

Mexico

# Economic Watch

February 14, 2011

Economic Analysis

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## Construction Monthly Situation Report

- In December 2010 the construction sector posted 4.9% annual growth and all of its components recorded positive annual changes for the fourth consecutive month.
- Timely indicators for the sector, like employment in the construction sector and cement sales, all showed signs of improvement
- By 2011, growth in the construction sector could exceed the domestic GDP (4.5 vs. 4.3% respectively); infrastructure and housing are key activities

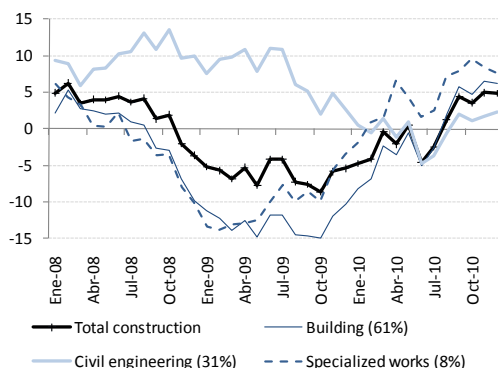
### Construction sector and main components

In December 2010, construction recorded 4.9% annual growth, the fifth consecutive month of growth in annual rates, and the fourth in which the three components, building, civil engineering and specialized works, have recorded positive rates. Timely indicators, like employment in the construction sector and cement sales, also showed signs of improvement. The first recorded growth rates above the domestic average (8.1% vs. 5.4% in 4Q10), while the second showed signs of stabilizing after a dramatic fall during most of the year (-0.5% in October and November vs. -11% from January to September).

### By 2011, growth in the construction sector could exceed the GDP

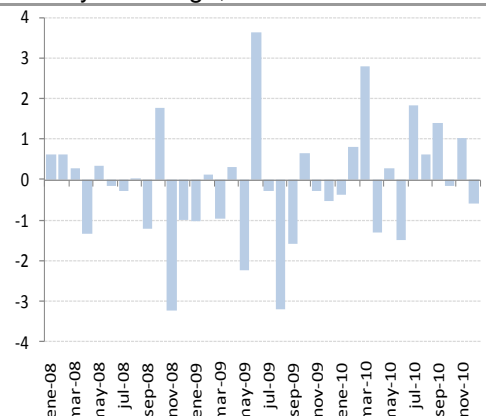
In 4Q10, growth in the construction sector was similar to the rest of the economy (4.5% vs 4.9% in the November IGAE Economic Activity Index). By 2011, in our baseline scenario we expect the construction sector to reach 4.5% growth<sup>1</sup> vs. 4.3% for the domestic GDP, where the key factors will be revival of the housing sector and infrastructure works.

Chart 1  
**Construction sector and its components**  
Annual % change, SA



N.B.: number in brackets show relative share.  
SA= seasonally adjusted series  
Source: BBVA Research with INEGI data

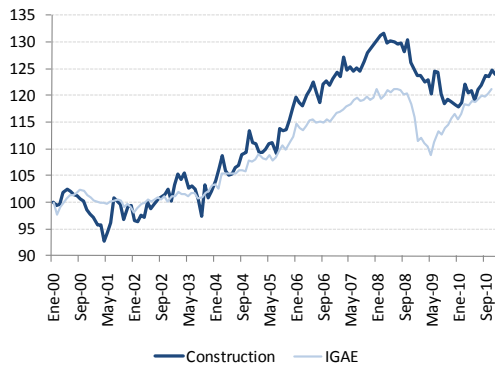
Chart 2  
**Construction industry**  
Monthly % change, SA



SA= seasonally adjusted series  
Source: BBVA Research with INEGI data

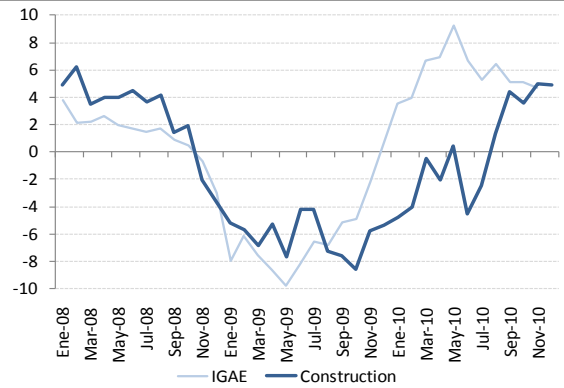
<sup>1</sup> For more details, please see: "Mexico Real Estate Outlook", January 2011

Chart 3  
**Construction vs. IGAE (Economic Activity Index)**  
Index Jan00=100, SA



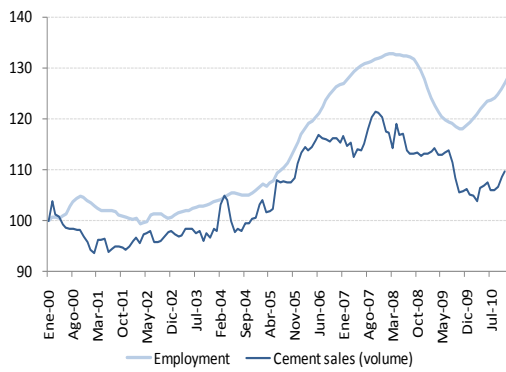
Source: BBVA Research with INEGI data

Chart 4  
**Construction vs. IGAE (Economic Activity Index)**  
Annual % change, SA



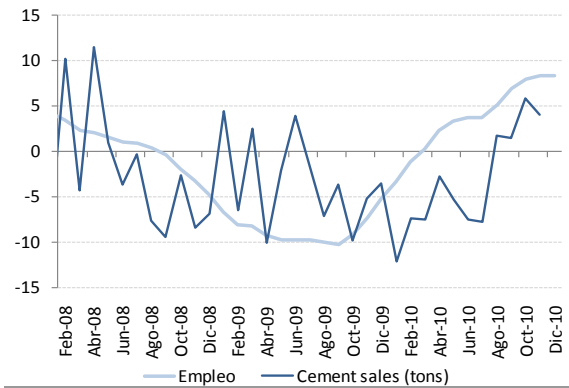
Source: BBVA Research with INEGI data

Chart 5  
**Timely construction indicators, Index**  
1QT00=100, SA



Source: BBVA Research with INEGI data

Chart 6  
**Timely construction indicators**  
Annual % change, SA



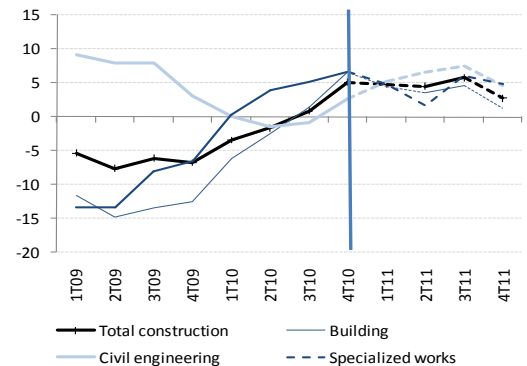
Source: BBVA Research with INEGI data

Table 1:  
**Construction sector and its components**  
Real annual %, SA

	Total construction	Building	Civil engineering	Specialized works
2008	3.1	0.0	10.3	-0.6
2009	-6.4	-13.1	7.0	-10.3
2010	0.2	-0.2	0.1	4.0
1T11	4.8	4.5	5.3	4.9
2T11	4.5	3.5	6.6	1.7
3T11	5.7	4.6	7.5	6.1
4T11	2.8	1.3	4.6	4.9
2011	4.5	3.4	6.0	4.4

Source: BBVA Research with INEGI data

Chart 7  
**Construction GDP Forecasts**  
Real annual %, SA



Source: BBVA Research with INEGI data

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