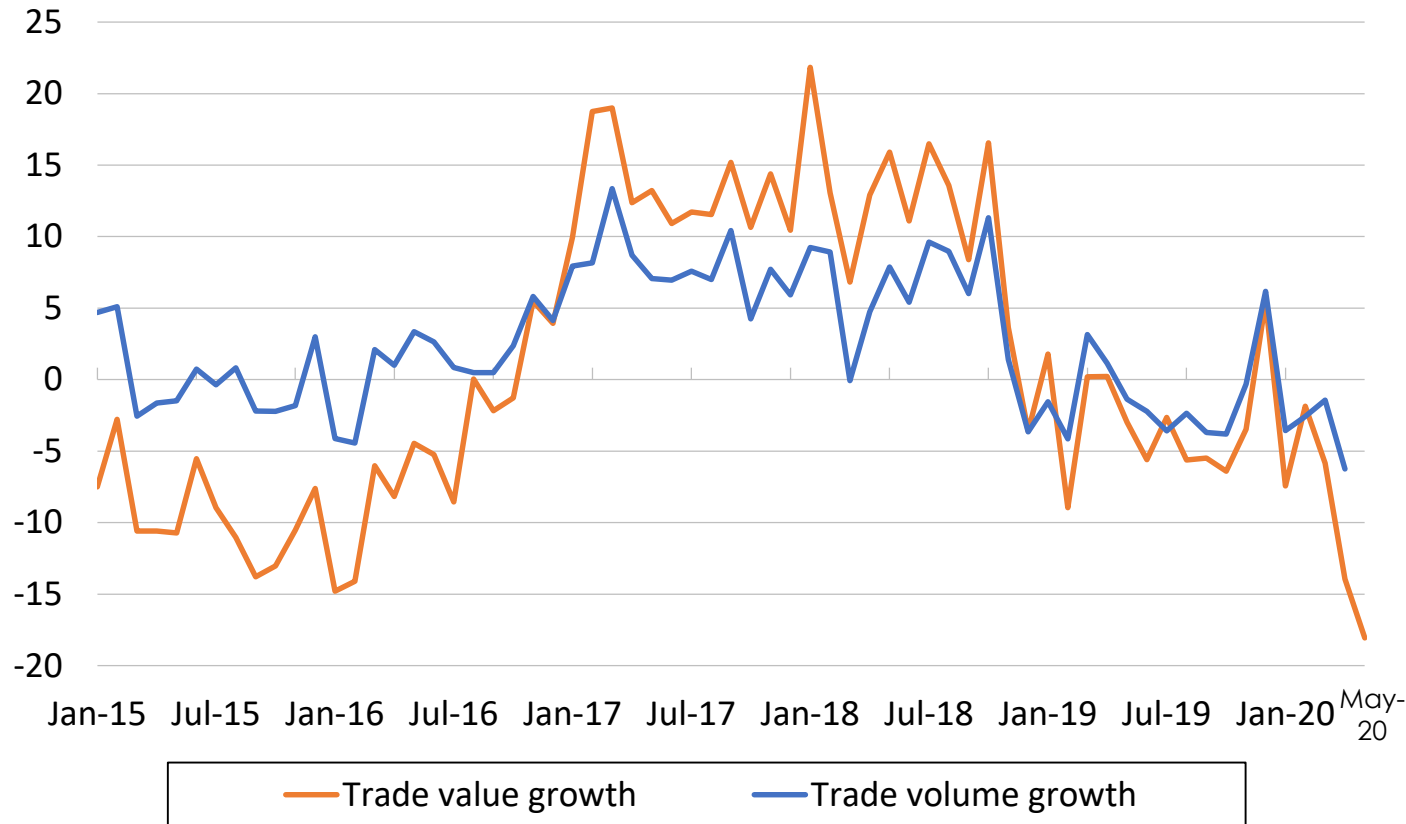
Global COVID-19 Confirmed Cases, Deaths ('000, 2020)



PRC = Peoples' Republic of China, SARS = severe acute respiratory syndrome, WHO = World Health Organization.
 Source: World Health Organization statistics downloaded using CEIC (accessed 27 July 2020).

COVID-19 disrupted trade flows

Emerging Asia's Trade (% , y-o-y)



- Emerging Asia's trade dropped sharply in May 2020 by 18% in value (year-on-year change) and 6% in volume (year-on-year change).
- Still better than the UNCTAD projection that global trade will fall by 27% in Q2.
- Nevertheless, the weaker-than-anticipated global recovery bodes ill for the prospect of trade growth in the near future.

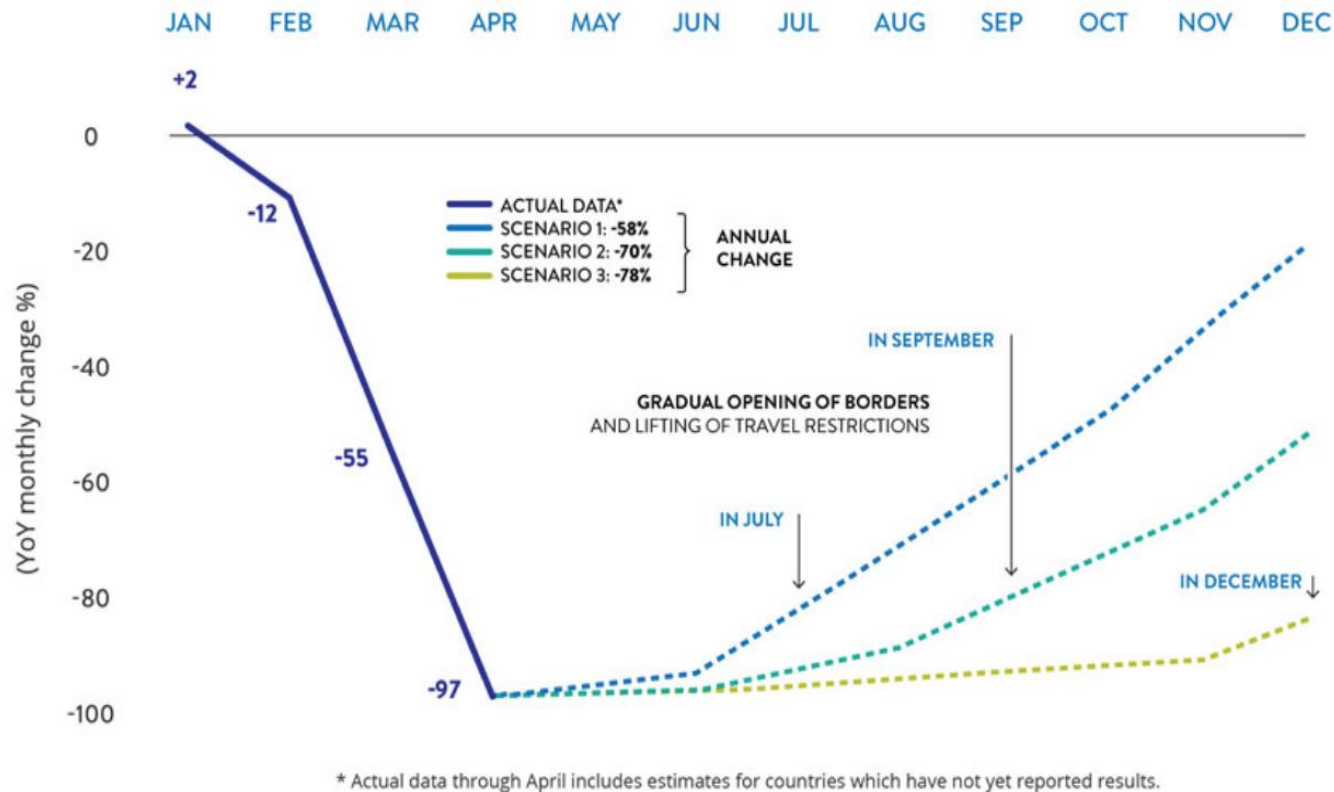
y-o-y = year-on-year.

Notes: Emerging Asia includes Hong Kong, China; India; Indonesia; Malaysia; Pakistan; the People's Republic of China; the Philippines; the Republic of Korea; Singapore; Taipei, China; Thailand; and Viet Nam. Trade volume up to April 2020.

Sources: ADB calculations using data from CEIC; and CPB Netherlands Bureau for Economic Policy Analysis. World Trade Monitor. <https://www.cpb.nl/en/data> (accessed 16 July 2020).

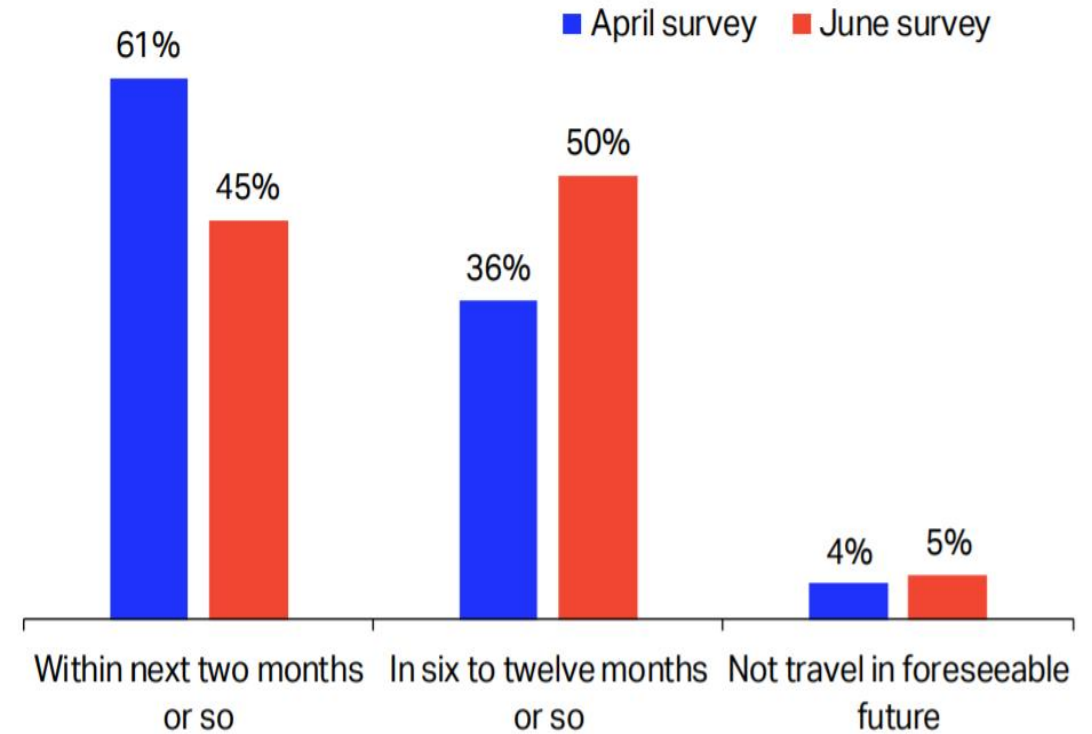
Sharp contraction and only slow recovery expected

International Tourist Arrivals in 2020: Three Scenarios



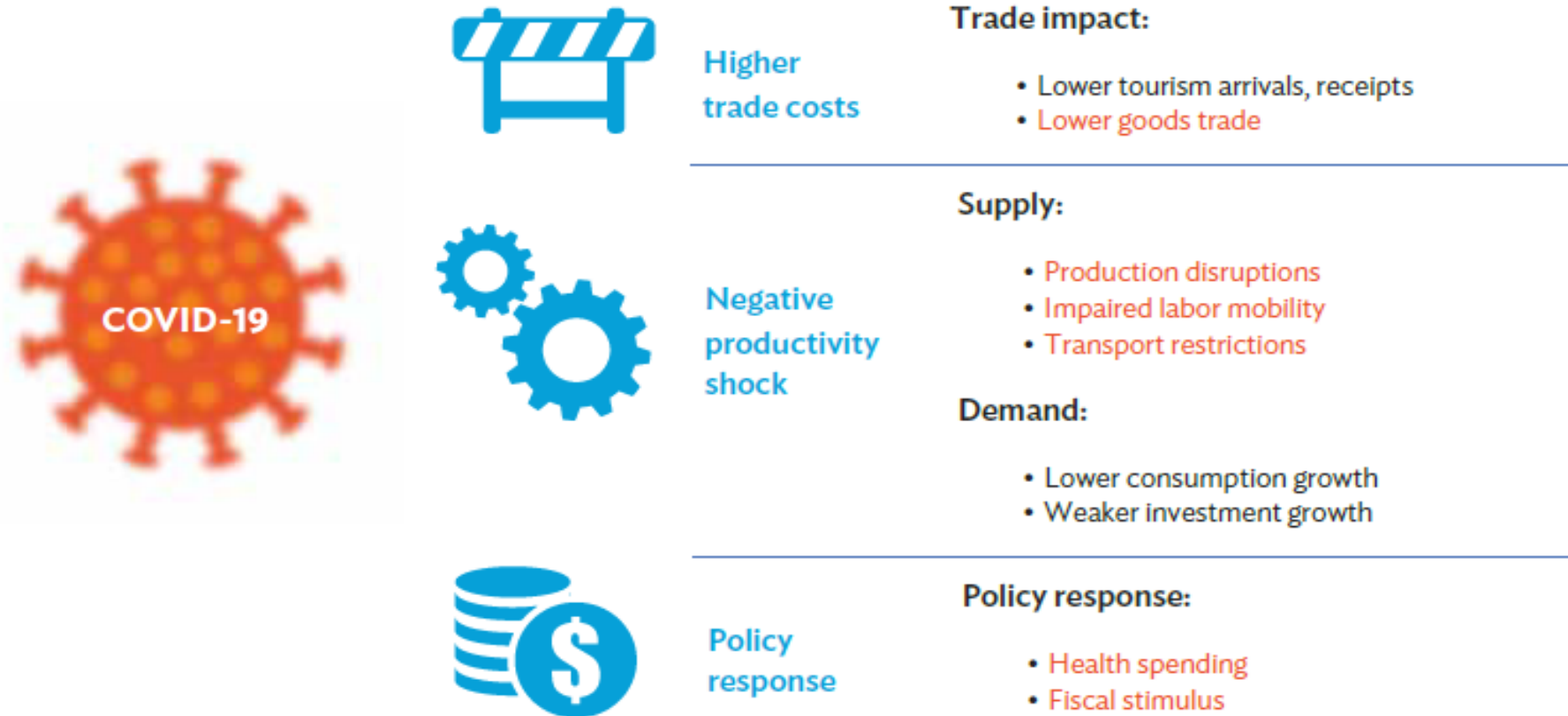
Source: UNTWO (2020)

(Re)Start Travel After COVID-19



Source: IATA (2020)

How COVID-19 Affects the Economy



Notes: Red text refers to factors not included in the previous Asian Development Bank (ADB) estimation of COVID-19 impact using ADB Multiregional Input-Output Table (see Special Topic: The Impact of the Coronavirus Outbreak—An Update in ADB, 2020. *Asian Development Outlook 2020: What Drives Innovation in Asia*. Manila.). The Global Trade Analysis Project model includes all of these factors except the health spending channel. Also, it does not include the COVID-19 impact on migration and remittance; capital flows, debt and financial markets; and the environment. There are also no time lags, capacity constraints, or funding restrictions in the model. It also assumed that announced macroeconomic stabilization packages are implemented fully.

Source: Asian Development Bank.

GDP Impact (excluding policy measures)

Deviation from the non-COVID-19 baseline

	GDP (\$ million)		GDP (%)	
	Short Containment	Long Containment	Short Containment	Long Containment
Global	-5,796,893	-8,789,852	-6.4	-9.7
Asia	-1,667,824	-2,529,112	-6.2	-9.3
Australia and New Zealand	-91,156	-139,456	-4.6	-7.0
Central Asia	-21,070	-33,978	-3.4	-5.5
East Asia ex-PRC	-164,085	-256,741	-6.0	-9.3
PRC	-1,083,078	-1,623,381	-7.5	-11.2
Southeast Asia	-163,223	-252,899	-4.6	-7.2
South Asia	-141,938	-217,646	-3.9	-6.0
Pacific	-3,275	-5,010	-4.6	-7.0
G3	-3,528,842	-5,327,954	-7.3	-11.0
United States	-1,485,318	-2,226,466	-7.1	-10.7
Japan	-324,483	-491,035	-5.9	-8.9
European Union + United Kingdom	-1,719,041	-2,610,453	-7.7	-11.7

G3 = United States, Japan, and European Union plus United Kingdom; GDP = gross domestic product; PRC = People's Republic of China.

Note: Definition of regional and subregional groupings is online in Appendix 2: <https://aric.adb.org/covid-gtap-appendix>.

Source: Asian Development Bank estimates.

Pressing Needs of DMCs for Tourism

PROBLEM

Full recovery of tourism sector probably **not before 2023**.

OBJECTIVE

Ensure survival of tourism industry as it would be very costly to fully rebuild this promising sector.

STRATEGIES

- **Financial support** to companies in tourism and travel sector
- **Reduce business transfers** to governments, such as tax payments
- **Redeployment** of workers
- **Enhance safety and hygiene protocols**
- Promote **domestic tourism**, ex. Thailand
- Set up **travel bubbles**, ex. Bula bubble

Possible Projects for Tourism Recovery

Short-run

- **Enhance health security** at ports and airports, including rapid tests
- Develop **common health protocols** in the region
- Building **regional digital platforms on travelers** to facilitate contact tracing

Long run

- **Greening of transport infrastructure.**
- Application of **digital tools to facilitate travel** and enhance pandemic preparedness
- Develop **regional tourism guidelines and standards** to protect the environment and local communities
- Build **knowledge and skills of tourism professionals** (esp. for women and MSMEs)

Sustainable tourism for inclusive growth

- Ensure guidelines and regulations to **protect environment and local communities, and preserve cultural heritage**
- Invest in **infrastructure** for tourism such as airports, railways, ferries, roads, and Wi-Fi networks
- Build knowledge and skills of **tourism professionals**
- Improve **travel facilitation** such as visa free entry for tourists
- Adopt and implement the **regional tourism guidelines and standards**

Overview of Approved CPRO

ADB Approved COVID-19 Pandemic Response Option Loans and Grants

Country	Sector	Approved Amount (\$, million)
India	Health; Public sector management	1500
Indonesia	Health; Public sector management	1500
Philippines	Health; Public sector management	1500
Kyrgyz Republic	Health; Public sector management	50
Bhutan	Public sector management	20
Bangladesh	Public sector management	500
Mongolia	Health; Public sector management	100
Nepal	Health; Public sector management	250
Georgia	Health; Public sector management	100
Pakistan	Health; Public sector management	500
Tajikistan	Public sector management	50

Overview of Approved CPRO

ADB Approved COVID-19 Pandemic Response Option Loans and Grants (continued)

Country	Sector	Approved Amount (\$, million)
Solomon Islands	Health; Public sector management	20
Uzbekistan	Health; Industry and trade; Public sector management	500
Kazakhstan	Health; Public sector management	1,000
Maldives	Health; Public sector management	500
Thailand	Health; Public sector management	1500
Cambodia	Health; Public sector management	250
Palau	Health; Public sector management	20
Samoa	Health; Public sector management	20
Uzbekistan	Health	100

Thank you!



ADB's Asian Development Outlook Supplement June 2020



ADB Brief No. 133: An Updated Assessment of the Economic Impact of COVID-19



ADB Brief No. 148: COVID-19 Impact on International Migration, Remittances, and Recipient Households in Developing Asia

