



## The economic recovery in Mexico looks pretty slow

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Although the country has not completely recovered after two years in the pandemic, it seems that the recovery might take place soon.

### SUMMARY

Countries like the United States, Brazil, and Chile already showed some signs of economic recovery after the effects caused by the COVID-19 pandemic, however, Mexico is one of the countries in the region that took longer to make decisions, so it is taking some time to recover from the economic impact.



It has been two years since the pandemic started, and nowadays the global economy needs quick and urgent actions so as to recover from the negative effects caused by

the sanitary crisis. Considering this, if Mexico really wants to recover from this problem, it is important to improve the scenarios to encourage economic recovery.

### An incomplete economic recovery

Economic recovery is incomplete, according to experts like Carlos Serrano Herrera, who is in charge of economic studies at BBVA in Mexico. This particularly happened because by the end of 2021, the Gross Domestic Product (GDP) in the country was lower than 4% (even lower than 2018). In order to guarantee the tendency that the economy had before the pandemic, it was necessary to have a growth of 12% in 2021 to at least have the level of growth we had before.

Among the main reasons the economy in Mexico does not recover completely, is due to the lack of fiscal support to combat crises similar to the one that people were provided in other countries. This weakness had a negative impact in the labor market, which caused a decrease in formal growth, but in contrast, we observed a noticeable increase in informal jobs and under-employment.



### If you get vaccinated, you contribute to economic recovery

In accordance with OECD, consumption and profits in society improve as people get vaccinated in every region around the world.

### The tourism sector is the first one to recover

Based on estimates made by the World Travel and Tourism Council (WTTC), the tourism sector in Latin America might be able to show an increase of 48% in the touristic GDP in the region, compared to 2020. Even when it is not expected to get the levels we had before the pandemic, having an increase would represent a big booster for the whole industry after two years in the pandemic.

Despite millions of jobs depend on having a complete social reactivation of travels and tourism, this sector in the country and all over Latin America started showing some signs of recovering, and based on the report provided by WTTC, it is expected to have at least 16 million new jobs around the world.



Regarding Mexico, it is expected that the tourism sector grows at least 8.3% as well as the GDP in the country, which represents continuity in the development process of this sector in the country. As an example, we noticed that during the third quarter in 2021 we were able to find almost 4.13 million jobs related to the tourism sector in Mexico, which means an increase of 3.7% compared to the third quarter in 2020.

### Recommendations to grow

If we really want to get the levels of growth we had before the pandemic, we must consider the following three recommendations:

- Reviving economy and recovering the jobs we lost: Due to the fact that the economy in Mexico has not grown as expected, the country still shows low growing rates so estimates made by international organizations have been adjusted to lower expectations. For this reason, the promotion of formal jobs must be a priority, not only because it has a direct impact on consumption, but it also allows Mexican families to have access to basic services like public healthcare.
- Regaining confidence: After global regaining of confidence, we might be able to get public and foreign investment that may encourage growth, since we observed

in the country a decrease of 15% of foreign investment only in 2021, which was one of the highest numbers over the last 15 years.

- Controlling the pandemic and social gaps: Obviously, in a world where pandemic has noticeably increased inequality gaps, it is important to control it and afterwards, combating the deprivations that are affecting the country..

In light of the last recommendation given, Congregación Mariana Trinitaria has promoted for 25 years its CMT Welfare Ecosystem Model to offer multiple integral solutions and public policies for people in order to fight the different inequality gaps. Additionally, this non-profit organization has always been ready to collaborate with citizens to contribute to the improvement of the different welfare conditions of people who need support.

The economy in Mexico **contracted (-)0.1%**, compared to the third bimester in 2021, and we noticed an **annual growth of 5.0%** compared to 2020; according to predictions made on GDP that were performed by the National Institute of Statistics and Geography during the fourth quarter in 2021.

### A growth lower than 1%

Economic activities in Mexico last January reported only 0.7% compared to the activities reported in January 2021. Thus, secondary and tertiary activities had an increase in the percentage of their activities of 2.1% and 0.1% respectively.

Economy in Mexico contracted during the fourth quarter in 2021, and it was in the

red during two periods. After this, we can say that Mexico is one of the Latin American countries unable to reach the levels registered before the pandemic. This particularly happened due to problems in the supply networks, the lack of private investment, constant increases in inflation, and frequent depreciation of peso against the U.S dollar.

### Hope should be the last thing we should lose

The Organization for Economic Cooperation and Development (OECD) believes that the economy in Mexico might have levels of growth and production similar to the ones it had before the pandemic by the third quarter in 2022. Although the growth might seem ridiculous, it is expected to keep a constant tendency to grow.

According to estimates made by international organizations, the Gross Development Product (GDP) will increase from 2.3% in 2022 to 2.6% in 2023. OECD considers that one of the main factors to the appreciation of peso and recovery of the economy in Mexico will be the increase of exports to the United States, which are related to the increase of economic levels in North America.