
S&P Global

Market Intelligence

Outlook for South Africa amid Changing Geopolitical Context

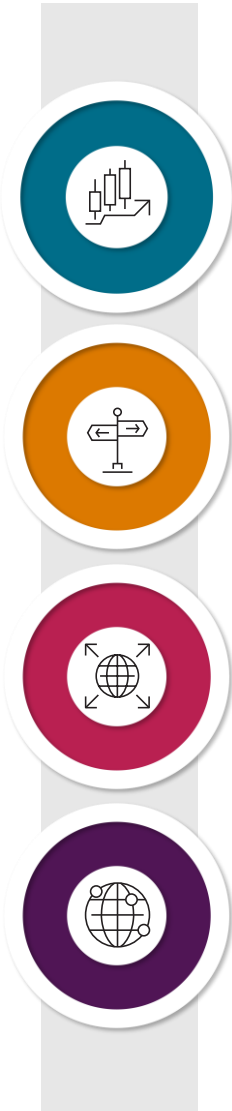
Langelihle P. Malimela, Head of Sub-Saharan Africa: Country Risk

S&P Global Market Intelligence

Q1 2025



Power plays 2025: Selected priority issues to watch



Europe & CIS

- EU institution disequilibria and policy instability risks
- NATO expansion and evolution of European security
- EECA: sanctions vs nearshoring opportunities
- Pathway for reinstating fiscal deficit caps and risks of livelihood protests
- Shaky foundations for global green standard bearer

Asia-Pacific

- Competing for FDI in industrial upgrade, energy transition, supply chain diversification
- Conflicting agenda and escalation risks around South China Sea, Taiwan Strait, Korean peninsula
- Post-election policies on trade, fiscal health and geopolitics in South, Southeast Asia
- Divergence in growth prospects, monetary policy pivot

Latin America

- Brazil positioning food security and climate transition for the 'Global South'
- Critical minerals alignment / development strategy
- Mexico-US post-elections impact on nearshoring
- Venezuela oil related sanctions outlook
- Environmental related concerns impact on supply chains, operations and award of permits

Sub-Saharan Africa

- De facto fragmentation in Sudan. Burkina Faso, Niger, Mali leave ECOWAS, WAEMU remains intact.
- Lower inflation and monetary stimulus boost growth.
- Government of National Unity focuses on enhancing energy, port, rail infrastructure in SA.
- Trade and investment with Middle East partners strengthen.

Middle East & North Africa

- Freedom of navigation through four critical maritime chokepoints
- Iran-Israel confrontation intensifying via Hezbollah
- Intra-regional competition/diversification
- Fiscal discipline amid debt refinancing pressure
- Food insecurity driving government instability and civil unrest risks

North America

- Canada and US elections result in opposition wins, producing major policy changes
- Monetary policy loosening
- Polarized politics: protests and terrorism following contested election
- Environmental, health and labor regulations issued prior to election
- Strict immigration policies create tight agricultural labor market

Republicans to promote protectionism, non-commitment to international institutions and tactical bilateral negotiations

Republican announced policies or those enacted during first term: Protectionism, non-commitment and personal negotiations (entities affected)

Alliances

- More equal alliance structure
- Stress weapons purchases and deployment funding
- Press allies for additional funding

Climate change

- Broke away from Paris Climate Agreement

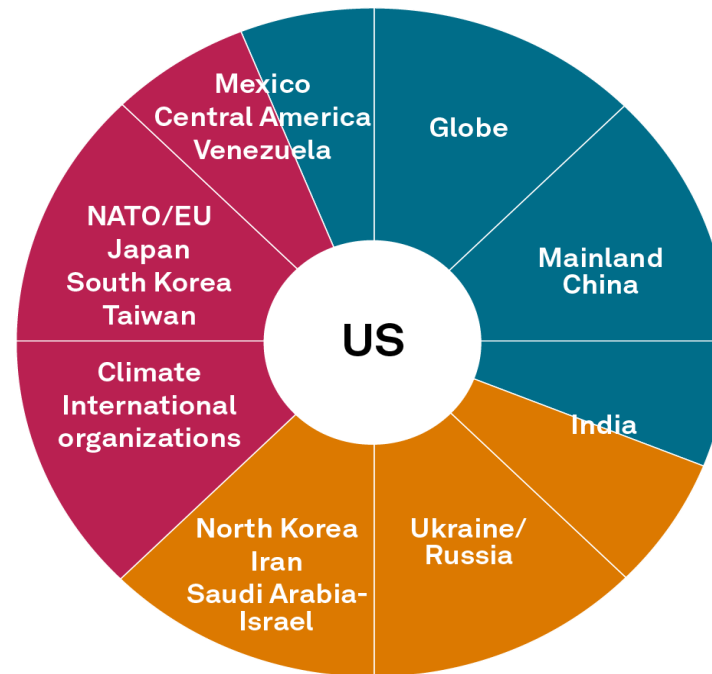
Normalization and nuclear issues

- Met with North Korea leader
- Abraham Accords with Israel

Ukraine policy

- Criticized US financial support for Ukraine
- Encouraged trilateral negotiations
- Resume talks with Russia

- Protectionism
- Personal negotiations
- Non-commitment



Border policy

- Close the border to asylum seekers
- Reenact visa ban
- Detain and deport millions of undocumented immigrants

Development and trade policy

- 10%-20% global tariff
- 15% reciprocal tariffs
- Renegotiate trade agreements (USMCA)

Decoupling from mainland China

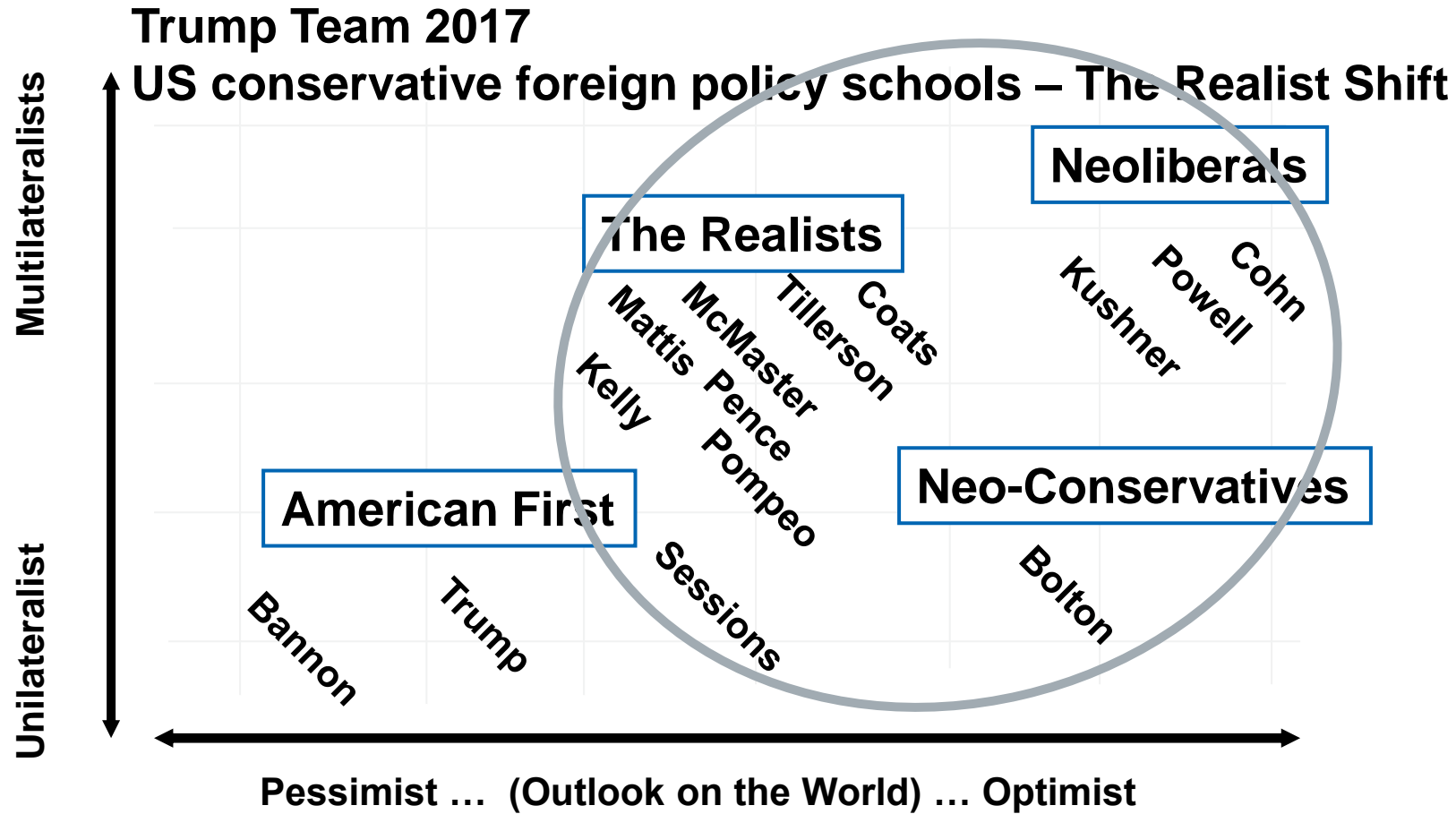
- 60% tariffs on all goods
- Decoupling of key sectors
- End trade preferential status

Indo-Pacific, Quad and AUKUS

- Sought regional engagement as a counterweight to mainland China
- Instituted tariffs on trade partners

As of Sept. 23, 2024.
Source: S&P Global Market Intelligence.
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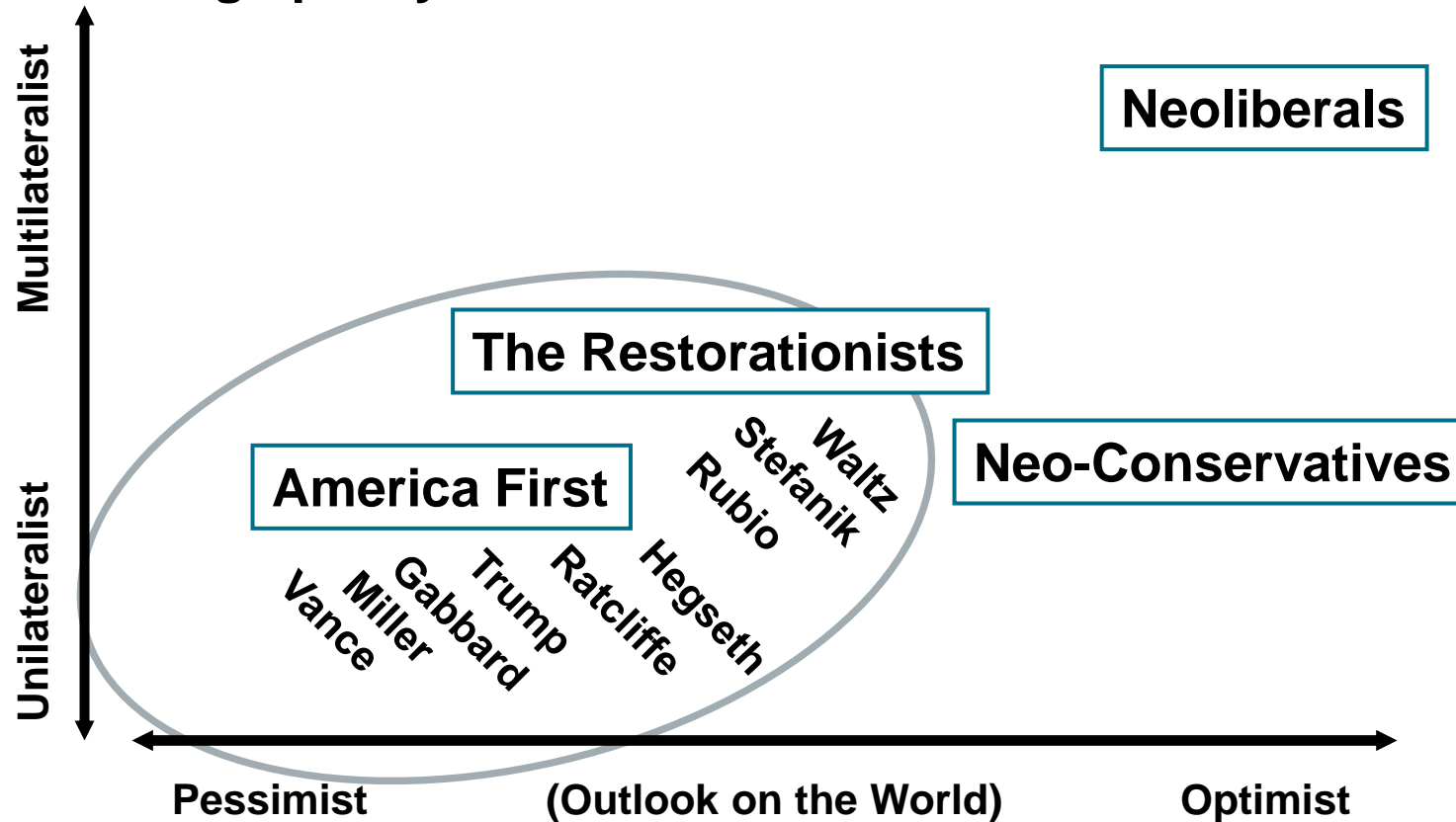
Trump foreign policy: 2017



Data compiled March 2025
Source: S&P Global Market intelligence
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Trump foreign policy team: 2025

US conservative foreign policy schools – America First and Restorationists



Data compiled March 2025
Source: S&P Global Market Intelligence
Data compiled March 2025

Trade agenda: Trump has initiated his protectionism agenda

Trump's tariff strategy

- Force firms to relocate to the United States
- Raise revenue for 2017 tax cut extension
- Escalating tariff to attain other foreign policy objectives (Colombia)

Existing or declared tariffs

- 25% tariff on **Canada and Mexico** imports (introduced March 4)
 - 10% on Canadian energy and critical minerals
- 20% tariffs on **China imports** (first 10% on Feb. 4, second 10% on March 4)
- 25% tariffs on **aluminium and steel** (March 12)
- **Reciprocal tariffs** against trade partners (proposed for April 2)

Other expected tariffs

- **Agricultural** imports (planned for April 2)
- **Automobiles** (planned for April 2)
- Section 232 investigations on **copper** and **lumber** (enactment date unknown)
- Tariffs on **Denmark over acquiring Greenland**
- April 2 reports to address trade imbalances, currency manipulation, and review trade agreements for potential trade remedies
 - **Other target sectors:** pharmaceuticals, electronics, machinery, digital services, energy, and semiconductors

Trump believes US policies on humanitarian aid and climate are detrimental to US interests

Organizations that the Trump administration has stopped funding or has disbanded

- Paris Climate Agreement
- United Nations Educational, Scientific, and Cultural Organization (UNESCO)
- United Nations Human Rights Commission (UNHRC)
- World Health Organization (WHO)
- United States Agency International Development (USAID)
- United Nations Relief and Works Agency (UNRWA)



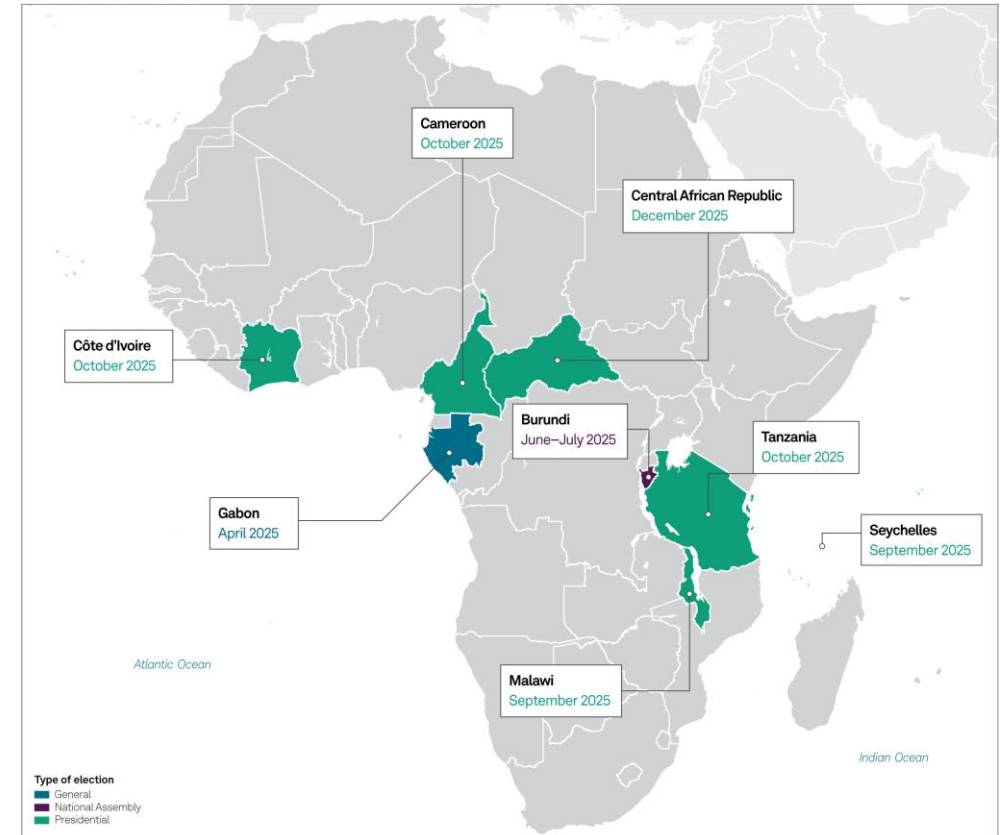
Funding curtailments will probably compound humanitarian and security concerns

- **Sub-Saharan Africa still** largely characterized by policy uncertainty, high debt, low disaster resilience
- **Multiple escalating conflicts** in Sudan, South Sudan, DRC, Ethiopia and Eritrea

Elections

- **Côte d'Ivoire:** Alassane Ouattara remains likely to win a fourth term.
- **Cameroon:** World's oldest leader and second longest-serving president, Paul Biya, is aiming for another seven-year term in October at the age of 92.
- **Tanzania:** President Suluhu Hassan and her ruling CCM party will likely dominate the October presidential and legislative elections.
- **Togo:** Date for the election has not been set. Likely to be postponed

Sub-Saharan African elections in 2025



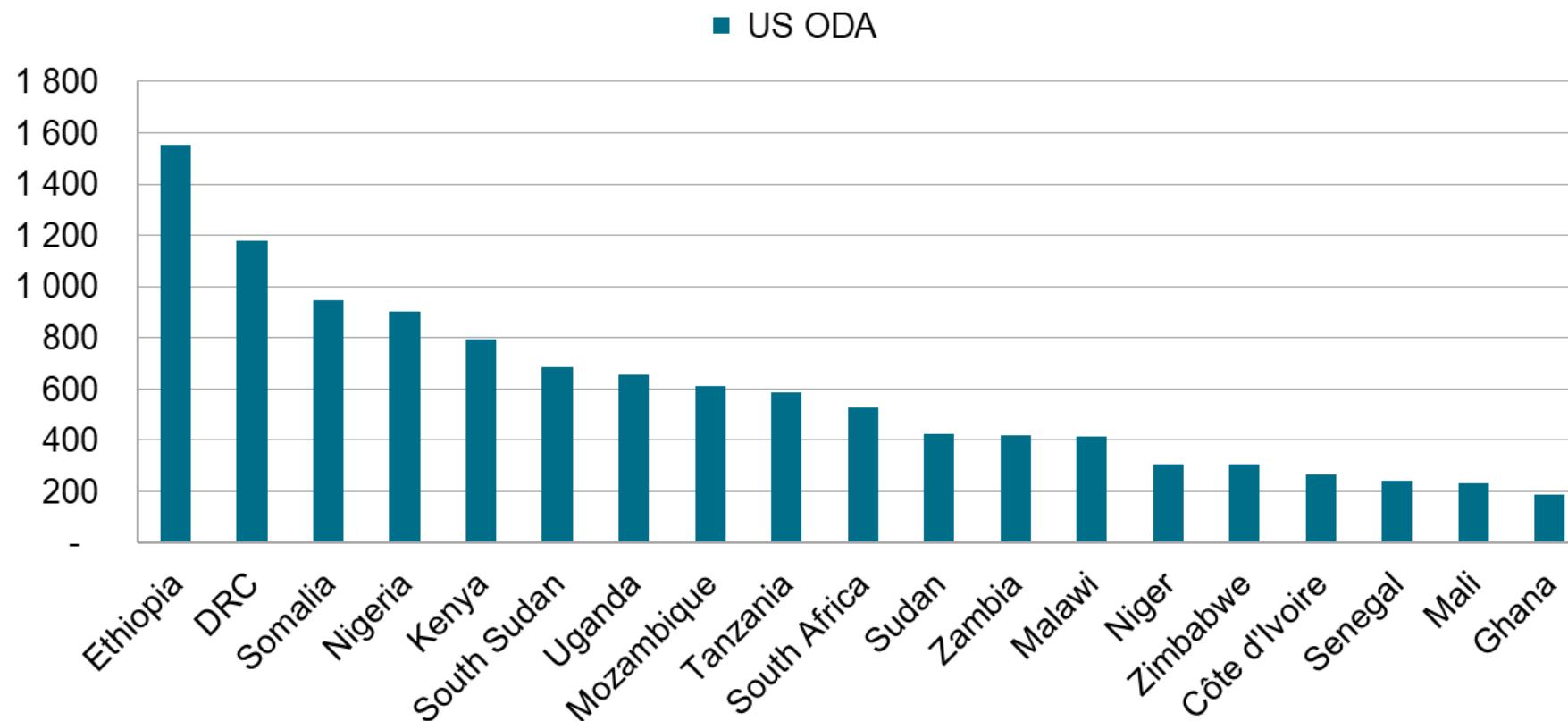
Data compiled Feb. 6, 2025.

Source: S&P Global Market Intelligence: 250363-01.

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Funding curtailments will probably compound humanitarian and security concerns

Top 20 largest recipients of US ODA in sub-Saharan Africa (US\$, million)



As of March 17, 2025.

Source: S&P Global Market Intelligence. World Bank. OECD

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South Africa foreign relations rapidly changing

AGOA/US sanction risks



EU

Germany third largest trade partner.

UK, Nederland's largest holders of foreign fixed investment in SA.

Unlikely to increase foreign aid.

Award \$1.5 billion in green energy transition funding.



US

US second largest trade partner.

Third largest holder of foreign fixed investment in SA. Large technology investor, Microsoft and Amazon.

Suspend all government financial assistance and foreign aid.

Withdrew \$1 billion in green energy transition funding.

Reciprocal tariffs, 2 April. AGOA renewal September 2025



BRICS

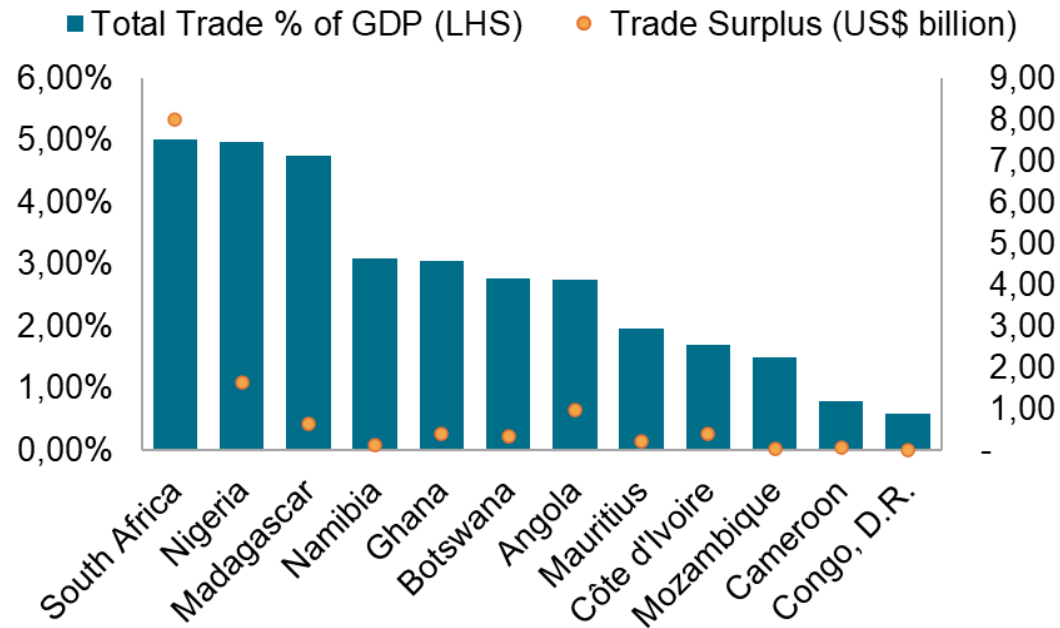
Mainland China largest trade partner.

Mainland China, largest bilateral external lender to SA.

Unlikely to increase foreign aid. Developmental pacts supplemented by increased market access, trade, technology transfers, amongst others.

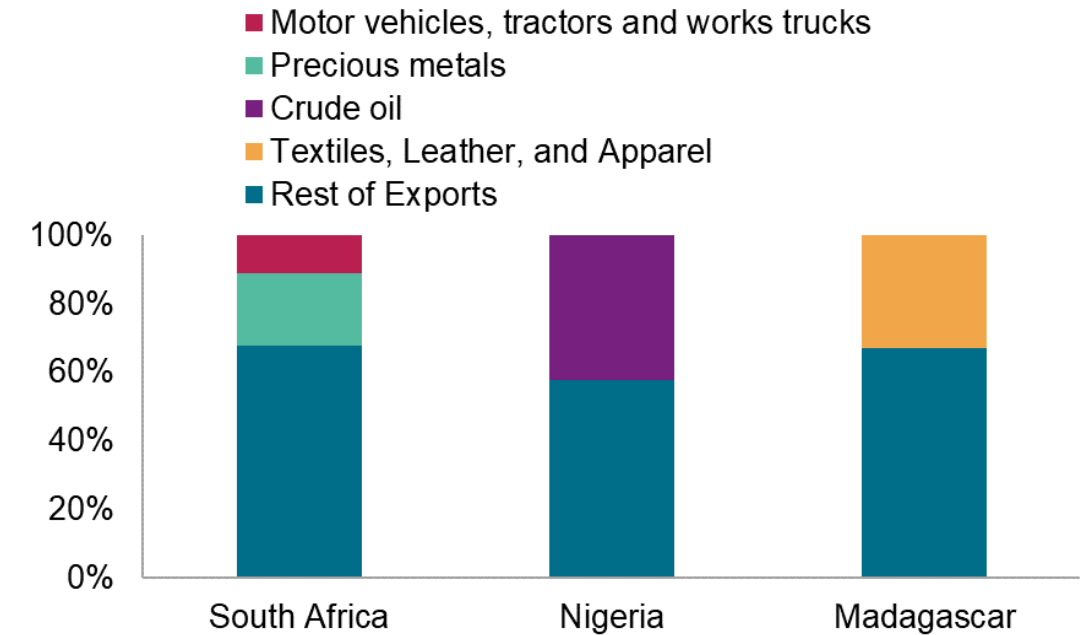
Trump's view on trade likely to affect South Africa more negatively than SSA peers

Top trade surplus countries in Sub-Saharan Africa (US trade as a percentage of GDP)



As of January 22, 2025.
Based on 2024 forecasts.
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Sub-Saharan Africa merchandise export composition to the US (US\$ billion, 2024)



As of January 22, 2025.
Based on 2024 forecasts.
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AGOA access likely to impact Automotives and Agriculture mostly



Vehicles &
Vehicle parts

Textiles

Wine & Citrus

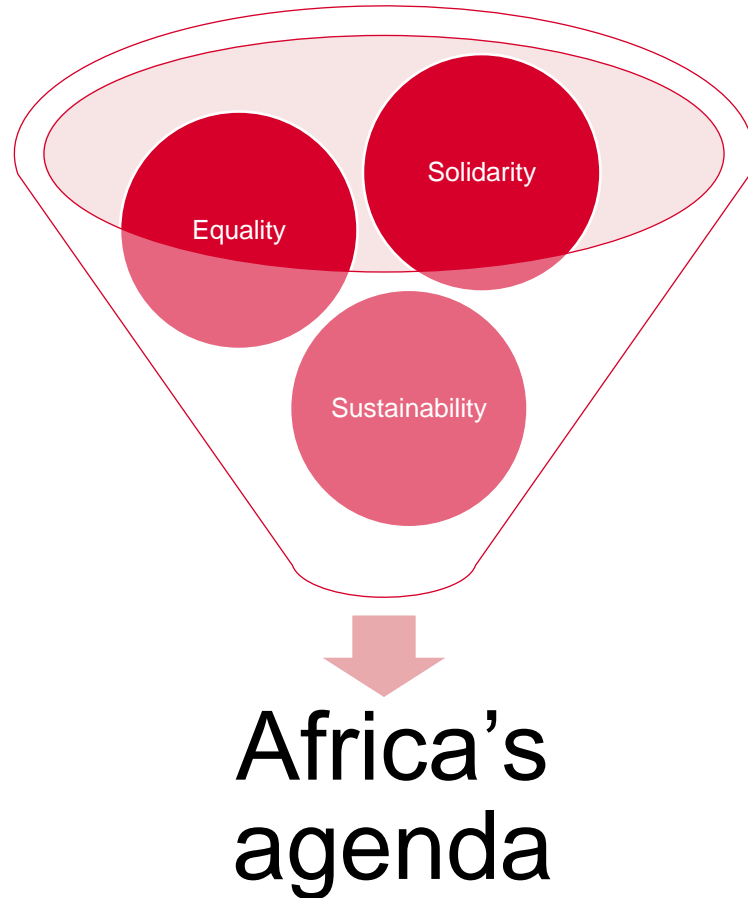
- Approximately ZAR43 billion of trade in vehicles annually dominated by light vehicles and catalytic converters.
- Almost all of South Africa's citrus into the US enters duty-free.
- Approximately 90% of South African wine enters the US market duty free.
- US readying 25% tariff on automotive imports. SA autos already struggling with growth of Chinese imports.
- AGOA impact would not be enormous from a wider GDP point of view, but associated job-losses would hurt SA.

China unlikely to provide significant funding alternatives for sub-Saharan Africa



- China has partially demonstrated an interest in stepping into the breach with cuts on import tariffs.
- Reiterated commitment to climate change initiatives
- Support for World Health Organization (WHO)
- But China unlikely to play direct role in humanitarian matters in sub-Saharan Africa. Even less likely to play a direct role in security matters
- For South Africa, increase in domestic sales of Chinese vehicles (645% since 2018) compounds AGOA and US sanctions threat.

South Africa's G20 Agenda will need BRICS support to gather momentum



- Bringing the Development priorities of the African Continent onto the G20 agenda.
- Focus on disaster relief and climate action, on debt sustainability and restructuring, and on mobilizing finance for the green transition.
- Debt sustainability for low-income countries. Compounds the inability to invest in infrastructure, education, health.
- Sovereign credit ratings review. Ratings must be fair and transparent. Address high risk premiums for developing economies.
- Harness critical minerals for inclusive growth and development.
- Mobilise climate finance for just energy transition

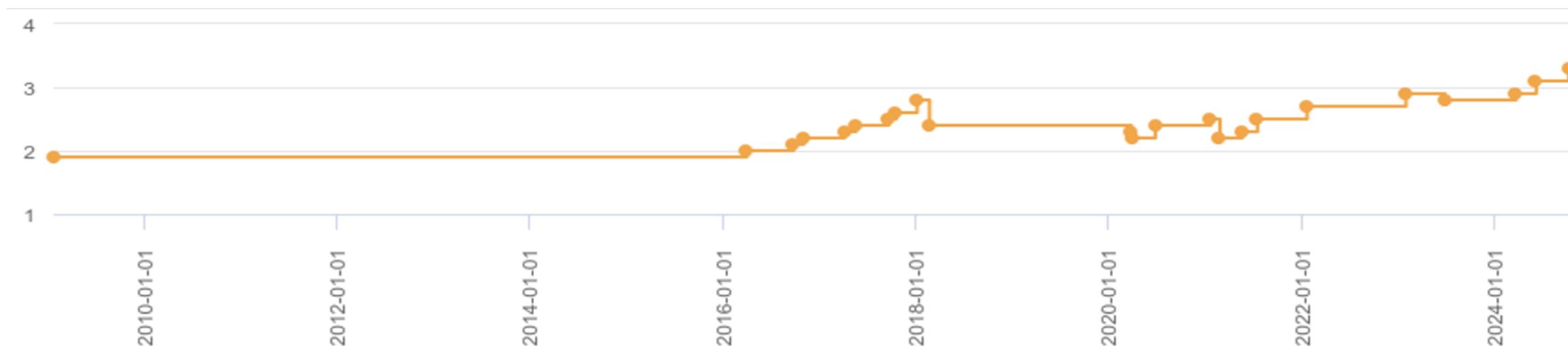
South African Government unlikely to budge on policies to appease US.

- Starlink ambitions in South Africa likely one of the drivers of recent deterioration of bilateral relations
- South Africa's stance on Russia-Ukraine conflict is unlikely to significantly change.
- South Africa's stance on Israel-Hamas conflict likely to partially soften to appease US, but an about turn within ICJ is very unlikely.
- South African government is unlikely to abandon (or rename) the Expropriation Act.
- South Africa will pursue bilateral trade agreement with the US, but to do so, it needs effective bargaining tools



South Africa's risk of instability in government will likely continue to increase (3.3 Very High)

- Divisive battles for succession within the major parties to the GNU will contribute to churn within executive although policy swings of the recent past are less likely.
- Current budget impasse indicative of likely future policy stagnation. Smaller parties will use VAT etc. to frustrate ANC into concessions
- With the radical ideologues in the ANC having, upgrading key network infrastructure. But differences on education and land reform will still undermine unity in the coalition, but it is unlikely to unravel in the short-term



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Key policy reforms to address infrastructure bottlenecks commenced before the May 2024 elections

Implementation will continue under the Government of National Unity (GNU). Potential growth will increase by 1.0-1.5 percentage points.



Energy

Electricity Regulation Amendment (ERA) Bill allows easier to produce and sell electricity in the country.

National Transmission Company South Africa (NTCSA, owned by Eskom) start operating on July 1.

Decommissioning of coal fired power stations extended to 2030 from 2025 previously.

Koeberg nuclear power station license extended for 20-years.



Ports

Development and operation of Durban, Richard Bay and Mossel Bay ports by the private sector.



Railways

Network Statement, which sets the rules for third-party access to the rail network published in January 2025.



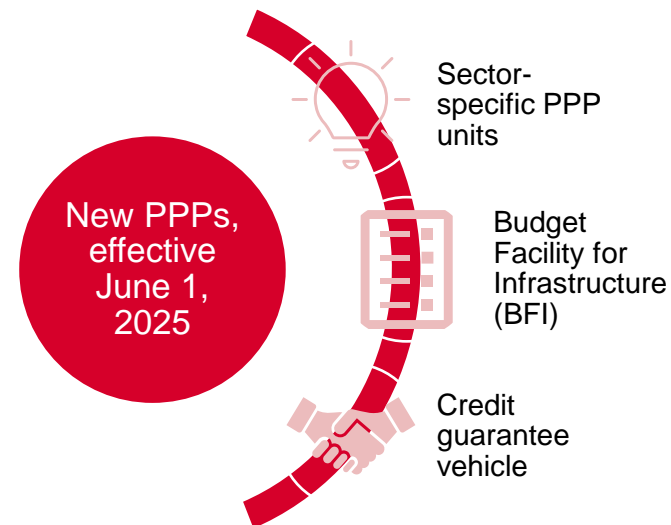
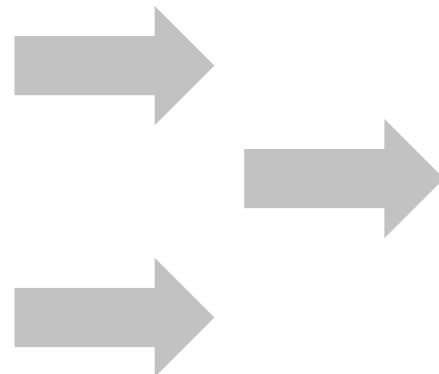
Skills shortages

New remote visa options for foreign workers.



Mining

More needs to be done to address the mining licenses backlog.



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