

GFI report – Investment in imported M&Eq and residential construction improved in August

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- **Gross fixed investment (August): 2.9%; Banorte-Ixe: 4.8%; consensus: 3.8% (range of estimates: 2.6% to 6.7%); previous: 4.6%**
- **In seasonally adjusted terms, GFI decreased 0.5% m/m**
- **Looking ahead, we believe that GFI figures will continue to show a more visible recovery**

Higher investment in imported machinery and equipment and residential construction. According to *INEGI's* report, gross fixed investment in August posted a 2.9% yoy expansion, marginally below our 4.8% forecast. Taking a look at the breakdown, investment in domestic machinery edged-up 7.2% yoy, while the imported component increased 8% yoy, despite the significant depreciation of the Mexican currency. Moreover, the construction sector fell 0.1%, as a result of a 3.3% reduction in non-residential construction investment. However, residential construction increased 4.2% yoy, as shown in the table below. With today's report, GFI now adds a 5% yoy expansion year-to-date.

Gross fixed investment: August 2015

%yoy	Aug-15	Aug-14	Jan-Aug, '15	Jan-Aug, '14
Total	2.9	4.2	5.0	0.5
Construction	-0.1	2.2	2.2	-1.1
Residential	4.2	5.6	4.7	0.5
Non-residential	-3.3	-0.2	0.2	-2.2
Machinery and equipment	7.7	7.5	9.4	3.2
Domestic	7.2	9.7	10.4	1.5
Transportation Equipment	5.2	18.0	13.2	0.4
Other machinery and equipment	9.3	2.4	7.9	2.4
Imported	8.0	6.4	9.0	4.0
Transportation Equipment	0.1	0.0	0.5	-5.0
Other machinery and equipment	9.0	7.3	10.2	5.4

Source: INEGI

In seasonally adjusted terms, investment decreased 0.5% m/m in August. Investment in domestic machinery and equipment edged-up 3.3% m/m, while the imported component decreased 0.8% m/m. Finally, investment in the construction sector decreased 0.7% m/m. With these numbers GFI posted a 6.1% 3m/3m saar expansion, as shown in the chart on the next page. Moreover, imported machinery and equipment grew 8.6% 3m/3m saar.

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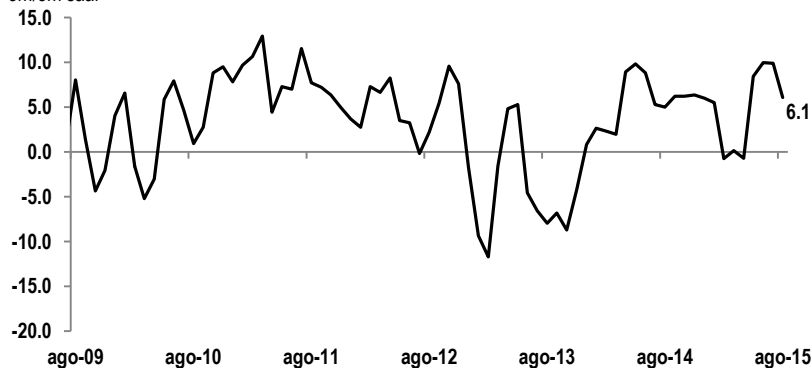
Gross fixed investment: August 2015

%m/m sa	Aug-15	Jul-15	Difference
Total	-0.5	-1.8	1.3
Construction	-0.7	1.0	-1.7
Machinery and equipment	0.1	-5.4	5.6
Domestic	3.3	-2.1	5.5
Imported	-0.8	-6.3	5.5

Source: INEGI

Gross fixed investment

3m/3m saar



Source: Banorte-Ixe

Looking ahead, we believe that GFI figures will continue to show a more visible recovery. August's expansion in imported M&Eq was explained despite the weakness of the Mexican peso, which suggests that Mexican firms have decided to increase their investment spending given the more positive outlook that persists about the Mexico's economic growth.

On the other hand, construction output has decelerated in the last months. However, construction in the residential sector has maintained a favorable performance given the recovery in household's spending and the improvement in consumers' sentiment. In this regard, we believe that the next GFI reports will reflect these factors and will show a more visible recovery in the second half of the year.

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