

doc
CA1
EA89
94C57
ENG

SUMMARY INDUSTRY MARKET PROFILE CONSTRUCTION SERVICES SECTOR IN MEXICO

THE OPPORTUNITY

In the 1970s and early 80s the construction industry was one of Mexico's fastest growing industrial sectors, fueled by a booming economy based on oil exports. Following the economic crash of 1982, production declined dramatically hitting an all-time low in 1988. Five years later the industry has demonstrated a strong comeback and is beginning to offer Canadian construction, engineering and architectural firms significant opportunities.

Industry growth has averaged 30 percent per annum between 1988 and 1992. This growth is a direct result of a commitment by the current government to develop infrastructure. Mexico's public infrastructure has been

INDUSTRY MARKET PROFILE:

The Department of Foreign Affairs and International Trade has prepared an extensive study of the Mexican Construction sector entitled Canada-Mexico Industry Market Profile: Opportunities in Mexico - The Construction Services Sector. The study's table of contents is listed below. It is available from:
© Minister of Supply and Services Canada 1994

Cat. No. E73-9/1-1994-1E
ISBN 0-662-22169-9

InfoEx Centre

Tel: 1-800-267-8378
or (613) 944-4000

Fax: (613) 996-9709

TABLE OF CONTENTS

1. The Construction Industry in Mexico
2. Profile of Mexican Construction Companies
3. Sectoral Opportunities - Roads and Highways
4. Sectoral Opportunities - Water Infrastructure
5. Sectoral Opportunities - The Energy Sector
6. Sectoral Opportunities - Housing
7. Sectoral Opportunities - Tourism
8. Other Opportunities
9. The Regulatory Environment
10. Public Works Contracting
11. The Impact of NAFTA
12. Where to Go for Additional Assistance

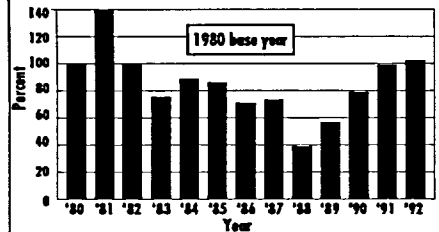
one of the most critical constraints on the country's economic growth. Road and port construction have become major priorities, reflecting a sense of urgency in improving the country's transportation routes in order to facilitate trade. Large scale energy generation and water and sewage systems are planned as part of the government's promise to improve the overall standard of living. Private sector investment in housing, commercial buildings and tourism mega-projects is rising substantially.

OVERVIEW OF THE SECTOR

In 1992 construction activity represented 5.3 percent of Gross Domestic Product (GDP) and employed 10 percent of the Mexican labour force. The value of construction contracting in the formal sector of the economy — i.e. as reported by the 18,000 construction firms representing the industry — was approximately U.S. \$11 billion. It is estimated that the total value of the industry could be twice this figure if the informal industry is included. The informal sector includes house building, repairs, maintenance and remodeling performed by individuals.

In 1989 the government established the priorities for Mexico's social and economic development over the following 10-year period through its *Plan Nacional de Desarrollo* (National Development Plan). The Plan outlines an ambitious

REAL VALUE OF CONSTRUCTION ACTIVITY (1980-1992)



Source: Mexican Construction Association (CNIC)

program for infrastructure development and has fueled much of Mexico's current construction activity.

KEY CUSTOMERS

Traditionally, the state has played the major role in the Mexican construction industry, funding the majority of projects. However, as a result of the structural changes in the Mexican economy, the privatization of government and parastatal organizations, and the reduced federal budget, there is considerably more private sector involvement in the industry today. Increasingly, projects which were the traditional domain of the public sector are being shifted to the private sector through a variety of turnkey and private financing methods.

HIGHLIGHTS OF THE 1989 TEN-YEAR DEVELOPMENT PLAN

- the construction of 15,000 km of new four-lane highway;
- new drinking water, sanitary sewer, and drainage systems to an estimated 3 million inhabitants per year;
- the construction of 1500 waste water treatment plants;
- increasing the area of land under irrigation by 2 million hectares;
- doubling the generation capacity of electrical plants;
- the construction of 6 to 8 million housing units;
- the modernization of 15,000 km of railroad;
- the expansion or installation of 3 industrial ports in the Gulf of Mexico and three more on the Pacific Coast; and
- plans to develop and upgrade industrial parks in order to double employment capacity.

