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SA's New Year's resolution must be to unleash fixed investment

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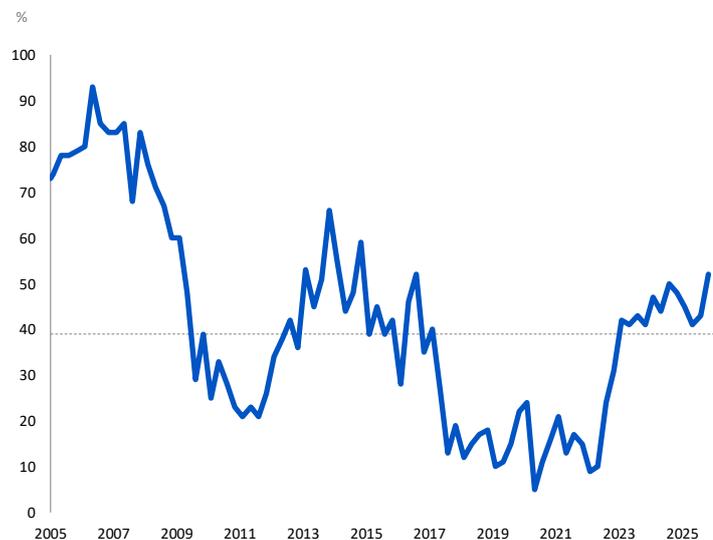
The latest First National Bank/BER civil construction confidence numbers suggest that infrastructure is picking up. If reform momentum accelerates, 2026 could be the year in which we finally see a more meaningful lift off in fixed investment.

The results of the fourth quarter civil construction survey by the Bureau for Economic Research (BER) are more optimistic than they have been for years, with more than half of the respondents satisfied with prevailing business conditions.

Even more encouraging is that respondents are significantly positive about the current availability of work and, consequently, their profitability. (A net balance of 14% reported higher growth compared to the same period in 2024 versus a long-term average of -28%).

In short, the latest First National Bank (FNB)/BER civil construction confidence numbers suggest that infrastructure and investment are moving in the right direction. Does this mean 2026 could be the year in which we finally see a more meaningful lift off?

Figure 1: FNB/BER Civil Confidence Index



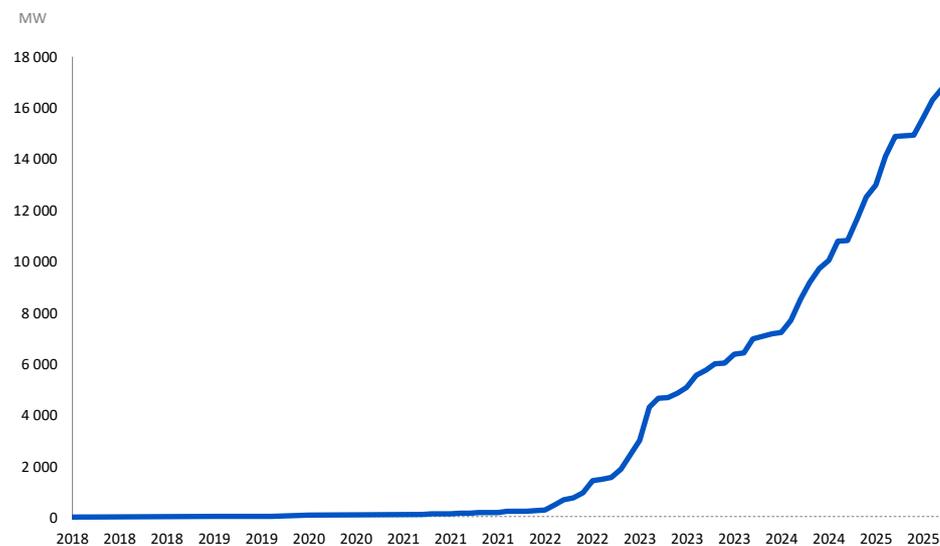
To be fair, the BER survey focuses on contractors that work primarily in the private sector and/or are very large firms (so-called Grade 9 civil engineering contractors). Moreover, the improvement is not broad-based but seems mainly to comprise of projects in renewable energy and, to a lesser extent, mining.

On the other hand, there is one thing that suggests the best may yet be to come, at least in terms of energy investment, and that is the swollen pipeline of private renewable energy projects that have been registered but not yet built.

Ever since the rule was lifted in 2022 that required private sector energy projects to acquire a license, economists have been waiting to see interest in renewable energy being matched by the number of projects that break ground. There is now compelling evidence that this conversion of interest into actual bricks and mortar is happening at scale.

According to the National Energy Regulator of South Africa (Nersa), privately owned projects with a total power output of 16 744 megawatts (MW) were registered by the end of October last year, sharply up from the 1 900 registered by the end of 2022. In the second quarter of the 2025/2026 financial year alone (July to September 2025), 181 new facilities were registered representing a combined total investment of almost R31bn according to Nersa estimates.

Figure 2: Cumulative NERSA Registrations



Of course, it is highly unlikely that these 181 registered facilities contributed to the higher activity picked up in the BER's latest survey results given the lag between registration and the commencement of such projects. It is more plausible that the activity currently experienced is from projects registered a few years ago (probably around 2023/2024) that are now finally breaking ground.

This uptick - the current improvement in the availability of work along with the encouraging registrations data - is very good news, especially as it suggests that momentum may be building.

A few years ago, the main argument for private energy investment was that firms needed to sustain operations amid load-shedding. However, though this type of survivalist investment provided a boost to sentiment, it was feared that it merely replaced other forms of much-needed expansionary investment – the kind that would have increased production or enhanced production efficiencies and thereby boosted economic growth.

While load-reduction is still prevalent, unpredictable and severe load-shedding is largely a thing of the past. As such, the motive for pivoting to renewable energy is no longer just about business survival. It is now driven by fundamental business considerations such as the declining relative cost of renewable energy and international pressure to reduce carbon emissions.

Even so, it is probably too soon to conclude that South Africa has turned a corner with respect to infrastructure investment. After all, the BER survey covers just one sub-sector and the country's overall fixed investment story is still dependent on public sector infrastructure spending (schools, roads, hospitals) which continues to disappoint.

According to Nedbank's Capital Expenditure Project Listings, none of the R316.2bn (annualized) worth of new, large capital projects announced during the first half of last year was by the public sector. Not one! To be fair, public capex exceeded private capex in 2024, but for the government to announce nothing over a period of six months is deeply troubling.

Outside of the shortage of public sector projects, the usual cocktail of constraints still has its grip firmly on the civil construction sector. These include project delays and postponements, tardy payments to contractors, and protracted tendering processes - all of which reflect a lack of state capacity. And, of course, crime and corruption, including the scourge of the "construction mafia", is ever present.

Still, the rise in Nersa registrations is a clear indication that the private sector is willing to invest when the business case is compelling, and the regulatory framework is easy to navigate.

But to lift activity and confidence further we need to make more noticeable progress in improving the efficiency of the national logistics framework (among other things) in the same way that we've demonstrated is possible in reforming energy generation. In other words, to turn improved sentiment into actual investment we need to turn reform announcements into visible, daily improvements in how the country operates.

My one wish for SA this year is for pro-investment reform to take center stage since accelerating fixed investment is an essential requirement for achieving sustained job creation and a visible decline in poverty. If reform does gain faster momentum, 2026 could be the year in which we finally see a more meaningful lift off in fixed investment. It should not be too much to wish for.

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