

Africa Construction Market - Growth, Trends, Covid-19 Impact, and Forecast (2023 - 2028)

Market Report | 2023-01-23 | 120 pages | Mordor Intelligence

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Report description:

The African construction market is expected to record a CAGR of more than 7.5% during the forecast period (2022 -2027). The COVID-19 outbreak negatively impacted the market in 2020. Over the next two years, growth is expected to remain affected due to the economic downturn caused by the pandemic across Africa's residential, commercial, industrial, and institutional sectors.

Key Highlights

Despite near-term challenges, the medium- to long-term outlook remains positive. Over the short term, investment in the construction industry may be driven by government spending in the infrastructure sector.

The African construction industry is the target destination for most large economies because of accruing benefits, such as the availability of natural resources, huge investment opportunities in energy and infrastructure, cheap labor, and a fast-growing consumer market.

The country also has a beneficial business environment that includes favorable economic development policies, rising commodity prices, continued progress in the fight against corruption, and the adoption of democratic governments.

Business confidence is predicted to grow due to the government's assistance for small and medium enterprises (SMEs). In November 2021, the National Treasury announced its plans to spend ZAR 2.3 billion (USD142.4 million) in the current FY (April 2021 to March 2022) to help businesses affected by the third wave of the pandemic and rebuild infrastructure damaged by the civil unrest that erupted in Gauteng and KwaZulu-Natal provinces in July 2021.

The total value of registered building plans passed by larger towns increased by 37.5% Y-o-Y in the first 10 months of 2021, following an annual fall of 33.5% in 2020, according to Stats SA. In February 2021, the government announced to invest ZAR 791.2 billion (USD 49 billion) in public-sector infrastructure investment over the Medium-Term Expenditure Framework (MTEF) term, which runs from FY2021/2022 to FY2023/2024. The transport and logistics sector received ZAR 287 billion (USD 17.8 billion), while the energy sector received ZAR 149.9 billion (USD 9.3 billion).

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Africa Construction Market Trends

Chinese Investments and BRI Initiative

Over the last two decades, China has established a significant economic presence in most African countries. Its lucrative economic investment package, flexible political approach, and focused big-ticket development projects under the Belt and Road Initiative (BRI) provide a massive opportunity to African countries.

China is Africa's biggest and strongest ally. In recent years, it invested millions of dollars into the continent. Chinese investment has increased globally, is the third-largest destination for China's investment, behind Asia and Europe. However, investment toward Sub-Saharan Africa slightly declined in 2017, following the slight drop in aggregate Chinese investment.

In recent years, Nigeria received relatively large funds from China for railways. China is backing two major standard-gauge rail projects, a line from Lagos to Kano and a coastal railway from Lagos to Calabar.

The country is also building railways in Kenya, Ethiopia, and Zambia. For instance, the Chinese Export-Import Bank provided 85% of the funding for the USD 475-million Addis Ababa Light Rail, which serves the city's 4 million residents. The investments in energy, though mainly made up of oil and gas investments, comprised investments in clean energy such as hydropower.

Despite disruptions due to the COVID-19 pandemic, Africa started construction on more than USD 160 billion worth of projects in 2021. The Export-Import Bank of China is funding projects worth more than USD 15 billion that started construction work in 2021.

Infrastructure Construction Projects Driving the Market

African cities are changing with several major projects, ranging from magnificent skyscrapers to megacities built from scratch. These multimillion-dollar construction projects in Africa are giving its cities a much-needed transformation. Developing infrastructure has been a focus of many governments to meet the needs and requirements of a growing population, making construction the largest sector in Africa. There are over 570 construction projects in Africa worth USD 450 billion. The energy sector has projects worth over USD 370 billion, followed by the transportation sector, with projects that include roads, airports, and railways, worth USD 280 billion.

Egypt leads the market with over 300 active projects worth USD 338 billion. With active projects worth around USD 207 billion, South Africa comes second, followed by Nigeria, which has ongoing and upcoming projects worth USD 200 billion. Nigerian refineries are in a dismal state, leaving one of Africa's biggest crude oil producers to depend on petroleum imports. However, Dangote is changing that narrative with an indigenous refinery capable of processing 650,000 barrels per day, making it the largest single-train refinery in the world. The refinery spans 2,635 hectares in Lekki Free Trade Zone, Lekki, Lagos State. It is said to cost more than USD 12 billion. The refinery is expected to be fully operational by the end of 2022.

Konza technopolis is Kenya's smart city project, a few kilometers from Nairobi. The Kenyan government allocated 2,000 hectares of land for the project. The city is part of the government's vision for 2030 and may serve as the central hub for tech, science, telecom, and education. The estimated cost of this smart city is USD 14.5 billion, and it may generate about 20,000 jobs when completed. The first phase of the project's horizontal infrastructure works is expected to be completed by the end of 2022.

Africa Construction Market Competitor Analysis

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The African construction market is less competitive, with major international players holding large market shares. The African construction market presents growth potential during the forecast period, which is expected to boost market competition. With a few players holding a significant share, the market has an observable level of consolidation. The major players are Vinci, Bouygues, TechnipFMC, China Communications Construction Group Ltd., and China Railway Construction Corp Ltd.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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