

The effect of junk status on SA's youth

By Sabeedah Motala

Our recent downgrade to junk status has caused much heated debate amongst many South Africans. Some claim that it is a problem only [faced by the middle class](#) and the effect on other sectors of society are minimal. Others present a dangerous ideology that it is a necessary step in order to achieve “radical economic transformation.” As a young person, it is important to note that the youth of South Africa are not an excluded demographic when it comes to the negative effects that the downgrade will have on South Africa. This is why you should be concerned:

Increased interest rates

The downgrade to junk status means that it will be more expensive for government to pay back foreign debt. It is likely that government will make cuts on social spending and increase income tax in order to pay back the debt. If it is more expensive for government to borrow money, you can be certain that it will be more expensive for you too. Increased interest rates on study loans, car financing and business loans is a major concern for young people across South Africa who are already finding it difficult to operate in our current economic environment.

Cost of goods

The weakening of our currency will result in increased inflation and it will be more expensive to purchase essential goods. Some of [South Africa's top imports](#) include cereals (rice, wheat and corn), mineral fuels (petrol) and pharmaceutical products. This will result in the cost of foods, petrol and medications, which are crucial commodities, becoming more expensive for consumers.

Employment

If, as a result of the junk status everything becomes more expensive, employers will have less to spend on wages and salaries. It is likely that government will cut spending from social projects, which include employment programmes. Therefore, in such a turbulent economic climate it is likely that [unemployment will increase](#). With youth unemployment [almost reaching 50%](#), this figure is likely to escalate at an alarming rate.

Youth voice

Mahlodi Kgatle, 23, is a young entrepreneur concerned with overcoming challenges associated with junk status. “I think as a young professional who is trying to accumulate enough to make a living (never mind trying to accumulate wealth - which is a bit out of reach considering the already staggering cost of living in SA), it is going to be even more of a challenge.” She worries about how to address her needs, or how difficult it will be to borrow money if need be. “Things such as car loans, home loans as well as study loans will cost us more to access.”

No specific group or demographic of people will be safe from the negative effects of our downgrade to junk status. Distorted narratives have allowed many to feel that our collapsing economy does not affect them, however, the unfortunate truth is that the working class will be the hardest hit when the basic standards of living increase. Poverty and unemployment amongst young people in South Africa are already dangerously high and the effect of the junk status will result in yet another generation being unable to break free from shackles of social inequality.