

Despite 6.2% growth forecast, construction to remain in recovery

While the construction sector is forecast to grow by 6.2% in 2022, it is unlikely that there "will be an immediate recovery", according to GVK-Siya Zama CFO John de Sousa. He adds, however, that the positives are clear and that the outlook for the industry and greater economy indicate an upward trajectory.



Construction at Cape Town train station. Source: GVK-Siya Zama

"This will have a ripple effect in the industry as investor sentiment improves, economies open and budgets expand. The next 12 to 18 months will continue to be a period that is focused on attaining normality as the market stabilises after the pandemic. In this time, it can be expected that margins will remain under pressure in the short term. However, in the longer term, they will continue to grow," says De Sousa.



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Year of consolidation

De Sousa says GVK-Siya Zama has largely been able to mitigate the downward employment trend in the construction industry, in evidence since the heydays of the 2010 FIFA Soccer World Cup period. "The company is in its fourth consecutive year of growth, despite the near recession and Covid-19 pandemic.

As for turnover, GVK-Siya Zama expects growth between 5% and 10% in the next year, adds De Sousa. "This will be a year of consolidation. A year of trying to work with what we have, not regressing and trying to be sustainable in a difficult business environment."

De Sousa says while government work has been forthcoming, as has been widely noted, it's not as fast as industry players would like it to be. This has been the case for the last five to seven years and hence it shouldn't really act as a deterrent in the marketplace for local or foreign investment, he says.

It does, however, appear as if the government is poised to increase its spending on infrastructure, as indicated in the Son

and the National Budget speeches.



John de Sousa, CFO, GVK-Siya Zama

“There are definite efforts to encourage the private sector to increase investment, and to secure more foreign direct investment in South Africa.”

De Sousa says the government has encouraged the private sector to be the key employment driver in the country and increased investment will ensure this occurs.

Increased focus on private–public partnerships

Another positive to emerge from the Sona and budget speeches is the increased focus on private–public partnerships – another indication that the government acknowledges the mutual benefit of this approach for all stakeholders and the economy, says De Sousa.

A negative that could, however, sway investor sentiment towards hesitancy is the overall economic outlook of 2% for the economy, despite the 6.2% projected growth for the construction industry. “Presently, there is limited hope of an overall economic uptrend, but there is always a possibility that this could change,” says De Sousa.

“Obviously our high debt to gross domestic product ratio is also a major burden on the state. And, of course, all of these things were before the war in Ukraine. This further illustrates that as an economy and industry, we cannot always go by the projected numbers because of external factors, but if we do, the industry outlook will continue to be positive, resilient and remain on an upward trend.”



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De Sousa says there has also been an uptick in enquiries from the private sector, especially from property owners looking to repurpose and remodel office space, as work-from-home practices are likely to remain a factor despite Covid loosening its grip. “There are a lot of property vacancies, especially in the central business districts, that landlords will need to deal with

“We also have to try, as an industry, to be more efficient in what we do as we are one of the most inefficient sectors in the country. This process includes skills transfer and training, a key focus for the year ahead; our aim is to improve our

efficiencies, empower our staff and SMMEs and in doing so, create growth for all stakeholders in the business,” adds De Sousa.

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