

GFI report – Investment in imported M&Eq and residential construction improved in October

January 14, 2016

www.banorte.com
www.ixe.com.mx
@ analisis_fundam

- **Gross fixed investment (October): 1% yoy; Banorte-Ixe: 1.9%; consensus: 2.6% (range of estimates: 1.2% to 3.8%); previous: 5.7%**
- **In seasonally adjusted terms, GFI decreased 1.1% m/m**
- **Looking ahead, we believe that GFI figures will continue to show a more visible recovery**

Alejandro Cervantes

Senior Economist, Mexico
Alejandro.cervantes@banorte.com

Saúl Torres

Analyst, Mexico
saul.torres@banorte.com

Higher investment in imported M&Eq and residential construction. According to *INEGI's* report, gross fixed investment in October posted a 1% yoy expansion, slightly below our 1.9% forecast (consensus: 2.6%). Taking a look at the breakdown, investment in domestic machinery edged-up 6.2% yoy, while the imported component increased 4.6% yoy, despite the significant depreciation of the Mexican currency. Moreover, the construction sector decreased 1.6%, as a result of a 7.9% reduction in non-residential construction investment. However, residential construction increased 6.4% yoy, as shown in the table below. With today's report, GFI grew 4.6% during 2015 up until October when compared to the same period of the previous year.

Gross fixed investment: October 2015

% yoy	Oct-15	Oct-14	Jan-Oct, '15	Jan-Oct, '14
Total	1.0	7.0	4.6	2.3
Construction	-1.6	4.6	1.7	0.9
Residential	6.4	8.5	4.2	2.0
Non-residential	-7.9	1.7	-0.2	0.1
Machinery and equipment	5.1	11.0	9.3	4.6
Domestic	6.2	10.4	9.1	3.1
Transportation Equipment	6.7	18.6	12.0	6.2
Other machinery and equipment	5.7	2.8	6.4	0.2
Imported	4.6	11.2	9.3	5.3
Transportation Equipment	2.4	4.8	0.0	-3.3
Other machinery and equipment	4.9	12.2	10.6	6.7

Source: INEGI

Document for distribution among public

In seasonally adjusted terms, investment decreased 1.1% m/m in October.

Investment in domestic machinery and equipment edged-up 1.7% m/m, while the imported component decreased 2.7% m/m. Finally, investment in the construction sector decreased 0.7% m/m, as shown in the table below.

Gross fixed investment: October 2015

%m/m sa	Oct-15	Sep-15	Difference
Total	-1.1	1.3	-2.4
Construction	-0.7	0.2	-0.9
Machinery and equipment	-0.9	2.3	-3.2
Domestic	1.7	-2.0	3.8
Imported	-2.7	5.3	-8.0

Source: INEGI

Looking ahead, we believe that GFI figures will continue to show a more visible recovery. October's expansion in imported M&Eq was explained despite the weakness of the Mexican peso, which suggests that Mexican firms have decided to increase their investment spending given the more positive outlook that persists about the Mexico's economic growth.

On the other hand, construction output has decelerated in the last months. However, construction in the residential sector has maintained a favorable performance given the recovery in household's spending and the improvement in consumers' sentiment. In this regard, we believe that the next GFI reports will reflect these factors and will show a more visible recovery in the last quarter of the year.

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
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) 5268 - 1671
Victor Hugo Cortes Castro	Equity Research Analyst	victorh.cortes@banorte.com	(55) 1670 - 1800
Marissa Garza Ostos	Senior Equity Research Analyst – Conglomerates/Financials/ Mining/ Chemistry	marissa.garza@banorte.com	(55) 1670 - 1719
Marisol Huerta Mondragón	Equity Research Analyst – Food/Beverages	marisol.huerta.mondragon@banorte.com	(55) 1670 - 1746
José Itzamna Espitia Hernández	Equity Research Analyst – Airports / Cement / Infrastructure / Fibras	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Equity Research Analyst – Auto parts	valentin.mendoza@banorte.com	(55) 1670 - 2250
María de la Paz Orozco García	Analyst	maripaz.rozco@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	Analyst, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Idalia Yanira Céspedes Jaén	Analyst, Corporate Debt	idalia.cespedes@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.roltan.ferrer@banorte.com	(55) 5004 - 1454