

Ciclo de Seminarios Virtuales

Banco Central del Paraguay - Ministerio de Hacienda

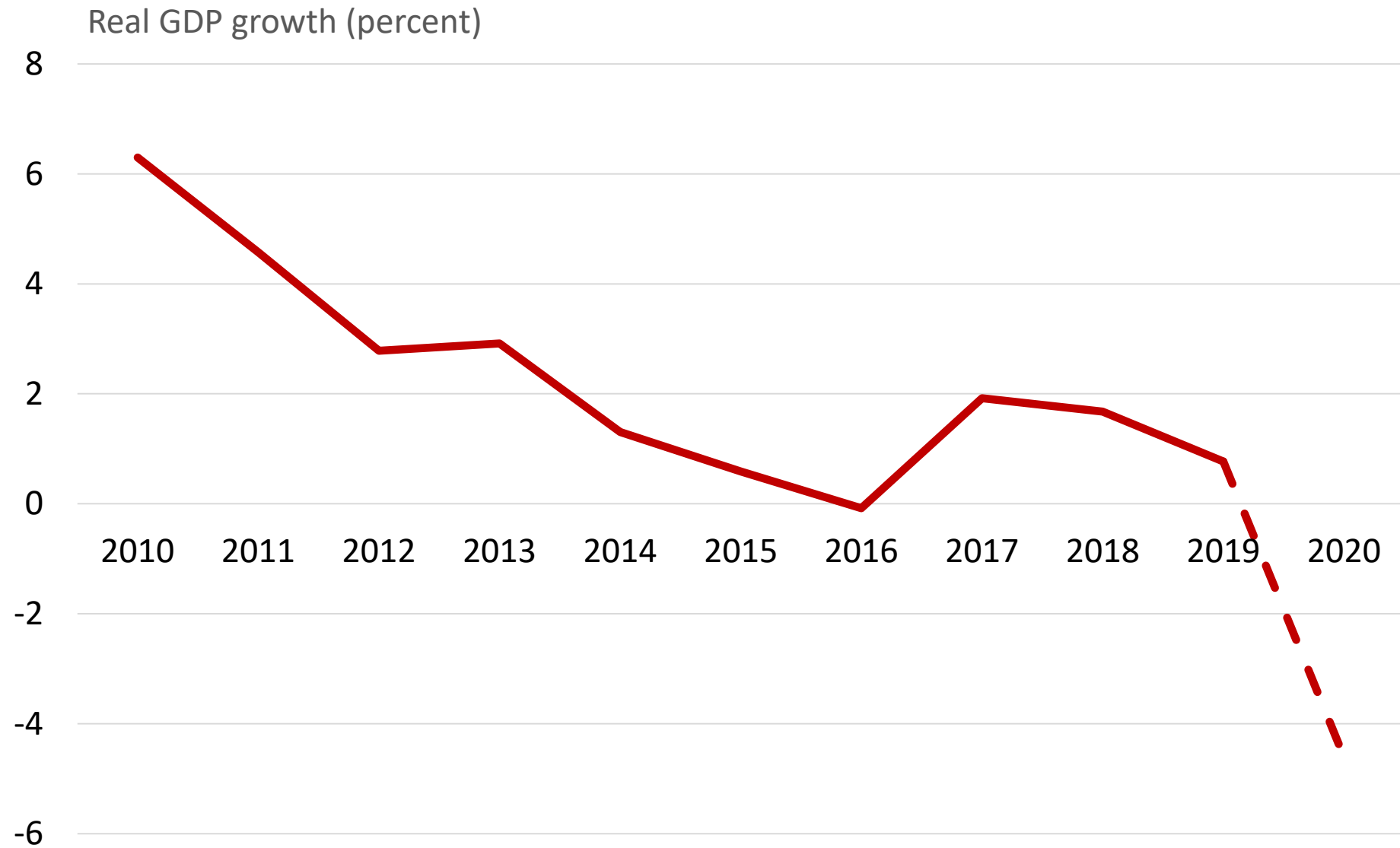
Martin Rama

Chief Economist for Latin America and the Caribbean

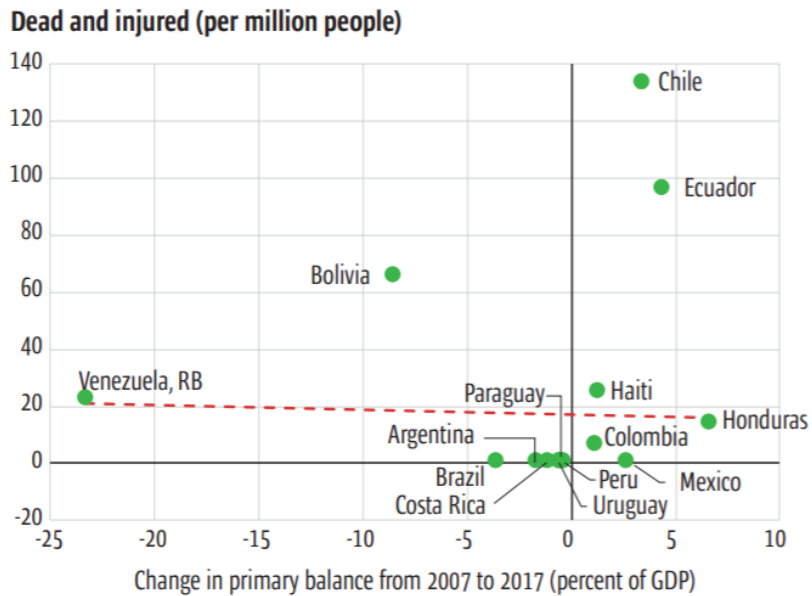
The World Bank

July 28, 2020

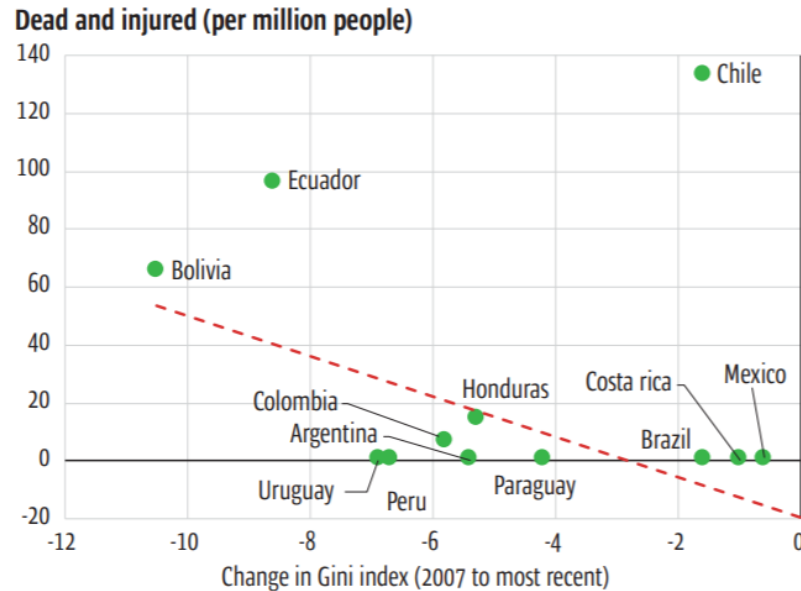
Economic growth: actual and forecasted



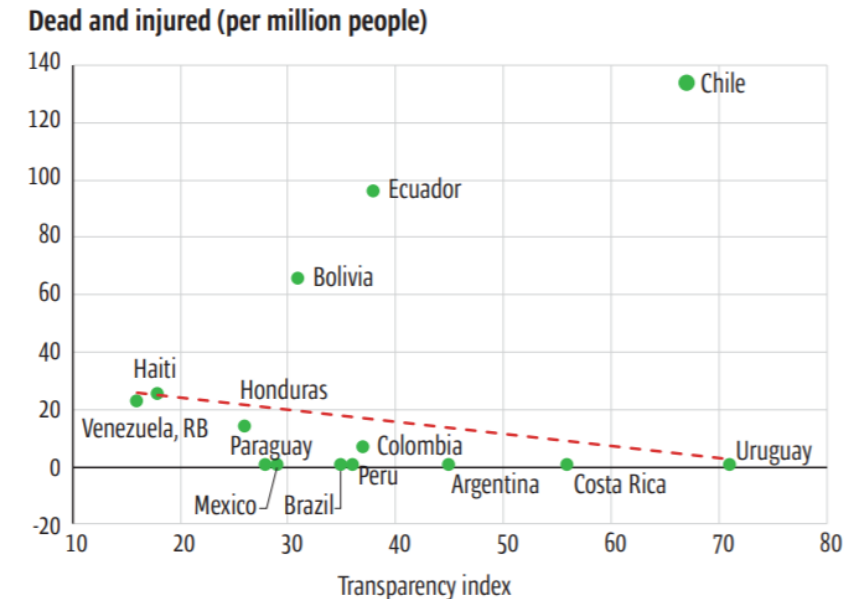
A year of social unrest, but no obvious correlate



Fiscal adjustment?



Increasing inequality?



Weak institutions?

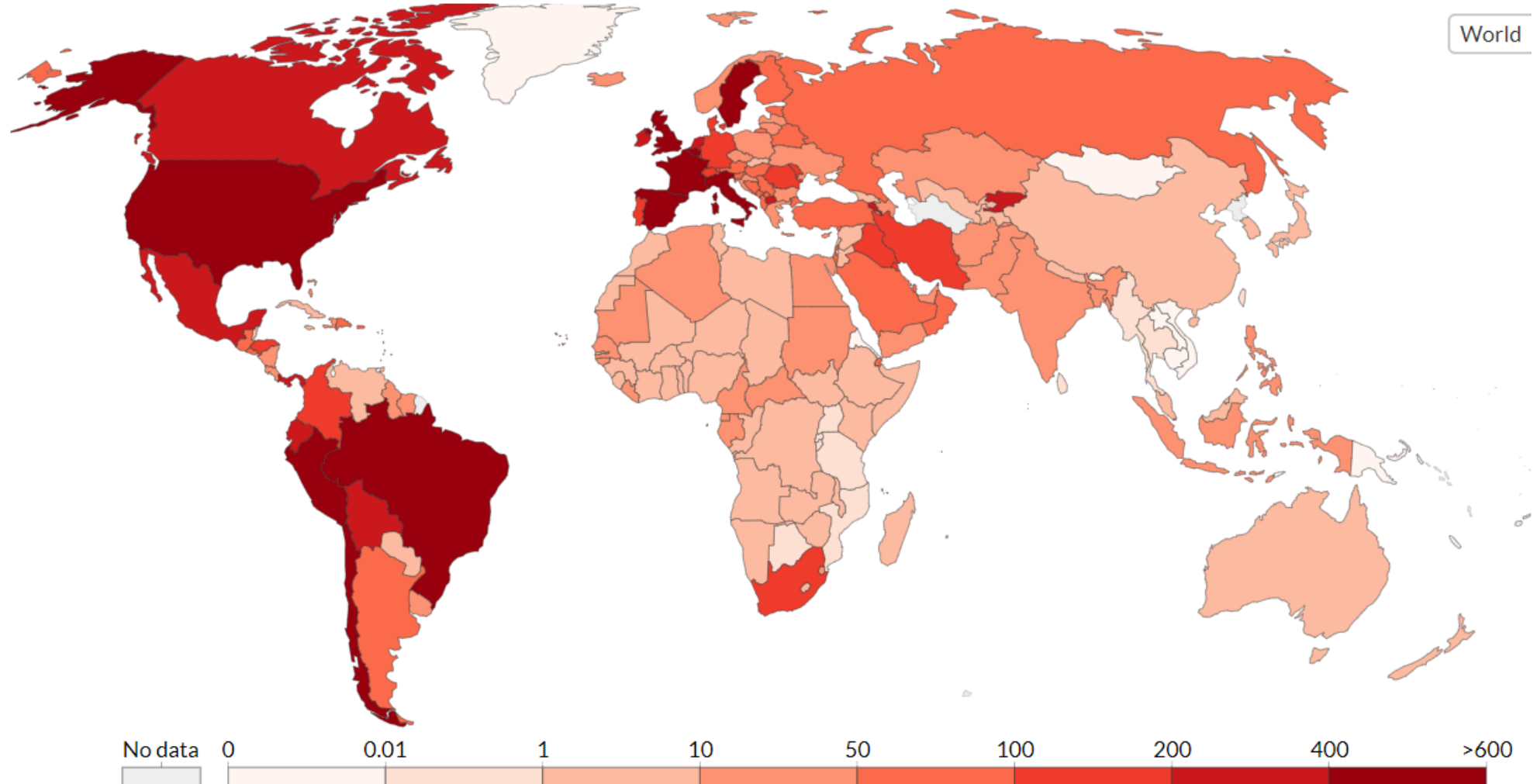
A different type of crisis

- A sharp decline in foreign demand
- Tightening financial conditions
- A domestic supply shock
- New lockdowns cannot be ruled out

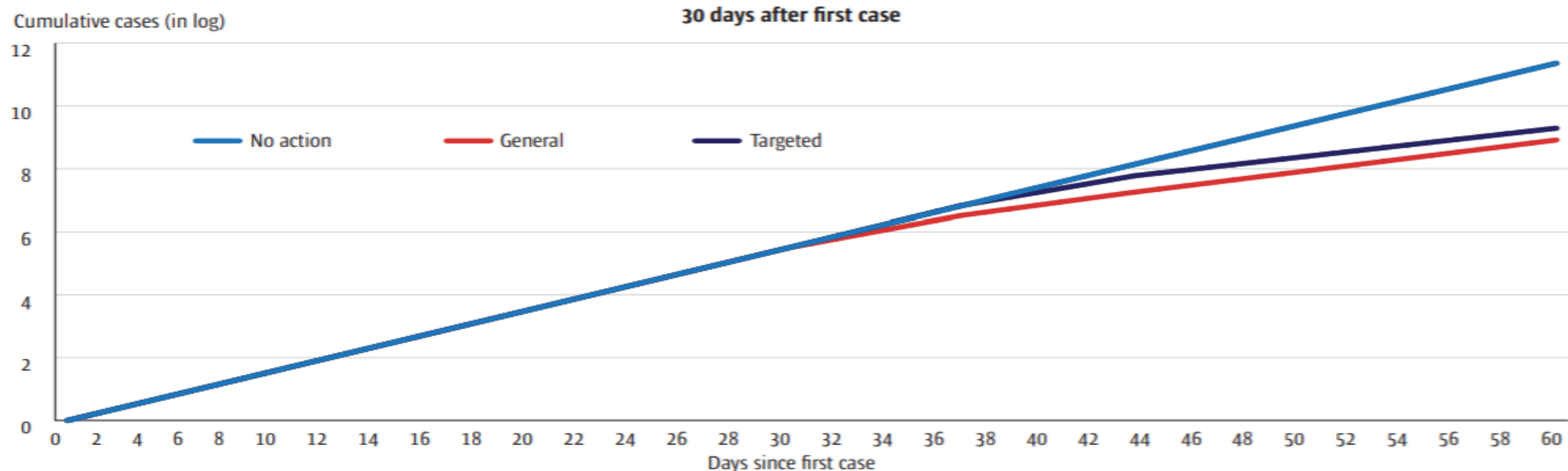
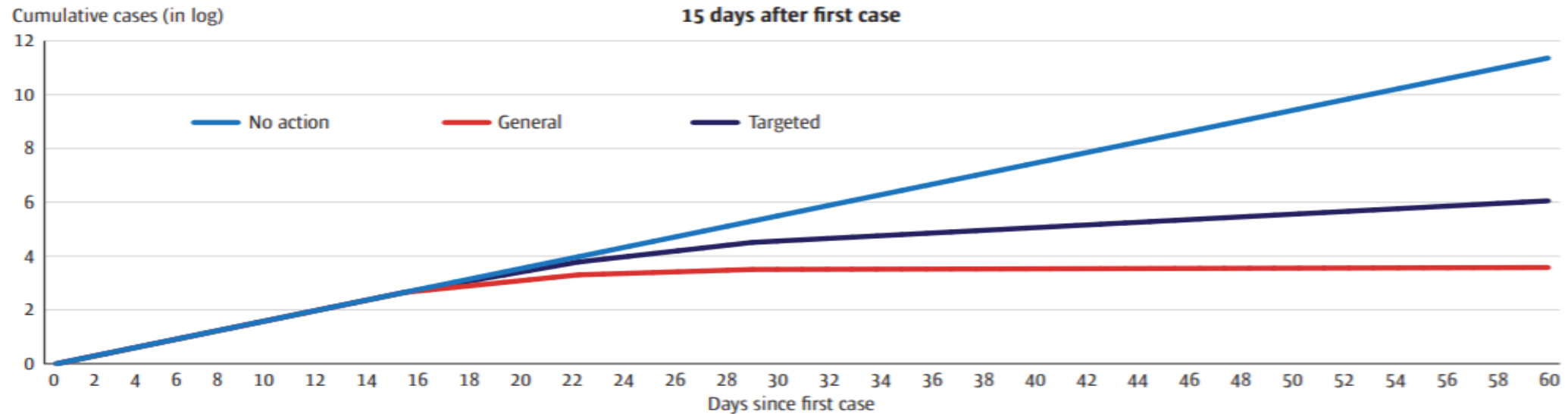
Affected by Covid-19 as if it were a rich region

Cumulative confirmed COVID-19 deaths per million people, Jul 28, 2020

Limited testing and challenges in the attribution of the cause of death means that the number of confirmed deaths may not be an accurate count of the true number of deaths from COVID-19.



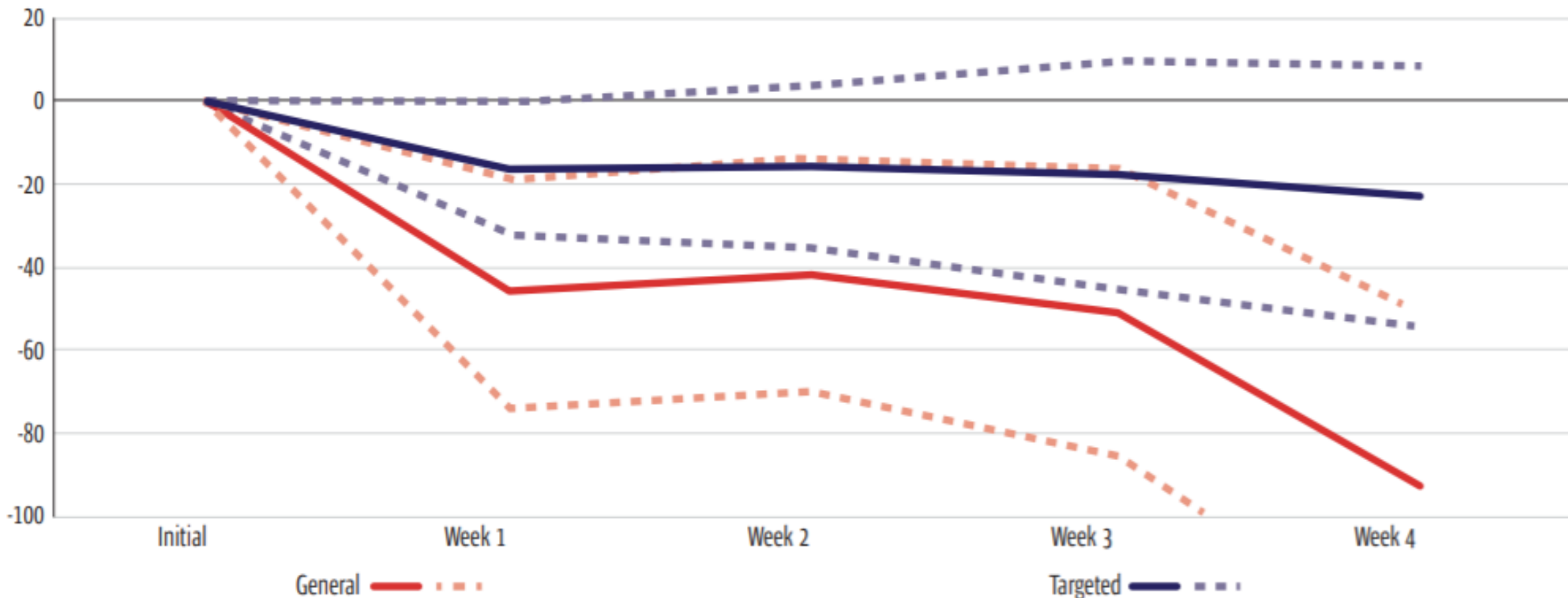
Containment policies and the spread of the epidemic



Sources: Own estimates based on data from the European Center for Disease Control.

Containment policies and economic activity

Change in NO2 emissions (percent)

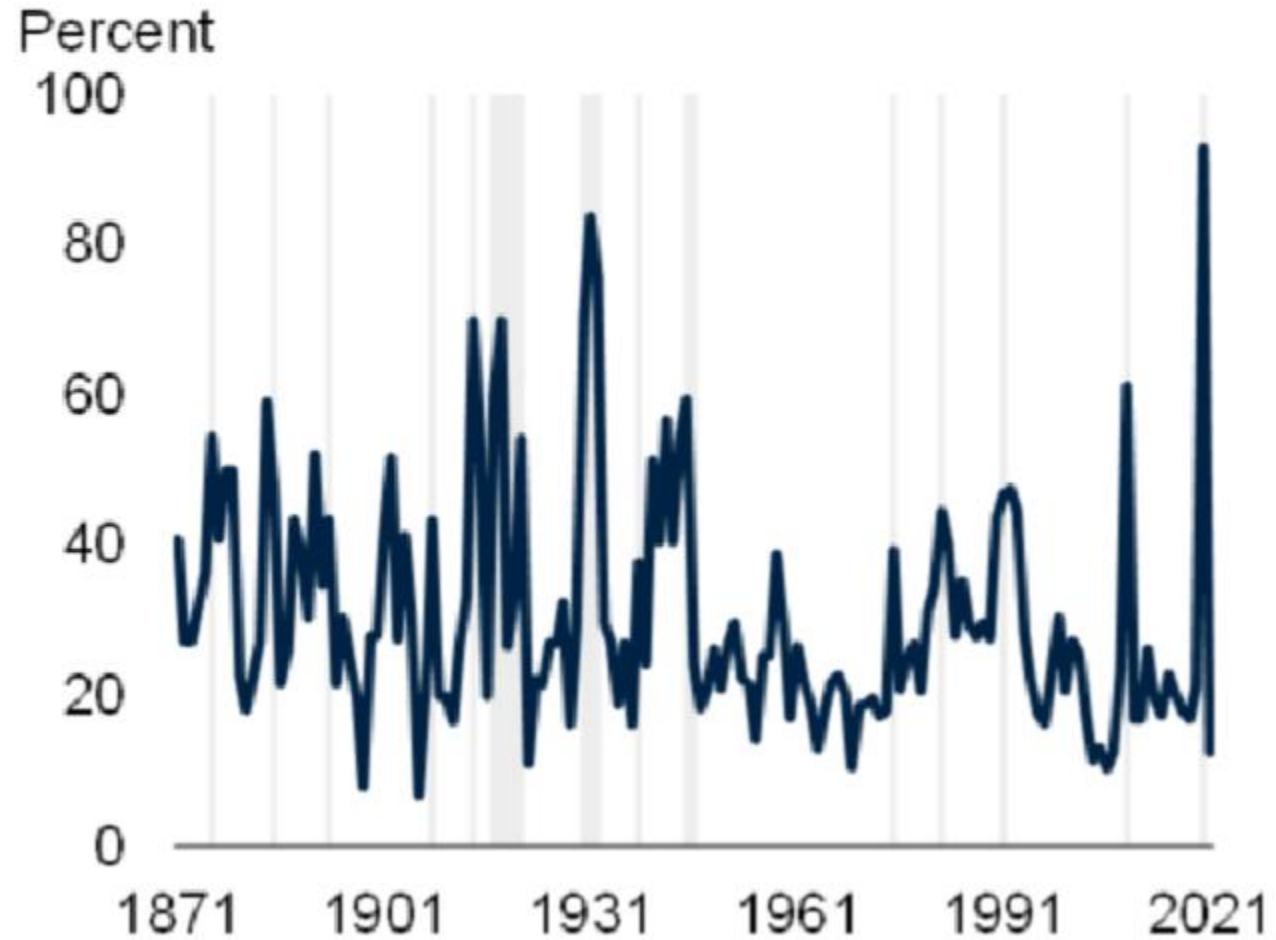


Note: The dotted lines indicate confidence intervals at the 95 percent level.

Source: Own estimates based on real-time NO2 data from www.temis.nl and data from the European Center for Disease Control.

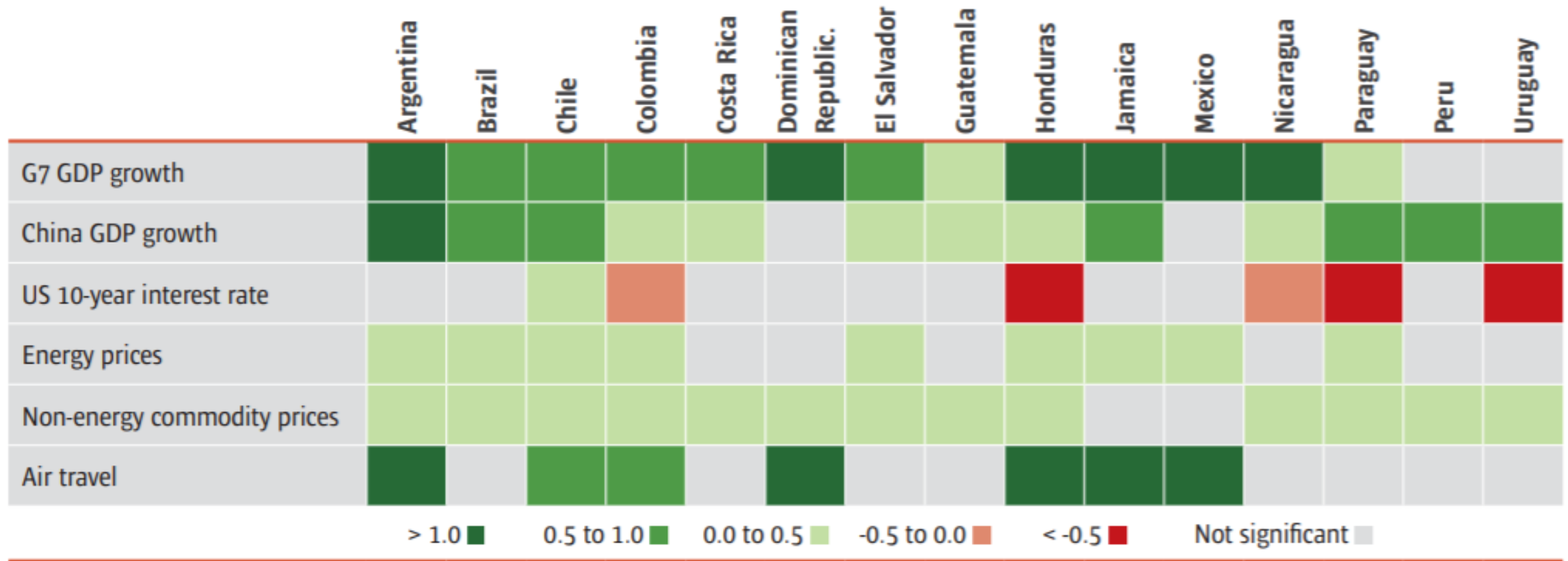
Potentially, the worst crisis since the Great Depression

Share of economies in recession



Source: World Bank.

Transmission channels affecting countries differently



Note: The figures are partial elasticities of real GDP growth to the corresponding variable.
 Source: Own estimates.

Continuously deteriorating growth forecasts

(Percent change from previous year)

differences from January
2020 projections

	2017	2018	2019e	2020f	2021f	2020f	2021f
World	3.3	3.0	2.4	-5.2	4.2	-7.7	1.6
Advanced economies	2.5	2.1	1.6	-7.0	3.9	-8.4	2.4
United States	2.4	2.9	2.3	-6.1	4.0	-7.9	2.3
Euro Area	2.5	1.9	1.2	-9.1	4.5	-10.1	3.2
Japan	2.2	0.3	0.7	-6.1	2.5	-6.8	1.9
East Asia and Pacific	6.5	6.3	5.9	0.5	6.6	-5.2	1.0
China	6.8	6.6	6.1	1.0	6.9	-4.9	1.1
Latin America and the Caribbean	1.9	1.7	0.8	-7.2	2.8	-9.0	0.4
Brazil	1.3	1.3	1.1	-8.0	2.2	-10.0	-0.3
Mexico	2.1	2.2	-0.3	-7.5	3.0	-8.7	1.2
Argentina	2.7	-2.5	-2.2	-7.3	2.1	-6.0	0.7

Source: World Bank.

The prospects for Latin America and the Caribbean

(Real GDP growth at market prices in percent, unless indicated otherwise)

from January 2020
projections

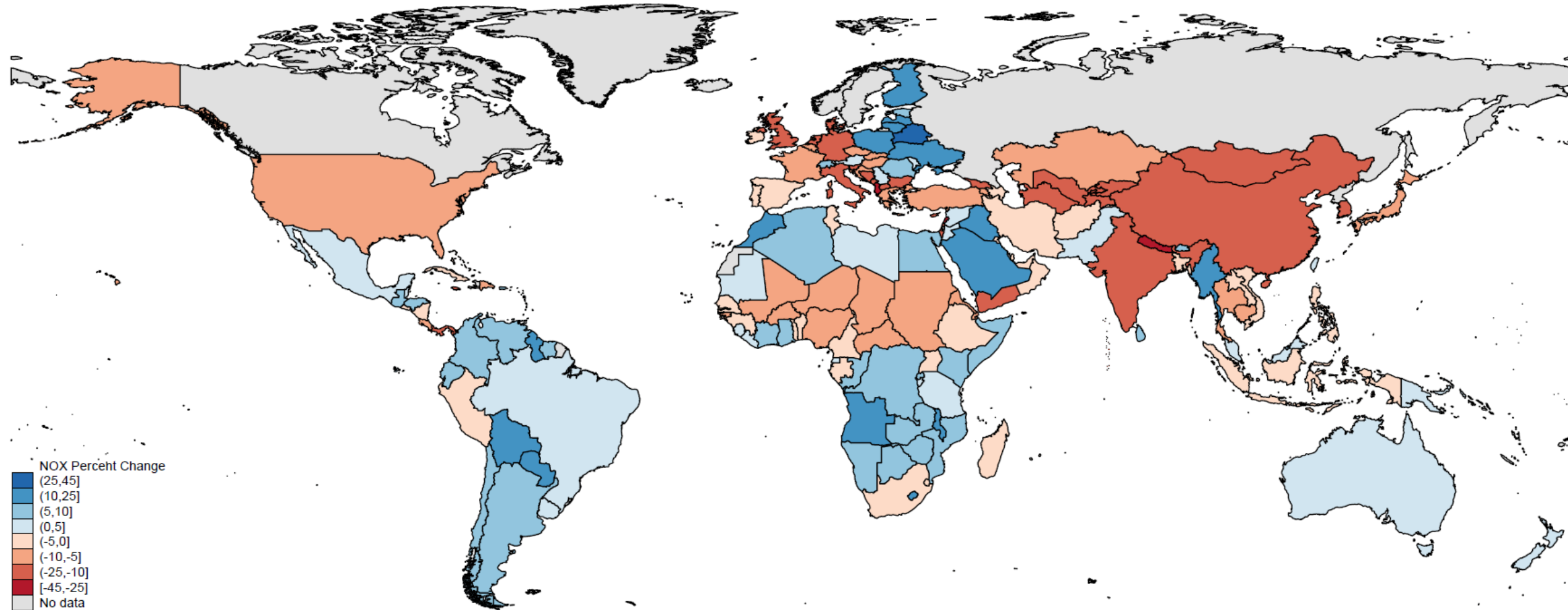
	2017	2018	2019e	2020f	2021f	2020f	2021f
Argentina	2.7	-2.5	-2.2	-7.3	2.1	-6.0	0.7
Belize	1.9	2.1	0.3	-13.5	6.7	-15.6	4.9
Bolivia	4.2	4.2	2.7	-5.9	2.2	-8.9	-1.0
Brazil	1.3	1.3	1.1	-8.0	2.2	-10.0	-0.3
Chile	1.2	3.9	1.1	-4.3	3.1	-6.8	0.1
Colombia	1.4	2.5	3.3	-4.9	3.6	-8.5	-0.3
Costa Rica	3.9	2.7	2.1	-3.3	3.0	-5.8	0.0
Dominica ²	-9.5	0.5	9.6	-4.0	4.0	-8.9	-0.1
Dominican Republic	4.7	7.0	5.1	-0.8	2.5	-5.8	-2.5
Ecuador	2.4	1.3	0.1	-7.4	4.1	-7.6	3.3
El Salvador	2.3	2.4	2.4	-5.4	3.8	-7.9	1.3
Grenada	4.4	4.2	3.1	-9.6	6.5	-12.5	3.6
Guatemala	3.0	3.1	3.6	-3.0	4.1	-6.0	0.9
Guyana	2.1	4.1	4.7	51.1	8.1	-35.6	-2.4
Haiti ³	1.2	1.5	-0.9	-3.5	1.0	-2.1	1.5
Honduras	4.8	3.7	2.7	-5.8	3.7	-9.3	0.2
Jamaica	1.0	1.9	0.7	-6.2	2.7	-7.3	1.5
Mexico	2.1	2.2	-0.3	-7.5	3.0	-8.7	1.2
Nicaragua	4.6	-4.0	-3.9	-6.3	0.7	-5.8	0.1
Panama	5.6	3.7	3.0	-2.0	4.2	-6.2	-0.4
Paraguay	5.0	3.4	0.0	-2.8	4.2	-5.9	0.3
Peru	2.5	4.0	2.2	-12.0	7.0	-15.2	3.5
St. Lucia	2.2	1.4	1.4	-8.8	8.3	-12.0	5.3
St. Vincent and the Grenadines	1.0	2.0	0.4	-5.5	4.0	-7.8	1.7
Suriname	1.8	2.6	2.3	-5.0	3.0	-7.5	0.9
Uruguay	2.6	1.6	0.2	-3.7	4.6	-6.2	1.1

Source: World Bank.

Potentially the most severe economic impact

(real GDP, annual percent change)	2019	2020	2021
World Output	2.9	-4.9	5.4
Advanced Economies	1.7	-8.0	4.8
United States	2.3	-8.0	4.5
Euro Area	1.3	-10.2	6.0
Emerging Markets and Developing Economies	3.7	-3.0	5.9
Emerging and Developing Asia	5.5	-0.8	7.4
China	6.1	1.0	8.2
India	4.2	-4.5	6.0
ASEAN-5	4.9	-2.0	6.2
Emerging and Developing Europe	2.1	-5.8	4.3
Russia	1.3	-6.6	4.1
Latin America and the Caribbean	0.1	-9.4	3.7
Brazil	1.1	-9.1	3.6
Mexico	-0.3	-10.5	3.3
Middle East and Central Asia	1.0	-4.7	3.3
Saudi Arabia	0.3	-6.8	3.1
Sub-Saharan Africa	3.1	-3.2	3.4
Nigeria	2.2	-5.4	2.6
South Africa	0.2	-8.0	3.5
Low-Income Developing Countries	5.2	-1.0	5.2

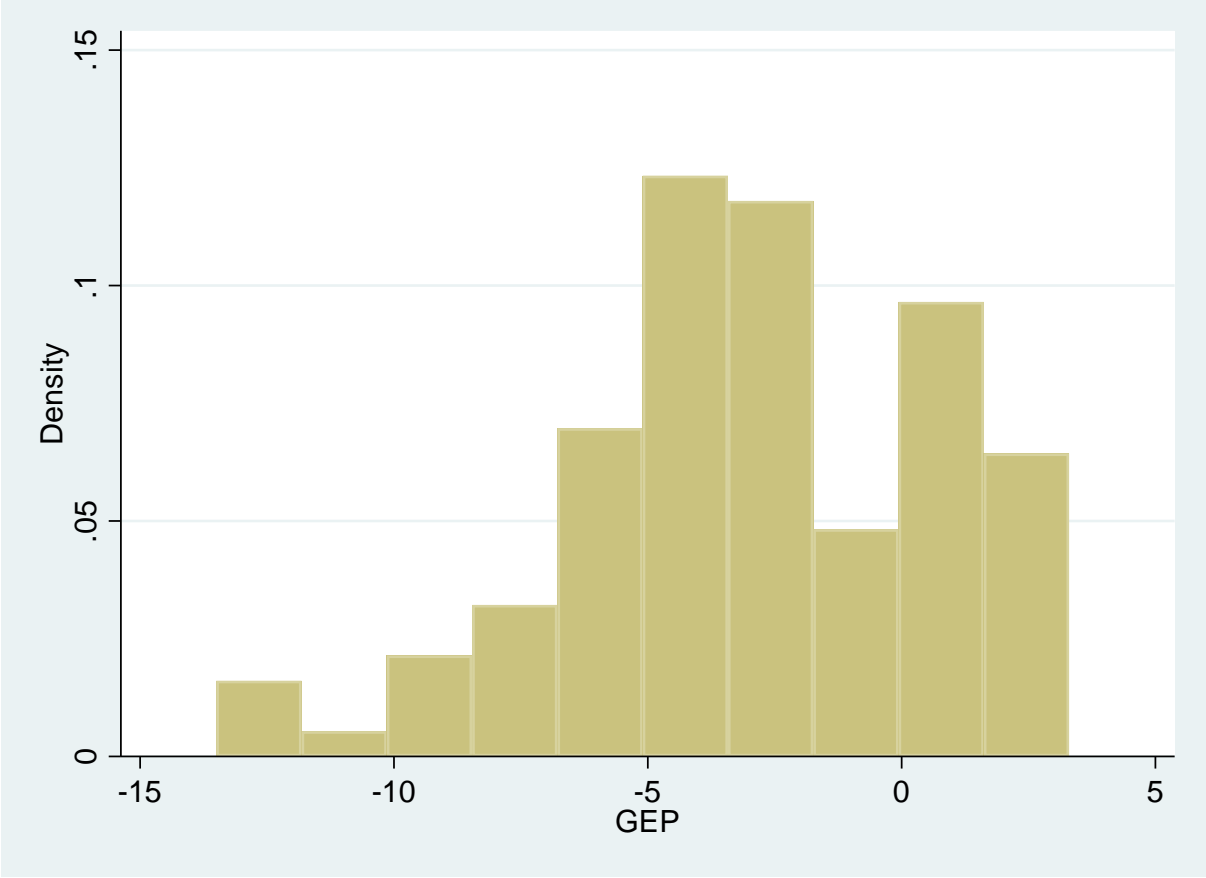
Given the uncertainties, the need for real time indicators



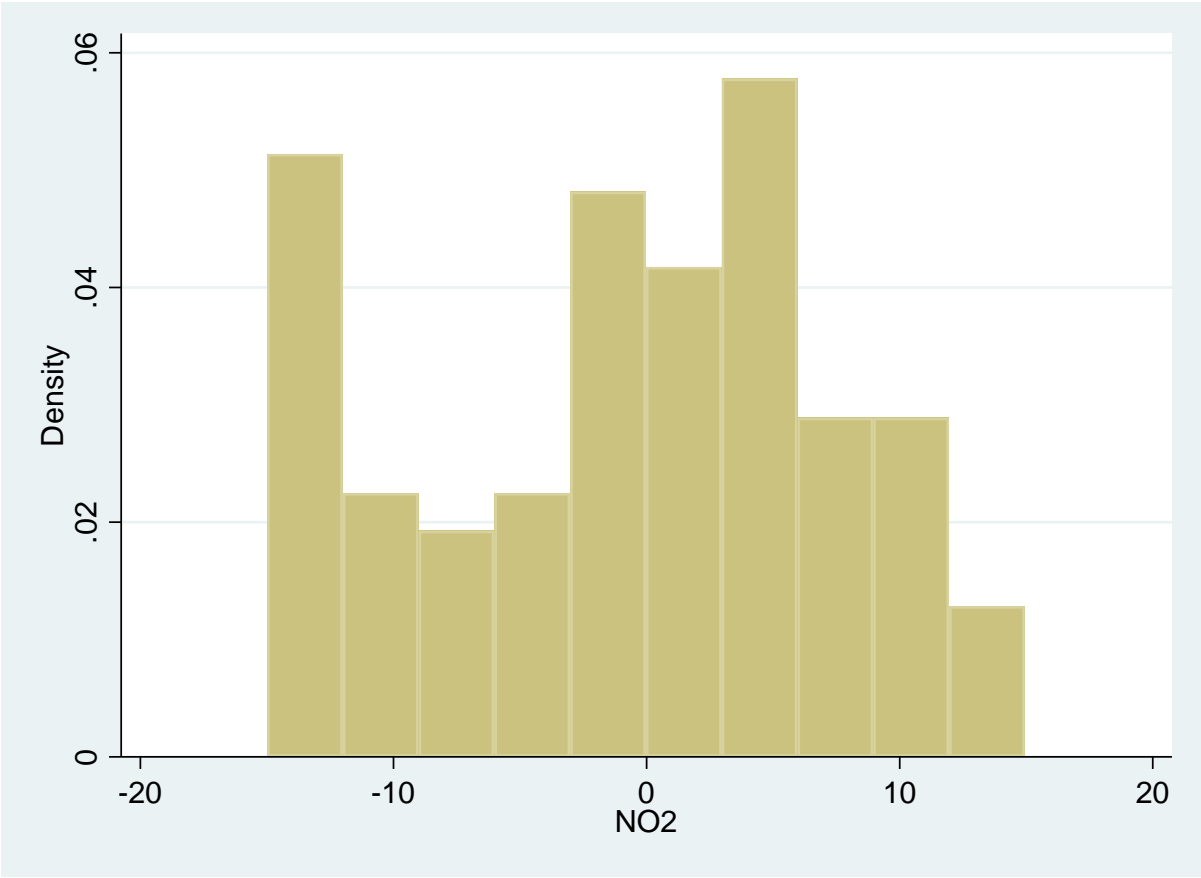
NO₂ emissions: January to June 2020, minus country trend, relative to January to June 2019

A more nuanced distribution of growth across countries

Annual GDP growth forecast for 2020 – Developing countries only



GDP growth – World Bank forecast for 2020



NO2 emissions – Actual January-May 2020

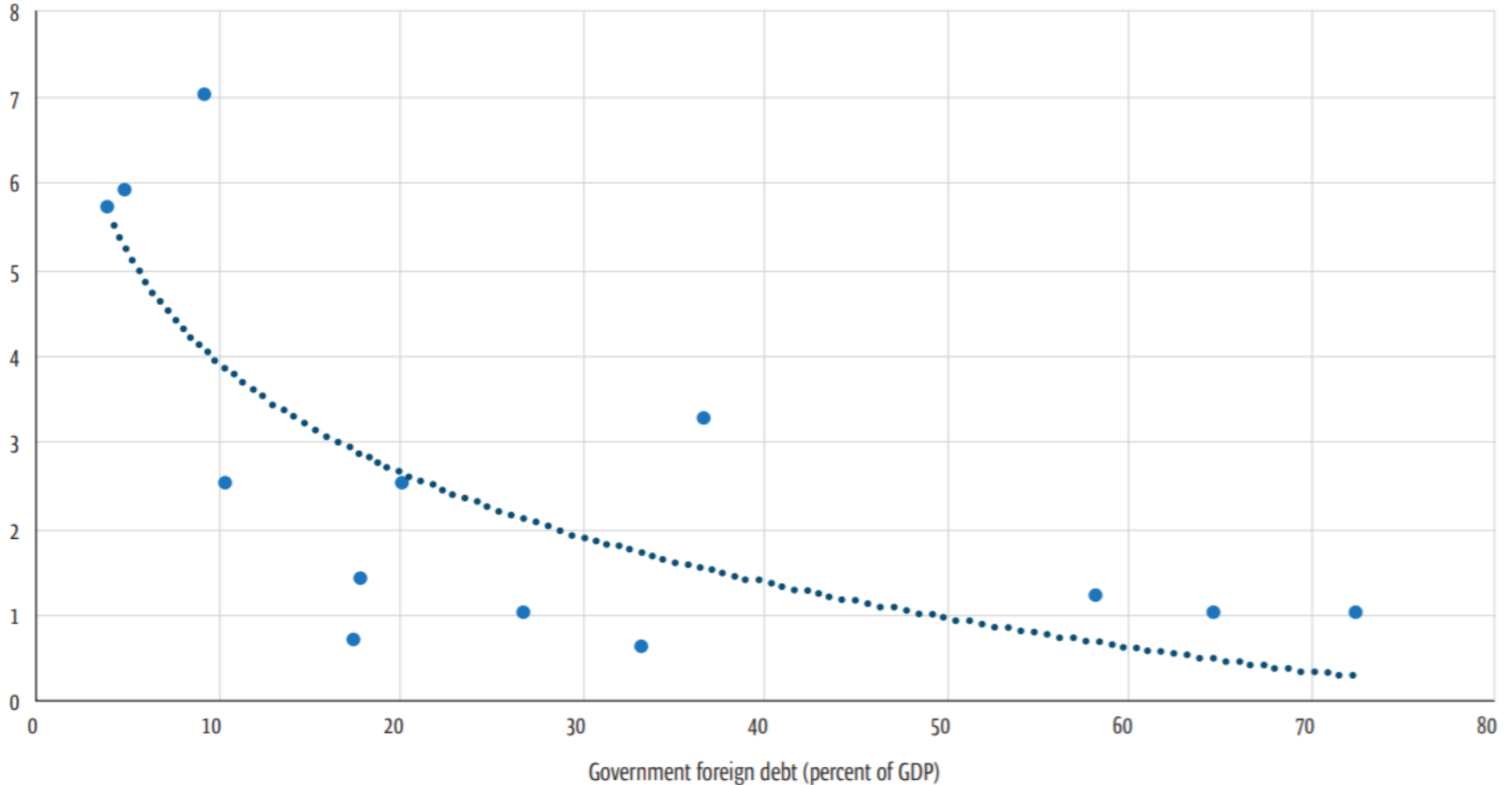
The readiness of the region to face the crisis

Country	Fiscal						Monetary					
	Fiscal balance (percent of GDP)		Government foreign debt (percent of GDP)		Government interest payments (percent of expenditures)		International reserves (percent of GDP)		Inflation (percent)		Bank credit to central government (percent of GDP)	
	2007	2019	2007	2019	2007	2019	2007	2019	2007	2019	2007	2018
Antigua and Barbuda	Red	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Green	Green
Argentina	Yellow	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Green	Green
Aruba	Red	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Green	Green
Bahamas	Red	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Green	Green
Barbados	Red	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Green	Green
Belize	Red	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Green	Green
Bolivia	Yellow	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Green	Green
Brazil	Red	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Green	Green
Chile	Green	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Green	Green
Colombia	Red	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Green	Green
Costa Rica	Yellow	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Green	Green
Dominica	Yellow	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Green	Green
Dominican Republic	Yellow	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Green	Green
Ecuador	Green	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Green	Green
El Salvador	Red	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Green	Green
Grenada	Red	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Green	Green
Guatemala	Red	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Green	Green
Guyana	Red	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Green	Green
Haiti	Red	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Green	Green
Honduras	Red	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Green	Green
Jamaica	Red	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Green	Green
Mexico	Red	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Green	Green
Nicaragua	Red	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Green	Green
Panama	Green	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Green	Green
Paraguay	Yellow	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Green	Green
Peru	Green	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Green	Green
St. Kitts and Nevis	Red	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Green	Green
St. Lucia	Red	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Green	Green
St. Vincent & Grens.	Red	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Green	Green
Suriname	Green	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Green	Green
Trinidad and Tobago	Yellow	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Green	Green
Uruguay	Yellow	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Green	Green

Country	Financial						External					
	Bank liquidity (percent of bank assets)		Domestic credit to private sector (percent of GDP)		Non-performing loans to total gross loans (percent)		Current account balance (percent of GDP)		Short-term international investment position (percent of GDP)		Financial account balance (percent of GDP)	
	2007	2018	2007	2018	2007	2018	2007	2019	2007	2018	2007	2019
Antigua and Barbuda	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red
Argentina	Yellow	Yellow	Green	Yellow	Red	Red	Yellow	Yellow	Green	Green	Yellow	Yellow
Aruba	Red	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Yellow	Yellow
Bahamas	Red	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Yellow	Yellow
Barbados	Red	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Yellow	Yellow
Belize	Red	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Yellow	Yellow
Bolivia	Yellow	Yellow	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Yellow	Yellow
Brazil	Yellow	Green	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Yellow	Yellow
Chile	Red	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Yellow	Yellow
Colombia	Red	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Yellow	Yellow
Costa Rica	Yellow	Yellow	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Yellow	Yellow
Dominica	Red	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Yellow	Yellow
Dominican Republic	Green	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Yellow	Yellow
Ecuador	Red	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Yellow	Yellow
El Salvador	Red	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Yellow	Yellow
Grenada	Red	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Yellow	Yellow
Guatemala	Red	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Yellow	Yellow
Guyana	Red	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Yellow	Yellow
Haiti	Green	Green	Green	Green	Green	Green	Yellow	Yellow	Green	Green	Yellow	Yellow
Honduras	Red	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Yellow	Yellow
Jamaica	Red	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Yellow	Yellow
Mexico	Red	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Yellow	Yellow
Nicaragua	Green	Yellow	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Yellow	Yellow
Panama	Red	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Yellow	Yellow
Paraguay	Green	Green	Green	Green	Green	Green	Yellow	Yellow	Green	Green	Yellow	Yellow
Peru	Green	Yellow	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Yellow	Yellow
St. Kitts and Nevis	Red	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Yellow	Yellow
St. Lucia	Red	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Yellow	Yellow
St. Vincent & Grens.	Red	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Yellow	Yellow
Suriname	Yellow	Yellow	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Yellow	Yellow
Trinidad and Tobago	Red	Red	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Yellow	Yellow
Uruguay	Green	Green	Green	Green	Green	Green	Yellow	Yellow	Green	Green	Yellow	Yellow

A policy response constrained by fiscal space

Fiscal stimulus (percent of GDP)

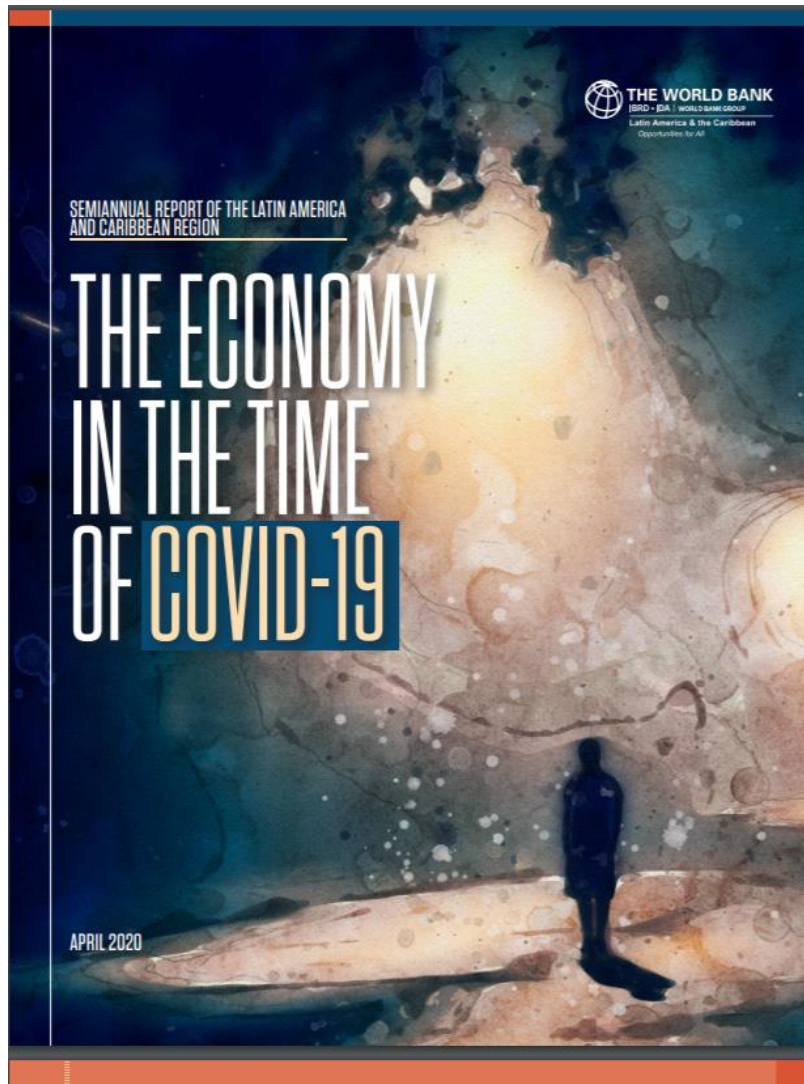


Source: International Monetary Fund and own estimates.

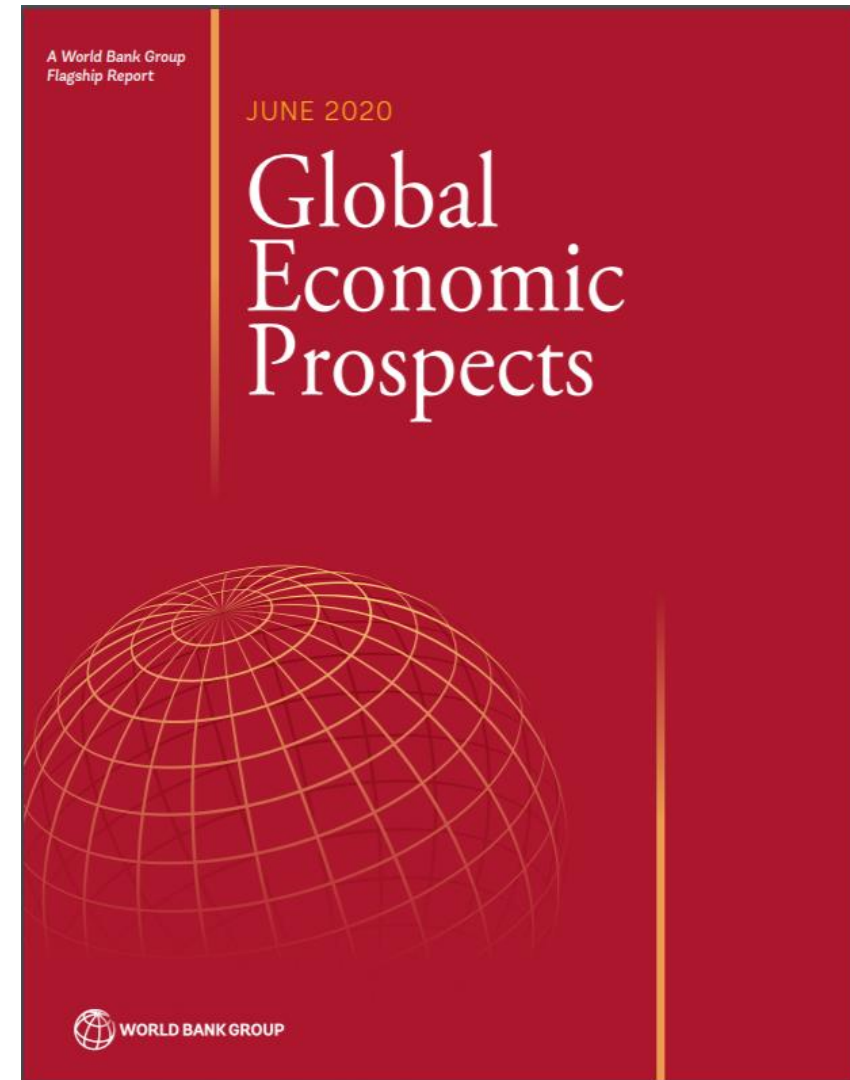
Facing the economic crisis

- Supporting the poorest and the most vulnerable
- Protecting jobs and firms
- Averting a financial crisis
- How (not) to socialize the losses

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