



# The Economic Impacts of Coronavirus COVID-19 on the Global South

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## Abstract

The coronavirus outbreak has rapidly escalated into a significant global economic risk, the viral outbreak has been seen to pose a major destabilising threat to the global economy. The spread of the virus is causing disruption of global supply chains, volatility in financial markets, consumer demand shocks and negative impact in key sectors like travel and tourism. It also represents a serious mounting threat to the fragile Chinese and global economies.

We can't ignore the fact that the outbreak of COVID-19 in China is expected to have a significant impact on the economy globally including economic slowdown, trade, supply chain disruption, commodities, and logistics. And also The Coronavirus (COVID-19) has resulted in mass production shutdowns and supply chain disruptions due to port closures in China, causing global ripple effects across all economic sectors in a rare "twin supply-demand shock", This research paper explains the impact of COVID on the global economy, then the countries of Asia, Latin America, Africa, Nigeria, and India, and how to deal with this crisis.

**Keywords:** Corona, COVID-19, global economy, China, Asia, Southeast Asia, Latin American, Africa, Nigeria, India, North Korean.

## Introduction

The coronavirus outbreak carries serious risks for the global economy. Any slowdown in manufacturing in one part of the world will have a ripple effect in economic activity across the globe because of regional and global value chains. China has become the central manufacturing hub of many global business operations, a slowdown in Chinese production has repercussions for any given country depending on how reliant its industries are on Chinese suppliers.

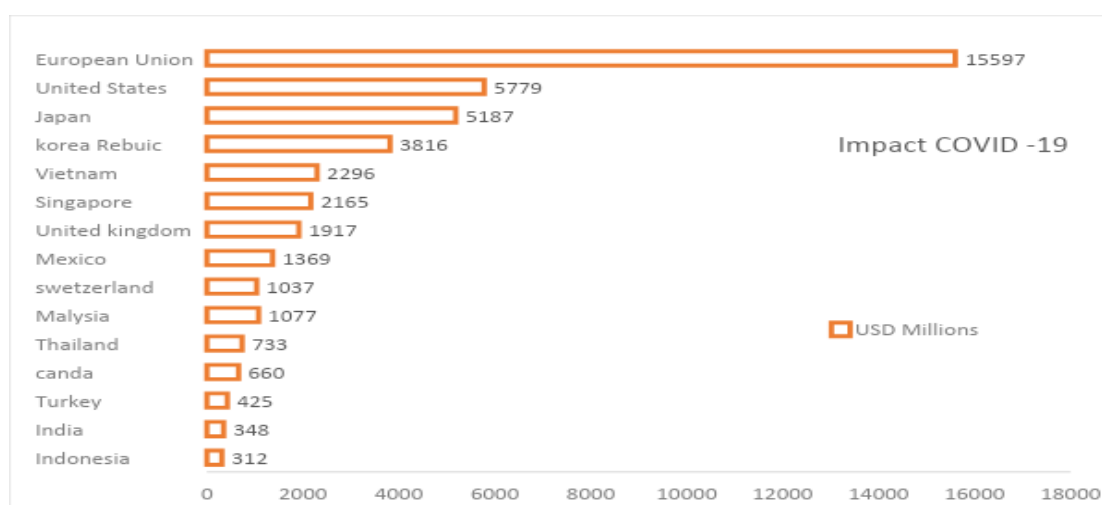
The impact of COVID-19 will also be felt in the manufacturing sectors. Because China is part of the global supply chain, factory closures raise the risk of supply chain disruptions for

multinational companies with delays, raw material shortages, increased costs and reduced orders already affecting manufacturing plants around the world, including in Africa.<sup>1</sup>

This paper aims to study the economic impact of the COVID-19 crisis across industries, and countries of The Global South. It discusses the economic channels through which economic activity will be impacted. And the results of spread avirus across countries and industries. It also In first part attempts a rough estimate of the potential global economic costs of COVID-19 and In second part we illustrate its effects on Africa and Asia and India. And Finally, Analysis of the direction impact and the most affected sectors resulting from the spread of Coronavirus, and Policy Steps to Address the Corona Crisis.

## Impact of the coronavirus pandemic on the global economy

The economic damage caused by the COVID-19 pandemic is largely driven by a fall in demand, meaning that there are not consumers to purchase the goods and services available in the global economy.<sup>2</sup> According to UNCTAD estimates, the most affected sectors include precision instruments, machinery, automotive and communication equipment. Among the most affected economies are the European Union (\$15.6 billion), the United States (\$5.8 billion), Japan (\$5.2 billion), The Republic of Korea (\$3.8 billion), Taiwan Province of China (\$2.6 billion) and Viet Nam (\$2.3 billion). This figure show that Trade Impact Corona VirusThe estimated global effects of COVID-19 are subject to change depending on the containment of the virus and or changes in the sources of supply.<sup>3</sup>



Source: UNCTAD, 04 March 2020, Coronavirus outbreak costs global value chains \$50 billion in exports.

**Figure 1: Trade Impact Corona Virus Epidemic, Top 15 most affected economies**

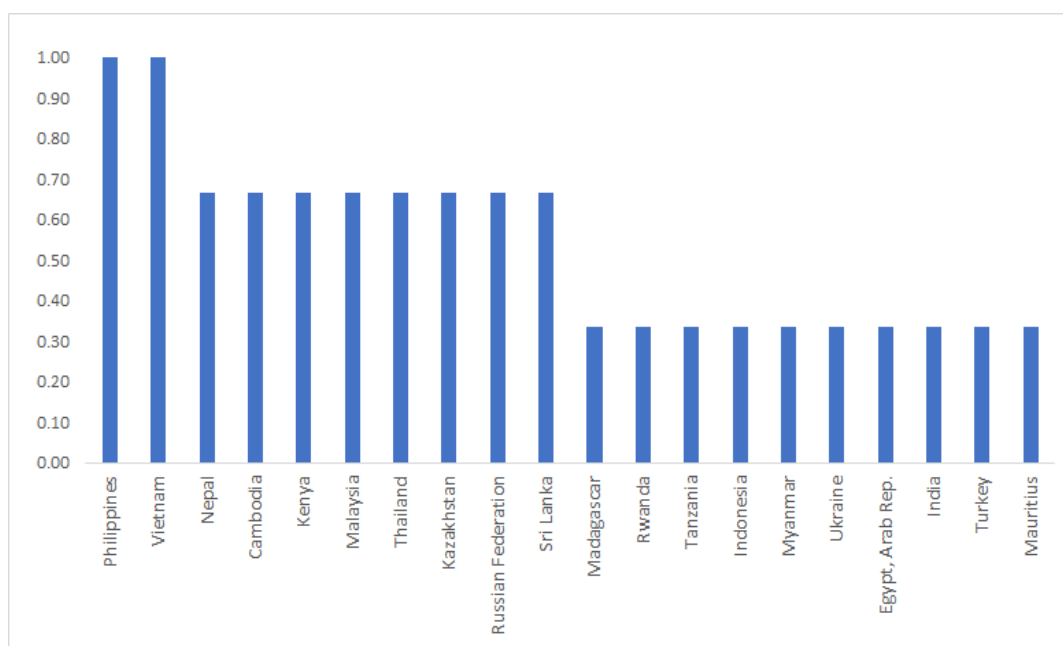
<sup>1</sup>The European central bank, (2020), Coordinated economic response to the COVID-19 Outbreak, Communication from the Commission to the European Parliament, the European Council, the Council, the European Central Bank, the European Investment Bank and the Eurogroup, pp 2.

<sup>2</sup>Erin Duffin, (Apr 3, 2020), Impact of the coronavirus pandemic on the global economy - Statistics & Facts, statista, <https://www.statista.com/topics/6139/covid-19-impact-on-the-global-economy/>.

<sup>3</sup>UNCTAD, (4 March 2020), Coronavirus outbreak costs global value chains \$50 billion in exports from link <https://www.developmentaid.org/#!/news-stream/post/60365/coronavirus-outbreak-costs-global-value-chains-50-billion-in-exports>.

## Affected countries by Coronavirus COVID-19 outbreak

A reduction in Chinese supply of intermediate inputs can affect the productive capacity and therefore the exports of any given country depending on how reliant its industries are on Chinese suppliers. For example, some European auto manufacturers may face the shortage of critical components for their operations, companies in Japan may find difficult to obtain parts necessary for the assembly of digital cameras, and so on.<sup>4</sup> The following ( graph 2) illustrates the countries most affected by the global crisis of the spread of the virus :



Michael Taylor 4th February 2020 Briefing-Economic Impact of Coronavirus –, ACCA chief economist, pp1-2.

**Figure 2: countries directly are affected by health impacts or flight cancellations**

## The Economic Impact of the COVID-19 Outbreak on Developing Asia

There are several channels through which the COVID-19 outbreak will affect economic activity in the PRC, the rest of developing Asia, and the world. These include a sharp but temporary decline in domestic consumption in the PRC and other outbreak-affected economies, and possibly investment if the outbreak affects views on future business activity; declines in tourism and business travel; spillovers of weaker demand to other sectors and economies through trade and production linkages; supply-side disruptions to production and trade (which are distinct from demand-side shocks spilling over through trade and production linkages); and effects on health such as increased disease and mortality as well as shifts in health care spending.

<sup>4</sup>Global trade impact of the coronavirus (covid-19) epidemic, (4 March 2020), Trade and development report, United nations conference on trade and development, UNCTAD,pp1-7.

**Table 1: Estimated Global and regional Impact of cCOVID-19, under Different Scenarios**

	Best case		Moderate case		Worse case	
	as % of GDP	losses in \$ millions	as % of GDP	losses in \$ millions	as % of GDP	losses in \$ millions
World	-0.089	\$76,693	-0.182	\$155,948	-0.404	\$346,975
People’s Republic of China	-0.323	\$43,890	-0.757	\$103,056	-1.740	\$236,793
Developing Asia excluding the People’s Republic of China	-0.171	\$15,658	-0.244	\$22,284	-0.463	\$42,243
Rest of the World	-0.011	\$17,145	-0.020	\$30,608	-0.044	\$67,938

Source: Asian Development Bank staff estimates.

As shown in the previous table, The scenarios explored here suggests a global impact ranging from \$77 billion to \$347 billion or 0.1% to 0.4% of global gDP, with a moderate-case estimate of \$156 billion or 0.2% of global gDP (Table 3). Across all three scenarios, the PRC accounts for roughly two-thirds of the global impact; in the moderate scenario the loss to the PRC relative to a no-outbreak scenario is \$103 billion, or close to 0.8% of the PRC’s GDP. The rest of the impact on the global economy is split roughly equally between the impact on the rest of developing Asia, and on the rest of the world. The rest of developing Asia would experience a loss of \$22 billion or 0.24% of its GDP under the moderate-case scenario.<sup>5</sup>

### **Coronavirus’ economic impact in East and Southeast Asia**

As the number of coronavirus cases continues to rise around the world, there are deep concerns over the potential economic impact of the virus. The virus originated in China, and given the size of China’s economy, there from the COVID-19 outbreak will spill over to the rest of the ASEAN+3 region. The ASEAN+3 Macroeconomic Research Office that the COVID-19 epidemic could deduct as much as half a percentage point from the economic growth of some regional economies in 2020.

If the Chinese economy slows down more than expected, or if the epidemic lasts longer and becomes more contagious than current estimates suggest, the impact on regional economies will be more severe.

The epidemic is also affecting trade within the ASEAN+3 region. The manufacturing sector has been disrupted and domestic demand in surrounding countries is taking a hit. Many regional economies, such as Singapore and Vietnam, are deeply integrated within regional and global supply chains and China is an important link in these networks. Notably, trade between China and the ASEAN region has grown strongly over the last two decades, so any disruption in China will impact regional trade and production.

<sup>5</sup>Abdul Abiad, Mia Araq et al, (6 March 2020), The Economic Impact of the COVID-19 Outbreak on Developing Asia, pp1-14.

Many countries in the ASEAN+3 region have a rapidly growing number of confirmed cases of COVID-19. The spread of the virus will affect these economies directly via impact on the healthcare sector, as well as indirectly through measures implemented to contain the outbreak, such as quarantines or travel restrictions. It also impacts business and consumer confidence, and triggers a change in public behaviour to avoid contagion. Just as in China, it will hurt economic activity across the region-though likely to a lesser degree-as a result of disruptions to domestic production and investment and reduced spending on goods and services.<sup>6</sup>

### **Predicted slump in china Covid-19 (coronavirus)**

Economic turmoil associated with the coronavirus pandemic has wide-ranging and severe impacts upon financial markets, including stock, bond, and commodity (including crude oil and gold) markets. Real GDP growth in 2020 might fall to well below zero or even be substantially negative as a result of the COVID-19

The Chinese economy is likely to be hit further by reduced global demand for its products due to the effect of the outbreak on economies around the world. Which leads falling oil, stock prices; central bank action fails to calm markets. Covid-19 (coronavirus) has spread beyond China and our 2020 base case global oil demand forecast is cut by 1.1 mb/d. For the first time since 2009, demand is expected to fall year-on-year, by 90 kb/d.<sup>7</sup>

Indeed, most recent data from China indicate a substantial decline in output. China Manufacturing Purchasing Manager's Index (PMI), a critical production index, fell by about 22 points in February (Figure 3). This index is highly correlated with exports and such a decline implies a reduction in exports of about 2 percent on an annualized basis. In other words, the drop observed in February spread over the year is equivalent to -2 percent of the supply of intermediate goods.

The coronavirus outbreak in China and its spread has roiled markets across the world in recent days and raised global economic growth concerns given the size of the Chinese economy and the strong linkages that many countries and companies have to the country's economy. Concerns over the spread of the virus across the world have led to many global airlines halting flights to the country and the Chinese government has issued unprecedented quarantine and put 16 cities under lockdown. All this has impacted the movement of people, goods and services and financial market sentiments.

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<sup>6</sup>Anne Oeking, AMRO, (4th March 2020), Coronavirus' economic impact in East and Southeast Asia, Economics, Politics and Public Policy in East Asia and the Pacific.

<sup>7</sup>Rosamond Hutt, (17 Feb 2020), The economic effects of COVID-19 around the world, World Economic Forum articles, From Site : <https://www.weforum.org/agenda/2020/02/coronavirus-economic-effects-global-economy-trade-travel/>.



Source: National Bureau of Statistics of China

**Figure 3: China's Purchasing Managers Indices**

An extended and significant slowdown in the Chinese economy caused by the coronavirus would reduce world GDP growth and put the recent stabilisation in global trade volumes into sharp reverse. An interruption in global supply chains caused by extended factory closures in China would also have a significant negative impact on several Asian economies.<sup>8</sup>

### Impact of Coronavirus on the Indian Economy

India is among the 15 most affected economies due to the coronavirus epidemic and slow down in production in China. The trade impact of the coronavirus epidemic for India is estimated to be about 348 million dollars and the country figures among the top 15 economies most affected as slowdown of manufacturing in China disrupts world trade, according to a UN report.<sup>9</sup>

Up to a large extent, it will impact the Indian industry. In imports, the dependence of India on China is huge. Of the top 20 products (at the two-digit of HS Code) that India imports from the world, China accounts for a significant share in most of them. Given that India and China have strong trade relations and see movement of large number of people between the 2 countries, the epidemic could have a bearing on the domestic economy too.

Most of the Indian companies are located in the eastern part of China. In China, about 72% of companies in India are located in cities like Shanghai, Beijing, provinces of Guangdong, Jiangsu,

<sup>8</sup>Michael Taylor, (4th February 2020), Briefing – Economic Impact of Coronavirus –, ACCA chief economist, pp1-2.

<sup>9</sup>PTI United Nations, ( March 05, 2020), Trade impact of Coronavirus for India estimated at \$348 mn: UN report, <https://www.thehindubusinessline.com/economy/trade-impact-of-coronavirus-for-india-estimated-at-348-mn-un-report/article30988253.ece#>

and Shandong. In various sectors, these companies work including Industrial manufacturing, manufacturing services, IT and BPO, Logistics, Chemicals, Airlines, and tourism.

It has been seen that some sectors of India have been impacted by the outbreak of coronavirus in China including shipping, pharmaceuticals, automobiles, mobiles, electronics, textiles, etc. Also, a supply chain may affect some disruptions associates with industries and markets. Overall, the industry is expected to be negatively impacted if the spread of coronavirus in China is not controlled and situation gets aggravated in coming months.<sup>10</sup>

**Table 5: The Impact of Corona Virus on Indian Sectors**

<b>Electronic imports</b>	<b>Electronic imports</b>	<b>Extiles Industry</b>	<b>Electronics Industry</b>	<b>Tourism and Aviation</b>
India’s total electronic imports account for 45% of China. Around one-third of machinery and almost two-fifths of organic chemicals that India purchases from the world come from China. For automotive parts and fertilisers China’s share in India’s import is more than 25%. Around 65 to 70% of active pharmaceutical ingredients and around 90% of certain mobile phones come from China to India.	India’s total electronic imports account for 45% of China. Around one-third of machinery and almost two-fifths of organic chemicals that India purchases from the world come from China. For automotive parts and fertilisers China’s share in India’s import is more than 25%. Around 65 to 70% of active pharmaceutical ingredients and around 90% of certain mobile phones come from China to India.	Due to coronavirus outbreak, several garments/textile factories in China have halted operations that in turn affecting the exports of fabric, yarn and other raw materials from India.	The major supplier is China in electronics being a final product or raw material used in the electronic industry. India’s electronic industry may face supply disruptions, production, reduction impact on product prices due to heavy dependence on electronics component supply directly or indirectly and local manufacturing.	Due to the coronavirus outbreak, the inflow of tourists from China and from other East Asian regions to India will lose that will impact the tourism sector and revenue. as such led to the cancellation and temporary suspension of flights operating from India to China and Hong Kong.

Source: prepared researchers through the following website <https://www.jagranjosh.com/general-knowledge/what-is-the-impact-of-coronavirus-on-indian-economy-1582870052-1>.

<sup>10</sup>International Monetary Fund, (March 16, 2020 ), Policy Steps to Address the Corona Crisis, pp 1-5. from link <https://www.imf.org/en/Publications/Policy-Papers/Issues/2020/03/16/Policy-Steps-to-Address-the-Corona-Crisis-49262>.

The disruption caused by the epidemic if prolonged could have a bearing on India's imports from the country which is critical for domestic economic activity as finding substitutes for imports from China in the near term could be a challenge. This could have implication for domestic economic output. Further, the slowdown in economic activity in China could impact exports from India.<sup>11</sup>

## **The Domestic Impacts on the North Korean Economy**

North Korea will also likely face slowing internal economic activity as it loses access to needed external inputs and potential domestic constraints on economic activity. With trade curtailed North Korea will also be less able to stabilize its economy than other countries.

North Korean economy has not been able to avoid the economic consequences of the coronavirus. International trade is likely minimal at most, but that decline in trade is likely also filtering through the domestic economy in the form of inflation and reduced supplies of food and raw materials for manufacturing.<sup>12</sup>

If the reductions in travel and their impact on small and medium sized enterprises (SMEs) in China are reflective of the situation in North Korea, North Korean SMEs are also likely facing pressures from labor shortages, supply chain disruption, declining orders, rising costs, and expectations of further declines in revenue.<sup>13</sup>

## **The Impact of COVID-19 on Africa Sectors**

According to ratings agency, Fitch, the Coronavirus outbreak will have a downside risk for short term growth for sub-Saharan African growth, particularly in Ghana, Angola, Congo, Equatorial Guinea, Zambia, South Africa, Gabon and Nigeria - all countries that export large amounts of commodities to China.

Economically, demand for Africa's raw materials and commodities in China has declined and Africa's access to industrial components and manufactured goods from the region has been hampered. This is causing further uncertainty in a continent already grappling with widespread geopolitical and economic instability. As shown in the following table:

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<sup>11</sup>Kavita Chacko, Rucha Ranadive Sushant Hede, (January 31, 2020), Impact of Coronavirus on India – Economy & Industries, /company/CARE Ratings, Corporate Office: 4<sup>th</sup> Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai, pp1-13.

<sup>12</sup>Elmougher, Mohammed M. (2 April 2020) interview with Assistant professor master program of crisis and disasters management- IUG and Assistant professor-Faculty of engineering- Palestine university, Gaza, Palestine.

<sup>13</sup>Troy Stangarone, (March 06, 2020), Coronavirus: The Economic Costs for North Korea, The outbreak, and Pyongyang's response, will seriously strain the North Korean economy. <https://thediplomat.com/2020/03/coronavirus-the-economic-costs-for-north-korea/>.



**Table 2: The Impact of Corona Virus on Africa Sectors**

<b>The Sector</b>	<b>Its Effects</b>
Merger and Acquisition Activity	It will affect investment opportunities in Africa, the continent's productivity and consumer demand. There are other transactional risks. If the virus spreads rapidly in Africa, countries might have to introduce similar measures to those taken in China where areas were locked down, factories were shut, quarantines enforced, and travel bans imposed.
Capital Raising and IPOs	COVID-19 will have an effect on the underlying business case for IPO companies, which will impact on their ability to raise capital.
Local Markets	local prices have been driven down by the virus's global impact. As such, disruptions due to the impact of COVID-19 will lead to a decrease in the availability of manufactured goods imported into Africa from China.
Infrastructure	China has targeted sub-Saharan Africa in recent years, both in the context of its need for natural resources and as part of the Belt and Road Initiative (BRI). The effects of Coronavirus have already impacted activity around China's BRI, a multi-billion dollar plan to link Asia, Europe and Africa. Which leads to reduce investments into BRI's smaller, less critical markets where the opportunities to connect such investments to the global supply are limited. Central Asia, Sub-Saharan Africa, and Eastern Europe will accordingly see a short-term dip in BRI related activity, relative to Southeast Asia.
Trade	COVID-19 is expected to impact China's global trade for several months. As China is Africa's biggest trading partner, the effects of COVID-19 are already being felt in Africa. With China having shut down its manufacturing centre and closed its ports, there has been a resultant decrease in demand for African commodities. Importers in China are cancelling orders due to port closures and as a result of reduction in consumption in China. Sellers of commodities in Africa are being forced to offload products elsewhere at a discounted rate.
Energy and Mining	Port closures, travel restrictions and manufacturing shutdowns are decreasing demand, causing oil importers in China to cancel purchases of African oil, forcing sellers to divert cargoes as they seek new buyers often at discounted prices.  In addition, significant outbreaks of COVID-19 in mining regions in Africa could affect workforce productivity, the availability of skilled technicians to travel from affected areas and the capacity of labour-intensive mining operations to produce raw materials.
Industrials, Manufacturing and Transportation	The manufacturing and industrial sectors in Africa are expected to be impacted by a decreased supply of key components from China (and other relevant countries affected by COVID-19).  In particular, construction companies will be impacted due to delays

	in the global supply chain and the resultant shortage of construction material. African contractors are at risk as the resultant delays will affect the time taken to complete projects.
Technology, Media and Telecommunications (TMT)	Wuhan in China is the largest producer of optical fibre and cable in the world, accounting for a quarter of the international market. A break in the supply chain for such products means that the African telecommunications industry and the quest to implement fourth industrial revolution technology infrastructure in Africa could be affected.

Prepared by the researchers from Source : Baker McKenzie, 2020, The Impact of COVID-19 on Key African Sectors, <https://www.bakermckenzie.com/en/insight/publications/2020/03/the-impact-of-covid19-on-key-african-sectors>.

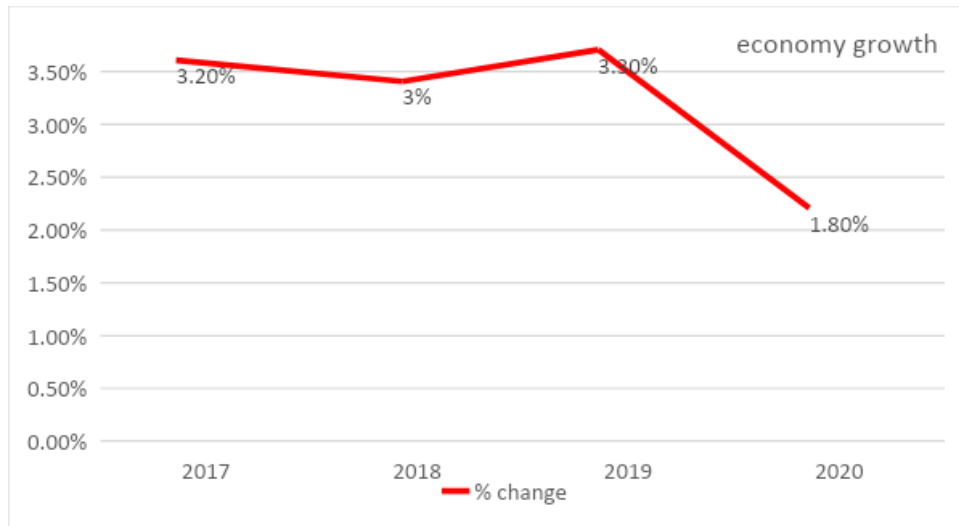
Yet it looks like the COVID-19 economic shocks could lead to a sharp increase in poverty, making it even harder for the continent to achieve the already extremely demanding UN Sustainable Development Goals by 2030.

In theory, there are two types of effects that countries can feel from the COVID-19 “shocks” that have already taken place in China. The first effect is a “demand-side” shock. To explain in simple terms, we all know that several African (and other) economies export goods to China, to be used in factories or sold to Chinese consumers. For instance, Nigeria and Angola export oil to China; South Africa exports precious metals to China. But with lockdowns and other movement restrictions, as factories, restaurants, and shops closed, COVID-19 has slowed down the demand in China for manufacturing and consumer goods, and as a result, imports of such goods into China from Africa may be disrupted or prices may need to be reduced. This might, in turn, lead to production cuts and job losses in African countries.

The second type of COVID-19 impact is a “supply-side” shock. Again, to explain simply, many African (and other) countries import goods that are manufactured in China for use on infrastructure projects, for sales in shops, and much more. With COVID-19, we have seen China slashing its manufacturing, in turn leading to less exports from China to African countries, and/or exports at higher prices. This affects consumer demand in African countries and can lead to the kinds of empty shelves that are being seen in Kenya. <sup>14</sup>

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<sup>14</sup>Hannah Ryder and Angela Benefo, (March 19, 2020 ), China’s Coronavirus Slowdown: Which African Economies Will Be Hit Hardest? From link <https://thediplomat.com/2020/03/chinas-coronavirus-slowdown-which-african-economies-will-be-hit-hardest/>.

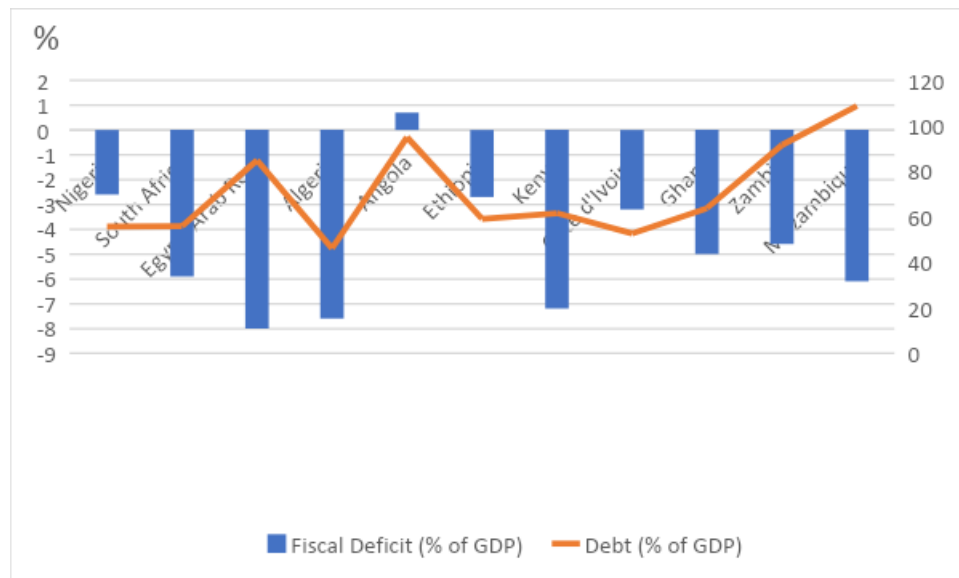


Source : Economic Impact of the COVID-19 on Africa, March 13, 2020, Economic Commission for Africa, United Nation Economic commission for Africa, Addis Ababa, Ethiopia, pp1-20.

**Figure 4: Africa: Corona Virus new blow to economy Growth expected to drop from 3.2% to 1.8%**

Covid-19 is spreading from China to other regions causing human suffering and economic disruption. It is raising health concerns and the risk of wider restrictions on the movement of people, goods and services, falls in business and consumer confidence and slowing production.<sup>15</sup>

Decline in commodity prices could lead to fiscal pressures for Africa’s largest economies Making it impossible to respond to COVID-19 crisis.

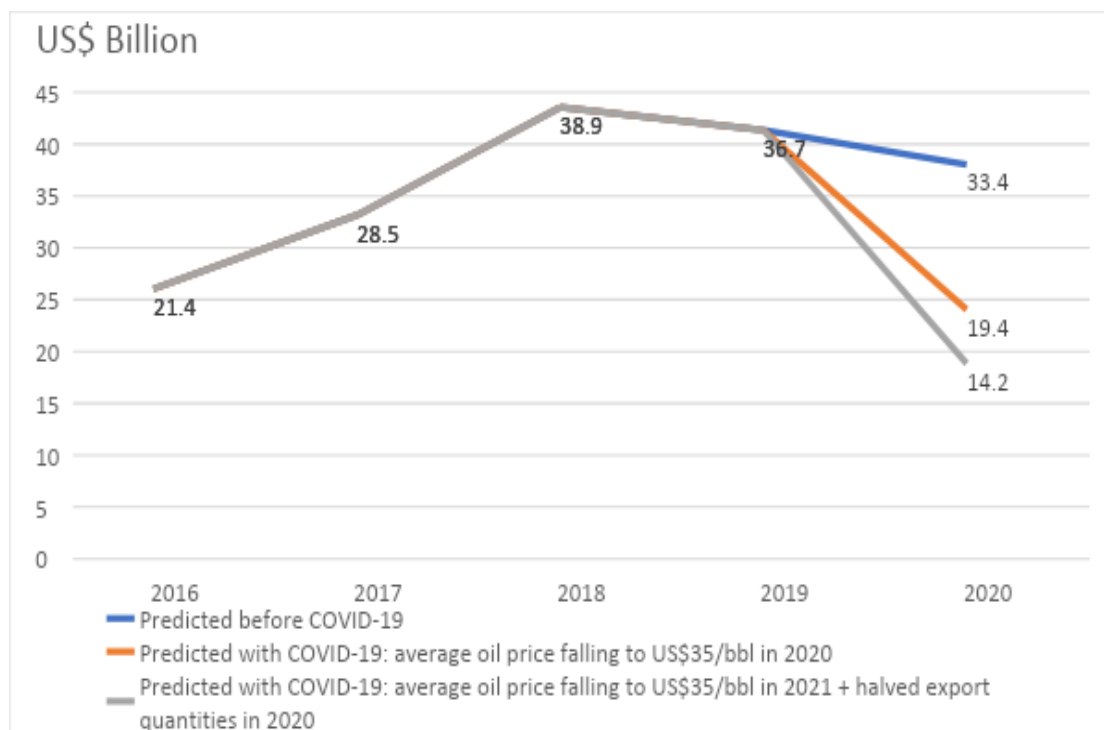


Source: Economic Impact of the COVID-19 on Africa, March 13, 2020, Economic Commission for Africa, United Nation Economic commission for Africa, Addis Ababa, Ethiopia, pp1-20.

**Figure 5: Africa’s economies after COVID-19 crisis**

<sup>15</sup>OECD, (02/03/2020), Global economy faces gravest threat since the crisis as coronavirus spreads, <http://www.oecd.org/economy/global-economy-faces-gravest-threat-since-the-crisis-as-coronavirus-spreads.htm>.

Evolution of crude oil exports from Nigeria-2016-19 (observed in graph 6 ) and 2020 (predicted under various scenarios)-US\$ billion: COVID-19 could reduce Nigeria’s total exports of crude oil in 2020 by between US \$14 billion and US\$ 19 billion (compared to predicted exports without COVID- 19).



Source: ECA based on Central Bank of Nigeria (observed; prices and quantities) and Trading Economics (predicted; quantities) as well as EIA and WTI (predicted prices).

**Figure 6: Expected Pressure on Nigeria**

No other country in Africa consumes more Chinese products than Nigeria, following the lockdown of much of the Chinese mainland (up to 150 million Chinese nationals are under mandatory movement restrictions), production of goods and services will continue to slow, and in some cases, shut down completely, affecting exports to Nigeria.<sup>16</sup>

It only gets worse for Nigeria, a country like Nigeria will be negatively impacted by the downward price trend. Oil prices do not only affect the revenue generated from this sector but also disrupt prices in other sectors such as manufacturing and production, thereby causing inflation to go up.<sup>17</sup>

<sup>16</sup>Economic Impact of the COVID-19 on Africa, (March 13, 2020 ), Economic Commission for Africa, United Nation Economic commission for Africa, Addis Ababa, Ethiopia, pp1-20.

<sup>17</sup>Coronavirus: It’s potential effect on Nigeria’s economy, (24th February 2020), from link <https://www.sbmintel.com/2020/02/coronavirus-its-potential-effect-on-nigerias-economy/>.

**Table 3: Illustrative coronavirus scenarios and their economic impact**

<b>The base-case scenario: a contained outbreak</b>	<b>A “domino” scenario: broader contagion</b>
<p>The impact of the coronavirus outbreak, and the measures used to contain its spread, is akin to an adverse supply-side shock, with an enforced decline in the number of hours worked. However, the effects are mirrored in weaker demand. A decline in confidence, foregone income for laid-off workers, and lower demand for travel and tourism services all hit consumer spending; a reduction in cash-flow and higher uncertainty delay corporate investment; and existing inventory levels are run down due to the disruption of supply chains.</p>	<p>This illustrative downside risk scenario considers the potential effects if the outbreak of the virus in China were to spread much more intensively than at present through the wider Asia-Pacific region and the major advanced economies, Which leads to reduce domestic demand in most other Asia-Pacific economies, including Japan and Korea, and private consumption in the advanced northern hemisphere economies by 2% (relative to baseline) in the second and third quarters of 2020.</p>

Source: Coronavirus The world economy at risk, March 2020, OECD Interim Economic Assessment, OECD Interim Economic Outlook, pp1-18.

### **coronavirus outbreak of Latin American economy**

The Latin American economy is also vulnerable to the coronavirus outbreak via the troubled Chinese economy and weakened demand and prices for the agricultural, metals and energy commodities produced throughout the region. Oil prices are already off by more than \$10 per barrel since the beginning of the year to near \$50 per barrel for West Texas Intermediate crude, and copper prices have slumped sharply and threaten to fall through \$2.50 per ounce. At these prices, commodity producers will soon begin to cut back on production and investment. Given the economic damage caused by 2019-nCoV, prospects are poor that prices will recover soon.

### **The Impact of Coronavirus on Latin America**

Several direct effects of COVID-19 will impact Latin American economies. One is the interruption of supply chains. This is particularly important for the two largest Latin American economies-Brazil and Mexico-which import Chinese goods for their manufacturing sectors, especially in automobiles, electronics, and machinery and equipment. As these inputs become less available due to factory closures and disruptions in global trade, manufacturing output of Mexico and Brazil will suffer, The economic impact is likely to be felt on several fronts in Latin America: a devaluation of currencies as investors seek refuge in gold and U.S. dollars; a decline in tourism; and dips in demand for exports and prices. as shown in the table:

**Table 4: The Impact of Coronavirus on Latin America sectors**

global value chains	In terms of global value chains, no country in Latin America is as engaged as Mexico. Imports of intermediate goods from China represent 8 percent of Mexico’s manufacturing value-added, and 6 percent of Brazil’s. Overall imports from China are between US\$70-80 billion (6 percent of GDP) in Mexico, and US\$35 billion (1.7 percent of GDP) in Brazil. This means Mexico is more exposed to disruptions in supply chains, as it is more open and exports have a much greater role in its economy (34 percent of GDP in Mexico versus 13 percent of GDP in Brazil).
currency	However, Chile’s currency has depreciated the most as a result of COVID-19. China buys one-third of Chile’s exports—9 percent of GDP—so lower economic growth in China means not just lower commodity prices but also lower export volumes for Chile. Brazil also sells about one-third of its exports in China, but they represent a much lower share of GDP (4 percent in 2019). Argentina, Colombia, Ecuador, and Peru also have significant exposure, but essentially through prices of commodities.
travel and tourism	A second effect with particularly severe consequences in Latin America and the Caribbean is the reduction of travel and tourism, including the cruise industry. These services are the leading export activity for a number of countries, especially in the Caribbean. In those cases, the reduction in visitors resulting from travel restrictions and quarantines will have a severe cost in terms of lost economic activity, especially jobs.
domestic demand	In addition to these external channels, cancellation of large events, school closures, and limited social interaction will reduce domestic demand. Recent survey data on the retail sector in Colombia are already suggesting a reduction in expected sales over the next three months. This results from households that become more cautious with their consumption decisions given the risk of contagion and the uncertainty about the economic outlook. The stock market crash also sends a negative signal—even for those who are not equity investors.
Imports	China’s shock may also transmit effects on the supply side, especially for Mexico and Brazil. The manufacturing sectors in both countries rely on parts and intermediate goods coming from Chinese suppliers. As global value chains have already been disrupted because of quarantines and mobility restrictions in and out of China, negative production effects are a real risk, as alternative sources cannot be tapped immediately. Both Samsung and Motorola have had to stop producing cellphones in Brazil due to the lack of parts purchased in China. Besides cellphone producers, car manufacturers, other electronics and appliances makers, and pharmaceutical companies could be forced to halt production.

Source: Prepared by the researcher<sup>18</sup>

<sup>18</sup>Otaviano Canuto, (February 20, 2020), How Coronavirus Poses New Risks to Latin America's Sputtering Economies, from link <https://blogs.ei.columbia.edu/2020/03/18/covid-19-oil-price-war-latin-america/> and <https://www.americasquarterly.org/content/how-coronavirus-poses-new-risks-latin-america-sputtering-economies>.

## **Analysis of the direction impact and the most affected sectors resulting from the spread of Coronavirus**

The Corona crisis has affected the economic development of countries, contributing to changing working patterns, which have negatively affected working hours in the private and public sector, particularly with regard to working hours, as well as increasing the operational cost of workers in the context of the entry of today's assessment budgets and measures to prevent the transmission among workers in economic and industrial facilities.

The spread of the virus has also affected the orientation of industrial development patterns and methods in the Countries of the South, The spread of the virus has contributed to the failure of national development projects in many countries of the South, and the orientation of countries to impose a curfew, which has caused the decline of trade traffic and raise the state budgets to provide basic necessities for unemployed citizens in the private sector.

In addition, the coronavirus is considered to have a major impact on the health economy in the world, as countries have relied on strengthening the health economy and supporting the national health system to deal with this crisis, which caused the collapse of the strongest health systems in the world that declared the use of war medicine, and that the changes introduced by the crisis force decision makers to restructure health policies and strengthen the health economy that depends on local resources and harness technology in the countries of the South.

The shares of the digital economy have also increased in the light of the world's trend of technology and the reduction of human movement in densely populated areas, as this can cause margarine diseases for the citizens behind the screens of computerized devices.

### **Policy Steps to Address the Corona Crisis**

Monitoring, containing and mitigating the effects of the corona virus are top priorities. Timely and decisive actions by health authorities, central banks, fiscal, regulatory and supervisory authorities can help contain the virus outbreak and offset the economic impact of the pandemic. Central banks must support demand and confidence by preventing a tightening of financial conditions, lowering borrowing costs for households and firms, and ensuring market liquidity. Fiscal policy must step up to provide sizable support to the most affected people and firms, including in hard-to-reach informal sectors. Regulatory and supervisory responses must aim to preserve financial stability and banking system soundness while sustaining economic activity. Monitoring and containment measures are essential to slow the spread of the virus and reduce the peak load on health systems.

1. Early monitoring and swift and comprehensive containment measures will slow the spread of the virus, Ramp up public health expenditure urgently. And Inform populations of the seriousness of the crisis and change individual behaviors.
2. Cooperate on measures to help the vulnerable within, and across countries. It remains important to ensure that crucial medical supplies are not restricted from reaching the people and countries most in need, as it would raise infection rates further and prolong the pandemic.

3. Fiscal policy should urgently provide sizable support for affected people and firms during the pandemic. Depending on the evolving nature of the pandemic, additional fiscal stimulus may be necessary to prevent long-lasting economic damage.
4. Governments should provide sizable support for affected people and firms. Wage subsidies for businesses affected by shutdowns can help prevent cascading bankruptcies and massive layoffs that will have lasting effects for future recovery and negative impact on aggregate demand. Cash transfers to low-income households can support consumption and preserve minimum living standards.
5. The regulatory and supervisory response should aim to maintain the balance between preserving financial stability, maintaining banking system soundness and sustaining economic activity.
6. The IMF stands ready to mobilize its \$1 trillion lending capacity to help its membership fight the Coronavirus (Covid-19) pandemic, and its widespread human, economic and financial costs (Annex). Many members are now at risk and need support because of weak health systems, limited policy space, and exposure to the large terms of trade shocks and financial spillovers seen in recent days. The IMF is also in close contact and coordinating country support with the World Bank and other international financial institutions.
7. Economic Recovery Plan represented in The necessity of providing fiscal measures worth 1 per cent of GDP, on average, for 2020 to support the economy, and committed to provide liquidity facilities of at least 10 per cent of GDP, consisting of public guarantee schemes and deferred tax payments.