



Q1 2020: Nigeria Construction and Infrastructure Survey

Momentum slows amid global pandemic

- Total workloads fall flat over the quarter after rising firmly in Q4 2019
- Financial constraints cited to be the largest factor holding back activity
- Twelve month expectations remain positive for workloads, hiring and profit margins

The Q1 2020 RICS Nigeria Construction and Infrastructure Survey results are consistent with momentum slowing across the sector in the first three months of the year as the global coronavirus pandemic hits economies worldwide.

Total workloads fell flat in Q1 of 2020 having increased firmly in the last quarter of 2019. The sector breakdown shown in figure 1 suggests that activity fell sharply in the private industrial segment (in net balance terms) while a relatively more modest fall in workloads was noted across the public residential and other public works categories. On the other hand, the feedback received points to a more resilient trend in the private commercial and residential sectors with workloads rising modestly throughout Q1 as a whole.

Meanwhile, headline infrastructure workloads stagnated in Q1 with the net balance slipping to zero from +46% in Q4 2019. Within this, contributors noted a slight pull-back in activity across the energy, harbours/ports and airports segments. By way of contrast, workloads were seen rising in the rail and communication sectors.

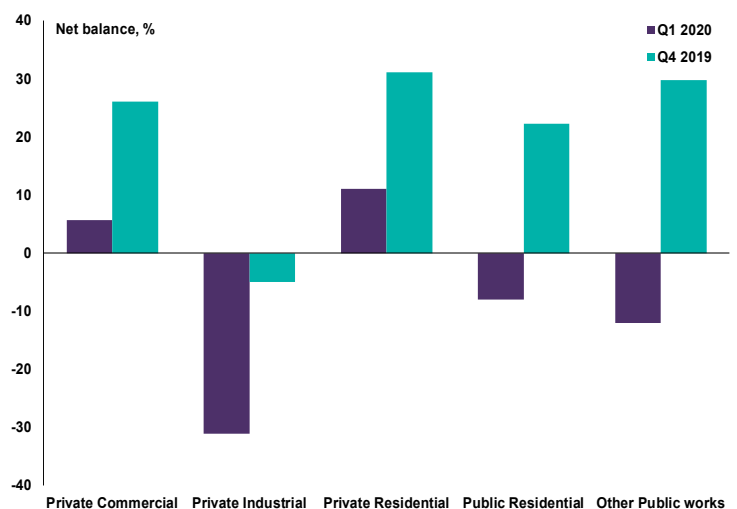
Overall, the feedback received in Q1 points to a more challenging set of conditions for the sector overall. Cost of materials were seen rising significantly over the quarter which seems to have put downward pressure on profit margins. Alongside this, hiring was seen falling modestly in the first three months of the year.

85% of the survey's participants view financial constraints to be a critical impediment to market activity. In addition to this, a strong majority of contributors also report that cost of materials, insufficient demand and intense competition are all negatively impacting market activity.

In spite of this, average twelve month expectations remain positive across all categories though they have been trimmed very slightly from Q4. Indeed, both infrastructure and non-infrastructure workloads are anticipated to rise firmly in the year ahead (net balances standing at +57% and +58% respectively). Meanwhile firms are expected to increase headcount in the year to come while a net balance of +53% of participants anticipate profit margins to increase on the same basis.

Finally, tender prices are anticipated to rise in the year ahead, it should be noted however that a net balance of +72% of contributors envisage costs to rise in the same time, owing to rising costs of both labour and materials.

Figure 1: Workloads by sector



Comments from Survey Participants in Nigeria



"The current global pandemic Covid-19 is affecting construction market in my area."

-Mowe



"The global corona virus causes many places to have a lockdown and it affects my market."

-Lagos



"The outbreak of Covid-19 has made the government to shut down all capital projects."

-Osogbo



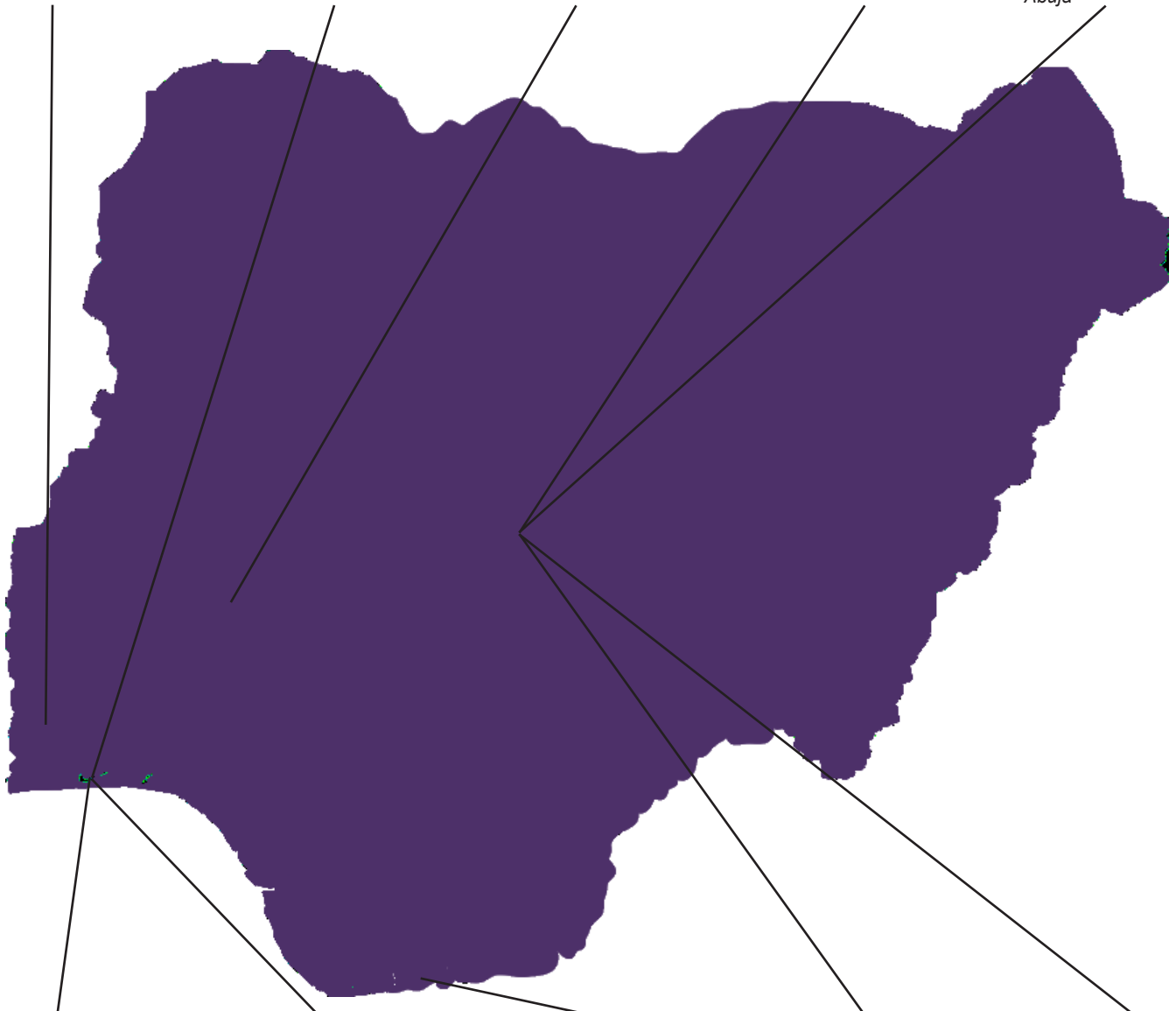
"Mainly the cost of materials due to inflations in our country and issues with budget implementation."

- Abuja



"Land Reforms and Government Policies have greatly affected the construction industry in Nigeria."

- Abuja



"Foreign Exchange rate not stable and other social economic instabilities."

-Lagos



"Transportation cost will increase of about 5-7% due to temporarily unavailability of parts."

- Lagos



"Lack of proper regulatory structures; and compromised system of tender selections and awards."

-Port Harcourt



"Poor government regulation in the construction market. Division among professional bodies."

-Abuja



"Inflation is a major concern in Nigeria. The inflation rate just went to a record high."

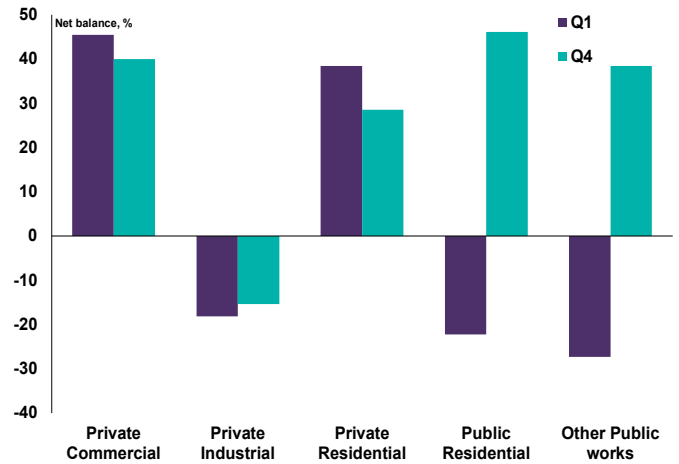
-Abuja

Regional Charts - Northern Nigeria

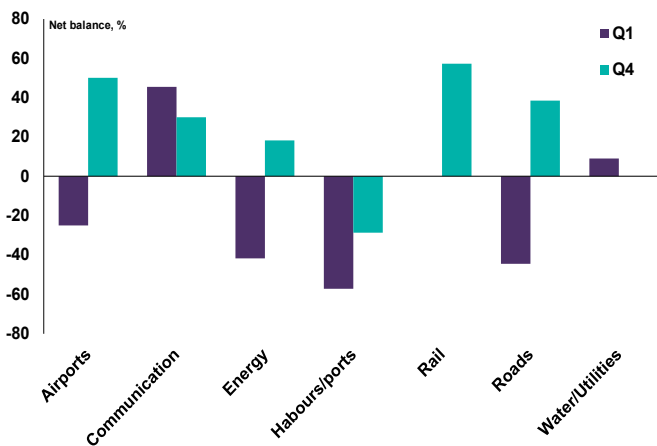
Survey participants in Northern Nigeria painted mixed picture of activity in Q1. Workloads on Private commercial and residential projects increased, in net balance terms at a quicker pace than in Q4, while work on private industrial projects declined modestly. Activity in the public sector and on infrastructure projects was seen to be more subdued, however, as respondents noted that several government projects had been put on hold following the global outbreak of coronavirus. There are other signs that the outbreak may be starting to have an impact as new workloads were little changed.

The cost of materials rose rapidly, at a quicker pace (in net balance terms) than what was seen in Q4. This, along with financial constraints and a lack of demand were said to be the top factors holding back activity in the market.

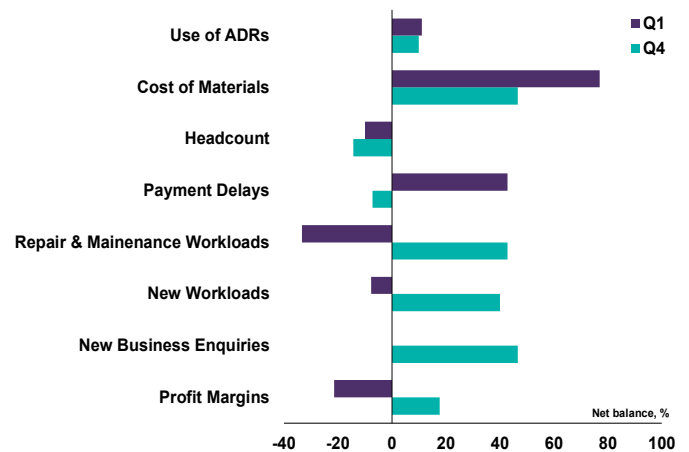
Workloads



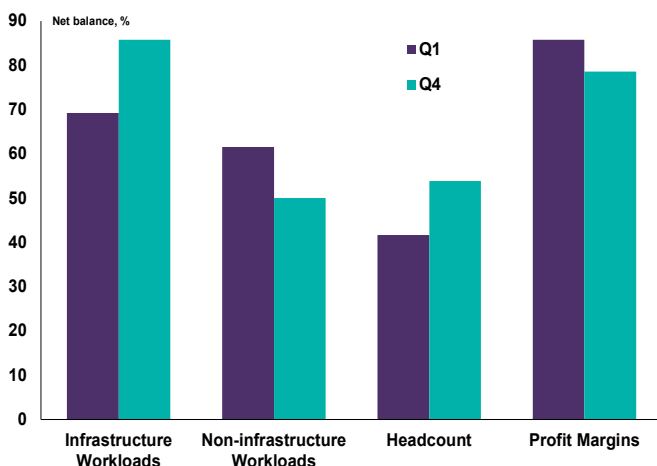
Infrastructure Workloads



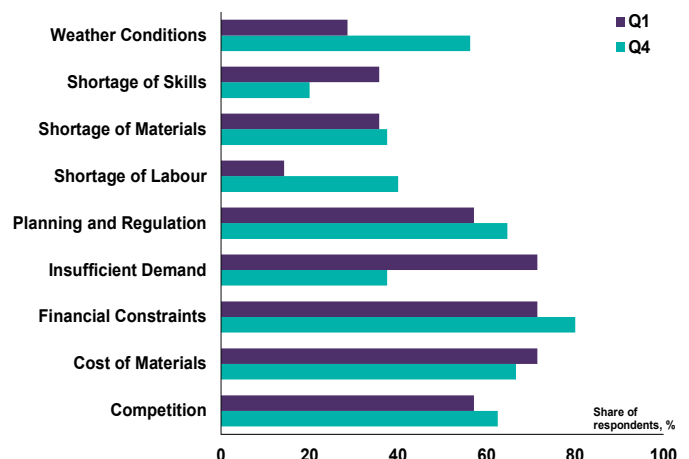
Current Conditions



12-month Expectations



Factors Holding Back Activity



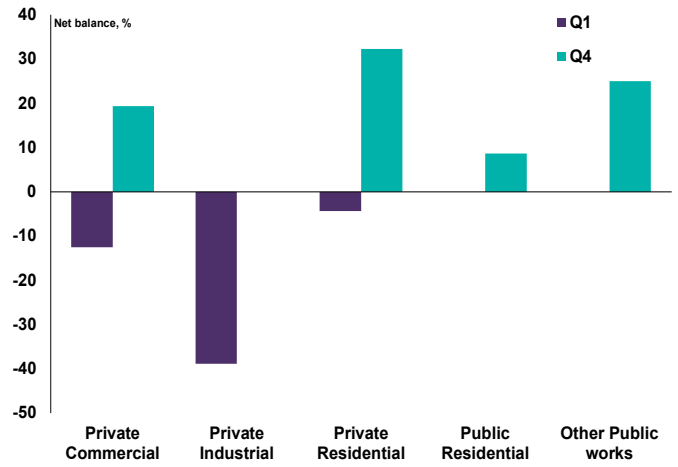
Regional Charts - Southern Nigeria

The coronavirus pandemic appears to be having a greater impact in the south of Nigeria than it is in the north. Respondents noted a slowdown or contraction in activity across all segments of the market. Relative to global peers, however, the impact is still modest.

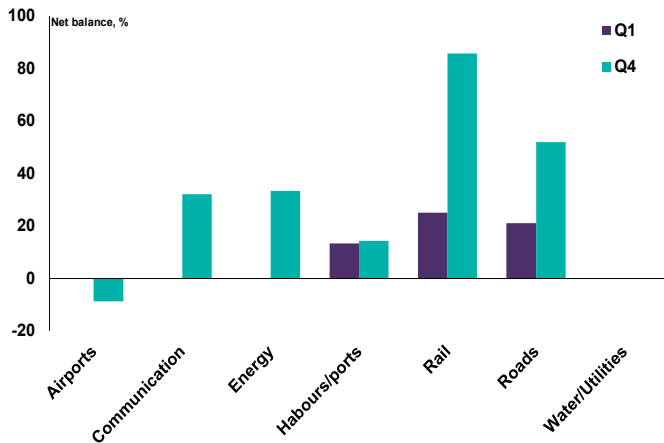
Contributors appear to expect the impact from Covid-19 to be transitory. Although expectations for the next twelve months are not as optimistic as they were in Q4, robust increases in both infrastructure and non-infrastructure workloads are expected. Headcounts were trimmed in Q1 and margins deteriorated, but this is also expected to improve over the next year.

Inflation remains a concern noted by several respondents. The cost of materials was said to rise rapidly, and along with finances, was cited as one of the main factors constraining activity.

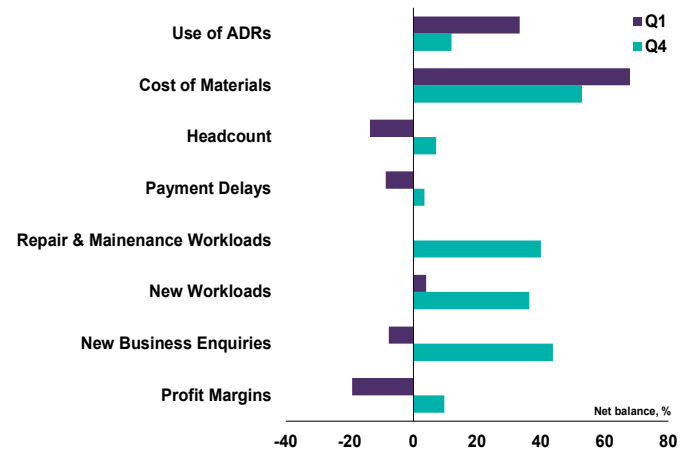
Workloads



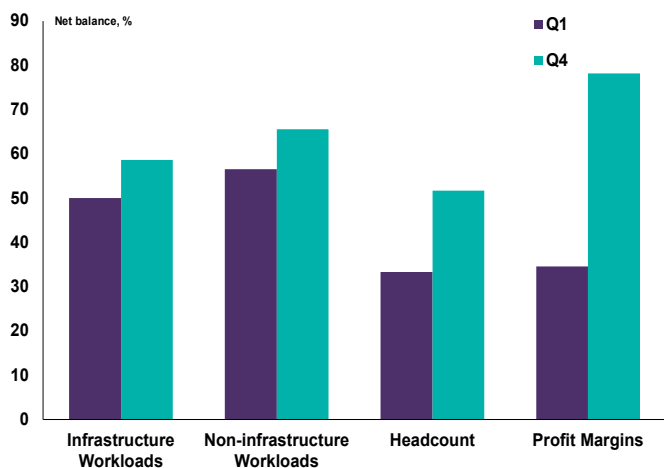
Infrastructure Workloads



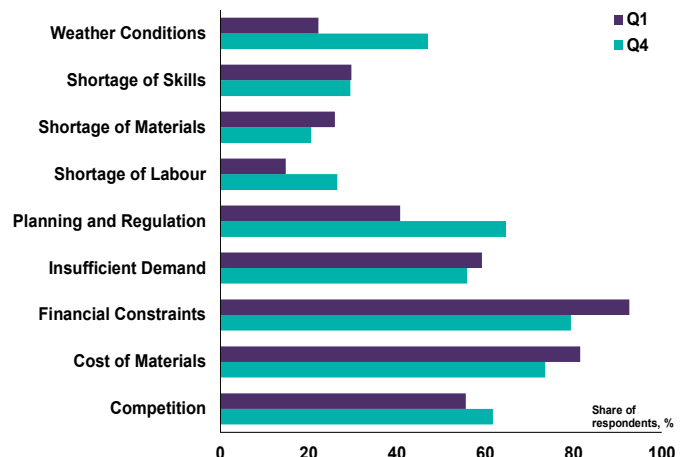
Current Conditions



12-month Expectations



Factors Holding Back Activity



RICS Consensus Tender Prices & Construction Costs (Next 12 months)

	Tender Prices		Construction Costs		
	Building	Civil Engineering	Commercial	Residential	Total
North America	+2.1%	+1.8%	+1.7%	+1.4%	+1.9%
Canada	+2.0%	+1.7%	+1.6%	+1.3%	+1.9%
British Columbia	+0.5%	+0.6%	+0.4%	+0.5%	+1.2%
Ontario	+3.4%	+3.1%	+3.2%	+3.1%	+3.2%
Praries & Territories	-1.0%	-1.2%	-1.0%	-1.1%	-0.3%
USA	+2.4%	+2.0%	+2.4%	+1.7%	+1.8%
Northeast	+2.3%	+0.2%	-0.6%	-0.5%	+0.7%
South	+4.1%	+4.4%	+3.4%	+1.6%	+4.1%
West	+1.2%	+1.3%	+3.1%	+2.9%	+0.8%
Asia Pacific	+1.2%	+1.6%	+2.1%	+1.9%	+2.3%
Australasia	+0.8%	+2.1%	+1.8%	+1.4%	+2.1%
Australia	+0.9%	+2.5%	+2.0%	+1.2%	+1.8%
New South Wales	+0.1%	+2.2%	+0.7%	+0.1%	+0.6%
Queensland	+2.6%	+4.9%	+4.2%	+3.1%	+3.5%
Victoria	+0.8%	+1.1%	+2.3%	+1.8%	+2.5%
Western Australia	+0.8%	+1.7%	+1.4%	+0.7%	+1.5%
New Zealand	+0.8%	+1.8%	+1.8%	+1.8%	+2.4%
North Island	+1.1%	+2.3%	+2.2%	+2.6%	+2.9%
South Island	-0.7%	-0.3%	+0.3%	-1.0%	+0.8%
East Asia	-0.1%	+0.1%	+1.0%	+0.8%	+0.9%
China	+4.4%	+4.6%	+4.3%	+3.8%	+4.6%
Eastern Region	+3.8%	+4.0%	+3.6%	+3.2%	+3.5%
Northern Region	+7.1%	+5.8%	+6.4%	+5.8%	+6.4%
South Central Region	+5.7%	+6.4%	+3.9%	+3.5%	+5.4%
Southwest Region	+3.1%	+3.5%	+5.6%	+4.0%	+4.8%
Hong Kong	-2.2%	-2.2%	-0.6%	-0.4%	-0.8%
Japan	+0.5%	+0.3%	+0.3%	-2.3%	+0.3%
South Asia	+4.4%	+4.1%	+4.5%	+4.3%	+4.9%
India	+4.1%	+3.9%	+4.2%	+3.9%	+4.4%
Northern Region	+3.7%	+4.0%	+4.1%	+3.7%	+4.0%
Southern Region	+3.5%	+3.6%	+3.7%	+4.0%	+4.0%
Western Region	+5.1%	+4.3%	+4.8%	+3.4%	+4.6%
Sri Lanka	+5.1%	+4.5%	+5.3%	+5.4%	+6.3%
Western Province	+5.3%	+4.7%	+5.9%	+6.2%	+7.2%

RICS Consensus Tender Prices & Construction Costs (Next 12 months)

	Tender Prices		Construction Costs		
	Building	Civil Engineering	Commercial	Residential	Total
Southeast Asia	+0.6%	+1.0%	+1.7%	+1.5%	+2.0%
Malaysia	-1.9%	-1.6%	-0.8%	-1.1%	-0.7%
Borneo	-2.5%	-3.0%	-0.2%	-0.9%	+0.2%
Northern Region	-2.7%	-1.7%	-1.9%	-0.6%	-0.4%
Southern Region	-3.3%	-3.6%	-3.3%	-2.6%	-4.1%
Western Region	-1.6%	-1.3%	-0.5%	-1.1%	-0.5%
Philippines	+6.6%	+6.8%	+6.8%	+6.9%	+7.2%
Singapore	+0.2%	+1.4%	+1.5%	+1.7%	+2.7%
Middle East & Africa	+1.7%	+1.6%	+2.6%	+1.9%	+2.4%
Middle East	+0.2%	+0.1%	+1.1%	+0.4%	+1.0%
Bahrain	+2.1%	+1.1%	+2.1%	+1.7%	+2.7%
Kuwait	+3.2%	+1.9%	+3.6%	+1.9%	+3.2%
Oman	+1.5%	+1.6%	+2.9%	+2.4%	+2.7%
Qatar	+3.4%	+3.5%	+3.6%	+2.7%	+3.8%
Saudi Arabia	+2.2%	+1.4%	+3.4%	+3.2%	+2.6%
Makkah	+4.1%	+2.6%	+4.1%	+3.6%	+4.4%
Riyadh	+4.0%	+5.9%	+5.7%	+4.8%	+6.2%
UAE	-2.8%	-2.8%	-1.7%	-2.5%	-1.9%
Abu Dhabi	-4.0%	-4.0%	-3.1%	-4.5%	-3.7%
Dubai	-2.4%	-2.4%	-1.2%	-1.7%	-1.2%
Africa	+3.8%	+3.9%	+4.6%	+4.0%	+4.3%
Ghana	+3.1%	+2.6%	+2.6%	+2.7%	+1.8%
Mauritius	+6.5%	+6.4%	+7.1%	+6.9%	+7.1%
Nigeria	+6.8%	+7.8%	+7.3%	+5.5%	+6.3%
Northern States	+7.5%	+7.5%	+7.0%	+5.9%	+6.5%
Southern States	+6.4%	+8.0%	+7.5%	+5.3%	+6.3%
South Africa	+3.0%	+2.8%	+3.8%	+3.8%	+4.1%
Gauteng	+4.0%	+3.5%	+3.9%	+3.5%	+4.1%
KwaZulu Natal	+1.4%	+2.4%	+2.8%	+4.2%	+3.2%

RICS Consensus Labour & Material Costs (Next 12 months)

	Labour Costs		Material Costs					
	Skilled	Unskilled	Bricks	Concrete	Copper	Glass	Steel	Total
Asia Pacific	+2.4%	+1.3%	+2.1%	+2.8%	+2.6%	+2.1%	+2.7%	+2.7%
Australasia	+1.6%	+0.4%	+2.0%	+2.4%	+2.9%	+2.6%	+3.2%	+2.5%
Australia	+1.5%	+0.1%	+1.9%	+2.4%	+2.9%	+2.5%	+3.2%	+2.6%
New South Wales	+1.4%	+0.3%	+2.8%	+3.5%	+3.5%	+3.5%	+3.8%	+3.2%
Queensland	+2.8%	+1.3%	+3.0%	+3.4%	+2.4%	+1.6%	+1.4%	+2.4%
Victoria	+0.4%	+0.1%	+1.0%	+1.0%	+1.2%	+1.7%	+2.4%	+1.8%
Western Australia	+0.5%	-1.8%	-1.2%	-1.2%	+4.7%	+0.7%	+4.5%	+2.7%
New Zealand	+1.7%	+0.9%	+2.2%	+2.4%	+3.1%	+2.9%	+3.4%	+2.5%
North Island	+2.2%	+1.8%	+3.0%	+3.0%	+3.2%	+3.2%	+4.2%	+3.1%
South Island	+0.8%	-0.7%	+0.5%	+1.1%	+2.6%	+2.0%	+1.7%	+1.1%
East Asia	+1.3%	-0.2%	+1.6%	+1.8%	+1.4%	+1.1%	+1.3%	+1.6%
China	+5.8%	+3.8%	+4.4%	+4.5%	+2.9%	+2.2%	+3.1%	+4.0%
Eastern Region	+4.6%	+2.5%	+3.4%	+3.2%	+2.4%	+1.2%	+2.2%	+3.1%
Northern Region	+5.6%	+4.2%	+7.3%	+6.4%	+2.4%	+2.9%	+4.0%	+6.1%
South Central Region	+9.4%	+7.5%	+7.4%	+8.4%	+5.0%	+5.0%	+6.5%	+6.8%
Southwest Region	+5.4%	+1.9%	+2.0%	+2.7%	+2.1%	+0.9%	+1.3%	+1.7%
Hong Kong	-0.7%	-2.2%	+0.5%	+0.7%	+0.6%	+0.6%	+0.5%	+0.6%
Japan	-0.3%	+1.1%	+0.7%	+1.0%	+0.9%	+1.7%	+0.6%	+0.2%
South Asia	+5.2%	+4.5%	+4.2%	+5.1%	+4.9%	+4.0%	+5.3%	+4.8%
India	+5.1%	+4.5%	+4.1%	+4.8%	+4.4%	+3.5%	+4.8%	+4.3%
Northern Region	+4.5%	+3.6%	+4.5%	+5.2%	+4.5%	+4.4%	+5.4%	+4.4%
Southern Region	+5.5%	+4.6%	+4.1%	+4.6%	+4.4%	+3.0%	+3.7%	+3.9%
Western Region	+4.8%	+4.8%	+3.2%	+4.0%	+3.8%	+3.2%	+5.5%	+4.2%
Sri Lanka	+5.6%	+5.0%	+4.5%	+6.1%	+6.7%	+5.7%	+7.3%	+6.6%
Western Province	+5.4%	+4.9%	+5.0%	+6.2%	+7.1%	+6.0%	+7.4%	+6.8%
Southeast Asia	+1.9%	+1.2%	+1.2%	+2.3%	+2.0%	+1.6%	+1.9%	+2.5%
Malaysia	+0.4%	-0.2%	-0.2%	+0.8%	+0.8%	+0.0%	-0.1%	+0.6%
Borneo	+0.9%	-1.2%	+0.7%	+2.6%	+3.6%	+3.6%	+2.1%	+3.2%
Northern Region	+0.9%	-0.8%	-3.3%	-1.1%	+0.0%	-1.9%	-1.8%	-2.1%
Southern Region	-1.5%	-1.5%	-2.4%	-0.9%	-2.3%	-3.6%	-3.2%	-0.5%
Western Region	+0.4%	+0.1%	+0.2%	+1.0%	+0.8%	+0.1%	-0.0%	+0.8%
Philippines	+4.4%	+3.6%	+3.7%	+5.1%	+4.2%	+4.5%	+5.8%	+6.0%
Singapore	+3.1%	+2.5%	+1.5%	+3.3%	+1.8%	+1.8%	+2.2%	+3.4%

RICS Consensus Labour & Material Costs (Next 12 months)

	Labour Costs		Material Costs					
	Skilled	Unskilled	Bricks	Concrete	Copper	Glass	Steel	Total
Middle East & Africa	+2.7%	+1.7%	+2.5%	+2.8%	+3.5%	+3.2%	+3.8%	+3.4%
Middle East	+1.5%	+0.7%	+1.7%	+1.6%	+2.1%	+2.2%	+2.3%	+2.1%
Bahrain	+1.4%	+0.7%	+2.5%	+1.7%	+3.1%	+3.1%	+2.7%	+2.9%
Kuwait	+2.6%	+2.3%	+2.0%	+1.9%	+1.9%	+1.9%	+2.0%	+1.9%
Oman	+2.4%	+2.4%	+0.5%	+1.0%	+2.5%	+2.5%	+2.4%	+2.0%
Qatar	+3.6%	+2.7%	+3.8%	+4.5%	+5.1%	+5.2%	+5.1%	+4.7%
Saudi Arabia	+3.8%	+2.2%	+2.6%	+1.8%	+2.4%	+2.4%	+3.1%	+3.2%
Makkah	+4.8%	+3.7%	+3.6%	+1.7%	+2.7%	+2.5%	+4.0%	+4.5%
Riyadh	+3.8%	+3.3%	+4.7%	+5.9%	+6.5%	+5.3%	+6.8%	+6.6%
UAE	-0.5%	-1.1%	+0.4%	+0.1%	+0.1%	+0.3%	+0.4%	+0.3%
Abu Dhabi	-2.5%	-2.7%	+0.1%	-0.1%	-1.3%	-1.0%	-1.5%	-0.9%
Dubai	+0.3%	-0.5%	+0.6%	+0.3%	+0.7%	+0.9%	+1.2%	+0.9%
Africa	+4.6%	+3.0%	+3.7%	+4.6%	+5.7%	+4.7%	+6.3%	+5.4%
Ghana	+7.5%	+2.9%	+3.9%	+4.3%	+5.8%	+5.6%	+5.0%	+5.8%
Mauritius	+6.0%	+5.5%	+5.5%	+5.2%	+7.4%	+7.8%	+6.2%	+6.5%
Nigeria	+4.9%	+3.5%	+3.5%	+5.3%	+5.6%	+5.9%	+7.3%	+5.6%
Northern States	+7.6%	+5.7%	+4.7%	+5.8%	+5.9%	+6.6%	+8.2%	+6.6%
Southern States	+3.6%	+2.4%	+2.9%	+5.1%	+5.4%	+5.5%	+6.8%	+5.1%
South Africa	+4.7%	+3.9%	+4.5%	+5.1%	+6.8%	+4.4%	+7.2%	+5.3%
Gauteng	+4.3%	+3.7%	+4.0%	+4.8%	+6.9%	+4.0%	+7.7%	+4.8%
KwaZulu Natal	+4.3%	+3.5%	+5.3%	+5.6%	+6.9%	+4.7%	+6.7%	+6.6%

Information

Construction and Infrastructure Survey

RICS' Asia-Pacific and Middle East Construction and Infrastructure Survey is a quarterly guide to the trends in the construction and infrastructure markets. The report is available from the RICS website www.rics.org/economics along with other surveys covering the housing market, residential lettings, commercial property, construction activity and the rural land market.

Methodology

Survey questionnaires were sent out on 11 March 2020 with responses received until 16 April 2020. Respondents were asked to compare conditions over the latest three months with the previous three months as well as their views as to the outlook. A total of 1323 company responses were received globally. Results are collated at a country level with regional results only reported if a minimum of ten responses received. Responses in Canada were collected in conjunction with the Canadian Institute of Quantity Surveyors. Responses in the United States were collected in conjunction with the Association for the Advancement of Cost Engineering.

Net balance = Proportion of respondents reporting a rise in a variable (e.g. occupier demand) minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the net balance will be 25%). Net balance data can range from -100 to +100.

A positive net balance reading indicates an overall increase while a negative reading indicates an overall decline.

Contact details

This publication has been produced by RICS. For all economic enquiries, including participation in the monitor please contact: economics@rics.org

Disclaimer

This document is intended as a means for debate and discussion and should not be relied on as legal or professional advice. Whilst every reasonable effort has been made to ensure the accuracy of the contents, no warranty is made with regard to that content. Data, information or any other material may not be accurate and there may be other more recent material elsewhere. RICS will have no responsibility for any errors or omissions. RICS recommends you seek professional, legal or technical advice where necessary. RICS cannot accept any liability for any loss or damage suffered by any person as a result of the editorial content, or by any person acting or refraining to act as a result of the material included.

Economics Team

Tarrant Parsons

Economist
+44(0)20 7695 1585
tparsons@rics.org

Sean Ellison

Senior Economist
+61 0424 845 725
sellison@rics.org

Simon Rubinsohn

Chief Economist
+44(0)20 7334 3774
srubinsohn@rics.org

Kisa Zehra

Economist
+44(0) 7695 1675
kzehra@rics.org

Janet Guilfoyle

Market Surveys Administrator
+44(0)20 7334 3890
jguilfoyle@rics.org



Confidence through professional standards

RICS promotes and enforces the highest professional qualifications and standards in the valuation, development and management of land, real estate, construction and infrastructure. Our name promises the consistent delivery of standards – bringing confidence to markets and effecting positive change in the built and natural environments.

Americas

Latin America
ricsamericalatina@rics.org

North America
ricsamericas@rics.org

Asia Pacific

ASEAN
ricsasean@rics.org

Greater China (Hong Kong)
ricshk@rics.org

Greater China (Shanghai)
ricschina@rics.org

Japan
ricsjapan@rics.org

Oceania
oceania@rics.org

South Asia
ricsindia@rics.org

EMEA

Africa
ricsafrica@rics.org

Europe
ricseurope@rics.org

Ireland
ricsireland@rics.org

Middle East
ricsmiddleeast@rics.org

United Kingdom RICS HQ
contactrics@rics.org