

# Mexico Real Estate Flash

## Construction activity remains flat.

- With a minimum, but positive rate, construction grew 0.1% year-on-year and 3.7% in monthly terms.
- The indicators confirm declining in the construction activity.
- Unless there is positive performance in building, recovery will be delayed.

### The sector stayed afloat thanks to public works.

After the strong decline seen in December 2012, the good news is that activity did not fall in January. This month, construction grew 0.1% year-on-year and 3.7% compared with December in its seasonally-adjusted series; this result is based on a 0.4% annual growth in public works. However, specialized works only grew 5.1% in annual terms. In contrast, building, the main construction component, declined 0.7% compared to January 2012.

Compared with the economy's performance, construction still lags behind. The Global Economic Activity Index (IGAE) shows an economic downturn in December 2012, while construction was unable to catch up, and even posted worse figures. Construction recovered slightly in January, but still below the figures released by the IGAE. Although it would be desirable for the sector to equal or even exceed the performance of the economy in terms of growth.

### More construction workers with social security.

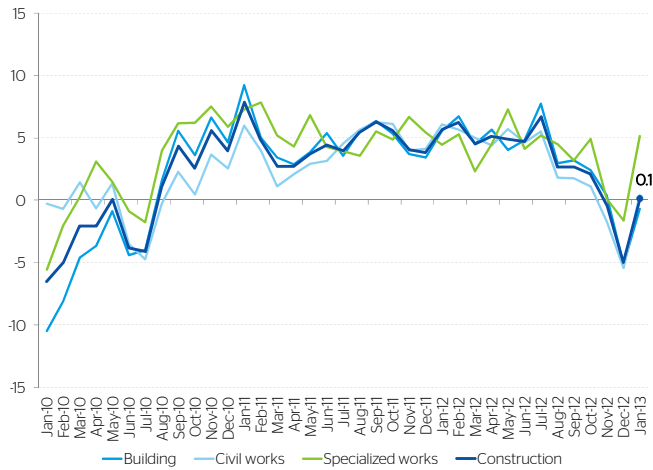
The sector's indicators continue to slow down or even drop. For the first time in more than two years, gross fixed investment in construction declined in December. Although this result was already seen in the activity for the previous quarter, this indicator shows a downward trend. Sales of cement and concrete fell to minimum levels, which partly explain why activity fell so abruptly in December.

Total credit to construction did not change in real terms during January. However, this portfolio keeps its quality, by containing its NPL ratio at 3.3%. The number of construction workers registered with the IMSS continues to increase. In January, 4.8% more construction workers registered compared to the same month in 2012.

### Building needs to recover in order for the sector to continue growing.

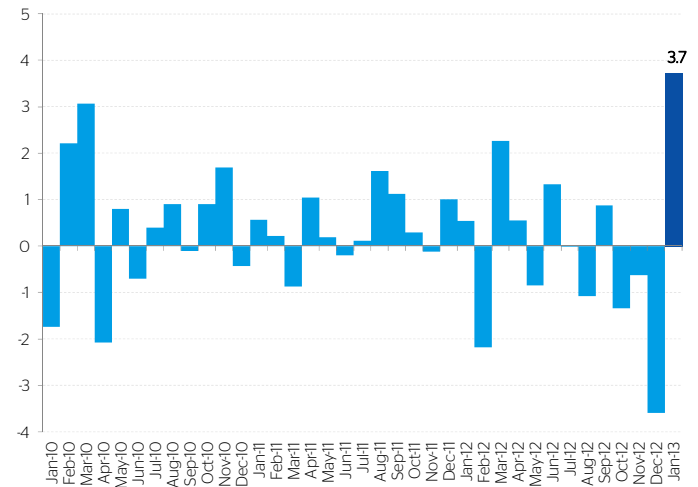
Construction GDP declined at the end of the fourth quarter of 2012, so beginning the year with minimum growth is good news. This time, public works boosted the sector. However, for the sector to start recovering, building needs to get back on the growth track. This could take some time without the need for major investments, primarily in residential and commercial building, but a lag is to be expected after the high levels seen in previous years, namely the boom in housing. The industry's players are going through a market adjustment transition that could last some months. We therefore expect a certain moderation in the sector, where positions need to be clarified quickly in terms of infrastructure and adaptation in residential and productive construction.

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



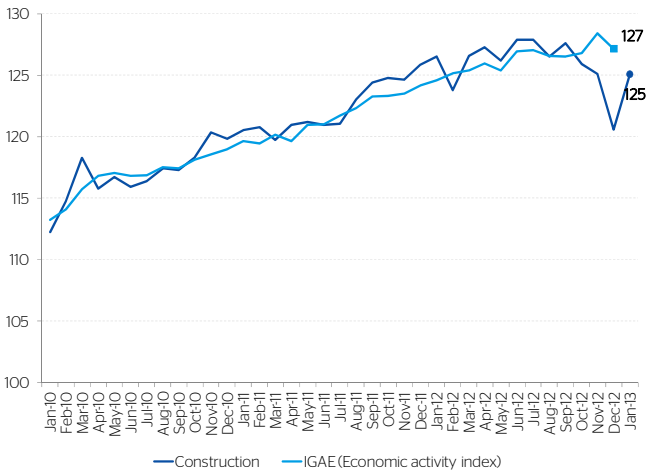
Source: BBVA Research with Industrial Activity data, INEGI (original series)

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



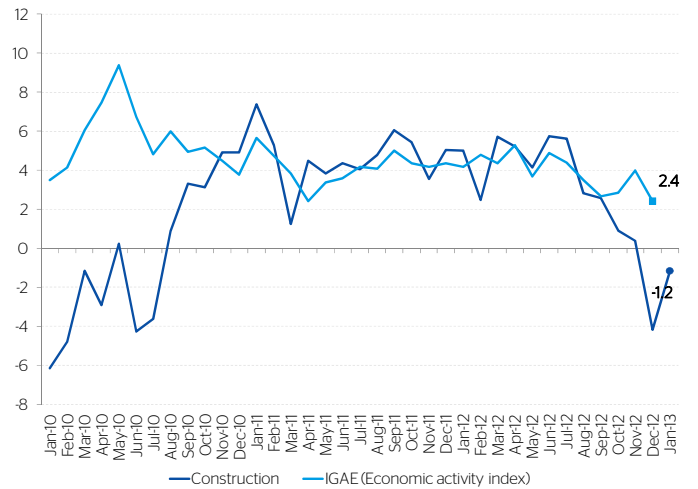
Source: BBVA Research with Industrial Activity data, INEGI (seasonally-adjusted series)

**Chart 3**  
**Construction and IGAE**  
**2003 Index=100**



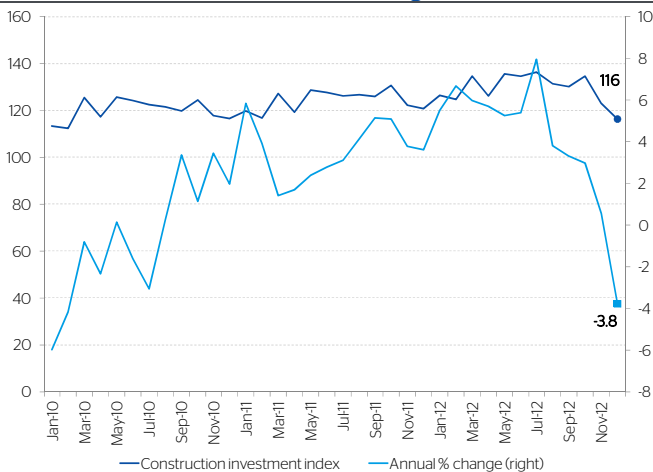
Source: BBVA Research with Industrial Activity and IGAE data, INEGI (seasonally-adjusted series)

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



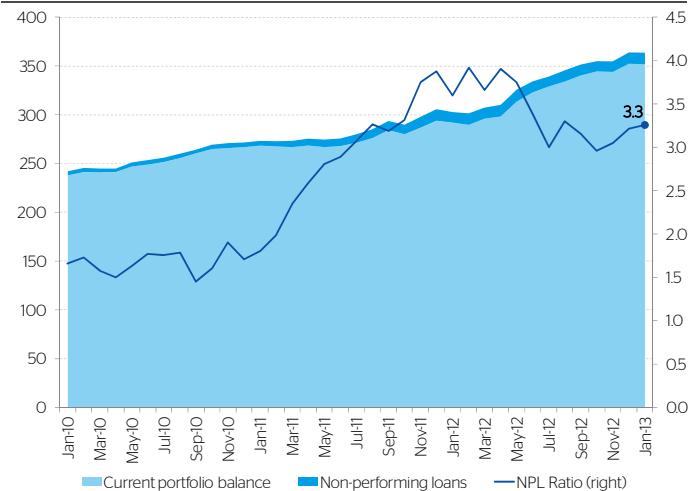
Source: BBVA Research with Industrial Activity and IGAE data, INEGI (seasonally-adjusted series)

**Chart 5**  
**Construction: gross fixed capital formation**  
**2003 Index=100, and annual % change**



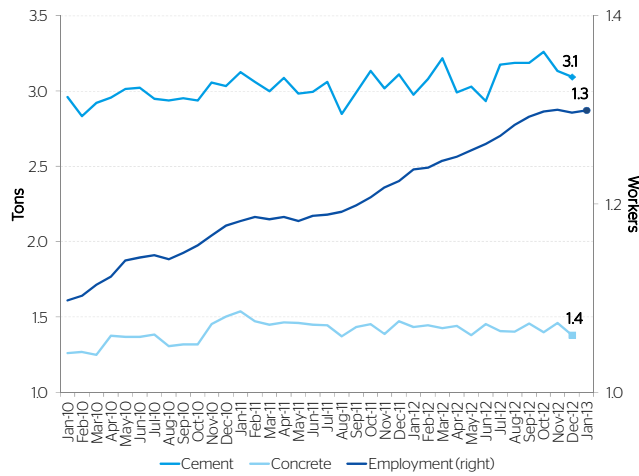
Source: BBVA Research with INEGI data (original series)

**Chart 6**  
**Bank financing to construction**  
**Portfolio balances and NPL ratio**



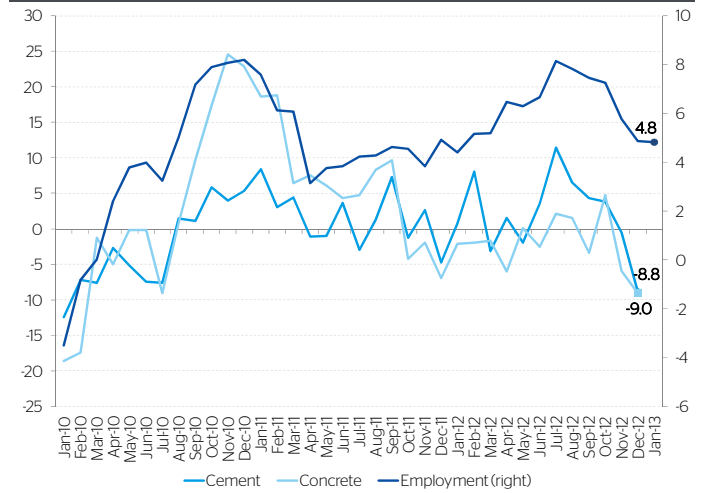
Source: BBVA Research with Bank of Mexico data (figures to January 2013)

Chart 7  
**Construction leading indicators**  
 Millions of tons and workers



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

Chart 8  
**Construction leading indicators**  
 Real annual % change



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

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

Period	Construction	Building	Civil works	Specialized works
2010	-0.5	-1.2	0.1	2.0
2011	4.6	4.8	4.2	5.5
2012	3.3	3.6	2.9	3.7
12Q1	5.5	5.6	5.6	4.0
12Q2	4.9	4.8	4.9	5.3
12Q3	4.0	4.6	3.0	4.3
12Q4	-1.1	-0.8	-2.0	1.1
13Q1*	0.1	-0.7	0.4	5.1

\* Only January 2013  
 Note: Considers the update of the previous figures by INEGI.

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

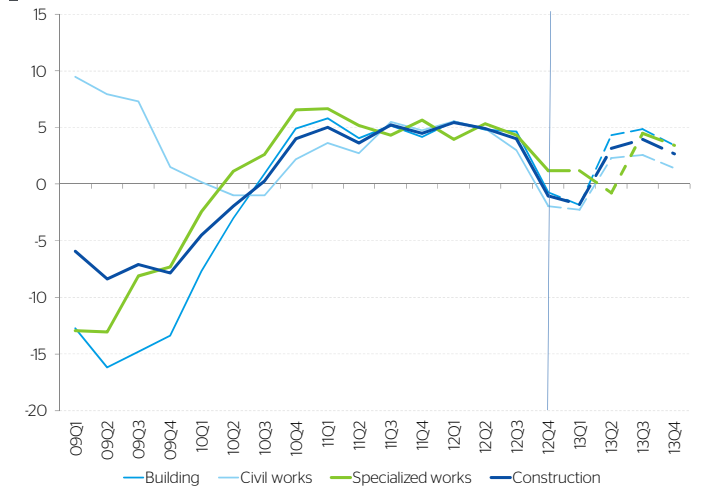
Samuel Vázquez  
[samuel.vazquez@bbva.com](mailto:samuel.vazquez@bbva.com)

Av. Universidad 1200, Col. Xoco, México 03339 D.F. | [researchmexico@bbva.bancomer.com](mailto:researchmexico@bbva.bancomer.com) | [www.bbva.com](http://www.bbva.com) | Follow us on Twitter

Disclaimer

This document has been prepared by the BBVA Research department of Banco Bilbao Vizcaya Argentaria, S.A. (BBVA) and by BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, on its own behalf and is provided for information purposes only. The opinions, estimates, predictions, and recommendations appearing in this document refer to the date shown herein, and therefore may change as a result of market fluctuations. The opinions, estimates, forecasts and recommendations included herein are based on information obtained from reliable sources; however, BBVA gives no guarantee, whether express or implicit, about the accuracy, completeness or correctness of such information. This document is not an offer, an invitation, or an incitement to subscribe or buy shares.

Chart 9  
**GDP Forecasts: Construction and its components**  
 Real annual % change



Source: BBVA Research with GDP data, INEGI (original series)