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South Africa: Economic Outlook and Opportunities for New Zealand Businesses

MARKET INTELLIGENCE REPORT

Summary

- South Africa is experiencing growing economic optimism supported by rising GDP growth rates, a strengthened Rand, the removal from the Financial Action Task Force (FATF)'s 'grey list' and upgraded credit ratings from both S&P Global and Moody's.

- The 2026 budget prioritises social spending and public sector infrastructure investment, particularly in transport, logistics, water and energy. While challenges remain to improve logistics at ports and water supply, scheduled power outages have not been recorded for more than a year.

- The mining sector remains strong, while the agriculture and manufacturing sectors face pressure from extreme weather variability, infrastructure constraints, and rising input costs. These challenges may create opportunities for New Zealand businesses. There are also strong prospects for the technology and services sectors.

- South Africa continues to offer economic opportunities for New Zealand companies to build on New Zealand’s reputation for quality and innovation and launch into the wider African, Middle East and European markets.

- Companies seeking to establish a presence in South Africa should consider local compliance regulations, particularly the country’s broad-based black economic empowerment policies, and the importance of local partnerships.

- The August-September All Blacks rugby tour will provide a platform to raise New Zealand's profile in-market. The High Commission in Pretoria will host a half-day business event in conjunction with the rugby tour and encourages interested businesses to make contact.

Report

Economic Outlook

Two years into the Government of National Unity (South Africa's nine-party coalition government led by the African National Congress (ANC)), South Africa is witnessing economic stabilisation and growing optimism despite the ongoing economic turbulence caused by conflict in the Middle East. In his State of the Nation address in February 2026, President Cyril Ramaphosa highlighted that the economy had recorded four consecutive quarters of GDP growth – with an annual real GDP growth rate of 1.1% recorded in 2025 (up from 0.6% in 2024). With growth continuing in the first quarter of 2026 (0.5%), the World Bank projects annual growth of 1.4% in 2026 and 1.5% in 2027.

While these rates lag behind those of other emerging markets and Sub-Saharan Africa as a whole, they reflect a notable turning point for South Africa. Energy and infrastructure crises had kept growth rates low in 2023 and 2024. Unemployment rates, however, remain stubbornly high and continue to increase: the latest data from Stats SA, the national statistics service of South Africa, shows that more than 120,000 jobs were lost in the first quarter of the year with the unemployment rate rising to 32.7%.

Two milestones in late 2025 were a significant step in restoring investor confidence in South Africa. In October 2025, the Financial Action Task Force (FATF) removed South Africa from its 'grey list'. One month later, S&P Global upgraded South Africa's credit rating for the first time in 20 years (from B to BB), citing improved performance by state-owned electricity company Eskom and a brightening fiscal outlook. In May this year, Moody's upgraded the country's credit rating from stable to positive for the first time since 2007.

Boosted by a surge in commodity prices, growing confidence in the economy and a weakening US dollar, the South African Rand has surged in 2026, trading below R16 to the USD for the first time since 2022 for a brief period in January. Against the New Zealand dollar, the exchange rate has continually sat between R9.3 and R9.75 to the NZD in 2026, the strongest since the COVID-19 pandemic.

Budget priorities

The 2026 budget focused on promoting faster economic growth through five pillars: maintaining macroeconomic stability, implementing structural reforms, poverty alleviation, investing in growth-enhancing infrastructure, and building a capable and efficient state. Social welfare, including basic services such as healthcare, education and social grants, forms the majority of budget spending. Public sector infrastructure investment is set to exceed R1 trillion (approx. NZ$100 billion) in the medium term, prioritising transport, logistics, water and energy. Spending on domestic peace and security will increase alongside measures to increase public sector efficiency.

Infrastructure

South Africa has also seen a turning point in aspects of its ongoing infrastructure crisis. In May 2026, the country and Eskom recorded one full year without load shedding for the first time since September 2018 (although unscheduled power outages remain a regular feature of South African life). The government has attributed this to strengthened maintenance and better implementation of the Energy Action Plan, though it is also due to the increased reliance by businesses and households on solar power. The national government offers limited tax rebates for businesses installing solar power, and the Western Cape provincial government (in Cape Town) offers buy-back schemes for feeding solar power into the local grid.

The major ports of Durban and Cape Town have also reported slight improvements in operations and fewer delays, though much remains to be done to address long-standing challenges with aged and insufficient infrastructure, equipment failures, poor maintenance and mismanagement by the state-owned company Transnet. Planned improved rail and logistics corridors to a proposed large-scale 'inland port' near Johannesburg, and improvements and upgrades to Gqeberha (Port Elizabeth) port are expected to ease the pressure and continue to improve operations in Durban.

However, challenges remain for South Africa's infrastructure landscape, including ongoing issues with water supply (especially in Johannesburg), municipal service delivery and high crime rates. These issues may also create demand for technologies and services that improve operational resilience, water efficiency and infrastructure management.

Outlook in key sectors

The outlook in key sectors of interest to New Zealand business or expertise is mixed (though, to some degree, offers opportunity amid the challenge):

- Despite a record 2025 for **agricultural** exports, the sector faces several challenges in 2026: particularly in the livestock sector where combatting the outbreak of foot and mouth disease remains a top government priority. Rising diesel and fertiliser costs are expected to impact the planting season in October 2026, while commentators have warned about the risk of drought in summer 2026-27 caused by a strong El Niño.

- Notwithstanding ongoing challenges, the **manufacturing** sector remains one of the country's most critical economic engines, contributing 12.5% of GDP. Production decreased by 0.8% in the first quarter, reflecting stagnation partly driven by rising operational costs. Sub-sectors showing growth despite the market remaining sluggish include electrical machinery, as well as motor vehicles, parts and accessories and other transport equipment. Rising costs and pressure on productivity may also increase demand for automation, process optimisation and specialist engineering services.

- The **mining** sector remains strong with high commodity prices, and new mining developments adding to the opportunities (with the opening of the first new underground gold mine in 15 years taking place near Johannesburg in December 2025). Opportunities may also arise in mining services, health and safety systems, environmental management and supporting technologies.

- **Technology and services** sectors both have strong growth prospects, supported by the ongoing digital transformation and South Africa's favourable time zone for global markets. Immigration reforms proposed by the government's White Paper have highlighted a push toward attracting remote workers, digital nomads and start-up entrepreneurs (though these proposals remain subject to finalisation).

BBBEE

South Africa's policy of broad-based black economic empowerment (BBBEE, often referred to by its former term 'Black Economic Empowerment' or 'BEE'), is designed to advance economic transformation of historically disadvantaged individuals, remains an important factor for any company wishing to establish or do business in South Africa. All listed entities in South Africa must report their BBBEE status annually and is part of the criteria for licence applications in several regulated industries such as mining and minerals, petroleum fuels and gas, telecommunications, and gambling. To do business with the South African government, companies must be BBBEE compliant (scoring above 30 points on their ‘BBBEE scorecard’).

New Zealand firms considering establishing a local presence should assess BBBEE implications early, particularly where government procurement, licensing requirements or partnerships with state-owned entities are relevant. For many New Zealand firms, partnering with a credible local South African distributor, agent or joint-venture partner can assist with market entry, regulatory compliance and relationship building. Local partnerships can also support BBBEE objectives and improve access to procurement opportunities.

Municipal elections in November

While macroeconomic policy is set by central government, local government elections (scheduled for 4 November 2026) will have an impact on the country’s economic outlook, particularly for issues relating to infrastructure and service delivery. These issues have already become major campaign focus areas. Several of South Africa’s major cities are currently run by governing coalitions (Pretoria, Johannesburg, Durban), and the success of coalition formation post-vote will impact the ability for municipal governments to deliver on campaign promises. Election outcomes may be particularly relevant for businesses operating in infrastructure, utilities, water services and municipal procurement, where local government performance has a direct impact on project delivery and investment certainty.

Opportunities for New Zealand businesses and solutions

The South African market continues to offer significant opportunities for New Zealand businesses and solutions. There are regular air links to Sydney and Perth (and quick connections on to New Zealand), meaning transport distances between New Zealand and South Africa are lower than to several other global markets.

South Africa is New Zealand's most diversified trade partner market in Africa, offering established financial markets, professional services, legal frameworks and regional headquarters functions. For New Zealand companies seeking wider African growth opportunities, South Africa continues to provide one of the most practical entry points into the continent. Given its similar time zones as Europe and the Middle East, the country also offers opportunities for New Zealand services to use Cape Town or Johannesburg as a regional base.

New Zealand products and services continue to have a reputation for quality and innovation in South Africa. Areas of strongest alignment include agritech, food and beverage systems, biosecurity, water management, renewable energy, infrastructure services, education and skills development, mining services and digital solutions.

The ability for companies to establish a presence in-country through a local subsidiary has also reaped rewards for some already here (and supported the South African priority for job creation). Although challenges are foreseen in some sectors (not least the agricultural sector), New Zealand technology and innovation can support South Africa to address some of these challenges in a meaningful way.

On top of this, we expect the All Blacks' upcoming 'Greatest Rivalry' five-week tour of South Africa in August and early September 2026 will provide New Zealand with unprecedented visibility in the South African market and across the wider region. Rugby holds a special place in the culture and history of South Africa, and New Zealand enjoys unrivalled brand recognition through the All Blacks. The tour will generate sustained national attention over an extended period, creating a strong platform for New Zealand businesses, investments and solutions to gain visibility in South Africa and the wider region. The presence of thousands of New Zealanders in-country (for the three test matches on 22, 29 August and 5 September) will only add to this.

For New Zealand companies that have an interest in exploring the South African market, we recommend taking advantage of these opportunities. The High Commission in Pretoria is in the process of organising a half-day business event in Cape Town on 28 August to provide an overview of market opportunities in South Africa and tips to navigating the business environment. Businesses that are interested in attending should register their interest directly with the High Commission at NZHC.Pretoria@mfat.govt.nz.

While economic growth remains modest and structural challenges persist, South Africa's improving investment environment, infrastructure agenda and gateway role into African markets present a range of commercially relevant opportunities for New Zealand businesses willing to take a long-term and partnership-based approach to the market.

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