Construction Profile in ITC Group Countries

N. 1 – March 24th 2011

Highlights
Country Focus
Main Construction Indicators

Countries:
- United States
- Canada
- France
- Italy
- Spain
- Belgium
- Greece
- Bulgaria
- Turkey
- Morocco
- Egypt
- China
- Thailand
- India
Foreword

Starting from this issue approximately 40 new graphs have been added in order to improve the data content of our quarterly bulletin. We hope that these efforts will be appreciated by our readers, and remain obviously keen to receive any comment or suggestion aimed at better enlightening the evolution of the construction cycle in the Group Countries.

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>
</tr>
</tbody>
</table>

Based on all information up to March, 24th 2011
Available in i.like
Hopes that in mature countries a turnaround in construction activity was approaching have proved largely misplaced. In the US the residential sector is still in the doldrums: housing permits and starts are not rebounding and housing prices are showing signs of renewed weakness as the market is still burdened with an unsustainable number of foreclosures. Also in the euro area outcomes have fallen largely below expectations in the fourth quarter 2010. This was partly attributable to adverse weather conditions which should in turn have left room for some recovery in the early months of this year. However, only later in the spring it will be possible to measure the actual underlying strength of the construction cycle and whether the disappointing performances registered in Q4 10 were a temporary setback.

The overall environment is, however, shifting towards a more challenging condition as far as construction is concerned, at least under three respects: a) further to the turmoil in the MENA (Middle East-North Africa) region, uncertainty over short term prospects – particularly in Europe – has rapidly increased; b) this has coupled with the sharp commodity prices increases which are going to have an impact in terms of higher inflation/reduced economic activity also because c) monetary policy – again, starting from the euro zone – is set to be tightened sooner than previously envisaged. On balance, a combination of lower growth/higher inflation does not mean that a “double dip” for construction is at sight; nevertheless, the pace of the recovery could be even more uneven and lacklustre than expected.

In Italy, construction posted a steep decline in Q4 10 (-1.3% qoq) mainly due to particularly adverse weather conditions. A negative carry-over effect from 2010 and still weak demand prospects have triggered a downgrade in the consensus forecast for 2011. In the housing sector signals from the latest sectoral indicators remain mixed. Home sales have somewhat decreased in Q3 and Q4 10 (-2.3% and -3.4%, respectively), while tax deduction claims for renovation&maintenance continued to increase in the period January-November 2010 (+10.3% yoy). The non-residential component is expected to remain mired in recession also in the next few months as a consequence of overcapacity and anaemic economic prospects. As for public works, worries are mounting mainly given the substantial cut in transfers to local governments put forward in the last Budget Law.

In Spain, GDP data for Q4 10 revealed welcome rises in consumer spending and equipment investment, coupled with a pick-up in export. This was partly offset by further declines in government spending and construction investment. Ongoing concerns about the health of the property market continued to affect construction activity, which contracted by 3.1% qoq (-10.6% yoy). This was the 12th consecutive quarterly decline. Residential investment kept sliding, due to a large stock of unsold houses and still-weak demand. In the non residential sector, investment intentions remain sluggish as companies are confronted with shrinking profits and still disrupted credit markets. Not surprisingly, business confidence remains low, with firms expecting Spain to endure a very moderate recovery after having emerged from the recession in early 2010. Also public investment appears to be losing some momentum due to the standstill in state and regional infrastructure projects.

Egypt was one of the best-performing economies in the Middle East before the crisis erupted last January. The social and political turmoil is severely affecting industrial production, and well as driving down services exports through its impact on tourism. In addition, government’s investment-friendly policies and incentives are also at risk. The investment climate has deteriorated with the country exposed to reduced flows of foreign direct investment until the situation is stabilized and a clearer picture emerges. This is set to take a toll on many construction projects over the next several months.
## 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 -3.1 -7.0 Jan(1)</td>
<td>-8.8 -17.0 -7.0 -3.6 Q4</td>
<td>-15.8 -13.0 1.3 -2.4 Dec</td>
</tr>
<tr>
<td>Canada</td>
<td>4.6 -8.2 6.4 6.1 Dec</td>
<td>2.2 -8.7 7.1 7.3 Q4</td>
<td>2.9 -3.0 3.4 2.2 Jan</td>
</tr>
<tr>
<td>France</td>
<td>-3.7 -5.9 -3.5 3.5 Jan</td>
<td>-1.4 -6.6 -4.3 -2.1 Q4</td>
<td>1.2 -7.1 6.3 9.5 Q4</td>
</tr>
<tr>
<td>Italy</td>
<td>-1.1 -11.7 -3.2 0.3 Dec</td>
<td>-3.0 -8.6 -3.7 -1.8 Q4</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 -20.4 Dec</td>
<td>-5.5 -11.0 -10.9 -10.6 Q4</td>
<td>0.7 -7.4 -3.9 -3.5 Q4</td>
</tr>
<tr>
<td>Belgium</td>
<td>-1.2 -6.8 -1.6 -7.3 Dec</td>
<td>-0.1 -3.4 -0.1 2.3 Q4(2)</td>
<td>-</td>
</tr>
<tr>
<td>Greece</td>
<td>7.6 -17.4 -31.7 -33.0 Q4</td>
<td>-18.9 -12.5 -13.7 Q3</td>
<td>1.7 -3.7 -4.2 Q3</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>12.1 -13.8 -18.0 -12.3 Jan</td>
<td>21.9 -17.6 -16.5 4.7 Q4(4)</td>
<td>24.9 -21.4 -10.1 -5.6 Q4</td>
</tr>
<tr>
<td>Turkey</td>
<td>-</td>
<td>-6.9 -14.8 23.7 Q3</td>
<td>4.0 2.6 Dec</td>
</tr>
<tr>
<td>Morocco</td>
<td>-</td>
<td>9.4 3.4 1.0 Q3(2)</td>
<td>- - -0.9 Q4</td>
</tr>
<tr>
<td>Egypt</td>
<td>-</td>
<td>11.8 14.2 12.5 Q3(2)</td>
<td>-</td>
</tr>
<tr>
<td>China</td>
<td>-</td>
<td>3.0 45.5 24.6 23.8 Dec(4)</td>
<td>27.4 2.9 6.5 1.6 Feb(5)</td>
</tr>
<tr>
<td>Thailand</td>
<td>-</td>
<td>-4.2 0.4 6.8 6.5 Q4</td>
<td>-13.9 -9.3 -2.6 6.0 Q4</td>
</tr>
<tr>
<td>India</td>
<td>-</td>
<td>6.2 5.7 9.1 8.0 Q4(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
MAIN CONSTRUCTION INDICATORS

**Construction Production Index and Confidence Indicator: Euro Area (sa)**

![Graph showing Construction Production Index and Confidence Indicator: Euro Area](image)

**Permits Issues: Housing**

![Graph showing Permits Issues: Housing](image)

**Construction Investment: US (qoq % ch, saar)**

![Graph showing Construction Investment: US](image)

**Construction Investment: Spain (qoq % ch, saar)**

![Graph showing Construction Investment: Spain](image)

**Construction Investment: France (qoq % ch, saar)**

![Graph showing Construction Investment: France](image)

**Construction Investment: Italy (qoq % ch, saar)**

![Graph showing Construction Investment: Italy](image)

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

Level ($bn at 2005 prices, ar)  Yoy % ch (rhs)

Q1 -06 Q1 -07 Q1 -08 Q1 -09 Q1 -10
-20 -15 -10 -5 0 5

Construction Investment by Type (yoy % ch, sa)

Private residential
Private non residential
Government

Building Material and Cement Production Index (trend-cycle)

(2005=100)

BMPI
CP

NAHB Housing Market Index (sa)

(hint: over 50 = expansion)

NAHB Housing Affordability Index (%)

Months’ Supply of Homes (ratio*)

* Houses for sale/Houses sold

Housing Starts and Building Permits (mn, saar)

Home Sales (mn, saar)

Existing
New (rhs)
Home Vacancies (mn)

Households and Non-Profit Organizations Home Mortgages

Home Mortgage Rates (%)

Foreclosure Activity by Month ('000)

Construction Employment (mn, sa)

Residential Investment and Real Housing Prices

Nominal Housing Prices (yoy % ch)

OFHEO Nominal Regional Housing Prices (yoy % ch)

**CANADA**

**Construction Investment**
(sa)

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

<table>
<thead>
<tr>
<th>Q1-06</th>
<th>Q1-07</th>
<th>Q1-08</th>
<th>Q1-09</th>
<th>Q1-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>150</td>
<td>152</td>
<td>154</td>
<td>156</td>
<td>158</td>
</tr>
</tbody>
</table>

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

- **Residential**
- **Other Construction**

<table>
<thead>
<tr>
<th>Q1-06</th>
<th>Q1-07</th>
<th>Q1-08</th>
<th>Q1-09</th>
<th>Q1-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>95</td>
<td>97</td>
<td>99</td>
<td>101</td>
<td>103</td>
</tr>
</tbody>
</table>

**Housing index**

(1992=100)

<table>
<thead>
<tr>
<th>1-08</th>
<th>7-08</th>
<th>1-09</th>
<th>7-09</th>
<th>1-10</th>
<th>7-10</th>
<th>1-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>155</td>
<td>152</td>
<td>150</td>
<td>148</td>
<td>146</td>
<td>144</td>
<td>142</td>
</tr>
</tbody>
</table>

**Housing Starts** (’000 saar, 4Q ma)

<table>
<thead>
<tr>
<th>Q1-06</th>
<th>Q1-07</th>
<th>Q1-08</th>
<th>Q1-09</th>
<th>Q1-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>125</td>
<td>127</td>
<td>129</td>
<td>131</td>
<td>133</td>
</tr>
</tbody>
</table>

**Permits Issued** (Can$ tn, sa)

<table>
<thead>
<tr>
<th>1-08</th>
<th>7-08</th>
<th>1-09</th>
<th>7-09</th>
<th>1-10</th>
<th>7-10</th>
<th>1-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.0</td>
<td>2.0</td>
<td>4.0</td>
<td>6.0</td>
<td>8.0</td>
<td>10.0</td>
<td>12.0</td>
</tr>
</tbody>
</table>

**Outstanding Households Mortgages**

<table>
<thead>
<tr>
<th>Q1-06</th>
<th>Q1-07</th>
<th>Q1-08</th>
<th>Q1-09</th>
<th>Q1-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>88</td>
<td>94</td>
<td>100</td>
<td>106</td>
<td>112</td>
</tr>
</tbody>
</table>

**Residential Investment and Real Housing Prices**
(2005=100)

<table>
<thead>
<tr>
<th>Q1-06</th>
<th>Q1-07</th>
<th>Q1-08</th>
<th>Q1-09</th>
<th>Q1-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>112</td>
<td>118</td>
<td>124</td>
<td>130</td>
<td>136</td>
</tr>
</tbody>
</table>

**Nominal Housing Prices** (yoy % ch)

<table>
<thead>
<tr>
<th>Q1-06</th>
<th>Q1-07</th>
<th>Q1-08</th>
<th>Q1-09</th>
<th>Q1-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>-6</td>
<td>-3</td>
<td>0</td>
<td>3</td>
<td>6</td>
</tr>
</tbody>
</table>

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

Permits issued (3m ma)

Starts (3m ma)

New Home Sales: France ('000)

New Home Sales: Ile de France ('000)

Existing Home Sales (cumulated on 12m)

Outstanding Households Mortgages

Residential Investment and 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

Sources: ISTAT, European Commission, Banca d'Italia, Eurostat, Agenzia del Territorio, Agenzia delle Entrate
SPAIN

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 Indicator (sa)

CPI (2005=100)  
CCI (% balance, rhs)

Construction Activity: Demand Prospects (% balance)

Buildings  
Public works (rhs)

Public Works: Numbers of Tenders

sa series  
smoothed series

Public Works: Numbers of Contracts Concluded

sa series  
smoothed series

Permits Issued (‘000, 3m ma)

Residential  
Non residential (rhs)

Starts (‘000, 3m ma)

Residential  
Non residential (rhs)

Outstanding Households Mortgages

Level (€bn)  
Yoy % ch (rhs)

Home Mortgage Rates (%)

Adjustable  
Fixed

Sources: European Commission, Belgostat
GREECE

Sources: European Commission, Bank of Greece, National Statistical Service
Sources: Eurostat, European Commission, National Institute of Statistics, Bulgarian National Bank
Construction Investment

- Level (YTL m at 1998 prices, ar)
- Yoy % ch (rhs)

Construction Investment by Type (yoy % ch)

- Private
- Public (rhs)

Total Buildings Permits Issued (mn m², 3m ms)

Nominal Housing Price Indices (yoy % ch)

Composite

Istanbul

Ankara

Sources: OECD, SIS (State Institute of Statistics), Reidin.com
**MOROCCO**

**Real Construction Value Added (sa)**

- Level (MADbn at 1998 prices, ar)
- Yoy % ch (rhs)

**Cement, Lime and Gypsum Production Index**

(1998=100)

**Houses Sold (yoy % ch)**

**Nominal Housing Prices (yoy % ch)**

Source: Haut-Commissariat au Plan, ANCFCC

**EGYPT**

**Real Construction Value Added**

- Level (EGPbn at 06-07 prices)
- Yoy % ch (rhs)

**Construction Production Index**

Index number (2002=100)

Source: Ministry of Finance

Source: Ministry of Finance
**CHINA**

![Graphs showing Nominal Construction Investment (yoy % ch), Real Estate Climate Index, Buildings Activity (12m ma, yoy % ch), and Nominal Housing Prices (yoy % ch).](image)

Sources: OECD, National Bureau of Statistics, Ehomeday

**INDIA**

![Graphs showing Real Construction Value Added and Nominal Housing Price Index (2007=100).](image)

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

(THBbn at 1988 prices, ar)

Q1 -06 Q1 -07 Q1 -08 Q1 -09 Q1 -10
Level (THBbn at 1988 prices, ar)
Yoy % ch (rhs)

Construction Investment by Type

(THBbn at 1988 prices, saar)

Q1 -06 Q1 -07 Q1 -08 Q1 -09 Q1 -10
Private Public

Construction Sentiment Index

(hint: over 50 = expansion)

1-08 7-08 1-09 7-09 1-10 7-10 1-11

Construction Areas Permitted

(mn m2, 12m ma)

1-08 7-08 1-09 7-09 1-10 7-10 1-11
Residential Non residential

Housing Starts in Bangkok and Vicinity

(’000, 12m ma)

1-08 7-08 1-09 7-09 1-10 7-10 1-11

Outstanding Households Mortgages

Level (THBbn)
Yoy % ch (rhs)

Nominal Housing Prices (yoy % ch)

Q1 -06 Q1 -07 Q1 -08 Q1 -09 Q1 -10

Source: Bank of Thailand