

CGCSA Statement on the National Budget 2026

Cape Town, 25 February 2026 – The Consumer Goods Council of South Africa (CGCSA) welcomes the national budget as a progressive approach to further growing the economy, accelerating structural reforms under *Operation Vulindlela*, progressing towards fiscal restraint, and investing in infrastructure.

The decision to withdraw planned tax increases will further improve household incomes and in turn benefit the retail and consumer goods sector through higher spending. This should filter into the economy, providing an even bigger revenue base for the government through tax receipts, while providing much-needed stimuli to grow the economy, create jobs, and reduce poverty.

Zinhle Tyikwe, says: *"The economic recovery needs to be sustained by, among other interventions, delivering on government's promise to accelerate infrastructure investment, particularly focused on roads, water, renewable energy, and logistics—especially at Transnet, a key and systemically important entity whose efficiency is critical to growing South Africa's export trade."*

Tyikwe adds: *"As the Minister stated, the budget marks a turning point in the economic trajectory of South Africa, anchored by focused attention on policy impediments, further investments in infrastructure, expected reduction in interest rates, and building a capable state that is responsive and agile to ensure sustained growth. The importance of fiscal credibility from stabilising government debt and falling debt service costs is also a positive outcome of the budget."*

Consumer Affordability & Food Security

CGCSA was disappointed that the Minister did not announce the expansion of the list of VAT zero-rated basic foodstuffs to improve household food security, particularly for those in the lowest income deciles who remain under severe financial strain. Weak real wage growth has eroded purchasing power, while high transport and electricity costs disproportionately affect low-income households and reduce disposable income available for food and other essentials.

"The persistence of food insecurity and malnutrition among vulnerable groups—including children, pregnant women, and the elderly—underscores the urgency of targeted interventions. Expanding the VAT zero-rated list of foodstuffs would provide direct relief to low-income households, support national health and nutrition priorities, and enhance equity in the tax system by ensuring benefits accrue to the most vulnerable groups," Tyikwe says.

Excise Duties & Illicit Trade

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CGCSA has consistently advocated for a stable and predictable excise tax policy that adheres to established principles while ensuring sustainability, particularly in view of the surge in illicit financial flows and the expansion of the local illicit economy.

We appreciate that the Minister increased excise duties in line with inflation, which indicates that government has paid attention to the sector's submissions and the need for predictability. However, we remain concerned that the persistent upward trajectory of excise taxes continues to fuel the illicit economy. When legal products become increasingly unaffordable, consumers are driven towards unsafe, counterfeit goods, undermining legitimate businesses, eroding government revenue and exposing households to significant health risks.

"The excise duty increases announced in the 2026 Budget Speech will inevitably raise the cost of alcohol, tobacco, and even vaping products. While we welcome the relief provided to consumers through tax bracket adjustments, these excise hikes risk fuelling illicit trade, which undermines legitimate businesses and exposes consumers to unsafe products. CGCSA members remain committed to affordability and transparency, and we call for stronger enforcement partnerships to ensure that excise policy does not unintentionally strengthen the illicit economy."

Closing the Gaps Exploited by the Illicit Economy

CGCSA highlights the importance of leveraging **GS1 standards** to strengthen enforcement and reduce the illicit economy:

- **Traceability & Transparency:** GS1 barcodes and data standards enable end-to-end product tracking, making it harder for illicit goods to infiltrate legitimate supply chains.
- **Authentication:** Unique identifiers (GTINs, GLNs, and serialisation) allow regulators and retailers to verify product legitimacy at every stage.
- **Collaboration with Enforcement Agencies:** GS1 standards provide a common language for industry and government, strengthening customs, border control, and retail compliance.
- **Consumer Protection:** By ensuring products are traceable and authentic, GS1 standards safeguard consumers from counterfeit and unsafe goods.

"With excise increases raising incentives for smuggling, GS1 standards offer a practical solution to enforce compliance, protect consumers, and ensure government revenue collection is not undermined," Tyikwe notes.

Regulatory Alignment

CGCSA also calls for government to ease the regulatory and policy overburden which continues to increase the cost of business for its members.

"We want to work with government, particularly when it relates to policy and regulatory formulation, to avoid unintended consequences of achieving the opposite of what government intends. For example, while CGCSA and its members fully support measures to eradicate foot-and-mouth

disease, we are deeply concerned that the current restrictions imposed on milk and dairy exports exceed international standards and are causing significant harm to the industry."

"Specifically, South Africa's regulations often go beyond the guidelines set by the World Organization for Animal Health (WOAH). WOAH permits the safe trade of dairy products that have undergone Ultra-High Temperature (UHT) treatment or double pasteurization, recognizing these processes as effective in neutralizing FMD risk. However, local rules continue to block such products from export, treating FMD-vaccinated milk as if it were FMD-infected. This misalignment creates unnecessary barriers, increases costs, and undermines South Africa's competitiveness in regional and global markets," she concludes.

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