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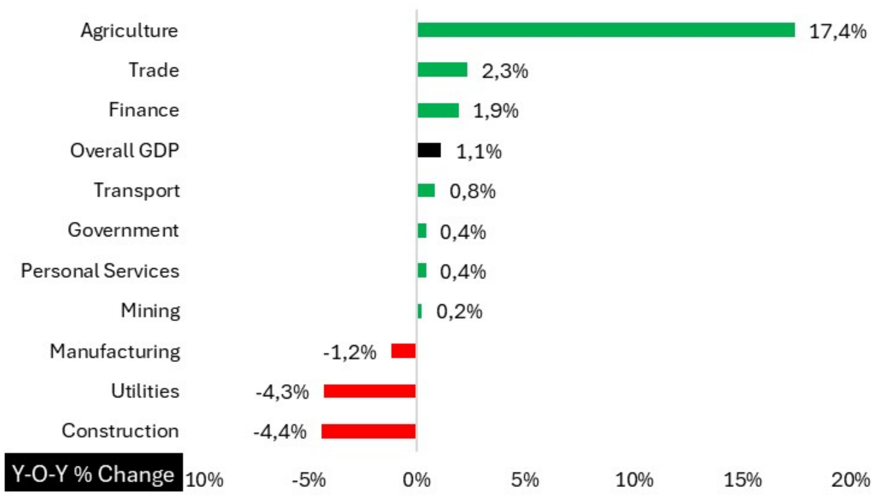
South Africa’s economy in 2025: Growth amidst sectoral contrasts

In 2025, real Gross Domestic Product (GDP) expanded by 1.1% (seasonally adjusted), marking a period of modest economic growth. This was higher than the 0.5% recorded in 2024, suggesting that while the economy continued to expand, momentum remained limited. We examine the country’s growth performance using the three approaches to GDP calculation: production, expenditure, and income.

Production approach: Year-on-year (y-o-y) comparisons of 2025 real GDP performance to 2024 reveal agriculture as the standout performer (Figure 1).

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



Source: Stats SA

- **Agriculture** (+17.4% contributing 0.4 of a percentage point to overall GDP growth) - Exceptional growth driven by favourable weather conditions, improved yields, and possibly higher export demand. Part of the massive 17.4% increase is a base effect - the sector contracted by 8.4% in 2024. Investment in technology and mechanisation may also have boosted productivity.
- **Trade** (+2.3% contributing 0.3 of a percentage points) - Expansion reflects steady consumer demand and stronger retail activity supported, in part, by the drop in the interest rate that started last year. Cumulatively the prime rate dropped by 0.75% in 2025 boosting consumer disposable income.
- **Finance** (+1.9% contributing 0.5 of a percentage point) - Growth supported by increased credit uptake, digital banking expansion, and resilient capital markets. Financial inclusion initiatives may have played a role.

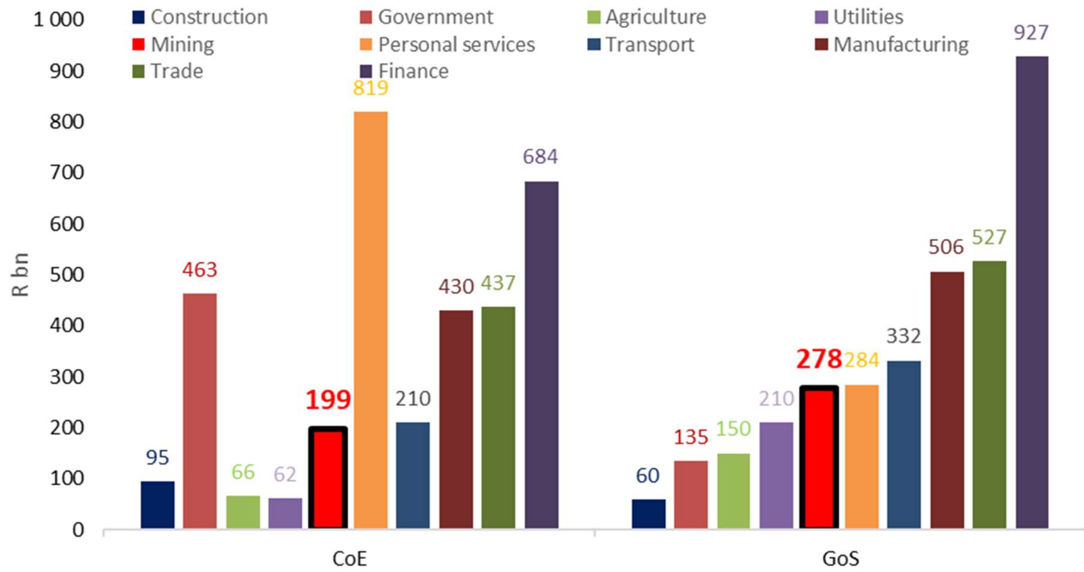
- **Transport** (+2.3% contributing 0.1 of a percentage point) - Gains linked to higher trade volumes and logistics demand. Infrastructure improvements and recovery in passenger travel contributed to growth.
- **Government** (+0.4%) - Marginal increase due to restrained fiscal spending and efficiency measures. Public sector wage moderation and limited expansion in services kept growth subdued.
- **Personal Services** (+0.4% contributing 0.1 of a percentage point) - Modest growth reflecting stable but slow demand for household and community services. Rising urbanisation may have provided some support.
- **Mining** (+0.2%) - Near stagnation, due to weaker production in the platinum group metals (PGMs) gold, operational challenges, or subdued investment in exploration and extraction. Production increased in the diamonds and iron ore industries with steep growth in ‘other metallic minerals’ category which includes silver, cobalt, lead, titanium and zinc.
- **Construction** (-4.4% subtracting 0.1 of a percentage point) - Significant contraction caused by reduced public infrastructure projects, high input costs, and weak private sector investment.
- **Utilities** (-4.3% subtracting 0.1 of a percentage point) – The decline in performance was attributed to energy supply constraints, aging infrastructure, and possible disruptions in electricity generation or distribution.
- **Manufacturing** (-1.2% subtracting 0.1 of a percentage point) - Contraction driven by weaker demand, rising production costs, and competition from imports. Supply chain pressures may have also weighed on output.

Expenditure approach: Household final consumption expenditure rose by 1.2%, contributing 0.8 of a percentage point to overall growth, while government consumption expanded by 0.5%, contributing 0.1 of a percentage point. Net exports subtracted 0.3 of a percentage point from GDP, highlighting external trade as a drag. Primary mineral exports totalled R861 billion (nominal), accounting for 41.5% of total merchandise exports (R2.1 trillion), underscoring mining’s importance in foreign exchange earnings.

Income approach: Figure 2 illustrates gross operating surplus (GoS) and compensation of employees (CoE).

- CoE rose 3.7% y-o-y (R3.3 trillion to R3.5 trillion), broadly in line with consumer price index (CPI) inflation (3.2%). This suggests monetary policy having a measure of success in anchoring wage growth, especially in the context of the revised inflation target band (2 - 4%).

Figure 2: 2025 GDP sectoral performance - Income approach



Source: Stats SA & Minerals Council South Africa

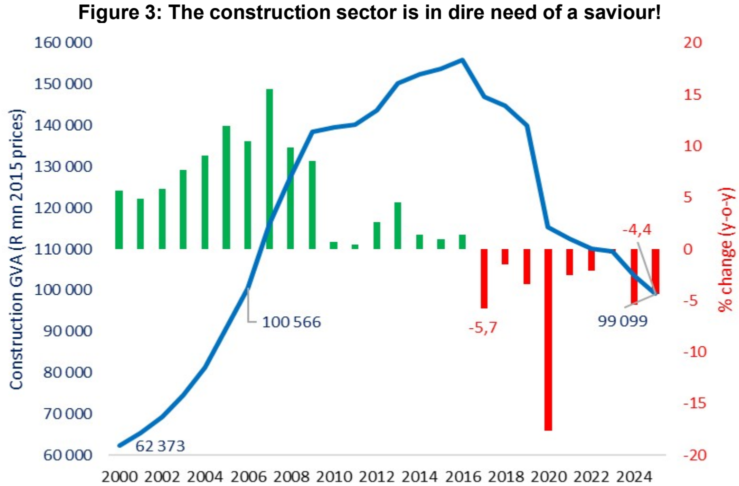
Construction sector: A persistent decline

As highlighted in previous commentaries, construction remains in crisis. The sector last recorded growth in 2016 and has since experienced a steep decline (Figure 3).

Key insights:

- In real gross value added (GVA) terms, construction in 2025 (R99 099 million) was nearly the same size as in 2006 (R100 566 million).
- Anecdotal evidence points to the "construction mafia," community resistance to mega public projects, and a lack of state investment as contributing factors.

Figure 3: The construction sector is in dire need of a saviour!



Source: Stats SA

The bottom line

South Africa's current real GDP growth remains insufficient, as it continues to fall below the average population growth rate of 1.3%, limiting its ability to meaningfully improve living standards and support broad-based development. This challenge is compounded by the prolonged weakness in the construction sector, a critical driver of inclusive economic expansion, which urgently requires decisive government intervention to restore its capacity, stimulate investment, and support infrastructure delivery.

The global environment remains highly volatile, with geopolitical tensions, such as the US-Israel invasion of Iran, posing significant risks to the domestic economy. Such instability has already resulted in price hikes for crude oil. If this persists and is followed by a weakening rand, it will inevitably raise fuel costs and ultimately exert upward pressure on consumer price inflation thus constraining South Africa's already fragile growth outlook.

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