

Real Estate Flash

Mexico

Construction continues to grow above 4%

- Construction industrial activity grew by 4.4% in November in year-on-year terms; it remained unchanged compared to the previous month.
- Construction performance was due to growth in each of its components.
- Employment in this industry exceeded 1.2 million workers in October.

Construction continued to grow, rising by 4.4% in November.

Construction continued to grow at a rate similar to those recorded recently. The industry is about to complete the cycle, and therefore growth may possibly slow down. In November it grew by 4.4% on an annual basis in terms of its original series, and 0% compared to the previous month, seasonally adjusted.

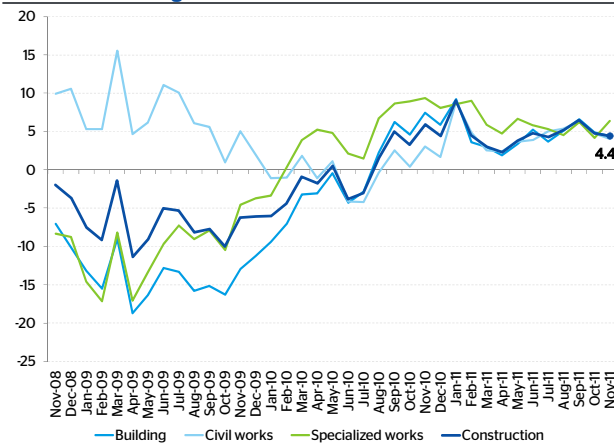
The three construction components show rates above 4%.

Building and Civil Works grew at annual rates of 4.4% and 4.1% respectively, while Specialized Works grew by 6.4%. Because the first two components mainly define the performance of the construction industry, we expect this trend to continue.

Employment and investment with growth rates above 4%.

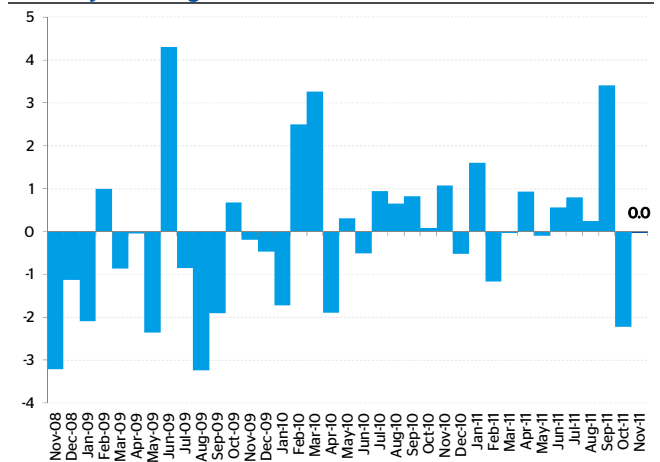
Timely indicators are also growing. In particular, employment is approaching the level observed in 2008 in its original series, exceeding 1.2 million workers, with annual growth of 4.5% in October. Also, gray cement and concrete sales volumes fell at a rate of -1.0% and -5.0% in the last month compared to October last year; however, the volume remains relatively steady. Gross fixed investment in construction recorded a rate of 11.0% in the same period. With this information, we expect the construction industry to continue growing during the rest of the year and in the first half of 2012. Once the cycle has been completed, the expectation points to moderation.

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



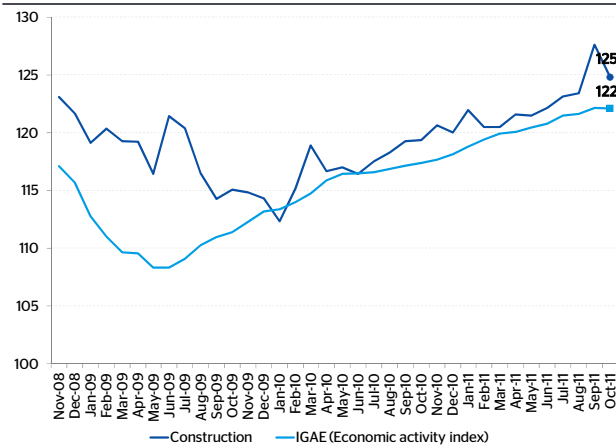
Source: BBVA Research with INEGI Industrial Activity data (original series)

Chart 2
Industrial Activity: Construction
Monthly % change



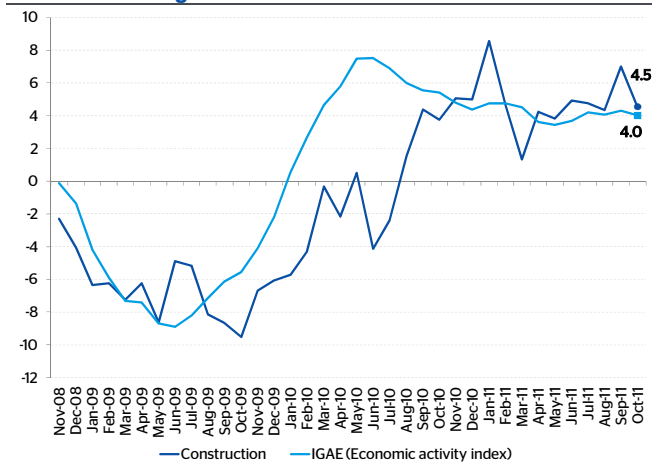
Source: BBVA Research with INEGI Industrial Activity data (seasonally-adjusted series)

Chart 3
Construction and the IGAE index
Index



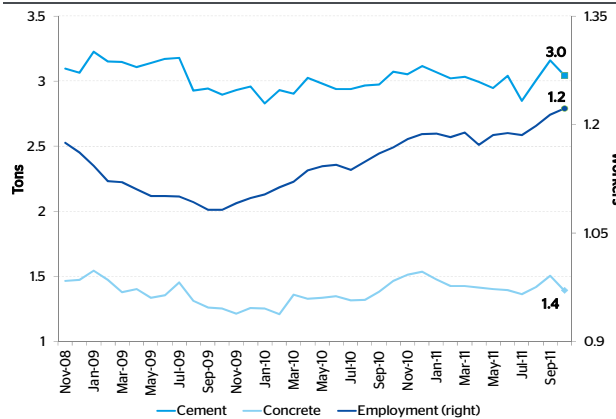
Source: BBVA Research with INEGI Industrial Activity and IGAE data (seasonally-adjusted series)

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



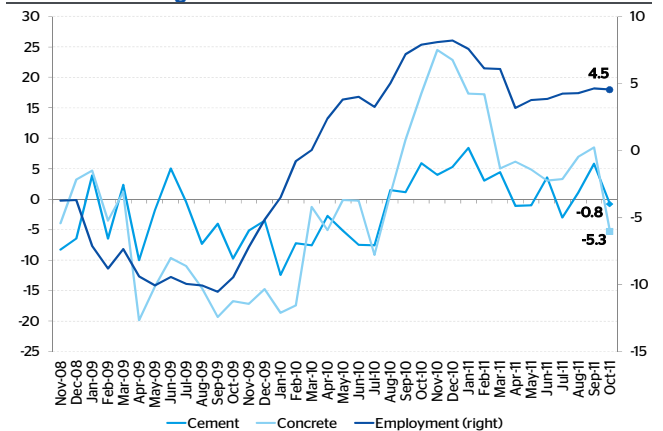
Source: BBVA Research with INEGI Industrial Activity and IGAE data (seasonally-adjusted series)

Chart 5
Timely construction indicators
Millions of tons and workers



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

Chart 6
Timely construction indicators
Annual % change



Source: BBVA Research with IMSS and INEGI data (original series)

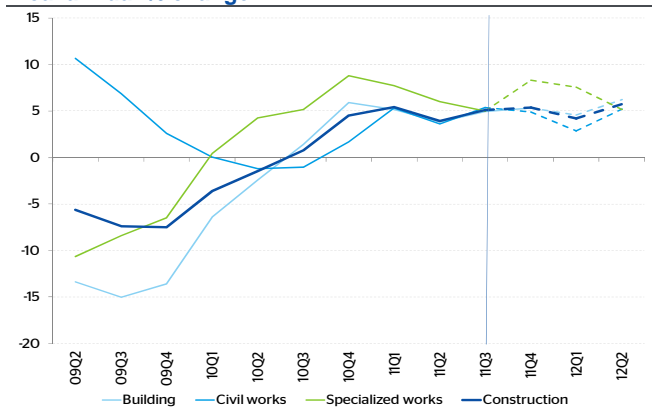
Table 1
Industrial Activity: Construction and its components
Annual % change

Period	Construction	Building	Civil works	Specialized works
2009	-7.3	-14.2	6.5	-10.3
2010	0.1	-0.3	-0.1	4.7
10Q1	-3.8	-6.6	-0.1	0.3
10Q2	-1.7	-2.6	-1.4	4.1
10Q3	1.2	1.9	-0.7	5.6
10Q4	4.5	6.0	1.7	8.8
11Q1	5.5	5.3	5.4	7.8
11Q2	3.6	3.5	3.3	5.7
11Q3	5.3	5.1	5.6	5.3
11Q4	4.6	4.6	4.4	5.3

Note: Considers an update of the above figures by INEGI.

* 4Q11 Considers October and November 2011 only
Source: BBVA Research with INEGI Industrial Activity data (original series)

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



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

Samuel Vázquez
samuel.vazquez@bbva.com

Av. Universidad 1200, Col. Xoco, Mexico 03339 D.F. | researchmexico@bbva.bancomer.com | www.bbva.com | Follow us on Twitter

Disclaimer:

This document was prepared by Banco Bilbao Vizcaya Argentaria's (BBVA) BBVA Research and BBVA Bancomer S.A. Institución de Banca Múltiple. Grupo Financiero BBVA Bancomer on behalf of itself and is provided for information purposes only. The information, opinions, estimates and forecasts contained herein refer to the specific date and are subject to changes without notice due to market fluctuations. The information, opinions, estimates and forecasts contained in this document are based upon information available to the public that has been obtained from sources considered to be reliable. However, such information has not been independently verified by BBVA Bancomer, and therefore no warranty, either express or implicit, is given regarding its accuracy, integrity or correctness.

This document is not an offer to sell or a solicitation to acquire or dispose of an interest in securities