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COMMENTARY

New US tariffs on South Africa:
Effects on KwaZulu-Natal

Moses Kotane Research Institute

Research Services Unit

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The Impact of Raised US Tariffs on the KwaZulu-Natal Economy and Its People

1 Introduction

The US has recently put in place a huge 30% tariff on South African imports. This tariff is considered way too high when looking at previous tariffs on imports from South Africa (SA) to the US as well as the tariffs which SA charges the US on its imports. The tariff however is not applied to the major exports SA takes to the US which are platinum, titanium and other raw materials which make a huge part (one-third) of our exports to the US. The tariff was instead placed on autos, steel and other high value exports indicating that this could have been targeted at manufactures which works against the South African government's industrialisation goal. This case of very high tariffs from the US on manufactures is also applicable to other global South countries such as China.

South Africa accounts for only about a quarter of a percent (0.25%) of all US quantity of exports and imports traded. Therefore, SA imposing high tariffs on the US as retaliation is a not a wise option since the US can easily do without South Africa's exports which are imports to them.

2 Overview

The tariff increase on South African exports is poised to have a significant impact on the KwaZulu-Natal (KZN) economy. As a province heavily reliant on trade, manufacturing, and export-driven industries, KZN will feel both direct and indirect effects, influencing businesses, jobs and everyday life.

Table 1: Expected Key Impact on the KZN Economy: Summary

Key Impact	Expected Outcome
Cost of Production	Higher input costs due to lower export volumes.
Job Losses	Risk of layoffs in manufacturing, automotive, textiles, and logistics.
Supply Chain Disruptions	Reduced port and freight activity, affecting related sectors.
Consumer Prices	Likely increase in prices of local goods and services.
Household Incomes	Decline in incomes due to job losses or reduced hours.



Broader Economy	Slowdown in economic activity and reduced tax revenues.

3 Tariffs Impact on the KwaZulu-Natal Economy

3.1 Higher Costs of Production

With increased tariffs, KZN-based exporters especially in manufacturing, automotive, and agriculture will face reduced attractiveness in the US market. This may lead to lower export volumes, reduced revenue, and higher unit costs as businesses try to spread fixed costs over declining sales.

3.2 Job Losses and Business Strain

Industries that depend on US exports, such as automotive parts, textiles and agricultural products, may reduce their operations. Job losses in export-oriented firms, reduced overtime, and hiring freezes are likely outcomes, further squeezing the local economy.

3.3 Supply Chain Disruptions

The port of Durban, KZN's key trade hub, may experience reduced volumes, affecting shipping, logistics and warehousing sectors. This can lead to job cuts and lower income for businesses and workers alike.

4 Tariffs Impact on Ordinary Citizens

4.1 Rising Consumer Prices

As manufacturers and businesses face increased costs and reduced profits, the burden may be passed on to consumers through higher prices on locally produced goods, including food and everyday items.

4.2 Job Insecurity

With export-oriented industries under pressure, workers in affected sectors face layoffs or reduced hours. This can lead to lower household incomes and rising financial stress for families.



4.3 Broader Economic Slowdown

A reduction in exports and business activity in KZN may ripple through to other sectors, reducing consumer spending, slowing economic growth and affecting public services through decreased tax revenue.

4.4 Youth Unemployment

The automotive and agriculture sectors are targeted tariff sectors. These sectors typically value young and able-bodied youngsters over experience. We are likely to experience increased youth unemployment as a result of the tariffs with the related social ills such as crime, gangsterism and drug abuse.

4.5 Increased Inflation

The reduction in competitiveness (attractiveness) of the South African exports to the US may result in inflation (imported inflation), an increase in the general price level. This will mostly be felt in areas such as fuel increases for the citizens at the fuel pump. Not only this, but transport costs will also increase for suppliers leading to food inflation as well.

5 Summary

In summary, the raised US tariffs are likely to hurt KZN's export reliant economy by increasing production costs, reducing competitiveness and causing job losses. For ordinary citizens, this translates into higher prices, job insecurity and a tougher economic environment. Policymakers and businesses will need to adapt to mitigate these challenges.



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