

BWI • Building and Wood Worker's International
BHI • Bau- und Holzarbeiter Internationale
BTI • Byggnads- och Träarbetar-Internationalen
IBB • Internationale des Travailleurs du Bâtiment et du Bois
ICM • Internacional de Trabajadores de la Construcción y la Madera

Ciudad del Saber
Edificio 238, Piso 1, Local A
816-00769 Panamá,
Rep. de Panamá
Tel. + 507 317 1270
+ 507 317 0342
Fax + 507 317 0089
E-mail: orl@bwint.org
www.bwint.org

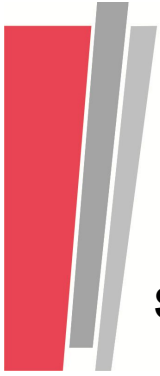
Current Sectoral Indicators for the Construction Industry

Campaign for the Resumption of Employment and Development ¹

Elaboration: Nicolás Menassé

Revision: Nilton Freitas

¹ October 2017

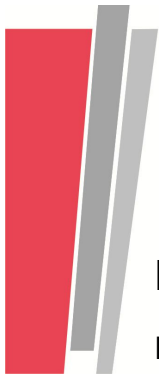


Summary

- GDP has been in steady decline since 2015
- Gross Fixed Capital Formation (GFCF) and Imports had the most significant proportional reductions reflecting declines in both investment and purchasing power. The construction sector is the most important component of GFCF.
- When GDP grows, GDP in the construction sector (Gross Value Added – GVA) grows even more. Commensurately, when GDP decreases, construction declines even further
- Consumption of cement has been reducing constantly over the last 12 months, confirming sectoral decline
- There is a decrease in real estate financing through the mechanisms of FGTS² and SBPE³
- There is a reduction in the quantity of real estate on offer
- Employment fell more in the construction sector than in the rest of the economy
- Between the fourth quarter of 2015 and the second quarter of 2017 the total number of persons employed in the construction sector fell by 1.2 million
- The sub-sector with the most jobs lost is building construction
- There are more than 10,000 paralyzed projects with more than R\$4.3 billion already invested
- Overall average of budgeted total already spent is 57.2% for paralyzed projects

² Fundo de Garantia por Tempo de Serviço – Guaranteed seniority-based fund

³ Sistema Brasileiro de Poupança e Empréstimo – Brazilian Savings and Loan System



Introduction

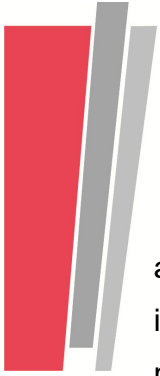
Building and Woodworkers International is the global union federation grouping free and democratic unions with members in the building, building materials, wood, forestry and allied sectors. BWI is made up of more than 300 unions in 130 countries. In Brazil alone there are 43 unions, federations and confederations affiliated representing more than 1 million workers.

In recent years the severe economic crisis has been deepened by the involvement of important construction companies and politicians in major corruption scandals that have led to one of the greatest political crises in the country's history. The construction sector has been suffering from a sharp contraction in activity and a continued loss of employment. Recent labour law reforms remove workers' rights and formalize precarious employment conditions, thus eroding protections for workers. Given the high level of informal employment in construction, and in in civil construction in particular, these reforms worsen an already critical situation for workers in the sector.

In July 2017, BWI and its affiliates responded by launching the "Campaign for the Resumption of Employment and Development" in order to challenge public agencies, employers' associations and civil society to immediately resume stalled construction projects to return to growth that generates employment and income. Construction is a fundamental pillar for economic recovery due to its dynamism and its instant effects on employment and investment.

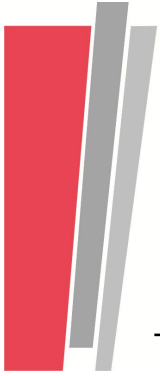
BWI demands an immediate resumption of paralyzed projects. Stalled projects are a waste of public resources. They stop generating jobs, income for workers, economic and social benefits for the broader population, while maintaining infrastructure deficits. Further, halted construction projects do nothing to improve economic competitiveness.

However, the resumption of employment should not be unplanned. It is essential that basic principles of decent work be realized as work is resumed. The high rates of



accidents and mortality in the sector must be confronted. Social security must be improved for workers in one of the sectors with the worst occupational health and safety records. Additionally, high levels of informal work that far exceed the national average need to be combated as part of efforts to provide decent living conditions for construction workers.

For the benefit of Brazilian society in general and for construction workers in particular, employment that respects workers' rights and is offered in dignified conditions must be resumed immediately.



Macroeconomic Indicators

Table 1 shows the evolution of GDP components from the point of view of aggregate demand. It is clear that as early as 2014 personal consumption and government expenditure remained positive, facilitating minor growth in GDP. In 2015, the economic crisis began to push the numbers down, leading to a fall in GDP of 3.8%. This negative result was maintained in 2016 with a further reduction of 3.6%.

The fall in Gross Fixed Capital Formation (GFCF) in 2015 was 13.9% and then another 10.2% in 2016. GFCF is an aggregate indicator of investment and reflects the state of production capacity at a given time. Construction represents more than half of this indicator. This indicator was in constant decline until the second quarter of 2017.

Imports showed a similar decline, reflecting a reduction of consumption during the period. In 2015, the drop was 14.1% and in 2016 10.3%.

Although proportionally lower than the GFCF and Imports, it is worth noting the drop in household consumption of 3.9% and 4.2% in 2015 and 2016 respectively. This decline reflects a significant reduction in the living conditions of the Brazilian population.

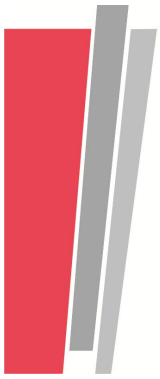


Table 1. Components of GDP 2010 – 2º tri 2017

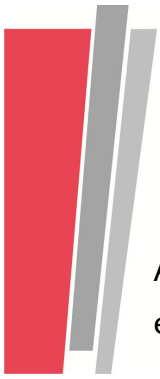
Accumulated 4 trimester	GDP	Personal Consumption	Government Expenditure	GFCF	Net Exports	Net Imports	
2010	7,5	6,2	3,9	17,9	11,7	33,6	
2011	4,0	4,8	2,2	6,8	4,8	9,4	
2012	1,9	3,5	2,3	0,8	0,3	0,7	
2013	3,0	3,5	1,5	5,8	2,4	7,2	
2014	0,5	2,3	0,8	-4,2	-1,1	-1,9	
2015	-3,8	-3,9	-1,1	-13,9	6,3	-14,1	
2016	-3,6	-4,2	-0,6	-10,2	1,9	-10,3	
2017	1º	-0,4	-1,9	-1,3	-3,7	1,9	9,8
	2º	0,3	0,7	-2,4	-6,5	2,5	-3,3

Source: IBGE - Diretoria de Pesquisas. Coordenação de Contas Nacionais.
 Elaboration: Databank – CBIC.
 Observation: * Nova Serie das Contas Nacionais - Referência 2010.

The quarterly evolution of the GVA for the construction sector follows the trend of shrinking GDP. Between 2010 and 2013, when GDP was positive, the value added in the construction sector was also positive. As early as 2014, GDP began to decline.

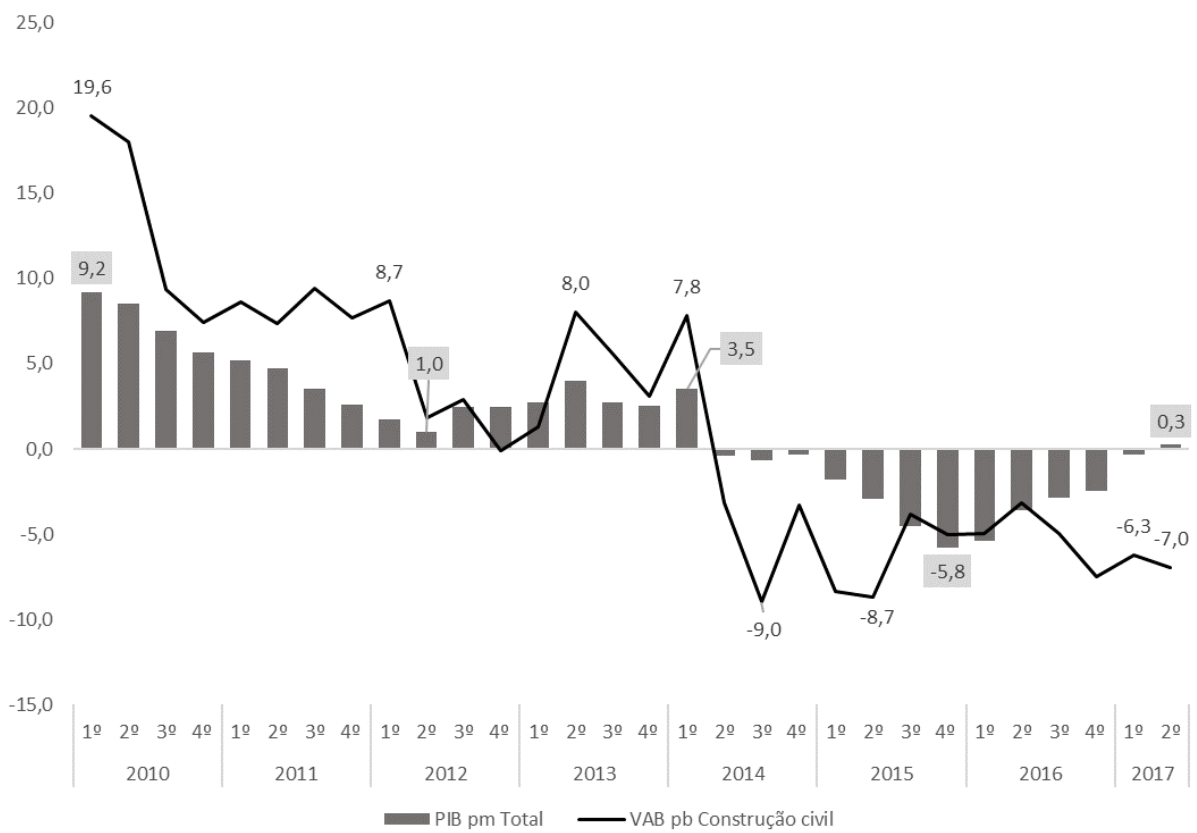
Between the first quarter of 2010 and the first quarter of 2014, the GVA for construction also showed a clear trend of deceleration and then retraction. The intensity of economic contraction was particularly severe between the first half of 2014 and the third half of 2015, declining from 7.8 to -9.0%.

The exaggerated proportionality of construction as a component of GDP can be clearly observed in Graph 1. In the period when there was general economic growth, construction grew at higher rates. The same happened with the period of economic recession, where the reduction of the construction sector occurred more sharply and severely than economic decline in general.



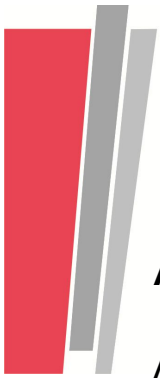
As will be demonstrated below, this particularity has similar impacts on the level of employment in the sector.

Graph 1. GDP and GVA Construction. 2010 – 2tri 2017



Elaboração: Batschman GVA.

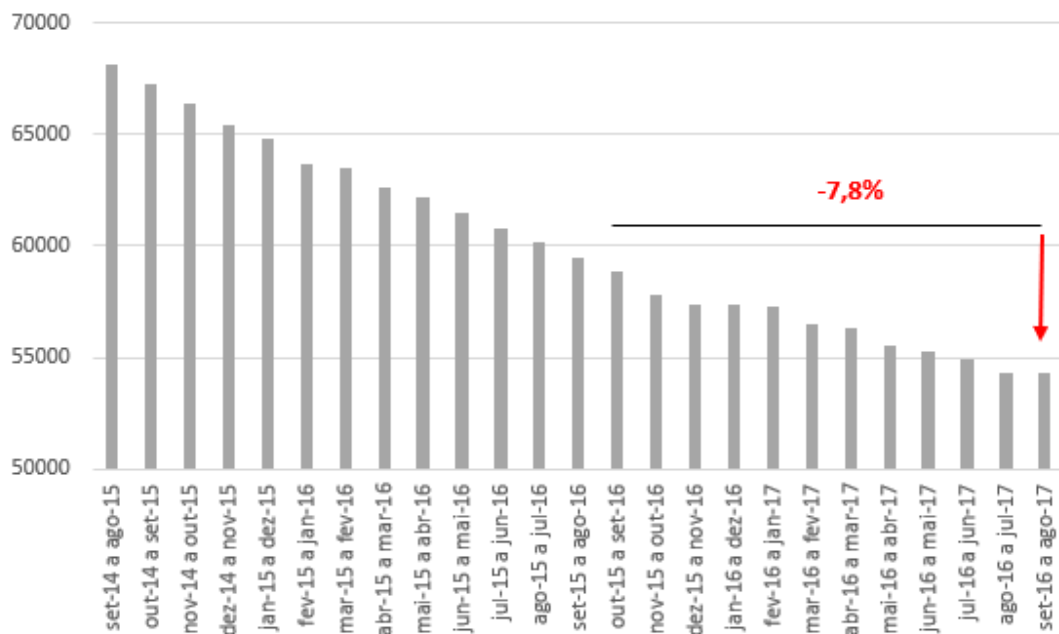
Observation: * NOVA SÉRIE DAS CONTAS NACIONAIS - REFERÊNCIA 2010.



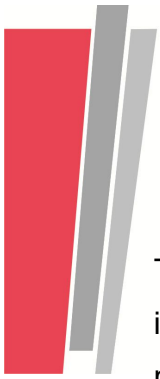
Activity in the Construction Sector

As the main raw material for construction, apparent consumption of cement is another important indicator that demonstrates the level of economic activity. Distinct from GVA, apparent consumption presents a less erratic and smoother trajectory as activity declines. In the accumulated 12 months from Sep-16 to Aug-17, consumption was 54,000 tons, down 7.8% over the year.

Graph 2. Apparent Consumption of Cement. Accumulated 12 months. (in thousands of tons)

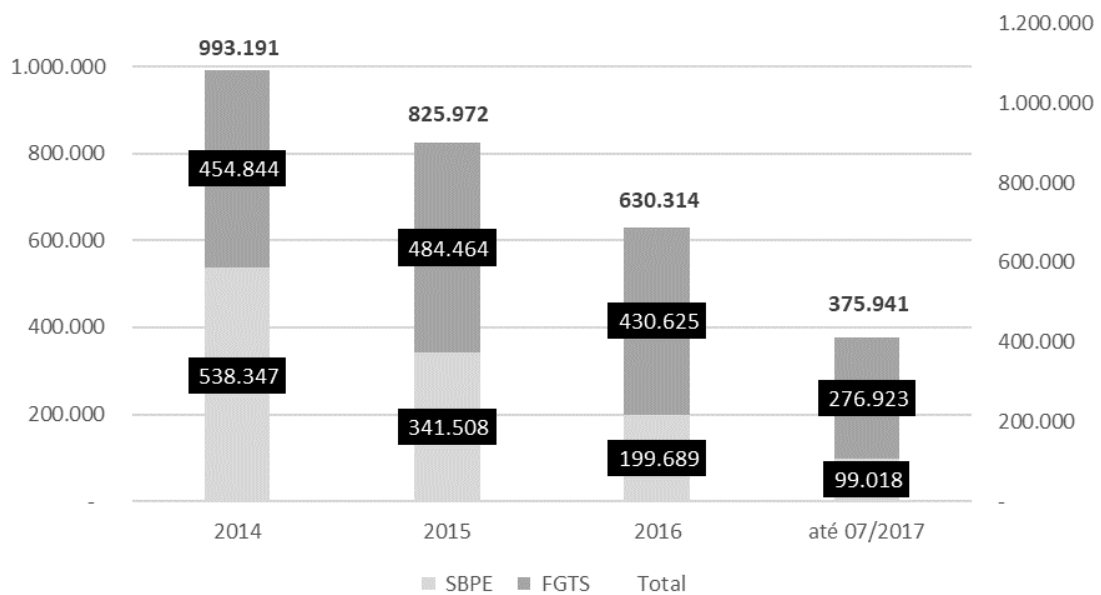


Source: SNIC
Elaboration: BWI
Observation: Internal market sales + imports

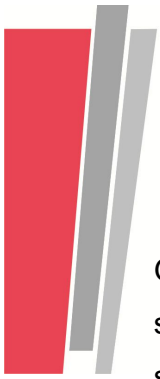


The Housing Finance System (HFS) is the main source of financing for residential investments. Lines of credit for the low-income population are made available with resources from the guaranteed seniority-based fund (FGTS), and for the middle class with resources from the Brazilian system of savings and loans (SBPE). The number of contracted operations have been falling significantly since 2014.

Graph 3. Housing Financing SPBE, FGTS & Total.
2014 - jul/2017



Source: Caixa Econômica Federal Bank
Elaboration: BWI



Graph 3 help to explain what appears in Table 2 (below). Supply of real estate has been significantly adjusted downwards. Although sales between the first half of 2016 and the second half of 2017 were only reduced by 3.4%, available supply had been reduced by 16.4%. New offers is the amount of real estate launched that is still in stock. Total supply has decreased in part because sales of new offers decreased. During the time period analyzed, new offers contracted by 21.5%. This indicator represents a strong contraction in construction.

Table 2
New Offers (launches), Sales & Supply on offer
1°sem/2016 – 1°sem/2017

Type	1°sem 2016	1°sem 2017	Δ %
New Offers	34.825	27.332	-21,5
Sales	40.193	38.841	-3,4
Supply	144.586	120.928	-16,4

Source: CBIC
Elaboration: ICM



Activity in the Construction Sector

As highlighted above, the construction sector has accompanied changes in GDP at proportionately higher rates. This means that when GDP increased, the gross value added of construction increased even more, and when GDP began to retract, the gross value added of construction declined proportionally more.

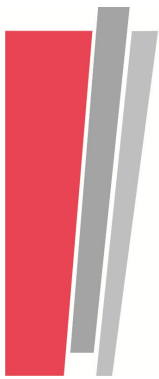
Given that construction is a labor-intensive sector, employment effects follow the same pattern of proportional but more severe. The data presented in Table 3 show that while total employment contracted 0.6%, the reduction was 9.2% in construction.

Table 3. Employment: Construction & Total
2°tri 2016 – 2°tri 2017

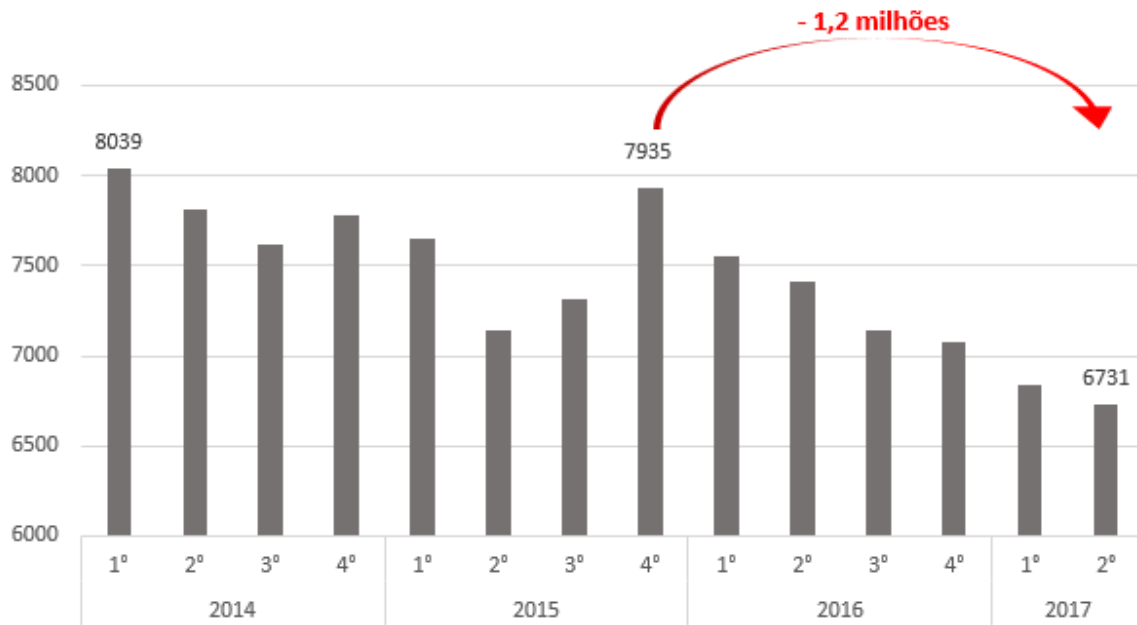
	2°tri 2016	2°tri 2017	Δ	Δ %
Construction	7.414	6.731	683	-9,2
Total	90.798	90.236	562	-0,6

Source: PNAD/CBIC
Elaboration: BWI

In the fourth quarter of 2015 there was a significant but momentary recovery in employment in the construction sector. From the peak of the 4th quarter of 2015 to the second half of 2017 the total number of workers employed decreased by more than 2 million; 1.2 million of which were in the construction sector.



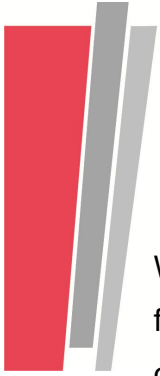
Graph 4. Construction Employment: 2010 – 2ºtri 2017



Source: PNAD/CBIC
Elaboration: BWI

Formal employment in 2015 declined by 442,199 jobs. In 2016, another 384,939 jobs were lost. The accumulated reduction from January to July 2017 was another 41,623 jobs. The most recent figures show a significant slowing of job loss. However, labour law reforms leave the question of under what conditions workers will be rehired once the sector resumes growth completely uncertain. According to a SINICON study, Brazil's overall rate of informal employment is 52.2%. This number is much higher in the construction sector; 78.3%.

Labour reforms will change how informal employment is measured as they legalize a series of precarious forms of hiring that have already been widely used in the informal sector. Thus, while indicators of formal employment will improve, this will not indicate an improvement from the standpoint of pre-reform labour rights and standards.



When divided by sub-sector, we see that building construction is primarily responsible for the decrease of formal jobs throughout the selected period. Losses in the sub-sectors of infrastructure and specialized services for construction were also significant.

Table 4. Formal Employment. 2015 – jul/2017

Economic Activities	2015	2016	2017
Building Construction	-207.832	-180.475	-33.459
Infrastructure works	-158.758	-126.225	877
Specialized Construction Services	-75.609	-78.239	-9.041
Total	-442.199	-384.939	-41.623

Source: MTE/Caged

Elaboration: BWI

Observation: 1) Não inclui fora de prazo