

BBVA Research Real Estate Flash

Mexico

Construction maintains ascending growth

- In July, construction grew by a rate of 4.6% on the same month last year, while the general IGAE economic index was up 4.5%. This is the fourth successive month that construction has grown at the same pace of the economy as a whole.
- The recent growth is above that forecast in the previous quarter.
- This trend is consistent with growth expectations for the second half of the year, and a possible recovery in the sector.

Construction continues to grow, mainly in its building component.

In August, construction continued its positive trend, with an annualized growth of 4.0%, and a monthly growth of 0.1%, both in seasonally adjusted terms. Building construction and civil works were the two strongest components, with annualized rates of 4.2% and 3.7% respectively.

The industry has still not achieved the pre-crisis levels of 2008, although it is showing a sustained upward trend. This means that the gap should be closing next year.

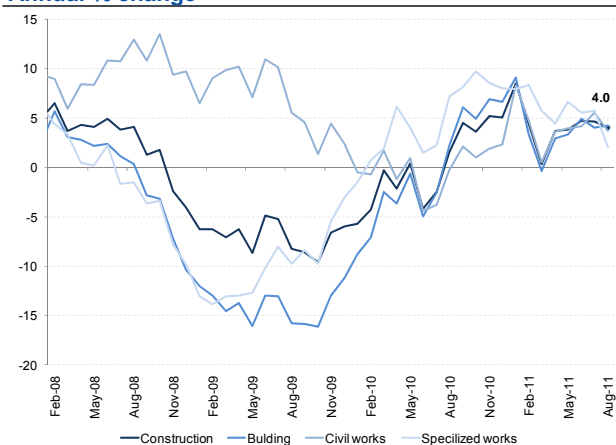
Timely indicators are consistent with growth in the construction sector.

Gross fixed investment was up by an annual 2.8% in July, while employment in the sector grew in July and August by an annual 4.3% in the seasonally adjusted series. In contrast, cement sales were down year-on-year by 0.4% in the seasonally adjusted series, although the fall is slowing steadily.

The overall figures point to continued growth in the sector.

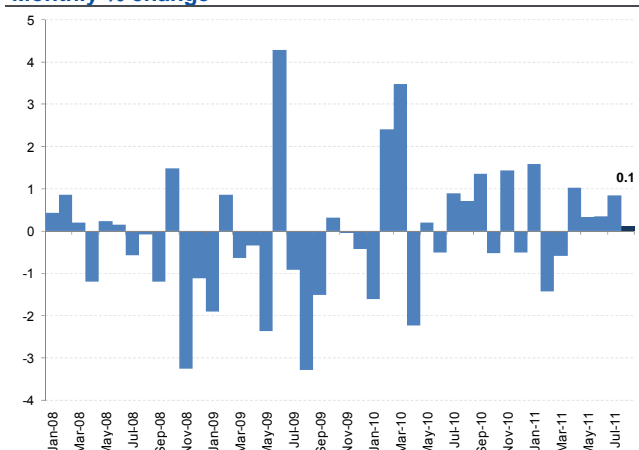
To sum up, although the construction sector is not back to 2008 levels, it has been showing sustained growth in recent months, as have some of the timely indicators. The sector can therefore be expected to recover in the medium term if this growth continues.

Chart 1
Industrial Activity: Construction and its components
Annual % change



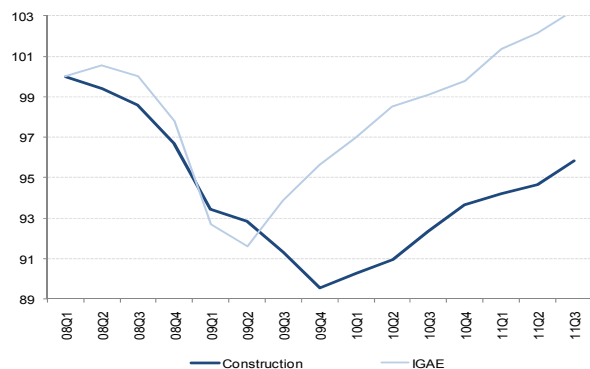
Source: BBVA Research, with INEGI Industrial Activity data (seasonally adjusted series)

Chart 2
Industrial Activity: Construction
Monthly % change



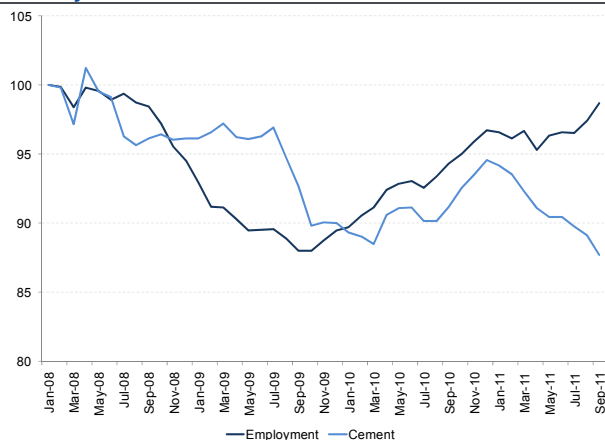
Source: BBVA Research, with INEGI Industrial Activity data (seasonally adjusted series)

Chart 3
Construction and the IGAE index
January 2008 = 100



Source: BBVA Research, with INEGI Industrial Activity and IGAE data (seasonally adjusted series)
*3Q11 to August 2011

Chart 5
Timely construction indicators
January 2008 = 100



Source: BBVA Research, with data from INEGI and IMSS (seasonally adjusted series)

Table 1
Industrial Activity: Construction and its components
Annual % change

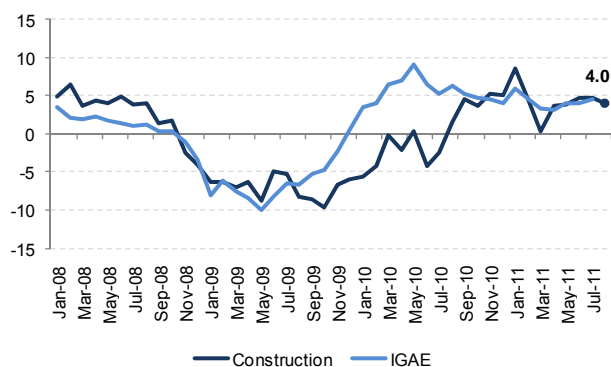
Period	Construction	Building	Civil works	Specialized works
2008	2.7	-0.3	9.9	-0.9
2009	-7.0	-13.9	6.8	-10.0
2010	0.1	-0.3	-0.1	4.7
10Q1	-3.4	-6.1	0.2	0.4
10Q2	-2.0	-3.1	-1.6	3.9
10Q3	1.2	1.9	-0.6	5.8
10Q4	4.6	6.2	1.7	8.8
11Q1	4.4	4.0	4.5	7.4
11Q2	4.1	3.7	3.9	5.5
11Q3	4.3	4.1	4.6	3.9

*July and August

Source: BBVA Research, with INEGI Industrial Activity data (seasonally adjusted series)

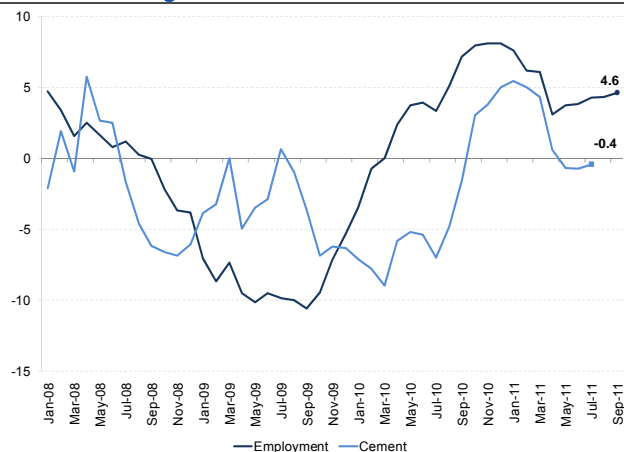
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Chart 4
Construction and the IGAE index
Annual % change in the index



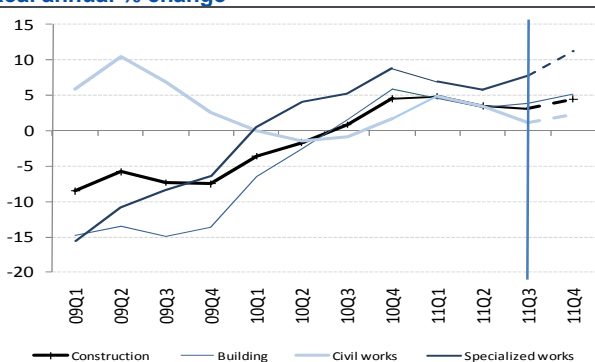
Source: BBVA Research, with INEGI Industrial Activity and IGAE data (seasonally adjusted series)

Chart 6
Timely construction indicators
Annual % change in the index



Source: BBVA Research, with data from INEGI and IMSS (seasonally adjusted series)

Chart 7
GDP forecasts: Construction and its components
Real annual % change



Source: BBVA Research, with INEGI GDP data (seasonally adjusted series)