

PRESS RELEASE

PECC: VACCINATIONS KEY TO ASIA PACIFIC ECONOMIC RECOVERY, BUT INEQUITABLE DISTRIBUTION, CLIMATE CHANGE AND INFLATION MAY DERAIL GROWTH

Wellington, 8 November 2021 – While the economy of Asia Pacific¹ has declined significantly in the year and a half since the onset of the Covid-19 pandemic, it is now set for a sharp recovery thanks to unprecedented policy support and the accelerated distribution and adoption of vaccinations, according to a new report by the Pacific Economic Cooperation Council (PECC).

The report, which is the sixteenth annual *State of the Region* for 2021-2022, was today released at the sidelines of the Economic Leaders and Ministers' Meetings, hosted by the Asia-Pacific Economic Cooperation (APEC) in New Zealand. As part of the report, the *State of the Region* also surveyed 598 respondents from the regional policy community, to provide a representation of the insights from key political and business decision-makers.

Vaccinations Key To Economic Recovery

The report finds that the region is now expected to grow by 6.1% in 2021 and by 5.1% in 2022, largely coming from economies that have been able to progress with vaccinating a larger portion of their populations, most notably in China and the United States. However, the progress has been far from even across the Asia Pacific as while some economies have managed to achieve vaccination rates of over 70%, there are many others lagging significantly behind. The leading concern for policymakers in the coming year is dealing with potential future waves of Covid-19 and their consequences.

This has led to a two-speed or “K-shaped” recovery (symbolizing the divergent trajectories that economies embark on), linking differing patterns of economic success to the application of vaccines. According to PECC estimates, economies with current vaccination rates of above 30% are expected to recover from the pandemic at a faster pace and grow by 6.3% in 2021, compared to 5.4% growth of those with vaccination rates below 30%. The recovery is expected to become more broad-based across the region as vaccines become more widely available in 2022.

This may be because there are challenges for certain developing economies in both accessibility and affordability when acquiring vaccines. The inequitable distribution of Covid-19 vaccines is the leading concern for of respondents surveyed, who believe that ensuring equitable access is the top priority for APEC leaders to address in the coming year. This is closely followed by plans for economies to open up their borders for travel and managing the ongoing US-China trade conflict. The most important consideration for dealing with Covid-19 in the future is largely dependent the scope and pace of vaccination (weighted score of 4.1 out of 5)

Mr Eduardo Pedrosa, Secretary General, PECC, said: “Thanks to the advent and rapid distribution of Covid-19 vaccines, many economies are finally positioned well for recovery after yet another challenging year dealing with an unprecedented pandemic. However, our survey indicates that stakeholders are deeply concerned about the impact that fragmented travel rules are having on the recovery of their economies. This is especially evident for essential workers keeping supply chains running such as aircrews and sea crews. “

¹ The definition of Asia Pacific is expansive and includes the 21 member economies that globally comprise APEC's membership.

Ambassador Zhan Yongxin, Co-chair, PECC, said: “The fight is far from over, and many are rightly concerned about the risks of future outbreaks, as well as affordable and equitable access to vaccines for all. The region’s future economic stability and growth will be contingent on strong leadership in addressing these issues and beyond.”

Climate Change As A Growth Risk

The second most prominent risk factor to growth in this year’s survey was climate change/extreme weather events, with 43% of respondents selecting it as a top five growth risk for their economies. This is a substantial increase from the previous year when only around a quarter (24%) of respondents selected climate change as a top growth risk for their economies. Indeed, 60% of respondents also said that ‘immediate and drastic action is necessary to address climate change’, with a further 30% saying that ‘some action should be taken now.

Dr. Richard Cantor, Co-chair, PECC, said: “Green finance standards need to be harmonized to lower transaction costs and to support climate mitigation and adaptation projects in the region. APEC’s dialogue process, which brings together government with business, is well-suited to encouraging that process.”

Dr. Tilak K. Doshi, Economic Consultant and Co-author of the State of the Region for 2021-2022, said: “APEC member economies can play a significant and constructive role in the outcome of the COP26 negotiations. APEC’s Putrajaya vision of ‘an open, dynamic, resilient and peaceful Asia Pacific community by 2040’ can be the basis to find ways to support the Paris Agreement by assisting governments in implementing their emission mitigation and adaptation efforts through voluntary international cooperation. Such voluntary international cooperation can assure developing APEC member economies, along with other developing economies, energy security, reliability and affordability, which are requisite for their economic development and poverty alleviation objectives.

Significant achievements in establishing region-wide carbon markets in the Asia-Pacific region which can have linkages with existing carbon markets in Europe and North America are within reach, and APEC member economies would gain mutual benefits from such arrangements. Carbon mitigation and adaptation projects jointly implemented between APEC developed and developing economies, could demonstrate the value of such projects beyond the APEC region.”

Inflationary Pressures To Be Carefully Considered

Central banks globally are carefully watching the impact of inflation and assessing whether it is a transitory phenomenon caused by the exceptional circumstances of the Covid-19 pandemic, which may fade as conditions normalize next year. There is some debate over the nature of the current inflationary pressures – whether there is a risk of ‘jumping at shadows’. Underlying the difficulty in reaching any conclusion is that there remains significant capacity in the economy with the solution coming from fixing supply and relaxing restrictions on the movement of people as and when health circumstances permit.

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About the Pacific Economic Cooperation Council

The Pacific Economic Cooperation Council (PECC) is a non-profit international organization committed to the promotion of cooperation and dialogue in the Asia Pacific. Founded in 1980, the PECC is a tripartite network of 25-member committees comprising individuals and institutions dedicated to this shared mission.

As the only non-governmental official observer of APEC (Asia-Pacific Economic Cooperation), PECC provides independent business and research input for the regional policy-making process. For more information, please visit: www.pecc.org

About State of the Region

The State of the Region is an annual report presenting the views of the Asia-Pacific policy community on major developments affecting Asia-Pacific regional cooperation. The report contains a macroeconomic overview of the current state of the region, key developments and priorities for APEC. This year, the survey was conducted from 12 August to 17 September 2021 and responses were received from 598 opinion leaders.

Respondents to the PECC survey are high-profile senior individuals from the academia, business, government, civil society, and the media. For more information, please visit: www.pecc.org/research/state-of-the-region