

Real Estate Flash

Mexico

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Economic Analysis

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Building continues to grow

Monthly Situation Report

- For the second consecutive month, building activity has increased at a monthly growth rate of at least 10 points.
- This increase in activity is based on growth in commercial, industrial and office construction, which grew by in excess of 10%.
- The data available for the year enables us to infer that this growth in construction will continue, based mainly on commercial construction.

This growth is due to the performance of productive construction.

According to the ENEC (National Construction Companies Survey), there has now been nine consecutive months of growth in construction activity. Over this period, the value of production has increased by 17.5%. In October, construction increased at a real annual rate of 10.0%; whilst in September it grew by 11.4%. This growth has been mainly based on non-residential construction associated with productive activity, such as commercial, industrial and office buildings.

Non-residential construction is becoming ever more important.

The positive performance of building is due to high growth rates in the commercial, industrial and offices subcategories, which as a whole grew at a real rate of 38.5%. Furthermore, the overall share of such activity has been increasing gradually, rising from 28% to 34% in October 2011.

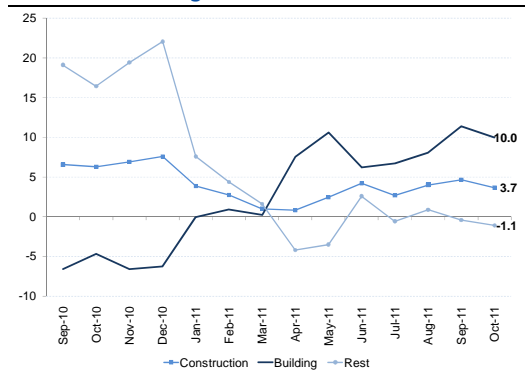
Although single-family home building returned to positive territory with growth of 0.4%, multi-family home building fell by 2.6%. Therefore, in the short term, we expect the positive trend in building activity to continue to depend on non-residential construction. Nevertheless, over the longer term, there may be a recovery in residential building depending on the effectiveness of government programs to boost the sector.

Table 1
Construction by building type
Real quarterly % share

Work types	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11
Building	45.6	45.0	46.6	45.1	45.6	45.7
Transport	29.4	30.3	29.0	28.8	28.1	27.5
Oil	8.2	8.6	8.5	8.3	8.7	8.6
Electricity & Communications	5.3	5.5	5.6	5.6	5.8	5.6
Water & Purification	3.3	3.7	4.1	5.3	5.7	6.1
Others	8.2	6.9	6.3	6.9	6.0	6.5
Construction	100	100	100	100	100	100

Source: BBVA Research with ENEC and INEGI data

Chart 1
Growth by building type
Real annual % change



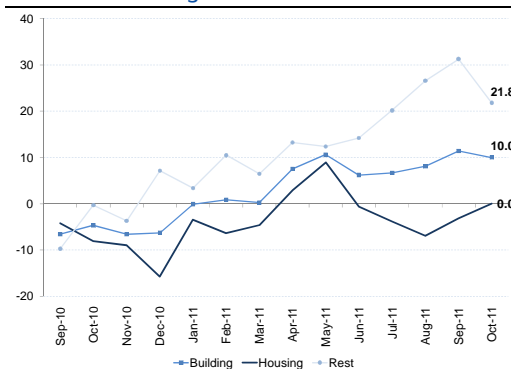
*Rest: transport, oil, electricity and communications, water and purification, and others

Table 2
Building: growth by sub-categories
Real annual % change

Work sub-categories	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11
Building	10.6	6.2	6.7	8.1	11.4	10.0
Commerce	24.8	8.2	24.8	69.3	104.0	68.4
Industry	3.3	14.5	23.8	55.2	34.2	36.5
Offices	6.5	-1.6	50.8	12.2	1.8	10.7
Recreation	-31.0	-2.4	-25.8	-13.6	-8.3	-16.1
Schools	37.2	29.3	18.6	38.0	24.1	-8.2
Hospitals	-3.0	17.4	22.6	-5.7	-13.9	-7.1
Auxiliary buildings	46.6	44.3	14.2	-23.0	-0.1	-14.2
Multi-family housing	-4.6	-32.1	4.7	-0.7	7.3	-2.6
Single-family housing	11.6	6.0	-4.9	-8.0	-4.7	0.4

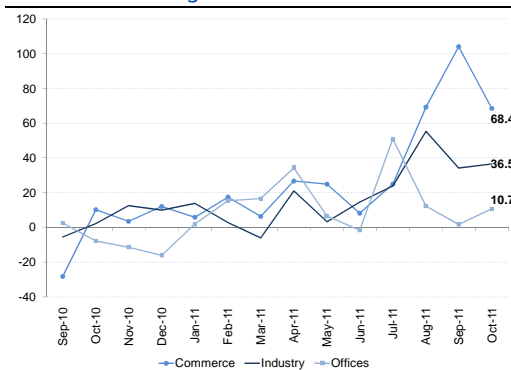
Source: BBVA Research with ENEC and INEGI data

Chart 3
Building production: housing versus rest
Real annual % change



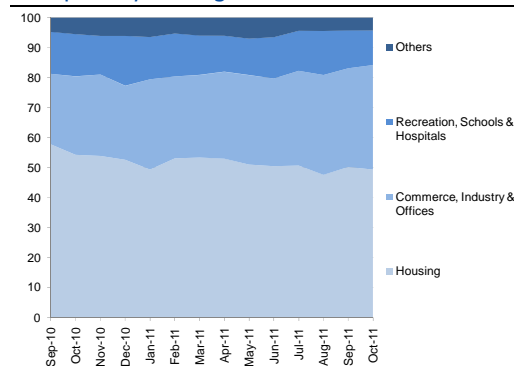
*Rest: transport, oil, electricity and communications, water and purification, and others

Chart 5
Building production: commercial and industrial
Real annual % change



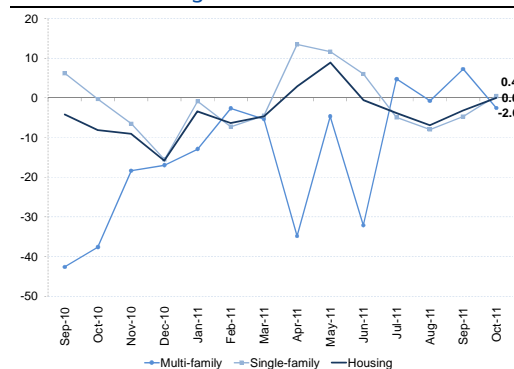
Source: BBVA Research with ENEC and INEGI data

Chart 2
Building: share of total by sub-category
Real quarterly % change



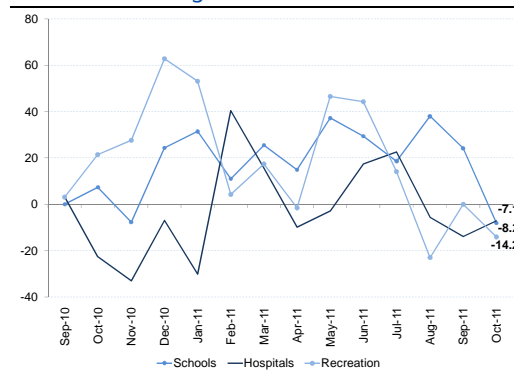
* Residence includes single-family and multi-family homes

Chart 4
Building production: housing
Real annual % change



* Residence includes single-family and multi-family homes

Chart 6
Building production: services
Real annual % change



Source: BBVA Research with ENEC and INEGI data