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The Household Sector Economy

The potential consumer spending response to the mounting Middle East conflict-driven oil price shock

9 March 2026

In a potential full-blown oil price shock scenario, including a resultant economic slowdown and inflation-driven interest rate hiking, transport and hospitality-related spending could be significantly impacted as consumers make spending adjustments.

3 POTENTIAL MACRO-IMPACT PATHS OF AN OIL SUPPLY SHOCK

As we go into the 2nd week of conflict between Israel/US and Iran in the Middle East, an event which poses major risks to global oil supply, things still look bleak at time of writing. With oil trading resuming after the weekend, we have seen a big further jump in oil prices. At time of writing this note, the Brent Crude spot price was around the \$107/barrel mark. This is further up from \$92.69/barrel at the close on Friday, and all indications are that a large domestic fuel price hike is likely in early-March.

While any forecasting of this conflict, and therefore of oil prices, is a hazardous business, there is a high degree of risk to the economy emanating from this event that is important to take note of.

There are a few mechanisms through which a mounting global oil shortage and price shock can feed through to the South African household sector, and it is more than just about the direct impact on domestic fuel pump prices.

Firstly, if oil supply to the world is restricted due to the conflict situation, it can mean that global economic output is restricted, because the world economy is an energy intensive place. So, if it gets bad enough, it can mean the world going into recession, or at least a major growth downturn. For South Africa, that would have a negative impact on demand from other countries for a wide variety of South Africa's exports, be it manufactures or minerals. Therefore, South African exports could slump, potentially resulting in those export-driven sectors either curbing new employment or even implementing job cuts. It could also mean cutting certain input suppliers' services, in which case the suppliers would be restricted on jobs (i.e., ripple effect through the economy). This in turn could restrict household sector/consumer income growth in South Africa, implying weaker purchasing power growth for households as a group.

The second impact is via prices. A scarcity of oil in the world implies a higher oil price. We have seen very significant oil price increases already, and there is little telling how much further this may go. Not only does this have a direct impact on how much consumers pay for fuel domestically, but petrol/diesel prices are a major input right down the supply chain, so with some lag it feeds through into the prices of other consumer goods too. Many products may thus experience higher price inflation as a result, leading to a higher consumer price inflation rate overall, and that eats into disposable income too.

It then goes further to a possible **3rd important impact**, because the SARB

(South African Reserve Bank) has a 3% CPI (Consumer Price Index) inflation target. Should an oil price shock lead to a noticeable rise in consumer price inflation, the Bank could possibly start to hike interest rates. A higher cost of repaying outstanding credit would further eat into disposable income, and raise the cost of many new credit-dependent purchases.

What would the consumer spending response be?

The broad consumer spending response would likely be in the following ways:

1. **To cut back on spending on luxury and non-essential items.** While some may think this only includes the likes of high value goods such as jewelry for instance, it can actually be far broader than that. Even certain foods, and eating out, can be regarded as luxuries and non-essential. Holidays, too, are in many instances not essential.
2. **Put “postponeable” spending (often essential items) on hold.** Many postponeable expenditure items are low-frequency purchases that fall into the durable or semi durable consumption goods categories. For example, a motor vehicle that is getting old but is still in running order. While the time might be approaching for a replacement of such products, the purchase of the replacement can often be postponed for a significant length of time. This is often the case with furniture and household appliances, or clothing and footwear, for instance. Certain maintenance on homes and cars can also often be delayed.
3. **Credit-dependent purchase items,** including vehicles, other durable consumer goods such as furniture and appliances, and home buying, can be postponed by many during times of interest rate hiking. Some aspirant homeowners often prefer to rent or remain in their original family homes for longer in such times. This would be the likely result of an increase in interest rates.
4. While not always a wise idea, some households even cancel certain forms of insurance, vehicle maintenance, or scale back on medical cover.

Which major consumer spending categories would thus likely experience the most pressure?

- **Durables and semi-durable consumer product categories likely most impacted.**

In an oil price shock scenario as outlined above, real (inflation-adjusted) Durable Goods consumption spend is likely to slow most significantly, with the Semi-Durables category not far behind. While Non-Durable, and Services, consumption spend can also be

expected to see slowing growth, typically these latter 2 categories are less cyclical than the former 2 categories.

Going all the way back to 2009 for past insights, a major oil price and food price shock took CPI inflation up into double digits, causing interest rates to rise by 5 percentage points from mid-2006 to mid-2008, with a recession included. Real household disposable income declined by -2.1% in that year, and real household consumption expenditure declined by a more significant -2.6%.

- **Transport, and Restaurant and Hotel spending, appear highly vulnerable.**

Classifying industry consumption according to purpose (COICOP), the 2009 shock saw Restaurant and Hotels consumer spending experience the most extreme dip to the tune of -12.2%. Admittedly, that time around there was also a major food price inflation surge, which may have been in part responsible for curbing spend in this category.

However, this dip is hardly surprising given the non-essential and postponeable nature of much of this spending. A transport cost surge would surely also have played a key role in curbing the leisure accommodation side of that spending purpose category.

The next biggest dip in 2009 was a -6.1% real decline in the Recreation, Entertainment and Culture category, also falling very much into the non-essential and often postponeable categories.

Third on the list was the -5.7% real decline in the Transport category. This was very much driven by a sharp -20.4% decline in highly credit-dependent Personal Transport Equipment spend, overwhelmingly motor vehicles, and a -19.5% drop in Motor Vehicle Tyres, Parts and Accessories.

Furniture, Household Equipment and Routine Maintenance also declined, by -3.3% in real terms.

One can see the pattern here, the biggest drops in spend being in highly credit dependent categories, such as motor vehicle purchases, largely in the non-essential or less essential categories such as restaurants and hotels, or in postponeable expenditure categories such as furniture, household equipment and routine maintenance.

Should the current events unfolding continue into a full-blown inflation shock, with interest rate hiking and economic growth slowdown, I would expect the abovementioned consumer spending categories to be amongst the most impacted yet again.

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About John Loos: Independent Economist

John started his career as an economist in the National Treasury in the 1990s. Thereafter, he became the Southern African Macroeconomist for Globalinsight (now S&P Global). From 2000 to 2005, he was at Absa Bank, as a senior macroeconomist working on the group's economic forecasting process.

In 2004, he was named Reuters Economist of the Year.

From 2006 to 2018 he pursued an acquired passion for housing market analysis at First National Bank (FNB), where he produced some of the leading housing market analysis in SA at the time. His analysis of the pre-2008 housing bubble taught him how "irrational" economic decision-making can be, when greed and over-exuberance take hold of a market, and how painful the aftermath can be.

From late in 2018 to early-2026, he spent the remainder of his time with FNB at the bank's Commercial Property Finance Unit, undertaking commercial property analysis.



New Beginnings, New Purpose...Independent Economist with a Household Sector, Consumer and Housing Market Focus

In March 2026, John began a new and exciting phase of his career, returning to focusing on the economics of the Household Sector, in which his Housing Market analysis once more became one of the key focus areas, along with the financial health, mindset and well-being of the Household Sector.

Additionally, he promotes the Economics of Hope, Motivation and Well-Being. He believes that South Africa has the ingredients for a far more successful economy and society right under its nose, with ample pockets of excellence and "winners" who can be studied, learnt from, and whose winning principles can be replicated in the broader economy. He believes that this is slowly starting to happen, and that the South African Economy can ultimately prosper to a far greater extent.

Many people in the Property Market will know John, who has addressed to them on the economy, the property market, and his talks themed around "Hope, Optimism, what Winners do and WHY.

John believes in the importance of sport, not only for physical health benefits, but also because of the mental and economic lessons that it brings. Describing himself as a "social endurance sport junkie", he has done a list of events and adventures that include the Comrades Marathon, the Ironman Triathlon, ultra mountain running races, a myriad of ultra-unsupported cycling races and adventures that span the length and breadth of beautiful South Africa, as well as a walk up Africa's highest mountain.

John's experience as an economist, along with his broader life experiences have been combined to build a compelling and entertaining offering as an economist, strategist, keynote speaker, and event MC.