

South Africa's economic growth has slowed sharply since the mid-2000s, accompanied by declining investment, weakening business sentiment, and structural constraints. Below, we trace these trends over the past three decades. Policy must focus on restoring investor confidence and supporting private sector investment to reignite sustainable growth.

South Africa's government in the early 2000s signalled a clear commitment to sound macroeconomic policy. This boosted confidence among investors (domestic and foreign). After the Global Financial Crisis, **sentiment collapsed** amid policy uncertainty, corruption and load-shedding.

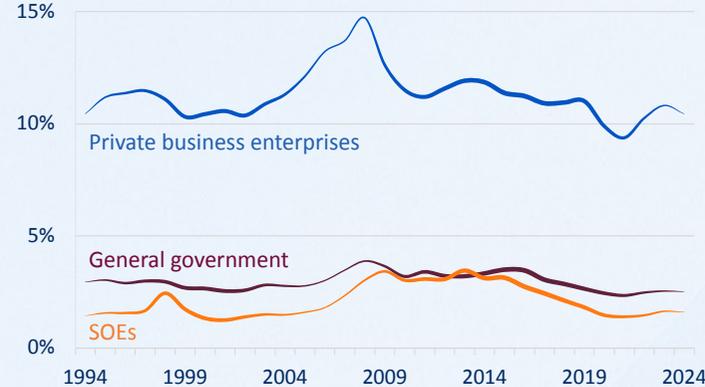
The upbeat business confidence during the 2000s translated into higher investment, especially from the private sector. Total investment peaked at 22% of GDP in 2008. But then **investment slackened** and in 2024, was a only 15% of GDP -- half of the NDP target of 30% by 2030.

The boost in sentiment and associated investment in the 2000s helped South Africa achieve annual GDP growth of more than 4% each year between 2003 and 2007. But between 2014 and 2024, **GDP growth dropped** to an average of 0.8% per year.

RMB / BER Business Confidence Index (BCI)



Fixed investment as a share of GDP

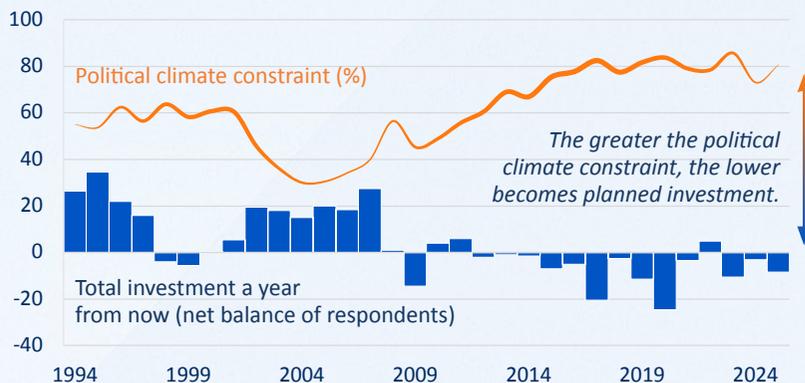


South Africa annual real GDP growth



Why did South Africa's GDP growth stagnate? To grow, an economy needs capital, labour and the productivity gains that arise from this spending (Total Factor Productivity).

The effect of the general political climate on investment in the manufacturing sector



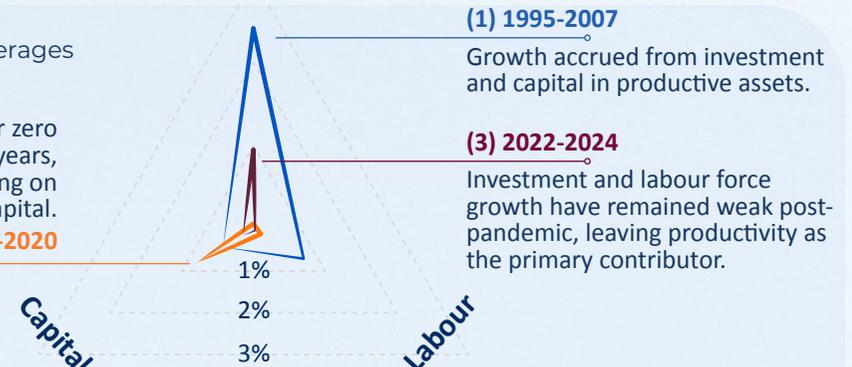
How much did productivity, capital and labour contribute to GDP growth?

Growth accounting decomposition; period averages

Productivity gains were near zero during the state-capture years, but there was lots of spending on unproductive capital.

(2) 2008-2020

Productivity (TFP)



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