

GFI increases 0.9% yoy in May

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- **Gross fixed investment (May): 0.9% yoy (nsa); Banorte: 2.6%; consensus: 1.6% (range of estimates: -2.8% to 2.6%); previous: 10.6%**
- **The increase in May was explained by an expansion in machinery and equipment investment, which was partially offset by a decline in construction**
- **In the monthly comparison GFI edged-up 0.9% m/m in the month (seasonally adjusted figures), on the back of a strong increase in the domestic machinery and equipment component**
- **We expect a moderate expansion in GFI in the coming months**

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GFI increases 0.9% yoy in May. According to *INEGI's* report, gross fixed investment posted a 0.9% yoy expansion in May, below our 2.6% forecast. Taking a look at the breakdown, we highlight the 3.3% yoy increase in machinery and equipment, given the 4.1% rise in the domestic component. In addition, the imported component edged-up 2.8% yoy. Regarding construction, it posted a 1.1% yoy decline given the 1.9% fall in non-residential construction (as shown in the following table). In addition, GFI has increased 3.1% year-to-date, above the 1.6% contraction seen in 2017.

Gross fixed investment

% yoy, nsa

	May-18	May-17	Jan-May, '18	Jan-May, '17
Total	0.9	2.7	3.1	-1.6
Construction	-1.1	-3.4	0.6	-5.0
Residential	-0.3	0.8	4.1	1.2
Non-residential	-1.9	-7.2	-2.6	-10.1
Machinery and equipment	3.3	11.5	6.4	3.5
Domestic	4.1	10.1	2.8	2.4
Transportation equipment	1.2	9.8	-2.0	-0.2
Other machinery and equipment	9.1	10.7	9.9	6.6
Imported	2.8	12.5	9.0	4.4
Transportation equipment	-6.6	21.3	3.5	13.1
Other machinery and equipment	4.5	11.1	10.0	2.9

Source: INEGI

In the monthly comparison GFI edged-up 0.9% m/m in May (seasonally adjusted figures) Investment in construction posted a 0.1% m/m expansion, on the back of a 0.6% decrease in non-residential construction. In addition, residential construction edged-down 1.3% m/m. Meanwhile, investment in machinery and equipment rose 1.1% m/m, explained by an expansion in the domestic component (4.3%), given the 7.1% m/m increase in transportation equipment investment. On the contrary, imported machinery and equipment investment posted a 0.9% m/m decrease (refer to the table below).

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Gross fixed investment

% m/m sa

	May-18	Apr-18	Mar-18
Total	0.9	-1.2	-0.5
Construction	0.1	-0.9	-2.5
Residential	-1.3	-0.1	-4.6
Non-residential	0.6	-0.6	-0.3
Machinery and equipment	1.1	-2.2	1.7
Domestic	4.3	-5.1	6.0
Transportation equipment	7.1	-6.1	4.1
Other machinery and equipment	2.5	-5.8	6.1
Imported	-0.9	-1.0	-0.5
Transportation equipment	-5.9	1.5	5.7
Other machinery and equipment	-0.5	-0.5	-1.7

Source: INEGI

With these results, GFI posted a 1.7% 3m/3m saar contraction. Taking a look at the breakdown, investment in construction stayed in negative territory, standing at -11.9% 3m/3m annualized. However, the machinery and equipment component continued to grow at high rates (11.3% 3m/3m annualized), mainly driven by the national component (23.9% 3m / 3m annualized).

Gross fixed investment

% 3m/3m saar

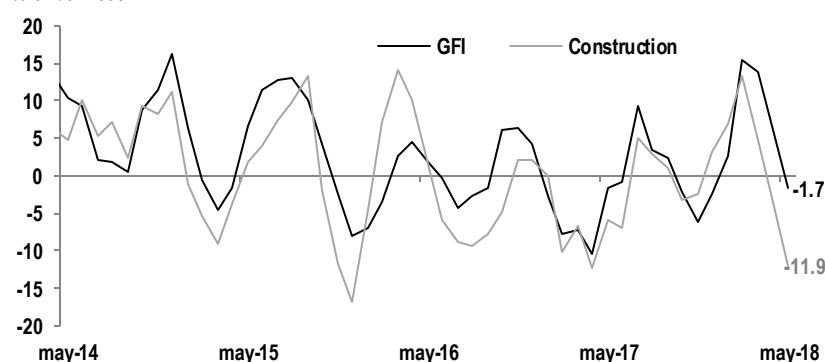
	Mar-May, '18	Jan-Mar, '18	Oct-Dec, '17
Total	-1.7	14.0	-2.5
Construction	-11.9	4.9	3.3
Residential	-13.2	11.8	3.5
Non-residential	-8.0	-3.9	5.2
Machinery and equipment	11.3	29.9	-11.8
Domestic	23.9	33.9	-24.4
Imported	1.8	25.1	-2.4

Source: INEGI

We expect a more moderate expansion in GFI in the coming months. We believe that the dynamism in the construction sector –observed in 1Q18–, will continue to moderate in the coming months –as seen in 2Q18 figures–, taking into account a slowdown in public expenditure on infrastructure, as well as a temperance in residential construction. However, the recent appreciation of the Mexican currency could eventually favor the imported component within machinery and equipment.

Gross fixed investment

% 3m/3m saar



Source: INEGI

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