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Civil Engineering Industry Outlook

SAFCEC; October 2010

THE SOUTH AFRICAN FEDERATION OF CIVIL ENGINEERING CONTRACTORS

GENERAL ECONOMIC BACKGROUND



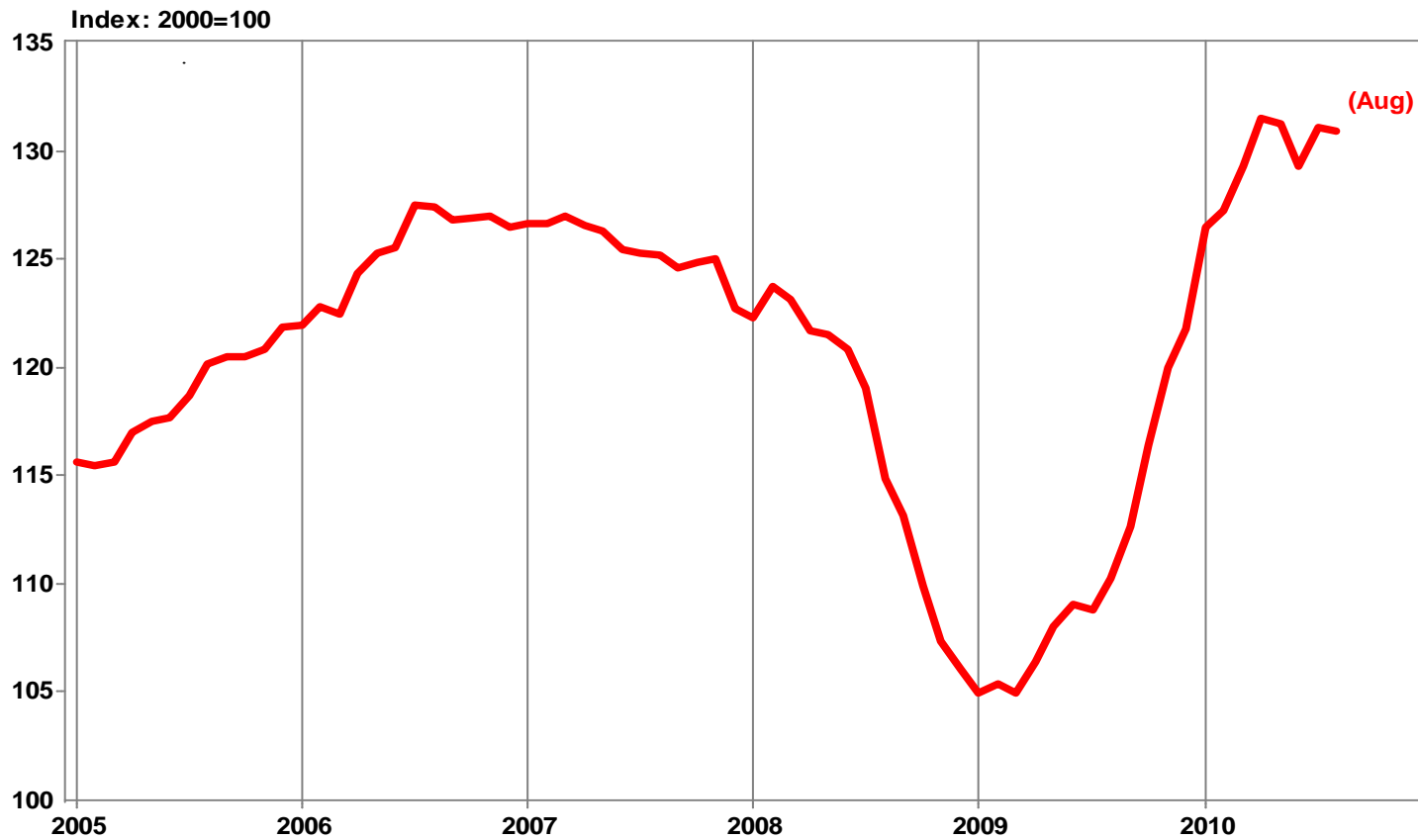
- Monetary Authorities released the brakes & may again (low inflation & growth)
- The World Economy recovering slowly
- Spending patterns not improving
- Institutional introspection Provinces & Nationally

SA Reserve Bank Leading Indicator



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Composite Leading Business Cycle Indicator



Economic Indicators



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MACRO FORECAST				
% Annual Change	2009	2010	2011	2012
Real GDP	-1.8	2.5	3.5	4
R/\$ Exchange Rate	8.4	7.6	7.9	8.2
Gross Fixed Capital Formation	2.3	1.4	3	4
Headline CPI	7.1	4.4	5.6	5.8
PPI	0.2	5.7	6.3	7
Interest Rate (Prime Avg.)	11	9.9	9.5	10.5

Construction Indicators



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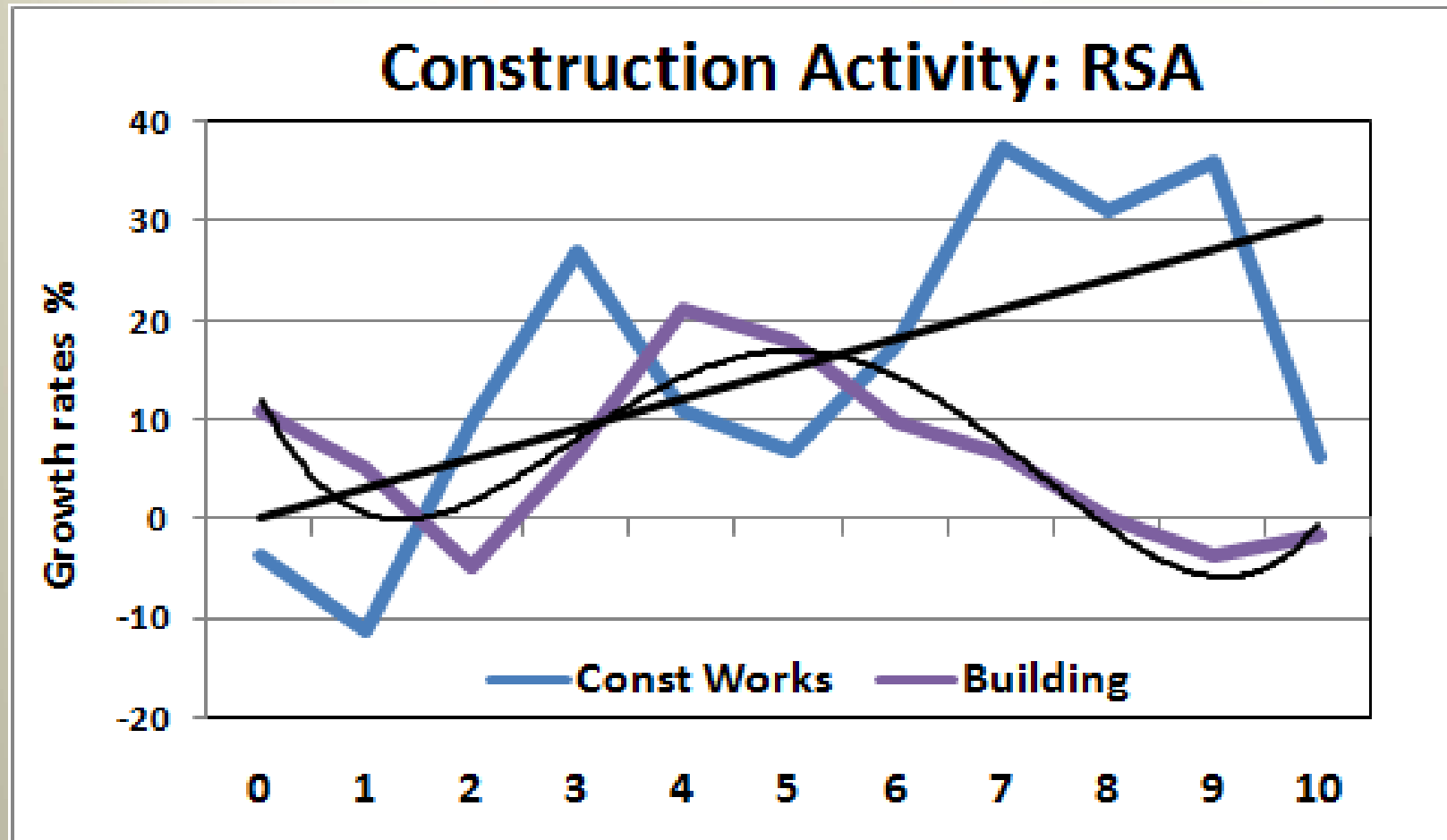
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Type of Asset	Quarterly	Six months	Annual	Calendar	Annualised
	QoQ %				
	Change	YoY % Change	YoY % Change	YoY % Change	YoY % Change
	2010:q1	6 months to	12 months to	2008 to	2009 to
	2010:q2	2010:q2	2010q2	2009	2010
RESIDENTIAL	-1.15%	-5.87%	-7.10%	-9.34%	-4.94%
NON-RESIDENTIAL	0.37%	0.21%	0.71%	1.94%	1.70%
CONSTR WORKS	-2.84%	11.50%	21.20%	35.91%	7.21%
TOTAL CONSTRUCTION	-1.15%	6.22%	11.60%	18.34%	4.09%

THE LAST 10 YEARS



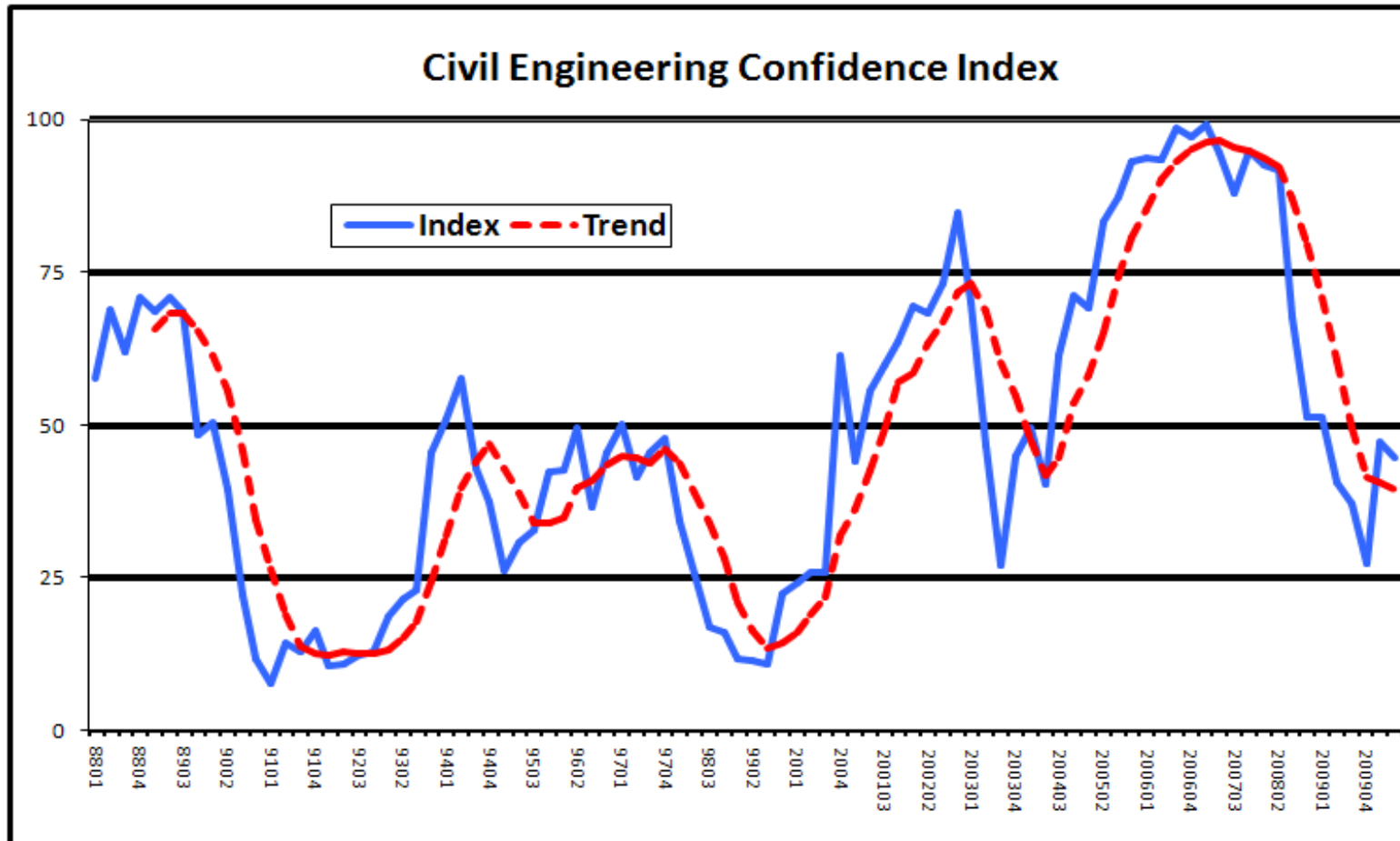
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Short Term Outlook Pessimistic



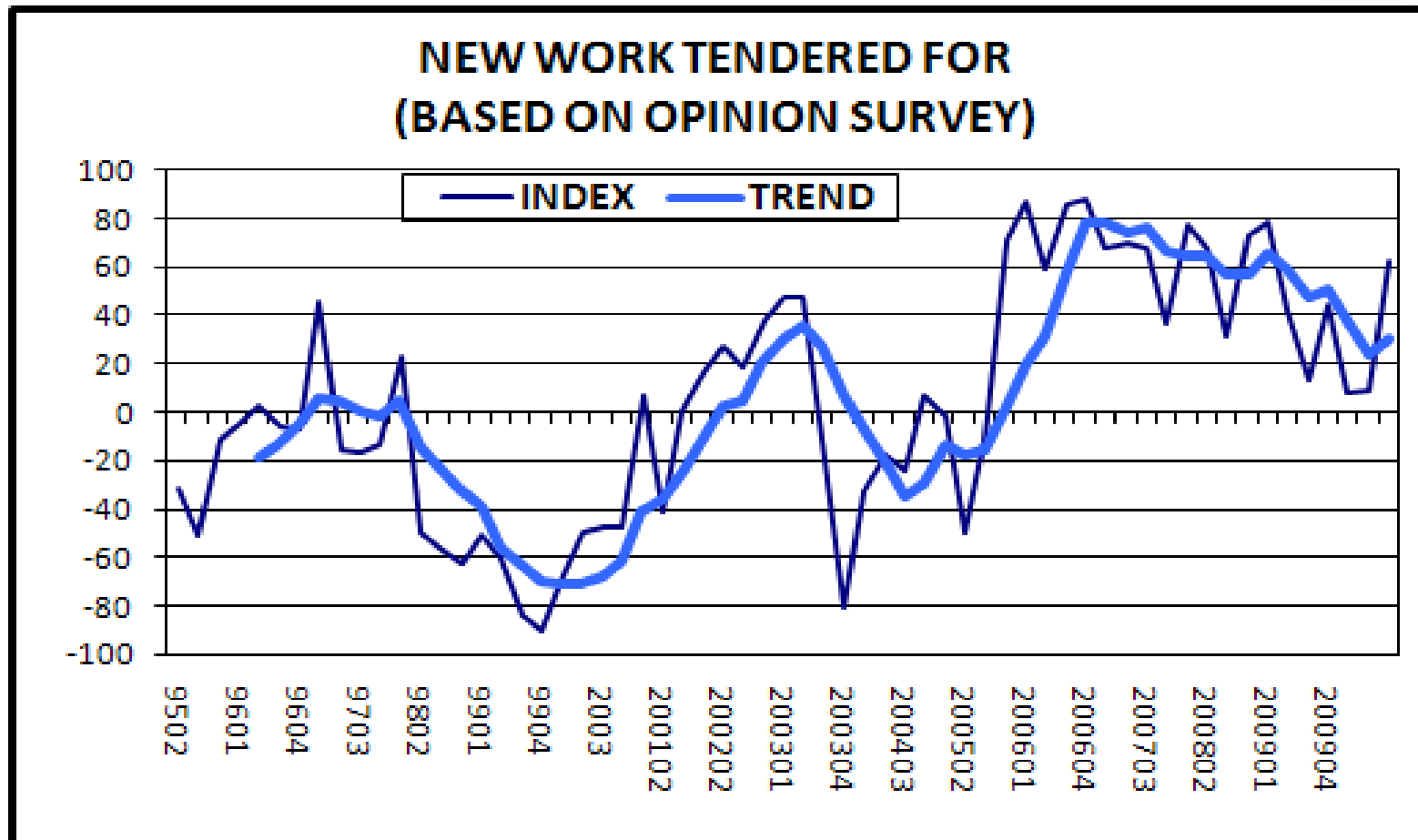
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New Tenders: Opinions



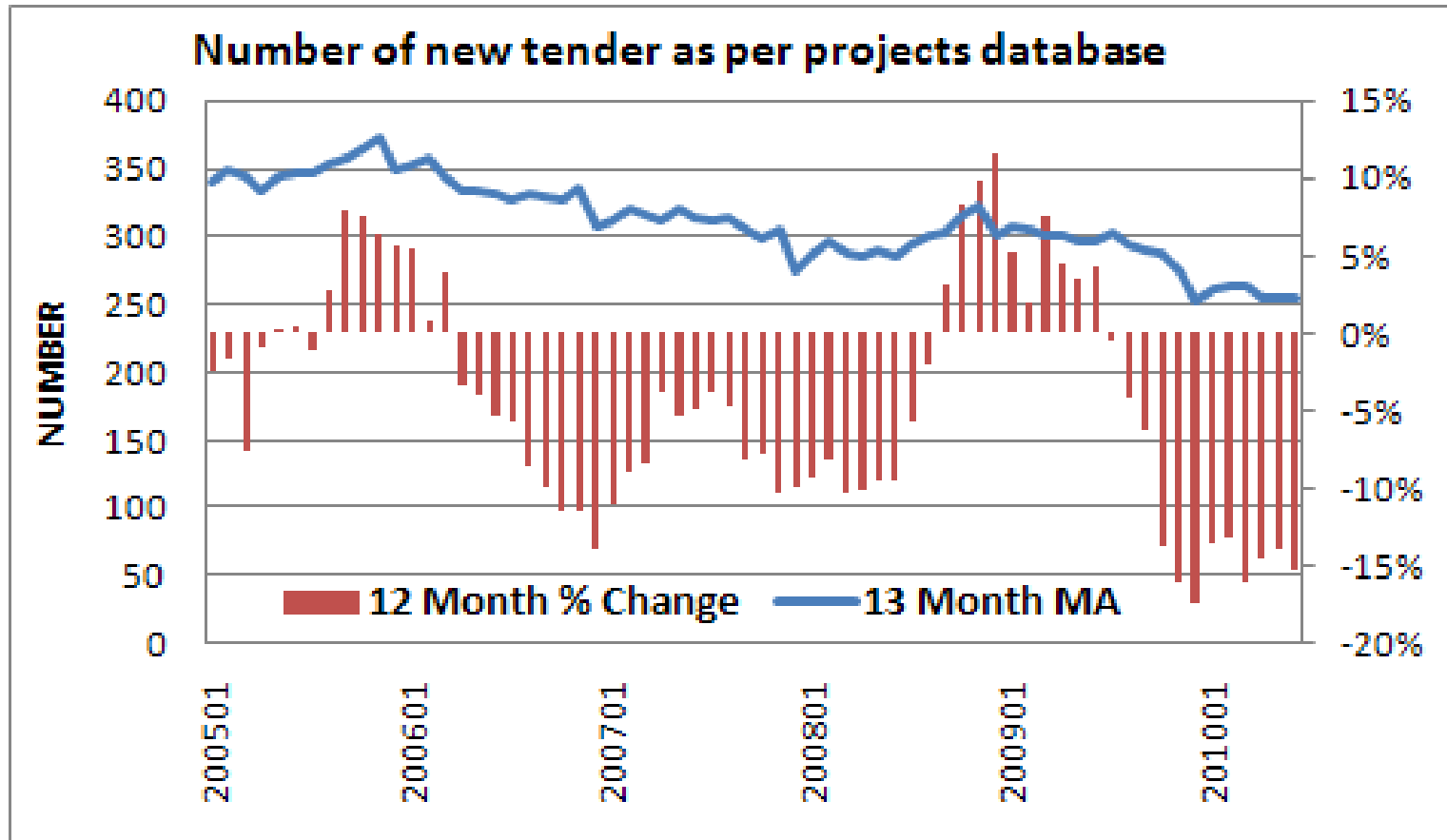
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New Tenders: Numbers



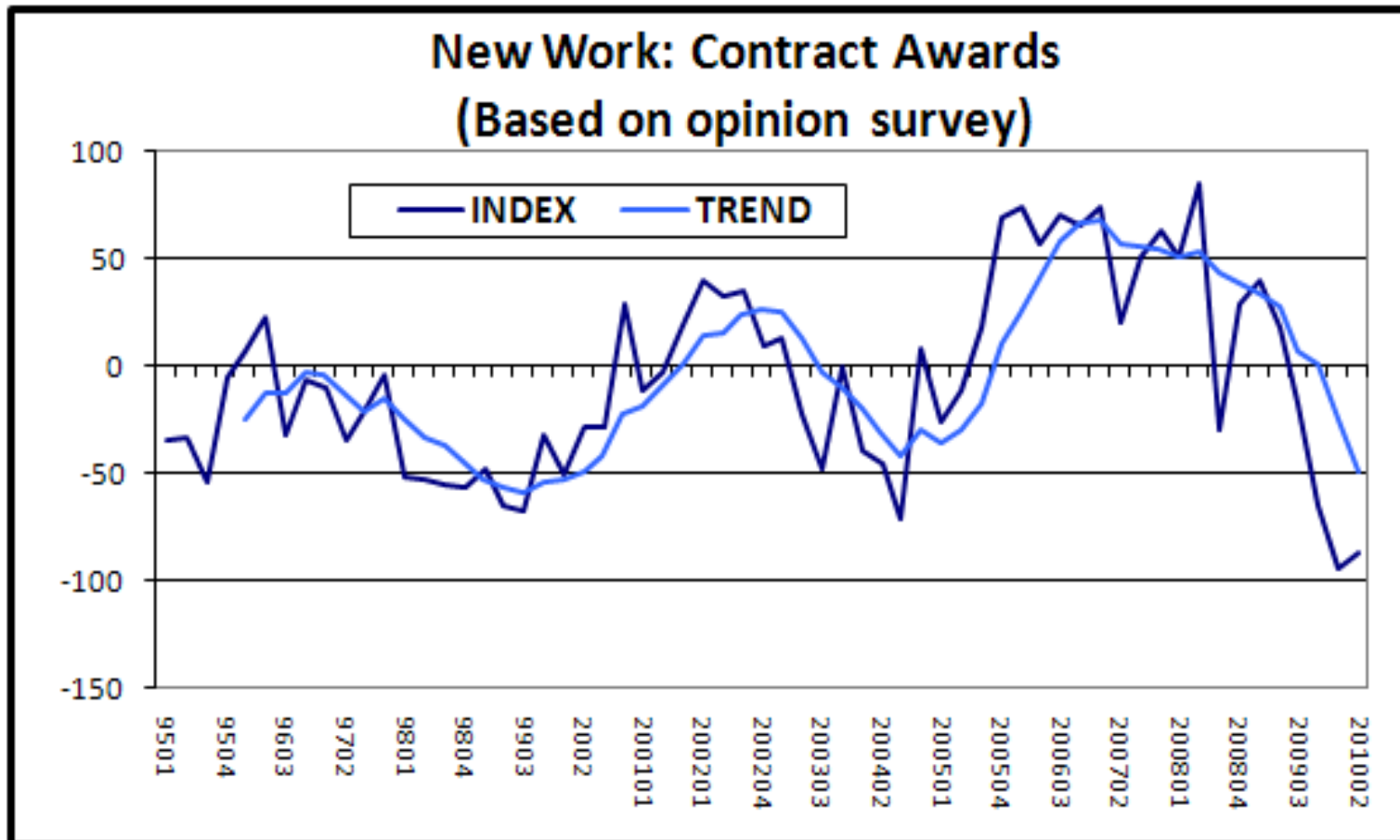
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Contract Awards



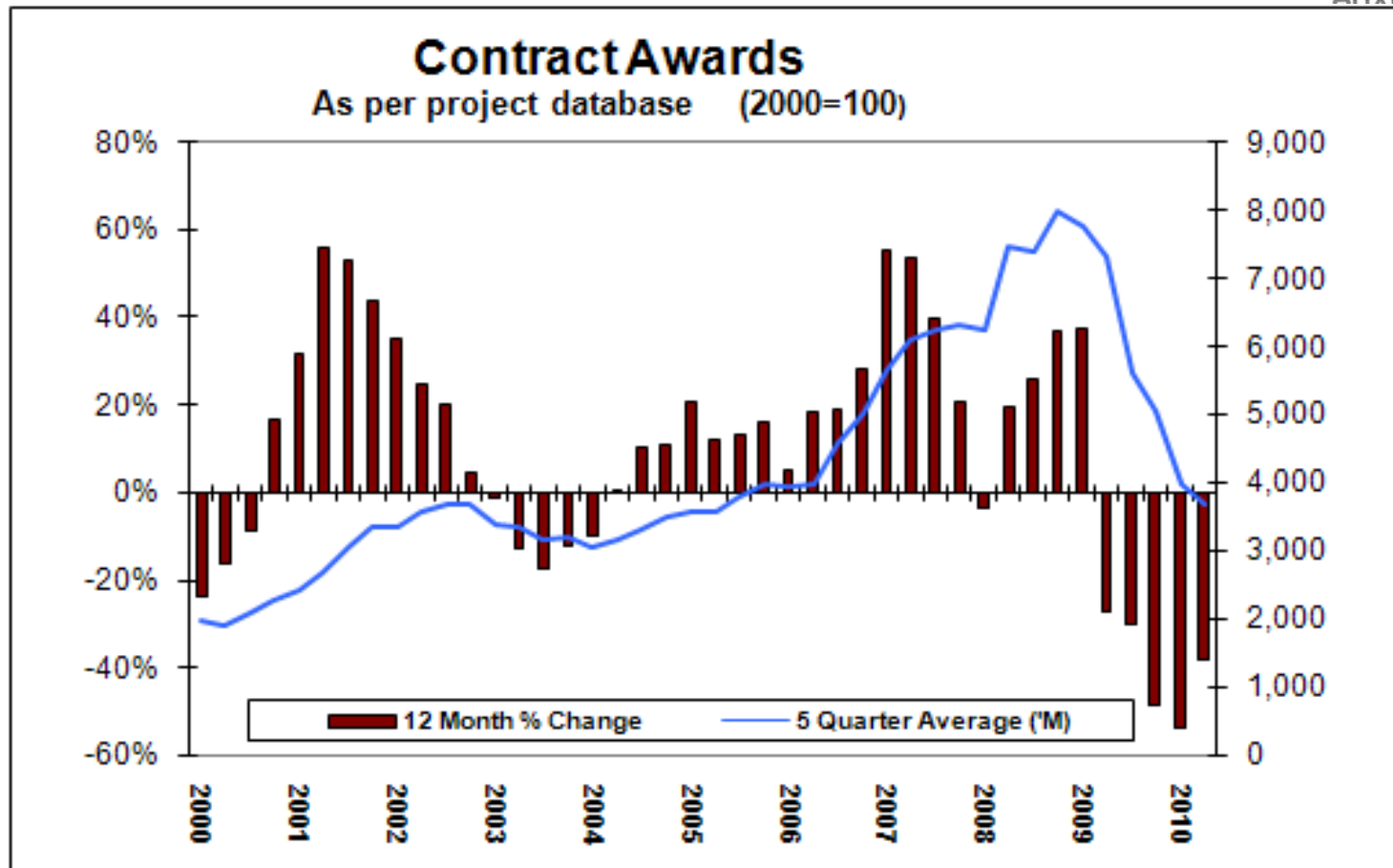
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Contract Awards



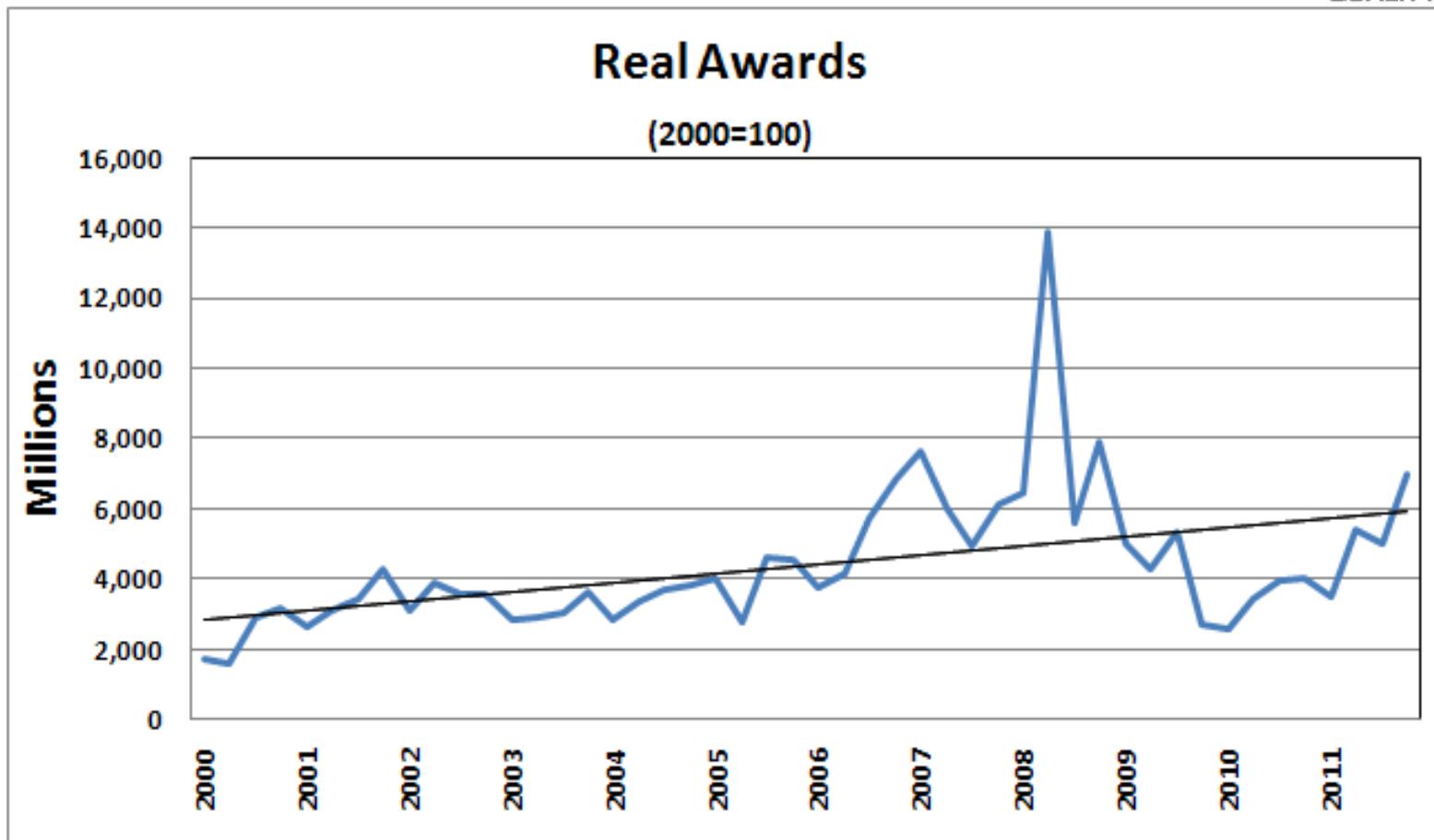
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Contract Awards: Structure or Cycle?



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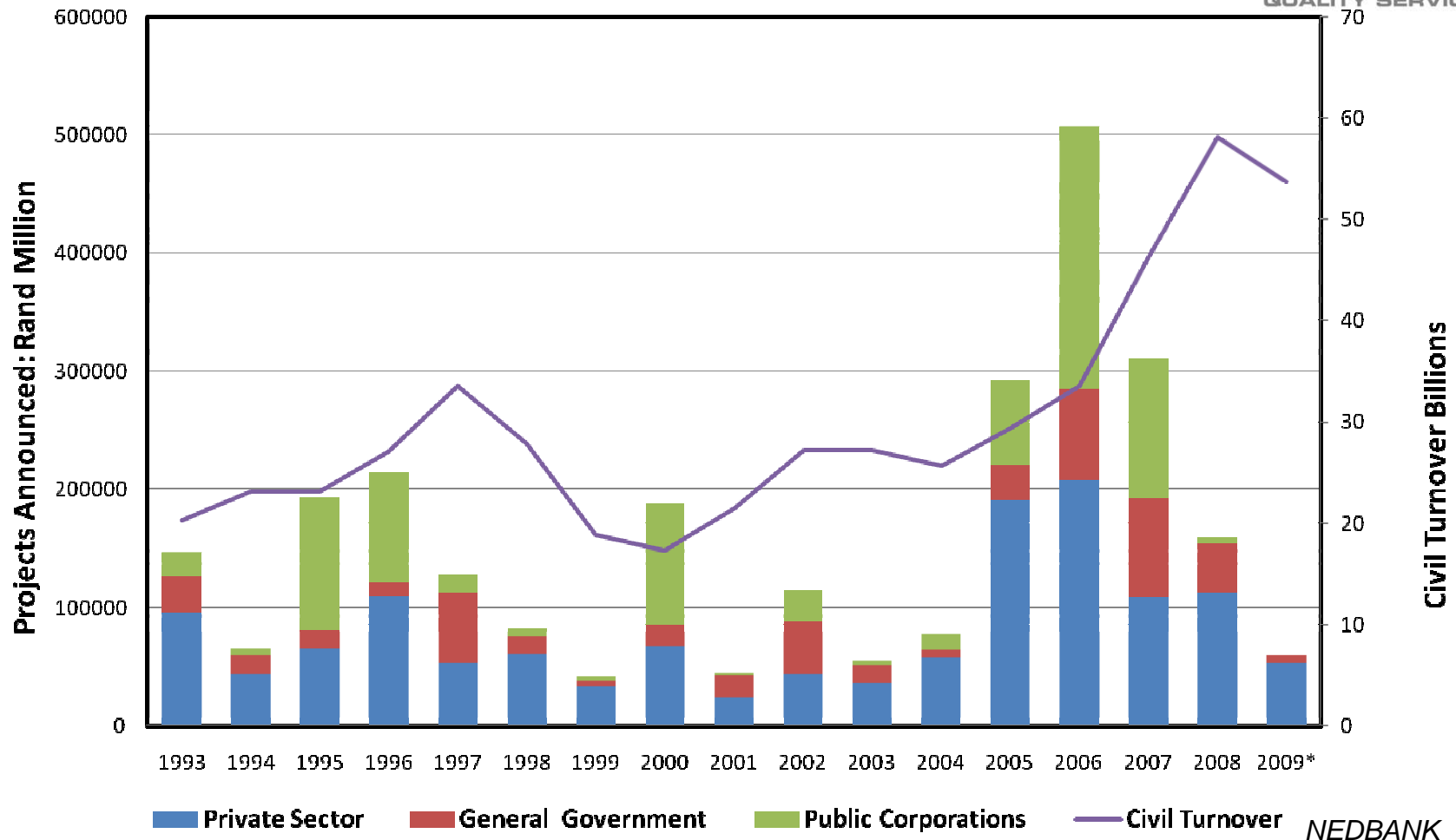


New Projects announced



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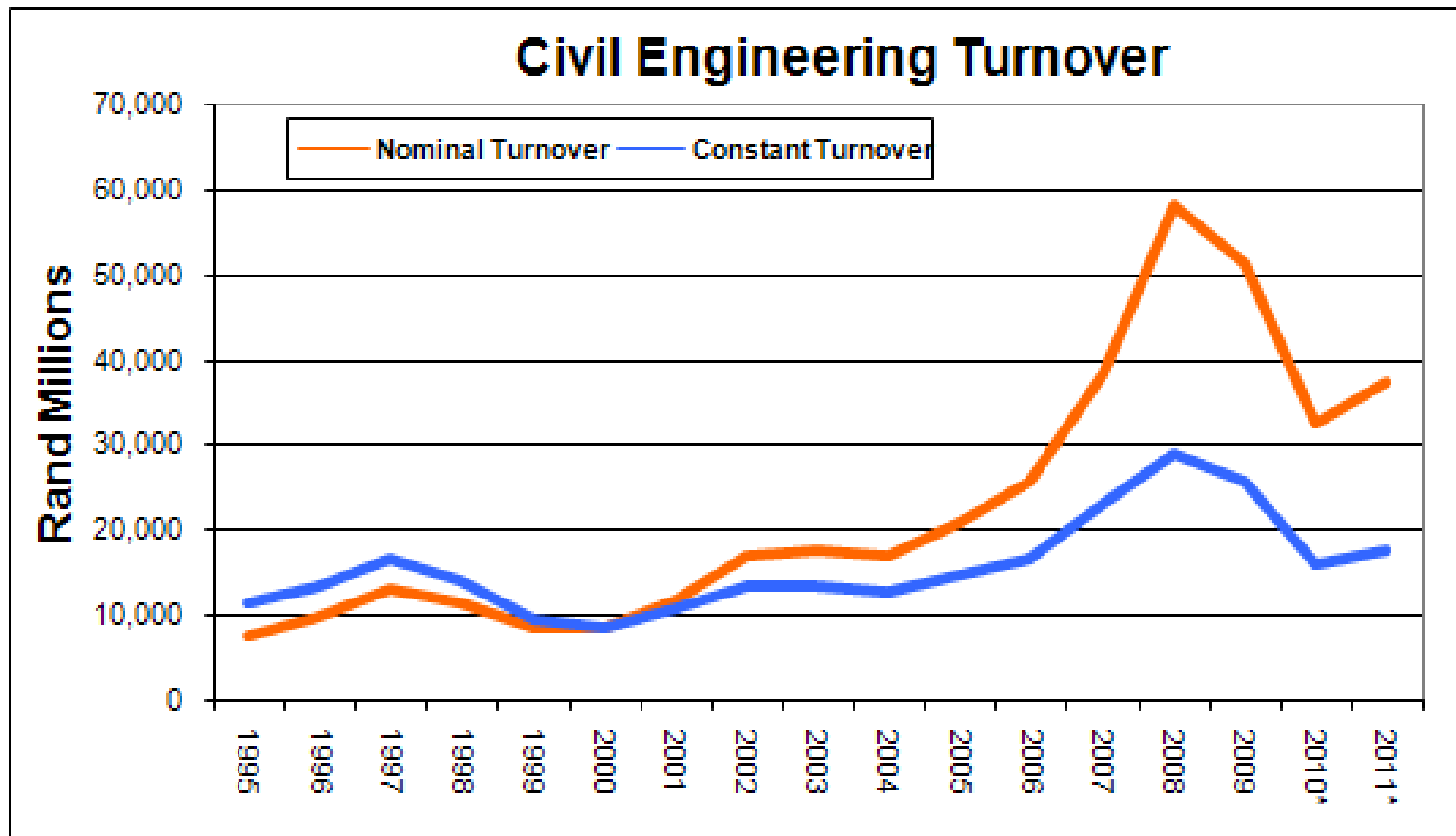
Announced Value of Total Capital Projects (2008=100)



Civil Engineering Turnover



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Future: 2010 & 2011



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YEAR	TURNOVER Nominal	% CHANGE	TURNOVER (2000=100)	% CHANGE
1995	7 653 130 803	23.2%	11 571 401 745	0.0%
1996	9 864 977 221	28.9%	13 548 444 351	17.1%
1997	13 282 356 448	34.6%	16 806 228 721	24.0%
1998	11 680 899 837	-12.1%	13 987 962 456	-16.8%
1999	8 600 472 761	-26.4%	9 455 575 722	-32.4%
2000	8 669 595 494	0.8%	8 639 968 534	-8.6%
2001	11 723 000 614	35.2%	10 762 140 678	24.6%
2002	17 138 501 083	46.2%	13 564 355 097	26.0%
2003	17 701 840 728	3.3%	13 621 980 350	0.4%
2004	17 180 281 073	-2.9%	12 844 628 262	-5.7%
2005	20 999 901 277	22.2%	14 682 985 873	14.3%
2006	25 783 535 490	22.8%	16 786 189 738	14.3%
2007	38 472 602 944	49.2%	23 146 856 716	37.9%
2008	58 063 639 993	50.9%	28 955 855 614	25.1%
2009	51 147 261 584	-11.9%	25 857 399 665	-10.7%
2010*	31 948 315 375	-37.5%	15 588 398 893	-39.7%
2011*	34 782 362 171	8.9%	15 780 700 546	1.2%

SUMMARY

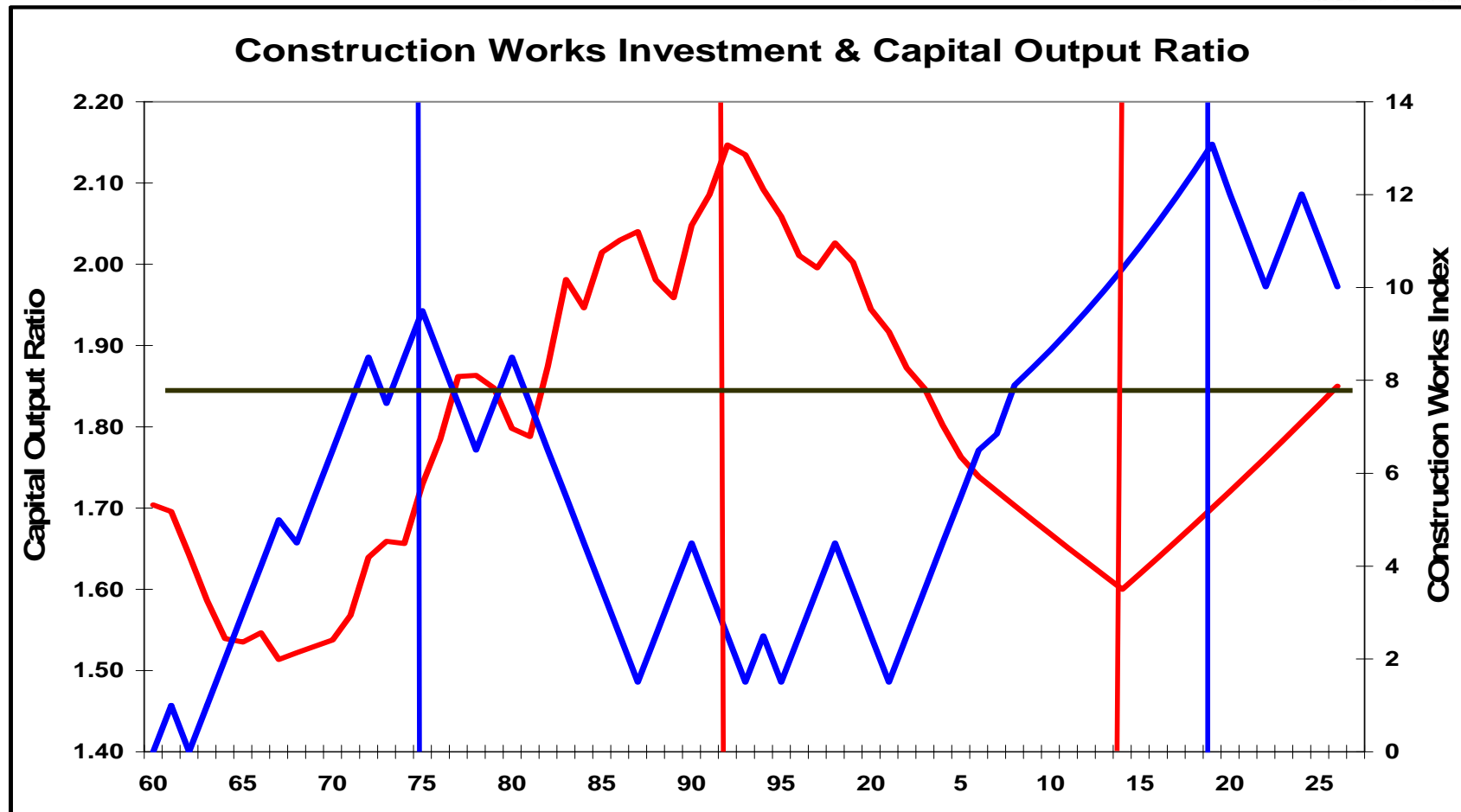


- Pre-crisis order books unwinding
- Short term decline due to spending delays
 - 2009 – -10%
 - 2010 – -39%
 - 2011 – 1,2%
- Long-term: sector fundamentally well positioned

Long Term: The "Think Tool"



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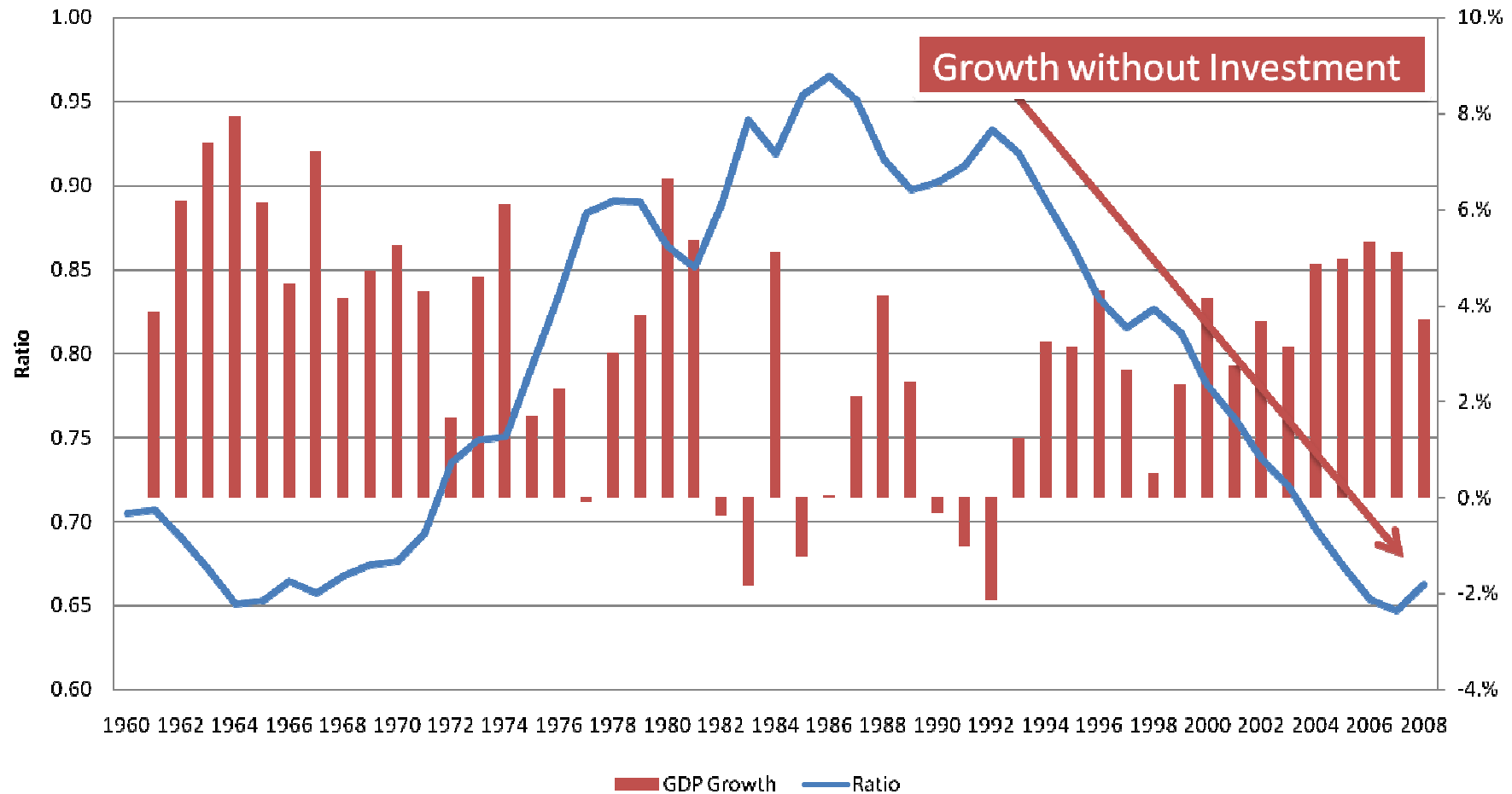


The "Long View": Economic Infrastructure Investment



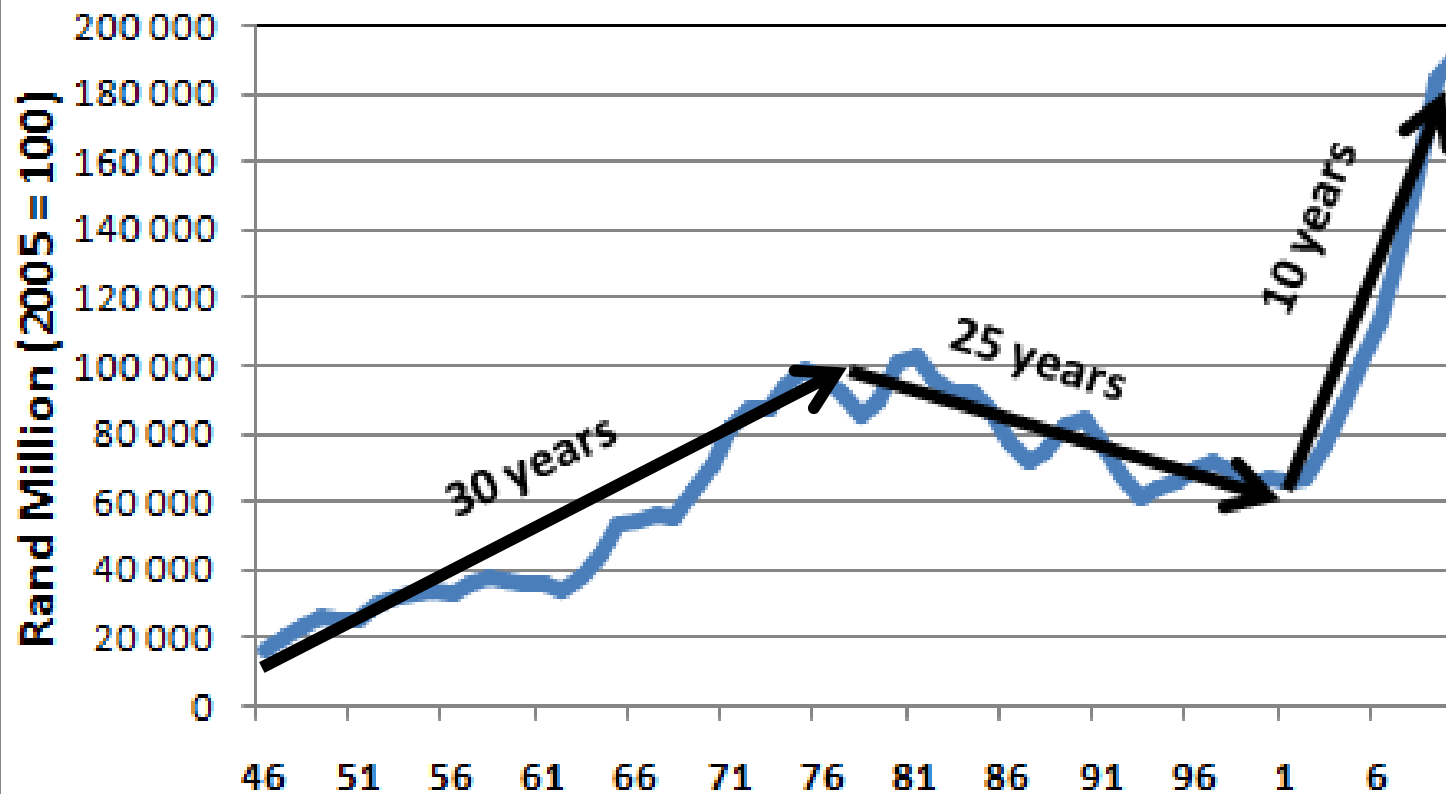
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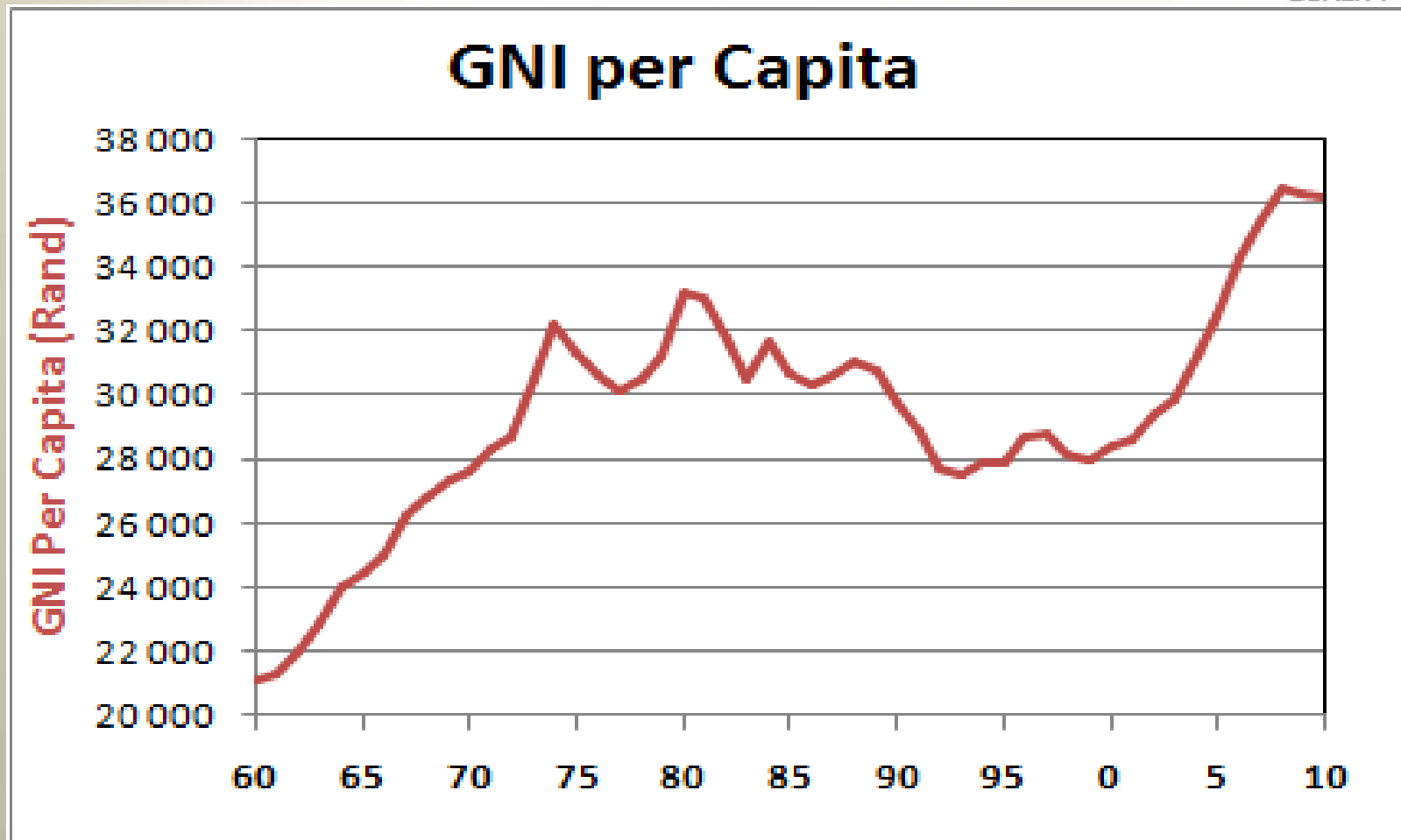
Economic Stock/GDP & Economic Growth





Long Waves in RSA Construction

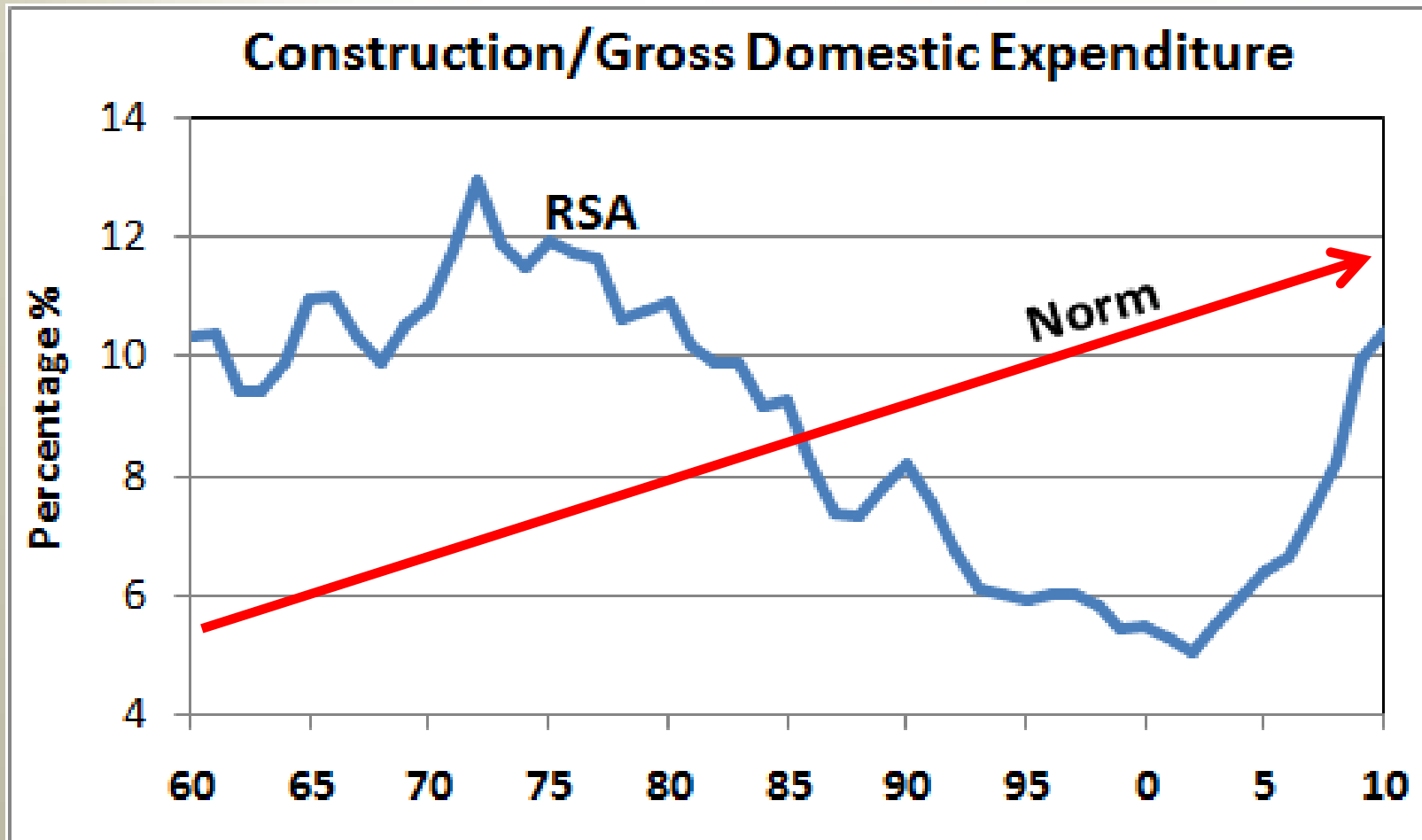




SA INFRASTRUCTURE & DEVELOPING ECONOMIES

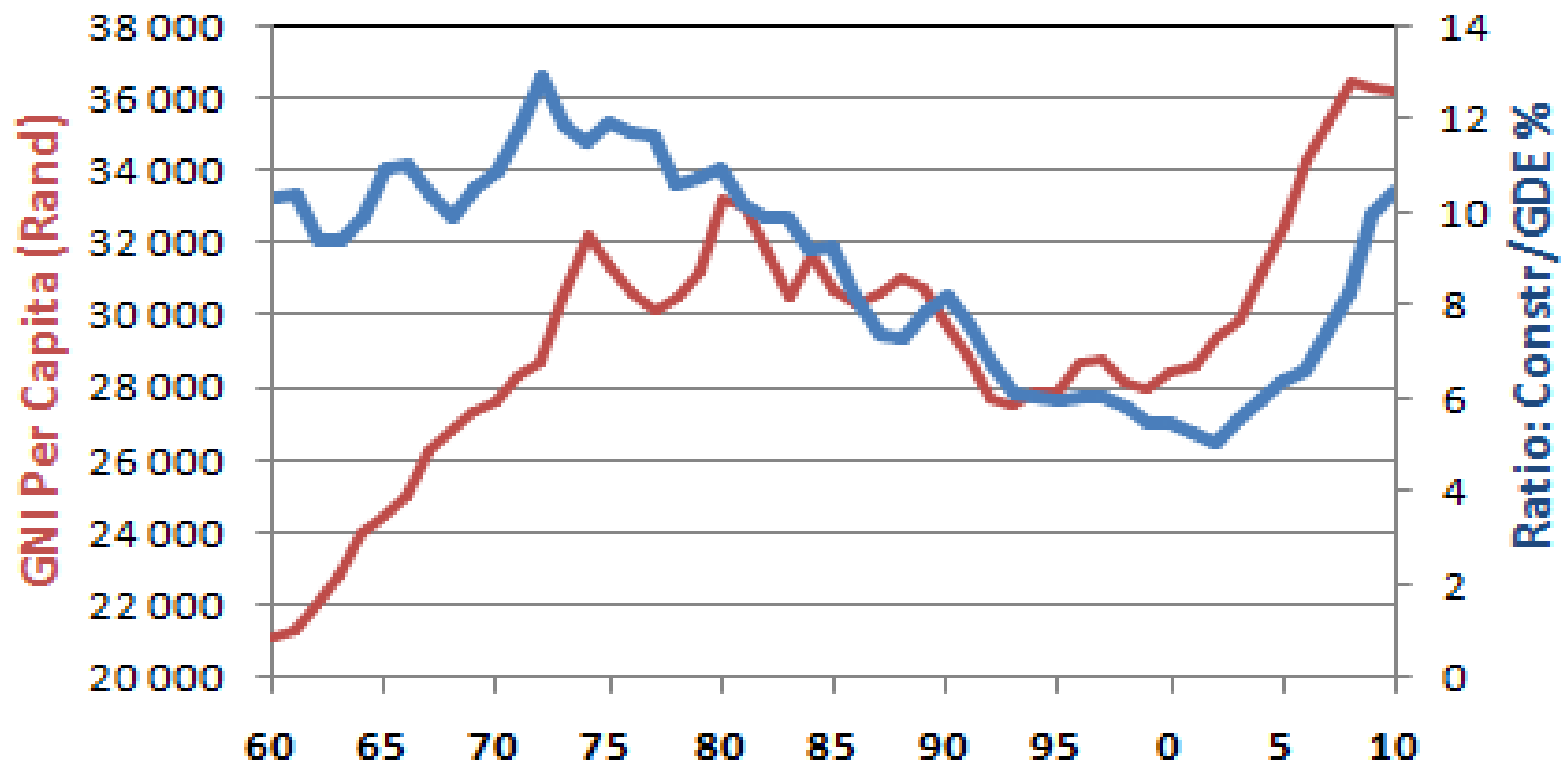


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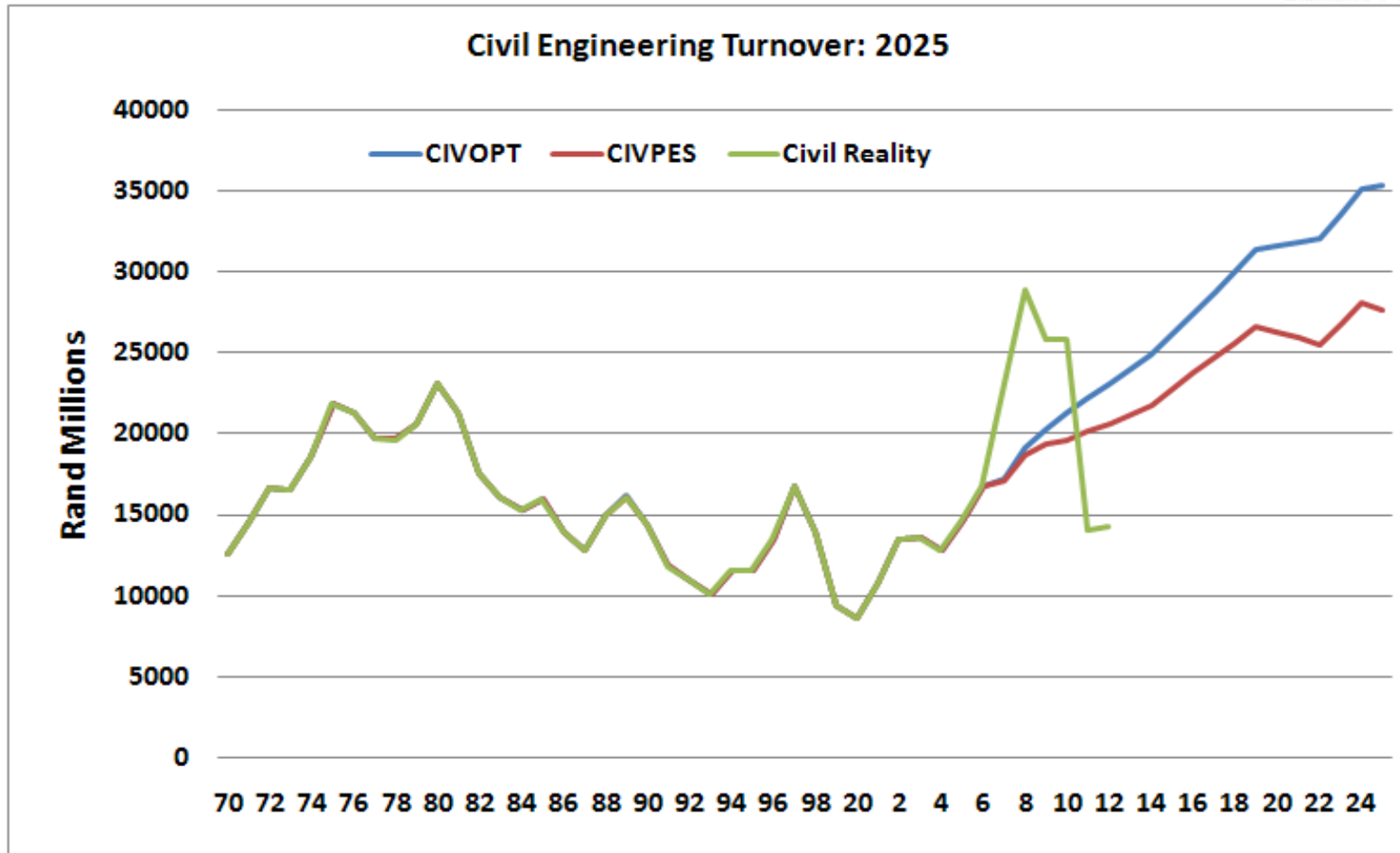
GNI per Capita; Ratio Const:GDE



Turnover vs Long Term Trends



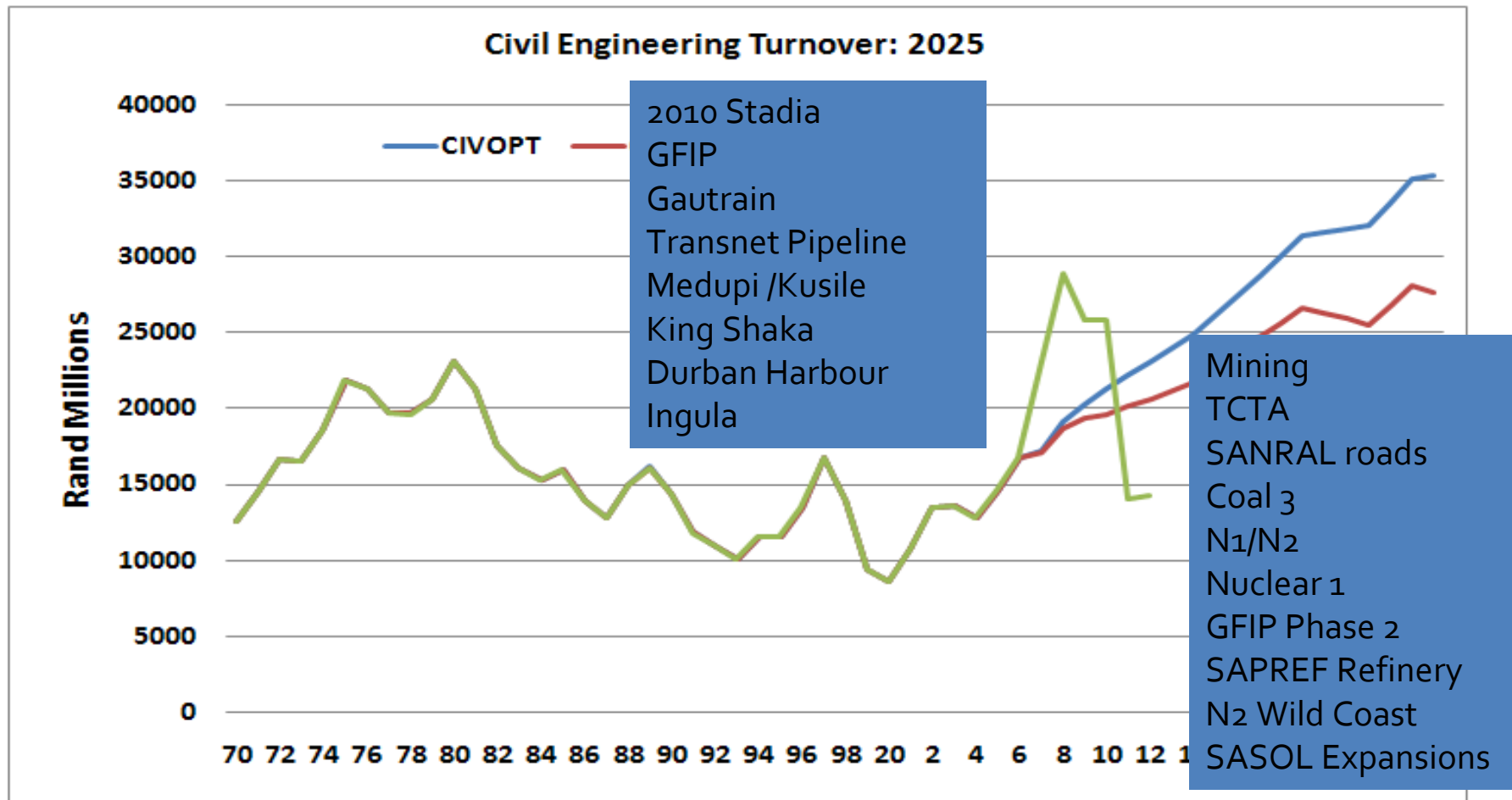
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Turnover vs Long Term Trends



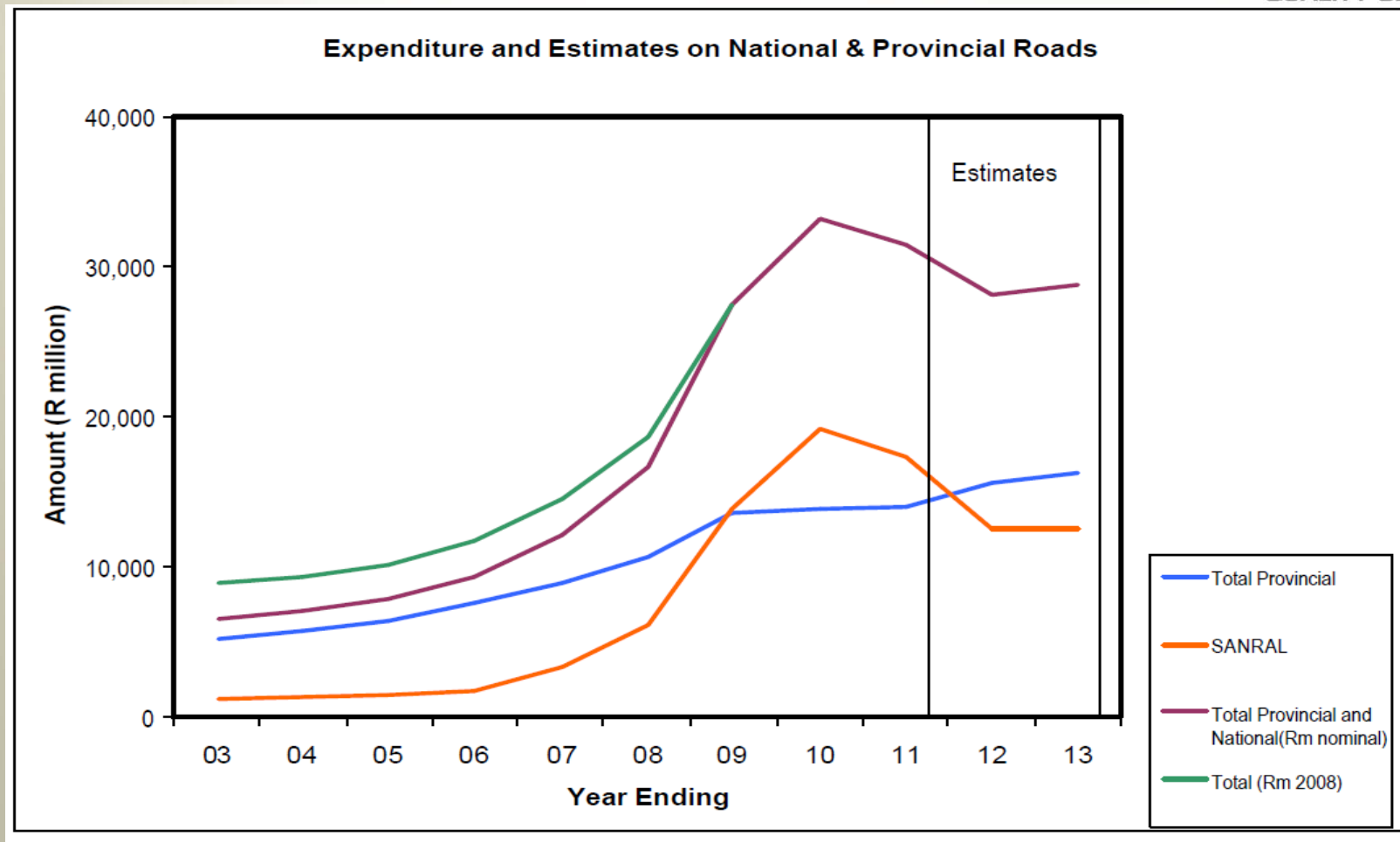
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THE FUTURE: SANRAL (roads)



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THE FUTURE: TRANSNET (rail/harbour)

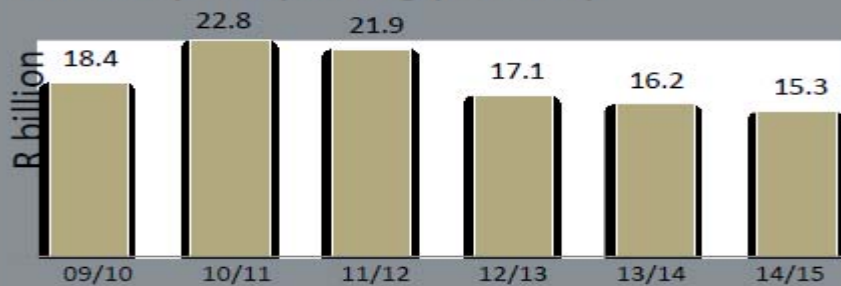


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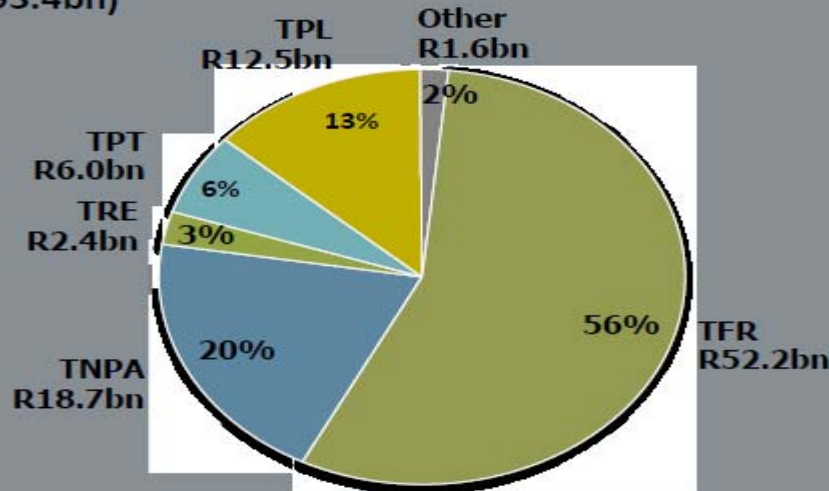


5-Year Corporate Plan: Capital investment

5-Year Capital Spending (R93.4bn)



Capital Investment by Operating Division (R93.4bn)



- Transnet has established a National Infrastructure Plan - a 30-year capacity creation plan. Wide stakeholder engagement and acceptance.
- Latest investment plan supporting quantum leap increase in planned volumes/service delivery over the 5 years

Reasons for increase from previous 5-year plan of R80.5 billion to R93.4 billion

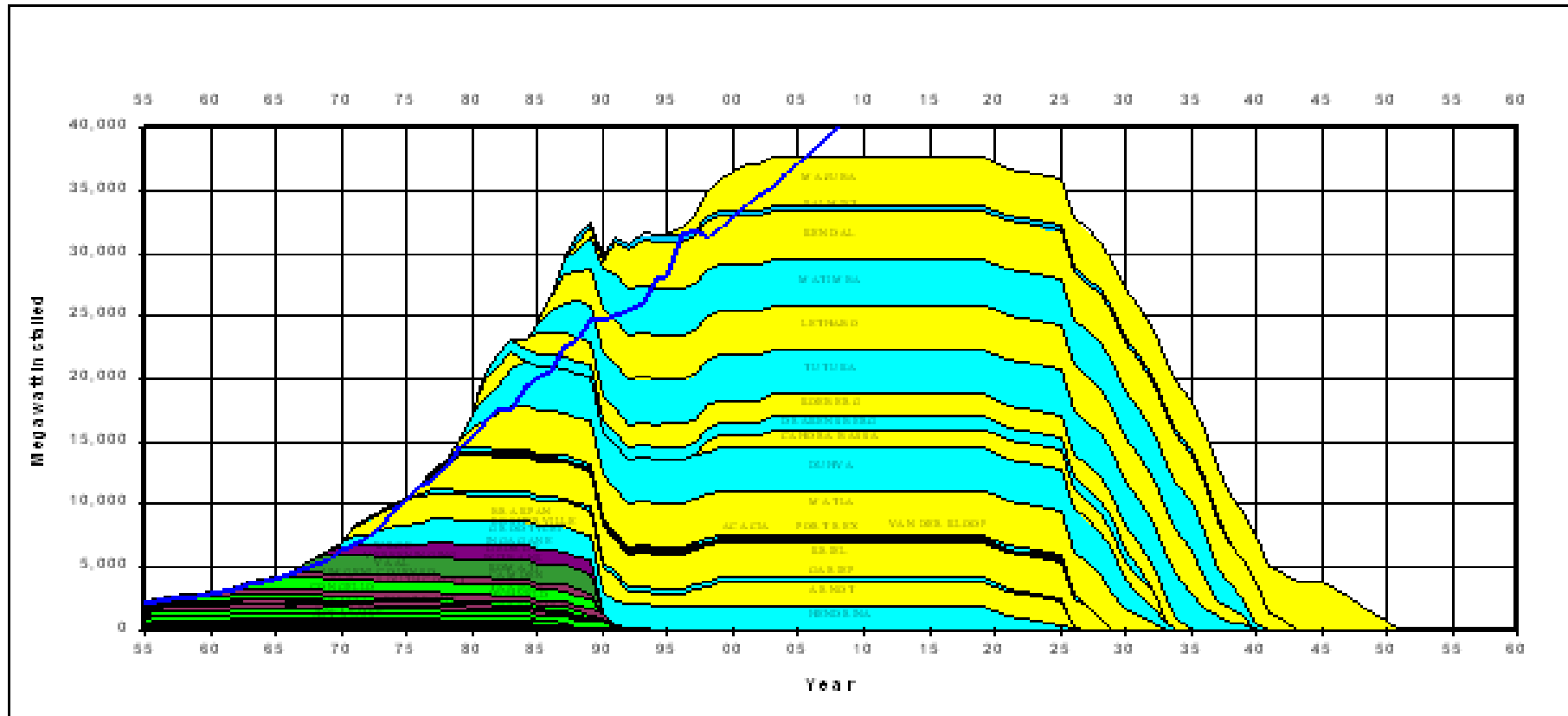
- Change in scope/ ETC's of projects to address the following:
 - Increase in volumes compared to previous 5-year plan
 - Rail: Additional 32% volumes
 - Port Business: Additional 20% volumes
 - Cost increases associated with scope changes, inflation, reengineering and input-price adjustments.
- Additional projects (not fully reflected/included in previous 5-year plan)

THE FUTURE: ESKOM (electricity)



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LONG TERM ELECTRICITY GENERATING CAPACITY

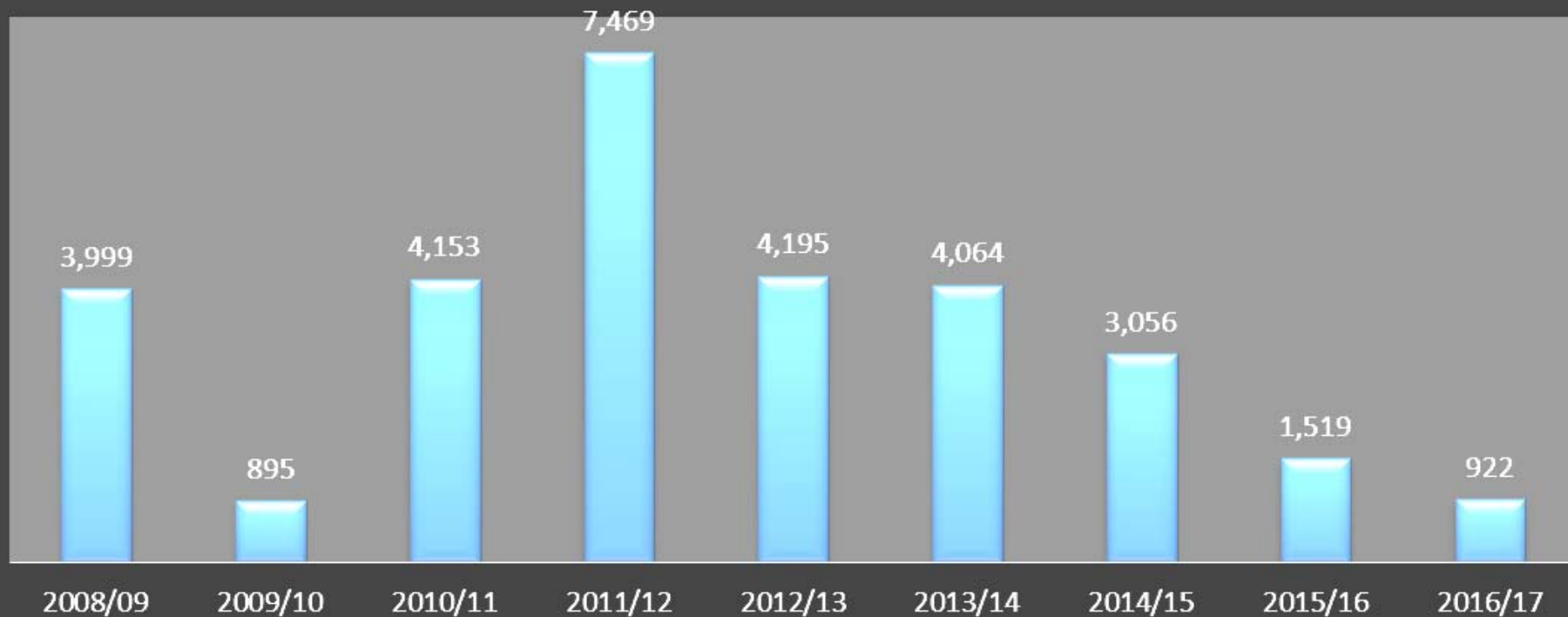


THE FUTURE: TCTA (water, excl LHWP)



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Total Annual Project Cost - Capital Cost (excl O&M) (R-million)

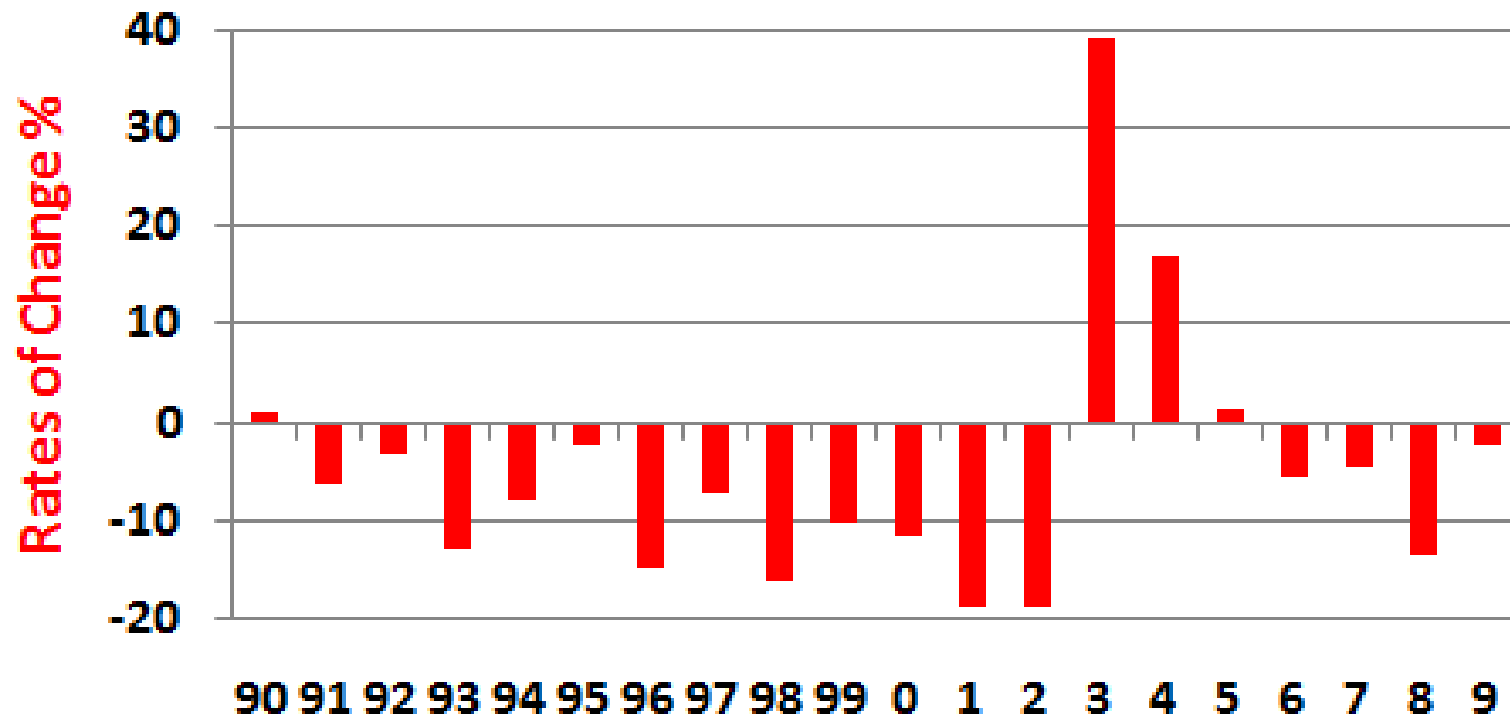


SUMMARY



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Exchange rate Fluctuations: R:\$





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THANK YOU
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