

Mexico

# Economic Watch

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## Building Monthly Situation Report

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- Building accounts for nearly 45% of construction industry output and absorbed most of the adjustment in the recent recession.
- The declining trend in building is mainly explained by housing and contrasts with the growth in other sectors linked to the construction industry.
- In housing, multi-dwelling units (MDU) were most affected by the crisis with an over 50% decline in comparison to the level seen at the beginning of 2008.

### Building and housing

According to the National Construction Company Survey (ENEC) carried out by INEGI, most of the adjustment in the construction industry in the present cycle was due to building activity. The size of the decline, around 25% toward the end of 2010 (November figures) in comparison to levels seen at the start of 2008 (pre-crisis) contrasts with other activities (transport, water, electricity, oil and petrochemicals) which saw around 15% growth in real terms over the same period.

The decline in building is mainly due to the work carried out in the private sector (which contributes over 90% of total building production value, considering that only schools and hospitals are public sector related building), especially housing and, within this area, multi-occupancy homes (comprising the middle income and residential segments). The accumulated decline here in regard to 2008 was actually above 50%.

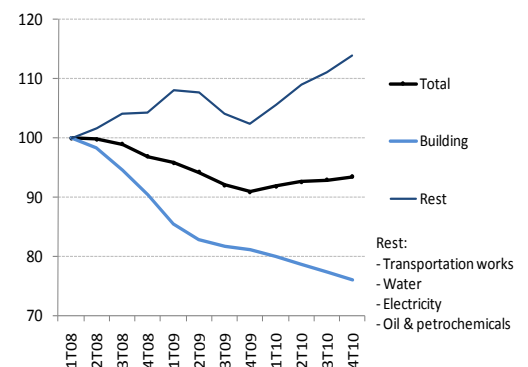
Lastly, from a regional viewpoint, homebuilding saw a relatively more favorable performance in recent years (2008-2010) in states less exposed to the economic cycle (accounting for fewer job losses), albeit with exceptions (Mexico state and city).

Table 1  
**Building: share % breakdown**

	2008	2009	2010
Total	100.0	100.0	100.0
Housing	56.0	54.8	52.3
Single-family	42.2	39.3	41.6
Multi-dwelling units	13.8	15.5	10.7
Rest of building	44.0	45.2	47.7
Public sector	7.4	11.4	12.0
Schools	3.3	4.6	4.3
Hospitals	4.1	6.8	7.7
Private sector	34.7	31.1	32.2
Office	4.1	5.8	7.7
Industrial	11.4	9.5	8.9
Retail and services	15.6	11.6	11.8
Recreation	3.6	4.2	3.9
Auxiliary works	1.8	2.7	3.6
Building in Construction	52.4	47.9	45.5

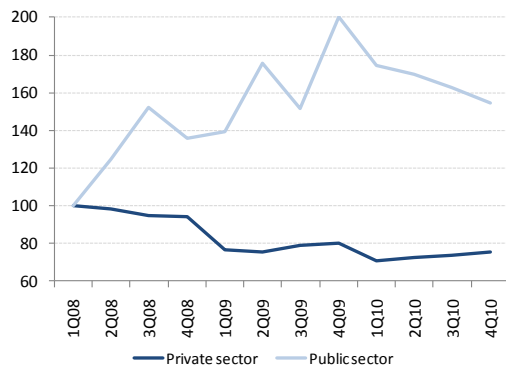
Source: BBVA Research with INEGI data

Chart 1  
**Construction as per work type: total vs. building, Index 1Q08=100, SA**



Source: BBVA Research with INEGI data

Chart 2  
**Building: public vs. private Index**  
1Q08=100, SA



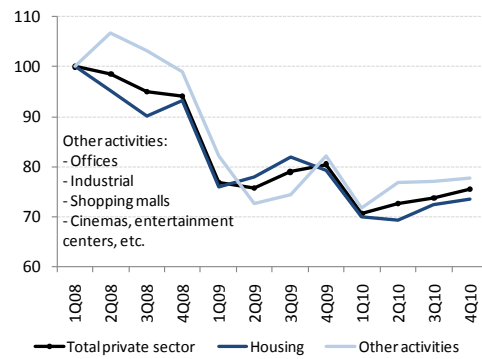
NB: excludes auxiliary work element  
SA= seasonally adjusted series.  
Source: BBVA Research with INEGI data

Chart 3  
**Building: public vs. private Annual % change, SA**



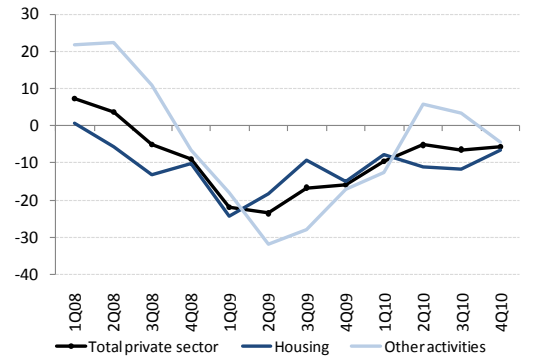
Source: BBVA Research with INEGI data

Chart 4  
**Private building: housing vs. rest Index**  
1Q08=100, SA



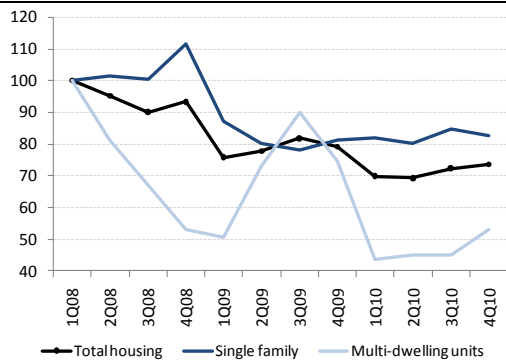
SA= seasonally adjusted series.  
Source: BBVA Research with INEGI data

Chart 5  
**Private building: housing vs. rest Index annual % change, SA**



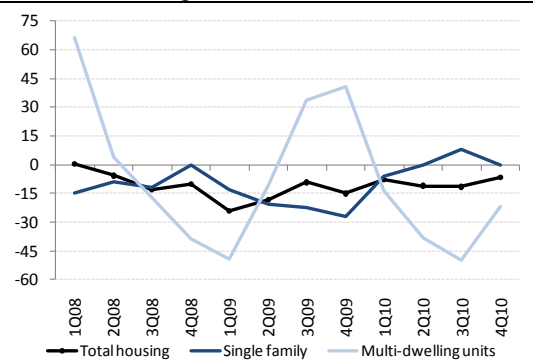
Source: BBVA Research with INEGI data

Chart 6  
**Housing: single-family vs. MDU Index**  
Index 1Q08=100, SA



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

Chart 7  
**Housing: single-family vs. MDU Annual % change, SA**



Source: BBVA Research with INEGI data

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