

Executive summary

A once-in-a-century crisis—a Great Disruption unleashed by a viral pandemic—hit the world economy in 2020. The pandemic spread like a forest fire, reaching every corner of the world, infecting more than 90 million and killing close to 2 million people worldwide. For several months, uncertainties and panic paralysed most economic activities in both developed and developing economies. Trade and tourism came to a grinding halt, while job and output losses exceeded levels seen in any previous crisis. In a matter of months, the number of people living in poverty increased sharply, while income and wealth inequality trended towards new highs.

Governments around the world responded rapidly—and boldly—to stem the health and economic contagion of the crisis. Fiscal and monetary stimulus packages were quickly rolled out to save the economy. The crisis responses, however, entailed difficult choices between saving lives and saving livelihoods, between speed of delivery and efficiency, and between short-term costs and long-term impacts. Limited fiscal space and high levels of public debt constrained the ability of many developing countries to roll out sufficiently large stimulus packages.

The pandemic has killed close to 2 million people and counting

The Great Disruption

The short-term economic costs of the Great Disruption do not fully account for its long-term impacts on employment, productivity and potential output. While large-scale fiscal stimulus prevented total economic collapse and supported the incomes of millions of households, there is little sign that these measures will boost long-term investments and create new jobs. Unless investments in physical and human capital pick up, the world economy will likely adjust to a lower growth trajectory. Slow and protracted recovery of growth will in turn impact the realization of the 2030 Agenda for Sustainable Development.

The pandemic has exposed the systemic vulnerability of the world economy. It has also shown that sustainable development—promoting inclusive and equitable growth, reducing inequality and enhancing environmental sustainability—can provide safeguards and resilience against future crisis. There is clearly no sustainable development without resilience and there is no resilience without sustainable development. Building economic, social and environmental resilience must guide the recovery from the crisis. Economic resilience with new fiscal and debt sustainability frameworks, societal resilience with universal social protection schemes and climate resilience with greater investments in the green economy must be the building blocks of a resilient recovery. This will also require a stronger and more effective multilateral system which can complement and reinforce—not undermine—national efforts to put the world firmly on the trajectory of sustainable development.

The long-term impacts of the current crisis will be equally severe

There is no sustainable development without resilience and there is no resilience without sustainable development

Economic growth tumbled worldwide

The pandemic hit the developed countries the hardest...

World gross product fell by an estimated 4.3 per cent in 2020—the sharpest contraction of global output since the Great Depression. In contrast, world output had shrunk by 1.7 per cent during the Great Recession in 2009. The pandemic clearly hit the developed economies the hardest, given the strict lockdown measures that many countries in Europe and several states of the United States of America imposed early on during the outbreak. Output in developed economies is estimated to have shrunk by 5.6 per cent in 2020, with growth projected to recover to 4.0 per cent in 2021. A renewed outbreak, however, set off new lockdown measures in the third quarter of 2020 in many countries in Europe, making a quick recovery more unlikely.

...and developing countries have not escaped the wrath of the current crisis

The developing countries experienced a relatively less severe contraction, with output shrinking by 2.5 per cent in 2020. Their economies are projected to grow by 5.7 per cent in 2021. The least developed countries (LDCs) saw their gross domestic product (GDP) shrink by 1.3 per cent in 2020, with growth expected to reach 4.9 per cent in 2021. The countries in Latin America and the Caribbean and South Asia experienced the sharpest declines. In contrast, the economies in East Asia fared relatively better than those in all other developing regions, with GDP expanding by 1 per cent in 2020. On the back of China's quick - and robust - recovery, the East Asian economies are forecast to grow by 6.4 per cent in 2021.

The economies of the Group of Twenty (G20)—which account for nearly 80 per cent of world output—contracted by 4.1 per cent, mirroring the overall performance of the world economy. Only China, among G20 members, managed to register positive growth in 2020. It will remain critical that the G20 economies return to the trajectory of growth, not only to lift the rest of the world economies but also to make the world economy more resilient to future shocks.

Job losses skyrocketed

The pandemic and shutdowns affected more than four out of five jobs worldwide

The GDP estimates mask the severity of the employment crisis unleashed by the pandemic. By April, full or partial lockdown measures had affected almost 2.7 billion workers, representing about 81 per cent of the world's workforce. The aggregate unemployment rate in the Organization for Economic Cooperation and Development (OECD) reached 8.8 per cent in April 2020, before falling to 6.9 per cent in November. Unemployment rates still remain high relative to pre-crisis levels in all developed countries. The COVID-19 crisis has also wreaked havoc on the labour markets in the developing world. By mid-2020, unemployment rates had quickly escalated to record highs: 27 per cent in Nigeria, 23 per cent in India, 21 per cent in Colombia, 17 per cent in the Philippines and above 13 per cent in Argentina, Brazil, Chile, Saudi Arabia and Turkey.

Women have been particularly hit by the pandemic, as they account for more than 50 per cent jobs in labour-intensive service sectors, such as in retail trade and tourism, where working remotely is often not an option for many workers. While some crimes have registered a decline, women and girls are increasingly becoming victims of violence during the implementation of the lockdown measures. It is also likely child marriages will see a global uptick against the backdrop of falling female labour force participation and rising poverty.

The potential output of the world economy will adjust downward

The long-term consequences of the crisis will be equally severe. The pandemic will likely accelerate the pace of digitalization, automation and robotization, which will further depress labour demand in the medium term. While productivity will experience some growth in economic sectors embracing automation, average productivity growth will falter. Declining investments in fixed capital, low average productivity growth and lower labour-force participation rates will further depress potential output of the world economy.

Massive liquidity and low inflation are fueling a financial bubble

The Great Disruption choked global and domestic supply chains. But the shock to income and consumer demand outweighed the supply-side shocks. Weaker consumption and investment spending during most of the year dampened inflationary pressures around the world. Consumer price inflation is projected to remain low in 2021 as unemployment will likely remain high relative to pre-crisis level in most economies. Corrections in asset prices in financial and real estate markets would likely further dampen inflationary pressures.

While the central banks around the world have been broadly successful in injecting massive amount of liquidity and keeping long-term interest rates low, they have been less successful in meeting their inflation targets, with actual inflation falling below expectations. The environment of excessive liquidity and low inflation has allowed financial markets to underprice risks and create a massive financial bubble, which may exacerbate financial instability. Low inflation will also adversely impact the sustainability of high levels of public and private debt worldwide. As debts are typically contracted in nominal values, a lower-than-expected inflation will keep the real value of debt high. The rising real value of debt and stagnant or falling revenue will likely worsen the risks of debt defaults.

A toxic combination of excessive liquidity and low inflation have triggered a massive financial bubble, potentially threatening financial stability and recovery

Fiscal stimulus measures prevented a Great Depression

Massive and timely fiscal responses prevented a Great Depression-like economic catastrophe worldwide. The fiscal outlays from the developed countries represented nearly 80 per cent of the \$12.7 trillion of fiscal stimulus worldwide, with Germany, Japan and the United States accounting for more than 50 per cent of all the fiscal stimulus worldwide. The group of 46 least developed countries (LDCs), for example, collectively managed to increase direct and indirect fiscal support by only 2.6 per cent of their GDP, while the size of the stimulus for the developed countries averaged 15.8 per cent of their GDP.

In dollar terms, stimulus spending per capita averaged nearly \$10,000 in the developed countries, while it amounted to less than \$20 per capita in the least developed countries. That is, for every additional dollar per capita of stimulus that the LDCs managed to spend, the developed countries spent nearly \$580 per capita on stimulus. The disparity in the size of the stimulus between the LDCs and the developed economies dwarfed the income disparity between these two group of countries. The per capita income of the developed countries is only 30 times larger than the per capita GDP of the least developed countries.

The stimulus measures have been highly uneven with the developed countries managing to spend significantly more to support consumption and boost growth

Massive liquidity is not boosting investments

Thanks to massive stimulus spending worldwide, the financial markets are now awash with liquidity. While credit flows stabilized, there has been little growth in fixed investment. In the United States, for example, fixed non-residential investments fell by 7.8 per cent in the second quarter, while money supply increased by 23.2 per cent during the same period. Most of excess liquidity went to acquisition of financial assets. Acquisitions of financial assets clearly do not increase fixed investments, which are critical for creating jobs and boosting economic growth. Against the backdrop of a raging pandemic, the world is witnessing the build-up of a massive financial bubble, with major stock market indices registering record increases during the past 10 months. The S&P 500 index, for example, rose by nearly 40 per cent compared with average annual increases of 10 per cent during the past five years.

Boosting investments will remain critical for accelerating recovery and building resilience to future shocks

Public finance and debt are facing unprecedented risks

Deficits and debt are increasing to record levels, exacerbating the risks of debt distress.

Saving the livelihoods today must not compromise the prosperity of the future generations.

The rolling out of large stimulus packages, and falling government revenues, have strained and stretched public finances worldwide. In almost one in five developing and transition economies, the government deficit is projected to reach double digits as a percentage of GDP in 2020. A slower recovery of growth will only further exacerbate fiscal deficits.

Along with growing fiscal deficits, total public debt worldwide increased by an estimated \$9.9 trillion in 2020. This is the largest increase in public debt since the Second World War. Governments around the world borrowed from the future to minimize the impact of the crisis on the current generation. The current generation therefore has the responsibility to make sure that the borrowed money is well invested to ensure that the well-being of the current generation does not come at the expense of the well-being of future generations. The urgency and emergency of the current crisis cannot justify depriving those future generations of their right to enjoy prosperity. The rise in public debt should not in itself be a concern as long as additional debt expands productive capacity and stimulates growth.

Avoiding austerity is a must

Growing concerns for fiscal deficits and debt sustainability should not push Governments towards austerity. Countries with high levels of public debt—and constrained by fiscal rules—may be forced to cut back spending too quickly to balance their budgets. These concerns should rather encourage Governments to ensure that deficits and debt actually promote growth. With a benign inflation outlook, real public debt will remain high relative to real GDP. It will be politically and economically infeasible for many Governments to raise taxes during the recovery period. These constraints may encourage Governments to look to the alternative of making devastating cuts in fiscal spending to reduce deficit and debt.

Austerity measures will inevitably stifle recovery and undermine progress on sustainable development

A premature embrace of austerity will inevitably weaken the speed and quality of the recovery and undermine resilience to future shocks. Austerity measures almost always cut back social sector spending on health and education and public services with far-reaching consequences for many SDGs. The global spillover effects of spending cuts—via trade, investment and official development assistance (ODA) flows—will have dire consequences for sustainable development.

The crisis is worsening poverty and inequality

More than 131 million have fallen into poverty in 2020 and more will likely follow if a robust and inclusive recovery remains elusive

High unemployment and loss of income have pushed millions into destitution during the pandemic. The total number of people living in poverty is expected to increase by 131 million in 2020 alone, representing a sharp rise from the last projections presented in the World Economic Situation and Prospects mid-year update released in June 2020. As many as 797 million people will still be trapped in extreme poverty in 2030, representing a poverty headcount ratio of over 9 per cent. The cardinal Sustainable Development Goal of eradicating extreme poverty by 2030 (Goal 1.1) will likely be missed by a large margin. Poverty will remain pervasive in sub-Saharan Africa and many landlocked countries. Other SDGs will suffer collateral damages as a consequence of rising poverty.

While nearly 8 million people in the United States lost their jobs during the pandemic and the national poverty rate jumped from 9.3 per cent in June to 11.7 per cent in November 2020, the total wealth of 644 United States billionaires increased by 31.6 per cent between March and October 2020, from \$2.95 trillion to \$3.88 trillion. The richest five among them saw their total wealth increase by 66 per cent, from \$358 billion to \$596 billion, during the same period. The growing income and wealth divides—reinforced by lingering uncertainties on the health and economic fronts—will breed further discontent, fray social cohesion and potentially undermine recovery efforts. Reining in inequality will remain critical for steering a resilient recovery from the current crisis.

Recovery with resilience

The pandemic—and its uneven economic impact on the poorer segments of the population—is further polarizing societies in both developed and developing countries. While timely and massive fiscal interventions helped to prevent the worst, they did not mitigate the broader discontent that stems from marginalization of the most vulnerable population groups and the stark inequality that divides the haves and the have nots in society. The pandemic responses need to prioritize efforts to reduce inequality not only in income and wealth but also in access and opportunities.

Many developing countries buffeted by the pandemic and unable to respond with large fiscal responses will likely see their growth and development path adjust downward relative to the pre-crisis trends. This may reverse or at least delay the long-term trend of convergence in the per capita incomes of the developed and developing countries, thwarting the objectives of reducing inequality between countries as envisaged in the 2030 Agenda for Sustainable Development.

Many developing countries will face growing challenges of accelerating recovery and catching up

The path to recovery and progress on SDGs will critically hinge on the ability and political commitment of countries to make sure that the crisis response builds resilience against future economic, social and climatic shocks. As noted above, there is no sustainable development without resilience and there is no resilience without sustainable development. The imperatives of strengthening public finance and debt sustainability, expanding social protection and building climate resilience must inform policy choices to put the world firmly on the trajectory of sustainable development.

Future of global trade

The COVID-19 crisis has delivered a significant shock to global trade, restricting cross-border travel, disrupting international production networks and depressing demand worldwide. After trade flows collapsed in the early stages of the pandemic, merchandise trade has been recovering since mid-2020 on the back of strong demand for electric and electronic equipment, pharmaceuticals and, especially, personal protective equipment. The recovery in merchandise trade has been led by China and other East Asian economies, which were relatively successful in containing the spread of the virus and experienced a faster-than-expected rebound in economic activities.

The collapse in global tourism has created an emergency for many developing countries

International travel has been hit particularly hard by the pandemic. As travel restrictions persist across the world, global tourism remains at a fraction of its pre-pandemic level. Worldwide tourist arrivals are estimated to have plunged by 70 per cent in 2020, the largest decline on record; and international tourism receipt losses are estimated to have amounted to US\$ 1.1 trillion. This has created an emergency for many developing countries, especially small island developing States, where tourism accounts for up to 80 per cent of total export revenues. Cross-border trade in services sectors that require physical distancing, such as construction, has also fallen sharply, whereas trade in computer services has been boosted by rising demand for digital solutions.

The global trade outlook is clouded by major uncertainties

Lingering trade tensions will impede the recovery of global trade

Overall, global trade in goods and services is estimated to have declined by 7.6 per cent in 2020, a slightly smaller contraction than during the global financial crisis. The UN DESA baseline scenario projects a moderate recovery in global trade over the next two years as countries slowly bring the pandemic under control and ease movement restrictions. Annual growth in global trade is forecast at 6.9 per cent in 2021 and 3.7 per cent in 2022, buoyed by a recovery in international travel. The global trade outlook is clouded, however, by significant uncertainties, including over the future spread of the virus; lasting damage from the crisis—for example, to labour markets and balance sheets; and lingering trade tensions among major trading partners.

The crisis has affected international commodity markets very unevenly

Commodity exporters have taken a hard hit although some commodities did not experience a sharp decline

The COVID-19 pandemic has affected commodity markets very unevenly, in contrast to the global financial crisis, during which commodity prices moved mostly together. Agricultural commodity prices have been resilient as global demand remained robust and supply chain disruptions were generally only short-lived. Since global markets for major food staples are well supplied, agricultural price indexes are projected to remain fairly stable in 2021. After falling sharply during the early stages of the pandemic, the prices of metals have rebounded faster and more strongly than expected. As a result of strong demand from China and supply disruptions, the prices of copper, aluminium and iron ore are now well above their pre-pandemic levels. Meanwhile, the crisis has severely affected the global energy industry, with potentially long-lasting consequences. While the initial collapse in oil prices has been followed by a steady recovery on the back of improving global prospects, oil supply cuts and a weakening dollar, elevated global oil inventory levels and surplus production capacity limit the upward potential of oil prices going forward.

The changing global trade landscape will impact progress on the SDGs

Beyond short-term dynamics, the pandemic has accelerated several structural shifts, which are shaping the future of the global trade landscape. These include the rise of digital technologies, the increasingly significant role of services in the global economy and the evolving configuration of global value chains (GVCs). The changing international trade environment will have a profound impact on countries' growth prospects and their progress towards sustainable development. How global trade patterns and trade policies evolve over the coming decade will be an important determinant of progress towards achievement of all of the goals within the SDG framework.

Digitalization is transforming manufacturing and service delivery worldwide

Across the globe, COVID-19 has created rapidly growing demand for digital services, accelerating ongoing digital transformation. With lockdowns and movement restrictions in place, operating digitally has been the only viable option for many firms to stay in business and government agencies to perform their functions. Digital processes are becoming ever more embedded in production and trade as information and communication technology (ICT) services control business processes and facilitate transactions within networks and between firms and customers. New technologies, such as 3D printing and additive manufacturing, have the potential to fundamentally alter business models and redefine comparative advantage by facilitating scale-independent efficient production and bringing production systems closer to consumers. In the medium term, such developments could support reshoring trends by increasing the competitiveness of previously non-competitive production locations and by encouraging a shift from the traditional model of economies of scale of large plants serving global markets to networks of smaller, more flexible and geographically distributed plants. Moreover, digitalization and emerging technologies, including artificial intelligence and machine learning, are also transforming service delivery worldwide. They will increasingly facilitate the cross-border exchange of health, education and other services, reinforcing the growing importance of services in global trade and development.

New technologies, accelerating the pace of digitalization and automation, are redefining comparative advantages in global trade

The pandemic has highlighted the need for more resilient and flexible supply chains

By exposing the risk presented by complex and geographically dispersed production networks, the COVID-19 crisis may accelerate the reconfiguration and, possibly, the shortening of GVCs. For many developing countries, especially in East Asia, participation in GVCs has contributed to gains in productivity and employment, yielding increases in per capita incomes and reductions in poverty in recent decades. After rising rapidly in the 1990s and 2000s, the expansion of GVCs has visibly slowed since the global financial crisis. The maturing of existing production networks, along with pushback against globalization and adoption of more inward-looking trade policies in many parts of the world, has brought about a shift towards more domestically oriented supply chains. For many firms, the pandemic has reinforced the need to reassess potential trade-offs between efficiency (based on low inventories and just-in-time delivery) and resilience. In the medium term, GVCs could become more flexible and robust through diversification of the supply base and a shortening of the distance between suppliers and the retail base.

The global supply chains are becoming more nimble and flexible, and possibly more resilient

Digitalization and servicification are redefining comparative advantages

Rapid technological change and shifting global trade patterns present developing countries with major challenges but could also be the source of immense opportunities. In the past, many developing countries struggled to replicate East Asia's success in using trade as an engine for development. Often, exports have not become a main vehicle for technological progress and their dynamic effects on productivity growth and structural change have therefore been limited. Against this backdrop, the changing global trade landscape requires developing countries to reassess their development strategies and explore models of the dynamic comparative advantages to be derived from digitalization and the expansion of service-related activities. Unlike in manufacturing, geographical disadvantages are less important in building

an export base of services. Moreover, servicification—i.e., the increased use, production and export of services in other sectors—can serve as a tool for the modernization of farming and manufacturing.

The global digital divide will place many developing countries at a competitive disadvantage

Developing countries will need to prioritize service contents in their exports to remain competitive in the emerging trade landscape

The global digital divide will place many developing countries, especially low-income countries that lack digital infrastructure, at a competitive disadvantage in the new trade environment. Development efforts are also hampered by a highly fragmented global regime for regulation of data flows. To harness the opportunities arising from the changes in the international trade environment, national Governments will need to focus on developing as well as upgrading workforce skills, and to establish regulatory and policy frameworks that enable the private sector to set up required ICT infrastructure successfully. In many developing countries, it is vital that national innovation systems are strengthened in order to invigorate firms' capabilities to absorb and utilize knowledge and adjust to changing circumstances.

The rule-based multilateral trading system remains moribund

The COVID-19 pandemic has exposed some of the critical challenges faced by the multilateral trading system as countries around the world initially resorted to unilateral trade measures to protect domestic interests. Rising protectionist tendencies and shifts towards bilateral and regional trade agreements are threatening to further weaken the role of the World Trade Organization (WTO) as the central governing body for global trade. This in turn could lead to an increasingly polarized and fragmented international trade landscape in the coming decades which would be harmful for small and low-income countries, including the least developed countries, landlocked developing countries and the small island developing States.

The pandemic has added yet another challenge to an already weakened World Trade Organization

While creating new challenges, the COVID-19 pandemic can also serve as a catalyst for restoring confidence in the multilateral trading system. The pandemic has underscored that in times of crisis, keeping trade flowing and limiting protectionist and nationalist measures are vital to ensuring the safety of lives and livelihoods. Recognizing that current and future challenges can be met only through global partnerships and strong multilateral frameworks could generate positive momentum for WTO reform. Breaking the existing stalemate will require a rebuilding of trust in WTO based on establishing reaffirmed commitments to multilateralism and the development agenda of trade integration; revisiting some of the organization's long-standing practices; and ensuring constructive engagement by members on controversial and emerging issues such as e-commerce, subsidy policies and climate change-motivated trade policies. This could help create a multilateral trading system that is fit for purpose for a twenty-first century global economy which will be increasingly service-based and digital.

Regional outlook

The pandemic has caused a crisis of historic proportions across the world economy. In many developed countries, economic activity virtually came to a standstill in the second quarter of 2020, triggering the enactment of significant policy measures in both the fiscal and the monetary realm. However, during the subsequent midyear rebound, developed economies failed to attain the pre-crisis level of economic output. The recovery in domestic demand has been

fragile, owing to general uncertainty and the paralysing effect of the pandemic on economic activity. Against this background, the growth trajectory remains strongly dependent on policy support measures.

Developed economies took the hardest hit

While developed economies are forecast to see a recovery in 2021, this outlook is subject to great uncertainty. In the United States, as monetary easing continues, consumption of durable goods and residential investments continue to grow. However, other demand components, particularly corporate investments and exports, are forecast to remain weak as long as the uncertainties associated with the COVID-19 pandemic persist. In a context of weak employment prospects and wage growth, the fragile recovery could easily be reversed if fiscal support measures remain inadequate. An indicator of the elevated uncertainty has been the spike in household savings in the United States and other developed economies. In Europe, the risks to the outlook include the further evolution of the pandemic and the lockdown measures taken in the fourth quarter in order to deal with the resurgent case numbers. In addition, the region is also facing challenges that predated the pandemic, including those related to the future relationship between the European Union (EU) and the United Kingdom of Great Britain and Northern Ireland as well as disruptive structural changes in the automotive industry in a number of countries. In developed Asia, the outlook is heavily dependent on the revival of external demand, particularly from East Asia. The stability of shared global supply chains, commodity demand and tourism will be important determinants of economic performance.

Many developed countries are facing the renewed challenges of a second wave of the virus, which will undermine their recovery efforts

Lower commodity prices compounded the challenges for the Commonwealth of Independent States (CIS) and Georgia

The outbreak of the COVID-19 pandemic has unleashed multiple shocks in the Commonwealth of Independent States (CIS) and Georgia. The disruptive effect of the lockdown and quarantine measures introduced in the region was further compounded by lower commodity prices, including for important non-oil commodities exported by the CIS countries. The shocks have been widespread across the region, resulting in declines in output in almost all countries. The magnitude of those declines has depended on a country's economic structure and its capacity to adopt offsetting measures, which was larger for energy-exporting countries. The economic outlook for the region is uncertain, with downside risks predominating, including the further trajectory of the pandemic. While the banking sector has remained stable during the current crisis, the deterioration of asset quality and high levels of dollarization in many countries will constrain lending and increase risks. In addition, geopolitical tensions have mounted and, in some cases, have spiraled into real conflict.

Lower commodity prices and the collapse of tourism are posing significant challenges Commonwealth of Independent States (CIS) and Georgia

South-Eastern Europe has experienced high unemployment and negative fallout from trade linkages

In South-Eastern Europe, the crisis has led to an increase in unemployment from already high levels, reversing some of the improvements seen in previous years. The fallout of the pandemic in the European Union, the main destination for the region's exports and a source of investments and remittances, has depressed external demand and reduced income, while supply chain disruptions have dampened manufacturing production. The effects have varied across the region, depending on policy space and the level of dependency on tourism.

Africa faces the dire risk of the reversal of the development gains of recent decades

The pandemic is quickly reversing the decades of development gains in Africa, as unemployment and poverty rise significantly around the continent

Africa has been experiencing an unprecedented economic downturn with major adverse impacts on the long-term development of the continent. Domestic lockdowns required to control the pandemic, lower external demand combined with lower commodity prices, the collapse of tourism and lower remittances have set off severe economic disruptions. Although many countries in Africa have taken action quickly to counter the spread of the pandemic, most are severely hampered by a lack of the resources needed to support health systems, protect vulnerable population groups and support the recovery. Given its magnitude and unequal effects across population groups, the current crisis is causing a rise in unemployment, poverty and inequality, which threatens to wipe out the development gains of recent decades. In addition, more difficult financing conditions and rising public debt are exposing many African countries to debt distress. The continent is forecast to see a modest recovery in 2021, but this depends on the relaxation of lockdown constraints and an improvement in trade and commodity markets.

East Asian economies fare better than others

Against the backdrop of a relatively quick recovery of aggregate demand in China, the East Asian economies have outperformed other regional economies

East Asia saw a sharp deceleration in economic growth in 2020, marking the region's weakest expansion since the Asian financial crisis. Measures designed to contain domestic outbreaks, including widespread restrictions on mobility and enforced business closures, significantly curtailed household spending and investment activities. The region's investment prospects have been further dampened by heightened uncertainties and risk aversion. Large policy stimulus measures helped to offset some of these negative effects by providing support to domestic demand. However, considerable negative fallout also came from the external front, with export volumes contracting owing to supply chain disruptions and weakened global economic activities. In many parts of the region, the pandemic has caused significant setbacks to social and economic development, with a disproportionate impact on the vulnerable segments of society. The region will see a recovery in 2021, but this will be from a low base and with great uncertainty stemming from the potential for renewed lockdown measures.

The pandemic has ravaged South Asia and progress on many SDGs has been reversed

South Asian economies faced the worst economic declines, with GDP per capita growth contracting by nearly 10 per cent in 2020

The pandemic and the global economic crisis have left deep marks on South Asia, turning this former growth champion into the worst performing region in 2020. Without exception, all economies in the region have been badly hit by the crisis, whose impact has been amplified and accelerated by existing vulnerabilities. These vulnerabilities were aggravated by weak progress on achieving the SDGs before the crisis and, notably, by the weakness of the region's public health infrastructure, with low levels of public health expenditure and few physicians, nurses, midwives and hospital beds per capita, as compared with both the global average and measures for other developing regions. At the same time, poorly organized labour markets and the absence of a reliable social safety net have prevented Governments from implementing the effective restrictions needed to contain the spread of the pandemic, while fiscal constraints and limited economic diversification restricted Governments' manoeuvring space. As a result, the crisis has devastated livelihoods across the region, reversing many years of progress on achieving the SDGs. As the population continued to grow in 2020, GDP per capita fell by nearly

10 per cent, while poverty is rising sharply and existing inequalities are widening. At the same time, it is the most vulnerable that have been hit hardest by the crisis. These include women, children, slum dwellers, migrant workers and the elderly.

Western Asia confronts the challenges of low energy prices and declining tourism revenues

In Western Asia, the pandemic and the subsequent mitigation measures stalled economic activities across the region. The pandemic's impact was felt most acutely in the region's high-performing tourism sector, and that impact led to a significant weakening of accommodation, transport, and wholesale and retail trade services. At the same time, weak energy market conditions stifled revenues for commodity exporters, putting additional constraints on fiscal policy options. Economic recovery in the region will depend on global energy demand, international tourism and the extent of the recovery of domestic demand on the back of fiscal support measures.

Latin America and the Caribbean has been hit severely by the crisis

Latin America and the Caribbean has suffered the devastating consequences of the pandemic, as evidenced by both the heavy human toll exacted and the massive economic damages incurred. The health crisis has been accompanied by an economic downturn of historic proportions, which follows several years of disappointing growth. The downturn was caused by prolonged national lockdowns, weaker merchandise exports and a collapse in tourism, triggering a sharp increase in the number of the poor. Moreover, the crisis has been responsible for further setbacks to achievement of the SDGs by exacerbating deep-rooted structural inequalities, for example, between formal and informal workers, and between women and men. Despite severe fiscal constraints, many of the region's Governments have adopted substantial stimulus packages in response to the pandemic. This support, along with monetary easing, a gradual lifting of restrictions and a pickup in global economic activity, has prompted a modest recovery starting in the second half of 2020. However, aggregate output is expected to reach its pre-crisis level only by the end of 2023. In addition, the recovery will likely remain fragile and uneven, with significant political risks and the possibility of a debt crisis looming in several countries in the region.

Monetary and especially fiscal support have helped cushion the impact of the crisis