momentum investments

in the moment

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Third quarter growth signals ongoing recovery

Q2 2025 0.9% q/q → **Q3 2025 0.5% q/q**

Production 0.5% q/q

Agriculture: ↑ **1.1% q/q:** Higher field crop, horticulture and animal product activity. Foot-and-mouth disease remains a drag.

Mining: ↑ **2.3% q/q:** Platinum group metals, manganese ore and coal were the biggest contributors.

Manufacturing: ↑ **0.3% q/q:** Only four out of 10 manufacturing divisions recorded growth.

Utilities: ↓ **2.5% q/q:** Mainly due to lower electricity production and consumption.

Construction: ↑ **0.1% q/q:** Non-residential buildings and construction works increased.

Trade: ↑ **1% q/q:** Higher activity in wholesale, retail, motor trade, accommodation and food and beverages sectors.

Transport: ↑ **0.5% q/q:** Air transport, transport support services and communication services increased.

Finance: ↑ **0.3% q/q:** Real estate activities and other business services recorded higher activity.

Government: ↑ **0.7% q/q:** Primarily from higher employment in general government.

Personal services: ↑ **0.3% q/q** with community services and other producers seeing growth.

Expenditure 0.5% q/q

Household consumption: ↑ **0.7% q/q:** Gains in durable goods, non-durable goods and services offset a drop in semi-durable goods.

Government consumption: ↑ **0.3% q/q:** Primarily due to an increase in compensation of employees.

Gross fixed capital formation: Rebounded from negative 1.6% q/q in Q2 to **1.6% q/q** largely due to public sector fixed investment.

Inventories: Experienced a large buildup of R25.7 billion, contributing 0.1pp to growth.

Exports: ↑ **0.7% q/q:** Increased trade in vegetable products and mineral products.

Imports: ↑ **2.2% q/q:** Increased trade in machinery and electrical equipment as well as mineral products.

Source: Statistics South Africa (Stats SA)
q/q = quarter-on-quarter
** Percentage point(s)*

So what?

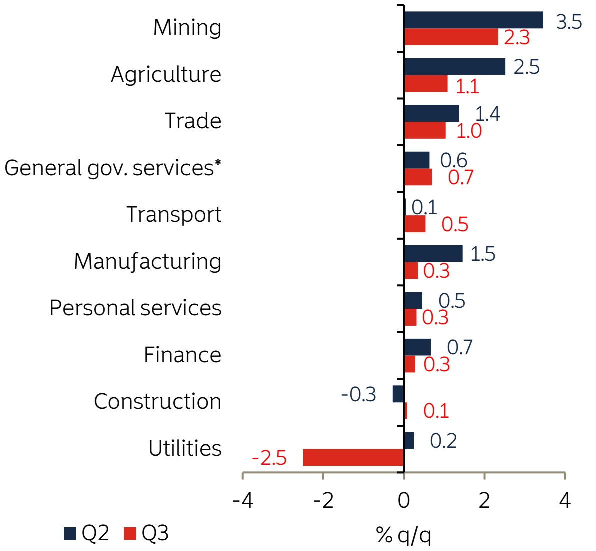
Economic growth in the second quarter of 2025 was revised up to 0.9% q/q (from 0.8% q/q) with broad-based gains experienced in the second quarter continuing into the third quarter. The upward growth revision, along with steady household spending, a rebound in fixed investment and a jump in inventory build-up supports a stronger annual outlook. We now forecast 1.2% growth for 2025 (up from 1%) and 1.6% for 2026 (from 1.4%).

The lower inflation and interest rate environment, government's infrastructure plans, stronger corporate credit and improved investor confidence following South Africa's (SA) removal from the greylist and the sovereign credit rating upgrade support higher economic growth prospects. A resilient global economy, despite trade uncertainty, also adds to the positive outlook, locally.

Foot-and-mouth disease strains agricultural sector's performance

In line with the Reuters median consensus, the economy grew by 0.5% q/q in the third quarter of 2025. This marks the fourth consecutive quarter of increased economic activity. Stats SA's gross domestic product (GDP) data reveals broad-based growth, with only the utilities sector (electricity, gas and water) contracting in the third quarter (see chart 1).

Chart 1: Broad-based growth in Q3 but momentum weakened from that in Q2



Source: Global Insight, Stats SA, Momentum Investments
** General government services*

Growth for the second quarter was revised upward from 0.8% q/q to 0.9% q/q, thanks to positive adjustments in the finance and transport sectors. However, downward revisions were made for mining, manufacturing and trade.

Although growth occurred across most sectors in the third quarter, it was less robust compared to the second quarter.

> The agriculture sector recorded its second sharp slowdown of 1.1% q/q in the third quarter from double-digit growth in the fourth quarter of 2024 (17.7% q/q) and the first quarter of 2025 (18.6% q/q).

The Agricultural Business Chamber of SA attributes mild growth in the sector to pressure from the foot-and-mouth disease, highlighting that livestock and poultry represent nearly half of the farming sector's fortunes. Consequently, disruptions in these areas affect the entire agricultural industry. Government described the outbreak as 'one of the most persistent and damaging waves of foot-and-mouth disease the country has seen in decades'. To address this, the Minister of Agriculture announced a nationwide vaccination drive for the country's entire cattle herd from early 2026.

Fixed investment rebounded from a technical recession

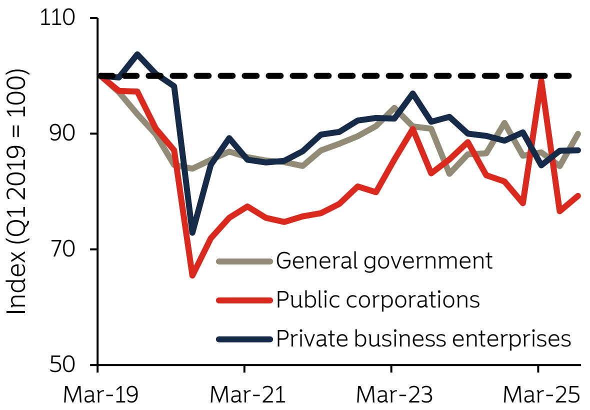
Fixed investment has been subdued, with growth contracting seven times since the third quarter of 2023. This has dampened overall economic growth. Following three consecutive quarters of negative growth, fixed investment grew by 1.6% q/q in the third quarter of 2025.

More detailed data shows that private sector fixed investment grew encouragingly for the second consecutive quarter, though growth was weak at only 0.1% q/q.

> The rebound in fixed investment was underpinned by an increase in public corporations spending (3.5% q/q in the third quarter from negative 22.8% q/q in the second quarter) and general government spending (6.6% q/q from negative 2.7% q/q).

Infrastructure repairs ahead of the G20 Summit likely contributed to the pickup in public sector fixed investment.

Chart 2: Fixed investment remains below pre-COVID levels

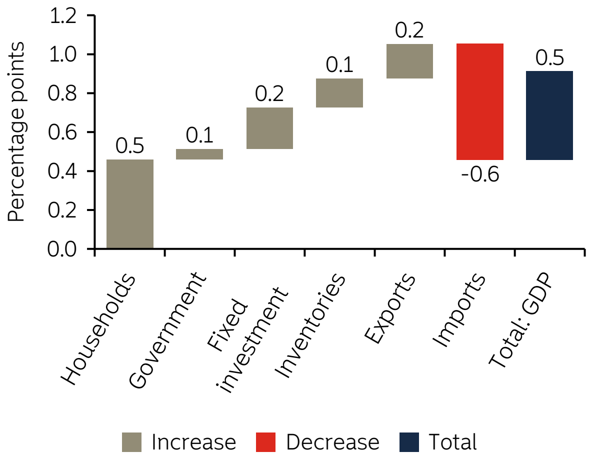


Source: Global Insight, Stats SA, Momentum Investments
Data up to the third quarter of 2025

Household consumption expenditure was the largest contributor to growth, increasing by 0.7% q/q in the third quarter and contributing 0.5pp to growth (see chart 3).

This marked the sixth consecutive quarterly increase, although the growth rate in the third quarter was marginally lower than the 1% q/q increase recorded in the second quarter. Durable goods increased by the most (3.4% q/q), followed by non-durable goods (0.6% q/q) and services (0.3% q/q). In contrast, semi-durable goods posted a decline of 0.3% q/q in the third quarter. Black Friday sales and festive season spending will likely help maintain household expenditure growth in the fourth quarter of the year. According to *IOL*, Black Friday spending surged 64% compared to last year.

Chart 3: Household consumption was the biggest contributor to growth in Q3



Source: Stats SA, Momentum Investments

The third quarter registered a 2.2% q/q increase in imports, detracting 0.6pp. Combined with the 0.7% q/q increase in exports, which resulted in a 0.2pp growth contribution, net exports detracted 0.4 pp from growth.

Upward revisions to our growth estimates

The upward revision to the second quarter's economic growth figures (0.9% q/q from 0.8% q/q previously), together with household expenditure holding up by registering the sixth consecutive increase, fixed investment increasing for the first time after three consecutive declines and a positive build-up in inventories bodes well for the annual economic growth outlook.

As a result, we have revised our 2025 growth estimate to 1.2% in 2025 (previously 1%).

Looking ahead, we see potential for higher growth of 1.6% in 2026 relative to our previous estimate of 1.4%. This improved outlook is underpinned by the expectation of sustained household spending on the back of subdued inflation and a lower interest rate environment. Furthermore, government's infrastructure plan, robust corporate credit (8% year-on-year in the first 10 months of 2025) and the resultant boost in confidence from SA's removal from the Financial Action Task Force's greylist, coupled with S&P Global Rating's sovereign credit rating upgrade for SA is expected to lead to a gradual recovery in private sector fixed investment. Global economic resilience, amid ongoing trade policy uncertainty, offers additional growth opportunities for the local economy.