

# Real Estate Flash

Mexico

## Construction GDP growth closed higher than the growth of the economy

- In 2011 construction GDP grew faster than the economy
- The construction industry has recorded 17 consecutive months of growth
- We expect this growth to continue in a moderate fashion over the coming year

### Construction GDP grew 4.8%, while national GDP grew 3.9%

In 2011 construction GDP grew at an annual average of 4.8%, nearly a percentage point faster than the rate of national GDP growth. Broken down by components, building was up by 4.7%, civil works 4.8% and specialized works 6.4%. In December industrial construction activity grew by 3.6% on an annual basis, non-adjusted series. Compared with Global Economic Activity Index, industrial construction recorded a higher annual growth rate in 7 of the 12 months of last year. In December the IGAE grew 3.3%, slightly slower than construction.

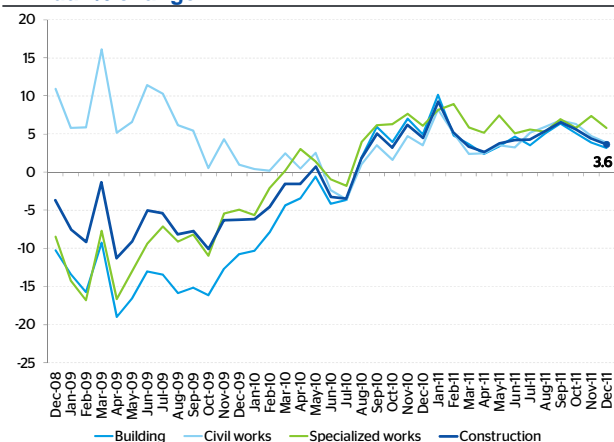
### The construction industry continued its growth in December

As stated in the above paragraph, the industrial construction activity index showed an annual growth rate of 3.6%, recording the 17th consecutive month of this positive trend. Compared to the previous month the growth was up 0.2% in the seasonally adjusted series. As with GDP, the industrial activity index for each of the construction components showed positive growth rates all year round. In particular, in December building was up by 3.2%, civil works 3.9% and specialized works 5.8%.

### The sector growth is set to continue in 2012

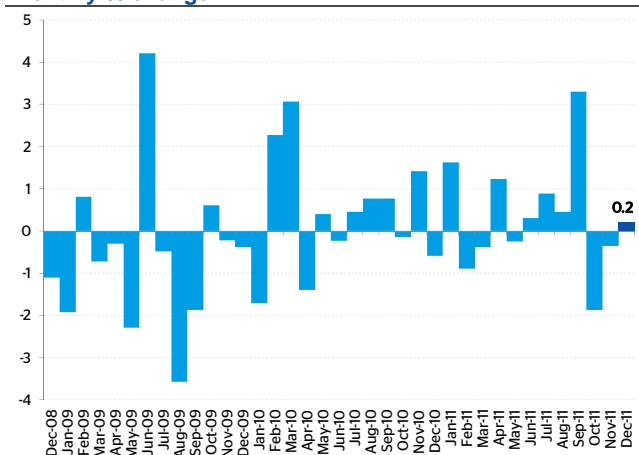
Sector employment trends remained positive in December, with an increase in the number of workers of 4.9% on an annual basis in the seasonally adjusted series. In the same month, sales of cement and concrete declined 2.1% and 8.3% respectively in the same terms. In particular, the recent decline in concrete sales was due to the high levels recorded in the same months of last year. In the light of this data, our forecast for the first half of 2012 is for construction to continue to grow, although at a slower rate.

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



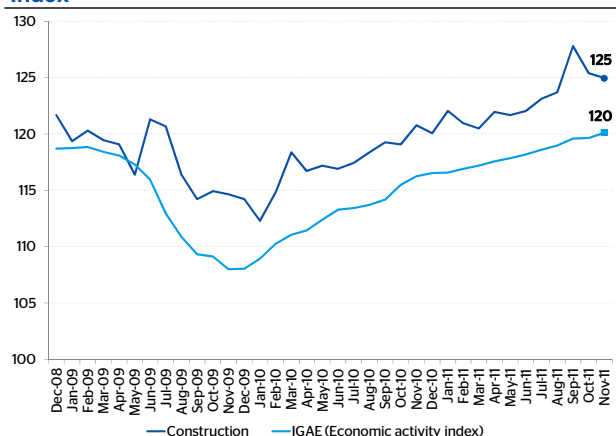
Source: BBVA Research with INEGI Industrial Activity data (original series)

Chart 2  
**Industrial Activity: Construction**  
Monthly % change



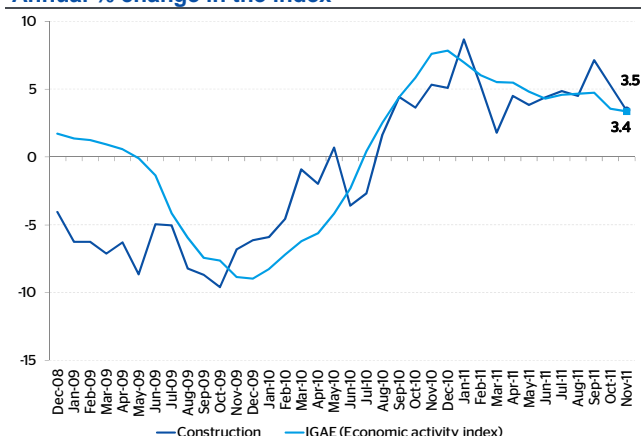
Source: BBVA Research with INEGI Industrial Activity data (seasonally-adjusted series)

Chart 3  
**Construction and the IGAE index**  
**Index**



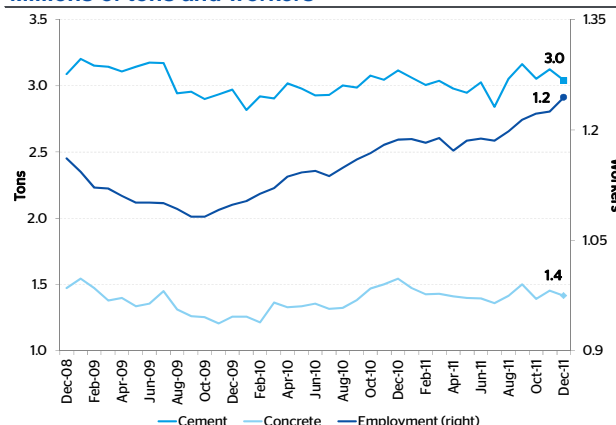
Source: BBVA Research with INEGI Industrial Activity and IGAE data (seasonally-adjusted series)

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



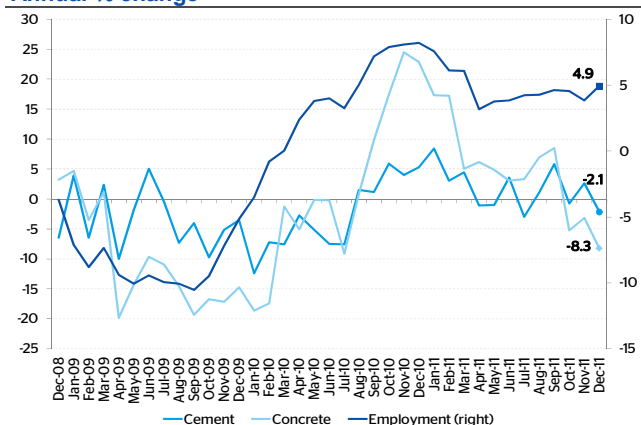
Source: BBVA Research with INEGI Industrial Activity and IGAE data (seasonally-adjusted series)

Chart 5  
**Timely construction indicators**  
**Millions of tons and workers**



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

Chart 6  
**Timely construction indicators**  
**Annual % change**



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

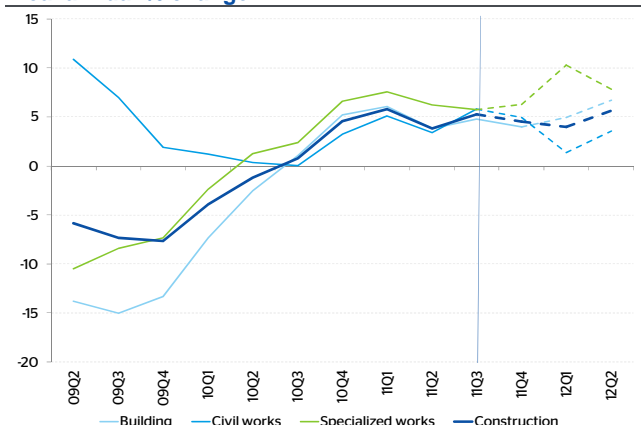
Table 1  
**Industrial Activity: Construction and its components**  
**Annual % change**

Period	Construction	Building	Civil works	Specialized works
2009	-7.3	-14.3	6.6	-10.3
2010	0.1	-0.9	1.2	2.0
10Q1	-4.1	-7.5	1.0	-2.5
10Q2	-1.4	-2.7	0.2	1.2
10Q3	1.1	1.4	0.3	2.8
10Q4	4.7	5.3	3.3	6.7
11Q1	5.9	6.2	5.2	7.7
11Q2	3.5	3.5	3.1	5.9
11Q3	5.4	5.0	6.0	6.0
11Q4	4.6	4.0	5.0	6.3

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

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

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