

Real Estate Flash Mexico

Construction does meet expectations, growing by 5%

- Without seeking a public charge, construction meets expected growth.
- Take off expected, but in construction sector, building outperforms other construction components.
- As Kafka's work, construction has had an excellent start, but we are remaining measured.

Construction grew by 5.4%: contrary to some expectations, this was in excess of the economy as a whole.

The construction industry confirmed its favorable start to the year, with an annual growth rate of 5.4% in February. However there was a decrease in activity compared to January of around 2.7%, explained mainly by the higher level of activity in the previous month. Comparing the performance of the construction sector to that of the economy as a whole, as represented by the IGAE economic activity index, in January construction grew by 4.1%, whilst the economy as a whole grew by 3.9%, both in seasonally-adjusted annual terms.

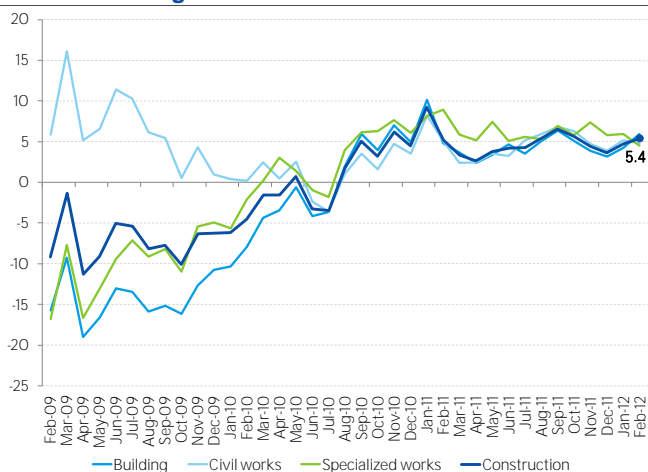
Building performs more strongly than other construction components.

We have previously highlighted the convergence of growth rates in the three components of the construction sector: however, in February, building grew at a rate more than one percentage point higher than the other two components. Building expanded at an annual rate of 6.0%, whilst civil works and specialized works increased by 4.8% and 4.5%, respectively. However, all three components maintained growth rates in excess of 4%.

Relevant indicators point to further expectations of growth.

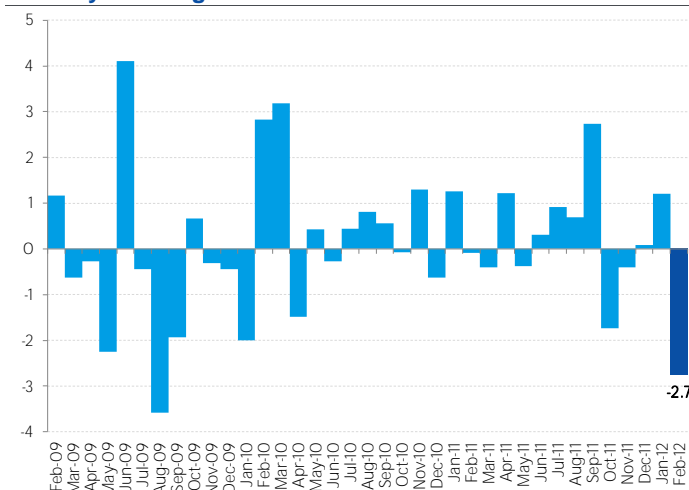
The start of the year has also been favorable for employment in the construction sector, maintaining levels at around 1.2 million workers. The annual growth rate was 4.4% in January and 5.2% in February, similar to the 5.1% for total IMSS social security contributors. However, in contrast, sales of cement and concrete decreased by 0.7% and 2.3% respectively in annual terms during January this year. In January, the construction investment index increased at an annual rate of 5.1%, in line with the increase in industrial activity in the sector. These figures represent a promising start for the sector, although we continue to expect slightly lower growth in 2012 than we saw in 2011.

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



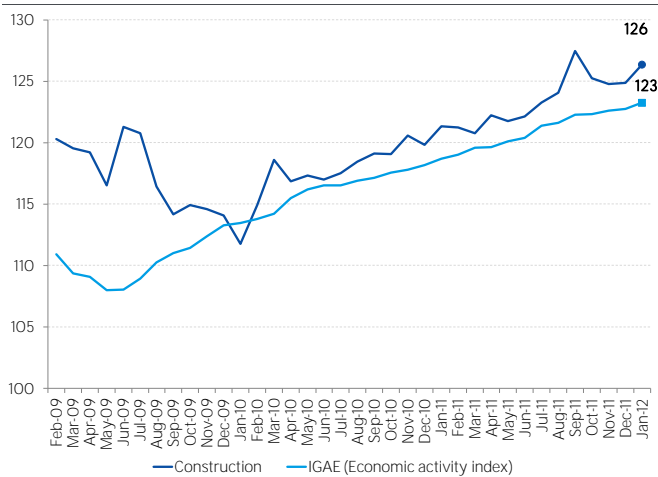
Source: BBVA Research with INEGI Industrial Activity data (original series)

Chart 2
Industrial Activity: Construction
Monthly % change



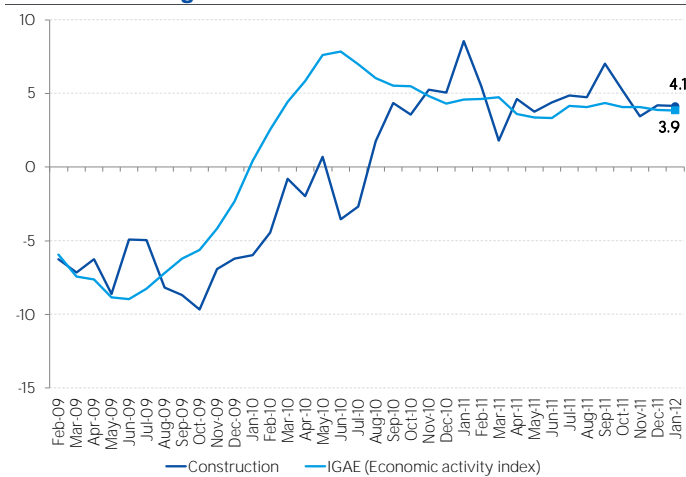
Source: BBVA Research with INEGI Industrial Activity data (seasonally-adjusted series)

Chart 3
Construction and the IGAE index
Index



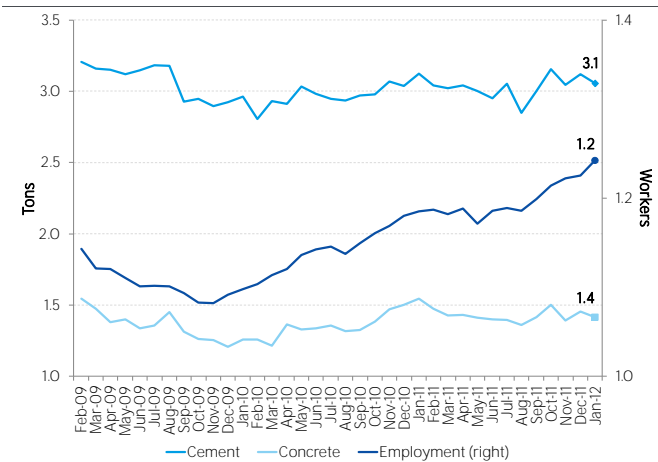
Source: BBVA Research with INEGI Industrial Activity and IGAE data (seasonally-adjusted series)

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



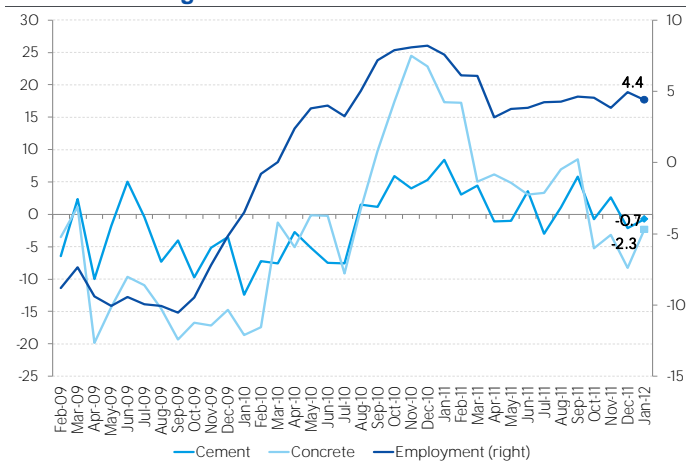
Source: BBVA Research with INEGI Industrial Activity and IGAE data (seasonally-adjusted series)

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



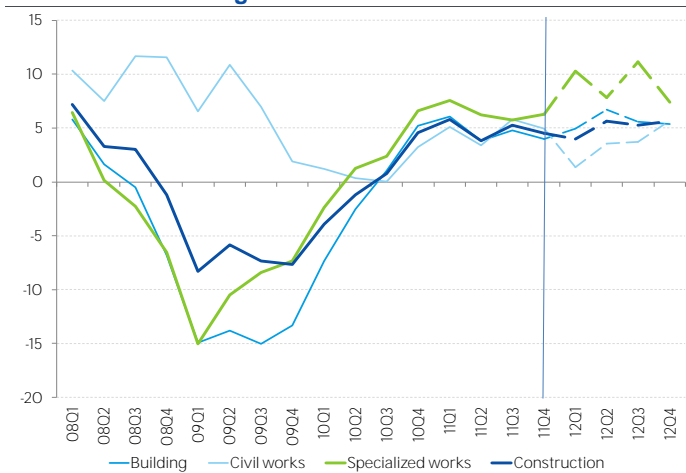
Source: BBVA Research with IMSS and INEGI data (original series)

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

Period	Construction	Building	Civil works	Specialized works
2010	0.1	-0.9	1.2	2.0
2011	4.9	4.7	4.8	6.5
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
12Q1	5.1	5.1	5.0	5.2

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

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



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

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

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