

## GFI maintains a downward trend in April

July 5, 2017

- **Gross fixed investment (April): -8.6% yoy (nsa); Banorte-Ixe: -7.9%; consensus: -5.9% (range of estimates: -7.9% to -1.2%); previous: 3.8%**
- **GFI's contraction was partially explained by a calendar effect, given that the *Holy Week* subtracted working days to the annual comparison**
- **Controlling for this calendar effect, GFI posted a 2.9% contraction, as a result of the fall in construction, where we highlight the 9.3% reduction in the non-residential sector**
- **However, machinery and equipment (M&Eq) grew by 4.2% yoy, given the 3.4% increase in domestic M&Eq investment, coupled with the 7.3% growth of imported M&Eq (calendar adjusted figures)**
- **In seasonally adjusted terms, GFI fell 1.3% m/m in April, (7.2% 3m/3m saar)**
- **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 has affected Mexico's drilling and public investment projects; and**
  - (2) **The uncertainty surrounding the impact of Trump's policies in the Mexican economy**

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**GFI maintains a downward trend.** According to *INEGI's* report, gross fixed investment fell by 8.6% yoy in April, after the 3.8% expansion in March (Banorte-Ixe: -7.9% yoy; consensus: -5.9%). However, GFI's contraction was partially explained by a calendar effect, resulting from the *Holy Week* which subtracted working days to the annual comparison. Adjusting for this calendar effect, GFI fell 2.9% yoy.

Taking a look at the breakdown, and analyzing the calendar adjusted series, investment in construction posted a 6.6% contraction, as a result of the 9.3% reduction in non-residential construction, which now adds twenty one consecutive months in contraction. In this context, the fall in non-residential construction investment reflects the fiscal consolidation efforts made by the federal government, which have affected Mexico's drilling and public investment projects. Moreover, investment in residential construction fell 3.1% yoy (refer to the first table on the next page). By contrast, investment in domestic machinery and equipment increased 3.4% yoy, while the imported component grew 7.3% yoy.

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### Gross fixed investment: April 2017

% yoy; calendar adjusted figures

	Apr-17	Mar-17	Feb-17
<b>Total</b>	-2.9	-1.3	-3.0
<b>Construction</b>	-6.6	-4.9	-4.3
Residential	-3.1	1.8	1.4
Non-residential	-9.3	-10.8	-8.9
<b>Machinery and equipment</b>	4.2	4.2	2.5
Domestic	7.3	4.8	8.0
Transportation equipment	3.9	3.8	7.2
Other M&Eq	11.5	5.1	8.3
Imported	3.4	3.0	0.2
Transportation equipment	2.4	22.2	-0.2
Other M&Eq	3.3	0.9	-2.5

Source: INEGI

**In seasonally adjusted terms, GFI fell 1.3% m/m.** Taking a look at the breakdown, investment in imported machinery and equipment posted a 1.1% contraction, while domestic purchases were up by 2.5%. Moreover, investment in the construction sector fell 1.6% m/m. With today's figures, GFI posted a 7.2% 3m/3m saar contraction. In addition, construction fell 12.1% as a result of the 18.1% reduction in non-residential construction (refer to the charts on the next page).

### Gross fixed investment: April 2017

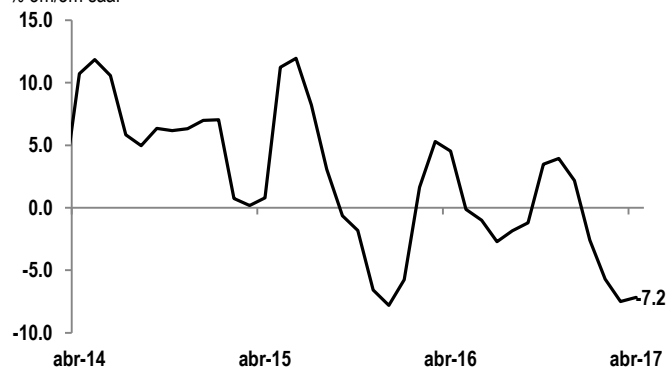
% m/m; sa

	Apr-17	Mar-17	Feb-17
<b>Total</b>	-1.3	0.7	-0.8
<b>Construction</b>	-1.6	-0.6	-1.5
Residential	-2.7	1.2	-0.3
Non-residential	-0.7	-1.7	-2.1
<b>Machinery and equipment</b>	-0.2	0.9	0.3
Domestic	2.5	-1.2	2.4
Transportation equipment	0.3	1.4	1.4
Other M&Eq	4.0	-1.8	2.2
Imported	-1.1	1.8	-1.2
Transportation equipment	-8.8	9.5	-10.6
Other M&Eq	0.0	1.6	-0.7

Source: INEGI

#### Gross fixed investment

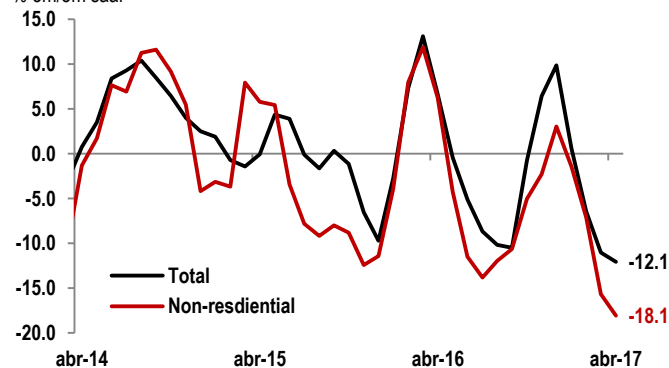
% 3m/3m saar



Source: Banorte-IXE

#### Construction: Total and Non residential

% 3m/3m saar



Source: Banorte-IXE

**Looking ahead, we believe that GFI will maintain a downward trend.**

Today's figures validate our view of a deceleration of investment levels. We believe that the contraction stems from: (1) The fiscal cuts implemented by the federal government which has affected Mexico's drilling and public investment projects; and (2) 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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