Build with Confidence

Build Trends

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Y-o-y growth in retail remains weak

New fund being considered to tackle R75bn road maintenance backlog

R1bn guarantee fund to encourage banks to finance affordable housing

Macro-economic trends impacting on construction industry

South Africa's Reserve Bank moved to squash speculation on any more interest rate cuts, signalling the easing cycle that has taken the bank rate to a three-decade low may be over. The central bank unexpectedly cut the repo rate by 50 basis points in March to 6,5% to help accelerate the recovery from last year's recession, the first since 1992, and as inflation slows.

> *Reserve Bank signals end of rate cuts.*

Soft retail sales numbers, highlighted the dire state of household finances and fed hopes on another cut at the May policy meeting, sending bond yields and money market rates to their lowest levels in more than a year.

But, SARB Governor Gill Marcus all but crushed those hopes, telling economists at a conference that the repo lending rate would likely remain stable for "some time".

"The scope for further easing is limited, and the repurchase rate is likely to remain stable for some time."

This was not an unconditional commitment, though, and would depend on major changes to the outlook for inflation, markedly lower economic growth or sustained, further rand strength, she said.

Marcus warned economists and markets not to read too much into the retail sales data, which continued the contraction in year-on-year sales, echoing earlier comments of her advisor, and the central bank's chief economist, Monde Mnyande.

"I should, however warn against jumping to conclusions, particularly on the basis of one month's data ... It does not ... follow that one bad retail sales number automatically leads to a need for further easing," Marcus said. Both Marcus and Mnyande stressed that the central bank was committed to promoting financial stability and maintaining low inflation.

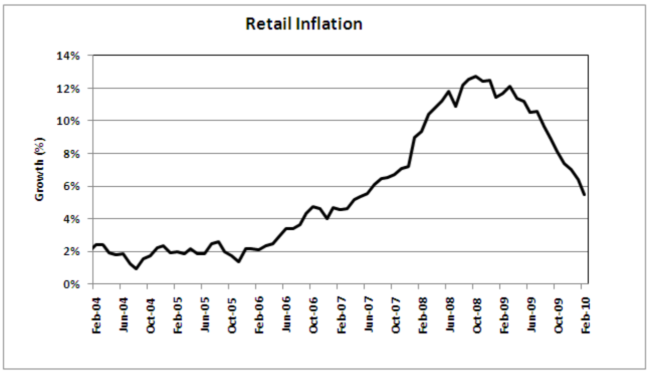
Source: Reuters, 22 April 2010

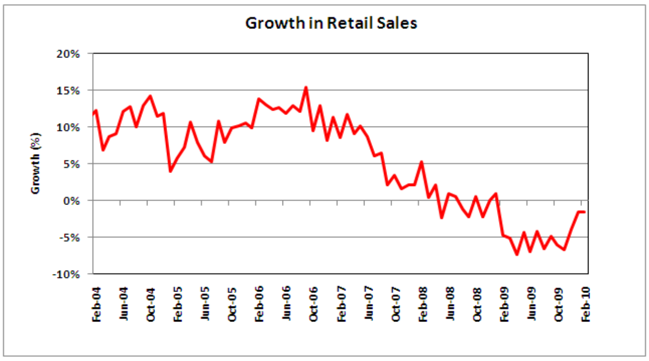
Disappointingly, the y-o-y growth in retail sales remained unchanged at -1.5% in February, from January (previously reported as -1.7%). Even more disappointing is the fact that the y-o-y growth in retail sales for February was boosted statistically, since February's retail sales were compared against a much lower year-ago base.

One had been hopeful that the lagged effects of the 5% decline in interest rates between December 2008 and August 2009, as well as a loosening up of stringent credit extension requirements by banks were beginning to improve the financial position of highly indebted consumers. However, it would appear that over-indebted households remain under financial pressure and therefore remain cautious with regard to spending.

The growth in sales of dealers in furniture and appliances followed its upward trend of the past few months by increasing further, to 5.1% in February, from 1.9% January. Disappointingly, the y-o-y growth in sales of dealers of clothing, textiles and footwear declined to 5.0% in February, from 7.2% in January. The y-o-y growth in sales of general dealers has reflected little improvement in the past few months; however, in February it reflected a greater improvement than those witnessed in recent months, increasing to -0.8%, from -3.5% in January.

If one measures retail inflation crudely as the difference between growth at current prices and growth at constant prices, the retail inflation rate declined for the seventh consecutive month, to 5.5% in February, from 6.3% in January. This represents the lowest such inflation rate since June 2007.





It is expected that retail sales will improve in coming months for a few reasons. Firstly, the lagged effects of sharply lower interest rates will aid in improving the financial position of highly indebted consumers. Secondly, the FIFA Soccer World Cup and the expected influx of foreigners will no doubt provide a boost to the retail sector. Finally, for statistical reasons, one should witness an improvement in the y-o-y growth of retail sales in the months ahead as one will be comparing against a low year-ago base (due to the effects of the recession).

Source: Econometrix, 14 April 2010

Gordhan warns on taxes if recovery is slow.

South Africa's government may consider raising taxes if the economy does not recover enough to boost tax revenue, according to Finance Minister Pravin Gordhan.

"At that stage (February's budget) we didn't see any need to increase taxes, but if the economic and revenue position does not improve we will have to look at that question again," he told parliament's finance committee.

An economic downturn last year hit government revenue, lifting the budget deficit, although a bigger than expected tax take in the 2009/10 financial year put the shortfall at 6,8% of GDP, less than the forecast 7,3%.

South Africa kept spending up despite last year's recession to help the economy recover but has vowed to gradually cut the deficit and reduce debt.

Lesetja Kganyago, the director-general of the National Treasury, said the budget deficit was expected to remain relatively large for the next three years due to a still weak global economy that may also curb local growth.

"The potential for a slow global economic recovery implies a sizeable budget deficit over the MTEF (three-year medium-term budget)," he told lawmakers, warning job creation was also seen as "sluggish".

South Africa's economy shed almost 900 000 jobs last year, pushing the official jobless rate up to nearly 25%, but analysts see the recovery and the hosting of the soccer World Cup as helping to create jobs.

Africa's biggest economy contracted 1,8% in 2009 and is seen growing by more than 2% this year, still way off the average 5% of the five years until 2008.

Kganyago said strong wage pressures and high oil prices were risks to the economic outlook, adding unused productive capacity may moderate investment growth this year.

South Africa's Reserve Bank unexpectedly cut its repo rate by 50 basis points to 6,5% last month to help speed up the recovery. Inflation has slowed faster than the central bank had expected, but large fuel and power price increases are clouding the price outlook.

Source: Reuters, 14 April 2010

South African investment bank Absa Capital announced an upgrade to its 2010 growth forecast for the South African economy, from 3,1% to 3,3%, but also warned that South Africa's electricity shortages could constrain future mining and industrial investment and undermine future growth prospects.

Head of research Jeff Gable said that the country's "tight" reserve margin position remained a "binding constraint", while the lower consumption and production patterns reported during the 2009 recession had masked the seriousness of the situation.

The bank, which is an affiliate of Barclays Capital, argued that there had been no "secular decline" in consumption patterns, and that the South African economy remained energy intensive in nature, despite the calls made, after the blackouts of 2008, for businesses and households to reduce consumption.

"The underlying challenge is not, I would put to you, how we are going to finance the expansion, it's rather: 'Where are we going to find enough electricity so that the economy can grow?'," Gable said.

The electricity crisis could also affect the South African government aspirations to rebuild its manufacturing base as well as to increase minerals beneficiation, both of which are integral to South Africa's second industrial policy action plan, or Ipap2, which became operational in April.

It could also place limits on the country's so-called New Growth Path, which was being developed by Economic Development Minister Ebrahim Patel. Here, too, the emphasis was being given to industrialisation efforts.

Gable argued that the discussions between Eskom and BHP Billiton on the pricing of smelter contracts indicated that South Africa was keen to reduce the electricity intensity of its future growth drivers. This would imply greater investment in services sectors, rather than power intensive sectors.

"It really depends on whether the next phase of economic growth will come from shopping malls and financial services, or whether it will come from, at the limit, aluminium smelters," Gable quipped. "But I can tell you what the answer is going to have to be: 'For the next five years, at least, if the South African economy is going to grow quickly, it is going to have to grow most quickly in those areas that use electricity lightly."

However, a contradiction could be developing between the pursuit of an industrial policy that has growth aspirations in sectors that were power heavy, "in a country that is going to be electricity light".

"How is that going to work? I don't have an answer to that, but I think it's a very good question," Gable said.

Trade and Industry Minister Dr Rob Davies was more optimistic, however. In response to a question posed by Engineering News Online on whether the Ipap2 had taken full cognisance of the constraints posed by the prevailing power crisis, Davies said that he did not believe it would "knock the rest of the programme so dramatically that we can't achieve anything".

Speaking at a Ceef.Africa business briefing, Davies stressed, though, that electricity prices, together with the threat of higher steel prices, would definitely be a factor in driving up the cost of doing business.

Source: Creamer Media Reporter, Terence Creamer, 8 April 2010

Foreigners to boost SA economy during World Cup by estimated R13-billion.

Foreigners will inject R13-billion into South Africa's economy during the World Cup, helping the soccer spectacular boost economic growth by 0,5 percentage points.

The estimated gross economic impact for South Africa, including indirect spending and infrastructure built over the past four years, will be R93-billion, according to a study by the accounting firm Grant Thornton.

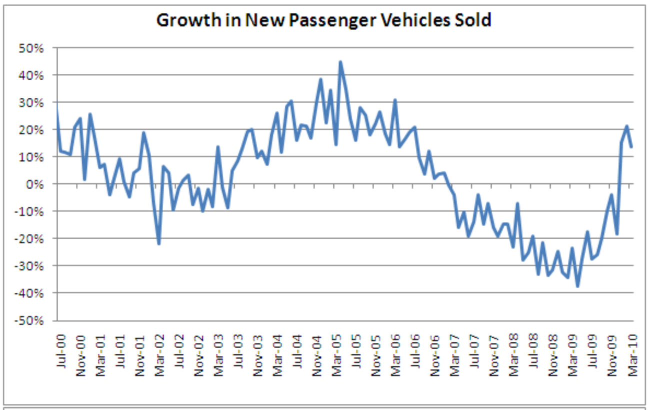
But the bulk of this is internal government spending.

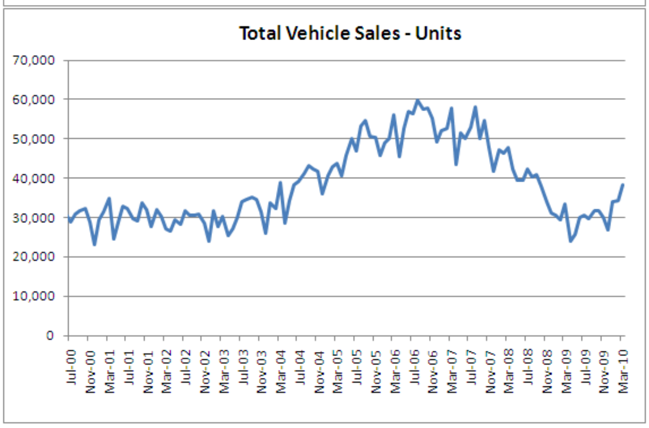
Gillian Saunders, who led the study, told journalists and

economists that less foreign fans were expected to come than previously thought, but those that did would spend more compared to other tournaments like Germany in 2006.
Football fever is growing in South Africa but the global economic crisis, the tournament's high cost as a long haul destination and fears of violent crime have reduced the numbers of foreign fans.
"We have revised the figures post the world-wide recession and major ticket sales phases, and some of the numbers are encouraging," Grant Thornton's Saunders said, presenting the study on the World Cup's economic effect.
Grant Thornton has conducted in-depth research into the impact of the World Cup for South Africa, and its reports are seen as authoritative by other analysts.
The month-long soccer spectacular, first in Africa, starts on June 11.
National and regional governments have spent about R40-billion on stadiums, transport and airports.
Foreign fans should spend about R8,8-billion in the country and together with spending by governing body FIFA, other officials and teams, the economy will receive a R13-billion cash injection.
The study showed 373 000 foreigners were expected to visit South Africa for the tournament, about 230 000 of them ticket holders. This is higher than the most recent estimate by the local organisers of 200 000 foreign fans, but down on earlier predictions of 450 000 overseas visitors.
Saunders said about 85,000 fans from the rest of Africa and 20 000 other overseas visitors would travel without tickets, to enjoy the atmosphere at urban fan parks, where games will be shown on big screens.
Ticket sales to Africans may fall to just over 11 000 from a previous forecast of almost 50 000, largely due to a complicated internet sales system and the high cost of travel from other parts of the continent.
However, Saunders said fans from outside Africa should stay longer, and spend more.
"We always thought people would come for more matches in South Africa, because it is a long-haul destination, but it seems to be a bit more than that," she said.
A tourist should stay on average 18,7 days, watch five matches and spend, excluding flights, R30 200 during their stay.
Tourists in 2006 host Germany, close to many participating team countries, watched on average 2,6 matches.
Saunders added the long term benefits of hosting the World Cup could be huge.
While government spending on the tournament has been criticised as excessive, much of the infrastructure will leave a legacy for South Africa, particularly in modernising transport.
Marketing the country through a massive global television audience could attract about 2-million extra tourists over the next three years, according to the study.
"The profiling of South Africa and future spin-offs have always been the real benefit of hosting an event of this magnitude," Saunders said.

Source: Reuters, 21 April 2010

January and February had been characterised by a sharp improvement in vehicle sales in both absolute and y-o-y growth terms. One had expected a little bit of a call-back in the March performance, but this was not to be. Y-o-y growth in NAAMSA car sales did indeed decline, to 13.7%, from 21.4% in February, but this was much less of a decline than might have been expected. A substantial portion of the strong performance once again of car sales is related to the launch of new models.
Although the lagged benefits of sharply lower interest rates are undoubtedly filtering through and banks seem to be prepared to offer credit more readily than previously, one feels the pace of acceleration in car sales is unsustainable. A levelling off is bound to emerge soon.
In the case of LCVs, y-o-y growth in March itself accelerated to its highest level in more than two years, to 15.1%, from 12.9% in February.
Likewise, growth in MCV sales shot up to 12.5% in March, from -35.9% in February. Part of this can be attributable to comparison against an extremely low base of sales for a year earlier, but it also reflects an upturn in overall economic activity and the demand for vehicles for distribution purposes. Finally, there was also a fairly spectacular improvement in growth of HCV sales, to 44.4% in March, from 0.8% in February. One suspects this has more to do with the availability of credit than with any marked upturn in fixed investment.



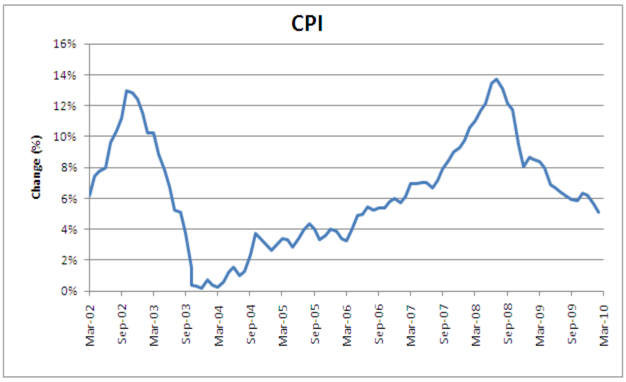


Growth in exports of passenger vehicles also recovered spectacularly in March, to 40.3%, from negative levels of growth in earlier months. Again, this is related not only to the strength of global economic recovery, but also statistically to the fact that exports had collapsed in March last year. As it is, exports of LCVs saw growth declining fairly sharply, to -20.8% in March, from a positive 5.9% in February.

Even though one does not expect the current extraordinary growth rates in vehicle sales to be sustained, the upturn in sales on the back of easier credit and lower interest rates is likely to serve as a warning sign for the authorities to be careful of not loosening monetary policy any further for the time being.

Source: Econometrix, 6 April 2010

The decline in the y-o-y CPI inflation rate, from a recent peak of 6.3% in December down to 5.7% in February, continued into March, falling to 5.1%, its lowest level in almost 4 years.



The magnitude of the decline in inflation was in line with expectations, with a steep fall in petrol inflation constituting the biggest contributor towards the decline. Much of this was attributable statistically to the fact that the petrol price had risen so steeply a year earlier. However, there was also a broadly based decline in the inflation rate of a host of goods, such as food, clothing, appliances, medical products and recreational equipment, all of which probably came about because of the continuing strength of the Rand. Also on the services front there were further declines in inflation, presumably in lagged response to recessionary conditions of the past year and the declines in the inflation rates of various goods. There were, however, a few exceptions, with increases in inflation of insurance, including medical rates. The decline in inflation is not over yet. The fact that the Rand has remained strong in recent months and agricultural food prices have continued to decline in absolute terms, points to further decreases in inflation of several goods, including most importantly food.

However, in the longer term, the biggest threat to inflation lies in the possibility of a renewed sharp slide in the Rand in the event that global financial sentiment turns sour. In addition, public sector corporations run the risk of boosting inflation by introducing large tariff increases aimed at contributing towards the funding of infrastructural investment programmes. Thirdly, in the event that the global economy continues its recovery, especially in China, there is a risk that higher commodity prices will eventually cause a resurgence in inflationary pressures. Finally, trade unions especially in the public sector might continue exerting upward pressure on wage inflation. For these reasons, we do not believe that interest rates will decline further, although such an outcome cannot be completely ruled out in the event that the Rand strengthens further.

Source: Econometrix, 28 April 2010

Key Indicators	2006	2007	2008	2009	FC2010	Ytd Mar-10
GDP	5.6	5.5	3.7	-1.8	2.4	n/a
GDFI	**12.1**	**14.2**	**11.7**	2.3	**0.9**	**n/a**
Residential	7.7	-0.3	-5.7	-9.3	2.7	n/a
Non-res	**13.4**	**20.2**	**12.6**	1.9	**4.7**	**n/a**
Construction	21.9	42.7	24.9	35.9	8.9	n/a
CPI	4.6	7.1	11.5	7.2	5.7	5.7
PPI	**7.7**	**10.9**	**14.3**	0.1	**3.3**	**3.3**
Interest rate	11.2	13.1	15.2	11.8	10.0	10.5
Exchange Rate (R/$)	**6.77**	**7.05**	**8.25**	8.27	**8.04**	**7.51**
Exchange Rate (R/Euro)	8.52	9.66	12.05	11.49	11.53	10.41

Source: Econometrix, Stats SA, Reserve Bank

Building and construction trends

The Department of Transport, in conjunction with the National Treasury, is considering the introduction of a dedicated Road Infrastructure Maintenance Fund to deal with the road maintenance backlog and challenges at a provincial and local level, according to Transport Minister Sibusiso Ndebele.

It was estimated that South Africa had a R75-billion backlog in road maintenance.

"We are looking at a ring-fencing mechanism, which will set aside dedicated funds for road maintenance," Ndebele told journalists in Cape Town.

Ndebele said that the current state of South Africa's road infrastructure was reflective of a lack of sustained investment in road maintenance over many years.

New fund being considered to tackle R75bn road Maintenance backlog.

Deputy Transport Minister Jeremy Cronin stated that 80% of South African roads had surpassed their 20-year lifespan for which they were designed.

It was also highlighted that there was a tendency, at a provincial and local level, to use transport budgets to build new roads rather than maintaining existing infrastructure. In other words, maintenance was a less attractive method of provincial and local spending. It was also revealed that municipalities often lacked the skills to assess and determine the necessary priorities for road maintenance within its jurisdiction.

Thus, government was considering ring-fencing road maintenance finance as a mechanism to ensure that road maintenance would be undertaken in all provinces and that there were available funds to address the backlog. Transport director-general George Mahlalela said that the fund would be financed by money sourced from the Treasury.

The government would also look at introducing efficiencies within its existing resources and would consider more efficient usage of provincial and local budgets to support the initiative.

Source: Creamer Media's Engineering News, Jade Davenport, 13 April 2010

Capital equipment suppliers to the construction industry, particularly those specialising in roads and earthworks, are cautious about the outlook for the second half of the year, following the completion of certain major projects. The concern is that there will be less private work available, resulting in more competition among construction companies, says heavy equipment manufacturer Bell Equipment.

"Come mid-2010, the soccer stadia, along with the supporting airports and road infrastructure, will be complete.

"Certainly the heavy-duty earthworks on the Gautrain project will also be complete and the Gauteng Freeway Improvement Project will also be nearing completion," says Bell Equipment sales and marketing GM Terry Gillham.

However, he adds that, while construction companies may start to feel the pinch later in the year, capital equipment suppliers to the mining industry should not be too adversely affected as commodity prices rebound and mining projects restart.

Gillham reports that, unlike South Africa's mining sector, which felt the brunt of the recession in 2009, the country's construction industry appears to have escaped the economic crisis relatively unscathed as R787-billion [now R846-million] worth of infrastructure projects progressed and South Africa prepared itself for the FIFA World Cup.

Target Cranes director for Gauteng Jan Lourens agrees, stating that, with government spending on infrastructure and the FIFA World Cup infrastructure development, the crane industry did not experience a significant slowdown among the larger mobile crane hire service providers; however, smaller participants in the industry may have suffered owing to the decrease in smaller projects and the intensified focus on technical and health and safety support within the industry.

"We were fortunate to have had contracts in place during the recession, so the impact was not as great as other companies in our market may have experienced," says SA Earthworks MD Sias Steyn.

The mining industry was hard-hit in 2009, says Gillham; some mines had to close, smelters were switched off, large mining projects were shelved and contracts were terminated. Certain projects within the construction industry, however, could not be shelved or stopped, such as major roads, dams and airports.

Gillham does note that, in the past 18 months, the capital equipment market did experience a significant downturn in spite of the active construction industry. He reports that capital equipment market sales basically halved during 2009 across all competitors and all machine categories.

He adds that, in today's economic climate, perhaps even more important than securing an order is the ability of a sales team to find suitable customers and affordable financing.

"All lending facilities have been extremely conservative and getting finance has been more challenging than ever before, as banks looked for large deposits and cash flow projections," says Gillham.

However, HPE Africa MD Alan Grady believes that there are visible signs of a revival in the market. HPE Africa has started to experience an increase in demand for equipment, and he attributes this to banks starting to finance clients again.

"The construction industry is an important one for Bell Equipment. However, the volume of units bought by this industry will generally be less than that bought by mining companies and their related contractors, in 2010," concludes Gillham.

Source: Creamer Media's Engineering News, Carla Thomaz, 2 April 2010

The government has started taking legal action against developers who built shoddy houses for the poor, Human Settlements Minister Tokyo Sexwale said recently. "The department is taking civil and criminal action against companies/developers or contractors who built flawed houses for government housing schemes," he said in a written reply to a parliamentary question by the ANC.

His department would also take disciplinary or criminal action against officials who accepted sub-standard work or colluded with unscrupulous contractors. Sexwale said the legal steps followed a national audit of housing schemes and an ongoing probe by the Special Investigating Unit.

The civil action aimed to recover money lost by the department. Some contractors have "already signed acknowledgements of debt with the department for failure to deliver when money had already been paid to them". The ministry could not immediately be reached to give an indication of the sums involved. Sexwale said where structures needed to be demolished, the department was bearing the cost while litigation was underway to establish the cause of the structural defects. This was done in order not to delay service delivery, he added.

The minister said the department was resolving problems with 500 sub-standard houses in Cala in the Eastern Cape. It would do the same with defective homes in a development of 2000 low-cost houses in Tarkastad, in the same province, in the current financial year. It was currently working on houses in Tarkastad that were unfinished rather than flawed. This project should be finalised by the end of the month, he said.

Sexwale launched a national audit of housing projects in November last year to get to the bottom of what he termed "chronic" and "massive" problems with delivery.

Source: Sapa,7 April 2010

The Department of Human Settlements (DHS) met with key players of the South African financial sector to discuss strategies towards the implementation of the R1-billion guarantee fund aiming to bridge the middle-income bracket gap in housing loans. Earlier this year, President Jacob

Zuma announced a R1-billion guarantee fund to encourage banks to finance affordable housing.

Human Settlements Minister Tokyo Sexwale pointed out that a large sector of the South African economy did not qualify for home loans from the commercial and private banking sector, while also not qualifying for State-funded reconstruction and development programme housing.

The gap exists with people earning between R3 500 and R9 000 a month, such as nurses, teachers, and middle management.

Sexwale said that the fund would mainly be used as insurance for financing home loans and not for part financing. He said that the initial fund would act as a guarantee for loans of up to R10-billion.

R1-billion guarantee fund for middle-income housing loans.

Further, he said that additional funding from government would be an option, once the market took-off.

Sexwale noted that the round table meeting with the CEOs of the country's financial institution and representatives of the Banking Association of South Africa was held to share experiences and to identify obstacles in the legislative, policy and financial environment on housing delivery.

He said that the department and the different financial institutions would work together to tackle the different human settlement challenges. However, Sexwale assured that the fund would not be used as an excuse for irresponsible lending.

"The fund is there to provide banks with the assurance to take certain risks in providing finance to the gap market and to provide incentives for the private sector to supply housing units at lower prices and at shorter delivery times. All loans would still have to go through the Credit Act."

Sexwale pointed out that South African banks had proven "very responsible" in hindsight of the recession, compared to the rest of the world's banks.

Currently, a backlog of 2,1-million housing units exist in the country, which roughly amounts to about 12-million South Africans in need of housing facilities.

The Banking Association of South Africa MD Cas Coovadia said that the middle income market was a great economic driver in South Africa and should be seen as an area for economic growth and a job creator. He noted that this partnership with government and the DHS in particular, was an ideal opportunity to bridge the financing gap in the middle-market sector. Coovadia said that all parties were committed to identify the blind spots, which could impact on current and future initiatives.

"We have new demands and new targets, and we therefore need a new approach. A massive effort is required and we all need to change up a gear if we are to meet the demand and meet our objectives," concluded Sexwale.

Source: Creamer Media's Engineering News, Loni Prinsloo, 19 April, 2010

The average time a property stays on the market before it is sold declined further to 12 weeks and four days in the first quarter of this year, down from 13 weeks and two days in the previous quarter, according to FNB's latest property barometer.

Evidence of continuing improvement in residential property market.

In addition, there has been an improvement in the number of sellers achieving their asking prices. The number of sellers not achieving their asking price declined to 79 percent compared with 89 percent in the previous quarter, the barometer showed.

There was further evidence of the continuing improvement in the residential property market from mortgage originator Ooba, with house prices increasing last month by more than the inflation rate.

The latest price index from Ooba showed that house prices increased by 9.7 percent year on year to an average of R850 864 last month, from R775 559 in March last year.

Ooba added that its statistics showed that the average approved bond size increased 14.3 percent year on year last month to R679 114 from R593 902 a year earlier, in line with the growth in the average purchase price. The average deposit size as a percentage of the purchase price last month dropped to 13.7 percent year on year from 20.2 percent as the relaxation in lending criteria by banks filtered through to the residential property market.

However, the proportion of home loan applications that banks turned down increased to 52.8 percent last month from 51.1 percent in March last year and from 51.5 percent in February this year.

Saul Geffen, Ooba's chief executive, said this was related to the mix of home loan applications. While there were supply side risks, he said the improving economic fundamentals, rising levels of activity and surprise cut in interest rates last month should help to sustain the momentum already seen in the market.

The FNB residential property barometer, which is a survey of the perception of estate agents nationally about current and future activity levels in the residential property market, revealed that the demand activity rating jumped more than 32 percent to 6.35 on a 10-point scale in the first quarter from 5.68 in the previous quarter.

John Loos, a property strategist at FNB Home Loans, said the reasons for homeowners selling also appeared to show that the financial position of sellers was improving. The percentage of sellers "selling in order to downscale due to financial pressure" declined to 20 percent in the first quarter of this year from 24 percent in the previous quarter. However, it is still the most important reason for selling, followed closely by downscaling with life stage (19 percent) and change in family structure (16 percent). Moving for safety and security reasons and upgrading each accounted for 12 percent of total sales.

Agents also said there was renewed capital growth in residential properties. Of the investment properties returned to the market, only 9 percent were sold in the first quarter at a price lower than their previous purchase price compared with 27 percent of properties sold in the previous quarter.

In regard to the future outlook, 54 percent of agents expect a further strengthening in demand activity in the second quarter of this year, while only 3 percent expect a decrease in activity.

Source: Business Report, Roy Cokayne, 22 April 2010

Domestic and international cementitious industry sales trends and news

The Portuguese cement giant Cimpor has announced that it is investing 18 million euros (24.2 million US dollars) to double production in the largest of its three factories in Mozambique, in the southern city of Matola.
Cimpor is the majority shareholder in Cimentos de Mocambique, which owns factories in Dondo and Nacala, as well as Matola.
Currently, the Matola factory has an installed capacity that can produce 500,000 tonnes of cement a year. This is far short of the demand for cement in southern Mozambique, which forces companies that need cement to import it from South Africa.
The new investment, according to a Cimpor press release, will bring production at Matola to a million tonnes a year. A new cement mill is being installed, and Cimpor has signed a contract with the South African building company Group Five, covering the construction and the assembly and electrics of this extension to the existing factory.
Cimpor believes that this will enable Cimentos de Mocambique to meet the requirements of the entire Mozambican market for the next eight years.
Cimpor holds 82 per cent of the shares in Cimentos de Mocambique. The remaining 18 per cent is owned by the Mozambican state, the ports and rail company (CFM), and the publicly-owned insurance company, EMOSE.

Source: all.Africa.com, 29 March 2010

Construction materials supplier Afrimat expects earnings and headline earnings per share to be 20%-30% higher for the year to February as a result of lower costs and its involvement in infrastructure projects.
CEO Andries van Heerden said that the company was benefiting from the government's infrastructure projects, especially the building of power stations, roads and new water systems.
"We are also involved in the building of low-cost houses. Our order book is looking good because of road projects in Mpumalanga and Gauteng," he said.
Afrimat's strategy has been to focus on product diversification and enter synergistic industries to position itself for the period after the infrastructure programme.
The diversification is also intended to prepare for an upturn in the residential property market.
Van Heerden said the group was looking at greenfields developments, industry consolidation and the continuous improvement of product quality for growth.
It also planned to expand its geographical footprint in Africa.
"Our Namibian business is doing well but the focus for now is still locally because there is enough work to do," he said.
"The plan is to ready the group for the recovery of the residential property market in the next two to three years. We want to build enough capacity so that when the residential property market recovers we can take advantage of it and benefit," he said.
Van Heerden said the group was working on introducing new materials into the building sector as part of its diversification.
He said the group was focusing on government infrastructure spending in the building of the Medupi power station, and was supplying structural concrete and various other aggregates, which are construction materials that include sand, gravel, crushed stone, slag, or recycled crushed concrete.
Afrimat was also supplying aggregates for the Kusile power station project.
It was working on road contracts for Gauteng freeways, which also involved supplying aggregates.
The company is one of the three largest suppliers in the local aggregates industry.
Van Heerden said that the group's geographic expansion programme had gained traction in the past 12 months.
Afrimat was supplying concrete blocks and readymix concrete to low-cost housing projects in the Free State and KwaZulu-Natal.

Source: Business Day, Thabang Mokopanele, 22 April 2010

Building materials retailer Cashbuild announced that its revenues for the third quarter of the 2010 financial year rose 4% on that earned in the third quarter of the previous financial year.
The 18 new stores that had opened their doors since July 2008 contributed 3% of the increase in the quarter ended March 31, 2010, with the 169 existing stores having contributed 1%.
In the nine months ended March 31, 2010, revenues have risen by 7%.
Further, the retailer noted that transactions through the tills had increased by 7% in the quarter, while the units sold had increased by 5%.
Cashbuild was expecting trading conditions to become more competitive in the fourth quarter of the year.

Source: Engineering News online, Chanel Pringle, 28 April 2010

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