

GFI – Investment expands 5.3% yoy in April, above consensus

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- **Gross fixed investment (April): 5.3%; Banorte-Ixe: 4.2%; consensus: 4.5% (range: 3.6% to 7.5%); previous: 6.6%**
- **In seasonally adjusted terms, GFI increased 0.4% m/m**
- **With these numbers GFI posted a 5.3% expansion year-to-date**
- **Looking ahead, we believe that GFI figures will show a more visible recovery**

GFI now adds twelve consecutive months on the rise. According to *INEGI's* report, gross fixed investment in April posted a 5.3% yoy expansion, above with the consensus 4.5% forecast (Banorte-Ixe: 4.2%). Taking a look at the breakdown, investment in domestic machinery increased 12.4% yoy, while the imported component expanded 5.1% yoy, along with the significant increase of 21.1% in transportation equipment. Moreover, the construction sector grew 4.2%, driven by a 7.8% yoy expansion in residential construction. With these numbers GFI posted a 5.3% expansion year-to-date, above the average observed in 2014, as shown in the table below.

Gross fixed investment: April 2015

% yoy	Apr-15	Apr-14	Jan-Apr, '15	Jan-Apr, '14
Total	5.3	-4.3	5.3	-1.5
Construction	4.2	-4.8	3.5	-3.0
Residential	7.8	-3.6	6.4	-2.9
Non-residential	1.4	-5.6	1.4	-3.0
Machinery and equipment	7.2	-3.6	8.3	1.0
Domestic	12.4	0.3	11.2	-3.2
Transportation Equipment	14.2	-6.6	14.7	-8.6
Other machinery and equipment	10.9	6.7	8.3	1.6
Imported	5.1	-5.1	7.1	2.9
Transportation Equipment	21.1	-22.1	1.4	-8.2
Other machinery and equipment	3.1	-2.5	7.9	4.7

Source: INEGI

In seasonally adjusted terms, investment increased 0.4% m/m in April. Also investment in machinery and equipment showed an improvement of 2.4% m/m. Moreover, the imported component edge up 0.4% m/m. Finally, investment in the construction sector increased 0.4% m/m, as shown in the table below. However, these numbers imply a 0.9% 3m/3m saar contraction.

Gross fixed investment: April 2015

%m/m sa	Apr-15	Mar-15
Total	0.4	4.1
Construction	0.4	2.4
Machinery and equipment	2.4	3.7
Domestic	5.8	-2.3
Imported	0.4	8.2

Source: INEGI

Today's figures suggest that the recovery of GFI and private sector investment continues in 1H15. As we already mentioned, GFI expanded at 5.3% year-to-date on the back of a more dynamic construction sector and the recovery in household's spending, which has been reflected in the exceptional performance of construction in the residential sector. In addition, recent trade balance figures have shown a rapid recovery of capital goods imports despite the significant depreciation of the Mexican currency, which could be reflecting the better growth prospects that firms have about the Mexican economy in the first half of the year.

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