

Gross Fixed Investment – August’s 1.3% yoy expansion explained by a calendar effect

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- **Gross fixed investment (August): 1.3% yoy; Banorte-Ixe: 1.8%; consensus: 0.9% (range of estimates: -2% to 2%); previous: -3.6%**
- **GFI’s growth was explained by a calendar effect given that August had two additional working days this year**
- **With calendar adjusted figures, gross fixed investment fell 0.7% yoy**
- **However, in seasonally adjusted terms, GFI increased 0.5% m/m**
- **Looking ahead, we believe that GFI will continue to fall**

August’s expansion explained by a calendar effect. According to *INEGI’s* report, gross fixed investment in August posted a 1.3% yoy expansion, below our 1.8% yoy forecast (consensus: 0.9%; previous: -3.6%). However, we highlight that GFI’s growth was explained by a calendar effect given that August had two additional working days this year. With calendar adjusted figures, gross fixed investment fell 0.7% yoy. Taking a look at the breakdown, and using the calendar-adjusted figures, investment in domestic machinery and equipment edged-up 4.7% yoy, while the imported component expanded 0.1% yoy.

In addition, investment in construction fell 3.3% yoy, as a result of the 4% reduction in non-residential construction, which now adds fifteen consecutive months in contraction. In this context, the fall in non-residential construction investment reflects the fiscal cuts implemented by the Federal Government, which have also affected Mexico’s drilling and public investment projects (refer to the table on the next page).

Gross fixed investment: August 2016
% yoy

Original figures	Aug-16	Aug-15	Jan-Aug, '16	Jan-Aug, '15
Total	1.3	2.9	0.1	5.0
Construction	-2.8	0.1	-0.1	2.4
Residential	-1.4	3.5	4.6	3.7
Non-residential	-4.0	-2.4	-3.7	1.5
Machinery and equipment	7.5	7.6	0.4	9.2
Domestic	8.4	6.5	7.1	9.4
Transportation Equipment	13.7	4.6	13.2	12.3
Other machinery and equipment	2.6	8.5	0.9	6.6
Imported	7.1	8.1	-2.6	9.0
Transportation Equipment	26.2	-0.3	-1.2	0.6
Other machinery and equipment	4.9	9.2	-2.7	10.2

Source: INEGI

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Gross fixed investment: August 2016

% yoy

Calendar-adjusted figures	Aug-16	Jul-16	Jun-16	Aug-15
Total	-0.7	-1.8	-0.7	2.9
Construction	-3.3	-2.5	1.0	0.1
Residential	-1.4	4.1	5.9	3.5
Non-residential	-4.0	-8.7	-2.8	-2.4
Machinery and equipment	1.7	-0.5	-2.3	8.2
Domestic	4.7	7.3	6.3	6.6
Transportation equipment	8.6	14.1	9.5	5.1
Other M&Eq	0.0	-0.7	4.6	9.0
Imported	0.1	-3.5	-6.4	8.7
Transportation equipment	26.2	-8.1	9.8	-0.3
Other M&Eq	-2.7	-2.7	-8.7	9.5

Source: INEGI

In seasonally adjusted terms, GFI increased 0.5% m/m in August. Taking a look at the breakdown, investment in domestic machinery and equipment posted a 0.4% m/m contraction, while the imported component increased 2.4% m/m. Finally, investment in the construction sector decreased 0.8% m/m, as a result of the 3.9% m/m contraction in residential construction. In addition, GFI posted a 0.7% 3m/3m saar growth. However, construction has fallen 8%, given the 14.5% reduction in non-residential construction (refer to the charts below).

Gross fixed investment: August 2016

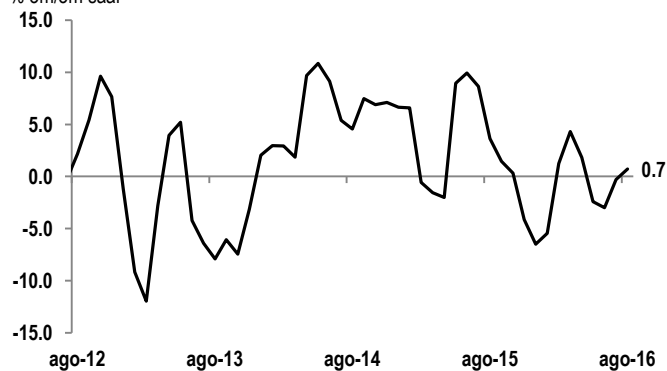
% m/m

	Jul-16	Jun-16	May-16
Total	-1.2	0.8	0.8
Construction	-1.5	0.3	-1.0
Residential	0.4	0.7	-0.5
Non-residential	-4.5	0.7	-0.7
Machinery and equipment	-1.3	3.1	3.0
Domestic	0.0	-0.2	7.5
Transportation equipment	-2.4	1.0	4.1
Other M&Eq	-0.1	1.1	4.6
Imported	-1.3	4.4	2.4
Transportation equipment	-18.5	18.7	4.2
Other M&Eq	0.5	3.4	2.3

Source: INEGI

Gross fixed investment

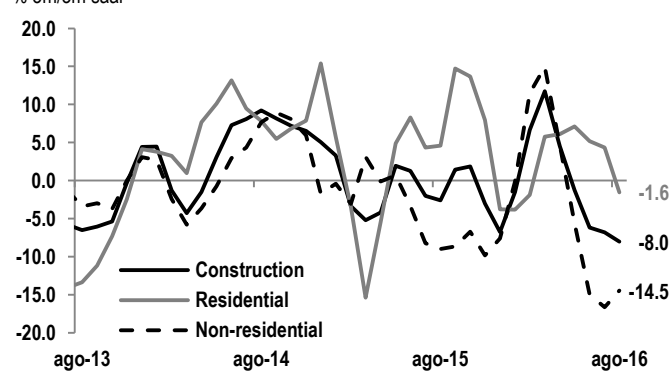
% 3m/3m saar



Source: Banorte-IXE

Gross fixed investment: Construction

% 3m/3m saar



Source: Banorte-IXE

Looking ahead, we believe that GFI figures will continue to fall. We believe that GFI's outlook for the last quarter of the year will continue to be more negative. In particular, we believe that construction output will be significantly lower, as a result of: (1) The decline in public investment projects, given the fiscal cuts implemented by the Federal Government; and (2) the additional budget cut in the *Ku-Maloob-Zaap* oil wells system, which has limited Mexico's oil production and infrastructure development within the region.

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