

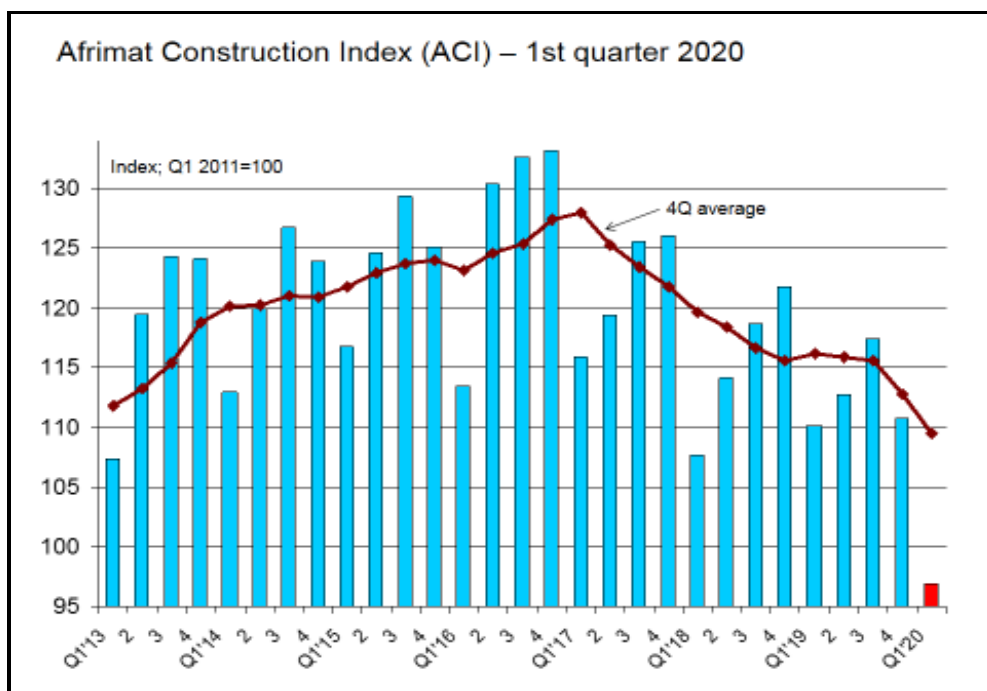
Afrimat Construction Index – infrastructure spend key to reviving sector

Johannesburg, 2 July 2020 – 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 first quarter of 2020. The ACI is a composite index of the level of activity within the building and construction sectors, compiled by economist Dr Roelof Botha on behalf of Afrimat.

While the results of the ACI for the first quarter of 2020 are considerably down, hope for recovery for the construction sector lies in Government’s infrastructure-led economic growth recovery plan post COVID-19, according to Dr Botha. “The results of the Index prove just how important the recovery plan is and, given the current low levels, we should see an immediate effect if activity is increased.”

Botha added that in addition to the strong likelihood of a resurgence in infrastructure spending, another key driver of recovery is the lower interest rate environment. “If lending rates remain at their current levels for several years, the imminent post-pandemic recovery should gain considerable momentum in 2021.”

Although the sector represents the third smallest key sector of economic activity, with a contribution of 3.3% to the country’s total output, construction activity nevertheless possesses a multitude of forward and backward linkages with most other sectors. It also plays a pivotal role in the development of new infrastructure, with a dominant contribution to total capital formation of close to 50%.



The trend of the ACI, as measured by the four-quarter moving average, has declined by 14.5% from its peak, recorded in the first quarter of 2017. The Index itself declined more than 27% from its highest level, recorded in the fourth quarter of 2016.

According to Dr Botha, the quarter-on-quarter decline of more than 25% in the real value of building plans passed by the country’s metros and larger municipalities is a point of particular concern.

% Change in the constituent indicators of the Afrimat Construction Index
1st quarter 2019 to 1st quarter 2020

Indicator	%
Building Plans Passed (Value)	-25.9
Building Materials (Sales)	-18.5
Building Materials (Volume)	-16.6
Buildings Completed (Value)	-8.9
Construction Value Added	-5.3
Salaries & Wages – Construction	-2.9
Retail Trade Sales – Hardware	-0.1
Employment In Construction	0.3
Afrimat Construction Index	-12
Real GDP	-0.1

Afrimat CEO, Andries van Heerden, says although the Index results are down, he is heartened by the steps being taken by Government in terms of the proposed infrastructure spend, adding that the assurance given by Dr Kgosientsho Ramokgopa, Head of the South African Presidency’s Investment and Infrastructure Office, that commitments of tens of billions of Rands have already been received, is good news.

“This bodes well for companies involved in infrastructure development and throughout the supply chain, particularly the construction sector, and our hope is that this can bring about some recovery and help reduce unemployment levels.”

In closing, Van Heerden commented that Afrimat remains extremely well-positioned to benefit from the promised upswing in infrastructure development, and looks forward to participating in related infrastructure spend that follows given the diversity of products available in the Afrimat arsenal.

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