

GFI continues its downward trend

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- **Gross fixed investment (april): 1.6% yoy; Banorte-Ixe: 1.3%; consensus: 2.1% (range of estimates: -0.9% to 3.7%); previous: -3%**
- **GFI's growth in April was explained by a favorable calendar effect, given that the *Holy Week* added working days to the annual comparison**
- **With calendar adjusted figures, GFI fell 2.4% yoy**
- **In seasonally adjusted terms, GFI posted a 1.6% m/m contraction**
- **Looking ahead, we believe that GFI figures will continue to show a significant deceleration**

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April's growth explained by a favorable calendar effect. According to INEGI's report, gross fixed investment in April posted a 1.6% yoy expansion, marginally above our 1.3% yoy forecast (consensus: 2.1%; previous: -3.0%; refer to the table below). We highlight that GFI's performance in April was explained by a favorable calendar effect, given that the *Holy Week* added working days to the annual comparison. With calendar adjusted figures, gross fixed investment fell 2.4% yoy.

Taking a look at the breakdown, and using the calendar-adjusted figures (refer to the first table on the next page), investment in domestic machinery and equipment edged-up 3.1% yoy, while the imported component declined 7.4% yoy given the significant depreciation of the Mexican currency during the first quarter of the year.

Moreover, construction investment fell 1.8%, as a result of the 8.6% contraction in non-residential construction given the reduction in public investment projects. However, residential construction increased 6.2% yoy given the better growth dynamics of domestic demand, as shown in the table on the next page.

Gross fixed investment: April 2016

% yoy

Original figures	Apr-16	Apr-15	Jan-Apr, '16	Jan-Apr, '15
Total	1.6	5.8	0.9	5.6
Construction	1.3	5.2	0.9	4.3
Residential	10.5	5.8	6.3	4.3
Non-residential	-5.8	4.8	-3.1	4.3
Machinery and equipment	2.2	6.6	0.9	7.7
Domestic	7.6	10.2	8.1	9.2
Transportation Equipment	17.5	13.2	14.6	13.5
Other machinery and equipment	-1.5	7.6	2.3	5.6
Imported	-0.1	5.2	-2.3	7.0
Transportation Equipment	-16.3	21.3	-7.6	1.8
Other machinery and equipment	2.3	3.2	-1.6	7.8

Source: INEGI

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Gross fixed investment: April 2016

% yoy

Calendar-adjusted figures	Apr-16	Mar-16	Feb-16	Apr-15
Total	-2.4	1.1	4.9	5.8
Construction	-1.8	1.6	2.3	5.2
Residential	6.2	3.3	6.3	5.8
Non-residential	-8.6	0.8	-0.4	4.8
Machinery and equipment	-4.1	0.5	6.0	8.0
Domestic	3.1	11.9	8.0	9.6
Transportation equipment	15.7	16.1	5.1	7.8
Other M&Eq	-4.7	3.4	7.6	8.0
Imported	-7.4	-3.8	4.0	7.0
Transportation equipment	-16.3	-17.3	-1.2	21.3
Other M&Eq	-5.7	-2.4	7.8	4.7

Source: INEGI

In seasonally adjusted terms, investment fell 1.6% m/m in April. Taking a look at the breakdown, investment in domestic machinery and equipment posted a 2.9% contraction, while the imported component decreased 2.3% m/m. Finally, investment in the construction sector fell 0.8% m/m, as a result of the 5.3% m/m reduction in non-residential construction, and the 1.8% increase in residential construction, as shown in the table below.

Gross fixed investment: April 2016

% m/m

%m/m sa	Apr-16	Mar-16	Difference
Total	-1.6	0.1	-1.8
Construction	-0.8	0.8	-1.6
Residential	1.8	1.7	0.1
Non-residential	-5.3	1.1	-6.4
Machinery and equipment	-1.7	-0.2	-1.5
Domestic	-2.9	2.5	-5.4
Transportation equipment	0.1	10.2	-10.0
Other M&Eq	-2.2	0.2	-2.4
Imported	-2.3	-0.2	-2.1
Transportation equipment	3.0	-6.9	9.8
Other M&Eq	-2.7	-1.5	-1.2

Source: INEGI

Looking ahead, we believe that GFI figures will show a significant deceleration. We believe that GFI's outlook for the second and third quarter will be more negative. In particular, the latest trade balance report published by Banxico and *INEGI* shows that M&Eq imports fell 4% yoy in May. Moreover, we believe that construction output will be significantly lower as a result of the decline in public investment projects, given the fiscal cut announced by the Federal Government on November 2015. In addition, the new fiscal cuts announced by the *MoF* on February 17 and on May 23 will further limit the government's ability to invest in public projects, which will be reflected in lower domestic investment figures throughout the second and third quarter of the year.

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