

PRESS RELEASE:

CONFIDENCE TICKS LOWER FOR BOTH GENERAL BUILDERS AND CIVIL CONTRACTORS IN 2018Q2

Pretoria 02 July, 2018: General building confidence, as measured by the cidb SME business conditions survey, fell by 3 notches to 33 index points in 2018Q2. Confidence deteriorated as underlying indicators remained at weak levels relative to their long-term averages. Constraints to operating conditions were largely unchanged barring the rating of insufficient demand for new building work which increased.

Across the grades, the sharpest fall was registered by Grades 3 and 4 building contractors, but this was not supported by the underlying indicators. For Grades 5 and 6 as well as Grades 7 and 8, the drop in confidence was marginal and came on the back of ongoing pressure on profitability and activity. Ntando Skosana, Project Manager for Monitoring and Evaluation at the cidb commented, "Business conditions were rather challenging during the second quarter. Sentiment remained downbeat, with confidence levels persisting well below long-term averages."

At the provincial level, Western Cape building contractor confidence ticked up by 2 index points to 56. Confidence was unchanged in the Eastern Cape, while it fell in KwaZulu-Natal. "The worst outcome in confidence was recorded for Gauteng building contractors, where an overwhelming 83% of contractors were dissatisfied with business conditions. It is concerning that this level of confidence marks a joint all-time low," added Skosana.

Civil engineering confidence also declined by 3 points during the quarter to 36. This came against the backdrop of greater profitability pressure during the quarter.

Among the grades, the decline in confidence for Grades 7 and 8 was in line with the broad-based deterioration in underlying indicators. For Grades 3 and 4, weaker sentiment came mainly on the back of notable profitability pressure. According to Skosana, "The unchanged sentiment for Grades 5 and 6 was reflective of the mixed bag of outcomes in the underlying indicators. While there was some improvement in activity, pressure on profitability persisted. Furthermore on the negative side, demand for construction work remained a key constraint, which points to possible pressures on activity in the near-term."

From a provincial perspective, sentiment worsened with the highest confidence level registered in the low 30's. Skosana said, "The provincial picture was rather disappointing, with sentiment deteriorating across the board. The highest level of confidence was recorded in the Western Cape at a very weak 33

index points. For the rest of the provinces, confidence levels were in their 20s.” The outlook is downbeat across all provinces, as indicated by the heightening in the demand for new work constraint.

Conclusion

The second quarter of 2018 continued to disappoint in both the building and civil engineering sectors. The confidence level in both sectors lies at 33 index points, which marks the worst level in six years. Underlying indicators persisted below their long-term averages. Discouragingly, the outlook for activity remains clouded, as the constraint of insufficient demand for new work remains elevated in both cases.

The latest GDP growth statistics from Stats SA showed a fifth consecutive decline in output in the construction sector. Output fell by 1.9% q-o-q (saar) in 2018Q1. The unfavourable outcome for this quarter’s survey results suggest that the negative trend in both building and civil construction activity continued into 2018Q2.

About the survey:

The cidb SME business conditions survey is conducted quarterly among Grades 3 to 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 2018Q2 survey was conducted during the period 30 April and 5 June 2018.

ENQUIRIES:

Rami Moorosi, Project Manager: Marketing

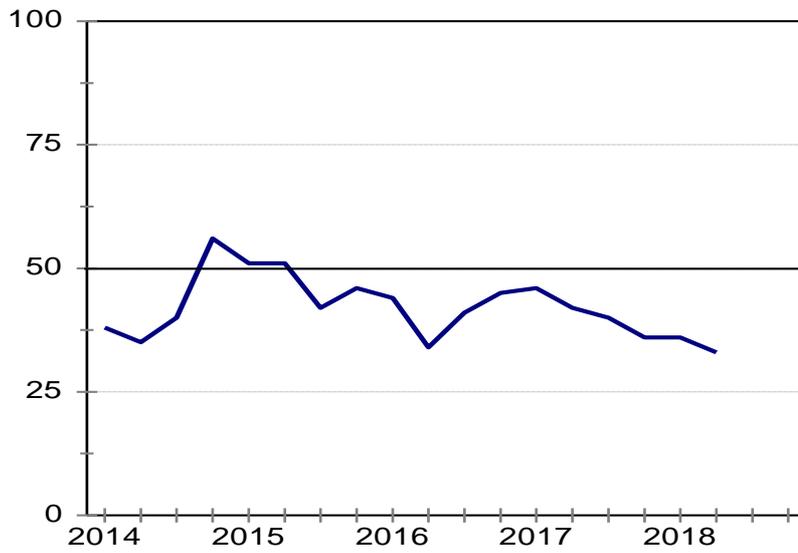
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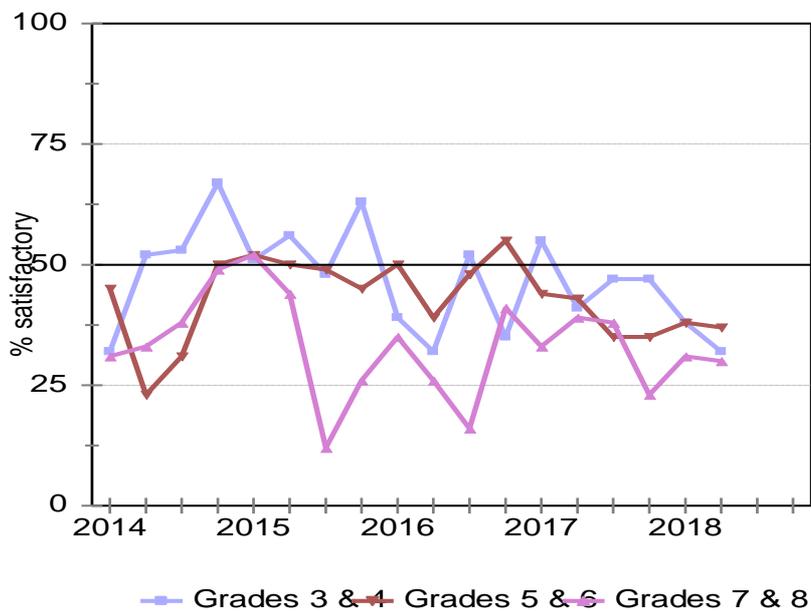


General Builders:
Business confidence
Business confidence



Source: BER, Stellenbosch University

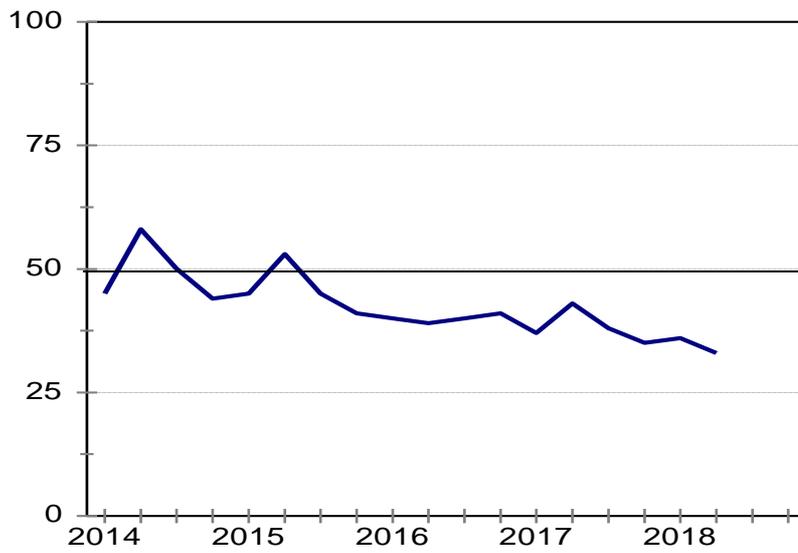
General Builders:
Business confidence per grade



Source: BER, Stellenbosch University

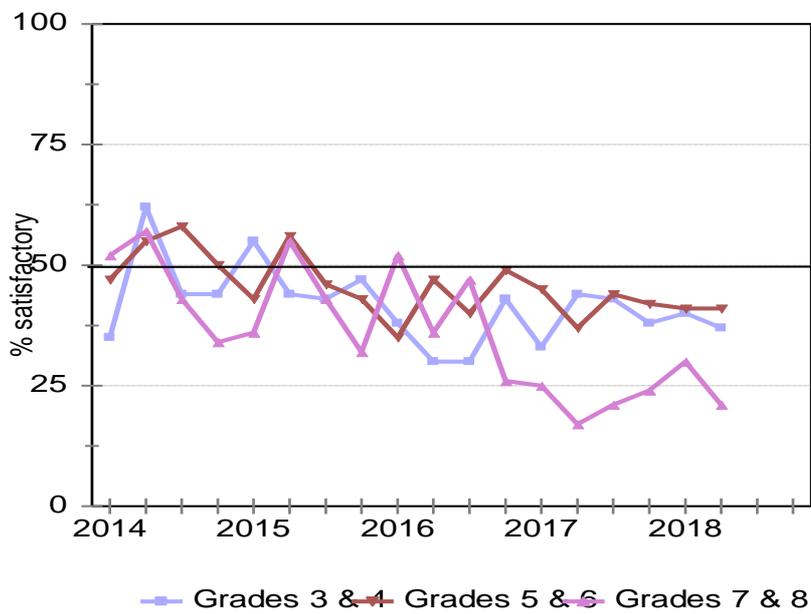


**Civil Engineers:
Business confidence
Business confidence**



Source: BER, Stellenbosch University

**Civil Engineers:
Business confidence per grade**



Source: BER, Stellenbosch University

