

Republic of South Africa



	2020	2021	2022	2023	2024	Forecasts		
						2025	2026	2027
GDP growth (%)	-6.2	4.9	2.1	0.8	0.5	1.1	1.2	1.5
Inflation, CPI (%)	3.3	4.6	6.9	5.9	4.4	3.4	3.7	3.2
Budget balance (% of GDP)	-9.6	-5.5	-4.3	-5.5	-5.8	-6.0	-5.6	-5.3
Public debt (% of GDP)	68.9	68.8	70.7	73.2	76.0	77.3	79.5	81.9
Reference rate (%)*	4.2	3.5	5.3	8.0	8.1	7.2	7.0	6.8
Exchange rate (ZAR/USD)*	16.5	14.8	16.4	18.5	18.3	18.1	18.2	18.4
Current account balance (% of GDP)	2.0	3.7	-0.3	-1.1	-0.7	-0.9	-1.2	-1.6
External debt (% of GDP)	44.8	39.2	43.0	41.3	40.3	41.5	41.5	43.2

Note: * Annual average.

Source: CaixaBank Research, based on data from Thomson Reuters Datastream and IMF forecasts (WEO, October 2025).

Outlook

GDP growth has remained modest in recent years (less than 1% on average since 2023), hampered by **power outages and logistical disruptions** at ports and in rail transportation, as well as the impact of the drought at the beginning of 2024.

The economy is showing a **gradual recovery**, driven by the reactivation of private consumption in a context of lower inflation and job creation. Also noteworthy is the upswing in investment, boosted by the normalisation of basic energy and transport infrastructure operations, as well as by the broad-based improvement in confidence following the formation of a coalition government in 2024.

Economic policies

The relative stability of the exchange rate and the lower overall price increases, with expectations comfortably within the Central Bank's inflation target range (3%-6%), support the gradual easing of **monetary policy**. However, the interest rate is expected to only slow gradually as an external anchor amid the existing risk landscape (the benchmark rate would remain stable at around 7% in 2025-2027).

Public finances show a **significant deterioration**, with the budget deficit widening above 5% of GDP, hampered by lower tax revenues and more expensive financing, contributing to a rise in the debt ratio approaching levels of 80% of GDP.

The **current account deficit** remains moderate, at around 1% of GDP, contained by the inflow of remittances and exports of gold and other commodities, although it is expected to widen as the economic recovery gains traction. The country has begun to implement a strategy of **productive and export diversification**, aimed at reducing its dependence on commodities, mitigating the impact of external tariffs (such as the 30% set by the US in 2025) and taking advantage of regional integration opportunities within the framework of the African Continental Free Trade Area (AfCFTA).

The financing structure for the external imbalance is robust, with a notable inflow of **foreign direct investment** (around 1.5% of GDP), and net portfolio flows are expected to turn positive as the business environment improves and economic reforms are implemented. The persistence of the current account deficit will continue to exert

downward pressure on the level of **international reserves**, although liquidity metrics remain ample, covering approximately six months of imports and significantly exceeding the value of short-term external debt.

The IMF estimates that the decisive implementation of structural reforms in the energy and logistics sectors, a more flexible labour market, increased public expenditure efficiency, improved governance and business environment, and the promotion of the green and digital transition could increase South Africa's **potential growth** to as much as 2%.¹ In this context, although **credit rating** agencies continue to classify South African debt as speculative grade, S&P has upgraded the outlook to positive following the formation of the coalition government and the anticipated reform agenda.

Exchange rate

The **South African rand** has exhibited an appreciating trend against the US dollar since mid-2023, although the exchange rate, as with other emerging economies, has experienced episodes of uncertainty and volatility in international markets related to US elections and policy changes.

Risks

The risk outlook is **tilted to the downside**, characterised by significant external and fiscal vulnerabilities, structural deficiencies and potential hotspots in socio-political and environmental domains.

The large fiscal deficit, rising public debt and the reliance on external financing heighten the **risk of volatile episodes** in global markets and a tightening of financial conditions. A less favourable **international environment** or sharp falls in metal prices would adversely impact exports and tax revenues, while rising trade protectionism and geoeconomic fragmentation could exert additional pressure on the balance of payments and industrial activity.

Additionally, we identified the following idiosyncratic risks:

- The **banking sector** remains resilient and well capitalised, with adequate liquidity and robust prudential regulation, despite high exposure to public debt and rising non-performing loans in specific segments (vulnerable households and small businesses).
- **Domestic bottlenecks** in the electricity, transportation and logistics sectors continue to constrain private investment and competitiveness, with resolution dependent on the effective implementation of announced reforms and competent management of these critical infrastructures.
- Insufficient fiscal consolidation or slower economic growth would impede **public debt stabilisation** and reduce the room for manoeuvre during *shocks*, while rising financing costs could require cuts in public investment or social welfare.
- Elevated structural unemployment (unemployment rate above 30%), inequality and poverty sustain the latent **risk of social unrest** amid potential declines in purchasing power or delays in social inclusion reforms.
- The post-election governing coalition is broad and heterogeneous, encompassing a range of perspectives that could hinder the **consensus required** to implement reforms, particularly in the area of fiscal policy.
- The country remains vulnerable to extreme **weather events** that impact agricultural production and infrastructure, while a slow or inadequate energy transition could increase electricity costs and delay decarbonisation commitments.

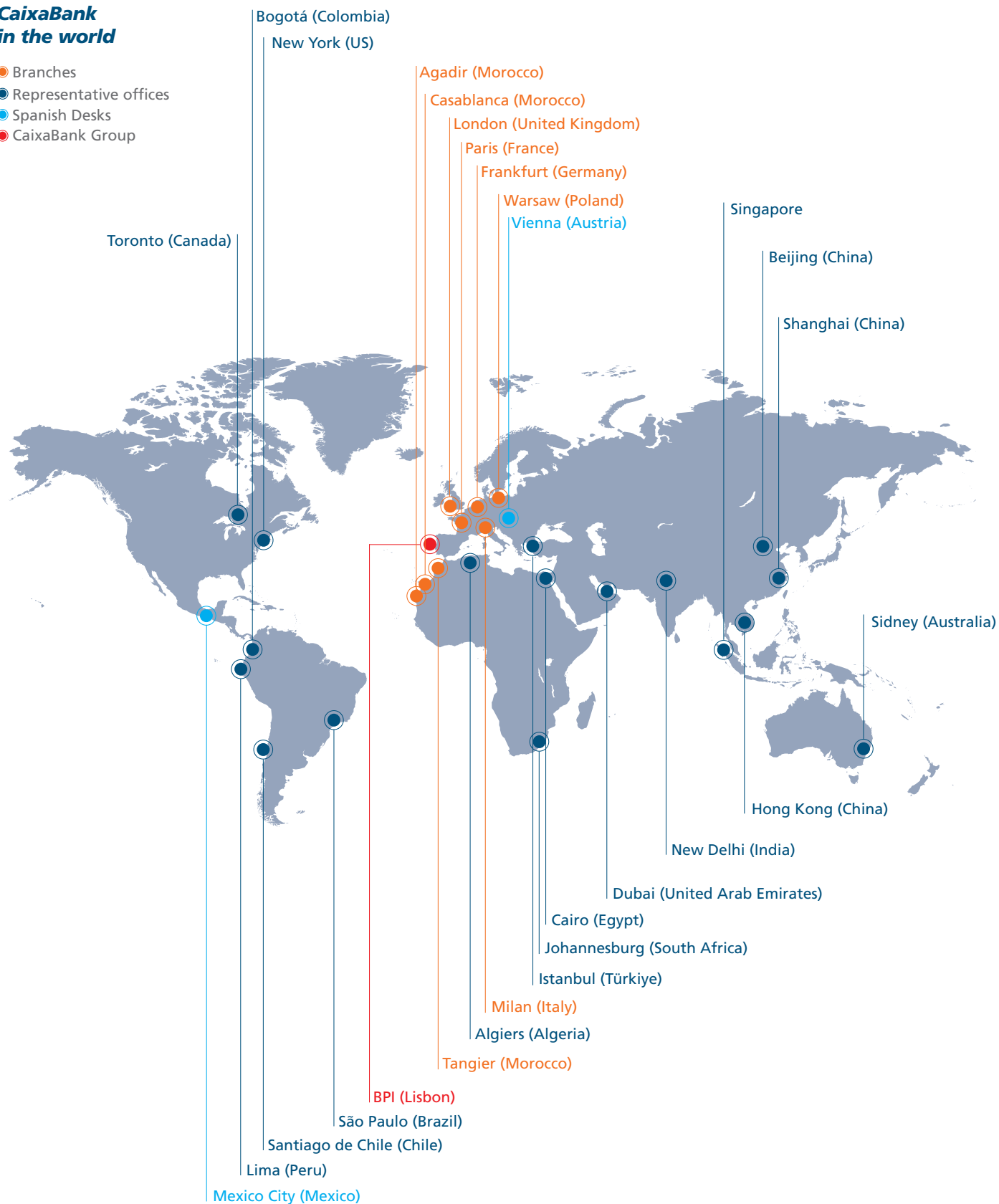
¹ IMF (2025), "South Africa: 2024 Article IV Consultation" IMF Staff Country Reports 25/28.

Sovereign credit rating				
Rating agency	Rating*	Last changed	Outlook	Last changed
STANDARD & POOR'S	BB-	29/04/20	Positive	15/11/24
MOODY'S	Ba2	20/11/20	Stable	1/04/22
FitchRatings	BB-	20/11/20	Stable	15/12/21

Note: *A shaded cell indicates "investment grade" and an unshaded cell indicates "speculative grade".

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