



BI-ANNUAL ECONOMIC AND CAPACITY SURVEY

July - December 2025

Published by
The Consulting Engineers South Africa
(CESA)

March 2026

Report prepared by

Industry Insight CC
www.industryinsight.co.za

Executive Summary

The latest survey results for the period July – December 2025, indicate that South Africa’s consulting engineering industry is beginning to emerge from a prolonged downturn, with several indicators pointing to early-stage recovery. Profitability improved meaningfully during the second half of 2025, reaching its strongest levels in a decade, supported by modest growth in fee income, improved cost control, and slightly better operating conditions. Employment has also recovered gradually, now nearing pre-pandemic levels, while payment conditions showed a notable improvement, with a reduction in outstanding invoiced fees easing some pressure on cash flow. These developments suggest that the industry may have reached its cyclical low and is entering a stabilisation phase.

Labour market dynamics reflect this cautious environment. Although employment has increased modestly, hiring intentions have softened, with fewer firms planning to expand their engineering workforce compared to previous years. This suggests that firms are responding to short-term project opportunities rather than committing to sustained capacity expansion. At the same time, recruitment challenges persist, particularly in sourcing experienced and suitably qualified engineers, including female professionals, highlighting an ongoing structural skills mismatch within the industry.

Additional pressures continue to weigh on the sector, including rising competition, persistent discounting, and a sharp increase in outsourcing, which now exceeds 30 percent of turnover as firms seek greater flexibility and cost efficiency. While some improvement in payment behaviour has been observed, outstanding invoices remain elevated, and profitability is expected to moderate in the near term as cost pressures—particularly wages—remain high. Overall, the industry is stabilising, but the recovery remains shallow and vulnerable, with sustained growth dependent on a meaningful acceleration in infrastructure investment and a stronger, more consistent pipeline of project opportunities.

Confidence levels reflect growing optimism towards the end of 2026, despite expectations not being met in 2025.

Global Growth Projections

Global growth outlook stabilise in 2026, with moderately weaker outlook in 2027

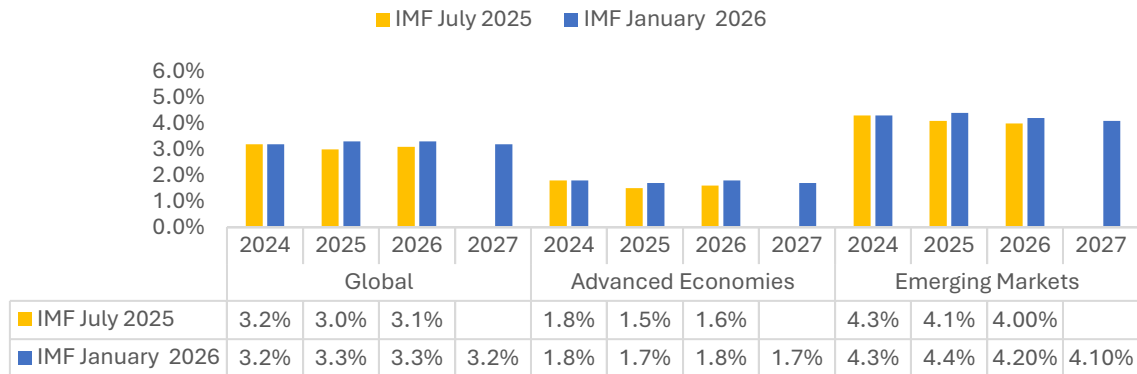


Figure 1: Global Growth Projections (Source: IMF World Economic Outlook January 2026)

ECONOMIC SUMMARY

INTERNATIONAL ECONOMY

Global growth is projected to remain broadly stable at around 3.3 percent in 2026, supported by resilient activity in the US and parts of Asia, despite ongoing trade frictions and policy uncertainty. South Africa’s key trading partners show mixed momentum: the US remains strong at 2.4 percent, the euro area (particularly Germany) continues to lag at 1.3 percent, while China moderates to 4.5 percent amid structural pressures but still provides important demand support. India remains a standout among emerging markets although economic growth is projected to slow from 7.3 percent in 2025 to an average of 6.4 percent between 2026 and 2027, primarily due to the fading of cyclical and temporary growth drivers that boosted activity in 2025. India remains an important secondary trading partner to South Africa, particularly important for commodities, but is still less dominant than China, the EU, or the US.

Emerging markets overall are expected to grow just above 4 percent, with Sub-Saharan Africa improving modestly to 4.6 percent. In contrast, South Africa underperforms, with growth of only 1.4 percent to 1.5 percent over the next two years, reflecting persistent structural constraints and limited domestic momentum.

The 2026 growth outlook for South Africa’s three main trading partners suggests a **mixed but broadly supportive backdrop for SA’s trade balance**, although not a strongly improving one. China’s projected growth of about **4.5 percent** should continue to support demand for South Africa’s mineral and resource exports, which is positive for export volumes, especially in bulk commodities and metals. However, because China is slowing from 5.0% in 2025 and still faces structural weakness, especially in property-related demand, the uplift to South African exports is likely to be more moderate than in a stronger Chinese upswing.

The **US outlook is more supportive**, with growth of around **2.4 percent in 2026**, which should help sustain global demand, improve broader risk sentiment, and support some South African manufactured and niche

export categories indirectly. A stronger US also tends to underpin global trade activity more broadly. By contrast, the **euro area's weak 1.3 percent growth outlook**, including only **1.1 percent for Germany**, points to softer demand conditions in one of South Africa's major export markets, which could constrain exports such as autos, manufactured products, and some higher-value goods. In other words, stronger US and still-solid Chinese growth may partly offset the drag from weak European demand, but not completely.

Overall, the implication is that South Africa's trade balance in 2026 is likely to remain supported, but with limited upside. Export demand should not collapse, because China and the US remain resilient, yet slower Chinese momentum and weak European growth reduce the chance of a major export surge. At the same time, the IMF expects world trade volume growth to slow to 2.6 percent in 2026 from 4.1 percent in 2025, which also suggests a less buoyant external environment. The outcome is still positive but potentially narrower, trade surplus, especially if import demand at home recovers or if commodity prices soften further. However, the outbreak of the US and Israel's attack on Iran in March 2026, worsens South Africa's trade balance as oil prices hinged between \$90/barrel and \$100/barrel.

The global growth outlook has become significantly more fragile considering the **escalating US-Iran war**, which has introduced a major energy shock into an already uncertain environment. The conflict has disrupted critical oil supply routes, particularly through the Strait of Hormuz, which carries around 20% of global oil, driving oil prices above \$100 per barrel and sharply increasing global energy costs. This represents a clear deviation from the IMF's baseline assumption in January 2026 of falling or stable oil prices and instead raises the risk of a sustained inflation shock.

Higher energy prices are feeding through into transport, production, and food costs globally, which could push inflation higher and force central banks to keep interest rates elevated for longer, thereby constraining growth.

At the same time, the war is amplifying broader macroeconomic vulnerabilities. Prolonged disruption to oil and gas supply, combined with infrastructure damage and geopolitical uncertainty, is already weighing on financial markets, increasing volatility, and undermining investor confidence. If sustained, this could trigger tighter financial conditions, reduced investment, and weaker consumption globally. The risk is particularly acute given that current global growth remains narrowly driven by a few sectors, especially technology, making it vulnerable to any concurrent financial market correction. In addition, the conflict raises the risk of **stagflationary dynamics**, where higher inflation coincides with slower growth. Estimates suggest that persistent oil price increases could materially reduce global output while raising inflation, complicating monetary policy responses. Fiscal pressures are also likely to intensify, as higher energy costs and borrowing rates strain already elevated public debt levels across major economies.

Overall, the US-Iran war transforms the global risk profile from one of moderate downside risks to one where energy market disruption, inflation persistence, and financial tightening are central threats, significantly increasing the probability of a weaker and more volatile global growth outcome.

South Africa's growth outlook in the IMF's January 2026 WEO remains subdued but marginally improving, with GDP projected at around 1.4 percent in 2026 and 1.5

percent in 2027, reflecting a modest recovery from very weak recent performance. This outlook is underpinned by expectations of slightly firmer global demand, easing inflation, and supportive external conditions, particularly relatively low oil prices, and accommodative global financial conditions in the baseline. However, the IMF makes clear that South Africa’s growth remains structurally constrained by logistics bottlenecks, energy supply challenges, weak investment, and limited productivity growth, which continue to cap the country’s ability to benefit fully from global growth. However, the escalation of the US–Iran war materially increases downside risks to this outlook, primarily through the oil price and financial channels.

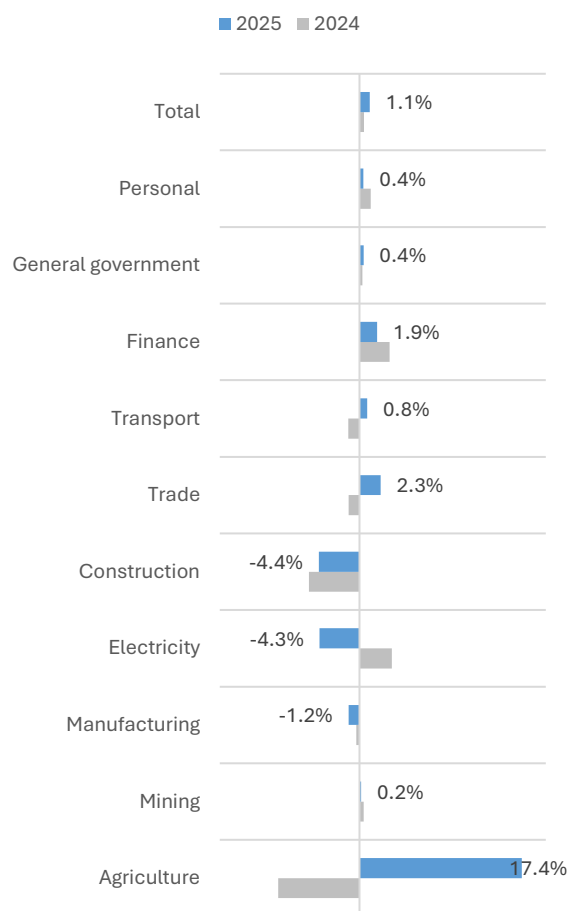
DOMESTIC ECONOMY

Real GDP (measured by production) increased by 1.1 percent in 2025, following a 0.5 percent increase in 2024.

Three out of ten sectors underperformed in 2025, including Construction (-4.4 percent), Electricity (-4.3 percent) and Manufacturing (-1.2 percent). Agriculture recovered with a more robust 17.4 percent increase, with Finance and Trade up by 1.9 percent and 2.3 percent respectively. Less than 1 percent growth was recorded in Transport (0.8 percent), Personal and Government services (0.4 percent) and Mining (0.2 percent). The dismal growth in Mining underpins the challenges faced by this sector, that has failed to maximize the growth potential given the increase in commodity prices in 2025, with the gold price surpassing \$5000/ounce.

Fixed investment continued to weaken in 2025, with its contribution to GDP declining to 13.7%, down from 14.2% in 2024. In real

Gross Domestic Product Value Add by Industry: Y-Y Per.chg



terms, total fixed investment fell by 2.2% to R654 billion (2015 prices), following a 3.9% contraction in 2024. The decline was driven by the private sector, which accounts for over 70% of total investment, and recorded a further 2.9% contraction in 2025 after a 4.2% decline in the previous year. While the private sector remains the dominant driver of investment, the broader environment has not been sufficiently supportive, and despite ongoing policy discussions, there has been limited tangible progress in creating conditions that would stimulate stronger private sector investment.

Public sector investment also remained weak, declining by 0.4% in 2025, although this represented a moderation from the 3.0% contraction recorded in 2024. Within this, general government investment fell by 0.8%, while state-owned enterprises posted

a modest increase of 0.3%. Given the subdued private sector response, a stronger and more consistent increase in public sector investment is critical to crowd in private investment and support a sustained recovery. However, the outlook remains concerning. Although National Treasury projects fixed investment growth of around 3% per annum over the next three years, this appears optimistic in the context of planned public sector spending. Public sector infrastructure expenditure is expected to decline by an average of 3.3% annually to 2028/29, after accounting for construction cost inflation. More specifically, economic infrastructure spending is projected to contract by 2.6% in real terms, while social infrastructure expenditure is expected to decline more sharply by 5.8%, further constraining the overall investment outlook.

South Africa made **measured but still incomplete progress on privatisation and private sector participation in 2025 compared to 2024**, with the shift becoming more visible but remaining incremental rather than transformative. In 2024, reform momentum was primarily policy-driven, with government signalling a stronger openness to private sector involvement—particularly following the formation of the Government of National Unity, and advancing early-stage reforms under Operation Vulindlela, where around three-quarters of reforms were completed or on track.

However, 2025 saw **greater practical implementation**, especially through expanded public-private partnerships and sectoral reforms in energy, logistics and infrastructure. Regulatory changes, including amendments to the PPP framework, aimed to accelerate private participation, while progress in opening freight rail and electricity markets began to translate into increased private investment pipelines. Private investment commitments rose significantly, with announced projects

increasing sharply and reflecting improved confidence in reform traction. Despite this progress however, privatisation in the traditional sense, such as large-scale asset sales or full divestment of state-owned enterprises, remained limited. Instead, the approach has focused on **partial privatisation through partnerships, and concessions**. Overall, 2025 represents a **shift from policy intent in 2024 toward early execution**, but the pace of reform is still gradual.

The contribution of private sector investment in construction works (normally dominated by the Public Sector) increased from less than 10 percent in 2000 to 25 percent in 2025. While this was due to the higher levels of investment in renewable energy projects, the GNU are more focused on enhancing private sector involvement, but challenges remain. The South African Government estimates that it will require R3.2 trillion from the private sector to meet its infrastructure needs by 2030.

Business confidence, strained by political uncertainty, weak economic growth, corruption transport, logistical and energy constraints, remained below “investment level” of 50 since 2006. Confidence levels recovered slightly to an average of 42 in 2025, from 37 in 2024, and increased from 44 in 2025 Q4 to 47 in 2026 Q1, the best level since mid-2021. The initial impact of the GNU, established in 2024, may be slower than anticipated, while infrastructure backlogs continue to weigh in on growth. Higher levels of business confidence are critical to support investment growth, irrespective of the level of interest rates or ease of access to finance. Unless business confidence does not show a more sustained recovery to 50 (neutral) or higher, meaning a further 19 percent increase in satisfaction rates during 2026, investment growth will remain muted and perform below potential.

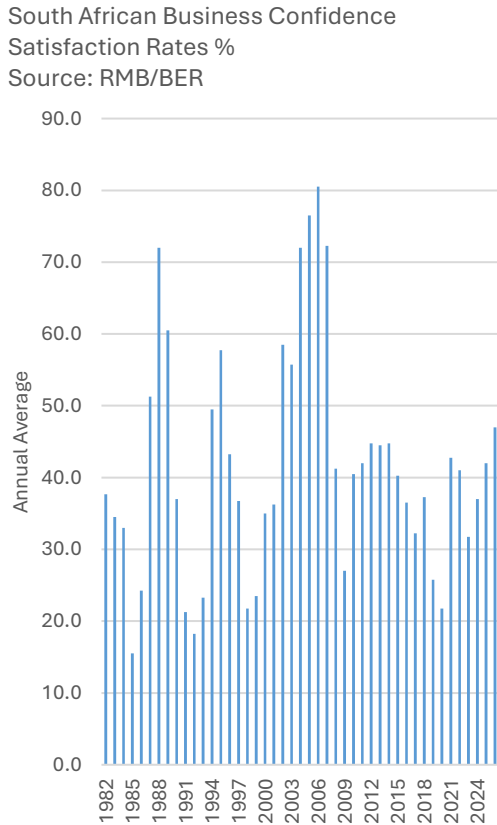


Figure 3: Business Confidence Satisfaction Rate, Annual Average: 1982 – 2026 Q1

GFCF Construction 2024 vs 2025
Y-Y Percentage Change (Constant Prices)

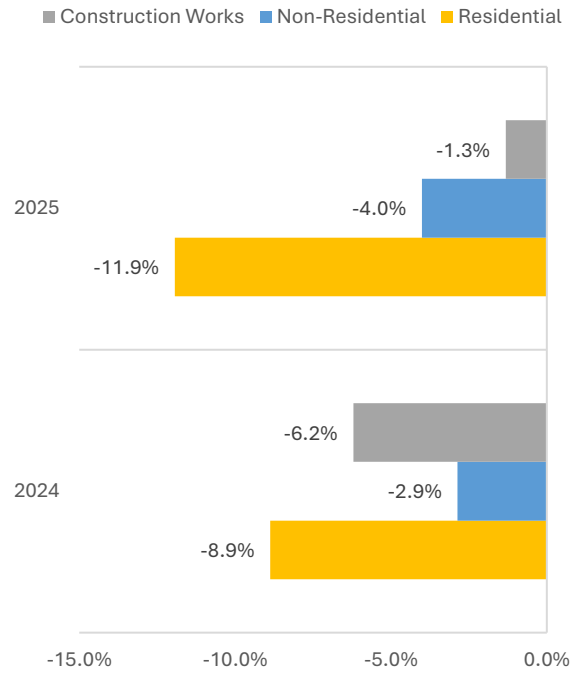


Figure 2: GFCF Construction by Market Segment 2024 vs 2025

INVESTMENT IN CONSTRUCTION

Investment in the construction industry (according to the Reserve Bank’s gross fixed capital formation estimates, including residential, non-residential and construction works) decreased by 5.4 percent y-y in 2025 to R213bn (2015 prices) following a (revised) 6.6 percent contraction in 2024.

The decline in investment in the building sector accelerated during 2025 with investment down 9.3 percent y-y following the 6.9 percent decline in 2024. Other than a modest 0.5 percent increase in 2022, this marks the 6th year of decline since 2018 meaning investment levels have dropped by nearly 40 percent over the past 7 years. Or R65bn in real terms (2015 prices). The

GFCF Construction Residential, Non-Residential, Construction Works: Rm Constant 2015 Prices

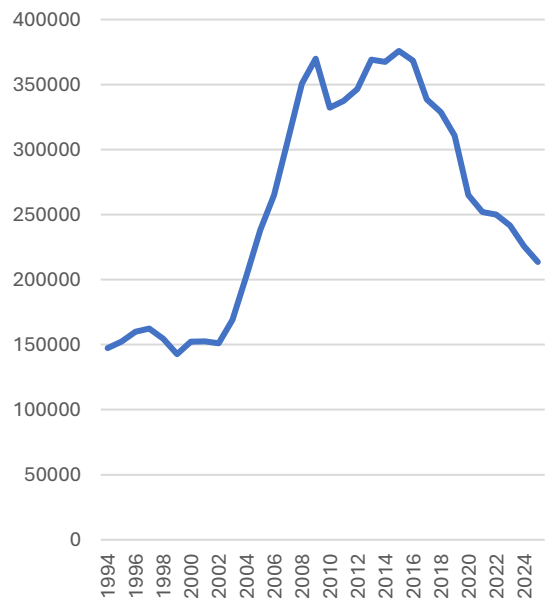


Figure 4: GFCF Total Construction Rm 2015 prices

building industry has been negatively impacted by higher interest rates and inflation on consumer affordability, augmented by weak investor sentiment.

Improved affordability, with lower inflation and lower interest rates during 2025 did not have the expected impact, with residential demand still lagging.

Investment in construction works has been declining for 9 years, other than a 1.3 percent increase in 2021. The gradual disinvestment by the public sector was accelerated by Junk Status (2017) when borrowing options dried up and the cost of borrowing significantly increased. This means investment in civil works has effectively fallen by almost 50 percent since 2015, or R95bn (2015 prices) to a dismal R109bn, bearing in mind that this also includes the cost of imported machinery and equipment. On the upside, the rate of decline has slowed from -6.2 percent y-y in 2024 to -1.3 percent in 2025. The outlook for civil investment is linked to expenditure by

between 2026/27 to 2028/29, referred to as the Medium-Term Expenditure Framework (MTEF). Allocations are not keeping pace with inflation and continue to decline in real terms. Expenditure on economic infrastructure is projected to fall by 0.1 percent in 2026/27 (despite a 12 percent increase in energy), increase by 1.7 percent in 2027/28 (mainly in energy and transport) and decline by 8.6 percent in 2028/29, with an average 2.3 percent decline over the 2026 MTEF.

South African Civil Contractor
Confidence
Satisfaction Rates %
Source: FNB/BER

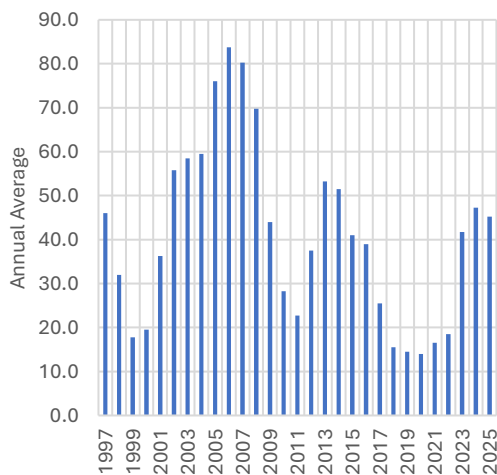


Figure 6: Civil Contractor Confidence Index (Source RMB/BER)

the public sector on economic infrastructure, as announced in the 2026 Budget that spans over a three-year period

South African Building Contractor
Confidence
Satisfaction Rates %
Source: FNB/BER

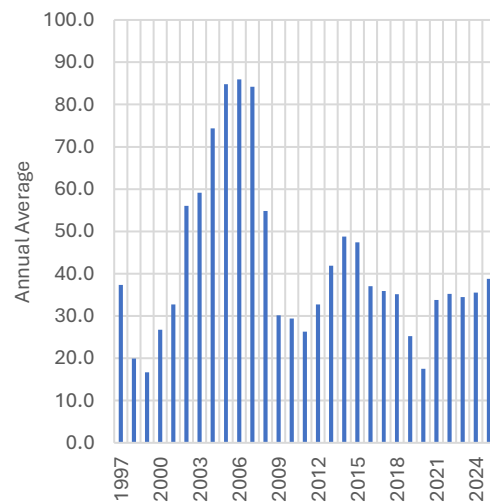


Figure 5: Building Contractor Confidence Index (Source RMB/BER)

Despite the disappointing performance in GFCF in 2025, confidence in the civil sector, according to the RMB/BER confidence surveys, rebound in 2023 and 2024, with just a slight easing in 2025 to an average of 45. While still below the 50 neutral level, meaning more contractors are still feeling pessimistic, it is close to the best level since 2014. Building contractors, despite an average satisfaction rate of only 39 percent in 2025, are nonetheless at the best level since 2015.

SURVEY RESULTS

- The analysis of the questionnaires completed by active firms in the consulting engineering profession provides a proxy for current and expected working conditions for the profession, measured and benchmarked on a regular basis.
- CESA welcomes commentary received from firms and invites all members to actively participate in sending commentary on either the survey or conditions in the workplace thereby increasing the relevance of these reports.
- The survey is re-evaluated on a continuous basis to ensure that the questions asked are pertinent to current conditions in the industry.
- The December 2025 survey introduced a firm size classification according to the Built Environment BBBEE Sector Codes specification, shown below.

Survey Results
 Profile of Respondents
 July – December 2025

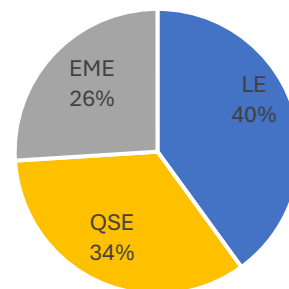


Figure 7: Sample Profile

Table 1: Firm Size Classification

LE	Large Enterprise Turnover >R25m
QSE	Qualifying Small Enterprise Turnover R6m to R25m
EME	Exempt Micro Enterprise Turnover up to R6m

- A total of 48 questionnaires were returned via both an on-line and hard copy system. The sample represents a cumulative fee income of R3.3bn, and 4 595 employees for the period July - December 2025.
- Starting December 2024, due to a decrease in the number of questionnaires received, lowering the sample size, responses are no longer weighted based on employment and are now unweighted.

FEE EARNINGS

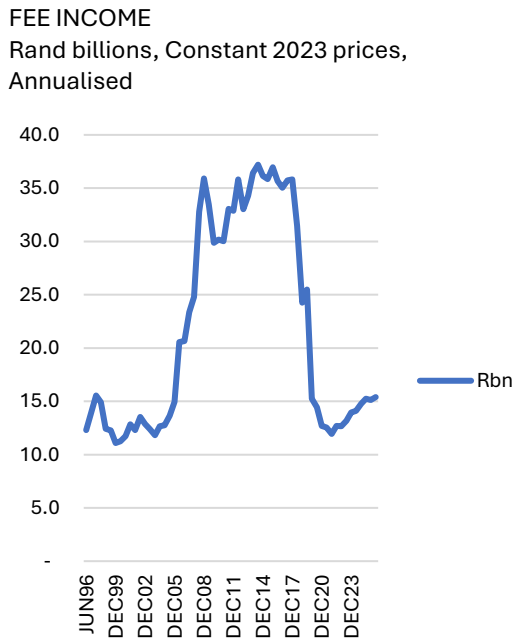


Figure 8: Fee Income

Fee earnings in the South African consulting engineering industry showed only marginal recovery in the second half of 2025, reflecting a sector that is stabilising but still operating from depressed levels. Total gross fee income increased by just 1 percent compared to the previous six-month period, significantly below earlier expectations of around 6 percent, and in real terms translated into a 0.8 percent contraction, although year-on-year earnings still recorded a modest 2.5 percent increase. This weak performance underscores the constrained infrastructure environment and subdued investment climate, despite some early signs that the industry may have reached a cyclical low point. A key feature of the current cycle is the divergence in performance across firm sizes. Large Enterprises (LEs), which dominate the industry in terms of total fee income, experienced a slight contraction in earnings of 0.2 percent, indicating ongoing pressure in larger, infrastructure-linked projects. In contrast, smaller firms showed

significantly stronger momentum: Qualifying Small Enterprises (QSEs) recorded a sharp increase of 30.6%, while Exempt Micro Enterprises (EMEs) surged by 60.1% in nominal terms over the same period. This suggests that smaller firms are benefiting from more flexible market positioning, capturing niche, smaller-scale, or private-sector work, while larger firms remain more exposed to delays and underperformance in major public-sector infrastructure delivery. Overall, the composition of fee earnings highlights a broad-based but uneven recovery, where growth is currently being driven by medium and smaller firms rather than the traditional large players. Looking ahead, expectations for early 2026 indicate a moderate rebound in nominal fee income (around 3%), with larger firms anticipated to lead the recovery, while QSEs and EMEs may face some moderation following their strong recent gains. This points to a fragile recovery trajectory, still heavily dependent on improvements in infrastructure spending and project pipeline certainty.

Confirmed appointments (order books) in the consulting engineering industry deteriorated notably in the second half of 2025, signalling a weakening forward workload pipeline despite some stabilisation in current earnings. The order book-to-income ratio declined sharply to 1.0, down from 1.8 in the previous survey, indicating that the value of confirmed future work is now only in line with current earnings levels, compared to previously providing a meaningful buffer of future activity. In nominal terms, the value of confirmed but not yet invoiced work fell by approximately 43 percent compared to the previous survey, reversing the strong gains recorded earlier in 2025 and pointing to a slowdown in new project awards and commitments. The deterioration is evident across all firm size categories, although the extent varies. Large

Enterprises (LEs) saw their order book ratio fall to 1.0, suggesting a significant slowdown in new large-scale project inflows, particularly in infrastructure-related work. Qualifying Small Enterprises (QSEs) experienced a further weakening to 0.9, indicating that their forward workload is now below current earnings levels, while Exempt Micro Enterprises (EMEs) recorded the most severe decline, with the ratio dropping to just 0.4, reflecting a limited pipeline of confirmed future work. Overall, this points to a broad-based contraction in confirmed appointments across the industry, with smaller firms, despite recent strong fee growth, now facing a sharper slowdown in future work. This divergence between recent earnings performance and weakening order books suggests that the current recovery remains fragile and may not be sustained without a stronger rebound in project awards, particularly from the public sector and large infrastructure programmes.

Profitability in the consulting engineering industry improved meaningfully in the second half of 2025, broadly aligned with the modest recovery in fee earnings, although the outlook suggests this improvement may not be sustained. Average nett profit margins (before tax) increased to 16.1 percent, up from 13.7 percent in the previous survey, marking the strongest margin performance since 2016 and above the long-term average of 14.6 percent. This recovery reflects some stabilisation in earnings, improved cost control, and a gradual increase in activity levels, albeit from a low base. The improvement in margins was broad-based across firm sizes, but with some variation. Large Enterprises (LEs) reported margins of 16.4 percent, recovering from 14.6 percent, while Qualifying Small Enterprises (QSEs) recorded the highest margins at around 17 percent, up from 14.7 percent. Exempt Micro Enterprises (EMEs) also saw a notable improvement, with margins rising from 9.3

percent to 12 percent, although they remain structurally lower than larger firms. Thus, while smaller firms experienced stronger earnings growth, they are still more constrained in terms of profitability, due to scale and cost pressures. Despite the improvement in margins, sentiment around profitability weakened slightly, indicating underlying fragility. The satisfaction rate declined to around 70 percent, down from 74 percent in the previous survey, with a higher proportion of firms reporting unsatisfactory profit levels (just over 30 percent). At the same time, only an exceedingly small share of firms (around 2 percent) reported “exceptional” margins, highlighting that while profitability has improved, it is not yet broadly strong across the industry. Looking ahead, expectations point to a moderation in profit margins over the next six months, with average margins projected to decline to around 13.2 percent, with weaker performance anticipated across all firm categories. This anticipated decline reflects concerns around a weakening order book, constrained infrastructure spending, and continued pressure on fee growth. While current margins have recovered in line with earnings, the combination of softer confidence and declining forward workload suggests that profitability remains vulnerable and highly dependent on a sustained recovery in project pipelines. The outlook for profit margins over the next six to twelve months points to a static to receding trend, rather than further improvement.

Payment conditions for work already completed improved in the second half of 2025, although they remain a key constraint to cash flow across the consulting engineering industry. On average, 46 percent of invoiced fee income remained outstanding, down significantly from around 59 percent in the previous survey and levels of 60 percent in 2023, indicating a meaningful easing in payment delays. This

suggests some improvement in client payment behaviour and better enforcement of payment terms, particularly within segments of the public sector. However, despite this improvement, the absolute level of outstanding payments remains elevated, with half of invoiced work still unpaid at the time of reporting. Large Enterprises (LEs), which account for the bulk of industry earnings, continue to carry the greatest burden, with 47 percent of their invoiced fees outstanding, although this is an improvement from previous levels. Qualifying Small Enterprises (QSEs) reported outstanding payments of 36 percent, while Exempt Micro Enterprises (EMEs) showed the lowest level at 19 percent, reflecting either improved collections or a different client mix and project scale. The improvement is encouraging, but the data suggests that payment delays remain structurally embedded, and without further strengthening in client financial positions and contract enforcement, payment cycles are likely to remain a constraint on working capital and financial sustainability in the near term.

While it is not possible to say whether these payments are overdue or late, levels remain high and increasing, that suggest continued undue financial pressure to receive payments timeously.

SALARY AND WAGE BILL AND EMPLOYMENT

The salary and wage bill in the consulting engineering industry increased moderately in the second half of 2025, intricately linked to a gradual expansion in employment across both full-time and part-time staff, as firms began cautiously rebuilding capacity. The total wage bill rose by approximately 3.0

percent compared to the previous six-month period, alongside a 0.9 percent increase in total employment, indicating that firms are adding resources, but at a measured pace in line with only modest improvements in activity levels. This suggests that employment growth is being driven more by incremental project demand rather than a strong, broad-based recovery in the sector. Despite this increase in headcount, the salary and wage bill remains a dominant cost component, accounting for around 65 percent of total fee income, slightly above the long-term average. This reflects the labour-intensive nature of consulting engineering, where staffing levels—both full-time and flexible/part-time resources—are closely aligned to project pipelines. The rise in employment, even at modest levels, therefore, has a direct and immediate impact on cost structures. At a firm level, the relationship between employment and wage costs varies. Large Enterprises (LEs) showed a modest increase in both employment and wage costs (around 2.8 percent growth in the wage bill), suggesting controlled hiring aligned with stable workloads. Qualifying Small Enterprises (QSEs) recorded a much stronger increase in wage costs (+11.6 percent), which reflects more aggressive hiring or upward wage adjustments, potentially linked to their stronger fee growth in the period. In contrast, Exempt Micro Enterprises (EMEs) reduced their wage bill by around 5 percent, implying either a contraction in staffing levels or a shift toward more flexible, lower-cost employment structures. Importantly, while employment has increased, labour cost per employee continues to rise, with the labour cost per unit index increasing by 6.6 percent in the latest survey, contributing to a cumulative increase of around 14 percent in 2025. This indicates that firms are not only employing more staff but also facing higher remuneration costs per employee, which places additional pressure on margins. Overall, the data suggests a cautious

employment recovery, with firms gradually increasing full-time and part-time capacity in response to stabilising demand. However, in the context of weak order books and only modest fee growth, this expansion in employment, combined with rising wage costs, continues to strain profitability. The outlook therefore points to carefully managed hiring strategies, with firms likely to remain conservative in expanding staff numbers until there is clearer evidence of a sustained recovery in project pipelines.

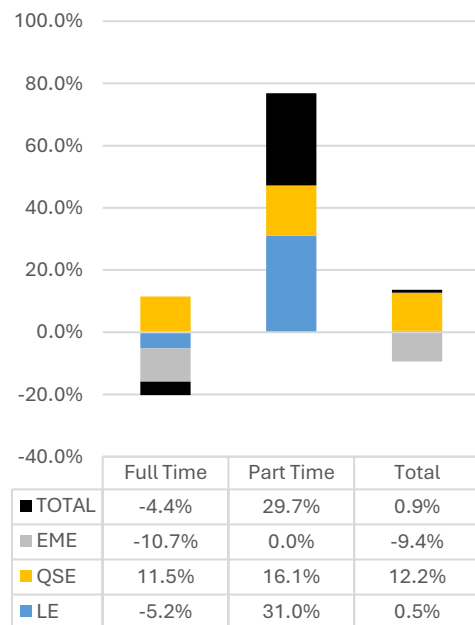
spending. The overall minor increase suggests that firms are balancing limited new work with efficiency measures, rather than undertaking large-scale recruitment. It also suggests an industry shifting towards greater workforce flexibility and risk management rather than an outright contraction. Overall firms remain cautious about committing to increasing permanent capacity, in an environment of uncertain and weakening order books. Firms are therefore cutting permanent roles to control fixed costs and protect margins. Increasing temporary or other employment, points to a more tactical, project based resourcing strategy.

CESA Employment Estimates



Figure 9: Employment Estimates
Employment in the consulting engineering industry showed a modest but cautious recovery in the second half of 2025, with total (full-time and part-time) employment increasing by around 0.9 percent compared to the previous six-month period. There is however a stark contradiction between full time and other employment. Full time employment fell 4.4 percent in the second half of 2025, against a more robust 29.7 percent increase in other employment. This indicates that firms are beginning to rebuild capacity following a prolonged downturn but remain conservative in their full-time hiring decisions given ongoing uncertainty in project pipelines and infrastructure

Changes in Employment
Second half vs First Half 2025



The fact that QSEs increased both permanent and temporary employment is a strong signal that this segment of the consulting engineering industry is currently the most expansionary and responsive to improving activity levels but also operating within a still-uncertain environment. This trend aligns closely with the exceptionally robust growth in fee earnings for QSEs (+30.6 percent) in the second half of 2025, indicating that these firms have experienced

a meaningful uptick in work and are scaling capacity accordingly. The increase in permanent staff suggests a degree of confidence in sustaining a higher baseline of activity, while the simultaneous rise in temporary employment reflects a continued need for flexibility to manage project-based or short-term workloads. In terms of profitability, QSEs reported strong margin improvement (to around 17 percent), the highest among firm categories, which supported their ability to expand employment. However, with margins expected to soften and cost pressures, particularly wages, remaining elevated, this expansion may come under pressure if revenue growth moderates. Overall, the combined picture suggests that QSEs are currently leading the recovery phase, capturing available work, and scaling up operations more aggressively than larger firms. However, the weakening order book and expected moderation in margins point to heightened risk of overextension if new project inflows do not materialise. QSEs appear to be optimistic but exposed, expanding on the back of strong recent performance, but still vulnerable to the broader fragility in the project pipeline and infrastructure environment.

Demand slows for the appointment of Engineers

Hiring intentions for engineers have softened further, with only 40 percent of firms indicating plans to increase engineering positions, down from 42 percent and 47 percent in the previous two surveys. This extends the broader downward trend from levels above 70 percent in 2023 to 54 percent in 2024 and 41 percent in 2025, confirming that demand for engineers remains selective and uneven rather than broad-based, despite pockets of improved activity. While larger firms still reflect the highest relative demand, where 53 percent of firms are looking to increase engineering appointments, it is down from 65 percent

and 85 percent in earlier surveys and supports the tendency by larger firms to cut formal employment. This further aligns with the wider evidence of subdued order books and constrained large-project pipelines, which continue to limit sustained hiring at the upper end of the market. Importantly, this softer hiring outlook coexists with continued recruitment difficulties, particularly in sourcing suitably qualified and experienced candidates, including female engineers. Approximately 52 percent of firms report ongoing recruitment challenges, suggesting that the issue is not a lack of available roles alone, but rather a skills mismatch within a constrained and uneven demand environment. Overall, the results point to a market where firms are hiring cautiously, often in response to short-term or project-specific needs, rather than expanding capacity on the back of a strong and sustained recovery in workload.

The survey results indicate that the role and contribution of women in the consulting engineering industry continues to improve gradually, but remains constrained by structural and pipeline challenges, with mixed progress across different indicators. Encouragingly, recruitment pressures appear to be easing, with the share of firms reporting difficulty in finding suitable female engineering candidates declining to 52 percent in December 2025, from 56 percent in June 2025 and levels above 80 percent in 2023. Similarly, challenges in appointing PDI female engineers have reduced significantly, falling to 27 percent from 42 percent in the previous survey, representing a notable improvement and the lowest level recorded to date. Despite these gains, the overall contribution of female engineers has moderated slightly, declining from a peak of 15.9 percent to 15.5 percent of total engineering appointments. Within this, the share of Black female engineers has

remained stable at 5.9 percent, indicating some consistency in transformation at this level, but also highlighting limited upward momentum. At a leadership level, the data points to more pronounced volatility, with female representation in executive and non-executive director roles declining sharply to 7 percent from 16.7 percent in the previous survey. Results from one survey is however insufficient to conclude that woman’s representation has fallen or whether there may be an anomaly hidden in the responses. However, 80 percent of these roles are occupied by Black, Coloured and Asian women, up from 70 percent, suggesting improved racial transformation within a smaller leadership base. While barriers to entry are gradually easing and transformation efforts are yielding incremental progress, the industry continues to face challenges in sustaining and advancing female participation, particularly at senior and leadership levels.

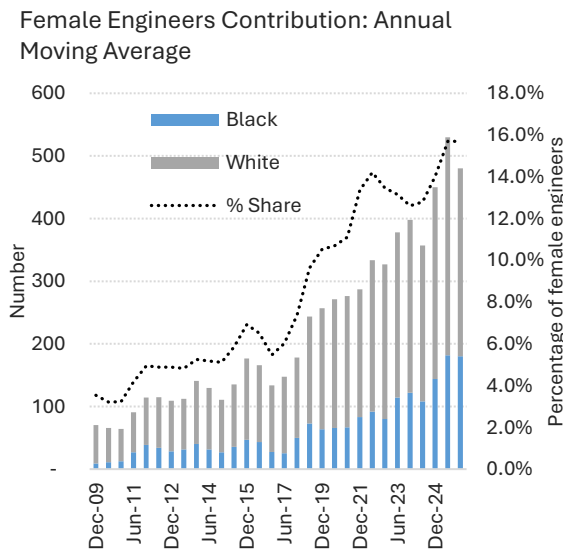


Figure 12: Female engineers

OUTSOURCING, DISCOUNTING AND COMPETITION

Average Outsourcing for Procurement purposes including Black Owned Enterprises
Industry average

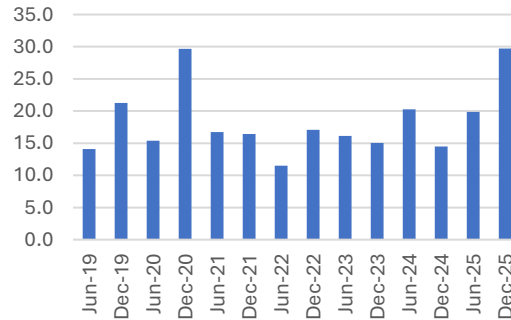


Figure 10: Average Outsourcing for Procurement purposes including Black Owned Enterprises

Outsourcing by Firm Size Classification
December 2025 Survey

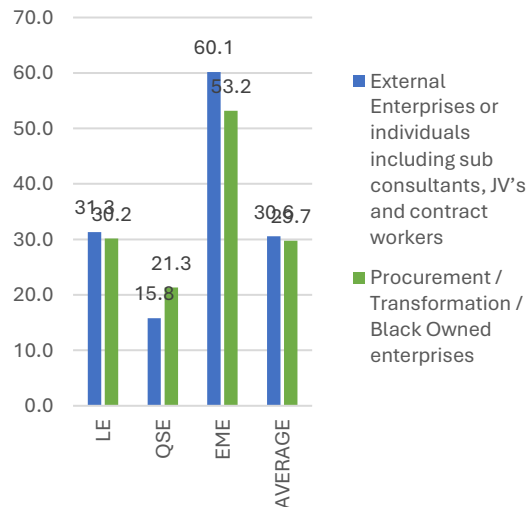


Figure 11: Outsourcing by Firm Size Classification: December 2025 Survey

Outsourcing continues to accelerate, rising from an average of 18 percent in 2024 to over 30 percent.

Competitive pressures remain elevated across the consulting engineering industry, with persistent discounting, rising outsourcing, and intensified competition for a constrained pool of work, although some

divergence is evident across firm size categories.

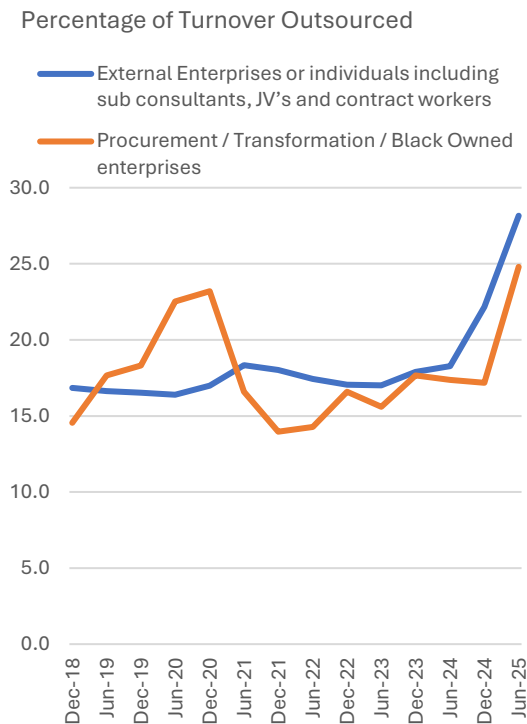


Figure 13: Percentage of Turnover Outsourced: Industry Average

Outsourcing has continued a strong upward trajectory, building on trends observed in earlier surveys. External outsourcing increased from an average of 17 percent in 2023 to 18 percent in 2024, rising further to 25.8 percent in mid-2025, and has now reached 30.6 percent of turnover in the latest survey. A similar trend is evident in procurement and transformation-related outsourcing, which increased from 15.6 percent in 2023 to 17.4 percent in 2024, 20 percent in mid-2025, and 29.7 percent currently. In value terms, this equates to an estimated R4bn to R5bn (2023 prices), reflecting a significant and sustained shift toward outsourced and partnership-based delivery models. On average, this means outsourcing (in rand terms) increased by 22.6 percent y-y in 2025 to an estimated R4.6bn.

By firm size, LEs outsourced 31.3 percent externally and 30.2 percent for

transformation purposes, QSEs 15.8 percent and 21.3 percent, and EMEs as much as 60.1 percent and 53.2 percent respectively, underscoring the heavy reliance of smaller firms on flexible resourcing.

These outsourcing trends align to **intense competitive conditions**, particularly among larger firms. Large Enterprises continue to face the most severe pressure, with over 70 percent reporting very keen to fierce competition in 2025, up from an average of 66.7 percent in 2024. QSEs remain stable at around 60 percent, while competition among EMEs has moderated, with fewer than 40 percent reporting severe competition, down from significantly higher levels in 2024. Despite this easing at the lower end, the overall market remains highly competitive, with no evidence of low-competition conditions among larger and mid-sized firms.

In response, **discounting** has remained a key competitive lever, particularly among larger firms. Discounting rates increased sharply to an average of 32 percent for LEs in mid-2025, from 19.7 percent in 2024, with QSEs also reporting elevated levels at around 21.8 percent. Although smaller firms reduced discounting to 17.8 percent, down from over 30 percent in late 2024 as competition eased, pricing pressure across the industry remains significant.

Overall, the combined evidence points to an industry that is highly competitive and increasingly cost-sensitive, with firms adapting through more aggressive pricing and a structural shift toward outsourcing. Larger firms remain under the greatest pressure to discount to secure work, while QSEs are leveraging a balance of competitive pricing and selective outsourcing. EMEs, despite some easing in competition, continue to rely heavily on

Discounting

Annual moving average (2-survey period)

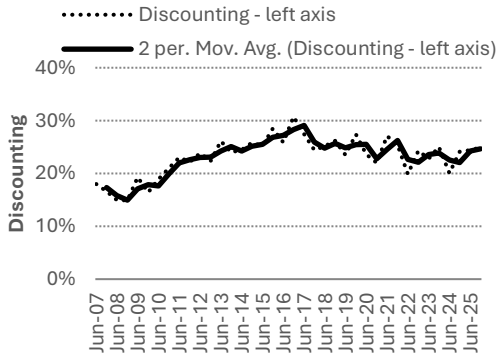


Figure 14: Discounting

outsourcing and partnerships to sustain activity. These dynamics reinforce that, despite some cyclical improvements in activity, the industry continues to operate in a tight, fragmented, and price-driven market environment.

Competition vs Discounting by Firm Size Classification
December 2025 Survey

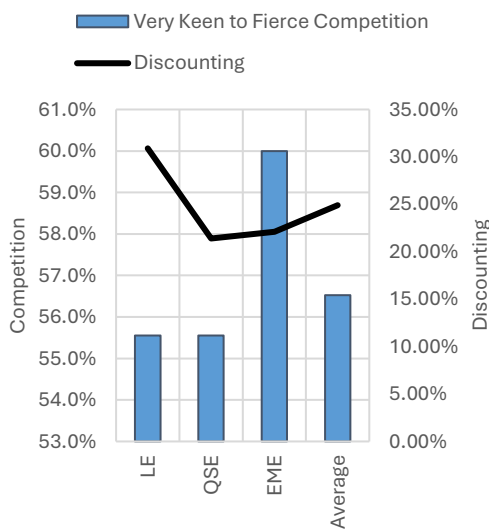


Figure 15: Very Keen to Fierce Competition vs Discounting: December 2025 Survey

CAPACITY UTILISATION

Capacity utilisation of technical staff remained above 80 percent over the last

three surveys, on par with the December 2024 survey at 84.9 percent, up from 81.6 percent in the June 2025 survey. At close to 85 percent, capacity levels recovered to the highest level since reaching 87 percent in the last six months of 2028. Capacity utilisation levels have steadily recovered since covid (2020), when levels barely exceeded more than 75 percent. Fewer than 10 percent of respondents expect utilisation levels to decrease in the first six months of 2026, with 73 percent expecting stable levels and 21 percent expecting expanding utilisation levels.

Capacity Utilisation
Annual Average

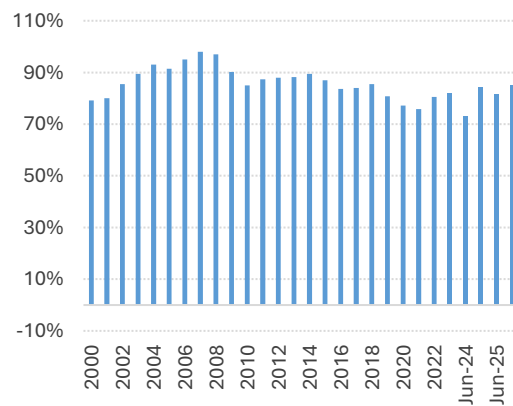


Figure 16: Capacity Utilisation Annual Average

With capacity utilisation levels at 90.4 percent for Larger Firms in the last six months of 2025, a significant increase from just below 84 percent in the previous survey, around a third of respondents expect levels to further increase. Medium size firms reported an average 88.3 percent capacity utilisation level, up from 80 percent in the previous survey, but less than 20 percent expect levels to increase, with majority (72 percent) expecting levels to stabilise. Smaller firms have the lowest capacity levels at 76 percent, weaker from 80 percent in the first six months, and yet less than 10 percent expect levels to increase in the first six months of 2026.

Capacity Utilisation vs % of Respondents that expect levels to increase in the first six months of 2026
December 2025 Survey

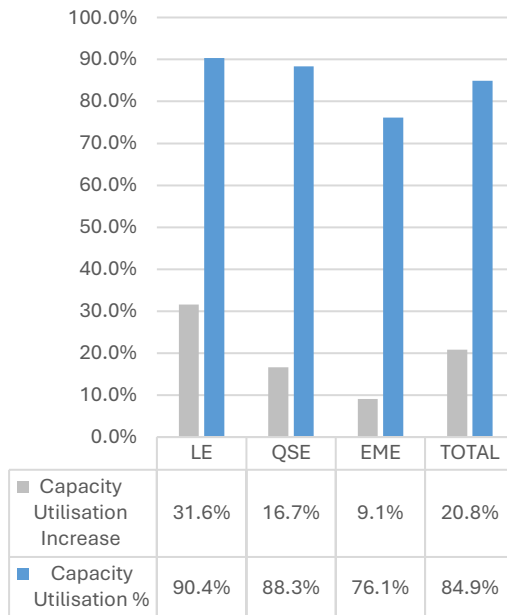


Figure 17: Capacity Utilisation by firm size category: December 2025 Survey

BREAK-EVEN RATIO

Average Break-Even Ratio by Firm Size Categories

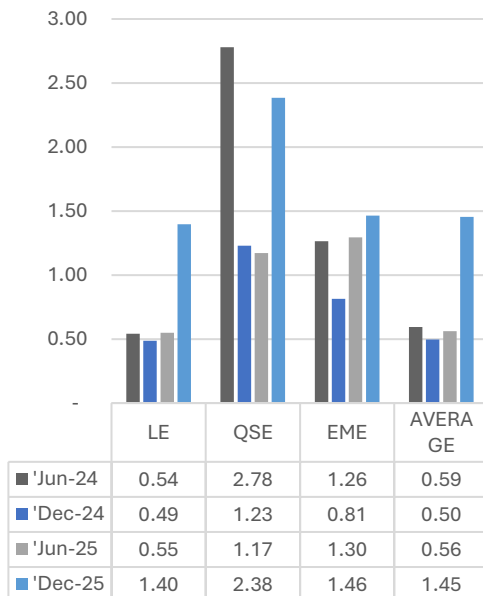


Figure 18: Average Break-Even Ratio by Firm Size Categories

The latest survey results indicate that break-even ratios improved markedly in the December 2025 survey across all firm size categories, suggesting a strong short-term recovery in revenue relative to cost structures. This represents a notable departure from the persistent weakness observed in previous periods, particularly among Large Enterprises (LEs), which had been operating well below sustainable break-even levels for several years. For QSEs and EMEs, the improvement builds on their already stronger break-even positions, indicating that recent gains in fee income and flexible resourcing strategies (including outsourcing and variable staffing) have further strengthened their ability to operate above break-even levels. However, given the sharp deterioration in confirmed appointments and forward-looking indicators, this improvement may reflect current earnings strength rather than sustained revenue visibility. Overall, the latest data suggests a short-term strengthening in financial sustainability across the industry, but when reconciled with the broader survey results, particularly weakening order books, persistent discounting, and cautious hiring, the improvement in break-even ratios is best interpreted as cyclical and potentially temporary, rather than indicative of a fully entrenched recovery.

Average Break Even Ratio

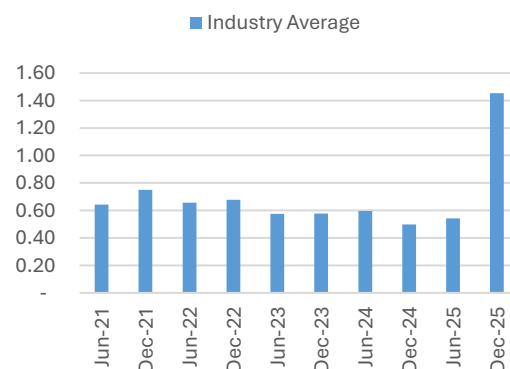


Figure 19: Industry Average Break-Even Ratio

PROJECT POSTPONEMENTS AND CANCELLATIONS

Percentage of Respondents that reported tender cancellations: Moving Annual Average

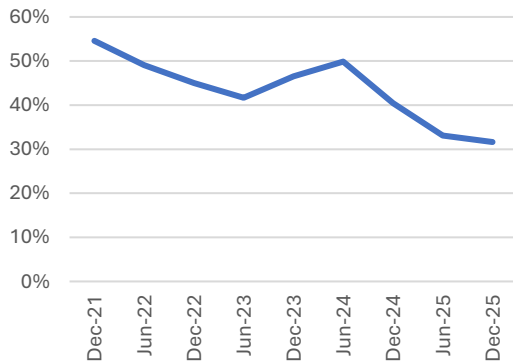
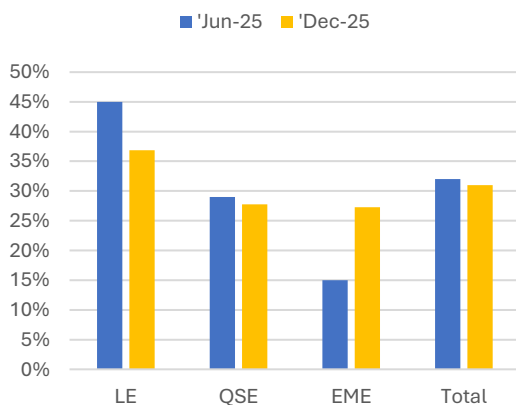


Figure 20

Project postponements and cancellations accelerated during 2023 and 2024, with varying reasons, ranging from an uncertain economic environment, budget constraints (that has significantly intensified over recent years reaching boiling point in the last two years), community interference, shortage of skills to plan and execute tenders and lately also blamed on poor contractor performance leading to delays and ultimately cancellations.

Tender cancellations by Firms Size Category 2025



On average fewer respondents (31 percent) reported incidences of tender cancellations during the last six months of 2025, compared to 32 percent in the June 2025 survey and an average of 38 percent in 2024. Larger Enterprises reported the highest incidences at 37 percent but fell from 45 percent reported in the first six months of 2025. QSE's was stable at 28 percent, just marginally lower from the 29 percent in the previous survey, but significantly lower from the 45 percent that experienced cancellations on average in 2024. EME's were the only firm size category that experienced an increase in cancellations, which increased from 15 percent to 27 percent in the current survey.

Cancellations originating from within the three spheres of government contributed a higher 77 percent of cancellations, compared to 59 percent in the June 2025 survey. Provincial Governments contributed 47 percent, followed by Local Governments (14.5 percent), Central Government (10.6 percent), and the Private Sector (22.8 percent).

As a percentage of fee earnings, it equated to 0.2 percent, a slight improvement from the 0.4 percent reported in the June 2025 survey. The fiscal impact of cancellation costs on the industry is estimated at between R30 million and R50 million, that is an average 0.2 percent of estimated nominal annualised earnings of R16.5bn.

According to a study by Industry Insight on cancellations, project cancellations fell by 34 percent year-on-year in 2025, following the 34 percent increase in 2024 that impacted 455 projects. There was a notable decline in cancellations during the last six months of 2025, down 70 percent y-y to an estimated 205 projects, compared to 250 projects in the first six months of 2025. The number of civil projects cancelled fell by 39 percent year-on-year, to 211 projects in

Tender cancellations: Origin and Cost
 Distribution: December 2025 Survey

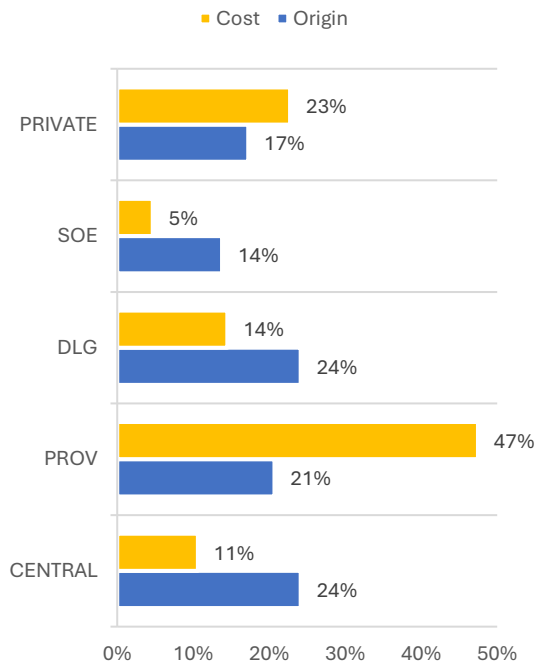


Figure 22: Tender Cancellations: Origin and Cost
 Distribution: December 2025 Survey

2025, following an 8 percent increase in 2024, to 344 projects.

The **cancellation rate** for the civil industry (number of cancellations as a percentage of civil tenders issued during the same period) slowed to an average 10 percent in the last six months, from 17 percent in the first six months of 2025, ranging from 2 percent in the Free State to 16 percent in Gauteng.

Civil Tender activity increased by 20 percent since the first six months of 2025 but was still lower by 7 percent on a year-on-year basis. A total of 1 583 tenders were released during 2025, representing a 19 percent y-y decline. The last six months showed a broad base increase at a provincial level since the first half of 2025, other than Eastern Cape and Limpopo where tender activity was weaker.

Construction Project Cancellations by Province: Number of Projects
 2024 vs 2025

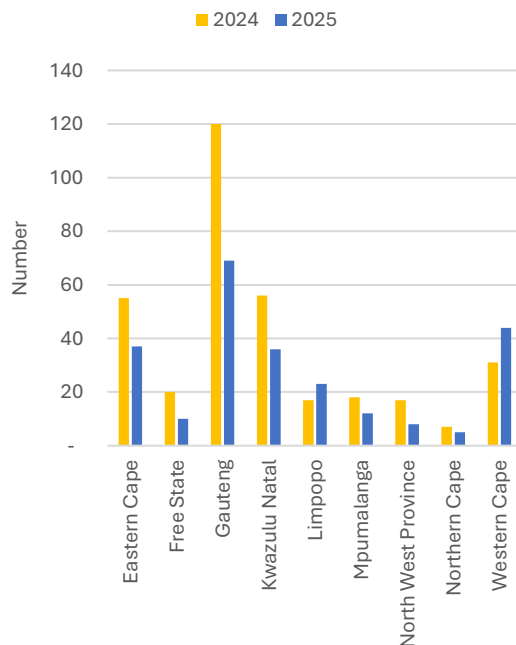


Figure 21: Project Cancellations by Province: 2024 vs 2025 (Source Industry Insight)

ECONOMIC SECTOR

Higher earnings generated in the Water and Housing Sectors

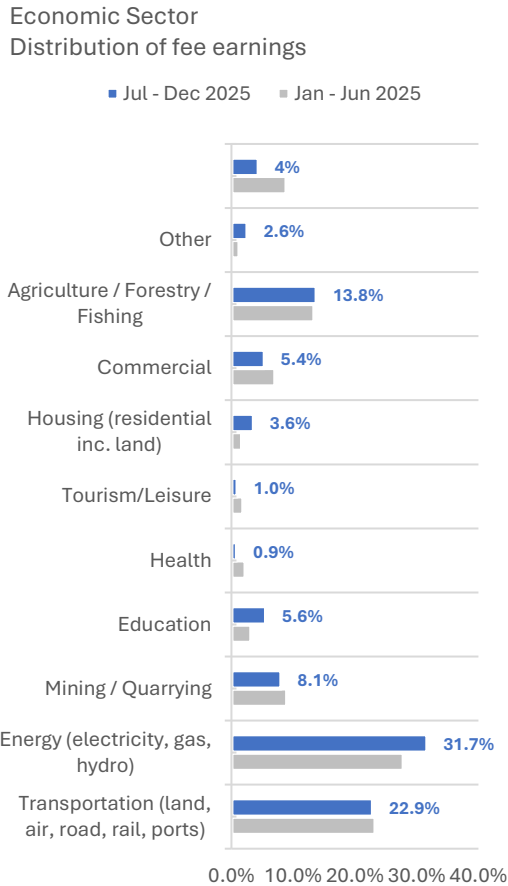


Figure 23: Fee income distribution by Economic Sector: Percentage

The distribution of consulting engineering fee earnings remains heavily concentrated in core infrastructure sectors, with transportation and water infrastructure representing the largest contributors to industry activity. Larger firms derive a significant share of their income from these segments, reflecting the continued dominance of public infrastructure projects in sustaining demand for engineering services.

In contrast, medium and smaller firms exhibit a more diversified sectoral profile, with a greater reliance on housing and

commercial development projects, which together account for a substantial portion of their earnings. This highlights their stronger exposure to private sector construction cycles and property development activity.

Other sectors such as energy, mining, health, and tourism contribute smaller shares of total fee income across the industry. Overall, the sectoral distribution reflects a dual market structure, where large firms are primarily driven by infrastructure investment, while smaller firms are more linked to private sector development trends.

The contribution of the Water sector remained above the long-term average of 17.8 percent, albeit slowing modestly from 23.3 percent in the June 2025 survey to 22.9 percent in the current survey. Earnings generated in the Water Sector fell by 2 percent in the last six months compared to the previous survey but recorded a 16 percent increase on a year-on-year basis. This sector is an important sector for earnings generated by LE's and QSE's second to the Transportation Sector.

The contribution of earnings generated in the Transport sector increased to 31.8 percent in the current survey, from 27.9 percent. The contribution stabilised at an average of 30 percent in 2024 and 2025. Earnings increased by 10 percent y-y in the last six months of 2025, and an average 4 percent increase in 2025.

The Transportation sector contribute more than a third of earnings for LE's and QSE's, but less than 6 percent for EME's where the housing and commercial sectors played a more significant role.

Economic Sector: Estimated Fee Earnings: Rm Constant 2023 prices: Two-Survey Moving Average

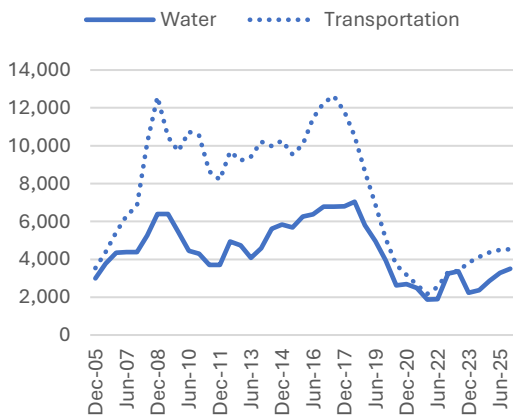


Figure 24: Estimate Fee Earnings Constant 2023 Prices: Water and Transportation: 2-Survey Moving Average

There was no real movement in the contribution by the Energy Sector over the last four surveys, averaging between 8 percent and 9 percent. Although earnings slumped by 11 percent in the last six months of 2025 compared to the previous survey, it was 18 percent higher compared to the same period in 2024.

Earnings generated in the Housing Sector contributed a lower 5.4 percent of total earnings in the December 2025 survey, from 7.1 percent in the June 2025 survey. This means earnings fell by 25 percent but has more than doubled compared to the same period in 2024, coming off a much lower base.

The contribution of earnings generated in the Commercial Sector, averaged 14 percent, slightly below the long-term average of 18 percent. Earnings rose moderately by 3 percent and was unchanged on a year-on-year basis.

There has been some movement in the Mining sector, which contributed 5.6 percent of earnings, although it is still well below the long-term average of 7.5 percent. Earnings nonetheless jumped by 74 percent

since the first six months of 2025 but remained weaker on a year-on-year basis.

Earnings generated declined in Education, Health, and Agriculture.

Overall, for 2025, sectors that recorded higher earnings include Water (+23%), Transport (+4%), Energy (+8%) Education (+21%), and Housing (162%) showed higher earnings.

OUTLOOK

Satisfaction Rates by Firm Size Category
 DECEMBER 2025 Survey

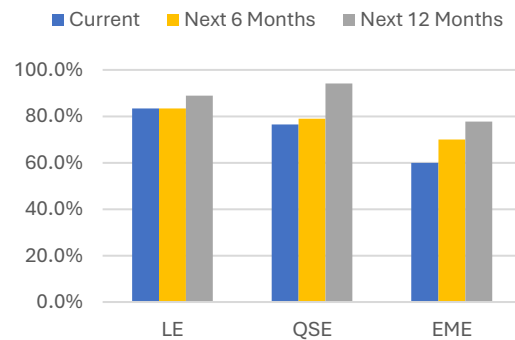


Figure 25: Satisfaction Rates by Firm Size Category

Higher expectations were again disappointed in the last six months of 2025, with the industry average satisfaction rate at 75 percent, against an expected 83.8 percent. This was however an improvement from the 66.7 percent recorded for the first six months of 2025. Expectations gradually improve to 78 percent (first six months of 2026) and 88.6 percent (last six months of 2026). Large Enterprises confidence levels improved to 83.3 percent in the current, remaining above 80 percent over the next 12 months. QSE's are less optimistic, with the current satisfaction rate at 76.5 percent, but gradually improves to 94 percent by the last six months of 2026. EME's experienced the toughest conditions during the period under review, with a lower-than-average 60

percent satisfactory rate, with confidence levels gradually improving to 77.8 percent in the last six months of 2026.

Tempo of work: Next 6 Months
 December 2025 Survey

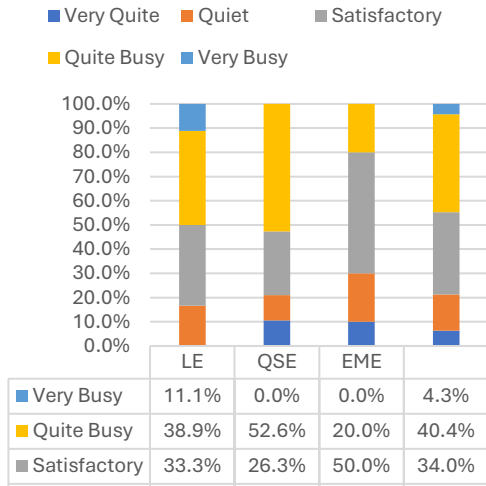


Figure 26: Tempo of Work Conditions: Next 6 months: December 2025 Survey

Consulting Engineering Industry: Satisfaction Rate

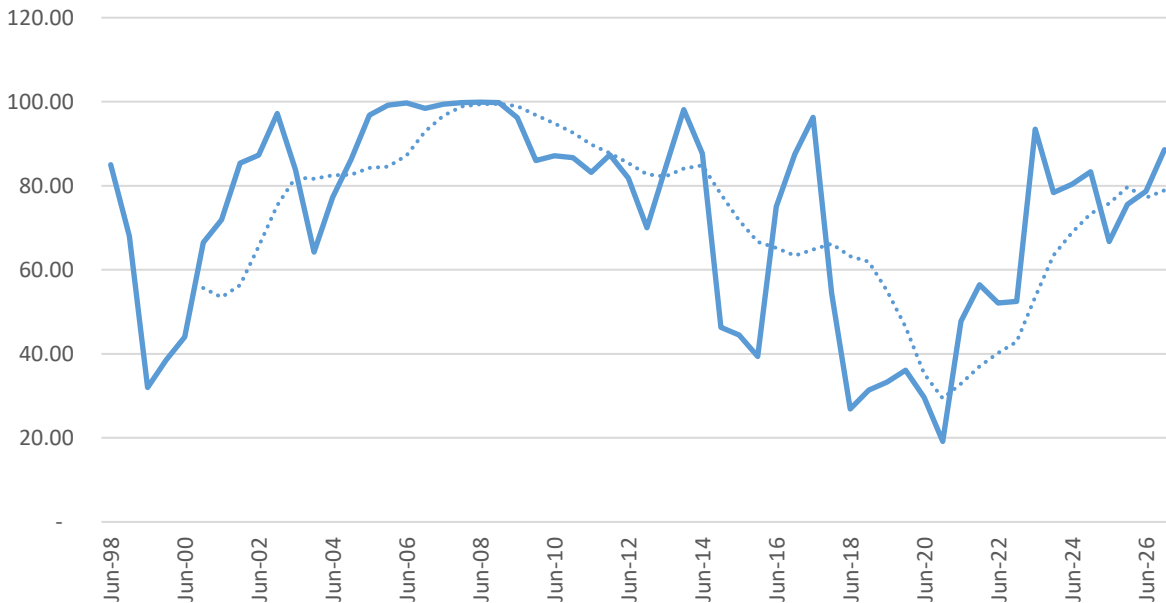


Figure 27: Consulting Engineering Industry: Satisfaction Rate

The 2026 Budget signals a **recomposition rather than broad expansion** of public sector infrastructure expenditure over the medium term, which is disappointing given the escalating impact of dilapidated infrastructure on the South African economy and citizens. Although the overall infrastructure budget was increased to just over R1 trillion over the next three years up to 2028/29, in real terms allocations end flat. The average change in allocations between 2026/27 and 2028/29 has shifted from a moderate average increase to a 3.3 percent contraction in real terms. Allocations towards social infrastructure continues to decline, while economic infrastructure is also now projected to slow in real terms over the three-year period. For the current financial year (2026/27) allocations to Public Enterprises were however increased to R445bn over the MTEF period in current prices, an increase of R35bn since the 2025 Budget, but funding was cut to central, provincial, and local governments.

On the upside, Infrastructure expenditure towards Water was increased by R29bn to R185bn over the 3-year period, the only segment within economic infrastructure that received an increase, with cuts projected in transport and energy (the largest being energy).

Rail upgrades and selected bulk water investments provide important signals of commitment to addressing structural bottlenecks. However, several core social infrastructure votes, including housing, school infrastructure, higher education facilities and health infrastructure, reflect moderated or declining real growth over the MTEF. In many cases, spending shifts toward personnel and operational support rather than asset expansion, limiting the scale of new build programmes.

Municipal infrastructure funding is being

restructured toward performance-based financing mechanisms, which may improve accountability over time, but in the short term could contribute to slower roll-out amid already weak local government execution capacity. Road funding remains maintenance-driven, preserving existing assets but offering limited stimulus through major new expansion.

Overall, the outlook points to a **fiscally disciplined but capital-constrained infrastructure cycle**, characterised by targeted flagship projects, a strong maintenance bias, and reform-led funding shifts. While this may stabilise public finances and improve spending efficiency, it also implies that broad-based infrastructure-led economic acceleration is unlikely over the next three years without stronger private sector crowd-in and improved project execution capacity across the state. The grim reality is that public sector infrastructure funding has been cut by 41 percent in real terms since 2010. Government cannot restore critical infrastructure at the pace necessary to support meaningful and sustained economic growth, and that reforms need to be accelerated to include the private sector, by primarily creating an enabling investor friendly environment, reduce red tape and regulatory burdens.

Treasury expects fixed investment to increase by 2.4 percent in 2026, and an average of 3.4 percent per annum over the next two years. With the private sector being a key driver in investment, contributing around 70 percent to total investment in the country, it is unlikely that SOE's can pull investment levels higher without the support from the private sector. We do not expect much from general government given the funding cuts announced. The contribution of infrastructure expenditure has slowed to below 7 percent in 2025/26 and is projected

to slow to 6.4 percent by 2028/29. As a percentage of GDP, public sector investment is a dismal 4 percent, against the NDP target initially set at 10 percent by 2030. This would require an additional R500bn investment per annum - a target clearly unattainable.

Public Sector Infrastructure Actual and Projected Infrastructure Expenditure

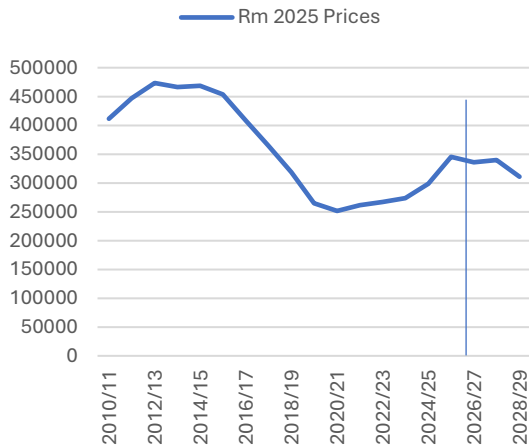


Figure 29: Public Sector Infrastructure Actual and Projected Expenditure Rm 2025 Prices

High impact projects announced during 2025 reached R816bn, compared to (revised) R670bn announced during 2024. Private sector projects contributed 73 percent, supported by Gauteng’s recent Investment Summit that attracted R312bn. PPP’s contributed 24 percent, and the Public Sector only 3 percent.

As of September 2025, the rate of decline in the Construction Pipeline slowed to 9 percent as tender activity by the public sector slowly started recovering towards the end of 2025, following the notable slowdown in tender activity after the May 2024 elections. On the private side, recovery in building activity, using approved plans as a proxy, has been sluggish, as weak investor confidence has dampened the boost lower interest rates could have provided to affordability.

High impact project announcements
2025: R816bn

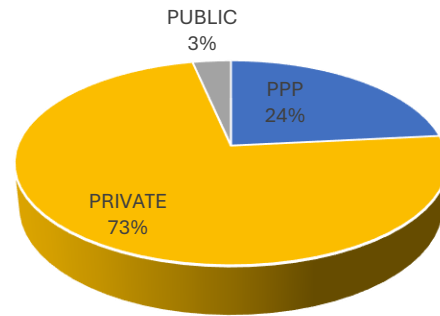


Figure 28: High Impact Project Announcements by Client Type 2025 (Source Industry Insight)

That said, there are signs of renewed private sector demand, which may help soften the blow of a weakening civil market and its impact on turnover over the next year. While recent multi-billion-rand SANRAL awards have lifted the overall value of projects, they hide the reality that the number of projects being awarded remains stubbornly low,

NATIONAL
SA CONSTRUCTION POTENTIAL PIPELINE
(RM)

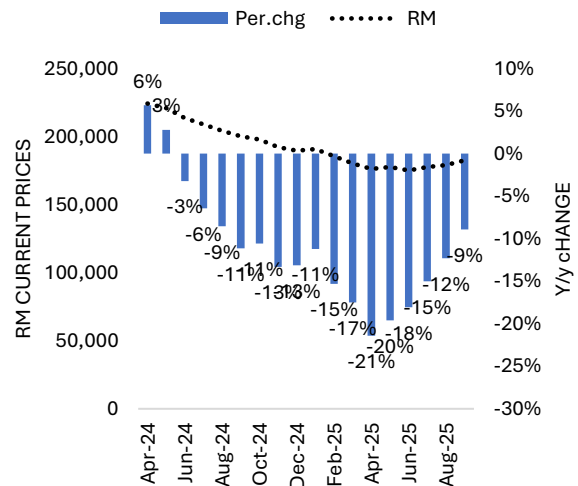


Figure 30: National Construction Pipeline as of September 2025 (Source Industry Insight)

underscoring the sector's still-fragile conditions.

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Consulting Engineers South Africa

Email CESA at general@cesa.co.za

CESA Head Office contact information is available below. The CESA also has branches throughout South Africa.

TELEPHONIC CONTACTS

Tel: +27 (011) 463 2022

Fax: +27 (011) 463 7383

PHYSICAL ADDRESS

Building 9, Kildrummy Office Park
Cnr Witkoppen & Umhlanga Roads
Paulshof
Johannesburg. South Africa

POSTAL ADDRESS

PO Box 68482
Bryanston
Johannesburg. South Africa
2021
