

# Economic Watch

## Mexico

### 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.**

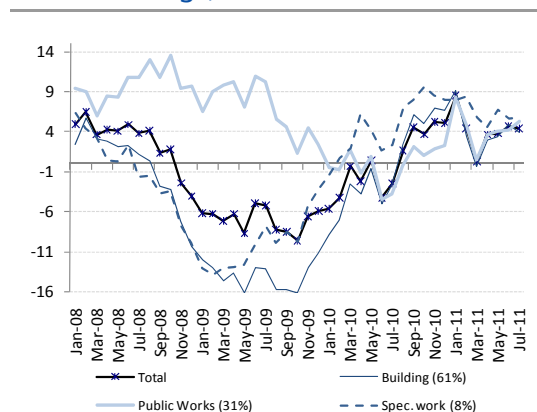
The construction industry started the second half of the year expanding. In July, construction grew by 0.7% compared to the previous month, and 4.4% annually using seasonally-adjusted data. The performance of the industry is demonstrated by all three construction sectors growing by in excess of 3.8%.

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.**

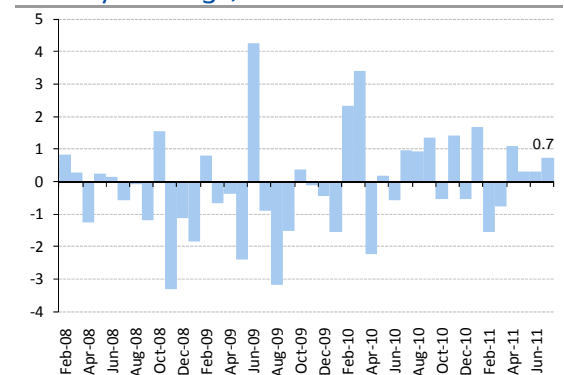
Employment in the industry is continuing to increase: in June the growth rate was 3.8%, compared to the same month the year before using seasonally-adjusted data. The fall in sales of cement has slowed, and we expect a recovery from the second half of the year. Finally, gross capital formation increased 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**



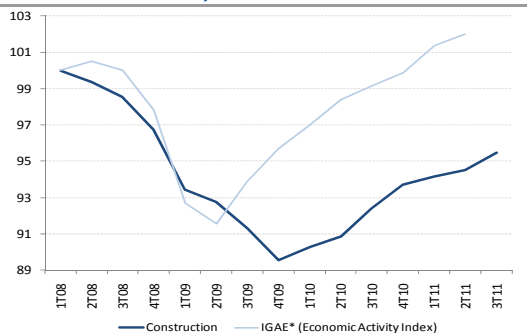
N.B: figures in brackets show relative share.  
SA= seasonally adjusted series  
Source: BBVA Research with INEGI data

Chart 2  
**Construction industry Monthly % change, SA**



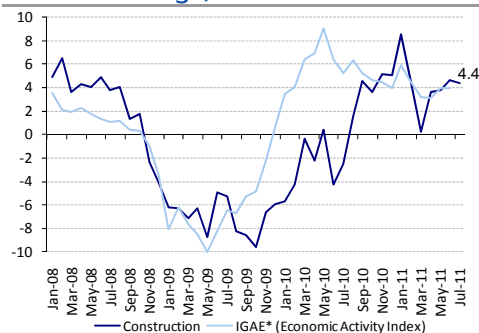
SA= seasonally adjusted series  
Source: BBVA Research with INEGI data

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



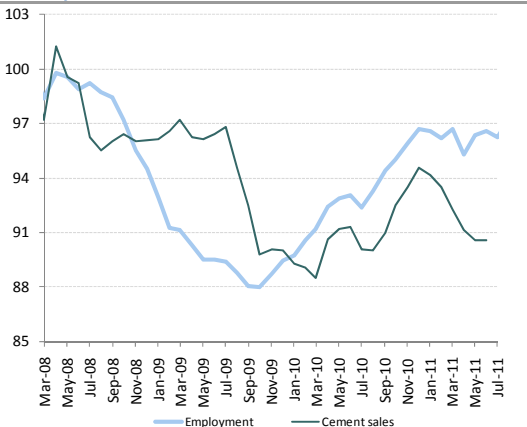
\*May data for IGAE  
Source: BBVA Research with INEGI data

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



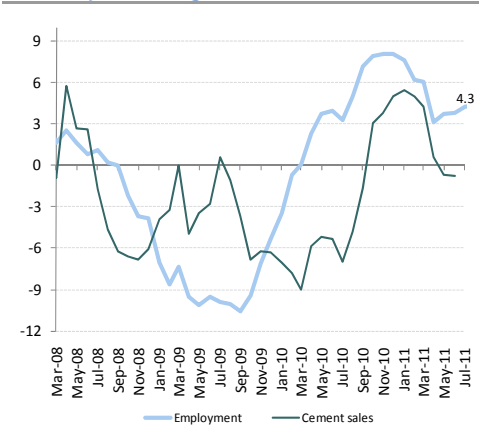
\*May data for IGAE  
Source: BBVA Research with INEGI data

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

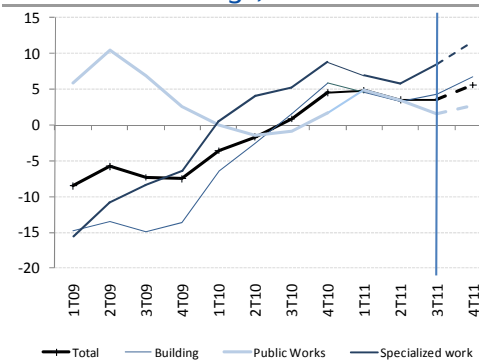
Table 1:  
**Construction industry and its components real annual % change, SA**

	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

### Disclaimer:

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