

GFI levels picked up in 1Q18

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- **Gross fixed investment (March): -4.1% yoy (nsa); Banorte: -2.6%; consensus: -2.6% (range of estimates: -3.8% to -0.5%); previous: 5.1%**
- **In seasonally adjusted terms, GFI posted a 0.5% m/m contraction in March on the back of a 2.5% fall in construction GFI**
- **Nevertheless, in annualized terms, GFI expanded 15.1% q/q saar compared to the contraction of 2.5% in the last quarter of last year, which suggests a recovery in investment levels in the coming months**

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GFI down 0.5% m/m in March. According to INEGI's report, gross fixed investment posted a 4.1% yoy contraction in March, more than expected. Nevertheless, this decline is explained by a calendar effect as the Easter holiday season took place in March in 2018 vs. April in 2017. Adjusting for this effect, GFI expanded 2.1% on the back of 8.4% expansion in investment of machinery and equipment, despite the 1.4% reduction in construction investment.

Gross fixed investment

% yoy, working day adjusted

	Mar-18	Mar-17	Jan-Mar, '18	Jan-Mar, '17
Total	2.1	-0.4	3.1	-1.1
Construction	-1.4	-4.7	0.7	-4.2
Machinery and equipment	8.4	5.2	7.1	2.8
Domestic	6.8	4.9	3.1	1.1
Imported	10.5	5.0	10.2	4.1

Source: INEGI

In seasonally adjusted terms, GFI decreased 0.5% m/m. Investment in construction posted a 2.5% m/m contraction, as a result of the 3.2% fall in residential construction. In addition, non-residential construction edged-down 0.2% m/m. In contrast, investment in machinery and equipment edged-up 2.2% m/m, as a result of the 6.5% growth in the domestic component. By contrast, imported machinery and equipment investment posted a 0.5% m/m decrease (refer to the table below).

Gross fixed investment

% m/m sa; % 3m/3m saar

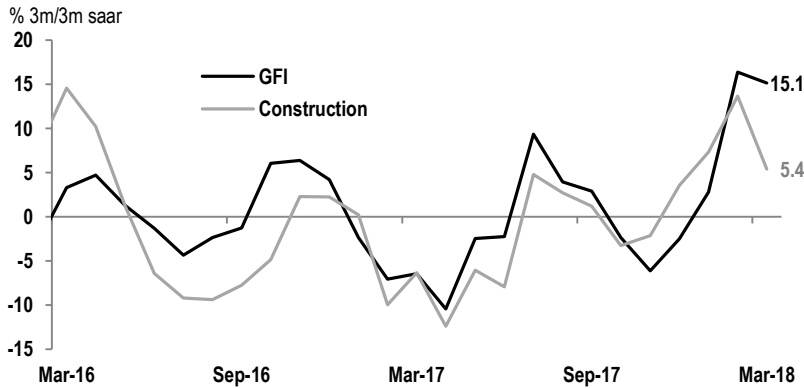
	Mar-18	Feb-18	Jan-18	1Q18	4Q17
Total	-0.5	0.6	1.0	15.1	-2.5
Construction	-2.5	0.3	-0.6	5.4	3.5
Residential	-3.2	1.7	1.1	14.1	5.0
Non-residential	-0.2	-1.3	-2.3	-4.0	4.8
Machinery and equipment	2.2	2.4	2.5	33.3	-11.3
Domestic	6.5	1.9	2.3	38.3	-24.5
Transportation equipment	5.4	7.0	1.3	67.2	-37.2
Other M&Eq	5.4	-1.0	3.1	13.5	-13.4
Imported	-0.5	2.4	1.3	26.6	-1.9
Transportation equipment	5.9	1.6	-7.9	6.8	16.6
Other M&Eq	-1.7	2.0	2.1	26.3	-4.2

Source: INEGI

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In our opinion, GFI will continue to show a moderate rate of expansion in the coming months. Despite the contraction observed in March, the annualized quarterly growth rate shows an expansion of 15.4% 3m/3m saar in 1Q18, after a contraction of 2.5% 3m/3m saar in 4Q17. Looking ahead, we believe that investment levels will continue to be supported by the recovery seen in the construction sector. However, the depreciation of the Mexican currency could eventually affect the imported component within machinery and equipment.

Gross fixed investment: March 2018



Source: INEGI

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