

Economic Watch

Mexico

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Economic Analysis

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Construction

The sector continued to expand at the start of the second half of the year, at a rate in excess of the economy as a whole.

- In July 2011, annual growth in the construction industry was 4.4% in the seasonally adjusted series; building construction was up 3.9% and public works 5.3%.
- Construction grew at an annual rate in excess of that of the economy as a whole.
- Employment in the sector continues to increase, as does gross capital formation, which leads us to expect the growth of the industry to be maintained.

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

The construction industry started the second half of the year expanding. In July, construction grew by 0.7% compared to the previous month, and 4.4% annually using seasonally-adjusted data. The performance of the industry is demonstrated by all three construction sectors growing by in excess of 3.8%.

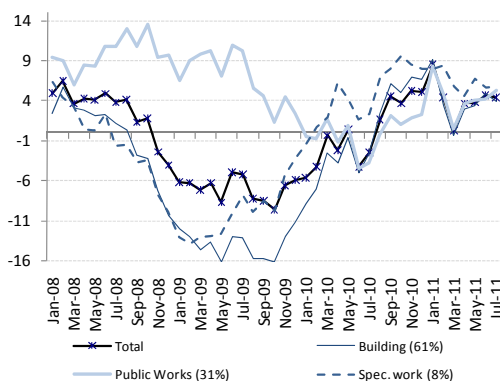
Although the industry has still not yet returned to the levels recorded before the 2008 crisis, it is growing more rapidly than the economy as a whole (the IGAE increased by 4.0%, vs. 4.7% for construction in June), leading us to expect the recovery to continue until the first quarter of 2012.

Other timely indicators confirm growth will continue.

Employment in the industry is continuing to increase: in June the growth rate was 3.8%, compared to the same month the year before using seasonally-adjusted data. The fall in sales of cement has slowed, and we expect a recovery from the second half of the year. Finally, gross capital formation increased by 2.7%, supporting the conclusion that the construction industry will maintain a favorable trend into 2012.

Chart 1

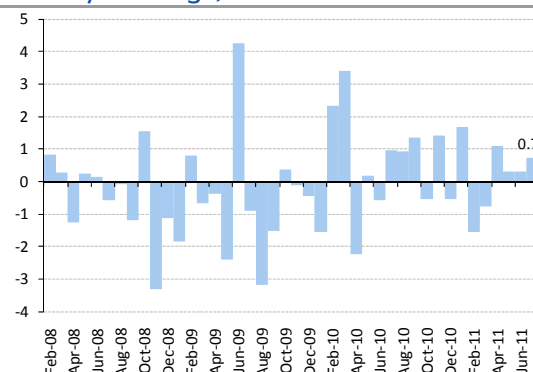
Construction industry and its components, annual % change, SA



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

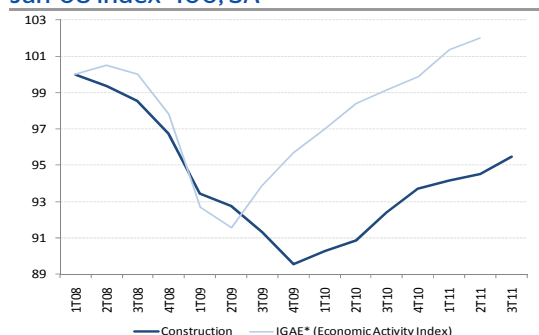
Chart 2

Construction industry Monthly % change, SA



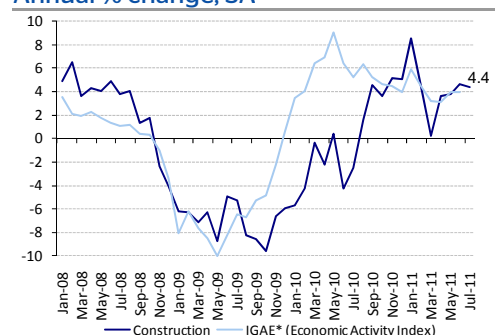
SA= seasonally adjusted series
Source: BBVA Research with INEGI data

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



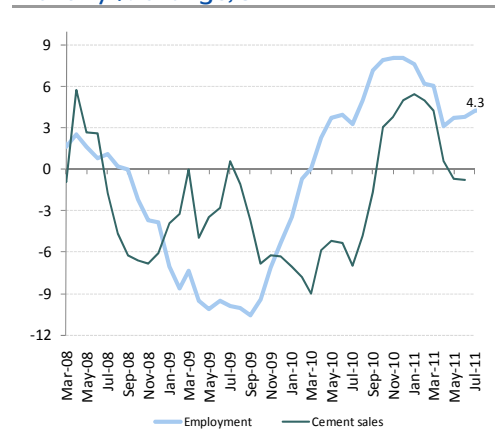
*May data for IGAE
Source: BBVA Research with INEGI data

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

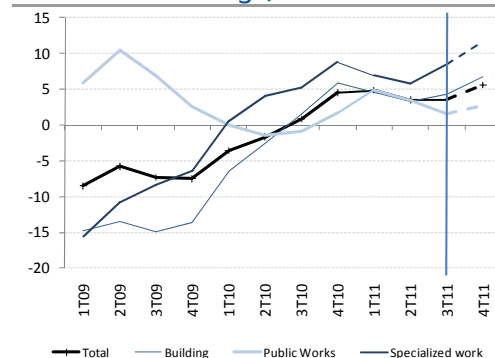
Table 1:
Construction industry and its components real annual % change, SA

	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	-2.0	-3.1	-1.6	4.0
3Q10	1.2	1.9	-0.6	5.8
4Q10	4.6	6.2	1.7	8.7
1Q11	4.4	4.0	4.5	7.4
2Q11	4.0	3.7	3.9	5.6

* Corresponds to 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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