

Surge in GFI due to a calendar effect

July 5, 2018

- **Gross fixed investment (April): 10.5% yoy (nsa); Banorte: 8.1%; consensus: 9.5% (range of estimates: 3.1% to 14.2%); previous: -4.1%**
- **The strong increase in April was explained by a calendar effect which added days to the annual comparison. When excluding it, GFI posted a 4.9% yoy expansion**
- **However, in the monthly comparison GFI edged down 0.5% m/m in April (seasonally adjusted figures), on the back of a contraction in investment in domestic machinery and equipment**
- **We expect a more moderate expansion in GFI in the coming months**

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Strong increase in GFI due to a calendar effect. According to *INEGI's* report, gross fixed investment posted a 10.5% yoy expansion in April. Nevertheless, this increase is explained by a calendar effect as the *Easter holiday* took place in March in 2018 vs. April in 2017. Adjusting for this effect, GFI expanded 4.9% on the back of 6.1% expansion in investment of machinery and equipment, and the 2.7% increase in construction investment.

Gross fixed investment
% yoy, working day adjusted

	Apr-18	Apr-17	Jan-Apr, '18	Jan-Apr, '17
Total	4.9	-5.4	3.5	-2.1
Construction	2.7	-9.1	1.2	-5.4
Machinery and equipment	6.1	1.7	6.7	2.6
Domestic	-0.1	-1.5	2.0	0.5
Imported	9.5	4.5	10.0	4.3

Source: INEGI

In the monthly comparison GFI edged down 0.5% m/m in April (seasonally adjusted figures) Investment in construction posted a 0.8% m/m contraction, on the back of a 0.5% decrease in residential construction. In addition, non-residential construction edged-down 0.7% m/m. Meanwhile, investment in machinery and equipment came down 2.2% m/m, explained by a contraction in the domestic component (-5.6%). Moreover, imported machinery and equipment investment posted a 0.9% m/m decrease (refer to the table below).

Gross fixed investment
% m/m sa

	Apr-18	Mar-18	Feb-18
Total	-1.3	-0.5	0.4
Construction	-0.8	-2.5	0.2
Residential	-0.5	-3.8	1.7
Non-residential	-0.7	-0.4	-1.3
Machinery and equipment	-2.2	1.8	2.2
Domestic	-5.6	6.6	1.3
Transportation equipment	-6.9	4.0	6.5
Other M&Eq	-5.9	6.2	-1.2
Imported	-0.9	-0.4	2.3
Transportation equipment	2.5	5.8	1.7
Other M&Eq	-0.4	-1.6	1.9

Source: INEGI

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With these results, GFI posted a 6.8% 3m/3m saar expansion. Taking a look at the breakdown, investment in construction went into negative territory, standing at -2.9% 3m/3m annualized. However, the machinery and equipment component continued to grow at high rates (24% 3m/3m annualized), mainly driven by the national component (30.1% 3m / 3m annualized).

Gross fixed investment
% 3m/3m saar

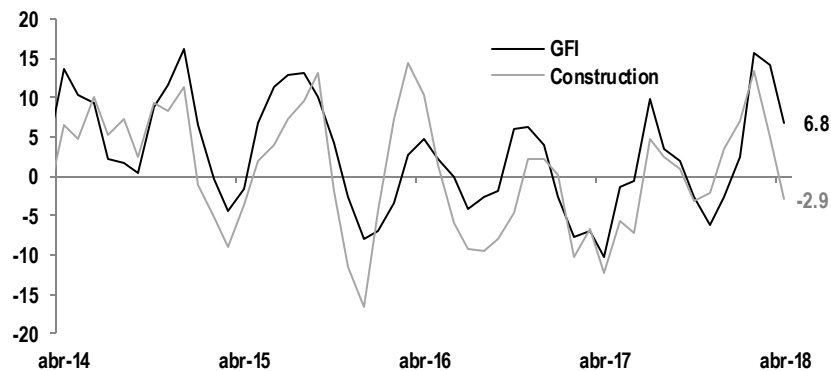
	Feb-Apr, '18	Jan-Mar, '18	Oct-Dec, '17
Total	6.8	14.1	-2.7
Construction	-2.9	5.0	3.5
Residential	2.7	12.5	5.1
Non-residential	-8.8	-4.6	4.7
Machinery and equipment	24.0	30.4	-12.2
Domestic	30.1	34.2	-25.3
Transportation equipment	55.2	58.2	-37.9
Other M&Eq	8.6	13.9	-14.9
Imported	16.8	25.6	-2.2
Transportation equipment	19.4	6.8	17.1
Other M&Eq	14.8	25.4	-4.6

Source: INEGI

We expect a more moderate expansion in GFI in the coming months. We believe that the dynamism in the construction sector may moderate in the coming months, taking into account a slowdown in public expenditure on infrastructure –which increased as a result of the electoral process–, as well as a moderation in residential construction. We also anticipate that the volatility of the Mexican currency could eventually affect the imported component within machinery and equipment.

Gross fixed investment: April 2018

% 3m/3m saar



Source: INEGI

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