

The Effects of the Pandemic on the Mexican Economy

Los efectos de la pandemia en la Economía Mexicana

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Abstract:

The article consists of an account of the economic damages caused by the recent COVID-19 pandemic. It shows the behavior of the Mexican economy throughout this period where the strategies of our government to maintain and protect life itself have generated collateral effects whose most important effects were witnessed in some sectors of the economy and in the level of employment and joblessness. The country is going through moments of economic slowdown and recovery at various moments of the analysis, linked to this, various sectors of the population were seriously affected due to their vulnerability.

Keywords:

Economic slowdown, economic recovery, government strategies

Resumen:

En el presente artículo se analizaron los efectos económicos que generó la pandemia COVID-19 en México, provocada por el virus SARS-COV-2. Principalmente, se estudia a fondo las actividades económicas y su participación en el PIB nacional para determinar la desaceleración del crecimiento económico en varios momentos del análisis, revelando las caídas más significativas en el año 2020, principalmente en el segundo y tercer trimestre del mismo. De igual forma, se presenta un minucioso estudio sobre el nivel de empleo y desocupación en el país, viendo así los estragos más considerables que revelan la correlación existente entre una baja en el PIB nacional y el grado de desocupación laboral que se estaba evidenciando.

Para finalizar se revisa a detalle el grado de pobreza en los sectores más vulnerables de la población, esto con la intención de poder observar las afectaciones que este fenómeno contrajo en los hogares y familias mexicanas. Así mismo, también se hace énfasis a las recomendaciones a acciones y políticas gubernamentales para mitigar los estragos económicos de la pandemia, que apunten a una recuperación que nos permita alcanzar niveles óptimos de crecimiento y desarrollo económico post pandemia.

Palabras Clave:

Crecimiento económico, desocupación laboral, pobreza, políticas económicas.

Introduction

It is no secret that the Mexican economy is not exactly one of the largest or most competitive in the world, in fact, throughout the history of our country, we have found different facets that have marked a different era of Mexico. However, the current pandemic caused by

COVID-19 severely affected economies around the world. Mexico was not exempt from the negative effects of this virus.

The different strategies of the Mexican government, with the purpose of safeguarding the life and safety of the population, hit hard the different sectors that make

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up the economy. As a result, the deterioration of the country's economic growth was inevitable.

According to Gerardo Esquivel, one of the first governmental actions taken by European and Asian countries was to close their borders and airports, preventing the movement of people from one country to another and thus causing the tourism sector in our country to be the first to feel the impact of the pandemic.

Subsequently, given the unattainable task of containing the pandemic and avoiding further spread of the virus, the confinement and closure of all activities considered non-essential [7]. It was then, when sectors such as manufacturing and services, were frightened by this phenomenon: the pandemic.

The coming months led to a series of problems caused by the sanitary measures imposed by the aforementioned closure of all activities considered non-essential. The economy began to grind to a halt. Industries, large corporations, small and medium-sized companies, the entire informal sector (traders and vendors) and even the public sector witnessed the suspension of their work.

The only activities that were not suspended because they were considered essential were all those related to the public security sector, the health sector and some service companies, both public and private. Mexico found itself in a dead end; on the one hand, it had to protect life itself, but on the other hand, what it had worked so hard to build: its economy, was falling apart.

The vulnerable groups of the population began to witness the horror itself; without work, without resources, without any source of income and with the fear of falling ill and not being able to receive medical attention because they did not have insurance or simply because they were overwhelmed by the abysmal wave of contagions that were reported every day in health care centers and hospitals. Little by little we were pointing in the direction of regression.

I. Effects on the decelerated growth of the national economy.

According to [9], the country is going through an economic crisis due to a significant drop in GDP, which contracted -8.5% annually in 2020, the worst contraction in the history of the indicator since the 90's. This reflects an evident slowdown in the country's economic growth. This reflects an evident deceleration in the country's economic growth.

This contraction of the economy can be derived from the activities related to world trade, as these have presented

a severe slump. The confinement led to a drop in economic activity. Within the Mexican economy, the effect of the confinement led to the closure of construction, service and manufacturing companies, which generated a supply shock that caused a sharp drop in economic activity. As a consequence, in the first quarter of 2020 GDP fell 1.4%, adding to the declines experienced in the third and fourth quarters of 2019 [3].

With the implementation of government actions trying to prevent further spread of the virus in its population, these led to slowing economic growth, which although this did not present a significant advance, maintained a stable behavior.

II. Weakening of the labor market.

The Mexican economy is characterized by a labor market that cannot absorb the growth of the economically active population. Therefore, although the open unemployment rate in Mexico is relatively low, the country is characterized by a high participation of the labor force employed in the informal sector. The fall in employment in Mexico was more severe as of April 2020. Between the first quarter of 2020 and April of this year, very noticeable changes were observed in the composition of employment in Mexico [3].

Weakness in the labor market was already present in our country, however, in the face of the recent pandemic, it was greatly affected. A large part of the population did not have job stability that would allow them to receive some type of income, much less a fixed one. It is worrisome that the greatest labor stability in the country is derived from the informal sector and activities.

III. Impoverishment of the population.

The effects are not only visualized in national accounts, but there is also a possible increase of between 6.1 and 10.7 million people at risk of extreme income poverty with respect to 2019 [9].

According to the CONEVAL, poverty is considered to be the population with at least one social deprivation and income below the value of the income poverty line, extreme poverty is considered to be the population with three or more social deprivations and income below the value of the extreme income poverty line and moderate poverty is considered to be the population that, despite being in a situation of poverty, does not fall into the category of extreme poverty.

This poverty line refers to the total value of the food basket and the non-food basket per person per month, that is, there is poverty when a family's income is not enough to cover the expenses of the basic food basket

per month and additional expenses arising from their needs as individuals; such as clothing, shoes, medicines, etc.

In view of the above, the National Council for the Evaluation of Social Development Policy considers that the population with an income above the income poverty line, formerly the welfare line, but with one or more social deprivations, is considered vulnerable due to social deprivations. Similarly, the population that does not suffer from any social deprivation, but whose income is equal to or below the income poverty line, formerly the welfare line, is considered to be vulnerable due to income. This line is equivalent to the total monthly value of the sum of the food basket and the non-food basket per person.

IV. Routes of action.

"The result of sustaining a prudent fiscal policy, with a low primary fiscal deficit, without modifications in the tax system and without the additional contracting of public debt, is that families and businesses are the ones who end up assuming the cost of debt privately to cushion the liquidity crisis that our economy is going through [9]."

A fiscal policy that does not encourage public spending to reduce taxes does not have outstanding favorable effects. Likewise, when facing a phenomenon such as the COVID-19 pandemic, it is essential to opt for an aggressive policy that reactivates the country's internal productivity and increases the values in national accounts to support the labor market and support the family economy among the inhabitants.

Being careful and not wanting to inject money into the economy could create a contraction of growth as we have already seen reflected. The federal government has been extremely discreet in its participation in reactivating the economy and getting out of the recession period, so it should put more emphasis on managing its resources and using them wisely in Mexico's economic reactivation.

1. Macroeconomic Impact

The following table shows the quarterly values of the real GDP of the Mexican economy from 2017 to the second quarter of the year 2021, with the intention of observing the economic dynamics/evolution of the country, as well as the effects of the pandemic on its deceleration.

In the years 2017, 2018 and 2019 we can observe relatively stable figures, without any significant alteration or change, however, from the first quarter of

the year 2020 it is possible to notice a significant deceleration of the production levels, being the second quarter the most critical point.

Table 1 Gross Domestic Product in Millions of pesos at 2013 prices Seasonally adjusted series.

Gross Domestic Product in Millions of pesos at 2013 prices Seasonally adjusted series				
Año	1T	2T	3T	4T
2017	18,055,591	18,118,777	18,062,642	18,290,091
2018	18,506,261	18,513,462	18,570,941	18,514,824
2019	18,553,908	18,520,183	18,547,763	18,355,727
2020	18,186,877	15,039,191	16,943,301	17,509,719
2021	17,704,144	17,965,150		

Source: Elaborated with data from INEGI

The graph below shows more clearly the effect of the pandemic on the country's economic growth. The blue line that begins in the first quarter of 2017 shows a constant behavior, however, it suffers a considerable drop indicating the COVID-19 effect, with the suspension of activities, seeing the lowest level in the second quarter of the year 2020, although for the third quarter of that same year and in the coming ones, it presents a formidable rise in its numbers, but still below compared to previous years.

Graph 1. Gross Domestic Product in Millions of pesos at 2013 prices Seasonally adjusted series.



Source: Elaborated with data from INEGI

At first glance it seems that the impact of the pandemic on the growth of the economy is not so considerable, that although there was a fall in several quarters of 2020

and 2021, they still do not present overwhelming or significant effects, which is why it is necessary to analyze the annual percentage variation of the national real GDP in order to correctly visualize the ravages of the SARS-COV-2 virus in the economic slowdown of the country.

The annual percentage change data is presented in tabular form from 2017 to the second quarter of 2021. In it is possible to identify the change that occurred in the country's economic growth between one quarter and its predecessor, thus seeing in a more amplified way the repercussions of the pandemic on the economy.

Variación Porcentual Anual				
Año	1T	2T	3T	4T
2017	3.445937367	1.712402439	1.561215412	1.785897306
2018	1.459890408	3.219929125	2.82062448	1.305058115
2019	1.279130576	-1.03336246	-0.160761223	-0.730888336
2020	-1.285256995	-18.72478709	-8.735375642	-4.484385535
2021	-3.616964543	19.69824707		

Table 2 Annual Percentage Variation

Source: Elaborated with data from INEGI

Graphically, it is possible to identify the relatively stable behavior in the quarters of 2017 and 2018, for 2019 when the pandemic was announced and gained strength, its initial effects can be seen reflected in the fall of the quarters of this year. By 2020, in the face of the measures of both our country and the rest of the other countries, we have a decline too worrying where it falls at the lowest point of the analysis. However, in subsequent quarters we see a significant recovery in the trend of the graph, but this does not mean that the economy has recovered or even improved, rather it indicates a significant recovery from the previous quarter, in other words, conditions have improved but we are still in the process of recovery.

Graph 2 Annual Percentage Variation



Source: Elaborated with data from INEGI

1.2 Economic activities

Now, it is necessary to analyze the participation of economic activities in the GDP, in order to identify which of them was the most affected.

Below we present the actual quarterly data of the share of primary activities in the national GDP from 2017 to 2021. At first glance, we analyze an increasing trend at different moments of the analysis, but also accompanied by critical moments and large recoveries.

Table 3 Primary Activities in Millions of pesos at 2013 prices Seasonally adjusted series

Actividades Primarias en Millones de pesos a precios de 2013 Series desestacionalizada				
Año	1T	2T	3T	4T
2017	568,661	574,262	576,423	593,687
2018	595,785	593,951	585,619	598,718
2019	603,803	587,987	593,558	585,684
2020	587,130	566,435	612,503	593,461
2021	600,169	605,156		

Source: Elaborated with data from INEGI

Let's look at the graph to better understand the data we have just seen. In the four quarters of 2017 we witnessed an increasing behavior, followed by a 2018 where it could not maintain those figures, even so in 2019 a significant recovery is observed for its first quarter, but that from there and for the rest of the year there are significant drops. For the following year, 2020, the most worrying drop in our graph is presented, specifically in the second quarter of the year. Paradoxically to this, in the rest of the year 2020 the highest point was also reached and the most notable recovery in the year 2021, thus having an increasing trend in the last quarters of our analysis.

Graph 3 Primary Activities in Millions of pesos at 2013 prices Seasonally adjusted series



Source: Elaborated with data from INEGI

For the secondary activities of the economy, the data is a little more uniform, i.e., without any significant change in most quarters of the analysis. However, there is a drop in the year 2020, which shows the effects of the pandemic in this sector.

Table 4 Secondary Activities in Millions of pesos at 2013 prices Seasonally adjusted series

Actividades Secundarias en Millones de pesos a precios de 2013 Series desestacionalizada				
Año	1T	2T	3T	4T
2017	5,409,393	5,389,800	5,343,432	5,402,268
2018	5,438,874	5,437,912	5,415,219	5,341,961
2019	5,343,783	5,333,685	5,331,966	5,227,443
2020	5,178,088	3,980,078	4,873,285	5,050,866
2021	5,075,248	5,090,089		

Source: Elaborated with data from INEGI

More clearly, the blue line in the graph shows a stable behavior in its figures, without much dispersion in the quantities, although from the first quarter of 2020 the trend was downward and in the second quarter of this year is the most critical point.

For the following quarters of 2020 and for the first two quarters of 2021, there is a significant recovery but still below the level imposed by previous years.

Graph 4 Secondary Activities in Millions of Pesos at 2013 prices Seasonally adjusted series



Source: Elaborated with data from INEGI

In tertiary activities we do not have such a stable behavior as in secondary activities, but neither as dispersed as in primary activities. The data presented below show an upward trend from the first quarter of 2017 and maintained until the third quarter of 2019, from that point the figures fell and for the second quarter of 2020 the most critical point is presented.

Table 5 Tertiary Activities in Millions of pesos at 2013 prices Seasonally adjusted series

Actividades Terciarias en Millones de pesos a precios de 2013 Series desestacionalizada				
Año	1T	2T	3T	4T
2017	11,294,599	11,350,862	11,341,500	11,500,271
2018	11,644,231	11,673,718	11,741,733	11,751,169
2019	11,779,683	11,775,897	11,804,196	11,731,226
2020	11,658,914	9,844,678	10,761,973	11,130,307
2021	11,283,177	11,509,793		

Source: Elaborated with data from INEGI

This graph shows with greater emphasis the contribution of the tertiary sector to the country's economy. The blue line shows an increasing trend from the first quarter of 2017 to the third quarter of 2019. Entering the year 2020, the results changed dramatically, being the second quarter the point where the lowest drop in the participation of this sector is present. From the third quarter of 2020 and onwards,

we see a considerable recovery and again an upward trend, but still without reaching its most optimal level.

Graph 5 Tertiary Activities in Millions of pesos at 2013 prices Seasonally adjusted series



Source: Elaborated with data from INEGI

The behavior of economic activities and their participation in the national accounts provides a clearer understanding of the fall in GDP that led the country to a moment of deceleration in economic growth. In addition, it can be seen more transparently which activities were the most significantly affected by the COVID-19 effect.

2. Impact on employment and unemployment rates

Let us now look at employment and unemployment indicators to determine the impact of the pandemic on the labor market. Table 6 shows the values of the economically active population where the lowest value is observed during the second quarter of the year 2020.

Table 6 Economically Active Population

Poblacion Economicamente Activa				
Año	1T	2T	3T	4T
2017	53,681,720	54,068,791	54,369,915	54,696,638
2018	54,590,773	55,643,417	55,962,275	56,023,199
2019	56,038,471	56,951,215	57,349,577	57,625,521
2020	57,014,967	46,978,848	53,571,791	55,880,916
2021	55,385,133	57,668,254		

Source: Elaborated with data from INEGI

Graphically, there is a growing and stable trend in the years from 2017 to 2019, but this begins to suffer a significant reduction in 2020, where the most important drop is seen in the second quarter. Subsequently, a recovery process begins.

Graph 6 Economically Active Population



Source: Elaborated with data from INEGI

In the second quarter of the year 2020 there is an alarming drop in the economically active population, this reflects a labor suspension of these people without any source of income due to the lack of employment in the labor market.

For the second semester of the year 2021 the highest point of the analysis was obtained, possibly a recovery that indicates the activation of these people who were

unemployed. However, it is important to study the unemployment rate to identify the number of people who are unemployed even though they have the age or physical strength to offer themselves in the labor market.

Graph 7 Unemployment rate, seasonally adjusted series, monthly variation.



Source: Elaborated with data from INEGI

In the graph above, we can clearly see the change in the number of unemployed people in Mexico from one month to another during the period of years from 2017 to 2021, this number of unemployed people grew in a worrying way in the fourth month of the year 2020 and which remained at a high level in the following months of this same year and even at various times in 2021. We can conclude then that although there was a considerable number of people willing to offer themselves in the labor market, the demand for workers was considerably low, in other words, there were not enough sources of employment for the entire sector of the economically active population in need of employment.

It is now necessary to look at other indicators that allow us to understand more clearly the effects on the labor market in the Mexican economy.

The table below shows the quarterly participation rates for the years 2017 to 2021, showing that there is a clear decrease mainly in the second quarter of the year 2020.

Table 7 Net participation rate, seasonally adjusted series

Tasa neta de participación, serie desestacionalizada				
Año	1T	2T	3T	4T
2017	59.7	59.2	59.2	59.3
2018	59.4	59.6	59.6	59.6
2019	59.9	59.9	60.3	60.3
2020	60.4	49	55.5	57.4
2021	57.7	58.7		

Source: Elaborated with data from INEGI

Graphically, the behavior of this rate can be seen in detail in the blocks of time, showing that in 2020 the degree of participation of the population in the labor market fell considerably. Once again, alarming values are presented in the indicators that allow us to analyze in depth the level of employment and unemployment in the country.

Graph 8 Net participation rate, seasonally adjusted series



Source: Elaborated with data from INEGI

On the other hand, table 8 shows the values related to the employment rate in the informal sector, it is visible the reduction of this rate precisely in the second quarter of the year 2020.

Table 8 Employment rate in the informal sector seasonally adjusted series

Tasa de ocupacion en el sector informal, serie desestacionalizada				
Año	1T	2T	3T	4T
2017	27.2	27	26.7	26.9
2018	27.2	27.4	27.6	27.5
2019	27.7	27.8	27.7	27.5
2020	27.4	23	27	27.9
2021	27.9	28.5		

Source: Elaborated with data from INEGI

Graphically, this alone tells us that in the second quarter of the year 2020 the proportion of the employed population (labor force) decreased considerably, but this does not mean that this was precisely due to the creation of better job opportunities in the country, rather it indicates that businesses that are not constituted as enterprises and that are sustained by household resources, also suffered from the effects of the pandemic.

Graph 9 Employment rate in the informal sector seasonally adjusted series



Source: Elaborated with data from INEGI

In order to better understand the above, let's take a look at the data obtained in recent years on a quarterly basis for the labor informality rate. This saw its lowest value in the second quarter of 2020.

Table 9 Labor informality rate, seasonally adjusted series

Tasa informalidad laboral, serie desestacionalizada				
Año	1T	2T	3T	4T
2017	57.2	56.7	57.1	57
2018	56.7	56.8	56.7	56.6
2019	56.8	56.5	56.5	56.2
2020	55.8	51	54.2	55.5
2021	55	56.2		

Source: Elaborated with data from INEGI

In the following graph we can observe a relatively stable behavior, but with the arrival of the pandemic it had considerable reductions in its values. Now we understand that people who are vulnerable by the nature of their source of work also declined, but once again this indicates that informal commerce derived from labor informality suffered severe affectations, people could not work or generate income even derived from the percentage of the population that is sustained by informality.

Graph 10 Labor informality rate, seasonally adjusted series



Source: Elaborated with data from INEGI

This can also be reflected in the labor underemployment rate, as shown in the following table, there is a clear increase in the rate precisely in the second quarter of 2020, whose value is seriously high.

Table 10 Underemployment rate, seasonally adjusted series

Tasa de subocupación, serie desestacionalizada				
Año	1T	2T	3T	4T
2017	7.3	7.1	6.9	7
2018	6.9	7	6.9	6.9
2019	7	7.6	7.7	7.9
2020	8.6	25	16.7	15.4
2021	14	13.2		

Source: Elaborated with data from INEGI

Looking at it graphically, it is possible to discover that in the second quarter of 2020 the number of people who had a source of work needed better working conditions and opportunities, because their main sources of income were not enough to cover their needs.

We can conclude then, that although the conditions in the labor market improved, these were not good enough to meet the demands of a population affected by the COVID-19 pandemic, that is, the population was in search of better working conditions with better pay and greater stability.

Graph 11 Underemployment rate, seasonally adjusted series



Source: Elaborated with data from INEGI

The analysis of the unemployment rate and other indicators that allow us to evaluate the level of employment, reveals the situation that the Mexican labor market is going through, this weakness implies a reduction in domestic consumption, a serious impact on Mexican families who are the hardest hit, especially those belonging to vulnerable areas of the population that do not have job stability or fixed income (informal sector).

3. Poverty level

Within the analysis of the level of poverty in the country, various indicators are considered that reflect the economic circumstances that some sectors of the population are going through. These allow us to understand the reasons why the degree of impoverishment in the country rises considerably and which are the variables affected that cause this degree, already mentioned, to rise from one period of time to another. Although the variables to qualify the level of poverty are diverse, we took into consideration the elements that reflect the daily situation of the common Mexican in the face of the recent pandemic.

The results of poverty in Mexico 2020 at a national level and by federal entities carried out by the CONEVAL with the objective of measuring the level of poverty in the country showed that in 2018 the percentage of people living in poverty in the country was 41.9%, by 2020 this percentage increased to 43.9%, that is, almost half of the population in the country is going through a difficult situation where the conditions of social and economic stability are not exactly the best. Added to this, 8.5% live in extreme poverty in 2020, a number much higher than the 7.0% in 2018. This clearly indicates that although the country did not present the best results years before the pandemic, the COVID-19 phenomenon did have a considerable impact on the impoverishment of Mexican households.

Now, when analyzing the results obtained from the income poverty line, it is possible to see that the percentage of the population with incomes below the income poverty line went from 49.9% in 2018 to 52.8% in 2020, this only tells us that a little more than half of the population in Mexico does not have sufficient income to cover their basic needs.

While the percentage of the population with an income below the extreme poverty line by income went from 14.0% in 2018 to 17.2% in 2020, meaning that a considerable sector of the population presents deplorable economic conditions where their income barely allows them to subsist.

Looking now at the results in terms of social deprivation, it is possible to see that the percentage of the population vulnerable by social deprivation was 26.4% in 2018 and in 2020 this percentage dropped to 23.7%, however, this does not tell us anything, we could think that it is a positive value that favors us, but in reality it is not so. Looking at the percentage of vulnerability by income we find that this increased worryingly in 2020 with 8.9%

compared to 8.0% in 2018. Now if we can understand that the real affectations presented by the population in Mexico were mostly coming from low or scarce income than from any social deprivation.

Nevertheless, it is relevant for the analysis to study the percentages derived from the data obtained in terms of social deprivation. The results mentioned above are presented graphically below.

In the area of educational backwardness we can observe a value of 19% in 2018, meaning that there was a considerable percentage of people who did not have basic academic training or access to education centers. Subsequently by 2020 this increased to 19.2%, which tells us that it did not increase even with the pandemic, but it is still a high result that should be a matter of concern for the Mexican government.

Graph 12 Educational Backlog



Source: Elaborated with data from INEGI

We continue with access to health services where we find an alarming behavior. By 2018 16.2% of the population did not have access to quality medical services, in 2020 it increased to 28.2%, a value that is understandable due to the fact that the demand for medical care grew colossally to the extent of saturating clinics, hospitals and health centers.

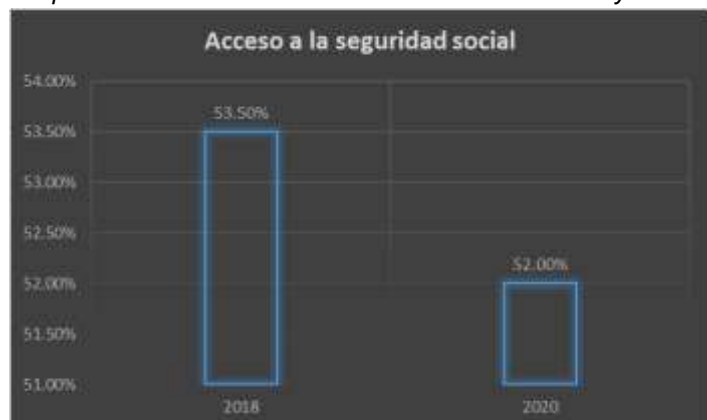
Graph 13 Access to health services



Source: Elaborated with data from INEGI

In access to social security, an opposite effect occurred, as in 2018 53.5% of the population did not present any type of social security, i.e., quality health care or a considerable and stable income level. By 2020, this percentage dropped to 52%.

Graph 14 Access to Social Security



Source: Elaborated with data from INEGI

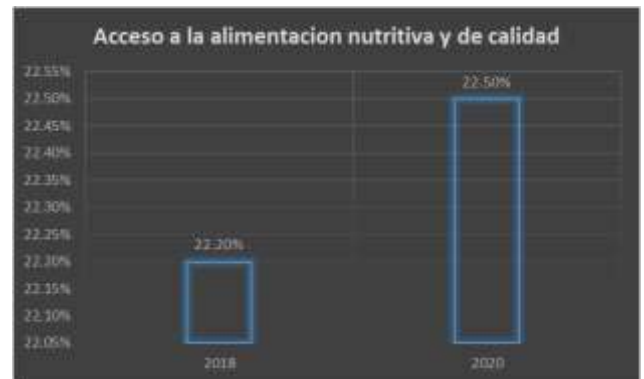
In access to basic services in housing the circumstances improved, as the percentage of 19.6% in 2018 decreased to 17.9% in 2020. Which allows us to understand that access to basic services was not the problem, but although the statistics present a better result it is still of vital importance to address this social deprivation.

Grafica 15 Access to basic services in the home



Source: Elaborated with data from INEGI

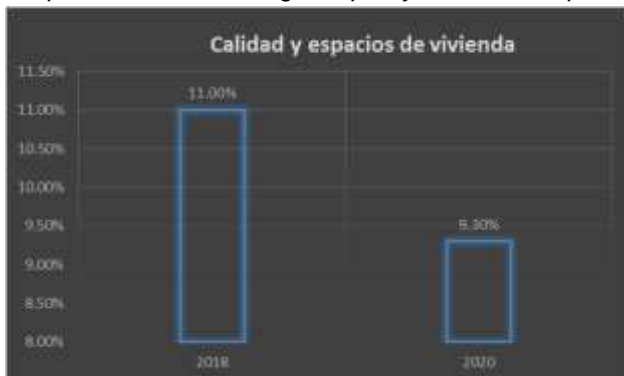
Graph 17 Access to nutritious and quality food



Source: Elaborated with data from INEGI

In housing quality and spaces we also see a favorable result, due to the fact that from 11% in 2018 it went to 9.3% in 2020. Once again we reaffirm that access to housing and the basic services it entails were not the real problems that Mexican families were going through.

Graph 16 Housing quality and space



Source: Elaborated with data from INEGI

Unfortunately, the same cannot be said for access to nutritious and quality food, as the number of people who do not receive a healthy diet increased alarmingly. From 22.2% in 2018 it rose to 22.5% in 2020, it is easy to infer that this stems from the low income levels that people presented during the COVID-19 pandemic.

Having seen the data obtained from the CONEVAL study in matters of social deprivation, we now understand that the main problem that existed in the Mexican population and that caused the level of poverty to increase among the inhabitants was not having an income to sustain oneself or having one that did not cover basic needs, access to quality health care and lack of access to quality food.

By focusing on the results of economic wellbeing presented by CONEVAL itself, on the population with an income below the extreme poverty line by income and the poverty line by income, we understand that the COVID-19 pandemic affected the level of income in an important sector of the population, this was produced by the low productivity that the country presented with the closing of companies, corporations and all those activities considered as non-essential, which was reflected in the fall of the GDP as a deceleration of the growth of the economy, not to mention the labor market weakened by this same phenomenon.

4. Policy considerations.

It can be considered that the governmental actions to face these numerous affectations both in the deceleration of the growth of the economy, a weakening in the labor market and an increase in the level of poverty in the country, the federal government would have to start with an expansive fiscal policy in order to increase the wealth of the country and raise the GDP. This policy would have to increase public spending, thus reactivating the country's economic growth again.

Also, in order to continue with the expansive fiscal policy, the government could lower taxes, thus helping Mexican families who barely have the necessary income to subsist and thus be able to make their money work. Thanks to the tax reduction, agents can allocate some part of their income to savings and spend on other goods or services they consider indispensable.

Theoretically, a fiscal expansion in a large economy with a fluctuating or changing exchange rate would cause an increase in income, raising the interest rate, which in turn would reduce the outflow of capital. This reduction in capital outflow generates a reduction in the supply of the national currency, the Mexican peso, causing an appreciation in the exchange rate.

"the rise in the interest rate reduces the net capital outflow. The decrease in net capital outflow reduces the supply of domestic currency in the foreign exchange market. The exchange rate appreciates, [13]."

Although for Gerardo Esquivel an aggressive fiscal policy is not the right thing to do, I believe it is the right thing to do, first because Mexico's level of indebtedness still allows it to continue borrowing from abroad; second, because this will again encourage private capital investment which in turn will increase the country's productivity and improve labor market conditions. And finally, the level of income in the sectors of the population that have been most affected will obtain better working conditions and improved social security.

Another possible policy strategy that the federal government could implement would be a trade policy where exports are encouraged and this would put the trade balance in favor. In other words, Mexico should increase its exports to the point that these are greater than its imports, this would have the effect of strengthening productivity, improving labor conditions and counteracting the effects of the pandemic.

According to Javier Divany, another sector that has been seriously affected is that of Small and Medium Enterprises (SMEs), which account for seven out of every ten jobs and more than 98 percent of the country's establishments [12].

He also pointed out that the Secretary of Economy: Tatiana Clouthier Carrillo, said that one of the main axes of recovery of the Ministry of Economy is to address issues related to the country's foreign trade and that this is the only government agency empowered to address and establish policies and measures aimed at facilitating foreign trade, as well as to carry out the negotiation, administration and defence of international treaties [5].

Therefore, promoting the proper functioning of foreign trade, improving our trade channels and our contact with the international market seems to be a viable response to counteract the effects of the pandemic. I believe that this would not only strengthen us as a globally competitive country, but would also allow us to visualize ourselves in the direction of progress in a future projection.

5. Conclusions

Thus, looking at the country's GDP, the activities of the economy, analyzing its behavior and visualizing the results of its participation in national accounts, we can observe that the slowdown in the growth of the economy was imminent, which allows us to conclude three things:

- Each and every one of them suffered from the pandemic, with the main declines occurring in the second quarter of 2020, a year in which the country was affected by the complete suspension of non-essential activities.
- All economic activities entered a recovery process as of the third quarter of 2020, with the secondary and tertiary sectors showing a growing trend, but still below their optimal level compared to previous years.
- The primary activities sector not only presented an important recovery, but in the third quarter of the year 2020 it reached the highest point compared to the quarters of the analysis, which indicates that primary activities had a higher productivity and somehow benefited from the COVID-19 effect. In other words, this can only indicate that the activities derived from agricultural and natural resource production subsisted, but their level of participation in the national accounts is low compared to the contribution of secondary and tertiary activities. In other words, it does not have a significant effect in mitigating the pandemic's impact on the growth of the economy.

Now, by studying the level of employment and unemployment in the country, it was possible to understand that a large part of the population in Mexico did not have a source of employment, and if they did, it was not stable or reliable, both the formal and informal sectors were seriously affected, which seems an understandable result due to the closing of economic activities and the fall of the national GDP. This only revealed the weakness of the labor market in the country, there was a higher demand than the labor supply, this implies a reduction in total consumer spending, which negatively affects economic growth.

In the poverty level we found a significant increase in poverty, in addition to this, the lack of access to quality health care, nutritious food and educational backwardness, increased. The population living in

extreme poverty also increased. It was found that the factors that triggered impoverishment in the country were caused by a drop in the level of economic wellbeing.

Having said this, it was concluded that by not having a decent income or just enough to subsist, a large part of the population entered the risk zone (poverty). A result of this magnitude was to be expected, since the closing and suspension of important economic activities, the country's productivity was negatively affected, then the labor market and finally Mexican families.

A fairly aggressive expansionary fiscal policy is needed, whereby the federal government increases public spending, financing itself with debt to increase the level of income in the country and improve economic conditions. Likewise, a tax reduction would help to improve consumption in Mexican families. Remember that the level of income is worryingly low in a high percentage of the population, this due to the fall in the level of employment and national production, this measure would be beneficial.

A trade policy that encourages exports and achieves a trade surplus, would put the balance in our favor, thus improving Mexico's internal productivity, allowing foreign capital and investments to enter the country, thus strengthening national consumption, the labor market and reactivating productivity.

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