

## **Building Activity Shows Decline, Stats SA shows**

The figures show that while total building plans passed increased in January, the residential sector is still under pressure and will remain so during 2008 due to high interest rates.

They also show that planning for future projects was beginning to decline in general because of economic factors even before the cutback in projects being caused by the Eskom crisis is factored into the equation.

Stats SA says growth in total building plans passed increased in January by 18,6% year-on-year (y/y) to record the highest growth since March 2006 of 21% y/y following two consecutive declines in both November and December of -18,7% y/y and -13,3% y/y respectively.

The recovery in growth in total building plans passed in January was led by an increase in two categories.

One was in non-residential buildings, which rose by 67,5% y/y in January from -5,4% y/y in December because of major projects being passed for shopping space and additions to non-residential space.

Additions and alterations also increased, in this case by 34,6% y/y in January from a decline of -15,4% y/y in December.

But residential building activity remained negative, declining by -7% y/y from -15,3% y/y in December.

During the three months (November 2007 to January 2008), building plans passed increased by just 0,9% y/y, with residential building plans declining by -4,4% and non-residential building plans up by 9,4% y/y.

Analysts say the decline in residential activity indicates that the outlook for this sector remains negative.

Building completions were negative during the three months at -8,9%, led by a substantial decline in additions and alterations of -16,4%.

Growth in plans passed followed a declining trend in 2007 given the high interest rate environment.

“This trend is likely to remain, exacerbated by the power supply shortage and prospects of interest rates increasing further,” says one analyst.

“Overall, the building statistics were on the surface apparently encouraging, but any improvement on just one month’s data would hardly signal a reversal in the trend.

“The power supply shortage and Eskom’s proposal to delay providing quotations on electricity connections to developers for large projects will see building activity slow.

“The property (non-residential and residential) construction sector remains under pressure, and is likely to continue well into 2008,” said the analyst. “However, the construction industry should remain supported by infrastructural investments.

Building plans passed in January (adjusted real y/y % change):

Total: 18,6%.

Building completions in January (adjusted real y/y % change):

Total: -8,9%