

Infrastructure

Trends and Investment Prospects in Latin America

Mexico & Peru

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EXECUTIVE SUMMARY

According to ECLAC, investments in infrastructure works increase the coverage and quality of public services (e.g., health, education, recreation) and reduce costs associated with transportation and logistics. This, in turn, improves access to goods, services, labor and financial markets, providing a suitable environment for improving the population's overall welfare. Therefore, the commission emphasizes that it is necessary to review the investment decision pattern in order to gear it toward new infrastructure.

With strong competition for capital in the region, we believe that countries that refine their PPP models will be viewed with greater interest in the project portfolio.

Public-private partnerships (PPPs) will continue to play a fundamental role in infrastructure development in Latin America. Regulatory reforms will be of key importance in order to expand and improve the role of the private sector in infrastructure investment in the region. This, in turn, will determine countries' success in obtaining private investment. With strong competition for capital in the region, we believe that countries that refine their PPP models will be viewed with greater interest in the project portfolio.

The Peruvian construction sector will grow 5.1% per year on average over the next 5 years.



Transportation infrastructure accounts for more than 40% of the total value of the industry in Peru; it is expected that the sector will show continued strong growth in the short and medium term, although not necessarily the two-digit rates seen in recent years.



This country's energy and public service sectors now account for more than half of the total value of the infrastructure industry, as a result of growth in their shares in recent years.

After growing for the first time (since 2012) in the third quarter of 2014, it is expected that during 2015, the recovery of the construction sector in Mexico will gain momentum. In addition, transportation is expected to be the most important focus of the new National Infrastructure Plan (PNI). It is worth noting that railway and port projects are receiving the most attention. Forecasts indicate that the energy and public service sectors will lead the growth of the Mexican infrastructure sector as part of a number of significant investments to be executed over the coming years.

The Peruvian construction sector will grow 5.1% per year on average over the next 5 years, which is less than the two-digit growth seen in the last decade,

although remaining strong as compared with regional standards. Transportation infrastructure represents more than 40% of the total value of the infrastructure industry in Peru. Although the sector is expected to continue to show strong growth in the short and medium-term, we do not believe we will see the two-digit rates seen in recent years. Lastly, the energy and public service sectors in this country now represent more than half of the total value of the infrastructure industry, as a result of growth in their shares in recent years. We expect this trend to continue, since the existing infrastructure is under pressure, as a consequence of increased demand for capacity.