



SME

**Business
Conditions
Survey**

Q4 | 2025

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Please refer to the glossary on the BER's **website** for explanations of technical terms.

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Executive summary

After slipping to 37 in 2025Q3, the **cidb SME Business Conditions Index** rebounded to 42 in 2025Q4.

Headline confidence ticked up, supported by better activity, employment and profitability. However, two out of the four measured constraints, namely insufficient demand for building work and firms' inadequate access to credit, remain prevalent. Looking ahead, contractors are more upbeat about future business conditions.

Confidence among **general building (GB)** contractors rose sharply, increasing by 17 index points to 43. In contrast, sentiment among **civil engineering (CE)** contractors declined by 8 points to 40. The recovery among GB means that they are now operating at confidence levels broadly in line with CE.

Across the cidb grading scale, contractors in Grades 3&4 were the most optimistic, with confidence rising to 50 in Q4 from 38 in the previous quarter. Sentiment among grades 5&6 improved marginally by two points to 38. Meanwhile, confidence among grades 7&8 contractors remained unchanged. Notably, activity improved across all grades.

At the provincial level, the Western Cape reported the lowest confidence. Conversely, sentiment in Gauteng increased by 9 points to 42. Activity for all the provinces, except the Eastern Cape, was higher this quarter.

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Introduction

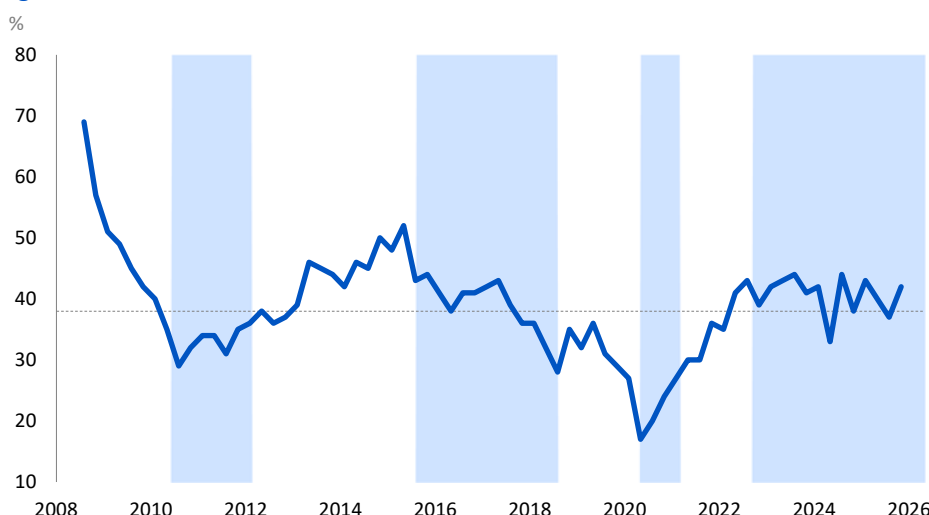
This report outlines some of the key findings of the 2025Q4 cidb SME business conditions survey including the **cidb SME Business Conditions Index**, as well as related data.

Summary of the 2025Q4¹ survey results

OVERALL RESULTS

The headline **cidb SME Business Conditions Index** increased by five points to register a level of 42 in 2025Q4 (Figure 1). Confidence is now slightly above the long-term average.

Figure 1: cidb SME Business Conditions Index



Source: BER

Activity improved notably this quarter. A net 49% of respondents reported lower activity growth relative to a year earlier in 2025Q3, while 27% reported as such in Q4. The index now lies above its long-term average of -40.

Key indicators, including realised business conditions, employment and activity, were higher in Q4. Tendering competition was higher this quarter; however, it had no adverse impact on profitability. The rating of overall profitability increased from -55% to -40% in Q4.

The insufficient demand for building work and inadequate access to credit constraints remain the most constricting, increasing to 74% and 47% respectively.

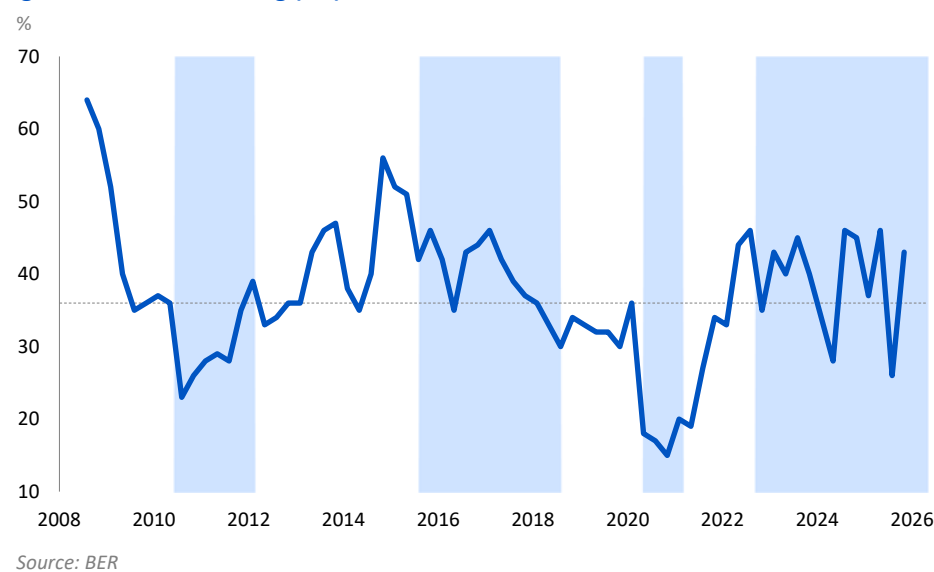
GENERAL BUILDING (GB)

In 2025Q4, the business confidence of **general building** (GB) contractors increased markedly, rising by 17 points to 43, above its long-term average (Figure 2). Improved business conditions,

¹ The survey was conducted between 10 November and 24 November 2025.

activity and employment supported confidence. Moreover, expected business conditions rose significantly, surpassing the long-term average by one standard deviation. A net 8% of contractors expect business conditions to improve in 2026Q1.

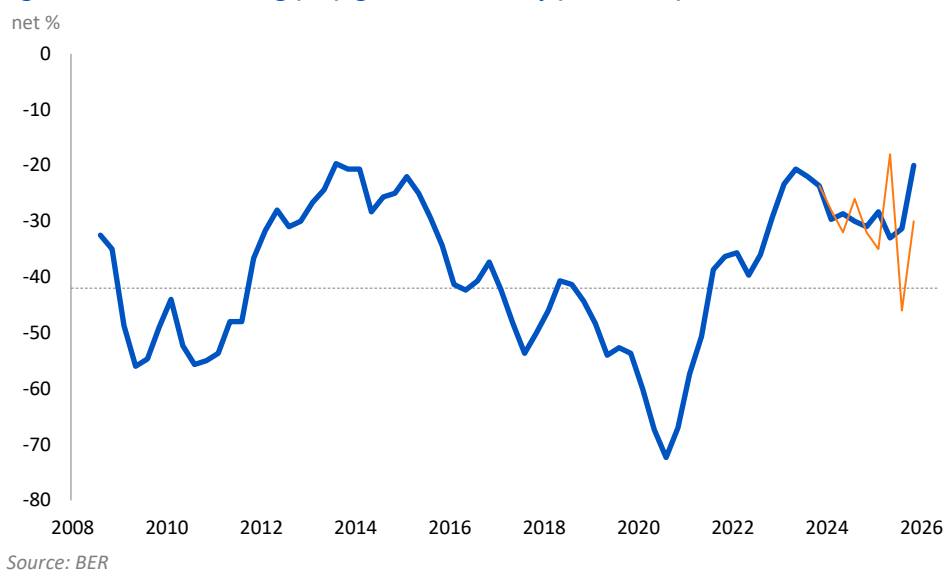
Figure 2: General Building (GB) confidence



Activity registered a meaningful sixteen-point increase to -30. Overall profitability increased due to lower tendering competition, which contributed to a positive shift in confidence.

Despite the improvement, two major constraints persisted: insufficient demand for building work and limited access to credit. Both constraints intensified to 72% and 42%, respectively and continue to exert pressure on the sector.

Figure 3: General Building (GB), growth in activity (smoothed)



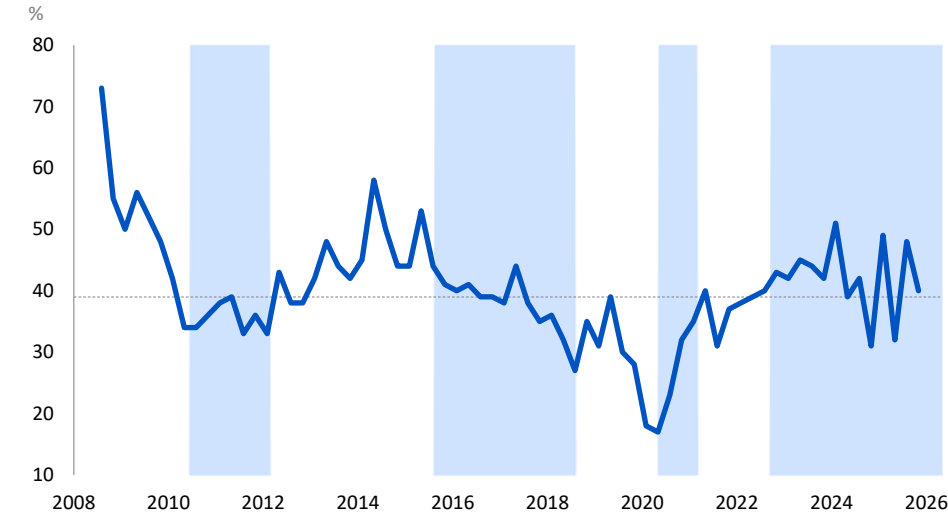
CIVIL ENGINEERING (CE)

The business confidence of **civil engineering** (CE) contractors fell to 40 in 2025Q4, from 48 in the previous quarter (Figure 4). The figure is now in line with its long-term benchmark.

Overall business conditions were generally stable, with expectations for the future remaining neutral. Interestingly, there was a notable improvement in employment, with a net 29% of respondents reporting slower employment growth in 2025Q4 compared to the same time last year, down from 53% who reported the same in Q3.

Insufficient demand - a proxy for order books - as a constraint, ticked up by 5 points. This likely contributed to the 8-point fall in confidence.

Figure 4: Civil engineers' business confidence

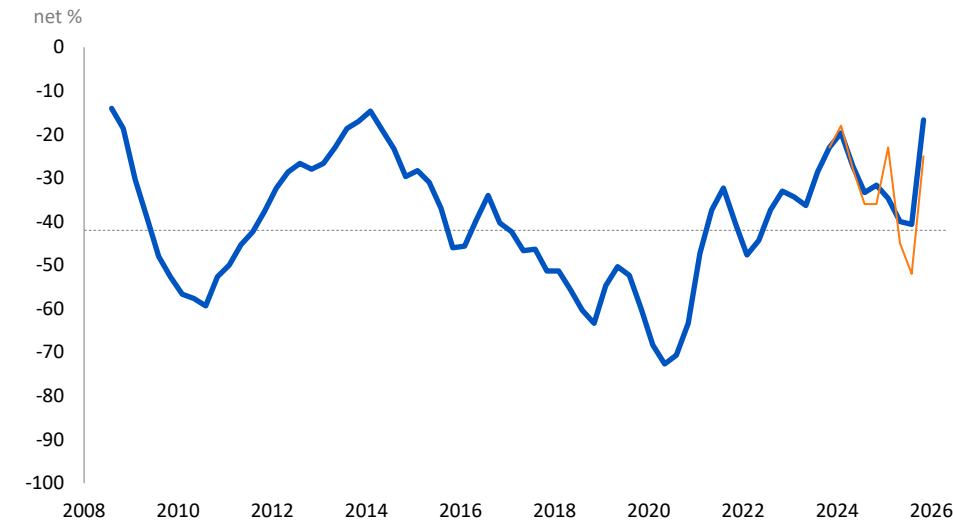


Source: BER

Conversely, construction activity increased significantly this quarter. While a net 52% of respondents reported lower construction activity in 2025Q3 compared to a year earlier, only 25% stated the same in Q4 (Figure 5). This reading stands well above the long-term average.

Tendering competition rose to 47 points in Q4, from 24 points in Q3. Typically, intensified competition results in lower tender prices, which can erode profitability. However, despite increased competition, profitability improved.

Figure 5: Civil Engineering (CE), growth in construction activity (smoothed)



Source: BER

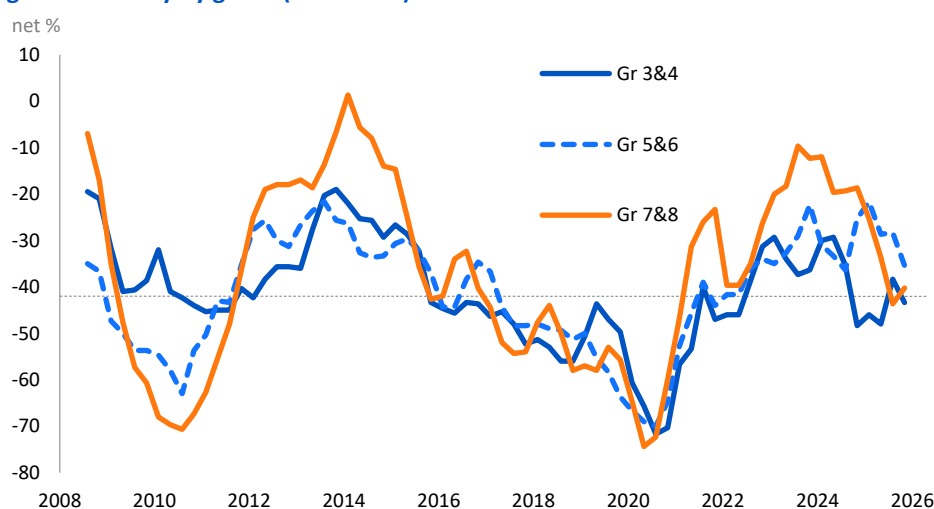
GRADES COMPARISON

Sentiment among contractors in **Grades 3&4** outperformed the other grades in 2025Q4. Smaller contractors registered a 12-point increase to 50. In contrast, confidence among **Grades 5&6** and **Grades 7&8** was little changed at 38 and 39 index points respectively.

Grades 3&4 contractors' confidence was supported by improved business conditions, higher employment levels and particularly better activity. Only 35% of respondents reported lower activity in 2025Q4 compared to the same period a year earlier, down from 54% in Q3 (Figure 6).

Discouragingly, the rating of insufficient demand for building work and firms' inadequate access to credit as business constraints moved higher in the fourth quarter. At 72%, insufficient demand remains the highest of all the measured constraints.

Figure 6: Activity by grade (smoothed)



Source: BER

The marginal improvement in confidence for **Grades 5&6** was supported by an increase in realised activity, employment and profitability. Activity rose significantly by 33 points to -16 in Q4. Although realised profitability was up 19 points in Q4, expected profitability declined due to a doubling in the intensity of tender price competition.

While there was a broad improvement in realised conditions among **Grade 7&8** contractors. Realised employment increased notably while activity and profitability also improved. In addition, the indices measuring expected activity and profitability improved for the second consecutive quarter. However, the rating of the insufficient demand constraint, a proxy for order books, recorded its fifth increase in a row and sits above its long-term average, with almost 80% of respondents indicating as such. This likely contributed to the flat reading in confidence.

Table 1: Business confidence by grade, 2025Q1-2025Q4

	Business confidence				Long term average
	25Q1	25Q2	25Q3	25Q4	
Grades 3&4	30	50	58	50	43
Grades 5&6	50	32	36	38	38
Grades 7&8	48	33	39	39	35

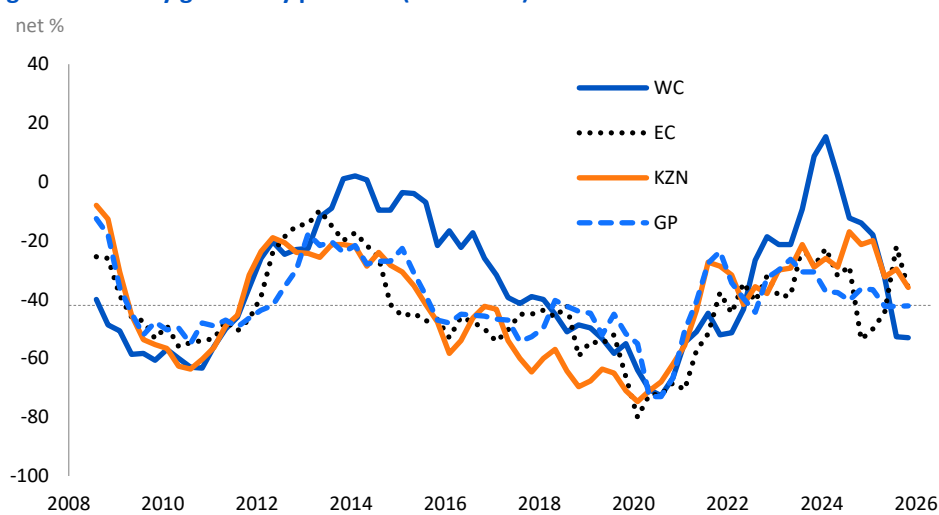
Source: BER

PROVINCIAL COMPARISON

The following changes in sentiment were recorded in 2025Q4 compared to 2025Q3: **Gauteng** (+9), **KwaZulu-Natal** (-3) and the **Western Cape** (-8).

Confidence in the **Western Cape** was by far the lowest across the board, with contractor sentiment dropping from 33 in 2025Q3 to 25 in Q4. Business conditions weakened during the fourth quarter, resulting in a decline in confidence. While realised activity (-53, figure 7) and employment showed some improvement, they remain well below average levels. The insufficient demand indicator for the province stands at 79, the highest among all regions.

Figure 7: Activity growth by province (smoothed)



Source: BER

Sentiment among contractors in **Gauteng** posted a significant improvement, increasing from 33 to 42 in Q4. Business conditions improved significantly, rising above the long-term average, with similar positive trends observed in activity, profitability and employment. However, the outlook remains less optimistic. Expectations for future business conditions and activity are lower, and two out of the four constraints intensified. In particular, the escalation of insufficient demand appears to be a key factor behind the more pessimistic expectations. Just under 70% of respondents reported a lack of new demand for building work as a constraint to their businesses, compared to 50% who stated this in the previous quarter.

Although confidence declined slightly, at 54%, contractors in **KwaZulu-Natal** reported the highest confidence levels among the provinces and sits well above historic average levels. Supporting the high confidence level was higher activity. Order books, as proxied by the insufficient demand constraint, also improved to 65% from 71%.

Table 2: Business confidence by grade, 2025Q1-2025Q4

	Business confidence				Long term average
	25Q1	25Q2	25Q3	25Q4	
Western Cape	69	39	33	25	39
Eastern Cape	20	67	33	33	36
KwaZulu-Natal	38	46	57	54	39
Gauteng	32	47	33	42	39

Source: BER

IN CONCLUSION

The **cidb SME Business Conditions Index** increased by five points to register a level of 42 in 2025Q4. The higher confidence was supported by improvements in business conditions, activity and employment.

Among the sub-sectors, strong activity supported GB confidence. Meanwhile, CE' rating of insufficient demand intensified, likely impacting sentiment.

In terms of grades, contractors in Grades 3&4 recorded a significant boost in activity, translating into a similar increase in confidence. In contrast, Grades 5&6 saw only a marginal improvement of two points to 38, and confidence among Grades 7&8 remained unchanged. Despite these gains, concerns over insufficient demand and limited access to credit persisted among all the grades.

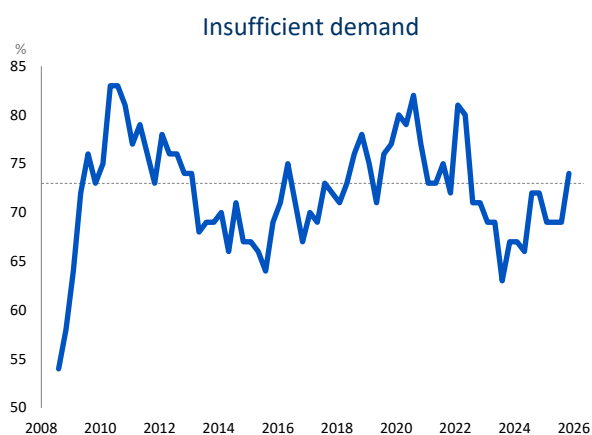
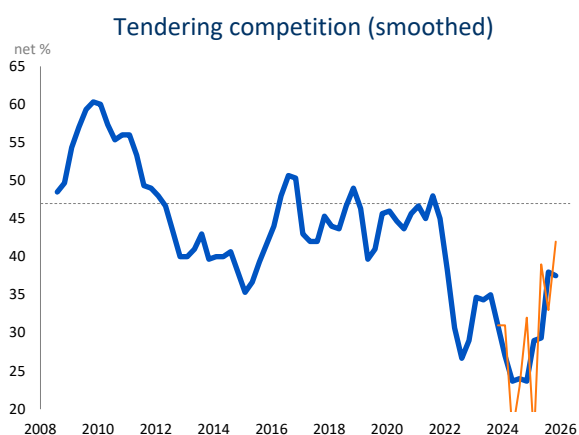
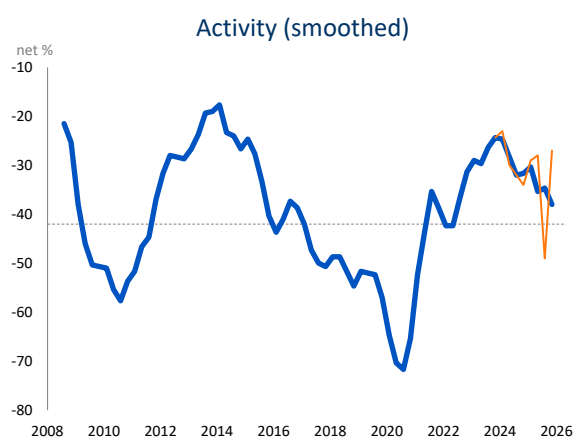
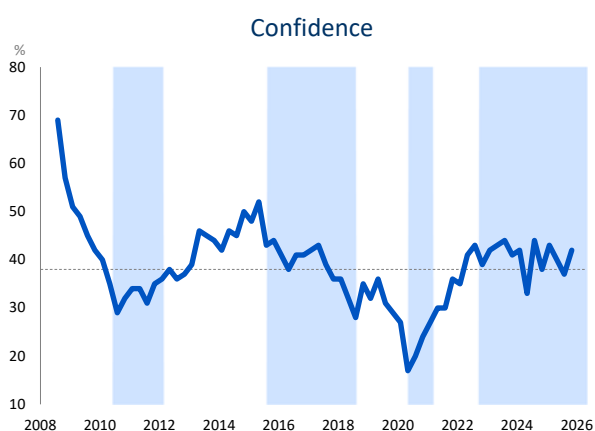
Regionally, sentiment in the Western Cape was the weakest, with only one in four respondents satisfied with business conditions. KwaZulu-Natal experienced a slight decline in overall confidence despite stronger activity, while Gauteng posted a notable increase in sentiment, buoyed by improved business conditions and activity.

Overall, the survey results indicate that the construction sector performed better in 2025Q4 compared to Q3, although momentum in the Western Cape continues to wane.

Survey results

TOTAL (GENERAL BUILDING AND CIVIL ENGINEERING)

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	24Q3	24Q4	25Q1	24Q4	25Q1	25Q2	25Q3	25Q4	Δ	σ_{Δ}
Confidence	%	31	39	47	42	33	44	38	43	40	37	42	5	4
Activity	Net %	-54	-40	-25	-23	-30	-32	-34	-29	-28	-49	-27	22	9
Smoothed	Net %	-53	-40	-27	-25	-28	-32	-32	-30	-35	-35	-38	-3	4
Tendering competition	Net %	33	43	53	31	17	23	32	16	39	33	42	9	8
Smoothed	Net %	34	43	52	27	24	24	24	29	29	38	38	0	3
Insufficient demand	%	67	72	78	67	66	72	72	69	69	69	74	5	4



μ – average

σ – standard deviation

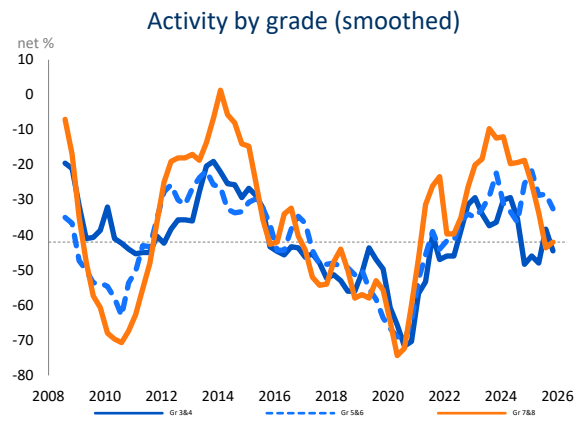
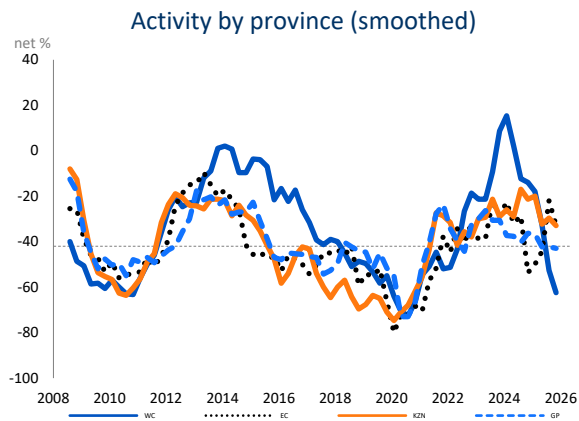
Δ – change from previous period

σ_{Δ} – volatility (standard deviation of the changes)

All of the above calculated over 2008Q3 to the present

See technical note for further details

TOTAL (GENERAL BUILDING AND CIVIL ENGINEERING)



μ – average

σ – standard deviation

Δ – change from previous period

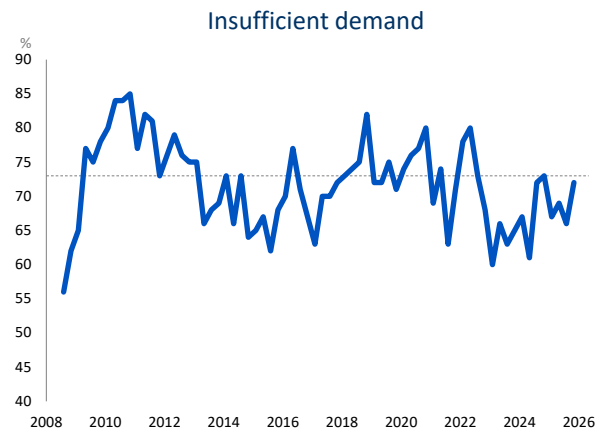
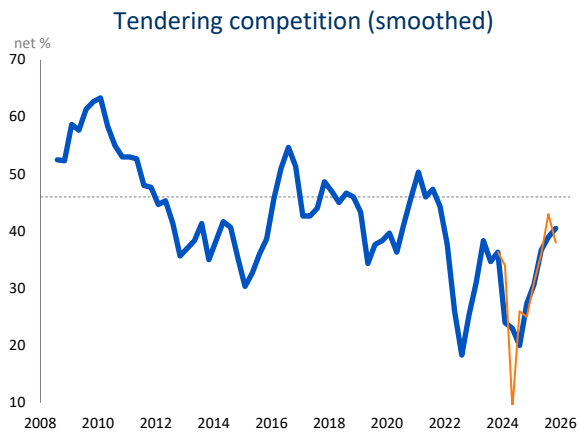
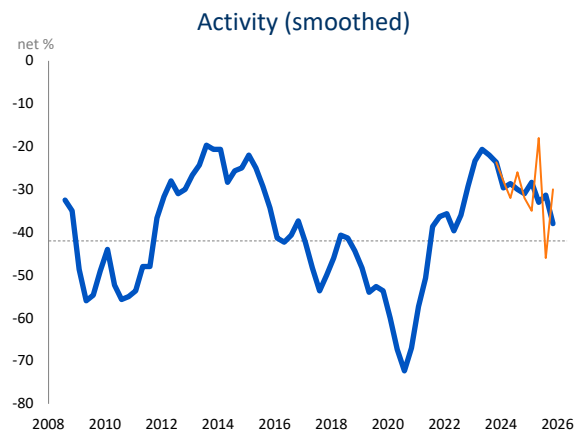
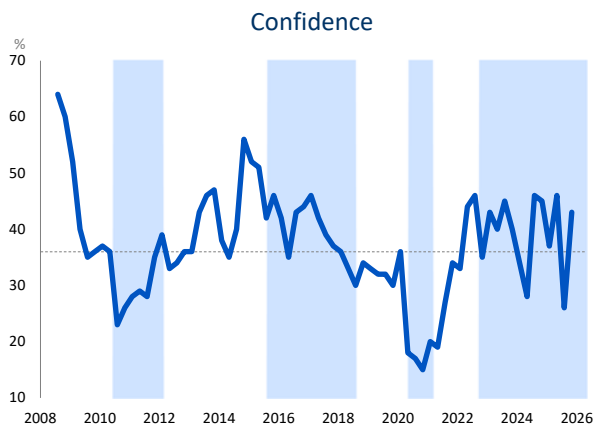
$\sigma\Delta$ – volatility (standard deviation of the changes)

All of the above calculated over 2008Q3 to the present

See technical note for further details

GENERAL BUILDING (GB)

Indicator	Unit	$\mu - \sigma$	μ	$\mu + \sigma$	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	25Q3	25Q4	Δ	$\sigma \Delta$
Confidence	%	28	37	47	34	28	46	45	37	46	26	43	17	7
Activity	Net%	-54	-39	-25	-28	-32	-26	-32	-35	-18	-46	-30	16	12
Smoothed	Net %	-52	-39	-27	-30	-29	-30	-31	-28	-33	-31	-38	-7	5
Tendering competition	Net %	30	42	54	34	9	26	25	31	36	43	38	-5	12
Smoothed	Net %	32	42	52	24	23	20	27	31	37	39	41	2	5
Insufficient demand	%	65	72	78	67	61	72	73	67	69	66	72	6	5



μ – average

σ – standard deviation

Δ – change from previous period

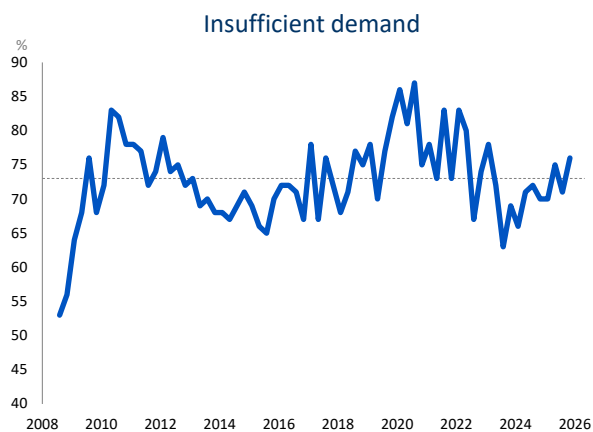
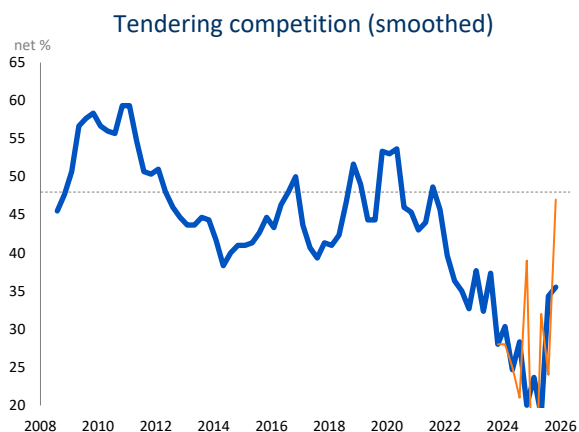
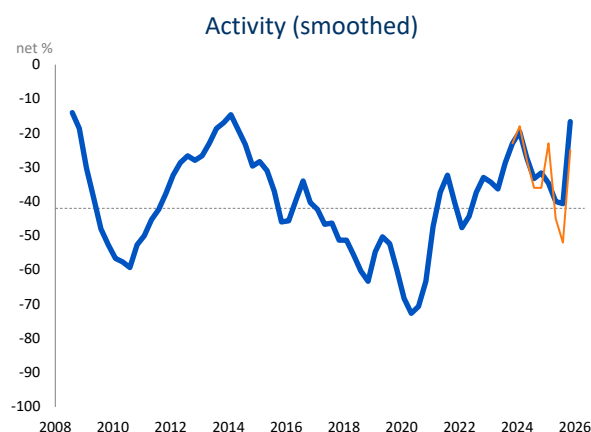
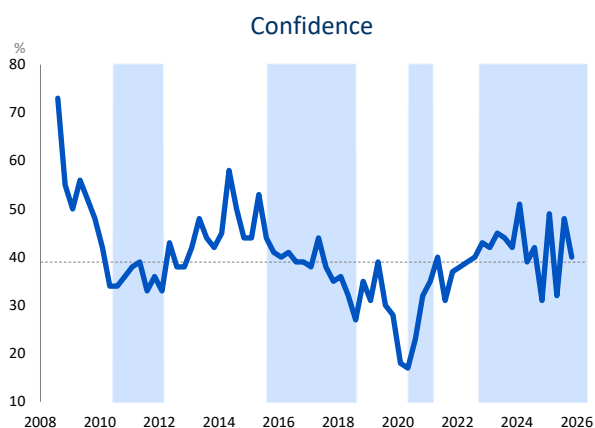
$\sigma \Delta$ – volatility (standard deviation of the changes)

All of the above calculated over 2008Q3 to the present

See technical note for further details

CIVIL ENGINEERING

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	25Q3	25Q4	Δ	σ_{Δ}
Confidence	%	31	40	49	51	39	42	31	49	32	48	40	-8	7
Activity	Net %	-56	-40	-24	-18	-28	-36	-36	-23	-45	-52	-25	27	11
Smoothed	Net %	-54	-40	-26	-20	-27	-33	-32	-35	-40	-41	-39	2	6
Tendering competition	Net %	32	44	55	28	25	21	39	0	32	24	47	23	12
Smoothed	Net %	35	44	53	30	25	28	20	24	19	34	36	2	4
Insufficient demand	%	67	73	79	66	71	72	70	70	75	71	76	5	6



μ – average

σ – standard deviation

Δ – change from previous period

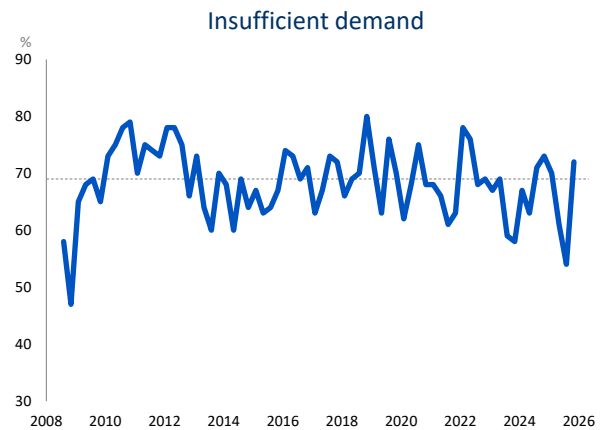
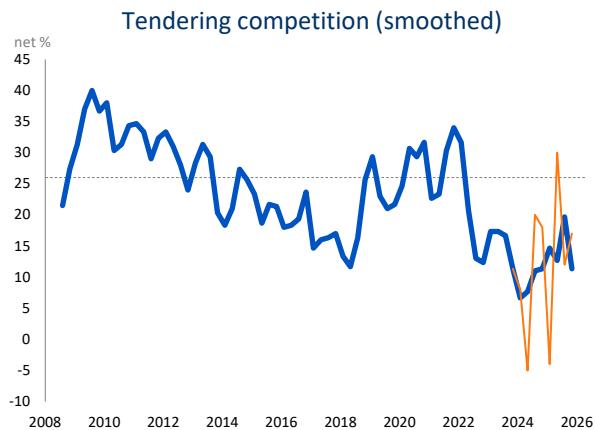
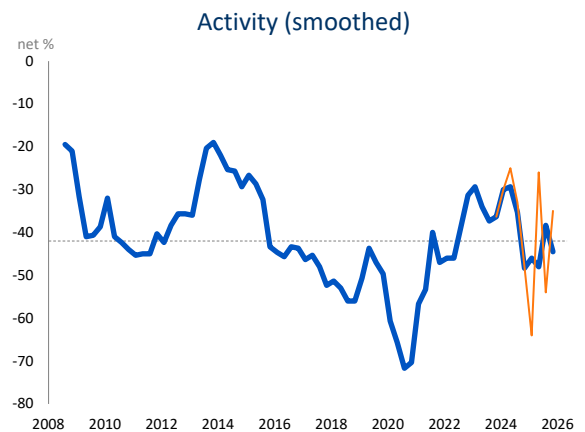
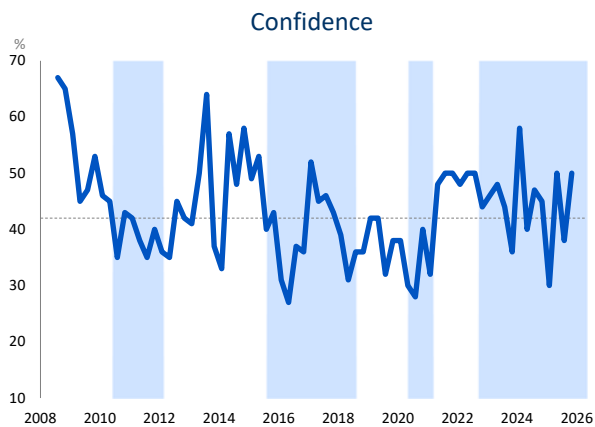
σ_{Δ} – volatility (standard deviation of the changes)

All of the above calculated over 2008Q3 to the present

See technical note for further details

GRADE 3 & 4

Indicator	Unit	$\mu - \sigma$	μ	$\mu + \sigma$	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	25Q3	25Q4	Δ	σ_{Δ}
Confidence	%	35	43	52	58	40	47	45	30	50	38	50	12	9
Activity	Net %	-56	-41	-26	-30	-25	-33	-48	-64	-26	-54	-35	19	16
Smoothed	Net %	-52	-41	-30	-30	-29	-35	-48	-46	-48	-38	-45	-7	5
Tendering competition	Net %	12	23	35	8	-5	20	18	-4	30	12	17	5	14
Smoothed	Net %	15	23	31	7	8	11	11	15	13	20	15	-5	4
Insufficient demand	%	62	68	75	67	63	71	73	70	61	54	72	18	7



μ – average

σ – standard deviation

Δ – change from previous period

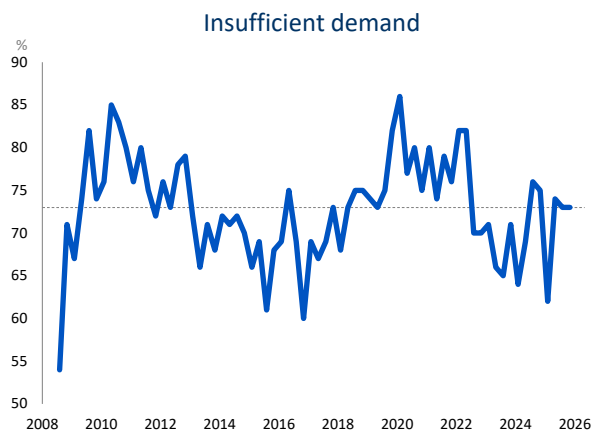
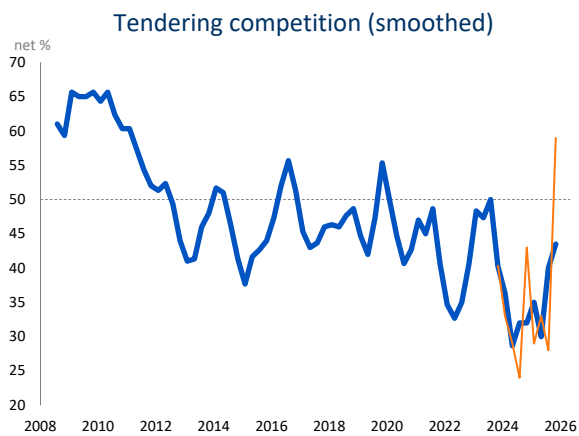
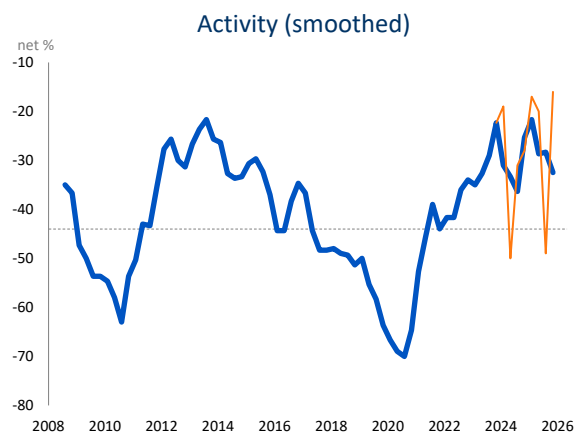
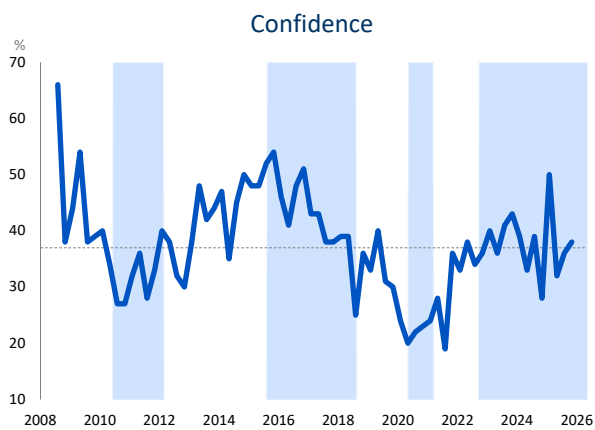
σ_{Δ} – volatility (standard deviation of the changes)

All of the above calculated over 2008Q3 to the present

See technical note for further details

GRADES 5 & 6

Indicator	Unit	$\mu - \sigma$	μ	$\mu + \sigma$	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	25Q3	25Q4	Δ	σ_{Δ}
Confidence	%	29	38	47	39	33	39	28	50	32	36	38	2	8
Activity	Net %	-55	-41	-26	-19	-50	-31	-28	-17	-20	-49	-16	33	12
Smoothed	Net %	-53	-41	-29	-31	-33	-36	-25	-22	-29	-28	-33	-5	5
Tendering competition	Net %	36	47	59	33	29	24	43	29	33	28	59	31	12
Smoothed	Net %	38	47	57	36	29	32	32	35	30	40	44	4	4
Insufficient demand	%	67	73	79	64	69	76	75	62	74	73	73	0	6



μ – average

σ – standard deviation

Δ – change from previous period

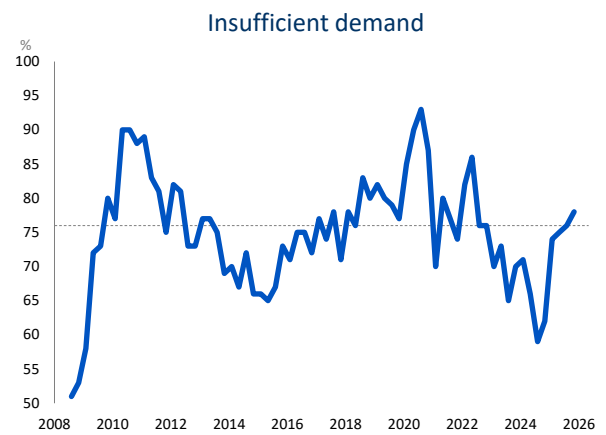
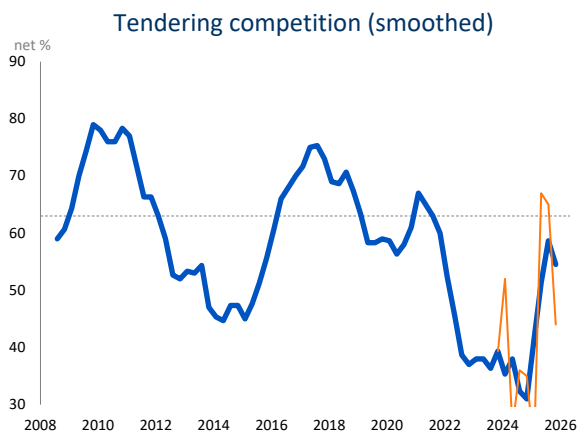
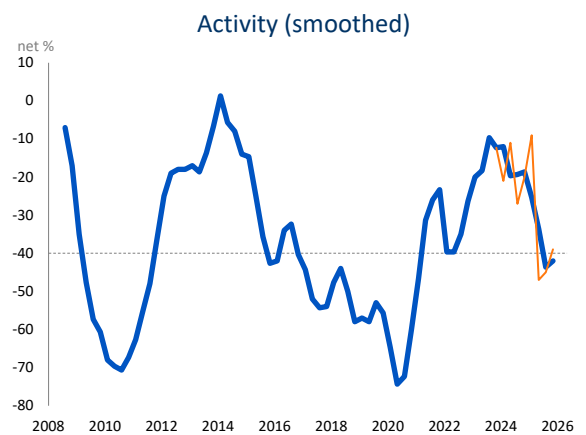
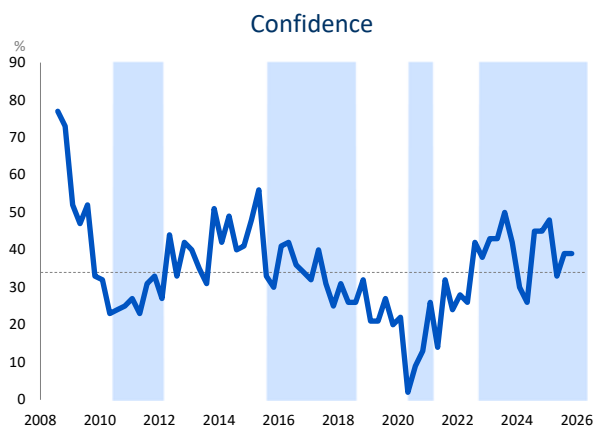
σ_{Δ} – volatility (standard deviation of the changes)

All of the above calculated over 2008Q3 to the present

See technical note for further details

GRADES 7 & 8

Indicator	Unit	$\mu - \sigma$	μ	$\mu + \sigma$	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	25Q3	25Q4	Δ	σ_{Δ}
Confidence	%	22	35	48	30	26	45	45	48	33	39	39	0	9
Activity	Net %	-59	-37	-15	-21	-11	-27	-20	-9	-47	-45	-39	6	15
Smoothed	Net %	-57	-37	-17	-12	-20	-19	-19	-25	-34	-44	-42	2	7
Tendering competition	Net %	43	58	72	52	26	36	35	22	67	65	44	-21	11
Smoothed	Net %	45	58	71	35	38	32	31	41	51	59	55	-4	4
Insufficient demand	%	67	75	83	71	66	59	62	74	75	76	78	2	6



μ – average

σ – standard deviation

Δ – change from previous period

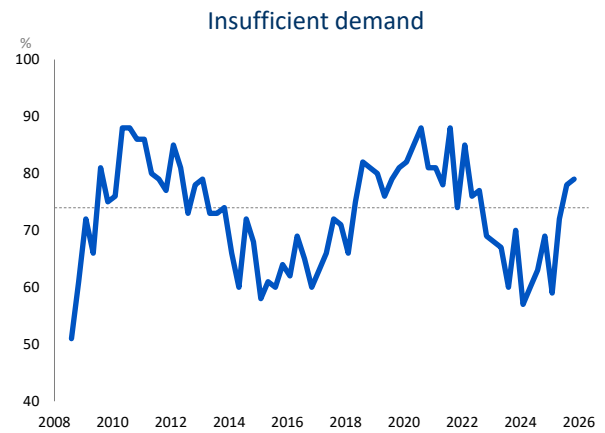
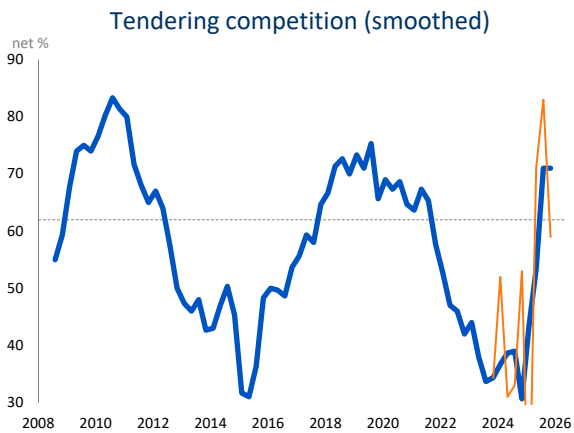
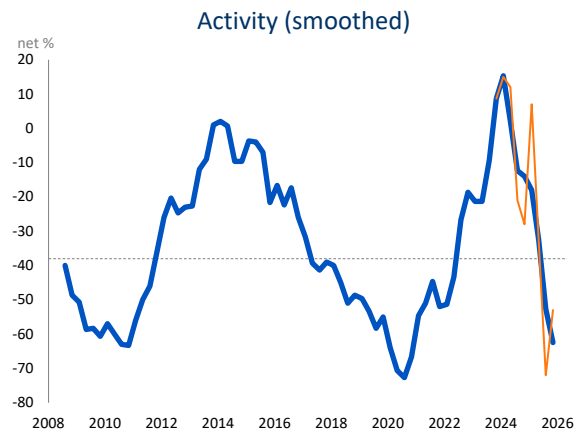
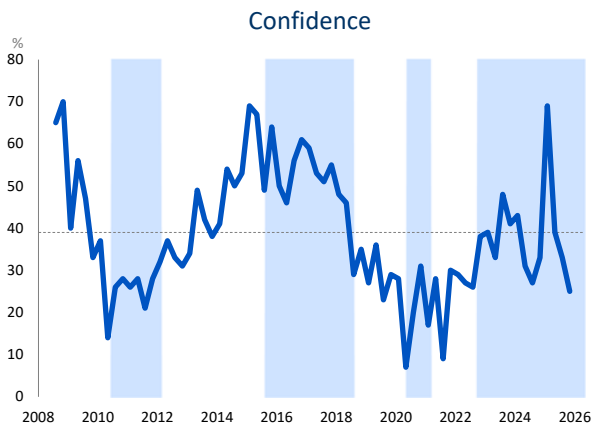
σ_{Δ} – volatility (standard deviation of the changes)

All of the above calculated over 2008Q3 to the present

See technical note for further details

WESTERN CAPE

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	25Q3	25Q4	Δ	σ_{Δ}
Confidence	%	24	39	53	43	31	27	33	69	39	33	25	-8	12
Activity	Net %	-59	-34	-9	15	12	-21	-28	7	-33	-72	-53	19	18
Smoothed	Net %	-57	-34	-12	15	2	-12	-14	-18	-33	-53	-63	-10	8
Tendering competition	Net %	40	57	74	52	31	33	53	6	71	83	59	-24	15
Smoothed	Net %	43	57	72	37	39	39	31	43	53	71	71	0	5
Insufficient demand	%	64	73	82	57	60	63	69	59	72	78	79	1	7



μ – average

σ – standard deviation

Δ – change from previous period

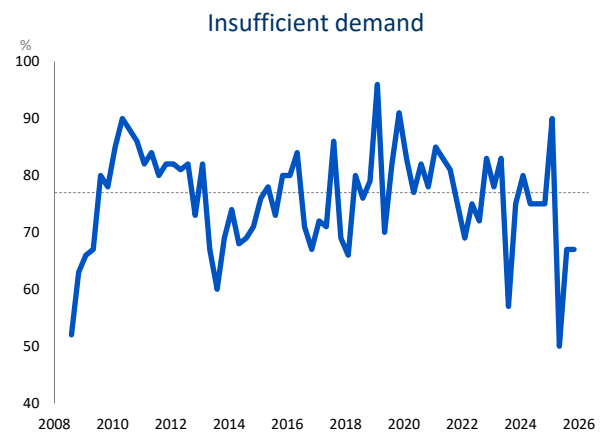
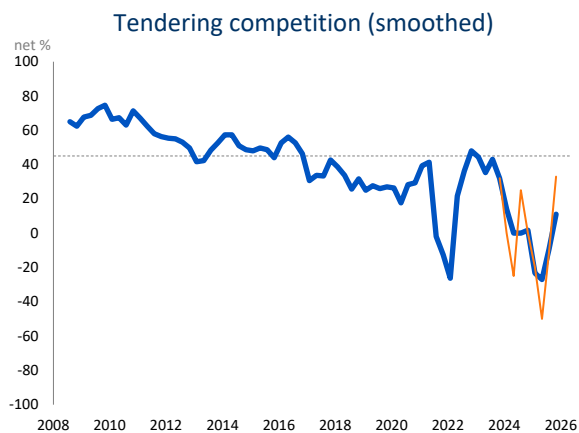
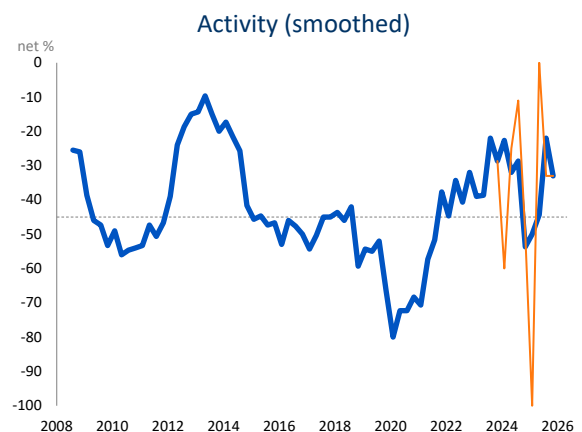
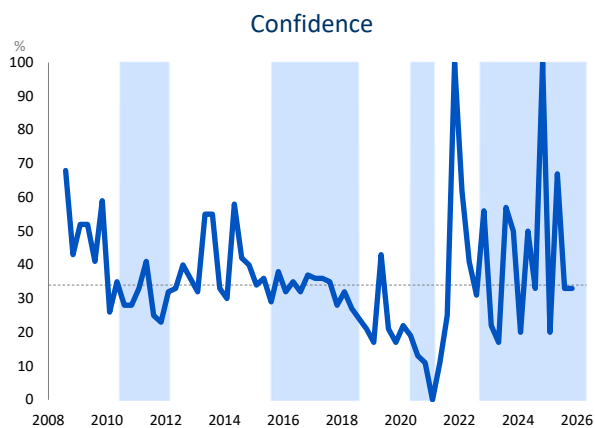
σ_{Δ} – volatility (standard deviation of the changes)

All of the above calculated over 2008Q3 to the present

See technical note for further details

EASTERN CAPE

Indicator	Unit	$\mu - \sigma$	μ	$\mu + \sigma$	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	25Q3	25Q4	Δ	σ_{Δ}
Confidence	%	19	36	54	20	50	33	100	20	67	33	33	0	22
Activity	Net %	-64	-43	-21	-60	-25	-11	-50	-100	0	-33	-33	0	27
Smoothed	Net %	-58	-43	-27	-23	-32	-29	-54	-50	-44	-22	-33	-11	8
Tendering competition	Net %	8	38	69	0	-25	25	0	-20	-50	-11	33	44	31
Smoothed	Net %	14	38	63	14	0	0	2	-23	-27	-9	11	20	11
Insufficient demand	%	67	76	85	80	75	75	75	90	50	67	67	0	10



μ – average

σ – standard deviation

Δ – change from previous period

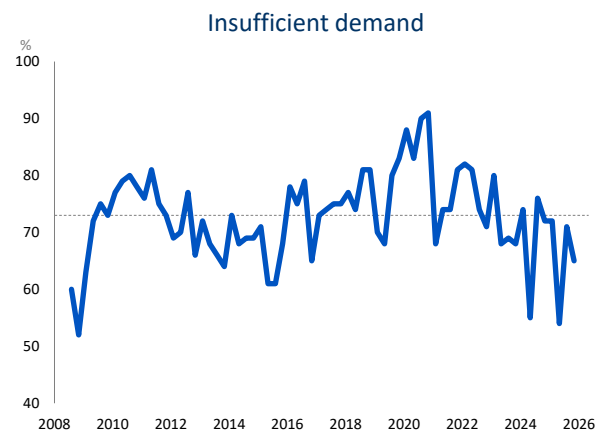
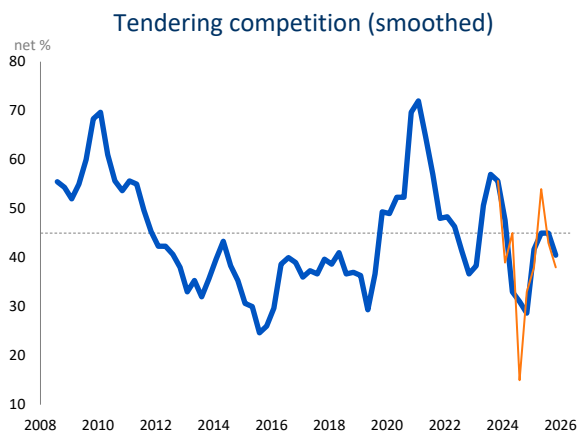
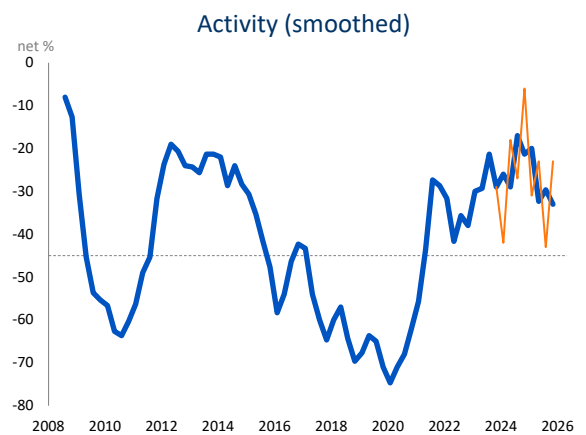
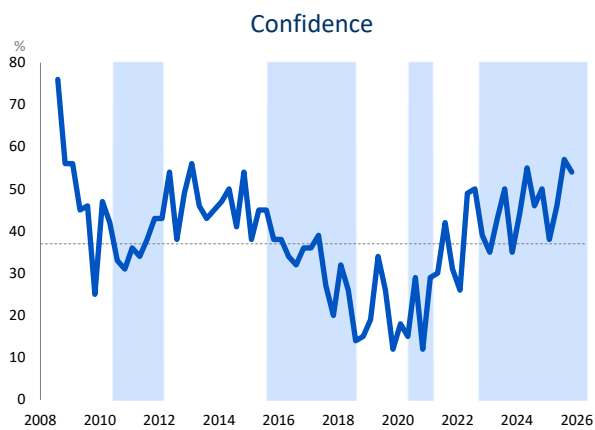
σ_{Δ} – volatility (standard deviation of the changes)

All of the above calculated over 2008Q3 to the present

See technical note for further details

KWAZULU-NATAL

Indicator	Unit	$\mu - \sigma$	μ	$\mu + \sigma$	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	25Q3	25Q4	Δ	$\sigma \Delta$
Confidence	%	26	39	51	44	55	46	50	38	46	57	54	-3	10
Activity	Net %	-61	-41	-22	-42	-18	-27	-6	-31	-23	-43	-23	20	15
Smoothed	Net %	-59	-42	-24	-26	-29	-17	-21	-20	-32	-30	-33	-3	7
Tendering competition	Net %	30	44	59	39	45	15	33	38	54	43	38	-5	16
Smoothed	Net %	33	44	56	48	33	31	29	42	45	45	41	-4	6
Insufficient demand	%	65	73	80	74	55	76	72	72	54	71	65	-6	8



μ – average

σ – standard deviation

Δ – change from previous period

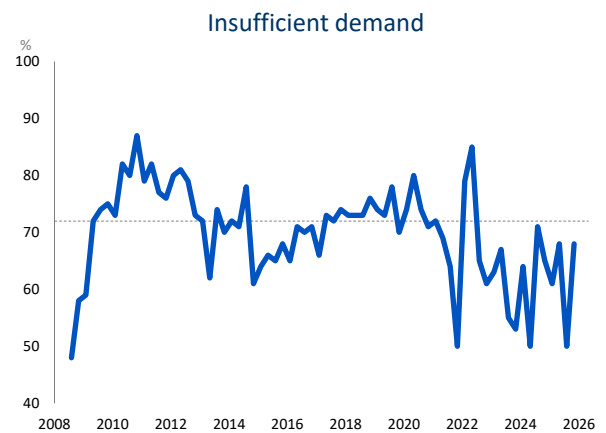
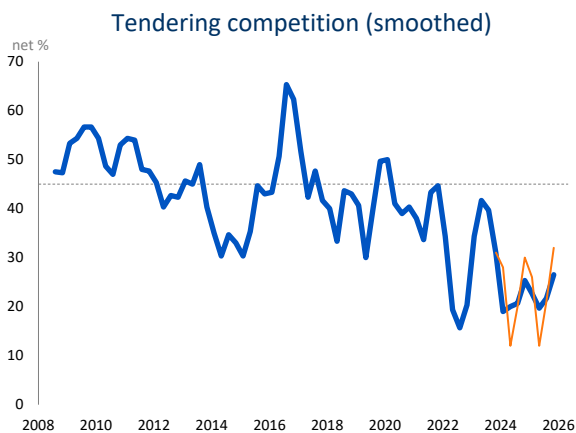
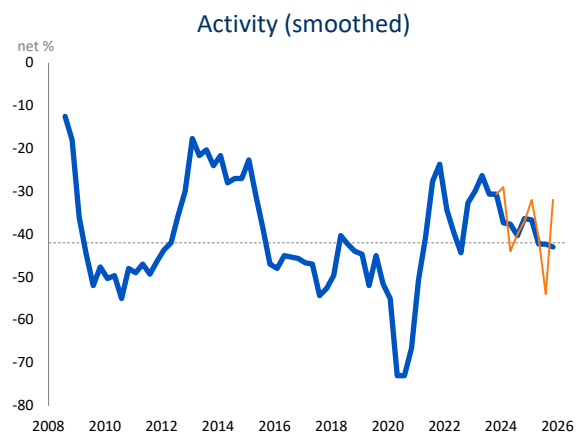
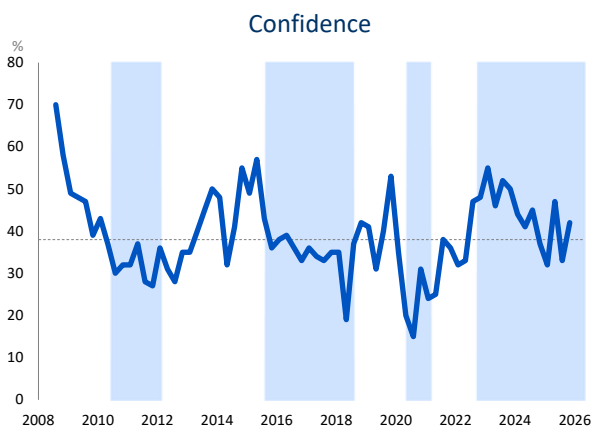
$\sigma \Delta$ – volatility (standard deviation of the changes)

All of the above calculated over 2008Q3 to the present

See technical note for further details

GAUTENG

Indicator	Unit	$\mu - \sigma$	μ	$\mu + \sigma$	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	25Q3	25Q4	Δ	$\sigma \Delta$
Confidence	%	29	39	49	44	41	45	37	32	47	33	42	9	8
Activity	Net %	-56	-40	-25	-29	-44	-40	-37	-32	-41	-54	-32	22	15
Smoothed	Net %	-53	-40	-28	-37	-38	-40	-36	-37	-42	-42	-43	-1	6
Tendering competition	Net %	25	40	56	28	12	20	30	26	12	21	32	11	16
Smoothed	Net %	29	40	52	19	20	21	25	23	20	22	27	5	6
Insufficient demand	%	61	70	78	64	50	71	65	61	68	50	68	18	8



μ – average

σ – standard deviation

Δ – change from previous period

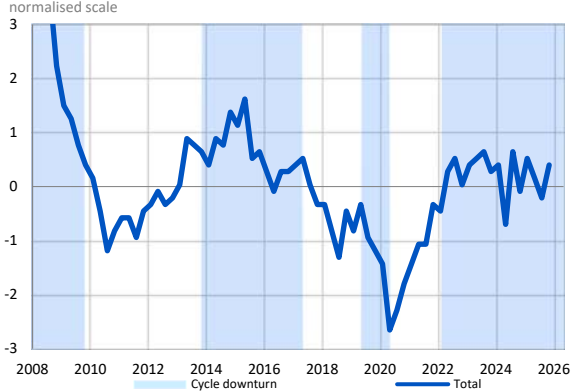
$\sigma \Delta$ – volatility (standard deviation of the changes)

All of the above calculated over 2008Q3 to the present

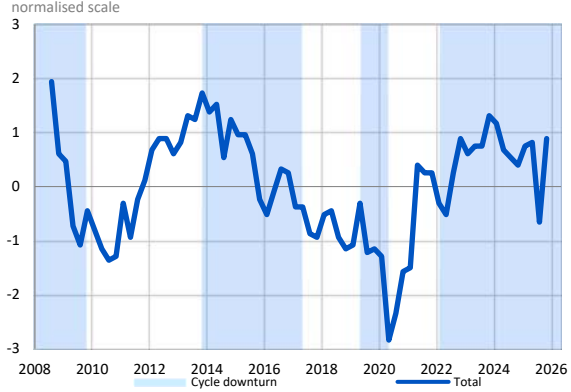
See technical note for further details

SUMMARY

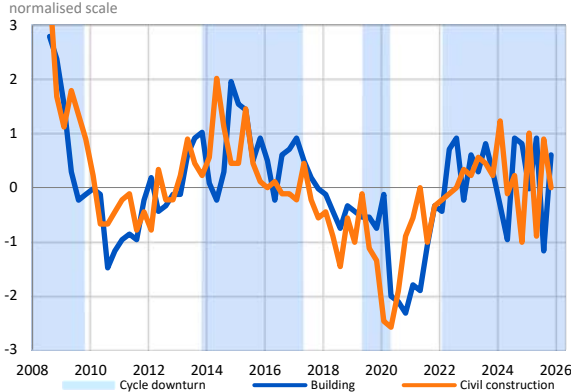
Confidence



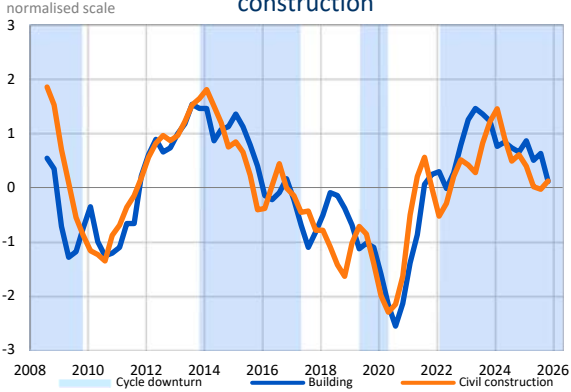
Activity



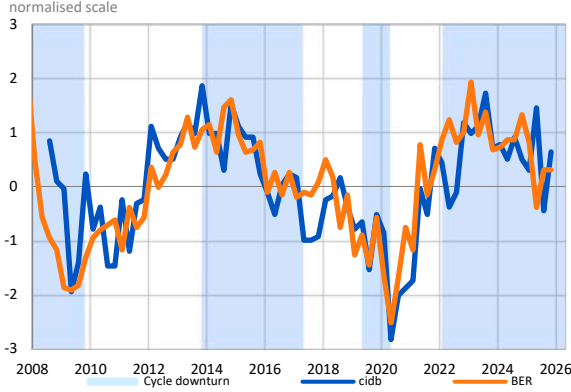
Confidence: building & civil construction



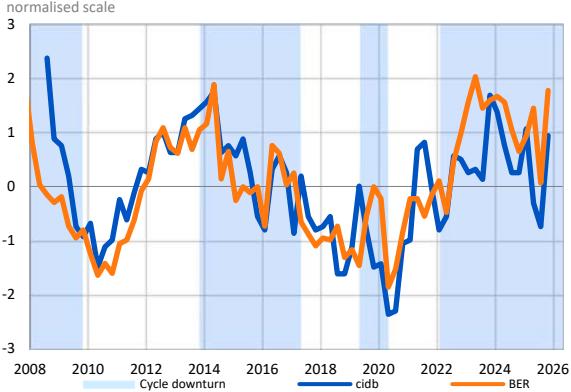
Activity (smoothed): building & civil construction



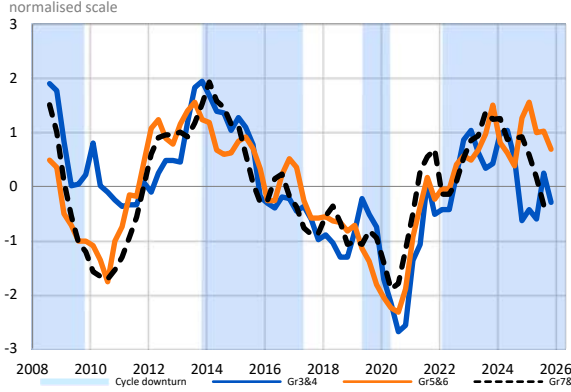
BER & cidb building activity



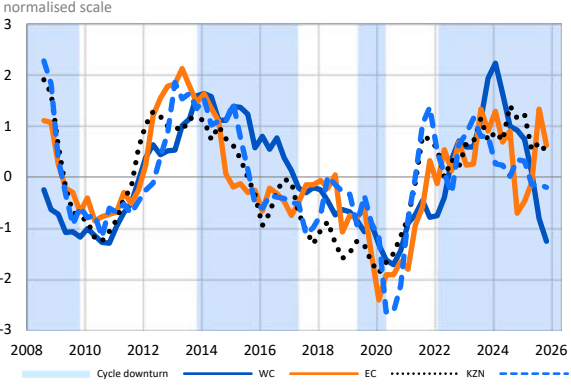
BER & cidb civil activity



Activity per grade (smoothed)



Activity per province (smoothed)



Technical note

The cidb has contracted the Bureau for Economic Research (BER) at Stellenbosch University to conduct a business tendency survey (BTS) among registered cidb contractors (Grades 3 - 8) operating in the building and civil engineering industries since the third quarter of 2008. Business tendency *survey results reveal information on the current state of affairs*. The survey results not only reveal earlier developments in activity, employment etc. (for which official figures are published), but also provide unique information, such as business confidence, tendering prices, business conditions, constraint indicators and respondents' expectations (or forecast) for the next quarter. It is now widely recognised that such subjective individual expectations play a key role in economic developments. Furthermore, the survey results of successive quarters *provide a means of tracking cyclical movements, pinpointing trend changes* and establishing forecasts.

THE SURVEY METHOD

The survey results are obtained from questionnaires completed by senior executives in the building and civil construction sector during the middle month of every calendar quarter.

The business survey questionnaire contains a small number of questions. These questions are qualitative in nature, e.g. "Compared to the same quarter a year ago, is the volume of building activity up, the same or down?". No figures are requested.

The sample of executives remains the same from one survey to the next. A panel is in effect established. The sample provides for the main sectors. The list of participants is reviewed every few years to replace those firms that went out of business or stopped responding during the previous two years with new ones.

To provide for widely differing sizes, each firm in the BER's manufacturing and trade surveys is allocated a weight based on its turnover. Firms in the BER's building and the cidb survey are not weighted. Participants have to complete a "participant details form" at the time of recruitment and every few years to ensure that their sector classification and turnover (optional) are correct. Firms that are registered for both general building and civil construction at the cidb, have to indicate which one generated the bulk of their turnover during the previous year.

The BER conducted its first survey of the manufacturing and trade (i.e. retail, wholesale and motor trade) sectors in 1954. The sector coverage was expanded to the building sector (i.e. main contractors and sub-contractors) in 1969. The BER also took responsibility for a quantitative building cost survey in that year. The breadth of the building survey was expanded on two occasions: 1) architects and quantity surveyors were added in 1986 in order to track developments along the whole building pipeline (i.e. from the initiation to the completion of projects) and 2) civil engineering contractors were added in 1997. The cidb survey is conducted since 2008.

The survey that the BER conducts on behalf of the cidb covers the same sectors than the BER's own surveys. To prevent confusing participants and duplication, a firm is allowed to participate in only one of the surveys. The cidb survey includes only firms with active grades 3 to 8 cidb registrations. The BER's surveys also include firms that are not registered at the cidb (this is more so in the case of the building than the civil construction sector) and firms with grade 9

registrations (this is more the case in the civil construction than building sector). The results per grade uniquely distinguish the cidb survey from the BER's own survey.

Consult the BER web page (www.ber.ac.za) for more information about the business tendency.

First quarter of 2019 changes in the “cidb Building & Construction” report

The original individual responses (the so-called micro data) were used to recalculate historical time series for all the sectors, grades and the four main provinces (Western Cape, Eastern Cape, KwaZulu-Natal and Gauteng) going back to 1992.

The selection of time series covered in the tables:

From the first quarter of 2019 onwards the BER includes only a selection of variables (time series) and added descriptive statistics in the tables of survey results to assist users with the interpretation.

A factor analysis has confirmed our experience that most of the time series move closely together over time. For instance, business confidence, activity, employment, profitability and constraints exhibit a high positive correlation (co-movement) with one another. There is also a negative correlation with some other variables, such as tendering competition and certain constraints. We have, therefore, limited the number of series covered in the report to those that have historically and according to the functional analysis proved to provide the most unique information and are necessary to obtain a full, balanced view of developments. All the variables are still covered as in the past and the information is available on request, but from the first quarter of 2019 onwards we only focus on the core findings.

This may prevent one from getting side-tracked by too much information and trying to explain results that are not statistically meaningful, such as rationalising differences between two series/variables or only focussing on the last two quarters.

Descriptive statistics provided in the tables:

Some of the survey results are quite volatile. This volatility results in a situation where the user does not know how much value to attach to a specific result (i.e. the signalling impact of the results are hampered) because -10, for instance, is a significant result in one case and merely an average in another.

The volatility could be attributed to many factors, such as sector disaggregation, sector heterogeneity, respondent behaviour, survey design or it could merely correctly reflect actual developments or uncertainty. Generally the results at the aggregate (total) level are less volatile than at the disaggregated level (i.e. total building compared to residential sector). The results of heterogeneous sectors, such as those in which only a few firms operate, a few large firms dominate many small firms or widely divergent kinds of activity are covered, tend to be more volatile than homogeneous sectors. Survey design, such as the representativeness of the sample, the number of completed questionnaires (usually below 30) and weighting, could also play a role.

Thanks to many years of experience the BER knows when a particular result is noteworthy. However, to formalise this and correctly identify signals, we have added some descriptive statistics to the tables. The purpose of these statistics is to indicate the significance of the level or change in each indicator, relative to its own historical pattern.

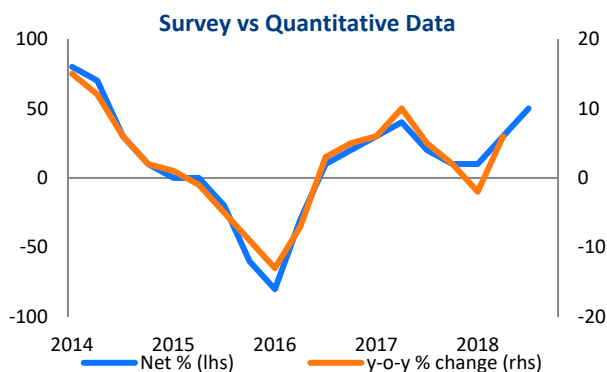
THE UNIQUE UNITS OF MEASUREMENT OF QUALITATIVE SURVEYS

Net percentage (net %)

The responses related to the change in activity, prices, employment, business conditions etc. are presented as a “net percentage” (also called a “net balance” or a “net majority”). If, for example, the percentages of respondents rating building activity as “higher”, the “same” or “lower” compared to a year ago are 70%, 10% and 20% respectively, then one can conclude that the majority of participants experienced higher activity. The net percentage is calculated as the percentage of respondents rating “activity” as higher less the percentage rating it as “lower”. The percentage rating it as the “same” is ignored. The net percentage in this example is therefore 50%, being the difference between the 70% “higher” and the 20% “lower”. A net percentage of –10%, for instance, would indicate a decline in activity compared to a year ago. Take note that this does not mean a year-on-year contraction of 10%. It only means that the activity of a majority of 10% of the respondents was lower compared to a year ago.

The net percentage, or net balance statistic, can theoretically vary between a minimum of -100 (when all participants replied “lower”) and a maximum of +100 (when all respondents replied “higher”). Theoretically a value of zero, therefore, indicates no change, between 0 and 100 reflects a rise (or improvement) and between 0 and –100 a decline (or deterioration) compared to the same quarter a year ago. The net balance statistic is a diffusion index, i.e. it indicates the degree to which the indicated change is “diffused” (spread) throughout the sample population. It indicates both the direction and size of the change.

Given that it reflects respondents’ estimation of the change in the phenomenon/variable in the current quarter relative to the same quarter a year ago, the net percentage corresponds to a year-on-year percentage change/growth rate in the corresponding/equivalent official data series (see the figure on the right).



Percentage (%)

The responses relating to business confidence and constraints are presented as percentages.

In the case of business confidence, respondents have to rate prevailing business conditions as either “satisfactory” or “unsatisfactory”. The percentage of respondents rating prevailing business conditions as satisfactory is taken as an indicator (proxy) for business confidence. A reading of 10 for business confidence, for instance, means that only 10% of the respondents indicated that they were satisfied. In this example, 90% were, therefore, unsatisfied.

In the case of the constraints, respondents have to rate if a particular issue – for instance, a shortage of skilled labour – “seriously”, “slightly” or “not at all” hampers their activity. Composite constraint indices are calculated by weighting the responses as follows: The answers of respondents rating a particular constraint as “serious” are weighted by 0.67%; “slightly” by 0.33%

and “not a constraint at all” are discarded. The results are then multiplied by $100/67 = 1.49$ to convert it to an index that can vary between zero and 100.

Care must be taken when making inferences from the constraints indices given that the list of constraints (issues) remains unchanged over time. Each constraint ought to be analysed relative to its own historical performance rather than comparing the ratings of the different constraints at a specific point in time. The latter inference would be more appropriate if respondents had to list all issues hampering their activity at a particular point in time and rank them in order of their impact.

Theoretically, the confidence and constraints series can vary between a minimum of zero and a maximum of 100. A value of zero would reflect an extreme lack of confidence/no limitation at all and 100 extreme confidence/complete limitation. These results reflect respondents’ evaluation of the phenomenon/the survey variable in respect to that specific survey quarter, i.e. not relative to some period in the past or future.

DESCRIPTIVE STATISTICS IN THE TABLES

Three-quarter centred moving average (smoothed)

Some series show erratic/volatile movements, i.e. data jumps around quite a bit between consecutive quarters. In such cases, it is necessary to smooth these movements over a longer period to obtain a general trend. Another case where we added moving averages is when the correlation between the survey results and the corresponding reference series is low or non-existent.

Three-quarter centred moving averages (3qcm) were selected in order to not disturb turning points too much, e.g. the moving average of 17Q4 is calculated as the average of 17Q3, 17Q4 and 18Q1, that of 18Q1 is calculated as the average of 17Q4, 18Q1 and 18Q2 etc. In order for the smoothed series to run up to the last unsmoothed data point, the last smoothed data point is only the average of two quarters, namely the previous and current quarter.

When a smoothed series is added, it is prudent not to attach too much value to the unsmoothed results of a particular quarter, but rather to evaluate it in its historical context.

Seasonal adjustment (SA)

In theory, the time series ought to display no seasonal patterns because respondents are instructed to compare the current quarter with the same one of a year ago (e.g. they have to compare the current Festive Season or wet/dry winter period with the same time a year ago). However, in practice, some series nevertheless reveal seasonal patterns, probably because some respondents incorrectly compare the survey quarter with the one directly preceding it. In such cases, a seasonally adjusted series (i.e. where such seasonal variation is eliminated with X12 ARIMA) is added.

Average (μ)

The neutral level of the time series for the two measurement types, net percentage and percentage, is 50 or zero respectively. The long-term average (mean) is often not equivalent to this neutral level. In such cases, it is more useful to evaluate the current results relative to such a long-term average than the neutral level.

One standard deviation below ($\mu-\sigma$) and above ($\mu+\sigma$) the average

The standard deviation indicates the common variation in or dispersion of the values. Data points falling between one standard deviation below and above the average could be regarded as common. Any data point falling outside these ranges, therefore, displays statistically significant variation.

Change (Delta: Δ)

This statistic indicates the change in the results of the latest quarter relative to the preceding quarter.

Volatility (standard deviation of the deltas: σ_Δ)

This statistic indicates the volatility of the quarter-on-quarter change. If the size (regardless if it is an increase or decline) of the change is greater than the standard deviation of the deltas, then it displays a statistically significant variation.

CONVENTIONS AND AIDS PROVIDED IN THE CHARTS

Shaded areas

Indicates cyclical downturns as demarcated by the South African Reserve Bank. Users need to take note that the business cycle could have already reversed course towards the end of the period covered in the chart, but usually we wait until the bank determines a turning point before changing the shaded areas.

Solid vs. dotted horizontal (X) axes:

A solid line indicates the theoretical mid-points of 50 or zero respectively, while a dotted line indicates the long-term average (mean). Also see the section on the “average” above.

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