Summary of reports on COVID-19

The COVID-19 coronavirus pandemic will severely affect the global economy in 2020. No region is spared from the economic crisis and for the first time since the Great Depression both the advanced, emerging & developing economies are in a recession. The coronavirus outbreak, which originated in China, has so far infected more than 3 million people worldwide, with more than 200.000 deaths and counting. As a consequence, across the globe necessary containment measures including quarantines, social distancing, border closures and lockdown have been taken that have put economic activity practically in a standstill.

Several international institutions have recently published reports on the economic impact of the COVID-19 coronavirus and policy recommendations for meeting the great health, social and economic challenges the pandemic is posing. This document provides a brief summary of the reports published by some major international organizations including the International Monetary Fund (IMF), the Worldbank, and the OECD. First, a summary of the recent reports published by the CBCS is provided.

Centrale Bank van Curaçao en Sint Maarten (CBCS)
Macroeconomic effects of the closure of the border of Curacao due to the coronavirus (COVID-19)
Macroeconomic effects of the closure of the border of Sint Maarten due to the coronavirus (COVID-19)
Revised growth projections as a result of the global outbreak of the coronavirus (COVID-19) and domestic preventive measures
March & April 2020

Economic effects on Curaçao and Sint Maarten:

- The measures that the governments of Curacao and Sint Maarten have taken to contain a spread of the COVID-19 coronavirus (i.e., border closure and lockdown) will have an adverse effect on the economy. The magnitude of this adverse effect depends on the duration of these measures and how fast the economy will recover after the measures are removed.
- Based on the scenario of a closure of the borders for a period of 3 months followed by a gradual recovery after reopening, and assuming the introduction of the ABB in July 2020, the CBCS has calculated the impact of a lockdown for a period of 1 month, 2 months and 3 months. In the case of a total lockdown of 1 month, the economy of Curaçao will contract by 17.7%. The economic contraction could, however, reach 25.4% in the case of a lockdown of 3 months.

- Assuming the ABB is not introduced in 2020 but the borders remain closed for a period for 3 months, the real GDP contraction would range between 16.1% (1-month lockdown) and 23.8% (3-month lockdown).
- In the case of Sint Maarten, a border closure of 3 months followed by a gradual recovery after reopening would result in a real GDP contraction between 17.0% (1-month lockdown) and 21.1% (3-month lockdown).
- The closure of the borders has a negative effect on economic activities and employment, particularly in the sectors tourism, transport and other services related to tourism, and thereby indirectly on domestic demand.
- The deep economic contraction in Curacao and Sint Maarten will result in higher unemployment, increased poverty and a worsening of the public finances.
- The economic projections are currently surrounded by extreme uncertainties including the development and duration of the pandemic, the pace at which the preventive measures will be lifted, and how demand will recover
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Real GDP, annual % change[1]	**2019**	**2020 1 month lockdown**	**2020 2 month lockdown**	**2020 3 month lockdown**
Curaçao (ABB introduced in July 2020)	-1.4	-17.7	-21.6	-25.4
Curaçao (no ABB introduced in July 2020)	-1.4	-16.1	-19.9	-23.8
Sint Maarten	5.0	-17.0	-19.0	-21.1

[1] Assuming 3 month border closure with a gradual recovery after reopening.

Policy recommendations/actions for Curaçao

- Efforts should be made to reactivate the economy in a responsible yet swift manner.
- Besides the liquidity support from the Netherlands, Curaçao will have to take important steps on its own to address the higher unemployment, increased poverty and worsened public finances. The CBCS warns, however, for counterproductive measures that can have a procyclical effect which could aggravate the economic contraction. At the same time, efforts should be made to keep the debt position of the country sustainable.
- An analysis of the CBCS reveals that a solidarity levy of 10% will result in an even deeper economic contraction of 18,9% in 2020 compared to the 17,7% was initially projected even though part of the revenues from the levy will be allocated for income support for some of the vulnerable and most affected groups in society.
- It is recommended that the government explores ways of reducing its expenditures (particularly the measures to reduce the cost of personnel in the government apparatus as agreed upon in the "Groeiakkoord"), instead of introducing an additional tax. The freed up funds can be complemented by additional financing from the Netherlands and to a lesser extent loans on the local capital market.

Policy recommendations/actions for Sint Maarten

- Efforts should be made to reactivate the economy in a responsible yet swift manner.

- Besides the liquidity support from the Netherlands, Sint Maarten will have to take important steps on its own to address the higher unemployment, increased poverty and worsened public finances. The CBCS warns however for counterproductive measures that can have a procyclical effect which could aggravate the economic contraction. At the same time, efforts should be made to keep the debt position of the country sustainable.
- It is crucial that, once the lockdown is lifted, major investment projects that were scheduled in 2020, i.e, the further reconstruction of the Princess Juliana International Airport and the construction of the new Sint Maarten Medical Center continue.
- Coordinated efforts should be taken by the private and public sectors to promote Sint Maarten as a safe tourist destination, once this crisis is over.
- Use part of the funds that have been allocated to the Sint Maarten Recovery and Reconstruction Fund for financial support for businesses that are severely affected by the border restrictions.

International Monetary Fund (IMF)
World Economic Outlook
April 2020

Economic effects:

According to the IMF, the COVID-19 pandemic is inflicting high and rising human costs worldwide, and the necessary protection measures are severely impacting economic activity.

- As a result of the pandemic, the global economy is projected to contract sharply by 3% in 2020, much worse than during the 2008–09 financial crisis (see table for other countries/region).
- The growth forecast is marked down by more than 6 percentage points relative to the October 2019 WEO and January 2020 WEO Update projections.
- The economic contraction in the advance economies is caused by the adverse effects of the lockdowns and restrictions on mobility on economic activity. Furthermore, worsened consumer and investor confidence are likely to affect economic prospects.
- The emerging and developing economies are facing a health crisis, severe external demand shock, dramatic tightening in global financial conditions. Also commodity exports will also be affected by a significant decline in commodity prices.
- The magnitude of the economic fallout depends on factors that interact in ways that are hard to predict, including the pathway of the pandemic, the extent of supply disruptions, the repercussions of the dramatic tightening in global financial market conditions, shifts in spending patterns, behavioral changes (such as people avoiding shopping malls and public transportation), confidence effects, and volatile commodity prices.
- Countries experiencing the outbreak are assumed to lose about 5-8 percent of working days in 2020 over the duration of containment efforts, the period of shutdown and gradual reopening.
- The economic impact is already visible as seen in the dramatic drop in industrial production, retail sales, and fixed asset investment in first quarter of 2020.

- In a baseline scenario, which assumes that the pandemic fades in the second half of 2020 and containment efforts can be gradually unwound, the global economy is projected to grow by 5.8 percent in 2021 as economic activity normalizes, helped by policy support.

Table 1. Projections by the IMF

Real GDP, annual % change	2019	2020	2021
World	**2.9**	**-3.0**	**5.8**
Advanced Economies	**1.7**	**-6.1**	**4.5**
United States	2.3	-5.9	4.7
Canada	1.6	-6.2	4.2
Euro Area	**1.2**	**-7.5**	**4.7**
Netherlands	1.8	-7.5	3.0
Germany	1.3	-7.2	4.5
Belgium	1.4	-6.9	4.6
France	1.3	-7.2	4.5
Emerging Markets & Developing Economies	**3.7**	**-1.1**	**6.6**
China	6.1	1.2	9.2
India	4.2	1.9	7.4
Latin America & the Caribbean	**0.1**	**-5.2**	**3.4**
Brazil	1.1	-5.3	2.9
Colombia	3.3	-2.4	3.7
Dominican Republic	5.1	-1.0	4.0
Suriname	2.3	-4.9	4.9
Aruba	0.4	-13.7	12.1
Curacao	-1.4	-15.0	--
Sint Maarten	5.0	-13.0	--
Jamaica	1.0	-5.6	3.5

- *Source: IMF, World Economic Outlook, April 2020*

Policy recommendations:

- The immediate priority is to contain the fallout from the COVID-19 outbreak. Economic policies will need to cushion the impact of the decline in activity on people, firms, and the financial system. Also ensure that the economic recovery can begin quickly once the pandemic fades.
- Policymakers will need to implement substantial targeted fiscal, monetary, and financial market measures to support affected households and businesses. The fiscal response in affected countries has to be swift and sizable to support the heavily impacted sectors and workers.
- Fiscal measures will need to be scaled up if the stoppages to economic activity are persistent, or the pickup in activity as restrictions are lifted is too weak. Economies facing financing

constraints to combat the pandemic and its effects may require external support. Broad-based fiscal stimulus can preempt a steeper decline in confidence, lift aggregate demand, and avert an even deeper downturn.

- Ensuring that inflation expectations remain well anchored will be essential through a recovery period likely to feature a range of inflation outcomes (in some countries, supply chain disruptions and shortages can lead to prolonged price increases and trigger expectations of rising inflation; in others, persistently weak demand may lead to drastically lower inflation expectations and worries about entrenched debt-deflation spirals).
- The significant actions of central banks in recent weeks include monetary stimulus and liquidity facilities to reduce systemic stress. These actions have supported confidence and contribute to limiting the amplification of the shock, thus ensuring that the economy is better placed to recover.
- Supervisors should also encourage banks to renegotiate loans to distressed households and firms while maintaining a transparent assessment of credit risk.
- Countries urgently need to work together to slow the spread of the virus and to develop a vaccine and therapies to counter the disease. Until such medical interventions become available, no country is safe from the pandemic (including a recurrence after the initial wave subsides) as long as transmission occurs elsewhere.

World Bank (WB)
The Economy in the Time of Covid-19
Semiannual report of the Latin America and Caribbean Region
April 2020

Economic effects:

Countries in Latin America and the Caribbean have a history of severe adverse shocks, including precipitous falls in commodity prices, dramatic tightening of financial conditions, and major natural disasters, but the Covid-19 epidemic brings in a new dimension, as the measures needed to contain the outbreak of the epidemic also result in a major supply shock. Latin America and the Caribbean is only in the initial stages of epidemic. It is still too early to tell how large the economic costs will be for countries in the region.

- The containment measures taken to slow down the spread of the epidemic have resulted in a sharp deceleration of economic growth in China and among the G7 countries, two economic powerhouses whose performance have a very direct impact on growth in Latin America and the Caribbean.
- Countries in the region are assessing the health impact and the economic impact of the measures that may be adopted to contain the spread of the epidemic. These measures range from national-level quarantines and population lockdowns to social distancing initiatives targeted to vulnerable population groups, such as the elderly, or to specific locations. Results confirm that general measures to contain the Covid-19 epidemic led to dramatic declines in economic activity.

- Many firms will become insolvent as they continue facing costs (such as rent, insurance, taxes, interest payments) while their revenues collapse. Once a chain of bankruptcies is unleashed, the economic consequences can be amplified. Financial institutions may be at risk as the servicing of debts falters, households may lose confidence and increase their precautionary savings, even solvable firms may put their investments on hold. A temporary freeze of the economy to slow down the spread of the Covid-19 epidemic could thus become a permanent shock, and instead of a quick rebound a prolonged recession may settle in.
- Commodity prices can also be expected to decline sharply, with deleterious consequences for a region whose exports depend heavily on natural resources.

Caribbean

- Fallout in the tourism sector will severely impact countries in the Caribbean. Downside risks to economic forecasts are very high given the high dependence on tourism.
- Protecting jobs is particularly important in Latin America and the Caribbean as poverty is expected to increase.
- Countries in the Caribbean are projecting negative/muted economic growth in 2020 ranging from 0.0% in the Dominican Republic to -7.7% in Barbados. The average economic growth across countries in the Caribbean is projected to be -4.4%[1] in 2020.
- Most countries expect a strong rebound in growth for 2021-2022, assuming that the crisis is short-lived.

Latin America

- Countries in Latin America are projecting negative economic growth in 2020 ranging from -0.7% in Suriname to -6% in Ecuador (excl. Guyana which projects an economic growth of 51.7% due to oil production). The average economic contraction across countries in the Latin America is projected to be 3.8%.[2]
- The decline in economic activity is expected to lead to an increase in poverty increase in unemployment and increased inequality (due to declines in tourism and remittances).
- Rebound in growth is depended on various factors such as the rapid rebound of the U.S. economy, accommodative monetary policy and strong fiscal impulse, restoration of trade and investment-promoting reforms.

Policy recommendations:

Developing countries are confronting this crisis from a weaker position compared to the Global Financial Crisis. Countries in the Caribbean and Latin America have adopted a range of policy decisions in response to the Covid-19 outbreak;

- The packages include fiscal and monetary measures, such as increasing public spending, allowing tax deferrals or lowering policy rates. Regulations have also been eased, in a way that supports

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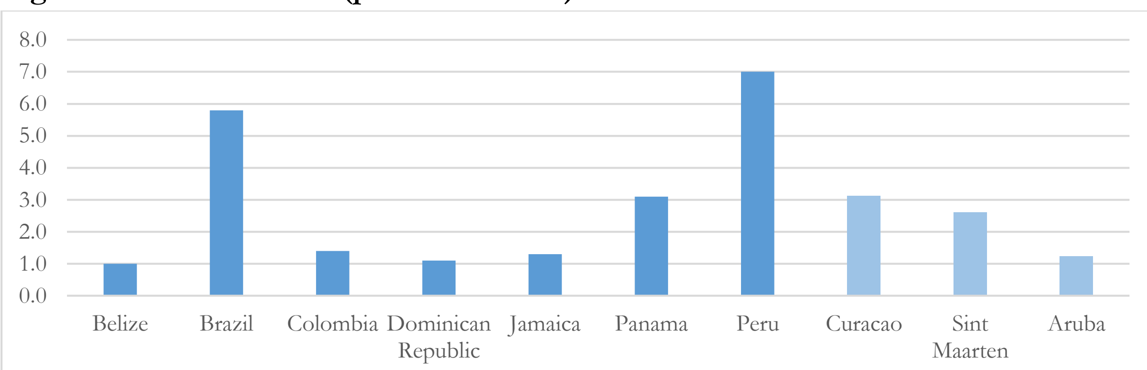
[1] Includes Barbados, Belize, Dominica, Dominican Republic, Grenada, Haiti, Jamaica, St Lucia and St. Vincent & the Grenadines.

[2] Includes Argentina, Brazil, Mexico, Chile, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Paraguay, Suriname and Uruguay.

business continuity despite the social distancing measures in force. Social measures to help those most in need and relatively unconventional measures have been adopted as well, such as temporarily allowing households and firms not to pay utility bills.

- On the fiscal front, additional spending aims to protect the most vulnerable segments of the population, including those who cannot work or lost their jobs as a result of containment measures. Resources are transferred to workers and households by increasing unemployment insurance coverage and benefits, and by providing direct cash transfers. Other measures focus on supporting businesses, helping them cope with the downfall in revenue and encouraging them to keep their workers on their payroll. A typical measure in this respect is the postponement of tax payments and social security contributions. The size of some of the fiscal stimulus packages being adopted in Latin America and the Caribbean is substantial in some cases (see figure below). Relative to the sizes of their economies, the packages of countries such as Brazil and Peru are comparable in size to the packages adopted by advanced economies.

Figure 1. Fiscal stimulus (percent of GDP)



Source: International Monetary Fund and estimates of the World Bank.

- Important measures have also been taken to facilitate the conduct of business during the social distancing period. Administrative processes such as procurement and the payment of taxes have been simplified in several cases. Some governments have expanded e-government in a way that is bound to increase transparency and efficiency over time. These efforts may not significantly boost economic activity in the short term, but they may limit the downfall.

In responding to the crisis, countries in Latin America and the Caribbean do not have the fiscal space enjoyed by advanced countries. Some were facing crises even before the Covid-19 outbreak. Economies in the region are also characterized by higher levels of informality, which makes many of their firms and households much more difficult to reach through instruments such as tax deferrals and wage subsidies. With limited resources and constrained instruments, a proper design of the policy response becomes crucially important;

- Policy should target the social dimension of the crisis such as food insecurity, the first line of response includes existing social protection and social assistance programs that can be rapidly scaled up and whose coverage can be extended. Many developing countries have tried and tested schemes, such as cash transfers and public works programs, that can be reinforced for this purpose. Such programs might be supplemented through mobile or digital payment channels where such platforms have sufficient coverage, identity can be established, and beneficiaries have accounts. Food distribution initiatives, especially while social distancing measures are in place, and community-driven development can also be part of the response package.

- Support to jobs and firms will have to be based on a dual approach. A first track should be geared to important employers or exporters, those with significant backward and forward linkages or those in sectors such as logistics and utilities that enable other economic activities. Due consideration should also be given to those firms that employ a larger share of women and socially disadvantaged groups. Instruments may include fiscal measures, such as wage bill subsidies and the deferral of taxes and social security contributions. Access to subsidized loans, partial credit guarantees, and the provision of equity or quasi-equity could be effective as well. The second track would focus on smaller firms that cannot be efficiently reached through tailored approaches. For firms in this group, the goal would be to ensure the availability of finance in a context of mounting working capital needs. Support would be triaged by commercial banks, microfinance institutions, digital lending platforms, corporate supply chains or other intermediaries.

- In these circumstances, governments have an important coordinating role to play. Out-of-court debt restructuring may need to be simplified, guidance on regulatory relief measures provided, and bank resolution frameworks strengthened. Upfront blanket guarantees for bank deposits may help maintain the confidence of the public.

- Central banks and ministries of finance should get prepared to stabilize financial markets in the event of major disruption. This involves preparing crisis resolution frameworks that identify the measures needed to mitigate volatility and to handle disorderly market functioning. Advance clarity on how to preserve international reserves will be particularly important in this context.

- Given the resource constraints of many governments, it is important to clearly communicate how the losses will be managed. To cushion the economic shock, governments may need to transfer downside risks and losses, where significant, to public balance sheets. It may require governments taking ownership stakes in financial sector institutions, through recapitalization and the absorption of non-performing portfolios, and in strategically addressing the economic crisis important employers. But there is a risk that instead of policy prioritization, diagnosis-based resolution, and early asset restructuring, a muddling-through approach prevails.

Organisation for Economic Co-operation and Development (OECD)
Coronavirus: The World Economy at Risk
OECD Economic Outlook, Interim Report
March 2020

Economic effects:

According to the OECD, the coronavirus outbreak has significantly weakened near-term global economic prospects. Furthermore, these prospects remain highly uncertain.

- Even if the COVID-19 effects fade gradually through 2020, as assumed, illustrative simulations suggest that global growth could be lowered by up to ½ percentage point this year.
- On this basis, annual global GDP growth is projected to drop to 2.4% in 2020 as a whole, from an already weak 2.9% in 2019.
- A longer lasting and more intensive coronavirus outbreak, spreading widely throughout the Asia-Pacific region, Europe and North America, would weaken prospects considerably. In this event, global growth could drop to 1½ per cent in 2020, half the rate projected prior to the virus outbreak.
- The adverse consequences of these developments for most countries are significant, including the direct disruption to global supply chains, weaker final demand for imported goods and services, and the wider regional declines in international tourism and business travel.
- Risk aversion has increased in financial markets, with the US 10-year interest rate falling to a record low and equity prices declining sharply, commodity prices have dropped, and business and consumer confidence have turned down.
- Uncertainty is likely to remain elevated, with trade and investment remaining very weak. All this also hit consumer spending.

Policy recommendations:

- Governments need to ensure effective and well-resourced public health measures to prevent infection and contagion, and implement well-targeted policies to support health care systems and workers, and protect the incomes of vulnerable social groups and businesses during the virus outbreak.
- Governments can also help households by providing temporary assistance, such as cash transfers or unemployment insurance, for workers placed on unpaid leave, and by guaranteeing to cover virus-related health costs for all, if needed.
- If growth appears set to be much weaker for an extended period, coordinated multilateral actions should ensure effective health policies, containment and mitigation measures, support low-income economies, and jointly raise fiscal spending would be the most effective means of restoring confidence and supporting incomes.
- In the very short term, the provision of adequate liquidity is a key policy measure to overcome corporate cash-flow problems and ensure that otherwise solvent firms do not go bankrupt whilst widespread containment measures are in force.

- Supportive macroeconomic policies can help to restore confidence. Additional precautionary reductions in policy interest rates may also be merited in a number of economies particularly exposed to the coronavirus outbreak.
- Stronger government investment spending, particularly bringing forward planned repairs and maintenance of the public sector capital stock, could be utilized to help provide a short-term stimulus.

Inter-American Development Bank (IDB)
The Impact of COVID-19 on the Economies of the Region
Country Department Caribbean
April 2020

The report analyzes the impact of the COVID-19 pandemic in the Caribbean countries: Barbados, Guyana, Jamaica, Suriname, The Bahamas and Trinidad &Tobago. Majority of the recorded cases in the Caribbean were imported and then transmitted locally.

Economic effects:

- The externalities of COVID 19 will have strong negative effects on economic growth for most Caribbean countries, ranging from GDP contraction of approx. 5.0% to 10.0%.
- The main shock transmission channel is the tourism sector. Tourism is the main driver for growth and source of foreign exchange, accounting for approx. 18%-34% of GDP and directly employing over 20% of the labor force on average.
- Caribbean nations should expect higher unemployment, which could double based on projections of zero cruise tourism for the rest of the year, and a roughly 80 percent drop in tourism this year compared to 2019.
- The total economic impact would surpass US$1 billion through June 2020.
- Other related sectors would also experience significant contractions, specifically the real estate, transport and wholesale and retail sectors, although low international oil prices will provide relief to the international reserves.
- Wholesale and retail sectors, could also be adversely impacted by lower demand resulting from the decline in tourism arrivals and containment measures including curfews and lockdowns.
- A large proportion of tourism arrivals originate from the United States, Canada, the United Kingdom, and other European countries—all of which have been hard hit by the crisis, forcing them to invoke unprecedented travel restrictions.
- Some countries are also negatively affected by less exports of commodities, mining and oil.
- Potential implications of the crisis relate to external financing, the availability of foreign exchange, and the balance of payments.

Policy recommendations/actions:

- Several Caribbean countries provided broad package of support measures, including social, health, fiscal and financial measures (incl. broad-based tax cuts and subsidies, financing and

- grant facilities aimed at supporting the most affected sectors (both businesses and persons) and the suspension of import taxes for critical medical and other supplies).
- Some countries requested additional financing support from international financial institutions, in terms of loans and/or grants.
- Governments/Central Banks requested financial institutions to provide flexibility in the form of lower interest rates, deferring loan payments, as well as promoting measures to reduce in-person transactions.

Other international studies/analyses

International Labor Organization (ILO)

- The International Labor Organization (ILO) estimates that 1.25 billion workers, representing almost 38% of the global workforce, are employed in sectors that are now facing a severe decline in output and a high risk of workforce displacement. The majority of job losses and declining working hours will occur in hardest-hit sectors. Key sectors include retail trade, accommodation and food services, and manufacturing.

Harvard Kennedy School
Dr. Ricardo Haussman[3]
The macro-economic implications of COVID-19 in partner countries
April 2020

Economic effects:

According to a Harvard Kennedy School analysis, the virus outbreak is causing:

- Collapse in access to foreign income
- Collapse in commodity prices (copper, oil etc.)
- Collapse in tourism
- Expected collapse in remittances
- Collapse in access to capital markets: some countries have no access to financing; others are used to have ample access (more borrowing from abroad).

As a result, countries are taken measures to flatten the curve to

- Prevent the health care system from being overwhelmed;
- Delay the peak of the crisis

But these measures are also restricting economic activity and will result in

- Negative supply shocks: layoffs, bankruptcies, nonperforming loans in the banking system and supply-chain disruptions
- Negative demand shocks due to precautionary savings and delayed investment decisions.

[3] Director of Harvard's Growth Lab and the Rafik Hariri Professor of the Practice of International Political Economy at Harvard Kennedy School.

Policy recommendations/actions:

- Social distancing and lockdown to prevent infections (but adverse impact on GDP).
- A lockdown is not sustainable:
    - At the limit, people will have to decide between a 10% chance of dying from the virus and a 100% chance of starving to death.
    - Generalized lockdowns are very costly because they lack or do not use information about who is susceptible, who is infected and who is immune.
    - Countries should use the lockdown period to invest in testing capacity and treatment capacity.
    - Activities should be re-opened gradually (starting with the most critical and least "network" activities.
    - Countries should adjust the speed of restart of activities as more information is revealed.

- Fiscal actions (with monetary accommodation) to prevent the amplification and long term damage of the lockdown including:
    - Maintaining payment of payroll and provide unemployment insurance;
    - Providing special loans to business;
    - Providing central bank loans and regulatory forbearance to banks so that they can reschedule loans.

Centrale Bank van Curaçao en Sint Maarten
May 4, 2020