

# Top trends likely to shape the local construction industry

 By [Otto Botha](#)

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The outlook for the South African construction industry remains subdued in the short to medium term as the sector continues to be affected by a lack of implementation of government's infrastructure delivery plan, as well as less demand from the private sector.



Otto Botha, MD of Waco Engineering Services

Due to the country's poor economic state and the impact of the Covid-19 pandemic, many large projects have been cancelled or delayed over the past two years. A lack of funding seems to be the biggest obstacle to getting infrastructure rollout back on track, but there is some hope of an uptick in activity in the renewable energy space.

Against this backdrop, these are some of the key trends that could shape the course for the construction industry in 2023:

## Lack of project funding

While South Africa desperately needs infrastructure development, it seems that the availability of funding for big projects is becoming a serious challenge. This is hampering the rollout of government's ambitious 10-year R2.2tn infrastructure plan that was unveiled in 2021.

At the same time, South African construction companies are also losing out to foreign competitors who are most likely bringing project financing to the table to secure local contracts. For example, following the cancellation of R17bn worth of crucial road improvement and construction projects due to irregularities in the tender process, the South Africa National Roads Agency (Sanral) announced that four of the five projects have now been awarded to Chinese-led joint ventures.

This, of course, creates a moral dilemma. While the country desperately needs infrastructure, which would create jobs, stimulate the economy and build investor confidence, the local industry is unable to compete with foreign companies. Hence, infrastructure funding needs to be unlocked urgently.



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## Renewable energy opportunities

South Africa's dependence on fossil fuels for electricity generation – with two new coal-fired power stations still waiting to come fully online – means that it is unlikely to switch over to renewable energy on a significant scale in the near future. However, the country's energy crisis – characterised by costly and damaging load shedding – is forcing people to look to alternative ways of generating energy.

The relaxation of bureaucratic red tape for renewable energy projects and a higher ceiling for private power generation has seen increased interest from private investors and public-private partnerships in the rollout of solar and wind energy

projects. This could result in some big projects coming onstream and is good news for the local construction sector.



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## New (costly) legal compliance requirements

The Occupational Health and Safety (OSH) Act Amendment Bill is expected to be gazetted and signed into law in early in 2023. The biggest fundamental change to the Bill is that businesses will now need to develop a health and safety management system to formalise workplace health and safety.

This could have potentially costly implications for construction companies and project owners as the amendment allows inspectors from the Department of Labour to issue spot fines of R50,000 per infringement or contravention of the Act.



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## The struggle with skills

In light of the challenges faced by the local construction industry in recent years, such as a dearth of mega projects, Covid-19 and tough economic conditions, many huge construction companies have been forced to shut their doors.

This further exacerbated the skills shortage in specialist trades as many engineers from the industry have either moved to other industry sectors or have left the country. Getting these skills back will be very difficult, unless opportunities can be unlocked through the rollout of massive infrastructure projects. Again, we need government to start investing in infrastructure before more skills are lost.

## ABOUT OTTO BOTHA

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