



Deck the Malls: Who Got the Consumer's Rand this festive season?

As we move past the first month of 2026 and settle back into the rhythm of the new year, it's the perfect time to pause and reflect on the festive season - the golden period for retailers. This window not only reveals where consumers choose to spend their money but also provides valuable insight into the performance of the very stocks we hold in our portfolios.



**Jana
van Rooyen**

What did you set your sights on this past Black Friday - did you stash your cash in hopes of bigger festive season deals, or dive straight into the specials? I'll confess, instead of splurging on big-ticket items, I went for the true essentials: coffee, butter, and cheese. I even found myself prowling the butcheries, scanning for any carnivorous bargains, due to soaring meat prices.

Heading into the 2025 festive season, expectations were subdued. A high base had been set in 2024, buoyed by the two pot retirement reform that unlocked additional consumer spending. Without that extraordinary inflow, it was clear that households would have less discretionary cash available this time around.

The year itself began with a wave of GNU optimism, which initially lifted sentiment and retail stocks - often referred to as part of the "SA Inc." basket. Yet that momentum quickly faded when difficulties arose in passing the first budget. Encouragingly, the close of 2025 brought with it some positive news that helped restore investor confidence. South Africa exited the FATF grey list, government finances improved in the Medium-Term Budget, a new 3% inflation target was announced, and S&P Global Ratings delivered the country's first sovereign credit upgrade in two decades. Global tailwinds also contributed: easing trade tensions and stronger commodity prices - particularly gold and PGMs - supported the Rand, while rallies in domestic equities and bonds underpinned a rising wealth effect. Finally, the Reserve Bank continued to cut interest rates. Combined, these factors supported accelerating GDP growth.

The consumer wallet

Before delving into the festive season performance for local retailers, it is worth pausing to consider the health of the consumer. Over the past few years, households have been navigating the strain of elevated inflation and higher

SPEED READ

- Heading into the 2025 festive season, expectations were subdued, with retailers facing a challenging high base set by the surge in spending from the two pot retirement withdrawals at the close of 2024
- Confidence improved toward the end of the year as South Africa exited the FATF grey list, secured its first credit rating upgrade in two decades, and interest rates continued to decline.
- However, consumers still entered the 2025 festive season under pressure from high debt costs and eroded purchasing power, yet resilience shone through with real income growth for a second year and renewed appetite for credit as interest rates began to ease. This balance of strain and recovery highlights both the challenges households face and the cautious optimism supporting retail demand.
- Durable goods spending surged on the back of a stronger Rand, easing inflation, and lower interest rates, while food sales moderated. Household furniture, appliances, and pharmaceuticals - especially beauty - stood out as festive season winners.

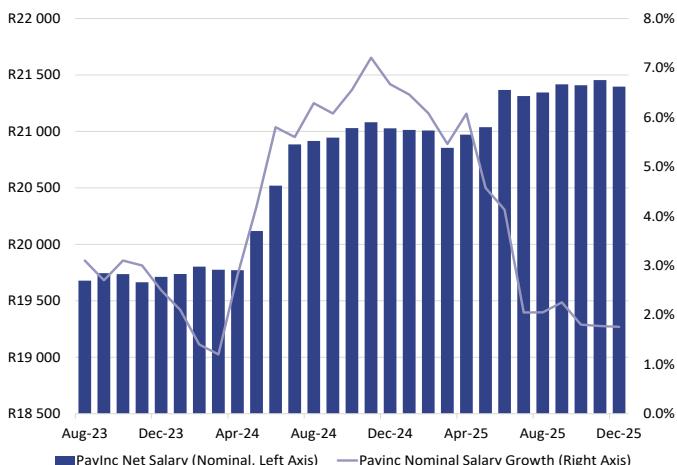
interest rates, which eroded disposable income as debt servicing costs climbed. While wages did rise, they failed to keep pace with inflation, leaving purchasing power under pressure.

The PayInc Net Salary Index, which tracks the average nominal net salaries of roughly three million South African salary earners (about 36% of the workforce) offers some encouragement. Nominal salaries ended the year higher than a year earlier, with the upward trend that started in 2024 carrying into 2025. Average nominal net salaries rose by 3.7% in 2025, following a 4.6% increase in 2024. This sustained recovery underscores the gradual strengthening of economic activity and the resilience of the broader economy, despite persistent challenges.

For South African employees, 2025 proved to be a strong

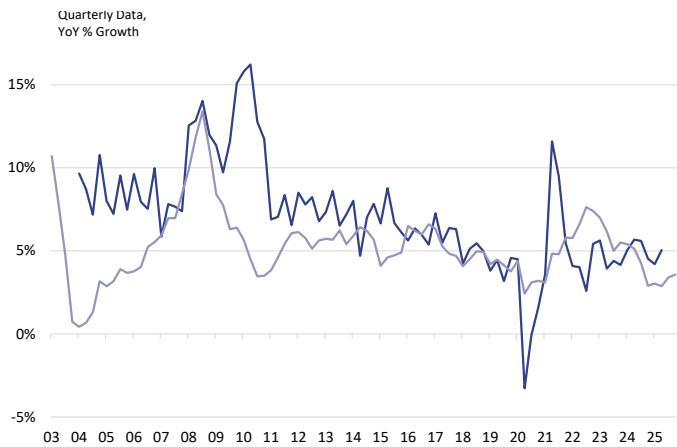
year for earnings, both in nominal and real terms, marking the second consecutive year of real income growth.

PAYINC NOMINAL SALARY INDEX



At the close of 2024, nominal salary growth was running above 7%, but has since moderated, reflecting a more measured pace of earnings expansion.

REMUNERATION VS INFLATION



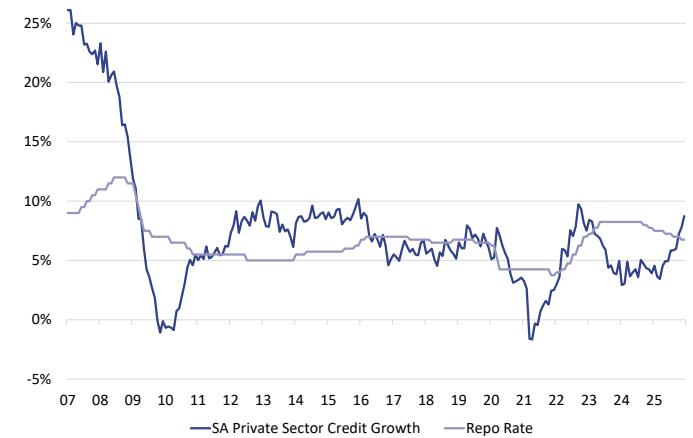
In the aftermath of Covid, salary growth consistently lagged inflation, eroding household purchasing power and leaving many consumers struggling to keep pace with the rising cost of living. However, from late 2024 and into the new year, remuneration growth began to outstrip inflation, due to a sharp easing in CPI, which fell to its lowest level in 21 years.

In more good news, the debt service cost ratio - the share of disposable income allocated to debt repayments - has shown modest improvement, easing from 9.3% in early 2024 to 8.5% in Q3 2025, supported by lower interest rates. Yet, the burden remains heavy: for highly stressed consumers, this ratio can be as high as 69%, although the Q3 average has moderated to 61.6%.

Despite these pressures, confidence across households and corporates has begun to recover, reflected in renewed appetite for credit. Private sector credit expanded by 8.7%

year on year in December 2025, marking the strongest growth since early 2023. Analysts anticipate that further rate reductions will stimulate demand for high value, credit intensive purchases such as vehicles and housing. However, in the absence of liquidity boosts like the two pot retirement withdrawals, some consumers appear to have leaned more heavily on credit to sustain spending this holiday season.

CREDIT APPETITE VS INTEREST RATES

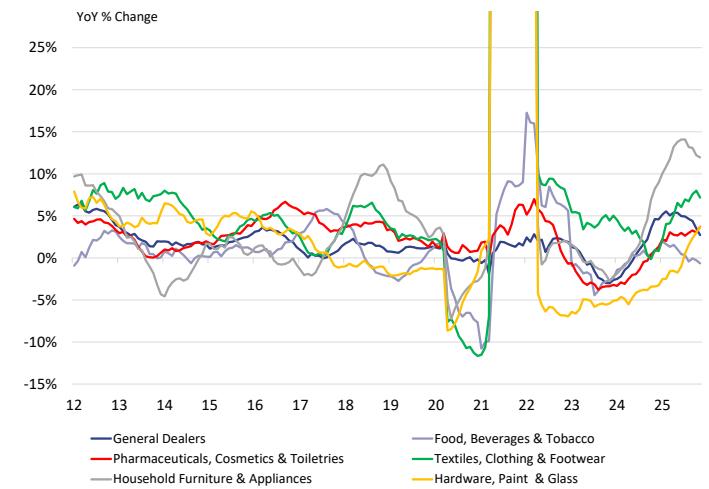


As interest rates climbed, demand for credit from the private sector slowed, reflecting the higher cost of borrowing. With the onset of the current cutting cycle, however, credit extension has begun to expand once again, signalling renewed appetite for borrowing as financial conditions ease.

Record spending levels

Nonetheless, South Africans proved once again that, despite economic pressures, they know how to keep the tills ringing. Consumer spending hit a record R3.23 trillion in the third

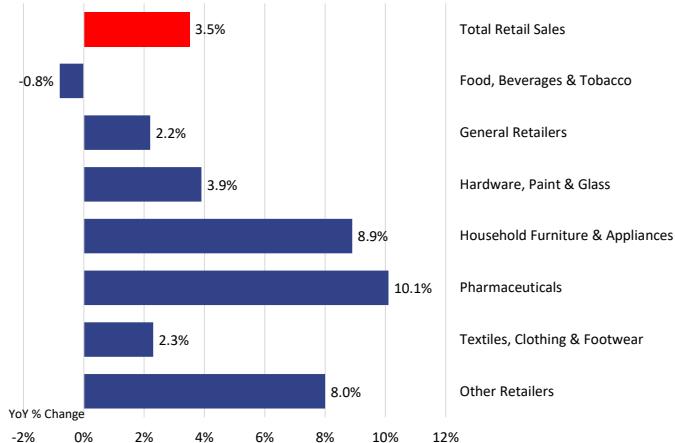
RETAIL SALES GROWTH BY SEGMENT



Having suffered a tough few years where essentials came first, consumers have increased spending on bigger-ticket furniture items, as well as clothing. It also appears that DIY spending is gaining momentum. In contrast, spending on food and beverages has slowed, underscoring the uneven momentum across consumer spending.

quarter of 2025. Retail trade showed healthy growth, with pharmaceuticals, medical goods, and cosmetics leading the charge (apparently, looking good is non negotiable). Clothing and footwear also strutted confidently through the year, while household furniture and appliances enjoyed a standout performance, even if their slice of the pie remains

NOVEMBER RETAIL SALES GROWTH



Retail sales for November grew 3.5% in total, driven largely by pharmaceuticals, medical goods, and cosmetics (+10.1%), as well as the other retail category. Some segments, however, did not have such a grand 2025.

modest.

Festive trading updates

Mr Price delivered a solid festive update, posting growth of 3.6% - commendable given the high base set in 2024. Growth in October and November were sluggish at 1.8% and 1.1% respectively, likely pressured by stronger competition from online players such as Shein and Temu, whose prices looked even cheaper as the Rand strengthened. December growth rebounded to 5.9%, and the momentum continued into January at 4.2% despite a tough base. Margin compression was noted, reflecting promotional activity, though management expects margins to be flat for the financial year.

This solid trading performance was overshadowed by the announcement in December that they would be buying German retailer NKD, which unsettled investors due to limited disclosure and concerns over profitability. MRP's reputation as a pure South African retail play with a debt free balance sheet is now under scrutiny. The upcoming Capital Markets Day on 17 March should provide clarity. While near term earnings may be pressured, the performance of other recent acquisitions inspires confidence - Studio 88 delivered festive growth of 7.7% (December +12.3%), and YummieChef grew 10.1%.

The pharmaceutical sector continued to trend positively

in 2025. Clicks' group turnover grew by 7.4%, supported by record Black Friday sales - remarkably, building on another record set in 2024. Despite heavy discounting from competitors, Clicks reported strong demand for their Christmas gifting ranges. Nonetheless, December performance was weighed down by aggressive promotional competition and minor distribution centre challenges in the Western Cape, which briefly affected product availability. However, these issues accounted for just 0.6% of group sales and have since been resolved. Management confirmed that supply has normalised and the group remains on track to meet its targets.

Another retailer that we have a close eye on is Lewis, which trades in the Household furniture and appliances segment. As seen in the retail sales data above, Lewis had a good 2025 and this trend continued into the festive season with revenue increasing by 7.8% for the latest quarter, boosted by strong Black Friday trading.

Across the sector, the absence of two pot liquidity saw many retailers lean on clearance and promotional activity to drive demand. Woolworths Fashion, Beauty and Homeware used markdowns to manage inventory, while Clicks noted that competitor promotions weighed on its festive trade. The trade off between margin and topline growth remains a theme, with final results expected to reveal the true impact in the months ahead.

Conclusion

Spending on durable goods surged, buoyed by a stronger rand, subdued inflation in this category, and lower interest rates. Retail data suggests discretionary apparel spending leaned toward discounters, while aspirational fashion remained muted, as highlighted in Truworths' update. Woolworths Food delivered solid high single digit growth, though festive sales showed some moderation. Household furniture and appliances enjoyed robust demand - likely reflecting pent up purchases from consumers still burdened by debt costs but encouraged by easing inflation and the opportunity to finance big ticket items. Pharmaceuticals, particularly beauty, were standout performers, with both Woolworths and Clicks reporting strong festive sales. Perhaps you indulged yourself with a fragrance or treated someone close to you.

South African households closed out 2025 in a firmer financial position, even as rising living costs continued to weigh on sentiment. Encouragingly, the broader economic backdrop points to resilience and accelerating momentum. So, despite the tough conditions evident across SA last year, the stage is set for a better 2026. Retailers are out of favour with investors, but they stand to benefit if the year unfolds as we expect.



The topic for our first Insight presentation for the year, to be held in March, is “The Trend is Your Friend”. More detail will follow but we will explore trends across various topics



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Topic: **The trend is your friend.**

Natal Midlands

Date:	12 March 2026
Venue:	Christ Church Howick, 23 Mare Street, Howick
Morning Time:	10am for 10.30am
Evening Time:	5.30pm for 6pm

Johannesburg

Date:	10 March 2026
Venue:	Rosebank Union Church, Cnr Winne Mandela Drive and St Andrews Road, Hurlingham
Time:	7am for 7.30am

Cape Town

Date:	n/a
Venue:	SSISA Conference Centre, Boundary Road, Newlands, Classroom 1, 3rd Floor
Time:	7.30am
Venue:	ABRU Motor Studio, Lourensford Wine Estate, Somerset West
Time:	5.30pm for 6pm

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