



# GIDI

Interinstitutional  
Research Group



## COVID-19 Impact on Border Business

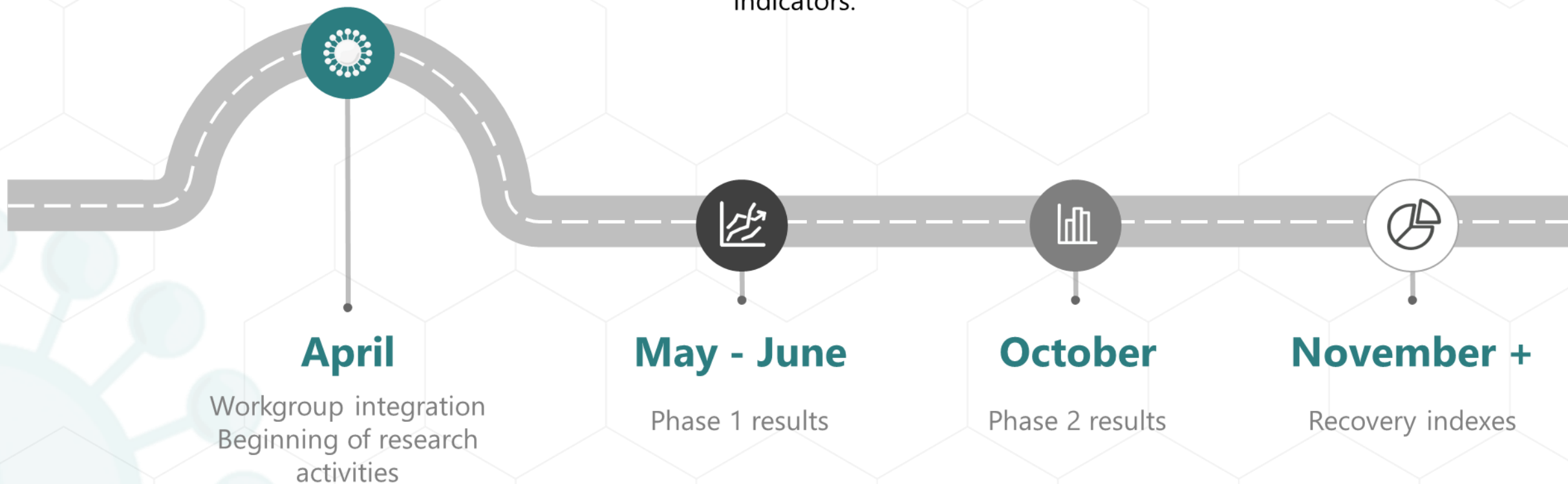
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Francisco Lara-Valencia, PhD

November 5<sup>th</sup>, 2020



# 2020: An abnormal year

Evaluation, monitoring and analysis of the impacts derived from the pandemic on businesses, employment and other economic indicators.





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## ANTECEDENTES

Dado el surgimiento de la pandemia de COVID-19 en el mundo hacia finales del año 2019 - inicios del año 2020 resulta evidente para actores públicos y privados que las repercusiones de las medidas de control sanitario implementadas por los gobiernos están y seguirán teniendo profundas repercusiones en el ámbito de la economía, tanto a escala macro incidiendo en el crecimiento del PIB y dinámicas comerciales, como a nivel micro teniendo impactos en las empresas y los bolsillos de la población.

Si bien es comprensible que las medidas de distanciamiento, aislamiento y cese temporal de operaciones no esenciales son instrumentales en las estrategias para detener la propagación de un virus altamente contagioso y aún no suficientemente conocido, surge la preocupación de que la **pandemia de COVID-19** esté desencadenando una **pandemia económica**, cuyas consecuencias pudieran hacerse sentir en años por venir.

Empezando en Baja California, México, esta iniciativa tiene como propósito disponer de información para la toma de decisiones en torno a los impactos en el corto plazo, desenvolvimiento, incidencia de programas de asistencia y procesos de reactivación económica desencadenados en torno al fenómeno de la pandemia de manera profesional y oportuna.

# PHASE 1 & 2 RESULTS

A selection of data from border communities with special focus on the San Diego – Tijuana region.

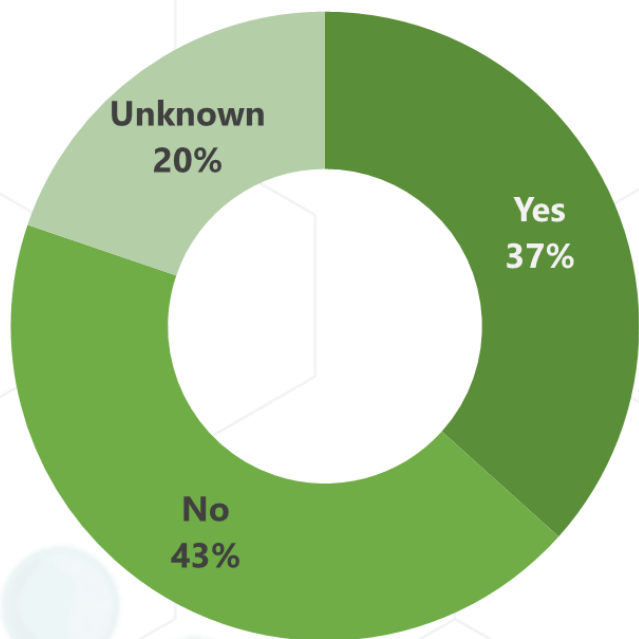


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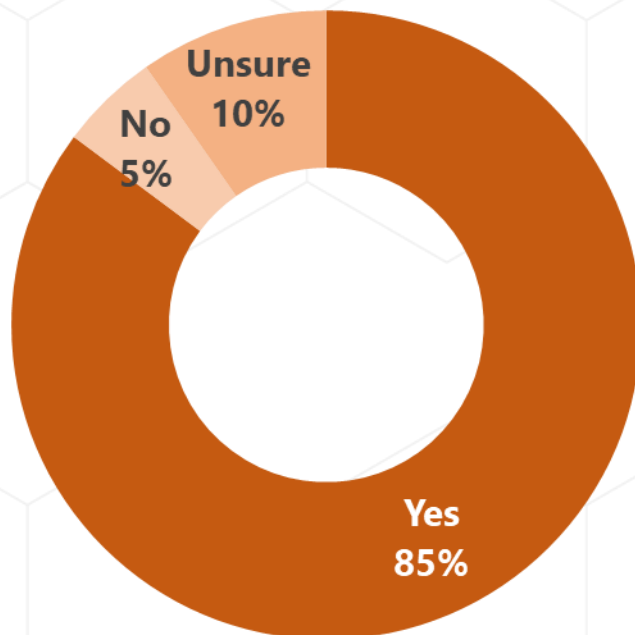


# Dealing with uncertainty (Data from Phase 1)

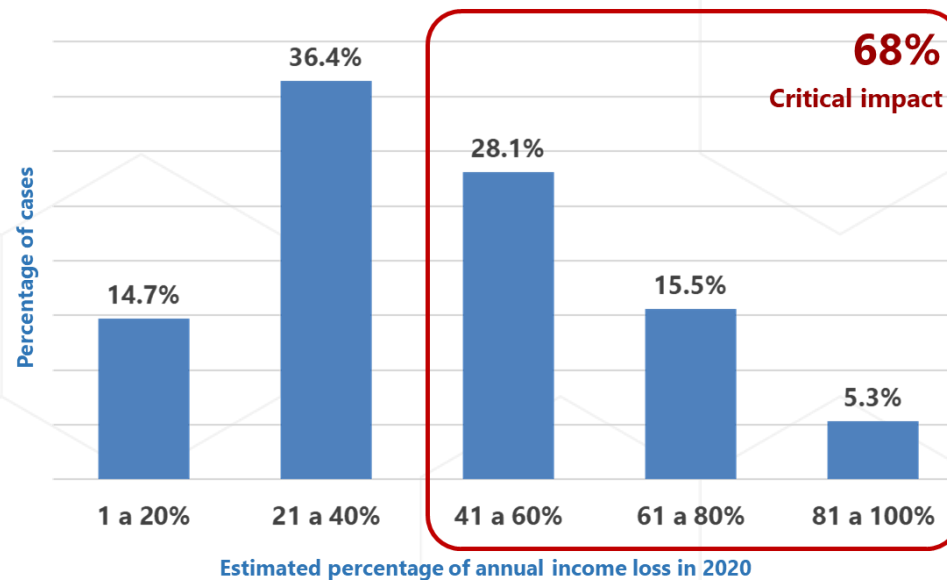
## Is the company considered "essential"?



## Anticipates loss of income



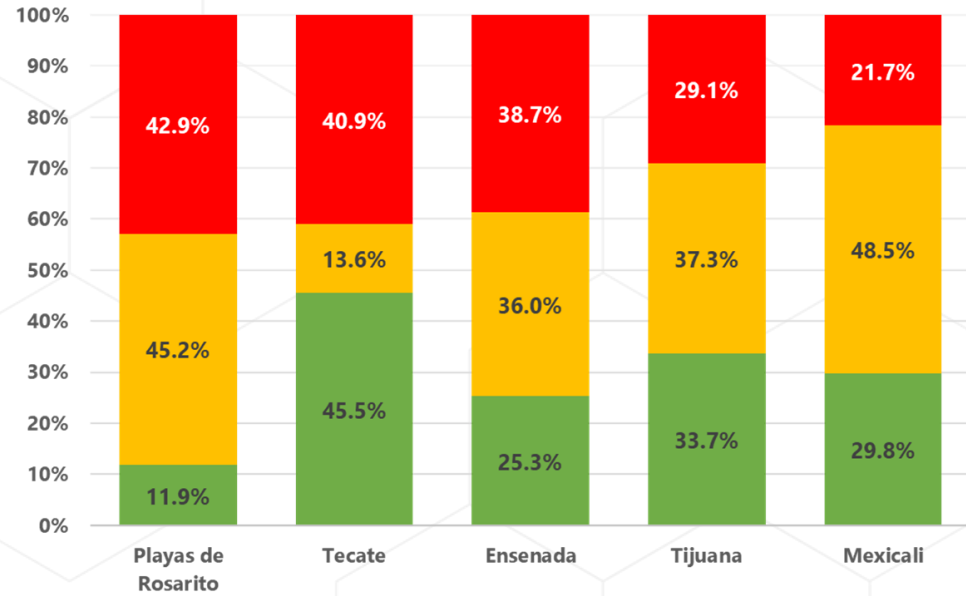
## Forecast of income losses



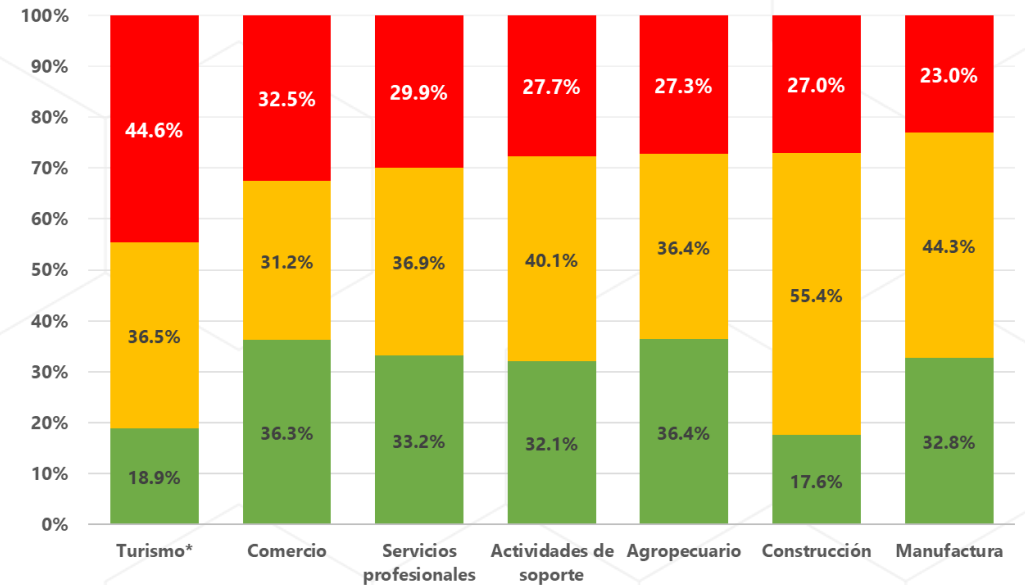
**83.1%** expected their income would be affected in the short term (3 months or less).

# Not all affected equally (Data from Phase 1)

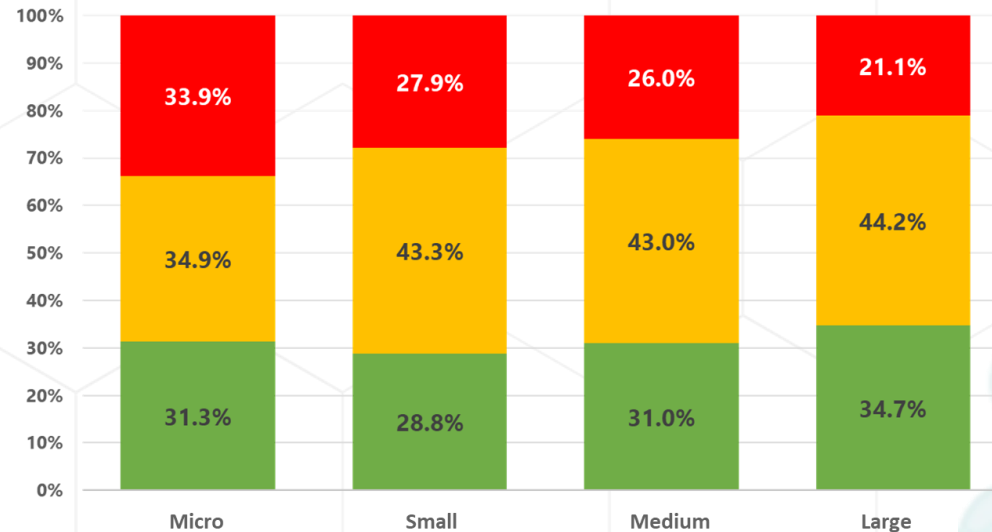
## Municipality



## Sub sector



## Size



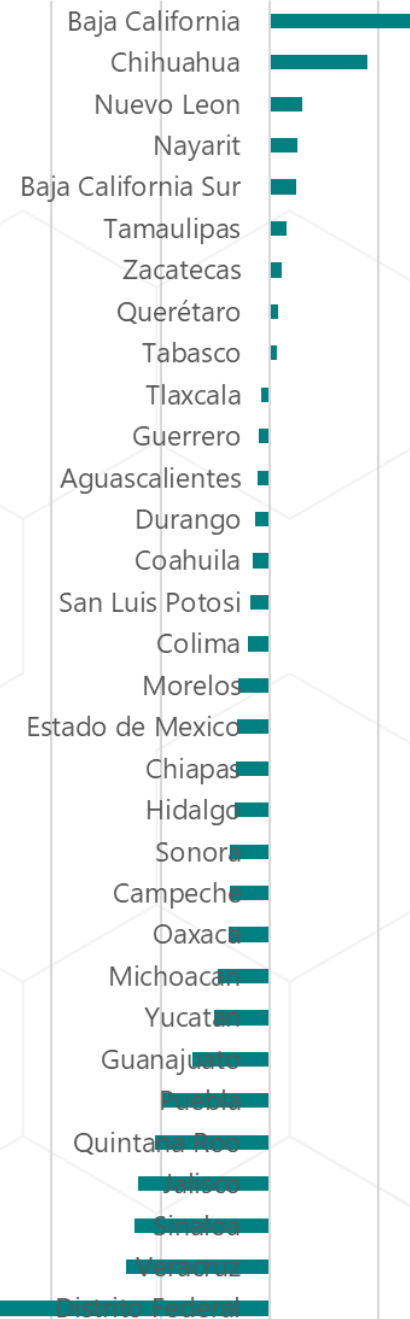
## The “Baja Californian bounce back”

Baja’s formal employment figures have reported the most significant new employment generation nationwide after the start of the pandemic.

A net balance of **27,570** job positions created between **April** and **September** of 2020.

A closer look tells that those figures can be pinpointed in a single direction.

-100000 -80000 -60000 -40000 -20000 0 20000 40000 Net employment growth



### Mainly:

- In Tijuana
- Maquiladora related
- By large companies via expansions
- A large portion of correspond to entry level, young women.
- Linked to medical devices and consumer goods.

SOURCE: Prepared with official data from Mexican Institute for Social Security

## Companies in Tijuana adjusted to current conditions by:

- Reorganizing personnel (58%)
- Negotiating with clients or suppliers (33%)
- Seeking new markets (26%)
- Reducing local purchases (23%)

Among other actions at a smaller scale...

## ...and also consider to have gained some benefits:

- Better capacity for adaptation and decision making (46%)
- Better coordination of personnel (41%)
- Implementation of new technologies (37%)
- An increase in creativity and innovation (35%)
- Improvements in administrative and financial control (34%)
- Reducing operational cost (28%)
- Maintaining only the best staff (26%)

Among other benefits at a smaller scale.

**69%** of surveyed companies from Tijuana consider the restrictions on border crossings to be unfavorable or highly unfavorable.



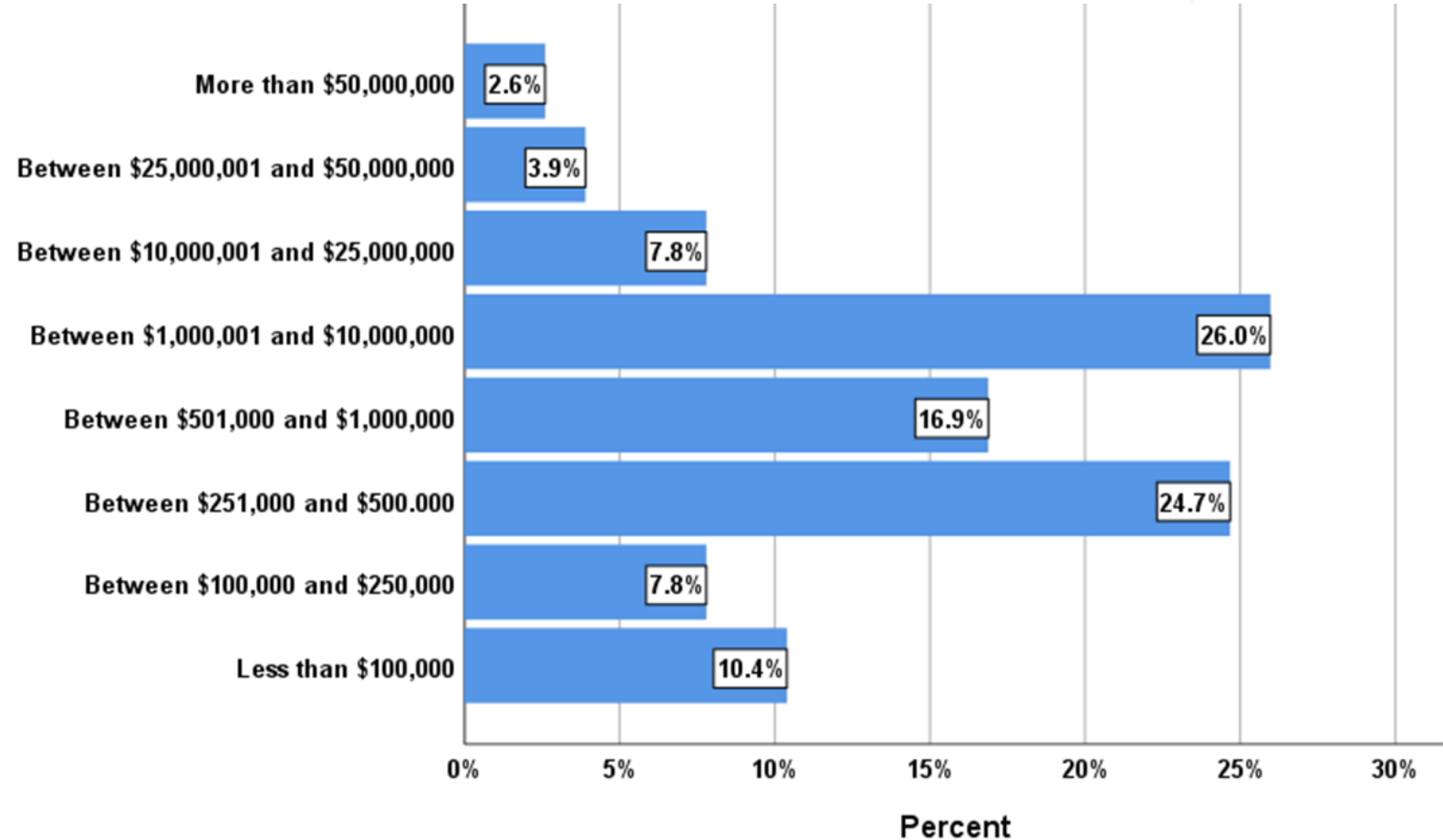
# The survey

- Non-probabilistic survey conducted in October (English and Spanish)
- Sample size = 136, 74.6% in California, 17.5% in Arizona and the rest in Texas
- About 37% of the business on the sample are located in San Diego
- Most of the businesses in the sample are locally-owned (78%) and 55% are owned by a Hispanic/Latino/Mexican origin person.
- About half of the sample comprises “**essential business**”. About two in ten businesses were unable to say whether the business was essential or non-essential

# Firm size

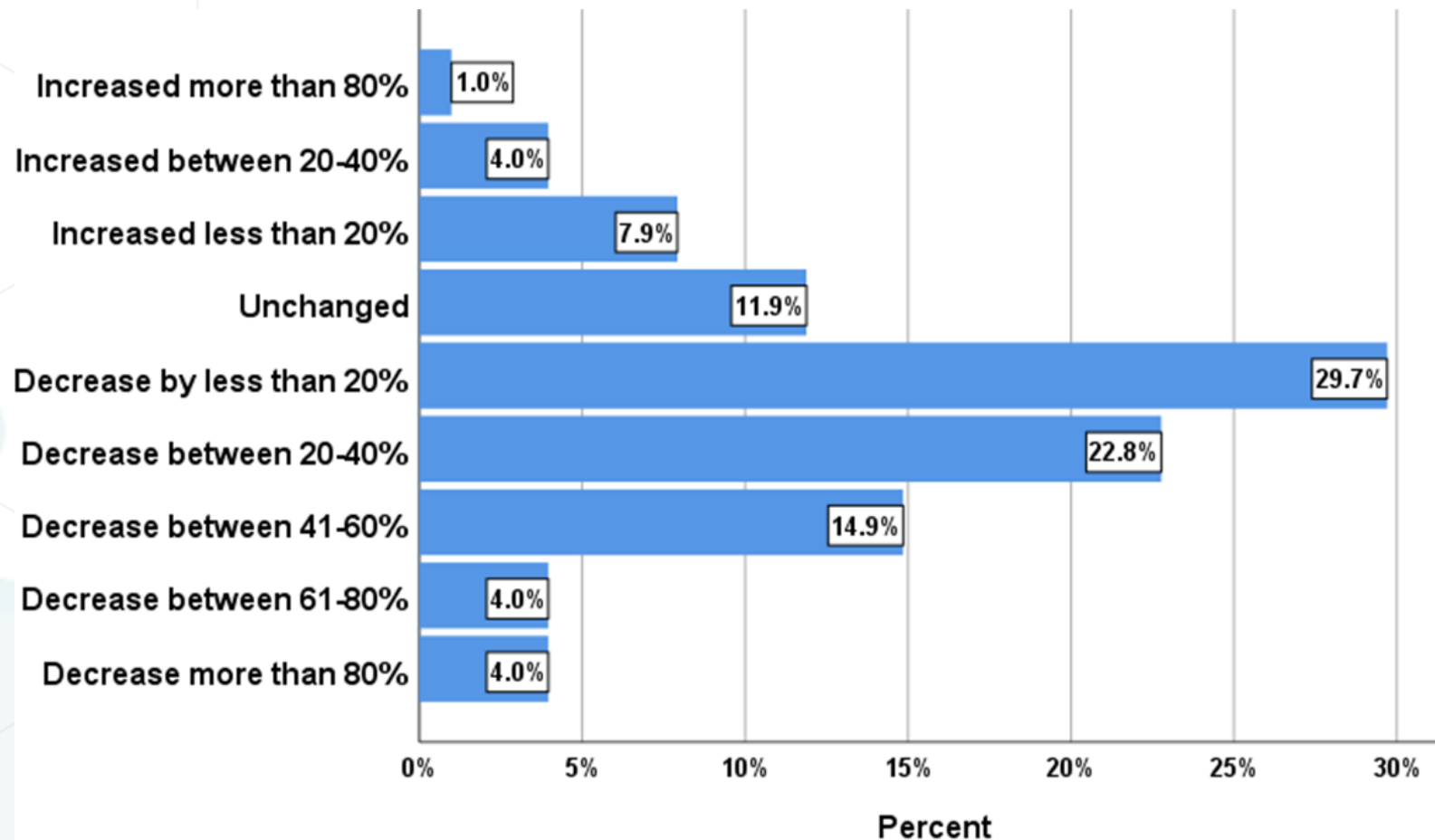
- Overall, most businesses in the sample fit the definition of small businesses.
- The sample is bimodal with a quarter of the businesses reporting between \$1-10 million of annual revenue and another quarter between \$250-500 thousand.

## Operating revenue /sales in 2019



# Impact in revenue

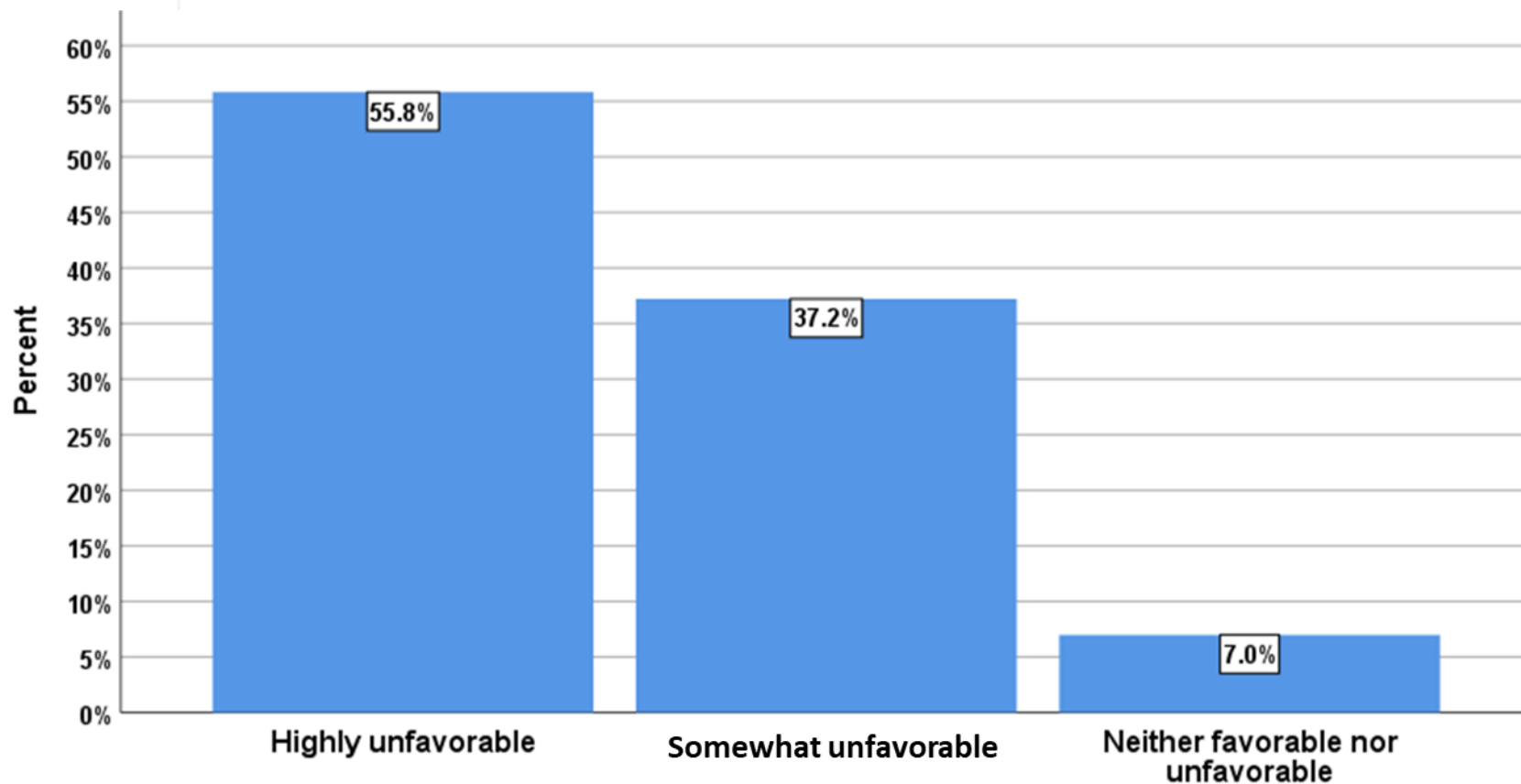
**Relative to 2019, how much increase or decrease in revenue / sales is expected for 2020?**



- About 8 in 10 businesses in the sample expect a drop in revenue in 2020
- About half of the businesses expect a decrease of less than 40%
- About a fourth foresees revenues reductions exceeding 40%

# Affecting factors

## Not knowing when the emergency (pandemic) is going to end

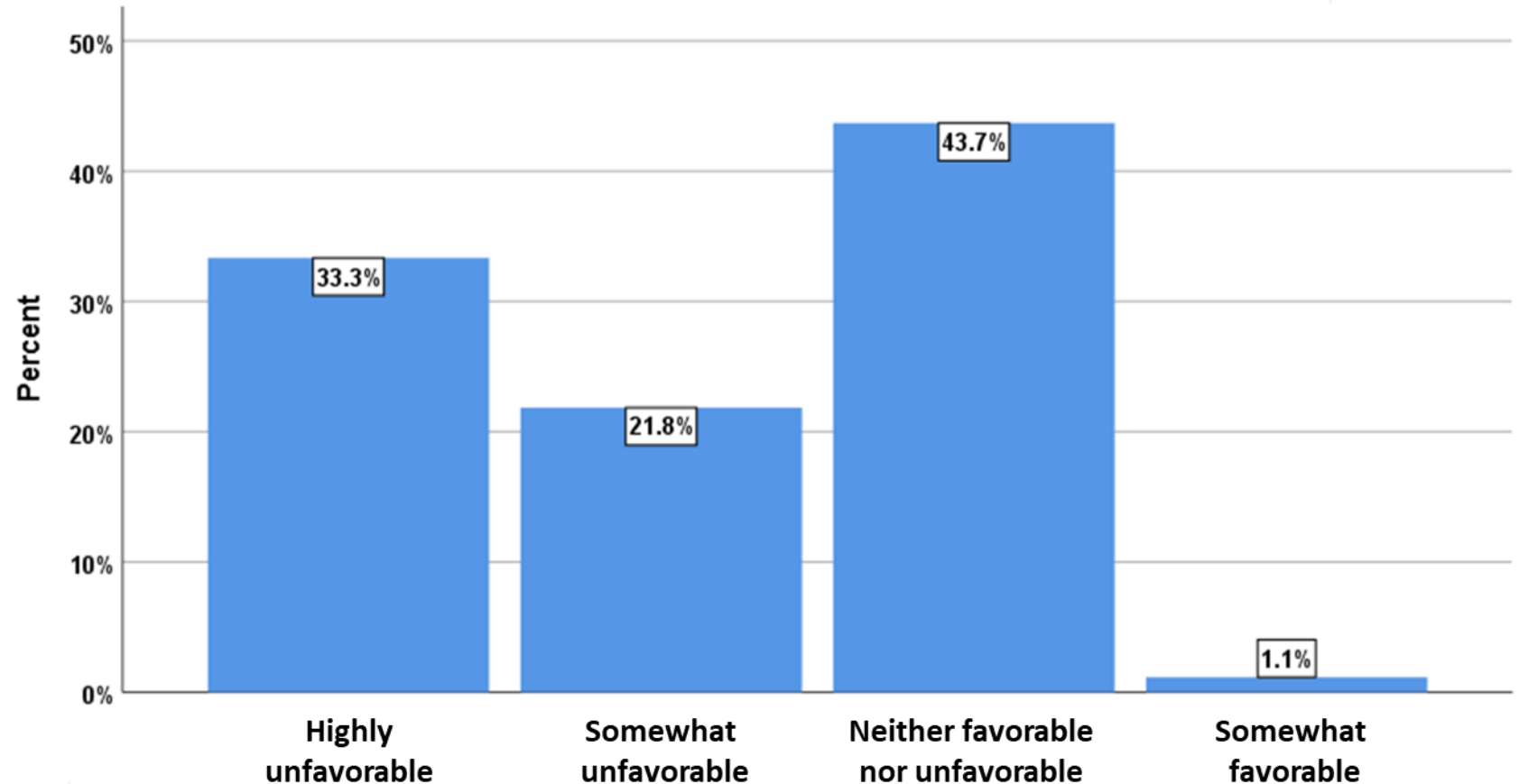


Uncertainty plays an important role in amplifying the economic shock caused by the pandemic.

# Affecting factors

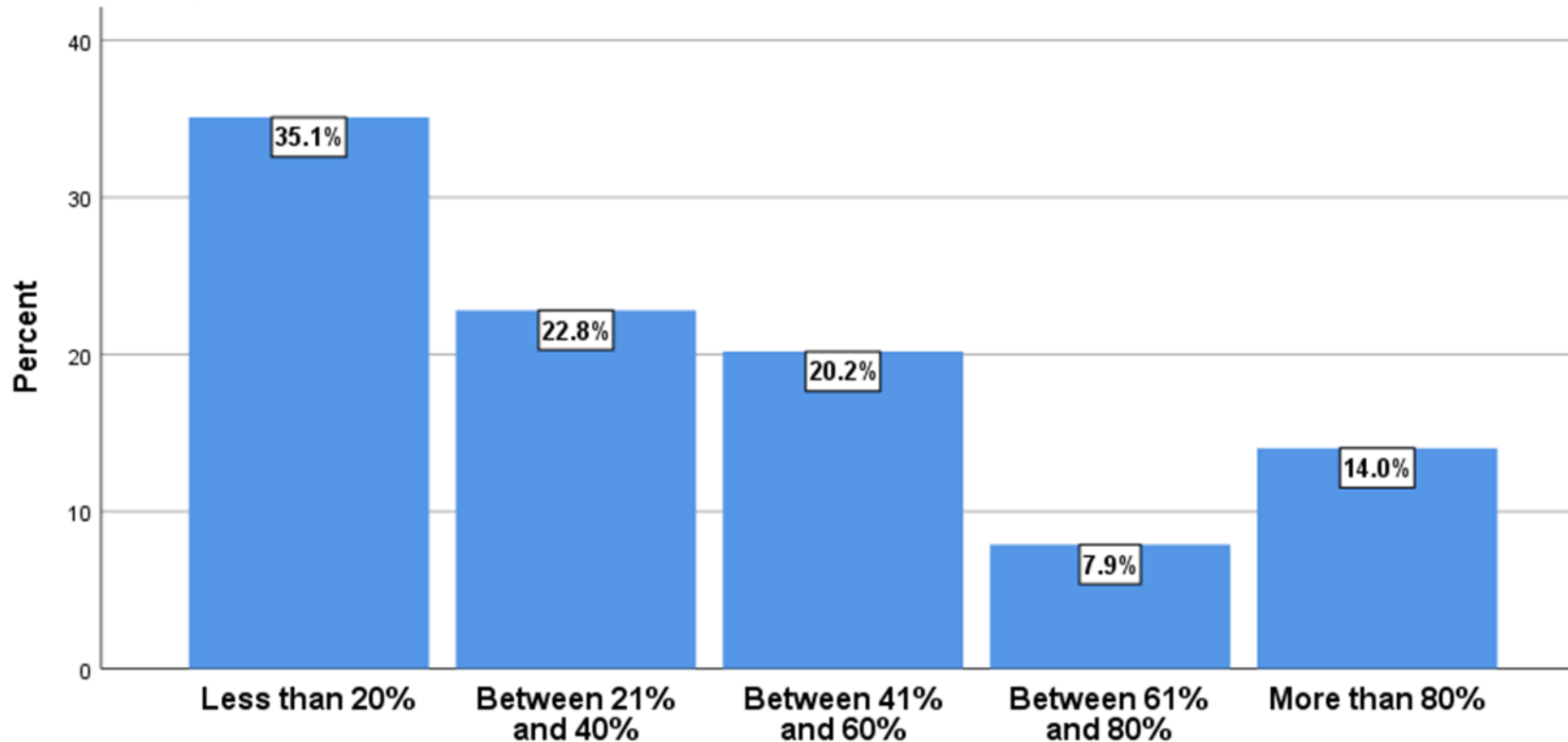
Delays and the partial closure of the border contributes highly to the uncertainty faced by at least 1 in 3 businesses in the sample.

## Border closure or delays



# Dependance on Mexican customers

**Approximately how much of the activity of your business depended on Mexican clients or shoppers before the pandemic?**

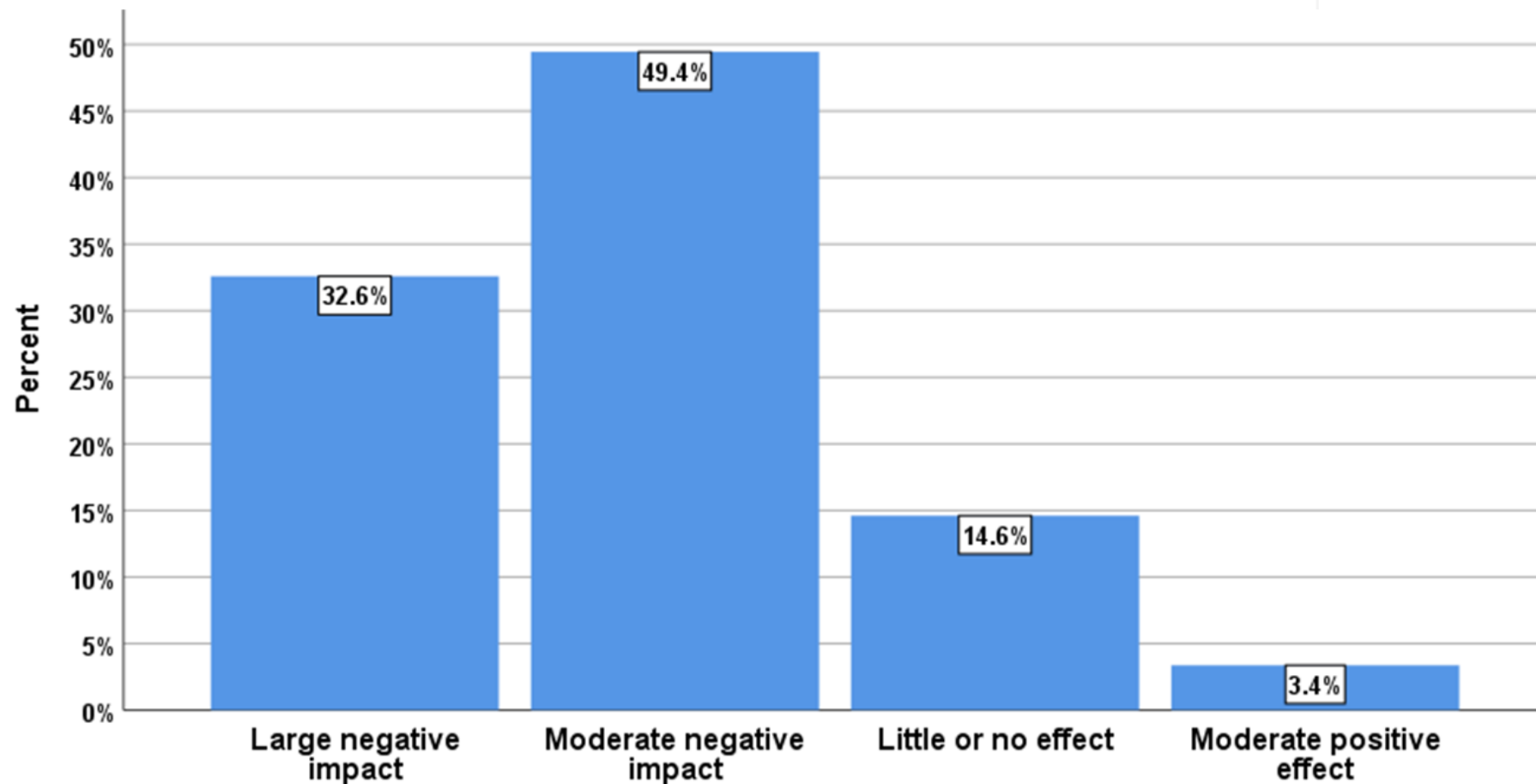


The cross-border nature of local markets is reflected in the dependence of businesses from Mexican shoppers.

# Expected overall impact

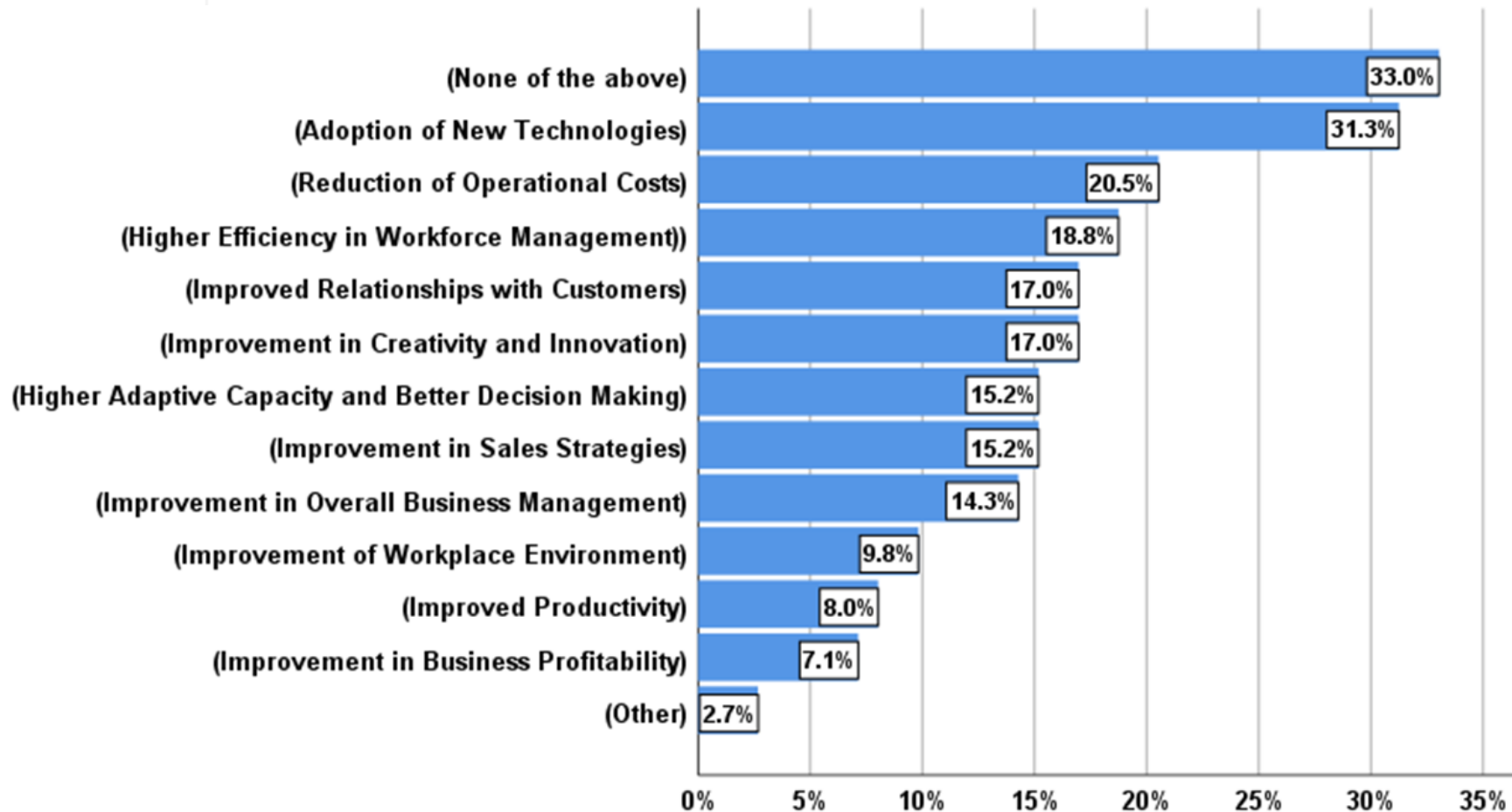
Most businesses are being tested by the pandemic and a few are immune to the virus

**In general, how much has the COVID-19 pandemic impacted your business?**



# Adjustments made by companies

## Situations experienced by businesses due to the COVID-19 pandemic



Adaptability and flexibility are the tools used by most owners/managers to stay profitable and keep their business afloat



## How important are the following measures to alleviate the economic impact of the COVID-19 outbreak on your business?

High priority assistance needs	%
Tax reduction and deferral	67.9
Affordable loans and financial assistance	60.5
Workplace flexibility to adapt to changing conditions	58.0
Clarity in business re-opening requirements	54.4
Loan refinancing and payment deferral	48.8
Simplification of lending procedures and documentation	45.6
Assistance in obtaining approval or permits	40.0

# FINAL REMARKS

- One in two businesses suspended operations temporarily (48%) or remain closed due to the pandemic (8%). Business struggled primarily with sanitary restrictions, and then with changes in demand and staffing due to stay-at-home policies and border closure.
- Most believe the business economic climate will return gradually to normal. However, 43% of businesses believe it will take six months or more than a year before the business climate returns to normal.
- Business owners continue to face many challenges in operating their business in these difficult times. Assistance is needed both from government and the banking industry.
- Recovery is hampered by the border partial closure and delays. Smart border management policies are needed to restore cross-border mobility.



El Colegio de la Frontera Norte y el  
Grupo Interinstitucional de Investigación (GIDI) invitan al

Foro de análisis

## Impacto del COVID-19 en las Empresas Mexicanas

Análisis de sectores y regiones

Casos de: Baja California | Sonora | Chihuahua | Veracruz

**Objetivo del Evento:** Propiciar un espacio para la divulgación y el diálogo para analizar tanto incidencias como medidas que han tomado empleadores y empresas a raíz de la pandemia de COVID-19.

- 8:45 h** I Sesión  
Impacto del COVID-19 en las empresas y retos para su análisis
- 11:00 h** II Sesión  
Impactos regionales del COVID-19 en las empresas
- 13:00 h** Conversatorio con representantes del sector empresarial:  
Empresarialidad después de COVID-19

 **MARTES 17/11/20**  
 **9:00 a 14:00 h PACÍFICO**

Transmisión por internet en

**colef.mx**  Bluejeans  **LIVE** /colef  **LIVE** /elcolef



**NOVEMBER 17<sup>th</sup>**  
**8:45 AM - 2:00 PM PST**

**ONLINE FORUM**

**colef.mx**

INVITAN AL:



60. ENCUESTRO  
INDUSTRIAL DIMBC

NOV  
18  
MIÉRCOLES

EVENTO ONLINE  
09:00 A.M. A 11:00 A.M. TIJUANA  
11:00 A.M. A 01:00 P.M. CDMX

# VISIÓN 2020: EVOLUCIÓN Y DESAFÍOS DE LA INDUSTRIA MAQUILADORA

DIANA LUZ  
ALVARADO  
CASTRO



ADOLFO  
SOLÍS  
FARIAS



HIRAM  
MONCIVALS  
PINEDO



MÓNICA  
LUGO  
ARANDA



OSSIE  
DÍAZ  
DÍAZ



SAÚL  
DE LOS  
SANTOS



MODERADOR

EVENTO SIN COSTO



REGÍSTRESE AQUÍ  
[www.tinyurl.com/VISION-2020-DIMBC](http://www.tinyurl.com/VISION-2020-DIMBC)



PANEL DE  
EXPOSITORES



DISTINTIVO A TRAYECTORIA  
EMPRESARIAL

Reconoceremos la trayectoria de empresas de Baja California con más de 20 años establecidas, que generan innovación y desarrollo tecnológico, que han realizado acciones para sobrellevar la pandemia, que impulsan la responsabilidad social y ambiental y que contribuyen al desarrollo económico.

# NOVEMBER 18<sup>th</sup> 9:00 to 11:00 AM PST

## ONLINE FORUM

[www.tinyurl.com/VISION-2020-DIMBC](http://www.tinyurl.com/VISION-2020-DIMBC)



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[www.covid19.inteliaxis.com](http://www.covid19.inteliaxis.com)