



LAC EXPOSURE TO THE IMPACT OF COVID-19



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CCB REGIONAL OVERVIEW

PRESENTATION for Ministers, March 20, 2020

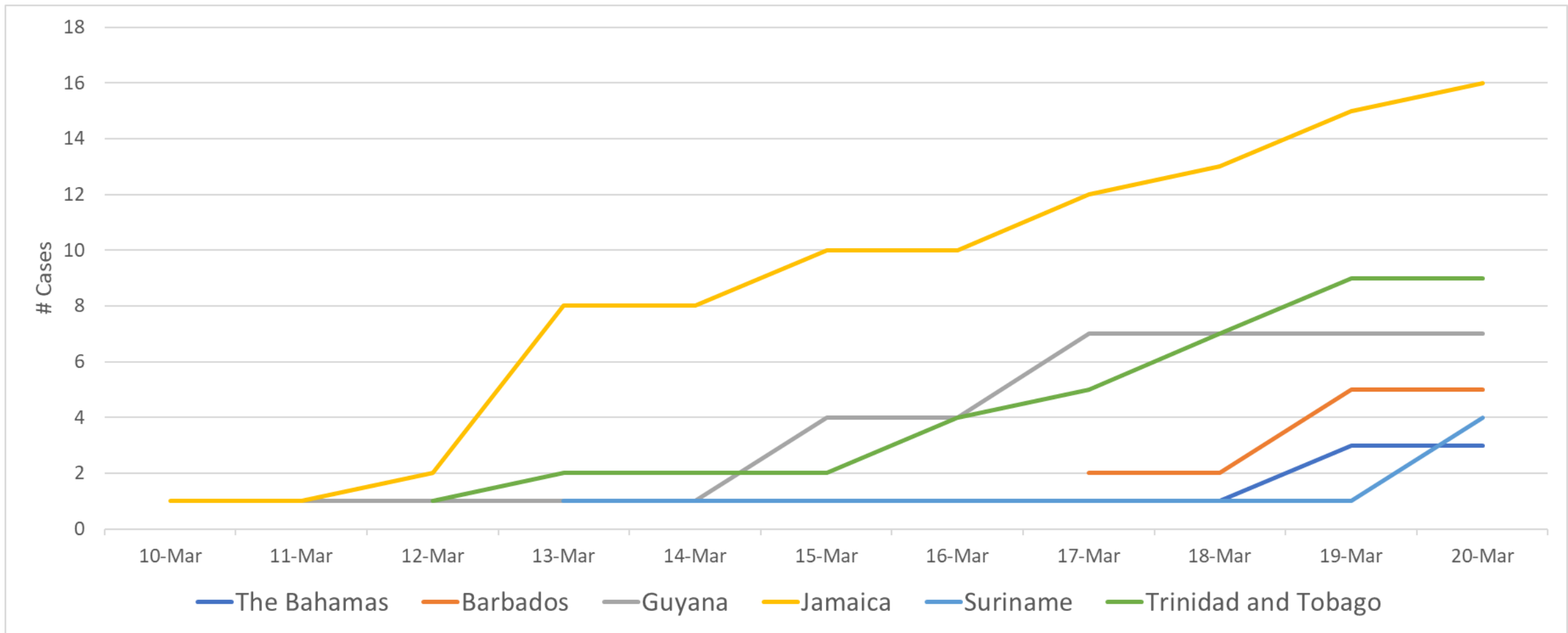
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Overview: A Tale of Tourism and Commodities

- So far, [42] *covid19 infections* have been detected.
- Links to the global economy: narrow base of exports, either *tourism or commodities*.
- Heavy *import dependence for basic goods* (including food), intermediate goods and capital goods.
- The drop in global travel is heavily impacting both *air and cruise arrivals*.
- *Tourism* is a major sector in The Bahamas, Barbados and Jamaica.
- *Oil and gas* are the primary exports for Trinidad and Tobago and oil is becoming the top export of Guyana.
- Suriname's largest export is *gold*—a safe-haven asset during global financial stress. Until oil is fully up, it is also Guyana's largest export.

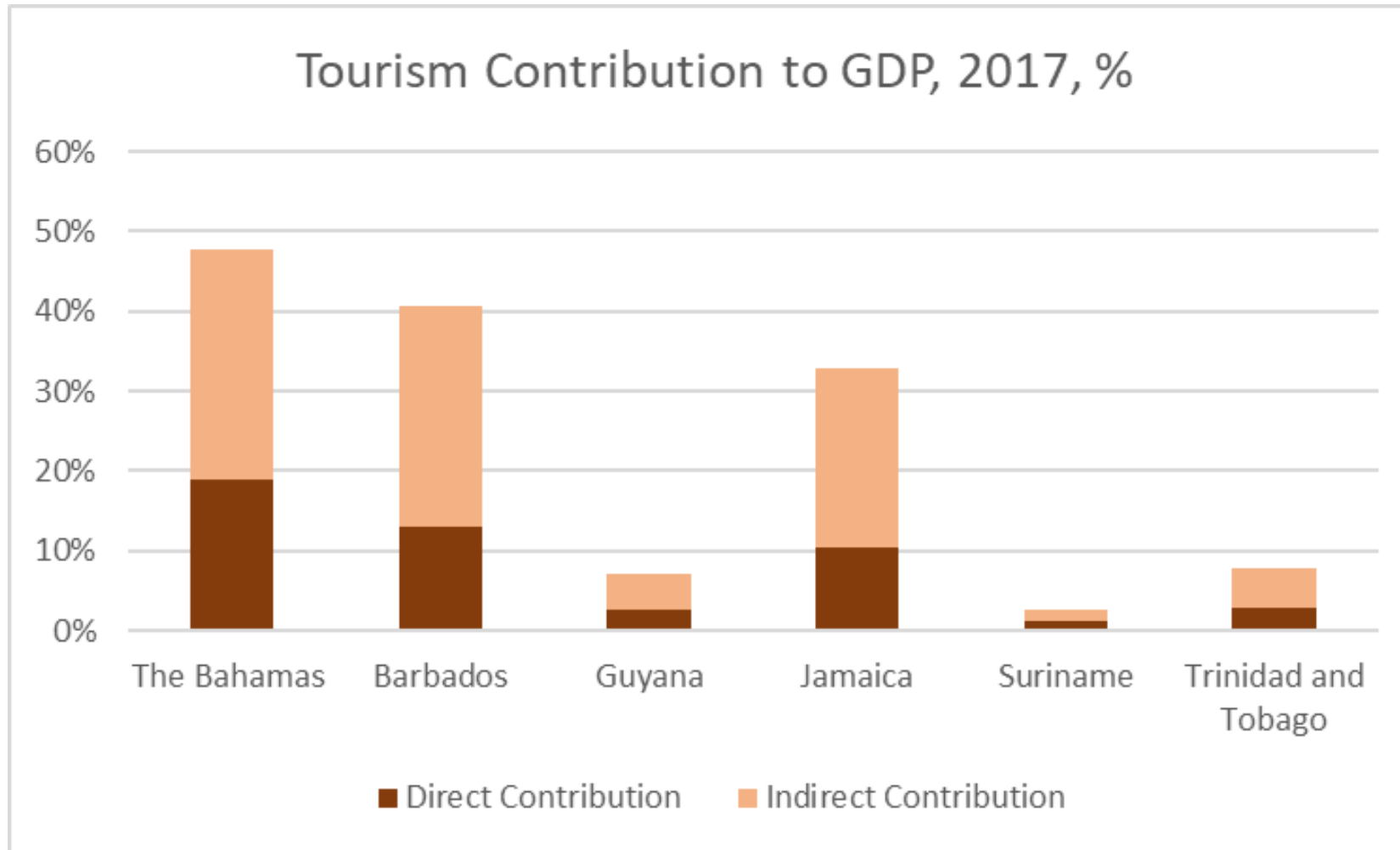


Evolution of *Covid19* cases in CCB countries



Sources: Johns Hopkins University database; country office reports

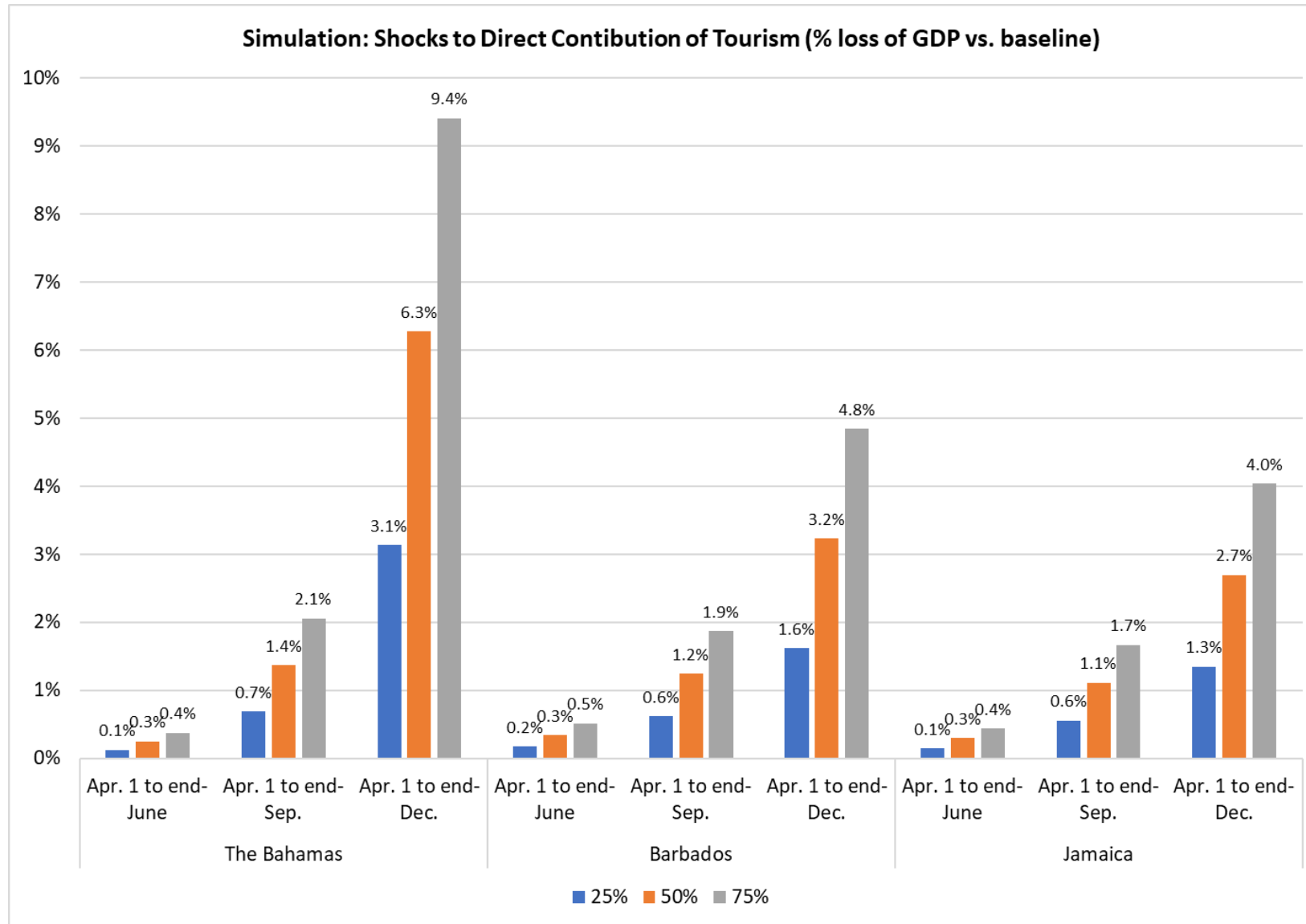
Tourism: Critical Sector in 3 CCB countries is already impacted.



Source: World Development Indicators; WTTC

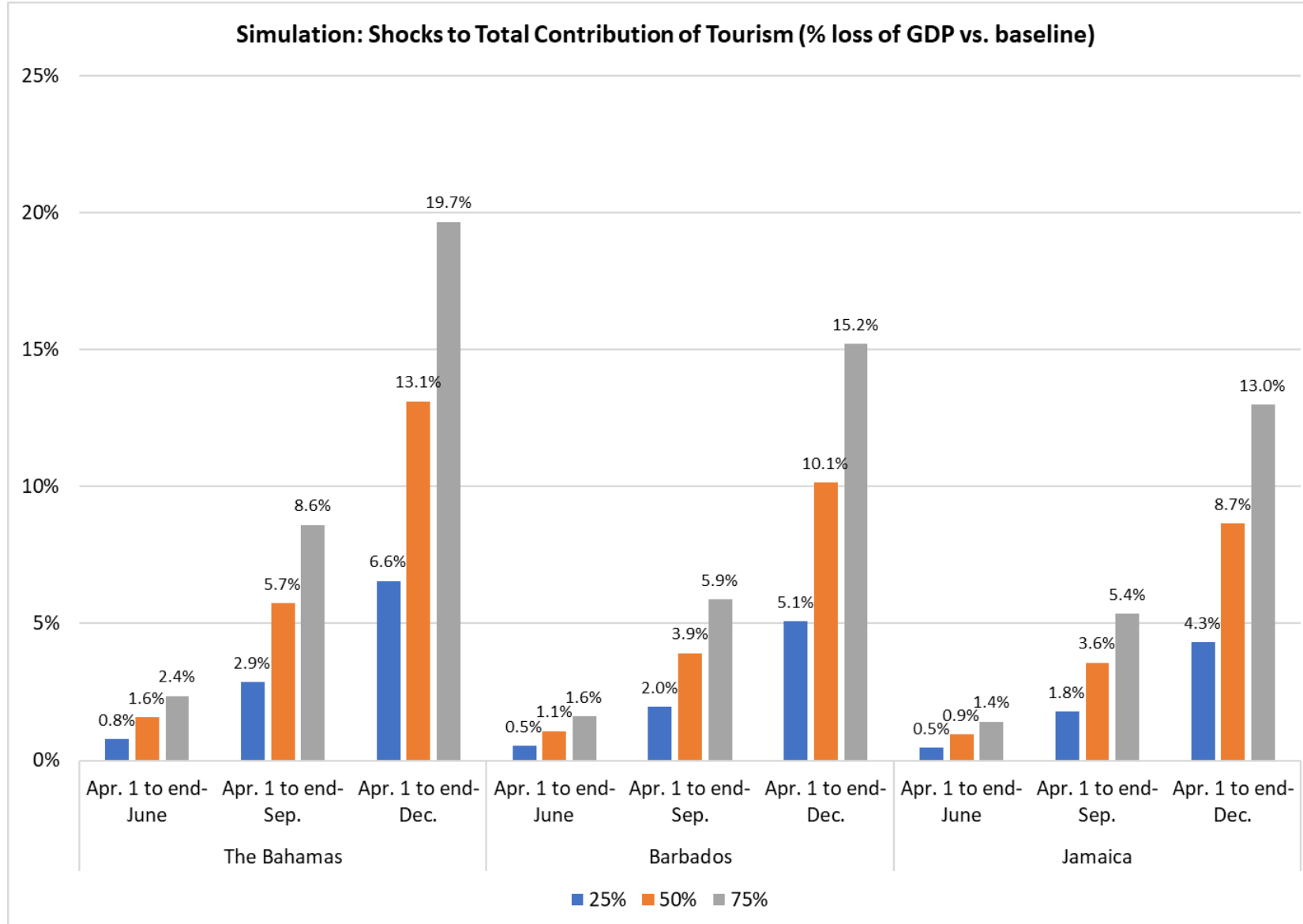


Impact of Tourism: Simple accounting simulation shows how size and duration interact (direct contribution)



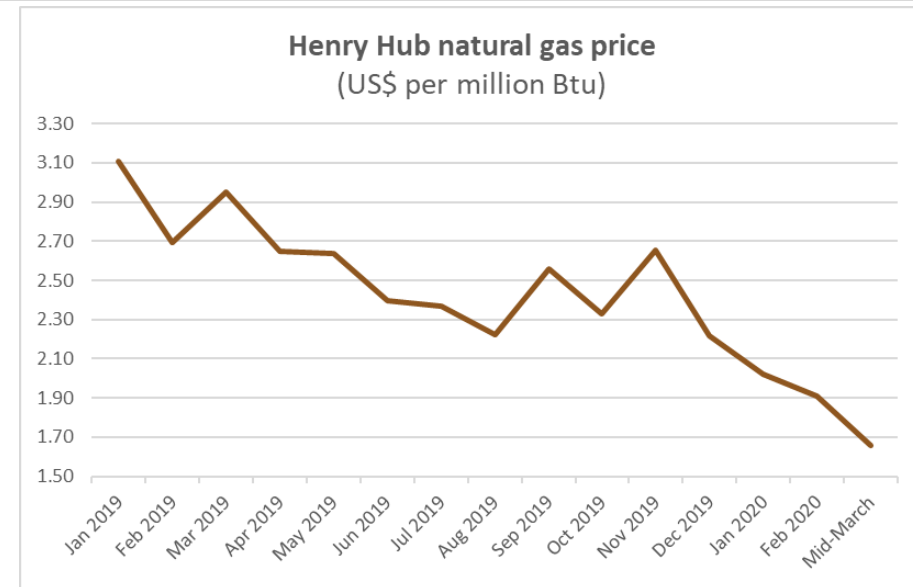
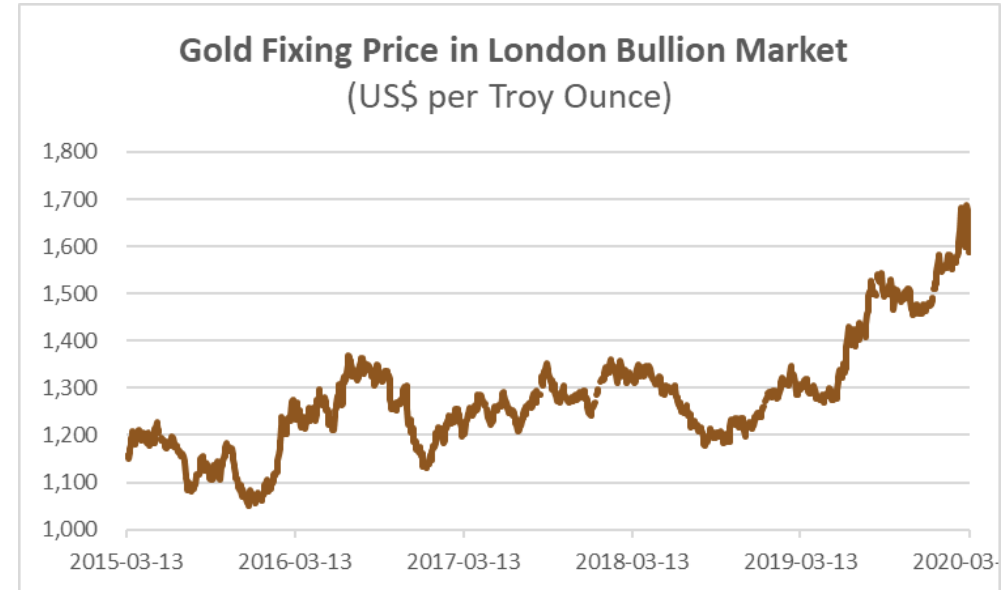
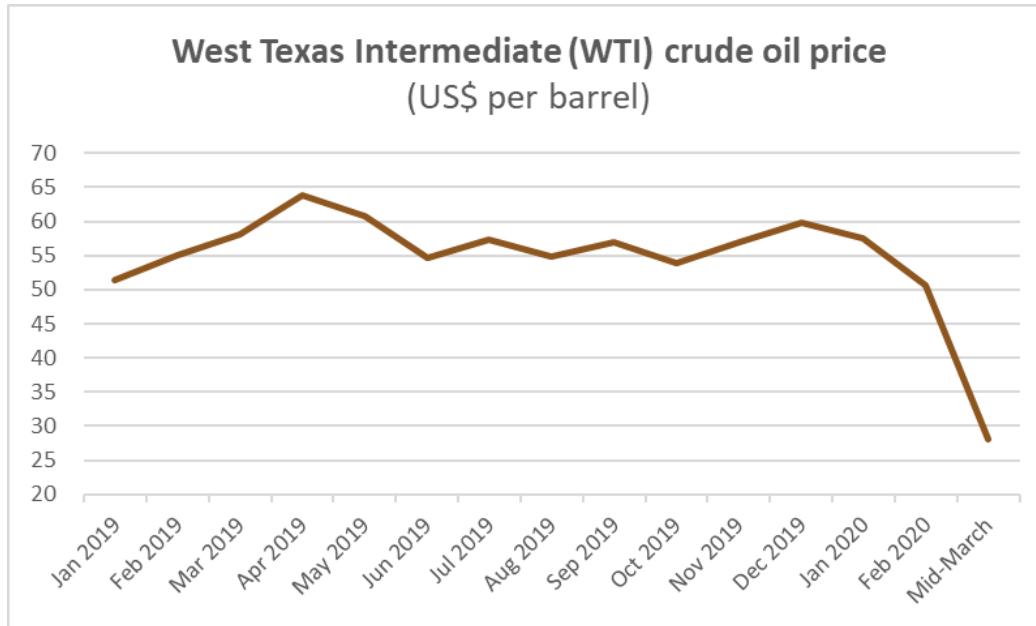
Source: IDB staff calculations

Impact of Tourism: Simple accounting simulation shows how size and duration interact (total contribution)



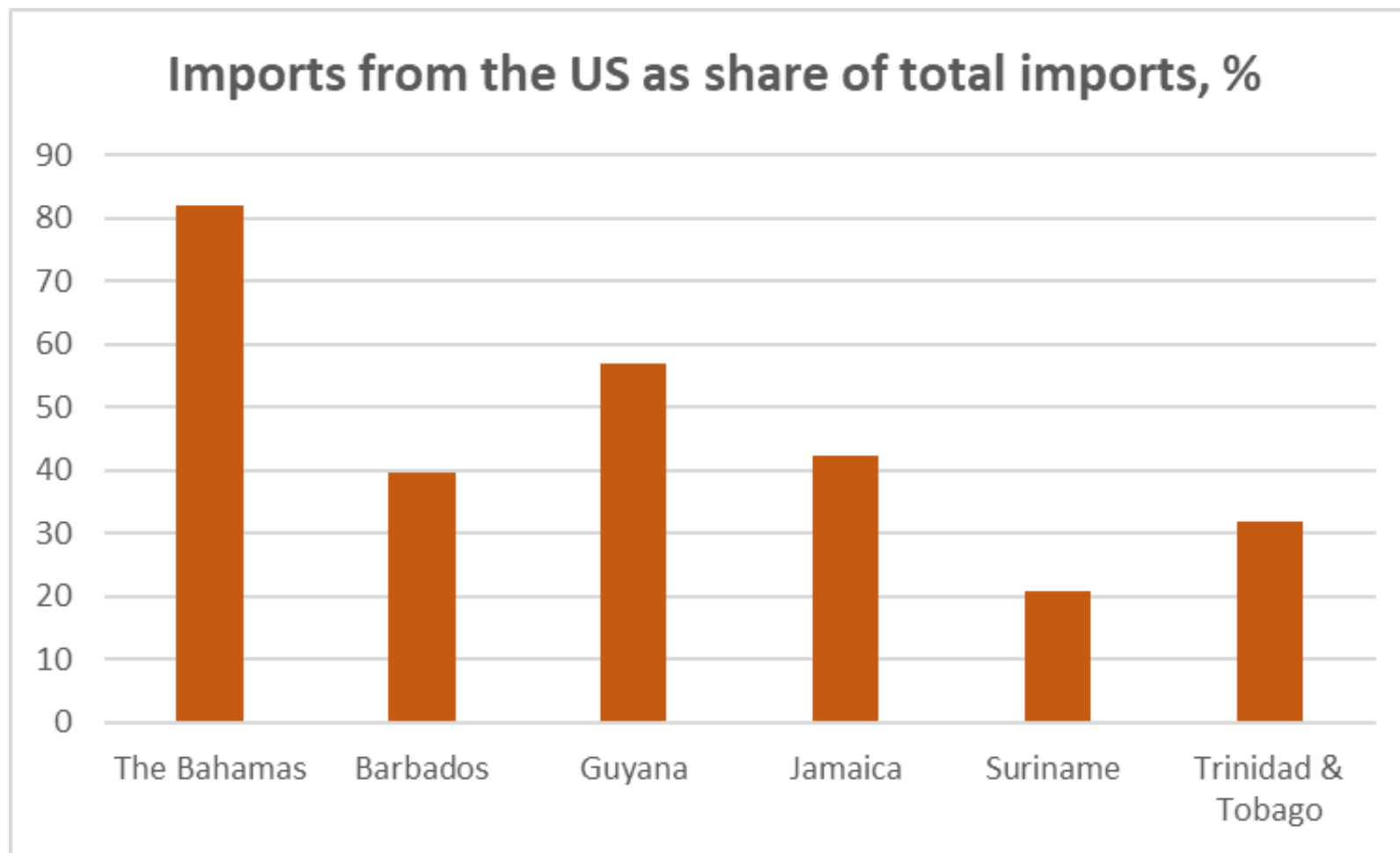
Source: IDB staff calculations

3 Key Commodities for CCB Countries are oil, natural gas and gold.



Sources: Source: U.S. Energy Information Administration, Federal Reserve Bank of St. Louis, Bloomberg

Supply Chain Disruptions?: US role is key.

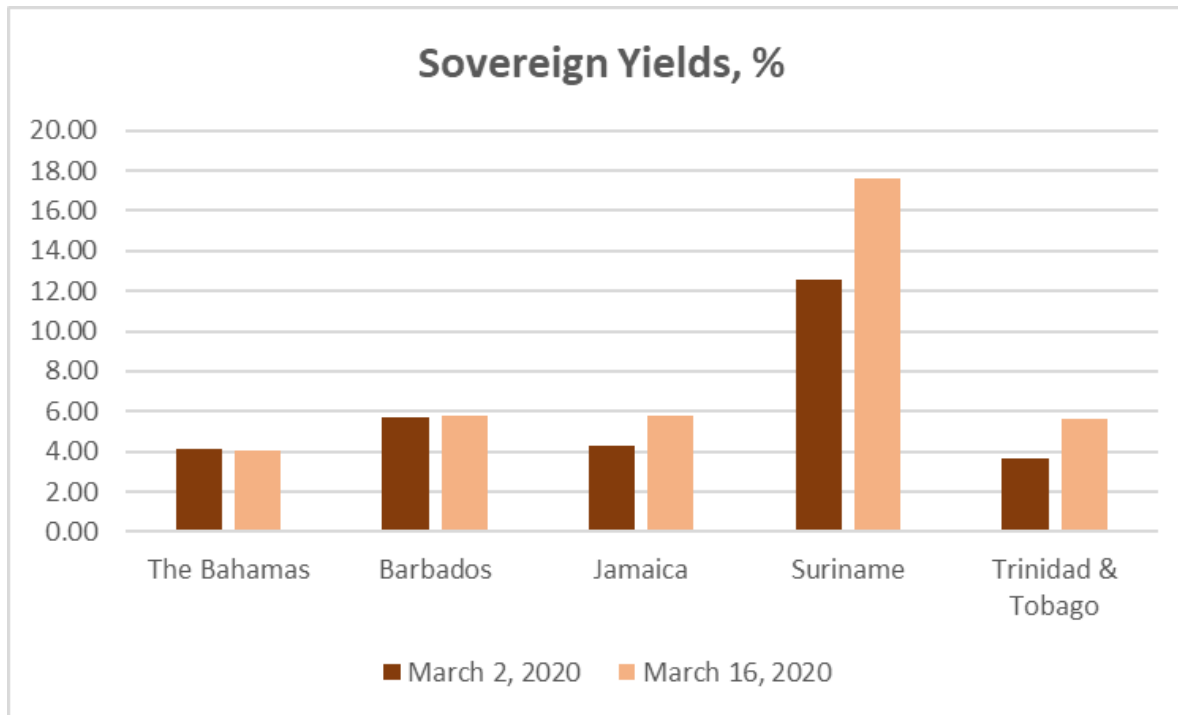


Source: World Integrated Trade Statistics (WITS) Database

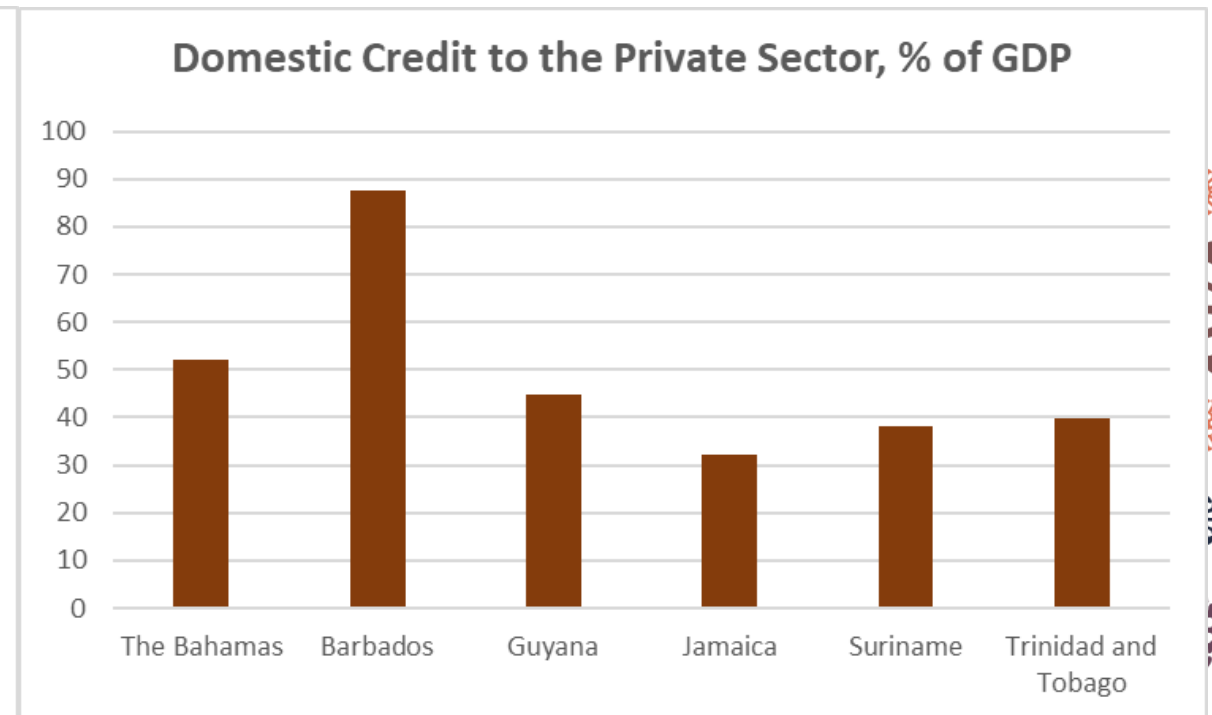


The cost of external finance has increased recently in several countries.

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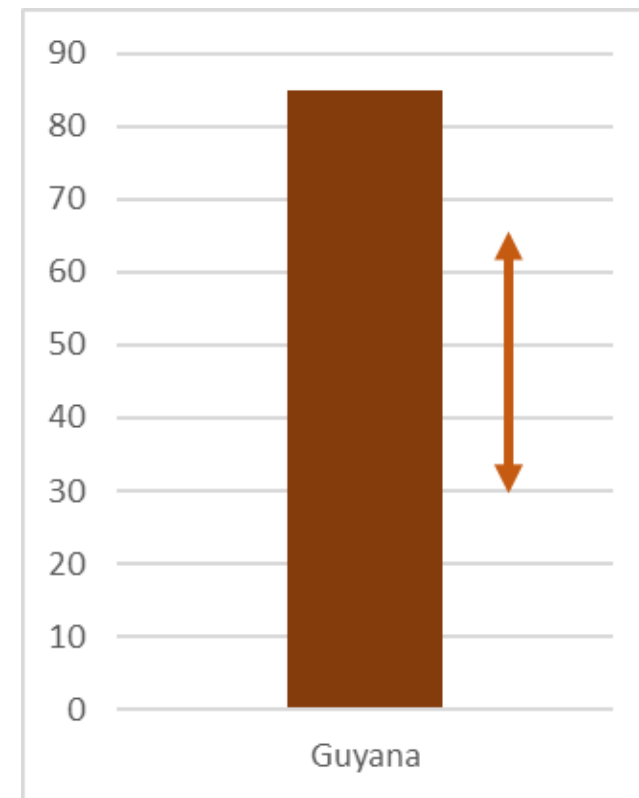
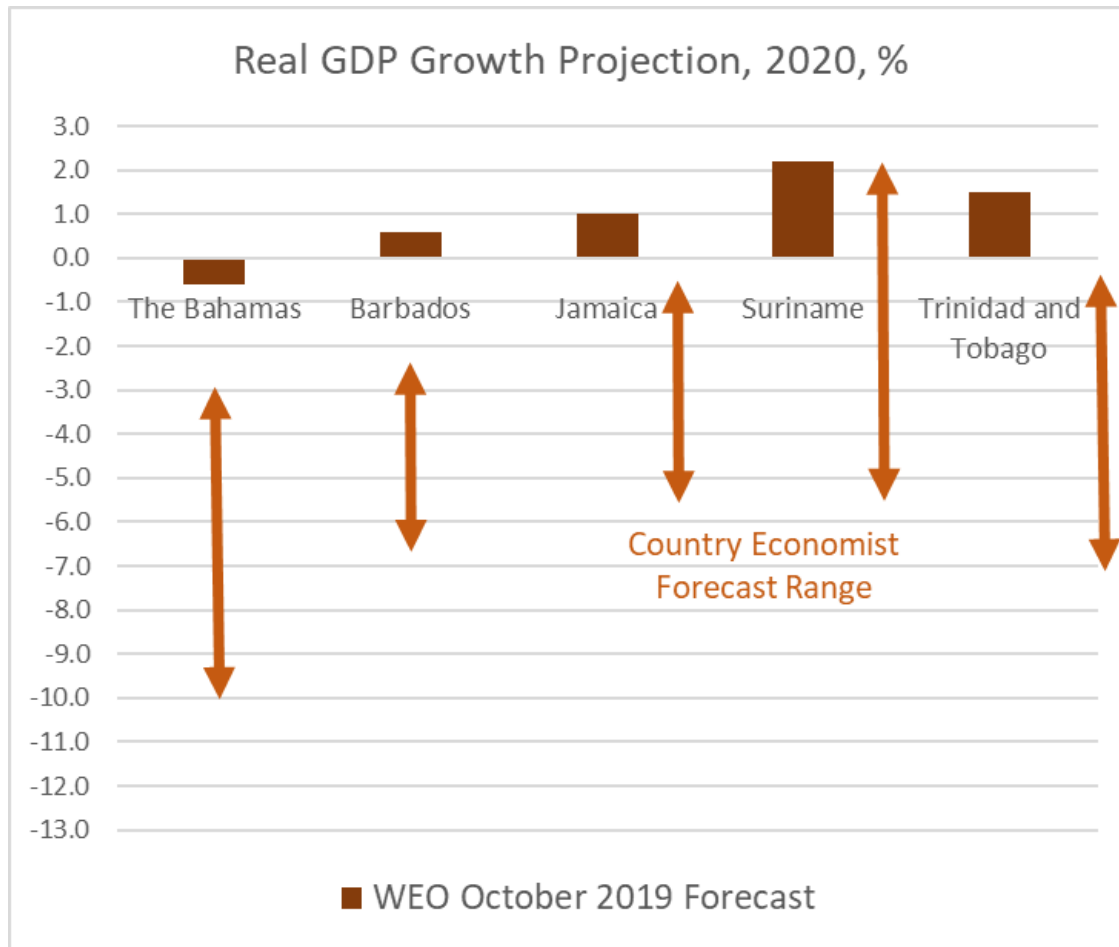
Source: IDB Finance Department



Source: World Development Indicators

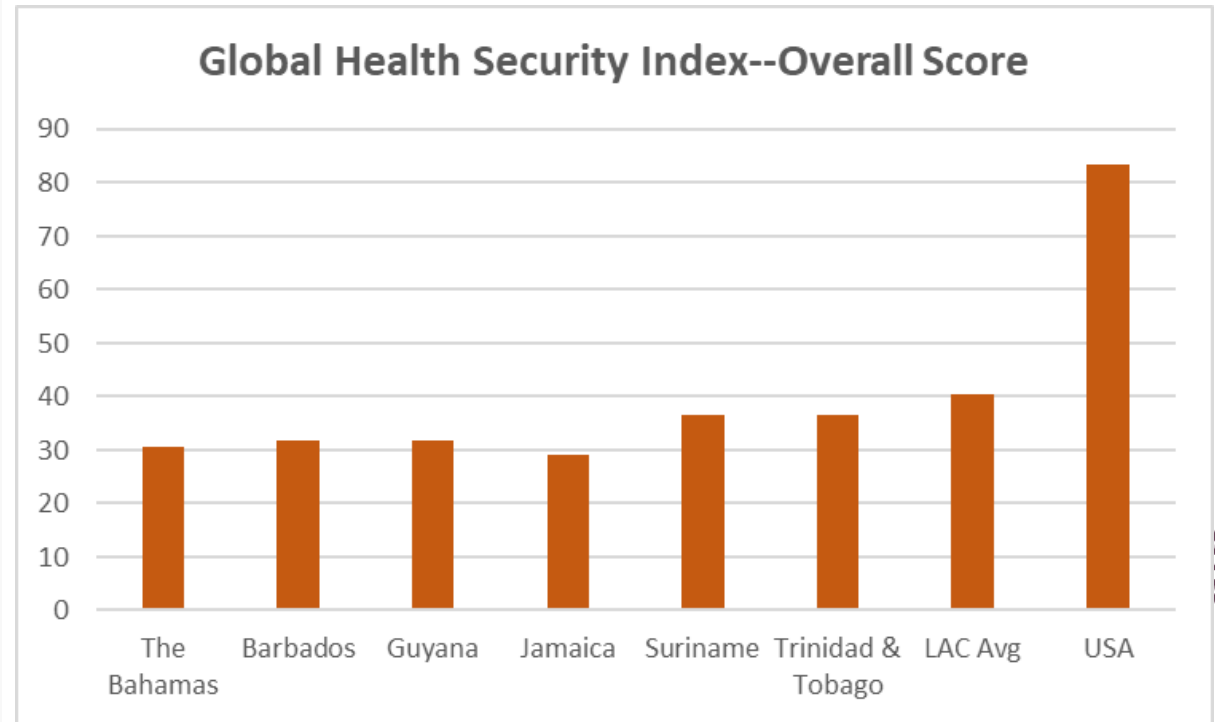
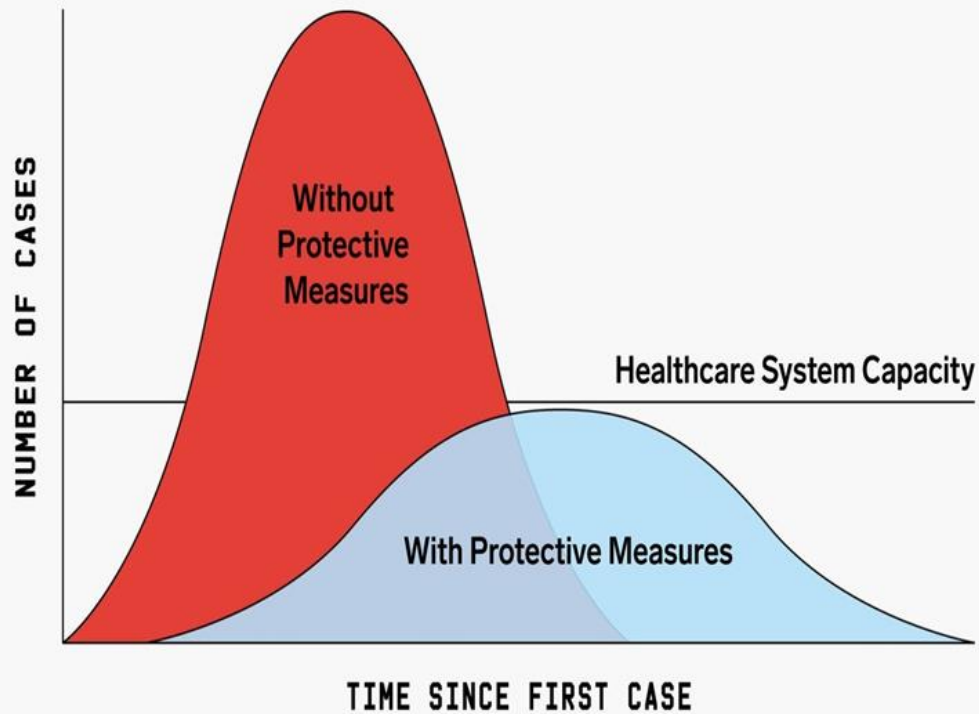
...And the ability of the domestic financial system to fulfill new financing needs varies across countries....

Growth expectations for 2020 reflect a large degree of uncertainty.



Source: WEO and IDB Staff Estimates

First policy priority: reduce the risk of the spread of the coronavirus: “flattening the curve”



Source: Economist Intelligence Unit, Johns Hopkin Center for Health Security

Macroeconomic Policy Options
to Consider, and in some cases,
already under
implementation....



Fiscal Policy Option	The Bahamas	Barbados	Guyana	Jamaica	Suriname	Trinidad and Tobago
Tax relief for affected sectors	X			X		X
Targeted increase in social spending	X	X	X	X	X	X
Seek lower cost financing from IFIs	X	X	X	X	X	X
Reinforce prioritization of capital spending	X	X	X	X	X	X
Financial support for SMEs	X	X	X	X	X	X
Escape clause of existing fiscal rule/Emergency Fund				X		
Fiscal Policy Constraints						
Limited fiscal space	X	X		X	X	
Political cycle			X*	X	X	X
Buffers needed for potential natural disasters	X	X	X	X	X	X

RED= ANNOUNCED OR UNDER IMPLEMENTATION

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Monetary Policy Options	The Bahamas	Barbados	Guyana	Jamaica	Suriname	Trinidad and Tobago
“Follow the Fed”: Lower policy rates				X		X
Lower reserve requirements	X	X		X	X	X
Monetary Policy Constraints						
Fixed exchange rate limits policy maneuverability	X	X	X		X	
High level of non-performing loans limit policy transmission					X	
Low level of international reserves					X	
Zero lower bound				X		

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Social Policy Options, Principles and Constraints

- General options (some of which have already been announced in some countries), include:
 - Expand existing cash transfer programs and social pensions
 - Create new temporary cash transfer programs for affected groups
 - Labor markets: subsidies, tax cuts or unemployment benefits
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- Principles: Targeted and Temporary
- Constraints: Fiscal space, data quality and institutional capacity





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