PRESS RELEASE

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FNB/BER BUILDING CONFIDENCE INDEX

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Sentiment in the building sector ticks higher in Q3

- The **FNB/BER Building Confidence Index** gained two points to register a level of 40 in 3Q2026.
- Sentiment was supported by a marked increase in business confidence among hardware retailers and quantity surveyors.
- The picture with respect to work was mixed, with continued weakness among builders while activity at the start of the building value chain remained robust.
- As with 2Q2026, a key feature of the current quarter's result is increased profit pressure caused by higher input costs and relatively keen tendering competition.

In 2Q2026, the **FNB/BER Building Confidence Index**, which measures sentiment in the building sector, fell by four points to 38. The index regained two points to register a level of 40 in 3Q2026.

The current rating indicates that 60% of respondents across the building sector value chain are dissatisfied with prevailing business conditions.

The following changes in building confidence were recorded in 3Q2026 (relative to 2Q2026): hardware retailers (+16), quantity surveyors (+8), architects and main contractors (-1) and sub-contractors and building material manufacturers (-6).

Main contractor confidence remained largely stable in 3Q2026, even as the underlying business environment, particularly activity and profitability, deteriorated. Tendering price competition was also notably keener.

The business mood of building sub-contractors deteriorated this quarter, even though activity improved.

Business confidence among non-residential builders fell to 43 in 3Q2026. This is significantly lower than the multi-year high of 75 recorded in 1Q2026. The lower sentiment is in line with a marked slowdown in activity.

"*The survey results of the last two quarters revealed a sharp reversal in the broadly positive trend in non-residential activity seen between 2024 and 1Q2026. This, more acutely than in the rest of the building sector, likely reflects the impact of higher input costs on the financial viability of projects*," remarked Siphamandla Mkhwanazi, Senior Economist at FNB. Interestingly, order books (as measured by the rating of insufficient new demand as a business constraint) remained at long-term average levels.

In contrast, activity among residential builders – after falling noticeably in 2Q2026 – improved in 3Q2026. Expectations for work next quarter are also upbeat. Nevertheless, despite the broadly better underlying environment, confidence was unchanged.

According to Statistics South Africa, the real value of building investment declined by an annual rate of 1.5% in 2Q2026, from an 8.4% fall in 1Q2026. The survey results suggest a similar performance in 3Q2026.

The confidence of **quantity surveyors** increased to 56, its highest level since 4Q2016. Meanwhile, the index measuring activity rose to its best level since early 2007. "*This is related to the broader acceleration in input costs, which has seen an increase in the demand for quantity surveyor services*," said Mkhwanazi.

Work among **architects** also ticked higher in 3Q2026. The index measuring growth in architects' activity has now been above the long-term average for more than two years. Sentiment, in contrast, remains relatively weak. According to Mkhwanazi, "*It is clear from the survey results that there is latent interest in building work. However, persistent delays in municipal approvals and heightened economic uncertainty continue to impede the conversion of planning activity into fully fledged building projects. As a result, a meaningful portion of potential building work remains stuck in the pipeline rather than translating into actual development.*"

Hardware retailer confidence rose to 55 in 3Q2026. The better business mood was supported by higher sales. In contrast, sentiment among **building material manufacturers** slipped to an 18-month low of 17.

<u>In conclusion</u>

The **FNB/BER Building Confidence Index** rose to 40 in 3Q2026, from 38 in 2Q2026.

On balance, the survey results show that building activity was stable this quarter. Input price pressures, however, remain acute, weighing on overall profitability. This price pressure also resulted in continued keen tendering price competition. On the other hand, the rising cost environment has led to a significant increase in work for quantity surveyors.

Encouragingly, architects remain relatively busy. "*Work among architects has been slowly gaining momentum over the last few quarters and suggests that there is an underlying demand for building work in the economy. Greater economic certainty, along with better efficiency within municipal planning offices, could result in a reasonably quick rebound in building work*," noted Mkhwanazi.

<u>About the survey:</u>

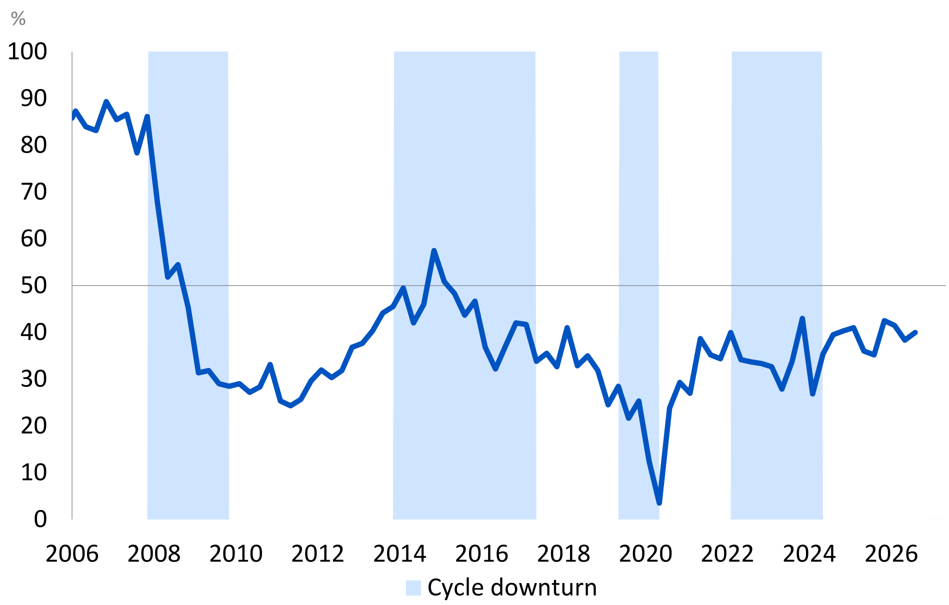
The FNB/BER building confidence index can vary between zero (indicating an extreme lack of confidence) and 100 (indicating extreme confidence). It reveals the percentage of respondents that are satisfied with prevailing business conditions in six sectors, namely architects, quantity surveyors, main contractors,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

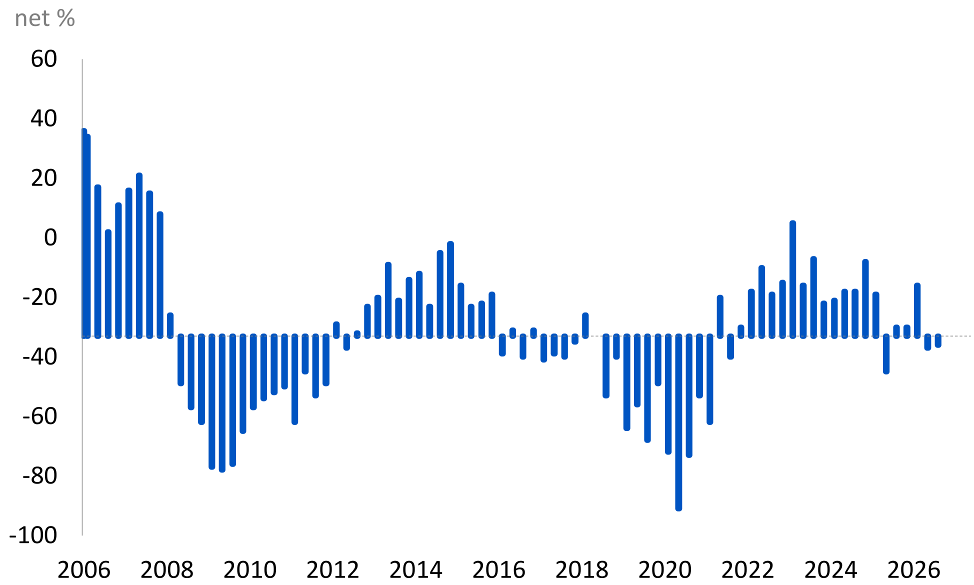
The fieldwork for the third quarter survey was conducted between 13 and 24 August 2026.

FNB/BER Composite Building Confidence Index[1]



Source: BER, Stellenbosch University.

Total builders: Growth in activity (Net balance)



Source: BER, Stellenbosch University.

[1] The latest turning point in the business cycle is based on BER research and is only indicative. It does not replace the official business cycle turning points as published by the South African Research Bank from time to time.