



**Local
Political and
Economic
Report
August
2025**

Introduction

- August 2025 was marked by intensifying economic pressures, political realignments, and strategic international engagements. Domestically, South Africa grappled with fragile economic growth, elevated unemployment, and rising household vulnerability, all compounded by policy misalignment and external shocks, including the United States (U.S.) imposition of a 30% blanket export tariff.
- Politically, coalition dynamics within the Government of National Unity (GNU) remained volatile, with tensions exposed by the National Dialogue Convention, internal African National Congress (ANC) dissent, and the Tripartite Alliance's evolving posture ahead of the 2026 Local Government Elections (LGE).
- On the international front, engagements such as President Ramaphosa's participation at the 9th Tokyo International Conference on African Development (TICAD-9) reflected a strategic pivot toward diversifying trade partnerships and projecting South Africa as a leader in green industrialisation and continental diplomacy.
- Against this backdrop, government actions on human resource development, judicial accountability, and trade resilience are critical touchpoints in assessing the state's capacity to navigate overlapping economic, political, and diplomatic challenges.

DOMESTIC POLITICAL ENVIRONMENT

ANC and GNU Dynamics



- At its last Extraordinary meeting of National Executive Committee (NEC), the ANC resolved to expand the GNU to include ActionSA and the National Consultative Council (NCC), to dilute the DA's position in the coalition.
- While this projects inclusivity, it risks deepening fragmentation. The Democratic Alliance (DA) has warned that expansion without stabilising existing relations could destabilise the coalition.
- This expansion reflects the ANC's electoral calculus - projecting unity while consolidating power. But opposition critics argue it prioritises optics over governance. Managing ideological divergence across more partners could lead to incoherent policy, which would undermine service delivery and erode public trust.
- Meanwhile, the ANC's handling of public criticism by NEC members Malusi Gigaba and Senzo Mchunu underscores tension between enforcing party discipline and tolerating internal debate. By publicly reprimanding these senior figures for alleged breaches of communication protocols while other prominent leaders, such as former president Thabo Mbeki and former NEC member Dr Naledi Pandor, face no sanction, the party risks appearing selective and intolerant of dissent.
- This selective enforcement could weaken perceptions of internal democracy, embolden the South African Communist Party (SACP)'s push for political autonomy, and provide opposition parties with leverage to question the ANC's credibility on accountability and governance, particularly as the party seeks to project unity ahead of the 2026 local elections.
- Coming out of its Central Committee (CC) meeting over the weekend, the SACP confirmed it will contest the 2026 local government elections independently, citing ANC's unilateralism and failure to reconfigure the Alliance. Congress of South African Trade Unions (COSATU)'s 15-18 September Central Committee (CC) meeting, where a discussion of whether to remain with the ANC or support the SACP will be discussed, is a critical inflection point. A decision to align closer to the SACP could reshape campaign coordination, possibly weaken the ANC's mobilisation capacity, and accelerate alliance fragmentation.
- Internally, COSATU is divided: some affiliates view independence as necessary to reclaim revolutionary credibility, while others stress the risks of splintering labour representation. The outcome will shape how the ANC balances labour politics against electoral survival.

Party Strategies and Positioning Ahead of the 2026 Local Government Elections



- **ANC:** The ANC's Extraordinary NEC has advanced preparations for the 2026 elections, with a focus on candidate lists and provincial strategies. Western Cape realignment remains a key challenge, with DA and Patriotic Alliance (PA) courting disgruntled ANC leaders.
- **DA:** The DA unveiled its "Turbocharge SA Economy" plan, with proposals to scrap equity policies such as broad-based black economic empowerment (B-BBEE), introduce Small and Medium Enterprises (SME) incentives, drive infrastructure-led growth, and introduce tax reforms – among others. Politically, this allows the DA to present itself as policy-driven and fiscally responsible, contrasting ANC coalition turbulence.

- **MK Party:** The uMkhonto weSizwe party (MKP) continues to mobilise in KwaZulu Natal (KZN) and Gauteng, leveraging Zulu identity politics and anti-ANC sentiment. It positions itself as a radical alternative, targeting disenfranchised ANC supporters frustrated by corruption and unemployment.
- MKP is also increasingly seeking to influence international perceptions of South Africa by publicly critiquing the GNU and President Ramaphosa. Through symbolic gestures, such as hoisting the South African flag, and high-profile activities (including visits to Morocco to challenge South Africa's stance on Western Sahara and former President Zuma's lectures in Ghana and elsewhere in Africa), the MKP appears intent on projecting an alternative political narrative beyond domestic audiences. The strategic intent and potential impact of these efforts remain unclear, raising questions about whether they aim to reshape foreign policy, mobilise domestic support, or signal alternative leadership options.
- MKP's international outreach introduces tensions between domestic political contestation and South Africa's diplomatic cohesion. By engaging foreign audiences in critique of the ruling coalition, these actions could complicate bilateral and multilateral relations, particularly if external observers perceive internal discord as indicative of policy instability. The campaigns also highlight how domestic political disputes are increasingly being exported onto the international stage, with implications for the country's credibility and influence abroad.
- While MKP's activities echo the pattern of international advocacy pursued by groups such as Afriforum, Solidarity, and the Cape Independent Lobby Group, especially in the United States, important differences exist. Afrikaner-aligned organisations typically focus on minority rights, governance, or institutional accountability, whereas MKP emphasises liberation-era and nationalist narratives. This contrast illustrates the diverse array of domestic actors now seeking to shape South Africa's international image, each leveraging distinct historical and ideological frames to influence perception and policy.
- **EFF:** The Economic Freedom Fighters (EFF) has escalated its focus on corruption and municipal failures, particularly in Gauteng, KZN, and the Eastern Cape. August saw major service delivery crises in Emfuleni, Tshwane, and eThekweni. The EFF's strategy is clear: weaponise state failures and position itself as the accountability-driven alternative.
- Additionally, the EFF has amplified its messaging on service delivery failures, particularly in Gauteng, KwaZulu-Natal, and the Eastern Cape. In August, Gauteng municipalities such as Emfuleni and Tshwane faced renewed scrutiny over water outages and delayed refuse collection, while eThekweni in KZN reported over 1,200 unresolved sewerage complaints. In the Eastern Cape, Buffalo City and OR Tambo District municipalities experienced prolonged electricity disruptions and infrastructure backlogs.
- As South Africa approaches the 2026 LGE, the political landscape is marked by coalition realignments, governance controversies, and emerging voter sentiment trends that could shape party strategies and electoral outcomes.
- Recent by-elections across provinces including the Eastern Cape, KwaZulu-Natal, Limpopo, Free State, and Gauteng indicate that while major parties such as the ANC, DA, Inkatha Freedom Party (IFP), and EFF largely retained seats, overall voter turnout remains low. This decline reflects growing public disillusionment with the political system and scepticism about the responsiveness of government institutions.
- This trend serves as a warning that electoral apathy could significantly influence municipal outcomes in 2026. The ANC is actively preparing for the 2026 elections amid declining support and coalition fragmentation.

SOUTH AFRICA'S FUTURE RE-IMAGINED

Divergent Public Perspectives on South Africa's Democratic Future

- The 2024 general election outcomes reveal a complex electorate. While dissatisfaction with the ANC's unmet promises is evident, the results and the formation of the GNU highlight a broader diversity of political preferences. Rather than a simple mandate against the ruling party, they reflect competing visions for South Africa's democratic future and signal the electorate's desire for more inclusive and accountable governance.
- It was with this realisation in mind that a National Dialogue was conceived. From 15 to 17 August 2025, President Cyril Ramaphosa convened the inaugural National Dialogue Convention, intended as a platform for citizens and civil society to debate South Africa's democratic future. While the Dialogue was framed as inclusive, withdrawals from the DA, Freedom Front Plus (FF+), Solidarity Movement, and prominent foundations such as the Thabo Mbeki and FW de Klerk Foundations weakened its legitimacy.
- The R740 million budget allocation became a lightning rod for criticism, with the EFF branding it a "wasteful talk shop," although the Minister of Finance later reportedly confirmed to the Chairperson of Parliament's Standing Committee on Appropriations, Dr. Mmusi Maimane, that the correct figure is approximately R490 million.
- The ANC defended the Dialogue as a necessary national renewal process, but the timing just ahead of the 2026 elections has fuelled perceptions that it is a strategic electoral tool rather than genuine reform. The Eminent Persons Group (EPG) continues to mediate, but whether Dialogue outcomes are embedded into policy will determine its credibility.
- The episode underscores the diversity of views among the population on the vision for a better South Africa. It also exposes fragility of coalition politics: GNU partners such as the DA are questioning the ANC's dominance, while opposition parties are exploiting the issue to frame the ANC as fiscally irresponsible.



GOVERNANCE

Building State Capacity: Human Resource Development Council Meeting



- The HRDC is South Africa's apex, multi-stakeholder advisory body focused on human resource development. It was established in March 2010 and is managed by the Ministry of Higher Education and Training.
- Its purpose is to coordinate and streamline HRD strategy implementation across government, business, labour, academia, and civil society. Its goals include ensuring that policies, programs, and interventions are aligned to broader government objectives beyond individual sectors. It is chaired by the Deputy President. Current

- The HRDC has been useful as a national coordinating and strategy-setting forum. It has produced durable frameworks (HRD Strategy / Master Skills Plan) and convened stakeholders. However, its implementation impact on the ground has been muted, constrained by weak delivery mechanisms (Sector Education and Training Authority - SETA system, financing gaps), limited enforcement powers, and imperfect alignment between skills outputs and the developmental-state needs (public capacity, industrial policy, and just energy transition – JET, among others).
- Deputy President Paul Mashatile's intervention at the HRDC highlighted the ANC's focus on rebuilding state capacity, a theme central to GNU legitimacy. The push for technical and vocational education expansion, digital skills integration, and localisation reflects an acknowledgment that South Africa's industrial decline is deeply rooted in human capital mismatches.
- Mashatile's framing speaks to coalition governance pressures: partners and alliance stakeholders are demanding visible state reform and job-linked growth strategies. By linking HRDC outcomes to localisation and industrial renewal, the GNU seeks to project a reformist image. However, persistent skills gaps and implementation delays could expose the state to criticism from both the opposition and disillusioned alliance members. The HRDC's agenda thus becomes both a developmental necessity and a political balancing act within the GNU.

Judicial and Parliamentary Inquiries into SAPS and Criminal Justice

- President Ramaphosa's decision to institute a Judicial Commission of Inquiry into South African Police Services (SAPS) and the criminal justice system, alongside Parliament's *Ad Hoc* Committee, reflects the mounting political pressure to restore public confidence in the security sector. These followed wide-ranging allegations by the KwaZulu-Natal Police Commissioner, Nhlanhla Mkhwanazi, two months ago.
- For the ANC, this is both an opportunity and a risk: demonstrating accountability could strengthen its governance credibility, but any exposure of entrenched corruption or political interference could further erode legitimacy.
- The Madlanga Commission, tasked with investigating criminality and political interference in the justice system, has delayed its hearings due to procurement and logistical issues, including finalising agreements and infrastructure preparations.
- The delay underscores the challenges of establishing effective oversight mechanisms, risking public frustration and potential erosion of trust in the commission's ability to hold officials accountable. It also does not help that the Acting Minister of Police, Foroz Cachalia, and the President himself, are raged by National Police Commissioner, Fanie Masemola's decision to return the 120 dockets linked to political killings to KwaZulu-Natal. Their anger is fuelling perceptions that they are trying to hide something. After all, the Madlanga Commission should not prevent police from doing their work.
- Parliament's oversight role is on trial here. Should the *Ad Hoc* Committee conduct a transparent, non-partisan inquiry, it could reassert parliamentary authority and provide the GNU with a governance win. Conversely, any perception of whitewashing would fuel opposition narratives (particularly from the EFF and the DA that the ANC manipulates institutions to protect its own). The stakes are particularly high ahead of the 2026 elections, where security sector accountability is likely to be a prominent campaign issue.
- Ultimately, thoughtfully structured Judicial and Parliamentary inquiries can uncover systemic weaknesses, establish a transparent public record, and propose meaningful reforms. Both these enquiries possess a strong mandate, significant political visibility, and wide stakeholder support.
- The commission's delayed start, now scheduled for after 1 September 2025 due to the Department of Justice and Constitutional Development's failure to procure essential IT equipment, risks compressing preparatory timelines, slowing early investigative momentum, and heightening public scepticism about the state's capacity to support robust, timely accountability processes. This initial setback may also signal the need for stronger logistical and operational planning to safeguard the inquiry's credibility.
- The true impact of both this and Parliament's inquiry will depend not on the hearings themselves, but on effective follow-through: prosecutions, institutional strengthening, adequate resourcing, and sustained transparency. Lessons from prior large-scale commissions, particularly the Zondo State-Capture Commission, demonstrate that while diagnostic work can be thorough, implementation is often uneven. Without built-in mechanisms to ensure action from the outset, the police inquiry risks the same fate.



TURBULENT GLOBAL ENVIRONMENT

U.S. Tariff Enforcement: Strategic Exposure and Response



- South Africa was clearly caught off guard by the U.S. decision to impose a 30% blanket tariff on exports. The immediacy and scale of the enforcement exposed deep structural vulnerabilities: an overreliance on a narrow set of export sectors, a lack of diversified trade buffers, and the absence of pre-emptive diplomatic insulation. The country's trade diplomacy has been reactive rather than anticipatory, with no institutionalised risk-mapping framework to forecast geopolitical shifts.
- The tariff has immediate implications for sectoral performance, particularly in agriculture and automotive exports. Key value chains, citrus, wine, sugar cane, and beef, are heavily dependent on U.S. and European Union (EU) markets, and the sudden tariff disrupts operations from farmgate to logistics. The employment shock is significant: Department of Trade Industry and Competition (DTIC) estimates 30,000 jobs are at risk, while Ernst & Young and the South African Reserve Bank project potential losses up to 100,000.
- Agri SA has warned of systemic destabilisation in rural communities. Fiscal pressures will also mount, as reduced export earnings depress tax revenues and widen the current account deficit, constraining fiscal space for countercyclical interventions. Market reactions have been volatile, with the rand spiking above R18/USD before partially recovering to R17.53/USD, aided by gold prices and easing dollar pressure. Export volumes, however, are beginning to show signs of decline, with platinum providing only limited cushioning.
- South Africa's responses span several strategic pillars:
 - Diplomatic Engagement: Revised trade offers are technically sound but lack sufficient political leverage, with ideological sticking points such as B-BBEE and land reform limiting flexibility.
 - Economic Defence Package: The R42 million Localisation Fund provides symbolic reassurance but is financially inadequate, and provinces most exposed, such as Mpumalanga and the Northern Cape, lack rollout capacity.
 - Diversification Drive: Pivoting to the African Continental Free Trade Area (AfCFTA) and Asian markets is essential but slow-moving; non-tariff barriers, logistics challenges, and regulatory misalignment will delay tangible relief.
 - Trade Defence Measures: World Trade Organisation (WTO)-compliant safeguards are legally viable but operationally weak, with coordination gaps across DTIC, Department of International Relations and Cooperation (DIRCO), and South African Revenue Service (SARS) undermining enforcement.
 - Demand-Side Interventions: Proudly SA's Market Access Programme offers domestic absorption but is too small to offset high-value export losses, providing symbolic rather than substantial economic relief.
- Several risks are now more pronounced: diplomatic isolation due to South Africa's ideological posture, rural destabilisation triggered by agricultural job losses, and policy fragmentation arising from weak interdepartmental coordination. Addressing these requires institutionalising trade risk intelligence, depoliticising foreign policy, and building agile response mechanisms. A cross-sectoral Trade Resilience Taskforce should align fiscal, diplomatic, and industrial levers to mitigate exposure.
- In a briefing on 27 August, DIRCO Minister Ronald Lamola reaffirmed South Africa's foreign policy resilience, emphasising that domestic reforms, such as B-BBEE and the Expropriation Act, remain under national sovereignty and are not subject to external pressure. He rejected U.S. claims regarding racially targeted farm violence as unfounded, illustrating a proactive approach to reputational management.
- Despite tariff tensions, diplomatic engagement with Washington continues, signalling strategic pragmatism. Lamola also doubled down on South Africa's decision to take Israel to the ICJ, saying it was in line with the country's moral leadership tradition, framing ethical authority as a tool of soft power to counter perceptions of isolation while maintaining independence in economic policy.

Projecting South Africa on the World Stage: Ramaphosa's Diplomatic Outreach and Strategic Engagement

- Ramaphosa's attendance at the TICAD-9 in Japan underscored South Africa's strategic turn towards diversifying its global partnerships. The timing of the engagement was significant: it came shortly after the U.S. imposed a 30% blanket tariff on South African exports, making Asia a critical alternative for trade and investment flows. By prioritising discussions on critical minerals, renewable energy, and automotive transition pathways, Ramaphosa sought to position South Africa as a continental leader in green industrialisation and supply chain resilience.
- The political signal was clear, South Africa is no longer willing to over-rely on traditional Western markets. TICAD-9 served as a platform to demonstrate foreign policy agility, reinforcing Pretoria's alignment with a multipolar world order. Domestically, this engagement also provides the ANC-led GNU with a narrative of proactive economic diplomacy ahead of the 2026 local elections, countering opposition claims of policy stagnation.
- Ramaphosa's outreach to Ukrainian President Volodymyr Zelensky, following the latter's high-profile meeting with U.S. President Donald Trump and other European leaders, underscores South Africa's intent to maintain an active, independent diplomatic posture.



- The call signals Pretoria's effort to position itself as a credible interlocutor in global conflicts, projecting moral leadership while balancing relations with major powers. It also enhances Ramaphosa's personal visibility on the international stage, reinforcing South Africa's image as a principled actor capable of mediation and engagement beyond traditional Western-centric forums.

South Africa's Israel-Gaza Conundrum



- South Africa's stance on Israel-Gaza has exposed tensions within the GNU and the ANC's global positioning. Civil society and pro-Palestinian groups continue to demand a severing of trade ties with Israel, while some GNU partners support stronger sanctions. However, business-aligned voices within the coalition caution against economic fallout and strained international relations.
- This issue crystallises the ANC's balancing act between moral leadership in global justice causes and pragmatic governance in safeguarding trade relations. A hard-line stance risks alienating Western partners at a time of tariff vulnerability, while a softer stance risks alienating grassroots supporters and alliance stakeholders, particularly the SACP and COSATU affiliates. The ANC's handling of this pressure will shape both domestic perceptions of principled leadership and its broader diplomatic alignment as South Africa navigates multipolar geopolitics. The issue reinforced South Africa's foreign policy contradictions: championing global justice at TICAD-9 while risking trade alienation in Western markets.

MACROECONOMIC UPDATES

- South Africa's economic recovery remains fragile and uneven, marked by low growth, persistent unemployment, and rising household vulnerability all compounded by policy misalignment and external shocks.
- The following indicators provide a snapshot of South Africa's macroeconomic trajectory, highlighting structural constraints, fiscal pressures, and areas of potential resilience. These metrics are critical for assessing recovery prospects, policy alignment, and investor sentiment:

Key Indicators

Indicator	Q2 2025 Value	Analytical Note
GDP Growth (IMF forecast)	1.00%	Below population growth; signals stagnation. Growth is not employment intensive.
Unemployment Rate	33.20%	Structural exclusion persists. Labour market remains rigid and geographically uneven.
Youth Unemployment	63.50%	Reflects systemic failure in education-to-employment transitions.
Expanded Unemployment	42.90%	High discouraged worker rate; informal sector saturation.
Formal Job Creation	19,000	Insufficient against 159,000 new entrants; signals weak employment elasticity.
Female Unemployment	35.90%	Gender disparities remain entrenched; policy interventions lack traction.

Unemployment (No Matric)	42.80%	Education-linked exclusion continues to drive inequality.
Retail Sales Growth (Real Terms)	2.00%	Stabilising consumption but driven by credit does not wage growth.
Unemployment (No Matric)	42.80%	Education-linked exclusion continues to drive inequality.
Household Debt-to-Income Ratio	72%	Elevated debt levels risk financial fragility and social unrest.
2035 Bond Yield	9.82%	Reflects investor anxiety over South African Reserve Bank (SARB)—Treasury tensions and macro policy misalignment.
Rand Exchange Rate (Mid-August)	R17.53/USD	Partial recovery due to commodity prices; remains vulnerable to external shocks.






- **Monetary-Fiscal Misalignment:** The SARB's unilateral inflation target revision and repo rate cut, while aimed at anchoring expectations, triggered institutional friction. Treasury's pushback reflects concerns over fiscal spillovers and procedural bypasses. This misalignment undermines investor confidence and signals governance fragility.
- **Labour Market Dysfunction:** The disconnect between Gross Domestic Product (GDP) growth and employment absorption is widening. Informal employment is rising but lacks productivity and protection. Gender and education-linked exclusion remains unaddressed, threatening long-term social cohesion.
- **Household Vulnerability:** Consumption is stabilising short-term demand but masking systemic fragility. Elevated debt levels and stagnant wage growth expose households to financial shocks. Without structural reforms in wage policy, SME support, and debt relief, vulnerability will persist.
- **Investor Sentiment:** Bond yield spikes and rand volatility reflect market unease with policy incoherence. The SARB's credibility gains may be offset by political backlash and social strain, especially if fiscal space narrows further.

Macro Considerations and Strategic Risks

- **Policy Coordination Risk:** SARB-Treasury tensions threaten credibility and could raise borrowing costs or reduce foreign direct investment inflows.
- **Structural Constraints:** Energy insecurity, regulatory inefficiencies, and labour market rigidity cap growth potential, even if inflation stabilises.
- **Household Vulnerability:** Modest consumer growth conceals income and debt pressures, potentially heightening political and social tensions.
- **Global Dependencies:** South Africa's economy remains exposed to **commodity price volatility**, regional investment flows, and geopolitical shocks, underscoring the need for **diversified industrial and fiscal strategies**.

Risk Levels

The following risks merit close monitoring:

Impact Level	Qualifier
1 – Very Low 	Minimal disruption; negligible effect
2 – Low 	Localised or short-term issues; manageable
3 – Moderate 	Noticeable impact; requires monitoring and response
4 – High 	Significant disruption; affects stability or confidence
5 – Critical 	Severe, systemic disruption with national implications

Impact level 4: Coalition Fragmentation and Alliance Volatility

- The withdrawal of GNU partners from the National Dialogue (DA, FF+, Solidarity Movement) and the SACP's decision to contest the 2026 LGE independently signal deep fractures within the ruling coalition. COSATU's September deliberations could further destabilise the tripartite alliance. These developments heighten the risk of policy incoherence and weaken electoral mobilisation capacity ahead of 2026

Impact level 5: Trade Shock and Export Vulnerability

- The U.S. blanket 30% tariff on South African exports (7 August) directly threatens agricultural and automotive value chains, with job loss projections ranging from 30,000 (DTIC) to 100,000 (EY, SARB). While government announced support measures, implementation delays and regulatory bottlenecks expose exporters to immediate strain. Agri SA and Business Unity South Africa (BUSA)'s warnings underscore the scale of the risk for both rural employment and industrial stability.

Impact level 4: Policy Misalignment and Economic Fragility

- The SARB's unilateral decision to cut the repo rate to 7% and lower the inflation target to 3% triggered open friction with National Treasury. Markets reacted with rand volatility (peaking above R18/USD end-July before strengthening mid-August) and rising bond yields, reflecting investor unease. Without improved fiscal-monetary coordination, credibility risks will persist, undermining recovery and deterring investment.

Impact level 4: Household Debt and Consumption Illusion

- Retail sales growth (2% in real terms for 2025) masks underlying vulnerability. Household debt remains elevated, while unemployment rose to 33.2% in Q2, with youth unemployment at 63.5%. Any fiscal tightening, tariff-driven inflation, or interest rate volatility could erode household resilience, heightening risks of social unrest in vulnerable communities.

Impact level 4: Security Sector Accountability Risk

- The SAPS inquiry and Mchunu probe could expose systemic weaknesses. Failure to act decisively risks deepening public distrust in security institutions and fuelling opposition narratives ahead of the 2026 elections.

END