

Construction industry more positive about year ahead - survey

According to the results of the 2022 Construction Industry Outlook survey conducted by RIB CCS in Africa and the Middle East, the construction sector is more positive about the year ahead. This as increased government-led infrastructure spend and greater private sector spend is on the cards for 2022



Andrew Skudder, RIB CCS CEO

Andrew Skudder, RIB CCS CEO, says this is good news for an industry that has experienced extreme pressure over the past few years. “In South Africa alone, the total value of plans passed for building construction fell by 37% year-on-year in the first eleven months of 2020, preceded by annual declines of 1.1% and 11.8% and in 2018 and 2019 respectively.

“The picture has been similarly bleak for the industry in the Middle East and North Africa (MENA) region, which has been in decline since the fall in oil prices in 2014, exacerbated by the Covid-19 pandemic in 2020.”

Better revenues, project pipelines and margins expected

Looking to 2022, 68% of survey respondents (listed and unlisted companies) expect an increase in project revenue, with 17% of these expecting an increase of 15% or more. Only 10% of the respondents expected a decrease in revenues in the year ahead.

Skudder says 51% of respondents expect project margins to be relatively healthy, with 17% expecting them to be 10% or higher. “Margin pressure was a theme in 2021 and these results clearly point to better prospects for 2022.”



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Key strategic initiatives for 2022

The top four key strategic initiatives that survey respondents will be focusing on in 2022 include digital transformation (24%), implementation of LEAN construction principles (23%), expansion of business offerings (18%) and expansion of geographic reach (14%).

Skudder says these initiatives give a clear picture of how respondents aim to enhance their businesses' productivity and efficiency. "We also asked them what their areas of innovation are for 2022 are – 25% of respondents said they would be focusing on digital innovation, 19% on organisational innovation and 17% on process innovation.

"These measures are also all about driving efficiency in the industry and improving the way construction companies operate. It is also interesting to note the focus on organisational innovation, which is not just about processes and technology, but about organisational models that need to evolve to deal with the challenges the industry is facing at the moment."

Impact of Covid-19

Asked whether the pandemic affected their businesses negatively in 2021, 63% of respondents noted that it had a significant impact. This is down from 2020 when an earlier survey conducted by RIB CCS reported that 85% of respondents indicated that more than 80% of their projects had been affected by delays or disruptions due to Covid-19.

Looking ahead, there seems to be greater optimism, with less respondents (41%) indicating that they expect the pandemic to continue affecting their businesses negatively in 2022.



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Key industry concerns

Respondents highlighted the greatest industry challenges in 2021 as margin pressures (21%), lack of order book pipeline (19%), supply chain reliability (17%) and lack of productivity growth (15%).

"Margin pressures and the lack of an order book pipeline speak to an industry characterised by numerous players all vying for a limited number of projects. The third greatest issue – supply chain reliability – has been identified as a global issue, with supply chains around the world affected by lockdowns and work stoppages. The lack of productivity growth has been a major theme for the industry over the past two decades," adds Skudder.

Interestingly, when asked about their concerns for 2022, these were identical to industry challenges identified in 2021. So, even though respondents are more positive about the year ahead, they continue to have similar concerns.

Anticipated spend fuels industry positivity

Understandably, the highly anticipated increase in government-led infrastructure spend, as well as an expected increase in private sector work, are what 26% of respondents are most looking forward to in 2022.

“Government’s commitment to infrastructure spend is a particularly important factor in driving confidence in the industry, as is having visibility of project pipeline,” says Skudder.

Notably, a mere 8% of respondents are excited about public-private partnerships (PPPs). “While PPPs are a great way to unlock investment in the industry, the low score probably relates to an overall lack of confidence in PPPs and government’s strategy around them,” notes Skudder.



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Technology focus on the rise

Skudder says 49% of survey respondents indicated they would be spending between 1% and 3% or more on information technology (IT) in the year ahead, with 54% indicating their anticipated spend will be greater than in 2021. This is closely aligned with the global annual average IT spend in the industry of 1.5%.

“It is interesting to note that 43% of respondents suggested they would be spending more than 2% on IT and 21% more than 3%, suggesting that the Africa and Middle East regions are taking IT spend seriously,” says Skudder.

When asked what digital technologies they intend to invest in, respondents singled out cloud computing (22%), building information modelling (BIM) (19%), mobile technology (17%) and integrated technology platforms (15%).

Skudder says with cyber security a real issue in the industry, it is not surprising that respondents are interested in investing in cloud computing which lowers the risks related to cyber threats and has the added advantage of always-on accessibility.

“The interest in deploying BIM abilities indicates a maturing of the construction industry amongst respondents. That said, BIM is largely used in the design and construction review process in the regions surveyed, and not in the planning and execution stages of projects, which take time and cost into consideration and allow users to conduct 5D simulations, run scenarios and explore constructability analysis.”

Worldwide trend towards digitisation

Skudder says the interest in mobile technology mirrors a similar theme globally. “There is a worldwide move to digitise field operations and site-based activities such as site diaries, timesheets, defect management, quality control and safety procedures. Mobile technology is growing and offers a way to link operations with an integrated technology platform such as MTWO, providing users with one source of the truth.”

Commenting on 15% of respondents indicating an interest in investing in integrated technology platforms, Skudder says there are two key plays in the software industry: a toolset play and a platform play.

“The toolset play is really where clients buy multiple tools for specific jobs such as an estimating or planning tool versus the

platform play, which is the investment in an integrated platform connecting all people, processes and data within the organisation onto one platform. It is interesting to see that some respondents are moving from a tool mindset to integrated platform mindset, which is another indication of a maturing industry.

In summing up the findings of the survey, Skudder says the more positive outlook for 2022 is heartening. “Greater expected activity in the year ahead bodes well for the industry and for the various economies in Africa and the Middle East. Closer to home, it translates into much-needed employment opportunities, particularly in South Africa.”

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