

FNB/BER Civil Confidence Index falls to 9 in Q1 from 15 in 4Q2021

Barring 2Q2020, the FNB/BER Civil Confidence Index hit its lowest level on record at 9 in 1Q2022. This after slipping to 15 in 4Q2021. The current index level means that more than 90% of respondents are dissatisfied with prevailing business conditions.



Source: Lev Kropotov © [123RF.com](https://www.123RF.com)

“It is discouraging that sentiment in the civil construction sector remains so weak while confidence in the broader economy is improving,” said Siphamandla Mkhwanazi, senior economist at FNB.

Unlike confidence, activity fared better this quarter, albeit only marginally. According to Stats SA, the real value of civil construction works contracted by 3.9% year-on-year (y-o-y) in 4Q2021. A similar, if not less severe, decline is likely this quarter.

“Although stable, the level of construction activity is still well below previous highs. This prolonged period of weak activity is likely taking its toll on the business mood of civil contractors,” remarked Mkhwanazi.

Also weighing on sentiment is the amount of time it takes after tender submission for projects to be adjudicated and awarded. “While the survey doesn’t explicitly ask this, a rising number of respondents commented that the delays in project awards are inhibiting growth in the sector,” said Mkhwanazi.



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Ezekiel Kekana 24 Mar 2022



Respondents upbeat about Q2's prospects

Despite the negative outcome for confidence, respondents are very upbeat about prospects for next quarter. Expectations for activity and profitability point to a marked improvement. Historically, however, respondents' expectations have been an inaccurate measure of actual future performance.

“Further to the survey results, the announcement end-February by the National Treasury to suspend all tenders advertised by the public sector on or after 16 February 2022, with no new tenders after 16 February 2022 until they've reviewed and amended the procurement framework, could have a detrimental effect on the sector depending on how long it persists. Civil construction activity is much more dependant than other sectors on public sector spending. In all, even after years of decline, the odds remain stacked against a meaningful recovery in the civil construction sector during 2022,” noted Mkhwanazi.

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