BUREAU for ECONOMIC RESEARCH

SURVEY PUBLICATION | FIRST QUARTER 2025

Consumer confidence

Quarterly analysis of consumer expectations

Volume 40 Number 1

Stellenbosch UNIVERSITY IYUNIVESITHI UNIVERSITEIT

EDITOR:

Consumer confidence: Linette Ellis

linetteellis@mweb.co.za
+27 (21) 808 9772

TECHNICAL ASSISTANCE:

Nicolaas van der Wath

Please refer to the glossary on the BER's **website** for explanations of technical terms.

ISSN: 0258-9311

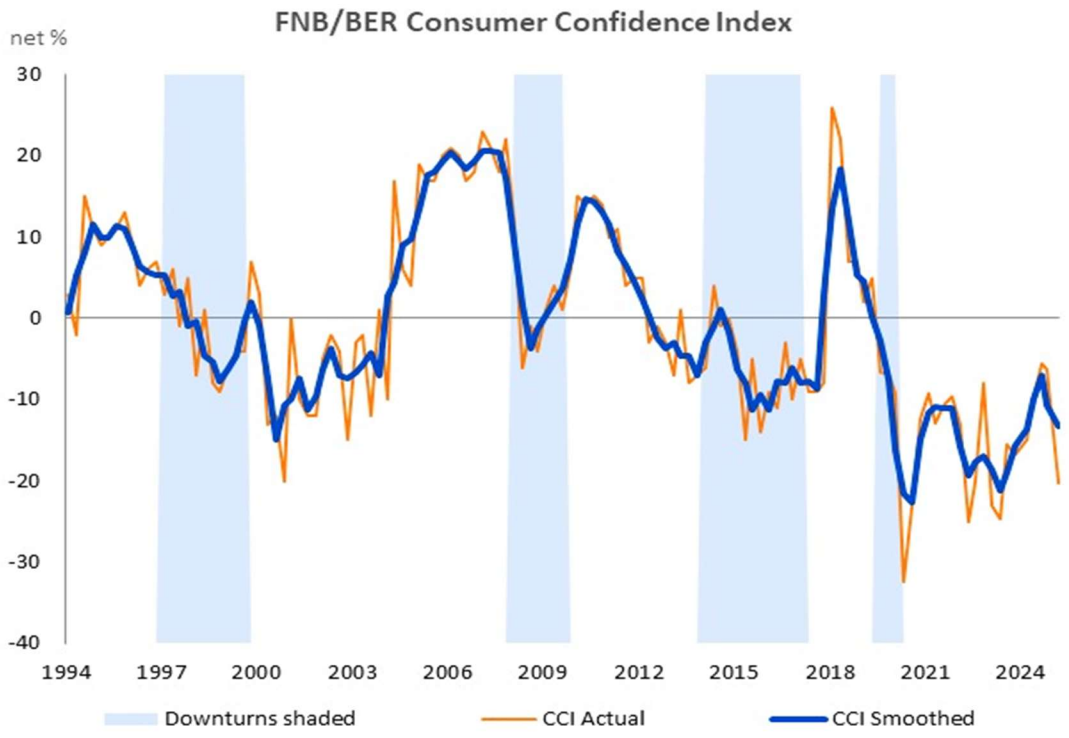
Table of Content

TAX SHOCK ROCKS CONSUMER CONFIDENCE.

The FNB/BER Consumer Confidence Index (CCI) plunged from -6 to -20 index points during the first quarter of 2025.[1]

The fieldwork for the first quarter CCI survey commenced only days after the Finance Minister's (aborted) proposal to hike VAT by two percentage points (%pts) came to light (when the 19 February budget speech was postponed). The prospect of significantly higher taxes – either via VAT hikes or further bracket creep on the personal income tax front – likely alarmed many consumers. Even though the March Budget (which took place after the fieldwork ended) softened the VAT hike, it still places a significant tax burden on consumers, which would have weighed on sentiment too. The souring of diplomatic relations between South Africa (SA) and the US and the corrosive knock-on effects of the trade wars triggered by US President Donald Trump likely also contributed to the extraordinary deterioration in sentiment. The 14-point plunge in the CCI during 2025Q1 is on par with the dramatic drop in consumer confidence when SA entered stage 6 load-shedding for the first time in 2023Q1. This time around there was also a brief return of stage 6 load-shedding, which could have contributed to the downtick in sentiment. The first quarter reading of -20 is also the lowest CCI reading since the first half of 2023 and signals an alarming deterioration in the outlook for consumer spending following the strong end to 2024.

Figure 1: FNB/BER Consumer Confidence Index



Source: BER, SARB

DETAILS

All three sub-indices of the CCI declined notably during the first quarter. The economic outlook sub-index of the CCI plunged from -9 to -32 index points, reversing nearly all gains made from the improvement in electricity supply and the establishment of the GNU in mid-2024. The household finances sub-index of the CCI slumped

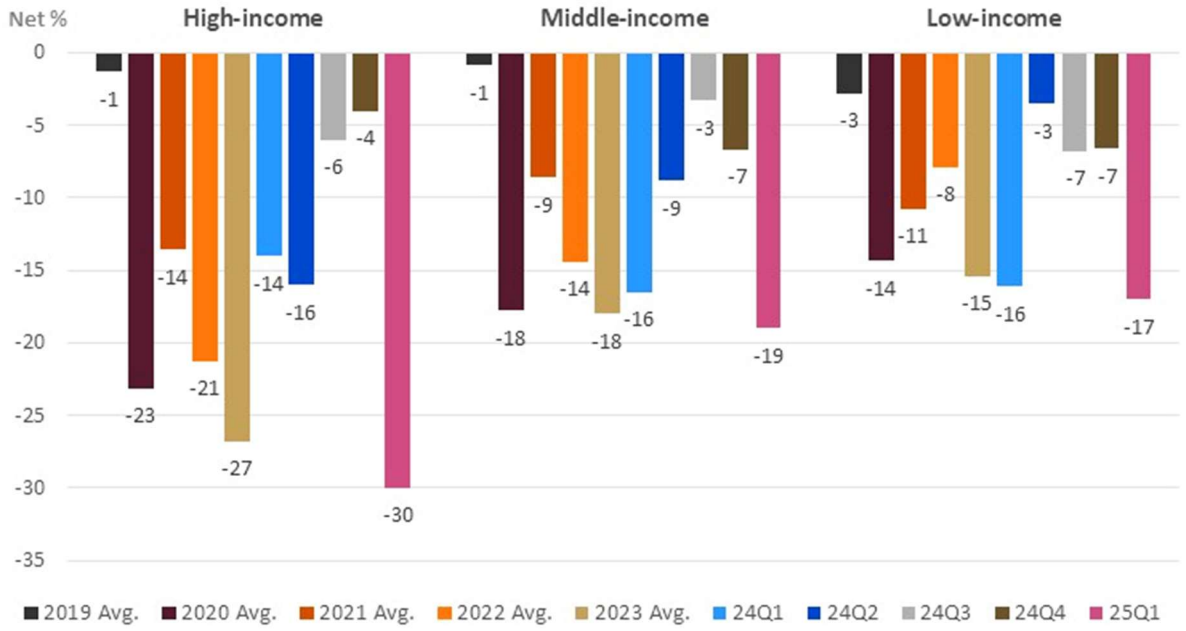
[1] The first quarter CCI survey was conducted by means of a telephone call survey between 24 February and 7 March 2025.

from 11 to -1, while the sub-index measuring the appropriateness of the present time to buy durable goods (e.g., vehicles, furniture, household appliances and electronic goods) retreated from -21 to -28.

	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1
Overall, FNB/BER CCI	**-8**	**-23**	**-25**	**-16**	**-17**	**-15**	**-10**	**-5**	**-6**	**-20**
Economic outlook	-19	-34	-37	-22	-28	-22	-9	-7	-9	-32
Household financial outlook	13	-1	-2	-1	3	8	8	14	11	-1
Suitability of the present time to buy durable goods	-17	-34	-35	-26	-25	-30	-28	-23	-21	-28

Source: BER

Figure 2: Consumer confidence per income group



Source: BER

A breakdown of the CCI per household income group shows that sentiment soured significantly across all income groups. The confidence levels of high-income households (earning more than R20 000 per month) tanked the most, with their confidence reading plummeting from -4 to -30. The vast majority of high-income households now expect SA's economic performance and their own household finances to deteriorate over the next twelve months – a complete turnabout from their expectations just three months ago. The confidence levels of middle-income households (earning between R5 000 and R20 000 per month) and low-income households (earning less than R5 000 per month) declined from -7 index points to -19 and -17 respectively.

Following a surge in retail sales during the festive season, the outlook for household expenditure has deteriorated notably. The boost from two-pot retirement fund withdrawals will be significantly less during 2025 compared to the roughly R40bn paid out in 2024, while Trump-triggered trade wars and rising global uncertainty are reducing the likelihood of further interest rate cuts. The withdrawal of all US aid to SA and the rapid deterioration in diplomatic relations with the US would also have knocked consumer confidence, but the biggest blow to consumer sentiment likely emanated from the National Treasury's tax proposals and the discord among GNU partners. Although the 2%-point VAT hike option has been shelved, the budget tabled on 12 March still calls for a 1%-point VAT hike over two years and no inflation adjustments to income tax brackets and medical aid tax credits - for the second consecutive year. Above-inflation increases to social grants and the

expansion of the zero-rated VAT basket should partially shield low-income households, but, if implemented, these tax proposals will deal a significant blow to the financial positions of high-income households.

BOTTOM LINE

Bolstered by low inflation, interest rate cuts and generous two-pot retirement withdrawals, real consumer spending grew by a sturdy 2.3% y-o-y in the fourth quarter of 2024, more than double SA's 2024Q4 real GDP growth rate of 0.9% y-o-y. Results from the BER's trade surveys suggest that the consumer-linked sectors continued to fare well during 2025Q1, but the sharp fall in the FNB/BER CCI points to tougher times ahead.

The consumer has been the growth engine of the South African economy over the last decade – whereas real consumer spending grew by 11.2% (cumulatively) between 2015 and 2024, real GDP *excluding* consumer spending showed no growth whatsoever over this timeframe. Given the stark underperformance of the production and investment sides of the SA economy, the collapse in consumer confidence and deterioration in the outlook for household consumption expenditure should set alarm bells ringing in terms of SA's economic prospects. The combination of rising inflation, tight monetary policy and higher real taxes will erode households' *ability* to spend, while plunging consumer confidence levels signal a dramatic decline in consumers' *willingness* to spend. The fact that the confidence levels of high-income consumers – the group with the greatest spending power, by far - declined the most, only compounds the concern.

While the 14-point fall in the CCI may turn out to be an overreaction, especially since the 2%-point VAT hike has been muted and the latest budget proposal has still not been accepted, the outlook for consumer spending - and by extension SA GDP growth - has nevertheless deteriorated. With SA consumers likely to be burdened by high real interest rates and rising taxes, structural economic reforms and other confidence boosting policies are required to spark new growth drivers for the SA economy.

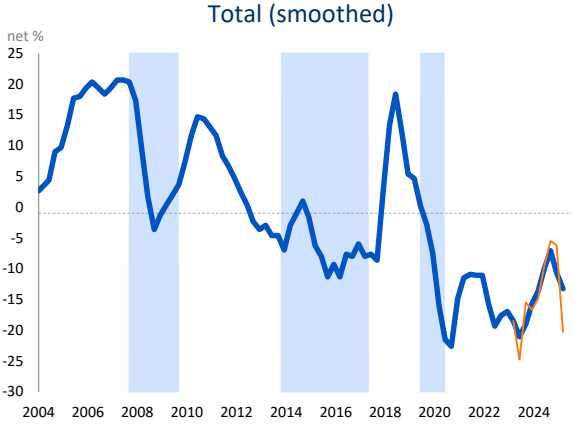
Survey results

CONSUMER CONFIDENCE

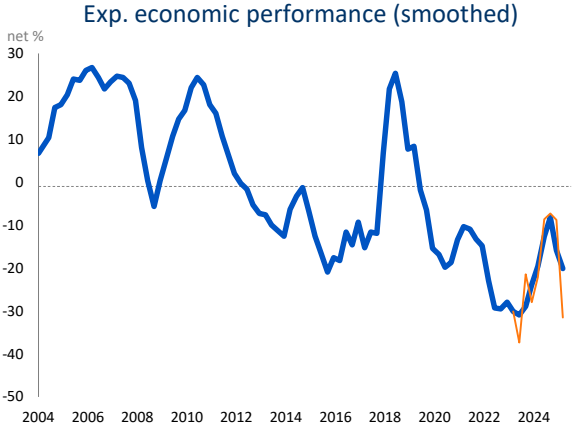
Indicator	Unit	μ-σ	μ	μ+σ	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	Δ	σ_Δ
Composite														
Total	Net %	-14	-1	12	-25	-16	-17	-15	-10	-5	-6	**-20**	-14	8
Expected economic performance	Net %	-21	-2	17	-37	-22	-28	-22	-9	-7	-9	**-32**	-23	11
Expected household finances	Net %	3	12	21	-2	1	3	8	8	14	11	**-1**	-12	8
Time to buy durables	Net %	-28	-13	2	-35	-26	-25	-30	-28	-23	-21	**-28**	-7	9
Per income group														
High	Net %	-16	0	17	-41	-17	-19	-14	-16	-6	-4	**-30**	-26	10
Middle	Net %	-14	-3	8	-21	-14	-16	-16	-9	-3	-7	**-19**	-12	8
Low	Net %	-16	-6	3	-16	-16	-13	-16	-3	-7	-7	**-17**	-10	11
Per age group														
Age 16-24	Net %	-5	9	23	-6	-2	-6	-4	2	3	4	**-6**	-10	9
Age 25-34	Net %	-10	4	19	-23	-8	-12	-10	-7	3	-3	**-12**	-9	8
Age 35-49	Net %	-18	-3	12	-33	-20	-21	-18	-11	-11	-12	**-27**	-15	9
Age 50+	Net %	-32	-17	-1	-44	-30	-31	-27	-22	-16	-13	**-35**	-22	9

CONSUMER CONFIDENCE

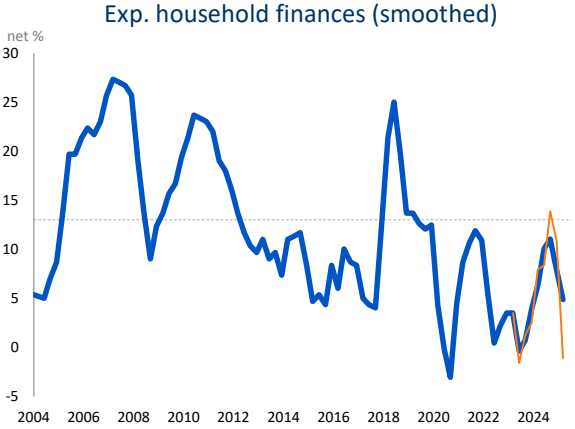
Total (smoothed)



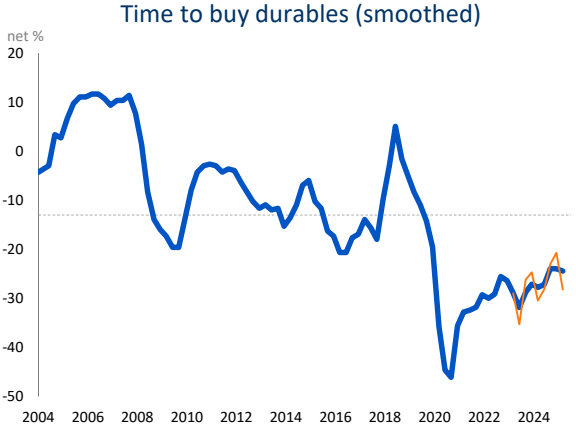
Exp. economic performance (smoothed)



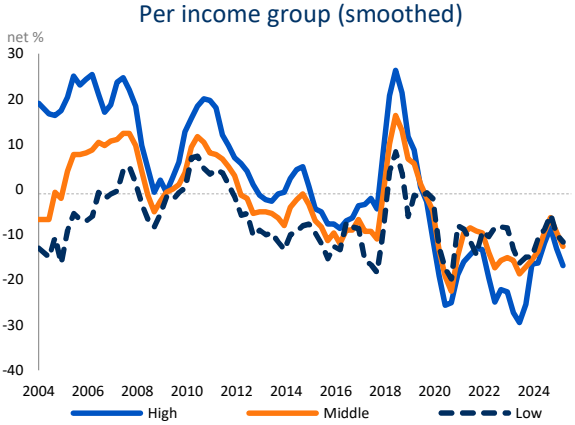
Exp. household finances (smoothed)



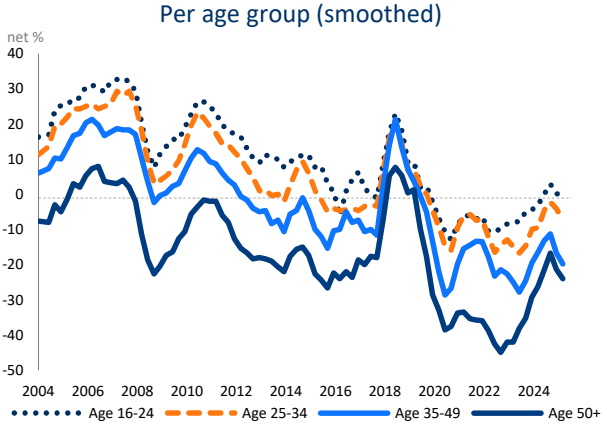
Time to buy durables (smoothed)



Per income group (smoothed)



Per age group (smoothed)



Technical note

THE CONSUMER CONFIDENCE SURVEY METHOD

Consumer opinion surveys (COS) provide regular assessments of consumer attitudes and expectations and are used to evaluate economic trends and prospects. The surveys are designed to explore why changes in consumer expectations occur and how these changes influence consumer spending and saving decisions.

The FNB/BER consumer confidence index (CCI) combines the results of three questions posed to adults in South Africa, namely the expected performance of the economy, the expected financial position of households and the rating of the suitability of the present time to buy durable goods, such as furniture, appliances and electronic equipment.

Until the second quarter of 2019, the FNB/BER CCI was based on face-to-face interviews of between 2 000 and 2 500 urban adults. The BER switched to telephone call surveys in the third quarter of 2019. The 500 respondents are representative of the racial and household income composition of the urban adult population of South Africa. Internationally, the majority of CCIs is based on telephone call surveys. The results per home language, LSM group and province are no longer produced.

Consumer confidence is expressed as a net balance. The net balance is derived as the weighted percentage of respondents expecting a considerable or slight improvement / good time to buy durable goods less the percentage expecting a considerable or slight deterioration / bad time to buy durable goods. The percentage replying “remain the same” or “neither a good nor a bad time” is ignored.

A low level of confidence indicates that consumers are concerned about the future. They may be worried about job security, pay raises and bonuses. With such a frame of mind, consumers tend to cut spending to basic necessities (e.g. food and services) to free up income for debt repayment. If confidence is high, consumers tend to incur debt (or reduce savings) and increase spending on discretionary items, such as furniture, household equipment, motor vehicles, clothing and footwear. Some of these items are often financed on credit. Spending on these items declines when confidence is low, as households can generally delay their purchase without experiencing an immediate deterioration in living conditions.

A rise in consumer confidence reflects an increased willingness of consumers to spend. However, this willingness only translates into actual sales if consumers’ ability to spend improves. Their ability to spend depends on their inflation adjusted after-tax income and the availability of credit. A rise in consumer confidence could therefore result in an upturn in household consumption spending in general and retail and motor vehicle sales in particular if their ability to spend improve and/or credit extension rise in step. The opposite applies when the level of consumer confidence declines.

Consult the BER web page (**www.ber.ac.za**) for more information about the consumer opinion survey method.

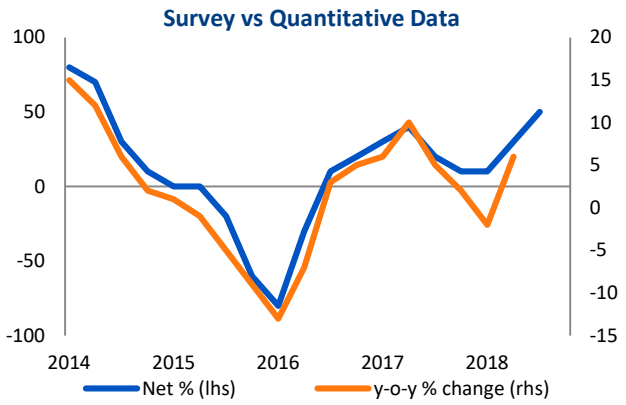
THE UNIQUE UNITS OF MEASUREMENT OF QUALITATIVE SURVEYS

Net percentage (net %)

The responses related to the change in activity, prices, employment, business conditions, expected economic performance etc. are presented as a "net percentage" (also called a "net balance" or a "net majority"). If, for example, the percentages of respondents rating the volume of sales as "higher", the "same" or "lower" compared to a year ago are 70%, 10% and 20% respectively, then one can conclude that the majority of participants experienced higher sales. The net percentage is calculated as the percentage of respondents rating "sales" as higher less the percentage rating it as "lower". The percentage rating it as the "same" is ignored. The net percentage in this example is therefore 50%, being the difference between the 70% "higher" and the 20% "lower". A net percentage of –10%, for instance, would indicate a decline in sales compared to a year ago. Take note that this does not mean a year-on-year contraction of 10%. It only means that the activity of a majority of 10% of the respondents was lower compared to a year ago.

The net percentage, or net balance statistic, can theoretically vary between a minimum of -100 (when all participants replied "lower") and a maximum of +100 (when all respondents replied "higher"). Theoretically a value of zero, therefore, indicates no change, between 0 and 100 reflects a rise (or improvement) and between 0 and –100 a decline (or deterioration) compared to the same quarter a year ago. The net balance statistic is a diffusion index, i.e. it indicates the degree to which the indicated change is "diffused" (spread) throughout the sample population. It indicates both the direction and size of the change.

Given that it reflects respondents' estimation of the change in the phenomenon/variable in the current quarter relative to the same quarter a year ago, the net percentage corresponds to a year-on-year percentage change/growth rate in the corresponding/equivalent official data series (see the figure on the right).



Percentage (%)

The responses relating to business confidence are presented as percentages.

In the case of business confidence, respondents have to rate prevailing business conditions as either "satisfactory" or "unsatisfactory". The percentage of respondents rating prevailing business conditions as satisfactory is taken as an indicator (proxy) for business confidence. A reading of 10 for business confidence, for instance, means that only 10% of the respondents indicated that they were satisfied. In this example, 90% were, therefore, unsatisfied.

Theoretically, the confidence series can vary between a minimum of zero and a maximum of 100. A value of zero would reflect an extreme lack of confidence and 100 extreme confidence. These results reflect respondents' evaluation of the phenomenon/the survey variable in respect to that specific survey quarter, i.e. not relative to some period in the past or future.

DESCRIPTIVE STATISTICS IN THE TABLES

Smoothed

Some series show erratic/volatile movements, i.e. data jumps around quite a bit between consecutive quarters. In such cases, it is necessary to smooth these movements over a longer period to obtain a general trend.

Another case where we added moving averages is when the correlation between the survey results and the corresponding reference series is low or non-existent.

Three-quarter centred moving averages (3qcma) were selected in order to not disturb turning points too much, e.g. the moving average of 17Q4 is calculated as the average of 17Q3, 17Q4 and 18Q1, that of 18Q1 is calculated as the average of 17Q4, 18Q1 and 18Q2 etc. In order for the smoothed series to run up to the last unsmoothed data point, the last smoothed data point is only the average of two quarters, namely the previous and current quarter.

When a smoothed series is added, it is prudent not to attach too much value to the unsmoothed results of a particular quarter, but rather to evaluate it in its historical context.

Seasonal adjustment (SA)

In theory, the time series ought to display no seasonal patterns because respondents are instructed to compare the current quarter with the same one of a year ago (e.g. they have to compare the current Festive Season or wet/dry winter period with the same time a year ago). However, in practice, some series nevertheless reveal seasonal patterns, probably because some respondents incorrectly compare the survey quarter with the one directly preceding it. In such cases, a seasonally adjusted series (i.e. where such seasonal variation is eliminated with X12 ARIMA) is added.

Average (μ)

The neutral level of the time series for the two measurement types, net percentage and percentage, is 50 or zero respectively. The long-term average (mean) is often not equivalent to this neutral level. In such cases, it is more useful to evaluate the current results relative to such a long-term average than the neutral level.

One standard deviation below (μ-σ) and above (μ+σ) the average

The standard deviation indicates the common variation in or dispersion of the values. Data points falling between one standard deviation below and above the average could be regarded as common. Any data point falling outside these ranges, therefore, displays statistically significant variation.

Change (Delta: Δ)

This statistic indicates the change in the results of the latest quarter relative to the preceding quarter.

Volatility (standard deviation of the deltas: Δσ)

This statistic indicates the volatility of the quarter-on-quarter change. If the size (regardless if it is an increase or decline) of the change is greater than the standard deviation of the deltas, then it displays a statistically significant variation.

CONVENTIONS AND AIDS PROVIDED IN THE CHARTS

Shaded areas

Indicates cyclical downturns as demarcated by the South African Reserve Bank. Users need to take note that the business cycle could have already reversed course towards the end of the period covered in the chart, but usually we wait until the bank determines a turning point before changing the shaded areas.

Solid vs. dotted horizontal (X) axes:

A solid line indicates the theoretical mid-points of 50 or zero respectively, while a dotted line indicates the long-term average (mean). Also see the section on the "average" above.

Normalised scale

Time series data is normalised (standardised) when one wishes to observe the co-movement among indicators with different units of measurement, say for instance, between a diffusion index (confidence) and the growth rate in a volume index (GDP growth). Normalisation converts both series to the same scale (unit) by subtracting the long-term average from each series and dividing it by its standard deviation. This ensures that one compares "apples" with "apples" when making a visual inspection and not mistakenly identify co-movements or deviations that different scales could produce.