SAFCEC

READY TO DELIVER

STATE OF THE SOUTH AFRICAN CIVIL ENGINEERING INDUSTRY

South African Forum of Civil Engineering Contractors

www.safcec.org.za

Contents

EXECUTIVE SUMMARY

Overall, the performance of the economy so far in 2018 has definitely been a lot worse than many economists and analysts were expecting at the beginning of the year, with very poor GDP data released for both the first and second quarters of 2018. The economy unexpectedly contracted by 0.7 percent in the 2nd quarter of the year (on a quarter on quarter basis, seasonally adjusted and annualised). Although not the biggest contraction, this puts the economy into a technical recession, which is two consecutive quarters of negative GDP growth. Growth over the last year (4 quarters) barely remains positive at 0.4 percent, but this is certainly a stumbling block, and it now looks like growth under Cyril Ramaphosas's first year under the helm will be worse than last year, under a more corrupt and fragmented Zuma administration. To add insult to injury, the first quarter contraction was also revised downwards, from a contraction of 2.2 percent, to an actual figure of 2.6 percent.

Main protagonists in this story include the agriculture sector, wholesale and retail trade (which is a large segment), as well as the transport and communication sector. These sectors all saw the biggest declines in the second quarter. The retail and wholesale trade sector, which contracted by 1.9 percent this quarter, which is the second consecutive contraction, off the back of a 3.1 percent contraction last quarter. This shows that South African consumers have started to feel the brunt of a slowing economy, higher unemployment, and income that has been decreasing in per capita terms over the last few years. The average South African has become poorer and poorer over the last 4-5 years, as we have had a sustained period of decelerating growth.

There was positive news, that the construction sector has seen growth for the first time in six quarters, which was unexpected given the dire state the industry is in. We hypothesize that this growth was driven almost predominantly by the private sector, with an improvement in both private building plans passed and completed in the second quarter, according to Stats SA (in some segments). On the civil side of things, the only explanation could be in renewable energy, in which there has been a backlog of connecting projects to the grid. But new energy minister Jeff Radebe has vowed to move this process along, and this could explain the uptick, which we certainly don't think will be sustained.

Gross fixed capital formation recorded positive growth in the 2nd quarter of 2018, which came somewhat as a surprise. Gross fixed capital formation ticked up by a modest 0.9 percent in real terms. This is off the back of a 2.2 percent contraction in the first quarter. In the second quarter, the 0.9 percent uptick was comprised of a 0.5 percent increase in civil investment, a 4.5 percent increase in non-residential buildings, and a 1.1 percent decline in investment in residential buildings. We speculate that the increase on the civil side of the sector is due to renewable energy projects which have seen some more impetus in the new administration. The numbers are higher than we anticipated nonetheless.

The construction industry in South Africa, and the civil industry more specifically is in dire straits, with many different sized contractors being liquidated or going into business rescue, not just listed companies. According to Industry Insight data, Stats SA data, and more importantly, data from this report/survey – this is the worst it has ever been in a post-apartheid South Africa. The inability of Government to properly manage their finances, corruption at State Owned Entities and an economy that is floundering through a lack of policy clarity, has resulted in massive infrastructure spending cuts, and wasted and/or under expenditure of budgets. These factors have played a role in the demise of the civil construction industry, alongside the industry's own challenges, as it moves towards rebuilding relationships with Government. The SAFCEC confidence index remains at rock bottom, with almost 100 percent of respondents in the survey anxious about the future of the industry.

On a positive note, initial reform at SOE's which are key to unlocking growth in the construction sector has commenced, and President Ramaphosa's plan to stimulate the economy includes a proposed R400 billion 'infrastructure fund' which on the surface seems positive. Rumours are however, that this fund will draw from existing expenditure. If this is the case, this will do very little to stimulate the construction sector in the short term, as government has already cut more than R100 billion in infrastructure spending at the budget in March this year. More details will follow in the mid-term budget speech in October, but what is needed to save the construction sector is a significant boost in infrastructure spending. Economic literature is clear that this will be money well spent. What is considered a stylized fact in the literature is that investment in infrastructure is a significant driver of long term growth of an economy, moving an economy to a higher growth path, also facilitating expansions in various industries, and generating significant employment.

Key observations:

- There was an increase of 0.2 percent q-q in employment in the civil engineering contracting industry in the 2nd quarter, after showing a decrease in the 1st quarter of 7.1 percent. Compared to last year, employment has still fallen more significantly.
- The total value of civil engineering construction certified for payment increased by 5.0 percent q-q. All sized contractors reported an increase of some kind. Large contractors saw an increase of 5.4 percent, while medium sized contractors saw an increase of only 1.1 percent.
- Overall conditions in terms of the two-year forward order book remains poor, and fell by 3.8 percent q-q, following the 16.9 percent decrease in the previous quarter. Large firms reported the strongest decrease in order books, down 8 percent q-q, following a decline of 17 percent in the previous quarter. Medium sized firms reported slightly better figures, with their order books increasing by 3 percent, following a 9 percent contraction in the previous quarter.
- Value of late payments decreased by 15.3 percent in the 3rd quarter of 2018, this is down from quite a big increase of just under 70 percent in the previous quarter. However trends differ within the different size categories. While larger firms reported a 35.7 percent decrease, medium size firms reported a 65.6 percent increase in late payments. Smaller firms also reported quite a big increase of 84.7 percent in late payments, stifling cash flow.
- Liquidations **in the construction sector** were improved over the last year (until July 2018), compared to an overall increase of 7.8 percent in the total economy. Overall, there were 4.5 percent fewer construction companies that were liquidated over the last year, which is rather surprising. There is however some contrast between compulsory and voluntary liquidations, as compulsory liquidations declined by 8.3 percent over the last year, while voluntary liquidations declined by 3.9 percent.

- **Competition for tenders** was fiercer in the 3rd quarter, as 90.8 percent of companies reported that there were more than 11 bids per contract, compared to 45.2 percent and 84.8 percent in the previous two surveys. Only 9.2 percent of respondents said that there were between 5 and 10 bids per contract, which is the lowest since the 3rd quarter of 2013.
- **Tender prices** improved somewhat in this survey, with 43.5 percent of contractors reporting very low tender prices (this is compared to an average of 44.4 percent in the previous 12 quarters), and much lower than the 91.8 percent reported in the previous survey.
- Also an improvement, more than two thirds of contractors expect profitability trends to stabilise, with 67.6 percent saying margins will stabilise (up from 31.7 percent in the previous survey), while 32.3 percent still expect margins to recede. There are no expectations that margins will show any improvement. The first quarter figures were worse than the 2017 average. In 2017, on average, 51.4 percent of contractors thought profit margins were to recede, while 48.3 percent thought they would stabilise.
- For the first time in more than 7 quarters, some respondents reported good tender activity. This was however only 3.3 percent of respondents and a big majority of 96.1 percent of the respondents said that tender activity was low, which is in line with the previous few surveys. This typical low tender environment has persisted since the downturn in 2009, and remains a serious concern for the sector.
- Majority of firms (60.7%) reported capacity utilisation in terms of general plant and resources at between 76 and 90 percent, and more firms reported higher levels of capacity utilisation in general. Utilisation levels

were up quite significantly, with only a quarter quarters of contractors reporting a utilisation of below 75 percent.

- According to responding contractors, nominal turnover based on certified payments received, increased by 5.0 percent q-q in the 3rd quarter, following the 15.0 percent increase in Q2. This gets the year off to a relatively good start, but we must caution that this data can be somewhat volatile. The outlook for the medium term remains bleak, with the prospect of further real declines in investment weighing heavily on the upside. Pending further developments in construction cost inflation (estimated at an average of 5.8 percent over the next three years), we still believe that turnover is likely to contract by an average of 10 percent in in the medium term (2018-2020).
- Input costs accelerated to an average annual increase of 7.2 percent in the 3rd quarter of 2018, from an average (revised) increase of 5.6 percent and 5.6 percent in the 1st and 2nd quarters of 2018. The largest drivers of inflation currently are fuel, which should come as no surprise, given the substantial petrol price hikes, increasing by 15.6 percent and 27.5 percent in the 2nd and 3rd quarters respectively.
- The overall confidence level improved marginally to a nett **negative** satisfaction rate of -96.2 in the 3rd quarter, from -99.9 percent in the 2nd quarter, and -78 percent in the previous survey. Majority of respondents reported quiet conditions. In this survey, 100 percent of the larger contractors reported either a poor or very poor outlook for the sector. Medium sized contractors and smaller contractors were a bit more positive, with not all of them reporting a poor or very poor outlook, although it was the majority. There were 16.7 percent of medium sized contractors who said that their outlook was average, and there were 20 percent of smaller contractors who said their outlook was good. The rest reported poor or very poor.
- Several key issues continue to affect the local civil industry, mainly the poor roll out of government projects/lack of infrastructure spending, which was significant to most contractors, there seems to have been a serious slowdown in projects coming out to tender again this quarter. Other issues include delays, skills shortages which was quite prominently mentioned, as well as the cancellation of projects, and payment issues.

ECONOMIC BACKGROUND

Global Outlook

The outlook for the global economy remains on track, according to the latest World Economic Outlook report (July 2018) released by the International Monetary Fund (IMF), and they expect the world economy to grow by 3.9 percent in both 2018 and 2019. They do however mention that growth in advanced economies is diverging, with the US on track to meet their growth expectations. But the IMF have since downgraded the growth forecast for the Euro area, Japan, as well as the UK. Amid growing risks. The forecasts for advanced economies is just 0.1 percent lower for this year, compared to the previous WEO report (April 2018). Weak private sector consumption data led the IMF to downgrade the forecast of Japan, the world's third biggest economy, and softer first quarter data and political uncertainly led to downgrades in countries such as Germany, France and Italy.

The risks for emerging markets are mounting, and the outlook continues to mildly worsen in these economies. Higher oil prices, as well as broad based Dollar appreciation have put significant pressure on emerging markets. Higher oil prices have however benefitted some countries such as Nigeria and other major oil exporters. Geopolitical conflict, as well as trade tensions globally have weighed on the emerging markets, according to the IMF. Emerging markets are however still set to grow by 4.9 percent and 5.1 percent in 2018 and 2019 respectively, on track with previous estimates. Growth in China is expected to moderate from 6.9 percent to 6.6 percent in 2018, as their economy is still undergoing some rebalancing. Trade wars between to US and China also obviously don't help. A rise in commodity prices is more positive for Sub-Saharan Africa, than other parts of the world, with a marginal upgrade in the IMF's overall forecast, largely due to the Nigerian economy, which is expected to grow by more than expected, as their economy is extremely reliant on oil exports.

The IMF does note that the currencies of some emerging markets have depreciated quite significantly in July and August, most notably that of Argentina, as well as Turkey who some believe may be entering a currency crisis. The South African Rand has also not fared well against major currencies such as the Dollar, Yen and Euro. Much weaker than expected GDP data for South Africa has led to significant depreciation of the currency. The flexible exchange rate is however expected to act as a shock absorber for the economy. A weaker exchange rate in theory should stimulate export growth, as goods are comparatively cheaper to buyers of South African goods. Overall, the IMF notes that the risks are definitely tilted more to the downside since the beginning of the year, mentioning trade tensions, as well as financial tensions and volatility within emerging market economies especially.

Table 1: GPD Y-Y percentage change (Source IMF World outlook July 2018)

	2014	2015	2016	2017	2018	2019
World	*3.4%*	*3.2%*	*3.1%*	*3.7%*	*3.9%*	*3.9%*
Advanced Economies	*1.8%*	*2.1%*	*1.7%*	*2.3%*	*2.4%*	*2.2%*
US	*2.4%*	*2.6%*	*1.6%*	*2.3%*	*2.9%*	*2.7%*
Eurozone	*0.8%*	*2.0%*	*1.7%*	*2.4%*	*2.2%*	*1.9%*
UK	*2.9%*	*2.2%*	*1.8%*	*1.7%*	*1.4%*	*1.5%*
Emerging markets	*4.6%*	*4.1%*	*4.1%*	*4.7%*	*4.9%*	*5.0%*
Brazil	*0.1%*	*-3.8%*	*-3.6%*	*1.1%*	*1.8%*	*2.5%*
Russia	*0.6%*	*-3.7%*	*-0.2%*	*1.8%*	*1.7%*	*1.5%*
India	*7.3%*	*7.6%*	*6.8%*	*6.7%*	*7.3%*	*7.5%*
China	*7.4%*	*6.9%*	*6.7%*	*6.8%*	*6.6%*	*6.4%*
Sub-Saharan Africa	*5.0%*	*3.4%*	*1.4%*	*2.7%*	*3.4%*	*3.8%*
SA	*1.5%*	*2.0%*	*0.6%*	*1.3%*	*1.5%*	*1.7%*

Domestic Outlook

Overall, the performance of the economy so far in 2018 has definitely been a lot worse than many economists and analysts were expecting at the beginning of the year, with very poor GDP data released for both the first and second quarters of 2018. The economy unexpectedly contracted by 0.7 percent in the 2nd quarter of the year (on a quarter on quarter basis, seasonally adjusted and annualised). Although not the biggest contraction, this puts the economy into a technical recession, which is two consecutive quarters of negative GDP growth. Growth over the last year (4 quarters) remains positive, but this is certainly a stumbling block, and it now looks like growth under Cyril Ramaphosas's first year under the helm will be worse than last year, under a more corrupt and fragmented Zuma administration. To add insult to injury, the first quarter contraction was also revised downwards, from a contraction of 2.2 percent, to an actual figure of 2.6 percent.

Main protagonists in this story include the agriculture sector, wholesale and retail trade (which is a massive segment), as well as the transport and communication sector. These sectors all saw the biggest declines in the second quarter. The agriculture sector contracted by a whopping 29.2 percent, as we continue to see massive swings in the growth of primary sector industries. Agriculture still remains quite a small sector of the economy, contributing less than 3 percent to GDP. What is not a small part of the economy is the retail and wholesale trade sector, which contracted by 1.9 percent this quarter, which is the second consecutive contraction, off the back of a 3.1 percent contraction last quarter. This shows that South African consumers have started to feel the brunt of a slowing economy, higher unemployment, and GDP that has been decreasing in per capita terms over the last few years.

There was positive news, that the construction sector has seen growth for the first time in six quarters, which was also unexpected given the dire state the industry is in. We hypothesize that this growth was driven almost predominantly by the private sector, with an improvement in both private building plans passed and completed in the second quarter, according to Stats SA (in some segments), with the civil industry in disarray/survival mode. On the civil side of things, the only explanation could be in renewable energy, in which there has been a backlog of connecting projects to the grid. But new energy minister Jeff Radebe has vowed to move this process along, and this could explain the uptick, which we certainly don't think will be sustained.

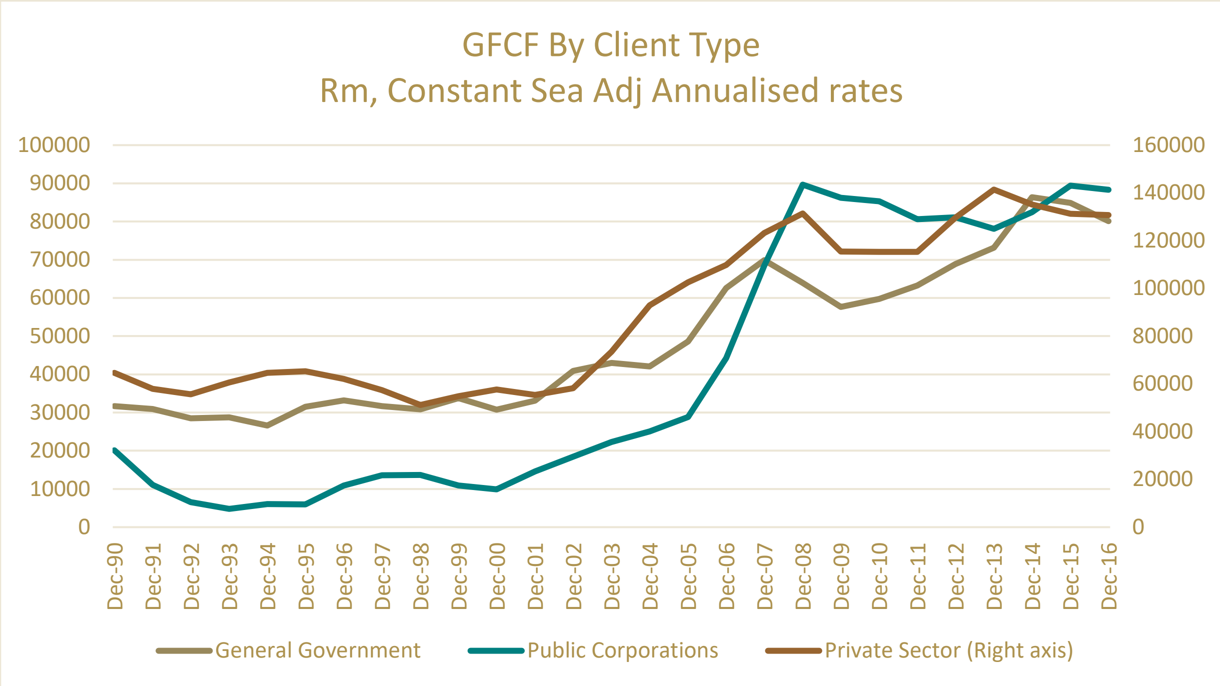
Please note that the forecasts are in the process of being reviewed, as two negative quarters of GDP growth (or lack there-of) means that the GDP forecasts for the year will definitely be revised downwards.

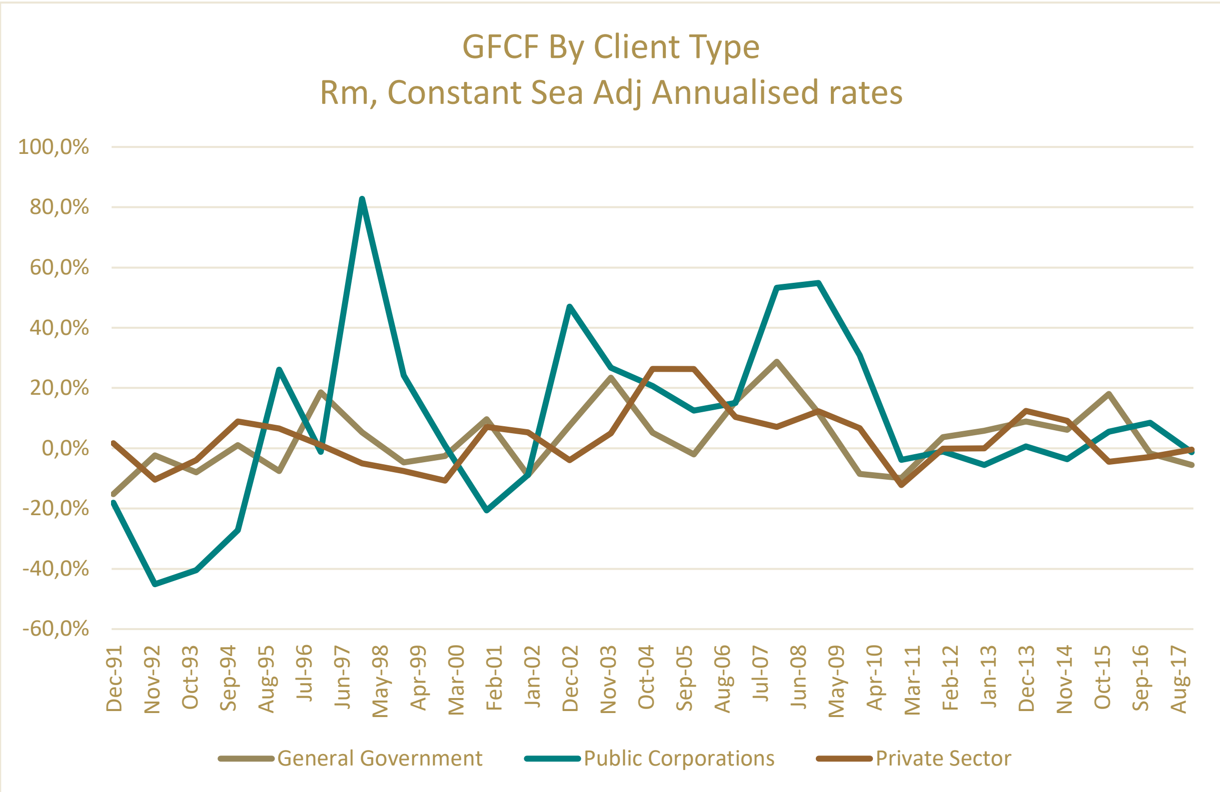
Table 1: Macro economic growth projections (Industry Insight Forecast Report 2018Q2)

Macro-Economic Forecasts	*2015*	*2016*	*2017*	*2018*	*2019*
GDP	1,4%	0,6%	1,3%	1,5%	1,8%
Household consumption	1,7%	0,8%	0,9%	1,4%	1,6%
Government consumption	0,5%	2,0%	0,0%	1,9%	1,2%
Gross Fixed capital formation	2,8%	-3,9%	-0,1%	1,6%	2,4%
Imports	5,4%	-3,7%	2,1%	4,3%	4,2%
Exports	3,9%	-0,1%	1,4%	5,0%	4,4%
Prime Lending rate	10,75%	11,00%	10,25%	10,25%	10,50%
ZAR/US$	13,80	13,20	12,50	13,55	12,90
CPI Inflation	6,20	6,00	5,30	5,20	5,50
Current Account Deficit	-4.4	-3.0	-3.9	-3.0	-3.9

Gross Fixed Capital Formation

Gross fixed capital formation recorded positive growth in the 2nd quarter of 2018, which came somewhat as a surprise. Gross fixed capital formation ticked up by a modest 0.9 percent in real terms. This is off the back of a 2.2 percent contraction in the first quarter. In the second quarter, the 0.9 percent uptick was comprised of a 0.5 percent increase in civil investment, a 4.5 percent increase in non-residential buildings, and a 1.1 percent decline in investment in residential buildings. We speculate that the increase on the civil side of the sector is due to renewable energy projects which have seen some more impetus in the new administration. The numbers are higher than we anticipated nonetheless.





THE POSITION OF THE CIVIL ENGINEERING INDUSTRY

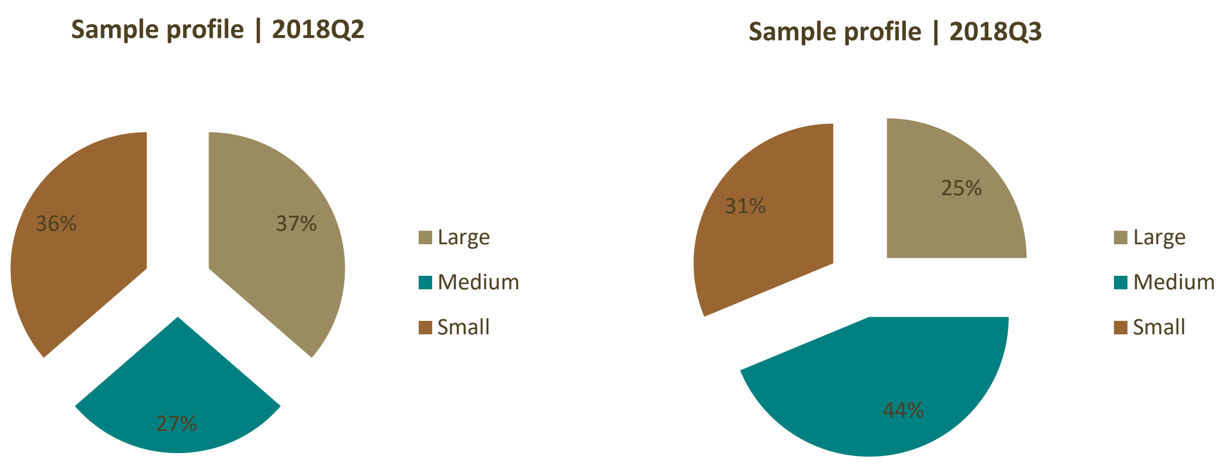
Background

- Questionnaires were distributed to all SAFCEC members during **September 2018.**
- 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 was better in the 3rd quarter of 2018, compared to the 1st and 2nd quarters of the year. Larger firms contributed 25 percent to the current survey, medium size firms 44 percent, and smaller firms 31 percent, adding good variation to the sample.

Figure 1: Profile of respondents



KEY OBSERVATIONS

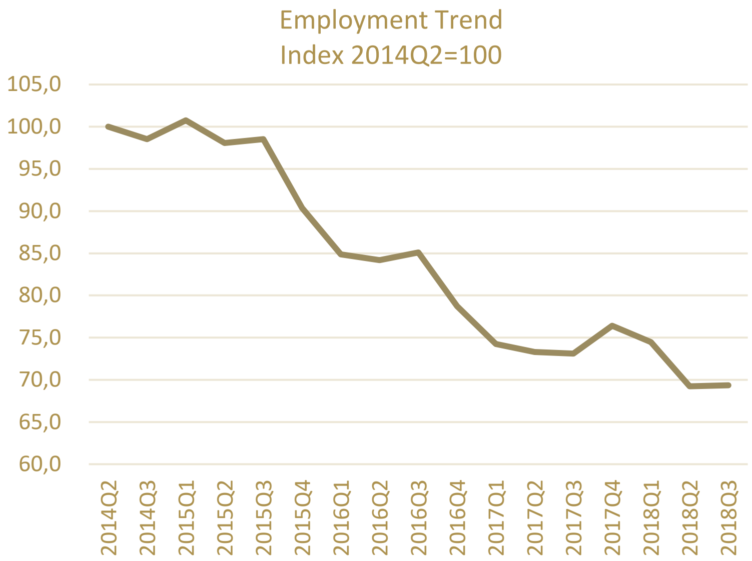
Human Resources

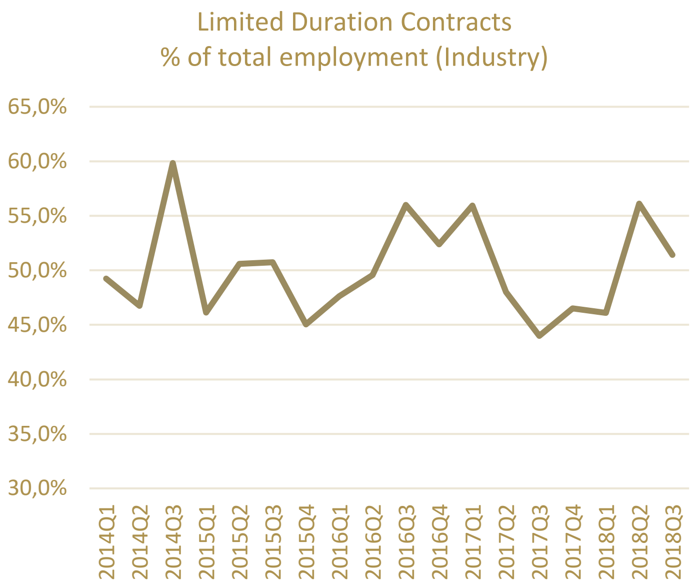
Employment increased ever so marginally by 0.2 percent q-q, following a 7.1 percent decrease in the previous quarter. As normal, employment trends differ between the different size categories, small firms on the one hand shed both limited duration jobs, as well as permanent jobs, down a whopping 65 percent and 23 percent respectively. Larger firms reduced permanent duration employment, a decrease of 8 percent, but interestingly, limited duration employment increased by 15 percent, which is quite significant. The contribution of limited duration employees to total employment moderated slightly to 51.4 percent from 56.1 percent in the last quarter. Medium sized firms had the largest proportion of limited duration employees at 55.6 percent.

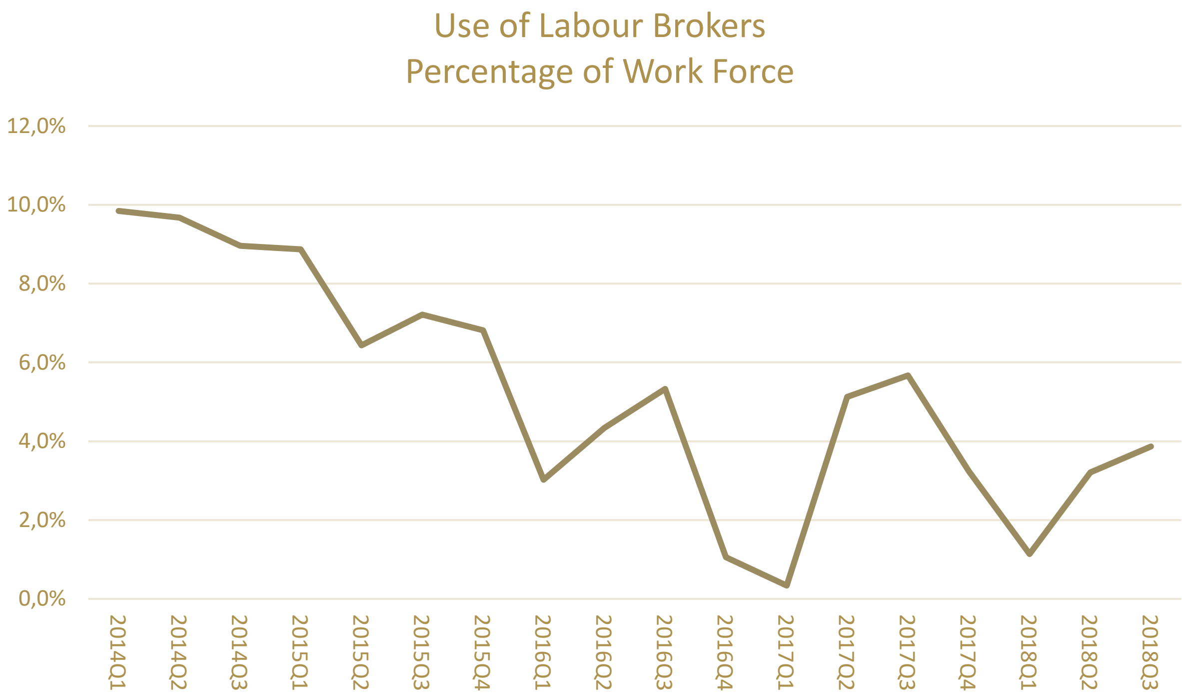
Table 3: Limited Duration Contracts; % of Total Employment

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	15%	-8%	2,3%	50,7%
Medium	-3%	1%	-1,3%	55,6%
Small	-65%	-23%	-43,6%	31,4%
Total	8%	-7%	0,2%	51,4%

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







The use of labour brokers increased in the current quarter, averaging 3.9 percent of the total workforce, from 3.2 percent in the previous quarter. The trend is clearly downward, as this has become a less prominent feature of firms hiring strategies. Large firms in the third quarter had 2.2 percent of their employees procured through labour brokers, relatively unchanged from last quarter, while more medium sized firms opted for this option, with a share of 8.3 percent, down from 9.1 percent last quarter. The outlook for firms using labour brokers does however increase in tough times in the market. This means that we could expect an uptick in future surveys due to the depressed nature of the civil environment.

Financial Statistics

Turnover, Wages and Order Books

The total value of civil engineering construction certified for payment increased by 5.0 percent q-q. All sized contractors reported an increase of some kind. Large contractors saw an increase of 5.4 percent, while medium sized contractors saw an increase of only 1.1 percent.

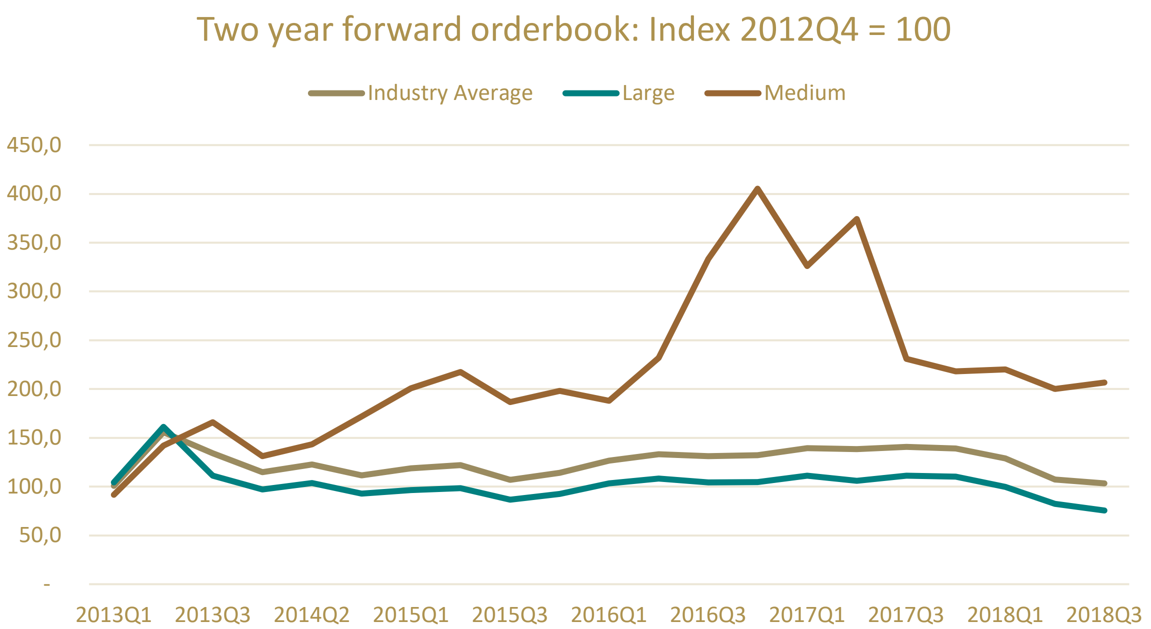
Year	Qtr	Turnover, nominal	Q-Q Per.Chg	Y-Y Per. Chg	MAT (12 months total) Y-Y Per.chg
2014	1	9,255,630,385	-11.0%	17%	7.08%
	2	10,643,974,943	15.0%	-4%	3.96%
	3	10,111,776,196	-5.0%	7%	7.02%
	4	9,929,764,224	-1.8%	-5%	2.62%
2015	1	10,525,550,078	6.0%	14%	2.43%
	2	12,209,638,090	16.0%	15%	7.61%
	3	12,270,686,281	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%

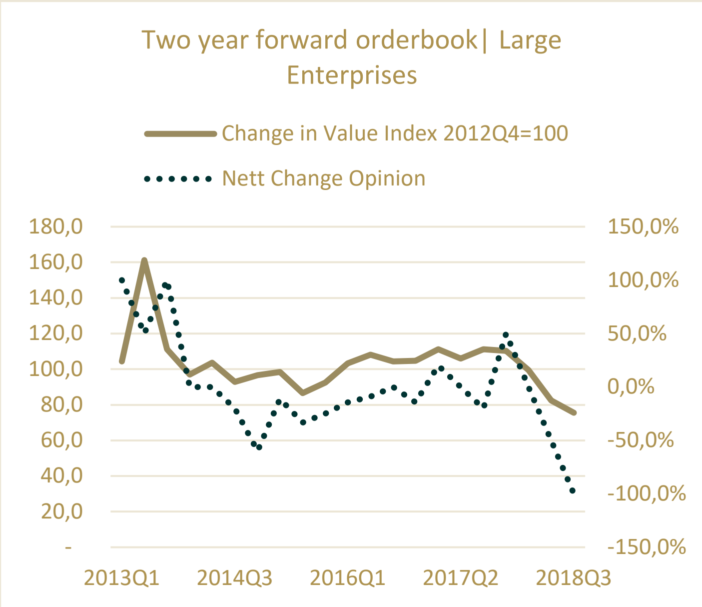
	2	12,192,153,888	20.0%	0%	6.76%
	3	11,704,467,733	-4.0%	-5%	0.37%
	4	10,534,020,960	-10.0%	-5%	-3.17%
2017	1	8,848,577,606	-16.0%	-13%	-5.26%
	2	10,264,350,023	16.0%	-16%	-9.45%
	3	10,623,602,2749	3.0%	-9.0%	-10.7%
	4	9 593 112 853	-9.7%	-6%	-11,11%
2018	1	11,032,079,781	15%	25%	-4.08%
	2	11,583,683,770	5%	13%	3.58%

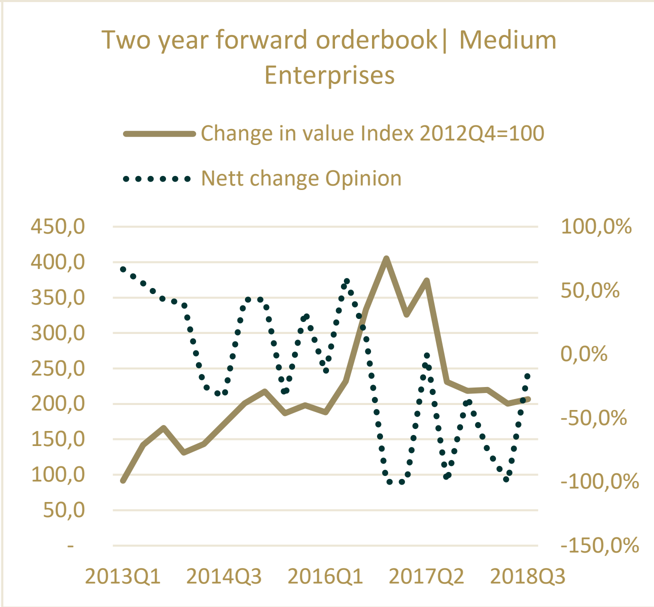
The cumulative salary and wage bill represented 33 percent of total turnover, practically unchanged from the previous quarter, but remains historically quite high. What this means is that embattled companies have tried their best to retain their employees, and suggests that more job losses could be on the cards. The contribution of the salary and wage bill is higher for larger firms interestingly, averaging 39 percent compared to 23 percent for medium size firms. Smaller sized firms reported a contribution of 18 percent in the 3^{rd} quarter, down from 36 percent in the previous quarter.

Overall conditions in terms of the two-year forward order book remains poor, and fell by 3.8 percent q-q, following the 16.9 percent decrease in the previous quarter. Large firms reported the strongest decrease in order books, down 8 percent q-q, following a decline of 17 percent in the previous quarter. Medium sized firms reported slightly better figures, with their order books increasing by 3 percent, following a 9 percent contraction in the previous quarter. 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 4^{th} quarter of 2017), has slowed to an index value of 2006 by the 3^{rd} quarter of 2018, suggesting a further weakening in the business environment for medium size contractors.

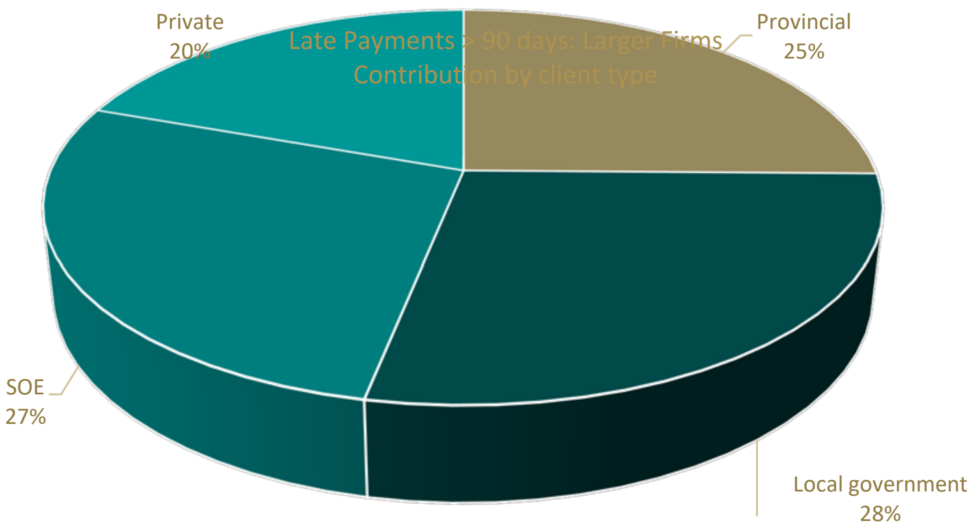
Figure 4: Value of two year forward order book, Index 2012Q4=100



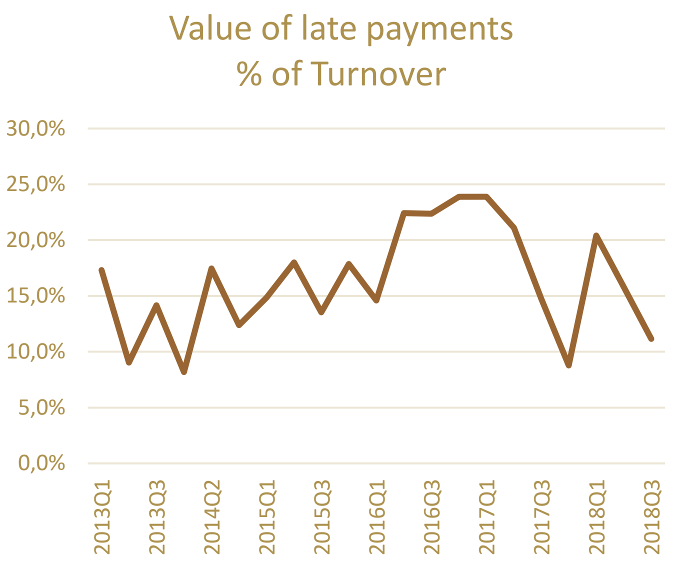




Analogous to the muted outlook for order books, 100 percent of the larger contractors reported low levels in the order book, which is unsurprising given the standstill the industry has come to. Medium sized contractors are now more optimistic, with 14.3 percent of respondent actually saying that the outlook for their order book is good. The majority (57.1 percent) did however report that the outlook for their order book was low. The nett satisfaction rate for medium improved to -14.3 percent, which is still in the red, but is a big improvement from -100 percent last quarter. The nett satisfaction rate amongst larger firms deteriorated significantly to -100 percent from -50 percent in the 2nd quarter. Sentiment is somewhat volatile, but it is understandable that the large firms are now the most negative regarding their satisfaction with the amount of work in the pipeline, with the bigger guys being the hardest hit in the slowdown. Medium sized firms seem more upbeat in regard to their pipeline of work in this survey.



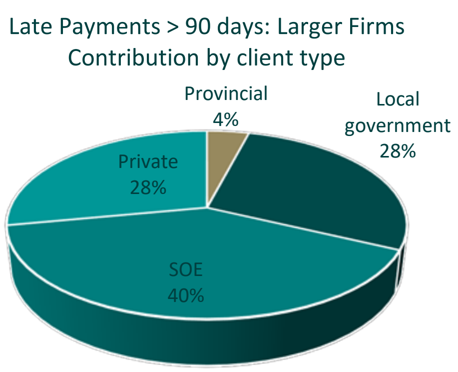
Late Payments

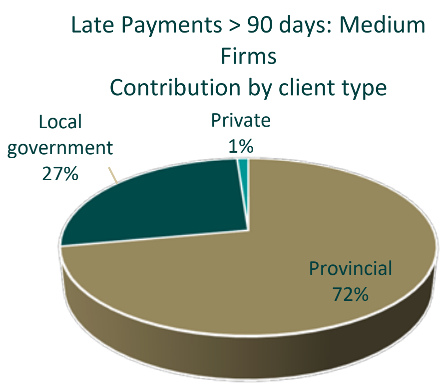


Value of late payments decreased by 15.3 percent in the 3rd quarter of 2018, this is down from quite a big increase of just under 70 percent in the previous quarter. However trends differ within the different size categories. While larger firms reported a 35.7 percent decrease, medium size firms reported a 65.6 percent increase in late payments. Smaller firms also reported quite a big increase of 84.7 percent in late payments, stifling cash flow.

With the decrease in late payments reported by contractors this quarter, the value of late payments represented 11.1 percent of total turnover, down from 15.8 percent (Q2) and a welcome improvement from an average of 21 percent in 2016. Fees outstanding for more than 90 days represented 7.3 percent of the **total amount outstanding**, which is below the average of 18 percent in 2016, and an improvement from the previous quarter. Larger firms reported an average outstanding, of 6.5 percent, while amounts outstanding for longer than 90 days (as percentage of total amount outstanding) for medium and smaller firms averaged between 5.3 and 10.2 percent (medium sized firms reported the highest).

The value of payments (outstanding for longer than 90 days) declined marginally to 2.6 percent of turnover, from 4.7 percent and an average of 4 percent in 2016. This current level is more in line with reality in our opinion, as late payment remains a major issue within the construction sector in general. Responses related to payment differs greatly from contractor to contractor and is subject to existing workflow and current contract conditions, while a poor response rate to late payment issues, could also be a contributing factor.





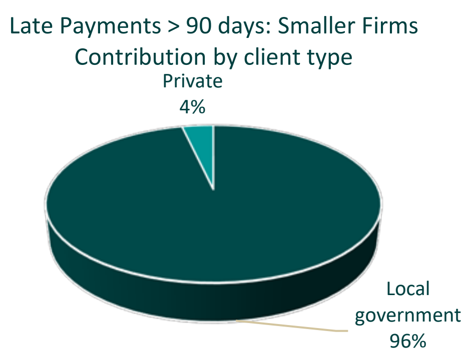
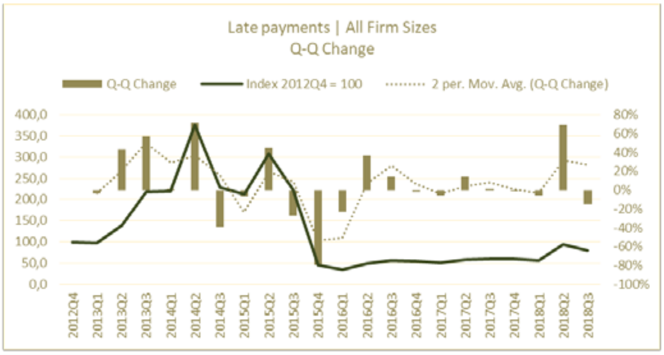
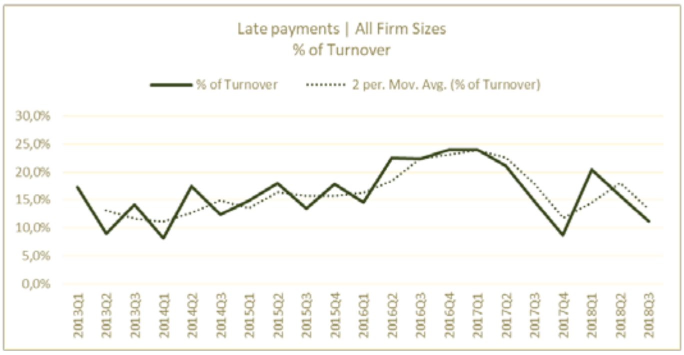
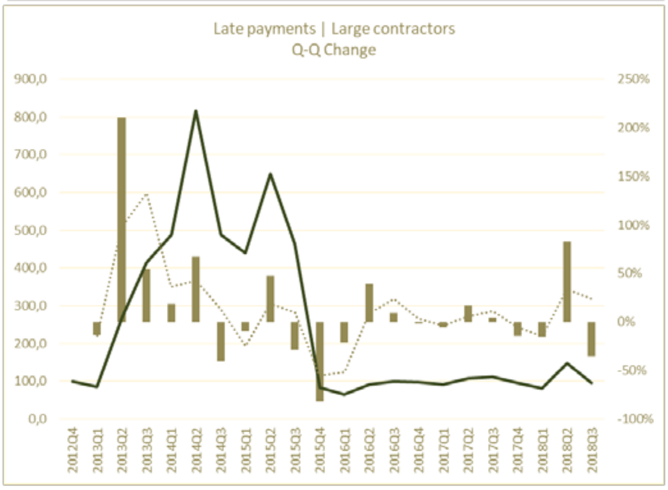
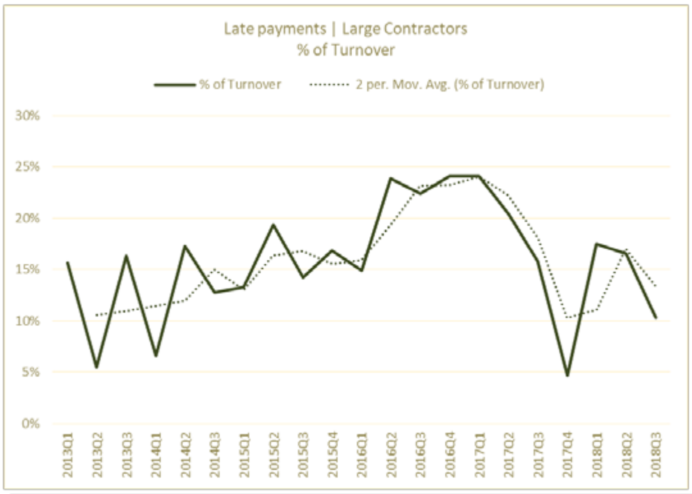


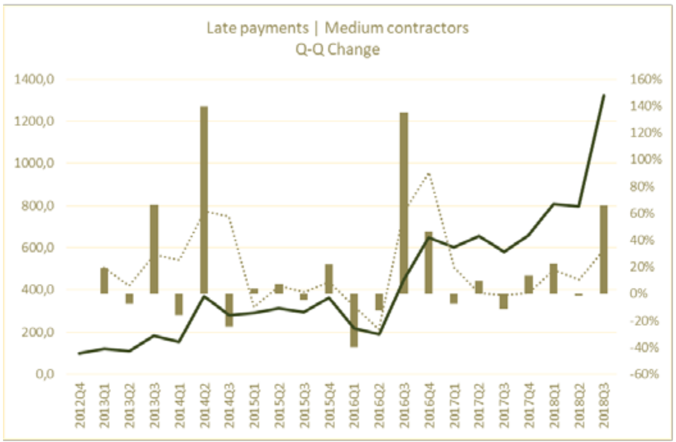
Figure 7: Late payments by firm size; % of turnover

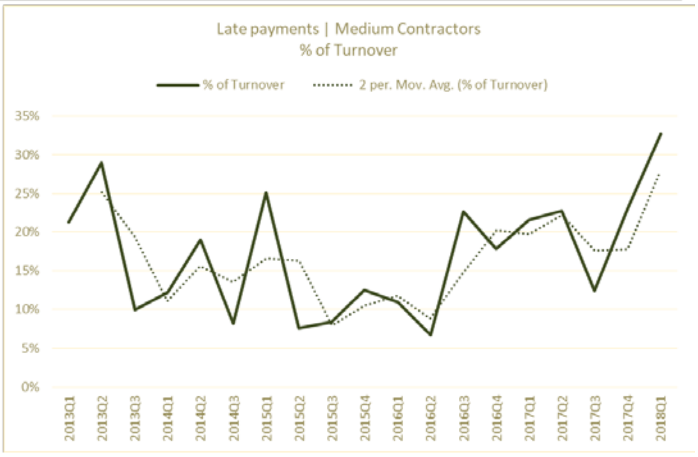






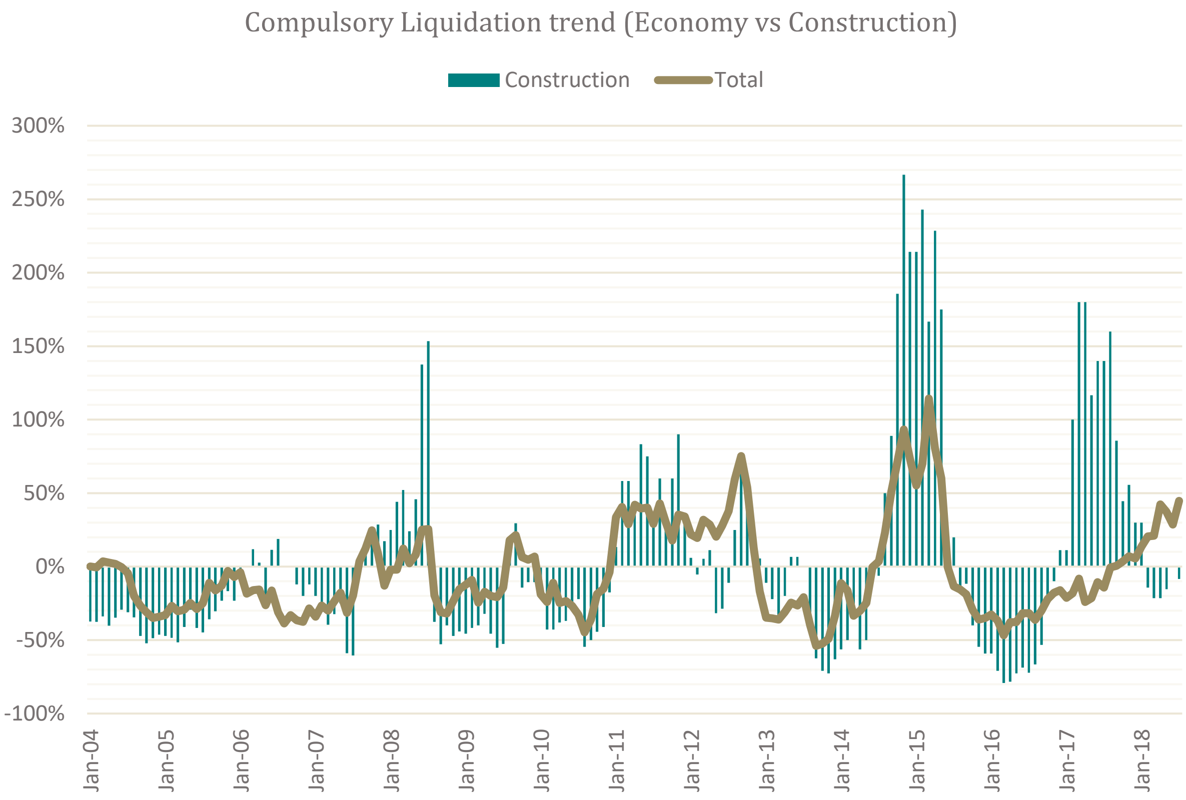






Liquidations **in the construction sector** were improved over the last year (until July 2018), compared to an overall increase of 7.8 percent in the total economy. Overall, there were 4.5 percent fewer construction companies that were liquidated over the last year, which is rather surprising. There is however some contrast between compulsory and voluntary liquidations, as compulsory liquidations declined by 8.3 percent over the last year, while voluntary liquidations declined by 3.9 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. Compulsory liquidations in the economy have increased by 44.8 percent over the last 12 months. An increase in compulsory liquidations is generally a sign of tough economic and business conditions as businesses are unable to continue operations due to financial constraints and an inability to honour debt repayments, which makes it interesting that there have been far more voluntary liquidations within the industry. These statistics would then suggest that the construction sector has somewhat normalised at the current depressed levels.

Source: Stats SA



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 2018 (surveyed in the 3rd quarter of 2018). 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 47.7 percent in the 2nd quarter, down from 60.9 percent in the 1st quarter (and an average of more than 40 percent in the two previous surveys). Small firms were less exposed to the road segment as they reported a contribution of 10.2 percent (from 12.2 percent in the previous quarter). The contribution by water and sanitation remained at very low levels of just 5.6 percent in the current quarter, a concerning trend given the ongoing water supply threats across the country.

Table 5: Turnover distribution by sub-discipline

Discipline	Large	Medium	Small	Total 2017Q3	Total 2017Q4	Total 2018Q1	Total 2018Q2
Roads	35,8%	74,2%	10,2%	43.8%	65.1%	60,9%	47,7%
Earthworks	4,2%	1,4%	0,0%	8.3%	2.3%	0,5%	3,2%
Water Bulk Infrastructure	4,7%	4,1%	61,6%	2.4%	3.0%	5,4%	5,6%
Water and Sanitation	3,4%	7,2%	0,0%	12.0%	3.0%	5,9%	4,6%
Rail	0,0%	0,0%	0,0%	0.4%	0.1%	0,5%	0,0%
Harbours	0,0%	0,0%	0,0%	0.0%	0.0%	0,0%	0,0%
Power (bulk)	5%	0,0%	0,0%	8.8%	6.6%	11,5%	3,5%
Power (services)	0,0%	1,5%	0,0%	0.1%	0.9%	1,5%	0,5%
Airports	0,0%	0,0%	0,0%	0.0%	1.5%	1,5%	0,0%
Mining Infrastructure	18,0%	9,8%	0,0%	9.6%	6.9%	5,2%	15,0%
Mining (Surface earthworks)	4,4%	0,0%	0,0%	0.8%	1.3%	2,3%	2,9%
Other	24,1%	1,8%	28,2%	13.8%	9.2%	4,7%	17,0%
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 2017Q3	Total 2017Q4	Total 2018Q1	Total 2018Q2
Central	0,5%	47,9%	0,8%	3.2%	12.0%	14,9%	15,8%
Provincial	6,8%	6,8%	35,2%	16.0%	7.5%	5,7%	7,3%
District/Local/Metropolitan Councils	6,2%	23,8%	41,5%	20.2%	13.7%	15,3%	12,5%
Parastatals	37,9%	1,5%	10,1%	32.5%	27.4%	50,9%	25,6%
Private	48,7%	20,0%	12,5%	28.1%	39.4%	13,1%	38,7%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

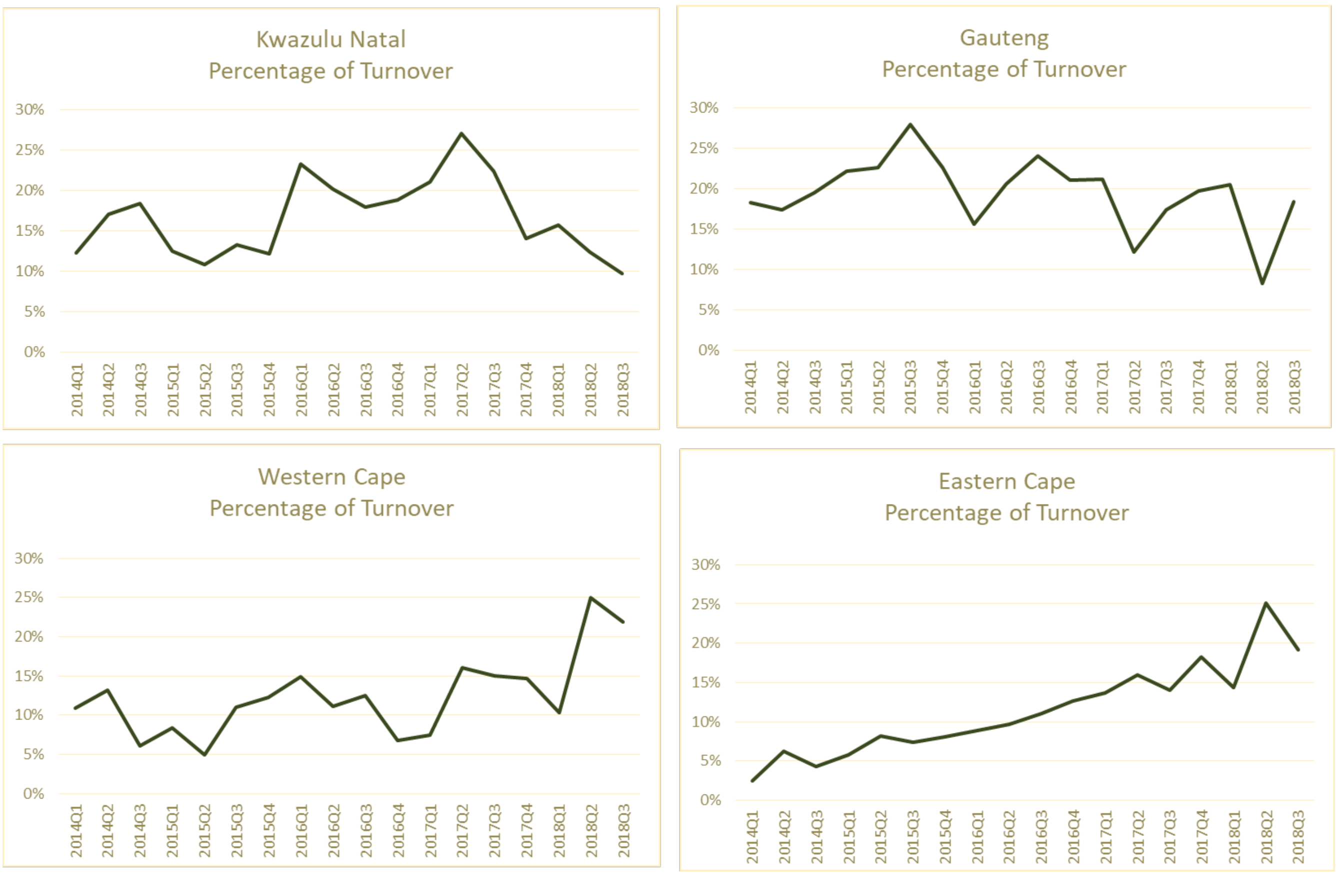
The contribution by the private sector in this survey increased to 38.7 percent, from 13.1 percent in the previous quarter. The contribution from parastatals decreased markedly in the current quarter, down to just over 25 percent, with the shift away from the SOE's to the private sector in this survey. Larger contractors did a lot more work with the private sector in the current quarter, with the contribution to turnover increasing to just 48.7 percent, from 13.4 percent in the previous quarter, as work from government continues to dry up. Medium sized firms mostly did work for central and other district/local municipalities, with a contribution of 47.9 percent and 23.8 percent respectively.

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

Province	Large	Medium	Small	2017Q3	2017Q4	2018Q1	2018Q2
GAU	23%	11%	14%	20%	20%	8%	18%
WC	22%	22%	16%	15%	10%	25%	22%
EC	15%	27%	10%	18%	14%	25%	19%
NC	3%	8%	0%	0%	2%	3%	5%
MPU	17%	7%	0%	10%	8%	11%	13%
FS	5%	9%	0%	5%	14%	0%	6%
LIM	6%	3%	0%	16%	10%	14%	5%
NW	0%	3%	5%	1%	4%	0%	1%
KZN	9%	9%	55%	14%	16%	12%	10%
Total	**100%**	**100%**	**100%**	100%	100%	100%	100%

The Western as well as the Eastern Cape again, saw the biggest overall contribution to turnover in the current quarter at 22 percent and 19 percent each. The contribution from Gauteng increased from just 8 percent in the previous quarter to 18 percent in the current quarter, which is interesting. Small contractors were centralised around the three biggest provinces already mentioned. Large contractors had the most exposure to Mpumalanga at 17 percent.

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 more optimistic outlook reported in the last survey has largely subsided, with contractors on balance, now more negative going forward, as government spending stalls and other negative factors intensify.

- The nett % satisfied with working conditions during the 3rd quarter of 2018, improved, with a nett satisfaction rate of -38.3, compared to -88.4 in the previous quarter. Sentiment is of course still negative, but somewhat improved overall, which is again somewhat surprising. Synonymous with the overall negative market sentiment persisting for the 2nd quarter and 3rd quarter of 2018, nett % satisfaction rate deteriorated to -94.6 and -43.6, and none of the firms expect conditions to be anything more than just "satisfactory".

- Competition for tenders was fiercer in the 3rd quarter, as 90.8 percent of companies reported that there were more than 11 bids per contract, compared to 45.2 percent and 84.8 percent in the previous two surveys. Only 9.2 percent of respondents said that there were between 5 and 10 bids per contract, which is the lowest since the 3rd quarter of 2013. Large firms reported the highest levels of competition for tendering, with all of the firms in the sample saying there were more than 11 bids per contract. The medium sized firms reported the lowest level of competition for tendering, with 28.6 percent of respondents reporting 5-10 bids per contract.

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	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3
Up to 5	4.7%	0.1%	0.1%	0.9%	0.6%	4.0%	2.9%	0.2%	2.1%	0,4%	0,0%
5-10	23.2%	9.4%	23.8%	24.1%	26.1%	48.6%	17.2%	19.5%	13.1%	54,4%	9,2%
11-25	42.1%	53.4%	67.3%	73.0%	68.5%	30.0%	74.7%	70.5%	76.3%	41,9%	81,4%
>25	29.9%	37.1%	8.8%	2.1%	4.9%	17.4%	5.2%	9.8%	8.5%	3,3%	9,4%
>11	72.1%	90.4%	76.2%	75.0%	73.4%	47.4%	79.9%	80.3%	84.8%	45,2%	90,8%

- Tender prices improved somewhat in this survey, with 43.5 percent of contractors reporting very low tender prices (this is compared to an average of 44.4 percent in the previous 12 quarters), and much lower than the 91.8 percent reported in the previous survey. This sentiment was largely carried across all firm size categories. None of the respondents (across all firm sizes) reported reasonable or good tender prices in the current survey, on par with the previous surveys. With the industry at historically low levels, this is to be expected.

Table 9: Tender prices (weighted response)

Values	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3
Very Low	30.6%	28.5%	42.9%	57.2%	37.0%	52.6%	55.2%	57.4%	48.7%	91,8%	43,5%
Keen	53.3%	66.1%	49.6%	42.8%	62.8%	47.2%	44.8%	42.6%	51.3%	8,2%	56,0%
Reasonable	16.2%	5.4%	7.5%	0.0%	0.1%	0.2%	0.0%	0.0%	0.1%	0,0%	0,5%
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	69.4%	71.5%	57.1%	42.8%	63.0%	47.4%	44.8%	42.6%	51.3%	8,2%	56,5%

- There was a good improvement in levels of profitability according to responses. Only 11.5 percent of contractors said that profitability was very low. This was up from 61.4 in the previous survey, and 66.2 percent of respondents said that profitability was reasonable, which is the best response in the last few years. 32.4 percent of respondents said profitability was keen or higher.

Table 10: Profitability (weighted response)

Values	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3
Very Low	10.7%	0.2%	12.2%	14.0%	35.2%	28.4%	42.5%	23.9%	24.9%	61,4%	11,5%
Keen	26.4%	36.5%	39.6%	49.8%	21.7%	53.6%	22.8%	13.0%	16.1%	12,9%	22,3%
Reasonable	62.9%	63.4%	48.3%	36.1%	43.1%	18.0%	34.7%	63.1%	59.0%	25,6%	66,2%
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	25.7%	26.7%	-3.5%	-27.7%	-13.8%	-64.1%	-30.6%	26.1%	18.0%	-48,7%	32,4%

- Also an improvement, more than two thirds of contractors expect profitability trends to stabilise, with 67.6 percent saying margins will stabilise (up from 31.7 percent in the previous survey), while 32.3 percent still expect margins to recede. There are no expectations that margins will show any improvement. The first quarter figures were worse than the 2017 average. In 2017, on average, 51.4 percent of contractors thought profit margins were to recede, while 48.3 percent thought they would stabilise.

Table 11: Trends in profit margins (Weighted response)

Values	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3
Receding	33.2%	20.9%	33.7%	42.2%	35.8%	52.0%	60.4%	57.4%	48.2%	68.3%	32,3%
Stabilise	62.0%	76.8%	66.1%	52.5%	63.8%	47.3%	39.6%	42.6%	51.7%	31.7%	67,6%
Improve	4.8%	2.4%	0.1%	5.2%	0.4%	0.7%	0.0%	0.0%	0.1%	0.0%	0,1%

Figure 10: Trend in profit margins

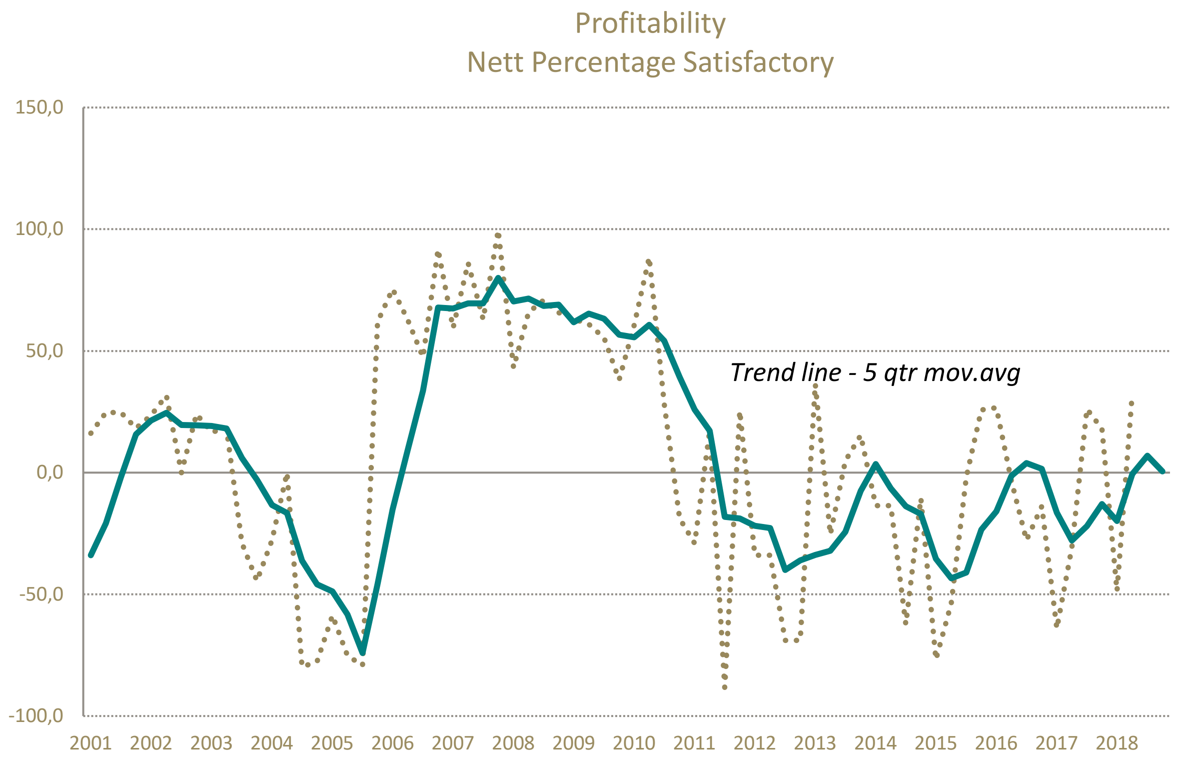
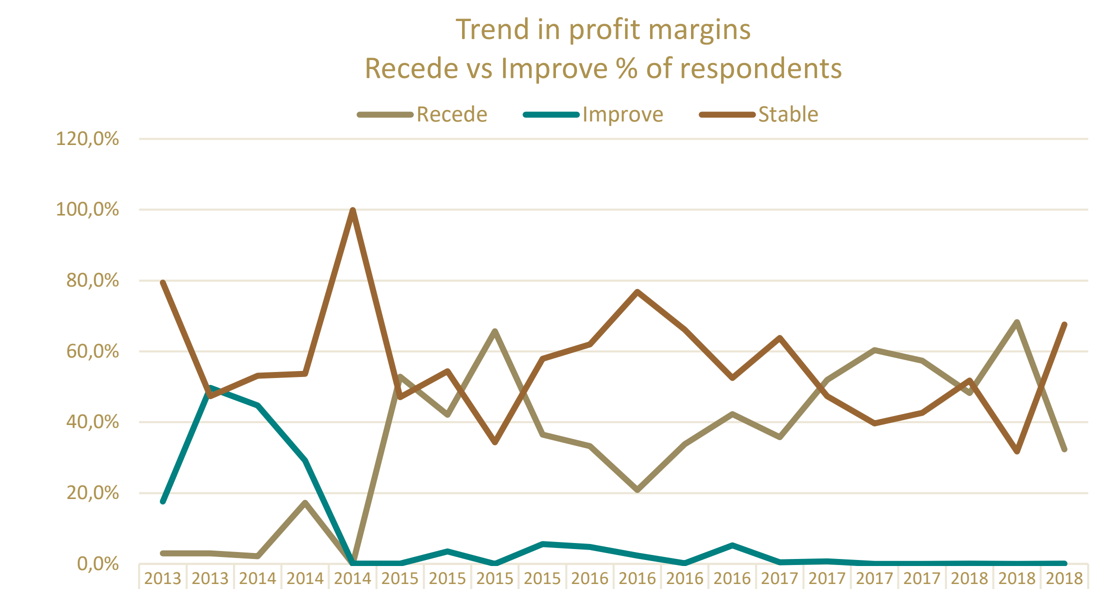


Figure 11: Opinions Related to Profitability



	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	2017 Q4	2018 Q1	2018 Q2	2018 Q3
Recede	3,0%	2,9%	2,2%	17,2%	0,0%	52,9%	42,1%	65,7%	36,5%	33,2%	20,9%	33,7%	42,2%	35,8%	52,0%	60,4%	57,4%	48,2%	68,3%	32,3%
Improve	17,6%	49,7%	44,7%	29,1%	0,1%	0,1%	3,5%	0,0%	5,6%	4,8%	2,4%	0,1%	5,2%	0,4%	0,7%	0,0%	0,0%	0,1%	0,0%	0,1%
Stable	79,4%	47,3%	53,1%	53,6%	99,9%	47,1%	54,4%	34,3%	57,9%	62,0%	76,8%	66,1%	52,5%	63,8%	47,3%	39,6%	42,6%	51,7%	31,7%	67,6%

Opinions Related to Tenders, Awards, Order Books and Turnover

Tender and Award Activity

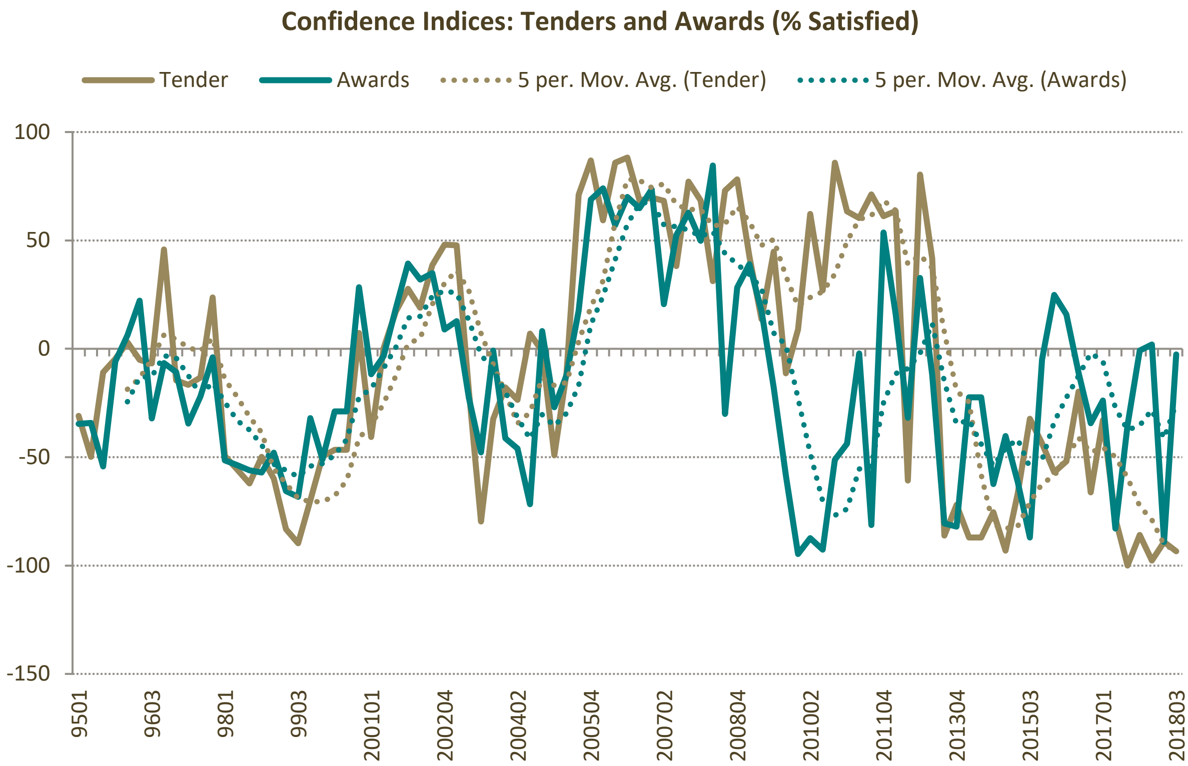
For the first time in more than 7 quarters, some respondents reported good tender activity. This was however only 3.3 percent of respondents and a big majority of 96.1 percent of the respondents said that tender activity was low, which is in line with the previous few surveys. This typical low tender environment has persisted since the downturn in 2009, and remains a serious concern for the sector.

As a result, the nett satisfaction rate deteriorated slightly (and remains deep in the red) to -93.4 percent from -89.3 percent (Q1) and an average of -74.2 percent in 2016. 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	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3
Nil	0.0%	0.0%	0.9%	0.0%	0.0%	1.6%	2.0%	1.3%	2,1%	0,6%
Low	75.9%	59.9%	82.2%	66.4%	89.2%	98.4%	91.0%	97.5%	92,5%	96,1%
Satisfactory	21.4%	38.1%	16.9%	33.6%	10.8%	0.0%	7.1%	1.1%	5,4%	0,0%
Good	2.6%	2.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0,0%	3,3%
Nett % satisfied	-51.9%	-19.9%	-66.2%	-32.7%	-78.3%	-100.0%	-85.9%	-97.7%	-89,3%	-93,4%

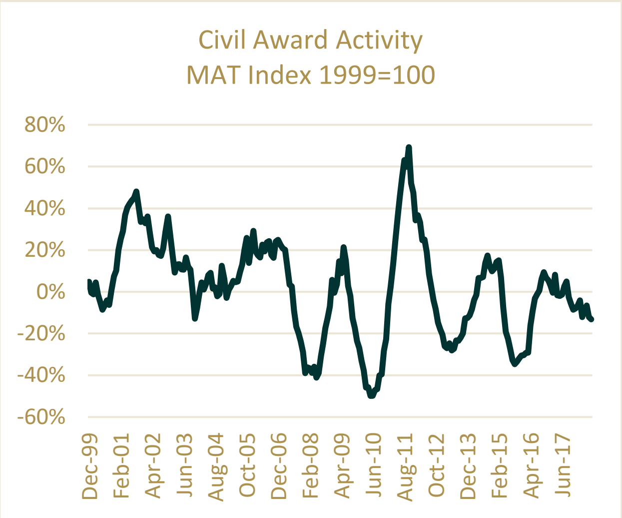


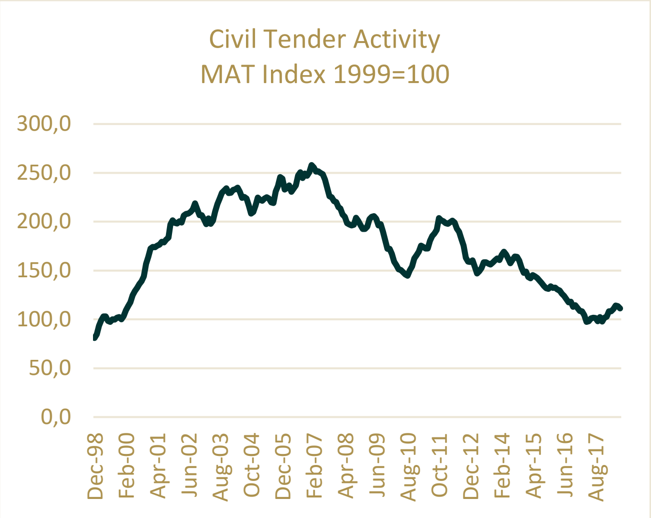
Surprisingly, opinions related to the awarding of contracts has improved significantly since previous survey, with almost half of the respondents reporting satisfactory levels of award activity. This is up from just 5.4 percent in the 2nd quarter, which was the lowest in quite some time. This means that the nett satisfaction rate improved significantly to -2.7 percent, much improved from 89.3 in the previous quarter.

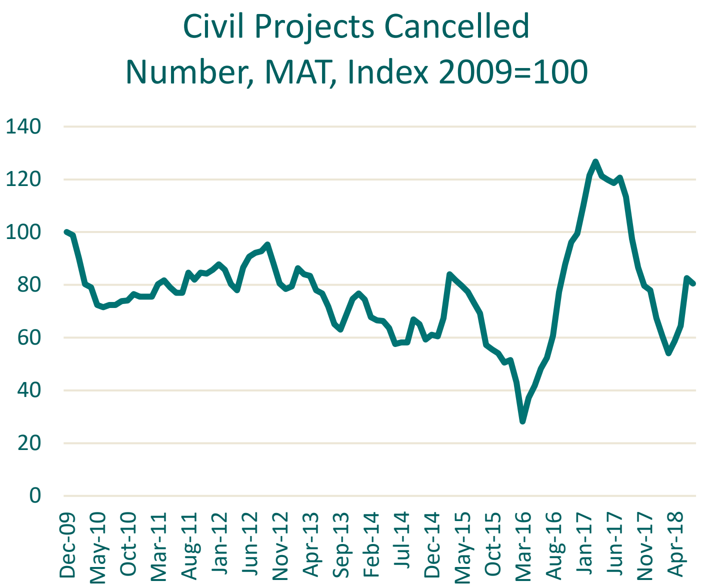
Table 23: Opinions related to awarding of contracts (Weighted response)

Values	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3
Nil	6.6%	0.0%	16.8%	15.6%	24.1%	41.4%	33.4%	28.9%	72,4%	22,2%
Low	35.5%	55.5%	50.4%	46.3%	67.4%	26.2%	17.0%	20.1%	22,2%	29,1%
Satisfactory	54.4%	44.5%	32.8%	38.1%	8.6%	32.4%	49.6%	51.0%	5,4%	48,7%
Good	3.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0,0%	0,0%
Nett % satisfied	15.8%	-10.9%	-34.4%	-23.7%	-82.9%	-35.1%	-0.8%	2.0%	-89,3%	-2,7%

According to an analysis of project lead information, provided by Databuild, the number of civil projects out to tender increased by 37 percent y-y in the second quarter of 2018, overall, compared to the same quarter last year, following the marginal 3.0 percent y-y increase in the previous quarter. This is however coming off a very low base, and if we break the tenders down by size, they are mostly smaller projects. Also, since 2013 the index has dropped by close to 40 percent, and is still currently on par with conditions experienced in 2001/02, prior the boom that the industry saw in the mid 2000's. While, there were more tenders out, there were also more projects awarded in the second quarter, according to Databuild and Industry Insight aggregated data. There was a 14 percent increase in the total nominal value of civil projects awarded in the second quarter overall, compared to the same quarter last year, which again came as a surprise. In this survey, the independent data analysis does not support the qualitative feedback provided by contractors through this survey.







Towards the latter parts of 2016, there was a massive uptick in the number of civil projects that were being consistently 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 was a moderation, but over the past few months, as the civil industry had entered rather uncertain territory, there has been a spike in the number of projects being cancelled. The index has ticked up to 80.5 points, from below 60 points five to six months prior.

Figure 15: Civil projects Cancelled (Index)

The overall nett satisfaction rate related to order books deteriorated quite significantly in the 3rd quarter, from an average of 11 percent in the first three quarters of 2017 to -82.2 percent. A massive 90.6 percent of firms reported low levels of their order book, compared to just 61.4 peent last quarter. Only 2.4 percent of firms said that the level of their order book was good.

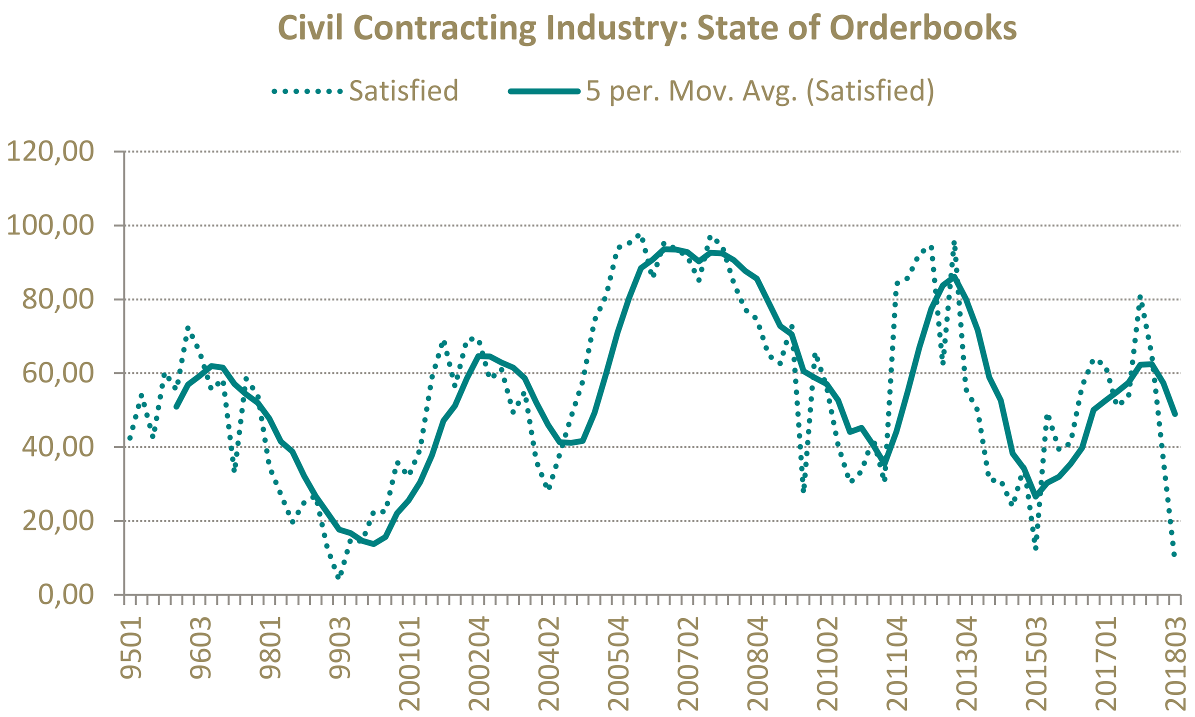


Figure 16: State of Orderbooks

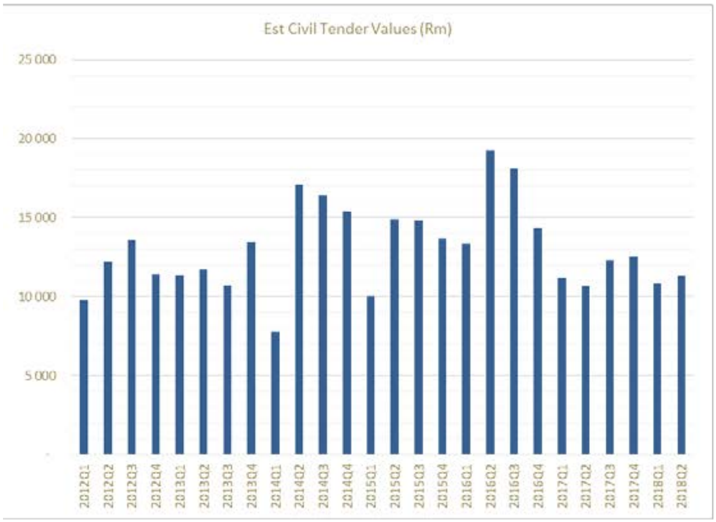
Table 15: Opinions related to order books (weighted response)

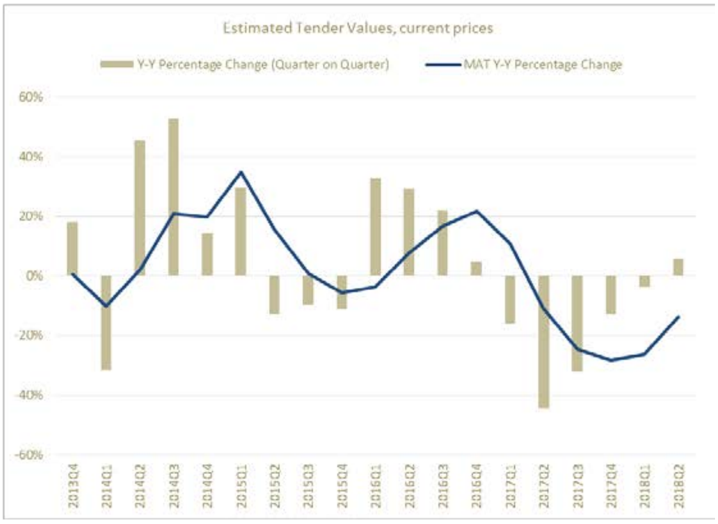
Values	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3
Nil	0.1%	0.3%	0.0%	1.3%	0.5%	0.8%	0.0%	0.0%	1.2%	2,1%	0,5%
Low	60.5%	58.6%	43.5%	34.8%	37.4%	48.3%	46.5%	19.0%	34.0%	61,4%	90,6%
Satisfactory	34.5%	40.2%	56.5%	63.9%	62.1%	51.0%	52.5%	81.0%	64.8%	0,0%	6,5%
Good	4.8%	0.9%	0.0%	0.0%	0.0%	0.0%	1.0%	0.0%	0.1%	36,5%	2,4%
Nett % satisfied	-21.3%	-17.7%	13.0%	27.7%	24.2%	2.0%	7.0%	62.1%	29.6%	-27,0%	-82,2%

An analysis of civil tender activity for the 2nd quarter of 2018, shows that the estimated value of civil tenders published during the quarter showed some respite, and rose by 5.8 percent. This was much needed off the back of 5 consecutive quarters of decline, also coming off a low base. The increase in 2016 was mainly supported by an increase in Grade 9 projects out to tender during that year, but fell by 45 percent in 2017, and worsened in the first and second quarter. **Overall, over the last 5 quarters, there has been a 44 percent decline in the nominal value of grade 9 projects coming out to tender**. Marginal growth was reported in other Grade categories, as the current slump in the civil sector is broad based affecting all stakeholders in the industry.

Road and water projects in Kwazulu Natal, represented the bulk of civil projects out to tender in the 2nd quarter, and also represented the highest value of grade 9 projects awarded. The Western Cape is still the only province to not report a decrease in the number of Grade 9 projects out to tender, over the last five quarters.

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	-44.5%
2017Q3	34	2104	899	1,340	283	4,001	3,638	12,299	-32.1%
2017Q4	10	997	623	798	31	4746	5319	12524	-12.8%
2018Q1	-	826	356	732	7	4839	4052	10811	-3.6%
2018Q2	9	747	851	532	-	5607	3552	11299	5.8%

Capacity Utilisation and Plant Equipment

Figure 18: Capacity Utilisation Percentage breakdown of respondents

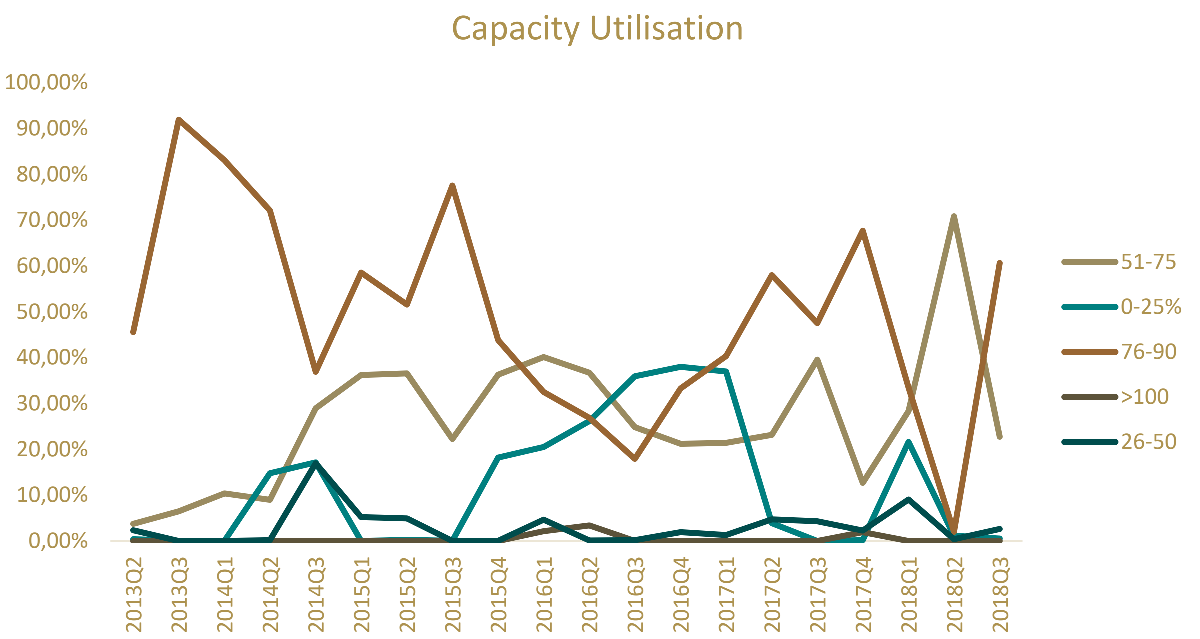


Table 16: Capacity Utilisation

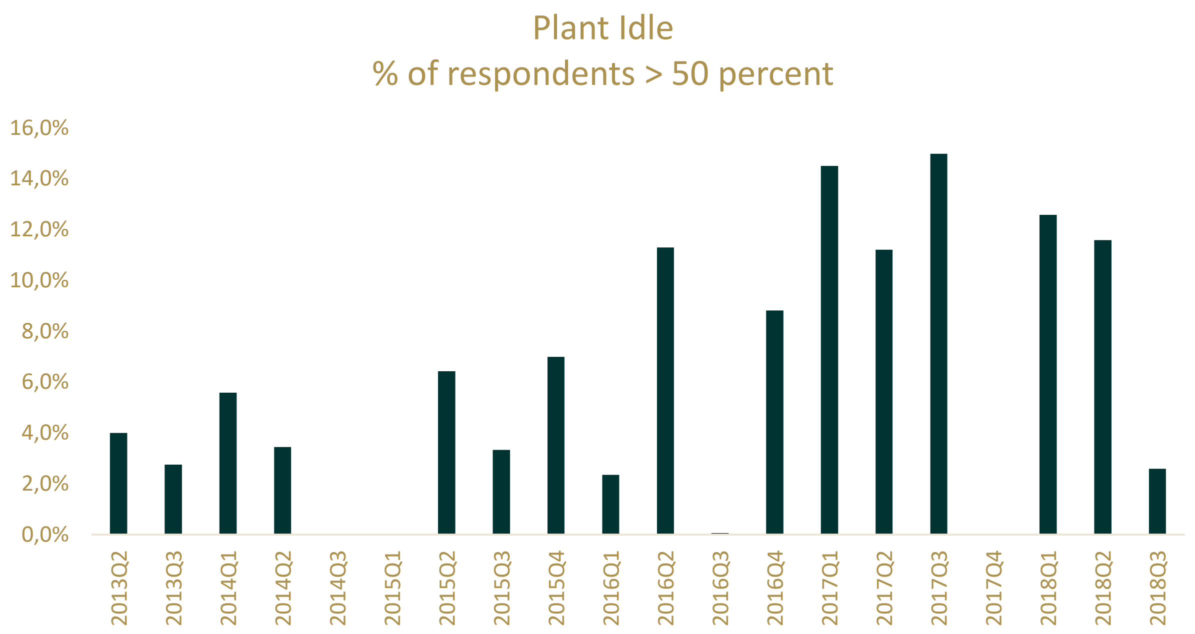
	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3
0-25%	20.5%	26.2%	36.0%	38.0%	37.0%	3.9%	0.0%	0.2%	21.7%	1,2%	0,5%
26-50%	4.6%	0.1%	0.2%	1.9%	1.3%	4.8%	4.3%	2.2%	9.1%	0,4%	2,6%
51-75%	40.1%	36.7%	24.8%	21.2%	21.4%	23.2%	39.6%	12.7%	28.3%	70,9%	22,8%
76-90%	32.5%	26.8%	17.9%	33.3%	40.3%	58.0%	47.5%	67.7%	33.5%	2,0%	60,7%
91-100%	0.1%	6.7%	21.1%	5.5%	0.0%	10.2%	8.6%	15.3%	7.4%	25,6%	13,5%
>100%	2.1%	3.4%	0.0%	0.0%	0.0%	0.0%	0.0%	1.9%	0.0%	0,0%	0,0%
Capacity >90%	2.2%	10.1%	21.1%	5.5%	0.0%	10.2%	8.6%	*17.2%*	7.4%	25,6%	13,5%

Majority of firms (60.7%) reported capacity utilisation in terms of general plant and resources at between 76 and 90 percent, and more firms reported higher levels of capacity utilisation in general. Utilisation levels were up quite significantly, with only a quarter quarters of contractors reporting a utilisation of below 75 percent. Improving capacity utilisation however is part and parcel of internal restructuring often necessitating the need to cut costs, by means of retrenchment. There was however a decrease in the 91-100 percent category, with 13.5 percent of contractors reporting these levels, down from 25.6 percent in the previous survey.

Majority reported that between 26-50 percent of plant and equipment is standing idle (69.5 percent), which could also be a factor of companies having to downsize in view of tough market conditions. Around 2.6 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

	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3
0-25%	61.1%	57.4%	88.1%	89.9%	72.7%	76.4%	27.3%	19.4%	32.3%	30,6%	27,9%
26-50%	36.6%	31.3%	11.8%	1.3%	12.8%	12.4%	57.7%	80.6%	55.2%	57,8%	69,5%
51-75%	2.3%	8.4%	0.0%	8.8%	14.5%	0.1%	15.0%	0.0%	12.6%	10,0%	2,6%
75-90%	0.0%	2.9%	0.0%	0.0%	0.0%	11.1%	0.0%	0.0%	0.0%	0,0%	0,0%
90-100%	0.1%	0.0%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	1,5%	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	2.4%	11.3%	0.1%	8.8%	14.5%	11.2%	15.0%	0.0%	12.6%	11,6%	2,6%

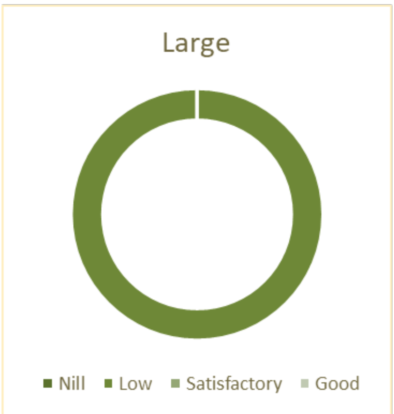


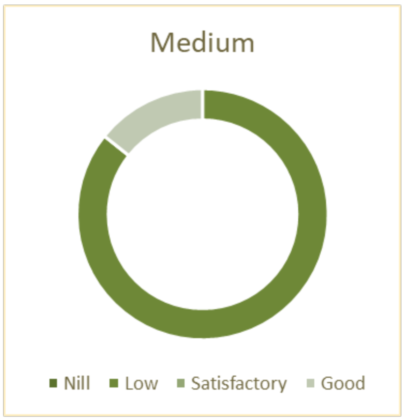
Firm Size Market Segmentation

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.

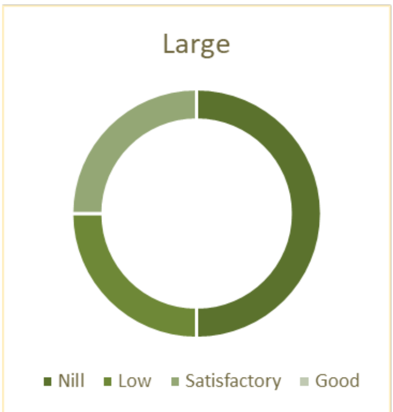
- Working conditions for next quarter
- Competition for tenders
- Tender prices
- Profitability
- Profitability – Trend
- Capacity Utilisation
- Plant Idle

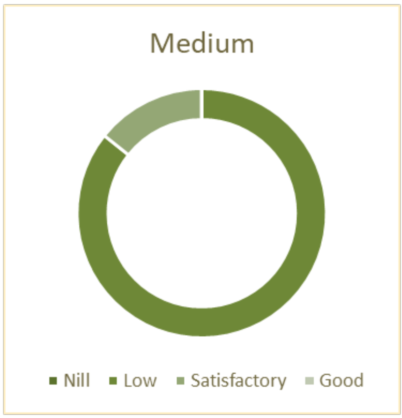
Tender Volumes



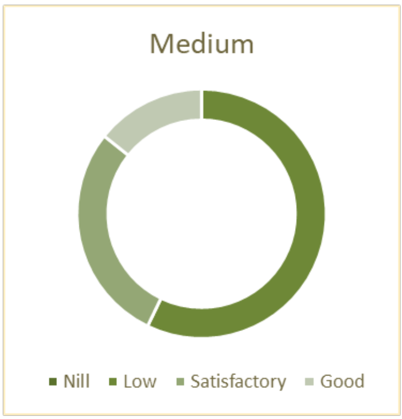


Contract Awrads

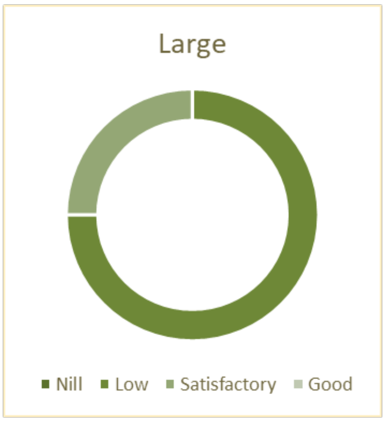


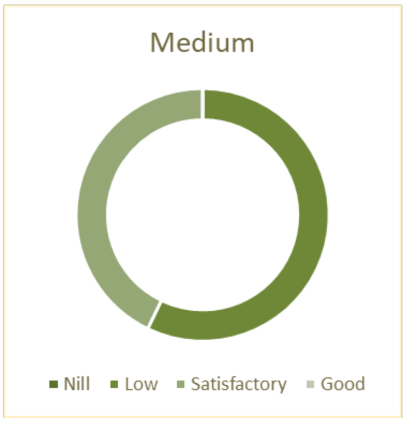


Order Book

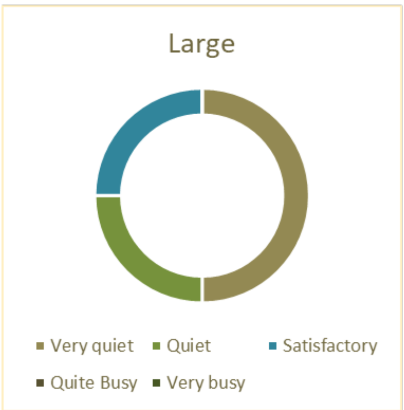


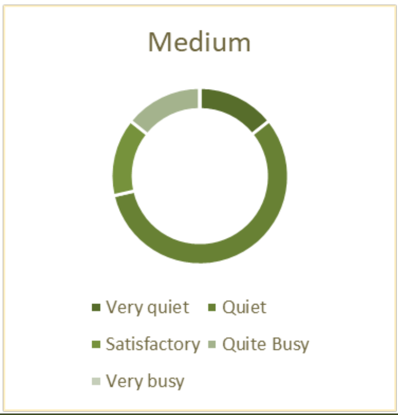
Turnover

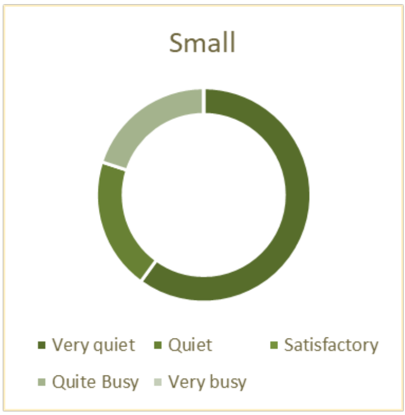




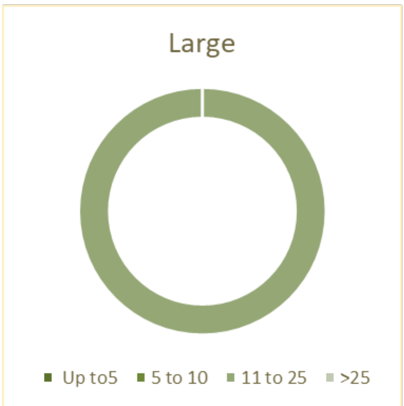
Working Conditions Next Quarter

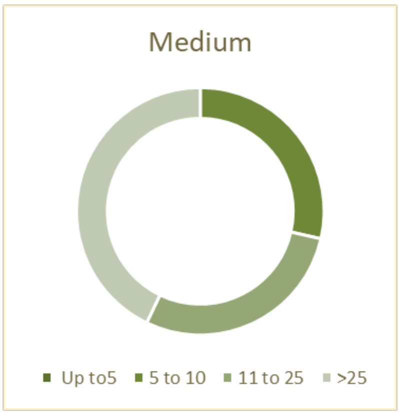


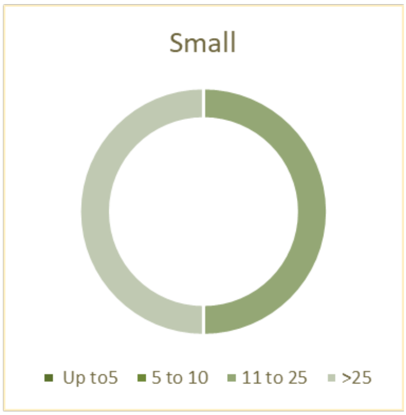




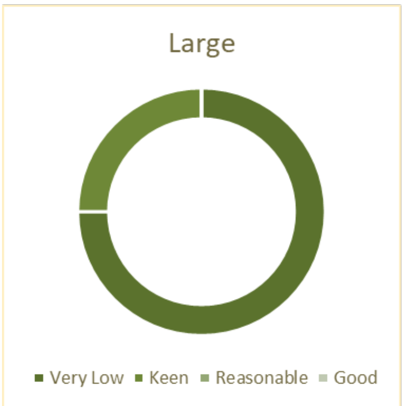
Competition for Tenders

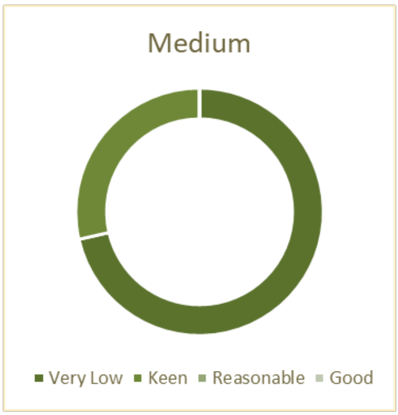


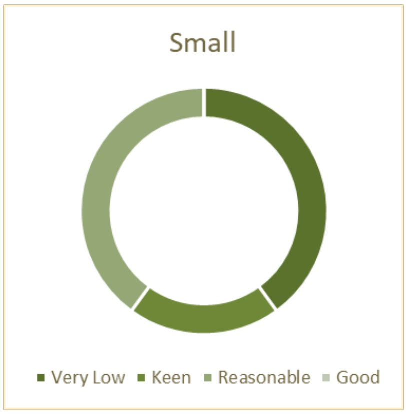




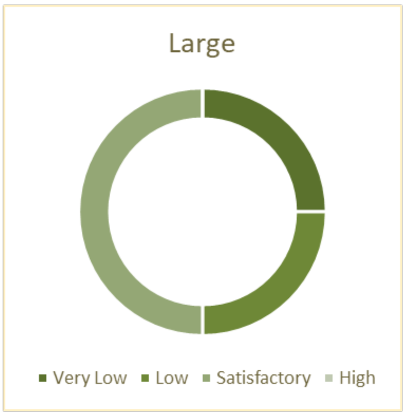
Tender prices

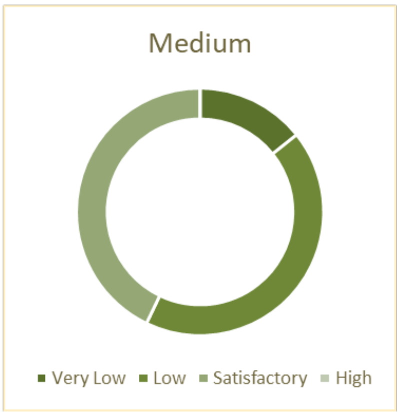


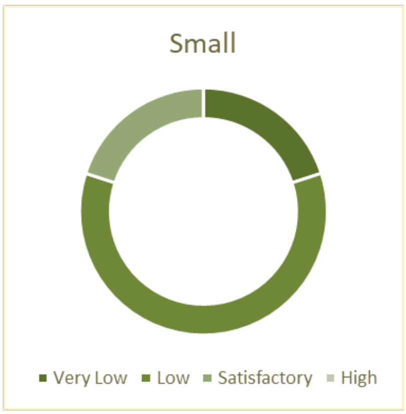




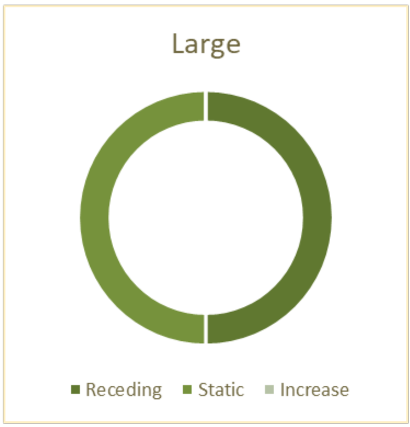
Profitability

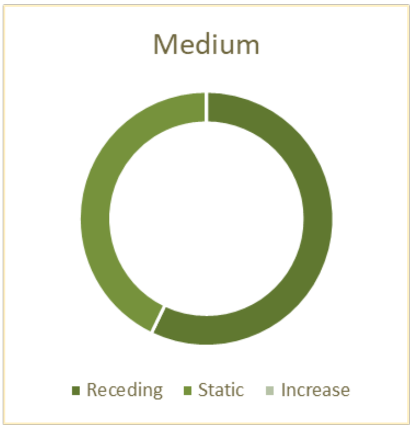


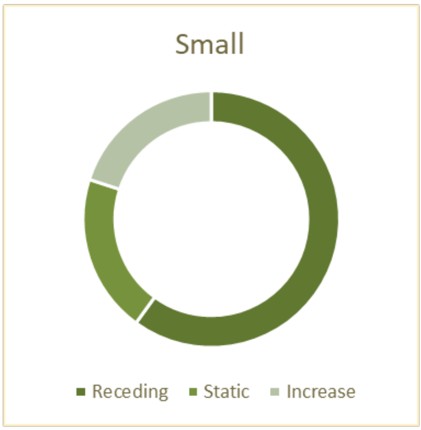




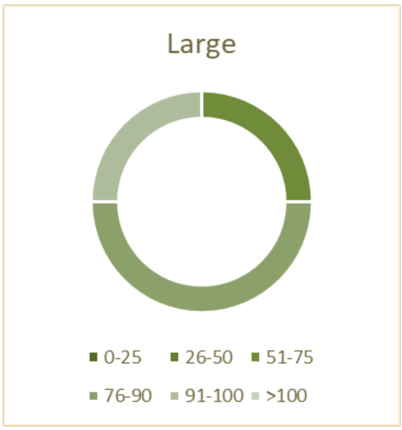
Profitability - Developing Trend

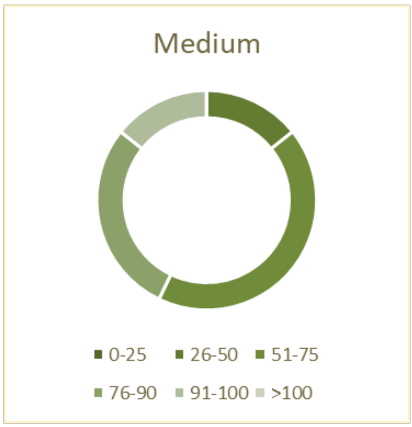


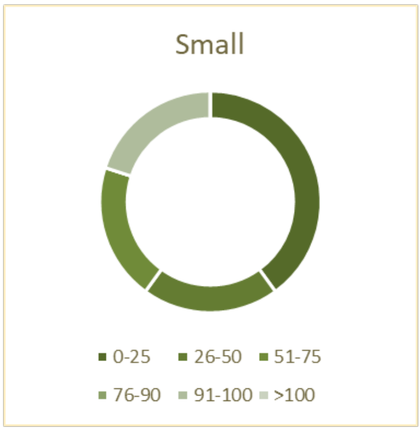




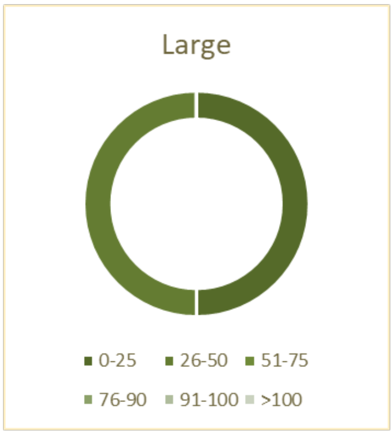
Capacity Utilisation (Plant and resources)

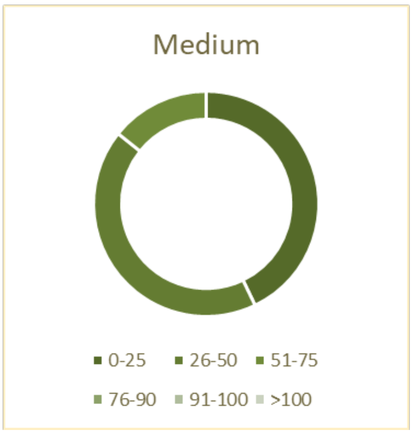


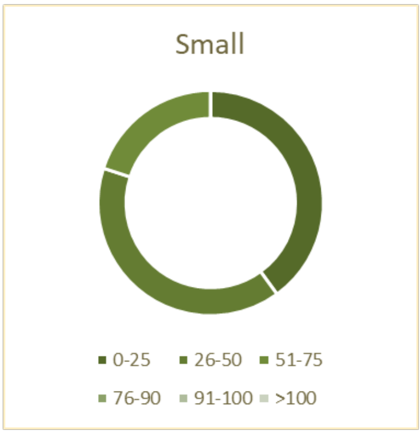




Plant Idle







Industry Turnover

According to responding contractors, nominal turnover based on certified payments received, increased by 5.0 percent q-q in the 3rd quarter, following the 15.0 percent increase in Q2. This gets the year off to a relatively good start, but we must caution that this data can be somewhat volatile. The outlook for the medium term remains bleak, with the prospect of further real declines in investment weighing heavily on the upside. Pending further developments in construction cost inflation (estimated at an average of 5.8 percent over the next three years), we still believe that turnover is likely to contract by an average of 10 percent in in the medium term (2018-2020). Turnover in 2017 was constrained by poor economic growth, weak investor sentiment, policy and political uncertainty, and a slowdown in both government and SOE's public sector infrastructure expenditure. Although 2018 kicked off with some hopeful expectations in the 1st quarter of 2018 that economic prospects will improve, this has been short lived with very poor GDP data for the second quarter of the year, as well as the fact that all the indicators suggest that the civil construction sector is currently in recession. Business confidence averaged just 34.5 in 2017, compared to an average of 37 in 2016, which means a real improvement to above 60 or 70 (minimum required to stimulate higher levels of investment) may still be some time away. What we do believe will be an improvement is the appointment of Pravin Gordahn to the portfolio of state owned entities to root out some of the corruption and officials involved in state capture. We have already seen new boards at most of the SOE's.

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. Disarray at SOE's also remains a pertinent issue within the sector, as SOE's are the biggest spenders of governments' infrastructure budget.

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

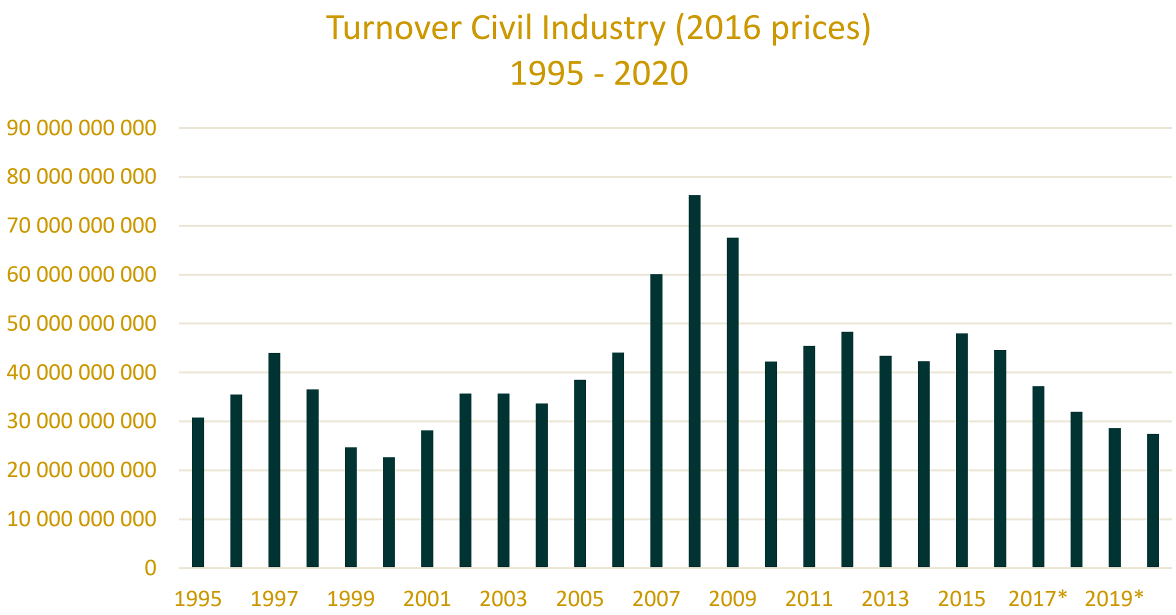


Table 18: Actual and Expected Turnover trends

	Turnover Nominal	% Change (Nominal)	Turnover 2016=100	% Change (Real)
1996	9,864,977,221	28.9%	30,765,538,576	15.3%
1997	13,282,356,448	34.6%	35,470,252,517	24.0%
1998	11,680,899,837	-12.1%	43,997,578,056	-16.9%
1999	8,600,472,761	-26.4%	36,552,117,048	-32.4%
2000	8,669,595,494	0.8%	24,715,662,958	-8.2%
2001	11,723,000,614	35.2%	22,697,273,091	24.2%

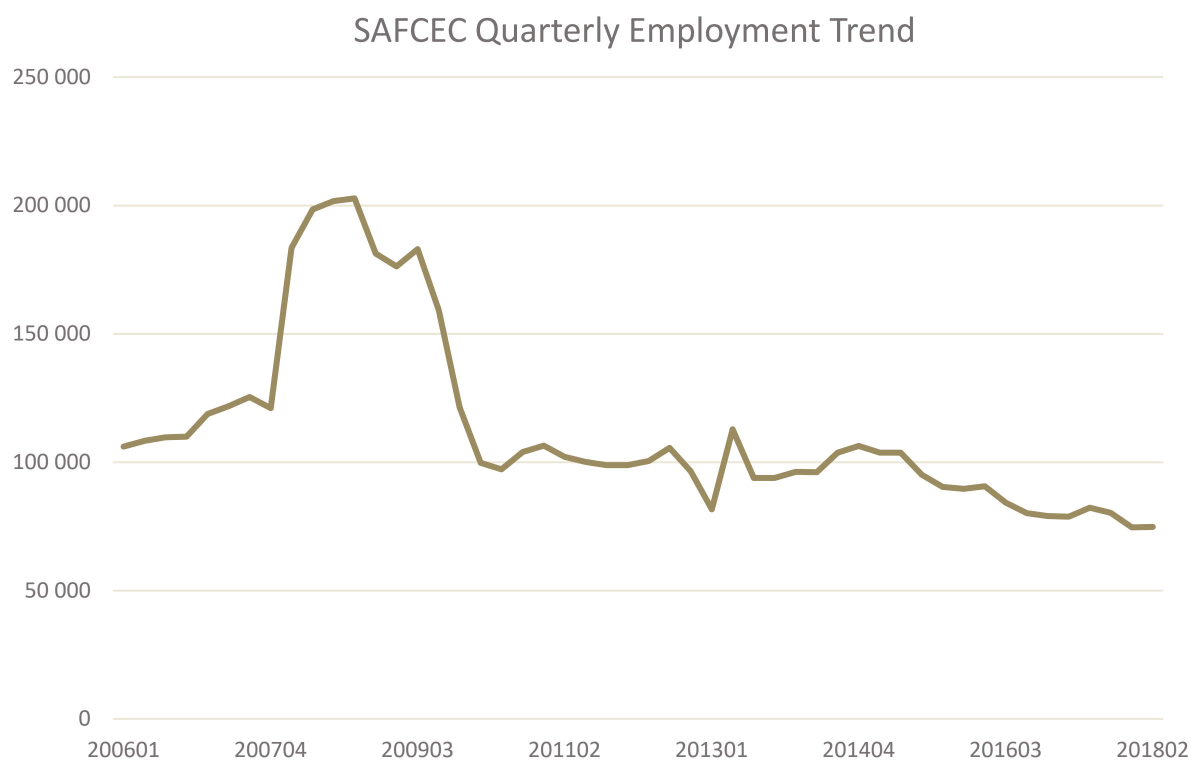
2002	17,138,501,083	46.2%	28,186,951,013	26.6%
2003	17,701,840,728	3.3%	35,683,820,858	0.1%
2004	17,180,281,073	-2.9%	35,703,223,787	-5.7%
2005	20,999,901,277	22.2%	33,668,863,286	14.3%
2006	25,783,535,490	22.8%	38,490,172,824	14.5%
2007	38,084,310,982	47.7%	44,063,104,082	36.4%
2008	58,063,639,993	52.5%	60,111,184,856	26.9%
2009	51,147,261,584	-11.9%	76,297,238,718	-11.4%
2010	32,744,103,366	-36.0%	67,596,969,701	-37.5%
2011	36,888,136,573	12.7%	42,255,972,879	7.6%
2012	40,952,061,358	11.0%	45,466,867,919	6.2%
2013	38,920,982,014	-5.0%	48,302,298,517	-10.1%
2014	39,941,145,748	2.6%	43,431,100,340	-2.5%
2015	46,049,492,101	15.3%	42,326,191,325	13.4%
2016	44,590,770,821	-3.2%	47,983,570,769	-7.1%
2017	39,329,642,756	-11.8%	44,590,770,821	-16.6%
2018 (f)	36,183,271,336	-8.0%	37,208,744,329	-14.1%
2019 (f)	34,374,107,769	-5.0%	31,946,105,927	-10.3%
2020 (f)	34,374,107,769	0.0%	28,656,630,476	-4.1%

Table 19: Employment, 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	2,422,824,821

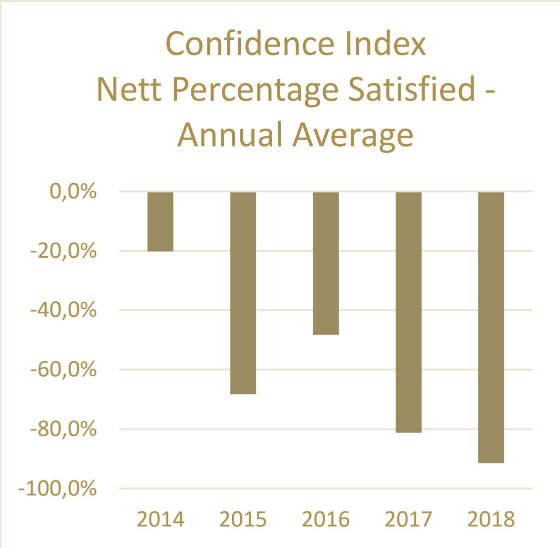
2016	85,492	44,590,770,821	9,691,786,969
2017.1	79,070	8,848,577,606	2,389,115,954
2017.2	78,833	10,264,350,023	2,566,087,506
2017.3	82,302	10,623,602,274	2,974,608,637
2017.4	80,244	9,593,112,853	2,494,209,342
2017	80,112	39,329,642,756	10,424,021,438
2018.1	74,627	11,032,079,781	2,758,019,945
2018.2	74,776	11,583,683,770	2,895,920,943

Figure 22: SAFCEC Quarterly Employment Trend



There was an increase of 0.2 percent q-q in employment in the civil engineering contracting industry in the 2nd quarter, after showing a decrease in the 1st quarter of 7.1 percent. Compared to last year, employment has still fallen more significantly. In 2017, employment totalled an estimate of 79 481, compared to 85 492 in 2016, a decrease of approximately 7 percent. 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



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.

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 much more pessimistic in the last few surveys, with industry sentiment representing levels last seen in 2000. The overall confidence level improved marginally to a nett **negative** satisfaction rate of -96.2 in the 3rd quarter, from -99.9 percent in the 2nd quarter, and -78 percent in the previous survey. Majority of respondents reported quiet conditions.

In this survey, 100 percent of the larger contractors reported either a poor or very poor outlook for the sector. Medium sized contractors and smaller contractors were a bit more positive, with not all of them reporting a poor or very poor outlook, although it was the majority. There were 16.7 percent of medium sized contractors who said that their outlook was average, and there were 20 percent of smaller contractors who said their outlook was good. The rest reported poor or very poor.

Table 20: Overall assessment of business conditions (RSA Only

Values	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3
Very Quiet	4.8%	4.2%	0.1%	5.5%	25.2%	5.2%	4.2%	7.8%	19.6%	45,5%	24,6%
Quiet	55.2%	54.8%	34.8%	37.0%	27.7%	73.4%	90.5%	92.1%	58.5%	54,4%	72,0%
Satisfactory	39.0%	38.8%	65.2%	57.5%	46.7%	20.7%	5.3%	0.1%	21.8%	0,0%	3,3%
Quite busy	1.0%	2.2%	0.0%	0.0%	0.4%	0.7%	0.0%	0.0%	0.1%	0,1%	0,1%
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 %	-59.0%	-56.8%	-34.8%	-42.5%	-52.5%	-77.9%	-94.7%	-99.9%	-78.0%	-99,9%	-96,5%

Figure 23: Civil Engineering Contractors Confidence Index

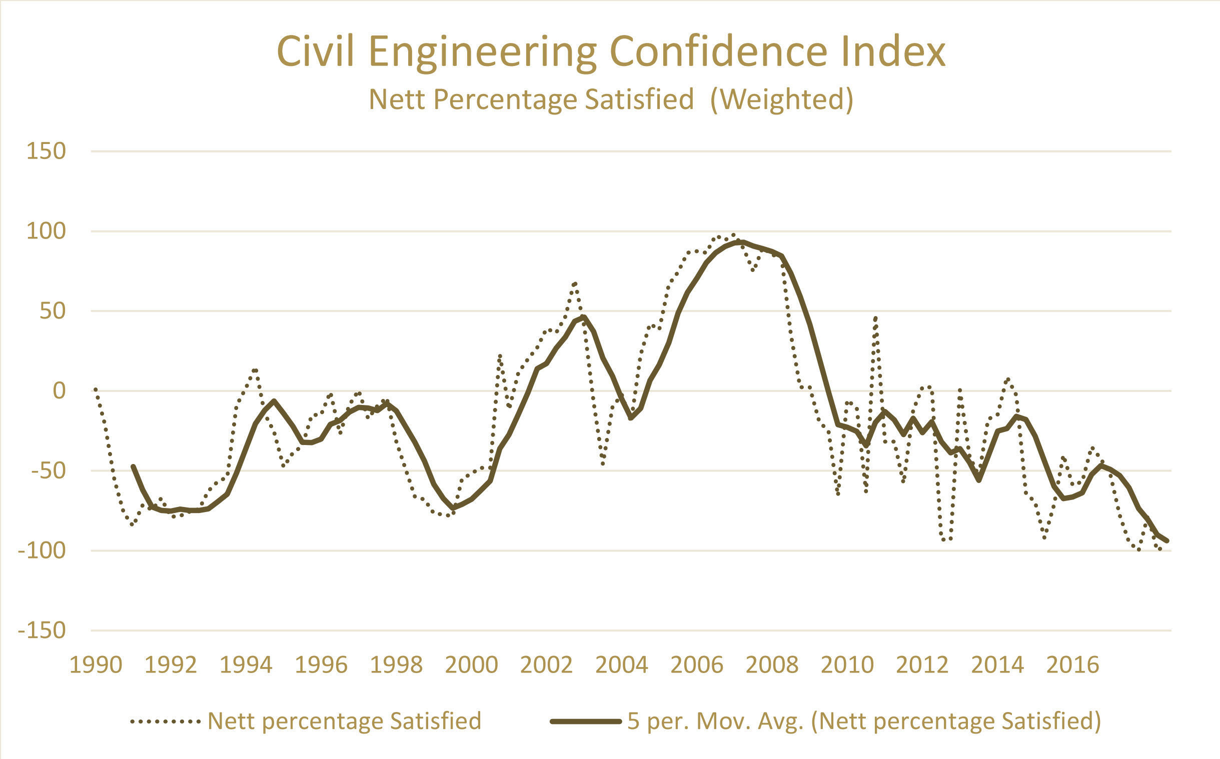


Figure 24: SAFCEC Confidence Index by Enterprise Size

	2013Q1	2013Q2	2013Q3	2014Q1	2014Q2	2014Q3	2015Q1	2015Q2	2015Q3	2015Q4	2016Q1	2016Q2	2016Q3	2016Q4	2017Q1	2017Q2	2017Q3	2017Q4	2018Q1	2018Q2	2018Q3
Large	0,0%	0,0%	-50,	-25,	-37,	-60,	-80,	-77,	-66,	-50,	-42,	-63,	-33,	-57,	-60,	-75,	-100	-100	-83,	-100	-100
Medium	-33,	-44,	-71,	-10,	14,3	-100	-87,	-85,	-60,	0,0%	-57,	-40,	-57,	0,0%	-50,	-80,	-100	-100	-100	-100	-83,
Small	0,00	-50,	-80,	-33,	0,00	0,0%	-66,	-28,	-66,	-41,	-75,	-50,	-50,	-33,	-50,	-33,	-75,	-66,	-20,	-50,	-60,

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

Values	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3
Very Quiet	0.0%	9.1%	0.0%	0.0%	20.0%	0.0%	0.0%	0.0%	33.3%	50,0%	50,0%
Quiet	42.9%	54.5%	33.3%	57.1%	40.0%	75.0%	100.0%	100.0%	50.0%	50,0%	50,0%
Satisfactory	57.1%	36.4%	66.7%	42.9%	40.0%	25.0%	0.0%	0.0%	16.7%	0,0%	0,0%
Quite busy	0.0%	0.0%	0.0%	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 %	-42.9%	-63.6%	-33.3%	-57.1%	-60.0%	-75.0%	-100%	100.0%	100.0%	100.0%	100.0%

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

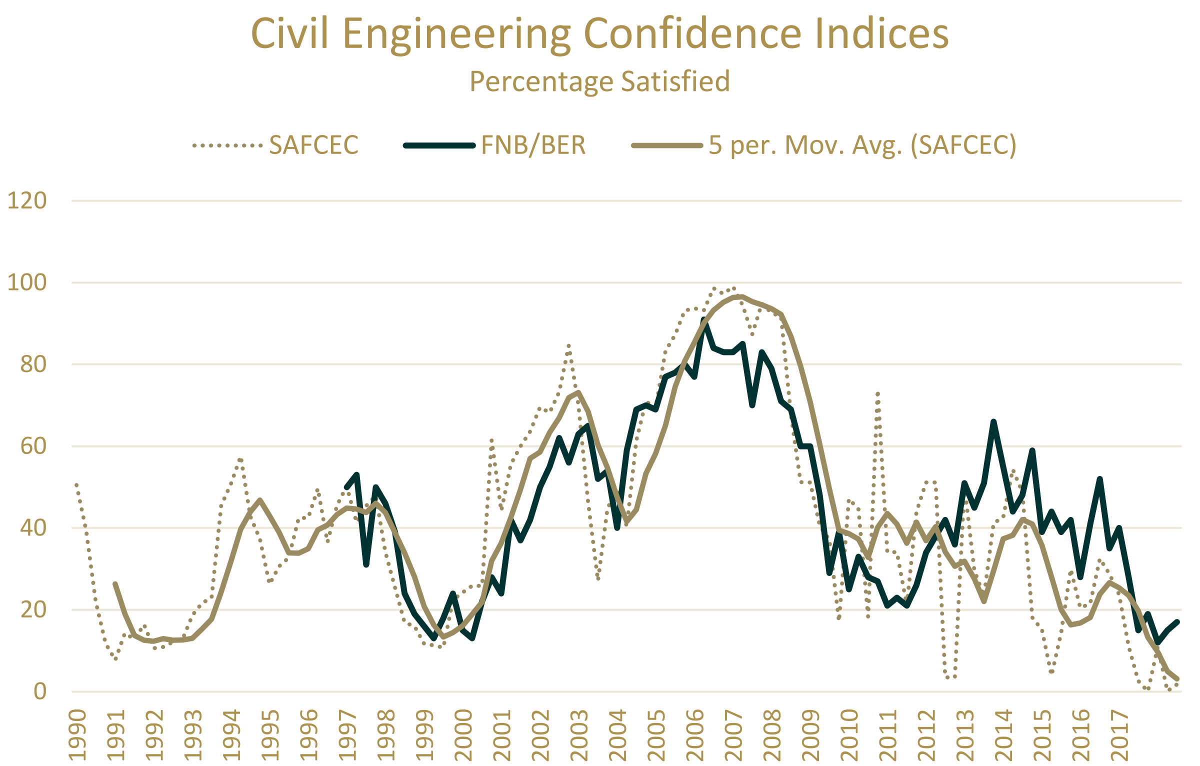
Values	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3
Very Quiet	42.9%	20.0%	0.0%	0.0%	50.0%	10.0%	25.0%	66.7%	25.0%	33,3%	16,7%
Quiet	28.6%	40.0%	57.1%	0.0%	0.0%	70.0%	75.0%	33.3%	75.0%	66,7%	66,7%
Satisfactory	14.3%	20.0%	42.9%	100.0%	50.0%	20.0%	0.0%	0.0%	0.0%	0,0%	16,7%
Quite busy	14.3%	20.0%	0.0%	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 %	0.0%	-57.1%	-40.0%	-57.1%	0.0%	-50.0%	-80.0%	100.0%	100.0%	100.0%	100.0%

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

Values	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3
Very Quiet	25.0%	16.7%	25.0%	33.3%	50.0%	33.3%	50.0%	33.3%	20.0%	50,0%	33,3%
Quiet	50.0%	33.3%	25.0%	0.0%	16.7%	33.3%	25.0%	33.3%	20.0%	25,0%	53,3%
Satisfactory	25.0%	50.0%	50.0%	66.7%	16.7%	0.0%	25.0%	33.3%	40.0%	0,0%	6,7%
Quite busy	0.0%	0.0%	0.0%	0.0%	16.7%	33.3%	0.0%	0.0%	20.0%	25,0%	6,7%
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 %	**-75.0%**	**-50.0%**	**-50.0%**	**-33.3%**	**-50.0%**	**-33.3%**	100.0%	100.0%	100.0%	100.0%	100.0%

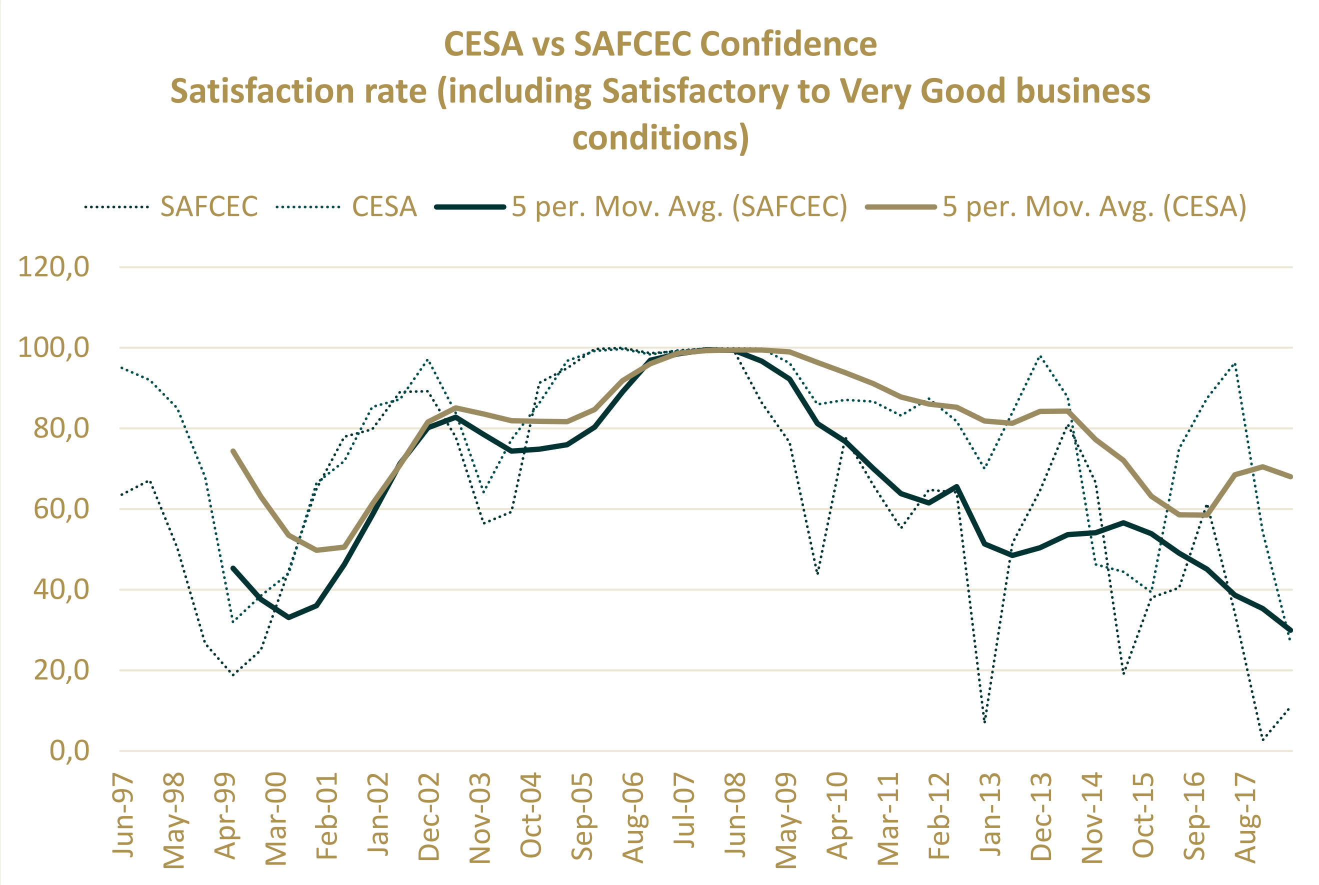
A comparison with FNB/BER's civil industry confidence index, shows a clear and distinct correlation between the two independently surveyed data sets, as both surveys depict very weak sentiment amongst civil contractors. The satisfaction rate in the FNB/BER index has been below 50 since the 1st quarter of 2015, and recorded a much weaker level of 14 in the 3rd quarter of 2018, from a level of over 40 in the 1st quarter of 2017, and an average of 39 in 2016. This is the weakest level since 2000 towards the end of the 1998/98 Asian Crisis, and again is evident of extremely difficult and tough conditions experienced in the civil industry in particular. While conditions in the building industry are also under strain, confidence levels of building contractors (although weak) averaged a higher level of 35 in 2017, and deteriorated to 29 in the first quarter of 2018.

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 in late 2017 and early 018. Confidence levels have however deteriorated again in the first half of the year, with 26.9 index points reported in June 2018, which is the lowest in many years. 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 negative view over the last quarter is somewhat distressing going forward.

Figure 26: Consulting Engineering Industry Confidence Index



Key Issues Affecting Current Confidence Levels in the Industry

Main issues raised by participating contractors related specifically to work flow issues. This has to do with the volume of projects that are coming out to tender, with a serious lack of infrastructure spending by government being felt by most of the contractors in the sample again, and this continues to be a theme survey after survey. A significant proportion of contractors in the sample mentioned that they have felt a massive slowdown in government spending, some specifically pointed to the bigger projects. Other complaints included Delays, financial constraints by clients, and skills (including poor or low levels of labour productivity, tender compilation and adjudication by clients). Complaints about skills were quite prominent this survey.

- Global economic stabilisation, which is good for South Africa. The outlook for advanced economies and emerging markets has remained on track.
- The outlook for the domestic economy has been worse than expected, and it looks like the economy is going to grow by less than last year which is somewhat distressing. Growth forecasts also remain under 2 percent for 2018, which means the economy continues to lag behind population growth, and serious structural issues still persist. We will have to wait and see actual policy hit the ground.
- 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.

Stats SA completed a full revision of price indices, affecting various producer price indices used to compile the construction cost index. This led to an adjustment in the average input **cost price movements** based on the Baxter contract price adjustment formula (CPAF).

For further information on the calculations of the revised indices please contact SAFCEC.

Input costs accelerated to an average annual increase of 7.2 percent in the 3rd quarter of 2018, from an average (revised) increase of 5.6 percent and 5.6 percent in the 1st and 2nd quarters of 2018. The largest drivers of inflation currently are fuel, which should come as no surprise, given the substantial petrol price hikes, increasing by 15.6 percent and 27.5 percent in the 2nd and 3rd quarters respectively.

Risks to the outlook for construction cost inflation are largely related to further developments in the exchange rate which has come under pressure due to dollar strength, and the impact of international oil prices on the cost of fuel and liquid energy. Our assumptions for the medium term, are based on a mild increase in the price of oil, averaging $75/barrel over the next three years, along some weakening in the currency, averaging R13/US Dollar. Construction cost inflation is expected to increase by 6.2 percent in 2018, 5.4 percent in 2019 and 5.9 percent in 2020. These developments and the impact on input cost construction will be closely monitored and adjusted accordingly.

Figure 27: CPAF Y-Y Percentage Change

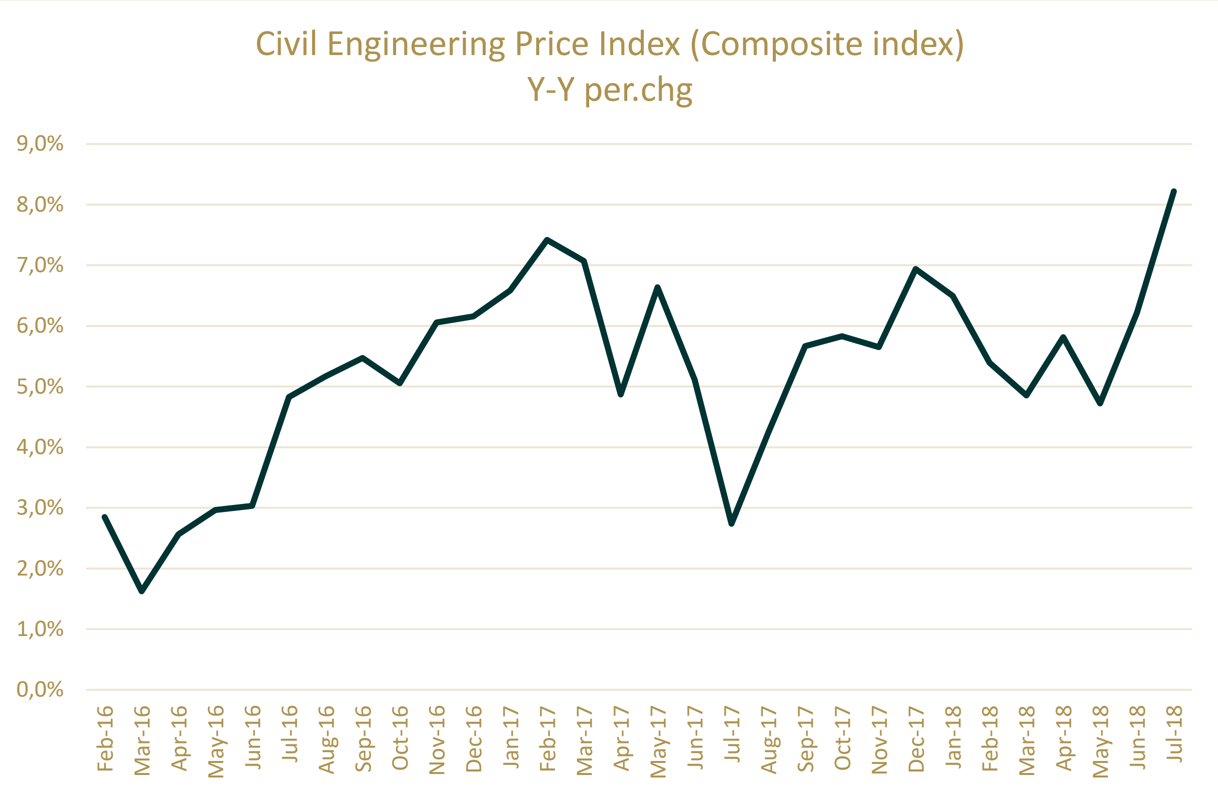


Table 25: Macro Price Assumptions

	2014	2015	2016	2017	2018	2019	2020
R/US$ Exchange Rate	11.3	12.8	14.7	13.3	12.5	13.0	13.3
Oil price ($ per barrel, UK Crude oil)	96.3	52.7	44.2	54.8	70.0	75.0	80.0
Oil Price (ZAR per barrel)	1088.2	672.1	650.8	730.6	875.0	975.0	1064.0
CPI (% change)	6.1%	4.6%	6.3%	5.3%	5.7%	5.6%	5.0%

Table 26: CPAF Indices Forecast 2014-2020

Index 2012= 100	2013	2014	2015	2016	2017	2018	2019
Plant	87.0	91.0	98.6	100.4	102.4	105.5	108.7
Fuel	115.9	98.7	96.5	106.6	127.6	142.2	155.2
Materials	94.3	97.2	97.6	105.9	112.2	117.8	127.3
Labour	88.0	92.0	97.8	103.0	108.9	115.0	120.7
Composite	92.4	93.9	97.9	103.4	109.8	115.7	122.5
Y-Y Percentage Change							
Plant	6.4%	4.6%	8.3%	1.9%	2.0%	3.0%	3.0%
Fuel	5.8%	-14.8%	-2.2%	10.4%	19.8%	11.4%	9.1%
Materials	3.3%	3.1%	0.4%	8.5%	6.0%	5.0%	8.0%
Labour	6.1%	4.6%	6.3%	5.3%	5.7%	5.6%	5.0%
Composite	5.3%	1.7%	4.2%	5.7%	6.2%	5.4%	5.9%

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
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	96.8	89.7	92.8	89.6	92.73	3.9%	4.1%	-22.6%	4.3%	-5.7%
	2	99.0	91.8	103.3	90.7	97.08	4.9%	4.5%	-13.0%	4.1%	-1.8%
	3	97.6	93.1	99.6	91.1	95.81	3.0%	4.7%	-14.6%	4.1%	-2.8%
	4	95.5	93.5	99.1	92.6	95.52	0.5%	4.9%	-8.4%	6.0%	-0.6%
2016	1	94.9	95.5	87.9	96.0	93.22	-1.9%	6.5%	-5.3%	7.2%	0.5%
	2	96.5	97.5	97.8	98.4	97.53	-2.5%	6.2%	-5.4%	8.4%	0.5%
	3	99.2	98.7	100.2	99.9	99.69	1.7%	6.0%	0.6%	9.7%	4.0%
	4	99.6	99.6	100.1	100.1	99.80	4.3%	6.6%	0.9%	8.1%	4.6%
2017	1	102.1	101.5	104.7	99.4	101,4	7.5%	6.3%	19.1%	3.5%	9.4%
	2	104.5	102.7	105.5	100.6	102,9	8.3%	5.3%	7.9%	2.3%	6.1%
	3	106.8	103.4	102.7	100.7	103,6	7.7%	4.8%	2.4%	0.8%	3.7%
	4	110.0	104.3	113.5	101.0	105,9	10.4%	4.7%	13.4%	0.9%	6,1%
2018	1	111.8	105.7	113.2	101.7	107,0	9,5%	4.1%	8.1%	2.2%	5,6%
	2	112.6	107.3	121.9	101.6	108,6	7,7%	4,5%	15,6%	1,0%	5,6%
	3	116.9	108.5	130.9	101.8	111,3	9,4%	4,9%	27,5%	1,1%	7,4%

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)