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PRESS RELEASE | 23 JUNE 2025| FOR IMMEDIATE RELEASE

Other services survey results 2025Q2

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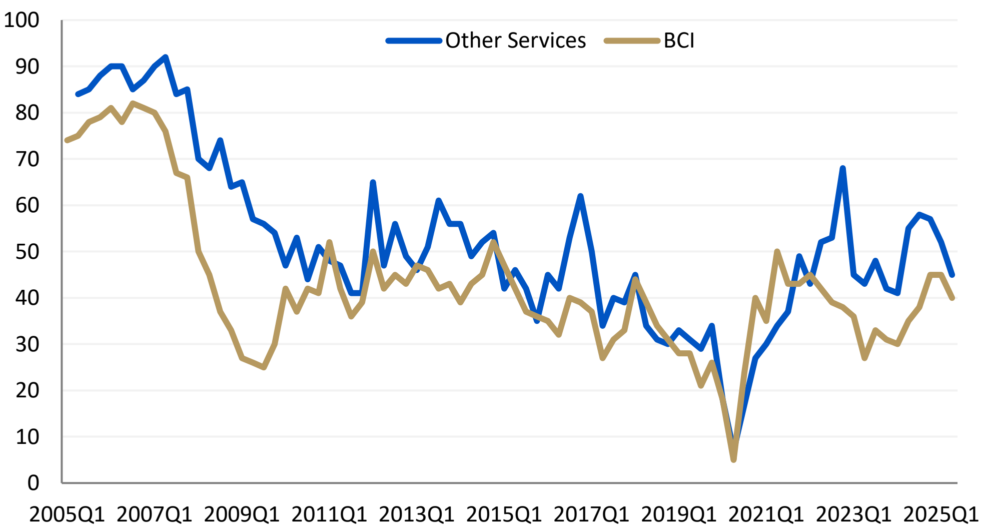
The Other Services[1] sector has been fairly optimistic over the last year, with confidence levels above those of the other sectors surveyed by the BER. In the second quarter of 2025[2], however, the confidence reading in Other Services fell below its long-run average again.

This points to a cooling in this sector following a streak of outperformance. Confidence increased slightly in Q2 for the Transport and Business Services subsectors, but this was more than offset by meaningful declines in Hotels and Restaurants and Real Estate.

Figure 1: Business confidence, Other Services vs BCI

PERCENT



Sources: BER

[1] Hotels, restaurants, transport, real estate and business services make up the Other Services sector. They are denoted as "other" services to distinguish them from the retail, wholesale and motor trade sectors, which are also part of the services sector but included in the RMB/BER business confidence index (BCI). The Other Services sector is not included in the BCI due to its lagging business cycle characteristics, i.e., it recovers/deteriorates later than the BCI sectors. Although the Other Services sector contributes a considerable 22% (2019) to GDP and employment, the BER does not include it in the BCI to safeguard its advanced signalling properties.

[2] The second quarter survey took place from the 7th to the 26th of May 2025. The SA Reserve Bank (SARB) cut the repo rate after the survey period, on 29 May, after it kept the rate unchanged in March.

Overall business conditions, volumes, employment, profitability, and asking prices were all in the red, though some remain above their long-run average. This shows that although the operating environment has deteriorated relative to last quarter, it may just indicate a normalisation and not a contraction in this sector. Yet, it also indicates that the uncertainty in the world did not leave the services sector untouched.

The **hotel and restaurant subsector** recorded the weakest results this quarter. Following a period of outperformance, confidence declined sharply in 2025Q2, accompanied by statistically significant declines in both business conditions and business volumes. Although these events occurred toward the end of the survey period,respondents may have been worried about the strained diplomatic relationship between SA and the USA, as well as the broader weakness in the global economy.

In the **transport subsector**, business volumes remained largely unchanged, while respondents experienced slightly improved business conditions. Positively, the survey data showed a notable decline in finance constraints, as well as lower impediments from insufficient demand and a shortage of labour, all helping to ease business conditions. As a result, transport confidence improved. A much better profitability reading may also explain the more upbeat outcome among transport respondents.

After about a year in optimistic territory, there was a statistically significant decline in confidence in the **real estate subsector**, again dipping below the long-run average. Business conditions and volumes are weaker than a year ago, but still high in a historical context. A robust rental market may have kept things alive in real estate, while a relatively good environment for industrial, office and retail properties provided some upside potential. While the prospects for interest rate cuts lifted the outlook in this subsector last year, this was substantially diminished at the time of the survey this quarter.

Meanwhile, in the **business services subsector**, the results point to a “business as usual” outcome this quarter. Confidence has been hovering around the long-run mark for over three years, and there were no significant downward movements or reasons for more optimism.

FINAL REMARKS

While some subsectors, like transport, still improved, the outlook has weakened, as reflected in very downbeat expectation metrics. Concerns around future business conditions are driven mainly by weak domestic demand, global uncertainty, and local political instability, particularly stemming from tight financing conditions, ongoing US trade tensions, and internal disputes within the Government of National Unity (GNU). However, since the conclusion of the survey period, there have been encouraging signs of improvement in both SA–US relations and the broader global environment.

Domestically, the inflation outlook has eased, supporting a recent interest rate cut and increasing the likelihood of a further reduction later this year. These developments could help reduce uncertainty, stimulate consumer spending, and lift overall sentiment in the coming months. We therefore remain cautiously optimistic about business conditions in the other services sector.