



## Building update: Building plans passed fell in April by 2.5% y/y, albeit at a slower pace than in March, as building confidence picked up modestly in Q2.19

20<sup>th</sup> June 2019

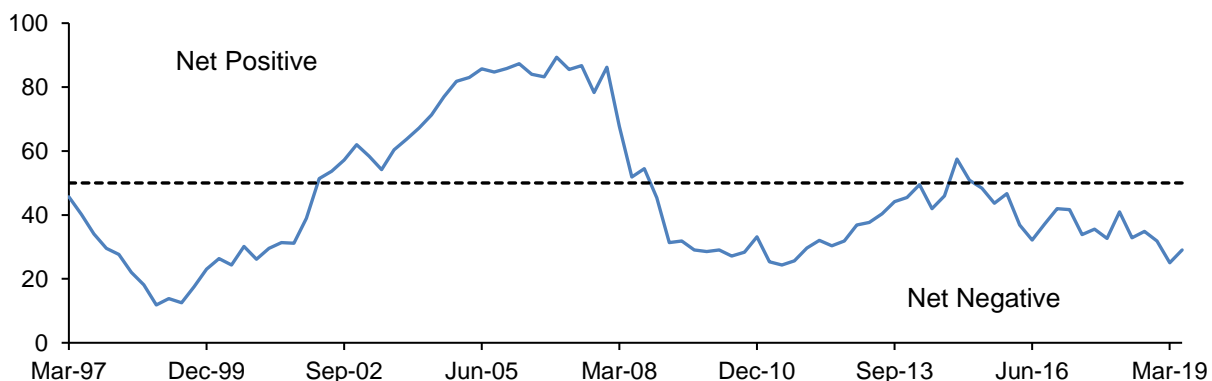
Figure 1: Growth in the value of total building plans passed, completed in South Africa – constant prices (y/y %)

	April 2019	Year to date (Jan-April 2019)
<b>Total building plans passed</b>	<b>-2.5</b>	<b>-3.6</b>
Residential	-13.2	-1.9
Non-residential	12.1	-5.2
Additions and alterations	8.5	-5.4
<b>Total completed buildings</b>	<b>13.8</b>	<b>31.2</b>
Residential	10.1	30.8
Non-residential	27.7	53.4
Additions and alterations	9.3	5.8

Source: Stats SA, Investec

- Including April's outcome, the real value of building plans completed was up 31.2% for the year to date, when compared to the same period last year, boosted by strong readings in February and March.
- However, demand remains subdued, illustrated by the drop in the pipeline of building work expected in the coming months. That is, building plan approvals in constant (real) terms slid during the same period, by 3.6% y/y and is reflective of a constrained domestic economy.
- Lacklustre domestic economic conditions and constrained household balance sheets – have seen annual house price growth “(t)rending downwards since the second half of 2015, with a seemingly temporary upswing towards the end of 2017”, according to the South African Reserve Bank.
- However, one segment of the residential market that did show an uptick in pipeline activity was the townhouses and flats category. Escalating living costs, primarily underpinned by elevated administered prices contributed, along with notable demand, to a 39.3% y/y lift (in nominal price terms), year to date, in this segment of the property market.
- The FNB/BER Building Confidence Index did pick up modestly in Q2.19, lifting by 4 index points to 29, with the “(l)atent uptick in work at the start of the building pipeline ..... encouraging”, according to the BER.
- Non-residential builder confidence climbed 25 points to 41, partly “(e)xplained by somewhat better growth in building activity”. However, growth is “(l)ikely to remain poor”. Weak business confidence, coupled with low economic growth prospects continues to hinder corporate profitability and therefore fixed investment potential.

Figure 2: BER Building Confidence Index



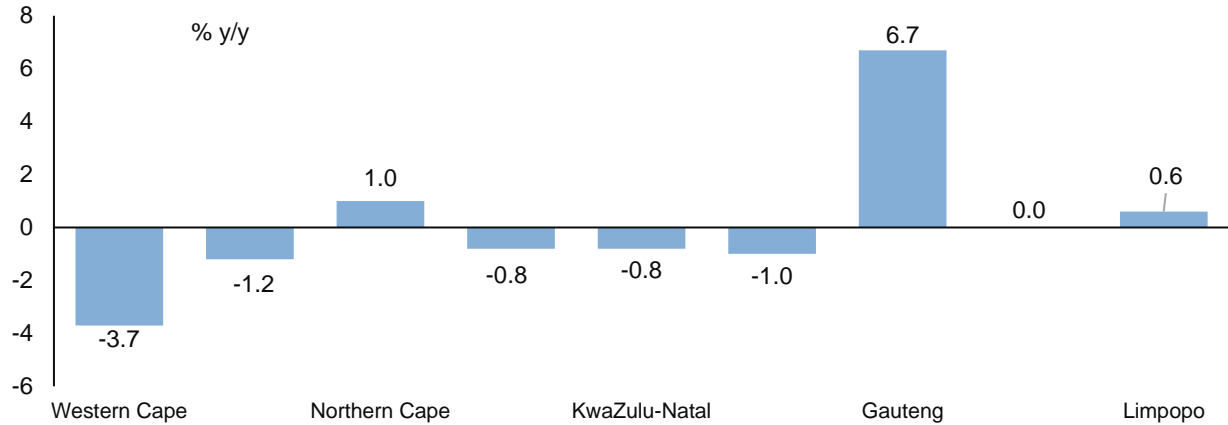
Source: BER, Stats SA



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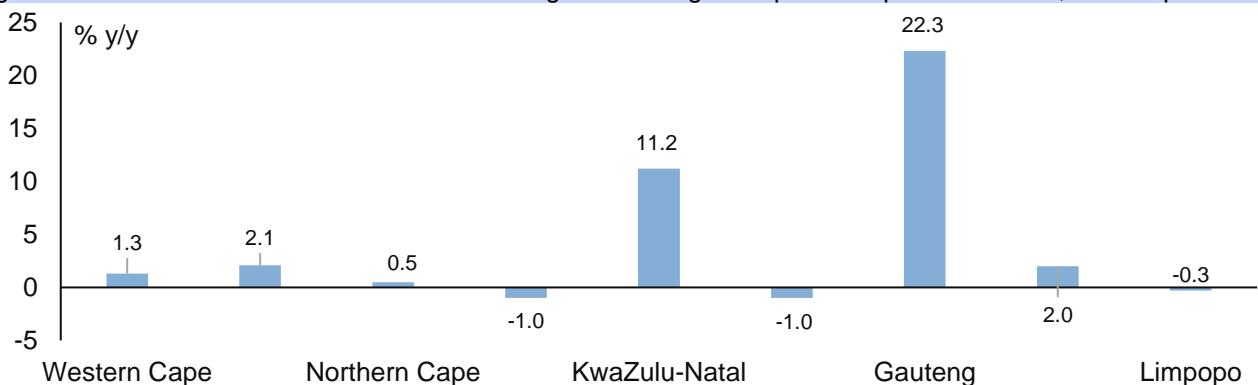
**Figure 3: Year to date contribution to the % change in building plans passed at provincial level, current prices**



Sources: Stats SA

- In nominal terms, the value of total building plans picked up marginally by 0.7% y/y, for the year to date, while the value of completions rose by 37.2% y/y.
- An analysis of the data on a provincial basis reveals that only three of the nine provinces, namely Gauteng, Northern Cape and Limpopo experienced growth in building plan approvals during the period. Furthermore, Gauteng and Kwa-Zulu Natal continued to be primarily responsible for the uptick in the value of completions.

**Figure 4: Year to date contribution to the % change in buildings completed at provincial level, current prices**



Sources: Stats SA

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