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# THE STATE OF THE CIVIL CONSTRUCTION INDUSTRY

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## Construction confidence down in Q3

- The **FNB/BER Civil Confidence Index** returned to the level recorded in 1Q2015 of 39 index points, from 44 in 2Q2015.
  - After slowing in 2Q2015, the growth in construction activity remained stable, at a weaker level, this quarter. As a result, the slowdown in profitability growth was halted somewhat.
  - However, the outlook for the remainder of 2015 and into 2016 deteriorated with demand for new work becoming scarcer.
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Following a gain of 5 points in 2Q2015, the **FNB/BER Civil Confidence Index** moved back by 5 points in 3Q2015 to 39.

The current level of the index still indicates that more than 60 per cent of respondents are dissatisfied with prevailing business conditions.

Confidence was lower amid continued weak growth in construction activity, which in turn weighed on profitability. *“Moderating growth in capital expenditure by general government, the inability of public corporations to make noticeable progress on key infrastructure projects, labour concerns and lower commodity prices which are dampening demand for investment by the mining sector and a slowdown in investment into renewable energy negatively affected construction activity in 3Q2015”* said Jason Muscat, senior industry analyst at FNB. According to the South African Reserve Bank, annual growth in the real value of construction work moderated to only 0.3% in 2Q2015, from 1.0% in 1Q2015. *“These results suggest that growth in construction work in 3Q2015 will likely be, at best, as weak as in 2Q2015”* noted Muscat.

The outlook for the remainder of 2015 and into 2016 is for a further weakening in construction activity. Eighty three percent of respondents cited the lack of demand for new construction activity as a constraint to business operations, the highest rating since 1Q2012. According to Muscat, *“this means that, while many*

*projects are now coming to an end, few new projects are being brought into the pipeline.” Muscat added that “this is in line with the financial results of many of the listed construction firms, most of which reported a fall in the value of their order books over the past year”*

In conclusion: Growth in construction activity remained weak in 3Q2015. Consequently, profitability continued to be under pressure. Looking ahead, it is likely that the slowdown in construction activity will deepen for the rest of 2015 and into 2016 if the demand for new construction work remains poor.

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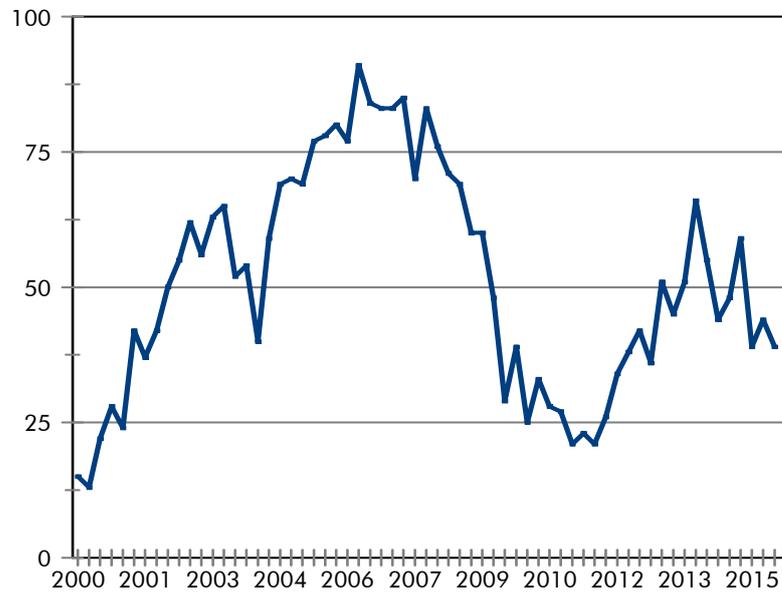
About the survey:

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 third quarter survey was conducted between 03 August and 01 September 2015.

### FNB/BER Civil Confidence Index

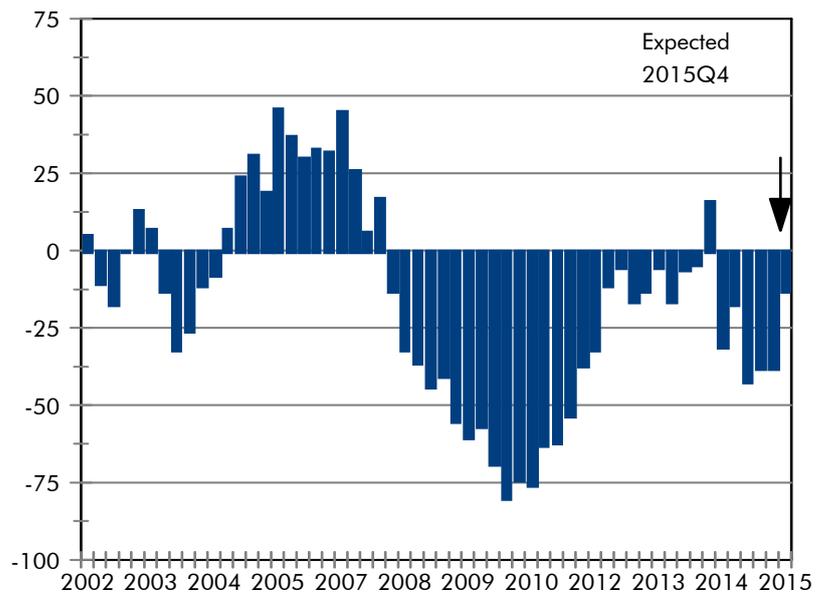
Percentage satisfied



Source: BER Stellenbosch University

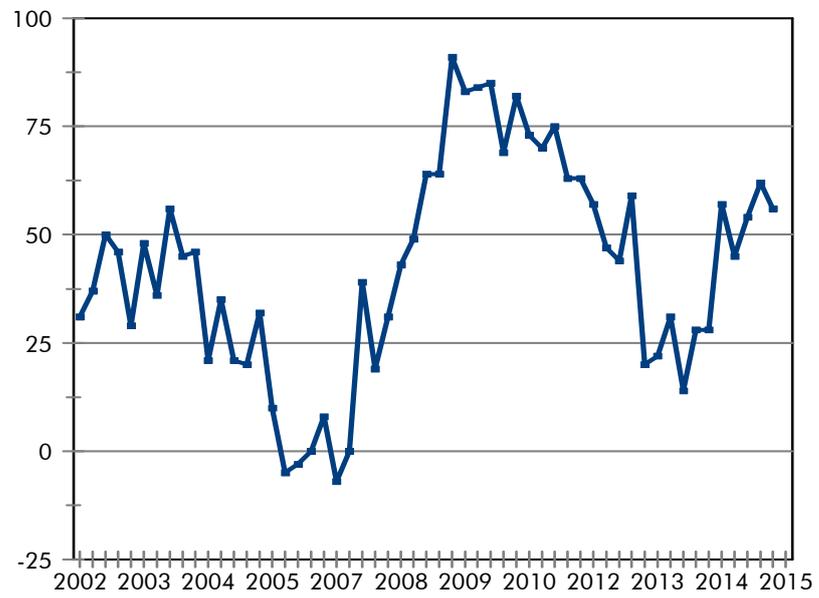
### Civil construction

Growth in construction activity



Source: BER Stellenbosch University

**Civil construction**  
Tendering competition



Source: BER Stellenbosch University