

Economic Watch

Mexico

Construction

The construction sector will grow at the same rate that the rest of the economy

- In June 2011, annual growth in the construction industry was 4.5% in the seasonally adjusted series; building construction was up 4.6% and public works 4.2%.
- In the first half of the year, building construction grew by 3.8% and public works by 4.2%.
- Timely indicators for the construction industry suggest that it could maintain a growth rate above that of the economy as a whole for the rest of the year.

The industry recovers its rate of growth in the second quarter.

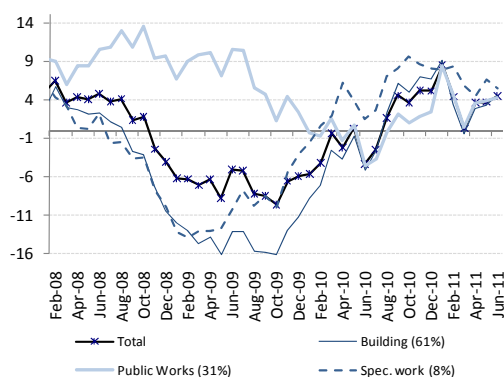
Overall, the industry has recovered its strength at the close of the first half of the year, following a slight slowdown in the first quarter. In the January-June period, the industry grew by 4.2%, headed up by public works (4.2%). Building construction was up by 3.8%, and its trend is increasingly in line with the cycle of the industry as a whole.

However, compared with overall economic activity, the industry is still not back to its pre-crisis levels. Nevertheless, its growth has been above that of the economy as a whole in the first half of the year (the IGAE index was up 4.1%, compared with 4.2% for the construction industry), and public spending on infrastructure and housing programs will help the industry reach its pre-crisis levels at around the first quarter of 2012.

Other timely indicators confirm growth will continue.

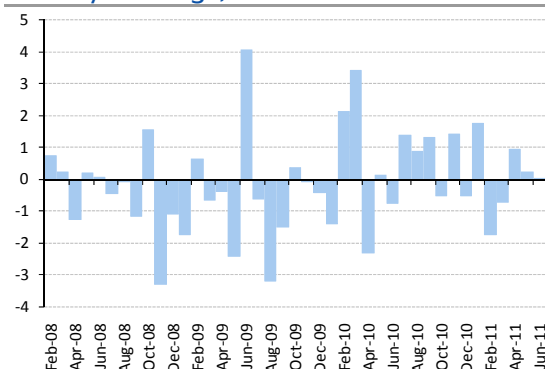
Timely indicators of the industry, such as employment, agree in pointing to a relatively better performance for construction in 2011 than for the rest of the economy (4.9% compared with 4.5% from January to July). Finally, although sales of gray cement fell slightly, a more aggregate measure of construction materials (including other types of cement and sales of bricks and ceramics) confirm that the industry performed better in the second quarter, and we expect this to continue in the second half of the year. We therefore maintain our forecast that the construction industry will perform better than the rest of the economy in both 2011 and 2012.

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



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

Chart 2
Construction industry
Monthly % change, SA



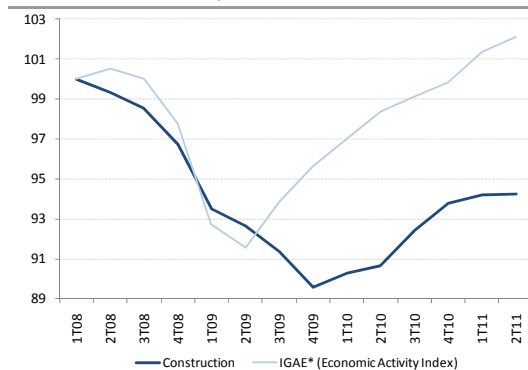
SA= seasonally adjusted series
Source: BBVA Research with INEGI data

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Economic Analysis

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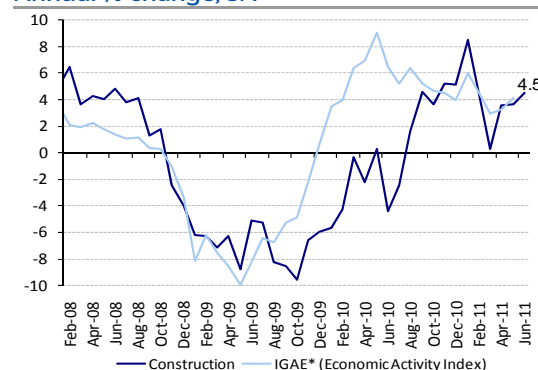
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Chart 3
Construction vs. IGAE,
 Jan-08 index=100, SA



*May data for IGAE
 Source: BBVA Research with INEGI data

Chart 4
Construction vs. IGAE
 Annual % change, SA



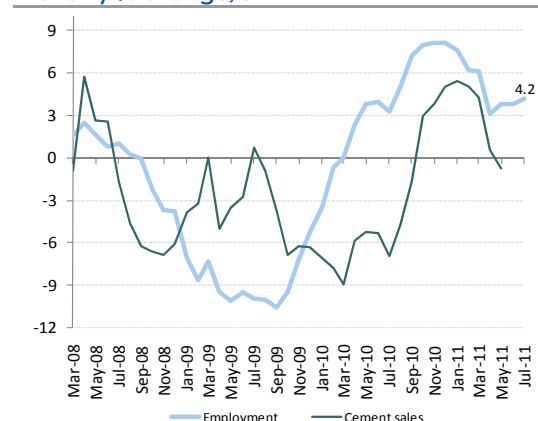
*May data for IGAE
 Source: BBVA Research with INEGI data

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



Source: BBVA Research with INEGI data

Chart 6
Timely construction indicators
 Monthly % change, SA



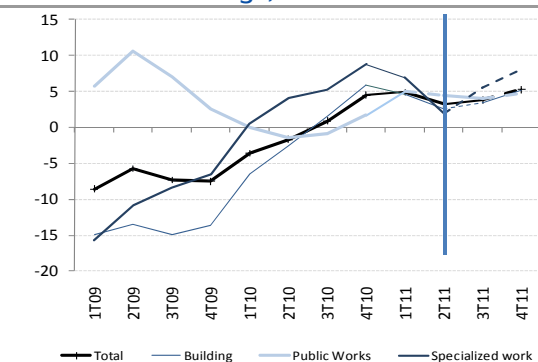
Source: BBVA Research with INEGI data

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	-7.0	-13.9	6.8	-10.0
2010	0.1	-0.3	-0.1	4.7
1Q10	-3.4	-6.1	0.2	0.4
2Q10	-2.1	-3.2	-1.7	3.9
3Q10	1.3	2.0	-0.6	5.9
4Q10	4.7	6.2	1.8	8.7
1Q11	4.4	4.0	4.5	7.3
2Q11*	3.9	3.6	3.9	5.5

*As of April-May
 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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