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S&P predicts improvement in Mexico's oil and gas market

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The company said the new administration would expand the public sector's role in Mexico's economy

The **Standard and Poor**'s financial services company said that Mexico's new administration was looking to expand the public sector's role in the country's economy, and perhaps **bolster competition in concentrated sectors related to oil and natural gas production**, as well as public services.

"We are also anticipating more scrutiny on concessions and contracts with the public sector, which is bound to make companies in the energy sector more cautious regarding new investments," said the firm.

In their **2019 financial analysis of corporate credit in Latin America**, Standard and Poor's explained that, at this moment, capital investments in Mexico have become slightly more moderate than in 2017, though a certain recovery in commodity prices is causing metals and mining companies to expand.

"Most of Mexico's business segments have shown an excess installed capacity, which makes their cash flow considerably more flexible without jeopardizing their growth expectations. In general, debt maturities in 2019 are unlikely to put pressure on the liquidity of Mexican companies. **Nearly 7% of the total outstanding debt will mature in 2019**, which will mitigate refinancing risks," they explained.

The agency pointed out that the new Mexican government is also planning to modernize **Pemex's six existing refineries** and build a new one with capacity of **340,000 barrels a day and a cost of USD$8 billion**.

"This plan is aimed at achieving **self-sufficiency in fuel production within 3 years**. The government also plans to support Pemex with a **budget increase of nearly MXN$75 billion** for the improvement of their operations. We are anticipating new tenders for solar, wind, and thermoelectric power plants. **These infrastructure projects, combined with an increase in public housing support, are likely to revitalize building and manufacturing industries**," added the firm.

On their part, building materials companies and housing developers will also benefit from a slight to medium increase in revenue, which could also increase their profit margins.

As for **manufacture exporters**, the agency considered that, in face of the new **United States, Mexico, and Canada agreement (USMCA)**, the automotive industry should work to reduce uncertainty surrounding the future of their supply chain and continue to promote equity investments.

Standard and Poor's was optimistic about both local and foreign debt issues in the next 12 months, if market conditions so allowed.