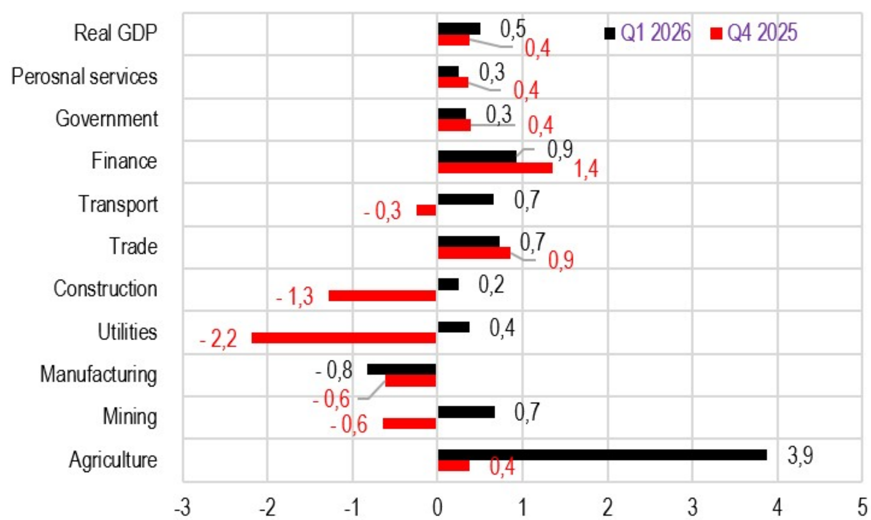
10 JUNE 2026

**A 0.5% GDP growth in Q12026 still not good enough!**

In Q12026 the South African economy grew by a modest 0.5%, a slight improvement compared to Q42025 where the economy expanded by 0.4%. The growth in Q12026 was driven by agriculture's strong performance in field crops and horticulture products, and a recovery in transport, construction, utilities and mining (Figure 1) - all these offsetting the continued manufacturing weakness.

**Production approach:** Year-on-year (y-o-y) performance indicates all the sectors except for manufacturing expanded in Q12026.

**Figure 1: Production approach - Real GDP growth and sectoral performance Q12026 (y-o-y % change)**




*Source: Stats SA*

A sector-specific examination of the sectors' performance in Q12026 (**y-o-y**) indicates the following:

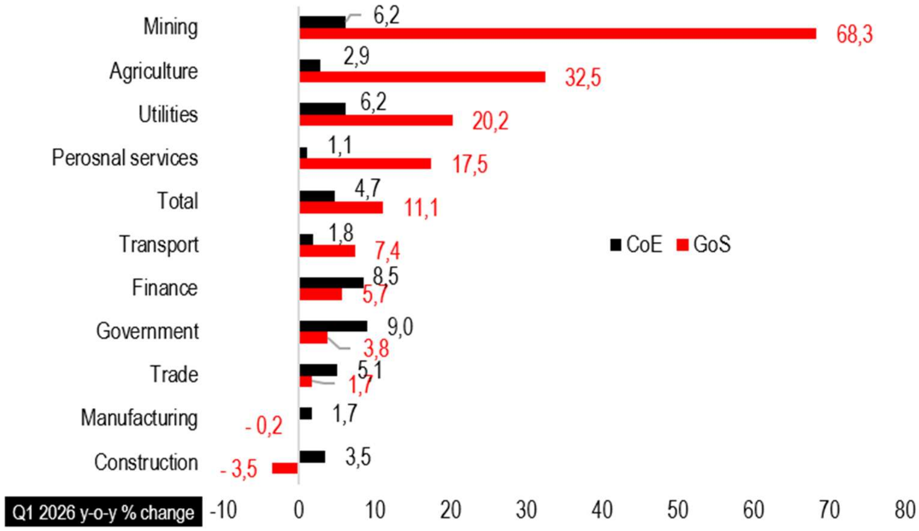
- **Agriculture**: The sector recorded the most growth due to a sharp rebound driven by favourable weather conditions, bumper harvests, and increased export demand for staple crops.
- **Mining**: Following a contraction in Q42025 (-0.6%) caused by weaker global commodity prices and operational disruptions in key mines, Q12026 saw a recovery of 0.7% as global demand for minerals (especially platinum and gold) picked up, alongside stabilisation in energy supply that reduced downtime.

- **Manufacturing**: The sector is experiencing a period of structural decline across key industries. For example, according to the National Association of Automotive Component and Allied Manufacturers, 13 component manufacturers have closed in the past two years. Goodyear announced the closure of its Kariega tyre plant in 2025.
- **Utilities**: The mild recovery, following a 2.2% contraction in Q42025, was thanks to notable improvements in electricity generation capacity.
- **Construction**: The sector has largely been affected by reduced government infrastructure spending which serves to catalyse private sector construction activity. The 0.2% modest growth in Q12026 is a result of a slight rebound in housing projects, albeit the momentum remained fragile.
- **Trade**: The 0.7% growth in Q12026 followed a 0.9% expansion recorded in Q42025. This must be view in the context of the 4.7% (Q12026) growth in compensation of employees (nominal) which could have played a role in boosting consumer demand.
- **Transport**: A steady recovery in export volumes boosted freight and logistics activity resulting in a 0.7% growth in Q12026. This followed a 0.3% contraction in Q42025.
- **Finance**: The sector expanded by 0.9% in Q1 2026 following a 1.4% increase in Q4 2025: 1.4%.
- **Personal services**: Q12026 performance indicates that the sector grew by 0.3% likely boosted by, foramong others, increased tourism into South Africa. Total tourists grew by 12% in Q12026 to record 2.9 million visitors, compared to 2.6 million in Q1 2025. Tourists from the African continent increased to 2.2 million in Q12026 compared to 1.9 million in the same period in 2025. The protests against 'illegal' immigration is likely to have an impact on the number of visitors from the continent.

**Expenditure approach:** Household final consumption expenditure increased by a mere 0.1%, contributing 0.1 of a percentage point to overall economic growth in Q12026. Even though the external trade balance was negative (imports outpacing export of goods and services), exports of goods and services grew by 0.5% while imports declined by 2.6%. Net exports thus contributed positively (0.9 of a percentage point) to expenditure on GDP. Primary mineral exports were among the few categories that boosted merchandise exports with year-to-date (Jan-Mar 2026) mineral sales recording R242 billion, up R67.4 billion (or 39%) from the same period in 2025.

Figure 2 depicts the performance changes (%) of the two key elements of the **income approach to GDP (nominal)** - gross operating surplus (GoS), a proxy for profits, and compensation of employees (CoE). Mining GoS grew by 68.3% (Figure 2) - the most by any of the sectors – on account of high commodity prices, especially for gold and platinum.

**Figure 2: Q12026 GDP sectoral performance - Income approach (based on nominal data)**




*Source: Stats SA*

The growth in the mining sector's GoS is yet again evidence of the sector's potential in catalysing inclusive economic growth in South Africa. There is, therefore, an urgent need for policymakers to consider growth enhancing policies aimed at growing the mining sector. Such would include, among others, an across-the-board affordable electricity tariff dispensation e.g. the R0.62/KWh extended to the ferrochrome industry.

Viewed in the context of the 2026 budget votes for the various government departments it is clear that the real sector ministries are underfunded. For example, the Department of Trade, Industry and Competition (DTIC) whose responsibility is mainly the manufacturing sector received 0.6% (or R11 billion) of total government revenue when the sector contributed 13% to GDP in Q12026 (nominal). Agriculture and mining respectively contributed 4% and 8% to GDP in Q12026; yet their respective ministries received 0.4% and 0.16% of total government revenue. More needs to be done by government to ensure a sustainable growth of these sectors in gross value added and employment terms.

**The bottom line**:

- Real GDP growth, while positive, continues to underperform. The magic growth number is one that is above population growth (currently 1.3%). Until that happens, South Africans real per capita GDP will continue to decline.
- Going forward, the impact of the illegal migration protests could likely affect the growth of some sectors e.g. trade and personal services, as tourists are likely to shun visiting South Africa.

- The growth in GoS in mining is further evidence of the potential presented by the sector.

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