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Gov't seeks antidote for flu-inflicted economy

Officials unveil 27.4 billion in aid for businesses suffering from epidemic

BY JONATHAN CLARK AND GARRETT NASWORTHY
 The News

Swine Flu Outbreak

Having declared the worst of the swine flu epidemic over in Mexico, the government moved Tuesday to begin resuscitating an economy badly distressed by the outbreak.

On the final day of a five-day partial economic shutdown meant to slow the spread of the virus, Finance Secretary Agustín Carstens said the government would offer assistance totaling 27.4 billion pesos to companies affected by the epidemic.

Businesses including restaurants, hotels, airlines and tour operators will be eligible for a total of 17.4 billion pesos in tax relief and other benefits, as well as another 10 billion pesos in emergency loans from the nation's development banks, Carstens said.

"We think these measures are adequate," Carstens said at a press conference, "given that the crisis has been short and its impact hasn't been so deep."

Carstens said the economic hit from the flu outbreak – as much as 30 billion pesos – would knock between 0.3 to 0.5 percentage points off the nation's 2009 gross domestic product, but that it could have been worse.

Unlike in other natural disasters, he said, Mexico's economic infrastructure was left intact, and so a rebound should come quickly.

"Similar experiences in other countries have shown an abrupt deceleration in economic activity during the episode, followed by a vigorous recovery in subsequent months," he said.

Gabriel Casillas, an economist at UBS Bank México, agreed that the economic injury had been relatively superficial, but expected a slower recovery of up to six or eight months in some of the harder-hit sectors.

"It may take quite a long time for people to feel comfortable returning to restaurants in Mexico, or for tourists to start coming back to Mexico again," he said.

Carstens said Tuesday that reviving the nation's reeling tourism industry will be a top priority. The new aid package includes temporary tax cuts for airlines and cruise ships, and 3 billion pesos in loans and loan guarantees to airlines.

Tourism generated \$13.3 billion in revenue in 2008, the nation's third-largest source of foreign income, but Tourism Secretary Rodolfo Elizondo says that losses could exceed 40 percent this year as frightened travelers turn elsewhere.



Workers clean the sidewalk outside a restaurant set to reopen in Mexico City.

In an effort to contain the spread of the swine flu virus now blamed for more than two dozen deaths and at least 940 infections, the government shuttered its offices and ordered all nonessential business to close May 1-5. Theaters, nightclubs, museums and sporting events were also closed

to the public, and Mexico City ordered its restaurants to suspend all sit-down service starting April 28.

No new swine flu deaths have been confirmed in Mexico since April 29, and Health Secretary José Ángel Córdova said Sunday that the epidemic "is now in its phase of descent."

Restaurants in the D.F. will be allowed to resume eat-in service Wednesday, but with seating reduced by 50 percent and a mandatory closing time of 10 p.m. Waitstaff will be required to don surgical masks and will be forbidden to wear jewelry or neckties.

Other gathering spots will be allowed to reopen once the health risk is reduced further, city officials say.

At the El Sazón de La Morena eatery in the Colonia Narvarte on Tuesday, workers were preparing for the return to service by scrubbing the kitchen and dining room and stacking up tables to comply with the new seating rules.

"We are ready to open to the public again, and we are happy about that," said owner Carlos García. "But I'll have to remove about half of my tables ... and this represents a possible loss of 2,500 pesos of income for my restaurant."

The measures announced by the Finance Secretariat on Tuesday include a temporary 20 percent reduction in employee health care payments by businesses into the IMSS social security system, and a reimbursement to companies in the service and tourism sector of 25 percent of their losses over the next three months.

But Francisco Mijares, head of the National Restaurant Industry Chamber, or Canirac, said the measures were not enough to help small eateries regain their footing. Canirac would like to see the government boost a tax deduction for business lunches from 12.5 to 50 percent as an incentive for customers to return, he said.

And while Arturo Mendicuti, president of the Mexico City chapter of the National Chamber of Commerce, said the government assistance was welcome in a city that has suffered losses totaling 8 billion pesos over the past 10 days, he wasn't sure it would be enough.

"We hope that this is only one of the first steps in economic aid," he said.

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