

IN THE MEDIA | 9 JUNE 2025

The sad story of the recovery that never was

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SA's tentative economic rebound has faltered and we cannot risk losing any further momentum.

When non-economists ask me what I do for a living I often say I'm a storyteller. Numbers are important and help shape the narrative, but the story is what gives life and meaning to the numbers.

Now, if you want to be a good storyteller you must also be a good listener. Indeed, one of the best things about my job at the Bureau for Economic Research (BER) at Stellenbosch University is having the privilege of reading all the comments from our quarterly business survey respondents.

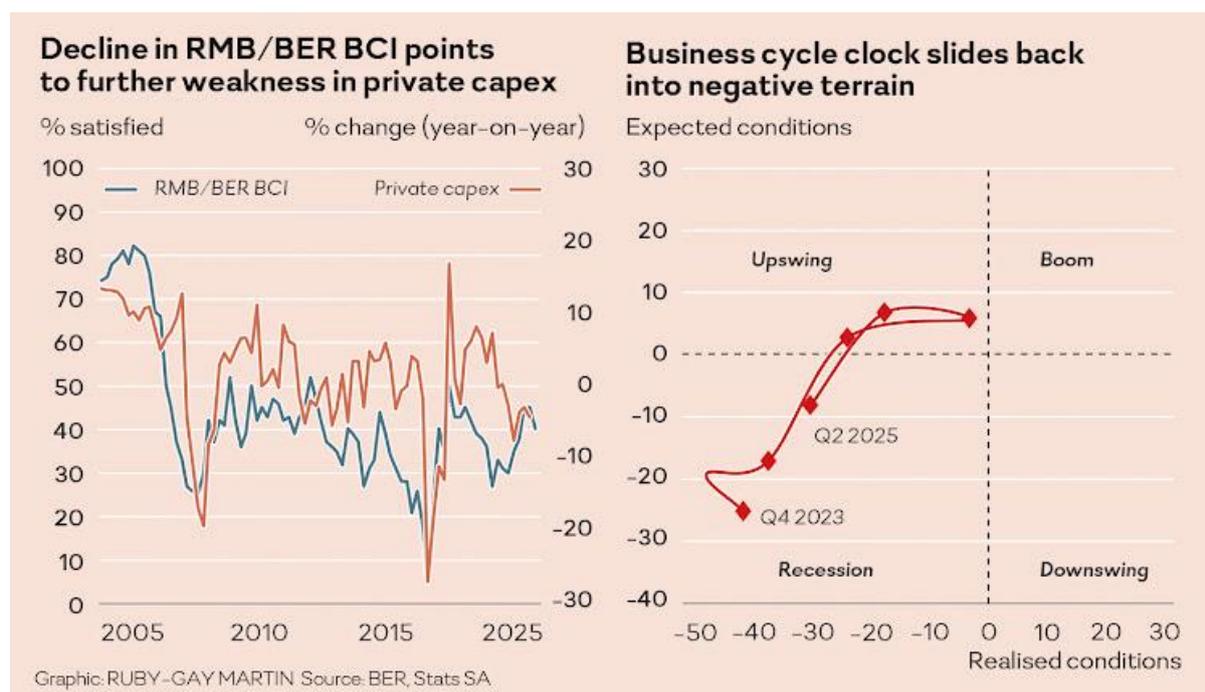
Back in the day of postal questionnaires some respondents scribbled all around the page in barely legible handwriting, squeezing in insights where they could. I still feel a little honoured when businesspeople take the trouble to add these nuggets.

That said, people do love to complain. I am pretty sure the quantity of comments has a direct negative relationship with the prevailing level of confidence in the country (the more the comments, the lower the confidence).

Towards the end of 2024 the number of comments ticked down a little. Some even shared glimmers of hope, with one business owner citing "a more positive general business mood" due possibly to a more stable government and the decreasing interest rate cycle. "Conditions have improved across the board," agreed another.

Unfortunately, in response to our second quarter 2025 surveys there have been plenty of comments with lots of mention of uncertainty. Yes, US President Donald Trump and trade tariffs were mentioned, but local issues featured heavily too. These are the same problems we have been dealing with for years: ports, water, too much red tape, political uncertainty.

To be fair, the survey results could have been a lot worse. The second quarter RMB/BER Business Confidence Index (BCI) declined by five index points to 40. This is a touch below the long-term average. Even in late 2024 confidence rose to only 45. The worrying thing is that while expectations improved, business confidence barely lifted its head from the floor and actual business conditions disappointed.



The dismal private sector investment data underscores that the glimmers of hope did not translate into actual spending. Looking ahead, the BER’s business cycle clock, which pointed to an expansion in the past three quarters, moved back into recession territory in the second quarter.

This does not mean that an outright recession is on the cards, but it does suggest that not only do respondents see present conditions as negative, they expect things to become even worse. Such an environment is not conducive to employment or investment growth, which is deeply worrying. Our tentative economic recovery has faltered and we cannot risk losing any further momentum.

Going through my notes over the past few weeks I see “it could have been worse” is a common theme. The infamous US-SA meeting in the White House could have been worse; Budget 3.0 could have been worse; and even, as bleak as they were, the first-quarter GDP figures could have been worse. The sad thing is that all of them could also have been better.

Towards the end of last year one detected a real sense of constructive optimism when talking to investors. Opportunities featured more than risks. The word “bullish” was tossed around a lot, though it is telling that a 2% growth forecast was considered bullish.

It may just have been an opportunistic gap for some foreign players seeking to make money in the bond market, but at least people were actually looking at SA. Planning, plotting and building. But now I feel like I need to defend the country again: “Yes, but it could have been worse!”

Stories can be fictional or factual and, admittedly, economic forecasts contain a bit of both. But what really matters is whether the narrative is credible. One part of the story I’m having trouble swallowing is the upward trajectory built into the growth forecasts of

the National Treasury, Reserve Bank and many others — that growth will slowly but surely tick up over the medium term.

At the BER we stopped telling that story a while ago. While we were initially one of the more bullish forecasters for 2025, our growth forecast trended back down over the medium term given our expectation that some of the near-term supports would fade. That narrative still holds.

So what is my growth story for 2025? After the meagre 0.1% quarter-on-quarter GDP growth rate in the first quarter it seems likely the BER will reduce our full-year GDP forecast, with initial estimates putting us close to 1% (from 1.5% previously and 2% in January). This is deeply disappointing, though it would still be double 2024's downwardly revised 0.5% growth rate.

A reader said the column I co-wrote in March with colleague Shannon Bold read as if my heart had been broken by the SA economy (**SA misses chance to speed up reform**, March 14). If it was broken then, it would be properly shattered by now.

It is tempting to say South Africans are a resilient bunch and it's nothing that a bit of structural reform can't fix. But spare a thought for the highly indebted small business owners who are hanging on by their fingertips, or school leavers who can't find jobs, or the exporters who can't get their products to market.

There is real pain behind the data, and unless something is done to reignite the spark in the SA economy our hopeful story of resurgence could become a very sad one indeed.

This article first appeared in the Business Day of 6 June 2025.

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