



# Mexico Investment, Economy and Politics Brief – February 2021

## COVID-19

Mexico's COVID-19 indicators have generally improved over the past month. The number of new cases per day has declined steadily compared to January, and the national rate of hospital bed occupation is down to 40%. Bed occupation is higher in the Mexico City area at 60%, however this is an improvement over the peaks of 90% reached in January. Mexico's vaccination campaign is gaining speed after a poorly executed launch, however the number of vaccinations administered lags behind the average rate of most developed countries. *(Data taken from Citibanamex Monitoreo de COVID-19, February 25, 2021)*

## ECONOMY AND INDUSTRY

- Retail sales in Mexico contracted 9.3% in 2020 with respect to the previous year, reaching their lowest level since 2014, according to data from the National Statistics Institute (INEGI). The only subsectors posting positive growth were online and catalog sales (52%) and health-related products (6%). *(El Economista, February 25, 2021)*
- Mexico's construction industry was hit hard by the economic slowdown in 2020, contracting 17.5% on the year, according to data from the National Statistics Institute (INEGI). The drop-off is the steepest for the industry since 1995. *(Reforma, February 12, 2021)*
- Remittances from abroad to Mexico represented 3.8% of the country's GDP in 2020, a record high. The total value of remittances to Mexico grew by over 10% last year with respect to the previous year. *(El Economista, February 1, 2021)*

## ECONOMIC ACTIVITY OF NOTE

- Videogames: Romanian video game developer Amber inaugurated a new software development location in the western city of Guadalajara, a key hub of Mexico's IT and software industries. Investment was not specified for the site, which is expected to carry out activities including 2D art, mobile application development and quality control. *(Comunicae, February 16, 2021)*
- Retail: U.S.-based DIY and hardware retailer The Home Depot reported plans to invest approximately US\$166 million in Mexico operations this year. Projects include establishing smaller-format distribution locations to increase the efficiency of e-commerce deliveries. *(Milenio, February 25, 2021)*

- Funeral homes: The surge in deaths due to COVID-19 is driving increased investment by funeral homes, local media reported. Mexican funeral services provider J. García López disclosed plans to invest US\$7.5 million in areas such as cremation equipment, refrigerated chambers and hearses, while the Gayosso chain projected similar investment in new cremation and aquamation equipment. *(Reforma, February 18, 2021)*
- Energy: Mexican energy developer Rengen Energy will launch at least three major electricity generation projects this year, the company reported. The US\$500 million program includes a combined-cycle plant, a 180-Mw solar park, and smaller generation facilities for industrial parks. *(Reforma, February 9, 2021)*
- Petroleum: German gas and oil producer Wintershall Dea plans investment of approximately US\$16.8 million for petroleum exploration in shallow waters off Mexico's eastern Gulf coast. Projects include collection, interpretation and reprocessing of seismic data, and stratigraphic and geological studies. *(Reforma, February 10, 2021)*
- Commercial Real Estate: Mexican commercial real estate developer 3Seeds Developments announced plans to build a new residential and commercial development in the northeastern state of San Luis Potosí. The US\$125 million project is projected to include homes, a shopping center, hotel, office space, hospital and other services. *(Pulso Diario de San Luis, February 12, 2021)*
- Pharmaceutical: Danish drug maker Novo Nordisk will invest approximately US\$50 million in Mexico operations this year, the company announced. Resources will support clinical studies and research, as well as infrastructure for home delivery of medications and digital education programs. *(Reforma, February 11, 2021)*
- Railroad: Kansas City Southern de México, subsidiary of U.S. rail freight operator Kansas City Southern (KCS), reported investment plans for Mexico totaling US\$118 million during the current year. Projects include sidetrack extensions in the northeastern state of San Luis Potosí, new track lines in the nearby city of Monterrey and track expansion and new cranes for the Salinas Victoria multimodal freight terminal, also in Nuevo León. *(Reforma, February 11, 2021)*
- Manufacturing: Denmark-based mattress ticking and cover manufacturer Sunds Textiles initiated construction of a new production plant in the western state of Jalisco. Investment was not specified for the 215,000 square foot (20,000 M<sup>2</sup>) facility, the company's first in the Americas. *(Parque Industrial Centro Logístico Jalisco, February 8, 2021)*
- Industrial parks: Private investors are nearing completion on the initial portion of a new industrial park in the southeastern border city of Chetumal, the Quintana Roo state government reported. The US\$4.4 million first section of the site will host information technology, manufacturing and agro-industry operations, and is planned to include a distribution center. *(El Economista, February 4, 2021)*
- Cement: Mexican multinational cement producer Cemex reported plans to invest US\$15 million to recommission an idle cement kiln in the

northwestern state of Sonora. The site, with estimated production capacity of one million tons per year, will offset shortages in the southwestern U.S. states of California, Arizona and Nevada. (*Global Cement, February 3, 2021*)

## **POLITICS AND SOCIETY**

- Mexican president Andrés Manuel López Obrador sent a proposal to the Chamber of Deputies that would modify the country's Electricity Industry Law (LIE) to further concentrate the industry in the hands of the state electricity company at the expense of private sector producers. The initiative is a major new step in the president's drive to undermine the previous administration's energy industry reform introducing free market conditions to the sector. (*Citibanamex Reporte Económico Diario, February 3, 2021*)
- Former Education Minister Esteban Moctezuma was sworn in Feb. 16 to serve as Mexico's Ambassador to the United States. Moctezuma will immediately be called upon to navigate the growing dispute over changes to conditions for foreign investment in Mexico under the current administration. (*Milenio, February 16, 2021*)

Prepared by: Business Development Partners, S.A. de C.V. [info@bdp-americas.com](mailto:info@bdp-americas.com) [www.bdp-americas.com](http://www.bdp-americas.com)  
Mexico Business Blog: [www.bdp-americas.com/blog](http://www.bdp-americas.com/blog)