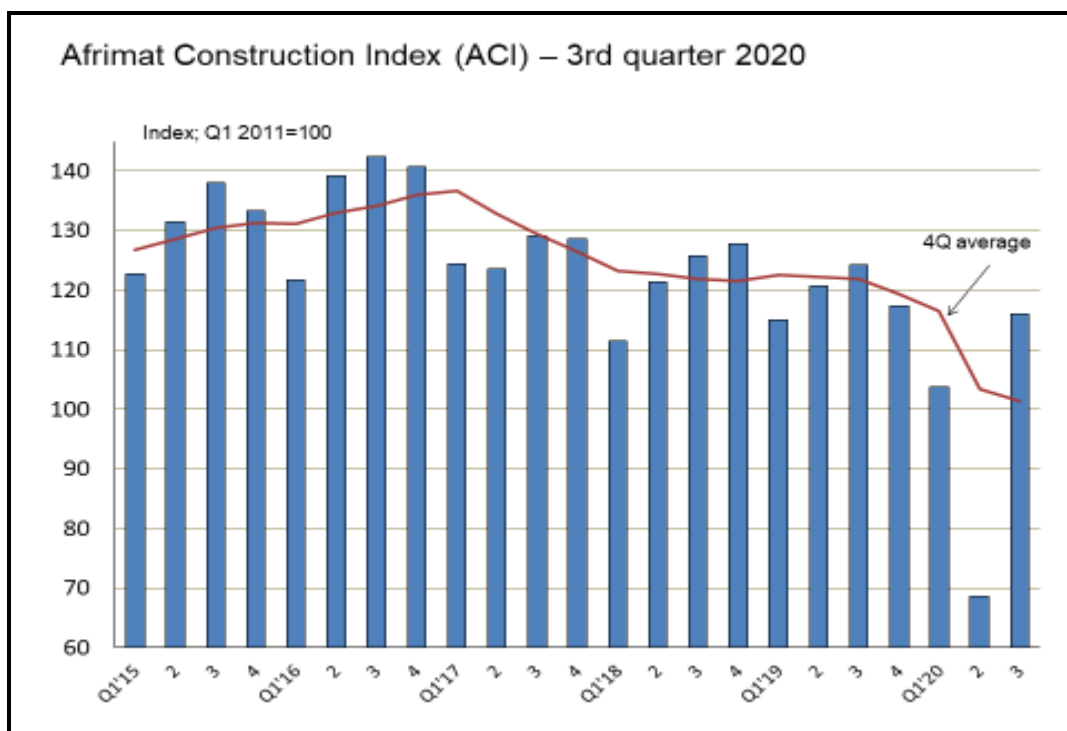


## Afrimat Construction Index shows marked recovery in third quarter of 2020

**Johannesburg, 10 December 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 third quarter of 2020. 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.

Following the sharp decline in construction activity during the second quarter of 2020, induced by the lockdown regulations, the ACI has staged a remarkable improvement in the third quarter, moving back to above the 100-mark level of the base period (i.e. the first quarter of 2001). During the worst of the lockdown, the construction sector followed the general trend of a severe downturn and is now also exhibiting a swift return to pre-pandemic levels of economic activity.

During July to September, the quarter-on-quarter change in the ACI amounted to an astounding 69.1%, marginally higher than the recovery of 66.1% in the gross domestic product (GDP). It must be noted that compared to the third quarter of 2019, the ACI remains down by 6.7%, compared to the year-on-year decline in the GDP of 6%. What is particularly encouraging, however, is that the four-quarter average of the ACI has managed to remain above the base period level of 100.



After dropping to an unprecedented low of 68.6 in the second quarter of 2020, the ACI recorded an index value of 115.9 in the third quarter. This is higher than the value of 103.7 recorded in the first quarter and only marginally lower than the level of 117.4 recorded in the last quarter of 2019.

According to Dr Botha, the systematic lifting of most of the lockdown regulations has led to a V-shaped recovery for most key sectors of the economy, including construction. “Despite disappointing third quarter GDP data on the construction sector published by Statistics SA on 8 December 2020, it seems clear that

retail and wholesale trade sales for hardware and building materials are fuelling the recovery in the construction sector,” says Botha.

---

**% Change in the constituent indicators of the Afrimat Construction Index**

**3rd quarter 2019 to 3rd quarter 2020**

<b>Indicator</b>	<b>%</b>
Buildings Completed (Value)	-47.4
Building Plans Passed (Value)	-29.8
Construction Value Added	-21.6
Employment In Construction	-19.3
Building Materials (Volume)	-14.9
Salaries & Wages – Construction	-14.7
Building Materials (Sales)	-9.6
Retail Trade Sales – Hardware	12.3
Wholesale Trade Sales – Construction	14.5
<b>Afrimat Construction Index</b>	<b>-6.7</b>
<b>Real GDP</b>	<b>-6</b>

Botha believes that the discrepancy between the official value-added data and the retail and wholesale sales figures for construction and building materials is related to an underestimation of the size of informal construction activity in the country, particularly in rural areas and the outskirts of metropolitan municipalities.

“Fortunately, the worst of the pandemic-related setback that was suffered by the construction sector is now over,” says Botha, adding that a number of significant growth drivers have appeared that promise to boost construction activity during 2021, including the following:

- The prime overdraft rate has dropped to its lowest level in several decades, which has lowered the cost of capital formation by 30%.
- Government’s new infrastructure drive, which represents the cornerstone of the Recovery & Reconstruction Plan, announced in October 2020 by President Ramaphosa, is expected to lead to a substantial increase in new jobs. The 62 key projects that have been identified under the Sustained Infrastructure Programme (SIP) will be implemented in close cooperation with the private sector and several have already been gazetted for tender applications. Further encouraging news is the appointment of a technical task team to assist with the process of project implementation. This team consists of people with vast experience in the areas of project management, engineering, financial management and administration and has been selected from more than 1,200 applicants.
- A record export performance by the primary sectors of economic activity, i.e. agriculture and mining, has ensured that South Africa enjoys fundamental balance of payments stability, which is also one of the reasons for the sustained recovery of the rand exchange rate.
- After being in contraction mode for nine successive months, the Absa Purchasing Managers’ Index (PMI) for the manufacturing sector has been above the neutral level of 50 since May. At an index level of 60.9, the October 2020 PMI recorded its highest level in two decades. Compiled by the Bureau for Economic Research (BER) at Stellenbosch University, the methodology used means that an index score of 50 represents a neutral level of manufacturing activity, with any score above 50 indicating increased activity.

Botha points out that most economists expect GDP growth of between 3% and 4% during 2021, which could provide the momentum required for sustained growth from 2022 onwards. “In 2004, hardly

anybody expected the South African economy to grow at around 5% per annum for the next four years," says Botha. "Part of the economic success prior to the financial crisis of 2008/09 was related to the low-cost housing drive under the Reconstruction and Development Programme and the country is now on the verge of another construction-led economic growth phase."

Botha is confident that the construction sector is busy laying the foundations for an exceptionally strong performance during 2021 and that the macro-economic dividends from National Treasury's new growth plan will become visible next year.

Afrimat's CEO, Andries van Heerden, said he was pleased that the ACI has shown signs of recovery, and joins Dr Botha in welcoming the signs of recovery in the construction sector. "Fortunately, any disruption caused by the Covid-19 pandemic was countered by our diversification strategy, as well as the implementation of proactive measures to manage and minimise its impact. Both have ensured that Afrimat is well positioned to capitalise on our strategic initiatives and future opportunities."

**-Ends-**

---

**Issued for: Afrimat Limited**

Contact: Andries van Heerden, Chief Executive Officer (CEO)  
Tel: 021-917-8853  
Email: [andries@afriam.co.za](mailto:andries@afriam.co.za)  
Website: [www.afriam.co.za](http://www.afriam.co.za)

Account: Keyter Rech Investor Solutions  
Contact: Vanessa Rech  
Tel: 083 307 5600