Research on the Current Situation of Inner Mongolia Construction Industry and Competitiveness of Construction Enterprises

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Abstract: With Chinese economy slows down, Inner Mongolia construction enterprises put more emphasis on how to make use of its geographical advantage to improve competitiveness. This thesis collects the related data of Inner Mongolia construction industry and analyzes the characters of its current development from three aspects, namely, significant external drive, uneven industrial distribution and poor competitiveness. According to the external environment and problems the industry faced, the thesis proposes specific suggestions correspondingly aiming to achieve long-term stable development of Inner Mongolia construction enterprises.

1. Introduction
At present, China's economic and social development has been in the midst of transformation of "new normal". According to data released by National Bureau of Statistics (NBS), the growth rate of gross product of construction industry in China has plummeted to mid-single digit growth since 2015, therefore, its future development has come into focus. Construction industry, as the pillar of Inner Mongolia’s economy, has faced unprecedented challenges during economic downturn. Owing to a lack of competitiveness, local construction enterprises find it difficult to get project. At present, two thirds of homeland market has been occupied by construction enterprises from other regions, which impacts local construction enterprises seriously.

2. Development of Inner Mongolia construction industry.
Building trade plays an important role in the regional economy and makes a great obvious contribution to the growth of the economy. The added value of construction in Inner Mongolia in 2015 reached 216.316 billion yuan, accounted for 7.0% of the province’s GDP. Compared with 2010, the number increased by 68.6% and the growth rate increased by 0.6%. In 2015, the contract value of construction industry reached 200.152 billion yuan, an increase of 22.7% compared with 2010. Meanwhile, construction technique and productivity have both improved significantly. Technical equipment rate in 2015 is 1.09 times as much as that in 2010. Power equipment rate went up by 36.8% and productivity by 80.8%. Thus it can be seen that the vitality of Inner Mongolia construction market has enhanced considerably in the past five years.

In 2015, the total output value of Inner Mongolia construction industry ranked 21st among all regions in China, moving up 2 places compared with 2011. However, as can be seen in the following two bar charts, even considering the added value of total output, it still has a long way to go to catch up with those developed provinces. In contrast, with the total output value of 11 million yuan, Inner
Mongolia presented the state of negative growth, falling by 21%. Thus its rate of growth ranked dead last among all the regions.

![Growth rate of construction output in various regions in 2015](image)

**Fig. 1** The growth rate of output value of construction industry among all regions in 2015

In general, Inner Mongolia construction market has developed well during recent five years. Restricted by low output value and negative growth, however, Inner Mongolia construction market falls far behind other regions all over the country. Under the circumstances that economy weakens, how to make use of its advantage to narrow the gap between developed provinces and maintain a sound momentum have come into focus.

3. The analysis of current construction industry situation in Inner Mongolia

3.1 Remarkable external drive

With external driving factors of the construction industry develop to a certain degree, the market of industrial buildings, residential housing and public buildings has temporarily saturated, along with the decrease of demand, construction quantity and the growth of construction industry output value. As a direct driving force in the construction industry, fixed asset investment is basically consistent with the trend of output growth in Inner Mongolia in the past decade. Since 2015, the overall growth rate of fixed assets investment in Inner Mongolia has been steady, but keeps falling every month. Total fixed assets investment in Inner Mongolia reached 1.38248 trillion yuan, among which fixed asset investment in projects over 5 million yuan was 1.3651 trillion yuan, accounted for 98.7% of the total. As shown in Figure 2.
3.2 Uneven output distribution among different cities
In 2015, the output value of construction industry in 8 cities presented varying degree of decline. City with larger output figure declined sharply than that of other cities. As shown in figure 3, Ordos, Baotou, Ulanchap, dropped by 57.6%, 19.7% and 16.7% respectively. Hinggan League achieved the highest output growth and completed the production value of 5.06 billion yuan, increased by 28.3%. In terms of gross output, Hohhot, Baotou and Chifeng ranked top three, with an output value of 20.081 billion, 18.480 billion, 17.043 billion respectively. And their total amount accounted for 50.1% of the region. It’s evident that most of output value is created by in a handful of cities. Less developed cities, like Alxa League and Xilin Gol League, has few construction projects, which results in uneven output distribution among different cities.

3.3 Poor competitiveness
According to the third round of the Economic Census, there are 477300 construction employees in Inner Mongolia. During the past five years, the added value of construction industry accounted for an average of 6.5 percent of GDP, and its total volume increased year by year. In 2015, the added value of construction industry has reached 113.979 billion yuan. There are 1,066 enterprises with construction industry qualification in Inner Mongolia, including 956 general contractors and specialist contractors. There are also 110 subcontracting firms, accounted for 10.3%.
The qualification structure of construction industry enterprises presents a pyramid shape. The overall structure is relatively reasonable, but the proportion of the enterprises with special and first-level qualifications is very small. In terms of general contractors, there are 2 top grade intelligence enterprises, 70 first-class intelligence enterprises, 239 second-level intelligence enterprises and 457 third-class intelligence enterprises. As for specialist contractors, there are 15 first-grade intelligence enterprises, 62 second-level intelligence enterprises and 107 third-class intelligence enterprises. As shown in figure 4.

It can be seen that there are a large number of general contractors and specialist contractors but few subcontracting enterprises in Inner Mongolia. Among 956 general contractors and specialist contractors, there are only 2 top grade intelligence enterprises and small proportion of first-class intelligence enterprises. However, qualification is a necessary prerequisite to all the projects, which makes local construction enterprises without corresponding qualification less competitive. That’s why most of the projects in Inner Mongolia are constructed by enterprises from other provinces.

3.4 Major problems
Currently, the output value of Inner Mongolia construction industry continues to decline, and the industry development suffers a bottleneck. The root of the problem lies in external environment and industry itself.

3.4.1 Non-state-owned enterprises are large but not strong. Data reveals that construction industry is dominated by non-state-owned economy. In 2015, there were 884 non-state-owned construction enterprises in Inner Mongolia, accounted for 92.5% of all the general contractors and specialist contractors. And their output value was 88.367 billion yuan, accounting for 79.6% of the total. Although non-state-owned companies have more scale advantage over state-owned companies, micro-data shows that in terms of labor productivity, technical equipment and human capital, state-owned companies do better. Therefore, non-state-owned companies still need to further enhance their strength. As shown in table 1, generally speaking, in Inner Mongolia, non-state-owned companies dominate the market dominance, but they still have a long way to go to enhance overall strength.

| Table 1 Non-state owned enterprises and state-owned enterprises |
|---------------------------------|------------------|------------------|
|                                | labor productivity (yuan / person) | Technical equipment rate (yuan / person) | Ratio of technical personnel (%) |
| Non-state owned enterprises     | 250122↓         | 16929↓          | 18.5↓                                      |
| state-owned enterprises         | 431727          | 19999           | 19.6                                        |
3.4.2 Weak competitiveness in high-end market in Inner Mongolia and general market in other provinces restricts the development of the industry. For construction industry, increasing investment in infrastructure is an effective way to reduce the scale of housing construction investment. Infrastructure investment in Inner Mongolia increased by 32.3% in 2015. Currently, high level technology and qualification are required in infrastructure construction such as metro and airport while few local enterprises have corresponding capability. As a result, upscale infrastructure construction market in Inner Mongolia has been occupied by companies from other provinces, which sets limits on the development of local enterprises. Construction project is characterized by flexible in location, but local firms merely achieved an output value of 5.7 billion outside the region in 2015, dropped by 10.9%. Among 841 enterprises with workload throughout the region, only 26 of them carry out construction in other provinces, accounting for 3.1% of the total. That is to say, local corporations are less competent to undertake projects and expand market outside the region.

3.4.3 Intense competition and homogeneity in the industry. More than half of the construction enterprises in Inner Mongolia focus on housing construction, and the distribution of business in each segment among different enterprises is uneven. As shown in figure 5, there are 543 firms engaged in housing construction, 260 in civil engineering, 90 in building installation, 63 in decoration and other construction. Companies of the industry have similar main business. Most enterprises are engaged in housing construction but few in decoration and installation. The distribution of business in each segment centralized in a couple of areas thus leads to fierce competition among enterprises, especially in housing construction. What’s worse, it’s hard for companies to compensate for each other's weaknesses and their development links and moves in line with one another, which results in dramatic fluctuation in the growth rate of construction industry output value.

4. Conclusion
The gross output value of construction industry in Inner Mongolia is relatively low. Local enterprises are less competitive compared with those from developed provinces, and the development of construction industry lags behind that of the whole nation. Therefore, efforts should be made to enhance competitiveness, promote development through reform and innovation and attract talents. Moreover, local government ought to take measures to timely make structural adjustments on the industry, narrow the gap and make macro-control on the whole life cycle of the construction industry. We should keep improving conditions before, during and after bidding and try to get sustained rapid development of construction industry in Inner Mongolia. Moreover, we should continuously enhance the competitiveness of local construction enterprises and eventually explore a suitable way for long-term stable development of the industry.
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