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COMMENTARY

US President Donald Trump's
second inauguration Speech:
Economics related key takeaways

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US President Donald Trump's second inauguration Speech Economics related key takeaways

1. Introduction

President Donald Trump's second inauguration on January 21, 2025, marked the beginning of a renewed economic strategy with far-reaching global implications. His speech emphasized key economic policies, including an aggressive stance on energy production, corporate investment shifts, and a protectionist trade approach. These measures, coupled with the strengthening of the U.S. dollar, have had immediate effects on global markets, including South Africa. This commentary explores the economic takeaways from Trump's address, analysing their impact on the business sector, market reactions, and South Africa's economic stability.

2. Discussion

US President Donald Trump's second inauguration on January 21, 2025, introduced several economic policies with potential global implications. Key takeaways include:

2.1. Energy Policy and Trade

In his inaugural address, President Trump declared a national energy emergency, emphasizing a shift towards increased domestic oil and gas production. He announced plans to "drill, baby, drill," aiming to make America a leading manufacturing nation by leveraging its vast energy resources. This strategy includes exporting American energy worldwide and revoking the electric vehicle mandate to support the auto industry. Additionally, he proposed overhauling the trade system to protect American workers, introducing an External Revenue Service to collect tariffs and duties, thereby increasing revenue from foreign sources (Reuters, 2025).

2.2. Corporate Investment

The administration signalled a need for large American companies to reduce expenditures on stock buybacks and dividends, encouraging increased investment in infrastructure, technology, and equipment. This reallocation of corporate capital is intended to spur economic growth and maintain U.S. economic dominance, particularly in sectors like artificial intelligence and energy (Reuters, 2025).

2.3. Market Reactions

Following the inauguration, the U.S. dollar strengthened, impacting global currencies. The South African rand, for instance, retreated by 0.6%, trading at 18.6150 against the dollar. This



movement reflects the rand's sensitivity to global fiscal policies and domestic factors (Reuters, 2025).

2.4. Business Community Response

The global business community is adapting to President Trump's policies. At the World Economic Forum in Davos, leaders expressed cautious optimism, recognizing that while his nationalist policies pose challenges, engaging with the administration is crucial. Notably, several top U.S. business executives, including Mark Zuckerberg and Sam Altman, chose to attend the inauguration over the Davos summit, indicating a strategic focus on aligning with the new administration's direction (Reuters, 2025).

These developments suggest a significant shift in U.S. economic policy, with potential ripple effects on global trade, energy markets, and international relations.

2.5. South African rand retreats against dollar after Trump inauguration

South Africa's rand retreated against a buoyant dollar on Tuesday after U.S. President Donald Trump announced a flurry of policy changes following his Monday inauguration (Reuters, 2025).

The rand traded at 18.5325 against the U.S. dollar, about 0.1% weaker than its previous close. The rand had gained about 1% on the Monday ahead of Trump's swearing in. The dollar last traded about 0.2% stronger against a basket of currencies (Reuters, 2025).

Like other risk-sensitive currencies, the rand often takes direction from global drivers like U.S. fiscal policy in addition to local factors (Reuters, 2025).

Domestically, South Africa's mining output fell 0.9% year on year in November compared to a revised increase of 1.1% (Statistics South Africa, 2025).

Focus on Monday, January 20, 2025, will be on South Africa's December inflation data, with economists polled by Reuters forecasting an annual rate of 3.2% (Reuters, 2025).

On the Johannesburg Stock Exchange, the blue-chip Top 40 index closed about 0.2% higher (Reuters, 2025).

South Africa's benchmark 2030 government bond was stronger, with the yield down 7.5 basis points to 9.095% (Reuters, 2025).



2.6. Implications for South Africa Going Forward

With President Donald Trump's renewed nationalist policies and an increasingly protectionist U.S. economic stance, South Africa faces several potential challenges in its trade and economic relations.

2.6.1. Trade Impact

The shift towards economic nationalism and hostility towards BRICS nations may affect South Africa's trade partnerships. The U.S. administration's protectionist stance, along with increased tariffs and duties, could create an unfavourable trade environment. Given South Africa's reliance on exports, particularly in key industries such as mining and manufacturing, increased barriers to trade could disrupt economic growth and market stability.

2.6.2. African Growth and Opportunity Act (AGOA) Membership at Risk

A critical concern for South Africa is the potential threat to its membership in the African Growth and Opportunity Act (AGOA). The U.S. government's focus on prioritising American workers and industries may lead to a reassessment of AGOA, potentially resulting in South Africa's exclusion. Such a move could have severe consequences for the South African economy, particularly in the automotive industry, which benefits significantly from duty-free access to the U.S. market. If AGOA benefits are revoked, the loss of market access could lead to job losses and economic downturns in related industries.

2.6.3. Global Political Architecture

The broader geopolitical shifts resulting from Trump's policies also impact South Africa's position in the global political landscape. As the U.S. distances itself from multilateral agreements and organizations, South Africa may need to reassess its international alliances. The hostility towards BRICS nations could strain diplomatic and economic ties, requiring South Africa to navigate a complex global environment while maintaining beneficial relationships with both Western and emerging economic blocs.

2.6.4. Economic Stability and Investor Confidence

Market reactions to Trump's policies have already influenced the South African economy, with the rand weakening against the dollar. Continued uncertainty surrounding U.S. trade and investment policies may lead to capital flight and reduced foreign direct investment. South Africa must implement proactive strategies to mitigate these risks by strengthening trade



relationships with alternative partners and promoting economic resilience through diversification (IG, 2025).

2.7. US withholding aid to SA

On February 2, 2025, U.S. President Donald Trump announced plans to halt all future funding to South Africa, citing concerns over land expropriation and the treatment of certain groups within the country. He stated, "South Africa is confiscating land and treating certain classes of people VERY BADLY." This decision follows South African President Cyril Ramaphosa's recent enactment of a law facilitating state expropriation of land in the public interest, aiming to address enduring racial disparities in land ownership.

In response, South Africa's foreign ministry emphasized that the expropriation act is not exceptional and aligns with legislation in many other countries. They expressed hope that U.S. advisors would develop a comprehensive understanding of South Africa's policies within its constitutional democracy during the investigative period.

The United States had allocated nearly \$440 million in assistance to South Africa in 2023, with significant portions directed toward health initiatives, including HIV/AIDS programs. The suspension of aid has raised concerns about the potential impact on these critical services.

This development occurs amid broader U.S. foreign aid policy shifts under the Trump administration, which has ordered the withdrawal of most U.S. Agency for International Development (USAID) staff and a freeze on foreign aid to ensure alignment with national interests. Critics warn that these actions could disrupt essential global health and education programs.

Summary

Trump's decision to halt U.S. aid to South Africa, citing concerns over land expropriation policies, could disrupt crucial health programs, including HIV/AIDS initiatives. The withdrawal of USAID staff and the broader foreign aid freeze add another layer of economic uncertainty.

3. Conclusion

The evolving U.S. economic landscape under President Trump presents a range of challenges for South Africa. The potential loss of AGOA benefits, increased trade barriers, and geopolitical realignments necessitate strategic policy responses to safeguard economic growth and stability.



President Trump's second-term economic policies signal a significant shift towards nationalism and protectionism, affecting global trade and economic stability. For South Africa, the potential exclusion from AGOA, heightened trade restrictions, and reduced investor confidence pose serious challenges. Moving forward, South Africa must diversify its trade partnerships, strengthen regional agreements, and advocate for balanced global trade policies to navigate the evolving economic landscape. The nation's ability to adapt to these shifts will be crucial in maintaining economic stability and fostering sustainable growth.



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