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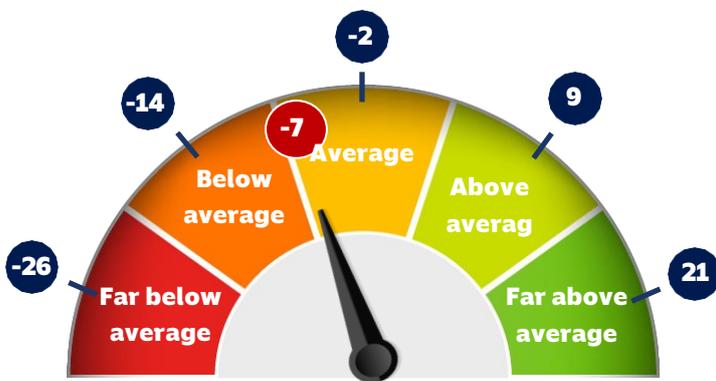


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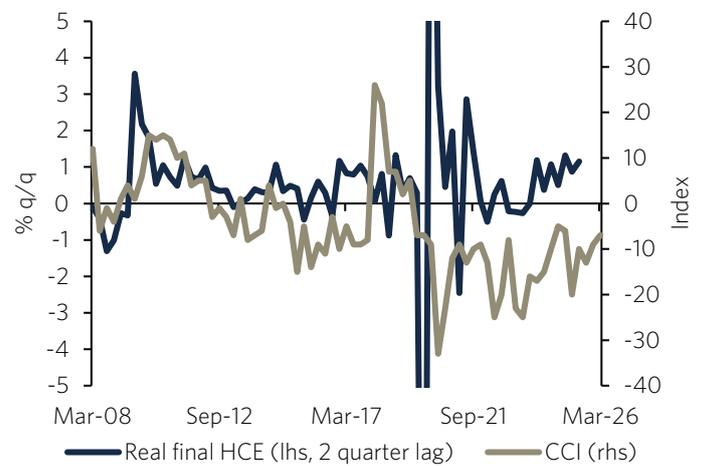
Consumer confidence improved but risks could stall progress

Consumer Confidence Index (CCI)



Source: Bureau for Economic Research (BER), Momentum Group
Far below (above) average = 2 standard deviations (std. dev.) below (above) average
Below (above) average = 1 std. dev. below (above) average
Red circle = current quarter's index

Consumer confidence and spending



Source: BER, Statistics South Africa (Stats SA), Momentum Group
Data until March 2026 for CCI and December 2025 for real final household consumption expenditure (HCE)

Economic outlook



Household finances



Durable goods



High-income



Middle-income



Low-income



Source: BER, Momentum Group



So what?



The improvement in consumer confidence in the first quarter of 2026 was expected and aligned with a more optimistic economic growth outlook for 2026 when the year started. However, escalating geopolitical tensions in the Middle East and their effects to date, including higher fuel prices, a weaker rand, rising inflation risks and the likelihood of interest rates remaining higher for longer, are expected to weigh on this momentum.

We had already anticipated a moderation in household consumption expenditure growth in 2026 relative to 2025. These risks to consumer confidence now tilt the balance further to the downside.

We have revised our economic growth forecast slightly lower to 1.5% for 2026 (from 1.6% previously), with downside risks depending on the duration of the conflict and whether these effects are temporary or more persistent.

Higher-income consumers drove the improvement but face the biggest downside risk

Consumer sentiment, measured by the FNB/BER's CCI, improved for the second consecutive quarter to negative seven in the first quarter of 2026. The improvement was primarily driven by high-income households (earning over R20 000 per month), whose confidence index rose from negative 12 to negative four. Middle-income households (with earnings between R5 000 and R20 000 monthly) were marginally less pessimistic with the index increasing by one percentage point to negative seven. In contrast, low-income households (earning less than R5 000 per month) were more pessimistic, with confidence deteriorating from negative eight to negative 12.

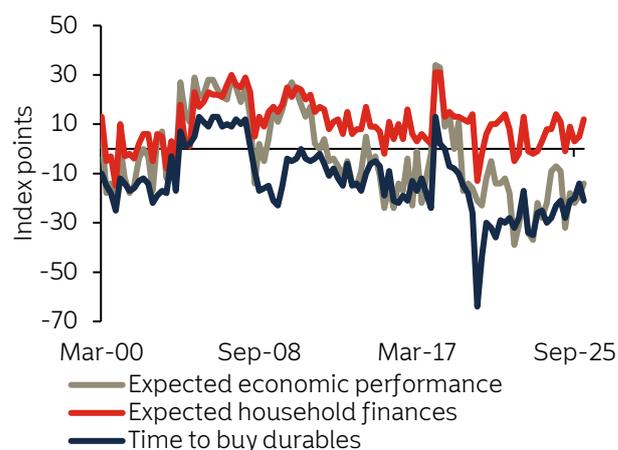
The survey, conducted between 16 and 27 February 2026, coincided with a period of low fuel prices, a stronger rand exchange rate, anticipated interest rate reductions and optimism regarding economic growth.

These conditions likely boosted confidence among high-income households, who reported improved expectations for economic performance, household finances and the present time to buy durable goods.

For low-income households, the main negative factor was that the current environment is deemed less suitable for purchasing durable goods. Similarly, middle-income households became more pessimistic about buying durable goods now, causing the related subindex to drop from negative 14 to negative 21.

However, the other key subindices, which track expected economic performance and anticipated household finances, both improved in the first quarter (see chart 1).

Chart 1: Households remained optimistic about their expected finances



Source: BER, Momentum Group
Data until the first quarter of 2026

The factors that contributed to increased confidence among high-income households during the first quarter have shifted as a result of the ongoing conflict in the Middle East. Significant fuel price increases are anticipated in April, the rand has weakened against the United States (US) dollar, inflationary pressures have intensified and expectations for interest rate reductions have been delayed. These developments will also affect those in middle- and low-income brackets in the second quarter survey.

Consumers were the engine of 2025 economic growth

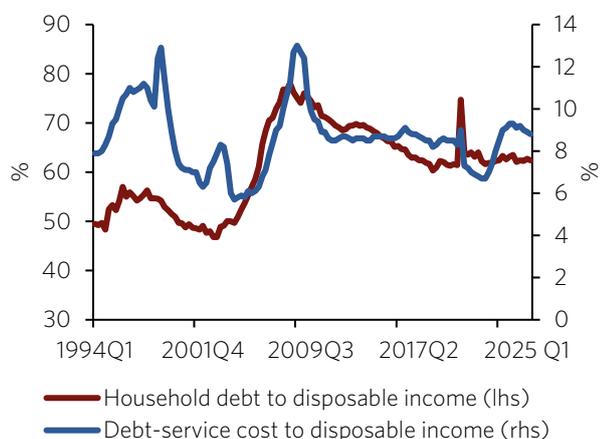
Household consumption expenditure was the primary driver of economic growth in 2025, growing by 3.6% year-on-year and outperforming other components of GDP.

The ability of households to sustain consumption, despite a constrained macroeconomic backdrop, was underpinned by several supportive factors during the year.

Firstly, a decline in inflation contributed to a recovery in real wages, easing pressure on households' purchasing

power. Inflation averaged 3.2% in 2025, down from 4.4% in 2024.

Chart 2: Household debt servicing pressures are easing

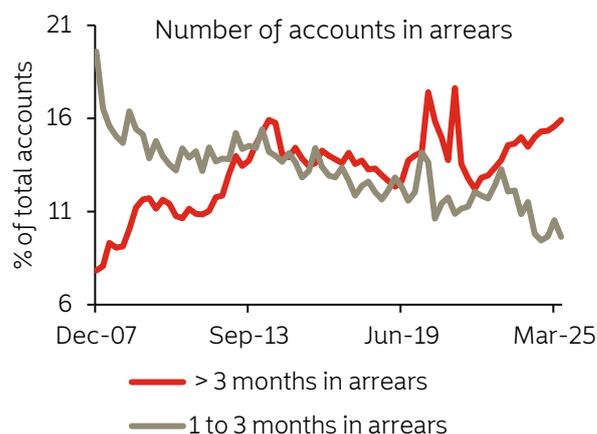


Source: SA Reserve Bank (SARB), Momentum Group
Data until the second quarter of 2025

Secondly, a moderation in interest rates from 7.5% in January 2025 to 6.75% by the end of 2025 (three 25-basis point cuts through the year) helped decrease debt-servicing costs as a share of household disposable income (see chart 2). Furthermore, credit

metrics have improved, reflected in fewer impairments and stronger repayment behaviour among accounts not in long-term arrears (see chart 3).

Chart 3: Payments on accounts not in long-term arrears are improving



Source: National Credit Regulator, Momentum Group
Data until the second quarter of 2025

Lastly, high-income consumers benefitted from robust stock market performance and higher house price growth.

Consumer momentum is likely to slow in 2026 as risks mount

While household spending is expected to continue growing, the pace of consumption expenditure growth recorded in 2025 is unlikely to be sustained in 2026. A combination of cyclical and structural headwinds is expected to weigh on consumers.

One of the most immediate risks stems from heightened geopolitical tensions in the Middle East, which have pushed oil prices up by around 38%. According to the Central Energy Fund's (CEF) estimates (23 March), this is expected to translate into a sharp increase in local fuel prices in April. Petrol (95) prices are projected to rise by R5.62/l to R25.92/l and diesel (0.05%) by R9.37/l to R27.91/l (the highest diesel price on record).

If the 21c/l fuel tax increase announced in the 2026 Budget Review is implemented on 1 April, prices could rise even further (see table 1).

“ The impact for consumers is significant because filling a standard 45-litre tank in April could cost over R250 more for petrol users and more than R420 more for diesel users compared to March. Paraffin prices are also expected to increase sharply. ”

Table 1: Sharp fuel price increases expected in April

Inland	March	April (excl. tax hike)	April (incl. 21c/l tax hike*)
Petrol (95)	R20.30	R25.92	R26.13
Petrol (93)	R20.19	R25.26	R25.47
Diesel (0.05%)	R18.53	R27.91	R28.12
Diesel (0.005%)	R18.60	R28.11	R28.32
Illuminating paraffin	R12.54	R23.79	

Source: CEF, Business Tech, Business Day, Momentum Group
* 21 c/l hike for petrol =9c/l (general fuel levy), 5c/l (carbon fuel levy) and 7c/l (Road Accident Fund - RAF). 21 c/l hike for diesel =8c/l (general fuel levy), 6c/l (carbon fuel levy) and 7c/l (RAF)

“ These estimated fuel price increases have intensified calls for government intervention through a reduction in the fuel levy or a delay in the announced 21c/l increase. ”

The government is concerned that the full benefits of a general fuel levy relief do not always reach the end user in the public transport space. Nevertheless, the fuel levy is the most viable option for immediate relief because SA's strategic oil reserves are limited (covering only two to three weeks of demand versus a global benchmark of 90 days) and the country has limited refining capacity as indicated in a *BusinessDay* article.

In 2022, the government reduced the general fuel levy by R1.5 for a period of three months following Russia's invasion of Ukraine. If implemented in 2026, the measure also needs to be temporary because it comes at a significant fiscal cost. Estimates from RMB Morgan Stanley suggest that subsidising fuel by R1/l would reduce tax revenue by over R20 billion per month (around 0.2% of GDP), making the intervention difficult to sustain for a long period.

Beyond fuel, the weaker rand and higher fertiliser prices are expected to keep inflation risks tilted to the upside. As a result, the SARB is likely to hold interest rates at 6.75% for longer. This introduces renewed pressure on households' ability to service their debt.

At the same time, structural constraints remain in place. Weak job creation continues to limit income growth. Furthermore, as inflation pressures re-emerge, real income growth is expected to slow, further constraining household spending power.

In addition, base effects play an important role. The relatively strong performance in 2025 creates a higher starting point, which will translate into slower growth rates in 2026.

“ High electricity price increases (8.76% from 1 April for Eskom customers and 9.01% from 1 July for municipal customers) and above-inflation medical aid contribution increases will further strain household budgets. ”

Taken together, these factors are likely to result in a shift in household behaviour. Households are likely to become more cautious, prioritising essential spending while discretionary consumption slows.

Apart from potential fuel levy relief to cushion pressure on consumers, measures in the 2026 Budget provide marginal support. Inflation-linked adjustments to tax brackets help limit bracket creep, protecting taxpayers from being worse off in real terms. Furthermore, above-inflation increases in social grants will support lower-income households.

Outlook for consumer confidence and economic growth weakened by Middle East tensions

The improvement in consumer confidence in the first quarter of 2026 was largely anticipated and reflected an optimistic outlook for economic growth this year, pre-escalating tensions between the US/Israel and Iran. However, the escalation of geopolitical tensions over the past three weeks to date has introduced new headwinds. Key risks so far include higher fuel prices, a weaker rand, higher fertiliser prices and the expectation that interest rates may remain elevated for longer. Collectively, we expect these factors to slow or

reverse the momentum of sentiment gains recorded in the past two quarters.

Even before risks stemming from the Middle East, we had expected household consumption expenditure growth to moderate in 2026 relative to the robust growth in 2025. The heightened geopolitical uncertainty increases the downside risk to this consumption trajectory. Consumers may become more

cautious in their spending, particularly on discretionary items.

We have revised our economic growth forecast for 2026 slightly lower, from 1.6% to 1.5%. While this

adjustment is modest, the risks to growth remain skewed to the downside, depending heavily on the duration and severity of the ongoing conflict and whether its impact is temporary or more persistent.

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