

THE IMPACT OF THE PANDEMIC ON THE LATIN AMERICAN ECONOMY

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The stop of economic activities seriously affected the Latin American economies during the first half of 2020, where eight years of production are lost. This text will discuss how the most affected economies were those with the least economic dynamism, and those least damaged had a more significant activity rate.

Country	GDP Q2-2020, Millions of national currency	Quarter with the closest value	Quarterly GDP, Millions of national currency	Base year	Lost years
Jamaica	160,662	-	-	2007	24
Belice	535	Q2-2005	534	2000	15
Brasil	265,243	Q3-2009	264,543	1995	11
Argentina	606,993	Q3-2009	610,520	2014	11
México	15,012,100	Q1-2011	14,902,732	2013	9
El Salvador	91	Q3-2011	92	2005	9
Perú	95,826	Q1-2011	94,996	2007	9
Ecuador	15,789,815	Q1-2012	15,798,590	2007	8
Honduras	43,146	Q3-2013	43,460	2000	7
Uruguay	154,988	Q1-2013	154,578	2005	7
Chile	33,924,653	Q3-2014	33,762,138	2013	6
Colombia	180,770,338	Q1-2014	182,400,907	2015	6
Bolivia	9,609	Q1-2015	9,769	1990	5
Costa Rica	6,555,777	Q3-2016	6,584,380	2012	4
Guatemala	115,162	Q2-2016	115,181	2013	4
República Dominicana	148	Q1-2016	147	2007	4
Paraguay	30,922,624	Q1-2017	30,890,918	2014	3

Source: obela.org; with data from INDEC, IBGE, DANE, Central American Monetary Council, Central Bank of Belize, Chile, Ecuador, Mexico, Paraguay, Peru and Uruguay

Since 2013, the Dominican Republic has had the highest economic growth rate in Latin America, at 6.2% per year. Its production contracted by one-sixth during the first half of 2020, but its great

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dynamism slowed down. The next strongest countries between 2013 and 2019 were Paraguay, Honduras, Guatemala, Costa Rica, Peru, and Bolivia, with rates above 3%. These economies saw the smallest contraction during the same period except for Peru and Honduras. The stop hurt Paraguay, Guatemala, and Costa Rica, with a decline of between three and four years, while in Bolivia, it was five years.

In Paraguay, the most critical activity is services, with just under half of the total economy severely affected by the cessation of activities. Manufacturing, however, fell slightly, which prevented a massive output loss.

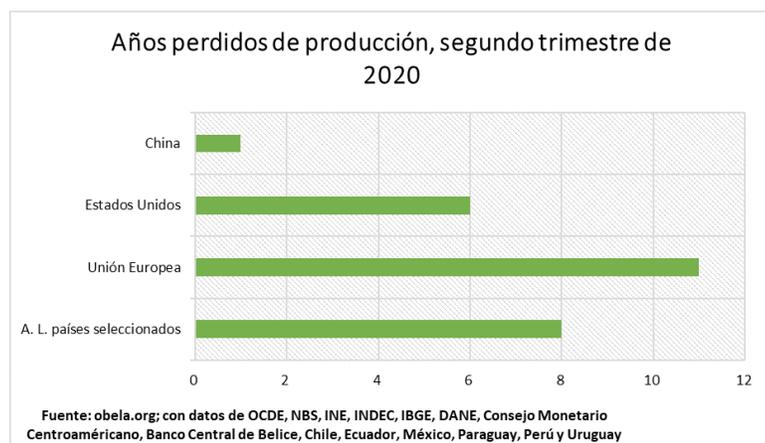
Peru lost nearly nine years of production, despite being one of the most dynamic countries. It represented a third of its total output in the first half of 2020, making it the country with the most massive annual fall in GDP in the region. Like Paraguay, services are crucial and fell by a quarter, especially in catering and tourism. Its industrial sector also fell by 40 percent. Honduras contracted by nine years.

The countries with growth of less than 3% since 2013 are El Salvador, Mexico, Chile, Uruguay, Belize, Jamaica, and Ecuador. The last four grew at rates of just over 1% in that period. Finally, the worst performing countries are Brazil and Argentina, which decreased by an average of 0.5% per quarter between 2013 and 2019.

Argentina and Mexico lost a fifth of their production in the first half of 2020 due to COVID. In Mexico, all economic sectors contracted, possibly due to the domestic market's shutdown on par with the international market. Agricultural activity fell by 1%, services by 16%, restaurants and tourism by 70%, and industry by 26%. In Argentina, services were sustained during the first half of the year by a 4% GDP boost through increased spending on social security, education, and public health. It amounts overall to 64% of GDP. Branches such as wholesale and retail trade, hotels and restaurants, and financial intermediation grew by 30%. However, Argentina's previous problems worsened by the closure of economic activities and international trade.

Brazil, on the other hand, barely fell by a tenth. Like Mexico and Argentina, services account for 64% of the economy, which they [looked after through money transfers](#). Like Argentina, its previous low growth caused it to lose a large number of years of production. The three largest economies in Latin America lost an average of 10 years of production.

For Belize and Jamaica, trade is others enlargest activity in the economy. Jamaica is the worst case, with a collapse equivalent to 24 years of production without government intervention. In Belize, the government increased spending by less than 2% and is still the second-largest annual decline after Peru.



On average, Latin America lost eight years of production, while China lost only one, the United States six, and the European Union 11. China, Europe, Argentina, Colombia, Bolivia, Ecuador, El Salvador, Honduras, Paraguay, Peru, and the Dominican Republic imposed mandatory quarantine. Panama imposed exit restrictions by gender. Chile, Cuba, and

Guatemala implemented quarantine by zones, while in Brazil and the United States, the states defined various quarantines. Costa Rica, Mexico, Nicaragua, and Uruguay applied [government recommendations of social distancing](#) and preferably not going out on the streets

The economic growth of the previous decade determines the outcome for the economy of infection prevention policies. When economic dynamics are low, a small fall, driven by the closure of internal and external economic activities, leads to a massive contraction, measured in terms of years of output. If the dynamics are high, a large fall leads to only a small reduction in production. There are two exceptional cases which emerge from this behaviour, Peru and Honduras. In both cases, informality weighed heavily and was strongly affected by the closure, and both have a large restaurant and tourism sector, where the lockdown was a determining factor.