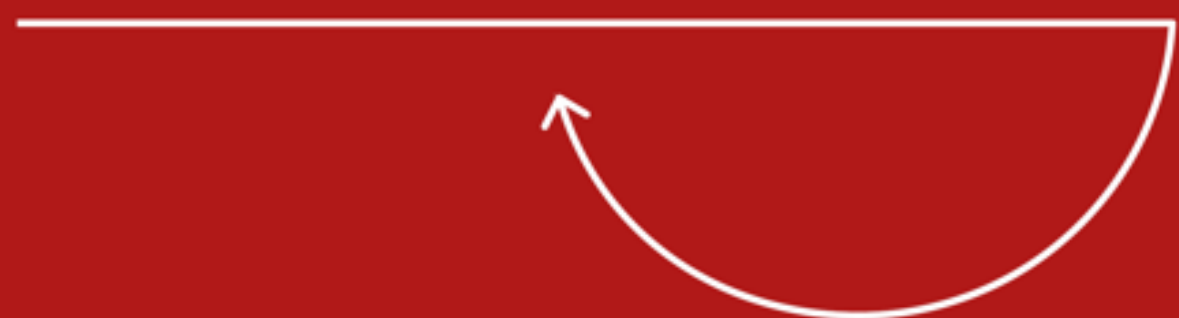




COVID-19 Global, Regional and National Impacts



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Draft 3/19/2020

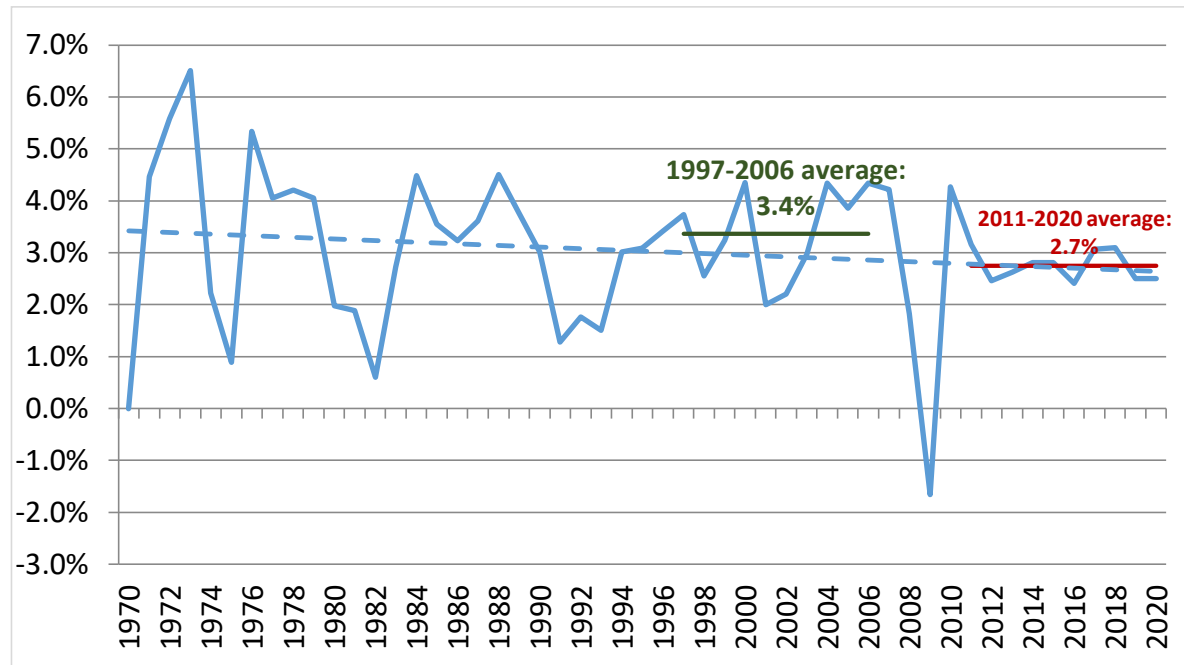
COVID-19 is first and foremost a human health crisis

- A crisis of a precious public global good: human health
- Unlike the 2008-2009 crisis which was a financial crisis this is one of health and people
- We cannot expect a rapid recovery
- Magnitude and scale requires massive proactive fiscal stimulus
- Asymmetries between countries' and vulnerable populations' will show the worst face of inequality and poverty
- The scale, speed, and extent of COVID-19 demands strengthened multilateral policy coordination.

Global economic performance was already weak before the spread of COVID-19

World GDP Growth Rate, 1970-2020

(Percentages, on the basis of constant 2010 dollars at market exchange rates)

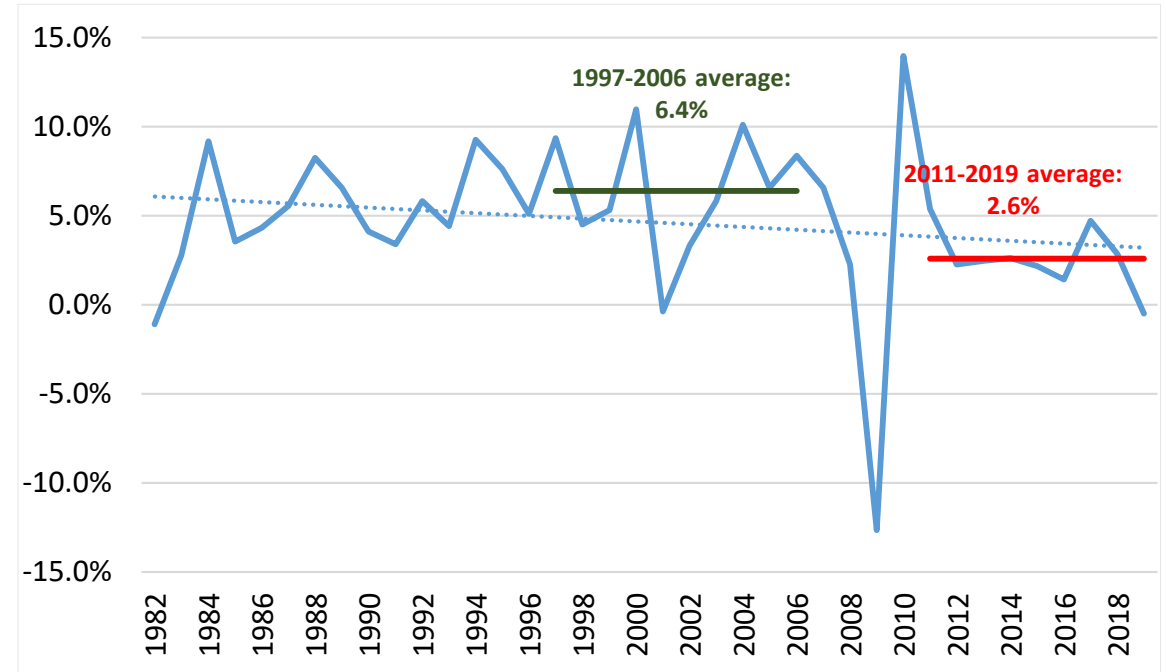


Source: ECLAC on the basis of UN DESA data.

^a The 2019 and 2020 figures correspond to projections

Growth rate of volume of global trade, 1982-2019

(Percentages)



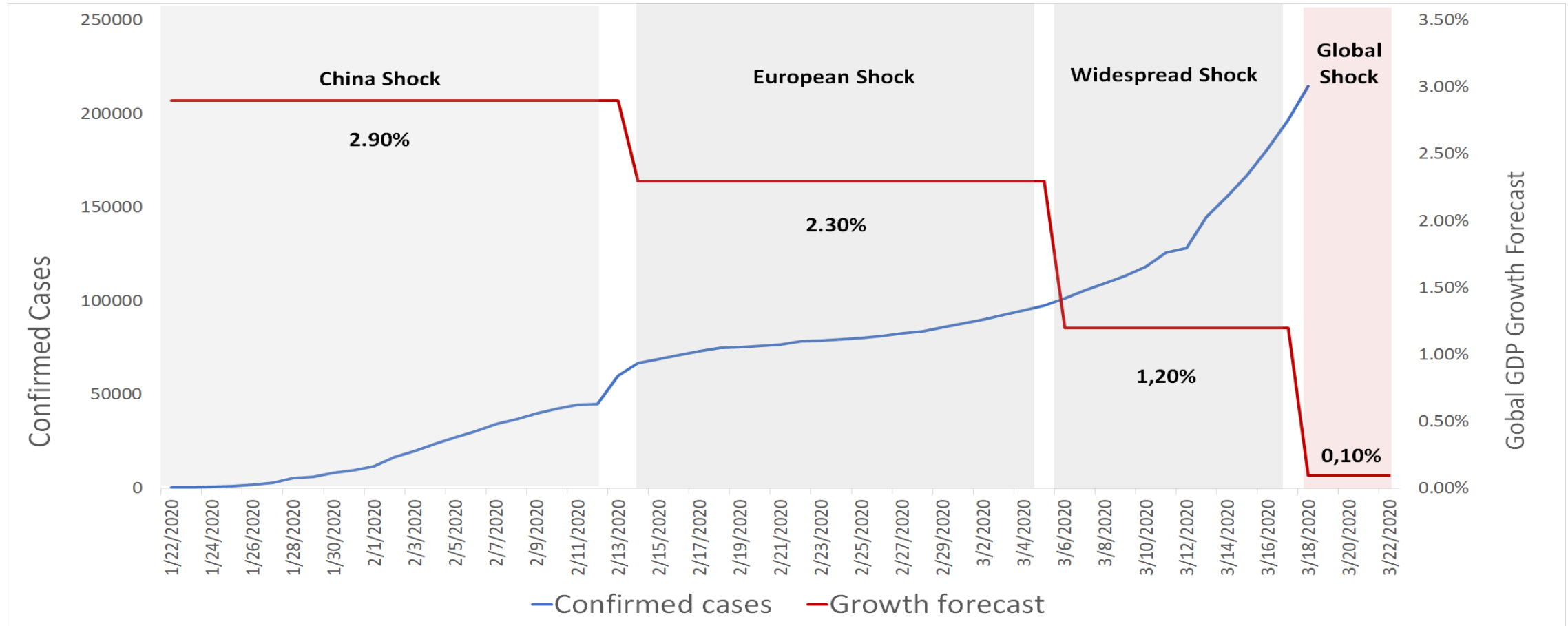
Source: ECLAC on the basis of WTO data.

- In 2019, global economic growth of 2.5% was the worst performance since 2009, and international trade in goods contracted for the first time in a decade at a rate of -0.4%.
- It looks increasingly likely that the volume of global trade will contract for a second consecutive year.



The economic impact of the COVID-19 crisis will depend on the spread of the virus and the efficacy of containment measures around the world

Global growth forecast and confirmed cases around the world

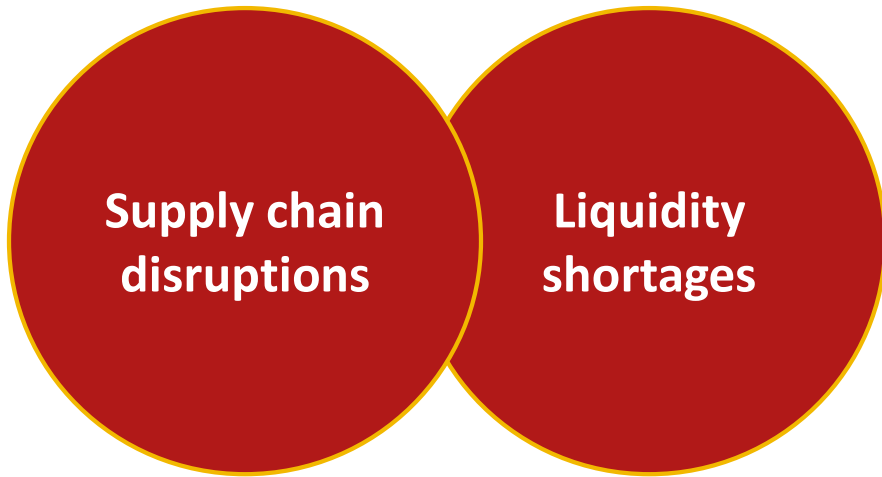


Source: Bloomberg global growth scenarios and Johns Hopkins University Data



COVID-19 is expected to have severe negative effects from both the supply and demand side

Supply-side effects



- Factory closings and the cessation of operations could lead to a lack of essential goods and drive cost-push inflation
- Market volatility is laying bare existing financial vulnerabilities

Demand-side effects



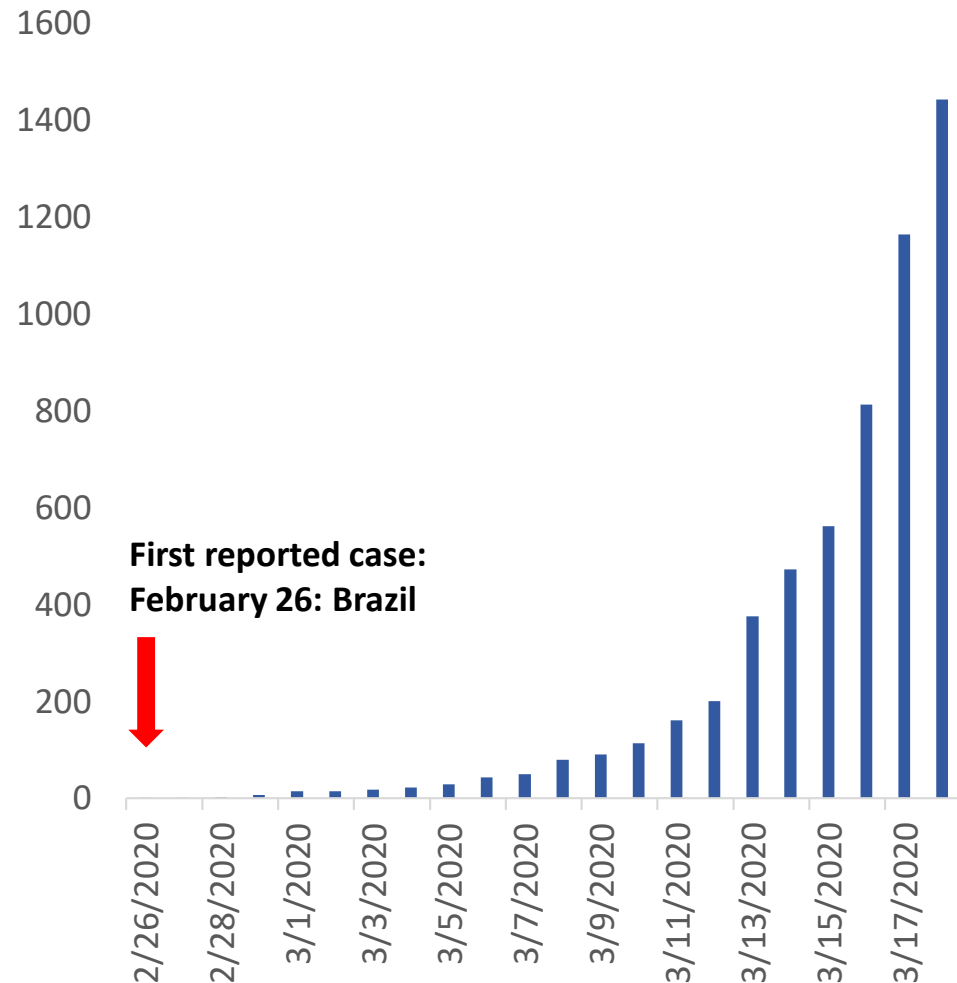
- Sectors such as tourism, airlines, retail and entertainment services are highly affected
- The response of individuals to the circumstances will affect demand dynamics
- SMEs are more vulnerable to the demand shock

The COVID-19 in Latin America and the Caribbean

Confirmed cases are increasing in the region

19 March

Confirmed cases in Latin America and the Caribbean



Confirmed cases in Latin America and the Caribbean: by country

Country	Confirmed Cases
Brazil	372
Chile	238
Peru	145
Ecuador	111
Mexico	93
Colombia	93
Panama	86
Argentina	79
Costa Rica	50
Uruguay	50
Venezuela	36
Dominican Republic	21
Jamaica	13
Bolivia	12
Paraguay	11
Honduras	9
Cuba	7
Guyana	7
Guatemala	6
Antigua and Barbuda	1
El Salvador	1
Nicaragua	1



Source: ECLAC based on Johns Hopkins University Data, last accessed 3/18/2020



Countries are taking measures to prevent and treat the COVID-19

Measures linked to COVID-19 crisis in the region

	ARG	BRA	PAN	CHI	PAR	GUA	ECU	HON	CRI	PER	PRI	URU	COL	DOM	BOL	ELS	NIC	MEX	VEN	LAC
Movements across and within countries																				
Restrictions or prohibition on the entry of foreign travellers	✓	✓	✓	✓					✓	✓		✓	✓	✓	✓	✓			✓	12
Border closures and controls	✓			✓	✓			✓		✓			✓			✓			✓	8
Border controls	✓		✓	✓	✓	✓		✓	✓	✓		✓		✓		✓	✓			12
Health																				
Health emergency	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			✓	✓	✓		✓	16
Mandatory coverage		✓																		1
Mandatory quarantine for foreign travellers, confirmed or suspected cases	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			✓	16
Labor																				
Sickness pay										✓										1
Mandatory work leave	✓		✓	✓	✓						✓				✓					6
Elective work leave	✓		✓							✓										3
Reduction of working hours			✓		✓		✓			✓					✓					5
Economy																				
Regulation of the personal hygiene and cleaning products market	✓																			1
Restriction of economic activity (including shops and shopping centres)					✓			✓		✓	✓								✓	5
Business grants, tax exemptions, financing	✓			✓	✓			✓												4
School and events																				
Suspension of classes	✓		✓	✓	✓		✓	✓	✓	✓				✓	✓	✓		✓	✓	13
Restriction or closure of public places and mass gatherings	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			✓	16
Actions taken	11	4	9	9	10	3	5	8	6	11	5	5	4	5	7	7	2	1	7	

Source: ECLAC based on Observatorio Digital

The COVID-19 crisis could impact the LAC economy through 5 transmission channels

Decline in economic activity of main trade partners

Drop in commodity prices

Interruption of global value chains

Lower demand for tourism services

Intensification of risk aversion and the worsening of global financial conditions

Transmission channels in the region are key to understanding the magnitude of the crisis

1. Decline in economic activity of main trade partners.

LAC heavily depends on exports and the global economic slowdown will reduce the volume and value of the region's exports.

2. Drop in commodity prices, will affect mainly South American countries that are exporters of such products.

The sharp falls in the prices of basic products and the deterioration of the terms of trade tend to have strong negative effects on income levels

Global demand contraction of trading partners of LAC, particularly China

3. Interruption of global value chains.

Sudden disruption of supply chains, beginning with Chinese suppliers and knock-on effects on European and US production, would mainly affect Mexico and Brazil, the two countries whose manufacturing sectors are the largest in the region.

4. Lower demand for tourism services, will affect particularly the Caribbean countries that are large providers of tourism services

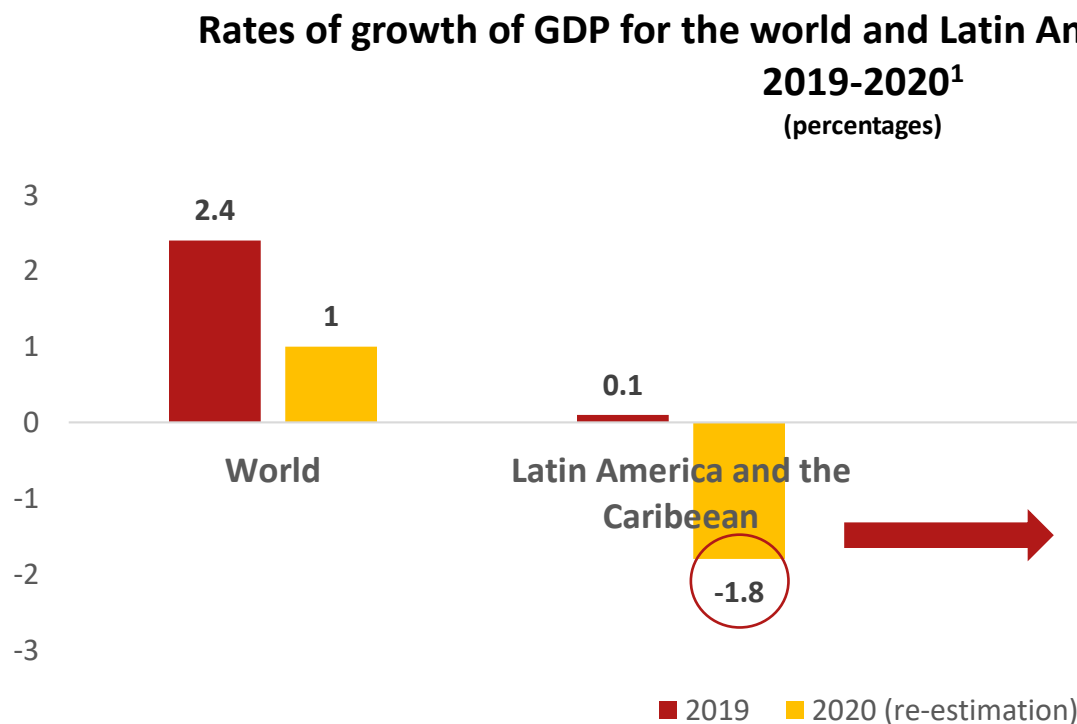
Caribbean is expected to contract by 8%, 17% and 25% respectively for 2020. This result due to possible restrictions imposed on travel but also due to the self-restriction to travel by individuals

5. Intensification of risk aversion and the worsening of global financial conditions.

Higher demand for safe assets (e.g. securities from the United States have seen their rates of return down to historically low levels), lower demand for the LAC region's financial assets and significant depreciation of LAC currencies

In a conservative scenario the region will grow at -1.8% with a high downside risk as global growth weakens

- The combined effects of these channels **will reduce economic growth and consequently the fiscal space** in most countries and jeopardize public social expenditure, which is already under stress after seven years of slow growth.



This projection considers only the external transmission channels of the crisis, and the effects of the economic contraction in China.

However, confirmed cases of infected people have spread to the European Union, the United States and LAC countries. Therefore, greater economic impacts for the region are expected. In that context, -1.8% should be considered as a baseline projection.

Source: ECLAC ESTIMATES (2020) on the basis of official data

Note¹: The growth projection for Latin America and the Caribbean considers only external transmission channels of the crisis, and thus represent a conservative scenario

Social protection was already weak in the region

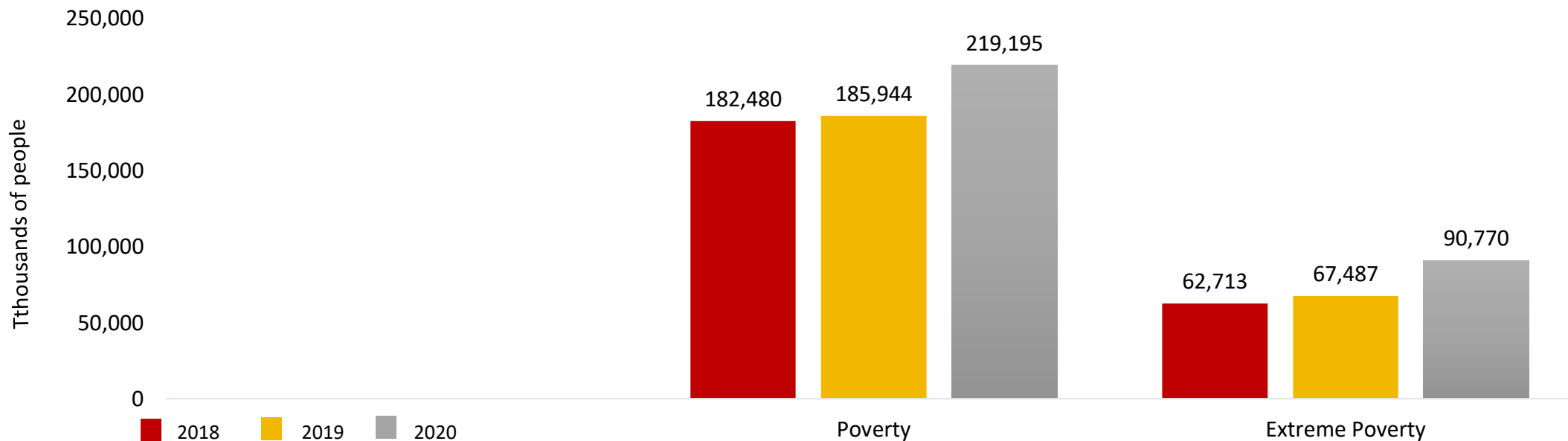
Policy issue	Detail
High rates of informality, increasing own-account work, and gaps in access to contributory social protection	Large part of the population would endure hardships if affected by work restrictions
Unemployment benefits are scarce in the region	According to the World Bank, in 2019 only in six countries (Argentina, Brazil, Chile, Colombia, Ecuador and Uruguay) formal workers could benefit from unemployment insurance
Contributory social protection systems	Systems will be financially affected by the higher demand of sick leave benefits by formal workers.
Gender inequalities in the division of labor	Women will stay at home to take care of out-of-school children and sick relatives not attended in the health system; families will thus lose the labor income they generate.
Non-contributory social protection programs	Programs are tax financed, currently support the poorest, but may need to be extended to other low-income families, at risk of falling into poverty



In the -1.8% scenario, social conditions will worsen

- Given the region's economic and social inequalities, the **impacts of low or negative growth and unemployment will disproportionately affect the poor and the vulnerable middle-income strata.**
- The crisis will likely lead to an **increase in informal employment** as a survival strategy. In LAC countries, 53.1% of workers were informal (ILO, 2016).
- Poverty in the region had increased between 2014 and 2018. With the direct and indirect effects of the COVID-19 pandemic, it is very likely that current **extreme poverty (10.7%) and poverty (30.1%) rates in Latin America will increase** further in the short term.

Latin America (18 countries): Poverty and Extreme Poverty if unemployment rises by 10 percentage points, 2018-2020



Source: ECLAC ESTIMATES (2020) on the basis of official data

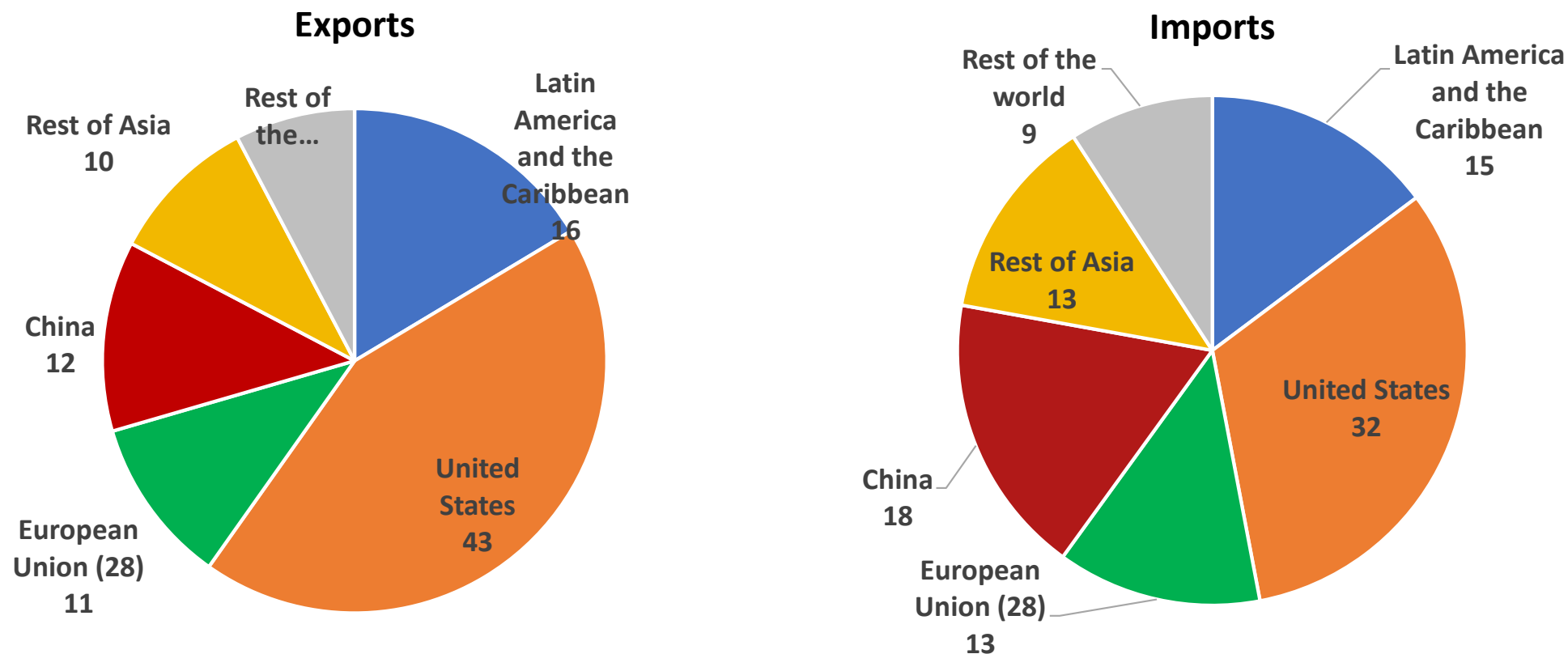
Note²: Assumes a regional GDP contraction of 1.8% and an increase of unemployment by 10 percentage points



International Trade Effects

The overall impact on foreign trade will be determined by developments in both the regional and global economies

Breakdown of Latin America and the Caribbean's trade in goods by partner, 2018



- South American countries are highly exposed to developments in China, while Mexico, Central American countries, and the Caribbean are sensitive to conditions in the US market.

In 2020, the value of the region's exports is expected to fall between 4.6% and 10.7%, mainly due to lower prices

Latin America and the Caribbean: COVID-19 effects on exports of goods by subregions and main countries, 2020 forecast
(Percentage changes)

Region/Subregion/country	Base scenario ^a			Extreme scenario ^b		
	Volume	Price	Value	Volume	Price	Value
Latin American and the Caribbean	-1.0	-3.6	-4.6	-2.5	-8.2	-10.7
Oil exporters	-0.8	-6.0	-6.7	-1.8	-14.1	-15.9
Mining exporters	-1.5	-4.5	-6.0	-3.0	-8.9	-12.0
Agroindustry exporters	-1.1	-1.7	-2.8	-2.4	-2.5	-5.0
South America	-1.1	-4.9	-6.0	-2.8	-11.0	-13.8
Brazil	-1.0	-3.1	-4.1	-3.7	-7.5	-11.2
Mexico	-1.0	-2.3	-3.3	-2.2	-5.2	-7.4
Central America	-0.5	-1.0	-1.6	-1.3	-2.7	-4.0
Caribbean countries	-0.4	-3.3	-3.8	-2.0	-7.2	-9.3

Source: ECLAC

^aAssumes the following growth rates for 2020: 2.4% (world), 1.9% (USA), 0.5% (Japan), 1.0% (UK), 0% (EU-27), 4.9% (China), and -1.0% (Latin America and the Caribbean), plus a 7% average reduction in the region's primary product export basket.

^bAssumes the following growth rates for 2020: 1.0% (world), 1.0% (USA), 0.3% (Japan), 0.5% (UK), -0.2% (EU-27), 3.0% (China), and -1.8% (Latin America and the Caribbean), plus a 16% average reduction in the region's primary product export basket.



Regional exports to China are expected to fall the most in 2020, mostly affecting Argentina, Brazil Chile, and Peru

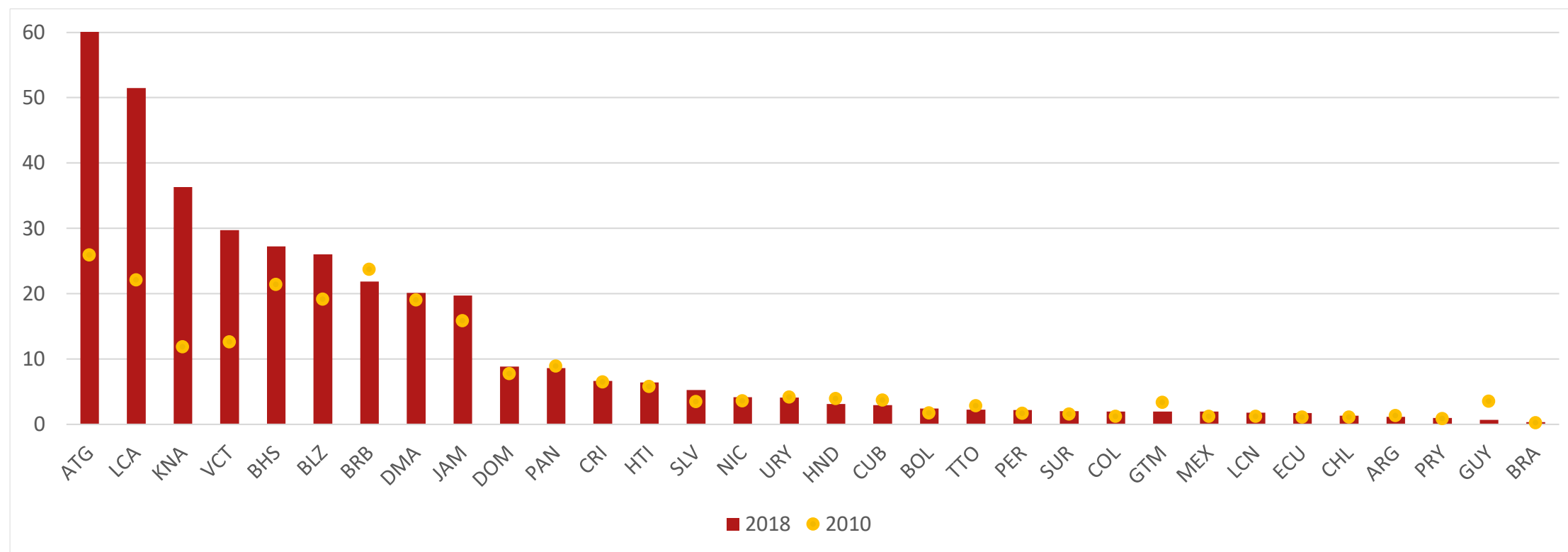
Latin America and the Caribbean: COVID-19 effects on exports of goods to the world and selected partners, 2020 forecast
(Percentage changes)

Destination	Base scenario ^a	Extreme scenario ^b	Most affected sectors and countries
World	-4.6	-10.7	
China	-8.7	-21.7	Agricultural products (Argentina, Brazil); Mining (Chile y Perú)
United States	-3.1	-7.1	Manufactures (Mexico, Costa Rica)
European Union	-5.0	-8.9	Mining (Chile, Colombia, Peru); Agricultural and agroindustry products (Argentina, Brazil, Chile, Peru)
Latin America and the Caribbean	-5.1	-10.7	Low-tech and medium-tech manufactures

Source: ECLAC estimates.

Drastically reduced tourism receipts will have a severe impact on the Caribbean where the industry accounts for 15.5% of GDP

Latin America and the Caribbean: Share of tourism receipts in GDP, 2010 and 2018
(Percentage)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank, World Development Indicators

Health and Education Systems

Weak and fragmented health systems will not ensure the universal access needed to face the COVID-19 health crisis.

Major impacts on the **health sector** will be based on **increasing costs, shortages of qualified labor and medical supplies.**

Policy issues	Detail
Big gaps in access to health systems	<ul style="list-style-type: none"> • Participation in health insurance plans for employed persons aged 15 and above was only 57.3% in 2016, and among the population in the poorest income decile, coverage was only 34.2%. • Territorial gaps to access health centers are acute in rural and remote areas.
Dengue epidemic	<ul style="list-style-type: none"> • 3 million people were infected (the largest recorded number in the history of the region) and 1,538 died because of the disease (PAHO, 2019).
High copayments to access coronavirus testing	<ul style="list-style-type: none"> • Population affiliated to private health insurances might face financial barrier which might have impacts on early detection. • WHO/WDI data shows that in 2016 out-of-pocket health expenditure by households as a share of total current health expenditure in Latin America and the Caribbean (37.6%) was high and more than double the level in the European Union (15.7%).
Insufficient public health expenditure	<ul style="list-style-type: none"> • LAC countries in 2016 spent on average 612 (current international PPP) dollars per capita, which represents one fifth of the 3,040 (current international PPP) dollars in the European Union (WHO/WDI data).
Death rate is expected to be lower than in developed countries.	<ul style="list-style-type: none"> • The demographic structure of the region is quite young



Classes are being suspended all over the region with consequent impacts on learning, food security and care

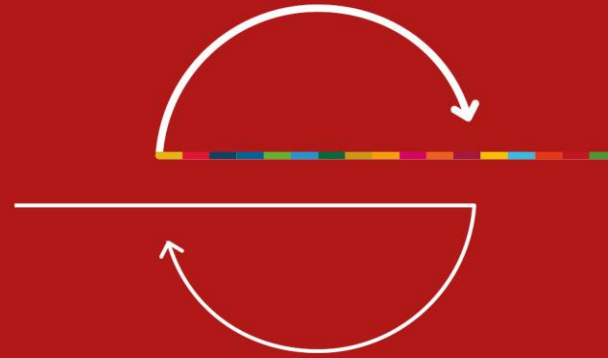
Policy issues	Detail
Class suspensions	<ul style="list-style-type: none">• As of March 19, 2020, Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, El Salvador, Guatemala, Honduras, Panama, Paraguay, Peru and Venezuela had suspended classes at all educational levels, including universities. Brazil and Uruguay have implemented localized school closures.• School interruption could have significant impact on learning, especially for the most vulnerable.
Food Security	<ul style="list-style-type: none">• According to FAO and WFP, currently around 85 million children in the region are given breakfast, a snack or lunch at school. It is thus important to ensure the continuity of school feeding programmes.
Care	<ul style="list-style-type: none">• Schools care to many children, allowing parents time to work.• The impact on women will be particularly strong as they often bare a greater burden of care work.

Policy Actions

Four Policy Recommendations

- 1. Massive fiscal stimulus is necessary to support health services & protect income and jobs:**
 - Ensure the uninterrupted supply of essential goods: pharmaceuticals, food, and energy
 - Guarantee universal access to testing and medical care
 - Bolster social protection systems to support vulnerable populations
 - Expand non-contributory social protection programs such as cash transfers, expanded unemployed, underemployed and self-employed programs, zero interest credit to firms to pay wages, loan payment deferrals.
 - Support workers in SMEs, low-income workers and the informal sector
 - Facilitate mortgage and rent deferrals and other breaks to avoid housing crisis and business foreclosures.
- 3. Central banks need to ensure liquidity for business to guarantee the continued functioning and health of the financial system**
- 2. Multilateral organizations to consider lending at low interest, debt relief and deferral to open fiscal space**
- 3. Developed and developing countries have different means to face this unprecedented crisis, which has the potential to deepen international inequalities.**
- 4. International cooperation and multilateral organizations should design new technical and financial instruments to support countries that are confronted with fiscal pressure**





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