

Navigating rand volatility: Protecting South African businesses from exchange-rate turbulence

Factors contributing to this turbulence include geopolitical concerns in the Middle East, particularly Israel's preparation for a potential offensive in Gaza, which has raised fears of energy-supply disruptions and global economic repercussions.



Source: [Pexels](#)

The rand's volatility – while nothing new - can have far-reaching financial consequences for many South African businesses across a wide range of industries such as tourism, manufacturing and import-export.

Don't wait, take action

Leading foreign-exchange intermediary Kuda FX says that while it's common to feel discouraged by currency fluctuations, now is not the time to wait for market turbulence to pass. Instead, establishing strong relationships with accredited and experienced FX intermediaries is key to effective exchange-rate risk management, as these partnerships can help your business weather the currency storm and even thrive in it.

Strategic measures required

For businesses exposed to exchange-rate risk, Stian Van Zyl, forex risk manager at Kuda FX says it is crucial to first identify areas of vulnerability.

“This insight allows you to spot opportunities and reduce uncertainties, allowing you to sleep easy without worrying about the rate the next morning.”

He adds: “Once you have identified an opportunity, you’ll need to determine your comfort zone when it comes to exchange rates for import activities (payments overseas) or export activities (receiving funds from overseas). Consider factors like annual currency transaction volume and timing over a full financial year or season.”

Next, Van Zyl recommends developing a formal strategy that aligns with your business events and targets exchange-rate levels for the rand.

“Currently the opportunity is there for exporters, by implementing a layering method by booking forward cover gradually to achieve an average rate that suits your primary objectives. Maintain flexibility with an open position in the market to adapt to unexpected events or historical fluctuations, which will allow you to utilise a certain level of exposure.”

Risk policy for consistency

Subsequently, Van Zyl suggests designing a risk policy that is endorsed by the entire business to ensure that the tools used (such as forward cover) are only employed strategically, based on specific times or events throughout the year.

Can exchange rate be risk eliminated?

“While you can’t eliminate exchange-rate risk entirely,” says Philip Nel forex risk manager at Kuda FX, “you can minimise its impact on your business. Typically, importers and exporters have differing strategies, so at Kuda FX we recommend setting a threshold rate that guarantees your business’s survival and success, rather than speculating for higher gains.”



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Because importers need to purchase currency to pay foreign suppliers, Nel recommends calculating the costing rate for each of their products, and based on this, formulating a strategy to protect the company's bottom line without assuming further risk in the market.

For exporters who receive foreign currency, it’s more important to secure a foreign currency rate that preserves their profit margins and shields them from cost fluctuations.

“In the world of fluctuating exchange rates, financial security is paramount. FX intermediaries like Kuda FX combine key cost data, risk strategies, and expert advice from our risk-management specialists into a real-time roadmap, helping businesses navigate changing rand confidently. With the right approach, your business can thrive,” says Nel.

Rand volatility is a challenge, but it is also an opportunity for businesses to thrive. By understanding and managing exchange-rate risk, South African businesses can safeguard their financial wellbeing and set the course for sustained success.