México’s economy and energy situation

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Time of change? Time of chances

- An age of economic growth
- Opportunities for all
- Energy and Telecomm
Nice economy

• Nice, even before reforms
Data

- 116 million people
- 11th population in the world
- Brazil is fifth, with 197 million
But, 92% make less than $10,000/y
Young people

- 48% population, under 25
- Average age is 26
Where are they?

- Around 25%, in north side,
- They generate 25% of GDP
- Monterrey, Tijuana
Where are they?

• But mid México generates 60%
• Mexico City, Jalisco, Querétaro
Mexican Economy

- USD $1.2 trillion
- Equivalent to NY
- Almost like Texas
Mexican GDP growth

- 2012: 3.8%
- 2013: 1.1%
- 2014: 2.9% *
- 2015: 3.8% *

*Source: JP Morgan
Politics

- Reforms
- Congress: Where the action is
Lower Chamber

- 500 deputies
- PRI+P Verde = 54%
Upper Chamber

- 128 legislators
- PRI + P Verde = 48%
- They need the PAN (30%)
Reforms are Constitutional

- Education: Evaluation for teachers
- Telecom: Investment chances
- Fiscal: Highest incomers pay more
- Labor: Easy hiring and firing
- Energy: Opens private investment opportunities
What has changed?

- “Reforma energética. Permite al Estado llevar a cabo las actividades de exploración y extracción del petróleo y demás hidrocarburos mediante asignaciones (assignment, allocation) a empresas productivas del Estado o a través de contratos con éstas o con particulares. También posibilita los contratos con particulares en materia de servicio público de transmisión y distribución de energía eléctrica. Crea el Fondo Mexicano del Petróleo para la Estabilización y el Desarrollo”.

- Cámara de Diputados.
New constitutional words:

- Art. 27: “El uso o el aprovechamiento de los recursos de que se trata, por los particulares o por sociedades constituidas conforme a las leyes mexicanas, no podrá realizarse sino mediante concesiones, otorgadas por el Ejecutivo Federal”.
What’s next?

• Constitution has changed.
• Wait for secondary laws.
• April 30th. President sent the bill to the Congress.
• Analysts expect changes to take place before October 2014.
• So, wait.
For Mexico, it is urgent
Imports are booming

- For the first time: Mexico had an oil products deficit with the US during 1Q 2014.
- Imports of gasoline, diesel, etc. went from $2.4 billion in 2003, to $25.7 billion in 2013.
México, virgin oil Territory?

- Not at all.
- Contracts: Halliburton, Schlumberger
- MSC: Petrobras, Diavaz, Lewis
- New Comers: Temasek, through Oro Negro
Next big player: Grupo Alfa

- “Buscariámos sacar recursos de donde se pueda, uno de ellos es vender nuestra participación en Texas”. Álvaro Fernández, Alfa CEO.
- 411 wells in Eagle Ford.
Always there

• Exxon, Total. Sell automotive oil products.
• Gas Natural Fenosa, the biggest
• Mexichem and Braskem, petrochemicals.
How to get into México?

- Find a reliable partner
How?

• Through chambers
• Biggest companies: Amcham, Concamin
• Small and mid companies: Canacintra
If you need a guide... enjoy
Thanks.