



Mexico Investment, Economy and Politics Brief – November 2020

COVID-19

Mexico has surpassed 104,000 deaths due to COVID-19, the fourth highest total among world nations, and total accumulated cases exceed one million. The rate of infection remains uneven throughout the country, however five major states including Mexico City are registering an upward trend in the number of cases and are perilously close to returning to the red or highest level on the national epidemiological traffic light system. A return to red would signify closure of all but essential businesses and other strict restrictions on movement and economic activity. At the same time, 16 of Mexico's 32 states are currently at the yellow level, implying relatively minor restrictions, and one state, Campeche, has returned to green or restriction-free status.

ECONOMY AND INDUSTRY

- The Mexican economy rebounded in the third quarter, growing 12.1% with respect to the previous quarter, the National Statistics Institute (INEGI) reported. Nonetheless, GDP for the quarter represented a contraction of 8.6% with respect to the same period the previous year. (*El Financiero, November 26, 2020*)
- Same-store sales for members of Mexico's National Retailers Association (ANTAD) rose 2.8% in nominal pesos with respect to the same month the previous year, ANTAD reported. The figure represents the first monthly YOY rise since March 2020, the last month before restrictions on economic activity were implemented to combat the COVID-19 pandemic. (*Citibanamex Reporte Económico Diario, November 11, 2020*)
- Remittances to Mexico from abroad continued their unexpectedly strong performance in September, registering a 22% increase over the same month the previous year. Total remittances are running 10% ahead of 2019 through the first nine months of the year. (*Citibanamex Reporte Económico Diario, November 4, 2020*)
- The Ministry of Finance (SHCP) maintained its projection of 2020 GDP growth at -8%, local media reported. GDP growth contracted 8.6% annually through the first three quarters however remains on an upward track compared to earlier in the year. (*Milenio, October 30, 2020*)

ECONOMIC ACTIVITY OF NOTE

- Logistics: Mexican courier company Estafeta projected total 2020 investment at approximately US\$41.5 million, higher than expected due to increased e-commerce demand during the COVID-19 pandemic. Major areas of infrastructure expansion include new distribution centers and additional delivery vans. (*Reforma, November 24, 2020*)
- Solar power: Mexican photovoltaic panel maker Solarever began operations at a new manufacturing plant in the Pacific coast state of Colima, the company reported. The

US\$20 million facility has an initial production capacity of 1,500 PV modules per day. (*Reforma, November 24, 2020*)

- **Automotive:** Portugal-based electric vehicle maker Piccoli Green Technology LDA will establish its first Latin American subsidiary in the central Mexican state of Aguascalientes, the company reported. The US\$25 million site is expected to produce 100% electric automobiles beginning in 2021. (*Líder Empresarial, November 9, 2020*)
- **Information Technology:** Brazilian data center operator Odata will establish a new site in the central Mexican state of Querétaro, the state government announced. The US\$115 million facility, planned to provide colocation data services for domestic and international companies in the heavily industrial region, is projected to begin operations in 2020. (*Diario de Querétaro, November 4, 2020*)
- **Natural gas:** U.S. natural gas utility Sempra Energy confirmed plans to construct a Liquid Natural Gas (LNG) exporting terminal on the site of its Energía Costa Azul gas importing facility in the northwestern state of Baja California. The US\$2 billion exporting terminal is projected to have production capacity of 3.25 million tons per year and to begin operations by the end of 2024. (*Reforma, November 18, 2020*)
- **Logistics:** U.S. logistics operator FedEx Express announced plans to invest approximately US\$25.8 million to expand operating capacity in Mexico. Projects include expanding the company's domestic air freight hub at the Toluca airport in the central state of Mexico. (*La Jornada, November 10, 2020*)
- **Automotive:** Austrian metal and plastic component maker Pollmann International plans to install a production facility in the central state of Guanajuato, the state government reported. The \$US4.5 million plant is planned to produce automotive locking systems beginning in the second half of 2021. (*El Economista, November 17, 2020*)
- **Retail:** U.S. grocery and general merchandise retailer Walmart plans investment of approximately US\$62 million to convert existing Superama format stores in Mexico to a new format called Walmart Express. The new format will feature updated design and enhancements such as coffee shops, omnichannel technologies, curbside pickup and self-checkout. (*Forbes Mexico, November 5, 2020*)
- **Automotive:** German auto maker Volkswagen announced investment of approximately US\$233 million to expand production at its Silao plant in the central state of Guanajuato. Resources reportedly will support the installation of new production lines for parts such as monoblock, crankshaft, connecting rod and cylinder heads, as well as a line for finished motor assembly. (*El Universal, November 13, 2020*)

POLITICS AND SOCIETY

- The U.S. government dropped charges Nov. 17 against a jailed Mexican former Defense Minister who had been arrested in Los Angeles Oct. 15. The move represents a political win for Mexican President Andrés Manuel López Obrador, who criticized the arrest as an attack on Mexican sovereignty. (*Los Angeles Times, November 17, 2020*)
- Mexican President Andrés Manuel López Obrador remains among the few leaders of major world countries who still have not publicly recognized Joe Biden as president-elect of the United States. Analysts surmise that the Mexican president's reticence is due to a desire to avoid provoking retaliation from outgoing U.S. President Donald Trump in the waning days of his administration. (*Expansión, November 12, 2020*)