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SA: POLITICAL AND ECONOMIC REPORT

MAY 2025

by Frontline Africa Advisory

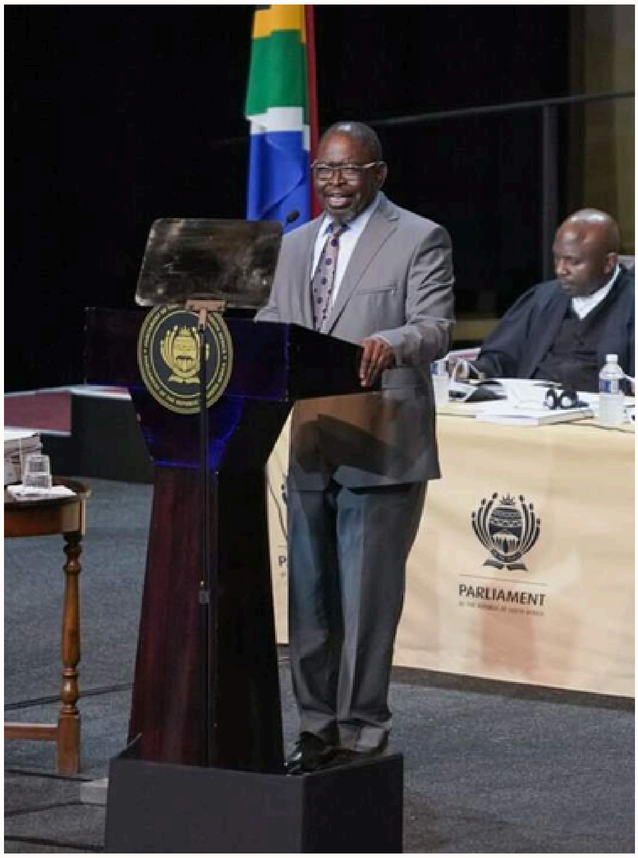
Introduction

- May 2025 marked a pivotal moment in South Africa's political and economic trajectory, defined by intense pre-budget consultations, a recalibrated fiscal strategy (Budget 3.0), and high-level diplomatic engagements.
- This report covers and analyses these developments and concludes with an analysis of the country's risk outlook in the immediate-to-near-term.

Government Updates

Budget 3.0: A Politically Recalibrated Response

- As South Africa prepared for the third attempt at passing the Budget, political consultations intensified across government, party, and civil society lines. With mounting fiscal pressure, sluggish growth, and high unemployment, this iteration of the budget was viewed as a critical inflection point.
- Within the African National Congress (ANC), debates unfolded over balancing social spending with fiscal discipline. Treasury's push for spending caps faced resistance from factions prioritising welfare and infrastructure stimulus.
- The Democratic Alliance (DA), Economic Freedom Fighters (EFF), and other opposition parties leveraged pre-budget talks to shape debate on economic justice, corruption controls, and State-Owned Enterprise (SOE) reform. The EFF, in particular, demanded more aggressive public investment and wealth redistribution.
- Provincial premiers and metro mayors also lobbied for increased grants amid service delivery backlogs, while National Treasury signalled a tighter funding envelope.
- Activist networks pushed for transparency and equity in budget allocations, with strong emphasis on health, education, and basic income support.
- In the end, on 21 May 2025, Finance Minister Enoch Godongwana tabled Budget 3.0, a politically recalibrated update to South Africa's fiscal strategy. Positioned between economic necessity and coalition-era political reality, this budget was less about radical reform and more about responsive stabilisation. It walked a fine line; it sought to maintain macroeconomic credibility while easing socio-political pressure after a contentious earlier proposal in March.
- The consultations over the new budget reflected deep tensions over South Africa's economic direction. Budget 3.0 was thus not just a financial plan, but a political battleground over the country's future priorities. As Minister Godongwana noted in his speech, the past two months have provided valuable lessons that will inform how the national treasury manages the budget process moving forward.



- In this new era of coalitions, negotiations, debates and compromises will be the order of the day in drawing up the country's budget and the national treasury will no longer have monopoly over expenditure priorities as in the past.

Strategic Shift: From Technocratic Rigour to Political Realism

- Budget 3.0 reflected a shift in tone and strategy from the March 2025 Budget. Where the original emphasised fiscal consolidation through tight spending and revenue hikes (notably a proposed VAT increase), Budget 3.0 pulled back from austerity, acknowledging both public backlash and coalition politics.

Key pivot points included:

Reversal of the VAT Increase

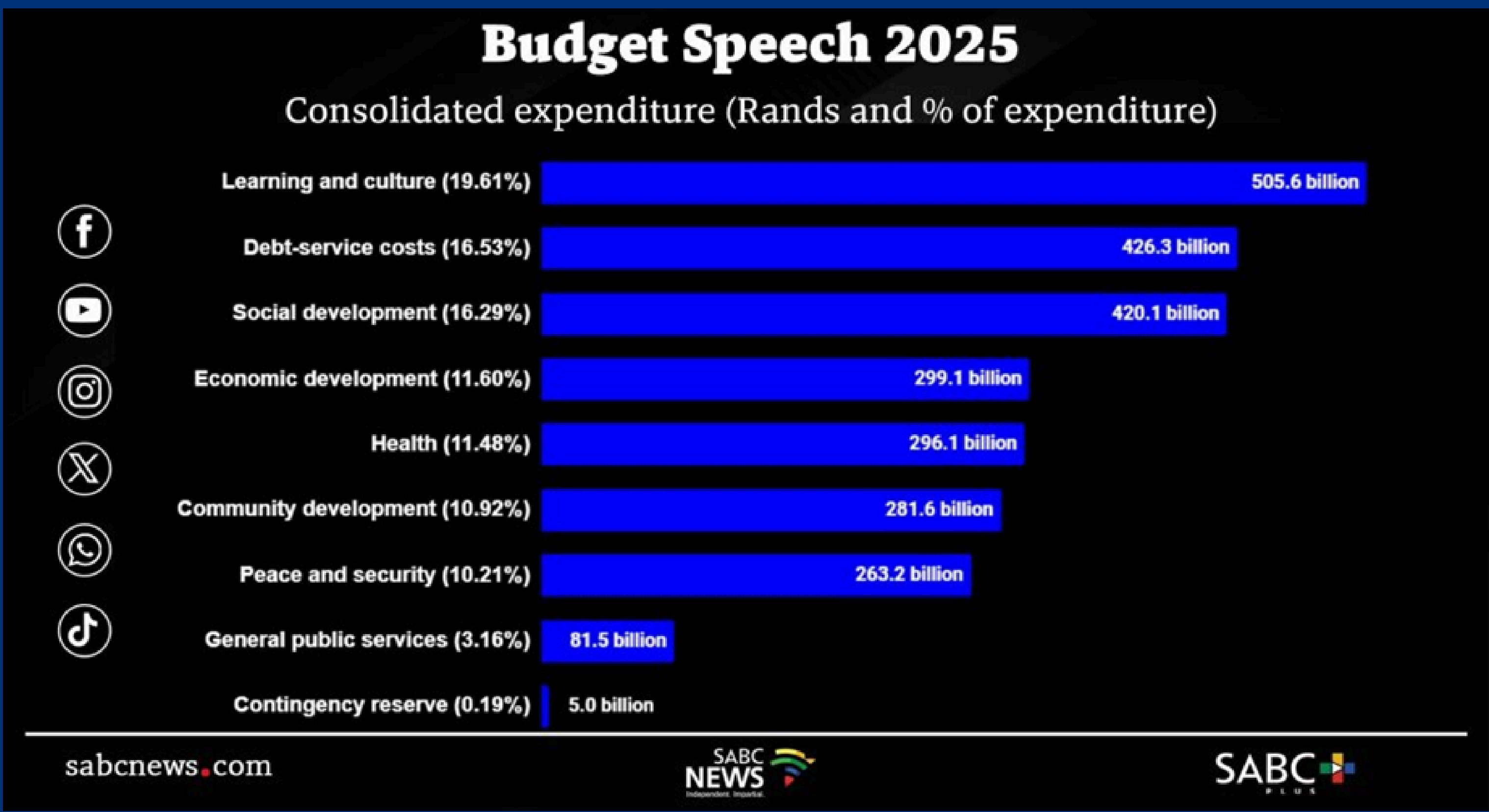
- The original plan to raise VAT from 15% to 16% was scrapped after resistance from civil society, labour unions, and coalition partners. This reversal was central to diffusing political tension but created a R75 billion revenue gap.

Targeted Spending Increases:

- Without altering the fiscal ceiling dramatically, the budget introduced selective spending boosts in education, healthcare, and social support. These are aimed at safeguarding public sector jobs and addressing delivery backlogs without expanding the deficit.

The strength of Budget 3.0 lay in political responsiveness without breaching fiscal guardrails. It further preserved public trust through visible social spending and defuses short-term risks to stability and governance.

Key Budget Expenditures:



- While these numbers align with earlier commitments, execution challenges persist, particularly around project readiness and procurement efficiency.
- Budget 3.0 was born out of post-March pushback and reflected the growing influence of coalition-era politics. It was less about long-term restructuring and more about political damage control and stability maintenance:
    - **Internal Party Dynamics**: The ANC's leadership needed to neutralise VAT-related fallout while holding the centre in a fragmented governing alliance.
    - **Public Sentiment**: By preserving and expanding social grants, the budget aimed to shield the government from unrest, especially with elections approaching.
    - **Investor Watchfulness**: Markets appeared reassured by the continuation of debt control, though concerns remain around growth prospects and weak structural reform.
- The strength of Budget 3.0 lay in political responsiveness without breaching fiscal guardrails. It further preserved public trust through visible social spending and defuses short-term risks to stability and governance.
- Its weaknesses, however, is that it lacks bold structural reforms to drive long-term growth or employment. There is no new revenue strategy following VAT rollback (except the R4 billion raised through the fuel levy increases of 16 and 15 cents per litre for petrol and diesel respectively) and non-inflation adjusted tax brackets.

- There are also execution risks, especially on infrastructure and service delivery.
- In the ultimate analysis, Budget 3.0 is a budget of containment, not transformation. It reflects the government's instinct to hold the line in a volatile environment - minimising political fallout, maintaining fiscal credibility, and protecting core programs. However, it does little to change the country's growth trajectory or resolve structural weaknesses.
- The Budget buys time but not progress. Whether that time is used wisely will depend on whether the government can move beyond survivalist policymaking toward a bolder economic and institutional renewal agenda.

Governance Flashpoint: The Crisis of SOEs and Energy Security

State-Owned Enterprises: Accountability Breakdown

- In a Parliamentary reply, Finance Minister Enoch Godongwana revealed that South Africa's state-owned enterprises (SOEs) incurred R169.91 million in fruitless and wasteful expenditure during the 2024 fiscal year. Top offenders were:

South African Broadcasting Corporation (SABC) – R60.24 million

South African Post Office (SAPO) – R42.81 million

Independent Development Trust (IDT) – R34.97 million

Others: Transnet, Eskom, Central Energy Fund

Non-compliant SOEs: Denel, SAA, Alexkor – no financials submitted, raising concerns of further unreported waste.

- This spending reveals not just poor cost control but a deeper governance crisis within the public sector. Despite the Public Finance Management Act (PFMA) mandating financial accountability, several SOEs continue to operate with impunity, protected by weak oversight, political interference, and board dysfunction.

This has several implications:

- Public confidence is eroding rapidly in institutions that continue to receive bailouts without measurable improvements.
- The failure to submit audited statements by key SOEs signals systemic breakdowns in compliance and internal controls.
- With national debt servicing now exceeding R385 billion per year, the tolerance for fiscal leakage is vanishing, especially under pressure from global ratings agencies and lenders like the IMF.
- Unless these governance failures are addressed through professionalised boards, independent audits, and consequence management, they will remain a drag on economic recovery and a political liability heading into the 2026 elections.

Eskom's Winter 2025 Power System Outlook

- Eskom released its latest power system update and winter 2025 outlook, reporting a continued improvement in the stability and reliability of its electricity supply. According to the utility, the power system is now in a significantly stronger and more resilient position compared to previous winter periods, reflecting sustained progress in maintenance efforts, operational performance, and generation capacity.
- For winter 2025, the risk of loadshedding remains significantly lower compared to previous years. If unplanned outages are maintained below 13 GW, no loadshedding is anticipated throughout the 153-day winter period. However, in a more constrained scenario where unplanned outages rise to 15 GW, loadshedding would still be limited and manageable, restricted to a maximum of 21 days, and only at Stage 2.
- This marks a notable improvement from Winter 2024, when the worst-case projections included the possibility of Stage 5 loadshedding. This outlook reflects enhanced grid stability, improved generation capacity, and ongoing efforts to strengthen maintenance planning and emergency reserves.

South Africa Revs Up its Diplomatic Engagements

- South Africa's recent diplomatic engagements underscore its strategic intent to position itself as a pivotal player in global affairs, balancing relationships with major powers while advancing its continental and national interests.
- In late April, President Cyril Ramaphosa welcomed to the Union Buildings Ukrainian President Volodymyr Zelenskyy on his historic working visit to South Africa. The visit aimed at strengthening bilateral relations and discuss collaborative efforts in trade, agriculture, education, and digitalisation. Before and after the visit, Ramaphosa had separate telephone calls with Russian President Vladimir Putin and U.S. President Donald Trump.
- Ramaphosa emphasised South Africa's commitment to a peaceful resolution of the Russia-Ukraine conflict, reiterating the country's non-aligned stance and readiness to support multilateral peace efforts. Earlier this month, Ramaphosa jetted to Côte d'Ivoire to consolidate bilateral relations between the two countries.

- Deputy President Paul Mashatile led a South African delegation to France to explore economic opportunities for South Africa, as the latter continues with efforts to diversify its international partnerships and stimulate economic growth through foreign investment.
- These engagements take place during South Africa's presidency of the G20 and when the country eyes a seat in an expanded United Nations Security Council, although at a BRICS foreign ministers meeting in Rio de Janeiro - Brazil, new entrants to the block - Egypt and Ethiopia - reportedly blocked what they termed 'preferential treatment of South Africa. This development represents a major crack within the BRICS+.

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- The engagements take place at a time when South Africa's relations with the U.S. have taken a heavy knock following Donald Trump's return to the White House in January - for the second term. These diplomatic activities highlight South Africa's nuanced approach to foreign policy:
  - Balancing Global Relations: By engaging with both Western and Eastern blocs, South Africa seeks to maintain its non-aligned position while leveraging opportunities for economic and political collaboration.
  - Continental Leadership: Strengthening ties with African nations underscores South Africa's commitment to continental unity and development.
  - Economic Diplomacy: Pursuing investment and trade partnerships, particularly in sectors like energy and infrastructure, aligns with domestic priorities for economic revitalisation.
- As South Africa navigates complex global dynamics, its diplomatic engagements will continue to play a crucial role in shaping its international standing and advancing national interests. However, of particular interest was Ramaphosa's working visit to the U.S. for direct talks with Trump.

Ramaphosa Meets Trump in Washington: A Diplomatic Balancing Act

- On 21 May, Ramaphosa met with Trump at the White House in a high-stakes diplomatic engagement. The context was volatile.
- The visit came against a politically charged backdrop, following the dismissal of South Africa's Ambassador, Ibrahim Rasool, and Consul-General in Los Angeles, Thandile Babalwa Sunduza, earlier in the year and a defection in early May of 49 Afrikaners to the U.S. under false claims of racial persecution - an incident that stirred public debate and put South Africa's domestic policies under international scrutiny.
- Far from a routine bilateral, the meeting became a litmus test for South Africa's global positioning, its domestic transformation agenda, and its resilience in the face of mounting international scrutiny.
- The centrepiece of the meeting was an uncomfortable exchange over land reform, crime, and the treatment of white farmers in South Africa. Trump presented inflammatory videos purporting to be evidence of 'white genocide' in South Africa and questioned Ramaphosa over the supposed "execution" of white landowners. Ramaphosa firmly rejected these narratives as misinformation, defending South Africa's constitutional order and non-racial democracy.
- This moment underscored the clash of worldviews: Ramaphosa advocating for historical redress and inclusive nation-building; Trump framing the issue through a culture-war lens tailored to his domestic base.
- The meeting did not yield concrete agreements (although Cabinet is adamant the trip was a success; such that the SA and US teams will finalise the details of the trade deal between the SA and US). Instead, it exposed the fault lines in the relationship over immigration, race, trade, and geopolitics. It also gave each leader a platform to reaffirm their ideological stances: Trump doubling down on nationalist narratives, Ramaphosa defending constitutional redress and multilateralism.
- South Africa now faces a recalibrated U.S. relationship where access to trade frameworks like AGOA may come with more political conditions. The meeting also complicates Pretoria's effort to maintain its non-aligned foreign policy without alienating key Western partners.
- The meeting was less about cooperation and more about strategic posturing. It revealed the widening ideological divide between South Africa's developmental state model and Trump's ethno-nationalist populism.

- While Ramaphosa avoided capitulation and defended his country's policies with conviction, the absence of tangible progress on trade and diplomacy signals a more turbulent road ahead in U.S.–South Africa relations.
- The challenge now lies in how Pretoria navigates this terrain, asserting its policy sovereignty while protecting access to international markets and partnerships in a polarised global order.

G20 Meetings

- As the G20 president, South Africa has continued to host key meetings in accordance with its priorities for the term.
- In a 19 May interview with PowerFM, Ambassador Xolisa Mabhongo, South Africa's G20 Sous-Sherpa, highlighted the nation's strategic objectives. Emphasising the theme *"Solidarity, Equality, Sustainability,"* Mabhongo underscored South Africa's commitment to reshaping global governance structures to better reflect the interests of the Global South.
- He stressed the urgency of reforming institutions like the United Nations Security Council to ensure more equitable representation and effectiveness in addressing global conflicts. This aligns with South Africa's broader goal of amplifying African voices in international decision-making processes.
- South Africa's focus on economic reforms that promote inclusive growth, including advocating for debt sustainability for low-income countries, mobilising finance for a just energy transition, and harnessing critical minerals for development, is also key during this term.
- Despite the U.S. decision not to send Secretary of State Marco Rubio to the G20 Foreign Ministers' Meeting and Treasury Secretary Scott Bessent to the G20 Finance Ministers' meeting earlier in the year, all G20 members were represented at a high level and that the U.S. absence would not derail South Africa's agenda. The priorities set by South Africa had been universally accepted by G20 members.
- As Ramaphosa said during his working visit to the U.S., he would like to handover directly to President Trump in November. Trump is expected to give consideration to the importance of him being in South Africa in person. This amid concerns that he might boycott the G20 Summit.

Political Updates

Road to the 2026 Local Government Elections: Strategic Terrain and Emerging Signals

- Though unofficially, political parties are actively engaging communities, recognising that local governance is a primary interface with citizens, directly tied to service delivery, legitimacy, and grassroots support. They view the 2026 Local Government Elections as critical battlegrounds for influence amid national coalition uncertainty.
- Overall, South Africa faces a convergence of political, economic, and governance pressures, where historical dominance no longer guarantees results. Wasteful public expenditure is becoming a potent electoral issue, offering ammunition to opposition parties campaigning on anti-corruption and governance reform platforms.
- The ANC's internal coherence remains fragile, and its ability to navigate both internal power struggles and coalition demands will shape the electoral outcome. Regional conferences in the Norman Mashabane and Peter Mokaba regions in Limpopo, served as a critical test of the party's ability to restore internal cohesion and maintain dominance in a politically strategic province ahead of local elections.
- The re-election of Pule Shayi in Norman Mashabane and Polokwane Municipal Mayor John Mpe in Peter Mokaba 10th region signals a preference for organisational continuity and stability. In KwaZulu-Natal, the Provincial Task Team (PTT) is still mulling over the idea of having regions convene their elective conferences.
- This at a time when the ANC-led Alliance is trying to address internal divisions, as the South African Communist Party (SACP), with possible backing from labour federation COSATU, remains firm in its resolution to contest the 2026 LGE independently.

- At the Alliance Secretariat meeting held at Luthuli House last week the four formations (including another alliance partner - SANCO) deliberated on joint political programmes aimed at advancing national transformation.
- The road to 2026 is not just about voting mechanics; it's a test of political legitimacy, delivery credibility, and leadership renewal across every level of the South African state.

By-Elections: Signals from the Ground

Municipal by-elections in Gauteng, KwaZulu-Natal, Limpopo, and Eastern Cape throughout the first half of 2025 have revealed key trends:

- The ANC maintained majority control in several wards but faced declining margins and stronger competition from emerging parties like the Patriotic Alliance (PA) and the MKP.
- The EFF is trying hard to solidify its presence in urban areas, while the DA is gaining ground in service delivery–focused municipalities.
- These signals suggest that the 2026 LGEs will be the most competitive since 2000, with coalitions likely to define governance in dozens of councils, especially metros like eThekwini, Nelson Mandela Bay, and Tshwane.

Economic Updates

Operation Vulindlela Phase II: Rewiring South Africa's Economic Engine

- The launch of Operation Vulindlela Phase II this month marked a deliberate pivot in South Africa's reform agenda, from firefighting fiscal crises to building a more adaptive, modern, and responsive state.
- Where Phase I focused on unlocking key structural reforms in areas like energy, water, and transport, Phase II raises the stakes, anchoring the country's economic recovery on digital transformation, regulatory overhaul, and streamlined infrastructure delivery.
- This is not just about policy tweaks; it is about rebooting the state's operating system. OV II's key focus areas are:

Digital Transformation as a Growth Driver

- By prioritising broadband access, e-government services, and data-driven decision-making, Operation Vulindlela Phase II positions technology as the backbone of reform. The goal is to reduce inefficiencies in service delivery, enhance state responsiveness, and lower the cost of doing business. This is essential for enabling faster public service turnaround times, greater transparency and accountability, and a competitive digital economy that supports entrepreneurship and job creation. The Digital Transformation Roadmap, launched this month, is part of this broader digital transformation drive.

Regulatory Reform to Unclog the System

- South Africa's regulatory environment has long been cited as a drag on investment and innovation. Phase II's emphasis on cutting red tape and simplifying business processes is aimed at improving investor confidence, accelerating business registration and permitting, and reducing bureaucratic delays in sectors like mining, telecoms, and construction.
- This is not just a technical reform—it's a credibility play. Investors and entrepreneurs alike will judge South Africa on execution, not intention.

Infrastructure as an Enabler, Not Just an Expense

- Unlike past plans that treated infrastructure as a spending line item, Phase II treats it as an economic enabler. Coordinated infrastructure rollout, particularly in logistics, energy, and digital networks—is central to driving inclusive growth and unlocking spatial equity. This includes faster implementation of strategic projects via the Infrastructure Fund, modernised procurement systems, and PPPs with clear regulatory frameworks.
- While Phase II is ambitious, the reform credibility gap looms large. Previous reform efforts often collapsed under the weight of fragmented execution, poor interdepartmental coordination, and shifting political priorities.
- Operation Vulindlela is housed in the Presidency and National Treasury, giving it the institutional muscle to push reforms across departments.
- There are clear KPIs and tracking. The emphasis on measurable progress indicators and public reporting creates pressure for delivery.
- There is also stronger engagement with the private sector is helping to align reforms with practical investment and growth needs.
- Still, political will remains the wildcard. Reform at this scale demands trade-offs, disruption, and a long-term lens - qualities that are often at odds with short-term political cycles.

Key risks include:

- Weak coordination across departments and spheres of government
- Underfunded mandates, especially in digital infrastructure
- Resistance to change from vested interests within the state and politically sensitive sectors
- Lack of enforcement mechanisms to ensure follow-through

- OV II is a critical test of South Africa's capacity to reform from within. It shifts the focus from macroeconomic stabilisation to institutional modernisation and regulatory competitiveness - areas that directly affect productivity, investor sentiment, and job creation.
- If executed with urgency and coherence, OV II could reset the reform narrative and lay the foundation for a more capable, tech-enabled state. But if it falters, bogged down by bureaucracy or politics, it risks becoming another well-designed plan that never crossed over from paper to impact. The next 12–24 months will reveal whether OV is a turning point or just another promise in a policy graveyard.

Unemployment Rises to 32.9% as Jobs Fund Launches

- South Africa's official unemployment rate climbed to 32.9%, marking a one-percentage-point increase from the previous quarter, according to Statistics South Africa. The most affected sectors include manufacturing, construction, and retail trade, reflecting broader economic stagnation and the impact of ongoing load shedding, policy uncertainty, and declining investment confidence.

The window for structural reform has not closed, but it is narrowing. Without urgent action on energy, logistics, governance, and investor confidence, South Africa risks locking itself into a low-growth, high-pressure economic trap.

Table A: Key labour market indicators

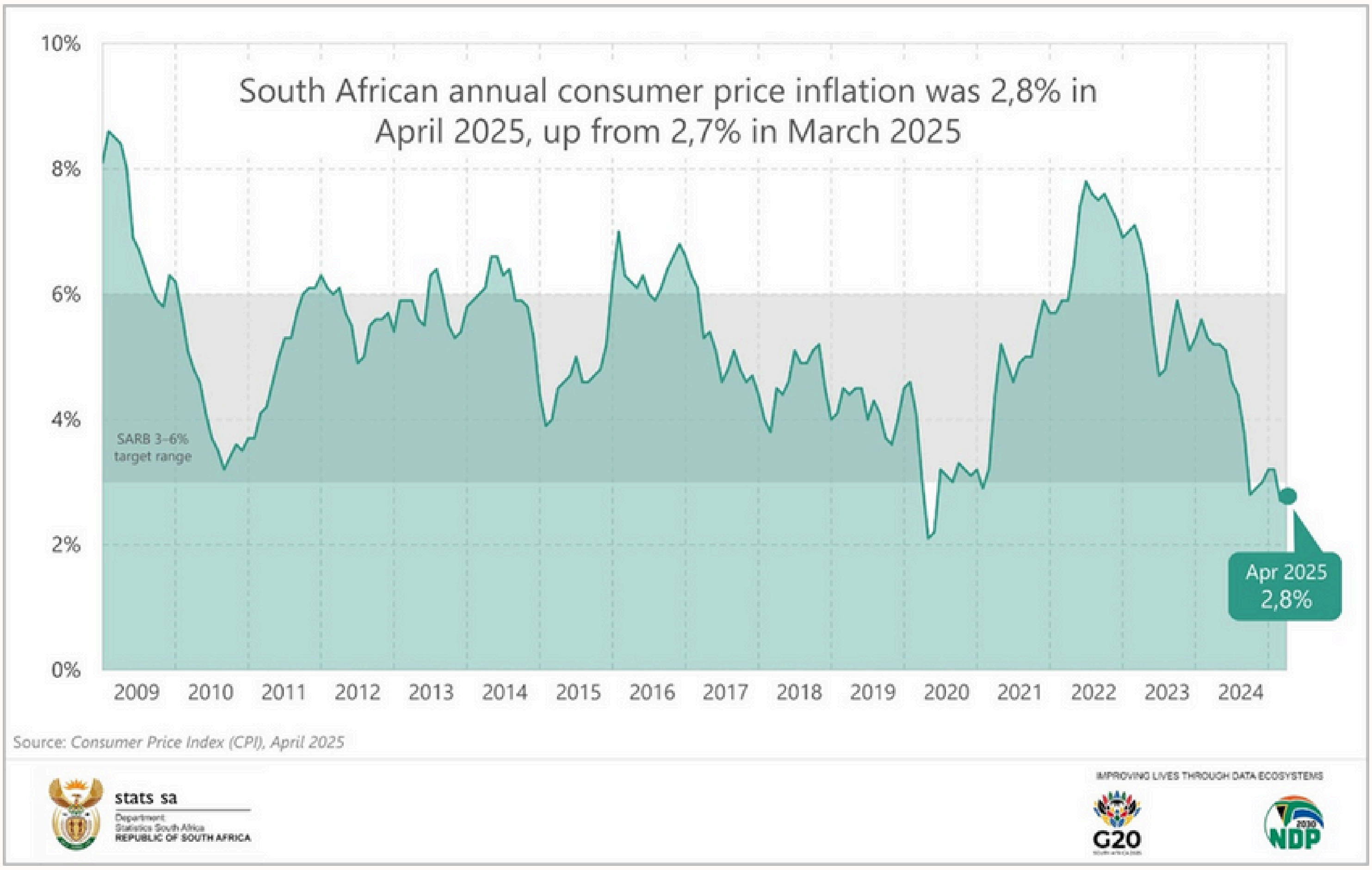
	Jan-Mar 2024	Oct-Dec 2024	Jan-Mar 2025	Qtr-to-qtr change	Year-on-year change	Qtr-to-qtr change	Year-on-year change
	Thousand					Per cent	
Population 15–64 years	**41 158**	**41 561**	**41 691**	**130**	**532**	**0,3**	**1,3**
Labour force	**24 971**	**25 069**	**25 015**	**-54**	**44**	**-0,2**	**0,2**
Employed	**16 745**	**17 078**	**16 787**	**-291**	**43**	**-1,7**	**0,3**
Formal sector (non-agricultural)	11 544	11 679	11 434	-245	-110	-2,1	-1,0
Informal sector (non-agricultural)	3 082	3 328	3 345	17	264	0,5	8,6
Agriculture	941	924	930	6	-11	0,7	-1,2
Private households	1 178	1 146	1 078	-68	-100	-6,0	-8,5
Unemployed	**8 226**	**7 991**	**8 228**	**237**	**2**	**3,0**	**0,0**
Not economically active	**16 188**	**16 492**	**16 676**	**184**	**488**	**1,1**	**3,0**
Discouraged work-seekers	3 048	3 466	3 473	7	425	0,2	14,0
Other (not economically active)	13 140	13 026	13 203	177	63	1,4	0,5
Rates (%)							
Unemployment rate	32,9	31,9	32,9	1,0	0,0		
Employed/population ratio (absorption)	40,7	41,1	40,3	-0,8	-0,4		
Labour force participation rate	60,7	60,3	60,0	-0,3	-0,7		

Due to rounding, numbers do not necessarily add up to totals

- In the same month, the Jobs Fund launched a new funding round focused on stimulating employment in the green and informal sectors. Grants starting at R5 million are being made available to projects that target climate-resilient job creation, youth and women-led enterprises, and innovative initiatives in township economies. Applications close on 5 June 2025.
- The timing and focus of the Jobs Fund intervention underscore a critical policy response to South Africa's deepening unemployment crisis. The rise in the unemployment rate confirms that structural economic challenges remain entrenched, and that job creation efforts must go beyond traditional sectors and formal employment.
- The pivot to the green and informal economies is both pragmatic and strategic. These sectors offer low-barrier entry points for marginalised groups and potential for scalable, labour-intensive employment. The informal sector already absorbs a significant portion of the workforce, while the green economy aligns with South Africa's climate commitments and emerging investment trends.
- However, this intervention also raises key concerns:
  - Isolated funding initiatives are insufficient without systemic reforms. Fragmented efforts must be aligned with broader fiscal, industrial, and infrastructure policies.
  - Transparency, monitoring, and impact assessment will be critical to ensure these funds create durable, quality jobs and do not replicate past inefficiencies.
  - Investor and public confidence hinges on the state's ability to match high-level rhetoric with implementation capacity.
- Ultimately, the juxtaposition of rising unemployment and a new funding effort reinforces the need for a coordinated national employment strategy that leverages innovation while addressing longstanding economic exclusions. The effectiveness of the Jobs Fund and similar interventions will be closely watched in the lead-up to the 2026 local government elections, as unemployment remains the most urgent socio-economic issue facing the country.

SA's CPI Inflation Rises to 2.8% in April: Stability or Early Warning?

- South Africa's consumer price index (CPI) inflation rose slightly to 2.8% in April 2025, up from 2.7% in March, remaining well within the South African Reserve Bank's (SARB) target range of 3–6%, but edging closer to its lower bound. While the overall rate still suggests a broadly stable inflationary environment, key sub-categories point to underlying pressures that warrant closer scrutiny.



Fuel Prices: -3.2% (Month-on-Month)

- By prioritising broadband access, e-government services, and data-driven decision-making, Operation Vulindlela Phase II positions technology as the backbone of reform. The goal is to reduce inefficiencies in service delivery, enhance state responsiveness, and lower the cost of doing business.
- This is essential for enabling faster public service turnaround times, greater transparency and accountability, and a competitive digital economy that supports entrepreneurship and job creation. The Digital Transformation Roadmap, launched this month, is part of this broader digital transformation drive.

Implications

1. Monetary Policy Outlook

- At its 29 May meeting the SARB's Monetary Policy Committee (MPC) cut the country's interest rates by 25 basis points. This brings the repo rate down to 7.25% and the prime lending rate to 10.75%.
- This may be the beginning of a cautious easing cycle , especially if economic growth remains weak.
- However, core inflation (excluding food and energy) will be closely watched. If food price pressures intensify, SARB may hold rates steady to avoid premature loosening.

2. Household Impact

- For consumers, rising food prices erode purchasing power, particularly for low-income households where food comprises a larger share of monthly spending.
- It was hoped that the reduction in fuel prices could offer temporary relief for transport costs, although this benefit was likely to be uneven, especially in areas reliant on minibus taxis and logistics chains affected by secondary inflation factors (e.g., vehicle parts, insurance). The fuel levy increases in the Budget on 21 May of 16 and 15 cents per litre for petrol and diesel respectively, will throw a spanner in the works but reversing whatever benefits could have been accrued from the reduction of fuel prices.

3. Political and Social Stability

- Inflation in essential categories like food is politically sensitive, especially heading into the 2026 LGE .
- Even small but sustained increases in food costs could amplify dissatisfaction with local service delivery and broader economic management.

4. Business and Investment Sentiment

- Stable headline inflation is generally positive for investor confidence. However, pockets of volatility (food, logistics, energy) highlight the fragility of South Africa's supply infrastructure.
- Businesses may remain cautious on pricing strategies and wage negotiations, especially in sectors exposed to global supply chains.

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South Africa's Risk Outlook

- Below is a risk forecast for South Africa across five key categories - Political, Social, Economic, Governance, and Security - with a breakdown by immediate (0–6 months) and mid-term (6–24 months) horizons. Each risk is rated according to severity: Low, Medium, High, or Critical.

Risk Category	Immediate (0–6 Months)	Mid-Term (6–24 Months)	Key Drivers	Risk Rating
1. Political	**High**	**Critical**	- Coalition instability - 2026 Local Government Elections - Rising populist rhetoric and party fragmentation	Immediate: High Mid-Term: Critical
2. Social	**Medium**	**High**	- Unemployment (32.9%) - Youth disillusionment - Service delivery failures in metros and municipalities	Immediate: Medium Mid-Term: High
3. Economic	**High**	**High**	- Load-shedding and infrastructure failures - Weak growth (<1.5% forecast) - SOE bailouts and fiscal constraints	Immediate: High Mid-Term: High
4. Governance	**High**	**High**	- SOE dysfunction and PFMA non-compliance - Corruption perception and lack of consequence management - Weak institutional execution	Immediate: High Mid-Term: High
5. Security	**Medium**	**Medium**	- Localised unrest linked to power cuts, water shortages, and xenophobia - Organised crime syndicates in illicit trade, construction mafias	Immediate: Medium Mid-Term: Medium

Risk Analysis by Category

1. **Political Risk**

- ***Immediate (High)*:** The governing coalition faces strain following fiscal battles (e.g., Budget 3.0), while parties like the EFF, MK, and PA escalate populist demands.
- ***Mid-Term (Critical)*:** The 2026 Local Government Elections will likely usher in increased fragmentation, unstable municipal coalitions, and growing voter dissatisfaction. The risk of political volatility is high, especially in Gauteng and KwaZulu-Natal.

END

2. Social Risk

- *Immediate (Medium):* Rising food inflation and unemployment, especially among youth (46.1%), create underlying tension.
- *Mid-Term (High):* Without tangible job creation or service delivery improvement, the risk of protests, especially around housing, electricity, and healthcare, is expected to rise—particularly in informal settlements and township economies

3. Economic Risk

- *Immediate (High):* Load-shedding has returned, costing billions in emergency diesel spend. SOEs continue to drag on public finances and investor confidence is tepid.
- *Mid-Term (High):* Absent aggressive reforms and reliable energy supply, South Africa risks low growth, credit rating downgrades, and a more challenging debt trajectory.

4. Governance Risk

- *Immediate (High):* R170 million in fruitless SOE spending and missing financials from Denel, SAA, and others expose structural failures.
- *Mid-Term (High):* Unless consequence management is enforced, institutional decline will deepen. Reforms under Operation Vulindlela Phase II remain slow to execute, and governance failures may become politically weaponised in the election cycle.

5. Security Risk

- *Immediate (Medium):* Service delivery protests and flare-ups of xenophobic violence are sporadic but containable.
- *Mid-Term (Medium):* If governance and economic issues deteriorate further, expect growing unrest and pressure on law enforcement. Organised crime, especially in the construction and mining sectors, remains a consistent low-grade threat.

Conclusion

- South Africa is in a high-stakes holding pattern. The next 6 months are critical for stabilising public trust, reasserting governance control, and containing political volatility. The 6-24 month outlook is more uncertain, with elections, economic fragility, and deep institutional reform challenges likely to shape the trajectory of risk across all categories.

End