

Brazil's Lower Interest Rates Bring 7.1% Growth in Construction

Contributed by Thais Leitão
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The civil construction industry in Brazil grew 7.1% in 2006, after recording a reduction of 5.4% in the previous year. The figures were taken from the Annual Survey of the Construction Industry (Paic), which was published June 18 by the IBGE (Brazilian Institute of Geography and Statistics) and provides an overview of the sector.

According to the survey, factors that contributed to the expansion of the sector in 2006 include growth of family income, greater credit supply for real estate purchases (according to data supplied by the Brazilian Central Bank, residential financing rose 85.5% in 2006, compared with 2005), the ongoing reduction of the basic interest rate throughout the year and inflation control.

The IBGE points out that this scenario was essential in order to "ensure a more predictable economy, thus making it easier for the segment to close deals, which are usually made over longer maturation periods."

With regard to the four major groups featured, the survey shows expansion of 20.5% in infrastructure works, which constitute the bulk of the sector. To the IBGE, the trend may be linked to the 19.3% expansion of works outsourced by the public sector.

Out of the total value of works carried out in the country in 2006 (110.7 billion reais, or US\$ 68.6 billion), construction linked to the public sector answered to 42.6% (47.1 billion reais or US\$ 29.2). In 2005, construction work for public organizations answered to 40.3% of the total value.

The highlights in expansion of infrastructure work were roads (31.5%), bridges and tunnels (54.8%), pipes (69.7%) and electric power transmission and distribution (26.1%).

The non-residential construction sector posted growth of 20.2%, boosted by works at schools, hospitals, hotels and garages (49.9%), warehouses and industrial buildings (26.7%), industrial assembly lines (31.6%), mining plants (101.6%) and sports premises (45.8%). Expansion of the latter group is linked to the Pan-American Games, held in 2007 in the southeastern Brazilian city of Rio de Janeiro.

Also according to the survey, the value of residential works rose 9.4%, influenced by the favorable outlook to the construction of new residencies, and reform of existing ones. The highlight was residential buildings, which grew 12.1%.

Other types of construction increased 22%, driven by previous construction work (26%), which, according to the IBGE, signals that new work should be carried out.

The survey also shows that the rate of investment, which includes purchases of machinery and equipment for civil construction, increased 10% year-on-year.

In 2006, the number of people employed in activities linked to the construction sector remained practically stable, having gone from 1.58 million to 1.56 million during the two-year-period. In all, the sector was comprised of 109,000 companies in 2006 (there were 107,000 in 2005) and paid an average of 2.5 minimum wages per month to each worker, totaling 17.4 billion reais (US\$ 10.7 billion) in salaries (in 2005, salaries totaled 15.4 billion reais, or US\$ 9.5 billion).

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