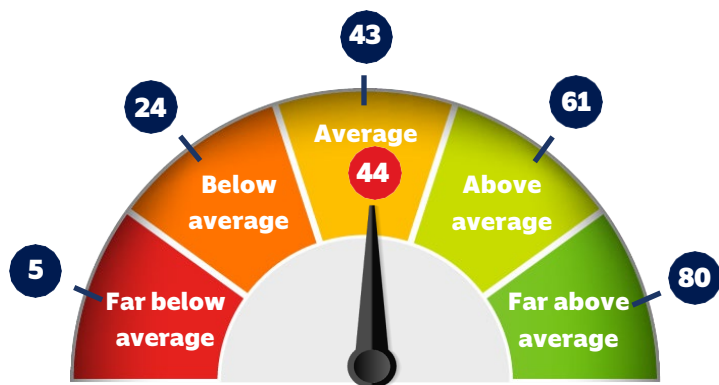




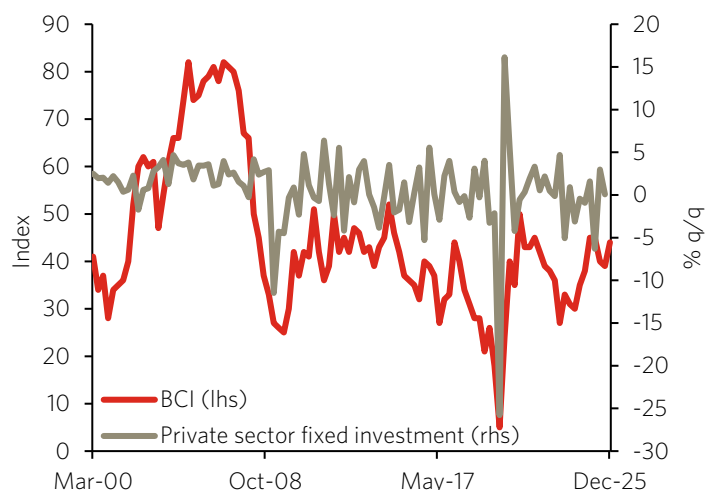
## Business pulse: Confidence rises, but not by enough

### Business Confidence Index (BCI)



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

### From confidence to capital



Source: BER, Statistics South Africa (Stats SA), Momentum Investments

#### Construction



#### Manufacturing



#### Retail



#### Wholesale



#### Vehicle dealers



#### Other services\*



Source: BER, Momentum Investments

\* Survey has a quarter lag



## So what?



The broad-based improvement in business sentiment in the fourth quarter of 2025 is an encouraging development. However, business confidence remained in contractionary territory and continued gains are required over the coming quarters to boost private sector fixed investment.

Private sector fixed investment grew modestly for a second straight quarter (up 0.1% quarter-on-quarter (q/q) in the third quarter of 2025). The recent uptick in business

sentiment and expected interest rate cuts in 2026 (two cuts of 25 basis points each) could drive further investment by private sector players, especially if strong growth in corporate credit extension is maintained.

Growth in fixed investment is a key driver for our projected economic growth rate of 1.6% next year. A sustained increase in fixed investment will be key to maintaining the economic recovery and reducing unemployment.

## Broad-based improvement in business confidence

Businesses were less pessimistic in the fourth quarter of 2025 as reflected in the Rand Merchant Bank (RMB)/BER BCI increasing by five points to 44. The improvement is a move in the right direction and mostly reversed the six-point dip over the second and third quarters. Nevertheless, sentiment remained depressed with 56% of respondents not satisfied with prevailing business conditions in the fourth quarter.

“The BER attributes improving sentiment to various factors including SA’s removal from the greylist, SA’s sovereign credit rating upgrade by S&P Global, relatively stable politics locally, a well-received medium-term budget, a stable rand and the 25-basis point interest rate cut in November.”

Due to a multitude of positive factors preceding and during the survey period (10 to 24 November 2025), four out of the five surveyed industries expressed lower levels of pessimism.

Manufacturers registered a sharp increase in confidence (from 23 in the third quarter to 39 in the fourth quarter). This is the highest level since the first quarter of 2022.

Retailers saw an 11-point increase in confidence to 43 in the fourth quarter. This is in line with the sustained increase in household consumption expenditure.

Wholesalers also expressed a slight increase in confidence levels to 42 from 38, driven by higher non-consumer goods sales volumes.

Confidence for new vehicle dealers moved further into expansionary territory to 58 in the fourth quarter from 54 in the previous quarter. This sector is boosted by the lower interest rate environment.

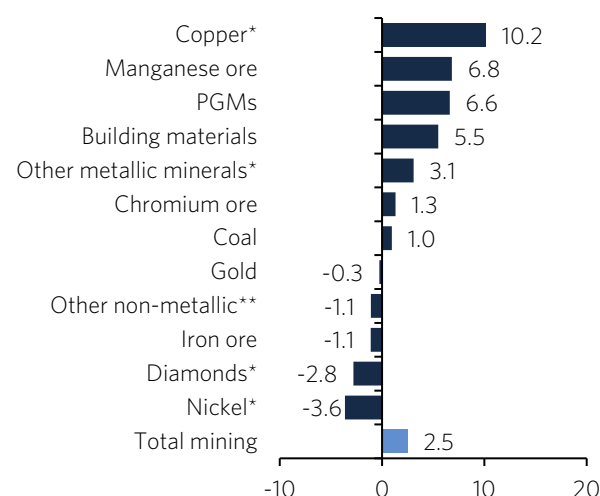
While building contractors were the only group that expressed a drop in confidence (39 from 46), sentiment is tracking around the long-term average.

## Gold production has halved its share in total mining output since 2017

Seasonally adjusted manufacturing production, published by Stats SA, was largely unchanged in the third quarter of 2025, with production volumes growing by only 0.1% q/q. Though still positive, growth was much weaker than 1.3% q/q in the second quarter. The sector breakdown reveals broad-based weakness with significant changes in motor vehicles, parts and accessories, other transport equipment (0.7% q/q in the third quarter compared to 10.9% q/q in the second quarter, mainly due to a decrease in parts and accessories) and furniture and other manufacturing (8.4% q/q compared to negative 7.8% q/q).

On the other hand, seasonally adjusted mining production recorded decent growth with production volumes increasing by 2.5% q/q in the third quarter (3.8% q/q in the second quarter). Copper saw the biggest growth rate (see chart 1) followed by manganese ore and platinum group metals (PGMs).

Chart 1: Production increased in the majority of the mineral groups in the third quarter, % q/q



Source: Global Insight, Stats SA, Momentum Investments

\* Not seasonally adjusted

\*\* Other non-metallic minerals

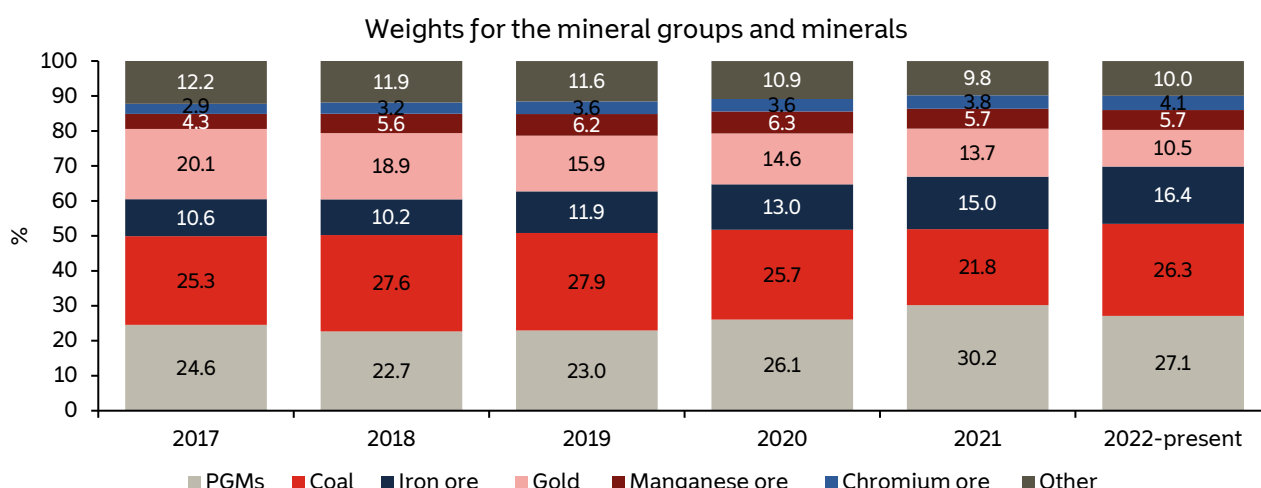
The manufacturing and mining publications released in November 2025 incorporated updated annual weights for their respective sectors. In the mining sector, the reweighting shows a continued decline in the significance of gold production volumes, halving from 20.1% in 2017 to the current level of 10.5% (refer to chart 2).

“The decline in gold production is structural in nature. OrePulse indicates that local gold output has decreased at an average annual rate of 5.8% a year since 1994, dropping from 580 tonnes in 1994 to under 90 tonnes in 2024.”

This trend is primarily due to ageing deep-level mines, declining ore grades and rising electricity costs. Consequently, despite favourable gold prices (currently around U\$4 200 per ounce), some companies face cost structures that prevent them from fully capitalising on these higher gold prices.

As gold's production share diminishes, other minerals such as PGMs, coal and iron ore increase.

Chart 2: PGMs and coal remain dominant minerals in mining production volumes while gold diminishes in importance



Source: Stats SA, Momentum Investments

## Metropolitan municipalities have preferred building residential houses over the past decade

The construction sector grew in the third quarter, with the value of total buildings completed rising by 7.2% q/q and the value of total building plans approved increasing by 6.2% q/q. The increase in completions was largely driven by residential buildings (11.9% q/q) while non-residential buildings saw a sharp increase (46.1% q/q) in plans passed.

“Stats SA’s review of the residential sector found that metropolitan municipalities were building out (i.e. building more free-standing homes) rather than building up (flats) between 2014 and 2023 (see chart 3).”

Overall, the city of Cape Town recorded the highest number of new residential buildings (96 725) during the period under review, followed by Tshwane (55 095) and

Ekurhuleni (44 320). In terms of the types of buildings, Cape Town led the pack with the most houses and flats built while Johannesburg recorded the most townhouses built. Flats built were only 1% of new residential buildings in Johannesburg. While houses dominated new build in Cape Town, the granular data shows a switch from houses to flats from 2019, likely due to the semigration trend.

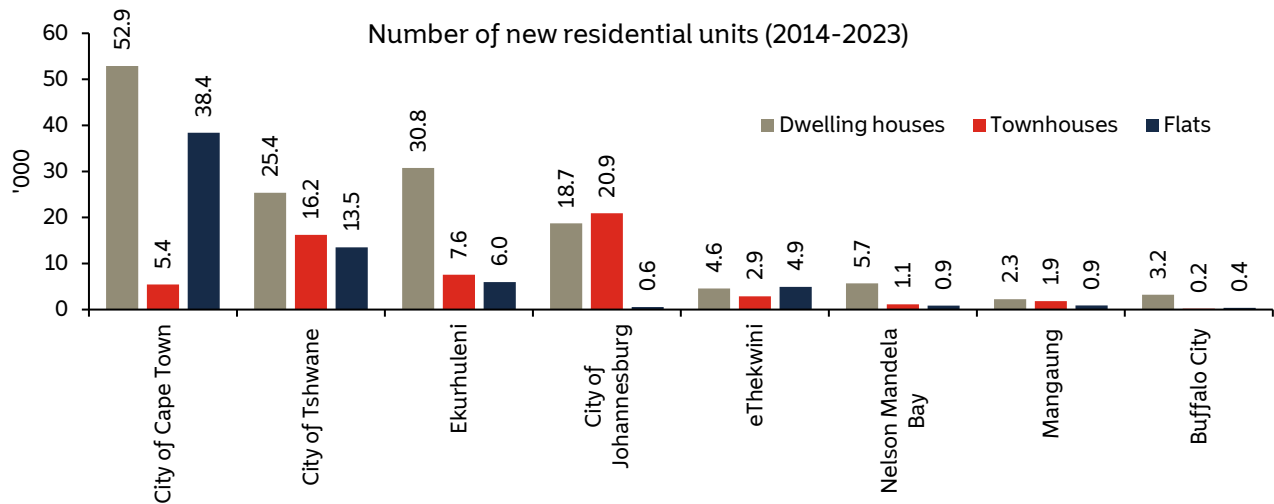
Looking ahead, several factors could influence the residential sector’s trends, including:

- Population dynamics
- Urbanisation

- Government’s objective to create dynamic and integrated cities driven by Operation Vulindlela
- Shifting consumer preferences
- Land availability
- Economic conditions which will influence affordability (e.g. a lower inflation target which is expected to lead to lower long term interest rates could improve affordability)

Potential residential property changes could have an impact on municipal services, infrastructure and revenue.

Chart 3: The city of Cape Town recorded the most residential buildings built



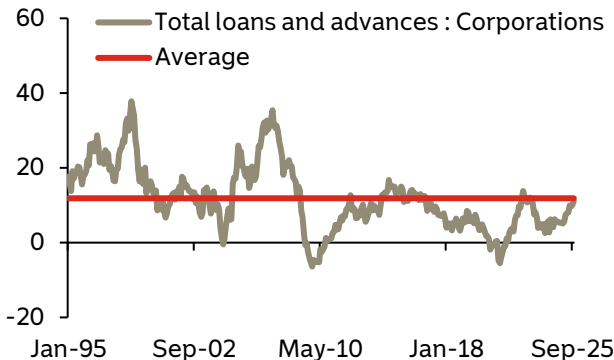
Source: Stats SA, Momentum Investments

### Corporate credit has been on the rise

Growth in credit extension to corporates has recovered from the recent trough of 2.8% year-on-year (y/y) in April 2024 to 11.2% y/y in October 2025 (see chart 4).

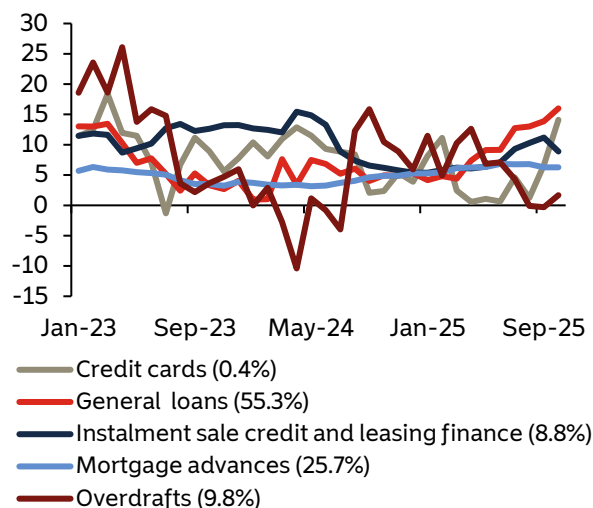
Corporate credit growth was primarily attributable to an increase in general loans, which constitute more than half of corporate credit, rising from 1% y/y in April 2024 to 16% y/y in October 2025 (refer to chart 5).

Chart 4: Corporate credit growth tracking close to long-term average, % y/y



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

Chart 5: General loans drove the recovery in corporate credit, % y/y



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

According to the SA Reserve Bank (SARB), the increase in general loans during the first half of 2025 resulted from both financial and non-financial corporations. Financial sector demand was mainly driven by inter-company lending to securities and investment firms, whereas the rise in lending to non-financial companies was supported by increased borrowing in the mining and resources, consumer goods manufacturing, and agricultural sectors. Mortgage advances, the second biggest corporate credit category, are also rising gradually in line with the gradual improvements in the construction sector.

## Fixed investment needed for a sustainable economic recovery

The increase in business sentiment in the fourth quarter of 2025 is a positive development and the broad-based nature of this increase is particularly encouraging. Nonetheless, overall business sentiment remains subdued (still within contractionary territory) and further upward movement over the coming quarters is necessary.

Private sector fixed investment expanded for the second consecutive quarter in the third quarter of 2025; however, the growth rate was modest at just 0.1% q/q. Looking ahead, the uptick in business sentiment in the fourth quarter and anticipated interest rate cuts in 2026 are promising signs for ongoing

growth in private sector fixed investment. Moreover, lower interest rates could continue to underpin strong corporate sector credit extension observed in 2025, increasing the likelihood that funds will be channelled into fixed investment. We expect a further two interest rate decreases of 25 basis points each in 2026.

Fixed investment remains a critical driver of our economic growth projection for next year (1.6%). For this momentum to be maintained, a further boost in business confidence is essential, as it would foster continued growth in fixed investment and contribute to lower unemployment rates.

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