BI-ANNUAL ECONOMIC AND CAPACITY SURVEY

January – June 2025

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Executive Summary

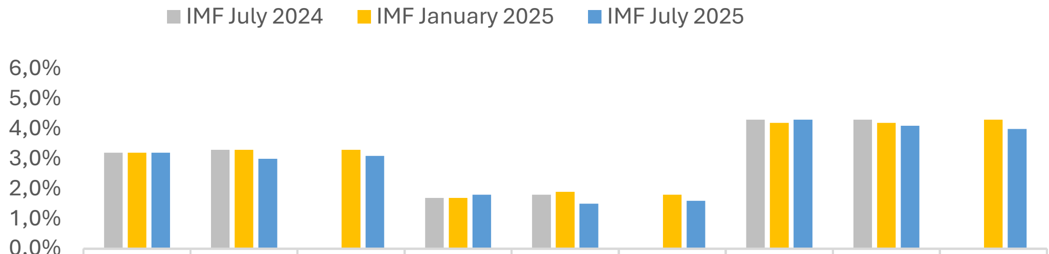
The Bi-Annual Economic and Capacity Survey (BECS) for January–June 2025 shows a consulting engineering industry cautiously moving into recovery against a backdrop of weak global and domestic economic growth. South Africa's economy remains stuck in a low-growth trajectory, with GDP expected to expand by only about 1% in 2025. Inflation has moderated, creating some space for lower interest rates, yet fiscal pressures, structural bottlenecks, and fragile business confidence weigh on the outlook. Infrastructure expenditure announced in the 2025 Budget leans heavily towards economic infrastructure, though social infrastructure budgets continue to contract in real terms.

Within the industry, fee income rose by 8.1% year-on-year in the first half of 2025, supported mainly by large enterprises, while smaller firms saw more mixed results. Employment increased by 6%, and order books strengthened, reflected in a higher order book-to-income ratio of 1.8. Profit margins stabilised at around 13%, with satisfaction rates at their best since 2016/17. However, challenges persist, including 59% of invoiced fees still outstanding, tender cancellations affecting 32% of firms (particularly larger ones), and high competition driving discounting. Encouragingly, transformation is advancing, with female engineers now comprising 15.9% of the workforce and black women making up over a third of that total.

Looking ahead, the industry is cautiously optimistic. Stronger order books, rising employment, and gradual improvements in diversity point to a sector that may have passed its lowest point. But recovery is highly dependent on public-sector infrastructure delivery, better project execution at municipal and provincial levels, and policy clarity to support private investment. Without improvements in these areas, the sector's positive momentum could stall, leaving firms vulnerable to cancellations, weak pipelines, and fragile profit margins

Global Growth Projections

Global growth outlook worsens for 2025 with only modest rise in 2026



	Global			Advanced Economies			Emerging Markets		
	2024	2025	2026	2024	2025	2026	2024	2025	2026
IMF July 2024	3,2%	3,3%		1,7%	1,8%		4,3%	4,3%	
IMF January 2025	3,2%	3,3%	3,3%	1,7%	1,9%	1,8%	4,2%	4,2%	4,30%
IMF July 2025	3,2%	3,0%	3,1%	1,8%	1,5%	1,6%	4,3%	4,1%	4,00%

Figure 1: Global Growth Projections (Source: IMF World Economic Outlook July 2025

ECONOMIC SUMMARY

INTERNATIONAL ECONOMY

Global economic growth at 3.2 percent for 2024 was in line with expectations but was revised lower to 3.0 percent in IMF's July 2025 World Economic Outlook update, with only a slight uptick to 3.1 percent in 2026. Global growth remains below the long-term average of 3.7 percent between 2000 and 2019. The World Bank forecasts global growth stabilizing at 2.7% during this period. The World Bank is less optimistic with global growth projected at 2.3 percent for 2025 (revised lower from 2.7 percent in the January 2025 release), citing heightened trade tensions and tariffs. The World Bank expects a slight increase to 2.4 percent in 2026.

The IMF's growth outlook for advanced economies was revised lower to 1.5 percent in 2025 and 1.6 percent in 2026, while emerging markets maintain the current growth rate for 2024 into 2025 at 4.2 percent and Emerging Markets revised lower to 4.1 percent in 2025 and 4.0 percent in 2026.

In the United States inflation has ticked up, with tentative signs of pass-through from tariffs and a weaker dollar to consumer prices in some import sensitive categories. The IMF expects lower growth of 1.9 percent in the US in 2025, rising to 2 percent in 2026.

Moderate growth of 1 percent and 1.2 percent is projected for the Eurozone. The upward revision for 2025 reflects a historically large increase in Irish pharmaceutical exports to the United States resulting from front-loading and the opening of new production facilities. The forecast for 2026 is unchanged from that in April, with the effects of front-loading fading and the economy growing at potential. Revised defence spending commitments are expected to have an impact in subsequent years.

China's growth projection was revised higher to 4.8 percent in 2025, following stronger than expected activity in the first half of 2025. Growth is expected to slow to 4.2 percent in 2026.

The IMF's latest global economic forecast highlights several key risks that could derail the fragile recovery. Persistently high inflation remains a core concern, as sticky services prices and wage pressures could force central banks to maintain tighter monetary policy for longer, slowing growth. Global financial stability is vulnerable to renewed banking sector stress, debt sustainability challenges in emerging and developing economies, and volatile capital flows, particularly if U.S. rates stay elevated. Geopolitical tensions—including the ongoing war in Ukraine, Middle East instability, and trade and technology frictions between major economies—pose further downside risks, potentially disrupting energy markets, global supply chains, and investment flows. Climate shocks, such as extreme weather events, add another layer of uncertainty, particularly for food and energy security in vulnerable regions. Together, these risks reinforce an outlook where growth remains weak and uneven, with heightened sensitivity to shocks.

The IMF stresses that restoring confidence and ensuring sustainability requires a mix of transparent trade, prudent fiscal strategies, and credible monetary policies. Reducing policy-induced uncertainty is essential, starting with clear trade frameworks, modernized rules, and cooperative approaches—multilateral where possible, and regional or bilateral when necessary—to ease tensions without creating new distortions. Industrial and subsidy policies should be narrowly targeted to correct specific market failures, avoiding broad measures that waste scarce fiscal resources. On the fiscal side, governments must pursue credible medium-term consolidation that balances critical spending with debt sustainability, improves revenue collection, enhances efficiency, and mobilizes private investment. Any new discretionary support should be temporary, well-targeted, and offset elsewhere. Central banks face delicate trade-offs in managing inflation and growth under heightened trade tensions, requiring country-specific approaches while safeguarding independence, transparency, and clear communication. Exchange rate flexibility remains important, though temporary interventions may be justified in cases of disruptive volatility. Beyond near-term stabilization, structural reforms in labour markets, education, competition, and technology adoption—particularly digitalization and AI—are vital to boost productivity, expand potential growth, and create jobs, laying the groundwork for sustainable long-term resilience.

The IMF revised South Africa's growth projections lower to 1.0 percent in 2025, from 1.5 percent in the January 2025 update, strengthening modestly to 1.2 percent in 2026. This is nonetheless an improvement from the 0.5 percent growth in 2024. Improved global conditions, lower than expected tariffs are key points supporting the increase in 2025. The IMF however highlights that structural reforms, such as improving governance, easing business regulations, labour market flexibility, and enhancing the business environment, are central to raising South Africa's medium-term growth potential. However, these reforms underpin longer-term prospects rather than the short-term 2025 projection.

Medium to longer term indicators continue to move in a more favourable direction, despite heightened global uncertainty and frictions within the GNU.

1. Following a gradual improvement in investor sentiment, coming off dismally low levels, to 45 for the 1st quarter of 2025, business felt less optimistic in the 2nd quarter, as confidence levels slowed to 40, reported by the FNB/BER Business Confidence. This suggests continued strained in the economy affecting demand and supply measures.
2. Lower consumer inflation and lower interest rates are expected to stimulate higher levels of household consumption in 2025/26, along an anticipated recovery in residential

investment. The South African Reserve Bank (SARB) now projects inflation will average 3.3 percent in 2025 and 2026 (MPC July 2025 meeting), slowing to 3 percent in 2027. However, even though inflationary pressures may have subsided since 2024, higher than average increases in administered (government controlled) prices continue to add downside risks to the inflation outlook. Treasury's announcement to lower the inflation target from the 4.5 percent mid-point, to 3 percent, can pose a challenge for interest rates, and may even lead to higher interest rates given the acceleration in government controlled prices (water, energy, property rates and taxes), volatile currency exchange rate and external shocks like a stronger oil price.

3. Governments commitment to structural reform, albeit at a snail's pace, can address some of the critical supply constraints, but this will require accelerating private sector participation.

Several downside risks remain:

1. Persistent electricity supply shortages and logistical bottlenecks continue to pose significant challenges to industrial productivity and export performance. The African Development Bank highlights that these infrastructural constraints, coupled with fiscal vulnerabilities arising from state-owned enterprise bailouts, volatile commodity prices, and climate change shocks, present substantial risks to the economic outlook. Reforms are being introduced to accelerate private sector participation in the rail sector, while energy investment continues.
2. The high unemployment rate, particularly among the youth, remains a critical concern, potentially exacerbating social inequalities and limiting domestic demand. The unemployment rate reached 33.2, from 32.6 percent on average in 2024.
3. Incapacitated local governments, that are unable to improve service delivery, that is accelerating the infrastructure deficit whilst deterring local investment. Despite stronger focus over the medium term to improve financial efficiency, infrastructure delivery and accountability, no real progress has been made during the last few years. However, Minister of Cooperative Governance and Traditional Affairs, Mr Hlabisa, reported plans the most significant shake up in 30 years. Plans include to reduce the number of municipalities, changes to the financing model, tighter conditions around infrastructure grants, increased powers and mechanisms for national and provincial intervention in municipalities, incentives for skilled technical employees to work in rural areas, and an increase in pay and minimum qualifications of councillors. These policy changes will be delivered in a White Paper on local government, published in March 2026.
4. South Africa's main trading partners show mixed growth prospects for 2025 and 2026, with important implications for its balance of trade. China, South Africa's largest export destination, is expected to grow by about 4.8% in 2025, before moderating to around 4.0% in

2026, supporting demand for South African commodities such as iron ore, coal, and agricultural products. India remains a bright spot, with projected growth above 6% in both years, creating opportunities to diversify exports into a rapidly expanding market. In contrast, advanced economies are set for more subdued performance: the United States is forecast to grow by roughly 1.9% in 2025 and 2.0% in 2026, while the Euro Area lingers near 1.0–1.2%, reflecting structural weaknesses and dampening demand for South African manufactured goods and investment flows. Regionally, Sub-Saharan Africa is expected to expand from 3.8% in 2025 to 4.2% in 2026, strengthening prospects for intra-African trade under the AfCFTA framework. For South Africa, these trends imply that stronger growth in China and India will help sustain export revenues, particularly in raw materials, while regional demand in Africa provides additional resilience. However, sluggish growth in advanced markets limits expansion in higher-value exports. Moreover, new U.S. tariffs on certain South African products, effective from August 2025, threaten to erode export competitiveness and worsen the trade balance despite improved global conditions. Overall, South Africa's external trade outlook remains dependent on robust emerging market demand but exposed to advanced-economy weakness and escalating tariff risks.

5. The growing realization that the country is in a position where it will have to raise taxes to support increased expenditure on non-productive sectors of the economy, including the Social Relief Grant and an above inflationary increase in the Public Sector Wage bill. This approach, followed over the past decade or two, is now spiraling out of control, as the country simply cannot afford to support the burgeoning unemployed now exceeding 25 million. Rather than raising taxes to finance un-productive expenditure, government must cut expenses in other bloated departments, or expand the revenue base, but this will require a pro-growth policy. This will mean ideological policies like the Expropriation Act and BBBEE may require a review to lessen the current obstacle to the private sector investment that has dampened economic growth to an average of less than 0.5 percent over the last fifteen years, with dismal growth outlook for the next two years.
6. The potential impact of the economic environment on South Africa's 2026 local government elections also needs to be consider as it is likely to be significant, particularly as weak growth, fiscal pressures, and rising trade frictions feed into already strained service delivery conditions. Local elections are often a barometer of public dissatisfaction with municipalities, and South Africa has a long record of service delivery protests intensifying ahead of voting cycles. Politically, this creates fertile ground for higher levels of social unrest, particularly if communities perceive little improvement in service delivery or accountability. Historically, local elections in South Africa have been accompanied by a spike in protests, demonstrations, and even localized violence. Opposition parties and independent candidates may gain traction by capitalizing on frustrations with the ANC's governance record, particularly in metros where service delivery challenges are most acute.

DOMESTIC ECONOMY

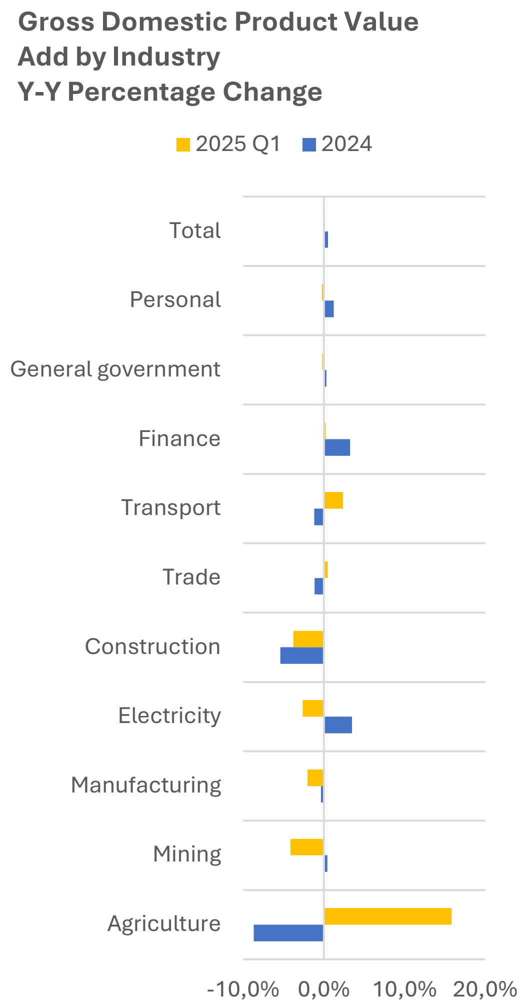


Figure 2: GDP Value add by Economic Sector (Source Stats SA)

The dismal performance in South Africa's GDP continued.

Real GDP (measured by production) increased by an average of 0.1 percent in the 2025 Q1, following a 0.4 percent increase in 2024Q4 and an average of 0.5 percent in 2024. Overall economic growth at 0.6 percent remained at dismally low levels on par with 2023.

Six out of ten sectors, underperformed in Q1 2025, including Mining (-4.1 percent), Manufacturing (-2.0 percent), Electricity (-2.6 percent), Construction (-3.8 percent), General Government Services (-0.2 percent) and Personal Services (-0.2 percent). Agriculture pulled the country of a possible recession, with a 15.8 percent expansion during the quarter.

Performance in Gross Fixed Capital Formation (GFCF) disappointed and decreased by 1.7 percent q-q in Q1 2025, or 3.0 percent on a year on year basis, following a 4.0 percent decrease in 2024. Moderate to no growth was recorded by the public sector, as investment by the private sector fell by 4.3 percent y-y. Private sector investment (contributing 70 percent to total fixed investment) has cooled following the increase during 2023, influenced by the increase in renewable energy investments. This underperformance resulted in the contribution of fixed investment to GDP slowing from an average of 14.2 percent in 2024 to 13.8 percent in Q1, a 30 year low since 1995.

Public sector investment as a percentage of GDP hovered at 4.0 percent, (2024: 4.1 percent) failing dismally to reach the NDP target of 10% by 2030.

Since our last review, there has been some progress in terms of accelerating privatisation. South Africa's "privatisation" story thus far in 2025 has mostly been about opening markets to private participation rather than selling assets. The biggest step is in freight rail, where government approved access for private train operators on Transnet's network (11 operators conditionally selected) and moved to crowd in private capital on key bulk corridors, measures expected to lift capacity if contracts now reach execution. In **electricity**, the Electricity Regulation Amendment Act took effect on 1 Jan 2025, laying the legal base for a competitive power market; NTCSA is now seeking a Market Operator licence and Nersa has begun an 11-month process to finalise trading rules, important plumbing for private trading and investment. In **ports**, the 25-year Durban Pier 2 concession to ICTSI remains delayed by litigation, though both Transnet and the concessionaire reaffirmed commitment to proceed. In **water**, the National Water Resources Infrastructure Agency Act commenced on 7 Feb 2025 to enable a new agency that can mobilise private finance, with establishment targeted around April 2026. By contrast, outright **equity sales** have stalled: the SAA stake sale collapsed in 2024 and, while SAA says it is now self-funding, there's no new strategic partner in 2025. In summary while 2025 shows **meaningful liberalisation** in rail and power and **pre-positioning** in water, full privatisation is **limited** and lingering execution risk at the ports.

The contribution of private sector investment in construction works (normally dominated by government and SOE's) increased from less than 10 percent in 2000 to an average of 25 percent in Q1 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 45 from a dismal average of 32 in 2023, but the momentum was not sustained as confidence levels fell back to 40 in Q2 2025. The impact of the GNU 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 46 percent increase in satisfaction rates, investment growth will remain muted and perform below potential. On average, confidence levels in the first half of 2025 are nonetheless at the highest level in 3 years.

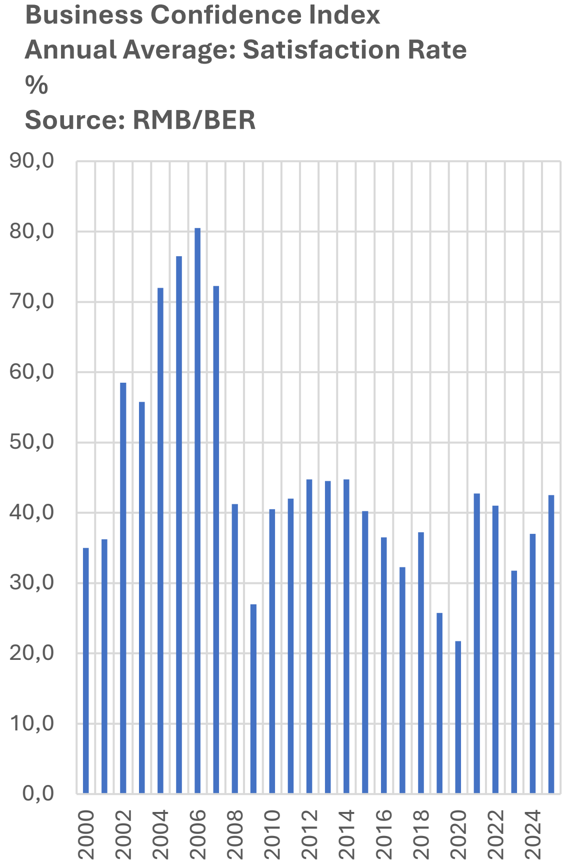


Figure 3: Business Confidence Satisfaction Rate, Annual Average

INVESTMENT IN CONSTRUCTION

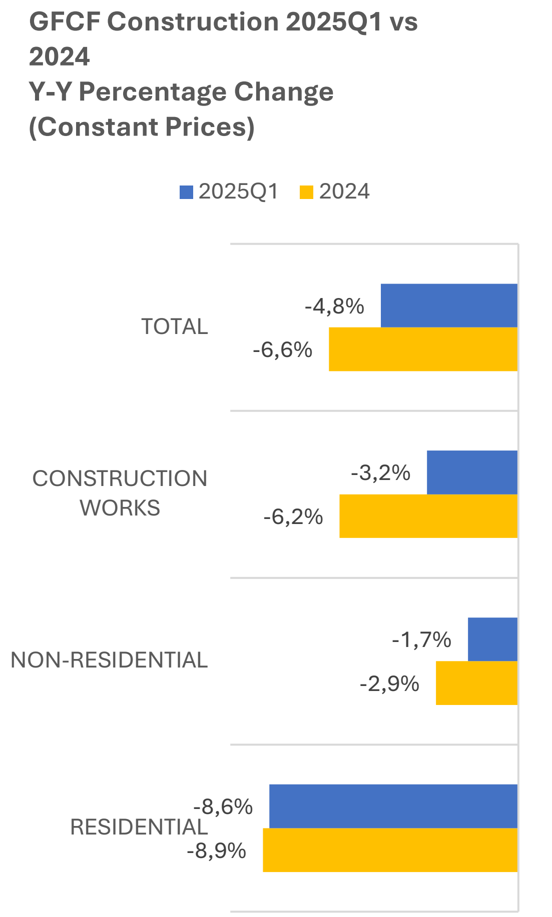


Figure 4: GFCF Construction by Market Segment 2024 vs 2025 Q1

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 6.1 percent y-y in 2024 to R226bn (2015 prices) following a (revised) 3.7 percent contraction in 2023. For Q1 2025 investment declined by 3.2 percent y-y to R215bn (based on 2015 Seasonally Adjusted Annualised Rates). 2024 marked the 9th consecutive annual decline in construction investment (since 2016). Other than the 4.1 percent decline in mining, construction was the 2nd worst performing sector in the 1st quarter of 2025 and was the worst performing sector in 2024.

The decline in investment in the building sector accelerated during Q1, with a 6.3 percent y-y contraction, with an accelerated decrease in the residential sector, supported by a decline in the non-residential sector. The Building industry has been negatively impacted by higher interest rates and inflation on consumer affordability, augmented by weak investor sentiment. However, improved affordability is likely to show a more positive impact on the building industry, albeit limited due to persistent weak investor sentiment.

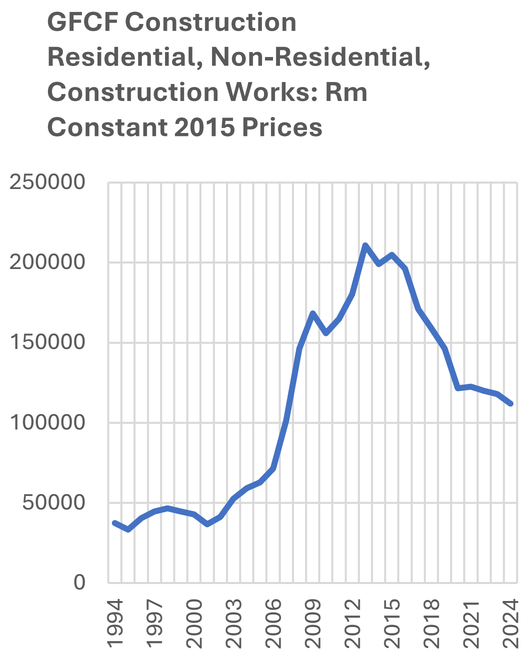


Figure 5: GFCF Total Construction Rm 2015 prices (Source Stats SA / SARB)

The outlook for civil investment linked to increased allocations towards economic infrastructure development and an accelerating pace of privatisation remains positive and is likely to outperform the building industry in 2025. However, budgetary allocations and implementing construction projects do not always align. The estimated value of civil projects (constant prices) out to tender declined by a nominal 24 percent y-y in the first six months of 2025, following a similar decline in 2024, suggesting a potential slowdown in civil construction during the first half of 2025 and into 2026. Unless tender activity picks up, the outlook for the civil industry will turn

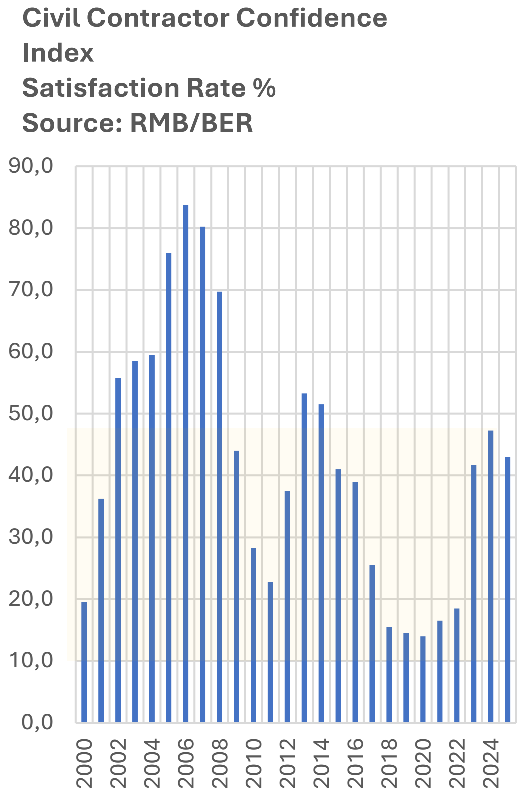


Figure 7: Civil Contractor Confidence Index (Source RMB/BER)

more negative.

Despite the disappointing performance in GFCF in 2024, confidence in the civil sector, according to the RMB/BER confidence surveys, civil contractor confidence rebound in 2024, from an average of 41.8 in 2023 to 47 in 2024, suggesting increased activity in the civil sector at the time, albeit moderate as majority of civil contractors are still feeling pessimistic regarding working conditions in the sector. Conditions are less optimistic in the first half of 2025, with confidence levels slowing to an average of 43, worse than 2024, but exceeding levels since 2014 (excluding 2024).

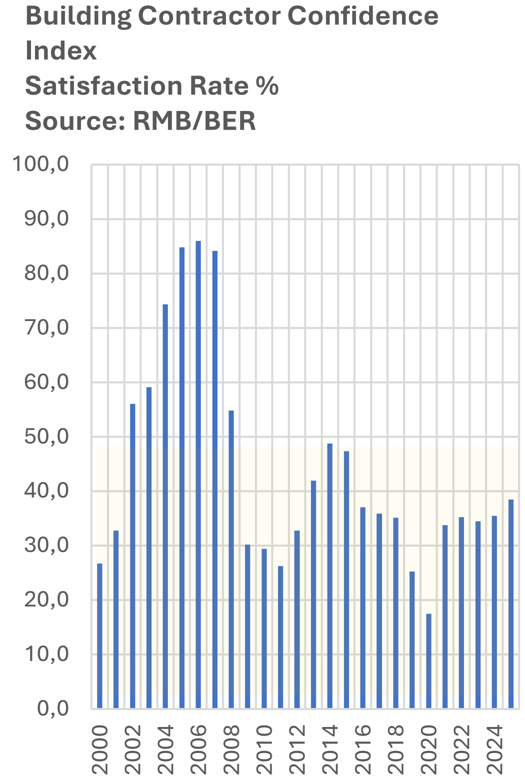


Figure 6: Building Contractor Confidence Index (Source RMB/BER)

Confidence amongst building contractors improved slightly in the first half of 2025, supported by an improved outlook for the sector supported by lower interest rates and contained inflation. From an average of 35.5 in 2024 (on par with 2023), confidence levels averaged 38.5 in the first half of 2025, still dismally low, but the highest level in 10 years nonetheless.

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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 June 2024 survey introduced a firm size classification according to the Built Environment BBBEE Sector Codes specification, shown below.

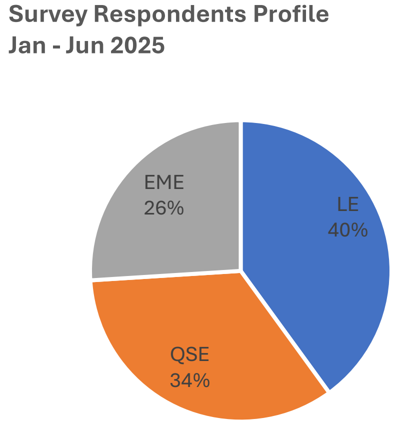


Figure 8: Sample Profile

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 50 questionnaires were returned via both an on-line and hard copy system. The sample represents a cumulative fee income of R3.1bn, and 4 716 employees for the period January to June 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

Public sector supports growth in fee earnings, along with an improved order book, with stable outlook on profitability.

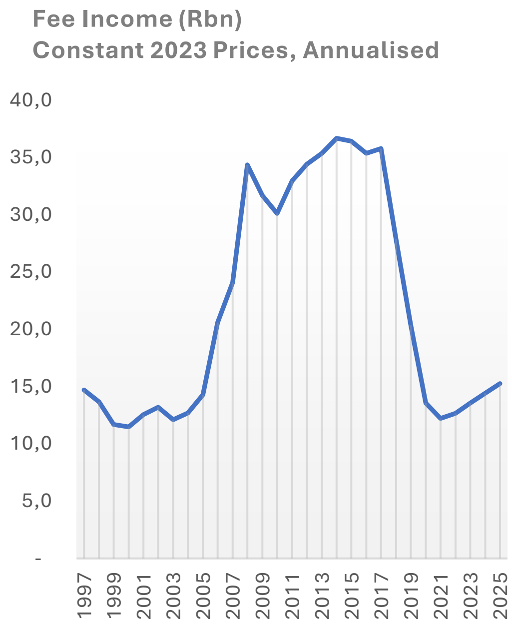


Figure 9: Fee Income

Fee earnings rose by an average of 3.3 percent (constant prices) in the first six months of 2025 compared to the second half of 2024, or an 8.1 percent year on year increase compared to the same period in 2024. This marks the 4th consecutive year of growth in earnings, with a 3.6 percent increase in 2022, 7 percent in 2023 and 6.5 percent in 2024. The industry has expanded by around R3bn in real terms over the three-year period (since 2021), to R15.2bn as at June 2025, 58 percent below the 2014 peak when fee earnings exceeded R36.7bn per annum in real terms.

The 8 percent y-y increase in the first half of 2025 was largely supported by an increase in earnings from the Private sector, followed by SOE's and to a lesser extent Provincial Government. Earnings were lower in terms of Central and Local Government, although there was a recovery in Local Government earnings since the last six months of 2024, with estimated earnings exceeding R3bn in real terms, the highest across all three spheres of government. Earnings averaged close to R4bn from SOE's, and just over R6bn from the Private Sector.

Despite expectations that earnings will be weaker in the first six months, with projections of a 1.5 percent nominal decrease in the December 2024 survey, earnings surprised on the upside with a 5 percent (nominal) increase since the previous survey. Earnings are projected to increase by 7.2 percent in the last six months, which would translate to an overall 8 percent increase in real terms during 2025, the strongest annual increase since 2011.

Following the 43 percent drop in the value of **confirmed appointments** during the last six months of 2024, orderbooks for the larger enterprises rose sharply by 85 percent, resulting in an overall 81 percent increase. Despite the slowdown up to December 2024, the overall order book value was 76 percent higher compared to gross income reported during the same period with the income to order book ratio increasing to 1.8. QSE's reported a 2 percent decline, following the 8 percent increase in the second half of 2024, but the order book has nonetheless almost doubled compared to reported earnings in the first six months of 2025 as the income to order book ratio rose to 1.9, the highest across all firms' size categories. Despite an increase in the value of EME's orderbook, up 45 percent, it remains around 3 percent below current gross income. The cumulative order book to income ratio (value of confirmed appointments not yet invoiced in relation to gross income) increased to 1.8, from 1.1 (Dec-24) and 2.1 (Jun-24), meaning the size of the orderbook has significantly expanded compared to current reported income levels.

Higher earnings in the first six months of 2025 were accompanied by slightly lower net profit margins that fell to an average of

12.9 percent from 13.7 percent (Dec-24). Margins for the first six months however exceeded the average margin for 2024 (at 12.3 percent) that was pulled lower by poor profitability during the first six months of 2024. Margins are expected to stabilise at around 12 to 13 percent in the next 6 months, although almost a third of respondents are expecting margins to recede. Majority (38 percent) expect margins to stabilise, while 31.9 percent expect further improvement in margins.

Given the more buoyant order book, it is not surprising that a higher percentage of respondents are expecting improved margins, up from 20 percent (Dec-24) to 38 percent. QSE's reported the highest margins at an average of between 16 and 17 percent, with 50 percent of respondents expecting margins to improve, compared to just 16 percent of EME's and 26 percent of Larger Enterprises. At the current rate, QSE's are also the most satisfied with margins, with 88 percent of respondents reporting satisfactory levels, compared to less than 60 percent of EME's and 74 percent of LE's.

Margins remain below the peak of 2007/8, and after a muted recovery in 2023, fell to below the longer-term average of 14.6 percent (2006 – 2019) in the last four surveys.

The ratio of outstanding payment for work already done and invoiced in relation to gross income, remained high but stabilised at 59 percent over the last four surveys. Since 2021 the industry average has remained consistently close to or above 60 percent. In the June 2025 survey, LE's remains hardest hit (59 percent), with QSE's and EME's at an average of 57 percent and 51 percent respectively, up from an average of 38 percent in the Dec-24 survey. 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

Medium to Smaller enterprises hesitant to increase employment, with slight moderation in difficulties experienced related to finding suitable candidates.

The contribution of the salary and wage bill averaged 63 percent, from an average of between 60 percent and 62 percent over the last three years. Larger firms increased employment by an average of percent since the December 2024 survey, resulting in a corresponding 5 percent increase in the cumulative salary and wage bill. Other firms (medium to micro) also increased employment by 5 percent, with a 3 percent increase in the wage bill.

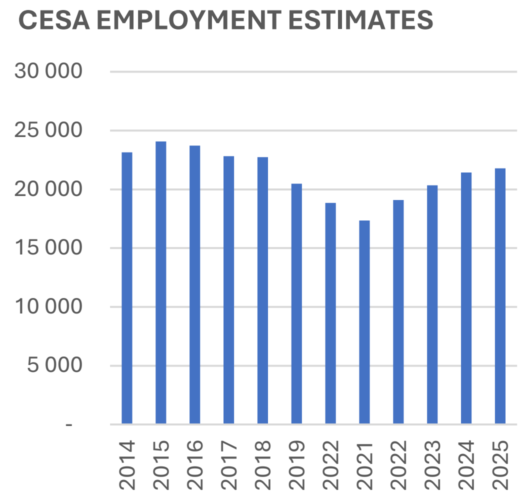


Figure 10: Employment Estimates (Annual Average)

Employment gradually increased reaching highest level since 2018

Overall employment increased by 6 percent y-y in the first six months of 2025, with increases reported across all firm size categories. With expanding order books medium to smaller firms also increased employment up 3 percent.

This marks the 4th consecutive year of higher employment in the sector, following an increase of 5.3 percent y-y in 2024, 6.5 percent in 2023 and a 10 percent increase in 2022. This means since 2021 employment increased by over 4 additional job opportunities to an estimated 21 778 (average for first half of 2025).

The industry's employment levels, however, remain around 11 percent below the 2015/16 levels, or an estimated 2 600 fewer jobs, despite steady progress, but has reached the highest level since 2018.

Demand slows for the appointment of Engineers

Despite the stronger order book values in the first six months, and better than average profitability, fewer firms reported the need to increase the number of engineers. From the last survey, when 47 percent of the firms said they are looking to increase Engineering appointments, 42 percent reported the same in the June 2025 survey. This could be because of the lower than expected working conditions experienced in the first six months, with confidence levels being much lower than anticipated in the December 2024 survey. Majority of Larger Firms are still struggling to find suitable candidates (particularly within female engineers), but a lower percentage of firms are looking to increase engineering appointments, down from 79 percent (Dec-24) to 65 percent (still in the majority though). Just under 50 percent of the QSE's are expanding engineering employment opportunities (up from a quarter of firms in the previous survey) and none of the EME's.

Majority of Large Enterprises continue to experience difficulties in finding engineering candidates, between 55 percent and 75 percent for Male and Female Engineers, where the biggest demand is also for Engineering appointments. Majority of the Medium to Smaller firms did not report on difficulties with finding suitable Engineering Candidates, other than female engineers within the medium size firms. However, although majority of the larger firms reported difficulties for Engineering specifically, a slightly lower percentage related to Engineers (Male or Female) from a previously disadvantaged background falling from 69 percent (Male) to 55 percent over the last three surveys and from 77 percent (Female) to 60 percent.

Woman contribution shows a steady increase, with rise in black female engineers offset by a decline in white female engineers

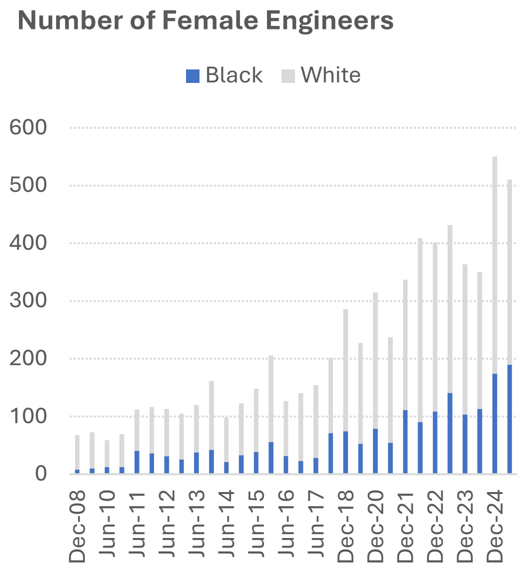


Figure 11: Female engineers

The representation of Female Engineers rose to 15.9 percent of total Engineer from an average of 14 percent in 2024 and 12.6 percent in 2023, the highest level since the inception of the survey. Since 2008, the number of female engineers increased from around 50 to over 500 in the first six months of 2025 compared to an average of 450 in 2024. The number of black female engineers, increased from fewer than 10 to just under 200. The contribution by black female engineers increased from around 11 percent in 2008 to 37.1 percent by June 2025. This shows that black female engineers currently represent more than a third of total female engineers as reported by CESA members. Please note that these numbers only reflect CESA estimates and do not include engineers employed by the public sector.

Finding suitable female candidates remains a challenge, although there was some improvement in the current survey, with on average 56 percent of respondents saying they have experienced difficulties, down from an average of 66 percent in 2024.

OUTSOURCING, DISCOUNTING AND COMPETITION

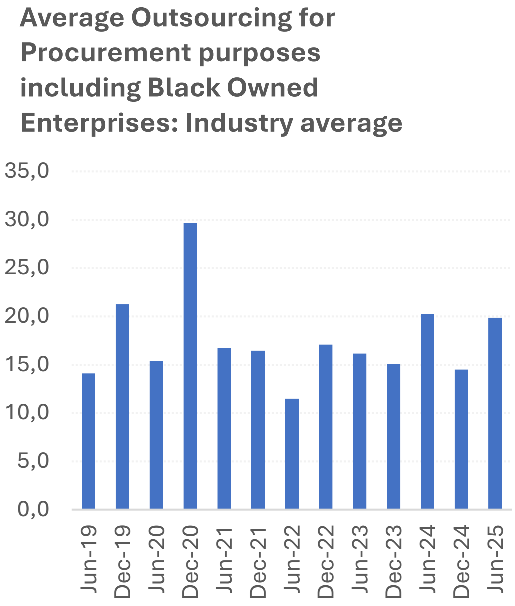


Figure 12: Average Outsourcing for Procurement purposes including Black Owned Enterprises

Outsourcing continues to accelerate rising from an average of 18 percent in 2024 to 25.8 percent.

On average firms **outsourced** a higher percentage (25.8 percent) to external enterprises in the first six months of 2025, from an average of 18 percent in 2024 and 17 percent in 2023. The same is evident in outsourcing for procurement purposes including black owned enterprises, that averaged 20 percent compared to an average of 17.4 in 2024 and 15.6 percent in 2023. In rand terms, this equates to between R3bn and R3.5bn (2023 prices), up over a third compared to the annual average in 2024. This follows a 15 percent increase in real terms in 2024.

Larger enterprises outsourced an above average 27.4 percent in the June 2025 survey to external enterprises survey, compared to 24.4 percent (Dec-24) and an average of 24 percent in 2024, while EME's outsourced on average 23.4 percent for Transformation purposes, up from an average 19 percent in 2024.

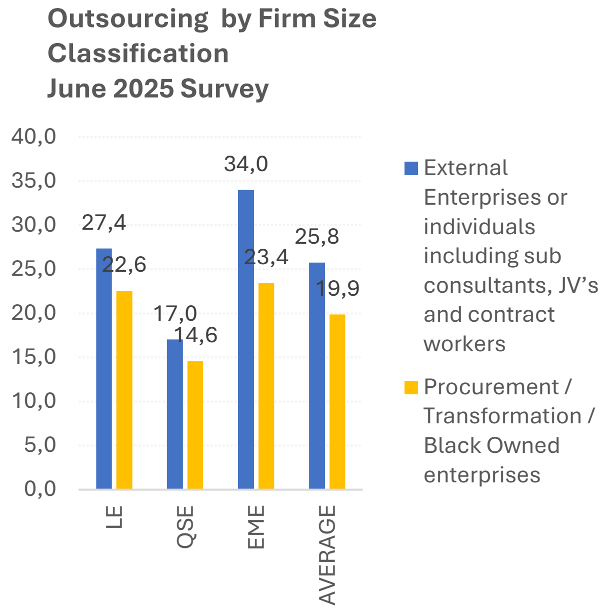


Figure 13: Outsourcing by Firm Size Classification: June 2025 Survey

Competition pressures ease within EME's but remain rife among Large Enterprises.

Given the highly competitive environment, many firms continue to report very keen to fierce competition, and after falling to an average of 66.7 percent in 2024, 73.7

percent of Large Enterprises reported very keen to fierce competition in the June 2025 survey. QSE's remain relatively unchanged at an average of 60 percent, while EME's slowed to less than 40 percent of respondents reporting fierce competition conditions, down from an average of 60 percent in 2024 (reaching over 90 percent in the Dec-24 survey).

Considering the level of competition experienced by Large Enterprises, discounting rates accelerated to an average of 32 percent in the first six months of 2025, from an average of 19.7 percent in 2024, with higher rates also reported by medium size firms, that increased to an average of 21.8 percent in the first six months compared to 19.4 percent in 2024. Smaller firms offered the lowest average discounting rates, that slowed to an average of 17.8 percent from over 30 percent in the last six months of 2024 (in line with a rapid increase in competition levels reported during the December 2024 survey).

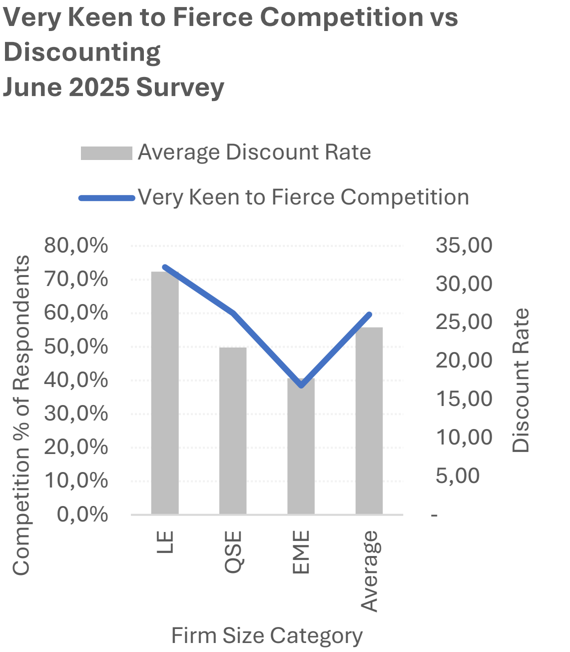


Figure 14: Very Keen to Fierce Competition vs Discounting: June 2025 Survey

The impact of an increasing number of smaller firms stating that competition was lower in the current survey, as reported by nearly a quarter of respondents, the industry average increased to 6.4 from fewer than 1 percent reported in the previous survey. None of the other firm size categories experienced low to very low competition levels during the period under review.

CAPACITY UTILISATION

Capacity utilisation of technical staff remained above 80 percent over the last two surveys, with a slight moderation from 84 percent (Dec-24) to 81.6 percent for the first six months of 2025, a notable increase from 72 percent utilised during the same period in 2024. Capacity utilisation levels have steadily recovered since covid (2020), when levels barely exceeded more than 75 percent. Fewer than 5 percent of respondents expect utilisation levels to decrease in the last six months of 2025, with 54 percent expecting stable levels and 43 percent expecting expanding utilisation levels.

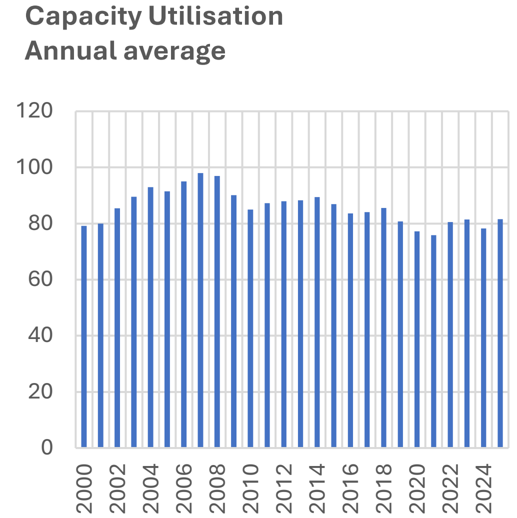


Figure 15: Capacity Utilisation Annual Average

With capacity utilisation levels at 83.7 percent for Larger Enterprises in the first six months of 2025, there was a 50/50 split of whether capacity utilisation would increase or stay the same, while 50 percent of QSE's also expect further increases. EME's may have become more confident since the start of 2024, but less than a third expect that utilisation levels will improve, with the remainder expecting no change.

BREAK-EVEN RATIO

	LE	QSE	EME	AVERAGE
'Jun-24	0,54	2,78	1,26	0,59
'Dec-24	0,49	1,23	0,81	0,50
'Jun-25	0,55	1,17	1,30	0,56

Figure 17

Despite moderately improved conditions reported by respondents over the last few surveys, Larger Enterprises continue the struggle to reach breakeven ratios. The cumulative break-even ratio (income to break even revenue) strengthened only moderately to an average of 0.55 in the June 2025 survey, from an average of 0.5 in 2024, remaining below 0.6 on average for the past 4 years. Medium to smaller firms is in a better position, although the income to break even ratio for QSE's fell to an average of 1.2, from an average of 2.0 in 2024, while EME's recovered to a 1.3 ratio from an average of 1.0 in 2024. This shows a mixed bag in break-even ratios with Larger Enterprises remaining under pressure, an improvement in QSE's accompanied by a moderate weakening in EME's as reported by respondents in the June 2025 survey. Conditions continue to be more challenging at the higher end of the market (due to economies of scale) where margins are also lower.

Despite the improvement in recent surveys, supported by a steady real increase in industry earnings, and improved sentiment, the industry continues to operate in a highly challenging environment with an estimated R15bn (or over 100 percent) shortfall in earnings to reach a break-even point, due to the worsening levels reported by LE's in the December 2024 survey.

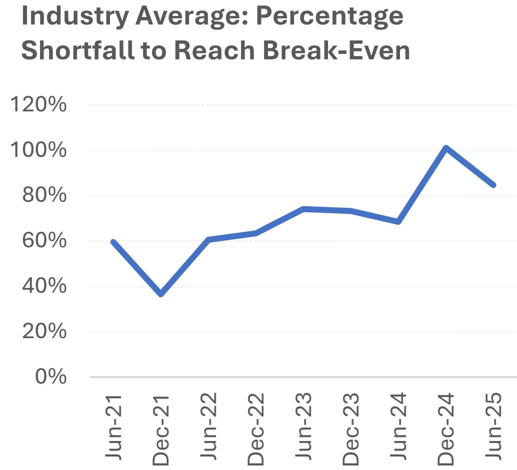
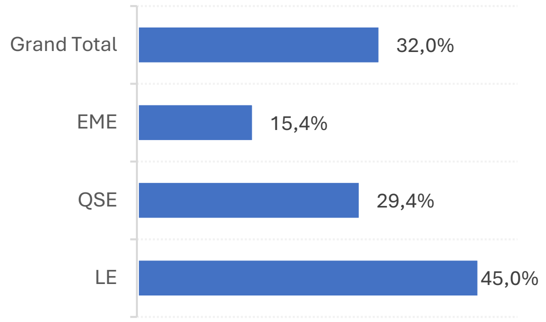


Figure 16: Industry Average: Percentage Shortfall in Earnings to reach Break-Even

PROJECT POSTPONEMENTS AND CANCELLATIONS

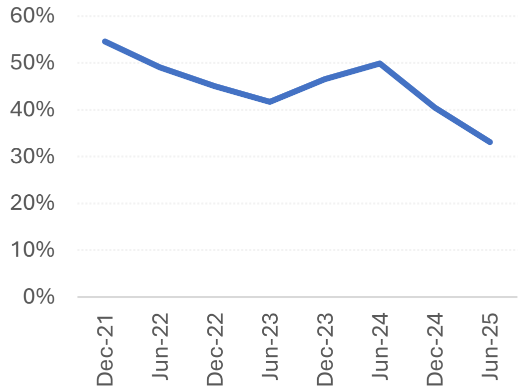
Project postponements and cancellations accelerated during 2023 and 2024, with varying reasons, ranging from an uncertain economic environment, budget constraints (that has significantly intensified over recent years reaching boiling point in the last two years), community interference, shortage of skills 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: June 2025 Survey



On average fewer respondents (32 percent) reported incidences of tender cancellations during the last first months of 2025, compared to 34 percent and 47 percent in the last two surveys. Larger Enterprises reported the highest incidences that increased from (revised) 36 percent of respondents in the last six months of 2024, to 45 percent in the June 2025 survey, QSE's increased to 29.4 percent, from 25 percent,

Percentage of Respondents that reported tender cancellations: Moving Annual Average



while only 15 percent of EME's reported cancellations, down from 38 percent in the December 2024 survey, suggesting fewer smaller contracts are impacted by cancellations, while larger projects, likely linked to budget constraints are more prone to being cancelled or delayed. This creates heightened uncertainty within the larger and medium size firms.

Cancellations originating from within the three spheres of government contributed 59 percent of cancellations, compared to 57 percent in 2024. SOE's contributed 22 percent, up from 15 percent, and 20 percent on average in 2024. Around 20 percent originated from the Private Sector, compared to 23.5 percent on average in 2024. However, including SOE's, the Public Sector accounted for over 80 percent of cancellations, showing the constant delays caused by the Public sector in the postponements and cancellations of a projects.

Provincial Government had the highest contribution in terms of costs associated with project cancellations, followed by the private sector and Local Government. Cancellation costs as a percentage of earnings, were the highest in provincial government representing 0.6 percent of fee earnings, followed by Central Government (0.3 percent of earnings), Local Government (0.2 percent), SOE's and Private sector at 0.1 percent of fee earnings generated within these two client segments.

The fiscal impact of cancellation costs on the industry is estimated at between R60 million and R70 million, that is an average 0.4 percent of estimated nominal annualised earnings of R15.5bn.

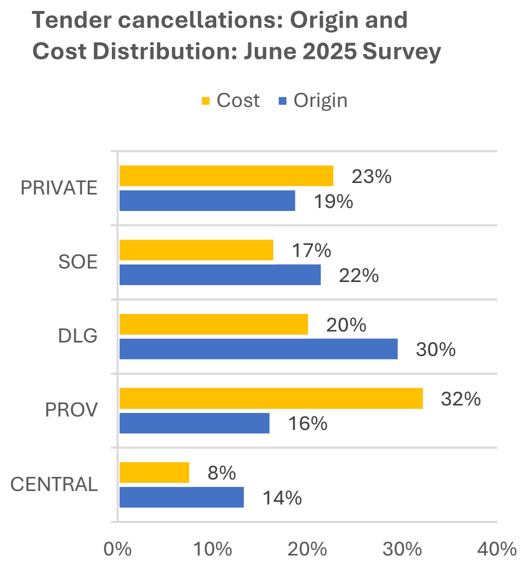


Figure 18: Tender Cancellations: Origin and Cost Distribution: June 2025 Survey

According to a study by Industry Insight on cancellations, project cancellations fell by 30 percent year-on-year in the first six months of 2025, following the 34 percent

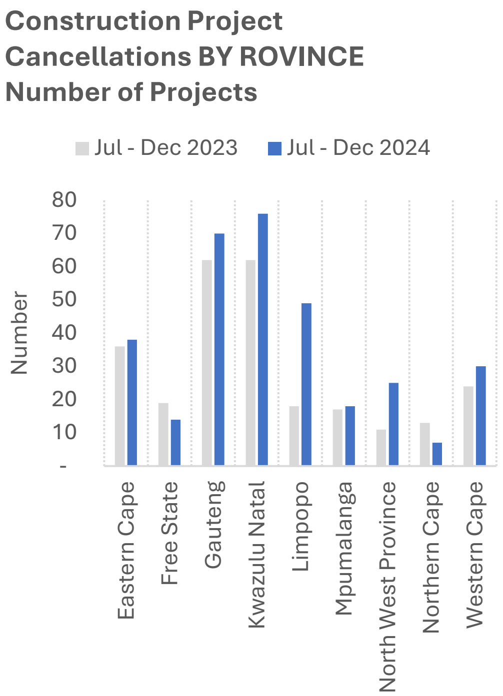


Figure 19: Construction Project Cancellations by Province

increase in 2024 that impacted 685 projects. For the first six months we know of 250 projects that have been cancelled, in the building and civil sector. The number of civil projects cancelled fell by 22 percent year-on-year, to 125 projects between January and June 2025, following an 8 percent increase in 2024, or 344 projects.

The **cancellation rate** for the civil industry (number of cancellations as a percentage of civil tenders issued during the same period) averaged 17 percent in the first six months of 2025, compared to 20 percent in the last six months of 2024, ranging from 3 percent in the Northern Cape to 43 percent in the Free State.

Civil Tender activity fell by 22 since the last six months of 2024, or 30 percent y-y compared to the same period in 2024, with over 710 projects released out to tender during the first six months of 2025, compared to 930 tenders in the last six months of 2024. Compared to the first six months of 2024, tender activity fell across all nine provinces but showed a moderate increase in Easter Cape and Limpopo compared to the last six months of 2024.

ECONOMIC SECTOR

Higher earnings generated in the Water and Housing Sectors

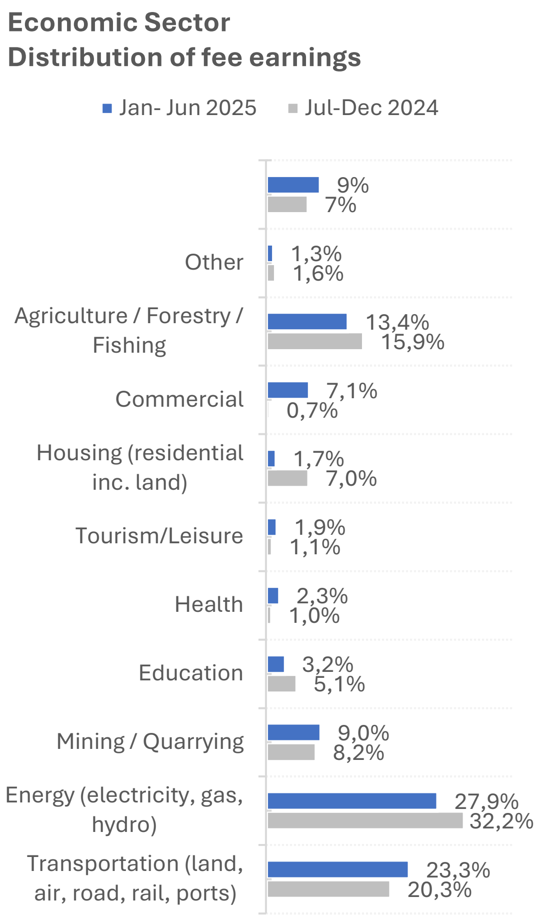


Figure 20: Fee income distribution by Economic Sector: Percentage

The contribution of the Water sector increased to 23.3 percent in the June 2025 survey, from 20 percent on average in 2024, and 17 percent in 2023. Earnings generated in the Water Sector increased by an estimated 19 percent since the last six months of 2024 and was a notable increase of 30.5 percent compared to the same period in 2024. This sector is one of the largest sectors for earnings generated by LE's, QSE's and EME's.

The contribution of earnings generated in the Transport sector decreased to 28 percent, from an average of 30 percent in 2024, resulting in a 10 percent decrease in earnings in real terms since the last six months of 2024, but was 7 percent higher on a year-on-year basis.

The Transportation sector contribute around a third of total LE earnings, and less than 20 percent for QSE's and EME's (that generated almost a quarter of earnings in the commercial sector).

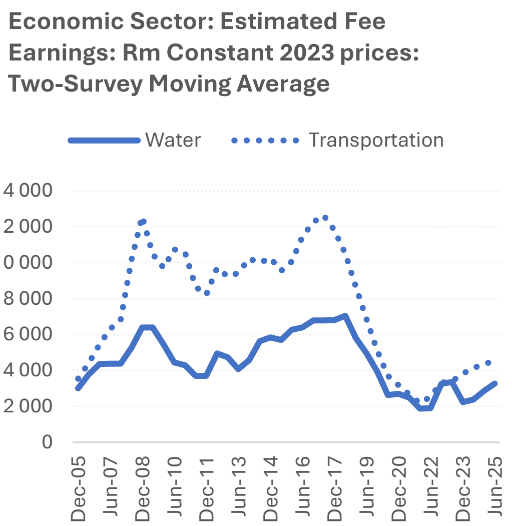


Figure 21: Estimate Fee Earnings Constant 2023 Prices: Water and Transportation: 2-Survey Moving Average

The contribution by the Energy Sector, showed a moderate increase to 9 percent, from an 8 percent average in 2024, that pushed earnings to close to R1.4bn by the last first months of 2025, a 13 percent increase since the previous survey and by 39 percent on a year-on-year basis.

Earnings generated in the Housing Sector contributed 7 percent of total earnings in the June 2025 survey, a notable increase from the previous surveys and an average of 3 percent in 2024. This means earnings generated increased by 74 percent year-on-year to close to R1bn during the first six months, the highest level in earnings in real terms since 2019.

The contribution of earnings generated in the Commercial Sector, slowed to 13.4 percent, relatively on par with 2024 (14 percent), and while earnings declined by 13 percent since the last six months of 2024, it increased by 14 percent year-on-year to an estimated R2 billion.

Earnings generated declined in Mining, Tourism/Leisure and Agriculture.

OUTLOOK

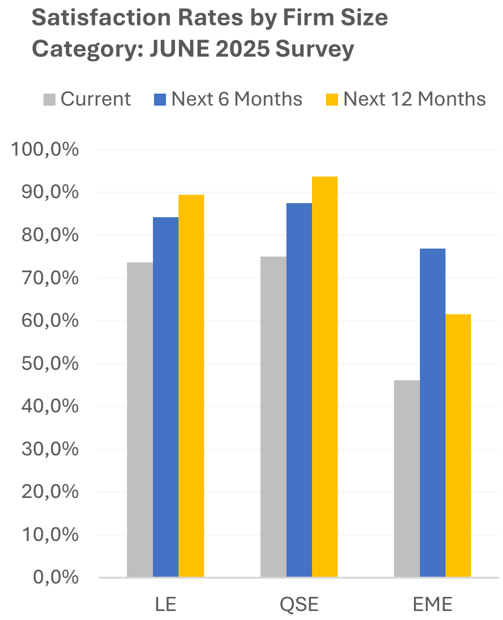
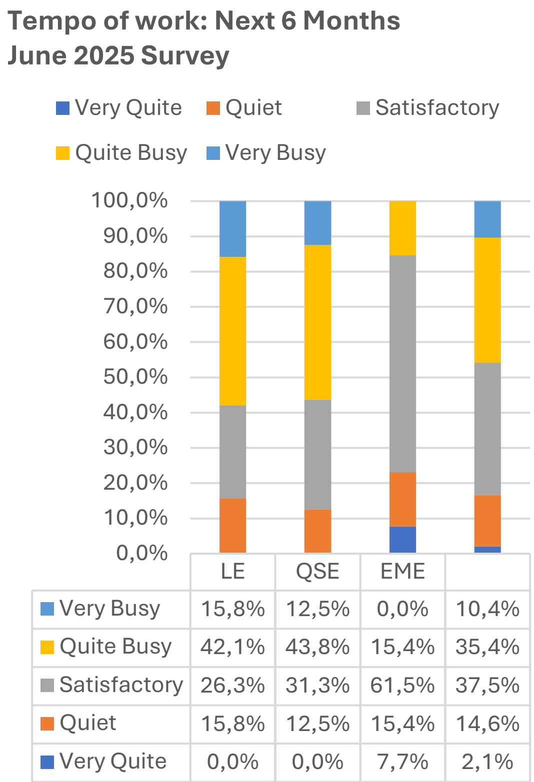


Figure 23: Satisfaction Rates by Firm Size Category

Higher expectations were again disappointed in the first six months of 2025, falling to an overall industry satisfaction rate of just 66 percent in line with the more depressed order book reported in last year's survey, against an expected 86 percent, but the outlook for the next 12 months nonetheless remains upbeat with confidence levels remaining at above 80 percent. Large Enterprises confidence levels slowed to 74 percent in the first six months, from an expected 84.6 percent, rising to 84 percent and 89 percent in the next 12 months. QSE's also experienced tougher conditions in the first six months but is expecting more buoyant conditions over the next 12 months, with confidence levels rising to 94 percent by end June 2026. EME's experienced the toughest conditions during the period under review, with majority having experienced unsatisfactory working conditions. Confidence levels improve slightly for the next six months to a satisfaction rate of 77 percent but falls back to 62 percent in the first six months of 2026, showing some concerns that the current tempo will not improve over the next 12 months.



	LE	QSE	EME	
Very Busy	15,8%	12,5%	0,0%	10,4%
Quite Busy	42,1%	43,8%	15,4%	35,4%
Satisfactory	26,3%	31,3%	61,5%	37,5%
Quiet	15,8%	12,5%	15,4%	14,6%
Very Quite	0,0%	0,0%	7,7%	2,1%

Figure 22: Tempo of Work Conditions: Next 6 months: June 2025 Survey

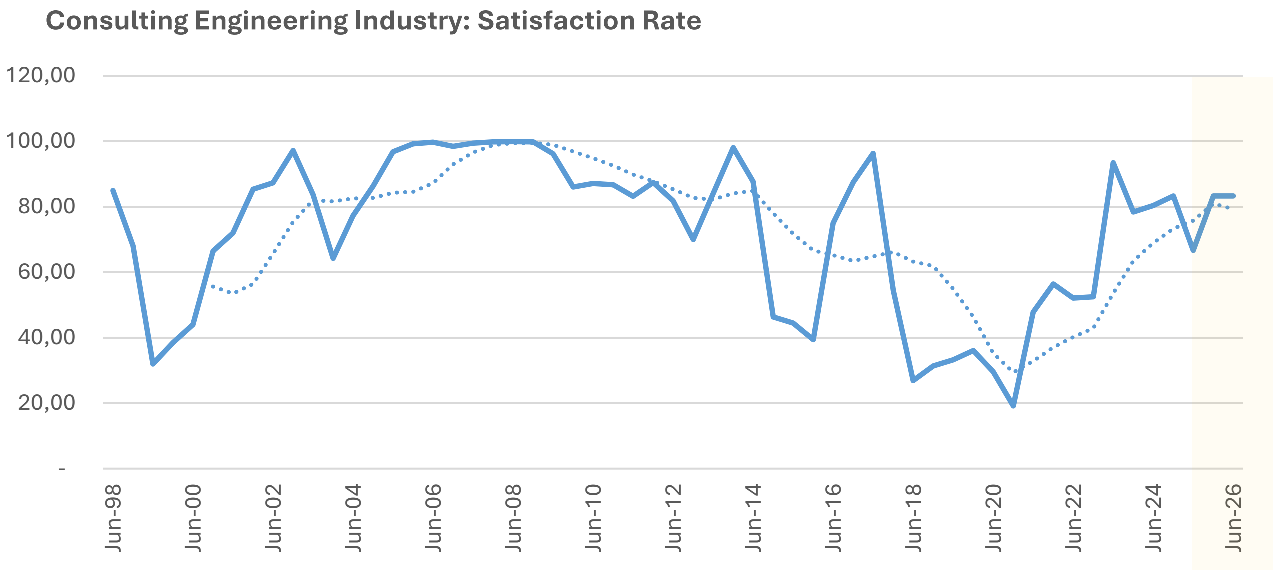


Figure 24: Consulting Engineering Industry: Satisfaction Rate

The 2025 Budget, finally tabled by Treasury in May 2025, set aside more than R1 trillion for public sector infrastructure investment, sparking cautious optimism that the construction industry may have reached its lowest point. The medium-term outlook (2025/26–2027/28) puts strong emphasis on economic infrastructure, with spending expected to grow by an average of 2.6% in real terms over the three years. This growth should balance against construction cost inflation, projected to rise by about 4% per year. Expenditure is set to climb more strongly in 2025/26, potentially peaking, before slipping into real decline over the following two years.

Whether this momentum can be sustained will largely depend on how well provinces and municipalities improve their capacity to deliver. Treasury and the Department of Cooperative Governance (Cogta) are stepping up pressure, with Treasury warning it may withhold grants from underperforming departments and Cogta launching the first major review of local government since 1996.

Spending on social infrastructure, covering housing, education, health, and protective services, is projected to fall by an average of 6.1% in real terms over the medium term, as budgets continue to shrink when adjusted for inflation. While provinces and metros may try to boost spending in these areas, especially with the 2026 Local Government elections adding pressure, they'll need to lean on internally generated revenue or borrowing to do so. Given the difficulties with both options, it's unlikely to offer much relief, meaning social infrastructure investment will remain under strain.

High impact projects announced during the first seven months of 2025 reached R607bn, compared to R667bn announced during 2024. Private sector projects contributed 81 percent, supported by Gauteng's recent Investment Summit that attracted R312bn. PPP's contributed 14 percent, and the Public Sector only 5 percent.

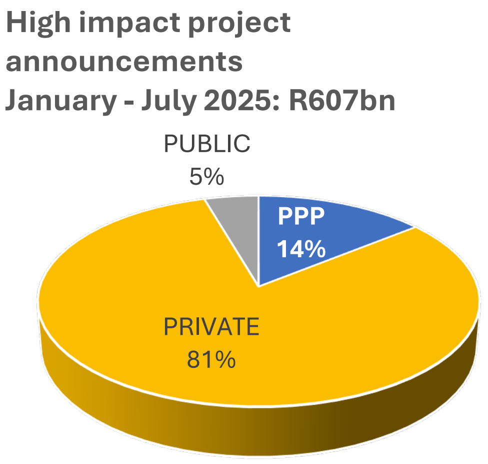


Figure 25: High Impact Project Announcements by Client Type Jan – Jul 2025 (Source Industry Insight)

Survey results continue to reflect a challenging but cautiously more optimistic Consulting Engineering industry. While financial performance and profitability show some positive trends, firms face challenges such as project cancellations and fierce competition.

As of June 2025, the Construction Pipeline has dropped by 18% over the past year, driven mainly by a sharp fall in the value of civil projects released to tender. This follows the slowdown in tender activity after the May 2025 elections, with a similar trend evident in public sector building tenders. 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.

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, underscoring the sector's still-fragile conditions.

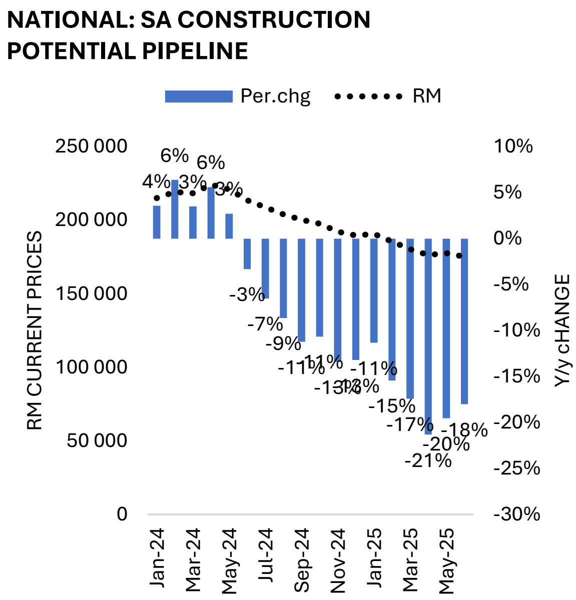


Figure 26: National Construction Pipeline as at June 2025 (Source Industry Insight)

The improved outlook by consulting engineering firms in South Africa over recent surveys, nonetheless, casts a more positive outlook, as it suggests increased activity in terms of infrastructure design and planning. The challenge is to follow through on these projects with a sustainable pipeline for consulting engineers to not only maintain and increase job creation opportunities in the sector, but also to support, while improving and expanding the country's critical economic infrastructure to enhance and support real, sustained economic growth.

Consulting Engineers South Africa

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