

# Positive performance, outlook for construction industry

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There has been a very good increase in the value of buildings completed in larger municipalities during the second quarter of this year, to the tune of almost 7%, which presents a recovery from the sluggish growth of the first quarter of the year, the latest Afrimat Construction Index (ACI) shows.

The ACI is a composite index of the level of activity within the building and construction sectors and is compiled by economist Dr **Roelof Botha** on behalf of openpit mining company Afrimat. Speaking to *Engineering News Online*, Botha outlined another positive outcome during this quarter - the recovery of salaries and wages of construction workers compared with the first quarter of the year.

He explained that this follows a seasonal trend – a spike in the fourth quarter owing to bonuses, followed by a considerable dip in the first quarter of the next year owing to a shorter working period after holidays, and then picking up again during the second quarter.

Another encouraging performer was the value and volume of construction materials, which experienced an increase during the second quarter.

These indicators dispel the current negative perception of the construction industry, that Botha said is as a result of large,

entrenched companies in the sector experiencing financial problems.

However, there are many small and medium entities building houses and involved in construction, as evidenced by the above indicators.

“While the construction industry is not growing at the rate one would like it to, the state is not as bad as it is made out to be,” said Botha.

He further highlighted the role of the greater cooperation between the State and the private sector in the areas of construction and mining, especially in terms of reducing unemployment in the country.

Looking to the next quarter, Botha called on preliminary data for July, which confirms a further upward trend for the volume of buildings materials produced.

He noted that if the interest rate drops, and the constitutional review committee makes the correct calls on land reform, construction will take off considerably.

Botha indicated that uncertainty around land reform, following the announcement in December that the government plans to amend the Constitution, affected construction activity in the country, with landowners unwilling to build in this climate.

However, he said this uncertainty is starting to ebb, and that senior government representatives have indicated that productive land will not be expropriated without compensation.

Moreover, he anticipates that a major overhaul of dysfunctional local authorities can be expected after next year’s national elections, with government already having hinted at the need for an

infusion of more technical and management skills in bankrupt municipalities.

“This has become imperative for the sake of maintaining and expanding the infrastructure that is required for basic service delivery.