

Mexico Real Estate Flash

Construction will grow around 4.5% in the second quarter

- In each month of the first half of the year construction grew by more than 4%.
- Construction activity grew more than the economy as a whole and the rest of industry.
- Construction GDP growth forecast above 4.5%.

In June, industrial activity in the sector grew 4.7% year-on-year and 1.5% compared to the previous month.

Industrial activity in the construction sector continued to rise throughout the first half of 2012. In terms of its monthly comparison, growth was 4.7% compared to June in terms of its original series and 1.5% compared to May on a seasonal-adjust basis. Public works grew 5.0%, construction 4.5% and specialized works 4.6% in annual terms.

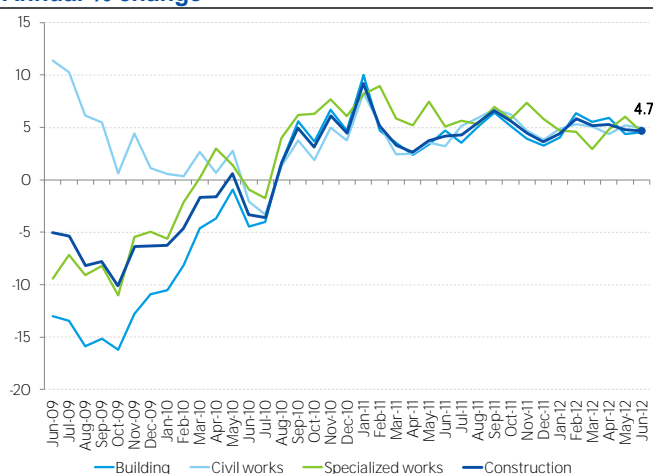
In May construction grew faster than the economy as a whole.

For the second time in the year, construction performed better than the economy as a whole as measured through the IGAE. Construction activity posted a 4.1% growth rate, while the IGAE grew 3.0%, both in annual terms. In addition, industrial activity in the construction sector performed better than industrial activity as a whole, 4.7% year-on-year vs. 3.7% in June.

Another rate above 4% for construction GDP.

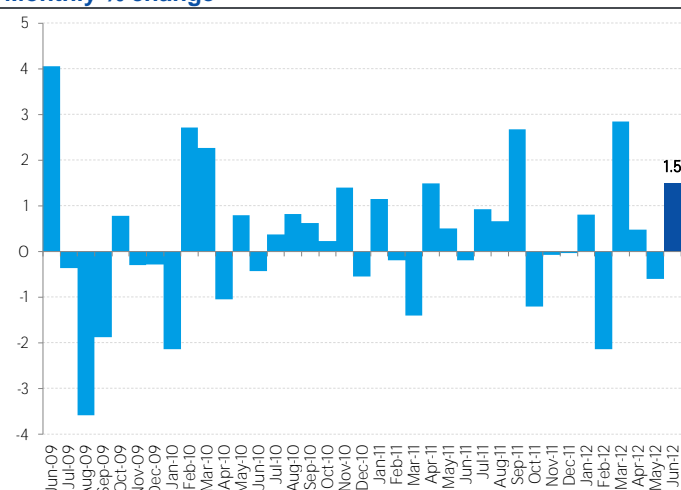
The number of workers registered with the IMSS in the construction sector was 6.3% in annual terms in June. Although there was a slowdown in the volume of cement sales, in the same month concrete already showed a positive rate, probably a sign of stabilization. The development of industrial activity and the timely indicator data lead us to maintain a growth forecast of more than 4.5% of construction GDP for the second quarter. However, progress will be slower in the medium term.

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



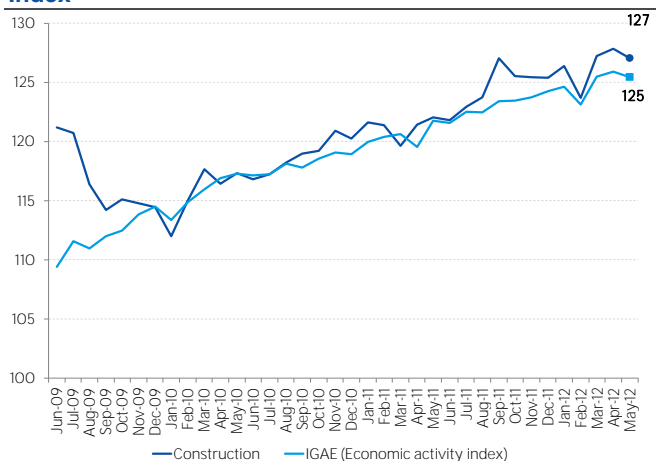
Source: BBVA Research with INEGI Industrial Activity data (original series)

Chart 2
Industrial Activity: Construction
Monthly % change



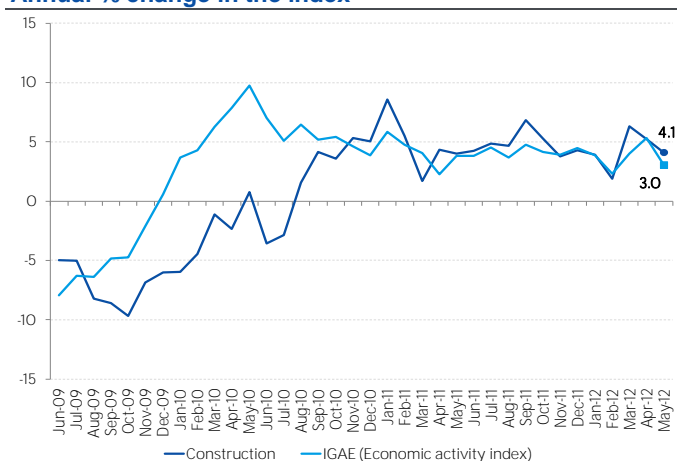
Source: BBVA Research with INEGI Industrial Activity data (seasonally-adjusted series)

Chart 3
Construction and the IGAE index
Index



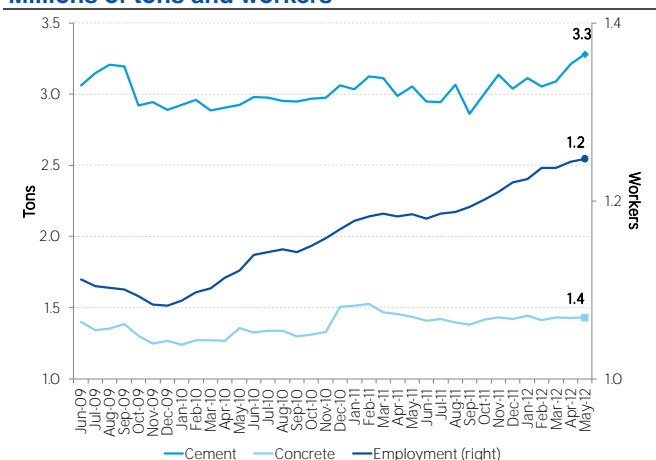
Source: BBVA Research with INEGI Industrial Activity and IGAE data (seasonally-adjusted series)

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



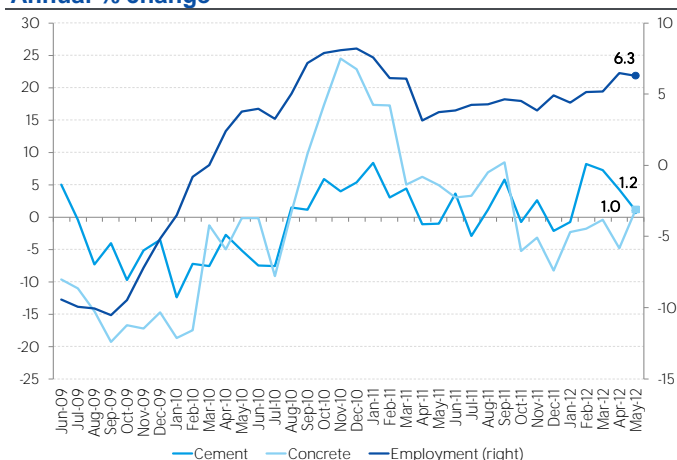
Source: BBVA Research with INEGI Industrial Activity and IGAE data (seasonally-adjusted series)

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



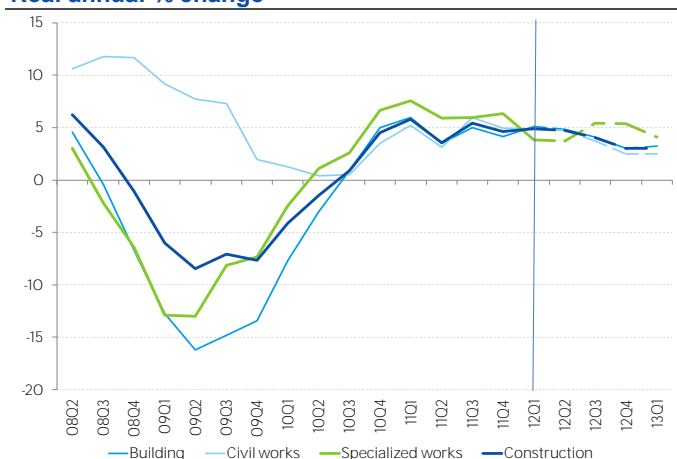
Source: BBVA Research with IMSS and INEGI data (original series)

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

| Period | Construction | Building | Civil works | Specialized works |
|--------|--------------|----------|-------------|-------------------|
| 2010 | 0.0 | -1.2 | 1.4 | 2.0 |
| 2011 | 4.9 | 4.7 | 4.8 | 6.5 |
| 11Q1 | 5.9 | 6.1 | 5.3 | 7.7 |
| 11Q2 | 3.5 | 3.5 | 3.1 | 5.9 |
| 11Q3 | 5.4 | 5.0 | 5.9 | 6.0 |
| 11Q4 | 4.6 | 4.1 | 4.9 | 6.3 |
| 12Q1 | 5.1 | 5.3 | 5.1 | 4.1 |

Note: Considers 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 (original series)

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