

Latin America Scenarios for Coronavirus Impact

Optimistic scenario

- **GDP will fall -4%**
- **Quarantines will be lifted in the majority of Latin American countries by mid-May.**
- **Local fiscal policies are effective and will contain currency rates at average levels of Q1 2020.**
- **Global supply chains will have a quick recovery outside China**
- **Demand will return close to normal in the third quarter and the economies that rely on exports won't suffer a large impact.**
- **There will not be a second wave of Covid-19 during 2020.**

Probable scenario

- **GDP will see a decrease of -5.3% in 2020.**
- **Quarantines will be lifted in the majority of Latin American countries by late-May.**
- **Latin America currencies stay at the April 2020 rates through second half of the year.**
- **Unemployment rate is expected to reach around 11.5% (increase of 3.4% versus 2019) (CEPAL)**
- **Poverty levels will increase by 4.4% and extreme poverty around 2.5% given the drop in GDP and rise in unemployment to (CEPAL).**
- **Decreased demand by USA and Europe will lead to decreased exports from Latin America.**
- **Remittance flows to Latin America will contract by double-digits in 2020.**

Pessimistic scenario

- **Expected GDP growth will be negative, greater than -6.0%**
- **Quarantines will be lifted in the majority of Latin American countries in June or beyond.**
- **Latin American currencies will continue to lose value versus the US dollar in 2020.**
- **Temporary increase in poverty levels from economies shutting down leads to longer-term poverty impact.**
- **Local manufacturing severely impacted by global supply chain dynamics.**
- **Health system will be deficient against the infected population and quickly becomes overwhelmed.**
- **There will be a second wave of Covid-19 during 2020.**
- **Earlier social unrest in the region is on stand-by, but will return in 2020.**