

Post-Ramaphosa SOUTH AFRICA: An unscheduled 2023 poll may provoke a currency crisis, with Moscow and Beijing capitalizing to unify BRICS

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South Africa's currency, the Rand, one of the world's major tradable currencies, with a daily average turnover of over \$70 billion USD, (with over 80% of daily trading activity occurring outside South Africa), may experience wild volatility in coming weeks and months as South Africa grapples with the unprecedented political risk of an unscheduled general election in 2023. This new volatility may push the South Africa Reserve Bank to hike rates more than anticipated and tilt the economy into a potentially deeper recession, further complicating the ruling African National Congress (ANC) electoral chances.



Yet in a world where increasingly all the major capitals examine local political events within the prism of the geopolitics of the Ukraine-Russia war, the likely imminent resignation of South Africa's pro-western President Cyril Ramaphosa, and the possible currency crisis that it may engender may see South Africa turn to allies with the BRICS, rather than the IMF for help. Like Turkey, South Africa may yet abandon orthodox policies if a currency crisis threatens to wipe out the country's \$45bn in FX reserves. A turn to the BRICS, particularly China, for an economic lifeline, may yet see the major African state become more firmly anchored in the anti-Western BRICS/SCO geopolitical pole and away from the West.

Regardless of who emerges from the ashes of South Africa's current political crisis — the country, Africa's most industrialized and a member of the BRICS will probably leave any pretensions of an accommodation with the US-led west and tilt more firmly east, either towards Russia, with the election of russophiles, Deputy President David Mabuza, or former head of the African Union Nkosazana Dlamini-Zuma; or towards Beijing with the election of sinophile ANC Treasurer Paul Mashatile or even a caretaker president in Kgalema Motlanthe

If parliament is dissolved and a new election held, the radical and more virulent pseudo-military anti-western party, the Economic Freedom Front, led by former ANC Youth

League Leader Julius Malema may yet become the ‘king maker’ and accelerate the anti-Western tilt.

South Africa’s economy faces multiple headwinds: a more hostile fragmented international trade environment, a decelerating and increasingly de-coupling Chinese economy which will demand less natural resources imports from Africa and a global interest rate environment that is more risk averse. With the global mining sector pivoting away from new major investments in Africa and the South African manufacturing sector continuing to contract, the country’s financial and services sector remains one of the few remaining bright spots into the future, however capital outflows could intensify if the country plunges into an unscheduled election in 2023, with that bright spot threatened with new capital controls and a possible fx crisis.

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