

COVID-19 will lead to biggest economic crisis in Latin American history



Santiago de Chile, April 22 (RHC)-- The COVID-19 pandemic will herald the worst economic contraction in the history of Latin American and the Caribbean, with a projected -5.3 percent drop in activity this year, the Economic Commission for Latin America and the Caribbean (ECLAC) has warned.

“The effects of COVID-19 will cause the biggest recession that the region has suffered since 1914 and 1930. A sharp increase in unemployment is forecast, with negative effects on poverty and inequality”, ECLAC chief Alicia Barcena said during a virtual press conference.

The agency explained that a contraction of this magnitude would mean going back to the Great Depression in 1930 when there was a -5.0 percent drop, or 1914 when growth plummeted -4.9 percent.

The region has been affected through five channels: a reduction in international trade, a fall in commodities prices, the intensification of risk aversion and worsening of global financial conditions, lower demand for tourism services, and a reduction in remittances.

Also, unemployment is forecast to reach roughly 11.5 percent, up from 8.1 percent last year. This means the number of people out of a job would rise to nearly 38 million.

The pandemic also will reveal “an intensification of multilateralism’s fragility,” the report reads, adding that although globalization will not be rolled back, “there will be a more regionalized global economy centered around three poles: Europe, North America, and East Asia.”

It is for this reason that Barcena believes that a post-COVID-19 region will have to “move towards greater regional integration in terms of production, trade, and technology.”

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