



Building Update: Building plans passed rose by 19.0% qqsa, buoyed by the residential and non-residential segments of the market

Thursday 17 March 2022

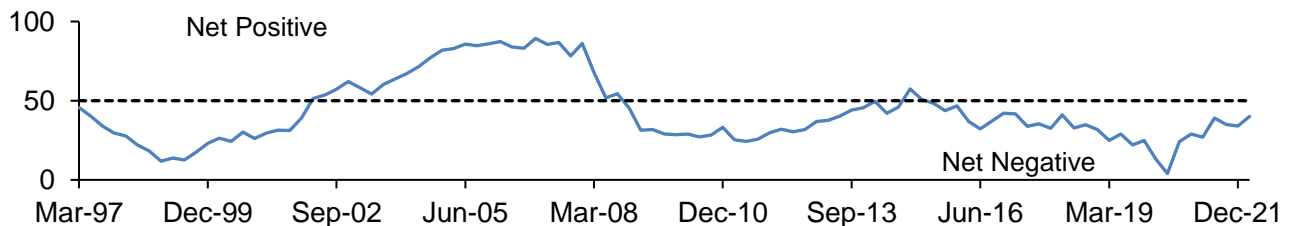
Figure 1: Total building plans passed, completed in South Africa – seasonally adjusted (constant prices)

	Aug 2021-Oct 2021	Nov 2021-Jan 2022	% Change
Total building plans passed (R'000)	17 967 329	21 377 119	19.0
Residential	10 284 880	13 616 099	32.4
Non-residential	2 236 534	2 446 841	9.4
Additions and alterations	5 445 915	5 314 179	- 2.4
Total completed buildings (R'000)	12 354 733	9 003 384	-27.1
Residential	6 194 948	5 623 903	- 9.2
Non-residential	3 074 494	3 074 494	-54.3
Additions and alterations	3 085 291	1 974 087	-36.0

Source: Stats SA, Investec

- The value of buildings reported as completed by larger municipalities fell by a notable -27.1% in real terms when measured on a quarter-on-quarter seasonally adjusted basis (qqsa). While all segments of the market contracted over the period, sharp declines in non-residential building completions and the additions and alterations category were largely responsible for the decline, sliding by -54.2% and -36.0% respectively.
- Conversely, building plans passed were up 19.0% qqsa, buoyed primarily by the residential segment, which increased by 32.4% qqsa. The Western Cape has benefited from the notable semigration trend, however climbing interest rates is likely to curb buyer demand. Indeed, the Russian/Ukrainian conflict is expected to place upwards pressure on inflation, which was already very high in many countries before the conflict, with governments around the world tightening monetary policy in response.
- Pipeline activity within the non-residential category also rose by a moderate 9.4% qqsa. The non-residential sector of the market which was badly impacted by the pandemic induced restrictions is expected to recover as employees return to the office. However, a return to pre-pandemic conditions in the short term is unlikely as a hybrid working culture is becoming the 'new normal'.
- Indeed, according to the BER's latest building survey, confidence of non-residential builders as measured by the FNB/BER Building Confidence Index rose to 39, from 33 previously, with survey participants' "expectations for next quarter in terms of activity" optimistic.
- Pipeline activity within the additions and alterations category however fell by -2.4% qqsa. Specifically, the work from home dynamic, which led to a strong pick-up in home improvement activity has subsided. This can be further evinced by the retail trade numbers which showed that hardware paint and glass retailers recorded declines in activity of -5.4% y/y and -10.6% y/y in December and January respectively.
- Business confidence increased modestly in Q1.22 but remained subdued at 46. The government's plans to improve the ease of doing business, focus on job creation, infrastructure development and deal with the electricity supply constraints in the country should aid in boosting business confidence going forward which is vital for increasing investment and growth.

Figure 2: FNB/BER Building Confidence Index



Source: BER

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