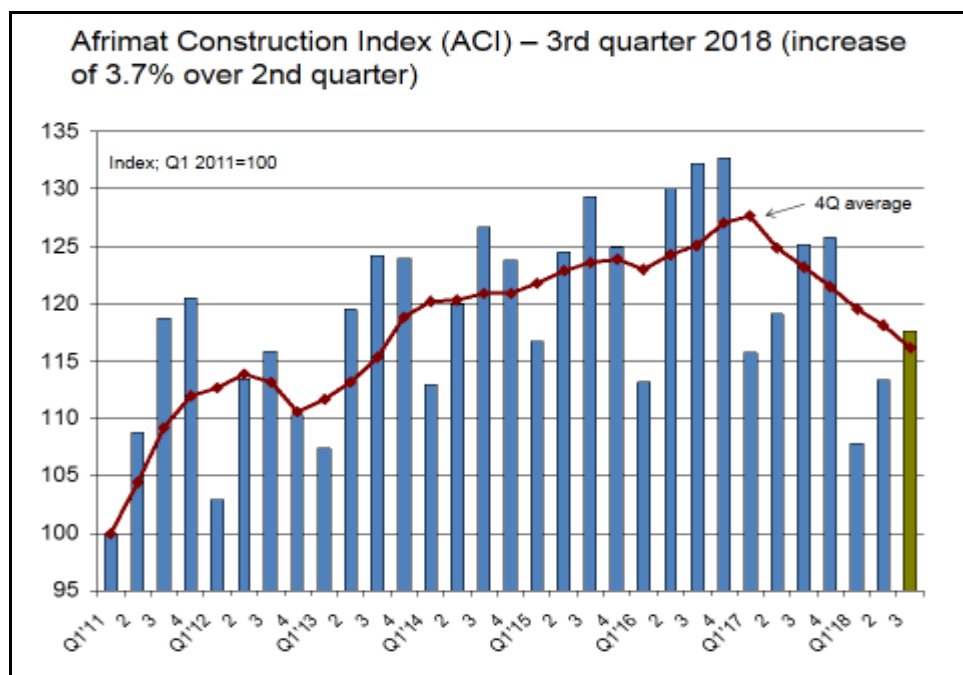


Afrimat Construction Index for the third quarter of 2018 shows further improvement in sector activity

Johannesburg, 5 December 2018 – Afrimat, the JSE-listed open pit mining company providing industrial minerals, bulk commodities and construction materials, has released the findings of the Afrimat Construction Index (“ACI”) for the third quarter of 2018. The ACI is a composite index of the level of activity within the building and construction sectors, compiled by renowned economist Dr Roelof Botha on behalf of Afrimat.

According to Botha, the index level recorded in the third quarter of the year increased by almost 4% over the second quarter figure, following an impressive gain of almost 7% between April and June. The ACI is now more than 9% higher than after the sharp decline that occurred in the first quarter of 2018.

“This reflects welcome and broad-based recovery of the level of activity in the South African construction sector, with all of the eight constituent indicators recording gains over the second quarter. It is also encouraging that the overall result has improved by 17.6% since the first quarter of 2011, the base period, which is considerably higher than the increase in the country’s real GDP of 11.2% over this period.”



Botha indicated that the best performers during the third quarter of 2018 were the value of hardware sales, the value of buildings completed and building plans passed in the country’s larger municipalities, and the volume of building materials produced.

“Since the base period for the Index in the first quarter of 2011, all eight indicators have also recorded gains, with the most impressive ones being employment in construction, salaries and wages in construction, the value of hardware sales, and the value of buildings completed in the larger municipalities.”

Average annual increase in the constituent	
Indicators of the Afrimat Construction Index 1st quarter 2011 to 3rd quarter 2018	
Indicator	%
Employment in construction	5,1
Salaries & wages – Construction	4,5
Retail trade sales – Hardware	4
Buildings completed (value)	2,6
Building materials (sales)	2,1
Construction value added	2
Building plans passed (value)	2
Building materials (volume)	0,2
Afrimat Construction Index	2,2
Real GDP	1,4

He further pointed out that the Index provides a balanced and realistic view of the level of activity in the construction sector as it evens out the contradictory trends that are often portrayed by the individual components that comprise the ACI.

However, the recovery in construction activity has not been sufficient to lift the ACI into record territory as was recorded in the fourth quarter of 2016. According to Botha, four factors contributed to the declining trend in the four-quarter average index value:

- Lethargic economic growth, in general.
- High interest rates, which continue to burden industries that rely heavily on debt financing.
- Policy uncertainty, especially regarding the possibility of land expropriation without compensation.
- The serious drought in the Western Cape, which had placed a damper on building construction activity in the province with the fastest growing construction sector.

Botha says that the initial success of President Cyril Ramaphosa’s investment drive bodes well for the sector’s prospects in 2019, especially after traditional nervousness surrounding Parliamentary elections has dissipated. According to statements made at the recent Presidential Investment Summit, the combined value of pledged investments by foreign and local companies is close to the R700 billion mark.

A clear indication of the improved sentiment towards South Africa by the international investment community is the fact that inward foreign direct investment reached a new record high of more than R21 billion during the first half of 2018 (in terms of average quarterly inflows).

South Africa’s president has already begun to forge closer cooperation between government and the private sector, which promises to reduce the level of policy uncertainty in the medium to long term. Combined with the prospects for an increase in capital formation (in absolute terms and as a % of GDP), it seems likely that 2019 could witness solid growth in construction activity.

“Afrimat continues to find pockets of opportunity, not only in the construction and materials sector but also in the broader mining sector. The result of this quarter’s ACI supports what we have been experiencing. We will always focus on our competitive advantages, which include our geographic footprint, unique metallurgy, structural cost advantage and highly entrepreneurial culture, with our iron ore operation adding support to the group overall,” said Andries van Heerden, CEO of Afrimat.

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