

Economic Watch

Mexico

May 2, 2011

Economic Analysis

Eduardo Torres
e.torres@bbva.bancomer.com

Building Monthly Situation Report

- In the January-February 2011 period, output in building work increased in real terms by 3.4% versus the same period in 2010.
- Other private building work, which mainly includes offices, industrial plants and shopping malls, grew 2.1%.
- The results are in keeping with other indicators that hint at a recovery in economic activity and in which construction plays a vital role.

Housing plays key role in recovery in building

In accordance with the National Construction Company Survey, during the January-February 2011 period, output in the construction industry increased in real terms by 3.4%. This increase was related to the housing component (which according to the survey represents 55% of the industry's output), with a 7.2% growth in real terms. The rise in housing includes an upturn in single-family housing (3.9% vs. 1.9% in 4Q10) and the stabilizing (with a slight uptrend) of the MDU component (apartments and condominiums), although its low comparison basis also had an influence (heavy fall at the start of 2010)

Other private building work, which mainly includes offices and industrial plants, grew 2.1% in real terms in the January-February period. This is in line with the revival in manufacturing activity and in particular activities related to the foreign sector.

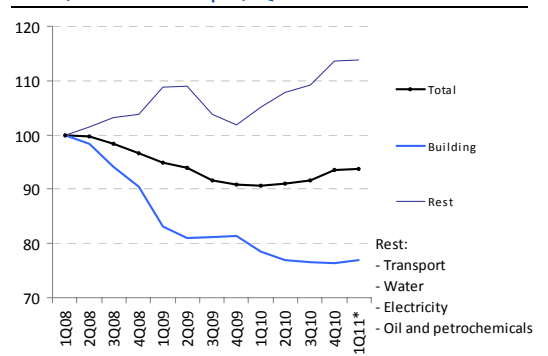
The results are in keeping with other indicators that hint at a recovery in economic activity in 2011. In particular, like during other periods of growth we expect that the construction industry's growth rate surpasses the overall economic growth rate, both this year and in 2012.

Table 1:
Building by components
% change in real annual terms

Total	-4.9	-5.6	-4.6	3.4
Housing	-11.7	-11.7	-4.8	7.2
Single Family	0.8	5.7	1.9	3.9
MDU	-41.1	-46.7	-21.6	19.9
Other building	3.5	2.2	-4.4	-0.9
Government	1.7	-1.8	-16.7	-17.2
Schools	-8.9	-13.7	-31.3	-28.3
Hospitals	8.5	6.2	-7.0	-10.5
Private Sector	2.8	2.7	-3.5	2.1
Offices	40.5	19.1	6.5	17.3
Industrial	-10.0	-10.0	-1.3	3.0
Trade and services	4.0	6.6	-10.2	-3.4
Leisure	-17.9	-4.3	-6.8	-11.8
Auxiliary work	19.3	13.8	37.3	33.5

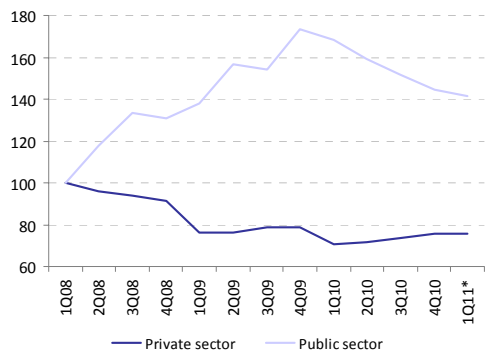
*February figures
Source: BBVA Research based on INEGI figures

Chart 1
Construction according to work type: building vs. Other, Amount of output, 1Q08=100



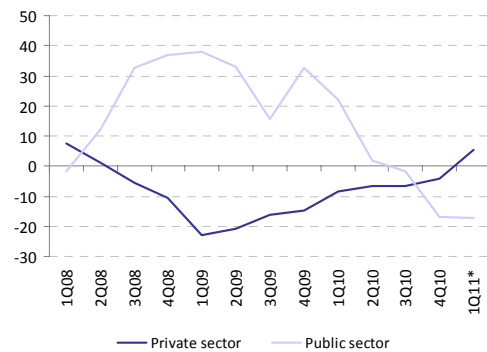
* February figures
Source: BBVA Research with INEGI data

Chart 2
Building: public vs private
Amount of output, 1Q08=100



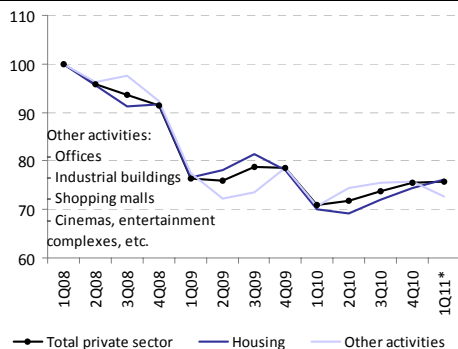
* With February figures
Source: BBVA Research with INEGI data

Chart 3
Building: public vs private
% change in real annual terms



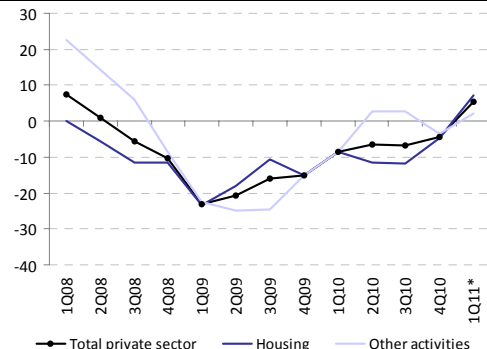
* With February figures
Source: BBVA Research with INEGI data

Chart 4
Private building: housing vs other
Amount of output, 1Q08=100



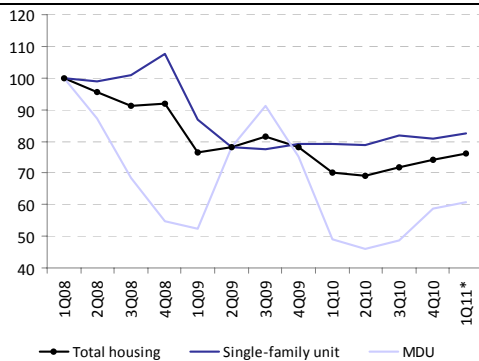
* With February figures
Source: BBVA Research with INEGI data

Chart 5
Private building: housing vs rest
% change in real annual terms



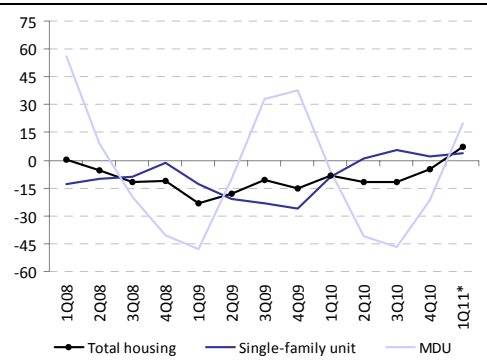
* With February figures
Source: BBVA Research with INEGI data

Chart 6
Housing: single-family vs MDU
Amount of output, 1Q08=100



* With February figures
Source: BBVA Research with INEGI data

Chart 7
Housing: single-family vs MDU
% change in real annual terms



* With February 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 implied, 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.