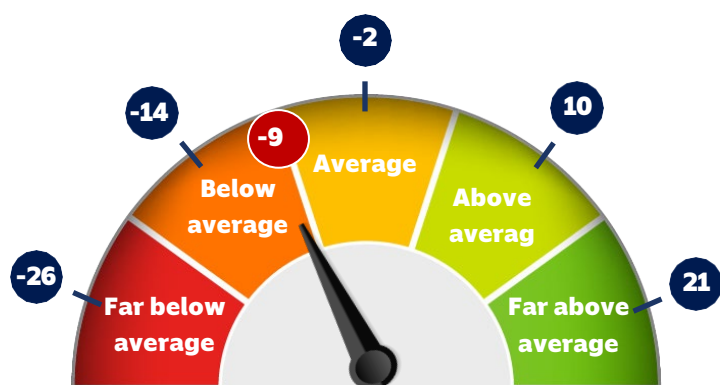




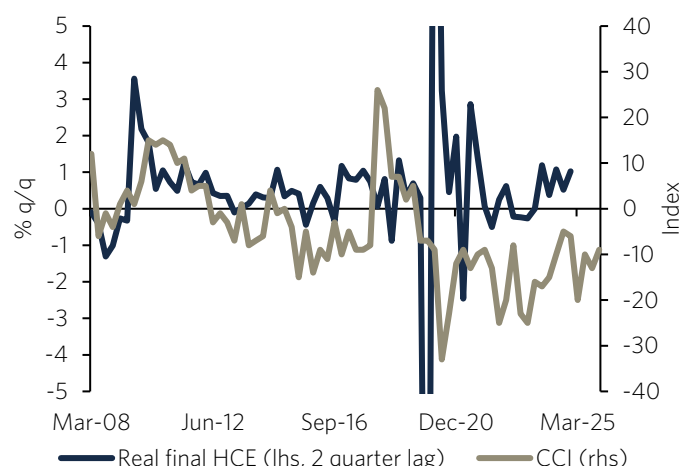
Consumer confidence lifts festive season mood

Consumer Confidence Index (CCI)



Source: Bureau for Economic Research (BER), Momentum Investments
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 Investments
Data until December 2025 for CCI and September 2025 for real final household consumption expenditure (HCE)

Economic outlook



Household finances



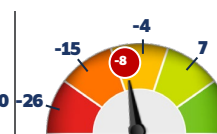
Durable goods



High-income



Middle-income



Low-income



Source: BER, Momentum Investments



So what?



Consumers were less pessimistic in the fourth quarter of 2025 due to broader macro support. Middle-income households specifically recorded the strongest rebound in confidence, reversing much of the third-quarter decline. Furthermore, consumers were less pessimistic about purchasing durable goods ahead of the festive season and Black Friday sales. The increase in consumer confidence, though still in depressed territory, together with the low-interest rate environment and typical high festive season

spending will support household consumption expenditure growth in the fourth quarter. However, we anticipate household consumption expenditure growth to be weaker in the second half of 2025 relative to the first half of the year. For 2025, we expect household consumption expenditure to grow by 2.7% before moderating to 2% in 2026. This implies that consumers will continue to support overall economic growth.

Middle-income households drive recovery in consumer confidence

After experiencing a three-point drop in the third quarter of 2025, which brought consumer confidence (as measured by the First National Bank (FNB)/BER's CCI) down to negative 13, there was an increase in the index during the fourth quarter to negative nine.



FNB attributes the increase in confidence to the interest rate cut in November, an appreciation in the rand, lower petrol prices between August and November, a moderation in food inflation, job gains in the third quarter, SA's sovereign credit rating upgrade by S&P Global and the country's removal from the greylist.



Similar to business confidence, the improvement was insufficient to raise confidence from depressed levels. Furthermore, although the improvement was positive and represented the highest reading for 2025, it was below negative six recorded in the fourth quarter of 2024.

The decline in consumer confidence in the third quarter was mainly caused by a nine-point drop to negative 16 among middle-income households (those earning between R5 000 and R20 000 per month). In the fourth quarter, this same group experienced an eight-point increase in confidence to negative eight, largely reversing the earlier decline and resulting in higher overall consumer confidence levels.

Low-income households (earning less than R5 000 per month) were slightly less pessimistic (negative eight in the fourth quarter from negative nine in the third quarter) while high-income households (those earning more than R20 000 per month) were more pessimistic (negative 12 from negative 11).

Positively, the subindices measuring expected economic performance, expected household finances and the suitable time to buy durable goods all improved in the fourth quarter with the latter recording the largest increase. Less pessimism about buying durable goods (e.g. vehicles and furniture) coincides with the festive season and Black Friday sales. The consumer confidence survey was completed one week before Black Friday, between 10 and 21 November.

Headline gambling figures are inflated

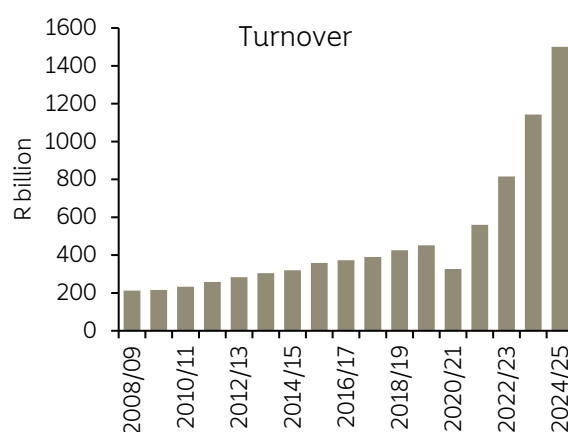
According to the National Gambling Board, gambling turnover (the total amount wagered) rose from R1.1 trillion in 2023/24 to R1.5 trillion in 2024/25. This was equivalent to 31% of total consumer spending and about 0.8% of GDP in 2024/25 according to the BER.



However, turnover is inflated by recycled bets (the same money being wagered multiple times). Gross gambling revenue provides a more precise metric, calculated by subtracting payouts to winners from total turnover.



Chart 1: Money wagered has increased sharply since 2020, mainly due to online betting



Source: National Gambling Board, Momentum Investments

Gross gambling revenue represents the income of gambling and betting firms, which can also be viewed as the amount that gamblers lose.

In 2024/25, gross gambling revenue was R74.5 billion, representing only 5% of all money wagered.

While gross gambling revenue has increased sharply in recent years, it has decreased as a share of turnover (see chart 2), meaning gamblers are receiving a higher proportion of their wagers back in winnings, even as the overall volume of betting accelerates.

This explains why gambling is seen as one of the top five sources of income according to Kantar's 2025 Mzansi Barometer (see chart 3).

Chart 2: More money is being received by gamblers



Source: National Gambling Board, Momentum Investments

Chart 3: Sources of household income

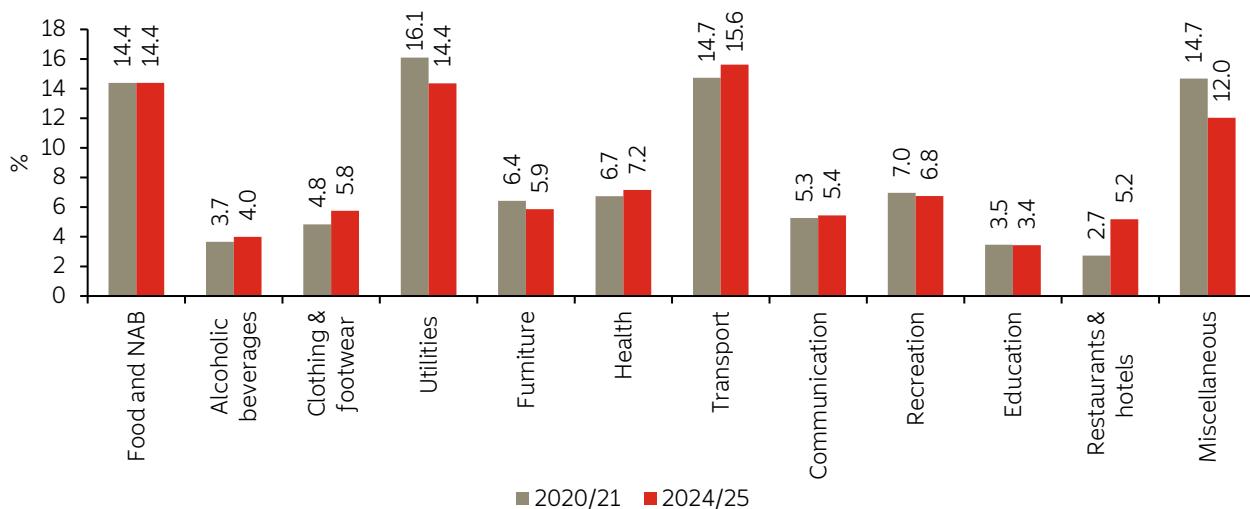


Source: Kantar, Momentum Investments

During the period of increased betting activity (2020/21 to 2024/25), the proportion of household consumption expenditure allocated to utilities (including housing, water, electricity, gas and other fuels), furniture, recreation and culture, as well as miscellaneous goods and services declined. The shares for food, non-alcoholic beverages (NAB) and education remained stable, while other categories saw growth, with restaurants and hotels experiencing the most significant increase (refer to chart 4).

This trend aligns with findings from the BER, which indicate that elevated spending on gambling is primarily reducing expenditure on recreational and entertainment options (such as books, magazines and cinemas) rather than impacting budgets for essential categories like food and beverages, clothing and footwear, healthcare or education.

Chart 4: Share of household consumption expenditure



Source: Global Insight, Statistics SA, Momentum Investments

Standard Bank indicated that most gambling transactions among its clients are infrequent, involve small amounts and generally represent a minor portion of household income. Nevertheless, the increase in gambling is a concern particularly because there are outliers who spend more than their income on betting. The government is proposing a 20% tax on gross gambling revenue from online betting. Since 2020/21, online gambling has overtaken casinos as the leading

industry, driven by factors such as easier access and a rise in advertising expenditure for online gambling.

The gambling industry (including regulators) directly employed 34 316 people as at March 2024, up 5% from 2022/23 with KwaZulu-Natal accounting for the highest number of direct employment in the industry, according to the National Gambling Board.

The job market offered consumers minimal additional support in 2025

Nationally, the unemployment rate decreased from 33.2% in the second quarter of 2025 to 31.9% in the third quarter of 2025 according to Stats SA data. In absolute terms, the number of unemployed people decreased by 360 400 to 8 million while the number of employed people increased by 248 500 to 17.1 million.

The classification formerly referred to as the 'not economically active' population has been reclassified as 'outside the labour force', comprising 16.9 million people in the third quarter. Of this group, Stats SA identifies a 'potential labour force' of 4.5 million in the third quarter, including 4.4 million available and 83 000 unavailable jobseekers. In our view, this split gives a clearer view of labour market slack by identifying people who could work versus those who are genuinely not available for work.

While employment growth was strong in the third quarter of 2025, on a net basis, there were 22 800 people without a job between the end of 2024 and the third quarter of 2025. This means that the job market offered consumers minimal support this year.

Consumers benefited from factors such as lower inflation, which increased real wage growth, lower interest rates that eased debt repayments and robust stock market performance.

Seasonally adjusted retail trade sales were 0.9% quarter-on-quarter higher in the third quarter, marking the strongest quarterly growth rate of 2025. We expect the festive season, combined with Black

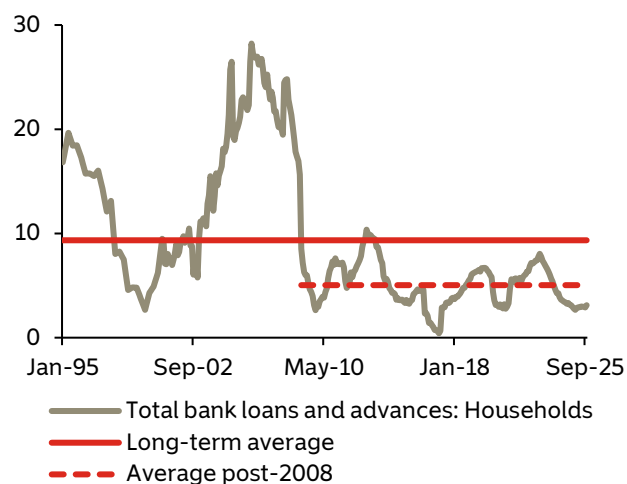
Friday sales, to support retail trade sales in the fourth quarter. *IOL* reported that electronics saw the highest gains on Black Friday, with sales tripling from last year.

Health and beauty purchases increased to four times last year's levels, while spending on home furnishings rose three and a half times.

Consumer credit growth remained subdued

Bank credit extension to households remained modest in October, growing by 3.1% year-on-year (y/y) in nominal terms, which is below historical averages. (see chart 5).

Chart 5: Household credit growth weak but showing tentative signs of recovery, % y/y



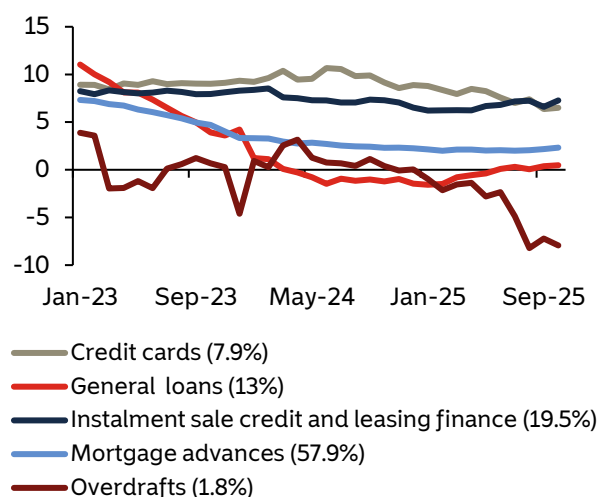
Source: BER, SARB, Momentum Investments
Data until October 2025

Mortgage loans make up the largest part of household credit, but their growth has been slow, rising only between 2% and 2.3% in 2025 in nominal terms (see chart 6).

Instalment sale credit and leasing finance are the next biggest categories and have increased slightly in recent

months, likely due to strong new vehicle sales. Data from Naamsa shows that new passenger vehicle sales grew by 11% y/y in November 2025. General loans are starting to recover, though from a low base, while overdraft usage continues to be weak.

Chart 6: Weak mortgage loan growth keeps household credit growth sluggish % y/y



Source: BER, SARB, Momentum Investments
% in brackets = share of total household bank credit in October 2025
Data until October 2025

A recovery in household credit extension, if sustained, will additionally boost household spending.

Household consumption resilient but expected to moderate

Household consumption expenditure demonstrated strong growth in the first half of 2025. We anticipate that household consumption spending in the fourth quarter of 2025 will slow down, much like it did in the third quarter thus resulting in more moderate growth in

the second half of 2025 relative to the first half. This is due to a decline in two-pot withdrawals and elevated inflation in the latter half of the year. Nonetheless, the prevailing low-interest rate environment, coupled with typically higher spending during the festive season

(and higher Black Friday sales) and less pessimism among consumers are factors expected to continue supporting consumer spending.

We expect household consumption expenditure growth of 2.7% in 2025 before moderating to 2% in 2026.

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