



**Local
Political and
Economic
Report
November
2025**

Executive Summary

- November was defined by a dynamic mix of domestic political realignment, fiscal consolidation, infrastructure-led growth, and a complex global geopolitical environment. The Government of National Unity (GNU) faced the twin challenges of coalition management and reinforcing institutional accountability.
- In response, President Cyril Ramaphosa convened a GNU Leaders' Retreat, where coalition partners committed to improving governance coherence and policy alignment through the adoption of the Medium-Term Development Plan (MTDP). The retreat also strengthened mechanisms for dispute resolution, including the revised GNU Clearing House, which now formalises procedures for policy harmonisation, decision-making continuity, and conflict management.
- These reforms aim to reduce uncertainty, enhance predictability, and improve coalition performance for the next four years of the GNU term.
- Parallel to these domestic measures, the Special Investigating Unit (SIU) continued high-impact municipal investigations, complemented by structural improvements in financial governance. These efforts were critical in supporting South Africa's removal from the Financial Action Task Force (FATF) grey list, reflecting growing institutional capacity to recover public funds, uphold accountability, and restore confidence in governance.
- At the same time, South Africa's fiscal trajectory was clarified in the Medium-Term Budget Policy Statement (MTBPS) 2025, which emphasised debt stabilisation, preservation of social spending, and targeted infrastructure investment. The MTBPS highlights a strategy of medium-term fiscal consolidation, seeking to balance growth, fiscal discipline, and social protection, while positioning public-private partnerships (PPPs) as the engine of sustainable development.
- Internationally, South Africa's political and economic strategy was shaped by its leadership of the 2025 G20 Summit, the first African-hosted presidency. Despite diplomatic friction with the United States, which boycotted the summit, South Africa successfully convened the remaining G20 members, the African Union, and guest countries, achieving a Leaders' Declaration reaffirming global commitments to net-zero emissions, climate finance, and sustainable development.
- The summit outcomes included the second phase of the G20 Compact with Africa, the launch of the AI for Africa Initiative, and strengthened debt sustainability mechanisms through the G20 Common Framework. These measures bolster infrastructure, agriculture, and clean energy access across Africa, while reinforcing regional integration under the African Continental Free Trade Area (AfCFTA) and Agenda 2063.
- Taken together, domestic reforms, fiscal consolidation, and strategic international engagement illustrate South Africa's commitment to political stability, economic growth, and regional influence. The balance between coalition governance, institutional accountability, and global positioning remains central to sustaining public trust and investor confidence.

International Engagement and Strategic Position

G20 Summit: Africa's First Presidency

- The 2025 G20 Summit in South Africa, concluding on 23 November, marked a milestone in Africa's integration into global decision-making. Although the United States, under President Trump, boycotted the event, South Africa successfully engaged the other 18 G20 members, the African Union, and guest countries.
- The summit resulted in the unanimous adoption of the Leaders' Declaration, reaffirming commitments to net-zero emissions, climate finance, and sustainable development objectives.
- Key outcomes with regional implications include:
 - Launch of AI for Africa Initiative, enhancing sovereign digital capability.
 - Expansion of the G20 Compact with Africa (2025–2033), attracting private investment.
 - Enhanced debt sustainability mechanisms via the G20 Common Framework, including crisis-resilient clauses and transparency provisions.
 - Establishment of the G20 Critical Minerals Framework, promoting local beneficiation and equitable industrialisation in mineral-rich developing economies.
- These initiatives strengthen South Africa's role as a mediator between emerging and developed economies, promote local value addition, and reinforce Africa's voice in global governance. However, this elevated international profile also carries risks: diplomatic frictions with major powers, such as the U.S. boycott, illustrate the challenges of balancing national interests with multilateral expectations, while the capacity to convert summit-level commitments into concrete investments and reforms remains dependent on domestic political cohesion, fiscal discipline, and sustained policy execution.



South Africa – U.S Relations



- South Africa continues to face heightened scrutiny from the United States. The proposed AGOA 2.0 legislation, introduced by Senator John Kennedy, would exclude South Africa from preferential trade benefits if enacted. Adding to diplomatic tensions, former President Trump announced via social media that he would “disinvite” South Africa from attending the next G20 Summit in Miami. This public assertion signals a more confrontational posture toward Pretoria’s independent foreign policy and its leadership within BRICS, while also reflecting broader U.S. domestic political dynamics influencing multilateral engagement.

- While these actions pose potential challenges for trade and diplomatic engagement, the Department of Trade, Industry, and Competition remains cautiously optimistic. Ongoing negotiations, bipartisan congressional support for continuity, and signals from the White House suggest that the AGOA 2.0 proposal primarily serves as leverage rather than an inevitable outcome.

Implications for South Africa and Africa

- South Africa may accelerate diversification of trade partnerships, reducing reliance on the U.S. market.
- The episode reinforces the strategic importance of AfCFTA integration and deeper industrial cooperation with BRICS partners.
- By maintaining its international leadership and credibility, South Africa can act as a stabilising force for broader African representation in global forums, ensuring that the continent’s economic and developmental priorities are not sidelined amid great-power competition.

GNU Consolidation and Political Stability



- November was significant for the GNU’s internal governance. The Leaders’ Retreat formalised the Medium-Term Development Plan (MTDP), establishing clear policy priorities across coalition partners and improving alignment on contentious issues. Crucially, the GNU Clearing House Mechanism was revised to codify procedures for dispute resolution, decision-making continuity, and policy harmonisation, providing a practical instrument to manage coalition frictions.
- The ANC remains the anchor party, yet partners such as the South African Communist Party (SACP) continue active mobilisation ahead of the 2026 LGE. While these institutional improvements provide a stronger framework for coalition stability, optimism must be tempered by ongoing political contestation at provincial and local levels.

- Notably, the Democratic Alliance’s motion of no confidence in Gauteng Premier Panyaza Lesufi, alongside heightened competition and infighting in metros such as Tshwane and Johannesburg, demonstrates that coalition cohesion remains fragile. Success will depend not only on formal mechanisms but also on political will, consistent adherence to agreed procedures, and the ability of leaders to navigate intra- and inter-party tensions.

Governance, Oversight, and Anti-Corruption

- The Special Investigating Unit (SIU) continued high-profile probes across municipalities including Siyathemba, Tokologo, Sol Plaatje, Makana, the City of Tshwane, Mahikeng, Ratlou, and Mbombela. Investigations have exposed irregular procurement, inflated contracts, and project implementation failures, highlighting persistent weaknesses in local governance.
- Evidence being presented at the Madlanga Commission and Parliament’s *Ad Hoc* Committee on the State Capture Legacy further reveals deep-seated issues within South Africa’s criminal justice system, including delays, institutional bottlenecks, and inconsistent follow-through in prosecutions. These enquiries underscore a serious institutional commitment to accountability and transparency, yet they also illustrate the structural challenges that limit the pace and scale of reform.
- While recoveries and the FATF delisting have improved municipal fiscal space, a caveat is necessary: not all revelations will translate into convictions or systemic change in the short term. Conversion of SIU referrals into successful prosecutions, alongside sustained parliamentary oversight, will be key to maintaining public trust and consolidating South Africa’s leadership in anti-corruption practices within the Southern African Development Community (SADC). Ultimately, these enquiries signal progress, but the realistic expectation is incremental reform rather than wholesale transformation.



Economic Updates



- The MTBPS 2025 reflects South Africa's ongoing commitment to fiscal consolidation and medium-term stability, with debt projected to stabilise at 77.9% of GDP and a rising primary surplus signalling disciplined fiscal management. Infrastructure investment is positioned as the fastest-growing spending item, underpinned by public-private partnerships and a new unsolicited bid framework, while social spending remains protected at 61% of the budget.
- While this framework enhances investor confidence and provides a roadmap for combining fiscal discipline with tangible economic outcomes, several challenges temper optimism. Debt remains high, leaving the country sensitive to external shocks such as commodity price volatility or global interest rate changes.
- The reliance on infrastructure-led growth assumes efficient project implementation, yet historical procurement delays and municipal capacity constraints could undermine expected outcomes.
- Moreover, while energy sector improvements and regulatory reforms aim to support private sector participation, systemic issues - ranging from grid stability to governance in state-owned enterprises - continue to pose risks. Social spending protection is positive, but fiscal consolidation pressures may increasingly constrain new welfare initiatives, particularly if economic growth underperforms projections.
- In summary, the MTBPS provides a credible medium-term plan, but its success hinges on consistent execution, robust governance, and resilience to both domestic and global economic uncertainties.

Key Macro-Economic Indicators

Indicator / Event	Latest Value / Decision	Implications
Repo Rate (SARB MPC)	6.75% (20 Nov 2025)	Supports gradual recovery; reduces borrowing costs.
Inflation (CPI)	3.6% y/y (Oct 2025)	Requires coordination of fiscal and monetary policy.
New Inflation Target	3% \pm 1% (12 Nov 2025)	Anchors price stability; supports investor confidence.
Debt-to-GDP	77.9% stabilisation projection	Enhances macro-fiscal credibility.
Primary Surplus	R68.5bn (2025) \rightarrow R224bn (2028)	Demonstrates long-term fiscal repair.
Public Investment Growth	7.5% avg annual growth	Dependent on procurement reform and private capital.
PPP & Infrastructure Reforms	New PPP rules + unsolicited bid framework	Enables private sector participation.
S&P Ratings	Upgrade to BB (14 Nov 2025)	Confirms fiscal consolidation progress.

Job Creation	+248,000 (Q3 2025)	Driven by construction/infrastructure; sustainability contingent on reforms.
Energy System	+800MW Kusile Unit 6, +2,220MW renewables pipeline	Improves energy security; reduces risk of loadshedding.

Infrastructure and Local Economic Development

- Initiatives such as the Small Harbours Programme - officially launched on 31 October 2025 - and the Township and Rural Entrepreneurship Programme (TREP) reflect government's intention to broaden economic participation beyond major metropolitan centres. These programmes are designed to stimulate inclusive growth by revitalising small coastal infrastructure, unlocking maritime and logistics value chains, and supporting township and rural enterprises through targeted financing, market access, and regulatory simplification. If executed effectively, both initiatives could generate employment, integrate SMEs into new value chains, and catalyse economic activity in regions that have historically been excluded from mainstream development.
- However, these initiatives also face non-trivial execution risks. Many municipalities hosting small harbours continue to struggle with governance capacity, planning gaps, and maintenance backlogs, which may limit the ability to convert capital investment into sustained economic activity.
- TREP's impact similarly depends on coordination across multiple departments and agencies, as well as the timely disbursement of funds to communities that often lack formal infrastructure or reliable local governance structures. Broader issues - such as crime, supply-chain inefficiencies, and inconsistent enforcement of bylaws - also complicate the operating environment for SMMEs. As a result, while the programmes offer a promising blueprint for spatially inclusive development, their long-term success will depend on coherent intergovernmental coordination, transparent project selection, and strengthened municipal capacity.



Electoral Preparedness and Political Mobilisation



- South Africa has entered a highly competitive cycle ahead of the 2026 Local Government Elections, with 508 registered political parties - 62 of which are newly formed. This expanding political field reflects the fragmentation of voter preferences and the growing appeal of hyper-localised political platforms. Coalition governance will again define the landscape in hung municipalities, where shifting alignments and ideological inconsistencies may materially affect service delivery, budget execution, and institutional continuity.
- Yet, while the GNU's institutional reforms, including the Clearing House Mechanism and revised dispute-resolution frameworks, aim to improve stability, the coming electoral period will be a critical test of their durability. Contestation remains sharp at the provincial and municipal levels, where political manoeuvring is often more fluid, less predictable, and highly personalised. Instability in major metros such as Tshwane, Johannesburg, and eThekweni could undermine confidence in local governance and disrupt implementation of development programmes. The DA's motion of no confidence in Gauteng Premier Panyaza Lesufi illustrates the extent to which provincial dynamics may spill into broader perceptions of national stability.
- This means that, despite improved coordination under the GNU, political volatility at the subnational level remains a structural risk, and the 2026 LGE cycle will serve as a key indicator of whether recent reforms can anchor consistent governance across all spheres of the state.

Risk Matrix

Risk Area	Level	Key Implications
Coalition Deadlock	Moderate	Policy disagreements could stall legislative progress if Clearing House procedures are bypassed.

Accountability & Oversight	Moderate	Weak enforcement could undermine credibility.
Electoral Readiness	Low–Moderate	SACP participation and IEC engagement mitigate fragmentation.
Municipal Instability	Moderate–High	SIU probes may trigger suspensions or by-elections.
Enforcement Gap	Moderate	Low conviction rates risk public disillusionment.
Governance & Corruption	Moderate	Tender irregularities or oversight gaps could reduce infrastructure impact.
Climate & Coastal Vulnerability	Moderate	Rising sea levels/extreme weather may disrupt port infrastructure.
Investment Mobilisation	Positive	PPPs encourage R200+ billion private capital over 5 years.
Fiscal Risks	Moderate	Debt, commodity volatility, and reform delays could temper growth.
Social Cohesion	Positive	Equitable investment reduces rural-urban disparities.

Strategic Outlook

- South Africa's strategic outlook is cautiously optimistic. Medium-term fiscal consolidation under the MTBPS provides a solid foundation for growth, while infrastructure-led initiatives aim to deliver equitable benefits across rural, coastal, and secondary towns. Political stability, underpinned by GNU reforms and the Clearing House Mechanism, is central to sustaining governance confidence.
- Regionally, South Africa leverages G20 leadership, BRICS engagement, and AfCFTA opportunities to diversify trade and strengthen industrial capacity. Success will hinge on consistent policy implementation, effective anti-corruption enforcement, and the ability to translate fiscal and infrastructural reforms into measurable improvements for citizens, positioning the country as a stable, investment-ready, and regionally influential actor in a multipolar global environment.

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