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FNB/BER BUILDING CONFIDENCE INDEX

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Building confidence loses ground in 2Q2025

- Sentiment in the building sector, as measured by the **FNB/BER Building Confidence Index**, deteriorated to 36 in 2Q2025, from 41 in 1Q2025.
 - The lower composite sentiment reading was largely due to a 24-index-point fall in the confidence of hardware retailers. However, the business mood of building main and sub-contractors was also markedly lower.
 - The weakness in residential building activity intensified in 2Q2025, weighing on total building sector output (and confidence).
 - Regarding the outlook, an above average reading for growth in work among architects and a sharp jump in work for quantity surveyors suggest that building activity may tick higher in the next few quarters.
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After gaining one index point in 1Q2025, the **FNB/BER Building Confidence Index** fell by five points to 36 in 2Q2025.

The current reading means that the majority (almost 65%) of respondents are dissatisfied with prevailing business conditions.

Compared to 1Q2025, the following changes to sentiment were registered: building material manufacturers (+9), quantity surveyors (+4), building sub-contractors (-9), main contractors (-10) and hardware retailers (-24). The business confidence of architects was unchanged.

Main contractor confidence fell to 35 in 2Q2025 – the lowest level since 3Q2022. Underpinning the decline was worsening sentiment in the residential sector, on the back of a further drop in activity. Data from Statistics South Africa (Stats SA) revealed that the real value of spending on residential buildings was already down 8.4% year-on-year (y-o-y) in 1Q2025. *“The residential building sector is under pressure. Respondents noted a deterioration in activity and overall profitability. Moreover, a deterioration in order books points to continued*

strain on activity over the short term,” remarked Siphamandla Mkhwanazi, Senior Economist at FNB.

Activity in the non-residential building sector also declined but remains above the long-term average. According to Mkhwanazi, *“the non-residential building sector is now outperforming the residential building market significantly in terms of growth. This is partly because of the very low base caused by years of decline, and also due to the more tangible recovery in demand for industrial and office space.”*

While actual building activity was weaker this quarter as a result of the poor performance of the residential segment, the outlook continued to improve. The index measuring work among **architects** was significantly above average for the second consecutive quarter. Nonetheless, their business confidence was unchanged at a relatively subdued 38. Sentiment among **quantity surveyors** rose to 50, its best level since 2Q2017. This was supported by a marked rise in activity. *“Work at the start of the building pipeline is clearly gaining momentum. However, like with current activity, it seems as if it is largely focused on the non-residential sector. Moreover, any progress in terms of building activity will be stifled by long delays in project approvals and client payments,”* noted Mkhwanazi.

Last quarter, **hardware retailers** recorded the largest increase in business confidence; this quarter, they registered the biggest (24-point) decline. This turnabout in sentiment was due mainly to a deterioration in profitability. Even though sales volumes continued to do well, labour costs increased, which, on net, weighed on profitability. Sales volumes are expected to remain buoyant in 3Q2025. Mkhwanazi noted that, *“although hardware retailers are upbeat about sales next quarter, it is useful to remember that some of the factors that contributed to better sales in the preceding two quarters, particularly the consumer income windfall from the two-pot retirement system, will likely be less pronounced going forward. This could lead to a disappointing outcome in the second half of 2025, despite the recent interest rate cut by the South African Reserve Bank.”*

The business confidence of **building material manufacturers** gained nine points even though domestic and export sales and production deteriorated.

In conclusion

After gaining one point in 1Q2025, the **FNB/BER Building Confidence Index** shed five points to register a level of 36 in 2Q2025.

Overall, building activity was lower this quarter. However, this was disproportionately affected by much weaker residential building activity. While also lower, non-residential building activity remains somewhat more resilient.

In terms of activity in the rest of the building value chain, the results were more mixed; building material manufacturers saw sales slow, so too for hardware retailers (although still upbeat). However, encouragingly, activity at the start of the building pipeline (architects and quantity surveyors), on balance, strengthened. *“The increase in work at the start of the building pipeline (architects and quantity surveyors) suggests that building construction activity should improve over the short to medium term. However, this conflicts with the weaker order books reported by residential builders. Also worth noting, is that the extent to which this is realised in terms of work will depend on further improvements in economic growth and building demand,”* said Mkhwanazi.

About the survey:

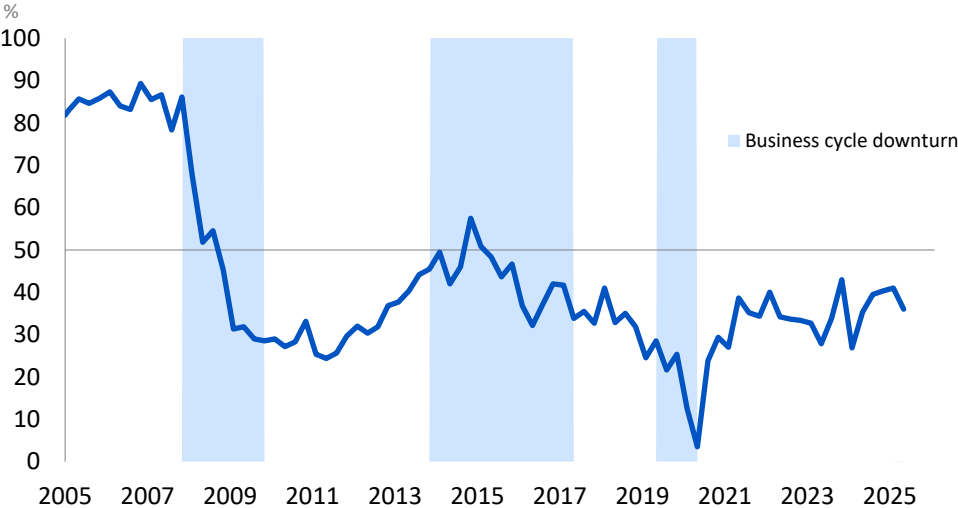
The FNB/BER building confidence index can vary between zero (indicating an extreme lack of confidence) and 100 (indicating extreme confidence). It reveals the percentage of respondents that are satisfied with prevailing business conditions in six sectors, namely architects, quantity surveyors, main contractors, sub-contractors (plumbers, electricians, carpenters and shop fitters), manufacturers of building materials (cement, bricks and glass) and retailers of building material and hardware.

In contrast to the RMB/BER BCI, which includes only main contractors, the FNB/BER building confidence index covers the whole pipeline, from planning (represented by the architects and quantity surveyors), renovations, additions, owner builders, the informal sector (represented by building material and hardware retailers) and production (manufacturers of building materials) to the actual erection of buildings by main contractors and sub-contractors.

The FNB/BER Building Confidence Index includes revised calculations for building material manufacturers and hardware retailers in line with adjustments to the broader manufacturing and retail survey results. Briefly, all the BER's survey respondents are allocated sector and firm size weights to account for their main activity type and turnover respectively. Every few years, the BER updates the sector weights to provide for changes in the composition of activity. This time, the BER also reduced the number of firm size weight categories from nine to four to agree with the classification into micro, small, medium and large firms. The updated sector weights and the new four-category firm size weights were applied to the original individual responses (the so-called microdata) to recalculate all the historical time series going back to 1992. For more information, please see the note "Business confidence changes 18Q4" and download the revised historical BCI data at www.ber.ac.za.

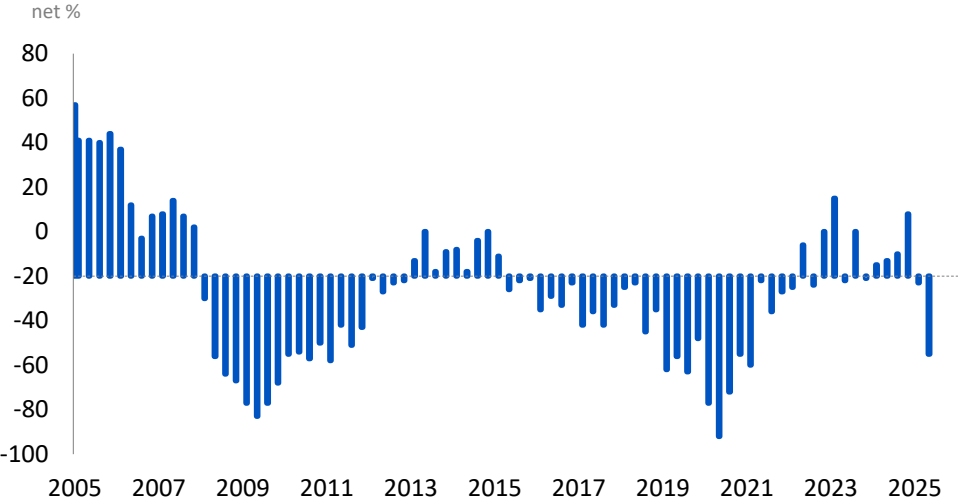
The fieldwork for the second quarter survey was conducted between 7 and 26 May 2025.

FNB/BER Composite Building Confidence Index



Source: BER, Stellenbosch University.

Main Contractors: Growth in building activity (Net balance)



Source: BER, Stellenbosch University.