

GFI – January’s low growth explained by the fall in non-residential construction

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- **Gross fixed investment (January): 0.1% yoy; Banorte-Ixe: 0.4%; consensus: 1% (range of estimates: 0.4% to 3%); previous: 1.1%**
- **Investment in construction projects increased 1.7% as a result of a 11.9% yoy expansion in residential construction and a 5.6% fall in non-residential construction projects**
- **In seasonally adjusted terms, GFI increased 0.8% m/m**
- **Looking ahead, we believe that GFI figures will show a significant deceleration in 1Q16**

Lower investment in non-residential construction projects. According to INEGI’s report, gross fixed investment in January posted a 0.1% yoy expansion, below consensus’ 1% yoy estimate, but similar to our 0.4% forecast. Taking a look at the breakdown, investment in domestic machinery edged-up 8.3% yoy, while the imported component fell 7% yoy, probably as a result of the depreciation of the Mexican currency. However, the construction sector increased 1.7%, as a result of a 5.6% reduction in non-residential construction investment. However, residential construction increased 11.9% yoy, as shown in the table below.

Gross fixed investment: January 2016

%yoy	Jan-16	Jan-15	2015	2014
Total	0.1	8.8	3.8	2.9
Construction	1.7	5.9	0.9	1.4
Residential	11.9	4.6	2.9	3.1
Non-residential	-5.6	6.8	-0.7	0.0
Machinery and equipment	-2.5	13.7	8.6	5.6
Domestic	8.3	12.9	8.5	5.2
Transportation Equipment	15.0	16.8	12.2	8.6
Other machinery and equipment	2.5	9.6	4.9	2.2
Imported	-7.0	14.0	8.7	5.7
Transportation Equipment	9.7	-10.5	-1.3	-3.7
Other machinery and equipment	-8.9	17.7	10.1	7.2

Source: INEGI

In seasonally adjusted terms, investment increased 0.8% m/m in January

Investment in domestic machinery and equipment posted a null growth, while the imported component decreased 1% m/m. Finally, investment in the construction sector increased 3.5% m/m, as shown in the table on the next page.

Gross fixed investment: January 2016

%m/m sa	Jan-16	Dec-15	Difference
Total	0.8	2.1	-1.4
Construction	3.5	1.5	2.0
Machinery and equipment	-0.3	0.5	-0.8
Domestic	0.0	3.9	-3.9
Imported	-1.0	-1.5	0.5

Source: INEGI

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Looking ahead, we believe that GFI figures will show a significant deceleration in 1Q16. The moderate growth in GFI during the last five reports has been explained by the contraction in construction investment projects. In particular, non-residential construction posted a sharp fall as a result of the decline in public investment projects given the fiscal cut announced by the Federal Government back in November 2015. In addition, we believe that the new fiscal cut announced by the MoF in February 17 will limit the government's ability to invest in public projects, which will be reflected in lower domestic investment figures throughout the first quarter of the year.

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