



# Mexico Investment, Economy and Politics Brief – June 2020

## COVID-19

The spread of COVID-19 remains strong in Mexico however it has stabilized in some parts of the country. Mexico currently is ranked 11<sup>th</sup> in the world among countries with the highest number of accumulated confirmed cases. Local health officials' methodology for allowing increased economic activity includes factors such as the rate of increase in the number of cases and the level of occupation of hospital beds. On this basis, in the past week 18 states have advanced from red, the highest level of alert and restriction, to orange, the second highest. Fourteen states remain at red, or maximum restriction of economic activities. States at the orange level, including the capital city, may reopen retail businesses and restaurants at a limited level of capacity in stages during the first two weeks of July. Offices for most businesses remain closed.

## ECONOMY AND INDUSTRY

- The Mexican Institute of Finance Executives (IMEF) revised downward its projection of economic growth for the country in 2020, estimating the economy will contract by 8.5% this year. The IMEF projects the economy will begin to recover next year, posting growth of 2.5%. (*El Financiero, June 12, 2020*)
- Same-store sales of retail chains belonging to the National Retailers Association (ANTAD) dropped 24.3% in May with respect to the same month the previous year, the organization reported. Total sales dropped 21.5% for the same period, representing the sharpest YOY declines for May since the organization has tracked the figures. (*Reforma, June 10, 2020*)
- Foreign Direct Investment (FDI) into Mexico rose 1.7% in the first quarter of 2020 with respect to the same period the previous year, Mexico's Economy Ministry (SE) reported. The manufacturing sector accounted for 44% of total FDI for the period. (*La Razón, June 15, 2020*)

## ECONOMIC ACTIVITY OF NOTE

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

- Manufacturing: Japanese motor manufacturer Nidec reaffirmed its commitment to expanding production operations in the northeastern state of Nuevo León, state officials

reported. The company is undertaking a US\$35 million expansion to a motor manufacturing plant in the state. *(El Financiero, June 30, 2020)*

- **Power generation:** Mexico's state-owned power utility Federal Electricity Commission (CFE) announced an international tender to construct a geothermal electricity generation plant in the eastern Gulf state of Veracruz. The tender includes design, construction and supply of equipment for the projected 25 MW capacity site. *(Bnamericas, June 30, 2020)*
- **Manufacturing:** Mexican shelter manufacturing services provider Grupo Tacna announced US\$47 million of investment in expansions and new construction of manufacturing infrastructure in the northern border city of Tijuana. Projects are projected to add 500,000 square feet of new industrial space to the region's capacity. *(Uniradio Noticias, June 29, 2020)*
- **Information technology:** Brazilian data center operator Ascenty announced it will construct two new facilities in the central state of Querétaro. The US\$300 million project, which includes its own electricity generation infrastructure and fiber optic network, is planned to begin operation in 2021. *(Inmobiliare, June 29, 2020)*
- **Fuel storage:** Mexican fuel supplier Grupo Perc announced the imminent inauguration of a new fuel storage depot the company constructed in the central State of Mexico. The US\$8 million facility will receive shipments of gasoline from Gulf of Mexico ports for distribution to gasoline service stations in central Mexico. *(Reforma, June 26, 2020)*
- **Solar power:** Spanish renewable energy developer Cox Energy announced plans to develop five new photovoltaic electricity generation plants in Mexico. The development program, for which the amount of investment was not specified, is projected to add 1,028 MW to the country's solar installed capacity. *(Reforma, June 4, 2020)*
- **Petroleum:** Netherlands-based oil company Royal Dutch Shell plans investment of approximately US\$311 million in deep water exploration in the Gulf of Mexico, Mexico's National Hydrocarbons Commission (CNH) reported. The majority of resources will support well drilling in the Cinturón Plegado Perdido zone. *(Reforma, June 12, 2020)*
- **Logistics:** Logistics services providers in Mexico are investing approximately 1 – 2% of their operating expenses to implement new health safety measures due to COVID-19, industry association #SoyLogisticoAsociacion estimated. Resources are targeting areas such as employee transport, personal protection equipment, sanitizing systems and health safety specialists. *(Reforma, June 10, 2020)*
- **Recycling:** The municipal government of Mexico City is currently constructing a new solid waste processing plant in the city via investment of approximately US\$18 million. The site is intended to recycle an estimated 76% of some 1,400 tons of waste per day, some of which will be converted into fuel for energy generation. *(Forbes Mexico, June 5, 2020)*

## **POLITICS AND SOCIETY**

- Mexico's Energy Ministry (SE) published its proposed strategic program for the energy sector for 2020 – 2024 June 15. The program presents a clear focus on “rescuing” the sovereignty of Mexico's energy industry, which implies a recovery of dominance for the state-owned companies Pemex (oil, gas, petrochemicals) and CFE (electricity), as well as deemphasizing solar and wind power in favor of increasing reliance of fossil fuels. *(Citibanamex Reporte Económico Diario, June 17, 2020)*

- The leader of the ruling party (Morena) caucus in the Mexican Senate advised he is preparing an initiative to combine the regulatory bodies overseeing economic competition and the telecommunications and energy industries into one smaller body with reduced budget. Opponents of the move argue it is part of the government's campaign to reduce regulatory autonomy and concentrate power in the executive branch. (*El Economista*, June 14, 2020)

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