Recovering the South African Construction Industry Post-COVID-19

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The South African construction industry had been through a period of unprecedented decline throughout 2017, 2018 and much of 2019. Despite a tsunami of negative factors, the industry has shown a resilience that is common to all South African markets.

Statistics South Africa's 2019 second quarter figures showed a 2.3% growth in construction activity, followed by a further +3, 8% positive growth in Q3. Although there was a down turn of

3.7% in Q4, the sharp increase in real estate transactions in the quarter had many predicting stronger growth for the construction sector in 2020. Overall the industry saw a modest growth of 2.4% in 2019.

There can be no doubt that the South African construction industry has undergone a major transformation. The industry had for many years been driven by massive government expenditure on large scale infrastructure projects. As a result, big, heavily capitalized firms formed to undertake these sizeable ventures. However, as the well of state financed projects slowly began to dry, the industry focus shifted towards the private sector. The big firms gave way to more medium-sized enterprises, that were more adaptable to changing market conditions. The fact that the industry was, given the minimal government spending, able to show growth in 2019, demonstrates that while the industry may be injured, it is not terminally ill.

South Africa is currently, as is the rest of the world, in an unparalleled situation; or at least we're in a situation not experienced since 1918. Whatever our political leanings, we can agree that the South African government's handling of the COVID-19 crisis to date, has been exemplary. Our President has made us proud. He has inspired confidence in the face of conditions that are not conducive to encouraging positivity. It is perhaps the first time ever that there has been a genuine feeling in South Africa that we are one nation and that we are all in this together.

Many had expected a phase of Ramaphoria when President Ramaphosa took office. We expected a quick fix to all of our problems. What we are learning now, is that leadership is not about quick fixes, it is about resilience and strength when we need it the most. We are far from being out of the woods; but we can assess the longest probable path to exit the trees and into the clear space beyond. An effective COVID-19 vaccine is likely a year away, given the number of candidates currently in human trials.

So we know that this crisis will pass. We can assess a probable timeline for our lives to return to as close to normal as we are ever likely to. For a change, our country's leadership has given us hope and optimism. We can carry this period of national unity and conviction into the post-COVID-19 period.

Research giant Fitch Solutions advised in January, that 2020 promised to be dynamic year for the construction industry. In the post-COVID recovery period, it is paramount that the positivity that our construction industry had demonstrated in 2019 is nurtured and sustained. In order to ensure preparedness, there are many key questions that must be answered now.

The government has ignored the plight of the construction industry for many years. The industry is still shaking off the decay resulting from the state capture period. The forecast for 2020 had been the first positive outlook for the industry since 2010. If South Africa is to emerge and recover from the global pandemic, its construction industry must be placed front and center of the charge forward. The national and the provincial governments have a raft of high value "catalytic" projects in various stages of development. These are a ready reserve of economically stimulating projects. As many of these projects as possible need to expedited to their implementation phases.

In1932, during the midst of the Great Depression, the only economic period comparable to the current global situation; Franklin Delano Roosevelt was elected as the new US President. He pledged to use the power of the federal government to wrestle the country from the slump. The backbone of Roosevelt's "New Deal" plan was construction. He set the country to building a range of public works projects like bridges, dams, highways, post offices, schools and parks. Many economists credit America's post WW2 success to Roosevelt's actions in the 1930's. Those actions allowed the country to literally work its way out of the Great Depression.

Not all of the parameters are the same in the current South African context. The South African and the global economies were fundamentally stable pre-COVID-19. The core structural weaknesses in the world economy that resulted in the 1929 crash are not applicable today. However, the notion of using the construction industry and public projects to alleviate economic distress is still sound. It was applied not only in the USA in the 1930's, but throughout Europe and many other regions.

South Africa is fortunate to have the supply chain, the professionals, the expertise, the workforce and the ambition to use a substantial revival of the construction industry to reawaken its economy post-COVID-19. Construction is not only a substantial employer of skilled and unskilled works, but it is a significant driver and catalyst for the quarrying, manufacturing, trade, transport, banking, real estate and business services sectors.

There are currently thousands of ongoing construction projects of all description on hold in South Africa. It is imperative that the challenges that will be faced post-lockdown to restart these projects be assessed in advance, wherever possible. This is crucial to the health of the industry. Most importantly the government must be made to recognize the enormous contribution that the construction industry can make revitalizing the South African economy.