



Since March 25, 2020

Confederation of International Contractors' Associations (CICA)

Strategic Watch: COVID-19 Overview by country and region (situation at February 1st, 2021)

Based on FIEC's COVID-19 Construction Observatory, FIIC's, CIAN's and MEDEFI's and IFAWPCA's data

For more information go to the CICA Website: <http://www.cica.net/cica-covid-19-overview/> and Dropbox: <https://www.dropbox.com/home/Observatory%20COVID-19>

Mexico

Country/Region	General measures	Measures for construction
MEXICO		
Lockdown	<p>A state of health emergency had been declared. Non-essential activities were suspended, and gatherings of more than 50 people were prohibited (March – April 2020). Social distancing measures were extended until May 30, 2020.</p> <p>Mobility restrictions started to be relaxed at the end of May and activities deemed essential, such as those in automotive, construction and mining sectors, reopened. Social activities remain restricted in most states and schools continued to be closed in all states as of December 2020 (cf. OECD) (December 2020).</p> <p>U.S Secretary of State Mike Pompeo announced on March 20 there would be restrictions on travel across the Mexico–United States border.</p>	<p>Mexico had extended until May 30 the social distancing measures. Construction had been considered as non-essential activity in most states.</p> <p>According to European contractors, worksites have been closed by the Government for 1 month (2 April).</p> <p>Most activities and gatherings were suspended in over 60 local CMIC offices and central headquarters in Mexico, as well as training (ICIC), CMIC university (ITC) classes.</p> <p>The CMIC issued a containment protocol for Coronavirus on construction work sites including mostly</p> <ul style="list-style-type: none"> • Raising awareness on enhanced hygienic measures • Preventive isolation of the person suspected or confirmed to be infected; • Minimize physical contact and increase the spacing of workers at all times, etc. <p>The situation has been diverse in Mexico regarding the resumption of activities. Starting on May 18 two states have gradually and progressively restarted different activities by economic sector (construction amongst them) and based on how much Covid-19 cases the specific city has reported.</p>

		<p>On May 13, the Federal Government has declared that starting from May 18, 3 economy sectors will be considered essential: construction, mining and the automobile sector. As such, gradual resumption of construction activities with adequate hygiene measures has been launched at national level (here gradual means starting with 269 municipalities out of 2,500).</p> <p>At the national level, CMIC has maintained the position of considering all activities related to the construction industry as essential and requested the government to take it into account due to the magnitude of its productive supply chain.</p>
<p>Economic outlook</p>	<p>After a sharp decline in 2020 (around 10.2%), the OECD estimates that economic growth will be led by exports, particularly from manufacturing firms integrated into global value chains. Bolstering private investment is deemed key to a stronger recovery, which calls for reducing regulatory burdens and regulatory uncertainty (cf. OECD) (20 December).</p> <p>The growth rebound in Mexico in 2021 is based mainly on higher exports as the U.S. economy picks up and trade policy uncertainty fades after the United States-Mexico-Canada Agreement entered into force in July 2020.</p> <p>The forecast of 3.7% growth in 2021 is insufficient to reverse last year's output losses and is being held back by factors including planned fiscal consolidation and long-standing weakness in investment.</p> <p>Growth is projected to slow to 2.6% in 2022 as external demand growth softens and the boost to economic activity from labor market improvements begins to fade (cf. IMF) (January 2021).</p> <p>A slowdown in the United States has led to a reduction in trade, foreign direct investment, tourism flows, and remittances.</p> <p>Key agricultural exports as well as trade flows through the Panama Canal could also be adversely affected by lower global demand.</p>	<p>2019 was considered a disastrous year for the productive activity of the construction sector in Mexico, which presented a real annual fall of 5.0% (90,310 million pesos [€3,45 million]) with respect to the level invoiced in 2018, with a loss of 150 thousand jobs.</p> <p>The year 2020 is outlined as an even worse year. The results of the first two months of the year confirm this assertion, registering a contraction of 8.6% in relation to the first two months of 2019. Among the most relevant factors explaining this drop in activity are:</p> <ul style="list-style-type: none"> • The reduced public spending for infrastructure, since in the first two months of 2020 the investment budget was 7.4% lower in real terms compared to the same month in 2019 (93 billion pesos [€3,55 billion] in the first two months of 2020 vs. 97.1 billion [€3,71 billion] in the same period in 2019); • The delay in the start of the projects included in the National Infrastructure Agreement; • The uncertainty in the financial markets and its impact on the expectations of the private sector; • The declaration of a health emergency due to the coronavirus pandemic (Covid-19).

	<p>Local outbreaks should strain economic activity in the next year and aggravate already uncertain business conditions.</p>	<p>The generic impact of these factors could lead the construction sector to a 7% real annual fall in 2020, which would be equivalent to a 119,891 million peso [€4,58 million] reduction in annual turnover compared to the sector's turnover in 2019.</p>
<p>Employment</p>	<p>According to the Mexican Construction Industry Chamber (CMIC), about a fifth of its 12,000 members are at risk of closing permanently due to the halting of construction and building works. They are mainly SMEs located in the states of Nuevo León, Quintana Roo, Baja California Sur, Yucatan and Mexico City (23 April). It is estimated that between March 13 and April 6, almost 19,500 construction workers lost their jobs, and CMIC assumes that this figure might be 25 times larger by the end of the month (23 April).</p> <p>The construction sector is one of the most important generators of employment in the country, creating 6 million direct jobs annually. In order to protect jobs, wages and family income and to prevent the liquidity crisis from becoming a solvency crisis, the following actions have been brought to the Government by the Mexican Chamber of Construction back in April 2020:</p> <ul style="list-style-type: none"> • Implement an immediate plan that includes direct credits from commercial and development banks in order to solve the serious situation that many construction companies have been facing for almost two years with a shrinking construction industry; • Support construction companies by deferring (without remission) social security contributions for 60 days and company tax payments for up to 90 days without interest charges; temporary suspension of provisional Income Tax payments as well as deferred contributions for payments in 2021. 	
<p>Recovery</p>	<p>Expectations of a construction recovery in 2020 have faded and it is more than likely that the growth that was projected for 2020 at the beginning of the year will be revised downwards as a result of the following factors:</p> <ul style="list-style-type: none"> • Expansion and depth of the impact of Covid-19; • Global economic recession; • Lower oil prices; • Instability in the financial markets (exchange rate, price level and interest rates); • Probable cuts to public spending; • Private investors' investment in risks. <p>However, the federal government intends to promote infrastructure projects with the private sector, in order to reactivate the national economy. It approved infrastructure projects for 304 billion pesos [€11,61 billion] to the so-called Private Initiative. To date, there is a portfolio of 59 projects that will be financed and developed through private capital with an investment amount of 304 billion pesos [€11,61 billion], where 80% of the portfolio value, that is, 246 billion pesos [€9,39 billion] in 49 projects, will be executed before the end of the first semester of 2021 and 100% by the first quarter</p>	

of 2022. The investment includes concessions, extension of permits already granted and rebalancing of concession titles. Projects that fall under mixed investment will focus on works in the communications and transportation, drinking water and sanitation sectors (11 September).

The [president of the Mexican Chamber of Construction \(CMIC\) called on the Executive and Legislative branches to strengthen Mexican construction companies vis-à-vis foreign ones](#), to give certainty to investment and to ensure that major public works are not concentrated only in a few states. The president of the CMIC said that with the return to the new normality, the construction industry is ready to resume activities, especially in open air works such as hydraulic, electric, energy, road and airport infrastructure.

Since before the pandemic, the sector brought bad numbers: in the first three months of this year the sector recorded a negative 8.5% growth forecast. Another issue is that public resources for construction are located in only five states and represent 80% of the total. It is asked by the CMIC not to concentrate on some entities, but to disperse the works to benefit regional economies and productive chains (19 May).

Other Overviews

The OECD LAC Regional Programme (including Argentina, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, **Mexico**, Panama, Paraguay, Peru and Uruguay), provides an update of the situation, that can be downloaded hereunder (cf. OECD) (20 November):

- Concerning [selected Health measures implemented in response to the Covid-19 crisis in LAC](#)
- Concerning [vaccine strategies in response to the Covid-19 crisis in selected LAC countries](#)
- Concerning [selected Social policy measures implemented in response to the Covid-19 crisis](#)