

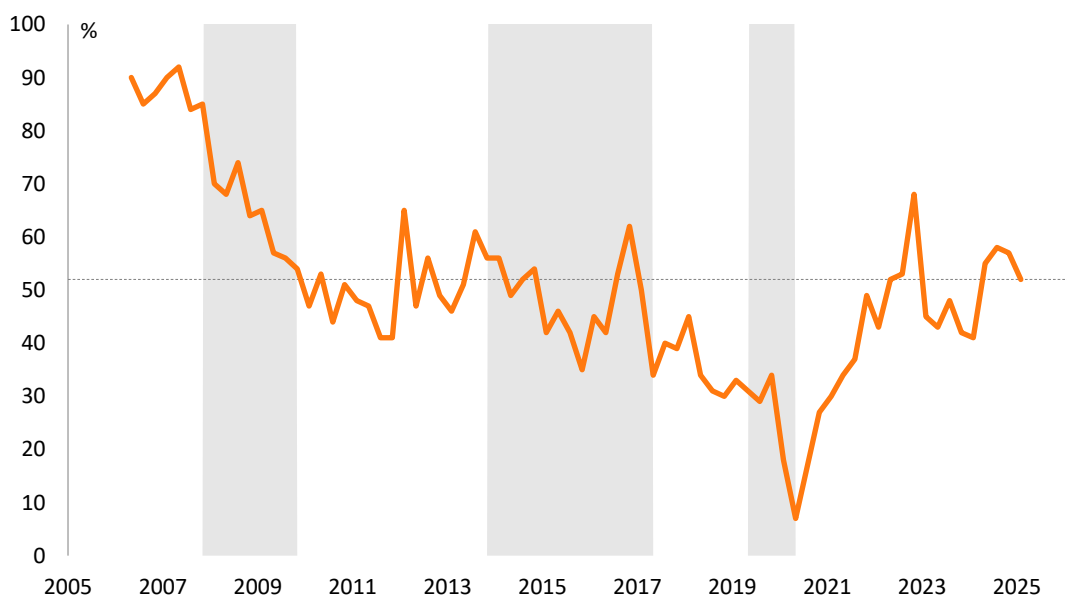
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Other services survey results 2025Q1

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Despite an uptick in business activity, confidence in the Other Services sector slipped by 5 points to 52 in 2025Q1, reflecting a mixed outlook across subsectors. However, at 52, confidence aligns with the sector's long-term average (see Figure 1), suggesting a balanced outlook—neither overly optimistic nor overly pessimistic. This indicates that a slight majority of respondents remain satisfied with business conditions.

Figure 1: Business confidence in Other Services exactly at the long-term average level



Source: BER; Note: grey area denotes business cycle downturns in the SA economy.

Beneath the relatively stable headline figure, performance varied across subsectors. Confidence declined in three of the four subsectors, while business volumes fell in only two, highlighting a disconnect between sentiment and actual activity. Despite the broader decline in confidence, the downturn was particularly pronounced in the **Transport and Storage subsector**. This comes as no surprise, given that South Africa has been grappling with an ongoing logistics crisis, which continues to weigh heavily on activity in this industry.

In contrast, confidence in the **Hotels and Restaurants subsector** was notably strong at the start of the year. The peak tourist season, which extends through January and February, has

provided a significant boost, further supported by increased activity related to South Africa's G20 presidency. This has attracted more visitors than usual, with expectations that this momentum will continue through November this year. This surge in tourism may also explain why respondents in the Western Cape, in general, remain particularly optimistic about prevailing business conditions.

The **Real Estate subsector** performed largely as expected. While confidence declined this quarter, it has now returned to more typical levels following last quarter's surge in optimism. Notably, despite the dip in sentiment, business volumes increased. A relatively lower interest rate environment compared to our 2024Q4 survey, coupled with a significant uptick in demand for office space, has stimulated activity in this segment.

Meanwhile, both business volumes and confidence declined in the **Business Services subsector**. However, despite this drop, underlying conditions remain above the long-term average, indicating steady activity. A particularly encouraging development was the notable increase in realised employment. Given that labour constraints are often a major hurdle for businesses, this uptick is a positive sign. Hiring more employees is typically a long-term commitment, suggesting optimism about future growth in this subsector.

FINAL REMARKS

Apart from the transport subsector, businesses remain generally upbeat, and we are optimistic this will support real economic activity. As seen in the recent RMB/BER BCI and Q4 2024 GDP statistics, consumer-facing sectors continue to outperform non-consumer-facing industries like transport. Sectors tied to the interest rate cycle, such as real estate, are also showing gradual improvement. With only one more 25 basis point repo rate cut expected in March, we do not anticipate significant additional support from lower interest rates—though every bit helps. While monetary policy provides limited relief, meaningful structural reforms could play a more substantial role in improving business conditions across the economy, including the services sector.

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