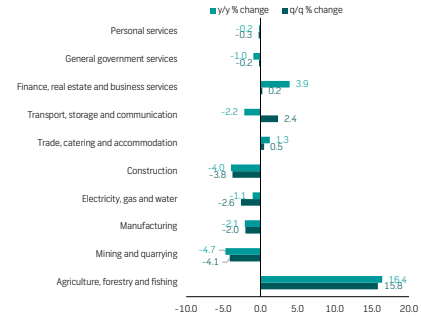
Flash Note: GDP

3 June 2025

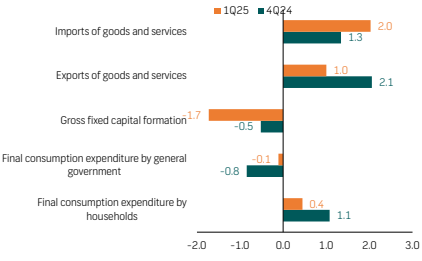
Modest GDP growth in 1Q25

Figure 1: Sectorial growth performance in 1Q25



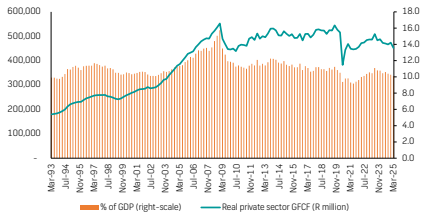
Source: Stats SA, FNB Economics

Figure 2: GDP demand components % q/q



Source: Stats SA, FNB Economics

Figure 3: Private GFCF remains constrained, requiring deeper reforms and improved business sentiment



Source: Stats SA, FNB Economics

Real GDP (not seasonally adjusted) grew by 0.8% y/y in 1Q25, following a downwardly revised 0.8% y/y (previously 0.9% y/y) expansion in 4Q24. While not material, the retrospective revisions now imply that GDP grew by 0.5% in 2024 (previously 0.6%) and by 0.8% in 2023 (previously 0.7%).

On a seasonally adjusted (non-annualised) basis, the economy expanded by 0.1% q/q, after growing by a downwardly revised 0.4% (originally 0.6%) in 4Q24. The outturn was slightly better than both our estimate and the Bloomberg consensus, which had anticipated a 0.1% quarterly contraction.

Nominal GDP growth was 2.7% y/y, reflecting a moderation from 4.3% in 4Q24. Meanwhile, growth in compensation of employees was 3.9%, marginally outpacing inflation of 3.0% during 1Q25.

Outlook

Today's data release is consistent with our 1.3% growth forecast for 2025. While high-frequency indicators for 2Q25 have been mixed, with new vehicle sales still showing robust growth, manufacturing PMI continues to disappoint, remaining in contractionary territory for the seventh consecutive month. This suggests ongoing pressure on the manufacturing sector, which carries significant weight in the economy and is likely to continue weighing on near-term growth. Business confidence survey results for 2Q25 will be released later this week and should provide a clearer indication of how firms view current operating conditions. Business confidence is crucial for fixed investment, growth and employment. Encouragingly, inflation remains benign, and the South African Reserve Banks (SARB) has reduced the restrictiveness of monetary policy by a cumulative 100-basis points (bps) from the peak of the latest hiking cycle. We expect a further 25bp cut before year-end. This, together with continued growth-oriented reforms under the Government of National Unity (GNU), should support growth over the medium term.

Uncertainty over the stability of the GNU following earlier disagreement over some components of the fiscal framework appears to have subsided, and the focus should now shift to implementing deeper reforms to drive South Africa's economic recovery over the next decade. While the global environment remains fluid and uncertainty is likely

Economist

Thanda Sithole

Contact us:

Website: fnb.co.za/economics-commentary
Email: Thanda.Sithole@fnb.co.za

to persist over the long-term horizon, potentially complicating policy, US-China trade tensions are unlikely to escalate further, with reciprocal tariffs largely expected to remain on hold indefinitely.

We see South Africa's GDP growth rising towards 2.0% by 2027.

Supply- and demand-side drivers

Growth was recorded in only four out of ten sectors in 1Q24. As expected, the agriculture, forestry, and fishing sector continued to shine, expanding by 15.8% q/q, after expanding by 17.7% q/q (previously 17.2%), contributing 0.4-percentage points (ppts) to overall GDP growth. The transport, storage, and communication sector increased by 2.4%, rebounding from a quarterly contraction of 1.1% and added 0.2ppts to overall GDP growth, underpinned by robust activity in land transport, air transport and transport support services.

The finance, real estate, and business services sector and trade, catering, and accommodation sectors each contributed 0.1ppt to GDP growth, based on quarterly growth of 0.2% and 0.5%, respectively. Growth in finance, real estate, and business services was underpinned by increased activity in insurance and pension funding and auxiliary activities. Meanwhile growth in trade, catering, and accommodation was supported by increased activity in retail trade, motor trade, accommodation and food and beverages.

Negative growth was recorded in the following supply-side sectors:

- Mining and quarrying (-4.1% q/q), largely reflecting weak production in platinum group metals.
- Manufacturing (-2.0% q/q), with largest drags coming from the petroleum, chemical products, rubber and plastic products; food and beverages; and motor vehicles, parts and accessories and other transport equipment divisions.
- The electricity, gas, and water sector (-2.6% q/q), reflecting lower electricity production and consumption as well as water consumption.
- The construction sector (-3.8% q/q), largely dragged by decreases in residential buildings and construction works.
- The personal service sector declined by 0.3%, underscoring reduced activity in health and education activities. General government services shrank by 0.2%, as employment in provincial government fell.

Measured from the demand (expenditure) side, real private household consumption rose by 0.4% q/q, reflecting reduced momentum from the downwardly revised growth of 0.7% (previously 1.0%) in 4Q24, supported by modest growth in durables (0.8% from 2.2%), and non-durables (0.3% from 1.6%), and services (0.6% from 0.0%), while semi-durables were flat at 0.0% from 3.9%.

Gross fixed capital formation (GFCF) declined again, falling by 1.7% after a 0.5% decline in the previous quarter (previously -0.7% q/q), largely weighed down by a sharp 4.5% contraction in private sector GFCF, following 1.6% growth in 4Q24. GFCF by government and public corporations grew by 0.3% and 13.8%, respectively. The decline in private sector GFCF is consistent with our view of a very limited GFCF growth rebound this year. Prevailing uncertainty could continue to dent business confidence, weighing on broad-based investment decisions. Drawdowns in inventories continued into the early months of 2025, amounting to R8.9 billion compared to R24.4 billion in 4Q24.

Real exports of goods and services increased by 1.0% q/q, reflecting a slowdown after a 2.1% q/q increase in the previous quarter. Meanwhile, imports rose by 2.0%, reflecting an acceleration from a 1.3% increase (previously estimated at 2.0%) in the previous quarter. As a result, net exports amounted to a deficit of R33.2 billion, subtracting 0.3pps from GDP growth.

Flash Note: GDP

Appendix A: Supply side revisions, constant seasonally adjusted

Industry		2024			
		Q1	Q2	Q3	Q4
Agriculture, forestry and fishing	Revised	14.0	-3.9	-20.5	17.7
	Previous	14.1	-3.4	-19.7	17.2
Mining and quarrying	Revised	-1.2	-0.7	0.7	-0.1
	Previous	-1.2	-0.7	0.8	-0.2
Manufacturing	Revised	-1.2	0.5	0.1	-1.1
	Previous	-1.2	0.8	0.3	-0.6
Electricity, gas and water	Revised	0.0	2.0	1.3	-1.4
	Previous	-0.2	2.3	1.3	-1.4
Construction	Revised	-2.9	0.3	0.8	-0.5
	Previous	-2.8	0.2	0.8	-0.4
Trade, catering and accommodation	Revised	1.0	0.9	-0.8	1.3
	Previous	0.5	0.7	-0.6	1.4
Transport, storage and communication	Revised	-0.6	-3.3	-0.3	-1.1
	Previous	-0.7	-3.1	-0.5	-1.0
Finance, real estate and business services	Revised	0.0	1.7	1.1	0.9
	Previous	0.1	1.7	1.2	1.1
General government services	Revised	-0.2	0.6	-0.2	-0.3
	Previous	-0.2	0.3	-0.1	-0.5
Personal services	Revised	-0.1	0.0	0.4	-0.4
	Previous	0.0	0.1	0.6	-0.2
Total value added	Revised	0.1	0.3	-0.3	0.4
	Previous	0.1	0.3	-0.2	0.6
Taxes less subsidies on products	Revised	-0.1	0.2	-0.4	0.3
	Previous	-0.1	0.0	-0.1	0.5
GDP at market prices	**Revised**	**0.1**	**0.3**	**-0.3**	**0.4**
	Previous	**0.1**	**0.3**	**-0.1**	**0.6**

Source: Stats SA

Flash Note:
GDP

Appendix B: Expenditure side revisions, constant seasonally adjusted

Expenditure component		2024			
		Q1	Q2	Q3	Q4
Household final consumption expenditure	Revised	0.0	1.2	0.4	1.1
	Previous	-0.2	1.1	0.4	1.0
Government final consumption expenditure	Revised	-0.6	0.7	-1.0	-0.8
	Previous	-0.1	0.8	-0.5	-0.8
Gross fixed capital formation	Revised	-1.2	-1.1	0.2	-0.5
	Previous	-1.5	-0.9	0.3	-0.7
Gross domestic expenditure	**Revised**	**-1.0**	**0.9**	**-0.2**	**0.3**
	Previous	**-1.2**	**1.0**	**-0.1**	**0.6**
Exports of goods and services	Revised	-1.7	-0.4	-4.3	2.1
	Previous	-0.9	-0.6	-4.3	2.1
Imports of goods and services	Revised	-4.9	1.5	-4.0	1.3
	Previous	-5.0	1.6	-4.2	2.0
Expenditure on GDP	**Revised**	**0.0**	**0.4**	**-0.3**	**0.5**
	Previous	**0.0**	**0.4**	**-0.1**	**0.6**

Source: Stats SA

Disclaimer

First National Bank A division of FirstRand Bank Limited. An Authorised Financial Services and Credit Provider (NCRCP20).

Disclaimer: The information in this publication is derived from sources which are regarded as accurate and reliable, is of a general nature only, does not constitute advice and may not be applicable to all circumstances. Detailed advice should be obtained in individual cases. No responsibility for any error, omission or loss sustained by any person acting or refraining from acting as a result of this publication is accepted by FirstRand Group Limited and / or the authors of the material.