

## GFI falls 0.5% yoy during the first month of 2017

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- **Gross fixed investment (January): -0.5% yoy (nsa); Banorte-Ixe: -0.8%; consensus: 0.8% (range of estimates: -0.8% to 2.2%); previous: 0.9%**
- **GFI's contraction was explained by the 3.3% yoy fall in construction**
- **However, machinery and equipment (M&Eq) grew by 4.1% yoy, given the 5.4% increase in domestic M&Eq investment coupled with the 3.5% of imported M&Eq**
- **In seasonally adjusted terms, GFI fell 1.6% m/m**
- **Looking ahead, we believe that GFI will maintain a downward trend as a result of:**
  - (1) **The fiscal cuts implemented by the federal government;**
  - (2) **The volatility of the Mexican currency; and**
  - (3) **The uncertainty surrounding the impact of Trump's policies in the Mexican economy**

**GFI posted a 0.5% yoy contraction in the first month of 2017.** According to INEGI's report, gross fixed investment fell 0.5% yoy in January, above our -0.8% yoy forecast (consensus: +0.8%). Using calendar adjusted figures, GFI posted a 1.5% annual decrease.

Taking a look at the breakdown, and using the original series, investment in domestic machinery and equipment increased 5.4% yoy, while the imported component grew 3.5% yoy.

In addition, investment in construction posted a 3.3% decrease, as a result of the 5.7% reduction in non-residential construction, which now adds eighteen 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 below). Moreover, investment in residential construction decreased 0.4% yoy.

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### Gross fixed investment: January 2017

% yoy; nsa

%yoy	Jan-17	Jan-16	2016
<b>Total</b>	-0.5	0.0	0.4
<b>Construction</b>	-3.3	1.6	-0.1
Residential	-0.4	7.9	4.4
Non-residential	-5.7	-3.0	-3.7
<b>Machinery and equipment</b>	4.1	-2.5	1.2
Domestic	5.4	8.6	9.2
Transportation Equipment	3.2	16.8	14.9
Other machinery and equipment	7.5	1.3	3.0
Imported	3.5	-7.3	-2.5
Transportation Equipment	13.3	10.0	3.3
Other machinery and equipment	2.1	-9.3	-3.3

Source: INEGI

**In seasonally adjusted terms, GFI fell 1.6% m/m.** Taking a look at the breakdown, investment in imported machinery and equipment posted a 1.3% decrease, while domestic purchases were down by 2.9%. In addition, investment in the construction sector fell 0.3% m/m. With today's figures, GFI posted a 1.5% 3m/3m saar contraction. In addition, construction increased 1.2% (refer to the charts below).

**Gross fixed investment: January 2017**

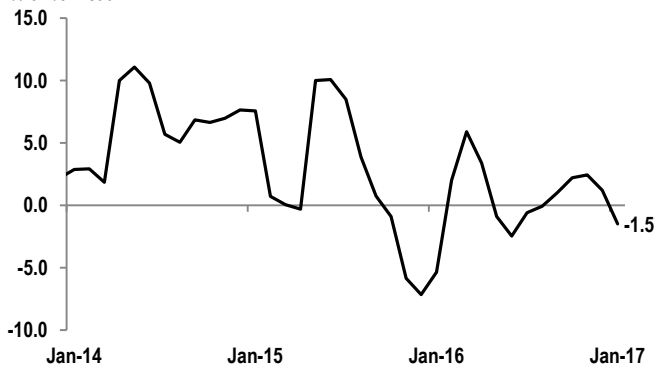
% m/m; sa

%m/m sa	Jan-17	Dec-16	Difference
<b>Total</b>	<b>-1.6</b>	<b>1.0</b>	<b>-2.6</b>
<b>Construction</b>	<b>-0.3</b>	<b>-0.1</b>	<b>-0.3</b>
Residential	-0.2	-1.0	0.8
Non-residential	-0.7	0.6	-1.3
<b>Machinery and equipment</b>	<b>-2.6</b>	<b>4.1</b>	<b>-6.8</b>
Domestic	-2.9	3.4	-6.2
Transportation equipment	-8.9	5.3	-14.1
Other M&Eq	0.9	2.3	-1.3
Imported	-1.3	3.1	-4.4
Transportation equipment	7.7	1.5	6.2
Other M&Eq	-2.6	3.3	-5.9

Source: INEGI

**Gross fixed investment**

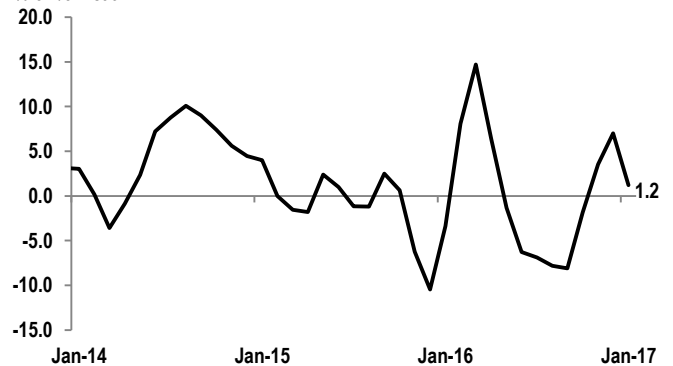
% 3m/3m saar



Source: Banorte-IXE

**Gross fixed investment: Construction**

% 3m/3m saar



Source: Banorte-IXE

**Looking ahead, we believe that GFI will maintain a downward trend in the first quarter of 2017.** Today's data validates our view of a deceleration in 1Q17. We believe that the contraction seen stems from: (1) The fiscal cuts implemented by the federal government; (2) the volatility of the Mexican currency; and (3) the uncertainty surrounding the impact of Trump's policies in the Mexican economy. Looking ahead, we expect these factors to continue to weigh investment decisions in our country in the coming months.

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