



MAY 2020

East Asia and the Pacific

The economic fallout of COVID-19 has severely dampened growth in EAP, significantly hindering poverty reduction efforts. The slowdown in the region is led by sharp decline of economic activity in China. China's GDP shrank 6.8% yoy in Q1 2020, the first quarterly contraction 1976. According to the World Bank, China's GDP is expected to slow to 2.3% in 2020 from 6.1% in 2019. Global containment measures have significantly reduced economic activity, amplifying the impacts on EAP economies through a collapse in tourism, plunging trade and disruptions to global supply chains. Developing EAP growth, excluding China, is projected to slow to 1.3% in 2020 from 4.7% in 2019.

Many economies in EAP (Cambodia, Thailand, Philippines, and some Pacific countries) are highly dependent on tourism as a major source of income, export earnings and job creation, leaving them highly susceptible to the slump in tourism. The region is also highly open to trade and investment and is linked to global value chains. Economies dependent on manufacturing (Cambodia, Malaysia, Thailand and Vietnam), are vulnerable to supply chain disruptions as they often rely on imported goods for their exports. Those specializing in commodities are affected by reduced global demand.

The pandemic has also led to an abrupt and significant tightening of global financing conditions, impacting EAP economies with elevated debt levels (Lao PDR, Malaysia, Mongolia, Vietnam), large fiscal deficits (Cambodia, Lao PDR, Vietnam), and a reliance on volatile capital flows (Cambodia, Indonesia). Additionally, depressed commodity prices will affect the region's commodity exporters (Malaysia, Mongolia, Myanmar and Indonesia); while regional oil importers will benefit from lower oil prices.

Committed projects

TBC

IFC Resources

TBC

Impact on the private sector

Millions of households have been impacted through loss of jobs and income (including remittances); loss of wealth amid asset price collapses; and the need to cover basic expenses or service debt. Governments in the region have introduced policy measures to mitigate income loss, such as paid sick and family leave, wage subsidies, unemployment benefits, debt relief and moratoriums on utility bills for distressed households, cash transfers and in-kind vouchers.

Private sector firms have been affected by cuts to revenue and access to capital (including FDI), while managing the need to pay employees, cover basic expenses, and service debt. Businesses need to moderate liquidity pressures which could create solvency difficulties. For instance, many firms are reducing or delaying capital expenditure; and expect lower earnings in 2020. Some governments in EAP have introduced policy measures to help companies avoid insolvency, such as loan guarantees, deferral of tax and social contributions, debt relief for distressed borrowers, import duties waived on selected imports, and subsidies to maintain employment.

Similarly, financial institutions have been affected by reduced access to funds and a deterioration of their credit portfolio. They too need to pay employees, cover basic expenses, and service debts. Government implemented policy measures to enhance financial institutions' lending capacity are easing some of the pressure. These include rate cuts and asset purchases, targeted lending facilities, lower reserve requirements, swap lines for dollar liquidity, regulatory forbearance and flexibility and changes in capital flow management measures.

IFC's response

EAP was hit first by the COVID-19 outbreak. IFC's response in the region has been to increase liquidity for the private sector and to build business resilience through advisory services. IFC has been working closely with the World Bank as well as other multilateral development banks to help the private sector. As part of IFC's global efforts to help private companies affected by the pandemic and to preserve jobs, IFC is working with existing clients in the region to assess where our support is needed most. Demand from clients has come from a range of industries, including financial services, health & pharmaceuticals, agribusiness and infrastructure. We are providing direct lending to companies affected by the outbreak, as well as supporting financial institutions so they can continue lending to businesses. In addition to funding, the EAP team is also facilitating peer learning amongst businesses and banks both within

Stories from EAP

[Amid an Outbreak, the Fight to Protect Jobs](#)

[COVID-19: Developing countries will be hardest hit](#)

[Helping Companies, Workers During the COVID-19 Pandemic](#)

[COVID-19 Challenges and Response: Cushioning the blow to Asian companies of the coronavirus crisis](#)

[CEO Diary: Insular Health Care](#)

[Digital Marketplace Keeps Indonesian Farmers in Business](#)

Regional events

COVID-19 Webinar Series: Stress Testing for Non-Banks in China

COVID-19's Impacts on China's MSMEs and Their Financial Wellbeing", facilitated by Chinese Academy of Financial Inclusion

SMEF Working Group Technical Webinar

Webinar on Risk Management and Learnings from China on COVID-19 for India

Managing the Impact of COVID-19 in Western Europe and China

Building Resilience in Regional Logistics and Supply Chain

SS&C Dialogues: Where Do We Go from Here? A Global Perspective", facilitated by SS&C technologies

Capital Markets in Times of COVID-19, facilitated by the Hong Kong Green Finance Association

and outside the region.

Even before the COVID-19 facility was set up, IFC had acted to help small and medium sized enterprises. For example, in [Vietnam](#) IFC increased trade finance limits to \$294 million for four Vietnamese banks to improve their capacity to cover payment risks in providing trade financing to local companies impacted by COVID-19.

As the crisis continues to evolve, there is a great need to address immediate constraints on trade, including trade finance. As of May 12, through its COVID-19 crisis response, IFC has already committed US\$129 million in trade finance in East Asia and the Pacific, since March 17, 2020.

Media

[Coronavirus should focus the minds of Asia's entrepreneurs](#), April 21

[Covid-19 and climate change reshape infrastructure plans](#), May 11

Regional news

[IFC increases trade finance limits to support Vietnamese businesses amid COVID-19](#), Feb 21

[World Bank Group increases COVID-19 response to \\$14 billion](#), March 17

[世界银行将疫情应对融资增至140亿美元](#), March 18

[Bank Dunia Naikkan Pinjaman untuk Negara yang Terdampak Corona](#), March 18

[세계은행, 코로나19 긴급 용자지원 증액...총 140억달러](#), March 18

[World Bank's \\$100-million quick loan to fight Covid](#), March 19

[Int'l Finance Corporation expands Covid-19 financing to \\$8-B](#), April 13

[Job losses from coronavirus pandemic could force 11 million into poverty in Asia, International Finance Corporation says](#), April 17

[How Papua New Guinea's crisis in business funding could be solved](#), April 27

[IFC Strengthens Cooperation with Vietnam Institute of Directors, Helping Companies in Covid-19](#), April 29

[COVID-19: Survey for Fijian businesses](#), April 25