

# Economic Watch

## Mexico

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Economic Analysis

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## Construction Monthly Situation Report

- Construction was up 3.5% in April in yearly terms and 0.8% monthly in seasonally adjusted series
- The increase was boosted by both building and public works, the latter a reflection of the investment made by the public sector
- As in previous periods of growth, construction will boost the economy with figures above the national GDP in 2011 and 2012

### Driven by public works, construction resumed growth in April.

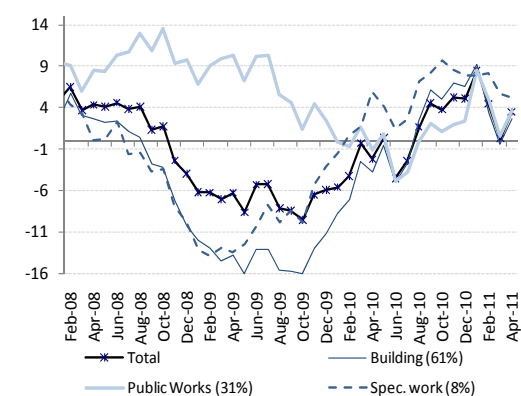
After being down for two months, the positive growth rates of the construction industry returned, and this time, were supported by both the building and public works components. The latter, a reflection of the public sector's investment, could suggest the beginning of normalization in public expenditure, which had started the year slowly.

In a context of economic recovery (the economy attained pre-crisis production levels in the first quarter), building gradually reactivated at an average rate of 3.7% during the January-April period, while the public works component grew at 4.3%. Public works should significantly boost the construction industry over the rest of 2011 and into 2012.

### Indicators confirm second quarter growth.

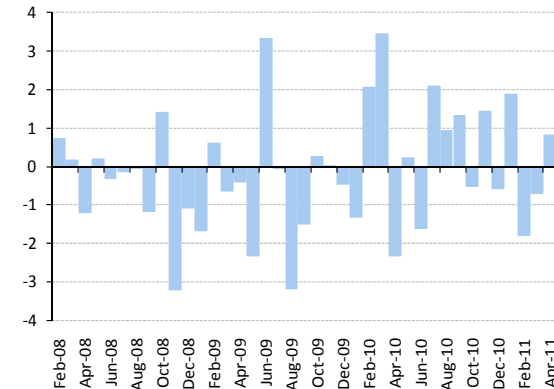
Timely indicators, such as employment in the sector, suggest that the growth of construction will continue into the second quarter. Though it will do so at a slower pace than in the first quarter, it will still be above the national average. We maintain our forecast that in 2011, the growth of construction will surpass that of the economy as a whole by more than half of a percentage point (5.4% vs. 4.7%, respectively).

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



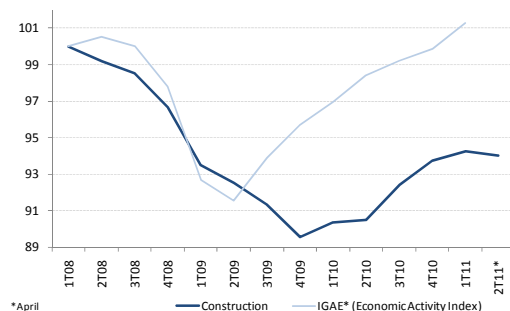
NB: figures in brackets show relative share.  
SA= seasonally adjusted series  
Source: BBVA Research with INEGI data

Chart 2  
Construction industry  
Monthly % change, SA



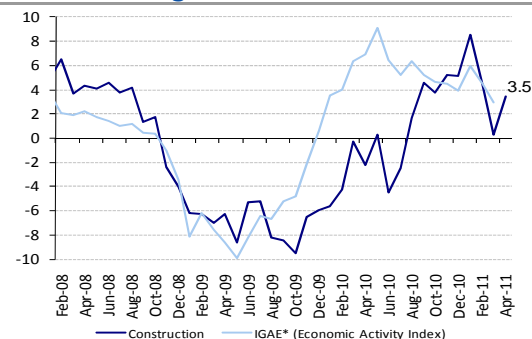
SA= seasonally adjusted series  
Source: BBVA Research with INEGI data

Chart 3  
**Construction vs. IGAE,**  
 Jan-08 index=100, SA



Source: BBVA Research with INEGI data

Chart 4  
**Construction vs. IGAE,**  
 Annual % change, SA



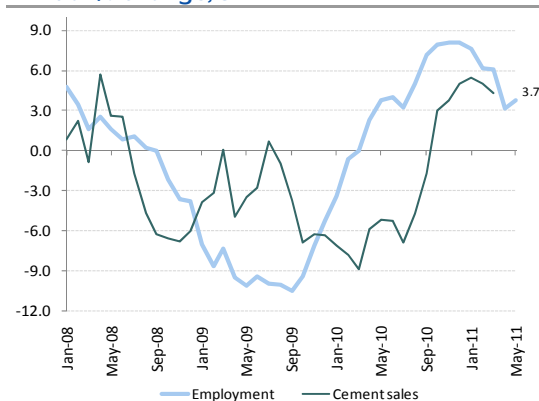
Source: BBVA Research with INEGI data

Chart 5  
**Timely construction indicators,**  
 1Q08 index=100, SA



Source: BBVA Research with INEGI data

Chart 6  
**Timely construction indicators**  
 Annual % change, SA



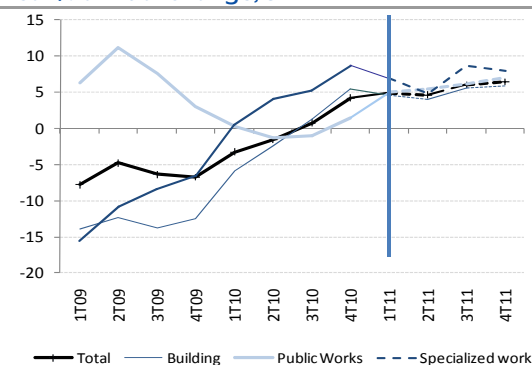
Source: BBVA Research with INEGI data

Table 1  
**Index of construction volume and its**  
**components, Real annual % change, SA**

	Total	Building	Public Works	Specialized work
2008	2.7	-0.3	9.9	-0.9
2009	-7	-13.9	6.8	-10
2010	0.1	-0.3	-0.1	4.7
1Q10	-3.4	-6.2	0.3	0.3
2Q10	-2.1	-3.1	-1.7	3.9
3Q10	1.3	2	-0.6	5.9
4Q10	4.7	6.2	1.8	8.7
1Q11	4.4	4	4.6	7.2
2Q11*	3.5	2.6	3.6	5.2
2011e	5.4	5	5.7	7.2

\*Figures in April  
 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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