

Call For Level Playing Field After Sobering Budget

Blurb for online platforms

Speaking after AfriSam's Annual National Budget breakfast event held in Sandton recently, AfriSam CEO, Rob Wessels emphasised the need for fair competition in the cement sector. He said industry was engaging government and trade authorities to ensure fair conditions over the import of cement, including the enforcement of existing port tariffs for these goods.

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CALL FOR LEVEL PLAYING FIELD AFTER SOBERING BUDGET

As the Finance Minister Tito Mboweni painted a sobering picture of the country's economic future in his recent Budget Speech, AfriSam has encouraged government to foster industrialisation through a level playing field.

"For a number of reasons, South Africa is unfortunately de-industrialising its economy," AfriSam CEO Rob Wessels said. "As committed corporate citizens, we are up to the social challenges and want to keep our industries thriving as an engine for upliftment."

Speaking after AfriSam's Annual National Budget breakfast event held in Sandton recently, Wessels emphasised the need for fair competition in the cement sector. He said industry was engaging government and trade authorities to ensure fair conditions over the import of cement, including the enforcement of existing port tariffs for these goods.

He also noted that the recent imposition of carbon tax in South Africa meant a further cost added to local producers which many importers did not face. AfriSam sales and marketing executive Richard Tomes noted that cement imports were rising and were having a negative impact on job creation in the country.

In his address to the event, Econometrix chief economist Dr Azar Jammie warned that the signs for any recovery in the construction sector this year were not good – with the International Monetary Fund (IMF) predicting a growth rate of only 0,8% for the local economy. This was even before the impact of the coronavirus outbreak in China was factored into this estimate.

“Most of the upturn in cement demand that we hope for, in the immediate future, will come from infrastructural investment projects rather than from the building industry,” Dr Jammine said. “The outlook for the building industry in the coming year looks very bleak. Building completion statistics – especially for flats and townhouses – are declining sharply.”

In the previous financial year, the construction sector had performed even worse than the broader economy, which grew at just 0,4% according to the IMF. The sector lost about 131,000 jobs in 2019, representing 8,8% of the workforce. This was the most jobs lost by any sector in the economy.

According to Jammine, cement sales had fallen by about 5% over the past year. However, he was “reasonably hopeful” that cement demand might achieve about 2% growth over the next few years. While there was “no total collapse”, he did acknowledge that the cement industry was one of worst-hit sectors during the current downturn.

Tomes noted that AfriSam had already removed inefficient capacity and right-sized to cope with the current challenging environment. “Unless we see an upturn in demand soon, we might have to revisit other cost saving initiatives,” he said.

In his recent budget speech, Minister Mboweni committed government to redirect spending towards infrastructure and away from public sector wages. The state’s wage bill was one of the main reasons behind the “huge expansion” in South Africa’s budget deficit.

Dr Jammine argued that the fate of the economy now relied on President Ramaphosa’s ability to implement the plans announced by Minister Mboweni, and to push reforms that could attract investors and make government spending more efficient.

Captions

AFRISAM PIC 01 : AfriSam’s Annual National Budget breakfast event held in Sandton recently was well attended.

AFRISAM PIC 02 : Econometrix chief economist Dr Azar Jammine warned that the signs for any recovery in the construction sector this year were not good.

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