

# Latin America Scenarios for Coronavirus Impact

## Optimistic scenario

- GDP will fall 1.8%
- Global supply chains will have a quick recovery outside China
- Demand will back to normal in the third quarter and the economies that rely on exports won't suffer a large impact.
- Local fiscal policies are effective and will minimize the loss in value of local currencies.
- **Quarantine in the region will help to stop the spread of the virus during Q2.**

## Probable scenario

- **GDP in the region to fall between -3.0% and -4.0%**
- Unemployment is a problem in the second half of the year, given the impact of COVID19 in small and medium business, as well as in big companies.
- Poverty levels will increase in the short term by 18% and extreme poverty around 34% (CEPAL).
- Manufacturing are recovering in China, but supply chains for global exports remain negatively affected
- Exports from Latin America will be much lower due to decreased demand in USA and China
- **COVID19 will spread fast in Latin America given the health systems and culture, especially in Mexico and Brazil where the governments have been late to understanding the severity of the pandemic.**
- **Latin America currencies continue to lose value, especially currencies with a strong correlation with the price of oil.**
- Investors will seek refuge in US dollars.
- Earlier social unrest in the region appears to be on stand-by, but will return in 2021

## Pessimistic scenario

- **Expected GDP growth will be negative, greater than -4.0%**
- Temporary increase in poverty levels from economies shutting down leads to longer-term poverty impact.
- Manufacturing will fall 60% globally with recovery by 2021. Price of IT hardware components in the region will increase.
- Local manufacturing severely impacted by global supply chain dynamics.
- Economic strategies from regional governments will not be enough and foreign currencies like US dollar will become stronger, weakening local currencies.
- **Health system will be deficient against the infected population and quickly becomes overwhelmed.**