Construction Profile in ITC Group Countries

N. 2 – June 17th 2010

Highlights
Country Focus
Main Construction Indicators

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

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<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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</tbody>
</table>

Based on all information up to June, 17th 2010
Available in @Gold
• Particularly adverse weather conditions have negatively affected construction investment in Q1 10 in almost all the Group's advanced economies.

• Also putting seasonal effects apart, earlier indications on the current year show that a clear-cut rebound is still far from materialising on both Atlantic sides. In the US confidence and other leading indicators confirm the weakness of the residential sector for which only a tepid recovery may be expected at the end of 2010 (see also below).

• In Europe, both construction production and building permits keep trending downwards severely (in Q1 10 down nearly 20% and 50% respectively compared to their peak). The decline in housing investment is milder than in the US, while construction confidence has slightly rebounded since H2 09, although from an extremely depressed level. Short-term prospects remain gloomy due to the unfavourable statistical carry-over effect, the tightening of fiscal policy after the Greek turmoil, and the overall subdued macroeconomic condition.

• The emerging area keeps expanding at a robust pace still driven by Egypt, India and China. In this backdrop, Thailand is clearly recovering (see also below), while also Turkey is improving its construction performance rapidly.

COUNTRY FOCUS

• In the US, construction investment showed steep declines in Q1 10 in all segments, exacerbated by bad weather. The residential sector pulled back in Q1 (-2.9% qoq) after trending upward in Q3 and Q4 09. Signals from sectoral indicators remain mixed. On the one hand, affordability was close to its historical high in Q1 and the house-for-sale/house-sold ratio regained pre-bubble levels in April. On the other hand, both the Housing Market index and data on housing permits and starts (both referred to May) show that the end of the homebuyer tax credit in April is taking its toll. In addition, foreclosures are still increasing dramatically; pressure on supply from distressed sales will thus continue to be a limiting factor and amplifies the risk of a further leg down in home prices. The non-residential sector is still free-falling (-4.1% qoq), with lodging, office and commercial declining the most. Also public works (-4.5% qoq) do not present a favourable outlook as they are benefiting from the infrastructure stimulus plan only to a limited extent given the strained fiscal balances of most states.

• In Italy, construction posted only a mild decline in Q1 10 (-0.3% qoq). However, prospects remain gloomy for the rest of the year even assuming some improvement in the housing sector as witnessed by the last survey conducted by the Bank of Italy (the number of home sales has increased slightly in April and house prices have stabilised). The non-residential component is expected to remain mired in recession also this year as a consequence of the weakness of demand and still unfavourable financing conditions. As for public works, worries are mounting relative to the short-term prospects mainly given the substantial cut in transfers to local governments.

• In Thailand effects on the construction sector from the political upheaval were short-lived. As a matter of fact investment has performed buoyantly in Q1 10 (+5.1% yoy) and coincident and leading indicators anticipate further robust growth in the next few months. The upward trend in the economic cycle and the improvement of investors’ confidence is expected to support the private component, while public investment is set to accelerate thanks to the implementation of the second phase of the current economic stimulus package (worth over €36bn).
### 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>-17.9 -30.4 -28.5 4.6 Apr(1)</td>
<td>-5.1 -7.0 -15.5 -8.8 Q1</td>
<td>-3.8 -15.8 -13.3 2.3 Mar</td>
</tr>
<tr>
<td>Canada</td>
<td>3.9 3.0 -6.6 2.9 Feb</td>
<td>2.9 2.2 -8.7 4.2 Q1</td>
<td>7.4 2.9 -3.0 4.0 Apr</td>
</tr>
<tr>
<td>France</td>
<td>1.7 0.6 -6.1 -6.7 Apr</td>
<td>4.2 -0.8 -5.6 -7.2 Q1</td>
<td>6.5 1.3 -7.1 1.9 Q1</td>
</tr>
<tr>
<td>Italy</td>
<td>6.2 -0.4 -11.4 -6.5 Q1</td>
<td>0.1 -3.4 -7.9 -4.1 Q1</td>
<td>5.3 2.7 -3.8 -4.1 H2 09</td>
</tr>
<tr>
<td>Spain</td>
<td>-4.3 -16.3 -11.0 -16.7 Apr</td>
<td>3.2 -5.5 -11.2 -10.6 Q1</td>
<td>5.8 0.7 -7.4 -4.7 Q1</td>
</tr>
<tr>
<td>Belgium</td>
<td>2.3 -1.2 -6.7 -1.6 Mar</td>
<td>2.2 -0.4 -3.4 -3.5 Q1(2)</td>
<td>-</td>
</tr>
<tr>
<td>Greece</td>
<td>14.3 7.8 -20.4 -30.2 Q4</td>
<td>-5.3 -19.1 -11.3 -21.6 Q4</td>
<td>3.8 2.6 -1.8 -1.9 Q4(3)</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>27.8 -3.6 -14.3 -23.4 Apr</td>
<td>21.7 20.4 -26.9 -14.9 Q1(4)</td>
<td>28.9 24.9 -21.4 -17.8 Q1</td>
</tr>
<tr>
<td>Turkey</td>
<td>-</td>
<td>5.8 -6.9 -15.0 -6.5 Q4</td>
<td>-</td>
</tr>
<tr>
<td>Morocco</td>
<td>-</td>
<td>10.3 9.4 1.7 6.1 Q4(2)</td>
<td>-</td>
</tr>
<tr>
<td>Egypt</td>
<td>-</td>
<td>15.8 11.8 14.2 12.5 Q4(2)</td>
<td>-</td>
</tr>
<tr>
<td>China</td>
<td>-</td>
<td>23.8 3.0 45.5 24.4 Apr(5)</td>
<td>7.6 6.5 2.4 12.4 May(6)</td>
</tr>
<tr>
<td>Thailand</td>
<td>-</td>
<td>2.6 -4.2 0.5 5.1 Q1</td>
<td>-4.3 -13.9 -9.2 -17.0 Q1</td>
</tr>
<tr>
<td>India</td>
<td>-</td>
<td>11.0 6.3 5.7 8.7 Q1(2)</td>
<td>-</td>
</tr>
</tbody>
</table>

**Notes:**
* yoy % ch, sa, unless otherwise indicated; *(1) Production of dwellings; *(2) Gross value added; *(3) Urban areas excluding Athens; *(4) Gross fixed capital investment; *(5) Investment in fixed assets: construction; *(6) 70 major cities
MAIN CONSTRUCTION INDICATORS

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
Construction Investment (sa)

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

Housing index

Housing Starts (’000 saar, 4Q ma)

Permits Issued (Can$ tn, sa)

Households Mortgages

Residential Investment and Real Housing Prices

Nominal Housing Prices (yoy % ch)

Sources: OECD, Canada’s Statistics Agency, CMHC, Bank of Canada
Construction Investment

- Level (€bn at 2000 prices, ar)
- Yoy % ch (rhs)

Construction Production Index and Confidence Indicator

- CPI (2005=100)
- CI (% balance, rhs)

Building Material and Cement Production Index (trend-cycle)

- BMPI
- CP

Public Works (% balance)

- Expected activity
- Order books

Permits Issued (3m ma)

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

Starts (3m ma)

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

Households Mortgages

- Level (€bn)
- Yoy % ch (rhs)

Residential Investment and Real Housing Price

- Residential investment
- Real housing price (2005=100)

Sources: OECD, Ministere de l'Equipement, INSEE, European Commission, Banque de France, Eurostat
Construction Investment
(sa)

Level (€bn at 2000 prices, ar)
Yoy % ch (rhs)

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

Residential
Other construction

Construction Production Index
(sa)

Building Material and Cement Production Index
(trend-cycle)

(2005=100)

Construction Confidence Indicator
(% balance, sa)

Italy
Euro area

Construction Confidence Indicator
(% balance, sa)

Order books
Employment expectations

Home Mortgage Rates (%)

Adjustable
Fixed

Construction Employment (mn, sa)

Sources: ISTAT, European Commission, Banca d’Italia, ISAE, Eurostat
Construction Investment
(sa)

Construction Production Index and Confidence Indicator (sa)

Housing Activity ('000, 3m ma)

Housing Starts Index (3m ma)

Households Mortgages

Home Mortgage Rates (%)

Construction Employment (m, sa)

Residential Investment and Real Housing Price

Sources: INE, European Commission, Banco de Espana, OECD
BELGIUM

Construction Production Index and Confidence Indicator (sa)

Construction Activity: Demand Prospects (% balance)

Permits Issued for Residential Buildings ('000, sa)

Permits Issued for Non Residential Buildings (mn m³, 3m ma)

Sources: European Commission, Belgostat

GREECE

Construction Production Index (w da)

Construction Confidence Indicator (% balance, sa)

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GREECE (cont.)

Urban Areas Nominal Housing Prices (yoy % ch)

Construction Activity (12m ma, '000)

Sources: European Commission, Bank of Greece, Ministry of Economy and Finance, National Statistical Service

BULGARIA

Construction Production Index (yoy % ch, sa)

Construction Confidence Indicator (% balance, sa)

Building Permits ('000, 3Q ma)

Nominal Housing Price (yoy % ch)

Sources: Eurostat, European Commission, National Institute of Statistics
**TURKEY**

![Construction Investment](image1.png)

![Total Buildings Works Completed](image2.png)

![Construction Employment](image3.png)

![Total Buildings Permits Issued](image4.png)

Sources: OECD, SIS (State Institute of Statistics)

**MOROCCO**

![Real Construction Value Added](image5.png)

![Cement, Lime and Gypsum Production Index](image6.png)

Source: Haut-Commissariat au Plan

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ITALCEMENTI GROUP-SES0 – Construction Profile
EGYPT

Real Construction Value Added

![Chart: Real Construction Value Added]

Source: Ministry of Finance

CHINA

Nominal Construction Investment in Fixed Assets (yoy % ch)

![Chart: Nominal Construction Investment in Fixed Assets]

Real Estate Climate Index

![Chart: Real Estate Climate Index]

Buildings Activity (12m, yoy % ch)

![Chart: Buildings Activity]

Nominal Housing Price (yoy % ch)

![Chart: Nominal Housing Price]

Sources: OECD, National Bureau of Statistics, Ehomeday
Construction Investment

Construction Investment by Type

Construction Sentiment Index

Construction Materials Production Index

Construction Areas Permitted (mn m², 12m ma)

Housing Starts in Bangkok and Vicinity ('000, 12m)

Personal Housing Credit

Nominal Housing Price (yoy % ch)

Source: Bank of Thailand
INDIA

Sources: OECD, Office of Economic Advisor