



FRONTLINE AFRICA
— **ADVISORY** —



SA: POLITICAL AND ECONOMIC REPORT

MARCH 2025

by Frontline Africa Advisory

Introduction

- This edition of the report covers key political developments in March, including the governance challenges within the Government of National Unity (GNU), the country's economic outlook, energy crisis, and diplomatic tensions, particularly between the United States and South Africa.
- It concludes with key risks facing South Africa, including financial instability, crime, infrastructure failures, and geopolitical uncertainties.

Political Updates

Governance at a Crossroads: ANC-DA Divisions Threaten the GNU

- The deep-seated ideological and other differences between the African National Congress (ANC) and the Democratic Alliance (DA) within the GNU have escalated, particularly over fiscal policy and South Africa's foreign policy directions. These tensions now threaten policy cohesion and governance stability.
- Key Challenges Facing the GNU include the following:

Budget Disputes and VAT Controversy

- The ANC and DA remain at odds over budget allocations, particularly taxation and spending priorities. The ANC's proposal to increase Value Added Tax (VAT) has widened divisions, with the DA opposing additional tax burdens on consumers while the ANC insists it is necessary for revenue generation. The deadlock has stalled critical fiscal decisions, delaying much-needed budget allocations for infrastructure, social programs, and economic recovery. With the MKP and EFF having already stated that they are against the VAT increase, the ANC and DA have been forced back to the negotiating table to find a middle ground.
- It remains to be seen if the two parties will reach a deal before Parliament votes on the 2025 fiscal framework proposals on 2 April. The DA has already made public its proposals on the Budget, which are not supported by the ANC.

DA's Independent Foreign Policy Approach

- The DA has distanced itself from the ANC's foreign policy stance, particularly regarding South Africa's position on Russia, Israel, and the BRICS alliance. This growing divide raises concerns over South Africa's diplomatic consistency, potentially weakening the country's international credibility.

Governance Disputes in Gauteng

- The DA's exclusion from the Gauteng provincial government coalition highlights growing instability within the GNU. Gauteng, South Africa's economic hub, faces governance challenges, with disputes over infrastructure projects and service delivery further straining political cooperation.

Economic and Infrastructure Constraints

- **Sluggish Economic Growth:** GDP growth is projected at just 1.9% for 2025, while unemployment remains alarmingly high at 31.9%.
- **Persistent Power and Infrastructure Failures:** Eskom and Transnet continue to struggle, with ongoing power outages and transport inefficiencies hampering economic progress. Public-Private Partnership (PPP) proposals face political resistance due to ideological disagreements over state intervention.
- **Water Crises:** Gauteng, KwaZulu-Natal, the Free State and the Eastern Cape are experiencing severe water shortages, exposing deeper governance failures in resource management and increasing public frustration.

Commentary

- The GNU was initially presented as a pragmatic response to South Africa's post-2024 electoral fragmentation. However, as 2025 unfolds, deep divisions between the ANC and DA have led to policy paralysis and governance instability.
- The VAT dispute is a major flashpoint. The ANC views the increase as essential for revenue generation, while the DA opposes it, arguing that it will burden consumers and stifle economic growth. This standoff has delayed key budget decisions, hindering infrastructure development and economic recovery efforts.
- Foreign policy fractures are further straining the coalition. The DA's rejection of the ANC's global diplomacy approach - particularly on Russia, Israel, and BRICS - has undermined South Africa's foreign policy coherence, raising concerns about conflicting international engagements from within the same government.
- Gauteng's governance tensions add another layer of instability. The DA's exclusion from the provincial coalition has led to policy deadlock on infrastructure and service delivery, further eroding investor confidence in South Africa's economic hub.



Broader Economic and Governance Failures

“

Economic stagnation continues. The projected 1.9% GDP growth for 2025 and persistently high unemployment of 31.9% indicate that the GNU has yet to implement a meaningful economic recovery strategy.

”



Broader Economic and Governance Failures

- Economic stagnation continues. The projected 1.9% GDP growth for 2025 and persistently high unemployment of 31.9% indicate that the GNU has yet to implement a meaningful economic recovery strategy.
- Infrastructure failures persist. Eskom and Transnet remain unstable, while power outages and transport inefficiencies continue to disrupt business operations. Political resistance to PPPs further complicates efforts to address these issues.

Growing Public Discontent and Political Risks

- Public frustration over VAT increases, failing infrastructure, and governance inefficiencies is mounting. Protests have intensified in major cities, with increasing demands for accountability in municipal service delivery and economic management. If these grievances remain unaddressed, the ANC risks further political losses ahead of the 2026 local elections

Rising Geopolitical Tensions

- South Africa's strained relations with the U.S. have worsened, particularly after the expulsion of its ambassador to Washington. Simultaneously, escalating diplomatic tensions with Rwanda over security concerns are further complicating the country's foreign policy implementation on the African continent.
- U.S. President Donald Trump earlier in the year accused the South African government of land confiscation and discrimination against White Afrikaners. This was followed by an executive order halting funding to South Africa, which accounted for 17% of the country's total HIV/AIDS funding.
- While everybody is waiting for a decision on South Africa's future participation in the African Growth and Opportunity Act (AGOA), last week Trump issued another order imposing 25% tariffs on all imported vehicles and car parts, including those from South Africa.
- According to the National Association of Automobile Manufacturers of South Africa (NAAMSA), South Africa exported about R271 billion worth of vehicles and components, of which about R28 billion was to the U.S. This was largely due to the trade preferences under AGOA.
- Meanwhile, the ANC is not backing down. On the margins of the National Executive Committee (NEC) meeting over the weekend, NEC Member and Minister of International Relations and Cooperation Minister, Ronald Lamola, said that South Africa's International Court of Justice (ICJ) case will not be withdrawn to please the U.S. Washington has frequently accused Pretoria of aligning too closely with Russia and Palestine at the expense of its Western ties. U.S. officials often portray South Africa's foreign policy as antagonistic to American interests and hostile to U.S. allies, exacerbating diplomatic tensions.
- It should thus be expected that other sectors of the South African economy that have immensely benefitted from AGOA, like agriculture, will likely experience Trump's punitive tariffs over the coming months.

Lobbying Efforts and Opposition to the ANC

“ Amid escalating tensions, the U.S. expelled South Africa’s ambassador, declaring him *persona non-grata*. This move significantly strained diplomatic ties, casting uncertainty over the future of trade and political cooperation between the two nations.



Lobbying Efforts and Opposition to the ANC

- Afrikaner interest lobby group AfriForum and trade union Solidarity have intensified their lobbying in the U.S., advocating for punitive measures against ANC leaders rather than broad sanctions on South Africa. The groups have urged amendments to South Africa’s Expropriation Act, warning that its current framework could erode investor confidence.
- The DA and the Cape Independence Advocacy Group (CIAG) also engaged U.S. officials, opposing ANC policies, particularly on land reform. The DA has consistently rejected expropriation without compensation, arguing it undermines property rights and economic stability.
- President Cyril Ramaphosa has continued to dismiss Trump’s claims of land seizures and white genocide in South Africa, asserting that this country remains a constitutional democracy governed by the rule of law. He has emphasised that no unlawful land confiscations had occurred and defended the Expropriation Act as a tool for equitable land redistribution rather than a violation of property rights.
- Minister Ronald Lamola has reinforced this position, arguing that land reform policies are necessary to rectify historical injustices and foster economic inclusion.
- Amid escalating tensions, the U.S. expelled South Africa’s ambassador, declaring him *persona non-grata*. This move significantly strained diplomatic ties, casting uncertainty over the future of trade and political cooperation between the two nations.



Commentary

Economic and Trade Consequences

- The diplomatic rift could have severe economic repercussions, particularly regarding South Africa’s participation in AGOA. The potential suspension of AGOA benefits would hurt key industries such as automotives, agriculture, and manufacturing. Lobbying efforts by groups like AfriForum may also push for targeted sanctions, including travel bans or asset freezes on ANC leaders. Other Western nations might reconsider their engagement with South Africa, further isolating Pretoria.

Political Fallout and Internal Divisions

- Domestically, Trump’s intervention has intensified political divisions. Opposition parties, especially the DA, have leveraged his remarks to attack ANC policies, while advocacy groups like AfriForum and Solidarity have gained international visibility. The ANC, in turn, has framed Trump’s stance as neocolonial interference. The DA’s independent engagement with the U.S. underscores fragmentation in South Africa’s foreign policy, creating uncertainty and instability within the GNU.

Ramaphosa’s Diplomatic Challenge

- President Ramaphosa faces a delicate balancing act: reaffirming South Africa’s sovereignty and land reform agenda while avoiding deeper estrangement from the U.S. Over the weekend, he said he is still considering dispatching a team of envoys to engage the Trump Administration.
- He must also reassure investors that South Africa remains a stable and reliable partner. Internal divisions within the ANC may escalate, with some factions advocating defiance and others urging a more pragmatic approach to avoid economic fallout.

Global Positioning and Strategic Alignments

- South Africa’s firm stance on Gaza has bolstered its standing in the Global South and among BRICS partners but has further strained relations with Washington. Pretoria’s growing ties with Iran and the upcoming visit of Ukraine’s president complicate diplomatic dynamics even further. The Trump administration’s financial penalties and diplomatic reprisals highlight the economic risks at play, making it imperative for Ramaphosa to navigate this crisis carefully to safeguard South Africa’s geopolitical and economic interests.

EU-South Africa Relations and G20 Developments

EU-South Africa Relations

- The European Union (EU) and South Africa have strengthened their economic and diplomatic ties, with a focus on global governance reforms and sustainable development. The EU has pledged a €4.7 billion investment package to support South Africa's clean energy transition and infrastructure projects. Both parties have reaffirmed their commitment to multilateralism, UN Security Council reform, and broader global cooperation.
- As the current G20 president, South Africa has used its position to enhance EU relations while managing tensions with the U.S. Key discussions at the EU-South Africa Summit on 13 March 2025 centred on trade, energy collaboration, and security. Additionally, South Africa's neutral stance on the Russia-Ukraine conflict remains a point of scrutiny, with President Ramaphosa advocating for mediation ahead of Ukrainian President Zelenskyy's visit.
- The evolving EU-South Africa partnership highlights increased European investment in South Africa's economy, while its G20 presidency provides an opportunity to shape global economic and diplomatic policies. The next phase of engagement will be crucial in defining South Africa's role as a geopolitical and economic influencer.



Commentary

- The EU remains South Africa's largest trade partner, accounting for over 25% of its exports and imports. The deepening relationship underscores a strategic alignment amid global uncertainties.
- The €4.7 billion investment package signals Europe's commitment to South Africa's economic revival, particularly in line with the country's Just Energy Transition (JET) strategy. The pledge by the EU will plug the gap left by the US withdrawing funding of South Africa's JET.
- South Africa's non-aligned stance on global conflicts, particularly the Russia-Ukraine war, has caused friction with the EU, which favours alignment with Western positions. However, Pretoria maintains strong ties with BRICS and emphasises diplomatic mediation.
- As G20 president for 2025, South Africa has an unprecedented opportunity to shape international economic governance, advocating for financial reforms that prioritise Africa's development.
- Domestic stability will determine the success of South Africa's leadership. Ongoing energy crises, logistical inefficiencies (Transnet), and political uncertainty within the GNU could hinder its ability to capitalise on these opportunities.

Implications for South Africa

- Increased European investment will bolster renewable energy, industrial capacity, and job creation.
- Trade agreements with the EU are expected to expand, benefiting key industries such as agriculture, manufacturing, and services.
- However, stringent EU trade regulations on carbon emissions and sustainability could challenge South African exporters.
- South Africa must balance relations with Western partners and BRICS to maintain diplomatic credibility.
- Its mediation approach to global conflicts will continue to be tested, particularly as Ukraine's President Zelenskyy visits for diplomatic talks.
- Leveraging the G20 presidency effectively could enhance investor confidence, but only if governance reforms, energy stability, and economic growth materialise.
- Policy paralysis within the GNU could result in missed investment and trade opportunities with the EU.
- The strengthening EU-South Africa relationship and Pretoria's G20 leadership mark a critical turning point. While these developments present economic and diplomatic opportunities, they also expose structural challenges. South Africa's ability to capitalise on European investment, implement reforms, and navigate its complex foreign policy stance will determine its trajectory as an economic and geopolitical player.

South Africa's G20 Meetings

- As G20 president, South Africa has focused on economic growth, food security, climate change, and global governance reforms. Key engagements included:
 - **Anti-Corruption Working Group (3-5 March, Cape Town)**: Strengthening legal frameworks to combat corruption.
 - **Inclusive Economic Growth & Inequality Reduction (17 March)**: Establishing a task force on economic growth, industrialization, and employment.
 - **Food Security & Agricultural Sustainability (5 March)**: Addressing trade barriers, food price stability, and climate resilience in agriculture.
 - **Tourism & Economic Development (5 March)**: Enhancing AI-driven tourism, air connectivity, and tourism financing.
 - **Disaster Risk Reduction & Climate Change (5 March)**: Discussing global early warning systems and disaster-resilient infrastructure.
 - **Health Policy & Pandemic Preparedness (26-28 March, Durban)**: Addressing global health security and pandemic preparedness.
 - **Trade & Investment (18-20 March)**: Fostering international trade partnerships and economic cooperation.
 - **Global Governance & Financial Reforms**: Proposing local currency transactions, BRICS Grains Exchange, and a Reinsurance Agency to improve risk management.

Commentary

- South Africa's emphasis on anti-corruption aligns with its internal governance challenges. However, enforcement remains key.
- Efforts to address inequality through industrialisation must translate into job creation, especially for SMEs.
- Agricultural trade barriers and climate risks pose challenges to food security. Effective implementation of G20 agreements is crucial.
- South Africa's tourism sector needs AI-driven innovation, improved air connectivity, and enhanced safety measures to recover post-pandemic.
- Strengthening climate resilience is vital given South Africa's vulnerability to extreme weather events.
- South Africa's push for financial independence from Western institutions aligns with BRICS goals but may face resistance from dollar-reliant economies.
- The G20 Outreach Programme aims to increase public awareness and national pride in South Africa's leadership.



Risks and Considerations

- South Africa's high unemployment and corruption concerns could hinder G20 commitments from becoming reality.
- Increased tensions with the U.S. over Israel-Palestine relations could impact trade and financial support.
- Growing alignment with BRICS may strengthen intra-African and Asian economic ties but limit Western investments.
- South Africa's G20 presidency presents a major opportunity to influence global economic and governance reforms. However, domestic political instability, governance challenges, and global tensions pose risks. The country's success will depend on policy execution, accountability, and fostering stable economic partnerships in an increasingly fragmented world.

ANC NEC Meeting and Soul-Searching

- Over the weekend, the ANC convened a three-day NEC meeting to deliberate on, among others, South Africa's diplomatic relations with the administration of U.S. President Donald Trump. This gathering took place as tensions between the two nations are escalating, marked by policy disagreements and actions perceived as threats to South Africa's sovereignty.
- During the NEC meeting, the ANC expressed strong condemnation of the U.S. actions, labelling them as gross interference in South Africa's internal affairs and an affront to national sovereignty. The party criticised the U.S. for undermining South Africa's democratic processes and attempting to dictate domestic policies. ANC spokesperson Mahlengi Bhengu-Motsiri emphasised the party's commitment to pursuing land reform and addressing historical injustices without external intimidation.
- The NEC also addressed the role of local organisations, notably AfriForum, in influencing U.S. policy. The ANC accused AfriForum of promoting a false narrative that incites racial divisions and destabilises the nation. Bhengu-Motsiri described AfriForum's actions as unpatriotic and bordering on treason, highlighting their international campaign to misrepresent South Africa's land reform initiatives.
- The NEC meeting took place at a time when the ANC's reconfiguration strategy continues to unfold, following the dissolution (reconfiguration) of the Gauteng and KwaZulu-Natal Provincial Executive Committees (PECs) following a drastic electoral decline. The ANC's support in KZN dropped from 54% to 16.9%, while in Gauteng, it declined from 51% to 34%.
- The party's NEC is now focused on consolidating power in preparation for the 2026 local government elections.

- In addition to reconfiguration efforts in these two provinces, the ANC's National Working Committee (NWC) visited the Free State between 8 and 10 March, as part of a broader initiative to revive party structures. The visit was led by ANC national leadership, including Secretary-General Fikile Mbalula, who emphasised the need to strengthen the party's grassroots presence.
- Speculation arose that the Free State PEC could also face reconfiguration similar to KZN and Gauteng, but ANC spokesperson Mahlengi Bhengu-Motsiri denied these claims, asserting that the visit aimed to reinforce the province's governance capacity rather than dismantle leadership structures.
- A similar visit to the Northern Cape could follow, given the party's declining support there, which fell to just under 50% in the last election.



Commentary

- Amidst the fracas and mayhem caused on South Africa by the Trump Administration, there was an expectation that the ANC NEC would craft an engagement strategy which would guide the GNU as it seeks to re-set diplomatic and trade relations with the U.S.
- However, from the tone of those NEC members that gave media interviews, it would seem that for now the ANC does not have a strategy; it is rather resorting to defiance. How this defiance will be viewed at the White House or indeed help South Africa's cause remains to be seen. South Africa may very well be poised for a roller-coaster ride over the coming months.
- Others, such as NEC member and Minister of Trade, Industry and Competition, Parks Tau, took a more measured approach. According to Tau, South Africa must remain committed to normalising relations with the U.S. while diversifying its export partnerships. Tau also spoke of the South Africa-EU partnership that is gaining traction.

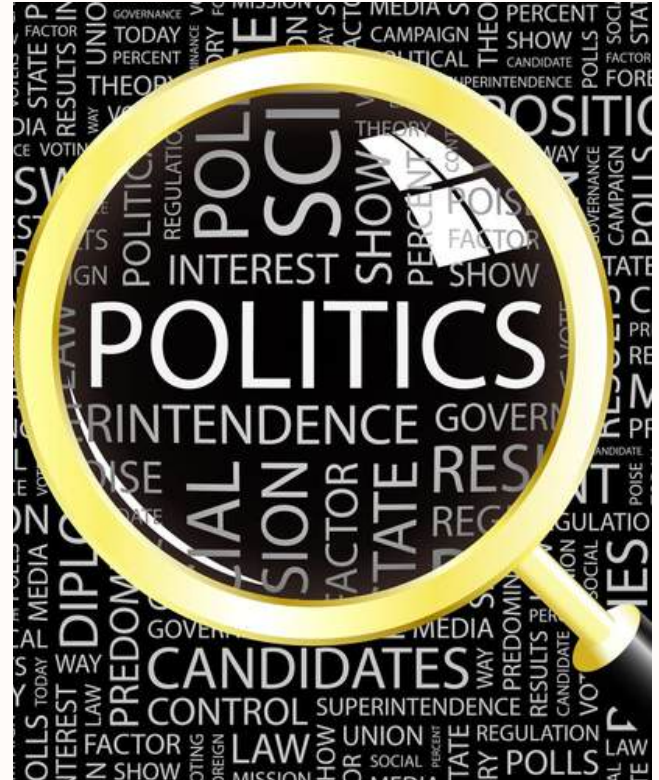
Commentary

- As the ANC mulls over the U.S. relations, it is also trying hard to reclaim the lost electoral ground on the domestic front.
- The ANC's ongoing restructuring efforts reflect a deeper internal crisis as the party struggles to maintain its dominance amid rising opposition. Electoral losses, particularly in KZN to the MKP and in Gauteng to the DA, have forced the ANC into a defensive political strategy, prioritising internal consolidation and electoral recovery.
- The party's recent visit to the Free State underscores its awareness of vulnerabilities beyond KZN and Gauteng. ANC support in the province fell from 62.94% in 2019 to 52.88% in 2024, signalling a broader trend of electoral decline driven by internal divisions, governance failures, and public dissatisfaction over service delivery. If unaddressed, these issues could further weaken the party ahead of the 2026 municipal elections.
- A central issue raised during the Free State visit was the deteriorating state of municipal governance, particularly in Mangaung Metropolitan Municipality, which has faced persistent allegations of mismanagement and corruption.
- In response, the ANC announced the formation of a Local Government Intervention Task Team to address inefficiencies and restore public trust. However, whether this initiative will lead to tangible service delivery improvements remains uncertain.
- With its local election numbers already bleak in 2021, the ANC is expected to intensify efforts to regain ground ahead of the 2026 elections, which are likely to be as competitive as the 2024 general elections.



Key Political Implications

- The ANC's restructuring efforts, intended to consolidate power, risk exacerbating internal divisions. Reports suggest that Mbalula may be using the process to sideline rival factions, positioning himself for a potential 2027 ANC presidency bid. If sidelined factions push back, this could further fragment the party.
- Facing a declining majority in key provinces, the ANC is adjusting its coalition strategy, particularly in Gauteng and KZN. The party is likely to seek alliances with smaller parties or the Economic Freedom Fighters (EFF) to retain influence, but such arrangements could result in unstable governance due to policy misalignments.
- The ANC is emphasising service delivery improvements, particularly in the Free State, to regain voter confidence. However, entrenched administrative and financial challenges in municipalities may hinder meaningful progress before the 2026 elections, potentially limiting the strategy's effectiveness.
- The ANC's reconfiguration process is a high-stakes attempt to stabilise its declining political dominance ahead of the 2026 elections. While leadership changes and structural adjustments may provide short-term benefits, growing voter dissatisfaction and the rise of opposition forces make this a risky strategy.
- Ultimately, the party's ability to deliver tangible service improvements, especially in struggling municipalities like Mangaung, will determine whether these efforts restore public confidence or accelerate its decline.



Economic Update



Key Economic Indicators

Repo Rate Unchanged (7.50%)

- The South African Reserve Bank's (SARB) Monetary Policy Committee (MPC) has kept the repo rate at 7.50% as of 20 March 2025. This indicates the central bank's cautious approach to balancing inflation control with economic growth. The decision to maintain the rate suggests that the SARB is prioritising monetary stability over aggressive rate cuts, possibly due to inflation concerns or global economic uncertainties.
- The United States Fed and the Bank of England have also held rates in recent meetings. Like these central banks, the SARB's MPC members do not know exactly what lies ahead in global markets and are following a cautious approach to policy.
- The next MPC meeting on 29 May 2025 will be pivotal in determining any future rate changes based on economic conditions.

Producer Price Index (PPI)

- The Producer Price Index (PPI) shows a slight decrease in annual inflation for final manufacturing from 1.1% in January to 1.0% in February 2025. This signals that price pressures on producers, while still present, are moderating. The 0.4% month-on-month increase in February also suggests some price pressure in the short term. The 1.0% annual increase aligns with a relatively stable inflation environment for producers, which could be indicative of controlled cost-push inflation.

Tourism Growth (2024)

- Tourism has seen modest growth, with a 0.6% increase in the total number of foreign visitors, reaching 11.7 million in 2024 compared to 11.6 million in 2023. This suggests that the tourism sector remains relatively stable, although growth is slow. South Africa's tourism could be facing challenges such as global economic uncertainty, competition from other destinations, or internal factors affecting its appeal.

Liquidation Statistics

- The total number of liquidations increased by 1.4% year-on-year in February 2025. However, liquidations decreased by 12.5% in the three months ending February 2025 compared to the same period the previous year. This may indicate a mixed economic outlook. While there has been a slight uptick in liquidations, the quarterly decrease suggests that some sectors are stabilising, possibly due to improved business conditions or economic intervention measures. Businesses in distress may be slightly fewer over a more extended period.

Food and Beverages Industry Growth

- The food and beverages industry experienced a solid growth rate of 4.9% year-on-year in January 2025. The increase in food sales (6.2%) and bar sales (2.2%) indicates strong demand for food and drink services, possibly reflecting increased consumer spending or a recovery from pandemic-related restrictions. This growth is positive for the sector and may indicate consumer confidence and economic recovery in the hospitality and foodservice industries.

Quarterly Employment Statistics

- Total employment increased by 0.1% quarter-on-quarter, from 10.63 million in September 2024 to 10.64 million in December 2024. The growth was driven by increases in the trade, business services, transport, and electricity sectors, which are critical for economic growth and service provision.
- However, declines in employment within the community services, manufacturing, construction, and mining industries reflect potential structural challenges. Manufacturing and mining, key sectors of the South African economy, are facing persistent issues, potentially due to global demand fluctuations or domestic challenges like load shedding.

Load Shedding Crisis

- Eskom's load shedding remains a critical issue in South Africa, with rolling blackouts affecting households, businesses, and industries across the country. During the month of March 2025, despite and added 800MW of new capacity to the grid by connecting Kusile Power Station's final unit, Unit 6 - a key milestone in their strategic objective of adding 2,500MW by March 2025 - South Africa has grappled with extended power outages due to Eskom's inability to meet the demand for electricity.
- The persistent shortage of electricity generation capacity, exacerbated by technical failures at aging power stations and insufficient new generation projects, has resulted in unpredictable and widespread power cuts.



South Africa's economy in early 2025 reflects cautious stability with some positive signals in key sectors like tourism, food services, and employment in certain industries. However, challenges persist in sectors like manufacturing and mining, which need further attention for long-term sustainable growth.



Overall Economic Sentiment

- Growth prospects: South Africa shows a mixed but stable economic performance with moderate growth in specific sectors (tourism, food and beverages), although key areas like employment in manufacturing and mining show signs of stress.
- Energy crisis: Load shedding in South Africa has a negative impact on economic sentiment, leading to reduced productivity, job losses, and business closures, ultimately affecting the country's GDP growth and economic stability.
- Inflationary pressures: The repo rate and PPI data indicate that inflation control remains a priority, with moderate price pressures but not an immediate threat to stability.
- Business environment: Liquidation statistics suggest some challenges, but a decrease in quarterly liquidations signals resilience. Some industries are stabilising despite a broader uncertain environment.
- Employment trends: The slight increase in employment suggests a modest recovery, but structural issues in some industries need to be addressed for sustained job growth.
- In the ultimate analysis, South Africa's economy in early 2025 reflects cautious stability with some positive signals in key sectors like tourism, food services, and employment in certain industries. However, challenges persist in sectors like manufacturing and mining, which need further attention for long-term sustainable growth.





Key Risks

Financial and Economic Risks

- **FATF Greylist Status:** Following South Africa's improvements on the anti-money laundering and countering the financing of terrorism (AML/CFT), the Financial Action Task Force (FATF) in February upgraded four of the six outstanding action items South Africa must undertake to be considered for delisting from the FATF greylist.
- The FATF is expected to assess South Africa's progress at its October 2025 plenary meeting, with a potential exit from the grey list in October 2025 or later.
- **Rising Household and SMME Financial Distress:** Small businesses and households face mounting financial strain due to high interest rates, persistent inflation, and sluggish economic growth, increasing vulnerabilities in the financial system.
- **Capital Outflows and Market Volatility:** Declining investor confidence, global economic uncertainty, and reduced market liquidity in South Africa heighten the risk of capital flight, weakening the rand and financial stability.

External and Geopolitical Risks

- **Global Conflict and Economic Disruptions:** Ongoing international conflicts threaten supply chains, drive inflation, and contribute to financial market volatility, impacting South Africa's economic stability.
- **Escalating Cybersecurity Threats:** Increasing cyberattacks on financial institutions, government systems, and essential services pose a growing risk to economic and digital security.

Political and Governance Risks

- **Uncertainty Over GNU Stability:** While the GNU has provided short-term political stability, concerns persist over policy coherence, governance efficiency, and internal divisions affecting decision-making.
- **Corruption and Public Sector Challenges:** Continued allegations of corruption and inefficiencies in state-owned enterprises undermine governance, public trust, and service delivery.

Security and Infrastructure Risks

- **Persistent Crime and Organised Criminal Activity:** High crime rates, including the growing influence of organised crime, threaten businesses, investors, and public safety.
- **Risk of Civil Unrest:** Rising socioeconomic frustrations, driven by unemployment, crime, and service delivery failures, could lead to protests and social instability.
- **Critical Infrastructure Failures:** While power supply has improved, vulnerabilities remain in water systems, transport networks, and digital infrastructure, posing risks to economic activity and quality of life.

End