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South Africa: the state power crisis and civil unrest risk

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South Africa's economy in 2025 continues to struggle, with weak growth and mounting structural pressures. The Organisation for Economic Co-operation and Development (OECD) has downgraded growth forecasts to approximately 1.2% for the year. Reuters confirm the government's official forecast has also been lowered, as electricity supply constraints and tariff hikes weigh on businesses and consumers alike.

Unemployment remains critically high. According to analysts, national unemployment exceeds 32%, while youth unemployment continues to hover around 40%, feeding social unease and stunting growth.

Politically, the ruling ANC faces rising internal divisions that weaken President Ramaphosa's ability to push through reforms. Factional battles have allowed opposition groups, such as the Economic Freedom Fighters (EFF) and the MK Party, to gain ground, shifting the political debate toward more radical positions.

Democratic institutions are also under strain. Freedom House reports continued erosion in governance and rule of law, while corruption remains deeply entrenched, as documented by several global corruption monitors.

Investor confidence has also begun to deteriorate. Some of the world's largest investment bank reviews highlight growing caution among foreign investors, while others warn that South Africa's political and economic volatility is actively driving capital toward more stable neighbouring markets.

South Africa 2025: economic, political status compared to previous years

As a result of South Africa's pressured economy, with growth forecasts cut to approximately 1.5% by both the OECD and national authorities, commodity prices have provided some limited support, but inflation volatility, particularly in food, fuel and electricity, continues to strain household finances and business margins. The nation's trust in the police is at all-time lows, which has driven the private security sector. It is said there are now 2.7 million registered private security officers and just 150,000 official police officers.

Unemployment remains persistently high. The overall jobless rate exceeds 30%, with youth unemployment surpassing 40%. Currency instability adds another layer of risk; the South African rand has only just begun to recover from previously experienced volatility against both the US dollar and the euro, as a result of geopolitical tensions. Meanwhile, South Africa's debt-to-GDP ratio is now climbing above 77.4%, narrowing fiscal room for new policy interventions.

Politically, the African National Congress (ANC) faces eroding support as internal factionalism weakens coherence as the country keeps getting poorer. The rise of populist groups introduces further concerns. Governance standards continue to slip, with Freedom House documenting a downgrade in global governance rankings and other major think tanks highlighting persistent systemic corruption.

Compared to the 2020–2023 period, conditions have deteriorated further. Pandemic-era fiscal buffers have been depleted, policy reforms have stalled and institutional capacity continues to weaken.

The Eskom crisis: anatomy of persistent blackouts

The South African public electricity utility, Eskom, continues to suffer chronic instability and by extension, further undermines the country's economic performance. Much of the state utility's infrastructure is decades old, with several power plants exceeding 40 years in service life. Years of underinvestment in maintenance, combined with widespread technical failures and non-technical losses such as theft and grid sabotage, have made reliable power delivery increasingly difficult.

For winter 2025, Eskom forecasts that a Stage 5 load shedding may occur if unplanned maintenance breaches 13 GW of generation capacity. Although the company has introduced some risk mitigation measures, rolling blackouts remain highly probable through the colder months.

Recent severe cold fronts have already triggered further outages, compounding the issue. Private generation and alternative energy investments have expanded, but their scale remains insufficient to offset Eskom's systemic weaknesses.

The economic fallout is substantial. Supply chain interruptions disrupt exporters and manufacturers, while SMEs lacking backup infrastructure are particularly exposed. Investor caution has intensified as operational risks increase, reducing domestic reinvestment and heightening concerns about long-term viability.

Political scandals: eroding institutional legitimacy

South Africa's political credibility remains strained under the weight of ongoing corruption scandals. Investigations into ANC-linked procurement fraud have continued into 2025, particularly where irregularities in government contracts and state-owned enterprises are concerned. Eskom remains central to these investigations, with allegations that senior government officials were involved in manipulating tender processes for personal and political gain.

The broader shadow of 'State Capture' still hangs over South Africa, despite the high-profile Zondo Commission findings. While the commission documented extensive institutional abuse, implementation of its recommendations has been skewed, and many key actors have evaded prosecution or accountability.

President Ramaphosa's anti-corruption mandate has lost momentum, undermined by internal party resistance and factional rivalries. Opposition parties have seized on the corruption narrative to broaden their appeal and capitalise on the public frustrations over the perceived lack of accountability and transparency.

Inequality and rising civil unrest risk

The country remains one of the most unequal societies globally. The Gini coefficient remains among the highest in the world, reflecting persistent disparities in wealth, access to services and opportunity. Youth unemployment, already severe, remains the primary driver of social frustration. Basic service delivery failures have further fuelled unrest. In 2025, protests in Diepkloof resulted in fatalities, highlighting the rising tensions over local governance failures. Poorer communities face the compounded effect of load shedding, rising food prices and inflationary pressures that are eroding already fragile living conditions.

Civil disruption risks are becoming more organised and co-ordinated. According to Human Rights Watch, if grievances continue unaddressed, youth-led protests could escalate both in frequency and scale. Freedom House also warns that unresolved institutional weaknesses could further encourage violence and looting, especially with national elections approaching in 2026. Analysts describe this growing unrest as a "*storm brewing*" driven by a highly mobilised youth population.

Investor retrenchment and BRICS reputational risk

Investor sentiment toward South Africa has weakened considerably. European pension funds and international asset managers have started reducing exposure, citing political instability and unreliable power supply. Multinationals are delaying capital expansion projects, particularly in manufacturing and resource sectors, while local property markets have seen rising capital flight into safer nations, such as Mauritius and Namibia.

Strategic business relocation trends are now being seen. Both JLL and PwC report growing investor interest in alternative Sub-Saharan African markets, where political and operational risks are believed to be lower. Botswana, Kenya and Zambia are increasingly viewed as more stable for sectors such as logistics and mining.

The country's position within BRICS is also facing growing strain. New members Egypt and Ethiopia have openly challenged South Africa's preferential status, raising concerns about its leadership role in the bloc. If domestic instability persists, South Africa risks further dilution of its influence, potentially losing its position as a gateway for BRICS-aligned investment into the continent.

Conclusion

South Africa enters a period of elevated risk that will demand far sharper attention from investors and operators. The potential for civil unrest to evolve into broader political chaos cannot be dismissed, particularly as the 2026 elections draw closer. Further, Eskom's fragility remains a central threat. Any sharp increase in unplanned outages could bring grid failure scenarios closer to reality, disrupting industrial output and weakening investor confidence even more.

The country's fiscal position remains fragile, leaving it vulnerable to rating downgrades if spending pressures rise without corresponding growth. Capital controls or sudden currency volatility remain risks that could emerge with little warning.

Despite this, South Africa remains a gateway market into the continent with substantial resources and established financial infrastructure. But the gap between optimistic BRICS narratives and the domestic reality is widening. Sensible investors will calibrate their exposure accordingly, balancing opportunity against a deteriorating domestic environment that no longer offers reliable predictability.

KCS Group International (KCSGI)

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