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ECONOMIC  
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## **PRESS RELEASE**

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## **FNB/BER BUILDING CONFIDENCE INDEX**

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## Building sector sentiment largely unchanged in 1Q2025

- The **FNB/BER Building Confidence Index** gained one point to register a level of 41 in 1Q2025.
  - Component results were mixed with three (hardware retailers, quantity surveyors and building sub-contractors) reporting higher confidence while three (main contractors, architects and building material manufacturers) reported lower confidence compared to last quarter.
  - Growth in main contractor activity deteriorated notably this quarter. Despite this, they remain upbeat about activity prospects next quarter.
  - The expectation of improved work next quarter aligns with the realised growth in architect activity, pointing to some new demand in the offing.
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Building sentiment, as measured by the **FNB/BER Building Confidence Index**, saw a marginal improvement to 41 in 1Q2025, from 40 in 4Q2024.

The current reading means that the majority (almost 60%) of respondents are dissatisfied with prevailing business conditions.

Compared to 4Q2024, the following changes to sentiment were registered: hardware retailers (+9), quantity surveyors (+4), building sub-contractors (+3), building material manufacturers (-2), architects (-4) and main contractors (-6).

After registering a solid improvement in 4Q2024, the index measuring activity among **main building contractors** eased in 1Q2025. Consequently, overall profitability came under severe pressure. This weighed on sentiment with the index losing six points to register a level of 45. The latest data from Statistics South Africa (Stats SA) shows that the real expenditure on building investment declined by 2.6% year-on-year (y-o-y) in 4Q2024. This was largely due to an almost 6% y-o-y fall in real residential building investment while, real, non-residential building investment rose by 4.7% y-o-y. The results for this quarter

revealed that activity among non-residential builders continued to outperform that of residential builders, although both had worsened somewhat. *“The industrial and warehousing sub-sector has held up well over the past few years, supporting at least some non-residential building work. Now, we are seeing signs that demand for retail space – and to a lesser extent, office and banking space – is picking up too, which further supports the non-residential outperformance. The residential sector, in contrast, is still struggling despite the cumulative 75 basis points reduction in the repo – and prime rate – since the end of last year,”* remarked Siphamandla Mkhwanazi, Senior Economist at FNB.

Despite a deterioration in activity and profitability, which weighed on sentiment this quarter, building contractors are optimistic about prospects for activity, employment, profitability and general business conditions next quarter. *“While such optimism is encouraging, the risk exists that sentiment will fall further if these expectations do not materialise,”* cautioned Mkhwanazi.

The business confidence of **building sub-contractors** edged higher this quarter (to 42), largely because of higher activity.

**Architect** confidence declined for a second consecutive quarter to record a level of 38 in 1Q2025. Sentiment moved lower despite an uptick in activity. *“Better activity at the start of the building pipeline signals more building projects in future and aligns with building contractors’ expectations of more work next quarter. However, architects increasingly consider municipal inefficiency, such as delays in getting building plans passed and approved, as hindering business operations. This, in turn, weighs on their sentiment,”* stated Mkhwanazi.

In contrast to architects, activity among **quantity surveyors** worsened, but confidence gained four points.

At 59, **hardware retailer** confidence is at its highest level since the start of 2022. Underpinning the better sentiment is continued improvement in sales. According to Mkhwanazi, *“the hardware component of the retail sector underperformed relative to other retail spending categories last year. However, sales over the last two quarters benefitted from the lower interest rate and*

*inflation environment, and the financial windfall to households from the retirement reforms”.*

The sentiment of **building material manufacturers** fell two points to 16 in 1Q2025 despite an uptick in activity, as production costs jumped sharply.

#### In conclusion

The **FNB/BER Building Confidence Index** remained relatively stable in 1Q2025, gaining one point to record a level of 41.

The results were mixed in terms of activity but, overall, reflected a sector which saw a slight worsening in current work. Near-term prospects for work, however, are encouraging from both contactors’ own expectation and also from the better activity reported by architects which reflects the building pipeline.

*“Contractors seem to be anticipating more work over the next few months and this, in part, sustained sentiment. However, this does pose a risk to the business mood should these expectations not materialise, which our initial reading of the broader demand drivers suggests is possible. In addition, delays at municipal level again seem to stand out – in the comments to the survey - as a crucial hindrance to faster development, specifically in preparing work and plans for construction , further highlighting the risks to the optimistic near-term view,”* said Mkhwanazi.

#### About the survey:

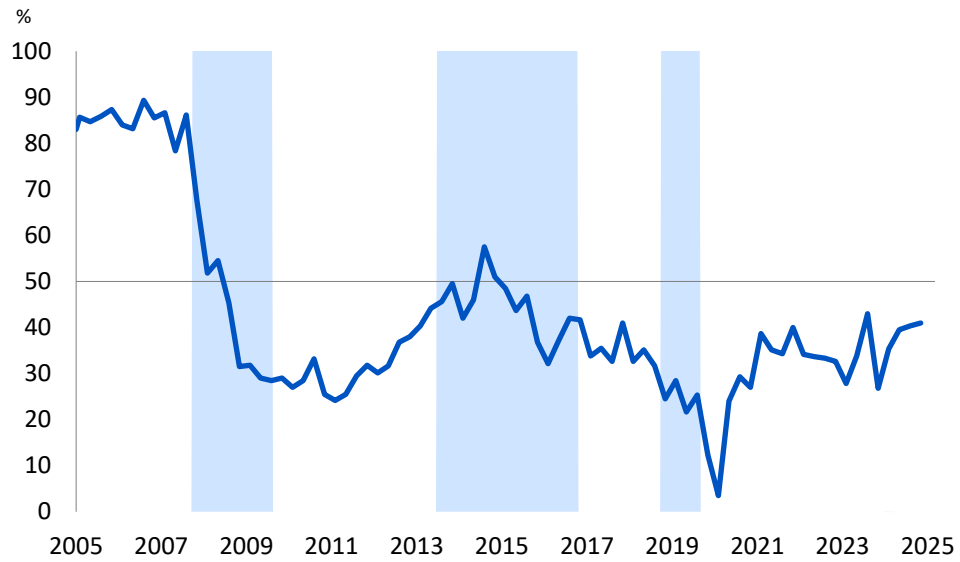
The FNB/BER building confidence index can vary between zero (indicating an extreme lack of confidence) and 100 (indicating extreme confidence). It reveals the percentage of respondents that are satisfied with prevailing business conditions in six sectors, namely architects, quantity surveyors, main contractors, 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](http://www.ber.ac.za).

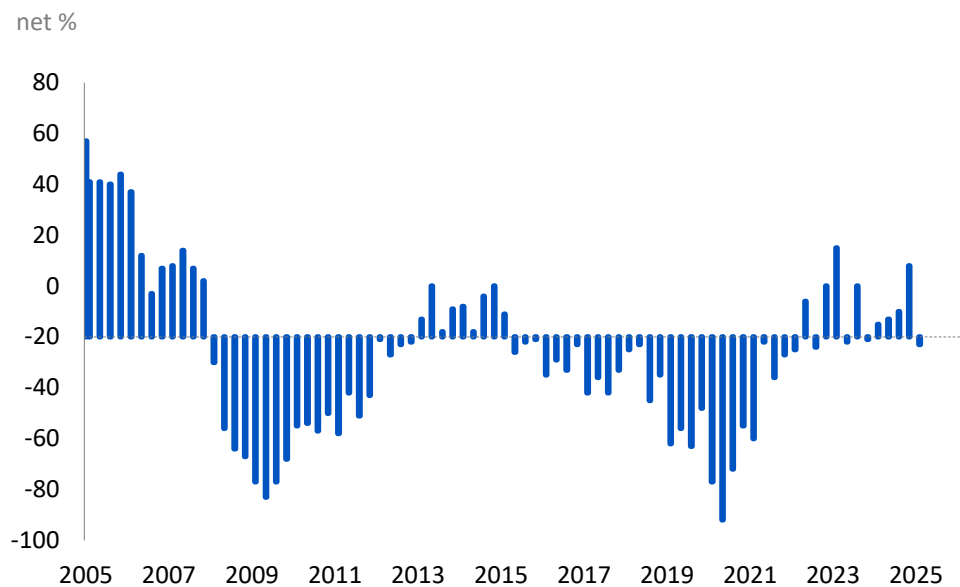
The fieldwork for the first quarter survey was conducted between 5 and 24 February 2025.

## FNB/BER Composite Building Confidence Index



Source: BER, Stellenbosch University.

## Main Contractors: Growth in building activity (Net balance)



Source: BER, Stellenbosch University.