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Press release

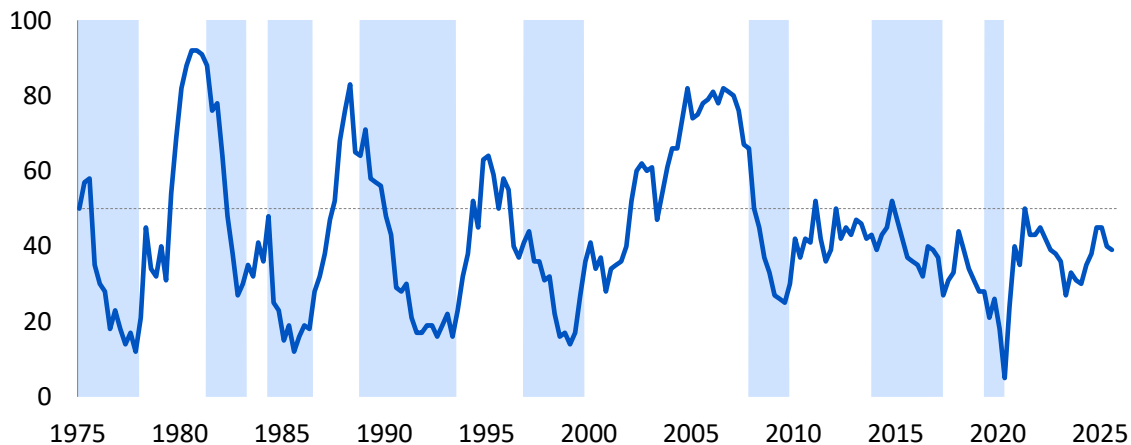
Business confidence ticks down, economy muddles through

The RMB/BER Business Confidence Index (BCI) slipped further by one point to 39 following a five-point decline in the second quarter of 2025. This is three points below the long-term average level of 42, and implies that just over 60% of respondents are dissatisfied with prevailing business conditions. The underlying results point to an economy that is muddling through, with many activity and demand indicators in line with 20-year average levels. That said, the current level of confidence is insufficient to drive an acceleration of much-needed investment to improve South Africa's potential economic and employment growth rates.

However, as Isaah Mhlanga, Chief Economist at RMB, explains: "the South African business confidence experience in recent quarters is not out of line with what we see in many other economies. Last year brought significant political and economic policy changes in many countries, including South Africa, and following initial excitement, or in some cases, disappointment, conditions are normalising into a difficult emerging global world order".

Figure: RMB/BER Business Confidence Index (BCI)

% satisfactory



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

The third quarter survey took place from 6 to 25 August 2025, which coincided with the start of the 30% tariffs on many of South Africa’s exports to the US and the realisation that we could not secure a better trade deal with the US before the deadline. While survey respondents mentioned the tariffs, it remains difficult to disentangle the impact on production and trade. Front-loading, cancellations and production holidays in the automotive sector, for example, also affected activity over the period. Overall, it is safe to postulate that it was negative for sentiment. Local political developments were less eventful during the survey period than in the second quarter. The South African Reserve Bank (SARB) cut its policy interest rate by a further 25bps at the end of July, which would have been a boon to the more interest rate-sensitive sectors of the economy. In addition, the SARB also announced their preference for a 3% inflation target from the existing 4.5% midpoint, which would allow for more interest rate cuts when inflation expectations fall closer to 3%. Meanwhile, consumer inflation ticked up in July, following a sub-3% streak in the first half of the year.

Details

The largely flat composite index masks significant movements on a sector level. Confidence in each sector moved by 10 points or more; in most sectors, the change was bigger than the long-term standard deviation. This is unusual, but there are largely good reasons for the swings per sector. Two sectors – building contractors and new vehicle dealers - saw their confidence improve from weaker second-quarter readings, while manufacturing, retail, and wholesale dealers reported declines in confidence.

Table: Business confidence per sector

Indicator	LT avg.	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	25Q3	change
RMB/BER Business Confidence	42	31	30	35	38	45	45	40	39	-1
New vehicle dealers	40	6	16	10	27	23	52	42	54	12
Building contractors	41	41	42	47	41	51	45	35	46	11
Wholesalers	45	36	37	53	51	60	42	50	38	-12
Retailers	40	47	34	39	45	54	50	42	32	-10
Manufacturers	35	26	21	28	28	36	34	33	23	-10

Source: BER

On balance, new vehicle dealers were a touch more optimistic about business conditions than pessimistic, with a confidence reading of 54. This was the second time this year that confidence was above 50, and in both cases, the jump in confidence was preceded by an interest rate cut. While sales volume growth remains strong, it seems to have peaked and is expected to slow down further going forward. Not all dealers benefit equally, with lower-priced and budget-friendly vehicles performing better than premium vehicles.

Building contractors' confidence increased by a welcome 11 points to 46 index points following a weaker second quarter reading. While the non-residential segment continues to outperform, even residential builders were a little less pessimistic. Many of the underlying indicators returned to long-term average levels, suggesting the sector is chugging along but not accelerating.

After leading the pack in the second quarter, **wholesalers'** confidence declined to 38 points, dipping below its long-term average of 45 points and reversing a five-quarter streak of outperformance. Consumer goods struggled with sales volumes.

Confidence among **retail traders** fell by 10 points to 32 as business conditions deteriorated. However, there are some pockets of strength, with the higher-income consumers still doing relatively well. Furniture retailers stand out as a bright spot.

Finally, as is often the case, **manufacturers** had the lowest confidence reading, at 23 points, having declined by 10 points. However, many of the underlying indicators improved from the second quarter closer to long-term average levels. Despite this, confidence declined as the uncertain global trade environment hit this sector harder than the others.

Bottom line

Respondents struggle amid rising electricity costs, an onerous administrative burden and competition from imports, which do not always face the same hurdles in getting their product to market as local businesses. While corruption, red tape, sluggish logistics, and other structural issues in the South African economy continue to feature, many comments also highlighted the failure of service delivery at a municipal level. We will likely see increased focus on this as we head to the local government elections next year.

As per Mhlanga, "the third quarter survey results are not unexpected, but they are certainly not inspiring for an economy whose potential growth must be higher than where it is. To move from these muddle through growth rates to employment-generating levels, we must address the structural weakness in the South African economy, including speeding up economic reforms in the logistics, water and local government sectors, alongside coherent messaging across public and private sectors. Meanwhile, the economy is expected to record a modest but relatively broad-based quarterly expansion in the second quarter when Statistics South Africa releases its GDP figure next week. These survey results do not indicate a meaningful acceleration in the third quarter.