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FNB/BER BUILDING CONFIDENCE INDEX

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Builders more pessimistic in Q2

- The **FNB/BER Building Confidence Index** declined to 38 in 2Q2026 from 42 in 1Q2026.
 - Sentiment was lower due to a marked deterioration in activity and, consequently, also overall profitability.
 - The effect of the conflict in the Middle East has directly affected the sector through rising internal costs.
 - Forward-looking activity indicators, especially at the start of the building pipeline, suggest that there is still some interest in new work despite generally poorer business conditions.
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After slipping by one point in 1Q2026, the business mood in the building sector, as measured by the **FNB/BER Building Confidence Index**, fell a further four points to register a level of 38 in 2Q2026.

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

The following changes in building confidence were recorded in 2Q2026 (relative to 1Q2026): building material manufacturers (+4), quantity surveyors (+3), architects (-3), main contractors and hardware retailers (-4), and sub-contractors (-17).

Activity among **non-residential builders** surged in 1Q2026, lifting the building sector's overall performance. This momentum reversed in 2Q2026. Moreover, the rating of the lack of new demand as a business constraint (a proxy for order books) was notably higher in 2Q2026 compared with the previous quarter.

“Work in the non-residential building sector has gained momentum since 2024, albeit off a low base,” remarked FNB Senior Economist, Siphamandla Mkhwanazi.

“This momentum has been disrupted by higher internal costs – and greater uncertainty - linked to the war in the Middle East, leading to project postponements. Projects that are proceeding are also significantly less profitable than they otherwise would have been.”

Activity among **residential builders** was also noticeably down. Work in this sub-sector has been persistently weak over the last few years in contrast to that of non-residential builders. From the perspective of the property sector, and judging from building plans passed, residential building activity looked set to improve noticeably this year, according to Mkhwanazi. The 2Q2026 survey results, however, indicate further weakness in available work. A shift in interest rate expectations relative to 1Q2026 has also likely added to the relatively downbeat sentiment.

In real terms the total value of building investment contracted by an annual rate of 8.4% in 1Q2026, from a 10.8% decline in 4Q2025. This survey results point to continued weakness in 2Q2026.

The business confidence of **building sub-contractors** fell by 17 index points to 35 in 2Q2026, off the back of sharply lower activity.

“This is in line with the weaker activity among main building contractors, but also likely reflects softer demand for smaller projects. These would typically be initiated by the homeowner or landlord who is now facing rising costs and cutting back on discretionary spending,” said Mkhwanazi.

Encouragingly, the index measuring average **architect** activity, while somewhat lower than in 1Q2026, remained relatively resilient. This suggests that early interest in building projects has been largely unaffected by geopolitical developments. Nonetheless, architect sentiment moved lower. In contrast, the business mood among **quantity surveyors** rose to 46 from 43 in 1Q2026 on the back of a marked improvement in activity.

“In an environment of rising and uncertain costs, it is not surprising that quantity surveyors are experiencing stronger demand,” noted Mkhwanazi.

Manufacturers of building materials noted a sharp increase in production costs this quarter. Sentiment nonetheless increased to a still-low level of 23. Meanwhile, **hardware retail** sales volumes remained relatively buoyant, despite declining, consistent with the four-point decline in business confidence.

In conclusion

The **FNB/BER Building Confidence Index** fell to 38 in 2Q2026, from 42 in 1Q2026.

The softer sentiment reading reflects the fact that both activity and overall profitability weakened substantially this quarter.

Sentiment among building sub-contractors was particularly weak in 2Q2026 (although it rose sharply in 1Q2026), reflecting not only their exposure to weaker activity among main contractors but also the strain on consumer finances given the rising cost of living. This has caused some households to hold off on smaller building projects and renovations.

“An overarching theme in this quarter’s results is the war in the Middle East, which saw input costs jump significantly between the first and second quarters. In some cases, projects scheduled to commence were put on hold due to higher costs and general market uncertainty. Absent this shock, sentiment would likely have remained stable, if not improved on its 1Q2026 level,” noted Mkhwanazi.

About the survey:

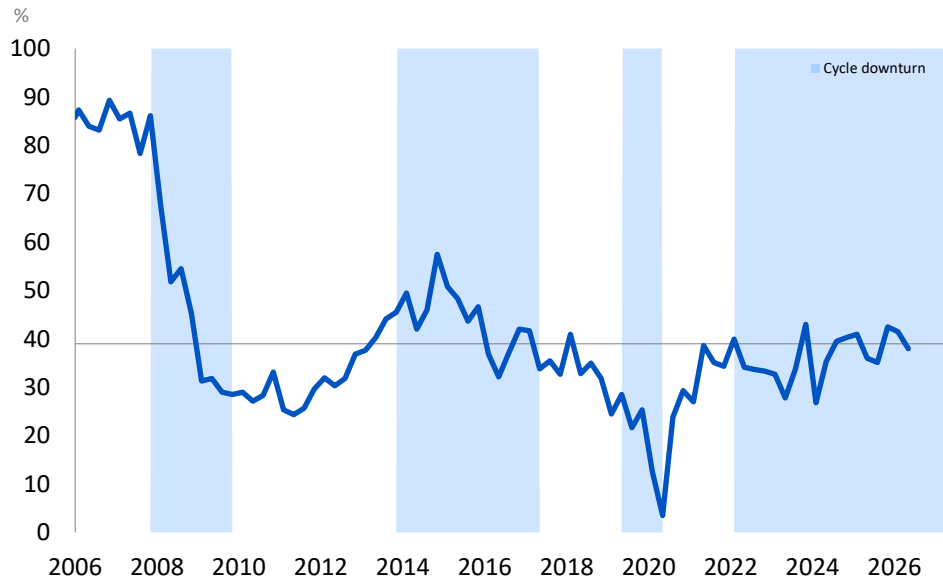
The FNB/BER building confidence index can vary between zero (indicating an extreme lack of confidence) and 100 (indicating extreme confidence). It reveals the percentage of respondents that are satisfied with prevailing business conditions in six sectors, namely architects, quantity surveyors, main contractors,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

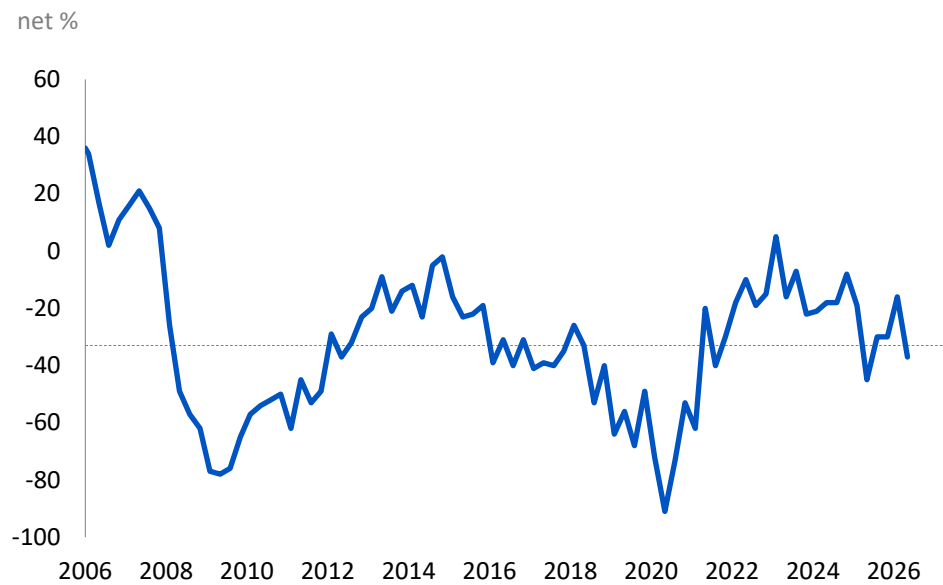
The fieldwork for the second quarter survey was conducted between 14 and 25 May 2026.

FNB/BER Composite Building Confidence Index



Source: BER, Stellenbosch University.

Total builders: Growth in activity (Net balance)



Source: BER, Stellenbosch University.

