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Voice of a country that is surviving not thriving: 'I hope SA makes it'

Lisette IJssel de Schepper

In the same week, I was accused of being both too optimistic and too pessimistic when presenting the same number to different people: the Bureau for Economic Research's (BER's) forecast that real GDP growth will be 1.3% in 2026. At least both parties agreed that 1.3% would be too low.

After the better-than-expected GDP outcome of 0.8% in the second quarter (**find our client note on the data here**), growth of just above 1% in 2025 now looks possible again. Adding another 1.3% in 2026 would beat our performance in much of the past decade. Still, we could and should do better.

Accounting for SA's remarkable growth deterioration.
And how can growth be restored?

South Africa experienced a remarkable economic growth deterioration between 2005 and 2025. The **Impumelelo Economic Growth Lab** published a note last week using a growth accounting framework to show that productivity shrunk and investment stagnated. Post-pandemic, productivity has recovered but not investment. Cutting red tape, political certainty, and faster progress on other structural reforms will reignite growth.

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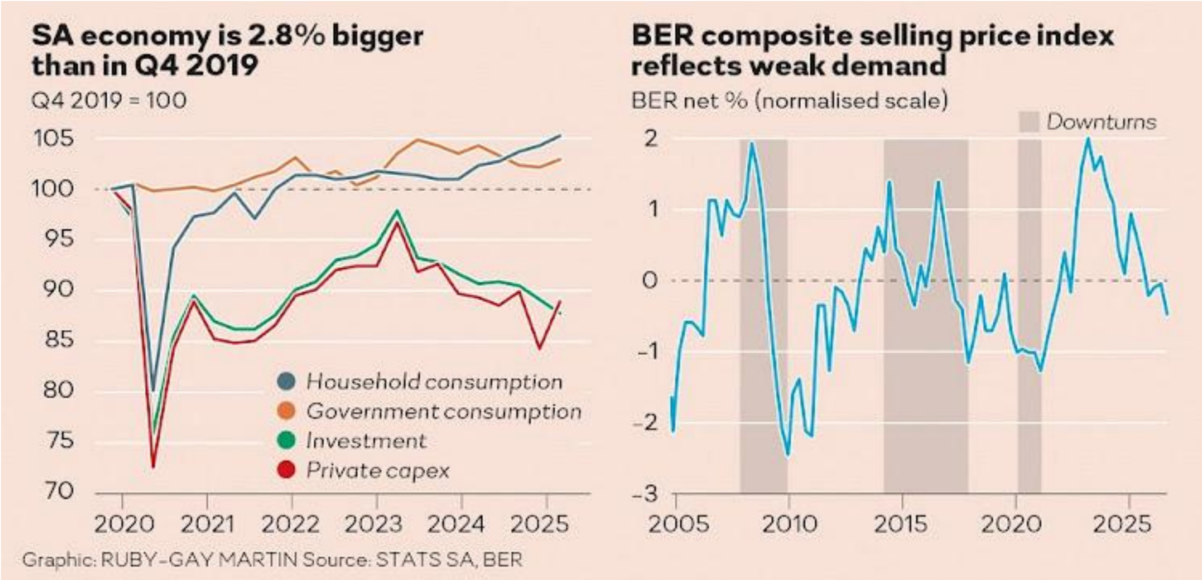
Private sector fixed investment is the linchpin of sustained economic growth. In post-1994 South Africa, the consumer has been a big driver (and even kick-starter) of growth.

Government spending has been an important support too (though government has not always spent on the right things), but the consumer and state can only spend so much before the money runs out. While investment-led recoveries are rare in SA, fixed investment is the fuel that is needed to keep the engine running.

The latest GDP data shows that the real economy is now 2.8% bigger than in the fourth quarter of 2019, before the Covid-19 pandemic struck. Consumer spending is 5% higher, but fixed investment is 11% lower. Strip out machinery and equipment – much of it renewables – and private sector fixed investment is 22% lower.



Does that mean corporate SA is to blame for weak growth? That would be jumping to an unfair conclusion. In response to the third-quarter business surveys, we received over 300 comments from businesses. In the non-compulsory question, we prompt them to think about negative and positive developments. Unfortunately, the recent feedback is mostly negative and provides a sobering reality check.

Some retailers say they have to deal with unexpected surcharges on top of their rental agreements because, for instance, the mall now needs its own water tanker. Meanwhile building contractors complain that they are struggling to pay their workers because they are not getting paid on time for work done (often by the government, with late revenue receipts partly to blame). It is shocking that dealing with crime and construction mafias has become so widespread that paying for “protection” has become a permanent business expense for some.

We hear about struggling start-ups who must wade through layers of red tape and corruption, and experienced business owners who worry they have no option but to close down. They worry because they know this will cause job losses and hardship. Imagine the shocks that a South African business owner has survived in the last 20 to 30 years only for 2025 to be the year that breaks the camel's back.

There were a few positive remarks, but even these were not unequivocal, like the business owner who said: “We are okay with the US tariffs, but our client is not, so we are still worried”.

It is telling that most concerns are not about gaining a competitive edge but staying in business. Remember, too, that we survey the survivors; those who closed up shop have already dropped from the sample.

Beyond sentiment, our activity indicators – production, sales, employment and selling prices – paint the same dismal picture.

When I saw the BER’s latest composite selling price indicator, my first thought was that the SA Reserve Bank would be pleased as there is no evidence of upward pressure on prices. Maybe getting inflation back to 3% will not be as challenging as many fear.

But it is very concerning if you consider why selling price inflation is so low: there is just no demand. Despite steep electricity tariffs, above-inflation wage increases and other significant cost pressures, businesses are telling us that the rate of increase in selling price inflation is below normal. Historically, lower prices would help a little on the volume front, but we don’t see any sign of that either.

A low-demand environment is not conducive to investment growth. But it seems that the government has lost the sense of urgency that was palpable this time last year. Lifting SA's potential growth trajectory was never going to be easy, but we all knew (and still know) what needs to be done.

The problem with slow progress is that the to-do list continues to grow, so prioritising reforms is important. For macroeconomic policy certainty, we need to reset the benchmarks – officially target both lower inflation and a primary budget surplus. Both will cause some short-term pain, but it will be far outweighed by the long-term gains.

Government also needs to announce credible successors to key institutions like the National Prosecuting Authority and the SA Revenue Service in good time and ensure that Operation Vulindlela has the fulltime resources needed to tackle its growing to-do list. The next frontline of the battle should be at a municipal level otherwise we will never win the fight.

We all know that making faster progress on the reform front will start to move the needle on growth, but we need to wake up. South Africa cannot grow when it is in survival mode; when business confidence is low; and investment, the engine of growth and jobs, is stalling.

One survey comment has been haunting me for a while because it cuts very close to the bone: "I hope South Africa makes it".

I hope so too.

This article first appeared in the Business Day of 12 September 2025.

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CONTACT US

Email: lisette@sun.ac.za

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