PRESS RELEASE:
Building and construction activity at financial crisis levels

Pretoria 14 October 2019: The 2019Q3 cidb SME Confidence Survey once again confirmed that the South African building and construction industry continues to struggle amid tough economic conditions.

Ntando Skosana, Project Manager for Monitoring and Evaluation, notes that “sentiment remained in the doldrums as both general building (GB) and civil engineering (CE) contractors continued to experience a severe shortage of work. In fact, for some of the subsectors, activity was at its weakest level since the 2008/2009 financial crisis.”

Building confidence remained largely unchanged in the third quarter, gaining one index point following the depressed reading of 30 registered in the previous quarter. Skosana goes on to add that “low confidence was underpinned by a further and deeper decline in activity. In addition to the current lack of demand, there is no sign within the survey data to suggest that activity will pick up in the near term.”

Regardless of the movements in confidence, activity growth remained under pressure across all the grades. This is especially the case for GB in Grades 5 and 6 who registered the worst activity reading since the survey was launched in 2008Q3.

On a provincial level, confidence improved in Gauteng and KwaZulu-Natal. Skosana points out that “in contrast to the uptick in confidence in Gauteng, building activity slowed sharply. The activity indicator is now at its worst level on record.” The Western Cape also experienced a severe shortage of building work.

CE confidence was unchanged from the previous quarter at a historic low of 26 index points. “Contributing to the downbeat sentiment was a slowdown in construction activity”, according to Skosana.

Across the grades, the deterioration in sentiment was most pronounced among CEs in Grades 3 and 4 where business confidence fell to an all-time low of 16 index points.

Provincially, the Western Cape was the worst performer, with a drop in confidence to a new historic low of 9 index points. The deterioration in sentiment was explained by a sharp slowdown in construction activity. According to Skosana, “the activity indicator is now at its worst level on record”.

Skosana concludes by saying, “overall, the survey results suggest that the broad-based activity weakness that we saw in the previous quarter continued into the third quarter.” Discouragingly, insufficient demand for building and construction work remains a big constraint suggesting that demand is unlikely to improve notably over the short term”.

About the survey:

The cidb SME business conditions survey is conducted quarterly among Grades 3 – 8 cidb-registered contractors (categorised into Grades 3 and 4, Grades 5 and 6 as well as Grades 7 and 8), both for general building and civil industries.
The main indicator used for analysis purposes is business confidence, which indicates whether respondents find the current business conditions satisfactory. A business confidence index can vary between zero (indicating an extreme lack of confidence) and 100 (indicating extreme confidence). The 50 index-point mark is interpreted as neutral.

The fieldwork for the 2019Q3 survey was conducted during the period 14 August to 2 September 2019.

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![Confidence: building & civil construction](image1)

Source: BER, Stellenbosch University

![Activity (smoothed): building & civil construction](image2)

Source: BER, Stellenbosch University