

# BBVA Research Real Estate Flash

Mexico

## Construction grows more than expected

- With the results for September, with a 2.5% monthly increase and annual growth of 7.1%, the industry has posted six months of positive monthly changes in seasonally-adjusted series.
- At component level, growth was recorded across all sectors, reflecting an environment of recovery in which construction grows faster than the economy as a whole.
- Other indicators, such as employment in the industry and cement sales, all showed favorable conditions for construction at the end of 2011 and in 2012.

### Construction grows more than expected in each of its components.

In September, the construction industry's growth was 7.1%, while each of its components grew by more than 6% compared to the same month of the previous year in seasonally-adjusted series. Building posted growth of 7.4%, and public works of 6.9%.

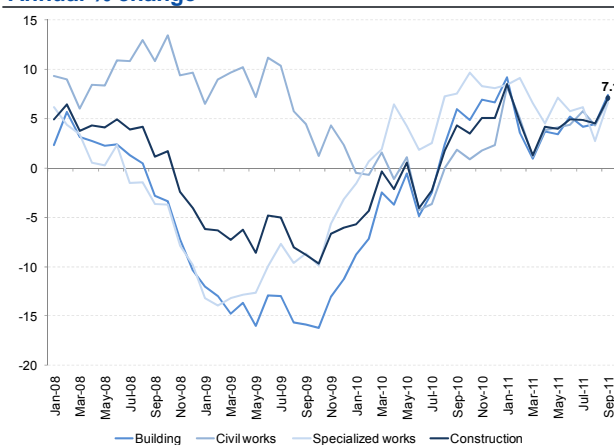
### The indicators show positive performance.

As estimated on previous occasions, cement sales have recovered recently, with a growth rate of 4.3% compared to the same month of the previous year. Similarly, employment in the construction industry continues to report positive growth rates, this time of 3.3%.

### The overall figures point to continued growth in the sector.

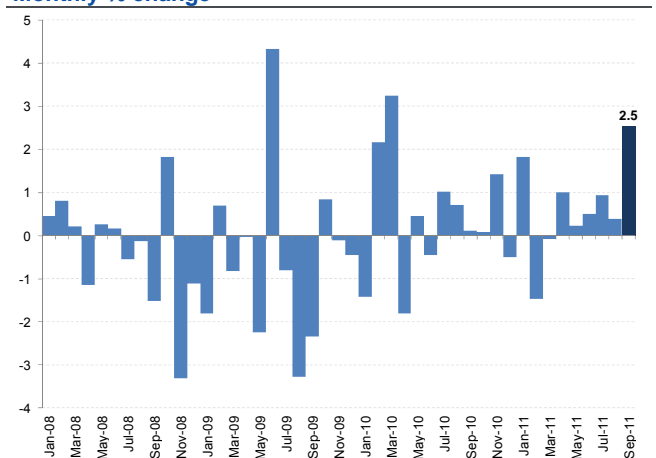
In short, the performance of the construction industry continues to improve in each of its components, and even though it has not yet reached the pre-crisis production levels, we estimate that they will be reached in early 2012. Even though the figures show higher than expected growth, we are maintaining our growth forecast at the same level, together with the expectation of short-term recovery.

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



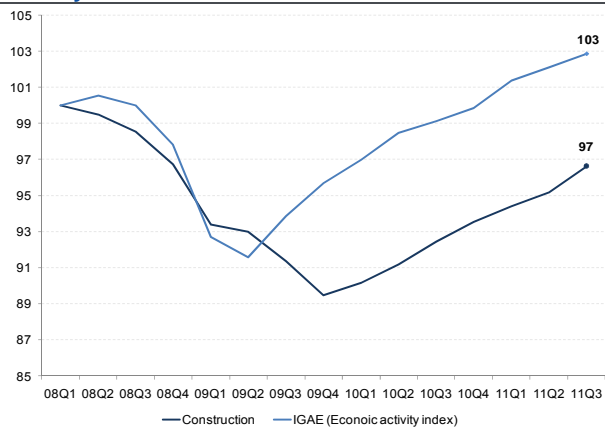
Source: BBVA Research, with INEGI Industrial Activity data (seasonally-adjusted series)

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



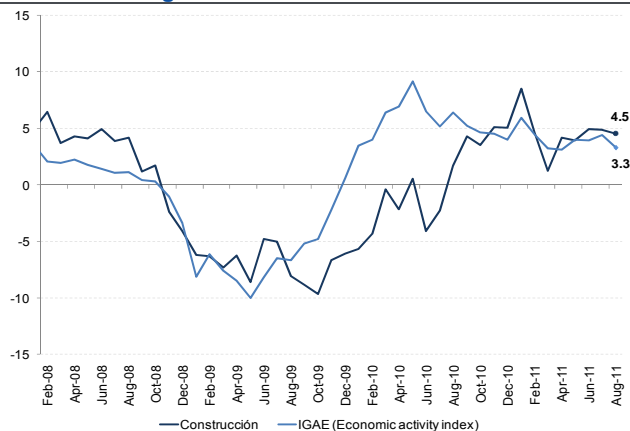
Source: BBVA Research, with INEGI Industrial Activity data (seasonally-adjusted series)

Chart 3  
Construction and the IGAE index  
January 2008 = 100



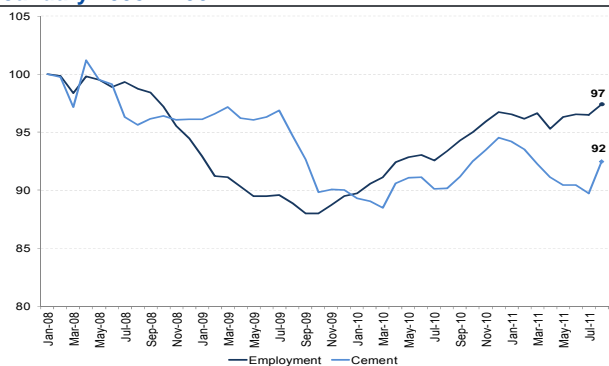
Source: BBVA Research, with INEGI Industrial Activity and IGAE data (seasonally-adjusted series)

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



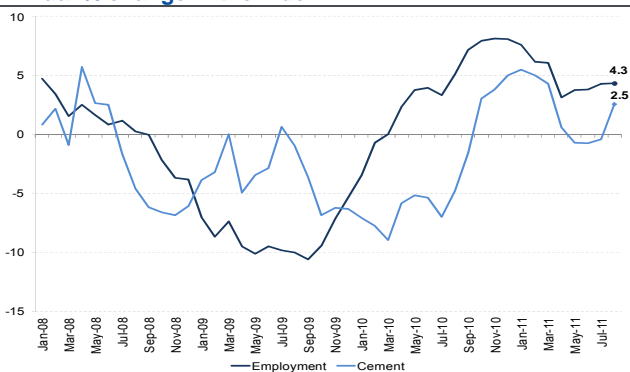
Source: BBVA Research, with INEGI Industrial Activity and IGAE data (seasonally-adjusted series)

Chart 5  
Timely construction indicators  
January 2008 = 100



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

Chart 6  
Timely construction indicators  
Annual % change in the index



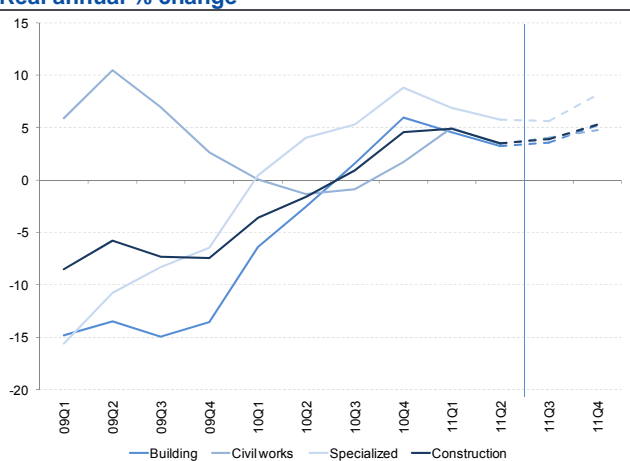
Source: BBVA Research, with data from INEGI and IMSS (seasonally-adjusted series)

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

Period	Construction	Building	Civil works	Specialized works
2008	2.7	-0.3	9.9	-0.9
2009	-7.0	-14.0	6.8	-10.0
2010	0.1	-0.3	-0.1	4.7
10Q1	-3.5	-6.1	0.1	0.3
10Q2	-1.9	-3.0	-1.4	4.1
10Q3	1.2	1.9	-0.6	5.8
10Q4	4.5	6.1	1.7	8.7
11Q1	4.8	4.6	4.8	8.0
11Q2	4.3	4.1	4.1	5.8
11Q3	5.5	5.3	5.6	5.2

Source: BBVA Research, with INEGI Industrial Activity data (seasonally-adjusted 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.bbvarsearch.com | Follow us in Twitter

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