



**Eswatini Construction
Industry Performance
Report Quarter 2 (July -
September 2022)**

Table of Contents

1. Economic Overview.....	2
2. Construction Activity Overview.	2
2.1 Quarterly Registration of Contractors.....	2
2.2 Quarterly Registration of Projects.....	4
2.3 Percentage Distribution of Construction Works	7
2.3.1 Building Works	7
2.3.2 Civil Works	8
2.3.3 Electrical Works.....	9
2.3.4 Mechanical Works.....	10
2.4 Percentage Distribution of Building Works Approved.	11
3 Imports of Building Materials Related to Construction.	12
4. Conclusion.....	14

1. Economic Overview.

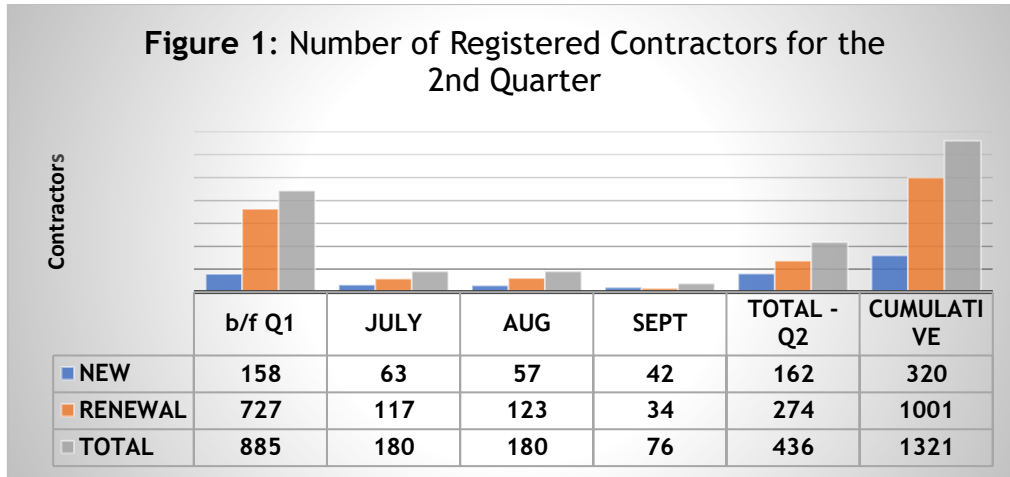
Highlights from the second quarter performance report was that during the period July-September, inflationary pressures increased mainly driven by food and transport costs which contributed to over half of the annual inflation and had a constrained on the construction industry's operations together with a depreciating local currency (the exchange rate depreciated by about 6% during first half of 2022) which continued to put a strain in the cost of construction material importation. According to the Central Bank report, annual inflation averaged 4.2% in the quarter under review, higher than 3.2% of the first quarter and 3.7% in the same (July-September) quarter of 2021; the quarter's inflationary trend continued on an upward trend as it increased to 6.7% in September from 5.8% in August 2022, from a 5.4% in July 2022. This prompts the construction industry to be aware of such increments when requesting construction works.

GDP based on constant 2022 prices, flattened by the consumer price index (CPI) which depicts that South Africa's public sector is still lagging behind the private sector in the crucial area of capital formation, which is the aggregate demand component that ultimately incorporates construction sector activity. This implies that with the overdependence of Eswatini on South Africa in terms of trade there will be less construction raw material imported for construction activity to take place due to price escalations that would have resulted from South Africa's economy consuming all that it produces and saving nothing (having nothing as surplus for exportation) hindering the future productive capacity Eswatini.

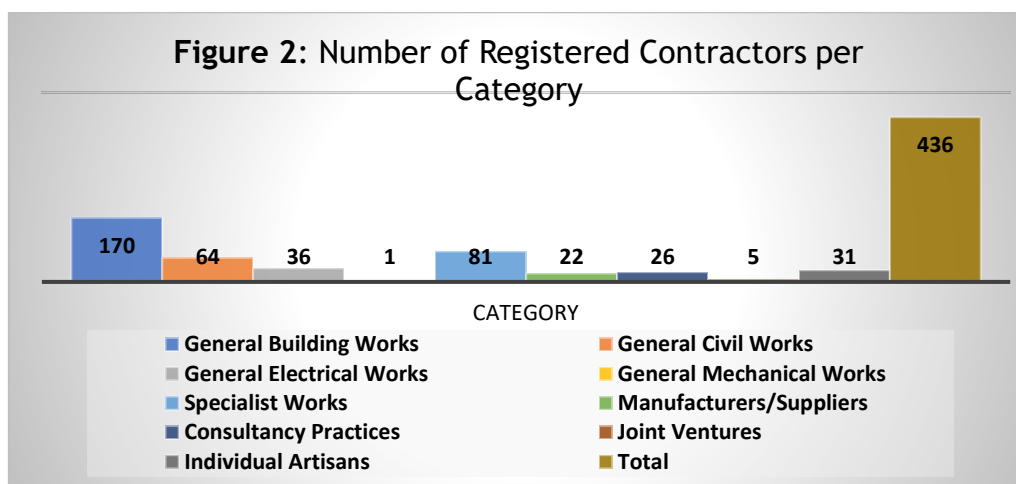
2. Construction Activity Overview.

2.1 Quarterly Registration of Contractors

During the quarter under review, figure 1 shows that the total number of contractors registered comprised of renewals and newly registered contractors, of which out of the **436** registered contractors **162** contractors have registered for the first time with the Council. Cumulative registration totaled **1321** contractors.



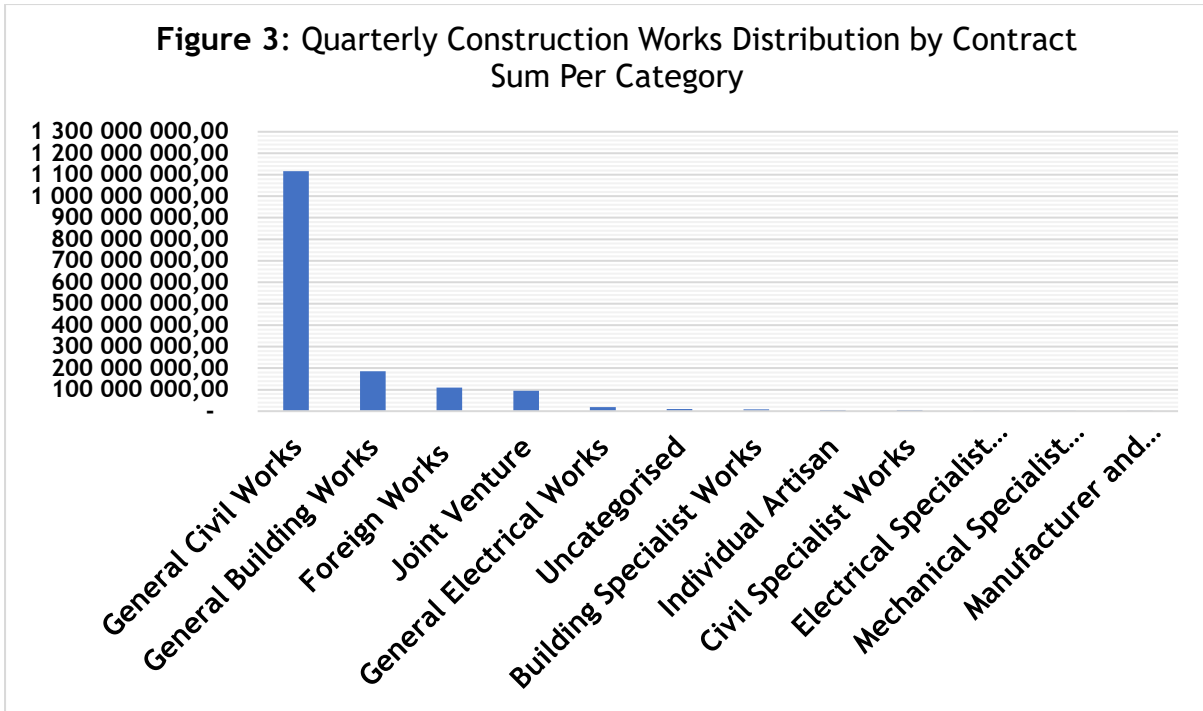
Of those contractors registered for the second quarter of 2022, figure 2 shows that 170 contractors were from building works. The highest number in this category was in the B6 grade due to the new registrants. A total of 68 new entrants were registered in this category. During the quarter under review, 64 contractors registered under Civil works with the highest number being C6 grade due to new entrants; 36 contractors registered for electrical works with grade E4 recording the highest registrants; only 1 Mechanical contractor registered during the quarter in question and there were no new entrants registered in this category. Whilst there were 81 contractors registered for Specialist works, 16% (13/81) of those were foreign contractors. There was a total of 27 new entrants registered under the specialist works category.



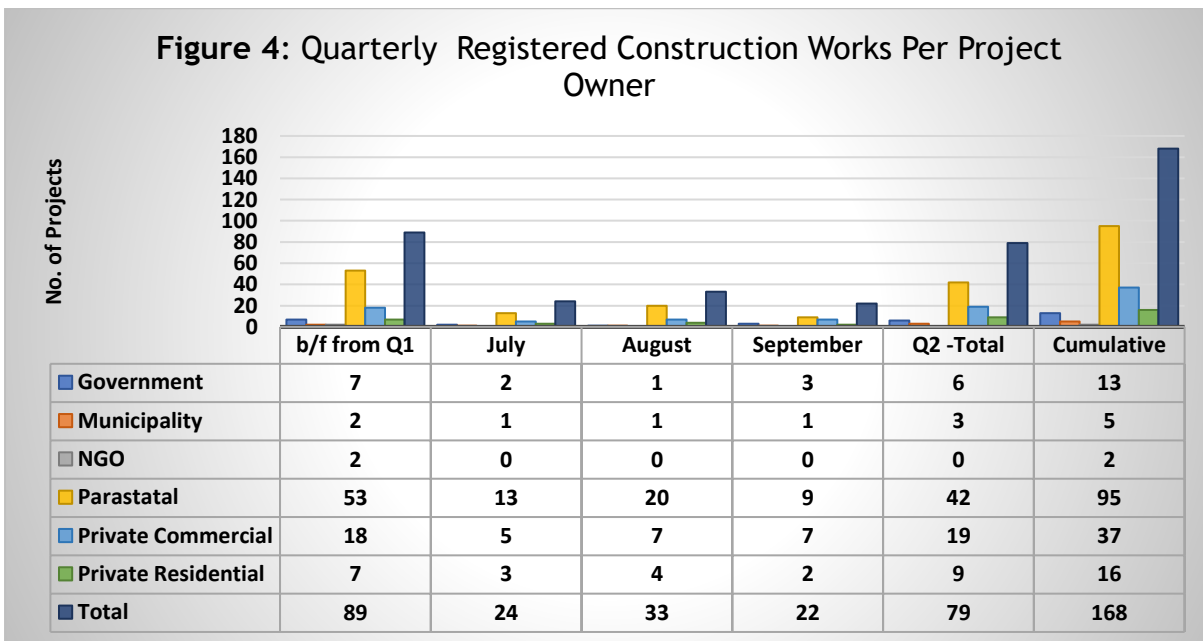
There was a total of 22 local manufacturers and suppliers registered. None were foreign and 12 of them were new entrants. A total of 16 contractors registered for consultancy practices with 4 foreign consultants. The practices range from Architecture, Civil Engineering, and Electrical & Mechanical Engineering consultancy. A total of 2 new entrants were registered in the Electrical Engineering and Mechanical Engineering consultancy practices. There were 10 contractors registered for Allied Professionals which comprised of 2 foreign consultants and 8 local Allied Professionals; no new entrants were registered in this category. Five (5) Joint Ventures were registered in the 2nd quarter where 4 joint ventures were newly registered. There was a total of 31 artisans registered in different trades during the 2nd quarter of 2022 where 12 were new entrants.

2.2 Quarterly Registration of Projects.

The quarter under review as shown in Figure 3 was characterised by the participation of contractors in various projects which absorbed a large share of the contract value mostly under general Civil works, general building works, and general electrical works, with their respective specialists works including Mechanical specialist works; then foreign works, individual artisans, manufacturer and suppliers of construction material and Joint ventures also had projects registered for construction works. There were those projects which were not categorised that were probably not registered with the Construction Industry Council. In terms of individual artisans that were awarded jobs, about 13% were not registered with the CIC, and of those that were registered 20% were bricklaying works (li) and 67% were electrical works (lj).

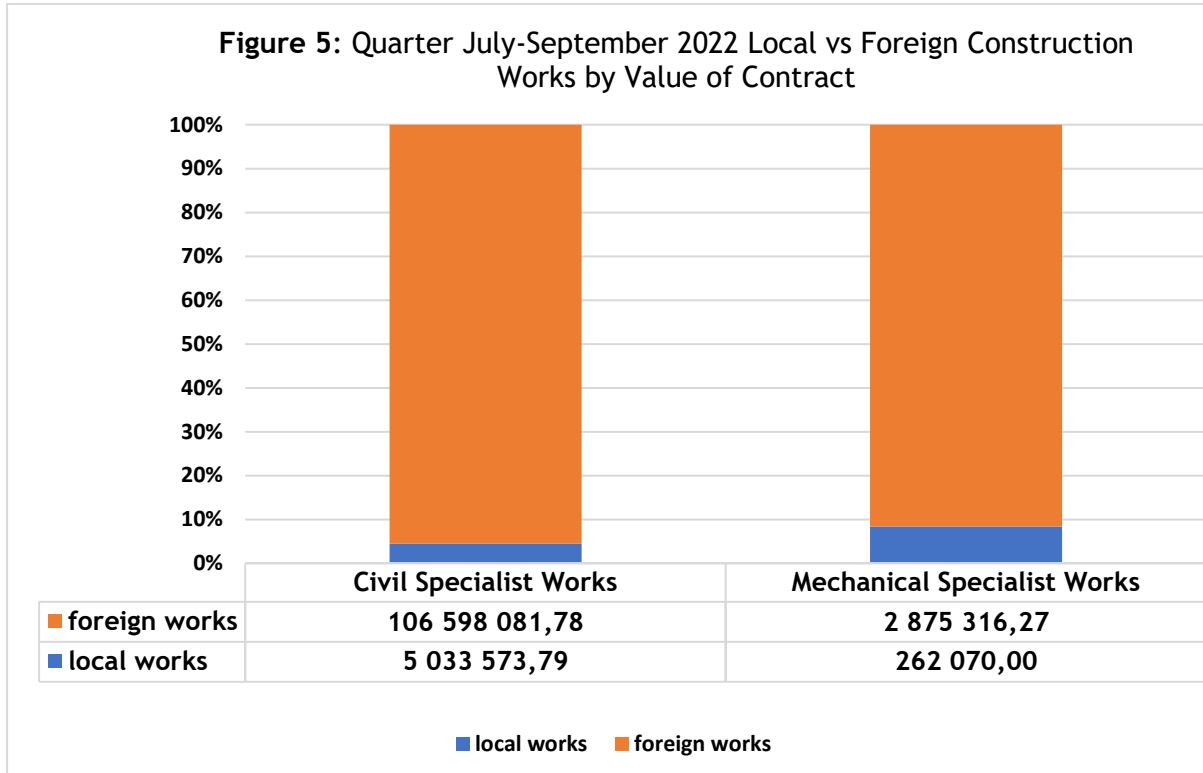


Project owners (the Government, Municipality, NGO, Parastatal, Private Commercial, and Private Residential) awarded 79 construction works to contractors during the quarter. The greatest employer or project owner of contractors during the quarter under review were Parastatals who registered 42 projects to be awarded to contractors followed by the Private Commercial with 19 projects as shown in Figure 4. A decline in project registration is observed when compared to the previous quarter.



Foreign contractors in the quarter under review as observed in Figure 5 were only dominated by Specialists in Civil and Mechanical works. During the second quarter unlike in the first quarter, there was no participation of manufacturers and suppliers, building works, Mechanical works and Civils works. Civil Specialists works awarded to foreign contractors covered 95% of the terms of the contract sum whilst contractors under the Mechanical Specialists' works absorbed 92% of the contract sum when compared to local contractors. Both these foreign specialist works are observed to have a competitive advantage in terms of the contract value when compared to those of local contractors.

The foreign Civil Specialists works in landscaping, irrigation and gardening works (CSc-F) were awarded 95% of the total contract sum while all the local Civil Specialists shared 5% of the total contract sum. Likewise, foreign Mechanical Specialists who work in Specialised Plant and Petro-Chemicals (MSd-F) were awarded 92% of the contract sum compared to all the local Mechanical Specialists with a share of 8%. Under these categories, larger contract sums were given to foreigners than local contractors as shown in Figure 5 below.

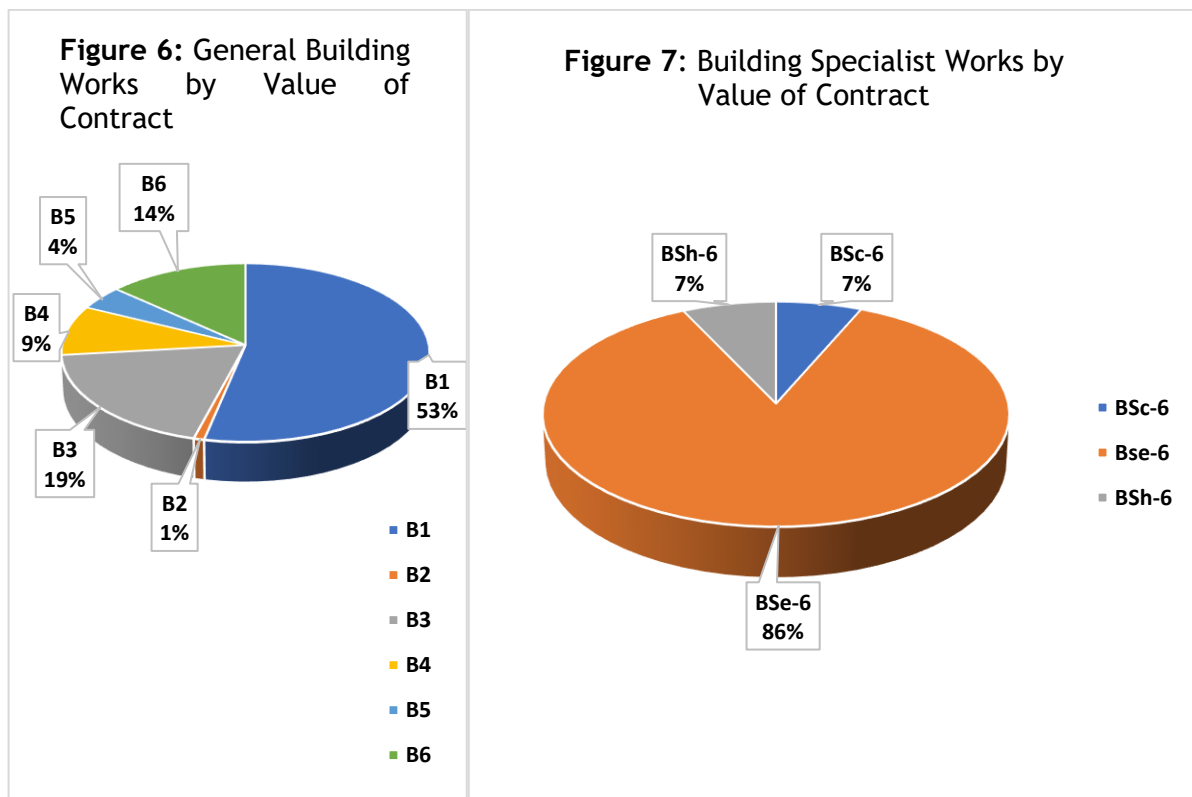


2.3 Percentage Distribution of Construction Works

2.3.1 Building Works

The largest general building works by contract sum was executed by the B1 category of contractors which stood at 53%, followed by the B3 category standing at 19% and B6 at 14%, where most of the construction works were awarded by Microprojects under the Ministry of Economic Planning and Development.

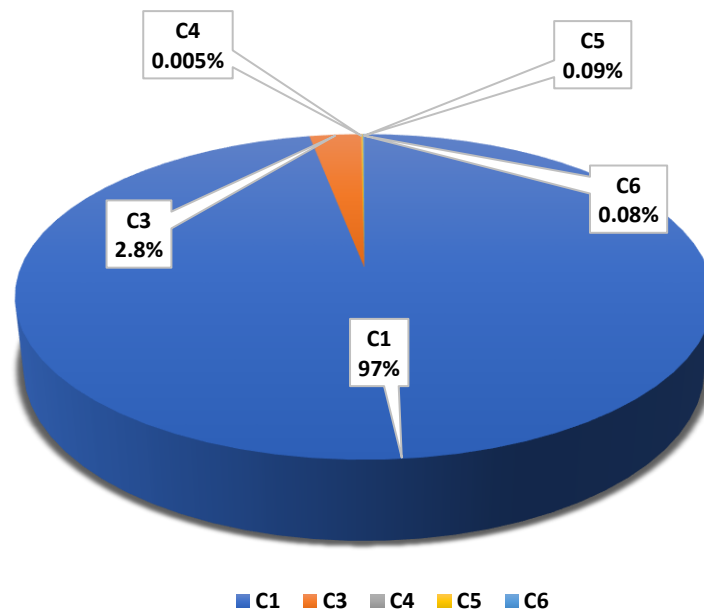
Building specialist works were led by contractors with structural steel fabrication, fixing and erection works under category six (BSe-6) at 86%. This time the structural steel fabrication, fixing and erection works were awarded mostly to category 6 at 86% as compared to the last quarter where they were awarded to category 1 at 69%. The Glazing, Aluminium, Partitions, and Ceiling Works under Category 6 (BSc-6) and Shop fittings, Timber and Carpentry Works also under Category 6 (BSh-6) had 7% each in terms of the contract value; most of which are also funded by Microprojects. In this quarter, the building Specialists' works were dominated by only three categories as shown in Figure 7 below.



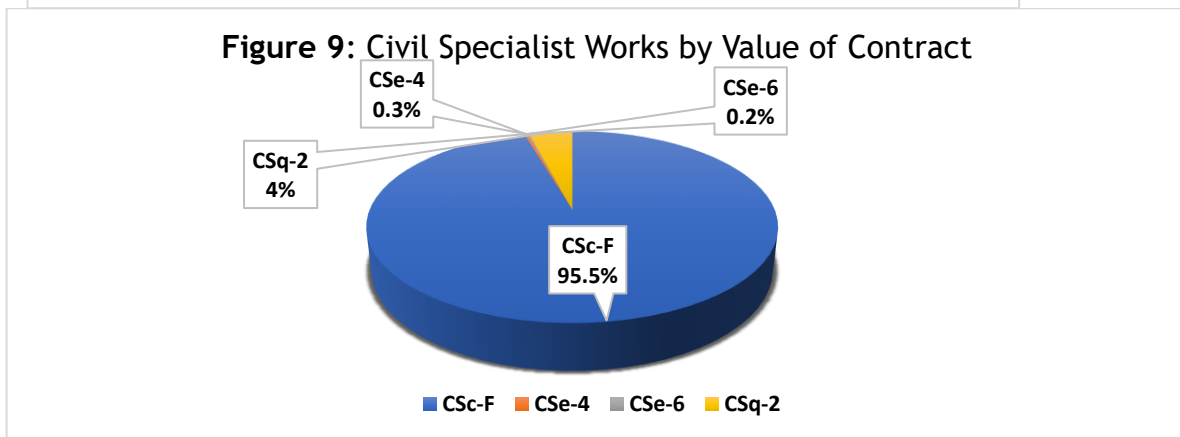
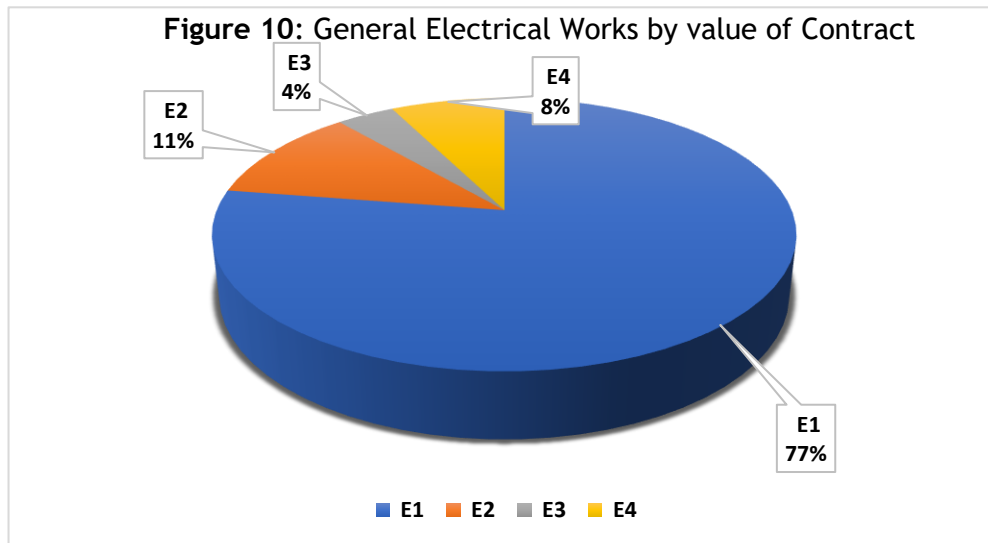
2.3.2 Civil Works

The largest general Civil works value of contract sum was also awarded to C1 contractors in this quarter which stood at 97% as compared to 71% in the last quarterly report. Also, the Civil works awarded to category three were 2.8% while they were 13% in the first quarter. All categories were fully represented with a very little value of contract sum given to other grades except for C2. The lowest value of the contract sum was awarded to C4 with as little as 0.005% of the total Civil works sum. Microprojects was the major project owner who awarded work to Civil works contractors, respectively.

Figure 8: General Civil Works by Value of Contract



Under Civil Specialists works, the largest value of the contract sum was awarded to foreigners in landscaping, Irrigation and Gardening works contractors (CSc-F) which stood at 95.5% which was followed by local contractors under railway works category two (CSq-2) with 4%. There were very few funds awarded to local Drilling works (i.e., Manzi Drilling and Brisan pumps) which were 0.2% and 0.3% under categories 4 and 6 (CSe-4 & CSe-6), respectively.



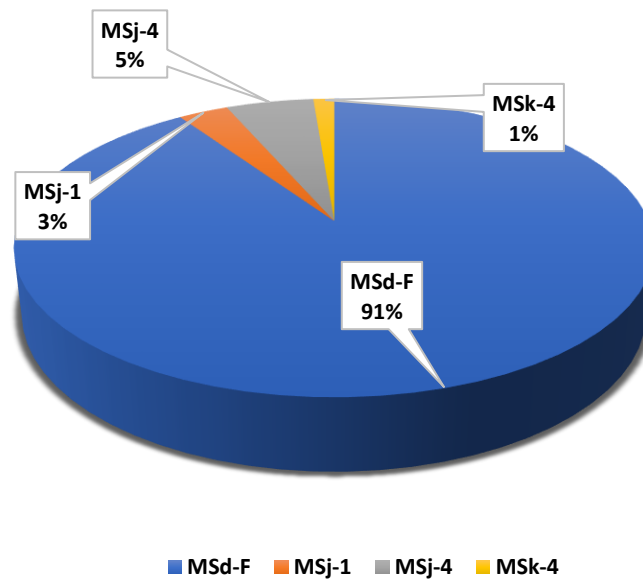
2.3.3 Electrical Works

The largest general electrical works value of contract sum was awarded to E1 contractors which stood at 77% followed by E2 at 11%. All categories were fully represented during the quarter under review. Microprojects was the major project owner who awarded most construction works to all electrical maintenance. Major contracts were awarded to A and J Electrical, Y44 Investments and Ingvile Electrical. There was a representation of electrical specialised works which included only the ICT and Electronic Systems Installations Works under category four (ESb-4) where the whole sum of 100% contract was absorbed by this category in the period under review. Microprojects was the main project owner of PC Systems (PTY)Ltd.

2.3.4 Mechanical Works

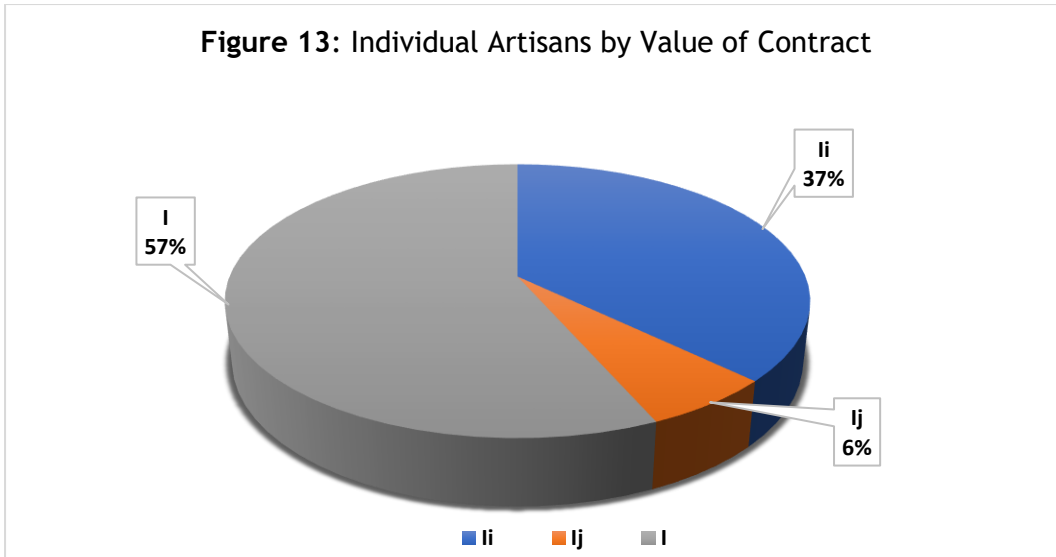
The second quarter was fully dominated by only Mechanical Specialists Works. The largest Mechanical Specialist works by the value of contract sum was awarded to foreign contractors with 92% dealing with Specialised Plant and Petro-Chemicals Works (CSd-F) where all were under Total Swaziland (Pty) Ltd projects. The other share of the contract sum was awarded to specialized Mechanical systems works category four and one (MSj-4 & MSj-1) with 5% and 3% respectively and the lowest 1% sum was awarded Sand, Shot, Grit Abrasive Blasting Works category four (MSk-4). These specialised construction works were mainly awarded by Ubombo Sugar Limited.

Figure 12: Mechanical Specialist Works by Value of Contract



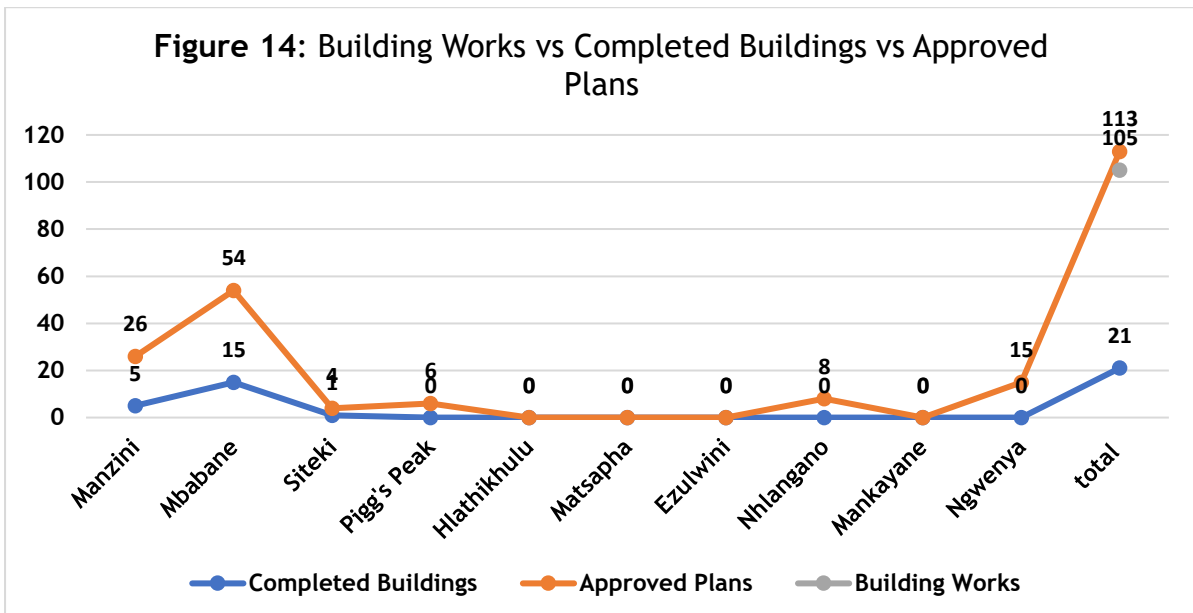
2.3.5 Individual Artisans

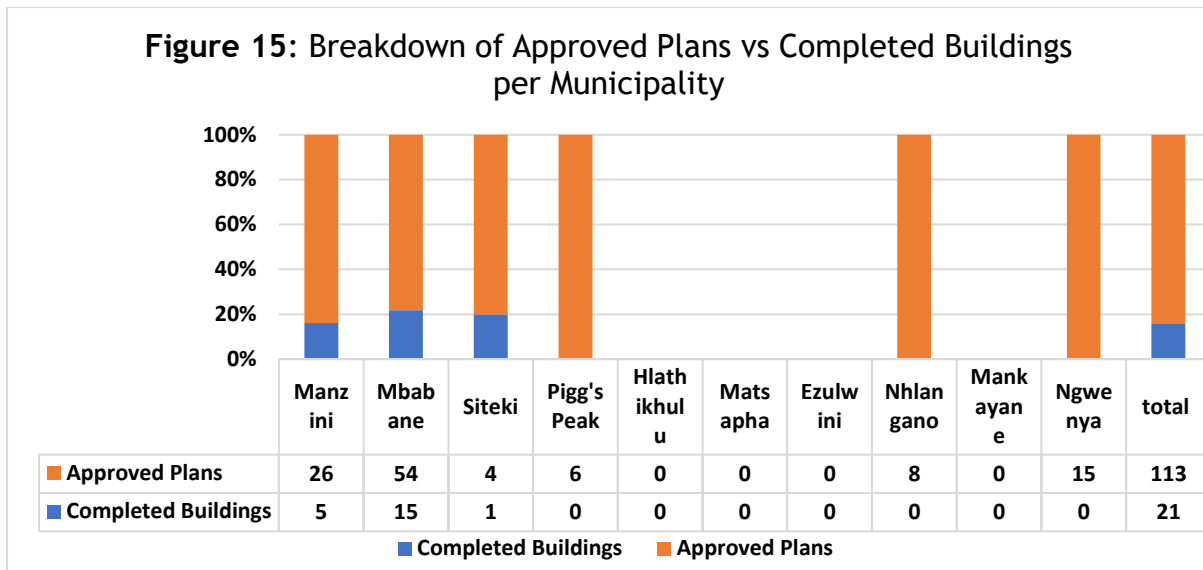
The largest value of the contract sum to Individual Artisans was awarded to members unregistered under Construction Industry Council represented by (I) in the figure below. The second value sum that follows was the Electrical works (Ij) and the lowest sum was Bricklaying works (Ii).



2.4 Percentage Distribution of Building Works Approved.

The Municipal Councils’ approval for new constructions or renovations involves CIC’s registered professionals (architect or draughtsman) participation through the drawing up of plans which are to be submitted for approval at the respective local municipality. This involves the approval of new projects and smaller construction plans such as renovations or extensions (any additions or alterations to an existing structure) to be tasked to the construction industry or contractors for execution.



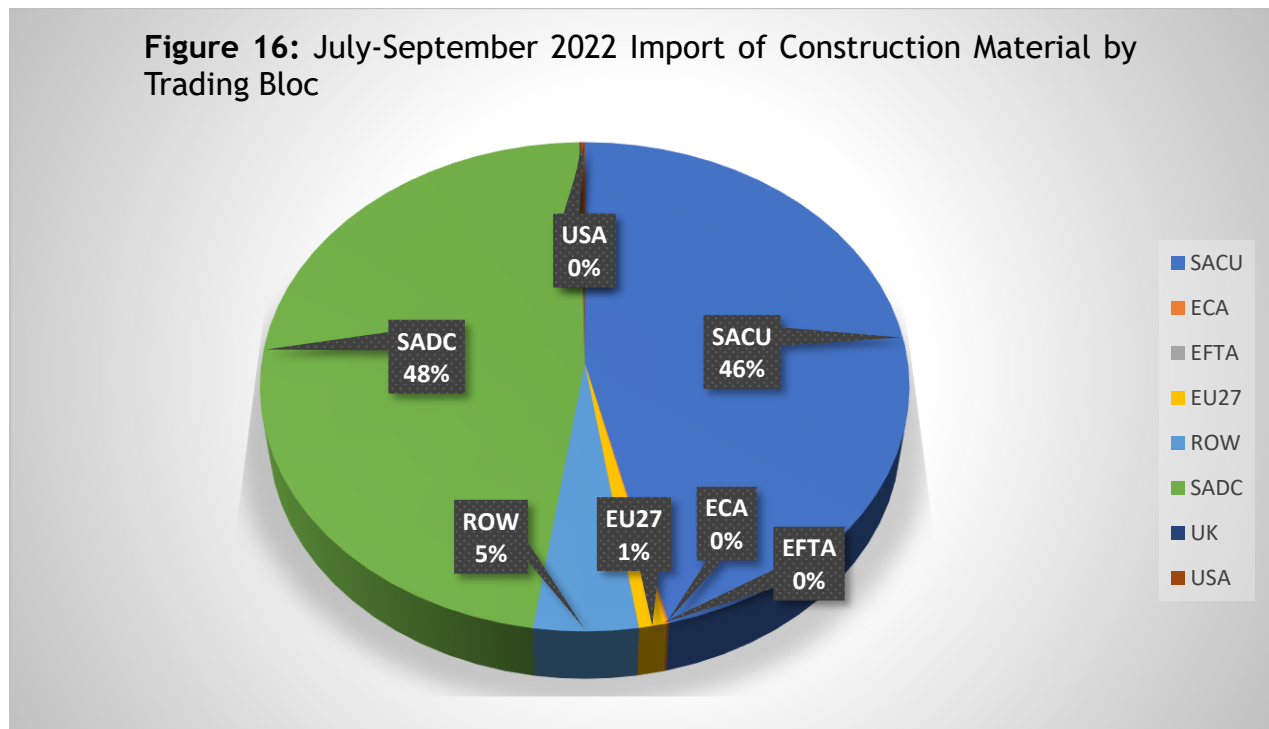


According to CIC revenue-project registration data, there were approximately 105 registered projects for the quarter under review which shows a decrease in registration as compared to the 114 registered projects of the previous quarter. From the decrease of 113 completed buildings in July-September 2022 compared to the previous quarter, it was observed that 105 registered projects were meant for building works which covered 93% of Municipal approved plans. 21 buildings were deemed to have been completed which covered just 19% of the approved plans. One of the most discouraging features of the second quarter performance was the negative or decreasing industry trend for submissions of plans for approval across municipalities that may trickle down negatively to both the volume and the value of building material sales used for the completion of buildings, which may be regarded as the leading indicators for future construction activity.

3 Imports of Building Materials Related to Construction.

From analysing import data from the Eswatini Revenue Service (ERS), it was observed that the Southern African Development Community (SADC) is the leading trading bloc where Eswatini's contractor's source construction-related material. A huge portion of the imports are from SACU countries where South Africa is the leading exporter of construction material to Eswatini. Eswatini should be intentional towards the contribution of the SACU pool which becomes the leading source of revenue. The only SADC countries appearing to be amongst the top 20 Eswatini import countries are South Africa, Mozambique, Zambia and Botswana. There was import activity across all SACU countries (South Africa, Namibia and Lesotho) during the quarter

under review, though at a depleted amount, unlike the previous quarter where the country only imported from South Africa. Imported construction materials from outside of the Republic of South Africa were mainly screws, bolts, nuts, plugs and parts of structures such as shutters, towers, pillars and roofs. The different trading blocs are shown in Figure 16.



SACU (Southern African Customs Union), SADC (Southern African Development Community), ROW (Rest of the World), EFTA (European Free Trade Area), EU (European Union), UK (United Kingdom), USA (United States of America), ECA (Economic Cooperation Agreement-Taiwan)

During the second quarter like the first quarter, construction materials or imports were mostly sourced from the Republic of South Africa, followed by Asia (China and India), Mozambique, Germany and Japan as shown in the table below.

Top 20 Construction Material Import Countries	Value of Imports
Republic of South Africa	1,258,495,079.96
China	59,062,862.01
India	32,867,249.78
Mozambique	25,371,420.72
Germany	16,197,767.76
Japan	9,727,620.04
Turkey	9,726,206.32
United States of America	6,935,846.12
Malaysia	6,599,322.70
Netherlands	5,299,673.00
France	3,501,746.87

Pakistan	2,738,923.41
Taiwan, Province of China	2,720,104.31
Zambia	2,667,075.82
Botswana	1,847,475.51
Italy	1,759,287.87
Austria	1,726,346.34
Brazil	1,569,827.15
Spain	1,554,380.35
Thailand	1,348,861.45

Looking at South Africa, during the quarter under review, the construction industry of Eswatini imported mostly plastic hose pipes and tubes; parts of structures (for bridges, towers, lock gates, roofs, shutters, pillars etc); air conditioning machines; cement; bulldozers (angledozers, graders, levellers, excavators, Mechanical shovels, tamping machines, road rollers etc); electrical wires and cables; valves (taps, cocks, tanks, pipes, boiler shells); electrical apparatus for switching or protecting electrical circuits (relays, fuses, plugs, sockets etc). It can be observed that construction activity during the second quarter was mostly under Civil works as stipulated by its huge absorption of the value of contract sum and the huge importation of hose pipes/tubes and structural parts such as bridges and towers. In China, the construction industry sourced mostly vacuum pumps which included gas compressors and fans, ventilating/recycling hoods; and also, air conditioning machines.

4. Conclusion

It can be observed from Figure 17 that registration activity during the quarter was characterized by the registration of 436 contractors where 63% were new and the rest returning. There were 79 projects registered to commence construction works and about 105 of the construction works were under building. Figure 18 shows that 113 building plans were approved by municipalities where only 21 were recorded to be completed mostly from Mbabane and Manzini, respectively. Construction activity was mostly under Civil works as stipulated by its huge absorption of the value of contract sum and also the huge importation of that construction material relevant to the execution of Civil works. Most of the construction material within the construction industry of Eswatini during the quarter in question was sourced from

the Southern African region mainly from SADC and SACU most of which were from the RSA. Apart from SADC and SACU, trade activity is also observed from trading blocs such as the Europe Union and the Free Trade Agreement, Taiwan's ECA, USA and UK.

