



Construction Profile in ITC Group Countries

N. 2 - May, 7th 2009

Highlights

Country Focus

Main Construction Indicators

Countries:

United States
Canada
France
Italy
Spain
Belgium
Bulgaria
Greece
Morocco
Turkey
Egypt
Thailand
India
China

Key to Abbreviations

ar	annual rate
bn	billion
ch	change
d	day
lhs	left hand side
m	month
ma	moving average
mn	million
mom	month-on-month
nsa	not seasonally adjusted
Q	quarter
rhs	right hand side
sa	seasonally adjusted
saar	seasonally adjusted at annual rate
tn	trillion
wda	working days adjusted
y	year
yoy	year-on-year

Based on all information up to May, 7th 2009
Available in @Gold

HIGHLIGHTS

- The construction cycle is continuing to worsen on a global scale. In the US the ongoing downturn in the non residential sub-sector is set to deepen. In the Group euro countries, although at different pace and strength, the contraction in investment is currently intensifying.
- To put things in perspective, in ITC developed countries construction activity could remain subdued even once overbuilding in housing is reabsorbed for two different reasons:
 - a long-lasting period of weakness in productive investment in the non residential sector due to an extensive overcapacity;
 - from 2011 at best, governments will have to rein in capital spending in order to balance their budget deficits, which are currently swelling as a consequence of the huge funds committed to counteract the crisis.
- In the Group emerging area construction trends are widely diverging with some countries still growing buoyantly (though at a slower pace) and others (particularly Turkey and Thailand) trapped in a severe crisis.

COUNTRY FOCUS

- In the **US**, overall construction investment continued to plunge in Q1 09 (-10.7% qoq). The housing sector remained mired in the recession (-11.5% qoq in Q1) even though sectoral indicators start to send mixed signals. On the one hand, following a strong gain in February, housing starts have dropped more sharply than expected and permits have hit a new low in March. On the other hand, The NAHB's housing market index increased significantly in April, and affordability has improved considerably. In fact, monetary policy is increasingly accommodative, so there is reason to think that sales are near a turning point. In addition, the new housing measures are good steps toward firming up demand. All in all, the residential sector could reach bottom this year but it is not expected to start recovering before 2010. Non residential investment plunged in Q1 09 and is set to contract significantly this year due to ongoing corporate retrenchment and still tight lending standards. Public works are also set to remain in the doldrums following the marked deterioration in states' fiscal balances. Some positive effect should however come from the stimulus package in the last part of the year.
- Recent data show that the construction sector bottomed out in Q1 09 in **China** and will probably begin to recover over the near-term. After having cut property speculation last year by hiking interest rates and choking off loans to home buyers, authorities have been directing massive funds to the property sector, while banks have raised lending targets. Residential property sales rose steeply in March from last year's fall and housing prices have rebounded somewhat since January 2009. In the first two months of this year, total fixed investment rose by 30% yoy in real terms, and investment in railways tripled.
- In **Thailand** the economy shrank at the fastest rate in recent history in Q4 08. Construction investment has been declining steadily starting from Q2 08 plunging by 14.2% in Q4. Anecdotal evidence suggests that private investment continued to contract also in Q1 09 due to weak domestic demand, tighter credit conditions and declining FDI. Prospects for construction crucially depend on the implementation of an expansionary fiscal stance. In March, the government announced plans to boost public investment - i.e. US\$39.6bn in 2010-12 on projects such as road building, and high-speed-train development. However, government's projects are exposed to the ongoing political turbulences as well as to financing difficulties.

MAIN CONSTRUCTION INDICATORS

Indicators*	Construction Production				Construction Investment				House Prices			
	2006	2007	2008	Latest	2006	2007	2008	Latest	2006	2007	2008	Latest
United States	-1.6	-17.9	-30.4	-29.2 Feb ⁽¹⁾	-2.4	-5.6	-6.0	-14.0 Q1	7.6	-3.8	-15.8	-18.6 Feb
Canada	6.3	3.0	2.4	-7.0 Feb	5.3	2.2	0.0	-1.6 Q4	10.2	7.4	2.9	-3.0 Feb
France	3.5	3.8	0.4	-0.1 Feb	5.3	4.4	-0.7	-3.7 Q4	12.2	6.5	1.3	-2.8 Q4
Italy	4.2	5.7	-2.2	-9.8 Q4	1.1	0.8	-1.8	-6.1 Q4	6.5	5.3	2.7	1.1 H2
Spain	3.2	-3.7	-14.9	-8.6 Feb	5.9	3.8	-4.8	-10.1 Q4	10.4	5.8	0.7	-3.2 Q4
Belgium	3.2	2.3	-1.1	-11.1 Feb	8.5	3.4	1.3	0.1 Q4 ⁽²⁾				-
Bulgaria	24.2	27.6	-3.3	-3.6 Feb	14.7	21.7	20.4	15.8 Q4 ⁽⁴⁾				-
Greece	7.4	23.7	2.8	-2.4 Q4	5.8	1.6	-14.6	0.0 Q4	13.0	3.8		3.0 Q2 ⁽³⁾
Morocco			-		7.9	10.2	8.7	4.8 Q4 ⁽²⁾				-
Turkey			-		17.8	5.8	-6.8	-12.3 Q4				-
Egypt			-		10.7	16.2	11.9	9.3 Q4 ⁽²⁾				-
Thailand			-		4.1	2.0	-5.2	-14.6 Q4				-
India			-		13.2	11.1	9.0	6.7 Q4 ⁽²⁾				-
China			-		42.0	23.8	3.0	66.3 Mar ⁽⁵⁾	6.1	7.6	6.5	1.3 Mar

Notes

* yoy % ch, sa, unless otherwise indicated

⁽¹⁾ Production of dwellings

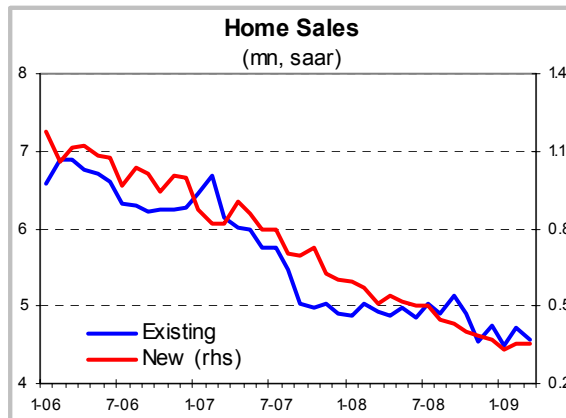
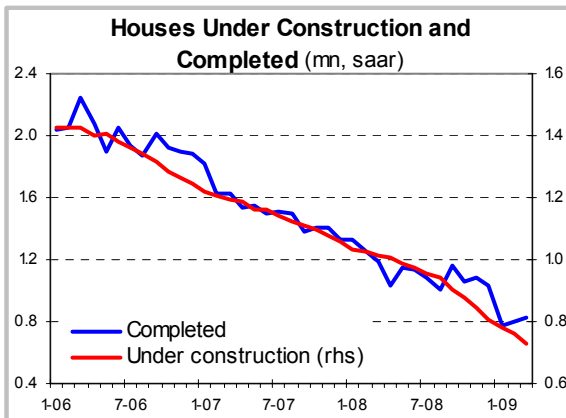
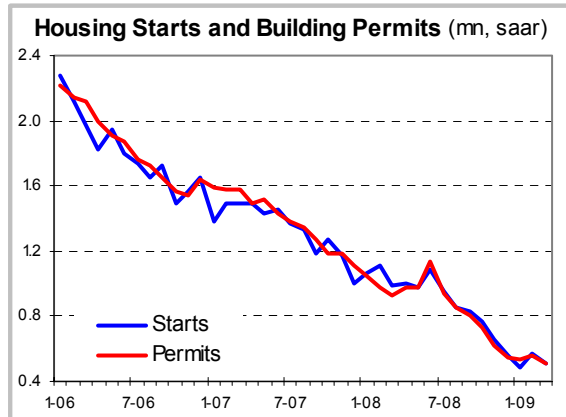
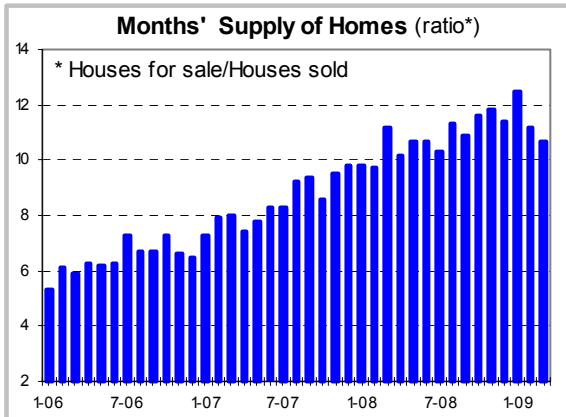
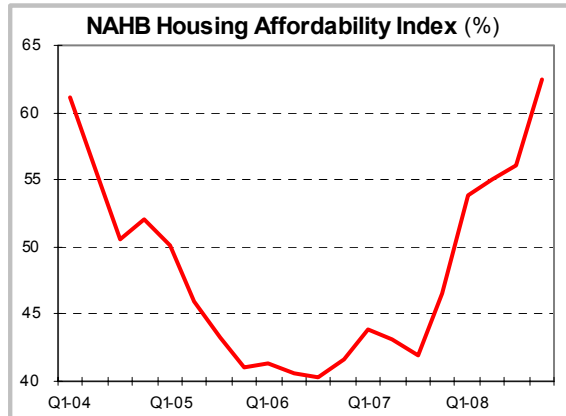
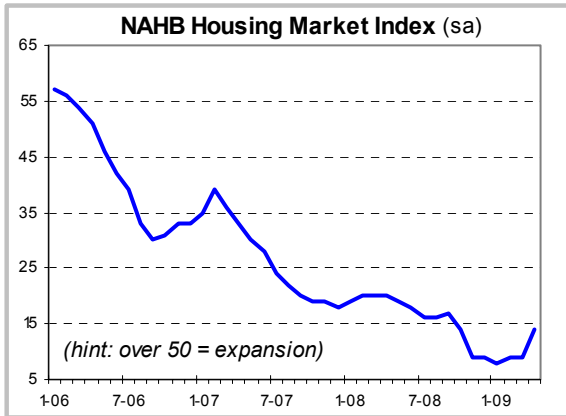
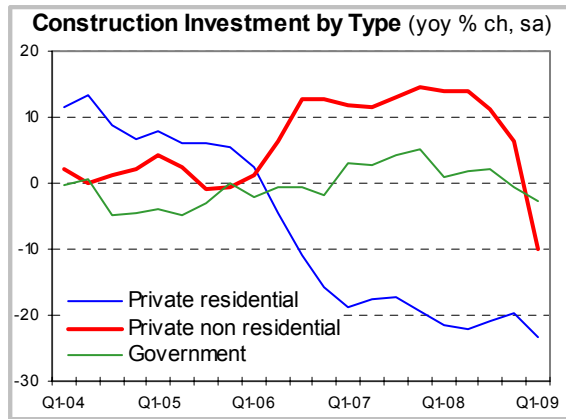
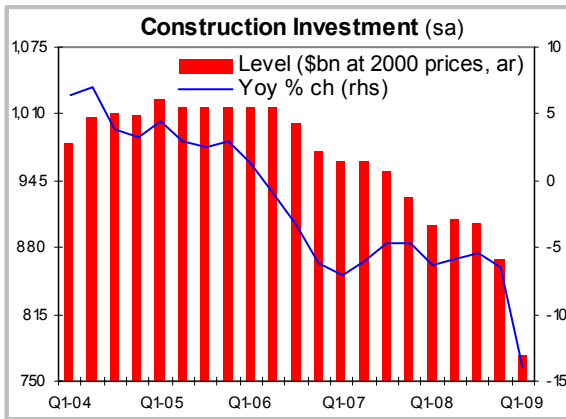
⁽²⁾ Gross value added

⁽³⁾ Urban areas excluding Athens

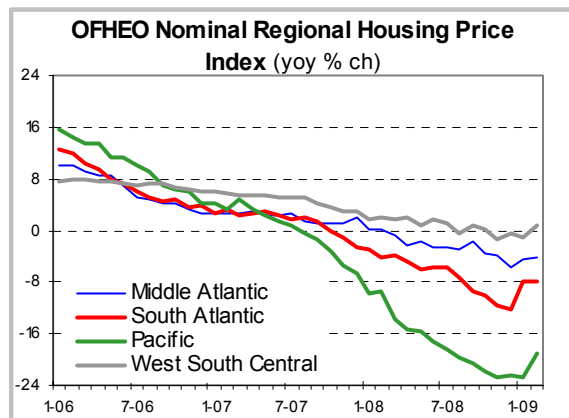
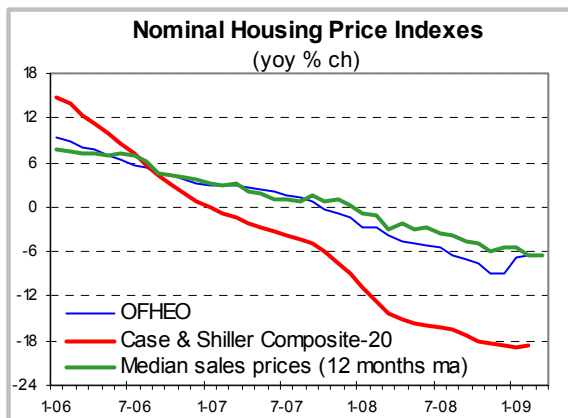
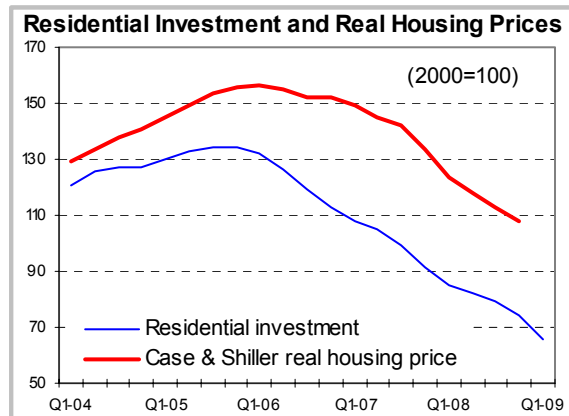
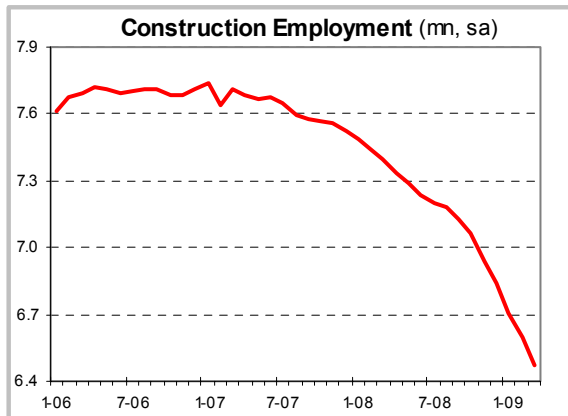
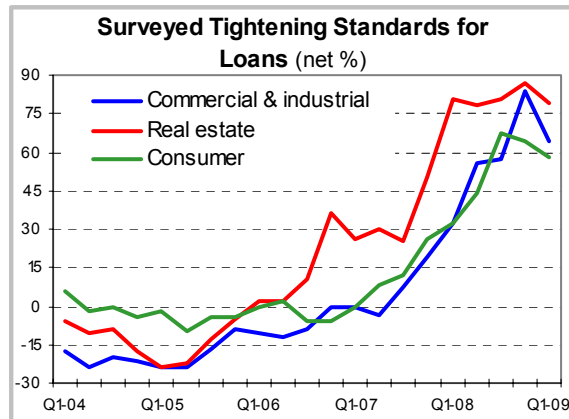
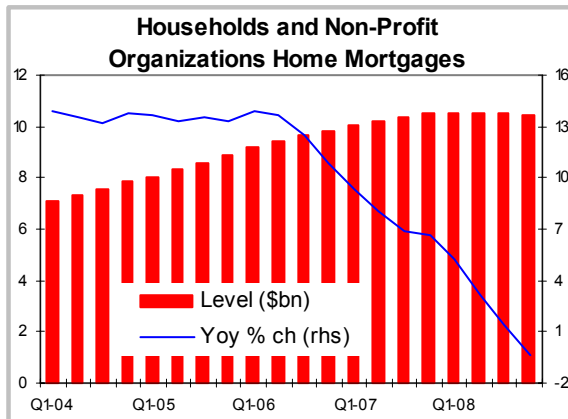
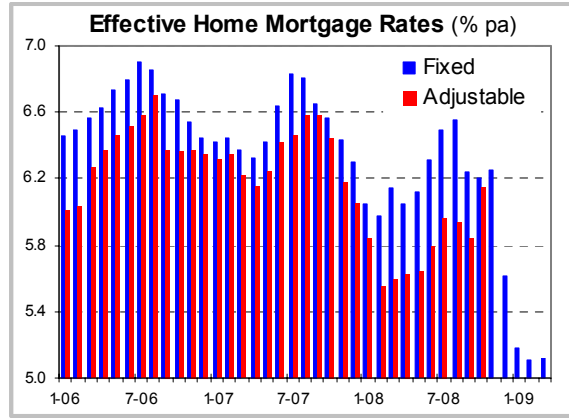
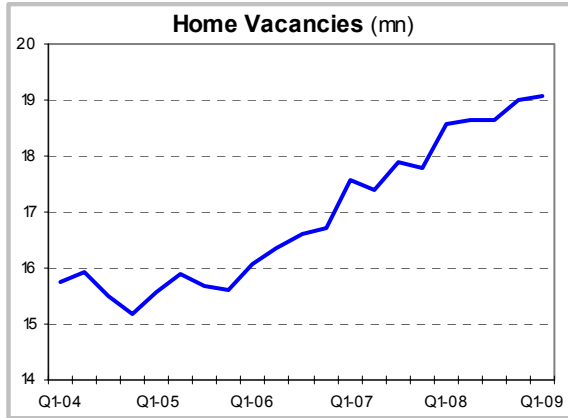
⁽⁴⁾ Gross fixed capital investment

⁽⁵⁾ Investment in fixed assets: construction

UNITED STATES

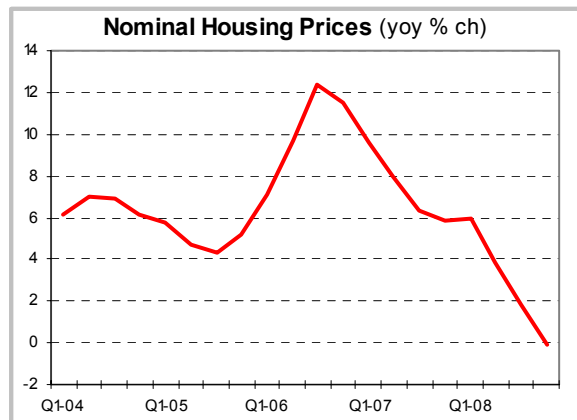
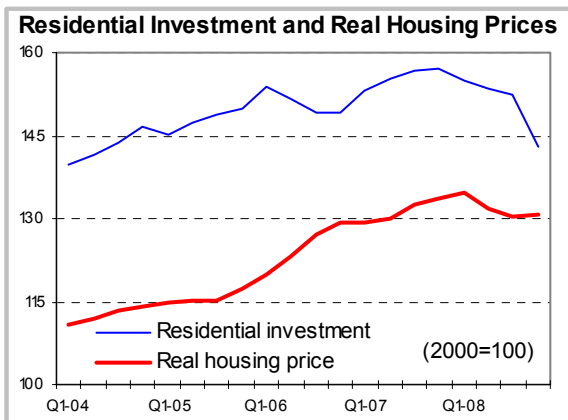
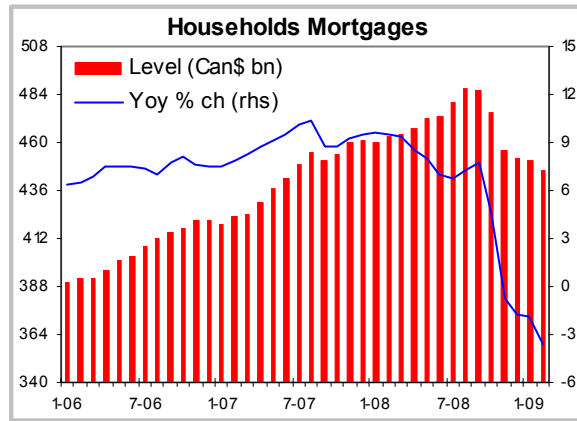
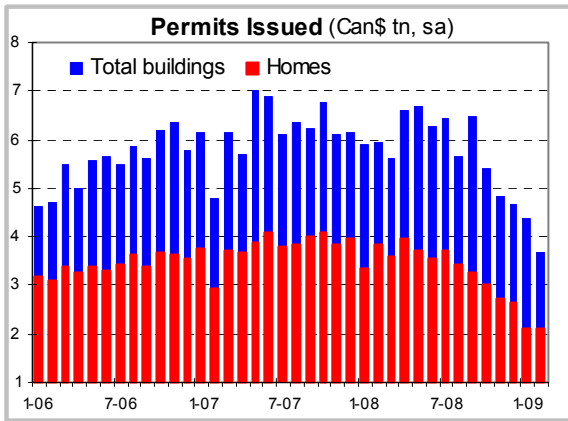
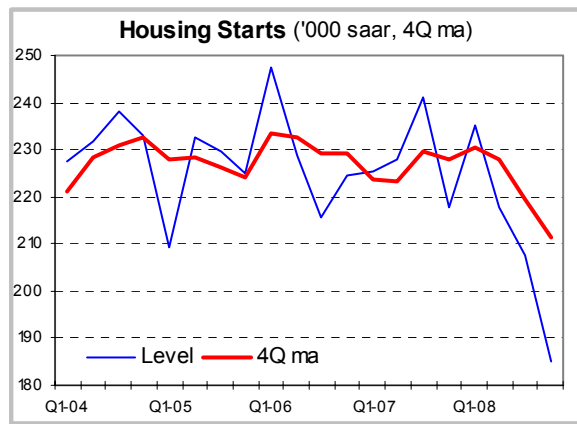
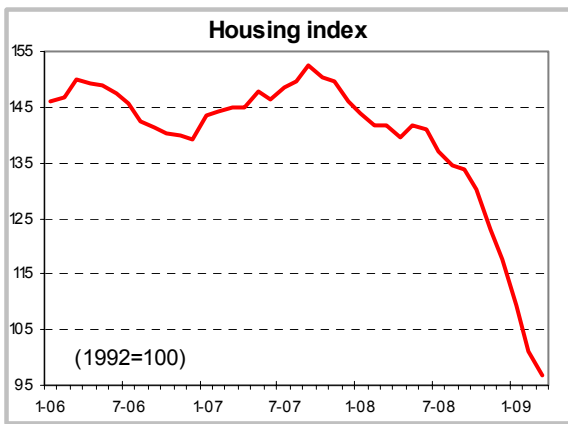
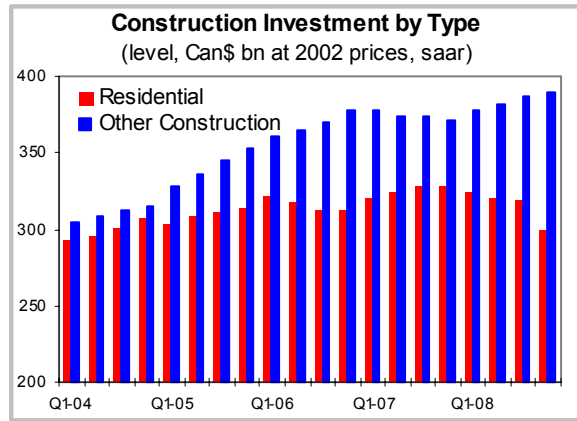
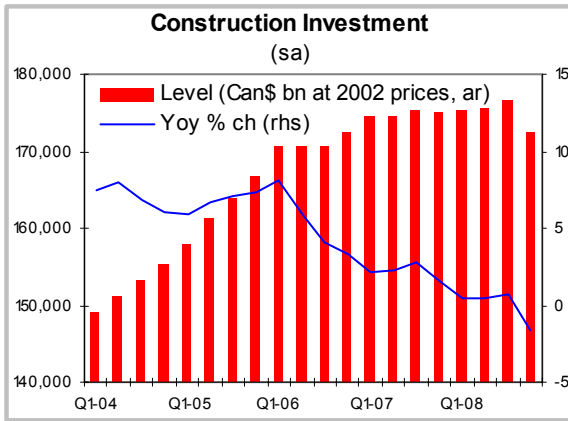


UNITED STATES



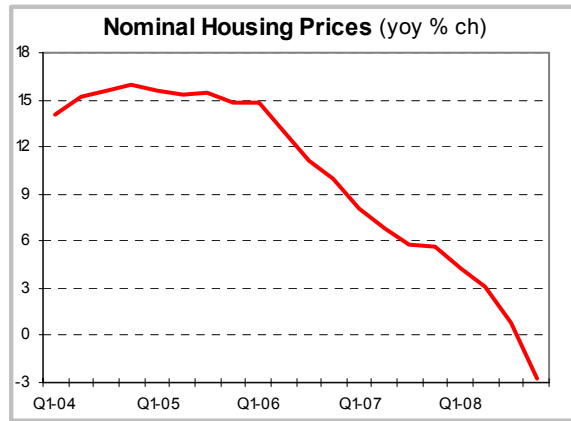
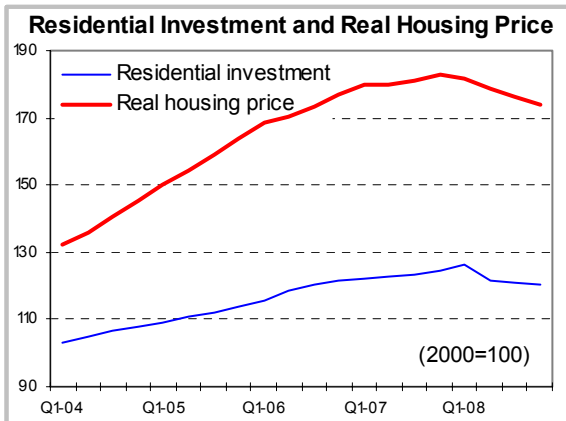
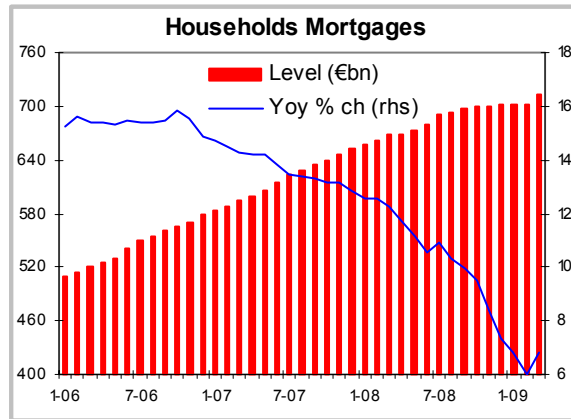
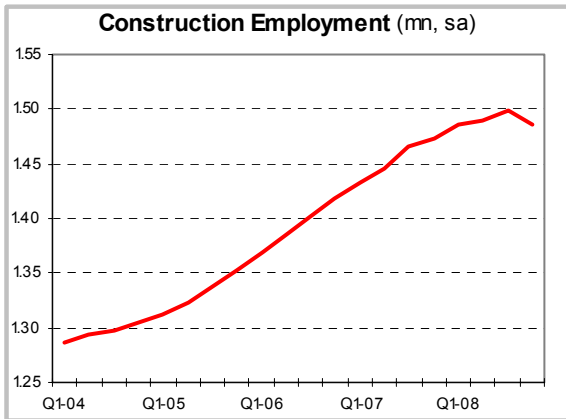
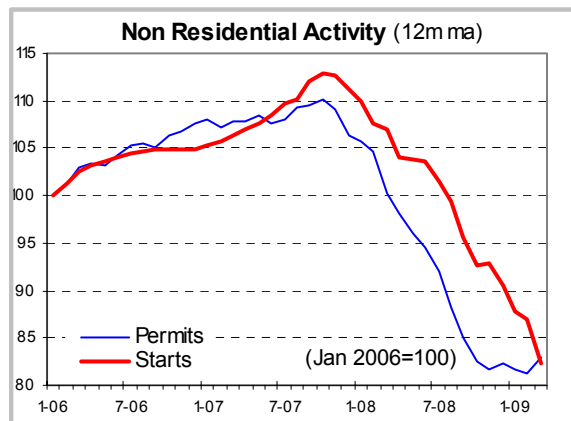
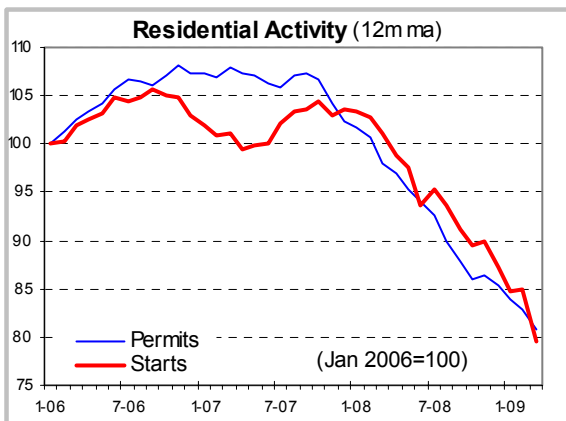
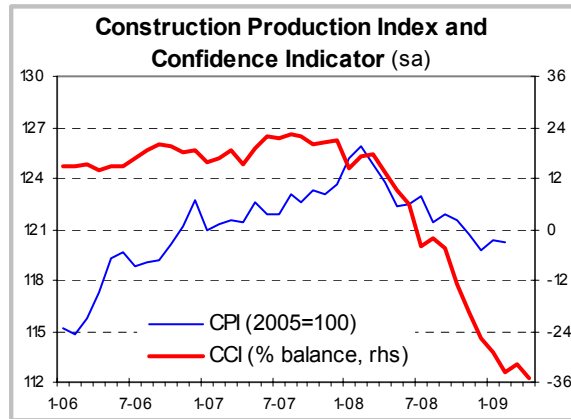
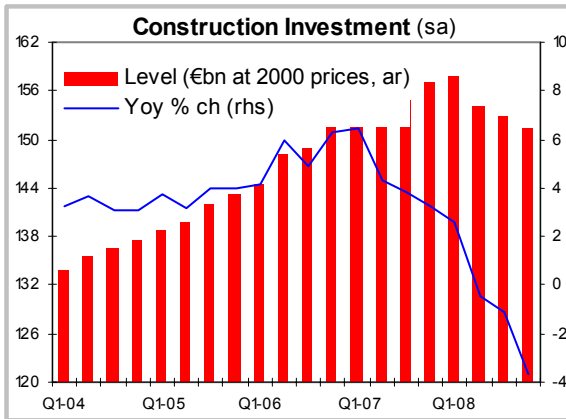
Sources: US Census, National Association of Home Builders, Dept. of Labour, Federal Housing Finance Board, Bureau of Economic Analysis, Standard & Poor's, Bureau of Labour Statistics, OFHEO

CANADA



Source: OECD, Canada's Statistics Agency, CMHC, Bank of Canada

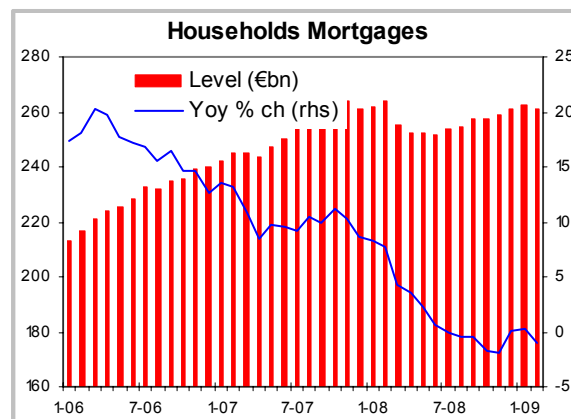
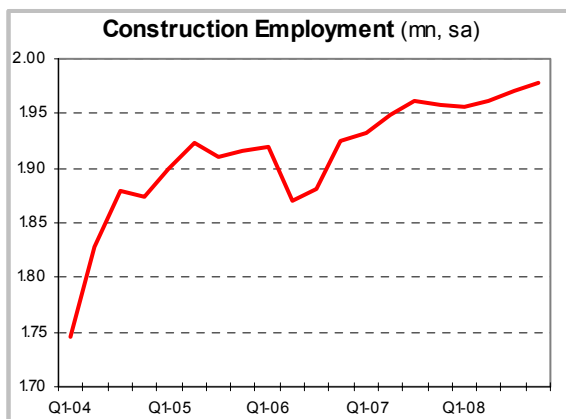
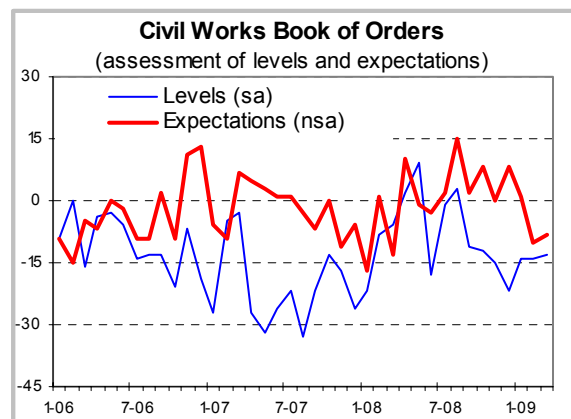
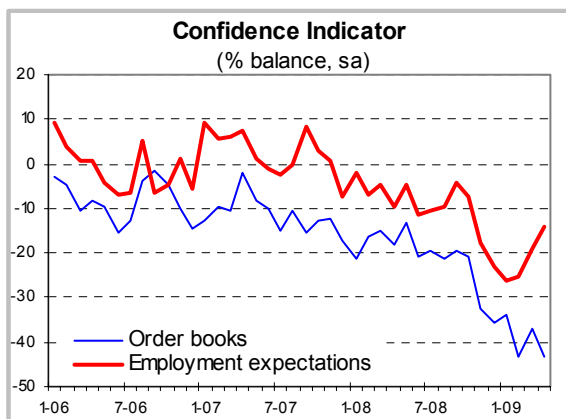
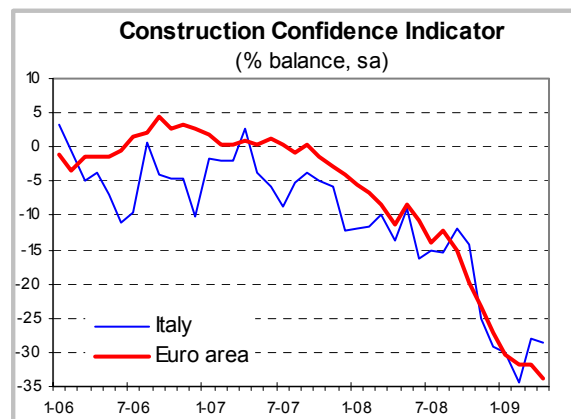
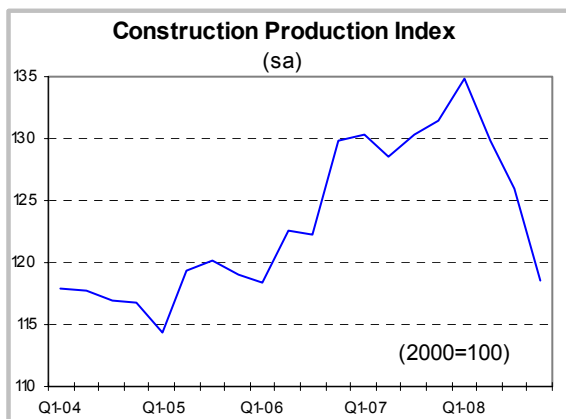
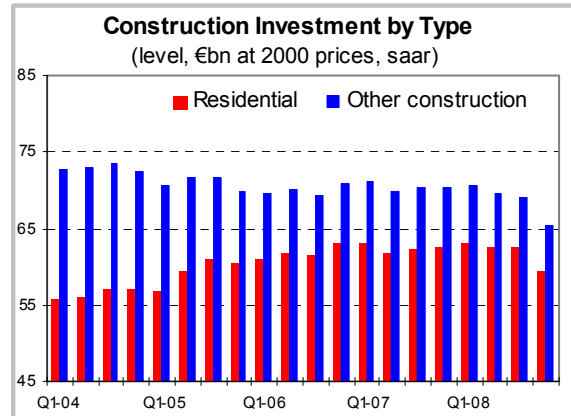
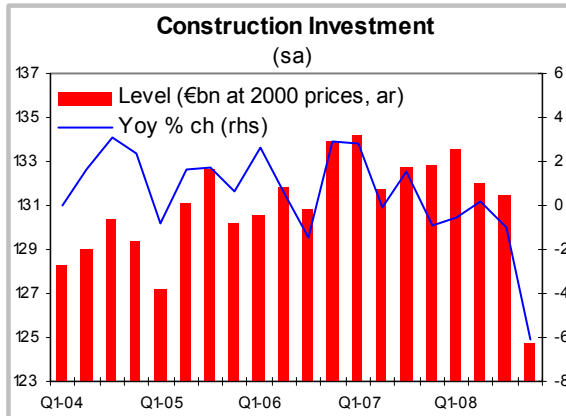
FRANCE



Sources: OECD, Ministered de l'Equipeement, INSEE, European Commission, Banque de France

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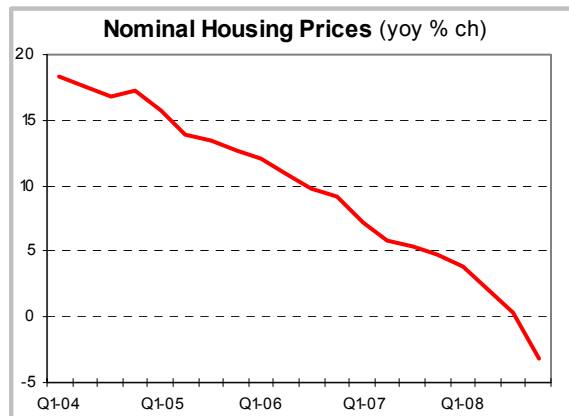
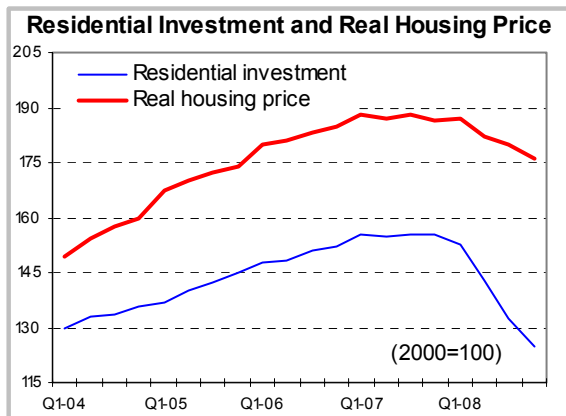
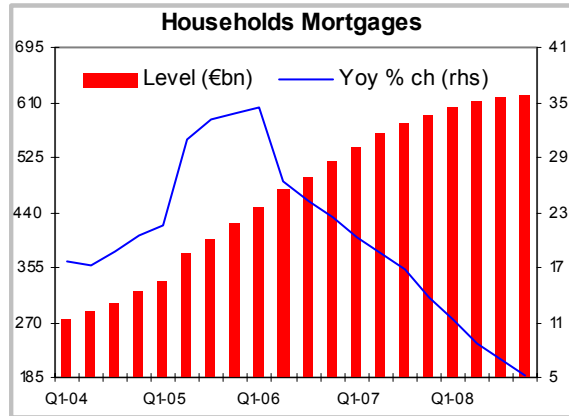
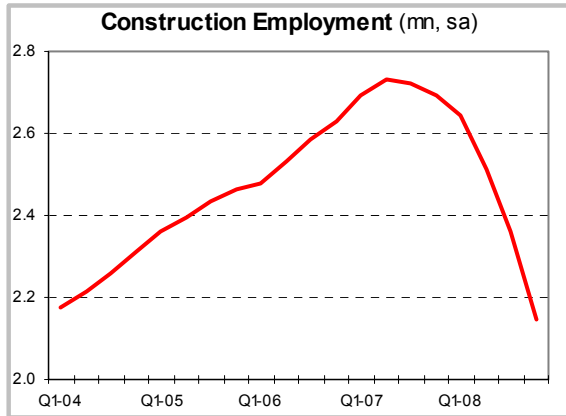
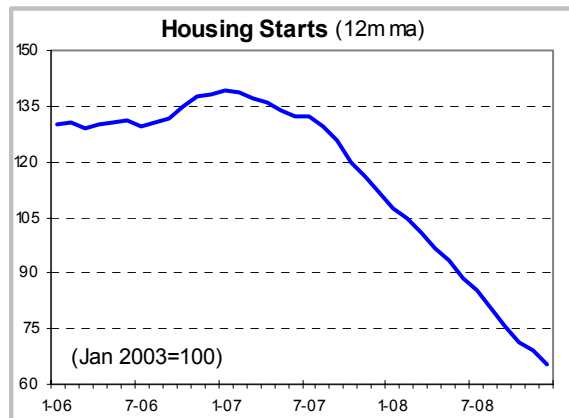
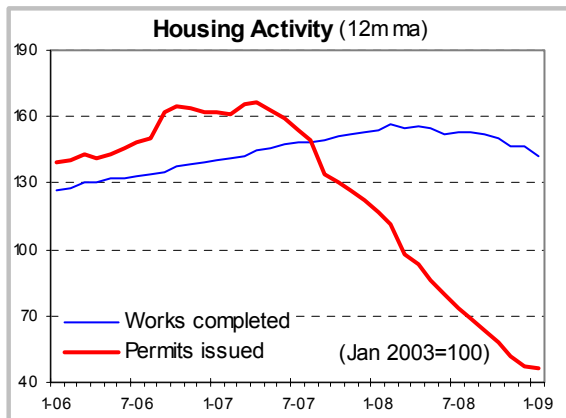
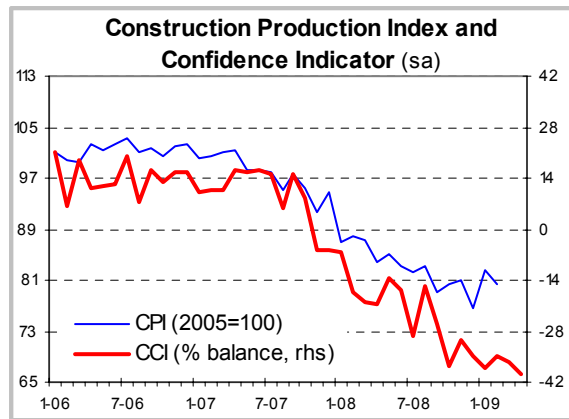
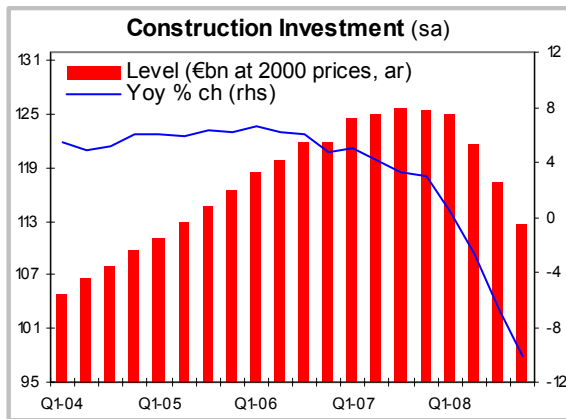
ITALY



Sources: ISTAT, European Commission, Banca d'Italia, ISAE

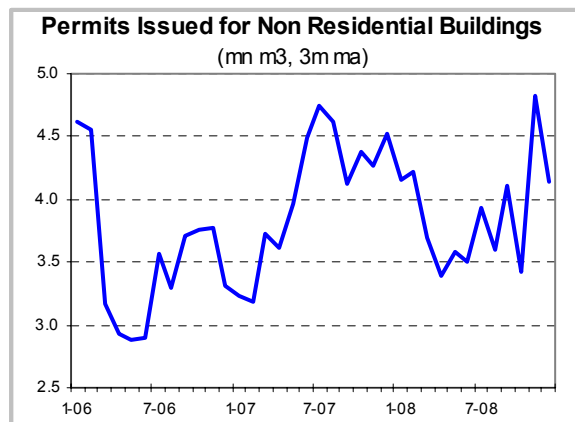
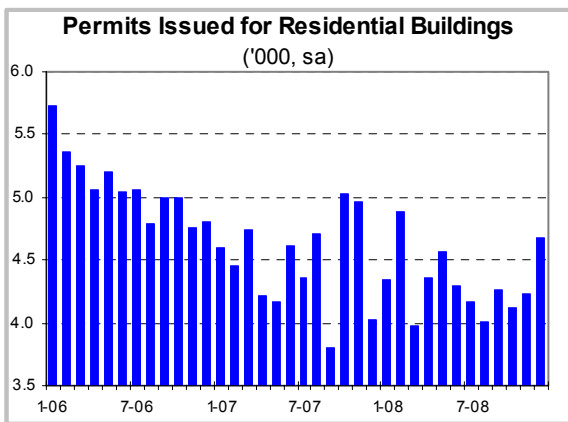
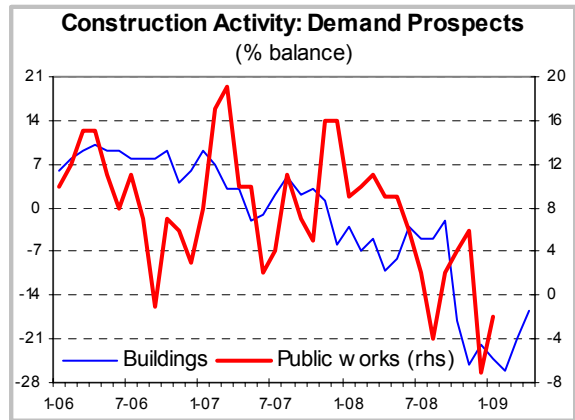
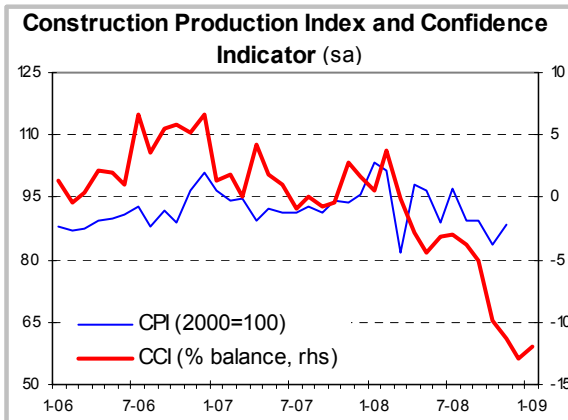
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SPAIN



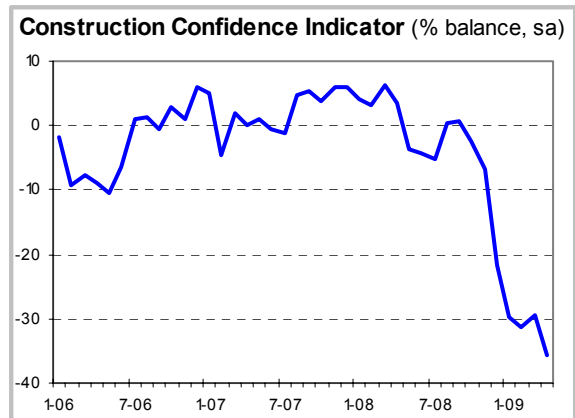
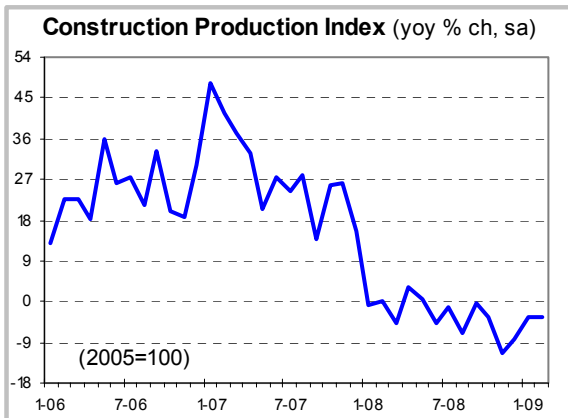
Sources: INE, European Commission, Banco de Espana, OECD

BELGIUM



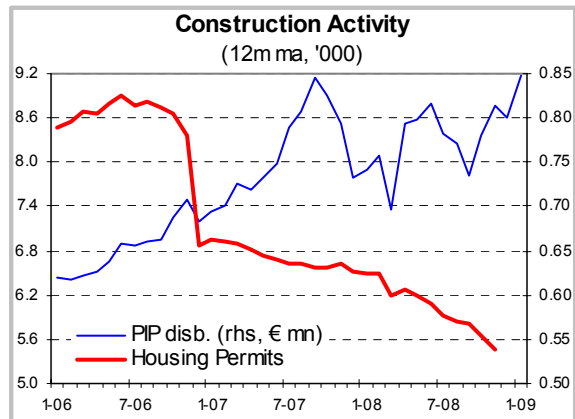
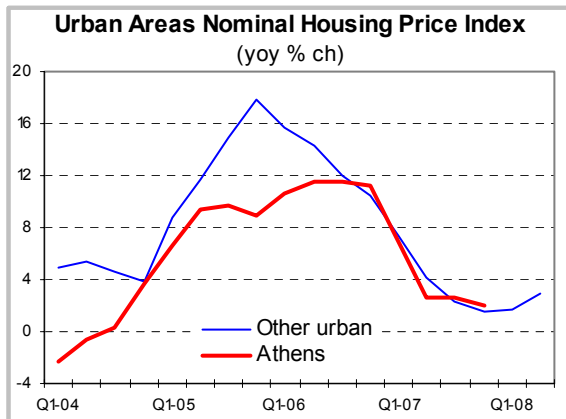
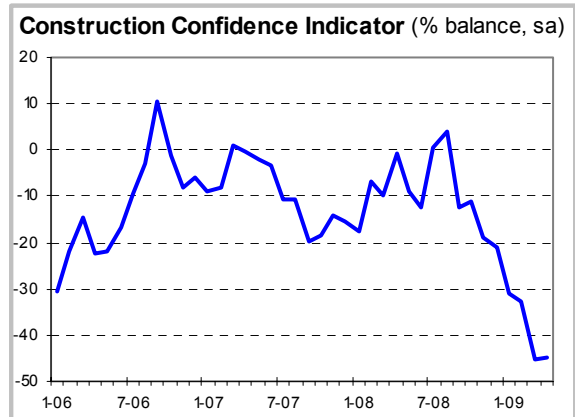
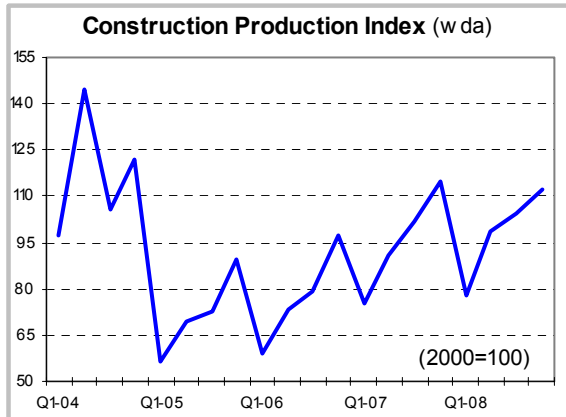
Sources: European Commission, Belgostat

BULGARIA



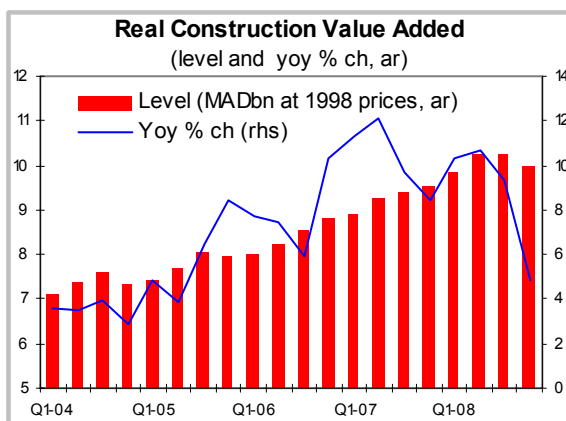
Sources: Eurostat, European Commission

GREECE

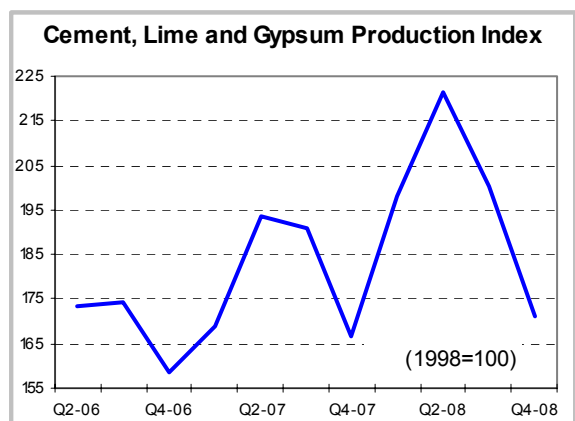


Sources: European Commission, Bank of Greece, Ministry of Economy and Finance, National Statistical Service

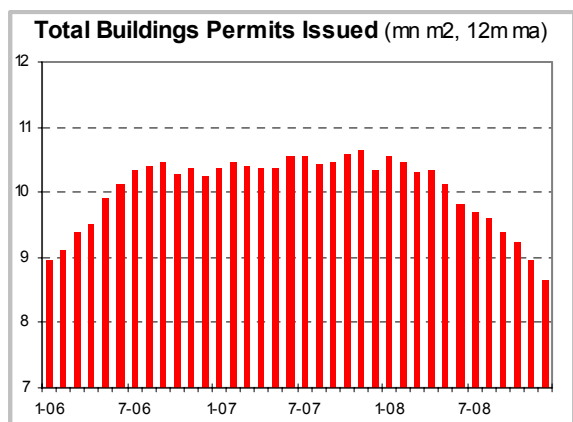
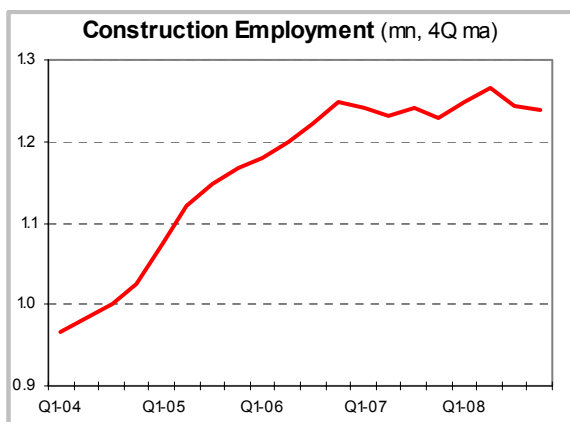
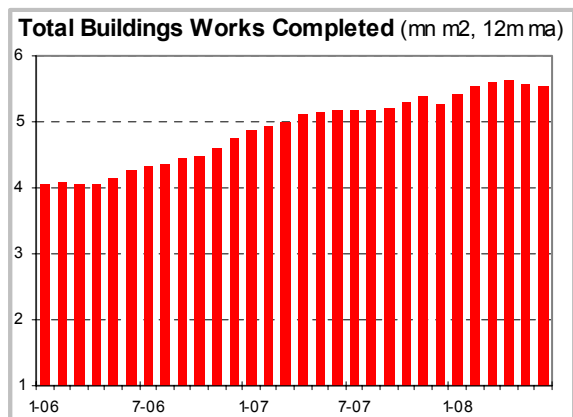
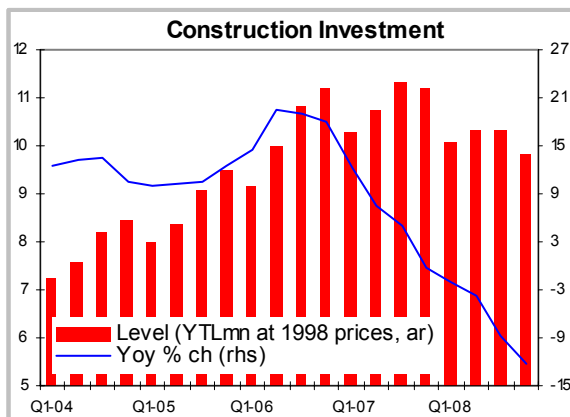
MOROCCO



Source: Haut-Commissariat au Plan

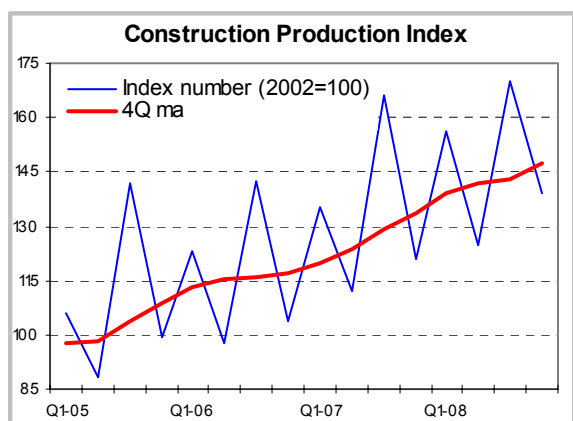
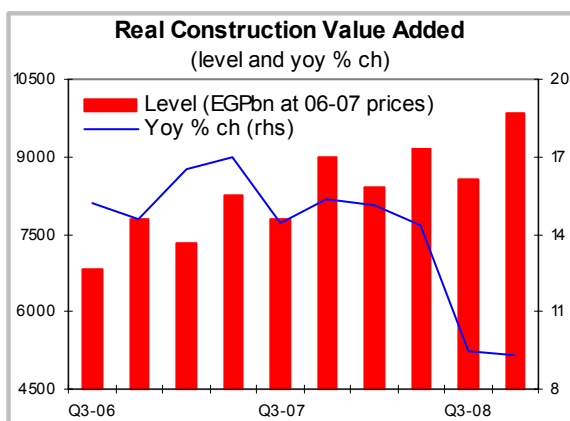


TURKEY



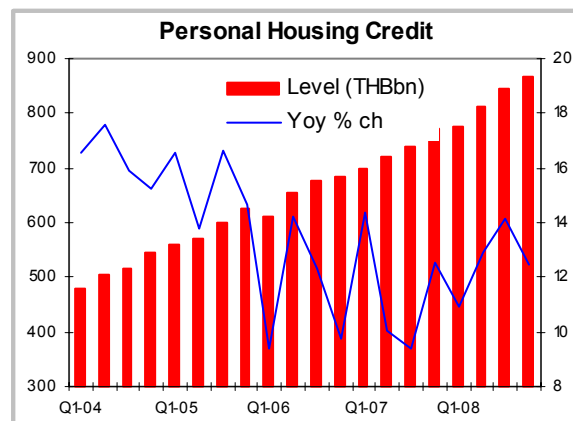
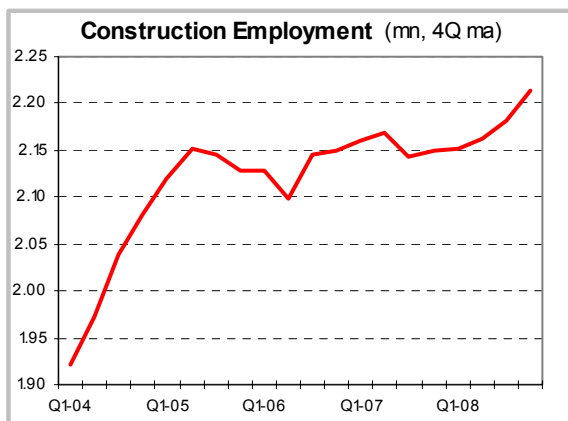
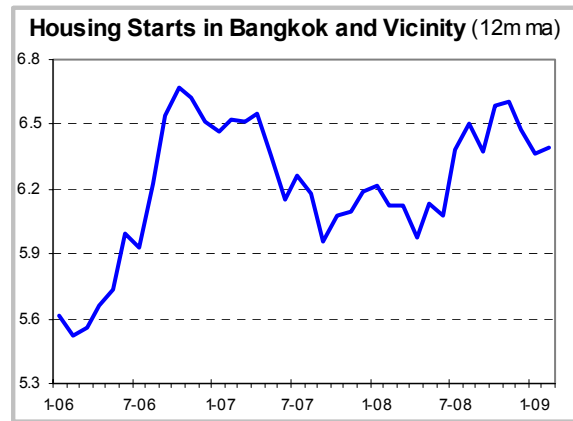
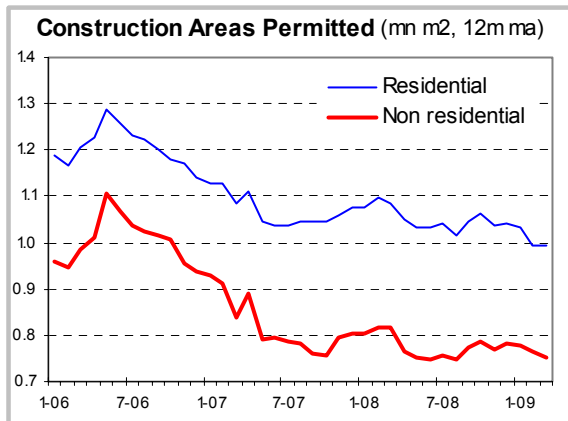
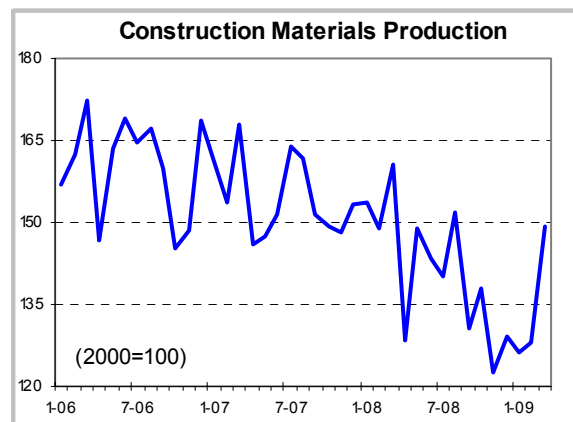
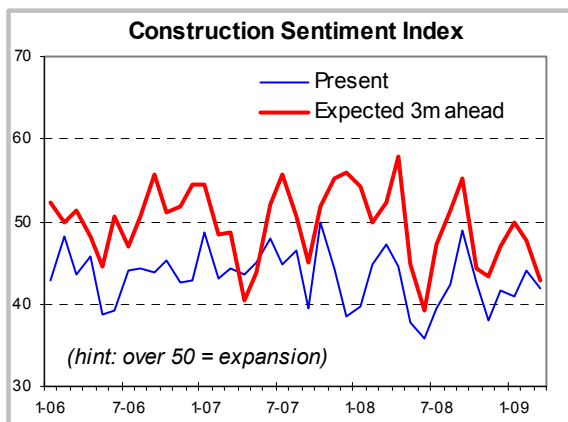
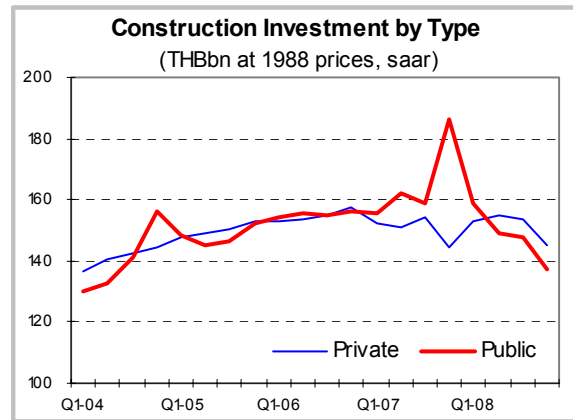
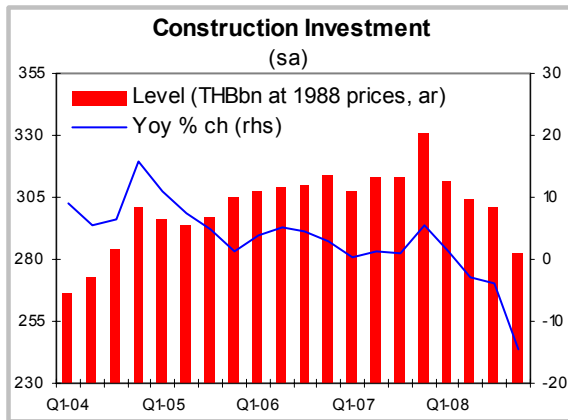
Sources: OECD, SIS (State Institute of Statistics)

EGYPT



Source: Ministry of Finance

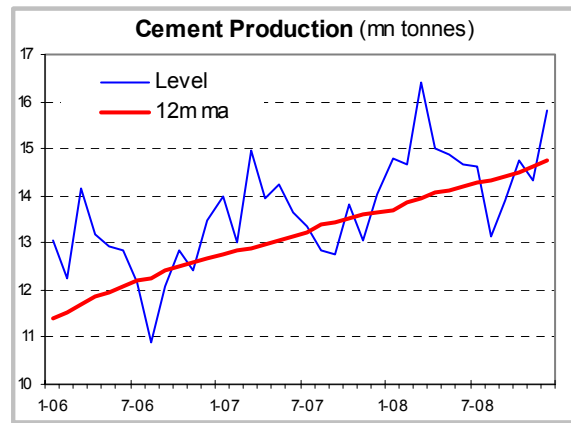
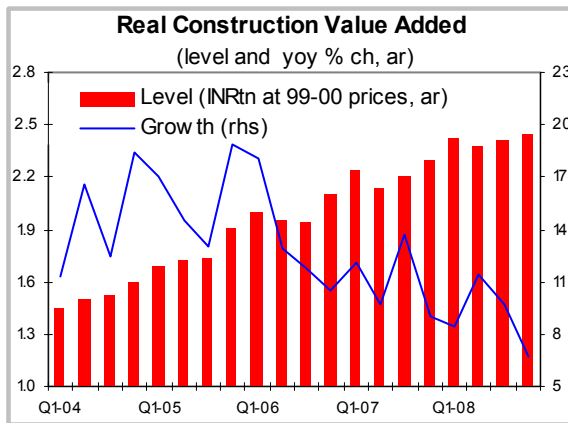
THAILAND



Source: Bank of Thailand

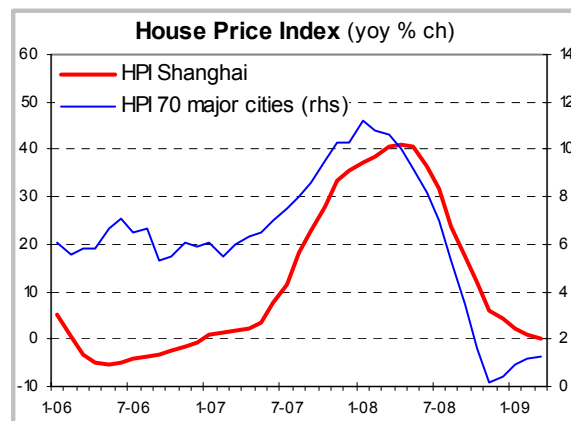
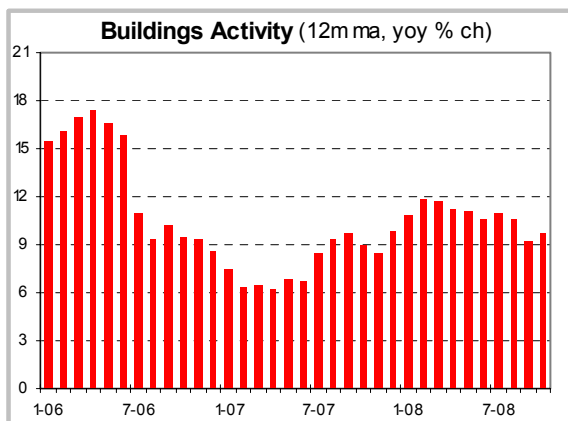
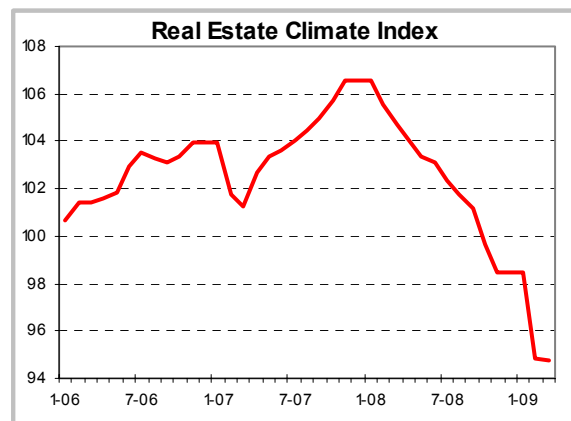
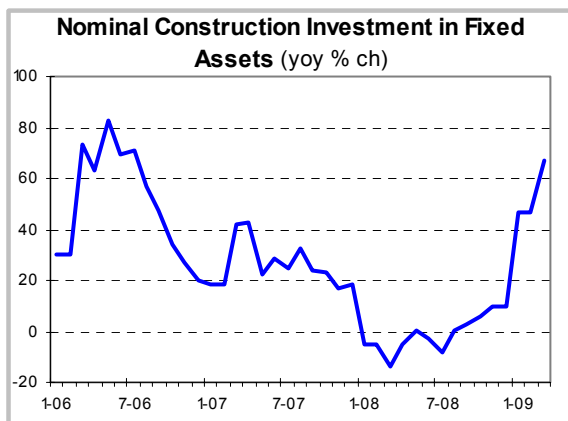
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INDIA



Sources: OECD, Office of Economic Advisor

CHINA



Sources: OECD, National Bureau of Statistics, Ehomeday