

Absa Merchant Spend Analytics | January 2026

Consumer Sector

Your story matters



At a glance | January 2026



Year on year (YoY): Growth under pressure, but still resilient



Year to date (YTD) December 2025: A continued deceleration in card spending



YoY: While online spending remains resilient, its growth trailed behind in-store spending



YoY: Debit cards remain the dominant payment method, with the most notable development being a re-acceleration in credit card growth



South African consumer outlook 2026: Growth holds, but pressures persist

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January 2026

Your story matters



January 2026 | Overview

Growth under pressure, but still resilient

Seasonal slowdown, year-on-year resilience maintained

Absa’s card spending data reflects a typical, seasonal month-on-month slowdown, with total spend declining by 15% and transaction volumes falling by 9% in January 2026 compared to December 2025. This pullback aligns with normal post-festive consumer behaviour, as households recalibrate following elevated year-end expenditure.

Despite this short-term softness, YoY performance remains resilient. Spending grew in January 2026 by 5% YoY (graph 1), while transaction volumes increased by 8%, indicating that underlying consumer demand has held up reasonably well in the face of ongoing economic pressure.

Card spending trends: Signs of a shift towards larger baskets?

An examination of card spending between January 2024 and January 2026 points to a market that continues to expand, albeit at a slower and more measured pace. Although both total spend and transaction volumes remain on a positive YoY trajectory (graph 1), the deceleration in growth underscores the prolonged impact of economic headwinds, including high interest rates and elevated living costs. Encouragingly, emerging tailwinds suggest a subtle but meaningful shift in consumer behaviour – most notably, a recovery in average ticket value. Collectively, these trends indicate that consumer spend is not contracting, but rather recalibrating. Consumers appear to be adjusting how and when they spend, rather than to pull back entirely.

Topline performance: Growth continues, but momentum softens

Sustained growth in total card spending

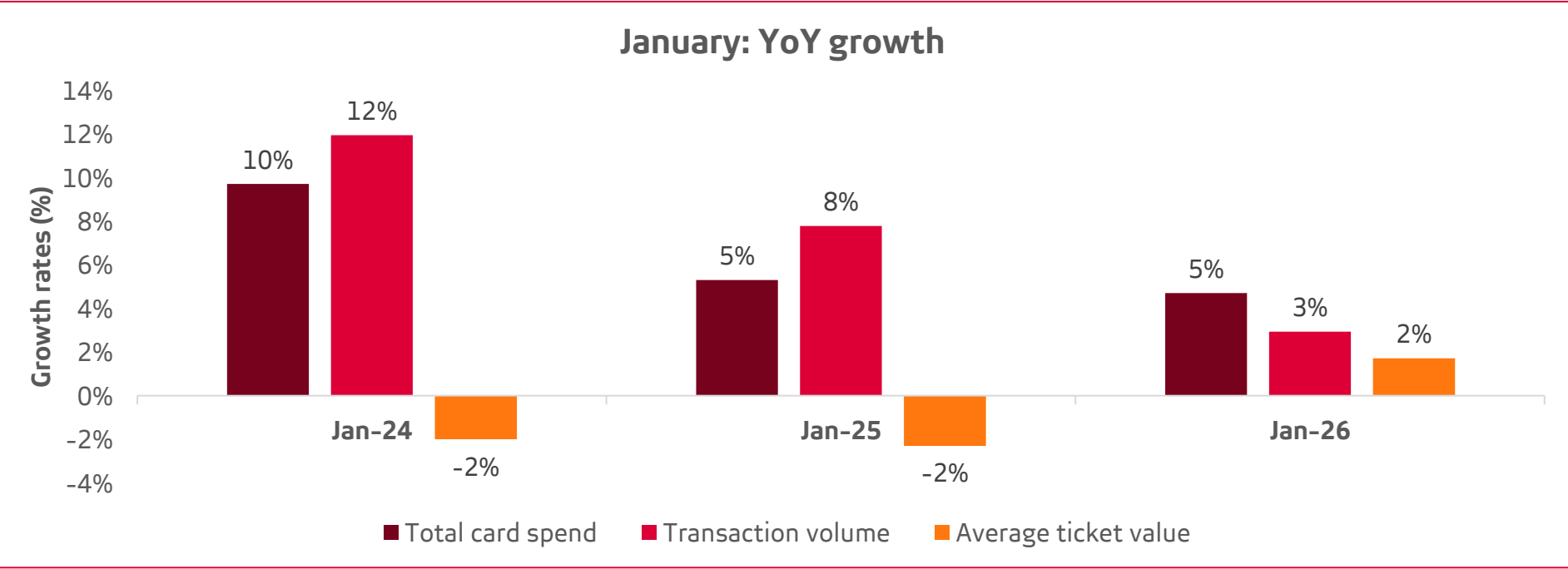
Total card spending has continued to grow on a YoY basis across the period under review. However, growth momentum has softened steadily, easing from 9.7% in 2024 to 4.7% in 2026 (graph 1). This slowdown reflects mounting pressure on household budgets due to tighter financial conditions and persistent inflation in essential categories. Despite these constraints, the fact that total spending continues to grow underscores a degree of consumer resilience. Rather than retreating, households appear to be adapting by prioritising spending, adjusting basket composition and finding ways to maintain consumption within tighter financial limits.

Reversal in average transaction value

One of the most significant signals in the data is the turnaround in average ticket value (graph 1). After declining for two consecutive years (-2.00% in 2024 and -2.30% in 2025), it returned to growth in 2026, increasing by 1.72%. This marks a meaningful behavioural shift. Customers are beginning to spend more per transaction, indicating either larger baskets, higher-value items or a combination thereof. Importantly, this improvement comes despite ongoing macroeconomic pressure, suggesting that the change is not simply driven by renewed confidence, but by evolving spend strategies.

Changing spend versus volume dynamics

The relationship between spend growth and transaction growth provides further insight into this shift. In January 2024 and 2025, transaction volumes grew faster than total spend, resulting in smaller baskets and declining average ticket value. In January 2026, this dynamic reversed: spend growth (4.71%) outpaced transaction growth (2.94%), directly driving the recovery in average ticket value. One of the most plausible explanations for this reversal is softening inflation. As price pressures begin to ease, consumers may feel less of a need to fragment spending across multiple trips, enabling them to consolidate purchases and increase basket size. This shift suggests a gradual normalisation of spending behaviour after several years of inflation-driven disruption.



Graph 1
Source: Absa’s Merchant Spend Analytics

Market share overview by category			
Card spending categories	Jan-24	Jan-25	Jan-26
Food	44.82%	44.73%	44.22%
Clothing	12.14%	10%	11.38%
Business and professional services	10.18%	12.38%	11.14%
Home and garden	5.76%	5.71%	5.53%
Garages	5.01%	4.30%	3.93%
Building and hardware	3.88%	3.77%	3.64%
Speciality	3.20%	3.32%	3.60%
Health and beauty	2.52%	2.03%	2.63%
Automotive	2.03%	2.58%	2.60%
Government	n/a	1.41%	1.71%
Tourism	1.52%	n/a	n/a
Other	8.93%	9.76%	9.64%

Table 1
Source: Absa’s Merchant Spend Analytics
n/a = the category did not form part of the top 10 during this period.

January 2026 | Overview

Category Performance

Category performance: wide divergence across the spend landscape

Category-level performance in January 2026 was highly uneven (table 2). Digital print media recorded the strongest growth (+39%), followed closely by health and beauty (+36%). At the other end of the spectrum, transport spending declined sharply by 57%, representing the most severe contraction across all categories.

Several categories experienced notable turning points:

- Recoveries: Books and newspapers rebounded from a -27% decline in 2025 to modest growth in 2026, while commercial and industrial services shifted from contraction to renewed expansion.
- Reversals: Telecommunications, business and professional services, and sports, outdoor and travel moved from growth in 2025 into decline in 2026.
- Accelerating growth: Health and beauty, and clothing saw significant growth acceleration, signalling a renewed focus on personal care and apparel.
- Consistent strength: Government spending and domestic and cleaning services maintained steady and rising growth trends.
- Deepening decline: Transport spending deteriorated sharply, standing out as a clear underperformer in 2026.

Conclusion: A market in transition, not decline

Overall, the January 2026 card spending landscape reflects a consumer market in transition rather than contraction. While growth momentum has softened at the aggregate level, underlying resilience persists, supported by a recovery in average ticket values and continued YoY expansion in spend. Category-level divergence remains pronounced, with pockets of strong growth offset by deep contractions in specific sectors.

For retailers and service providers, these dynamics underscore the importance of closely monitoring category-specific trends and evolving consumer behaviour. Success in the current environment will depend less on broad-based demand recovery and more on the ability to align offerings with consumers who are spending more deliberately, prioritising value and consolidating their purchasing decisions.

Category	Jan-24	Jan-25	Jan-26
Automotive	11%	8%	7%
Books and newspapers	15%	-27%	1%
Building and hardware	2%	2%	2%
Business and professional services	28%	7%	-12%
Care services	21%	9%	3%
Clothing	6%	3%	20%
Commercial and industrial services	15%	-2%	6%
Digital print media	9%	56%	39%
Domestic and cleaning services	10%	13%	13%
Education	29%	42%	24%
Electronics and computers	9%	2%	10%
Food	7%	5%	4%
Funeral services	19%	14%	15%
Gambling	35%	25%	7%
Games and gaming	8%	11%	-1%
Garages	-3%	-10%	-4%
Government	17%	23%	28%
Health and beauty	13%	5%	37%
Health practitioners	16%	8%	4%
Home and garden	23%	4%	2%
Medical services	12%	11%	12%
NGO, social and religious services	7%	7%	16%
Speciality	9%	9%	15%
Sports, outdoor and travel	9%	6%	-2%
Stationery and office furniture	18%	13%	-1%
Telecommunication	7%	15%	-8%
Tourism	18%	0%	8%
Transport	10%	-11%	-57%
Warehousing and storage	1%	107%	-3%
Overall performance	10%	5%	5%

Table 2
Source: Absa's Merchant Spend Analytics

January 2026 | Online vs in-store

Online and in-store spend shows continued resilience

According to Absa’s internal data, card spending across both online and in-store channels continued to grow in January 2026 compared to the same period last year, underscoring resilience across retail formats (graph 2). In-store spend expanded slightly faster at +6% YoY, compared to +5.0% YoY online. This may be pointing to a gradual recovery in physical retail activity alongside a normalisation of online shopping following the post-pandemic surge.

Online spending performance overview

Largest category performance in online spending (graph 3)

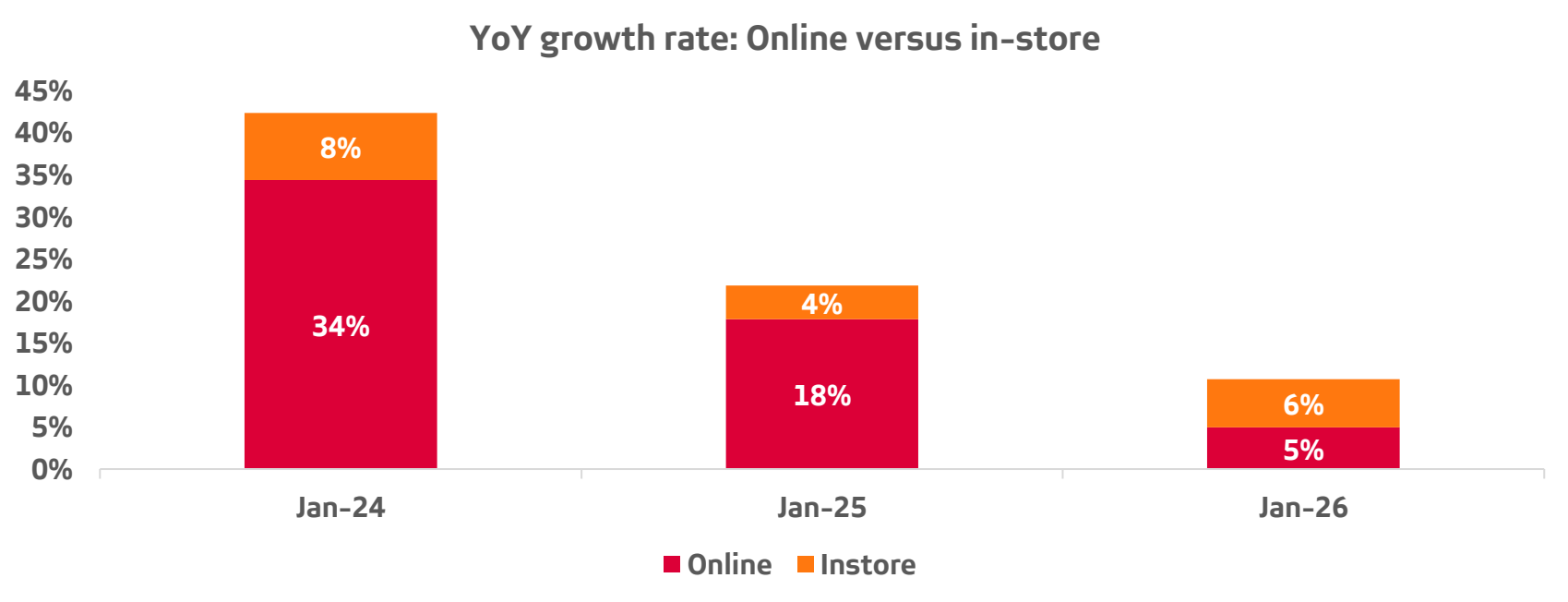
Online spending growth continued to be underpinned by sustained demand in food, and business and professional services, which together account for 39% of total online spend. These categories remain the backbone of the online market. A notable development within online spending was business and professional services emerging as the largest online category by market share, edging past food by a narrow 0.5 percentage-point difference. While marginal, this shift in the business and professional services category signals increasing adoption of e-commerce and digital payments by small and medium-sized businesses as part of their operational models. Food, now the second-largest online category, continues to play a critical role in online spend, reinforcing the structural nature of e-commerce within grocery and food delivery.

Home and garden, one of the largest online categories by transaction volume, declined on a YoY basis. This points to a normalisation following the post-pandemic and renovation-led surge seen in earlier periods. The slowdown may also reflect changing consumer behaviour as the return-to-office mandate reduces time spent at home and dampens spending in this category. Tourism also featured among the top five online categories by market share (7%) and recorded double-digit growth of 15% in January 2026, which may be reflecting a recovery in travel-related activity and rising demand for experience-based consumption. The clothing category remained stable at 7% market share, but YoY spending growth slowed significantly from 8% in January 2025 to 2% in January 2026. This moderation contrasts with strong growth observed in the in-store channel, indicating a relative shift back towards physical retail for apparel purchases.

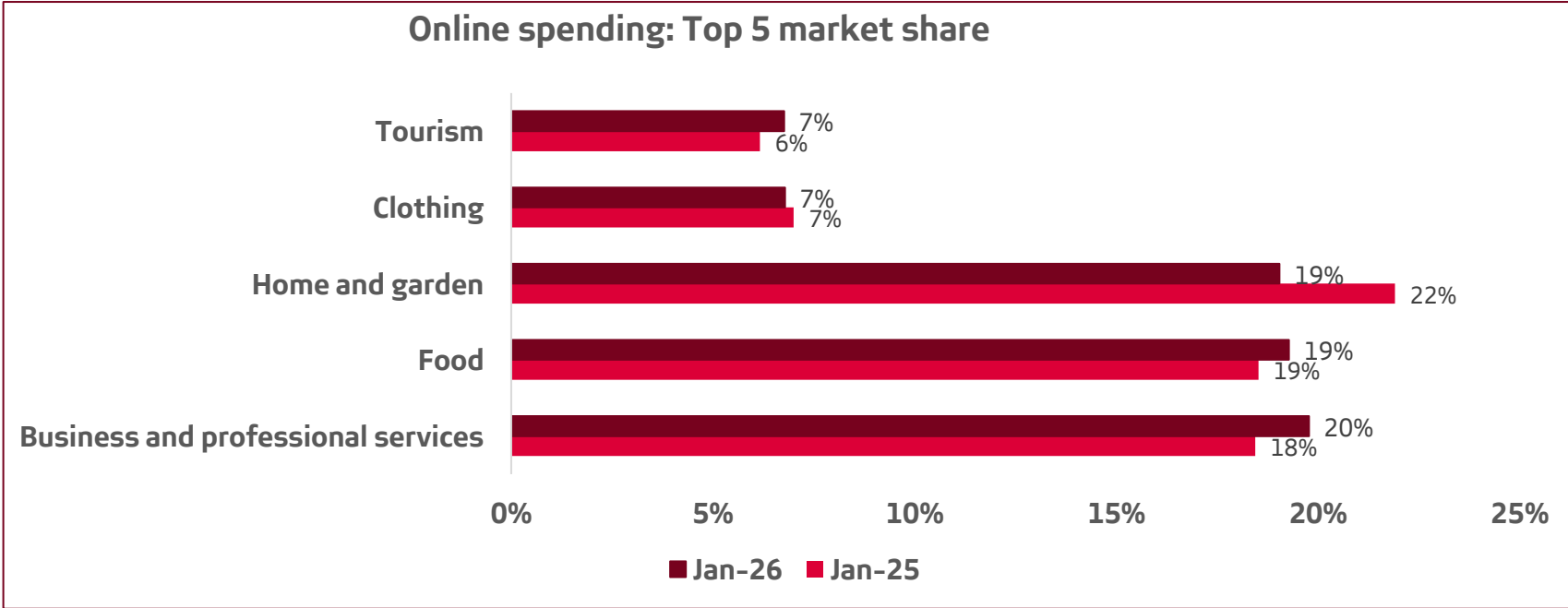
Online growth pockets (graph 4)

Online growth, measured by percentage change, was strongest among smaller, service-oriented categories such as medical services, commercial and industrial services, and care-related services. While part of this performance reflects a low base, it also highlights the accelerating digitisation of payments in sectors that have traditionally been more reliant on offline transactions. Notably, the top five online spending categories by market share do not overlap with the top five fastest-growing online categories. This divergence highlights that incremental online growth is increasingly being driven by smaller and emerging service segments, rather than the established, high-penetration categories that dominate overall online spend.

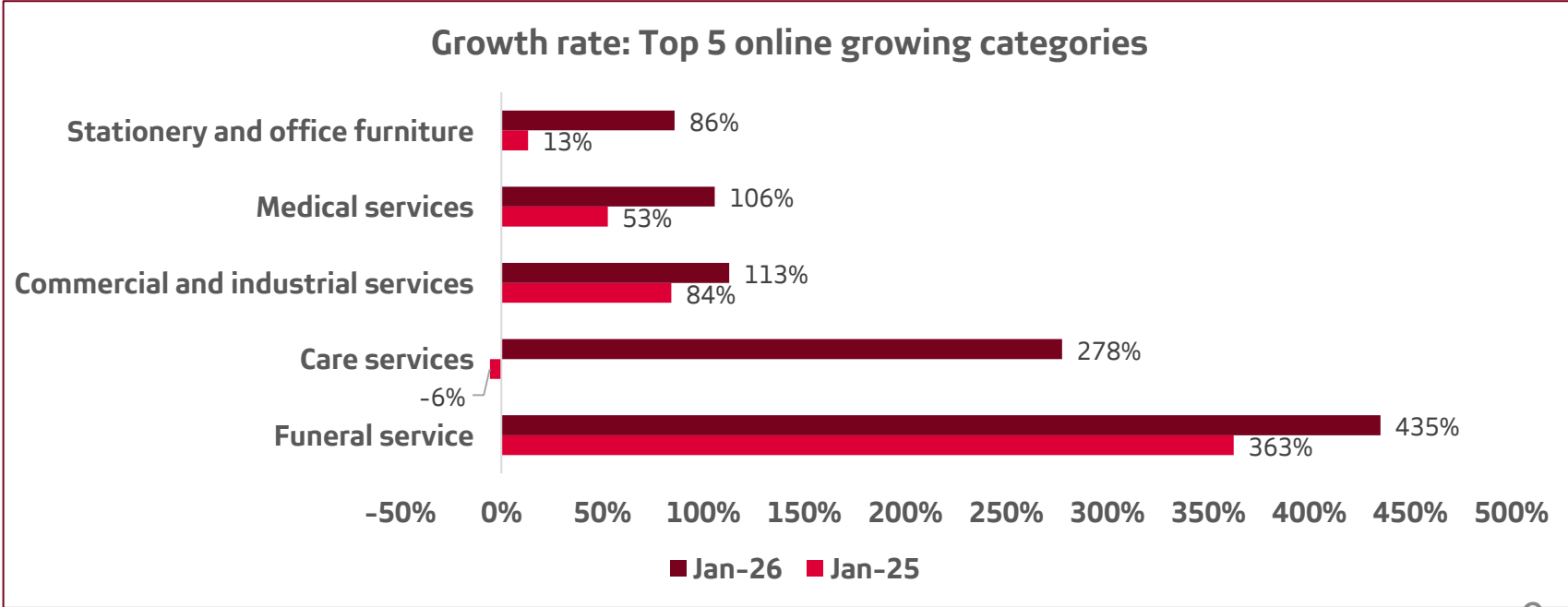
*Find details in table 3-6 page 8-9.



Graph 2
Source: Absa’s Merchant Spend Analytics



Graph 3
Source: Absa’s Merchant Spend Analytics



Graph 4
Source: Absa’s Merchant Spend Analytics

January 2026 | Online vs in-store

In-store spending shows modest recovery

In-store transaction volumes recorded a modest recovery, accounting for around 90% of total card transactions in January 2026 compared with January 2025 (89%). This trend will continue to be monitored to determine whether it reflects a structural shift or a temporary adjustment. Growth in the channel was primarily driven by clothing, supported by solid gains in health and beauty, and government-related spending. This category mix points to an early recovery in discretionary expenditure alongside persistently elevated essential spending.

In-store: Scale anchored by essentials

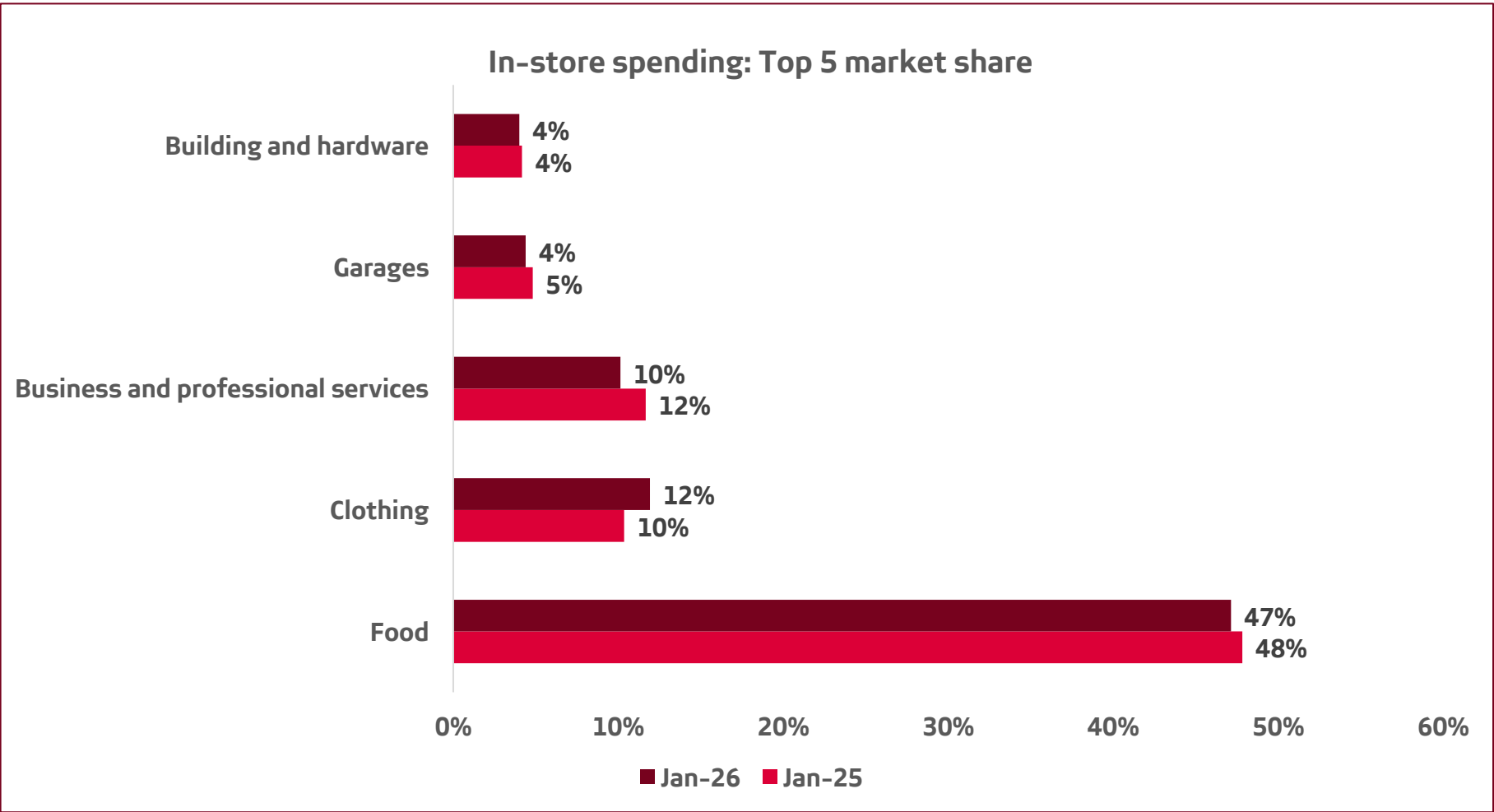
In-store card spending remains highly concentrated around essential categories, with food accounting for 47% of total spend (graph 5), reinforcing the essential-led nature of physical retail. Clothing recorded strong momentum, delivering 22% YoY growth in January 2026 (up from 3% in January 2025) and holding a 12% market share (graph 6). This performance suggests improving discretionary confidence and increased footfall, potentially amplified by the seasonal retail promotions typically seen in January.

The business and professional services category continues to represent a meaningful share of in-store spending, despite a YoY decline*. Building and hardware, and garages feature among the top categories by market share at 4%, although muted or negative growth highlights ongoing pressure on maintenance- and asset-related consumer expenditure.

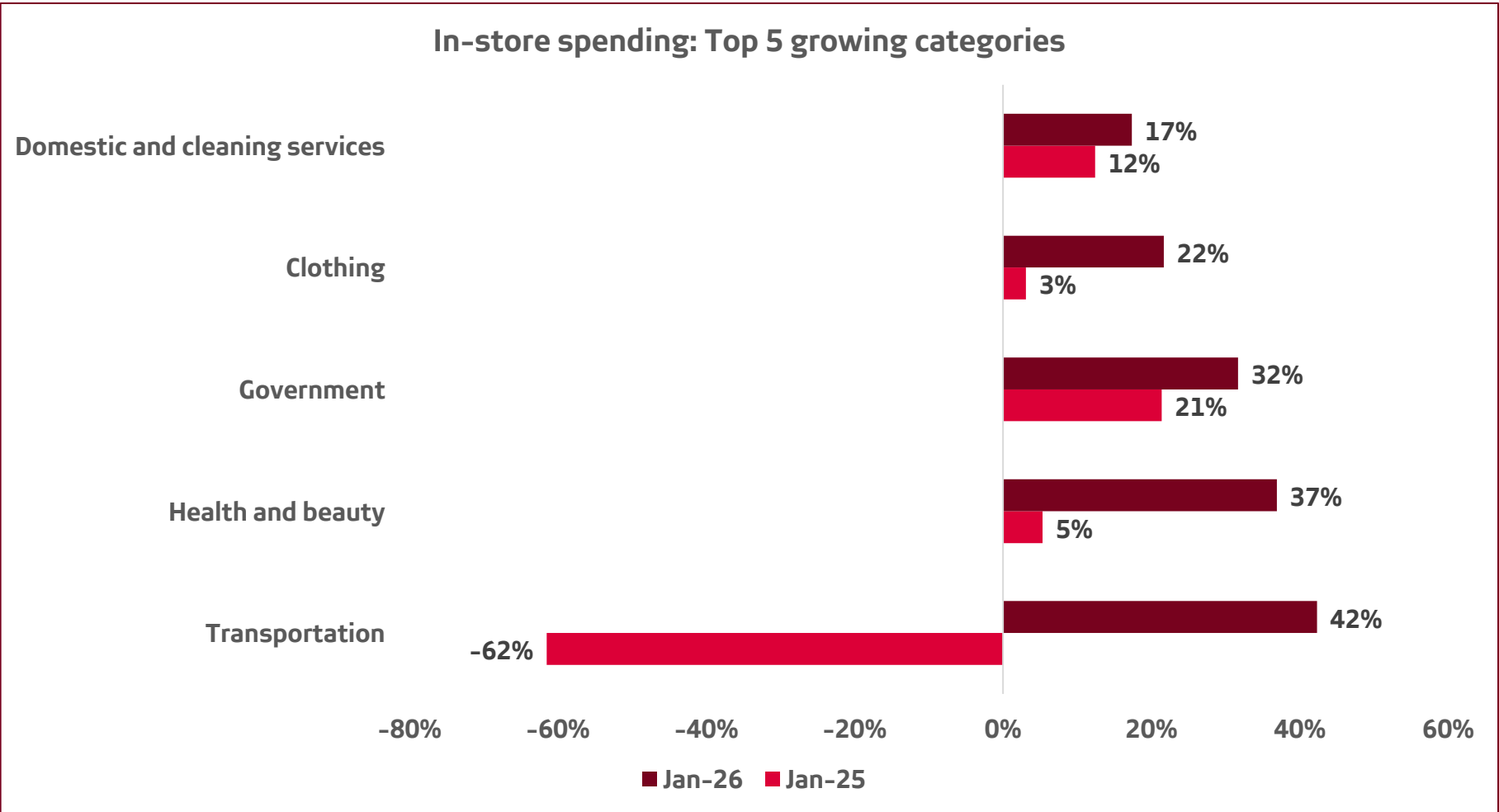
Health and beauty also posted robust double-digit growth in in-store shopping, reflecting increased spending on personal care, wellness and pharmaceutical products. Government-related spend rose sharply, signalling higher transaction values and increased card usage for public-sector payments. Clothing stands out as both a top-spend and top-growth category, benefiting from improving consumer confidence and targeted promotional activity.

In closing

Online spending continued to grow YoY in January 2026 but expanded at a slower pace than in-store spending. While in-store activity is showing renewed momentum, this recovery remains under observation and continues to be anchored by essentials, with selective strength emerging in discretionary categories. Together, these trends reinforce a hybrid retail landscape in which physical and digital channels play complementary and increasingly specialised roles in consumer spending.



Graph 5
Source: Absa's Merchant Spend Analytics



Graph 6
Source: Absa's Merchant Spend Analytics

*Find details in table 3-6 page 8-9.

Heatmap | Online versus in-store

Growth rate

Online spending growth rate			
Tracked card spending categories	Jan-24	Jan-25	Jan-26
Automotive	303%	95%	9%
Books and newspapers	22%	-2%	-5%
Building and hardware	-8%	6%	14%
Business and professional services	33%	11%	13%
Care services	5%	-6%	278%
Clothing	26%	8%	2%
Commercial and industrial services	101%	84%	113%
Digital print media	11%	74%	47%
Domestic and cleaning services	-3%	17%	-43%
Education	34%	85%	38%
Electronics and computers	4%	8%	32%
Food	28%	40%	9%
Funeral services	-85%	363%	435%
Gambling	76%	44%	10%
Games and gaming	10%	22%	8%
Garages	-66%	16%	0%
Government	47%	30%	11%
Health and beauty	17%	8%	18%
Health practitioners	51%	34%	-20%
Home and garden	70%	7%	-9%
Medical services	55%	53%	106%
NGO, social and religious services	18%	29%	55%
Speciality	-17%	27%	3%
Sports, outdoor and travel	32%	30%	-7%
Stationery and office furniture	71%	13%	86%
Telecommunication	15%	-16%	38%
Tourism	24%	0%	15%
Transport	9%	-4%	-63%
Warehousing and storage	42%	-27%	-20%

Table 3
Source: Absa's Merchant Spend Analytics

Instore spending growth rate			
Tracked card spending categories	Jan-24	Jan-25	Jan-26
Automotive	10%	6%	6%
Books and newspapers	13%	-38%	6%
Building and hardware	2%	2%	2%
Business and professional services	27%	7%	-8%
Care services	21%	9%	2%
Clothing	5%	3%	22%
Commercial and industrial services	14%	-3%	3%
Digital print media	3%	12%	9%
Domestic and cleaning services	11%	12%	17%
Education	27%	24%	16%
Electronics and computers	10%	1%	7%
Food	6%	4%	4%
Funeral services	19%	14%	16%
Gambling	7%	3%	2%
Games and gaming	6%	4%	-8%
Garages	-3%	-10%	-4%
Government	13%	21%	32%
Health and beauty	13%	5%	37%
Health practitioners	16%	8%	5%
Home and garden	4%	3%	10%
Medical services	11%	10%	8%
NGO, social and religious services	6%	4%	10%
Speciality	11%	8%	15%
Sports, outdoor and travel	7%	3%	-2%
Stationery and office furniture	18%	13%	-1%
Telecommunication	6%	21%	-14%
Tourism	14%	0%	6%
Transport	15%	-62%	42%
Warehousing and storage	1%	107%	-3%

Table 4
Source: Absa's Merchant Spend Analytics

Heatmap | Online versus in-store

Market share

Online spending market share			
Tracked card spending categories	Jan-24	Jan-25	Jan-26
Automotive	0.5%	0.8%	0.8%
Books and newspapers	0.5%	0.4%	0.4%
Building and hardware	0.5%	0.4%	0.5%
Business and professional services	19.6%	18.4%	19.8%
Care services	0.0%	0.0%	0.0%
Clothing	7.6%	7.0%	6.8%
Commercial and industrial services	0.0%	0.1%	0.1%
Digital print media	1.5%	2.2%	3.0%
Domestic and cleaning services	0.0%	0.0%	0.0%
Education	2.8%	4.5%	5.8%
Electronics and computers	1.6%	1.4%	1.8%
Food	15.6%	18.5%	19.3%
Funeral services	0.0%	0.0%	0.0%
Gambling	4.1%	5.0%	5.2%
Games and gaming	0.7%	0.7%	0.7%
Garages	0.0%	0.0%	0.0%
Government	2.2%	2.4%	2.5%
Health and beauty	0.2%	0.2%	0.3%
Health practitioners	0.0%	0.0%	0.0%
Home and garden	24.1%	21.9%	19.0%
Medical services	0.2%	0.2%	0.4%
NGO, social and religious services	0.1%	0.1%	0.1%
Speciality	2.3%	2.5%	2.4%
Sports, outdoor and travel	0.7%	0.7%	0.7%
Stationery and office furniture	0.0%	0.0%	0.0%
Telecommunication	1.9%	1.3%	1.7%
Tourism	7.3%	6.2%	6.8%
Transport	6.2%	5.1%	1.8%
Warehousing and storage	0.0%	0.0%	0.0%

Table 5
Source: Absa's Merchant Spend Analytics

In-store spending market share			
Tracked card spending categories	Jan-24	Jan-25	Jan-26
Automotive	3.0%	2.9%	3.0%
Books and newspapers	0.1%	0.1%	0.1%
Building and hardware	4.6%	4.3%	4.2%
Business and professional services	12.3%	12.1%	10.7%
Care services	0.0%	0.0%	0.0%
Clothing	11.3%	10.8%	12.6%
Commercial and industrial services	0.2%	0.2%	0.2%
Digital print media	0.1%	0.1%	0.1%
Domestic and cleaning services	0.0%	0.0%	0.1%
Education	0.8%	0.9%	1.0%
Electronics and computers	1.1%	1.0%	1.0%
Food	51.7%	49.7%	49.8%
Funeral services	0.1%	0.1%	0.1%
Gambling	0.4%	0.4%	0.4%
Games and gaming	0.1%	0.1%	0.1%
Garages	6.0%	5.0%	4.6%
Government	1.2%	1.3%	1.7%
Health and beauty	2.4%	2.3%	3.1%
Health practitioners	0.7%	0.7%	0.7%
Home and garden	4.2%	4.0%	4.2%
Medical services	0.7%	0.7%	0.7%
NGO, social and religious services	0.1%	0.0%	0.1%
Speciality	3.6%	3.6%	3.9%
Sports, outdoor and travel	0.7%	0.7%	0.6%
Stationery and office furniture	0.6%	0.6%	0.6%
Telecommunication	1.1%	1.2%	1.0%
Tourism	1.0%	0.9%	0.9%
Transport	0.1%	0.0%	0.0%
Warehousing and storage	0.0%	0.1%	0.1%

Table 6
Source: Absa's Merchant Spend Analytics

January 2026 | Credit card vs debit card

Credit card growth re-accelerates despite debit dominance

According to Absa’s internal data, card spending across the top 10 transaction categories continued to expand into January 2026. While debit cards remain the dominant payment method, the most notable development was a re-acceleration in credit card growth, pointing to a continued shift in consumer behaviour and payment preferences. Growth during January 2026 compared to January 2025 was uneven across categories. Consumer-facing sectors such as clothing, food, and health and beauty accounted for the bulk of the gains, while business and professional services, and garages contracted, weighing on overall performance.

Overall spend performance: Steady growth, stronger credit contribution

Debit card spend grew by 4.2% YoY while credit card spend increased more sharply, rising 10.4% YoY (graph 7). As a result, credit cards’ share of total spend increased marginally to 26.4%, up from 25.3% a year earlier, continuing a gradual upward trend.

Category contribution: Where growth is coming from

Food remains the anchor category

Food continues to be the largest category by market share across both debit and credit cards. Credit card spend in food rose 13.0% YoY, while debit card spend increased more modestly at 2.0% YoY (graph 8). It is important to note that credit card spending in food is coming off a lower base relative to debit cards, which partly explains the stronger growth rate. Nonetheless, the acceleration in credit usage within this essential category suggests increased reliance on credit, potentially reflecting household budget pressure or evolving payment preferences.

Clothing emerges as the standout growth driver

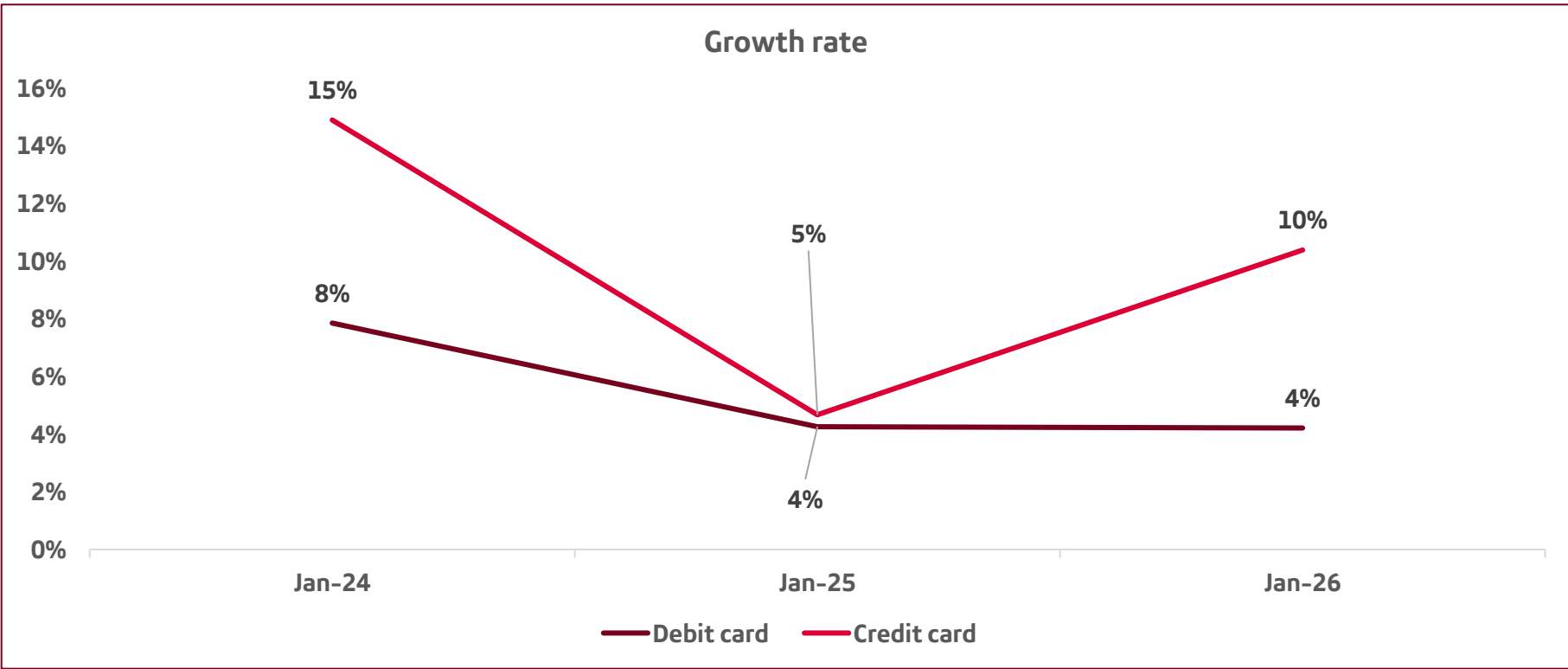
Clothing delivered robust growth across both payment types, with debit card spend up 19.6% YoY and credit card spend rising even faster at 22.9% YoY. This may be pointing to a rebound in discretionary apparel spending, particularly among consumers willing to finance purchases with credit. We believe January’s performance was supported by seasonal promotions and sales activity during the period.

Health and beauty records the fastest growth rate

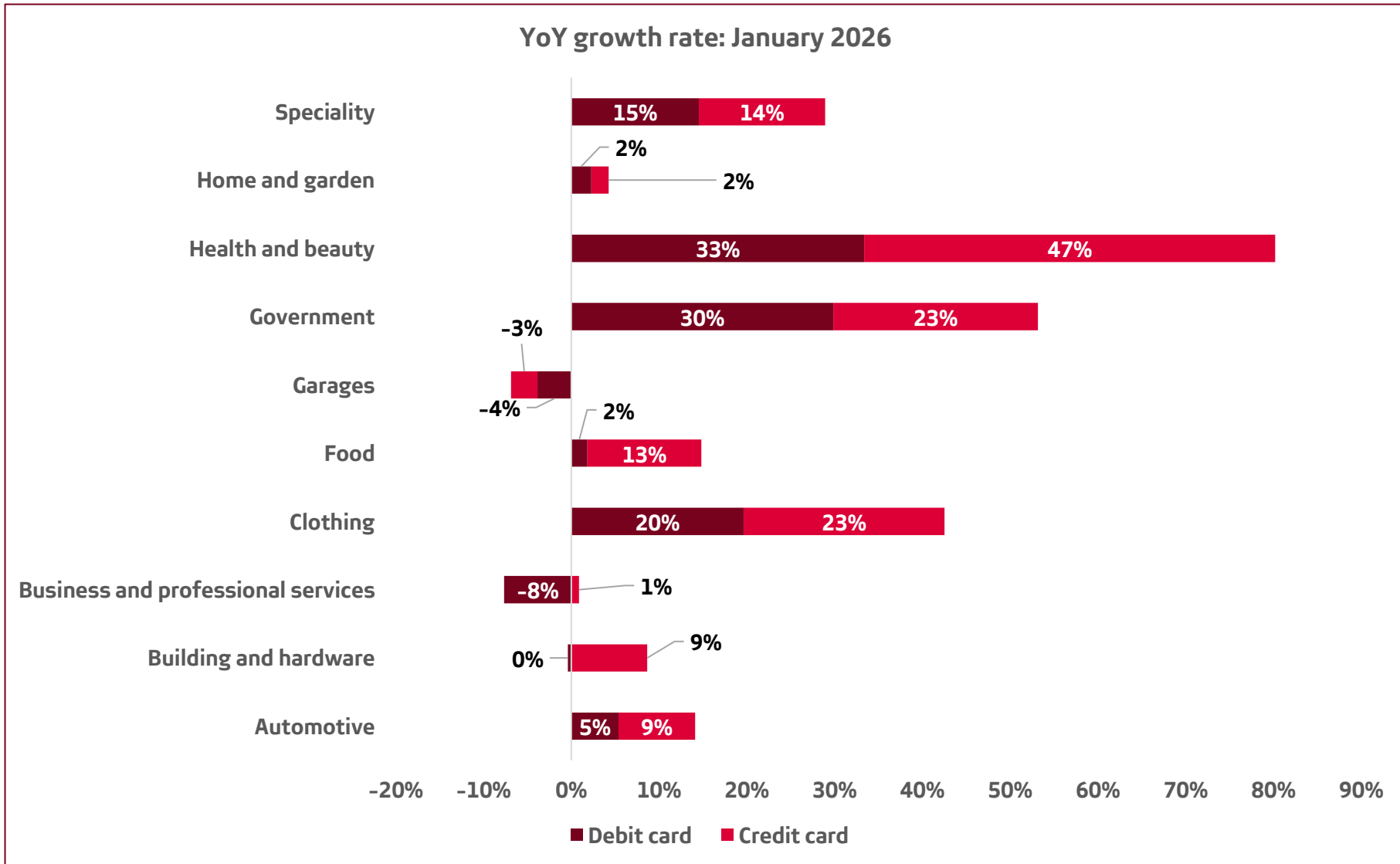
Health and beauty continues to post the strongest percentage growth among the top 10 categories. Credit card spend surged 46.8% YoY, significantly outpacing debit card growth of 33.0% YoY. Although the category starts from a smaller base, the magnitude and consistency of growth suggest underlying structural momentum rather than a once-off effect.

In closing

While debit cards continue to underpin transaction volumes, credit cards are increasingly driving incremental spend growth. This trend likely reflects a combination of higher average ticket sizes, greater reliance on revolving credit, and improved confidence in discretionary spending. Regardless of the underlying drivers, credit card usage is growing faster than debit, highlighting its expanding influence on overall spending dynamics. The increased use of credit cards also underscores how consumers are supplementing their income and actively leveraging reward programmes linked to credit card spend.



Graph 7
Source: Absa’s Merchant Spend Analytics



Graph 8
Source: Absa’s Merchant Spend Analytics

Heatmap | Credit card versus debit card

Debit card growth rate			
Top 10 card spending categories	Jan-24	Jan-25	Jan-26
Automotive	11%	7%	5%
Building and hardware	3%	2%	0%
Business and professional services	25%	5%	-8%
Clothing	4%	3%	20%
Food	5%	4%	2%
Garages	-1%	-8%	-4%
Government	N/a	N/a	30%
Health and beauty	13%	4%	33%
Home and garden	19%	5%	2%
Speciality	10%	8%	15%
Tourism	20%	N/a	N/a
Total performance	8%	4%	4%

Table 7
Source: Absa's Merchant Spend Analytics

Debit card market share			
Top 10 card spending categories	Jan-24	Jan-25	Jan-26
Automotive	3%	3%	3%
Building and hardware	4%	4%	4%
Business and professional services	12%	13%	11%
Clothing	12%	12%	14%
Food	51%	51%	50%
Garages	5%	4%	4%
Government	n/a	n/a	2%
Health and beauty	2%	2%	3%
Home and garden	6%	6%	6%
Speciality	3%	4%	4%
Tourism	1%	n/a	n/a

Table 9
Source: Absa's Merchant Spend Analytics

Credit card growth rate			
Top 10 card spending categories	Jan-24	Jan-25	Jan-26
Automotive	12%	10%	9%
Building and hardware	-2%	4%	9%
Business and professional services	34%	13%	1%
Clothing	16%	6%	23%
Food	14%	9%	13%
Garages	-7%	-12%	-3%
Government	N/a	N/a	23%
Health and beauty	13%	8%	47%
Home and garden	31%	3%	2%
Speciality	6%	12%	14%
Tourism	17%	-100%	N/a
Total performance	15%	5%	10%

Table 8
Source: Absa's Merchant Spend Analytics

Credit card market share			
Top 10 card spending categories	Jan-24	Jan-25	Jan-26
Automotive	3%	3%	3%
Building and hardware	4%	4%	4%
Business and professional services	16%	17%	16%
Clothing	8%	8%	8%
Food	44%	46%	47%
Garages	8%	7%	6%
Government	n/a	n/a	2%
Health and beauty	2%	2%	3%
Home and garden	8%	8%	7%
Speciality	4%	4%	4%
Tourism	4%	n/a	n/a

Table 10
Source: Absa's Merchant Spend Analytics

n/a= the category did not form part of the top 10 during this period.

2

Consumer outlook

Your story matters



South African consumer outlook 2026

Growth holds, but pressures persist

South Africa's consumer environment in 2026 is expected to remain one of measured resilience rather than strong expansion. While household spending continues to grow, the pace is moderating as lingering structural constraints, elevated household costs and rising geopolitical risks temper the upside. According to BMI's latest consumer outlook, 2026 marks a year of positive but restrained consumer spending growth, shaped by improving macro conditions on one hand and fragile consumer fundamentals on the other.

Consumer spending growth slows from 2025 highs

BMI forecasts real household consumption growth of 2.2% YoY in 2026, a deceleration from the stronger 3.7% recorded in 2025. In real terms, total household spending in South Africa is projected to reach R2.5 trillion in 2026, leaving consumer spending approximately 10% above pre-pandemic (2019) levels. The spending outlook is supported by controlled inflation, a gradual improvement in GDP growth and a more accommodative monetary policy stance from the South African Reserve Bank (SARB). However, the recovery remains uneven, with gains constrained by weak labour market conditions and fragile purchasing power, particularly among lower-income households.

Retail sales signal a more moderate trajectory

Retail activity provides further evidence of slowing momentum. While retail sales held up through most of 2025, the December print showed a clear moderation, with real retail sales growing by 2.6% YoY, below the annual average of 3.9%. At an aggregate level, nominal retail sales stand nearly 38% above pre-pandemic levels, yet real sales are only 8% higher, highlighting how inflation has eroded volume growth over recent years. Importantly, much of the real recovery materialised only from early 2024 onwards as inflation pressures eased. BMI expects this trend to flatten further in early 2026, reinforcing a more cautious household spending posture. Food and drink retail remains a notable pressure point. A 5.6% real contraction in December 2025 reflects the impact of persistently high meat prices, ongoing supply-side challenges and disease-related concerns. Given that food accounts for roughly 17% of household expenditure, continued price pressure in this category poses a material downside risk to consumer demand.

Consumer confidence improves, but remains fragile

Encouragingly, consumer confidence showed signs of recovery in late 2025. The Bureau of Economic Research's consumer confidence index improved to -9% in Q4 2025, up from -14% in Q3. Despite this improvement, confidence remains below pre-pandemic norms and weaker than the -7% recorded in Q4 2024. Rebased to 2019 levels, confidence is still 6% lower than pre-COVID-19, underscoring the structural challenges facing households. High unemployment, limited income growth and elevated living costs continue to weigh on sentiment, dampening appetite for discretionary and durable goods. While momentum has turned positive, BMI expects confidence to recover only gradually.

Macroeconomic tailwinds face heightened risks

From a macro perspective, real GDP growth is expected to reach 1.5% in 2026, offering moderate support to household incomes. Monetary policy is also set to ease further, with BMI forecasting an additional 50 basis points of rate cuts, bringing the policy rate down to 6.25% by year end. Lower borrowing costs should ease debt-servicing pressures and provide limited support to consumption. However, the risks to this outlook have increased. The escalation of the US-Iran conflict presents a key external threat. As a net oil importer, South Africa is particularly vulnerable to oil price shocks. BMI estimates that a 10-30% rise in Brent crude prices could reduce GDP growth by up to 0.45 percentage points while pushing inflation higher through fuel, transport and imported goods costs.

Even under adverse scenarios, headline inflation is expected to remain below pre-pandemic averages. Nevertheless, the concern for households lies less with inflation rates and more with cumulative price levels. The average consumer basket is already around 40% more expensive than in 2019, intensifying downtrading behaviour and value-seeking across income groups.

Source: BMI Research, South Africa Consumer Outlook, 09 March 2026.

South African consumer outlook 2026

Growth holds, but pressures persist

Purchasing power remains under strain

Despite recent stabilisation in inflation, real purchasing power remains constrained. BMI's purchasing power index is forecast at 91.3 in 2026, well below the 2019 benchmark of 100. Real wage growth slowed to 0.7% YoY in Q3 2025, reflecting renewed inflation pressures and limited labour market strength. As a result, households continue to prioritise essential goods while scaling back discretionary spending. Categories such as clothing, footwear and durable goods remain under pressure as consumers adjust consumption volumes rather than prices.

Employment and household debt shape consumer behaviour

Labour market conditions remain a critical constraint. While official unemployment improved to 31.9% in Q4 2025, it remains well above pre-COVID-19 averages. Youth unemployment, in particular, continues to suppress discretionary demand and household formation, limiting broader consumption growth. Household debt dynamics remain mixed. Encouragingly, debt as a share of disposable income declined to 61.6% in Q3 2025, the lowest level since before the tightening cycle began. However, rising reliance on short-term consumption credit underscores ongoing financial strain. Credit cards and instalment sales now account for nearly 28% of household debt, signalling persistent pressure on cashflows.

Outlook: Defensive consumers, selective growth

At the time of writing its outlook, BMI forecasted interest-rate cuts but noted that the South African Reserve Bank was likely to maintain a cautious stance. This caution was evident on 26 March 2026, when the SARB kept the repo rate unchanged at 6.75%, citing elevated inflation risks linked to Middle East tensions. The escalation of the Iran war adds a further layer of uncertainty, heightening risks around energy prices, fuel inflation, supply-chain disruptions and currency volatility, which could dilute the benefits of an improving domestic macroeconomic environment. Against this backdrop, structural challenges and sustained cost pressures are expected to keep consumers highly selective, value-driven and focused on essentials. For retailers and consumer-facing businesses, success in 2026 will depend on pricing discipline, compelling value propositions and close alignment with consumers' constrained spending realities, as households navigate a fragile recovery amid heightened geopolitical risk.

Source: BMI Research, South Africa Consumer Outlook, 09 March 2026.

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Methodology and data sources

Data sources

The analysis presented in this report is based on Absa's proprietary card data, drawing on both card issuing and card acquiring datasets.

- Consumer-issuing data refers to transactional information generated by Absa customers who hold Absa-issued debit and credit cards. This data reflects consumer spending behaviour across merchant categories, channels and time periods based on transactions made using these cards.
- Merchant-acquiring data refers to transactions processed through Absa's merchant acquiring infrastructure. This includes card payments accepted on Absa point-of-sale devices and digital payment platforms, irrespective of the issuing bank. As such, merchant transaction data captures a broader view of payment activity across the card ecosystem, encompassing cards issued by Absa as well as by other banks.

Together, these datasets enable a comprehensive view of card spending patterns and merchant performance across both issuing and acquiring sides of the payments value chain.

Scope and timing

The analysis is based on the data available at the time of writing. Transaction data may be subject to revisions as late postings, reversals or data updates are processed. As a result, historical figures and growth rates may change marginally over time.

Analytical considerations and limitations

Card spending data is inherently subject to certain limitations. Sampling methodologies, data coverage and reporting lags may introduce some degree of estimation error. Additionally, shifts in consumer behaviour, payment preferences and merchant onboarding can influence observed trends and should be considered when interpreting the results.

The findings presented in this report are based on Absa's interpretation of the available data. Alternative analytical approaches or assumptions may result in different interpretations of the same underlying information.

Forward-looking statements

This report may contain forward-looking statements regarding consumer spending trends and merchant performance. These statements are based on current observations and assumptions and are subject to risks and uncertainties that could cause actual outcomes to differ materially.

Use of information

Users of this report are encouraged to consider these limitations carefully and to supplement the insights presented here with additional data sources and market intelligence before making strategic, commercial or investment decisions.

Spend analytics: PocketFlow

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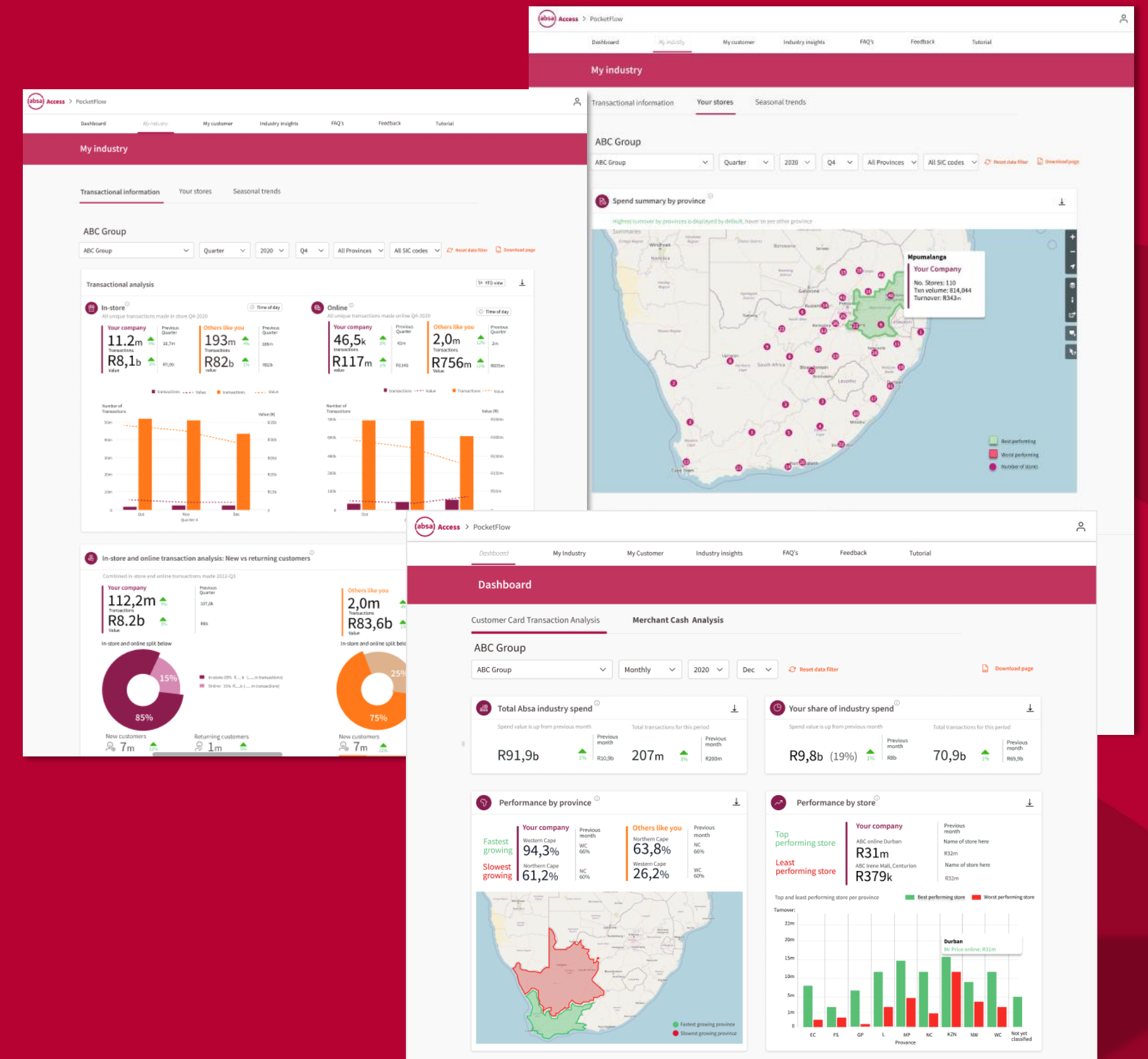
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