**GDP Growth**

- **2017**: 0.9%
- **2018**: 0.5%
- **2019**: -0.3%
- **2020**: -8.0%
- **2021**: 3.8%
- **2022**: 2.6%

**COVID-19 Cases per 100,000 people**

by 1 January 2021

<table>
<thead>
<tr>
<th>Region</th>
<th>Cases per 100,000</th>
<th>Deaths per 100,000</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>World</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Developed economies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economies in transition</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Developing economies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Latin America &amp; Caribbean</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Africa</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Asia</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**GDP per capita**

2020

<table>
<thead>
<tr>
<th>Region</th>
<th>GDP per Capita 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>$10,291</td>
</tr>
<tr>
<td>Developed economies</td>
<td>$6,435</td>
</tr>
<tr>
<td>Economies in transition</td>
<td>$5,290</td>
</tr>
<tr>
<td>Developing economies</td>
<td>$11,390</td>
</tr>
<tr>
<td>Latin America &amp; Caribbean</td>
<td>$7,614</td>
</tr>
<tr>
<td>Africa</td>
<td>$1,859</td>
</tr>
<tr>
<td>South Asia</td>
<td>$1,817</td>
</tr>
</tbody>
</table>

**Note:** The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations. The map represents countries and/or territories or parts thereof for which data is available and/or analysed in World Economic Situation and Prospects 2021. The shaded areas therefore do not necessarily overlap entirely with the delimitation of their frontiers or boundaries. Aggregate data for Africa, excluding Libya.

**Source for COVID-19 data:** UNDESA calculations, based on data from Johns Hopkins University.
Latin America and the Caribbean: the recovery from a historic recession will be uneven and fragile

- The pandemic has wreaked havoc on the region’s economy, exacerbating deep-rooted inequalities and pushing millions into poverty
- Continued monetary and fiscal support are critical for the recovery even as policy space is constrained
- The crisis offers an opportunity to redefine the social contract and embrace a new development model

The COVID-19 pandemic has ravaged Latin America and the Caribbean, exacting a heavy human toll and inflicting massive economic damages. Although most countries implemented early and strict containment measures, the region has become an epicentre of the pandemic and now has one of the world’s highest per capita mortality rates. The health crisis has been accompanied by an economic downturn of historic proportions, which follows several years of disappointing growth. Real GDP is estimated to have declined by 8 per cent in 2020 as prolonged national lockdowns, weaker merchandise exports and a collapse in tourism undermined economic activities. Amid a drastic contraction in employment, an estimated 45 million people in the region have been pushed into poverty, wiping out all progress made over the past 15 years (United Nations, ECLAC, 2020c). Moreover, the crisis has been responsible for further setbacks to achievement of the Sustainable Development Goals by exacerbating deep-rooted structural inequalities, for example, between formal and informal workers and women and men. Despite severe fiscal constraints, many of the region’s Governments have adopted substantial stimulus packages in response to the pandemic. This support, along with monetary easing, a gradual lifting of restrictions and a pickup in global economic activity, has prompted a modest recovery starting in the second half of 2020. Regional growth is forecast at 3.8 per cent in 2021, before moderating to 2.6 per cent in 2022, while aggregate output is expected to reach its pre-crisis level only by the end of 2023. The recovery will likely remain fragile and uneven, with outlook risks tilted towards the downside. Indeed, a resurgence of infection rates could lead to a renewed tightening of containment measures. At the same time, several countries in the region face significant political risks and the possibility of a debt crisis.

The pandemic disrupted economic activities in Latin America and the Caribbean at a time when many countries were already engaged in a struggle against severe economic difficulties. Stagnant growth, weak investment and limited macroeconomic policy space made the region highly vulnerable to a global shock. National lockdowns and movement restrictions have led to massive employment and income losses, aggravating long-standing disparities. According to estimates of ECLAC and ILO (2020), 47 million workers in Latin America and the Caribbean lost their jobs in the first half of 2020. Working hours dropped by about 21 per cent during the first nine months, while labour income fell by 19 per cent (ILO, 2020b). Job losses have been particularly severe in the informal sector, where most occupations are contact-intensive; and women, young people and workers with low education, who make up the bulk of employment in sectors such as retail and hospitality, were disproportionately affected. Countries where informal work is widespread and where Governments implemented stringent and lengthy lockdowns have experienced the largest employment shocks. In
Peru, for example, the employment rate declined by a staggering 38 per cent in the second quarter, as the country experienced one of the region’s largest output contractions.

The job and income losses have caused sharp declines in household spending, with private consumption expenditure estimated to have contracted by about 9 per cent at the regional level in 2020. As movement restrictions are gradually easing, labour markets have started to improve and this trend is expected to continue in 2021. While employment gains, especially in some of the hardest-hit countries, are expected to lift household spending and buttress the recovery, some of the damage to labour markets (through, for example, departure of women from the workforce) will not be quickly reversed and will leave lasting scars.

Investment activities across the region have taken a severe—and most likely prolonged—hit from the pandemic. Amid falling consumer demand, temporary business closures and heightened uncertainties, firms have rolled back planned investment. Gross fixed capital formation declined by an estimated 13 per cent in 2020, dwarfing the drop experienced in 2009. According to estimates of the United Nations Conference on Trade and Development (UNCTAD) (2020b), foreign direct investment (FDI) flows to the region may have fallen by up to 50 per cent, with the travel and leisure and oil sectors recording the largest losses. While investment bounced back quickly following the global financial crisis, a fast recovery seems unlikely this time around. Uncertainties over the regional and global outlook, coupled with lingering effects of the crisis such as elevated unemployment and increased fiscal pressures, are expected to weigh on capital spending over the coming year. According to the baseline projections, gross fixed capital formation in the region will increase by about 7 per cent in 2021 and by only 3 per cent in 2022.

The domestic shock from the undermining of economic activities has been compounded by a rapidly deteriorating external environment as the global economy fell into recession. Many of the region’s economies are highly dependent on external inflows, most notably from commodity exports, personal remittances and tourism (figure III.12). Merchandise exports and commodity prices plummeted in the first half of 2020 but have since been recovering, which can be attributed mostly to a strong rebound in industrial activity and import demand from China. During the first eight months of 2020, the level of exports of Latin America and the Caribbean was about 6 per cent lower than one year ago. Unlike oil prices, which remain well below the pre-pandemic level, prices of metals and agricultural commodities have recouped their losses. Further moderate gains are expected for 2021, which should support the recovery in major commodity exporters. Brazil, Chile and Peru appear to be best positioned to gain from a continued rebound in China. Remittance flows to the region have also pulled back from the lows during the second quarter and are likely to be at a level for the year similar to that in 2019, which has helped to mitigate the shock experienced by remittance-dependent Central American countries. Tourism flows, by contrast, have remained at a standstill, leading to sharp contractions in economic activities in Caribbean countries; but given a gradual improvement in international tourism flows in the coming years, most Caribbean countries should expect a recovery from a low base.

Across the region, Governments have responded forcefully to limit the socioeconomic fallout from the crisis, preserve financial stability and boost recovery. Central banks have eased monetary policy and provided liquidity to the financial system; and in many countries, policy rates have been cut to record low levels. These measures have supported credit flows to the private sector, reduced market stress and contributed to a general improvement in financial conditions. After a spike in risk aversion triggered massive capital outflows from the region in early 2020, the situation improved in the subsequent quarters. However, given

**Investment will recover from a deep slump but only slowly**

**Recoveries in exports, commodity prices and remittances are providing some measure of uplift**

**Monetary policy is expected to remain extraordinarily accommodative**
considerable global uncertainties and the subdued outlook for Latin America and the Caribbean, capital flows will likely have a rocky period ahead. In view of subdued inflationary pressures—mainly due to the persistence of economic slack—monetary policy is set to remain extraordinarily accommodative in the coming years.

Large-scale fiscal policy stimulus has been critical in strengthening health-care systems and providing lifelines to firms and households. Although many countries entered the pandemic with sizeable fiscal deficits and high public debt levels, Governments deployed considerable resources to combat the economic shock. Brazil, Chile and Peru introduced the largest packages in the region in terms of direct support through additional expenditure and forgone revenue. The total fiscal stimulus packages in these three countries, including loans, equity injections and government guarantees, are estimated to have amounted to 10–15 per cent of GDP. In this regard, Brazil’s fiscal response stands out, as it provided sizeable support for households and workers, which helped boost the country’s recovery during the second half of 2020. By contrast, Mexico’s fiscal response has been relatively timid, as the Government focused on public finance sustainability even as economic activity collapsed; and in many Caribbean economies, government responses were constrained by a lack of fiscal space. Going forward, Governments must balance the need for further fiscal...
Box III.5

Challenges for fiscal policy in Latin America and the Caribbean during the post-pandemic period

The unfolding COVID-19 crisis has triggered an economic and social collapse of historic proportions in Latin America and the Caribbean and it is projected that a return to pre-crisis levels of economic activity will take from two to three years. The region, like so many others, is witnessing the destruction of its productive capacities and increases in unemployment, poverty and inequality and will bear the scars of the collapse well into the future. In this context, the role of the public sector and active fiscal policy will be crucial as Governments support recovery efforts and seek to build back better. The post-pandemic period will provide an opportunity for the countries of the region to embark on a different development path, one that is in line with the objectives of the 2030 Agenda for Sustainable Development, and to move in the direction of establishing welfare States and introducing universal social protection schemes.

Despite the strain on public accounts induced by the crisis—with average central government gross public debt projected to increase by 9.3 percentage points of gross domestic product (GDP) and to reach 55.3 per cent of GDP in 2020—fiscal austerity is not an option and would inflict unnecessary social and economic harm. Active fiscal policies should link the short term (covering the emergency period) with the medium and long terms by gearing public spending, tax policies and regulations towards achieving the goals of stimulating economic activities and building back better. These goals will require policies that boost aggregate demand, while placing an emphasis on supporting household consumption, encouraging investment, reducing inequalities, protecting the environment and laying the foundations for sustainable development. To the extent that these policies revived the economy and improved the prospects for post-pandemic growth, they would also increase the likelihood that countries could meet their fiscal commitments despite the prevailing constraints.

Creating the space necessary to maintain active fiscal policies hinges critically on the mobilization of both domestic and external resources. With tax evasion and avoidance as well as illicit financial flows endemic in the region, there is substantial room at the national level to enhance the State’s revenue-raising capacity. The Economic Commission for Latin America and the Caribbean (ECLAC) (2020b) estimates that countries in Latin America lost a combined US$ 325 billion in 2018, equivalent to 6.1 per cent of GDP, owing to income tax and value added tax non-compliance. Tax expenditures—i.e., revenue losses resulting from the granting of various forms of tax advantages—are widely used and entail significant forgone revenues, averaging 3.7 per cent of GDP between 2015 and 2019 (ibid.). The region’s tax intake is low and skewed towards regressive indirect taxes. Moreover, the fact that direct taxation on income—particularly personal income—and on property is especially weak deprives countries of revenues and leaves tax systems with little leverage for reducing income and wealth inequalities. There are also opportunities to bolster taxation of other tax bases, such as those related to the digital economy, and to levy corrective taxes related to the environment and public health. At the same time, given the importance of fiscal policy as a development tool, it is critical that the efficiency, effectiveness and equity of public interventions be enhanced. Further, the resources mobilized need to be channelled towards investments that reduce inequality and foster growth.

Efforts at the national level must be supplemented by greater access to external finance on favourable terms, whether it be on international markets or through international financial institutions. To this end, the international community should take steps to create additional liquidity for low- and middle-income countries, for example, through issuance of special drawing rights (SDRs), along with implementation of mechanisms that allow for the transfer of SDRs between countries. Other measures could include additional funding for multilateral lending institutions and promotion of closer cooperation between central banks. International cooperation should play a fundamental role in coordinating debt service suspensions and the creation of an international mechanism for the restructuring of sovereign debt.

(continued)
The fund to alleviate COVID-19 economics (FACE) is a concrete example of this type of innovative mechanism conceived to unleash the potential for greater international cooperation in providing assistance during the period of recovery from the COVID-19 pandemic. As described in a proposal put forward by the President of Costa Rica in September 2020 within the framework of the seventy-fifth session of the General Assembly, the objective of the FACE initiative would be to mitigate the social and economic impact of the pandemic and contribute to a sustainable recovery. Under the initiative, the distribution of global liquidity to developing countries would be improved through the provision of concessional financing to those countries with a repayment period of 50 years and interest rates close to zero. Importantly, the allocation criteria of the fund—which would hold US$ 516 billion in resources, to be channelled through multilateral banks—would not incorporate conditionalities.


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**Box III.5 (continued)**

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**Source:** Economic Survey of Latin America and the Caribbean: Main Conditioning Factors of Fiscal and Monetary Policies in the Post-COVID-19 Era.

The threat of another lost decade has prompted calls for a new development model. Box III.5 discusses the region’s fiscal challenges in the post-pandemic period.

Although Latin America and the Caribbean is projected to see a moderate recovery in 2021 and 2022, the danger of another lost decade—in terms of both economic growth and development progress—is looming large. Judging by the experience of previous crises, there are likely to be significant long-term damages to potential output. Prolonged school closures, challenges associated with remote learning activities and persistently high unemployment are expected to have a negative effect on human capital accumulation (Di Giuppello, 2020). This could exacerbate skills shortages, which have been a severe constraint in many countries. In addition, corporate and public investment will likely be hampered by heightened uncertainties, sluggish household demand and needs for fiscal consolidation, which could, in turn, further stifle innovation and productivity growth. In this context, an increasingly fragmented and uncertain global trade environment could generate external headwinds to exports and growth. Against this challenging backdrop, ECLAC has called for a new development model which centres on a radical transformation of production and consumption patterns, with investment redirected towards productivity, environmental stewardship, employment and social inclusion (United Nations, ECLAC, 2020b; OECD, 2020a).