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Digitalization and economic recovery in the post-COVID-19 world

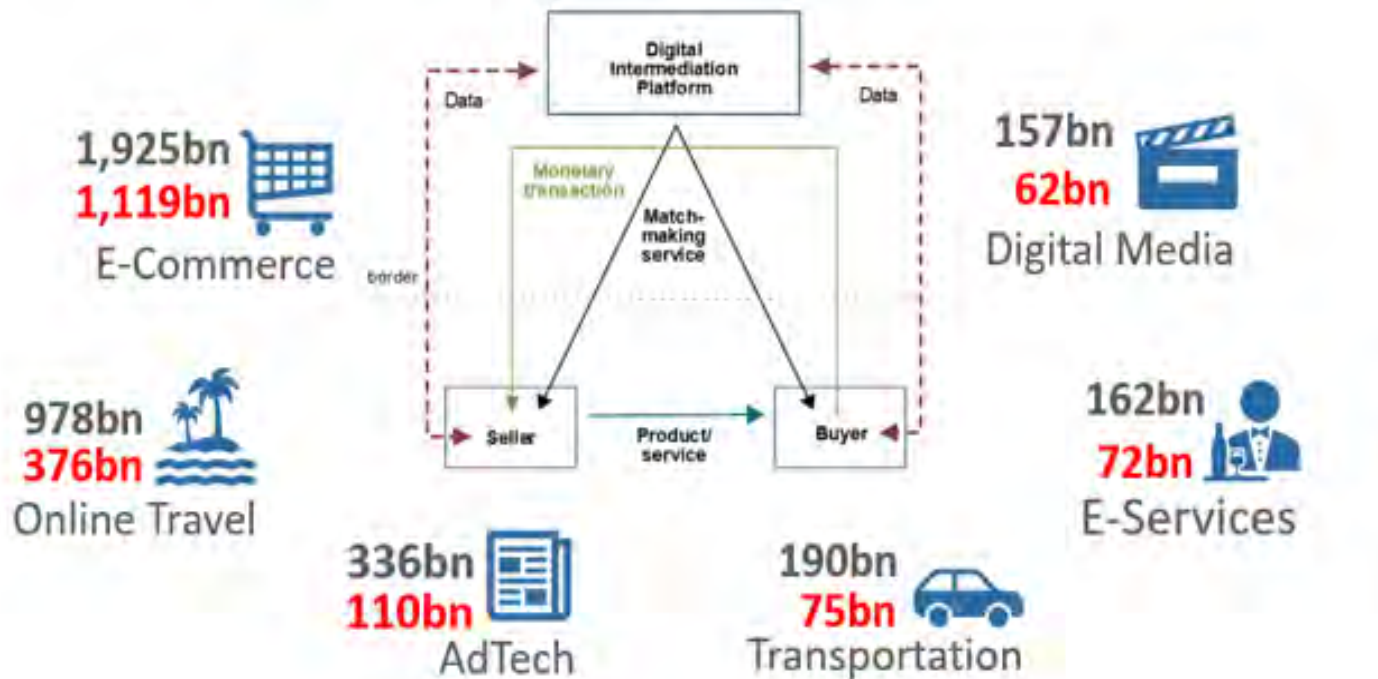
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29 September 2020 | Asia Impact Webinar:
Digital Transformation in the Post-COVID-19 World



Digital platform revenues to drive growth in Asia



Black=World Red=Asia

\$3.75 Tn \$1.8 Tn

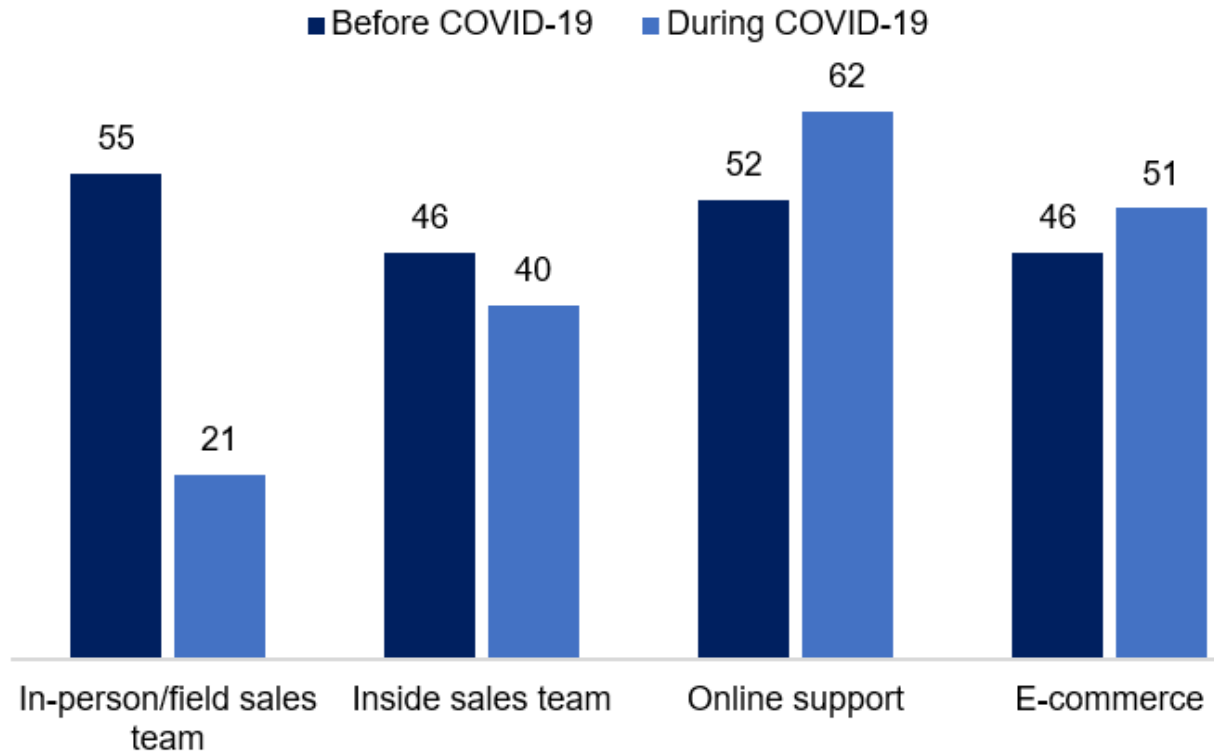
Note: The raw platform data are from Statista.
Source: ADB staff estimates.

Other facts:

- Asia center of digital platform competition
- No. of users in Asia are large and growing
- Growth opportunities in Asia immense
- Digital platforms highly concentrated
- Digital platform penetration in Asia varies

E-commerce and other apps a go to in the Pandemic

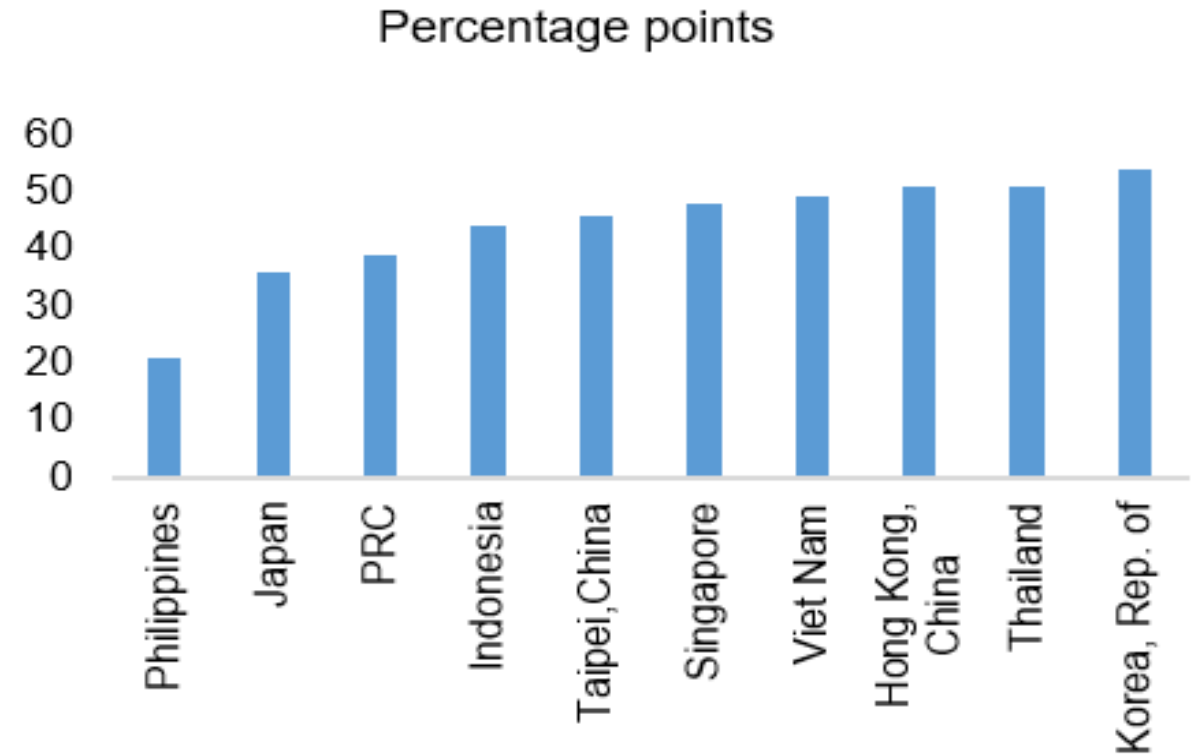
Adjustments of B2B companies during COVID-19



Note: The question were “In what ways was your company’s product or service sold before COVID-19?” and “Now today, in what ways is your company’s product or service sold during COVID-19?”. The survey period is April 20-28, 2020.

Source: McKinsey & Company (2020).

Net Change in online purchase May 2020

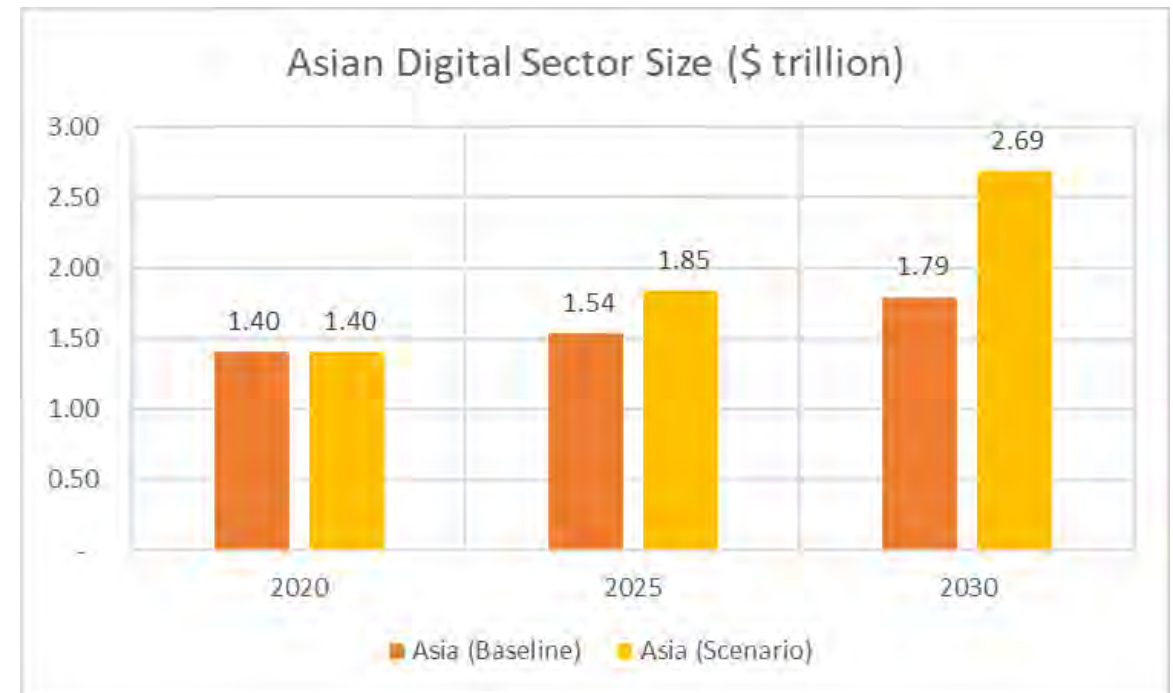
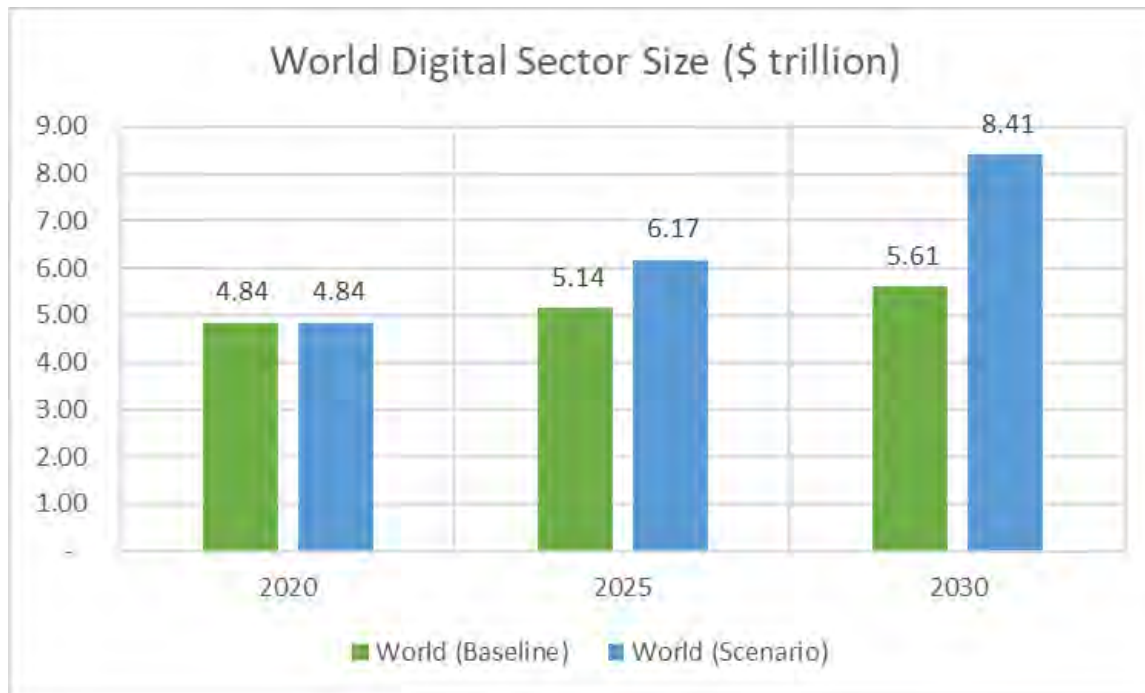


Note: The net change in behavior data refer to the difference in the proportion of survey respondents that indicated they increased online purchases and those that say that online purchase has decreased. The raw data are from Statista citing the results of Rakuten Insight Surveys from May 7 to 30, 2020.

Source: ADB Staff estimates.

What if?—digital sector grows by 20% in 2020–2025 and by 25% in 2025–2030

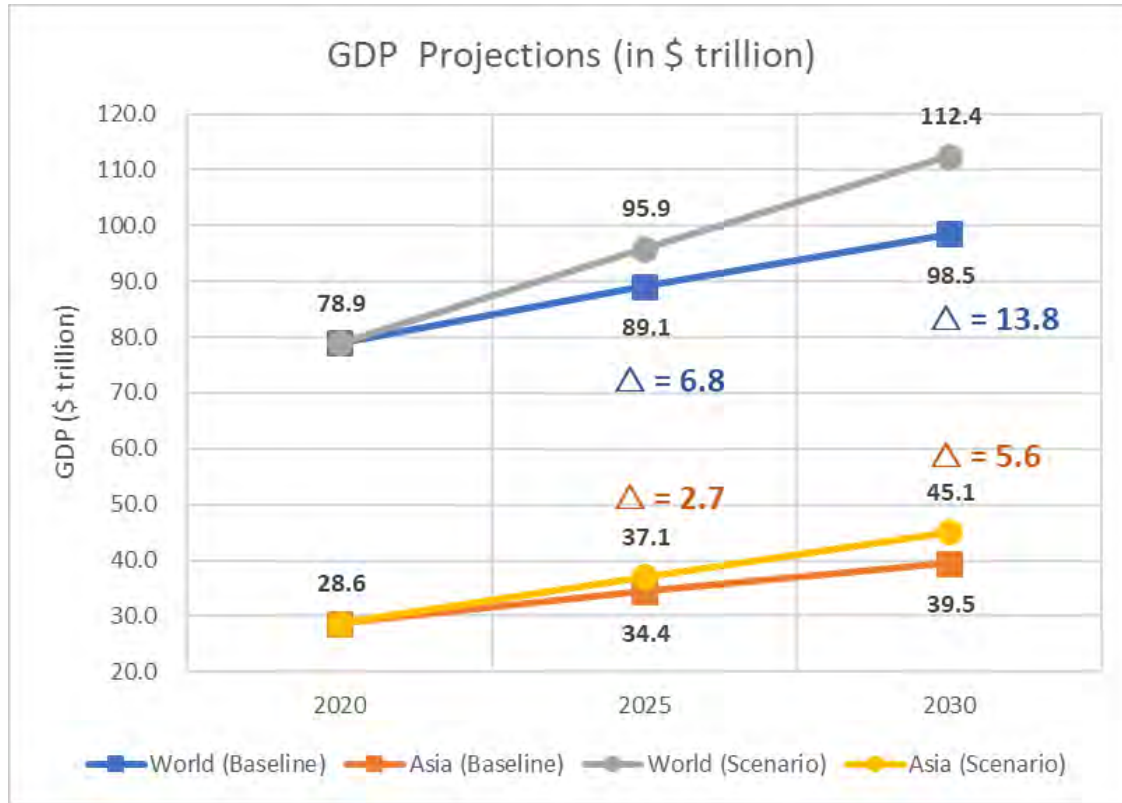
Projected Size of the Digital Sector



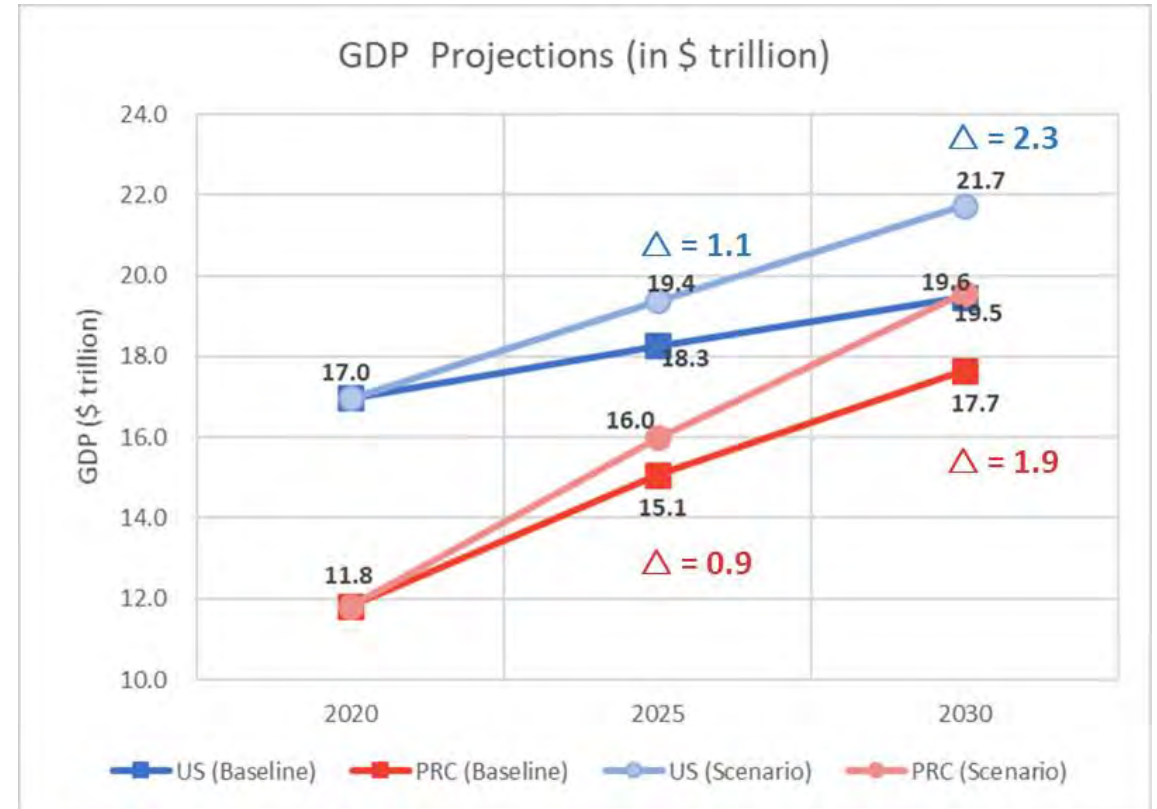
Note. The calculations are based on the Global Trade Analysis Project database.
Source: ADB staff estimates.

GDP projections for World, Asia, US, and the PRC

World and Asia



PRC and US



Δ = change from baseline.

Note. The calculations are based on the Global Trade Analysis Project database.

Source: ADB staff estimates.

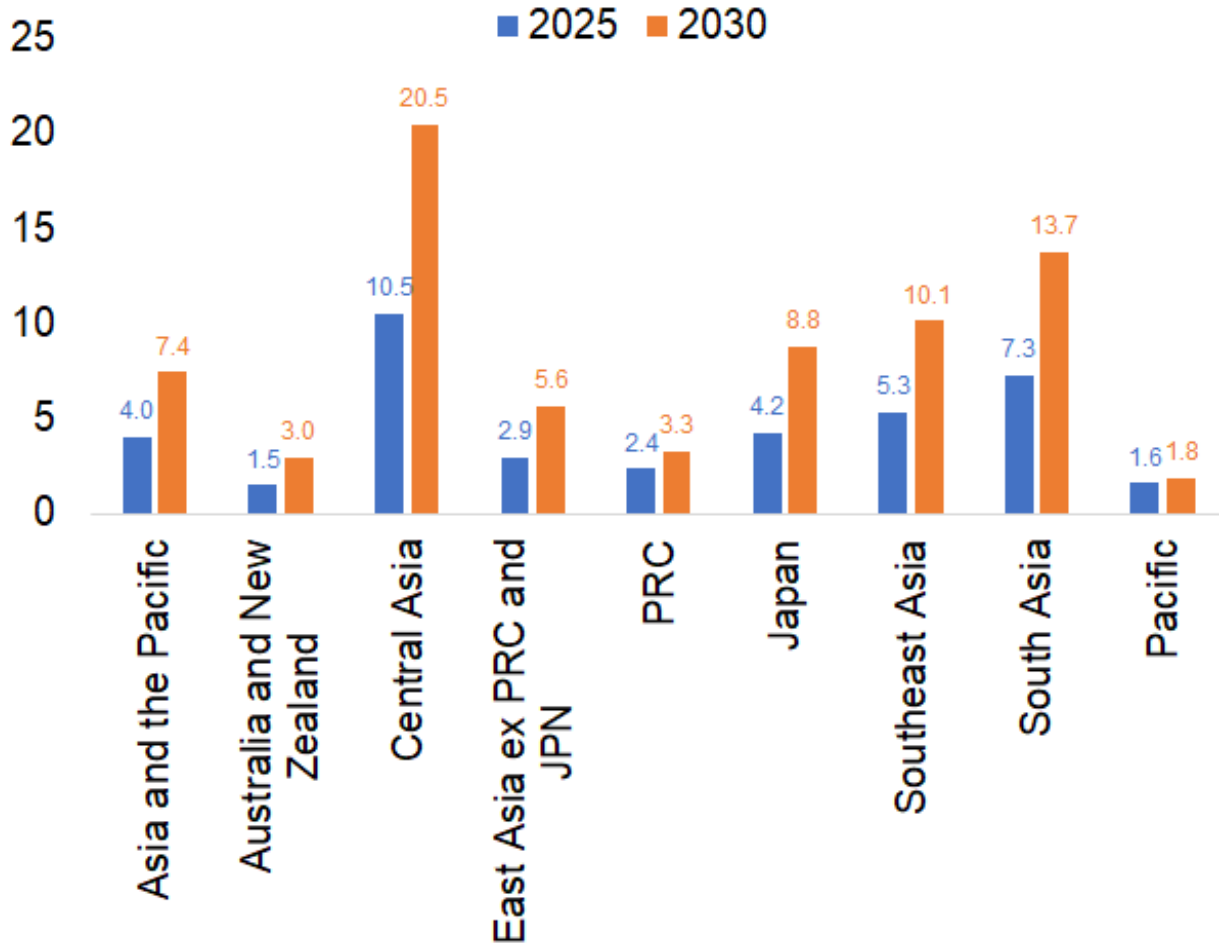
GDP impact of digital sector expansion

Economy/Region	Gains from same year baselines (\$ billion)		Gains as proportion of 2020 baseline GDP (%)	
	2025	2030	2025	2030
World	6,793.8	13,843.9	8.6	17.5
Asia and the Pacific	2,684.2	5,579.6	9.4	19.5
Australia and New Zealand	133.7	241.3	9.4	16.9
Central Asia	53.0	126.5	13.3	31.6
East Asia ex Japan and PRC	205.4	382.0	8.7	16.1
PRC	936.5	1,931.7	7.9	16.3
Japan	568.7	1,081.3	11.3	21.4
Southeast Asia	378.2	853.2	11.1	25.1
South Asia	384.8	924.5	9.5	22.7
Pacific	23.8	39.1	43.0	70.5
G2	2,594.7	5,057.2	7.9	15.3
United States	1,132.8	2,265.1	6.7	13.3
European Union + UK	1,461.9	2,792.1	9.1	17.4
Rest of World	1,514.8	3,207.1	8.8	18.5

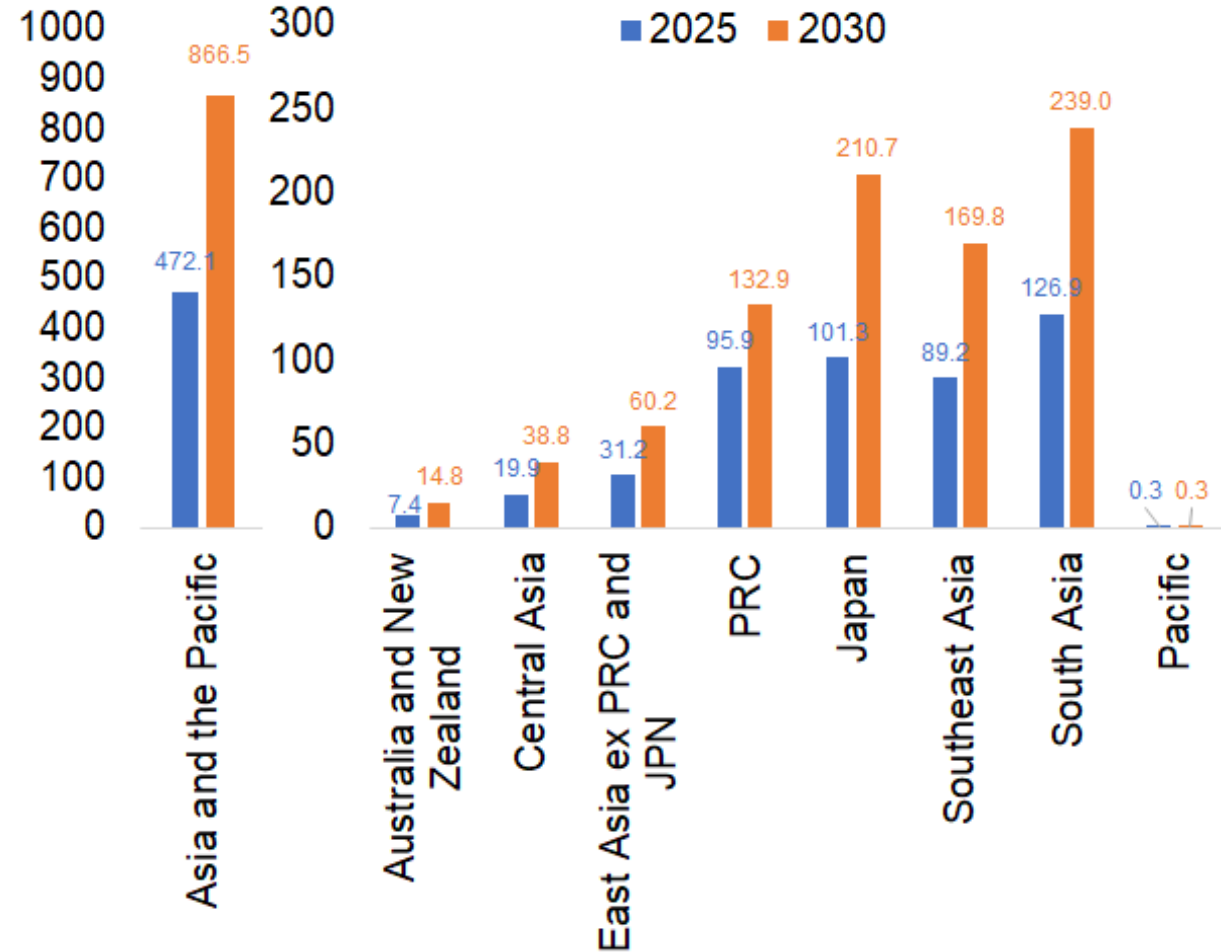
Note. The calculations are based on the Global Trade Analysis Project database.
Source: ADB staff estimates.

Investment required to achieve these gains

Required investment mark-up from same year baselines as proportion of 2020 investment level baseline, %



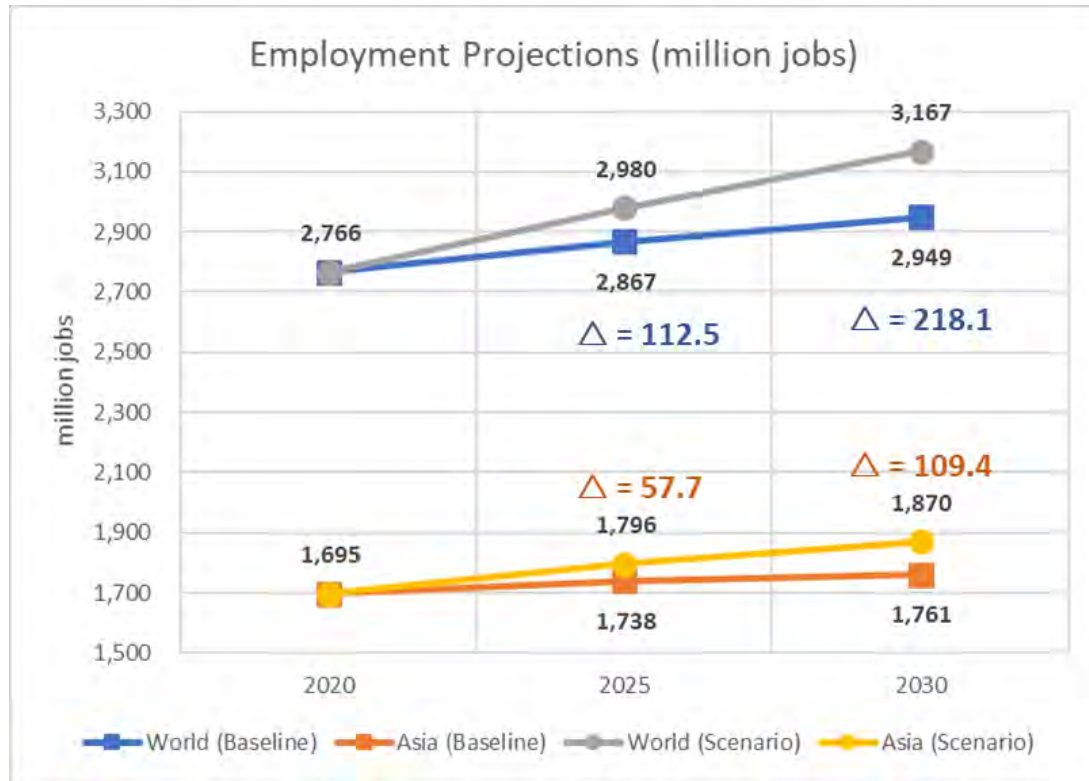
Required investment mark-up from same year baselines, Billion USD



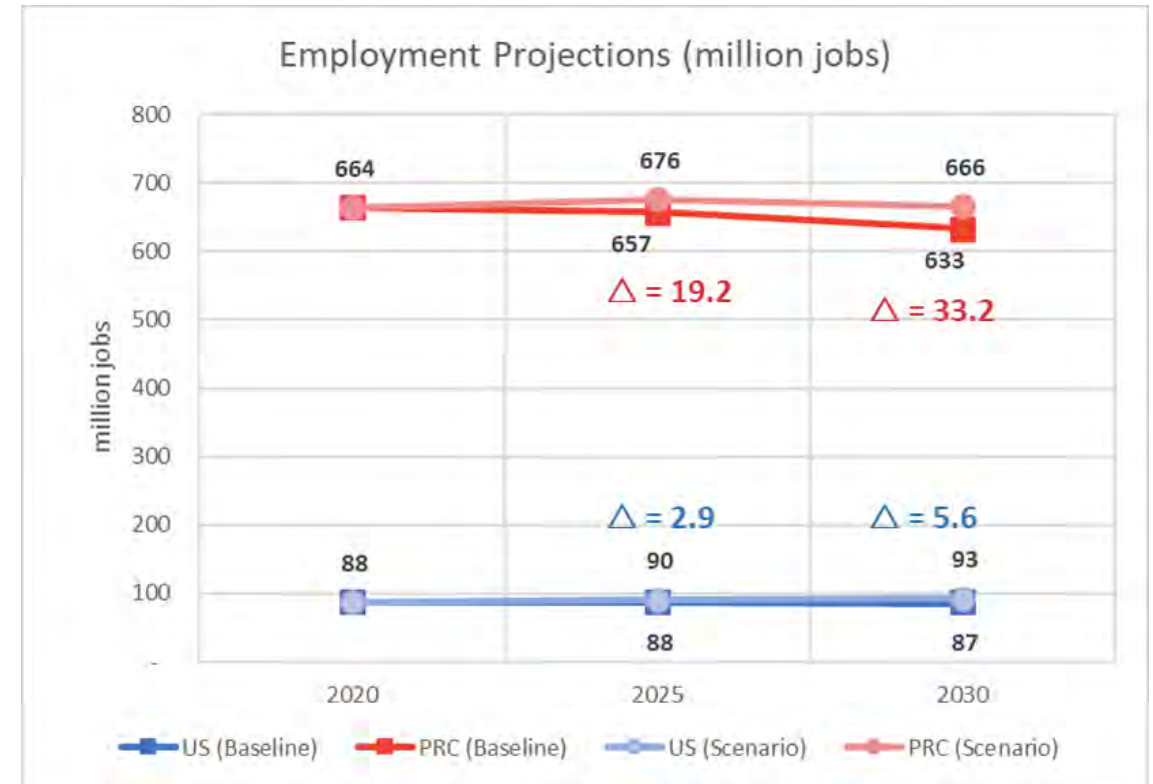
Note. The calculations are based on the Global Trade Analysis Project database.
Source: ADB staff estimates.

Employment projections for World, Asia, US, and the PRC

World and Asia



PRC and US



△ = change from baseline.

Note. The calculations are based on the Global Trade Analysis Project database.

Source: ADB staff estimates.

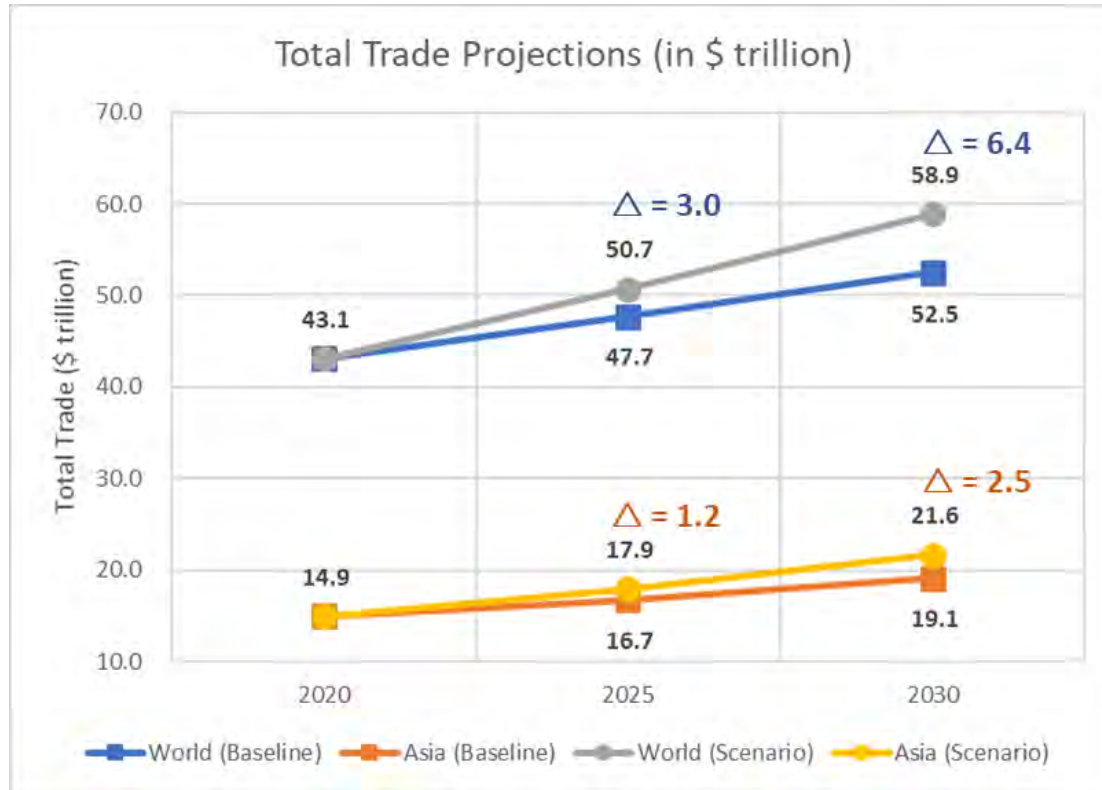
Employment impact of digital sector expansion

Economy/Region	Gains from same year baselines (millions)		Gains as proportion of 2020 baseline employment (%)	
	2025	2030	2025	2030
World	112.5	218.1	4.1	7.9
Asia and the Pacific	57.7	109.4	3.4	6.5
Australia and New Zealand	0.5	0.8	5.7	10.1
Central Asia	1.5	2.9	4.5	8.7
East Asia ex Japan and PRC	2.1	3.7	4.8	8.6
PRC	19.2	33.2	2.9	5.0
Japan	3.0	5.6	6.7	12.4
Southeast Asia	13.6	26.3	4.7	9.1
South Asia	17.2	35.9	2.8	5.9
Pacific	0.7	1.0	19.6	26.7
G2	10.6	19.6	4.6	8.4
United States	2.9	5.6	3.3	6.4
European Union + UK	7.8	14.0	5.4	9.7
Rest of World	44.1	89.0	5.3	10.6

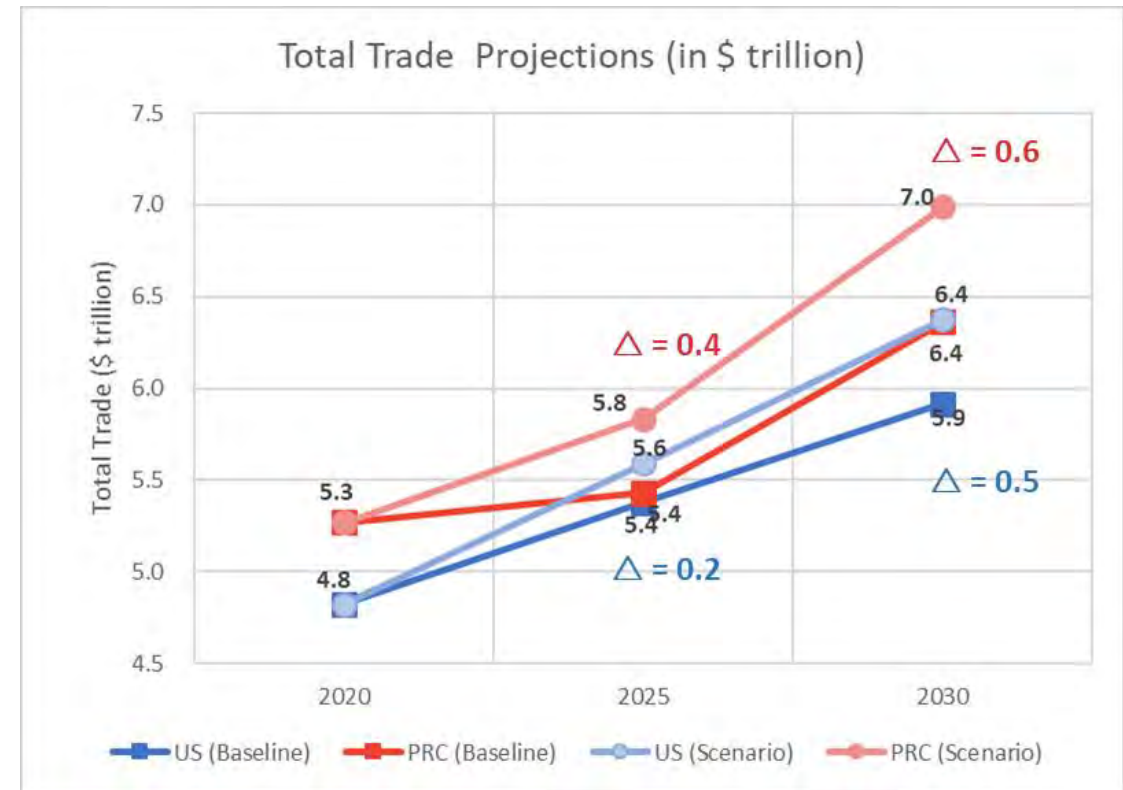
Note. The calculations are based on the Global Trade Analysis Project database.
Source: ADB staff estimates.

Trade projections for World, Asia, US, and the PRC

World and Asia



PRC and US



Δ = change from baseline.

Note. The calculations are based on the Global Trade Analysis Project database.

Source: ADB staff estimates.

Trade impact of digital sector expansion

Economy/Region	Gains from same year baselines (\$ billion)		Gains as proportion of 2020 baseline trade (%)	
	2025	2030	2025	2030
World	3,041.4	6,437.9	7.1	14.9
Asia and the Pacific	1,200.0	2,486.8	8.0	16.6
Australia and New Zealand	38.5	76.5	5.8	11.6
Central Asia	26.3	61.7	8.6	20.2
East Asia ex Japan and PRC	162.2	344.7	6.4	13.6
PRC	401.4	629.1	7.6	11.9
Japan	186.4	543.9	11.5	33.5
Southeast Asia	263.4	581.0	8.5	18.8
South Asia	98.3	213.9	7.1	15.5
Pacific	23.6	36.0	28.2	43.0
G2	1,162.3	2,346.3	6.4	12.9
United States	210.6	460.7	4.4	9.5
European Union + UK	951.6	1,885.6	7.1	14.1
Rest of World	679.1	1,604.8	6.8	16.1

Note. The calculations are based on the Global Trade Analysis Project database.
Source: ADB staff estimates.

Digital transformation risks and Challenges

1. Digital platforms highly concentrated.
2. Intensive data collection raises data privacy and security concerns.
3. Digital platforms contributed to insecure work arrangements.
4. Rising identity theft and cyber-crime worrisome
5. Base erosion and profit shifting a rising concern.
6. The region's e-readiness varies considerably.
7. Digital divide can bring about rising inequality.

6 key priorities to leverage on digital platforms

- ◆ **Access to ICT:** Enhance affordability of and access to ICT
- ◆ **Payment options:** Broaden the e-payment availability and options
- ◆ **Connectivity Infrastructure:** Improve logistics and delivery infrastructure
- ◆ **Education and Training:** Improve digital skills and competence, the use of ICT devices and learning environment, and enhance digital teaching platforms
- ◆ **Taxation:** Develop digital tax policies and options; strengthen international cooperation for better taxation
- ◆ **Regulation:**
 - Protect consumers against cyber-crimes and fraud
 - Prevent illegal activities (e.g., money laundering)
 - Enhance cyber security to prevent cyber attacks
 - Protect personal data and privacy

2021 AEIR Theme Chapter: Making Digital Platforms Work for Asia and the Pacific

Launch: Feb 2021

Question: How can we make digital platforms support inclusive and sustainable development in Asia?

State of play: Asia will be a key battleground for competing global platforms—particularly post-COVID-19

Challenges: Infrastructure, digital skills and literacy, policies and the regulatory ecosystem, financing for startups, planning and coordination are keys that can unlock the digital economy

Theme Chapter Outline

1. Introduction
2. Rise of Digital Platforms
 - Trends, definition, measurement
 - Market overview
 - COVID-19 experience
3. Benefits and Opportunities
 - Macroeconomic effects
 - Sustainable Development Goals
 - Microeconomic stories
4. Challenges and Risks
 - Competition, income security and social protection, data access, and taxation
5. Preparing for Digital Inclusion
 - The digital divide
 - E-readiness
6. Conclusion