

## **Construction industry – the first quarter**

Since experiencing its first recession in seventeen years, the South African economy continues to weather the storms of the economic downturn. As one of the industries that was hardest-hit, most in the construction industry remain vulnerable to the pressures of the 2008 global recession as they struggle to rise above it. The subsequent contraction in commercial and public works projects and the housing downturn is yet to show a significant improvement. In the meantime, the industry has to be content with the low-margin environment created by the recession and stiff competition for the little work there is.

The first quarter of 2014 has seen confidence levels rise from 48 points in the last quarter of 2013 to 52 points in this quarter. Unfortunately, with little activity recorded in the industry, there have not been enough jobs to match this increase. Despite the positive sentiment, the increase in commercial building work has been minimal while the residential market has continued to decline. However, other sectors in the industry such as quantity surveying and architecture have recorded better results, with the rise in confidence levels matching the achieved results.

As an industry that heavily relies on government support, players are eager to see the roll-out of promised projects. Through the 2014 budget, the government committed to initiatives such as accelerated infrastructure investment, new development plans for cities and more public works programmes in an effort to give the industry the boost it so desperately needs. Despite the limited budget and the range of competing priorities government has to address, infrastructure investment ranks highly amongst these as it has the potential to resolve some of the more pressing public interest issues such as unemployment.

With the government keen to boost future growth, there are positive signals in the industry. Capital expenditure by public sector institutions is expected to grow. The Infrastructure Development Fund and the Presidential Infrastructure Coordinating Commission (PICC) were established to coordinate infrastructure spending set up to ensure a smooth flow of projects. It is expected that some of these efforts will start to bear fruits in the short to medium term.

Some of the major projects that have been on hold are now starting to progress. With the current undertaking from government to remove obstacles that have been causing backlogs and stalling of some of these projects, the second quarter is expected to show better signs of growth.

While there is increasing hope of recovery in the local market and confidence levels are growing, the future remains uncertain. It is not surprising that some of the bigger players have started looking beyond the South African borders for growth. Spurred by opportunities presented by globalisation, Africa now presents a new market into which the industry can export its services and expertise.

The industry now looks forward to a better second quarter that will see the translation of some of these plans.