

PRESS RELEASE:

Civil contractor sentiment falls to a historic low, general builders also remain under pressure

Pretoria 16 October 2018: The cidb SME business conditions survey showed that civil contractor confidence fell by 6 index points to a historic low of 27 during the third quarter. Weakness in all the underlying indicators, especially construction activity, supported the drop in confidence. Discouragingly, demand for new construction work remains a constraint and implies that activity growth is likely to remain under pressure in the near future.

From a grades perspective, confidence fell to historic lows of 25 and 15 for Grades 5 and 6 as well as Grades 7 and 8 respectively. Respondents in these grades experienced a sharp slowdown in activity which weighed on profitability.

General building confidence has been trending downwards since the beginning of 2017. During the third quarter, business confidence shed another 3 index points to register a level of 30. Ntando Skosana, Project Manager for Monitoring and Evaluation at the cidb commented, "Business confidence amongst general builders fell to its lowest level in almost seven years. Unfortunately, the outlook for this sector does not look promising, as the demand for new building work remains a constraint."

Skosana remarked that "The third quarter survey results suggest that pressure on smaller building contractors in particular is escalating". Since last year this time, business confidence for Grades 3 and 4 builders has dropped by a cumulative 19 index points to a historic low of 28.

On a provincial level, the deterioration in sentiment for both general builders and civil contractors in the Western Cape was of particular interest. "After outperforming other provinces for some time before this quarter, building and civil contractors in the Western Cape recently came under pressure – in line with the other provinces" remarked Skosana.

"The fact that the lower confidence was so pervasive across grades and provinces highlights the broad-based nature of weakness in the building and construction sectors" concludes Skosana.

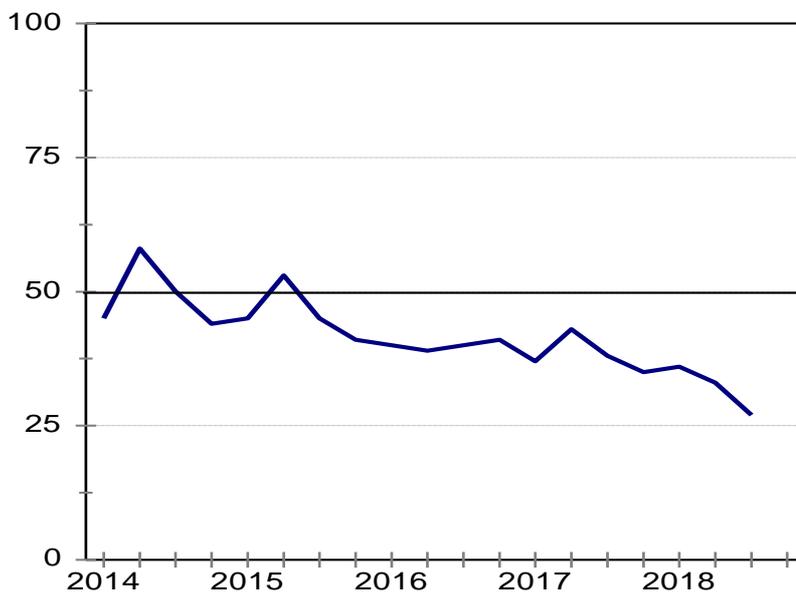
About the survey:

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 2018Q3 survey was conducted during the period 30 July and 4 September 2018.

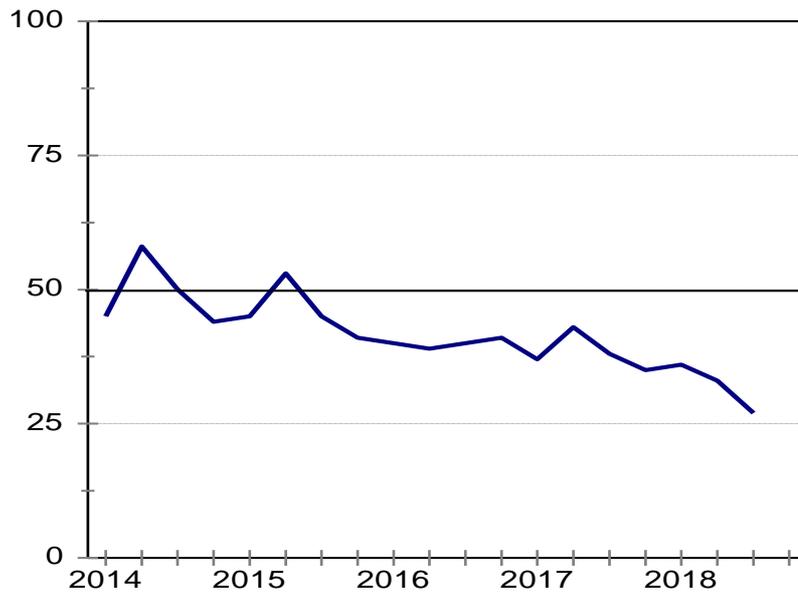
**Civil Engineers:
Business confidence**



Source: BER, Stellenbosch University

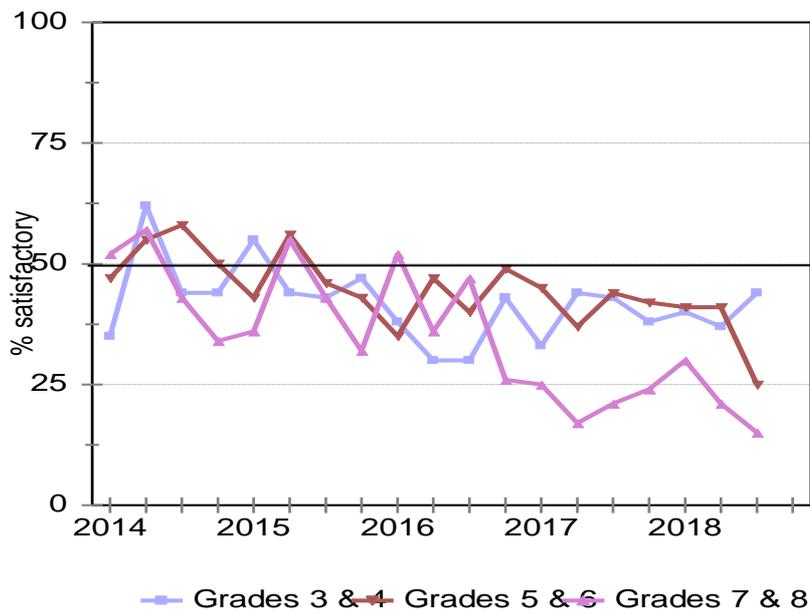


**Civil Engineers:
Business confidence**



Source: BER, Stellenbosch University

**Civil Engineers:
Business confidence per grade**



Source: BER, Stellenbosch University



