

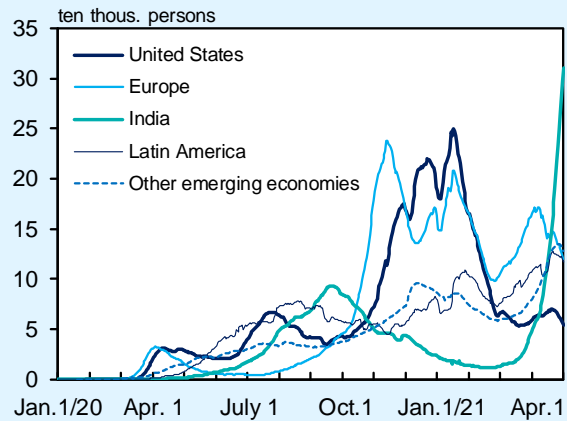
(BOX 1) Variation in the Pace of Recovery in Overseas Economies

While overseas economies have been recovering on the whole, the pace has been uneven across countries. The pace of economic improvement is highly likely to remain uneven, mainly due to differences in the future course of COVID-19, the pace of the vaccine rollout, and the stance on fiscal policy conduct. This box looks at developments in COVID-19 and the vaccination situation and examines the variation in the pace of recovery across countries.

The number of confirmed new cases of COVID-19 temporarily decreased in many countries after the turn of this year. Since early spring, however, there has been a resurgence of cases in Europe and some emerging economies, and thus there remain high uncertainties over the consequences of COVID-19 (Chart B1-1). Meanwhile, although vaccinations have started in many countries, the pace of the vaccine rollout has been uneven (Chart B1-2).

Looking at economic developments by country or region, the Chinese economy has continued to recover. In the January-March quarter of 2021, services consumption was pushed down by restrictions on movement during the Lunar New Year holidays due to the domestic resurgence of COVID-19. However, the economy has continued on an improving trend, as seen in goods consumption remaining firm and exports and production accelerating their rates of increase compared with two years ago, partly because

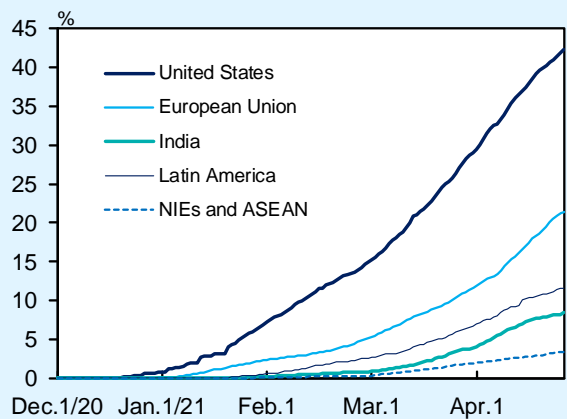
Chart B1-1: Confirmed New Cases of COVID-19 in Major Economies



Source: CEIC.

Note: Figures for the United States, Taiwan, and Hong Kong are from the CDC, the Taiwan Ministry of Health and Welfare, and the Hong Kong Centre for Health Protection, Department of Health, respectively. All other figures are from the WHO. Figures for Europe are the sum of figures for the EU and the United Kingdom. Figures for Latin America are the sum of figures for the major economies in the region. Figures for other emerging economies are the sum of figures for South Africa, Russia, Turkey, and the major economies in the NIEs and ASEAN and the Middle East. Figures show 7-day backward moving averages. The latest figures are for April 25.

Chart B1-2: Share of People in Major Economies Who Received a Vaccine



Sources: CEIC; United Nations.

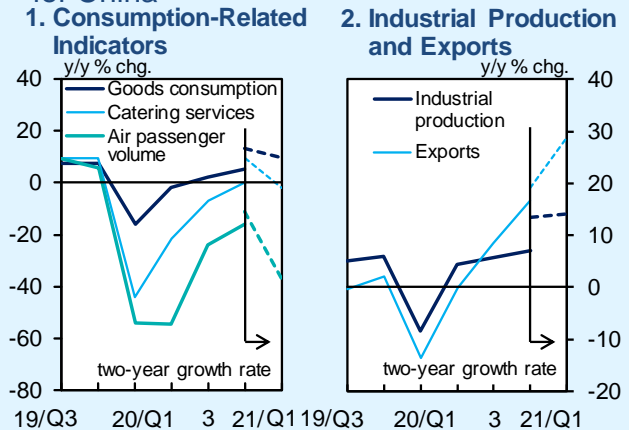
Note: The chart shows the share of the total population who received at least one dose of the COVID-19 vaccine. Figures for Latin America and the NIEs and ASEAN are for the major economies in the respective regions. In the case of missing figures, the latest figure available prior to the relevant date is used. The latest figures are for April 25.

fewer workers were on vacation during the Lunar New Year holidays (Chart B1-3). Taking also into account the fact that the effects of economic improvement are spreading to household income, the Chinese economy is expected to return to a stable growth path that is led by the private sector.

The U.S. economy has been recovering (Chart B1-4). Since the beginning of this year, with the number of confirmed new cases turning to a decline and the pace of vaccinations accelerating, restrictions on economic activity have been lifted in stages. In addition, the large-scale additional economic measures since the end of last year have boosted economic activity (Chart B1-5). The U.S. economy is expected to grow at a faster rate, mainly reflecting the widespread vaccinations and the materialization of the effects of additional economic measures.

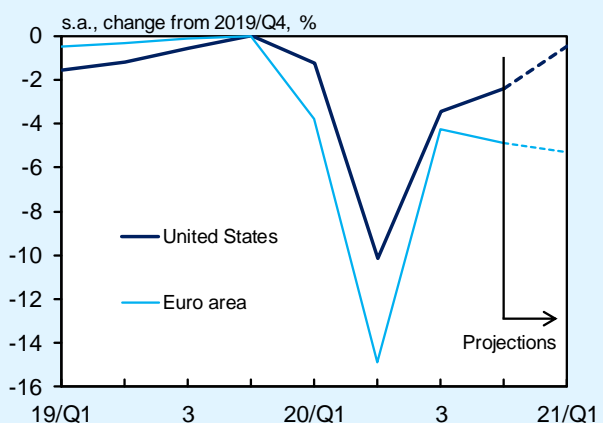
European economies, mainly for the services industry, have continued to be pushed down (Chart B1-4). With the number of confirmed new cases being somewhat high, albeit with fluctuations, governments have intermittently introduced relatively strict public health measures. However, a decline in economic activity has been limited because (1) in an attempt to strike a balance with sustaining economic activities, these measures have been revised flexibly depending on the COVID-19 situation, and (2) support measures for households and firms such as subsidies have been extended. European economies are likely to return to an improving trend. However, the pace of improvement is expected to be more moderate than that in the United States, since the vaccine rollout is likely to

Chart B1-3: Key Economic Indicators for China



Source: CEIC.
 Note: Based on staff calculations. The rates of change for goods consumption and catering services are based on nominal values. The rate of change for industrial production is based on real values, while that for exports is based on nominal values in U.S. dollar terms. The latest figures for the year-on-year and two-year growth rates are for 2020/Q4 and 2021/Q1, respectively. Figures for 2021/Q1 are compared not with those for 2020/Q1, which were already sharply down due mainly to the outbreak of COVID-19, but with figures for 2019/Q1, before COVID-19 (i.e., the two-year growth rate rather than the year-on-year rate of change is calculated). Figures for 2020/Q4 are also compared with those for 2018/Q4.

Chart B1-4: Real GDP for the United States and the Euro Area

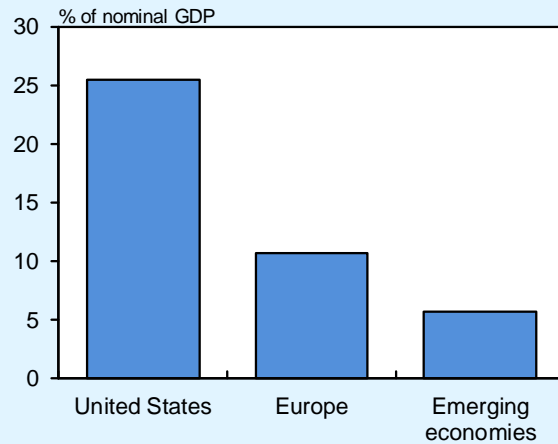


Sources: Atlanta Fed; ECB; Haver.
 Notes: 1. The figure for the United States for 2021/Q1 is the GDPNow model estimate released by the Atlanta Fed (as of April 26).
 2. The figure for the euro area for 2021/Q1 is the ECB staff projection (as of March 11).

take time and the size of fiscal support is different (Charts B1-2 and B1-5).

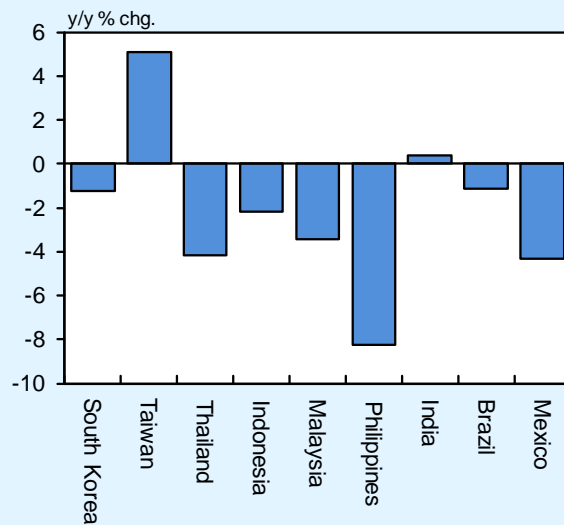
Looking at emerging economies other than China, in the NIEs, where exports, mainly of IT-related goods, have been favorable, and in India, where the number of confirmed new cases continued to decline toward the end of last year, GDP for the October-December quarter of last year generally recovered to the pre-pandemic levels (Chart B1-6). On the other hand, in the ASEAN countries, a pick-up has been delayed due to weakness in domestic demand that mainly reflects an increase in the number of confirmed cases and to continued sluggishness of inbound tourism demand. Emerging economies are expected to continue improving on the whole, partly due to the spillover effects of the recovery in the U.S. and Chinese economies. However, compared with advanced economies, the vaccine rollout in many emerging economies is likely to progress at a slower pace and fiscal support is also relatively small (Charts B1-2 and B1-5). Therefore, it is projected that the pace of economic improvement will be only moderate and there will remain a variation in the pace of recovery across countries and regions that reflects the differences in the COVID-19 situation and economic structures. In addition, attention should continue to be paid to downside risks, especially in countries with fiscal and financial vulnerabilities.²²

Chart B1-5: Size of Fiscal Support in Response to COVID-19



Source: IMF.
 Notes: 1. Figures are based on estimates in U.S. dollars released by the IMF in its April 2021 "Fiscal Monitor." They include only fiscal support that affects the fiscal balance immediately. Tax deferrals, government guarantees for banks, firms, and households, etc., are excluded.
 2. The figure for Europe is the sum of figures for Germany, France, Italy, Spain, and the United Kingdom.
 3. The figure for emerging economies is the sum of figures for 29 economies.

Chart B1-6: Real GDP of Major Emerging Economies



Source: CEIC.
 Note: Figures are for 2020/Q4.

²² Regarding the effects of such factors as these vulnerabilities on the capital flow, see "Emerging Economies' Vulnerability to Changes in Capital Flows: The Role of Global and Local Factors," *Bank of Japan Working Paper Series*, forthcoming in English.