

The government announced the first phase of its Infrastructure Program

- Earlier today, the Federal Government along with several of Mexico's main business chambers presented the *National Agreement for Private Sector Infrastructure Investment*
- The agreement includes 147 infrastructure projects that the private sector is committed to invest in, representing about MXN859 billion (US\$ 44 billion, or 3.6% of GDP) to be deployed until the end of the six-year presidential term
- From these, MXN431.3 billion (50.2% of the total) are anticipated to be spent as soon as next year
- It is worth mentioning that the plan is part of the much broader *National Infrastructure Plan*, which will be unveiled in January 2020. In this respect, funding for the projects presented will be mainly with private-sector resources, helping contain increases in public debt
- In our view, the plan constitutes a positive effort of the administration to reactivate economic activity and should help reduce high levels of uncertainty that have impacted GDP growth

Today, the *National Agreement for Private Sector Infrastructure Investment* was announced. Earlier today, several of Mexico's top businessmen and business chambers gathered in the *National Palace* during the president's daily news conference to unveil the *National Agreement for Private Sector Infrastructure Investment*. The plan consists of 147 infrastructure projects that the private sector is committed to invest in, representing about MXN859 billion (US\$44 billion, or 3.6% of GDP) to be deployed until the end of the six-year presidential term. It is worth mentioning that these projects are part of the much-broader *National Infrastructure Plan*, which will be unveiled in January 2020. Moreover, funding will be mainly done with private-sector resources.

The main commitments made by the Federal Government include: (1) Finish works in progress and begin new projects to stimulate and reactivate economic activity; (2) promote and facilitate private sector investments in infrastructure; (3) help define the best arrangements for executing each project; (4) identify, evaluate, and authorize the development of these infrastructure projects; and (5) build an environment that stimulates private investments through a rules-based system that provides legal certainty and eliminates unnecessary barriers, in a context of macroeconomic stability and Rule of Law. Moreover, the government aims to foster the regional development of zones that have lagged in terms of economic performance, taking into account a complex international backdrop.

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www.banorte.com
@ analisis_fundam

Banorte Economic Research & Strategy
analisisyestrategia@banorte.com

www.banorte.com
@ analisis_fundam

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For 2020, investment spending is estimated to reach about 1.8% of GDP.

From the total estimated amount of MXN859 billion, about 50.2% (MXN431.3 billion) are expected to be spent as soon as next year, with most of the projects ready to start right away. These resources would be distributed among 72 projects (see table below). From these, 35 are concentrated in the transportation sector, followed by 9 in tourism and 4 in water and sanitation, among the most relevant. Within the former category and as far as we know, some of the most important projects include The *Inter-Urban Train between Mexico City and Toluca* (MXN20bn), the *Second Floor to the Mexico-Pachuca highway* (MXN7.5bn) and the *Elevated Highway in Santa Catarina* (MXN6.8bn). The plan also includes a plethora of investments in the maintenance of airports operated by the Federal Government, along construction of highways and ports across the country. For 2021-2022, spending is estimated at MXN255.9bn (29.8% of the total) and for 2023-2024 at about MXN171.7bn (20.0%).

Investment projects by the private sector*

MXN million (number of projects in parenthesis)

Sector	2020	2021 - 2022	2023 - 2024	Total
Transportation	114,703 (50)	83,279 (27)	85,871 (24)	283,853 (101)
<i>Highways</i>	38,255 (15)	24,957 (9)	36,917 (18)	100,129 (42)
<i>Railways and trains</i>	22,650 (3)	18,840 (2)	26,054 (3)	67,544 (8)
<i>Ports</i>	24,594 (15)	26,227 (4)	22,900 (3)	73,721 (22)
<i>Airports</i>	29,204 (17)	13,255 (12)	0 (0)	42,459 (29)
Telecommunications	86,561 (2)	31,492 (2)	0 (0)	118,053 (4)
Water and Sanitation	15,998 (4)	30,502 (8)	0 (0)	46,500 (12)
Tourism	130,964 (9)	102,720 (3)	19,080 (3)	252,764 (15)
Healthcare	1,312 (1)	0 (0)	0 (0)	1,312 (1)
Other	0 (0)	8,000 (1)	0 (0)	8,000 (1)
To be determined	81,780	0	66,760	148,540
Total	431,318 (72)	255,993 (41)	171,711 (34)	859,022 (147)
% of GDP**	1.8	1.1	0.7	3.6

* Projects in energy and healthcare not included

** Nominal GDP as of the latest data available (last four quarters until 3Q19)

Source: Office of the President, CCE (Mexican business chamber)

Projects focused in the south/southeast region. One of the stated goals of the agreement is to deploy additional resources into infrastructure projects that are located in states in which economic development has lagged relative to the rest of the country, most of them in the south/southeast region. In particular, the program considers 42 projects with a total estimated investment of MXN137.3bn, including highways, ports, airports, energy and tourism (see chart below).

Selected projects in the South/South-East region



Source: Office of the President, CCE (Mexican business chamber)

In our view, the plan constitutes a positive effort of the administration to reactivate economic activity. Moreover, it is our take that it should help reduce high levels of uncertainty, which we believe have also impacted GDP growth, particularly investment spending. We also think that the fact that the agreement includes the possibility of adding new projects, along mechanisms to follow-up on the status of investments, will also help in terms of: (1) Increasing coordination between the public and the private sector; and (2) accelerate spending outlays. We reiterate our GDP forecast for 2020 at 1.4% yoy, in which we expect investment within aggregate demand to return back to positive territory (+0.3% vs -4.2% estimated for this year). For details of our framework and growth estimates, see: “*3Q19 GDP – A slight improvement despite temporary shocks on the horizon*”, <[pdf](#)>, November 25th, 2019. Last but not least, we will be focused on the upcoming presentation of the *National Infrastructure Plan*, which according to government officials, will be announced in January 2020.

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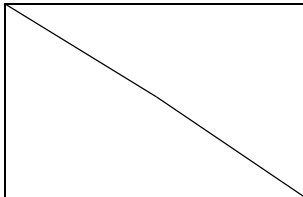
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GRUPO FINANCIERO BANORTE S.A.B. de C.V.
Research and Strategy

Gabriel Casillas Olvera	Chief Economist and Head of Research	gabriel.casillas@banorte.com	(55) 4433 - 4695
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967

Economic Analysis

Delia María Paredes Mier	Executive Director of Economic Analysis	delia.paredes@banorte.com	(55) 5268 - 1694
Katia Celina Goya Ostos	Senior, Global Economist	katia.goya@banorte.com	(55) 1670 - 1821
Juan Carlos Alderete Macal, CFA	Senior Economist, Mexico	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Miguel Alejandro Calvo Domínguez	Economist, Regional	miguel.calvo@banorte.com	(55) 1670 - 2220
Francisco José Flores Serrano	Economist, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Luis Leopoldo López Salinas	Analyst, Global Economist	luis.lopez.salinas@banorte.com	(55) 1103 - 4000 x 2707
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611

Fixed income and FX Strategy

Alejandro Padilla Santana	Head Strategist – Fixed income and FX	alejandro.padilla@banorte.com	(55) 1103 - 4043
Santiago Leal Singer	FX Senior Strategist	santiago.leal@banorte.com	(55) 1670 - 2144
Leslie Thalía Orozco Vélez	Fixed Income and FX Strategist	leslie.orozco.velez@banorte.com	(55) 5268 - 1698

Equity Strategy

Manuel Jiménez Zaldivar	Director Equity Research — Telecommunications / Media	manuel.jimenez@banorte.com	(55) 5268 - 1671
Víctor Hugo Cortes Castro	Technical Analysis	victorh.cortes@banorte.com	(55) 1670 - 1800
Marissa Garza Ostos	Equity Research – Conglomerates / Financials/ Mining / Petrochemicals	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Equity Research – Airlines / Airports / Cement / Infrastructure / REITs	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Equity Research – Auto Parts/ Consumer Discretionary / Real Estate / Retail	valentin.mendoza@banorte.com	(55) 1670 - 2250
Jorge Antonio Izquierdo Lobato	Analyst	jorge.izquierdo.lobato@banorte.com	(55) 1670 - 1746
Eridani Ruibal Ortega	Analyst	eridani.ruibal.ortega@banorte.com	(55) 1103 – 4000 x 2755
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251

Corporate Debt

Tania Abdul Massih Jacobo	Director Corporate Debt	tania.abdul@banorte.com	(55) 5268 - 1672
Hugo Armando Gómez Solís	Senior, Corporate Debt	hugoa.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Manager, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248

Wholesale Banking

Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(81) 8319 - 6895
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebaldos@banorte.com	(55) 5268 - 9996
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 1002
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8318 - 5071
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5004 - 1453
René Gerardo Pimentel Ibarrola	Head of Corporate Banking	pimentelr@banorte.com	(55) 5268 - 9004
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Victor Antonio Roldan Ferrer	Head of Commercial Banking	victor.roltan.ferrer@banorte.com	(55) 5004 - 1454