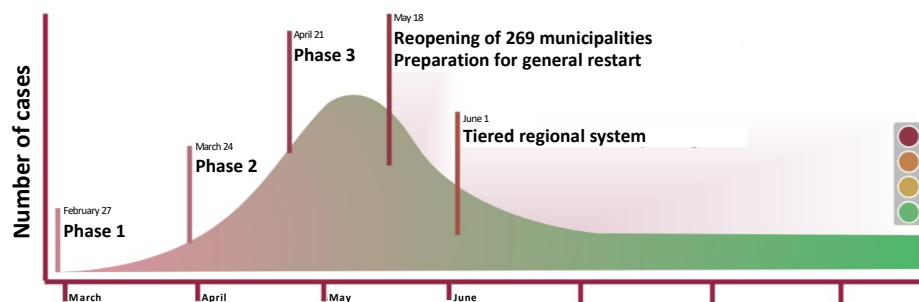


The Federal Government presents guidelines of the plan for reopening the economy

- Today, during the daily press conference, the Federal Government presented broad guidelines of the plan for reopening the economy
- There are three main stages of the plan:
 - (1) Reopening 269 municipalities in 15 states on May 18th;
 - (2) Development of strategies for businesses to restart activities from May 18th to May 31st and the designation of construction, mining and auto manufacturing as essential activities; and
 - (3) A new tiered indicator based on a “traffic light” system that will signal which states can undertake a gradual reopening of social and economic activities, which will start on June 1st
- The Deputy Health Minister, Hugo López-Gatell, stated that these tiers will be reevaluated and informed on a weekly basis, and will depend on epidemiological and health information
- We believe this plan prioritizes people’s health and public safety above all, while setting a strong framework for the restart of economic activity once contagion levels start to recede

Three-stage plan for reopening the economy. Today, in the daily press conference, the Federal Government announced broad guidelines of the plan to reopen the economy. There are three main stages are: (1) Reopening of 269 municipalities in 15 states on May 18th; (2) development of strategies for businesses to restart activities from May 18th to May 31st and the designation of construction, mining and auto manufacturing as essential activities; and (3) a new tiered indicator that will signal which states can undertake a gradual reopening of social and economic activities, which will start on June 1st, as shown in the chart below.

Stages of the sanitary emergency and reopening plan



Source: Ministry of Economy

Reopening of 269 municipalities on May 18th. These represent around 10.9% of the total number of counties in the country (2,464), although they are in zones with the lowest levels of population density (see chart below), consistent with their low contagion levels. Most of these are in the states of Oaxaca, Sonora, San Luis Potosí, Chihuahua, Tamaulipas and Jalisco, as shown in the chart below). In these, the resumption of activities would be in full (equivalent to the ‘green’ tier described below), including essential and non-essential activities, reopening of public spaces and the restart of education services.

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These municipalities will receive special support, such as health perimeters and other health-related support, to ensure that proper social distancing and sanitary measures are followed.

Municipalities opening on May 18th



Source: Ministry of Economy

Development of health strategies... During the period from May 18th to May 31st, businesses will have to develop broad strategies to make sure that activities can resume safely, prioritizing employees’ health. Four criteria are encompassed in this step: (1) Development of sanitary protocols; (2) training of employees to foster a safe working environment; (3) changes in workplaces and processes to comply with safety measures; and (4) establishing entry filters and regular sanitization procedures. On top of business-specific measures, the Ministry of Labor will also be releasing industry guidelines to support businesses and other productive activities.

...and designation of new essential activities. Also starting on May 18th, three new activities will be catalogued as essential, these being construction, mining and auto production. We consider this to be an important step to reactivate the economy, considering that at the country level, these represent around 54.0% of industrial activity and 17.9% of GDP. It should also be noted that giving these sectors a head start should also benefit overall activity, as they are key job generators. In this sense, according to the [formal employment report for April](#), jobs in construction fell 15.0% y/y, while those in mining edged-down 5.5% in the month.

Four-tiered system to restart economic activity. The third stage will begin on June 1st and will consist on the evaluation of states and regions with a “traffic light” scale to determine which measures should be enforced. This scale will operate on five dimensions of everyday life, including: (1) Health and safety; (2) economic activities; (3) public spaces; (4) attention to vulnerable groups; and (5) schools and education. As shown in the table below, health and safety measures, including constant sanitization and social distancing measures, remain in all phases.

Meanwhile, non-essential activities resume gradually at the ‘orange’ tier, becoming fully operational at the ‘yellow’ tier. Open spaces (e.g. parks and squares) will be used with a reduced capacity since the ‘orange’ tier, while closed spaces (e.g. cinemas, museums, shopping centers, etc.) can do so until the ‘yellow’ phase. Finally, classes can only restart at the ‘green’ tier, which is the safest.

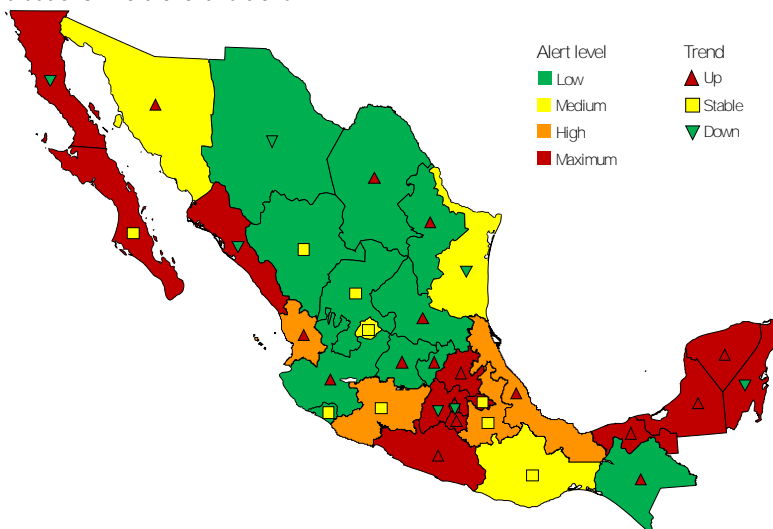
Activities allowed under the four-tiered system

	'Red' tier	'Orange' tier	'Yellow' tier	'Green' tier
Health and safety	Social distancing	Social distancing	Social distancing	Social distancing
Economic activities	Essential	Essential and reduced non-essential	Essential and non-essential	Essential and non-essential
Public spaces	--	Reduced in open spaces	Open spaces and reduced in closed spaces	Open and closed spaces
Vulnerable groups	--	Maximum care	Medium care	Control care
Schools and education	--	--	--	Resumption of classes

Source: Ministry of Economy

Constant evaluation to determine the status of a state or region. According to Deputy Health Minister, Hugo López-Gatell, states and regions will be evaluated constantly based on epidemiological and health data, while they will also assess possible vulnerabilities of local health systems to determine in which tier they stand. These results will be published and updated on a weekly basis. During the presentation, the evaluation for states on May 12th was released. In particular, there were 13 in ‘red’, 4 in ‘orange’, 4 in ‘yellow’ and 11 in ‘green’, as seen in the following map. In addition, this also shows the latest trend in cases, suggesting the shift that could take place in the short-term.

States' evaluations: Alert level and trend



Source: Ministry of Health

A plan that prioritizes people’s health and well-being. We believe that the plan outlined today confirms the commitment of the Federal Government prioritizing the health of the Mexican population, while laying the groundwork for an orderly reopening of economic activity. In this sense, we consider that the steps, although gradual, will allow for economic activity to regain some momentum.

While President López-Obrador stated that compliance with these measures is not mandatory, as has been the case with the rest of the plans announced so far by the government, we think that the more states adhered to these guidelines, the better in the long run for both the population and economic activity. In this context, we maintain our forecast of a 7.8% y/y contraction in GDP, with the strongest decline in 2Q20, followed by a sequential recovery starting in the third quarter. Moreover, it is our take that today's plan will result in a less uncertain outlook that will help foster confidence going forward.

Analyst Certification

We, Gabriel Casillas Olvera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Tania Abdul Massih Jacobo, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Valentín III Mendoza Balderas, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez, Gerardo Daniel Valle Trujillo, and Eridani Ruibal Ortega, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V for the provision of our services.

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SELL	When the share expected performance is lower than the MEXBOL estimated performance.

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