

REGIONAL MACROECONOMIC AND TRADE TRENDS DURING THE COVID-19 PANDEMIC

Erika Bethmann

Emma Blair

Chang Hong

Lin Jones

Christopher Montgomery

Huyen Nguyen

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Erika Bethmann, Emma Blair, Chang Hong, Lin Jones, Chris Montgomery, Huyen Nguyen
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Abstract

Focusing on regional macroeconomic and trade trends since the onset of the COVID-19 pandemic in the early months of 2020 through the middle of 2021 when data collection efforts concluded, this paper gathers and presents a broad set of data from multiple sources. Intending to provide a near global coverage, this paper is structured around the following six major regions: Asia and Pacific (AP), Europe, North America (NA), Latin America and Caribbean (LAC), Sub-Saharan Africa (SSA), and Middle East and North Africa (MENA). For each region, 10 major macroeconomic and trade indicators are provided, describing a wide range of economic outcomes. This collection of region-based analyses complements the other working paper simultaneously produced by Erika Bethmann, Chang Hong, Lin Jones, and Joann Peterson—“[Challenges Facing Selected Industries and Related Global Supply Chains During the Ongoing COVID-19 Pandemic](#),” which provides a collection of industry-based analyses. Together, these two papers aim to provide a comprehensive set of background information and data for future work on the economic impact of the COVID-19 pandemic.

Erika Bethmann
Country and Regional Analysis Division
Office of Economics
U.S. International Trade Commission
Erika.Bethmann@usitc.gov

Chang Hong
Country and Regional Analysis Division
Office of Economics
U.S. International Trade Commission
Chang.Hong@usitc.gov

Lin Jones
Country and Regional Analysis Division
Office of Economics
U.S. International Trade Commission
Lin.jones@usitc.gov

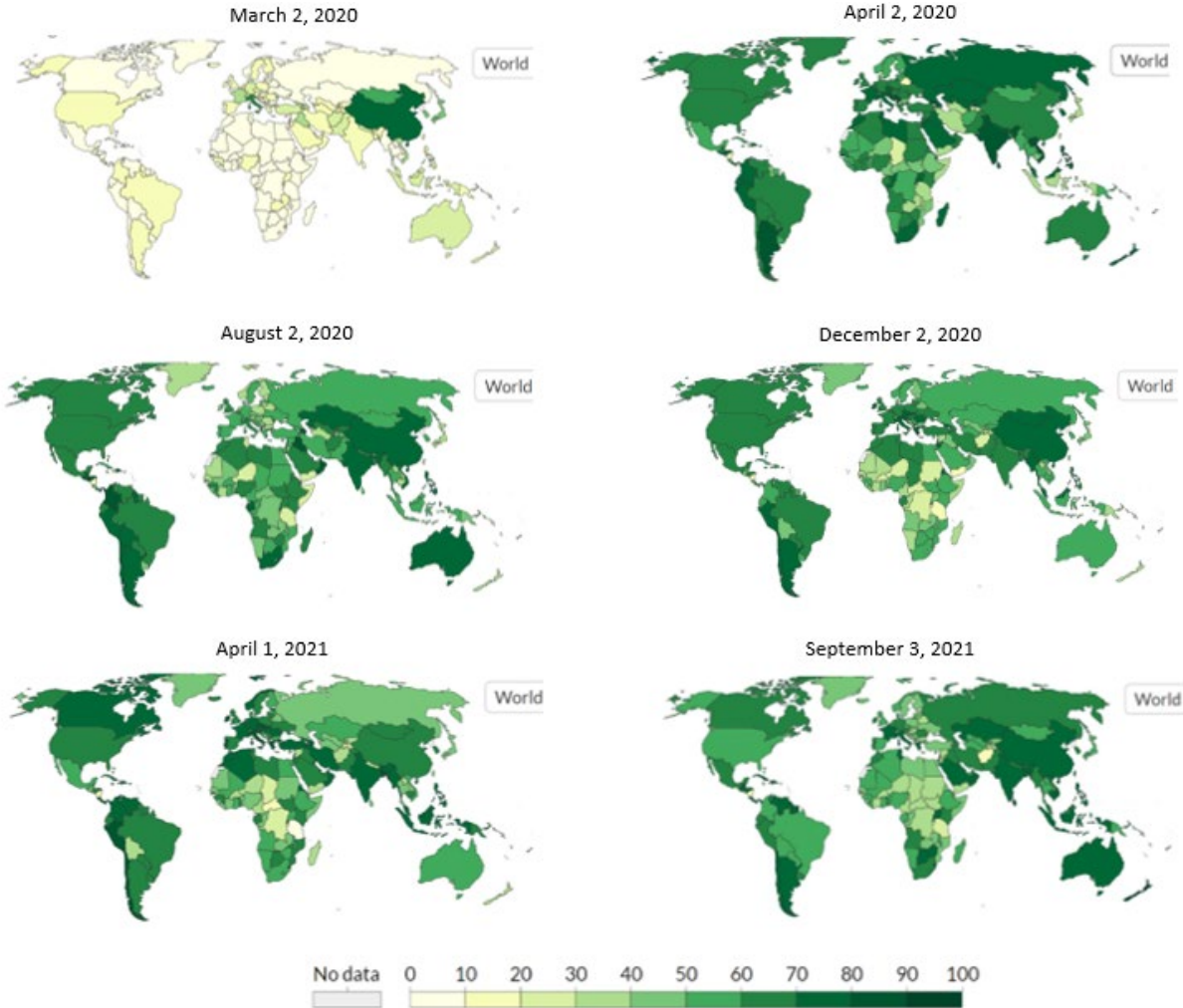
Christopher Montgomery
Front Office
Office of Economics
U.S. International Trade Commission
Christopher.Montgomery@usitc.gov

Huyen Nguyen
Front Office
Office of Economics
U.S. International Trade Commission
Huyen.Nguyen@usitc.gov

I. Introduction

Beginning in January of 2020, the COVID-19 pandemic has led to some of the largest disruptions in global economic activities in recent history. As COVID-19 cases increased worldwide, governments undertook unprecedented measures to contain the spread, including school and workplace closures, and travel restrictions. Beginning in March 2020, most countries implemented, expanded, or adjusted restrictive containment measures throughout 2020 and most 2021 (figure 1). As of September 2021, no country had fully eliminated these restrictive measures.

Figure 1.1 Containment and Health Index (CHI), March 2, 2020–September 3, 2021



Source: OurWorldinData, “[COVID-19: Containment and Health Index](#),” accessed May 16, 2022.

Note: Containment and Health Index (CHI) is a composite measure based on thirteen policy response indicators including school and workplace closures, travel bans, testing policy, contact tracing, face coverings, and vaccine policy, which are rescaled to a value from 0 to 100 (100 = strictest).

To evaluate the potential economic impact of COVID-19, this paper conducts the background research and presents macroeconomic trends such as gross domestic product (GDP), output, labor, and foreign direct investment (FDI), as well as merchandise and services trade trends since the onset of the COVID-19 pandemic in 2020. It gathers a broad set of measures from multiple sources, including COVID-19 case data from Johns Hopkins Coronavirus Resource Center, fiscal response and annual GDP data from the

International Monetary Fund (IMF), manufacturing output data from the United Nations Industrial Development Organization (UNIDO), working hour data from the International Labour Organization (ILO), foreign direct investment (FDI) data and services trade data from the United Nations Conference on Trade and Development (UNCTAD), and merchandise trade data from the World Trade Organization (WTO).

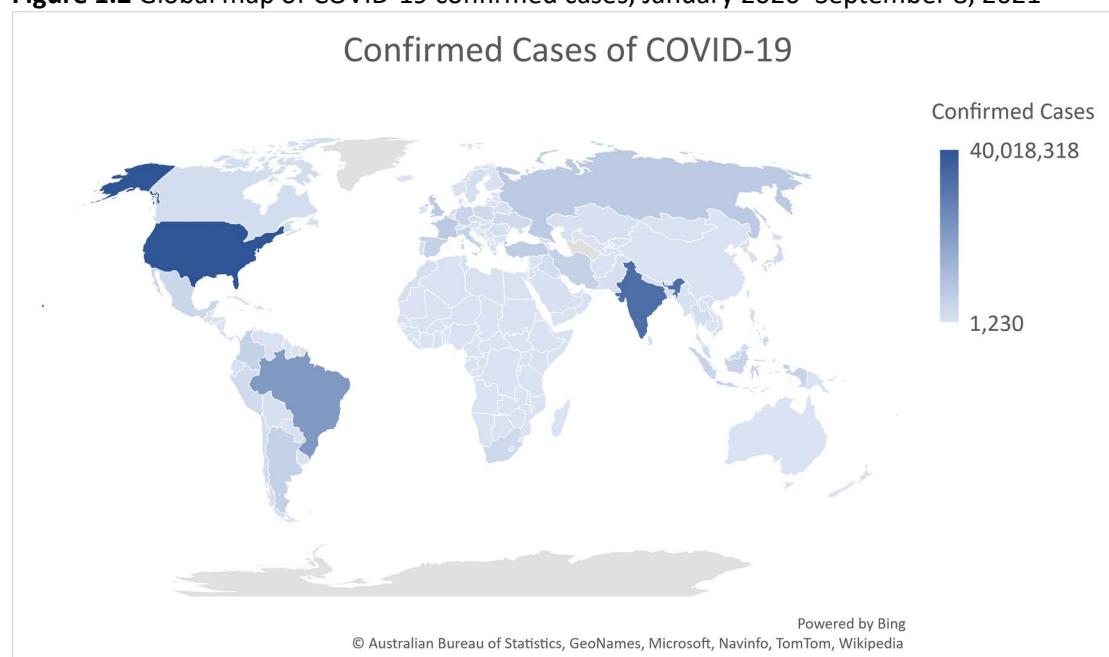
Intending to provide a near global coverage, this paper is structured around the following six major regions: (1) Asia and Pacific (AP), (2) Europe, (3) North America (NA), (4) Latin America and Caribbean (LAC), (5) Sub-Saharan Africa (SSA), and (6) Middle East and North Africa (MENA). For each region, 10 major indicators are provided, describing a wide range of economic outcomes, and providing relevant inputs for future analysis for the economic and health related disruptions caused by the pandemic. The major findings are summarized below.

Executive Summary

Global Covid-19 Cases and Death

By late 2021—nearly two years since the emergence of COVID-19—there had been over 221.1 million confirmed cases and 4.6 million deaths, globally. As of September 8, 2021, the United States, India, and Brazil had the highest numbers of both confirmed COVID-19 cases and deaths (figure 1.2).

Figure 1.2 Global map of COVID-19 confirmed cases, January 2020–September 8, 2021



Source: Johns Hopkins Coronavirus Resource Center, “[Cases and Mortality by Country](#),” Data Visualizations database, accessed September 8, 2021.

Fiscal responses to COVID-19 pandemic

Facing the pandemic-induced recessions, nearly all economies around the world have adopted some forms of expansionary fiscal policy measures. Many of these fiscal responses have been influenced by economies’ exposure to COVID-19, and the degrees of dependency on industries most impacted by the pandemic. According to the IMF, economies around the globe had directly spent a combined \$10.8 trillion

in additional fiscal spending in response to the pandemic as of September 27, 2021.¹ Nearly 86 percent of new spending was on fiscal stimulus measures or expanding social safety net such as unemployment benefits. The remaining funds were allocated to the health sector and other initiatives to combat the pandemic, such as purchasing personal protection equipment (PPE) and testing kits, and spending on the development of vaccines as well as drugs.²

Gross Domestic Product (GDP)

Global economy is estimated to have contracted by 3.3 percent in 2020, the deepest decline since the World War II.³ According to the IMF, global economy was estimated to have recovered beyond pre-pandemic GDP levels, expanding 6.1 percent in 2021.⁴ However, the rate of economic recovery has varied across countries and regions, with economies dependent on tourism, with limited fiscal policy resources, and/or with slow vaccine rollout more likely to rebound at a relatively slower rate.⁵

Manufacturing output

After suffering a brief drop in early 2020, the world experienced a strong rebound in the demand for goods. Global manufacturing output recovered and grew by 2.4 percent during the fourth quarter of 2020 in a year-over-year comparison.⁶ High- and medium-high tech manufacturing sectors (e.g., computer and electronics, pharmaceuticals) outperformed low-tech sectors (e.g., food, apparels) during the pandemic. Nonetheless, global manufacturing industries continued to experience major disruptions in 2021, such as a shortage of labor, rising shipping cost, and supply chain disruptions.

Labor

The Covid-19 pandemic has left a major impact on the global labor market. The OECD noted in the employment outlook 2020 that the employment crisis during the Covid-19 pandemic was worse than that during the Great Depression.⁷ Countries such as Italy, Germany, and Australia imposed strict lockdown measures to contain the ensuing pandemic, leading to a plunge in labor hours and unprecedented permanent layoff. The ILO estimated that the number of jobs across all economies dropped the most during the second quarter of 2020.⁸ By the end of 2021, the global labor market recovered significantly due to the progress in vaccination effort.⁹ However, employment recovery was uneven across regions and countries.

Foreign Direct Investment (FDI)

According to the UNCTAD, global FDI net inflows dropped by over 30 percent from \$1.6 trillion in 2019 to \$1.0 trillion in 2020.¹⁰ This global FDI net inflow was the lowest level since 2005 and nearly 20 percent below the nadir after the 2008–09 global financial crisis. The decline in global FDI net inflows was significantly sharper than the falls in global GDP and trade, and was more concentrated in developed

¹ IMF, [“Fiscal Measures in Response to the COVID-19 Pandemic,”](#) October 2021.

² IMF, [“Fiscal Measures in Response to the COVID-19 Pandemic,”](#) October 2021.

³ Kose and Sugawara, [“Understanding the Depth of the 2020 Global Recession,”](#) June 15, 2020.

⁴ IMF, [World Economic Outlook](#), April, 2022.

⁵ IMF, [World Economic Outlook \(April 2021\),](#) April 2021, xiii.

⁶ UNIDO, [World Manufacturing Production \(Quarter 4–2020\),](#) accessed October 13, 2021.

⁷ OECD, [OECD Employment Outlook 2020: Worker Security and the COVID-19 Crisis,](#) July 7, 2020.

⁸ ILO, [Working Hours Lost Due to the Covid-19 Crisis. Annual,](#) accessed November 4, 2021.

⁹ ILO, [ILO Monitor \(8th edition\),](#) October 27, 2021.

¹⁰ UNCTADSTAT, [FDI Inward and Outward Flows,](#) Annual, accessed November 8, 2021.

economies. FDI inflows to developed economies fell by over 58 percent in 2020, while FDI inflows to developing economies fell by 8.4 percent in 2020.¹¹ However, the change in FDI inflows was highly uneven across developing regions, with 45.4 percent decline in Latin America and Caribbean region, 15.6 percent decline in Africa, and 3.8 percent increase in developing Asia.¹²

Merchandise Trade

Much like many of the other indicators considered in this working paper, the global flow of goods and services experienced significant disruptions following the onset of the pandemic. Global merchandise trade fell by 7.5 percent by value in 2020, the biggest annual decline since 2009 when trade fell by 22 percent.¹³

While certain industries, such as energy and transportation equipment, were hit the hardest with double-digit declines, a few sectors experienced significant increases in merchandise trade. Driven by massive increases in global demand for personal protective equipment (PPE), trade in textile products increased by 7.8 percent in 2020. Likewise, pharmaceutical products experienced an 8.1 percent increase as governments and firms across the globe ramped up production of COVID-19-related vaccines and therapeutics. The unprecedented adoption of remote work coupled with household shifts in consumer demand away from in-person services in 2020 led to the near double-digit growth in several manufacturing industries such as computer and electronics. A perhaps understated trend in merchandise trade during the pandemic has been the stability of global trade in food sector, which increased 3.1 percent during the year (figure 1.3).

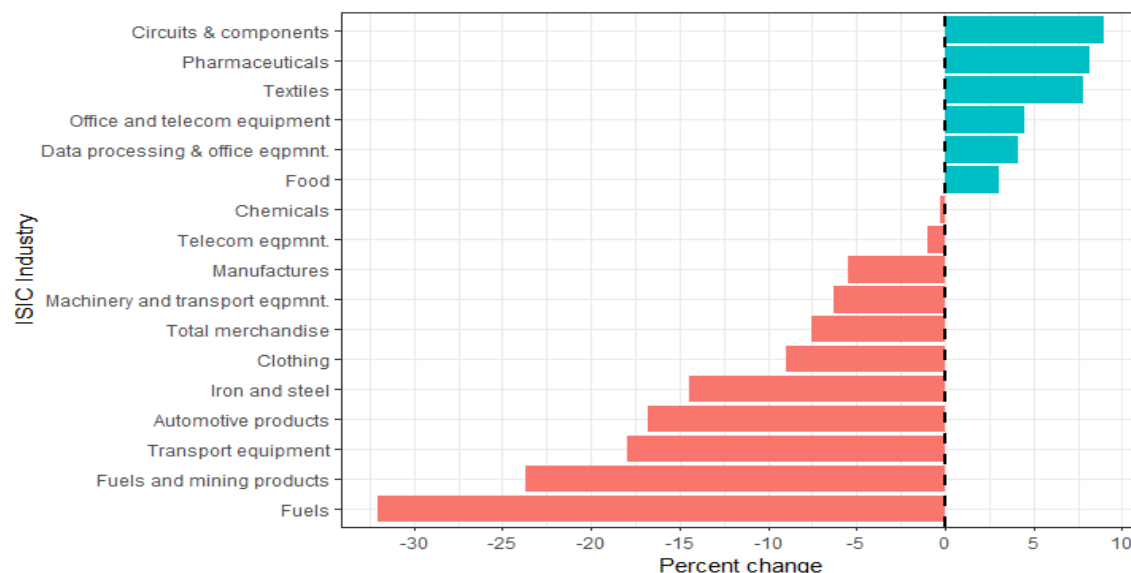
¹¹ UNCTAD, [World Investment Report 2021](#), June 21, 2021, annex table 1.

¹² UNCTAD, [World Investment Report 2021](#), June 21, 2021, annex table 1.

¹³ WTO, [International Trade Statistics](#), Merchandise Trade Value, Annual, accessed November 8, 2021.

Figure 1.3 Percentage change in global merchandise trade, by SITC Revision 3 aggregates, annual, 2019–20

SITC = Standard International Trade Classification.



Source: WTO, [International Trade Statistics](#), Merchandise Trade Value, Annual, accessed November 8, 2021.

Available merchandise trade data during the first half of 2021 show a resurgence in merchandise trade as global trade volumes have exceeded pre-pandemic levels in each quarter since Q4 2020. Nevertheless, increasing concerns over continued COVID-19 outbreaks, supply constraints, shipping delays, and global inflation threaten the continued recovery in global merchandise trade.¹⁴

Services Trade

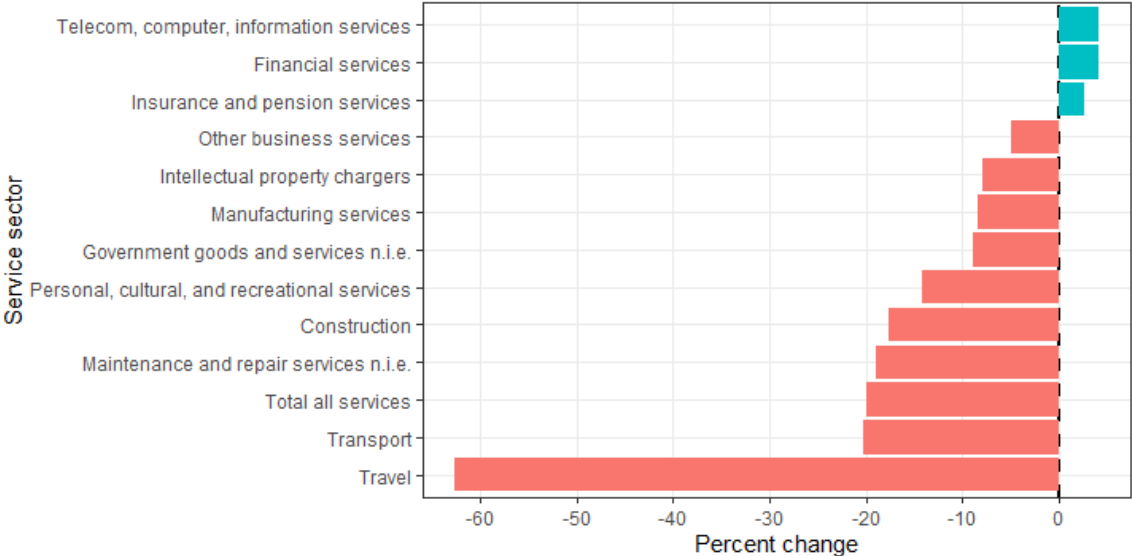
Weighed down by unprecedented declines in global demand for travel and transport services due to government restrictions on travel, total services trade volumes around the world fell by 20.0 percent in 2020 compared to 2019 (figure 1.4).¹⁵ However, several service categories that could be traded via digital platforms without person-to-person interactions, expanded during the year. Telecommunication, financial, and insurance services experienced modest growth during the year. Nowcasts of global services trade in 2021 show a strong recovery from the lowest point of the pandemic. During the third quarter of 2021, services trade is projected to have increased 23 percent above the same quarter in the previous year, the low point of the pandemic.¹⁶ In spite of this strong rebound, global services trade has yet to return to pre-pandemic levels.

¹⁴ WTO, [“Global Trade Rebound Beats Expectations,”](#) October 4, 2021.

¹⁵ UNCTADSTAT, [International Trade in Services](#), Trade and Growth by Main Service Category, Annual, accessed November 8, 2021.

¹⁶ UNCTAD, [“Global Merchandise Trade Exceeds, but Services Fall Short,”](#) December 9, 2021.

Figure 1.4 Percentage change in global services imports, by main service category, annual, 2019–20



Source: UNCTADSTAT, [International Trade in Services](#), Trade and Growth by Main Service Category, Annual, accessed November 8, 2021.

II. Asia and Pacific Region

Overview

This section covers the Asia and Pacific (AP) region, including Australia, China, Hong Kong, India, Japan, New Zealand, South Korea (Korea), Taiwan, the Association of Southeast Asian Nations (ASEAN), as well as the rest of AP. It does not include the economies in the Middle East, which are covered under the Middle East and North Africa region.

The Pandemic and Containment Measures

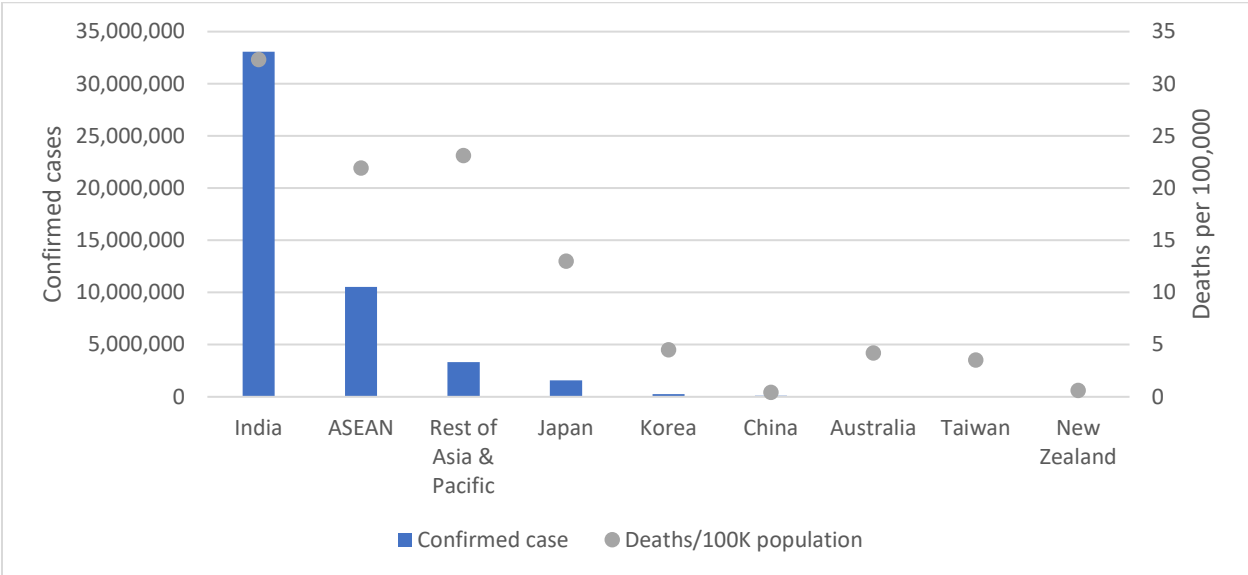
The AP region was the first region experiencing the outbreak of COVID-19. In December 2019, China reported a cluster of pneumonia cases of unknown cause in Wuhan City, Hubei. A novel coronavirus associated with the outbreak was eventually identified. The infectious disease caused by this newly discovered virus was named COVID-19. On January 13, 2020, the first recorded case outside of China was confirmed in Thailand. In the following months, other countries in the AP region, such as South Korea (Korea) and Japan, also reported a growing number of the cases. These countries swiftly adopted various measures to contain the pandemic, such as national lockdown, international travel restrictions, massive testing, and contact tracing. As a result, most AP countries experienced some success in curbing the spread of the virus during the remaining 2020. Several AP countries were hit hard by the more infectious Delta variant in 2021, such as Indonesia, the Philippines, Malaysia, and Vietnam. Nonetheless, most AP countries suffered relatively lower COVID-related deaths per 100,000 population, in comparison with many countries in other regions (figure 2.1). Among the AP countries, Fiji, Malaysia, Indonesia, and India have the highest COVID-related deaths per capita.¹⁷

Many attributed the relatively mild pandemic development in the AP region to the most restrictive measures in place. However, AP countries varied significantly in their containment approaches. For instance, China has adopted the most aggressive measures to slow down the spread of virus, such as massive lockdowns, strict restrictions on people movement, and digital surveillance. Thus, China maintained the highest COVID-19 stringency index above 70 for most months of 2020 and 2021, the highest among AP countries.¹⁸ In comparison, Taiwan relied on less restrictive approaches, such as rigorous contact tracing, technology-enforced quarantine, and widespread mask wearing. As a result, Taiwan maintained a stringency index below 35 throughout most months of 2020 and 2021 until May 2021, when the more infectious Delta variant caused cases to surge in the neighboring countries.

¹⁷ Johns Hopkins Coronavirus Resource Center, "[Cases and Mortality by Country](#)," Data Visualizations database, accessed September 8, 2021.

¹⁸ Produced by Oxford COVID-19 Government Response Tracker, a global panel database of pandemic policies, Stringency Index is a composite measure based on nine government response indicators, including school and workplace closures, cancelling of public events, closing of public transportation, staying at home requirements, restriction on internal movement, and international travel controls. Variation in governments' responses are measured and rescaled to a value from 0 to 100 (100 = strictest). The index does not indicate appropriateness or effectiveness of a country's response to COVID-19. Data are provided at daily frequency beginning on January 21, 2020, but presented here on the first day of each month for brevity. Data for the EU as a whole was constructed by taking the daily average COVID-19 stringency index for EU member states with available data. University of Oxford, "[COVID-19 Government Response Tracker \(OxCGRT\)](#)," accessed November 15, 2021.

Figure 2.1 COVID-19 cases and mortality, by selected major economies in the Asia and Pacific region, through September 8, 2021



Source: Johns Hopkins Coronavirus Resource Center, “Cases and Mortality by Country,” Data Visualizations database, accessed September 8, 2021.

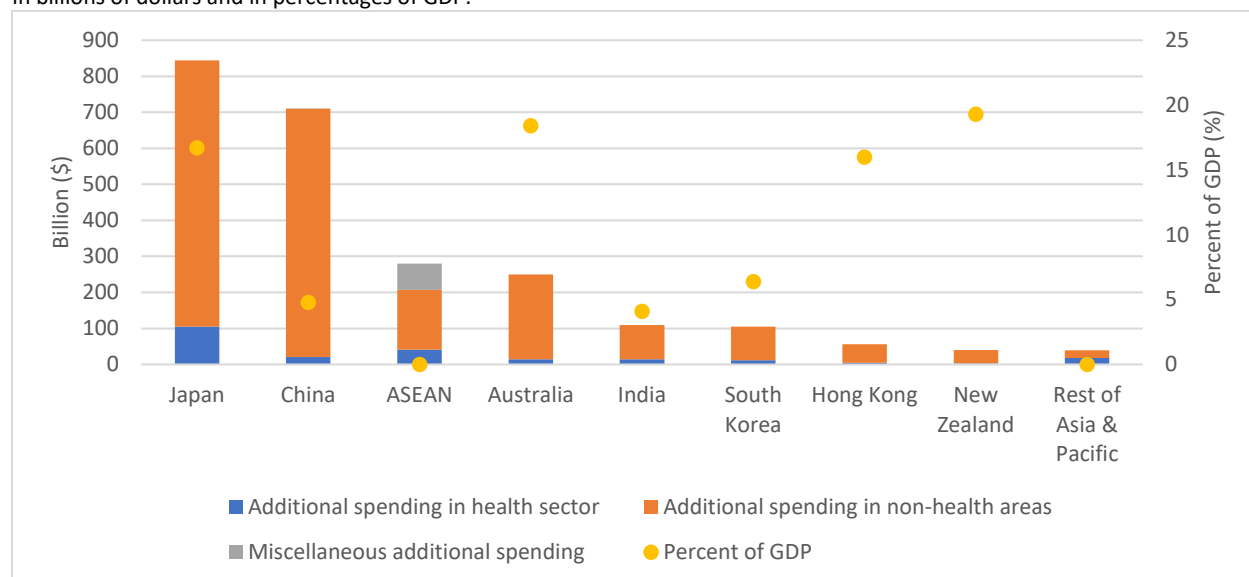
Note: The Association of the Southeast Asian Nations (ASEAN) is an economic union comprising ten member countries in Southeast Asia, including Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam. Derived from the simple average on deaths/100k population of economies in the group with available data.

Fiscal Response to COVID-19

Facing the pandemic-induced economic contraction, AP countries implemented various fiscal measures and increased government spending to stimulate economies while bolstering the COVID response, such as providing tax-free cash flow assistance, wage subsidies, securing access to COVID-19 vaccines, providing additional support to healthcare, COVID-19 testing and treatment, as well as medical research. The additional spending totaled at more than \$2.4 trillion in the AP region based on available data. Japan and China led the AP countries in fiscal stimulus measures (figure 2.2).

Figure 2.2 Fiscal measures in response to the COVID-19 Pandemic, by selected major economies in the Asia and Pacific region, January 2020–September 27, 2021

In billions of dollars and in percentages of GDP.



Source: IMF, “Fiscal Measures in Response to the COVID-19 Pandemic,” October 2021.

Note: Data for Rest of Asia and Pacific is composed by taking the sum in billions or simple average of country data on percent of GDP.

Macroeconomic trends

GDP

In 2020, real GDP growth rates dropped in most AP economies. India was among the hardest hit, as its economy contracted sharply by 7.3 percent (table 2.1).¹⁹ China and Taiwan were two economies with positive GDP growth rates in 2020 at 2.3 percent and 3.1 percent, respectively. Although ASEAN as a group suffered 2.5 percent of economic decline in 2020, Vietnam and Myanmar were the two bright spots in the group with positive GDP growth rates at 2.9 percent and 3.2 percent, respectively. Among the rest of Asia and Pacific, Bangladesh also had a positive GDP growth rate at 3.5 percent in 2020.

GDP growth estimates for 2021 show heterogeneous recoveries across economies within the region. India and China led the region in terms of economic growth, expanding by 9.5 and 8.0 percent respectively.²⁰ Conversely, major regional economies including ASEAN, Australia, and Japan experienced slower growth rates at 3.5 percent or lower. Economies comprising the Rest of Asia & Pacific aggregate expanded by an estimated 4.0 percent on average.

¹⁹ IMF, “[World Economic Outlook Database](#),” GDP (constant price), accessed May 19, 2021.

²⁰ IMF, “[World Economic Outlook Database](#),” GDP (constant price), accessed May 19, 2021.

Table 2.1 Real GDP growth rate, by selected major economies in the Asian and Pacific region, annual, 2019–21

In percentages.

Economy	2019	2020	2021
ASEAN	4.9	-2.5	0.9
Australia	1.9	-2.4	3.5
China	6.0	2.3	8.0
Hong Kong	-1.7	-6.1	6.4
India	4.0	-7.3	9.5
Japan	0.0	-4.6	2.4
Korea	2.2	-0.9	4.3
New Zealand	2.4	-2.1	5.1
Taiwan	3.0	3.1	5.9
Rest of Asia & Pacific	2.9	-7.2	4.0

Source: Source: IMF, “[World Economic Outlook Database](#),” GDP (constant price), accessed May 19, 2022.

Note: Data for ASEAN and Rest of Asia & Pacific are derived from the simple average GDP growth rates of economies in the groups with available data.

Manufacturing Output

The COVID-19 pandemic led to the first global decline in AP manufacturing output since the 2007–08 financial crisis.²¹ Manufacturing output dropped for most AP economies. India experienced the largest contraction of 12.9 percent, followed by Japan (-10.6 percent). Although the manufacturing output of ASEAN as a region experienced a 6.2 percent contraction during the year, its member economies—Vietnam and Singapore—expanded by 2.5 and 7.6 percent, respectively. Elsewhere in the AP region, China, South Korea, and Taiwan experienced positive manufacturing output growth rates in 2020 at 0.8, 0.1, and 7.6 percent, respectively (figure 2.3).

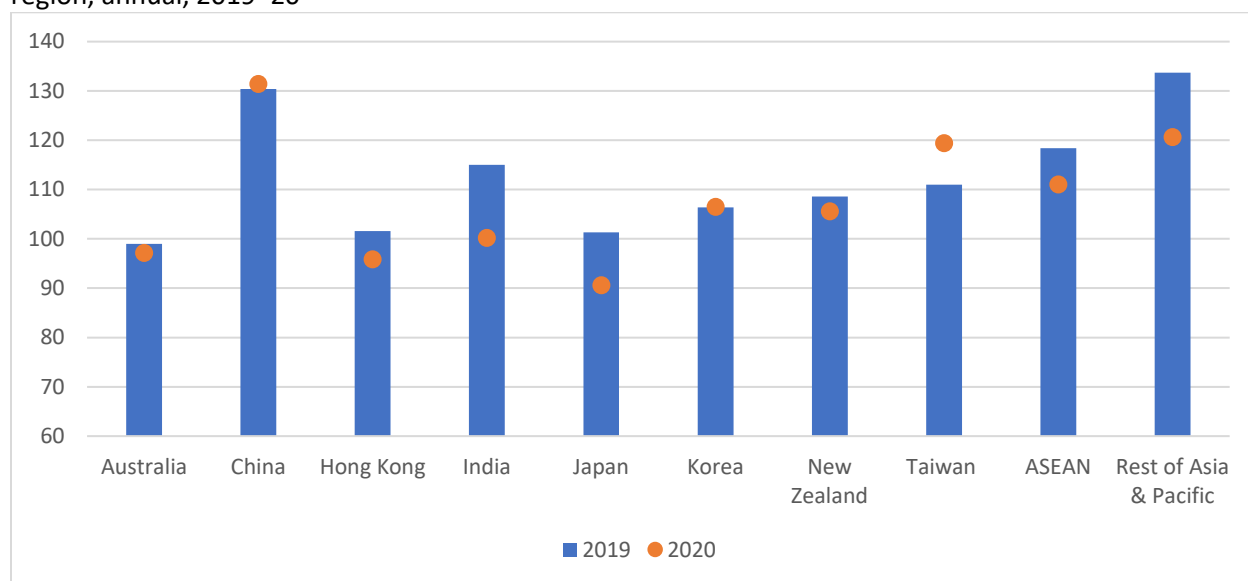
As the first country experiencing the outbreak in January 2020, China’s manufacturing output dropped 16.2 percent in the first quarter of 2020. The pandemic then quickly spread to the rest of the Asian economies starting in the second quarter of 2020, during which India reported the biggest drop of 40.9 percent in year-over-year comparison, followed by Japan (-20.7 percent), ASEAN (-12.4 percent), New Zealand (-12.2 percent), and Australia (-5.8 percent).²² However, manufacturing production in this region quickly bounced back as businesses returned to normal operations following the initial successful containment. In the third quarter of 2020, China, Taiwan, South Korea, and New Zealand had already reached their pre-crisis production levels (i.e., those of the fourth quarter of 2019). By the end of second quarter of 2021, manufacturing production in the AP region registered an unweighted average output growth of 18 percent compared to the same quarter of last year (figure 2.4).²³

²¹ UNIDO, [World Manufacturing Production \(Quarter 3–2021\)](#), March 8, 2021.

²² Taiwan, Province of China persistently reported an increase in manufacturing output in 2019 and 2020, mostly due to the positive performance of the computer and electronics as well as the pharmaceutical industries.

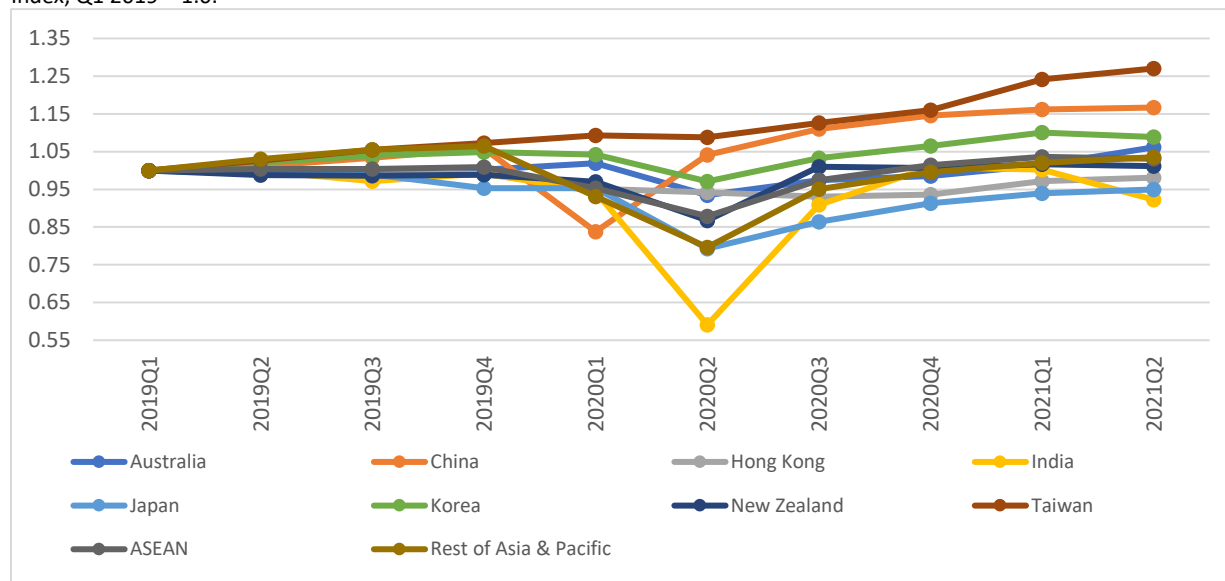
²³ UNIDO, [World Manufacturing Production \(Quarter 3–2021\)](#), March 8, 2021.

Figure 2.3 Total manufacturing output index, by selected major economies in the Asian and Pacific region, annual, 2019–20



Source: UNIDO, [Annual Index of Industrial Production \(IIP\) Database](#), Seasonally Adjusted, accessed November 9, 2021.
 Note: Data for ASEAN and Rest of Asia are derived from the simple average of economies in the group with available data.

Figure 2.4 Total manufacturing output, by selected major economies in the Asian and Pacific region, quarterly, 2019–21
 Index, Q1 2019 = 1.0.



Source: UNIDO, [Quarterly Index of Industrial Production \(IIP\) Database](#), Seasonally Adjusted, accessed November 9, 2021.
 Note: Data for ASEAN are derived from the simple average of economies in the group with available data.

Labor

Due to COVID-19-related workplace restrictions, almost all the AP economies experienced a decline in working hours in 2020 and 2021.²⁴ In 2020, working hours in the AP region declined by an unweighted average of 5.6 percent, equivalent to a total of 68 million full-time jobs (based on 40 hours per week). There were considerable variations across economies regarding the severity of the working hours loss, with India having the largest loss of working hours, and Taiwan the lowest (table 2.2). In 2021, the loss of working hours improved somewhat in most AP economies due to the gradual relaxation of restrictions and the increasing vaccination effort. However, India and ASEAN countries continue to suffer the highest working hour losses (table 2.2).²⁵

Table 2.2 The loss of working hours and full-time equivalent (FTE) jobs due to the COVID-19, by selected major economies in the Asian and Pacific region, annual, 2020–21

In percentages and in thousands. Values represent hours worked relative to annualized estimates of total hours worked in Q4 2019.

Economy	2020 (%)	2021 (%)	2020 (thousand FTE jobs)	2021 (thousand FTE jobs)
ASEAN	-7.9	-7.3	-26,595	-24,535
Australia	-4.6	-1.6	-489	-172
China	-4.1	0.4	-35,447	3,419
Hong Kong	-6.7	-8.2	-266	-322
India	-14.5	-7.2	-82,377	-41,671
Japan	-5.1	-5.3	-3,280	-3,379
Korea	-4.2	-2.4	-1,132	-647
New Zealand	1.1	1.4	24	30
Taiwan	-2.2	-3.6	-265	-434
Rest of Asia & Pacific	-7.8	-6.7	-1,244	-923

Source: ILO, “[Working Hours Lost Due to the Covid-19 Crisis. Annual](#),” accessed November 4, 2021.

Note: The percentage changes for ASEAN and Rest of Asia & Pacific are derived from the simple average of economies in the groups with available data. FTE jobs are based on 40 hours per week; the values for ASEAN and Rest of Asia & Pacific are derived from the sum of economies in the groups with available data.

FDI

In 2020, the AP region had a modest decline of 1.8 percent in FDI inflows. However, there were notable differences among the AP economies. China, Hong Kong, India, and Taiwan experienced an increase in FDI inflows, while Australia, Japan, and ASEAN countries experienced a double-digit decrease (table 2.3). According to the UNCTAD, China and Hong Kong ranked the second and third largest recipients of FDI inflow, after the United States in 2020.

²⁴ New Zealand was an outlier in the region because it did not suffer any lost working hours in both years.

²⁵ ILO, “[Working Hours Lost Due to the Covid-19 Crisis. Annual](#),” accessed November 4, 2021.

Table 2.3 FDI net inflows, by selected major economies in the Asian and Pacific region, annual, 2019–20
In billions of dollars and in percentages.

Economy	2019 (billion \$)	2020 (billion \$)	Percentage change 2019–20 (%)
ASEAN	181	136	-24.9
Australia	39	20	-48.6
China	141	149	5.7
Hong Kong	74	119	61.7
India	51	64	26.7
Japan	15	10	-29.5
Korea	10	9	-4.3
New Zealand	4	4	-1.4
Taiwan	8	9	6.8
Rest of Asia & Pacific	24	17	-29.1

Source: UNCTADSTAT, [FDI Inward and Outward Flows](#), Annual, accessed November 8, 2021.

Note: Data for ASEAN and Rest of Asia & Pacific are derived from the sum of economies in the groups with available data.

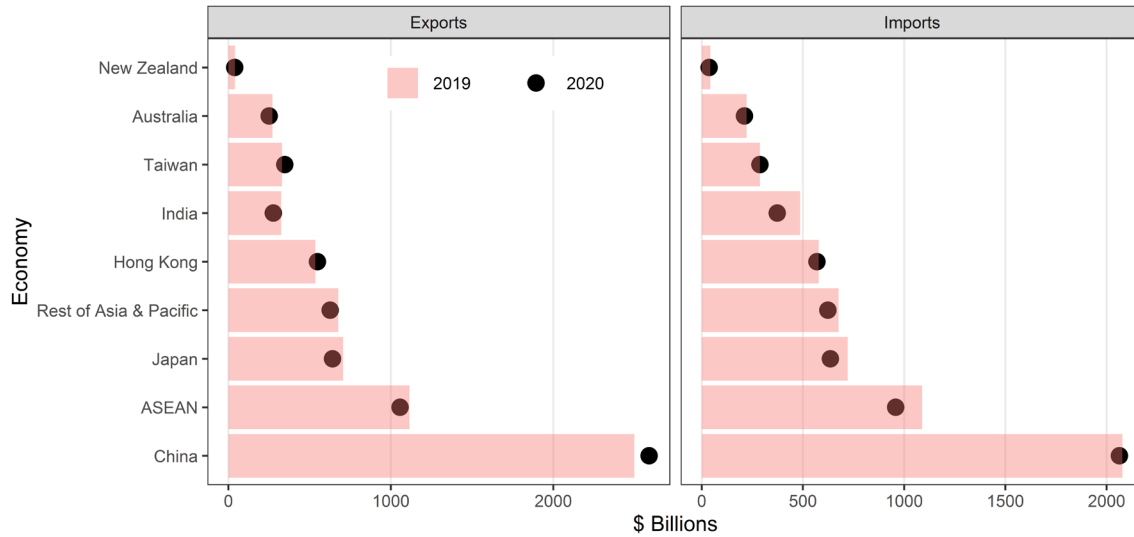
Trade Trends

Merchandise Trade

Most AP economies experienced a contraction in merchandise trade in 2020. India had the largest contraction of 19.9 percent, followed by Japan, ASEAN, New Zealand, and Australia. China, Hong Kong, and Taiwan are among the few exceptions that reported a growth in merchandise trade (figure 2.5). Most of the AP economies saw a dip in merchandise trade during the first and second quarters of 2020. At the end of 2020, while some AP economies saw their merchandise trade had fully recovered, Japan, India, and ASEAN economies remained below the pre-pandemic levels (figure 2.6).²⁶

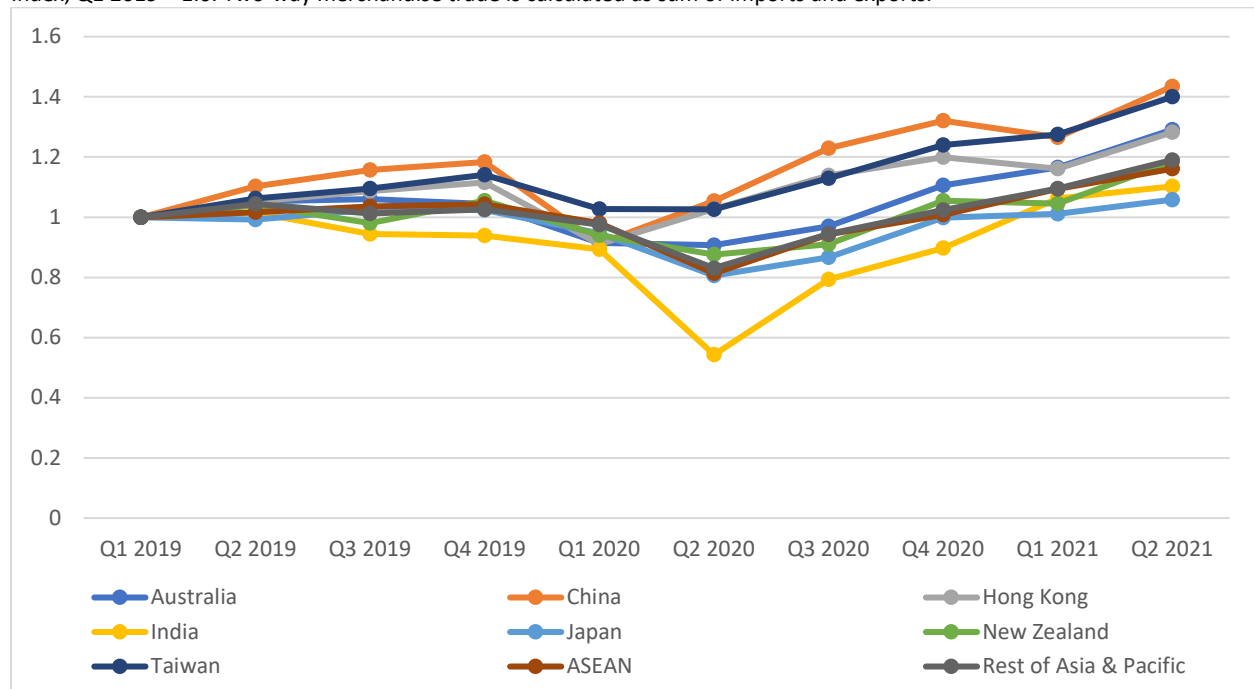
²⁶ UNCTAD, [“International trade is back, but not for all,”](#) October 6, 2021.

Figure 2.5 Merchandise trade, by selected major economies in the Asian and Pacific region, annual, 2019–20
In billions of dollars.



Source: WTO, [International Trade Statistics](#), Merchandise Trade Value, Annual, accessed November 8, 2021.

Figure 2.6 Total merchandise trade, by selected major economies in the Asian and Pacific region, quarterly, Q1 2019–Q2 2021
Index, Q1 2019 = 1.0. Two-way merchandise trade is calculated as sum of imports and exports.



Source: WTO, [International Trade Statistics](#), Merchandise Trade Value, Quarterly, accessed November 8, 2021.

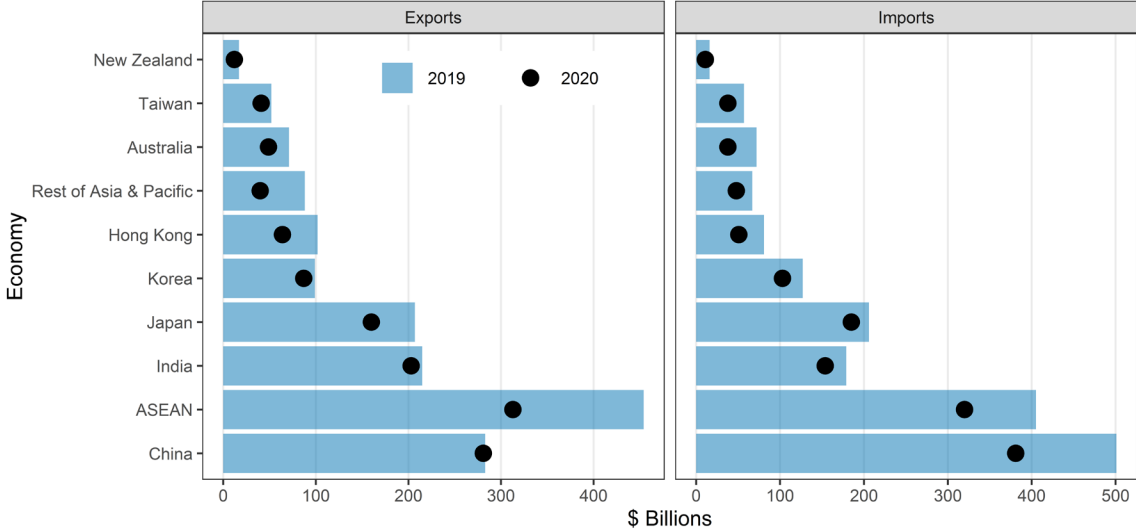
Services Trade

In 2020, all AP economies experienced a sharp decline in total services trade, with Hong Kong, Australia, and New Zealand among the most adversely impacted. China and India's services exports weathered the pandemic relatively better than other AP economies, decreasing by 0.9 percent and 5.4 percent in 2020,

respectively (Figure 2.8). Services exports of Hong Kong, Australia, New Zealand, and ASEAN suffered the most in 2020, declining by more than 30 percent, as they relied more on international tourism. Australia and Hong Kong also had the largest decline in services imports in 2020, reflecting the impact of the restrictive measures on international travel and transportation services (figure 2.7).

Strict Covid-19 control measures caused massive damage to the travel industry. Travel services exports in most AP economies plummeted by more than 40 percent in 2020. Most notably, Taiwan, Singapore, and Japan experienced greater than 70 percent declines in their 2020 travel services exports. Transport and construction were the other two sectors that suffered a negative growth rate in 2020. For instance, Singapore and Taiwan’s construction services exports dropped by more than 30 percent. While Australia had the most significant decrease in transport services exports, China was one of the very few countries with a growth rate in transport services exports at 25.4 percent. Exports of financial and telecommunication services weathered the pandemic relatively better in some AP economies. For instance, Japan’s telecommunication services exports grew at 39.3 percent in 2020, the highest among all AP economies. Several AP economies, including China, Japan, South Korea, and Singapore, also reported moderate growth rates in financial services exports.²⁷

Figure 2.7 Services trade, by selected major economies in the Asian and Pacific region, annual, 2019–20
In billions of dollars.

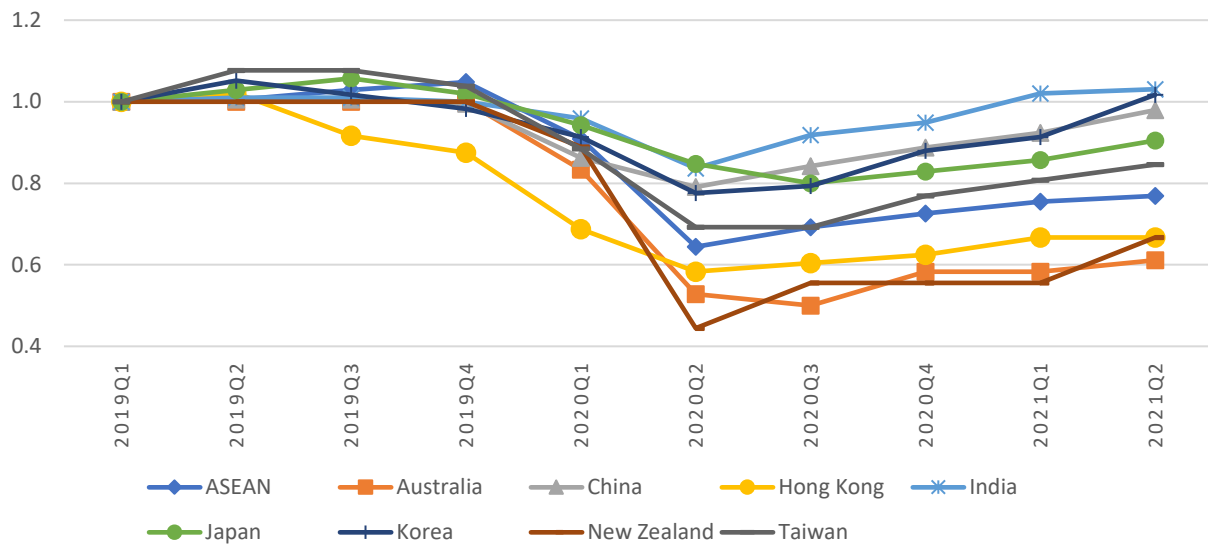


Source: UNCTADSTAT, [International Trade in Services](#), BPM6: Exports and Imports, Annual, accessed November 8, 2021.

²⁷ UNCTADSTAT, [International Trade in Services](#), BPM6: Exports and Imports, Quarterly, accessed November 8, 2021.

Figure 2.8 Total services trade, by selected major economies in the Asian and Pacific region quarterly, Q1 2019–Q2 2021

Index, Q1 2019 = 1.0. Two-way service trade is calculated as sum of imports and exports.



Source: UNCTADSTAT, [International Trade in Services](#), BPM6: Exports and Imports, Quarterly, accessed November 8, 2021.

III. Europe

Overview

This section covers Europe, including France, Germany, Italy, Netherlands, Spain, the remaining EU member countries, the United Kingdom (UK), Russia, and the rest of Europe.²⁸

The Pandemic and Containment Measures

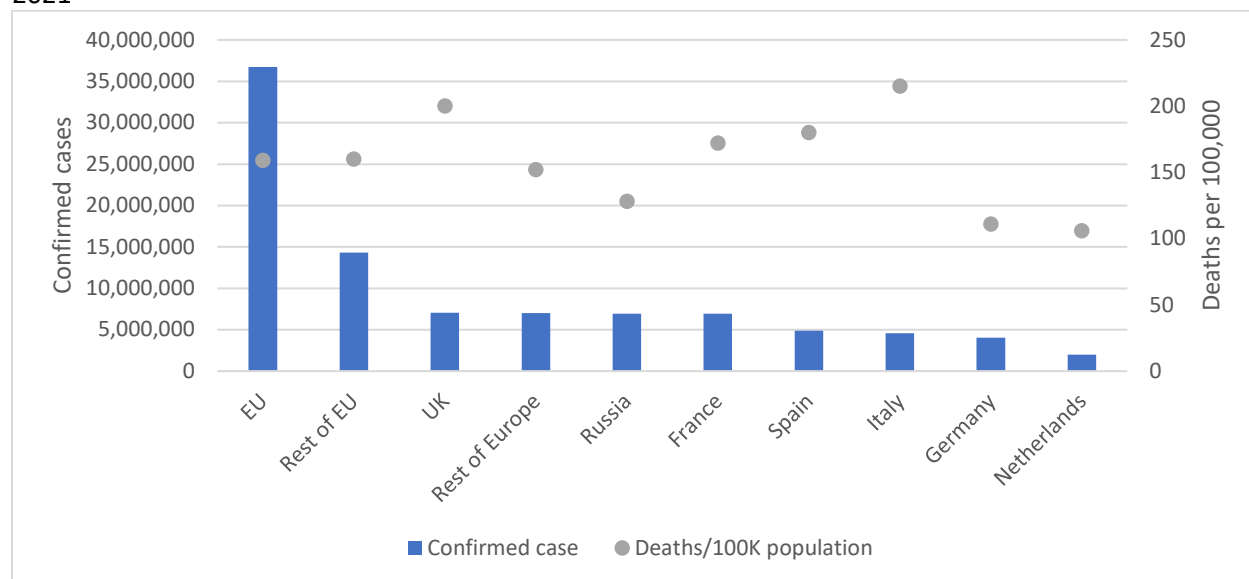
In late January 2020, less than one month after the first reports of a novel coronavirus emerged from Wuhan, China, cases were confirmed among European Union (EU) member states. Despite the proactive efforts to stop the spread of COVID-19, such as the release of multiple rapid risk assessments and guidelines for non-pharmaceutical mitigation measures by the European Center for Disease Prevention and Control (ECDC) in early January and February 2020, the virus spread quickly through Europe.²⁹ As of September 2021, France, Italy, Spain, and Germany were among the hardest hit EU members with the highest numbers of COVID-19 cases. Among non-EU countries, UK and Russia had the highest case number and mortality, reportedly due to the governments' early downplaying the impact of the crisis (figure 3.1).³⁰

²⁸ The United Kingdom (UK) formally withdrew from the EU on January 31, 2020. In this paper, the EU refers to the remaining 27 member countries, including Austria, Belgium, Bulgaria, Croatia, Cyprus, Czechia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, and Sweden. In this paper, the rest of Europe include Albania, Andorra, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Georgia, Iceland, Kosovo, Liechtenstein, Moldova, Monaco, Montenegro, North Macedonia, Norway, San Marino, Serbia, Switzerland, Ukraine, and the Vatican City, where data is available. Data on the UK and Russia is presented separately. ECDC, "[Timeline of ECDC's Response to COVID-19](#)," January 24, 2020.

²⁹ Non-pharmaceutical mitigation measures, also known as non-pharmaceutical interventions (NPI), are "public health measures that aim to prevent and/or control SARS-CoV-2 transmission in the community." WHO, "[Joint WHO and ECDC Mission in Italy to Support COVID-19 Control and Prevention Efforts](#)," February 24, 2020.

³⁰ Booth and Duncan, "[Nearly 1,500 Deaths in One day: UK Ministers Accused of Downplaying Covid-19 Peak](#)," June 19, 2020; Mankoff, "[Russia's Response to Covid-19](#)," April 10, 2020.

Figure 3.1 COVID-19 cases and mortality, by selected major economies in Europe, through September 8, 2021



Source: Johns Hopkins Coronavirus Resource Center, “Cases and Mortality by Country,” Data Visualizations database, accessed September 8, 2021.

Note: Data for the EU, Rest of EU, and Rest of Europe is derived from the simple average of available country data on deaths/100k population.

The stringency indices, measuring the European governments’ response to the pandemic, fluctuated throughout 2020 and 2021, and closely corresponded to the waves of outbreaks experienced in the region. During the first wave, the European countries introduced various strict measures and ramped up the stringency index as high as 90 in April 2020. The restrictions were moderated somewhat in the summer of 2020 before the waves caused by Delta and Omicron variants hit the region in late 2020 and mid-2021.³¹ Throughout 2021, as vaccine dissemination increased, European countries gradually reduced their COVID-19 restrictions. As of November 2021, 22 out of 27 EU member states and the UK had fully vaccinated over 50 percent of their population.³² Russia reached the highest COVID-19 stringency level at 85 in April of 2020, then declined and plateaued around 40 for the remainder of 2020 and 2021.³³

Fiscal Response to COVID-19³⁴

Facing the extensive economic disruptions from the pandemic as well as related containment measures, such as national lockdowns and the loss of workers due to illness and death, governments stepped up fiscal responses (figure 3.2). In April 2020, the European Commission announced a €37 billion (\$32 billion)

³¹ University of Oxford, “COVID-19 Government Response Tracker (OxCGRT),” accessed November 15, 2021. See footnote 19 for more information on the stringency index. Data for the EU as a whole was constructed by taking the daily average COVID-19 stringency index for EU member states with available data.

³² At the time of writing, the five EU member states with less than 50 percent of their population vaccinated are Cyprus, Croatia, Slovakia, Romania, and Bulgaria. Only Romania (35.1 percent) and Bulgaria (23.3 percent) fall below the world average (41.2 percent) in terms of the percent of their population that is fully vaccinated. Johns Hopkins, “Understanding Vaccination Progress,” accessed November 15, 2021.

³³ University of Oxford, “COVID-19 Government Response Tracker (OxCGRT),” accessed November 15, 2021.

³⁴ All spending mentioned to in this section refers to “above-the-line” measures. See Box 1.1 of the [IMF April 2020 Fiscal Monitor](#) for an explanation of such measures. U.S. Dollar equivalents of all Euro and Great British Pound values are provided in parentheses, based on exchange rates reported for November 9, 2021 from the Federal Reserve. Board of Governors of the Federal Reserve, “[Foreign Exchange Rates – H.10](#),” accessed May 2, 2022.

Corona Response Investment Initiative which could flexibly be mobilized via transfers between member states to support public investment for hospitals, labor markets, and stressed regions. This initiative broadened the scope of other existing fiscal support mechanisms like the EU Solidarity Fund. Following the second wave in December 2020, the Next Generation EU (NGEU) recovery package was announced. NGEU's €390 billion (\$337 billion) in grants to EU members can be used mostly for investments and reforms, with smaller allotments dedicated specifically to crisis expenditures (labor market policies and short-term work schemes), transitioning away from carbon intensive industries, private sector development and rural development.³⁵ As of September 2021, 18 member states national recovery and resilience plans for use of such funding had been approved.³⁶ The European Commission also redirected €47.5 million (\$41 million) towards research on COVID-19 vaccine development, treatment, and diagnostics.³⁷

UK fiscal responses combined both additional funding and forgone revenue to support non-health sectors recover through the pandemic. In addition to rent and charity support, additional spending of £271 billion (US\$200 billion) was largely dedicated to supporting the labor market through the Coronavirus Job Retention Scheme to subsidize furloughed wages and social security contributions; subsidized jobs for youth; funding for traineeships and job coaches; income support for self-employed workers; paid sick leave for self-isolating individuals; grants to affected SMEs.³⁸ The UK also provided nearly £2.3 billion (US\$2 billion) in funding for international support via the IMF's Catastrophe Containment and Relief Trust and Poverty Reduction and Growth Trust.³⁹ The UK government also chose to forgo £34 billion (US\$25 billion) in revenue through (1) property tax holidays for highly affected sectors; (2) a temporary cut on the stamp duty land tax; and (3) a reduction in the VAT to five percent for hospitality, accommodation, and attractions until September 2021 and 12.5 percent until March 2022.

Russia and the rest of Europe registered much smaller levels of additional spending, both in absolute terms and as a percentage of GDP. Much of the additional spending in these countries was targeted toward non-health aid, including sick-leave and unemployment benefits, support for SMEs, interest rate subsidies, tax breaks and exemptions.⁴⁰

³⁵ IMF, "[Fiscal Measures in Response to the COVID-19 Pandemic](#)," October 2021.

³⁶ Xinhua Net, "[Ireland, Czech Republic's Recovery and Resilience Plans Receive Positive Assessment](#)," September 6, 2021.

³⁷ IMF, "[Fiscal Measures in Response to the COVID-19 Pandemic](#)," October 2021.

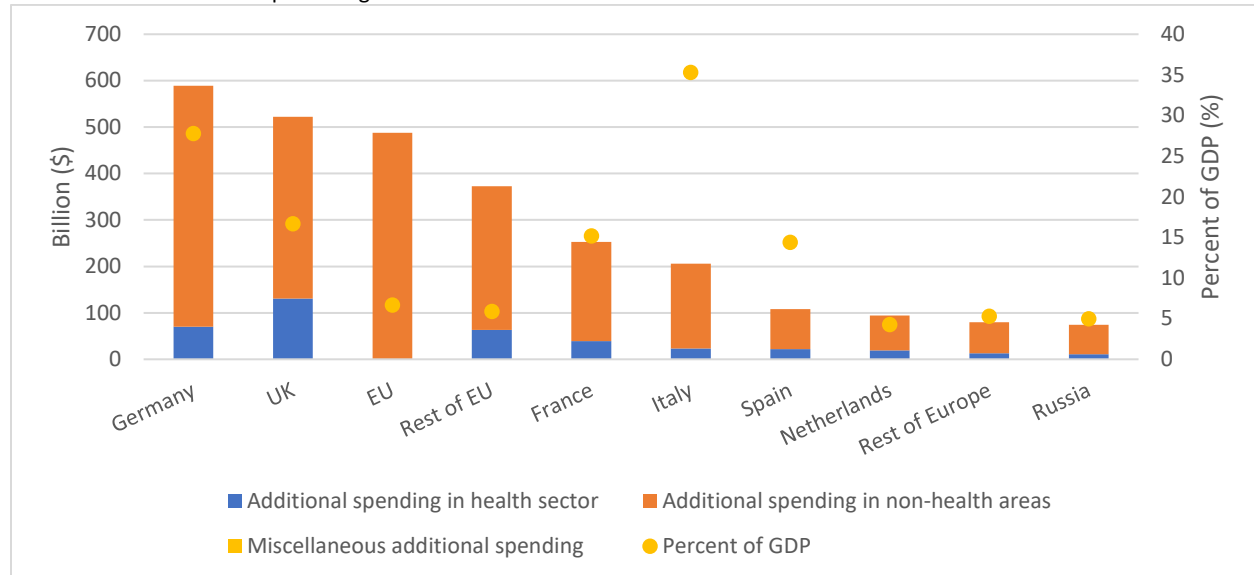
³⁸ IMF, "[Fiscal Measures in Response to the COVID-19 Pandemic](#)," October 2021.

³⁹ IMF, "[Fiscal Measures in Response to the COVID-19 Pandemic](#)," October 2021.

⁴⁰ IMF, "[Fiscal Measures in Response to the COVID-19 Pandemic](#)," October 2021.

Figure 3.2 Fiscal measures in response to the COVID-19 Pandemic, by selected major economies in Europe, January 2020–September 27, 2021

In billions of dollars and in percentages of GDP.



Source: IMF, “Fiscal Measures in Response to the COVID-19 Pandemic,” October 2021.

Note: Total global fiscal support for the EU does not include measures announced by the European Union because those are financing the measures by member states, which are included individually. Data for Rest of the EU and Rest of Europe is composed by taking the sum in billions or simple average of country data on percent of GDP.

Macroeconomic trends

GDP

In 2020 and 2021, EU countries that were hardest hit in terms of confirmed COVID-19 cases and deaths also experienced the largest declines in GDP growth, such as Spain, Italy, Greece and Portugal. All but one EU member state—Ireland—registered negative GDP growth in 2020, which sent the EU average growth rate for 2020 to –4.7 percent. EU member states recovered substantially in 2021. Following a 9.3 percent decline in 2020, the UK rebounded with a GDP growth rate of 7.4 percent in 2021. The rest of Europe suffered a slightly larger decline in their average GDP growth rate, relative to the EU average. Among the hardest hit in 2020 were Montenegro, Andorra, and Moldova. However, like its EU neighbor, the rest of Europe recovered and even registered a significantly higher annual GDP growth rate in 2021 than in pre-pandemic times. The changes in Russia’s annual GDP growth were less volatile than the EU and the rest of Europe (table 3.1).⁴¹

⁴¹ IMF, “[World Economic Outlook Database](#),” GDP (constant price), accessed November 4, 2021.

Table 3.1 Real GDP growth rate, by selected major economies in Europe, annual, 2019–21

In percentages.

Economy	2019	2020	2021
Germany	1.1	-4.6	2.8
France	1.8	-8.0	7.0
Italy	0.5	-9.0	6.6
Spain	2.1	-10.8	5.1
Netherlands	2.0	-3.8	5.0
Rest of EU	3.4	-4.1	6.2
EU	3.0	-4.7	6.1
UK	1.7	-9.3	7.4
Russia	2.2	-2.7	4.7
Rest of Europe	3.2	-5.5	6.8

Source: IMF, "World Economic Outlook Database," GDP (constant price), accessed May 19, 2022.

Note: Data for the EU, Rest of EU, and Rest of Europe are derived from the simple average GDP growth rates of economies in the groups with available data.

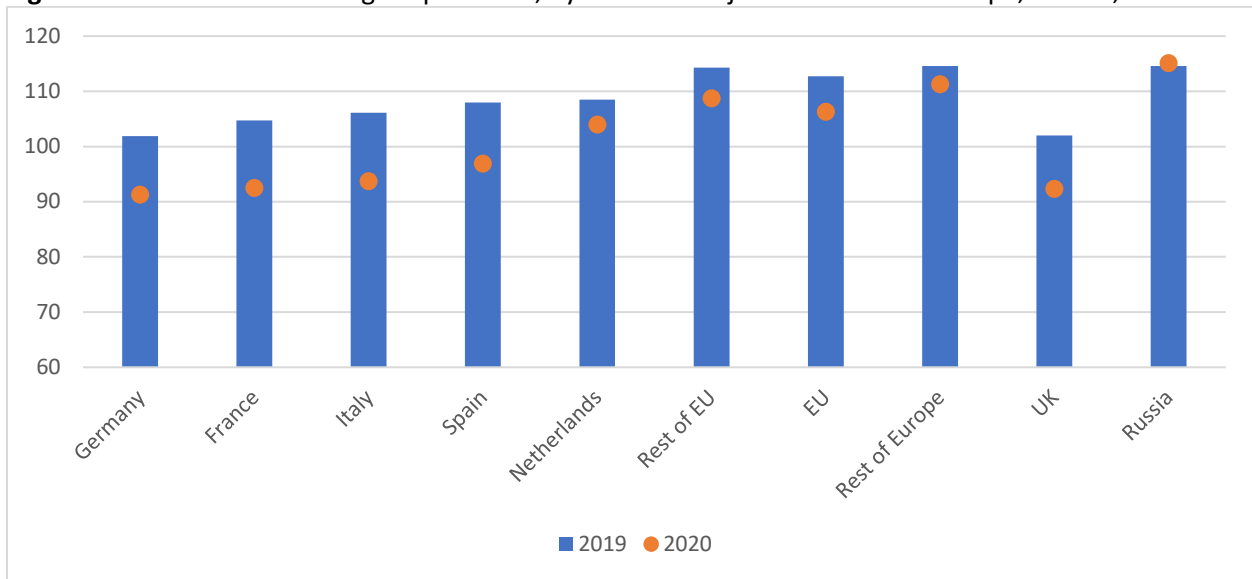
Manufacturing Output

Almost all EU member states (except Ireland) experienced declines in their manufacturing output in 2020 as compared to 2019 (figure 3.3).⁴² Ireland increased manufacturing output by about 5 percent in 2020. Despite a significant 10 percent decline in output in the second quarter of 2020, when COVID-19 had hit and began spreading through Europe, Ireland rebounded in the third and fourth quarters due to improved output in the other non-metallic mineral products, wood products, and basic and fabricated metal sectors. Most EU member states experienced a recovery in the last two quarters of 2020 and continued to increase manufacturing output in the first two quarters of 2021 (figure 3.4).⁴³ The UK similarly saw the largest declines in manufacturing output during the second quarter of 2020 (-23 percent), only returning to the pre-pandemic level in the second quarter of 2021. With lower levels of COVID-19 restrictions, Russia and rest of Europe experienced smaller disruptions to their manufacturing output in 2020, relative to the EU and UK.

⁴² UNIDO, [Annual Index of Industrial Production \(IIP\) Database](#), Seasonally Adjusted, accessed November 9, 2021.

⁴³ UNIDO, [Quarterly Index of Industrial Production \(IIP\) Database](#), Seasonally Adjusted, accessed November 9, 2021.

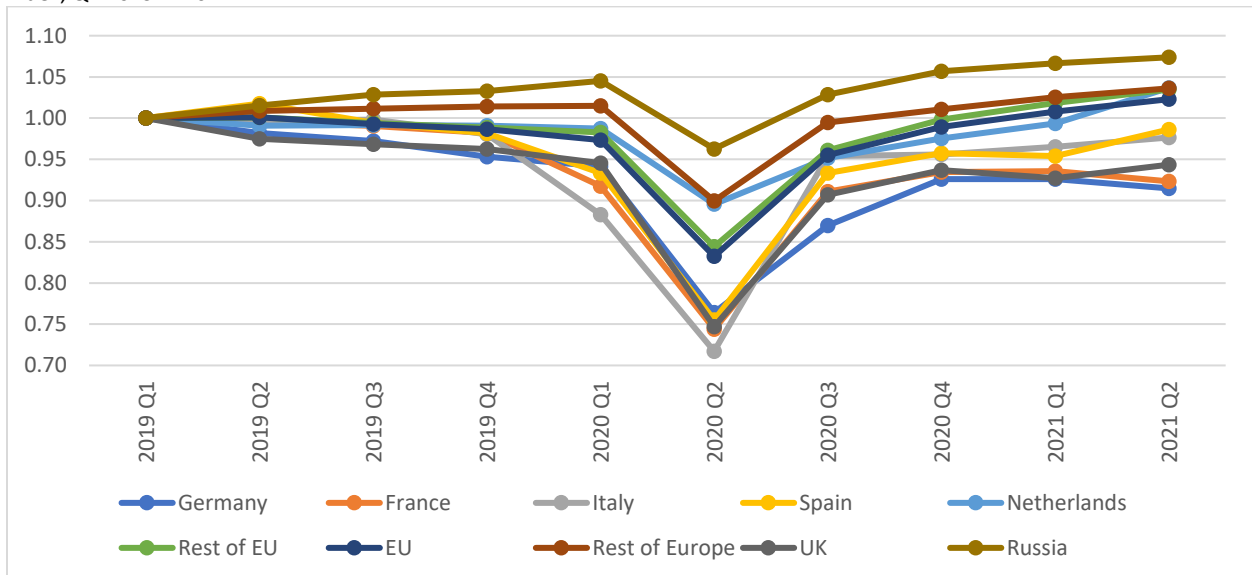
Figure 3.3 Total manufacturing output index, by selected major economies in Europe, annual, 2019–20



Source: UNIDO, [Annual Index of Industrial Production \(IIP\) Database](#), Seasonally Adjusted, accessed November 9, 2021.

Note: Data for the EU, Rest of EU and Rest of Europe are derived from the simple average of economies in the group with available country level data.

Figure 3.4 Total manufacturing output, by selected major economies in Europe, quarterly, 2019–21 Index, Q1 2019 = 1.0.



Source: UNIDO, [Quarterly Index of Industrial Production \(IIP\) Database](#), Seasonally Adjusted, accessed November 9, 2021.

Note: Data for the EU, Rest of EU and Rest of Europe data is composed by taking the simple average of available country level data.

Labor

The labor forces across all of Europe experienced declines in working hours in 2020 compared to a 2019 baseline (table 3.2). In 2020, hours worked in the EU declined by an unweighted average of 7.4 percent, equivalent to a total of 13 million full-time jobs (based on 40 hours per week). Declines in EU labor hours and jobs loss were most severe in quarters two and three of 2020. All EU countries showed signs of recovery in 2021, as the number of labor hours lost due to COVID-19 shrunk on average by about 2.7 percent. A subset of EU countries, including Poland, Slovenia, and Croatia, rebounded beyond their 2019 baseline levels, marked by net increases in the hours worked in 2021.

Among non-EU countries, the UK and Russia experienced the largest labor market disruptions within the region regarding total worked hours lost due to COVID. In addition, the UK suffered some of the largest relative declines in working hours as a percentage change from the fourth quarter of 2019.⁴⁴ Within the rest of Europe, there was significant variation across economies in the severity of lost working hours. For instance, Armenia’s working hours were estimated to decline by 14.9 percent (0.15 million jobs), compared to a 2.5 percent (0.11 million jobs) in Belarus. All countries in the rest of Europe experienced some level of improvement in 2021, with Serbia and Norway registering net job increases compared to the fourth quarter of 2019.

Table 3.2 The loss of working hours and full-time equivalent (FTE) jobs due to the COVID-19, by selected major economies in Europe, annual, 2020–21

In percentages and in thousands. Values represent hours worked relative to annualized estimates of total hours worked in Q4 2019.

Economy	2020 (%)	2021 (%)	2020 (thousand FTE jobs)	2021 (thousand FTE jobs)
Germany	-5.5	-4.6	-2,082	-1,731
France	-7.2	-0.7	-1,819	-175
Italy	-12.9	-4.6	-2,785	-988
Spain	-11.7	-3.0	-2,157	-559
Netherlands	-2.8	-0.7	-203	-50
Rest of EU	-7.0	-2.8	-4,763	-1,409
EU	-7.4	-2.7	-13,809	-4,911
UK	-11.0	-5.0	-3,331	-1,508
Russia	-6.0	-1.4	-3,972	-906
Rest of Europe	-8.3	-3.4	-3,328	-1,812

Source: ILO, “Working Hours Lost Due to the Covid-19 Crisis. Annual,” accessed November 4, 2021.

Note: The percentage changes for EU, Rest of EU, and Rest of Europe are derived from the simple average of economies in the groups with available data. FTE jobs are based on 40 hours per week; the values for EU, Rest of EU, and Rest of Europe are derived from the sum of economies in the groups with available data.

FDI

The European region experienced sharp declines in FDI inflows in 2020, compared to 2019 (table 3.3). Investment in the EU fell by 72.9 percent (\$277 billion). Some EU member states, however—particularly the larger financial hubs of the region, including Luxembourg and Belgium—experienced increases in their FDI inflows between 2019 and 2020. FDI inflows into the rest of Europe fell a modest 6.2 percent, with Switzerland, Norway and Ukraine registering the largest declines by value.

⁴⁴ Countries with a greater or equal decline in hours worked relative to annualized estimates of total worked hours in the fourth quarter of 2019 include Austria, Armenia, Azerbaijan, Cyprus, Georgia, Greece, Italy, Montenegro, Portugal, and Spain. ILO dataset, accessed November 8, 2021.

Table 3.3 FDI net inflows, by selected major economies in Europe, annual, 2019–20

In billions of dollars and in percentages.

Country/Group	2019 (billion \$)	2020 (billion \$)	Percentage change 2019–20 (%)
Germany	54	36	-34.1
France	34	18	-47.2
Italy	18	-0.4	-102.1
Spain	9	9	4.9
Netherlands	49	-115	-335.5
Rest of EU	217	156	-27.8
EU	380	103	-72.9
UK	45	20	-56.6
Russia	32	10	-69.8
Rest of Europe	-45	-42	-6.2

Source: UNCTADSTAT, [FDI Inward and Outward Flows](#), Annual, accessed November 8, 2021.

Note: Data for the EU, Rest of EU, and Rest of Europe are derived from the sum of economies in the groups with available data.

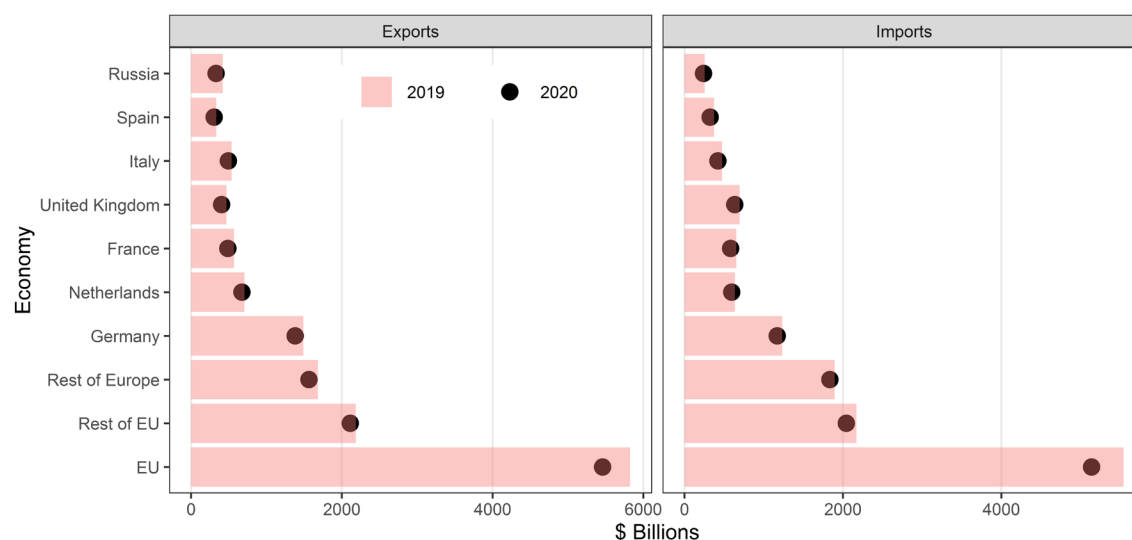
Trade Trends

Merchandise Trade

All countries in the European region experienced declines in merchandise trade in 2020, except for Ireland and Switzerland (figure 3.5). Smaller, emerging economies suffered the most: Azerbaijan’s total trade declined by 27.3 percent, followed by Malta (21.6 percent) and Montenegro (16.4 percent). On average, the EU and the Rest of Europe fared much better, with moderate declines of 6.7 and 5.0 percent, respectively. Significant declines in the merchandise trade of Russia and the UK were driven by the decreases in exports. Across the region, exports and imports were trending downward until the third quarter of 2020 and did not return to the pre-pandemic level until the first half of 2021 (figure 3.6).

Figure 3.5 Merchandise trade, by selected major economies in Europe, annual, 2019–20

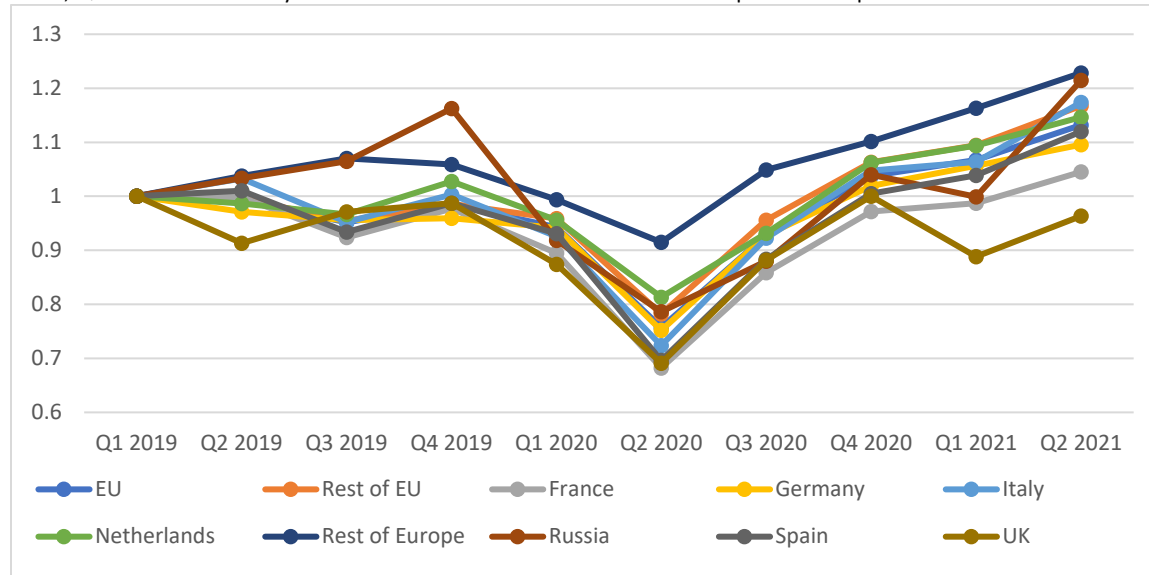
In billions of dollars.



Source: WTO, [International Trade Statistics](#), Merchandise Trade Value, Annual, accessed November 8, 2021.

Figure 3.6 Total merchandise trade, by selected major economies in Europe, quarterly, Q1 2019–Q2 2021

Index, Q1 2019 = 1. Two-way merchandise trade is calculated as sum of imports and exports.



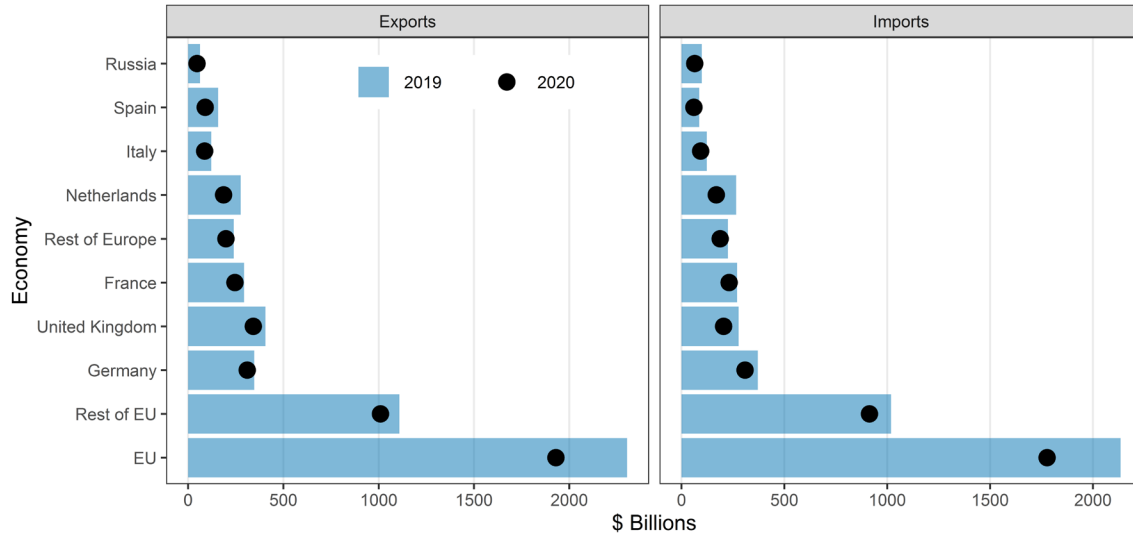
Source: WTO, [International Trade Statistics](#), Merchandise Trade Value, Quarterly, accessed November 8, 2021.

Services Trade

In 2020, all European countries experienced significant declines in total services trade, driven by slumps in travel and tourism, which eclipsed the increases in digitally delivered services, such as telecommunications and information technology services.⁴⁵ Spain and Italy experienced the largest declines in total services trade among all the EU member states. Russia and the UK were among the most impacted single countries in this region, with total services trade declining by 30.7 and 19.9 percent, respectively (figure 3.7). The largest quarterly decline in services trade across Europe was felt in second and third quarters of 2020. Most European countries did not fully recover to pre-pandemic levels by the end of the second quarter of 2021 (figure 3.8).

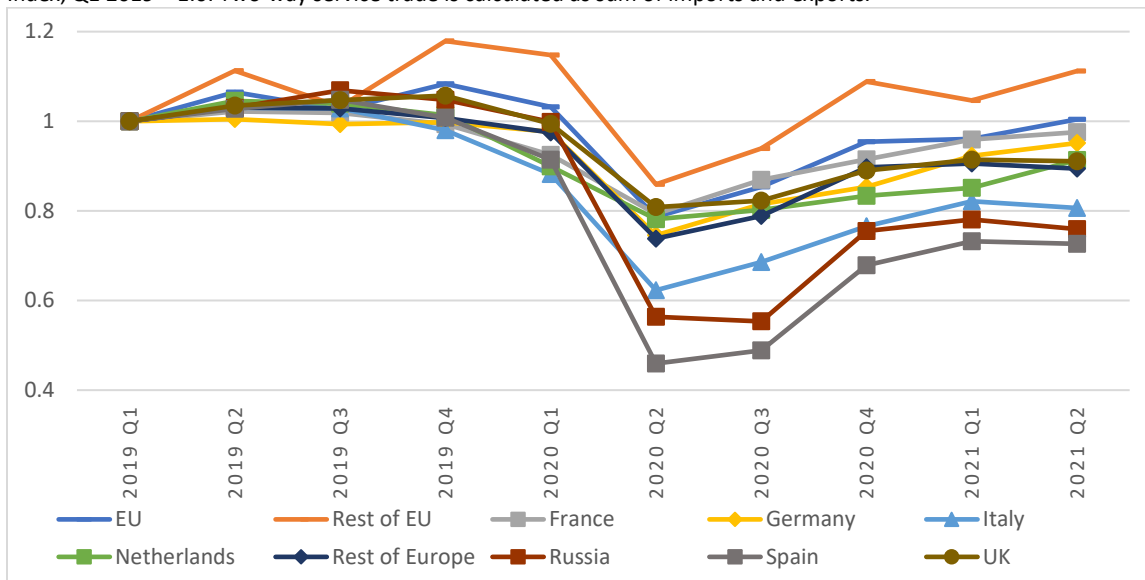
⁴⁵ OECD, [International Trade During the COVID-19 Pandemic: Big Shifts and Uncertainty](#), March 10, 2022.

Figure 3.7 Services trade, by selected major economies in Europe, annual, 2019–20
In billions of dollars.



Source: UNCTADSTAT, [International Trade in Services](#), BPM6: Exports and Imports, Annual, accessed November 8, 2021.

Figure 3.8 Total services trade, by selected major economies in Europe, quarterly, Q1 2019–Q2 2021
Index, Q1 2019 = 1.0. Two-way service trade is calculated as sum of imports and exports.



Source: UNCTADSTAT, [International Trade in Services](#), BPM6: Exports and Imports, Quarterly, accessed November 8, 2021.

IV. North America (United States, Mexico, and Canada)

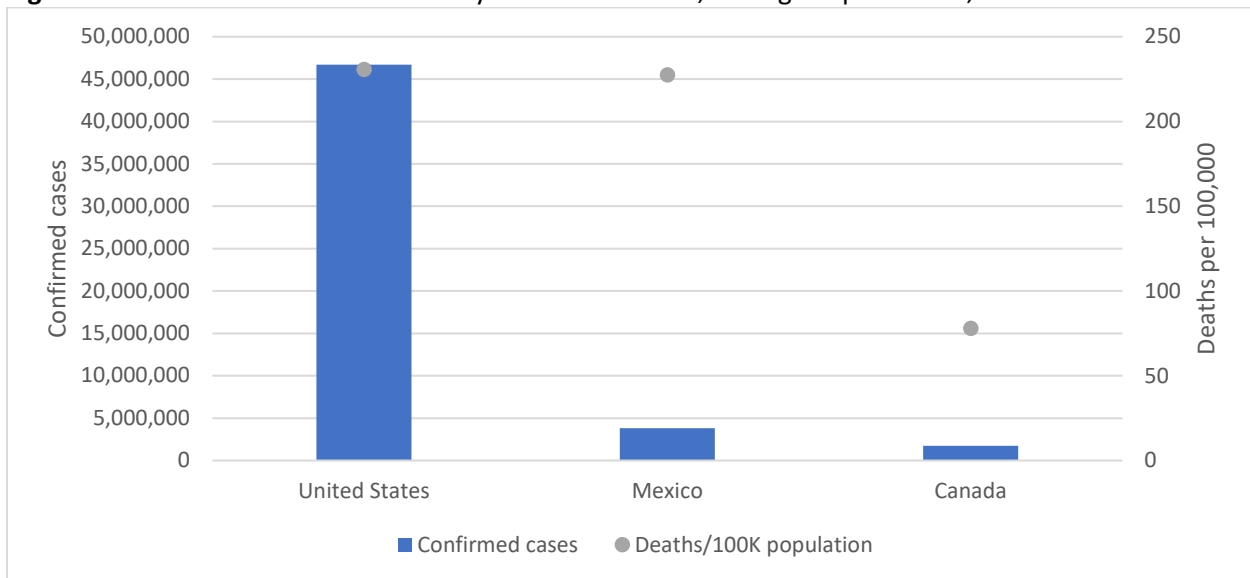
Overview

This section covers the North America (NA) region, including Canada, Mexico, and the United States.

The Pandemic and Containment Measures

As of September 2021, of these three NA countries, the United States had the highest number of confirmed Covid-19 infections at over 45 million, though the mortality rates in the United States and Mexico were close (figure 4.1).

Figure 4.1 COVID-19 cases and mortality in North America, through September 8, 2021



Source: Johns Hopkins Coronavirus Resource Center, “[Cases and Mortality by Country](#),” Data Visualizations database, accessed September 8, 2021.

While all three NA countries ramped up containment measures in March of 2020, Mexico consistently maintained a level of stringency at above 70 during the most months in 2020, higher than Canada and the United States. Facing new waves caused by the Delta and Omicron variants, all three countries tightened up the restrictions at the year end of 2020, with Canada maintaining a relatively higher stringency index above 60 throughout the first half of 2021. By September 2021, the level of stringency in the United States dropped to 32 while Mexico’s stringency levels dropped to 41.⁴⁶

Fiscal Response to COVID-19

Fiscal responses to the COVID-19 pandemic varied significantly across the three NA countries (figure 4.2). The United States increased fiscal spending by over 25 percent of GDP in response to the pandemic, with the majority concentrated on non-health stimulus measures.⁴⁷ In 2020 and 2021, the U.S. government issued multiple rounds of the fiscal stimulus, including funds for virus testing, paid sick leave for those infected, food assistance, expanded unemployment benefit, direct stimulus payment, vaccines.⁴⁸

⁴⁶ University of Oxford, “[COVID-19 Government Response Tracker \(OxCGRT\)](#),” accessed November 15, 2021. See footnote 19 for more information on the stringency index.

⁴⁷ IMF, “[Fiscal Measures in Response to the COVID-19 Pandemic](#),” October 2021; IMF, [Policy Responses to COVID-19 by Country](#), accessed November 9, 2021.

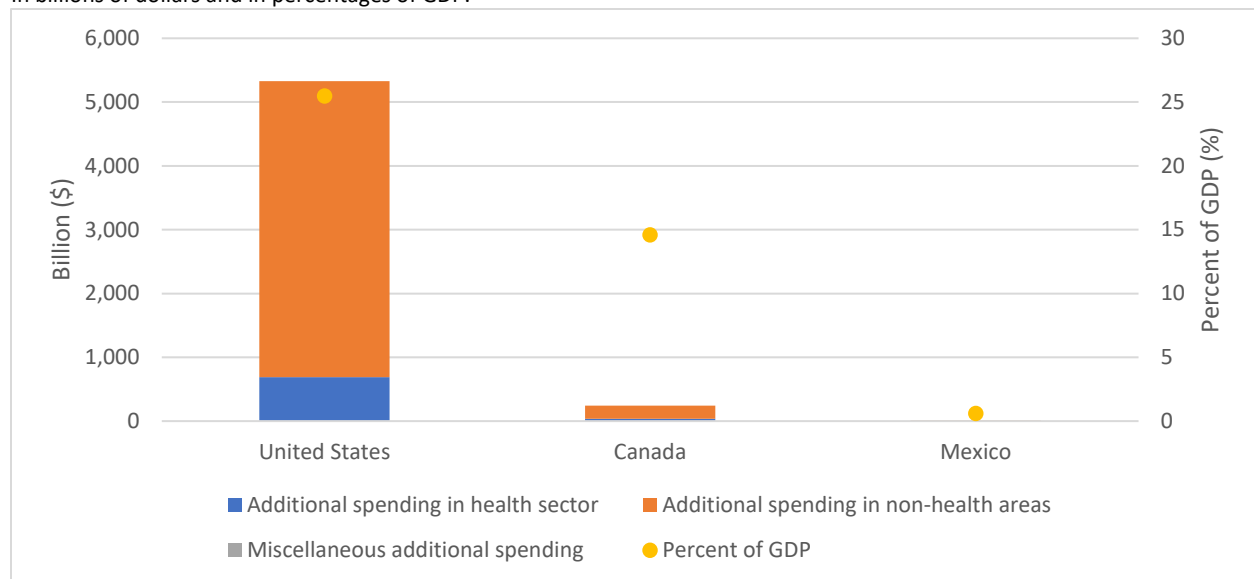
⁴⁸ IMF, [Policy responses to COVID-19 by country](#), accessed November 9, 2021.

Canada increased fiscal spending by almost 15 percent of GDP. Like the United States, Canada used most of this spending (12.3 percent) on non-health measures, with the remainder directed towards health spending.⁴⁹ Canada’s fiscal measures include over \$60 billion to support increased testing, vaccine development, medical supplies, mitigation efforts, and more significant support for indigenous communities. Additionally, around \$290 billion went to households and firms in direct aid and \$85 billion in liquidity support through tax deferrals.⁵⁰

Comparatively, Mexico’s additional fiscal spending was more limited by less than 1 percent of GDP due to its President, Andrés Manuel López’s conservative fiscal approach.⁵¹ Most of Mexico’s additional fiscal spending concentrated on health-related measures such as tests and medical treatment. However, Mexico's fiscal response also included: (i) frontloading payments of the old-aged/disability pensions by eight months, (ii) accelerating procurement processes and VAT refunds, (iii) lending to firms and workings in formal and informal sectors, and (iv) providing liquidity support by development banks. The Ministry of Economy granted loans with optional repayments that amounted to 37.9 billion pesos to specific businesses. Other measures included housing credits for government workers and personal loans at low rates.⁵²

Figure 4.2 Fiscal Measures in Response to the COVID-19 Pandemic in North America, January 2020–September 27, 2021

In billions of dollars and in percentages of GDP.



Source: IMF, “Fiscal Measures in Response to the COVID-19 Pandemic,” October 2021.

⁴⁹ IMF, “Fiscal Measures in Response to the COVID-19 Pandemic,” October 2021.

⁵⁰ IMF, [Policy responses to COVID-19 by country](#), accessed November 9, 2021

⁵¹ Perez and Harrup, “Mexico’s Leftist President Becomes Fiscal Hawk,” December 2, 2020; IMF, “Fiscal Measures in Response to the COVID-19 Pandemic,” October 2021.

⁵² IMF, [Policy responses to COVID-19 by country](#), accessed November 9, 2021

Macroeconomic trends

GDP

In 2020, the U.S. GDP growth rate fell by 3.4 percent, while Canada's GDP fell by 5.3 percent, and Mexico's GDP fell by 8.3 percent.⁵³ However, all three North American countries experienced strong economic recovery in 2021. According to the IMF, the U.S. economy grew at 5.7 percent, Canada by 4.6 percent, and Mexico by 4.8 percent in 2021 (table 4.1).

Table 4.1 Real GDP growth rate, by economies in North America, annual, 2019–21

In percentages.

Economy	2019	2020	2021
Canada	1.9	-5.2	4.6
Mexico	-0.2	-8.2	4.8
United States	2.3	-3.4	5.7

Source: IMF, "World Economic Outlook Database," GDP (constant price), accessed May 19, 2022.

Manufacturing Output

According to UNIDO, in 2020, total annual manufacturing output in the United States, Canada, and Mexico fell by 6.3 percent, 10.0 percent, and 10.0 percent, respectively (figure 4.3).⁵⁴ All three countries experienced the sharpest decline in the second quarter of 2020, and a strong rebound followed in the third and fourth quarters. However, recovery in manufacturing output leveled off during the first half of 2021 (figure 4.4).⁵⁵

In the United States, sectors experiencing the largest output declines in 2020 were wearing apparel (-17.5 percent), transport equipment (-17.4 percent), and motor vehicles (-15.1 percent). A few sectors experienced 2020 output increases were beverages (6.3 percent), leather and related products (3.4 percent), and computer, electronic, and optical products (2.9 percent).⁵⁶

In Canada, the sectors experiencing the largest 2020 output declines were motor vehicles (-24.4 percent), wearing apparel (-21.0 percent), and printing/reproduction of recorded media sector (-16.6 percent). The sectors experiencing increases in total annual manufacturing output in 2020 were pharmaceuticals/medicinal chemicals (9.3 percent), other manufacturing (2.5 percent), and beverages (2.2 percent).⁵⁷

In Mexico, the sectors experiencing the largest 2020 output declines were wearing apparel (-34.6 percent), leather and related products (-34.3 percent), and textiles (-22.1 percent). No ISIC sector in Mexico experienced growth in manufacturing output from 2019 to 2020.⁵⁸

⁵³ IMF, "World Economic Outlook Database," GDP (constant price), accessed November 4, 2021.

⁵⁴ UNIDO, [Annual Index of Industrial Production \(IIP\) Database](#), Seasonally Adjusted, accessed November 9, 2021.

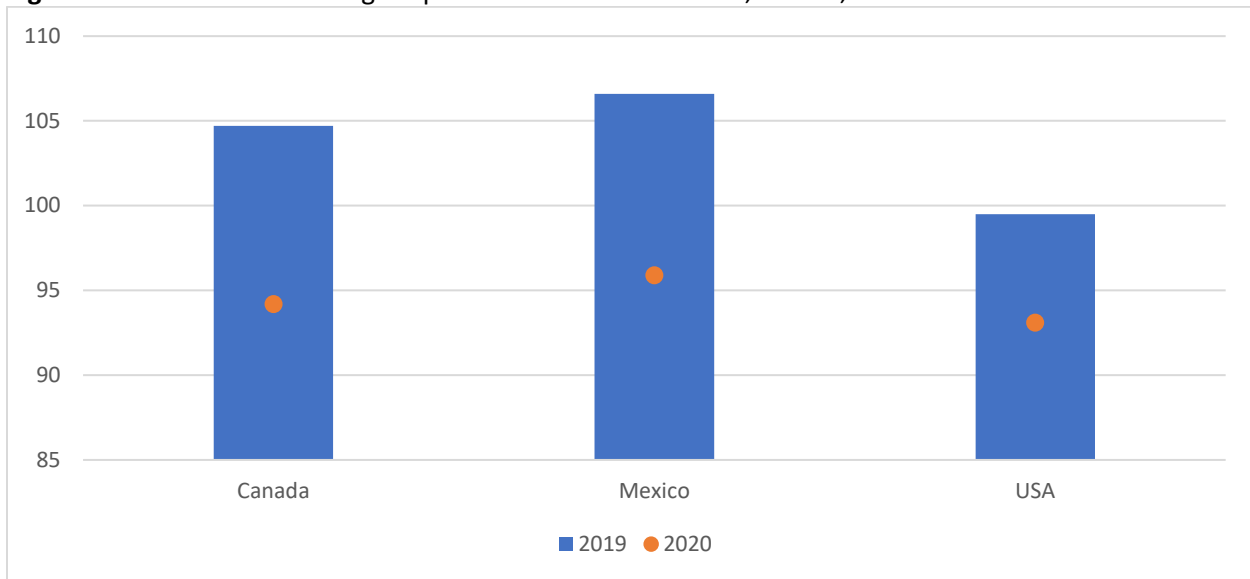
⁵⁵ UNIDO, [Quarterly Index of Industrial Production \(IIP\) Database](#), Seasonally Adjusted, accessed November 9, 2021.

⁵⁶ UNIDO, [Annual Index of Industrial Production \(IIP\) Database](#), Seasonally Adjusted, accessed November 9, 2021.

⁵⁷ UNIDO, [Annual Index of Industrial Production \(IIP\) Database](#), Seasonally Adjusted, accessed November 9, 2021.

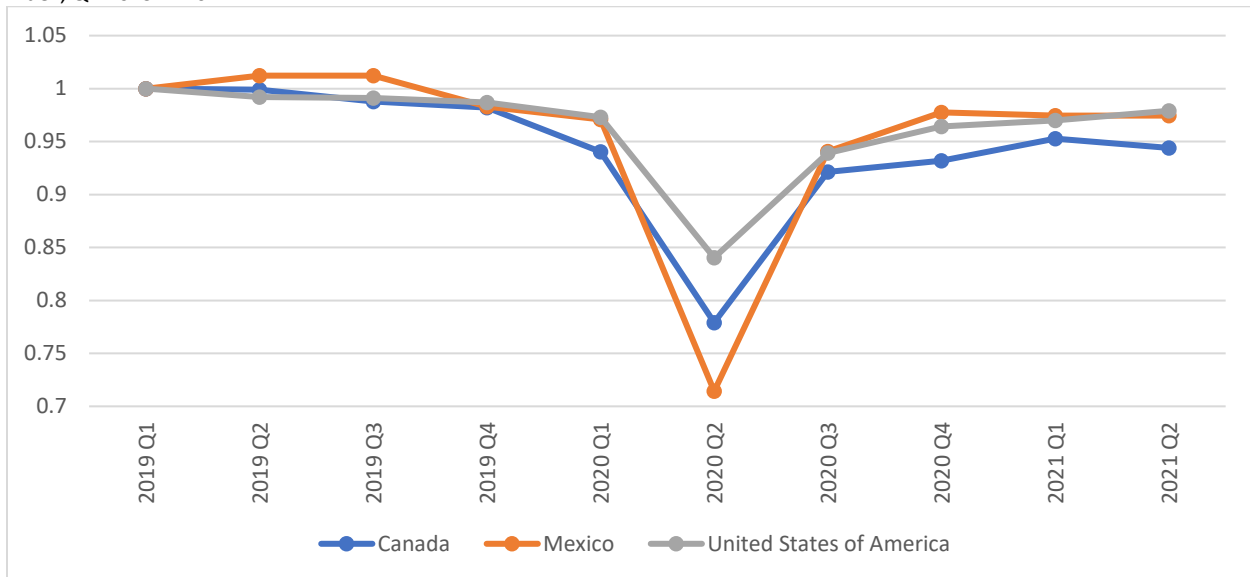
⁵⁸ UNIDO, [Annual Index of Industrial Production \(IIP\) Database](#), Seasonally Adjusted, accessed November 9, 2021.

Figure 4.3 Total manufacturing output index in North America, annual, 2019–20



Source: UNIDO, [Annual Index of Industrial Production \(IIP\) Database](#), Seasonally Adjusted, accessed November 9, 2021.

Figure 4.4 Total manufacturing output in North America, quarterly, 2019–21
Index, Q1 2019 = 1.0.



Source: UNIDO, [Quarterly Index of Industrial Production \(IIP\) Database](#), Seasonally Adjusted, accessed November 9, 2021.

Labor

Due to pandemic-related restrictions, NA countries experienced a range of 9.5 to 14.9 percent of losses in working hours during 2020, above the global average loss of 8.9 percent. In total, NA countries lost about 25 million full-time equivalent jobs. Corresponded to the pandemic timeline, the most significant loss in working hours took place in Q2 of 2020. The losses slowed down to about 11 million full-time equivalent job in 2021(table 4.2).⁵⁹

⁵⁹ ILO, [Working Hours Lost Due to the Covid-19 Crisis. Annual](#), accessed November 4, 2021.

Table 4.2 The loss of working hours and full-time equivalent (FTE) jobs due to the COVID-19 in North America, annual, 2020–21

In percentages and in thousands. Values represent hours worked relative to annualized estimates of total hours worked in Q4 2019. FTE jobs are based on 40 hours per week.

Economy	2020 (%)	2021 (%)	2020 (thousand FTE jobs)	2021 (thousand FTE jobs)
Canada	-9.5	-1.7	-1,495	-274
Mexico	-14.9	-4.7	-8,844	-2,818
United States	-9.6	-5.0	-14,395	-7,459

Source: ILO, “[Working Hours Lost Due to the Covid-19 Crisis. Annual](#),” accessed November 4, 2021.

FDI

In 2020, FDI inflows to NA region fell by 39 percent, though moderate compared to a 72 percent decline in Europe and a 45 percent decline in Latin America and the Caribbean.⁶⁰ FDI inflows into the United States experienced a 40.2 percent drop, falling from \$261.4 billion in 2019 to \$156.3 billion in 2020, primarily caused by a 44 percent fall in reinvested earnings due to reductions in corporate profits. However, the United States remained the world’s largest recipient of FDI inflows in 2020.⁶¹

Ranking as the 10th largest recipient of FDI in 2020, Canada’s FDI inflows more than halved to \$23.8 billion in 2020, driven by a 150 percent decrease in mining and quarrying and a 70 percent decrease in manufacturing. In addition, Canada also experienced significant reduction in FDI from U.S. multinational enterprises, which are among the predominant investors in the country.⁶² Canada is reported to have increased scrutinizes of inbound FDI due to national security concerns and pandemic-related issues. For example, the country adopted “enhanced scrutiny” of FDI in businesses that are considered critical to the pandemic response. Additionally, in March 2021, Canada introduced additional FDI scrutiny in four areas considered of having heightened risks: (1) sensitive personal data, (2) specified sensitive technology areas, (3) critical minerals, and (4) investments by “state-owned or state-influenced” foreign investors.⁶³

Mexico’s FDI inflows decreased by 14.7 percent in 2020. The decline was moderated by a \$2.5 billion merger and acquisition (M&A) deal in the construction industry.⁶⁴ During the first quarter of 2020, 60 percent of FDI inflows to Mexico occurred. Over the last three-quarters of 2020, FDI inflows to Mexico fell 63 percent compared to the same period in 2019. This significant decline was driven by growing uncertainty over the Mexican government’s economic agenda, the president’s commitment to fiscal austerity, and economic contraction.⁶⁵

⁶⁰ UNCTAD, [World Investment Report 2021](#), June 21, 2021, 5.

⁶¹ UNCTAD, [World Investment Report 2021](#), June 21, 2021, 5.

⁶² UNCTAD, [World Investment Report 2021](#), June 21, 2021, 77.

⁶³ UNCTAD, [World Investment Report 2021](#), June 21, 2021, 111.

⁶⁴ According to UNCTAD, CPP investments (Canada) acquired 40 percent share capital of IDEAL (Mexico), a company specializing in infrastructure construction. UNCTAD, [World Investment Report 2021](#), June 21, 58.

⁶⁵ Inflows during Q1 of 2020 coincided with the period when reinvested earnings are typically registered, likely driving this figure. UNCTAD, [World Investment Report 2021](#), June 21, 2021, 61.

Table 4.3 FDI net inflows in North America, annual, 2019–20

In billions of dollars and in percentages.

Economy	2019 (billion \$)	2020 (billion \$)	Percentage change 2019–20 (%)
Canada	47.8	23.8	-50.2
Mexico	34.1	29.1	-14.7
United States	261.4	156.3	-40.2

Source: UNCTADSTAT, [FDI Inward and Outward Flows](#), Annual, accessed November 8, 2021.

Trade trends

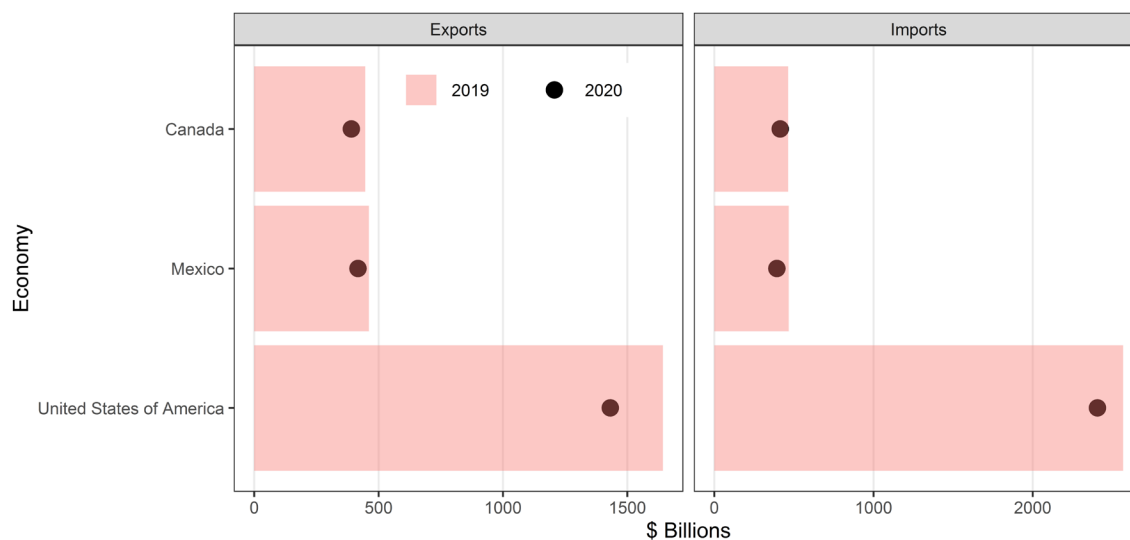
Merchandise Trade

In 2020, the NA region's two-way merchandise trade with the world fell by 13.0 percent from \$6.1 trillion in 2019 to \$5.4 trillion in 2020.⁶⁶ With its oversize trade volume, the United States drove the NA merchandise trade trend, with its exports declining by 12.9 percent and its imports declining by 6.2 percent. Canada experienced a slightly smaller decline of 12.5 percent in exports and 10.7 percent in imports. Mexico had a 9.3 percent decrease in exports and a 15.9 percent decrease in imports (figure 4.5).⁶⁷

Quarterly data from figure 4.6 shows that merchandise trade across the region experienced a significant drop in second quarter of 2020. However, by the last quarter of 2020, exports and imports of all three North American economies had surpassed their pre-pandemic levels.

Figure 4.5 Merchandise trade in North America, annual, 2019–20

In billions of dollars.

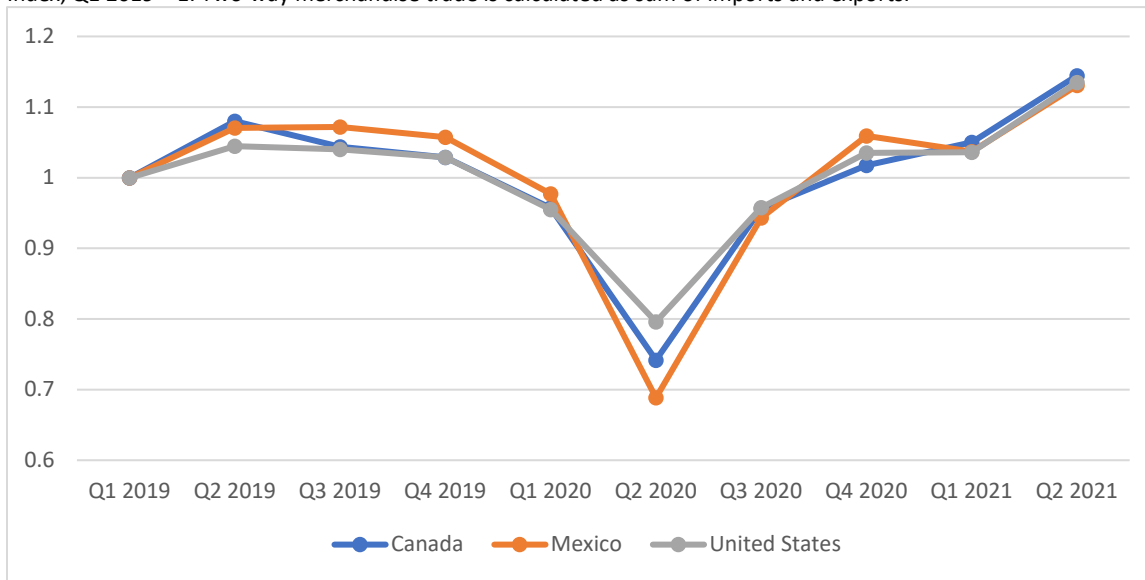


Source: WTO, [International Trade Statistics](#), Merchandise Trade Value, Annual, accessed November 8, 2021.

⁶⁶ Author calculations from WTO, [International Trade Statistics](#), Merchandise Trade Value, Annual, accessed November 8, 2021.

⁶⁷ Author calculations from WTO, [International Trade Statistics](#), Merchandise Trade Value, Annual, accessed November 8, 2021.

Figure 4.6 Total merchandise trade in North America, quarterly, Q1 2019–Q2 2021
 Index, Q1 2019 = 1. Two-way merchandise trade is calculated as sum of imports and exports.

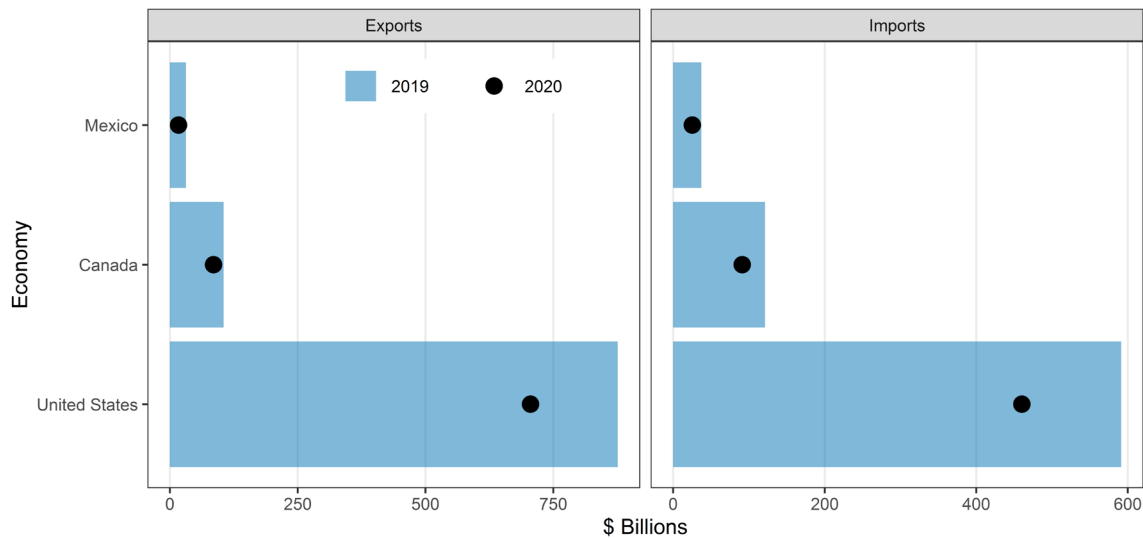


Source: WTO, [International Trade Statistics](#), Merchandise Trade Value, Quarterly, accessed November 8, 2021.

Services Trade

Service trade in all NA countries dropped significantly in 2020. Mexico’s total service trade fell by 38.6 percent, the largest among the three NA countries. Mexico’s massive decline in services trade was driven in large part by the global decline in travel services trade, an industry which has historically represented a significant proportion of its services exports.⁶⁸ Total service trade of both Canada and the United States experienced declines of 21.9 and 20.5 percent, closer to the global average.

Figure 4.7 Services trade in North America, annual, 2019–20
 In billions of dollars.



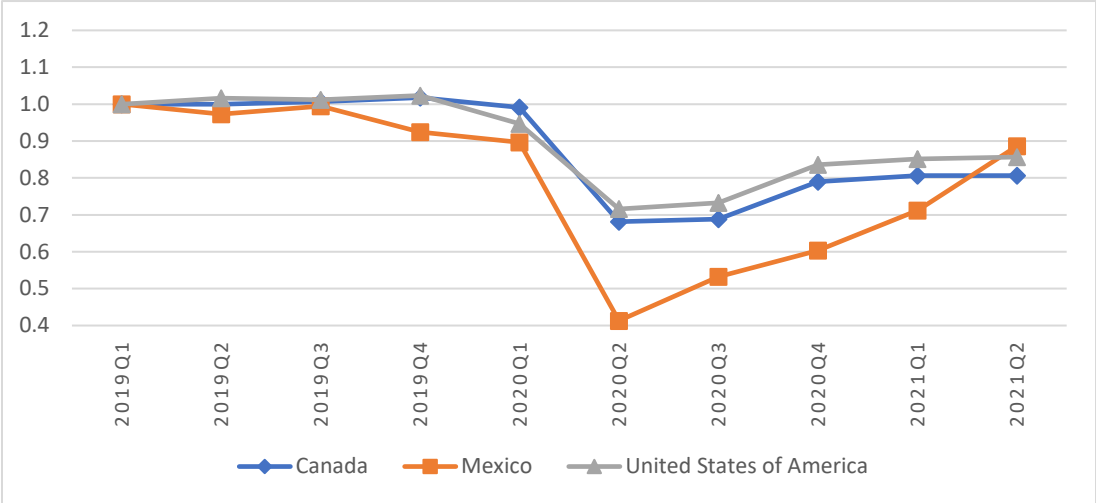
Source: UNCTADSTAT, [International Trade in Services](#), BPM6: Exports and Imports, Annual, accessed November 8, 2021.

⁶⁸ World Bank, [“Travel Services \(% of Services Exports, BoP\),”](#) accessed January 3, 2022.

Following a bottoming out in the second quarter 2020, services trade in North America showed some signs of recovery in the second half of the year. However, the recovery in services trade has largely stalled in the United States and Canada since of the last quarter of 2020 as new waves of COVID-19 led to strengthened restrictions in international travel. However, Mexican services trade in 2021 continued to display a steady recovery (figure 4.8).

Figure 4.8 Total services trade in North America, quarterly, Q1 2019–Q2 2021

Index, Q1 2019 = 1.0. Two-way service trade is calculated as sum of imports and exports.



Source: UNCTADSTAT, [International Trade in Services](#), BPM6: Exports and Imports, Quarterly, accessed November 8, 2021.

V. Latin America and Caribbean

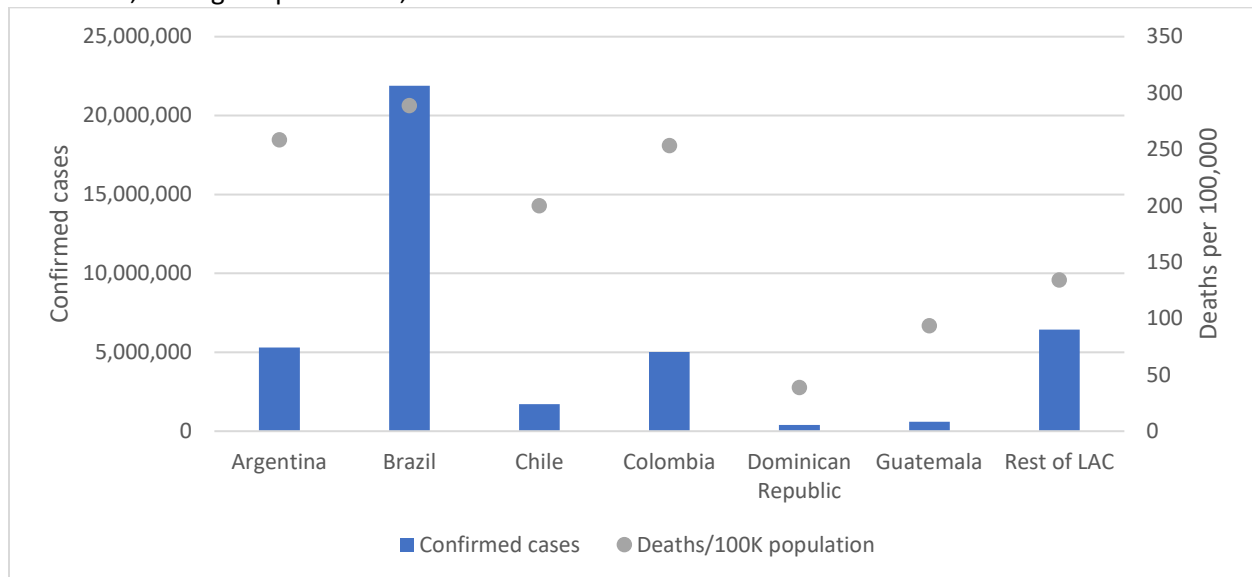
This section covers the Latin America and Caribbean (LAC) region, including Argentina, Brazil, Chile, Colombia, Dominican Republic, Guatemala, and the rest of LAC. Mexico is not covered under the LAC. Instead, it is included under the North America region.

Overview

The Pandemic and Containment Measures

As of September 8, 2021, among the LAC countries, Brazil had the highest COVID-19 cases and mortality rate, followed by Argentina and Colombia (figure 5.1). LAC Countries followed the global trend and began to implement containment measures in March 2020, with some tapering off in 2021 (e.g., Bolivia, Uruguay) and some maintaining a high stringency index throughout 2021 (e.g., Argentina, Brazil, Chile). Nicaragua has remained a relatively low stringency at less than 20 throughout most months of 2020 and 2021. While all countries in the Caribbean maintained high level of stringency indexes through May of 2020, significant divergence began to emerge thereafter. Dominican Republic, Haiti, and Aruba reduced stringency levels significantly to between 20 and 40, while most other Caribbean countries' stringency indexes remained above 70.⁶⁹

Figure 5.1 COVID-19 cases and mortality, by selected major economies in Latin America and the Caribbean, through September 8, 2021



Source: Johns Hopkins Coronavirus Resource Center, "Cases and Mortality by Country," Data Visualizations database, accessed September 8, 2021.

Note: Data for Rest of LAC derived from the simple average on deaths/100k population of economies in the group with available data.

Fiscal Response to COVID-19

In general, fiscal responses to the pandemic in the LAC region have been modest in comparison to other regions. On average, LAC countries have committed additional fiscal spending the equivalent of 3.3 percent of GDP towards health and non-health related areas through September 2021 (figure 5.2).⁷⁰

⁶⁹ Aruba's stringency index on September 26, 2021 was 8.8, its lowest point since prior to the onset of the pandemic.

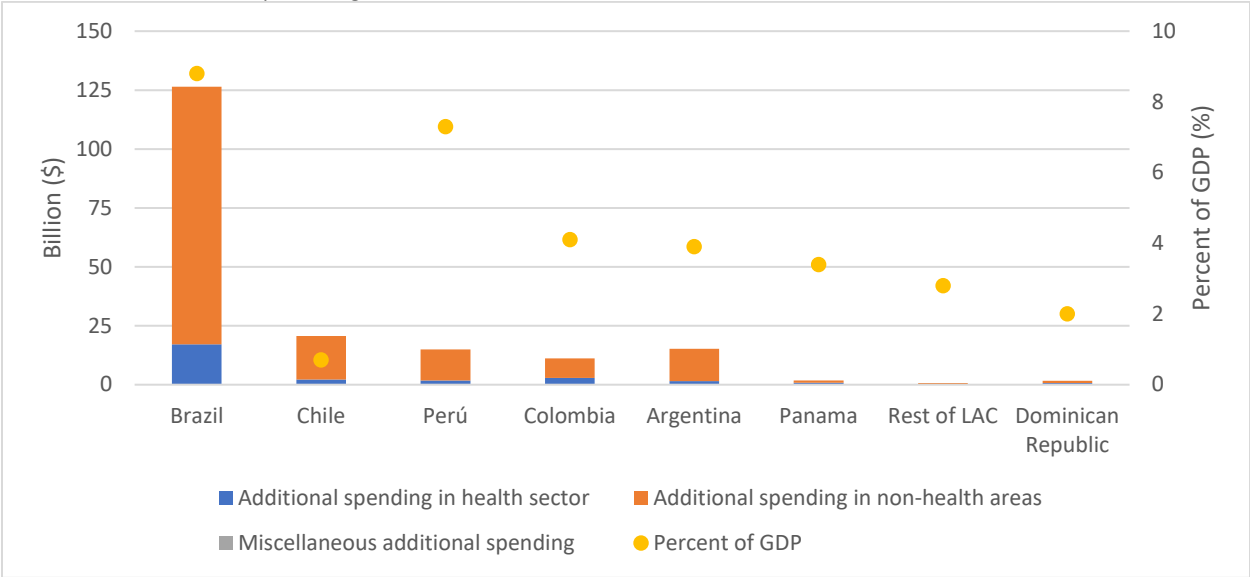
⁷⁰ IMF, "Fiscal Measures in Response to the COVID-19 Pandemic," October 2021.

Brazil incurred the largest fiscal response in the LAC region during this period, in both monetary terms and percentage of GDP (figure 5.2). The country invoked the “escape clause” and increased their constitutional expenditure ceiling to accommodate exceptional spending needs to fight the pandemic.⁷¹ Brazilian fiscal responses included an expansion of health spending, temporary income support for vulnerable households (cash transfers to informal and low-income workers), accelerating pension payments for retirees, advanced payments of salary bonuses for low-income workers, employment support, and lower taxes and import levies on essential medical supplies. Public banks also expanded credit lines for businesses and households.⁷²

Argentina also provided a relatively larger amount of additional fiscal spending in comparison with the rest of the LAC region (figure 5.2). Government measures have targeted (1) increased health spending, including for improvements in virus diagnosis, purchases of vaccines and hospital equipment, and construction of new clinics and hospitals; (2) support for workers and vulnerable groups, including increased transfers to poor families and unemployment insurance benefits; (3) support for hard-hit sectors, including subsidized loans for construction-related activities; (4) demand support, including spending on public works; (5) forbearance, including continued provision of utility services for households; and (6) credit guarantees for bank lending to micro-, small-, and medium-sized enterprises.

Figure 5.2 Fiscal measures in response to the COVID-19 Pandemic, by selected major economies in Latin America and the Caribbean, January 2020–September 27, 2021

In billions of dollars and in percentages of GDP.



Source: IMF, “Fiscal Measures in Response to the COVID-19 Pandemic,” October 2021.

Note: Data for Rest of LAC is composed by taking the sum in billions or simple average of country data on percent of GDP.

⁷¹ IMF, “Policy Responses to COVID-19,” accessed November 9, 2021.

⁷² IMF, “Policy Responses to COVID-19,” accessed November 9, 2021.

Macroeconomic trends

GDP

The LAC region felt a significant drop in GDP in 2020, with economies contracting on average by 8.8 percent from the previous year.⁷³ However, some economies within these regions experienced disparate changes in GDP. Venezuela experienced the largest GDP decline in the region falling 30 percent from the previous year.⁷⁴ COVID-19 hit the country particularly hard due to an already strained health system and economy prior to the pandemic. In contrast, Guyana experienced tremendous growth during 2020, growing 43.4 percent from the previous year. It has benefitted significantly in recent years from offshore discoveries of oil.⁷⁵ Despite its tremendous growth through the pandemic in comparison with the rest of the world, Guyana's GDP was still impacted by COVID-19; in 2019, the IMF had previously predicted the country to grow by 86 percent in 2020.

Most of the region's largest economies experienced smaller GDP contractions in 2020 than the region-wide average (table 5.1). Argentina represents an exception, with its GDP falling 9.9 percent during the year. The "Rest of LAC" aggregate, representing the average GDP growth across smaller economies in the region, experienced an above average contraction of 9.4 percent during 2020, in large part due to substantial COVID-19 related declines in tourism exports among many of the tourism-dependent economies in the region. In 2021 several LAC economies exceeded or came close to pre-pandemic GDP levels. Chile, Dominican Republic, and Colombia were among the fastest recovering large economies in the region. Conversely, Argentina and the Rest of LAC aggregate did not fully recover to pre-pandemic GDP levels in 2021.

Table 5.1 Real GDP growth rate, by selected major economies in Latin America and the Caribbean, annual, 2019–21

In percentages.

Economy	2019	2020	2021
Argentina	-2.0	-9.9	10.2
Brazil	1.2	-3.9	4.6
Chile	0.8	-6.1	11.7
Colombia	3.2	-7.0	10.6
Dominican Republic	5.1	-6.7	12.3
Guatemala	3.9	-1.5	8.0
Rest of LAC	0.0	-9.4	5.7

Source: IMF, "World Economic Outlook Database," GDP (constant price), accessed May 19, 2022.

Note: Data for Rest of LAC are derived from the simple average GDP growth rates of economies in the groups with available data.

Manufacturing output

According to UNIDO, average output in Latin American and Caribbean countries fell by 5 percent from 2019 to 2020.⁷⁶ Within the LAC region, Honduras experienced the largest decline in output, with annual output falling by 15.2 percent from 2019 to 2020 (figure 5.3). Columbia, El Salvador, Perú, and also

⁷³ IMF, "World Economic Outlook Database," GDP (constant price), accessed May 19, 2022.

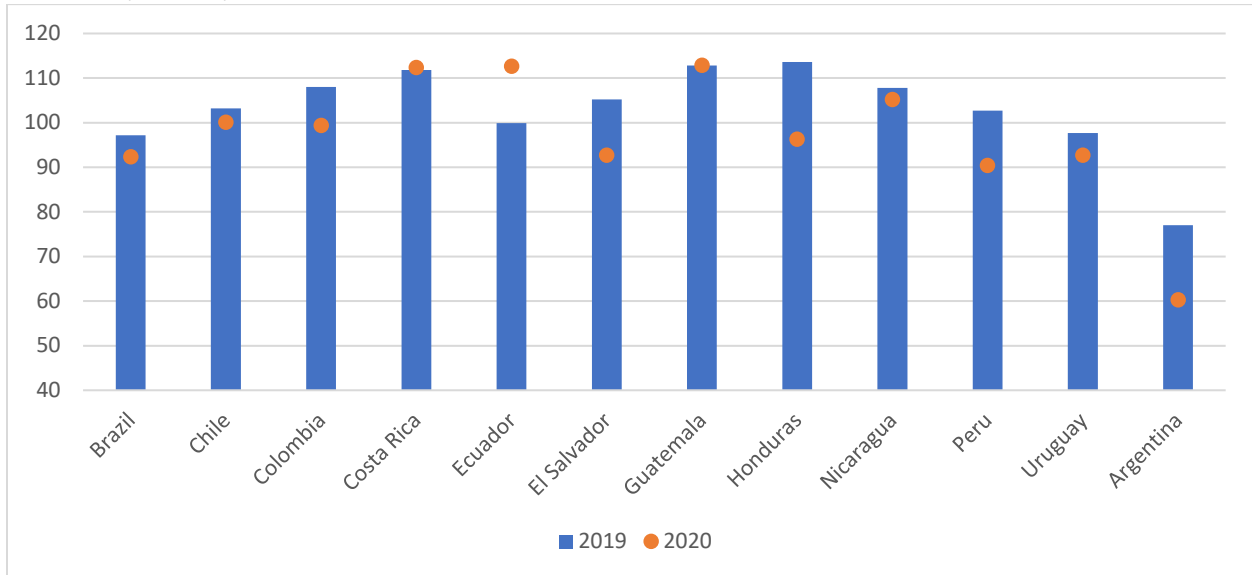
⁷⁴ IMF, "World Economic Outlook Database," GDP (constant price), accessed May 19, 2022.

⁷⁵ Meredith, "The IMF Thinks this Country Will See Growth of 86% in 2020," November 4, 2019.

⁷⁶ Authors calculations using UNIDO, [Annual Index of Industrial Production \(IIP\) Database](#), Seasonally Adjusted, accessed November 9, 2021.

experienced significant declines of 8.0, 11.9, and 12.0, and percent, respectively. Conversely, Ecuador experienced significant growth of 11.9 percent. Ecuador’s growth through the pandemic was driven by large increases in output of non-metallic mineral products and wood products, excluding furniture.⁷⁷ Economies across the region experienced a significant drop in second quarter of 2020, but then recovered slowly since the second half of 2020 (figure 5.4).

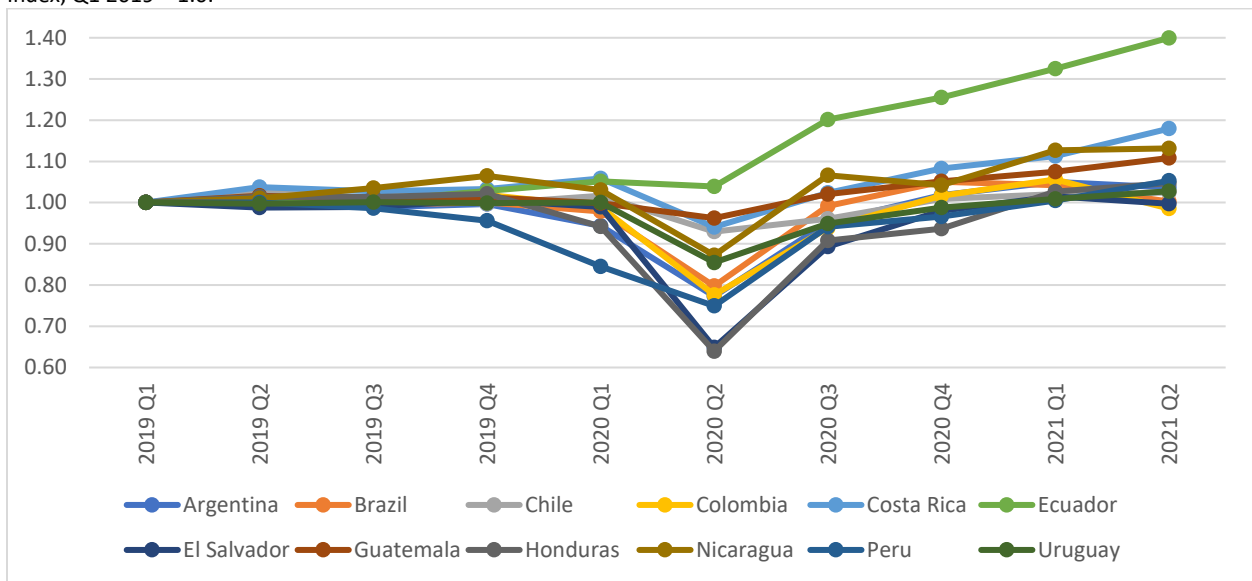
Figure 5.3 Total manufacturing output index, by selected major economies in Latin America and the Caribbean, annual, 2019–20



Source: UNIDO, [Annual Index of Industrial Production \(IIP\) Database](#), Seasonally Adjusted, accessed November 9, 2021.

Figure 5.4 Total manufacturing output, by selected major economies in Latin America and the Caribbean, quarterly, 2019–21

Index, Q1 2019 = 1.0.



Source: UNIDO, [Quarterly Index of Industrial Production \(IIP\) Database](#), Seasonally Adjusted, accessed November 9, 2021.

⁷⁷ UNIDO, [Annual Index of Industrial Production \(IIP\) Database](#), Seasonally Adjusted, accessed November 9, 2021.

Labor

Due to pandemic-related restrictions, workers across Latin America and the Caribbean experienced significant losses in working hours during 2020. Relative to overall World working hours loss of 8.9 percent, the LAC region lost nearly double that rate, at 16.7 percent.⁷⁸ The job losses were most pronounced in several of the region's largest economies. Most notably, working hours in 2020 fell by more than the regional average in Colombia (-19.2 percent), Argentina (-21.9 percent), and Peru (-29.0 percent). Smaller economies in the region comprising the "Rest of LAC" aggregate in table 5.2 fared relatively better in working hours lost during the year declining by an average of 12.8 percent.

Following the significant declines observed in 2020, working hours in the region are forecasted to rebound in 2021. Across the entire Latin America and Caribbean region, working hours in 2021 are forecast to reach within 6.0 percent of pre-pandemic levels. Most economies in the region are forecasted to benefit from the working hour recovery, with some of the largest gains forecasted for Argentina, Brazil, Colombia, and Brazil. Nevertheless, despite this strong labor market rebound, the LAC region is expected to remain among the regions farthest from fully recovering to pre-pandemic levels in terms of hours worked in 2021.

Table 5.2 The loss of working hours and full-time equivalent (FTE) jobs due to the COVID-19, by selected major economies in Latin America and the Caribbean, annual, 2020–21
In percentages and in thousands.

Economy	2020 (%)	2021 (%)	2020 (thousand FTE jobs)	2021 (thousand FTE jobs)
Argentina	-21.9	-8.9	-3,689	-1,507
Brazil	-15.7	-5.6	-14,173	-5,080
Chile	-14.6	-5.2	-1,182	-423
Colombia	-19.2	-6.0	-4,852	-1,540
Dominican Republic	-14.7	-7.8	-705	-379
Peru	-29.0	-11.7	-5,221	-2,122
Rest of LAC	-12.8	-5.4	-9,191	-3,528

Source: ILO, "Working Hours Lost Due to the Covid-19 Crisis. Annual," accessed November 4, 2021.

Note: Values represent hours worked relative to annualized estimates of total hours worked in Q4 2019. The percentage changes for Rest of LAC are derived from the simple average of economies in the groups with available data. FTE jobs are based on 40 hours per week; the values for Rest of LAC are derived from the sum of economies in the groups with available data.

FDI

FDI inflows to the Latin American and Caribbean region fell by 45.4 percent in 2020, from \$160.5 billion in 2019 to \$87.6 billion in 2020.⁷⁹ South America experienced a 53.9 percent FDI inflow drop \$112.7 billion in 2019 to \$51.9 billion in 2020; Central America experienced a 24.4 percent from \$43.9 billion in 2019 to \$33.2 billion in 2020; and the Caribbean experienced a 36.3 percent drop from \$3.9 billion in 2019 to \$2.6 billion in 2020.

Brazil, the largest recipient of FDI in the region, experienced a reduction in inflows of 62 percent to \$25 billion, marking its lowest level in two decades.⁸⁰ Panama's FDI inflows have also reached their lowest

⁷⁸ ILO, [Working Hours Lost Due to the Covid-19 Crisis. Annual](#), accessed November 4, 2021.

⁷⁹ UNCTAD, [World Investment Report 2021](#), June 21, 2021, 250.

⁸⁰ UNCTAD, [World Investment Report 2021](#), June 21, 2021, 58.

level in two decades after falling by 86 percent to \$589 million.⁸¹ The contraction in the Caribbean was driven by a 15 percent decline in FDI to the Dominican Republic, which is a major recipient in the region. Inflows to Haiti also fell by 60 percent due to a combination of the COVID-19 pandemic and general civil unrest in the country.⁸²

Exacerbating the issues surrounding sharp drops in FDI globally is the fact that many countries in the LAC region, are heavily dependent on investment in natural resources and tourism, both of which collapsed in 2020.⁸³ Moreover, UNCTAD indicates that a substantial recovery of FDI to the LAC region is unlikely in 2021 due to the region’s structural weaknesses, limited fiscal space, and dependence on greenfield investment, which is projected to remain weak in the near term.⁸⁴ U.S. recovery via fiscal stimulus measures may contribute to the region’s recovery through trade and remittances; however, policy uncertainty is high as several countries, including Chile, Colombia, and Brazil, have general elections scheduled in 2021 and 2022. Overall, UNCTAD projects that FDI will not recover to pre-crises levels until at least 2023; recovery is contingent on economic recovery, fixed-capital formation, and political factors like upcoming general and midterm elections.

Recovery of inflows to the manufacturing industries will likely be slower than recovery in the food, beverages, and tobacco and motor vehicles industries. Traditional industries like oil and gas will also recover more slowly, while the information and communication industry is likely to show more growth. Lastly, UNCTAD indicates that the transport and telecommunication industries will experience the slowest recoveries as tourism and free mobility continue to face restrictions.⁸⁵

Table 5.3 FDI net inflows, by selected major economies in Latin America and the Caribbean, annual, 2019–20

In billions of dollars and in percentages.

Economy	2019 (billion \$)	2020 (billion \$)	Percentage change 2019–20 (%)
Argentina	6.7	4.1	–38.1
Brazil	65.4	24.8	–62.1
Chile	12.5	8.4	–33.0
Colombia	14.3	7.7	–46.2
Dominican Republic	3.0	2.6	–15.4
Peru	8.1	1.0	–87.8
Rest of LAC	85.2	75.8	–11.0

Source: UNCTADSTAT, [FDI Inward and Outward Flows](#), Annual, accessed November 8, 2021.

Note: Data for Rest of LAC are derived from the sum of economies in the groups with available data.

Trade trends

Merchandise trade

Like most regions and countries in the world, the LAC region experienced declines in merchandise trade due to the COVID-19 pandemic. Among the regions’ largest economies, Argentina, Brazil, and Columbia

⁸¹ UNCTAD, [World Investment Report 2021](#), June 21, 2021, 62.

⁸² UNCTAD, [World Investment Report 2021](#), June 21, 2021, 62.

⁸³ UNCTAD, [World Investment Report 2021](#), June 21, 2021, xi.

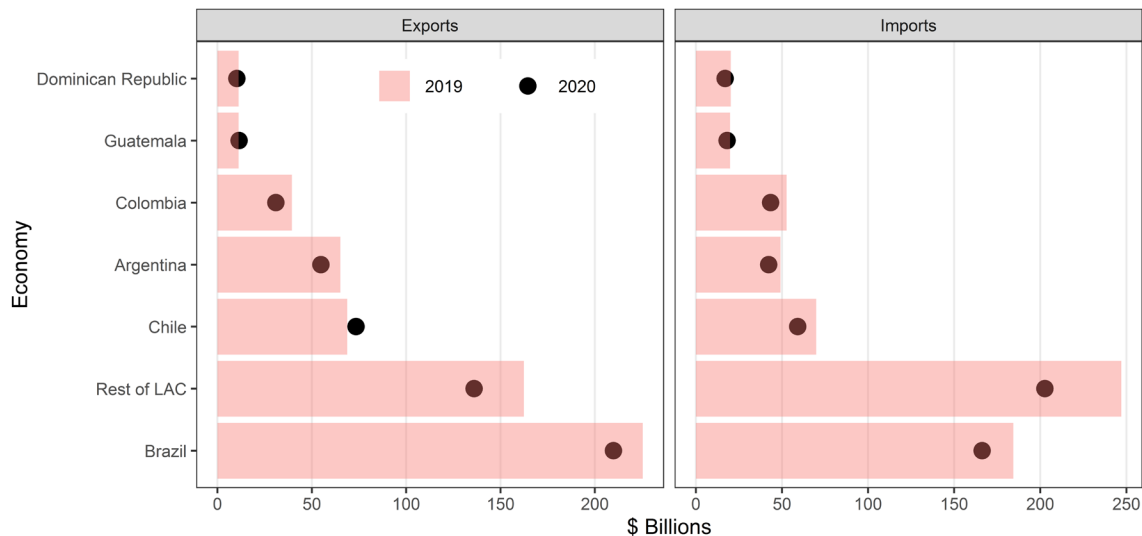
⁸⁴ UNCTAD, [World Investment Report 2021](#), June 21, 2021, 17.

⁸⁵ UNCTAD, [World Investment Report 2021](#), June 21, 2021, 63.

recorded substantial, double-digit percentage point contractions on both the import and export side (figure 5.5). Smaller regional economies comprising the “Rest of LAC” aggregate also experienced significant merchandise trade declines with exports and imports falling by 16.2 and 17.9 percent respectively. However, merchandise trade in several other economies in the region fared relatively better during the year. Most notably, exports from Chile and Guatemala expanded in 2020, growing 6.9 and 3.1 percent.

Figure 5.5 Merchandise trade, by selected major economies in Latin America and the Caribbean, annual, 2019–20

In billions of dollars.



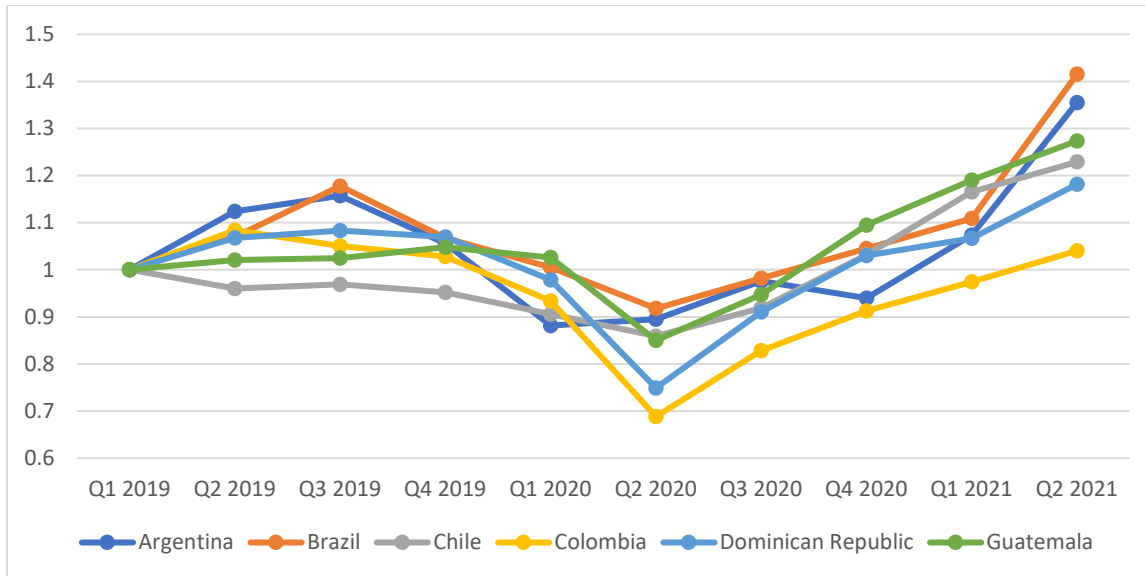
Source: WTO, "International Trade Statistics", accessed November 8, 2021.

Source: WTO, [International Trade Statistics](#), Merchandise Trade Value, Annual, accessed November 8, 2021.

Quarterly data into 2021, demonstrates that merchandise trade in the region has experienced significant recovery after reaching pandemic lows in second quarter of 2020. By the first quarter of 2021, 5 of 6 of the region’s largest economies with available data surpassed pre-pandemic levels in terms of two-way merchandise trade (figure 5.6).

Figure 5.6 Total merchandise trade, by selected major economies in Latin America and the Caribbean, quarterly, Q1 2019–Q2 2021

Index, Q1 2019 = 1.0. Two-way merchandise trade is calculated as sum of imports and exports.



Source: WTO, [International Trade Statistics](#), Merchandise Trade Value, Quarterly, accessed November 8, 2021.

Services trade

Like much of the rest of the world, services trade in the LAC region has been significantly and negatively impacted by the COVID-19 pandemic (figure 5.7). Import growth rate for the entire LAC region fell -30.7 percent in 2020, while exports also contracted by 38.0 percent.⁸⁶ The decline in services trade in the region was driven in large part due to the COVID-19 induced contraction in tourism-related exports. Prior to the pandemic, many economies in the region, including many Caribbean countries featured large tourism and large hospitality sectors. As such, total service exports among countries comprising the “Rest of LAC” aggregate in figure 2.7 fell by 52.6 percent.⁸⁷

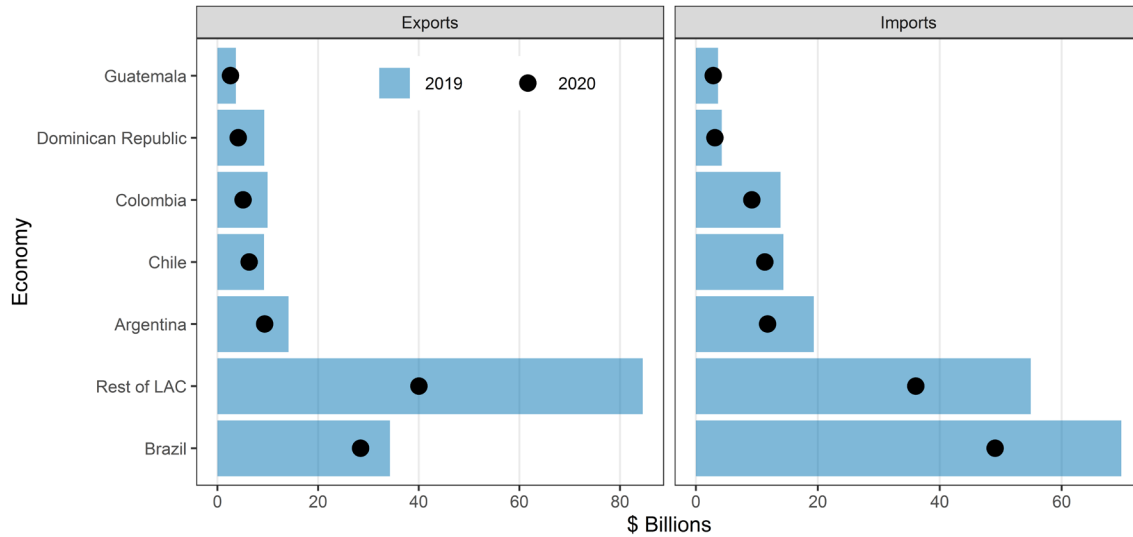
Limited services trade data for 2021 suggest that services trade has been slow to rebound in the region and remains significantly suppressed compared to pre-pandemic levels. Two-way services trade in Chile, Brazil, Colombia, and Argentina remained 16.0, 19.2, 24.7, and 41.2 percent below pre-pandemic levels through second quarter of 2021, where most recent data is available (figure 5.8). However, two-way services trade in the Dominican Republic has countered the larger trend within the region following a substantial increase in services trade in the second quarter of 2021, due in large part to a more than doubling of transport service exports.⁸⁸

⁸⁶ Author calculations from UNCTADSTAT, [International Trade in Services](#), BPM6: Exports and Imports, Annual, accessed November 8, 2021.

⁸⁷ Author calculations from UNCTADSTAT, [International Trade in Services](#), BPM6: Exports and Imports, Annual, accessed November 8, 2021.

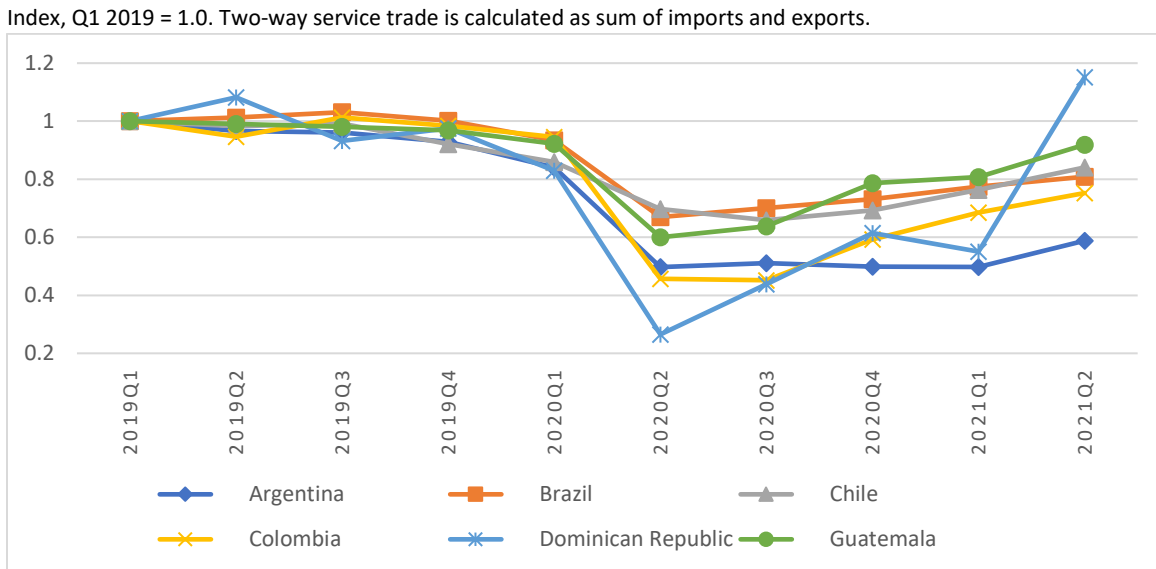
⁸⁸ from UNCTADSTAT, [International Trade in Services](#), BPM6: Exports and Imports, Quarterly, accessed November 8, 2021.

Figure 5.7 Services trade, by selected major economies in Latin America and the Caribbean, annual, 2019–20
In billions of dollars.



Source: UNCTADSTAT, [International Trade in Services](#), BPM6: Exports and Imports, Annual, accessed November 8, 2021.

Figure 5.8 Total services trade, by selected major economies in Latin America and the Caribbean, quarterly, Q1 2019–Q2 2021
Index, Q1 2019 = 1.0. Two-way service trade is calculated as sum of imports and exports.



Source: UNCTADSTAT, [International Trade in Services](#), BPM6: Exports and Imports, Quarterly, accessed November 8, 2021.

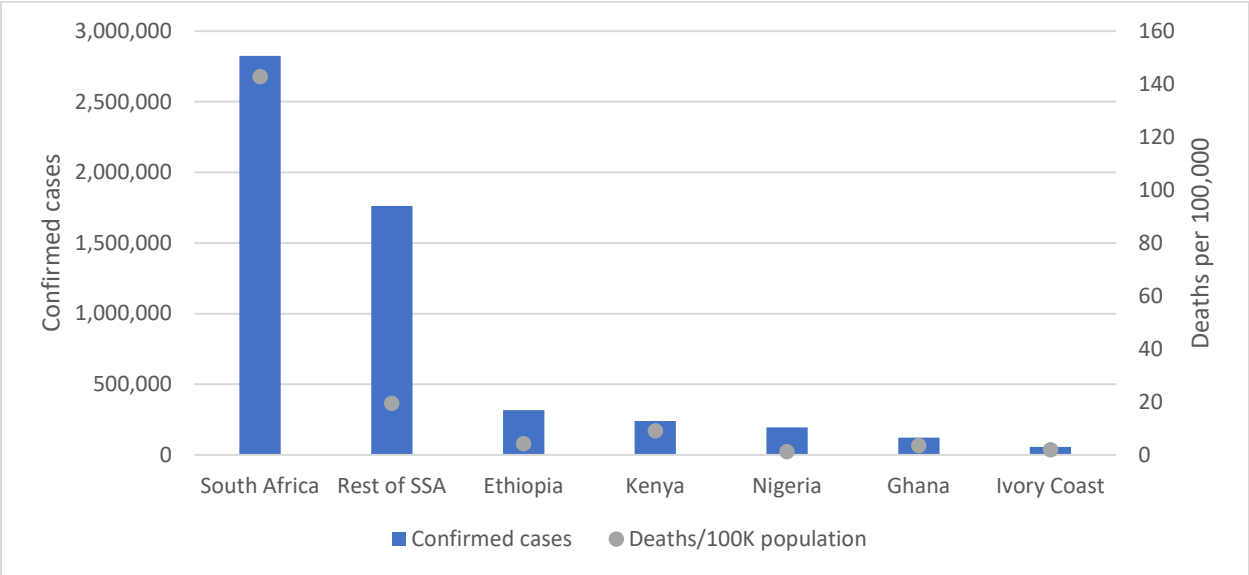
VI. Sub-Saharan Africa

Overview

The Pandemic and Containment Measures

Compared to much of the rest of the world, Sub-Saharan Africa has experienced smaller health impacts from the COVID-19 pandemic with considerably fewer cases and deaths per capita compared to global averages (figure 6.1). While widespread limitations in testing throughout the region may have resulted in underreporting of COVID-19 spread, other research argues the regions’ significantly younger age demographic as a major factor contributing to the relatively muted effects of COVID-19 within the region.⁸⁹ Nevertheless, several Sub-Saharan African countries have faced significant outbreaks. As of September 2020, five Sub-Saharan African countries have reported fatality rates above 100 per 100,000 population including the region’s second largest economy, South Africa.⁹⁰

Figure 6.1 COVID-19 cases and mortality, by selected major economies in Sub-Saharan Africa, through September 8, 2021



Source: Johns Hopkins Coronavirus Resource Center, “Cases and Mortality by Country,” Data Visualizations database, accessed September 8, 2021.

Note: Data for Rest of SSA is derived from the simple average on deaths/100k population of economies in the group with available data.

In response to the COVID-19 pandemic, all Sub-Saharan African countries adopted policy measures intended to curb outbreaks. Many of these restrictions were adopted near-simultaneously as several countries began recommending or imposing, border, non-essential business, and school closings between March and May 2020. Although restrictions have generally eased towards the end of 2020 and into 2021, other restrictions had been reimposed following increased COVID-19 spread. Perhaps most notably, South Africa re-imposed several restrictions including public beach closures and restrictions on the sale of

⁸⁹ Adams et al., “The Conundrum of Low COVID-19 Mortality in Sub-Saharan Africa,” September 2021.

⁹⁰ Namibia, Seychelles, Eswatini, and Botswana have also reported more than 100 deaths per 100,000 population. Johns Hopkins Coronavirus Resource Center, “Cases and Mortality by Country,” Data Visualizations database, accessed September 8, 2021.

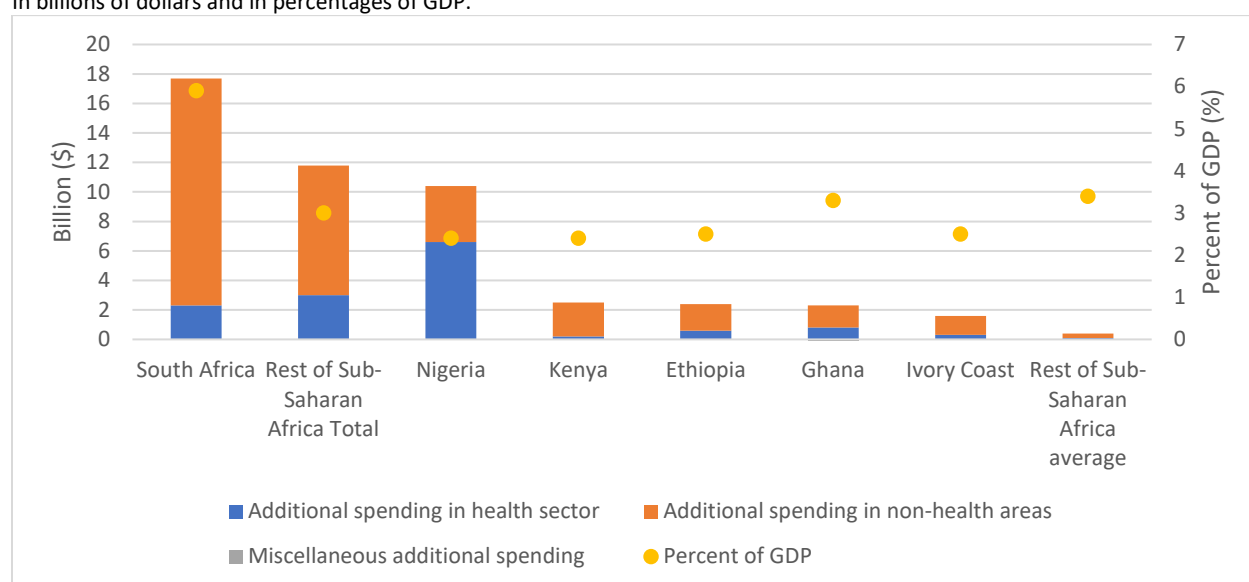
alcohol in late 2020 and again during the summer of 2021 following second and third waves of COVID-19 infections.⁹¹

Fiscal Response to COVID-19

Above the line fiscal spending in Sub-Saharan Africa in response to the COVID-19 Pandemic has varied across countries but remains notably lower than other regions around the world. Sub-Saharan African economies have increased spending by an average of 3.4 percent of GDP in response to the pandemic, with more than 70 percent of new spending focused on non-health related stimulus measures (figure 6.2).⁹² Region-wide public debt increased by more than 6 percentage points to nearly 58 percent of GDP in 2020, representing a near 20-year high.⁹³ As a result, the number of countries classified by the IMF as experiencing or in high risk of debt distress grew from 16 to 17 while economies in the region were classified with low debt distress during the year, down from four the previous year.⁹⁴

Figure 6.2 Fiscal measures in response to the COVID-19 Pandemic, by selected major economies in Sub-Saharan Africa, January 2020–September 27, 2021

In billions of dollars and in percentages of GDP.



Source: IMF, “Fiscal Measures in Response to the COVID-19 Pandemic,” October 2021.

Note: Data for Rest of SSA is composed by taking the sum in billions or simple average of country data on percent of GDP.

Macroeconomic trends

GDP

Prior to the onset of the COVID-19 pandemic, Sub-Sahara Africa has been among the fastest growing regions in the world, consistently expanding by more than 3.0 percent annually.⁹⁵ Sub-Saharan African countries experienced smaller GDP shocks in 2020 compared to the rest of the world, in part due to strong

⁹¹ Wroughton and Bearak, “[South Africa Imposes Strict New Rules](#),” December 2, 2020; Reuters, “[South Africa Loosens COVID Curbs](#),” September 12, 2021.

⁹² IMF, “Fiscal Measures in Response to the COVID-19 Pandemic,” October 2021.

⁹³ IMF, “[Sub-Saharan Africa Regional Economic Outlook](#),” April 2021.

⁹⁴ IMF, “[Sub-Saharan Africa Regional Economic Outlook](#),” April 2021.

⁹⁵ IMF, “[World Economic Outlook Database](#),” GDP (constant price), accessed May 19, 2022.

agricultural growth and a rebounding of global commodity prices.⁹⁶ However, GDP across Sub-Saharan Africa contracted by 1.9 percent during the year, the largest decline on record for the region (table 6.1).⁹⁷

The 2020 contraction experienced throughout the region was moderated by positive, albeit below recent trend, growth in several economies including Ethiopia (6.1 percent), Guinea (6.4 percent), and Ivory Coast (2.0 percent) (table 6.1). Conversely, many SSA tourism-dependent economies experienced significant contractions in 2020. Most notably, the island countries of Mauritius and Cabo Verde experienced double-digit GDP contractions. Among Sub-Saharan Africa’s largest economies, South Africa experienced a significant contraction of 6.4 percent, while Nigeria contracted by 1.8 percent, slightly less than the regional average. Kenya, Sub-Saharan Africa’s third largest economy, experienced a contraction of 0.3 percent, marking a significant decline from recent trends of more than 5.0 percent annual GDP growth.

Most Sub-Saharan African economies accelerated economic activity in 2021.⁹⁸ Among major economies in the region, Ivory Coast and Ghana experienced significant economic growth during the year and returned towards pre-pandemic growth rates. Similarly, Nigeria, Kenya, and economies comprising the Rest of SSA aggregate experienced significant economic recoveries during the year with GDP levels exceeding pre-pandemic levels. South African GDP expanded by 4.9 percent in 2021, notably below the 6.4 percent contraction experienced in 2020.

Table 6.1 Real GDP growth rate, by selected major economies in Sub-Saharan Africa, annual, 2019–21
In percentages.

Economy	2019	2020	2021
Ethiopia	9.0	6.1	6.3
Ivory Coast	6.2	2.0	6.5
Ghana	6.5	0.4	4.2
Kenya	5.0	-0.3	7.2
Nigeria	2.2	-1.8	3.6
South Africa	0.1	-6.4	4.9
Rest of SSA	3.3	-1.9	3.8

Source: IMF, “[World Economic Outlook Database](#),” GDP (constant price), accessed May 19, 2022.

Note: Data for Rest of SSA are derived from the simple average GDP growth rates of economies in the groups with available data.

IMF forecasts suggest Sub-Saharan Africa regionwide GDP growth will slow to 3.8 percent in 2022 following 4.5 percent growth in 2021.⁹⁹ IMF expects significant heterogeneity in GDP growth across SSA economies largely driven by differences in exposure to the commodity price boom experienced throughout 2021 and continuing into 2022.¹⁰⁰ Following the growth in commodity prices, the IMF raised its growth forecasts for oil and other resource intensive economies. Conversely, GDP forecasts for non-resource intensive and tourism intensive economies were downgraded.

⁹⁶ World Bank, “[Amid Recession, Sub-Saharan Africa Poised for Recovery](#),” March 31, 2021.

⁹⁷ Selassie and Hakobyan, “[Six Charts Show the Challenges Faced by Sub-Saharan Africa](#),” April 15, 2021.

⁹⁸ IMF, “[World Economic Outlook Database](#),” GDP (constant price), accessed May 19, 2022.

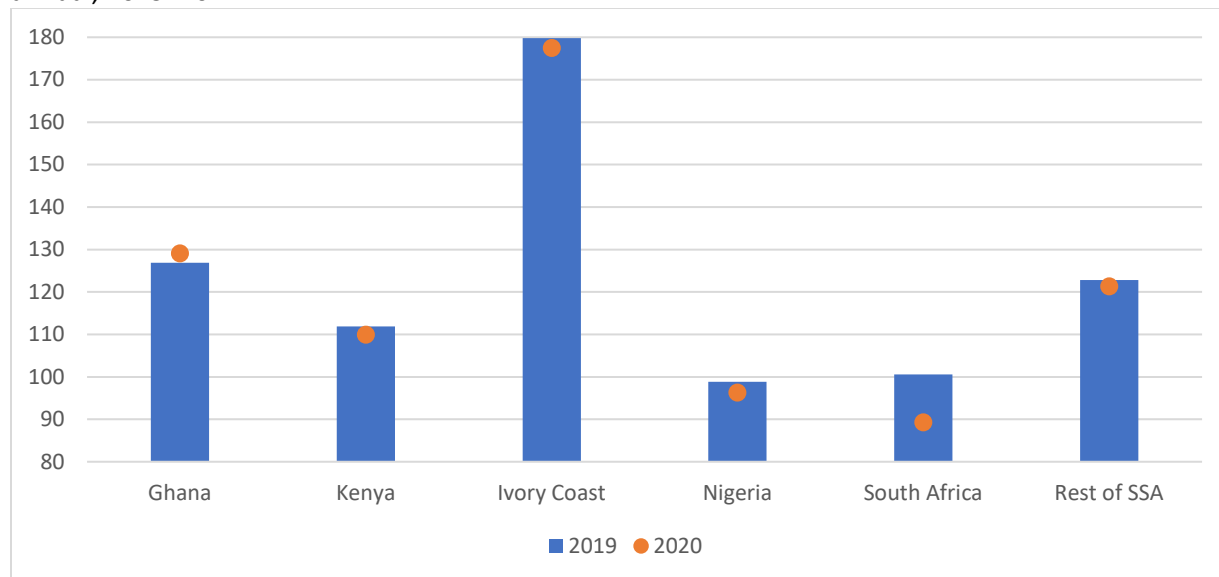
⁹⁹ IMF, “[Sub-Saharan Africa Regional Economic Outlook](#),” April 2021, 4.

¹⁰⁰ IMF, “[Sub-Saharan Africa Regional Economic Outlook](#),” April 2021, 4.

Manufacturing output

Total manufacturing output across Sub-Saharan African economies declined by an average of 2.2 percent in 2020, on-par with the region's overall decline in GDP.¹⁰¹ However, changes in output during the year were heterogeneous across countries. Manufacturing in several countries expanded, including a 1.7 percent increase in Ghana and 14.9 percent expansion in Niger. Conversely, Namibia, South Africa, and Tunisia experienced the largest manufacturing output contractions in the region with greater than 10 percent declines (figure 6.3).

Figure 6.3 Total manufacturing output index, by selected major economies in Sub-Saharan Africa, annual, 2019–20



Source: UNIDO, [Annual Index of Industrial Production \(IIP\) Database](#), Seasonally Adjusted, accessed November 9, 2021.

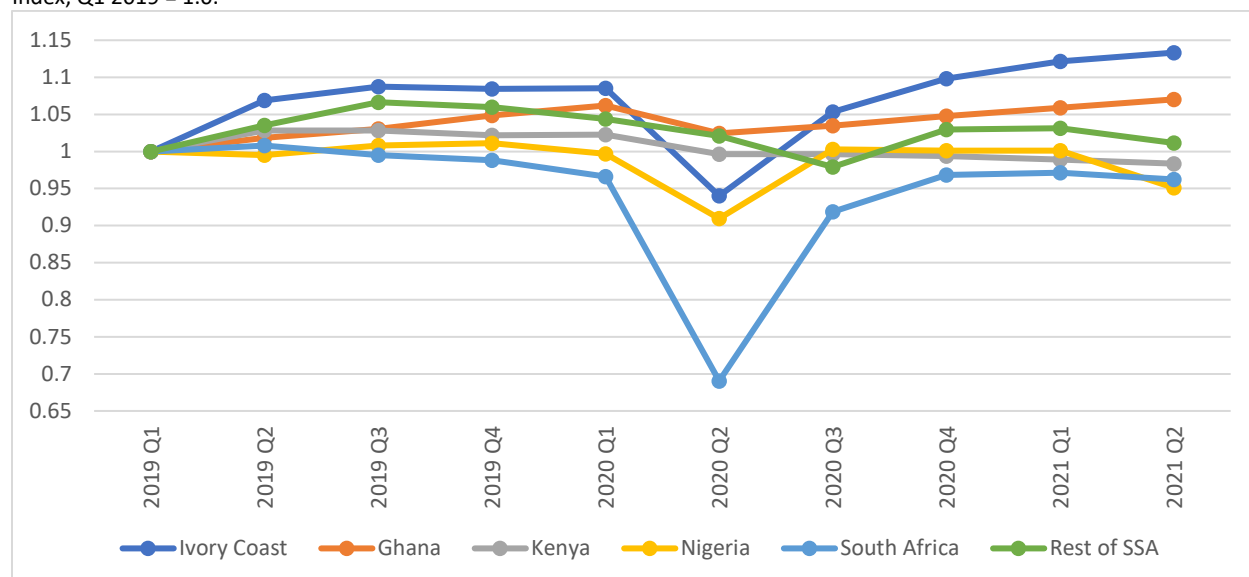
Note: Data for Rest of SSA are derived from the simple average of economies in the group with available data.

While most economies in the region have experienced some form of manufacturing recovery since mid-2020, heterogeneity in rates of recovery across economies exists. By the second quarter of 2021, Ivory Coast and Ghana have surpassed pre-pandemic levels of manufacturing output while several large economies including Nigeria, Kenya, and South Africa remain below previous peaks.

¹⁰¹ Due to data limitations, the average manufacturing output change for Sub-Saharan Africa includes 14 economies.

Figure 6.4 Total manufacturing output, by selected major economies in Sub-Saharan Africa, quarterly, 2019–21

Index, Q1 2019 = 1.0.



Source: UNIDO, [Quarterly Index of Industrial Production \(IIP\) Database](#), Seasonally Adjusted, accessed November 9, 2021.

Note: Data for Rest of SSA are derived from the simple average of economies in the group with available data.

Labor

According to data from the International Labour Organization, Sub-Saharan African economies experienced an average decline in working hours of 7.1 percent, equating to 11.8 million 40-hour full time equivalent jobs.¹⁰² The 2020 hours worked decline was driven by significant contraction in Southern African economies, with the subregion experiencing a 12.6 percent decline in working hours compared to the pre-pandemic baseline.¹⁰³ Among Sub-Saharan Africa’s largest economies, South Africa experienced a large working hour contraction of 14.3 percent while Ghana and Kenya also experienced declines above the region average (table 6.2). Labor hour contractions in Ivory Coast and Ghana were more muted at 4.9 and 5.3 percent respectively.

Forecasts for working hours in 2021 show only modest recovery towards pre-pandemic trends. In the ILO’s baseline scenario, working hours across the region will reach within 5.1 percent of pre-pandemic levels by the end of 2021, which represents a slightly weaker recovery than the 3.2 percent gap projected at the global level.

¹⁰² The estimated loss in working hours represents the difference in estimated hours worked during 2020 relative to annualized estimates of hours worked in the fourth quarter of 2019, which represents a pre-pandemic baseline. ILO, [Working Hours Lost Due to the Covid-19 Crisis. Annual](#), accessed November 4, 2021.

¹⁰³ ILO, [Working Hours Lost Due to the Covid-19 Crisis. Annual](#), accessed November 4, 2021.

Table 6.2 The loss of working hours and full-time equivalent (FTE) jobs due to the COVID-19, by selected major economies in Sub-Saharan Africa, annual, 2020–21

In percentages and in thousands. Values represent hours worked relative to annualized estimates of total hours worked in Q4 2019.

Economy	2020 (%)	2021 (%)	2020 (thousand FTE jobs)	2021 (thousand FTE jobs)
Ethiopia	-8.5	-5.6	-3,380	-2,816
Ghana	-5.3	-4.7	-694	-579
Ivory Coast	-4.9	-1.7	-435	-363
Kenya	-9.4	-6.3	-2,538	-2,115
Nigeria	-9.0	-5.5	-5,735	-4,780
South Africa	-14.3	-10.0	-2,542	-2,118
Rest of SSA	-6.8	-5.1	-326	-271

Source: ILO, “Working Hours Lost Due to the Covid-19 Crisis. Annual,” accessed November 4, 2021.

Note: The percentage changes for Rest of SSA are derived from the simple average of economies in the groups with available data. FTE jobs are based on 40 hours per week; the values for Rest of SSA are derived from the sum of economies in the groups with available data.

FDI

Inward FDI flows to Sub-Saharan Africa decreased by \$31.0 billion, or 11.2 percent in 2020. The decline in FDI in the region represents a significant reversal from the double-digit growth rate experienced in 2019. Inflows to Nigeria represent one positive flow in 2020, increasing slightly from \$2.3 to \$2.4 billion due to several large investments in non-oil sectors.¹⁰⁴ Conversely, several large countries within the region experienced significant declines in FDI inflows. Inflows to Ghana fell by 51.6 percent to \$1.9 billion, while inflows to Ethiopia declined by a more modest 6.0 percent to \$2.4 billion. South African FDI inflows experienced one of the largest contractions in SSA, following a more than 50 percent reduction in cross-border merger and acquisition activity. FDI inflows into South Africa during the year fell by 39.4 percent to \$3.1 billion.

Box 6.1 Vaccine Investments in Africa

Historically, the African continent as a whole has imported 99 percent of its vaccines from abroad.¹ The region’s limited capacity to produce the COVID-19 vaccine has led to significant access issues as its vaccination rates remain in the single digits and lag significantly behind all other continents. However, the onset of the COVID-19 pandemic has spurred new emphasis on developing Sub-Saharan Africa’s vaccine infrastructure. In April 2021, the African Union announced its goal to supply 60 percent of its vaccine needs internally.² Through September 2021, at least 12 COVID-19 vaccine production facilities have been established on the continent (including North Africa).³ Several other recent large-scale investments into the region’s vaccine infrastructure have been announced including a roughly \$560 million long-term joint financing package for Aspen Pharmacare in South Africa and international financing for a \$200 million vaccine manufacturing plant in Africa.⁴

¹ Aisling, “How COVID Spurred Africa to Plot a Vaccines Revolution,” April 21, 2021.

² Usman and Ovidia, “Is there any COVID-19 Vaccine Production in Africa?” September 13, 2021.

³ Usman and Ovidia, “Is there any COVID-19 Vaccine Production in Africa?” September 13, 2021.

⁴ Jerving, “South Africa’s Aspen to Boost COVID-19 Vaccine Manufacturing,” August 5, 2021; Kedem, “Senegal Plans Africa’s First COVID-19 Vaccine Manufacturing Hub,” July 16, 2021. U.S. Dollar equivalents of Euro values are provided in parentheses, based on exchange rates from the Federal Reserve. Board of Governors of the Federal Reserve, “Foreign Exchange Rates – H.10,” accessed May 2, 2022.

¹⁰⁴ Major FDI inflows to Nigeria included a \$66 million greenfield investment in a food manufacturing facility and \$221 million equity injection in the Lekki Deep Sea Port. UNCTAD, *World Investment Report 2021*, June 21, 2021.

FDI into the African continent (including Northern Africa) is expected to rise modestly between 0 and 10 percent according to forecasts from UNCTAD. The expected slow COVID-19 rollout into the region, fiscal constraints, and forecasts of below average GDP growth are expected to act as headwinds for the recovery of FDI flows.

Table 6.3 FDI net inflows, by selected major economies in Sub-Saharan Africa, annual, 2019–20
In billions of dollars and in percentages.

Economy	2019 (billion \$)	2020 (billion \$)	Percentage change 2019–20 (%)
Côte d'Ivoire	0.9	0.5	-45.7
Ethiopia	2.5	2.4	-6.0
Ghana	3.9	1.9	-51.6
Kenya	1.1	0.7	-34.7
Nigeria	2.3	2.4	3.5
South Africa	5.1	3.1	-39.4
Rest of SSA	18.1	19.2	6.0

Source: UNCTADSTAT, [FDI Inward and Outward Flows](#), Annual, accessed November 8, 2021.

Note: Data for Rest of SSA are derived from the sum of economies in the groups with available data.

Trade trends

Merchandise trade

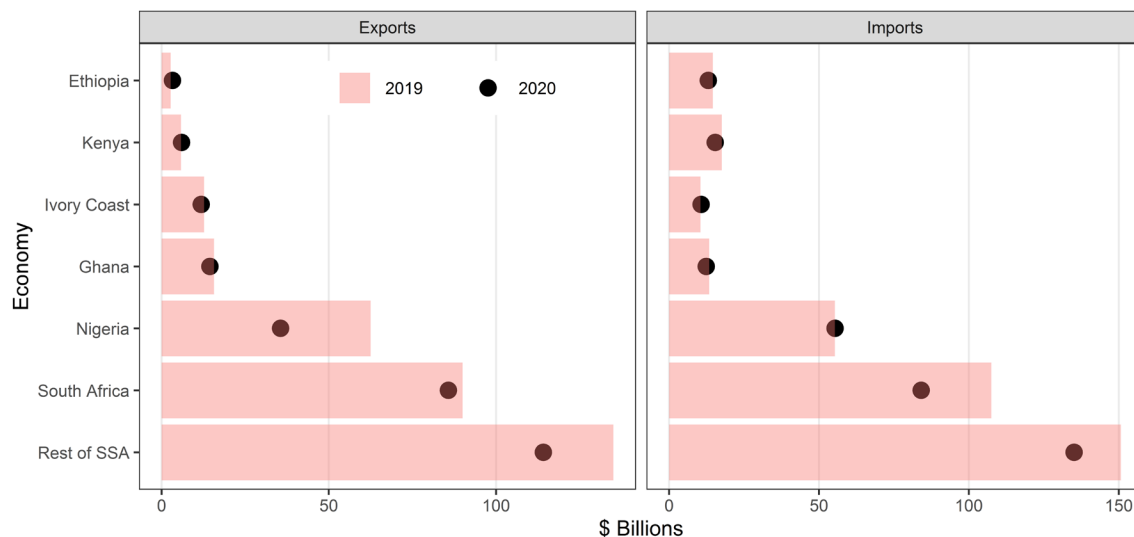
Total merchandise trade in Sub-Saharan Africa fell by 13.9 percent in 2020.¹⁰⁵ The decline in exports of 16.4 percent was notably larger than the 11.8 percent reduction in imports during the year. On the export side, several large oil exporting economies experienced significant contractions, including 39.7 and 43.0 percent declines in Angola and Nigeria, respectively. Conversely, 14 Sub-Saharan economies representing approximately 20 percent of the region's overall economic activity, expanded exports during the year. Perhaps most notably, exports from Ethiopia, the region's fourth largest economy, expanded by 18.8 percent to \$3.3 billion thanks to strong growth in agricultural exports. Of the 47 SSA economies with available data, 33 reduced imports during the year. Nigeria and Ivory coast were among the region's largest economies that recorded an increase in merchandise imports (figure 6.5).

2021 trade data for economies in the SSA region is sparse at the time of this writing. Two-way merchandise trade of all the economies in the region experienced a drop in the second quarter of 2020. However, four of five economies with available data have expanded total trade by the end of the second quarter of 2021 compared to pre-pandemic levels in 2019.¹⁰⁶ Most notably, South Africa recorded a 29.4 percent increase in total trade during the second quarter of 2021 relative to the same quarter before the pandemic in 2019 (figure 6.6).

¹⁰⁵ WTO, [International Trade Statistics](#), Merchandise Trade Value, Annual, accessed November 8, 2021.

¹⁰⁶ WTO, [International Trade Statistics](#), Merchandise Trade Value, Quarterly, accessed November 8, 2021.

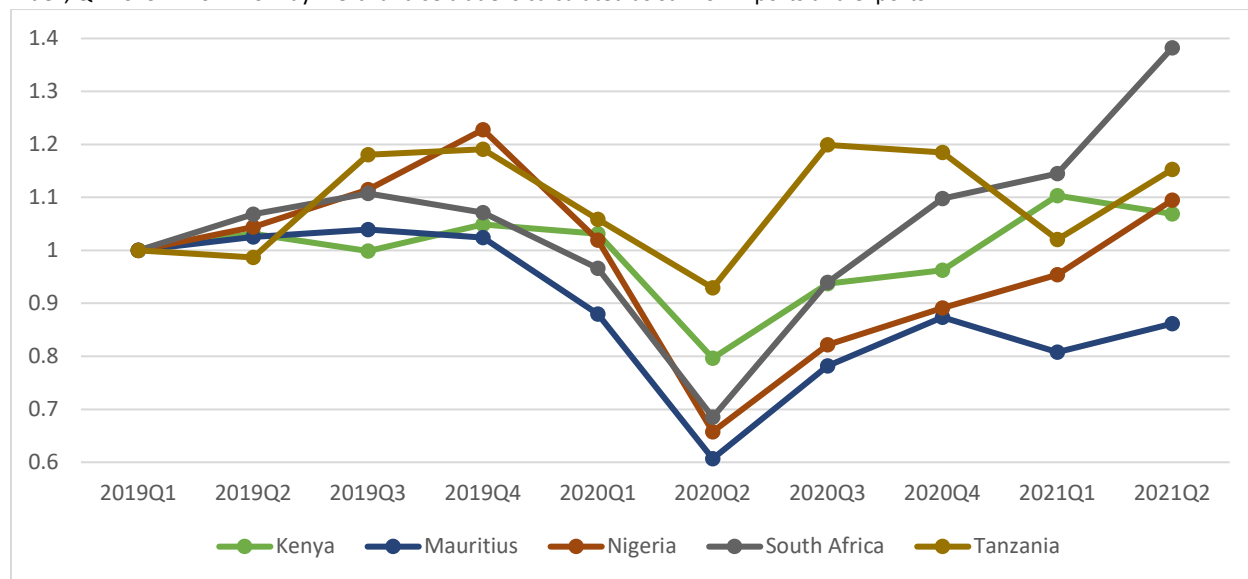
Figure 6.5 Merchandise trade, by selected major economies in Sub-Saharan Africa, annual, 2019–20
In billions of dollars.



Source: WTO, [International Trade Statistics](#), Merchandise Trade Value, Annual, accessed November 8, 2021.

Figure 6.6 Total merchandise trade, economies with available data in Sub-Saharan Africa, quarterly, Q1 2019–Q2 2021

Index, Q1 2019 = 1.0. Two-way merchandise trade is calculated as sum of imports and exports.



Source: WTO, [International Trade Statistics](#), Merchandise Trade Value, Quarterly, accessed November 8, 2021.

Services trade

Like much of the rest of the world, Sub-Saharan African services trade contracted substantially in 2020. Exports fell by 24.0 billion, representing a 33.8 percent decline and a significant departure from the 2.6 percent service export growth rate recorded in 2019.¹⁰⁷ Over the same period imports fell by 34.8 billion, or 25.7 percent. Not unexpectedly, services sectors that involve in-person interactions, incurred the most significant declines. For example, total trade of travel services, passenger air transport services, and

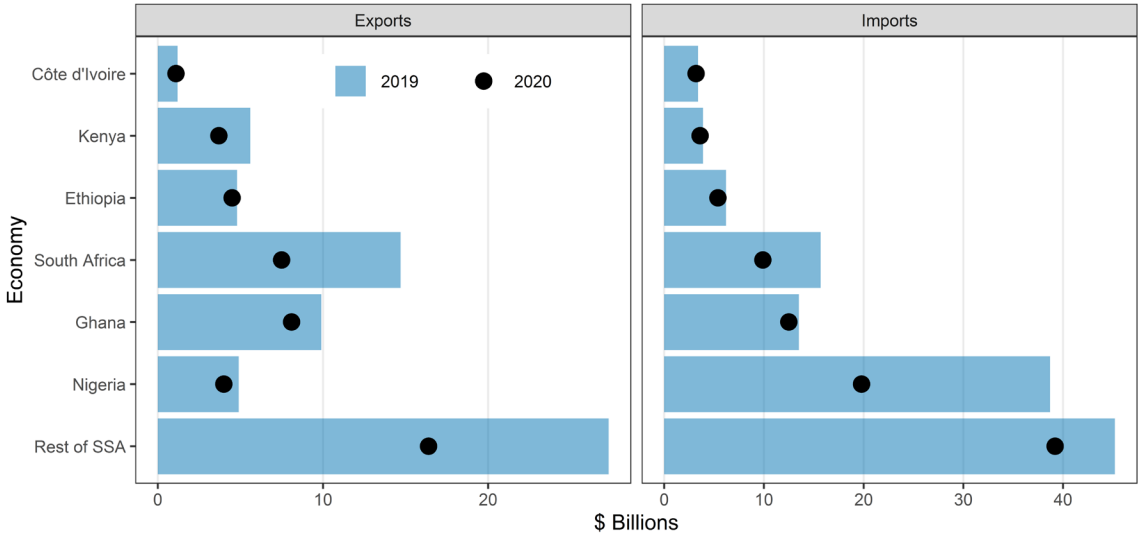
¹⁰⁷ UNCTADSTAT, [International Trade in Services](#), BPM6: Exports and Imports, Annual, accessed November 8, 2021.

personal, cultural, and recreational services all experienced declines of more than 25 percent.¹⁰⁸ Trade in insurance and pension services as well as air freight transport both grew in 2020, increasing 14.9 and 5.0 percent respectively.

Among Sub-Saharan Africa’s largest economies, South Africa experienced service trade declines well above the regional average, with exports and imports falling by 48.9 and 37.1 percent respectively (figure 6.7). The collapse in South Africa’s service trade was notably characterized by near 70 percent declines in travel services trade. Other major Sub-Saharan African economies including Ghana, Ivory Coast, and Ethiopia experienced smaller services trade contractions.

Available quarterly services trade data suggest services trade in the region has made slow progress towards recovery since bottoming out in the second quarter of 2020 (figure 6.8). Ghana has experienced the strongest recovery, with first and second quarter services trade exceeding levels recorded in the beginning of 2019. Conversely, services trade in Nigeria and South Africa have continued to trend upward in the first half of 2021 but have remained substantially below comparable pre-pandemic levels.

Figure 6.7 Services trade, by selected major economies in Sub-Saharan Africa, annual, 2019–20
In billions of dollars.

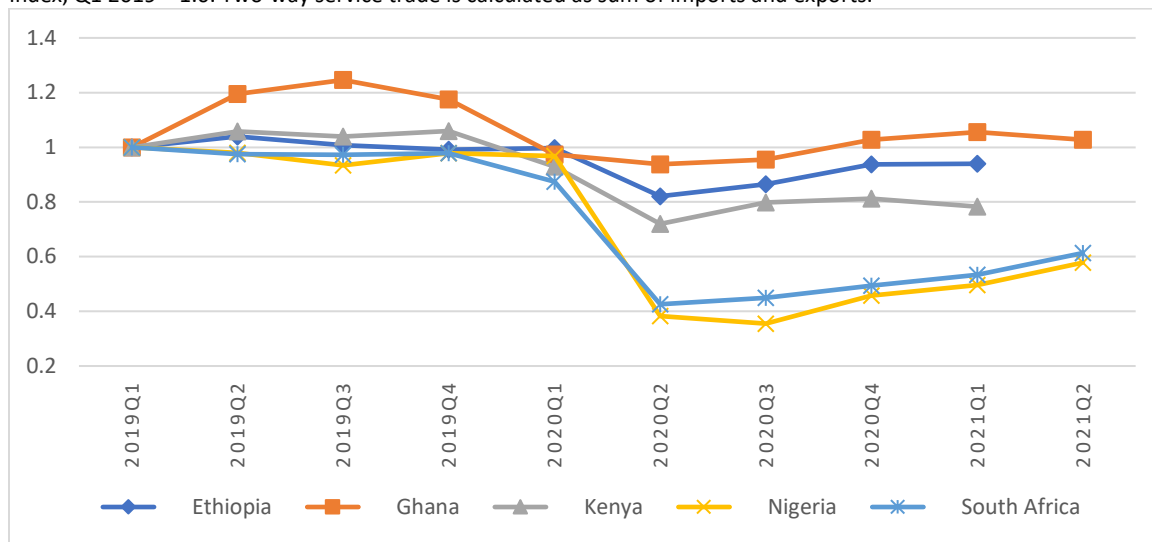


Source: UNCTADSTAT, [International Trade in Services](#), BPM6: Exports and Imports, Quarterly, accessed November 8, 2021.

¹⁰⁸ UNCTADSTAT, [International Trade in Services](#), BPM6: Exports and Imports, Annual, accessed November 8, 2021.

Figure 6.8 Total services trade, by selected major economies in Sub-Saharan Africa quarterly, Q1 2019–Q2 2021

Index, Q1 2019 = 1.0. Two-way service trade is calculated as sum of imports and exports.



Source: UNCTADSTAT, [International Trade in Services](#), BPM6: Exports and Imports, Quarterly, accessed November 8, 2021.

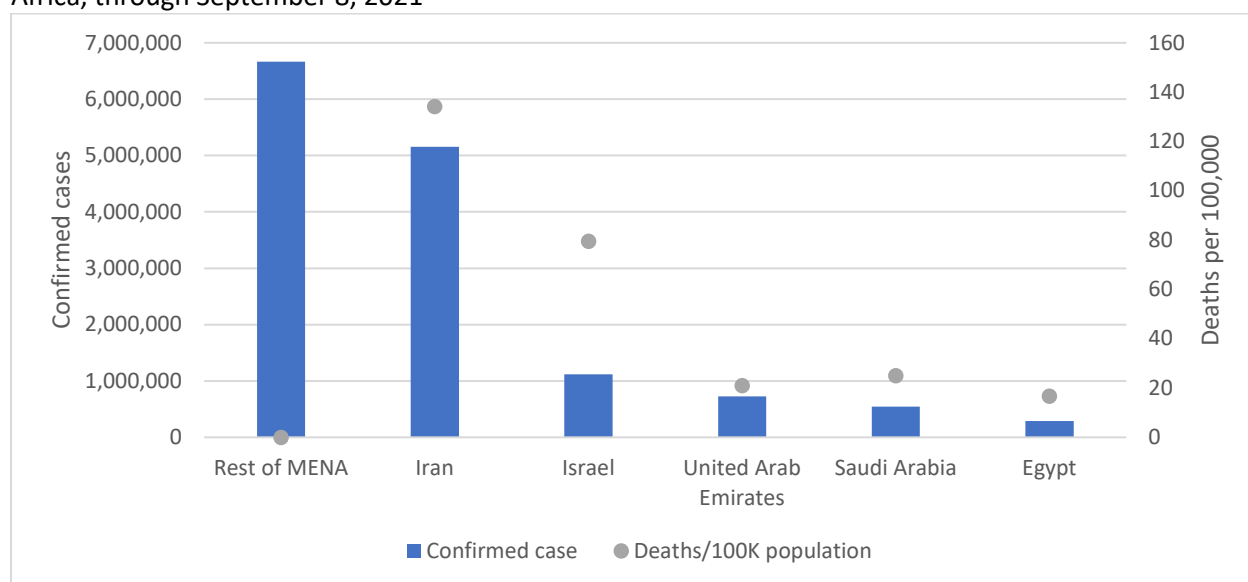
VII. Middle East and North Africa (MENA)

Overview

The Pandemic and Containment Measures

The impact of COVID-19 on health outcomes in the MENA regions can be characterized by significant heterogeneity across countries. By September 2021, countries within the region have reported a combined 14.5 million cases representing 5.8 percent of the total MENA population.¹⁰⁹ Nearly 245,000 deaths have been reported in the region (figure 7.1). However, these numbers may understate the extent of outbreaks in the region, especially among the countries with lower levels of healthcare spending and limited testing capacity.

Figure 7.1 COVID-19 cases and mortality, by selected major economies in the Middle East and North Africa, through September 8, 2021



Source: Johns Hopkins Coronavirus Resource Center, “[Cases and Mortality by Country](#),” Data Visualizations database, accessed September 8, 2021.

Note: Data for Rest of MENA is derived from the simple average on deaths/100k population of economies in the group with available data.

Access to COVID-19 vaccines has varied substantially in the region. By August 2021, the UAE, Bahrain, Qatar, and Israel were among the global leaders each with more than two-thirds of their populations fully vaccinated.¹¹⁰ Other economies in the region have lagged. Egypt, the region’s most populous country, vaccinated only 3.2 percent of its population.

Fiscal Response to COVID-19

By the time of this writing, MENA countries have spent a combined \$123.8 billion in new fiscal measures to combat the health and economic impacts of the pandemic (figure 7.2).¹¹¹ Like the rest of the world, most of this new funding (62.6 percent) has been designated to non-health initiatives intended to fortify

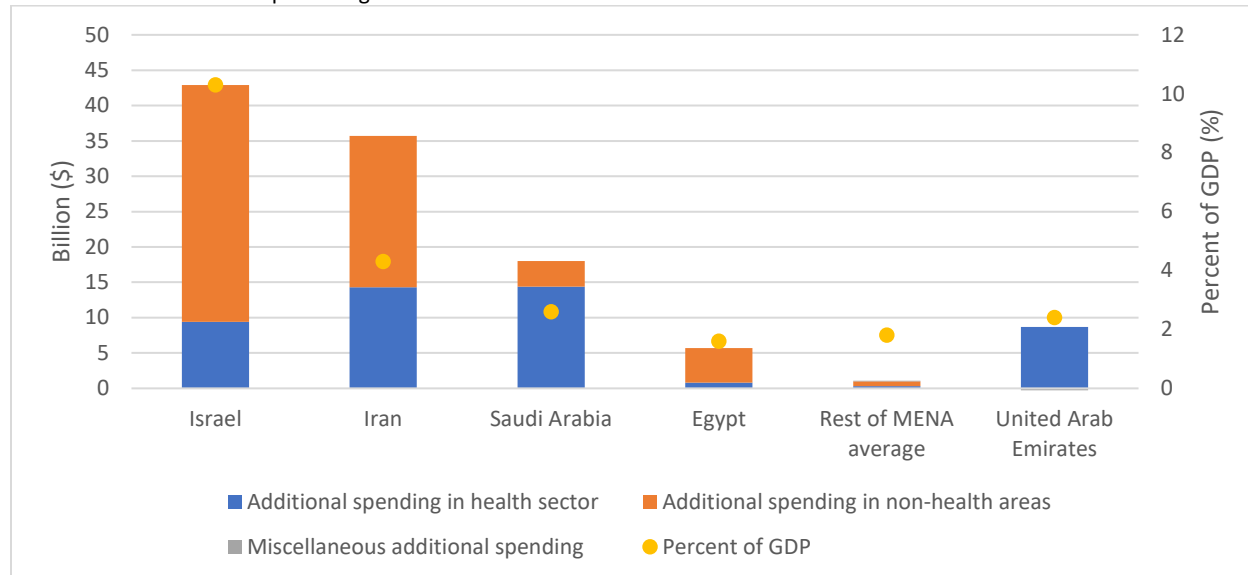
¹⁰⁹ Johns Hopkins Coronavirus Resource Center, “[Cases and Mortality by Country](#),” Data Visualizations database, accessed September 8, 2021.

¹¹⁰ The New Humanitarian, “[Soaring Cases and Little Vaccination](#),” August 18, 2021.

¹¹¹ IMF, “[Fiscal Measures in Response to the COVID-19 Pandemic](#),” October 2021.

social safety nets and stimulate economic activity. Israel has led the region in spending both in nominal terms and as a percentage of GDP with its \$42.9 billion in spending representing 10.3 percent of its GDP.

Figure 7.2 Fiscal measures in response to the COVID-19 Pandemic, by selected major economies in the Middle East and North Africa, January 2020–September 27, 2021
In billions of dollars and in percentages of GDP.



Source: IMF, “Fiscal Measures in Response to the COVID-19 Pandemic,” October 2021.

Note: Data for Rest of MENA is composed by taking the sum in billions or simple average of country data on percent of GDP; excludes Kuwait, Lebanon, Libya.

Most of the rest of the region has expended significantly smaller amounts to combat the effects of the pandemic. The below average expenditures in many countries across the region has likely been driven by already precarious nature of many MENA countries’ debt levels before the pandemic. More than half of the countries in the region entered the pandemic with debt levels above 70 percent of GDP.¹¹² However, the global collapse in oil prices, a major source of government revenue for the region’s oil exporting economies, has led to a 24 percent decline in real government revenue in the region and likely imposed severe constraints on fiscal expenditures.¹¹³

Macroeconomic trends

GDP

Economic activity in the Middle East and North Africa, which features many petroleum dependent economies, contracted sharply in 2020. Beginning in the early months of 2020, global demand and prices for petroleum collapsed in a market already characterized as oversupplied, reaching a low of \$21 per barrel in April.¹¹⁴ Real GDP fell by an average of 9.1 percent during the year, although the average was heavily skewed by 22.0 and 59.7 percent declines in Lebanon and Libya. Excluding contractions from these outlier economies, average GDP still fell by 4.9 percent in the region, well below the global decline of 3.3 percent. Non-oil dependent economies including Egypt, Jordan, and Israel were among the economies

¹¹² Menkulasi et al., “Four Questions About Debt and Financing Risks in the Middle East and North Africa,” April 28, 2021.

¹¹³ World Bank, *Living with Debt in the Middle East and North Africa*, April 2021.

¹¹⁴ IMF, *MENA Regional Economic Outlook*, April 2021.

that experienced the smallest disruptions to GDP in 2020 (table 7.1). Countering the greater regional trend, Iran experienced positive GDP growth during the year, however this expansion followed two consecutive years of GDP contractions prior to the pandemic.

2021 marked a period of economic recovery for nearly all economies in the region. Israel led the region with 8.2 percent growth, while Iran continued its expansion with GDP increasing by 4.0 percent. However, many countries within the region did not experience expansions sufficiently large enough to return to pre-pandemic levels of GDP. Perhaps most notably, countries comprising “Rest of MENA” expanded by 2.7 percent during the year, significantly lower than the 8.0 percent contraction experienced in the 2020.

Table 7.1 Real GDP growth rate, by selected major economies in the Middle East and North Africa, annual, 2019–22

In percentages.

Economy	2019	2020	2021
Egypt	5.6	3.6	3.3
Iran	-1.3	1.8	4.0
Israel	3.8	-2.2	8.2
Saudi Arabia	0.3	-4.1	3.2
United Arab Emirates	3.4	-6.1	2.3
Rest of MENA	0.8	-8.0	2.7

Source: IMF, “[World Economic Outlook Database](#),” GDP (constant price), accessed May 19, 2022.

Note: Data for Rest of MENA are derived from the simple average GDP growth rates of economies in the groups with available data.

Forecasts for 2022 GDP growth show expectations of continued expansion in the region, with the average growth rate across countries projected to be around 4.3 percent.¹¹⁵ Regional growth during 2022 has been affected by two counteracting forces. Sustained increases in oil prices during the year are expected to boost GDP for oil exporters.¹¹⁶ Conversely, continued uncertainty regarding the trajectory of the global pandemic, the tightening of global monetary policy, and the onset of the Ukraine war represent significant sources of uncertainty and downside risks to growth.¹¹⁷

Manufacturing output

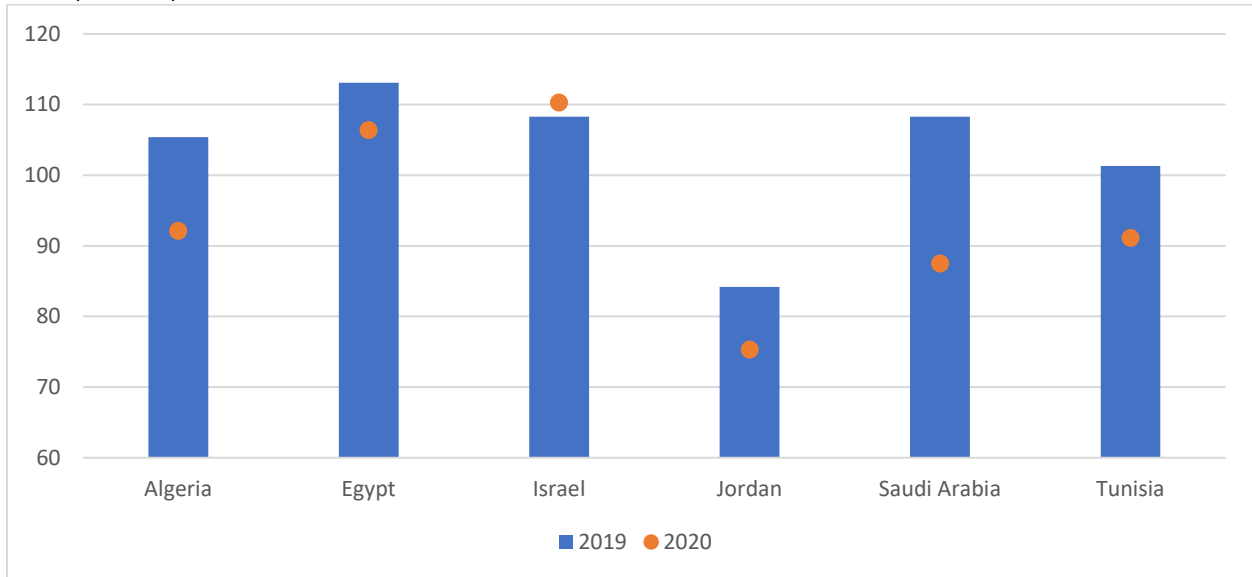
Timely data on manufacturing output in the Middle East North Africa region remains sparse. However, available data suggest that, while most countries experienced contractions in 2020, the magnitude of contractions varied significantly across countries. Oil exporting economies including Saudi Arabia and Algeria, experienced severe manufacturing declines greater than 10 percent (figure 7.3). Israel represents an exception to the regional trend after expanding manufacturing output by 1.8 percent during the year. Israel’s growth was driven by a double-digit expansion in computer, electronic, and optical product manufacturing.

¹¹⁵ Average across countries excludes Libya, which is forecasted to grow by 123.2 percent in 2021. IMF, “[World Economic Outlook Database](#),” GDP (constant price), accessed May 19, 2021.

¹¹⁶ World Bank, [Forecasting Growth in the Middle East and North Africa](#), April 2022.

¹¹⁷ World Bank, [Forecasting Growth in the Middle East and North Africa](#), April 2022, 5.

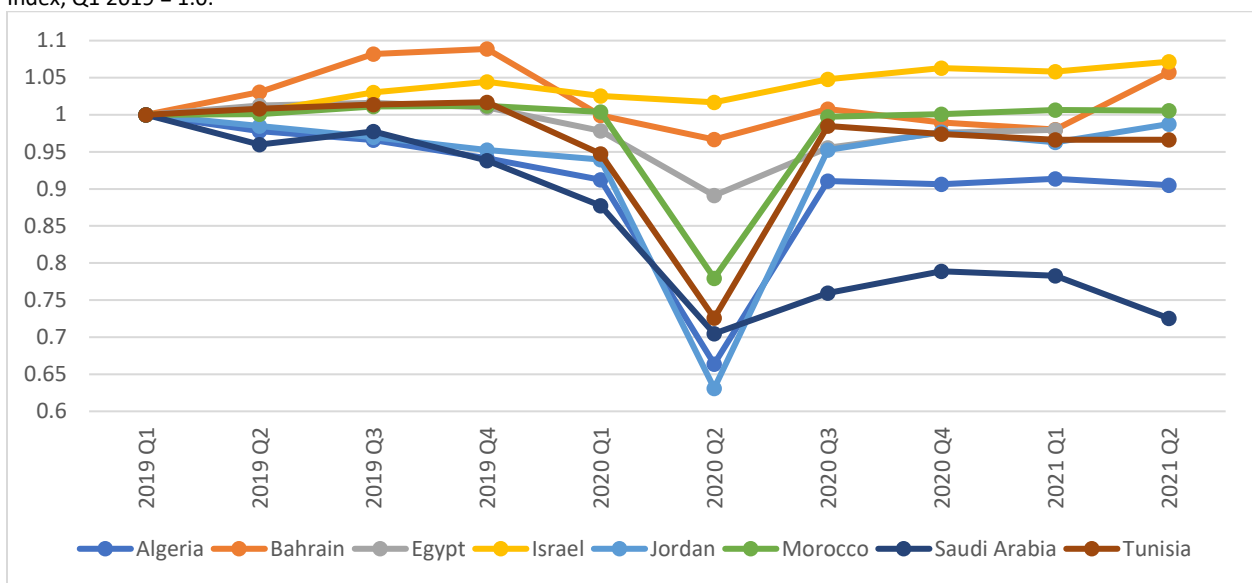
Figure 7.3 Total manufacturing output index, by selected major economies in the Middle East and North Africa, annual, 2019–20



Source: UNIDO, [Annual Index of Industrial Production \(IIP\) Database](#), Seasonally Adjusted, accessed November 9, 2021.

Manufacturing output has shown signs of recovery in the region during the first half of 2021. Of the eight MENA economies with available data, only Saudi Arabia experienced additional manufacturing output contraction during the first two quarters of 2021.¹¹⁸ Conversely, second quarter manufacturing output in 2021 in Bahrain, Israel, Jordan, and Morocco have expanded beyond pre-pandemic output levels recorded in 2019.

Figure 7.4 Total manufacturing output, by selected major economies in the Middle East and North Africa, quarterly, 2019–21
Index, Q1 2019 = 1.0.



Source: UNIDO, [Quarterly Index of Industrial Production \(IIP\) Database](#), Seasonally Adjusted, accessed November 9, 2021.

¹¹⁸ UNIDO, [Quarterly Index of Industrial Production \(IIP\) Database](#), Seasonally Adjusted, accessed November 9, 2021.

Labor

Leading up to the COVID-19 pandemic, employment in the MENA region was characterized by work deficits, lower labor force participation, and high levels of informal employment.¹¹⁹ According to the ILO, women and youth workers have been disproportionately impacted by labor market conditions, experiencing lower participation levels and higher rates of unemployment.¹²⁰ The COVID-19 pandemic has exacerbated MENA labor market fragility. Total hours worked in the MENA region during 2020 fell by an estimated 9.1 percent compared to pre-pandemic trends.¹²¹ Most of the region's largest economies experienced employment declines near the regional average (table 7.2).

Table 7.2 The loss of working hours and full-time equivalent (FTE) jobs due to the COVID-19, by selected major economies in the Middle East and North Africa, annual, 2020–21

In percentages and in thousands. Values represent hours worked relative to annualized estimates of total hours worked in Q4 2019.

Economy	2020 (%)	2021 (%)	2020 (thousand FTE jobs)	2021 (thousand FTE jobs)
Egypt	-9.4	-5.9	-2,956	-1,871
Iran	-5.2	-8.3	-1,451	-2,333
Israel	-7.7	-2.0	-253	-67
Saudi Arabia	-7.5	-4.6	-1,147	-722
United Arab Emirates	-9.7	-7.1	-854	-626
Rest of MENA	-9.8	-7.2	-500	-354

Source: ILO, "[Working Hours Lost Due to the Covid-19 Crisis. Annual](#)," accessed November 4, 2021.

Note: The percentage changes for Rest of MENA are derived from the simple average of economies in the groups with available data. FTE jobs are based on 40 hours per week; the values for Rest of MENA are derived from the sum of economies in the groups with available data.

Labor hours worked in the MENA region had exhibited some form of recovery in the second half of 2020, with total hours worked ending the year 5 percent below pre-pandemic levels.¹²² However, following a regional surge of COVID-19 cases in early 2021, ILO forecasts projected further declines in the first two quarters of 2021. By year's end the MENA region is expected to improve only modestly compared to the end of 2020, with total hours worked reaching 4.6 percent below pre-pandemic levels.

FDI

FDI inflows into the MENA region varied across countries during 2020. FDI into the region increased by 10.8 percent according to data from UNCTAD. However, Egypt and Iran- two of the region's largest economies- experienced double-digit contractions in FDI inflows (table 7.3). Conversely, FDI inflows into Israel grew by 30.0 percent, driven in part by a 31 percent increase in M&A sales in electronics.¹²³ Inflows into Saudi Arabia and the UAE also increased by 20.2 and 11.2 percent respectively, marking a contrast to the trend of contracting FDI among major oil producing economies in the region.¹²⁴

¹¹⁹ ILO, [World Employment and Social Outlook 2021](#), June 2, 2021.

¹²⁰ ILO, [World Employment and Social Outlook 2021](#), June 2, 2021, 45 and 62.

¹²¹ ILO, [Working Hours Lost Due to the Covid-19 Crisis. Annual](#), accessed November 4, 2021.

¹²² ILO, [Working Hours Lost Due to the Covid-19 Crisis. Annual](#), accessed November 4, 2021.

¹²³ UNCTAD, [World Investment Report 2021](#), June 21, 2021, 95.

¹²⁴ For example, FDI inflows to Algeria, Bahrain, Iraq, Kuwait, and Qatar declined in 2020. UNCTAD, [World Investment Report 2021](#), June 21, 2021, 95.

Table 7.3 FDI net inflows, by selected major economies in the Middle East and North Africa, annual, 2019–20

In billions of dollars and in percentages.

Economy	2019 (billion \$)	2020 (billion \$)	Percentage change 2019–20 (%)
Egypt	9.0	5.9	-35.1
Iran	1.5	1.3	-11.0
Israel	19.0	24.8	30.0
Saudi Arabia	4.6	5.5	20.2
United Arab Emirates	17.9	19.9	11.2
Rest of MENA	5.9	6.8	15.6
Total MENA	57.9	64.1	10.8

Source: UNCTADSTAT, [FDI Inward and Outward Flows](#), Annual, accessed November 8, 2021.

Note: Data for Rest of MENA and Total MENA are derived from the sum of economies in the groups with available data.

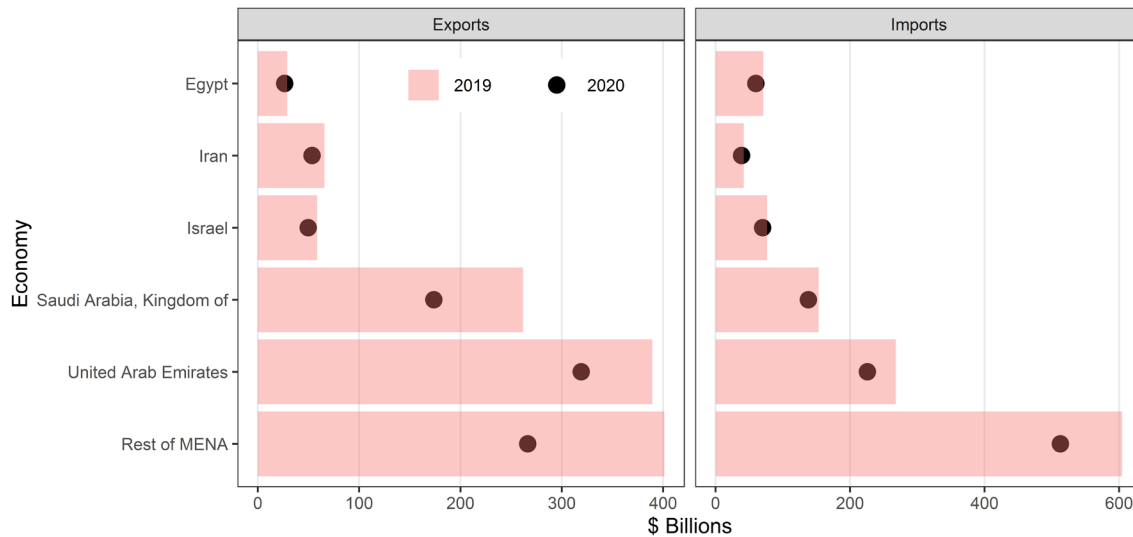
Trade trend

Merchandise trade

Trade in the Middle East North Africa region has been significantly disrupted by the COVID-19 pandemic. Exports from the region fell by 26.2 percent, driven predominately by the massive declines in petroleum prices and demand during the early months of the pandemic.¹²⁵ However, exports from large non-oil producing economies in the region also fell significantly during the year as exports from Egypt and Israel declined 8.2 and 14.9 percent respectively (figure 7.5). Imports into the region likewise fell by more than the global average decline in 2020 with a 13.3 percent contraction. The contraction in regional imports during was widespread, with 13 of the 19 economies reporting double-digit declines.

¹²⁵ Author's calculations from WTO, [International Trade Statistics](#), Merchandise Trade Value, Annual, accessed November 8, 2021.

Figure 7.5 Merchandise trade, by selected major economies in the Middle East and North Africa, annual, 2019–20
In billions of dollars.

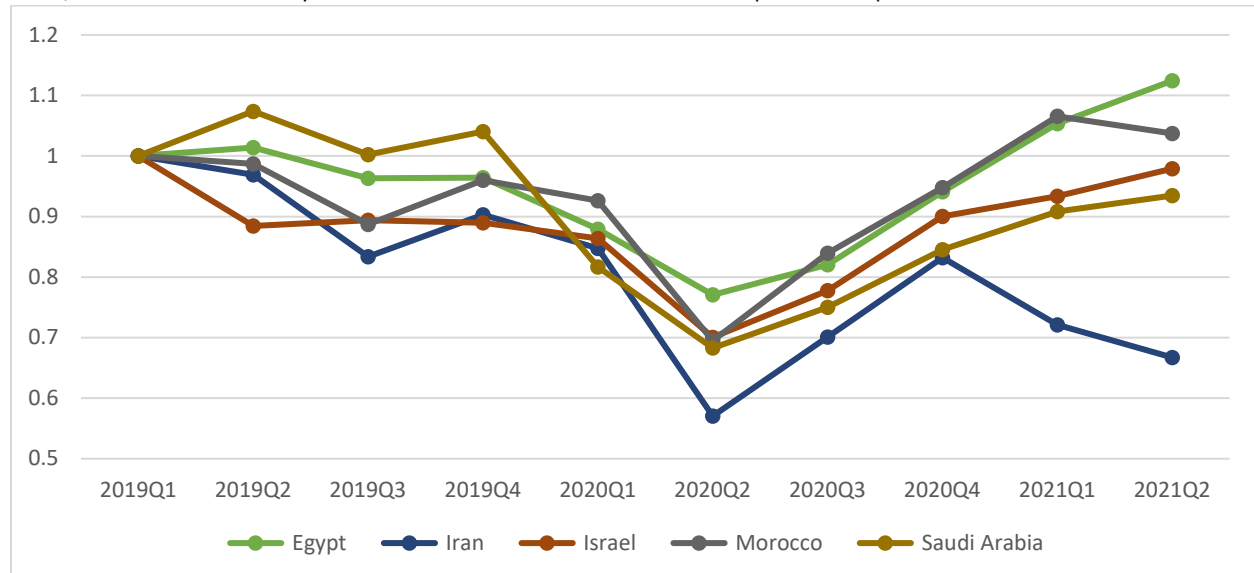


Source: WTO, [International Trade Statistics](#), Merchandise Trade Value, Annual, accessed November 8, 2021.

Available quarterly merchandise trade data depict some degree of recovery following a trough in the second quarter of 2020. By the second quarter of 2021, several MENA economies with available data have surpassed pre-pandemic export levels (figure 7.6). Among large MENA economies, Israel, and Saudi Arabia’s second quarter 2021 exports have exceeded comparable 2019 levels by 20.9 and 6.2 percent respectively. The recovery of imports in the MENA region in 2021 has also been robust. Seven of the 10 economies with available data have reported increased imports relative to pre-pandemic levels during the first half of 2021. Merchandise imports into Iran and Israel during the first half of 2021 have increased by more than 10.0 percent relative to the same period in 2019.

Figure 7.6 Total merchandise trade, by selected major economies in the Middle East and North Africa, quarterly, Q1 2019–Q2 2021

Index, Q1 2019 = 1.0. Two-way merchandise trade is calculated as sum of imports and exports.



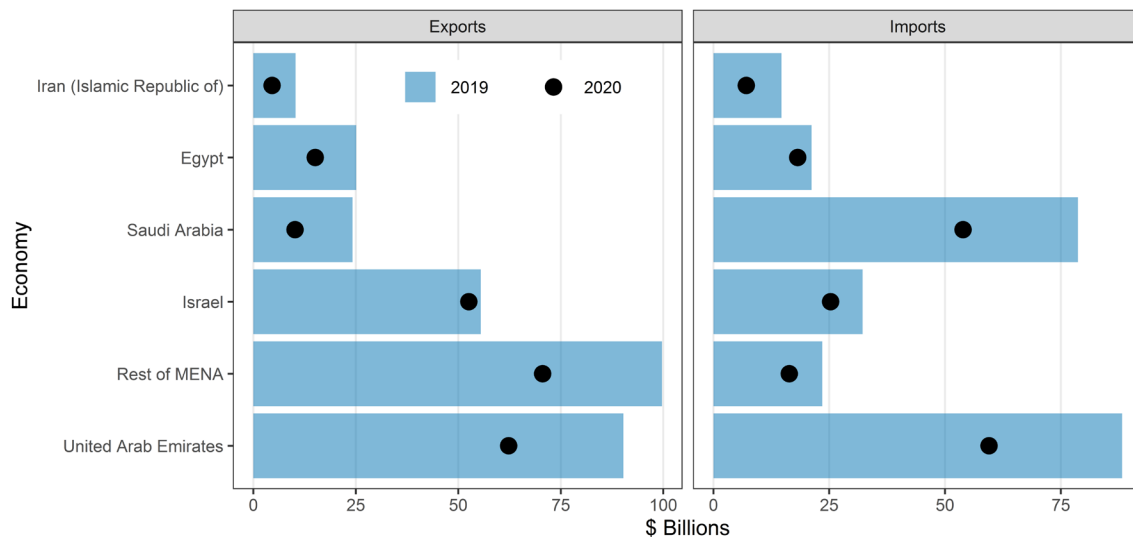
Source: WTO, [International Trade Statistics](#), Merchandise Trade Value, Quarterly, accessed November 8, 2021.

Services trade

Total services exports from the MENA region fell by 29.5.¹²⁶ The services exports decline was driven, in large part, due to greater than 60 percent contractions in services exports from non-oil producing economies with large travel and tourism sectors including Lebanon, Oman, and Jordan. Saudi Arabia also experienced a significant service export contraction of 57.7 percent following a 75 percent reduction in travel services exports, as the country maintained border and travel restrictions. Within the MENA region, Israel represents a notable exception to the trend of significant service export declines during the pandemic. During the year, its services exports fell by 5.3 percent, likely due to the country’s large share of telecommunications and other business services that could be performed remotely.¹²⁷ Service imports into the region were similarly affected during 2020, contracting by 30.2 percent. Nearly all economies in the region experienced double-digit declines. However, Qatar and Bahrain represent exceptions, experiencing a 2.0 percent contraction and 14.0 percent expansion, respectively.¹²⁸

Figure 7.7 Services trade, by selected major economies in the Middle East and North Africa, annual, 2019–20

In billions of dollars.



Source: UNCTADSTAT, [International Trade in Services](#), BPM6: Exports and Imports, Annual, accessed November 8, 2021.

Available services trade data from the first half of 2021 point toward heterogeneous rates of recovery within the MENA region (figure 7.8). Israel has continued to experience a significant expansion in services exports in 2021, with second quarter levels exceeding pre-pandemic levels during second quarter of 2019 by 26.9 percent. However, many of the other MENA economies with available data have experienced more modest recoveries during the first half of 2021. Among the region’s largest economies, services

¹²⁶ Authors’ calculations from UNCTADSTAT, [International Trade in Services](#), BPM6: Exports and Imports, Annual, accessed November 8, 2021.

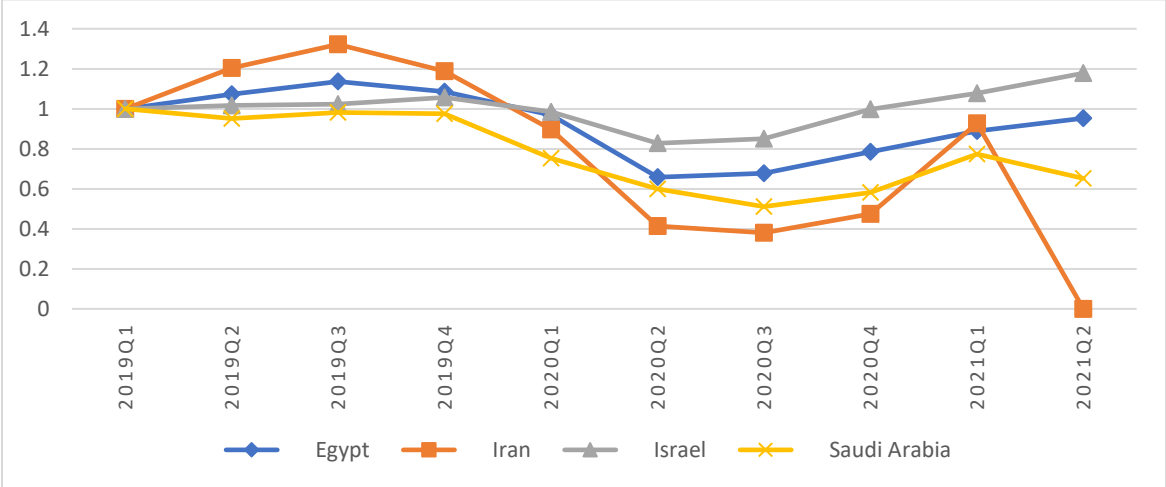
¹²⁷ Rosenberg, “[Work from Home is Here to Stay](#),” August 12, 2021.

¹²⁸ According to UNCTAD, Qatar was one of eight economies that expanded transport services imports in 2020, growing 11.5 percent above 2019 levels. UNCTADSTAT, [International Trade in Services](#), BPM6: Exports and Imports, Annual, accessed November 8, 2021.

exports from Saudi Arabia and Egypt during the second quarter of 2021 remained 61.6 and 18.6 percent below comparable pre-pandemic levels. On the import side, Egypt and Israel have come closest to recovering to pre-pandemic levels, with second quarter 2021 imports reaching within four percent of service import values from the same place in 2019. Few of the other MENA economies with available data have made noteworthy recovery in services imports during the first half of 2021.

Figure 7.8 Total services trade, by selected major economies in the Middle East and North Africa, quarterly, Q1 2019–Q2 2021

Index, Q1 2019 = 1.0. Two-way service trade is calculated as sum of imports and exports.



Source: UNCTADSTAT, [International Trade in Services](#), BPM6: Exports and Imports, Quarterly, accessed November 8, 2021.

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