

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

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- **Gross fixed investment (September): 5.3%; Banorte-Ixe: 5.5%; consensus: 5.2% (range of estimates: 3.1% to 6.3%); previous: 2.9%**
- **In seasonally adjusted terms, GFI increased 1.4% m/m**
- **Looking ahead, we believe that GFI figures will continue to show a more visible recovery**

Higher investment in imported M&Eq and residential construction. According to *INEGI's* report, gross fixed investment in September posted a 5.3% yoy expansion, marginally below our 5.5% forecast. Taking a look at the breakdown, investment in domestic machinery edged-up 8.9% yoy, while the imported component increased 17% yoy, despite the significant depreciation of the Mexican currency. Moreover, the construction sector grew 0.1%, as a result of a 5.7% reduction in in non-residential construction investment. However, residential construction increased 8% yoy, as shown in the table below. With today's report, GFI now adds a 5% yoy expansion year-to-date.

Gross fixed investment: September 2015

%yoy	Sep-15	Sep-14	Jan-Sep, '15	Jan-Sep, '14
Total	5.3	6.6	5.0	1.7
Construction	0.1	5.1	2.1	0.5
Residential	8.0	6.2	4.1	1.2
Non-residential	-5.7	4.3	0.6	-0.1
Machinery and equipment	14.4	9.4	9.8	3.9
Domestic	8.9	6.3	9.5	2.2
Transportation Equipment	15.6	8.5	12.7	4.7
Other machinery and equipment	2.6	4.4	6.4	-0.1
Imported	17.0	10.9	9.9	4.6
Transportation Equipment	-7.9	3.0	-0.4	-4.2
Other machinery and equipment	20.5	12.1	11.4	6.0

Source: INEGI

In seasonally adjusted terms, investment increased 1.4% m/m in September. Investment in domestic machinery and equipment edged-down 2.1% m/m, while the imported component increased 5.4% m/m. Finally, investment in the construction sector decreased 0.4% m/m. With these numbers GFI posted a 2.6% 3m/3m saar expansion in 3Q15, down from 8.9% in 2Q15, as shown in the chart on the next page. However, imported machinery and equipment grew 5.6% 3m/3m saar.

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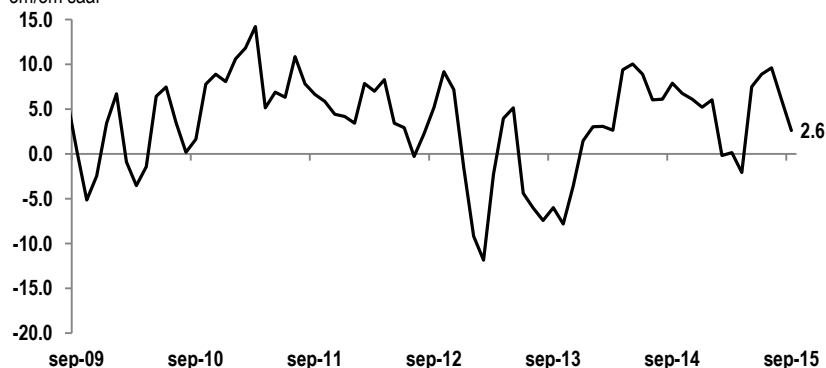
Gross fixed investment: September 2015

%m/m sa	Aug-15	Jul-15	Difference
Total	-0.5	-1.8	1.3
Construction	-0.7	1.0	-1.7
Machinery and equipment	0.1	-5.4	5.6
Domestic	3.3	-2.1	5.5
Imported	-0.8	-6.3	5.5

Source: INEGI

Gross fixed investment

3m/3m saar



Source: Banorte-ixe

Looking ahead, we believe that GFI figures will continue to show a more visible recovery. September'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.

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