MEXICO

Political Outlook:

The new government led since December 2018 by President Andrés Manuel López Obrador (AMLO) and his political party MORENA, has had a disruptive impact on investment -national and international- due to signature projects, regulations and regulatory agencies been revised, held up or cancelled (such as the international airport, ProMexico, and the education reform), while improvised public consultations have been used to support such decisions. AMLO's administration has received as much as 80% of popular support and MORENA and its allies also boast a majority in Congress. Nonetheless, some decisions have impacted the President's popularity, now rated at 49% since February 2020. His government's decisions towards COVID-19 were poorly approved, interpreted as lacking a sense of responsibility, strategic decision-making and transparency. On the other hand, one of the President's strengths is his commitment to fight corruption and protect vulnerable populations.

Economic Outlook:

Although macroeconomic figures remained stable, during 2019 the Mexican economy cruised with little dynamism, with close to 0% growth and a growing distrust of the government's decisions. However, 2020 began on a positive note with the ratification of the USMCA in the United States that brought certainty and a closer relationship between the government and business groups to encourage them to invest in the signature infrastructure projects. Before the COVID-19 contingency, experts expected an average growth closer to 1.5%. Today, expectations go from -4% to -12% growth. With nearly 90% of employment generated by small businesses and half of Mexico's workforce in the informal economy, workers and businesses will require significant support to face COVID-19 contingency measures. So far, the federal government has announced that it will support small businesses (in the formal and informal economy) by granting loans but assured that no tax incentive will be granted. In recent weeks, national and international rating agencies and consultants have lowered the country's

score, keeping the risk level high, with high uncertainty in Mexico's credit profile and sovereign debt.

Investment Trends:

Towards the end of 2019, an ambitious infrastructure plan was announced in alliance between the government and important business groups, however, no tangible progress has been made. Due to the COVID-19 pandemic, public and private investments are likely to stall. The government has confirmed, although facing severe criticism, that its major infrastructure initiatives will continue and will generate thousands of jobs, growth in poor areas and "economic sovereignty": Dos Bocas refinery, Maya train and a new International Airport (different project in a controversial zone).