

Optimistic outlook ahead for infrastructure industry despite challenges

According to statistics aggregator Trading Economics, South Africa's construction industry contracted by as much as a quarter over three years, decreasing from nearly R140bn in the second quarter of 2019 to R105bn in Q2 of 2022.



Source: jcomp via [Freepik](#)

“The past few years have been a trial by fire for many South African companies involved in construction and infrastructure development. The industry has been forced to overcome several major issues including an unstable market, wildly fluctuating input costs, and industry-wide material and employee shortages,” says industry expert Roelof van den Berg, CEO of the GAP Infrastructure Corporation (GIC).

“However, there are glimmers of light and there is no doubt that 2023 will be filled with opportunities. The sector finally has a chance to shake off lockdown fatigue and hopefully resolve some of the pressing supply chain issues we faced this year.

“As a company, GIC also looks forward to welcoming new and skilled workers into our business and the industry and taking on more impactful infrastructure projects.”

Van den Berg believes that sector growth in 2023 will depend on the following three key factors:

Increased government spend

Government is South Africa's biggest infrastructure spender, and in June 2020, it announced that it would be investing more than R2.3t over the next ten years into infrastructure projects, creating an estimated 1.88 million employment opportunities. However, state budgets were reallocated to aid in relief efforts during the Covid-19 pandemic and the various lockdowns that followed, diverting crucial funds away from the construction sector.

"This said, many of the infrastructure projects that were put on hold in 2020 and 2021 were reinstated in 2022, with the bulk of postponed projects set to commence in early 2023," notes van den Berg.

"This capital injection has already helped to boost the sector over the past year and will further assist to stabilise the industry and get its head above water in 2023. The added benefit of this spending, above and beyond job creation and economic stimulus, is that we will be able to provide the public with crucial infrastructure development."

Supply chain issues

During lockdowns, the industry keenly felt the effects of production slowdowns in key construction materials. Since then, the price of basic materials has remained highly volatile, according to van den Berg.

"The ongoing conflict in Ukraine, its disruption of global trade, and its effects on the infrastructure development industry have created a highly erratic market environment for the trade of construction materials.

"We have seen material costs increase in 2022, while also experiencing difficulties in sourcing the right amounts of specific materials. Additionally, increases in fuel prices have made the transportation of the necessary materials and products significantly more expensive."

But although recovery is slow, the construction material industry is gradually resolving supply issues and catching up production backlogs that go as far back as 2020. This means that supply chain disruptions should largely be resolved, and prices will see a discernible decline back to normal levels throughout the year, he estimates.

Skills shortages

While the supply of low-skilled workers has seen a sharp rise in the past few years, a shortage of skilled workers is slowly started taking root. But van den Berg is confident that 2023 will see a marked upsurge in educated workers as an increase in projects and funding leads to better employment opportunities.

"We've seen a major skill drain over the past three years as many trained and highly educated workers have left the country or switched industries in search of greener pastures. But our hope is that, with an injection of capital from government next year and the resolution of other issues hampering the industry, those workers will return.

"It's crucial that we place the right people back into key positions to ensure that important infrastructure projects receive the care and attention they need."

To beat the persistent skills shortage, industry leaders and experts also need to focus on inspiring and mentoring others to follow in their footsteps, he notes.

"It's our duty to ensure the continued improvement and transformation of our industry for decades to come," he says.

"I would strongly encourage my fellow industry leaders to focus on our youth, and promote careers in the science,

technology, engineering and math or STEM fields among high school learners, especially in infrastructure development. We also have a clear shortage of students opting to study engineering, architecture, and project management at the tertiary level.”

Van den Berg is still optimistic about the future of the industry, noting that although infrastructure development and construction may continue to face unforeseen complications in the coming year, the industry will be strong enough to resolve them and remain on a more positive growth trajectory.

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