

GFI – Investment expands 5.4% yoy in 1Q15

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Saúl Torres
Analyst, Mexico
saul.torres@banorte.com

- **Gross fixed investment (March): 6.6%; Banorte-Ixe: 8%; consensus: 6.6% (range: 2.6% to 8%); previous: 1.3%**
- **In seasonally adjusted terms, GFI increased 4% m/m**
- **With these numbers GFI posted a 5.4% expansion in 1Q15**
- **Looking ahead, we believe that GFI figures will show a more visible recovery**

GFI now adds eleven consecutive months on the rise. According to *INEGI's* report, gross fixed investment in March posted a 6.6% yoy expansion, practically in line with the consensus' 6.7% forecast (Banorte-Ixe: 8%). Taking a look at the breakdown, investment in domestic machinery increased 10.5% yoy, while the imported component expanded 11.3% yoy, along with an increase of 2.1% in transportation equipment. Moreover, the construction sector grew 4.1%, driven by a 6% yoy expansion in residential construction. With these numbers GFI posted a 5.4% expansion in 1Q15, above the average observed in 2014, as shown in the table below.

Gross fixed investment: March 2015

| %yoy | Mar-15 | Mar-14 | Jan-Mar, '15 | Jan-Dic, '14 |
|--------------------------------|--------|--------|--------------|--------------|
| Total | 6.6 | 2.6 | 5.4 | 2.3 |
| Construction | 4.1 | -0.3 | 3.4 | 0.5 |
| Residential | 6.0 | 0.1 | 5.3 | 3.0 |
| Non-residential | 2.6 | -0.5 | 1.9 | -1.4 |
| Machinery and equipment | 10.5 | 7.6 | 8.7 | 5.5 |
| Domestic | 8.6 | -5.3 | 10.7 | 4.7 |
| Transportation Equipment | 8.8 | -11.1 | 14.9 | 4.4 |
| Other machinery and equipment | 8.4 | 0.0 | 7.4 | 4.9 |
| Imported | 11.3 | 13.9 | 7.8 | 5.9 |
| Transportation Equipment | 2.1 | 13.6 | -4.6 | -2.5 |
| Other machinery and equipment | 12.7 | 14.0 | 9.6 | 7.2 |

Source: INEGI

In seasonally adjusted terms, investment increased 4% m/m in March. Also investment in machinery and equipment showed an improvement of 3.2% m/m. Moreover, the imported component edge up 7.6% m/m. Finally, investment in the construction sector increased 2.2% m/m, as shown in the table below. However, these numbers imply a 0.2% 3m/3m saar contraction.

Gross fixed investment: March 2015

| %m/m sa | Mar-15 | Feb-15 |
|-------------------------|---------------|---------------|
| Total | 4.0 | -3.8 |
| Construction | 2.2 | -2.3 |
| Machinery and equipment | 3.2 | -7.6 |
| Domestic | -1.9 | 0.4 |
| Imported | 7.6 | -11.5 |

Source: INEGI

Today's figures suggest that the recovery of GFI and private sector investment continues in 1H15. As we already mentioned, GFI expanded at 5.4% in 1Q15 on the back of a more dynamic construction sector and the recovery in household's spending, which has been reflected in the exceptional performance of construction in the residential sector. In addition, recent trade balance figures have shown a rapid recovery of capital goods imports despite the significant depreciation of the Mexican currency, which could be reflecting the better growth prospects that firms have about the Mexican economy in the first half of the year.

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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 |
| 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) 5004 - 1275 |
| Victor Hugo Cortes Castro | Equity Research Analyst | victorh.cortes@banorte.com | (55) 5004 - 1231 |
| Marissa Garza Ostos | Senior Equity Research Analyst – Conglomerates/Financials/ Mining/ Chemistry | marissa.garza@banorte.com | (55) 5004 - 1179 |
| Marisol Huerta Mondragón | Equity Research Analyst – Food/Beverages | marisol.huerta.mondragon@banorte.com | (55) 5004 - 1227 |
| José Itzamna Espitia Hernández | Equity Research Analyst – Airports / Cement / Infrastructure / Fibras | jose.espitia@banorte.com | (55) 5004 - 1266 |
| Valentín III Mendoza Balderas | Equity Research Analyst | valentin.mendoza@banorte.com | (55) 5268 - 9000 x 1267 |
| María de la Paz Orozco García | Analyst | maripaz.orozco@banorte.com | (55) 5004 - 5262 |

Corporate Debt

| | | | |
|-----------------------------|-------------------------|-----------------------------|------------------|
| Tania Abdul Massih Jacobo | Director Corporate Debt | tania.abdul@banorte.com | (55) 5004 - 1405 |
| Hugo Armando Gómez Solís | Analyst, Corporate Debt | hugo.gomez@banorte.com | (55) 5004 - 1340 |
| Idalia Yanira Céspedes Jaén | Analyst, Corporate Debt | idalia.cespedes@banorte.com | (55) 5004 - 1437 |

Wholesale Banking

| | | | |
|--------------------------------|--|-----------------------------|------------------|
| Armando Rodal Espinosa | Head of Wholesale Banking | armando.rodal@banorte.com | (55) 1670 - 1889 |
| Alejandro Eric Faesi Puente | Managing Director – Global Markets and Institutional Sales | alejandro.faesi@banorte.com | (55) 5268 - 1640 |
| Jorge de la Vega Grajales | Managing Director – Government Banking | jorge.delavega@banorte.com | (55) 5004 - 5121 |
| Luis Pietrini Sheridan | Managing Director – Private Banking | lpietrini@ixe.com.mx | (55) 5004 - 1453 |
| René Gerardo Pimentel Ibarrola | Managing Director – Asset Management | pimentelr@ixe.com.mx | (55) 5268 - 9004 |
| Ricardo Velázquez Rodríguez | Managing Director – International Banking | rvelazquez@ixe.com.mx | (55) 5268 - 9879 |
| Victor Antonio Roldan Ferrer | Managing Director – Transactional Banking | voldan@ixe.com.mx | (55) 5004 - 1454 |