

Emerging from recent crises: Understanding the macroeconomic context

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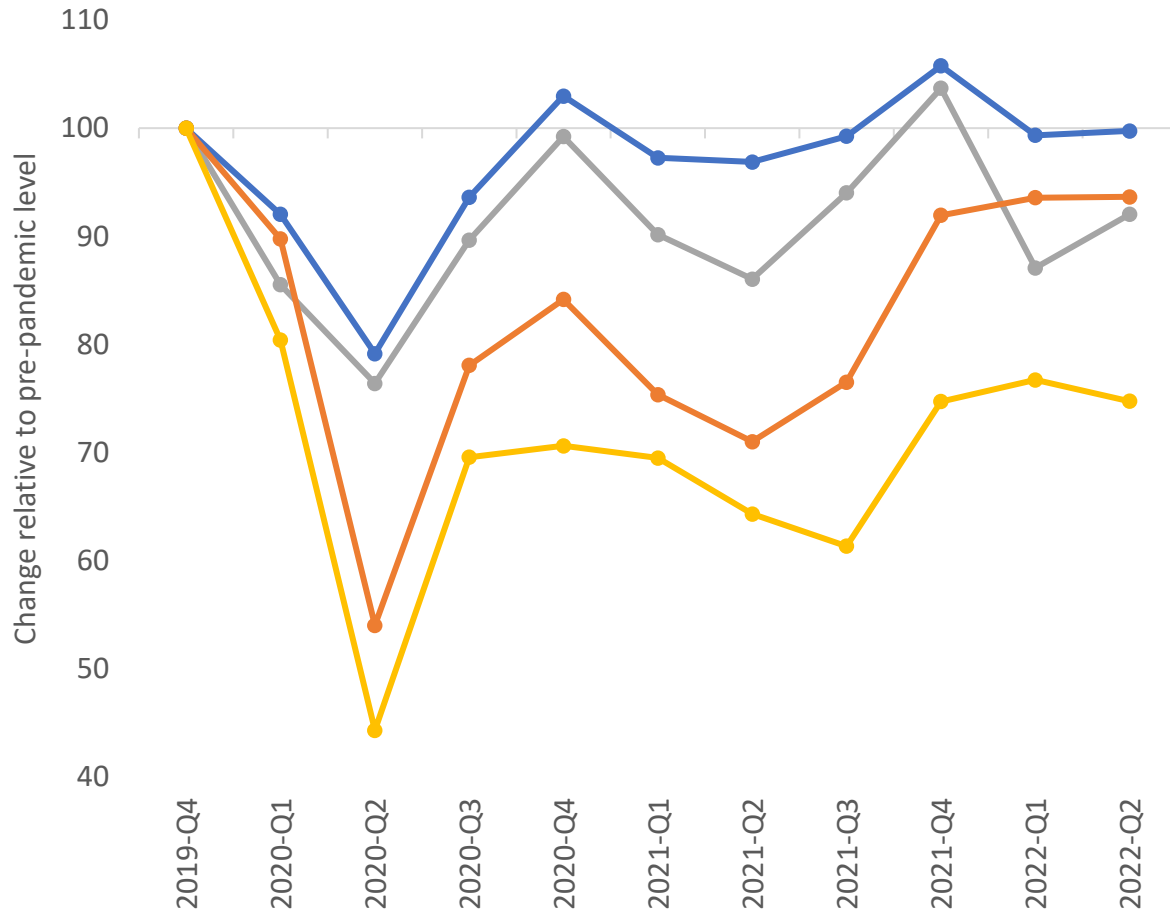
6-7 October 2022, Almaty Kazakhstan

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

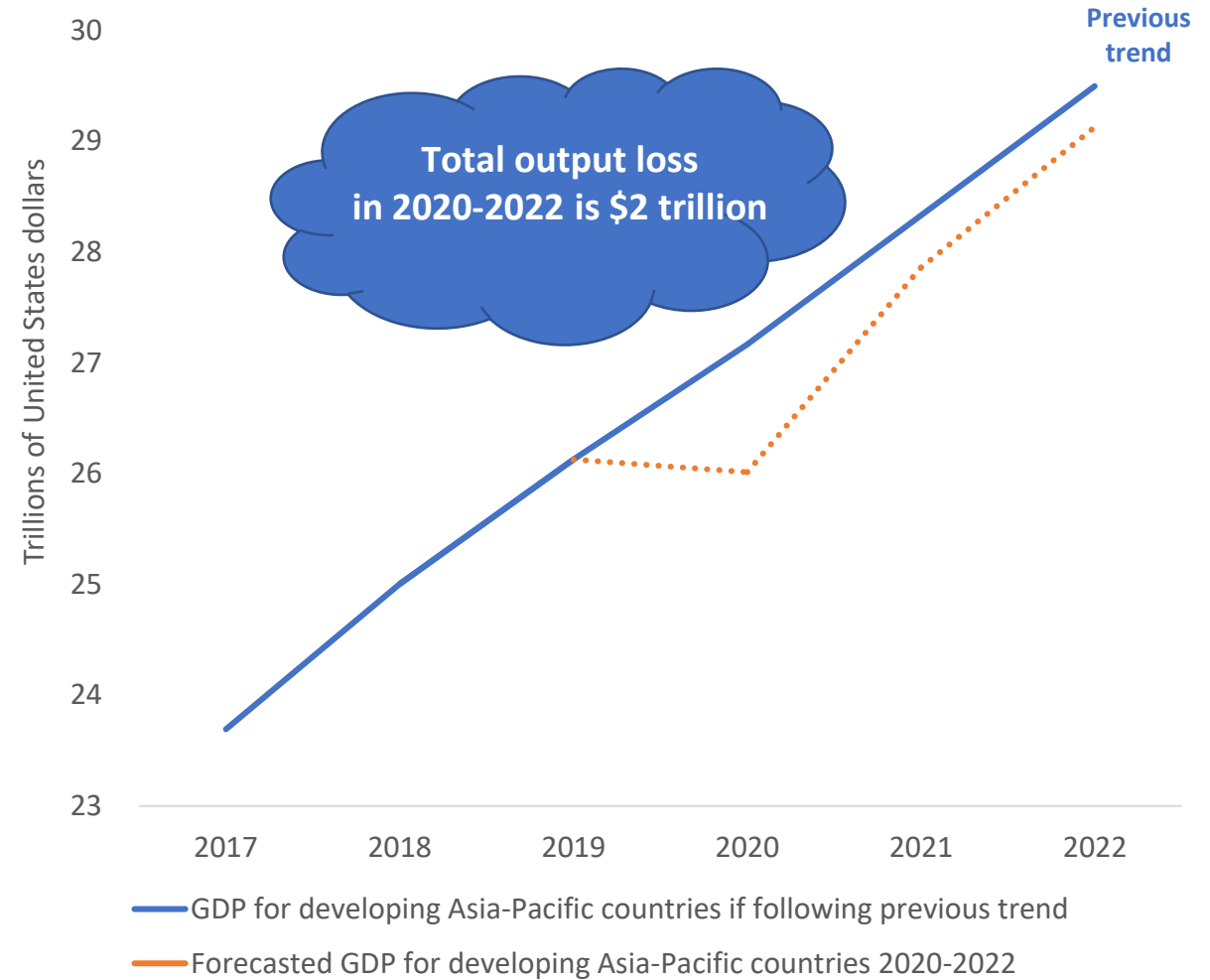
Sectoral growth recovery in developing Asia-Pacific



Source: Based on CEIC (accessed 26 August 2022).

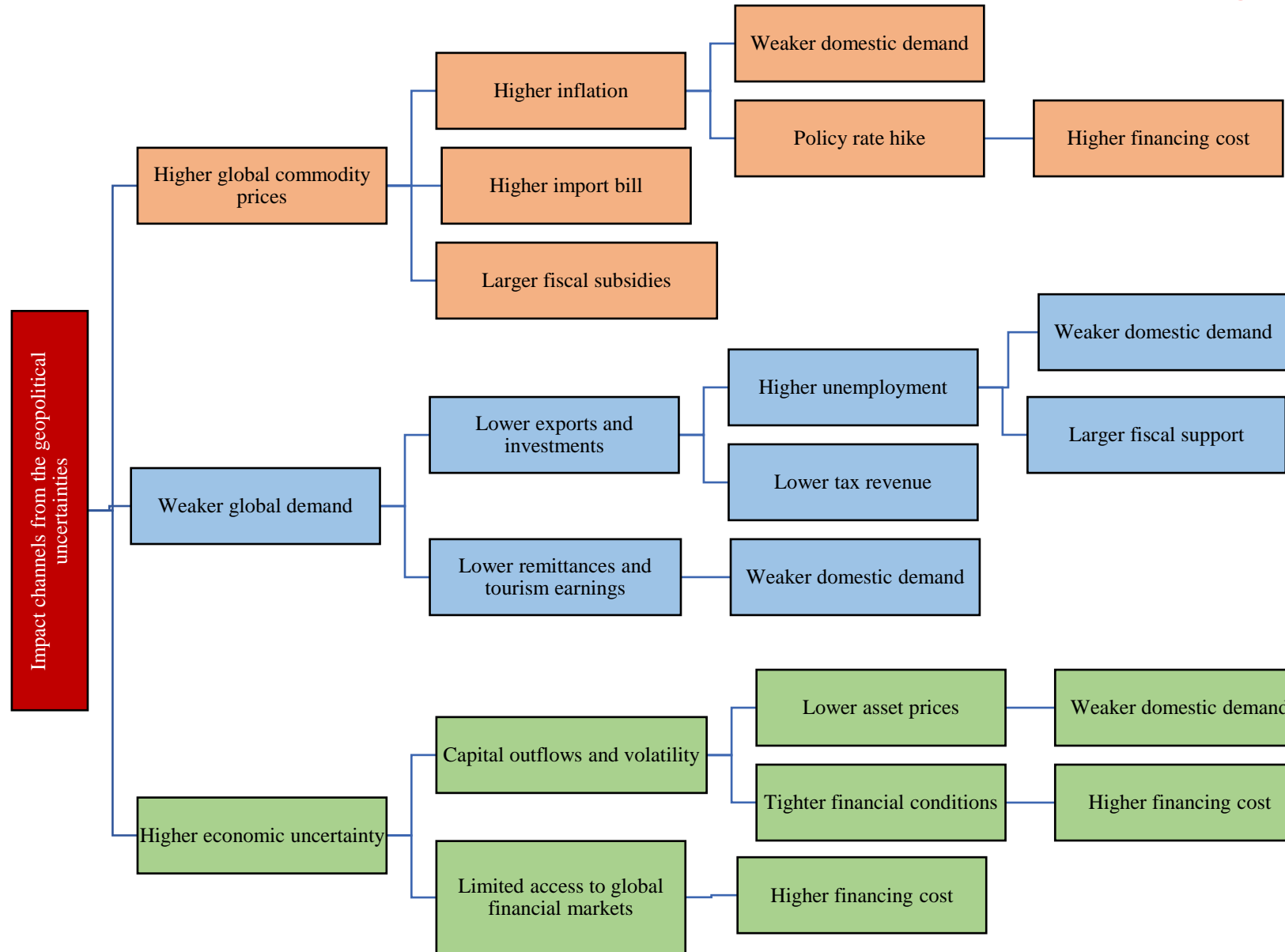
Note: Median of 13 developing Asia-Pacific countries for which data are available.

Developing Asia-Pacific output loss

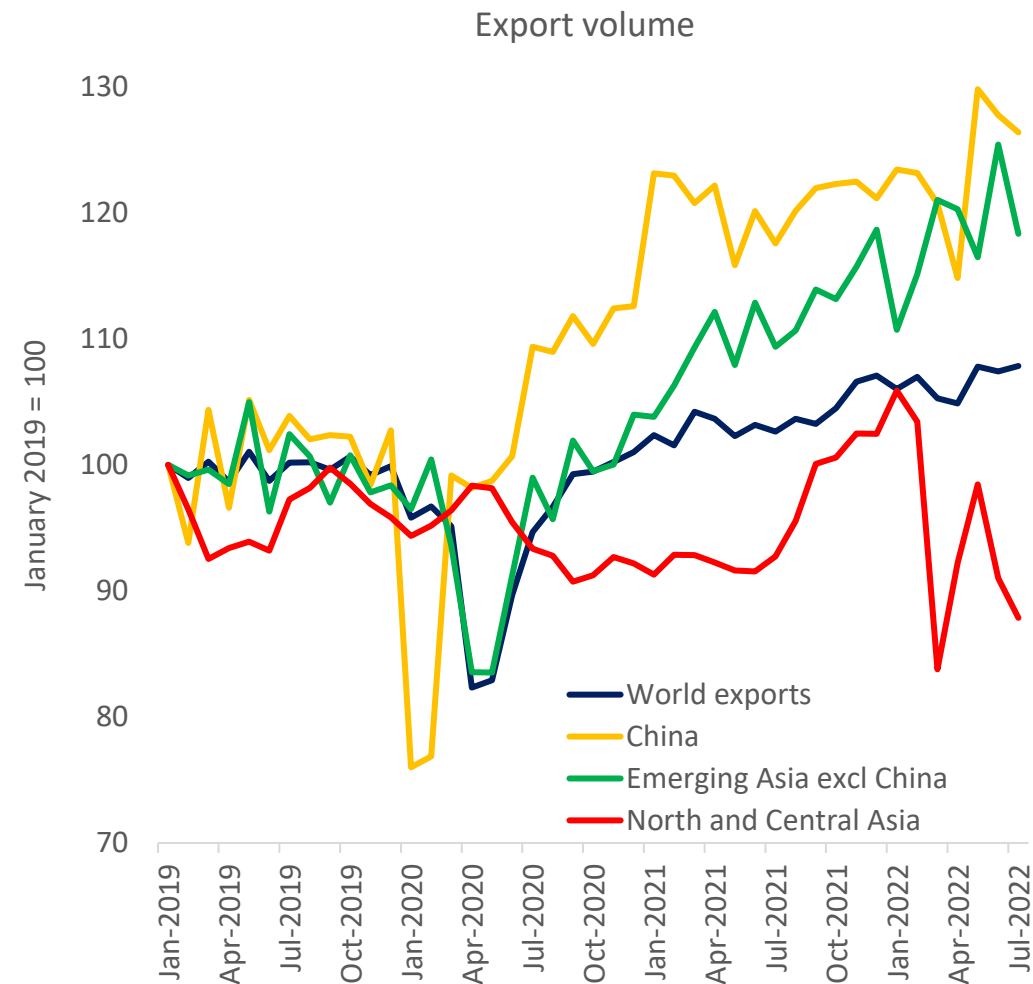
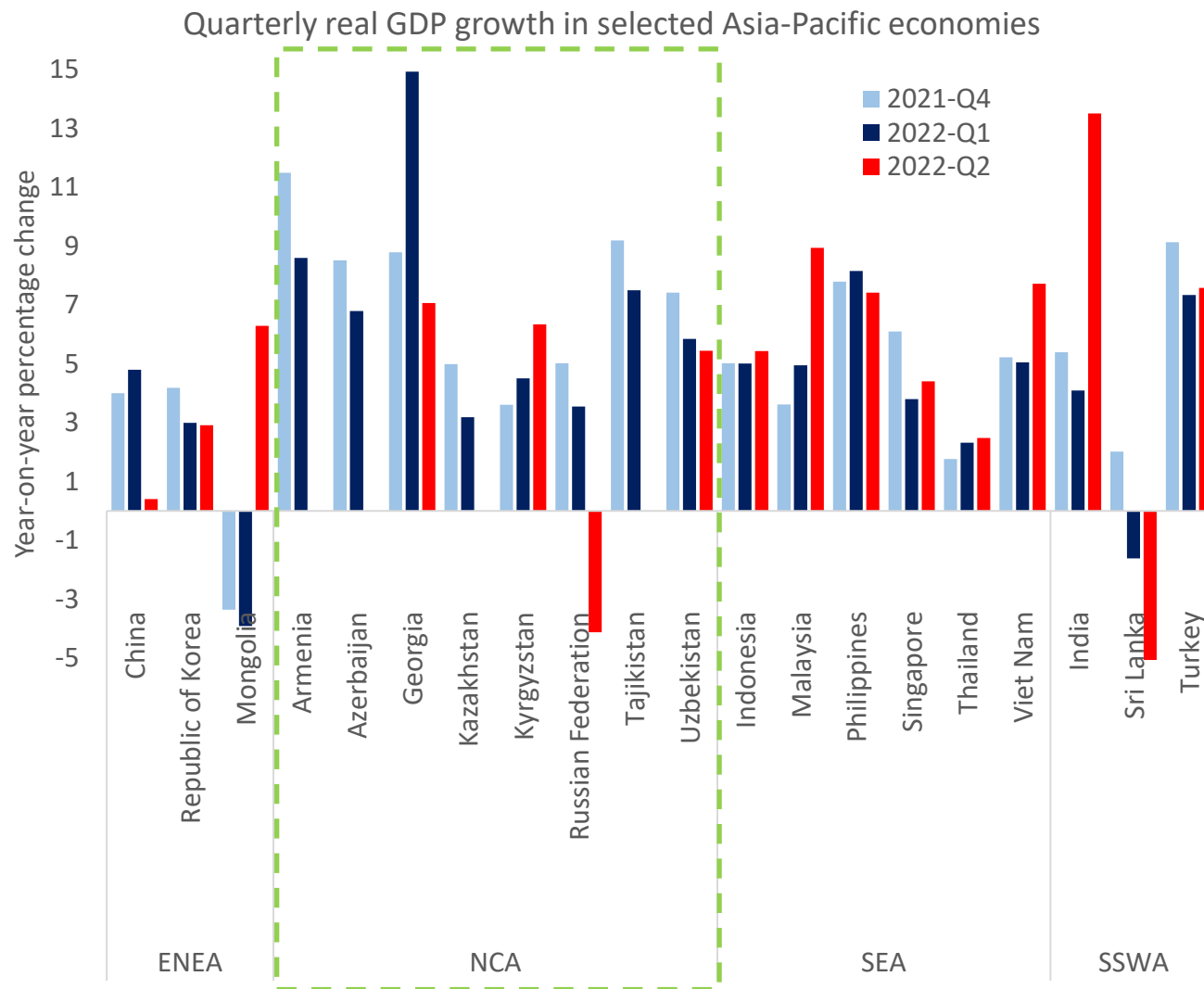


Source: ESCAP estimates and projections.

Geopolitical uncertainties have compounded economic challenges

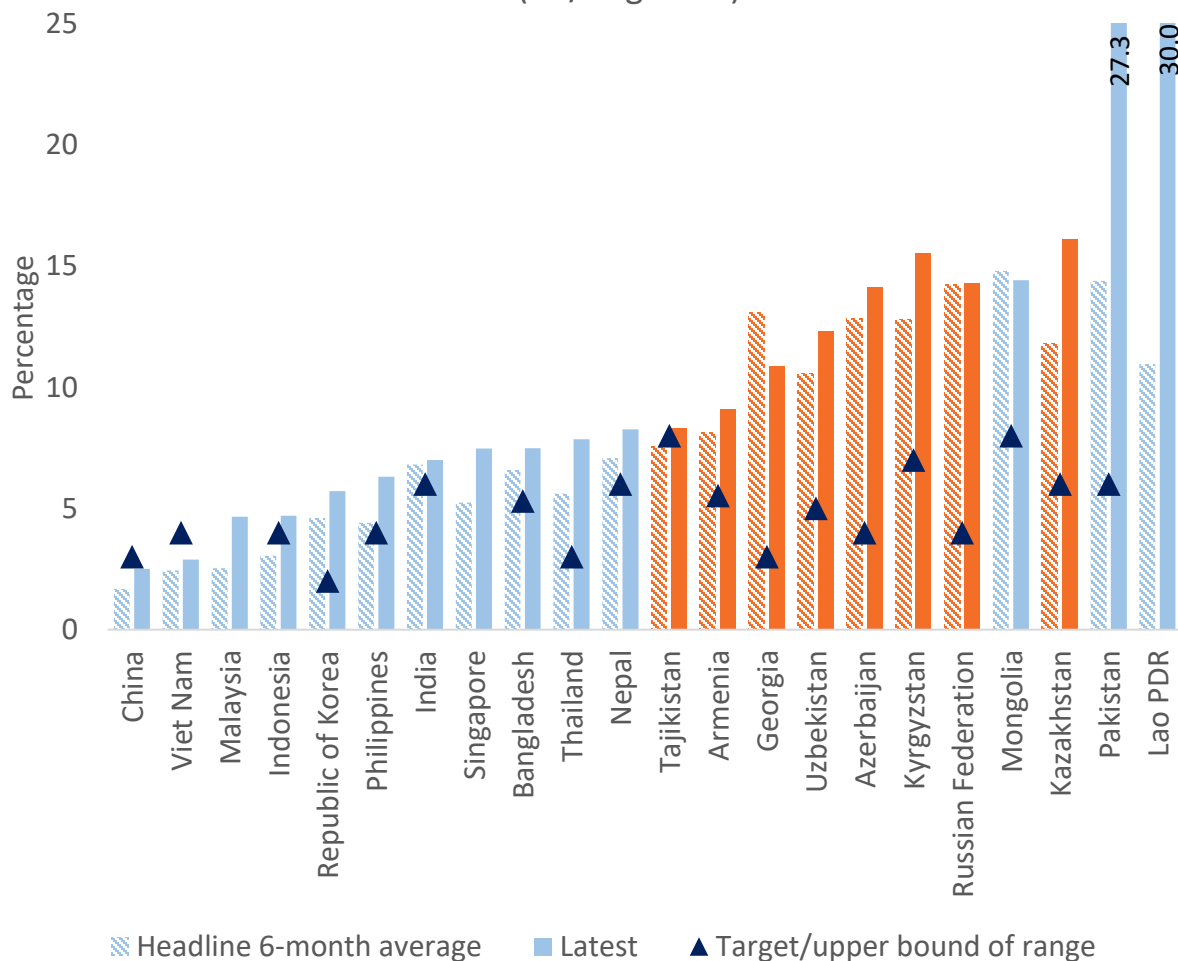


Easing restrictions supported growth in many economies while several were impacted by geopolitical uncertainties in the first half of 2022

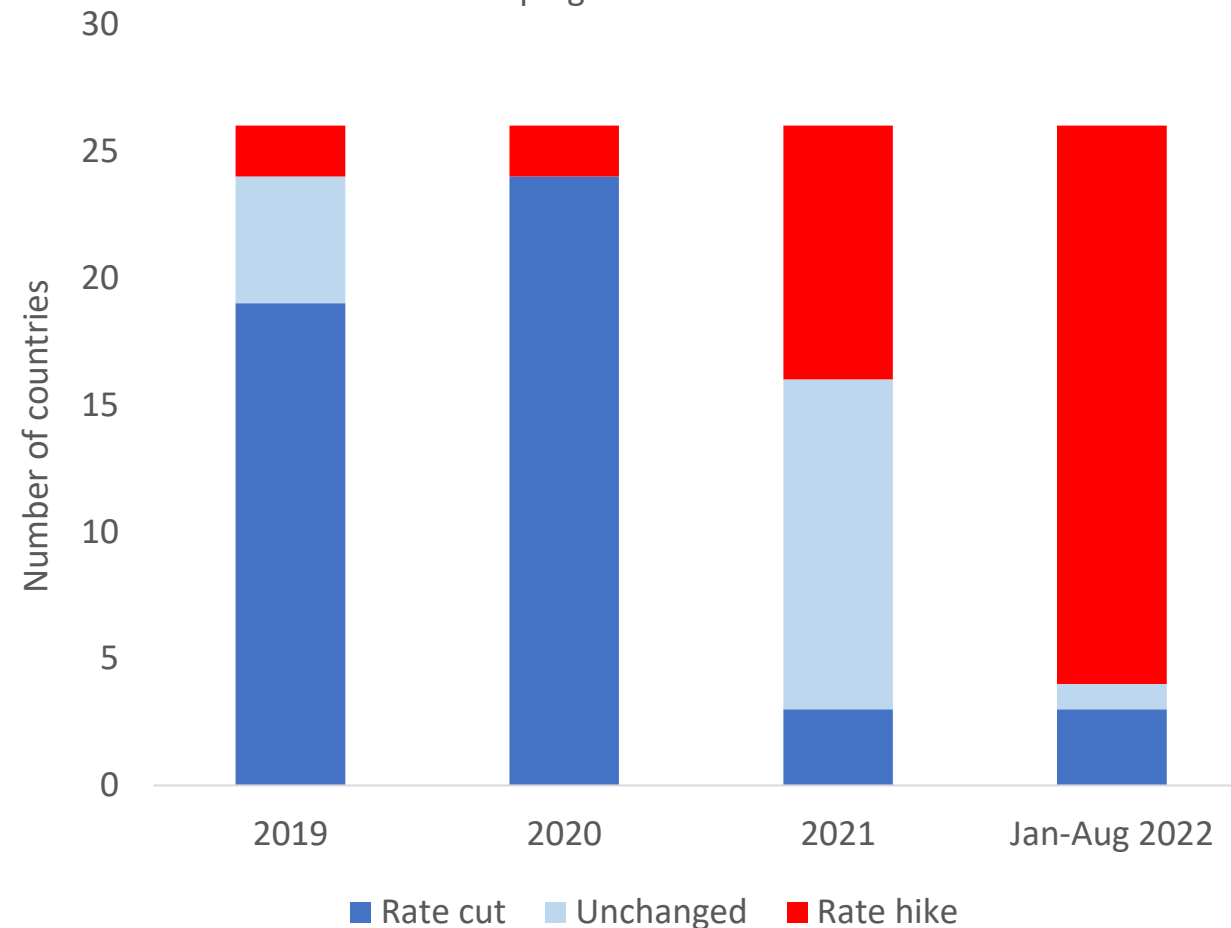


Inflationary pressures have reached double digits in several economies, surpassing central bank targets, leading to interest rate hikes

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



Central bank interest rate decisions in developing Asia-Pacific countries



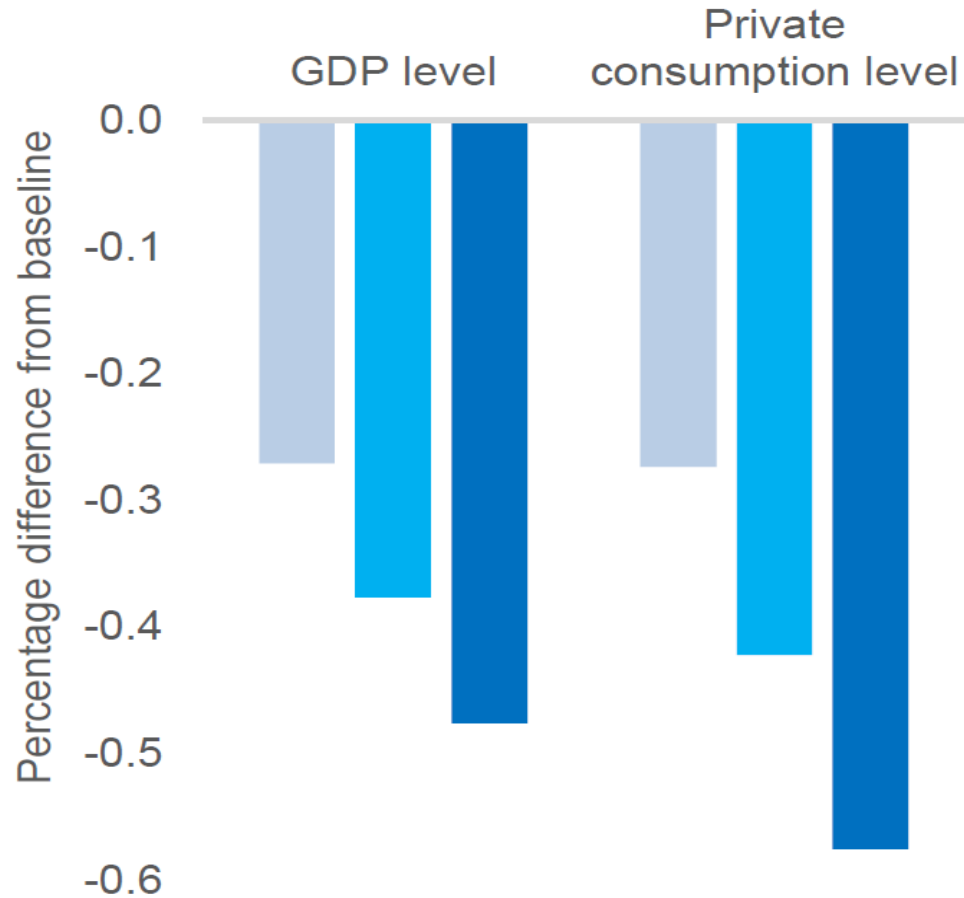
Source: Based on CEIC. Latest data is August 2022 with the exception of Bangladesh and Tajikistan for which latest data is as of July 2022.

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

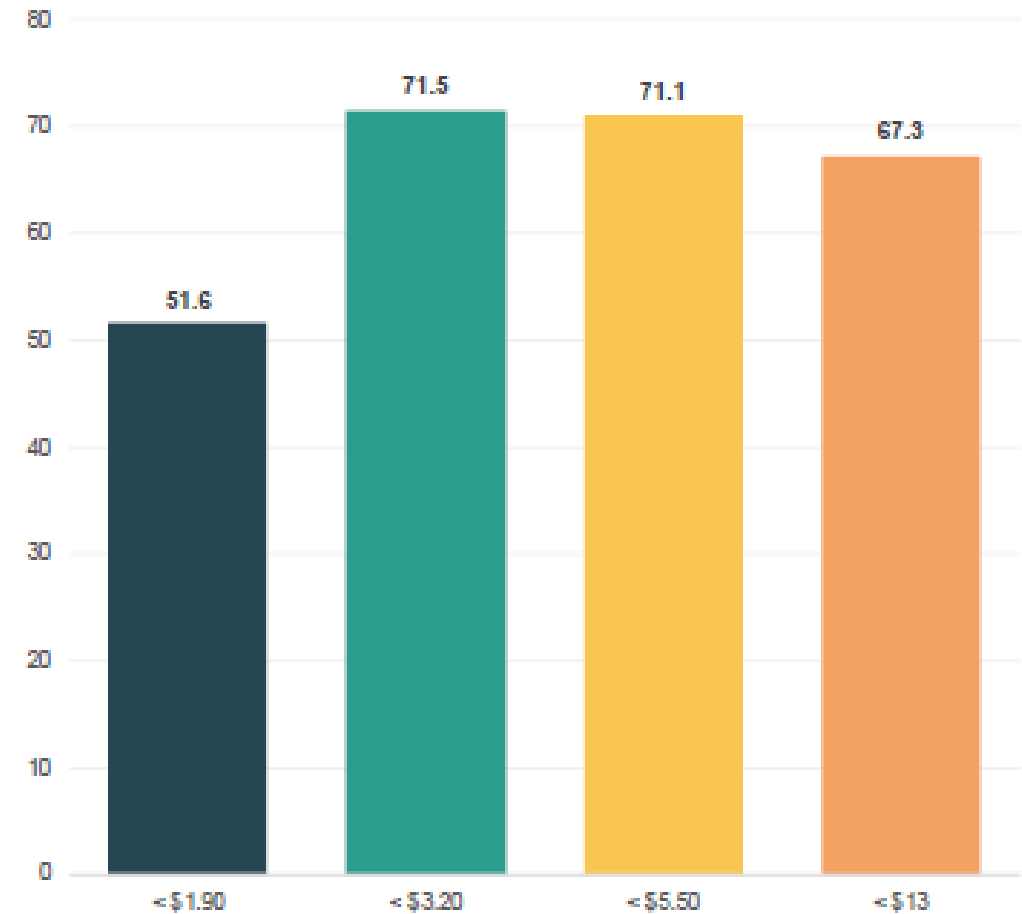
High inflation will hold back an already fragile recovery and push millions more into poverty

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



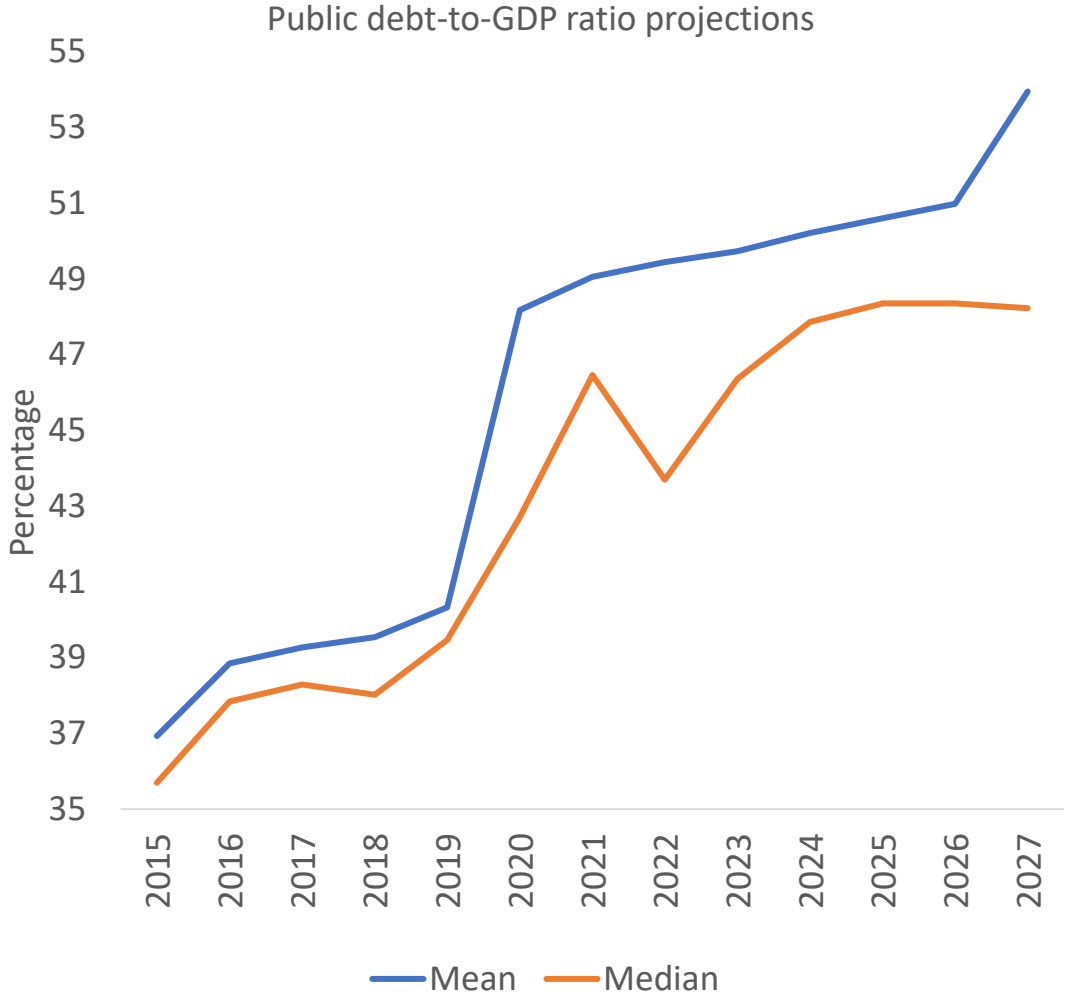
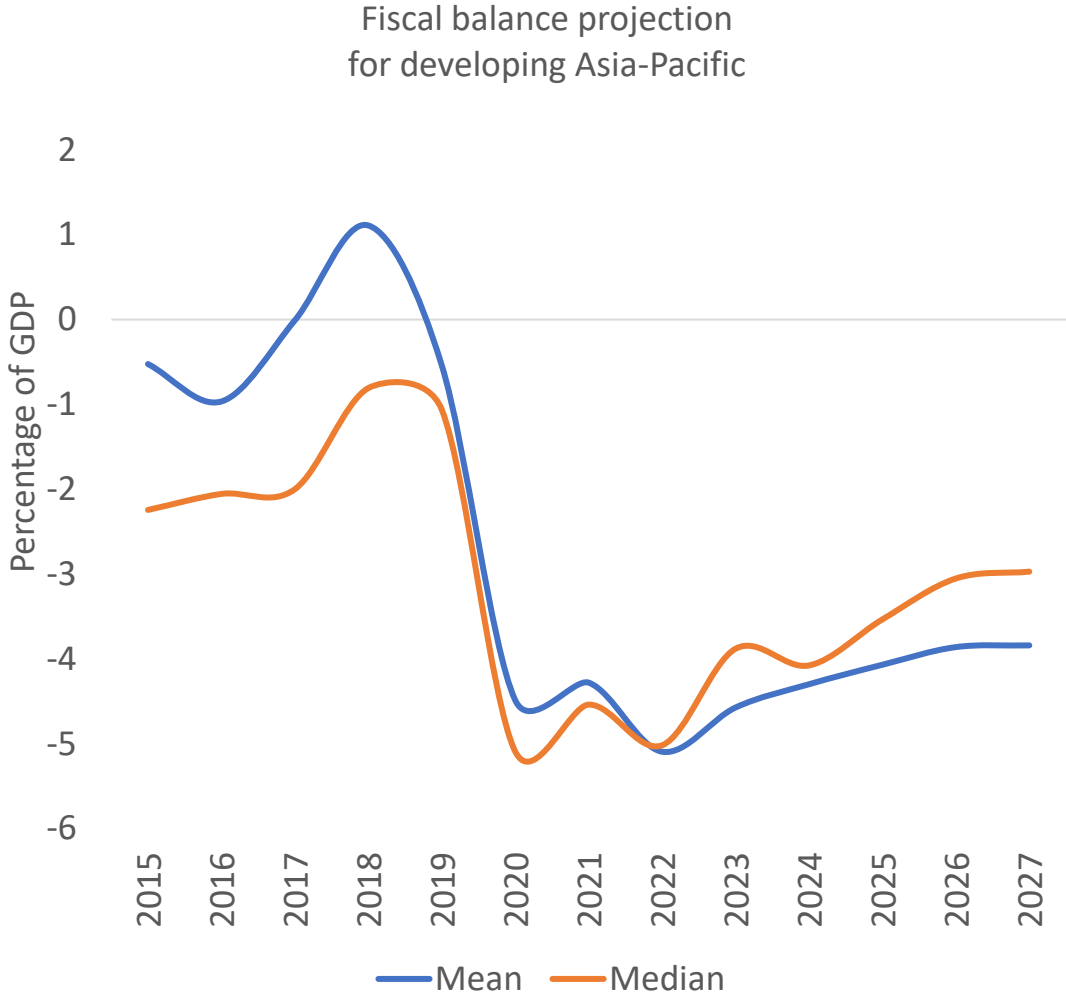
Source: ESCAP estimates

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



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, April 2022

How to respond? – Some economic policy considerations

Prioritize inclusive development

- Protect and strengthen public spending on health, education and social production
- Support labor markets and promote job-rich economic transformation
- Redistribute through progressive taxation and targeted fiscal transfers
- Explore inclusive central banking options

Strengthening economic resilience

- Invest in resilience and sustainable development to reduce pre-existing vulnerabilities
- “Mitigating setbacks” is equally important as “accelerating growth”
- Strengthen institutional and governance capabilities to be better prepared for shocks

Spend smartly

- Improve efficiency and effectiveness of public spending in generating development payoffs
- Prepare projects in advance during normal/stable times for countercyclical spending
- Leverage digital technology and data for targeting and fiscal disbursements

Further Readings:

- [Economic and Social Survey of Asia and the Pacific 2021: Towards post-COVID-19 resilient economies | ESCAP \(unescap.org\)](https://www.unescap.org/publications/economic-social-survey-asia-pacific-2021-towards-post-covid-19-resilient-economies)
- [Economic and Social Survey of Asia and the Pacific 2022: Economic policies for an inclusive recovery and development | ESCAP \(unescap.org\)](https://www.unescap.org/publications/economic-social-survey-asia-pacific-2022-economic-policies-inclusive-recovery-development)
- [The war in Ukraine : impacts, exposure and policy issues in Asia and the Pacific | ESCAP \(unescap.org\)](https://www.unescap.org/publications/the-war-ukraine-impacts-exposure-policy-issues-asia-pacific)

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