



FRONTLINE AFRICA
— ADVISORY —

Local Political and Economic Report

May 2026

Executive Summary

- South Africa’s political and economic environment during May remained broadly stable at a macro-political level, supported by the continued functionality of the Government of National Unity (GNU). However, underlying structural pressures across the political economy continued to intensify ahead of the 2026 Local Government Elections (LGE), creating a more complex medium-term operating environment for business and investors.
- The GNU continues to support short-term institutional continuity, reform momentum and market stability. Yet growing succession politics within the African National Congress (ANC), rising social frustration, infrastructure vulnerability and mounting anti-illegal immigration protests increasingly point toward elevated medium-term political and operational risk.
- Government simultaneously maintained focus on structural reform, infrastructure recovery, energy stabilisation and regional economic diplomacy. Nevertheless, implementation weaknesses, labour-market deterioration, inflationary pressure and declining municipal capacity constrain broader economic recovery momentum.
- For business, the immediate environment remains manageable relative to post-election uncertainty in 2024. However, risks linked to social instability, immigration enforcement volatility, municipal dysfunction, rising utilities costs and political fragmentation are likely to intensify gradually as electoral pressures increase ahead of the local government elections.

Political and Governance Environment

GNU Stability Continues, but Political Pressures are Rising

- The GNU remains operationally functional and continues to provide an important anchor for short-term governance continuity and market confidence. Cooperation between the ANC and Democratic Alliance (DA) has helped contain immediate political instability while preserving broader investor confidence in the policy environment.
- However, renewed legal and parliamentary developments surrounding President Cyril Ramaphosa's Phala Phala matter reintroduced political uncertainty during May. Ramaphosa's decision to pursue judicial review proceedings regarding aspects of the Independent Panel report may prolong political contestation surrounding the Presidency and contribute toward growing institutional distraction over the medium term.
- For business and investors, the primary concern remains less about immediate regime instability and more about the cumulative effects of prolonged political distraction, slowing reform momentum and intensifying succession dynamics within the ANC.
- At the same time, the ANC's recent interventions in Gauteng and the Eastern Cape provincial leadership structures reflected a growing concern within the governing party regarding declining electoral support, weakening governance credibility and rising factional contestation within strategically important provinces.
- The appointment of Gauteng Premier Panyaza Lesufi as provincial convenor, taking over from Amos Masondo, particularly highlights the strategic importance of Gauteng ahead of both the 2026 local elections and the ANC's 2027 elective conference. Masondo, at his age, can hardly be considered an important party arsenal in the lead-up to the elections.
- The Eastern Cape failed to convene a provincial conference, resulting in the disbandment of the provincial structure. It would seem the appointment of Oscar Mabuyane as the provincial task team convenor signals national leadership's confidence in him. The Eastern Cape is the second biggest province in terms of ANC branch representation at national conference. The national leadership would be keen to keep the province intact ahead of the elections and next year's conference. Mabuyane is also a known staunch supporter of President Ramaphosa, and is likely to support Ramaphosa's successor from within the faction.
- Collectively, these developments increasingly point toward a political environment characterised by greater coalition dependence, rising policy negotiation, intensifying succession competition, and growing institutional fragmentation over the medium term.
- Unlike previous electoral cycles where ANC dominance largely guaranteed policy continuity, future political outcomes are increasingly likely to be shaped by coalition bargaining, provincial instability and factional positioning.
- For corporates, this environment may contribute toward slower decision-making processes, policy inconsistency and greater regulatory uncertainty, particularly in sectors dependent on infrastructure delivery, municipal functionality and government coordination.



Conference of the Left



- The SACP's convening of a "Conference of the Left" over the weekend of 29–31 May signals an increasingly assertive attempt to re-anchor left-wing ideological coherence at a time of growing strain within the governing alliance.
 - While framed as a space for ideological renewal and policy coordination among progressive forces, it also reflects underlying tensions within the Tripartite Alliance, particularly regarding the ANC's participation in the GNU and its policy convergence with centrist and market-oriented actors such as the DA.
 - In practical terms, the initiative is likely to intensify internal contestation over the ANC's strategic direction, sharpening debates between reformist, centrist and more orthodox left formations ahead of the 2026 local elections and the 2027 ANC elective conference.
- For the GNU, it introduces an additional layer of ideological pressure that may complicate policy alignment and reform consensus, while for the broader political landscape it reinforces the trend toward fragmentation, coalition politics and competing centres of ideological authority within South Africa's governing ecosystem.

Shifting Power Dynamics within the Democratic Alliance



- Power dynamics within the DA have shifted noticeably following the election of George Michalakis as the new Parliamentary Leader in May. In a clear departure from the leadership style of his two immediate predecessors, the DA Federal Leader has deliberately decentralised authority.
- He is neither leading the DA caucus in Parliament, a role both John Steenhuisen and Mmusi Maimane exercised, nor directing the party's representation in Cabinet.
- This more collegial and distributed model of leadership has been further underscored by the decision not to personally appoint a Chief Whip, a practice previous leaders used to consolidate influence over parliamentary operations and discipline. While this approach may foster broader internal buy-in and reduce perceptions of overly centralised control, -

it also signals that the current DA Federal Leader is unlikely to wield the same degree of personal authority or decisive influence as John Steenhuisen or Mmusi Maimane.

- This decentralisation of authority within the DA is likely to dilute the Federal Leader's direct control over both the parliamentary caucus and Cabinet-facing strategy, shifting real influence further into internal party structures and factional nodes.
- While this may strengthen internal inclusivity and reduce leadership bottlenecks, it also risks weakening the DA's ability to act as a tightly coordinated, decisive opposition force within South Africa's increasingly fragmented and coalition-driven political landscape.

Immigration Enforcement and Social Stability Risks

Government Intensifies Immigration Enforcement Posture



- Immigration politics increasingly emerged as a central feature of the domestic political environment during May.
- Government significantly intensified both its rhetoric and enforcement posture regarding undocumented migration amid rising anti-illegal immigration protests, worsening unemployment pressures and growing public frustration surrounding crime, service-delivery decline and economic exclusion.
- Provincial governments, particularly in Gauteng and KwaZulu-Natal, increasingly framed immigration enforcement as both a governance and socioeconomic issue.
- Enforcement operations targeting undocumented migrants, labour non-compliance and illegal business activity intensified during the month, reflecting both growing public pressure and electoral positioning ahead of the 2026 elections.

Operational and Reputational Risks for Business

- For business, these developments create growing operational and reputational risks, particularly within labour-intensive sectors such as construction, hospitality, agriculture, logistics, retail, and informal trade.
- Businesses employing undocumented labour or operating within economically distressed communities may increasingly face labour inspections, regulatory scrutiny, protest-related disruption, reputational pressure, and localised social instability.
- The spread of anti-illegal immigration mobilisation beyond Gauteng into provinces such as the Free State also highlights the risk of broader social contagion across economically vulnerable municipalities.
- Recent incidents involving unrest targeting foreign-owned businesses demonstrate how socioeconomic frustration may increasingly manifest through community-level instability and disruptions to local economic activity and supply chains.
- While government has responded through visible policing, political messaging and community engagement, uncertainty remains regarding the long-term direction of immigration reform, border management and enforcement policy. This ambiguity may continue fuelling frustration among protest groups while simultaneously contributing toward uncertainty within labour markets and local business environments.

Economic Environment

Inflationary Pressures and Cost Escalation

- South Africa's inflation environment became moderately more constrained during May as headline inflation accelerated to 4.0% in April 2026. The increase was driven primarily by rising fuel prices, utilities costs, transport inflation, food-price pressure and administered tariff increases.
- Housing and utilities costs remain particularly important sources of inflationary pressure as electricity, water and municipal tariff increases continue eroding household disposable income while simultaneously increasing operating costs for business.
- Against this backdrop, the South African Reserve Bank (SARB) Monetary Policy Committee (MPC) on 28 May increased the repo rate by 25 basis points to 7.0%, with the prime lending rate consequently rising to 10.5%. The decision marked the central bank's first interest-rate increase in approximately three years and reflected growing concern regarding rising inflation risks, geopolitical instability and the potential for broader second-round price effects across the economy.
- The MPC's decision was influenced heavily by escalating global energy-market volatility linked to instability in the Middle East, as well as concern regarding rising domestic inflationary pressures. SARB Governor Lesetja Kganyago indicated that the central bank was increasingly concerned about overlapping global shocks, including higher oil prices, climate-related agricultural risks and broader inflation persistence.
- For business, the rate increase reinforces an already challenging operating environment characterised by rising financing costs, elevated utilities and fuel expenses, weak consumer demand, persistent logistics inflation, and slowing household spending momentum.
- Interest-rate tightening is likely to place additional pressure on credit-dependent sectors including property, retail, automotive finance and small business activity over the medium term. At the same time, the decision signals SARB's continued prioritisation of inflation credibility and macroeconomic stability despite weak economic growth conditions.
- Fuel-price volatility remains a significant concern given continued geopolitical instability and uncertainty within global oil markets. Rising fuel costs increasingly function as a broader inflation-transmission mechanism across the domestic economy, contributing toward higher logistics costs, manufacturing-input inflation, food-price increases and distribution-cost escalation.
- For business, this environment continues placing pressure on margins, pricing strategies and operational planning, particularly within logistics-intensive and consumer-facing sectors.



Labour Market Weakness



- South Africa's unemployment rate increased to 32.7% during the first quarter of 2026, while youth unemployment remained above 60%.
- Weak labour absorption continues reinforcing broader social and political pressures, particularly within urban municipalities experiencing rising economic exclusion, declining service delivery, increasing informalisation, and growing political frustration.
- Importantly, unemployment increasingly represents not only an economic challenge but also a social-stability and political-risk variable. Public frustration surrounding jobs, inequality and deteriorating living conditions continues feeding populist political narratives, anti-illegal immigration mobilisation and broader dissatisfaction with state performance.
- From a business perspective, persistent labour-market weakness is likely to continue to constrain household consumption, increasing wage pressure within organised sectors and contributing toward elevated social-instability risks over time.

Infrastructure and Reform Outlook

Structural Reform Momentum Continues

- Government maintained focus during May on structural reform, infrastructure recovery and economic modernisation through Operation Vulindlela and broader public-sector reform initiatives.
- Key interventions are on energy-sector stabilisation, water security, logistics reform, infrastructure maintenance, and regional transport integration.
- Projects such as the Hammanskraal Clean Water Project and the Lesotho Highlands Water Project reflect growing recognition within government that infrastructure deterioration increasingly threatens economic growth, industrial reliability and investor confidence.
- At the same time, implementation constraints remain severe. Weak municipal governance capacity, procurement inefficiencies, corruption risks and infrastructure deterioration continue limiting the pace and effectiveness of reform implementation.
- For business, infrastructure vulnerability therefore remains one of the most significant medium-term operational risks, particularly regarding:
 - Water reliability;
 - Electricity distribution;
 - Road infrastructure;
 - Municipal service delivery;
 - Logistics efficiency.



Foreign Policy and Regional Dynamics

Regional Diplomacy and Immigration Tensions

- Immigration tensions increasingly entered South Africa's regional diplomatic environment during May. Several African diplomatic representatives reportedly boycotted Africa Day events amid concerns surrounding anti-illegal immigration protests and tensions involving foreign nationals in South Africa.
- Although government continues emphasising support for legal migration and regional integration, perceptions of instability may contribute toward reputational strain within parts of the continent.
- This carries potential implications for South African commercial interests elsewhere in Africa, particularly for sectors dependent on regional integration, tourism, financial services, cross-border investment, logistics, and retail expansion.
- At the same time, government continued strengthening regional economic diplomacy and bilateral cooperation with Botswana, Mozambique and other regional partners, particularly regarding trade facilitation, energy cooperation, infrastructure investment, transport-corridor development, and supply-chain integration.
- These initiatives support medium-term opportunities within mining, manufacturing, logistics, agriculture and energy-linked sectors.



South Africa–United States Relations



- Relations between Pretoria and Washington remained sensitive during May amid continuing geopolitical divergence and uncertainty surrounding future trade cooperation.
- The debate surrounding expanded refugee admissions for Afrikaners in the United States contributed toward renewed diplomatic tension, while broader disagreements surrounding BRICS alignment and foreign policy positioning continue complicating bilateral engagement.
- At the same time, bilateral relations appeared to partially stabilise following the formal acceptance of Roel Meyer's credentials as South Africa's Ambassador to the United States by President Donald Trump at the White House during May. The development was viewed as an important diplomatic signal that both governments remain committed to preserving strategic engagement despite recent tensions and political disagreements.

- Meyer subsequently indicated publicly that discussions surrounding allegations of a “white genocide” in South Africa remain politically sensitive and often mischaracterised internationally. The comparatively cordial tone surrounding the ambassadorial engagement may help create space for more pragmatic diplomatic and trade discussions between Pretoria and Washington over the medium term.
- Importantly, uncertainty surrounding the future renewal of the African Growth and Opportunity Act (AGOA) remains a significant medium-term concern for export-oriented sectors including automotive manufacturing, agriculture, mining-linked value chains, and industrial exports.
- Continued preferential access to the United States market remains strategically important for South African export competitiveness, manufacturing investment and broader industrial value chains.
- While diplomatic engagement appeared to improve modestly toward the end of May, continued geopolitical uncertainty and policy divergence may nevertheless contribute toward investor caution and trade-policy unpredictability over time.

Business Outlook

- South Africa’s political and economic trajectory during May reflected a country maintaining short-term institutional stability while simultaneously confronting intensifying structural pressures beneath the surface.
- The GNU continues providing an important stabilising mechanism for governance continuity and market confidence. Structural reform initiatives and regional economic diplomacy also remain broadly supportive of medium-term investment attractiveness.
- However, rising succession politics, Alliance tensions, labour-market weakness, social frustration, immigration tensions, infrastructure deterioration and inflationary pressure continue contributing toward a more fragile medium-term operating environment.
- For business, the key strategic implication is that South Africa is unlikely to experience immediate systemic instability, but operational complexity, regulatory unpredictability and social-risk exposure are likely to increase gradually as electoral pressures intensify ahead of 2026 and ANC succession dynamics accelerate toward 2027.
- Businesses operating within South Africa should therefore continue prioritising:
 - Political-risk monitoring;
 - Labour and immigration compliance;
 - Stakeholder engagement;
 - Municipal contingency planning;
 - Infrastructure resilience strategies;
 - Reputational-risk management.
- Particular attention should be given to municipalities experiencing deteriorating service delivery, labour-intensive operational environments and communities vulnerable to anti-illegal immigration mobilisation and broader socioeconomic unrest.
- Over the medium term, investor confidence and operating stability will depend heavily on:
 - Continued GNU cohesion;
 - Effective implementation of structural reform;
 - Improved state capacity;
 - Management of ANC succession dynamics;
 - Government’s ability to contain social instability while preserving institutional credibility and policy predictability.

Risk Matrix

1. Political & Governance Risks

| Risk | Description | Rating | Direction | Outlook (3–6 months) |
|--|--|--------|-------------|---|
| GNU stability under coalition pressure | Continued functionality of GNU, but rising ideological tensions, succession dynamics and coalition bargaining pressures increasing fragility | ● High | ↑ Worsening | Stable in short term, but fragmentation risk rising into 2026 LGE cycle |

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|--|--|------------|-------------------|---|
| ANC succession & internal fragmentation | Intensifying factionalism ahead of 2027 elective conference; provincial instability (Gauteng, Eastern Cape) | ● Critical | ↑ Worsening | High probability of escalation through election cycle |
| Presidential legal and political contestation | Ongoing Phala Phala-related proceedings and parliamentary/legal scrutiny creating policy distraction | ● High | → Stable/Negative | Sustained institutional distraction likely |
| Coalition-era governance shift | Transition from dominant-party system to coalition bargaining environment increasing policy unpredictability | ● High | ↑ Worsening | Structural long-term shift now entrenched |
| SACP "Conference of the Left" ideological pressure | Increased ideological contestation within Tripartite Alliance; pressure on ANC-GNU policy coherence | ● High | ↑ Worsening | Likely to intensify policy divergence debates |

2. Social Stability & Security Risks

| Risk | Description | Rating | Direction | Outlook (3–6 months) |
|---------------------------------------|--|------------|-------------|--|
| Anti-illegal immigration mobilisation | Rising protests, community mobilisation, and sporadic unrest targeting foreign nationals and informal businesses | ● Critical | ↑ Worsening | High risk of geographic spread and episodic escalation |
| Social unrest in urban municipalities | Unemployment, service delivery failure and inequality driving localised instability | ● High | ↑ Worsening | Likely increase ahead of LGE |
| Xenophobic sentiment spillover | Risk of targeted violence and reputational harm to communities and businesses | ● Critical | ↑ Worsening | Dependent on enforcement consistency |
| Public trust in state capacity | Declining confidence in immigration enforcement and municipal governance | ● High | ↑ Worsening | Structural deterioration over time |

3. Economic & Financial Risks

| Risk | Description | Rating | Direction | Outlook (3–6 months) |
|---|--|------------|-------------------|---|
| Inflationary pressure (fuel, utilities, food) | Rising administered prices and global energy volatility increasing cost base | ● High | ↑ Worsening | Persistent inflation stickiness |
| Interest rate tightening cycle | Repo rate increase to 7.0% increasing borrowing costs and suppressing demand | ● High | ↑ Worsening | Likely sustained restrictive stance |
| Weak labour market | Unemployment ~32.7% and youth unemployment >60% constraining consumption | ● Critical | → Stable/Negative | Structural constraint to growth |
| Household demand weakness | Real income erosion limiting consumer spending and retail volumes | ● High | ↑ Worsening | Continued pressure across FMCG and retail sectors |
| Fuel price volatility | Geopolitical shocks driving logistics inflation and cost transmission | ● High | ↑ Worsening | High external dependency risk |

4. Infrastructure & Municipal Risks

| Risk | Description | Rating | Direction | Outlook (3–6 months) |
|------------------------------------|---|------------|-------------------|---------------------------------|
| Municipal service delivery failure | Water, electricity distribution and | ● Critical | ↑ Worsening | Structural deterioration |
| Water security constraints | Supply instability affecting industrial | ● Critical | ↑ Worsening | Increasing regulatory and |
| Electricity distribution | National generation improved but | ● High | → Stable/Negative | Persistent localised disruption |
| Logistics inefficiency | Port, rail and road constraints | ● High | → Stable/Negative | Slow reform progress |

5. Regulatory & Business Environment Risks

| Risk | Description | Rating | Direction | Outlook (3–6 months) |
|------------------------------------|---|--------|-------------|--|
| Immigration enforcement volatility | Shifting enforcement posture and unclear long-term policy direction | ● High | ↑ Worsening | Regulatory unpredictability increasing |

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|------------------------------------|--|--------|-------------------|---|
| Labour compliance scrutiny | Increased inspections and enforcement in informal and migrant labour sectors | ● High | ↑ Worsening | Heightened enforcement ahead of elections |
| Municipal regulatory fragmentation | Differing enforcement standards across provinces and metros | ● High | → Stable/Negative | Ongoing inconsistency |
| Policy implementation delays | Weak state capacity slowing reform execution | ● High | → Stable | Structural constraint |

6. Foreign Policy & Trade Risks

| Risk | Description | Rating | Direction | Outlook (3–6 months) |
|--|--|------------|-------------------|--|
| SA–US trade uncertainty (AGOA renewal risk) | Uncertainty over preferential access affecting exports | ● Critical | → Stable/Negative | Medium-term structural risk |
| Diplomatic strain from immigration perceptions | Regional sensitivity due to xenophobic incidents and protests | ● High | ↑ Worsening | Risk of reputational spillover in Africa |
| Continental retaliation risk | Potential for African states to adopt symbolic or commercial retaliation measures (e.g. sectoral restrictions, diplomatic cooling, procurement bias) in response to migration tensions and political sentiment | ● High | ↑ Emerging | Low probability but high-impact scenario |
| Global geopolitical fragmentation | US–China rivalry and BRICS alignment tensions shaping trade uncertainty | ● High | ↑ Worsening | Structural global risk |

7. Corporate & Operational Risk Summary

| Risk Theme | Overall Level |
|--|---------------|
| Political instability & coalition dynamics | ● High |
| Social unrest & immigration tensions | ● Critical |
| Economic growth & consumer demand | ● High |
| Infrastructure & municipal capacity | ● Critical |
| Regulatory unpredictability | ● High |
| Foreign policy / trade exposure | ● High |

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