Business cycles in South Africa from 2020 to 2025

By J C Venter[1]

Introduction

The South African Reserve Bank (SARB) has been identifying reference turning points in the South African business cycle since the end of World War II. These upper (peaks) and lower (troughs) turning points were discussed in various articles and notes published in earlier editions of the *Quarterly Bulletin* (*QB*), and are published in the statistical tables section of every *QB*,[2] with the latest trough identified as April 2020 (Venter and Wolhuter, 2023). This article discusses business cycle developments in South Africa since the April 2020 reference trough, which coincided with the outbreak of the coronavirus disease 2019 (COVID-19) pandemic, and identifies the subsequent reference peak in the business cycle.

Although domestic economic activity began to improve with the gradual easing of the COVID-19-related national lockdown restrictions, most of the structural constraints that plagued the South African economy during the previous decade again emerged as a major determinant of the country's economic performance. In addition, domestic political uncertainty, several exogenous shocks and a volatile global geopolitical landscape also contributed to the South African economy returning to its weak pre-COVID-19 economic growth trajectory, along with increased volatility in output growth.

This article outlines the methodology utilised by the SARB to identify a reference turning point in the business cycle before discussing the impact of domestic structural constraints and exogenous shocks on the economy's growth trajectory, followed by the results of the statistical analysis and the identification of the most recent reference peak. An overview of the main macroeconomic events and developments that occurred between 2020 and 2025 is then presented before concluding.

Methodology applied to identify reference turning points

The SARB identifies reference turning points in the business cycle according to the *growth cycle definition*, which entails identifying turning points in the fluctuations around the long-term trend of aggregate economic activity.[3]

Several statistical metrics are used to identify a reference turning point in the business cycle. First, the three *composite business cycle indicators*[4] are continuously monitored for any indication of a possible turning point, where each consist of economic time series that are classified according to their ability to lead, coincide with or lag movements in the South African business cycle.[5]

Once the composite business cycle indicators suggest that a potential turning point may have been reached, comprehensive diffusion indices are compiled to complement the analysis. The *current diffusion index* is a comprehensive composite index compiled from the actual month-to-month symmetrical percentage changes[6] in each of the many seasonally adjusted economic time series analysed (156 during this analysis). These individual indicators represent measures of all the relevant economic processes in the various economic sectors, including production, sales, employment, fixed investment, international trade, fiscal developments, wage and price developments, monetary aggregates as well as capital market developments. The deviation of the current diffusion index from its long-term trend provides a quantitative measure of the cyclical movement in aggregate economic activity (i.e. the growth cycle). It also provides an indication of the depth (amplitude) and duration of growth cycle phases, with the turning points providing an indication of reference turning points in the business cycle.

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2 For the business cycle phases since 1945, see page S–166 in this edition of the *Quarterly Bulletin*.

3 For a more comprehensive discussion of business cycle definitions as well as the distinction between classical and growth cycles, see Venter (2005), available at https://www.resbank.co.za/content/dam/sarb/publications/quarterly-bulletins/articles-and-notes/2005/4376/Article---Reference-turning-points-in-the-South-African-business-cycle---Recent-developments.pdf.

4 A composite business cycle indicator is compiled by integrating different economic indicators into a single index, according to their timing relation to the business cycle.

5 The composite business cycle indicators are published monthly on the SARB's website, at https://www.resbank.co.za/en/home/publications/composite-business-cycle-indicators.

6 The month-to-month symmetrical percentage change *(S)* in a time series *(X)* is calculated as:

$$S_t = 200 * (X_t - X_{t-1}) / (X_t + X_{t-1})$$

The methodology to construct the current diffusion index is the same as that for the composite business cycle indicators.

Third, the *historical diffusion index* – defined as a measure of the dispersion of the changes in the same 156 economic indicators analysed – is constructed by first determining the specific turning points (peak and trough dates) in the cyclical component (deviation from trend) of each of these time series. A time series is regarded as increasing (relative to its long-term trend) during each period after a trough, up to and including the following peak. Conversely, a series is regarded as decreasing during each period after a peak, up to and including the following trough. Each monthly historical diffusion index value represents the number of time series that are increasing in that month as a percentage of the total number of time series considered. An index value exceeding 50 therefore indicates that more than half of the time series considered was increasing relative to their long-term trends in that month, implying that the economy was in an upward phase of the business cycle. Similarly, an index value below 50 indicates that the economy was in a downward phase of the business cycle in that month. Therefore, turning points in the historical diffusion index occur when the index passes through the 50% mark, with the index providing an indication of the duration and diffusion (dispersion among the economic indicators considered) of the identified growth cycle phases.

The method used by the SARB to estimate the long-term trend in economic time series when identifying growth cycle turning points was comprehensively described in the previous reference turning point article (Venter and Wolhuter, 2023). The methodology remained similar during this study, as the Hodrick–Prescott trend (Hodrick and Prescott, 1997) was again used for all trend estimations, with the smoothing parameter (lambda) set as λ=108 000 for the monthly time series. Since the challenge in estimating the long-term trends of most time series posed by the COVID-19-related extreme outliers in the first half of 2020 still affected the trend estimation in the subsequent period, and thus also the identification of cyclical turning points, the same augmented two-step trend estimation approach was followed as during the previous reference turning point identification.[7]

7 For a detailed description of this two-step trend estimation approach, see Venter and Wolhuter (2023), available at https://www.resbank.co.za/en/home/publications/publication-detail-pages/quarterly-bulletins/articles-and-notes/2023/the-south-african-business-cycle-from-2013-to-2022.

The specific turning points in the cyclical components of all the time series analysed were largely informed by the Harding and Pagan (1999) adaptation of the algorithm developed by Bry and Boschan (1971). This version, known as the BBQ algorithm, identifies peaks and troughs in quarterly time series, but was adapted to monthly time series by augmenting the criteria and censoring rules pertaining to the length of the phase and cycle of the BBQ algorithm to monthly time series. However, the identification of specific turning points in an individual time series, and indeed of a reference turning point in the business cycle, is never purely the result of an automated statistical procedure, as the statistical tools described above do not always point to the same reference turning point date, which is then augmented with expert knowledge where appropriate. Consequently, other macroeconomic indicators as well as significant economic events and developments that occurred around a possible turning point must be considered.

Structural constraints and exogenous shocks

The structural constraints that beset the South African economy in the decade before the outbreak of the COVID-19 pandemic (Venter and Wolhuter, 2023) continued to restrict domestic economic growth after the initial recovery from the pandemic-induced recession. The poor performance of some network industries, notably electricity generation and distribution as well as transport and logistics, severely curbed the productive capacity of the South African economy between 2021 and 2025. This was characterised by prolonged backlogs at most ports and a sustained decline in the volume of goods transported by rail, which only stabilised in 2023 but remains well below the levels recorded before COVID-19. Manual electricity load reduction[8] severely constrained economic activity in 2023 as it peaked at an all-time annual high of 16 562 gigawatts off the grid before decreasing significantly thereafter.

8 This is an estimation of the demand that has been reduced due to load-shedding and/or curtailment.

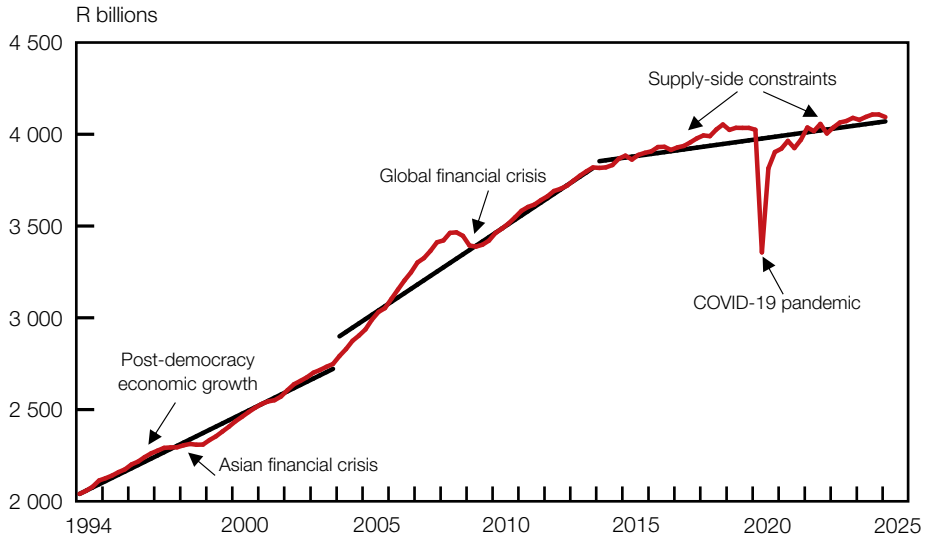
In addition to the ongoing domestic supply-side constraints, several exogenous domestic and global shocks impacted on the South African economy over the past five years. The global developments included the outbreak of the COVID-19 pandemic in December 2019 and the subsequent global supply-chain disruptions, which were exacerbated by Russia's invasion of Ukraine in February 2022, contributing to a rapid acceleration in global consumer price inflation and higher interest rates. This was followed by rising uncertainty in the build-up to the United

States (US) presidential election in 2024, the continuous escalation in geopolitical tensions and, more recently, heightened uncertainty regarding US trade policies. The exogenous domestic factors included the civil unrest in July 2021, the floods in KwaZulu-Natal (KZN) in 2022, heightened political uncertainty following the outcome of the general elections in 2024 and the subsequent intermittent disagreements within the government of national unity (GNU), in particular regarding the 2025 National Budget.

These exogenous shocks, combined with ongoing domestic structural constraints, likely resulted in a loss of output and a lasting slowdown in economic growth. When comparing actual output growth to the counterfactual scenario, in other words the estimated output had the shocks not occurred, the SARB found a significant loss of output and a persistent decrease in the economy's productive potential (SARB, 2024). As such, estimates of South Africa's potential output growth were consistently revised lower over the past five years, as the domestic structural constraints and successive exogenous shocks eroded the economy's production capacity and depressed the trend rate of output growth.

A long-term analysis of real output growth in South Africa shows how these factors altered the trend rate of output growth after 2013. During a similar long-term trend analysis, Smit and Van der Walt (1982) noted that 'apart from determining the trend line with the objective of dating business cycle turning points, (…) a shift in the level of a trend line fitted to actual output data is also indicative of a permanent change in potential output'. The accompanying graph shows how the trend in domestic output – represented by the real gross value added (GVA) excluding agriculture, forestry and fishing – has changed during each of the three decades since the dawn of democracy in 1994. The slope of the trend line became much flatter after 2013, indicative of the restricting effect that the domestic structural constraints and exogenous shocks have had on output growth.

Figure 1 Real gross value added excluding agriculture, forestry and fishing



Sources: Stats SA and SARB

This is confirmed by comparing the average quarter-to-quarter growth rate (not annualised) in the seasonally adjusted real GVA excluding agriculture, forestry and fishing over the past three decades. The average quarterly growth rates during the first two 10-year periods were 0.76% and 0.98%[9] respectively. The subsequent period was divided into a pre- and post-COVID-19 period to gauge if any structural changes occurred after the pandemic, given the occurrence of several exogenous shocks during this period. The average quarterly growth rate slowed significantly to 0.23% during the 2014–2019 period and remained weak at 0.31% during the 2021–2025[10] period, reflecting the structural shift in trend growth.[11] However, the standard deviation of the quarterly growth rates increased sharply to 0.77 during the post-COVID-19

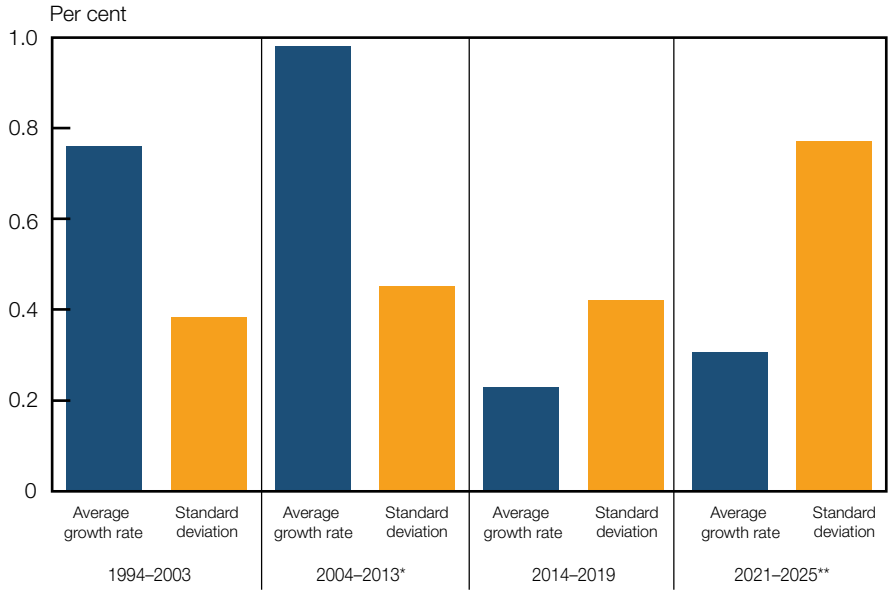
9 The quarter-to-quarter growth rates from the third quarter of 2008 to the second quarter of 2009 were omitted from the calculation as the recession following the global financial crisis impacted on the calculation of especially the standard deviation.

10 Up to the second quarter of 2025.

11 The quarterly growth rates for 2020 were omitted from the calculations as the first two quarters of the year represented the sharp COVID-19-related contractions in output while the last two quarters reflected the subsequent rebound in output, which would have distorted the underlying average growth and standard deviation calculations.

period after remaining relatively stable and averaging 0.42 during the previous three periods. The increased volatility within an environment of low output growth is indicative of a lack of economic growth momentum and complicates the identification of clearly distinguishable business cycle phases.

Figure 2 Average quarterly growth and standard deviation in seasonally adjusted real gross value added excluding agriculture, forestry and fishing



* Excludes the four quarters affected most by the global financial crisis (2008Q3 to 2009Q2)
** Up to the second quarter of 2025

Sources: Stats SA and SARB

Although structural constraints and exogenous factors posed significant challenges, the empirical results of this analysis indicate that, following the April 2020 trough, a reference peak in the South African business cycle had already been reached. The ensuing downward phase has been characterised by increased volatility in economic activity, persistent structural constraints as well as heightened global uncertainty and escalating geopolitical tensions, with a clear business cycle trough not yet discernible.

Statistical results

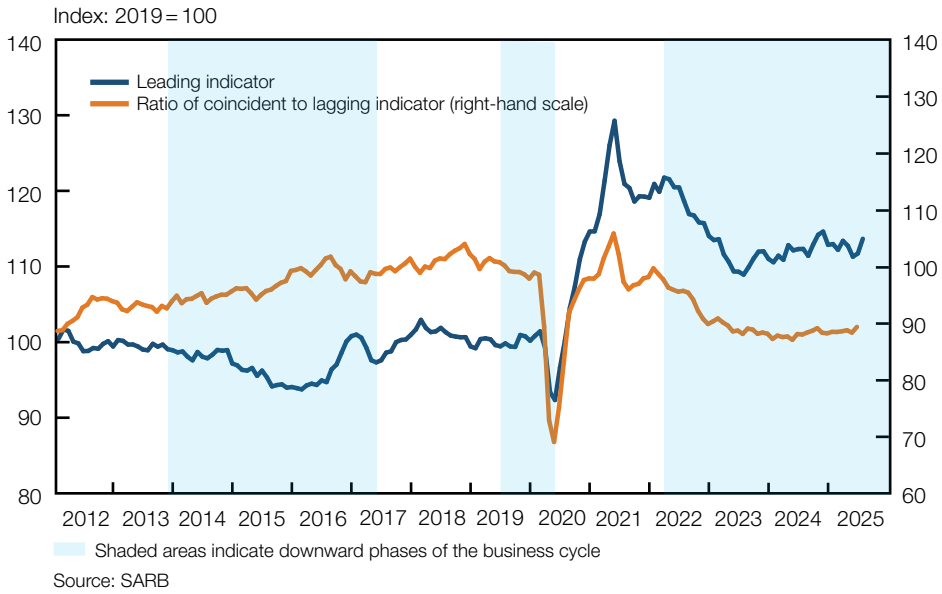
The applied methodology affirmed the previously identified reference trough in the business cycle of April 2020 and revealed a more nuanced perspective on the identification of subsequent turning points.

The composite business cycle indicators

Following the COVID-19-induced low in May 2020, the composite leading business cycle indicator increased significantly to May 2021, signalling an improved economic growth outlook but also exhibiting strong base effects (SARB, 2021). The indicator then trended lower for a few months as the base effects gradually wore off before rising again to peak in March 2022. The composite leading indicator then receded notably to July 2023, suggesting a gradual weakening in domestic economic activity and the commencement of a possible downward phase in the business cycle. Subsequently, the composite leading indicator trended moderately higher to November 2024 amid increased volatility before moving lower again thereafter. Based on its historical relationship with the business cycle, the composite leading indicator pointed to a possible peak in the South African business cycle between early 2022 and early 2023.

The ratio of the composite coincident business cycle indicator relative to the composite lagging business cycle indicator represents an additional forward-looking indicator of the business cycle (Venter, 2004). Like the composite leading business cycle indicator, this ratio increased briskly up to May 2021 after its pandemic-induced low in April 2020. The ratio then also trended lower for a few months as the strong base effects faded before increasing somewhat to peak in January 2022. This was followed by a gradual downward trend to May 2024 before the ratio moved broadly sideways.

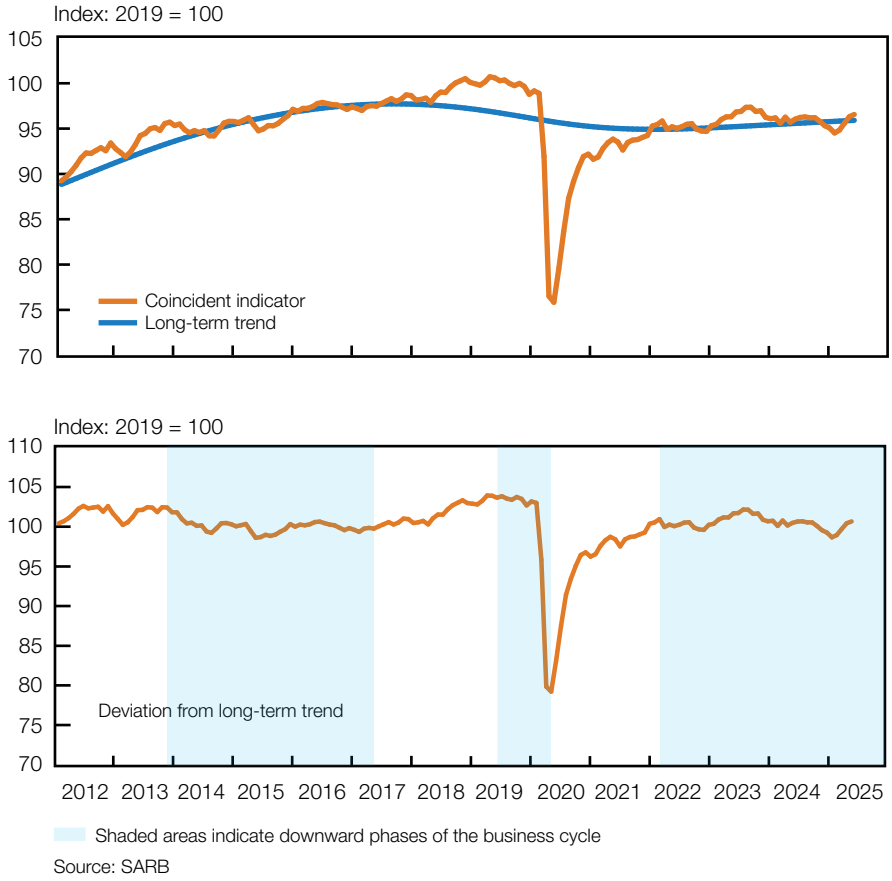
Figure 3 Composite business cycle indicators



Source: SARB

The deviation of the composite coincident business cycle indicator from its long-term trend fell to a pandemic-induced low in May 2020 before increasing markedly in the second half of 2020 and throughout 2021, reaching a peak in March 2022. The indicator then trended gradually lower for a few months before increasing again from December 2022 to August 2023, whereafter the downward trend resumed until February 2025.

Figure 4 Composite coincident business cycle indicator

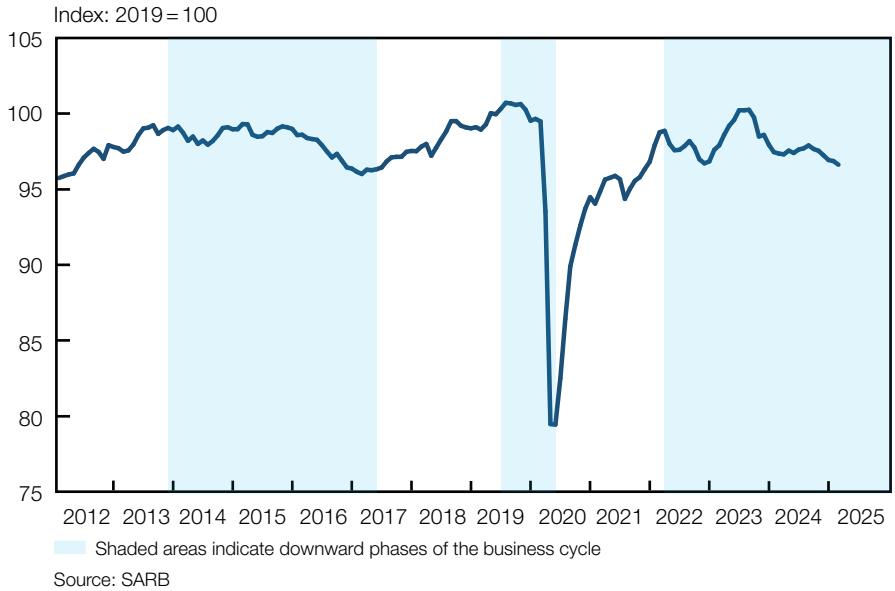


Source: SARB

The current diffusion index

The deviation of the current diffusion index from its long-term trend closely mirrored that of the coincident business cycle indicator. The current diffusion index's deviation from trend fell sharply to a low in May 2020 before recovering strongly to March 2022. This indicator then trended downward to November 2022 before increasing again to August 2023. The indicator then moved lower again until February 2025.

Figure 5 Current diffusion index: deviation from long-term trend

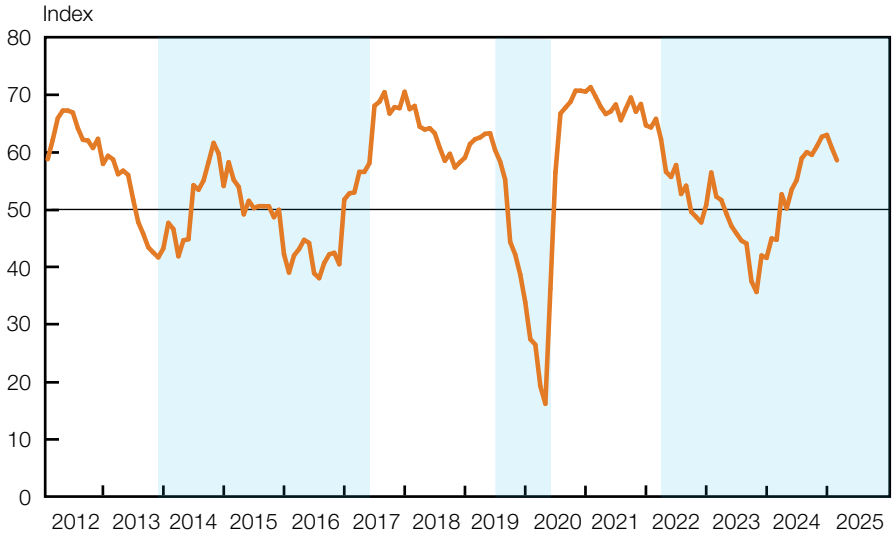


Source: SARB

The historical diffusion index

The historical diffusion index rose above the 50 level in June 2020, implying that the majority of the time series analysed increased from that month onwards relative to their respective long-term trends. The indicator dipped below the 50 level for the first time again in September 2022 and briefly moved above that level again for four months from December 2022 before receding below the 50 level again, suggesting that a peak in the business cycle had been reached. The historical diffusion index then moved above the 50 level again from March 2024, indicative of a trough in the business cycle possibly having been reached.

Figure 6 Historical diffusion index



Source: SARB

The statistical measures described above show divergent results over the post-COVID-19 period. The composite coincident business cycle indicator and the current diffusion index display similar outcomes; both point to a reference peak having been reached in March 2022 and a possible short upward phase between December 2022 and August 2023, followed by another downward phase. The historical diffusion index points to a refence peak having been reached in August 2022 and a subsequent trough in February 2024. The cyclical turning points in selected macroeconomic indicators also do not correspond perfectly over this period.

The varying outcomes can be explained by the differing pace at which the respective economic sectors recovered after the COVID-19 shock, some idiosyncratic factors and the increased volatility in economic activity due to structural constraints and exogenous influences. On balance, there seems to have been a marked slowdown in the post-pandemic recovery from the second quarter of 2022, with March 2022 thus selected as the new reference peak.

The possible brief upward phase observed in 2023, as shown by the coincident indicator and the current diffusion index, was limited in scope and resulted from idiosyncratic factors. For example, formal employment increased sharply in the first three quarters of 2023 due to the appointment of a large number of temporary public sector employees under the Presidential Youth Employment Initiative, which was not consistently sustained and resulted in significant volatility in formal non-agricultural employment. Furthermore, the recovery in passenger rail journeys was very slow and protracted until the Passenger Rail Agency of South Africa ramped up the return of previously closed rail corridors, under the rebuild and refurbish commuter rail services programme. The number of passenger rail journeys has since increased significantly from mid-2022 onwards, albeit from a very low base. A final example relates to the strong increase in gross fixed capital formation in the first half of 2023, which largely reflected significant

investments in renewable energy equipment to mitigate against severe electricity load-shedding. However, the momentum in fixed investment spending was not sustained thereafter due to the absence of load-shedding for a prolonged period, thus reducing appetite for investment in renewable energy equipment and, more generally, due to the weak economic growth and other structural constraints.

Given these factors, coupled with the difficulty in accurately estimating the long-term trend of a time series near the end point, there is no conclusive evidence yet that a lower turning point in the South African business cycle had been reached. This will be reviewed periodically as more data become available.

Macroeconomic events and developments

The South African economy was already in a moderate downward phase of the business cycle when the COVID-19 pandemic broke out in China in December 2019. The rapid global spread of the virus and the large-scale loss of life resulted in national lockdowns being enforced across the world, prohibiting human mobility and leading to a near sudden stop in economic activity. This caused a severe and synchronised global economic recession and a significant disruption to global supply chains.

In South Africa, the national lockdown that was imposed from 27 March 2020 lasted much longer than initially anticipated and severely impacted on the domestic economy. The exchange value of the rand depreciated sharply in the first quarter of 2020 on global risk aversion, while domestic output, consumption, fixed investment, international trade and employment contracted sharply in the second quarter of 2020. The lockdown restrictions were eased in stages from May 2020, with government assisting affected sectors through the Temporary Employer/Employee Relief Scheme to compensate employees affected by workplace shutdowns during the lockdown and other citizens through the special COVID-19 Social Relief of Distress grant of R350 per person per month. The SARB's response to the pandemic included providing additional liquidity to financial markets, buying government bonds in the secondary market, and lowering the repurchase (repo) rate by a cumulative 300 basis points between January and July 2020.

The global economy recovered quicker than initially thought as economic activity normalised faster than anticipated. The recovery was aided by additional fiscal support measures in late 2020 and early 2021, expectations of earlier vaccine availability, and the continued exceptionally accommodative monetary policies of the major global central banks. Saving rates rose sharply during the early stages of the pandemic, partly related to precaution, including the fear of job losses, but also because of limited opportunities to spend. Consequently, as lockdowns eased, consumption expenditure rebounded strongly due to pent-up demand. In addition, successive waves of the pandemic had minimal direct impacts on the global economy as countries implemented better-targeted and less damaging lockdowns than during the first wave. Companies also adapted by shifting to remote ways of working, further shielding production activity and many jobs from lockdown restrictions.

Initially, the COVID-19 shock was disinflationary as weak demand outweighed supply-side price pressures, with consumer price inflation slowing across the advanced and developing economies in 2020. Lower oil prices significantly reduced inflation as the price of Brent crude oil plummeted from a monthly average of US$67.15 per barrel in December 2019 to US$18.68 per barrel in April 2020. But as the lockdown restrictions were eased, global demand for goods recovered much faster than initially anticipated, triggering a global manufacturing-led recovery and pushing commodity prices to record-high levels by mid-2021. However, shortages of raw materials and of some finished goods worsened as inventories were rapidly depleted. Long delays at ports and the displacement of freight containers resulted in severe global supply-chain disruptions, impeding further growth in manufacturing production in major advanced economies. The strong demand for consumer goods amid these supply constraints resulted in substantial increases in global shipping costs and raw material prices, pushing global inflation higher in 2021.

The domestic economic recovery began off a very low base in May 2020 and was uneven across the various sectors. The primary sector was least affected, as the agricultural sector benefitted from bumper crops and less strict lockdown regulations than the other sectors. The recovery in the mining sector benefitted from high commodity prices and a favourable exchange rate. The rest of the economy, however, recovered at a much slower pace, especially the construction, transport and trade sectors, with the latter two significantly impacted by the sharp decline in tourism. Despite domestic output still being far below its pre-COVID-19 level, electricity load-shedding resumed on 10 July 2020 due to unplanned outages caused by breakdowns, highlighting persistent structural constraints.

Household spending was undermined by widespread job losses in the second quarter of 2020, despite most sectors mitigating job-shedding by reducing salaries and eliminating bonuses, thus curtailing the disposable income of households. Nevertheless, household consumption expenditure emerged as the primary driver of economic growth in the second half of 2020, benefitting from interest rates being at their lowest level in five decades and households having entered the crisis after a long period of deleveraging. In addition, inflation was well-contained and averaged 3.3% in 2020, assisted by subdued services inflation and fuel price deflation during the year. The gradual appreciation in the exchange value of the rand from the second quarter of 2020, coupled with declining prices of imported goods, further contributed to lower domestic inflation. However, food price inflation accelerated from the end of 2020, partly driven by global supply-side factors.

In July 2021, South Africa's economic growth momentum was interrupted by an outbreak of political unrest, riots and looting in KZN and Gauteng, which also disrupted supply chains and dented both investor and business confidence. At the same time, the recovery in gross fixed capital formation was weak and stalled in 2021, constrained by the extraordinary uncertainty associated with the pandemic, the slow recovery of the construction sector, electricity-supply shortages and depressed business confidence. The drag on output growth from weaker investment was partially offset by higher commodity prices, which boosted exports, and was supported by robust global demand for commodities, translating into an improvement in the terms of trade. The surging export commodity prices contributed to the current account deficit turning into a surplus from the third quarter of 2020. This also contributed to the improvement in the fiscal position as nominal gross domestic product (GDP) rose faster, boosting government tax revenues, which reduced fiscal deficits and slowed the accumulation of public debt.

The recovery in employment was weak and protracted as only about 1.4 million of the almost 2.3 million jobs that were shed in the first half of 2020 were recovered by the second quarter of 2022. Nevertheless, real household spending remained resilient up to the first quarter of 2022, only contracting in the third quarter of 2021, which coincided with the political unrest. Consumption expenditure benefitted from the recovery in earnings, growth in net wealth and increased social transfers, which boosted nominal disposable income.

Russia's invasion of Ukraine in February 2022 led to sharp increases in global crude oil, gas and grain prices, along with heightened volatility in financial markets and increased risk aversion towards emerging markets. This – together with the existing supply-chain bottlenecks, high shipping costs and tight labour markets following a sustained period of expansionary fiscal and monetary policies – fuelled global inflation further to multi-decade highs in 2022. Most central banks responded by raising interest rates, with the US Federal Reserve raising the federal funds rate from March 2022 after two years of rates remaining at the effective zero lower bound. These events led to a notable slowdown in global economic growth in 2022 and 2023.

The global developments also pushed up domestic consumer price inflation, which accelerated from 2.9% in February 2021 to 7.8% in July 2022, driven largely by higher food and fuel prices. The SARB responded by raising the repo rate by a cumulative 475 basis points from November 2021 to May 2023. Meanwhile, real remuneration per worker decreased in the first three quarters of 2022 as the surge in inflation eroded the real purchasing power of consumers. Consequently, growth in households' real disposable income and consumption expenditure slowed markedly in the second quarter of 2022. The recovery in industrial production had already run its course by then, as mining and manufacturing output in particular was once again hampered by pre-

existing structural supply-side constraints, including inadequate electricity supply, logistical bottlenecks, skills gaps and high operating costs. In addition, the South African economy experienced multiple adverse shocks in the second quarter of 2022, including severe flooding in KZN in April, intensified electricity load-shedding and strike activity. The combination of stalled production and slowing consumer demand led to the demise of the post-COVID-19 economic recovery, with the domestic economy entering another downward phase of the business cycle from April 2022.

The aggressive monetary policy tightening by most major central banks in 2022 and the subsequent slowdown in global economic growth resulted in a sharp pull-back in most international commodity prices from April 2022 to mid-2023. Consequently, South Africa's terms of trade deteriorated as the strong post-COVID-19 recovery in the value of merchandise and net gold exports was interrupted, resulting in the current account of the balance of payments reverting to a deficit again from the second quarter of 2022.

In addition to slowing from the second quarter of 2022, real GDP growth also became much more volatile, driven by the increased volatility in the output of the primary and secondary sectors. These sectors were severely impacted by the marked deterioration in the performance of key state-owned network industries, with record electricity load-shedding in 2023 and prolonged logistical challenges related to freight rail and port operations limiting export volumes.

Real household consumption expenditure stagnated from the second quarter of 2022 to the first quarter of 2024, constrained by the acceleration in consumer price inflation, stagnant real wages and higher interest rates. Consumer spending picked up some pace from the second quarter of 2024, supported by the sharp deceleration in consumer price inflation from 5.9% in October 2023 to 2.8% in October 2024, real wage growth from mid-2023, the temporary boost to disposable income after the introduction of the two-pot retirement system as well as the cumulative 125 basis points reduction in the repo rate between July 2024 and July 2025.

The post-COVID-19 recovery in gross fixed capital formation was much more protracted and delayed than in the other components of real gross final demand, with fixed investment only briefly approximating its pre-pandemic level in the second quarter of 2023. Capital expenditure was impacted by the weak recovery in the construction sector, which was initially constrained by the lockdown restrictions, uncertainty around the economic impact of the pandemic and the shift to working from home, which reduced commercial building activity. Activity was also curtailed by incidents of violence and intimidation at construction sites as well as the poor financial position of many state-owned companies. Following six years of contraction, gross fixed capital formation expanded notably in 2022 and continued to increase strongly in the first half of 2023, largely driven by private sector spending on alternative energy generation machinery and equipment. However, gross fixed capital formation has subsequently contracted again.

The fillip provided to national government revenue by the strong increase in commodity prices from the second half of 2020 was reversed with the subsequent fall in commodity prices from mid-2022. Consequently, growth in revenue slowed markedly to 5.1% in fiscal 2022/23 while expenditure growth accelerated to 6.5%, putting strain on government finances. In addition, the debt-to-GDP ratio increased steadily to 76.9% by the end of fiscal 2024/25, with debt-service cost increasing in tandem.

Furthermore, the past two years have been characterised by heightened uncertainty, driven by several exogenous factors which impacted on the global and domestic economy. Geopolitical tensions escalated considerably as the war in Ukraine has lasted much longer than initially anticipated, with the conflict that erupted in the Middle East in October 2023 also still ongoing. A marked change in US trade policies and the resultant frequently revised export tariffs announced throughout the first half of 2025 further raised uncertainty about the global economic outlook. In addition to these global developments, the outcome of South Africa's general elections on 29 May 2024 resulted in political uncertainty as no party won an outright majority of the votes. Although the subsequent formation of the GNU initially lifted sentiment, sporadic disagreements within the GNU have since led to increased political uncertainty, illustrated by the delay in reaching agreement on the approval of the 2025 National Budget.

Conclusion

South Africa's economic recovery from the COVID-19 shock varied across economic sectors due to differing lockdown restrictions and other external factors. As these restrictions were gradually lifted, the long-standing structural constraints once again began to curtail the pace of economic growth. In addition, numerous exogenous global and domestic developments have impacted on the South African economy over the past five years, resulting in increased output volatility amid a protracted period of heightened global and domestic uncertainty, especially since 2022.

The heightened output volatility and slowing economic growth trend complicated the identification of a business cycle turning point. However, a clear loss of momentum emerged after the first quarter of 2022, marked by a notable moderation in household consumption expenditure. The reference peak in the South African business cycle has thus been established as March 2022, with the post-pandemic upward phase of the business cycle lasting 23 months and the ensuing downward phase commencing in April 2022.

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