# Mexico Investment, Economy and Politics Brief – April 2020

Dear subscriber,

This bulletin usually lists examples of new investment in Mexican industry, such as announcements of new manufacturing or processing plants and expansion of existing ones. For April 2020, we are disappointed to report that we have no such examples to share, due to the COVID-19 economic shutdown. We imagine that some companies are taking advantage of mandatory plant closures to clean, reorganize or upgrade their facilities, but we have not read about these so we are just going to have to accept our first shutout in the 11 years we have had the privilege of publishing this bulletin. As with so many repercussions of COVID-19, you think you've seen it all, but it turns out you haven't.

The media have done an admirable job covering the crisis, but for those of you who don't follow Mexico closely, here is a very cursory summary of approximately where we are at the start of May 2020:

The impact on Mexico of the COVID-19 outbreak continues to increase at this time, rather than to show signs of stabilization. Mexican health authorities on April 21 declared the outbreak had entered “Phase Three” in the country according to their epidemic management plan, which means that contagion has accelerated and expanded throughout the country. In response, state and local governments have implemented more severe restrictions on economic activity and movement of people. The government’s directive requesting voluntary self-isolation (stay-at-home order) has a tentative expiration date of May 30. Subsequent comments by officials, however, suggest that some economic activity in areas of low incidence of COVID-19 could be allowed to reopen earlier, and that at approximately June 1 authorities will reevaluate the possibility of reopening economic activities in the country’s larger metropolitan areas. The impact on Mexico’s economy is already severe, with recent projections of 2020 GDP growth in the range of -6% to -9%, and Fitch Ratings taking the step of lowering Mexico’s sovereign debt rating from BBB to BBB-. Despite the dire economic outlook, the government of President Andres Manuel Lopez Obrador (AMLO) has resisted implementing significant stimulus or rescue programs, limiting initiatives so far to payroll support credits for small businesses and enhanced support for social programs. Although Mexico's public finances have been shielded to some degree by improved tax collection and the country's massive oil price hedge program, the collapse of international oil prices is a warning sign for the future considering AMLO's focus on the fossil fuel industry to lead the country's return to economic stability. State-owned oil behemoth Petróleos Mexicanos (Pemex), never a beacon of fiduciary stewardship, is now hemorrhaging money like never before and appears from all angles to be headed for an unsightly *dénouement*.

We've written much about Pemex, Mexican presidential politics and of course trade topics on our own Mexico Business Blog, which you can find at www.bdp-americas.com/blog, and we'll try to put up some posts on the Mexican economy, Pemex and the multiple sources of aggravation plaguing President López Obrador in the coming weeks. In the meantime, we wish you all the best of health and a speedy return to work as we would like it to be.

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