



Mexico Intelligence Report – 11th December 2015

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GRUPO ATALAYA

Economic update

True to form throughout 2015, Mexico's labour market performed strongly once again in November creating 132,279 new formal jobs, which sums to 948,160 jobs in the first ten months of the year.

On the other hand, domestic consumption disappointed in November, after the Mexican Association of Retailers's (ANTAD as known by its Spanish acronym) results for "El Buen Fin" (similar to "Black Friday") fell slightly short of overall expectations. Whereas Department Store figures grew 9.2 per cent year on year vs. expectations 13.3%, Self-Service sales increased 4.6 per cent year on year vs expectations of 6.0 per cent.

Domestic consumption has been one of the strongest performing sectors of the Mexican economy. Mexico's National Institute for Statistics (INEGI) informed that the Domestic Consumption Indicator grew by 3.9 per cent year on year in September. Although it should be noted that consumption was badly hit in 2014 following an aggressive fiscal reform.

Moreover, inflation reached a new historic low at 2.2 per cent in November, following strong decreases in the price gasoline, domestic gas, eggs and mobile phone services. It should be noted that the latter's sector was subject of one of Mexico's recent structural reforms, which were crafted so as to increase competition in the sector.

Energy update

As Mexico's energy reform moves forward and new players have entered the sector's value chain or are preparing to do, Pemex is attempting to beef up its presence. Thus the now state owned enterprise announced US\$23 billion in investments, in the production of ultra-low sulphur gasoline and diesel, the reconfiguration of the refineries in Tula, Salamanca, and Salina Cruz, and four new cogeneration projects.

Moreover the state owned enterprise revealed that it included 1 billion barrels of crude oil equivalent to its 3P (proven, possible and probable) reserves. The announcement came after the company explored in 2015 thirty fields with a success rate of 45%. From the new reserves, 57% correspond to light oil & gas condensate; 20% to heavy oil; and 23% to non-associated gas.

The news follows Pemex's new policy by which it extended the payment period for its suppliers and contractors to 180 days.

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Contact Us

Registered address:
Canning House
14/15 Belgrave Square
London SW1X 8PS
England

Phone: +44 (0)20 7811 5600

Fax: +44 (0)20 7811 5623

Email: enquiries@canninghouse.org

Web: www.canninghouse.org

Company number: 383775.

Registered Charity No: 314210