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South Africa Economic Outlook

Key macro themes and scenarios for 2025

Inflation, interest rates, economic growth, employment and the rand

23 January 2025



Ten key messages from this report

South Africa Economic Outlook January 2025



1

At the start of 2025, there is greater optimism among economists about the consumer-driven SA economy compared to what their sentiment was some 12 months ago. Analysts expect lower inflation, a decline in interest rates and higher economic growth this year compared to 2024. All of this also points to better conditions for consumers in terms of their spending power.

2

Consumer price inflation is forecast to average 4.5% in 2025. The South African Reserve Bank (SARB) said in November that, while inflation is expected to be contained in the near term, the medium-term outlook is highly uncertain due to upside pressures on the cost of food, electricity, water, insurance and wage settlements.

3

We do not yet know how much electricity prices will increase in 2025 but can venture an estimate of 10%-20%. Regarding water prices, there is no comprehensive public data set covering tariffs set by the country's Water Services Authorities (WSAs), though Statistics South Africa (Stats SA) data shows water prices have increased above the inflation rate since 2017.

4

The SARB Monetary Policy Committee (MPC) reduced lending rates by a cumulative 0.5 percentage points in September and November 2024. The central bank is anticipated to continue easing monetary policy in 2025 alongside lower inflation averages. We expect the MPC to reduce the repo rate by another 50 basis points in the short term (during 2025Q1).

5

SARB Governor Lesetja Kganyago said in November 2024 that the inflation target review "is coming to a conclusion". An announcement on a lowered target (potentially 3%-5%) could be made in the short term—changing the target is best during times of low inflation. A lower target and lower inflation expectations could result in lower long-term interest rates.

6

After disappointing GDP data for 2024Q3, the SA economy expanded by only 0.4% y-o-y during the first three quarters of 2024—we expect a full-year growth rate near that level. PwC forecasts economic growth of between 0.5% (downside scenario) and 1.3% (upside scenario) in 2025, with the range in projections reflecting the many uncertainties for the year ahead.

7

To secure a higher economic growth rate in 2025, SA needs favourable monetary conditions to support household spending (which accounts for >60% of GDP), public-private collaboration to implement reforms needed to boost the investment environment, increase tax collections to reduce the tax gap and improved logistics to support export revenues.

8

The SA economy is forecast to create around 115,000 jobs in 2025, based on the long-term relationship between economic and employment growth, compared to an expected increase of about 340,000 in the labour force. This would result in the unemployment rate rising from 32.7% in 2024 to 33.2% in 2025.

9

PwC's Global Workforce Hopes and Fears Survey 2024 found that 60% of SA respondents expect climate change to introduce health and safety risks at their workplace. Nearly half believe that disruptions from extreme weather events will impact the ability to do their job. Overall, many believe that climate change could impact their ability to earn an honest income.

10

Companies should use macroeconomic scenarios for planning to stay agile and prepare for deviations from baseline expectations. This can range from simple desktop or tabletop exercises to in-depth strategic workshops involving multiple business units, helping business leaders adapt to changing market and operating conditions.

About this document

In the first edition of our South Africa Economic Outlook for 2025, we look at key macroeconomic forecasts for this year. Our analysis considers pertinent issues around each of the core macro variables: five risks to the (currently favourable) inflation outlook; upcoming changes to the central bank’s interest rate-setting inflation target; what the country needs to achieve faster economic growth in 2025; the rand’s susceptibility to global influences; and workers’ concerns about climate change costing them their jobs.

We’ve already laid the groundwork for understanding the outlook for the South African economy in 2025. The [October 2024 edition](#) of this report considered improvements in the country’s near-term economic prospects and business operating environment. We looked at, for example, industry-level developments, with our industry leaders reflecting on the near-term outlook for mining, manufacturing, construction, retail, transport and real estate. Next, the [November 2024 edition](#) of this report considered the economic outlook for our key trade and investment partners (both developed economies and emerging markets) and what this means for South African businesses.

In this report we provide the following analysis:

- Inflation risks: South African Reserve Bank (SARB) highlights pressure on the cost of food, electricity, water, insurance and wages ([page 5](#)).
- Interest rate decisions: Reducing the inflation target could result in lower long-term lending rates ([page 6](#)).
- Economic growth dilemma: What we need to reach stronger momentum in 2025 ([page 7-8](#)).
- The unemployment challenge: Slow economic growth and climate change pose risks to job creation ([page 10](#)).
- How we can help with economic scenarios ([page 11](#)).

The outlook for the rand and its sensitivities to world developments is assessed in Box 1 (see [page 8](#)). For more insight on what to expect at a global level this year, have a look at [PwC’s 28th Annual Global CEO Survey](#) which was launched earlier this month. Some 58% of business leaders polled expect world economic growth to increase over the next 12 months, up from 38% in last year’s survey.



Macroeconomic forecasts (23 January 2025)				
Baseline scenario	2023	2024E	2025F	2026F
ZAR/USD	18.45	18.32	18.82	19.32
Consumer price inflation (%)	5.9	4.4	4.5	4.6
Repo rate (end-of-period)	8.25	7.75	7.25	7.00
Real GDP growth (%)	0.7	0.5	0.8	1.3
Unemployment rate (%)	32.1	32.7	33.1	33.3
Probability weighted average	2023	2024E	2025F	2026F
ZAR/USD	18.45	18.32	18.81	19.30
Consumer price inflation (%)	5.9	4.5	4.5	4.5
Repo rate (end-of-period)	8.25	7.75	7.15	7.03
Real GDP growth (%)	0.7	0.5	0.9	1.3
Unemployment rate (%)	32.1	32.7	33.1	33.3

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South Africa begins each year with uncertainty over its economic trajectory. However, at the start of 2025, there is much more to be positive about compared to 12 months ago. Economists expect lower inflation, a decline in interest rates and higher economic growth in 2025 to support better business and investment conditions this year compared to 2024. All of this points to better conditions for consumers as well in terms of their spending power. This, in turn, is good news for our consumer-driven economy.

Lullu Krugel, PwC South Africa Chief Economist



Inflation risks: SARB highlights pressure on the cost of food, electricity, water, insurance and wages

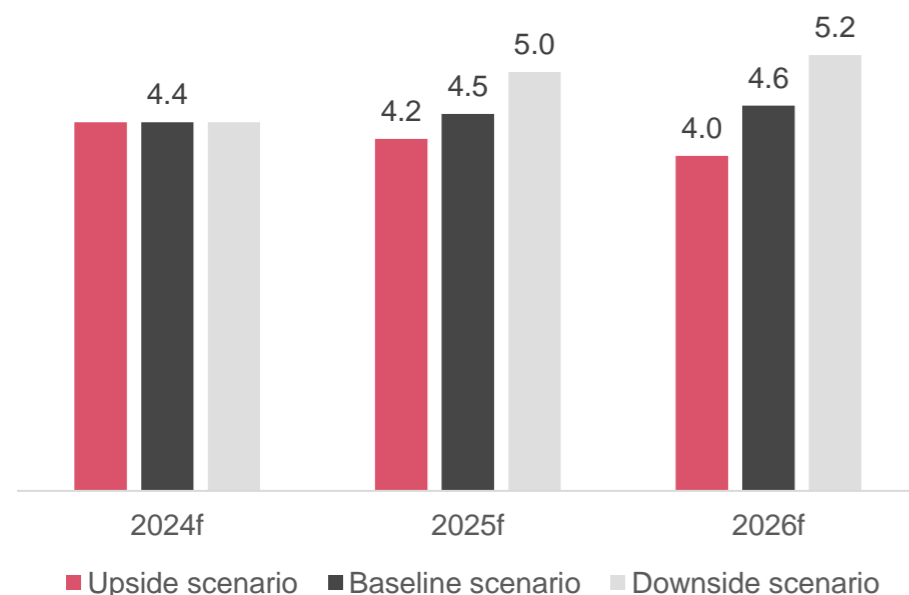
South Africa Economic Outlook January 2025

Summary: SARB Governor Lesetja Kganyago said in November that the medium-term inflation outlook is highly uncertain due to pressures on the cost of food, electricity, water and insurance. We do not yet know how much electricity prices will increase in 2025 but can venture a guess of 10%-20%. There is no comprehensive public data set covering tariffs set by the country's Water Services Authorities (WSAs) though Stats SA data shows water prices have increased above the inflation rate since 2017.

Inflation is expected to average near the mid-point of the target range in 2025, thought with upside risk to this outlook.

In November 2024, the SARB reported that it expects headline inflation to average just 4.0% in 2025. The projection for 2025 is below the mid-point of the inflation target range (4.5%) and also lower than PwC's baseline forecast of 4.5% for this year. In fact, the SARB's projection is closer to our upside scenario, as included in Figure 1.

Figure 1: Consumer price inflation (%) scenarios



Source: PwC

SARB Governor Lesetja Kganyago said in November that, while inflation is expected to be contained in the near term, the medium-term outlook is highly uncertain due to pressures on the cost of food (15.3% of the inflation basket), electricity (3.7%), water (3.5%), insurance (9.9%) and wage settlements. If inflation dynamics deteriorate on some or all of these fronts, PwC's forecasts for average inflation in 2025 increases to 5.0% under our downside scenario.

Food: The SARB expects the cost of food to increase by an average of 4.1% in 2025. However, the central bank also flagged upside pressure on food prices and, by implication, its forecasts. Domestic white maize prices, for example, rose to R6,800 per tonne in early-January, an increase of more than 50% compared to a year earlier. This was due to a combination of factors, including exchange rate weakness impacting the price of commodities trading at global price parity, last year's weaker crop resulting in low stocks at the time and the weakening prospect of La Niña which would have brought good rains with it. **According to Andrew Dale, PwC South Africa Agribusiness Leader, it will still take a few months for the increased wholesale maize prices to filter through to retail level.** In November 2024, the farmgate price of cereals and other crops was already up 21.9% y-o-y, compared to the retail price of bread and cereals rising by only 3.7% y-o-y in the month.

Electricity: Eskom applied to the National Energy Regulator of South Africa (Nersa) for a 36.2% increase in power tariffs in July 2025. **According to Andries Rossouw, PwC South Africa Energy, Utilities and Resources (EU&R) Leader, we do not yet have a sense of what Nersa's decision on electricity prices will be this month, i.e., how large the tariff adjustment will be.** However, we can venture an estimate of 10%-20%. Over the past 13 years, tariff increases have averaged 10.8%, which is at the bottom end of our range. Over the same period, Eskom has received, on average, an increase of just over half (55%) of the increment it requested from Nersa. In this case it would be around 19.9%—i.e., at the top end of our range. In turn, the SARB is assuming electricity price inflation of 15.0% in 2025Q3. Nersa will announce the tariff increase before end-January.

Water: Each year, the country's 144 Water Services Authorities (WSAs) independently set their water tariffs. **According to Nino Manus, PwC South Africa Water Management Leader, there is no comprehensive public data set covering all WSAs, making it challenging to track water price increases for each authority.** However, Stats SA data indicates that water prices have consistently increased above the inflation rate since 2017. Research published by the central bank in 2023 indicates that cost drivers for these above-inflation increases include slow growth in infrastructure grants; high growth in employee remuneration, bulk water and electricity costs; and high growth in debt impairments.

Insurance: The cost of insurance (all categories) was up 8.3% y-o-y in November, according to Stats SA. **According to Alsue Du Preez, PwC South Africa Insurance Leader, the SARB is likely concerned that insurance inflation could accelerate in 2025 given the continued increase in risk factors across a variety of insurance-covered events.** For example, short-term insurers are seeing an increase in claims related to extreme weather events like floods. This has required some of them to substantially increase the cost of related coverage. For transport-related insurance, the country's deteriorating physical infrastructure is resulting in more claims for pothole damage to vehicles. In the current season, drought conditions have also contributed to more wildfires and associated claims.

Wages: Data from BankservAfrica shows that the take-home pay increased by an average of 9.7 y-o-y in September-October 2024. When adjusting for inflation, the real buying power of salaries increased by 5.4% y-o-y during the two-month period. Salary increases surprised on the upside in 2024 with above-inflation settlements seen in many unionised industries. This is partly driven by the increasing prevalence of lucrative multi-year wage deals. **According to Christie Viljoen, PwC South Africa Lead Economist for Macro Analysis, the SARB is likely concerned that above-inflation salary outcomes will repeat in 2025 and cause demand-side inflation.** While increased buying power is a positive outcome for workers, it risks (to a limited extent) stoking overall inflation levels.



Interest rate decisions: Reducing the inflation target could result in lower long-term lending rates



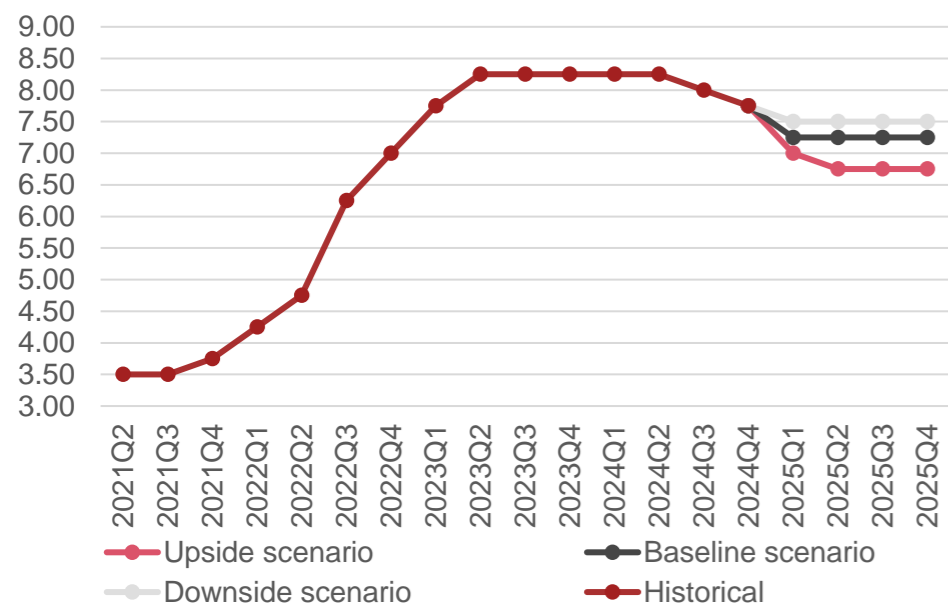
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Summary: Our baseline scenario expects that the SARB will cut the repo rate by another 50 basis points in early 2025 based on the current 3%-6% inflation target. A review of the inflation target by the SARB and National Treasury is coming to a conclusion. Achieving sustainably lower inflation and inflation expectations (essential to managing the inflation outlook) could result in structurally lower interest rates.

Repo rate expected to decline another 50 bps in 2025—or up to 100 bps under an upside scenario.

The SARB cut interest rates twice last year—in September and November—and reduced the repo rate by a cumulative 0.5 percentage points. The central bank is expected to continue easing monetary policy in 2025 alongside lower inflation averages. Figure 2 shows that our scenarios suggest up to another 1.0 percentage point reduction in lending rates under an upside scenario, though it is more likely under the baseline

Figure 2: SARB repo rate (%) scenarios



Source: PwC

Lower inflation target could reduce long-term interest rates and improve the affordability of debt.

The nature of the inflation target is again in focus, with fiscal and monetary authorities already engaging in 2023-2024 on a review of the level and the nature of the target. Talk of a change to the inflation target is certainly not new: the November 2021 edition of this report looked at the subject soon after Governor Kganyago said that he would like a point target of around 3% or 4% with a deviation range of plus or minus one percentage point, i.e., a 2%/3%/4% (lower deviation/point target/upper deviation) or 3%/4%/5% metric. At present, around half of the 75 countries that have inflation targets maintain a midpoint goal. Among the three-dozen countries currently implementing a point target, the median point target is 4.0%, while the median deviation is +/-1%. In other words, identical to the 3%/4%/5% target favoured by the governor. Research published by the European Central Bank (ECB) in 2021 found that long-term inflation expectations are better anchored (i.e., lower) in emerging markets under point target regimes than target ranges. Inflation expectations are essential in managing the inflation outlook as consumers' expectations of future price increases impact purchasing decisions and wage demands.

After South Africa's 3%–6% inflation target was launched in 1999, it was the central bank's intention to lower the bracket to 3%–5% by 2004 and then to 2%-4% at a later stage. However, this goal was stymied by significant rand depreciation during 2001 (caused by the global financial market fallout from the Argentine currency crisis) and subsequent rise in local inflation making it impossible to moderate the target range at the time. The National Treasury's current evaluation of the inflation target started three years ago with the periodic review of South Africa's macroeconomic policy framework. Governor Kganyago said in November last year that the inflation target review "is coming to a conclusion".

There is no timeline at present for when the new target will be launched: an announcement could be made in a forthcoming MPC statement or in the Budget Speech 2025. We can, however, say that changing the target is best when inflation is low, i.e., like the present. The governor noted in October that there is often a concern about the trade-off between inflation and economic growth, and that if the inflation target (whether a point or range) is lowered, it would be followed by higher interest rates and thus negatively impact growth. However, he added that as the SARB moved its inflation focus from a 3%-6% range to a 4.5% point, and inflation expectations adjusted accordingly, there was no reduction in aggregate demand. This was determined by two independent studies looking at a counterfactual model (simulating what would have happened if the 4.5% focus was not implemented in 2017) and calculations around the sacrifice ratio (the cost of reducing inflation, measured as the amount of GDP growth lost for each percentage point of lower inflation).

Governor Kganyago noted that by achieving sustainably lower inflation through lowering the target and managing inflation expectations downwards, the country could also see structurally lower interest rates. At present, the SARB's goal of 4.5% inflation, combined with a real interest rate goal of 2.5%, results in a long-term aim of 7.0% for the repo rate, or 10.5% for the prime rate. At that level, a person that has R10,000 per month available for a mortgage would qualify to get a home loan of R1,046,000. If the inflation target is lowered to 4.0% and the real interest rate goal is identical (2.5%), that R10,000 would get them a loan of R1,086,000 at a repo rate of 6.5% and a prime rate of 10.0%. Furthermore, if the governor's desire for a 3.0% target is granted alongside the same real interest rate goal, the loan would be around R1,136,000 at a repo rate of 5.5% and a prime rate of 9.0%. In essence, lower long-term interest rates would enable South Africans to acquire a higher value home for the same monthly repayment (and salary), thereby boosting household wealth creation.

Economic growth dilemma: What we need to reach stronger momentum in 2025 (1)

South Africa Economic Outlook January 2025

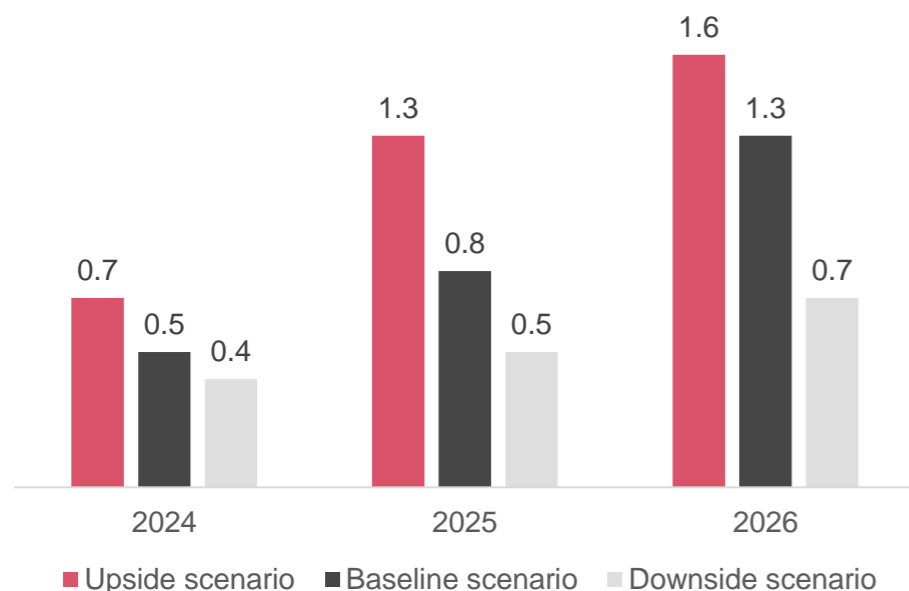


Summary: We expect real GDP growth of between 0.5% (downside scenario) and 1.3% (upside scenario) in 2025. To secure a higher economic growth rate, SA needs favourable monetary conditions to support household spending (which accounts for >60% of GDP), public-private collaboration to implement reforms needed to boost the investment environment, increased tax collections to reduce the tax gap and improved logistics to support export revenues.

After disappointing GDP growth in 2024, our upside scenario suggests a much better performance is possible in 2025.

Analysts were expecting the 2024Q3 economic growth data to be stronger (about 1.2% y-o-y) on the back of base effects following weak GDP numbers in 2023Q3 caused by a peak in load-shedding. However, real GDP increased by only 0.3% y-o-y in the third quarter of 2024 as agricultural activity was reported to

Figure 3: Real GDP growth (%) scenarios



Source: PwC

have dropped by 29.6% y-o-y. The adverse effects of the El Niño-induced drought weighed heavily on the country's 2023-2024 summer crop production while lingering outbreaks of animal diseases exacerbated the negative impact of farming on the economy's overall performance. As a result, real GDP growth averaged only 0.4% y-o-y in the first three quarters of 2024. However, we would not be surprised if this figure is revised higher when the next round of GDP data is released in March. The Bureau for Food and Agricultural Policy (BFAP) has released its own analysis of agriculture-related economic activity and found that real agriculture likely contracted by 5%-6% during the first three quarters of 2024 compared to the official estimate of 15.5% y-o-y.

Figure 3 indicates our expected economic growth rate of between 0.5% (downside scenario) and 1.3% (upside scenario) in 2025. Our range reflects the many uncertainties for the year ahead, as discussed across this document. The difference between the baseline (0.8%) and the upside (1.3%) suggests there is room for some positive surprises in the short-term that could add 0.5 percentage points to economic growth next year. What is needed to get from the baseline forecast to the upside forecast? To think about this, we have looked at the calculation of economic activity from the consumption side. In this regard, GDP = household spending + fixed Investment + government expenditure + net trade (exports minus imports). The key question is: what could improve the contributions of these individual components to achieve a higher growth rate than currently envisaged under our baseline scenario.



Household spending: The good news for consumers is that economists are expecting lower inflation and a decline in interest rates this year. We expect headline inflation to average 4.5% in 2025 while our baseline outlook for lending rates is for another 50 basis points cut during the first half of this year. At the same time, salaries and wages are expected to rise, resulting in a real (inflation-adjusted) increase in the purchasing power of household budgets. While the SARB has flagged elevated wage

increases as an inflation risk, an increase in remuneration (especially real wages) is positive for the consumer budget. **According to Rivaan Roopnarain, PwC South Africa Banking and Capital Markets Partner, the outlook for lower inflation, reduced interest rates and an increase in real wages is expected to have a positive impact on the ability of consumers to service their debt.** In turn, an improvement in household debt metrics would be supportive of consumer spending—which accounts for more than 60% of the country's GDP.



Fixed investment: The RMB/BER Business Confidence Index (BCI) rose in 2024Q4 to its highest level in almost four years. However, at a reading of 45, it was still below the break-even level of 50, indicating that a small net majority of survey respondents are unsatisfied with prevailing business conditions. A net positive reading is very possible in the first half of 2025 which would signal to analysts that a turnaround in investment spending is around the corner. However, this would require positive trends in some key elements identified in the BCI that continues to worry business leaders. These include the quality and reliability of public transport (specifically rail and ports), crime and corruption, administrative red tape, delays in building activities due to the so-called 'construction mafia' and the growing water crisis in Gauteng. **According to Shirley Machaba, PwC South Africa CEO, the structural reforms needed to improve the country's business and investment environment can only be achieved with continued close cooperation between the public and the private sectors.** The second phase of the Government Business Partnership was launched in October last year, signalling a renewal of the public-private working relationship under the Government of National Unity (GNU). As noted in the [October 2024 edition](#) of this report, with ongoing work in energy, logistics and crime, the partnership is hoping to implement priority interventions in 2025—and stimulate investment spending—that could accelerate the country's economic growth.

Economic growth dilemma: What we need to reach stronger momentum in 2025 (2)

South Africa Economic Outlook January 2025



Government expenditure: The government plays two key roles in the economy, namely as a buyer of goods and services (funded by taxpayer money), and a regulator of the business environment. For the public sector to make a bigger impact on the economy from an expenditure perspective, it needs to spend more money (if available) and also spend financial resources more effectively. While the 2025/2026 consolidated fiscal budget of R2.17 trillion is substantial, our tax experts estimate that the tax gap—the difference between taxes legally owed and taxes actually collected—is around R300 billion. If collected, this would hypothetically boost revenues by nearly 14.0% in 2024/2025 to R2.47 trillion. The South African Revenue Service (SARS) is hard at work to close this tax gap through e.g., enhanced audits and verifications, targeted compliance activities and various Voluntary Disclosure Programs (VDPs), among other measures. [PwC South Africa's Taxing Times Survey 2024](#) commented that SARS also needs to improve taxpayer trust. **According to Elle-Sarah Rossato, PwC South Africa Tax Controversy Leader, building trust will eventually translate into restored public confidence in SARS, increased overall tax morality and, ultimately, the payment of taxes needed for greater government spending.**



External trade: Exports are essentially the importing of jobs. Selling a locally produced bakkie to the United Kingdom, for example, replaces a job in the destination market with a job in South Africa. Quite logically, a greater volume/value of exports creates more jobs in South Africa. Conversely, importing products into the country is equal to exporting jobs to other economies. In 2023 (latest available full-year data), as in most years before that, South Africa's imports overshadowed that of its exports, resulting in net trade (exports minus imports) being a drag on GDP growth. Exports added 1.0 percentage points to GDP growth during the year, while imports subtracted 1.2 percentage points. This needs to change; net trade needs to make a positive contribution to GDP growth in 2025. For this to happen we need our railways and ports to operate more

efficiently. **According to Thomas Howatt, PwC South Africa Transportation and Logistics Leader, greater efficiencies in port operations and a boost to the volume of goods handled could result in exports eclipsing imports, and for trade to make a net positive contribution to economic growth.** On a

Box 1: Outlook for the rand exchange rate

The South African rand is a very unpredictable currency due to the high volume of trade it experiences at a global level. The emerging market currency is among the most tradable currencies in the world and regularly in the top-20 of most traded currencies. This makes for a lot of volatility in trade and susceptibility to the whims of international markets. As such, global economic and geopolitical developments often impact the rand.

One of the key geopolitical unknowns in 2025 will be the policies implemented by the new US president. Ahead of the re-election of President Donald Trump, [PwC US's Countdown to change](#) research commented that if Republicans were to control both the Senate and the House, President Trump would be able to implement some of the most ambitious parts of his policy agenda. This includes proposals for a series of tariffs aimed at reshaping trade relations and promoting US-based manufacturing, including a possible 10%–20% tariff on all imports. As noted in the [November 2024 edition](#) of this report, higher import tariffs would make South Africa-sourced inputs less competitive, which could reduce demand for South African exports. This, in turn, would weigh on the value of the rand in the outlook for the currency.

Another important trade-related factor on the agenda this year is the expiry, and probable renewal, of the Africa Growth and Opportunity Act (AGOA). Under this scheme, qualifying African countries have duty-free access to US markets for select goods. (Exports under AGOA account for around 20% of South Africa's exports to the US and around 2% of the country's total export revenue. Exclusion from AGOA would mainly threaten South Africa's automotive sector.) It is possible that AGOA does not garner much of President Trump's attention compared to other

positive note, according to data from Transnet, the total cargo handled at ports during the September-November 2024 period increased by 6.6% y-o-y. This shows some moderate progress in improving port and rail performance.

matters such as matters related to China, the Middle East, Ukraine and Russia, as well as Mexico and Canada.

President Trump has yet to make any statements on AGOA and beneficiaries of the programme have been uneasy about the arrangement under the new administration given that the returning president has been talking about a tougher stance on trade matters. However, there is strong comfort in the fact that AGOA has historically had strong bipartisan support in Washington DC. As a result, it is generally expected that the AGOA initiative will be renewed this year. This would likely secure US strategic interests in certain African states.

The annual review process for countries to be AGOA eligible is also likely to continue as before. Here, South Africa does face some challenges. Over the past two years, the country has experienced some opposition from lawmakers in the US about its membership due to varying economic and political factors. The new US president has not commented on South Africa's stance on the conflicts in the Middle East and Ukraine, which may further complicate US-South Africa relations. South Africa will aim to maintain healthy relations with Washington in the interim, especially with the G20 summit set to take place in Johannesburg in November 2025.

For now, it is a game of 'wait and see' regarding how the politics around AGOA plays out and how it impacts global markets and currencies. At present, we expect the rand to average R18.82/\$ this year from R18.32/\$ in 2024. (This outlook echoes the long-term depreciatory trend of the rand against the US dollar.) A stronger or weaker outcome around AGAO will be determined by global events like, for example, US trade policy changes.





The 2025 consumer outlook is notably better compared to the preceding year. Lower inflation, interest rate cuts and rising salaries await South Africans this year. This is good news for the overall economy as household spending accounts for more than 60% of the country's GDP. For consumer-facing companies, it signals some improvement in customer spending power alongside some positive trends in consumer confidence, after several years of more constrained household budget conditions.

Nqaba Ndiweni, PwC South Africa Leader for Consumer and Industrial Products and Services



The unemployment challenge: Slow economic growth and climate change pose risks to job creation



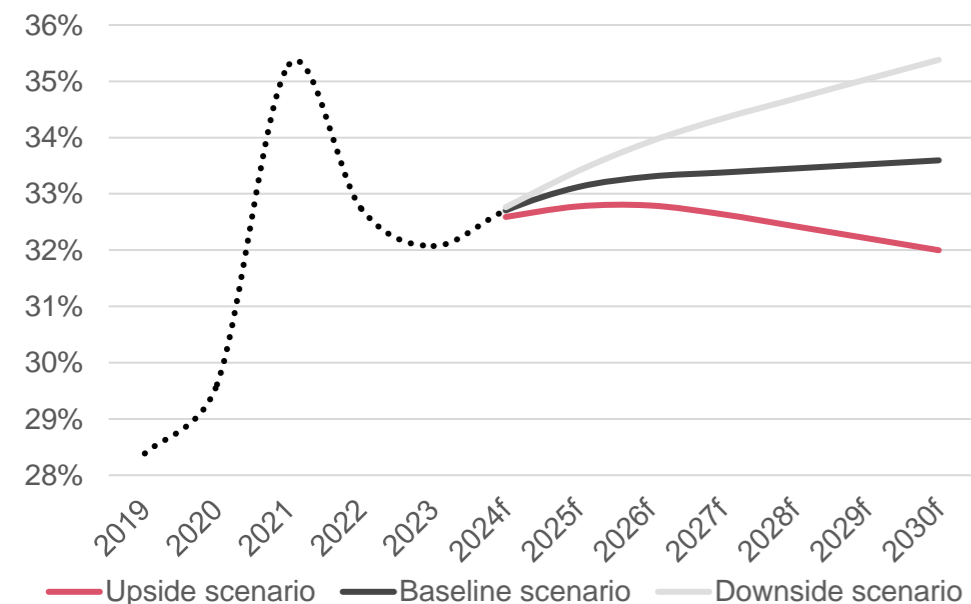
South Africa Economic Outlook January 2025

Summary: The SA economy is forecast to create 115,000 jobs in 2025 compared to an expected increase of 340,000 in the labour force. This would result in the unemployment rate rising from 32.7% in 2024 to 33.2% in 2025. Aside from low economic growth, South Africans are concerned about the impact of climate change on their ability to work. PwC’s Global Workforce Hopes and Fears Survey 2024 found that one in three SA respondents fear climate change may cause them to lose their job.

Expected economic growth will not be able to create jobs for all the 350,000 new labour market entrants.

So far, this report has been relatively positive in terms of forecasts for 2025: lower inflation (and higher real wages), more interest rate cuts and stronger economic growth versus 2024. However, while these improved economic conditions will undoubtedly contribute to job creation, we fear that—once again—economic growth in 2025 will not be enough to absorb all

Figure 4: Unemployment rate (%) scenarios



Source: PwC

the new potential workers entering the labour force this year. We expect the labour force (the number of people willing and able to work) to increase by 340,000 (1.4%) in 2025 to 24.96 million people. However, with baseline economic growth projected at 0.8%, our model suggests that job gains this year will be a net of 115,000. As a result, the unemployment rate is expected to increase from 32.7% in 2024 to 33.2% in 2025, as illustrated in Figure 4. This projection is premised on the long-term statistical relationship between economic and employment growth: over the period 2008-2024, for every 1.0% in real GDP growth, jobs have increased by an average of 0.86%.

South Africa needs GDP growth of at least 2.0% p.a. to keep up with labour force growth and stop the ascent of the unemployment rate, and more rapid growth (at least 3.5% per annum) to make a meaningful impact on the jobless rate towards 2030.

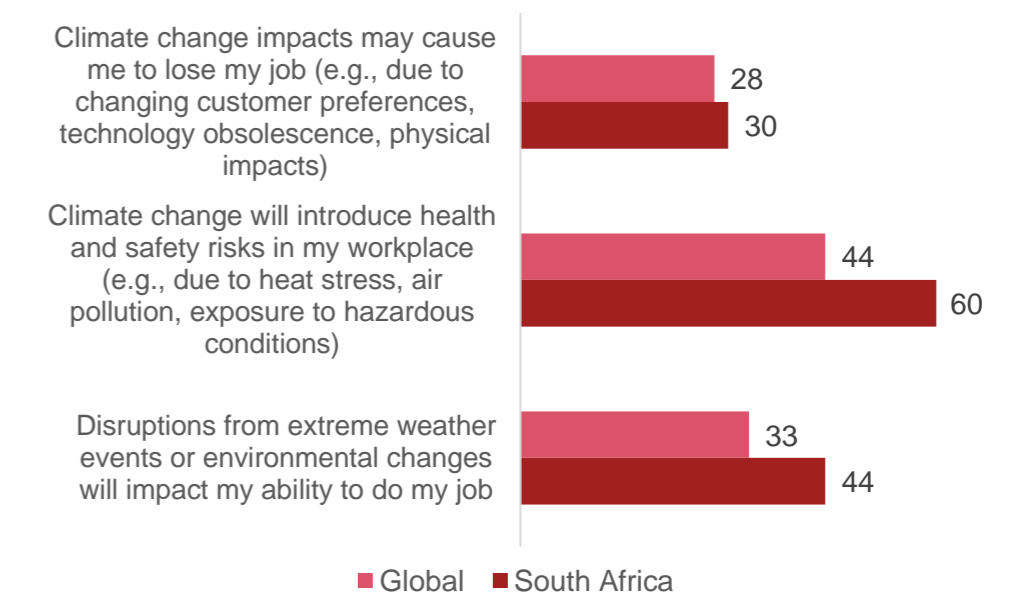
South African workers are worried about the impact of extreme weather on their ability to work.

In the [June 2024 edition](#) of this report, we looked at the risks posed by climate change factors like heat stress and drought to the production of essential commodities like food products and the metals used in making e.g., construction materials, electronics and batteries. A lack of water would, for example, undermine water-intensive mining operations, including ore extraction, mineral processing and dust control. Droughts have already affected mining in South Africa, with the industry having faced a severe drought in 2015–2017, when water scarcity led to mine closures and job losses. Simply put: climate change is a threat to jobs in South Africa, this year and into the future.

As illustrated in Figure x, South African workers are more concerned about the impact of climate change on their jobs compared to global benchmarks. [PwC’s Global Workforce Hopes and Fears Survey 2024](#) found that almost one in three (30%) of the South African respondents to the poll fear that climate change’s impact on e.g., changing customer preferences,

technology obsolescence, physical impacts, etc. may cause them to lose their job. Six out of 10 (60%) local respondents expect that climate change will introduce health and safety risks at their workplace while nearly half (44%) of South African respondents believe that disruptions from extreme weather or environmental changes will impact their ability to do their job. Overall, the view among many South Africans is that climate change could impact their ability to work and earn an honest income.

Figure 5: Impact of climate change on employment (% of respondents)



Source: PwC’s Global Workforce Hopes and Fears Survey 2024

As noted in our report [“What a ‘just transition’ means for jobs in South Africa”](#), the country is highly vulnerable to both the physical and transition risks of climate change, which has consequences for employment. Physical risks include, for example, more-intense storms, floods and droughts, soil erosion and runoff and water scarcity. Such changes affect South Africa’s agriculture and industries. Transition risks generally refer to the costs associated with climate response measures. In South Africa, the focus is on the costs of moving away from the largest greenhouse gas (GHG) emitters, especially coal.

Economics services and contacts.

South Africa Economic Outlook January 2025

How we can help.

Economic scenarios

There are many uncertainties about the economic outlook for South Africa in 2025. Any macroeconomic forecasts for the country are based on a set of assumptions that aggregate to specific projections—and these assumptions could change frequently. As a result, having only one set of forecasts for the country is not prudent. What if interest rates are cut by more than expected? What if food price inflation accelerates and pressures social stability. What if economic growth fails to recover and unemployment increases further?

Scenarios, in turn, provide users of macro forecasts with a range of projections on e.g., economic growth, inflation and interest rates. Our scenarios are centred on a baseline outlook accompanied by upside and downside alternatives that set out a range of possible outcomes. The scenarios are updated regularly, take into account current market conditions, and incorporate the latest economic data and trends to ensure their relevance and accuracy.

Any company using macroeconomic forecasts for planning (e.g., revenue projections, sales targets, debt planning, etc.) needs to consider macro scenarios in order to prepare for deviations from their baseline expectations. This allows business leaders and planners to be more agile towards changing market and operating conditions. For example, in [PwC South Africa's Major Banks Analysis September 2024](#), we noted that economic growth expectations will influence scenario planning and the positioning of banks' balance sheets in response to developments in the operating environment.

At a practical level, using scenarios could be as simple as a desktop or tabletop exercise to discuss alternative strategies and forecasts. It could also be much more in-depth—like a strategic workshop or war room simulation requiring the involvement of multiple business units.

Our services

The PwC South Africa Strategy& Economics team is a specialised unit of economists who serve our clients in a variety of ways. Our services include:

Measure your impact on the economy and society

- Economic Impact Assessment (EIA)
- Socio-Economic Impact Assessment (SEIA)
- Regulatory Impact Analysis (RIA)
- Environmental, Social and Governance (ESG)
- Total tax contribution
- Localisation calculations

Make decisions about risk and investment

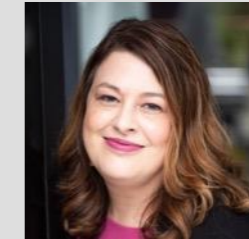
- Macroeconomic research
- Market entry analysis
- Country and industry risk assessments
- Commercial due diligence assistance

Plan for future economic scenarios

- ESG scenario planning
- Economic and political scenario planning
- Industry and macroeconomic modelling
- IFRS 9 audit assist

Please visit our website to learn more:

<https://www.strategyand.pwc.com/a1/en/solutions/purpose-led-economics.html>



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