Construction Profile in ITC Group Countries

N. 3 – October 3rd 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>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 October, 3\textsuperscript{rd} 2011
Available in i.like
In most developed countries construction in the last few quarters showed a very bumpy dynamics: declining in Q4 10, strong accelerating at the beginning of the current year, and fairly weak again in Q2 11. According to available leading indicators, also in Q3 construction should have remained subdued.

This uneven path has to be ascribed mainly to exceptional, both in negative and positive terms, weather conditions. For sure, the above evolution has masked that construction is still far from recovering more normal conditions.

In this already not promising environment the reviving financial crisis broken out during the summer in the euro area risks to hit in the months ahead the construction sector seriously, particularly through more difficult access to credit for both construction developers and households. In addition, further budget tightening is set to weigh down on activity levels, especially in those Group countries (such as Greece, Spain, Italy) which are more deeply exposed to the new round of crisis.

In the Group emerging markets, while activity levels remain overall buoyant, construction conditions have significantly deteriorated in Egypt further to the ongoing political turmoil and could continue to worsen at least until the complex poll process is completed at the beginning of next year.

In Italy, construction recorded a steep decline in Q2 11 (-1.6% qoq) mainly due to the brisk worsening of macroeconomic conditions. The emergency budget approved by the parliament in September is heavily reliant on higher taxes, which will weigh on already deteriorating economic growth prospects, so that risks of a double-dip for the construction sector are far from negligible. Latest coincident and leading indicators confirm this view: home sales decreased somewhat in Q1 and Q2 11 (-3.7% and -6.6% yoy, respectively), the sectoral confidence indicator has continued to trend downward since the beginning of 2011, while the building-material production index hit a new low in July. The non-residential component is expected to remain mired in recession also in the next few months as a consequence of anaemic domestic demand and tight credit conditions. As for public works, worries are mounting mainly given the lack of new funds for the infrastructure sector and the substantial cut in transfers to local governments.

In Greece, private construction continues its protracted slump. Tighter lending conditions and increasing concerns about the economic outlook delay the revival of residential investment. In fact, sectoral demand remains extremely weak, with the value of housing transactions and the number of housing permits still very depressed. In addition, public works are being hit by slashed investment plans in an effort to reduce the large country fiscal deficit.

In India, construction activity surprised on the downside in Q2 11, decelerating to 1.2% yoy (down from +8.2% yoy in Q1 11). Causes of this weakness are manifold the major ones being: structural and policy related bottlenecks (such as delays in environmental approvals for some large projects and other procedural delays), land acquisition issues, and rising interest rates. Aware of the above issues, the authorities have introduced some policy initiatives aimed at improving the investment climate and boost infrastructure investments already in the next few 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 -3.2 3.3 Jul(1)</td>
<td>-8.6 -17.3 -8.6 -4.1 Q2</td>
<td>-15.8 -13.3 1.2 -4.1 Jul</td>
</tr>
<tr>
<td>Canada</td>
<td>4.6 -8.2 7.9 4.6 Jun</td>
<td>2.9 -10.9 9.2 5.7 Q2</td>
<td>2.9 -3.0 3.4 2.3 Jul</td>
</tr>
<tr>
<td>France</td>
<td>-3.7 -5.9 -3.4 -0.5 Jul</td>
<td>-2.0 -5.9 -5.0 -0.3 Q2</td>
<td>1.2 -7.1 6.4 7.6 Q2</td>
</tr>
<tr>
<td>Italy</td>
<td>-1.1 -11.7 -3.2 -6.1 Jul</td>
<td>-3.0 -8.6 -3.7 -1.5 Q2</td>
<td>2.7 -3.8 -2.2 -1.3 H1 11</td>
</tr>
<tr>
<td>Spain</td>
<td>-15.7 -12.1 -18.2 -28.7 Jun</td>
<td>-5.9 -11.9 -11.1 -9.3 Q2</td>
<td>0.7 -7.4 -3.9 -5.2 Q2</td>
</tr>
<tr>
<td>Belgium</td>
<td>-0.3 -3.3 -2.1 -1.1 Jul</td>
<td>0.7 -1.9 0.5 2.8 Q2(2)</td>
<td>-</td>
</tr>
<tr>
<td>Greece</td>
<td>7.6 -17.4 -31.7 -39.1 Q2</td>
<td>-18.9 -12.3 -12.5 -16.2 Q1</td>
<td>1.7 -3.7 -4.6 -5.0 Q1</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>12.1 -13.8 -18.0 -11.5 Jul</td>
<td>21.9 -17.6 -16.5 -8.4 Q2(3)</td>
<td>24.9 -21.4 -10.1 -6.4 Q2</td>
</tr>
<tr>
<td>Morocco</td>
<td>-</td>
<td>9.4 3.4 2.0 3.0 Q2(2)</td>
<td>- - - 1.9 Q2</td>
</tr>
<tr>
<td>Egypt</td>
<td>-</td>
<td>11.8 14.2 12.9 0.3 Q2(2)</td>
<td>-</td>
</tr>
<tr>
<td>China</td>
<td>-</td>
<td>3.0 45.5 24.6 45.5 Aug(4)</td>
<td>27.4 2.9 6.5 2.2 Aug(5)</td>
</tr>
<tr>
<td>Thailand</td>
<td>-</td>
<td>-3.9 0.6 6.6 -8.1 Q2(6)</td>
<td>-13.9 -9.3 -1.4 12.2 Q2</td>
</tr>
<tr>
<td>India</td>
<td>-</td>
<td>6.2 5.7 8.2 1.2 Q2(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 formation; (4) Investment in fixed assets: construction; (5) Shanghai second-hand index; (6) nsa

Sources: Eurostat, OECD, National Statistics
MAIN CONSTRUCTION INDICATORS

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

Permits Issues: Housing (2006=100)

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
UNITED STATES

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

Construction Investment by Type (yoy % ch, sa)
Private residential
Private non residential
Government

Building Material and Cement Production Index (trend-cycle)
BMPI
CP
(2005=100)

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)
Starts
Permits

Home Sales (mn, saar)
Existing
New (rhs)
Construction Investment

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

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

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

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Sources: OECD, Ministère 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
Regional Home Sales (yoy % ch)
- Andalucía
- Cataluña
- País Vasco
- Madrid

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

Home Mortgage Rate (%)
- Adjustable

Construction Employment (mn, sa)

Residential Investment and Real Housing Price
(2005=100)
- Residential investment
- Real housing price

Nominal Housing Prices: National (yoy % ch)
- General
- New dwelling
- Second-hand dwelling

Nominal Housing Prices: Andalucia (yoy % ch)
- General
- New dwelling
- Second-hand dwelling

Nominal Housing Prices: Pais Vasco (yoy % ch)
- General
- New dwelling
- Second-hand dwelling

Sources: INE, European Commission, Banco de España, OECD, Ministerio de Fomento
BELGIUM

Construction Production Index and Confidence

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

Construction Activity: Demand Prospects

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
Construction Investment (sa)

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

Construction Production Index (wda)
(2005=100)

Construction Confidence Indicator (% balance, sa)

Construction Activity (12m ma, '000)

Home Sales (yoy % ch)

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

Home Mortgage Rate (%)

Nominal Housing Prices Index (yoy % ch)
(2007=100)

Sources: European Commission, Bank of Greece, National Statistical Service
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
Construction Investment

- Level (THBbn at 1988 prices, ar)
- Yoy % ch (rhs)

Construction Investment by Type

- Private
- Public

Construction Sentiment Index

- Present
- Expected 3m ahead

Construction Materials Production Index

- CMPI (2000=100)
- 12m ma

Construction Areas Permitted

- Residential
- Non residential

Housing Starts in Bangkok and Vicinity

- ('000, 12m ma)

Outstanding Households Mortgages

- Level (THBbn)
- Yoy % ch (rhs)

Nominal Housing Prices (yoy % ch)

Source: Bank of Thailand

Source: Bank of Thailand