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# Economic recovery: LAC and Mexico

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CIDE

Transborder Economic Flows from an Atlantic Perspective: Post Covid-19 Economic Recovery: is there a sustainable alternative?

Jean Monnet Atlantic Network 2.0 - Conference

29 June 2021

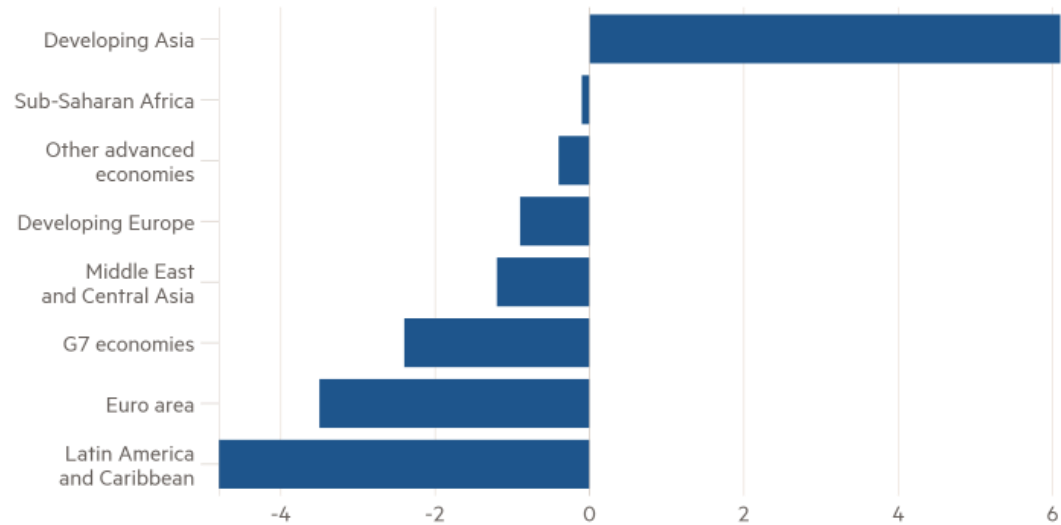
# The pandemic in LAC

- A region badly hit by the pandemic:
  - 8.4 % of world population
  - 18.7 % of Covid-19 confirmed cases
  - 27.9 % of global deaths in 2020 (Our World in Data 2020)
- Regional organisations gave a differentiated response:
  - SICA and CARICOM managed to coordinate cooperation
  - MERCOSUR did not become the reference framework
  - CELAC did more than expected (Ruano & Saltalamacchia, 2021)
- The crisis is far from over
  - Unlike Europe and the USA... it does not produce vaccines:
    - Scenario of vaccine diplomacy: China, Russia, Europe the US
  - Vaccination rates are still low and uneven:
    - More in Chile and Mexico,
    - Less in Central America
  - New Delta variant is still to hit the region
  - Lockdowns are easing
- But some of the effects are beginning to ease:
  - World demand rises
  - Price of commodities rises

# Economic effects and responses

## Latin America faces worst economic legacy of coronavirus pandemic

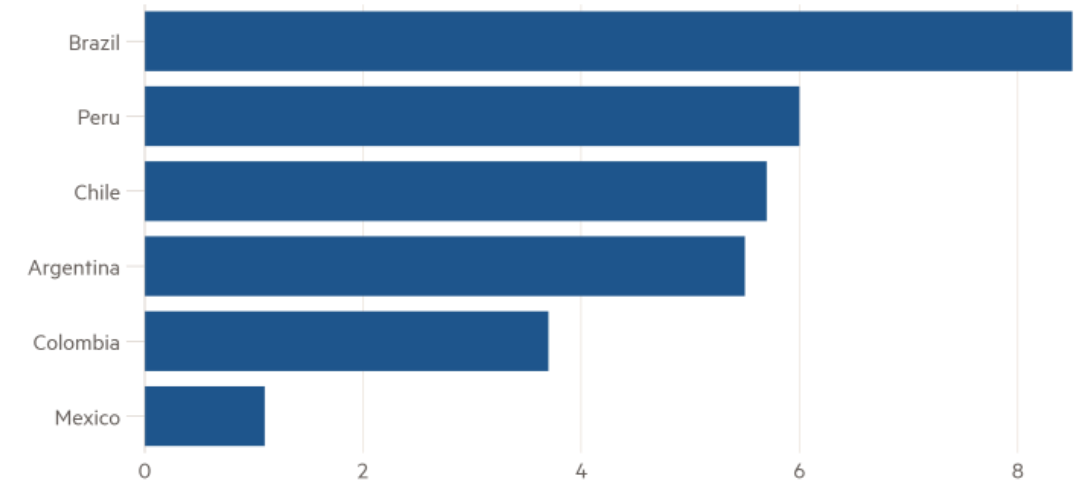
Forecast change in GDP from pre-pandemic level to end-2021 (%)



Source: IMF  
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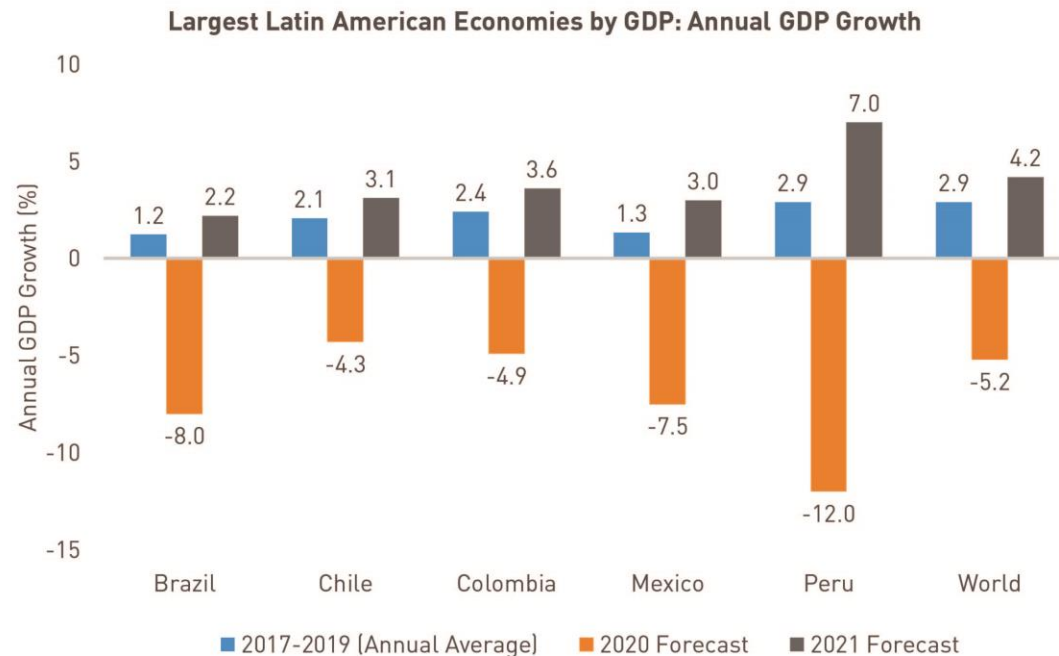
## Mexico spends least among major Latin American economies on pandemic stimulus efforts

Fiscal stimulus as % of GDP

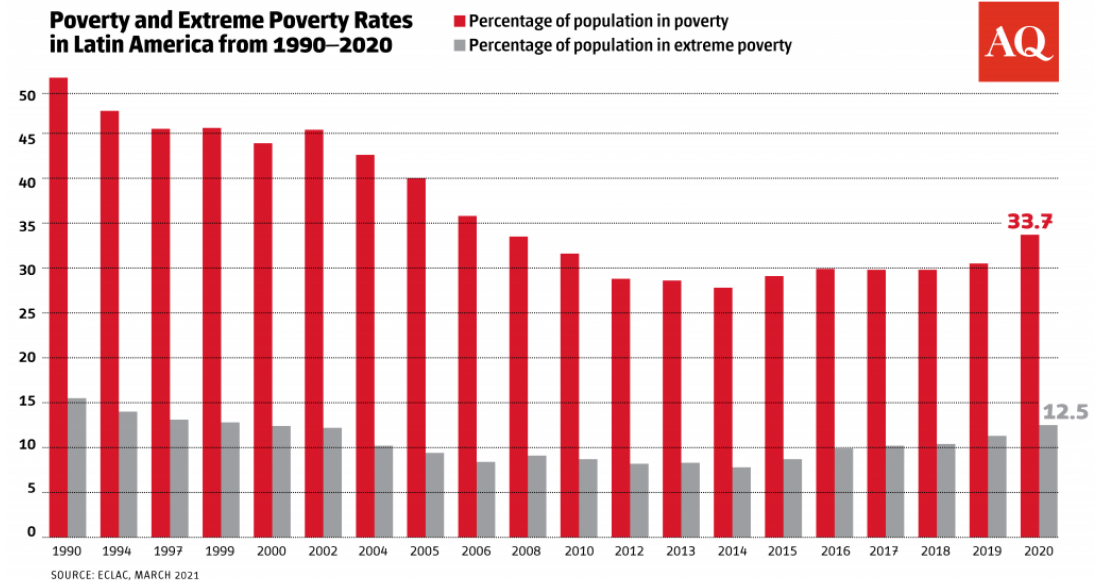


Source: UN Economic Commission for Latin America and the Caribbean  
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# Differentiated responses, common challenges

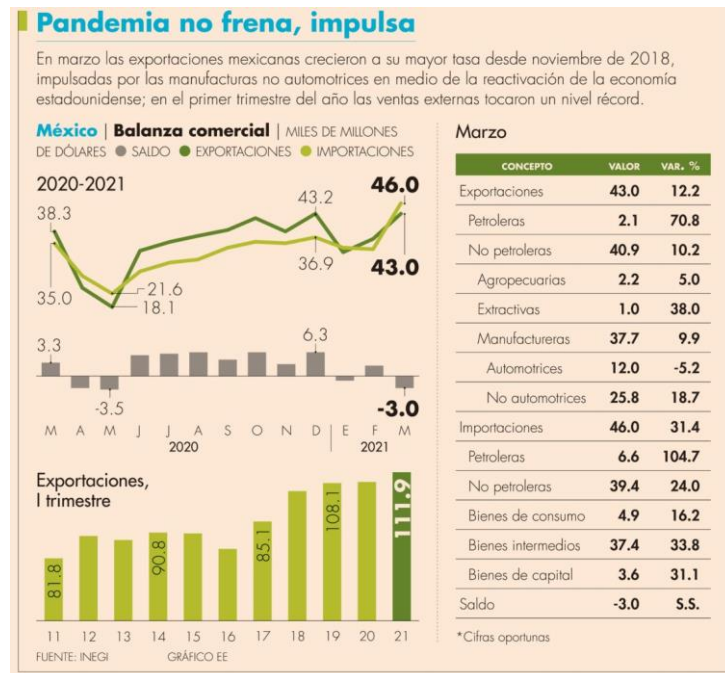


Source: World Bank



# How is Mexico dealing with crisis?

- Mexico: no fiscal response, but pulled by US recovery and stimulus
  - Exports recover 2019 levels in 2021
  - Remittances: record numbers in 2020 and 2021

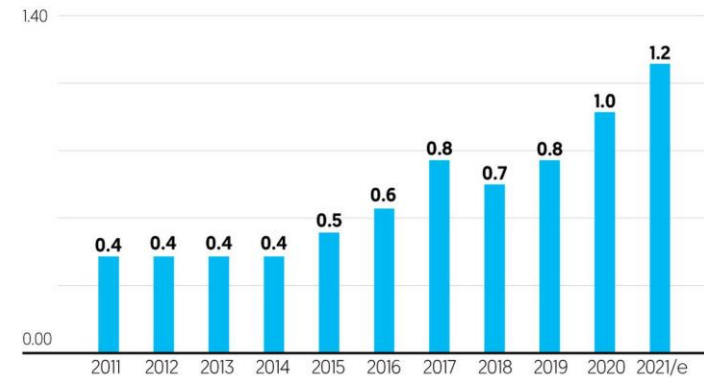


## Crece su importancia

Al cierre del primer trimestre del año, las remesas se colocaron como el principal ingreso de divisas de México, apoyadas por los apoyos fiscales de EU y un mayor número de mexicanos buscando empleo en el mercado laboral estadounidense.

### Dependencia de las remesas de México

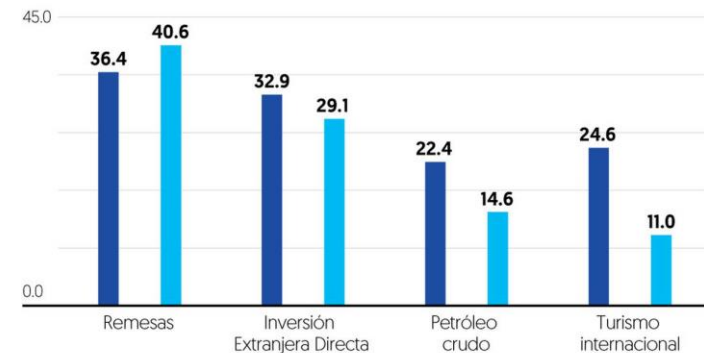
■ Como porcentaje del PIB al primer trimestre de cada año



### Ingresos de divisas a México por tipo de fuente

■ Cifras anuales, en miles de millones de dólares

■ 2019 ■ 2020



# Sustainable recovery?

- Mexico:
  - Substantive change in energy policy – rules and regulations
  - Prioritize production and consumption of fossil fuels
  - Fall in investment: renewables
- No fiscal stimulus, but contraction of public investment
- Foreign influence:
  - TMEC—Will the US put pressure?
  - EU-Mexico Agreement –Ratification on hold
- Brazil
  - No end in sight to Amazon exploitation
  - Growth pulled by export of commodities
  - Expansion of agricultural frontier
- Fiscal stimulus in 2020, but out of ammunition now.
- Foreign influence:
  - EU-MERCOSUR Agreement still awaiting