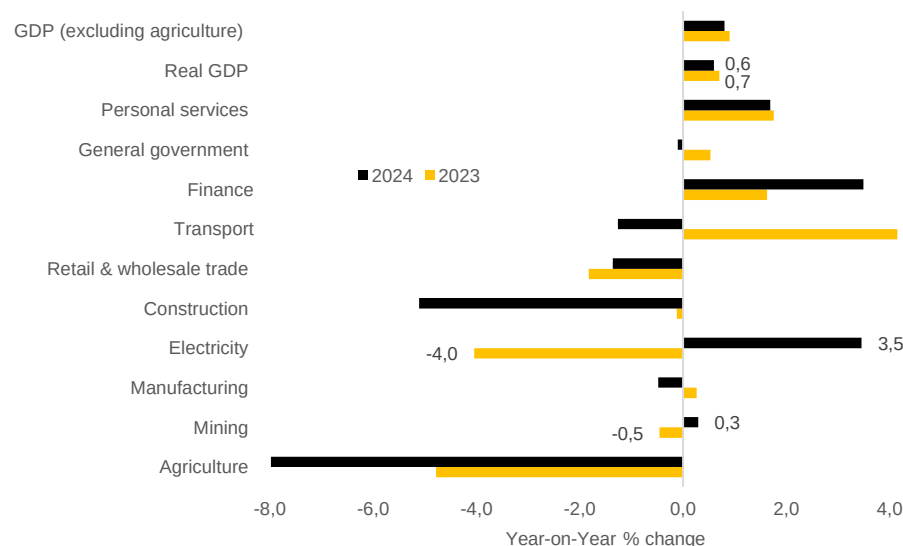


Mining and overall real GDP growth disappoints in 2024

As widely expected, following a quarterly decline in the third quarter, real GDP growth bounced back in the fourth quarter of 2024. According to Stats SA, real GDP expanded by 0.6% quarter-on-quarter (q-o-q) in the final three months of 2024. This followed an upwardly revised *contraction* of -0.1% in Q3, initially reported as an (unexpected) decline of -0.3%. The (expected) revision to the Q3 GDP figures was due to a large upward adjustment to agricultural GDP. Although still a significant contraction of 19.7% q-o-q, output in the agricultural sector is now estimated to have declined by significantly less in Q3 than previously reported (-28.8%).

Figure 1: Another year of subpar real GDP growth in 2024



Source: Stats SA

Regarding the **mining sector**, as was already evident in the monthly output figures released by Stats SA, mining GDP declined by 0.2% q-o-q in Q4. This followed a robust 0.8% quarterly increase during Q3. With the Q4 numbers available, we can also look at the GDP data for the calendar year 2024. The sectoral GDP growth rates for 2023 and 2024 are shown in Figure 1. *Following a contraction in 2023, mining GDP eked out a small gain of 0.3% during 2024.*

Record Eskom loadshedding depressed overall real GDP growth to only 0.7% in 2023, from 1.9% during 2022. At the start of last year, the general expectation was that real GDP growth would improve somewhat towards 1% in 2024. *In the end, at 0.6%, growth was even slightly weaker in 2024 than the previous year.* This was despite a meaningful improvement in power supply, with no

loadshedding between late-March 2024 and the end of last year¹. Indeed, the electricity sector saw reasonable growth in 2024 after a notable decline during 2023.

Even so, non-energy and industry-specific constraints meant that output declined in six of the 10 major economic sectors in 2024. By far the largest contraction amongst the sectors was in **agriculture**, where value added declined by 8% year-on-year (y-o-y). The mid-summer drought in early-2024 weighed on field crop production (maize in particular). Livestock diseases in the first few quarters of the year also depressed agricultural production. *The latest figures from the crop estimates committee suggest an improvement in summer crop production during 2025. This bodes well for a recovery in agricultural production from the weakness in 2023 and 2024.*

Another weak spot in 2024 was the **construction sector**, declining by 5.1% y-o-y. This was consistent with poor **real fixed investment** (capex). Total capex declined by 3.7% in 2024 after increasing by almost 4% in 2023 amid a boom in renewable energy installations. During 2024, investment by the general government, public corporations (SOEs) and the private sector all declined. Private sector capex was the biggest drag on the overall investment number.

The Q4 GDP data provided the first official estimates for **mining sector fixed investment** in 2024. These figures are only available in calendar years as opposed to being released quarterly. As in several other sectors, the data for 2024 was a horror show. In real, inflation-adjusted terms, mining capex declined by 9.6% y-o-y. This follows basically zero (+0.1%) mining investment growth in 2023. Based on recent company financial results, we know that capex in sectors such as platinum group metals (PGMs) and diamonds was down relative to 2023. This reflects depressed demand and commodity prices in these subsectors. *Notwithstanding the decline, mining capex contributed almost 14% to total nominal fixed investment spending in South Africa during 2024.*

Broadly speaking, the decline in mining capex should be seen in an environment of constrained mining sector **profitability**. To be sure, Stats SA's **gross operating surplus** (GOS) data indicated that for the second consecutive year, mining profits declined on an annual basis. After plunging by 18.5% in 2023, the GOS for mining declined by a further 1% during 2024. Treasury budget documentation in February suggested that corporate tax receipts from the mining sector could be down by as much as 28% y-o-y in the 2024/25 financial year.

¹ It has to be acknowledged that although there was sufficient electricity production to meet demand, decaying and poorly maintained infrastructure at municipal level meant that many communities continued to suffer from power supply disruptions.

Of interest is that even with the downswing in profitability in the last two years, mining's GOS was 49% higher in 2024 than during the pre-COVID-19 period in 2019. This outpaced a 42% increase over the same period in the GOS for the non-mining sectors, reflecting strong mining profit growth in 2020 and 2021.

Outlays on **mineral exploration** were also poor in 2024, declining by 6.2% y-o-y. This was the fifth consecutive year that the value of mineral exploration was stuck between a paltry R1.1 billion to R1.2 billion in real terms. If South Africa is to ensure a future pipeline of primary mining extraction, the (sustained) low levels of exploration need to be turned around with urgency.

Outlook: Impact of domestic progress clouded by global strains

Although not without setbacks, continued progress to ensure sustained power availability, some further traction on improving rail and port efficiencies, as well as subdued inflation and lower interest rates bodes well for improved real GDP growth in 2025. This should be further supported if the government of national unity remains intact. In a nutshell, the domestic environment is expected to support faster rates of growth this year.

In contrast, the external (global) environment has been challenging so far in 2025, with no let-up in sight. US President Donald Trump's mad trade policies are set to weigh on global trade and GDP growth, with the risk that it postpones the progress in bringing inflation down to central bank targets. *A globally facing sector such as mining will be particularly vulnerable under these conditions.* This further emphasises the need for business-friendly mining sector regulations and policies in South Africa, as well as improved network infrastructure. For mining to reach its full potential, we need to see more progress on these fronts in 2025, and beyond.

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