



## Latin America and the Caribbean

The Covid-19 pandemic is projected to trigger a severe economic contraction in 2020 in Latin America and the Caribbean, which comes on the heels of several years of lackluster growth. A flagship [report](#) from the World Bank estimates that the region will suffer a 4.6 percent contraction in 2020 because of the pandemic. The outlook is uncertain, but a partial recovery in 2021 and 2022 is projected: economic growth is expected to resume at about 2.6 percent, supported by the gradual recovery in private consumption and investment. During the most challenging times as well as in the recovery phase, there will be variations from country to country. Plummeting oil and energy prices will affect commodity-dependent economies, while sharp drops in remittances, and dwindling demand from China, the U.S., and other G7 economies will inflict significant economic pain across countries. The collapse in tourism, meanwhile, will be especially harmful in the Caribbean.

Large segments of the population will suffer tremendous hardships: the latest poverty [estimates](#) from the World Bank show that projected economic contractions could set off a sharp increase in the region's poverty rate compared to 2019. Many households already subsist with day-to-day earnings and do not have the resources to cope with the lockdowns and quarantines that are being deployed to contain the spread of the pandemic. Many workers are self-employed, and informality is common even among wage earners. Remittances, which provide an important source of income and represent a social safety net for many families, are expected to suffer the sharpest drop globally with a projected 19.3 percent decline in 2020.

### Impact on the private sector

The ripple effects of the crisis are being felt throughout different industries in the private sector. Small and medium-sized enterprises (SMEs), which generate as much as half of all jobs in the region, are struggling throughout sectors such as manufacturing, tourism and retail and many are unable to operate under the current lockdowns and quarantines. The crisis has also dislocated supply chains, curtailed foreign direct investment, disrupted trade flows and jeopardized the business operations of firms throughout the region. There is also growing concern about the

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capacity of the private sector to access funding, which in the current crisis could generate painful adjustments for businesses in Latin America and the Caribbean. Most industries have been struck by supply-chain disruptions as cross-border trade is severely limited. The crisis is also upending investment decisions by the private sector, which is affecting its current and future growth and its capacity to be a driver of economic activity and create jobs.

## IFC response

As part of IFC's global efforts to help private companies affected by the pandemic and preserve jobs, IFC is working with existing clients in the region to evaluate where our support is needed most. Our past crisis experience has taught us that effective response needs to focus on providing liquidity in emerging markets to support trade finance flows and the working capital needs of the private sector. It is also crucial to support our existing clients while also helping to promote reforms and develop projects that create a pipeline of robust investments that can accelerate the recovery process. This includes mobilizing part of IFC's global \$8 billion fast-track [facility](#) to initially support existing clients in the region affected by the pandemic. Demand from clients in Latin America and the Caribbean has come from a range of industries, including the financial sector, health and agribusiness. We are currently engaging with many of our existing clients affected by the pandemic to provide them with working capital, as well as to financial institutions so they can continue lending to businesses and supporting trade flows in the region.

As the crisis continues to evolve, there is a great need to address immediate constraints on trade, including trade finance. In addition to funding, IFC is also facilitating peer learning amongst businesses and banks both within and outside the region.

## Stories from LAC

[Why Latin America Needs the Private Sector More Than Ever](#)

[COVID-19 Spurs Surge in Diabetes Care in Mexico](#)

[Peru Takes the Fight Against COVID-19 Online](#)

[In Latin America, a Logistics Startup Supports Supply Chains](#)

[COVID-19 Looms Large in a Small Brazilian City](#)

## Regional Events:

