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PRESS RELEASE

FNB/BER CONSUMER CONFIDENCE INDEX

Issued by First National Bank

EMBARGO: Thursday, 25 September 2025

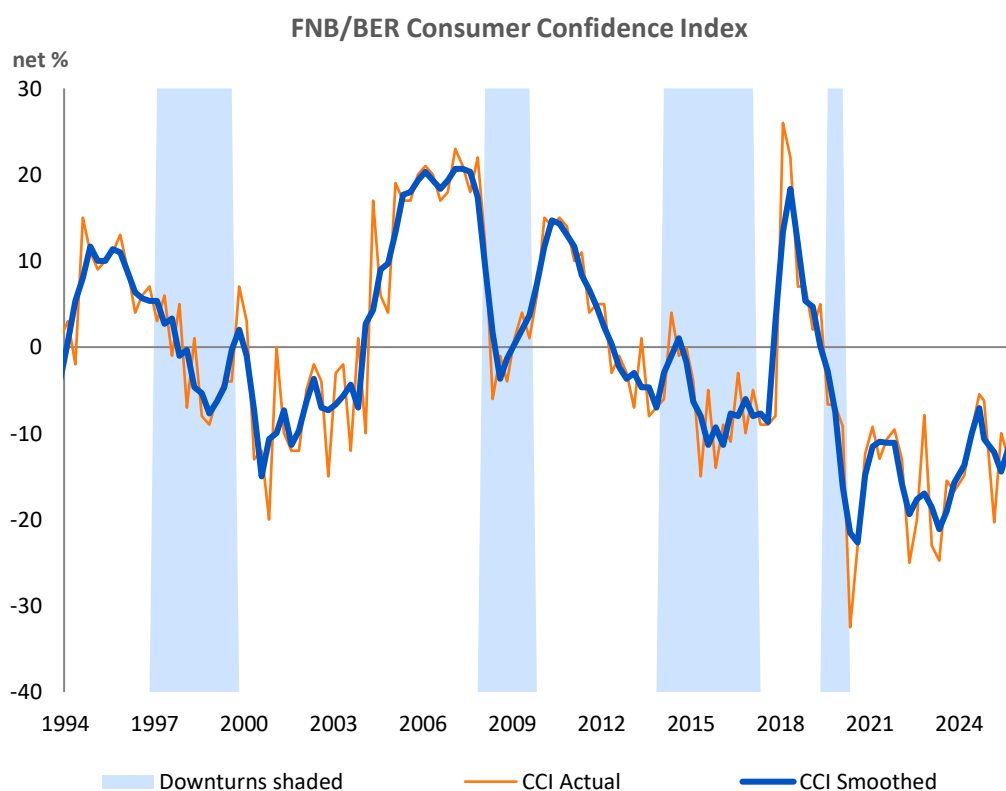
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Consumer confidence slips as middle class comes under pressure

The FNB/BER Consumer Confidence Index (CCI) retreated from -10 to -13 in the third quarter of 2025.¹

Although the third-quarter CCI reading of -13 is still above the extraordinarily weak first-quarter reading of -20 – when a confluence of adverse developments² hit consumer sentiment – the CCI drifted even further below the relatively positive readings recorded during the second half of 2024. Furthermore, the two-point decline in the overall CCI to -13 means that consumer sentiment moved even further south of the average CCI reading of -1 since 1994, signalling a slowdown in real household consumption expenditure growth during 2025Q3.

The deterioration in consumer confidence during the third quarter can largely be ascribed to a marked decline (from -7 to -16) in the confidence levels of middle-income households.



Source: BER, SARB

¹ The third quarter CCI survey was conducted by means of a telephone call survey between 18 and 29 August 2025.

² These include the Finance Minister's initial proposal to hike VAT by two percentage points (%pts); the fallout between the ANC and the DA about the budget; a deterioration in diplomatic relations between South Africa and the United States (US); and US president Trump's distressing import tariff proposals.

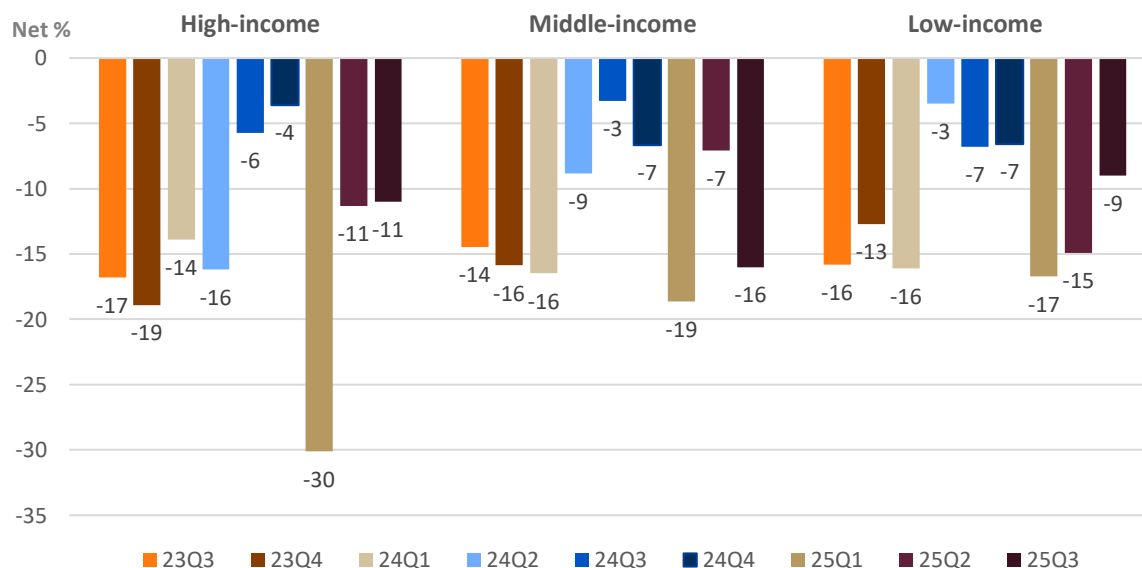
Details

The third quarter fall in the CCI can be ascribed to deteriorations in the household finances and economic outlook sub-indices of the CCI. The economic outlook sub-index of the CCI slumped from -18 to -22 index points, while the household finances sub-index fell from 9 to 3 index points. However, supported by another 25-basis-point cut in the prime interest rate and an appreciation in the rand exchange rate (i.e., lower import prices), the sub-index measuring the appropriateness of the present time to buy durable goods (e.g., vehicles, furniture, household appliances and electronic goods) edged up from -21 to -20. The time-to-buy-durables index is the only sub-index of the CCI that is currently at a higher level compared to the same quarter a year ago.

	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	25Q3
Composite FNB/BER CCI	-25	-16	-17	-15	-10	-5	-6	-20	-10	-13
Economic outlook	-37	-22	-28	-22	-9	-7	-9	-32	-18	-22
Household financial outlook	-2	-1	3	8	8	14	11	-1	9	3
Suitability of the present time to buy durable goods	-35	-26	-25	-30	-28	-23	-21	-28	-21	-20

Source: BER

Consumer confidence per income group



Source: BER

A breakdown of the CCI per household income group shows an alarming deterioration, from -7 to -16 index points, in the confidence levels of middle-income households (earning between R5 000 and R20 000 per month). The confidence levels of high-income households (earning more than R20 000 per month) remained

unchanged at -11 index points, while that of low-income households (earning less than R5 000 per month) rebounded from -15 to -9 index points.

FNB Chief Economist Mamello Matikinca-Ngwenya said, “The uptick in low-income confidence is somewhat surprising given the sharp increase in food inflation in recent months, which typically has a disproportionately negative impact on the purchasing power of less affluent consumers. However, above-inflation increases in social grants are likely helping low-income households to make ends meet. Furthermore, the improved third quarter reading for low-income confidence also compares to a particularly weak second quarter, when more than a hundred people lost their lives in the Eastern Cape floods.” The latest CPI inflation release from Statistics South Africa shows that food inflation accelerated from 1.5% year-on-year in January to 5.2% by August, while social grant increases of between 5.7% and 5.9% y-o-y were confirmed in the May 2025 budget. Job growth (+19 000, or 0.1% q-o-q) remained poor during 2025Q2.

Matikinca-Ngwenya noted that “While two-pot pension fund withdrawals likely faded during the third quarter and higher personal income taxes started to bite, another 25-basis point interest rate cut brought welcome debt service cost relief to more affluent consumers. The strong performance of share prices on the JSE and the appreciation in the exchange rate of the rand may also have underpinned the confidence levels of high-income households. In contrast, weak job creation, rising inflation and dwindling two-pot funds have likely started to weigh on the confidence levels of the middle class.”

Bottom line

The growth in real consumer spending moderated from a remarkable 3.2% y-o-y during 2025Q1 to a still sturdy 2.8% in 2025Q2. The fact that the confidence levels of high-income households remained unmoved during the third quarter can be seen as fairly positive for the retail sector, as this income group has the greatest spending power. Coupled with the slight further improvement in the time-to-buy durable goods sub-index of the CCI, this suggests continued support for durable goods sales and high-end retail stores during the third quarter. However, increasing inflation, shrinking two-pot retirement payouts and waning consumer confidence will likely translate into a more pronounced slowdown in real household expenditure growth towards the final quarter of the year. In the absence of further interest rate cuts and a bounce-back in job creation, higher food inflation will erode the purchasing power of middle- and low-income consumers in particular.

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 the urban adult population of South Africa. Internationally, the majority of CCIs is 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 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. The opposite applies when the level of consumer confidence declines.