



Mexico Intelligence Report – 27th November 2015

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GRUPO ATALAYA

Economic update

Mexico's Ministry of Finance's oil hedging programme paid off. The Federal Government will receive \$6.4 billion USD in 2015, as a cover for the fall in oil prices. The windfall will be factored in for next year's budget.

Foreign direct investment hiked 41% year on year in the January-September period to a total of \$21.6 billion USD. Manufacturing represented the largest intake of foreign investment accounting for 10.8 per cent of the total. In terms of FDI sources, as always, the U.S. accounted for the lion's share of inflows (57 per cent), followed by Spain and Japan, which accounted for 9.2 per cent and 4.3 per cent respectively.

In terms of trade, Mexico's current account deficit reached \$8.86 billion USD in the third quarter of 2015, which in turn represents is the greatest quarterly figure since 2013. The total deficit for the first three quarters of the year reached 2.9 per cent of GDP.

Energy update

The final piece of the puzzle for Mexico's new energy landscape is about to fall into place. The Energy Transition Law, which establishes in detail the country's clean energy regulation, has now passed into the Senate's hands. Perhaps the most important talking point is the role of gas in the country's new energy paradigm and whether it will allow for renewables to fully flourish.

Whilst this debate takes place in the Senate, Mexico's President Enrique Peña Nieto will travel to Paris to attend the Climate Change Conference.

A troubled alliance?

The Special Attorney for Electoral Crimes requested the arrest of Arturo Escobar, the former head of Mexico's Green Party. Following this news Mr. Escobar resigned as the Under Minister for Crime Prevention the Ministry of the Interior.

The event is relevant given that the Green Party has been the PRI's longstanding ally. Thus it strains relations between both political organizations just as both have to start revving their engines for the upcoming 2016 elections in which 12 governorships are up for grabs.

Mr. Escobar's designation at the Ministry of the Interior had been denounced by various civil sector organizations, given his track record as a proponent of the death penalty and that he was once found detained at an airport with close to \$100,000 USD in cash.

Although it seems unlikely that both parties will part ways, given that 2016 is expected to be a tight contest, Mr. Escobar's arrest will appear to many as a u-turn on President Peña Nieto's part, in order to distance himself from Mr. Escobar.

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