



Mexico's Market Overview: Waiting to Take Off

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It has been a challenging period for Mexico's energy sector, waiting on the 2018 election and subsequent assumption of power by the left-leaning Andres Manuel Lopez Obrador in December. There remains significant uncertainty of whether energy reform will continue or be stopped in its tracks.

However, there are rays of hope in oil. After 4 months of review, offshore drilling permits are being green-lit, meaning overnight contractors and operators need to find rigs and staff. This subsequently means midstream terminals, refining and transportation projects are now coming back to life. So, what has been a relative period of calm in Mexico in the energy executive recruitment space will quickly become a frenzy again.

This is not so in power and generation. The state-run power utility CFE's newly appointed leader, Manuel Bartlett (an octogenarian), is ideologically anti-reform and has changed out a number of non-aligned execs within the utility. With the exception of existing private generators and contractors, it appears for now the CFE will limit all competition from the private sector. However, it has been said that recent brown-outs in the Yucatan are a symptom of the sector's urgent need for private investment and the CFE's current policy is not sustainable. There remains opportunity for traders and merchants to deal with private industry while they wait for energy reform to fire back up.



One outcome is a strengthening of incumbents who managed to get a foothold under the previous administration. Banks and funds are focusing on existing projects or organizations with permits and track histories in oil and/or generation. New entrants find it very hard to both attract talent and get deals done in this current restrictive environment.

Talent Impacts

Mexico's local talent pool in natural resources, whether it is energy or the other commodity value chains in nutrition and mining, face some substantial challenges.

The talent challenges in energy are instructive and indicative of most markets. Most local talent comes from state-owned organizations of Pemex or CFE (or other monopolies in other sectors), creating a small pool of talent. However, the skills—especially commercial skills—are even more concentrated in a handful of senior level and experienced people.

This creates a challenge for HR and leaders from European or North American firms, where individuals are typically entrusted with more responsibility and authority at a much younger age. Additionally, the skills needed lie within candidates who are drastically more expensive and senior than the company's budget anticipated. They are also often near retirement and do not relish the travel and hours required.

Employers and search firms will now need to come up with solutions to tackle these challenges. In our experience, solutions range from educating foreign leadership on the challenges to adjust budgets/plans and hiring junior teams around experienced employees to capture their knowledge and certainty on talent from the rest of Latin America (Brazilians and Venezuelans are prominent expats) or even Europe and the US. Certainly, any senior-level search now requires a local and global approach and ultimately, as demand increases, firms will have to be clear on how they differentiate their opportunity to talent which is receiving multiple calls a week.

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