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Mexican Construction Sector Reports Slight Decline in 1998

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Mexico's construction sector expanded very slightly during 1998, partly because of Mexico's continuing economic slump. The Camara Mexicana de la Industria de Construction (CMIC) said business conducted by the formal construction sector amounted to 61.9 billion pesos (US\$6.26 billion) last year, an increase of only 0.2% from 1997. The government's statistics agency (Instituto Nacional de Estadisticas, Geografia e Informatica, INEGI), which compiled its own report on the construction industry based on CMIC data, said the sector's worst slump came at the beginning of 1998, but it was able to recover late in the year.

INEGI figures showed 72% of construction companies affiliated with the CMIC were active in January-November of 1998, an increase of 5.6 percentage points from the same period in 1997. The INEGI report said almost 73% of the business obtained by CMIC member companies during the year was in general construction and in petroleum-, petrochemical-, and transportation-related projects. General construction includes housing, schools, shopping centers, hospitals, and office buildings. Activity was strongest in five states Guerrero, Chihuahua, Morelos, Yucatan, and Durango.

In contrast, said the INEGI, the construction sector experienced a slump in Jalisco, Nuevo Leon, and 14 other states. INEGI said the number of workers employed by the construction industry during the first eleven months of 1998 increased by 2.7% from the same period the previous year. The sluggish construction industry was reflected partly in a similar slowdown in the steel sector last year. The Camara Nacional de la Industria del Hierro y del Acero (CANACERO) said Mexican steel production reached only 14.2 million metric tons in 1998, a decline of about 0.04% from 1997.

The greatest decline occurred in December, when production dropped by about 7.8% relative to the same month in 1997, the chamber said. CANACERO said the steel sector's problems were evident in the liquidity problems faced by Mexico's largest steel manufacturer Altos Hornos de Mexico (AHMSA), whose production levels have not been sufficient to draw down the company's debts. Still, AHMSA reported an increase of 4.9% in liquid- steel production relative to 1997. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Feb. 17, reported at 9.88 pesos per US\$1.00] (Sources: El Economista, 01/26/99, 01/27/99; El Financiero International, 02/01/99; Reuters, 02/10/99, 02/11/99 Excelsior, 02/11/99)

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