

Real Estate Flash Mexico

Mexico

Construction picks up pace and drives employment

- Construction expands in the first 5 months of the year alongside workforce
- Construction output expands less than the economy
- We maintain advanced forecasts with lower increases

Construction output in May expanded 4.5% in annual terms and fell 0.7% m/m

In the first 5 months of the year, industrial construction output expanded at rates above 4%. Over this period, construction averaged a 4.9% y/y growth rate with May seeing the lowest rate for the period. There was a 0.7% decline month on month with regard to April in the seasonally adjusted series. All three components of construction expanded at similar rates. Building saw an annual rate of 4.1%, while civil works came in at 4.9% and specialized works increased by 5% y/y in May.

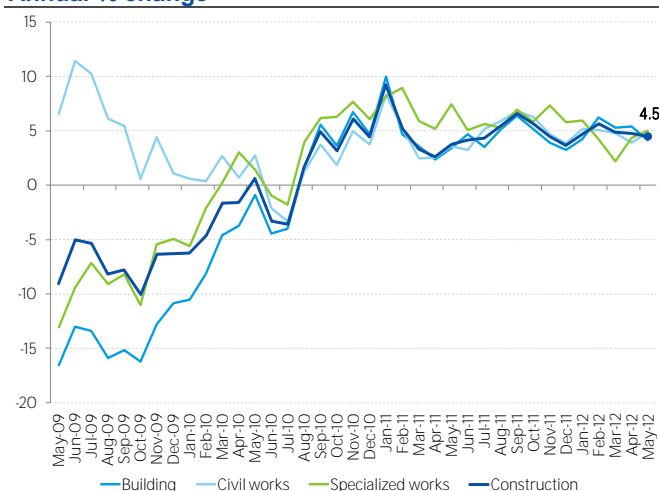
For the second time in the year, construction expanded at a rate lower than the economy

Contrasted with the IGAE, construction performance measured through industrial output came in slightly below the domestic economy. In April, the IGAE saw annual growth of 5.3% in the seasonally adjusted series while construction was up 4.6% in the same terms. Even when in two of the four quarters construction expanded less than the domestic economy, the difference was under one percentage point.

Construction will continue to expand

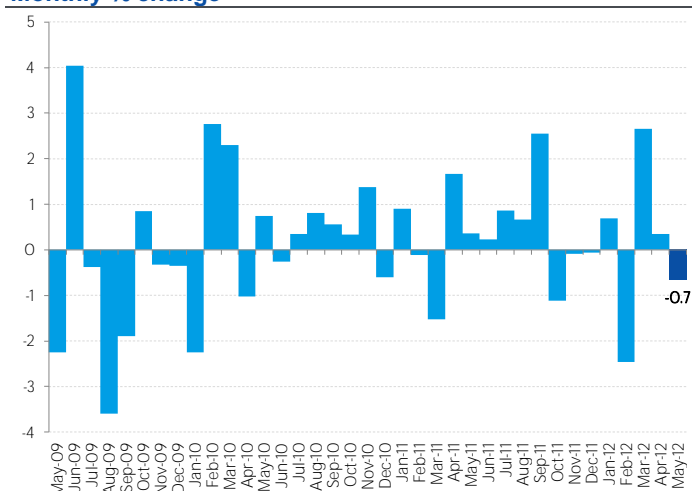
Relevant indicators also continue to move up. Construction employment recorded at the IMSS expanded 6.5% in April at an annual rate, two points above total employment. Cement sales volume slowed and concrete continues in negative terrain. With the trend seen in industrial output and relevant indicator performance, we see construction continuing to expand over the rest of the year, albeit at lower rates.

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



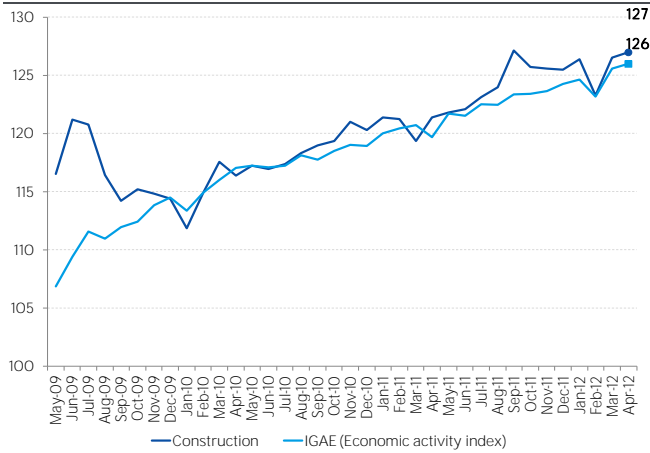
Source: BBVA Research with INEGI Industrial Activity data (original series)

Chart 2
Industrial Activity: Construction
Monthly % change



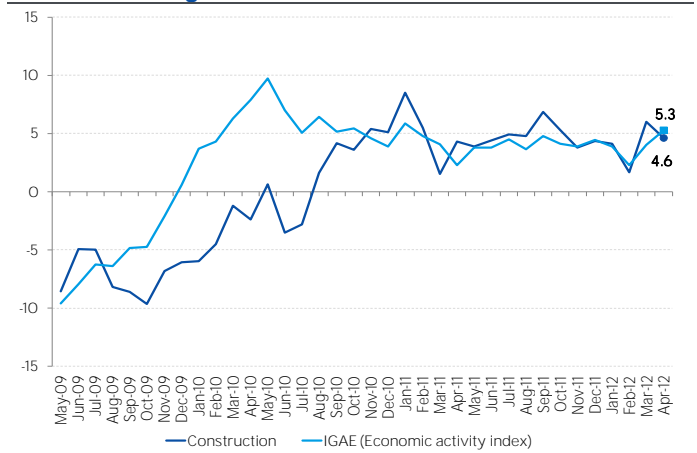
Source: BBVA Research with INEGI Industrial Activity data (seasonally-adjusted series)

Chart 3
Construction and the IGAE index
Index



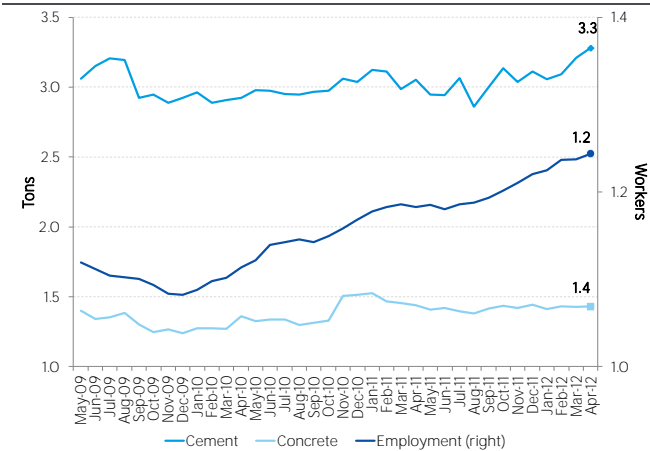
Source: BBVA Research with INEGI Industrial Activity and IGAE data (seasonally-adjusted series)

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



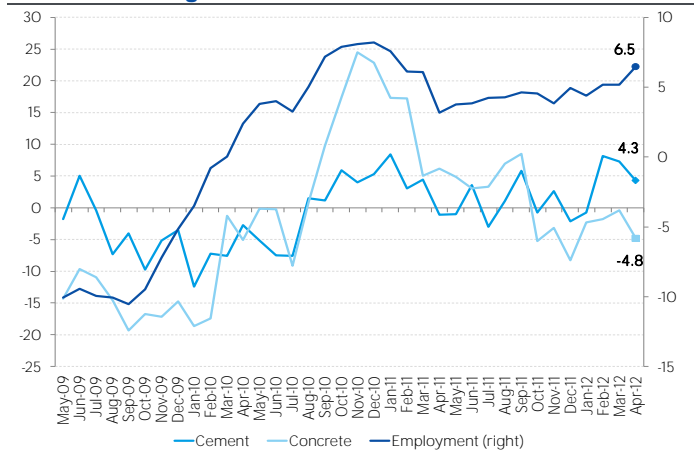
Source: BBVA Research with INEGI Industrial Activity and IGAE data (seasonally-adjusted series)

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



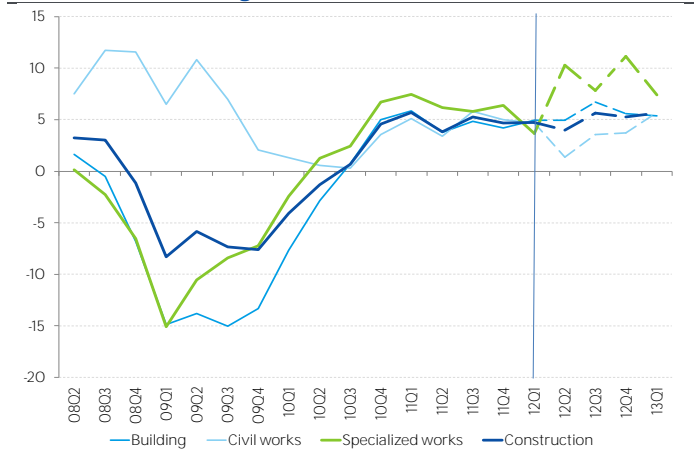
Source: BBVA Research with IMSS and INEGI data (original series)

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	5.2	5.0	4.1

Note: Consider 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 (seasonally-adjusted series)

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

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