

Databuild Insight



STRATEGIC BUSINESS DECISIONS

A monthly snapshot view of key trends in the economy, affecting the local construction industry



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April 2025

Market indicators remain volatile, with strong provincial differentiation

Economic Overview

In March 2025, South Africa's headline consumer inflation rate fell sharply to 2.7% year-on-year (y-o-y), down from 3.4% in February 2025. This marked the lowest inflation rate recorded since June 2020. The decline was largely driven by a significant drop in fuel prices, which fell by 8.8% y-o-y, helping to reduce overall inflation. Education costs, which are typically adjusted at the start of each year, rose by 4.5%, but this increase was less extreme compared to the 6.4% rise seen in March 2024.

Core inflation, which excludes volatile items like food and energy, was also muted, reflecting subdued domestic demand. Food inflation slowed somewhat but remained relatively elevated compared to historical norms. The inflation rate of 2.7% fell below the South African Reserve Bank's (SARB) inflation target range of between 3% and 6%, and it was lower than economists' expectation, which was around 2.9%.

This unexpected softening in price pressures has increased speculation that the SARB may have room to start cutting interest rates later in 2025, although policymakers remain cautious due to risks such as rand volatility, external trade tensions (notably with the US), and the upcoming national elections.

South Africa's retail trade sales grew by 3.9% y-o-y, although this marked a slowdown from growth of 7.0% recorded in January. The expansion was largely driven by a surge in spending on textiles, clothing, footwear, and leather goods, which rose by a substantial 15.7% compared to the previous year, providing the biggest boost to overall retail performance.

General dealers also supported growth with a 3.4% increase in sales, reflecting steady demand for a broad range of consumer goods. However, the retail market was not uniformly positive. Sales in several sectors, including food, beverages and tobacco – available in specialised stores, declined by 3.7%. The hardware, paint, and glass segment, closely tied to construction and home renovation activity, also weakened with a 4.1% drop.

South Africa's manufacturing and mining sectors continued to face significant pressures. Manufacturing output fell by 3.2% y-o-y, matching the decline recorded in January. Although there was a slight month-on-month improvement of 0.3%, the broader trend remained weak, pointing to persistent challenges such as soft domestic demand, energy supply issues, and the impact of global economic uncertainty on local producers.



In the mining sector, operations were disrupted by heavy rainfall, with Anglo American Platinum temporarily halting activity at its Tumela mine, which accounts for about 10% of the company's monthly production. Despite this, Amplats confirmed that its full-year production forecast of 3- to 3.4 million ounces of platinum group metals remained unchanged. The sector's performance was further complicated by declining prices of key commodities like platinum, adding pressure to mining profitability.

The rand has experienced slight depreciation, trading at approximately R18.57 against the US dollar. This movement is mainly attributed to investor apprehension surrounding South Africa's fiscal policy. The government's proposal to increase the Value-Added Tax (VAT) faced significant political opposition, leading to its withdrawal. This decision has introduced uncertainty over the country's fiscal trajectory, prompting investors to adopt a cautious stance. Brent crude oil prices have declined to around \$65.42 per barrel. This decrease is driven by escalating trade tensions between major economies, notably the United States and China, which have raised concerns about a potential global economic slowdown and reduced oil demand.

Additionally, the Organisation of the Petroleum Exporting Countries and its allies (OPEC+) have signaled intentions to increase oil production, contributing to a potential oversupply in the market.

South Africa's construction industry

The industry saw a 23% y-o-y increase in the number of construction projects awarded, particularly in the Western Cape and KwaZulu-Natal regions, driven by major civil infrastructure initiatives. This more robust increase was accompanied by a 16% increase in project values (nominal), suggesting more robust activity in the sector, although the award of a few larger (CIDB Grade 9) projects is a major contributing factor, including the R3.2bn upgrade of National Route 3 in KwaZulu Nata (awarded to Unik Civil Engineering / Diphatse Trading and Projects JV by SANRAL) and R2.5bn Macassar Water Treatment Works in Western Cape awarded to P C I / Inenzo / Devcotech Consortium by the Cape Town administration. However, tender activity was muted, down 42% y-o-y, alongside an increase in project cancellations, especially within the education sector, reflecting underlying economic and political uncertainties.

In response to a series of construction-related fatalities, including the tragic collapse of a five-story building in George that claimed 34 lives, the government is amending the Occupational Health and Safety Act (OHSA). The proposed amendments aim to empower workers with the right to refuse work deemed unsafe and to enhance protections against retaliation, thereby strengthening workplace safety protocols. Environmental sustainability has become a pressing concern, with the construction industry identified as a significant contributor to carbon emissions. Experts advocate for a systemic shift towards sustainable practices, emphasizing the need for innovation and efficiency to mitigate environmental impact.



The sector also grapples with issues of corruption and mismanagement. Investigations have uncovered alleged collusion within the Construction Education and Training Authority (CETA), implicating senior officials in procurement irregularities and administrative misconduct. Efforts to combat criminal activities within the industry have led to the arrest of 240 individuals involved in the so-called "construction mafia," a group accused of extortion and disrupting construction projects. This crackdown represents a significant step towards restoring order and investor confidence in the sector.

In KwaZulu-Natal, the recurring threat of floods has prompted calls for resilient infrastructure development. Industry bodies stress the necessity of integrating climate adaptation strategies into construction planning to safeguard communities against environmental disasters. Amid these challenges, technological advancements are playing a pivotal role. Platforms like Databuild are providing construction companies with critical data across various project stages, enhancing efficiency and decision-making processes.

Public Sector construction activity remained muted in March 2025, with a 44.8% y-o-y nominal decline in the value of civil projects out to tender, accompanied by a decline of nearly 2% in the value of public sector building tenders. The poor start to the year, follows a depressed second half of 2024, post May 2024 elections. Private sector demand for building construction showed a more encouraging recovery in recent months, mainly in the non-residential sector, and more recently also a turnaround in the residential market given the more favourable interest rate environment.

However, the nominal value of building approvals declined by 9% in February 2025 to just over R8bn, as a 40% increase in approvals for non-residential building projects was offset by a 32% decline in the value of residential approvals during the month. Western Cape recorded the highest value of approvals (R2.9bn), but this was 3.9% lower compared to the same period in 2024. In Gauteng, the value of approvals fell by over R1bn to R2.1bn, with just a modest decline in KwaZulu Natal to R967 million. Mpumalanga recorded the strongest increase in February, up 70% to R752 million. Eastern Cape and Free State also recorded growth of more than 40% y-y.



Outlook

Market indicators remain volatile, with strong provincial differentiation. The first quarter of 2025 was a mix of improved private sector demand, offset by weaker public sector activity (tenders). Confusion around the budget, that was finally tabled in March 2025, re-emerged as the removal of the 0.5% VAT increase, can lead to a reprioritisation of expenditure, that may negatively impact the R1 trillion infrastructure budget allocated over the next three years.

Economic growth was also revised lower, by both Treasury and the IMF, with a projection of between 1% and 1.5% for 2025. This adds further pressure to Treasury's revenue projections for 2025/26 estimated to increase by 10% (nominal). The uncertain budget outlook, and GNU fractions increased investor awareness that political instability remains a constraint, further exacerbated by global tensions following US President Trump's trade tariffs announcements that sent shock waves through the financial markets and a revision in the IMF's global growth outlook to below 3% for 2025.

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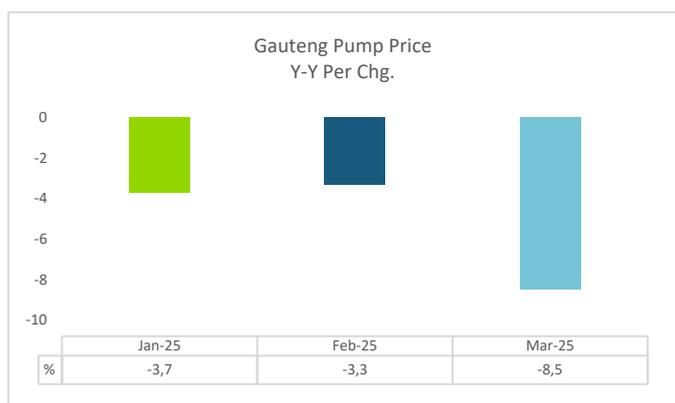
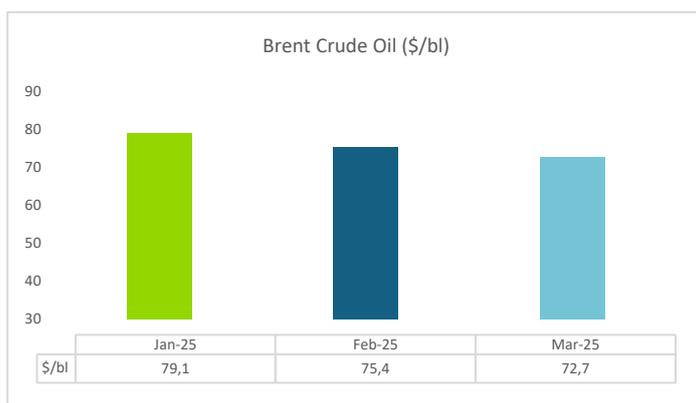
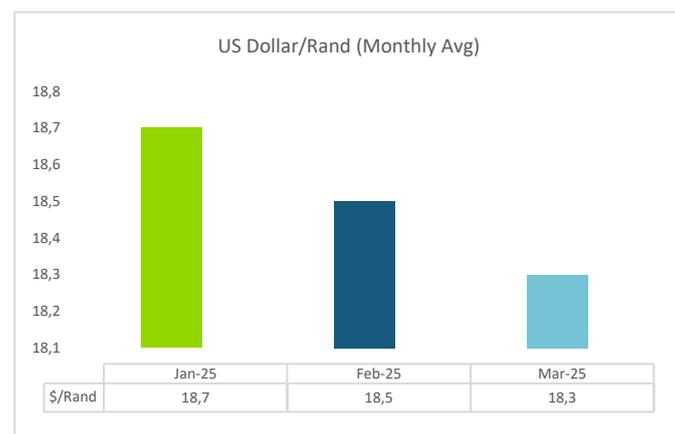
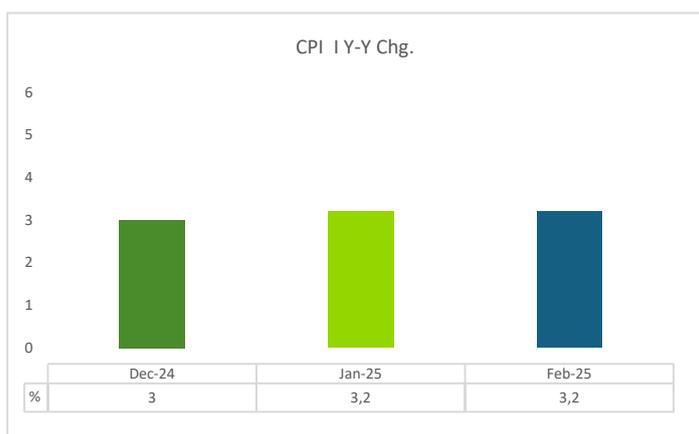
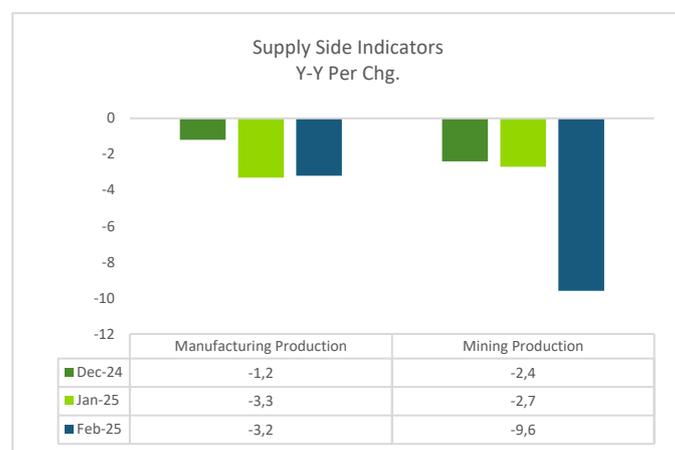
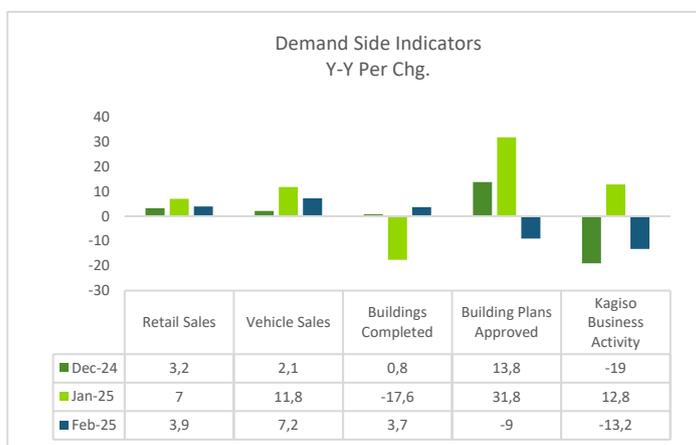
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	Jan 2025	Feb 2025
Retail Sales (y/y%)	7.0	3.9
Vehicle Sales (y/y%)	11.8	7.2
Manufacturing Production (y/y%)	(3.3)	(3.2)
Mining Production (y/y%)	(3.2)	(9.6)
Kagiso PMI Index (m/m%)		
- Business activity	8.1	(6.7)
- Inventories	(8.3)	0.9
- New Sales orders	12.3	(7.8)

	Jan 2025	Feb 2025
Building plans completed (y/y%)	-17.6	3.7
Building plans passed (y/y%)	31.8	-9.0
*Value		
Consumer Price Index (%)	3.2	3.2
Producer Price Index (%)	1.1	1.0
US Dollar/Rand: avg	18.7	18.5
Brent Crude Oil (\$/barrel,avg)	79.1	75.4

Demand/supply and Price Indicators



South African Construction Industry

Nominal value of projects awarded |Y-Y Per. Chg - same month last year

Mar-25 Mat, Per. Chg Change in annual growth

	Mar-24	Mar-25	Per. Chg
Residential	-10%	-9,7%	-5%
Non-Residential	-78%	-34,8%	-11%
Building	-68%	-29,9%	-10%
Civil	110%	25,9%	8%
Total	16%	6,4%	2%

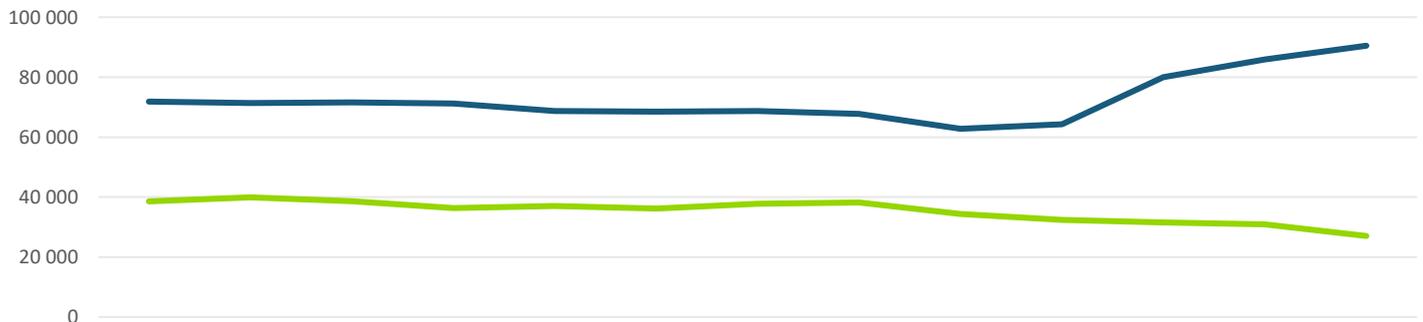
Number of projects out to tender |Y-Y Per. Chg.- same month last year

Mar-25 Mat, Per. Chg Change in annual growth

	Mar-24	Mar-25	Per. Chg
Residential	-25%	-39,9%	-2%
Non-Residential	-53%	-51,1%	-2%
Building	-51%	-50,0%	-2%
Civil	-37%	-13,3%	-4%
Total	-42%	-29,8%	-3%

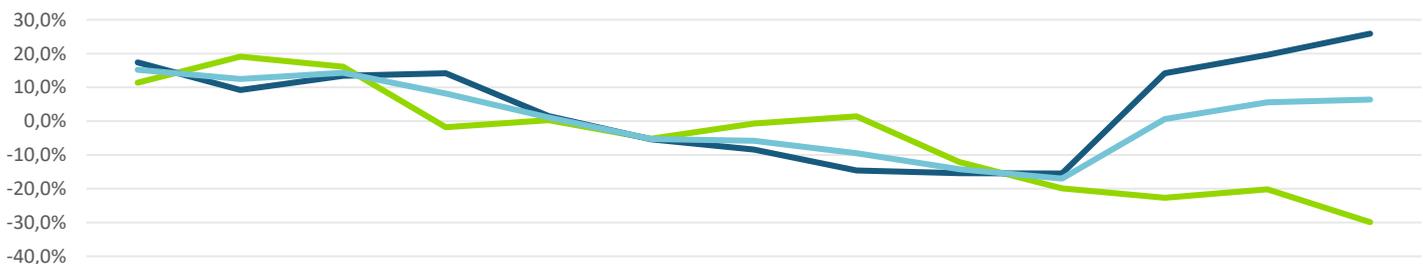
Value of contracts awarded, Rm current prices

Value of Construction Projects Awarded
RM, current prices MAT

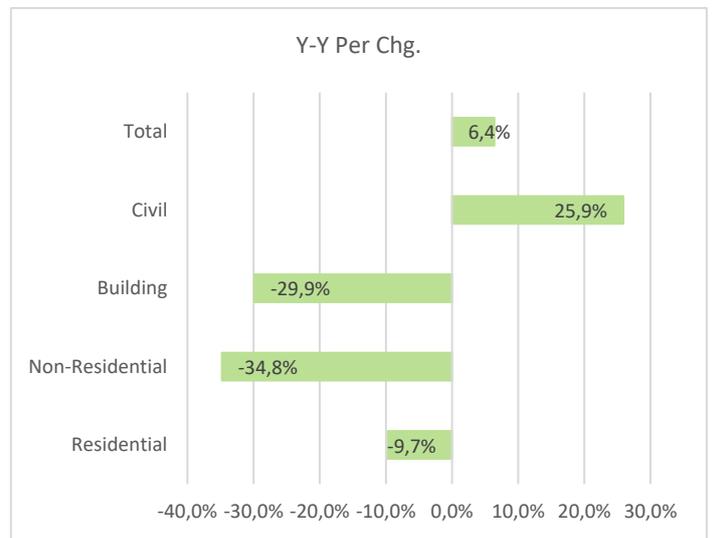
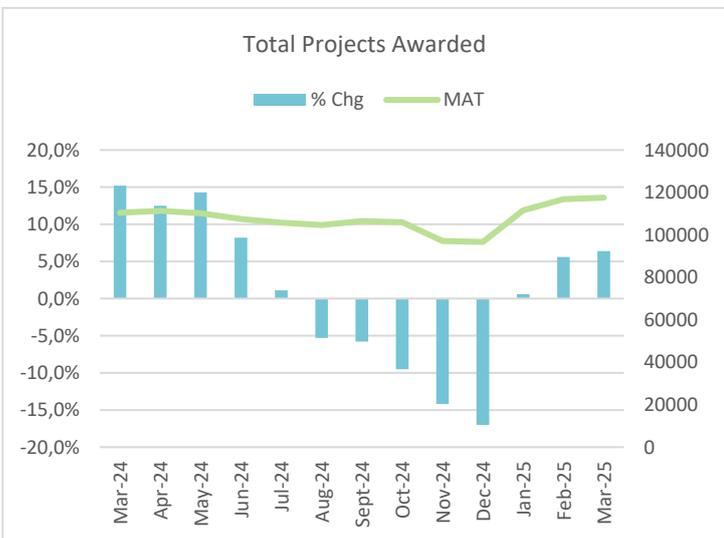
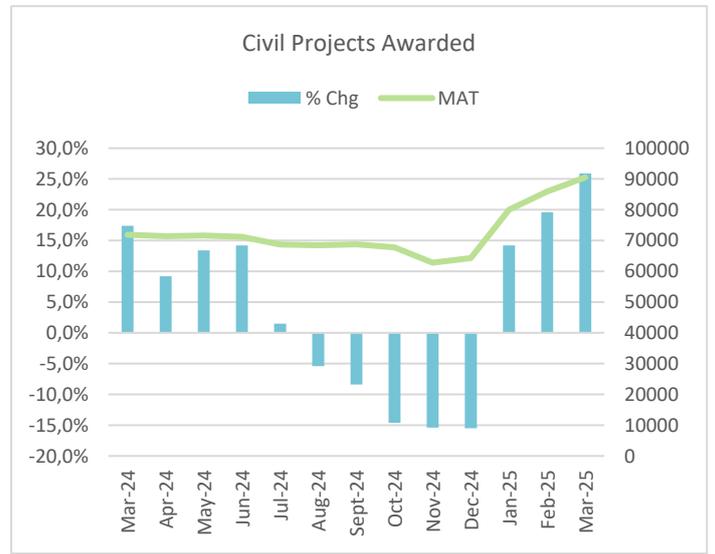
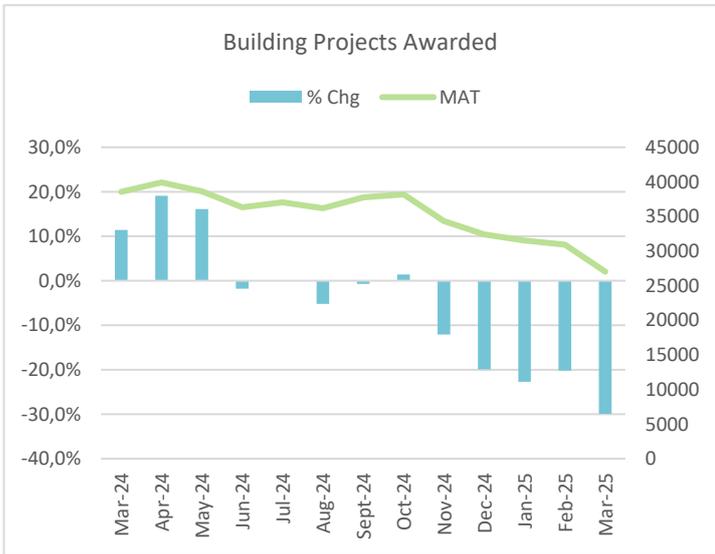
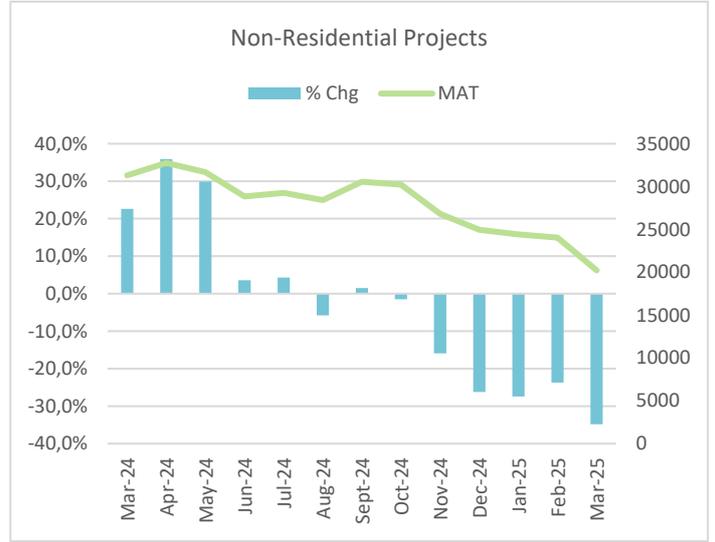
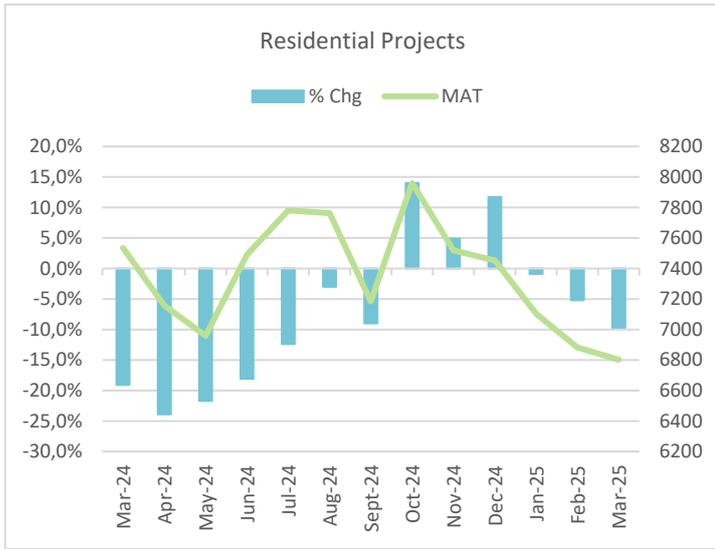


	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sept-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25
Building	38 566	39 914	38 642	36 333	37 046	36 188	37 750	38 185	34 342	32 400	31 521	30 921	27 024
Civil	71 864	71 391	71 589	71 195	68 720	68 473	68 737	67 780	62 784	64 279	80 023	85 924	90 496

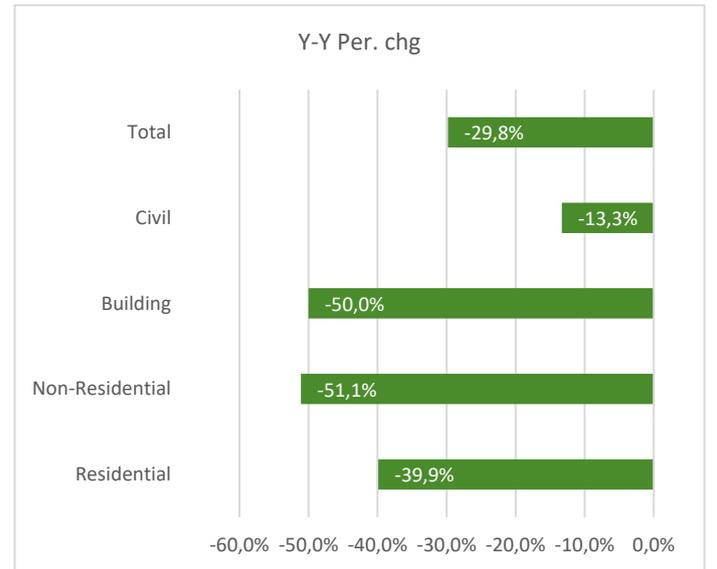
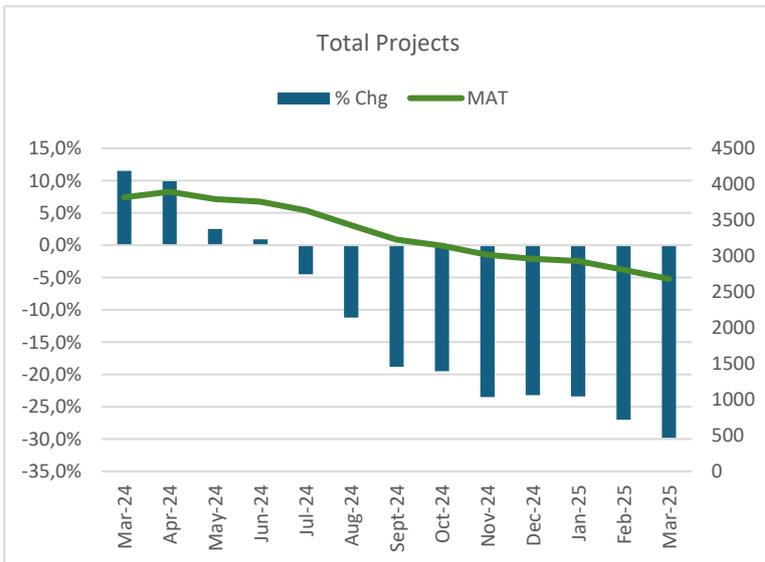
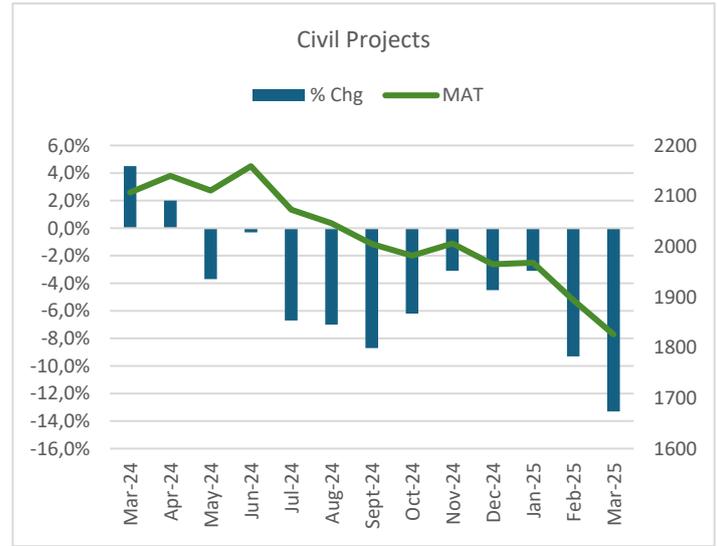
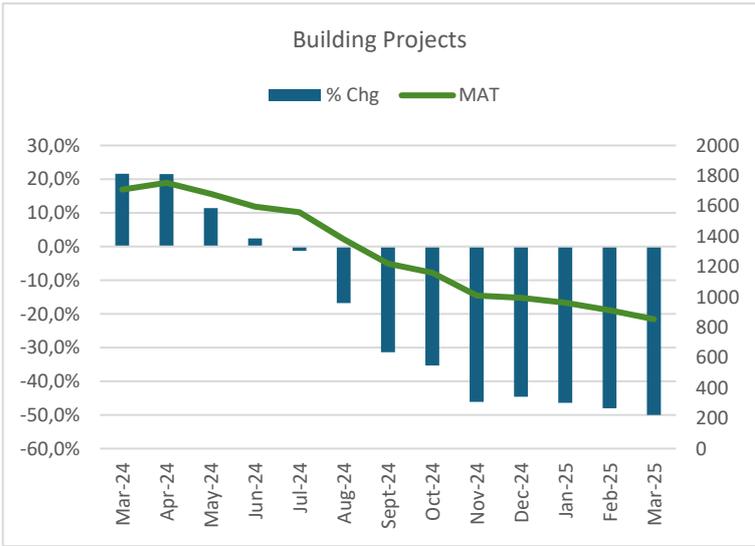
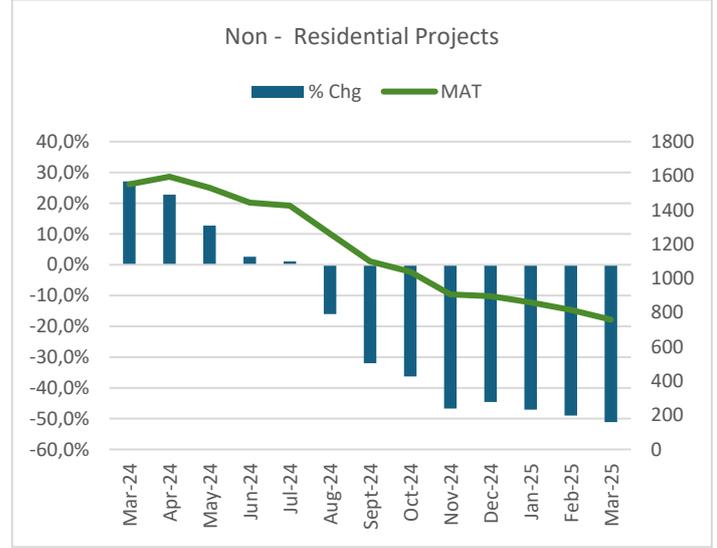
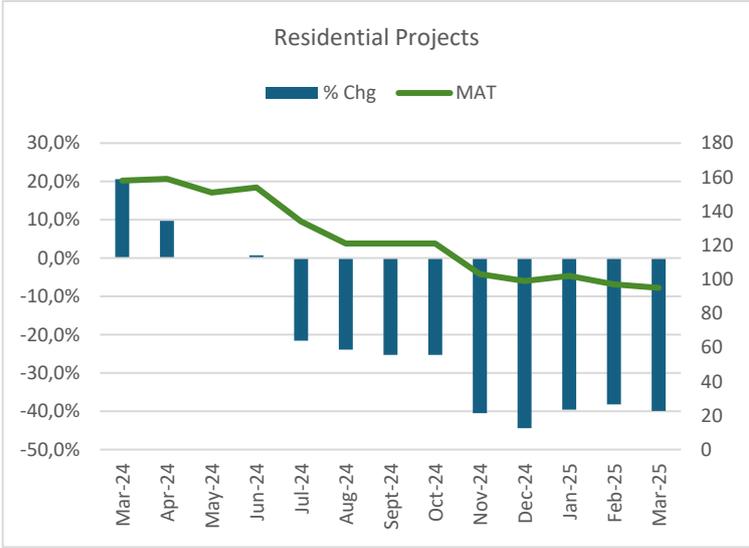
Value of Construction Projects Awarded
Y-Y percentage change



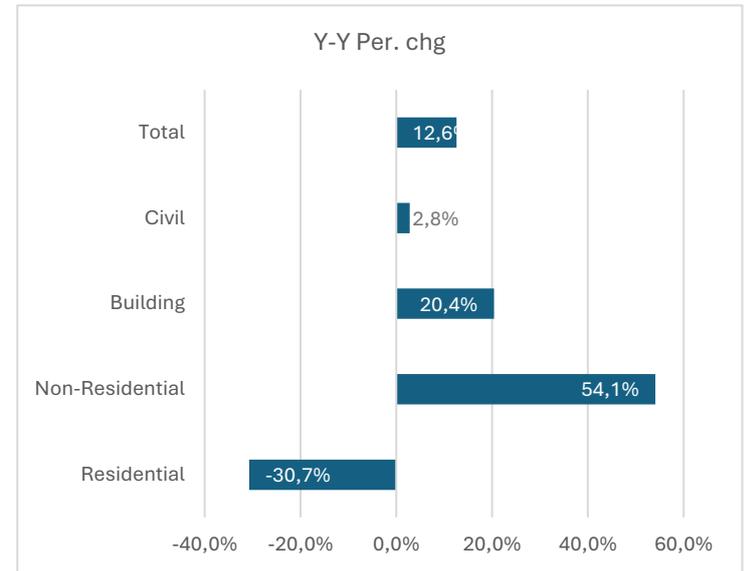
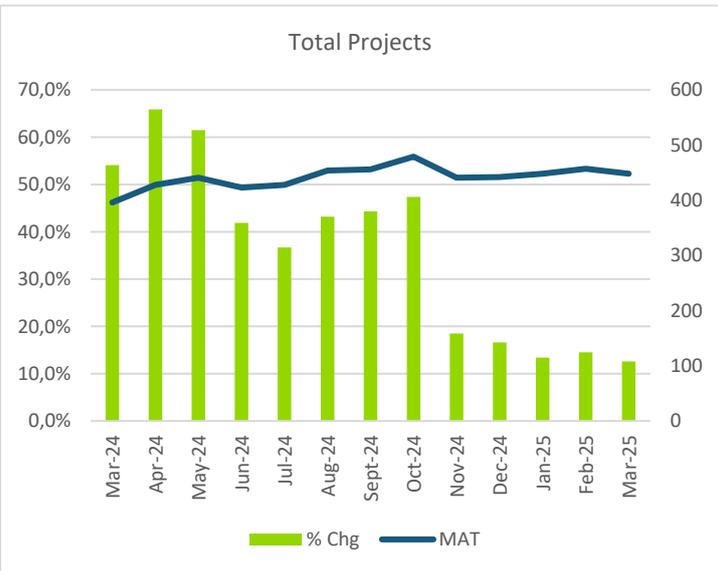
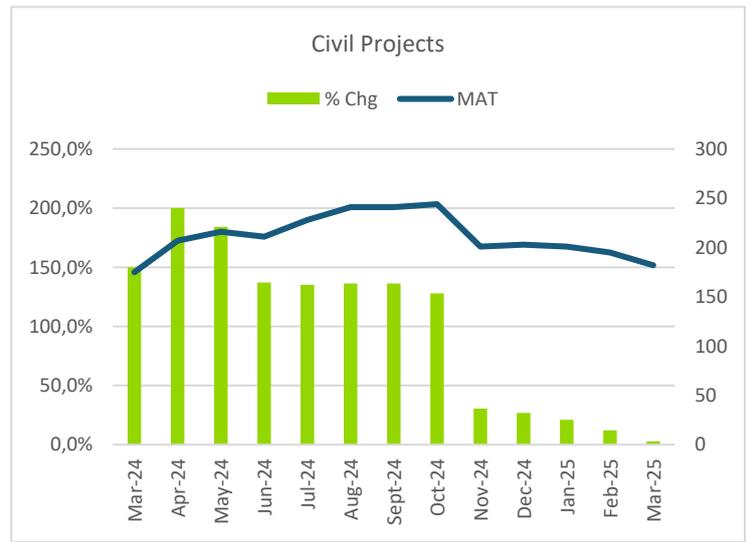
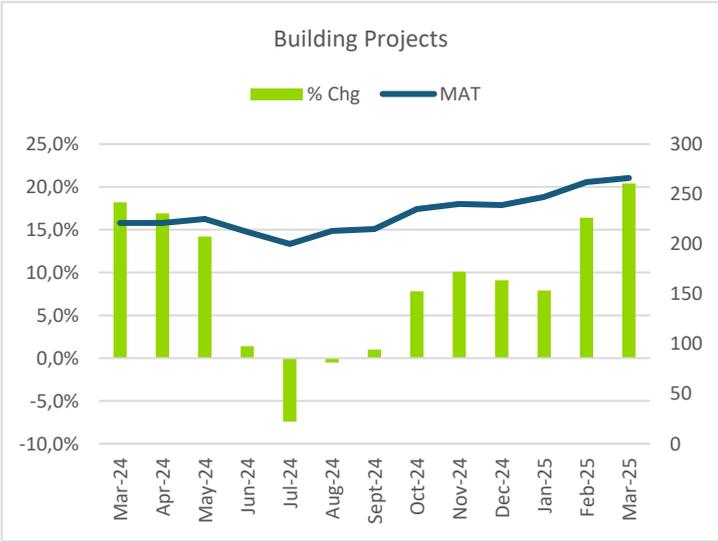
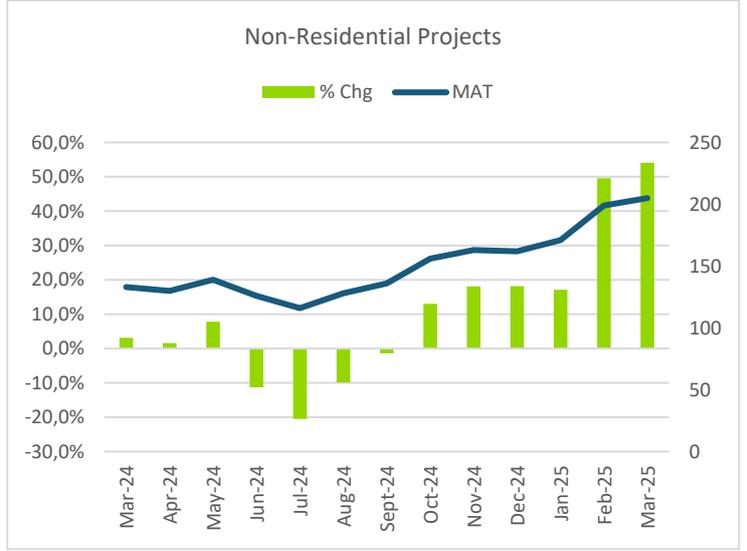
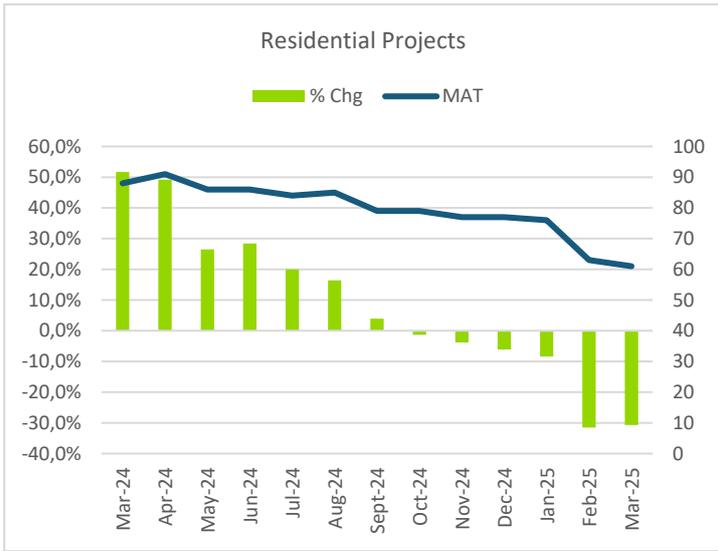
	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sept-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25
Building	11,40%	19,10%	16,10%	-1,80%	0,30%	-5,20%	-0,70%	1,40%	-12,10%	-19,90%	-22,70%	-20,20%	-29,90%
Civil	17,40%	9,20%	13,40%	14,20%	1,50%	-5,40%	-8,40%	-14,60%	-15,40%	-15,50%	14,20%	19,60%	25,90%
Total	15,20%	12,50%	14,30%	8,20%	1,10%	-5,30%	-5,80%	-9,50%	-14,20%	-17,00%	0,60%	5,60%	6,40%



Number of construction projects out to tender



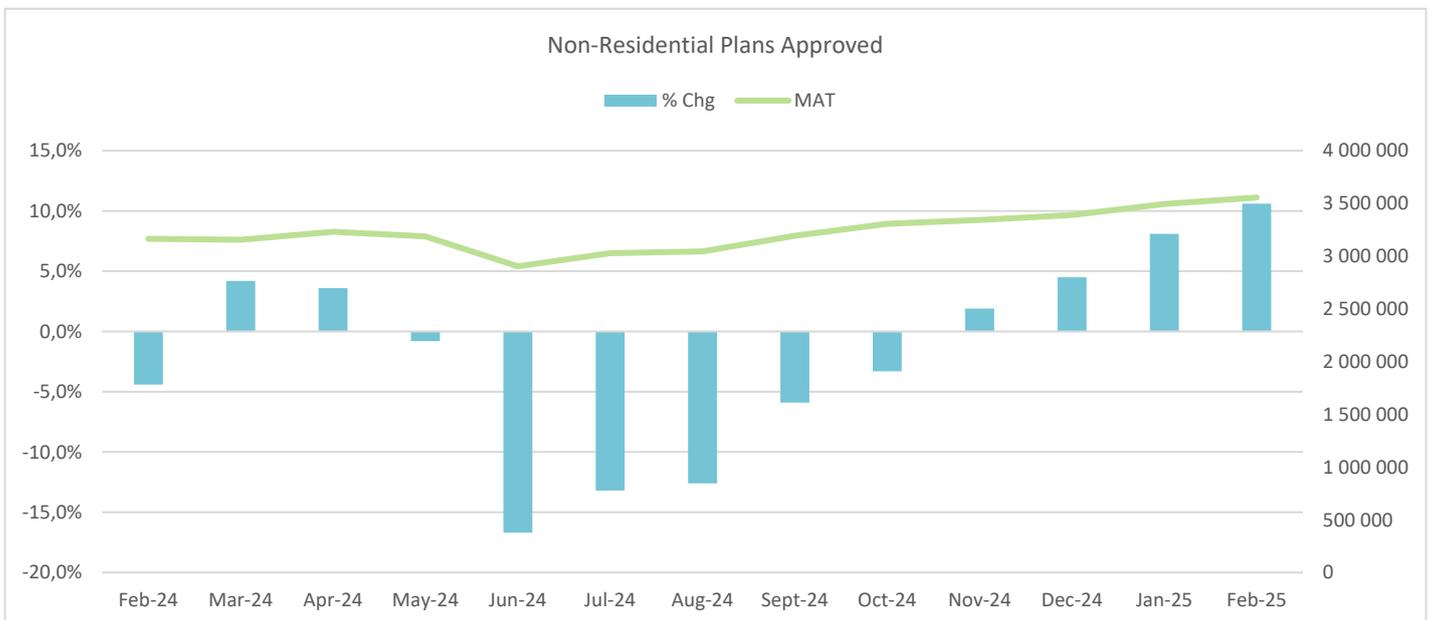
Number of construction projects postponed



Building plans approved by local authorities for private sector construction (Source: Stats SA) Feb 2025

Plans approved, SQM MAT	Y-Y Per Chg	Market Share	SQM	SQM approved Month	Change	MAT, Y-Y Per. Chg	MAT, Y-Y Per. Chg	
Residential								
<80 SQM	-12.9%	3.9%	293 273	17 377	2.7%	-8.5%	-3.1%	
>80 SQM	-8.0%	43.8%	3 260 149	254 623	-11.8%			
Townhouse/Flats	-24.1%	18.2%	1 357 335	64 931	-71.2%			
Other	154.00%	3.4%	254 640	32 778	851.7%			
Renovations	-3.9%	30.6%	2 282 023	190 491	0.7%			
Non-Residential								
Office and Banking Space	-26.9%	5.3%	187 566	29 488	861.8%	10.6%		
Shopping Space	37.5%	21.2%	754 099	48 105	63.8%			
Industrial/Warehouse	17.1%	50.6%	1 797 758	164 710	15.6%			
Additions/Renovations	-6.8%	23.0%	816 869	51 011	-14.2%			

Buildings plans approved: SQM I MAT Percentage change (* MAT = 12 Month moving annual total)





Sources:

Statistics South Africa
South African Reserve Bank
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In partnership, Databuild and Industry Insight have created this monthly dashboard in order to provide insight and monitor trends in the construction industry.

