HEALTH SITUATION

24,905 Confirmed cases
13,143 Suspected cases
2,271 Deaths
(May 4 2020)
Phase 3

Encouraging social distancing is recommended by health authorities: There are no nationwide mandatory curfews or quarantines, although voluntary confinement is strongly advised until May 30 for the municipalities and major cities that are affected.

According to an executive order (March 30), the Ministry of Health announced the mandatory lockdown of all non-essential social, private and public activity in main cities until May 30.

KEY ACTIONS TAKEN & OVERALL SITUATION

Apr 30. PEEMEX reported losses of EUR 20.5 billion during the first quarter of 2020. This is an increase of 62.4% with respect to the entire year of 2019. In the quarterly report sent to BMV (Mexican Stock Exchange), PEEMEX argued that 83.4% of the losses are due to the depreciation of the Mexican peso against the USD, caused by general economic slowdown resulting from the COVID-19 pandemic, and a drop in oil prices during March. Reference.

Apr 30. The National Institute of Statistics and Geography (INEGI) published the “2020 First Quarter Early Growth Domestic Product (GDP) Estimation”. GDP was reported to have decreased 1.6% compared to the previous quarter (2019:IV). This is the fifth quarter in a row that Mexican GDP has seen negative growth. The first quarter of 2019 was the last period Mexico experienced growth in GDP (1.2%). Credit Suisse and other rating agencies such as J.P. Morgan are expecting GDP in Mexico to drop to levels not seen since 1932 when the economy took a hit of (14%). Reference.

May 3. The estimates resulting from the Sentinel Surveillance Model being used by the Mexican government are being questioned. The Ministry of Health has estimated that there are 104,562 COVID-19 cases in the country, while UNAM (the National Autonomous University of Mexico) calculates that the number of cases ranges between 187,768 to 281,652 cases. Moreover, Alejandro Macias, the former National Commissioner for the Control and Prevention of H1N1, estimates the number to be closer to one million people. It is crucial that the Mexican government agrees on the statistical methodology to be used to calculate the number of COVID-19 cases. Reference 1, Reference 2 - Reference 3.

Apr 4. 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:

• As of May, 867,210 beneficiaries have been identified to receive loans to be issued by the Ministry of Welfare, closing the gap on the target of one million loans for formal and informal SMEs registered in the government’s census. Reference.

• On April 27, the Ministry of Finance, together with the Mexican Social Security Institute (IMSS), began issuing 1 million support loans (créditos solidarios) to formal SMEs who have not reduced the number of workers or lowered wages in the previous three months. As of May, 30,294 beneficiaries had already received the loan, and another 117,143 have been approved. Reference.

May 4. The Ministry of Labour reported that around 4% of the firms involved in non-essential activities have refused to cease activity, mainly retail trade and automotive industries. This is an improvement on last week’s figure which stood at 13%. Reference. Moreover, certain facilities in the automotive and general manufacturing sectors in Sonora and Baja California, are preparing to ramp up production during the first week of May. However, they are waiting for official authorization from the local government. Most of these industries are not considered essential according to the federal executive orders issued at the beginning of April. The Baja California State Ministry of Economy and Sustainable Development has already announced the reopening of 40 factories, despite being the state with the third highest number of confirmed COVID-19 cases in the country. Reference 1, Reference 2 - Reference 3.

TAKEAWAYS:

• Fiscal Policy: No changes have been identified since last week. 1) Public Sector Borrowing Requirements (PSBR) in 2020 stands at 4.4%, against the 2.6% initially forecasted; and 2) Primary Deficit in 2020 will be (0.4%) against the 0.7% initially forecasted.

• Monetary Policy: No changes have been identified since last week. The Bank of Mexico called an extraordinary session to agree on reduction in the Target Interest Rate from 6.5% to 6.00%. (the next meeting will be held on May 14).

• Public measures and recommendations on maintaining security distance and staying at home have had an impact on mobility (May 3): driving (-) 61%, walking (-) 69% and transit (-) 77%. Data shows a drop in the number of people observing the social distancing recommendations in comparison to last week.

• On April 17, to increase the federal government disposable income, the President of Mexico announced a strategy to renegotiate corporate tax debts payments schedule, worth EUR 1.8 billion.

• On April 28, the negotiations for the modernised European Union – Mexico Free Trade Agreement were concluded. This new agreement will enhance the flow of trade, fight against corruption and increase international cooperation between the European Union and Mexico.

• On May 3, the national available capacity of general care beds in all types of medical facilities was 69%. The capacity of respiratory ventilators installed in care beds in all types of medical facilities was 75%.

• On April 29, Mexican Ministry of Agrarian, Land, and Urban Development (SEDATU) announced an emergency plan, including 50 urban and social investment infrastructure projects, worth EUR 1.1 billion. The objective of the plan is to prevent a steep increase in the level of poverty in 68 low-income municipalities, which have been particularly affected by the COVID-19 pandemic.

• On May 4, four Mexican Banks (BBVA, Santander, Banorte and Citibanamex) announced that they will defer payments for 2.3 million customers.

MITIGATING ECONOMIC MEASURES:

Disclaimer | This publication was produced with the financial support of the European Union. Its contents are the sole responsibility of its authors and do not necessarily reflect the views of the European Union.
Suppliers: On April 29, the IMMEX Programme released the February results for the Manufacturing, Maquiladora and Export Service Industries. Factories reported a decline of (-) 0.1% in manufacturing employment in February compared to January. Moreover, foreign inputs expenditure registered a growth rate of 0.12% in comparison to (-) 0.1% in manufacturing employment in February compared to January. Moreover, these results suggest that international supply chains in Mexican manufacturing remained stable despite the disruption in Asian markets in February, with American supply chains suffering even before the beginning of COVID-19 pandemic. Reference. March 2020 data of the IMMEX programme to be published on May 29, 2020.

Trade facilitation measures: No new trade facilitation measures have been announced by the 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 (MARCH 31 – APRIL 30)**

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<thead>
<tr>
<th>Date</th>
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<th>Monthly Variation</th>
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<tbody>
<tr>
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<td>36,470.11</td>
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**KEY NATIONAL INDICATORS AT A GLANCE**

- **GDP (First Quarter 2020):** USD 186,128.2 million
  Annual Inflation Rate: February 2020: 3.7% / March 2020: 3.2%

**DAILY EVOLUTION OF EXCHANGE RATE BASKET MXN/EUR 8**

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**UNEMPLOYMENT RATE**

- **February 2020:** 3.7%
- **March 2020:** 3.2%

**WEEKLY EVOLUTION OF INTERNATIONAL RESERVES - USD MILLION**

- **National Social Distancing Strategy (March 23, 2020):** USD 186,128.2 million

**POTENTIAL SECTORAL IMPLICATIONS**

**TOURISM**

- The economic impact on tourism as a result of the COVID-19 outbreak will be of at least EUR 19.1 billion during March, April and May, equivalent to two percentage points of the Gross Domestic Product (GDP). According to the Anahuac Centre for Tourism Research and Competitiveness (Cicotur), this figure could double if the health contingency is prolonged. In April alone, the economic impact of the coronavirus has been estimated at almost EUR 9.2 billion. Reference.
- According to Banco Santander, travel agencies have seen decreases of 94% in turnover, restaurants 87%, and hotels 86%. The National Tourism Business Council (CNET) is promoting a legislative agenda to revive the tourism industry through tax incentives, foreign investment in airlines, regulation of digital platforms, tax incentives for investment, accelerated deductions, Non-Residents taxes to boost the Mexico brand, and deductibility for the consumption in restaurants. Reference.
- The Association of State Ministers of Tourism of Mexico (Asetur) proposed the deferral of the payment of federal and local taxes for companies in the sector, as well as the fees of Infonavit and Social Security, while revising the acceptable capacity levels of facilities. They have also called for tax rebates to be paid promptly to help cash flow. Reference.

**COMMERCIAL AVIATION**

- On March 29, the International Air Transport Association (IATA) suspended Interjet from its "clearing house" due to a debt of more than EUR 26.76 million and the seizing of at least 27 planes experiencing recently, such as having their assets seized by the Tax Administration due to a debt of more than EUR 28.76 million and the seizing of at least 27 planes by its lessors for non-payment. Reference 1 - Reference 2. Viva Aerobus will also resume flights gradually in May. Reference.
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- The three private airport groups of Mexico will negotiate with the Ministry of Communications and Transportation, the possibility of postponing the investments they had planned for this year. They were equivalent to 69% of the investment committed to until 2024 as part of the National Agreement on Investment in Private Sector Infrastructure, were worth EUR 11 billion and were going to be in 29 airports. Reference.
- After several meetings, the IATA considers that there is a “good chance” that the Mexican authorities will make official announcements over the next few days regarding financial relief measures for the commercial aviation industry. Reference.

**FINANCIAL MARKETS**

- The stock market did not react strongly to the economic reports, with the general index registering a 5.5% increase compared to March 30.

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