

Eswatini Construction Industry Performance Report Quarter 1 (April- June 2022)



Table of Contents

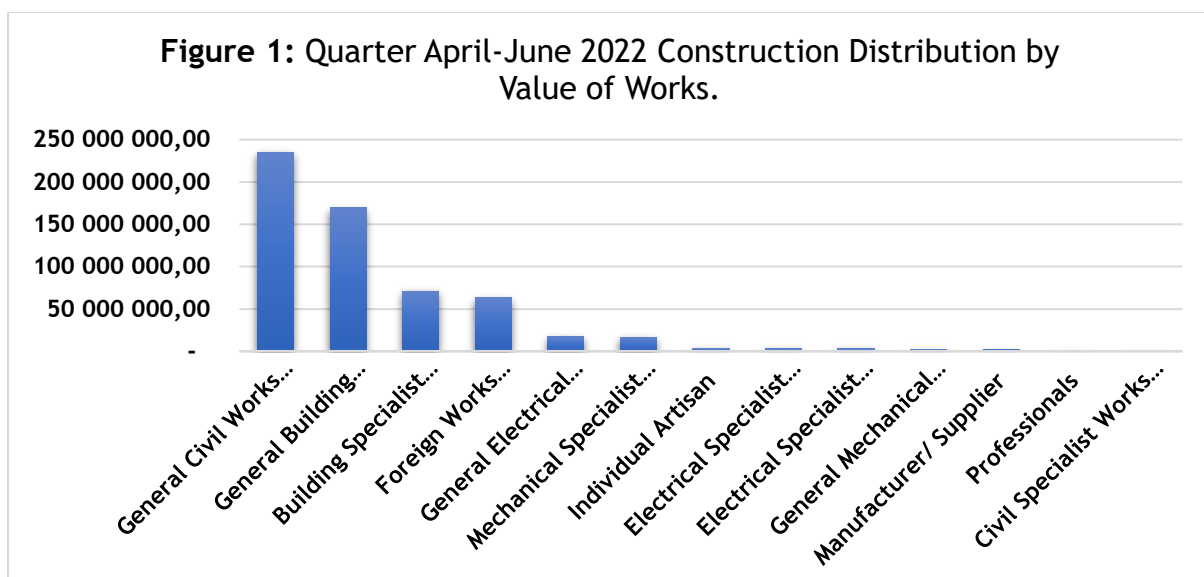
1. Economic Overview.....	2
2. Construction Activity Overview.	2
2.1 Percentage Distribution of Construction Works	3
2.1.1 Building Industry.....	3
2.1.2 Civil Industry.....	4
2.1.3 Electrical Industry	5
2.1.4 Mechanical Industry	5
2.2 Percentage Distribution of Building Works Approved.....	6
2.2.1 Buildings Completed vs Buildings Approved	7
3. Imports of Building Materials Related to Construction.....	7

1. Economic Overview.

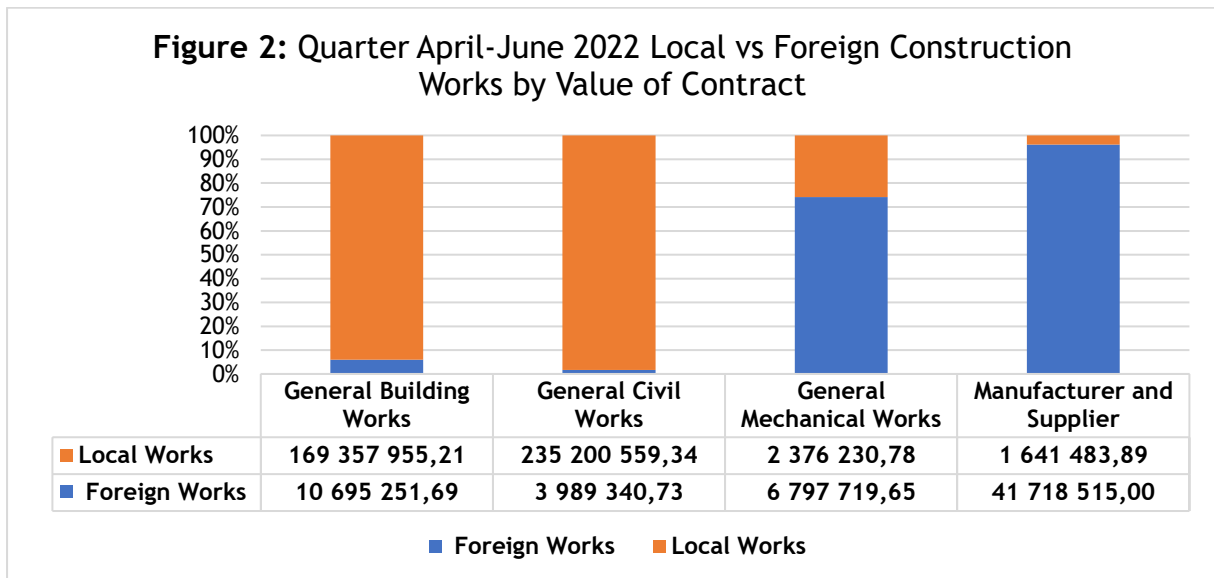
During the quarter under review, inflationary pressures built up in 2022, reflecting the impact of oil and food price increases due to Russia Ukraine war. Month-on-month inflation started to increase in June 2022 (to 4.6% from 3.9% in May 2022) after a 4% in April 2022. This prompted the construction industry to be aware of such increments when requesting for construction works. The actual GDP growth rate as at June 2022 stood at 5.9% as compared to last year's rate of 4.94% which was a result of the COVID stance and social unrest that set back construction businesses. Even though the June 2021 social unrest resulted in the destruction of physical assets, theft of inventory, and constrained operational hours, its impact on production was partly mitigated as firms accessed a Reconstruction Fund set up by the Government to support businesses from damages the social unrest.

2. Construction Activity Overview.

The quarter under review was characterised by the participation of contractors under general civil works, building works, electrical works, and mechanical works with their respective specialist's works; then foreign works, individual artisans, manufacturers, and suppliers of construction material and consultancy professionals. Construction works by the value of contract sum saw works under general civil works leading whilst civil specialist works lagged followed by general building works and its specialty, respectively.



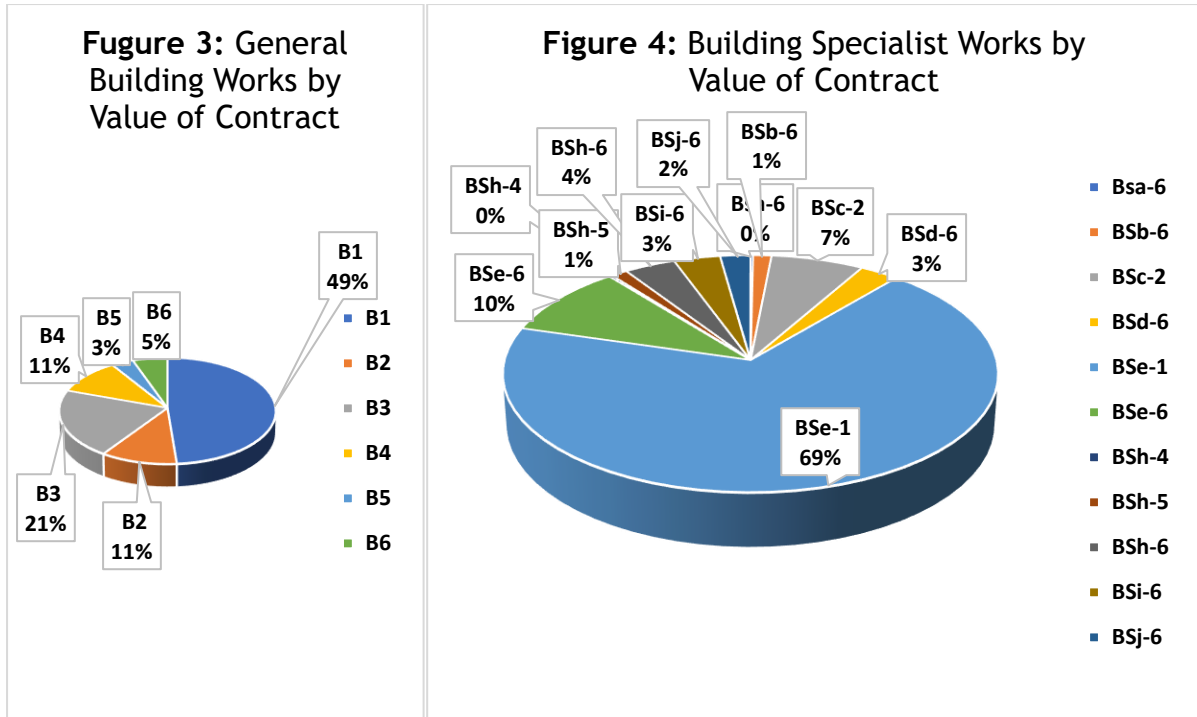
In terms of individual artisans that were awarded jobs, about 67% were not registered with the CIC, and of those that were registered 27% were bricklaying works (li), 5% were electrical works (lj) and 1% were shopfitting and carpentry works (lc). Foreign works were dominated by manufacturers and suppliers who covered 66%, followed by general building works at 17%, general mechanical works at 11%, and general civil works at 6%. In the quarter under review, foreign contractors under manufacturers and suppliers of raw materials and general mechanical works are observed to have a competitive advantage over local contractors. During the first quarter, the participation of local manufacturers and suppliers was 65% participation of M/S-5 and 35% of M/S-7. There was an observation of professionals' participation mainly those under civil engineering (CS/E - 71%) and quantity surveying (QS - 29%).



2.1 Percentage Distribution of Construction Works

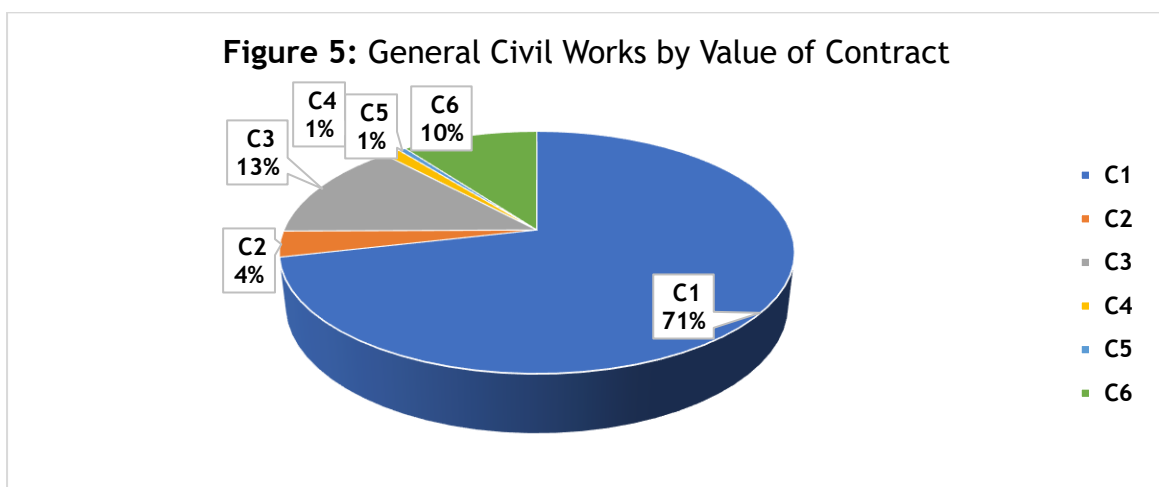
2.1.1 Building Works

The largest general building works by contract sum was executed by the B1 category of contractors which stood at 49%, followed by the B3 category standing at 21%. Of note is that all general building works categories were represented in the quarter under review and most work was awarded by Microprojects. Building specialised works was led by contractors with structural steel fabrication, fixing and erection works under category one (BSe-1) at 69% and 10% of the same speciality under category six (BSe-6); most of which are RES Corporation funded projects.



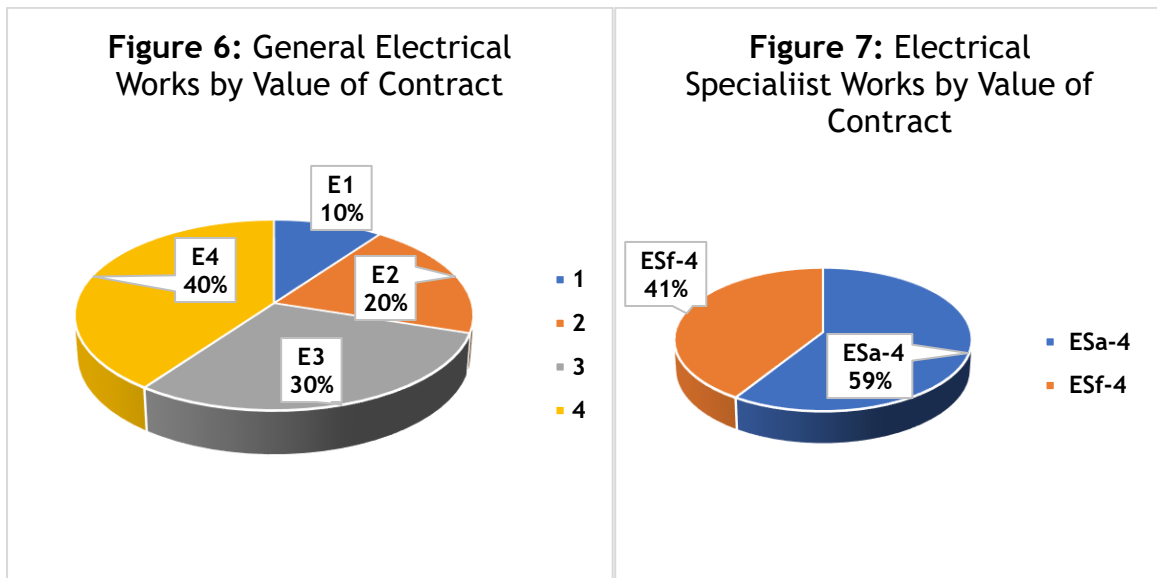
2.1.2 Civil Works

The largest general civil works value of contract sum was awarded to C1 contractors which stood at 71% followed by C3 at 13%. All categories were fully represented during the quarter under review. The Ministry of Public Works and Transport was the major project owner who awarded works to Roots Civils, Conti Network Engineers, and Ignite Construction and Electrical Contractors, respectively. The only contract sum that was absorbed by specialised civil works was awarded by Microprojects to Manzini Drilling which is category CSe-4.



2.1.3 Electrical Works

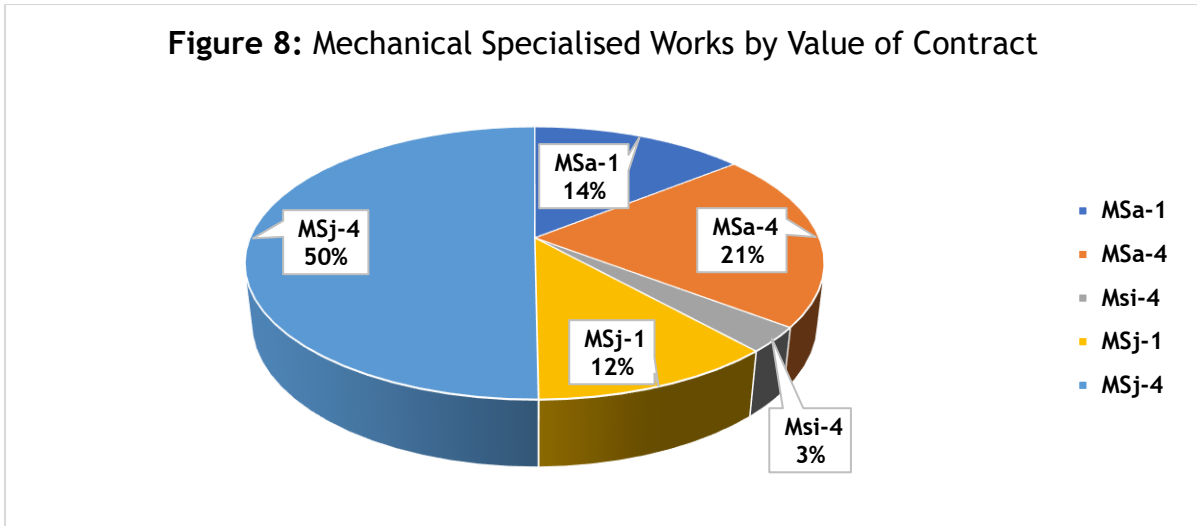
The largest general electrical works value of contract sum was awarded to E4 contractors which stood at 40% followed by E3 at 20%. All categories were fully represented during the quarter under review. Microprojects was the major project owner who awarded most construction works to Spotlite Electrical Services, PHD Investments, and Obtuse Electrical, respectively. Electrical specialised works were observed to be dominated by security, safety, and surveillance system works (ESa-4) where about 59% of the value of the contract sum was absorbed by this category and 41% was awarded to the high voltage installation works category (ESf-4) contractors; where Microprojects and Royal Eswatini Sugar were the main project owners of Destiny Group and Thunder Electrical.



2.1.4 Mechanical Works

The only general mechanical works were awarded to M4 where all were Royal Eswatini Sugar Corporation projects. Mechanical specialised works that dominated the industry were under specialized mechanical systems works category four (MSj-4) with 50% followed by the air-conditioning, refrigeration, and ventilation systems works category one (MSa-1) with 14%. These specialised construction works were mainly funded by the Royal Eswatini Sugar Corporation.

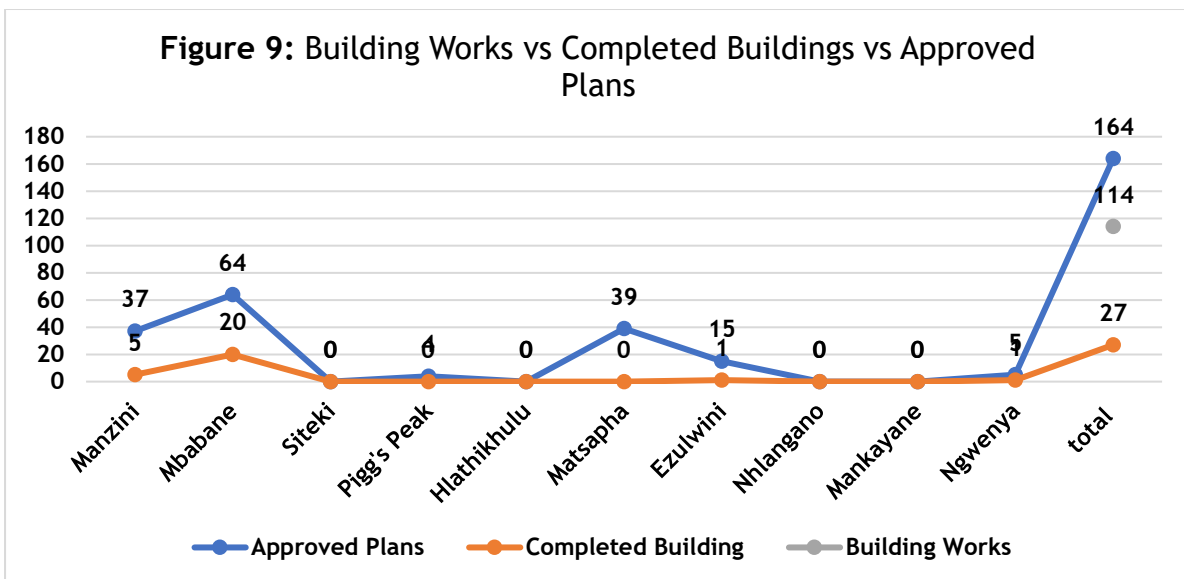
Figure 8: Mechanical Specialised Works by Value of Contract



2.2 Percentage Distribution of Building Works Approved.

The Municipal Councils’ approval for new construction or renovation involves CIC’s registered professionals (architect or draughtsman) participation through drawing up the 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).

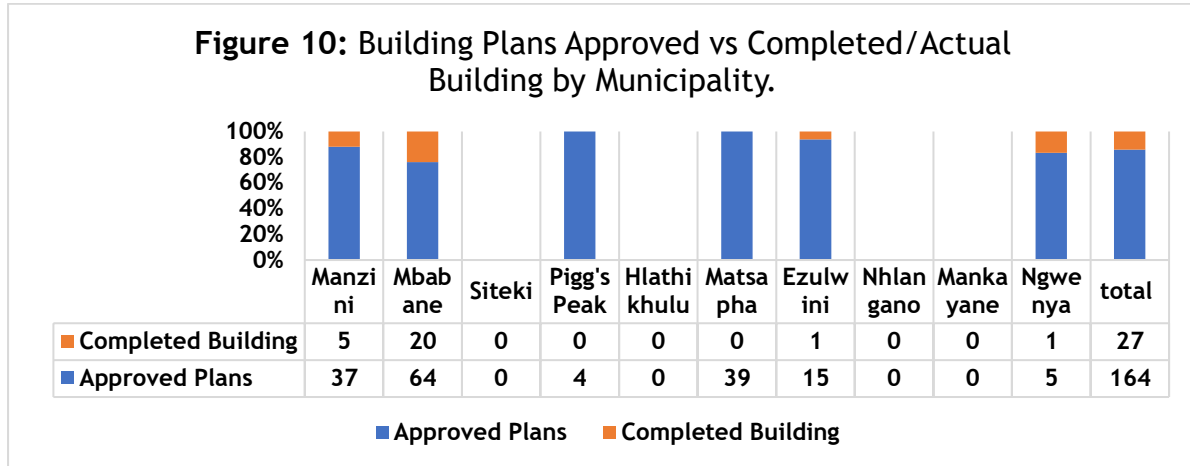
Figure 9: Building Works vs Completed Buildings vs Approved Plans



From the approved 164 building plans of April-June 2022, it was observed that there were 114 projects which cover 70% that were registered as construction projects by the CIC, and 27 building plans which cover 16% of the approved plans were deemed to have been completed. The gap between CIC registered projects and completed projects may be assumed to be caused by different factors which vary from having projects commencing but failing to be complete at the time of reporting due to some external constraints.

2.2.1 Buildings Completed vs Buildings Approved

During the quarter under review, from the 164 building plans that were approved by the country's Municipalities, only 16 commenced construction and completed the building.

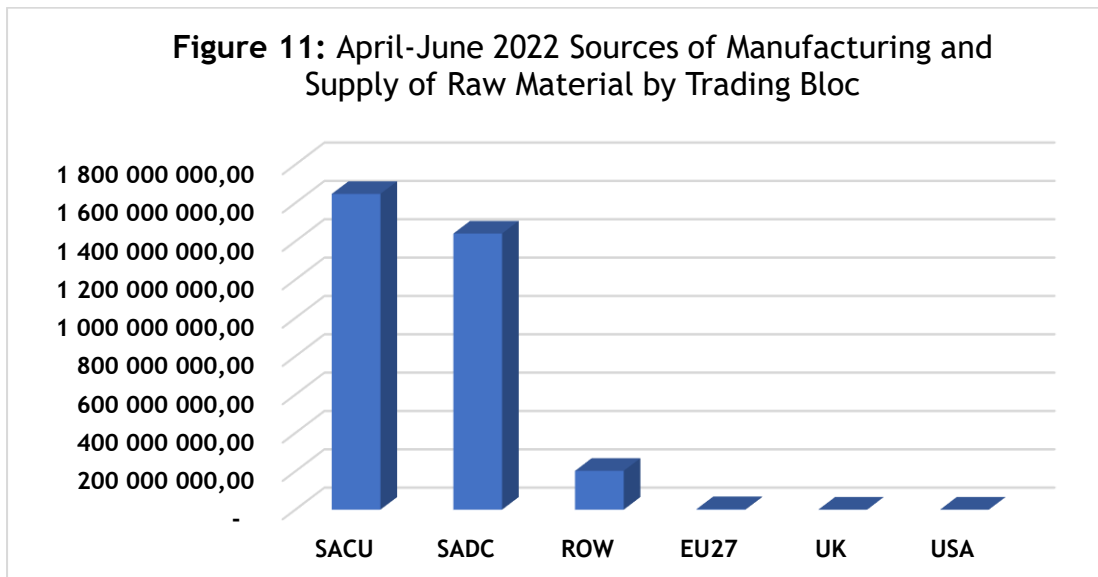


The construction industry observed that several factors were constraining economic growth during the first quarter which included high inflationary pressures, the tightening of the monetary policy (affecting lending rate), currency volatility, and higher energy prices all of which are contributing to the cost of sourcing construction raw material and operational costs hence the sluggish implementation of construction/building projects once approved by the municipalities of Eswatini. According to the represented Municipalities data from the Central Bank, building works between April -June 2022 were mostly dominated by construction under residential areas which stood at 62%, followed by commercial areas at 12% then the industrial area at 8%. Mbabane was the leading town that contributed towards building activities where 20 building works were completed out of the 64 plans which were approved. Other towns that contributed to building construction works were Manzini, Ezulwini, and Ngwenya, respectively.

3. Imports of Building Materials Related to Construction.

According to import data from the Eswatini Revenue Service (ERS), the Southern African Customs Union (SACU) is the leading trading bloc where the country's contractors source their construction-related raw material; and this may be the result of Eswatini's directed obligation to be seen contributing towards the SACU

pool which is the leading source of Eswatini's revenue. The Southern African Development Community is the second source of construction-related material due to it having SACU as a subset of its contribution. The Republic of South Africa is the only SACU country for Eswatini's main source of construction-related raw material for the quarter of April- June 2022 which is followed by Mozambique which is part of SADC. These countries are deemed to be Eswatini's import sources of origination partly due to their proximity and the pegged lilangeni to the rand.



During the quarter in question, construction materials or imports mostly sourced from the Republic of South Africa, which have an impact on the construction industry's operations is fuel/petrol; electrical energy; cement; posts and beams; granites; builder's joinery and carpentry of wood; baths, shower-baths, sinks, and basins; wire of stainless-steel, earth leakage relay voltages amongst many. In Mozambique, distilled fuel, petrol, electrical energy, cement, and ARC lamps were sourced.

Top 20 Construction Material Import Countries	Value of Imports
1. Republic of South Africa	1,157,926,752.10
2. Mozambique	233,642,336.12
3. United Arab Emirates	112,232,428.85
4. Tunisia	38,926,651.95
5. Zimbabwe	30,599,798.10
6. Liberia	25,299,551.21

7. Zambia	18,410,086.40
8. Saudi Arabia	7,853,256.54
9. India	6,389,669.24
10. Bahrain	6,283,427.25
11. China	3,697,360.06
12. Estonia	2,035,682.71
13. Taiwan, Province of China	1,007,642.74
14. Portugal	762,934.60
15. Japan	599,099.25
16. United Kingdom	558,140.77
17. United States of America	401,639.55