

GFI – February’s bump explained by the depreciation of the Mexican currency

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- **Gross fixed investment (February): 1.3%; Banorte-Ixe: 1.4%; consensus: 2.5% (range: 0.4% to 7.6%); previous: 7.3%**
- **In seasonally adjusted terms, GFI decreased 3.8% m/m**
- **Looking ahead, we believe that GFI figures will show a more visible recovery**

Slight bump in February. According to *INEGI*'s report, gross fixed investment in February posted a 1.3% yoy expansion, below Bloomberg's median forecast of 2.5%, but virtually in line with our 1.4% yoy estimate. Taking a look at the breakdown, investment in domestic machinery increased 11.5% yoy, while the imported component fell 2.3% yoy, given the significant depreciation of the Mexican currency. Moreover, the construction sector grew 0.9%, as a result of a 2% yoy expansion in residential construction, as shown in the table below.

Gross fixed investment: February 2015

%yoy	Feb-15	Feb-14	Jan-Feb, '15	Jan-Feb, '14
Total	1.3	-1.5	4.6	-2.0
Construction	0.9	-3.7	2.7	-3.4
Residential	2.0	-4.8	4.8	-3.9
Non-residential	0.1	-2.8	1.2	-2.9
Machinery and equipment	1.9	2.4	7.8	0.3
Domestic	11.5	-3.3	12.0	-3.8
Transportation Equipment	21.6	-8.4	18.5	-8.3
Other machinery and equipment	3.6	1.1	6.9	0.0
Imported	-2.3	5.2	5.9	2.2
Transportation Equipment	-5.8	-15.3	-8.6	-10.4
Other machinery and equipment	-1.8	8.8	8.0	4.4

Source: INEGI

In seasonally adjusted terms, investment decreased 3.8% m/m in February. Investment in domestic machinery and equipment increased 0.8% m/m, while the imported component edged down 10.7% m/m. Finally, investment in the construction sector decreased 1.6% m/m, as shown in the table below. With these numbers GFI posted a 1.5% 3m/3m saar contraction.

Gross fixed investment: February 2015

%m/m sa	Feb-15	Jan-15	Difference
Total	-3.8	1.8	-5.6
Construction	-1.6	0.0	-1.7
Machinery and equipment	-7.6	7.7	-15.2
Domestic	0.8	1.5	-0.7
Imported	-10.7	9.0	-19.7

Source: INEGI

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Looking ahead, we believe that GFI figures will show a more visible recovery. February's deceleration was explained to some extent by the weakness of the Mexican peso, which affected the growth dynamics of M&Eq imports. However, *INEGI's* latest trade balance figures show that capital goods imports posted a 13.2% yoy expansion in March, despite the sharp depreciation of the Mexican currency, suggesting that Mexican firms have decided to increase their investment spending given the more positive outlook that persists about the Mexico's economic growth. In this regard, we believe that the next GFI reports will show a more visible recovery.

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