

GFI report– Moderate 2.3% yoy growth in May

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- **Gross fixed investment (May): 2.3%; Banorte-Ixe: 3%; consensus: 2.5% (range: 1.4% to 4.5%); previous: 5.3%**
- **In seasonally adjusted terms, GFI decreased 0.9% m/m**
- **Looking ahead, we believe that GFI figures will show a more visible recovery**

Slight bump in May. According to *INEGI's* report, gross fixed investment in May posted a 2.3% yoy expansion, below Bloomberg's median forecast of 2.5% (Banorte-Ixe: 3%). Taking a look at the breakdown, investment in domestic machinery edged-up 6.8% yoy, while the imported component increased a scant 2.3% yoy, given the significant depreciation of the Mexican currency. Moreover, the construction sector grew 1.5%, as a result of a 2.6% yoy expansion in residential construction, as shown in the table below. With today's report, GFI now adds a 4.7% yoy expansion in the first five months of the year.

Gross fixed investment: May 2015

%yoy	May-15	May-14	Jan-May, '15	Jan-May, '14
Total	2.3	0.3	4.7	-1.1
Construction	1.5	-2.0	3.1	-2.8
Residential	2.6	1.3	5.6	-2.0
Non-residential	0.7	-4.4	1.2	-3.3
Machinery and equipment	3.6	4.3	7.3	1.7
Domestic	6.8	2.6	10.2	-2.0
Transportation Equipment	14.9	-3.7	14.8	-7.5
Other machinery and equipment	-0.6	9.1	6.4	3.1
Imported	2.3	5.0	6.1	3.4
Transportation Equipment	-3.2	-0.6	0.4	-6.7
Other machinery and equipment	3.1	5.9	6.9	5.0

Source: INEGI

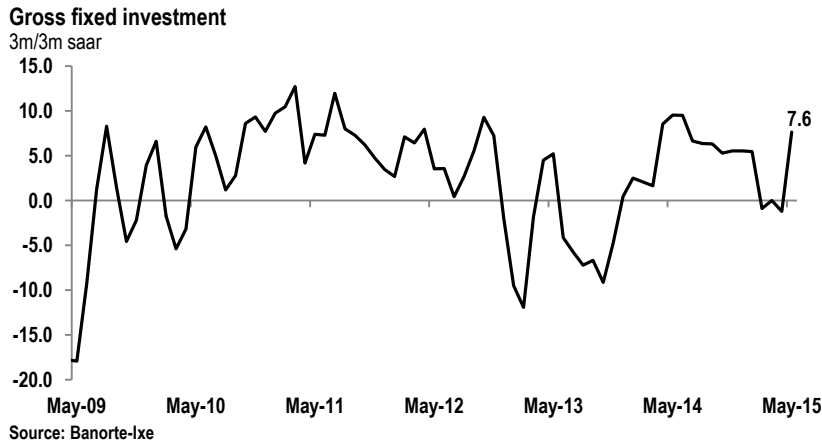
In seasonally adjusted terms, investment decreased 0.9% m/m in May. Investment in domestic machinery and equipment fell 1.4% m/m, while the imported component edged down 0.2% m/m. Finally, investment in the construction sector decreased 1.1% m/m. However, with these numbers GFI posted a 7.6% 3m/3m saar expansion, as shown in the chart on the next page.

Gross fixed investment: May 2015

%m/m sa	May-15	Apr-15	Difference
Total	-0.9	0.4	-1.2
Construction	-1.1	0.4	-1.4
Machinery and equipment	-0.5	2.5	-3.0
Domestic	-1.4	5.7	-7.0
Imported	-0.2	0.4	-0.5

Source: INEGI

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Looking ahead, we believe that GFI figures will show a more visible recovery. May's deceleration was explained to some extent by the weakness of the Mexican peso, which affected the growth dynamics of M&Eq imports. However, *INEGI's* latest trade balance figures show that capital goods imports posted a 21.7% yoy expansion (6.1% m/m) in June, despite the sharp depreciation of the Mexican currency, suggesting 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.

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