Gross Domestic Product

ECONOMICS | South Africa

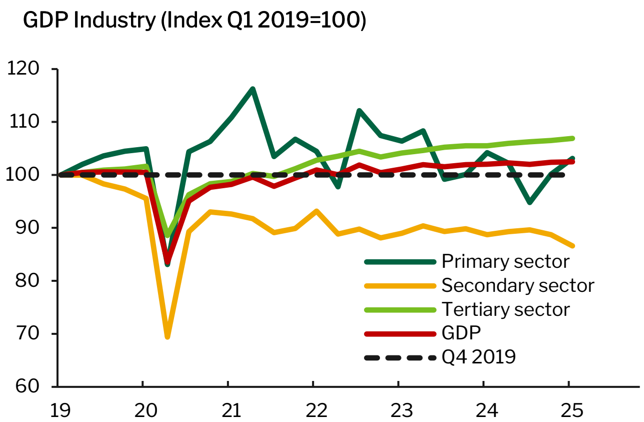
Economic momentum remains elusive.

- Direction: GDP grew by a meagre 0.1% qoq in Q1, slightly better than our and the market's forecasts of no growth. Compared with the same quarter a year ago, the economy grew by 0.5%, slower than in Q4.
- The industry breakdown: Agriculture, domestic trade, transport and communication, as well as finance provided the momentum in Q1. Agriculture was supported by improved performances in livestock and horticulture. Services were supported by consumer demand, which benefitted from subdued inflation, lower interest rates, and the two-pot withdrawals. The most considerable drag to growth came from the mining and manufacturing sectors, which continued to grapple with structural inefficiencies, elevated cost structures, modest domestic and global demand, and soft commodity prices.
- The expenditure breakdown: Growth in expenditure on GDP slowed to 0.1% in Q1 from 0.5% in Q4. The moderation was broad-based. Growth in household consumption expenditure (HCE) slowed. The decline in gross fixed capital formation (GFCF) deepened. And finally, government consumption expenditure (GCE) contracted. Net exports remained a drag as imports grew faster than exports. The rundown in inventory continued but by less than in Q4.
- The outlook: We did not expect fireworks, but today's numbers are disappointing. Stats SA also lowered the 2024 estimate slightly. Despite the lower base and patchy picture of Q1, we still expect the economy to gain some upward traction in the quarters ahead. The boost will continue coming from consumer demand, which should accelerate as inflation remains subdued and interest rates decline further, bolstering real incomes and lowering borrowing costs. The upside will be capped by slower government spending due to fiscal constraints, patchy fixed investment, and a weaker net trade position caused by fading global growth, subdued commodity prices, and persistent policy uncertainties. Altogether, we expect GDP to grow by 1% in 2025, only moderately better than 0.5% in 2024.

Table 1: Key growth rates.

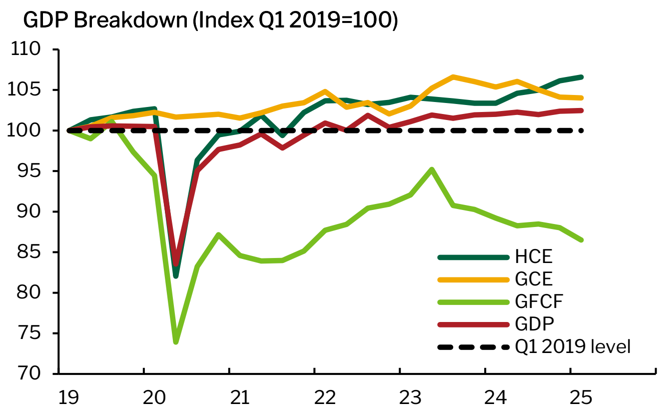
		Q1 2025	Q4 2024	Nedbank forecast	Market forecast
Real GDP	qoq %	0.1	0.4	0.0	0.0
	yoy %	0.5	0.8	0.7	0.7

Chart 1: Sector breakdown of GDP.



Source: Stats SA and Nedbank calculations

Chart 2: Expenditure breakdown of GDP.



Source: Stats SA and Nedbank calculations

Industry Breakdown of GDP

The economy fared slightly better than expected, with real GDP up a meagre 0.1% qoq in Q1 after growth of 0.4% in Q4. The outcome marginally exceeded our and the market forecast of 0%. On a yoy basis, the economy grew by 0.5%, lower than 0.8% in the previous quarter. Positive contributions came from agriculture, transport, finance and domestic trade. Agriculture made impressive gains, while domestic trade benefitted from continued consumer spending. Finance, real estate and business services also contributed positively to GDP, reflecting increased economic activity in insurance, pensions and auxiliary services.

The main drag came from manufacturing and mining. Electricity, water and gas, construction, government and personal services also performed poorly.

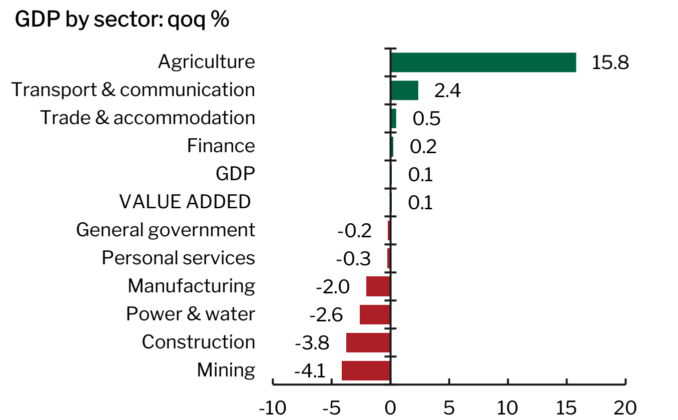
Table 2: Sector breakdown of GDP.

Industries	% of total	Quarterly									
		qoq %					yoy%				
	2024	2024				2025	2024				2025
		Q1	Q2	Q3	Q4	Q1	Q1	Q2	Q3	Q4	Q1
Agriculture	2.9	14.0	-3.9	-20.5	17.7	15.8	-2.1	-11.9	-20.5	8.5	16.4
Mining	6.1	-1.2	-0.7	0.7	-0.1	-4.1	0.8	0.0	1.6	-0.6	-4.7
Manufacturing	12.8	-1.2	0.5	0.1	-1.1	-2.0	-0.2	-0.9	-0.2	-0.2	-2.1
Power & water	3.3	0.0	2.0	1.3	-1.4	-2.6	1.6	4.7	5.9	1.5	-1.1
Construction	2.2	-2.9	0.3	0.8	-0.5	-3.8	-8.7	-7.2	-3.2	-2.3	-4.0
Trade & accomm.	12.4	1.0	0.9	-0.8	1.3	0.5	-2.8	-2.2	-1.9	1.8	1.3
Transport & comm.	7.0	-0.6	-3.3	-0.3	-1.1	2.4	1.0	0.3	-0.6	-5.2	-2.2
Finance	21.1	0.0	1.7	1.1	0.9	0.2	2.2	3.3	3.7	3.6	3.9
General government	7.8	-0.2	0.6	-0.2	-0.3	-0.2	0.6	1.2	-0.1	-0.5	-1.0
Personal services	14.4	-0.1	0.0	0.4	-0.4	-0.3	1.7	1.5	1.0	0.6	-0.2
Value added	90.0	0.1	0.3	-0.3	0.4	0.1	0.4	0.3	0.4	0.8	0.8
GDP	100.0	0.1	0.3	-0.3	0.4	0.1	0.5	0.4	0.4	0.8	0.8

Source: Stats SA

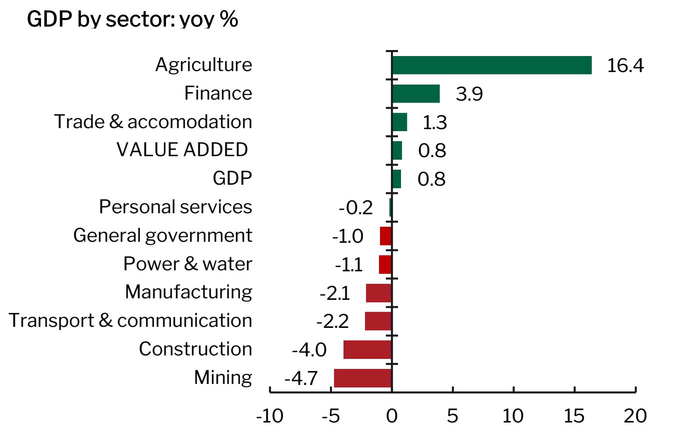
The recovery in agriculture, forestry, and fishing continued, with value-added expanding by an impressive 15.8% qoq after rebounding by 17.7% in Q4. The boost came from improved performance in livestock and horticulture. The jump in agriculture added 0.4 percentage points (ppts) to the quarterly change in GDP. The contraction in mining deepened from 0.1% in Q4 to 4.1% in Q1. Similarly, manufacturing contracted by a steeper 2%. In mining, PGM (platinum-group metals) production suffered the most. Value added by seven of the ten manufacturing divisions also contracted, while the rest made negligible gains. Declines in beverages, coke, petroleum products, fuel, motor vehicle parts, and accessories made the most considerable dent. Electricity, gas, and water shrunk by 2.6% due to decreased electricity production and reduced water supply. Construction activity worsened, dropping by 3.8% from -0.5% in Q4, hurt by reduced outlays on residential buildings and construction works.

Chart 3: Agriculture and services explain the GDP outcome.



Source: Stats SA and Nedbank calculations

Chart 4: A similar picture emerges relative to a year ago.



Source: Stats SA and Nedbank calculations

The services industry expanded by 0.4%, a slowdown from the previous quarter. Performances were mixed within the subsectors. Trade, catering and accommodation, transport, storage, and communication, as well as finance, real estate, and business services offset contractions in government and personal services. Trade, catering, and accommodation increased by 0.5% qoq, buoyed by retail and motor trade sales, accommodation, food, and beverages. Consumer demand supported the sector. Transport, storage, and communication bounced back, growing by 2.4% due to better performances in land and air transport and support services. Finance, real estate, and business services grew by 0.2% qoq, driven by increased economic activity in insurance, pension funds, and auxiliary services. General government services declined by 0.2% due to reduced employment by provincial governments. Finally, value added by personal services fell by 0.3% because of declines in health and education.

Expenditure breakdown of GDP

Expenditure on GDP weakened in Q1, slowing from 0.5% qoq in Q4 to a modest 0.1% in Q1. The moderation was broad-based, hurt by increased global uncertainty amid the dramatic changes in US trade policy, the return of load-shedding, and disagreements within the GNU, which weighed on business and consumer confidence. Consequently, consumers were slightly more cautious about spending, and companies were much more reluctant to expand operations, leading to slower growth in consumer spending and a deeper decline in fixed investment. Government spending also declined, probably reflecting the delays caused by the prolonged impasse around the approval of this year's budget. The net export position remained a drag as imports grew faster than exports. Inventory depletion continued but at a slower pace than in Q4.

Table 3: Expenditure breakdown of GDP

Spending category	qoq% Δ					yoy%Δ					Annual	
	2024				2025	2024				2025	2023	2024
	Q1	Q2	Q3	Q4	Q1	Q1	Q2	Q3	Q4	Q1		
HCE	0.0	1.2	0.4	1.1	0.4	-0.7	0.5	1.3	2.6	2.8	0.2	1.0
GCE	-0.6	0.7	-1.0	-0.8	-0.1	2.5	0.8	-1.7	-1.8	-1.1	1.9	-0.1
GFCF	-1.2	-1.1	0.2	-0.5	-1.7	-3.1	-7.1	-3.0	-2.4	-3.2	3.0	-3.9
Change in inventories (R bn)	-11.3	-3.5	-17.1	-24.4	-9.0	-14.0	6.8	9.8	-16.7	-13.5	25.2	-14.1
GDE	-1.0	0.9	-0.2	0.3	0.4	-1.7	-2.4	0.8	0.2	1.2	0.2	-0.8
Exports	-1.7	-0.4	-4.3	2.1	1.0	-0.1	-0.6	-5.7	-4.2	-2.1	5.1	-2.8
Imports	-4.9	1.5	-4.0	1.3	2.0	-7.1	-8.5	-3.9	-6.0	0.9	3.9	-6.4
Expenditure on GDP	-0.6	0.2	0.0	0.4	-0.3	0.4	0.0	0.3	0.7	0.4	0.5	0.4

Source: Stats SA

List of abbreviations:
HCE= Household consumption expenditure
GCE= Government consumption expenditure
GFCF= Gross fixed capital formation
GDE = Gross domestic expenditure

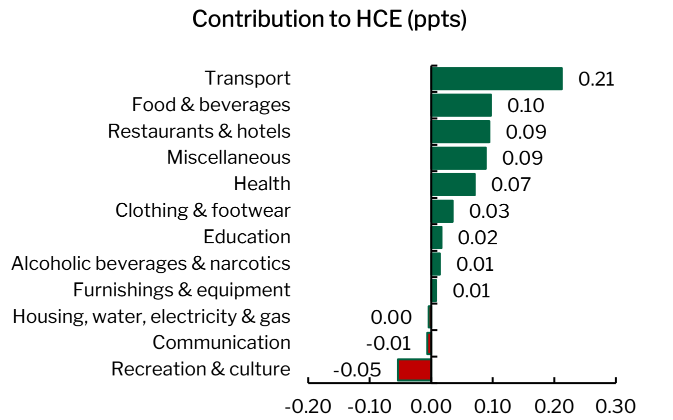
HCE growth softened from 1.1% in Q4 to 0.4% in Q1. Consumer confidence deteriorated. The FNB/ BER consumer confidence index weakened to -20 in Q1, its lowest level since mid-2023, weighed down by the brief return of load-shedding, disagreements within the GNU about the budget, and fears that higher US tariffs could hurt the economy and undermine employment. The upheaval made consumers more cautious. These worries were still overshadowed by rising real incomes, benign inflation, lower interest rates, and continued withdrawals of contractional savings. Consumers scaled back on big-ticket items. Growth in durable goods outlays slowed from 2.2% to only 0.8%. The most significant drag came from lower purchases of furnishings and household equipment. Spending on semi-durable goods also moderated significantly due to reduced clothing and footwear purchases. Despite subdued food inflation, spending on non-durable goods also moderated over the quarter, easing from 1.6% to 0.3%, its slowest growth rate in five quarters. In contrast, consumers prioritised services, increasing outlays by 0.6%, after two quarters of no growth. The increase was driven by spending on transport services, followed by restaurants and hotels, which together outweighed a decline in spending on recreation and culture. On a yoy basis, HCE growth improved from 2.6% to 2.8%, suggesting that household finances are still in better shape than a year ago.

Table 4: Breakdown of consumer spending.

Spending category	qoq% Δ					yoy%Δ					Annual	
	2024				2025	2024				2025	2023	2024
	Q1	Q2	Q3	Q4	Q1	Q1	Q2	Q3	Q4	Q1		
Durables	0.6	0.4	0.6	2.2	0.8	1.4	3.1	4.1	4.2	3.8	0.6	3.2
Semi-durables	-4.2	1.7	0.7	3.9	0.0	-2.9	1.8	1.1	2.0	6.0	3.4	0.6
Non-durables	1.7	0.9	0.8	1.6	0.3	-1.5	-0.5	1.1	4.7	3.5	-2.4	1.0
Services	-0.3	1.4	0.0	0.0	0.6	-0.2	0.4	0.9	1.2	1.8	1.1	0.6
Total	0.0	1.2	0.4	1.1	0.4	-0.7	0.5	1.3	2.6	2.8	0.2	1.0

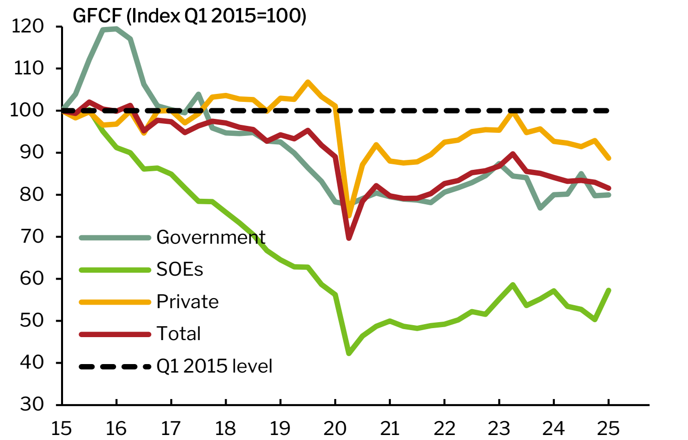
Source: Stats SA

Chart 5: Drivers of spending (ppts contribution)



Source: Stats SA and Nedbank calculations

Chart 6: Fixed investment by institution.



Source: Stats SA and Nedbank calculations

Gross fixed capital formation (GFCF) disappointed further in Q1, shrinking by a deep 1.7% qoq, after contracting by 0.5% in Q4. The weakness came from cutbacks in private sector capital expenditure, which outweighed recoveries in outlays by government and public corporations. In the first quarter, business confidence was unchanged at low levels, undermined by global uncertainties and renewed domestic political and policy instability caused by the GNU's woes. Companies also sit on excess capacity due to subdued global and domestic demand. Consequently, firms reduced capital outlays by 4.5% over the quarter. Encouragingly, capital spending by public corporations rebounded strongly, up by 13.8%, after declining for three consecutive quarters. These probably reflect continued investment by Eskom and Transnet. Capital spending by general government grew by 0.3%, recovering from a 6.2% drop in Q4.

Table 5: Breakdown of gross fixed capital formation.

Asset/Institution:	qoq% ∆					yoy%∆					Annual	
	2024				2025	2024				2025	2023	2024
	Q1	Q2	Q3	Q4	Q1	Q1	Q2	Q3	Q4	Q1		
By asset:												
Residential buildings	-4.0	5.0	-0.9	-6.5	-5.8	-16.0	-8.4	-5.0	-5.3	-8.4	-6.7	-16.0
Non-residential buildings	4.7	3.2	-2.8	-3.5	0.8	-11.1	0.9	-1.1	0.9	-2.4	-0.4	-11.1
Construction works	-1.4	-2.7	3.2	0.2	-2.8	-9.5	-9.8	-3.4	-1.8	-2.4	-1.9	-9.5
Transport equipment	3.4	-2.3	0.5	-1.5	-3.1	-10.0	-9.1	3.0	-0.2	-7.0	10.8	-10.0
Machinery & equipment	-2.2	-0.7	-0.4	-0.3	-1.4	5.8	-6.6	-5.3	-3.8	-2.7	7.7	5.8
Other assets	-1.9	-8.0	3.2	5.3	1.8	3.6	-8.0	3.6	-0.5	0.9	2.0	3.6
By institution:												
Government	4.1	0.2	6.1	-6.2	0.3	-8.3	-5.1	1.0	3.7	0.1	1.0	-2.4
Public corporations	3.5	-6.5	-1.3	-4.6	13.8	2.4	-8.4	-0.9	-8.8	0.9	9.6	-4.0
Private sector	-3.1	-0.4	-0.9	1.6	-4.5	-2.6	-7.4	-4.2	-2.8	-4.7	2.6	-4.2
GFCF	**-1.2**	**-1.1**	**0.2**	**-0.5**	**-1.7**	**-3.1**	**-7.1**	**-3.0**	**-2.4**	**-3.2**	**3.0**	**-3.9**

Source: Stats SA

The breakdown of capital expenditure by type of asset reflected mixed performances. Outlays on residential buildings, construction works, transport equipment and machinery and equipment all declined. However, non-residential buildings grew by 0.8%, after two quarters of contraction. Similarly, outlays on other assets increased by 1.8%.

Government consumption expenditure (GCE) contracted for the third consecutive quarter, down by 0.1% qoq. Government reduced spending on employee compensation and goods and services.

The inventory drawdown continued in Q1, but the rate of decline moderated substantially from R24.4 billion in Q4 to R9 billion in Q1. Large depletions were recorded in transport, storage and communication, trade, catering and accommodation, manufacturing, finance, real estate and business services, as well as personal services.

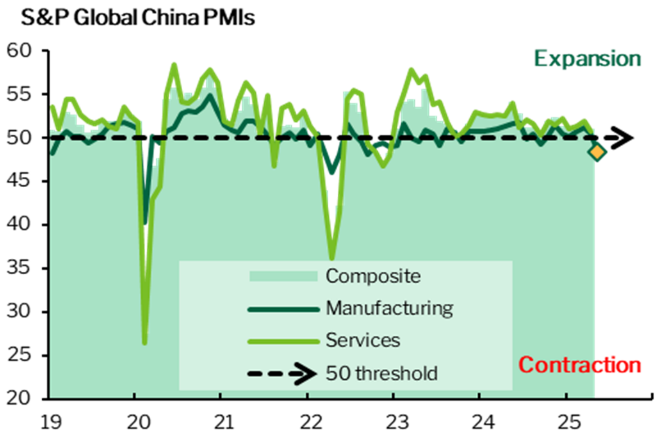
The net export position subtracted 0.3 percentage points off Q1 GDP growth, as imports outpaced exports. Over the quarter, exports increased by 1%, driven by sales of vegetable products, vehicles and transport equipment and mineral products.

Imports rose by a stronger 2%, due to increased purchases of chemicals and mineral products, as well as machinery and electrical equipment.

Outlook

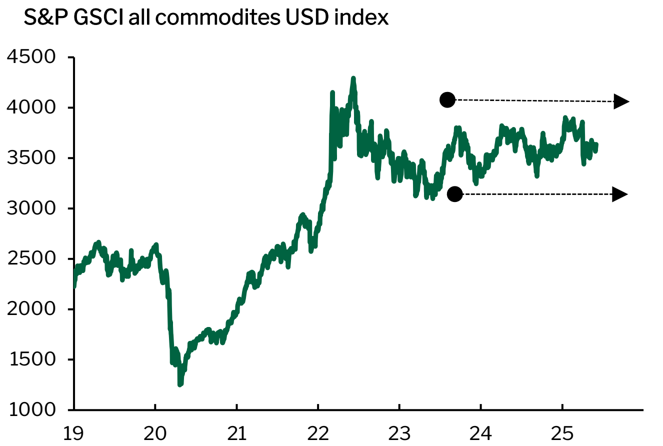
The economy will likely remain lacklustre in Q2 before improving in the year's second half. On the production side, relatively stable power supply, slight improvements in logistics, and firmer domestic demand will underpin activity in most industries. However, weaker global demand, hurt by increased protectionism and heightened policy uncertainty, will weigh on export-orientated sectors. The impact of higher US tariffs is gradually starting to filter through the world economy, fuelling uncertainty, subduing global trade volumes and deflating international commodity prices. According to the latest purchasing managers indices, China's factory activity contracted in May, its first decline in eight months. The weakness will likely persist and spread as the changes in trade policies set in. On the expenditure side, today's numbers show that consumers are the main source of momentum. While consumers benefit from firmer income growth, muted inflation, and lower interest rates, confidence remains frail, and credit demand is weak, probably due to mediocre labour market conditions and lingering financial strain among lower-to middle-income groups. Consequently, we forecast GDP growth of around 0.3% qoq for Q2.

Chart 7: US tariffs are starting to hurt Chinese activity



Source: S&P Global PMIs

Chart 8: Commodity prices continue their sideways drift



Source: LSEG

Growth will accelerate in the year's second half. While global conditions will remain a drag, consumer and business confidence should improve as structural reforms continue, financial conditions ease, and consumer demand gains pace. Agriculture should also benefit from favourable (La Niña) weather conditions throughout the year. Meanwhile, the recovery in consumer spending will likely gather momentum on the back of still-subdued inflation and lower interest rates, which will reduce debt service costs and bolster real disposable incomes. A further boost in household finances will come from withdrawals from the two-pot retirement system, which could also boost spending directly or indirectly by reducing debt. These and slightly better employment prospects will increase consumer confidence and encourage spending.

Increased spending will gradually erode spare capacity in various industries. Increased capacity utilisation and continued structural reforms will lift business confidence, leading to a modest recovery in private-sector capital outlays later this year. If the government delivers on its plans to accelerate infrastructure spending, increased fixed investment by government and public corporations could provide an added boost. However, the net export position will remain a drag on GDP. Exports growth will be weighed down by a volatile global policy environment, reflecting the impact of US tariffs, the likely end of AGOA, and subdued commodity prices. Meanwhile, increased domestic spending will keep imports elevated. Finally, government consumption spending will also be contained by fiscal consolidation.

Altogether, we forecast GDP growth of 1% in 2025, only moderately faster than 0.5% in 2024. Growth should improve to an average of 1.5% in the next three years, underpinned by easing structural constraints and higher consumer spending.

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