

The government presents investment plan with the private sector for \$297.3 billion

- President Andrés Manuel López-Obrador released today the *Agreement for the Economic Reactivation* with Mexico's business chamber *Consejo Coordinador Empresarial*, announcing a series of actions and infrastructure projects that will be financed mainly with private resources (at least 50% of total spending)
- The plan details 39 projects for a total amount of \$297.3 billion (US\$ 13.9 billion), from which 7 are already under way (\$38.1 billion) and 32 correspond to new projects (\$259.2 billion). This amount represents around 1.2% of GDP
- By sectors, \$196.2 billion (66.0% of the total) are in communications and transportation, \$2.1 billion in environment and water works (0.7%), and \$99 billion in energy (33.3%). Although some of these had already been announced at the end of 2019, the 5 projects in energy are new
- Of all the projects presented, 16 are already under way or estimated to start in 2020, with the other 23 beginning in 2021
- It is our take that today's announcement is favorable as it signals greater coordination between the federal government and the private sector to boost investment spending, which is key for a more sustainable growth rebound in the short-, medium- and long-term

The government presents investment plan with the private sector. Today, at his daily press conference, president Andrés Manuel López-Obrador presented the joint investment plan with Mexico's chamber *Consejo Coordinador Empresarial* and other business leaders. The plan details 39 projects for a total amount of \$297.3 billion (US\$13.9 billion), of which 7 are already under way (\$38.1 billion) and 32 correspond to new projects (\$259.2 billion), as shown in the table below. It is important to mention that these are expected for years 2020-2021, with the commitment that at least 50% of total financing comes from private sources. Moreover, this amount represents around 1.2% of GDP. On another relevant note, the Minister of Finance, Arturo Herrera, mentioned that projects would be added under this agreement as soon as they are ready to start, following a previous phase of analysis and identification of new opportunities

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Infrastructure projects
Number of projects, \$ million, % of GDP

	New			Underway			Total		
	Projects	\$ million	% of GDP	Projects	\$ million	% of GDP	Projects	\$ million	% of GDP
Total	32	259,195	1.06	7	38,149	0.16	39	297,344	1.22
Highways	20	69,895	0.29	7	38,149	0.16	27	108,044	0.44
Ports	2	4,511	0.02	--	--	--	2	4,511	0.02
Trains	3	83,676	0.34	--	--	--	3	83,676	0.34
Environment and water works	2	2,133	0.01	--	--	--	2	2,133	0.01
Oil and gas	5	98,980	0.41	--	--	--	5	98,980	0.41

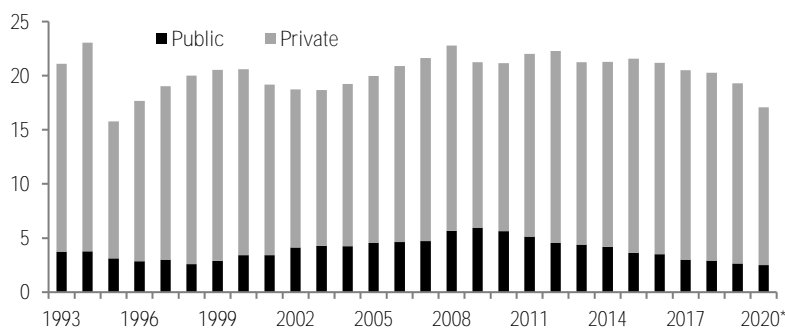
*Note: Using nominal GDP for 2020 calculated by the MoF in the 2021 Economic Policy Criteria
Source: Federal Government, MoF

Investing in strategic sectors. By sectors, around \$19.2 billion (66% of the total amount) are in communications and transportation, \$2.1 billion in environment and water works (0.7%), and \$99 billion in energy (33.3%). We highlight that some of these [had already been announced at the end of 2019](#), although the 5 projects in energy are new, as these were previously delayed in several occasions. Apart from the latter, some of the main works judging by their total size of investment include *The Mexico-Queretaro Train* (\$51.3 billion) and the *Rail Corridor Garcia-Monterrey International Airport* (\$12.6 billion). We also highlight other projects related to the new Mexico City Airport *Felipe Angeles*, such as the *Suburban Railway Branch* (\$12.6 billion) along *Other connection works* (\$9.3 billion). For further details, please see the table at the end of the document.

Inclusion of energy projects. Of the 5 projects considered in this sector, four are with Pemex and one with CFE. All of them are catalogued as strategic partnerships and are estimated to begin in 2021. Specifically, projects with Pemex include: (1) Ethane Terminal in the Petrochemical Complex of Pajaritos, located in Coatzacoalcos, Veracruz, for \$2.5 billion; (2) a fertilizer plant in the Petrochemical Complex of Camargo City, Chihuahua, for \$1.2 billion; (3) the installation of a coker plant at the refinery of Tula, Hidalgo, for \$54.7 billion; and (4) the rehabilitation of a coker plant in the refinery of Cadereyta, Nuevo León, for \$15.4 billion. In the case of CFE, the Liquefaction Unit at Salina Cruz, Oaxaca, for \$25.2 billion.

Positive agreement for investment. In our view, today’s announcement is favorable as it signals greater coordination between the federal government and the private sector to boost investment spending, which has been greatly affected by the COVID-19 pandemic. In this backdrop, we highlight that, according to INEGI, [total investment dropped 21.4% y/y during the first half of 2020](#), with public investment contracting 8.7% and private down 23.2% in a context of high uncertainty and lower economic activity. Moreover, investment has recently shown a downtrend, hovering around 20% of GDP in the last three years and declining in both sectors (see chart below).

Public and private investment
% of GDP



*Note: Using data up to 1H20
Source: INEGI

We think this is an important step to provide better conditions for a rebound in investment, which in turn is key for a more sustainable recovery of growth and domestic demand, both in the short- and medium- to long-term. Moreover, we applaud that the agreement seeks to finance these projects with a significant share of private resources. The latter, in an environment with a strong financial sector and some public finance pressures due to the pandemic, with the federal government limited to do this type of expenditures as it must cope with more immediate needs in the health sector, among others. Going forward, we will heed the presentation of new projects, which could be favorable for the welfare of all economic agents.

Annex 1: Infrastructure projects

Category	Project	Construction start	Amount (\$ million)	Amount (US\$ million ¹)	% of GDP ²	
Total (New projects + underway)			297,344	13,895	1.221	
<i>New projects</i>			259,195	12,112	1.064	
1	Highways	SLP highway bypass (Ventura - El Peyote)	Oct-2020	4,297	201	0.018
2	Highways	Chiapas highway expansion (Tuxtla Gutiérrez - San Cristobal)	Oct-2020	1,045	49	0.004
3	Highways	Av. Juárez construction (1st stage in SLP)	Oct-2020	766	36	0.003
4	Highways	Highway Tepic - Villa Unión	Oct-2020	93	4	0.000
5	Highways	Modernization Fresnillo - Cuauhtémoc Osiris highway bypass	Nov-2020	3,826	179	0.016
6	Highways	Connection works Felipe Ángeles Airport (Santa Lucía Airport)	Nov-2020	9,265	433	0.038
7	Ports	Construction of the cruise ship dock in Cozumel	Dec-2020	511	24	0.002
8	Highways	Highway MRO Compostela - Las Varas	Dec-2020	3,000	140	0.012
9	Environment	Solid waste management (Naucalpan, Edo. Méx.)	Dec-2020	1,639	77	0.007
10	Highways	La Pitahaya - Western SLP bypass construction	Jan-2021	7,182	336	0.029
11	Highways	Ciudad Juárez bypass construction	Feb-2021	3,358	157	0.014
12	Highways	Southeastern MRO in highways in Veracruz, Tabasco, Campeche and Chiapas	Feb-2021	5,024	235	0.021
13	Highways	Ixmiquilpan bypass	Mar-2021	3,055	143	0.013
14	Trains	Construction Suburban Railway Branch Lechería - Felipe Ángeles Airport	Mar-2021	12,565	587	0.052
15	Highways	East connection State of Mexico (Felipe Ángeles Airport connection)	Mar-2021	4,773	223	0.020
16	Highways	Monterrey - Laredo highway, section La Gloria - San Fernando	Mar-2021	450	21	0.002
17	Highways	Complementary works to the Colombia Bridge	Mar-2021	411	19	0.002
18	Highways	Nichupté vehicular bridge	Mar-2021	4,676	219	0.019
19	Highways	Construction Real del Monte - Huasca highway	Apr-2021	2,650	124	0.011
20	Highways	Zaragoza Elevated Viaduct	Apr-2021	8,000	374	0.033
21	Trains	México - Querétaro train	Jun-2021	51,300	2,397	0.211
22	Highways	Construction of the Tepic - Compostela highway	Jun-2021	1,800	84	0.007
23	Highways	Southern Oaxaca highway bypass	Jun-2021	3,424	160	0.014
24	Water works	Construction of the water supply system to the Benito Juárez Airport	Aug-2021	494	23	0.002
25	Ports	Expansion and modernization of Puerto Progreso	Nov-2021	4,000	187	0.016
26	Highways	Construction of the international border crossing Mesa de Otay II	Dec-2021	2,800	131	0.011
27	Trains	Rail corridor García - Monterrey International Airport	Dec-2021	19,811	926	0.081
28	Hydrocarbons	Ethane terminal in Pajaritos, Veracruz	2021	2,520	118	0.010
29	Hydrocarbons	Fertilizer plant in Camargo, Chihuahua	2021	1,155	54	0.005
30	Hydrocarbons	Installation of a coker plant in the Tula refinery	2021	54,705	2,556	0.225
31	Hydrocarbons	Rehabilitation of a coker plant in the Cadereyta refinery	2021	15,400	720	0.063
32	Hydrocarbons	Liquefaction unit in Salina Cruz	2021	25,200	1,178	0.103
<i>Underway</i>			38,149	1,783	0.157	
1	Highways	Urban highway 'Siervo de la Nación' (State of Mexico - Felipe Ángeles Airport)	Dec-2019	8,700	407	0.036
2	Highways	Santa Catarina, N.L. Viaduct	Jan-2020	4,909	229	0.020
3	Highways	Mitla - Tehuantepec II Highway	Apr-2020	7,670	358	0.031
4	Highways	Modernization Ecuanduro - La Piedad, Zitácuaro - Maravatio and Lagos de Moreno bypass highways	Jul-2020	8,991	420	0.037
5	Highways	Southern Pacific Package (Guadalajara -Tepic highway, Guadalajara and Tepic southern bypass)	Jul-2020	2,011	94	0.008
6	Highways	Northeastern MRO in Nuevo León and Tamaulipas highways	Jul-2020	3,768	176	0.015
7	Highways	Construction of the southwestern Aguascalientes highway bypass	Sep-2020	2,100	98	0.009

*Note: MRO: Modernization, rehabilitation and operation; 1. Using an exchange rate of USD/MXN 21.40; 2. Using nominal GDP for 2020 calculated by the MoF in the 2021 Economic Policy Criteria
Source: Federal Government, MoF

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