

Mexico

Weekly Observatory

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Economic Analysis

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Construction Monthly Situation Report

- In January 2010 the construction industry recorded 7.9% annual growth, the highest level since October 2006
- By component, civil engineering recorded an 8% increase and building 8.4%, which are signs of a general recovery in the industry's activities
- The construction industry's growth rate exceeded the rate for the economy overall (IGAE-economic activity index) since the end of 2010 and this trend is likely to continue for the remainder of 2011

Signs of general recovery

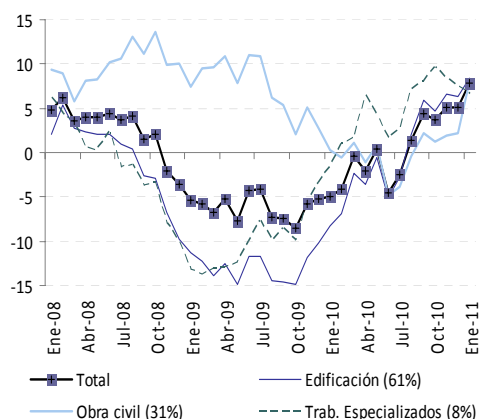
In January 2011, the construction industry recorded 7.9% annual growth, the highest level since October 2006. This means the industry has recorded a positive annual change for six months in a row. By component, civil engineering recorded an 8% increase and engineering 8.4%. Unlike in 2009 and part of 2010, when the only driving force was public works (civil engineering component), these results show that in the last few months growth has become widespread among the industry's activities.

Industry-related indicators also hint at a recovery. In particular, construction employment grew 7.6% in January, above the domestic average (5.1%), and cement sales, which rose 5.2% in December (latest available data), averaged 3.6 growth between August and December 2010 versus a 6.0% fall in the same period in 2009.

Finally, the January result suggests a higher recovery rate for the construction industry than our forecasts (3.4% for the first quarter and 4.5% for 2011 as a whole), although it is still early to confirm changes in trends, and a few more months must go by before they are consolidated.

Chart 1

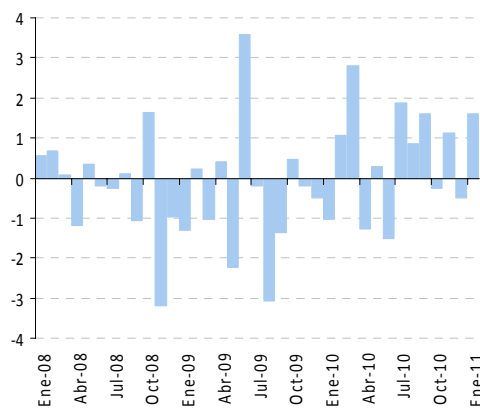
Construction sector and its components, Annual % change, AE



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

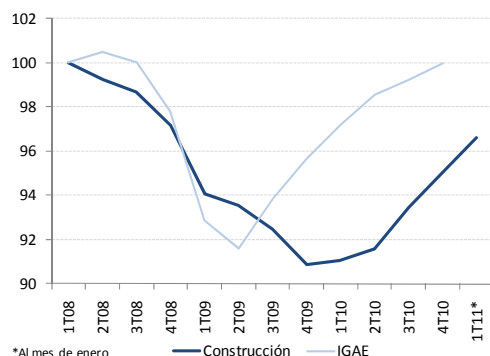
Chart 2

Construction industry Monthly % change, AE



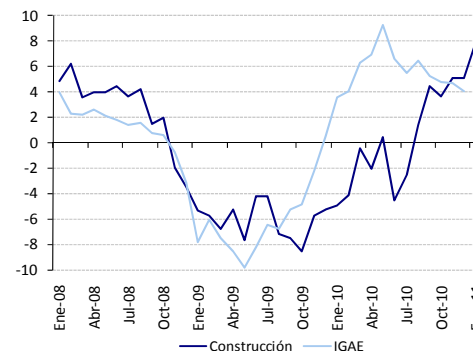
AE= seasonally adjusted series
Source: BBVA Research with INEGI data

Chart 3
Construction vs. IGAE,
Index Jan-00=100, AE



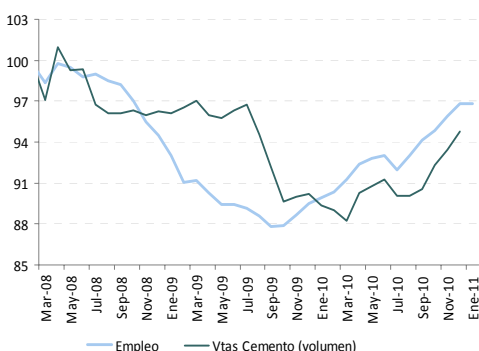
Source: BBVA Research with INEGI data

Chart 4
Construction vs. IGAE,
Annual % change, AE



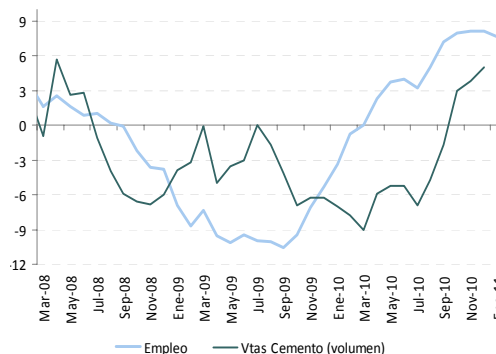
Source: BBVA Research with INEGI data

Chart 5
Timely construction indicators, Index
1QT00=100, AE



Source: BBVA Research with INEGI data

Chart 6
Timely construction indicators
Annual % change, AE



Source: BBVA Research with INEGI data

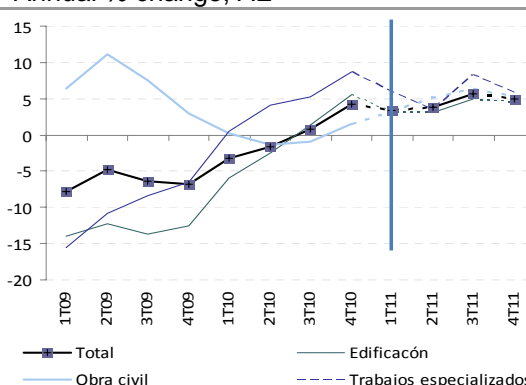
Table 1:
Construction sector and its components,
Annual % change, AE

| | Total | Edificación | Obra civil | Trabajos especializados |
|--------|-------|-------------|------------|-------------------------|
| 2008 | 3.1 | 0.0 | 10.3 | -0.6 |
| 2009 | -6.4 | -13.1 | 7.0 | -10.3 |
| 2010 | 0.0 | -0.4 | -0.1 | 4.7 |
| 1T10 | -3.2 | -5.9 | 0.3 | 0.5 |
| 2T10 | -1.6 | -2.5 | -1.3 | 4.1 |
| 3T10 | 0.8 | 1.3 | -1.0 | 5.3 |
| 4T10 | 4.2 | 5.5 | 1.5 | 8.7 |
| 1T11* | 7.9 | 8.4 | 8.0 | 6.6 |
| 2011 p | 4.5 | 3.9 | 5.0 | 5.9 |

*Corresponde al mes de enero

Source: BBVA Research with INEGI data

Chart 7
Construction GDP Forecasts
Annual % change, AE



Source: BBVA Research with INEGI data

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