CONSTRUCTION
INDUSTRY COUNCIL

ESWATINI CONSTRUCTION INDUSTRY 2022/23 PERFORMANCE REPORT

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Acronym

ACRONYM	FULL-TERM
CIC	Construction Industry Council
MOPWT	Ministry of Public, Works and Transport
MEPD	Ministry of Economic Planning Development
MOH	Ministry of Health
ESWADE	Eswatini Water and Agricultural Enterprise
ENPF	Eswatini National Provident Fund
ESA	Eswatini Sugar Association
ERS	Eswatini Revenue Services
EIPA	Eswatini Investment Promotion Authority
FNB	First National Bank
EEC	Eswatini Electricity Company
SME	Small and Medium Enterprise
GDP	Gross Domestic Product
B	Building Works
C	Civil Works
E	Electrical Works
M	Mechanical Works
M/S	Manufacturer and Supplier
BSI	Scaffolding, Cladding and Insulation Works
BSK	Flooring Works
BSQ	Sign Craft Installation Works
BSJ	Fencing Works
BSE	Structural Steel Fabrication, Fixing and Erection Works
CSE	Drilling Works
CSB	Road Signage and Marking Works
CSJ	Fencing Works
MSJ	Specialized Mechanical Systems Works
MSA	Air-conditioning, Refrigeration and Ventilation Systems Works
MSK	Sand, Shot, Grit Abrasive Blasting Works
MSD	Specialized Plant and Petro-Chemical Works
ESB	ICT and Electronic Systems Installation Works

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1. Introduction

1.1 Background

The Construction Industry Council's (CIC) mission is to regulate, develop, and promote the construction industry for all stakeholders' benefit through the development of regulations and ensuring compliance, research, development, capacity building, and stakeholder engagement, thus improving the socio-economic status of the country. Historically, the local industry has been dominated by a large number of foreign companies and a few Eswatini contractors.

However, during the period 2019, 2020, 2021 and 2022/23 the construction industry has experienced an increase in the participation of local contractors relative to foreign contractors in infrastructure development in terms of construction works and value of construction contracts awarded by local project owners. The report sheds insight on the overall performance of the construction industry and distribution in terms of market share, employment levels, skills availability, skills shortages, female representation, youth representation, foreign vs local participation and financial capability.

1.2 Objectives of the Report

The objective of the report is to assess the 2022/23 performance of the construction industry and to understand the different dynamics that influence the performance of project owners, contractors, consultants and manufacturers and suppliers for the 2022/23 period. The information provided in the report will inform and assist stakeholders on the following: -

- Understand and track indicators that inform industry performance.
- Understand the construction activities of stakeholders participating in the industry.
- Enable policymakers and businesses to make sound decisions.

2. Methodology

A sample survey was undertaken whereby primary information was collected using tailored questionnaires from selected companies who represented 20% of the CIC's database registered contractors which included project owners, contractors, consultants, manufacturers and suppliers and artisans for the period covering 2022/23. Primary data was collected through questionnaires and followed up telephonically. Secondary data was sourced from the Council's internal database

and included industry revenue and contractor registration figures. The results are a representation of the total construction industry performance.

3. Overview of the Construction Industry Performance

3.1 Market Share of the Industry by Works and Contract Value per Category

Through market analysis, a qualitative and quantitative assessment of the current construction industry market was done using industry data. The following section provides an analysis of the structure of the construction industry in terms of the volume (number of construction works) and value of the market (share of contract sum), construction categories and their distribution, competition within the industry, and the overall economic environment.

The overall contract sum awarded for the year 2022/23 (inclusive of levy and VAT) was about E4.2 billion as compared to last year's 2021/22 of approximately E2.7 billion. Figures 1 and 2 below show that most construction works in terms of volume were awarded to contractors participating in general building works followed by general civil works and general electrical works. However, in terms of the contract sum, general civil works, general building works and foreign works, respectively, took the lead. Albeit the lead in general building works in terms of volume, the general civil works took the lead in terms of the contract sum awarded.

Compared to the previous year 2021, general civil works saw an increase in the contract sum awarded from E0.6 million to E1.7 million. The general building works showed a decrease in the number of works awarded compared to the previous year 2021 from 415 to 355 jobs; however, with a slight increase in the contract sum awarded from E0.9 to E1 million. Consistency was seen in the distribution of the contract sum to foreign works where it was approximately 0.3 million for both 2021 and 2022/23.

Figure 1: Distribution by the Number of Construction Works Awarded as at 2022/23

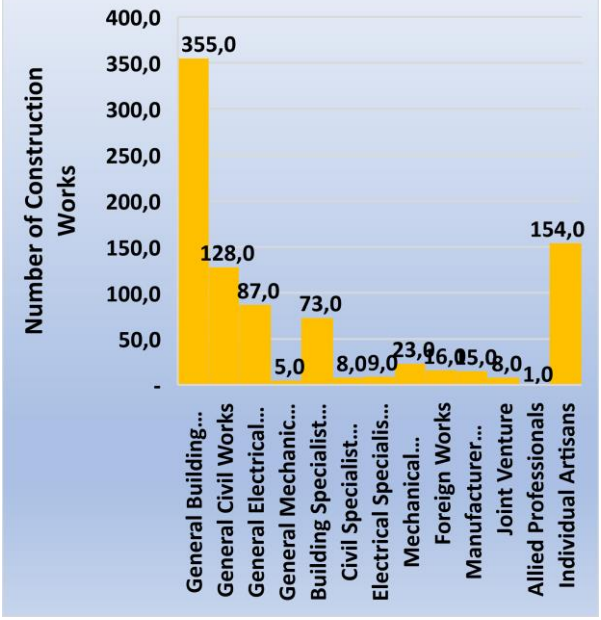
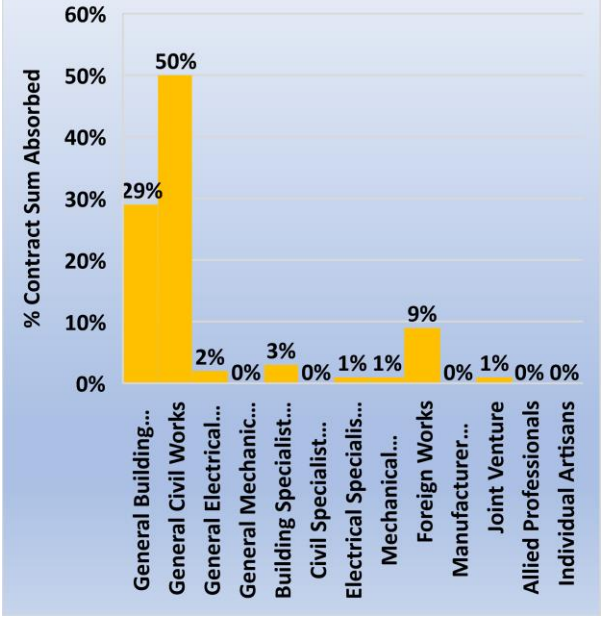


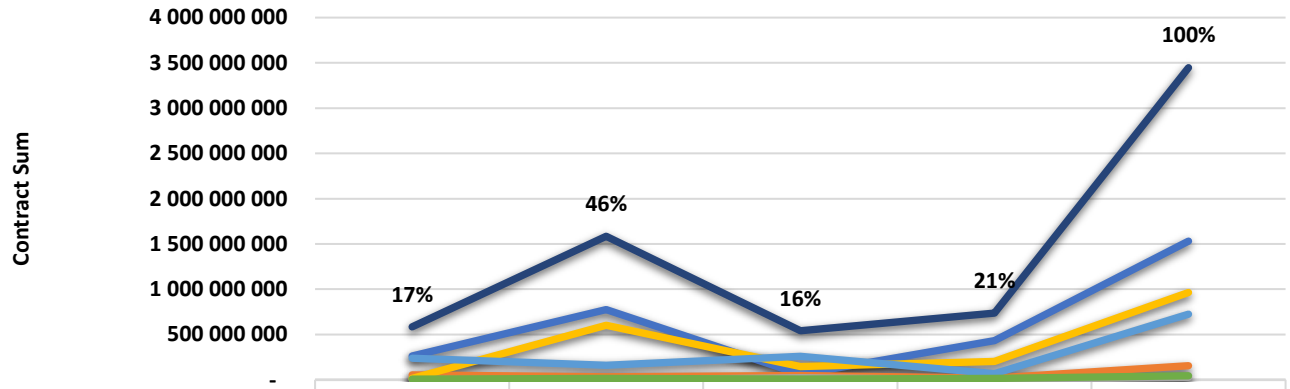
Figure 2: Distribution by the Value of Contract Sum Awarded as at 2022/23



The top ten (10) construction works in terms of the contract sum were rendered by mostly the Ministry of Economic Planning and Development (MEPD) through Microprojects and the Royal Eswatini Sugar (RES) Corporation multiple jobs. Project owners together with their proposed contractors were registered in 2022/23 in terms of the distribution of the contract sums and included but were not limited to the following:

Contractor	Contract Sum (in Emalangeni)
1. Inyatsi Construction	840,377,410.87
2. Construction Associates	504,826,533.06
3. Stefanutti Stocks	373,838,981.03
4. Kalpataru Power Transmission Limited	266,527,359.57
5. Soares Da Costa Mozambique S. A	107,128,420.49
6. J & E Construction	81,467,834.72
7. AG Thomas	57,834,586.25
8. Roots Civils	56,296,085.49
9. Icon Construction	53,509,187.06
10. Afri Civils	48,126,308.81

Figure 3: Quarter to Quarter Distribution of the Overall Contract Sum per Client for 2022/23



	Q1	Q2	Q3	Q4	TOTAL
GOVERNMENT	263 663 323	776 189 432	59 700 975	431 929 042	1 531 482 772
MUNICIPALITY	55 000 107	32 401 563	48 868 805	19 222 433	155 492 908
NGO	3 025 180	-	20 742 223	2 688 322	26 455 725
PARASTATAL	15 520 395	601 039 615	145 207 426	202 627 621	964 395 057
PRIVATE COMMERCIAL	239 226 799	159 758 923	258 532 033	67 340 513	724 858 267
PRIVATE RESIDENTIAL	7 393 875	15 143 679	8 284 838	13 636 041	44 458 433
TOTAL	583 829 679	1 584 533 211	541 336 300	737 443 972	3 447 143 162

It was observed that the first quarter stood at 17% of the contract sum awarded owing to the end of projects like the Mbadlane – Manzini (Lot 1 & 2); Lukhula – Big bend; Manzini Golf Course Interchange. The second quarter had a larger contract sum distribution of approximately 46% as a result of a majority of projects being awarded by the Government were continuing post 2022 and some commencing in 2023-2024 such as the Mphakeni Dam; LUSIP II Extension; building of factory shells; construction of Nhlangano – Sicunusa road; Bulembu-PPK-Maguga; FISH; ICC; Parliament, National Referral Hospital; and Microprojects/ RDF. Below are the top projects registered for the second quarter.

PROJECT OWNER	CLASSIFICATION	CONTRACTOR	GRADE	Project Details	Contract Sur
ESWADE	Parastatal	Stefannutti Stocks	C1	Bush clearing, land preparation, supply and installation of irrigation system of 494 3ha	122,292,948.74
ESWADE	Parastatal	Stefannutti Stocks	C1	Bush clearing, land preparation, supply and installation of irrigation system of 531 ha	114,014,117.49
ESWADE	Parastatal	Soares Da Costa Mozambique S.A	CSc-F	Lower Usuthu Smallholder Irrigation Project Lot 1(a)	107,128,420.49
Microprojects Programme	Parastatal	Roots Civils	B1	Proposed Reconstruction of factory shell, Health Bay and canteen at Hlatikhulu	56,296,085.49
Ministry of Health	Government	Roots Civils	B1	Construction of Biomed & HMIS Workshops & offices (Lot 2)	30,690,037.96
Ministry of Public Works and Transport	Government	Roots Civils	C1	Construction of Motshane-Sigangeni (D78) road	29,738,921.38
Eswatini Electricity Company	Parastatal	Stefanutti Stocks Swaziland	C1	Dredging of Mnkinkomo Weir	29,458,612.17
Ministry of Public Works and Transport	Government	Stefanutti Stocks Swaziland	C1	Construction of Siteki-Maphungwane (D12) Road	22,187,197.29
Municipal Council of Manzini	Municipality	Stefanutti Stocks Swaziland	C1	PPP for Mentjies street reconstruction and bridge rehabilitation works	19,856,088.02
RES	Private Commercial	Africontis Joint Venture	C3	Design, supply and installation of subsurface drip irrigation systems -Lot 2	18,584,224.71

Table 1 shows that even though more construction works were awarded to the general building works (about 40%), it was the general civil works that consumed more of the contract sum (about 52%). The 0% depicts that the contract sum awarded was insignificant where the number of construction works is present and depicts nothing/no contract sum absorbed otherwise (number of construction works = 0).

Table 1: Summary of the Distributions of the Number of Works and Value of Contract Sum Distribution in Percentages.

Category	Percentage (%) Distribution of the Construction Industry per Category for the Year 2022/23	
	By Distribution of Contract Sum	By Number of Construction Works
General Building Works	30%	40%
General Civil Works	52%	14%
General Electrical Works	2%	10%
General Mechanical Works	0%	1%
Building Specialist Works	3%	8%
Civil Specialist Works	0%	1%

Category	Percentage (%) Distribution of the Construction Industry per Category for the Year 2022/23	
	By Distribution of Contract Sum	By Number of Construction Works
Electrical Specialist Works	1%	1%
Mechanical Specialist Works	1%	3%
Foreign Works	9%	2%
Manufacturer/supplier	1%	2%
Joint Venture	1%	1%
Individual Artisans	0%	17%
Allied Professionals	0%	0%

3.2 Eswatini Construction Industry Insights

Explanation in this section is sought from Table 2 which shows categories that had the highest number of construction works and contract sum awarded during 2022/23. In terms of the number of construction works awarded, B4 was leading in 2022 as was in 2021. The leading building specialist works in 2022 were BSh-6 (shop fittings, timber and carpentry works) which was the case in 2020 and 2021. Over the 4 years (i.e., 2019-2022) general building works were awarded the largest contract value whereas categories B1 and B5 were the least awarded.

Civil works were observed to be awarded mostly to the general civil works under C1 and C5. The leading civil specialist works in 2022 were CSe-4 (drilling works), whereas in 2021 were led by CSj-6 (fencing works), CSe-4 and CSb-5 (road signage and marking works) and in 2020 by CSb-5. During the previous 4 years (2019-2022), civil works under C1 grade were awarded the largest contract value consistently across all years except for 2021 where C3 dominated.

Leading mechanical works were awarded to general mechanical works where M4 was the dominant category across 2019, 2021 and 2022; however, during 2020 there was no mechanical works activity recorded. The leading mechanical specialist works in

terms of the contract sum awarded were MSj-4 (specialized mechanical systems works), MSa-1 and MSa-4 (air-conditioning, refrigeration and ventilation systems work), respectively.

In terms of the number of construction works, it was observed that the electrical specialized works were led by ESb-4 (ICT and electronic systems installations works) during 2022/23; however, in terms of contract sum awarded, the same construction trade with a higher grade (ESb-1) took the lead.

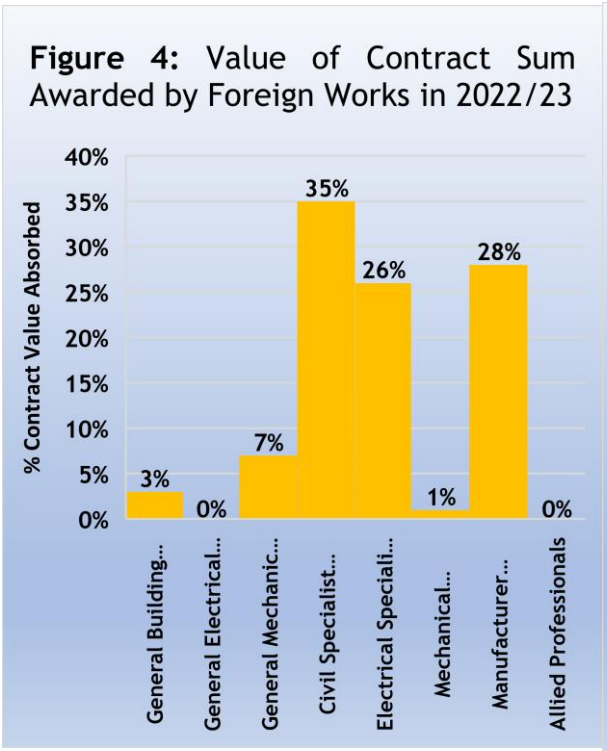
Table 2 Summary Trends Showing the Highest and Lowest Number of Construction Works and Contract Sum Awarded per Category for Local Contractors for the Year 2022/23.

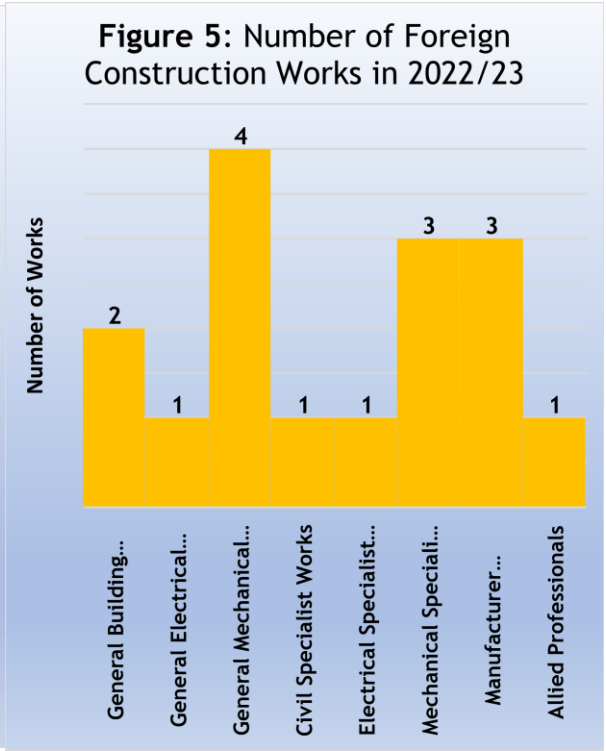
Category	2022/23 Highest and Lowest Category According to the Number of Construction Works		2022/23 Highest and Lowest Category According to the Contract Sum	
	Highest	Lowest	Highest	Lowest
Building Works	B4	B2	B1	B5
Civil Works	C1	C5	C1	C5
Electrical Works	E4	E2	E1	E3
Mechanical Works	M4	None	M4	None
Building Specialist Works	BSh-6	BSb-6 BSc-4 BSd-6 BSj-6	BSe-1	BSb-6
Civil Specialist Works	CSe-4	CSb-4 CSc-F CSq-2	CSe-4	CSe-6
Electrical Specialist Works	ESb-4	ESc-4	ESb-1	ESc-4
Mechanical Specialist Works	MSa-1 MSa-4	MSd-4 MSe-4	MSj-4	MSd-4

Category	2022/23 Highest and Lowest Category According to the Number of Construction Works		2022/23 Highest and Lowest Category According to the Contract Sum	
	Highest	Lowest	Highest	Lowest
Manufacturer/supplier	M/S-7	M/S-1	M/S-7	M/S-1
Joint Venture	JVB4 JVBSj-5 JVC2	JVB2 JVB3	JVB-3	JVBSj-5
Individual Artisans	Ij	Ic	Ii	Ic
Allied Professionals	AP	None	AP	None

3.3 Construction Works Under Foreign Contractors

The construction works awarded to foreign contractors were few during the 2022/23 period compared to works awarded to local contractors in terms of both the number of works awarded and the contract sum distribution. In 2019, there were 14 foreign contractors given work, 13 in 2020, 11 in 2021 and 16 in the year 2022/23. During the reporting period, larger contract sums were awarded to civil specialists, manufacturers and suppliers and electrical specialists, in that order. In terms of the number of construction works undertaken by foreign contractors over the 2022/23 period, general mechanical works, mechanical specialist works and manufacturers and suppliers, were respectively observed to take up space within the local construction activity. This is all summarised in the figure 4 and 5 below:

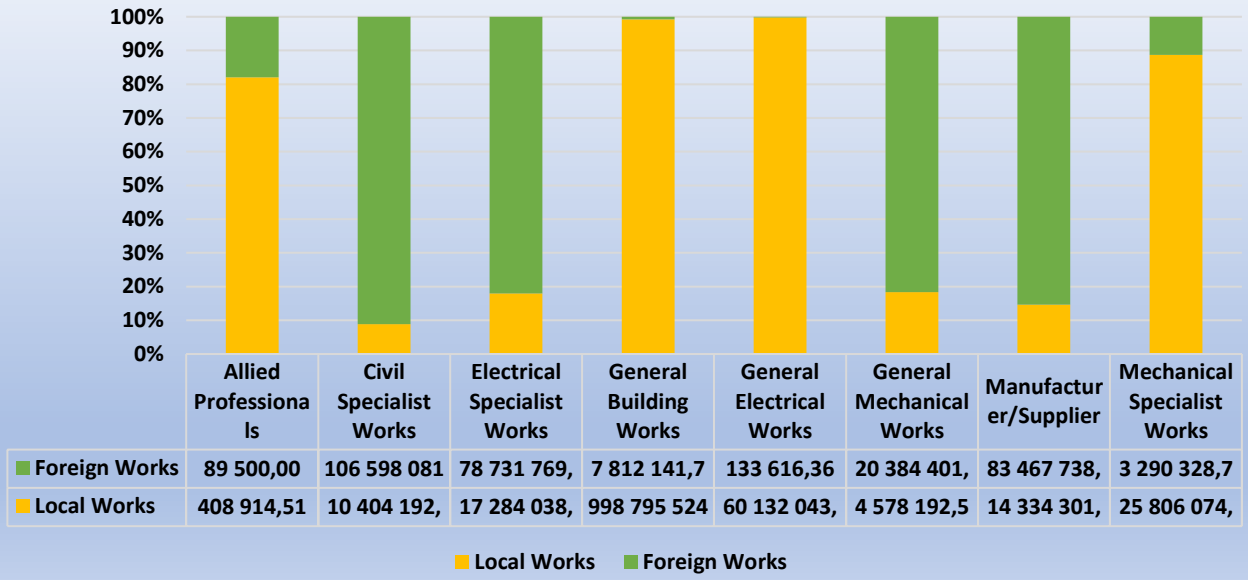




3.3.1 Skills Gaps Analysis and Construction Works Opportunities

It was observed that even though local contractors need to take up space in all construction trades, there is also a need to re-enforce their skills and capabilities where foreigners have a competitive edge. That is, in works especially involving civil specialists, electrical specialists, general mechanical works and manufacturers and suppliers of construction materials. These foreign construction works cover approximately 91%, 82%, 82% and 85% of the 2022/23 contract sum distribution rate, respectively. The most dominant categories during 2022/23 under each mentioned construction work were CSc-F (landscaping, irrigation and gardening works), ESf-F (high voltage installation), MF (general mechanical works) and M/S-1 (hardware stores). There was a generally low demand observed for foreign contractors for general building, general electrical, allied professionals and mechanical specialist works during the period in 2022/23.

Figure 6: Local Contractor vs Foreign Contractor Participation as at 2022/23



	Allied Professionals	Civil Specialist Works	Electrical Specialist Works	General Building Works	General Electrical Works	General Mechanical Works	Manufacturer/Supplier	Mechanical Specialist Works
Foreign Works	89 500,00	106 598 081	78 731 769,	7 812 141,7	133 616,36	20 384 401,	83 467 738,	3 290 328,7
Local Works	408 914,51	10 404 192,	17 284 038,	998 795 524	60 132 043,	4 578 192,5	14 334 301,	25 806 074,

Local and Foreign Participation: figures 7 and 8 show that local participation for the year 2022 in terms of the contract sum distribution and the number of works was estimated at 98% and 91%, respectively. However, for the same, it was observed to be 2% and 9% for foreign participation, respectively.

Figure 7: Local Participation at 98% in Terms of Contract Sum

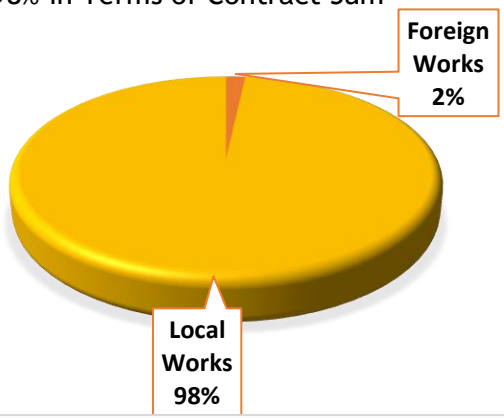
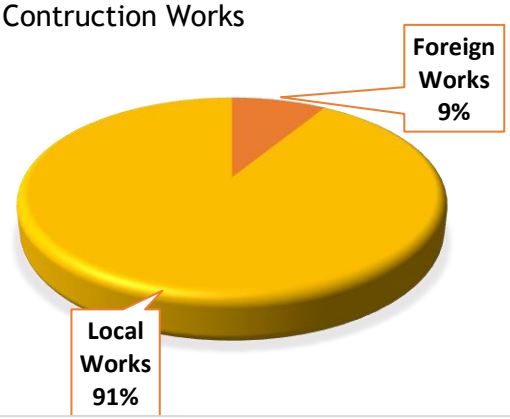


Figure 8: Local Participation at 91% in Terms of Number of Contruction Works

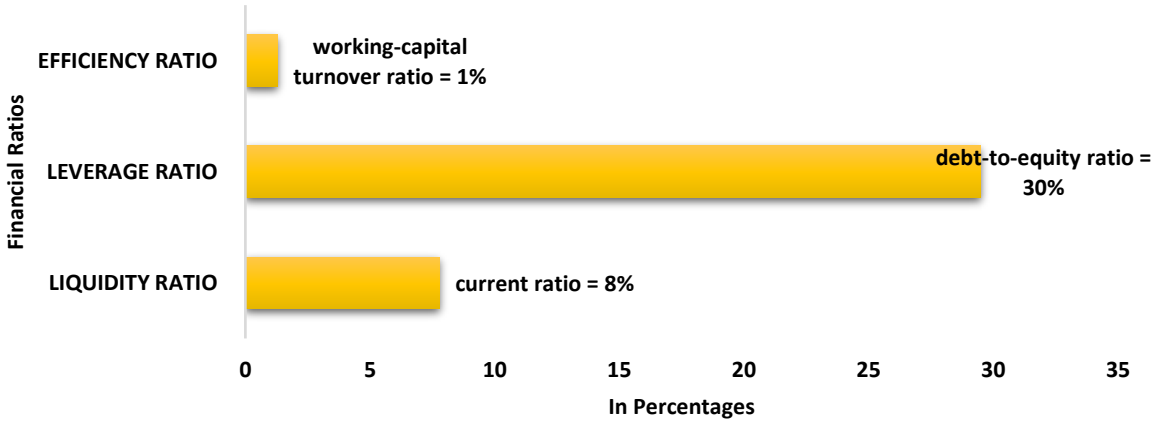


3.4 Construction Industry Financial Performance

The financial ratio analysis is a valuable tool that can be used to gather valuable insights into an industry's performance in terms of profitability, efficiency, liquidity etc. This information gathered from financial ratio analysis is essential when wanting to make decisions internally and to external parties like investors so that they evaluate the financial health of the industry before choosing the construction industry over other competing industries. Based on the information provided by the

survey's respondents, the following estimated ratios show the financial position of the industry as at 2022. The figure below shows the performance of the construction industry in terms of liquidity (current ratio), leverage (debt-to-equity ratio) and efficiency (working capital turnover ratio).

Figure 9: The Construction Industry's 2022 Financial Performance



3.4.1 Liquidity Ratio

The liquidity ratio shows the industry's ability to pay off short-term debts using available assets (in cases where short-term liabilities suddenly become due). The current ratio was calculated for liquidity and found to be 8%. The ratio is plausible since it is not less than 2, however, it is rather too high and this is bad because it could indicate inefficient use of working capital within the industry (that is, an excess of short-term assets like cash might be sitting idle instead of gaining interest as long-term investments). Unlike over previous years 2019, 2020 and 2021, the estimated current ratio recordings were 2%, 3% and 2%, respectively showing that the industry was involved in some form of investments.

3.4.2 Leverage Ratio

The leverage ratio determines how the industry finances its assets and operations whether through debt or investments. Generally, a 2% debt-to-equity ratio is considered acceptable. Hence, the 2022 industry's leverage ratio according to the debt-to-equity ratio of 30% is unacceptable for either a heavy equipment business or a general contractor within the construction industry. The leverage ratio depicted a high rate, implying that the construction industry has accumulated increasing debt financing to enable it to undertake construction works. On average, the industry has

grown increasingly reliant on debt such that it is deemed as a risky investment and this hinders the industry's ability to obtain more loans.

3.4.3 Efficiency Ratio

This ratio assesses how well the construction industry manages its assets and liabilities, focusing on how these assets generate revenue. Since the efficiency ratio's working capital turnover ratio is little this indicates that the industry is inefficient in using its assets and liabilities to generate revenue/sales (for manufacturers and suppliers) through freeing up value (assets such as machinery/equipment for rental instead of remaining idle). Every lilangeni of working capital within the industry is only supporting 1% worth of revenue growth.

4. Eswatini Construction Industry Labour Structure with its Skills Available and in Shortage.

Labour structure means how Eswatini's construction industry workforce is divided up into segments: by type (temporal/permanent), gender (male/female), nationality (Swazi/foreign) and youth (between 18-35 years/ above 35 years). The structure future narrows down in terms of the skills available and those which are in need/shortage.

4.1 Employment Representation by Type.

The construction industry employment reveals that there were more temporal staff (about 68%) than permanent staff (about 32%). This increment in the enrolment of temporal staff shows an increase of about 30% from the previous year's results.

Figure 10: Construction Industry Employment Structure by Type for Year 2022

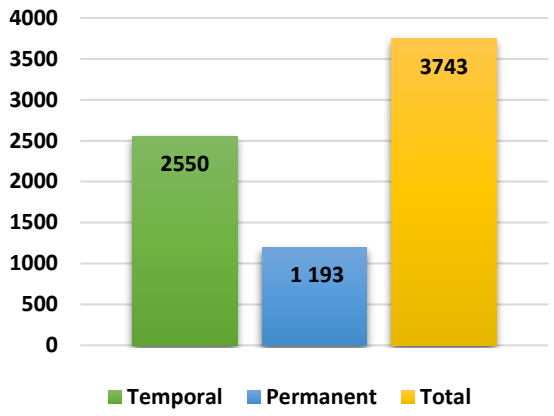


Figure 11: Permanent vs Temporal Employment

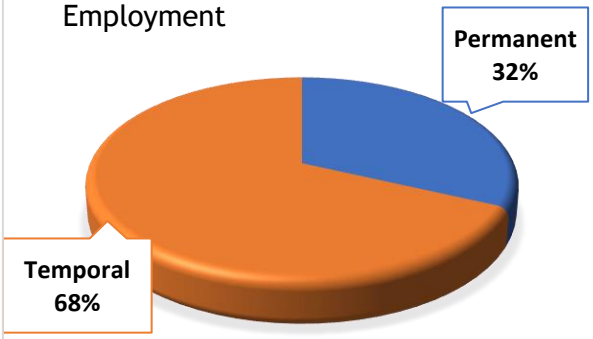
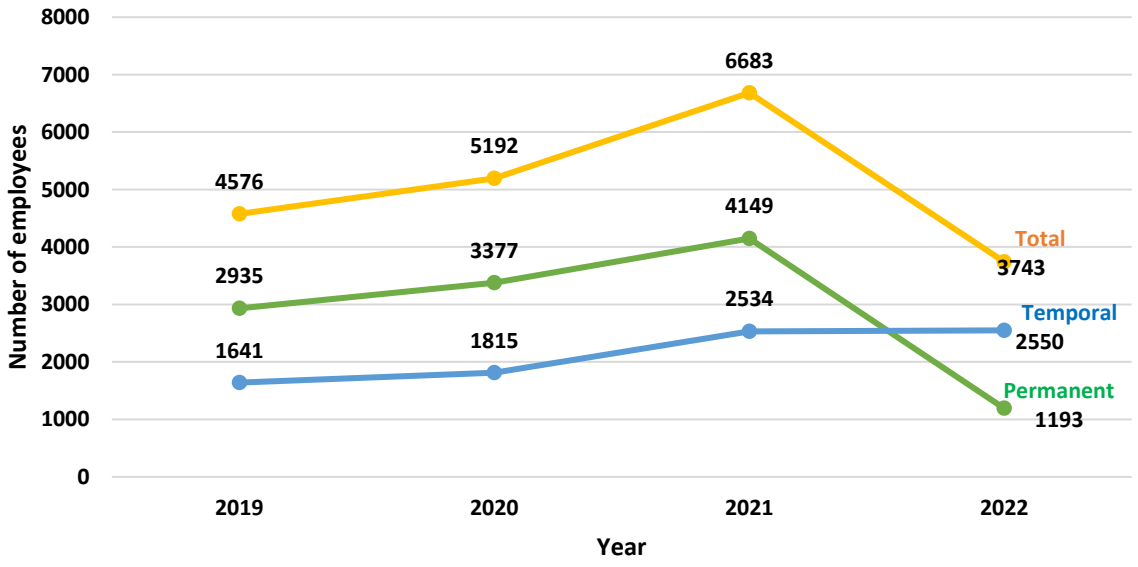


Figure 12: Construction Industry Employment Trend by Type for the Past 4 Years



From Figure 12 above, it was observed that the construction industry's average total employment level increased by 13% from 2019 to 2020 and 29% from 2020 to 2021 and there was a decrease in 2021 to 2022 of about 43%. The structure was dominated by a temporal laborer for the year 2022 from the consistent dominance of permanent staff in the past three years. The temporal staff increased slightly by about 0.6% from 2021 to 2022 (i.e., from 2534 to 2550) while the permanent staff dropped by about 71% (i.e., from 4149 to 1193 labourers) from 2021 to 2022.

4.2 Employment Representation by Gender.

The 2022 estimations reveal that there were more males employed (about 86%) either permanently or temporarily on average than there were females (about 14%). Whilst it was observed that female employment continued to increase by 25% from 2020 to 2021 there was a drastic change observed from 2021 to 2022 whereby female employment decreased by approximately 59%.

Figure 13: Construction Industry Employment Structure by Gender for Year 2022

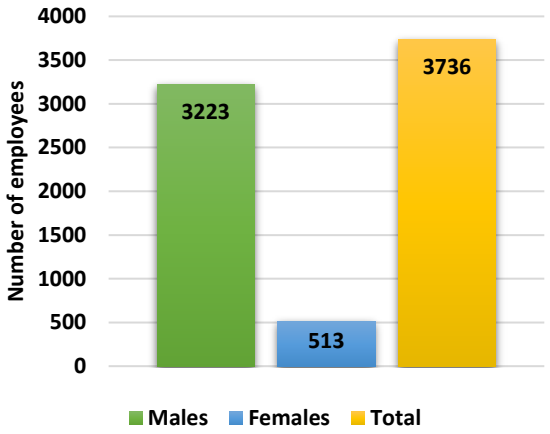


Figure 14: Male vs Female Employment

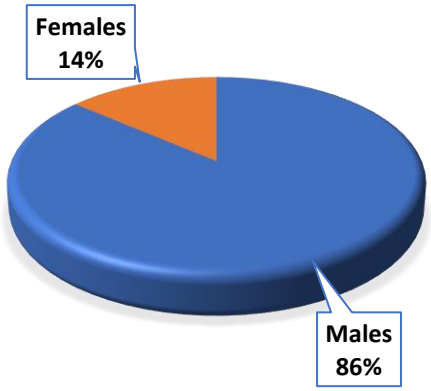
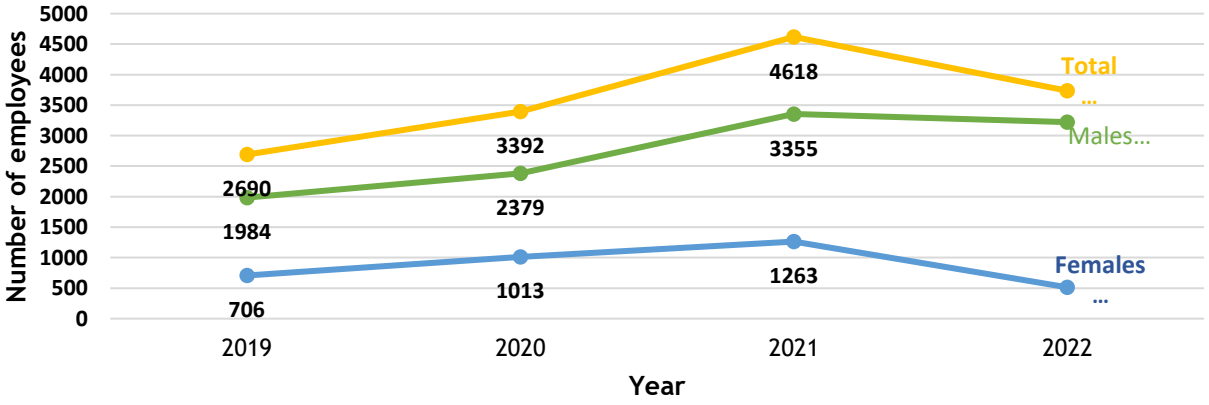


Figure 15: Construction Industry Employment Trend by Gender For the Past 4 Years



It was observed that the construction industry is largely dominated by male employees. On average, the difference of having male labourers to females was 74% in 2019, 70% in 2020, 73% in 2021 and 86% in 2022. In 2022, the population of male

employment increased at a decreasing rate as a result of a massive drop in female employees by 59%.

4.3 Employment Representation by Age.

The construction industry recruitment is mainly focused on the youth (below 35 years). There was a decrease in the number of labourers employed both as adults (above 35 years) and youth (18-35 years) compared to the previous year which caused a drop in the total number of employees by 16%.

Figure 16: Construction Industry Employment Structure by Age for Year 2022

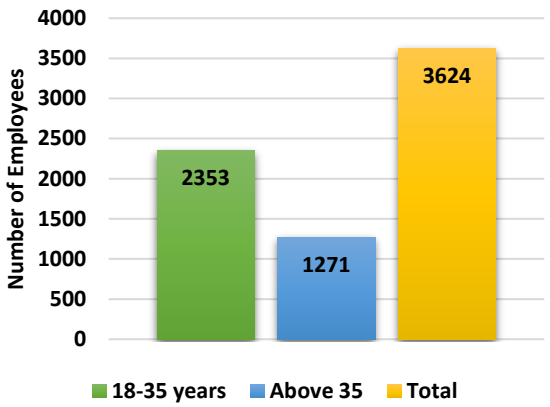


Figure 17: Youth vs Adult Employment

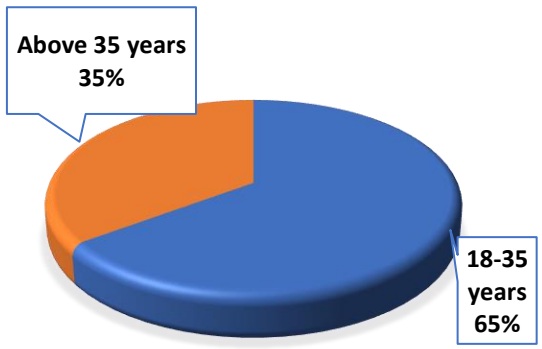
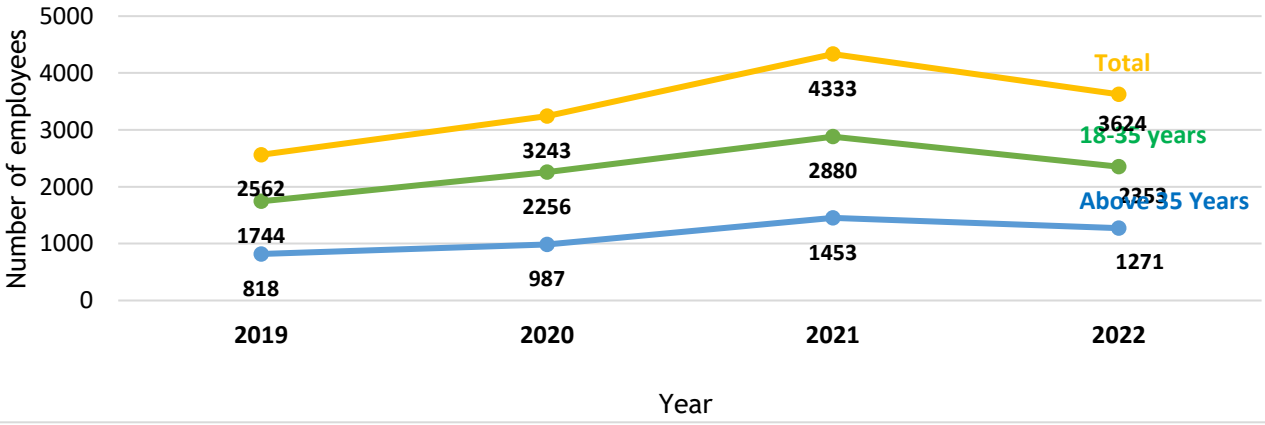


Figure 18: Construction Industry Employment Trend by Age for the Past 4 Years



It can be noted that all along, the construction industry's average total employment level was on the rise by 27% from 2019 to 2020 and by 34% from 2020 to 2021 unlike

from 2021 to 2022 where it saw a decrease of approximately 16%. The employment of 18 to 35 years decreased slightly from 2022 to 2022 by about 18% while also the ones above 35 years decreased slightly by approximately 13%.

4.4 Employment Representation by Know-How.

The construction industry labour structure for the year 2022 was dominated by skilled labourers as compared to the previous years where unskilled labourers were dominant. Skilled labour stood at 57% in 2022 as compared to 40%, 39% and 42% in 2019 to 2021, respectively.

The average total employment level of skilled and unskilled labourers increased by 15% from 2019 to 2020 and it increased by about 28% from 2020 to 2021 however a 10% decrease was observed from 2021 to 2022. Whilst the structure was flooded by unskilled labourers in 2019 to 202, 2022 saw an influx of more skilled workers.

Figure 19: Construction Industry Employment Structure by Know-How for Year 2022

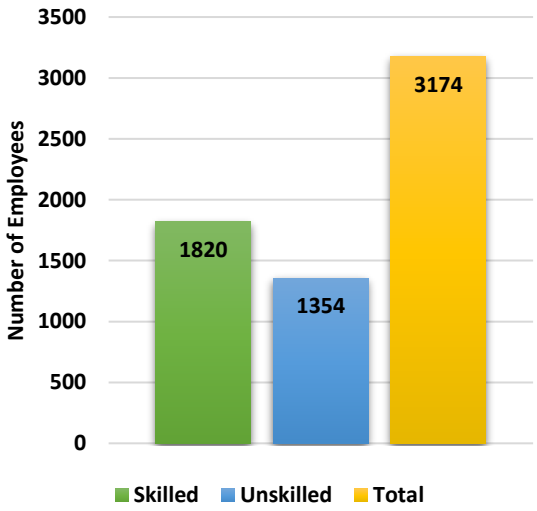


Figure 20: Skilled vs Unskilled Employment

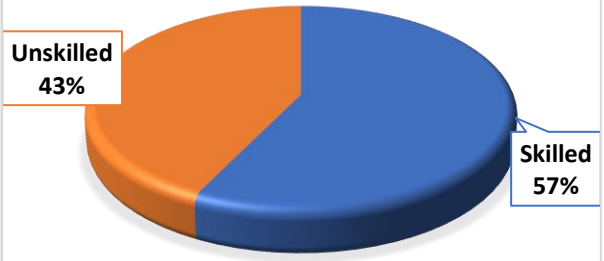
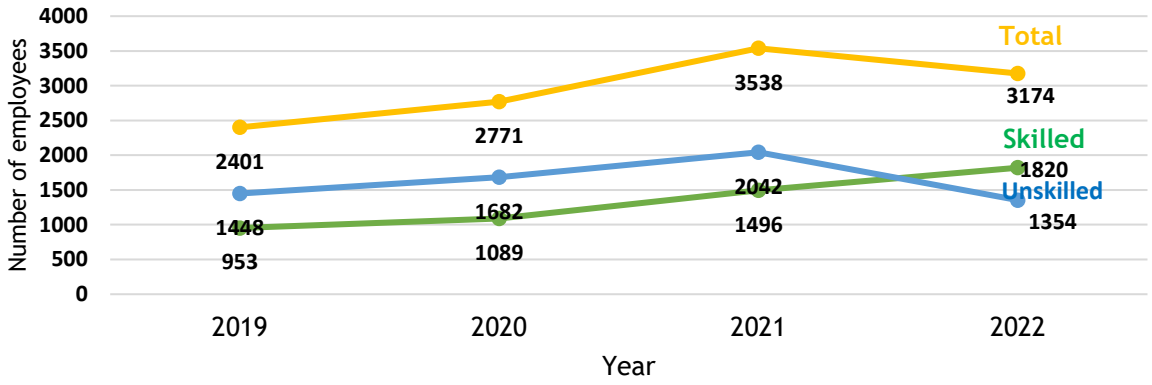


Figure 21: Construction Industry Employment Trend by Know-How for the Past 4 Years



4.5 Employment Representation by Nationality.

The Construction Industry employment structure by nationality had 98% Swazis employed and only 2 % foreign employment during 2022. This shows an increment of about 6% in local employment compared to the previous years. The industry structure was generally populated by EmaSwati for the whole four-year period with a skilled labour force.

Figure 22: Construction Industry Employment Structure by Nationality for Year 2022

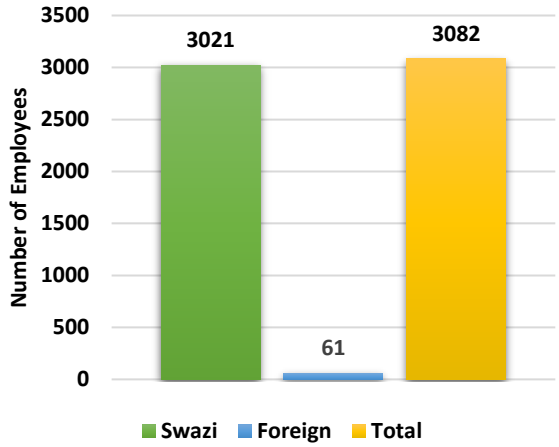


Figure 23: Local vs Foreigner Employment

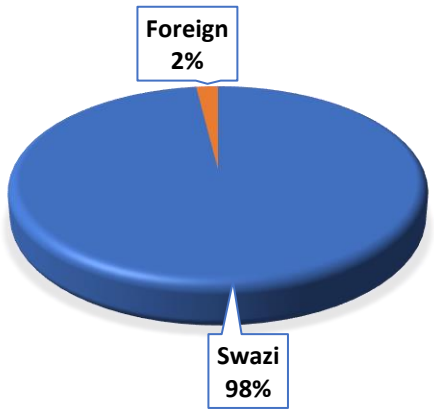
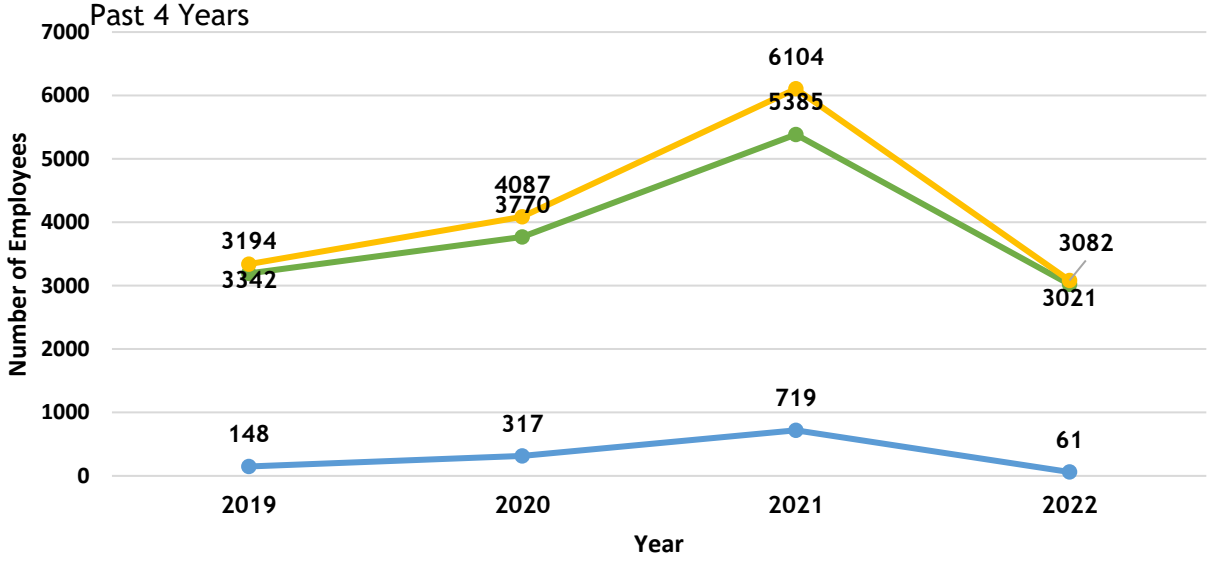


Figure 24: Construction Industry Employment Trend by Nationality for the Past 4 Years



4.6 The Structure of Construction Industry Skills

4.6.1 Construction Skills Available

Figure 25: Construction Industry Skills Available as at 2022/2023

N: B:
Engineers (Civil, electrical, structural, ITC engineers and hydraulics)
Boiler making (includes welding skills)
Managers (Project, Construction, environmental (site agents) & plant managers)
Surveyors (Quantity and land surveying)
Operators (includes riggers)

SHEQ (Includes safety officers)
Town planners (includes grit blasters)

The overall construction industry's available dominant skills in 2022 were Engineering (civil engineers, electrical engineers and ITC engineers), Quantity Surveyors, Land Surveyors and Project Managers. Other skills available are not limited to the following: Architects, Foreman, Technicians, Welders, Boiler Makers, Grit Blasters, Electrical and Mechanical Engineers, Site Agents, Drafters, Pipe Fitters, Rigging, Operators and Plumbers.

4.6.2 Construction Skills Required

N: B:
Architects (juniors, technicians)
Engineers (mechanical and electrical engineering)
Managers (project, quality, human resource and general managers)

From Figure 26 above, technical skills mostly required by the construction industry are mainly Quality Managers, Environmental Health and Safety and Electricians. Other skills include Architects, Dredging Foreman, General Managers, Business Development Officers, Scaffolding, Rigging, Welders, Painters, Carpenters, Plumbers and Interior Designers.

4.6.3 Off-Setting Skills

Off-setting skills are the skills that are observed to be available in other firms yet they are also observed to be short in other firms within the industry. Their availability and unavailability (shortage) usually depend upon one firm's characteristics to another such as the size of the company, the managerial style and skill sets available etc. Of note is that for the year 2022, there were more available skills (about 65%) than there were required (about 35% of unavailable skills); only Land Surveyors and Mechanical Engineers were trades observed to be much required by the industry at a greater scale than others.

Figure 27: Construction Industry Skills Status

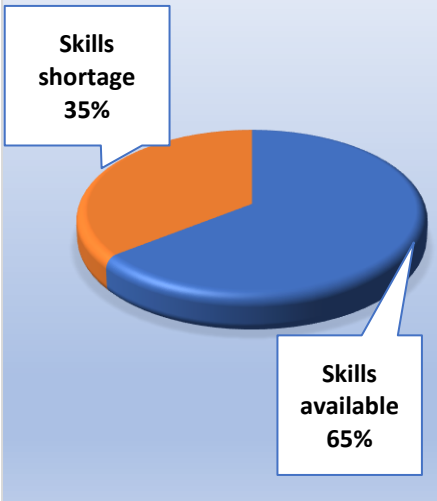
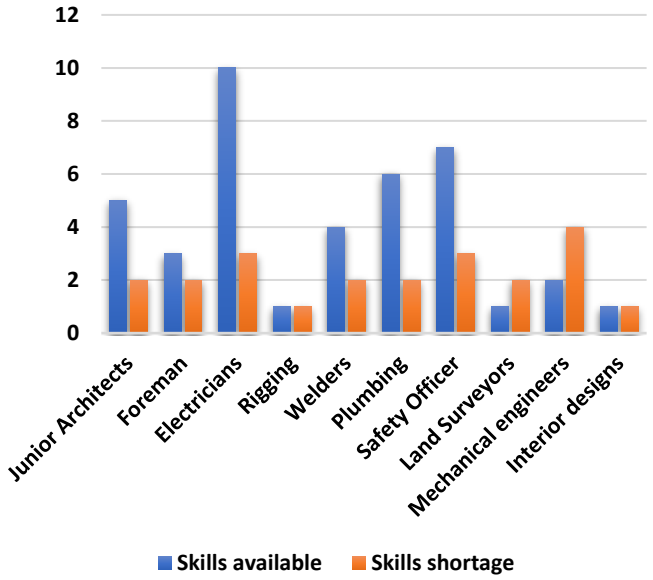


Figure 28: Construction Industry Offsetting Skills as at 2022/2023



4.6.4 Individual Artisans' Requirements

There were about 50% of artisans under block laying, 45% under electrical and 5% under plumbing who were interviewed. Most of the artisans require assistance as far as conflict resolution, funding, tender finding and tender follow-up are concerned.

Figure 29: Artisanal Trade Representation

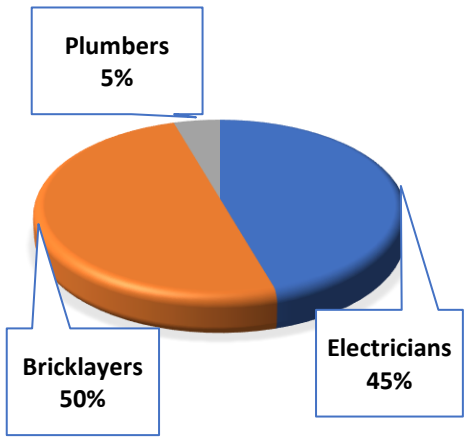
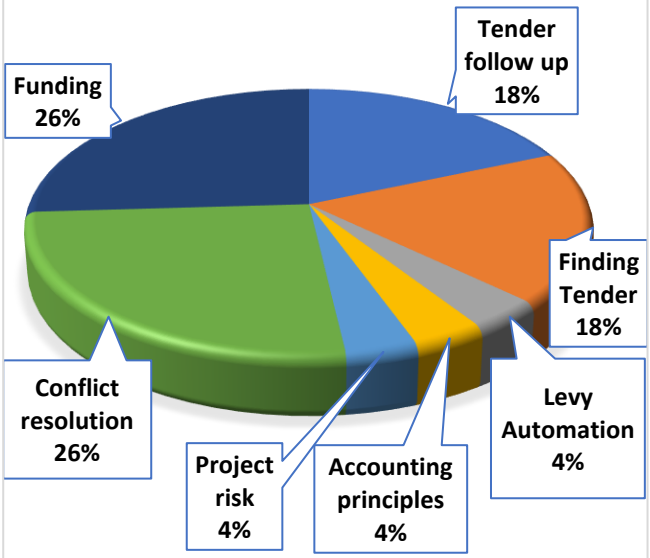


Figure 30: Technical Assistance Needed By Artisans



5. Construction Industry Challenges

- The barriers to entry in the construction industry are a serious problem that affects contractors and consulting firms. Newly registered companies face the risk of being displaced within the industry and failing to get work. The greatest constraint is those grade 6 companies that have just been registered are considered to be lacking the capacity to perform albeit having qualified personnel with vast experience.
- The construction industry is facing financial problems. In the past years, construction companies obtained projects, however, due to delayed payments (taking up to two or more months from invoicing date), contractors found themselves having to borrow from micro lenders who charged high interest, to pay for wages on time. As a result, suppliers currently fail to offer credit on purchases to contractors. About 23% of sampled contractors struggle with delayed payments.
- Contractors are prone to unfair distribution of construction works. According to contractors, this implies that construction works are inefficiently allocated such that they fail to meet the industry's specialisation and work is often awarded to the same well-known contractors.
- Inflationary pressures increase the costs of building-related materials required for rendering service. Inflation cuts into the profits that contractors expect to earn on

current contracts unless the terms can be changed, which is challenging to do on government-funded initiatives. About 6% of the sampled industries were affected by a high inflation rate.

- Discontinued projects as a result of bridging of contracts (1%). For instance, the project owner's actions (such as providing the wrong structural steel design which may cause additional costs for the steel subcontractor) during the construction of the project may impact a subcontractor who lacks the privity of contract with the owner, the party ultimately responsible for those costs. To seek recovery for such errors, the subcontractor may enter into a liquidating agreement with the main contractor.
- Awarding of work to foreign firms without any of the Eswatini firms' representation albeit possessing the same skills. Local firms feel that foreign firms are highly preferred.
- Other challenges included the lack of enough trainings for the industry on health and safety, working on heights and steel fixing training.
- In terms of individual artisans, about 43% of the sample shows that they do have trading licenses whilst 57% do not. Hence, those who have licenses are motivated to be registered as contractors, however, they take up the limited jobs available at the detriment of being exploited.
- When analysing the secondary data, there were 40 uncategorised construction works with a contract sum worth E123 179 190.00.

6. Construction Industry Key Findings and Medium-Term Outlook

6.1 Highlights from the Construction Industry

In this year under review, the construction activity was mainly characterized by the participation of local construction works under building works and civil works in terms of both the number of works and contract value.

Foreign contractors were involved in the following categories general building, general electrical, general mechanical, mechanical specialist works, electrical specialist, civil specialist, allied professionals and manufacturer and suppliers of construction material. However, the dominant works for foreign contractors in the current year were the manufacturers and supplies, general mechanical works, electrical specialist and civil specialist works, respectively. The number of

construction works and contract sums has declined over time from the foreign participation.

The only construction works awarded to foreign contractors whereby they have demonstrated a competitive advantage over local contractors were in manufacturer and suppliers and electrical specialist works mainly focusing on high voltage installation works. Albeit having construction works awarded, there was very little foreign activity compared to local activity in general building, general electrical, mechanical specialist and allied professionals.

The liquidity ratio for the current year was too high and this is bad because it could indicate inefficient use of working capital within the industry (that is, an excess of short-term assets like cash might be sitting idle instead of gaining interest as long-term investments). The leverage ratio was also too high and unacceptable. This implies that the construction industry has used too much debt financing to stimulate growth. On average, the industry has grown increasingly reliant on debt such that it is deemed as a risky investment and this hinders the industry's ability to obtain more loans. The construction industry could do more to improve its efficiency by using assets and liabilities to generate revenue.

In terms of the employment structure, the industry is male-dominated with very few female recruitments during 2022/23. The youthful employees are mainly hired on a temporal basis rather than being permanent. Although employed temporarily, the number of skilled labourers was dominant. During 2022/23, professional skills that were observed to be available were in engineering with Civil, Electrical and ICT engineers. Other skills available within the industry were Quantity Surveyors, Land Surveyors, Boiler Makers and Welders, Foreman, Technicians, Managers, Architects, Drafters, Riggers, Operators and Site Agents. However, some skills were observed to be in shortage such as Scaffolding (Structural Fabrication), Architects, Surveyors, Construction and Environmental Management, Dredging Foreman, Business Development Officers, Rigging, Welders, Painters, Carpenters, Plumbers, Auditors and Interior Designers.

6.2 Domestic Economic Overview

The inflation rate continued to affect the cost of raw construction-related building materials, labour, and other inputs. The increasing inflation rate over the year 2022/23 indicated that the cost of construction has been rising. However, the constant quarter-to-quarter (3 per cent) contribution of the construction industry to GDP suggests that it has maintained its relative importance when compared to other industries in the economy. However, the decreasing number of buildings completed over the quarters of the year 2022/23 indicated a decline in construction activity. This could be due to various factors such as a decrease in demand for new buildings or a shortage of resources.

Construction activities during the period under review were characterised by the resettlement of the multi-billion emalangeni ESWADE-Mkhondvo-Ngwavuma Water Augmentation project including the development of large dams, canals and hydro-scheme which is expected to be completed by 2027. According to the Central Bank of Eswatini quarterly report, activities from the construction sector remained positive, increasing by 5.4 per cent during the first quarter of 2023; indicating that the currently ongoing projects (such as the International Convention Centre, the Five Star Hotel and the Nhlangano-Sicunusa road) continued to drive activity in the sector during the quarter ended December 2022.

Construction activities slowed in 2022 as a sizeable number of public projects were either being completed or towards completion and were not matched by an intake of projects with a similar scope in the period. Amongst the completed projects included the Manzini - Mbandlane road (MR 3), the Mbandlane - Sikhuphe and the Manzini Interchange. However, on the positive side, private sector construction reflected growth in the period supported by activities such as the construction of commercial buildings, office space and residential apartments. In the short-medium, the landscape for the sector is expected to improve boosting the private sector, particularly small contractors, mainly influenced by the proposed construction of the multiple dams under the Mkhondvo-Ngwavuma Augmented Project.

Overall, during 2022/23 Eswatini’s construction industry experienced rising costs of construction due to increasing inflation rates and a decline in construction activity based on the decreased number of buildings completed. On the positive side, there

were a substantial number of public projects that were completed which included the Mbadlane – Manzini (Lot 1 & 2); Lukhula – Big bend; Manzini Golf Course Interchange or are nearing completion. Despite the domestic and external challenges during the year in question, the Council remained positive as the Government remained committed to implementing the country's infrastructure development Programme through continued capital investments into the sector which includes the implementation of MNWAP Phase 1 (Mphakeni Dam), energy projects (biomass, solar (75 MW), Maguga hydro extension projects etc.), as well as other developments in the private sector, and the deliberate vigorous efforts to see off ICC and FISH. This commitment combined with the implementation of the Economic Recovery Plan which supports both the private and public sector infrastructure development Programme will stimulate job creation, support community incomes and induce growth in economic activity.

Construction Monitor 2022/23

INDICATOR	Q1	Q2	Q3	Q4
INFLATION	3.2%	4.2%	5.9%	5.5%
CONSTRUCTION GDP GROWTH RATE	-15.4%	4.1%	5.4%	2.7%
CONSTRUCTION CONTRIBUTION TO GDP	3%	3%	3%	3%
PLANS APPROVED	164	113	147	150
BUILDING WORKS COMPLETED	27	21	16	21

INDICATOR	Q1	Q2	Q3	Q4
CONTRACTORS REGISTERED	1756	872	396	254
PROJECTS REGISTERED	245	235	238	206
LEADING GENERAL WORKS	Civil Works	Civil Works	Civil Works	Building Works
LEADING SPECIALIST WORKS	Building Specialist	Building Specialist	Building Specialist	Building Specialist
LEADING FOREIGN WORKS	Manufacturer & Suppliers	Civil Specialist	Electrical Specialist	Building Works
LEADING FOREIGN WORKS VS LOCAL	Manufacturer & Suppliers	Civil Specialist	Electrical Specialist	Building Works
LEADING LOCAL WORKS	General Civil Works	General Civil Works	General Civil Works	Building Works
LEADING LOCAL WORKS VS FOREIGN	General Civil Works	Civil Specialist	Electrical Works	Building Works
LEADING ARTISANS	Bricklaying (Ii)	Bricklaying (Ii)	Electrical (Ij)	Electrical (Ij)