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Results of the BER Retail Survey for 2025Q2

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RETAILER OPTIMISM SOFTENS IN 2025Q2

The BER's Retail Survey revealed business confidence amongst retailers fell from 50% to 42%, registering a second successive quarterly decline but remaining above the long-term average (40%). Similar to the previous quarter, retailer confidence suffered due to deteriorating business conditions and underlying activity indicators, such as sales and volumes of orders placed, though these also remained above long-term average levels. The trend suggests a moderation in retail sales growth, particularly as two-pot withdrawal-fuelled spending winds down.

According to Stats SA, real retail sales expanded by 4.1% y-o-y in 2025Q1, following a 5.4% gain in 2024Q4. Despite a slowdown relative to the fourth quarter, volume growth remained strong at the start of the year. This corresponds with our 2025Q1 retail survey results, which foreshadowed strong but slower growth. The latest survey results point to a more subdued sales outlook, with the *retail sales volumes index* in 2025Q2 declining on a seasonally adjusted basis (from 8 to -4 index points).

Following a surge in optimism during the first quarter, **new vehicle dealers'** confidence pulled back from 52% to 42% in Q2. However, confidence remained above long-term average levels for a second consecutive quarter, suggesting sustained strength in the motor trade recovery. Business conditions disappointed against expectations, and the sales volumes index moved noticeably lower, supporting a less cheerful mood among new vehicle dealers. Still, these also remained above their long-term averages. This suggests vehicle dealers are cautiously optimistic that conditions will support sales. The latest sales data from naamsa about new passenger vehicles reflects robust sales figures, with a 30% y-o-y increase in May. Though this improvement comes off a very low base (with May 2024 being an election month), the sustained sales momentum aligns with the more upbeat sentiment of new vehicle dealers relative to recent history.

Wholesaler confidence recovered in the second quarter, increasing by 8% pts to 50%, moving back above the long-term average. Both consumer and non-consumer goods wholesalers' sentiment brightened. Mirroring the rise in confidence, the overall sales volume index of wholesalers also edged up. However, the lift to overall confidence in the wholesale sector was largely driven by a significant improvement in the realised business conditions of **non-consumer goods** wholesalers, which bounced back after a sharp deterioration during the first quarter, driven by concerns over sweeping US tariffs. In

contrast, the sales volume index of **consumer goods** wholesalers declined steeply. This is potentially an early warning sign that the consumer might be under pressure, making retailers cautious about overstocking.

SUBSECTOR DETAILS

Confidence among **durable goods** retailers declined, with weaker sentiment among hardware retailers offsetting a rise in confidence among furniture retailers. Furniture retailers replaced semi-durable retailers as the most confident group in Q2. Meanwhile, the confidence of **semi-durable retailers** retreated from a multidecade high, given the deterioration in the macroeconomic outlook since the start of the year. However, despite this decline, more than half of semi-durable retailers still reported being satisfied with prevailing conditions.

On the price front, retailers' total selling and purchase price indices edged down slightly after a notable uptick in Q1. The survey results do not suggest a reacceleration of price pressures. In line with subdued food inflation, the findings indicate a lack of pricing power among non-durable goods retailers, constraining the profitability of food retailers in particular.

On the other hand, the selling price indicators of both semi-durable and durable retailers moved upward. A notable jump in the semi-durables selling price index, alongside easing purchase price pressures, suggests turnover growth and supports enhanced profitability for clothing, textiles, and footwear retailers.

KEY TAKEAWAYS

The first quarter had already signalled a pause in positive momentum in the retail sector. Therefore, while disappointing, the latest dip in retailer confidence does not come as a surprise.

Indeed, the FNB/BER Consumer Confidence Index (CCI) collapsed during the first quarter in the face of a potential VAT hike and heightened uncertainty. Despite this, consumer spending came out better than expected in an otherwise disappointing Q1 GDP print, up by 2.8% y-o-y in 2025Q1 from 2.6% in 2024Q4.

Unfortunately, a rise in the fuel levy and an absence of inflation adjustments to tax brackets in the final national budget will weigh heavily on consumers. However, mild inflation, favourable oil price dynamics, and less restrictive monetary policy are expected to provide some relief.

In sum, the retail and motor trade results suggest consumers likely held up reasonably well in the second quarter. That said, the drop in wholesalers' sales of consumer goods raises concerns that consumer demand, which to date has been surprisingly resilient, might begin to wane in the latter half of the year.

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