

Real Estate Flash

Mexico

Construction confirms its growth and is very close to completing the cycle

- Construction grew by 4.4% in October in annualized terms, but fell by 2.5% on the previous month
- The components of construction continue to trend upward. Building and civil works are growing at rates above 4%
- In September, the number of jobs in the sector was already above the figure for September 2008. The rest of the indicators also point to a recovery in construction

Construction confirms its growth with a rate of 5.3%

Construction GDP grew by 5.3% to the third quarter of 2011. This figure is in line with our forecast and with the growth data for industrial activity. Specifically, in October industrial activity in the sector grew by 4.4%, headed by building, which was up by 4.7%. Construction fell by 2.5% on the previous month, but this is due to the sector's extraordinary growth in the previous month.

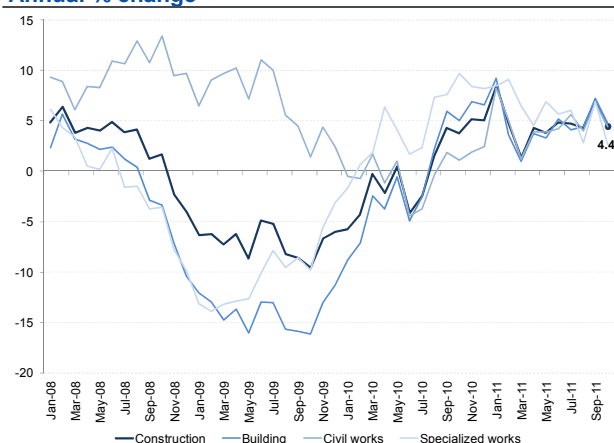
In September, growth was once more at above the rate for economic activity

In September construction grew by 7.0%, while economic activity, as measured by the IGAE index, was up by 4.8%. The number of jobs in construction continued to grow in October, at an annual rate of 4.6% in the seasonally adjusted series. Cement sales also improved, with seasonally adjusted growth of an annual rate of 3.2%.

Timely indicators suggest the sector will continue to perform well

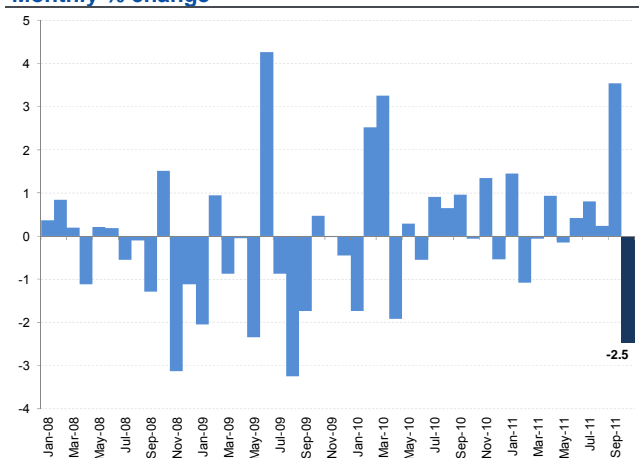
Construction GDP has accumulated its fifth consecutive quarter of positive growth. This is consistent with figures from the different indicators outlined before. The October figures also show a positive performance in the sector, so growth is expected to be maintained for the rest of the year.

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



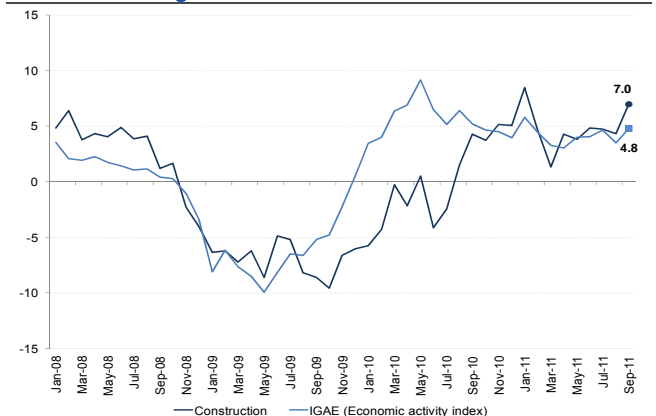
Source: BBVA Research, with INEGI Industrial Activity data (seasonally-adjusted series)

Chart 3
Construction and the IGAE index
January 2008 = 100



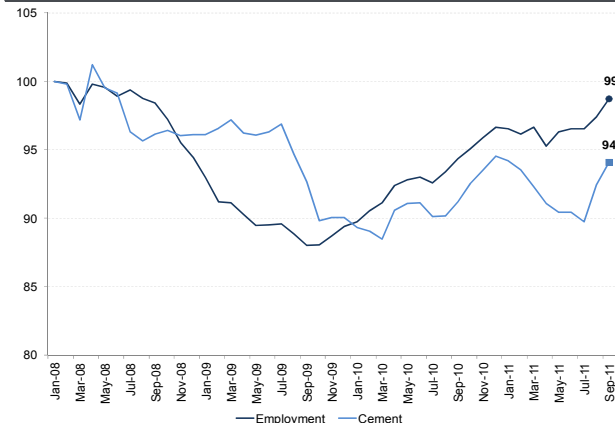
Source: BBVA Research, with INEGI Industrial Activity and IGAE data (seasonally-adjusted series)

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



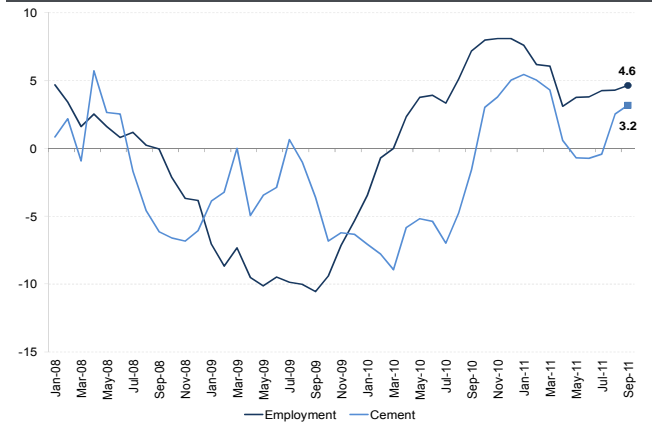
Source: BBVA Research, with INEGI Industrial Activity and IGAE data (seasonally-adjusted series)

Chart 5
Timely construction indicators
January 2008 = 100



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

Chart 6
Timely construction indicators
Annual % change in the index



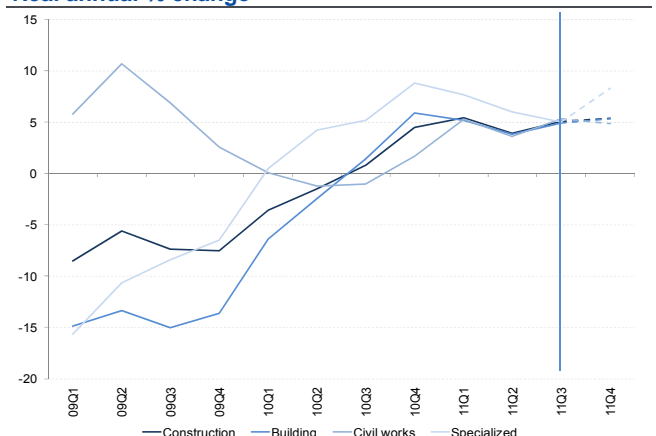
Source: BBVA Research, with data from INEGI and IMSS (seasonally-adjusted series)

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	-14.0	6.8	-10.0
2010	0.1	-0.3	-0.1	4.7
10Q1	-3.4	-6.1	0.2	0.3
10Q2	-1.9	-3.1	-1.5	4.0
10Q3	1.1	1.9	-0.7	5.8
10Q4	4.7	6.2	1.8	8.8
11Q1	4.8	4.6	4.8	8.0
11Q2	4.3	4.1	4.0	5.7
11Q3	5.3	5.2	5.5	5.3

Note: Consider an update of the above figures from INEGI.

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



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

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