

GFI – December’s 1.1% yoy scant growth explained by the decline in construction investment

March 4, 2016

www.banorte.com
www.ixe.com.mx
@analisis_fundam

Alejandro Cervantes
Senior Economist, Mexico
Alejandro.cervantes@banorte.com

- **Gross fixed investment (December): 1.1% yoy; Banorte-Ixe: -2.1%; consensus: -1.4% (range of estimates: -2.1% to 0.1%); previous: -0.4%**
- **Investment in construction projects fell 2.1% as a result of a 1.1% yoy reduction in non-residential construction**
- **With today’s figures, GFI expanded 3.8% in 2015, above the 2.9% observed in 2014**
- **In seasonally adjusted terms, GFI increased 1.9% m/m**
- **Looking ahead, we believe that GFI figures will show a significant deceleration in 1Q16**

Lower investment in construction projects. According to *INEGI’s* report, gross fixed investment in December posted a 1.1% yoy expansion, above our -2.1% forecast (consensus: -1.4%). Taking a look at the breakdown, investment in domestic machinery edged-up 11.5% yoy, while the imported component increased 3.75% yoy, despite the depreciation of the Mexican currency. However, the construction sector decreased 2.1%, as a result of a 1.1% reduction in non-residential construction investment. Moreover, residential construction fell 3.35% yoy, as shown in the table below. With today’s figures, GFI increased 3.8% in 2015, above the 2.9% observed in 2014.

Gross fixed investment: December 2015

%yoy	Dec-15	Dec-14	2015	2014
Total	1.1	6.1	3.8	2.9
Construction	-2.1	4.0	0.9	1.4
Residential	-3.3	10.2	2.9	3.1
Non-residential	-1.1	-0.5	-0.7	0.0
Machinery and equipment	6.4	9.9	8.6	5.6
Domestic	11.5	15.2	8.5	5.2
Transportation Equipment	23.7	15.3	12.2	8.6
Other machinery and equipment	-0.7	15.1	4.9	2.2
Imported	3.7	7.4	8.7	5.7
Transportation Equipment	-13.7	-1.0	-1.3	-3.7
Other machinery and equipment	6.0	8.6	10.1	7.2

Source: INEGI

Document for distribution among public

In seasonally adjusted terms, investment increased 1.9% m/m in December.

Investment in domestic machinery and equipment edged-up 3.9% m/m, while the imported component decreased 1.5% m/m. Finally, investment in the construction sector increased 0.7% m/m, as shown in the table below.

Gross fixed investment: December 2015

%m/m sa	Dec-15	Nov-15	Difference
Total	1.9	-2.4	4.2
Construction	0.7	-1.2	1.9
Machinery and equipment	0.6	-1.8	2.3
Domestic	3.9	-0.6	4.5
Imported	-1.5	-2.2	0.7

Source: INEGI

Looking ahead, we believe that GFI figures will show a significant deceleration in 1Q16.

The moderate growth in GFI during the last four reports has been explained by the contraction in construction investment projects. In particular, non-residential construction posted a sharp fall as a result of the decline in public investment projects given the fiscal cut announced by the Federal Government back in November 2015. In addition, we believe that the new fiscal cut announced by the MoF in February 17 will limit the government's ability to invest in public projects, which will be reflected in lower domestic investment figures throughout the first quarter of the year.

Disclaimer

The information contained in this document is illustrative and informative so it should not be considered as an advice and/or recommendation of any kind. BANORTE is not part of any party or political trend.

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
Alejandro Cervantes Llamas	Senior Economist, Mexico	alejandro.cervantes@banorte.com	(55) 1670 - 2972
Katia Celina Goya Ostos	Senior Global Economist	katia.goya@banorte.com	(55) 1670 - 1821
Miguel Alejandro Calvo Domínguez	Economist, Regional & Sectorial	miguel.calvo@banorte.com	(55) 1670 - 2220
Juan Carlos García Viejo	Economist, International	juan.garcia.viejo@banorte.com	(55) 1670 - 2252
Rey Saúl Torres Olivares	Analyst	saul.torres@banorte.com	(55) 1670 - 2957
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
Juan Carlos Alderete Macal, CFA	FX Strategist	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Santiago Leal Singer	Analyst Fixed income and FX	santiago.leal@banorte.com	(55) 1670 - 2144

Equity Strategy

Manuel Jiménez Zaldivar	Director Equity Research — Telecommunications / Media	manuel.jimenez@banorte.com	(55) 5268 - 1671
Victor Hugo Cortes Castro	Equity Research Analyst	victorh.cortes@banorte.com	(55) 1670 - 1800
Marissa Garza Ostos	Senior Equity Research Analyst – Conglomerates/Financials/ Mining/ Chemistry	marissa.garza@banorte.com	(55) 1670 - 1719
Marisol Huerta Mondragón	Equity Research Analyst – Food/Beverages	marisol.huerta.mondragon@banorte.com	(55) 1670 - 1746
José Itzamna Espitia Hernández	Equity Research Analyst – Airports / Cement / Infraestructure / Fibras	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Equity Research Analyst – Auto parts	valentin.mendoza@banorte.com	(55) 1670 - 2250
María de la Paz Orozco García	Analyst	maripaz.orozco@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	Analyst, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Idalia Yanira Céspedes Jaén	Analyst, Corporate Debt	idalia.cespedes@banorte.com	(55) 1670 - 2248

Wholesale Banking

Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
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.cebillos@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 Asset Management	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 Corporate Banking	victor.roltan.ferrer@banorte.com	(55) 5004 - 1454