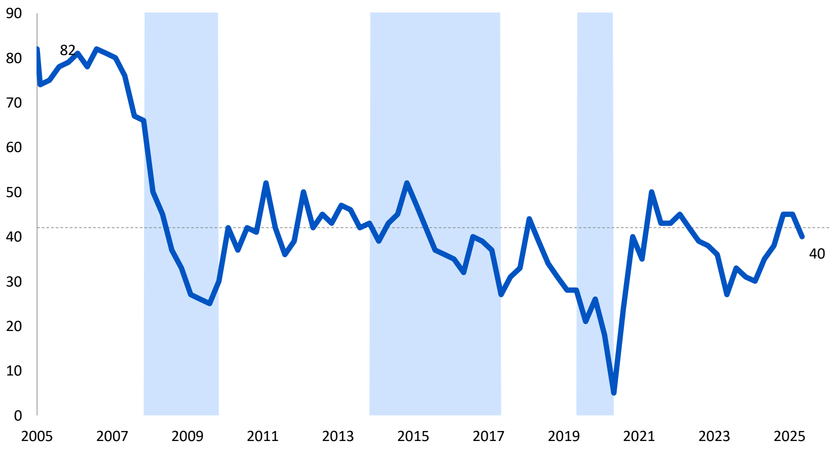
Enquiries:
Isaah Mhlanga
Chief Economist
Tel: 073 736 5357 / 011 282 1460
Isaah.Mhlanga@rmb.co.za

Press release

Business confidence dips in the second quarter of 2025

The **RMB/BER Business Confidence index (BCI)** declined by five points to 40 in the second quarter of 2025, after the recovery that started in the first half of 2024 stalled in the first quarter. This implies that only four out of ten business respondents in the most cyclically sensitive sectors of the economy were satisfied with prevailing business conditions. The majority of the respondents are thus pessimistic about trading conditions. While remaining above the average of 2023 and 2024, confidence is now a touch below the long-term average level. Indeed, Isaah Mhlanga, chief economist at RMB, warns that the underlying survey results point to a loss of momentum in the South African economy.

Figure: RMB/BER Business Confidence Index (BCI)
% satisfactory



Source: BER, SARB (Shaded areas represent economic downswings)

The second quarter survey took place from the 7th to the 26th of May 2025, with the bulk of responses received early on in the survey period[1]. Diplomatic relations between the US and South Africa remained tense throughout the survey period, while some optimism returned to equity markets after a 90-day pause in the US reciprocal trade tariffs announced on Liberation Day on the 2nd of April. Still, the global trade uncertainty and continued local logistical issues were flagged by respondents as factors negatively impacting their businesses. The rand exchange rate experienced a volatile quarter, weakening past R19.90/$ early in April but clawing its way back to below R18/$ during the survey period. On the local front, respondents would have known that the contentious proposed VAT hike was off the table, but many questionnaires were returned before the tabling of Budget 3.0 on 21 May. News around the Government of National Unity (GNU), and the DA's continued participation in it, was mixed over the time period, with fears of an imminent collapse easing a little through May.

Details

The second quarter confidence print was driven by declines in four of the five sectors, partially offset by a sharp increase in wholesale trade confidence, leaving overall confidence lower. This almost mirrored the previous quarter outcome, where declines in four of the five sectors were more than fully offset by a sharp increase in new vehicle dealer confidence, resulting in overall confidence rising.

Table: Business confidence per sector (2023Q2-2025Q2)

%	*LT avg.*	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	**25Q2**
RMB/BER BCI	*42*	27	33	31	30	35	38	45	45	**40**
Wholesale traders	*45*	32	38	36	37	53	51	60	42	**50**
New vehicle dealers	*40*	23	30	6	16	10	27	23	52	**42**
Retail traders	*40*	20	32	47	34	39	45	54	50	**42**
Building contractors	*42*	43	41	41	42	47	41	51	45	**35**
Manufacturers	*35*	17	23	26	21	28	28	36	34	**33**

Source: BER

In addition to being the only sector to register an increase in confidence, **wholesale traders** also have the highest sentiment reading, at 50 points. Non-consumer wholesale traders fared well during the quarter, but consumer goods traders suffered and faced a sharp drop in sales. This is a worrying sign for consumer demand in the second half of the year, despite supportive

[1] During the first quarter the survey was conducted from 5 to 24 February 2025. In this time, US President Donald Trump announced a cut to all foreign aid towards South Africa and South Africa's Finance Minister pulled the tabling of the National Budget on 19 February.

macroeconomic factors such as low inflation, interest rate cuts, and two-pot pension fund payouts.

For now, business conditions in the **retail trade sector** remained largely in line with the long-term average, although confidence deteriorated by 8 points to 42. **Motor trade dealers** saw a slightly bigger drop of 10 points, but also to 42 in the second quarter. Generally, respondents in the sector remained fairly upbeat about business conditions and sales volumes, which underscores that the consumer likely still fared fairly well in the second quarter. The 25-basis-point reduction in the policy interest rate (which took place after the survey period but was largely expected) could provide some further support, although this is countered by an increased personal tax burden.

Building contractors in the residential sector have not yet benefitted from past rate cuts, and the cut last week may also be insufficient to turn their fortunes around. According to the second quarter results, activity came under further pressure, which weighed on sentiment. Non-residential contractors fared better, but overall confidence among all building contractors declined by 10 points to an almost three-year low of 35 points.

Despite a notable deterioration in business conditions, confidence in the **manufacturing sector** remained virtually unchanged at a low 33 points. Manufacturers reported a decline in domestic and export demand, leading to a drop in production. Many of the constraint indicators, including the general political climate, rose in the second quarter.

Bottom line

Last quarter's warning lights are certainly flickering brighter. "The fact that confidence in four of the five sub-sectors declined and that (for two consecutive quarters) confidence in three of the five sub-sectors declined suggests that momentum in overall economic activity slowed down," says Mhlanga. "During this period, just two sectors–wholesalers and new vehicle dealers–alternated to do the heavy lifting, but it was insufficient to lift confidence this quarter."

He adds that following the meagre 0.1% quarter-on-quarter GDP growth rate recorded in the first quarter of 2025, "we cannot risk losing any further momentum." Worryingly, while forward-looking indicators remained positive in the first quarter, these also soured during the second quarter.

The reduction in the repo rate will provide some relief, but more is needed to reignite the spark in the South African economy. There is arguably more certainty on the local political front, with Budget 3.0 tabled and broad agreement among GNU partners to continue working together for now. The global environment will remain uncertain, but an easing of tension regarding diplomatic relations between the US and South Africa would support sentiment.

The core of South Africa’s long-term economic recovery and resilience remains faster implementation of structural economic reforms. Without these reforms, the economy will remain vulnerable to global economic shocks and too slow to reduce the social ills that burden many with unemployment, poverty, and inequality. The launch of the second phase of Operation Vulindlela shows that the government remains committed to economic transformation through economic reforms, with implementation the next hurdle.