

AFRICA RISK CONSULTING

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South Africa Summary 12 December 2024

South Africa officially assumes the G20 presidency and begins preparing for the G20 Heads of State and Government Summit, to be held on 22 and 23 November 2025. Holding the G20 presidency will bolster South Africa's international standing but will also make it more difficult for the country to avoid international disputes. Tensions once again increase in the Government of National Unity (GNU) coalition over the Basic Education Laws Amendment (BELA) Act. This dispute has provided an opening for factions within the African National Congress (ANC) to publicly criticise the coalition. Statistics South Africa (StatsSA) reveals that the economy unexpectedly contracted by 0.3% in the third quarter.

South Africa formally assumes the G20 presidency

South Africa officially assumed the presidency of the **G20** intergovernmental forum on 1 December from **Brazil** and will hold the position until the next **Heads of State and Government Summit** which will be held in **Johannesburg (Gauteng Province)** on 22 and 23 November 2025. The G20 comprises 19 major economies, the **European Union (EU)**, and the **African Union (AU)**.¹ South Africa significantly is the only permanent member state from **Africa**.² Holding the G20 presidency and hosting the 2025 summit will elevate South Africa's presence in international affairs over the coming year, especially given that whichever country hosts the event is able to influence the summit agenda.

President **Cyril Ramaphosa** (2018-present) formally accepted the G20 presidency at a ceremony in **Cape Town (Western Cape Province)** on 3 December during which he announced that South Africa has adopted the theme 'Solidarity, Equality and Sustainability' for its G20 presidency.³

However, the more significant event occurred on 10 December when South Africa unveiled its proposed summit agenda at its first G20 Sherpa meeting in Johannesburg.⁴ Sherpas refer to the diplomatic and civil staff who do most of the work preparing for such major summits. South Africa has identified climate finance, debt sustainability for developing countries, inclusive economic growth and the governance of artificial intelligence (AI) as its priority issues for the summit. Other G20 members have widely welcomed these topics.

Although these aforementioned priorities will take up much of the agenda at the November summit, South Africa faces a challenging diplomatic environment in the build-up to the summit. The country's position as G20 president will make it difficult for the South African government to avoid being pulled into these issues.

First and foremost, the **United States (US)** recently elected its former president, **Donald Trump** (2017-2021), back into office. Trump will be inaugurated in January and the Johannesburg summit will come nearly a year into his new term. The US president-elect has already indicated that he intends to return to his verbose and combative approach to foreign policy with an increased focus on implementing trade tariffs.⁵ This approach will aggravate relations between the US and most other G20 nations, especially **China** with whom Trump has repeatedly sought disagreement.

¹ Presidency, 3 Dec 2024

² G20, 12 Dec 2024

³ Presidency, 3 Dec 2024

⁴ News24, 11 Dec 2024

⁵ CNN, 26 Nov 2024

Trump has already threatened to impose a 100% tariff on all **BRICS** member states if the bloc pursues to stated plan to introduce a new currency to rival the US dollar.⁶ The introduction of such a currency is highly unlikely anyway but Trump's threats will raise tensions with BRICS member states which include South Africa as well as other G20 countries such as China, **India**, Brazil, and **Russia**. A more combative and uncooperative US will likely create a more hostile environment at the G20 summit and place increased pressure on Ramaphosa as the host to navigate the interstate relations to ensure a successful summit.

South Africa will also likely need to remind Russia's President **Vladimir Putin** (2012-present) that he cannot attend the summit as South Africa is obligated to arrest him under its commitments to the **International Criminal Court (ICC)**. Thankfully, this should not be difficult as South Africa has already navigated this difficulty when it hosted the **BRICS Summit** in 2023.⁷

Despite these challenges, hosting the G20 summit does present an opportunity for South Africa to bolster its international standard. In preparation for the summit, Ramaphosa and international relations minister **Ronald Lamola** will hold meetings with senior leaders across the world providing opportunities to improve these bilateral ties. In addition, as host, South Africa will be able to extend invitations to non-member states to attend the summit. This provides a rare opportunity for geopolitical largesse that the country can leverage in its favour to build other interstate relationships.

Tensions build within the GNU over education law

Tensions are currently elevated in the **Government of National Unity (GNU)** due to a disagreement over the **Basic Education Laws Amendment (BELA) Act**. This bill was passed before the 29 May election and signed into law by Ramaphosa in September (see *ARC Briefing South Africa Sep 2024*).

GNU members - the **Democratic Alliance (DA)** and the **Vryheidsfront Plus (VF Plus)** - are opposed to two clauses in the act that controversially centralise school admission and language policies. In an effort to alleviate tensions over the matter in September, Ramaphosa delayed the implementation of those two clauses for three months. This period ends on 13 December which has brought this matter back to the fore.⁸

The matter is further complicated by the fact that basic education minister, **Siviwe Gwarube**, is from the DA and has openly expressed her opposition to the bill. In a move that irritated Ramaphosa and the **African National Congress (ANC)**, Gwarube signed an agreement with the trade union **Solidarity** at the **National Economic Development and Labour Council (Nedlac)** to slow the implementation of the relevant contentious clauses after the union lodged a dispute with the council.⁹ As per the Nedlac agreement, the new admissions and language policies will be phased in only once specific national policies, regulations, norms and standards are developed, and until regulations are in place requiring heads of provincial education departments to consider other factors such as the nature of the community in the respective school's immediate vicinity. Proponents of the bill denounced Gwarube's agreement and presidential spokesperson, **Vincent Magwenya** publicly stated that Gwarube had no mandate to reach such an agreement.

This issue has highlighted one of the ANC's major difficulties with the GNU; essentially, the party is no longer the ruling party but rather the largest party in a coalition. In addition, South African cabinet ministers may serve at the will of the president, but they do have an element of autonomy in managing their respective portfolios. The ANC expressed a similar ire when the communications minister **Solly Malatsi** (also of the DA) recalled the proposed **SABC Bill** from parliament last month.¹⁰

These points of dispute have also provided an opening for opponents of the GNU to attack the coalition. A faction within the ANC has reportedly called on Ramaphosa to fire Gwarube but DA leader

⁶ BBC, 1 Dec 2024

⁷ AP, 19 Jul 2023

⁸ M&G, 12 Dec 2024

⁹ Daily Maverick, 2 Dec 2024

¹⁰ Daily Maverick, 14 Nov 2024

and agriculture minister **John Steenhuisen** stated that such an act would endanger the GNU itself.¹¹ Ramaphosa clearly has no desire to allow the GNU to implode given the significant political capital he has invested in it. However, it is evident that the faction within the ANC opposed to its coalition with the DA is growing more vocal. It is also clear, that the ANC is struggling with its reduced power after the May general election even though such coalition governments will be the norm for South Africa going forward and member parties will demand a level of autonomy in their ministerial portfolios.

Economy unexpectedly contracts

Ramaphosa needs to maintain the centrist nature of the GNU as it has proven to be generally popular with investors and credit ratings agencies. As such, maintaining the current coalition government is viewed as essential to reversing the country's current sluggish economic growth. This was highlighted by the fact that South Africa's real GDP unexpectedly contracted in the third quarter (Q3) of 2024.¹²

Statistics South Africa (StatsSA) data indicates the economy declined by 0.3% of real GDP in Q3 (July-September) compared with the same period in 2023. This contraction was primarily due to a sharp 28.8% fall in South Africa's agriculture sector due to the impacts of a recent drought on important cash crops such as maize, soya beans, wheat and sunflowers. This was compounded by weak performance in the transport, communication, automotive, and entertainment sectors.

The negative economic growth was unexpected given that South Africa has not experienced the tolling blackouts known as load shedding since 26 March. Load shedding had placed negative pressure on the economy for several years and, as such, the end of the electricity crisis was expected to usher in a period of stronger and sustained economic growth. However, the poor Q3 economic activity clearly indicates that the country's economy has not recovered from load shedding, at least not sufficiently to offset the country's other deep structural economic challenges. These include high levels of fiscal strain among consumers, poor utility services, deteriorating infrastructure, and inadequate logistics.

Despite the contraction, there are some promising indicators that South Africa's economy will improve in Q4 and into 2025. First and foremost, inflation remains well below the **South African Reserve Bank's (SARB)** (central bank) target threshold of 4.5%. Annual inflation was 2.9% in November; this is 1 basis point higher than the 2.8% recorded in October but still well below the target rate.¹³ As such, the SARB is expected to reduce interest rates further at the next **Monetary Policy Committee (MPC)** meeting on 30 January 2025. Lower interest rates will increase the available credit in the market and could stimulate consumer spending and investment.

Furthermore, the **University of Stellenbosch's Bureau for Economic Research (BER)** has reported that business confidence has steadily increased since March with the BER's **Business Confidence Index (BCI)** reaching 45 points in November from 30 points in March.¹⁴ This is still below the neutral mark of 50 points but indicates an improving sentiment. Similarly, the **BER/ABSA Purchasing Managers Index (PMI)** jumped by 8 points to 36 index points in Q4 marking its highest level since Q1 2022. Furthermore, BER's **Consumer Confidence Index (CCI)** reached a five-year high and confidence among retailers is currently at a three-year high.¹⁵

These indicators suggest that sentiment is improving across the economy even if it is not yet in positive territory. This could suggest a general expectation of improved but moderate economic growth in the coming year.

A look at 2025

Economic issues are expected to dominate South Africa's developments in the coming year. The country is in dire need of improved economic growth in order to prevent its unemployment crisis

¹¹ EWN, 9 Dec 2024

¹² StatsSA, 3 Dec 2024

¹³ StatsSA, 11 Dec 2024

¹⁴ BER, 20 Nov 2024

¹⁵ BER, 9 Dec 2024

from worsening and help maintain its debt-to-GDP ratio which is expected to reach 75.6% in the 2025/2026 financial year. South Africa will also strive to be removed from the **Financial Action Task Force's (FATF)** grey list in 2025 although this is more likely to occur in early 2026.

Political developments will be dominated by the ongoing disagreements within the GNU although the coalition should begin to experience more successes as reforms and management changes begin to take effect. Ramaphosa will likely need to defend the GNU's progress at the ANC's **National General Council (NGC)** which is set to take place sometime in mid-2025. This is the party's leading conference between its elective congresses. The GNU will reveal the balance of power within the ANC and often highlights any opposition to the sitting president. In this case, the NGC may provide insight into who are the frontrunners to replace Ramaphosa as party leader in 2027.

The G20 summit is also expected to be a major driver of developments over the coming year especially given that it will be held in Johannesburg. As such, the government will invest increased resources to prepare the city for the major geopolitical event.

Planner

30 Jan 2025 **Johannesburg (South Africa) South African Reserve Bank (SARB)** (central bank) **Monetary Policy Committee (MPC)** meeting

22-23 Nov 2025 **(South Africa) G20 Summit**

13-15 Dec 2024 **Johannesburg (South Africa) The Economic Freedom Fighters (EFF)** national elective conference;

2025 **(South Africa) African National Congress (ANC) National General Council (NGC)**

Chronology

12 Dec 2024 **Johannesburg (South Africa) News24**. The **Universal Healthcare Access Coalition (UHAC)** healthcare professional group submits an alternate health insurance plan to President **Cyril Ramaphosa** (2018-present);

12 Dec 2024 **Johannesburg (South Africa) ENCA**. **Gauteng Provincial** officials announce that over 500 spaza shops (bodegas) have been closed under the ongoing crackdown on the sector in the province;

12 Dec 2024 **Cape Town (South Africa) News24**. Finance minister **Enoch Godongwana** reveals that the increased cabinet size under the **Government of National Unity (GNU)** coalition will cost the fiscus an additional R239m (\$13.5m) in the 2025/26 financial year;

11 Dec 2024 **Johannesburg (South Africa) Daily Maverick**. The **South African Communist Party (SACP)** holds its special national congress in **Boksburg (Gauteng Province)**;

11 Dec 2024 **Pretoria (South Africa) Moneyweb**. The electricity ministry publishes a Request for Information (RFI) which is considered the first step towards opening South Africa's transmission grid to private sector operators;

11 Dec 2024 **Johannesburg (South Africa) News24**. The **Directorate for Priority Crime Investigation (the Hawks)** announces that it has received R60m (\$3.39m) in support from the private sector to bolster its forensic capabilities;

11 Dec 2024 **Pretoria (South Africa) EWN**. President **Cyril Ramaphosa** and international relations minister **Ronald Lamola** meet with **United Nations (UN)** secretary general **Antonio Guterres**;

10 Dec 2024 **Cape Town (South Africa) Business Tech**. The **National Council of Provinces (NCOP)** passes the special appropriation bill allowing the state to spend R5.12 billion

(\$289.25m) for South Africa's **International Court of Justice (ICJ)** case against **Israel** and the debt related to **Gauteng Provinces'** cancelled **e-Toll** programme;

10 Dec 2024 **New York (United States)** *Financial Times*. The **United States (US)** consulting firm **McKinsey** agrees to pay South African authorities \$122m under a corporate alternative dispute resolution agreement to settle its ongoing corruption case in South Africa related to its contracts with state-owned enterprises;

8 Dec 2024 **Johannesburg (South Africa)** *EWN*. The **African National Congress (ANC)** repeats its desire for South Africa's political funding rules to be amended to increase the R15m (\$850,000) limit on individual donations;

5 Dec 2024 **Cape Town (South Africa)** *News24*. The **City of Cape Town (Western Cape Province)** and the state-owned **Passenger Rail Agency of South Africa (PRASA)** sign a service level plan (SLP) which should bolster rail transport in the city;

4 Dec 2024 **Pretoria (South Africa)** *Bloomberg*. High court in Pretoria rules that the state cannot build any additional coal-fired power plants finding that this would violate the constitutional right to health;

3 Dec 2024 **Pretoria (South Africa)** *News24*. Home affairs minister **Leon Schreiber** reveals that the country's **Border Management Authority (BMA)** is facing a R4.3 billion (\$242.8m) deficit over the medium-term;

3 Dec 2024 **Pretoria (South Africa)** *News24*. President **Cyril Ramaphosa** reshuffles his cabinet to move scandal-hit justice minister **Thembi Simelane** and swop her with human settlements minister **Mmamoloko Kubayi**;

2 Dec 2024 **Johannesburg (South Africa)** *The Citizen*. State-owned electricity utility **Eskom** suspends its interruption notice to the **City of Johannesburg (Gauteng Province)** after the municipality made a R1.3 billion (\$73.23m) payment to settle its arrears;

1 Dec 2024 **Johannesburg (South Africa)** *M&G*. The **South African Communist Party (SACP)** announces plans to contest the 2026 local government elections;

About Africa Risk Consulting:

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