FRONTLINE AFRICA ADVISORY

# Local Political and Economic Report

## March 2026

## Executive Context

- South Africa's political landscape in March has been characterised by relative stability at the national level within the Government of National Unity (GNU), despite ongoing policy disagreements among coalition partners at provincial and municipal levels.
- There has been a structural shift in the country's risk landscape. National political stability is holding, while operational and reputational risks are increasingly concentrated at provincial and local levels.
- Coalition tensions are amplifying execution risks in key economic hubs like Gauteng (GP) and KwaZulu-Natal (KZN).
- At the same time, external shocks, particularly oil price volatility driven by the Middle East conflict, are reintroducing macroeconomic pressure, with direct implications for cost structures, inflation, and policy direction.

## Top 5 Strategic Takeaways

1. Sub-national instability is now the primary business risk. Municipal dysfunction in Gauteng poses immediate operational and reputational exposure.
2. Energy costs are the dominant macro risk. Oil price shocks will filter into inflation, logistics, and consumer demand.
3. Coalition politics will define regulatory predictability. Fragmentation increases policy inconsistency and slows execution.
4. Foreign policy positioning carries commercial consequences. Balancing U.S, China, and Global South relations will shape trade access.
5. Election dynamics are beginning to influence policy behaviour. Rising risk of populist or short-term regulatory interventions

## Political Environment

- Risks continue migrating from national to provincial and municipal arenas, with GNU stability at the macro level fostering policy predictability while local coalitions breed uncertainty. National coherence reduces radical policy shifts but heightens exposure to fragmented implementation, particularly in metros influencing procurement and infrastructure.

## Gauteng Minority Government Dynamics


- Premier Panyaza Lesufi's ANC-led minority administration in Gauteng operates without a formal coalition majority and depends on *ad-hoc*, issue-based support from smaller parties, particularly the EFF and MK Party (MKP). This structure leaves the ANC vulnerable to political leverage and tit-for-tat negotiations, where support on provincial matters is frequently traded against concessions at municipal level or on specific policy demands.
- The most immediate pressure stems from the ongoing standoff over the 2026/27 Gauteng Provincial Appropriation Bill. Both the EFF and MKP have formally confirmed they will not support the budget.
- The MKP instructed its Gauteng caucus to vote against it following the ANC's refusal to engage on government formation talks in KwaZulu-Natal. The EFF has similarly withdrawn support until the ANC advances its long-standing 2020 motion to insource security guards and cleaners at the Gauteng Provincial Legislature and across all provincial departments, refusing any further budget negotiations until the motion is considered.
- These tensions are compounded by earlier coalition frictions in Ekurhuleni. In February 2026, Mayor Nkosindiphile Xhakaza's Mayoral Committee reshuffle sidelined EFF members, prompting the party to decline further MMC positions and threaten broader repercussions for provincial ANC support. Lesufi has previously intervened in such municipal disputes to preserve EFF representation in Ekurhuleni and shield himself from no-confidence risks.
- A prior DA-sponsored motion of no confidence against Lesufi in 2025 failed when the EFF, MKP, ActionSA and others voted against it, prioritising anti-DA sentiment over provincial accountability. However, the current EFF and MKP budget threats represent a higher and more immediate risk than any fresh no-confidence motion, as failure to pass the provincial budget could trigger fiscal paralysis, delay critical infrastructure projects, and increase operational costs for businesses in Gauteng's economic hubs.
- This pattern underscores the inherent fragility of minority governance in the province: short-term alliances remain fluid, often pivoting on unresolved municipal concessions or policy demands, with the potential to stall service delivery and provincial spending. Behind-the-scenes engagements continue, but no resolution has been reported as the budget process advances.

## Municipal Metro Dynamics

## City of Johannesburg


- The race for the mayorship of South Africa's economic hub is kicking into high gear. The DA, ActionSA and PA, have put up their top leaders as candidates, whilst the ANC and EFF are yet to provide names.
- For the ANC, historically, its chairperson in the region, becomes its candidate, thus the expectation is that Loyiso Masuku will be the face of the party's campaign in Johannesburg.
- The ANC will have a tough time convincing people to vote for them, instead of Hellen Zille and Herman Mashaba, due to its current governance failures, that have resulted in persistent service delivery challenges, such as water shortages, broken traffic and streetlights, pothole riddled roads, to name a few.
- The rumoured attempts to remove current mayor Dada Morero, will further divide the ANC in Johannesburg and hamper its effective campaigning. ANC Secretary-General Fikile Mbalula has stated that regional structures have no authority to deploy or remove mayors in metropolitan municipalities and that responsibility rests solely with the party's national leadership.
- However, Mbalula's intervention appears to be driven by broader political calculations, with speculation that he relies on Mayor Morero's support in Gauteng for his 2027 ANC presidential ambitions. This underscores that some local government manoeuvres may be influenced more by strategic party positioning than municipal governance priorities, complicating the predictability of political and operational outcomes for businesses.

## Ekurhuleni

- ANC-EFF fallout intensified after Mayor Nkosindiphile Xhakaza's reshuffled EFF Members of the Mayoral Committee (MMCs), prompting EFF withdrawal from the coalition and rejection of the 2025/2026 adjustment budget as unlawful.

## Tshwane


- Coalition dynamics are playing out in Tshwane, with the mayor ActionSA's Nasiphi Moya, unable to act against her deputy, ANC's Eugene Modise, over allegations that companies linked to him are benefiting from security and water tanker contracts in the city.
- With the ANC in Tshwane backing its chairperson against the allegations, Moya's hands are tied, as any action she takes against him, may see her losing her mayoral seat.
- On the other hand, the mayor wasted no time in suspending ActionSA's MMC Kholofelo Morodi, after she was implicated in tender manipulation in the city of Tshwane. It was easy for Moya to suspend Morodi, following ActionSA's decision to suspend her from party activities pending an investigation into the allegations revealed at the Madlanga Commission.

## KZN GPU Dynamics


- The MKP has not given up on attempts to gain control of KwaZulu Natal after it previously failed in a motion of no confidence against Premier Thamsanqa Ntuli.
- Even though the MKP seems to have the backing of the EFF, and factions of the National Freedom Party (NFP), its bid to woo the ANC have failed with the ANC rejecting the overture outright, to maintain GPU stability.
- The MKP in return, has announced that it will not back Gauteng government's budget as a retaliatory move.
- The ANC's non-response signals a strategic calculus prioritising GNU cohesion at the national level over provincial opportunism; by snubbing MKP, the ANC avoids alienating IFP partners in the GPU.

## DA Leadership Race


- In the DA leadership contest, Cape Town Mayor Geordin Hill-Lewis will go up against less known DA caucus leader in Sedibeng, Sibusiso Dyonase for the Federal Leader position ahead of its April 2026 Federal Congress.
- Hill-Lewis is expected to emerge over Dyonase. Hill-Lewis represents policy continuity, leveraging his experience in governance and alignment with pro-GNU stances, which supports coalition stability at national level.
- Other leadership races show more competition with incumbent Ivan Meyer and Gauteng leader Solly Msimanga vying for Federal Chairperson position, while multiple contenders, including Ministers Solly Malatsi and Siviwe Gwarube, compete for Deputy roles.
- This leadership transition is unlikely to cause major disruptions within the DA or the broader GNU, as the uncontested top position and emphasis on continuity minimise factional conflicts, ensuring stable governance in DA-controlled areas and predictable coalition dynamics at the national level.

## Implications for Business

- While the GNU ensures policy predictability at macro level, fragmented local coalitions and minority administrations create uncertainty in implementation, particularly in metros where procurement, infrastructure projects, and service delivery are directly affected.
- In DA-controlled areas, such as Cape Town, leadership continuity under Mayor Geordin Hill-Lewis reduces the likelihood of sudden policy shifts, supporting stable governance and predictable coalition dynamics. He has already intimated that he is intent on continuity and will not seek a position in the GNU as leader of the DA.

- Conversely, in KwaZulu-Natal, Gauteng, and key metros like Johannesburg, Ekurhuleni, and Tshwane, coalition fragility and minority government dynamics heighten operational and fiscal risks.
- Failed attempts to destabilise provincial governments or pre-election interventions underscore both the potential for political volatility and the strategic calculus of parties to maintain control.
- For businesses, these dynamics translate into tangible risks:
  - Procurement and project delays due to stalled budgets, contested approvals, and coalition bargaining.
  - Operational and infrastructure risks in metros with minority or unstable governance, where service delivery and regulatory enforcement may be inconsistent.
  - Reputational and investor confidence risks, particularly in municipalities where politicised actions - such as mayoral recalls or corruption allegations - could disrupt approvals and public perception.
  - Contingency and risk mitigation requirements, including stakeholder engagement with municipal and provincial offices, hedging against potential fiscal gridlocks, and preparing for delays in essential services critical to operations.

## Electoral Horizon


- The Independent Electoral Commission (IEC) has announced the first voter registration weekend for the 2026 local government elections, scheduled for 20-21 June 2026, with voting stations opening for eligible South Africans to register or update details to ensure participation in this pivotal poll.
- In a positive development, the IEC reported an uptick in voter registrations, with over 260,000 new voters added between November 2025 and the end of February 2026, signalling potential eagerness among the electorate, particularly youth and underserved communities, to engage in local governance amid ongoing service delivery frustrations.
- This surge may reflect growing public awareness of municipal elections' direct impact on daily life, potentially boosting turnout in contested metros and influencing coalition formations, though it also heightens risks of voter mobilisation around populist issues.
- However, the IEC has sounded the alarm on the Multi-Party Democracy Fund (MPDF), noting a complete lack of private donations for two consecutive quarters in the 2025/26 financial year, resulting in no distributions to political parties and an empty fund balance.
- This funding drought underscores a shift where businesses and donors prefer direct contributions to specific parties, evidenced by robust declarations in party-specific reports, bypassing the MPDF's equitable allocation mechanism, which could exacerbate inequalities among parties and undermine electoral fairness ahead of the polls.
- With elections approaching, there is rising likelihood of populist policy positioning by political parties, with potential for citizen mobilisation on what are considered to be thorny issues, such as service delivery, unemployment and migration.
- Heightened financial resource mobilisation by political parties will likely see a shift toward direct political funding channels, with concomitant increased scrutiny of corporates and heightened reputational sensitivity.
- Corporates intent on supporting the country's democracy project will do well to make donations transparently.

## South Africa's Foreign Policy
## SA-China Bi-National Commission

- Deputy President Paul Mashatile and his Chinese Counterpart Vice President Han Zheng co-chaired the 9th SA-China Bi-National Commission (BNC) in Cape Town on 23 March.
- The engagement reaffirmed long-term cooperation under the 2020-2029 Strategic Programme.
- For corporates, this has implications for South Africa's investment landscape. It signals increased Chinese presence in infrastructure and manufacturing. It also shows greater policy alignment between the two countries on increased state support for industrial partnerships.
- China partnership is deepening. The South Africa-China BNC and the subsequent South Africa-China Economic and Trade Forum advance trade access for South African products in the Chinese market and reinforces China's economic footprint.
- From a stakeholder perspective, there is increased complexity, as corporates need to balance engagement across Chinese stakeholders and Western partners, without compromising their core business - which is apolitical trade and protecting bottom-line.

# Co-Chairs Meeting of the Hague Group

- South Africa co-chaired a Hague Group meeting advocating an arms embargo on Israel and accountability for alleged international law violations in Palestine, drawing sharp Israeli condemnation as "distorted anti-Israel" activism.
- The initiative reflects South Africa's commitment to enforcement of global norms, but risks straining ties with Western partners, necessitating balanced diplomacy.
- Israel's response intensifies its narrative framing of South Africa as pro-Iran, particularly amid Middle East escalations, by linking South Africa's International Commission of Jurists (ICJ) cases and Hague advocacy to alleged Tehran sympathies, which undermines South Africa's multilateral credentials in Washington and could invite retaliatory trade scrutiny under African Growth and Opportunity Act (AGOA) reviews.
- This Israeli push exploits United States (U.S) - South Africa tensions post-tariff threats, forcing South Africa to double down on non-alignment demonstrations, such as neutral statements on Iran strikes, to preserve economic access, yet it highlights the vulnerability of South Africa's principled stance in a polarised global order where diplomatic activism incurs commercial costs.
- For South Africa, co-chairing the Hague Group meeting amplifies its Global South leadership, aligning with African Union (AU) priorities on conflict resolution, but requires calibrated messaging to counter bias perceptions, as evidenced by simultaneous U.S. engagements to safeguard investment flows.

# President Ramaphosa’s Advisor Heading to the U.S.

- President Cyril Ramaphosa's special adviser on investments, Alistair Ruiters, is heading to the U.S. to resume bilateral trade negotiations following a U.S. federal court ruling against Donald Trump's sweeping import tariffs.
- This happens as Pretoria appointed Thabo Thage as South Africa’s Minister Plenipotentiary in Washington, signalling efforts to stabilise strained relations with the U.S., although the position of Ambassador remains vacant.
- This move underscores South Africa’s proactive economic diplomacy to strengthen ties under AGOA and mitigate risks from U.S. protectionism.
- Ruiters' mission signals South Africa’s strategic pivot to de-escalate trade threats, focusing on regulatory predictability and investment security; it complements Ambassador Bozell's role, potentially unlocking export opportunities in autos and agriculture, but tests South Africa’s ability to separate foreign policy activism from economic relations in a Trump-influenced era.

# Economic Overview

Surging global oil prices from the Middle East conflict poses inflationary risks, offsetting modest GDP gains and complicating South African Reserve Bank's (SARB) rate outlook. Export diversification opportunities emerge, but energy costs and rand weakness threaten consumer demand and fiscal stability.

# Energy Shock and Inflation Risk

- Brent crude exceeded $100/barrel, up 20% weekly, due to Strait of Hormuz disruptions amid U.S.-Israeli-Iran conflict. For oil-importing South Africa, this elevates fuel costs, transport expenses, and inflation. A weakening Rand against the U.S dollar, also makes increases in the prices of food and consumer goods inevitable.
- Businesses face compounded risks in logistics and manufacturing, necessitating hedging strategies and accelerated renewable transitions to build resilience against geopolitical shocks.

# SARB Governor on the Outlook and Risks

- Governor Lesetja Kganyago announced that the Monetary Policy Committee (MPC) decided unanimously to keep the repo rate unchanged at 6.75%. He highlighted the need to redraft risk scenarios considering escalating oil prices and rand depreciation triggered by the US-Israel war against Iran.
- Kganyago noted that higher energy prices will raise inflation in the near term. The SARB now expects headline inflation to accelerate to around 4%, with fuel inflation exceeding 18% in the second quarter of 2026.
- The Governor outlined two adverse scenarios tied to the duration of the conflict:
  - A shorter scenario (conflict lasting 2 more months) with oil averaging $100/barrel and the rand 5% weaker, which would still require one interest rate hike this year.
  - A more prolonged scenario (war lasting over a year) with oil remaining above $100/barrel and the rand 10% weaker, implying several rate hikes.

- In both cases, inflation would exceed the upper end of the target band. The Quarterly Projection Model has been updated to show rates remaining unchanged for a longer period, postponing the two rate cuts that were anticipated in the January 2026 projections. The new forecast now implies only one cut in the second half of 2026 (bringing the repo rate to around 6.47% by year-end under baseline assumptions), with risks tilted toward further tightening if geopolitical tensions persist.
- Governor Kganyago emphasised a cautious policy stance, noting that the SARB's prior prudence in rate setting has proven appropriate amid these shocks. While the MPC will continue to assess data meeting-by-meeting, the balance of risks to the inflation outlook has shifted upward due to potential second-round 0-effects from the supply shock.

## South African Exports: Middle East is the Biggest Purchasers

- United Arab Emirates (UAE) and Saudi Arabia are key for fresh produce and minerals, but conflict disrupts shipping, raising costs and delays. Diversification to Africa via African Continental Free Trade Area (AfCFTA) is critical, as U.S. tariffs bite.
- Reliance on Middle East markets, accounting for 15% of non-mineral exports, highlights the double-edged sword of non-alignment: access to diverse buyers buffers Western pressures, yet conflict-induced disruptions could erode competitiveness, urging firms to prioritise AfCFTA integration for intra-continental buffers and reduced exposure to extracontinental risks.

## Economic Indicators

## GDP

- Q4 2025 grew 0.4% q/q (0.8% y/y), lifting annual 2025 to 1.1%, strongest since 2022, driven by finance (1.4%), trade (0.9%), and household spending (1.2%). Q1 2026 outlook clouded by oil shocks.
- This modest uptick signals tentative recovery in a conditional developmentalism framework, where governance-linked investments drive sectoral gains; however, oil headwinds threaten to reverse momentum, amplifying sub-national risks where provincial budgets strain under energy costs, advising businesses to focus on resilient sectors like finance for hedging.

## Risk Dashboard

| Risk | Impact | Probability | Timeframe | Corporate Affairs Relevance |
|---|---|---|---|---|
| Municipal instability (Gauteng metros) | High | High | Immediate | Service delivery, licensing, stakeholder risk |
| Fuel price escalation (oil >$100) | High | High | Immediate | Cost pressures, public sentiment |
| Coalition breakdown (provincial/metro) | Medium–High | Medium | 3–6 months | Policy unpredictability |
| Foreign policy spillover (AGOA, trade tensions) | Medium | Medium | 3–9 months | Market access, reputation |
| Election-driven populism | Medium | Medium–High | 6–12 months | Regulatory tightening, ESG scrutiny |

**END**