

## GFI maintains a downward trend

May 4, 2017

- **Gross fixed investment (February): -3.1% yoy (nsa); Banorte-Ixe: -0.6%; consensus: 0.1% (range of estimates: -1.5% to 1.5%); previous: -0.5%**
- **GFI's contraction was explained by the fall in construction, where we highlight the 11.7% reduction in non-residential construction (calendar adjusted figures)**
- **However, machinery and equipment (M&Eq) grew by 3% yoy, given the 0.2% increase in domestic M&Eq investment coupled with the 9.5% of imported M&Eq (calendar adjusted figures)**
- **In seasonally adjusted terms, GFI fell 0.8% m/m**
- **Looking ahead, we believe that GFI will maintain a downward trend as a result of:**
  - (1) **The fiscal consolidation implemented by the federal government which has affected Mexico's drilling and public investment projects; and**
  - (2) **The uncertainty surrounding the impact of Trump's policies in the Mexican economy**

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**GFI maintains a downward trend.** According to *INEGI's* report, gross fixed investment fell 3.1% yoy in February, after the 0.5% contraction in January (Banorte-Ixe: -0.6% yoy; consensus: +0.1%). Using calendar adjusted figures, GFI posted a 2.8% yoy contraction, which suggests that calendar effects didn't played a significant role in February's contraction. Taking a look at the breakdown, and using the calendar adjusted series, investment in domestic machinery and equipment increased 5.4% yoy, while the imported component grew 3.5% yoy.

In addition, investment in construction posted a 4.3% contraction, as a result of the 11.7% reduction in non-residential construction, which now adds nineteen consecutive months in contraction. In this context, the fall in non-residential construction investment reflects the fiscal consolidation efforts made by the federal government, which have affected Mexico's drilling and public investment projects. By contrast, investment in residential construction increased 4.9% yoy (refer to the first table on the next page).

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**Gross fixed investment: February 2017**

% yoy; nsa

	Feb-17	Jan-17	Dec-16	Feb-16
<b>Total</b>	-2.8	-1.5	1.9	4.9
<b>Construction</b>	-4.3	-3.6	0.3	2.5
Residential	4.9	-0.4	3.9	7.3
Non-residential	-11.7	-6.0	-2.7	-1.0
<b>Machinery and equipment</b>	3.0	1.6	5.0	5.5
Domestic	9.5	5.3	11.0	7.5
Transportation equipment	11.6	2.1	15.7	4.4
Other M&Eq	11.5	6.7	5.9	6.5
Imported	0.2	0.3	1.1	4.0
Transportation equipment	-0.2	13.3	13.7	-1.0
Other M&Eq	-2.5	-1.2	-0.2	7.6

Source: INEGI

**In seasonally adjusted terms, GFI fell 0.8% m/m.** Taking a look at the breakdown, investment in imported machinery and equipment posted a 1.2% decrease, while domestic purchases were up by 1%. In addition, investment in the construction sector fell 1.3% m/m. With today's figures, GFI posted a 4.2% 3m/3m saar contraction. In addition, construction fell 4.7% as a result of the 7.3% reduction in non-residential construction (refer to the charts below).

**Gross fixed investment: February 2017**

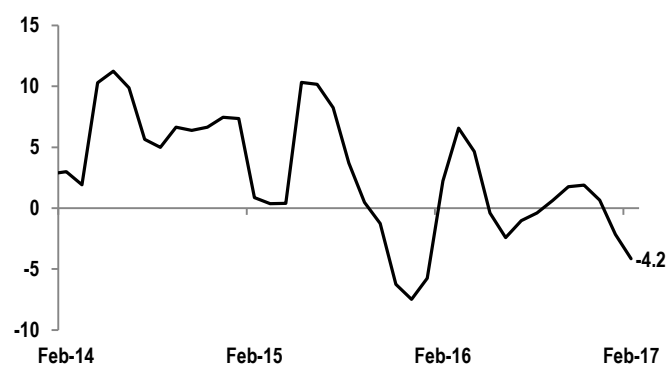
% m/m; sa

	Feb-17	Jan-17	Difference
<b>Total</b>	-0.8	-1.8	0.9
<b>Construction</b>	-1.3	-0.5	-0.8
Residential	0.9	-0.1	1.0
Non-residential	-3.0	-2.4	-0.7
<b>Machinery and equipment</b>	0.0	-2.7	2.7
Domestic	1.0	-2.9	3.9
Transportation equipment	-2.0	-9.4	7.4
Other M&Eq	2.4	1.2	1.3
Imported	-1.2	-1.4	0.2
Transportation equipment	-10.5	7.1	-17.6
Other M&Eq	-0.8	-2.6	1.8

Source: INEGI

**Gross fixed investment**

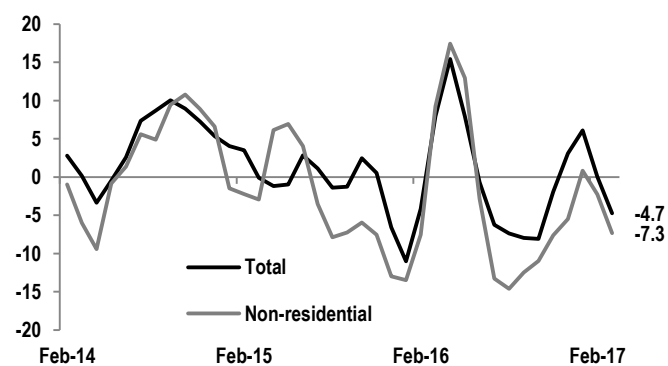
% 3m/3m saar



Source: Banorte-IXE

**Construction: Total and Non residential**

% 3m/3m saar



Source: Banorte-IXE

**Looking ahead, we believe that GFI will maintain a downward trend.**

Today's data validates our view of a deceleration of investment levels in 1Q17. We believe that the contraction seen stems from: (1) The fiscal consolidation implemented by the federal government which has affected Mexico's drilling and public investment projects; and (2) the uncertainty surrounding the impact of Trump's policies in the Mexican economy. Looking ahead, we expect these factors to continue to weigh investment decisions in our country in the coming months.

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