

Latin America and the Caribbean: An economic diagnostic amidst COVID-19

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NACIONES UNIDAS
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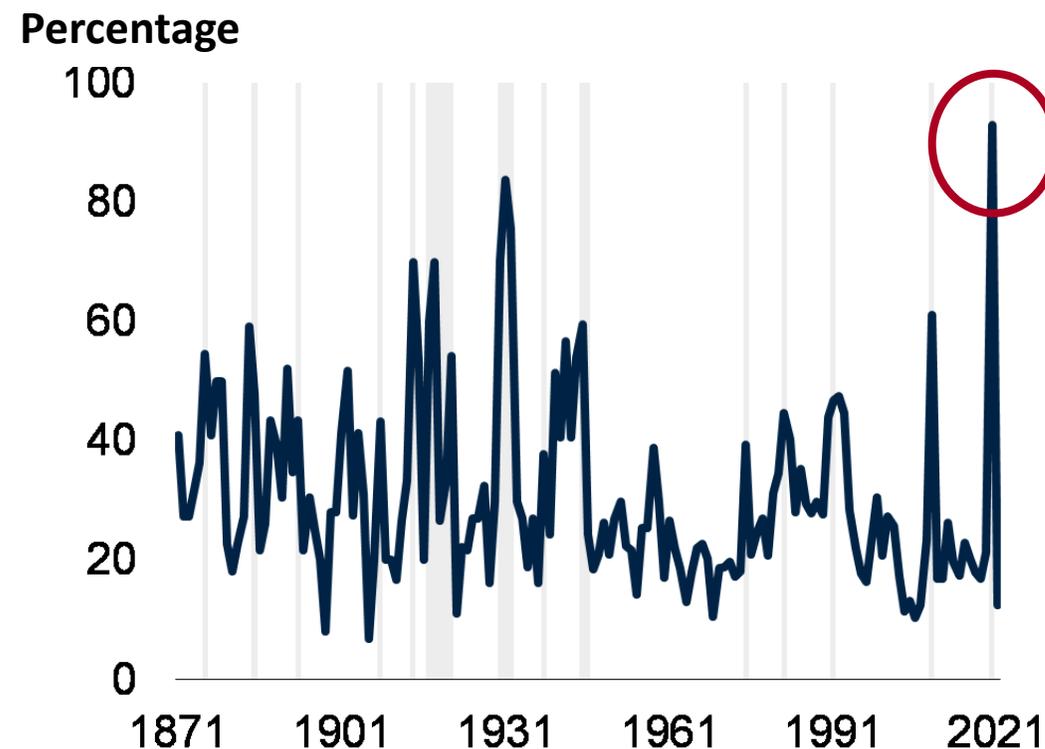


The deepest crisis since the Second World War

2020 Economic Projections

	UN 13 May	WB 8 June	OECD 10 June
World	-3.2 to -4.9	-5.2 to -8.0	-6.0 to -7.6
Developed countries	-5.0	-7.0	
United States	-4.8	-6.1	-7.3
European Union	-5.5	-9.1	-9.1
Japan	-4.2	-6.1	-6.0
Developing countries	-0.7	-2.5	
China	1.7	1.0	-2.6
India	1.2	-3.2	-3.7
LAC	-5.4	-7.2	

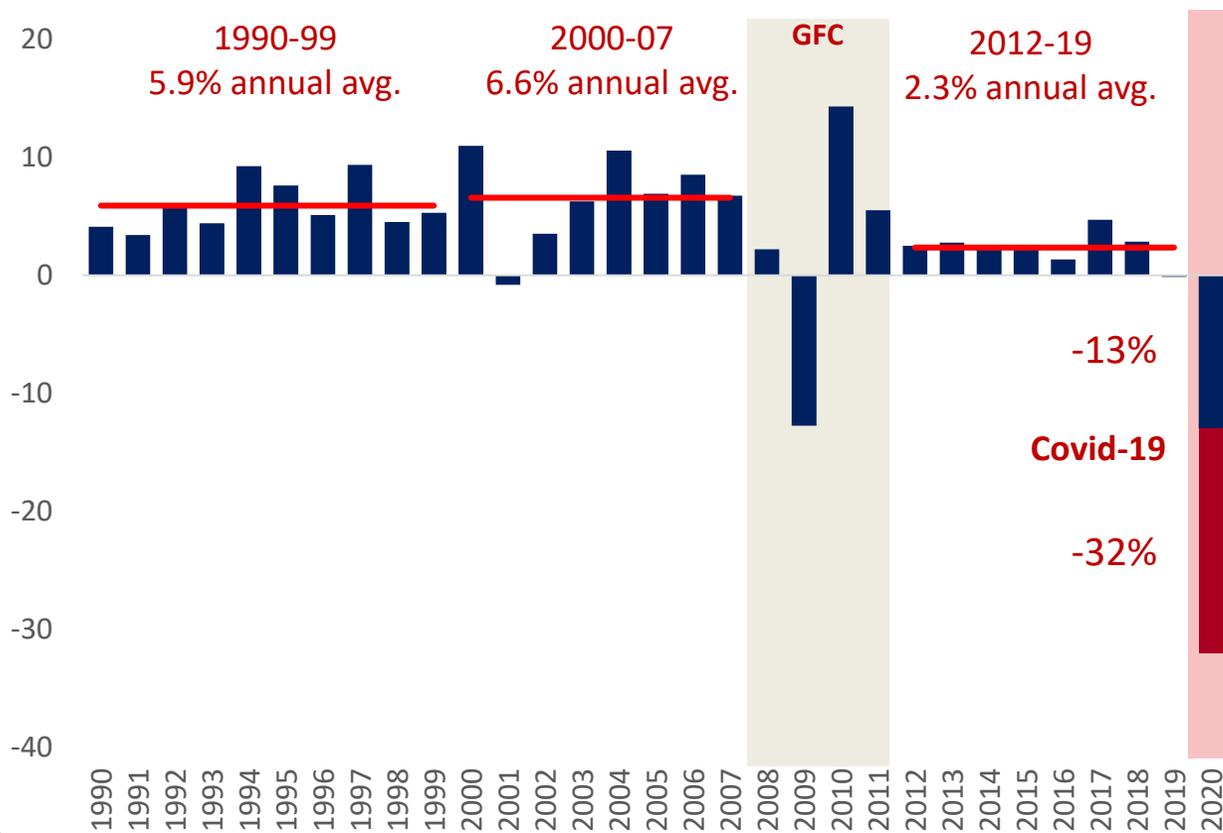
World: Percentage of economies in recession, 1871-2021



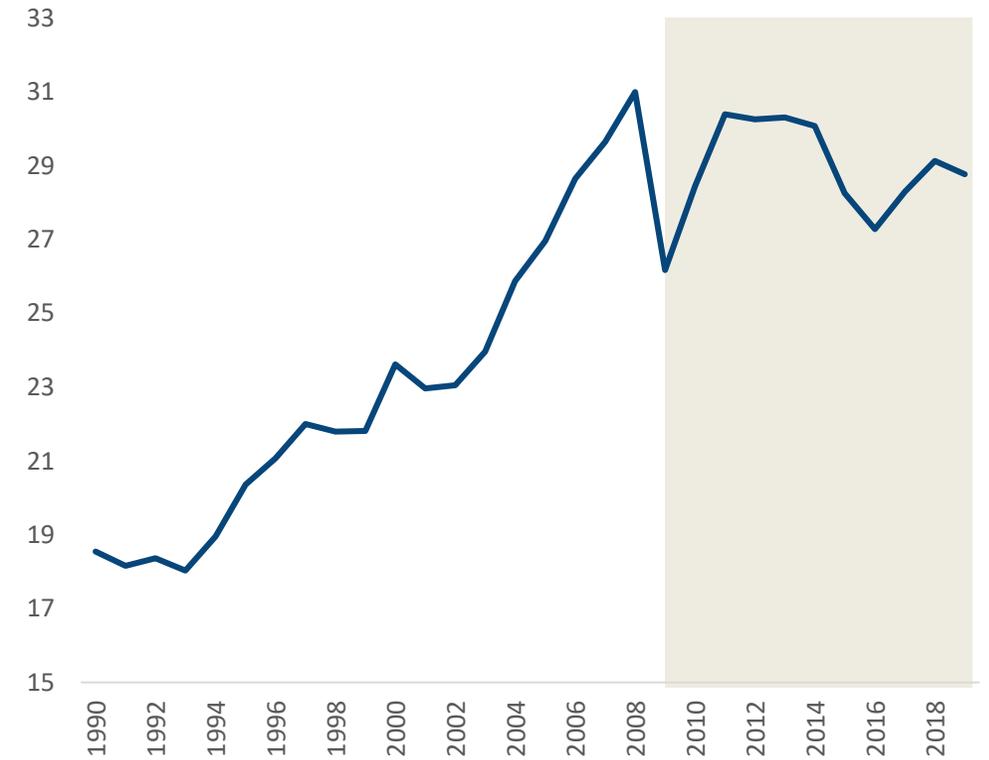
Source: World Bank, World Economic Outlook

An unprecedented disruption of the global economy

Annual change in the volume of world trade in goods, 1990-2019 and projection for 2020 (%)



Exports of goods and services as a percentage of world GDP, 1990-2019



SOCIOECONOMIC IMPACTS OF COVID-19 ON LATIN AMERICA AND THE CARIBBEAN

Health impacts

Containment measures

Contraction of global demand

Demand and supply crisis

Suspension of production lines

Fall in international trade

Investment contraction

Suspension of internal
productive activity

Higher unemployment and lower income

High uncertainty

Consumption reduction

Firm closures
(MSMEs)

Difficulties for large
companies

**Insufficient and
fragmented welfare
systems**

**Productive structure
lock-in**

External constraint

**Structural
inequality**

**High economic
informality**

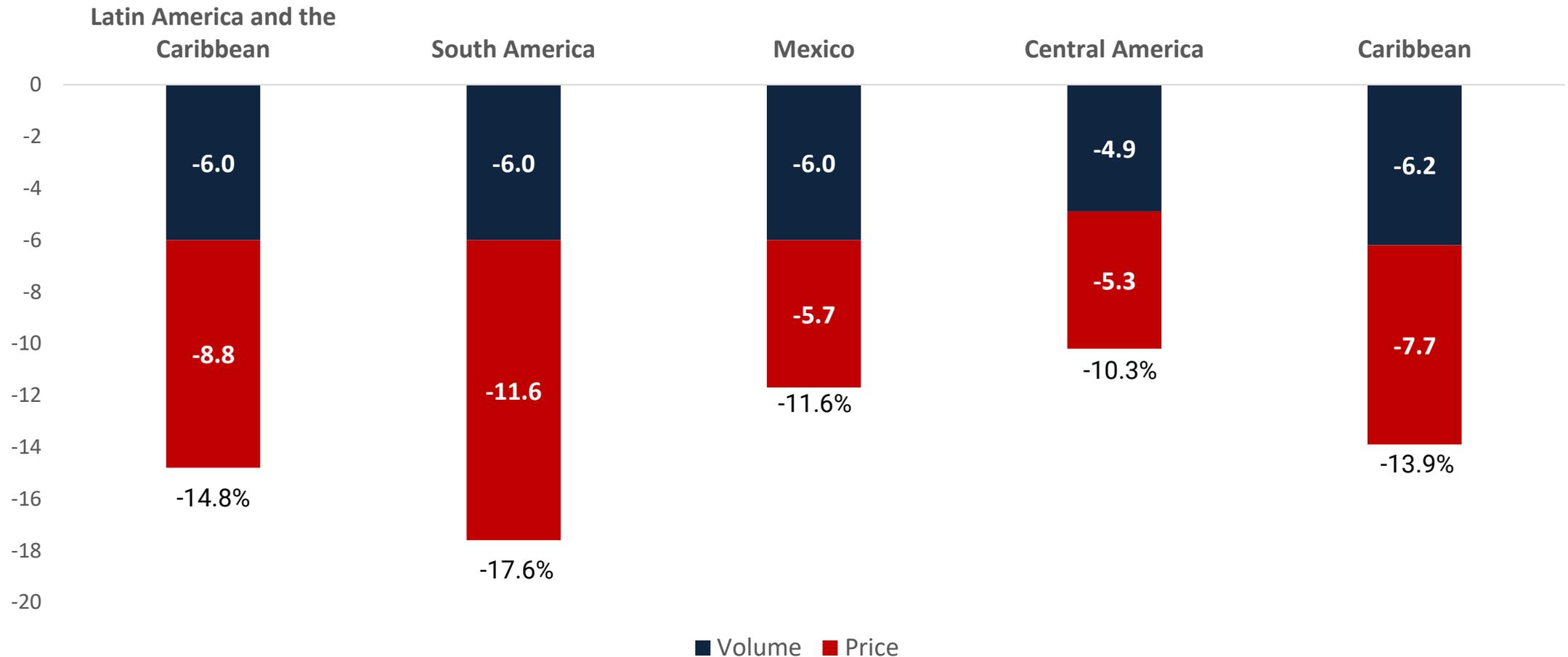
Regressive transformation: increased poverty and economic vulnerability

Difficulty in maintaining containment measures

Higher health impacts

The region's exports will fall by at least 15%

Latin America and the Caribbean: Impacts of COVID-19 on goods exports by subregion, 2020 projection
(Percentage change)



Source: ECLAC

■ Volume ■ Price

The sectoral structure affects the magnitude of the impact

Magnitude of the impact of the crisis by sector of economic activity

Least affected

- Agriculture, livestock, hunting, fishing, forestry, and fishing

Moderately affected

- Mining and quarrying
- Manufacturing industries
- Electricity, gas, and water supply
- Financial intermediation
- Real estate, business and leasing
- Public administration, social and personal

Very affected

- Wholesale and retail trade
- Goods repairs
- Hotels and restaurants
- Transport
- Construction
- Storage and communications
- General services

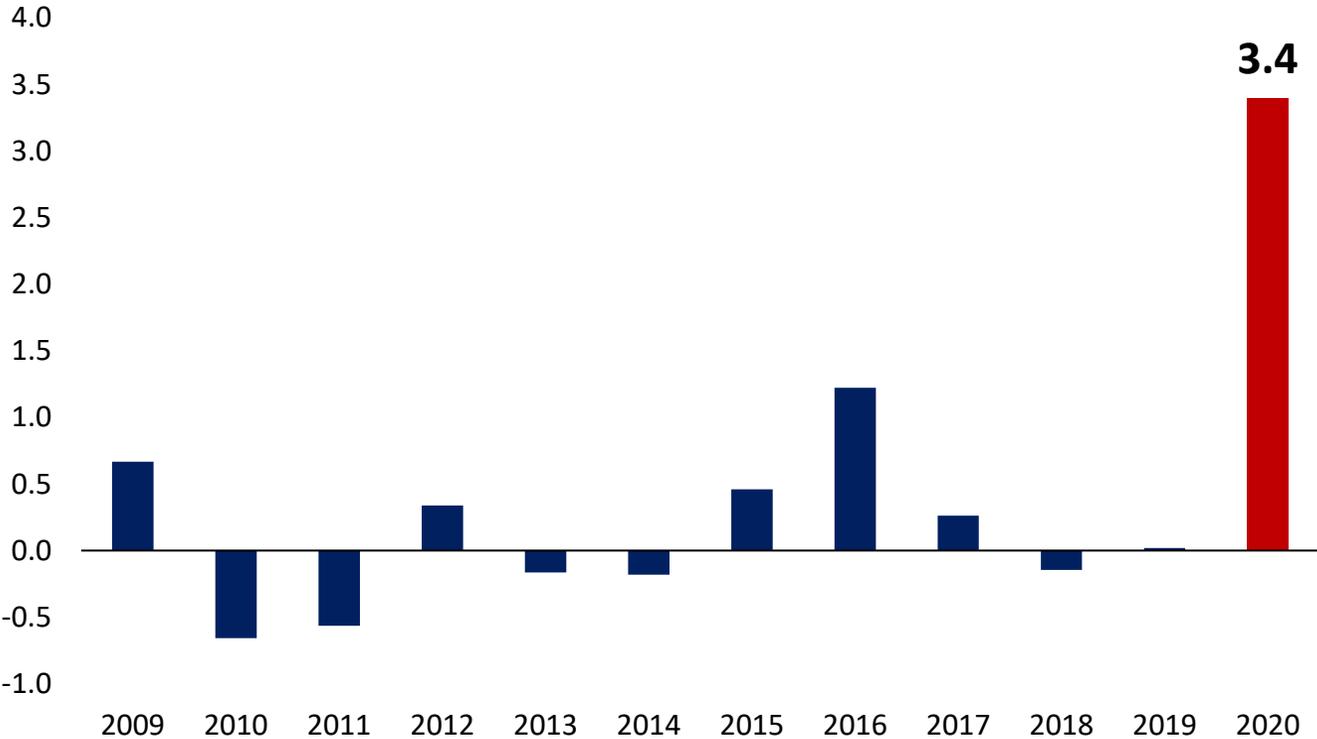
Latin America: Distribution of firms according to size and sectors

Sectors/ Size	Micro	Small and medium	Large
Least affected	224 480	53 741	2 125
Moderately affected	3 729 264	523 417	28 872
Very affected	5 560 330	620 905	20 160

Source: ECLAC. on the basis of official figures

The unemployment rate is expected to rise to at least 11.5%

Latin America: change in the unemployment rate
(In percentage points)



Latin America: Economically Active Population, Unemployed and unemployment rate
(Number of people)

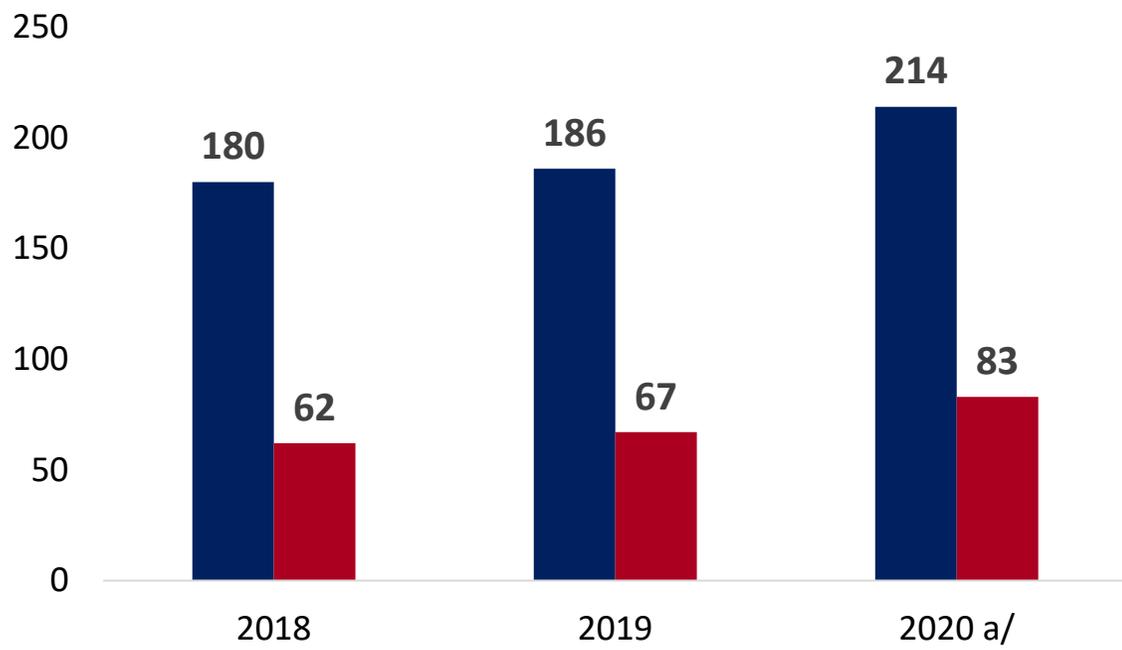
	2019	2020
Labour force	322,421,908	326,849,019
Number of unemployed	26,148,377	37,719,817
Change in unemployed	295,756	11,571,440
Unemployment rate (%)	8.1%	11.5%

Source: ECLAC

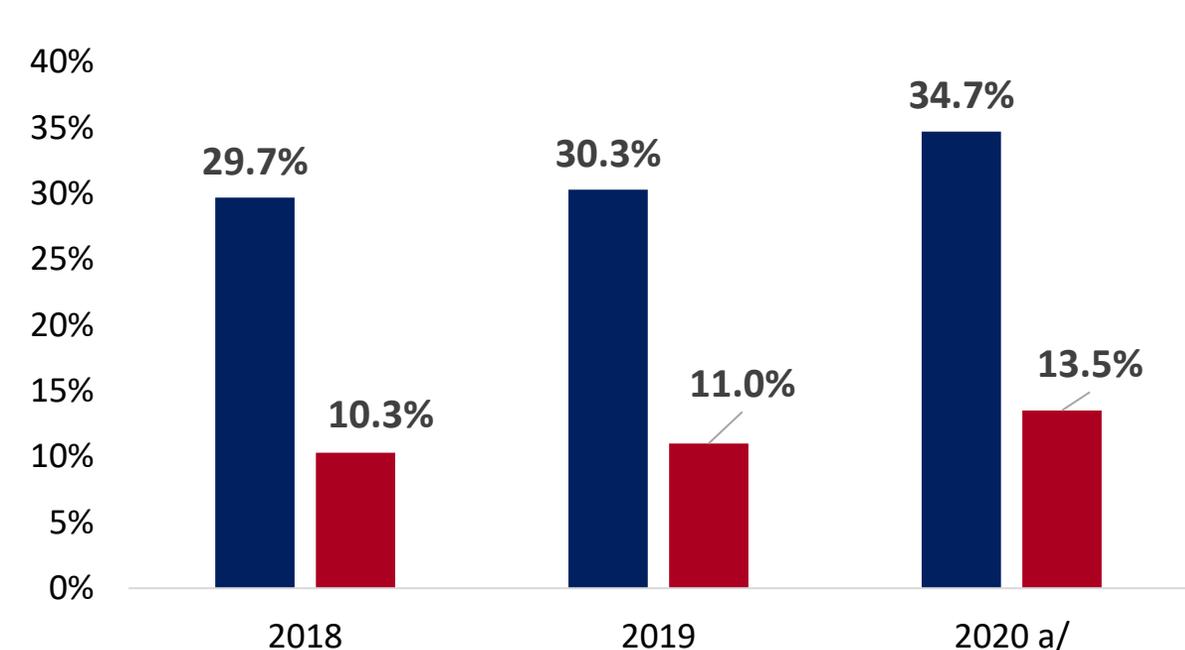
The drop in GDP and the increase in unemployment could lead 30 million more to fall into poverty

Latin America: Poverty and extreme poverty in a scenario of GDP decline of 5.3% and an increase in unemployment of 3.7 percentage points in 2020

MILLIONS OF PEOPLE



PERCENTAGE OF THE POPULATION



■ People in poverty (millions)

■ People in extreme poverty (millions)

■ Poverty (%)

■ Extreme poverty (%)

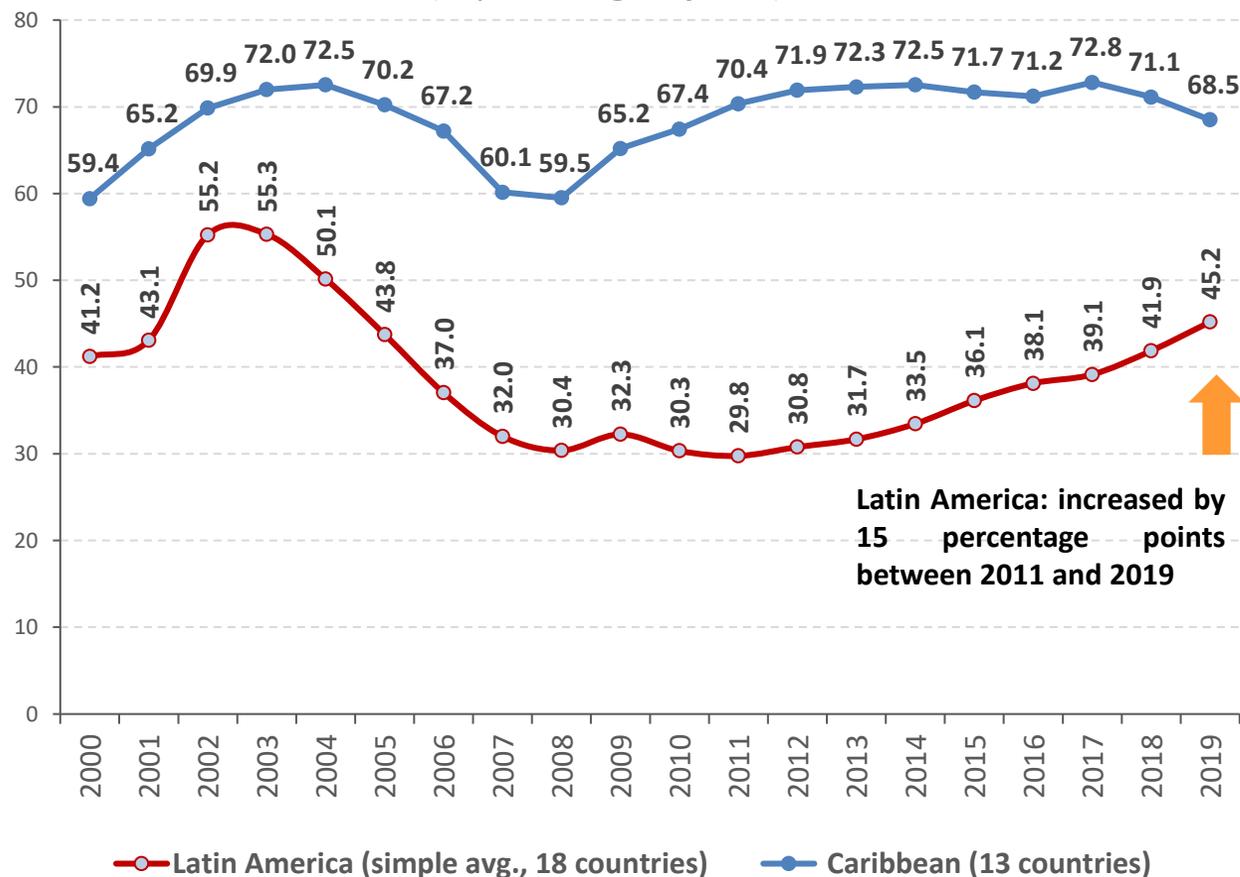
Source: ECLAC

In 2020, 110 million women will live in poverty

Public debt and interest payments are a ceiling on public spending

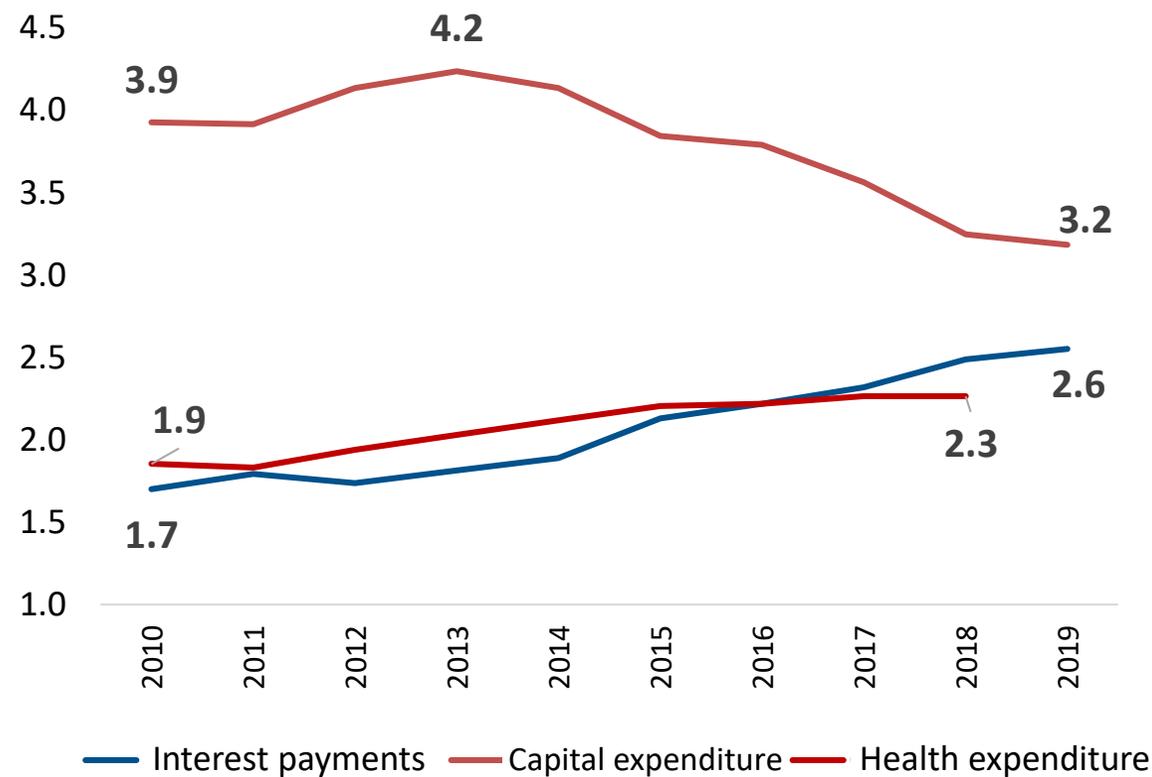
LATIN AMERICA AND THE CARIBBEAN (31 COUNTRIES): LEVELS OF GROSS PUBLIC DEBT OF THE CENTRAL GOVERNMENTS, 2000-2019

(In percentages of GDP)



LATIN AMERICA (16 COUNTRIES): PAYMENT OF INTEREST, CAPITAL AND HEALTH EXPENSES OF CENTRAL GOVERNMENTS, 2010-2019

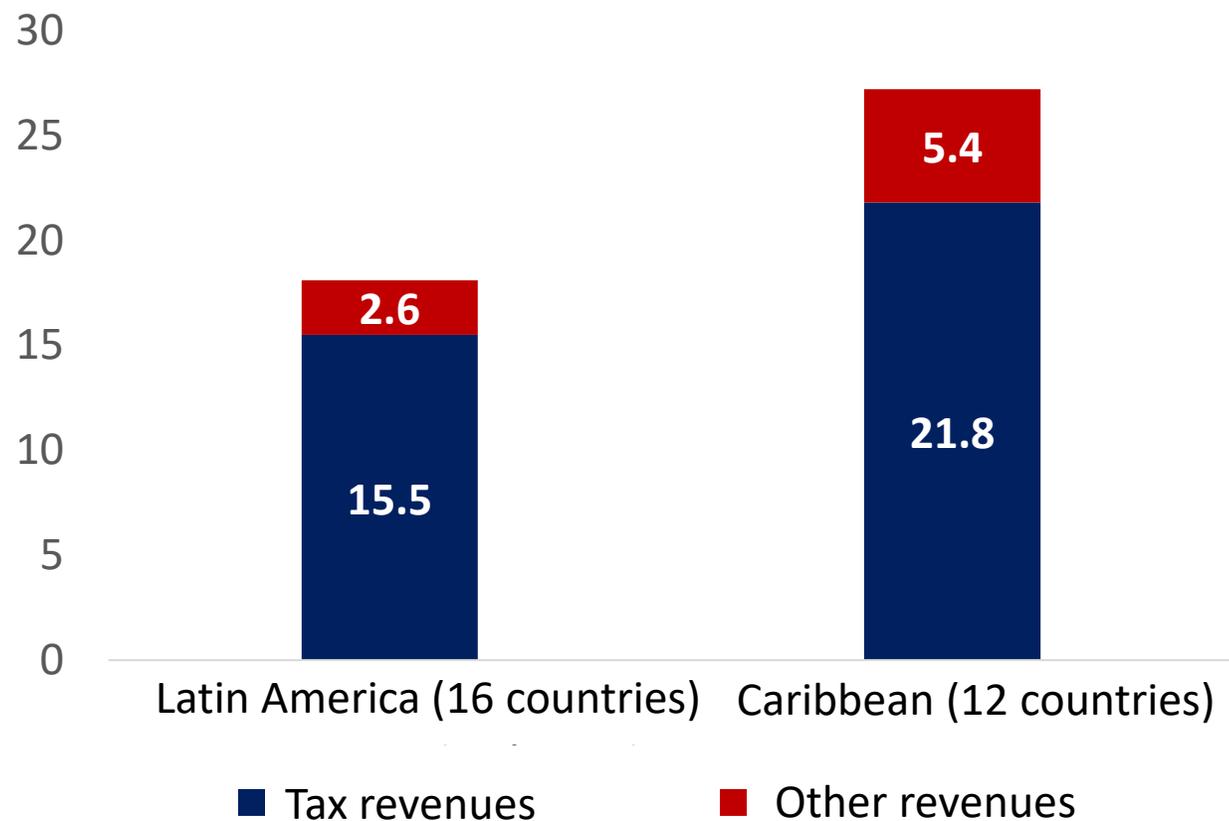
(In percentages of GDP)



Source: ECLAC

The tax structure and tax evasion limit the available resources

Latin America and the Caribbean: composition of central government public revenue by subcomponent, 2019
(In percentages of GDP)



The amount of tax evasion and avoidance (**6.1% of regional GDP**) is equivalent to:

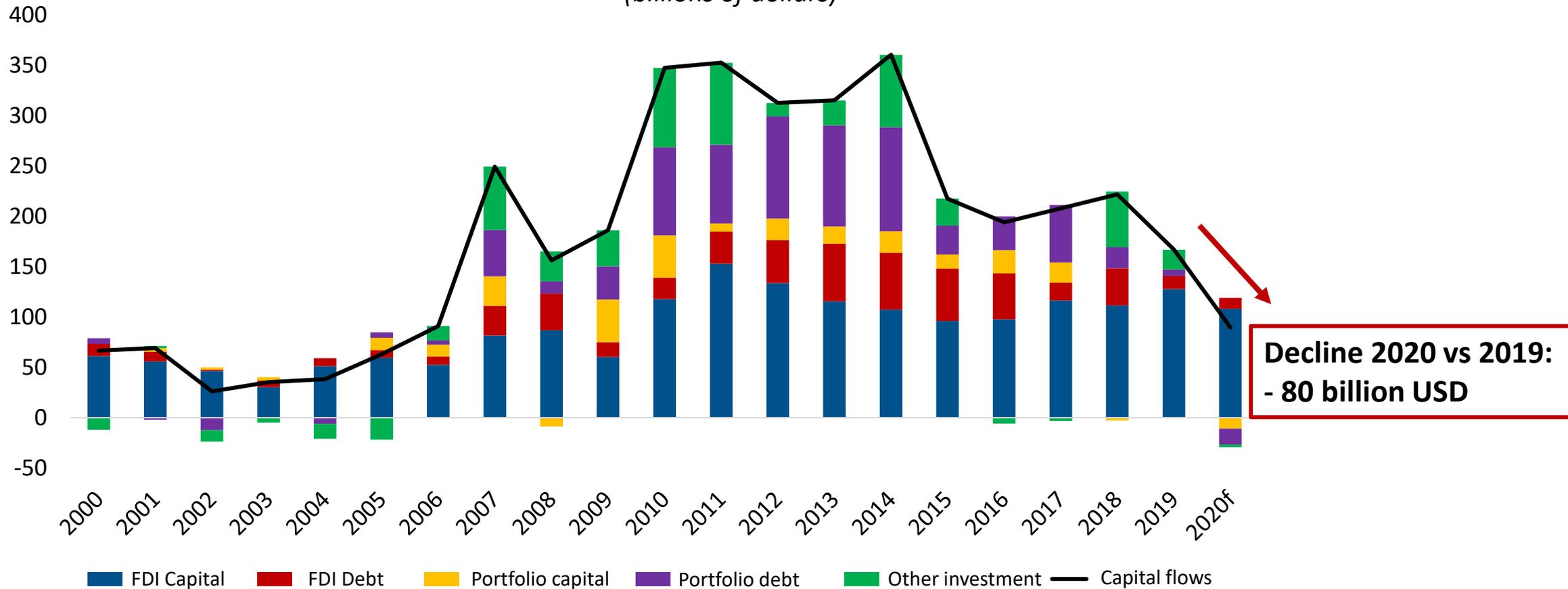
- Half of social spending by central government
- 4 times spending on non-contributory social protection programs (conditional cash transfers + non-contributory pensions + labor inclusion policies: 1.47% of GDP)
- Nearly equivalent to average central government spending on education (4%) and health (2.2%)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on official figures.

Note: Simple averages. Dominica is excluded. The 2019 figures correspond to: projections derived from budgets or official estimates for the end of 2019.

Deterioration of international financial conditions reduces the external financing available to the region

Latin America: capital flows from non-residents to the region
(billions of dollars)



**Decline 2020 vs 2019:
- 80 billion USD**

Source: ECLAC on the basis of Institute of International Finance (IIF).