

GFI – September’s fall explained by lower investment in machinery and equipment

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- **Gross fixed investment (September): -2.6% yoy (nsa); Banorte: -0.2%; consensus: -0.6% (range of estimates: -2.2% to -0.2%); previous: 0.3%**
- **In seasonally adjusted terms, GFI posted a 1.2% m/m reduction, given the 2% m/m contraction in machinery and equipment**
- **Looking ahead, we believe that GFI will maintain a downward trend as a result of:**
 - (1) **The fiscal cuts implemented by the federal government, which have affected Mexico’s public investment projects; and**
 - (2) **The uncertainty surrounding Mexico’s economic and political environment**

GFI down by 1.2% m/m. According to *INEGI’s* report, gross fixed investment posted a 2.6% yoy contraction in September, below our -0.2% yoy forecast (consensus: -0.6% yoy). Taking a look at the breakdown, construction output fell 2% yoy, while investment in machinery and equipment declined by 3.3% yoy.

In seasonally adjusted terms, GFI decreased by 1.2% m/m, which stands as the biggest fall since February 2017. Taking a look at the breakdown, investment in construction posted a 1.2% m/m expansion. Moreover, residential construction increased 2.6%, whereas non-residential construction edged down by 0.8%. By contrast, investment in machinery and equipment declined 2% m/m, as a result of the 2.4% reduction in the domestic component. Imported machinery and equipment investment fell 1.2% m/m (refer to the table below).

Gross fixed investment: September 2017
% m/m; sa

	Sep-17	Aug-17	Jul-17
Total	-1.2	1.5	-1.3
Construction	1.2	-0.1	-1.9
Residential	2.6	0.6	-2.5
Non-residential	-0.8	0.2	-1.9
Machinery and equipment	-2.0	1.8	1.6
Domestic	-2.4	0.0	1.0
Transportation equipment	11.3	-13.7	-0.2
Other M&Eq	-16.5	19.6	3.0
Imported	-1.2	3.3	2.5
Transportation equipment	0.9	4.2	-5.7
Other M&Eq	-1.6	3.0	2.5

Source: INEGI

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Looking ahead, we believe that GFI will maintain a downward trend. We believe that the deceleration during September was due in part to the earthquakes, given that economic activity diminished in the aftermath of these. In the coming months, we continue to believe that GFI will decelerate as a result of: (1) The fiscal cuts implemented by the federal government which have affected Mexico's public investment projects; and (2) the uncertainty surrounding Mexico's economic and political environment. Looking ahead, we expect these factors to continue to weigh on investment decisions in our country in the coming months.

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