



Canning House

Mexico Intelligence Report – 20th May 2016

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**GRUPO ATALAYA**

### Economic update

Employment and wages in the manufacturing sector remained unchanged in March compared the month prior, although time worked increased by 0.5 per cent. On year on year basis, employment increased by 2.1 per cent, hours worked by 2.6 per cent and real wages by 1.1 per cent.

### Energy update

Mexico's National Commission for Hydrocarbons finished signing all the contracts for the 25 oil blocks awarded during Round 1.3, which took place in December last year. Although six winning bidders eventually relinquished their contracts, these passed on to the second highest bidders.

Furthermore the Ministry of Energy published the rules for Mexico's second electric energy tender. The government expects up to US\$4 billion in clean energy investments from said auction, amounting to 2 per cent of domestic consumption. The Undersecretary of Electricity at SENER stated that the third auction will take place next year.

### Political update

Tensions between the Federal Government and the second largest teachers union in Mexico, the CNTE, reached a new high as the Minister for Education Aurelio Nuño kept to his word in firing up to 3000 teachers on strike that failed to return to classrooms.

Ever since the approval of the education reform at the beginning of President Enrique Peña Nieto's administration, the government has been met with fierce resistance by the CNTE, a more radical offshoot of Mexico's main teachers union primarily based in the south-western states of Michoacán, Guerrero and Oaxaca.

One of the main sticking points between the CNTE and the Federal Government is the fact that the reform seeks to position teacher assessments at the core of the country's education system. The reform is widely supported by civil society, given Mexico's abysmal performance in education. However, the CNTE's opposition has at times flared up to become a local governance headache in the states where it holds a stronghold.

To complicate matters further, Mr. Nuño has also had to deal recently with a student-led strike at the National Polytechnic Institute, following his decision to make changes to its governance structure. As is often common with such movements, the Polytechnic's strike appears to be influenced by deeper political forces that aim to weaken Mr. Nuño.

Although as of now both movements remain unlinked, the government and Mr. Nuño in particular will have to act fast and carefully in order to avoid a merger between them, in order to avoid a similar instance to what occurred in Oaxaca in 2006 when a teachers union strike eventually morphed into a social protest movement that paralyzed the state for months.

This is even more pressing given that it would play into the hands of the current administration's main nemesis, Andres Manuel Lopez Obrador, the fiery anti-establishment leader of left-wing party Morena who currently has a lead in preference polls regarding the 2018 presidential election.

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