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Impacto de COVID 19 en la economía mexicana 2020

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Abstract

This work aims to address a critical analysis of the current situation of the Mexican economy in the face of the COVID-19 pandemic, considering the main economic effects that somehow fall on the population most vulnerable to poverty, observing a very discouraging scenario, which shows its macroeconomic indicators a great contraction of the country's economy. The health emergency exerts a very accentuated pressure on the economy every day, directly affects family income, the unemployment rate grows when companies find it necessary not to hire staff, as they do not have the profits generated by their sales, and In this way, generating jobs that somehow provide for the satisfaction of the minimum needs of the family, in addition to this, schools also contribute when closing their doors in order to contain the pandemic, causes families to have the need for new purchases technology which implies for many large expenses thus minimizing your family income. In addition to the fact that the majority of service establishments, tourism, cultural, religious, social in general, maintain a healthy distance or stop providing services, which further deepens the collapse of the Mexican economy by 2020.

COVID-19, Economy, Population, Pandemic, Companies

Resumen

Este trabajo pretende abordar un análisis crítico hacia la situación actual de la economía mexicana ante la pandemia COVID-19, considerando los principales efectos económicos que de alguna manera recaen en la población más vulnerable a la pobreza, observando un escenario muy desalentador, que muestra es sus indicadores macroeconómicos una gran contracción de la economía del país. La emergencia sanitaria ejerce cada día una muy acentuada presión sobre la economía, afecta directamente el ingreso familiar, crece la tasa de desempleo cuando las empresas se ven en la necesidad de no contratar personal, al no contar con las utilidades generadas por sus ventas, y generar de esta manera empleos que de alguna forma prevén la satisfacción de necesidades mínimas de las familias, aunado a esto, los centros escolares contribuyen también cuando al cerrar sus puertas a efecto de contener la pandemia, provoca que las familias tengan la necesidad de nuevas compras de tecnología lo que implica para muchos grandes gastos minimizando con ello su ingreso familiar. Además de que la mayoría de establecimientos de servicios, turismo, culturales, religiosos, sociales en general, mantienen la sana distancia o bien dejan de dar servicios, lo que profundiza aún más el desplome de la economía mexicana para el 2020.

COVID-19, Economía, Población, Pandemia, Empresas

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Introduction

Currently the world is experiencing one of the strongest tragedies in recent years, COVID-19, which not only affects human health, but also fortuitously affects the economy and social status, when people They present symptoms of mild, moderate intensity and mortality, considering that the COVID-19 pandemic is derived from the coronavirus disease 2019, caused by the SARS-CoV-2 virus (severe acute respiratory syndrome coronavirus 2). The World Health Organization (WHO) establishes it as a pandemic on March 11, 2020.

Therefore, the different governments of the world have imposed travel restrictions, quarantines, confinements, cancellation of events and closure of establishments, thus preventing the spread of the epidemic and avoiding contagion between people.

The main effects that have occurred with the pandemic are health, social and economic, of disruptive impact, which have caused the closure of schools, many companies and locations of human accumulation, which has generated a great reduction in economic activity thus increasing the unemployment rate, a third of the world population is in a state of confinement with strong restrictions on freedom to circulate, which has generated isolations that cause discouragement in society with stress depressions, impacting on health and welfare status.

Already in the past decades before 2020, several scientists and authors warned about the possible appearance of a virus with the ability to generate a pandemic that would have devastating global consequences. Such as the quote from the book "The Hot Zone" by Richard Preston that indicates the lack of sufficient preparation to deal with such a pandemic (Experts Warned of a Pandemic Decades Aug. Why Weren't We Ready ?, n.d.).

Unfortunately, around half of the world's poor are affected by situations of fragility and conflict. In fact, poverty is concentrating, it is possible that by 2030 up to two thirds of the world's extremely poor population will be living. COVID-19 is likely to further accentuate this trend (Gates, 2020).

Methodology

The methodological strategy carried out consisted of a mixed deductive research approach, ranging from the general, a generalized event in the world and to the particular, the effect of the impact of the pandemic in Mexico, in addition to using an explanatory dialogue, given the Current events on this new COVID-19 pandemic and its repercussions on different social and economic environments.

The research method used for this analysis was deductive in nature, since it implies a reasoning strategy from the general to the particular, that is, the observation of logical evidence of the problem is handled, from a series of macroeconomic premises, and ethical principles towards the care and conservation of the environment.

Analysis

Conceptual framework

Today there is an economic catastrophe caused by COVID-19 that is considered the deepest for advanced economies since World War II and the first contraction of output in emerging and developing economies in at least the last six decades as established by Ayhan Kose, director of the World Bank's Outlook Group. "There are no records of such sudden and drastic downward corrections to world growth forecasts as those seen in the current era."

Mexico is not exempt. The Mexican economy is too discouraging, the economic collapse that has been registered places the country at the forefront of those most affected by COVID-19. The observed scenario of the macroeconomic indicators for the second quarter shows the destructive impact that occurs when the pandemic is declared, by referring to the contraction of the deterioration of the economy (Constant Fiscal Support and Public Health Actions are Required to Make Hope for Recovery One Reality - OECD, nd).

The World Bank anticipates a 10% drop in the Gross Domestic Product (GDP) for Mexico in 2020, deeper than the 7.5% in June of the same year.

The expected contraction for this country exceeds the regional average for this year of 7.9%. affecting economies with a drop in external demand, greater economic uncertainty, tourism collapse and the consequences of months of confinement to overcome the spread of the disease.

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The expected contraction for Mexico exceeds the regional average for this year, which will be 7.9%, he explained.

The economies of the region are affected by the drop in external demand, greater economic uncertainty, the collapse of tourism and the consequences of months of confinement to contain the spread of the disease, said BM.

The COVID-19 pandemic has caused, among other things, a global socio-economic impact, as a result of the health effect of the disease itself and efforts to control its expansion, which rapidly causes saturation of health systems if prevention measures are not applied and restriction, which therefore affects the economy of the countries and the lifestyle of their citizens.

This crisis, called as the Great Lockdown given the economic crisis by Coronavirus, is causing the largest global recession in history.

It could cause the global economy to shrink by 5% during 2020, instead of growing to 2.5% as expected a year earlier.⁴⁶⁷ As businesses lose revenue, unemployment rises sharply, transforming a supply shock over an even more extensive demand shock to the economy (The Great Lockdown: The Worst Economic Downturn Since The Great Depression - Dialogoafondo Blog, nd).

The Organization for Economic Cooperation and Development (OECD) warns that the epidemic unleashed by COVID -19 will slow down the world economy at the end of the year. In this way, it has lowered the global growth forecast from 2.9% to 2.4%, SEE REFERENCE TO 2021, December report (OECD Economic Outlook, December 2020 | Transforming Hope into Reality, n.d.).

Economy in Mexico

The Mexican scenario is very discouraging in economic terms, the fall in GDP only reflects the deterioration of the aggregate variables that compose it. A scenario that is of undue concern since there is a strong consecutive quarterly contraction of the Mexican GDP after the deterioration caused by the stagnation that the Mexican economy experienced at the end of 2019 and the drastic fall by the end of 2020.

Graphic 1 Annual percentage change 2020 3Q.
Source: Own elaboration of the graphic arrangements, as well as data provided by INEGI.

Concept	% Variation compared to the previous quarter	% Variation compared to the same quarter of the previous year
Total GDP	12.1	-8.6
Primary activities	8.0	7.4
Secondary activities	21.7	-8.8
Tertiary Activities	8.8	-8.9
In its annual comparison, the Gross Domestic Product had a real decline of (-) 8.6% in the quarter in question. By large groups of economic activities, the GDP of Tertiaries decreased (-) 8.9% and that of Secondary (-) 8.8%, while that of Primary schools increased 7.4% in the same period.		

Table 1 Seasonally adjusted figures by group of economic activities
Source: Own elaboration and arrangements, based on data provided by INEGI.

Population growth in Mexico

As the population grows more than the Gross Domestic Product (GDP) or food production, the deficiencies of large groups of Mexicans will intensify, alerted Armando García de León, from the Institute of Geography (IGg).

Given the accelerated population increase in the country, he recommended the creation of a national program to rationalize population growth. "It would be a first step to achieve an order in accordance with the objective of improving the living conditions of the inhabitants",

In 12 years, in 2030, Mexico will be the ninth country with the largest number of inhabitants in the world. It currently occupies the 11th place, and this increase can already be considered as serious, said García de León (El Crecimiento Poblacional de México, Problema Grave - Gaceta UNAM, n.d.).

Total population of Mexico 2014-2024

In 2019, the total population of Mexico was estimated at more than 125.9 million inhabitants. A total population of Mexico of 131.5 million is expected at the end of 2024.

Graphic 2 Mexico: total population from 2014 to 2024 (in millions of inhabitants)

Source: Own elaboration of the graphic arrangements, as well as data provided by <https://es.statista.com/estadisticas/635250/poblacion-total-de-mexico-en-2020/>

Impact on the business sector and jobs

The arrival of COVID-19 in Mexico has had a great impact causing a great economic slowdown affecting the business sector and with it jobs. It is well known that this sector, especially that which concerns micro, small and medium-sized enterprises, is subject, even in developing countries, to intense pressure, bankruptcy.

But according to these serious circumstances the World Bank (WB) reports that more than a third of companies have increased the use of digital technology to adapt to the crisis, despite the fact that during these serious periods, company sales have been cut in half, which has forced them to reduce wages and hours of work, and most of them are adrift to disappear, awaiting support from the State.

Graphic 3 Proportion of companies (%), by adjustments in employment

Source: Own elaboration of the graph arrangements, as well as data provided by <https://blogs.worldbank.org/>

At the end of the second quarter, the number of workers insured to the Mexican Social Security Institute (IMSS) amounted to 19 million 499 thousand 859 contributors, a lower figure of 868 thousand 807 insured compared to the same month of the previous year and equivalent to an annual decrease of 4.3 percent.

Graphic 4. Economically active population 2020

Source: Own elaboration of the graphic arrangements, as well as data provided by INEGI

The International Labor Organization (ILO) reports that the unemployment rate in Mexico at the end of 2020 could reach 11.7% of the Economically Active Population (EAP). As a consequence of the Covid-19 pandemic, "millions of working people had to stay at home, telework or had to face consequences of the crisis such as low wages or layoffs since the end of March," the ILO remarked as a basis of your reasoning.

National Unemployment Rate. According to the Telephone Occupation and Employment Survey (ETOE), developed by INEGI, as of the second quarter of 2020, the national unemployment rate was 4.8 percent on average.

Graphic 5. Unemployment rate. Monthly variation 4.7
Source: Own elaboration of the graphic arrangements, as well as data provided by INEGI.

Informality and employment

The pandemic caused a “historical” drop in informality to 47.7%, a figure that began to rebound in August and that by the end of the year could exceed the levels prior to the outbreak of Covid-19 “due to a transfer of workers towards informality”.

According to the latest report from the National Institute of Statistics and Geography (INEGI), issued at the end of September with figures for August, the Mexican unemployment rate fell to 5.2% in August when 608,000 people reincorporated to the EAP, with which there are 2.8 million of unemployed.

Family income

Income in Mexican families has been reduced due to the loss of employment, the interruption of remittances or other factors related to COVID-19, which will continue to put human capital at risk, as they have less money, families are will be forced to make trade-offs and sacrifices that could undermine the health and learning outcomes of a generation

Only in the first month of the crisis effect of the Covid-19 pandemic, the incomes of 16.7 million households in Mexico were affected, this is due to the fact that in three out of 10 households at least one family member lost his job and reductions wages, reported the National Institute of Statistics and Geography (INEGI). Julio Santaella, I'm pointing.

In April, among the people who lost their job and did not try to get a new one in the framework of the pandemic, the unemployed sought to work and those who had not entered the labor market, there was a deficit of 15.7 million jobs for people over 18 years of age .

Edgar Vielma, director of Sociodemographic Statistics of the organization, explained that the loss of income in those 16.7 million households - which represent 65 percent of those in the country - also translated into 37.4 percent, that is, 6.2 million of those who found themselves in that situation sold their goods, borrowed or consumed their savings (Covid-19 Impacted Income of 16.7 Million Families: Inegi - Economía - La Jornada, nd).

The labor condition in the framework of the pandemic also points to temporary absentees, such as a stratum of 7 million 200 thousand workers who are not considered unemployed because they continue to maintain the employment relationship, at least in words or are self-employed.

Among the 6 million 100 thousand temporary absentees who were subject to an employer, six out of 10 had their income affected. Only four out of 10 received their full remuneration, four were given only a partial payment and in two cases out of 10 it is assumed that the person will return to work there, but no financial support was given.

Another part of those affected are independent workers for whom, four out of ten, were directly affected by Covid-19 and three out of 10 suffered the lack of customers given the lower mobility and loss of economic activity. However, two out of 10 also said they had no problems due to the crisis.

While in the sum of 32 million 900 thousand people, who were assumed to be employed, 23% work from home, 42% decreased their working hours, 46% their income and only 5% received any support from the government.

In addition to the already existing pressures among those who remain linked to a job, there are 5 million more people who do not have a job, do not look for one due to the current circumstance, but who believe that they will return to work once the health contingency ends. Of them, before the pandemic, 46% were subordinate and paid workers; independent, 53 percent; 22% received support from a family member to alleviate the crisis and 92% do not have access to health services (Covid-19 Impacted Income of 16.7 Million Families: Inegi - Economy - La Jornada, n.d.).

For this reason, it is advisable to expand the amounts of cash transfers for the population that needs it most since the COVID-19 pandemic has taken charge of further framing the gaps and needs that already existed, concluding that the benefits of social programs are insufficient.

It is very difficult to provide a viable solution to the economic situation of the households that have fewer resources, it should be appreciated that this crisis needs differential and additional actions to those existing previously, not seeing and ignoring this situation, implies enlarging and eternalizing the cycles of poverty and inequality in Mexico.

Medical care and the high cost

The pandemic causes the need for effective, accessible and affordable family health care. Before the crisis there were already great needs, and now for this purpose of COVID 19 it is estimated that, in the world, financial expenses amount to more than 900 million people.

Joana Chapa Cantú, director of the Center for Economic Research at the Autonomous University of Nuevo León, explained that the change in income in the country had an impact on the number of people who did not have enough to buy a basic food basket (Increase of Poverty in Mexico, Another Blow Derived From COVID-19 - Point U - Autonomous University of Nuevo León, nd).

And health care is just one of the ways that COVID-19 is affecting human capital in countries. Even before the pandemic, the world was facing a learning crisis, with 53% of children in low- and middle-income countries unable to read a basic text by the end of primary school. These risks are intensified by school closings due to the pandemic (2020 Annual Summary: The Impact of COVID-19 (Coronavirus) In 12 Graphs, n.d.).

The economic crisis that is being experienced in 2020 due to the COVID-19 pandemic is the "deeper than any we have ever experienced", but Mexico today has some strengths that we did not have in the 1995 crisis, said Eduardo Osuna, general director and Vice Chairman of the Board of Directors of BBVA México (Economic Crisis Due to COVID-19, The Deepest We Have Ever Lived: BBVA México, nd).

During his participation in the Annual Meeting of Regional Councilors, held for the first time virtually, Osuna explained that this crisis is much deeper and longer than expected, but, unlike in 1995 when NAFTA was entering into force and there were "Great doubts about the competitive capacity of Mexican businessmen and even more so being in crisis, today there are variables that are absolutely differential that allow us to assume that Mexico has better strengths."

One of them, he pointed out, is that inflation is "absolutely controlled; interest rates down, and we don't see a significant devaluation of the Mexican peso. Today it is an adjustment variable for the economy, which has worked very well in this fluctuation that it has had not only with respect to what is happening internally, but also regarding global economic fluctuations".

In addition, there is an autonomous Central Bank with reserves that works with the financial sector, “we have an absolutely globalized economy, where the non-oil export component continues to gain space, today it is 34.8 percent of GDP, but it is 438 billion of pesos, 72 thousand when we compare it against the year 95”.

Also having a strong financial system, which, unlike in 1995, was insolvent and today there are very high capitalization rates, which comply with all the Basel standards, which is an example for the rest of the world, he told the 600 connected directors.

“We have many problems, the crisis is going to be very deep, but if we compare a crisis, which many of us are experiencing, with the current crisis, Mexico has much more solid fundamentals than those we had in 1995; and, above all, we have shown that the private sector has a lot of competitive capacity at a global level in an absolutely open economy”. he said.

He anticipated that 2021 will be better than 2020 because of a comparative and rebound issue. “We will see an economic recovery in the face of this new normal. We are learning how to combat COVID-19 with treatments, the management in terms of protocols, the vaccines will arrive, and obviously this was what he said about the rebound, from the economic point of view,” he added.

Conclusions

The impact of COVID-19 in the world and in the Mexican economy lends itself to various comparisons with the financial crisis of 2008, with the 2nd. World War, or the so-called Crisis of 29, which, although it seems dramatic, the pandemic has had a far-reaching effect on almost all aspects of development, like previous crises. The real magnitude of the COVID-19 pandemic will only be known in the coming years, as the data collected by recognized institutions is analyzed, new financing and social programs can be developed and adapted to meet the needs of the vulnerable population, there is much short and long-term work, to ensure that the population is included in a new circular and flexible economy where equity and equality are denoted, thus reducing extreme poverty, finding a better world where everyone wins in the sense of a better wellness

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