

# The one thing keeping South Africa's economy from tanking



South Africa's economy has escaped a contraction at the start of 2025, with the economy boosted by the strong performance of the agriculture sector.

Stats SA said the South African economy remained stable in Q1 2025, expanding by a marginal 0.1% compared with Q4 2024.

Four of the ten industries on the production side of the economy recorded positive gains, with agriculture driving most of the upward momentum.

Household spending, stronger exports and a drawdown in inventories also kept the economy's expenditure side in positive territory.

Agriculture production increased by 15.9%, adding 0.4 of a percentage point in the growth figure.

"Good rains contributed to the industry's fortunes, with horticulture benefitting the most. Animal products also fared well," said Stats SA.

**Without the increase from agriculture, GDP would have dropped by 0.3%.**

Transport, storage & communication was the second-largest positive contributor, with gains seen in land transport, air transport and transport support services.

Consumer activity was more substantial, as trade, catering, and accommodation expanded by 0.5%. Retail trade, motor trade, accommodation, and food and beverages were positive contributors.

Mining and manufacturing were the largest drags in the first quarter, with both industries shaving off 0.4 of a percentage point off GDP growth.

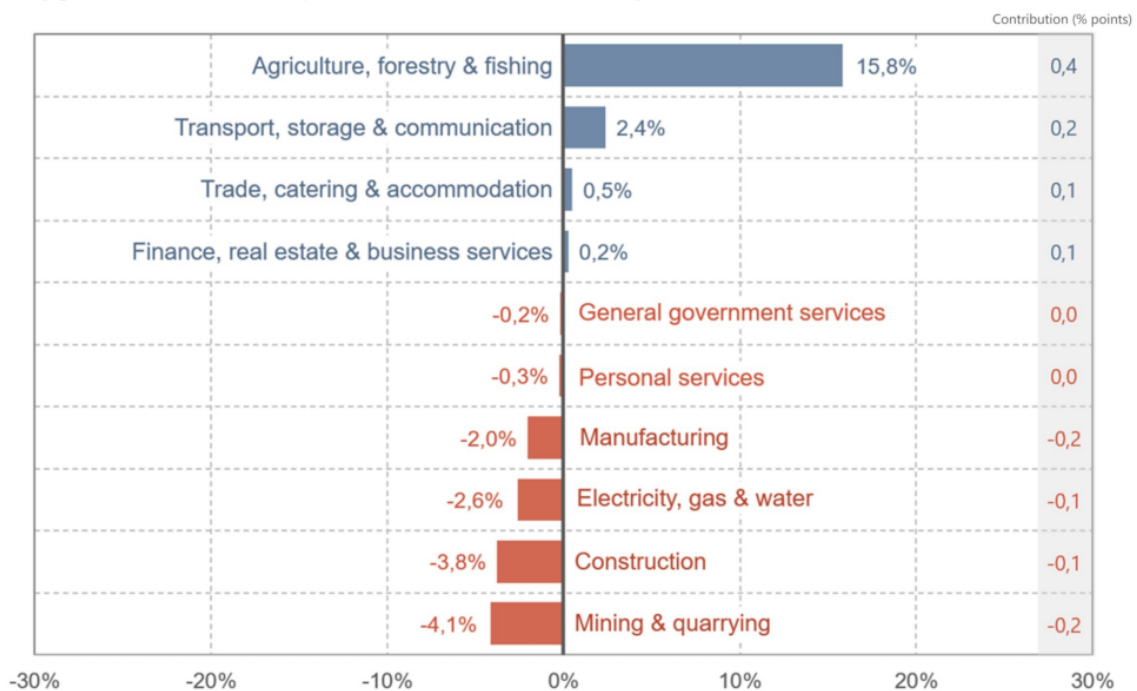
Mining weakened by 4.1%, with PGM metals the most significant negative contributor. Coal, chromium ore, gold, copper and nickel also declined.

Manufacturing activity slowed due to weaker production levels for petroleum and chemicals, food and beverages, and motor vehicles and other transport equipment.

Load shedding also reared its ugly head in Q1 2025 after a 310-day hiatus. This contributed to a 2.6% decline in electricity, gas & water, marking the most significant contraction since Q3 2022.

**Figure 1: Four industries grew in Q1: 2025**

Industry growth rates. Q1: 2025 compared with Q4: 2024. GDP increased by 0,1%



Constant 2015 prices, seasonally adjusted Source: Gross domestic product (GDP), First quarter 2025

## Spending also up

The expenditure side of the economy was also marginally positive, growing by 0.1% in Q1 2025 from the previous quarter.

A drawdown in inventories, exports and household consumption contributed positively, but imports, gross fixed capital formation and government consumption were negatives for growth.

The R9.0 billion drawdown in inventories occurred in multiple industries, including transport, storage, and communication; trade, catering, and accommodation; manufacturing; finance, real estate, and business services; and personal services.

This represents a fifth straight quarter of inventory drawdowns in the economy. Exports expanded for a second straight quarter, increasing by 1.0%.

Vegetables, vehicles & transport equipment (excluding large aircraft) and mineral products underpinned the increase.

Household consumption grew for the fourth straight quarter, buoyed by spending on transport, especially vehicles, food & non-alcoholic beverages, restaurants & hotels, miscellaneous goods & services, and health.

That said, households cut back on recreation & culture and communication over the quarter.

Gross fixed capital formation, which includes infrastructure development and investment in fixed assets, also dropped by 1.7%.

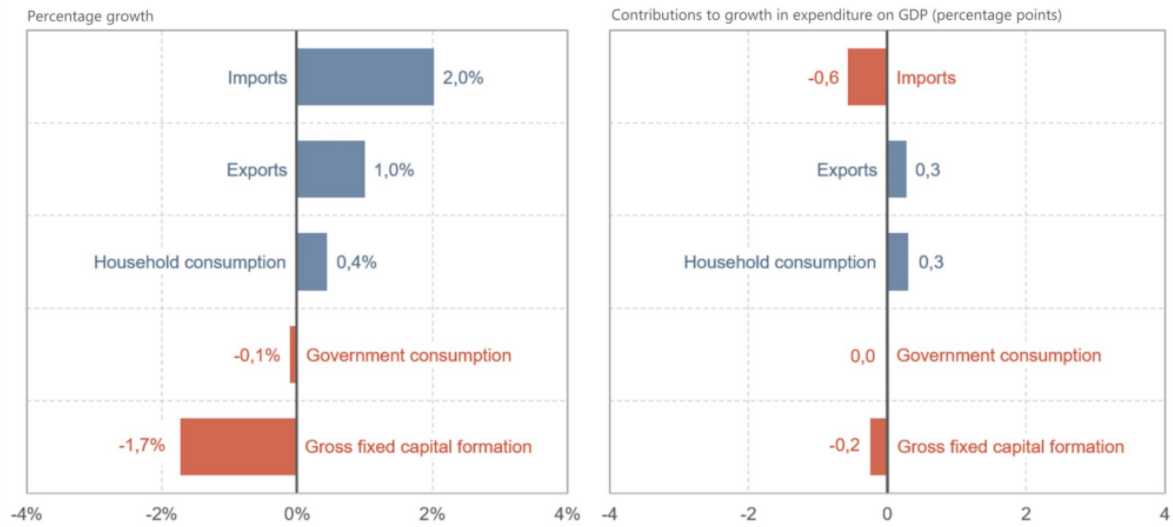
There was also a slowdown in economic activity regarding residential buildings and construction works.

Investments in machinery and other equipment and transport equipment were also far weaker over the quarter.

Imports jumped by 2.0% in Q1 2025, negatively affecting economic growth. This rise was primarily driven by stronger demand for chemical products, mineral products, and machinery and electrical equipment.

## Figure 2: Expenditure on GDP: Three components increased in Q1: 2025

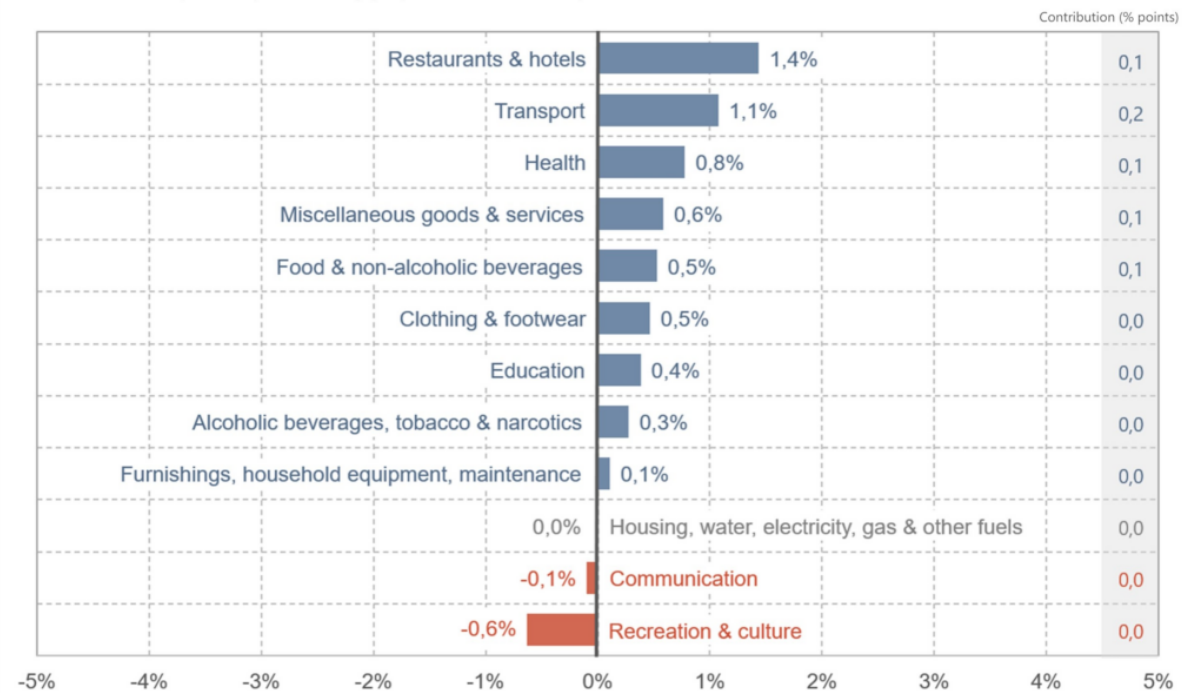
Component growth rates and contributions. Q1: 2025 compared with Q4: 2024



Change in inventories: -R9,0 billion (contribution: 0,3 of a percentage point) Constant 2015 prices, seasonally adjusted Source: Gross domestic product (GDP), First quarter 2025

## Figure 3: Households increased spending on most product categories

Household consumption expenditure by purpose. Q1: 2025 compared with Q4: 2024



Constant 2015 prices, seasonally adjusted Source: Gross domestic product (GDP), First quarter 2025