South Africa Poised for Economic Growth with 3.5% Annual Target

February 4, 2025

South Africa is on the cusp of a significant economic upswing, driven by a series of ongoing reforms. According to Sikhulekile (Khule) Duma, Director of the South Africa Presidency Project Management Office, these reforms have the potential to propel the nation's annual economic growth rate to 3.5% by 2029.

Duma, addressing the McCloskey twentieth annual Southern African Coal Conference, highlighted findings from independent modeling conducted by the Bureau for Economic Research. This research indicates that the initial phase of economic reforms could significantly boost real GDP growth by 1.5% above the current baseline of 2%.

A key driver of this projected growth is a substantial increase in fixed investment, anticipated to rise by 4% by 2029. This surge is attributed to a collaborative effort between the government and the business sector. A dedicated joint strategic oversight committee, reporting directly to President Cyril Ramaphosa every six to eight weeks, plays a crucial role in assessing progress, addressing challenges, and identifying new opportunities across key sectors such as energy, logistics, and crime reduction.

These reforms are expected to significantly enhance export performance. Improved energy availability and access to efficient ports and railways are projected to drive export growth to near 5% by 2029. Under this reform scenario, real GDP is estimated to reach R399.6 billion by 2029, representing a 7.7% increase. Investment is also projected to witness a substantial surge, reaching R196.7 billion – a 22.3% increase.

Infrastructure development is a cornerstone of this growth strategy. Collaborative efforts between Transnet, the government, the National Logistics Crisis Committee, and industry stakeholders are driving significant improvements to the national infrastructure network. This includes a multi-year public-private partnership to upgrade the Richards Bay coal line, following an independent technical assessment conducted in 2024.

Duma emphasized the critical role of private sector involvement, stating, “The involvement of the private sector in rail and ports is the biggest reform we’ve seen in 100 years.” This increased private sector participation is expected to accelerate infrastructure development and unlock new opportunities for economic growth.

The launch of the National Energy Crisis Committee 2.0 (NECOM 2.0) signifies a renewed focus on bolstering the national electricity grid and implementing market reforms. NECOM 2.0 prioritizes key objectives such as enhancing the availability of existing electricity supply, attracting private sector investment in generation capacity, expediting the procurement of new power generation facilities, promoting rooftop solar installations, and fundamentally transforming the electricity sector to achieve long-term energy security.

These ongoing economic reforms, coupled with strategic infrastructure development and strong public-private partnerships, position South Africa for a period of sustained economic growth and prosperity.