



Mexico Investment, Economy and Politics Brief – October 2020

COVID-19

The spread of the COVID-19 virus in Mexico has not improved significantly this month and in fact has deteriorated in some areas. Mexico has reported approximately 924,000 accumulated cases, ranking it 10th worldwide, and 92,000 deaths, fourth highest in the world. Mexico City remains at the orange level of the epidemiological traffic light system, and the head of government of the capital, Claudia Sheinbaum, recently tested positive for COVID. The city government is resisting raising the alert level to red, however authorities have said they intend to implement increased restrictions on activity to combat an upward trend in cases.

ECONOMY AND INDUSTRY

- Same-store sales for Mexican retailers registered growth of -0.3% in September with respect to the same month the previous year, an improvement over results during the past five months. Sales for all stores grew 2.6% for the same period. (*Citibanamex Reporte Económico Diario, October 13, 2020*)
- Mexico's agriculture and livestock exports will reach a record US\$40 billion this year, according to estimates by the National Agriculture and Livestock Council (CAN). The group projects Mexico will post a US\$465 million trade surplus in the category in 2020. (*La Jornada, October 14, 2020*)
- Remittances to Mexico from abroad continue their remarkably strong performance, rising 5.3% in August with respect to the same month the previous year. Remittances are running 9.3% ahead of 2019 through the first eight months of the year. (*El Financiero, October 1, 2020*)

ECONOMIC ACTIVITY OF NOTE

Investment and economic activity in general remain lower than prior to the COVID-19 crisis, due to ongoing restrictions on business operations and mobility and their impact on the economy.

- Logistics: U.S. e-commerce platform Amazon reported investment of US\$100 million in new distribution infrastructure in Mexico. The expanded capacity includes fulfillment centers in the major metropolitan areas of Guadalajara and Monterrey, additional warehouse space in the Mexico City area and 12 new delivery stations. (*Reuters, October 22, 2020*)
- Pharmaceutical: A group of six pharmaceutical companies from India have signed letters of intent to establish a manufacturing hub in the central state of Hidalgo, local media reported citing a report in the Economic Times of India. The firms will gain access to Mexico's large market for generic drugs as well as opportunities to expand into

- neighboring markets, in exchange for preferential status for public tenders and facilitated registration and exportation of products. (*Yucatán Times, October 15, 2020*)
- **Logistics:** UK-based investment fund Caxxor Group is proposing to fund development of a North American rail and logistics megaproject linking the Mexican Pacific coast city of Mazatlán with the Canadian city of Winnipeg. The US\$3.3 billion initial phase would include a new industrial port at Mazatlán, a logistics center in Winnipeg and rail lines across the United States. (*Milenio, October 14, 2020*)
 - **Automotive:** German auto maker Volkswagen carried out extensive adaptations to its manufacturing site in the southern state of Puebla to produce the Taos model compact SUV, the company reported. The US\$400 million upgrade makes the facility Volkswagen's most technologically advanced in Mexico. (*Reforma, October 14, 2020*)
 - **Retail:** Mexican beverage bottler and retail group Fomento Económico Mexicano (FEMSA) is projecting investment of approximately US\$75 million over the coming three years to expand its retail presence in the central State of Mexico. Plans reportedly include opening 400 new sales locations of the group's OXXO convenience store. (*Milenio, October 12, 2020*)
 - **Logistics:** German logistics multinational DHL reported investment of approximately US\$53 million in new fleet vehicles for Mexico operations. The company operates a fleet of nearly 5,000 vehicles in the country. (*Reforma, October 21, 2020*)
 - **Chemicals:** Norwegian fertilizer manufacturer Yara is building a new distribution terminal in the Gulf coast port city of Altamira, the company reported. The US\$15 million facility will include advanced technologies and is planned to enter into operation in 2021. (*Reforma, October 8, 2020*)
 - **Automotive:** Spanish plastics and pigments maker Delta Tecnic is in the process of launching production at a new plant in the central state of Querétaro, the company reported. The US\$5.2 million facility will produce color masterbatches and raw materials for plastics, principally for the automotive industry. (*Milenio, October 7, 2020*)
 - **Telemedicine:** Mexican health insurance provider Bupa plans to invest approximately US\$10 million to upgrade its telemedicine and telepsychology platforms and infrastructure, the company reported. The COVID-19 pandemic has driven high demand for health care services via technologies such as video calls, mobile applications, chatbots and other virtual tools, according to Bupa. (*Reforma, October 6, 2020*)

POLITICS AND SOCIETY

- Mexican President Andrés Manuel López Obrador presented a new infrastructure development plan this month together with business leaders. The US\$14 billion program includes projects such as new highway construction, port expansion and chemical and fuel processing facilities. (*Forbes, October 5, 2020*)
- Controversial new labeling requirements for food products entered into effect Oct. 1 in Mexico. The updated regulation requires warnings on certain products that fail to meet newly established health criteria for ingredients such as salt, sugar and saturated fats. (*El Financiero, October 1, 2020*)