



Country: South Africa

Construction and Building Material Industry

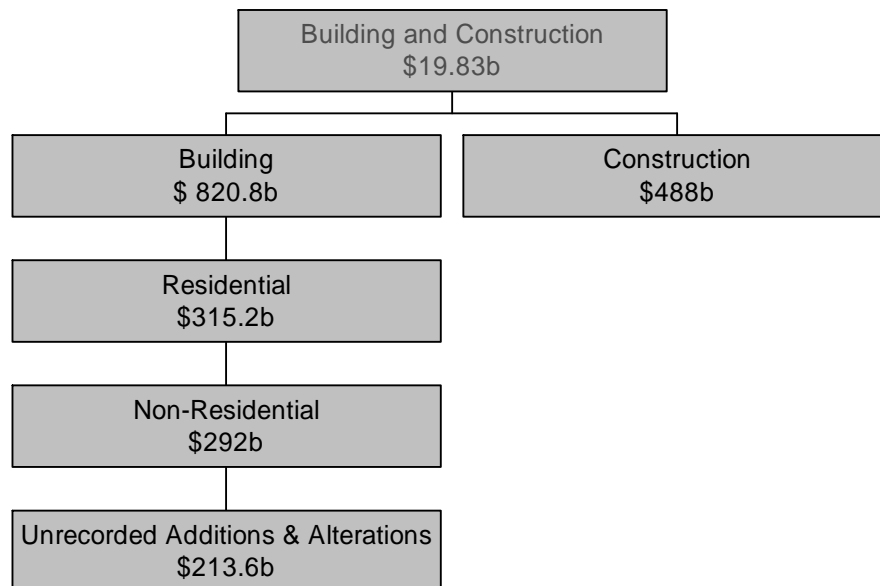
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Summary

The South African construction industry is experiencing significant growth that will be sustained well after 2010. Current investment in the building and construction centers amounts to \$22 billion per year. Public and private sector demand is driving the growth in infrastructure investment. South Africa's Accelerated and Shared Growth Initiative for South Africa (ASGISA). ASGISA is a national initiative, which addresses first and second economies by growing investment and infrastructure that targets an economic growth rate of 6% and aims to halve poverty and unemployment by 2014. ASGISA is driving public sector investment and associated private sector investment.

Market Demand

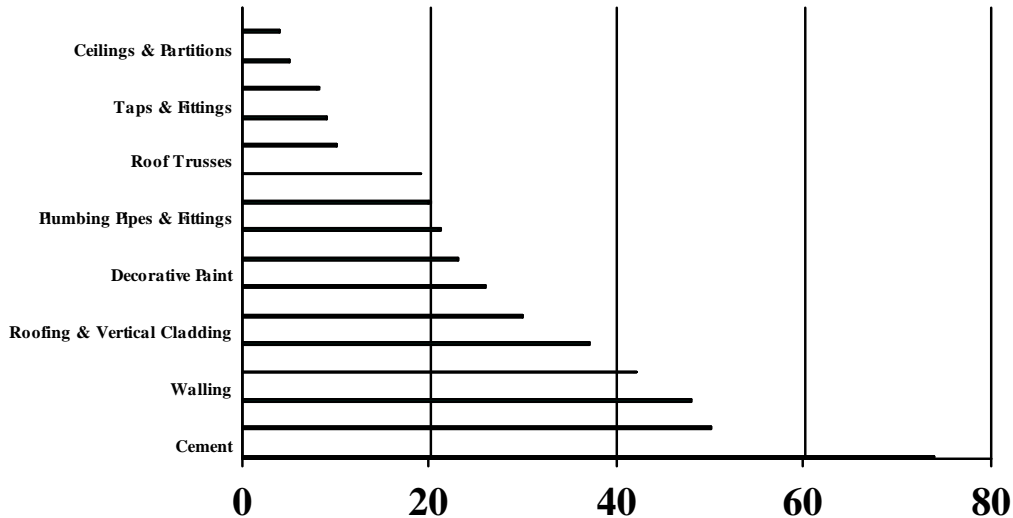
The market for building and construction materials is derived from primary building and construction activity. Investment in the building and construction sectors currently amounts to about \$20.3 billion per year including unrecorded additions and alterations.



Source: BMI-BRSCU

An overview of the major product groups is given below, together with a more detailed breakdown in the following table. The breakdown provides an estimate of the market for the major product groups, representing about 49% of total building and construction materials.

Main Production



Source: BMI-BRSCU

A large number of manufacturers supply the building and construction market. Some 65% of materials are sold into the building industry and 35% into construction. The split in the building industry is approximately one third into each of the sectors, i.e. residential, non-residential and additions and alterations and home improvement (including unrecorded home improvement).

Of particular importance is the activity in additions and alterations, around \$1 billion in the home-improvement market and \$172 million in the non residential market .This significance of the home-improvement market is evidenced in the outstanding performances of the materials distribution companies such as Cashbuild, Iliad and Italtile. A total of 1.23 million households (11.24%) undertook home improvement of more than \$127 in 2006.

Regular improvements in non-residential buildings are undertaken due to the strong competition for attracting tenants and customers. Continuous beautification, upgrading and reconstruction are parts of the process of keeping and attracting tenants and customers.

The planned infrastructure expenditure estimates by general government and public corporations by 2010 amounts to over \$38.4 billion over the next three years. This marks a significant increase in planned expenditure by these sectors. The ability of the materials sector to meet the demand of government and public corporations is a key focus of the Infrastructure Inputs Sector Strategy (IISS) commissioned by The Presidency.

Market Data

In 2006, the building and construction industry employed 451, 000 people, 71% of which was in the building sector and 29% in construction sector. In addition to formal employment, it is estimated that an additional 320,000 employees are employed in the informal sector. Of the on-site workers in the industry about 50% are unskilled workers.

The current building and construction materials market is estimated at about \$11.88 billion per annum, with 60% sold direct to end-users and 40% via the distribution/merchant network. Of this total of \$11.88 billion, \$2.12 billion (18%) of materials would be used in the additions, alterations and home improvement market (including unrecorded home improvement). This bodes well for U.S. suppliers to the building and construction industry

Estimate of Imports and Exports 2006 Source: BMI-BRSCU

Product / Material	Imports %	Exports %
Insulation	20-25%	0-25%
Particle Board	5-10%	Minimal
Medium Density Fiberboard	90.00%	Nil
Glass	2-38%	5-15%
Plastic Piping	2%	6%
Timber Prefab Trusses	10%	10%
Steel Prefab Trusses	15%	85%
Window Frames	2%	5%
Door Frames	2%	
Carpet	5%	10%
Ceramic Tiles	35%	11%
Galvanized Iron	19% to 44%	25%
Chromadek/Globalcoat	5% to 25%	35%
Steel Tiles	1%	20%
Cement	5%	1%
Range	5% to 44%	0 to 85%

The escalating costs for building supplies and services are increasingly becoming a serious challenge for South Africa's ongoing infrastructure upgrades in ports, rail, pipelines and electricity generation.

Most of the building and construction materials required by the industry are manufactured locally. However, imports are readily available across the product groups, and are particularly important in high value aspirational products such as ceramic wall and floor tiles, taps and mixers, and sanitary ware. Commodity products are imported when need dictates, such as in the cement market. Over 750, 000 tons of cement was imported in 2006, mainly by the cement manufacturers themselves.

Imports are typically from countries with large production capacities and low costs, and are particularly prevalent from China, Eastern European and Latin American countries. Very often these products are landed in South Africa at prices lower than that of the local production costs.

Best Prospects

Green Technologies

With ever-increasing global emphasis on the need for climate-change mitigation, South African built-environment professionals are beginning to take seriously the ambition to lessen the carbon footprint associated with buildings and residences, especially by using design and technological innovation to decrease energy consumption and limit waste. By developed-economy standards, South Africa is still lagging far behind in its adoption of green-building practices. However, government and the private sector are becoming increasingly conscious of the need for environment-friendly building practices, and corporations are starting to cotton on to the benefits of acting sustainably.

Cement

Cement demand from the region, particularly South Africa, Lesotho, Botswana, Namibia and Swaziland, currently exceeds 14 million tons. It is projected that demand could increase to between 19 and 23 million tons of cement by 2010.

Reinforcing Steel and Sections

Domestic carbon steel sales totaled 5,343,523 tons during 2006, an increase of 26.2% compared with 2005. A wide range of value added product manufacturers and services exist, in the supply, cut, bend and fixing of reinforcing steel and reinforcing mesh, and in the manufacture of steel elements.

Walling

Concrete face and stock bricks have taken market share from clay over the last number of years, and currently account for 57% of the total market for walling (in millions of Brick Equivalents).

Flooring

The major flooring products are: ceramic floor and walling tiles (60% of market by value), carpets (30%), and vinyl products (5%). The Ceramic Industries Group is the largest Southern Manufacturer and supplier of ceramic tiles and vitreous china sanitary ware. Ceramic floor and wall tiles are aspirational products and are used extensively in refurbishment projects.

Roofing and Vertical Cladding

The roofing market consists predominately of steel roofing material, concrete tiles, fiber cement and natural slate tiles. The major market share is commanded by steel at 57%, followed by concrete tiles at about 24% share by volume.

Aggregate and Sand

Aggregate is the name given to different sizes of stone that are used in the building, civil construction and road construction industries. Crushed stone is usually designated as coarse aggregate and sand as fine aggregate. Aggregates make up 70% to 80% of the volume of concrete and typically form between 90% and 95% of asphalt.

Windows and Doorframes

The window and door frame market is about \$240 billion in 2006. The manufacture of steel windows has low entry barriers, therefore, this market has been taken over by small to medium sized downstream enterprises that specialize in local market areas.

Plumbing pipes and Fittings

The total piping used in the plumbing market in 2006 is estimated at 3605 million meters, at a total value of \$17.6 billion.

Roof Trusses

There are about 190 roof truss manufacturers countrywide, and it is estimated that approximately 5.8 million roof trusses are consumed in the building industry annually at a value of about \$18.4 billion.

Ceilings and Partitions

The ceiling market in 2006 was some 26.8 million square meters of retail sales of \$4.6 billion.

Market Entry

Opportunities for enterprise development through the form of new entrants in the manufacture of products with low entry barriers have been highlighted above, with opportunities possible particularly in low capital-intensive manufacturing sectors such as:

- sand and aggregate;
- cement bricks;
- concrete tiles;
- corrugated roof profiling; and
- door and window manufacturing.

Market Issues & Obstacles

There are several testing bodies which have been accredited by the South African National Accreditation System to certify compliance with national or international standards. The National Building Regulations are framed around health and safety requirements. They are mainly performance based and, as such, do not prescribe the materials and construction solutions that may be provided to satisfy the regulations. Deemed-to-satisfy solutions are, however, provided for the most commonly encountered building technologies in SANS 10400: The Application of National Building Regulations. Compliance with the provisions of SANS 10400 and the applicable national standards referenced therein enable compliance with the requirements of the National Building Regulations to be achieved.

Overall residential and non-residential building costs have been increasing greater than the consumer price index. Input building and construction costs are determined mainly by the cost of materials, labor, professional fees, competition, and profit margins. A significant component of this increase is due to materials costs, although skills shortages also play a role in cost escalations. The rising costs for building supplies and services are a serious challenge for South Africa's ongoing infrastructure upgrades in ports, rail, pipelines and electricity generation. The volatility in demand has been a major contributor to capacity constraints and skills shortages, and the consequent cost escalations. These increases in costs will continue to seriously impact the construction industry, and are exacerbated by insufficiently detailed and poorly specified tenders in both the public and private sectors.

Challenges and Opportunities

The ability of the materials sector to respond effectively to the demands will depend on investor business confidence. Several of the factors influencing business confidence are in fact within the influence of the infrastructure related government department, while other factors such as: interest rates, mining rights, labor regulations, transportations systems, power generation, and crime are under the influence of other government and semi-government organizations.

Business and investor confidence in the materials sector is largely dependent on the confidence that the public sector can deliver on its planned infrastructure delivery program. However, public sector delivery capacity is in many cases severely limited-which negatively impacts on business and investor confidence. Current initiatives to strengthen public sector delivery capacity, such as the Infrastructure Delivery Improvement Program (IDIP), need to be continued, intensified where necessary, and cascaded to other spheres of government.

Business-to-Business linkages and procurement are a major drive for BBBEE, also another major driver of many of the enterprise development opportunities that are taking place in the building and construction industry system. Clearly, it is to be expected that the major BEE compliant contractors, materials

distributors and materials manufacturers are well known in the industry, but consideration should be given by the Construction Industry Development Board (CIDB) to establish a voluntary register of materials suppliers to promote the visibility of BEE compliant organizations (in addition to recording the BEE status of contractors)- and thereby promoting the businesses-to-business lineages. This would have to be done in conjunction with registered BEE accreditation organizations.

Trade Events

Green Building Conference and Exhibition
July 7-8, 2009
Sandton, Johannesburg
<http://www.buyusa.gov/southafrica/en/548.html>

For More Information

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