South Africa Country Brief

December 2025

AFREXIMBANK

Transforming Africa's Trade

African Export-Import Bank
Banque Africaine d'Import-Export

South Africa

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3000
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63
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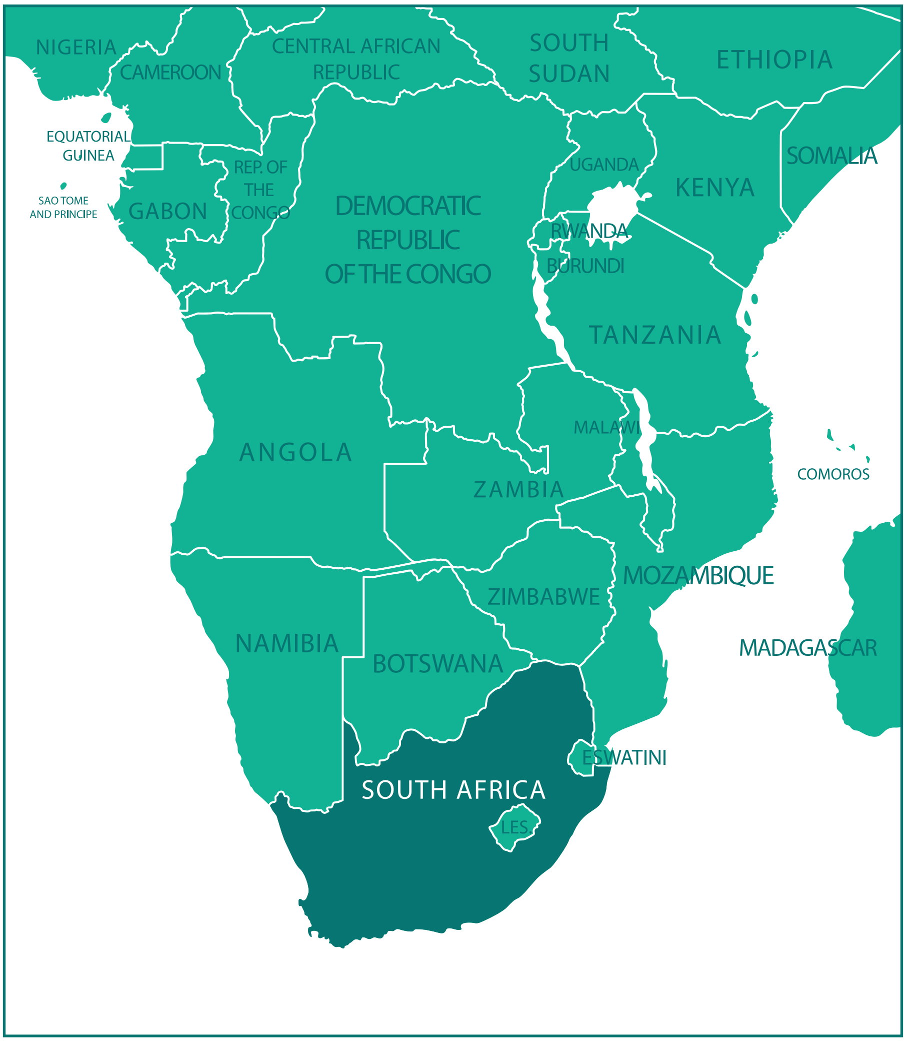


INTRODUCTION

South Africa is located at the southern tip of Africa, sharing borders with Namibia and Botswana to the northwest, Zimbabwe to the north, Mozambique and Eswatini to the northeast; and surrounding the Kingdom of Lesotho. Overlooking the Atlantic and Indian oceans to the west and southeast, respectively, the country covers 1,221,037 square kilometers and has an approximately 3,000-kilometer coastline. South Africa's population has grown significantly, from 16.5 million in 1960 to an estimated 63 million in 2024. Residents speak 11 official languages: English, Afrikaans, and 9 ethnic languages, of which Zulu and Xhosa are the most widely spoken. Even though most South Africans can communicate in more than one language, English is the most commonly spoken and the language of official business and commerce.

With nominal GDP of over USD400 billion, South Africa is the largest economy in Africa, accounting for 13.9 percent of the continent's combined gross domestic product (GDP) (IMF WEO, October 2025). After gradually recovering from the effects of the COVID-19 pandemic and climate and energy challenges, South Africa's real GDP is projected to expand by 1.1 percent in 2025, a modest improvement from 0.5 percent in 2024. Even though the industrial sector, especially mining and manufacturing, historically has been the economy's backbone, service industries (including finance, real estate, tourism, and telecommunications) have emerged as the country's largest economic driver, accounting for about 75 percent of GDP, followed by industry at approximately 22 percent and agriculture at approximately 3 percent. Notwithstanding agriculture's modest contribution to GDP, it remains the main source of livelihoods and employment for rural communities.

South Africa is a key driver of intra-African trade, accounting for about 19 percent of its total trade in 2024 and remaining the continent's largest intra-African trader by value. South Africa is also a major importer of energy products from the continent, primarily crude oil from Nigeria, which remains the leading external supplier of oil to South Africa. The diversified nature of trade reflects the country's broad economic base.

POLITICAL ENVIRONMENT

South Africa is a republic with a democratic framework that ensures separation of powers among the three branches of government: the executive, the legislative, and the judiciary. It remains one of Africa's most stable and inclusive political systems. The Parliament is bicameral, consisting of the National Assembly and the National Council of Provinces. The country operates a multi-party democracy; different political parties representing various ideologies often form coalition governments.

Major political parties include the African National Congress (ANC), the Democratic Alliance (DA), the Economic Freedom Fighters, the Inkatha Freedom Party (IFP), and the Freedom Front Plus (FF+). Cyril Ramaphosa, from the ANC, was elected president for a second term following the June 2024 national elections. Notably, for the first time since independence in 1994, the ANC lost its absolute parliamentary majority, leading to the formation of a coalition government with opposition parties, including the DA and IFP. This coalition marks a significant shift in South Africa's political landscape, enhancing the role of parliamentary dynamics and civic engagement through multi-party cooperation.

The judiciary operates independently, while the Parliament and political parties provide vital platforms for civic participation and oversight. With the political environment characterized by active debate and relative stability, the government continues to focus on maintaining political stability as a key foundation for economic growth and social development and cohesion.

ECONOMIC OVERVIEW

Economic Growth

South Africa's economy has experienced modest growth, averaging about 0.6 percent annually from 2016 through 2023. Over this period, the country faced significant challenges, including a global economic slowdown, high inflation, tight monetary policy, geopolitical tensions and commodity price impacts stemming from the Russia-Ukraine conflict, and domestic structural weaknesses. Specifically, the economy was constrained by reduced mining output, the lingering effects of the COVID-19 pandemic, logistics bottlenecks, and persistent electricity supply shortages, which elevated operating costs and hindered business activity. These combined factors contributed to a slowdown in economic activity, with real GDP recording a sharp deceleration of 0.8 percent in 2023, from 2.1 percent in 2022, and from 4.7 percent in 2021.

South Africa's economy further slowed with output expanding at about 0.5 percent in 2024 – supported by a partial rebound in the industrial sector, increased services activity, and improved trade performance amid gradually easing external pressures and domestic reforms. Real GDP is forecast to accelerate to approximately 1.1 percent in 2025 and 1.2 percent in 2026, driven mainly by ongoing structural reforms, investment in infrastructure and energy, and improved global economic conditions. Existing structural challenges relating to energy supply, in addition to intensification of geopolitical tensions, economic shifts, heightened policy uncertainty, and climate effects, remain downside risks to the outlook.

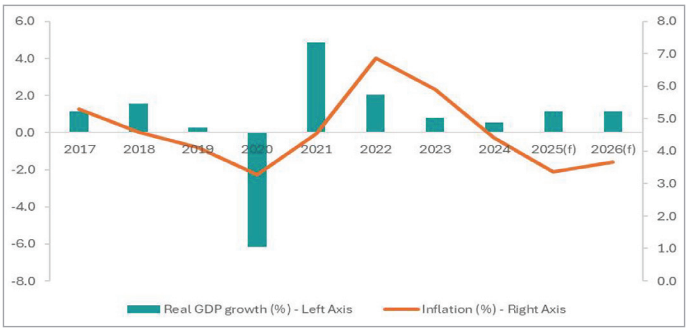
Inflation

South Africa experienced an average inflation rate of approximately 5.1 percent from 2016 to 2023, generally remaining within the South African Reserve Bank's target range of 3 percent to 6 percent. A mix of external and domestic factors influenced inflation trends over this period. Key external drivers included escalating geopolitical tensions, such as the Ukraine crisis, global supply chain disruptions, and increased energy and transportation costs, all of which exerted upward pressure on prices. Domestically, inflation was fueled by electricity supply constraints, food price volatility, and changes in demand dynamics as the economy fluctuated.

Inflation peaked at 6.9 percent in 2022 but has since moderated, reaching 5.9 percent in 2023. Data for 2024 show that the average annual inflation rate eased further to approximately 4.4 percent, reflecting the combined effects of tight monetary policy measures, stabilizing fuel prices, improved food availability, and lower transportation costs. This slowdown in inflation, while welcome, still places the rate above the midpoint target of 4.5 percent, highlighting ongoing price pressures in certain sectors.

Inflation is forecast to remain contained, with average rates of about 3.4 percent in 2025 and 3.7 percent in 2026. The projection hinges on continued moderation in global commodity prices, easing supply-side constraints, and the South African Reserve Bank's commitment to maintaining monetary discipline to anchor inflation expectations. While the inflation outlook is cautiously optimistic, risks remain, particularly from potential disruptions in global energy markets and domestic supply challenges.

Figure 1. GDP growth and inflation



(f) Forecast

Sources: Afreximbank research and International Monetary Fund's World Economic Outlook Database, October, 2025

Exchange Rate

South Africa operates a managed floating exchange rate regime, whereby the Rand is allowed to fluctuate within a controlled range against the U.S. dollar and other major currencies. Historically, from 2016 through 2023, the Rand traded mostly within a range of approximately 13 ZAR to 20 ZAR per U.S. dollar. The country's relatively strong external position, supported by its diversified economy and substantial foreign reserves, helped limit extreme foreign exchange volatility despite ongoing global and domestic economic shocks. The central bank, the South African Reserve Bank (SARB), has typically intervened minimally in the currency markets, allowing the Rand to respond to underlying market conditions and external developments.

In 2022 and 2023, the Rand faced significant attacks, decreasing by 10.7 percent and 12.4 percent, respectively, against the U.S. dollar. The depreciation was primarily driven by lower commodity depreciation, the tightening of monetary stances in advanced economies (particularly the U.S. Federal Reserve), and deteriorating terms of trade for South Africa's exports. In 2024, the Rand stabilized somewhat, with reduced volatility as exchange rates fluctuated between 17 ZAR and 18.5 ZAR per U.S. dollar on average, reflecting improved external balances and supportive policy measures. The Rand is expected to remain relatively stable, with moderate volatility expected amid continuing global uncertainties and domestic reforms aimed at boosting investor confidence and economic resilience.

Fiscal Balance

The South African government has maintained elevated spending levels since 2020, largely driven by measures to support individuals and businesses affected by the COVID-19 pandemic. Significant expenditures have been directed toward military funding, comprehensive social welfare grants to mitigate the impact of inflation on vulnerable populations, and large-scale infrastructure projects, including the Durban Port expansion and national development initiatives. As a result, the fiscal deficit deteriorated at about 9.6 percent of GDP in 2020, from 4.6 percent in 2019, reflecting pandemic-related fiscal stimulus and increased social support.

Following an improvement in commodity prices due to the Ukraine crisis, South Africa's fiscal trajectory improved, with the deficit narrowing to around 4.2 percent of GDP by 2022. However, because of structural fiscal pressures, the deficit worsened again to about 5.5 percent of GDP in 2023. Data for 2024 indicates a further widening of the deficit, estimated at 5.8 percent of GDP, as government expenditures outpaced revenues, in part due to ongoing infrastructure investments and social spending commitments.

The fiscal deficit is projected to deteriorate slightly further at approximately 6 percent of GDP in 2025. Despite the Medium-Term Expenditure Framework proposing consolidation measures such as expenditure rationalization, efficiency gains across government departments, and moderate revenue enhancements, fiscal consolidation is expected to face challenges. Infrastructure financing remains a priority, accounting for a significant share of government spending, reflecting the commitment to long-term economic growth and development, albeit at the cost of sustained budget deficits in the near term.

OVERVIEW OF TRADE, RESERVES, AND FINANCIAL SECTOR

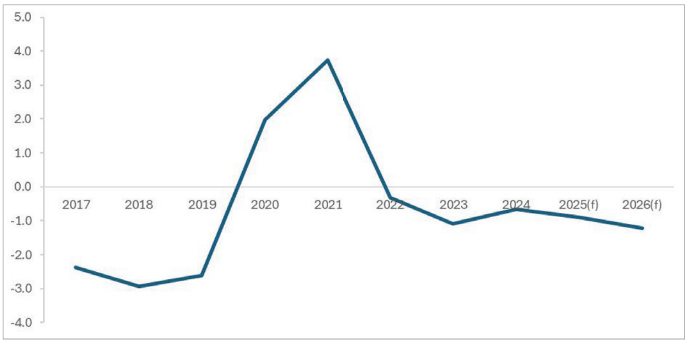
Current Account Balance

South Africa's current account balance has experienced notable fluctuations in recent years, reflecting changing trade dynamics and external economic conditions. The current account surplus increased from approximately 2.0 percent of GDP in 2020 to 3.7 percent in 2021, supported by strong export performance and favorable commodity prices. However, the current account posted a deficit of about 0.3 percent of GDP in 2022, mainly driven by a rising import bill amid depreciation of the Rand and increased global commodity prices.

In 2023, the deficit widened further to around 1.1 percent of GDP as import demand remained elevated, while export growth slowed due to challenges with transport infrastructure, power shortages, and logistical disruptions that impacted export volumes. The deficit narrowed somewhat in 2024 to about 0.6 percent of GDP, reflecting modest improvements in trade balances and supply chain conditions.

The current account deficit is projected to widen slightly to about 0.9 percent of GDP in 2025. This outlook is driven by expectations of slower export growth relative to import demand, as ongoing power constraints, logistical issues, and global trade uncertainties continue to weigh on South Africa's external sector performance.

Figure 2. Current account balance (percent)



Sources: IMF World Economic Outlook and Afreximbank research.

Total Trade

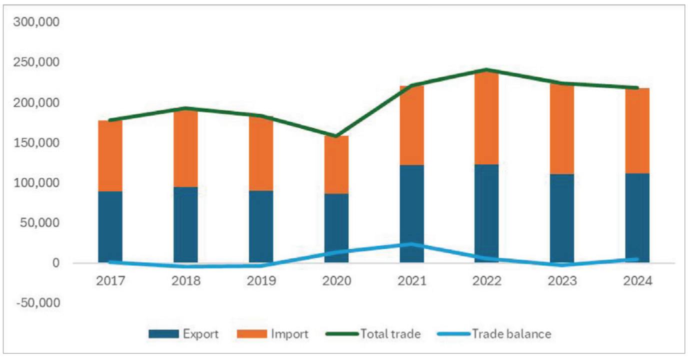
In 2024, South Africa's export portfolio remained dominated by mineral and mining products and key agricultural and manufactured goods, underscoring the country's diversified economic base. Major exports included precious metals, vehicles, mineral fuels, and agricultural staples such as citrus fruits, wine, and maize. The primary destinations for South African exports were China, accounting for roughly 11.8 percent of total exports; the United States, at approximately 7.3 percent; Germany, at 8.3 percent; Mozambique, at 6.4 percent; Japan, at 6 percent; and the United Kingdom, at 5 percent. Together, these countries collectively represent approximately 44.8 percent of total exports. This diversity of export markets reduces vulnerability to economic fluctuations in any single country or region.

On the import side, South Africa's 2024 imports largely consisted of capital goods, including machinery, equipment, and vehicles, supplemented by petroleum products, chemicals, plastics, pharmaceuticals, and various electronic goods. Additionally, agricultural inputs, such as cereals, fertilizers, and oils, accounted for a significant share of imports, reflecting the country's ongoing commitment to food security and agricultural productivity. The main sources of these imports were China, supplying approximately 21.8 percent; the United States, about 7.8 percent; Germany, 8 percent; India, 7.5 percent; the United Arab Emirates, 4.3 percent; and Thailand, around 3.4 percent. Together, these countries account for about 52.8 percent of total imports. The diversified import base ensures South Africa's access to vital goods and technologies necessary for sustaining domestic manufacturing and consumption needs.

Trade-wise, South Africa registered a deficit of nearly US$3 billion in 2023, occasioned by exports of approximately US$110 billion against imports valued at about US$113 billion. In 2024, the country achieved an estimated surplus of

US$5 billion, driven by improved export earnings, moderated import demand, stabilizing commodity prices, and enhanced trade logistics.

Figure 4. Trade accounts, exports, and imports (US$ millions)



Sources: Economist Intelligence Unit database and Afreximbank research.

Intra-African Trade

In 2024, South Africa's total trade with other African countries rose to approximately US$42.1 billion, a notable increase from US$39.2 billion in 2023. Intra-African trade accounted for about 19.3 percent of the country's overall trade in 2024, well above the continental average of about 15 percent and highlighting South Africa's pivotal role in promoting continental trade integration.

South Africa's intra-African exports amounted to US$11.0 billion, with primary trading partners including Mozambique, Botswana, Zimbabwe, Namibia, and Zambia. These countries collectively received the majority of South Africa's regional exports, in line with historical patterns observed in previous years. Major export categories remained mineral products, vehicles, and machinery/equipment.

On the import front, intra-African imports reached US$31.1 billion in 2024. Significant import partners remained Nigeria, Eswatini, Mozambique, Namibia, and Botswana. In a composition largely unchanged from recent years, mineral fuels and petroleum products were the main imported goods, along with essential oils, resinoids, and sugar confectionery.

Despite South Africa's consistently negative intra-African trade balance—recorded at US$20.1 billion in 2024—continued trade engagement across the continent reinforces the country's economic leadership. The growing share of intra-African trade signals both robust regional demand and South Africa's competitiveness in strategic sectors, foreshadowing further opportunities for integration and value addition in the continent's trading system.

Foreign Reserves

South Africa's foreign exchange reserves exhibited consistent growth and resilience from 2017 through 2024, reflecting prudent external management and a stable macroeconomic framework. According to the most recent data, the country's stock of foreign reserves plus gold increased from US$50.7 billion in 2017 to US$62.5 billion in 2023, reaching US$65.5 billion by the end of 2024. This growth marks a substantial build-up in reserves over the eight-year period, contributing to greater financial stability and confidence.

Import cover—a critical indicator of external sector health—has also improved in recent years, rising from 6.1 months in 2023 to 6.6 months in 2024. The increase in reserve adequacy strongly protects the country against external shocks and helps anchor market confidence, particularly during episodes of global volatility. Sound fiscal management, robust mineral export receipts, and improved capital inflows have supported the steady growth in reserves. South Africa's initiatives to foster fiscal transparency, attract foreign investment (including major renewable energy deals), and consolidate public finances have all underpinned this positive trend. The reserve position is expected to strengthen further, with projections of US$70.8 billion in 2025 and US$72.0 billion in 2026, ensuring more than seven months of import cover over the short- to medium- term.

In light of the foregoing, South Africa is well-positioned to maintain external stability, weather international market fluctuations, and support ongoing macroeconomic reform and investment drives, reinforcing the country's reputation as a resilient and adaptive emerging market.

Financial Sector

South Africa's financial sector remains one of the continent's most advanced and resilient, despite ongoing challenges in the broader economy and regulatory landscape. The sector encompasses a comprehensive ecosystem of commercial banks, non-bank financial institutions, insurance companies, and microfinance entities. As of 2025, the major South African commercial banks—Standard Bank Group, Nedbank, FirstRand, and Absa—continue to be ranked among Africa's top 10 in terms of asset value, and the country's banking industry retains its status as the largest on the continent.

According to the South African Reserve Bank and recent industry reports, 16 commercial banks, accompanied by several mutual and cooperative banks, and more than a dozen branches of foreign banks operate in the country. The major banks have shown moderate growth in loans and advances, while maintaining strong capital adequacy ratios and stable profitability. In the first half of 2025, new loan disbursements increased by more than 6 percent year-on-year, despite cautious consumer sentiment, underscoring the sector's ability to absorb shocks and adapt to shifting household and business credit demand.

The broader financial services industry—including real estate, insurance, venture capital, and currency exchanges—remains a vital pillar of the national economy. Its direct share of GDP was 22 percent in 2023. The industry continues to provide direct and indirect employment to nearly three million South Africans. The Johannesburg Stock Exchange stands out as Africa's largest and most liquid exchange, with a market capitalization exceeding R20 trillion.

Non-bank financial institutions are also significant, collectively holding assets that rival those of the traditional banking sector. These institutions offer insurance, pension, and private equity services—and they play a crucial role in broadening access to credit and financial instruments, particularly for underserved market segments.

South Africa's National Payment System remains robust, underpinned by the SARB's oversight and continued digitalization. The mobile money and electronic payments market has continued to expand, with strong uptake in mobile-based transactions, bill payments, and merchant services. However, rising operational and technology costs, as well as compliance with ongoing regulatory reforms—especially the implementation of new Basel standards—remain strategic focus areas for the industry as it seeks to sustain competitiveness and investment flows.

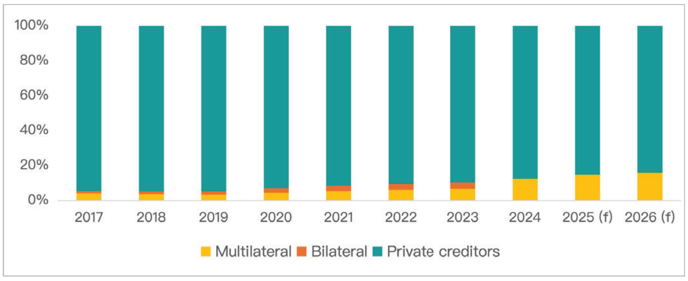
Despite occasional cases of curatorship and isolated institution failures, the sector's underlying soundness has been affirmed by leading agencies, with South African banks maintaining healthy capital buffers and solid credit quality in 2025. The major banks' outlook remains positive to neutral, and the financial sector continues to serve as a cornerstone for stability and investment in the South African economy.

Debt Sustainability

South Africa's total external debt has been declining in recent years, largely due to the effects of sustained fiscal consolidation and a reduced reliance on external market borrowing. Total external debt, which had risen to US$171.7 billion in 2022 amid elevated refinancing needs and volatile global financial conditions, declined to US$165.8 billion in 2023 and further to US$160.5 billion in 2024 as the government reduced external issuances, relied more on domestic sources of funds, and prioritized debt-stabilizing reforms. Over the medium term, external debt is expected to stabilize at around US$162 billion in 2025-2026, according to recent data from the Economist Intelligence Unit, indicating a more sustainable path as consolidation deepens and external borrowing becomes more selective and long-term driven.

The composition of the country's external debt shows a promising trend towards sustainability of the debt portfolio. Private creditors are the largest source of external financing, accounting for 87.5 percent of the total obligations in 2024. However, their share is expected to decline gradually as the government shifts toward concessional and semi-concessional funding from multilateral institutions. The proportion of multilateral creditors, standing at 12.5 percent in 2024, is projected to increase modestly to approximately 16 percent by 2026 (Figure 5). The shift reflects improved access to climate-transition financing and project-linked external borrowing. The gradual rebalancing helps in reducing rollover risk, extend debt maturities, and minimize exposure to volatile market conditions. Furthermore, South Africa's ability to issue long-term Eurobonds as evidenced by the successful US$3.5 billion Eurobond issuance in 2024, with 12-year and 30-year maturities reinforces investor confidence and provides a buffer against short-term financing pressures.

Figure 5: Decomposition of external debt by creditors (US$ millions)



Sources: Afreximbank research; Economist Intelligence Unit database, 2025

External Debt/GDP

South Africa's external debt sustainability indicators are showing continued improvement[1]. The external debt-to-GDP ratio which stood at 43.4 percent in 2023 is estimated to decline to 40.0 percent in 2024, then projected to decline further to 38.4 percent in 2025, and 36.1 percent in 2026. The decline is attributed to nominal GDP growth, limited external borrowing, and ongoing efforts at fiscal reforms.

[1] All the DSA ratios are computed from the Economist Intelligence Unit database.

External Debt /Exports

The debt-to-exports ratio, which peaked at 188 percent in 2020, has been steadily declining and is estimated to have fallen to 125.9 percent in 2024. This ratio is projected to continue decreasing, reaching 120.2 percent in 2025 and 115.1 percent in 2026. These figures are well below the MAC-DSF benchmark of 180 percent, indicating a strong capacity of the country to meet its debt obligations from export revenues on account of a recovery in export earnings from minerals, manufactured goods, and agriculture. Additionally, efforts to address logistical constraints and enhance capacity at ports and rail corridors are also contributing to this positive trend.

External Debt Service/Exports

The debt service-to-exports ratio was 17.9 percent in 2023 but is estimated to have risen slightly to 21.7 percent in 2024 due to scheduled repayments and inconsistent export performance. However, it is anticipated to decrease to 18.7 percent in 2025 and further to 17.5 percent in 2026, suggesting an improvement in repayment capacity and more favorable refinancing conditions.

External Debt Service/Revenue

The debt service-to-revenue ratio remains high, rising to 28.0 percent in 2024. Even though it is projected to moderate to 23.2 percent in 2025 and 21.3 percent in 2026, it remains slightly above the 20 percent MAC-DSF threshold. These levels highlight the need for enhanced revenue mobilization, expenditure rationalization, and prudent management of interest costs to sustain improvements in fiscal space.

Overall, South Africa's external debt is considered sustainable, with a moderate risk of external debt distress under current conditions. The downward trend in total external debt—both in USD terms and as a percentage of GDP and exports—reflects stabilizing macroeconomic fundamentals, prudent external borrowing, and a more diversified creditor base. Enhancing export performance, maintaining fiscal consolidation, and increasing access to long-term, low-cost multilateral financing will be crucial for preserving this positive outlook.

Appendix: South Africa Selected Macroeconomic and Financial Indicators

	2017	2018	2019	2020	2021	2022	2023	2024	2025(f)	2026(f)
Real GDP, percent	1.2	1.6	0.3	-6.2	4.9	2.1	0.8	0.5	1.1	1.2
Inflation, annual average, percent	5.3	4.6	4.1	3.3	4.6	6.9	5.9	4.4	3.4	3.7
Exports of goods and services, percent y/y	-0.3	2.7	-3.3	-12.0	9.7	7.8	5.1	-2.8	-2.0	2.5
Current account, percent of GDP	-2.4	-2.9	-2.6	2.0	3.7	-0.3	-1.1	-0.7	-0.9	-1.2
Total reserves, US$ millions	50,722	51,648	55,060	55,013	57,589	60,568	62,515	65,458	70,843	71,986
Gross reserves, months of imports	6.1	5.7	6.4	8.4	6.6	5.7	6.1	6.6	7.1	7.2

(f) Forecast
Sources: Afreximbank research, World Bank, International Monetary Fund, and Economist Intelligence Unit.

Disclaimer

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