

Building activity tapers off

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The Afrimat construction index fell for a second quarter in a row, but only marginally, due to political events, said economist Roelof Botha.



Image source: www.pexels.com

Afrimat has open-pit mines that provide industrial minerals and construction materials.

Since hitting an eight-quarter high of 127 in the fourth quarter of 2016, Afrimat's index has declined steadily to reach a level of 117 in the second quarter.

The composite index of activity levels in the building and construction sectors is compiled by Botha on behalf of Afrimat.

The index is calculated from nine constituent indicators including the FNB/Bureau for Economic Research building confidence index.

Botha said the index had been affected by low business and consumer confidence during the second quarter, mainly influenced by a series of political shocks, including major changes to the executive leadership at the Treasury and the fiscal threat imposed by significant losses at a number of state-owned enterprises.

Botha said policy uncertainty was a constraint on the expansion of productive capacity in the economy.

Spending by households on durable consumer goods continues to decline in real terms.

"The construction sector nevertheless remains on a stronger footing than seven years ago, with the [index] having expanded 17.7% since the third quarter of 2010, the base period, almost 50% higher than the growth rate of the economy ... over this period," said Botha.

Source: Business Day

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