

Macroeconomic Trends in South Africa

August 2025- Edition



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This note highlights South Africa's exports to the world and the USA, annual inflation and interest rates.



I. Introduction

Despite tireless diplomatic efforts by South Africa to reach agreement with the US government, a 30 per cent tariff was imposed on South African exports to the US market, to take effect from 7 August 2025. Although the US accounts for less than 8 per cent of South Africa's total exports, some affected sectors (manufacturing, mining, and agriculture) are vital for value-added production and employment. The South African government is currently responding by deepening negotiations, accelerating market diversification, preparing support measures such as an Export Support Desk and potential incentives for vulnerable sectors like automotive and agriculture. Meanwhile, South Africa's trade with China remains heavily reliant on mineral exports, with minimal high-value manufactured goods, highlighting the need for diversification.

Among positive news, inflation remains subdued and within the South African Reserve Bank's target range of 3–6 per cent, having stayed at or below target since mid-2023.

Finally, the central bank eased further interest rates further to 7.0 per cent in July 2025. As inflation remains subdued, the South African Reserve Bank's Governor sees in this context room for a shift towards targeting 3 per cent inflation, signalling collaboration with the National Treasury on reforming the inflation targeting framework. However, without explicitly rejecting the idea, the National Treasury has expressed caution and concern about the SARB's move, since announcing a lower inflation target is within its purview.

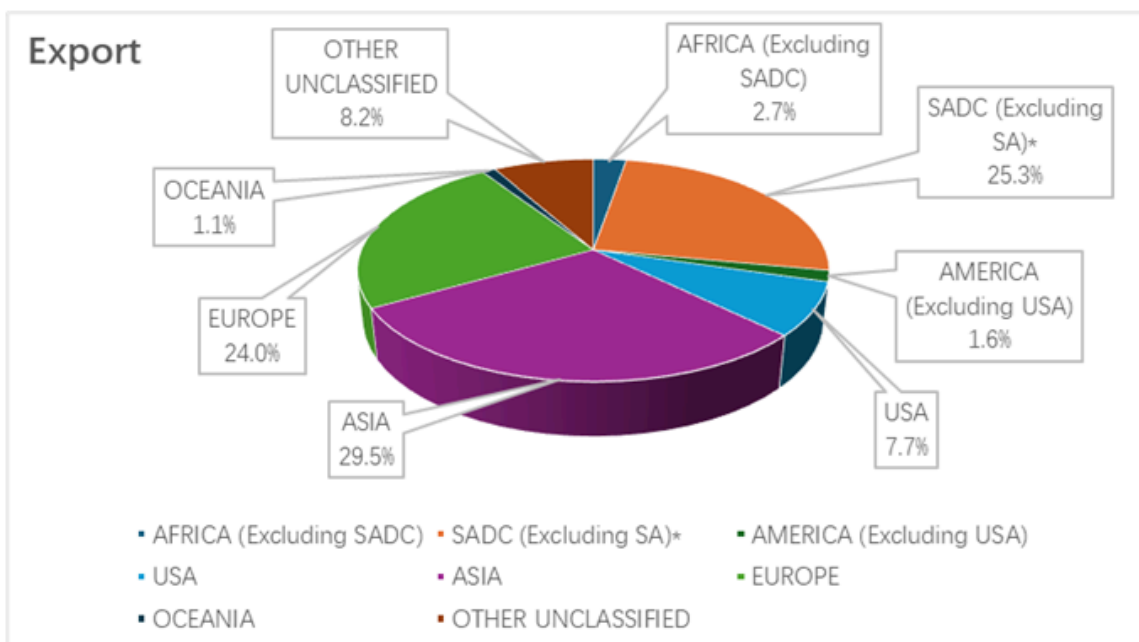


II. South Africa's External Trade

Following the announcement by the US Administration in early April 2025 regarding the imposition of steep tariffs on South African exports to the US, considerable debate has emerged around the potential economic repercussions for South Africa. As highlighted by the South African government, exports to the US represent less than 8 per cent of the country's total export portfolio. In contrast, Asia remains South Africa's largest export destination, accounting for nearly 30 per cent of total exports, followed by Africa at 28 per cent and Europe at 24 per cent (see Figure 1). These figures initially suggest that the direct impact of US tariffs may be limited in terms of South Africa's overall trade balance and broader economic performance.

Nevertheless, South African authorities are undertaking significant diplomatic efforts to engage with their US counterparts in pursuit of a negotiated resolution. Despite these attempts, no agreement has been reached. The US Administration has proceeded with the imposition of a 30 per cent tariff on South African exports, effective from 7 August 2025. A limited number of goods – namely copper, pharmaceuticals, semiconductors, certain critical minerals, stainless steel scrap, and energy products – have been exempted from these tariffs².

Figure 1: South Africa Exports – By World Zones Year 2024



Source: SARS Database.



[2]Daily Maverick, 31 July 2025. At: <https://www.dailymaverick.co.za/article/2025-07-31-trump-tariffs-d-day-for-south-africa-and-its-economic-relations-with-the-us/>

[1]See BBC, 01 Aug 2025. At: <https://www.bbc.com/news/articles/cr74v1dzzxdo>

As a result, negative repercussions are likely for employment and broader socioeconomic conditions in regions where the affected sectors are concentrated. These impacts will be particularly acute given South Africa’s current economic climate, characterised by sluggish growth and persistent high unemployment, which limits the short-term ability of workers and resources to transition to alternative sectors. The situation is further exacerbated by the fact that South Africa’s key competitors in the US market are not subject to equivalent tariff measures. For instance, fruit and citrus exporters from Pacific-coast South American countries, as well as wine producers from Argentina and Australia, continue to enjoy more favourable access. In the automotive sector, the extent of South Africa’s competitive disadvantage remains uncertain, but concerns persist about potential erosion of market share.

Table 1: South Africa's export to the United States: 2024

Section	Section Description	Millions of Rands	Percentage %
1	Animals, Vegetables, Foodstuffs, etc.	10, 260.9	6.5
2	Mineral Products	10,255.0	6.5
3	Chemicals, Plastic, Leather, Wood, etc.	12, 479.3	8.0
4	Textiles, Footwear	643.6	0.4
5	Precious Metal	55, 023.4	35.0
6	Iron & Steel	21,977.8	14.0
7	Machinery	9, 042.8	5.8
8	Vehicles, aircraft & vessels	34, 765.6	22.1
9	Stone, Photographic, Toys, Works of art, Unclassified goods, Equipment Components	2, 616.7	1.7
Total		157, 065.1	100

Source: SARS database.



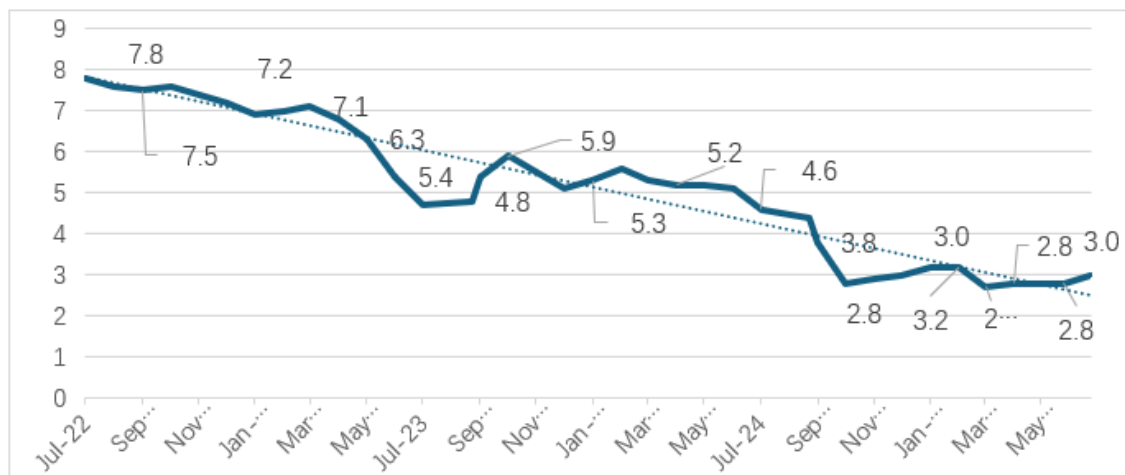
In response to the 30 per cent unilateral tariffs imposed by the United States, the South African government has adopted a multi-faceted strategy focused on negotiation, diversification, and domestic support. The Cabinet has approved and submitted a revised offer to the US to continue diplomatic engagement and secure a reduction in the tariffs, building on a previous framework deal. Concurrently, the government is aggressively pursuing a strategy to diversify its export markets, targeting new opportunities in Asia (including Japan, Vietnam, and Thailand), the Middle East, and India. This effort is supported by new infrastructure, such as trade and agricultural attachés.

To mitigate the economic impact on domestic industries, the government has launched an "Economic Response Package." This includes establishing an Export Support Desk to provide direct assistance to affected companies, creating a Localisation Support Fund to boost competitiveness, and implementing an Export and Competitiveness Support Programme with a focus on working capital and equipment financing. Additionally, the government is exploring the use of trade protection measures to safeguard domestic industries from trade deflection and is collaborating with the Department of Employment and Labour to protect jobs in vulnerable sectors.³

II. Annual Inflation

Annual consumer price inflation edged up from 2.8 per cent in May to 3.0 per cent in June 2025, driven primarily by increases in housing and utilities, as well as food and beverages. Inflation for goods rose to 2.3 per cent, up from 1.8 per cent in the previous month, while services inflation registered a modest increase from 3.6 per cent to 3.7 per cent. Despite this uptick, overall inflation remains subdued and continues to hover near the lower bound of the South African Reserve Bank's inflation target range of 3-6 per cent. As illustrated in Figure 2, inflation has remained within or below the target range for over two years, dating back to June 2023.

Figure 2: Annual Inflation in South Africa – End of Period %



Source: Stats SA (2024a). <https://www.statssa.gov.za/?p=18421>



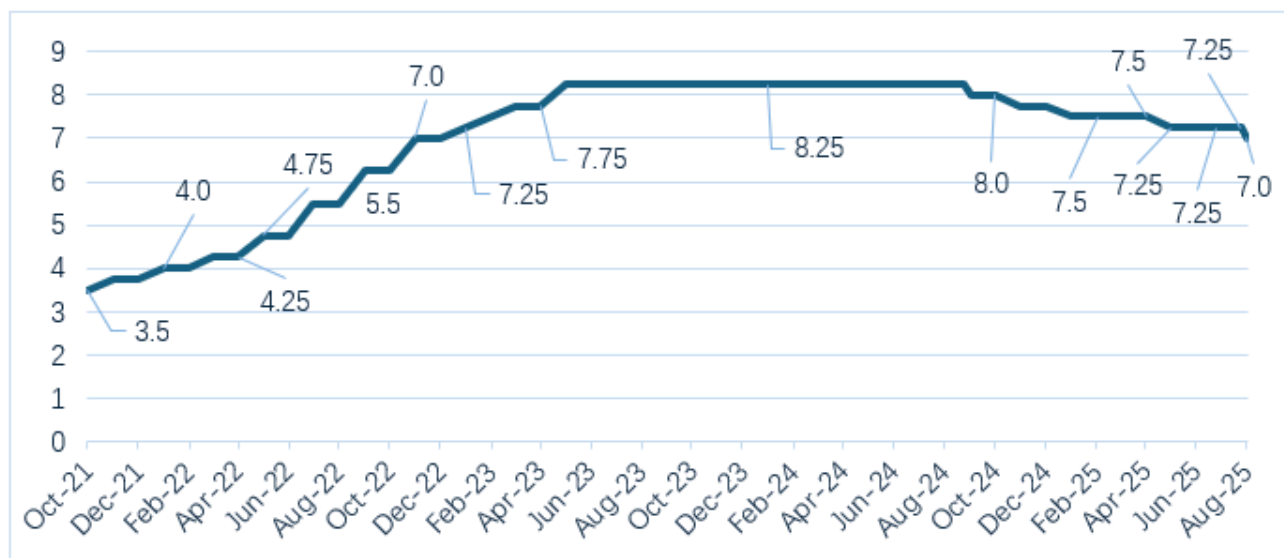
[3] SA News, 01 Aug 2025. At: <https://www.sanews.gov.za/south-africa/sa-continues-enggage-us-over-tariffs>

III. SARB’s Interest Rate in July 2025

The sustained decline in inflation over the past three years has created room for the SARB to begin easing its monetary policy stance. However, the adjustment has been both delayed and modest. The first reduction in the repurchase rate occurred in September 2024, when SARB lowered the rate from 8.25 per cent to 8.0 per cent.

At its meeting on 31 July 2025, SARB’s Monetary Policy Committee (MPC) decided to lower the repurchase rate by 25 basis points, to 7.0 per cent per annum (see Figure 3). This decision reflects the current headline inflation rate of 3.0 per cent, as previously noted, and a core inflation rate of 2.9 per cent, which remains below the target range. The MPC’s move signals its assessment that inflation expectations have moderated, supported by a strengthening rand. Looking ahead, inflation is projected to stabilise around 3.3 per cent for the remainder of 2025.

Figure 3: South Africa’s Repurchase Rates Oct 2021 – Aug 2025



Source: SARB (2025a).

<https://www.resbank.co.za/en/home/publications/publication-detail-pages/statements/monetary-policy-statements/2025/july>

In his statement, the SARB Governor indicated that the Monetary Policy Committee will begin targeting a 3 per cent inflation rate in its future deliberations. Concurrently, the Governor noted that the SARB will collaborate with the National Treasury on a broader reform of the inflation targeting framework. However, it remains unclear whether the National Treasury will fully endorse a shift in the inflation target. Such a change could imply a tighter monetary policy stance, potentially resulting in higher interest rates than would otherwise be warranted, which may carry adverse implications for economic growth and employment.



VI. References

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