



Economic update

Mexico's current account has taken a beating in 2015, as the most recent figures show that whereas the deficit stood \$807 million USD during the first four months of 2014, for the same period this year it jumped to \$2.2 billion USD.

Although non-oil exports in April grew moderately by 2.7 per cent year on year, oil exports were gauged by the fall in oil prices decreasing by 50.5 per cent compared to April 2014. One silver lining is that auto exports in April grew by 12.2 per cent year on year. Furthermore Mexican exports continue to be heavily exposed to the U.S. as this market account for 81 per cent of all exported goods.

On a separate note, Mexico's labour market continues to show bittersweet results in terms of high levels of employment, yet low levels of remuneration. Unemployment in April decreased slightly on an annual basis decreasing from 4.9 per cent to 4.3 per cent.

However this abundance of low paying jobs –a theme that is becoming increasingly prominent in Mexico's public debate- has yet to push Mexico into higher gears of growth. In line with this, revenues in the retail sector grew only 0.2 per cent month on month in March and 5.5 per cent year on year, bouncing back from a particularly bad year given the effects of the fiscal reform. Likewise, revenues in the services sector decreased by 1.6 per cent month on month in March and also bounced back 5.7 per cent year on year.

Energy update

Kick-off for Round One approaching

Mexico's National Commission for Hydrocarbons revealed the 26 participants that have been passed the prequalification stage for the first phase of Round One of bidding, which is comprised of 14 shallow water extraction blocks. It should be noted that 7 of those participants are consortiums of companies whilst the remaining 19 are individual companies.

The bid winners for this phase will be known mid-July, whilst the actual contracts are scheduled to be signed in August, thus officially kicking-off the renewal of Mexico's energy landscape.

Perhaps the largest surprise of the announcement is that Shell did not make it past the prequalification stage.

The full list of participants can be read below

| Individual participants | Consortiums |
|------------------------------------|---------------------------------|
| 1. Atlantic Rim Mexico | 1. BG Group |
| 2. BHP Bilton | Galp Energía |
| 3. Chevron | 2. ENI International |
| 4. Cobalt Energía | Noble Energy |
| 5. CEPSA | CASA Exploration |
| 6. ExxonMobil | 3. Murphy Worldwide |
| 7. Hess | Ecopetrol |
| 8. Hunt Overseas Oil | PETRONAS Carigall |
| 9. Lukoil | PTT Exploration |
| 10. Maersk Olle | 4. PAN American Energy |
| 11. Marathon | E & P Hidrocarburos y Servicios |
| 12. Nexen Energy Holdings | 5. Talos Energy |
| 13. ONGC Vinesh | Sierra Oil & Gas |
| 14. Pacific Rubiales | Glencore E & P |
| 15. Pemex | 6. Tullow Mexico |
| 16. Plains Acquisition Corporation | Petrobal |
| 17. Premier Oil | 7. Woodside |
| 18. Statoil | Mediterranean |
| 19. Total | Diavaz Offshore |
| | Pluspetrol Mexico |

Pemex' restructuring moving ahead

As Mexico's energy reform moves ahead, most attention has focused on the new players coming into the sector. However another profound transformation is taking place within Pemex, Mexico's longest standing energy related organization.

On the 28th of April Mexico's Federal Official Gazette published the bylaws of Pemex as a productive state owned enterprise as well the creation agreements of its seven subsidiaries. According to said agreements all seven subsidiaries will have their own legal personality and budget. Moreover they will also respond to Pemex' central leadership and strategic management.

The seven subsidiaries are the following:

1. Pemex Exploration and Production
2. Pemex Industrial Transformation
3. Pemex Drilling and services
4. Pemex Logistics
5. Pemex Cogeneration and services

6. Pemex Ethylene
7. Pemex Fertilizers

This week Pemex's Board announced that Pemex E & P and Pemex Cogeneration have formally started operations and named the heads of each subsidiary. Juan Javier Hinojosa will be Executive Director of the Committee of Directors for E & P comprised by three directors. Moreover, Eleazar Gomez Zapata will be in charge of Pemex Cogeneration.

Hinojosa has over 35 years in exploration and production within Pemex and was previously head of advisors of the General Director of E & P at said organization. Moreover, Gomez was previously Under-Director for Coordination and Maintenance in the Department of Operations.

It should be noted that the previous director of E & P for Pemex, Gustavo Hernández remains in the Committee of Directors but now as Director of Operations.

The heads of the remaining subsidiaries are likely to be announced in the coming weeks.