

## **GFI – August’s expansion explained by higher investment in machinery and equipment**

November 7, 2017

www.banorte.com  
www.ixe.com.mx  
@analisis\_fundam

**Alejandro Cervantes**  
Senior Economist, Mexico  
alejandrocervantes@banorte.com

- **Gross fixed investment (August): 0.3% yoy (nsa); Banorte-Ixe: 0.8%; consensus: 0.6% (range of estimates: -3% to 4.2%); previous: -0.1%**
- **In seasonally adjusted terms, GFI posted a 1.5% m/m expansion, given the 1.9 m/m increase in machinery and equipment**
- **Looking ahead, we believe that GFI will maintain a downward trend as a result of:**
  - (1) The fiscal cuts implemented by the federal government, which have affected Mexico’s public investment projects; and**
  - (2) The uncertainty surrounding Mexico’s economic and political environment**

**GFI up by 1.5% m/m.** According to *INEGI*’s report, gross fixed investment posted a 0.3% yoy expansion in August, below our 0.8% yoy forecast (consensus: 0.6% yoy). Taking a look at the breakdown, construction output fell 3.3% yoy, while investment in machinery and equipment increased 4.8% yoy.

In seasonally adjusted terms, GFI expanded 1.5% m/m, which stands as the highest gain in the last three months. Taking a look at the breakdown, investment in construction posted a 0.1% m/m contraction. However, residential construction increased 0.6%, whereas non-residential construction edged up by 0.2%. In addition, investment in machinery and equipment increased 1.9% m/m, as a result of the 3.3% expansion in the imported component. Domestic machinery and equipment investment increased 0.4% m/m (refer to the table below on the next page).

**Looking ahead, we believe that GFI will maintain a downward trend.** Despite the higher investment levels in August, we continue to believe that GFI will decelerate as a result of: (1) The fiscal cuts implemented by the federal government which have affected Mexico’s public investment projects; and (2) the uncertainty surrounding Mexico’s economic and political environment. Looking ahead, we expect these factors to continue to weigh on investment decisions in our country in the coming months.

Document for distribution among public

**Gross fixed investment: August 2017**

% m/m; sa

	<b>Aug-17</b>	<b>Jul-17</b>	<b>Jun-17</b>
<b>Total</b>	<b>1.5</b>	<b>-1.2</b>	<b>-0.6</b>
<b>Construction</b>	<b>-0.1</b>	<b>-2.0</b>	<b>0.6</b>
Residential	0.6	-2.8	0.5
Non-residential	0.2	-1.8	0.4
<b>Machinery and equipment</b>	<b>1.9</b>	<b>1.7</b>	<b>-2.9</b>
Domestic	0.4	1.3	-1.2
Transportation equipment	-13.5	-0.4	-2.7
Other M&Eq	18.7	3.1	0.8
Imported	3.3	2.6	-4.0
Transportation equipment	4.1	-5.3	-5.2
Other M&Eq	3.1	2.6	-2.1

Source: INEGI

**Disclaimer**

The information contained in this document is illustrative and informative so it should not be considered as an advice and/or recommendation of any kind. BANORTE is not part of any party or political trend.

**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
Juan Carlos García Viejo	Economist, International	juan.garcia.viejo@banorte.com	(55) 1670 - 2252
Francisco José Flores Serrano	Economist, Mexico	francisco.flores.serrano@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 Senior Strategist	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Santiago Leal Singer	Strategist 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) 5268 - 1671
Victor Hugo Cortes Castro	Technical Analysis	victorh.cortes@banorte.com	(55) 1670 - 1800
Marissa Garza Ostos	Equity Research – Conglomerates / Financials/ Mining / Petrochemicals	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Equity Research – Airlines / Airports / Cement / Infrastructure / REITs	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Equity Research – Auto Parts/ Consumer Discretionary / Real Estate / Retail	valentin.mendoza@banorte.com	(55) 1670 - 2250
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251

**Corporate Debt**

Tania Abdul Massih Jacobo	Director Corporate Debt	tania.abdul@banorte.com	(55) 5268 - 1672
Hugo Armando Gómez Solís	Senior, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248

**Wholesale Banking**

Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5268 - 9996
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 1002
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8318 - 5071
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5004 - 1453
René Gerardo Pimentel Ibarrola	Head of Asset Management	pimentelr@banorte.com	(55) 5268 - 9004
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Victor Antonio Roldan Ferrer	Head of Corporate Banking	victor.rolan.ferrer@banorte.com	(55) 5004 - 1454