



UNDP LAC C19 PDS N°. 13

Development challenges in the face of COVID-19 in Mexico. Socio-economic overview

UNDP country office Mexico* **

Abstract

The COVID-19 pandemic, in addition to health challenges, has imposed enormous socio-economic development challenges on Mexico. Throughout the document, it is argued that the weak economy and inequalities that prevailed before the arrival of COVID-19 in Mexico are exacerbating the effects of the lockdown implemented to contain the virus and reducing the response capacity of the Mexican government. It also analyzes the effects that the pandemic has had on (i) workers' income, both formal and informal; (ii) poverty levels; (iii) private consumption; (iv) industrial production; (v) oil prices; (vi) exports; and (vii) income from remittances. Finally, based on these analyses, a series of recommendations are issued, aimed first at protecting household incomes and sources of employment. Secondly, the recommendations focus on reducing risks that threaten the stability of the financial system, in order to promote a faster recovery. Thirdly, guidelines for strengthening the government's response capacity are proposed. Fourthly, the recommendation to favor policies that incorporate the gender perspective is made. Finally, evidence-based, gradual re-opening proposals are issued, which avoid contagion peaks and longer lockdown periods that would deepen the current recession.

* Team: Annabelle Sulmont, Cynthia Martínez, Maite García de Alva, Alejandra Correa, Virginia Leal, Octavio Mendoza, Stephanus Visser and Alejandra Pinelo.

** The authors are grateful for the collaboration of external consultants José Carlos Diez and Adán L. Martínez-Cruz.



POLICY DOCUMENTS SERIES

UNDP LAC C19 PDS N°. 1

A Conceptual Framework for Analyzing the Economic Impact of COVID-19 and its Policy Implications

By Constantino Hevia and Andy Neumeyer

UNDP LAC C19 PDS N°. 2

Suggestions for the emergency

By Santiago Levy

UNDP LAC C19 PDS N°. 3

The economic impact of COVID-19 on Venezuela: the urgency of external financing

By Daniel Barráez and Ana María Chirinos-Leañez

UNDP LAC C19 PDS N°. 4

Social and economic impact of the COVID-19 and policy options in Honduras

By Andrés Ham

UNDP LAC C19 PDS N°. 5

Covid-19 and external shock: Economic impacts and policy options in Peru

By Miguel Jaramillo and Hugo Ñopo

UNDP LAC C19 PDS N°. 6

Social and Economic Impact of COVID-19 and Policy Options in Argentina

By María Laura Alzúa and Paula Gosis

UNDP LAC C19 PDS N°. 7

International financial cooperation in the face of Latin America's economic crisis

By José Antonio Ocampo

UNDP LAC C19 PDS N°. 8

Covid-19 and social protection of poor and vulnerable groups in Latin America: a conceptual framework.

By Nora Lustig and Mariano Tommasi

UNDP LAC C19 PDS N°. 9

Social and economic impact of the COVID-19 and policy options in Jamaica

By Manuel Mera

UNDP LAC C19 PDS N°. 10

Social and economic impact of COVID-19 and policy options in Uruguay

By Alfonso Capurro, Germán Deagosto, Sebastián Ithurralde and Gabriel Oddone

UNDP LAC C19 PDS N°. 11

Coronavirus in Colombia: vulnerability and policy options

By Andres Alvarez, Diana León, María Medellín, Andres Zambrano and Hernando Zuleta



UNDP LAC C19 PDS N°. 12

COVID-19 and vulnerability: a multidimensional poverty perspective in El Salvador
By Rodrigo Barraza, Rafael Barrientos, Xenia Díaz, Rafael Pleitez and Víctor Tablas.
UNDP country office El Salvador

UNDP LAC C19 PDS N°. 13

Development challenges in the face of COVID-19 in Mexico. Socio-economic overview
UNDP country office Mexico

UNDP LAC C19 PDS N°. 14 A

Lessons from COVID-19 for a sustainability agenda in Latin America & the Caribbean
By Diana Carolina León and Juan Camilo Cárdenas

UNDP LAC C19 PDS N°. 14 B

Latin America & the Caribbean: Natural Wealth and Environmental Degradation in the XXI Century
By Diana Carolina León and Juan Camilo Cárdenas

UNDP LAC C19 PDS N°. 15

Social and Economic Impacts of the COVID-19 and Policy Option in the Dominican Republic
By Sócrates Barinas and Mariana Viollaz

UNDP LAC C19 PDS N°. 16

The Bahamas Country Note: Impact of COVID-19 and policy options
By Manuel Mera

Disclaimer:

Development challenges in the face of COVID-19 in Mexico. Socio-economic overview.

UNDP partners with people at all levels of society to help build nations that can withstand crisis, and drive and sustain the kind of growth that improves the quality of life for everyone. On the ground in nearly 170 countries and territories, we offer a global perspective and local insight to help empower lives and build resilient nations.

Copyright © UNDP 2020

All rights reserved Published in the United States of America

United Nations Development Programme | One United Nations Plaza, New York, NY 10017, USA

The views, designations, and recommendations that are presented in this report do not necessarily reflect the official position of UNDP.



Introduction to the series:

Evidence, Experience, and Pertinence in Search for Effective Policy Alternatives

The Covid-19 pandemic is one of the most serious challenges the world has faced in recent times. The total cost in terms of human lives is yet to unfold. Alongside the cost of lives and deep health crisis, the world is witnessing an economic downfold that will severely impact the wellbeing of large parts of the population in the years to come. Some of the measures that are currently being used to counteract the pandemic may impact our future lives in non-trivial ways. Understanding the association between different elements of the problem to broaden the policy space, with full awareness of the economic and social effects that they may bring, is the purpose of this series.

Thus far, the impossibility of targeted isolation of infected individuals and groups has led to policies of social distancing that impose a disproportionately high economic and social cost around the world. The combination of policies such as social distancing, lockdowns, and quarantines, imply a slowdown or even a complete stop in production and consumption activities for an uncertain period of time, crashing markets and potentially leading to the closure of businesses, sending millions of workers home. Labor, a key factor of production, has been quarantined in most sectors in the economy, borders have been closed and global value chains have been disrupted. Most estimates show a contraction of the level of output globally. For the Latin America and Caribbean region, the consensus forecasts are at -3 to -4%, and it is not until 2022 that the region is expected to go back to its pre-crisis output levels in scenarios that foresee a U-shaped crisis pattern. According to ECLAC, more than 30 million people could fall into poverty in the absence of active policies to protect or substitute income flows to vulnerable groups.

We face a crisis that requires unconventional responses. We are concerned about the level-effect: the impact of the crisis on the size of the economies and their capacity to recover growth after the shock. But we are equally concerned about the distributional impact of the shock. The crisis interacts with pre-existing heterogeneity in asset holdings, income-generation capacity, labor conditions, access to public services, and many other aspects

that make some individuals and households particularly vulnerable to an economic freeze of this kind. People in the informal markets, small and micro entrepreneurs, women in precarious employment conditions, historically excluded groups, such as indigenous and afro-descendants, must be at the center of the policy response.

UNDP, as the development agency of the United Nations, has a long tradition of accompanying policy-making in its design, implementation, monitoring and evaluation. It has a mandate to respond to changing circumstances, deploying its assets to support our member states in their pursuit of integrated solutions to complex problems. This series aims at drawing from UNDPs own experience and knowledge globally and from the expertise and capacity of our partner think tanks and academic institutions in Latin America and the Caribbean. It is an attempt to promote a collective reflection on the response to the Covid-19 health crisis and its economic and social effects on our societies. Timeliness is a must. Solutions that rely on evidence, experience, and reasoned policy intuition –coming from our rich history of policy engagement– are essential to guide this effort. This series also contributes to the integrated approach established by the UN reform and aspires to become an important input into the coherent response of the United Nations development system at the global, regional, and national levels.

Ben Bernanke, former Governor of the US Federal Reserve, reminds us in his book *The Courage to Act* that during crises, people are distinguished by those who act and those who fear to act. We hope this policy documents series will contribute to the public debate by providing timely and technically solid proposals to support the many who are taking decisive actions to protect the most vulnerable in our region.

Luis F. Lopez-Calva

*United Nations Development Programme
Regional Director, Latin America and the Caribbean
New York, March 2020*



Acronyms

| | |
|------------|--|
| BBVA | Banco Bilbao Vizcaya Argentaria |
| CANACINTRA | National Chamber of the Processing Industry |
| CANIRAC | National Chamber of the Restaurant and Food Industry |
| CEEY | Espinosa Yglesias Centre of Studies |
| CFE | Federal Electricity Commission |
| CNBV | National Banking and Securities Commission |
| CONEVAL | National Council for the Evaluation of Social Development Policy |
| COVID-19 | Coronavirus Disease 19 |
| DGIS | Directorate General for Health Information |
| ECLAC | Economic Commission for Latin America and the Caribbean |
| ECOVIND-ML | Survey to Measure the Impact of Covid-19 on the Labor Market |
| ENDIREH | National Household Relationship Dynamics Survey |
| ENIGH | National Household Income and Expenditure Survey |
| ENOE | National Occupation and Employment Survey |
| ETOE | Occupation and Employment Telephone Survey |
| GDP | Gross Domestic Product |
| FMIIMF | International Monetary Fund |
| IMSS | Mexican Social Security Institute |
| INEGI | National Institute of Statistics and Geography |
| INFONAVIT | National Workers' Housing Fund Institute |
| INSABI | National Institute of Health for Welfare |
| IPL | Income Poverty Line |
| LGBTTTI+ | Lesbian, Gay, Bisexual, Trans and others |
| MSMEs | Micro, small and medium enterprises |
| OECD | Organisation for Economic Co-operation and Development |
| PEMEX | Petróleos Mexicanos (PEMEX) |
| SARS-CoV-2 | Severe Acute Respiratory Syndrome Coronavirus 2 |
| STPS | Secretariat for Labor and Social Welfare |
| UNDP | United Nations Development Program |
| USA | United States of America |
| WEI | Weekly Economic Index |
| WHO | World Health Organization |
| ZMVM | Metropolitan Area of the Valley of Mexico |



Introduction

The emergence and rapid spread of the virus identified as Severe Acute Respiratory Syndrome Coronavirus 2 (SARS-CoV-2) and the associated infectious disease, COVID-19, has challenged the world's population and highlighted the vulnerabilities of health systems and national economies.

In order to present recommendations on health and socio-economic development in the face of COVID-19 to the Mexican authorities, UNDP Mexico has developed two analytical documents that address both issues individually, but in an interconnected manner. This document, *"Development challenges in the face of COVID-19 in Mexico – Socio-economic Overview"* aims to analyze the current socioeconomic context so that, based on a consultation with experts, recommendations can be made on possible actions to be taken to address the economic recession facing the country due to the pandemic.

As detailed in the document entitled *"Development challenges in the face of COVID-19 in Mexico – Overview from a health perspective"*, the absence, in the short term, of a vaccine or effective drug treatment has led the Mexican authorities and those of other countries to impose home isolation and non-essential work suspension measures, in order to reduce the rate of infection and, subsequently, the saturation of health services. The scenarios proposed by the UNDP Mexico report in the area of health were developed using a mathematical model that takes into account the behavior of the virus and the effectiveness of the government's response, measured by the reduction in the number of infections and in the transmissibility of the virus, in order to estimate the possible impact of the spread of the disease on the health sector. To prevent health services from collapsing, authorities could extend the duration of self-imposed activity-reduction policies, which will have a profound impact on the world's economies.

The economic crisis caused by COVID-19 is estimated to be the most severe since the end of World War II. However, the socio-economic effects depend largely on which of the possible health scenarios occurs in reality, as well as on the timeliness and appropriateness of the economic policy responses implemented by the authorities. On the continuum of potential scenarios, the more seasonal the disease, and the more effective the institutional response, the less negative the effects on the economy and the welfare of the population; conversely, the non-seasonality of the virus and an untimely and ineffective institutional response will deepen the recession and slow down recovery.

The impact of COVID-19 on Mexico's economy is manifold. Firstly, the reduction in people's typical activity leads to a fall in consumption, with significant effects on business income. Moreover, the forced closure of thousands of companies compromises their ability to survive which, in turn, translates into a significant deterioration of the labor market, with increases in the unemployment rate and the informal employment rate, as well as possible reductions in the economic participation rate. This, in turn, entails reduced household income, with effects on quality of life, consumption of basic goods, savings and access to credit.

COVID-19 has also impacted supply chains, generating disruptions that compromise the activity of certain companies. This situation is aggravated for economic units with a greater dependence on inputs from other countries, since the reactivation of the economy is not homogeneous, but varies according to the stage and evolution of the pandemic in each country.

Similarly, the tourism sector, which represents one of the main sources of employment in several states, has been severely affected by travel restrictions imposed in some countries and by the containment measures adopted in the country. It is estimated that the recovery of this sector will be complicated by the falls in demand caused by the interruption or decrease in the income of Mexican households and those of the rest of the world.



An additional aspect to consider is the US recession itself, for two reasons. Firstly, COVID-19 has had a negative impact on consumption levels in American households, with major effects on Mexico's exports, given the intense trade relationship between the two countries. Second, a fall in Mexican household income is foreseeable as a result of a decrease in the flow of remittances. While March this year saw the highest ever quantity of remittances and an increase of 18.4% over the first quarter of 2019, April 2020 saw a drop of about 28.59% over the previous month and almost 3% over the same month in 2019¹.

Two additional effects of the pandemic on the national economy are, firstly, sharp falls in the price of oil and, second, a significant decrease in revenue. Both aspects are a threat to the income of the Mexican government, with all that this implies in terms of the response capacity to public issues.

The recession being experienced is of an unconventional nature, characterized by an abrupt decline in economic activities, similar to that resulting from a natural disaster. However, it differs from a crisis resulting from a natural disaster in four main ways: (i) the effects are not geographically determined, but extend to most of the world's economies; (ii) the duration of the phenomenon is unclear and, consequently, the associated social and economic costs are equally unclear; and (iii) the potential loss of human capital, with long-term effects; and (iv) there is no destruction of physical capital, unlike in the case of natural disasters.

Given the nature of the current crisis, it is advisable to implement counter-cyclical policies aimed at sustaining household consumption and protecting sources of employment for a more accelerated economic recovery.

Measures to mitigate and reduce the impact of the economic and social crisis should be structured as three stages. The first is the equivalent of an induced coma, in which the global economy is ground to a halt to allow infected areas to recover and prevent the entire economic system from becoming infected. The second stage is one of recovery; in the Mexican economy this will depend on: (i) the national economic policies implemented during the induced coma stage; (ii) the recovery of the United States, which in turn depends on the policies implemented by that country during the induced coma stage; (iii) the evolution of oil prices; and (iv) the national and international agreements (bi- and multilateral) that are achieved during the induced coma stage. It is worth mentioning that the recovery will not be homogeneous among economic sectors, among regions of the country, or among population groups. Finally, the third economic stage will be one of a new normal, involving changes in the way societies are organized and, consequently, changes in economic systems at all levels. This stage should focus on building resilience to events such as COVID-19. It is likely that, depending on whether or not the virus is seasonal, the stages set out above will form a non-linear process.

This method of categorizing the economic stages in the face of COVID-19 allows us to see that the degree of uncertainty varies depending on the stage. In the first stage, referred to as *induced coma*, high levels of uncertainty are identified, which are associated with a virus about which little is known and over which there is no control. However, since this is a self-induced paralysis, it is possible to identify mechanisms that could counteract a recession in the short term.

Therefore, during the *induced coma* stage, the implementation of policies combining counter-cyclical and post-disaster support schemes is recommended. The aim of these policies is to keep the Mexican economy as close as possible to the conditions that were respected before the arrival of COVID-19, and to eliminate the decreasing inertia that was experienced in the last quarters of 2019 and the first months of 2020. In other words, the aim should be to minimize the recessive effects of the induced coma stage.

¹ Bank of Mexico, "Income from remittances", Economic Information System, March 2020. Available at www.banxico.org.mx/SielInternet/consultarDirectorioInternetAction.do?sector=1&accion=consultarCuadro&idCuadro=CE81&locale=es (accessed 29 May 2020).



To that end, the first section of this report presents a socio-economic overview based on a documentary analysis, which includes a review of official documents and statistics, institutional reports and press releases, among others. Subsequently, in another section, a series of recommendations aimed at mitigating and reducing the effects of a recession in Mexico are presented. One factor that was considered to determine these recommendations was an expert consultation that was implemented within the framework of this study as a measure to mitigate the uncertainty that characterizes the phenomenon of the pandemic. The public policy proposals were developed based on the analysis of the economic overview presented in the first section and interpretation of the opinion issued by the experts.

I. Analysis of the socio-economic situation in Mexico

Pre-COVID-19 conditions of fragility

Before the outbreak of COVID-19, the Mexican economy showed significant signs of weakness. During the first quarter of 2020, a decrease of -2.4% in the Gross Domestic Product (GDP) was observed with respect to the same quarter of 2019, and the real annual variation for the secondary and tertiary sectors was -3.8 and -1.4%². Likewise, during the third and fourth quarters of 2019, the GDP, in the seasonally adjusted series, registered decreases of -0.3 and -0.6%, respectively³.

Moreover, tax revenue in the country is low compared with other countries. Mexico is the country with the lowest revenue in the OECD and the fifth lowest in the Latin American and Caribbean region. In Mexico, the equivalent of 16.1% of GDP is collected, while, on average, OECD countries collect 34.3% of GDP⁴. Despite the 9.2% real increase in budgetary revenues reported by the SHCP between the first quarter of the year and the same period in 2019⁵, the desired level has not been reached. Before the arrival of COVID-19, this situation compromised the achievement of economic and social objectives, as well as the provision of quality public services to the population. Within the context of the current pandemic, the loss of revenue limits the authorities' response to the economic slowdown. In terms of public debt, in the last quarter of 2019, it was reported that this represented 44.6% of GDP. Globally, the average debt as a percentage of GDP is 55.70%⁶. In other words, Mexico is among the countries with intermediate debt, which may provide room for action to finance public spending in the face of the *shock* and avoid a greater fall in GDP, which would also translate into an increase in the debt/GDP ratio, even if no additional debt is contracted.

In the business ecosystem, according to the 2019 Economic Census, microenterprises are predominant; 70% of them have between one and two employees⁷ (see graph 1), which can mean a weakness in terms of financial capacity, as well as resilience to crises. The fragility of companies translates into vulnerabilities for the employed population, in the face of decreases in sales and income from the goods and services offered. Likewise, about 43% of the population is employed in companies with less than 50 employees, which represents more than 98% of the companies in the country (see graph 1).

2 The figures correspond to the seasonally adjusted series. The original figures are -1.6, -3.2 and -0.9%, respectively.

3 INEGI, "Timely Estimation", Mexican System of National Accounts, March 2020. Available at: www.inegi.org.mx/temas/pibo (accessed 15 April 2020).

4 OECD, Revenue Statistics 1965-2018, Paris, 2019. Available at: www.oecd.org/ctp/revenue-statistics-2522770x.htm (accessed 29 May 2020).

5 SHCP, "Public Finances and Public Debt at the First Quarter of 2020", Comunicado N°. 50, Mexico City, 30 April 2020. Available at: www.secciones.hacienda.gob.mx/work/models/estadisticas_oportunas/comunicados/ultimo_boletin.pdf

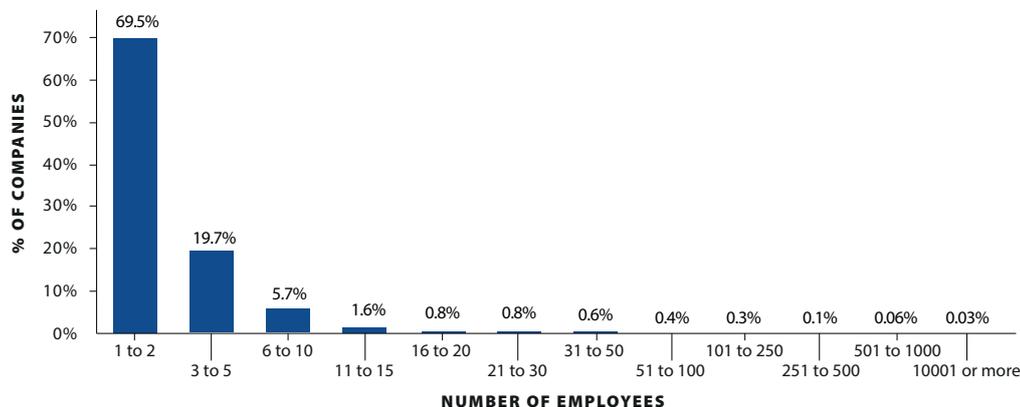
6 IMF, Central Government Debt. Percent of GDP, IMF DataMapper, 2020. Available at: https://www.imf.org/external/datamapper/CG_DEBT_GDP@GDD/CHN/FRA/DEU/ITA/JPN/GBR/USA (accessed 29 May 2020).

7 INEGI, "Total occupied establishments and personnel, by federative entity and year of start of operations", Economic Census 2019. Available at: <https://www.inegi.org.mx/programas/ce/2019/default.html#Tabulados> (accessed: 10 April 2020).



It is important to mention that the Economic Census does not capture information on mobile establishments, resulting in underestimates of both the percentage of microenterprises in the business ecosystem and the percentage of the population employed in those economic units.

■ Graph 1. Percentage of companies by number of employees



Source: Own drafting based on INEGI data, "Establishments and total employed staff, by state and year of start of operations", Economic Censuses 2019. Available at: www.inegi.org.mx/programas/ce/2019/default.html#Tabulados (accessed: 10 April 2020).

Before the arrival of the pandemic in Mexico, according to 2018 figures from the National Council for the Evaluation of Social Development Policy (CONEVAL), almost 42% of the Mexican population was in poverty (34.5% in moderate poverty and 7.4% in extreme poverty)⁸. 69.5% of the indigenous population was in poverty⁹. Similarly, another group identified as vulnerable in socio-economic terms is people with disabilities, since it is reported that 48.6%¹⁰ of this group is in poverty. Children and adolescents suffer disproportionately from poverty (49.6% are in poverty)¹¹.

The National Occupation and Employment Survey (ENOE) for the last quarter of 2019 reports an informal employment rate of 56.2%¹². This situation places more than half of the population in a double situation of vulnerability. First, people in informal employment are excluded from social security institutions and their benefits, for example, from disability payments due to illness if they become unwell, or from payment of a pension to their family, if they die. Moreover, with the National Health Institute for Welfare (INSABI) in the consolidation phase, access to public health services is difficult for people in informal employment, combined with potential increases in out-of-pocket spending, as well as catastrophic expenditures for the household. Secondly, people in informal employment tend to have lower incomes, less stability and less savings and, in turn, find it more difficult to comply with social isolation measures and measures to suspend non-essential activities, such that the likelihood of transmission for the sector of the population with a lack of access to social security is greater.

⁸ CONEVAL, "2018 Statistical Appendix", 2008-2018 Poverty Measurement. Available at: www.coneval.org.mx/Medicion/MP/Paginas/AE_pobreza_2018.aspx (accessed 8 April 2020).

⁹ Ibid.

¹⁰ Ibid.

¹¹ Ibid.

¹² INEGI, "Informal employment IV Quarter 2019", National Occupation and Employment Survey. Available at: www.inegi.org.mx/programas/enoe/15ymas/default.html#Tabulados (accessed: 10 April 2020).



Once again, the overlapping of informality with certain characteristics (ethnic identity, gender, age group and migrant status, among others) results in the worsening of the vulnerability of these population sectors in the face of the arrival of COVID-19 in Mexico. In this regard, 78.2% of the indigenous population does not benefit from some kind of social security scheme, a proportion considerably higher than the 55.1% of the non-indigenous¹³ population. Similarly, 65.5% of the young population between 12 and 29 years of age has no access to social security, which makes them a vulnerable group. The migrant population is another group that is identified as being more vulnerable, with only 39 per cent having medical¹⁴ benefits. Finally, women present a higher rate of informality than men (57.6 and 55.3% respectively). If the population in the agricultural sector is not considered, the gap widens: the informality rate for women is 56.6% and for men 48.4%¹⁵. This also has an impact on income from employment (see table 1).

■ **Table 1.** Measures of central tendency for hourly wage by sex and formal/informal status

| | Mean | Median |
|----------------|-------------|-------------|
| General | 35.92 pesos | 29.55 pesos |
| Formality | 41.33 pesos | 33.33 pesos |
| Informality | 29.23 pesos | 25.00 pesos |
| Women | 34.55 pesos | 27.50 pesos |
| Formality | 40.80 pesos | 31.78 pesos |
| Informality | 26.69 pesos | 22.86 pesos |
| Men | 36.81 pesos | 31.01 pesos |
| Formality | 41.68 pesos | 33.91 pesos |
| Informality | 30.85 pesos | 26.79 pesos |

Source: Own drafting based on INEGI data, "Informal employment IV Quarter 2019", National Occupation and Employment Survey. Available at: www.inegi.org.mx/programas/enoe/15ymas/default.html#Tabulados (accessed: 10 April 2020).

Moreover, people who do not have access to running water also face greater risks with the arrival of COVID-19, since it is vital to follow the recommendations of national and international authorities (Ministry of Health, World Health Organization, Pan American Health Organization), such as frequent handwashing, as well as cleaning and disinfecting surfaces. In 2015, according to the National Water Commission, 15.0% of the rural population and 2.8% of the urban population did not have access to running water in their home or property¹⁶. Given the urban bias of the disease (because of the mechanisms of transmission), people in marginalized urban areas without access to running water in their homes are in a particularly vulnerable situation.

The migrant population is at risk due to the lack of basic services. In general, this population group does not have access to health services during their mobility, a condition that is maintained when people temporarily live in shelters with adverse conditions. Among the adverse situations, there have been reports of overcrowding, such as rooms with 40 or 50 people, and insufficient basic services, food products and hygiene in some migrant¹⁷ shelters.

¹³ CONEVAL, "2018 Statistical Appendix (see section I, footnote 8).

¹⁴ CONEVAL, Diagnostic study on the right to work 2018 (Mexico, 2018). Available at: www.coneval.org.mx/Evaluacion/IEPSM/Documents/Derechos_Sociales/Estudio_Diag_Trabajo_2018.pdf (accessed 9 April 2020).

¹⁵ INEGI, "Informal employment" (see section I, footnote 12).

¹⁶ CONAGUA, Water Statistics in Mexico 2018 (Mexico, 2019). Available at: sina.conagua.gob.mx/publicaciones/EAM_2018.pdf (accessed 24 April 2020).

¹⁷ Jorge Butrón, "Overcrowding in shelters unleashes tensions, irregular charges...", La Razón, 30 June 2019. Available at: www.razon.com.mx/mexico/so-bre-cupo-en-albergues-desata-tensiones-cobros-irregulares/ (accessed 24 April 2020).



The use of solid fuels (wood and charcoal) for food processing and heating is a component that increases people's vulnerability to COVID-19, as it has adverse health effects, being a risk factor for acute lower respiratory infections (pneumonia) and chronic obstructive pulmonary diseases (bronchitis and emphysema)¹⁸. Both conditions are risk factors associated with COVID-19. In this regard, the National Survey of Household Income and Expenditure (ENIGH) indicates that, until 2016, 42.5% of homes inhabited by indigenous people used firewood or coal for cooking¹⁹.

Humanitarian emergencies, disasters and pandemics put women and girls in a more vulnerable position. There is evidence suggesting that where women are primarily responsible for obtaining and cooking food for the family, increased food insecurity as a result of any crisis situation may put them at greater risk. This is particularly worrying in the agricultural and fishing sectors in Mexico, where 69% of the 14,000 women employed in the Mexican fishing sector do not receive a fixed salary.²⁰

People with sexual orientations and gender identities associated with Lesbian, Gay, Bisexual, Trans and other (LGBTBTI+) groups are particularly vulnerable when facing crises. The organization "It Gets Better" reported at least 15 cases of young people who were thrown out of their homes during the crisis, after revealing their sexual orientation or gender identity to their family, which places them in a situation of exposure to the virus as they do not have a stable space to shelter during this crisis²¹.

It should be mentioned that, as a result of the containment measures adopted in Mexico to contain the pandemic, students at all levels of education have had to study online. However, in Mexico, only 44.3% of households have computer equipment and only 56.4% have an Internet²² connection. In rural areas, these figures are considerably lower: 20.6% and 23.4% of households have a computer and an Internet connection, respectively. Similarly, differences in the possession of a computer and access to the Internet are very pronounced. While almost 9 out of every 10 households of a high socio-economic level have an Internet connection, only 2 out of every 10 households of a low socio-economic level have a connection (see graph 2). This has important implications for learning, human capital and income generation in the long term. Given the heterogeneity in access levels, the households that currently face the greatest disadvantages will, in turn, be the most affected by containment measures.

¹⁸ Smith, K., "Domestic use of wood in developing countries and its impact on health", *Forests and Human Health*, vol. 57, No.2 (Roma, 2006). Available at: www.fao.org/3/a0789s/a0789s09.htm (accessed 12 April 2020).

¹⁹ INEGI, "Households and Housing Module", National Household Income and Expenditure Survey 2016. Available at: www.inegi.org.mx/programas/enigh/nc/2016/default.html#Microdatos (accessed 7 April 2020).

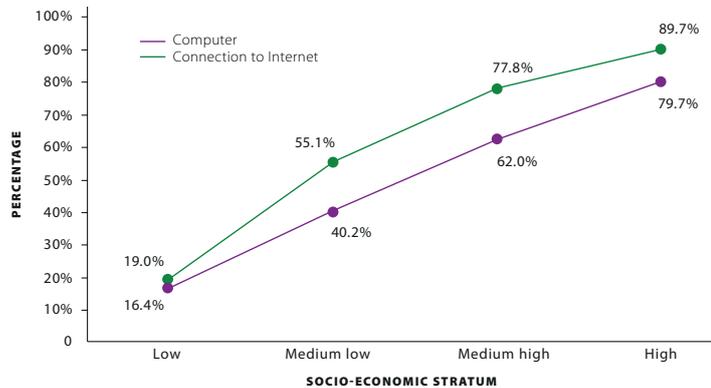
²⁰ Inés López Ercilla, Raquel López-Sagástegui, "Women in the fishing sector in Mexico", dataMare, 2018. Available at: doi.org/10.13022/M30K9N (accessed 7 April 2020).

²¹ Gabriel Gutiérrez García, "COVID-19 and the LGBT community", *El Sol de México*, 24 March 2020. Available at: www.elsoldemexico.com.mx/analisis/covid-19-y-el-colectivo-lgbt-5009405.html (accessed 24 April 2020).

²² INEGI, "Homes with information and communication technology equipment, according to type of equipment", ENDUTIH 2019. Available at: www.inegi.org.mx/programas/dutih/2019/default.html#Tabulados (accessed: 29 May 2020).



■ Graph 2. Households with a computer and Internet connection (%), by socio-economic stratum

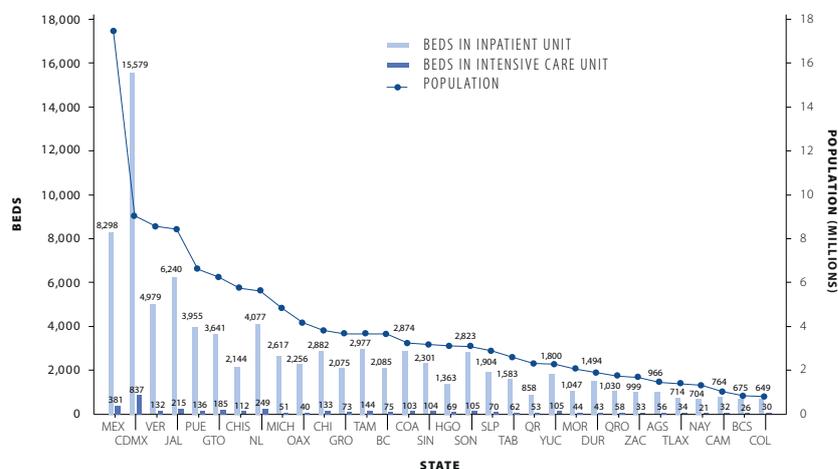


Source: Own drafting based on INEGI data, "Homes with information technology and communications equipment, by type of equipment", ENDUTIH 2019. Available at: www.inegi.org.mx/programas/dutih/2019/default.html#Tabulados (accessed: 29 May 2020).

In terms of the capacity of the Mexican healthcare system, it has been observed that there is room for improvement in terms of access, availability and quality of healthcare, which makes the population vulnerable in case of infection and serious symptoms. First, the number of hospital and intensive care beds per 1,000 population does not meet the standards set by the World Health Organization (WHO). Although the international organization recommends a ratio of one hospital bed per 1,000 inhabitants, the country falls significantly short in terms of hospital infrastructure, since only Mexico City comes close to meeting this international standard (see graph 3). The number of hospitalization and intensive care beds per state, broadly speaking, is proportional to the number of inhabitants, except in the case of the State of Mexico, Chiapas, Michoacán, Oaxaca, Tamaulipas and Hidalgo, which fall far below. It is worth mentioning that the State of Mexico has the second highest number of cases of COVID-19, so the lack of material resources may affect the population of that state to a greater extent.

Although redevelopment measures have been announced, they will hardly be sufficient to cover the high demand for healthcare services.

■ Graph 3. Beds in intensive care inpatient units by state versus population (2018)



Source: Own drafting based on data from the General Directorate of Health Information, "Health Resources 2018 (SINERHIAS)", Open data. Available at: datos.gob.mx/busca/dataset/recursos-en-salud-nivel-central/resource/b3949d5e-8438-4613-9b4a-8c4136c4a991 (accessed: 10 April 2020).



In 2018, in terms of human resources for health, the public sector in Mexico had 174,536 physicians and general practitioners and specialists, and 316,096 nurses in contact with patients. In the case of a total population of 127.2 million, this is equivalent to 1.4 physicians and 2.5 nurses in public institutions per 1,000 inhabitants.

In 2018, the General Directorate of Health Information (DGIS) reported 112,514 general practitioners and specialists working in the 1,370 hospital units, including 39,199 doctors in training, 18,499 general practitioners, and 94,015 specialists. This means that there is an average of 65.5 general practitioners and specialists per hospital unit, equivalent to 1.3 per hospital bed. As regards the specialties of greatest interest for COVID-19 care, it was identified that, in 2018, there were 8,009 general practitioners, 517 pulmonologists, 6,762 emergency physicians and 334 infectious disease specialists. In terms of nurses, there were a total of 237,431 in the 1,370 hospitals (173.3 nurses on average per unit), of which 32,970 were skilled nurses. The ratio of nurses per bed in the year in question was 2.7, which reflects the shortage of nurses in contact with the patient for each hospital bed, which amounts to less than one nurse per shift. The ratio of nurses to doctors is 1.6 on average (compared to about four in Canada and the United States).

The data presented above show that there are more people in the public system than there are beds. In hospitals, there is a shortage of healthcare personnel to cover the potential capacity, especially of specialized personnel for the care of respiratory problems associated with COVID-19. Moreover, there are not enough physical resources available to serve the population, even under normal circumstances.

All of the above gives an account of the situation prior to the arrival of COVID-19. Existing weaknesses and inequalities exacerbate the health and economic vulnerabilities caused by the pandemic. It is important to keep this data in mind when devising containment responses, in order to reach those who are most in need.

Economic and social impacts and prospects in Mexico within the context of the COVID-19 pandemic

1) Economic impacts

Although it is certain that the outbreak of COVID-19 will have a negative impact in social and economic terms, forecasts regarding the extent and duration of the impact are uncertain. However, the available data – generated with greater frequency – are essential elements for estimating the economic and social damage of the pandemic, and for designing and implementing measures that are timely and relevant.

To that end, this section offers important data, based on a documentary analysis, which provide an account of the issues faced. It is important to point out that, although the figures and estimates available so far do not allow for further breakdown to assess the differentiated impacts of the pandemic, they exacerbate the inequality and specific vulnerabilities described above, which may aggravate the outlook for certain sectors of the population. In other words, the inequalities and impacts of COVID-19, together exacerbate the already complicated situation.

As mentioned above, at the end of February 2020, before the arrival of COVID-19 in Mexico, the economic prospects shared by the Bank of Mexico, private financial institutions and international financial organizations reflected a weak economic situation, with average growth forecasts of between 0.5 and 1.5% of GDP²³. However, since the pandemic

23 For example, the World Bank suggested a range of 1.2 to 1.5%; Banorte, 0.8 to 1.4%; and Bank of America, 0.5% to 0.9%. See Bank of Mexico, "Quarterly report, October-December 2019", (Mexico, 2020). Available at: www.banxico.org.mx/publicaciones-y-prensa/informes-trimestrales/%7B0DEDED33B2-FF70-345D-53BE-77EA35A0D743%7D.pdf (accessed 9 April 2020); and Yolanda Morales, "Banxico baja rango del PIB para el 2020 ante debilidad económica," *El Financiero*, 27 February 2020. Available at: www.eleconomista.com.mx/economia/Banxico-baja-rango-del-PIB-para-el-2020-ante-debilidad-economica-20200227-0031.html (accessed 9 April 2020).

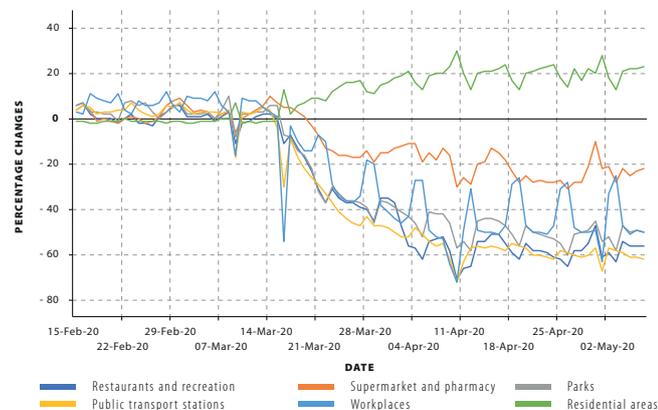


has reached Mexico, there have been downward adjustments in forecasts. On 1 April 2020, the Bank of Mexico estimated that the GDP would decrease in 2020 at a rate of 3.99%²⁴. This adjustment was based on the monthly survey of private sector specialists, and incorporated the weakness of the external market and the world economy as a result of the arrival of COVID-19 to Europe and the United States of America (USA).

Moreover, the International Monetary Fund (IMF) predicted a 6.6% decrease in Mexico's GDP²⁵. Private financial institutions such as Citibanamex²⁶ and Banco Bilbao Vizcaya Argentaria (BBVA)²⁷ have adjusted their projections for real GDP growth in Mexico to -9.0 and -7.0%, respectively. It is worth noting that, although BBVA's estimate is -7.0%, the forecast range for economic decline is between -6.0 and -12.0%²⁸.

Mexico, like other countries, implemented social distancing actions in order to contain the virus and not exceed the capacity of its healthcare system, which has halted economic activity. First, as a result of the pandemic's lockdown measures, there have been significant changes in mobility patterns. Based on the data collected by Google, through user location histories²⁹, as of 7 May 2020, 56% less traffic is being reported in shops and recreational areas; 62% less traffic on public transportation; and 50% less attendance at workplaces; while traffic in residential areas has increased by 23%³⁰. The changes in mobility have varied significantly over the quarantine period. On April 10th, the lowest number of visitors was recorded in practically all public spaces (see graph 4).

■ Graph 4. Percentage changes in mobility in Mexico, by public space



Source: Own drafting based on Google data, "COVID-19 Community Mobility Report", Google, 7 May 2020. Available at: www.gstatic.com/covid19/mobility/2020-05-07_MX_Mobility_Report_en.pdf (accessed: 11 May 2020).

24 Bank of Mexico, "Survey on the Prospects of Private Sector Economics Specialists: March 2020", Bank of Mexico, 1 April 2020. Available at: www.banxico.org.mx/publicaciones-y-prensa/encuestas-sobre-las-expectativas-de-los-especialis/%7BBBF8CA59D-FDBE-F2C5-7C1A-E9778A46A3F8%7D.pdf (accessed 9 April 2020).

25 Leonor Flores, "IMF anticipates 6.6% drop for Mexico in 2020 due to COVID-19", El Universal, 14 April 2020. Available at: www.eluniversal.com.mx/cartera/covid-19-fondo-monetario-internacional-anticipa-caida-de-66-para-mexico (accessed 24 April 2020).

26 Edgar Juárez, "Citibanamex anticipates a drop in Mexico's GDP of up to 9% in 2020", El Economista, 21 April 2020. Available at: www.eleconomista.com.mx/economia/Citibanamex-anticipa-una-caida-del-PIB-de-Mexico-de-hasta-9-en-2020--20200421-0069.html (accessed 4 May 2020).

27 Javier Amador et al., Mexico | GDP drop of between 6.0% and 12.0% (Mexico, 2020). Available at: www.bbva.com/publicaciones/mexico-caida-del-pib-de-entre-6-0-y-12-0 (accessed 4 May 2020).

28 BBVA research, Mexico situation. Second quarter 2020 (Mexico, 2020). Available at: www.bbva.com/publicaciones/situacion-mexico-segundo-trimestre-2020 (accessed 4 May 2020).

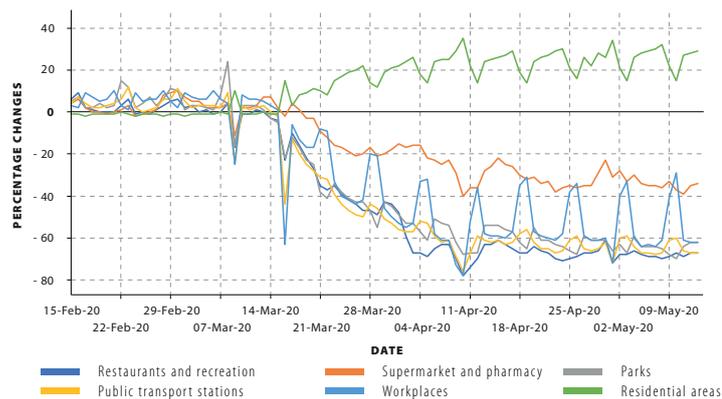
29 Since the data is collected via mobile phones, it is likely that in marginalized areas, where there is less mobile phone ownership, the effects of quarantine measures on mobility will be overestimated and the actual reductions will be less than those observed through Google mobility reports.

30 Google, "COVID-19 Community Mobility Report", Google, 7 May 2020. Available at: www.gstatic.com/covid19/mobility/2020-05-07_MX_Mobility_Report_en.pdf (accessed 11 May 2020).



These changes in mobility have important implications in terms of sales and service demand. In Mexico City, on the other hand, the paralysis of activities has been even greater (see graph 5).

■ Graph 5. Percentage changes in mobility in Mexico City, by public space



Source: Own drafting based on Google data, "COVID-19 Community Mobility Report", Google, 7 May 2020. Available at: www.gstatic.com/-/covid19/mobility/2020-05-07_MX_Mobility_Report_en.pdf (accessed: 11 May 2020).

It is worth mentioning that, as of 21 May, Mexico is third in the Latin American and Caribbean region in terms of reduction in population mobility (-43.37%), after Chile (-49.40%)³¹ and Argentina (-48.75%). This shows the effectiveness of the lockdown measures in preventing infection, with the corresponding effects in terms of economic activity. It should be mentioned that, since data is collected via mobile applications, there is a bias in the measurements, which overestimates the effect of lockdown measures in marginal areas with low mobile device ownership.

As a result of the lockdown measures, the Mexican Social Security Institute (IMSS) reports that, from February to April 2020, 685,840 formal jobs were lost³². That is, almost double the number of formal jobs generated in 2019³³.

According to data from the IMSS and the National Workers' Housing Fund Institute (INFONAVIT), the greatest losses have been recorded in Mexico City, Quintana Roo and Nuevo León and in the construction and service sectors³⁴.

Given the high levels of informality, official data do not consider the total impact of COVID-19 on the unemployment rate. In this regard, CONEVAL estimates an increase of this indicator between 3.3 and 5.3% in the first two quarters of 2020³⁵, from which a notable increase in the informality rate is predicted.

As a result of the health pandemic, INEGI has announced the suspension of the ENOE, corresponding to the second quarter of 2020. However, in its place, it announced the launching of the Occupation and Employment Telephone

31 PNUD, GRANDATA, 2020. Available at covid.grandata.com/distancing//ar (accessed 29 May 2020).

32 México, ¿cómo vamos?, "National traffic light", disponible en: mexico.comovamos.mx/?s=seccion&id=98

33 Luis Pablo Beauregard, "Mexico loses the jobs created in 2019 in two weeks in an atmosphere of tension between the Government and business owners", El País, 8 April 2020. Available at: elpais.com/economia/2020-04-08/mexico-pierde-en-dos-semanas-el-empleo-creado-en-2019-en-un-ambiente-de-tension-entre-el-gobierno-y-los-empresarios.html (accessed 24 April 2020).

34 Luis Miguel González, "Covid-19: 707,000 jobs lost between 18 March and 28 April", El Economista, 10 May 2020. Available at: www.eleconomista.com.mx/opinion/Covid-19-se-perdieron-707000-empleos-entre-el-18-de-marzo-y-el-28-de-abril-20200510-0078.html (accessed 11 May 2020).

35 CONEVAL, "The health crisis generated by COVID-19 and its economic consequences jeopardize advances in social development and may affect vulnerable groups to a greater extent," CONEVAL, 2020. Available at: www.coneval.org.mx/Evaluacion/IEPSM/Documents/Politica_Social_COVID-19.pdf (accessed: 11 May 2020).



Survey (ETOE) and the Survey to Measure the Impact of Covid-19 on the Labor Market (ECOVID-ML), the aim of which is to obtain a more accurate picture of the impact that COVID-19 has had on the formal and informal employment market: from the loss of jobs and remote work to a decrease in income³⁶. On 1 June, the results of the ETOE were published, showing that between March and April 2020, the economic participation rate plummeted by 12.3 percentage points, which means that around 12 million people were suspended from work due to the quarantine and with no certainty that they would remain in employment once the crisis was over. Additionally, an increase of 5.9 million underemployed people was observed. The unemployed population increased to 4.7% between March and April, which represented an increase of 1.7 percentage points. Finally, due to the suspension of activities, informality fell by 8 percentage points between March and April³⁷.

Moreover, as expected, private consumption has shown significant falls. In the month of February, when the pandemic had yet to affect Mexico directly, there was a slight drop of 0.5% compared with February 2019³⁸. Using big data tools, BBVA reports significant declines in real time. For the last week of March, consumption fell by 3.9% compared to the same period in 2019; three weeks later, the drop was 34.8%³⁹.

BBVA⁴⁰ reports that, after a spike in retail sales due to the panic generated by the arrival of the pandemic in Mexico, these sales have fallen as people self-isolate in their homes. It points out that the services most impacted are "air transport, food and beverage preparation, accommodation, as well as leisure and entertainment services". It should be noted that these sectors account for 32% of the country's workforce. The National Chamber of the Restaurant and Food Industry (CANIRAC) reports that sales of establishments have fallen by between 40 and 50%, which compromises their viability over time⁴¹.

Worldwide, it is estimated that the number of international tourists fell 57% in March this year, compared to the same month last year⁴². In the case of Mexico, in April of this year there was a drop of 98.7% in international tourist arrivals to national territory, compared to the same month in 2019⁴³. It is estimated that the losses of the tourism sector alone in Mexico would result in national GDP falling by 3.7 points in 2020⁴⁴.

An additional indicator, reflecting the economic slowdown, is the one corresponding to the reference. In March, the National Banking and Securities Commission (CNBV) reported that financing to micro, small and medium enterprises registered an annual decrease of 7.8% in real terms⁴⁵. This reflects the fall in companies' income and their ability to make financial commitments in an adverse climate. Moreover, consumer credit maintained similar levels, which is compatible with the expectation of consumer financing for the acquisition of basic goods in the current context. As

36 INEGI, "In view of the impacts caused by the health emergency, INEGI is modifying the dissemination calendar for the first half of 2020", Communiqué No. 213/20, 8 May 2020. Available at www.inegi.org.mx/contenidos/saladeprensa/boletines/2020/OtrTemEcon/AjustesCalendario2020.pdf (accessed 29 May 2020).

37 INEGI, "Occupation and Employment Telephone Survey (ETOE). Timely Figures April 2020", Communiqué No. 264/20, 1 June 2020. Available at www.inegi.org.mx/contenidos/saladeprensa/boletines/2020/enoe_ie/ETOE.pdf (accessed 1 June 2020).

38 INEGI, "Private consumption on the internal market", National macroeconomic indicators. Available at: www.inegi.org.mx/temas/imcp (accessed 11 April 2020).

39 Javier Amador, "Fall of GDP" (see section I, footnote 27).

40 BBVA, "Situation Mexico" (see section I, footnote 28).

41 Zyanya López, "Restaurant sales drop 50% in Mexico City due to coronavirus," 20 March 2020. Available at: expansion.mx/empresas/2020/03/20/ventas-restaurantes-caen-en-ciudad-de-mexico-por-coronavirus (accessed 9 April 2020).

42 UNWTO, "UNWTO Global Tourism Dashboard", International tourism and COVID-19, Available at www.unwto.org/international-tourism-and-covid-19 (accessed 29 May 2020).

43 Centre for Research and Competitiveness in Tourism in Anahuac (CICOTUR). Estimation of the effects on Mexican tourism in 2020 as a consequence of the COVID-19 pandemic, 18 May 2020. Disponible en: www.anahuac.mx/mexico/cicotur/sites/default/files/2020-05/Doc14_Cicotur_Estimacion_afectaciones_turismo_mexicano_Covid19.pdf

44 Ibid.

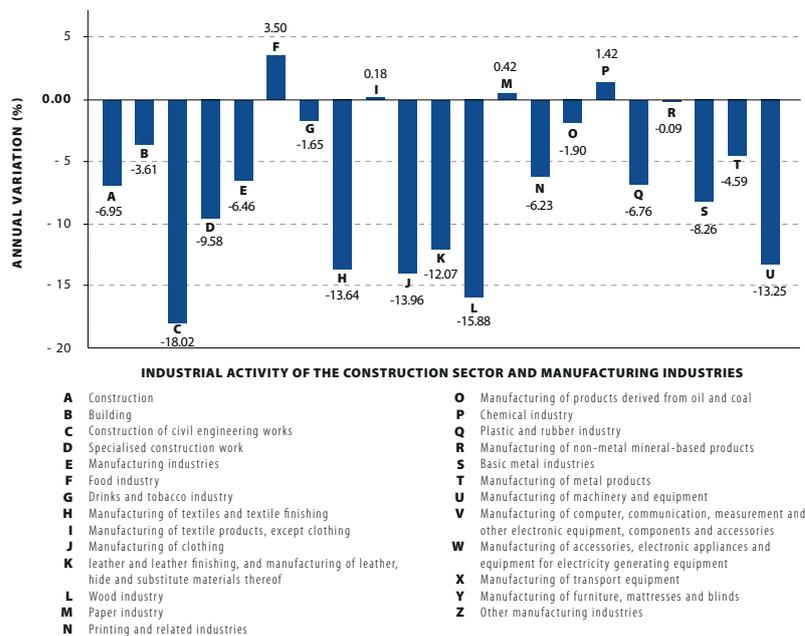
45 CNBV, "Banca Múltiple sector information at the end of March 2020", CNBV, 5 May 2020. Available at: www.cnbv.gob.mx/SECTORES-SUPERVISADOS/BANCA-MULTIPLE/Prensa%20%20Sector%20Bancario/Comunicado%20de%20Prensa%2003%20Banca%20Multiple%20marzo%202020.pdf (accessed 8 May 2020).



of February, the credit card portfolio experienced a 1.4% growth, while the growth rate in 2019 was 0.7%. Finally, there was a slight increase in the default rate of 0.22 percentage points above the value registered in March 2019⁴⁶.

In terms of economic activity, the National Institute of Statistics and Geography (INEGI) reports significant declines. Between February and March of this year, industrial production fell 3.4%. If we compare the industrial production of March this year with respect to the same month of 2019, the decrease is 4.9%. The most affected sectors are the construction and manufacturing industries, with annual falls of -7.0 and -6.4%, respectively. Within these sectors, there are also subsectors that present higher levels of impact, up to -18.0% with respect to the previous year (see graph 6). Moreover, for the month of April, the monthly and annual variation observed in industrial activity was -25.1% and -29.6%⁴⁷, respectively, which is the largest drop ever to be recorded. For the month of April, the most affected industries were tanning and finishing of leather and hide, and manufacturing of leather, hide and substitute materials thereof (-87.0%), manufacturing of transport equipment (-85.6%) and manufacturing of textiles and textile finishing (-77.7%)⁴⁸.

Graph 6. Annual change (%) in the Monthly indicator of industrial activity in the construction sector and manufacturing industries



Source: Own drafting based on INEGI data, "Monthly Industrial Activity Indicator", Mexico System of National Accounts, Available at: www.inegi.org.mx/temas/imai (accessed: 15 April 2020).

In the first quarter of this year, in which lockdown measures were only applied in the last week of March, a decrease in GDP of -2.4% was recorded compared with the same quarter in 2019, and the real annual variation for the secondary and tertiary sectors was -3.8 and -1.4%⁴⁹.

⁴⁶ Ibid.

⁴⁷ INEGI, "Monthly Indicator of Industrial Activity," National Accounts System of Mexico, Available at: <https://www.inegi.org.mx/temas/imai/> (accessed 15 April 2020 and 11 June 2020).

⁴⁸ The figures correspond to the annual percentage change with seasonally adjusted figures.

⁴⁹ INEGI, "Timely Estimate" (see section I, footnote 3).



It is important to point out that, in the fourth quarter of 2019, exports of goods and services had an annual percentage variation of -3.4%. Moreover, in April 2020, there was an annual variation of -41.5% in the seasonally adjusted figure for exports. Oil exports fell 67.3%, while non-oil exports fell 39.8%⁵⁰.

As an additional factor, oil prices have plummeted in the face of reduced demand for hydrocarbons - the result of the lockdown measures and declining consumption by airlines in the face of border closures and declining travel. The International Energy Agency has predicted a drop of 29 million barrels in daily oil demand in April compared to 2019⁵¹. Given this, as of 5 May 2020, the price of the Mexican oil blend has plummeted by more than 57% compared to the price in December 2019 (from \$51.57 to \$21.67 per barrel)⁵².

Although the Mexican economy has "depetrolized" to some extent, oil continues to represent an important source of financing for public spending in Mexico. In order to determine the Federation's Expenditure Budget, it was estimated that the price per barrel would be \$49⁵³. Considering the associated risks, the Ministry of Finance and Public Credit purchased insurance to hedge the price⁵⁴. However, it is likely that not all production will benefit from this protection, which could represent a blow to the country's public finances and would limit the programs for mitigating the effects of COVID-19 that the Federal Government could implement to boost domestic consumption and protect the most vulnerable populations.

Although oil exports in April this year decreased dramatically, oil imports amounted to \$2,063.1 million, representing an annual variation of -52.8%⁵⁵. In other words, the drop in oil exports was partly offset by the drop in oil imports.

It is important to mention that the economic effects will be differentiated:

- *By population.* As already mentioned, the effects of COVID-19 will worsen for populations currently in a vulnerable situation.
- *By geographical location.* The impact is expected to be greater for the cities. For example, the Mexico Valley Metropolitan Area (ZMVM) will experience worse effects from the pandemic and the measures taken to contain it. First, because of the high population density, infection is more likely, so lockdown measures will become more extensive over time, increasingly impacting businesses and households. Moreover, given the sharp declines in the tourism sector, areas such as Cancun, Vallarta, Los Cabos and Acapulco will be most affected by the pandemic.
- *By sector.* In the short term, it is expected that the greatest impact will be on the service sector. However, it is likely that, during the recovery phase, the manufacturing sector will be particularly affected by disruptions in supply chains, which will prevent them from operating, even after the lifting of the healthy distance measures. The recovery of service companies, those that survive the induced coma stage, may be relatively fast, compared to the manufacturing sector.

⁵⁰ INEGI, "Trade balance", Foreign trade, Mexico, 2020. Available at www.inegi.org.mx/temas/balanza (accessed 29 May 2020).

⁵¹ AFP, "The IEA has predicted a historic fall in the demand for oil due to the effects of COVID-19", *El Economista*, 15 April 2020. Available at: www.eleconomista.com.mx/mercados/La-AIE-preve-una-caida-historica-de-la-demanda-de-petroleo-por-el-efecto-Covid-19-20200415-0038.html (accessed 20 April 2020).

⁵² Bank of Mexico, "Price of the Mexican oil mix", Banxico, May 2020. Available at: www.banxico.org.mx/apps/gc/precios-spot-del-petroleo-gra.html (accessed 29 April 2020).

⁵³ Zenyazen Flores, "Hacienda announces oil cover contract for 2020 of 49 dollars per barrel", *El Financiero*, 3 January 2020. Available at: www.elfinanciero.com.mx/economia/hacienda-contrata-coberturas-petroleras-para-2020-con-un-precio-de-49-dolares-por-barril (accessed 11 May 2020).

⁵⁴ *Ibid.*

⁵⁵ INEGI, "Trade balance" (see section, footnote 48).



2) Relationship between the Mexican and US economies

As mentioned, both the depth of the crisis and the speed of recovery of the Mexican economy are largely indexed to the performance of the US economy.

The Mexican economy follows the economic cycles of the United States, which is not surprising when you consider that (i) 82% of national exports in 2019 went to this country⁵⁶, and (ii) the remittances sent from the United States in 2019 represented about 5% of GDP, being higher than the currencies generated by Foreign Direct Investment or the tourism sector⁵⁷.

■ **Graph 7.** Association in the variation of the weekly economic Index (WEI) of the USA and the GDP in Mexico with respect to the same quarter of the previous year



Source: Own drafting based on data from the Federal Reserve Bank of New York, "Weekly Economic Index", Economic research. Available at: www.newyork-fed.org/research/policy/weekly-economic-index (accessed: 08 April 2020), and INEGI data, "Quarterly Global Supply and Demand", National macroeconomic indicators. Available at: www.inegi.org.mx/temas/ofyd (accessed: 10 April 2020).

Taking as a reference the Weekly Economic Index (WEI) of the United States - an indicator that provides timely information on real economic activity and that has shown to be a good proxy for the GDP of the United States - a significant fall is foreseen in the framework of COVID-19. It is also possible to observe the close relationship of this indicator with Mexico's GDP. According to the frequency with which the WEI data are updated to assess the impacts of the pandemic (and the measures put in place for its mitigation), a more than proportional fall in GDP is anticipated for the second quarter of 2020 (see graph 7).

Considering that the current situation responds to sui generis conditions, it is not possible to make an a priori projection on the behavior of the exchange rate. Therefore, in order to have an idea of the panorama that is possibly coming, it is worth reviewing the reported trends in the exchange rate in previous economic crises (see graph 8)⁵⁸. Although it is too early to make comparisons at the time of the study, it can be seen that between February and April 2020 the peso has depreciated by approximately 20% in relation to the dollar, similar to that which occurred between September and November 2008, following the bankruptcy of Lehman Brothers, but less than the 40% recorded be-

⁵⁶ INEGI, Timely information on business balance in Mexico for November 2019, INEGI, 27 December 2019. Available at: www.inegi.org.mx/contenidos/sala-deprensa/boletines/2019/balcom_o/balcom_o2019_12.pdf (accessed 24 April 2020).

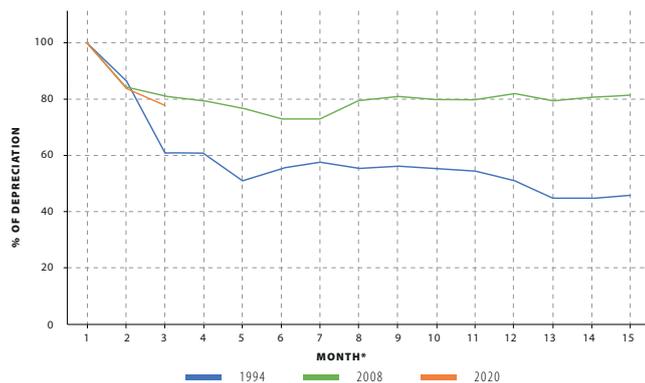
⁵⁷ Bank of Mexico, "(CA11) - Remittances", Economic Information System. Available at: www.banxico.org.mx/SielInternet/consultarDirectorioInternetAction.do?sector=1&accion=consultarCuadroAnalitico&idCuadro=CA11&locale=es (accessed 24 April 2020). Cristian Téllez, "Record income from remittances in 2019", *El Financiero*, 4 February 2020. Available at: www.elfinanciero.com.mx/nacional/remesas-familiares-crecen-7-04-y-alcanzan-cifra-record-durante-el-2019 (accessed 24 April 2020). Ángel Ortiz, "Alta dependencia de remesas en México, tema de preocupación", *El Economista*. Available at: www.eleconomista.com.mx/sectorfinanciero/Alta-dependencia-de-remesas-en-Mexico-tema-de-preocupacion-20190923-0029.html (accessed 24 April 2020).

⁵⁸ While it is possible to conduct this analysis, it is important to consider that the nature of the three crises under review is very different, so it is not realistic to expect the same behavior from the analysis variable.



tween November 1994 and January 1995⁵⁹. This analysis should be fed with subsequent historical information to anticipate possible impacts on the economy from exchange rate variations.

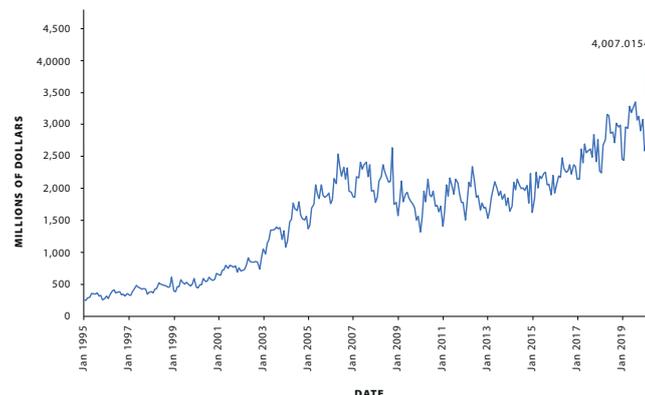
■ **Graph 8.** Percentage depreciation of the Mexican Peso in relation to the dollar, 1994, 2008 and 2020. Index Base 100



* The month count starts from the month in which the crisis period begins. In the case of the 1994 crisis, the first month is November 1994; in the case of the 2008 crisis, the first month is September; in the case of 2020, the first month counted is February. Source: Own drafting based on data from the Federal Reserve Bank of St. Louis, "Mexico/U.S. Foreign Exchange Rate", Monthly Rates. Available at: fred.stlouisfed.org/series/EXMXUS (accessed: 07 May 2020).

It is important to mention that, in 2018, Mexico was third out of all the countries in terms of income received from remittances (35.7 billion dollars)⁶⁰. This figure represented 2.93% of GDP⁶¹. To that end, in addition to the recession in Mexico, the recession in the U.S. will have a significant impact on household incomes. Although in March this year the historical maximum of remittances was registered (4,016.12 million dollars) and an increase of 18.4% with respect to the first quarter of 2019, in April 2020 a fall of 28.59% was observed with respect to March 2020 and 2.58% with respect to April 2019⁶².

■ **Graph 9.** Remittance flows (millions of dollars)



Source: Own drafting using data from the Bank of Mexico, "Income from remittances", Economic Information System. Available at: www.banxico.org.mx/Sielnternet/consultarDirectorioInternetAction.do?sector=1&accion=consultarCuadro&idCuadro=CE81&locale=es (accessed: 29 May 2020).

⁵⁹ Federal Reserve Bank of St. Louis, "Mexico/U.S. Foreign Exchange Rate" (see section I, source graph 7).

⁶⁰ Donna Barne and Florina Pirlea, "Remittances: the largest source of external financing for low- and middle-income countries (excluding China)," World Bank Blogs, 2 July 2019. Available at blogs.worldbank.org/es/opendata/la-mayor-fuente-de-financiamiento-externo-de-los-paises-de-ingreso-bajo-y-mediano (accessed 29 May 2020).

⁶¹ The Global Economy, Mexico, "Remittances, percentage of GDP", Economies. Available at es.theglobaleconomy.com/Mexico/remittances_percent_GDP/ (accessed 29 May 2020).

⁶² Bank of Mexico, "Income from remittances" (see introduction, footnote 1).



3) Social Impacts

In social terms, the effects of the crisis will manifest themselves in the short, medium and long term. It is expected that, given the suspension of face-to-face classes, inequalities in terms of learning will increase. It is likely that certain sectors of the child population - with less access to technology and less accompaniment in the process - will be particularly affected. The learning crisis can lead, in the long term, to inequalities in access to stable and well-paid jobs.

In the short term, the economic crisis will impact on poverty rates. The CONEVAL, based on data from the ENIGH and the ENOE, estimates that a 5% generalized drop in income will increase income poverty between 7.2 and 7.9 percentage points, which means that between 8.9 and 9.8 million people would fall into said category⁶³. Likewise, the drop in income would translate into an increase of between 4.9 and 8.5 percentage points in extreme income poverty; that is, between 6.1 and 10.7 million more people in extreme poverty in the country⁶⁴. The Espinosa Yglesias Study Centre (CEEY), for its part, estimates that the pandemic will add 21 million more people to the ranks of poverty⁶⁵.

Likewise, CONEVAL warns about the differentiated effects COVID-19 is expected to have on women, who represent 72.8% of the people employed in the health system⁶⁶, which increases the risk of contagion and the precariousness of labor conditions. In addition, women are more involved in domestic and care work, which increases the burden of responsibilities and unpaid work.

Finally, in Mexico, but particularly in the ZMVM, confinement has put women at risk of domestic violence. According to the National Survey on the Dynamics of Household Relationships (ENDIREH) 2016, almost 80% of women have suffered some form of violence, and 52% have suffered violence from their partners. Almost 79% of these women do not seek the support of institutions or do not file a complaint through a formal process⁶⁷. During this period of social isolation, the level of overcrowding in the ZMVM is one of the factors in the increase in domestic violence. The Mexico City Attorney General's Office reports that arrests for domestic violence have increased by 7.2% and the Citizens' Council for Security and Justice in the capital has recorded a 24% increase in reports of domestic violence⁶⁸.

II. Public policy recommendations for the mitigation and reduction of the socio-economic effects of COVID-19

As discussed in the first part of this document, COVID-19 has jeopardized the world's economies. However, the socio-economic conditions prior to the outbreak of the virus largely determine the size of the challenge. In the case of Mexico, the impact is estimated to be great, reflected in major challenges that require proportional and timely measures. A late response may increase the damage to assets and, consequently, lengthen the recovery process. The following is a series of short-term and medium-term recommendations for Mexico, as a result of the analysis presented. The recommendations are classified by topic or by target population.

63 CONEVAL, "The Health Crisis" (see section I, footnote 34).

64 Ibid.

65 Dora Villanueva, "COVID-19 would leave another 21 million Mexicans in poverty: CEEY", La Jornada, 31 March 2020. Available at: www.jornada.com.mx/ultimas/economia/2020/03/31/covid-19-dejaría-en-la-pobreza-a-otros-21-millones-de-mexicanos-ceey-7250.html (accessed 24 April 2020).

66 Ibid.

67 INEGI, "Prevalence of violence", National Survey on the Dynamics of Household Relationships 2016. Available at: www.inegi.org.mx/programas/endi-reh/2016/default.html#Tabulados (accessed: 6 May 2020).

68 Georgina Olson, "Isolation Increases Domestic Violence; Women Make More Calls for Help," Excelsior, 3 March 2020. Available at: www.excelsior.com.mx/comunidad/aislamiento-aumenta-violencia-domestica-mujeres-hacen-mas-llamadas-de-auxilio/1372925 (accessed: 24 April 2020).



A. Support for households and populations in vulnerable situations

1. Protection of workers in the formal sector

For many people, the current situation has meant losing their jobs in the formal sector of the economy; in the short term, this implies problems of monetary liquidity to finance their basic needs and, consequently, entering the informal market⁶⁹. Although a public policy priority is to recover employment rates to a level similar to that prior to the COVID-19 crisis, it is necessary to generate instruments to compensate for the loss of employment income of unemployed people and to finance their return to the formal market.

It should be noted that Mexico is one of the countries that, at the federal level, lacks an income protection policy in cases of dismissal (unemployment insurance), one of the fundamental elements of a comprehensive social security scheme. Therefore, it is recommended to stage an intervention to that effect. In addition, in operational terms, this strategy is considered easy to implement as there are channels for identifying the people affected⁷⁰.

It should be mentioned that, although at the state level, Mexico City has a subsidy program called “Unemployment Insurance”, which consists of providing economic support equivalent to the monthly value of the Unit of Measurement and Update (UMA)⁷¹ for up to two months, it is important to note that the amount of support provided is less than the value of the Income Poverty Line (IPL)⁷², therefore access to basic goods and services would not be guaranteed. To that end, it is suggested that the operational scheme of this program be replicated nationally, adjusting the amount to a value higher than the IPL. A subsidy program of this nature, in the current circumstances, implies that the income support for dismissed persons is financed through the public budget.

In this regard, the IMSS reports that, from February to April 2020, 685,840 formal jobs were lost⁷³. Considering a minimum support of, for example, \$3,500.00 Mexican pesos, which would guarantee an income higher than the IPL, a monthly expenditure of approximately 0.003% of GDP would have to be allocated to an initiative of this nature, without considering the operating cost⁷⁴. It is recommended that this suggestion be thought of as a temporary policy, which would support the workers who are laid off during the period of reactivation and recovery from the crisis.

Likewise, although the IMSS considers medical care for a period following the termination, it is recommended to review good international practices, where there are cases where unemployment insurance transcends the issue of income and incorporates, for example, coverage of medical services⁷⁵.

It is worth mentioning that this measure should be accompanied by support for companies (in the form of subsidies or credits) to avoid further layoffs. However, the advanced state of the crisis and the high number of unemployed people resulting from it is recognized; therefore, in addition to support for companies, it is considered essential to have protection schemes for this population, preventing them from being placed in vulnerable situations due to lack of income.

⁶⁹ Given the current context of confinement, this situation presents its own challenges.

⁷⁰ First, whereas the Mexican Social Security Institute has information on the losses reported by companies.

⁷¹ For 2020, the monthly value of the UMA is \$2,641.15 Mexican pesos.

⁷² For April 2020, CONEVAL reports a value of \$3,208.36 Mexican pesos for the urban line, and \$2,086.67 for the rural line. Consult CONEVAL, “Income poverty lines”, InfoPobreza. Available at: sistemas.coneval.org.mx/InfoPobreza/Pages/wfrLineaBienestar?pAnioInicio=2016&pTipoIndicador=0 (accessed: 13 May 2020).

⁷³ Mexico, ¿cómo vamos? “National traffic light”, available at: mexicocomovamos.mx/?s=seccion&id=98

⁷⁴ INEGI, “Seasonally adjusted series. Millions of pesos at 2013 prices”, GDP and national accounts. Available at: www.inegi.org.mx/temas/pib/default.htm/#Tabulados (accessed: 13 May 2020).

⁷⁵ ECLAC, “The social challenge in times of COVID-19”, COVID-19 Special Report, No. 3 (12 May 2020). Available at: repositorio.cepal.org/bitstream/handle/11362/45527/S2000325_es.pdf?sequence=5&isAllowed=y (accessed: 12 May 2020).



2. Support for workers in the informal sector

INEGI reports for the last quarter of 2019 that 56.2% of the total population employed in the country was in the informal sector⁷⁶. As mentioned in other sections of this document, these are populations that are particularly vulnerable to the ravages of both crises (economic and health).

According to CONEVAL⁷⁷, within the priority programs of the current administration, there are six programs that benefit the population working in the informal sector⁷⁸. However, there is no evidence of direct monetary transfers aimed at guaranteeing a stable income above the income poverty line⁷⁹, which is particularly important in view of the policy of confinement, which has led to a reduction in income. In this regard, the Economic Commission for Latin America and the Caribbean (ECLAC) reports that one of the policies that has been implemented in the region to address the crisis is monetary transfers to workers in the informal sector, in order to mitigate the drop in their income.

The recommendation in the case of Mexico is to have an intervention that guarantees them, at least, access to the basic basket of goods and services (income higher than the IPL) during the duration of the crisis. To this end, a monthly public expenditure of approximately 0.15% of GDP is calculated, without counting operating expenses⁸⁰; under a three-month scheme, total expenditure would be 0.45% of GDP. According to ECLAC, the expenditure foreseen for the care of these populations in 22 countries of the Latin American and Caribbean region would represent around 0.7% of GDP in 2020; furthermore, the cases of Brazil, Colombia, Argentina and Peru stand out as they present the greatest support coverage⁸¹.

In addition, given that it involves more than 50% of the country's working population, the magnitude of the challenge of operating an intervention of this type is recognized. Therefore, if it is implemented, mechanisms must be designed to target and prioritize those people who are most disadvantaged within this vulnerable group. It is also recommended to seek synergies with state and municipal governments for the design and implementation of this strategy.

3. Assistance for the population in poverty

Recognizing that there are several population groups whose socio-economic and sociodemographic characteristics make them more vulnerable to COVID-19, there is a consensus on the importance of having mechanisms to assist these populations, such as people in poverty. Although some of those living in poverty are included in the population subject to assistance through the support schemes aimed at formal workers and, to a greater extent, at informal workers, there are still sub-groups, such as the population dependent on remittances, the population doing work considered to be non-economic or the migrant population, whose deficiencies may be aggravated.

Although social programs are currently being implemented at all levels of government to assist people living in poverty, it is necessary to assess whether the amounts of support are sufficient to compensate for the loss of income

⁷⁶ INEGI, "Informal employment" (see section I, footnote 12).

⁷⁷ CONEVAL, "Social policy in the context of the SARS-CoV-2 (COVID-19) pandemic in Mexico", (Mexico, 2020). Available at: www.coneval.org.mx/Evaluacion/IEPSM/Documents/Politica_Social_COVID-19.pdf (accessed: 12 May 2020).

⁷⁸ Program for the Promotion of Agriculture, Livestock, Fisheries and Aquaculture; Guarantee Prices for Basic Food Products; Production for Welfare; Micro-credit Program for Welfare; Financial Support Program for Family Microenterprises; Support Program for the Welfare of Girls and Boys, Children of Working Mothers.

⁷⁹ In general, these are supports that promote productivity and, in the case of the Support Program for the Welfare of Girls and Boys, Children of Working Mothers, to generate conditions that allow them to remain in the labor market.

⁸⁰ INEGI, "Seasonally adjusted series" (see section III, footnote 72).

⁸¹ ECLAC, "The social challenge in times of COVID-19" (see section III, footnote 73).



of these populations as a result of the crisis so that they have access to basic goods and services. On this point, other countries in the region⁸² have increased the amount of poverty relief programs.

According to CONEVAL, although there are programs aimed at addressing the different dimensions of poverty, none of the priority programs of the current federal administration has the criteria to address the population in multidimensional poverty in a priority and explicit manner⁸³. To that end, and taking into consideration the need to make public spending more efficient in a context of limited resources, it is advisable to implement targeting actions that allow preferential assistance to be given to those populations that have socio-economic and sociodemographic characteristics that make them more vulnerable to the crisis, i.e., people living in poverty or extreme poverty.

This could be done by using the lists of beneficiaries of social programs that have targeting mechanisms. In this regard, it is worth highlighting the case of the previous program “PROSPERA Social Inclusion Program”⁸⁴, which had a targeting mechanism that considered four levels: geographical, based on the CONEVAL social lag index and the National Population Council (CONAPO) marginalization index; indirect means verification, which refers to those families living in poverty identified through the application form and statistical information; community, based on the identification of localities that have citizen demand for the program; and categorical, that is, depending on the selection criteria of each of the program’s components^{85,86}.

In addition, it had a fairly consolidated list of beneficiaries, although with some areas of opportunity⁸⁷, based on the Single Socio-economic Information Questionnaire (CUIS, which is the form for requesting support) and information from the Socio-economic Characteristics of Households Survey. One could also use the Single Registry of Beneficiaries which, according to CONEVAL, has information from 33 programs from 11 federal agencies, and 40 programs from seven states⁸⁸. To that end, there are already integrated databases with disaggregated information specifically relating to the poverty conditions of a large part of the population in Mexico, which can be used to target support for populations at risk of COVID-19 and the economic crisis that accompanies it. The relevance of the amounts of support they are receiving should also be assessed, so as to ensure minimum access to the basket of basic goods and services (food and non-food).

CONEVAL calculates 9,310,153 people living in extreme poverty, which implies that, among other deficiencies, even if all their income is allocated to buying food, they cannot buy what is essential to have adequate nutrition⁸⁹. Again, considering a monthly support of, for example, \$3,500.00 Mexican pesos to people in extreme poverty, which would guarantee an income higher than the IPL, a monthly expenditure corresponding to approximately 0.04% of GDP⁹⁰ would have to be allocated during the period in which the crisis is taking place.

⁸² Ibid.

⁸³ CONEVAL, “Social policy in the context of the pandemic” (see section III, footnote 75).

⁸⁴ The program underwent substantial modifications in its design in 2019, leaving aside three of the four components it had (it currently only maintains the education component), as well as the co-responsibility scheme (support is now provided only on the condition that beneficiaries are enrolled in school, without verifying whether they attend regularly).

DOF, “Operating Rules for the PROSPERA Social Inclusion Program for Fiscal Year 2019”, 28 February 2019. Available at: www.dof.gob.mx/nota_detalle.php?codigo=5551581&fecha=28/02/2019 (accessed: 28 May 2020).

⁸⁵ ECLAC, “Database for Non-contributory Social Protection Programs: Latin America and the Caribbean: PROSPERA. Social Inclusion Program 2014-2019”, Conditional transfer programs. Available at dds.cepal.org/bpsnc/programa?id=92 (accessed: 28 May 2020).

⁸⁶ Until 2019, the program had four components: education, health, food and productive inclusion.

DOF, “Operating Rules of the PROSPERA Social Inclusion Program for Fiscal Year 2018”, 29 December 2017. Available at: dof.gob.mx/nota_detalle.php?codigo=5509738&fecha=29/12/2017 (accessed: 29 May 2020).

⁸⁷ CONEVAL, Progesa-Oportunidades-Prospera, 20 years after its creation (Mexico, 2019). Available at www.coneval.org.mx/Evaluacion/IEPSM/Documents/Libro_POP_20.pdf (accessed: 28 March 2020).

⁸⁸ CONEVAL, “Social policy in the context of the pandemic” (see section III, footnote 73).

⁸⁹ CONEVAL, “Methodology for the multidimensional measurement of poverty in Mexico”, Third edition (Mexico, 2019). Available at: www.coneval.org.mx/InformesPublicaciones/InformesPublicaciones/Documents/Metodologia-medicion-multidimensional-3er-edicion.pdf (accessed: 13 May 2020).

⁹⁰ INEGI, “Seasonally adjusted series” (see section III, footnote 72).



4. Assistance for the elderly

In Mexico, it is estimated that there are about 15.2 million people aged 60 and over, 20.7% of whom receive a contributory pension⁹¹, potentially placing the rest of the elderly population in a situation of income vulnerability⁹². To compensate for this situation, at the federal level, there is a universal program that grants direct monetary transfers to people aged 65 years and older, in the case of the indigenous population, and 68 years and older for the rest of the population; in 2019, the program assisted 7,480,998 people, of whom 8.5% were indigenous⁹³.

In this regard, it is worth highlighting a few points; first, the age groups to benefit from the program do not coincide with the definition given by the Law on the Rights of the Elderly (LDPAM) (60 years and over). Secondly, the amount of the support is \$1,275.00 Mexican pesos, a value below the IPL, which, as has been pointed out, in itself prevents access to basic goods and services. As a result, a large sector of the elderly population must compensate their income from various sources, such as transfers, remittances and/or formal and informal employment. Given their high health risk, confinement measures had an early effect, and are likely to be more prolonged among the elderly than for other population groups. This further undermines their sources of occupation and employment outside the home, while the general conditions expressed in this document compromise their alternative sources of income.

Although the universal pension for the elderly in contexts of abundance could be considered adequate, in the current context it is suggested to identify those that are most vulnerable within the population assisted (generate targeting mechanisms), in order to increase the amount of support these people receive to a value above the IPL and guarantee that, in the absence of additional income as a result of confinement policies, they can access the basic basket of goods and services.

Under this scheme⁹⁴, based on an estimate of 12,026,735 elderly people who do not receive contributory pensions⁹⁵, it is calculated that their total coverage would require a monthly expenditure equivalent to approximately 0.06% of GDP⁹⁶.

On the other hand, according to reports from the federal government, support equivalent to four months of pensions was provided to eight million beneficiaries⁹⁷, in order to provide this population with the tools to face the crisis. These actions are considered adequate; however, recognizing that it is highly probable that the beneficiaries will lack the capacity to save and, therefore, will use these resources in a period of less than four months, it is necessary to assess and generate mechanisms that guarantee that these people have an income that will allow them to satisfy their basic needs in the months in which they will stop receiving the support due to the advance payments⁹⁸. It is also

91 Own calculations with ENIGH 2018 data. The variables considered to define whether a person has access to a contributory pension, from the income source categories, are: "Retirements and/or pensions originating within the country" and "Retirements and/or pensions originating in (an)other country/countries". The age group considered, as defined by the World Health Organization (WHO), as well as by the Law on the Rights of the Elderly (LDPAM), are those persons who are 60 years of age or older.

92 As long as they do not have a stable income.

93 ECLAC, "Database for Non-contributory Social Protection Programs: Latin America and the Caribbean: Pension for the Welfare of the Elderly", Social pensions. Available at: dds.cepal.org/bpsnc/programa?id=173#:text=El%20programa%20Pensi%C3%B3n%20para%20el%20Bienestar%20de%20las%20Personas%20Adultas,no%20contributiva%20y%20a%20trav%C3%A9s%20de (accessed: 28 May 2020).

94 Considering a monthly support of \$3,500.00 Mexican pesos.

95 Own calculations with ENIGH 2018 data. The variables considered to define whether a person has access to a contributory pension, from the income source categories, are: "Retirements and/or pensions originating within the country" and "Retirements and/or pensions originating in (an)other country/countries". The age group considered, as defined by the WHO, as well as by the LDPAM, are those persons who are 60 years of age or older.

96 INEGI, "Seasonally adjusted series" (see section III, footnote 72).

97 ECLAC, "The social challenge in times of COVID-19" (see section III, footnote 73).

98 This also applies to the other programs whose payments were advanced, such as the Welfare Pension for the Permanently Disabled.



advisable to devise alternatives to the payment mechanisms or the dates on which support is provided to the population, in order to avoid situations of crowding at ATMs or subsidy payment points⁹⁹.

It should be noted that the populations referred to in the recommendations in points 2, 3 and 4 may overlap, for example, an elderly person working in the informal sector of the economy. In this regard, it should be noted that the proposal to assist these populations can provide the basis for the definition of a basic income for all vulnerable populations. However, in the specific context of the crisis resulting from COVID-19, it is suggested to focus on support targeting informal workers, whose income is affected, and therefore cover populations that belong to various categories.

B. Support for companies

1. Support for financing

As differentiated impacts are expected between sectors of the economy and between rural and urban environments, it is recommended that support measures adopted in favor of companies be tailored and proportional to the challenge faced. Last April, the Government of Mexico announced two million credits of \$25,000 pesos for MSMEs in the formal sector, under the condition that they had not reduced their staff in the first quarter of the year, and in the informal sector, if they had been identified by the Ministry of Welfare, through the IMSS, in addition to the support provided through the Ministry of Economy's Microcredits Program for Welfare (with amounts of \$6,000 to \$20,000 pesos), a program that has been in operation since 2019. This support will be essential to promote the survival of economic units in the short term. The fact that the support has been targeted at MSMEs is timely, given that, in general terms, they have less financial capacity. However, it is recommended that both the number and amount of available credits be increased, and that support be focused in stages and by sectors of the economy, according to the degree to which they are affected.

It is important to note that credit support to informal businesses can be complex for three reasons. First, informal businesses do not have a legal personality; therefore, the identification process for access to credit is not obvious and may even lack transparency. Secondly, given that these are informal businesses, the government does not have a register of the people employed there, which would allow the authorities to make the provision of support conditional on the maintenance of the staff employed there. Finally, given that these are businesses with low financial capacity, short-term debt, in an environment of deep and long-term crisis, can result in the inability of businesses to meet their commitments.

On the other hand, as mentioned previously, the federal government's credit support is targeted mainly at micro-enterprises, or family businesses, both in the definition of their target populations and in the amounts offered, which leaves small and medium-sized enterprises, which are also part of the group that will be most affected by the crisis, virtually unprotected. In this regard, it is important to generate or strengthen¹⁰⁰ larger financing schemes to assist small and medium-size enterprises in this context.

On the second point, during the induced coma stage, service and commercial businesses in Mexico's big cities, particularly in the ZMVM, and those located in tourist areas, will be most affected, since the containment measures are more rigorous and will be more extensive. To that end, it is considered appropriate that the aforementioned credit be directed mainly to such businesses, in order to avoid further cuts in personnel that would affect household income.

⁹⁹ Maribel Martínez, "Healthy distance in banks disobeyed; long lines to collect support reported", Rio Oaxaca, 22 April 2020. Available at: www.rioaxaca.com/2020/04/22/desacatan-sana-distancia-en-bancos-reportan-largas-filas-para-cobrar-apoyos (accessed: 10 June 2020).

¹⁰⁰ It is known that Nacional Financiera has a series of support measures for financing MSMEs, with amounts of up to five million pesos, for example.



It is also recommended that the provision of financial support be made conditional on the beneficiary companies not laying off staff. In other words, that the credit is used to finance the salaries of the employees. Minimizing job loss should be the priority during the induced coma stage.

However, as noted previously, companies in the construction sector and manufacturing industries have also been hard hit by the arrival of COVID-19 in Mexico. Their recovery is likely to be slower in a context of recession; therefore, at this stage, it is recommended that support be directed at manufacturing production businesses, both in terms of credit financing and in terms of technical and managerial assistance (inside and outside the country) that mitigate the disruption of supply chains that compromise the operation of industrial economic units. Even within the sector, there are differentiated impacts that will require heterogeneous policies. As mentioned below, financing and technical support must be accompanied by subsidies that allow businesses to overcome both the liquidity problems associated with the interruption of income and the impossibility of meeting previously adopted financial commitments. Additionally, it is important to insist on the need to extend the amounts of credit available, in order to allow businesses that do not lay off personnel to pay salaries, as well as other fixed costs, for at least three months.

2. Subsidies and monetary support for businesses affected by the crisis

It is important to mention that, given the interruption in the income of economic units, their ability to meet financial commitments is reduced, including those made through government support, but especially those made to commercial banks. To this end, although credit support is considered adequate and necessary, mechanisms must be created so that the businesses most affected by the crisis can access monetary support (subsidies) to help them survive the induced coma stage, in order to avoid loss of assets, maintain sources of employment and promote a faster recovery. This is particularly relevant in order to avoid further redundancies.

According to ECLAC, several countries in the region are implementing payroll subsidies. For example, in Argentina, the Productive Recovery Program provides monthly support equivalent to the minimum wage for up to 12 months, to help pay the wages of workers of businesses whose income is affected by the crisis; in Peru, there is support of up to 35% of the gross monthly salary of workers¹⁰¹.

In the same vein, several countries (such as Chile, Colombia, Argentina, Denmark and France, among others) have implemented tax and social security contribution deferral measures as a business support measure. In addition, measures have been taken to increase the liquidity of businesses, through monetary support. On the other hand, countries such as Argentina have boosted demand through public spending¹⁰².

Measures of this nature are highly recommended. As mentioned, the induced economic paralysis compromises the ability of businesses and companies in different sectors to meet debt commitments acquired under less risky conditions. A large increase in the overdue portfolio of financial institutions, such as commercial banks, can compromise the stability of the financial system, with negative effects on real economic activity. In the short term, a jump in default rates would result in an increase in interest rates, which in turn would constitute a barrier for economic units to access new credit to recover and cover fixed costs.

¹⁰¹ ECLAC, "The social challenge in times of COVID-19" 2020. Available at: repositorio.cepal.org/bitstream/handle/11362/45527/5/S2000325_es.pdf (accessed: 29 May 2020).

¹⁰² International Monetary Fund, "Policy responses to COVID-19", Policy tracker, 2020. Available at: www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19 (accessed: 29 May 2020).



It is worth mentioning that the Bank of Mexico has announced a series of measures aimed at guaranteeing credit to individuals and micro, small and medium economic units affected by the pandemic. This is done by injecting resources into the banking institutions responsible for channeling credit and increasing liquidity during operating hours, among others¹⁰³. In addition, it reduced the monetary policy benchmark rate to 6% to boost aggregate demand. Although these measures contribute to the stability of the financial system in the short term, it is necessary that fiscal policy contributes to this same objective.

In other countries in the region, such as Peru, a public guarantee policy (equivalent to 8% of GDP) has been implemented to promote the granting of commercial bank loans to companies and to give continuity to payment chains¹⁰⁴. A similar measure could be adopted in Mexico to guarantee the liquidity of commercial banks, through Nacional Financiera and the Banco Nacional de Comercio Exterior. This measure would have a tax cost deferred over time.

Therefore, supporting economic units to overcome liquidity constraints is essential to prevent further economic and financial implications that would deepen the crisis and reduce the resilience of the national economy.

3. Strengthening the tourism sector in Mexico

Tourism will be one of the global sectors most affected by the pandemic, one of the main sources of foreign exchange for Mexico and the main sector of job creation in many states. It is therefore recommended that a plan be developed to reactivate this sector, in conjunction with the states. The measures should provide for a new health standard to generate certainty, from controls at airports to the certification of COVID-19-free hotels.

It is worth mentioning that several countries have implemented support measures for the sector ranging from (i) tax exemptions for tourism and lodging –exemptions range from three months to the remaining months of 2020—; (ii) income tax deferrals to 2021 for companies in the tourism sector; (iii) preferential interest rates on loans to the tourism sector; (iv) marketing strategies to promote domestic tourism; (v) waivers on paying rent and other charges by companies in the tourism sector for the use of government property; and (vi) exemption from the payment of fees to enter public tourism facilities¹⁰⁵. With this background, it is proposed to resume some of these practices that allow for the protection and strengthening of this sector, which is one of the priorities in Mexico.

C. Public debt and fiscal policy

1. Acquisition of public debt

The current federal administration has based its fiscal policy on an austerity program that seeks to set a precedent. However, given the volatility of oil prices, the expected declines in tax revenue and forecasts that the US will continue to be in decline for at least six months, available fiscal resources are scarce now and will be even scarcer at the end of 2020, as a result of reduced economic activity in Mexico. While recognizing that austerity is a legitimate priority of the current federal administration, it is stressed that, considering the fact that emergencies involve unexpected changes and new certainties, adaptations to planning are necessary.

¹⁰³ Edgar Juárez, "Bank of Mexico announces new measures for the financial system to face Covid-19", *El Economista*, 21 April 2020. Available at: www.eleconomista.com.mx/sectorfinanciero/Banco-de-Mexico-anuncia-nuevas-medidas-para-que-el-sistema-financiero-haga-frente-al-Covid-19-20200421-0160.html (accessed: 29 May 2020).

¹⁰⁴ International Monetary Fund, "Policy responses to COVID-19", Policy tracker, 2020. Available at: www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19 (accessed: 10 June 2020).

¹⁰⁵ Ibid.



In this regard, it should be noted that the federal government announced cuts in public spending, among the measures against the economic crisis generated by COVID-19. Therefore, the Ministry of Civil Service instructed the rest of the federal public administration to reduce its operating costs by at least half, after announcing the reduction of salaries for senior officials and the elimination of bonuses from the deputy director position¹⁰⁶. In addition, the Mexico City government also reduced its operating costs by 50%, not including salary cuts¹⁰⁷. It should be noted that this type of action contradicts the measures taken by most countries and is considered to be procyclical, i.e., it intensifies the effects of the recession by reducing demand.

In view of this situation, it is recommended that measures be taken to increase public spending to sustain domestic consumption levels and thus strengthen the demand for goods and services. To that end, the acquisition of debt could prevent the impact on public spending as a result of the reduced availability of fiscal and oil resources. This stance, as is to be expected given the extraordinary circumstances, departs from the 33.1% debt/GDP ratio recommended by the Ministry of Finance and Public Credit in 2019 in the context of republican austerity¹⁰⁸. However, this figure will also be affected if the fall in GDP is not minimized.

It should be noted that, although Mexico has access to international markets and that, in fact, at the end of April 2020 it issued debt bonds for six billion dollars, this operation was carried out in an unfavorable context because days before Mexico suffered a series of downgrades in its credit rating¹⁰⁹. This, together with the volatility of oil prices and the COVID-19 crisis, resulted in higher rates of return than those of bonds issued by the Mexican government in January of the same year (for example, the rate of five-year bonds issued in April is 4.125%, and that of ten-year bonds issued in January is 3.133%)¹¹⁰. To that end, it is important to recognize that, for Mexico, acquiring debt in the private market is complicated, given that, in the current context, financial markets will lean towards more favored economies with higher levels of social and economic stability. Therefore, conditions must be generated to make Mexican debt “attractive”.

Some authors have pointed out that the acquisition of debt should be leveraged with the implementation of fiscal policies, which allow credit markets to offer better conditions. In this respect, Levy¹¹¹ makes a specific proposal on how to ensure the sustainability of this debt, which goes hand in hand with the austerity policy and implies clearly defining that the stimuli provided to address the emergency are temporary and targeted at vulnerable populations. Likewise, and following the same proposal¹¹², a compromise should be considered at the national level between the executive, legislative and private powers so that the deficit potentially incurred is covered by a gradual and progressive restructuring of income and capital gains taxes. It should be noted that this is only one option; therefore, it is suggested that an analysis be made with tax policy experts to define a strategy that is consistent with Mexico's characteristics in this area.

¹⁰⁶ Infobae, “AMLO's Government ordered to cut its own expenses in half to face the coronavirus epidemic”, Infobae, 09 April 2020. Available at: www.infobae.com/america/mexico/2020/04/09/gobierno-de-amlo-ordeno-recortar-a-la-mitad-sus-propios-gastos-para-enfrentar-epidemia-de-coronavirus (accessed: 29 May 2020).

¹⁰⁷ El Economista, “Due to pandemic, CDMX Government will reduce current spending by 50%”, 25 May 2020. Available at: <https://www.eleconomista.com.mx/estados/Por-pandemia-gobierno-de-la-CDMX-reducira-50-el-gasto-corriente-20200525-0134.html> (accessed: 29 May 2020).

¹⁰⁸ SHCP, Report on the economic situation, public finances and public debt. Second quarter of 2019 (Mexico, 2019). Available at: www.gob.mx/cms/uploads/attachment/file/483440/Informes-sobre-la-Situacion-Economica-las-Finanzas-Publicas-y-la-Deuda-Publica_2o-Trimestre-2019.pdf (accessed: 29 April 2020).

¹⁰⁹ EFE, “Moody's lowers credit ratings for Mexico and Pemex”, Agencia EFE, 18 April 2020. Available at: www.efe.com/efe/america/mexico/moody-s-rebaja-la-calificacion-crediticia-de-mexico-y-pemex/50000545-4224520 (accessed: 29 May 2020).

¹¹⁰ Justin Villamil, “Mexico places \$6-billion dollar debt after a series of rating cuts”, El Financiero, 22 April 2020. Available at: www.elfinanciero.com.mx/economia/gobierno-busca-colocar-bonos-de-deuda-despues-de-ola-de-recortes-a-calificacion-de-mexico (accessed: 29 May 2020).

¹¹¹ Santiago Levy, “Let's overcome the emergency together”, Nexos, 25 March 2020. Available at: www.nexos.com.mx/?p=47405 (accessed: 24 April 2020).

¹¹² Ibid.



2. Investment in public infrastructure

In an adaptive context, it is recommended that the division in opinion of the experts consulted be taken into account as a way of prioritizing public policies; from this it seems reasonable to decide to implement measures that generated consensus among the experts, and to postpone those measures that generate division in opinions for future discussions. In this regard, it is recommended that some investment projects in publicly owned companies be postponed until it is possible to re-evaluate their profitability and social and environmental desirability. In this way, public resources would be freed up for the implementation of actions to contain the crisis, reducing the amount of resources financed through debt, which would make it possible to remain as close as possible to the objective of austerity.

D. Cross-cutting recommendations

1. Mainstreaming the gender approach in government responses to the COVID-19 crisis

Gender inequalities are the most widespread cross-cutting gap in the world, which is why women are generally at a greater disadvantage along the social scale. The crisis caused by COVID-19 and the associated containment measures have triggered a series of different effects; it is therefore recommended that the gender perspective be incorporated across the board in the design and implementation of policies and programs to support the population affected by the health emergency. In other words, when analyzing the problems, it is necessary to identify their particular manifestations for women, in order to incorporate alternative elements of assistance into the design that make it possible to correct the different effects on women and men.

Likewise, when assessing the elements that make the population vulnerable to COVID-19 and its economic effects, it is essential to superimpose layers of analysis and identify the heterogeneity of effects. To that end, the health crisis has mainly affected sources of employment and, consequently, labor income. This situation is more acute for women, since the informality rate among women is higher than among men (57.6% and 55.3% respectively). If the agricultural sector is not considered, the gap widens: the informality rate for women is 56.6% and for men is 48.4%¹¹³. This not only means lower benefits in the event of contracting COVID-19, but also lower income and savings with which to face the economic crisis¹¹⁴. To that end, it is recommended that support for households be built with a gender perspective and, as a matter of priority, seek to reach all households with female heads of family who have lost their sources of employment.

In addition, it is important to mention that women make up 72.8% of people employed in the health system, which places them at greater risk of infection and of suffering from precarious working conditions¹¹⁵. Given this scenario, it is necessary to strengthen the protection, support and benefit schemes for women in the health sector.

In the home environment, an increase in unpaid domestic and care burden (intensified by school closures and reduced safety nets) has been documented. In view of this situation, it is recommended that additional monetary support be considered for mothers and fathers in the informal sector who, in health crises such as this one, have to take time off work to care for their children¹¹⁶. In the formal sector, the support could be given as a contribution to the company, so that it keeps employees, mothers and fathers who, due to the suspension of classes, have to take time off, on the payroll.

¹¹³ INEGI, "Informal employment" (see section I, footnote 12).

¹¹⁴ Wages and salaries are, on average, lower in the informal sector.

¹¹⁵ CONEVAL, "The Health Crisis" (see section I, footnote 34).

¹¹⁶ Sol Sánchez, "Women, at the forefront of inequality in the face of COVID-19", UNDP, 7 April 2020. Available at: www.mx.undp.org/content/mexico/es/home/blog/2020/04/mujeres--en-primera-linea-de-la-desigualdad-ante-covid-19.html (accessed: 05 May 2020).



With regard to communication strategies, it should be recognized that there are already actions to that end (awareness campaigns and information on the actions to be taken in cases of domestic violence)¹¹⁷; likewise, with regard to telephone assistance for women suffering from domestic violence, operators and supervisors of the national 911 telephone service have been trained and made aware of the situation¹¹⁸. Telephone lines have also been set up at the state level to deal with these complaints. However, it is considered important to strengthen both actions in order to ensure that all women, regardless of their socio-economic and sociodemographic characteristics can, if necessary, access the protection mechanisms provided by the government. First, it is recommended that lines for reporting cases of violence and information on the shelters available to victims be more widely advertised¹¹⁹, on both radio and television. In this regard, it is recommended that advertisement and awareness campaigns be translated into as many indigenous languages as possible, and that they be broadcast using all the government's advertising spaces; in the case of indigenous women, radio is one of the most effective advertising mechanisms.

In the same vein, it is considered necessary to generate additional reporting mechanisms other than telephone lines so that victims can request help in a more discreet way; for example, in Spain, the mobile app "Alertcops" was reinforced, which sends alerts to the police through mobile devices¹²⁰. It should be noted that in Mexico, at the state level, there are already such mechanisms for reporting cases of gender violence in public spaces (in the case of Mexico City, for example, through the mobile app called "Alameda Central", the user has access to a help button¹²¹), which could be adapted to facilitate the reporting of domestic violence. Another example is the Canary Islands government initiative; this is that women suffering from violence can go to the pharmacy and request a "Mask-19", therefore alerting pharmacy staff to support them¹²².

Finally, it is recommended that support be guaranteed to both local social protection systems and civil society organizations, so that shelters continue to operate, while complying with health measures, and that the supply of family planning supplies be guaranteed.

2. Strengthen coordination and transparency mechanisms

One of the challenges during this pandemic is to find rapid methods of collaboration between all economic and governmental actors. There is ample room for (i) improving the collaboration and coordination of the three levels of government, and (ii) making the decisions of the authorities transparent to the public. The 2030 Agenda for Sustainable Development recognizes that the challenges are multidimensional and complex in nature. To that end, the need to involve all sectors of society (public sector, private initiative, civil society and academia) in constructing diagnoses and solutions is recognized. In the current context, the sum of efforts is more important than ever. The generation of responses must be the result of collaborative processes, where each of the parties contributes its knowledge, experience and tools. The National Health Council is a space for dialogue that can be strengthened and coordinated

117 INMUJERES, "Do you suffer from violence? Are you afraid that your situation will be made worse by the Covid-19 lockdown? You are not alone", Mexico, 07 April 2020. Available at: www.gob.mx/inmujeres/articulos/servicios-de-atencion-a-mujeres-en-situacion-de-violencia-de-losestados (accessed: 12 May 2020)

118 Jorge Monroy, "Faced with an increase in domestic violence during lockdown due to the Covid-19 pandemic, 608 911 operators are trained", El Economista, 7 May 2020. Available at: www.eleconomista.com.mx/politica/Ante-incremento-de-violencia-intrafamiliar-duranteconfinamiento-por-pan-demia-de-Covid-19-capacitan-a-608-operadores-del-911-20200507-0080.html (accessed: 12 May 2020).

119 For example, the Locatel Women's Line: the Mexico City Domestic Violence Victim Assistance Hotline, the National Shelter Network; the Citizens' Council for Security and Justice; and Life Without Violence, among others.

120 EFE, "More than four thousand detained in Spain for gender violence during quarantine", El Universal, 23 April 2020. Available at: www.eluniversal.com.mx/mundo/coronavirus-mas-de-4-mil-detenidos-en-espana-por-violencia-de-genero-durante-cuarentena (accessed: 29 May 2020).

121 Head of Government, "Capital's government enables virtual panic button to report emergencies via cell phone", Government of Mexico City, 14 November 2019. Available at: www.jefaturadegobierno.cdmx.gob.mx/comunicacion/nota/habilita-gobierno-capitalino-boton-de-panico-virtual-para-reportar-emergencias-traves-del-celular (accessed: 29 May 2020).

122 BBC Mundo, "Coronavirus: concern for victims of gender-based violence who have to live in quarantine with their abuser (and where to seek help)", BBC Mundo, 24 March 2020. Available at: www.bbc.com/mundo/noticias-52009140 (accessed: 29 May 2020).



with different levels of government and with the agencies responsible for economic decision-making, such as the Ministry of Finance and Public Credit, the STPS and the Ministry of Economy, in order to comprehensively address the problem.

Additionally, in economic decision-making, it is recommended that spaces be opened for coordination between the federal government, sub-national governments, private initiative and civil society. It is important to be aware of the specific challenges experienced from all battlegrounds in order to design and implement measures that address the heterogeneity of effects and the timing thereof, and that make it possible to prioritize the protection of household income. It is recommended that professional and business chambers and associations, as well as banking institutions, participate in these spaces. The latter have real-time information relevant to the assessment of the policies implemented and their effects on private consumption and credit demand, for example. This is essential to correct, strengthen and replicate the measures to contain the economic crisis.

All of the above will favor a more efficient and effective response, with economies of scale; it will allow for better targeting of support, as well as the identification of gaps in government assistance and duplication in transfer and subsidy programs.

E. De-escalation of lockdown measures and reactivation of economic activity

The phenomenon that is faced is complex, as has been analyzed in this document, as well as in the report *“Development challenges in the face of COVID-19 in Mexico – Overview from a health perspective”*; therefore, the strategy for the progressive lifting of lockdown measures to combat COVID-19 must be practically surgical and based on sufficient evidence, in order to simultaneously minimize loss of life, social and economic costs. As noted in the diagnostic section, lockdown measures have resulted in economic decline, job loss and income disruption in hundreds of thousands of households. To that end, it is important to allow a gradual reactivation of the economy, which minimizes infections and protects populations at risk. The report *“Development challenges in the face of COVID-19 in Mexico – Overview from a health perspective”*¹²³ presents scenarios on the duration of the pandemic and the relevance of implementing effective COVID-19 lockdown measures.

It is important to mention that, in Mexico, the National Healthy Distance Period ended on June 1, giving rise to the economic reopening. However, this process takes place in the middle of an upward infection curve and with little use of evidence, unlike what has happened in other countries such as China, South Korea, Spain and Italy, where reopening began once infections were going down. To that end, the lockdown stage may not have been as effective as expected, which may generate risks of new outbreaks, with the associated economic effects in the event that new lockdown measures are applied.

1. Trial and error and real-time data generation

In line with the above, it is recommended that the relaxation of measures be approached from a trial and error perspective. Since there is a great deal of uncertainty regarding the number of people infected, the lifting of lockdown may lead to outbreaks that require a U-turn to be made. The generation of accurate, real-time, disaggregated data will be essential for decision-making and for the protection of vulnerable populations with regard to health and income,

¹²³ UNDP Mexico, *Development challenges in the face of COVID-19 in Mexico - Overview from a health perspective* (Mexico, 2020). Available at: bit.ly/PanoramaSalud



among others. One of the main aspects to consider is the need to perform more tests to get a more accurate idea of the number of cases. Mexico is one of the countries with the lowest number of tests performed per thousand inhabitants. With the information available as of June 5, a total of 2.3 tests per thousand inhabitants had been performed in Mexico, while the global average is 33.85 per thousand inhabitants; in other words, almost 15 times fewer tests are performed in Mexico than the global average¹²⁴.

2. Analysis of flows of people and goods for risk mitigation

Furthermore, during de-escalation, it is recommended that flows of people and goods between municipalities be taken into consideration, particularly in metropolitan areas. Some people may work and live in different municipalities, which makes the process more complex. To this end, the use of information technology and big data to track movements and anticipate risks will be essential. Of particular importance will be an increase in the number of COVID-19 infection tests, in order to have greater certainty about the spread of the virus and to map the risks of infection with greater geographical precision. Without more tests, decisions to reopen economic activity will not be supported by evidence. This information is developed in detail in the document "[Scenario from a health perspective](#)".

3. Consensus on de-escalation measures based on sector risks

It is recommended that the lifting of lockdown measures be agreed with the different economic sectors and with state governments, in order to generate certain conditions for economic agents, and to consider the risks and capacities of each sector and entity. Consensus on lockdown de-escalation should allow for heterogeneity and asymmetry in strategies and the implementation of restrictions when the data reveal infection outbreaks. To this end, it is recommended that general and specific criteria be developed, and jointly constructed, in order to transmit unity in diagnoses and in responses.

Where possible, it is desirable to promote working from home, from a subsidiarity approach and by strengthening universal internet coverage. In the medium and long term, the new normal may represent an opportunity to improve social housing conditions, reduce overcrowding and expand the coverage of basic services.

4. Gradual reopening

Additionally, it is recommended that the reactivation be gradual. Once the economy has reopened, companies should not operate at 100% capacity, but limit the number of employees and customers in the same space.

¹²⁴ Our World in Data, Coronavirus (COVID-19) Testing, 9 June 2020. Available at: ourworldindata.org/coronavirus-testing (accessed: 10 June 2020).

UNDP Latin America and the Caribbean
COVID 19 | POLICY DOCUMENTS SERIES



www.latinamerica.undp.org

We acknowledge the kind support of the Spanish Cooperation.

