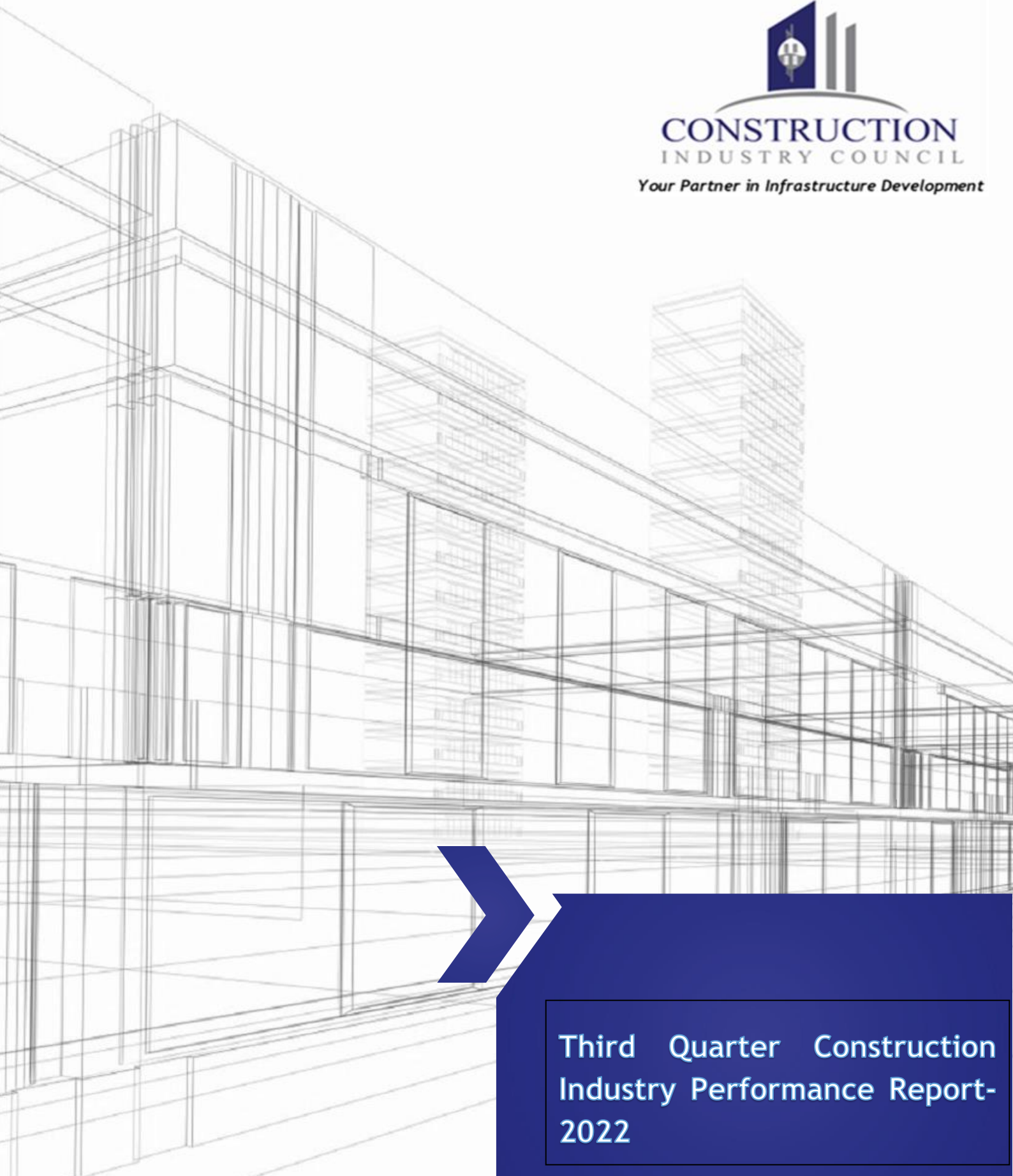




CONSTRUCTION
INDUSTRY COUNCIL

Your Partner in Infrastructure Development



**Third Quarter Construction
Industry Performance Report-
2022**

Table of Contents

1. Economic Overview.....	2
2. Construction Activity.....	2
2.1 Quarterly Registration of Contractors.....	2
2.2 Quarterly Registration of Projects.	3
2.3 Percentage Distribution of Construction Works	4
2.3.1 Distribution of Construction Works by Contract Sum Per Category	5
2.3.2 Distribution of Local vs Foreign Construction Works by Contract Sum.....	8
2.3.3 Percentage Distribution of Building Works Approved.....	9
3. Imports of Building Materials Related to Construction.	10
4. Conclusion	12

1. Economic Overview.

Inflationary pressures slow down during the third quarter of 2022, mainly driven by lower rate of price indices for transport and household & utilities which decreased from 11.8 % to 8% which gave allowance the construction industry's operations. On the contrary, food inflation remained elevated at double digits averaging 14.1% in October 2022 from an average of 10.3% in the previous month. Annual inflation average was 5.9% in the quarter under review, higher than 4.2% of the second quarter and 3.2% in the first quarter of 2022. In this quarter, the average inflation slowed down slightly from 5.8% in September 2022 to 5.4 % in October 2022 to the same value as in July 2022.

In terms of the exchange rate, the external value of the Lilangeni/Rand weakened against the US Dollar. As compared to the month of September 2022, the local unit depreciated by 3.5 per cent to average E17.63 to the US Dollar from E17.03 and a depreciating local currency affects the cost of construction material importation negatively.

On a quarter-on-quarter basis, GDP grew by 0.9 per cent in the third quarter of 2022, following a revised decline of 0.1 per cent in the previous quarter. The observed growth largely benefitted from increased economic activity in the 'forestry activities and 'mining' subsectors. This implies that more construction raw materials will be imported for construction activity from South Africa's economy.

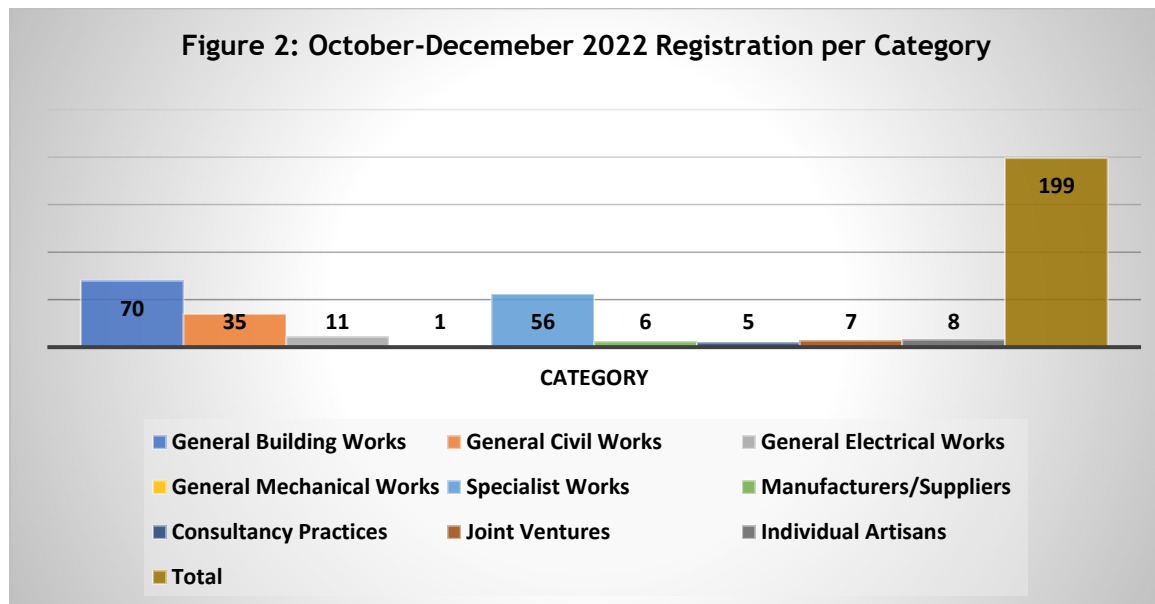
2. Construction Activity.

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 **199** registered contractors for the quarter in question, **88** contractors have registered for the first time with the Council.

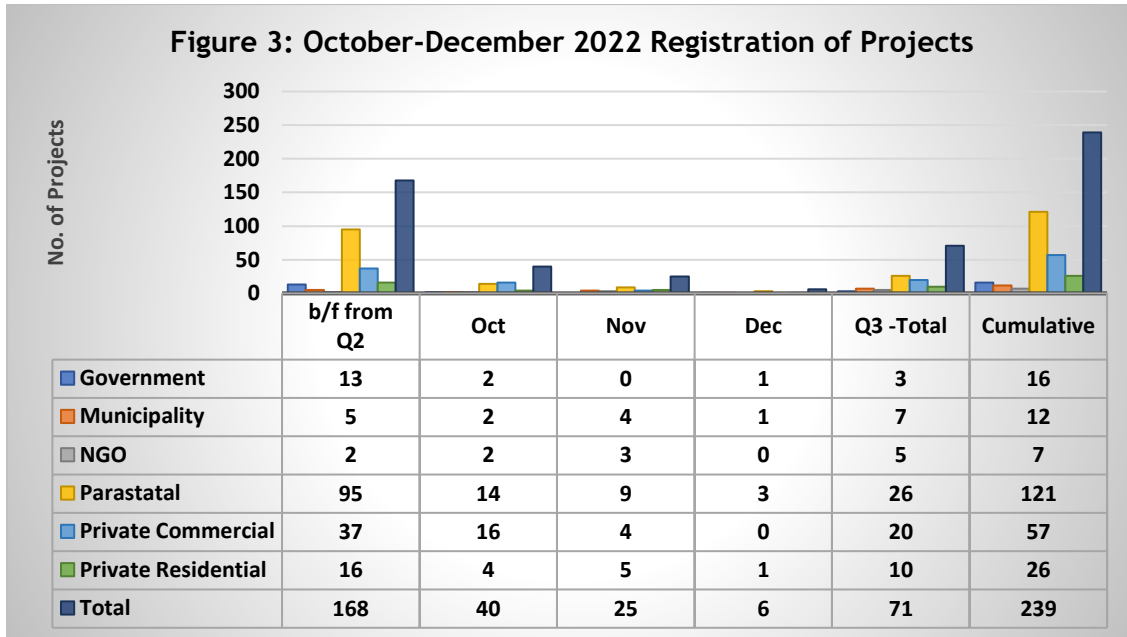


Of those contractors registered for the third quarter of 2022, figure 2 shows that 70 contractors were from building works with the highest number being the B6 grade. A total of 47 were registered under B6 with 34 new entrants. During the quarter under review, 35 contractors registered under civil works with the highest number being 27 contractors under C6 grade having 22 new entrants; 11 contractors registered for electrical works with grade E4 recording the highest registrants; only 1 mechanical contractor registered during the quarter in question. There were 56 contractors registered for specialists works where a majority 91% (51/56) were local contractors. Eight (8) individual artisans were registered for the quarter where only the bricklaying, electrical and painting trades were observed. There were 6 local manufacturers and suppliers registered. A total of 5 contractors registered for consultancy practices with 1 foreign consultant. The practices range from civil/structural engineering to quantity surveying consultancy where there were 3 and 1 contractors, respectively. There were no contractors registered for Allied Professionals and there were 5 Joint Ventures registered during the 3rd quarter where all were local.



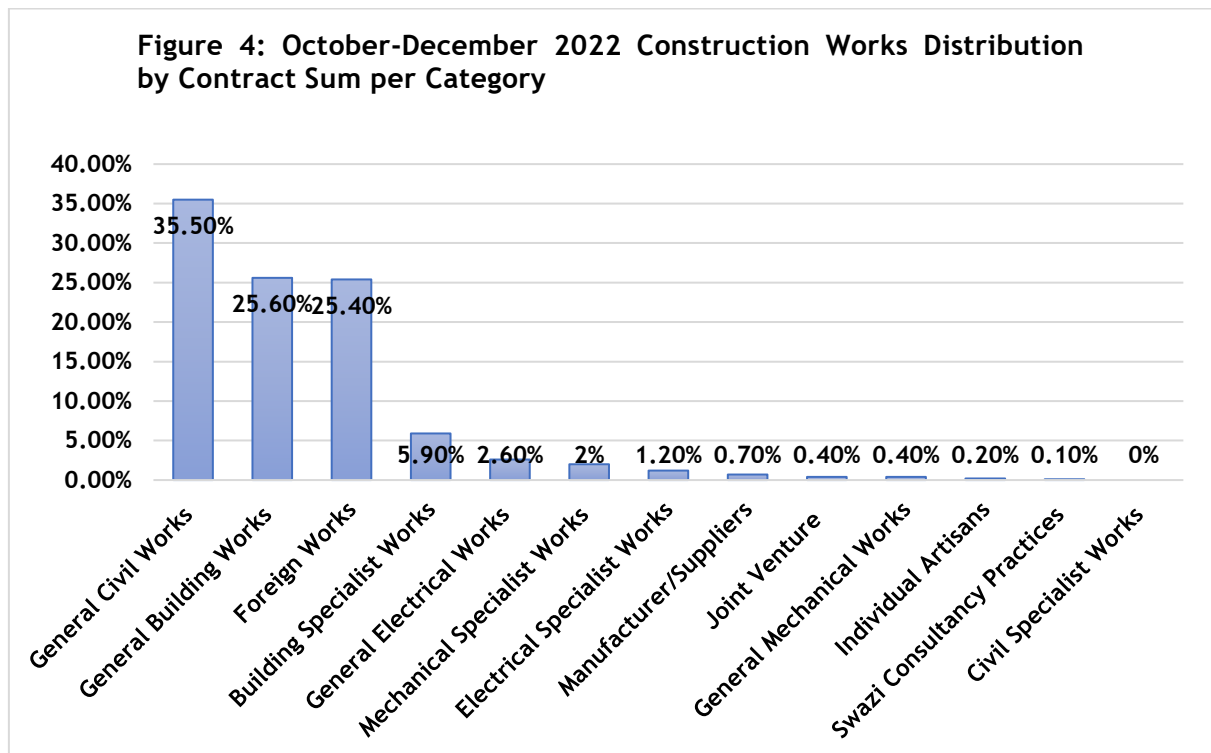
2.2 Quarterly Registration of Projects.

Figure 3 shows the number of projects registered during October-December 2022 where a total of 71 projects registered with October recording the highest registration. Parastatals registered a total of 26 projects and are more involved in construction mostly through projects implemented mainly by Eswatini Electricity Company in terms of contract sum.



2.3 Percentage Distribution of Construction Works

This quarter was characterised by the participation of both local and foreign contractors in various projects which absorbed a large share of the contract sum mostly under general civil works, general building works, foreign works and building specialised works as shown in figure 4. General civil works absorbed the contract sum by 36% followed by building works which stood at 26% and foreign works at 25% of contract sum.

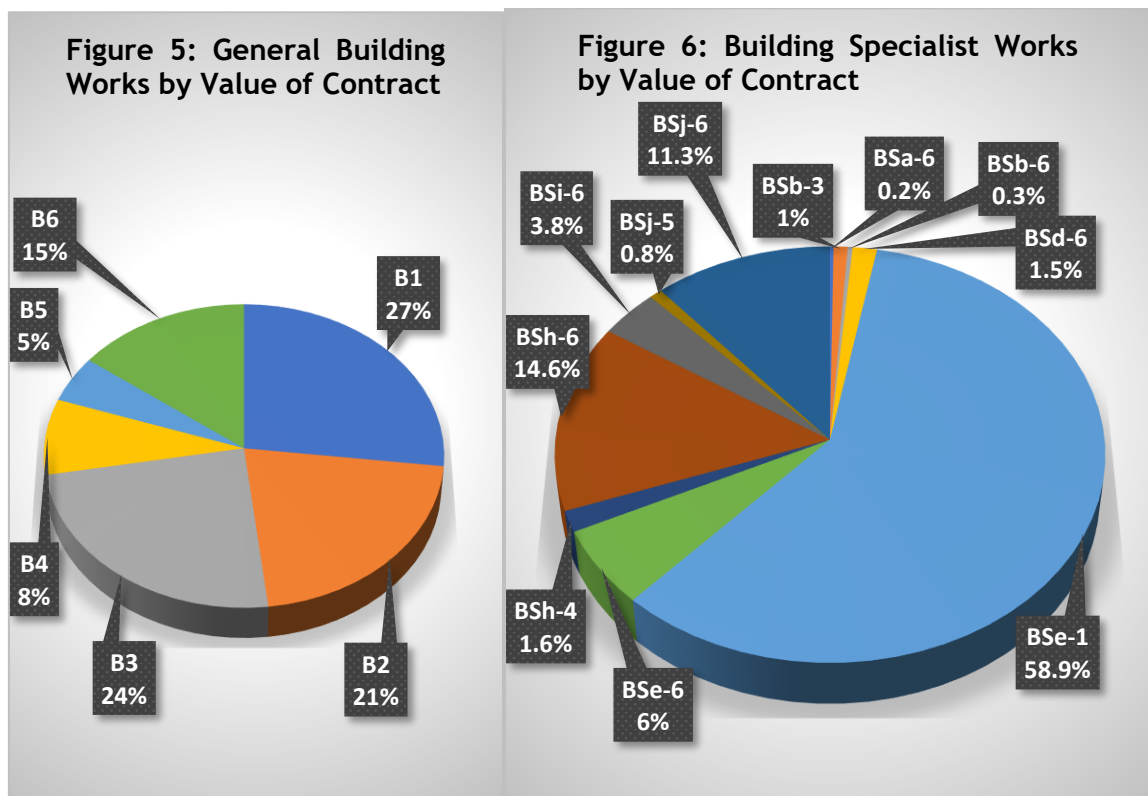


2.3.1 Distribution of Construction Works by Contract Sum Per Category

Building Works

Building works contract sum distribution was dominated by B1 category with 27% which stood at almost a half value compared to the second quarter of 53%; the distribution of same was followed by B3 category at 24% and B2 at 21% as shown in figure 5. Most work during this quarter was awarded by Royal Eswatini Sugar Corporation and Microprojects.

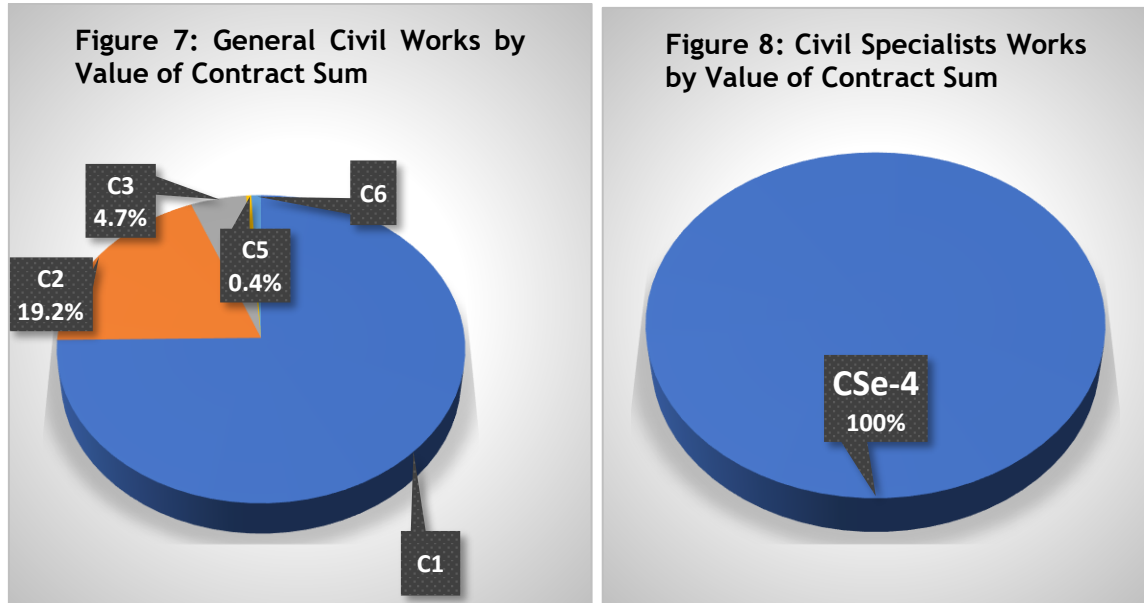
Activity was also observed amongst building specialist works contractors where they were led by works under structural steel fabrication, fixing and erection works (BSe-1) at approximately 59%. The structural steel fabrication, fixing and erection works (BSe-6) were allocated about 6% in this quarter compared to 86% in the previous quarter, this is shown in figure 6. Other building specialist works observed even though at an extinct absorption of the contract sum were in shop fittings, timber and carpentry works under BSh-4 and BSh-6; fencing works under BSj-6 and BSj-1; scaffolding, cladding and insulation works under BSi-6; waterproofing works under BSb-6; interior and exterior decoration works under BSd-6; and drainage works under BSa-6.



Civil Works

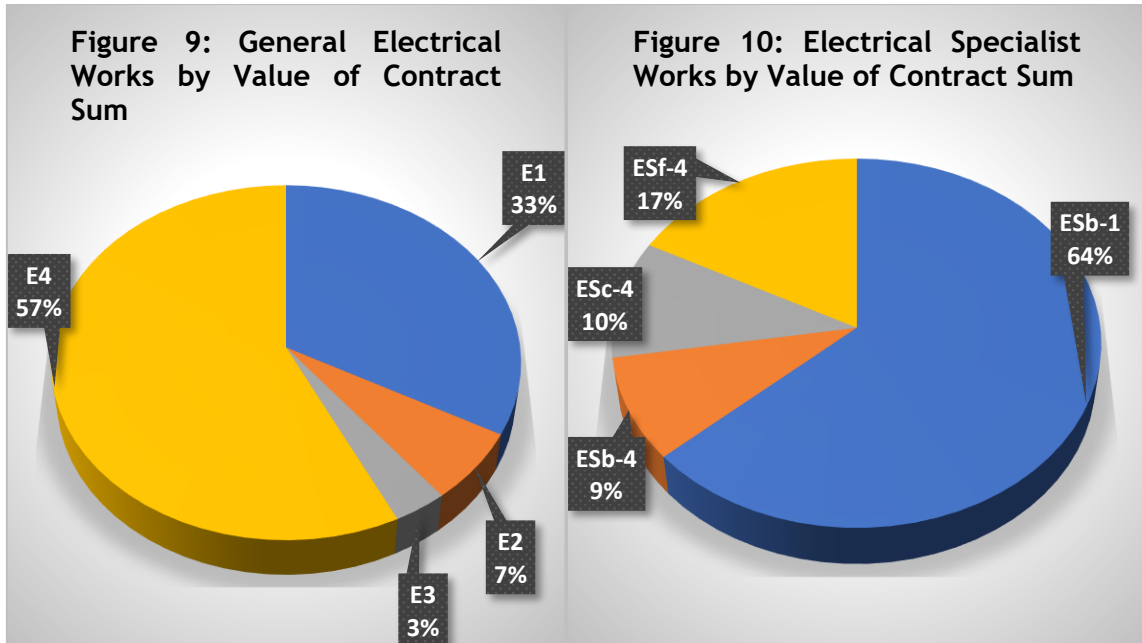
Civil works contract sum distribution was dominated by C1 contractors during this quarter which stood at 75% which is an increased share compared to the 71% of the previous quarter report. There were civils works awarded to C2

contractors who absorbed 19% of the contract sum unlike the second quarter which had 0%. All categories were fully represented with a very little value of contract sum given to other grades such as C5 and C6. The RES Corporation was the major project owner who awarded works mainly to electrical contractors. Under civil specialists works, the whole lump sum value of 100% of the contract was assumed by drilling works under CSe-4 as illustrated in figure 8.



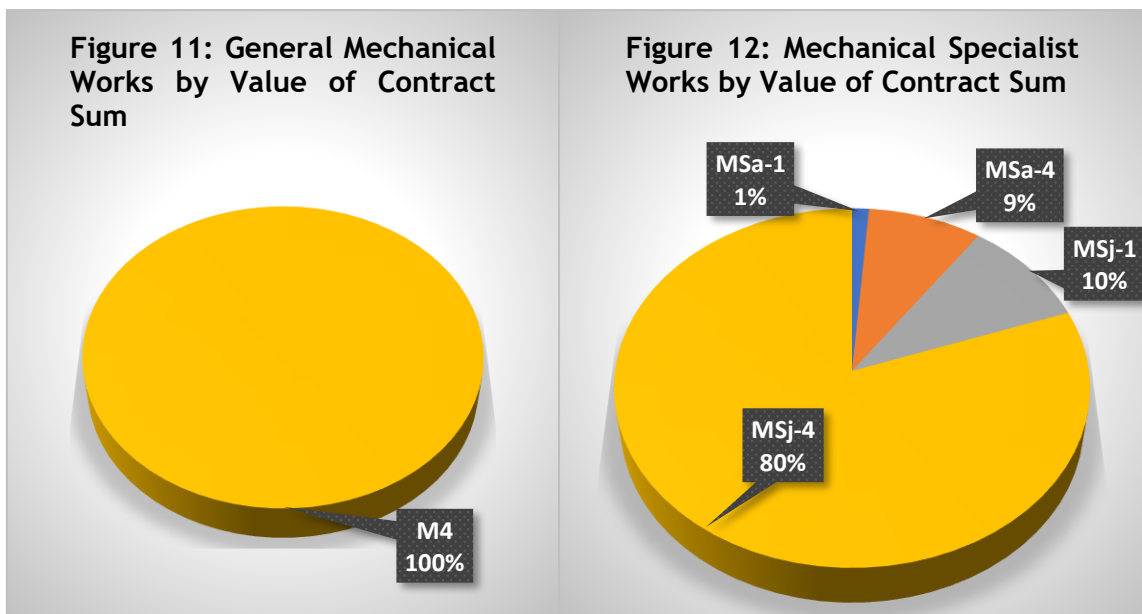
Electrical Works

Electrical works contract sum distribution was dominated by E4 contractors which stood at 57% followed by E1 at 33%. All categories were fully represented during the quarter under review as shown in figure 9. Microprojects and RES corporation were the major project owners who provided for construction works. Electrical specialist works shown in figure 10 were dominated by the ICT and electronic systems installations works under ESb-1 and ESb-4 at approximately 64% and 9%, respectively; and the high voltage installation works under ESf-4 followed at 17%; renewable energy efficiency technologies works under Esc-4 stood at 10%.



Mechanical Works

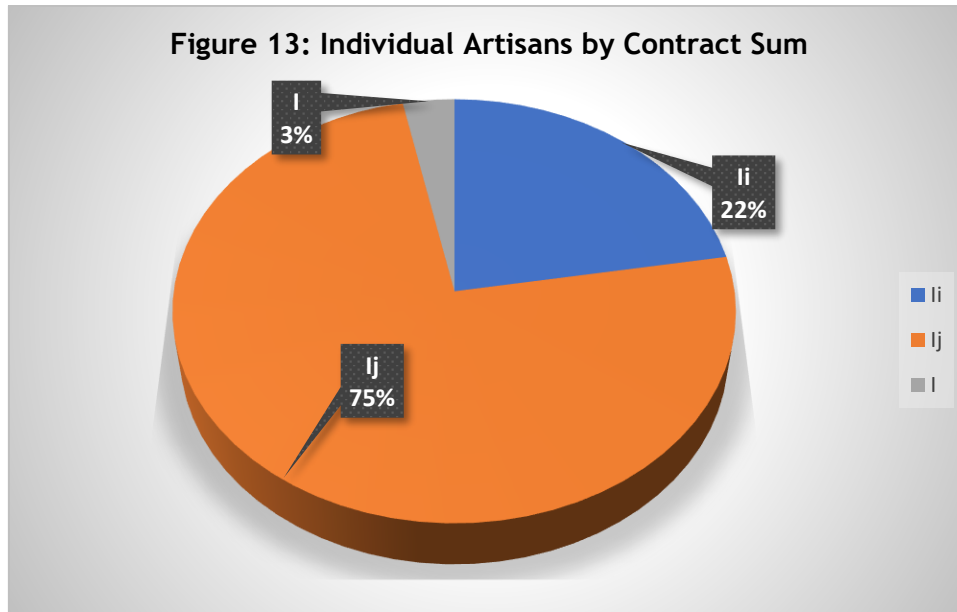
Mechanical works contract sum distribution was fully (100%) dominated by M-4. Under mechanical specialists, the specialised mechanical systems works took a share of about 80% under MSj-4 and 10% under MSj-1 of the overall contract sum as shown in figure 12. The remaining contract sum was allocated to air-conditioning, refrigeration and ventilation systems works under MSa-4 and MSa-1 at 9% and 1%, respectively. These specialised construction works were mainly funded by RES Corporation.



Individual Artisans

Individual artisan works contract sum distribution was dominated by electrical works (Ij) which stood at 75% as per figure 13. Electrical works were followed

bricklaying works (li) at 22%. There were approximately 3% of individual artisan which absorbed the contract sum and did not reflect their trades.



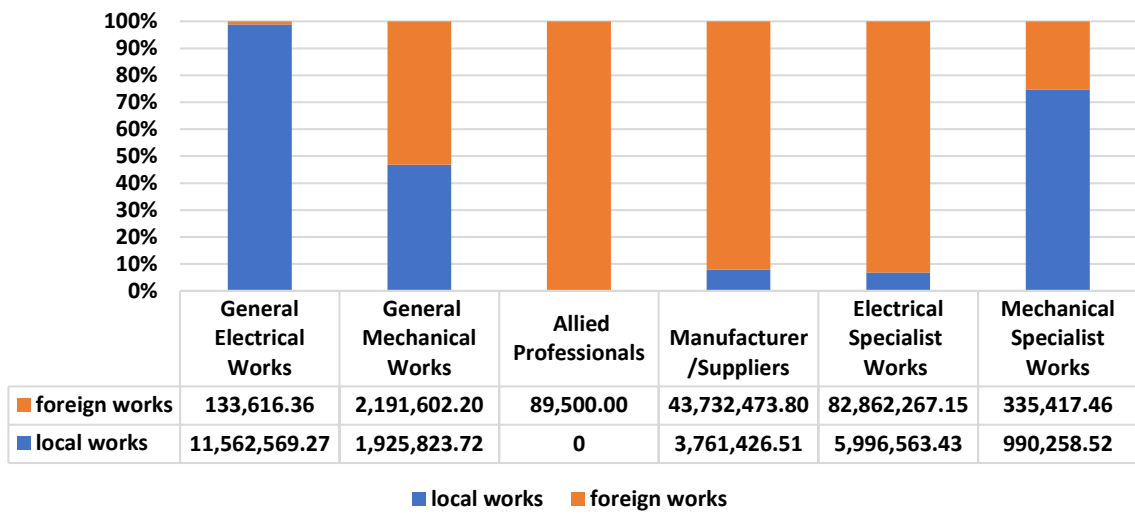
2.3.2 Distribution of Local vs Foreign Construction Works by Contract Sum

Foreign works included general electrical works, electrical specialists, allied professionals, general mechanical works, mechanical specialists and manufacturers and suppliers of construction raw material. There were also projects registered for joint ventures and individual artisans. The general civil and building works were awarded larger contract sums even in this quarter, followed by foreigner contractors under electrical specialists works and manufacturer and suppliers.

When comparing local works to foreign works, foreign works in the quarter under review were dominated by consultants in allied professionals who absorbed 100% of the contract sum, followed by electrical specialists absorbing 93%, manufacturer and suppliers absorbing 92%, general mechanical absorbing 56%, mechanical specialists with 26% and general electrical works at 1%.

During the third quarter, the 92% of foreign manufacturer/suppliers' participation in terms of contract sum absorption were all under the M/S-1 while the 8% of local participation was under M/S-1, M/S-2 and M/S-7. It was also observed that foreign electrical specialists were found trading in high voltage installation works (ESf); and industrial instrumentation, automation and process control systems works (ESh). The 26% contract sum absorption by the foreign mechanical specialist works included refractory works (MSg) while the 74% of the local mechanical specialist works consisted of air conditioning, refrigeration and ventilation systems works (MSa) and specialised mechanical systems works (MSj).

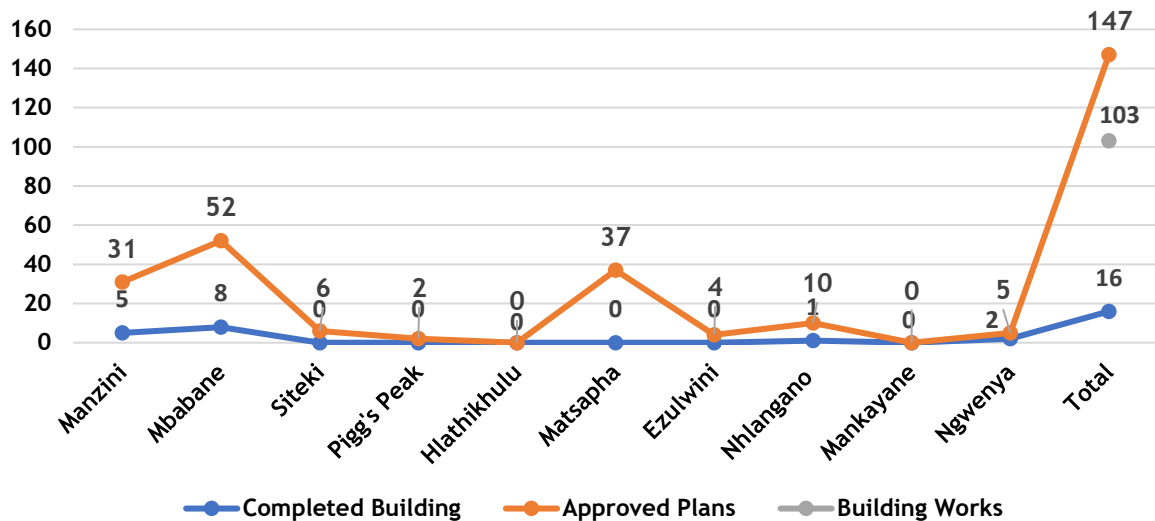
Figure 14: October-December 2022 Local vs Foreign Construction Works by Contract Sum

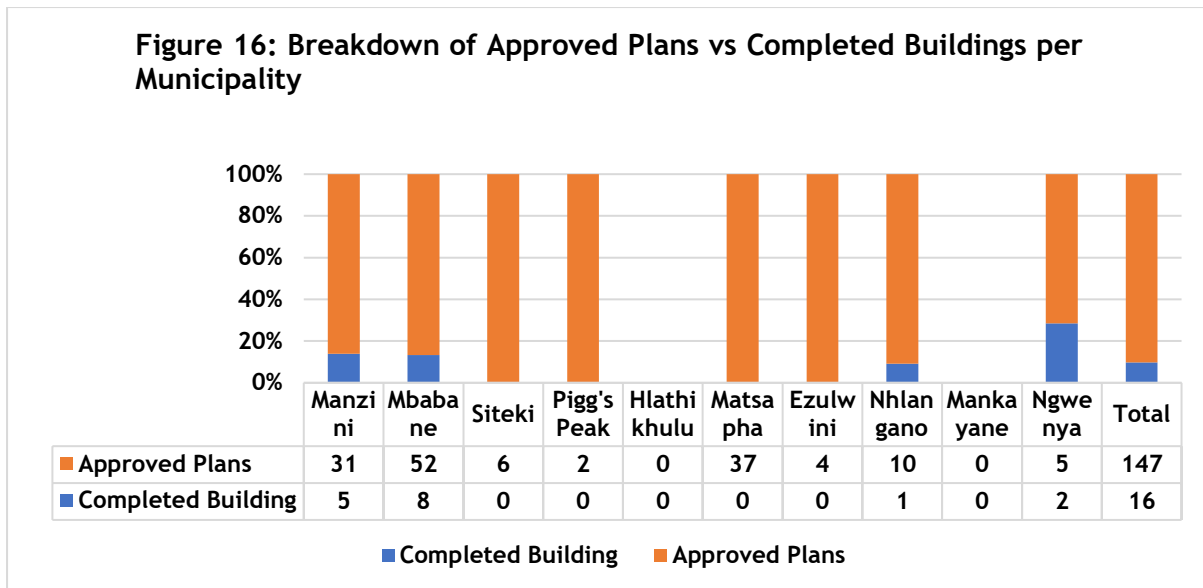


2.3.3 Percentage Distribution of Building Works Approved.

The Municipal Councils’ approval for new constructions or renovations involves CIC’s registered professionals (architect or draughtsman) participation through 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) assumed to be tasked to the construction industry or contractors for execution.

Figure 15: Building Works vs Completed Buildings vs Approved Plans





According to CIC revenue-project registration data, there were approximately 103 registered projects under building works for the quarter under review which shows a decrease as compared to the 105 registered projects of the previous quarter. From the increased 147 approved buildings of October-December 2022 compared to the previous quarter of 113, it was observed that there were 103 registered projects that were meant for building works which covered 70% of municipal approved plans. There were 16 buildings that were deemed to have been completed which covered just 11% of the approved plans. One of the most discouraging features of the third quarter performance was the fluctuations in the 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) continued to be the leading trading bloc of sourcing construction raw material even in this quarter; however, of note is that a huge portion of the imports were from SACU countries mainly South Africa and Lesotho where South Africa is the leading contributor of construction material to Eswatini. From the 53% of construction related material being imported by Eswatini contractors from the SADC region, only 16% is from the non-SACU region where Mozambique is the only country of origin for materials. This quarter Eswatini imported material from 3 Southern African countries which were South Africa, Mozambique and Lesotho. Unlike the previous quarter there was no import activity across all SACU countries (Namibia was excluded). Imported construction material from outside of 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 17.

SACU (Southern African Customs Union), SADC (Southern African Development Community), ROW (Rest of the World), EU (European Union), UK (United Kingdom), ECA (Economic Cooperation Agreement-Taiwan)

During the second quarter like the first quarter, construction material or imports were mostly sourced from the Republic of South Africa, followed by Mozambique, as shown in the table 1 below.

Table 1: Eswatini's Source of Construction Raw Material

Construction Material Country of Origin	Value of Imports
Republic of South Africa	154,382,497.49
Mozambique	23,406,558.90
Malaysia	1,668,676.82
United Arab Emirates	808,697.48
India	359,483.59
China	315,274.95
Italy	71,686.25
Germany	7,459.86
Taiwan, Province of China	5,167.35
United Kingdom	2,837.08
Lesotho	300.00
Grand Total	181,028,639.77

Looking at South Africa, during the quarter under review, the construction industry of Eswatini imported mostly plastering material, lime and cement; plastic and plastic products; ceramic products; boilers, machinery and mechanical appliances. It can be observed that construction activity like 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 plastic products which incorporates hose pipes/tubes usually enacted in road construction and irrigation systems. In Mozambique, the construction industry sourced mostly plastering material and paint and varnish.

Table 2: Eswatini's Destination of Construction Raw Material

Row Labels	Sum of FOBValue
Republic of South Africa	297,217,892.88
Articles of Stone, Plaster, Cement, Asbestos, Mica or Similar Materials	31,310.00
Electrical Machinery and Equipment and Parts Thereof; Sound Recorders and Reproducers, Television Image and Sound Recorders and Reproducers, and Parts and Accessories of Such Articles	4,010.74
Nuclear Reactors, Boilers, Machinery and Mechanical Appliances; Parts Thereof	1,300,000.00
Plastics and Plastic Products	502,626.77
Salt; Sulphur; Earths and Stone; Plastering Material, Lime and Cement	847.60
Tanning or Dyeing Extracts; Tannins and Their Derivatives; Dyes, Pigments and Other Colouring Matter; Paints and Varnishes; Putty and Other Mastics; Inks	3,678.00
Wood and Articles of Wood; Wood Charcoal	295,375,419.77
Mozambique	13,351,869.83
Articles of Stone, Plaster, Cement, Asbestos, Mica or Similar Materials	453,384.00
Plastics and Plastic Products	43,030.20

Tanning or Dyeing Extracts; Tannins and Their Derivatives; Dyes, Pigments and Other Colouring Matter; Paints and Varnishes; Putty and Other Mastics; Inks	29,164.00
Wood and Articles of Wood; Wood Charcoal	12,826,291.63
Namibia	11,540,068.58
Wood and Articles of Wood; Wood Charcoal	11,540,068.58
Lesotho	7,514,067.30
Wood and Articles of Wood; Wood Charcoal	7,514,067.30
Botswana	353,648.32
Electrical Machinery and Equipment and Parts Thereof; Sound Recorders and Reproducers, Television Image and Sound Recorders and Reproducers, and Parts and Accessories of Such Articles	100.00
Wood and Articles of Wood; Wood Charcoal	353,548.32
(blank)	
(blank)	
Grand Total	329,977,546.91

4. Conclusion

It can be observed that registration activity during the quarter was characterized by the registration of 199 contractors where 44% were new and the rest returning. There were 71 projects registered to commence construction works. There were 147 building plans that were approved by municipalities most of which were recorded to be approved in Mbabane, Matsapha and Manzini, respectively. Construction activity was mostly under civil works as was stipulated by its huge absorption of the value of contract sum and also the huge importation of those 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 South Africa and Mozambique, respectively. Apart from SADC and SACU, trade activity is also observed from trading blocs such as the Europe Union (EU), Taiwan's Economic Corporation Agreement (ECA), and the United Kingdom (UK).

Table 3: Construction Monitor

INDICATOR	Q1	Q2	Q3
Inflation	3.2%	4.2%	5.9%
GDP Growth Rate	5.9%	5.8%	6.7%
Construction Contribution to GDP	3%	3%	3%
Plans Approved	164	113	147
Building Works Completed	27	21	16
Contractors Registered	885	436	199

Projects Registered	89	79	71
Leading General Works	Civil Works	Civil Works	Civil Works
Leading Specialist Works	Building Specialist	Building Specialist	Building Specialist
Leading Foreign Works compared to Local Works	Manufacturer/ Suppliers	Civil Specialist	Electrical Specialist
Leading Foreign Works	Manufacturer/ Supplier	Mechanical Specialist	Electrical Specialist
Leading Local Works compared to Foreign Works	Civil Works	Civil Specialist	Electrical Works
Leading Artisans	Bricklaying (li)	Bricklaying (li)	Electrical (lj)