BUREAU for ECONOMIC RESEARCH

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Results of the BER Retail survey for 2025Q1

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RETAIL CONFIDENCE PULLS BACK SLIGHTLY IN 2025Q1

Retailer confidence declined marginally from 54% to 50% in the first quarter. This suggests a slowdown in positive momentum, but confidence still remains 10 percentage points (%pts) above the long-term average. Half of the retailers surveyed by the BER were satisfied with prevailing business conditions, which likely bodes well for retail sales and consumer spending at the start of the year.

Official Stats SA retail trade sales data showed robust sales growth of 5.4% y-o-y in 2024Q4. Growth was broad-based, driven primarily by semi-durable goods with a 7.7% y-o-y increase, followed by non-durable goods, up 6.5% y-o-y. This performance aligned with the upbeat sentiment of retailers in the fourth quarter, and matched our expectations that lower inflation, stronger consumer confidence and two-pot withdrawals would boost spending.

The BER's retail sales volume index moved in the same direction as retail confidence in the first quarter but remained constant on a seasonally adjusted basis. At 8 index points, the seasonally adjusted retail sales volume index is at its highest since 2014Q4. This points to further positive, albeit modest, year-on-year growth in retail sales for the first quarter of 2025 compared to the fourth quarter of 2024.

After three consecutive quarters as the most confident sector in the RMB/BER BCI, optimism amongst **wholesalers** retreated in 2025Q1. Both consumer goods and non-consumer goods wholesalers saw a drop in confidence, matched by a decline in sales volumes and a deterioration of business conditions in the sector. Respondents' comments revealed concerns about US trade policy weighing on sentiment in this group.

The confidence of **new vehicle dealers** improved significantly, surging by 29% pts to 52%. The bounce in confidence was supported by a solid improvement in the new vehicle sales volume index, driven by lower interest rates and two-pot retirement withdrawals (likely used for vehicle deposits). Sentiment turning positive in the motor trade sector, particularly amongst new vehicle dealers, is a welcome sign of improving consumer health. Naamsa data for January and February shows a continuation of the strong sales rebound, which began in October 2024, supporting the renewed optimism reflected in vehicle traders' forward-looking indicators.

SUBSECTOR DETAILS

Although *semi-durable goods retailers* reported their highest confidence since before the global financial crisis, their confidence, combined with the improved sentiment among *hardware retailers*, was not enough to offset the decline in confidence experienced by *retailers of non-durable goods and furniture*.

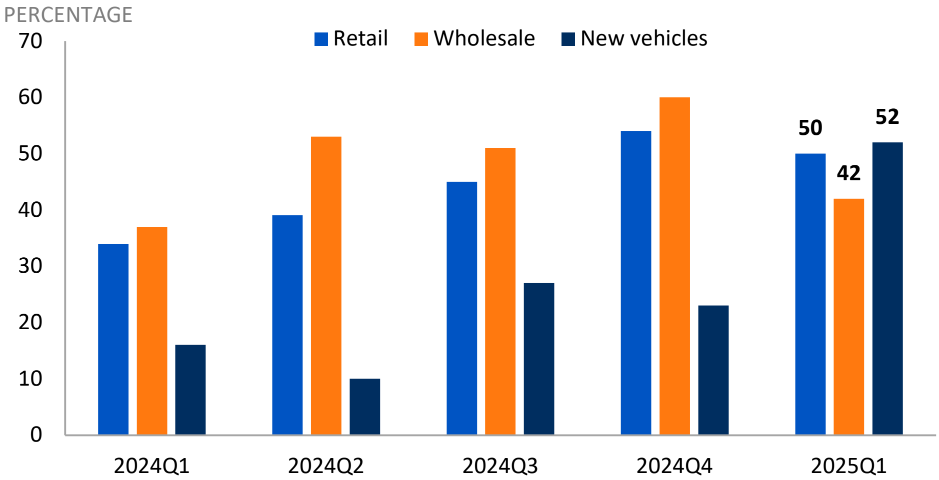
Surprisingly, non-durable retailers saw a decline in confidence despite favourable sales volumes. However, this may be because our sample is biased towards smaller retailers facing less favourable conditions than larger grocery stores or supermarkets.

Hardware retailers' positive, forward-looking indicators align with some optimism about the second quarter reflected in the BER building survey.

On the price front, total retail selling and purchase price indices picked up significantly compared to 2024Q4, especially for non-durable and semi-durable retailers. However, these changes are likely due to routine price adjustments by retailers and the effects of a weaker exchange rate. During the Q4 survey period, the rand averaged R17.60/$, but averaged R18.40/$ during the most recent survey period. This rand weakening appears to have fallen short of retailers' expectations.

KEY TAKEAWAYS

Figure 1: Trade sector business confidence



Source: BER Retail Survey 2025Q1

The BER's survey results paint a reasonably rosy picture of the internal trade sector overall. Retail and motor trade still have room for growth, as some consumer windfalls gained in the latter part of 2024 are expected to spill over into the first quarter of 2025.

On the downside, the outlook for the second quarter appears more precarious as the expectations of retailers for the coming quarter moved down, leaving vehicle dealers as the only bright spot for Q2. Temporary relief from two-pot withdrawals is anticipated to fade. With the SARB holding on delivering a fourth 25 basis point repo rate cut, we do not anticipate significant additional support from lower interest rates.

Furthermore, the announcement of a 0.5%pts VAT hike spread over two years (1%pt in total) is a downside risk to retail and motor trade confidence; a new knock to a consumer still in recovery and is likely to weigh on sentiment in the coming quarters.

END.