THE REAL ECONOMY BULLETIN

TRENDS, DEVELOPMENTS AND DATA FIRST QUARTER 2025

*The Real Economy Bulletin is a TIPS review of quarterly trends, developments and data in the real economy, together with a comprehensive analysis of the main manufacturing industries and key data in Excel format.**

GDP

The GDP barely grew from the fourth quarter of 2024 to the first quarter of 2025. It inched up at an annual rate of only 0.1% in annualised terms, with actual growth for the quarter at a barely perceivable 0.025%. The figures for the quarterly change are seasonally adjusted. (Graph 1)

Most sectors actually shrank, with a 0.3% contraction in annualised terms in non-agricultural GDP in the first quarter of 2025. From this perspective, the economy eked out any expansion at all only because of extraordinary growth reported for the relatively small agricultural sector. In early 2025, agriculture contributed only 2.8% of the GDP. Its value added reportedly jumped at an annual rate of some 16% in the first quarter of 2025, with actual growth at 3.4%.

This finding continues the explosion in volatility reported for agricultural value add since 2016. (Graph 2) The rest of the economy has remained stable, and sluggish. In the 56 quarters from 2000 to 2016, growth reported for agriculture alone never sufficed to move the overall economic trend from negative to positive. In the 45 quarters from 2016 to March 2025, that switch occurred eight times.

*Available at www.tips.org.za/the-real-economy-bulletin

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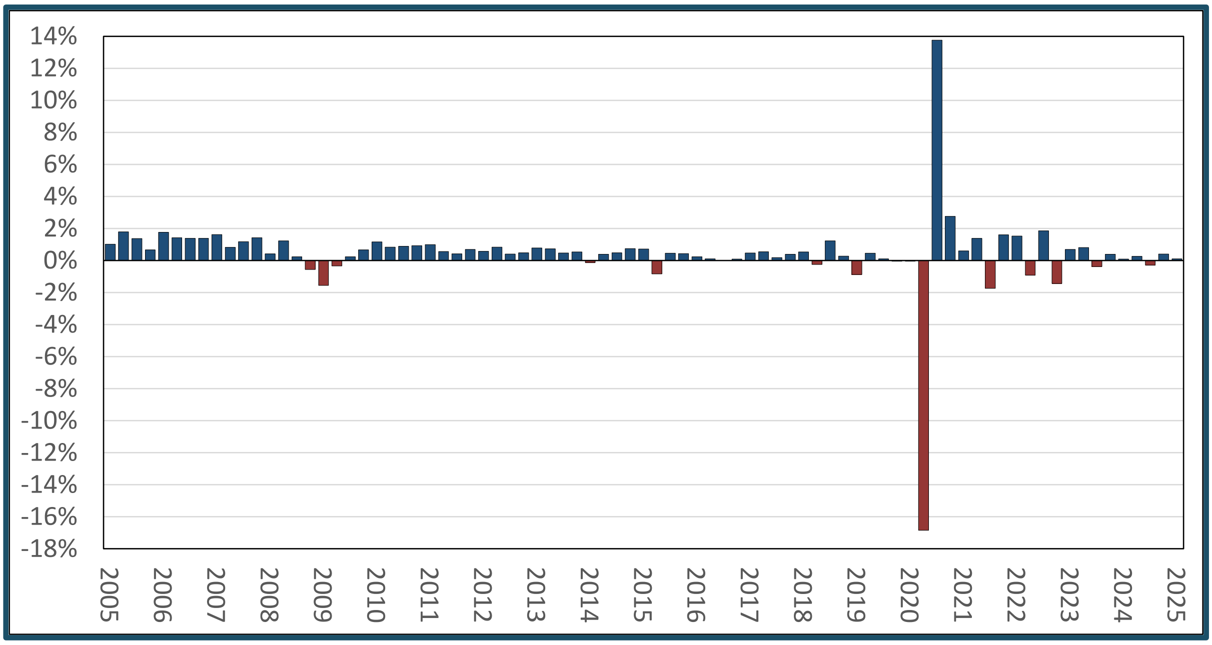
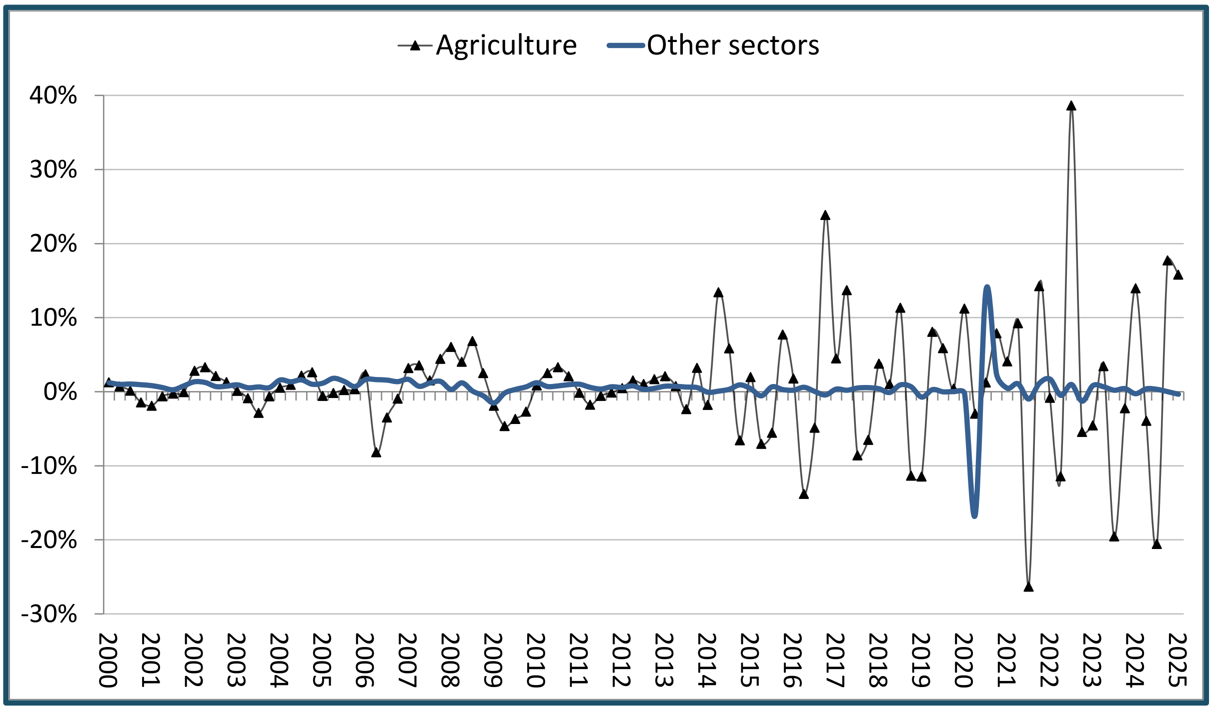
Graph 1. Quarterly change in GDP, seasonally adjusted, 2005 to first quarter 2025



Source: Calculated from Statistics South Africa. GDP quarterly figures, seasonally adjusted. GDP P0441 – 2025Q1. Excel spreadsheet.

Graph 2. Quarterly seasonally adjusted and annualised growth in agriculture and the rest of the economy, 2000 to first quarter 2025



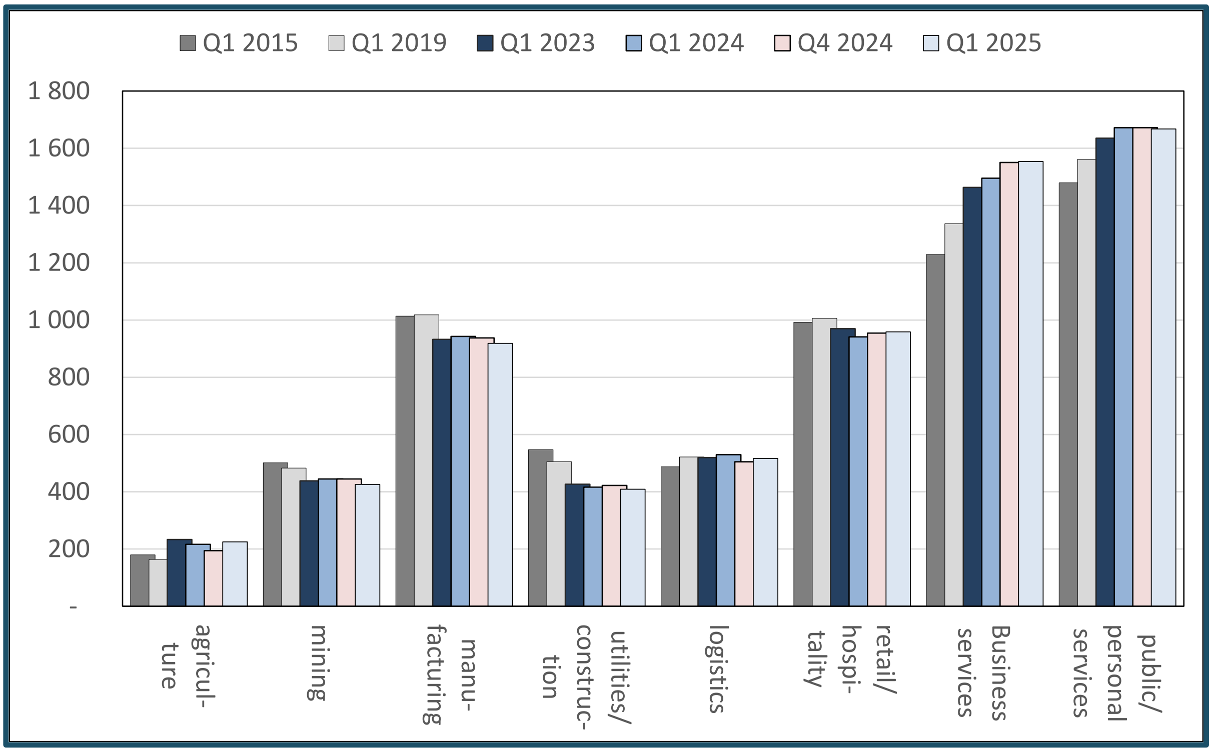
Source: Calculated from Statistics South Africa. GDP quarterly figures, seasonally adjusted. GDP P0441 – 2024Q4. Excel spreadsheet.

In year on year terms, the GDP growth rate was less affected by the jump in agricultural value added. The GDP expanded 0.5% from the first quarter of 2024 to the first quarter of 2025. Excluding agriculture, the figure was 0.4%. Both growth rates lagged well behind the population growth at around 1.4%, which means that GDP per person continued to decline.

South Africa's unusually high level of dependency on mining makes it particularly sensitive to the current stagnation in global mining prices outside of gold. In the early 2020s, mining alone contributed over 50% of South African exports, compared to 33% for other upper middle income countries excluding China. In the past year, prices of South Africa's main mining exports excluding gold fell, on average, by 10%. Gold, which now contributes 8% of total exports, saw a 30% price hike over the past year. The section on trade provides more detail.

The weakness of the economy emerges graphically from sectoral growth rates outside of agriculture. Value added in mining dropped at an annual rate of 4% in the first quarter of 2025; manufacturing shrank by 2%; utilities and construction by 3%; and general government services by 0.2%. The only strong growth outside of agriculture was in logistics. Trade and business services both inched up by less than 0.5% in annualised terms. Only agriculture and public and private services have surpassed pre-pandemic levels. In the first quarter of 2025, value added in mining was 4% lower than in the first quarter of 2019. Manufacturing was down by 2%. (Graph 3)

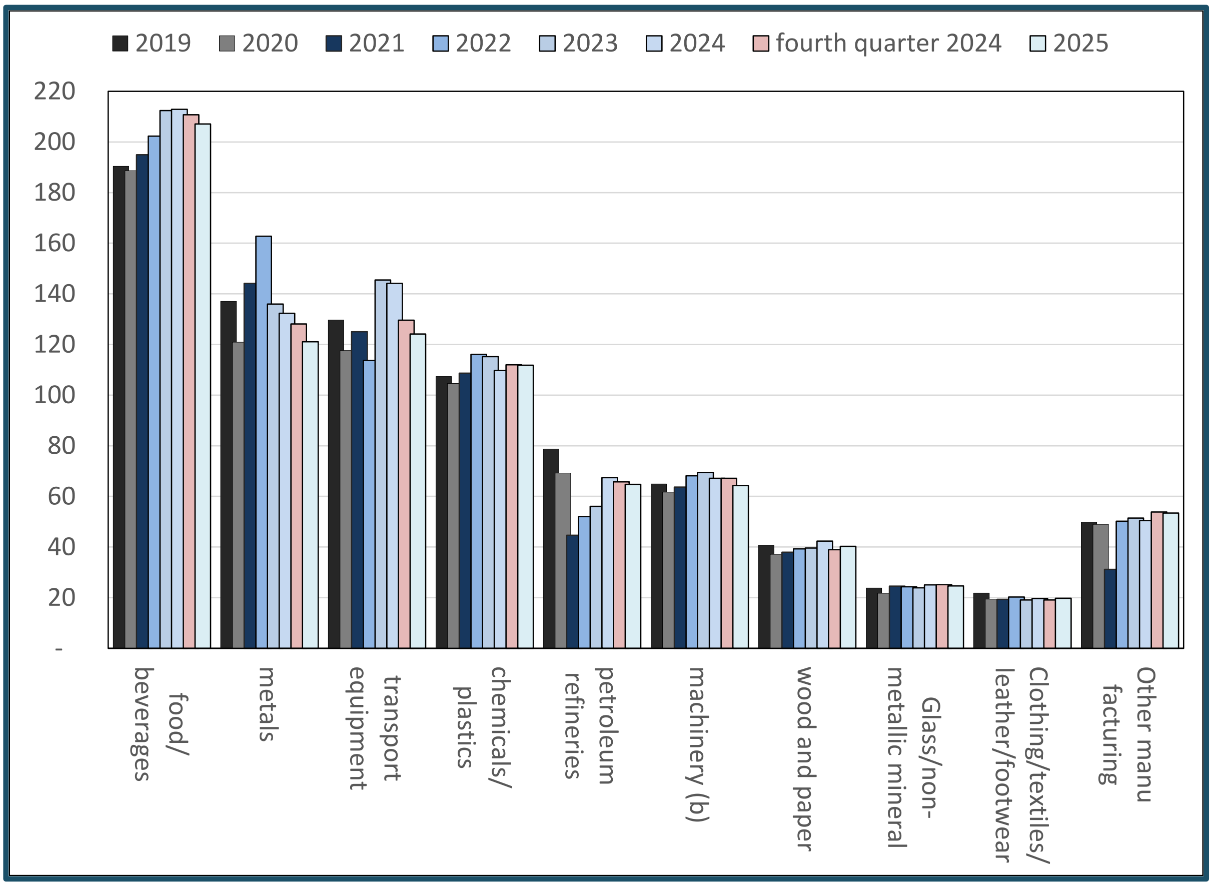
Graph 3. Value added by sector, first quarter 2015, 2019, 2023, 2024 and 2025, and fourth quarter 2024, in billions of constant (2025) rand (a)



Note: (a) Reflated with implicit deficits per sector. Source: Calculated from Statistics South Africa. GDP quarterly figures. GDP P0441 – 2025Q1. Excel spreadsheet.

The decline in manufacturing was spread over virtually every industry, according to sales figures. The only industries to show any sales growth in the past quarter were wood and paper; clothing and textiles; and downstream chemicals and plastics (Graph 4). Metal sales shrank by 6%, mostly due to falling prices and declining ferrochrome production. Auto and machinery sales each shrank 4%. Metals and transport equipment sales have dropped 10% in the past two years. Higher United States (US) tariffs on these products, initiated mostly at the end of the first quarter of 2025, are likely to hit them hard. Food processing sales dropped 3% in the year to the first quarter of 2025. The industry had largely driven manufacturing's recovery from the pandemic downturn in 2020, but its sales dropped steadily through 2024.

Graph 4. First quarter sales by manufacturing industry from 2019 to 2025, and fourth quarter 2024, in billions of constant (2024) rand (a), seasonally adjusted



Note: (a) Reflated with CPI rebased to first quarter 2025. (b) Machinery includes electrical machinery. Source: Calculated from Statistics South Africa. Manufacturing: Production and Sales, December 2024. Accessed at www.statssa.gov.za in May 2025.

Employment

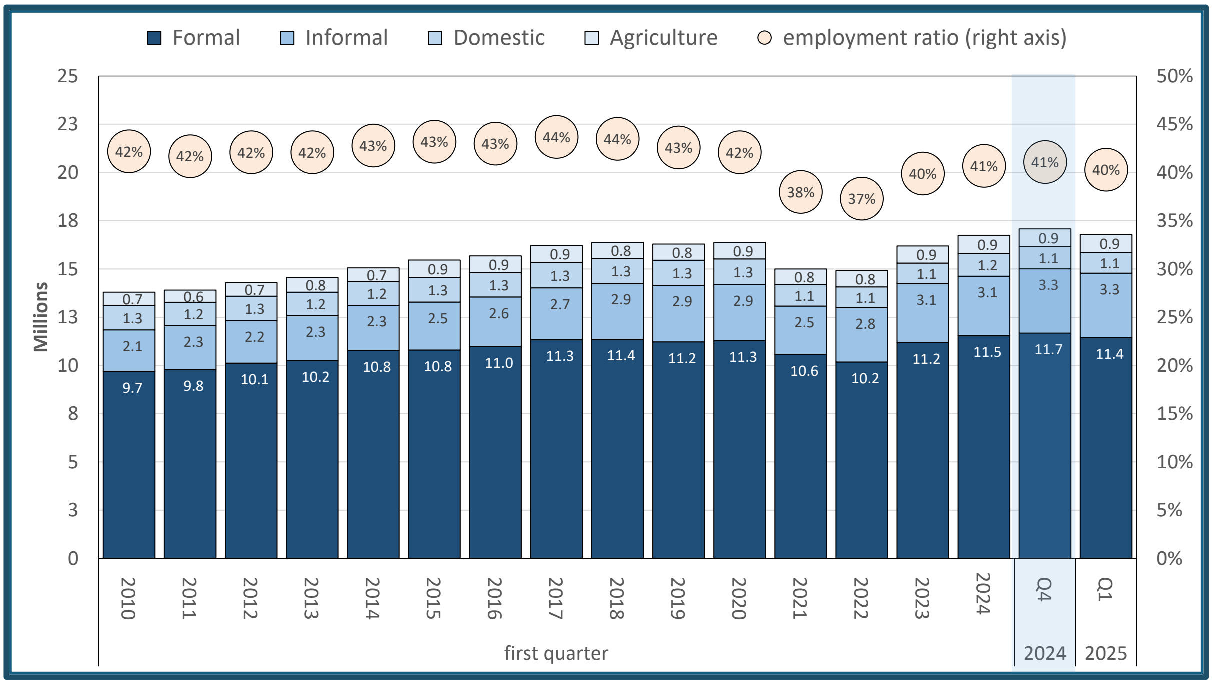
Employment grew in the year to March 2025, although it continued to lag expansion in the working-aged population. The formal sector as a whole lost jobs, however. Falling employment in domestic service and retail trade was reportedly offset by growth in manufacturing, which gained just over 70 000 new positions, as well as most other services. According to the Quarterly Labour Force Survey (QLFS), within manufacturing only the metals and clothing industries experienced substantial job losses. The survey found significant job gains in machinery and auto despite their falling sales.

Stagnant employment over the year to the first quarter of 2025 veiled significant shifts in the nature of employment. Formal and domestic employment dropped a quarter of a million jobs, while informal work expanded by around the same number. (Graph 5) The employment data are not seasonally adjusted, which makes it difficult to assess quarterly trends. Still, the decline in formal employment in the first quarter of 2025 exceeded the normal seasonal downturn.

The fall in domestic work continued a longer-term trend since the pandemic downturn. Compared to the first quarter of 2019, domestic employment is down by some 200 000, or 17%. In contrast, in

March 2025 formal employment was 2% higher than it was before the pandemic. Both agricultural and informal jobs have climbed over 10% compared to 2019.

Graph 5. Employment by type of employer, and the employment ratio (a), for the first quarter from 2010 to 2025, and the fourth quarter of 2024



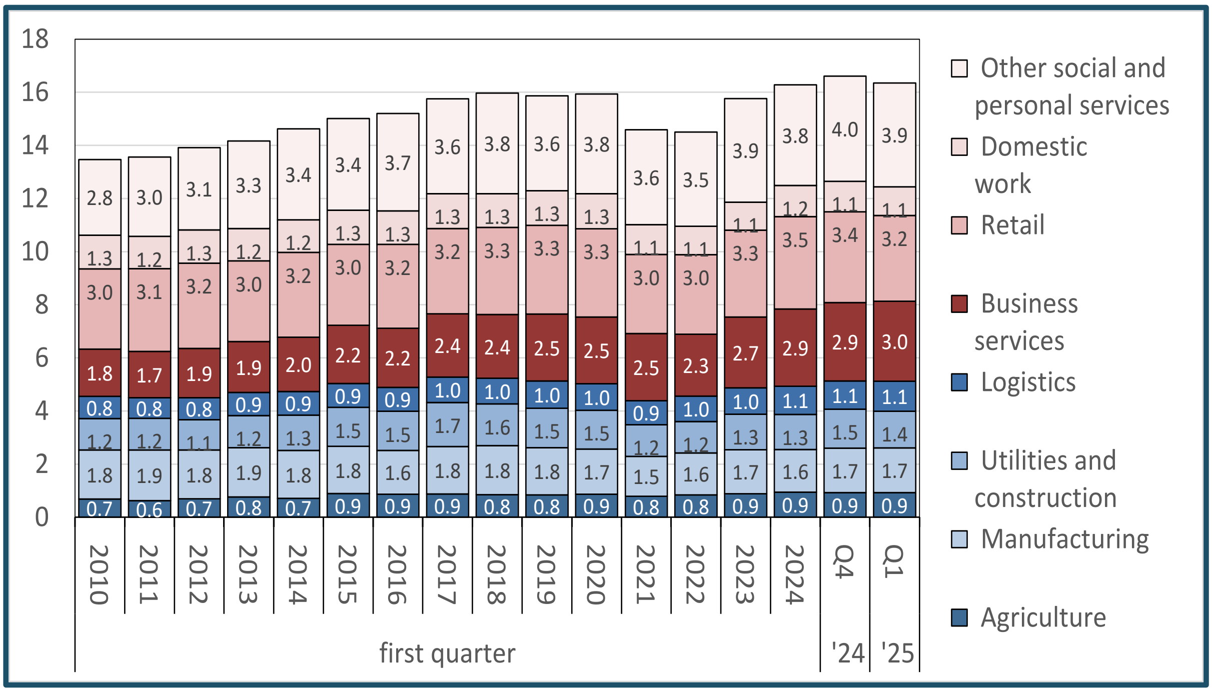
Note: (a) The employment ratio equals employed as a percentage of total the working-aged population.
Source: Calculated from Statistics South Africa. QLFS Trends 2008-2025Q1. Excel spreadsheet.

Total employment growth continues to lag the working-aged population. As a result, the share of the population with income-generating employment fell to 40% in 2025, back to levels last seen in 2022. Internationally, the ratio is around 60%.

Changes in net employment also varied by production sector. In the year to March 2025, construction and manufacturing gained employment, but agriculture shrank marginally, by 10 000 jobs. (Graph 6) Manufacturing added 70 000 jobs, a 4% increase. Still, employment in the sector remains lower than before the pandemic. Construction and utilities gained 65 000 jobs or 5%. The tertiary sector lost 80 000 jobs. Retail and hospitality accounted for virtually all of the decline. They reportedly lost 245 000 jobs, or 10% of total employment in the sector. Domestic work shed another 100 000 positions. These losses were mostly offset by the gain of 285 000 positions in business and other services and in logistics (personal and freight transport plus communications).

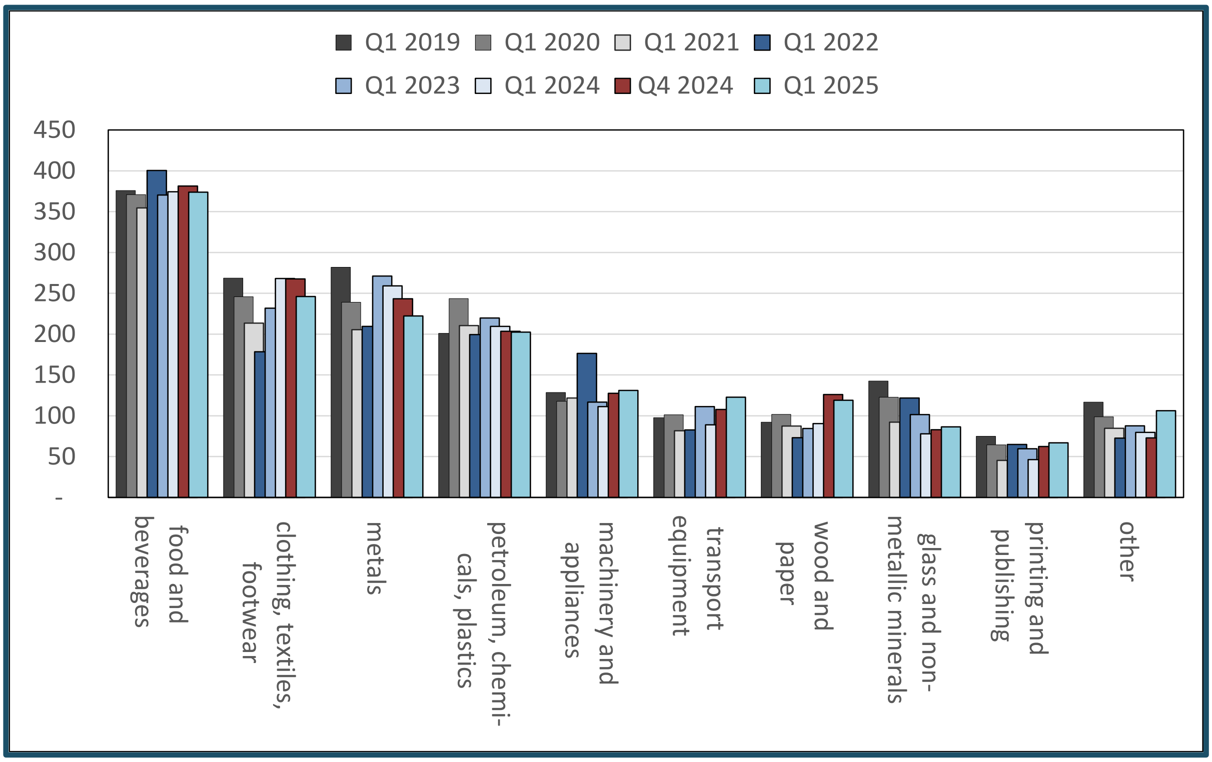
Within manufacturing, the QLFS found virtually all of the increase in manufacturing employment in transport equipment and machinery, despite their reportedly sharp fall in sales over the past year. Together, these industries reportedly added over 50 000 jobs. This figure may be inflated by very low figures reported for auto in the first quarter of 2024. The survey also found 40 000 net new jobs in the paper value chain, from wood to paper to paper products. In contrast, metals production shed 40 000 jobs, a 15% decline. Additional job losses occurred in clothing, textiles, and footwear, at 11%. (Graph 7).

Graph 6. Employment by sector (excluding mining), in thousands, first quarter 2010 to 2025 and fourth quarter of 2024



Source: Calculated from Statistics South Africa. QLFS Trends 2008-2025Q1. Excel spreadsheet.

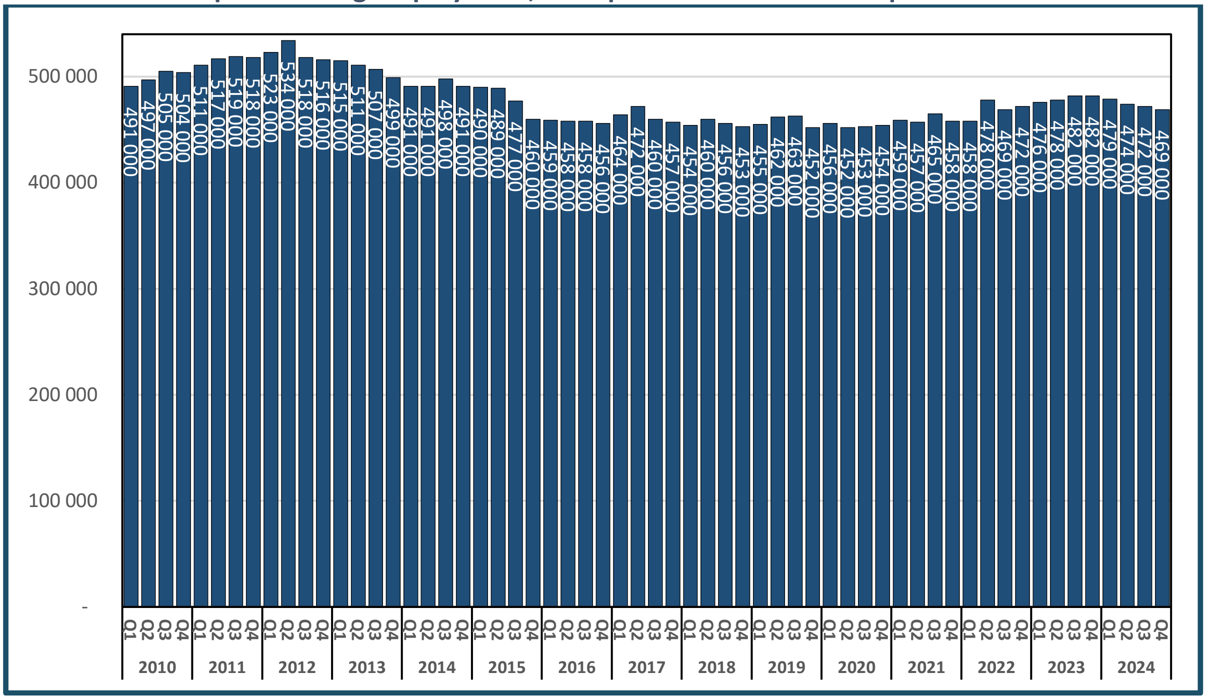
Graph 7. Employment in manufacturing industries, in thousands, first quarter 2019 to first quarter 2025, and fourth quarter 2024



Source: Calculated from Statistics South Africa. Quarterly Labour Force Survey for relevant quarters. Electronic databases.

For data on mining employment, Statistics South Africa recommends the survey of formal businesses, the Quarterly Employment Survey (QES), rather than the QLFS, which samples households. The Quarterly Employment Survey is published a quarter behind the QLFS. According to the QES, in the final quarter of 2024, the mining sector lost 13 000 jobs compared to a year earlier. Overall, mining employment showed a steady decline through 2024, reflecting the decline in export revenues as international prices slumped.

Graph 8. Mining employment, first quarter 2010 to fourth quarter 2024

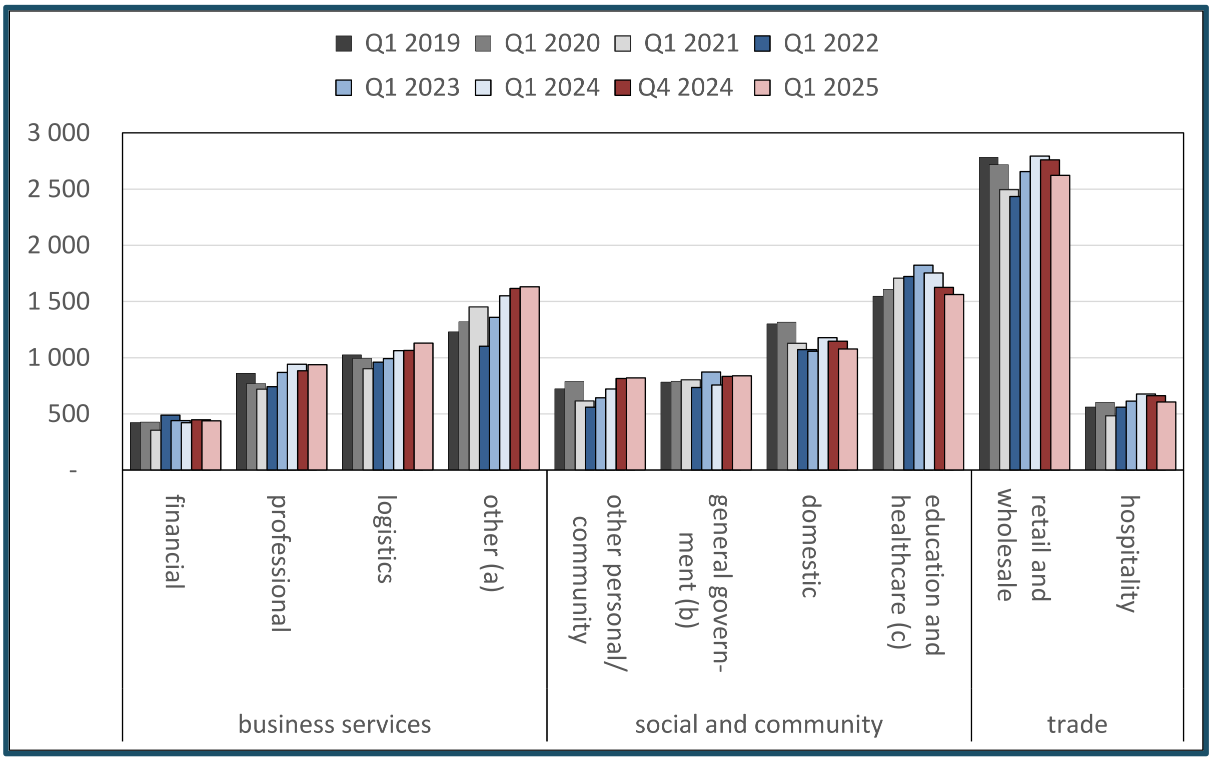


Source: Statistics South Africa. Quarterly Employment Statistics. Detailed breakdown. Third quarter 2024 Excel spreadsheet.

The QLFS found substantial divergence between the services industries, as noted above and shown in more detail in Graph 9. Other sources, however, contradict the job losses in education reported by the QLFS. In the labour force survey, a third of the combined decline in healthcare and education results from a 90 000 drop in public-sector educators. In contrast, the national Department of Basic Education reports a marginal increase in the number of teachers employed in government schools over the past year.[1] The discrepancy may be due in part to fluctuations in the number of teachers' assistants under the Presidential Employment System. The QLFS also found that public and private healthcare together lost 130 000 positions, but administrative figures on healthcare employment are not available to check this finding.

[1] Calculated from Department of Basic Education. *School Realities* for December 2023 and 2024. Accessed at https://www.education.gov.za/Programmes/EMIS/StatisticalPublications.aspx in June 2025.

Graph 9. Employment in services by industry, in thousands, first quarter 2019 to 2025 and fourth quarter 2024.



Source: Calculated from Statistics South Africa. Quarterly Labour Force Survey for relevant quarters. Electronic databases

Infrastructure

In the first quarter of 2025, Eskom's electricity supply fell back to levels last seen a year earlier, but the tonnage carried on rail and road and through the ports recovered slightly. Both rail and electricity are well below their levels a decade ago, while road freight and private electricity sold to the grid have grown. Eskom's tariffs increased by around 10% above inflation in April 2025, adding to the cost burden especially on electricity-intensive producers.

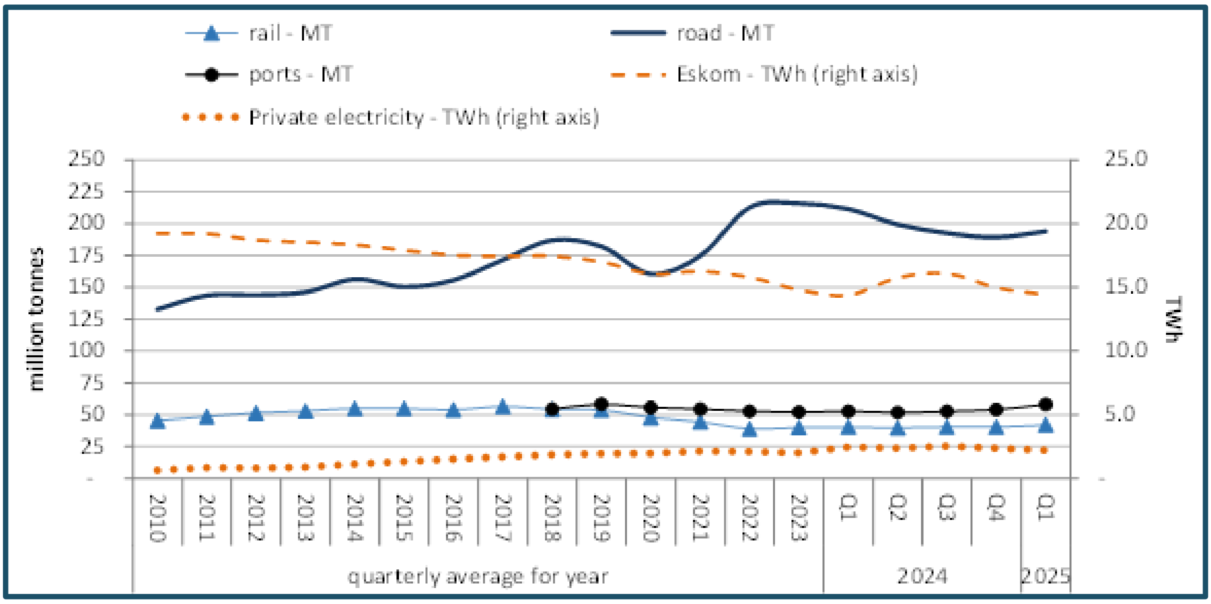
In the first quarter of 2025, Eskom's supply to the national grid fell by 3.7% compared to the previous quarter. It dropped from 15 terawatt hours (TWh) in the fourth quarter of 2024 to 14 TWh a year later. The decline wiped out the gains made over the previous year. Private electricity supply to the national grid dropped 7% to 2.2 TWh. Overall, electricity supply through the national grid fell 4%. (Graph 10). The total electricity supplied to the grid in the first quarter of 2025 was 17% below the average quarterly supply in 2010.

The decline in the national supply in the first quarter of 2025 brought a return of loadshedding, albeit at much lower levels than in 2023. In the first quarter of 2025, there were 12 loadshedding incidents. That compares to an average of 135 a quarter from the first quarter of 2023 to the first quarter of 2024.[2]

[2] Calculated from Eskomsepush. Eskomsepush loadshedding history. Spreadsheet. Accessed at https://docs.google.com/spreadsheets/d/1ZpX_twP8sFBOAU6t--Vvh1pWMYSvs60UXINuD5n-K08/edit?gid=863218371#gid=863218371 in February 2025.

Transnet's freight tonnage climbed to 42 million tonnes in the first quarter of 2025, a 4% increase over the first quarter of 2024. It was still 26% lower than its peak in 2017. Road freight climbed by almost 2.5% to 194 million tonnes. Still, that left it some 8% lower than a year earlier, continuing a gradual decline from 2023. The fall in road freight likely reflects slowing economic growth. Tonnage through the ports rose 8% in the quarter and 10% for the year, reaching 58 million tonnes for the first quarter of 2025. As a result, it equalled the quarterly average for 2019, the last year before the pandemic downturn.

Graph 10. Road, rail and ports tonnage carried (in million tonnes) and Eskom and other grid suppliers' electricity available (in TWh), 2010 to first quarter 2025

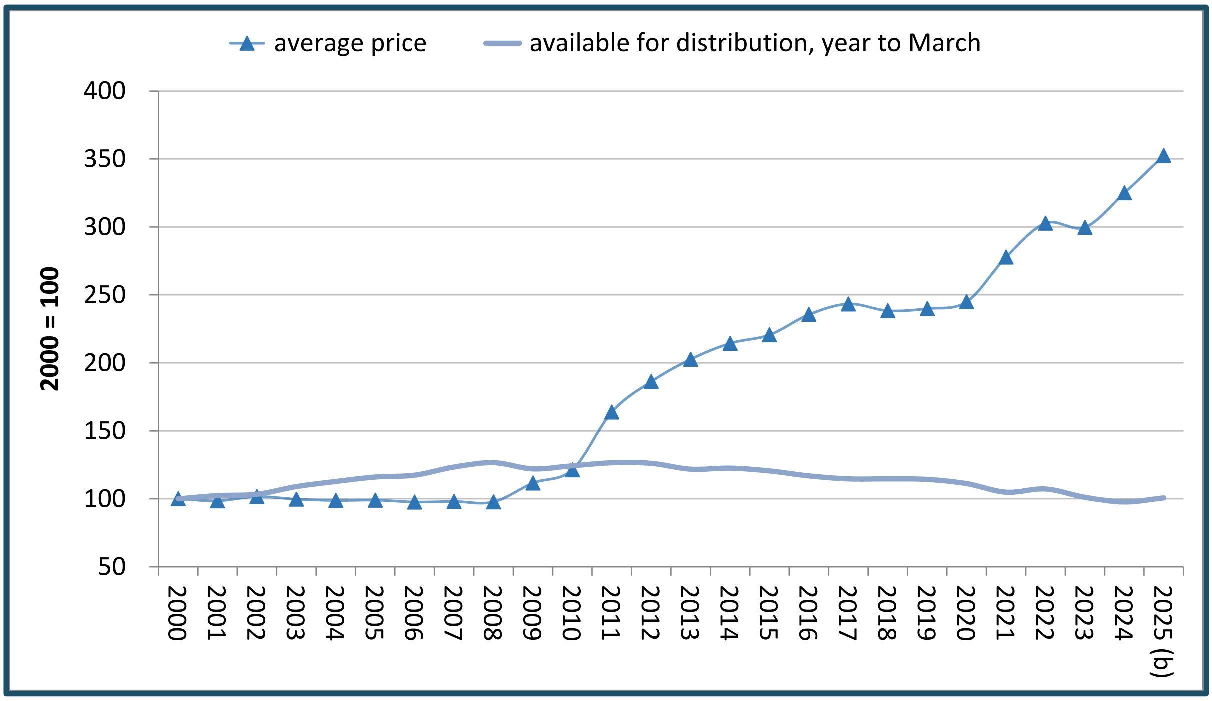


Source: Calculated from Statistics South Africa. Electricity generated and available for distribution. Excel spreadsheet from 2000; and Land Transport Survey. Excel spreadsheet. Downloaded from www.statssa.gov.za in May 2025. For ports, Transnet National Ports Authority. Port Statistics. Webpage. Accessed at https://www.transnetnationalportsauthority.net/Commercial%20and%20Marketing/Pages/Port-Statistics.aspx in May 2025.

Eskom's tariff increases continue to soar far above inflation. The latest rates came into effect in April 2025. The average increase approved by the regulator was almost 13%, or over 10% in real terms. Municipalities, which distribute electricity for most smaller businesses, were charged a real increase of around 9%. As Graph 11 shows, in constant rand Eskom's tariffs have risen around 250% above inflation since 2008. The impact has been particularly severe on energy-intensive industries. As discussed in the section on trade, higher grid electricity prices have been an important factor behind the mothballing of some ferrochrome smelters, resulting in a significant fall in exports.

Eskom's revenues climbed from 1.7% of the GDP in 2008 to 4.0% in 2024; the new increases will push them to almost 4.5%. The higher tariffs go principally to cover Eskom's escalating financing and diesel costs, due principally to delays and faults in its new Medupi and Kusile plants. In addition, the unit price of coal for Eskom has risen from a third to half of the export unit price over the past 15 years.

Graph 11. Indices of average price per kilowatt hour in constant rand (a) and Eskom electricity supplied to the national grid, 2000 = 100



Note: (a) Deflated using CPI. (b) Estimated based on announced average tariff increase as of April 2025. Source: Average tariff calculated from Eskom Annual Report figures for sales and revenue for relevant years, except for 2025. Electricity supplied from Statistics South Africa. Electricity generated and available for distribution. Excel spreadsheet from 2000. Downloaded from www.statssa.gov.za in May 2025.

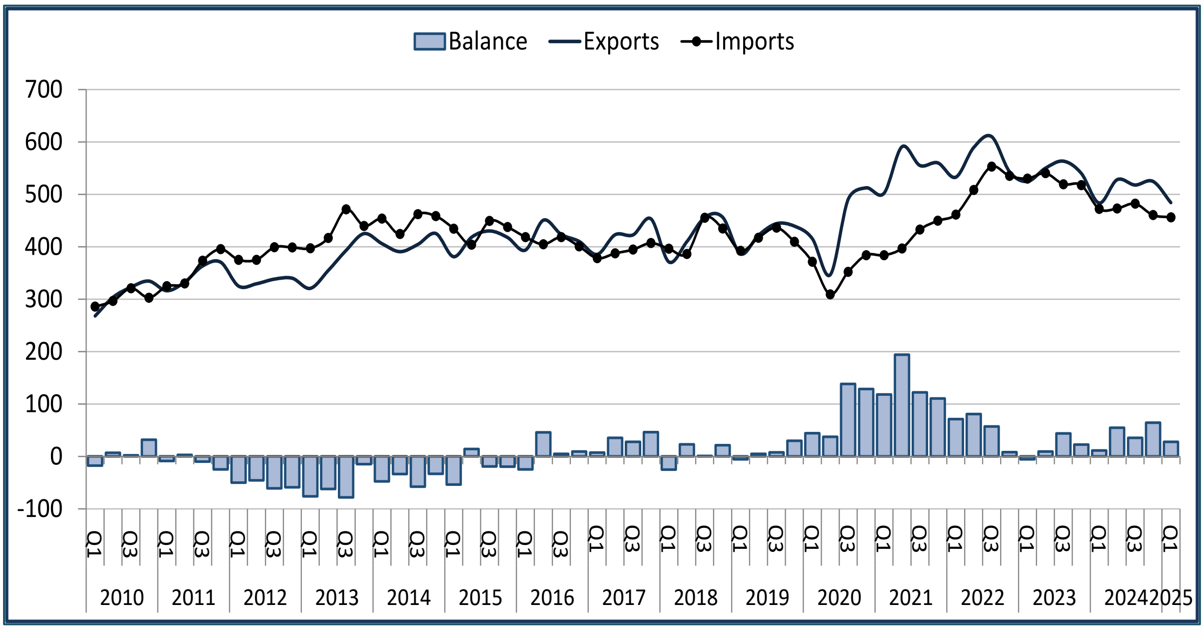
International trade

South Africa ran a trade surplus in the first quarter of 2025, despite the normal seasonal downturn in mining exports. In manufacturing, auto exports grew by more than 10% in constant rand terms. Metals exports fell by a similar amount, mostly because ferrochrome production shrank thanks to lower world prices and escalating grid electricity costs.

South Africa ran a surplus on goods trade in the first quarter, despite the normal seasonal downturn in the volume of mining exports around the December holidays. Goods trade has now been in surplus for 19 of the past 20 quarters. In the previous 15 years, South Africa had a surplus in goods trade in only just over half of all quarters. The recent trend reflects a combination of historically high world mining prices, despite some decline in the past two years with the notable exception of gold; falling petroleum prices through 2024; and relatively slow overall growth and low investment rates. Slow economic growth depresses demand for imports of machinery and equipment as well as consumer luxuries.

The trade data are not seasonally adjusted, so the first quarter of the year invariably sees a decline in the volume of mining exports due to December shutdowns. In real terms, both exports and imports have declined in the two years to March 2025. In constant 2025 rand, exports fell by 8% and imports by 14% compared to the first quarter of 2023. Still, compared to the pre-pandemic level in the first quarter of 2019, exports remain elevated by around 25%, and imports by 16%. (Graph 12)

Graph 12. Quarterly goods exports, imports and balance of trade in billions of constant (2025) rand (a), first quarter of 2010 to first quarter of 2025.



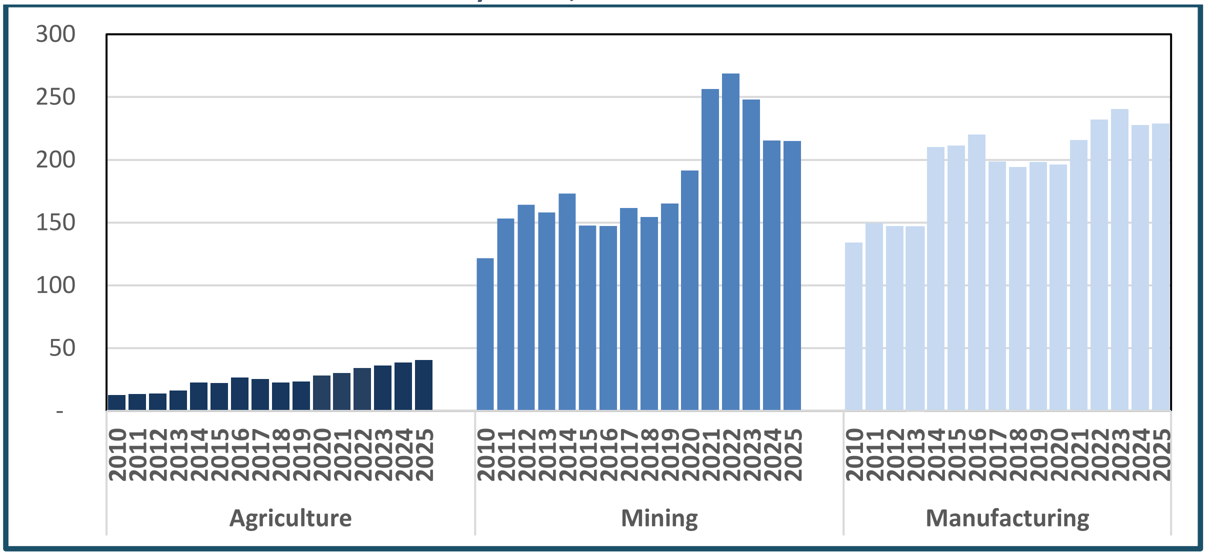
Note: (a) Reflated with CPI rebased to first quarter of 2025. Source: Calculated from South African Revenue Service data.

Figures for trade through March do not reflect the impact of new and proposed US tariffs directly on South Africa or indirectly through the effects on major trading partners. The US has imposed a 10% tariff on all imports except ores, as well as higher rates on autos, steel and aluminium. Auto and metals rank high among South African exports to the US. Clothing and textiles plus some (relatively niche) horticultural products will be significantly affected by the broader tariffs. Almost a third of South African exports to the US comprise iron and other ores, however, and are therefore exempt.

The indirect effect of new tariffs, or even threats of tariffs, could be even more important. The resulting global slowdown would affect virtually all South Africa's exports as well as international capital flows. It could also lead to lower prices on imports such as petroleum and electronics, however, which could offset some of the pain.

In constant rand terms, agricultural exports increased by 5% in the year to March 2025 from R39 billion in the last quarter of 2024 to R41 billion, continuing an upward trend since 2019. Export revenues for both mining and manufacturing were flat in the year to the first quarter of 2025, and remained well below 2023 levels. (Graph 13)

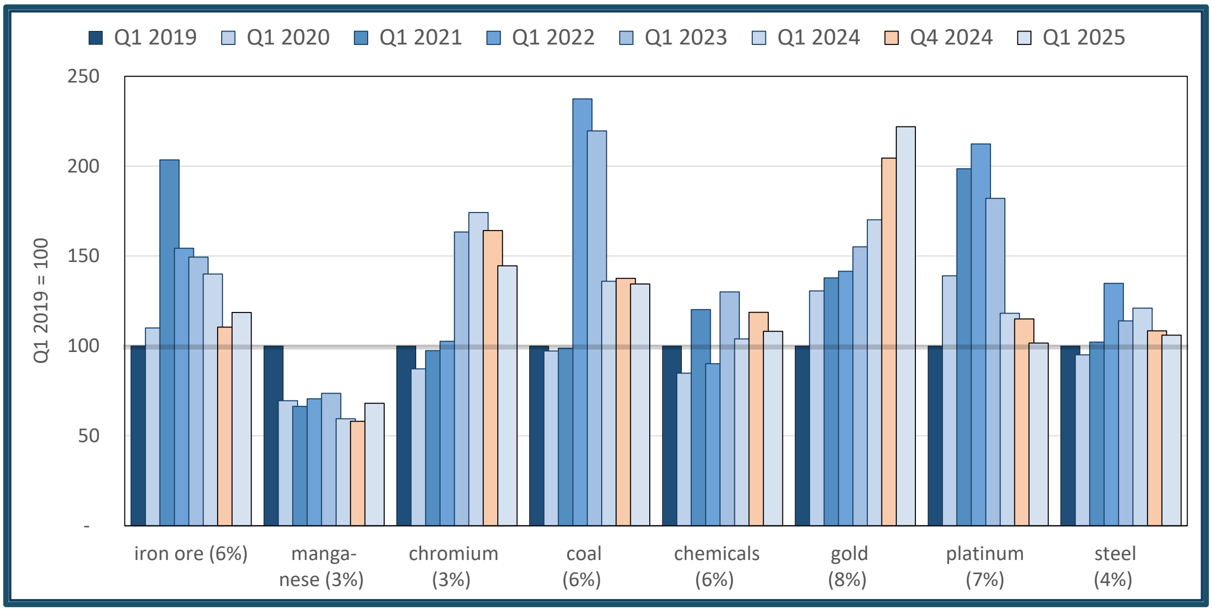
Graph 13. First quarter goods exports in billions of constant (2025) rand (a), by sector, 2010 to 2025.



Note: (a) Reflated with CPI rebased to first quarter of 2025. Source: Calculated from South African Revenue Service data.

Although mining exports increased around 3.5% by weight[3] from the first quarter of 2024, prices for most of South Africa's major exports were down. The big exception was gold, where the unit export price jumped 30% over the past year. (Graph 14) That incentivised higher export volumes. As a result, gold exports climbed from 11% of South African foreign mineral sales in 2022 to 23% in the first quarter of 2025. As a percentage of total exports, they rose from 4% to 8%.

Graph 14. Indices of first quarter unit export prices for South African mineral exports in constant (2025) rand (a), (first quarter 2019 = 100), 2019 to 2025

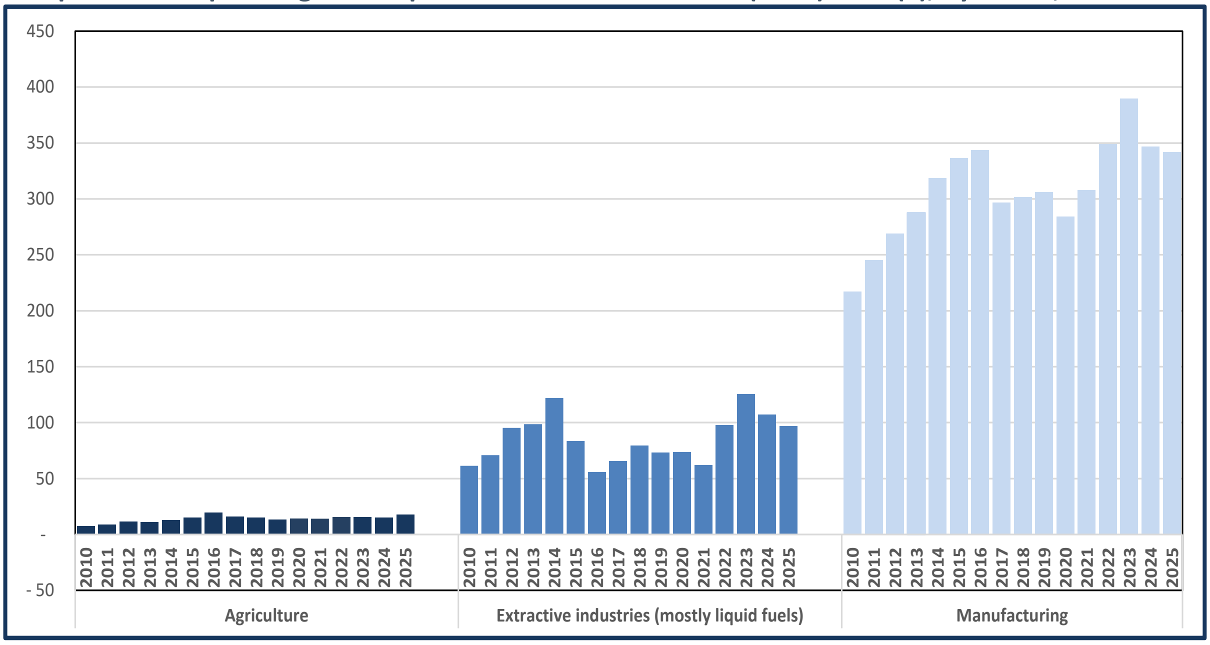


Note: (a) Reflated with CPI rebased to first quarter 2025. Figures in parentheses represent the share in total export revenues. Source: Calculated from Quantec EasyData. National trade series at HS-8 level. Accessed at www.quantec.co.za in May 2025.

[3] Calculated using an average of actual increases weighted by share in mining export revenues in the first quarter of 2025.

Falling prices for liquid fuels drove the drop in the value of imports. In constant rand terms, the unit price of crude and refined petroleum fell 10%, resulting in a 9% fall in total imports. Liquid fuels fell from 21% of imports in 2022 to 17% in the year to March 2025. Agriculture imports climbed 20% in the year to the first quarter of 2025, but remained small. Manufactured imports were flat. That left them 12% below their peak of R389 billion in the first quarter of 2023. (Graph 15)

Graph 15. First quarter goods imports in billions of constant (2025) rand (a), by sector, 2010-2025



Note: (a) Reflated with CPI rebased to first quarter of 2025. Source: Calculated from South African Revenue Service data.

In constant rand, auto sales were R8 billion up from the first quarter of 2024. That increase was, however, offset by a similar decline in exports of basic metal products. The decline resulted almost exclusively from a 30% fall in ferrochrome exports, which accounted for over 90% of the fall in exports of basic metal products. It resulted principally from the mothballing of capacity as a result of a 7% drop in unit prices in constant rand terms combined with the soaring cost of electricity. Electricity makes up at least half of the unit cost of ferrochrome alloys. Chromium ore – which South Africa has in abundance – contributes around 40%. These realities mean Eskom's price increases have hit the industry very hard, especially given more constrained world prices. As a result, exports of ferrochrome declined from over 4.0% of total export sales in the first quarter of 2024 to 2.8% a year later. Exports of chromium ore dropped from 4.4% to 3.2% in the same period, mostly due to an 18% fall in the unit price.

Auto exports increased 14% in the past year, while imports went up only 6%. The effective elimination of duty-free exports of cars to the US will only appear in the data for the second quarter of 2025. Around 20% of fully assembled personal car exports from South Africa went to the US in 2024. That equalled 10% of South Africa's total auto exports, which include other kinds of vehicles plus components.

Table 1. Trade by manufacturing subsector

INDUSTRY	VALUE (BILLIONS)		% CHANGE FROM Q1 2024		CHANGE IN BILLIONS	
	USD	Rand	USD	Rand	USD	Rand
EXPORTS						
Food and beverages	1.17	21.56	8%	2%	0.08	0.47
Clothing and footwear	0.44	8.19	11%	5%	0.04	0.42
Wood products	0.17	3.06	29%	22%	0.04	0.55
Paper and publishing	0.40	7.43	-7%	-12%	-0.03	-0.99
Chemicals, rubber, plastic	1.95	36.12	6%	1%	0.11	0.29
Glass and non-metallic mineral products	0.11	2.12	14%	8%	0.01	0.16
Metals and metal products	2.51	46.45	-10%	-14%	-0.28	-7.87
Machinery and appliances	1.97	36.35	6%	1%	0.11	0.21
Transport equipment	3.42	63.16	20%	14%	0.57	7.65
IMPORTS						
Food and beverages	1.00	18.59	14%	8%	0.12	1.37
Clothing and footwear	1.21	22.50	6%	1%	0.07	0.19
Wood products	0.10	1.83	1%	-4%	0.00	-0.08
Paper and publishing	0.31	5.69	-46%	-49%	-0.26	-5.41
Chemicals, rubber, plastic	3.62	66.95	1%	-4%	0.05	-2.50
Glass and non-metallic mineral products	0.21	3.95	4%	-1%	0.01	-0.03
Metals and metal products	1.26	23.27	-2%	-7%	-0.02	-1.64
Machinery and appliances	6.26	115.96	4%	-1%	0.25	-0.95
Transport equipment	4.15	76.75	11%	6%	0.43	4.39

Source: SARS monthly data.

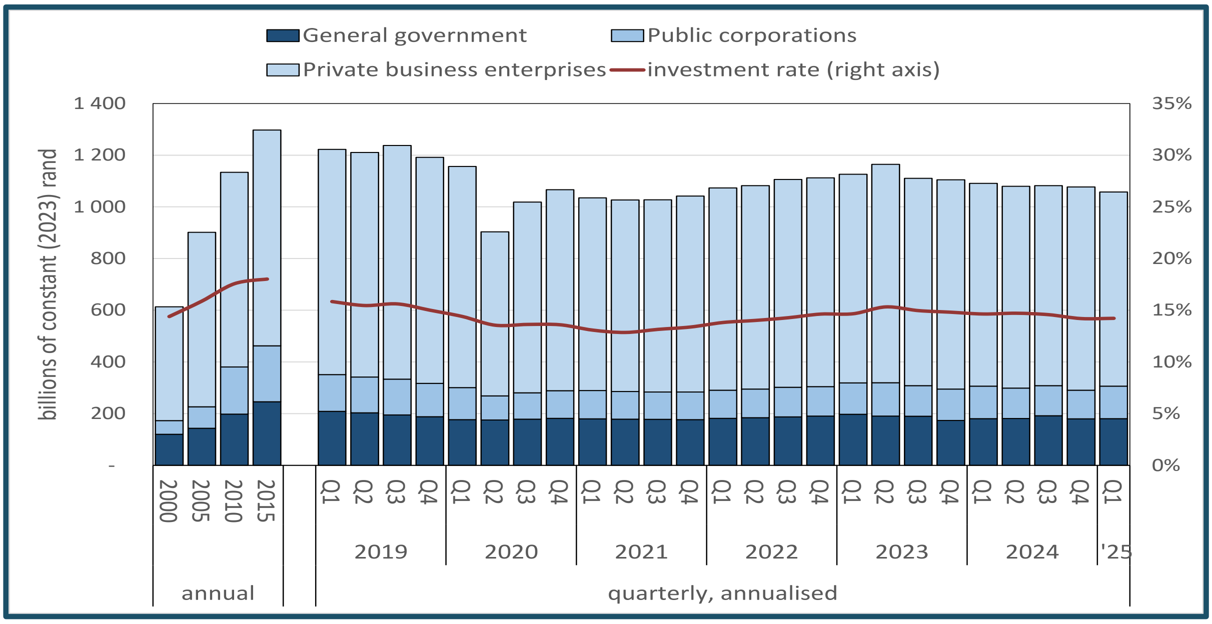
Investment and profitability

Private investment fell at an annual rate of 5% in the first quarter of 2025, the worst decline since the pandemic downturn in the second quarter of 2020. As a result, although investment by state-owned companies increased, total gross fixed capital formation shrank by 2%. Investment is now 14% below the first quarter of 2019.

In seasonally adjusted and annualised terms, private investment dropped 5% from the final quarter of 2024 to the first quarter of 2025 in constant rand. That left it 11% below its post-pandemic peak in the second quarter of 2023, and 14% lower than in the first quarter of 2019, before the pandemic downturn. State-owned companies increased their investment at an annual rate of 14% in the first quarter of 2025 compared to the fourth quarter of 2024, and investment by general government was flat. The public sector only contributed 29% of total investment in early 2025, however. As a result, total gross fixed capital formation dropped by 2%, leaving it 3% down in the year from the first quarter of 2024 and 14% lower than in the first quarter of 2019. As a percentage of the GDP, the investment rate fell only marginally from its 14.2% rate in the final quarter of 2024. That compares to a rate of 15% before the pandemic. The investment rate has fallen steadily since the second quarter of 2023. (Graph 16)

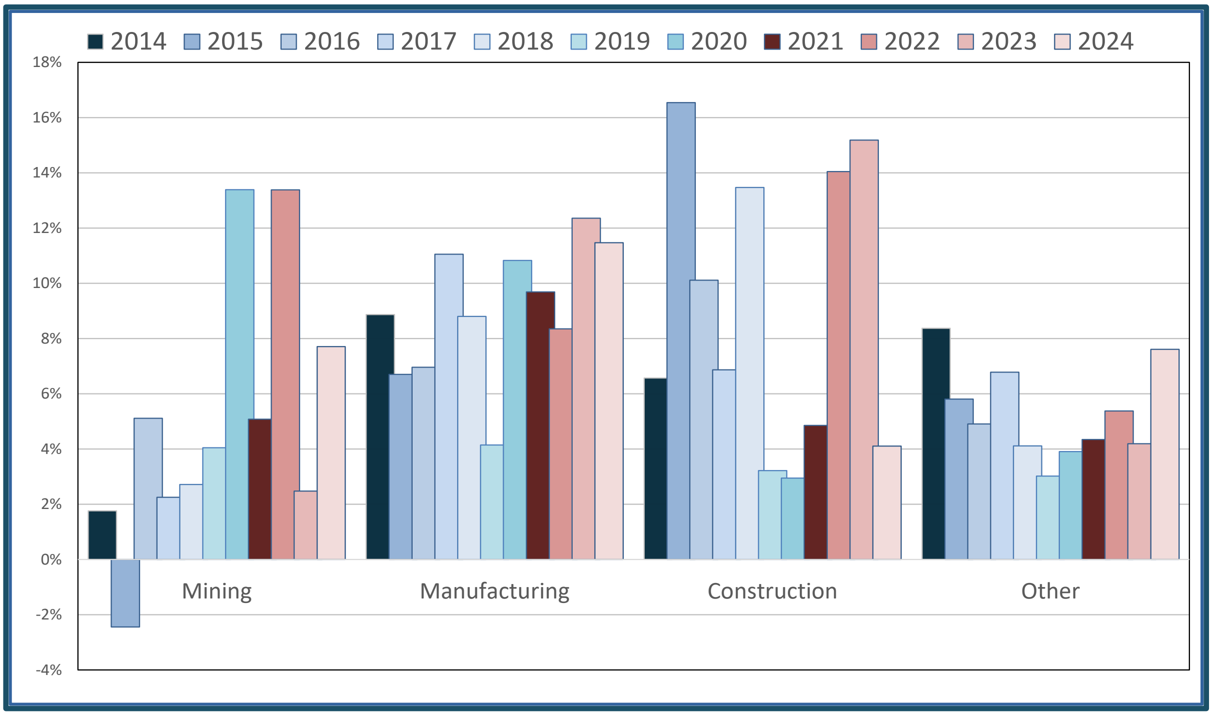
Figures for returns on assets are only available through the fourth quarter of 2024. In that quarter, construction and manufacturing saw declining profitability, while mining profits improved. In construction, where profitability has long been volatile, the return on assets plummeted from 15.2% to 4.1%. That compared to a rate of 11% in manufacturing and 8% in mining. (Graph 17)

Graph 16. Investment by type of investor in constant 2025 rand and the investment rate (a), every five years from 2000 and quarterly from 2019 to the first quarter of 2025



Note: (a) Figures for investment are reflated with implicit deflator rebased to first quarter 2025. The investment rate is gross fixed capital formation as a percentage of expenditure on the GDP. Source: Calculated from Statistics South Africa. GDP quarterly figures. GDP P0441 – 2025Q1. Excel spreadsheet.

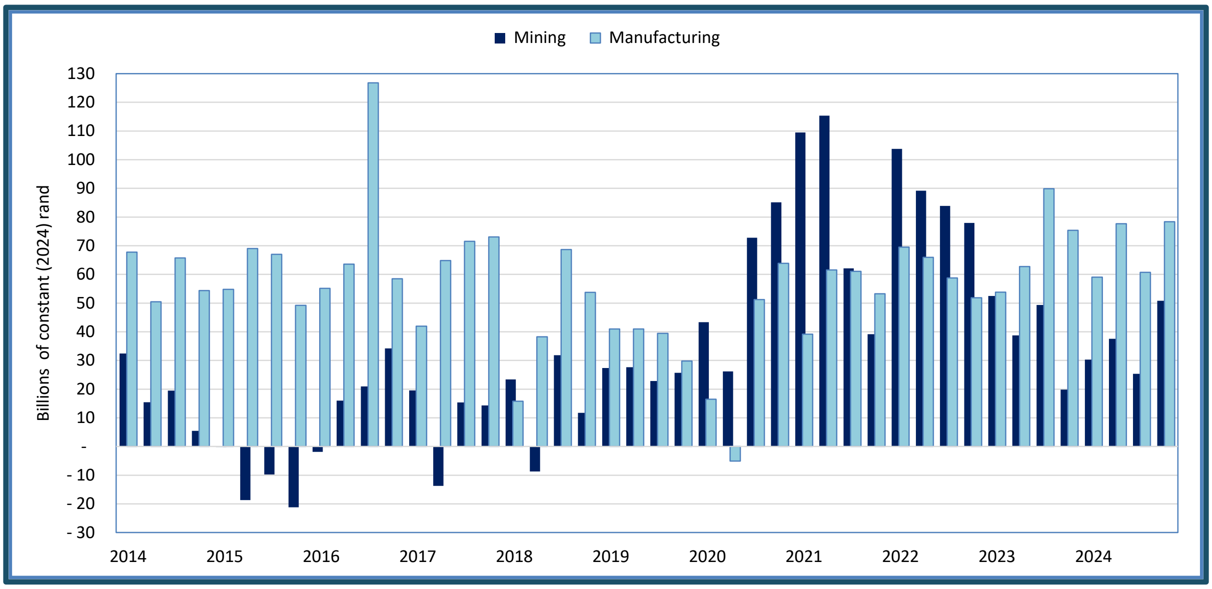
Graph 17. Return on assets by sector, fourth quarter, 2014 to 2024



Source: Calculated from Statistics South Africa. Quarterly Financial Statistics. Excel spreadsheet. Accessed at www.statssa.gov.za in May 2025.

In real terms, both manufacturing and mining profits surged in the fourth quarter of 2024 (Graph 18). Mining profits more than doubled quarter-on-quarter, increasing from R25 billion in the third quarter of 2024 to R51 billion in the last quarter same year. However, mining profits were down compared to the same period a year earlier. In contrast, manufacturing profits climbed 29% quarter-to-quarter, from R61 billion to R78 billion, and increased some 46% in the year to the fourth quarter of 2024.

Graph 18. Quarterly profits in manufacturing and mining in billions of constant 2024 rand (a), 2014 to the fourth quarter of 2024



Note: (a) Reflated with CPI rebased to fourth quarter 2024. Source: Calculated from Statistics South Africa. Quarterly Financial Statistics. Excel spreadsheet. Accessed at www.statssa.gov.za in March 2025.

Foreign direct investment projects

The TIPS Foreign Direct Investment Tracker monitors FDI projects on a quarterly basis, using published information. It added 15 projects in the first quarter of 2025. The announced investment value for eight projects that reported values in the quarter came to R17.4 billion. The tracker recorded investments in manufacturing, services, mining, electricity and agriculture for the quarter. It updated 13 existing projects.

New project announcements

The manufacturing sector recorded the highest announced investment value, driven by Astron Energy's planned R6-billion upgrade of its Western Cape refinery. It will add equipment to produce cleaner fuels by 2027, which is a regulatory requirement. In the services, investments included an expansion by Microsoft and a new facility at Vantage Data Centres. Mining saw three projects, but only Orion Minerals' Flat Mines project reported an investment value. Electricity investments focused on private renewable energy, notably Photon Energy's 250MW solar-hydro project. In agriculture, Verdant Orchards planned to expand citrus production at its Noordgrens farm in Limpopo.

By country, the largest foreign investments were from the United States, at R6.7 billion, followed closely by Switzerland (R6 billion). The Western Cape attracted the highest investment value due to Astron Energy's refinery upgrade. Most projects, however, were located in Gauteng.

Table 2. FDI projects captured in the first quarter of 2025

INVESTOR COMPANY	COUNTRY	VALUE (R BNS)	LOCATION	PROJECT SUMMARY
Manufacturing: R9.4 billion				
Astron/ Glencore	Switzerland	6	Western Cape	Installing new equipment to produce cleaner fuels
Soufflet Malt	France	2	Gauteng	Malt production plant
Huaxin/ Natal Portland Cement	China	1.2	KwaZulu-Natal	Kiln line expansion project
FAW Trucks South Africa/ Coega Development Corp	China	0.2	Eastern Cape	Extending assembly plant
Varun Beverages	India	n.a.	Multiple locations	Post acquisition capital expenditure commitment
Bayer South Africa	Germany	n.a.	Gauteng	New offices
Services: R6.03 billion				
Microsoft	US	5.4	Multiple locations	Expanding hyperscale cloud and AI infrastructure
Vantage Data Centres/ Attacq	US	0.6	Gauteng	Developing “dark shell” data centre
Mining: R1.3 billion				
Orion Minerals	Australia	1.3	Northern Cape	Flat mines prospective copper mining operation
Ironveld/Sable Exploration and Mining	United Kingdom	n.a.	Limpopo	Magnetite dense media separation plant
Pelagic Resources	Singapore	n.a.	North West	Platinum group metals concentrator
Electricity: Not reported				
Photon Renewable Energy	Netherlands	n.a.	KwaZulu-Natal	Project Summary
Mulilo/H1	Denmark	n.a.	Northern Cape	250 MW concentrated solar PV plant with thermal hydro storage
Henkel South Africa	Germany	n.a.	Gauteng	75MW solar photovoltaic facility
Agriculture: Not reported				
Verdant Orchards	US	0.7(a)	Limpopo	Citrus production expansion

Note: Numbers may not always sum to total investment amounts due to rounding. (a) Reported including of investment in Mozambique and Zambia Source: TIPS FDI Tracker database.

Expansion projects make up the highest announced value and number of projects.

Table 3. Value of projects by investment stage and type, first quarter of 2025, in billions of rand.

	Stage	Announced value	Feasi-bility	Prepa-ration	Implemen-tation	Com-pleted	Total value	Number
Investment type	Expansion	6.9	-	-	1.2	-	**8.1**	**6**
	Upgrade	-	-	6	-	-	**6**	**1**
	Greenfield	2	-	0	-	0	**2**	**5**
	Brownfield	-	1.3	-	0	-	**1.3**	**3**
Total value		**8.9**	**1.3**	**6**	**1.2**	**0**		
Number		**6**	**1**	**3**	**3**	**2**		

Note: Numbers may not always sum to total investment amounts due to rounding. (a) Reported including of investment in Mozambique and Zambia Source: TIPS FDI Tracker database.

Updates

This quarter saw progress across manufacturing, mining, electricity and services. In manufacturing, Orion Engineered Carbons (OEC) completed the relocation of an oil tank farm to the Coega Special Economic Zone, a project supported by a R273 million investment from the Department of Trade, Industry and Competition (the dtic) alongside OEC's own funding. Astron Energy and Glencore successfully renegotiated capital investment terms with the Competition Tribunal, securing extended timeframes to meet commitments and address challenges. However, Sasol and ArcelorMittal's proposed green hydrogen plan seems to have been placed on hold.

In electricity, Yellow Door Energy finalised development of the Overyssel Border Solar Project and signed a power purchase agreement with PPC for the Naledi-ya-YDE project, currently in the preparation phase. Mining projects at Orion Minerals' Prieska Copper Project and Rainbow Rare Earths' Phalaborwa Project also advanced. In services, Google officially launched its first South African cloud region, which has been operational for customers since early 2024.

Table 4. Projects updated in the first quarter of 2025

PROJECT	COMPANY	VALUE (R BNS)	INDUSTRY	PROGRESS UPDATE
Complete/ Operational				
Fuchs Lubricants operation expansion: Phase 2	Fuchs Lubricants	0.5	Manufacturing	Completed new plant and other facilities for production capacity expansion
Carbon black feedstock storage facilities	Orion Engineered Carbons	0.3	Manufacturing	Oil tank farm relocated and operational
Overyssel Bordery solar PV and BESS	Yellow Door	Not reported	Utilities	Microgrid system launched
Construction/Implementation				
Astron Energy/ Glencore investment	Astron Energy/ Glencore	6	Manufacturing	Competition Tribunal amended conditions to address challenges
Makhado hard coking coal project	MC Mining/ Kinetic	2.5	Mining	Competition Commission conditional approval of Kinetic acquiring MC Mining including R827 million capital investment
Google South Africa cloud region	Google	2.5	Services	Launched first Africa cloud region
TFC Solar PV power plant and battery storage project	Samancor/ CGN Africa Energy/	Not reported	Utilities	Commenced Phase 1 development
Ukuqala solar plant	Mulilo	Not reported	Utilities	Reached financial close at the end of 2024
Project preparation				
Leeudoringstad (Naledi ya YDE) solar photovoltaic (PV) project	Yellow Door	Not reported	Utilities	Signed power purchase agreement to supply PPC
Feasibility				

PROJECT	COMPANY	VALUE (R BNS)	INDUSTRY	PROGRESS UPDATE
Orion Minerals Prieska Project	Orion Minerals	7.6	Mining	Definitive feasibility study complete
Pre-feasibility				
Bengwenyama PGM project	Southern Palladium	6.8	Mining	Pre-feasibility study presents projects as a commercially viable investment opportunity, working on feasibility study
Phalaborwa rare earths project	Rainbow Rare Earths	6.5	Mining	Several studies com-pleted, final feasibility study underway
Uncertain, suspended or cancelled				
Sasol/ArcelorMittal Decarbonisation initiatives: Saldanha green hydrogen	Sasol/ AMSA	Not reported	Manufacturing	Project on hold for now

Briefing Note 1: Provincial economic developments

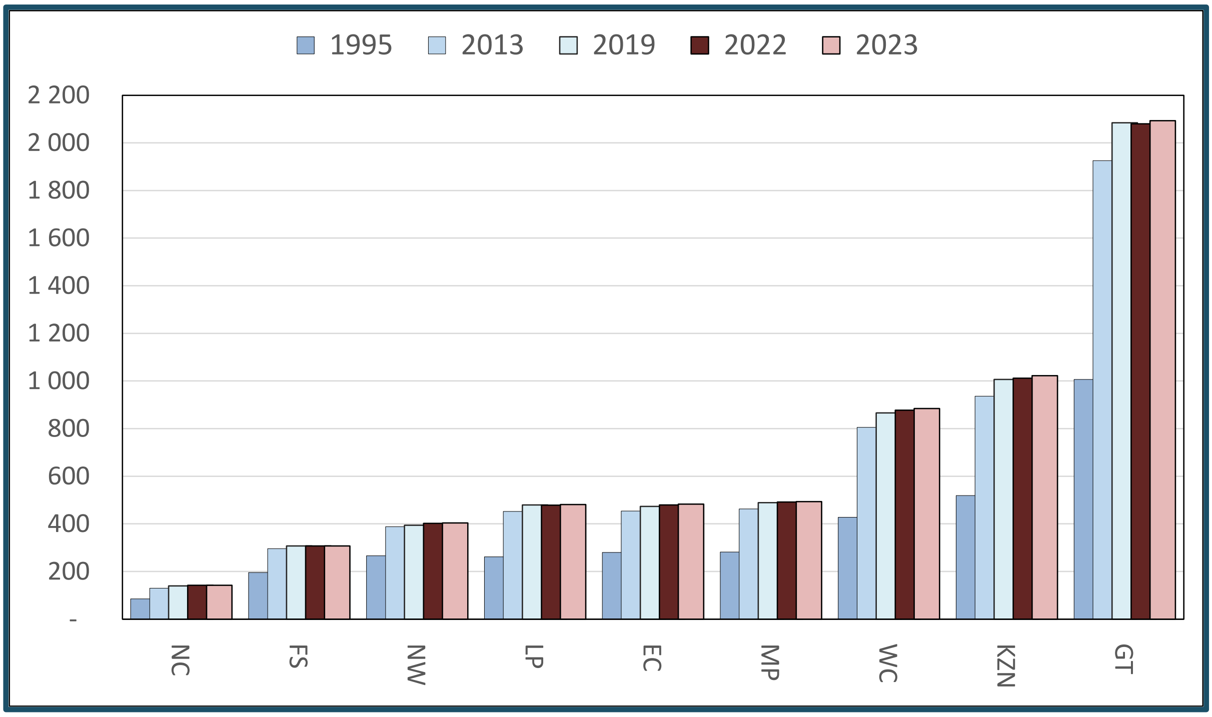
Lucas Mthembu and Neva Makgetla

TIPS's annual Provincial Review analyses key economic and policy developments in South African provinces. It highlights shifts in the national economic geography as shaped by the GDP, population, employment, business activity, and infrastructure at provincial level. The review includes a separate, detailed overview for each province. The 2024 review analyses provincial trends up to 2023, using the most recent data available as of early 2025. This briefing note summarises the key findings of The Real Economic Bulletin Provincial Review 2024.

All provinces were affected by the 2023 economic slowdown, as national GDP grew only 0.7%, down from 1.9% in 2022. The mining-dependent provinces – Limpopo, Mpumalanga, North West, and the Northern Cape – were hit hard by declining global mineral prices. In contrast, Gauteng, KwaZulu-Natal, and the Western Cape, which contain the largest metros, increased their share in the national economy. The Eastern Cape also reported a surprising growth spurt. Still, overall, the economic structure of the provinces continues to reflect patterns of wealth and deprivation established during apartheid. (Graph 19)

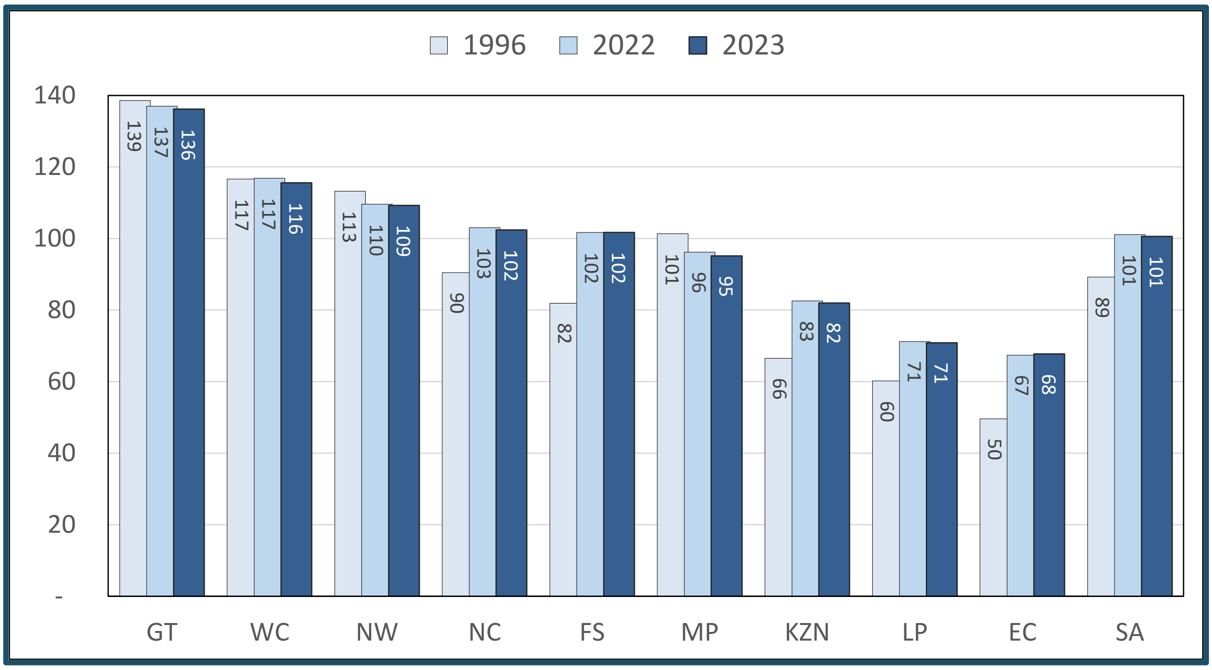
Nationally, the GDP per person declined in 2023. The fall was mirrored in all of the provinces except the Eastern Cape. Over the longer run, migration to the main economic centres strongly affected value added per person. In volume terms, the figure declined slightly from 1996 to 2022 in Gauteng and the Western Cape. Nonetheless, Gauteng remained around 40% above the national average. The GDP per person grew far more rapidly in all the other provinces except for the North West and Mpumalanga (Graph 20).

Graph 19. GDP at constant prices in billions of 2023 rand (a) for selected years



Note: (a) Reflated with provincial GDP deflator rebased to 2023. Source: Calculated from Quantec. EasyData. Standardised regional series. Accessed at www.quantec.co.za *in January 2025.*

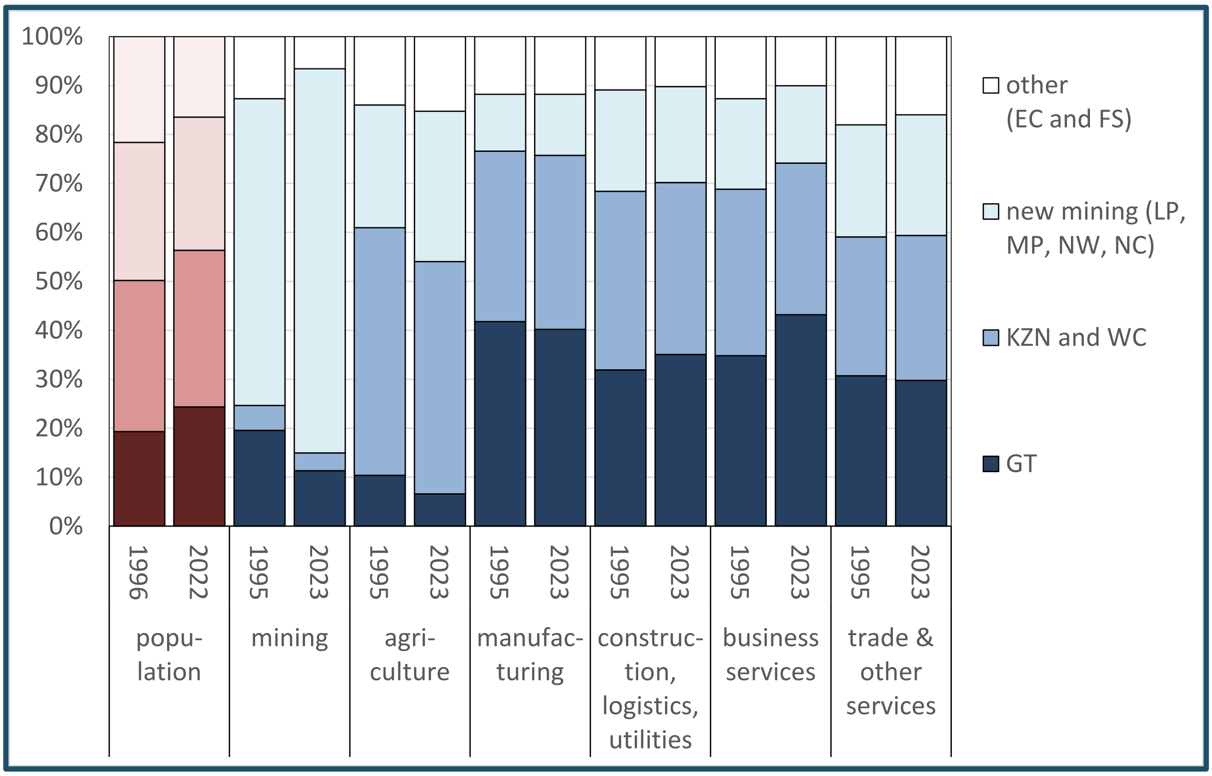
Graph 20. GDP per person in constant (2023) rand (a) by province, 1996, 2022 and 2023 (b)



Note: (a) Reflated with GVA deflator for each province rebased to 2023. (b) Quantec estimates population in millions using the growth rate from Statistics South Africa's mid-year estimate for 2023 and the 2022 Census figure for the provincial population. Source: From 1996 to 2022, population from Statistics South Africa. Census 2022. Statistical release. P0301.4. Page 4. Available at www.statssa.gov.za. For GVA and for 2023 population data, EasyData. Standardised regional series. Accessed at www.quantec.co.za in January 2025.

In every province, services continued to drive economic growth in 2023, with manufacturing lagging well behind. The provinces with major metros dominated manufacturing, but heavy industry was more important in Gauteng than in the Western Cape and KwaZulu Natal. (Graph 21) Across the board, the largest and fastest growing manufacturing industry was food processing, although its value added dipped in 2023. Services varied sharply between the main economic centres and the rest of the country. In the provinces with major metros, private business services accounted for most of growth in the sector. In the rest of the country, personal and social services were more important.

Graph 21. Share of value added in major sectors by Gauteng, the Western Cape and KwaZulu-Natal, new mining provinces (a) and other provinces (b), 1995 and 2023

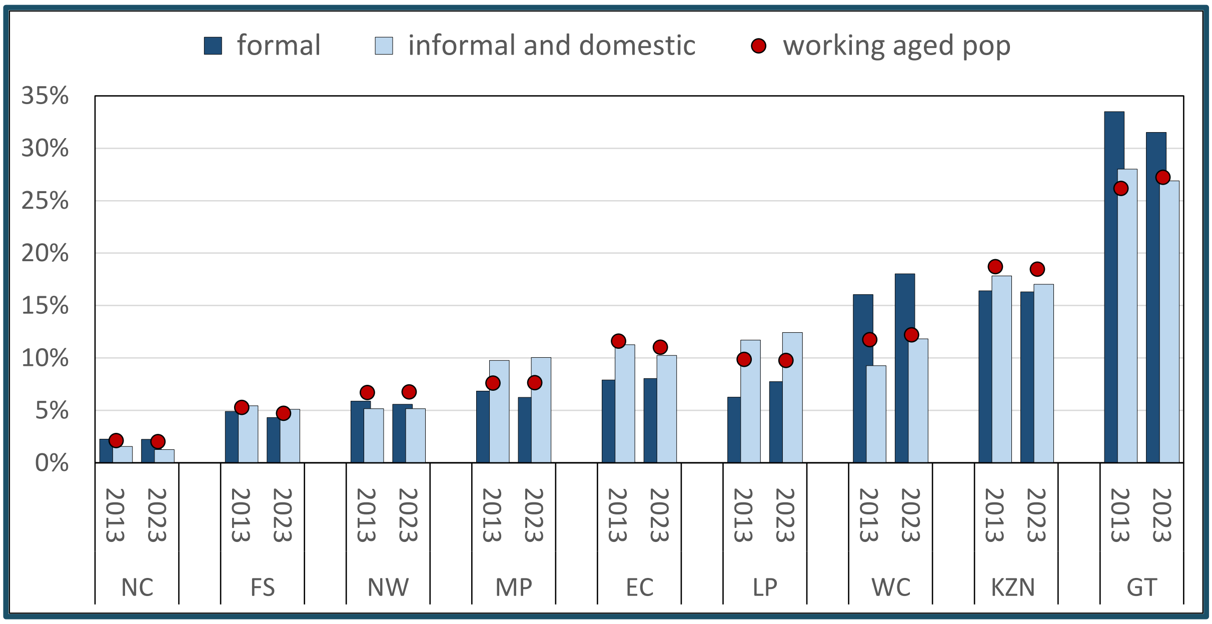


Notes: (a) Limpopo, North West, Mpumalanga and Northern Cape. (b) Eastern Cape and Free State. Source: Quantec. EasyData. Standardised regional series. Accessed at www.quantec.co.za in January 2025.

The share of employed people in the working-age population was 40% nationally, far below the international average of around 60%. The Western Cape, Limpopo, and Gauteng had the highest employment ratio at 60%, 47%, and 45%, respectively. In Gauteng and the Western Cape, the share of people in formal employment outstripped the share of the population, despite substantial in-migration especially since 1994. (Graph 22)

South Africa had 770 000 formal small businesses and 1.7 million informal small businesses in 2023. Three-quarters of formal small businesses were housed in Gauteng, the Western Cape and KwaZulu-Natal. In contrast, informal small businesses were distributed proportionately to the population. In January 2024, 70% of listed companies were headquartered in Gauteng, 25% in the Western Cape, and 6% in KwaZulu-Natal. Informal small businesses were mostly in Gauteng (30%), KwaZulu-Natal (17%), and Limpopo (14%).

Graph 22. Provincial shares in national formal employment, informal and domestic employment, and the working-aged population, 2013 and 2023 (a)



Note: (a) Data are average of four quarters, in line with Statistics South Africa's methodology for the annual figures in the Labour Market Dynamics databases. Source: Calculated from Statistics South Africa. QLFS Trends 2008-2024Q3. Excel spreadsheet. Downloaded from https://www.statssa.gov.za/?page_id=1854&PPN=P0211&SCH=73894 in December 2024.

Statistics South Africa is scheduled to release 2024 provincial GDP data in September 2025, and the 2025 Provincial Review will be published shortly thereafter.

Briefing Note 2: Greening Industrial policy in South Africa: insights from China, the United States and the European Union.

Michael Hector

This brief draws on a recent TIPS working paper publication, Greening Industrial Policy in South Africa: Insights from China, the United States and the European Union.

The European Union (EU) Green Deal Industrial Plan, the US Inflation Reduction Act (IRA), and China's 14th Five-Year Plan (FYP) are substantial policies with the potential to significantly influence the transition to greener economies. These policies, while green-focused, are integral to broader strategies aimed at economic and social recovery from the 2020 pandemic and enhancing global competitiveness. They reflect a dual approach. Inwardly, they emphasise sustainable economic growth and strengthening domestic industries, considering socio-economic factors. Outwardly, they focus on maintaining competitiveness and securing international and regional trade opportunities.

These efforts have spurred a competitive drive to invest in green technologies, prompting many countries to adopt similar policies. For instance, South Korea's Korean New Deal aims to fast-track the transition to a digital and eco-friendly economy. Its Green New Deal component focuses on investments in renewable energy, provides subsidies for electric and hydrogen fuel-cell vehicles, supports the green renovation of buildings, and promotes projects integrating digital technologies with green initiatives.

South Africa's economy, characterised by unusually high carbon intensity, faces the dual challenge of meeting climate commitments while pursuing economic growth. Its coal-dominated energy mix makes production processes notably carbon-intensive, putting the country at a competitive disadvantage, especially as border carbon adjustment taxes (notably in the EU) become more common in developed countries. These trade-related climate policies pose significant risks for South Africa and other developing countries.

Green industrialisation presents an opportunity for emerging African states, including South Africa. However, the transitional impact on the South African economy, particularly for workers in carbon-intensive industries, remains a concern. It will require specialised skills and significant changes in production methods across sectors such as energy, transportation, and agriculture. Beyond policy measures, the success of this transition depends on the availability of appropriate institutions, technology, and skills. The issue is especially pressing in regions like Mpumalanga, which has historically been reliant on coal mining and coal-fired power plants, considering that substantial evidence of large-scale green job creation has yet to be demonstrated.

The EU, US, and China are significant players in global climate change efforts, offering valuable lessons for South Africa. These lessons highlight the need for green industrial policies to advance technology, provide financial incentives, and address socio-economic impacts. They stress the importance of engaging stakeholders such as the private sector, local communities, government departments, and labour. Increased investment in infrastructure and capacity building, especially in modernising electricity grids for renewable energy integration, is crucial. Additionally, effective monitoring mechanisms to track progress, address challenges, and ensure accountability are essential. A consistent green industrial policy will be vital for long-term stability, given South Africa's history of inconsistent policy implementation.

While green industrial policy offers promising prospects for a sustainable future, advancing green industrialisation is challenging for emerging economies. Challenges include limited access to green technologies, the need for skills development, and potential employment disruptions. These challenges are particularly acute in economies like South Africa, where industrialisation has historically been rooted in carbon-intensive sectors. South Africa must adopt a pragmatic approach to green industrial policy that aligns with its industrial capacity and considers its unique political-economic and socio-economic conditions.

Key priorities should include:

- Capacity Building: Investing in skills development and training for the workforce in green industries.
- Incentivising Transitions: Supporting existing industries to shift towards sustainable practices.
- Policy Adaptability: Designing flexible frameworks that respond to changing domestic and global conditions.