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PRESS RELEASE

FNB/BER CONSUMER CONFIDENCE INDEX

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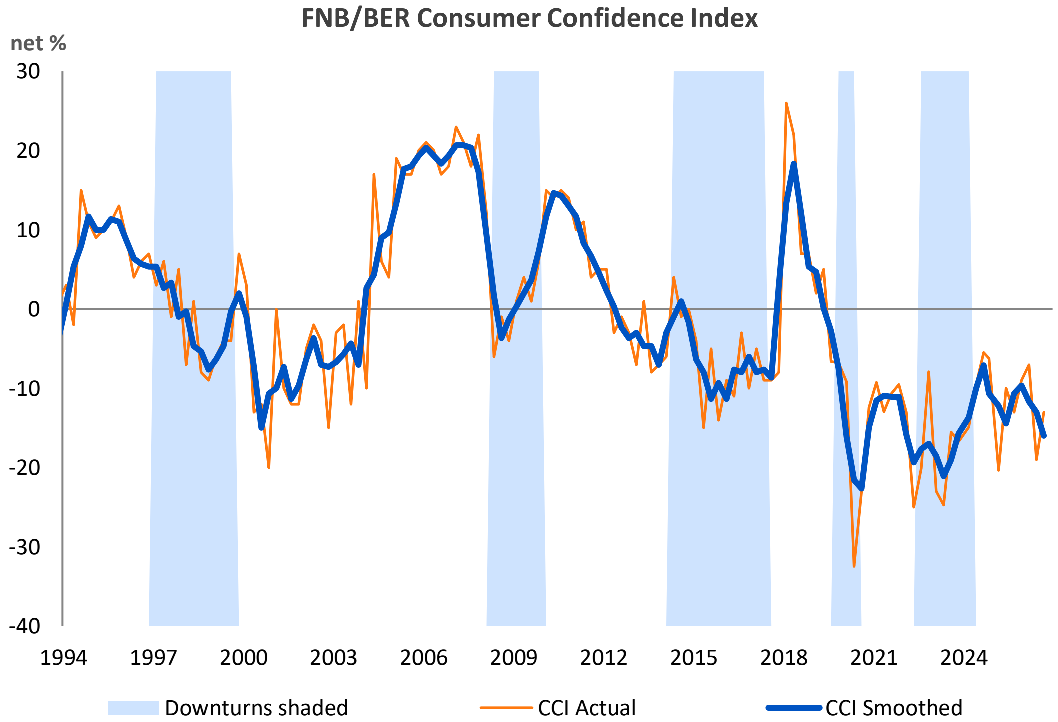
Consumer confidence recovers some lost ground, but outlook remains cloudy

After crashing from -7 to -19 in the second quarter of 2026, the FNB/BER Consumer Confidence Index (CCI) rebounded to -13 in the third quarter.[1]

Although the partial recovery in the CCI is positive news, some caution is warranted: the uptick in consumer sentiment can be ascribed to less pessimistic expectations for the two *forward-looking* indicators in the CCI - namely the <u>expected</u> economic outlook and household finances indices – while consumers' rating of the appropriateness of the *present time* to buy durable goods remained very depressed. Furthermore, the Brent crude oil price has soared from around $90 per barrel, when the fieldwork for the CCI survey was conducted, to above $100 per barrel in recent days, which will put further upward pressure on domestic fuel prices and continue to constrain the real disposable income of consumers. These factors suggest that consumers are likely to remain cautious about increasing discretionary spending in the near term, with any meaningful acceleration in household expenditure growth therefore likely to be slow.



Source: BER, SARB (shaded areas represent economic downswings; the starting point of the most recent upswing in 2024Q2 is provisionally dated by the BER)[2]

[1] The third quarter CCI survey was conducted by means of a telephonic survey between 17 and 28 August 2026.

[2] The BER has developed a method to provisionally identify and date the latest turning point of the business cycle. Adopting this approach enables the BER to provisionally identify the most recent turning point (or, at most, the two most recent turning points) with a lag of only two quarters, while recognising that the SA Reserve Bank's official chronology remains the definitive historical record of SA's business cycle. For more: https://www.ber.ac.za/Methodologies/BusinessCycleDating

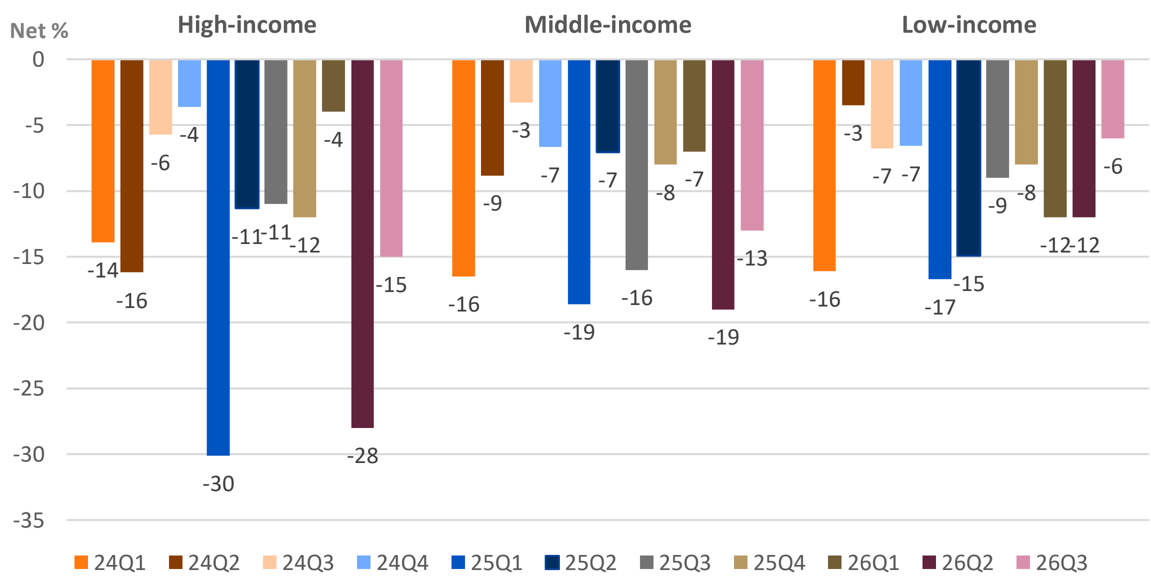
Details

The improvement in the CCI during the third quarter can be attributed to rebounds in the CCI's economic outlook and household finances sub-indices. The economic outlook sub-index jumped from -32 to -17 in 2026Q3, while the household finances sub-index increased from 0 to 5 index points. Importantly, the CCI survey asks households whether they <u>expect</u> South Africa's economic performance and their own household finances to improve or deteriorate over the next twelve months, so these are forward-looking indicators. In contrast, the sub-index measuring the appropriateness of the *present time* to buy durable goods (e.g., vehicles, furniture, household appliances and electronic goods) retreated by another point, from -24 to an 18-month low of -25. The hike in the policy interest rate at the end of May increased the cost of credit and likely weighed on demand for big-ticket durable goods.

	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	25Q3	25Q4	26Q1	26Q2	26Q3
Composite FNB/BER CCI	**-15**	**-10**	**-5**	**-6**	**-20**	**-10**	**-13**	**-9**	**-7**	**-19**	**-13**
Economic outlook	-22	-9	-7	-9	-32	-18	-22	-19	-14	-32	-17
Household financial outlook	8	8	14	11	-1	9	3	5	12	0	5
Suitability of the present time to buy durable goods	-30	-28	-23	-21	-28	-21	-20	-14	-21	-24	-25

Source: BER

Consumer confidence per income group



Source: BER

A breakdown of the CCI by household income group shows that high- and middle-income households' confidence recovered about half of the ground lost in the second quarter, while low-income households' confidence rebounded to its highest level since 2024Q3. After plunging from -4 to -28 index points during 2026Q2, the confidence levels of high-income households (those earning more than R20 000 per month) improved to -15 in the third quarter. Similarly, the confidence levels of middle-income households (those earning between R5 000 and R20 000 per month) recovered from -19 to -13 in the third quarter but remained below the -7 reached in the first quarter of 2026.

In contrast, the confidence level of low-income consumers (those earning less than R5 000 per month) jumped from -12 to -6 in the third quarter - surpassing its first-quarter level of -8 - to reach the highest level since the end of 2024.

FNB Chief Economist Mamello Matikinca-Ngwenya said, "Although higher bus and taxi fares have also increased the transport costs of less-affluent consumers, low food inflation has shielded the budgets of low-income households. With overall food inflation at only 0.6% in July - and grains and vegetable prices declining - the inflation rate faced by less-affluent households has been running well below the overall CPI inflation rate of 4.3% in July. In contrast, high-income households have been much harder hit by soaring petrol and diesel prices, as they largely rely on private transport, where costs have increased much more. They also spend a much smaller portion of their household budgets on food, where inflation has been so low."

According to Statistics South Africa, the CPI inflation rate for the lowest expenditure decile in South Africa (the 10% of consumers with the lowest spending power) remained steady at 2.4% between the first and second quarters of 2026, but the inflation rate for the highest expenditure decile (the 10% of consumers with the greatest spending power) jumped from 3.3% in 2026Q1 to 5.0% by 2026Q2.

Matikinca-Ngwenya noted that the hike in the prime interest rate also disproportionately affects middle- and high-income consumers as they typically make use of formal sector bank credit and spend a larger proportion of their monthly income on durable goods purchases compared to less affluent consumers.

Bottom line

Although the partial recovery in consumer sentiment suggests that the immediate impact of the second-quarter oil and fuel shock had started to recede by the time of the Q3 survey, there are several reasons to expect consumer spending growth to remain subdued in the coming months. For one, the rebound in consumer sentiment came on the back of less pessimistic *expectations* for the two *forward-looking* indicators in the CCI, while the only *present-time* indicator – rating the appropriateness of spending on durable goods in the current economic environment – deteriorated slightly further during the third quarter.

Secondly, the confidence levels of high-income consumers – the group with by far the greatest spending power in the economy – remain very low. And thirdly, given the resumption (and expansion) of hostilities in the Middle East and concomitant sharp increase in oil prices in recent days, the near-term outlook for fuel prices - and hence also overall inflation and interest rates - has soured since the fieldwork for the third quarter CCI survey was completed.

“Shoppers will likely remain cost-conscious and prioritise necessities over discretionary spending in the run-up to the festive season, suggesting that consumer spending growth will remain muted and that value-for-money retailers may outperform higher-end brands,” Matikinca-Ngwenya concluded.

Background

Consumer confidence surveys 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 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 appropriateness 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 South Africa's urban adult population. Internationally, the majority of CCIs are based on telephone call surveys.

Consumer confidence is expressed as a net balance. The net balance is derived as the percentage of respondents expecting an improvement / good time to buy durable goods less the percentage expecting a deterioration / bad time to buy durable goods.

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 purchases 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. The opposite applies when the level of consumer confidence declines.