Analysis of the Mexican fuels market under the current crisis

Global consulting firm McKinsey partnered with Onexpo to analyse the impact of COVID-19 in the Mexican fuel retail market.

Workers at a gas station wear face masks for the coronavirus emergency while they dispatch fuel to a taxi. | © iStock

The sale of petrol and diesel in Mexico has decreased by 62% due to COVID-19, according to Roberto Díaz de León, President of fuel retailing association Onexpo.

Although Mexico has not suffered the same health crisis as other countries (some 54,000 confirmed infections and under 6,000 deaths) the impact in the mobility sector has been equally severe with a reduction of 60% in traffic and 75% in public transport, according to McKinsey.

During the crisis, rural stations in Mexico have suffered the worst impact, in some cases experiencing a 70% drop in volume. Highway sites only saw a 15% decrease on average.

In the case of convenience stores, the loss of sales is estimated between 40% and 50%. High margin products and impulsive buys have dropped in favour of first necessity items.

“The challenges for retailers depends on volume, storage and the lack of sales at the c-store. On the other hand, low oil prices have given a temporary boost to margins,” explained Raúl Camba, Partner at McKinsey.

In a webinar organized by McKinsey in cooperation with ONEXPO, industry experts analysed the situation of Mexico.

If the country were to suffer a resurgence of COVID-19 later in the year, the demand for gasoline and diesel is expected to drop by 40% and 32%, respectively, in 2020 versus the previous year. In a base scenario with no resurgence, fuel volumes will drop by 20% and 18% for gasoline and diesel.

When discussing a possible recovery, Alvaro Bau, fuel retail expert, pointed at those countries that are on their way back to normality. In China, traffic and fuel demand are already back to pre-pandemic levels. The slump in the economy and people still moving less are countered by an increased use of private vehicles over public transport.

In the case of Mexico, they will be taking a close look at the United States as it starts to open up its economy despite its high infection rates. Mexico’s economy could also benefit from the North American Free Trade Agreement (NAFTA) and the relocation of key manufacturing to North America as global supply moves away from China.

For gas stations, they will be forced to look at new ways of engaging with customers and rethink their price/margin strategy in the new product mix.