Viewpoint: Tariffs kick in, but ZAR is weathering the storm

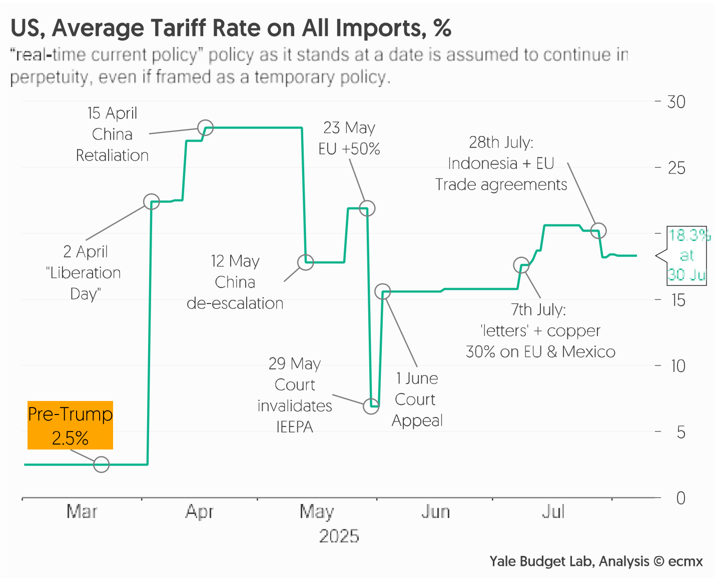
Key points

- South Africa could not secure any meaningful concessions from the US, and the tariffs imposed were at the top end of expectations. This is a blow to the economy, and certain industries will be badly affected. Still, the outcome is hardly surprising given SA's stance towards the US and its decision to move away from its non-aligned position as it strengthened ties with BRICs nations and the likes of Iran.
- Although the US has imposed tariffs on most countries worldwide, SA has been penalised more than most. Such decisions kill any hope of resurrecting AGOA or US aid flowing to the country. These are regrettable developments, but SA played a role in all of this and now bears its consequences. Overall, SA is in a fortunate position to weather the storm due to high commodity prices and attractive terms of trade, so the ultimate impact on the ZAR will be less perceptible than first thought.

Baseline view

The impact on the ZAR of these tariffs will be masked by the strong terms of trade SA enjoys with the rest of the world and the healthy trade surplus SA continues to generate. While that might change in the future as lower interest rates encourage consumption, for now, the ZAR will likely hold its own against a weakening USD.

Tariff uncertainty has made cost analysis nearly impossible



Trump's inauguration ushered in a new era of trade negotiations, dominated by US-imposed tariffs on the rest of the world.

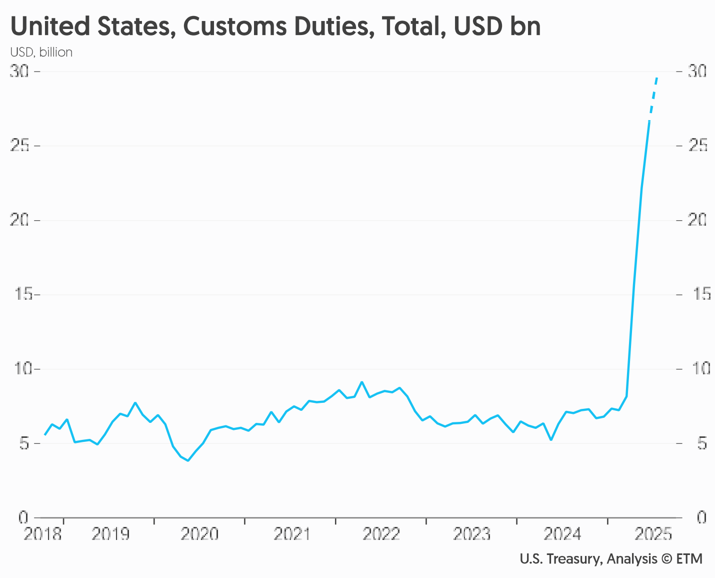
Depending on the state of US relations with a particular country, the size of the US trade deficit with that country and the strategic value that the trade relations offer the US, tariffs will either be ramped up or curtailed.

To describe the last four months as a wild and unpredictable ride is an understatement.

Such has been the volatility in tariff negotiations that it has become extremely difficult to settle on an average weighted tariff rate around which economists and the like can use as a proxy for any impact calculations.

And the latest data produced by the Yale Budget Lab only runs to the end of July, excluding the latest announcements around the 7th of August. The average tariff rate will likely rise from the current level of 18.3%.

US tariff revenue collections are gathering momentum



Since President Trump has imposed tariffs, it is interesting to note the sharp rise in customs duties collected by the US. It is a staggering amount of money that is steadily rising, with the latest data as of the end of July confirming a rise to $29.6bn per month.

With this data not including the latest tariff decisions across more than 180 countries, the amount collected every month will likely rise significantly further. This holds significant implications for the fiscus, and increasingly, investors are starting to understand the quantum of the impact.

The CBO estimates of the budget deficit arising from Trump's "Big Beautiful Bill" amounted to an additional $3.0trln in debt over the next ten years. However, the collected amounts look like they will comfortably offset that and if anything, even contribute towards reducing the US debt pile and shrinking the budget deficit. How long this lasts is the next question that needs debating.

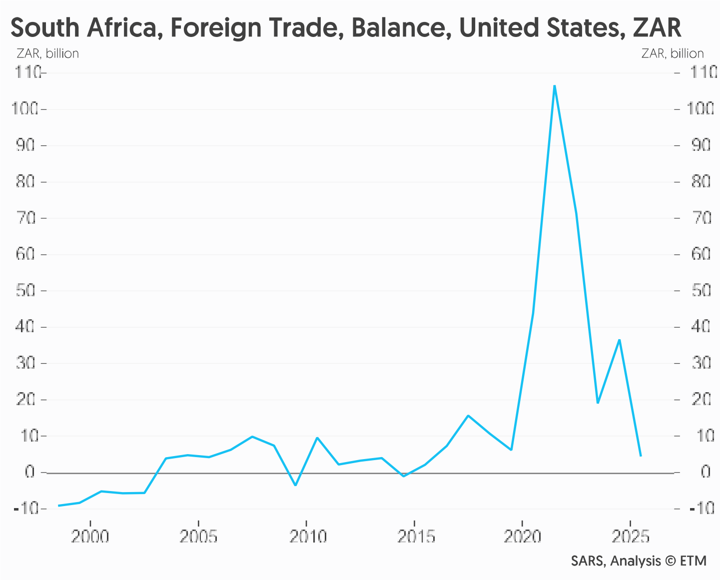
If the tariffs prove to be very successful in curtailing importer demand, then by definition, the amounts collected in customs duties will decline. If demand proves sticky because it's not easy to simply trade away from the imported goods, then much of the revenues could prove sustainable and meaningfully impact the US's fiscal position.

Estimated savings from DOGE

Work in the Department of Government Efficiency is ongoing, even without Elon Musk's contribution. The amount of savings secured so far stands at $200bn. Not all of those are recurring savings, but many are, which would contribute to reducing the budget deficit. Furthermore, the stated objective of this department is to ensure that government funds are wisely spent and efficiencies are extracted through the digitisation of bureaucratic processes that could run on a vastly reduced workforce and improve turnaround times significantly.

Given DOGE's singular focus and the advent of AI's increasingly influential role, it is logical to expect productivity across the public sector to improve steadily over time. The ultimate objective is to shrink the size of the government's burden on the economy. If done successfully, the upside for the US could be significant.

Costs of the tariffs to South Africa



The 30% US tariffs on SA exports, effective from the 8th of August, are projected to significantly impact South Africa's GDP growth, with estimates varying based on direct and indirect effects. A Reuters poll from May 2025 indicates that economists cut South Africa's 2025 GDP growth forecast by 0.3 percentage points to 1.2%, the largest downgrade since early 2023.

Meanwhile, the SARB revised its 2025 growth forecast down to 0.9% in its latest QPM forecast, factoring in tariff impacts, weaker demand and the lower inflation target of 3%. Approximately 1.2% of GDP is affected, with R45.1 billion in exports facing the 30% duty and R46.1 billion in automotive and steel facing 25% under Section 232.

The accompanying chart shows that SA generally has a trade surplus with the US, which spiked during the pandemic. However, that is set to reverse and may dip back into a deficit once the tariffs kick in.

BRICs membership turns from an opportunity into a headwind

Country	April '25 Tariffs	July '25 Tariffs
Brazil	10%	50%
Turkey	10%	15%
Canada	25%	35%
Argentina	10%	10%
Australia	10%	10%
Mexico	25%	25%
Saudi Arabia	10%	10%
United Kingdom	10%	10%
South Africa	31%	30%
India	26%	25%
European Union	20%	15%
Japan	24%	15%
South Korea	25%	15%
Indonesia	32%	19%
China	54%	30%

SA's ANC-led government took great pride in their efforts to join BRICs. It was deemed a strategic move that would align SA with faster-growing economies, aiming to trade away from the USD and diversify its exposure away from the US. The ANC has always identified more closely with communist and Marxist principles, and the idea of aligning with countries like China and Russia resonated with many in the ANC's NEC.

When China's GDP expanded in double-digit increments year after year, this strategic alignment looked easily defendable, bolstering SA's GDP growth through stronger exports. China has indeed become SA's biggest single-country trade partner. However, one look at SA's GDP growth shows that it has not generated anywhere near the kind of GDP growth support that would help SA offset its structural deficiencies.

Furthermore, while SA exports a lot to China, it imports even more and runs a trade deficit with China of approximately R100bn, thereby weakening GDP growth. The alignment SA thought might help generate GDP growth appears to have worked against it and, if anything, has undermined domestic production efforts due to cheap Chinese imports.

The same could be said for India. Once again, SA runs a trade deficit with India, implying that two significant economies within BRICs are actively undermining domestic GDP growth. What makes matters even trickier for SA is that it imports refined petroleum products from India, which currently sources much of its oil from Russia. It is not difficult to draw a straight line conclusion that this will not endear SA to the US, and it is unsurprising that the US has dialled up the pressure on SA.

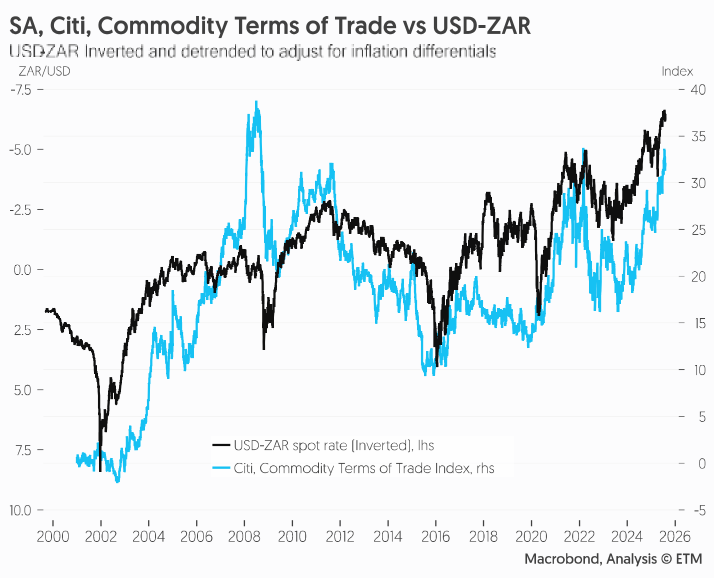
Analysis of the table above shows clearly that BRICs countries have attracted the highest tariffs, with the potential of more to come if President Trump makes good on his threats that he may impose additional penalties on BRICs countries.

South Africa is now reaping the consequences of adopting the following positions, as listed below:

1. Alignment with BRICs that would like to undermine the USD and challenge US hegemony
2. Close relations with Iran, which the US accuses of state-sponsored terrorism

3. Close relations with Russia, despite its attack on Ukraine, apply double standards when it comes to Israel
4. Conducting military drills with China and Russia off the Cape coast
5. Laying a charge of genocide against Israel without acknowledging the original attack on the 7th of October
6. Domestic laws such as BBBEE and EWC, which the US consider racially motivated and against US principles

Terms of trade come to SA's aid

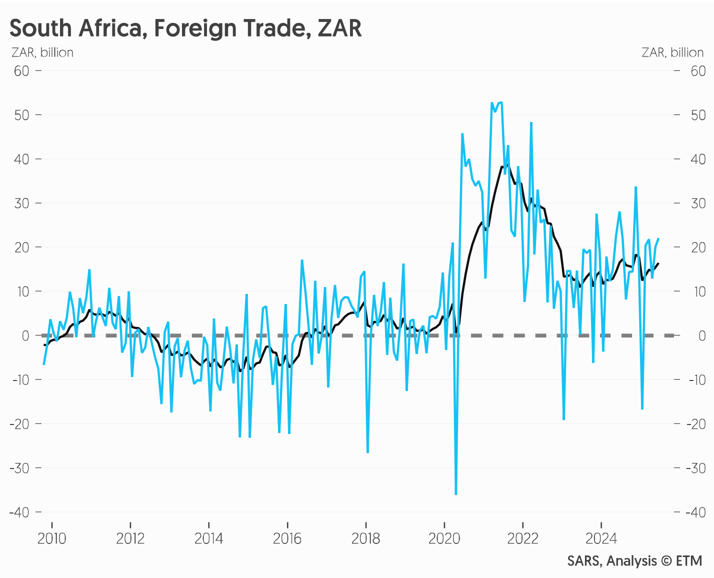


If there was going to be a trade shock, such as the tariffs, now would be a good time for it to happen, and generate a relatively small impact on the USD-ZAR. Commodity prices have remained well elevated and risen to such a degree that terms of trade are amongst the highest in over 15 years.

It means that SA's trade account is shielded and that there is strong support for the trade surplus to remain intact. The accompanying chart shows that the ZAR is trading exactly where it should be, given the country's terms of trade.

Those terms of trade are not about to change any time soon. Furthermore, what minerals are being exported to the US, will be exempt from the tariffs, as such imports of SA minerals are deemed strategically important. This would help explain why the ZAR has not reacted more negatively to the news of these tariffs.

Trade balance to remain in surplus



One of the key indicators that would be affected by the tariffs will be the trade account, so it is worth noting whether the trade balance is in deficit or surplus and to what degree. According to the latest data from SARS, the trade balance recorded a surplus of over R20bn, with the moving average nudging up above R17bn.

This is a healthy surplus and one which can withstand some deterioration. Erosion in demand for SA exports will likely detract from this surplus, but SA's exports to the US are unlikely to drop to zero. Only time will tell how sensitive US demand for SA exports will be given that SA's relative competitiveness will not be as badly affected, given that most other countries were also penalised with tariffs.

Then, the performance of the ZAR could impact overall demand. In other words, there is room for the trade balance to deteriorate and not turn negative for the ZAR.

Conslusion

Ironically, SA authorities are scrambling to try and secure some concessions from the US government when they have actively and consciously taken repeated decisions over decades that contradict or aim to undermine US influence. Thanks to SA's foreign policy positions on the main issues listed above, SA now faces the prospect of ongoing hefty tariffs through the foreseeable future. The impact on SA is not insignificant and will detract from GDP growth. It will also impact through the trade channels as SA's trade surplus comes under further pressure, unable to enjoy the trade surplus to the US it once did.

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