

Economic Meltdown: Impact on Construction Industry and The Consulting Engineering Sector

CESA Seminar

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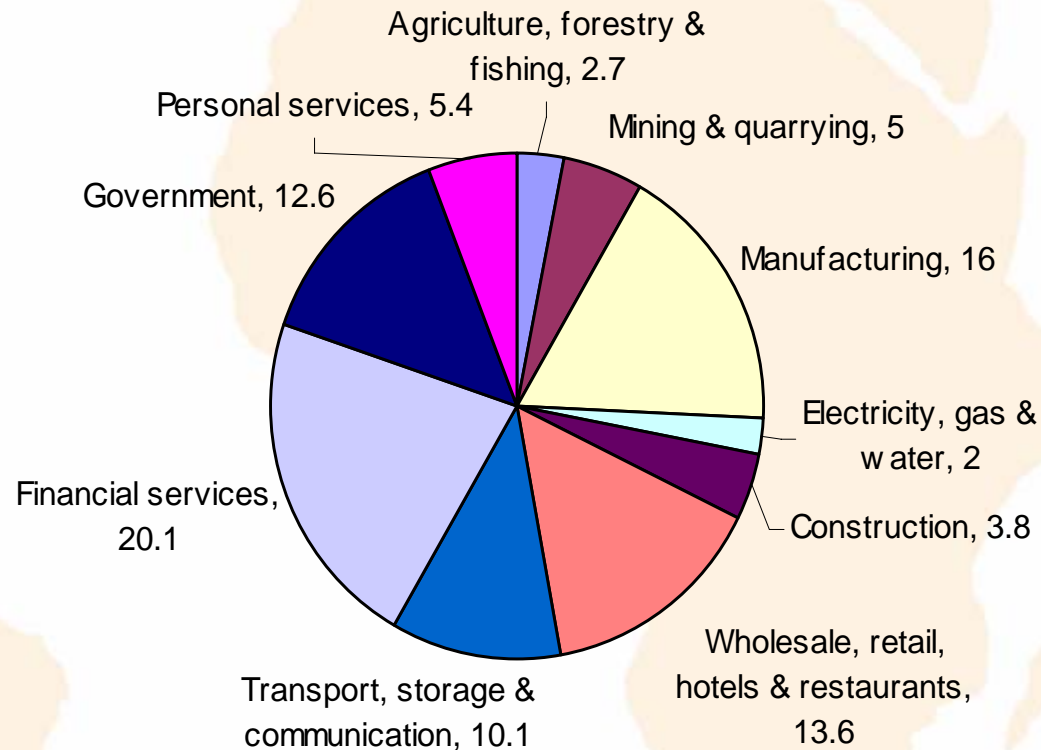
Outline

- Introductory Observations
- The Relative Importance of Construction Sector
- The Changing Composition within the Sector
- Prospects: Challenges & Opportunities

Introductory Observations

- Global financial crisis began with the US housing excesses!
- The construction sector was the leading driver of the international boom- the emphasis was on the residential and resources sectors
- Meanwhile, globally there has emerged a shortage of economic infrastructure & urban amenities.

GDP: a Diversified Portfolio & The Share of Construction



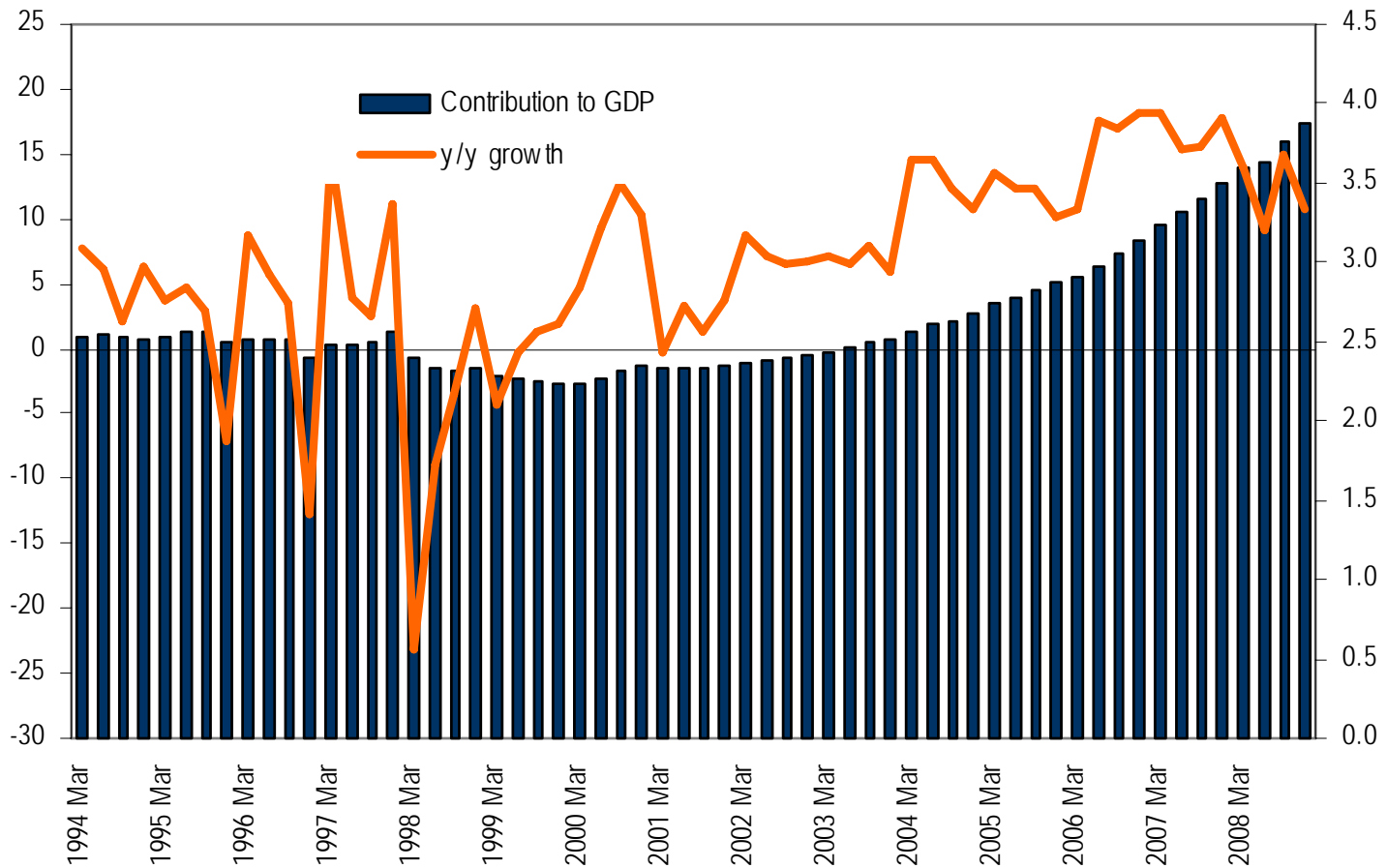
Source: SA Reserve Bank (2008Q4)

The Construction Sector Review

Note that:

The relative share of Construction Sector has risen steadily since 2000

Construction Sector Performance & Share of the GDP 1994-2008



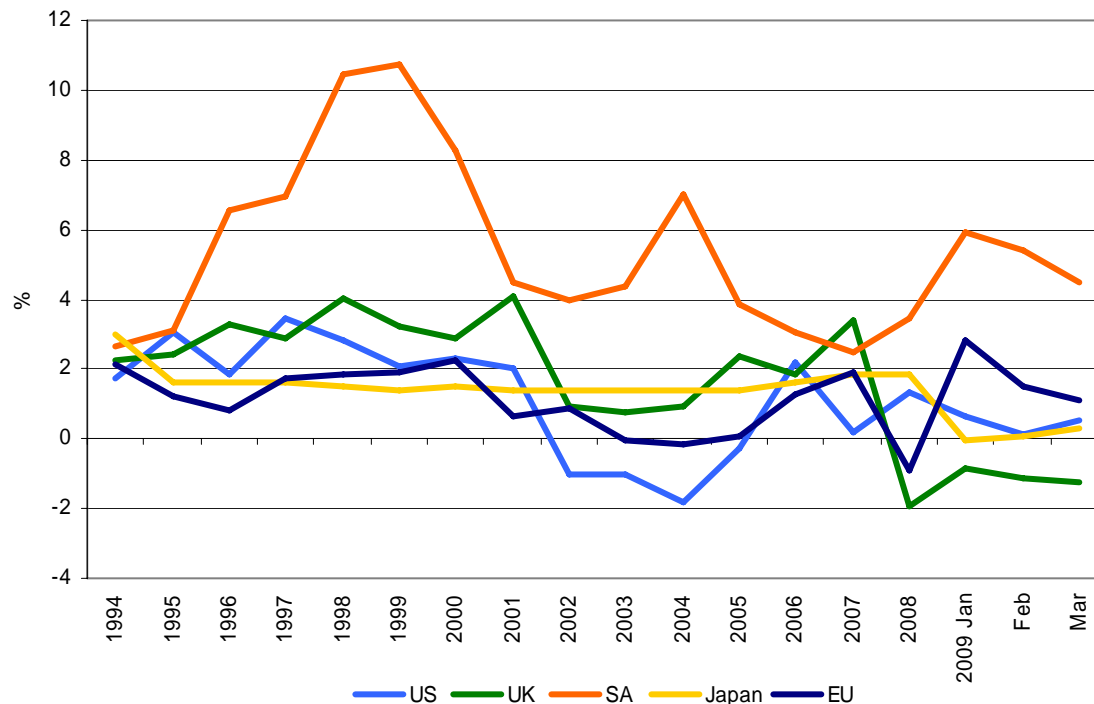
The Construction Sector Prospects

Two factors will support the sector over the short term:

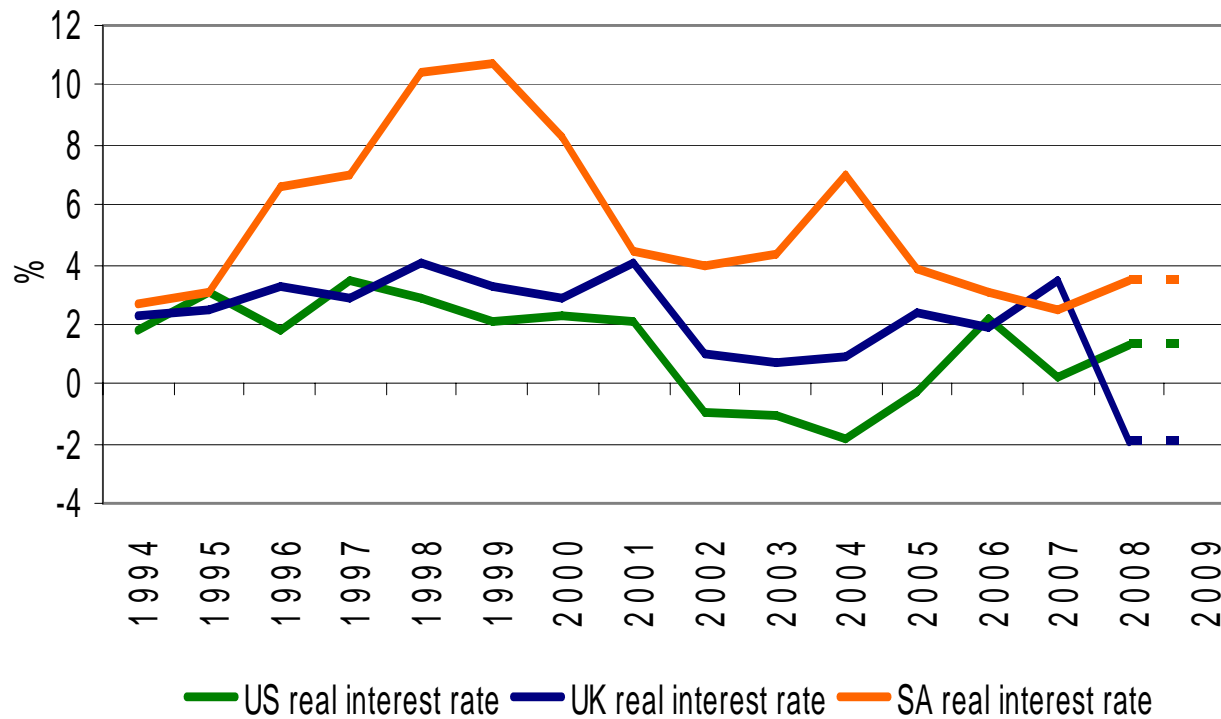
1. Public sector infrastructure projects, especially at local government levels.

2. Falling interest rates

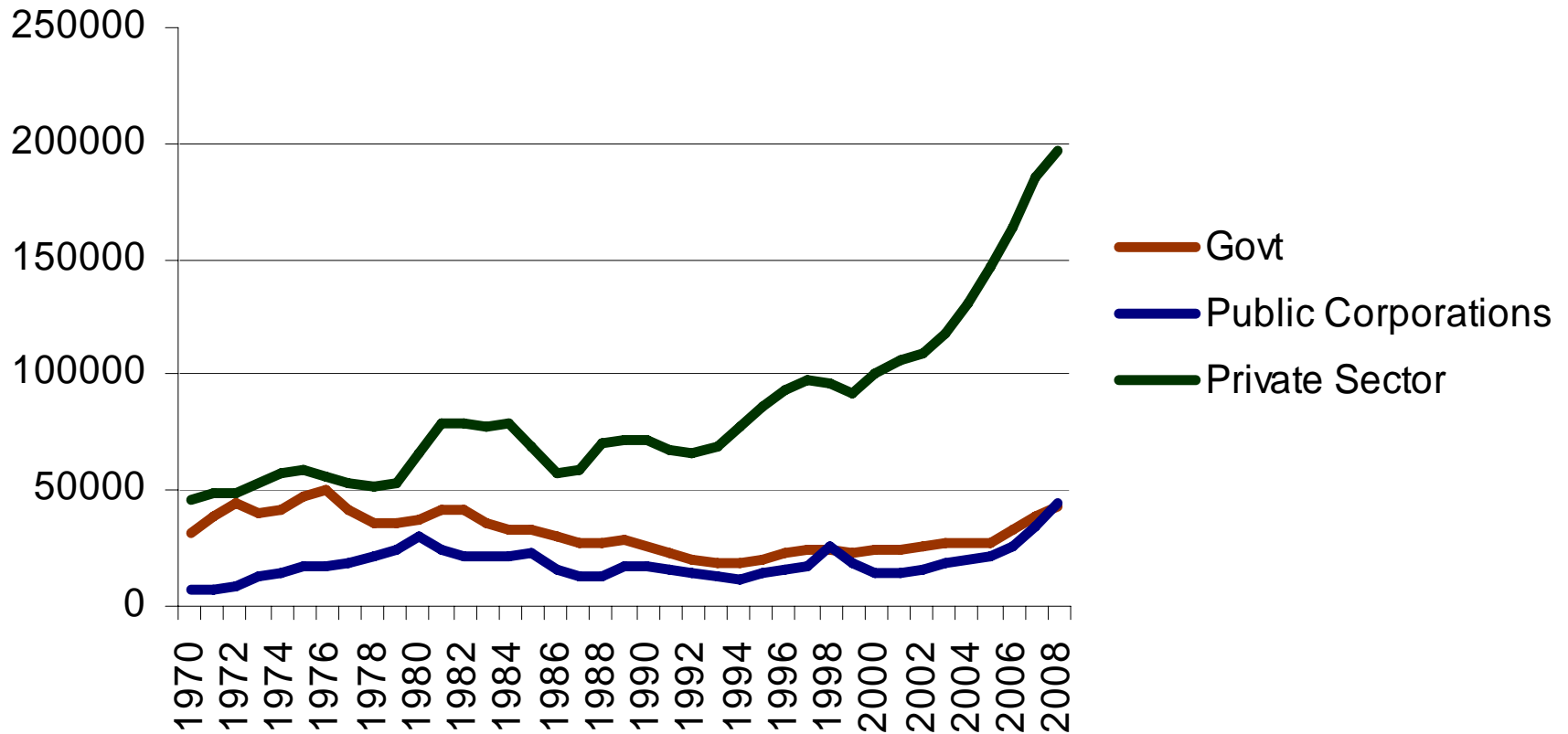
SA's Real Interest Rates Differential is high & would need to fall....



Financial: Real Interest Rates Differential Stable



Real Gross Fixed Investment in SA



Source: SARB

Key Success Factors in Recessionary times

1. Cost effectiveness in service delivery
2. Relative superior performance
3. Creation of value for money opportunities
4. Technological innovation
5. Human resource development and capacity building
6. Flexibility in organisation structure

Concluding Remarks

- SA economy has been hit by the global meltdown
- State capacity remains a critical factor
- Private sector strength is the country's most important capability.
- Government is likely to channel large resources to urban infrastructure
- SA's construction sector is unlikely to be hit as hard as that of some other countries.
- Cost-consciousness is bound to rise rapidly.

Thanking you for your attention

The End

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