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STATE OF THE SOUTH AFRICAN CIVIL ENGINEERING INDUSTRY

South African Forum of Civil Engineering Contractors
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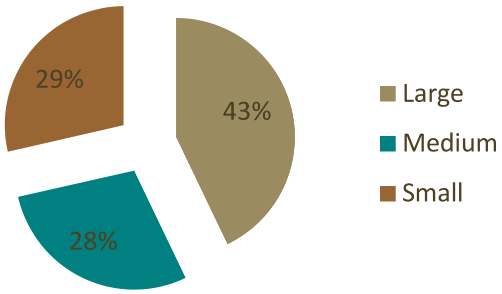
EXECUTIVE SUMMARY

The global pick up, anticipated by the IMF in the April 2017 world economic review, remains on track. The global economy is still expected to grow by 3.5 percent in 2017, rising marginally to 3.6 percent in 2018, supported by more buoyant financial markets and a cyclical recovery in manufacturing and trade. Projections by the IMF for the South African economy are largely in line with local economists and institutions, with growth expected to remain relatively flat, increasing moderately from 0.3 percent in 2016 to 1.0 percent in 2017. The domestic economy grew by 2.5 percent y-y in the 2nd quarter of 2017, clawing back from a technical recession following two quarters of negative growth. Inflation averaged 5.0 percent in the first seven months of the year, will inflation expected to remain with the target band for the next two to three years. Business confidence however remains weak, and fell to the lowest level since 2009, in the 2nd quarter of 2017. Two main stumbling blocks to restore higher levels of economic growth are highlighted by various credit rating agencies, including political stability and the impact of government's proposed "radical economic transformation" policy on already weak business and investor sentiment.

Survey participation fell in the 3rd quarter of 2017, due to a drop in the participation by medium size companies.

Sample profile | 2017Q3



Key observation:

- Employment continued to contract and fell by 0.3 percent in the 2nd quarter of 2017, following the 1.4 percent decrease in the previous quarter.
- Labour brokers represented 5.7 percent of the total reported work force, compared to 5.1 percent in the previous survey and an average of 3.4 percent in 2016.
- The total value of civil engineering construction certified for payment increased by 16.7 percent q-q in the 2nd quarter of 2017 compared to the 1st quarter, following three quarters of consecutive declines. All three firm size categories reported a q-q increase in values.
- Higher salary and wages were reported across all firm size categories, the largest being the 20.1 percent increase reported by medium firms.
- The overall value of the two-year forward order book increased by 2.3 percent q-q following the 0.7 percent contraction in the previous survey. Medium size firms reported the strongest decrease in order books, down 38.3 percent q-q, while larger firms reported an increase of 4.8 percent. Medium size contractors became increasingly pessimistic regarding the outlook for order books in this survey, compared to last survey, as the nett satisfaction rate (again) dropped to -100.0.
- The value of late payments represented 14.8 percent of total turnover, a welcome improvement from an average of 21 percent in 2016. Fees outstanding for more than 90 days represented 9 percent of the total amount outstanding, also an improvement from an average of 18 percent in 2016.
- The contribution of the road market segment fell to 39.4 percent of total turnover, while the contribution of earthworks rose to 11 percent.
- The contribution by provincial and local governments moderated to 15.7 percent and 15.9 percent, while the contribution by central government increased modestly to 13.7 percent. Larger firms are mainly focussed around Parastatals and Private sector clients, while medium size firms are more focussed in terms of provincial and local governments.
- Smaller firms earned more than 60 percent of their turnover from local government, highlighting their vulnerability to local government infrastructure expenditure programmes.
- KwaZulu-Natal continued to contribute the largest share at 22 percent, but this was lower compared to the 2nd quarter survey (27 percent). Gauteng's contribution increased to 17 percent (from 12 percent), while the

contribution by the Western Cape and Eastern Cape moderated slightly to 15 percent and 14 percent respectively.

- Competition for tenders remain fierce, as 79.9 percent of companies reported that there were more than 11 bids per contract.
- Tender prices came under renewed pressure in this survey, with 55.2 percent of contractors reporting very low tender prices (up from 52.6 percent and 37 percent in the previous two surveys).
- The outlook on profitability was divided. While there was an increasing number of contractors that reported very low levels of profitability (rising from 28.4 percent to 42.5percent), an increasing number of contractors also expressed satisfactory levels of profitability (rising from 18 percent to 34.7 percent). Majority of contractors (across all firm size categories) however continue to expect profitability trends to deteriorate, with 60.4 percent saying margins will recede.
- None of the participating contractors reported better than satisfactory levels in terms of tender activity
- Opinions related to the awarding of contracts however interestingly showed some improvement in the 3rd quarter survey, as 32.4 percent of contractors (mainly larger contractors) reported satisfactory levels.
- The cancellation rate (the number of projects cancelled in relation to the number of projects out to tender), increased from an average of 9 percent in 2016 to an average of 20 percent in the first eight months of 2017, the highest level dating back to 2009 (inception of the dataset).
- The estimated value of civil projects out to tender, based on project lead information supplied by Databuild, fell by 67 percent y-y in the 2nd quarter of 2017, following the 16 percent decrease reported in the 1st quarter. The value of road contracts out to tender fell by 13 percent y-y during the 2nd quarter of 2017, while the value of water projects out to tender fell by 27 percent y-y.
- Majority of firms (47.5%) reported capacity utilisation in terms of general plant and resources at between 76 and 90 percent, on par with the average of 49 percent during the previous two surveys.
- Financial results from several listed construction companies were released during the last quarter, including Basil Read, Group 5, WBHO, Aveng and a news update from M&R. Results were largely negative, evident of the tough working conditions experienced in the construction sector.
- All of the larger contractors reported a poor outlook for the sector, a sentiment shared by the medium contractors. Smaller firms have an equally negative sentiment, but there are some that have reported satisfactory levels. Majority however (66 percent) expect poor to very poor conditions to prevail. The nett satisfaction rate in the confidence index therefore drops from -77.9 (Q2) to -94.7 (Q3).
- Input cost price movements based on the Baxter contract price adjustment formula (CPAF) moderated to an average annual increase of 5.5 percent in the 2nd quarter of 2017, from 7.8 percent in the 1st quarter. Lower cost inflation was supported by a lower rate of increase across all four of the sub-indices, including materials (slowing from an average increase of 10.4 percent (Q1) to 8.2 percent (Q2), fuel to 7.9 percent (from 19.2 percent (Q1), plant from 3.3 percent (Q1) to 2.3 percent and consumer inflation which averaged 5.3 percent in Q2 from an average of 6.3 percent in Q1. Pending further developments in the oil price and currency vulnerability, and an adjustment to the projected escalation in selected indices, we expect the composite index to increase by an average rate of 6.0 percent (against a previous forecast of 6.7 percent (2nd quarter review).
- Several key issues continue to affect the local civil industry, including domestic economic woes, poor roll out of government projects, policy uncertainty, skills, loss of institutional capacity and leadership, further aggravated by the implementation of changes to the Preferential Procurement Policy Framework.

ECONOMIC BACKGROUND

Global Outlook

The global pick up, anticipated by the IMF in the April 2017 world economic review, remains on track. The global economy is still expected to grow by 3.5 percent in 2017, rising marginally to 3.6 percent in 2018, supported by more buoyant financial markets and a cyclical recovery in manufacturing and trade. However, although global growth outlook remained unchanged, contributions by countries have shifted somewhat since the April 2017 review. US growth projections are now lower, mainly due to the assumption that fiscal policy will be less expansionary that expected. Growth has been revised upward for Japan, China and the Euro area. Although risks to the global growth outlook is fairly balanced, they remain skewed to the downside over the medium term. On the upside there could be a more profound rebound in the Euro area, as political risk diminished, while on the downside rich market valuations and low volatility in an environment of policy uncertainty raise the likelihood of a market correction, which could dampen growth and confidence. Risks noted in the previous report, namely a turn toward inward looking policies and geopolitical risks remain relevant.

The outlook for emerging and developing economies remains positive, as the IMF expects a sustained pickup in activity, with growth rising from 4.3 percent in 2016 to 4.7 percent in 2017 and 4.8 percent in 2018. Growth is primarily driven by commodity importers. China's growth is expected to remain at 6.7 percent in 2017 (on par with growth in 2016), while growth in India is projected to gain further momentum. The outlook for Sub-Saharan Africa however remains challenging. Growth is projected to rise in 2017 and 2018, but remain in negative territory in per capita terms. The slight improvement in growth is largely due to an upgrade in the outlook for South Africa, supported mainly by a recovery in the agriculture sector. The outlook for South African remains uncertain, with elevated political uncertainty and weak consumer and business confidence.

Projections by the IMF for the South African economy are largely in line with local economists and institutions, with growth expected to remain relatively flat, increasing moderately from 0.3 percent in 2016 to 1.0 percent in 2017. Overall, growth for Sub-Saharan Africa is expected to be 2.7 percent and 3.5 percent in 2017 and 2018 respectively. Output in Nigeria is expected to improve, following disruptions in the oil sector coupled with foreign exchange, power

Table 1: GPD Y-Y percentage change (Source IMF World outlook July 2017)

	2013	2014	2015	2016	2017	2018
World	*3.4%*	*3.4%*	*3.2%*	*3.1%*	*3.5%*	*3.6%*
Advanced Economies	*1.4%*	*1.8%*	*2.1%*	*1.7%*	*2.0%*	*1.9%*
US	2..2%	2.4%	2.6%	1.6%	2.1%	2.1%
Eurozone	-0.4%	0.8%	2.0%	1.7%	1.9%	1.7%
UK	1.7%	2.9%	2.2%	1.8%	1.7%	1.5%
Emerging markets	5.0%	4.6%	4.1%	4.1%	4.6%	4.8%
Brazil	2.7%	0.1%	-3.8%	-3.6%	0.3%	1.3%
Russia	1.3%	0.6%	-3.7%	-0.2%	1.4%	1.4%
India	6.9%	7.3%	7.6%	6.8%	7.2%	7.7%
China	7.7%	7.4%	6.9%	6.7%	6.7%	6.4%
Sub-Saharan Africa	5.2%	5.0%	3.4%	1.4%	2.7%	3.5%
SA	2.2%	1.5%	2.0%	0.3%	1.0%	1.2%

Domestic Outlook

The South African economy grew by the slowest rate in 2016, since the 2009 recession when economic growth contracted by 1.5 percent, barely missing another recession by increasing at a modest pace of just 0.3 percent. Growth was well below government expectations of between 1.5 and 1.8 percent as released by Treasury in February 2017, and therefore has a significant impact on expected revenue collection and expenditure plans. Growth was stifled by low commodity prices as well as lack of investor confidence which is putting a damper on much needed private sector investment. Policy uncertainty around land claims, mining and renewable energy has also has clamped down on foreign investment. The economy however clawed back in the 2nd quarter of 2017 and increased by 2.5 percent y-y. Economic growth was largely supported by a strong recovery in the agriculture sector, which grew by 33.6 percent, and positive (albeit marginal) growth in the manufacturing sector. Value add by the construction sector fell for the second consecutive quarter down 0.5 percent y-y following the decrease of 0.8 percent in the 1st quarter of 2017. The currency depreciated to an average of R13.23/$ in August, but is on average at R13.2/$ still stronger in the first eight months of 2017 compared to the same period last year (R15.1/$). The price of Brent Crude oil however increased by comparison, to an average of $52.23/barrel in the first eight months compared to an average $41.2/barrel last year (Jan – Aug 2016), an increase of 27 percent, adding some push to inflationary pressures. However a slowdown in food prices has supported lower inflation in recent months, which averaged 4.6 percent in July (5.6 percent for the first seven months). Inflation is expected to average 5.6 percent in 2017 and 5.3 percent for 2017 according to the BER's CPI expectations survey. The lower inflationary environment is good news for the South African economy as this could pave the way for some further monetary policy easing in the medium term. Interest rates were lowered to 10.25 percent in August.

Headline inflation averaged 6.4 percent in 2016, from 4.6 percent in 2015, driven primarily by higher food and petrol prices. In an attempt to anchor inflation expectations, the Reserve Bank rose the repo rate by 2 percentage points since the beginning of 2014, but as inflation slowed to an average of 5.0 percent in 2017 (January – July), the repo rate has been lowered by 25 basis points. Headline inflation is projected by the Monetary Policy Committee (September 2017 MPC update), to average 5.3 percent in 2017, 5.0 percent in 2018 and 5.3 percent in 2019, remaining within the 3 percent to 6 percent target band.

In terms of investment, a revival in business confidence is critical to encourage higher levels of private sector investment. Business confidence averaged a dismal 37 percent in 2016, according to the FNB Business Confidence index, from 41.5 percent in 2015, well below the neutral level of 50 percent and significantly lower than the required 60 to 70 percent necessary to stimulate growth in investment. Business confidence recovered slightly to 40 in the first quarter of 2017 (from 38 in the last quarter of 2016), but fell to 29 in the 2nd quarter of 2017, the lowest level since 2009 and suggesting critical investor constraints. The 2017 Budget promulgates greater private sector investment alongside a recovery in confidence as cornerstones for higher economic growth, but this is generally easier said than done and will require greater levels of political stability and policy certainty, something which has been lacking in the economic arena for some time.

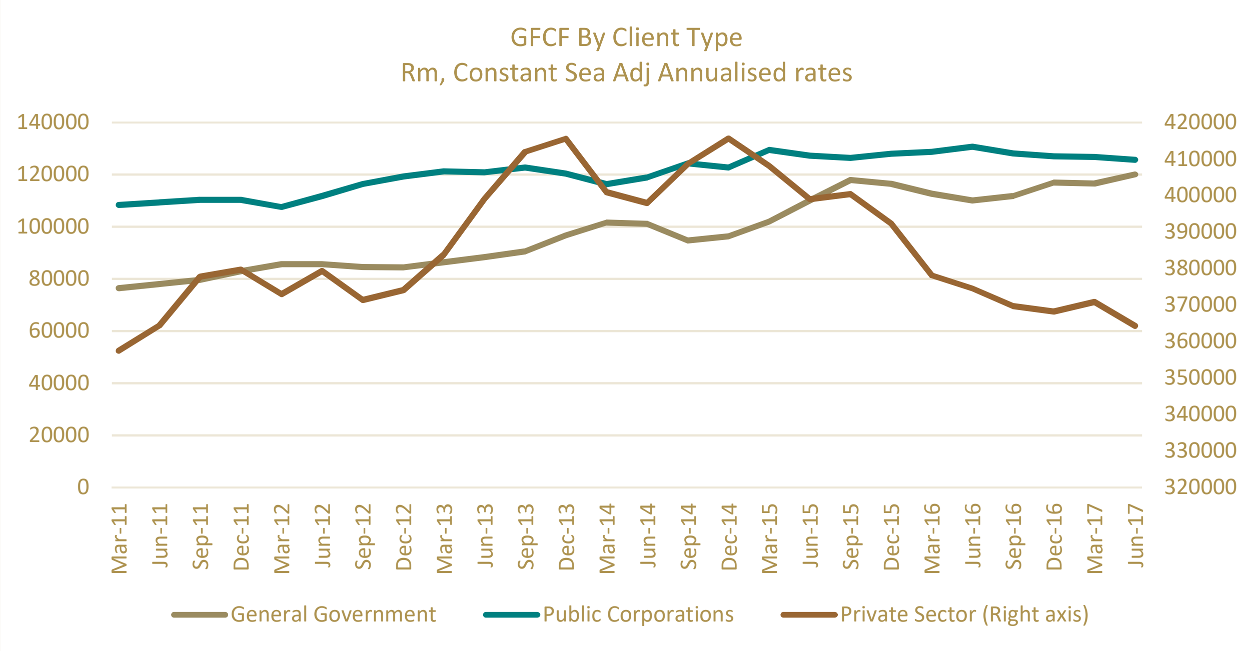
According to the World Bank the reasons behind South Africa's decelerating growth, lies in the fact that the country has been directing capital to less productive sectors, where it should have rather been directed to investment tax incentives towards trade, construction, manufacturing, and agriculture, all sectors which are supportive of enhancing labour absorption in the country.

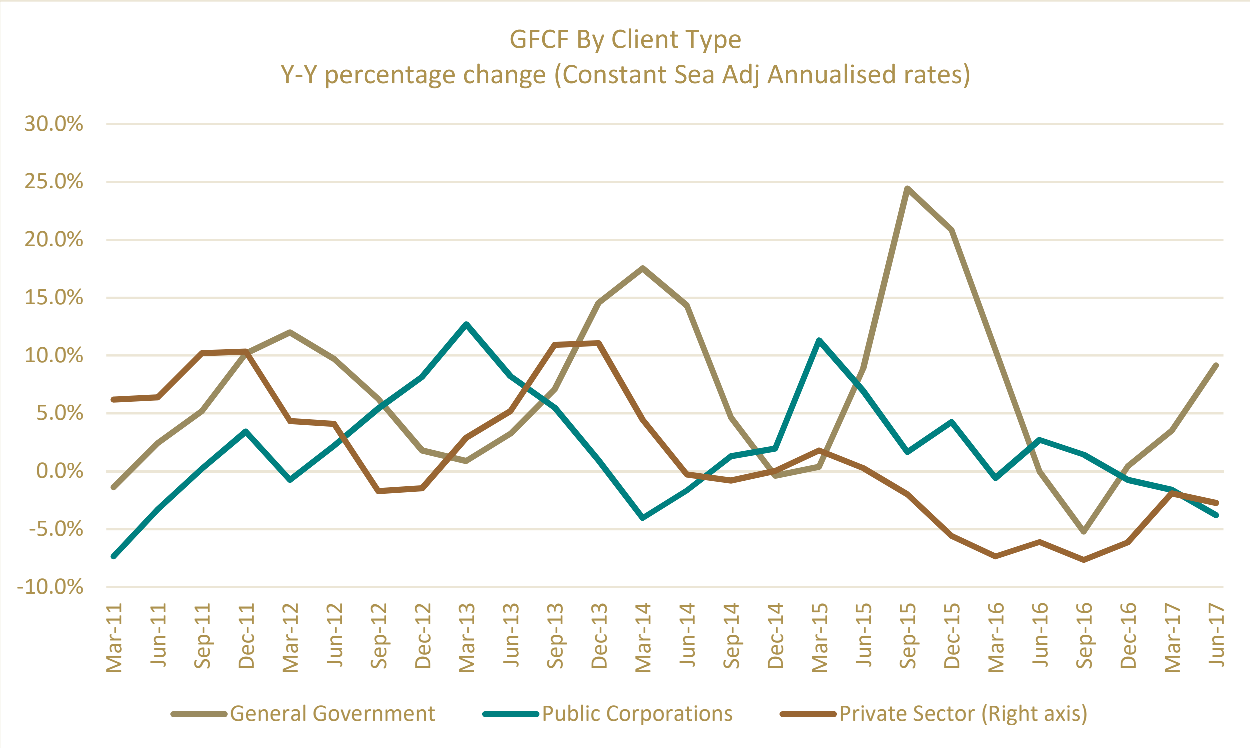
Table 1: Macro economic growth projections (Industry Insight Forecast Report 2017Q3)

Macro-Economic Forecasts	*2013*	*2014*	*2015*	*2016*	*2017*
GDP	2.5%	1.2%	1.3%	0.3%	0.7%
Household consumption	2.0%	0.7%	1.7%	0.4%	0.7%
Government consumption	3.8%	1.8%	2.0%	1.2%	0.7%
Gross Fixed capital formation	7.6%	-0.4%	2.7%	0.2%	0.1%
Imports	5.0%	-0.5%	6.4%	-3.6%	2.1%
Exports	3.6%	3.3%	3.0%	-1.2%	1.4%
Prime Lending rate	8.5%	9.2%	9.7%	10.5%	10.75%
ZAR/US$	9.70	10.80	12.10	15.20	13.80
CPI Inflation	5.8%	6.2%	3.8%	6.2%	6.2%
Current Account Deficit	-5.9	-5.3	-4.4	-3.0	-3.9

Gross Fixed Capital Formation

Gross fixed capital formation fell by 0.8 percent y-y (seasonally adjusted annualised rates) in the 2nd quarter of 2017, following a contraction of 0.9 percent y-y in the 1st quarter and close to 4.0 percent in 2016. Investment has now contracted for the 6 consecutive quarters, since the 1st quarter of 2016. A disinvestment by the private sector (which accounts for 60 percent of total fixed investment in the country), is largely responsible, as private sector investment has been on the decline since the 3rd quarter of 2015. Investment by the private sector fell by 1.9 percent and 2.7 percent y-y in the 1st and 2nd quarters of 2017 respectively. The contraction in investment by Public Corporations accelerated to -3.8 percent y-y in the 2nd quarter, following a decrease of 1.6 percent in the previous quarter, and an average growth of just 0.7 percent in 2016. Investment by general government, however accelerated during the 2nd quarter, and increased by 9.1 percent following the increase of 3.5 percent in the 1st quarter and an average growth of 1.4 percent in 2016. Economists are divided on the outlook for gross fixed capital formation, with some expecting a mild recovery while others project more severe downturns in the next two years. Investment is likely to contract further in 2017, and at best show a mild recovery in 2018 (increasing by below 2 percent).





Following more robust growth of 8 percent in 2015, investment in housing contracted by 2.4 percent in 2016, but showed a mild recovery in the 1st half of 2017, increasing by an average of 1.0 percent y-y. Investment in the non-residential sector continued to weaken and following the 3.8 percent decline in 2016 fell by an average of 9.5 percent in the first half of 2017, as investment is constrained by poor levels of business confidence and lack of supportive economic growth and political stability.

According to Reserve Bank's latest estimates, a total of R212 bn was spent on construction (including costly importation of machinery and equipment used on construction) during the 1st half of 2017, with R41 bn spent on housing, R35 bn on non-residential building and R137 bn on construction works (including spending on transport, water and energy). These numbers are however distorted by the inclusion of machinery and equipment, not directly related to the construction process.

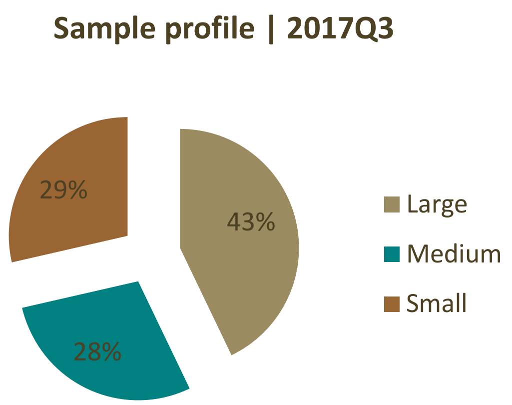
THE POSITION OF THE CIVIL ENGINEERING INDUSTRY

Background

- Questionnaires were distributed to all SAFCEC members during August 2017.
- It is important to increase the usability of the industry report for all SAFCEC members, including small, medium and large enterprises. For this reason, more focus is given to the developing trends within the defined employment categories. The categories are as follows:
    - Small: Employing less than 100 people
    - Medium: Employing between 100 and 1000 people
    - Large: Employing more than 1000 people
- Responses are weighted according to employment only where applicable. Comparisons between the different firm-size categories are not weighted as responses between the firm sizes have already been categorised.

Sample Profile

Survey participation fell by 22 percent in the 3rd Quarter of 2017, compared to the 2nd quarter of 2017, due to decrease in participation by medium size companies. Larger firms contributed 28 percent to the current survey, medium size firms 55 percent, and smaller firms 17 percent. The profile of respondents is quite different compared to the previous quarter and will as such impact on survey results.



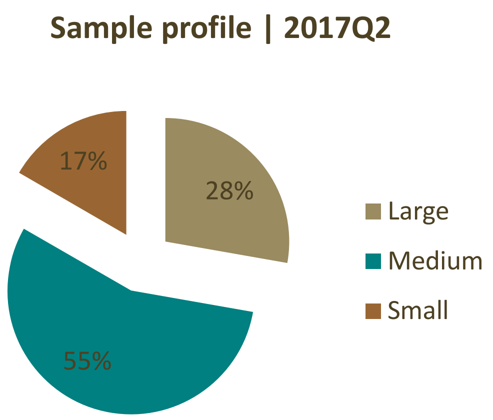


Figure 1: Profile of respondents

KEY OBSERVATIONS

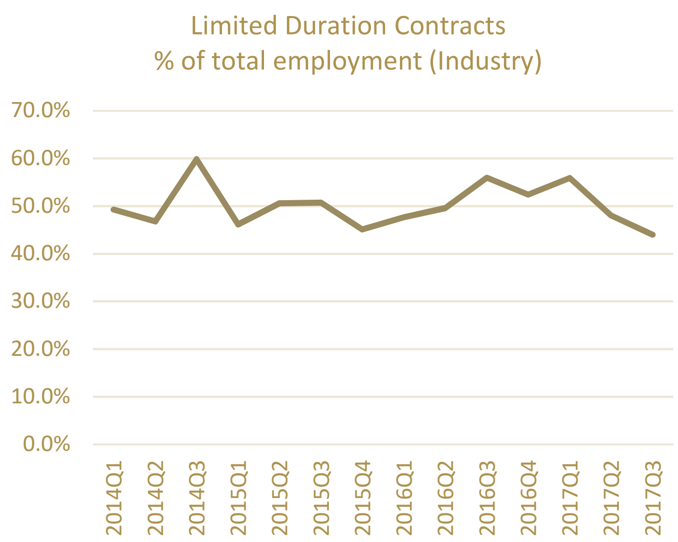
Human Resources

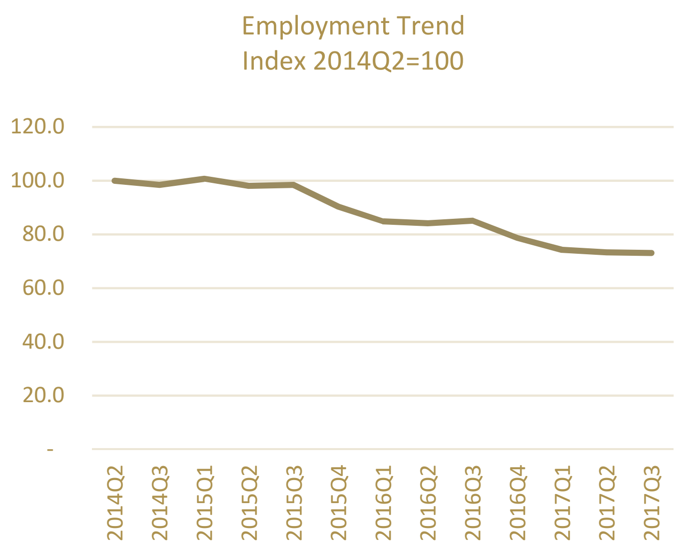
Employment continued to contract and fell by 0.3 percent in the 2nd quarter of 2017, following the 1.4 percent decrease in the previous quarter. The moderation in the 2nd quarter was largely due to a decrease in the number of limited duration employees (down 0.7 percent q-q), while a marginal increase (0.1 percent) was reported in the employment of permanent staff. Both medium and larger size firms reported an overall decrease in the workforce, down 0.3 percent and 1.3 percent respectively, while smaller size firms reported an increase of 2.9 percent q-q. Smaller size firms increased employment for both limited duration as well as permanent employment. Limited duration employees represented 44 percent of the total workforce, with smaller firms reporting the highest ratio at 73 percent.

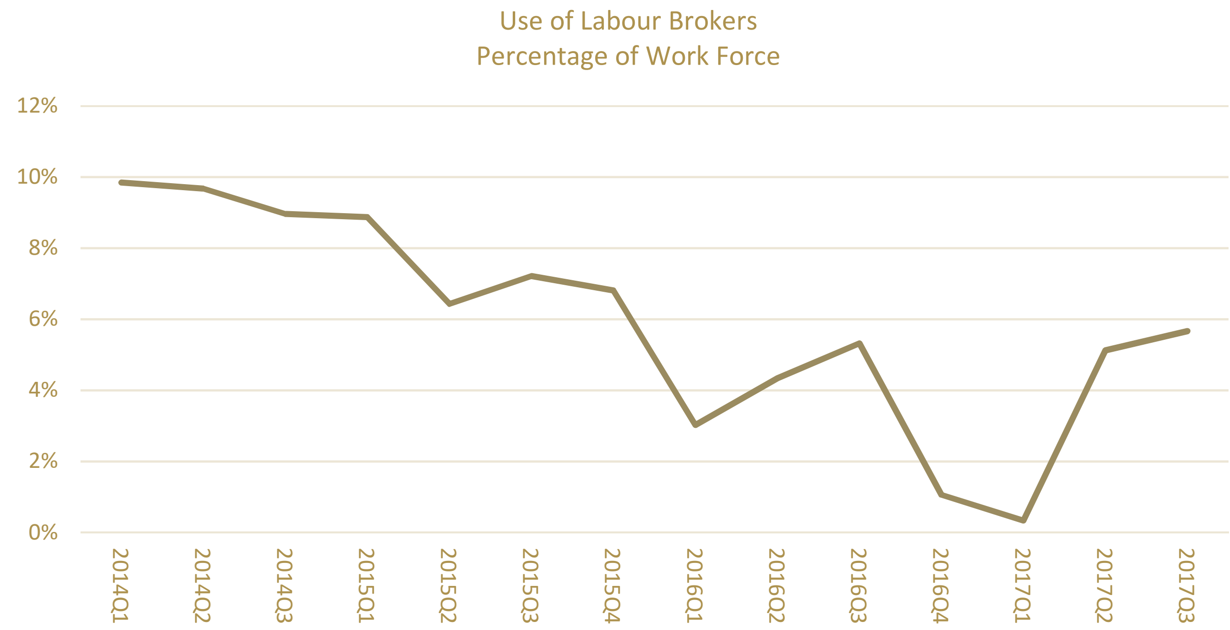
Table 3: Limited Duration Contracts; % of Total Employment

Firm Size Category	Limited Duration Q-Q Per.chg	Permanent Employees Q-Q Per.chg	Total Q-Q Per.chg	% Limited Duration of total workforce
Large	-1.0%	0.3%	-0.3%	44.2%
Medium	-0.6%	-1.7%	-1.3%	28.8%
Small	3.3%	1.8%	2.9%	73.3%
Total	-0.7%	0.1%	-0.3%	44.0%

Figure 2: Limited Duration Contracts % of Employment & Employment Trend (index)







The use of labour brokers fell by 14 percent, used only by larger and medium size firms, both reported a drop since the 1st quarter of 2017. Labour brokers represented 5.7 percent of the total reported work force, compared to 5.1 percent in the previous survey and an average of 3.4 percent in 2016.

Financial Statistics

Turnover, Wages and Order Books

The total value of civil engineering construction certified for payment increased by 16.7 percent q-q in the 2nd quarter of 2017 compared to the 1st quarter, following three quarters of consecutive declines. All three firm size categories reported a q-q increase in values during the 2nd quarter, with the strongest increase reported by smaller firms (up 58.5 percent), followed by larger firms (up by 16.8 percent) and medium size firms with a 11.2 percent q-q increase.

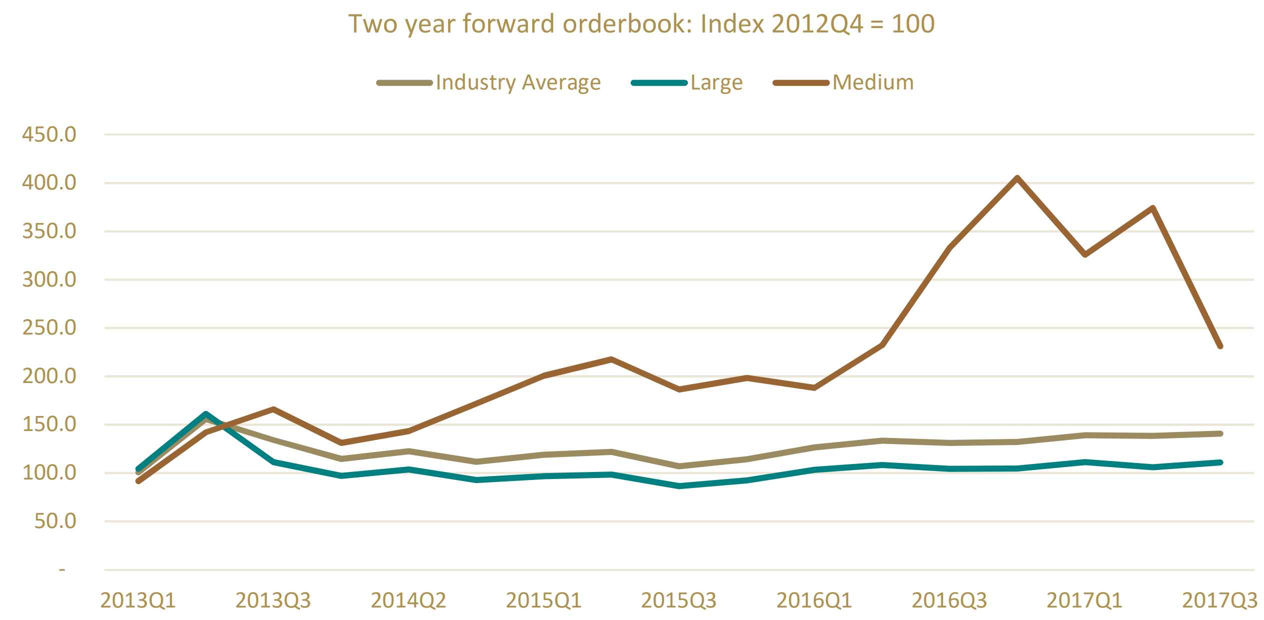
Year	Qtr	Turnover, nominal	Q-Q Per.Chg	Y-Y Per. Chg	MAT (12 months total) Y-Y Per.chg
2014	1	9,255,630,385	-11.0%	17%	7.08%
	2	10,643,974,943	15.0%	-4%	3.96%
	3	10,111,776,196	-5.0%	7%	7.02%
	4	9,929,764,224	-1.8%	-5%	2.62%
2015	1	10,525,550,078	6.0%	14%	2.43%
	2	12,209,638,090	16.0%	15%	7.61%
	3	12,270,686,281	0.5%	21%	11.20%
	4	11,043,617,652	-10.0%	11%	15.29%
2016	1	10,160,128,240	-8.0%	-3%	10.85%
	2	12,192,153,888	20.0%	0%	6.76%
	3	11,704,467,733	-4.0%	-5%	0.37%

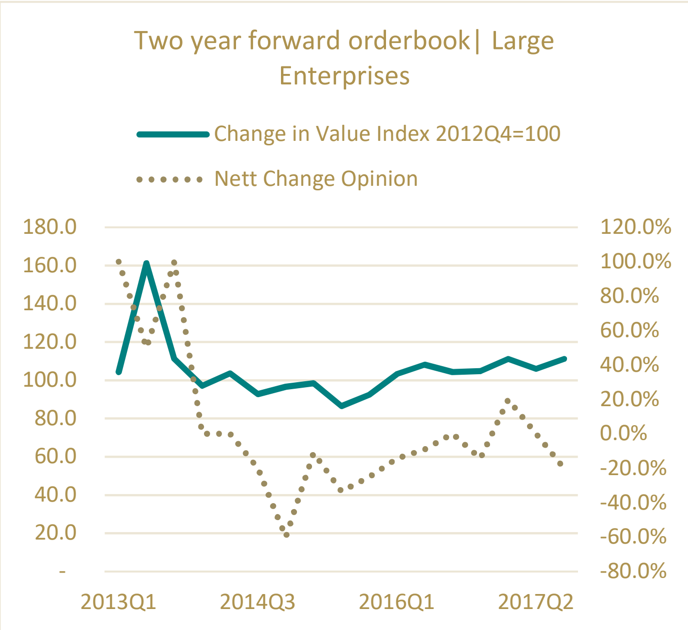
	4	10,534,020,960	-10.0%	-5%	-3.17%
2017	1	8,848,577,606	-16.0%	-13%	-5.26%
	2	10,264,350,023	16.0%	-16%	-9.45%

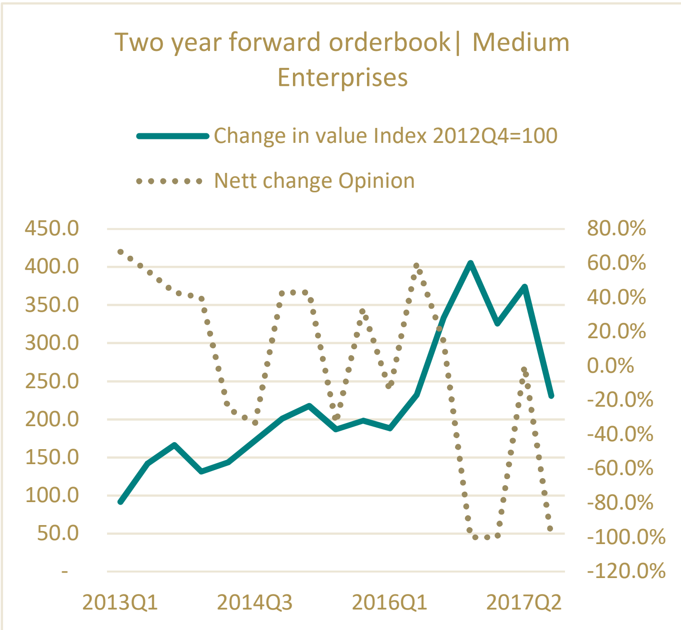
The cumulative salary and wage bill represented 27 percent of total turnover, down from a comparative 29 percent reported by the same set of respondents in the previous quarter and increased for the first time following several quarters of decline, increasing by 8 percent q-q, (following the 12 percent and 10.2 percent decreases reported in the previous two quarters). Higher salary and wages were reported across all firm size categories, the largest being the 20.1 percent increase reported by medium firms. Larger and Small size firms also reported an increase in the salary and wage bill, up by 6.5 percent and 10.6 percent respectively.

The overall value of the two-year forward order book increased by 2.3 percent q-q following the 0.7 percent contraction in the previous survey. Medium size firms reported the strongest decrease in order books, down 38.3 percent q-q, while larger firms reported an increase of 4.8 percent. While there hasn't been much movement in the value of order books for larger firms, the recent surge reported by medium size contractors (reaching an index value of 350.0 in the 4th quarter of 2016, has slowed to an index value of 231.0 by the 2nd quarter of 2017, suggesting a weakening in the business environment for medium size contractors.

Figure 4: Value of two year forward order book, Index 2012Q4=100

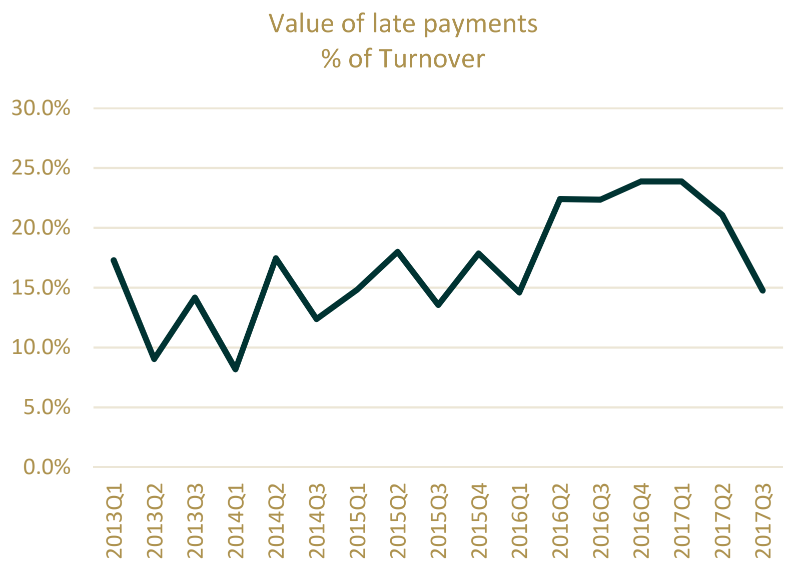






Medium size contractors became increasingly pessimistic regarding the outlook for order books in this survey, compared to last survey, as the nett satisfaction rate (again) dropped to -100.0, after having improved to 0 (Zero) in the previous survey (meaning an equally number of firms reported low to satisfactory levels). The nett satisfaction rate amongst larger firms also deteriorated and fell to a negative -20.0 percent from 0 percent. However, sentiment is somewhat volatile, but from the accompanying charts the gradual improvement in sentiment by larger contractors can be seen as order books have to some degree shown some stabilisation over the last 12 months, although the latest development may suggest a potential weakening. The more optimistic outlook amongst medium size contractors may be coming to an end as an increasing number of firms are starting to report a more negative outlook on order books.

Late Payments



Value of late payments increased by a softer rate, of 1.2 percent q-q during the 2nd quarter of 2017, following the 14.3 percent increase reported in the previous survey. The increase of 4.3 percent q-q reported by larger firms was offset by a decline of between 11.3 percent and 11.7 percent reported by medium and smaller size firms.

The value of late payments outside of South Africa, for larger firms increased by 5 percent since the 1st quarter of 2017, following the reported decrease of 5 percent reported in the previous survey.

The value of late payments represented 14.8 percent of total turnover, a welcome improvement from an average of 21 percent in 2016. Fees outstanding for more than 90 days represented 9 percent of the total amount outstanding, also an improvement from an average of 18 percent in 2016. The value of these payments (outstanding for longer than 90 days) fell to 1.2 percent of turnover, compared to an average of 4 percent in 2016. This is quite an improvement compared to trends over recent surveys.

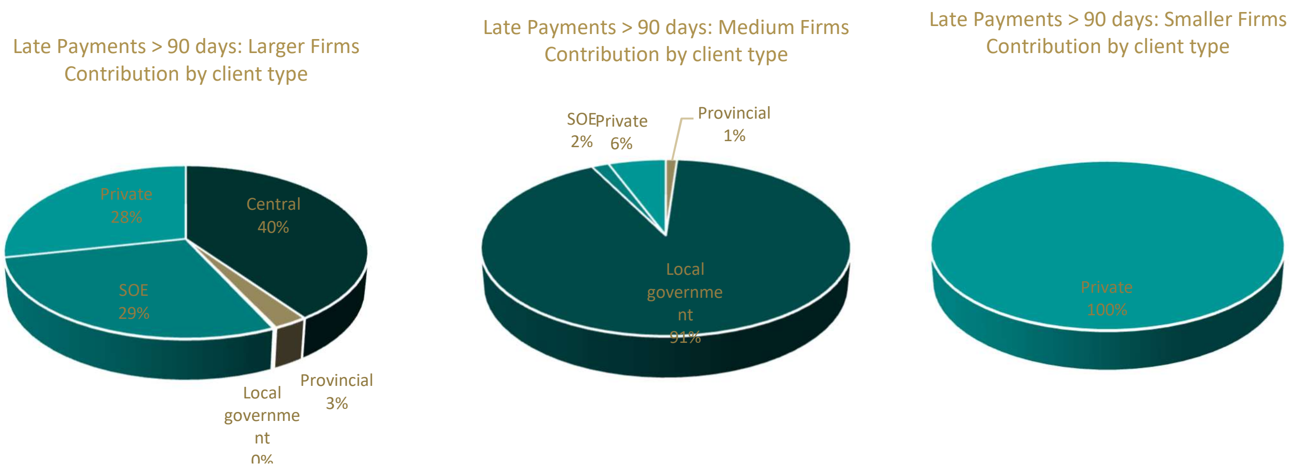
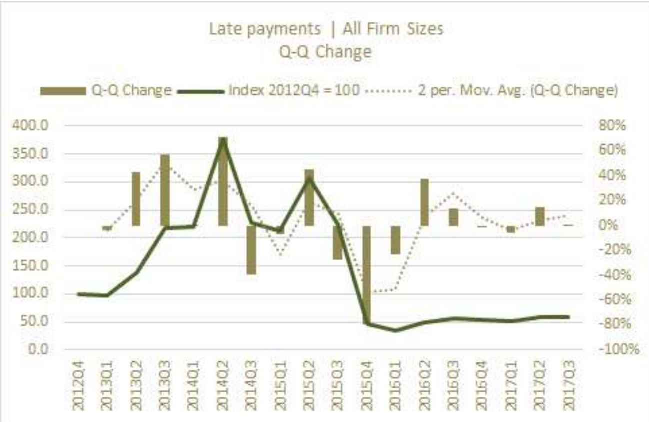
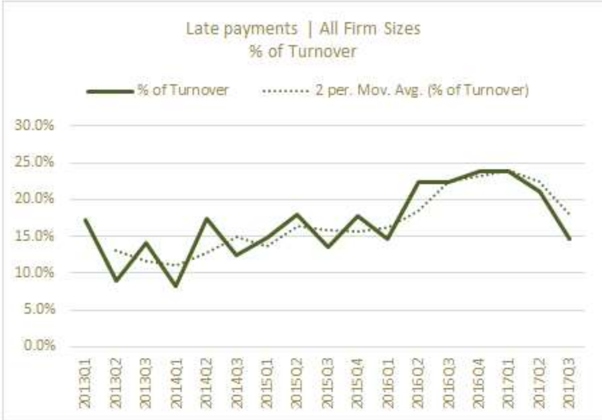
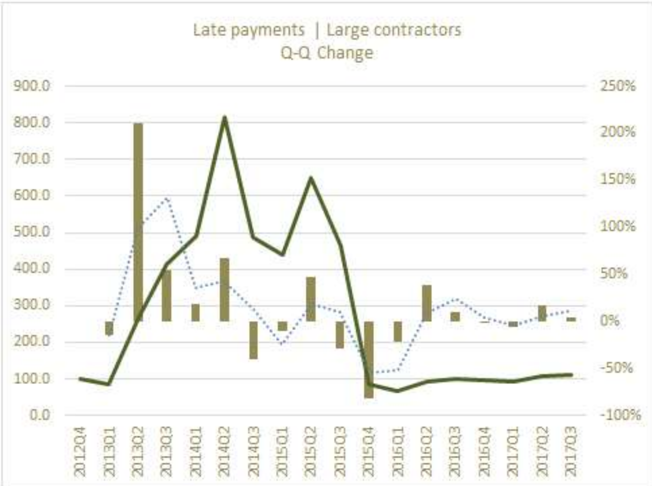
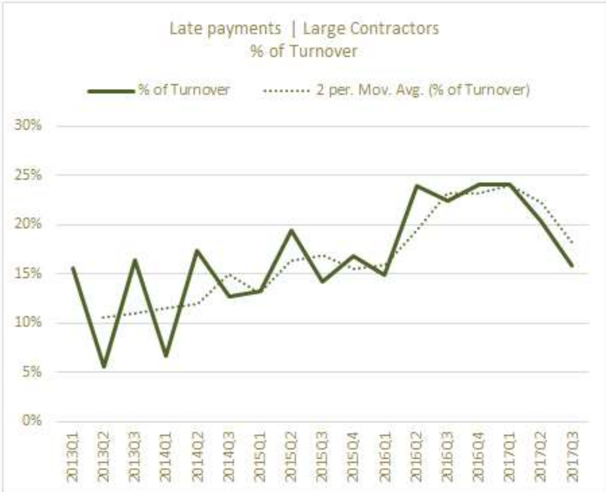


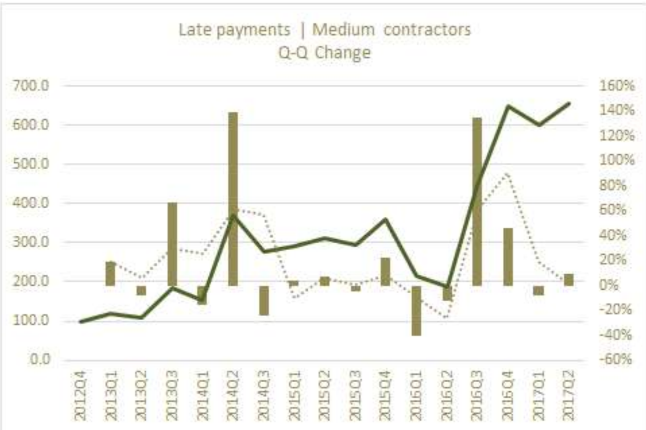
Figure 7: Late payments by firm size; Q-Q change; % of turnover

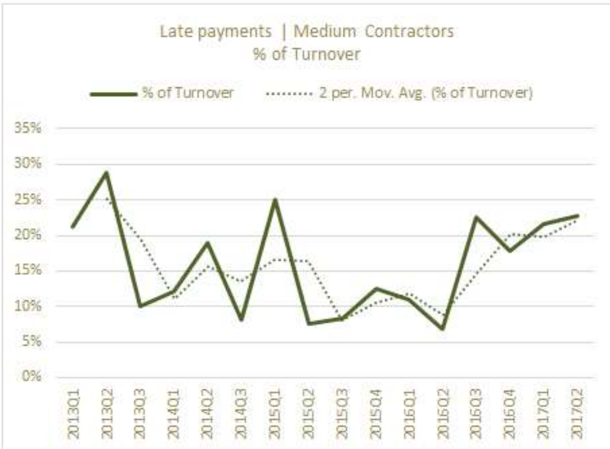




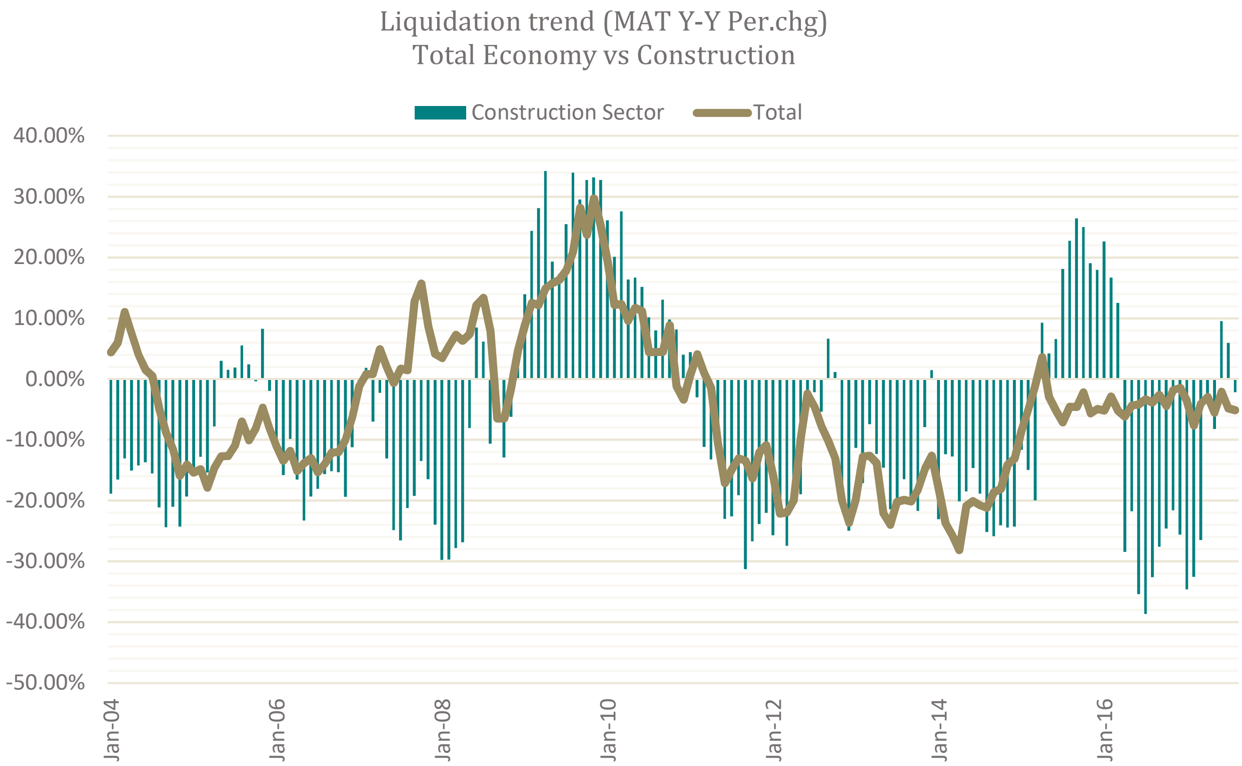








In spite of the more difficult working conditions, **liquidations in the construction sector** fell by 6.1 percent y-y in the first eight months of 2017 compared with the same period last year, compared to an overall decline of 10.4 percent in the overall economy. An interesting dynamic however, is the sharp rise in compulsory liquidations in the construction sector, which increased by 60 percent y-y, while voluntary liquidations fell by 11.5 percent. Compulsory liquidations make up less than 15 percent of total liquidations reported in the construction sector, which is nonetheless higher than the national average at 8.6 percent. It is also interesting to note that the rise in compulsory liquidations in construction is not mirrored by the national trend, as total compulsory liquidations in the overall economy fell by 20 percent y-y (Jan – Aug). The increase is also more notable amongst companies (up 26.7 percent), while liquidations amongst CC's fell by 15.7 percent, as smaller companies are not as hard hit by the current downturn in the construction sector, supported by government's various small business development programmes. However, survey results suggest a weakening in this market segment likely to impact negatively on smaller businesses.



Industry Profile

The following section provides a snapshot view of responding firms' turnover earned by project type, client and province during the 2nd quarter of 2017 (surveyed in the 3rd quarter of 2017). This is not necessarily representative of the entire industry, but rather a profile of respondents. However, the road segment has consistently came through as a major segment for the civil industry, and averaged close to 48 percent in the 2nd quarter survey (and an average of more than 60 percent in the two previous surveys0. However, its contribution lowered to 39 percent in the 3rd quarter survey, as larger firms reported a contribution of just 34 percent. Medium size firms however remain highly exposed to the road segment and reported an average contribution of 61.6 percent to turnover by this market segment. The contribution by earthworks increased to just over 10 percent, supported mainly

Table 5: Turnover distribution by sub-discipline

Discipline	Large	Medium	Small	Total 2016Q3	Total 2016Q4	Total 2017Q1	Total 2017Q2
Roads	34.5%	61.6%	32.5%	61.7%	65.4%	47.8%	39.4%
Earthworks	6.0%	33.9%	8.1%	2.0%	0.9%	5.5%	11.1%
Water Bulk Infrastructure	11.2%	3.4%	50.2%	4.6%	3.8%	5.9%	10.9%
Water and Sanitation	3.8%	1.1%	8.1%	2.5%	2.6%	8.7%	3.4%
Rail	0.3%	0.0%	0.0%	0.7%	0.2%	2.8%	0.2%
Harbours	3.3%	0.0%	0.0%	3.7%	1.8%	3.5%	2.6%
Power (bulk)	15%	0.0%	0.0%	10.7%	7.4%	14.6%	11.8%
Power (services)	2.9%	0.0%	0.0%	3.8%	7.9%	3.1%	2.3%
Airports	0.0%	0.0%	0.0%	0.0%	0.0%	-0.2%	0.0%
Mining Infrastructure	8.2%	0.0%	0.0%	2.5%	1.5%	1.4%	6.4%
Mining (Surface earthworks)	1.6%	0.0%	0.0%	0.4%	0.6%	0.0%	1.3%
Other	13.3%	0.0%	1.1%	7.4%	7.9%	7.0%	10.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Table 6: Turnover distribution by client

	Large	Medium	Small	Total 2016Q3	Total 2016Q4	Total 2017Q1	Total 2017Q2
Central	15.1%	9.3%	4.3%	17.7%	11.9%	12.8%	13.7%
Provincial	10.6%	38.7%	2.9%	8.9%	10.4%	20.7%	15.7%
District/Local/Metropolitan Councils	11.3%	26.6%	64.1%	8.4%	14.1%	21.4%	15.9%
Parastatals	32.2%	4.0%	9.9%	25.1%	27.5%	28.0%	26.1%
Private	30.8%	21.4%	18.8%	39.8%	36.1%	17.1%	28.6%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

The contribution by the private sector in this survey recovered since the last survey (to 28.6 percent from 17.1 percent) but is still below the average reported during the 3rd and 4th quarters in 2016. The contribution by provincial and local governments moderated to 15.7 percent and 15.9 percent, while the contribution by central government increased modestly to 13.7 percent. Larger firms are mainly focussed around Parastatals and Private sector clients, while medium size firms are more focussed in terms of provincial and local governments. Smaller firms earned more than 60 percent of their turnover from local government, highlighting their vulnerability to local government infrastructure expenditure programmes.

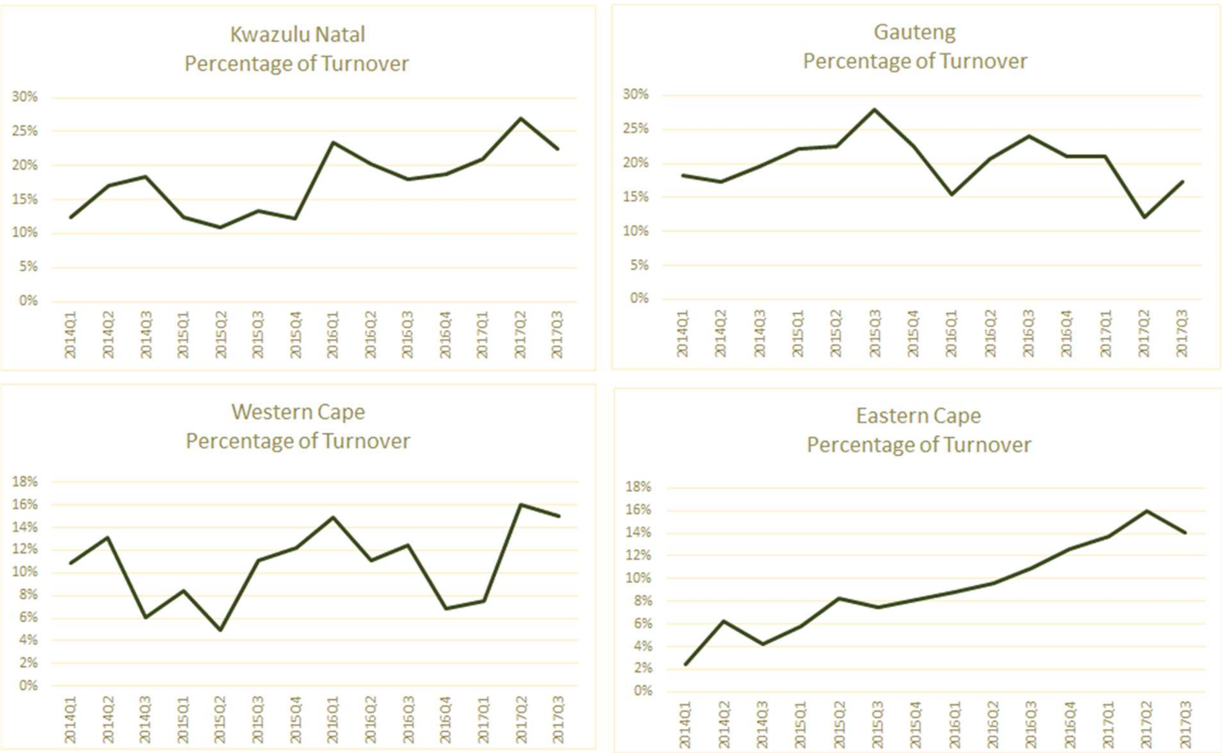
Table 7: Geographic distribution of the value of civil engineering construction work (turnover)

Province	Large	Medium	Small	2016Q3	2016Q4	2017Q1	2017Q2
GAU	22%	4%	0%	21%	21%	12%	17%

WC	9%	35%	30%	7%	7%	16%	15%
EC	12%	12%	70%	13%	14%	16%	14%
NC	7%	0%	0%	8%	7%	5%	5%
MPU	10%	0%	0%	10%	7%	8%	8%
FS	3%	18%	0%	14%	13%	3%	6%
LIM	13%	3%	0%	7%	8%	11%	11%
NW	2%	0%	0%	3%	3%	2%	1%
KZN	22%	28%	0%	19%	21%	27%	22%
Total	**100%**	**100%**	**100%**	100%	100%	100%	100%

KwaZulu-Natal continued to contribute the largest share at 22 percent, but this was lower compared to the 2nd quarter survey (27 percent). Gauteng's contribution increased to 17 percent (from 12 percent), while the contribution by the Western Cape and Eastern Cape moderated slightly to 15 percent and 14 percent respectively. Larger contractors were most active in Gauteng and Kwazulu Natal while medium size contractors reported a 35 percent contribution by the Western Cape. Smaller contractors more mainly centred the Eastern Cape followed by the Western Cape.

Figure 9: Percentage of Fee Earnings per Province



Economic Indicators

Economic indicators generally depict the "opinions" of respondents related to work conditions, tempo of work activity, competition for tenders, profitability and prices. It measures contractors' sentiment during the survey period (2nd quarter 2017).

The mostly negative market sentiment continued to prevail since 2009, and although the level of sentiment expressed by respondents reached new lows during the 2nd quarter of 2015 there was a marginal improvement in the last few quarters, but not enough to lift the overall sentiment out of the red. The outlook for the 2nd quarter of 2017 however has shown some improvement, largely due to a moderately more optimistic sentiment expressed by larger firms.

- The nett % satisfied with working conditions during the 2nd quarter of 2017, remained in deep negative territory, deteriorating to -98.0 compared to -69.9 and -47.0 in the previous two quarters. The overall negative market sentiment persists for the 3rd and 4th quarters of 2017, as larger and medium size firms expected the quiet conditions to prevail.
- Competition for tenders remain fierce, as 79.9 percent of companies reported that there were more than 11 bids per contract, compared to 47.4 percent and 73.4 percent in the previous two surveys. Pre-qualification could be a contributing factor to the reduced number of bids, however his could not be substantiated through the survey. Medium and smaller firms reported the highest level of competition, with between 25 percent and 75 percent reporting more than 25 bids per tender. Around 60 percent of larger firms reported an average number of bids of between 11 and 25 bids per tender, suggesting very high levels of competition in the current construction environment.

A positive rate implies more firms reported improved business conditions, while a negative rate implies majority of firms reported a more pessimistic outlook on the industry.

Please note that these calculations are weighted according to a firm's total reported work force in RSA.

Table 8: Competition for tenders (weighted responses)

Values	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3
Up to 5	1.5%	3.5%	0.0%	0.2%	4.7%	0.1%	0.1%	0.9%	0.6%	4.0%	2.9%
5-10	49.2%	58.3%	32.0%	26.9%	23.2%	9.4%	23.8%	24.1%	26.1%	48.6%	17.2%
11-25	44.7%	36.2%	58.7%	67.6%	42.1%	53.4%	67.3%	73.0%	68.5%	30.0%	74.7%
>25	4.6%	2.1%	9.3%	5.2%	29.9%	37.1%	8.8%	2.1%	4.9%	17.4%	5.2%
>11	49.3%	38.3%	68.0%	72.9%	72.1%	90.4%	76.2%	75.0%	73.4%	47.4%	79.9%

- Tender prices came under renewed pressure in this survey, with 55.2 percent of contractors reporting very low tender prices (up from 52.6 percent and 37 percent in the previous two surveys). This sentiment was carried across all firm size categories. None of the respondents (across all firm sizes) reported reasonable tender prices in the current survey, on par with the previous survey.

Table 9: Tender prices (weighted response)

Values	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3
Very Low	11.5%	29.3%	44.6%	48.7%	30.6%	28.5%	42.9%	57.2%	37.0%	52.6%	55.2%
Keen	87.5%	68.3%	55.4%	45.2%	53.3%	66.1%	49.6%	42.8%	62.8%	47.2%	44.8%
Reasonable	1.1%	2.3%	0.0%	6.0%	16.2%	5.4%	7.5%	0.0%	0.1%	0.2%	0.0%
Good	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Keen & higher	88.5%	70.7%	55.4%	51.3%	69.4%	71.5%	57.1%	42.8%	63.0%	47.4%	44.8%

- The outlook on profitability was divided. While there was an increasing number of contractors that reported very low levels of profitability (rising from 28.4 percent to 42.5percent), an increasing number of contractors also expressed satisfactory levels of profitability (rising from 18 percent to 34.7 percent). Interestingly 20 percent of larger firms expressed more satisfactory levels, while medium and smaller firms expressed their dissatisfaction, reporting only on very low to low levels.

Table 10: Profitability (weighted response)

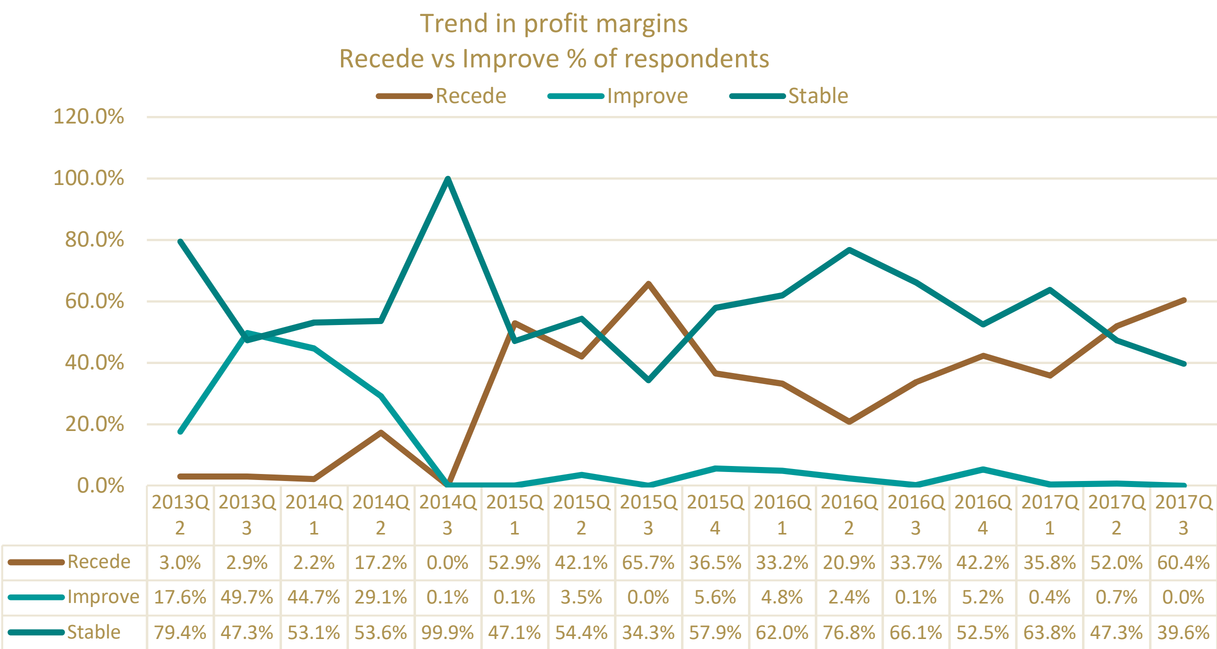
Values	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3
Very Low	11.9%	35.7%	13.4%	10.6%	10.7%	0.2%	12.2%	14.0%	35.2%	28.4%	42.5%
Keen	43.4%	52.8%	63.4%	40.3%	26.4%	36.5%	39.6%	49.8%	21.7%	53.6%	22.8%
Reasonable	44.8%	11.5%	23.2%	49.1%	62.9%	63.4%	48.3%	36.1%	43.1%	18.0%	34.7%
Good	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Keen & higher	-10.5%	-76.9%	-53.5%	-1.9%	25.7%	26.7%	-3.5%	-27.7%	-13.8%	-64.1%	-30.6%

- Majority of contractors (across all firm size categories) however continue to expect profitability trends to deteriorate, with 60.4 percent saying margins will recede (up from 52.0 percent and 35.8 percent in the previous two surveys), while 39.6 percent expect margins to stabilise (down from 47.3 percent). Concerning is that none of the participants, across all firm size categories, expect any improvement.

Table 11: Trends in profit margins (Weighted response)

Values	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3
Receding	52.9%	42.1%	65.7%	36.5%	33.2%	20.9%	33.7%	42.2%	35.8%	52.0%	60.4%
Stabilise	47.1%	54.4%	34.3%	57.9%	62.0%	76.8%	66.1%	52.5%	63.8%	47.3%	39.6%
Improve	0.1%	3.5%	0.0%	5.6%	4.8%	2.4%	0.1%	5.2%	0.4%	0.7%	0.0%

Figure 10: Trend in profit margins



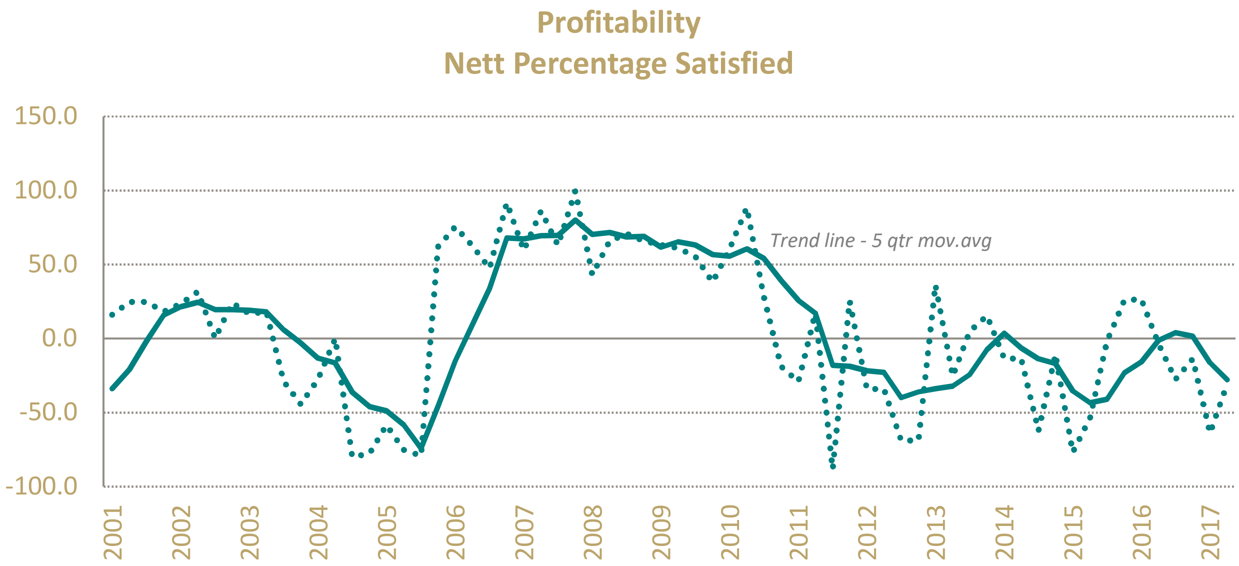


Figure 11: Opinions Related to Profitability

Opinions Related to Tenders, Awards, Order Books and Turnover

Tender and Award Activity

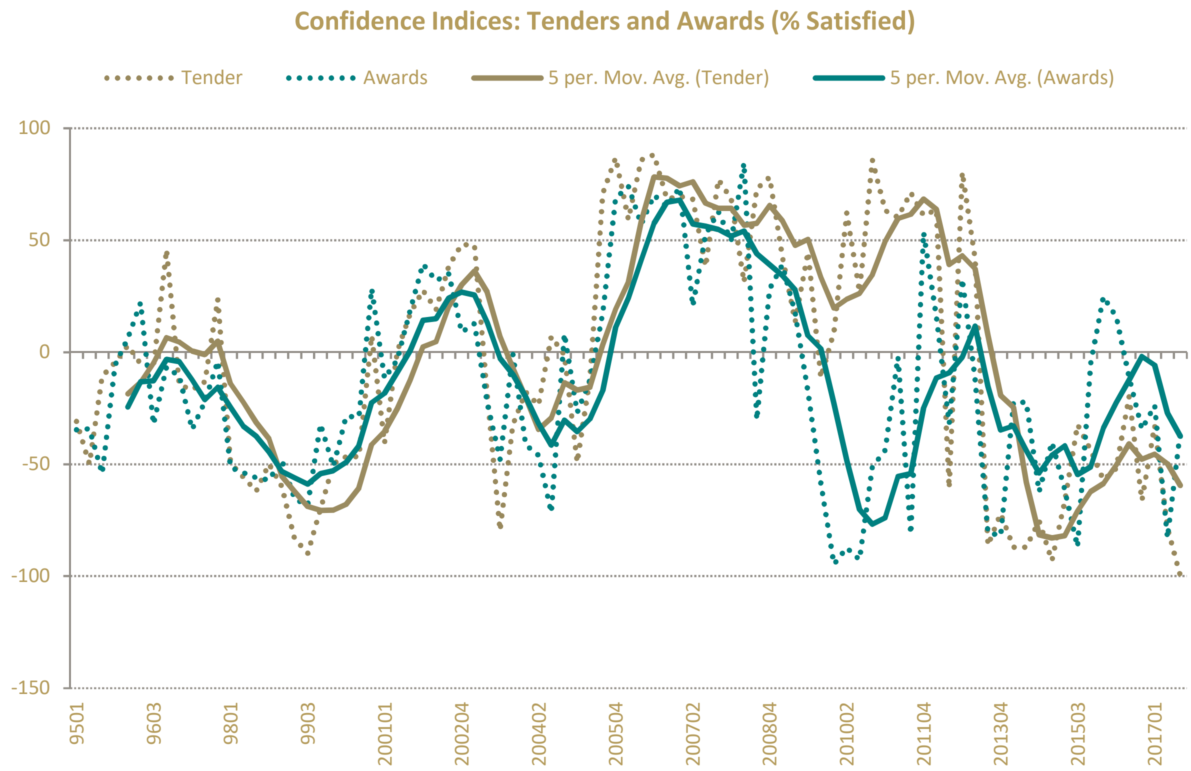
None of the participating contractors reported better than satisfactory levels in terms of tender activity, while a higher percentage reported low levels, up from 89.2 percent to 92.3 percent. Zero percent of the contractors felt tender activity levels were satisfactory (compared to 10 percent and 33 percent in the previous two surveys). This typical low tender environment has persisted since the downturn in 2009, and remains a serious concern for the sector.

As a result, the nett satisfaction rate deteriorated to -100.00 percent from -78.3 percent (Q2) and an average of -49.5 percent in the previous two surveys. Opinions are relatively volatile from a survey to survey basis, but the overall trend based on the last five quarters remain deep in negative territory, suggesting a serious long-standing constraint. The last time contractors felt more optimistic regarding tender volumes was in 2013.

Explanatory note: Tender activity is a crucial indicator, being a first warning of the potential volume of work. The confidence reflected by companies regarding this indicator is therefore crucial and often deviates from the actual physical number of tenders during a period. The rate of involvement in cross border activity of larger contractors has increased in recent quarters, to counter act the impact of the dearth in work opportunities domestically in which they can compete. Some larger companies recently announced that the percentage contribution of work outside of South Africa is larger than revenue generated inside the country. Because these indicators are weighted, the opinions and perceptions of larger firms impacts quite heavily on the overall trend, and the impact of "cross border" activity must not be undermined in the movement of these indices.

Table 12: Opinions related to tender volumes (Weighted response)

Values	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3
Nil	0.0%	0.0%	0.0%	0.1%	0.1%	0.0%	0.0%	0.9%	0.0%	0.0%	1.6%
Low	96.5%	83.2%	66.1%	71.8%	78.4%	75.9%	59.9%	82.2%	66.4%	89.2%	98.4%
Satisfactory	2.5%	13.8%	27.5%	27.2%	8.0%	21.4%	38.1%	16.9%	33.6%	10.8%	0.0%
Good	0.9%	3.1%	6.3%	1.0%	13.5%	2.6%	2.0%	0.0%	0.0%	0.0%	0.0%
Nett % satisfied	-93.0%	-66.3%	-32.3%	-43.7%	-57.0%	-51.9%	-19.9%	-66.2%	-32.7%	-78.3%	-100.0%



Opinions related to the awarding of contracts however interestingly showed some improvement in the 3rd quarter survey, as 32.4 percent of contractors (mainly larger contractors) reported satisfactory levels (compared to 8.6 percent Q2). On the downside however 41 percent of contractors reported Nil values, a notable increase from the previous survey. Neither medium nor smaller contractors reported satisfactory levels in terms of awards. The nett satisfaction rate nonetheless improved to -35.1 percent from -82.9 percent, but remain in negative territory.

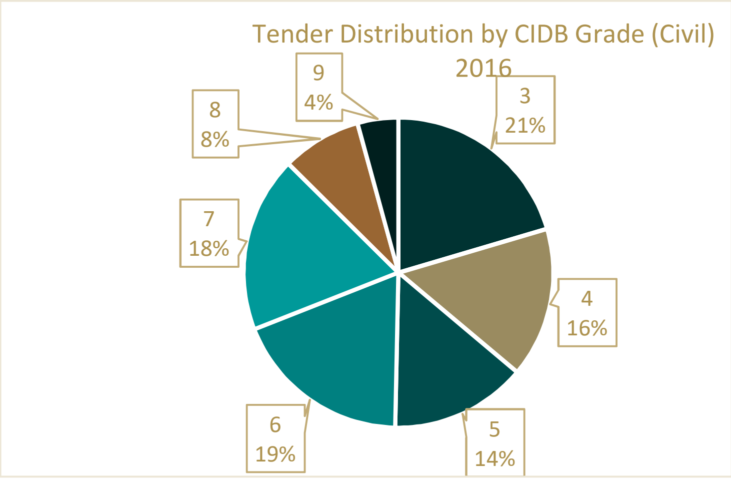
Table 23: Opinions related to awarding of contracts (Weighted response)

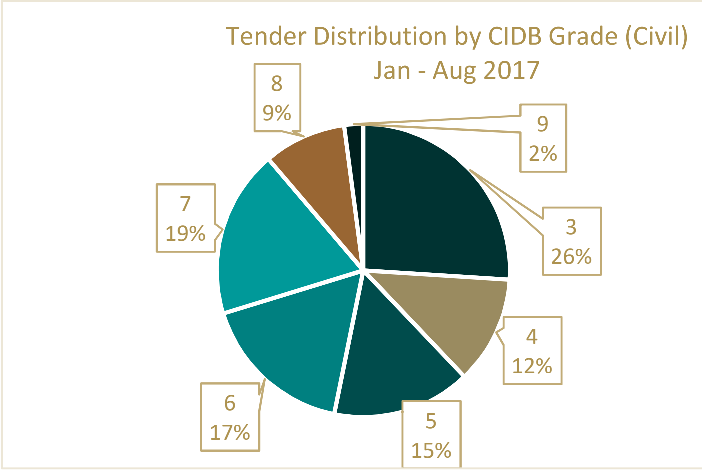
Values	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3
Nil	7.6%	3.8%	2.7%	1.8%	1.8%	6.6%	0.0%	16.8%	15.6%	24.1%	41.4%
Low	62.5%	76.6%	90.8%	50.7%	35.7%	35.5%	55.5%	50.4%	46.3%	67.4%	26.2%
Satisfactory	29.9%	7.0%	0.2%	42.0%	47.3%	54.4%	44.5%	32.8%	38.1%	8.6%	32.4%
Good	0.0%	12.6%	6.3%	5.5%	15.1%	3.5%	0.0%	0.0%	0.0%	0.0%	0.0%
Nett % satisfied	-40.3%	-60.8%	-87.0%	-4.9%	24.9%	15.8%	-10.9%	-34.4%	-23.7%	-82.9%	-35.1%

The number of civil projects out to tender fell by 5 percent y-y in the first eight months of 2017 compared to the same period in 2016, following the 18 percent y-y decline in 2016. The number of projects awarded in the civil industry rose by 15 percent y-y in the first eight months, following the 28 percent y-y increase reported during 2016.

Majority of projects out to tender relate to Grade 3 contracts, representing 26 percent of total civil tender activity during the first half of 2017, and was the only Grade (excluding 1 and 2) to show an increase over the six month period, up by 4 percent y-y. All other grades decreased over the period including Grade 9 tenders which fell by 57 percent y-y, recording the largest percentage decrease amongst all the grades.

Figure 13: Tender Distribution by CIDB Grade

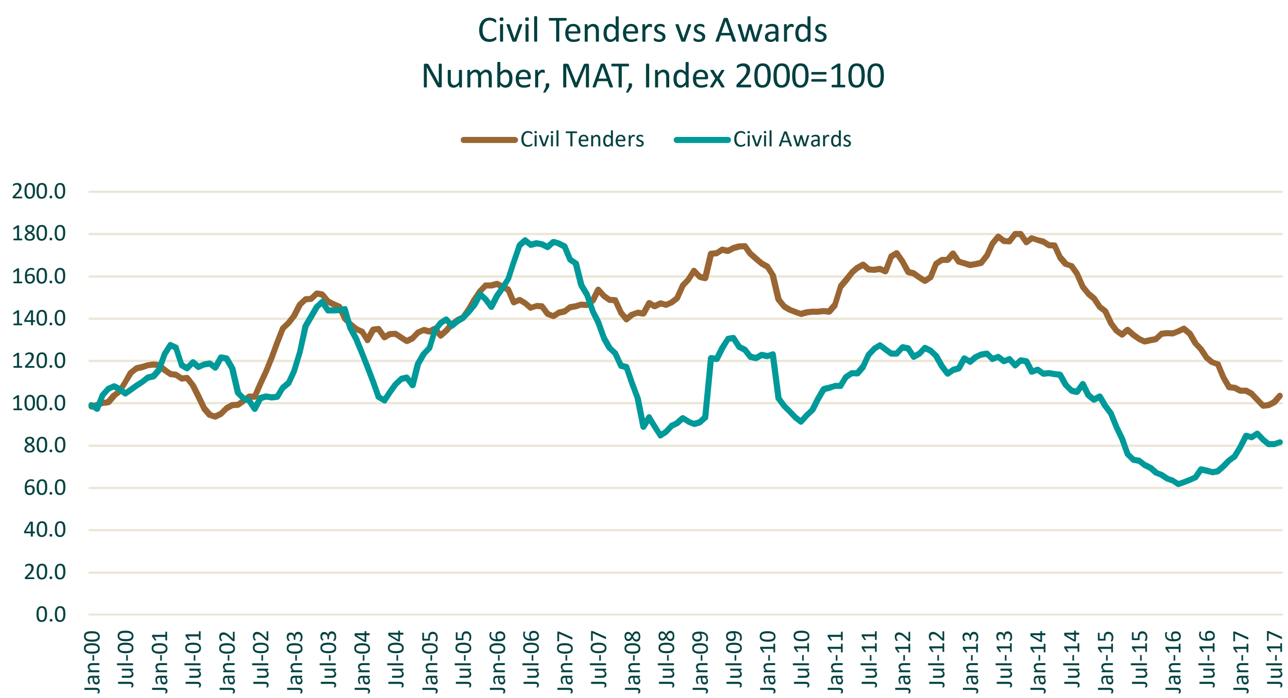




Source: Databuild / Industry Insight

Dissatisfaction related to the poor or slow awarding of contracts is supported by independent research based on project information supplied by Databuild, which clearly shows the growing disparity between the number of civil tenders and projects awarded, particularly from 2012/13 onwards. Although there has been some improvement in the awarding of contracts in the last few months, activity levels remain at near record lows.

Figure 14: Civil Tenders vs Awards



Since March 2016 there has been a notable increase in the number of civil projects cancelled. The index increased from an index value of 28 in March 2016 (based on a running twelve month total), to a peak of 126.7 twelve months later (March 2017). Since then there has been some moderation, but the index remains at a historically high level currently at 113.4, representing a y-y increase of 87 percent. The cancellation rate (the number of projects cancelled in relation to the number of projects out to tender), increased from an average of 9 percent in 2016 to an average of 20 percent in the first eight months of 2017, the highest level dating back to 2009 (inception of the dataset).

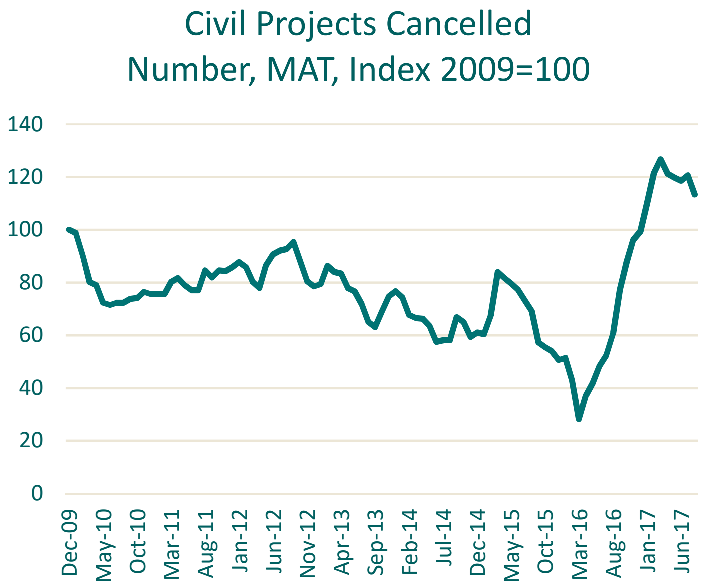


Figure 15: Civil projects Cancelled (Index)

The overall nett satisfaction rate related to order books remains poor but did show a mild improvement from 2 percent (Q2) to 7 percent (Q3). Although better than the negative rates reported between 2014 up to the 2nd quarter of 2016, it is much weaker than the outlook portrayed between the 3rd quarter of 2016 and the 1st quarter of 2017. The improvement in the latter was largely due to higher levels of activity amongst medium size contractors, but conditions here have also started to deteriorate, affecting overall market sentiment negatively. Medium size contractors are in fact currently the most negative in terms of the state of their order books, while between 40 percent and 50 percent of the larger and smaller contractors felt relatively satisfied at the time of the survey.

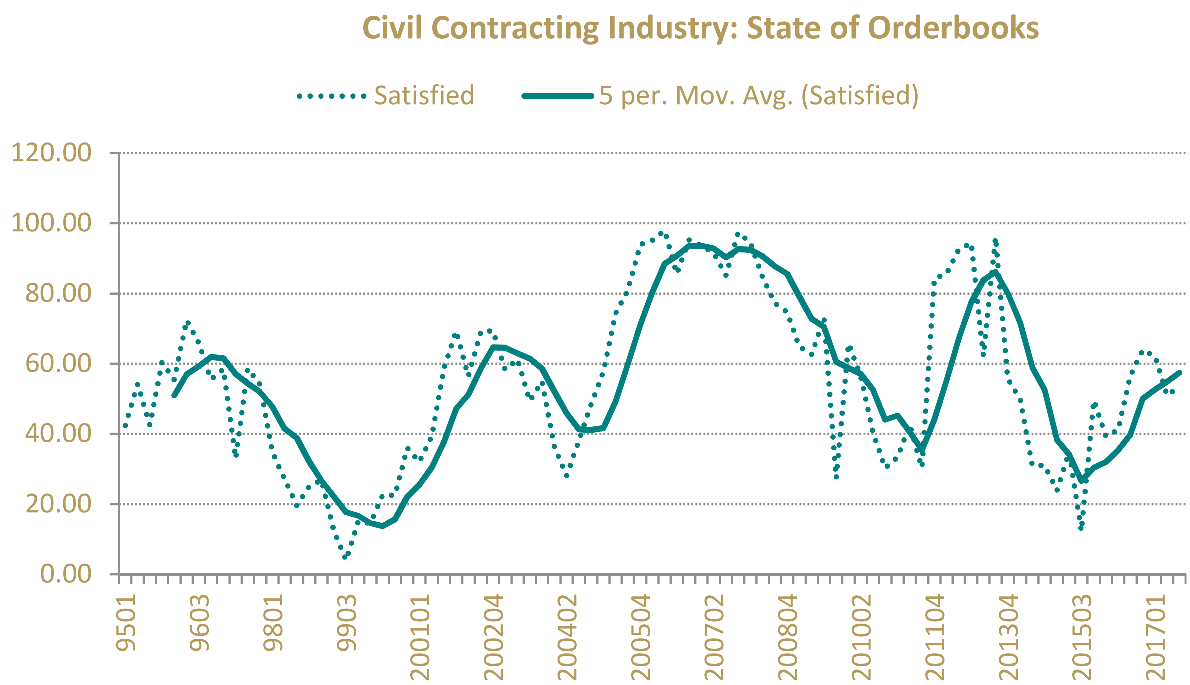


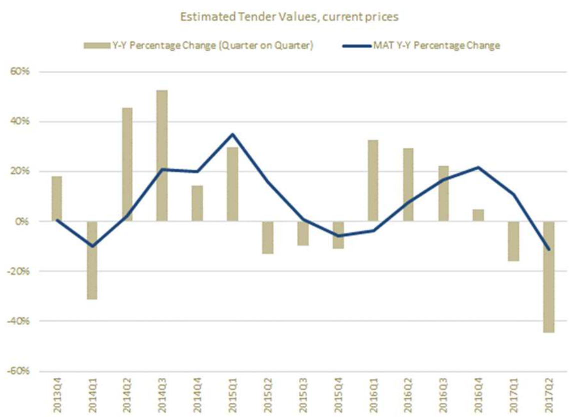
Figure 16: State of Orderbooks

Table 15: Opinions related to order books (weighted response)

Values	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3
Nil	0.0%	0.0%	0.0%	0.2%	0.1%	0.3%	0.0%	1.3%	0.5%	0.8%	0.0%
Low	76.1%	64.6%	87.6%	50.3%	60.5%	58.6%	43.5%	34.8%	37.4%	48.3%	46.5%
Satisfactory	23.9%	35.4%	6.3%	42.4%	34.5%	40.2%	56.5%	63.9%	62.1%	51.0%	52.5%
Good	0.0%	0.0%	6.0%	7.1%	4.8%	0.9%	0.0%	0.0%	0.0%	0.0%	1.0%
Nett % satisfied	-52.2%	-29.2%	-75.3%	-1.0%	-21.3%	-17.7%	13.0%	27.7%	24.2%	2.0%	7.0%

The estimated value of civil projects out to tender, based on project lead information supplied by Databuild, fell by 67 percent y-y in the 2nd quarter of 2017, following the 16 percent decrease reported in the 1st quarter. This follows a 22 percent increase in 2016, largely due to an increase in higher values projects that were put out to tender. Conditions are significantly weaker during the first six months of the year. After having increased by an average of 55.6 percent y-y in 2016, the value of road contracts out to tender fell by 13 percent and 60 percent y-y during the 1st and 2nd quarters of 2017. Considering the high contribution of road construction to the civil contracting industry, this could have a profound impact on turnover in the industry. The value of water projects out to tender continued to decrease and fell by 27 percent y-y in the 2nd quarter following the 34 percent decrease in the 1st quarter. Please note that this does not include mining infrastructure or bulk infrastructure projects.

Figure 17: Estimated Civil Tender Values



Source: Industry Insight Project Database, Databuild

Table 15: Estimated civil tender values, by project type, by quarter (Rm, current prices- not adjusted for inflation)

	Air	Bridges	Civil Other	Power	Rail	Road	Water	Grand Total	Y-Y Per. Change (Nominal)
2014Q3	129	211	534	600	121	8,174	6,620	16,389	52.6%
2014Q4	-	306	489	366	104	7,668	6,489	15,421	14.5%
2015Q1	16	192	553	455	152	4,205	4,486	10,059	29.6%
2015Q2	102	467	418	476	153	9,252	4,006	14,875	-12.9%
2015Q3	128	380	388	765	108	8,924	4,129	14,822	-9.6%
2015Q4	4	492	365	700	277	5,245	6,615	13,697	-11.2%
2016Q1	-	467	495	516	50	7,789	4,048	13,364	32.9%
2016Q2	18	320	499	343	2	15,034	3,022	19,238	29.3%
2016Q3	-	123	374	1,328	21	11,022	5,233	18,100	22.1%
2016Q4	44	115	299	1,195	74	7,973	4,657	14,358	4.8%
2017Q1	-	190	387	1,176	32	6,742	2,686	11,213	-16.1%
2017Q2	36	532	358	1,576	8	5,953	2,220	10,683	-67.2%

Capacity Utilisation and Plant Equipment

Figure 18: Capacity Utilisation Percentage breakdown of respondents

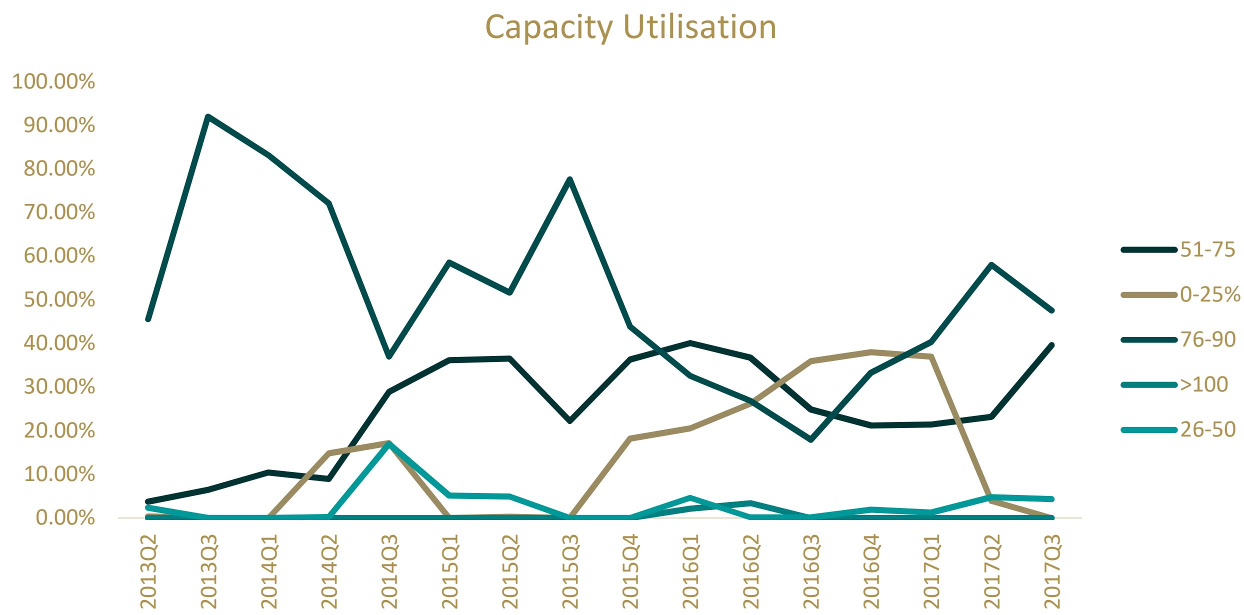


Table 16: Capacity Utilisation

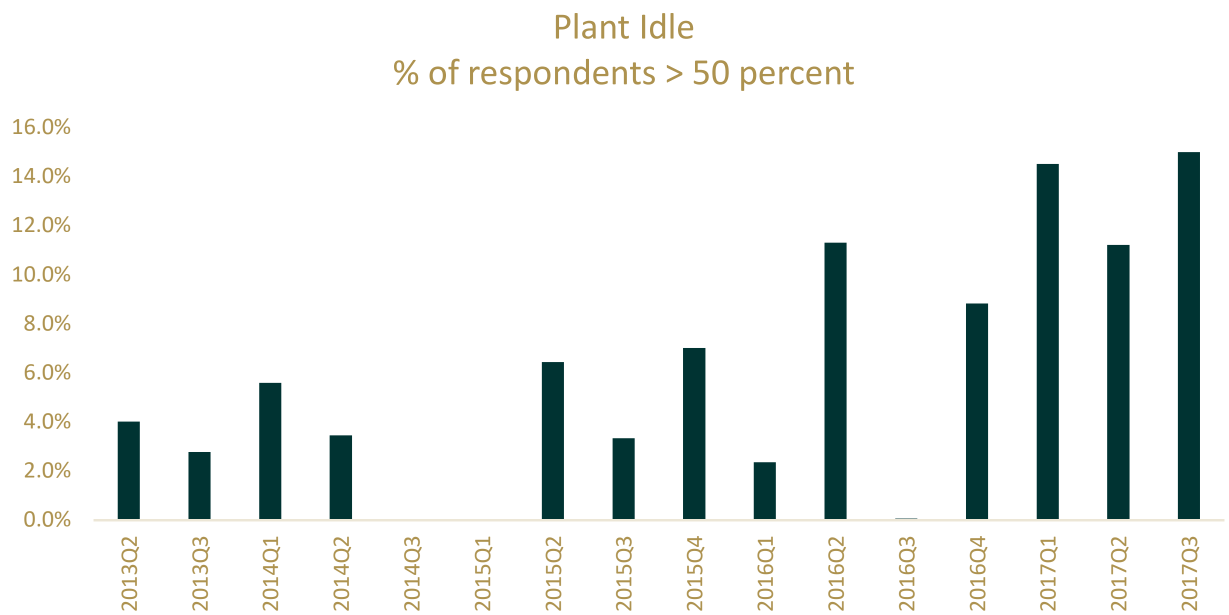
	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3
0-25%	0.0%	0.3%	0.0%	18.2%	20.5%	26.2%	36.0%	38.0%	37.0%	3.9%	0.0%
26-50%	5.2%	4.9%	0.0%	0.0%	4.6%	0.1%	0.2%	1.9%	1.3%	4.8%	4.3%
51-75%	36.2%	36.6%	22.3%	36.3%	40.1%	36.7%	24.8%	21.2%	21.4%	23.2%	39.6%
76-90%	58.6%	51.6%	77.6%	43.9%	32.5%	26.8%	17.9%	33.3%	40.3%	58.0%	47.5%
91-100%	0.1%	6.6%	0.1%	1.6%	0.1%	6.7%	21.1%	5.5%	0.0%	10.2%	8.6%
>100%	0.0%	0.0%	0.0%	0.0%	2.1%	3.4%	0.0%	0.0%	0.0%	0.0%	0.0%
Capacity >90%	0.1%	6.6%	0.1%	1.6%	2.2%	10.1%	21.1%	5.5%	0.0%	10.2%	8.6%

Majority of firms (47.5%) reported capacity utilisation in terms of general plant and resources at between 76 and 90 percent, on par with the average of 49 percent during the previous two surveys. Although fewer contractors reported on utilisation levels below 50 percent, none of the participants exceeded 100 capacity utilisation.

Majority reported that less than 50 percent of plant and equipment is standing idle (57.7 percent), which could also be a factor of companies having to downsize in view of tough market conditions. Around 15 percent of the companies reported that more than 50 percent of plant is currently standing idle.

Table 17: Percentage of plant and equipment standing idle

	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3
0-25%	56.7%	77.3%	86.5%	65.0%	61.1%	57.4%	88.1%	89.9%	72.7%	76.4%	27.3%
26-50%	43.3%	16.3%	10.2%	28.0%	36.6%	31.3%	11.8%	1.3%	12.8%	12.4%	57.7%
51-75%	0.0%	6.4%	0.0%	4.6%	2.3%	8.4%	0.0%	8.8%	14.5%	0.1%	15.0%
75-90%	0.0%	0.0%	3.3%	2.4%	0.0%	2.9%	0.0%	0.0%	0.0%	11.1%	0.0%
90-100%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.1%	0.1%	0.0%	0.0%	0.0%
>100%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
More than 50% idle	0.0%	6.4%	3.3%	7.0%	2.4%	11.3%	0.1%	8.8%	14.5%	11.2%	15.0%

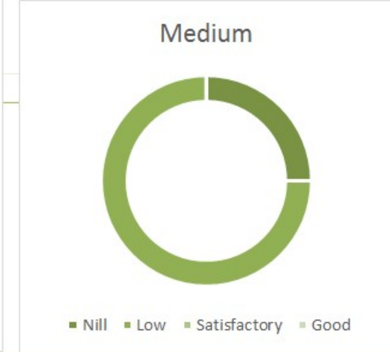


Firm Size Market Segmentation

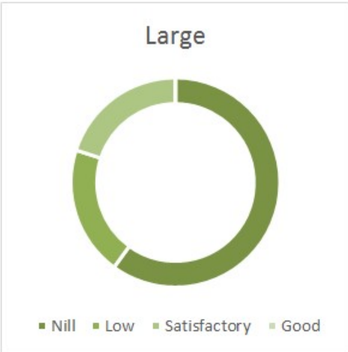
Opinions and sentiment are categorised by firm size, based on reported work force including permanent and limited duration employment. Results for various indicators are shown here, summarised by firm size.

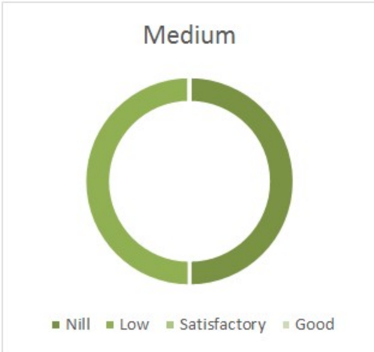
- Working conditions for next quarter
- Competition for tenders
- Tender prices
- Profitability
- Profitability – Trend
- Capacity Utilisation
- Plant Idle

TEnder Volumes

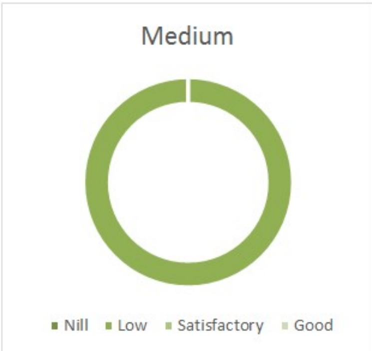


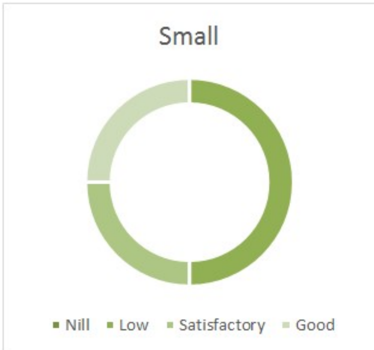
Contract Awrads



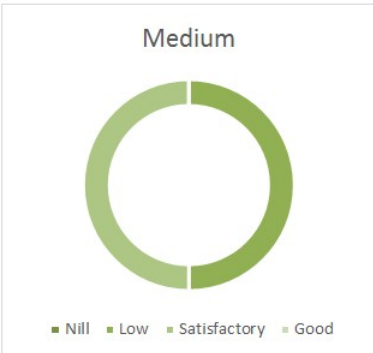


Order Book



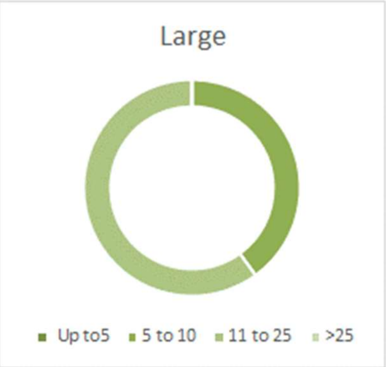


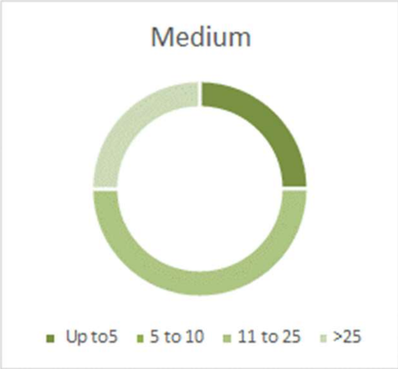
Turnover

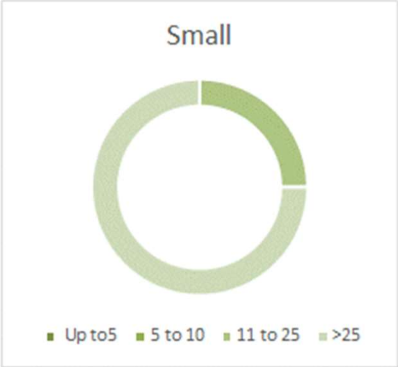


Working Conditions Next Quarter

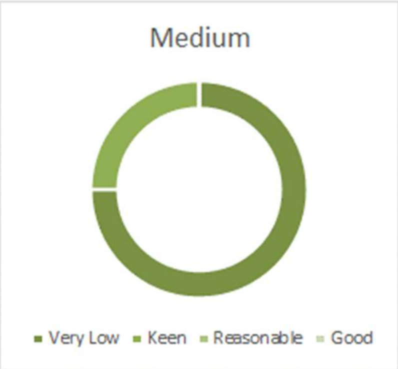
Competition for Tenders



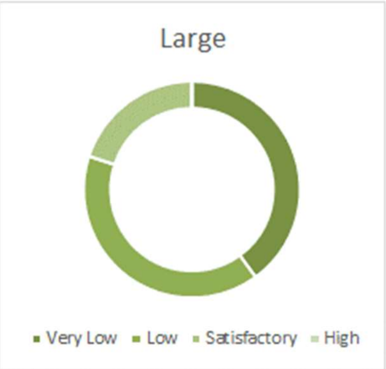


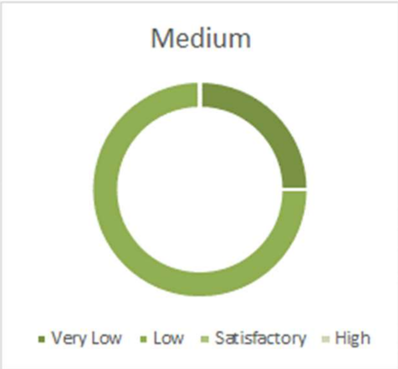


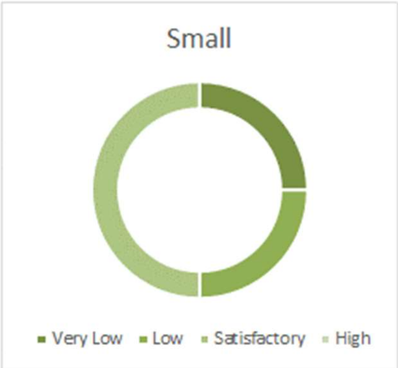
Tender prices



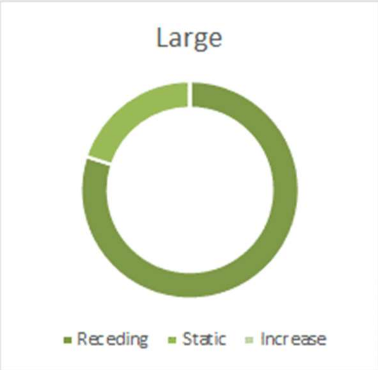
Profitability

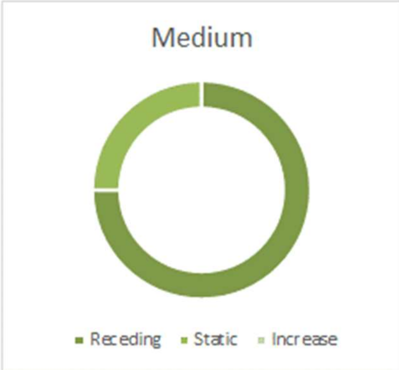




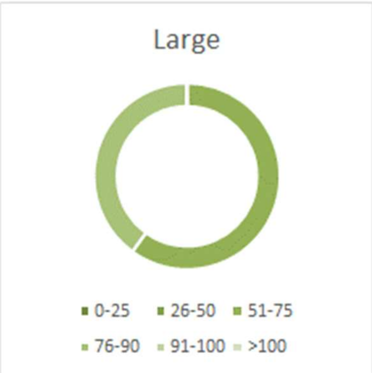


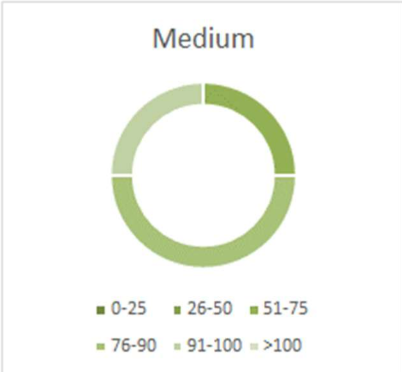
Profitability - Developing Trend

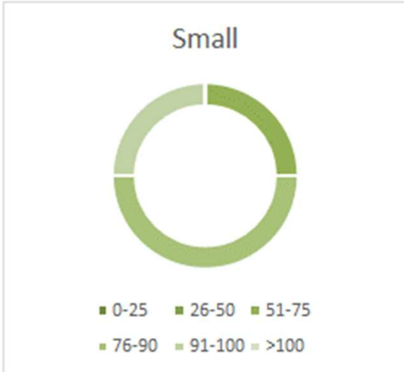




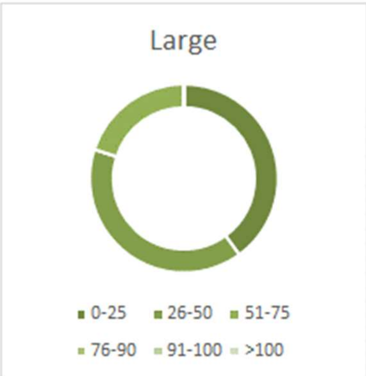
Capacity Utilisation (Plant and resources)

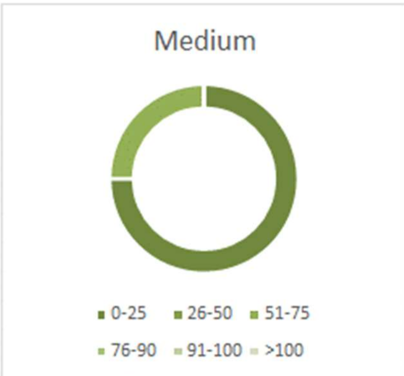


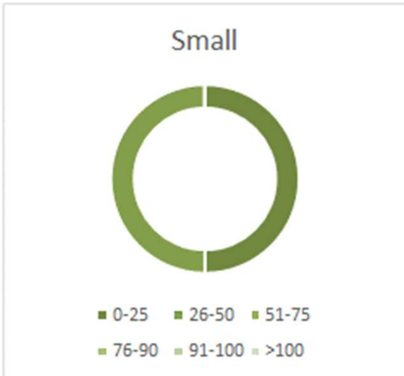




Plant Idle







Performance of the Listed Sector

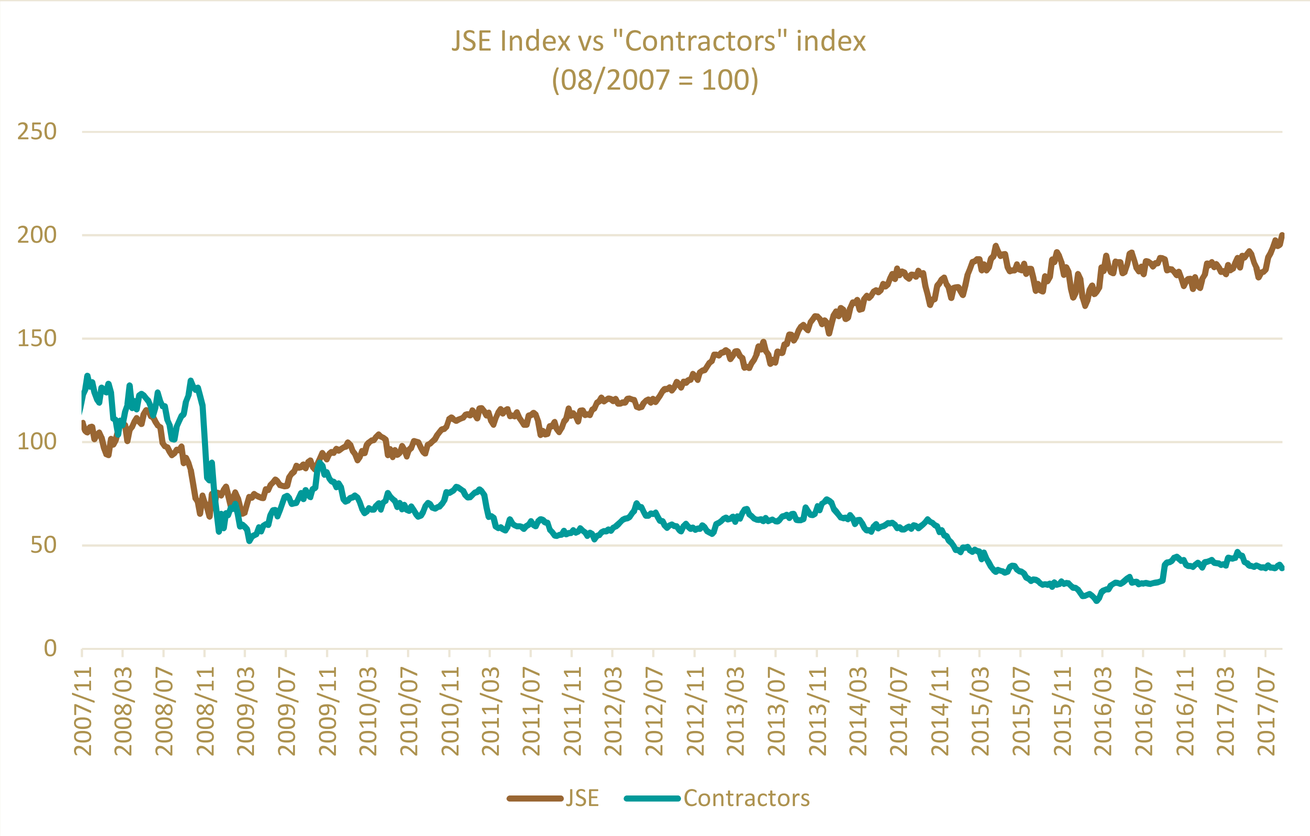
Several construction companies released their financial results in the third quarter of 2017 (as at 3rd week in September) including Basil Read, Group 5, WBHO and news from Murray and Roberts.

Basil Read's share price dropped more than 7 percent following the announcement of a loss in revenue with the release of their interim results. They are subsequently looking at a rights issue to gain up to R300 million in share capital to remedy some of the tight liquidity and cash flow problems they find themselves in. Revenue decreased by 8 percent to R2.3 billion, from R2.5 billion in the previous period. An operating loss of R458 million was reported, compared to a profit of R73.5 million last year, and of the group's five operating units three recorded an operating loss, which were construction, roads and St Helena. Their order book is however healthy, and up for R300 million to R10.7 billion, which means sufficient work has been secured, largely in mining related construction.

Group 5 also released weaker results, as their revenue dropped by 21.6 percent. The new board members have decided not to pay a dividend, but rather have a detailed review of the company's strategy and growth at the end of the year. In this reporting period, 255 employees were retrenched by Group 5, certainly some rough times within the company, which has taken a beating over the years. A shrinking order book has been reported, which is concerning. At year-end the total secured order book stood at R8.7 billion, compared to R11.2 billion in the previous year.

Murray and Roberts, who has recently undergone a rather dramatic restructuring, reported a 15 percent drop in revenue (excluding Middle East) with the release of their results for year end June 2017. In recent months, M&R sold their South African infrastructure and building businesses, and have transferred into their new group on the JSE listing, from heavy construction to general industrials. The engineering and construction group are now going to primarily focus their services on metal & minerals, oil & gas, and power & water going forward. M&R's order book, decreased slightly by just over 6 percent to R26.9 billion from R28.7 billion.

WBHO released a good set of financials (relative to the other contractors) in September. Overall, revenue increased by 3.9 percent, from R30.7bn to R31.9bn. A slightly higher dividend was declared, but their operating margin declined slightly from 3.3 percent to 3.1 percent, and cash on hand decreased slightly, from R5.8bn to R5.5bn. WBHO has increased their focus on the Australian market, but interestingly their division in the South African market recorded relatively solid, with the groups local building divisions and an improved performance from the roads and earthworks division supporting a 18 percent growth in South Africa. This meant that local work contributed 36 percent towards overall revenue, from 32 percent in the previous financial year. Revenue from Australia was up by 2.7 percent and revenue from their African operations declined by 33 percent.



Since the financial crisis of 2007/08, the JSE has more than doubled, with an index value of 200.1 compared to the base year of 100, while the contractor's index more than halved with an index value of 38.9. Since the financial crisis, the nine listed contractors have together lost 61.1 percent value of their businesses. From 2016 however, when the South African economy and the construction sector entered its toughest period so far, the index has risen from 27 points at the beginning of 2016 to 28.9 points, expanding by over 10 percent in this tough period. This shows some resilience, as companies adjust to tougher business conditions. In the short term, over the last quarter, the index has remained largely flat, as the companies on average held their values. However, during the same period the JSE by comparison accelerated to an index value of 200.1 amidst a somewhat stagnated construction sector.

Industry Turnover

According to responding contractors, nominal turnover based on certified payments received, increased by 16 percent q-q in the 2nd quarter of 2017, compared to the previous quarter, following the 16 percent q-q decline in the first quarter. Turnover generally increase in the 2nd quarter of the year (compared to the 1st quarter), as it is the start of central and provincial government's financial year. However compared to the same quarter in 2016, turnover was down by 16 percent, and has decreased by around 14 percent y-y (nominal) in the first half of the year. Turnover fell by 3.2 percent in 2016 (in nominal terms), or -9.2 percent in real terms, allowing for an average cost inflation of 6.7 percent in 2016.

The outlook for 2017 remains on the downside, despite some having some expectations of an improvement during the first half of 2017 (which did not materialise), following an increase in tender activity of higher value projects during the last half of 2016. Conditions are simply not conducive for higher levels of investment, currently constrained by poor economic growth, policy and political uncertainty, low investor confidence and a slowdown in both government and SOE's public sector infrastructure expenditure. Turnover is therefore expected to contract by around 6 percent in 2017 (nominal terms), or -11.0 percent in real terms allowing for an average cost inflation of 6.0 percent in 2017. The outlook for 2018 and 2019 is subject to a stabilisation in government expenditure and some improvement in private sector spending allowing for greater policy certainty. However, these forecasts are weighed heavily on the downside as an improvement in investor confidence still appears to be somewhat unlikely over the medium term.

Release of government projects remain a serious constraint for the domestic civil industry, and as companies are subject to radical transformation policies, government need to address the poor rollout of projects more urgently as any transformation policy will be meaningless without the supportive flow of work. Localisation should be key, as local contractors should remain preferred bidders on any government or SOE's tender (as opposed to foreign contractors), thereby adhering to regulated procurement policies, while policies related to projects such as government's renewable energy programme should speedily be finalised.

Please note turnover levels only depict SAFCEC estimates based on the participation of member companies, and may not be reflective of the overall civil industry contracting fraternity. Turnover values have also been re-worked from a base year of 2012 to a base year of 2016.

Figure 21: Civil Industry Turnover 2016 Prices

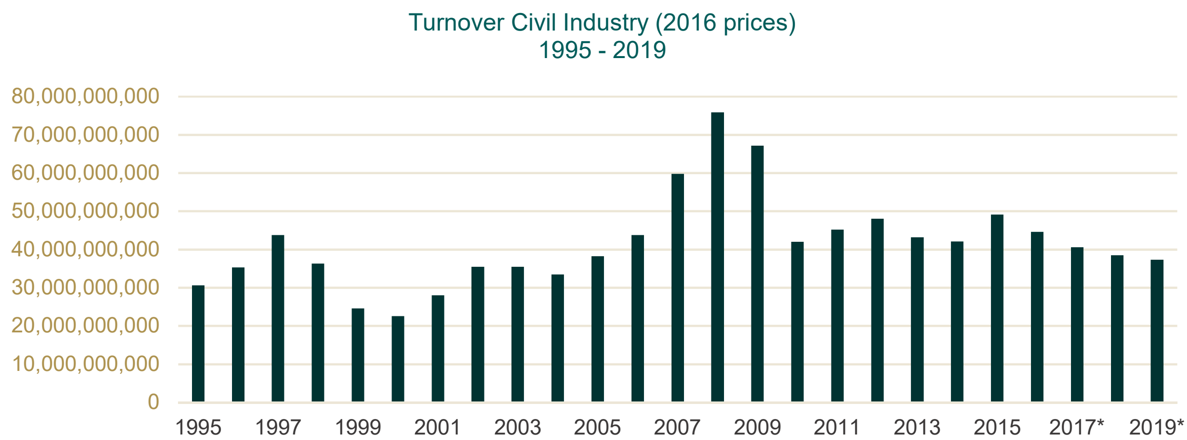


Table 18: Actual and Expected Turnover trends

	Turnover Nominal	% Change (Nominal)	Turnover 2016=100	% Change (Real)
1996	9,864,977,221	28.9%	35,249,842,470	15.3%
1997	13,282,356,448	34.6%	43,724,179,714	24.0%
1998	11,680,899,837	-12.1%	36,324,984,359	-16.9%
1999	8,600,472,761	-26.4%	24,562,081,293	-32.4%
2000	8,669,595,494	0.8%	22,556,233,581	-8.2%
2001	11,723,000,614	35.2%	28,011,798,970	24.2%
2002	17,138,501,083	46.2%	35,462,083,710	26.6%
2003	17,701,840,728	3.3%	35,481,366,070	0.1%
2004	17,180,281,073	-2.9%	33,459,646,964	-5.7%
2005	20,999,901,277	22.2%	38,250,997,170	14.3%
2006	25,783,535,490	22.8%	43,789,298,565	14.5%

2007	38,084,310,982	47.7%	59,737,657,516	36.4%
2008	58,063,639,993	52.5%	75,823,132,197	26.9%
2009	51,147,261,584	-11.9%	67,176,926,137	-11.4%
2010	32,744,103,366	-36.0%	41,993,396,767	-37.5%
2011	36,888,136,573	12.7%	45,184,339,496	7.6%
2012	40,952,061,358	11.0%	48,002,150,896	6.2%
2013	38,920,982,014	-5.0%	43,161,222,056	-10.1%
2014	39,941,145,748	2.6%	42,063,178,880	-2.5%
2015	46,049,492,101	15.3%	49,134,808,072	16.8%
2016 (f)	44,590,770,821	-3.2%	44,590,770,821	-9.2%
2017 (f)	41,915,324,572	-6.0%	39,552,699,848	-11.3%
2018 (f)	42,334,477,817	1.0%	37,104,545,814	-6.2%
2019 (f)	43,604,512,152	3.0%	35,995,791,867	-3.0%

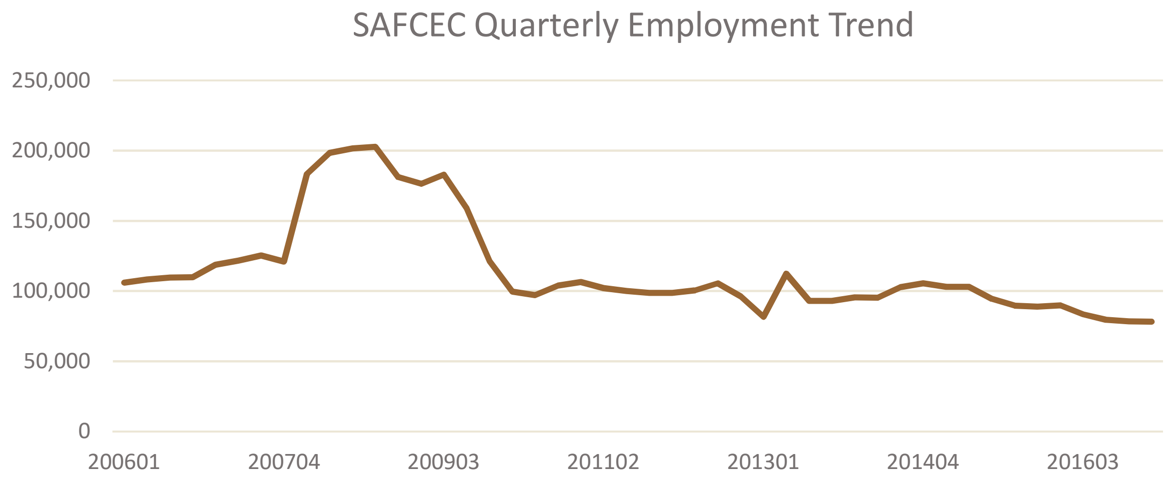
Table 19: Employment, Contract Awards, Turnover and Salaries & Wages

	Employment	Turnover (nominal)	Salaries and Wages (nominal)
2012	96,502	40,952,061,358	9,062,691,178
2013.1	81,651	7,944,678,917	1,758,157,444
2013.2	112,823	11,122,550,484	2,461,420,422
2013.3	93,894	9,454,167,911	2,092,207,359
2013.4	93,894	10,399,584,702	2,301,428,095
2013	95,565	38,920,9982,014	8,613,213,320
2014.1	96,241	9,255,630,385	2,048,271,004
2014.2	96,048	10,643,974,943	2,355,511,655
2014.3	103,732	10,111,776,196	2,237,736,072
2014.4	106,326	9,929,764,224	2,197,456,823
2014	100,587	39,941,145,748	8,838,975,554
2015.1	103,774	10,525,550,078	2,526,132,019
2015.2	103,774	12,209,638,090	2,677,699,940
2015.3	95,161	12,270,686,281	2,455,450,845
2015.4	90,403	11,043,617,652	2,319,159,707
2015	98,278	46,049,492,101	9,978,442,510
2016.1	89,679	10,160,128,240	2,133,626,930
2016.2	90,576	12,192,153,888	2,560,352,317
2016.3	84,234	11,704,467,732	2,574,982,901
2016.4	79,561	10,534,020,960	2,422,824,881
2016	85,492	44,590,770,821	9,691,786,969
2017.1	78,447	8,848,577,606	2,389,115,954
2017.2	78,211	10,264,350,023	2,566,087,506

Figure 22: SAFCEC Quarterly Employment Trend

Explanatory Note

The civil engineering confidence index relates to the overall business outlook amongst the companies within the industry. Levels below the 50-mark indicate pessimism, 0 equals total negativity, and 100 indicates absolute optimism. This is a continuously changing weighted index.



Employment in the civil engineering contracting industry ended flat in the 2nd quarter of 2017 (down only marginally by 0.3 percent), following the 1.4 percent decline reported in the 1st quarter. Compared to last year, employment has fallen by 13 percent to an estimated 78,211. According to Stats SA there are over 1 million people earning a livelihood in the South African construction industry, including the building and civil sectors as well as those that are self-employed. There has been a marked increase in the number of people that are self-employed, while employment in the industry, according Stats SA Data, has gradually decreased over the last few years. Although these numbers include both the building and civil industries it is evident that the construction industry as a whole is not expanding job opportunities in the sector, due to the weak economic environment which is further challenged by weak investor sentiment and poor rollout of projects by the public sector.

Confidence Index

The quarter on quarter movement in the index has been more erratic since 2010, with some improvement reported in 2014, brought about by a more optimistic outlook from medium size contractors. However, sentiment has returned to being more pessimistic in the last few surveys, with industry sentiment representing levels last seen in 2000. The overall confidence level deteriorated to a nett negative satisfaction rate of 94.7 percent in the 3rd quarter, from -77.9 percent and -52.5 in the previous two surveys, and is currently at the weakest level seen since the inception of this survey, dating back to 1990.

In this survey, all of the larger contractors reported a poor outlook for the sector, a sentiment shared by the medium contractors. Smaller firms have an equally negative sentiment, but there are some that have reported satisfactory levels. Majority however (66 percent) expect poor to very poor conditions to prevail.

Table 20: Overall assessment of business conditions (RSA Only

Values	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3
Very Quiet	36.3%	3.2%	17.7%	3.9%	4.8%	4.2%	0.1%	5.5%	25.2%	5.2%	4.2%
Quiet	33.4%	88.9%	62.4%	39.8%	55.2%	54.8%	34.8%	37.0%	27.7%	73.4%	90.5%
Satisfactory	30.3%	7.9%	11.0%	52.6%	39.0%	38.8%	65.2%	57.5%	46.7%	20.7%	5.3%
Quite busy	0.0%	0.0%	8.9%	2.5%	1.0%	2.2%	0.0%	0.0%	0.4%	0.7%	0.0%
Very busy	0.0%	0.0%	0.0%	1.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Nett %	-69.7%	-92.1%	-71.2%	-40.1%	-59.0%	-56.8%	-34.8%	-42.5%	-52.5%	-77.9%	-94.7%

Figure 23: Civil Engineering Contractors Confidence Index

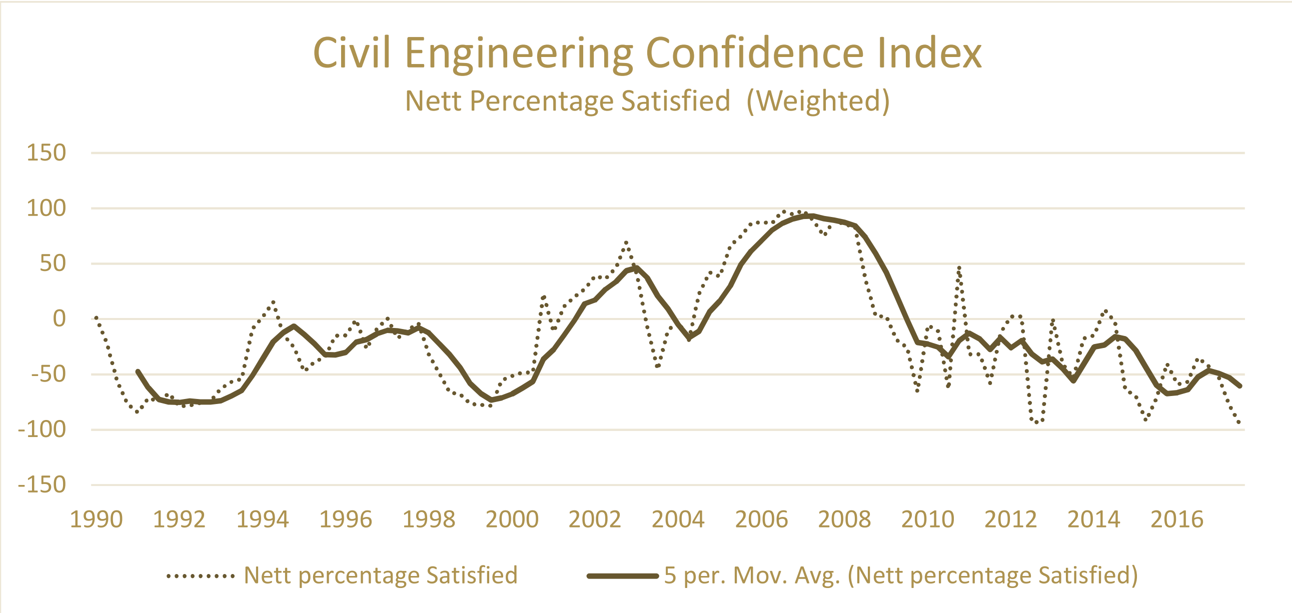
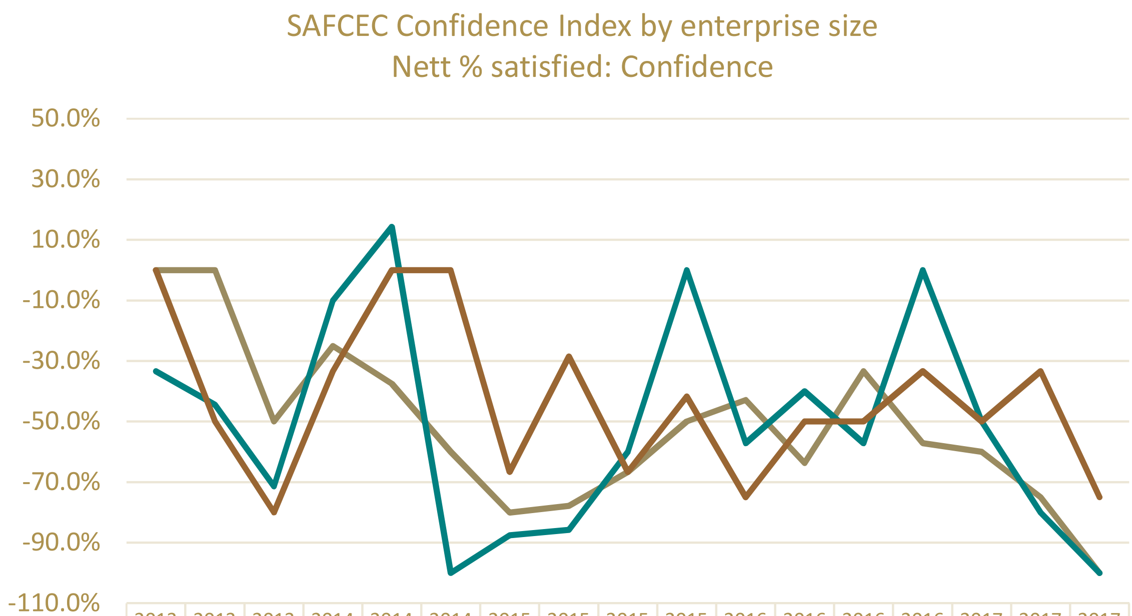


Figure 24: SAFCEC Confidence Index by Enterprise Size



	2013 Q1	2013 Q2	2013 Q3	2014 Q1	2014 Q2	2014 Q3	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3
Large	0.0%	0.0%	-50.0	-25.0	-37.5	-60.0	-80.0	-77.8	-66.7	-50.0	-42.9	-63.6	-33.3	-57.1	-60.0	-75.0	-100.
Medium	-33.3	-44.4	-71.4	-10.0	14.3%	-100.	-87.5	-85.7	-60.0	0.0%	-57.1	-40.0	-57.1	0.0%	-50.0	-80.0	-100.
Small	0.00%	-50.0	-80.0	-33.3	0.00%	0.0%	-66.7	-28.6	-66.7	-41.7	-75.0	-50.0	-50.0	-33.3	-50.0	-33.3	-75.0

Table 21: Large firms - Overall assessment of business conditions (RSA Only)

Values	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3
Very Quiet	20.0%	11.1%	44.4%	12.5%	0.0%	9.1%	0.0%	0.0%	20.0%	0.0%	0.0%
Quiet	60.0%	66.7%	33.3%	37.5%	42.9%	54.5%	33.3%	57.1%	40.0%	75.0%	100.0%
Satisfactory	20.0%	22.2%	11.1%	50.0%	57.1%	36.4%	66.7%	42.9%	40.0%	25.0%	0.0%
Quite busy	0.0%	0.0%	11.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Very busy	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Nett %	-80.0%	-77.8%	-66.7%	-50.0%	-42.9%	-63.6%	-33.3%	-57.1%	-60.0%	-75.0%	-100%

Table 22: Medium firms - Overall assessment of business conditions (RSA Only)

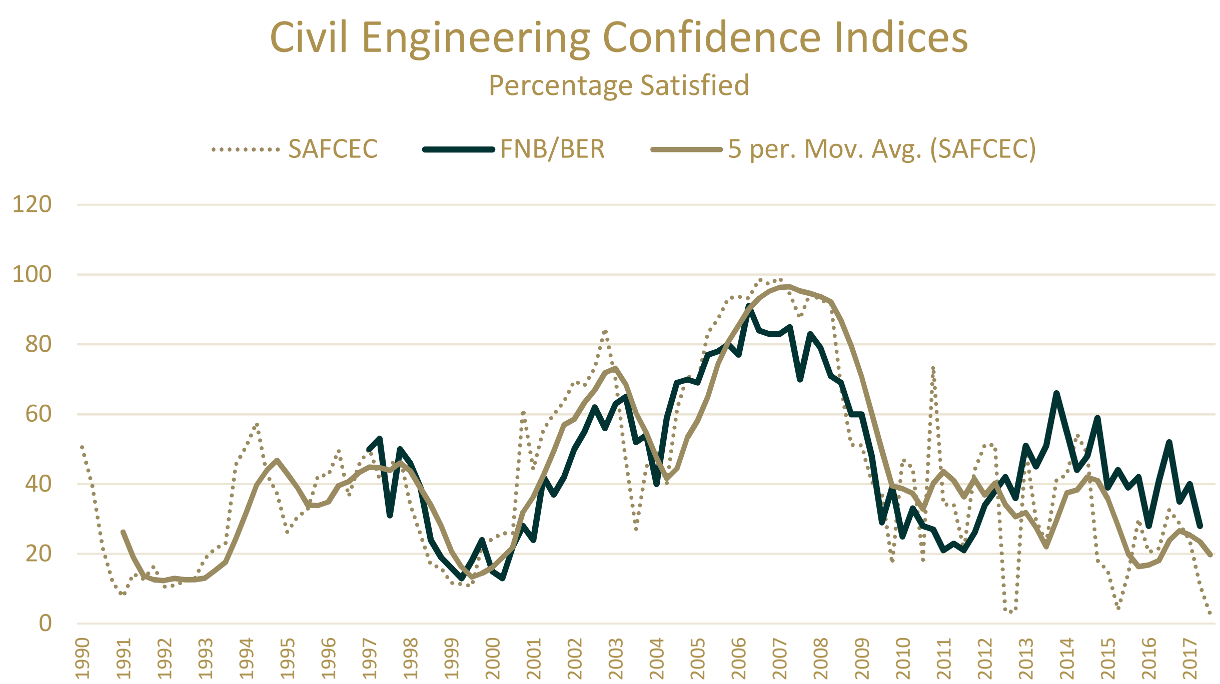
Values	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3
Very Quiet	25.0%	0.0%	20.0%	0.0%	42.9%	20.0%	0.0%	0.0%	50.0%	10.0%	40.0%
Quiet	62.5%	85.7%	60.0%	33.3%	28.6%	40.0%	57.1%	0.0%	0.0%	70.0%	60.0%
Satisfactory	12.5%	14.3%	0.0%	33.3%	14.3%	20.0%	42.9%	100.0%	50.0%	20.0%	0.0%
Quite busy	0.0%	0.0%	20.0%	33.3%	14.3%	20.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Very busy	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Nett %	-87.5%	-85.7%	-60.0%	0.0%	-57.1%	-40.0%	-57.1%	0.0%	-50.0%	-80.0%	-100%

Table 23: Smaller firms - Overall assessment of business conditions (RSA Only)

Values	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3
Very Quiet	0.0%	14.3%	66.7%	25.0%	25.0%	16.7%	25.0%	33.3%	50.0%	33.3%	33.3%
Quiet	66.7%	28.6%	0.0%	33.3%	50.0%	33.3%	25.0%	0.0%	16.7%	33.3%	33.3%
Satisfactory	33.3%	42.9%	33.3%	25.0%	25.0%	50.0%	50.0%	66.7%	16.7%	0.0%	33.3%
Quite busy	0.0%	14.3%	0.0%	8.3%	0.0%	0.0%	0.0%	0.0%	16.7%	33.3%	0.0%
Very busy	0.0%	0.0%	0.0%	8.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Nett %	**-66.7%**	**-28.6%**	**-66.7%**	**-41.7%**	**-75.0%**	**-50.0%**	**-50.0%**	**-33.3%**	**-50.0%**	**-33.3%**	**-66.7%**

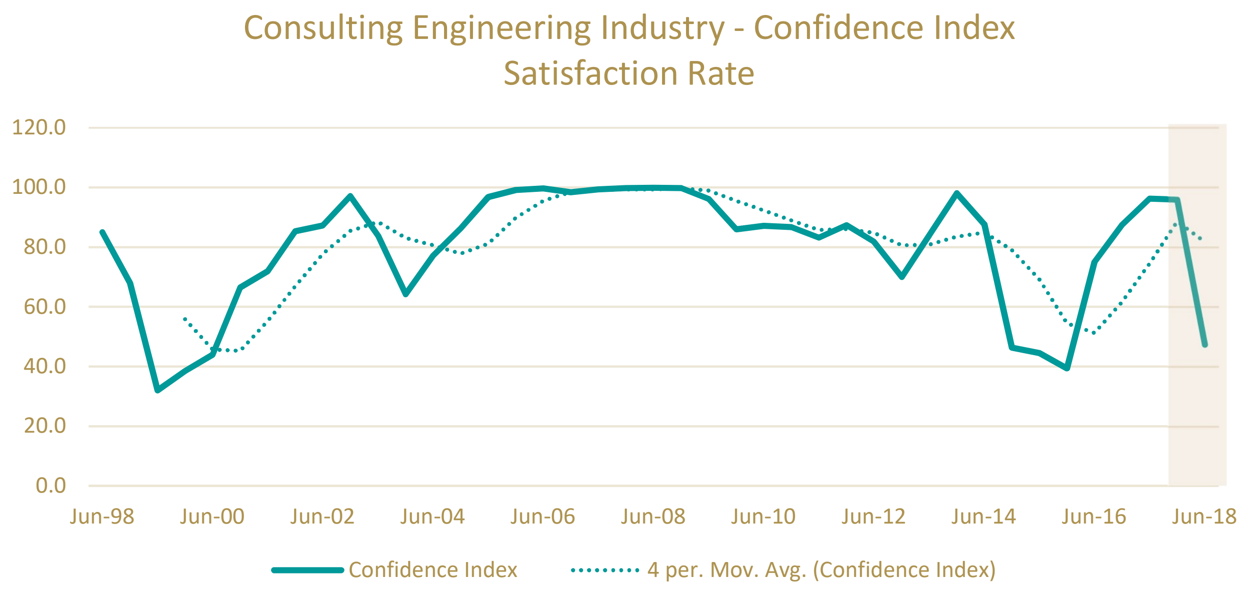
A comparison with FNB/BER's civil industry confidence index, shows a clear and distinct correlation between the two independently surveyed data sets, as both surveys depict weak sentiment amongst civil contractors. The satisfaction rate in the FNB/BER index has been below 50 since the 1st quarter of 2015, and recorded a much weaker level of 28 in the 2nd quarter of 2017, from a level of 40 in the 1st quarter of 2017, and an average of 39 in 2016.

Figure 25: Civil Engineering Confidence Indices



Confidence levels amongst consulting engineers (a leading indicator for construction works and compiled bi-annually by CESA), reached record lows during 2015/16, but showed a recovery over the last few surveys to a satisfaction rate of 87.5 percent in the last six months of 2016 and 96.3 percent in th first six months of 2017. The outlook for the rest of the year is similar, but confidence levels fell to a satisfaction rate of just 47.4 percent for the first half of 2018. Consulting Engineers in general are more optimistic by comparison to the highly depressed environment contractors find themselves in, primarily because projects may be in planning and designing phases but is slow to be put out to tender and awarded. The slowdown in confidence amongst engineers in 2015/16 was of great concern as this implies a slowdown in the project pipeline which will have an even more devastating impact on downstream suppliers and contractors. The more positive view expressed in the last 12 months, may suggest an uptick in projects at planning stages which, if executed, will support growth, albeit marginal, in the general contracting industry, yet the weaker longer term outlook is concerning.

Figure 26: Consulting Engineering Industry Confidence Index



Key Issues Affecting Current Confidence Levels in the Industry

Main issues raised by participating contractors related to Delays, financial constraints by clients, and skills (including poor or low levels of labour productivity, tender compilation and adjudication by clients). Delays accounted for 25 percent of the issues raised, followed by financial constraints or concerns 21 percent and skills related issues accounted for 14 percent.

- Global economic stabilisation, but weighed down by political risks in developed economies and slowing growth in emerging economies continue to pose a risk.
- Domestic economic woes intensified this year, as the country barely just recovered from a recession, and fears of further credit rating downgrades are fast became a grim reality. Increased risks associated with currency developments, political tension and practical implications associated with more radical economic transformation, as promised in the 2017 Budget, are now more profound.
- Project cancellations and delays in project implementation remains a serious concern and constraint affecting the construction industry, as noted in the report.
- Skills related to engineering is becoming a more serious constraint largely aggravated through continued client interference which creates an environment whereby agents are being disempowered. This leads to project implementation delays and is a contributing factor to the increase in payment delays, through delays in certification. Other skills related concerns include lack of client capacity and experience in drafting and adjudicating tenders, which leads to poor project scoping and the re-awarding of tenders as projects are allocated to sub-standard contractors.
- Slow roll out of public sector infrastructure projects, including the delays to implement the targets as set out in the National Development Plan, aggravated by cuts in projected infrastructure expenditure allocations

which were announced in the 2017/18 Budget, has resulted in marginal nominal growth projected over the medium term expenditure framework period (2017/18 – 2019/20).

- Changes to the Preferential Procurement Policy Framework (PPPFA) Act of 2000 took effect in March 2017, to further accelerate transformation through its procurement spend and deepened regulation of its tender processes. Implementation of the revisions has increased uncertainty and is likely to further deter investment.
- Award delays remain a serious concern. Contractors have a quarter of the time to prepare and submit tender document, compared to the time taken by clients to adjudicate. Of particular concern are the delays in the finalisation of the IPP programme affecting the implimentation of renewable energy projects. An investigation into why Eskom has been slow to sign contracts with independent power producers was again delayed in September 2017. A total of 37 contracts are still unsigned.
- The inability of certain local and district municipalities to spend allocated budgetary allocations, which also suggest inadequate skills in planning and budgetary management.
- Low confidence in the mining sector and policy uncertainty, particularly also in the renewable energy sector is delaying private capital expenditure.
- The tendency by government to break what should be larger Grade 9 projects, into smaller grade projects, referred to as project fragmentation. Grade 9 projects contributed only 2 percent of tender activity in the first quarter of 2017.
- Pricing by contractors remains a concern, as some contractors would tender on projects that fall outside the scope of the prescribed CIDB grade, leading to uncessary delays in the procurement process. Prices can also vary to the extent that it can almost be deemed as irresponsible, or below cost with little or no regard to operational efficiency or the impact of (negative) escelation on contracts.
- As the industry continues to shed employment (albeit at a slower pace), these and other challenges will impact on the industry's future capacity to respond effectively to increased demand when the industry starts to recover.

CIVIL ENGINEERING PRICE MOVEMENTS

The Baxter contract price adjustment formula (or CPAF), is widely recognised by the industry as an accepted set of indices to adjust contracts for payment escalation. However, it is important to clarify that these set of indices are freely available and published by Statistics South Africa and is not owned or manipulated by SAFCEC in any way.

Input cost price movements based on the Baxter contract price adjustment formula (CPAF) moderated to an average annual increase of 5.5 percent in the 2nd quarter of 2017, from 7.8 percent in the 1st quarter. Lower cost inflation was supported by a lower rate of increase across all four of the sub-indices, including materials (slowing from an average increase of 10.4 percent (Q1) to 8.2 percent (Q2), fuel to 7.9 percent (from 19.2 percent (Q1), plant from 3.3 percent (Q1) to 2.3 percent and consumer inflation which averaged 5.3 percent in Q2 from an average of 6.3 percent in Q1.

The composite index escalated to an average increase of 6.2 percent in the first seven months of 2017. Although currency volatility was higher than expected in the first quarter of the year, brought about by the axing of Finance Minister Pravin Gordhan and the subsequent downgrading of South Africa's sovereign debt credit rating, the currency is still within our forecast range and averaged R13.2/$ in the first seven months. The price of Brent crude oil averaged $52.3/barrel, slightly lower than our forecast range, resulting in an adjustment of the forecast assumptions. The plant index escalated at a stronger pace than expected (averaged 2.5 percent in the first seven months, against an expected 8 percent decrease, also adjusted in the latest forecast assumptions), while the composite index for materials escalated at 9.1 percent (against a forecast of 7 percent). These two components are the main push behind the stronger than expected increase in the composite index.

Pending further developments in the oil price and currency vulnerability, and an adjustment to the projected escalation in selected indices, we expect the composite index to increase by an average rate of 6.0 percent (against a previous forecast of 6.7 percent (2nd quarter review). Our assumptions include a relatively stable oil price, although marginally higher compared to 2016, and some appreciation in the currency from an average of R14.7/$ to R13.5/$ in 2017. These developments and the impact on input cost construction will be closely monitored and adjusted accordingly.

Figure 27: CPAF Y-Y Percentage Change

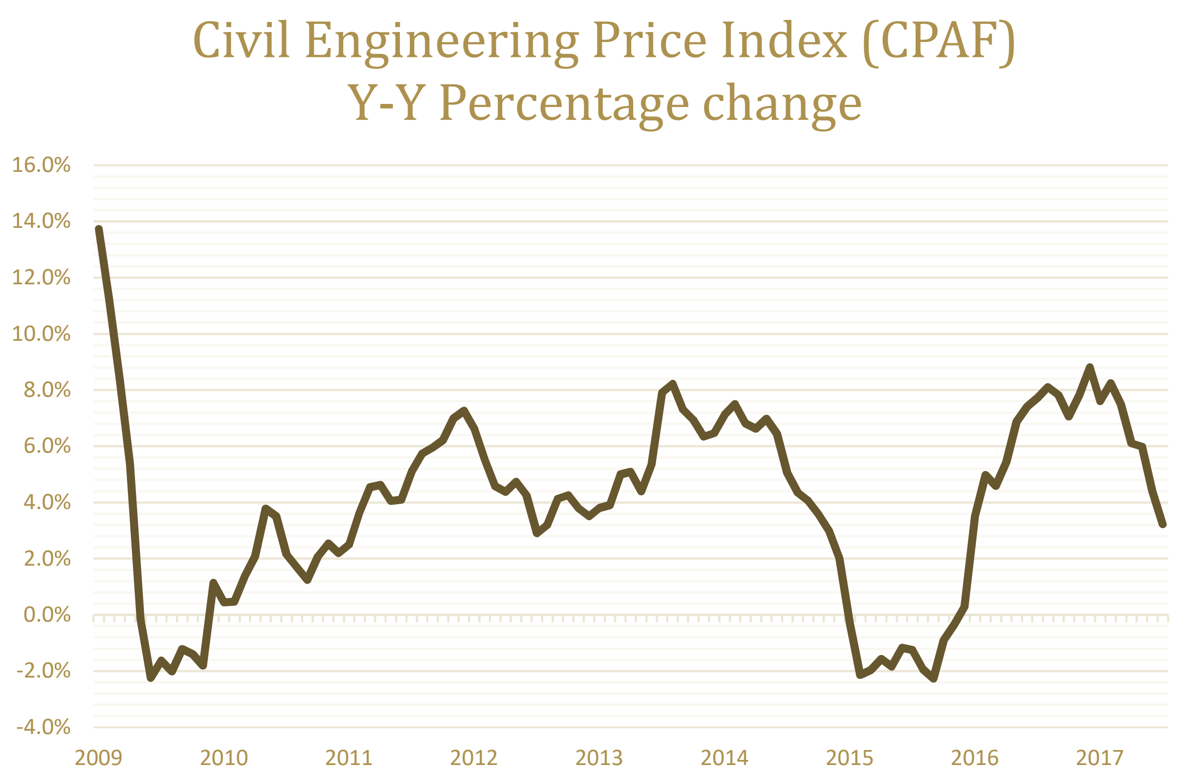
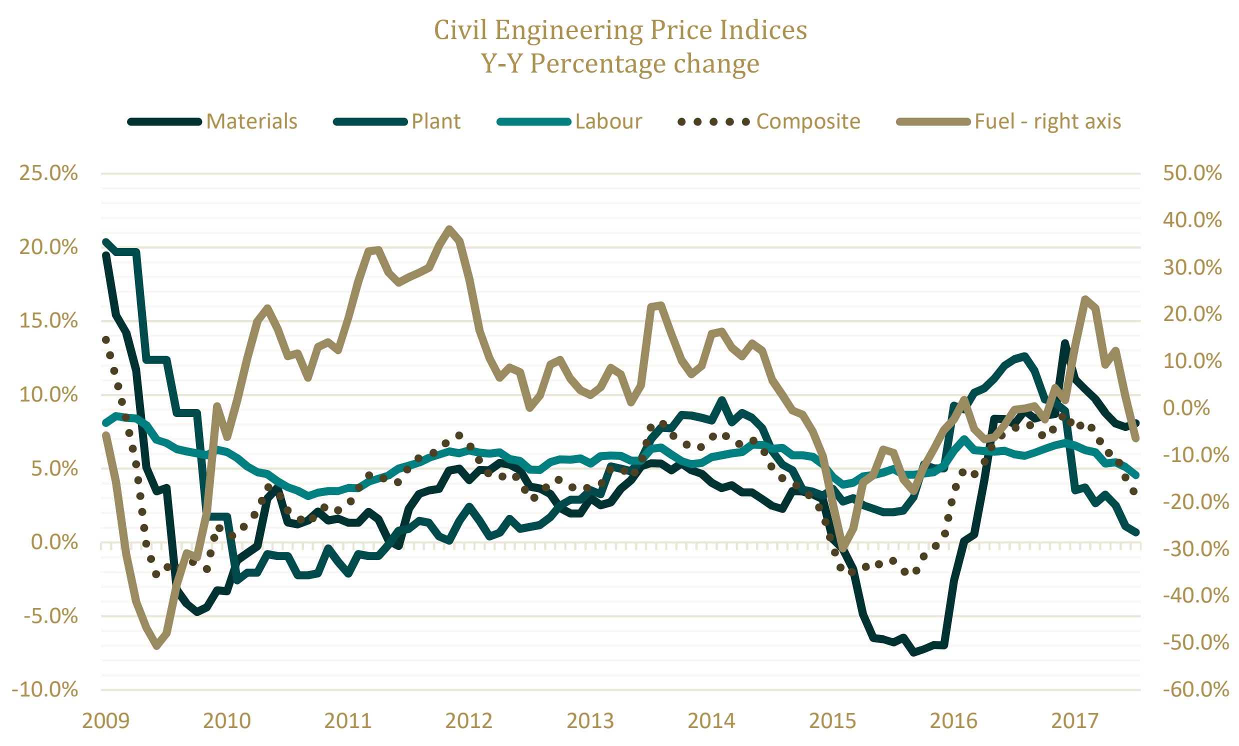


Figure 28: Civil Engineering Price Movements



Source: Stats SA

Table 25: Macro Price Assumptions

	2013	2014	2015	2016	2017	2018	2019
R/US$ Exchange Rate	9.7	11.3	12.7	14.7	13.5	14.5	15.5
Oil price ($ per barrel, UK Crude oil)	108.0	96.3	48.7	44.2	57.0	59.0	60.0
Oil Price (ZAR per barrel)	1042.2	1088.2	618.5	650.8	769.5	855.5	930.0
CPI (% change)	5.8%	6.1%	4.6%	6.3%	6.4%	5.7%	5.6%

Table 26: CPAF Indices Forecast 2013-2019

Index 2012= 100	2013	2014	2015	2016	2017	2018	2019
Plant	81.8	87.0	89.8	99.3	102.3	109.9	117.4
Fuel	109.5	115.9	98.0	96.5	106.2	129.4	140.6
Materials	91.3	94.3	89.4	95.0	102.6	107.7	113.1
Labour	83.0	88.0	92.0	97.8	103.4	109.3	115.4
Composite	**87.8**	**92.4**	**91.2**	**97.3**	**103.1**	**111.0**	**117.8**
Y-Y Percentage Change							
Plant	6.3%	6.4%	3.2%	15.8%	3.0%	7.4%	6.9%
Fuel	9.4%	5.8%	-15.4%	5.2%	10.0%	21.9%	8.7%
Materials	4.3%	3.3%	-5.2%	6.2%	8.0%	5.0%	5.0%
Labour	5.8%	6.1%	4.6%	6.3%	5.7%	5.7%	5.6%
Composite	**5.9%**	**5.3%**	**-1.3%**	**6.7%**	**6.0%**	**7.7%**	**6.2%**

Please note the fuel index is now based on Diesel Fuel – Wholesale

Table 20: CPAF Indices (Quarterly Average)

		CPAF Indices 2016=100					Y-Y Inflation				
Year	Quarter	Materials	Labour	Fuel	Plant	Composite	Materials	Labour	Fuel	Plant	Composite
2012	1	87.2	76.9	99.0	76.0	82.0	4.7%	6.1%	17.8%	1.4%	5.6%
	2	87.6	78.0	101.2	76.5	82.8	5.2%	5.8%	7.6%	1.1%	4.5%
	3	87.7	78.8	94.8	77.2	82.6	3.6%	5.1%	4.1%	1.3%	3.4%
	4	87.7	80.0	105.1	77.8	84.2	2.1%	5.6%	6.8%	2.8%	3.8%
2013	1	89.6	81.3	104.3	79.1	85.4	2.8%	5.7%	5.3%	4.0%	4.2%
	2	91.4	82.5	105.7	80.4	86.8	4.3%	5.7%	4.4%	5.1%	4.9%
	3	92.3	83.7	113.4	83.0	89.0	5.2%	6.2%	19.7%	7.5%	7.8%
	4	92.0	84.4	114.4	84.5	89.7	5.0%	5.4%	8.8%	8.6%	6.6%
2014	1	93.1	86.1	119.9	85.9	91.5	3.9%	5.9%	15.0%	8.7%	7.1%
	2	94.3	87.8	118.7	87.1	92.6	3.2%	6.5%	12.4%	8.3%	6.7%
	3	94.8	88.9	116.6	87.6	93.0	2.7%	6.2%	2.8%	5.5%	4.5%
	4	95.0	89.1	108.2	87.3	92.3	3.2%	5.7%	-5.4%	3.4%	2.9%
2015	1	92.5	89.7	89.5	88.6	90.2	-0.7%	4.1%	-25.4%	3.1%	-1.5%
	2	88.7	91.8	103.4	89.1	91.2	-6.0%	4.6%	-12.9%	2.3%	-1.5%
	3	88.3	93.1	100.2	89.7	91.4	-6.9%	4.7%	-14.0%	2.4%	-1.8%
	4	88.3	93.5	98.8	91.8	92.0	-7.1%	4.9%	-8.7%	5.1%	-0.3%
2016	1	91.9	95.5	87.9	97.0	94.1	-0.6%	6.5%	-1.8%	9.5%	4.4%
	2	94.9	97.5	97.8	99.1	97.2	7.0%	6.2%	-5.4%	11.2%	6.6%
	3	95.7	98.7	100.3	100.7	98.6	8.5%	6.0%	0.0%	12.2%	7.9%
	4	97.4	99.6	100.0	100.4	99.2	10.3%	6.6%	1.2%	9.4%	7.9%
2017	1	101.4	101.5	104.8	100.2	101.4	10.4%	6.3%	19.2%	3.3%	7.8%
	2	102.7	102.7	105.5	101.4	102.6	8.2%	5.3%	7.9%	2.3%	5.5%

INFORMATION SOURCES

- SAFCEC Membership surveys
- Databuild / Industry Insight project database of tenders, awards, postponements (www.industryinsight.co.za)
- IMF World Economic Outlook
- South African Reserve Bank, Quarterly Bulletins
- Global Insight
- Statistics South Africa
    - POO44 Financial statistics
    - P0141 Consumer Price Index
    - P0151 Production Price Index: PPI For Selected Materials
- FNB/BER Confidence Indices
- Estimates of National Expenditure Reviews (Treasury)