

BBVA Research Flash

Mexico

The building sector grows for the second consecutive quarter Quarterly Situation Report

- Building grew 8% during the second quarter of 2011, which amounts to two consecutive quarters of growth.
- As was expected an upturn in the home market and for the most part in productive building combined to boost the sector.
- The numbers are consistent with expectations of better evolution of the building sector during what remains of 2011 and the start of 2012 and its effect on construction.

Commerce, industry, and schools are key in the building upturn.

In keeping with the National Survey of Construction Companies (ENEC), during the second quarter of 2011, the value of building production grew 8.1% in real terms compared to the same quarter of the previous year (construction as a whole grew 2.5%). Although it comes from a different source, the figure is consistent with the result already published in the industrial output indicator (a volume and activity indicator), which translated into annual growth of 3.7% over the same period for the building sector.

Within building, schools and auxiliary buildings are the works sub-categories that showed the greatest growth rates, although commercial, industrial, and office buildings (with rates of 11 and 18%) contributed in good measure to the overall growth given their important share (29%) of total production.

With respect to residences, growth for the second quarter was 3.6% in real terms compared to the previous year. This was attributable to activity in the single-family home component, within which social housing predominated and where a real increase of 10% was recorded. Multi-family residences—buildings and horizontal condos designed as medium and high standard residences—dropped by 25% year-on-year during the quarter. The tendency for this type of home (showing a decrease in four consecutive quarters) could be explained by a number of factors, such as the high degree of substitution between new and used homes, more restrictive financing conditions, and an excess of inventory in some places.

In short, growth in the various sub-categories within building (also affected by a relatively low comparison basis) allows us to continue to expect that the building sector will continue to show good health in what remains of 2011 and at the beginning of 2012, contributing to the recovery of the construction cycle.

Table 1

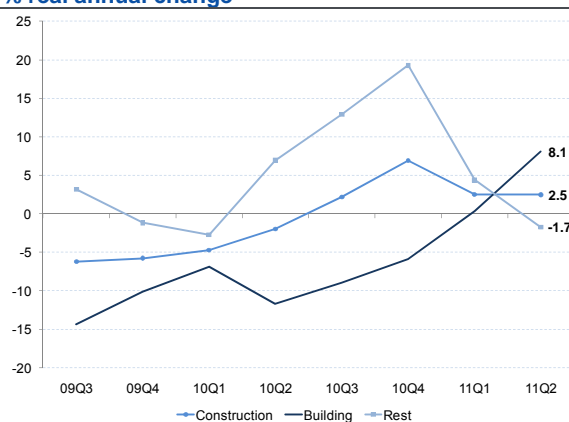
Construction by building type Real quarterly participation in %

Work types	10 Q2	10 Q3	10 Q4	11Q1	11Q2
Building	43.0	43.7	43.2	45.6	45.4
Transport	31.8	31.5	29.3	27.7	29.9
Oil	9.1	10.2	11.0	8.3	8.0
Electricity & Communications	5.6	5.1	5.1	6.5	5.7
Water & Purification	3.7	4.7	5.8	4.6	3.5
Others	6.8	4.8	5.6	7.3	7.5
Construction	100	100	100	100	100

Source: BBVA Research with ENEC and INEGI data

Chart 1

Growth by building type % real annual change



Source: BBVA Research with ENEC and INEGI data

*Rest: transport, oil, electricity and communications, water and purification, and others

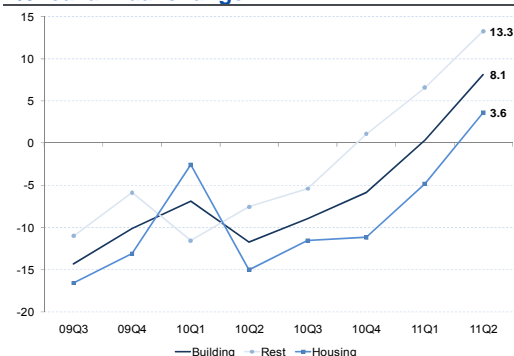
Table 2

Building: growth by sub-categories
% real annual change

Work sub-categories	10 Q2	10 Q3	10 Q4	11 Q1	11 Q2
Building	-11.7	-9.0	-5.9	0.3	8.1
Commerce	-8.5	-3.4	8.3	3.5	12.4
Industry	6.3	-7.1	-11.8	10.6	11.6
Offices	-28.7	-21.7	-13.7	-21.3	-15.4
Recreation	-20.2	-15	6.6	22.4	27.0
Schools	-16.1	-11.7	-20.0	14	0.6
Hospitals	41.0	5.3	36.2	23.7	27.2
Auxiliary buildings	-21.2	-46.2	-24.5	-7.0	-25.4
Multi-family housing	-13.5	-2.2	-7.9	-4.3	10.2
Single-family housing	-11.7	-9.0	-5.9	0.3	8.1

Source: BBVA Research with ENEC and INEGI data

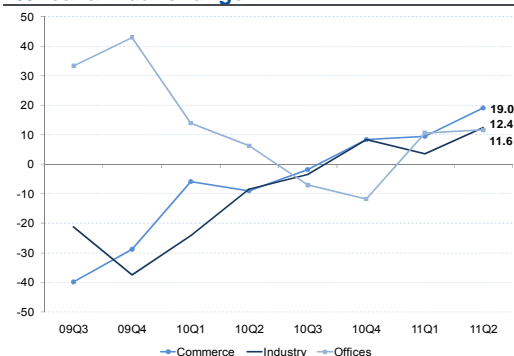
Chart 3

Building production: housing versus rest
% real annual change


Source: BBVA Research with ENEC and INEGI data

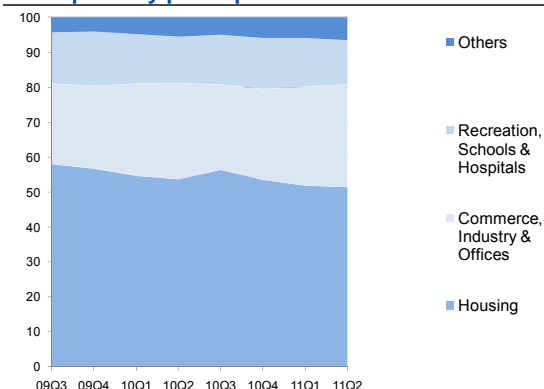
*Rest: transport, oil, electricity and communications, water and purification, and others

Chart 5

Building production: commercial and industrial
% real annual change


Source: BBVA Research with ENEC and INEGI data

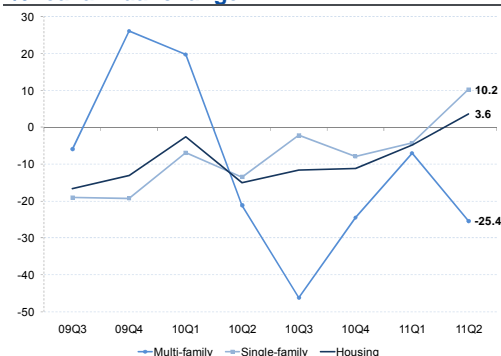
Chart 2

Building: share of total by sub-categories
Real quarterly participation in %


Source: BBVA Research with ENEC and INEGI data

* Residence includes single-family and multi-family homes

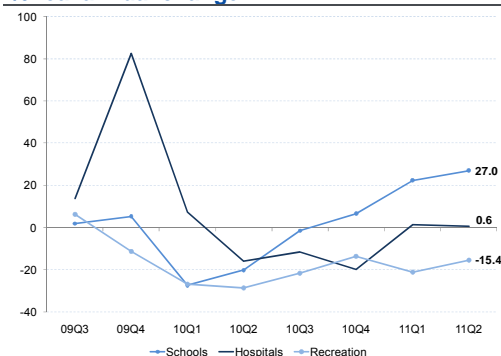
Chart 4

Building production: housing
% real annual change


Source: BBVA Research with ENEC and INEGI data

* Residence includes single-family and multi-family homes

Chart 6

Building production: services
% real annual change


Source: BBVA Research with ENEC and INEGI data

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