



May 2020

Issue 2

Latin America & Caribbean Newsletter

This quarterly newsletter brings you upcoming webinars and the latest reports from commercial sources licensed for the IMF. This "express" issue features the economic impacts of the Novel Coronavirus and COVID-19 on the region, and how countries are responding. We hope you find it useful.

Webinars

Moody's - **Will Coronavirus derail credit conditions in Brazil?**

Date: Thursday, May 21, 2020

Time: 10:00 - 11:00 am EDT

[Register Here](#)

Join us for a live, interactive session where our Moody's analysts detail the impact on credit conditions in Brazil in light of COVID-19.

Discussion Highlights:

- Key drivers and baseline scenario underling Brazil's Ba2 rating and stable outlook
- Downside risks to Brazil's rating outlook
- Transportation-related sectors more exposed in light of sharp contraction in the economy
- Uncertain asset quality reflects economic disruption
- Provisioning hits Q1 profitability; lower for longer interest rates and moderate business volumes pressure future performance
- Most non-financial corporate sectors struggling with demand hit, foreign currency risk and limited access to external liquidity sources

Fitch Ratings - **Impacto por Coronavirus en los Gobiernos Locales y Regionales y Organismos de Agua en México**

Date: Thursday, May 21, 2020

Time: 11:00 am - 12:00 pm EDT

[Register Here](#)

El objetivo de este seminario es presentar el impacto del coronavirus en los gobiernos locales y regionales y los organismos de agua en México. La presentación describe las variables claves analizadas por Fitch en cada uno de los sectores y cómo pueden verse afectadas por la crisis del coronavirus.

Fitch Ratings - Empresas de Locação de Veículos: Risco de Crédito Sustentável ou Fortemente Exposto ao Efeito Coronavírus?

Date: Friday, May 22, 2020

Time: 9:00 - 10:00 am EDT

[Register Here](#)

A crise do coronavírus continua afetando fortemente a economia e as classificações de risco. Os setores de transporte e turismo, além dos projetos de infraestrutura, sofreram forte impacto em suas operações. Examinamos nosso portfólio de empresas brasileiras no setor de locação de veículos e como suas operações estão sendo impactadas pela pandemia do coronavírus. Nesta apresentação, vamos abordar, dentre outros temas, a capacidade destes emissores para enfrentar a crise.

Research

1. [Crisis Hits LatAm on Weak Fiscal Footing](#) (Fitch Ratings, May 18, 2020)

Latin America (LatAm) is following the lead of governments around the world by pursuing counter-cyclical fiscal policy to manage the devastating economic effects of the 2020 coronavirus pandemic. However, the region's weak public finances make it particularly vulnerable, limiting most sovereigns' policy flexibility during the crisis and complicating their ability to support post-crisis economic recovery, as more adverse public debt dynamics could pose harder policy trade-offs. Therefore, the negative rating pressures posed by the crisis for all regions will be particularly pronounced in LatAm. (Full report requires a Fitch Connect login, [access instructions are posted here.](#)) [Read more...](#)

2. [Mexican central bank cuts rates but stays cautious on inflation](#) (Central Banking, May 15, 2020)

The Bank of Mexico's governing board cut rates on May 14 in a bid to offset the economic crisis caused by the Covid-19 pandemic. [Read more...](#)

3. [LatAm Financial Institutions Monitor 2Q2020: COVID-19 Hits Banks' Bottom Lines](#) (S&P Ratings, May 14, 2020)

Banks in Latin America are facing negative rating momentum because of significant effects from the coronavirus pandemic, oil price shock, and market volatility. However, S&P Global Ratings believes mitigating factors will help banks in the region to navigate this turbulent scenario. (Contact the [IMF Library](#) to access the full text of this report.)

4. COVID-19 will hit northern Central America hard (Oxford Analytica, May 12, 2020)

COVID-19 case numbers in Northern Triangle countries of El Salvador, Guatemala and Honduras remain low by western European and US standards but are probably underestimated. All three countries' governments implemented nationwide curfews at an early stage in the pandemic, ordering the closure of non-essential businesses. However, factors such as poverty, prison overcrowding and the continuation of US deportations perpetuate contagion risks, threatening the region's fragile healthcare systems. [Read more...](#)

5. Tightening financial conditions will increase funding costs, weaken debt affordability (Moody's Investors Service, May 11, 2020)

Sovereigns in Latin America (LatAm) are facing the coronavirus shock with higher debt and interest burdens and less overall fiscal space than they had during the 2015-16 commodity price shock. At the same time, investor risk perceptions towards emerging markets have deteriorated, rendering financing conditions less favorable. LatAm sovereigns will face increased funding challenges this year as they post larger deficits amid (i) higher health related spending, (ii) lower tax revenue intake as economies contract, and (iii) counter cyclical fiscal measures, which include higher spending and tax payment delays in some cases. With access to the global financial markets affected by higher risk perceptions, persistent volatility and higher cross-border funding costs, sovereigns in the region will likely rely on alternative sources of funding (e.g., multilateral funding, local markets, fiscal buffers) to cover the anticipated increase in their borrowing needs. (Contact the [IMF Library](#) to access the full text of this report.)

6. Chile - Disease Trends - March data reveal early effects of coronavirus pandemic (Economist Intelligence Unit, May 7, 2020)

March data for economic activity and industrial production reveal the early impact of the coronavirus (Covid-19) pandemic on the economy. We expect the sharp economic downturn to deepen in the second quarter, followed by a phase of partial recovery from the second half of the year. However, the positive first-quarter outturn in economic activity means that we will be revising our full-year real GDP forecast for 2020 to reflect a slightly lesser contraction than our current forecast of 4.9%. In terms of an exit strategy, Chile is pushing for the issuance of coronavirus immunity cards that would allow recovered coronavirus patients to return to work—a measure aimed at

restarting economic activity. However, risks of continued transmission exist, given the grave uncertainty surrounding the epidemiology of the virus, posing further downside risks to the economic and public health outlook. [Read more...](#)

[7. Frontier LatAm: External Financing Risk Amid COVID-19](#) (Institute of International Finance, May 7, 2020)

COVID-19 has triggered multiple challenges across frontier markets in Latin America. On top of sizable GDP losses, meeting external funding needs this year will be a major undertaking amid collapses in export volumes, tourism, and remittances, in the context of volatile private capital flows and limited official financing sources. In this Frontier LatAm Views, we assess external risk by looking at the impact of COVID-19 on underlying drivers of the current account, the debt amortization schedule, funding sources, and buffers. [Read more...](#)

[8. Latin America coronavirus weekly brief: May 5th](#) (Economist Intelligence Unit, May 5, 2020)

Countries in the region have had varying degrees of success in containing the novel coronavirus (Covid-19). However, amid mounting political and economic pressure, and in the context of limited room for continued stimulus, policymakers across the region are now assessing how best to lift quarantine measures and to pave the way for a gradual economic normalisation. The Economist Intelligence Unit does not expect an easing of nationwide lockdowns to imply a return to "business as usual" anywhere in the region. By contrast, poorly implemented exit strategies could produce a second wave of coronavirus infections, further delaying prospects of economic recovery. [Read more...](#)

[9. Latin America To Tap The Potential Of Global LNG Market](#) (Fitch Solutions, May 5, 2020)

Key View : Trinidad & Tobago will continue to dominate LNG exports in the region, followed by Peru. In the long term we expect Argentina and Mexico to ramp up their export capacity given large domestic production or re-export potential.

Several countries in the region pursue diversification of natural gas supply sources, expanding LNG import capacity.

In our view countries across Latin America and Caribbean are likely to pursue LNG-to-power projects as they decarbonise their power mixes.

We highlight that the expected economic recession across the region over 2020 will weigh on natural gas infrastructure investments over the short-to-medium term.

(Contact the [IMF Library](#) to access the full text of this report.)

10. Latin American Consensus Forecasts (Consensus Economics, April 17, 2020)

Our Latin American economists have seldom slashed their GDP projections so dramatically between the last month or two and this one – and with little hard data to go on. The pdf copy also features Long-Term forecasts on pages 3, 30 and 31. [PDF Report](#) [Excel File](#) [All Consensus Forecasts Issues](#)

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