THE REAL ECONOMY BULLETIN

TRENDS, DEVELOPMENTS AND DATA

SECOND 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 growth

The GDP climbed 0.8% in the second quarter of 2025, mostly due to a recovery in mining, manufacturing and retail. It was the strongest quarterly GDP growth since 2022. Still, value added in mining and manufacturing was well below their pre-pandemic levels in 2019.

The GDP expanded 0.8% from the first to the second quarter of 2025. That was the fastest quarterly growth rate since the third quarter of 2022. Slow growth in the previous quarters, however, meant that the economy was only 1.1% larger than a year earlier. (Graph 1) For the third year in a row, GDP growth was slower than population growth.

The rebound in the second quarter of 2025 was driven by goods production. Mining value added jumped by 3.7% for the quarter, recovering to the same level as a year earlier. Manufacturing grew by 1.8%, which left it down 1.2% on a year earlier. Construction was flat, which means its contribution to the GDP was 2.9% lower than in the second quarter of 2024. (Graph 2)

In expenditure terms, growth in the second quarter of 2025 resulted from a jump in household and government consumption, which offset the on-going fall in investment. Government consumption climbed for the first quarter in a year, but was still 1.3% below the second quarter of 2024. Investment was 3% lower.

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

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EDITORIAL TEAM

The Real Economy Bulletin is a TIPS Publication

Editor

Danae Govender

Contributors

Neva Makgetla

Nokwanda Maseko

Luthandolwethu Zondi

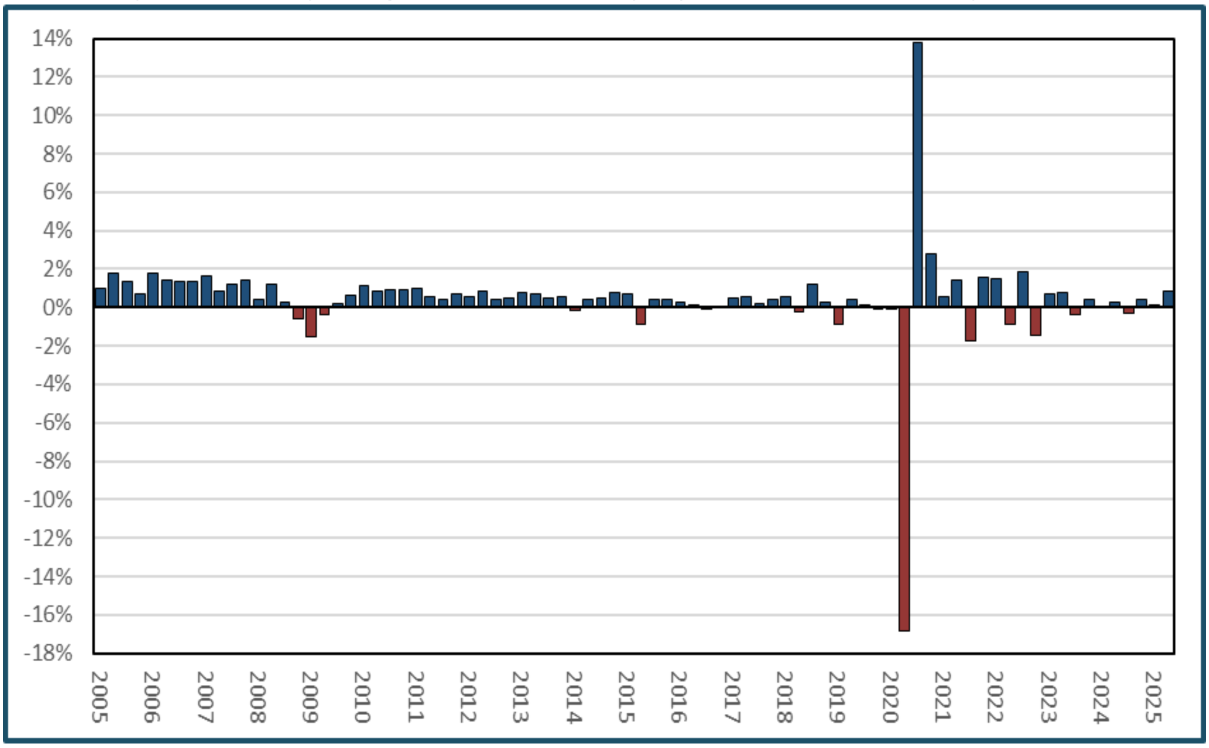
Lucas Mthembu

Dylan Kirsten

Kelello Mashiane

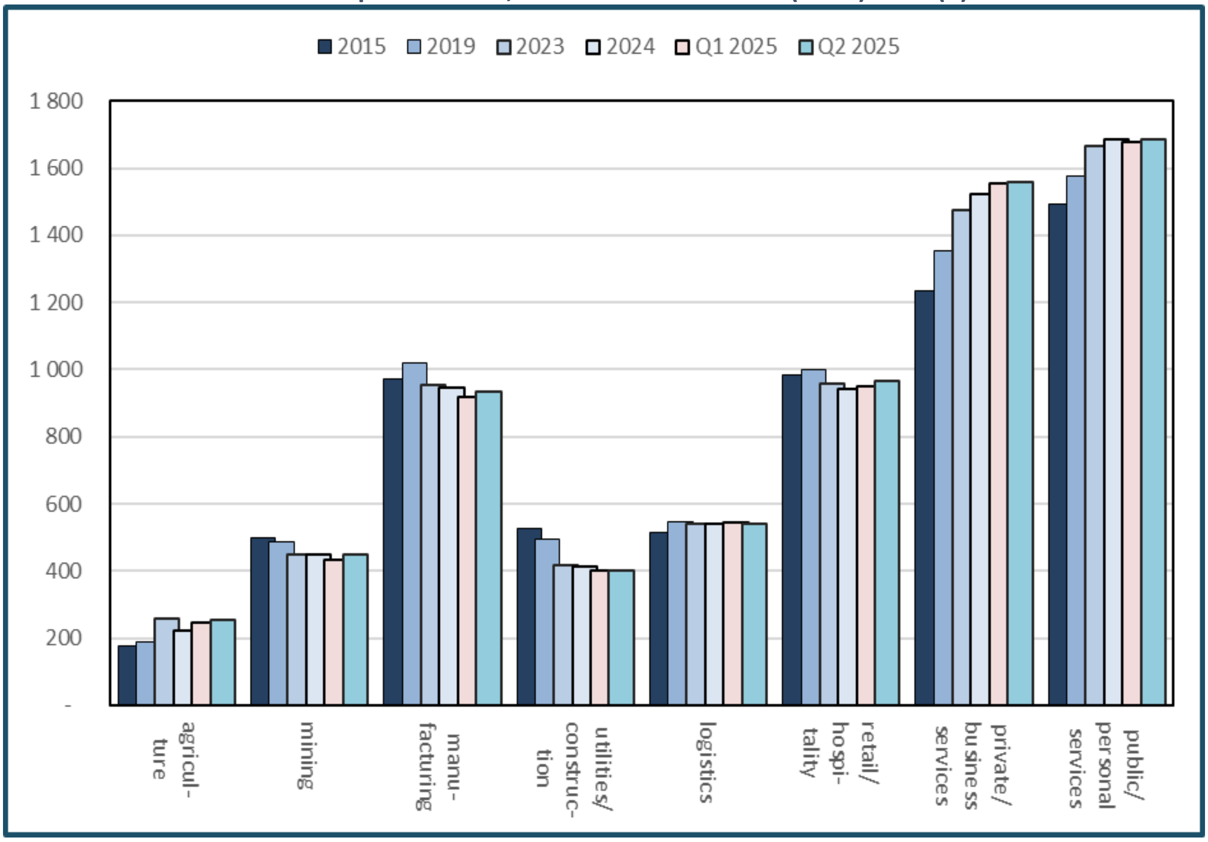
TRADE & INDUSTRIAL POLICY STRATEGIES

Graph 1: Quarterly change in GDP, seasonally adjusted, 2005 to second quarter 2025



Source: Calculated from Statistics South Africa. GDP quarterly figures, seasonally adjusted. GDP P0441 – 2025Q2. Excel spreadsheet.

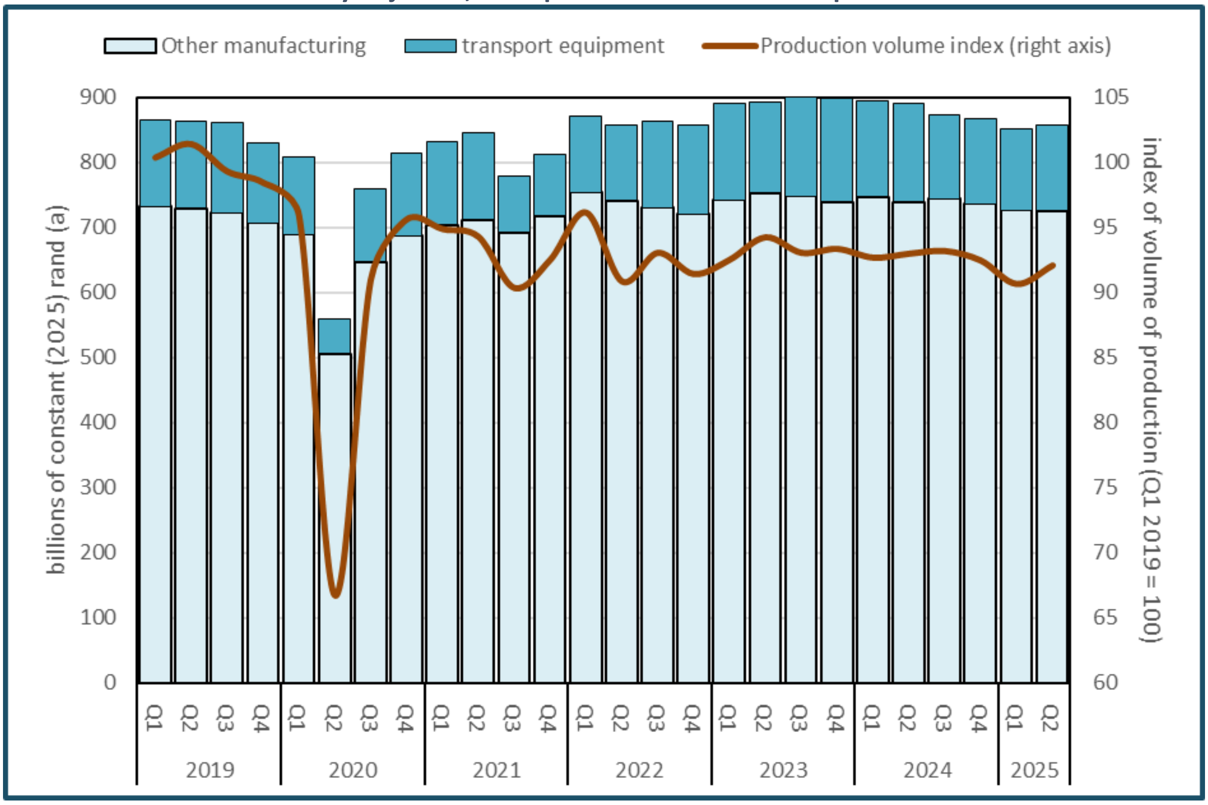
Graph 2: Value added by sector, second quarter 2015, 2019, 2023, 2024 and 2025, and first quarter 2025, in billions of constant (2025) rand (a)



Note: (a) Reflated with implicit deflator per sector. Source: Calculated from Statistics South Africa. GDP quarterly figures. GDP P0441 – 2025Q2. Excel spreadsheet.

In constant rand terms, manufacturing sales have steadily declined since the six-and-a-half-year peak, of R900 billion, registered in the third quarter of 2023 (Graph 3). On a quarterly basis, in seasonally adjusted constant rand terms, total manufacturing grew by R5 billion or 0.6%. Auto sales grew R6 billion in the same period, but the rest of manufacturing saw sales fall by R1 billion. Still, compared to a year earlier, manufacturing sales were down R34 billion, from R891 billion at the end of the second quarter of 2024, to R857 billion at the end of the second quarter of 2025. Auto sales shrank R20 billion over the period, while other manufactures fell R14 billion. The production volumes index showed a sharp recovery over the past quarter, but remains lower than at any point since mid-2022.

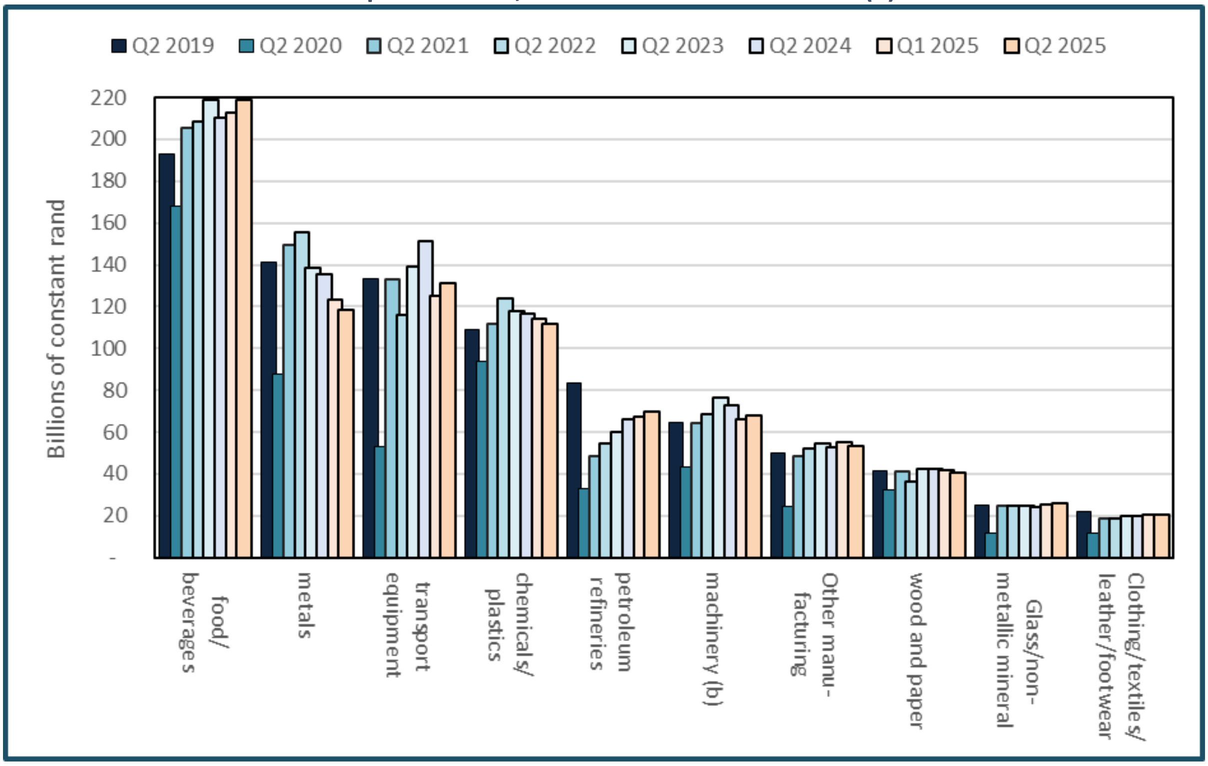
Graph 3: Quarterly manufacturing sales in billions of constant 2025 rand (a) and volume index, seasonally adjusted, first quarter 2019 to second quarter 2025



Note: Seasonally adjusted. (a) Sales in billions of constant rand reflated using CPI rebased to Q2 2025. Monthly data summed for sales and averaged for index. *Source*: Calculated from Statistics South Africa. Manufacturing Production and Sales. Excel Spreadsheet. Downloaded from www.statssa.gov.za in August 2025.

By manufacturing industry (Graph 4), most heavy industries declined on a yearly basis. The largest reductions were registered in transport equipment (-R20 billion), and metals (-R17 billion), while smaller yearly reductions were registered in chemicals, machinery, and wood and paper. Food and beverages saw the largest yearly increase, gaining R8.4 billion since the second quarter of last year. Compared to pre-pandemic levels, the manufacturing sector is R7 billion smaller in constant terms. Since the end of the second quarter of 2019, sales of metals and petroleum have registered the largest absolute and relative reductions. In percentage terms, sales in these industries have fallen 16% and 17%, respectively.

Graph 4: Sales by manufacturing industry, 2019 to 2025, second quarter, and first quarter 2025, in billions of constant 2025 (a) rand



Note: Values are seasonally adjusted. (a) Reflated using CPI rebased to Q2 2025. (b) Includes electrical machinery. *Source*: Calculated from statistics South Africa. Manufacturing Production and Sales. Excel Spreadsheet. Downloaded from www.statssa.gov.za in August 2025.

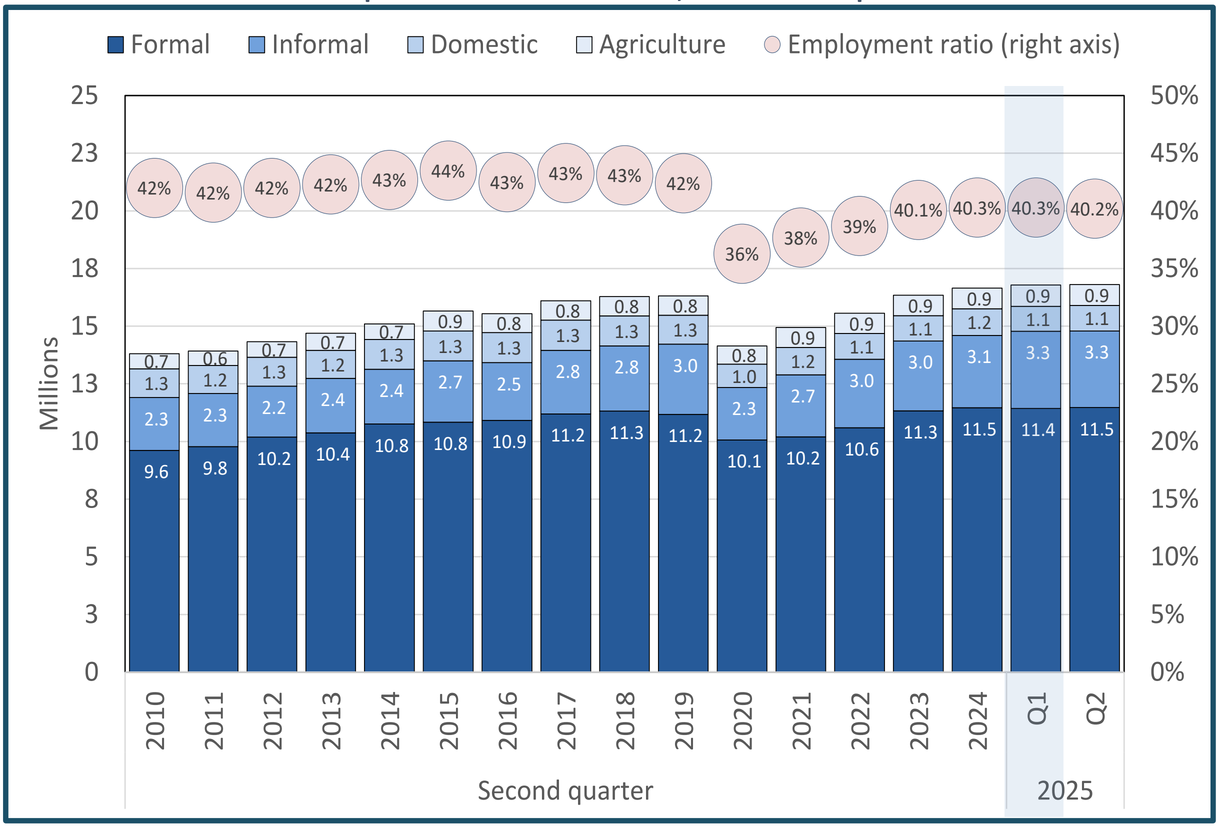
Employment

Employment edged up slightly in the year to the second quarter of 2025, adding 154 000 jobs (less than 1%), with gains in informal work dampened by sharp losses in domestic employment. By sector, business services, logistics, and construction drove growth, while retail and domestic work contracted. Manufacturing saw only a marginal net gain, with losses in petrochemicals, food, and clothing dampening overall growth. Mining employment continued to decline, shedding 14 000 jobs. Overall, employment now stands 3% above pre-pandemic levels, driven by strong growth in business and social services despite persistent weakness in retail and domestic work.

Total employment (Graph 5), increased by 154 000 (less than a percent) from the end of the second quarter of 2024 to the end of the second quarter of 2025. The yearly growth was driven by growth in informal employment, which added 197 000 jobs. It was largely offset by the loss of 54 000 domestic worker jobs. Formal employment was essentially unchanged from the second quarter of 2024.

Total employment is now 3% higher than pre-pandemic levels, having added almost half a million jobs since the end of the second quarter of 2019. Formal and informal employment saw the most growth over the period, while agricultural activities also added notably. Domestic workers, however, still have 145 000 fewer jobs than before the pandemic.

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

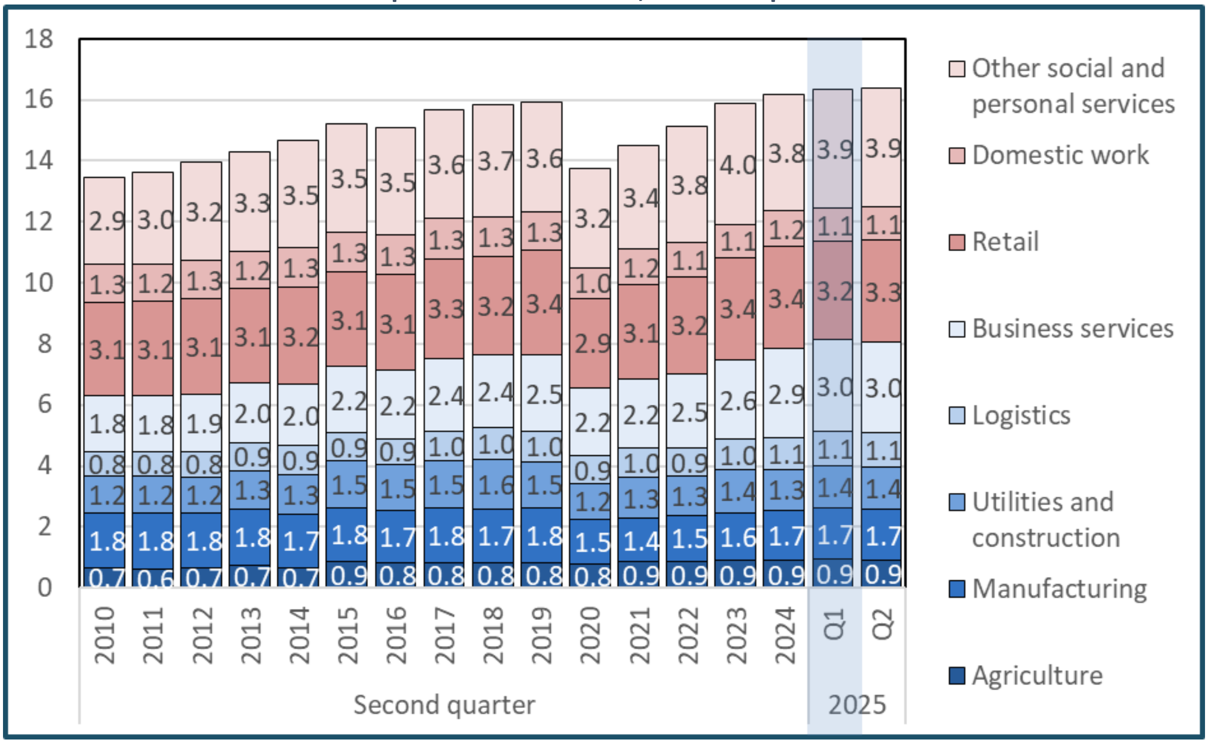


Note: (a) The employment ratio equals employed as a percentage of total the working-age population.
Source: Statistics South Africa. Quarterly Labour Force Survey (QLFS). Excel spreadsheet. Downloaded from statssa.gov.za in August 2025.

By sector, most categories saw growth from the end of the second quarter of 2024 to the end of the second quarter of 2025 (Graph 6). Construction and utilities combined added around 80 000 jobs, as did business services. Logistics expanded by 50 000. The retail sector and domestic work shed 44 000 jobs and 54 000 jobs, respectively. That said, compared to pre-pandemic levels, manufacturing, construction/utilities, retail and domestic work are all down by more than 100 000 jobs each. Business services, in contrast, is up almost half a million jobs, and other social and personal services has expanded by a quarter of a million.

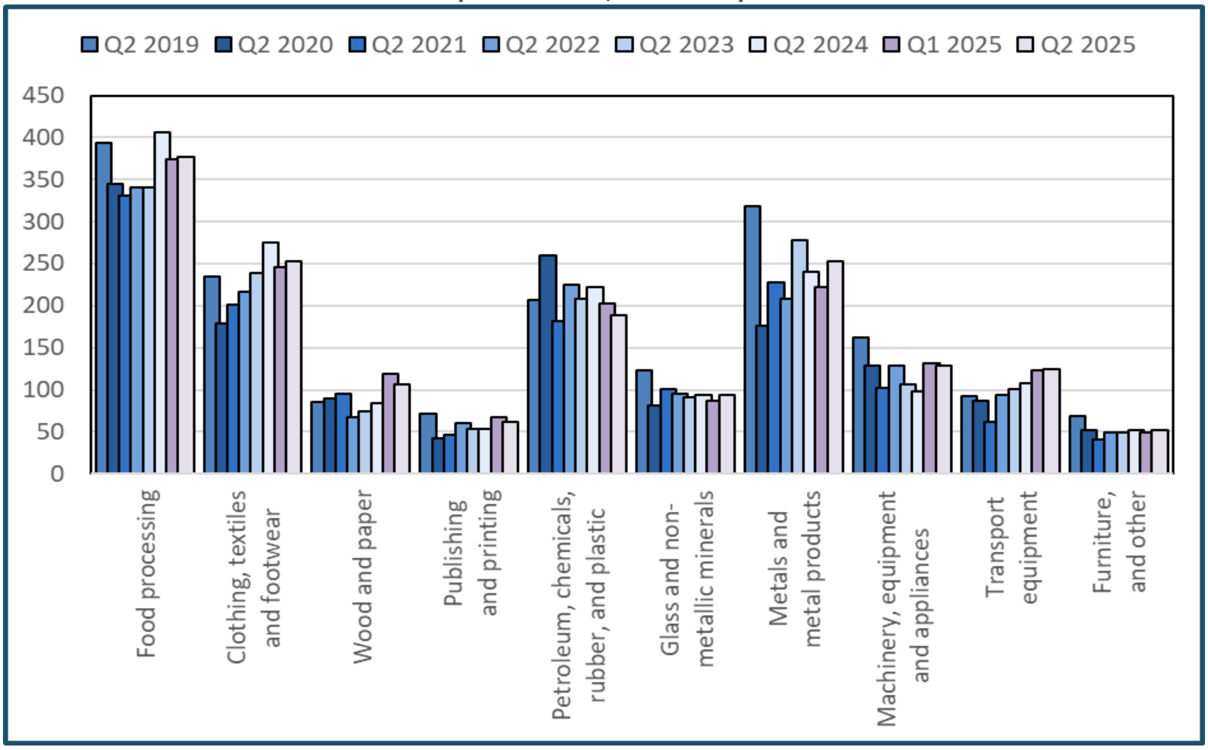
Within manufacturing, seven industries registered growth in employment over the year to the end of the second quarter of 2025, shown in Graph 7. The largest increases were in machinery and equipment (+31 000), and wood and paper (+22 000), with transport equipment also adding notably (+17 000). In contrast, job losses were recorded in the petrochemicals (-34 000), food processing (-29 000), and clothing and textiles (-22 000) categories. These changes, in conjunction with smaller increases in other industries, translates into a net gain of 6000 jobs. Compared to the second quarter of 2019, however, most manufacturing industries have lost positions, and there are now 122 000 fewer manufacturing jobs than before the pandemic.

Graph 6: Employment by sector (excluding mining), in millions, second quarter 2010 to 2025, and first quarter 2025



Source: Statistics South Africa. Quarterly Labour Force Survey. Excel spreadsheet downloaded at www.statssa.gov.za in August 2025.

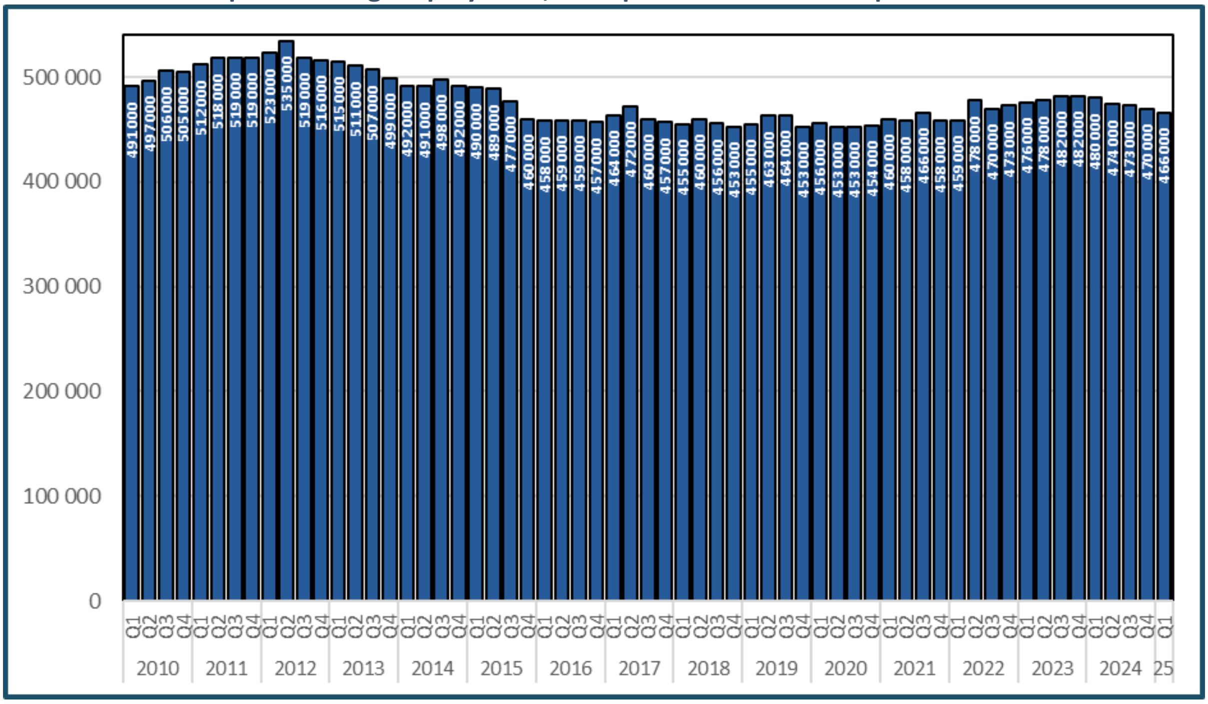
Graph 7: Employment in manufacturing industries, in thousands, second quarter 2019 to second quarter 2025, and first quarter 2025



Source: Statistics South Africa. Quarterly Labour Force Survey. Q2 2019 to Q2 2023 downloaded at nesstar.statssa.gov.za in August 2024 and Q2 2024 to Q2 2025 downloaded at isibaloweb.statssa.gov.za in August 2025.

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 QES is published a quarter behind the QLFS. According to the QES, in the first quarter of 2025, the mining sector lost 14 000 jobs compared to the same quarter of 2024 (Graph 8). On a quarterly basis, mining employment has been on the decline since the first quarter of 2024. This contrasts with the gradual build up in the sector’s employment from 2019 to the end of 2023, reflecting soaring international mineral prices. Employment in mining remained below its almost decade-and-a-half peak, of 535 000 jobs, reported in the second quarter of 2012, soon after the end of the last boom in mineral prices.

Graph 8: Mining employment, first quarter 2010 to first quarter 2025

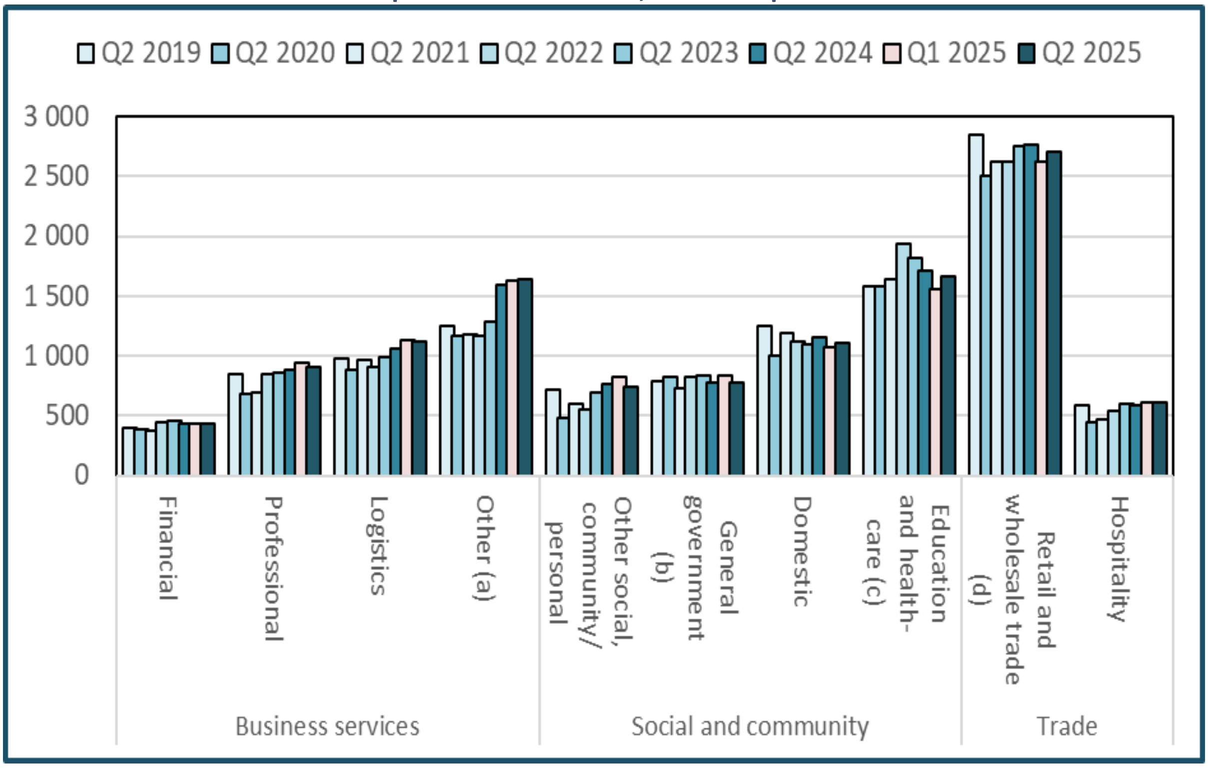


Note: Q4 2024 was revised. *Source*: Statistics South Africa. Quarterly Employment Statistics. Detailed breakdown. First Quarter 2025. Excel spreadsheet. Downloaded at statssa.gov.za in August 2025.

As a whole, the tertiary sector shed jobs over the year to the end of the second quarter of 2025 (Graph 9). The largest losses were registered in retail and wholesale trade, which lost 65 000 jobs, domestic work (as already noted above), and education and healthcare, which downsized by 54 000 or 3%. Other service industries saw significant gains. Logistics added 51 000 jobs, and professional services added 26 000. But these gains are too low to offset the losses.

Compared to pre-pandemic levels, domestic work and retail and wholesale trade remain significantly lower than before the pandemic, with 140 000 fewer jobs each than in the second quarter of 2019. However, significant increases in other industries means that there are almost half a million more services jobs currently than before the onset of the pandemic.

Graph 9: Employment in services industries, in thousands, second quarter 2019 to 2025, and first quarter 2025



Notes: (a) mostly cleaning and private security. (b) Includes public security services. (c) The reported figures do not match administrative sources on numbers employed, which indicates the need for research given the size of the divergence and the importance for national aims. (d) Including motor services. *Source*: Statistics South Africa. Quarterly Labour Force Survey. Q2 2019 to Q2 2023 downloaded at nesstar.statssa.gov.za in August 2024 and Q2 2024 to Q2 2025 downloaded at isibaloweb.statssa.gov.za in August 2025.

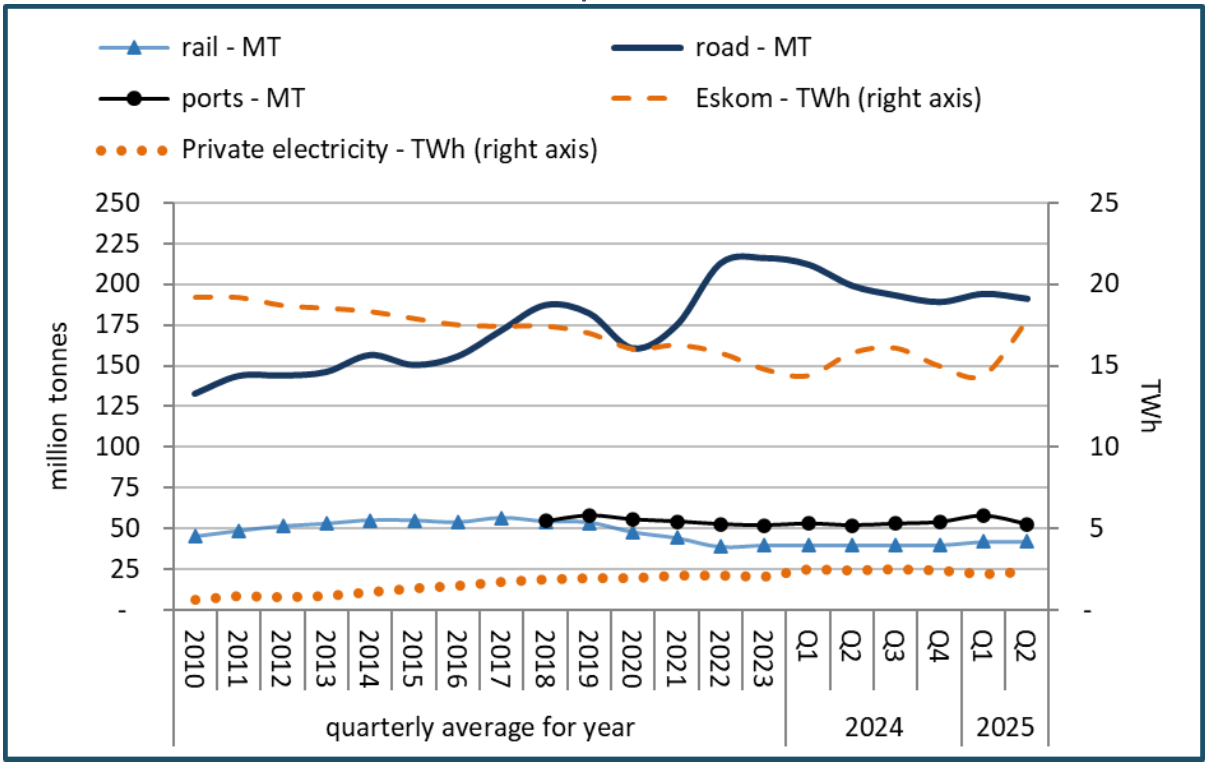
Infrastructure

The second quarter of 2025 saw a sharp uptick in Eskom generation, although it remains low compared to a decade ago. Freight transport has inched down over the past year, reflecting slow overall growth. There was, however, a small shift from road to rail as Transnet freight recovered modestly.

Infrastructure indicators show mixed results for the year to the second quarter of 2025. (Graph 10). Grid electricity is up by almost 2 TWh, almost entirely due to a 1.96 TWh jump in Eskom's supply. The increase in production by the national utility meant it almost returned to 2010 levels of output. It was partially offset by a small (0.05 TWh) reduction in supply to the grid from private generators.

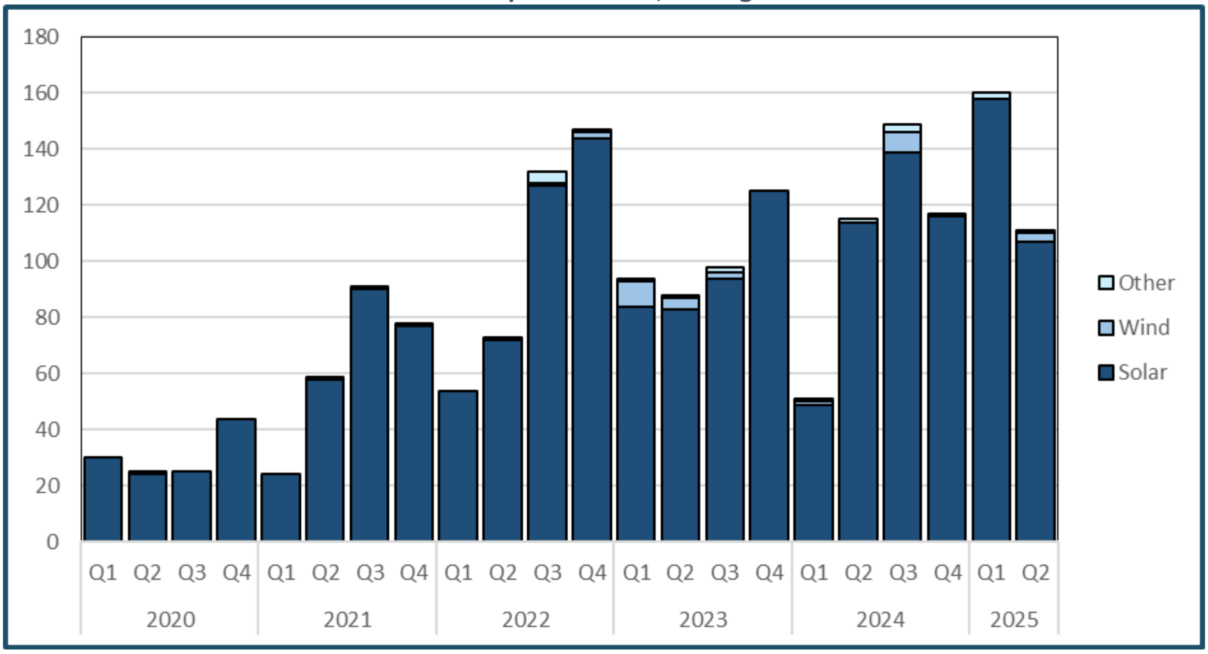
Transnet's rail tonnage was unchanged on a quarterly basis but increased two million tonnes over the past year. It reached 42 million tonnes at the end of the second quarter of 2025. In the same period, road freight fell eight million tonnes, or 4%, from 199 million tonnes to 191 million tonnes. Payload through the ports increased 1% over the year, but fell 9% on a quarterly basis, from 58 million tonnes to 53 million tonnes. Overall, payload moved within South Africa and through the ports was five million tonnes lower at the end of the second quarter of 2025 than it was a year earlier. While there is no data on off-grid generation, registrations of off-grid capacity show no sign of slowing down. (Graph 11) Total off-grid capacity registered annually with The National Energy Regulator of South Africa (NERSA) doubled after loadshedding escalated from mid-2022 compared to the previous two years. From the third quarter of 2022 to the second quarter of 2025, over 1.3 MW was registered with NERSA, but generation is typically lower. Almost all new off-grid capacity registered used solar power.

Graph 10: Road, rail, and ports tonnage (in million tonnes) and Eskom and other grid suppliers' electricity available (in TWh), 2010 to 2023 (quarterly average for year), first quarter 2024 to second quarter 2025



Source: Statistics South Africa. Electricity generated and available for distribution. Excel spreadsheet; and Land Transport Survey. Excel spreadsheet. For ports, Transnet National Ports Authority. Port Statistics. Webpage.

Graph 11: Off-grid capacity registered with NERSA by type, quarterly from 2020 to second quarter 2025, in megawatts



Source: Calculated from NERSA. Registered generation database. Excel spreadsheet. Downloaded from https://www.nersa.org.za/electricity/registration in September 2025.

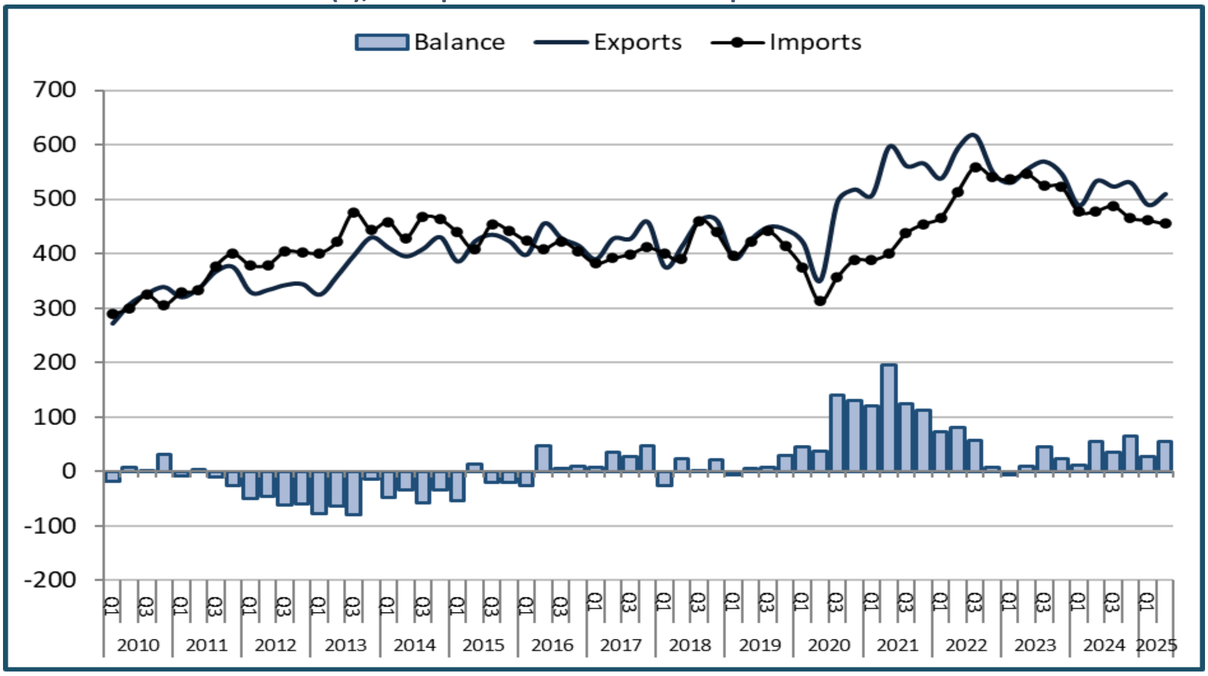
International trade

South Africa posted its ninth straight trade surplus in the second quarter of 2025, but both exports and imports fell in real terms by around 5% year on year. Mining and manufacturing exports weakened, hit by falling commodity prices and high energy costs, while agriculture bucked the trend with an 8% rise. Imports contracted across all sectors, with the sharpest drops in agriculture (–20%) and mining (–15%). Both exports and imports were still higher than before the pandemic, mostly due to historically elevated prices for minerals despite the decline in the past two years.

The trade figures for the second quarter of 2025 do not reflect the impact of the US tariffs announced in April 2025, which took effect in early August. South Africa was hit by a 30% tariff on all goods except raw materials, with the harshest effects likely for auto, aluminium and some horticultural products. The impact will likely emerge only in the third quarter of the year, however.

As Graph 12 shows, South Africa has now run a surplus in almost every quarter since early 2018. In real terms, however, both exports and imports fell – by 4% and 5%, respectively – from the second quarter of 2024. Compared to the first quarter of 2025, exports climbed 4% and imports dropped 1%. Exports are still 20% above the pre-pandemic level, however, while imports are 8% higher. This outcome largely reflects the fact that, while mineral prices have fallen sharply in the past two years, platinum and gold prices remain well above pre-pandemic levels.

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

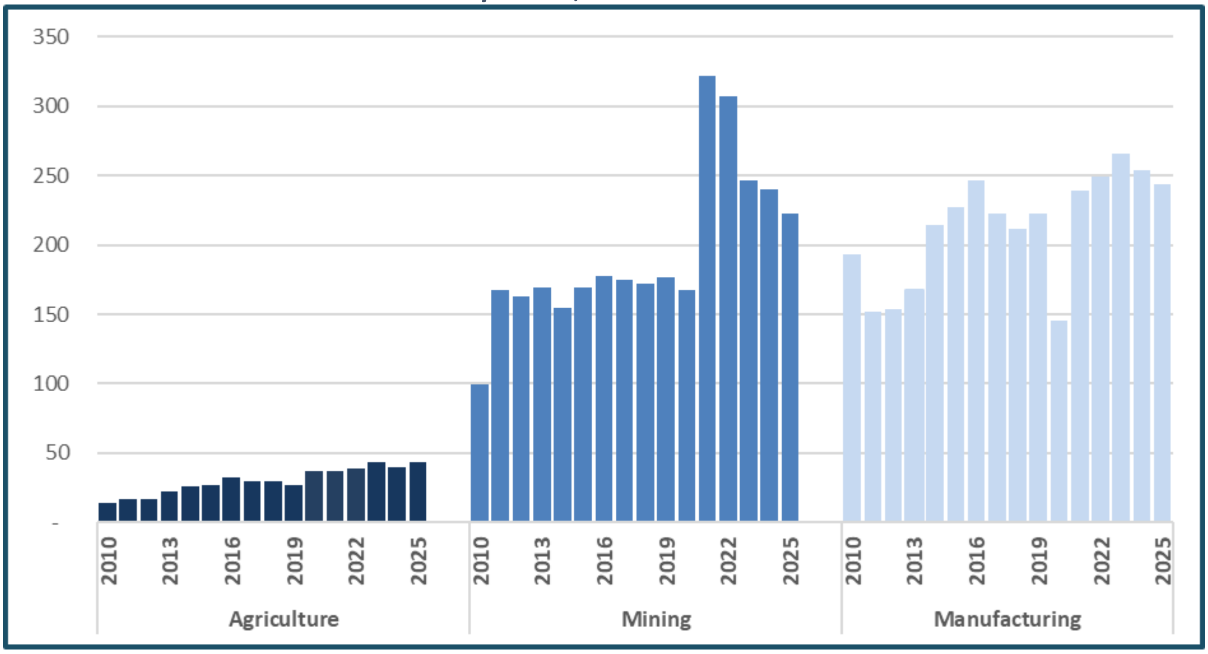


Note: Reflated with CPI, rebased to the second quarter of 2025. *Source*: Calculated from South African Revenue Service.

Across the three export sectors shown in Graph 13, manufacturing and mining declined, while agricultural exports grew. In constant rand terms, agricultural exports increased 8%, from R40 billion at the end of the second quarter of 2024 to R43 billion at the end of the second quarter of 2025. Mining exports have fallen 7% over the year, from R240 billion to R223 billion. Manufacturing exports are down 4%.

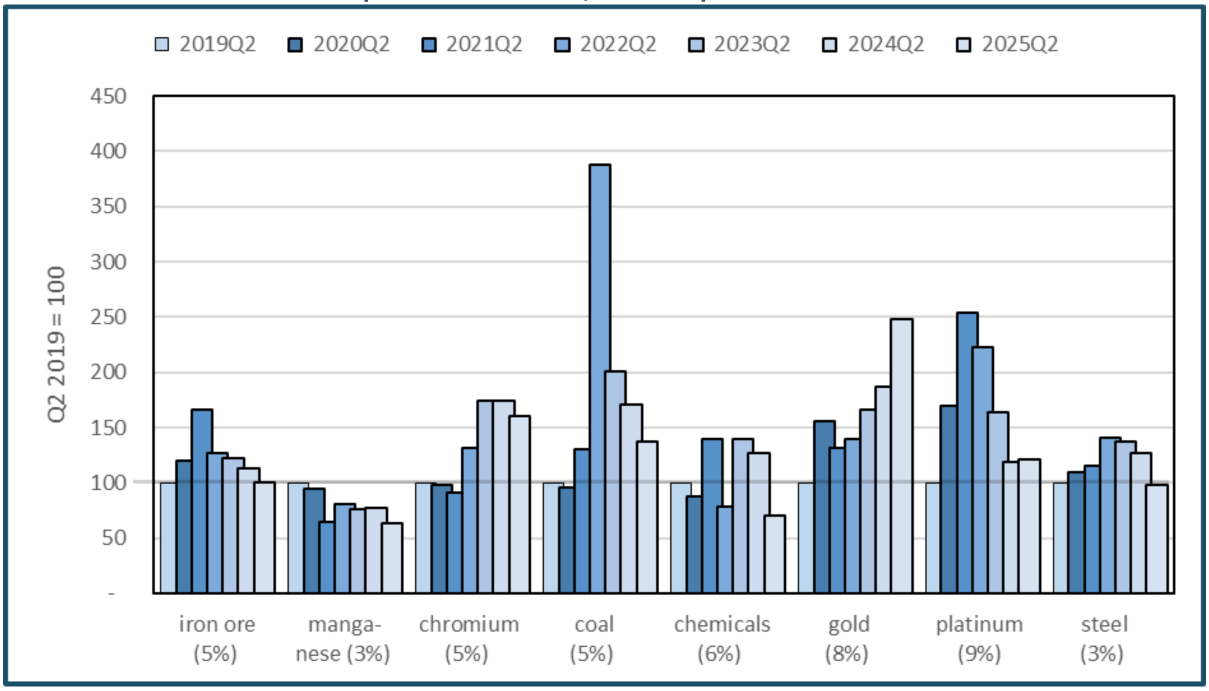
The fall in mining can be, in part, explained by the reduction in the export prices, shown in Graph 14. Except for the export price of gold, which grew by 33% over the year, and for platinum, which grew 2%, other major mineral export prices are down. Steel, and coal dropped by around 20%, and chemicals dropped 45%.

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



Note: (a) Reflated with CPI, rebased to the second quarter of 2025. *Source*: Calculated from South African Revenue Service.

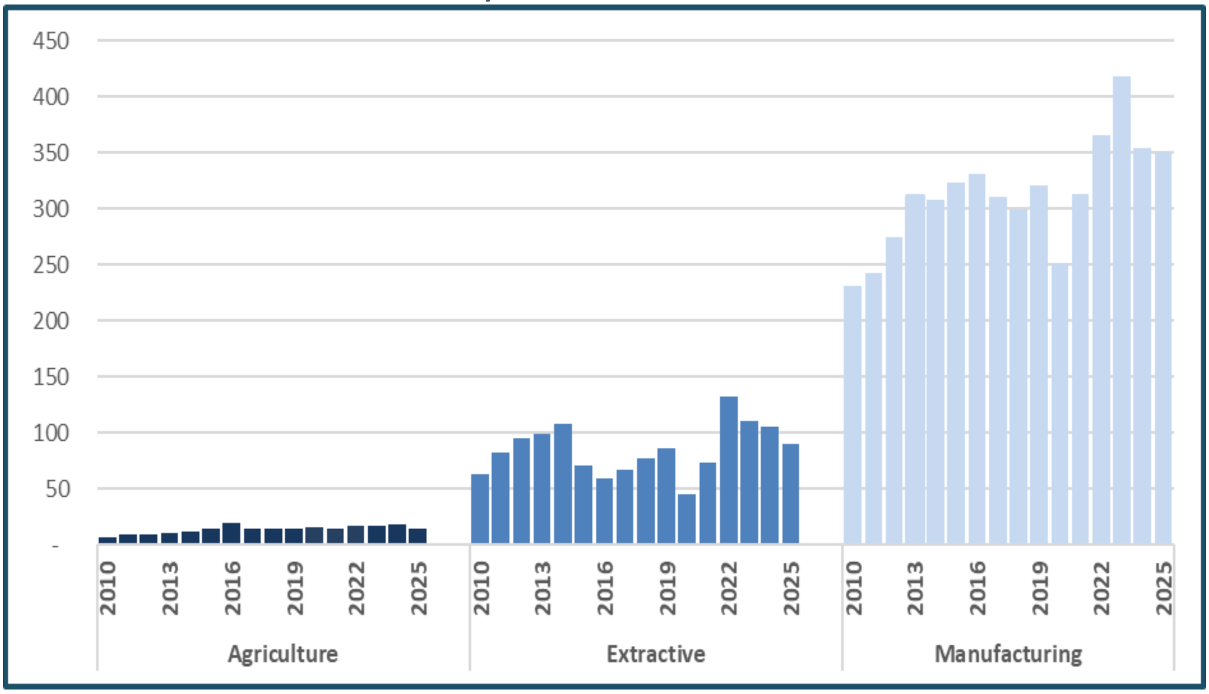
Graph 14: Indices of unit export prices for South African mineral exports, second quarter 2019 = 100, second quarter 2019 to 2025



Note: Reflated with CPI, rebased to the second quarter of 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.easydata.co.za in August 2025.

Imports across all sectors were down at the end of the second quarter of 2025 compared to the same time last year, shown in Graph 15. Agricultural imports fell 21%, from R19 billion to R15 billion, and mining imports fell 15% from R106 billion to R90 billion. The fall in manufacturing imports was notably lower at just 1%, from R354 billion to R350 billion.

Graph 15: Second quarter goods imports, in billions of constant 2025 (a) rand, by sector 2010 to 2025



Note: (a) Reflated with CPI, rebased to the second quarter of 2025. *Source*: Calculated from South African Revenue Service.

The decrease in manufacturing exports was driven by a R14 billion reduction in exports of metals and metal products (Table 1). Ferroalloy exports plummeted by almost R13 billion, in constant terms, over the year. Exports of ferrochromium were 60% lower in the second quarter of 2025 than a year earlier. The fall in metals exports was softened by a jump in auto exports. However, smaller increases and decreases in other subsectors means that manufacturing exports are R10 billion lower in the current quarter than it was in the same quarter of the previous year.

South Africa runs a deficit on trade in manufactured goods, reflecting its continued dependence on mining exports. In the past year, imports fell only a third as fast as exports.

Table 1: Trade by manufacturing subsector

INDUSTRY	VALUE (BILLIONS)		% CHANGE FROM Q2 2024		CHANGE IN BILLIONS	
	USD	RAND	USD	RAND	USD	RAND
EXPORTS						
Food and beverages	1.35	24.71	3%	-1%	0.04	-0.32
Clothing and footwear	0.48	8.71	9%	5%	0.04	0.38
Wood products	0.18	3.27	20%	15%	0.03	0.42
Paper and publishing	0.43	7.94	2%	-3%	0.01	-0.22
Chemicals, rubber, plastic	2.05	37.45	-5%	-9%	-0.10	-3.65

INDUSTRY	VALUE (BILLIONS)		% CHANGE FROM Q2 2024		CHANGE IN BILLIONS	
	USD	RAND	USD	RAND	USD	RAND
Glass and non-metallic mineral products	0.11	2.04	15%	10%	0.01	0.18
Metals and metal products	2.27	41.49	-22%	-25%	-0.64	-14.12
Machinery and appliances	2.11	38.59	-1%	-5%	-0.02	-2.06
Transport equipment	4.06	74.30	20%	14%	0.66	9.36
IMPORTS						
Food and beverages	1.02	18.63	10%	5%	0.09	0.96
Clothing and footwear	1.11	20.27	1%	-3%	0.02	-0.67
Wood products	0.10	1.80	5%	0%	0.00	-0.00
Paper and publishing	0.32	5.88	1%	-3%	0.00	-0.20
Chemicals, rubber, plastic	3.66	66.83	0%	-4%	0.01	-2.84
Glass and non-metallic mineral products	0.22	3.97	-1%	-6%	-0.00	-0.23
Metals and metal products	1.34	24.39	-2%	-7%	-0.03	-1.78
Machinery and appliances	6.29	115.09	5%	0%	0.29	0.36
Transport equipment	4.74	86.49	6%	1%	0.25	0.81

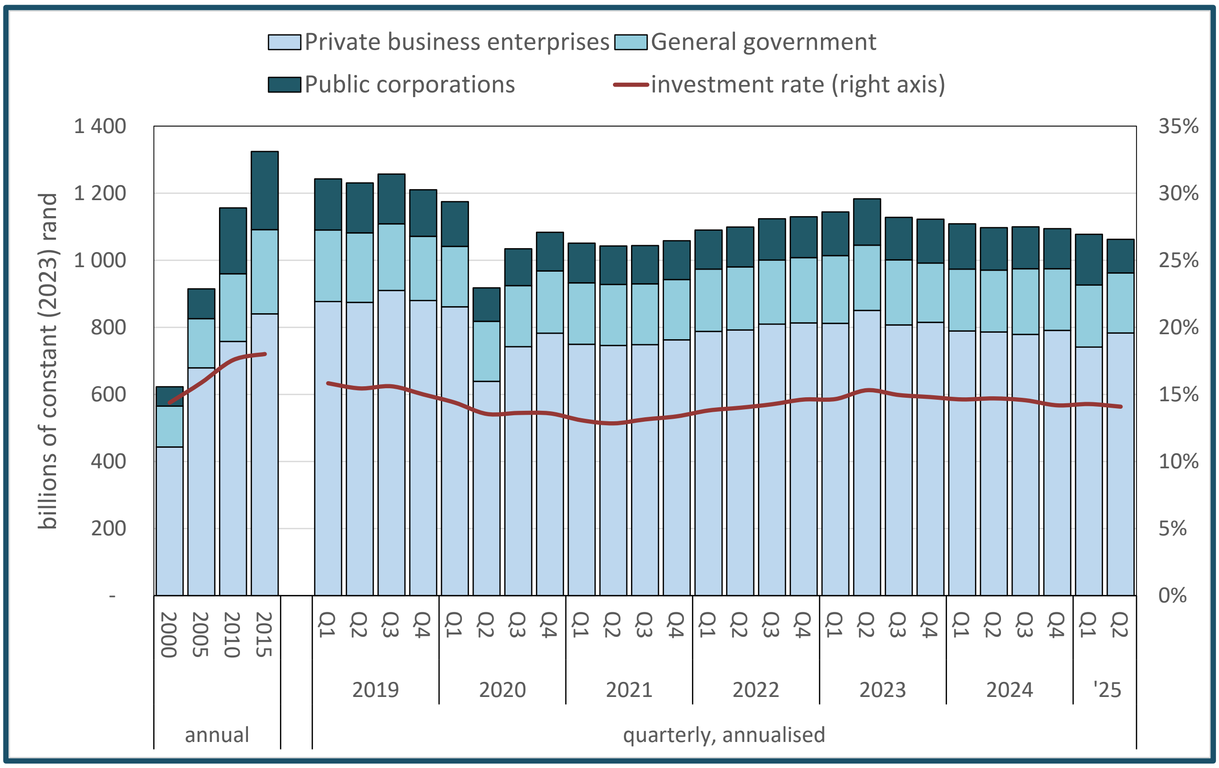
Source: SARS monthly data.

Investment and profitability

Investment continued the downward trend that started in the second quarter of 2023. Over this period, both public and private investment declined. Private investment shrank by 0.4%; the figure for general government was 3.2%, while investment by state-owned companies plummeted 20%. In the first half of 2025, the data showed fluctuations between public and private investment, but the downward trend continued for gross fixed capital formation as a whole. Data on profitability are only available through the first quarter of 2025, when they showed some recovery for both mining and manufacturing.

Investment fell steadily in two years to the second quarter of 2025, reversing the recovery from the COVID-19 downturn. Over this period, it fell 3.1%, with most of the decline coming from the public sector. How this outcome emerged despite government's commitment to boosting public infrastructure spend is unclear. It resulted in a drop in the investment rate (that is, gross fixed capital formation as a share of the GDP) from a post-pandemic peak of 15.3% in the second quarter of 2023 to 14.1% two years later. The investment rate is now back to levels last seen in the early 2000s, having peaked around 18% at the end of the commodity boom of the 2010s. (Graph 16)

Graph 16. Investment by type of investor in constant 2024 rand and the investment rate (a), every five years from 2000 to 2015 and quarterly from 2019 to the second quarter of 2025



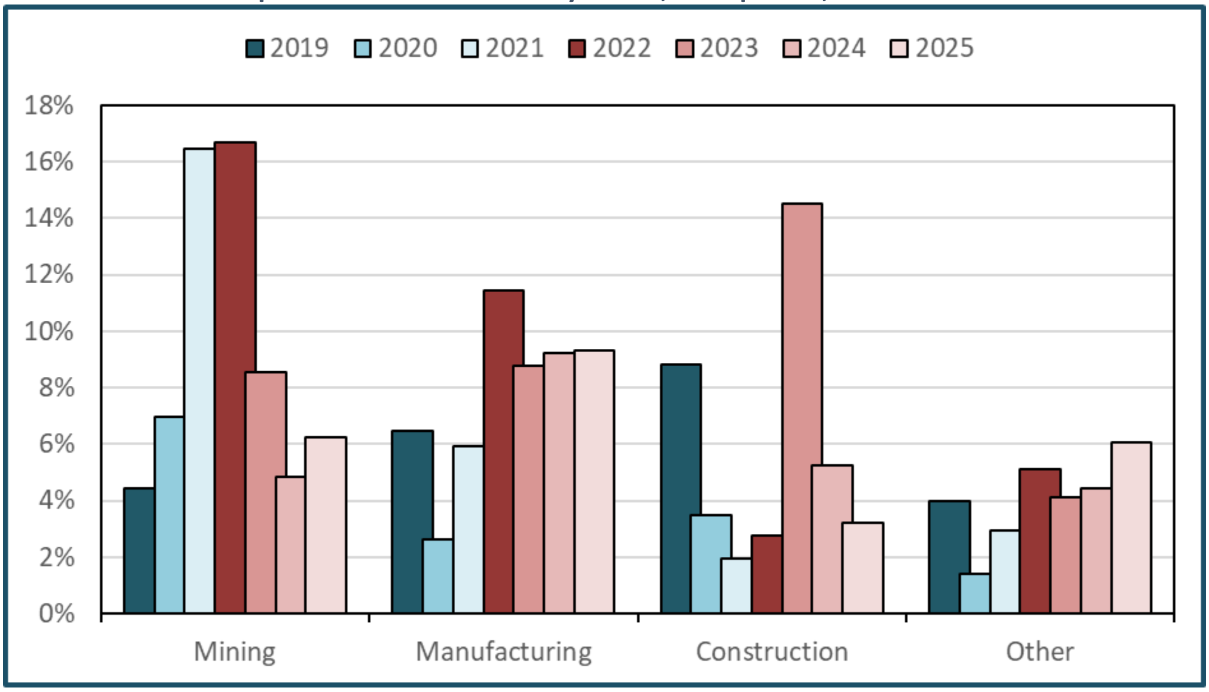
*Note: (*a) Figures for investment are reflated with implicit deflator rebased to second quarter 2025. The investment rate is gross fixed capital formation as a percentage of expenditure on the GDP. Source: Calculated from Statistics South Africa. GDP quarterly figures. GDP P0441 – 2025Q2. Excel spreadsheet.

The data show a spike in investment by state-owned companies in the first quarter of 2025 followed by a sharp plunge, with a reverse set of changes for private investment. It is unclear if this results from an actual shift in investment or a miscategorisation of the investors involved. The anomaly does not change the overall trend in total investment.

Data on profitability by sector are available only through the first quarter of 2025, from Statistics South Africa's Quarterly Financial Statistics. At the start of 2025, profitability recovered from 2024 in every sector except construction. That said, it was significantly lower than in 2021 and 2022, when high international mining prices increased returns especially in the mining value chain. (Graph 17).

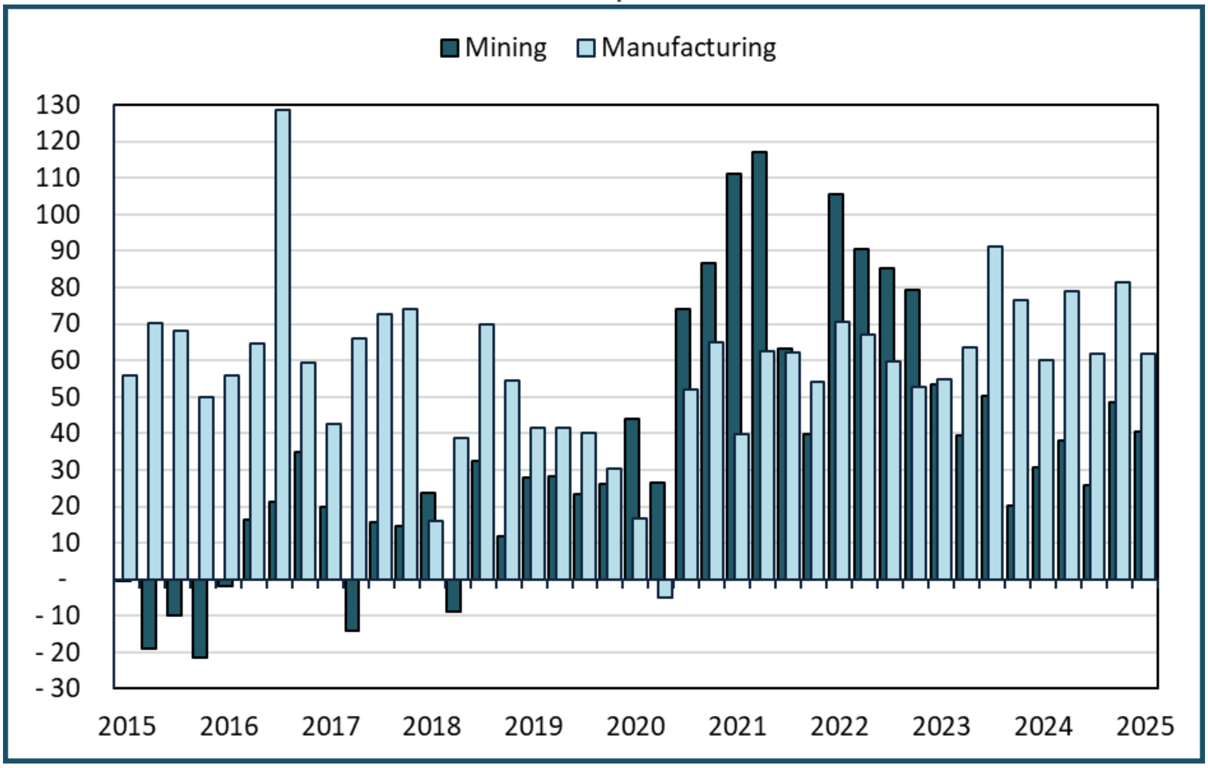
In the first quarter of 2025, both manufacturing and mining profits declined in constant rand terms (Graph 18). Manufacturing profits shrank by 24%, dropping from R81 billion in the fourth quarter of 2024 to R62 billion at the start of 2025. Mining profits also contracted, down 17% quarter-to-quarter, from R49 billion to R40 billion. However, mining profits surged by 31% compared to the same period a year earlier. Manufacturing profits climbed modestly in this period.

Graph 17: Return on assets by sector, first quarter, 2019 to 2025



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

Graph 18: Quarterly profits in manufacturing and mining in billions of constant 2025 rand (a), 2015 to the first quarter of 2025.



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

Foreign direct investment projects

The TIPS Foreign Direct Investment Tracker monitors FDI projects on a quarterly basis, using published information. Monitoring added 17 projects in the second quarter of 2025, with 10 reporting on their value, for a total of R26.9 billion. Projects were registered across mining, manufacturing, services and utilities. In addition, 13 pre-existing projects were updated.

New project announcements

Mining recorded the largest investment value, attributed to Frontier Rare Earths R16.8 billion planned investment in the Zandkopsdrift mine and processing plant in the Northern Cape (Table 2). In electricity, the Department of Electricity and Energy announced five preferred bidders under Bid Window 3 of the Battery Energy Storage Independent Power Producer Procurement Programme, representing an investment of R9.5 billion. Manufacturing investment includes facility upgrades – MAN Automotive modernised its facility to assemble electric buses locally. Services registered three projects, with the R126 million value attributed to Rangel Logistics Solutions' warehouse expansion. Luxembourg was the leading source of investment, due to the Zandkopsdrift mining project, followed by Denmark (R7.3 billion) and Norway (R2.2 billion). The Northern Cape received the most investment, by value, again due to the Zandkopsdrift mine.

Table 2: FDI projects captured in the second quarter of 2025

INVESTOR COMPANY	COUNTRY OF ORIGIN	ANNOUNCED VALUE R BNS	LOCATION	PROJECT SUMMARY
Mining: R16.8 billion				
Frontier Rare Earths	Luxembourg	16.8	Northern Cape	Magnet rare earths and battery grade manganese project
Utilities: R9.5 billion				
Scatec	Norway	2.2	Free State	123 MW BESS
Mulilo	Denmark	1.8	Free State	124 MW BESS
Mulilo	Denmark	1.8	Free State	123 MW BESS
Mulilo	Denmark	1.8	Free State	123 MW BESS
Mulilo	Denmark	1.8	Free State	123 MW BESS
Maxion Wheels/ Terra Firma	Germany	Not reported	Gauteng	Solar installations
De Heus South Africa	Netherlands	Not reported	Limpopo	Ground mount solar installation
Manufacturing: R492 million				
Sew-Eurodrive South Africa	Germany	0.4	Gauteng	Multi-purpose service and repair facility
Mann+Hummel	Germany	0.1	Gauteng	Southern Africa manufacturing hub
MAN Automotive	Germany	0.05	KwaZulu - Natal	Electric bus manufacturing and skills development
Magotteaux Grinding Media South Africa	Belgium	Not reported	Gauteng	Installed new machinery
Scania South Africa	Sweden	Not reported	Gauteng	Bus and truck chassis assembly plant
Archer Daniel Midland	United States	Not reported	Gauteng	Office expansion
Services: R126 million				
Rangel Logistics Solutions	Portugal	0.1	Gauteng	Extended warehouse facility

INVESTOR COMPANY	COUNTRY OF ORIGIN	ANNOUNCED VALUE R BNS	LOCATION	PROJECT SUMMARY
Bureau Veritas South Africa	France	Not reported	Gauteng	New regional head office
AGL Terminals	France	Not reported	Western Cape	Modernisation of A-Berth port

Note: Numbers may not always sum to the exact total investment amounts due to rounding.

Source: TIPS FDI Tracker database.

Greenfield projects make up the highest announced value and number of projects by type (Table 3).

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

	STAGE	ANNOUNCED	FEASIBILITY	IMPLEMEN-TATION	COMPLETE	TOTAL VALUE	NUMBER
Investment type	Greenfield	16.8	9.5	0.4	0.1	**26.7**	**8**
	Expansion	-	-	-	0.1	**0.1**	**2**
	Upgrade	-	0	-	0	**0.0**	**6**
	Brownfield	-	-	0	-	**0.0**	**1**
Total value		**16.8**	**9.5**	**0.4**	**0.2**		
Number		**6**	**1**	**2**	**8**		

Note: Numbers may not always sum to the exact total investment amounts due to rounding.

Source: TIPS FDI Tracker database

Updates

Progress continued across multiple projects (Table 4). In the energy sector, the 100 MW Red Stone concentrated solar power (CSP) plant achieved full commercial operation, while construction advanced on EDF Renewables Koruson 1 wind energy cluster. In addition, Globeleq and local partner, African Rainbow Energy, reached commercial close on the Red Sands Battery Energy Storage System (BESS) while Hive's planned solar PV cluster received all required permits. YOA Cables completed facility expansion and Volkswagen Group Africa (VWA) is commissioning plant upgrades after a R4 billion modernisation project in manufacturing. Despite being among members of the South African Tyre Manufacturing Conference that pledged a collective R4.9 billion investment by the end 2024, Goodyear closed its tyre manufacturing plant this quarter. Mining projects by Wesizwe Platinum, Ivanhoe Mines, and Ironveld are progressing. One of Ironveld's other investments, the Bokone Smelting complex (formerly Ferrochrome Furnaces) has, however, been placed on care and maintenance. In services, the Zululand Terminal moved forward by signing a terminal operator agreement, while the International Container Terminal Services (ICTSI) concession award is facing legal challenges.

Table 4: Projects updated in the second quarter of 2025

COMPANY	PROJECT	ANNOUNCED VALUE (R BNS)	INDUSTRY	PROGRESS UPDATE
ACWA Power	Redstone CSP	11.6	Electricity	Full commercial operation
YOA Cables	YOA fibre optic manufacturing plant project	0.2	Manufacturing	Launched expanded manufacturing hub
Wesizwe Platinum	Bakubung Platinum Mine (BPM) project.	10.7	Mining	Started trial production at the processing plant

COMPANY	PROJECT	ANNOUNCED VALUE (R BNS)	INDUSTRY	PROGRESS UPDATE
EDF Renewables	Koruson 1 wind energy cluster	8.1	Electricity	Commissioned first substation
VWA	VWA new vehicle model	4	Manufacturing	Commissioning plant upgrades
Ivanhoe Mines	Platreef PGM project	1	Mining	Entered Flatreef orebody
Ironveld/Sable Exploration and Mining	Lapon Magnetite plant	Not reported	Mining	Completed first blast
Hive Hydrogen	Coega Green Ammonia- solar PV cluster	15	Electricity	Fully permitted, expanded by additional 200MW
Globeleq/ African Rainbow Energy	Red Sands BESS	5.7	Utilities	Commercial close
Vopak Terminal Durban and Transnet pipeline consortium	Zululand Terminal	1	Services	Signed terminal operator agreement
Transnet/ ICTSI	Durban Container Terminal Pier 2	12	Services	Facing opposition to concession awarded by Transnet
Ironveld	Bokone Smelting complex refurbishment	0.04	Mining	Facility placed under care and maintenance
Goodyear South Africa	Goodyear	Not reported	Manufacturing	Closed manufacturing plant

Source: TIPS FDI Tracker database.

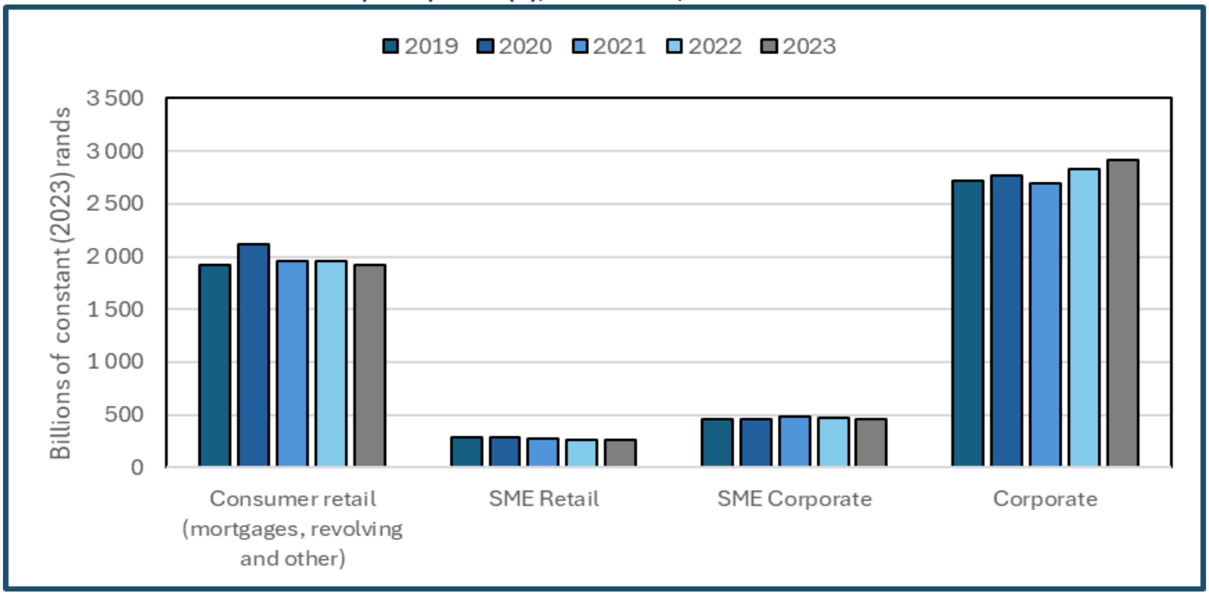
Briefing Note 1: The small business finance gap in South Africa

Luthandolwethu Zondi, Saul Levin, and Nothembi Mahlangu

Despite their important role in sustainable economic development, small businesses often face barriers to growth and sustainability, including limited access to formal financing. They secure significantly less external funding than large corporations, creating a persistent financing gap driven by supply and demand-side factors. This brief provides more detail on the funding challenges, drawing on a recent TIPS publication, *Small business finance landscape and a finance gap in South Africa.*

In South Africa, lending disparities are pronounced: over the past six years, retail and corporate small businesses received only 13% of bank loans, while corporate entities received 51% and bank consumer clients 36% (Graph 19). Small businesses in the retail lending category are the least funded, whereas corporate small businesses have relatively better access to credit. Both groups lag far behind corporate borrowers and, in real terms, their access to credit in 2023 remains lower than in 2012.

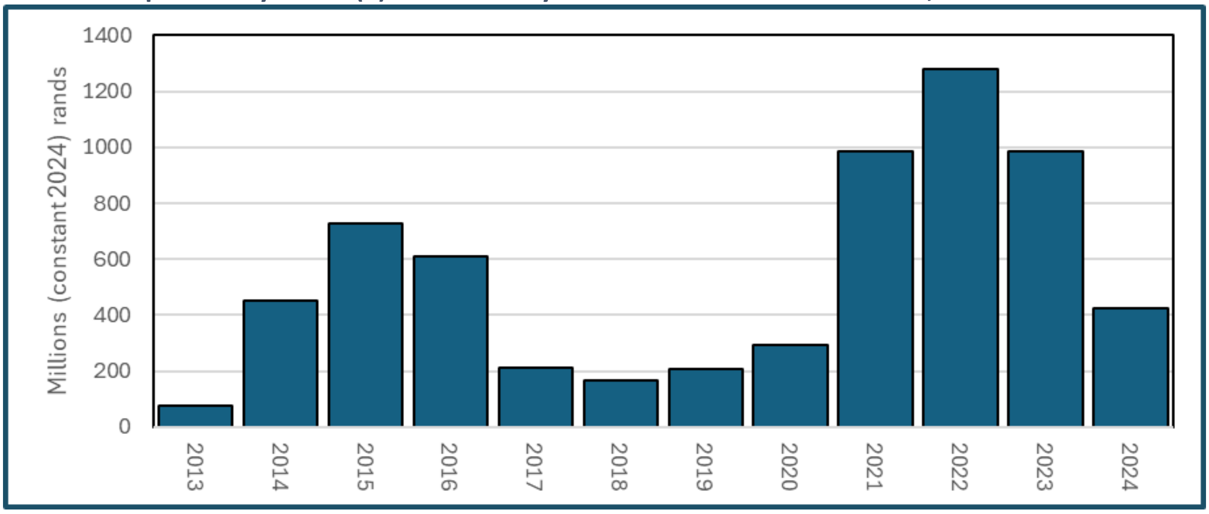
Graph 19: Gross credit exposure by banks to different market segments, 2019-2023 in constant (2023) rand (a), December, 2019 to 2023



Note: (a) Small businesses corporate has turnover of less than R400 million; small businesses retail has credit exposure equal to or below R12.5 million. Consumer retail includes revolving credit and residential mortgage loans. Figures are deflated with CPI. *Source*: Calculated from SARB. Gross Credit Exposure (BA 200) rand.

To bridge the SME financing gap, state development institutions such as the Industrial Development Corporation (IDC) and the Small Enterprise Finance Agency (SEFA) provide targeted financial support. However, IDC funding to small businesses has declined significantly, coinciding with SEFA's establishment in 2012. As shown in Graph 20, SEFA's funding initially grew after its launch in 2012, but fell by 65% between 2016 and 2017 due to fewer approvals and stricter credit conditions.[1] COVID-19 relief programmes temporarily boosted funding in 2021, but allocations have declined since then.

Graph 20: Payments (a) to SMMEs by SEFA in constant million rands, 2013 to 2024.



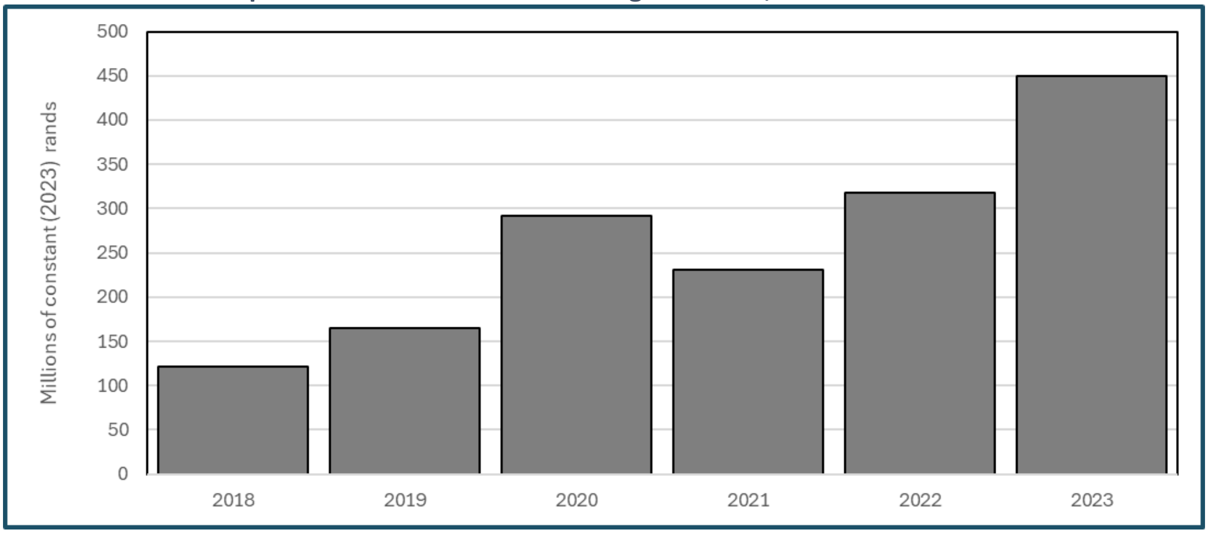
Note: (a) Payments are measured by disbursements from direct lending to small, medium and micro enterprises (SMMEs) and cooperatives from a minimum of R50 000 to a maximum of R15 million. Direct

[1] SEFA. (2017). Annual Report 2016/17. Pretoria: Small Enterprise Finance Agency. Available at: https://www.sefa.org.za/publications?category=annual%20reports (Accessed March 2025).

Lending mainly provides debt funding and, in certain programmes, offers blended financing instruments (a combination of loans and grants). *Source*: SEFA. Annual Reports 2013-2024. Direct Lending: Disbursements. Accessed on www.sefa.org.za in March 2025, deflated using CPI.

Credit guarantees and blended finance mechanisms help ease the barriers to small businesses by reducing risks for lenders. The Khula Credit Guarantee Scheme, administered by SEFA, provides credit guarantees through intermediaries such as banks and trade credit providers. In response to the COVID-19 pandemic, the value of guarantees in constant terms surged by 77%, rising from R165 million in 2019 to R292 million in 2020, and reached a peak in 2023 (Graph 21). Despite this growth, credit guarantees still represent only 0.06% of the roughly R717 billion in loans provided to small businesses by South African banks.

Graph 21: The total value of credit guarantees, from 2018 to 2023



Note: The SEFA's Khula Credit Guarantee scheme makes up the total value of guarantees taken up.
Source: SEFA annual reports 2022-2023. Accessed on www.sefa.org.za in July 2024, deflated using CPI.

To address the funding gap for small business requires a significant scaling up of current programmes. That requires expanding the resources available to both national and provincial development finance institutions. It also needs stronger collaboration with private financial institutions. Furthermore, credit guarantee schemes should be broadened and streamlined, as their uptake remains low, particularly in addressing barriers such as insufficient collateral and limited credit history.

Briefing Note 2: Implications of the new US tariffs for the Southern African Customs Union

Dylan Kirsten

In April 2025, the United States (US) announced plans to impose so-called "reciprocal" tariffs on imports from Southern African Customs Union (SACU) member states, Botswana, Eswatini, Lesotho, Namibia, and South Africa. The tariffs were announced unilaterally, with no prior engagement, marking a sharp departure from established multilateral trade norms and effectively ending preferential arrangements under the African Growth and Opportunity Act (AGOA). The tariffs announced were country-specific: 50% for Lesotho, 37% for Botswana, 30% for South Africa, 21% for Namibia, and 10% for Eswatini. For some countries these tariffs were amended at the end of July 2025; with Lesotho, Namibia and Botswana reduced to 15%. TIPS has published a policy brief on the likely implications, *Implications of the US reciprocal tariffs for the Southern African Customs Union*.

These tariffs jeopardise decades of progress in SACU and US trade relations, particularly under AGOA. They are expected to disproportionately impact smaller economies, notably Lesotho, whose exports to the US are highly concentrated in the clothing, textiles, footwear, and leather (CTFL) sector. Around 99% of Lesotho's US-bound exports are from this sector, and AGOA has accounted for over 70% of these exports annually. The tariffs threaten employment, factory viability, and economic stability in Lesotho.

South Africa, which accounts for over 90% of SACU's total exports to the US, also faces serious risks. Key exports such as vehicles and platinum group metals (PGMs) are vulnerable to demand shocks and increased production costs. Although some raw materials may be exempted, this could deepen SACU's dependence on extractive industries, undermining regional goals for industrialisation and value addition.

The regional impact is broad. South Africa's exports within SACU reached R203 billion in 2023, highlighting its centrality in intra-regional trade. Namibia and Eswatini have shown positive export trends, but still remain exposed to US trade decisions. Lesotho and Botswana, with smaller and less diversified export bases, face the steepest economic risks from reduced market access. AGOA utilisation varies widely: Lesotho is highly dependent; Eswatini's use is volatile; and Botswana and Namibia barely use it. South Africa's AGOA usage is modest but focused on select sectors, especially auto.

SACU is engaging the US to seek exemptions or alternative tariff structures. Simultaneously, it is exploring strategies to diversify exports, strengthen intra-African trade, and deepen regional value chains. The SACU Chair has emphasised the need to preserve the common external tariff and protect industrial development priorities.

Briefing Note 3: TIPS tracker on US trade negotiations

Danae Govender and Neva Makgetla

This briefing note draws from a forthcoming TIPS publication, *TIPS tracker: US trade negotiations*, which summarises progress on negotiations as well as the actual implementation of tariffs by the US since the announcement of "reciprocal" tariffs in April 2025

In April, the US announced a new baseline tariff of 10% on all imports, alongside much higher "reciprocal" tariffs on countries with trade surpluses with the US. On 31 July, the US announced final tariff rates for 183 countries, with implementation from 7 August. Between April and September, it adjusted the rates to hit 62 countries with tariffs above the baseline, up from 55 in April. The number held at the baseline fell from 126 to 119. Of the remaining countries, 42 saw declines, with 36 pegged at 15%. For 20 countries, however, tariffs were increased.[2] The tariff for South Africa remained on the highest, at 30%.

A limited set of products, largely raw materials and pharmaceuticals, remained exempt. In mining, only ores are not covered. The US also set product-specific tariffs: 25% on autos, and 50% on steel, aluminium and copper, extended to machinery and appliances according to their metal content. It also ended the "de minimus" exemption for parcels under US$800.

[2] These exclude Canada and Mexico, where the tariffs are hard to work out because most of their exports to the US are still duty free under the Canada-United States-Mexico Agreement (CUSMA) (former NAFTA) agreement.

The US administration initially said the tariffs were just a first step to encourage its trading partners to negotiate. In practice, however, the administration has shown limited capacity to negotiate with all the countries affected, and the engagements themselves have been an uneven process, which has been thinly documented and lopsided. It has reached only 10 agreements, of which just three have been formally published, with the rest announced through Trump's social media or the press.

The outcomes of this process are biased heavily towards high-income economies, with punishing rates remaining for many lower-income countries. High-income countries secured lower rates, averaging just under 13% (weighted by population). Middle-income economies faced much higher tariffs – 26% for the upper-middle-income group, over 30% for lower-middle-income countries, and around 13% for low-income countries.

China, India and Brazil, which are key regional powers in the Global South, faced extraordinary punitive tariffs. China's tariffs were lifted to 30% on the claim that they were not doing enough to block fentanyl exports. India faces a 50% rate, because of its imports of Russian oil. Other large buyers have not, however, been similarly targeted. Brazil also faces a 50% rate, linked not to trade imbalances but to domestic political developments and regulation of US social media platforms.[3]

In all of the agreements reached, the final US tariff was far above 2024 levels, typically between 10% and 20%. In return for reducing the originally threatened rate, the US generally required countries to cut virtually all tariffs on industrial goods from the US, as well as pushing to open their markets to US farmers and in some cases services. Most countries also committed to providing investment finance and buying US products, including aircraft, agricultural goods, liquid fuels, and defence equipment. Demands around non-trade barriers include accepting US standards for products, reducing regulation of US service companies including in finance, and reducing the paperwork and inspections required to clear customs.

Overall, the US made short-term gains at the cost of alienating many other major countries. The US relied heavily on the visible use of its economic power, and in some cases seemed to let arbitrary anger, most visibly at regional powers in the Global South, obscure its economic goals. The lack of detailed written agreements led to contestation over commitments. Moreover, President Trump retained final approval, in some cases overruling months of high-level talks at the last minute.

[3] The tariffs listed for China, India, and Brazil include both the baseline and punitive rates.