

Mexico

Economic Watch

April 4, 2011

Economic Analysis

Eduardo Torres
e.torres@bbva.bancomer.comBuilding
Monthly Situation Report

- **Output in building work in January increased in real terms by 4.2%. This is the first increase in eleven months and just the second from April 2008**
- **Figures show house building reactivation both in single family and multi-dwelling units (MDU) properties**
- **January's results are in line with other indicators marking a bounce in the construction industry, specifically housing**

Building and housing

According to the National Construction Company Survey (ENEC) figures from Inegi, output in building work in January increased in real annual terms by 4.2%, the first month to see a positive change in the indicator in the last eleven months (0.2% in February 2010) and just the second from its fall in the second quarter of 2008.

The figures highlight a general upturn in works performed by the private sector. On the one hand, MDU housing (mainly condominiums and buildings) started to reverse the trend recorded since 2010 (over a 50% fall in comparison to levels recorded in 2008) with a 16.5% upswing in real terms in January 2011. Other housing saw real growth of 4.6% in January, also a major bounce with regards to what was seen in 2010 (-0.1% in average real terms in the year). On the other, other private sector output (offices, industrial plants, retail and services, and leisure) saw a real increase of 3.2% in January.

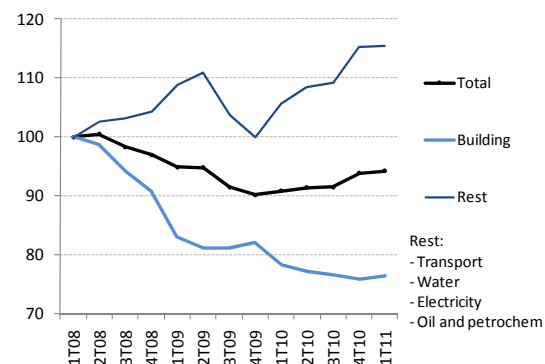
The increase in building work output value is in line with other indicators marking a bounce in output linked to construction (industrial output, cement sales, construction jobs) pointing to reactivation in the sector.

Table 1:
Building as per main components(annual % change)

	2Q10	3Q10	4Q10	1Q11*
Total	-5.0	-5.5	-4.3	4.2
Housing	-11.6	-11.6	-4.5	7.2
Single Family	0.8	5.8	2.2	4.6
MDU	-41.1	-46.6	-21.2	16.5
Other building	3.4	2.3	-4.0	0.8
Government	1.6	-1.8	-17.2	-20.6
Schools	-8.9	-13.8	-32.2	-34.4
Hospitals	8.3	6.3	-7.1	-12.2
Private Sector	2.8	2.8	-2.9	3.2
Offices	40.5	19.2	6.7	15.0
Industrial	-10.0	-9.9	-0.4	5.9
Trade and services	4.0	6.5	-10.0	-2.8
Leisure	-17.9	-3.7	-4.6	-7.0
Auxiliary work	18.4	13.6	38.8	59.2

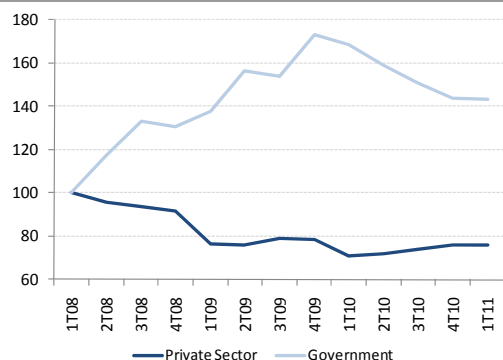
* January figures
Source: BBVA Research with INEGI data

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



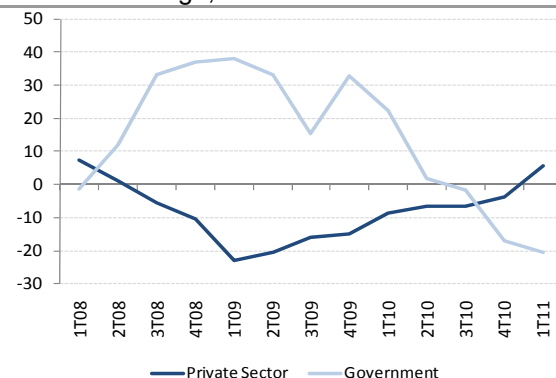
Source: BBVA Research with INEGI data

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



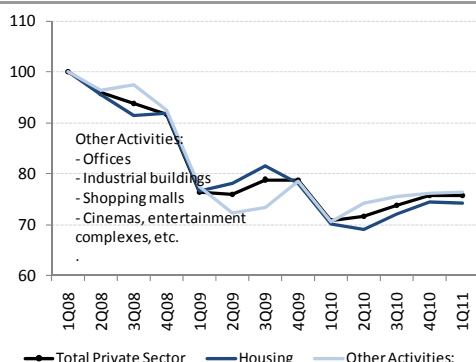
NB: excludes auxiliary work element
For 2011 January figures
SA= seasonally adjusted series.
Source: BBVA Research with INEGI data

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



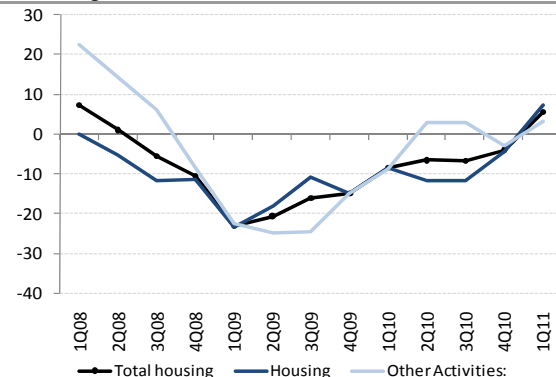
For 2011 January figures
Source: BBVA Research with INEGI data

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



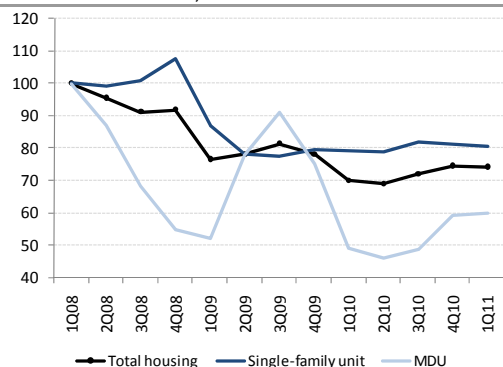
Note: for banks only includes the open market
*January figures
Source: BBVA Research with ABM and AHM data

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



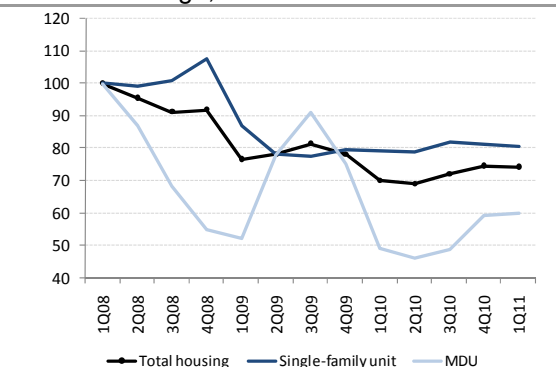
*January figures
Source: BBVA Research with ABM and AHM data

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



For 2011 January figures
SA= seasonally adjusted series.
Source: BBVA Research with INEGI data

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



For 2011 January figures
Source: BBVA Research with INEGI data

Disclaimer

This document was prepared by Banco Bilbao Vizcaya Argentaria's (BBVA) BBVA Research and BBVA Bancomer S. A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer on behalf of itself and is provided for information purposes only. The information, opinions, estimates and forecasts contained herein refer to the specific date and are subject to changes without notice due to market fluctuations. The information, opinions, estimates and forecasts contained in this document are based upon information available to the public that has been obtained from sources considered to be reliable. However, such information has not been independently verified by BBVA Bancomer, and therefore no warranty, either express or implicit, is given regarding its accuracy, integrity or correctness. This document is not an offer to sell or a solicitation to acquire or dispose of an interest in securities.