

Economic Watch

Mexico

Construction Monthly Situation Report

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Economic Analysis

Eduardo Torres
e.torres@bbva.bancomer.com

Fernando Balbuena
fernando.balbuena@bbva.bancomer.com

- The construction industry grew by an annual 4.6% in February 2011. Broken down by its components, building was up by 3.5%, civil works 5.3% and specialized works 8.4%.
- Although civil works continues to grow more than building, the large gap between the two in 2009 and 2010 is being closed.
- Indicators such as employment in the construction industry and cement sales have boosted expectations of a recovery in construction in 2011.

The trend is for recovery, although with monthly variations

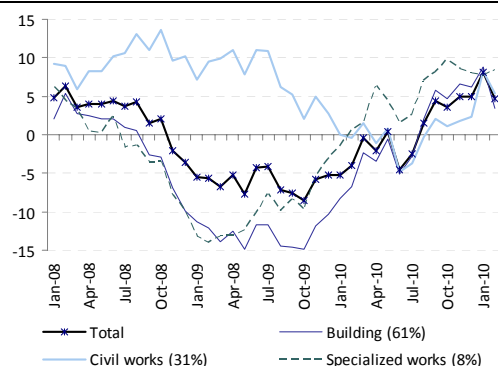
The construction industry grew by an annual 4.6% in February 2011. Although there is some monthly volatility (alternate positive and negative variations throughout the last six months), the 6.4% growth in the industry in January-February is the highest rate for a similar period since 2006. At the component level, building and civil works have grown at similar rates (6.1% and 6.8% in the January-February period) for the first time since 2008.

Growth in the construction industry in 2011 could exceed GDP

The figures in the construction industry, combined with the results of timely indicators such as employment in construction (6.6% vs. 4.8% overall in 1Q11) strengthen our expectations of recovery for the industry and a growth rate above the economy as a whole in 2011.

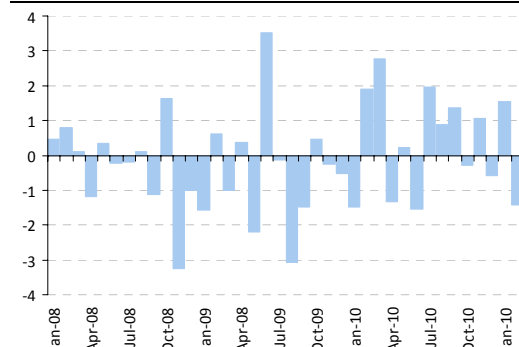
Given that other economic indicators such as public and private investment are revealing growth rates above expectations; our base scenario is for growth for the industry of between 5.0% and 5.5%, while the economy as a whole will grow by around 4.7%. Budget execution in housing and infrastructure programs will be key to our forecasts proving correct.

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



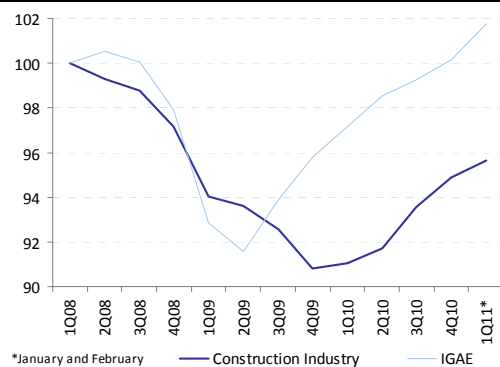
N.B.: numbers in brackets show relative shares.
SA= seasonally adjusted series
Source: BBVA Research with INEGI data

Chart 2
Construction industry
Monthly % change, SA



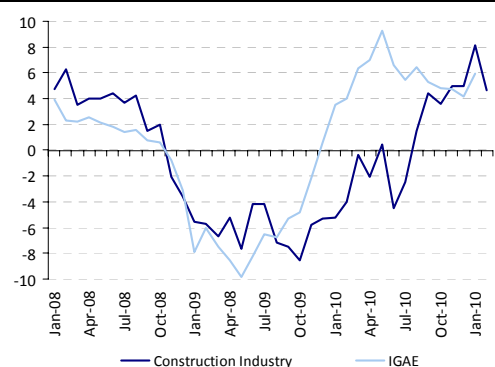
SA= seasonally adjusted series
Source: BBVA Research with INEGI data

Chart 3
Construction vs. IGAE (Economic Activity Index)
 Index Jan 08=100, SA



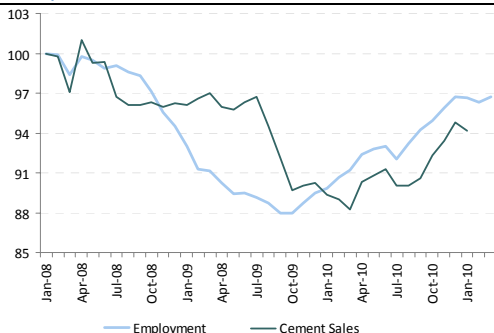
Source: BBVA Research with INEGI data

Chart 4
Construction vs. IGAE
 Annual % change, SA



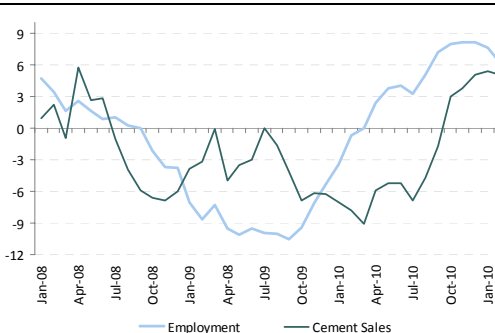
Source: BBVA Research with INEGI data

Chart 5
Timely construction indicators, Index 1T08=100, SA



Source: BBVA Research with INEGI data

Chart 6
Timely construction indicators
 Annual % change, SA



Source: BBVA Research with INEGI data

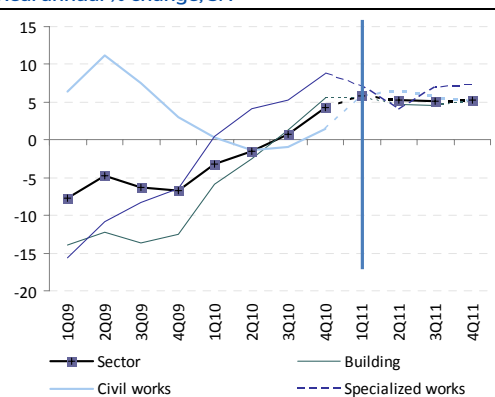
Table 1:
Construction sector and its components,
 Real annual % change, SA

	Sector	Building	Civil works	Specialized works
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
1Q10	-3.2	-5.9	0.3	0.5
2Q10	-1.6	-2.5	-1.3	4.1
3Q10	0.8	1.3	-1.0	5.3
4Q10	4.2	5.5	1.5	8.7
1Q11*	6.4	6.1	6.8	8.0
2011 p	5.4	5.0	5.8	6.3

*January-february

Source: BBVA Research with INEGI data

Chart 7
Construction GDP forecasts
 Real annual % change, SA



Source: BBVA Research with INEGI data

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