



# MEXICO'S SUPPORT MEASURES

From the beginning of the pandemic, the Federal Government has deployed a set of health, social, financial, and economic measures to protect the health and wellbeing of the population and support the economy within the realm of the government's commitment to fiscal discipline.

## Health Measures

The Government is helping strengthen health facilities and ensuring that enough well-trained frontline health workers are in place.

**Total health spending between January and September 2020 was MXN 414 bn (2.5% real annual growth).**



**Additional MXN 50 bn on health spending** to supply medical equipment and materials.



**Real annual growth of 9% in health budget** for 2021.



Agreement with **146 private hospitals** to serve up to 12.5k patients.



**50k health workers** have been hired.

## Social Measures using Priority Programs

The need to protect the most vulnerable becomes more urgent. The government has been using priority social programs as the main mechanism to transfer resources for the vulnerable population with two objectives: protect their wellbeing and support economic recovery.

**Direct transfers of MXN 191 bn (40% real annual growth)** between January and September, and **expansion of MXN 50 bn in welfare programs (infrastructure, security, education).**



Universal Pension for the Elderly with a budget of MXN 106 bn (8 mn beneficiaries).



Pension for people with permanent disabilities with a budget of MXN 9 bn (801k beneficiaries).



Benito Juarez Scholarships with a budget of MXN 36 bn (11.7 mn beneficiaries).



Youth Building the Future with a budget of MXN 24.4 bn (1.3 mn beneficiaries).

**Advanced payment MXN 92.2 bn**

Episodes of economic stress tend to have a **greater impact on young people** who have just entered the job market. That is why support for these sectors is essential.



## Financial Measures

Financial support is helping overcome pressures faced by firms and households. A strong financial system is essential for the recovery.

### Financial support

#### INFONACOT Program

Deferral of payments benefitting 571k people (April to July). As of October 14<sup>th</sup>, 235k people benefited with loans of MXN 10k (total budget of MXN 3 bn).

#### Development Bank

Special programs of restructuring, guarantees, credit lines and term extensions for microfirms. As of September 30<sup>th</sup> MXN 225.8 bn (1.0% of GDP) have been exercised.

#### Credits for Housing

Target: 165k grants with a budget of MXN 25 bn for urban improvements.

#### Microcredits to stimulate and reactivate the economy

1.3 mn loans (MXN 32.1 bn) to micro firms, formal and informal, with a total budget of MXN 36 bn.

#### INFONAVIT Programs

Deferred social contributions to 33k firms and preserved 2.4 mn jobs (as of October 11<sup>st</sup>). Total budget of MXN 12 bn. Liquidity measures for credit housing (479.1k beneficiaries). Total budget: MXN 7.6 bn.

### Financial Institutions provide packages of measures to relief client economy.



#### CNBV

8.6 mn restructured loans, total of MXN 1.4 trn (6.0% of GDP).

New regulatory changes were introduced so banks can modify credit payments scheme.



#### SHCP

The Ministry of Finance provides additional liquidity to the financial system using debt instruments for a total amount of MXN 244.5 bn (1.0% of GDP) (March to Sept).



#### BANXICO

15 measures of up to MXN 800 bn (3.5% of GDP) to support the operation of the financial system and the liquidity of corporate firms and SMEs.



#### The Exchange Commission

Increased the program of Exchange Forward Contracts from USD 20 to 30 bn and conducted US dollar auctions among credit institutions where a total of MXN 281 bn (1.2% of GDP) was assigned (Apr-Sep).

## Economic Measures

**Digital Capabilities:** Many sectors most affected by physical distancing requirements are employment-intensive. A lasting shift to remote working and the increasing digital delivery of services could also change the mix of jobs available and the location of some workplaces.



**E-commerce** bolsters the trade of affected local MSMEs

Solidarity Market is a platform that helps MSMEs access commerce and service market and ensures more equitable distribution of the profits from trade.



**Platforms to enhance investment** and boost trade

Data México: Visualize and analyze data to promote investment, innovation, inclusion, and diversification.

Exporta MX aims to promote commercial exchange between Mexico and the world through the promotion and positioning of Mexican products.



**Skills Development** for equal access of micro entrepreneurs

Mipymes MX are platforms that provide MSMEs access to different tools for improving sales, growing their operations, and exporting to other countries.

MujerExportaMX promotes the link between SMEs led by women in Mexico and buyers in the US and Canada through a digital platform.



**DEVELOPMENT BANK SUPPORT**

**Guarantee programs in 2020**

- Mexico's development banking created and improved existing programs by increasing guarantees and financing, and by lowering interest rates in order to provide accessible liquidity to businesses.
- As of November 13th, 2020 these programs exerted credit for MXN \$18.3 bn with \$39.5 bn still available.

|                                       | <b>NAFIN state stimulus</b>   | <b>NAFIN Credisupplies stimulus</b> | <b>NAFIN/ BANCOMEXT + hotel stimulus</b>                              | <b>NAFIN/ BANCOMEXT + USMCA stimulus</b> | <b>NAFIN + Other sectors</b>  |
|---------------------------------------|---|-------------------------------------|---|--|---|
| <b>Status</b>                         | Improved  | NEW                                 | NEW   | NEW                                      | Improved  |
| <b>Target group</b>                   | MSMEs validated by state governments  | MSMEs in important supply chains    | Hotels and lodging businesses, travel agencies and tourism transports | Firms that participate in the USMCA      | MSEMs in priority sectors (women or youth owned, leather, textile)  |
| <b>Allocated budget (MXN million)</b> | 15,788  | 440                                 | 11,472  | 12,600                                   | 17,482  |
| <b>Exerted (MXN million)</b>          | 9,957   | 9                                   | 29  | 1,219                                    | 7,087   |
| <b>Available (MXN million)</b>        | 5,831   | 431                                 | 11,443  | 11,381                                   | 10,395  |
| <b>Progress*</b>                      | 63%   | 2%                                  | 0.3%  | 10%                                      | 41%   |
| <b>Amount of credit (MXN million)</b> | Up to 5   | Up to 5                             | Up to 30  | Up to 30                                 | Up to 30 (before COVID-19 up to 5)  |
| <b>Destiny</b>                        | Working capital and fixed assets  | Working capital                     | Working capital   | Working capital and fixed assets         | Working capital and fixed assets  |
| <b>Term</b>                           | Up to 60 months (before COVID-19 up to 36 months for working capital)       | Up to 36 months                     | Up to 60 months   | Up to 84 months                          | Depends on the program  |
| <b>Grace period</b>                   | Up to 6 months (before COVID-19 up to 3 months)                             | Up to 9 months                      | Up to 6 months  | Up to 12 months                          | Depends on the program  |
| <b>Interest rate</b>                  | Up to 13% annual fixed rate (before COVID-19 up to 15.5% annual fixed rate) | Up to 13% annual fixed rate         | Up to 13% annual fixed rate   | Up to 13% annual fixed rate              | Up to 13% annual fixed rate (before COVID-19 interbank equilibrium interest rate TIIE + 10%, 17% in March 2020) |
| <b>Guarantee</b>                      | 70% (before COVID-19 50/70%)  | 70%                                 | 70%   | 70%                                      | 70% / 90%   |

\*As of November 13th, 2020.



# SUPPORT MEASURES IN THE FINANCIAL SECTOR

## Measures issued in March 2020 by the CNBV



### Special Accounting Criteria (SACs)

- ❖ Partially or totally deferring the payment of principal or interest for 4 or 6 months.
  - ❖ Rural sector credits for up to 18 months.
- ❖ 8.6 million borrowers benefited for an amount of 1.4 billion pesos (15.5% of total portfolio). 1 in 5 loans were restructured.
  - ❖ The commercial banks sector is the one that has restructured the most loans.

- Without having to establish additional Loan Loss Reserves.
- Without negatively marking the debtors in the credit bureau.

| Sector                                  | Number of credits | Amount (million pesos) | % of total portfolio |
|---|-------------------|------------------------|----------------------|
| Commercial Banks                        | 7,206,904         | 1,067,334              | 19.5                 |
| Development Bank and promotion Entities | 811,528           | 306,209                | 8.9                  |
| Popular Finance Sector                  | 603,727           | 33,218                 | 19.1                 |
| <b>Total</b>                            | <b>8,622,159</b>  | <b>1,406,761</b>       | <b>15.5%</b>         |

- ❖ Micro (33.7%)<sup>2</sup> and small (55.3%) enterprises have been the most benefited, while large enterprises (6.8%) have access to previously authorized loans.



### Digital onboarding

- ❖ Regulatory facilities regarding remote identification for opening of accounts and granting of credits.



### Use of capital buffers by banks

- ❖ Temporary regulatory facilities in terms of capitalization between April 2020 and December 2021, so that banks can use the capital conservation buffer without deteriorating their minimum solvency.



### Dividend restriction

- ❖ Recommendation to banking institutions not to pay dividends, carry out share buy-backs, or conduct any other mechanism aimed at remunerating shareholders.
- ❖ Any banking institution that intend not to follow this must give written notice to the CNBV.

## New regulatory measures (September 2020)

### Restructuring

- ❖ Lower payments for costumers (at least 25% less than the original payment) through:
  - Lower interest rates,
  - Term extension (should not exceed 50% from the original term), or
  - Debt reduction with respect to the total amount of credit.
  - The sum of the nominal payments should not be 15% higher than the original amount.

### Regulatory treatment of restructured loans

- ❖ Restructured loans will have:
  - Lower provisioning.
  - Lower capital requirements.

### Credit bureau

- Restructuring loans will not affect credit history.
- Credit with past due payments will be “soft” marked.
- Past due loans will be “hard” marked.

<sup>1/</sup> Mexican National Banking and Securities Commission. <sup>2/</sup> Percentage of total restructured loans in portfolio of enterprises.