

The government presents a new investment plan with the private sector for \$228.6 billion

- President Andrés Manuel López-Obrador announced today new infrastructure projects as part of the *Agreement for the Economic Reactivation* with Mexico’s business chamber *Consejo Coordinador Empresarial*
- This new plan details 29 projects for a total amount of \$228.6 billion (US\$11.4 billion), equivalent to 1.0% of GDP. Out of these, 3 are slated to begin this year, with the remaining 26 starting in 2021
- By sectors, \$116.7 billion (51% of the total) are in energy, \$110.2 billion in communications and transportation (48%) and \$1.7 billion in environment and water works (1%)
- This is a follow up of the [plan announced on October 5th](#), which had a total investment of \$297.3 billion (US\$14.8 billion), with 39 projects. Summing up both plans the total represents \$526 billion (US\$26.2 billion) around 2.3% of GDP
- From the first package, the government stated that ten have begun, with a total investment of \$43.5 billion (US\$2.2 billion)
- Today’s announcement is positive as it reinforces signals about greater coordination and follow through of projects between the private and public sectors. In addition, these support our call for GDP to grow 4.1% in 2021, significantly above consensus expectations

The government presents a new 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* (CCE) and other business leaders. The plan details 29 projects for a total of \$228.6 billion (US\$11.4 billion), equivalent to 1.0% of GDP, as shown in the table below. Out of these, three are expected to begin this year, with the remaining 26 slated for 2021. This comes on top of the previous plan –[announced on October 5th](#)–, which had a total investment of \$297.3 billion (US\$14.8 billion) on 39 projects. Once again, they stated that at least 50% of total financing would come from private sources. In addition, the Finance Minister, Arturo Herrera, and the president of the CCE, Carlos Salazar, mentioned that they expect to continue presenting new projects, as their feasibility is determined. This comes as a result of a detailed action plan, discussed at greater length later in the document.

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

	First announcement				Second announcement				Total			
	Projects	\$ millions	US\$ millions	% of GDP	Projects	\$ millions	US\$ millions	% of GDP	Projects	\$ millions	US\$ millions	% of GDP
Total	39	297,344.0	14,808.0	1.29	29	228,632.0	11,386.1	0.99	68	525,976.0	26,194.0	2.28
Transportation and communications	33	197,870.0	9,854.1	0.86	18	110,214.0	5,488.7	0.48	51	308,084.0	15,342.8	1.34
Energy	5	98,980.0	4,929.3	0.43	9	116,705.0	5,812.0	0.51	14	215,685.0	10,741.3	0.94
Water works and environment	1	494.0	24.6	0.00	2	1,713.0	85.3	0.01	3	2,207.0	109.9	0.01

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

November 30, 2020

www.banorte.com
@ analisis_fundam

Gabriel Casillas
Chief Economist and Head of Research
gabriel.casillas@banorte.com

Alejandro Padilla
Executive Director of Economic Research and Financial Markets Strategy
alejandro.padilla@banorte.com

Juan Carlos Alderete, CFA
Director of Economic Research
juan.alderete.maca@banorte.com

Francisco Flores
Senior Economist, Mexico
francisco.flores.serrano@banorte.com

Winners of the award for best economic forecasters for Mexico in 2019, granted by *Refinitiv*



Document for distribution among the general public

Investment remains focused in three key areas. Similar to the previous plan, main focus is centered in three sectors: (1) Energy, with \$116.7 billion (51% of total resources); (2) transportation and communications, with \$110.2 billion (48%); and (3) water works and environment, at \$1.7 billion (1%). Within the first, the government included eight projects related to CFE, amounting to \$69.7 billion. Although most resources will come from the state-owned company, a lot of activities will be tendered to private companies. It should be noted that six out of the eight include combined cycle power plants. Turning to the second, some of the most important projects include the *Naucalpan – Ecatepec highway* (\$20.0 billion), the *Monterrey bypass* (\$19.0 billion), and *highways in the southern part of the State of Mexico* (\$15.4 billion). Finally, there are only two projects dedicated to water works, both located in Los Cabos, BCS.

Orderly strategy that allows the development of high-impact and efficient projects. The MoF stated that there are four guidelines to meet the selection criteria, which are: (1) More than 50% of total investment for each project must be from the private sector; (2) it should be directed to the energy, communication and transportation, water and environmental sectors; (3) there needs to be clarity about their social benefits, cost and implementation time; and (4) they must not impact public debt. Once these eligibility criteria are met, there is a five-stage program, starting from the initial analysis to see the potential opportunities until its fruition. This serves as a mechanism to ensure that projects get underway, and those with higher probabilities get completed. This explains why the rollout of projects has been segmented, and why it will continue to be this way going forward.

Closer focus on investment provides some support to our view of a stronger GDP rebound in 2021. Apart from unveiling more projects, we believe the announcement reinforces recent signals about higher coordination between the private sector and the government about the need to reactivate the economy. In this sense, we also highlight that the Federal government seems increasingly open to adjust its proposed bill on outsourcing, which is currently being debated. Specifically, the President said that a meeting will be held today with the private sector on this matter, following concerns that some of the initiatives might have on employment levels. Moreover, we see additional positives. Among them, we highlight that: (1) Today's plan included a brief update about the progress of previously announced projects, with 26 out of the 68 so far already starting works, based on our understanding; and (2) the fact that there seems to be very specific eligibility criteria and cost estimates. Broadly speaking, these actions may help foster lower uncertainty, which remains elevated despite recently optimistic news about a COVID-19 vaccine. Specifically, clear rules and higher coordination between sectors may boost these projects' estimated profitability if they lead to a lower chance of cost overruns and/or delayed construction and development times. In turn, it is our take that this combination may help boost business confidence, which remains relatively depressed and in our view is a key ingredient to kickstart stronger investment dynamics. Lastly, and as stated before, we applaud that the agreement aims to finance these projects with a significant share of private resources.

The latter is especially important in an environment with a strong financial sector and some public finance pressures due to the pandemic, with the federal government limited as it must cope with more immediate needs in the health sector, among others. All in all, and despite being relatively modest, we think these efforts to boost investment –among other factors– provide support to our call for GDP to grow 4.1% in 2021, significantly above consensus at 3.2%, according to the latest central bank survey.

Annex 1: Infrastructure projects

	Category	Project	Construction start	Amount (\$ million)	Amount (US\$ million ¹)	% of GDP ²
1	Highways	Naucalpan - Ecatepec highway	Nov-2020	20,000	996	0.087
2	Highways	Junction to the main access of the Santa Lucía Airport	Dec-2020	1,500	75	0.007
3	Highways	Highways in the southern part of the State of Mexico	Dec-2020	15,358	765	0.067
4	Energy	Natural gas liquefaction terminal Energía Costa Azul	Jan-2021	47,000	2,341	0.204
5	Highways	Colima bypass	Jan-2021	2,692	134	0.012
6	Highways	Cuapixtla - Cuacnopalan highway	Jan-2021	4,211	210	0.018
7	Logistics	T-MEC Park	Jan-2021	13,020	648	0.056
8	Highways	Brownsville - Matamoros vehicular bridge	Feb-2021	108	5	0.000
9	Highways	Altar - Sásabe highway	Mar-2021	1,617	81	0.007
10	Energy - Electricity	Tecoluitla Lerdo compression stations	Apr-2021	1,598	80	0.007
11	Ports	Heavy components manufacturing plant	May-2021	3,960	197	0.017
12	Water works	Block water supply (Desalination plant Los Cabos)	May-2021	1,106	55	0.005
13	Water works	Improved water management in Los Cabos, BCS	May-2021	607	30	0.003
14	Energy - Electricity	Power plant in Baja California Sur	Jun-2021	4,921	245	0.021
15	Energy - Electricity	Power plant in Tuxpan (Phase 1)	Jun-2021	12,157	605	0.053
16	Highways	Centinela La Rumorosa highway modernization	Jul-2021	426	21	0.002
17	Highways	San Miguel bridge modernization (Sinaloa) + Los Mochis - Topolobampo bypass	Jul-2021	3,286	164	0.014
18	Transportation and storage of hydrocarbons	Transisthmian Gas Pipeline	Jul-2021	9,030	450	0.039
19	Highways	Tultepec - Santiago Tolman highway (Tultepec - Pyramids highway)	Aug-2021	8,671	432	0.038
20	Energy - Electricity	Power plant in González Ortega	Aug-2021	10,707	533	0.046
21	Energy - Electricity	Power plant in Mérida	Aug-2021	7,210	359	0.031
22	Energy - Electricity	Power plant San Luis Río Colorado	Aug-2021	10,729	534	0.047
23	Energy - Electricity	Power plant in Valladolid	Aug-2021	13,353	665	0.058
24	Highways	La Gloria - Colombia highway	Sep-2021	3,585	179	0.016
25	Highways	Orizaba - Cd. Mendoza bypass	Oct-2021	3,700	184	0.016
26	Highways	La Piedad - La Barca highway construction	Nov-2021	3,200	159	0.014
27	Highways	Silao - San Miguel de Allende highway construction	Dec-2021	5,180	258	0.022
28	Highways	Monterrey bypass	Dec-2021	19,000	946	0.082
29	Highways	Samalayuca - San Jerónimo border connector bypass	Dec-2021	700	35	0.003

*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

Analyst Certification

We, Gabriel Casillas Olvera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Tania Abdul Massih Jacobo, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Valentín III Mendoza Balderas, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez, Gerardo Daniel Valle Trujillo, Eridani Ruibal Ortega and Juan Barbier Arizmendi, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V for the provision of our services.

Relevant statements.

In accordance with current laws and internal procedures manuals, analysts are allowed to hold long or short positions in shares or securities issued by companies that are listed on the Mexican Stock Exchange and may be the subject of this report; nonetheless, equity analysts have to adhere to certain rules that regulate their participation in the market in order to prevent, among other things, the use of private information for their benefit and to avoid conflicts of interest. Analysts shall refrain from investing and holding transactions with securities or derivative instruments directly or through an intermediary person, with Securities subject to research reports, from 30 calendar days prior to the issuance date of the report in question, and up to 10 calendar days after its distribution date.

Compensation of Analysts.

Analysts' compensation is based on activities and services that are aimed at benefiting the investment clients of Casa de Bolsa Banorte and its subsidiaries. Such compensation is determined based on the general profitability of the Brokerage House and the Financial Group and on the individual performance of each analyst. However, investors should note that analysts do not receive direct payment or compensation for any specific transaction in investment banking or in other business areas.

Last-twelve-month activities of the business areas.

Grupo Financiero Banorte S.A.B. de C.V., through its business areas, provides services that include, among others, those corresponding to investment banking and corporate banking, to a large number of companies in Mexico and abroad. It may have provided, is providing or, in the future, will provide a service such as those mentioned to the companies or firms that are the subject of this report. Casa de Bolsa Banorte or its affiliates receive compensation from such corporations in consideration of the aforementioned services.

Over the course of the last twelve months, Grupo Financiero Banorte S.A.B. C.V., has not obtained compensation for services rendered by the investment bank or by any of its other business areas of the following companies or their subsidiaries, some of which could be analyzed within this report.

Activities of the business areas during the next three months.

Casa de Bolsa Banorte, Grupo Financiero Banorte or its subsidiaries expect to receive or intend to obtain revenue from the services provided by investment banking or any other of its business areas, by issuers or their subsidiaries, some of which could be analyzed in this report.

Securities holdings and other disclosures.

As of the end of last quarter, Grupo Financiero Banorte S.A.B. of C.V. has not held investments, directly or indirectly, in securities or derivative financial instruments, whose underlying securities are the subject of recommendations, representing 1% or more of its investment portfolio of outstanding securities or 1 % of the issuance or underlying of the securities issued.

None of the members of the Board of Grupo Financiero Banorte and Casa de Bolsa Banorte, along general managers and executives of an immediately below level, have any charges in the issuers that may be analyzed in this document.

The Analysts of Grupo Financiero Banorte S.A.B. of C.V. do not maintain direct investments or through an intermediary person, in the securities or derivative instruments object of this analysis report.

Guide for investment recommendations.

	Reference
BUY	When the share expected performance is greater than the MEXBOL estimated performance.
HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
SELL	When the share expected performance is lower than the MEXBOL estimated performance.

Even though this document offers a general criterion of investment, we urge readers to seek advice from their own Consultants or Financial Advisors, in order to consider whether any of the values mentioned in this report are in line with their investment goals, risk and financial position.

Determination of Target Prices

For the calculation of estimated target prices for securities, analysts use a combination of methodologies generally accepted among financial analysts, including, but not limited to, multiples analysis, discounted cash flows, sum-of-the-parts or any other method that could be applicable in each specific case according to the current regulation. No guarantee can be given that the target prices calculated for the securities will be achieved by the analysts of Grupo Financiero Banorte S.A.B. C.V, since this depends on a large number of various endogenous and exogenous factors that affect the performance of the issuing company, the environment in which it performs, along with the influence of trends of the stock market, in which it is listed. Moreover, the investor must consider that the price of the securities or instruments can fluctuate against their interest and cause the partial and even total loss of the invested capital.

The information contained hereby has been obtained from sources that we consider to be reliable, but we make no representation as to its accuracy or completeness. The information, estimations and recommendations included in this document are valid as of the issue date, but are subject to modifications and changes without prior notice; Grupo Financiero Banorte S.A.B. of C.V. does not commit to communicate the changes and also to keep the content of this document updated. Grupo Financiero Banorte S.A.B. of C.V. takes no responsibility for any loss arising from the use of this report or its content. This document may not be photocopied, quoted, disclosed, used, or reproduced in whole or in part without prior written authorization from Grupo Financiero Banorte S.A.B. of C.V.

GRUPO FINANCIERO BANORTE S.A.B. de C.V.

Research and Strategy			
Gabriel Casillas Olvera	IRO and Chief Economist	gabriel.casillas@banorte.com	(55) 4433 - 4695
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611
Economic Research and Financial Market Strategy			
Alejandro Padilla Santana	Executive Director of Economic Research and Financial Markets Strategy	alejandro.padilla@banorte.com	(55) 1103 - 4043
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251
Economic Research			
Juan Carlos Alderete Macal, CFA	Director of Economic Research	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Francisco José Flores Serrano	Senior Economist, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Katia Celina Goya Ostos	Senior Economist, Global	katia.goya@banorte.com	(55) 1670 - 1821
Luis Leopoldo López Salinas	Economist, Global	luis.lopez.salinas@banorte.com	(55) 1103 - 4000 x 2707
Market Strategy			
Manuel Jiménez Zaldivar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671
Fixed income and FX Strategy			
Santiago Leal Singer	Senior Strategist, Fixed Income and FX	santiago.leal@banorte.com	(55) 1670 - 2144
Leslie Thalia Orozco Vélez	Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 5268 - 1698
Equity Strategy			
Marissa Garza Ostos	Director of Equity Strategy	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Senior Strategist, Equity	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Senior Strategist, Equity	valentin.mendoza@banorte.com	(55) 1670 - 2250
Victor Hugo Cortes Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Eridani Ruibal Ortega	Analyst	eridani.ruibal.ortega@banorte.com	(55) 1103 - 4000 x 2755
Juan Barbier Arizmendi, CFA	Analyst	juan.barbier@banorte.com	(55) 1670 - 1746
Corporate Debt			
Tania Abdul Massih Jacobo	Director of Corporate Debt	tania.abdul@banorte.com	(55) 5268 - 1672
Hugo Armando Gómez Solís	Senior Analyst, Corporate Debt	hugoa.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248
Economic Studies			
Delia María Paredes Mier	Executive Director of Economic Studies	delia.paredes@banorte.com	(55) 5268 - 1694
Miguel Alejandro Calvo Domínguez	Senior Analyst, Economic Studies	miguel.calvo@banorte.com	(55) 1670 - 2220
Wholesale Banking			
Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(81) 8319 - 6895
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5268 - 9996
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Frigolet Vázquez Vela	Head of Sólida Banorte	alejandro.frigolet.vazquezvela@banorte.com	(55) 5268 - 1656
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 1002
Carlos Alberto Arciniega Navarro	Head of Treasury Services	carlos.arciniega@banorte.com	(81) 1103 - 4091
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
Lizza Velarde Torres	Executive Director of Wholesale Banking	lizza.velarde@banorte.com	(55) 4433 - 4676
Oswaldo Brondo Menchaca	Head of Specialized Banking Services	oswaldo.brondo@banorte.com	(55) 5004 - 1423
Raúl Alejandro Arauzo Romero	Head of Transactional Banking	alejandro.arauzo@banorte.com	(55) 5261 - 4910
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.rolan.ferrer@banorte.com	(55) 5004 - 1454