



# Coronavirus Weekly update



Country: Mexico # 4 | May 12, 2020



European Union



## HEALTH SITUATION



**36,327** Confirmed cases  
**20,991** Suspected cases  
**3,573** Deaths  
(May 11, 2020)  
Phase 3



On May 10, **66%** of the country's general care beds, in all manner of healthcare facilities, were available. **73%** of the beds in these facilities are equipped with respiratory equipment.



According to Ministry of Education, both primary and secondary level classes will begin on **May 17** in low risk municipalities, and on **June 1** in the rest of the country.



## KEY ACTIONS TAKEN & OVERALL SITUATION

**Apr 29.** CENACE (the National Center of Energy Control) published an agreement, indefinitely suspending ongoing and future preoperative testing of solar and wind electric energy plants, already in the process of preparing for commercial operation. The reason behind this agreement is to guarantee the efficiency and effectiveness of the Mexican electric network, which is experiencing a fall in demand. Renewable energy clusters strongly criticized this decision as it will seriously affect investments. The overall renewable energy sector investment, already installed and planned, in Mexico is reported to be worth EUR 18.5 billion. [Reference 1](#) - [Reference 2](#).

**May 4.** Government tax revenues for the first quarter of 2020 increased by 13.3% (compared to the same period last year). This is a 14.39% increase with respect to the original 2020 government budget estimate for the first quarter of the year. An increase in household spending (Value Added Tax) of 18.3% at the beginning of the COVID-19 pandemic, along with a 13% rise in income taxes were the main reasons behind the growth in revenue. This will give the Mexican government some fiscal capacity to better face the COVID-19 pandemic. However, this trend is not expected to continue in the second quarter. GDP figures for last week already show a downward trend. [Reference 1](#).

**May 8.** According to the mathematical model used by the federal government, the pandemic curve reached its peak in Mexico City on May 8. The Ministry of Health announced that the level will not drop until after May 20. [Reference 1](#).

**May 8.** The official COVID-19 pandemic figures released have been criticized by international media because of a lack of transparency and correlation to the original estimations. On May 8, the New York Times published an article claiming that the number of deaths in Mexico City has been under-reported by the federal government. [Reference 1](#). Additionally, on the same day the Spanish newspaper, El País, published an article stating that there were important discrepancies in the number of infections and deaths reported, potentially related to COVID-19. [Reference 2](#). The Mexican government issued an official response to this matter, explaining which protocol was being used to register suspicious COVID-19 deaths, data which is available. They claimed to be working closely with the Mexico City government on a strategy.

The Mexican government accused these statements of being a political strategy to undermine its credibility in relation to the COVID-19 data estimates. Until May 11, the Mexican government had not published a mathematical model methodology used for decision-making on public policy measures, despite having come under pressure from the press to release more information. [Reference 3](#).

**May 11.** With respect to the programme announced by the Ministry of Economy to face the economic impact caused by the COVID-19 pandemic, which grants up to 2 million one-time loans to Small and Medium-sized Enterprises (SMEs), worth EUR 934 each, the following is an update of the situation:

- **Créditos a la palabra:** As of May 8, one million beneficiaries have been identified to receive loans to be issued by the Ministry of Welfare to support informal SMEs. Therefore, the original target has now been met and the process of distributing this financial support has begun. [Reference 1](#).
- **Créditos solidarios:** As of May 11, the Federal Treasury, with the support of the Mexican Social Security Institute (IMSS), issued 141,965 loans to formal SMEs who have not reduced the number of workers or lowered wages in the previous three months. The amount achieved 22% of the overall target for this stage. The deadline to apply for a loan is May 15. On May 13, they will begin issuing 22,300 loans to female domestic workers registered in the IMSS. The same terms and conditions for the loans to SMEs will apply. [Reference 1](#).

**May 11.** CONEVAL (the National Council for the Evaluation of Social Development Policy) estimated that during the COVID-19 pandemic, the number of people living in extreme poverty in Mexico will increase from 6.1 to 10.7 million. In a worst-case scenario, by the end of 2020, 31.7 million people could be living in poverty in Mexico. [Reference 1](#).

**May 11.** The Ministry of Labour announced that 95% of firms in non-essential productive sectors have agreed to suspend business activities. Among the 5% not adhering are sectors such as car sales, retail department stores, and certain industries (Wood and Textile). In the last week, more businesses in these sectors have been complying with suspension measures. [Reference 1](#).



## TAKEAWAYS:

- **Fiscal Policy:** 1) During the first quarter of 2020, a primary surplus of EUR 5.2 billion was registered. This result implies an increase of 73% of the original budget estimation for this quarter. 2) For the first quarter of 2020, Government reported that 26.1% of the Mexican public debt was contracted in foreign currency, with 100% of the debt at a fixed interest rate.
- **Monetary Policy:** No changes have been identified since last week. The Bank of Mexico called an extraordinary session to agree a reduction in the Target Interest Rate from 6.5% to 6.00%. (The next meeting will be held on May 14).
- **Behaviour with respect to observing public measures and recommendations on maintaining social distancing and staying at home has changed since last week (May 4 - May 10):** driving 9.7%, walking (-) 17.5% and transit 17.9%. Mobility reduction estimations to May 10 are driving (-) 49%, walking (-) 53% and transit (-) 99%.



## MITIGATING ECONOMIC MEASURES:

- **On May 4,** ISSSTE (the Institute for Social Security and Services for State Workers) held a raffle for 32,222 loans to be offered to government employees and retirees. The amount of the loan ranges from EUR 768 to EUR 8,149. ISSSTE will hold 14 loan raffles totalling EUR 1.3 billion. This loan scheme is a component of the massive credit-granting strategy to alleviate the economic impact of the COVID-19 pandemic.
- **On May 11,** the President of Mexico held a meeting with the cabinet to discuss the sequential lifting of the Social Distancing Strategy. It is expected that construction and critical economic sectors related to USMCA (United States, Mexico and Canada Free Trade Agreement) will be the first to resume. A plan for the re-opening is expected to be announced at the end of the week.

**Trade facilitation measures:** No new trade facilitation measures have been announced by Mexican government. The issue will be monitored in the coming weeks.

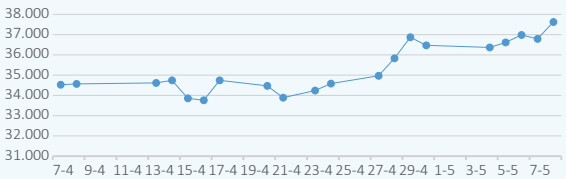
**Potential disruptions:** There are currently no legal restrictions in Mexican trade as a result of the COVID-19 pandemic. The issue will be monitored in the coming weeks.



## ECONOMIC SITUATION

### DAILY EVOLUTION OF THE MEXICAN STOCK MARKET (APRIL 7 - MAY 8)

(Latest data available on 11/05/2020) Source: Bank of Mexico



**Index Value in 08/05/2020:** 37,623.68 points (Closure)  
**Monthly Variation:** 3.4%  
**Monthly Variation in Points:** 1,253.25  
**Volume to 08/05/2020:** 205,460.72

### CREDIT RATINGS (Latest data available on 11/05/2020) Source: Rating Agencies

**17/04/2020. Moody's on PEMEX:** From Baa3 to Ba2 (Speculative bonds) / Negative Outlook  
**17/04/2020. Moody's on Mexico:** From A3 to Baa1 / Negative Outlook  
**15/04/2020. Fitch:** From BBB to BBB- / Stable Outlook  
**22/04/2019. Moody's on 8 Mexican Banks and IPAB:** From A3 to Baa1 / Negative Outlook  
**26/03/2020. Standard & Poor's:** From BBB+ to BBB (Foreign Currency) / Negative Outlook

### KEY NATIONAL INDICATORS AT A GLANCE

Source: Bank of Mexico, INEGI and PEMEX

**Mexican Crude Oil Price**  
 11/05/2020:  
 (USD per Barrel)  
 21.05

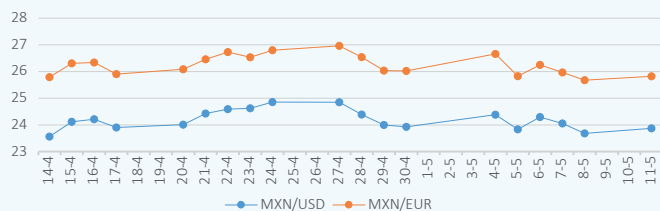
**Unemployment Rate**  
 February 2020: 3.7%  
 March 2020: 3.3%

**Annual Inflation Rate:**  
 March 2020: 3.2%  
 April 2020: 2.1%

**GDP (First Quarter 2020):**  
 (-) 1.6%

### DAILY EVOLUTION OF EXCHANGE RATE BASKET MXN/EUR & MXN/USD (APRIL 14 - MAY 11)

Source: Bank of Mexico

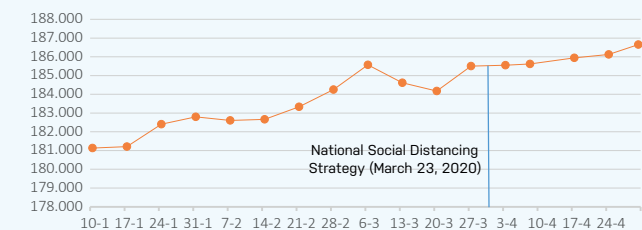


**Average Exchange Rate in April 2020:** 1 EUR = 26.36 MXN  
**Exchange Rate on 11/05/2020:** 1 EUR = 25.82 MXN  
**MXN/EUR Change during May:** (-) 3.14% Decrease  
**Average Exchange Rate in April 2020:** 1 USD = 24.26 MXN  
**Exchange Rate on 11/05/2020:** 1 USD = 23.86 MXN  
**MXN/USD Change during May:** (-) 2.10% Decrease

### WEEKLY EVOLUTION OF INTERNATIONAL RESERVES - USD MILLION (JANUARY 2020 - APRIL 2020)

(Latest data available on 11/05/2020)

Source: Bank of Mexico



**International Reserves USD, 30/04/2020:** USD 186,655.4 million  
**Variation since National Social Distancing Strategy:** 1.35% Increase



## POTENTIAL SECTORAL IMPLICATIONS

### TOURISM

- As reported by INEGI, in March 2020, Mexico received 34.4% fewer international tourists than in the same month in 2019. This decrease from 4.2 to 2.7 million travellers was because of the health contingency due to the coronavirus pandemic. Air travel was hardest hit, with 51.4% less tourists registered. In 2019, 2 million tourists arrived by air, this year the figure is expected to be below 1 million. INEGI also reported that, according to preliminary figures, revenue from international travellers fell 45.6% in March 2020. [Reference](#).
- Foreign exchange earnings from tourism during the first quarter of 2020 totalled EUR 5,546.11 million, which represented a decrease of 14.5%, despite the 2.9% increase in the first two months of the year. [Reference](#).
- In terms of average spending, March saw a decrease of 25.2%, from EUR 257.36 to EUR 192.47. For the entire quarter, the decrease was 9.1%, from EUR 263.29 to EUR 239.45. [Reference](#).

### HOSPITALITY

- According to the National Chamber of Restaurants and Seasoned Food Industry (CANIRAC), of the 636,788 economic units working in the restaurant industry in Mexico, 30,000 have closed. Around 15% of restaurants in Mexico 'will die', and 50% will suffer a 'high risk of bankruptcy' due to coronavirus, if there is no help from the government. [Reference 1 - Reference 2](#).
- Around 2.18 million people work in the sector, and CANIRAC estimates that 300,000 jobs will be lost in both, formal and informal establishments (57% of restaurants are informal businesses). [Reference 1 - Reference 2](#).
- 80% of the restaurants of Mexico are currently closed, and only 15% offer takeaway delivery or pick-up service. [Reference](#).

- On June 1, the Association of Hotels of Mexico City (AHCM), the Mexican Association of Travel Agencies of Mexico City (AMAV, Mexico City), CANIRAC, and the Hospitality Sales and International Marketing Association, Mexico chapter (HSMIA), will present an action plan that they have developed for the reopening of businesses to obtain the COVID-FREE stamp. The protocols will be based on the hygiene and safety guidelines established by the health authorities of Mexico. International standards are also being considered. They will then be reviewed by specialist health professionals. In addition, tourist destinations that have already opened up in Asia and Europe will be examined for lessons learned. Some of the measures to be implemented include taking the temperature of staff and customers, keeping a healthy distance inside and outside the establishments, insisting on constant hygiene standards on the premises and, above all, the use of digital or disposable menus. [Reference](#).

### AUTOMOTIVE

- On May 8, AMIA (the Mexican Association of Automotive Industry) and INEGI (the National Institute of Geography and Statistics) reported a sharp decrease in the number of light vehicles being produced and exported. In April, production fell by 98.7%. Only 2 of the 12 producers of light vehicles in the country registered sales during the month. Moreover, exports of these vehicles fell by 90.2%. In the case of the United States, the most important automotive market for Mexico, exports fell by 87%. In April 2019, automotive exports to the United States represented 78% of all industry exports for Mexico. [Reference 1](#). Additionally, on the same day, the President of the Automotive Cluster announced that, from May 17 to June 1, several automotive manufacturers will restart operations, should the Federal Government agree, they could re-start even earlier. [Reference 2](#).