

GDP COMMENT | 4 MARCH 2025

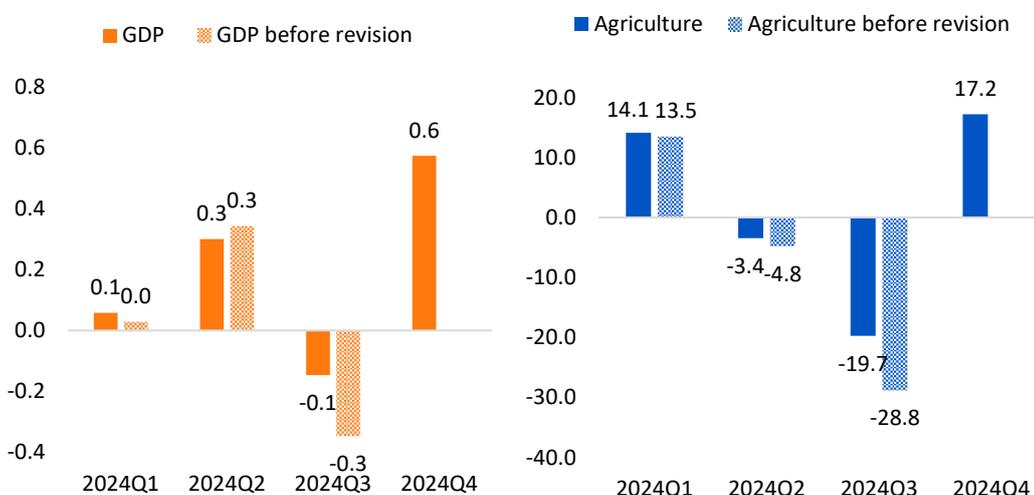
Power fails to ignite economic growth in 2024

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According to Stats SA, the economy expanded by 0.6% q-o-q in 2024Q4. This is below what we, and the consensus, expected ahead of the release. The lower-than-expected Q4 print means that full-year growth also undershot expectations and came in at just 0.6%. This is a touch lower than the 0.7% recorded in 2023, a year when the economy was brought to a virtual standstill through load-shedding.

The 2024Q4 GDP release was always going to be a tricky one given the expected revision to Q3 (and possibly earlier quarters), which would impact the base from which the growth rate would be calculated. From a 0.3% q-o-q contraction, Stats SA now estimates that the economy contracted by 'just' 0.1% q-o-q in Q3. From the production side, the biggest revision came, as expected, from the agricultural sector, where the contraction was upwardly revised to a (still steep) contraction of 19.7% from -28.8% before. The transport and personal services sectors were also upwardly revised, but growth in all other sectors was downwardly revised, with only government services left unchanged from the earlier estimate.

Figure 1: 2024Q3 GDP growth revised from bad to less bad



Source: Stats SA, BER calculations

There were revisions to the expenditure-side calculations of GDP, too. With household consumption (-0.1%pts), imports (-0.3%pts), and exports (-0.6%pts) all estimated to be somewhat lower than before, expenditure on GDP was upwardly revised from -0.2% to -0.1% (as a steeper decline in imports is 'good' for growth).

AGRICULTURE ADDS MOST TO GROWTH FROM PRODUCTION SIDE

Flipping the narrative of Q3, the biggest boost to growth from the production side came from the agriculture industry. Following a 19.7% contraction in Q3, the industry expanded by 17.2% and added 0.4 percentage points (%pts) to growth. Stats SA attributes the increase to higher field crop and animal product activity. The second-biggest contribution came from the finance industry, followed by trade. With lower inflation, lower interest rates and a boost from withdrawals from the two-pot retirement system, we suspected that the consumer-linked industries would perform well in Q4, but they did not make up for the contractions recorded in all the other industries – see table 1.

Table 1: GDP from the production side

	q-o-q % (seasonally adjusted)		y-o-y % (unadjusted)	
	2024Q3	2024Q4	2024Q3	2024Q4
Agriculture	-19.7	17.2	-20.1	9.1
Mining	0.8	-0.2	1.4	-1.0
Manufacturing	0.3	-0.6	-0.1	-0.3
Electricity	1.3	-1.4	5.9	1.5
Construction	0.8	-0.4	-2.9	-2.0
Trade	-0.6	1.4	-2.2	1.6
Transport	-0.5	-1.0	-0.9	-5.2
Finance	1.2	1.1	3.8	4.1
Government	-0.1	-0.5	-0.6	-0.8
Personal services	0.6	-0.2	1.4	0.9
GDP	-0.1	0.6	0.4	0.9

Source: Stats SA

CONSUMER LIFTS GROWTH, AGAIN

As was the case in Q2 and Q3, the consumer did the heavy lifting from the expenditure side of the economy. Household consumption added 0.6% pts to growth on the back of a 1% q-o-q expansion. Exports were also positive (+0.5%pts) for quarterly GDP growth, but all other expenditure components contracted – see Table 2.

Table 2: GDP from the expenditure side

	q-o-q % (seasonally adjusted)		y-o-y % (unadjusted)	
	2024Q3	2024Q4	2024Q3	2024Q4
Household consumption	0.4	1.0	1.3	2.3
Government consumption	-0.5	-0.8	-0.4	-0.6
Fixed investment	0.3	-0.7	-2.7	-2.7
Inventories (R bn, annualised)	-25.1	-16.4	n/a	n/a
Residual (R bn, annualised)	4.4	4.3	n/a	n/a
Gross domestic expenditure	-0.1	0.6	0.8	0.3
Exports	-4.3	2.1	-5.1	-3.5
Imports	-4.2	2.0	-4.0	-5.6
Expenditure on GDP	-0.1	0.6	0.4	1.0

Source: Stats SA

Following a slight contraction at the start of the year (-0.2%), household consumption has been positive in the remaining three quarters of 2024. According to Stats SA, household consumption growth was broad-based in Q4, with only transport and spending at restaurants and hotels declining q-o-q. As foreshadowed by the retail sales data, spending on clothing and footwear was particularly strong and expanded by 4.4% q-o-q (adding 0.2%pts). As flagged earlier, we expected the consumer to do well in Q4 but are concerned this may run out of steam in the first quarters of 2025. This does not bode well for GDP growth this year.

Disappointingly, after a slight uptick in Q3, fixed investment once again declined in Q4. Indeed, out of the past six quarters, only 2024Q3 was positive for gross fixed capital formation (GFCF). The biggest drag on GFCF were residential (-7.5% q-o-q) and non-residential (-2.7%) buildings. Other assets rose by a solid 5.2% and added 0.6%pts.

Important from a technical perspective, the change in inventories was once again a drag on GDP. This was the fourth consecutive quarter in which inventories were drawn down. Whether this stays negative or turns around will be a key determinant of economic growth in 2025.

From an external trade perspective, we saw a welcome uptick on the export side, with exports increasing by 2.1% quarter-on-quarter—the fastest increase since 2023Q1. However, this was largely cancelled out by a 2% increase in imports.

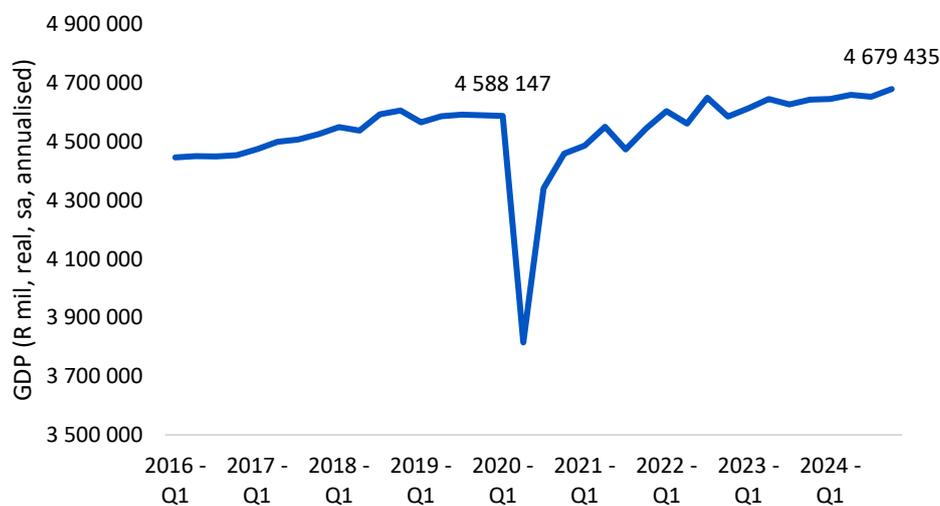
FULL-YEAR GDP GROWTH WAS WEAKER THAN IN 2023

To be frank, to see 2024 growth come in lower than in 2023 was disappointing. We know from our business surveys that the economy was operating in a wait-and-see mode ahead of the election, with many deferring major business decisions until after the election. Unfortunately, while the mood certainly brightened following the election, this has not (yet?) translated into faster growth. The logistics constraint was also a heavy burden for many businesses to carry through 2024, so we hope that the bounce back in Q4 exports could be the start of better export growth going forward. But with Transnet it

seems to be two steps forward, one step back. It is puzzling that the absence of load-shedding through 2024 relative to the worst load-shedding year on record in 2023 did not provide more of a boost to growth. Indeed, while mining edged out a 0.3% annual expansion, the manufacturing industry contracted in 2024. Of course, it took time for businesses (and consumers) to adjust to the reality of no load-shedding, and the recent return of stage six electricity disruptions recently highlights just how fragile the power system still is – which likely continues to play in the back of the minds of many South Africans.

Looking at the level of GDP in 2024Q4 is sobering, as it shows the economy is barely any bigger than it was prior to the pandemic – five years ago. Indeed, following the initial 5% bounceback in growth in 2021 after the 6.2% slump in 2020, real GDP growth has slowed every year.

Figure 2: The economy is barely bigger than pre-pandemic



Source: Stats SA

FORECAST IMPLICATIONS

The only positive takeaway from the latest GDP data is that the economy picked up some momentum towards the end of the year. Unfortunately, it remains unclear whether this momentum can be sustained into 2025. The PMI data available for January and February suggest not. Some of the temporary consumer windfalls are set to fade, and investment remains stubbornly subdued. Perhaps the recovery in exports can have some legs and boost investment spending down the line, too.

Prior to the Q4 release, we had pencilled in growth of 0.8% for 2024, with an acceleration to 2.0% in 2025. We are likely to make downward revisions to 2025. One would require about 2.5% q-o-q growth on average to get to 2% for the year. This seems unlikely. Indeed, a downward revision to about 1.2-1.5% now seems possible.

As indicated in our post-Budget comment, our next full forecast update is scheduled to commence in April. We will wait for the details of next week’s National Budget and our read of the RMB/BER Business Confidence Index for 2025Q1, which will be released tomorrow, and will do an interim update to our forecast. We will keep you posted.

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