

Mining led South Africa's modest Q2 2025 GDP growth

Real GDP growth increased by 0.8% quarter-on-quarter (q-o-q) seasonally adjusted. The last time real GDP grew closer to 1% q-o-q seasonally adjusted, was in Q2 of 2023 where it increased by 0.8%. (Figure 1 shows real GDP and sectoral performance). The 0.8% q-o-q increase was a much better showing than the 0.1% registered in Q1 2025. Mining was the biggest positive contributor to economic growth from the production side of the economy. The sectors that contributed positively to the GDP growth number include¹:

- The mining sector (+3.7%) which **contributed** 0.2%
- Manufacturing which grew by 1.8% and **contributing** 0.2%
- The trade sector (+1.7%) which **contributed** 0.2%
- Agriculture, finance government, and personal services individually **contributed** approximately 0.1% each

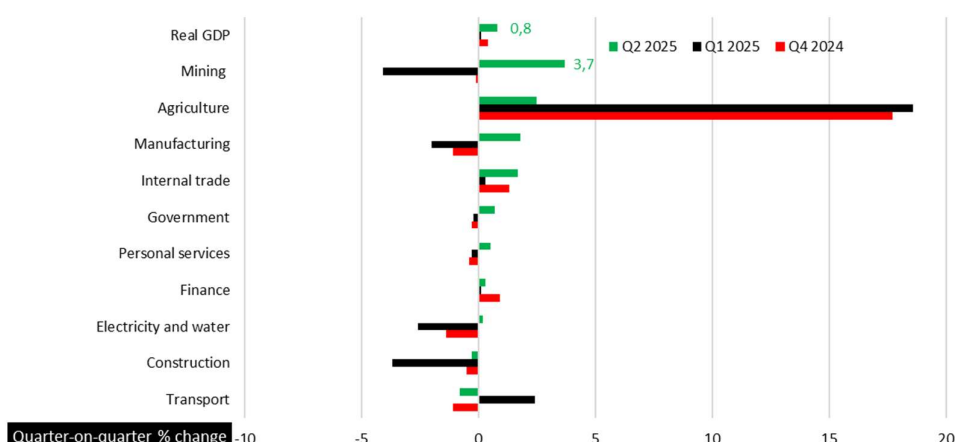
The **transport sector** contracted in Q2 2025 by 0.8% taking off 0.1 of a percentage point from GDP growth. The electricity sector (value added) grew marginally by 0.2% (q-o-q) while the **construction sector** (value added) declined by 0.3%. Over the past 35 quarters—dating back to Q4 2016—the construction sector has recorded positive year-on-year growth in real value added only four times: Q2 2021, Q4 2022, and Q1 and Q2 of 2023.

The **electricity, gas and water sector** grew by 0.2% mainly on account of two developments, namely: increased production (virtually no loadshedding) and increased consumption in Q2 2025.

Focusing on the mining sector (+3.7% growth rate in Q2 2025), the increased growth was on account of increased production in PGMs, coal, gold, chrome, diamonds, and nickel (as presented in the Minerals Council [June 2025 mining production commentary](#) dated 12 August 2025). Our own projections ([see same commentary](#)) had projected real growth (value added) in the mining sector of 3.9%. In Q1 2025, the mining sector contracted by 4.1%.

¹ This is the production approach of measuring GDP and includes 10 sectors: agriculture, mining, manufacturing, electricity, construction, trade, transport, finance, government and personal services. The other two approaches are the expenditure and income methods. Save for minor discrepancies in e.g. accuracy, completeness and timeliness, all three approaches should yield in the same GDP growth rate.

Figure 1: Production approach - Real GDP growth and sectoral performance Q2 2025



Source: Stats SA

On the **expenditure side of GDP**, the external trade balance was a drag on the economy in Q2 2025 with exports of goods and services (-3.2%) contracting faster than imports (-2.1%) q-o-q. Gross domestic expenditure grew by 1% (in real terms, q-o-q). Two of its components, household consumption (+0.8%) and government expenditure (+0.7%) grew in Q2 2025. On the other hand, the performance of gross fixed capital formation (GFCF) (-1.4%, q-o-q), which is a measure of the growth in productive assets, continues to raise concerns. This component has recorded growth only once (+0.2% in Q3 2024, q-o-q) since Q3 2023.

On the **income side of GDP**, the two main components of value addition, compensation of employees (income generated by labour) and gross operating surplus (income generated by capital) respectively increased 3.7% (y-o-y, nominal) and 1% in Q2 2025. On the other hand, while compensation of employees for the mining sector soared by 3.2% in Q2 2025 (y-o-y, nominal) gross operating surplus contracted by 2.1% y-o-y. This is the third consecutive y-o-y decline in gross operating surplus for the mining sector.

Conclusion and looking ahead

While mining registered positive growth (+3.7%, q-o-q) structural constraints affecting the sector remain. Although highly endowed in minerals of all sorts, South Africa continues to struggle to attract investment into new mines. For example, in the 2024 Fraser Annual Survey of Mining Jurisdictions, South Africa was ranked 68 out of 82 jurisdictions in the “**investment attractiveness**” category. That placed the country at the bottom quartile. Since 2020, South Africa has ranked in the bottom quartile of the Fraser Institute’s mining investment attractiveness index in four separate years: 2020, 2021, 2022, and 2024.

A major concern from the Q2 2025 GDP numbers is the performance of the construction sector. Infrastructure is a key enabler to inclusive economic growth. The sector has not registered any real positive growth since 2016 (y-o-y). The lack of investment in general, which is still 10% below 2019 levels is a serious concern. It is this lack of investment that is holding back future growth and causing South Africa to muddle along on a below 1% growth path.

Bongani Motsa

Acting Chief Economist

Cell: +27 (0)82-685-3277

Email: bmotsa@mineralscouncil.org.za

- ENDS -