Construction Profile in ITC Group Countries

N. 2 – July 5th 2011

Highlights
Country Focus
Main Construction Indicators

Countries:
United States
Canada
France
Italy
Spain
Belgium
Greece
Bulgaria
Morocco
Egypt
China
India
Thailand
### Key to Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>ar</td>
<td>annual rate</td>
</tr>
<tr>
<td>bn</td>
<td>billion</td>
</tr>
<tr>
<td>ch</td>
<td>change</td>
</tr>
<tr>
<td>d</td>
<td>day</td>
</tr>
<tr>
<td>lhs</td>
<td>left hand side</td>
</tr>
<tr>
<td>m</td>
<td>month</td>
</tr>
<tr>
<td>ma</td>
<td>moving average</td>
</tr>
<tr>
<td>mn</td>
<td>million</td>
</tr>
<tr>
<td>mom</td>
<td>month-on-month</td>
</tr>
<tr>
<td>nsa</td>
<td>not seasonally adjusted</td>
</tr>
<tr>
<td>Q</td>
<td>quarter</td>
</tr>
<tr>
<td>rhs</td>
<td>right hand side</td>
</tr>
<tr>
<td>sa</td>
<td>seasonally adjusted</td>
</tr>
<tr>
<td>saar</td>
<td>seasonally adjusted at annual rate</td>
</tr>
<tr>
<td>tn</td>
<td>trillion</td>
</tr>
<tr>
<td>wda</td>
<td>working days adjusted</td>
</tr>
<tr>
<td>y</td>
<td>year</td>
</tr>
<tr>
<td>yoy</td>
<td>year-on-year</td>
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**Based on all information up to July, 5th 2011**
**Available in i.like**
HIGHLIGHTS

- In mature countries, the construction cycle is still in the doldrums. In any case, very uneven weather conditions in the last few quarters hamper the assessment of the real underlying sectoral conditions, so that only in the summer months a clearer view will become available. As a matter of fact, in Europe, Spain and Greece remain mired in a big slump while more promising signs may be detected in France. In North America, Canada seems out of the woods while in the US the long-awaited recovery is not yet fully materialising.

- Housing is still at the center-stage of widespread worries, given tightening fiscal policies, not receding unemployment, higher perspective interest rates and a still huge over-construction to reabsorb. In these conditions, it is no wonder that residential prices do not show clear-cut signs of rebounding and in some cases – to start with the US – are also on a downtrend again.

- Also among the Group emerging countries cyclical positions have been strongly diverging. At one extreme construction is positively sloped and keeps performing better than expected in China and India. At the other extreme, construction has faltered dramatically in Egypt (amid serious political turmoil), and – to a lesser extent – in Thailand.

COUNTRY FOCUS

- The recovery in the US housing market is still far from materialising. The new homes segment in particular is having difficulties due the substantial competition from a glut of steeply discounted, distressed, existing homes that has reduced new single-family home sales’ share of the total to 7% (compared to the pre-recession long-term average of 17%). The persistently elevated inventory of existing homes available for sale will continue to weigh down on new homes sales. As a matter of fact, homebuilders’ expectations of sales for the next six months dropped to a 27-month low in June. Private non residential construction looks even more vulnerable. Spending on structures such as office, commercial and manufacturing space continues to decline, though at a softer pace. Public construction spending is now in steady retreat since most ARRA funds transferred to states have been used up and states are cutting back on spending in order to maintain their longer-term obligations such as pensions and Medicaid.

- In France, the construction sector remained subdued in Q1 11 (-0.1% qoq) mainly due to a weaker than expected performance of the housing sector (-0.3% qoq). Leading indicators show that the residential investment recovery should unfold moderately over the next few months, as a consequence of the declining impact of tax and mortgage incentives, the already announced tax increases and the very slow decline in unemployment. With the economic recovery gradually absorbing production capacity surpluses, building starts in industrial, office-space and shops sub-segments are improving slightly. Public investment recovered in Q1 11 after the dramatic drop in Q4 10 due to very bad weather conditions. Leading indicators show that the sector activity is set to continue to improve in the next few months but at a very moderate pace as a consequence of fiscal budget constraints.

- In Morocco, construction value added rebounded in Q1 11 (+2.5% yoy against -1.6% in Q4 10). According to sectoral indicators, activity should have improved also in Q2 mainly driven by strong public spending, largely focused on transport infrastructure (highways, ports and railways), and the buoyant performance of the housing sector. The latter has been benefiting both from the launch of two funds aimed at fostering the acquisition of social housing by civil servants and low-income people, and from a US$ 150mn loan by the World Bank to help expand access to higher quality housing.
## MAIN CONSTRUCTION INDICATORS

<table>
<thead>
<tr>
<th>Indicators*</th>
<th>Construction Production</th>
<th>Construction Investment</th>
<th>House Prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>-30.4 -28.5 -3.2 -12.0 Apr(1)</td>
<td>-8.8 -17.0 -6.9 -2.8 Q1</td>
<td>-15.8 -13.3 1.2 -4.0 Apr</td>
</tr>
<tr>
<td>Canada</td>
<td>4.6 -8.2 7.9 6.5 Mar</td>
<td>2.9 -10.9 9.2 7.3 Q1</td>
<td>2.9 -3.0 3.4 2.0 Apr</td>
</tr>
<tr>
<td>France</td>
<td>-3.7 -5.9 -3.4 3.9 Apr</td>
<td>-2.0 -5.9 -5.0 -1.1 Q1</td>
<td>1.2 -7.1 6.3 8.7 Q1</td>
</tr>
<tr>
<td>Italy</td>
<td>-1.1 -11.7 -3.2 0.8 Apr</td>
<td>-3.0 -8.6 -3.7 -0.1 Q1</td>
<td>2.7 -3.8 -2.2 -1.6 H2 10</td>
</tr>
<tr>
<td>Spain</td>
<td>-15.7 -12.1 -18.2 -34.8 Mar</td>
<td>-5.5 -11.0 -10.9 -10.2 Q1</td>
<td>0.7 -7.4 -3.9 -4.7 Q1</td>
</tr>
<tr>
<td>Belgium</td>
<td>-1.2 -6.9 -1.5 1.8 Mar</td>
<td>-0.1 -3.4 0.5 8.7 Q1(2)</td>
<td></td>
</tr>
<tr>
<td>Greece</td>
<td>7.6 -17.4 -31.7 -16.9 Q1</td>
<td>-18.9 -12.3 -12.5 -16.2 Q1</td>
<td>1.7 -3.7 -4.0 -5.6 Q4</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>12.1 -13.8 -18.0 -18.2 Apr</td>
<td>21.9 -17.6 -16.5 1.6 Q1(4)</td>
<td>24.9 -21.4 -10.1 -5.6 Q1</td>
</tr>
<tr>
<td>Morocco</td>
<td>-</td>
<td>9.4 3.4 2.4 2.5 Q1(2)</td>
<td>- - - 5.0 Q1</td>
</tr>
<tr>
<td>Egypt</td>
<td>-</td>
<td>11.8 14.2 12.9 -9.1 Q1(2)</td>
<td>-</td>
</tr>
<tr>
<td>China</td>
<td>-</td>
<td>3.0 45.5 24.6 50.7 May(4)</td>
<td>27.4 2.9 6.5 1.2 Jun(5)</td>
</tr>
<tr>
<td>Thailand</td>
<td>-</td>
<td>-4.2 0.4 6.8 -2.0 Q1</td>
<td>-13.9 -9.3 -1.4 7.7 Q1</td>
</tr>
<tr>
<td>India</td>
<td>-</td>
<td>6.2 5.7 8.2 8.2 Q1(2)</td>
<td>-</td>
</tr>
</tbody>
</table>

Notes:
* yoy % ch, sa, unless otherwise indicated; (1) Production of dwellings; (2) Gross value added; (3) Gross fixed capital investment; (4) Investment in fixed assets: construction; (5) Shanghai second-hand index

Sources: Eurostat, OECD, National Statistics
Construction Production Index and Confidence Indicator: Euro Area (sa)

Permits Issues: Housing

Construction Investment: US (qoq % ch, saar)

Construction Investment: Spain (qoq % ch, saar)

Construction Investment: France (qoq % ch, saar)

Construction Investment: Italy (qoq % ch, saar)

Sources: BEA, Eurostat, US Census, OECD
Construction Investment
(sa)

Level (Can$ bn at 2002 prices, ar)
Yoy % ch (rhs)

Construction Investment by Type
(level, Can$ bn at 2002 prices, saar)

Residential
Other Construction

Housing index

(1992=100)

Permits Issued (Can$ tn, sa)

Total buildings
Homes

Residential Investment and Real Housing Prices

(2005=100)

Residential investment
Real housing price

Outstanding Households Mortgages

Level (Can$ bn)
Yoy % ch (rhs)

Nominal Housing Prices (yoy % ch)

Sources: OECD, Canada's Statistics Agency, CMHC, Bank of Canada
Permits Issued (3m ma)

- Residential ('000)
- Non residential ('000 m², rhs)

Starts (3m ma)

- Residential ('000)
- Non residential ('000 m², rhs)

New Home Sales: France ('000)

- New house for sale
- New house sold

New Home Sales: Île de France ('000)

- New house for sale
- New house sold

Existing Home Sales (cumulated on 12m)

Outstanding Households Mortgages

- Level (€bn)
- Yoy % ch (rhs)

Residential Investment and Real Housing Price

- Residential investment
- Real housing price

Nominal New Home Sales Prices (yoy % ch)

Sources: OECD, Ministere de l’Equipement, CGEDD, INSEE, European Commission, Banque de France, Eurostat
ITALY

Construction Investment (sa)

Construction Investment by Type (level, €bn at 2000 prices, saar)

Construction Production Index (sa)

Building Material and Cement Production Index (trend-cycle)

Construction Confidence Indicator (% balance, sa)

Renovation&Maintenance ('000, 12m ma)

Buildings Sales ('000, 4Q ma)
Outstanding Households Mortgages

New Business Households Mortgages (4m ma)

Home Mortgage Rates (%)

Construction Employment (mn, sa)

Sources: ISTAT, European Commission, Banca d'Italia, Eurostat, Agenzia del Territorio, Agenzia delle Entrate
Regional Home Sales (yoy % ch)

Outstanding Households Mortgages

Home Mortgage Rate (%)

Construction Employment (mn, sa)

Residential Investment and Real Housing Price

Nominal Housing Prices: National (yoy % ch)

Nominal Housing Prices: Andalucia (yoy % ch)

Nominal Housing Prices: Pais Vasco (yoy % ch)

Sources: INE, European Commission, Banco de Espana, OECD, Ministerio de Fomento
Construction Production Index and Confidence

Construction Activity: Demand Prospects

Public Works: Numbers of Tenders

Public Works: Numbers of Contracts Concluded

Permits Issued ('000, 3m ma)

Starts ('000, 3m ma)

Outstanding Households Mortgages

Home Mortgage Rates (%)

Sources: European Commission, Belgostat
Construction Investment (sa)
Level (€bn at 2000 prices, ar)
Yoy % ch (rhs)

Construction Production Index (wda)

Construction Confidence Indicator (% balance, sa)

Construction Activity (12m ma, '000)
PIP disb. (€ mn, rhs)
Housing Permits

Outstanding Households Mortgages Level (€bn)
Yoy % ch (rhs)

Home Sales (yoy % ch)

Home Mortgage Rates (%)
Adjustable
Fixed

Nominal Housing Prices Index (yoy % ch)
Total
New (up to 5 years old)
Old (over 5 years old)
(2007=100)

Sources: European Commission, Bank of Greece, National Statistical Service
BULGARIA

Sources: Eurostat, European Commission, National Institute of Statistics, Bulgarian National Bank
MOROCCO

Source: Haut-Commissariat au Plan, ANCFCC

EGYPT

Source: Ministry of Finance
CHINA

Nominal Construction Investment (yoy % ch)

Real Estate Climate Index

Buildings Activity (12m ma, yoy % ch)

Nominal Housing Prices (yoy % ch)

Sources: OECD, National Bureau of Statistics, Ehomeday

INDIA

Real Construction Value Added

Nominal Housing Price Index (2007=100)

Sources: OECD, Office of Economic Advisor, National Housing Bank