



Mexico Investment, Economy and Politics Brief – May 2020

COVID-19

Under the terminology used by the Mexican government in its plan to manage the COVID-19 crisis, with the end of May comes the close of the “National Safe Distancing” period and the “New Normality” period begins June 1. This means in very general terms that authorities are seeking to inch the country back into economic activities while maintaining reinforced safety practices. People are still urged to remain home if possible, wear face coverings and wash hands frequently, however selected industries such as transportation equipment manufacturing (automotive, aerospace, trains), mining and construction may begin to open in June if they implement required safety measures for employees. The advance of the virus outbreak is uneven around the country, and the return to work is expected to be uneven as well. The spread of COVID-19 has stabilized or declined in some areas, while continuing to increase in others. Similarly, some automotive manufacturing plants will begin work right away in June, while others will remain shuttered for another two weeks or more. In Mexico City, there has been no change of general guidelines for businesses or individuals beginning June 1, however we expect that people will begin to take more liberties once they begin seeing signs of businesses reopening elsewhere in Mexico or abroad.

ECONOMY AND INDUSTRY

- Remittances to Mexico from abroad in March exceeded US\$4 billion, setting a new record monthly high. The mark represents an increase of 36% over the same month to previous year. (*Expansión*, May 4, 2020)
- Foreign Direct Investment (FDI) into Mexico grew at an annualized rate of 1.7% in the first quarter of 2020 with respect to the same period last year. The manufacturing and financial services sectors together received over 70% of total investment for the period. (*Citibanamex Reporte Económico Diario*, May 18, 2020)
- Same-store sales at Mexico's leading department stores dropped by 72.7% in April with respect to the same month the previous year, the National Retailers Association (ANTAD) reported. Sales for grocery and convenience stores rose 8.7% for the same period, which was strongly affected by department store closures due to the COVID-19 contingency. (*Reforma*, May 14, 2020)

ECONOMIC ACTIVITY OF NOTE

As Mexico continued largely under lockdown throughout May, little significant industrial investment was reported. The following are items that reflect some areas of economic activity that have continued or prospered despite the contingency.

- Food processing: Mexican multinational industrial baker Bimbo reported an increase in sales of 7.02% during the first quarter of 2020 with respect to the same period last year. Despite the jump in sales, which analysts attribute to the COVID-19 contingency, increased operating costs for the same reason resulted in a drop in operating profit for the first quarter. (*Reforma, April 28, 2020*)
- Chemicals: Brazilian-Mexican chemical producer Braskem-Idesa projected they will maintain their current investment plan of approximately US\$2 – 4 billion for the current year. Projects include the importation of raw materials and construction of a logistics terminal to handle imports in the Gulf coast state of Veracruz. (*Reforma, April 28, 2020*)
- Food processing: Mexican industrial miller and tortilla producer Gruma announced plans to maintain its investment goal of US\$250 million during the current year despite the COVID-19 crisis. Resources will principally support expansion of production capacity. (*Reforma, April 28, 2020*)
- E-commerce: Brazil-based e-commerce portal MercadoLibre reported annualized growth of 81% through the first three months of 2020, the highest figure for the period since the company began operating in Mexico 20 years ago. The platform also signed up more new users compared to any previous first quarter in Mexico. (*Reforma, May 7, 2020*)
- Cleaning products: Manufacturers of cleaning products in Mexico in March registered their highest output by value for any month since the industry began tracking the variable in 2013. The sector produced approximately US\$387 worth of products such as bleach, detergents, disinfectants and hand soaps, a jump of 13% over the same month the previous year. (*Reforma, May 28, 2020*)

POLITICS AND SOCIETY

- Mexico's Energy Ministry (Sener) published rule changes for the energy industry that would allow the government to block the entry into operation of new solar and wind plants already built or in development, in order to reserve electricity generation for the state-run Federal Electricity Commission (CFE). Business groups are seeking to block the rule change in court. (*Milenio, May 15, 2020*) NOTE: Read more on President López Obrador's quest to return the energy industry to state control on our blog [here](#).