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The macro signal



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Counting the wider cost of SA's AGOA exit

A trade relationship under growing strain

South Africa (SA) was among the original beneficiaries of the African Growth and Opportunity Act (AGOA), designated on 2 October 2000. The programme offered qualifying exports preferential access to the United States (US) market and facilitated trade between SA and the US for more than a quarter of a century.

> *On 2 November 2026, Washington announced its intention to remove SA and Rwanda from the programme from 1 January 2027. SA's exclusion would end roughly 26 years of eligibility and close an established channel of economic cooperation.*

The decision follows a period of increasingly strained relations. Disagreements over SA's domestic policies and international alignments have widened the distance between Pretoria and Washington. In February 2025, the US administration ordered a halt to aid and assistance, subject to exceptions, citing objections to the Expropriation Act, SA's case against Israel at the International Court of Justice and its relations with Iran. These were Washington's stated grounds, rather than an agreed assessment of SA policy.

The latest AGOA decision similarly extends beyond tariffs. The US cited barriers to American trade and investment, corruption, and threats to its national security and foreign policy interests.

Limited but uneven economic impact

Despite its diplomatic significance, we view the immediate economic impact as a limited, incremental trade shock.

> *Losing AGOA eligibility removes preferential tariff treatment for qualifying goods, but SA exporters retain access to the US market. Other US tariffs have already eroded much of the programme's value.*

According to SA government figures, AGOA exports accounted for approximately 10% of exports to the US in 2025, down from 28% in 2024, and roughly 1% of total merchandise exports. Their value fell from about US$4 billion to US$1.7 billion over the same period. The additional economic impact should therefore be considerably smaller than that caused by the broader tariff measures already imposed.

> *That relatively small aggregate exposure can conceal more substantial pressure on particular industries and communities.*

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Agricultural exporters, producers of processed foods and certain manufacturers are likely to face the greatest exposure, along with their suppliers and logistics providers. Many directly affected businesses are unlisted, meaning the consequences for employment and regional economic activity could be greater than movements in the equity market suggest. The automotive industry has historically benefited from AGOA, although separate US tariffs have already substantially reduced that advantage.

For listed companies, investors should assess how much SA production is shipped to the US, which products still benefit from AGOA and how easily customers could switch suppliers. Revenue derived from the US alone is an inadequate measure of exposure. A company manufacturing within the US faces a different risk from one exporting from SA, while some goods already enter duty-free under ordinary tariff rules. Where exposure remains, price concessions, weaker demand and lower production volumes could squeeze earnings and margins. Falling orders could also affect businesses further along the supply chain.

> *The additional tariff burden will vary by product. Business Unity South Africa (BUSA) estimates that losing AGOA would increase tariffs on goods covered by the programme by approximately 3.6 percentage points.*

This is an increase on affected products, rather than a new tariff on every SA export. Although US importers pay the duty, the economic cost can be shared among importers, consumers and SA suppliers. Buyers may demand lower export prices, accept thinner margins or increase selling prices. The eventual split will depend on contracts, competing suppliers and customers' willingness to pay more.

A weaker rand could cushion exporters' rand-denominated revenue, although imported inputs and currency hedges may limit the benefit. Redirecting exports offers another route, but replacing established customers takes time. Alternative markets may require regulatory approvals, different product specifications and new distribution networks. Exporters may also have to accept lower prices or higher transport costs. Diversification can reduce dependence on the US over time, but it is unlikely to offset every lost order immediately.

> *The greater concern may emerge through investment decisions. Companies commit capital against expected returns over many years. Less predictable access to a major export market can increase the return required to justify investment or encourage multinational companies to allocate production elsewhere.*

The effect may appear gradually through postponed expansions, smaller projects or production mandates awarded to other countries. These decisions could ultimately matter more for SA's productive capacity than the immediate tariff cost.

As such, beyond export data, investors should assess whether announced capital expenditure translates into actual spending. Management commentary on new contracts, customer orders, capacity utilisation, hiring and project approvals will indicate whether uncertainty is affecting decision-making. Continued government engagement with Washington, supported by tangible progress on market access, would help contain the risk. Improvements in ports, rail, electricity supply and municipal services would also strengthen SA's investment case by reducing costs and improving the reliability of production.

Financial market impact likely to remain limited for now

For financial markets, AGOA exclusion alone is unlikely to justify a large and lasting repricing of SA assets. Direct export exposure is limited and the possibility of exclusion had already been widely discussed in financial markets.

> *A more adverse outcome would arise if the announcement were followed by wider restrictions or a sustained deterioration in investment prospects.*

Under those circumstances, the rand could weaken, bond yields could rise and investors could demand a higher premium for holding SA assets.

Over the next six to twelve months, the most useful indicators to assess the effect of exiting AGOA will be export volumes at a product level, earnings guidance, actual capital expenditure and developments in market-access negotiations. Foreign purchases of local bonds and equities, sovereign credit spreads and the rand's performance relative to comparable emerging market currencies can help distinguish an SA-specific deterioration from broader global market movements.

While the direct trade shock is likely manageable, the implications for confidence justify closer attention. Portfolio decisions should reflect companies' actual export exposure, pricing power and investment commitments. A broader increase in SA's risk premium would become more likely if diplomatic friction translated into additional restrictions, lost production or persistently weaker capital inflows in the context of a less predictable economic relationship with the US.

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