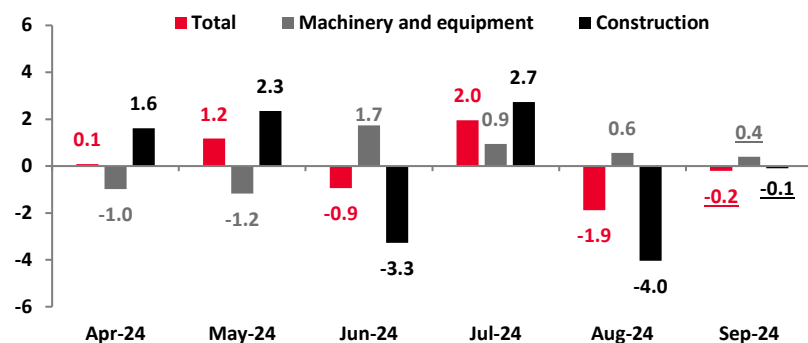


## Mexico Economics – View from the Top

- We anticipate a modest decline in gross fixed investment (GFI) in the ninth month of the year, impacted by construction and imported machinery and equipment
- The proposal on infrastructure projects for 2025 reaffirms that railroads will be prioritized at the beginning of the new administration, breaking ground in three passenger lines and with the rehabilitation of some freight lines
- This week, releases also include private consumption for September and October’s remittances and employment

**Second straight decline in GFI.** We expect a 0.2% m/m contraction in September (-0.5% y/y), recognizing several challenges in the month. Part of the decline would be dictated by construction (-0.1% m/m), with weakness in the non-residential component behind the result. We should remember that the [industrial production](#) report showed notable weakness in civil engineering and ‘mining-related services’, an item reflected in construction on the demand side. Meanwhile, machinery and equipment would come in at +0.4%. The domestic component (+1.2%) would have been supported by local manufacturing strength, although with the imported branch (-0.8%) suffering from the recent moderation in capital goods imports.

**Gross fixed investment\***  
% m/m sa



\*Underlined figures refer to forecasts. Source: Banorte with data from INEGI

**Trains will be a priority in Claudia Sheinbaum's administration...** The federal government presented a rail connectivity plan that contemplates the development of new tracks and the rehabilitation of others. The projects were classified under five major headings: (1) Construction of 3,000 kilometers passenger lines (see table below, left); (2) strengthening of cargo transportation by rail; (3) completion of the ‘K Line’ of the Interoceanic Train to the border with Guatemala; (4) implementation of cargo transportation on the *Tren Maya*; and (5) connection of the *Tren Maya* to the port of Progreso in Yucatán. For the time being, the the first has been prioritized. Specifically, the plan seeks to build three lines –part of the new administration’s flagship works– with the goal of linking Mexico City with cities in the center and north of the country. We highlight two factors to contextualize these developments. The first is the constitutional reform –approved in mid-October– by which: (1) The state retakes the right of use in railways for passenger train services; (2) passenger and freight transportation are recognized as “priority areas for national development”; and (3) those individuals who currently have concessions for freight transportation will be considered first in the concessions of passenger lines. On the latter point, there are currently four concessionaires in the country. In 2023, they managed 17.7 thousand kms out of a total of 23.4 thousand. Secondly, according to the *Rail Transport Regulatory Agency*, in that same year total passengers reached 45.8 million, still below pre-pandemic levels (see table below, right).



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...with a special emphasis on passenger lines, as already reflected in the **2025 Budget Proposal**. The **2025 Budget Proposal** (PEF, in Spanish) is allocating \$149 billion (79% of the total budget for priority projects) to railway-related works. Of this amount, \$74 billion would correspond to the completion of sections started in the previous administration. These include the *Tren Maya* (construction and strengthening of infrastructure), the Interoceanic (rehabilitation, improvement, supplies, replacement, and modernization), and the Interurban Mexico - Toluca and the Lechería - AIFA railways. The remaining \$75 billion would be deployed to new projects. These are broken down as follows: (1) Two sections of Route 2 (Mexico - Nuevo Laredo): Saltillo - Nuevo Laredo for \$10 billion and Querétaro - Irapuato for another \$10 billion –which will be concessioned and are currently awaiting completion of feasibility studies– by the middle of next year; (2) one section of Route 3 (Mexico - Guadalajara): Mexico - Queretaro with \$30 billion and 25 kilometers that will start in April 2025; and (3) Route 1 (AIFA - Pachuca) with \$25 billion for the construction of 64 kilometers, with works ongoing since October.

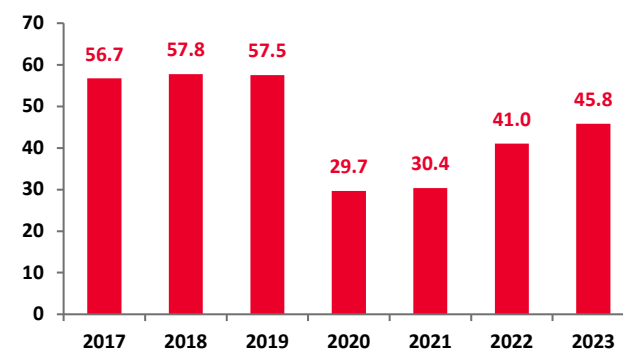
#### Infrastructure works at the current administration: Passenger lines

Route	Relevant connections	Extension (km)	Construction period	Management
1 AIFA - Pachuca	--	150	Oct-24 to May-29	To be determined
2 México - Nuevo Laredo	Irapuato, Monterrey, San Luis Potosí, Querétaro	1,143	Oct-24 to Dec-29	Concession
3 México - Guadalajara	Querétaro	581	Oct-24 to May-29	Concession

Source: Banorte with figures from the President's Office

#### Passenger traffic by rail

Millions



Source: Rail Transport Regulatory Agency

**Other relevant investment works will be concentrated on water infrastructure.** In recent days, President Sheinbaum presented her National Water Plan, with actions in 2025 contemplated on five fronts: (1) Ordering concessions; (2) irrigation technification; (3) implementation of a 'Master Plan' with states and municipalities, discussed by the President with local representatives in the transition period; (4) strategic projects in regions with greater needs; and (5) sanitation of various bodies of water, including the Lerma - Santiago, Atoyac, and Tula rivers. In this sense, CONAGUA's priority projects in the PEF will receive \$20 billion.

#### Economic calendar

Date	Time (ET)	Event or indicator	Period	Unit	Banorte	Consensus	Previous
Mon 2-Dec	10:00am	Family remittances	October	US\$ mn	5,893.7	5,770.5	5,358.7
Mon 2-Dec	10:00am	Banxico's survey of economic expectations	November				
Mon 2-Dec	1:00pm	IMEF's PMI surveys	November				
		Manufacturing		index	47.9	--	47.1
		Non-manufacturing		index	50.1	--	49.2
Tue 3-Dec	7:00am	Unemployment rate	October	%	2.91	2.90	2.92
		Unemployment rate*		%	2.79	--	2.74
Tue 3-Dec	7:00am	Gross fixed investment	September	% y/y	-0.5	-1.0	-1.9
		Gross fixed investment*		% m/m	-0.2	0.4	-1.9
		Machinery and equipment*		% m/m	0.4	--	0.6
		Construction*		% m/m	-0.1	--	-4.0
Tue 3-Dec	7:00am	Private consumption	September	% y/y	1.4	1.4	2.3
		Private consumption*		% m/m	0.2	5,770.5	0.2
		Domestic (Goods and services)*		% m/m	0.5	--	0.2
		Imported (Goods)*		% m/m	-2.8	--	0.8
Tue 3-Dec	10:00am	International reserves	Nov-29	US\$ bn	--	--	225.5
Tue 3-Dec	10:00am	Auction of 1-, 3-, 6-, and 24-month Cetes, 30-year Mbono (Jul'53), 20-year Udibono (Nov'43), and 1-, 3- and 7-year Bondes F					
Thu 5-Dec	3:30pm	Citibanamex bi-weekly survey of economic expectations					

\*Seasonally adjusted figures. Source: Banorte with figures from INEGI, Banxico, and Bloomberg

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We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Santiago Leal Singer, Víctor Hugo Cortes Castro, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Carlos Hernández García, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, José De Jesús Ramírez Martínez, Daniel Sebastián Sosa Aguilar, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Marcos Saúl García Hernandez, Juan Carlos Mercado Garduño, Ana Gabriela Martínez Mosqueda, Ana Laura Zaragoza Félix, Jazmin Daniela Cuautencos Mora, Andrea Muñoz Sánchez and Paula Lozoya Valadez, 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.

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