

COVID-19 government response – To continue with the current policies

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- The government response was focused in following the current government programs with three marginal changes:
 - (1) A minor expansion of beneficiaries in existing social programs;
 - (2) 45,000 medical doctors and \$5 billion (US\$198 million) of additional budget for the armed forces and the Navy to combat the virus; and
 - (3) Additional austerity measures
- The president reaffirmed his commitment to maintain the infrastructure projects and fiscal austerity

Federal Government measures to face the COVID-19 pandemic. Today, President Andrés Manuel López-Obrador addressed the nation to provide with the government response to cope with the COVID-19 pandemic. Broadly speaking, the government's response was focused in following the current government programs with three marginal changes: (1) A minor expansion of beneficiaries in existing social programs; (2) 45,000 medical doctors and \$5 billion (US\$198 million) of additional budget for the armed forces and the Navy to combat the virus; and (3) additional austerity measures. He also reaffirmed his commitment to maintain the infrastructure projects and fiscal austerity. It should be noted that the President estimates that around 2 million jobs will be created in the remaining 9 months of the year.

Social programs as a cornerstone of the strategy. Among the most relevant announcements in this regard, he affirmed that payments in some programs will be brought forward by up to four months, such as pensions for the elderly, scholarships for low-income students and people with disabilities. Moreover, the “Sowing Life” program, which employs about 230,000 agricultural-sector workers, will add about 200,000 more. Direct funds will be provided to some groups, such as fishermen and schools through parents' boards and societies. An interest-free, community-lending finance program instituted by the government (“*Tandas para el Bienestar*”, in Spanish), would have delivered 800,000 loans for a total of \$3.4 billion (US\$135 million). In addition, other government institutions such as ISSSTE (\$35 billion; US\$1.4 billion), housing-credit institutions FOVISSTE and INFONAVIT (\$177 billion; US\$7 billion) will provide more loans to benefit workers. To the latter, he added that 2.1 million credits will be granted to people and SMEs –both in the formal and informal sector–. Overall, the government estimates that resources from social and development programs will reach about 22 million people.

Investment spending in high-priority projects will continue. Among them, the President reaffirmed that the Santa Lucía Airport, the rehabilitation of existing refineries, the construction of a new refinery in Dos Bocas, Tabasco, and the Mayan Train, will continue. In the latter, he expects the construction of 1,043km (648 miles) of tracks, which would add 80,000 direct jobs.

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He also highlighted the extension of the Salina Cruz and Coatzacoalcos harbors, generating 7,300 jobs, along the use of \$25 billion (US\$ 991 million) focused on improvements to public services and housing in 50 marginalized zones across the country. The President assured that the utility company, CFE, has enough resources to continue the construction of hydroelectric plants in the Yucatán Peninsula and in Baja California Sur. Moreover, he added that Pemex will be benefited with \$65 billion (US\$2.6 billion) from a reduced tax burden. It should be noted that previous estimates put the savings at around \$47 billion (US\$1.9 billion), which could mean an additional injection of resources to the SOE. In this respect, he mentioned that the public-private investment plan for the energy sector will be announced next week, with an expected amount in terms of projects of \$339 billion (US\$13.4 billion).

Additional austerity measures at the Federal level. López-Obrador also informed that wages for high-level public servants will be reduced, while the Christmas bonus (known as “*aguinaldo*”) will be eliminated for every worker with a title at or above that of Deputy Director (including the President). Other measures include the reduction of publicity spending, reduction in travel expenses and operating costs, on top of savings in government purchases and costs of public works. We must also add that, in line with what was mentioned in the [Government’s preliminary budget assumptions for 2021](#), additional resources will be used from: (1) The *Budget Revenue Stabilization Fund* (FEIP by its acronym in Spanish), which by year-end 2019 had a total of \$158.5 billion (US\$6.3 billion); and (2) those obtained by the extinction of public trusts without a defined structure, which according to the MoF, could add between \$30 to \$50 billion (US\$1.2 to US\$2 billion). As a result, the measures announced today are consistent with public deficit and debt estimates updated last week.

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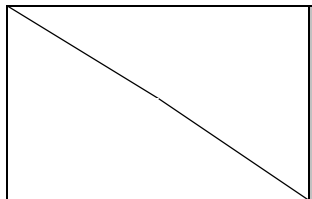
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