

LATEST FORECASTS | FIRST QUARTER 2025

Economic Prospects

Executive summary

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Forecast in a nutshell

Real annual % change*	2024	2025	2026
Final household consumption expenditure	1.2	2.1	1.9
Durable goods	3.6	3.4	2.5
Semi-durable goods	1.1	2.8	2.5
Non-durable goods	1.1	1.7	1.6
Services	0.8	1.9	1.9
Gross fixed capital formation	-3.7	4.3	5.5
Private	-5.0	5.2	6.6
Government	-3.2	1.1	2.2
Public Corporations	3.7	3.7	3.1
Gross domestic expenditure	0.0	2.3	2.2
Exports of goods and services	-3.5	3.6	4.0
Imports of goods and services	-5.7	4.5	4.3
Gross domestic product	0.8	2.0	2.1
Current account as % of GDP	-1.3	-1.8	-2.5
Interest rates (% , last quarter average)			
3-month NCD rate	8.22	7.65	7.64
10-year government bond yield	10.89	10.66	10.37
Prime overdraft rate	11.25	10.75	10.75
Inflation rates (%)			
Producer prices	3.0	2.9	4.2
Consumer prices	4.4	4.2	4.3
Labour and employment (private and public)			
Nominal wage rate	2.2	4.7	5.1
Employment growth	2.3	1.6	1.8
Exchange rates (Q4 average)			
R/US dollar	17.92	17.96	18.19
R/Euro	19.11	19.76	20.92
R/Pound sterling	22.96	23.53	25.10
R/100 Japanese Yen	11.75	12.16	13.47
Fiscal indicators as % of GDP	24/25	25/26	26/27
Main budget balance	-5.4	-4.4	-4.4
Gross government debt	75.3	76.5	76.6

* unless specified otherwise

Executive summary

We have made slight downward revisions to our 2024 and 2025 real GDP growth forecasts. Although the consumer seems to have had a strong end to 2024 and should still do somewhat better this year relative to last year, private investment continues to disappoint. Structural reform progress has been too slow to ignite faster growth.

Our **real GDP forecast** for 2024 has been revised down to 0.8%, while we have downwardly adjusted our 2025 view to 2% growth. However, it is important to note that the forecast for 2024 and 2025 is complicated by the 2024Q3 official figure and comes with greater-than-usual uncertainty. According to Statistics South Africa (Stats SA), real GDP declined by 0.3% q-o-q, which was significantly weaker than what we, and the consensus, had expected. The main drag from the production side of GDP came from agricultural production, which plummeted by 28.8% q-o-q. Excluding agriculture means that the economy essentially churned along at (a subdued) 0.5% q-o-q in Q3, down from 0.4% in Q2 – this would have been in line with our and the consensus forecast ahead of the publication. Indeed, credible research from the Bureau for Food and Agricultural Policy (BFAP)¹ has since shown that the 2024Q1-2024Q3 contraction in agricultural production is a severe overstatement of what actually transpired in the sector, and indications are that a significant revision will be made to the historic agriculture data. This will likely be done with the release of the 2024Q4 GDP data in early March. While revisions to historical data are common, it seems that a fairly large adjustment is necessary this time. Unfortunately, we have no sense of the extent of the revision or how this will be accounted for in the GDP calculation from the expenditure side on which our forecast is based, and we need to forecast using the latest available official data as a starting point (although we suspect it will be revised). As such, we have built in a relatively large quarterly increase in Q4 to get to an annual GDP print that we think is more plausible, but with a likely revision to Q3, quarterly GDP growth in Q4 is likely to come in lower than we forecast now.

Regardless of statistical quirks, GDP growth in 2024 is likely to come in below 1%, with an improvement forecast in 2025. One of the reasons for more optimism for this year comes from some expected continued momentum in consumer spending relative to 2024. That said, we have pencilled in a contraction in consumer spending in 2025Q1 from what is expected to be a solid Q4 (when withdrawals from the two-pot system provided a nice boost along with other windfalls). Further support for growth comes from an expected recovery in fixed investment in the private sector, which should pick up some momentum from a very low base amid (local) political stability and some progress on the reform front that supports business confidence. However, we are less upbeat than we were before. Slow progress on the logistics reform front means that some of the investment and export recovery is shifted out to 2026, which means that we see growth remaining around 2% in 2026. The risk, of course, is that the reform gets delayed to such an extent that the boost to growth is outweighed by other headwinds (for example, renewed local political instability/uncertainty weighing on confidence).

¹ Their research report can be found [here](#).

Looking at price trends, **consumer inflation** was softer than we and the consensus expected during the last months of 2024. Still, our (updated) full-year forecast of 4.4% average inflation was correct. In December, the reason for the lower-than-expected print came from lower food price inflation as well as Owner's Equivalent Rent (OER) remaining more subdued than forecast. OER contributes about 15% of the current CPI basket² and serves as a key measure of demand-driven inflation. In all, our headline inflation forecast for 2025 is unchanged at 4.2%. We anticipate inflation to start the year relatively low (with the subdued OER and benign food price dynamics helping) at just above 3% but slowly trend up to above the SA Reserve Bank's (SARB) 4.5%-target through the second half of the year as the base effects from last year's low inflation kick in. Next year, inflation should still remain relatively well-behaved at 4.3%.

While inflation continues to undershoot expectations, persistent upside risks and uncertainty could make the SARB hesitant to cut the **repo rate** further. That said, amid improving **inflation expectations** and a still relatively benign inflation outlook, we believe there is scope to cut by a further 25bps in January. January's update of the SARB's CPI and growth forecast, their assessment of the balance of risks and the tone of the statement will help to get a better sense of the interest rate trajectory through 2025³. For now, we think a further 25bps cut after January is possible, but we are less convinced of this than before and think a further 25bps cut (i.e. a third cut this year) is unlikely as the SARB seems to place significant emphasis on the upside risks to inflation.

Of course, the global monetary policy environment has also changed with the European central Bank (ECB) still easing, but the first rate cut by the US Federal Reserve (**Fed**) is now only likely in the middle of the year. The reason for later (and likely fewer) Fed rate cuts is the expectation that newly installed President Trump's policies could be negative for global inflation and growth. This has contributed to a significantly stronger dollar.

The expectation of SARB cutting (albeit by just 50bps), while the Fed is expected to remain on hold, explains part of our somewhat weaker **rand** forecast in the first half of the year. However, it is not so much a weaker rand as a stronger dollar narrative. The rand is set to remain vulnerable to Trump's habit of policymaking through social media and can experience sharp swings as the market digests the potential implications of announcements. Still, with our expectation of better SA economic growth in 2025, some progress on the reform front, political stability (in SA) and a resumption of Fed rate cuts in the second half of the year, there is scope for the rand to find some renewed strength to close the year just below R18/\$.

The full Economic Prospects will follow soon. Summaries of the latest forecast in Excel format can be found [here](#).

² The Income and Expenditure Survey (IES) 2022/23 statistical release published by Stats SA in January 2025 is based on a household survey that tracks household purchases, consumption and spending patterns, income sources, and living conditions across the country. Importantly, the IES allows for the adjustment of the consumer price index (CPI) basket and weights. The January 2025 CPI release (due in February) will reflect the updated basket and some further changes – including a rebasing of the reference period to December 2024 and making some changes to the classification of certain goods and services. This may impact inflation trends in 2025.