

# ECONOMIC WRAP-UP

## Southern Africa

A publication by the Pretoria Regional  
Economic Service from July 1 to 5 2024

### THE KEY FIGURE

# 49.2 points

The S&P Global SA Purchasing Manager Index (PMI) which measures business confidence reached 49.2 points in June 2024, after 50.4 points in May.

### Focus on: The current account deficit is widening (*StatsSA*)

According to the latest bulletin from the South African Central Bank (SARB), the South African current account continued to deteriorate in Q1 2024, posting a deficit amount (-51.7 billion ZAR, or 4.6% of GDP) for the eighth consecutive quarter after seven quarters of surplus (between Q3 2020 and Q1 2022).

The current account deficit, which rose sharply over the quarter (to ZAR -10.5 billion in Q4 2023, or +392%), thus reached its highest level since Q3 2019. The quarterly change is mainly explained by the sharp increase in the primary income balance deficit (+303%, to -52.1 bn ZAR, or 4.6% of GDP), which is structurally the main contributor to the country's current account deficit and is affected by the sharp rise (+75%) in dividends paid to non-resident agents. The trade surplus also fell (+34% over the quarter, to ZAR +21.1 bn, or 1.9% of GDP), affected by the decline in South African exports (-10%).

On the other hand, the services deficit narrowed significantly (-50% compared with Q4 2023), against a backdrop of falling international transport prices and a strong recovery in tourism in the austral summer, to reach ZAR 9.6 billion (0.8% of GDP), its lowest level since Q1 2020.

## Summary:

### South Africa

- South Africa imposes 10% customs duties on solar panel imports (*PV Magazine*)
- Eskom names its five suppliers of electrical transformers (*Transformer Technology*)
- The South African government wants to renegotiate the USD 2.6 billion financing agreement with the Climate Investment Funds (CIF) following its decision to keep three coal-fired power plants open until 2030 (*Agence Ecofin*)
- First statement from new environment minister on the need for South Africa to reduce its climate impact (*Business Live*)
- ArcelorMittal reverses decision to close steel plant in South Africa (*Reuters*)
- The Sibanye Stillwater mining group has cut more than 11,000 jobs in 18 months (*Business Day*)
- The business confidence index records an economic decline in June (*S&P Global SA*)
- The progression of bank loans accelerates in May (*SARB*)
- New vehicle sales decline year-on-year, despite positive outlook (*NAMSAA*)

### Angola

- Angola makes local currency Treasury bonds more accessible to small savers (*Expansao*)
- The Angolan economy grew by 4.6% in the 1st quarter, the strongest growth since 2015 (*INE*)

### Malawi

- The World Food Program (WFP), financially supported by France, plans to allocate 80 million USD dollars to help at least 2.1 million people in Malawi (*The Times Group*)
- The Australian Rio Tinto strengthens its presence in African graphite (*Agence Ecofin*)

### Zambia

- The Emirati IRH abandons its project to take over the Konkola mine (*Agence Ecofin*)
- Inflation accelerates in June (*ZamStats*)
- The World Bank approves a USD 208 million grant to combat drought in Zambia (*Ministry of Finance & National Planning*)

### Zimbabwe

- The IMF concludes its annual "Article IV" economic analysis mission (*IMF*)

# South Africa

## **South Africa imposes 10% customs duties on solar panel imports (PVMagazine)**

South Africa's International Trade Administration Commission (ITAC) has implemented a 10% import tariff on solar panels in a bid it says is to protect local manufacturers and attract investment for strengthen its value chain. This decision is said to be in line with the South African National Renewable Energy Master Plan published in 2023, which emphasises support for the development of local value chains. As a reminder, South Africa is strongly developing its solar energy production capacity as part of its energy transition (South Africa is over 70% dependent on coal), taking advantage of its strong potential in this area. Deficiencies in the production and transmission of electricity by Eskom are also prompting residents and businesses to acquire solar capacity in order to be self-sufficient in energy. Nevertheless, the country imports the overwhelming majority of its solar panels from China (3.4 GW in the first six months of 2023 out of a total installation capacity of 5 GW), which is much cheaper than the limited local production. As a result, the South African Photovoltaic Industry Association (SAPVIA) believes that a 10% price increase is likely to be passed on to consumers and to the competitiveness of solar energy projects compared with fossil fuels.

## **Eskom names its five suppliers of electrical transformers (Transformer Technology)**

Eskom has announced the appointment of its five power transformer suppliers as part of its power transmission development plan. The five new suppliers are South Africa's SGB-SMIT POWER MATLA, ACTOM, Powertech Transformers, Italy's TMC Transformers and Hitachi Energy South Africa, a local branch of the Japanese conglomerate Hitachi. An electrical transformer is a piece of equipment used to change the effective voltage delivered by an AC power source. These companies will therefore play a crucial role in strengthening Eskom's transmission infrastructure to ensure a reliable supply of

electricity in South Africa. As of 1<sup>er</sup> July, the National Transmission Company South Africa (NTCSA), the result of Eskom's unbundling, officially commenced operations as Eskom's electricity transmission subsidiary. The creation of this new entity is motivated by Eskom's unsustainable debt burden and the desire to improve the management of electricity transmission at a time when the country needs to build 14,000 kilometres of lines by 2032 in order to connect new renewable energy capacity to the electricity grid.

## **The South African government wants to renegotiate the USD 2.6 billion financing agreement with the Climate Investment Funds (CIF) following its decision to keep three coal-fired power plants open until 2030 (Agence Ecofin)**

The South African government wants to renegotiate the USD 2.6 billion financing agreement with the Climate Investment Funds (CIF) following its decision to keep three coal-fired power plants open until 2030. This decision jeopardises the USD 2.6 billion in funding from the CIF, a fund linked to the World Bank, in whose governance France participates. The CIF is part of the Just Energy Transition Partnership (JET-P), an international partnership of which France is a member and which is intended to finance the country's energy transition. Now that South Africa has decided to extend the life of three of its most polluting coal-fired power stations until 2030 for energy supply reasons, the CIF, whose funding depends on the country's commitment to accelerate its energy transition, could decide to suspend its funding. To avoid this catastrophic scenario, South Africa would like to see an adjusted approach to the programme to take account of its short-term energy needs.

## **First statement from new Environment minister on South Africa's need to reduce its climate impact (Business Live)**

The new Minister of the Environment, Dion George, from the opposition to the majority party of the government coalition the ANC, made his first statement in which he highlights the need for the country to reduce its impact on the climate. He said that climate change and the energy

transition to a low-carbon economy would be key elements of his work, and that he would be working closely with the Presidential Climate Commission. Dion George believes that South Africa must move in the right direction by reducing its emissions and complying with international protocols. He also emphasised the constraints facing South Africa, a middle-income country, such as economic growth, employment and improving the living conditions of the population. He also indicated that he would have an important role to play in attracting climate finance, an area in which his experience in finance could be put to good use. This appointment and his comments are a positive signal for the JETP coalition, of which France is a member, which aims to help South Africa make a success of its energy transition at a time when the country is still over 70% dependent on coal.

### **ArcelorMittal reverses decision to close steel plant in South Africa** *(Reuters)*

Tuesday July 2, the South African subsidiary of ArcelorMittal decided to reverse the closure of its steelworks in Vanderbijlpark (KwaZulu-Natal), more than six months after announcing it. The company has also indicated that it is working with the government and the unions on a sustainable plan to improve the site's profitability in order to avoid the closure of operations and job losses. As a result of this decision, nearly 3,500 direct jobs and thousands of indirect jobs will be maintained. The company's Board of Directors has also indicated its desire to continue operating the steelworks over the long term, where the company produces flat steel products. The announcement of the closure in November came against a backdrop of weak demand for steel and infrastructure problems in the country. However, ArcelorMittal's CEO Kobus Verster pointed to clear improvements in recent months in electricity production and in the management of ports and railways in South Africa.

### **The Sibanye Stillwater mining group has removed more than 11000 jobs in 18 months** *(Business Day)*

According to Business Day, mining company Sibanye Stillwater has removed

more than 11,000 jobs in the last 18 months. CEO Neal Froneman this week outlined the need for the company to restructure its operations in South Africa to be more aligned with the declining level of activity in the country. Other mining companies have recalibrated their production capacities to keep pace with the decline in South Africa's gold and platinum mines. The country has already fallen out of the top 10 gold reserves in the world, and the consultancy firm PwC estimates that in some provinces there is only 6 years of potential production left. Sibanye Stillwater, one of the players with the highest production costs in the industry, has therefore chosen to close some of its wells at the end of their life, as well as the least profitable ones, which has led to the loss of 14% of its jobs over the last year and a half. According to Stats SA, the mining industry provides more than 500,000 formal jobs in South Africa, and makes a significant contribution to public resources through corporation tax, mining royalties and employee income tax.

### **Business confidence index falls in June** *(S&P Global SA)*

The S&P Global SA Purchasing Manager Index (PMI) reached 49.2 points in June 2024, after 50.4 points in May. The indicator, which measures confidence in the private sector as a whole (mining, manufacturing, services, construction and trade sectors - based on data collected from a panel of 400 companies), thus fell back below the 50-point mark (a sign that business leaders perceive a decline in activity) for the first time in three months. However, this lacklustre performance is mainly due to cyclical factors (high uncertainty surrounding the results of the election on 29 May 2024, which weighed in particular on the number of new orders). Over the second quarter as a whole, it averaged 50.0 points, its highest level since Q4 2022, reflecting the slowdown in inflation and the absence of power cuts since 26 March.

### **Growth in bank lending accelerates in May** *(SARB)*

Growth in the volume of bank lending accelerated sharply in May, to 4.8% year-on-year (+1.7 percentage points). Lending to businesses was particularly buoyant

(+6.3% y/y, compared with +2.8% in April), while lending to households grew at a slower pace (+3.4% y/y, as in the previous month, the slowest pace since March 2021). It should be noted that the volume of bank loans has been rising uninterrupted since May 2021. Money supply (M3) slowed to 4.7% year-on-year in June (compared with 5.7% in November), mainly due to the fall in international reserves (ZAR 17.6 bn).

### **New vehicle sales down year-on-year, despite positive outlook (NAMSA)**

According to data published by the National Association of Automobile Manufacturers of South Africa (Namsaa), sales of new vehicles on the domestic market reached 40,072 units in June 2024, down 14% year-on-year. Over the first six months of the year, the trend is relatively less marked, with new vehicle sales still down by 7.6% compared with the same period last year. The decline in sales on the domestic market, which have been on a downward slope since August 2023, illustrates the difficulties of the South African economy, characterised by sluggish growth. However, NAMSAA has noted a number of positive developments, which point to a more dynamic end to the year: **i)** the formation of a government of national unity; **ii)** the absence of power cuts since the end of March; **iii)** the fall in pump prices in July 2024; **iv)** the expectation of a fall in interest rates between now and the end of 2024. It should also be noted that export sales of vehicles rose in June (up 3.6% to 28,306 units), bucking the trend seen on the domestic market, despite the fact that almost 60% of vehicles produced in South Africa are destined for export, notably to the European market.

## Angola

### **Angola makes local currency Treasury bonds more accessible to small savers (Expansao)**

After reducing the entry ticket for Treasury bonds to AOA 1,000 (compared with AOA 100,000 initially), the Ministry of Finance issued a decree setting out the specific conditions for the issue of short-dated Treasury bonds. Decree 137/24 of 25 June 2024 aims to encourage more investors to buy public debt and *ultimately* to increase

the volume of financing raised at auctions. It authorises the issue of Treasury bills with maturities of 2, 3, 4 and 5 years, indexed to a 6-month Luibor (*Luanda Interbank Offered Rate*), with a maturity of between 4 and 20 half-years. According to observers, this operation could nevertheless have counterproductive effects, and *ultimately* increase the cost of servicing the debt: the commercial banks, the State's main creditors, can influence the setting of the Luibor rate on the interbank money market (which rose from 17.23% to 20.79% between 24 June and 4 July 2024, i.e. +347 basis points).

### **The Angolan economy grew by 4.6% in the 1st quarter, the strongest growth since 2015 (INE)**

According to the latest publication from the Angolan National Institute of Statistics (INE), the Angolan economy grew by 4.6% (year-on-year) in the first quarter of 2024, the strongest increase in GDP since Q1 2015. Growth was driven by the oil sector (+6.9% y/y, due to a favourable base effect, as oil production had been affected by maintenance operations in Q1 2023) as well as the non-oil sector (+3.9% y/y, compared with 2% y/y in Q4 2023, thanks to the dynamism of the trade, transport and logistics sectors). Over the quarter, however, GDP grew by just 2.6% in Q1 2024 (seasonally adjusted), compared with 7.1% (q-o-q) in the previous quarter. It should be noted that this positive performance contrasts with other indicators (increase in the unemployment rate from 31.9% to 32.4% in Q1 2024, rise in inflation to 30.2% nationally, and to 41.5% in Luanda in May).

## Malawi

### **Australia's Rio Tinto strengthens its presence in African graphite (Agence Ecofin)**

On 3 July, Rio Tinto announced a further investment of US\$12.4 million in Sovereign Metals, owner of the Kasiya rutile and graphite project in Malawi. This investment increases Rio Tinto's stake in the company to 19.76%. On 22 May 2024, Sovereign Metals announced the launch of a pilot mining and land rehabilitation programme at Kasiya. As a reminder, at the end of 2023, Sovereign Metals highlighted the potential

of the project with a pre-feasibility study revealing that the Kasiya mine could become the world's largest producer of rutile with 222,000 tonnes per year. The mine could also supply 244,000 tonnes of graphite a year, making the company one of the world's leading suppliers of this essential material for the anodes of electric vehicle batteries. Over the 25-year life of the mine, revenues of USD 16 billion are expected from a total investment of more than USD 800 million.

### **The World Food Programme (WFP), supported financially by France, plans to allocate USD 80 million to help at least 2.1 million people in Malawi (*The Times Group*)**

The WFP in Malawi has announced that it plans to allocate USD 80 million to support at least 2.1 million of the country's nine million food-insecure people. So far, around USD 20m has been secured. As a reminder, Malawi, a country of 20 million inhabitants, has been facing a historic drought for several months, linked to the El Nino climatic phenomenon, which is putting a large part of the population at risk of food shortages. As a close partner of the WFP, France is contributing around USD 1.6 million to support the people of Malawi. This funding will support a vast programme of school canteens for more than 50,000 children and will provide food assistance to more than 50,000 refugees, particularly pregnant women. This aid is perfectly in line with France's commitments on nutritional aid in the run-up to the Nutrition for Growth (N4G) summit in Paris in 2025.

## Zambia

### **The World Bank approves a USD 208 million grant to combat drought in Zambia (*Ministry of Finance & National Planning*)**

In Zambia, the World Bank has approved a grant of USD 207.6 million to combat the socio-economic impact of the drought. This was revealed by the Ministry of Finance and National Planning in a press release issued on 2 July. The package, most of which will come from the International Development Association (IDA), will provide emergency financial assistance to more than 1.6 million households in 84

districts affected by the drought, over a period of 12 months. In this southern African country, the drought has caused crop losses of up to 90%. The maize harvest, the population's main staple, reached 1.5 million tonnes in 2023/2024, its lowest level in 16 years.

### **Emirates' IRH abandons plan to take over Konkola mine (*Agence Ecofin*)**

In Zambia, Abu Dhabi's sovereign wealth fund International Resources Holdings (IRH) has announced that it is withdrawing from the race to buy the Konkola copper mine. IRH's stake in Mopani would have been held through its subsidiary, Delta Mining. IRH itself is owned by International Holdings Company (IHC), whose owner is Tahnoun bin Zayed Al Nayan, a member of the ruling royal family of the United Arab Emirates. IRH had offered around USD 1 billion to acquire a 51% stake in Konkola Copper Mines (KCM), 80% of which is controlled by the Indian group Vedanta, owned by billionaire Anil Agarwal. The remaining 20% is controlled by the Zambian government. However, Vedanta would have liked to sell only 30% of the assets to IRH at a higher price in order to raise funds to increase copper production to 200,000 tonnes per year over the next three years. This difference over the amount of the offer and IRH's stake in KCM led to the cancellation of the deal, despite the support of the Zambian government. Delta Mining acquired a majority stake (51%) in the Mopani mine last March as part of an arrangement with former shareholder Glencore. As part of the deal, IRH undertook to invest USD 620m in capital, USD 96m to pay off the remaining debts owed to investors and a further USD 396m to repay loans granted to former shareholders. Finally, according to the Zambian press, IRH is also interested in investing in the Lubambe mine.

### **Inflation accelerates in June (*ZamStats*)**

According to the national statistics agency (*ZamStats*), year-on-year inflation reached 15.2% in June, after 14.7% in May. The rise was mainly driven by food prices (+16.8% y/y, compared with 16.1% the previous month), against a backdrop of severe drought which has weighed on harvests. However, non-food prices are also rising (+13.0% y/y, compared with 12.7% the

previous month), driven by alcoholic beverages and pharmaceutical products. Most observers expect the Zambian central bank to raise its key rate at its next monetary policy meeting, in August. Price inflation, which has been accelerating steadily over the past year (+9.8% y/y in June 2023), could nonetheless begin to fall by the end of the year, as monthly inflation eased to 1.3% in June 2024, compared with 1.4% the previous month.

in connection with the unprecedented drought that has hit the country, and revenue is lower than forecast.

## Zimbabwe

### **The IMF concludes its annual "Article IV" economic analysis mission (IMF)**

At the end of its annual economic analysis mission (known as the "Article IV" mission), conducted from 18 to 27 June, the International Monetary Fund (IMF) has published its initial conclusions. The IMF underlines the resilience of the Zimbabwean economy in a difficult context, marked by the impact of the El Nino phenomenon. Growth is expected to slow to 2% in 2024, from 5.3% in 2023, although the IMF predicts a strong rebound in 2025 (+6%). Although caution is advised at this stage, the IMF notes the remarkable stability of the exchange rate of Zimbabwe's new currency, the *Zimbabwe Gold* (ZiG), whose parity (ZiG 13.70 to USD 1) has changed little since its launch (ZiG 13.56 to USD 1). As a reminder, the previous currency (the Zimbabwean dollar) depreciated by around 260% over the first three months of the year. The IMF nevertheless notes the need for Zimbabwe to stabilise its budgetary framework, at a time when the cost of servicing debt has soared as a result of the transfer of debts linked to quasi-tax operations from the Central Bank to the State budget, unforeseen expenditure has been recorded

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[leopold.vinot@dgtresor.gouv.fr](mailto:leopold.vinot@dgtresor.gouv.fr), [nicolas.viossat@dgtresor.gouv.fr](mailto:nicolas.viossat@dgtresor.gouv.fr)

Editor : SER de Pretoria

Subscribe now : [leopold.vinot@dgtresor.gouv.fr](mailto:leopold.vinot@dgtresor.gouv.fr)