

GFI – Strong recovery at the beginning of the year

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- **Gross fixed investment (January): 4.1% yoy (nsa); Banorte: 1.9%; consensus: 3.5% (range of estimates: 1.9% to 6.4%); previous: -0.4%**
- **In seasonally adjusted terms, GFI posted a 1% m/m expansion in January, given the 2.1% expansion in machinery and equipment**
- **Looking ahead, we consider that public GFI will continue to recover given the 2018 presidential elections, which will translate in a higher government spending within the federal entities and municipalities**

GFI up by 1% m/m. According to *INEGI's* report, gross fixed investment posted a 4.1% yoy expansion in January, above our 1.9% forecast (consensus: 3.5% yoy). Taking a look at the breakdown, construction output increased 1.5% yoy, while investment in machinery and equipment expanded 7.9%.

In seasonally adjusted terms, GFI increased 1% m/m. Investment in construction posted a 0.4% m/m contraction, as a result of the 1.8% reduction in non-residential construction. However, residential construction increased 1.5% m/m. In addition, investment in machinery and equipment edged-up 2.1% m/m, as a result of the 2.1% increase in the domestic component. Moreover, imported machinery and equipment investment posted an 1% m/m expansion (refer to the table below).

Looking ahead, we believe that public GFI will maintain an upward trend. We continue to believe that public GFI will continue to recover given the electoral process of 2018, which will translate in a higher government spending within the federal entities and municipalities. By contrast, it is likely that private investment will decelerate as a result of the uncertainty surrounding Mexico's political environment.

Gross fixed investment: January 2018

% m/m; sa

	Jan-18	Dec-17	Nov-17
Total	1.0	4.2	-1.5
Construction	-0.4	4.5	-0.7
Residential	1.5	2.9	0.0
Non-residential	-1.8	3.3	0.1
Machinery and equipment	2.1	3.6	-0.7
Domestic	2.1	3.7	-2.1
Transportation equipment	0.8	11.5	-7.9
Other M&Eq	3.4	-3.5	2.4
Imported	1.0	4.4	0.9
Transportation equipment	-6.4	10.9	-2.1
Other M&Eq	2.5	3.9	0.8

Source: INEGI

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