

Building confidence down

The fall in the FNB/BER building confidence index indicates that conditions in the building industry have deteriorated further. The index fell by 11 points to 41 in the second quarter. Falling growth in South African building activity has left about 60% of construction companies surveyed dissatisfied with business conditions in the second quarter, the latest First National Bank-Bureau for Economic Research building confidence index showed.

The index indicated that weakness in the sector was underpinned by the falling activity levels of main contractors in both residential and non-residential projects. This resulted in overall confidence plummeting 11 index points to 41, down from 52 index points out of a possible 100 in the first quarter. FNB property economist John Loos said a further decline in residential building activity in South Africa was expected. But the slowdown in non-residential activity, which up until now had helped lift the sector, was surprising and would weigh on the outlook.

Confidence in all the sub-sectors of the index was lower, with manufacturers of building material registering the biggest fall. "When you have got an economy that's heading towards a recession and significant vacancy rates by the sound of it in office space, one can't be too surprised," Mr Loos said. "The general mood is not wonderful at the moment."

The weakness in the domestic building sector was further reflected in the activity of main contractors. Building activity for both residential and non-residential main contractors declined during the quarter. As a result, the confidence of main contractors edged lower to 45 index points in the second quarter, from 49 in the first.

'The fragility of the domestic market is further highlighted by the sharp decline in domestic sales for both retailers and manufacturers of building materials. Although the results regarding the building pipeline are mixed, on balance it is negative. This dampens the outlook for the sector going forward. In addition, weaker economic growth will also weigh on the sector.'

Source : Business Day 18/06/2014, Engineering News 18/06/2014, IOL Property 19/06/2014