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# THE STATE OF THE CIVIL CONSTRUCTION INDUSTRY

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## Slowdown in construction work deepens in Q1

- After rising to 59 last quarter, the **FNB/BER civil confidence index** shed 20 points to register a level of 39 in 1Q2015.
  - Confidence was lower largely due to a sharp slowdown in construction activity and profitability.
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The **FNB/BER civil confidence index** fell by 20 points to 39 in 1Q2015. This returns the index to levels last seen in 2012.

The current level of the index suggests that more than half of the respondents are dissatisfied with prevailing business conditions.

According to the South African Reserve Bank (SARB), growth in the real value of construction work eased to only 3.3% year-on-year (y-o-y) in 4Q2014, from 8.3% in 3Q2014 and 17.7% in 2Q2014. *“If the 1Q2015 survey results are anything to go by, then construction activity likely slowed further in 1Q2015, possibly even contracting on an annual basis. As a result, confidence declined”* said Jason Muscat, senior industry analyst at FNB.

The moderation in construction activity also caused overall profitability to worsen.

*“In addition to the current slowdown in construction activity, the outlook has also deteriorated”* said Muscat. Although respondents expect construction work to improve next quarter, an increasing proportion cite the lack of demand for new construction work as a constraint to their business operations.

In conclusion: After slowing in 4Q2014, construction activity likely moderated further in 1Q2015. In addition, the outlook for construction activity, particularly for new work, is poor.

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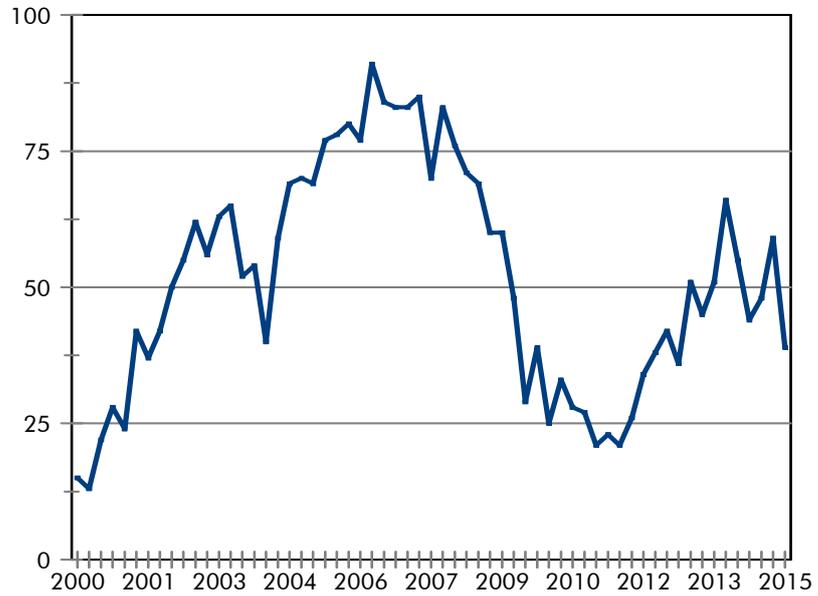
About the survey:

The FNB/BER civil confidence index can vary between a maximum of 100 (which indicates that all respondents were satisfied with prevailing business conditions) and a minimum of zero (indicating that all respondents were dissatisfied). A level of 50 indicates that the respondents are equally divided between those satisfied and dissatisfied.

The fieldwork of the second quarter survey was conducted between 02 February and 03 March 2015.

**FNB/BER Civil Confidence Index**

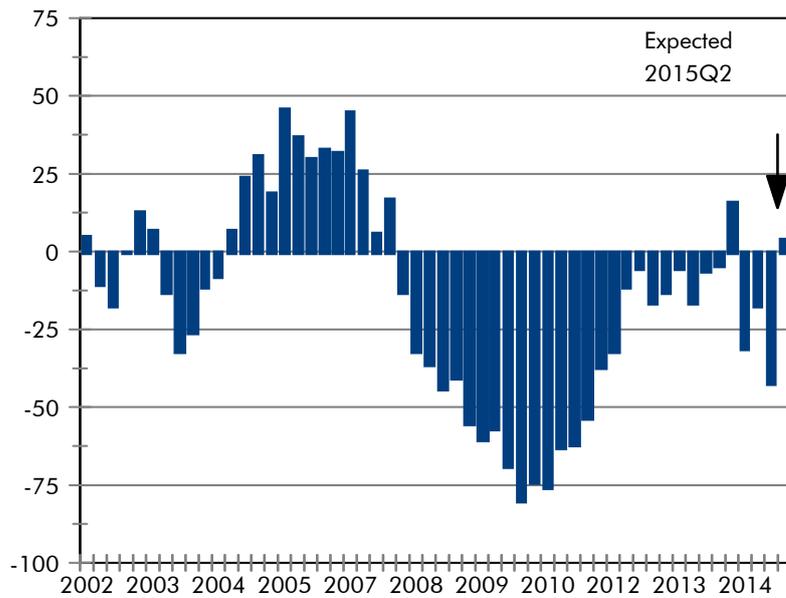
Percentage satisfied



Source: BER Stellenbosch University

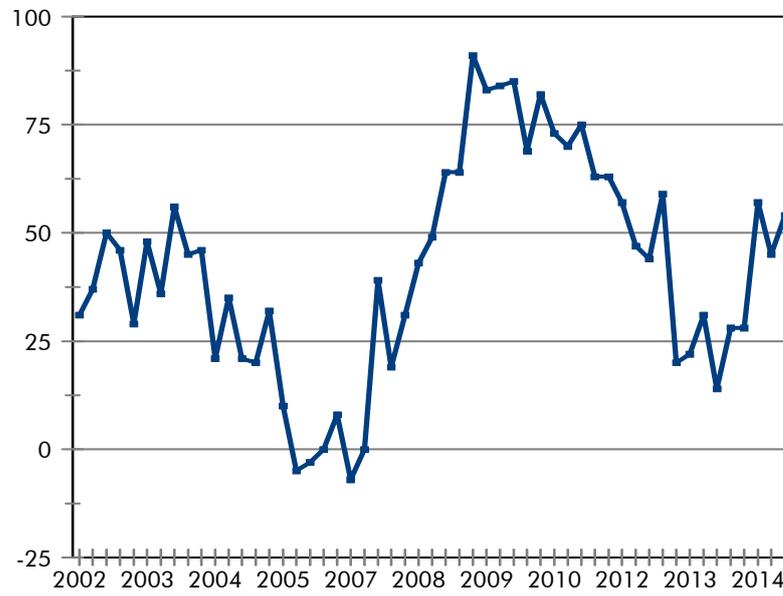
**Civil construction**

Growth in construction activity



Source: BER Stellenbosch University

**Civil construction**  
Tendering competition



Source: BER Stellenbosch University