



# POLITICAL AND SOCIAL IMPLICATIONS OF THE COVID-19 PANDEMIC IN MEXICO

## SECOND REPORT

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## EXECUTIVE SUMMARY

1. Just over three months after the COVID-19 outbreak started in Mexico, the federal government's response has been characterized by being late, erratic, and contradictory:
  - Official estimates signaled infections would peak from May 8-10. However, the number of infections continues to rise;
  - Initially, estimated deaths ranged from six to eight thousand. Even after being adjusted to 30-35 thousand, the final death toll is expected to be much higher;
  - The public has received mixed messages: the government calls for people to remain at home, but the president restarts his work tours; the government downplays the importance of using face masks while the World Health Organization recommends it; the number of infected cases grows, but the reopening efforts begin.
2. Some positive actions stand out: measures to expand hospital capacity in collaboration with the private sector and the purchase of ventilators coordinated by the Ministry of Foreign Affairs prevented widespread panic and large-scale chaos in most medical centers, as happened in Spain and Italy.
3. The federal government's strategy to mitigate the effects of the economic crisis is based on two lines of action:
  - Increase the distributed amount and advance payments of most social programs, on the grounds that they support the most vulnerable 70 percent;
  - Create two million jobs.
4. Integralia estimates that the final balance will be negative: the effect of the crisis on both formal and informal unemployment and the public well-being will be much greater than any compensation given through social programs. We consider the promise to create two million new jobs unrealistic. It is based on estimates of new jobs created by infrastructure projects that are not yet in progress and counts hundreds of thousands of new beneficiaries of social programs as if they represented new jobs.
5. At the local level, there has been a wide variation regarding the measures implemented by state governments, due in part to a lack of coordination between federal and state authorities. In the absence of a clear strategy on the part of the federal government to stop the spread of the virus, state governments have implemented their strategies based on their resources and institutional capacities.
6. This same lack of coordination has prevailed regarding the economic reactivation: the federal government allowed each state government to define the criteria and measures for reopening, thus transferring the responsibility for possible new contagion outbreaks to them.

7. The economic implications of the pandemic will be severe. While some indicators—such as the exchange rate and the price of oil — have stabilized, economic data for April and May show that most relevant variables experienced incredibly significant falls. Car sales and employment registered the largest drop since data was available, and self-service and department stores' sales experienced a 20 percent reduction.
8. Integralia foresees four main economic implications:
  - Greater fragility of public finances in 2021;
  - The increased risk that Mexico will lose its investment-grade;
  - Lower private investment;
  - The failure of the government's strategy to make Pemex the driving force behind economic development
9. In terms of social implications, even the most optimistic scenarios estimate an increase of at least 6.64 million more people in extreme income poverty. More dire estimated point out that figure could end up being 18 million. This, in turn, could lead to protests and looting, although both have decreased compared to incidents registered in April and the first half of May.
10. Regarding public insecurity, official figures reveal that robberies decreased slightly in April: with businesses closed and fewer people on the streets, opportunities for crime decreased. However, there was an increase in the rate of intentional homicides. As such, despite the confinement measures, violent clashes between large organized crime cartels increased. Integralia considers that some criminal organizations will emerge strengthened from the crisis.
11. Main political implications (some were already occurring before the pandemic, but the crisis will exacerbate them):
  - Decrease in the president's approval;
  - Greater political polarization;
  - Distancing (rupture) between business organizations and the federal government;
  - The viability of the government's project is at risk;
  - Fewer votes for Morena in the 2021 elections. Nonetheless, as of now, it remains likely that it will obtain —with the help of its political allies —an absolute (unqualified) majority in the Chamber of Deputies. Such a scenario could change in the coming months.



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