

# Real Estate Flash

Mexico

## Promising start for Construction

- Construction activity starts the year with 4.8% annual growth.
- Civil engineering increased by 5.1% and building by 4.4% on an annualized basis.
- Although this is a strong start, we expect a slowdown over the year.

Construction grew at an annual rate of 4.8%, and by 0.8% on the previous month.

In January 2012, industrial construction activity grew by 4.8% on an annual basis in its original series, and by 0.8% compared to the previous month on a seasonally-adjusted basis. These figures mean that there have now been 18 consecutive months of positive growth in construction. In December, construction once again grew at an annual rate (4.5%) in excess of the rest of the economy as measured by the IGAE economic activity index (3.9%), on a seasonally-adjusted basis.

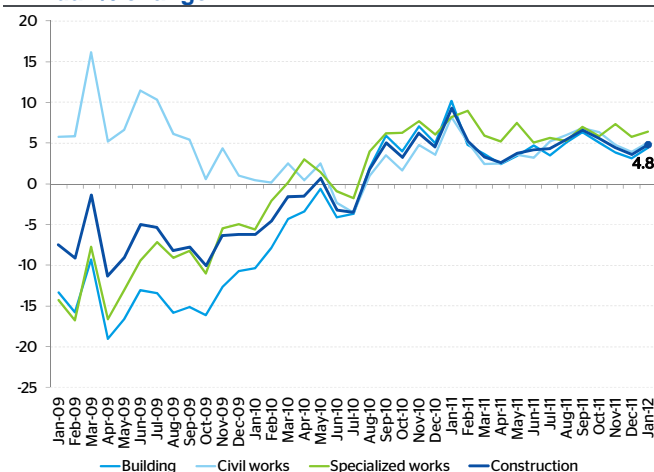
**All three components of construction grew by in excess of 4%.**

Continuing the trend of the last 18 months, all of the components continued to grow at similar rates. In January this year, building grew by 4.4%; civil engineering by 5.1%; and specialized works by 6.4%, in annual terms based on their original series. As a result, in the period average growth rates continued to exceed 4%.

**A good start which is expected to continue.**

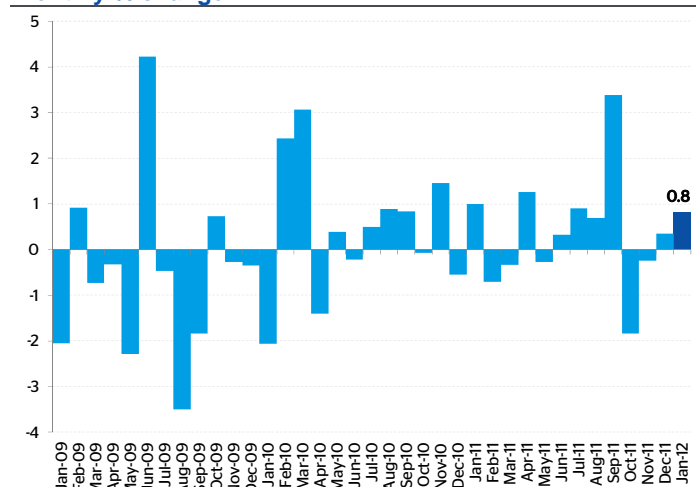
The positive trend in employment in the sector continued at an annual rate of 4.4% on a seasonally-adjusted basis, with an increase of almost 10 thousand jobs compared to December in the previous year. Meanwhile, investment in construction increased by 3.4% on an annual basis in December 2011. However, sales of tons of cement and concrete were down by 2.1% and 8.3% in annual terms. As a result, we expect the sector to continue growing throughout the rest of the year, albeit at moderate rates.

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



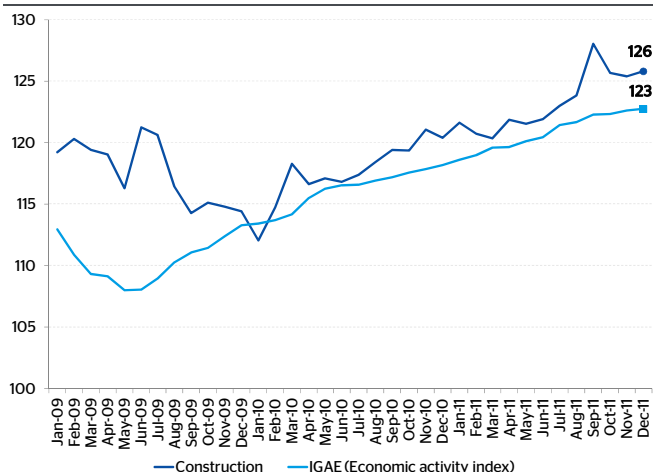
Source: BBVA Research with INEGI Industrial Activity data (original series)

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



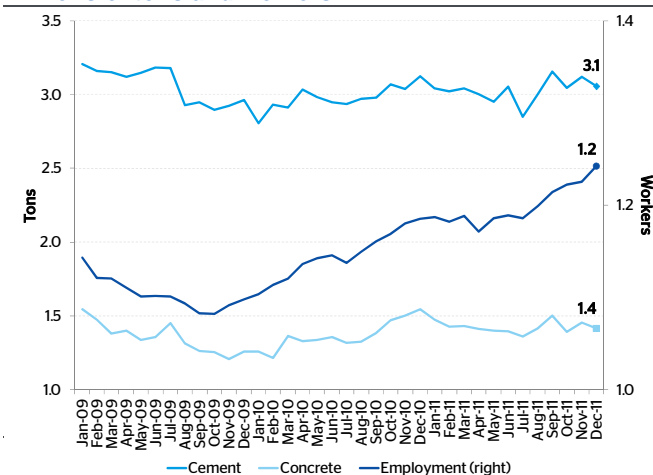
Source: BBVA Research with INEGI Industrial Activity data (seasonally-adjusted series)

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



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

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



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

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

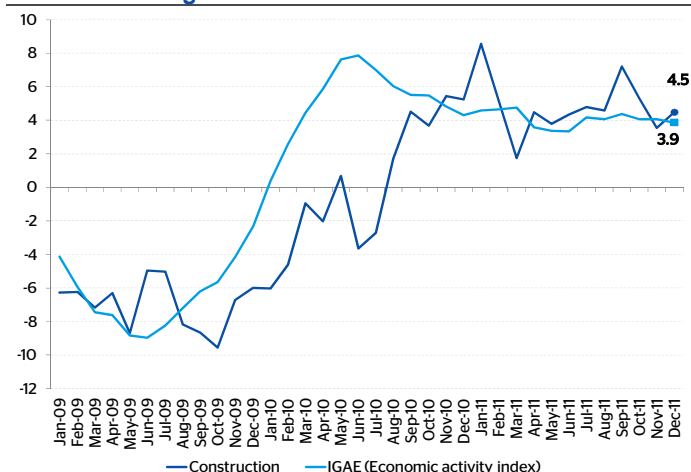
Period	Construction	Building	Civil works	Specialized works
2010	0.1	-0.9	1.2	2.0
2011	4.9	4.7	4.8	6.5
1T11	5.9	6.2	5.2	7.7
2T11	3.5	3.5	3.1	5.9
3T11	5.4	5.0	6.0	6.0
4T11	4.6	4.0	5.0	6.3
1T12	4.8	4.4	5.1	6.4

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

\* 1Q12 only considers January 2012  
Source: BBVA Research with INEGI Industrial Activity data (original series)

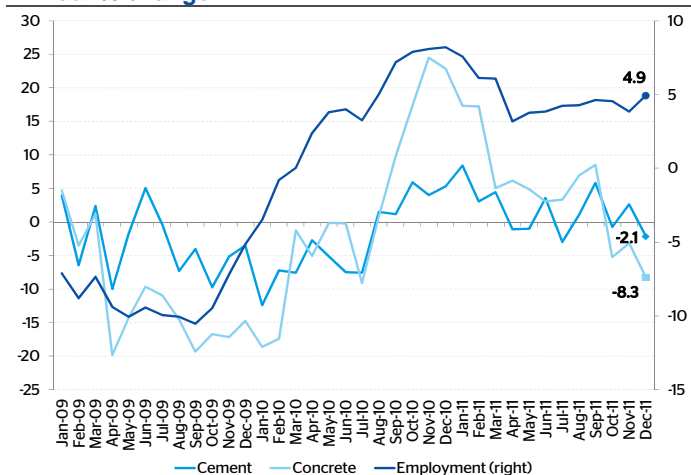
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Chart 4  
**Construction and the IGAE index**  
**Annual % change in the index**



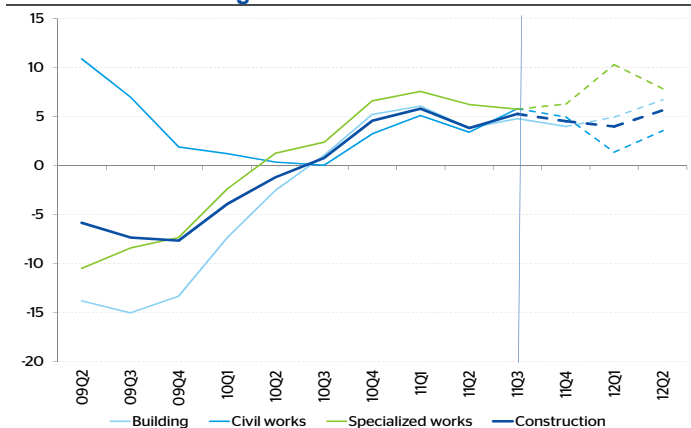
Source: BBVA Research with INEGI Industrial Activity and IGAE data (seasonally-adjusted series)

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



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

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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