



ECONOMIC WRAP-UP

Southern Africa

A publication by the Pretoria Regional
Economic Service from 3 to 7 June 2024

DATA OF THE WEEK

-0,1%

growth for South African GDP in the
first quarter of 2024 (StatsSA)

Historic setback for the ANC, which lost its absolute majority in the general elections (Results Elections)

On Sunday 2 June, the Independent Electoral Commission (IEC) announced the official final results of the South African general elections held on Wednesday 29 May (elections for the 400 national Members of Parliament and the Members of Parliament for the country's 9 Provinces). At national level, the ANC (African National Congress) won 40.2% of the vote, giving it 159 seats in Parliament. This was a major electoral setback for the ruling party, which achieved a significantly lower score than at the last elections in 2019 (57.5% and 230 seats) and thus lost its absolute majority for the first time since 1994. The Democratic Alliance (DA - centre-right) retains its position as the leading opposition party with 21.8% of the vote (87 seats), a score up on 2019 (20.8% and 84 seats). In third place, former President Jacob Zuma's neo-partisan Umkhonto Wesizwe (MK) reshaped the South African political landscape with unexpected results (14.6%, 58 seats). It overtook the radical left-wing Economic Freedom Fighters, which won 9.5% of the vote (39 seats), compared with 10.8% and 44 seats.

At provincial level, the ANC's decline is confirmed, as the party was soundly defeated in Kwazulu Natal (17.6% - where MK scored 46%) and lost its absolute majority in Gauteng (36.4%) and the Northern Cape (49.3%). The DA retained its majority in the Western Cape (53%).

This unprecedented situation at national and provincial level forced the ruling party to negotiate a coalition with one of the main opposition parties. Against this backdrop, President Cyril Ramaphosa, the ANC's front-runner and candidate for re-election, invited several parties on 6 June to form a government of national unity after several days of consultations within the ANC's National Executive Committee. Discussions are currently continuing with several parties (DA, EFF, IFP, NFP and PA). As a reminder, Parliament will meet on Friday 14 June to elect the new President.

Southern Africa

- South Korea-Africa summit in Seoul (*South Korean Ministry of Foreign Affairs*)
- Angola and Namibia discuss Baynes cross-border hydroelectric dam project (*The Namibian*)
- Antwerp World Diamond Centre (AWDC) calls for change to G7 legislation to allow diamond certification centres to be located in Southern Africa (*JCK*)

South Africa

- Activity contracts by 0.1% in the first quarter of 2024 (*StatsSA*)
- Sigfox South Africa wins national contract to integrate water meter software using French technology (*Engineering News*)
- South African broadcasting group MultiChoice encourages its shareholders to subscribe to Canal+'s takeover bid (*MoneyWeb*)
- South African courts make exploration of offshore oil fields by Shell and its partners conditional on consultation with local communities (*Reuters*)

Namibia

- The Ministry of Labour announces the creation of an inter-professional minimum wage (*Namibia Economist*)
- Agence Française de Développement (AFD) lends EUR100m for the construction of a biomass power plant in Namibia (*New EraLive*)

Southern Africa

South Korea-Africa Summit in Seoul: announcements to promote cooperation in development aid, critical minerals, trade and investment (*South Korean Ministry of Foreign Affairs*)

Representatives from 48 African countries, the African Union and the African Development Bank (AfDB) attended the first South Korea-Africa Summit in Seoul on 3 and 4 June 2024 to promote cooperation between the parties involved in development aid, critical minerals, trade and investment. South Korea announced that it would commit USD 14 billion in export financing to support Korean companies investing in Africa, particularly in critical minerals that are crucial to the electric transition of the Korean automotive industry, while increasing its official development assistance (ODA) to USD 10 billion by 2030. Bilateral agreements between South Korea and African countries have also been signed, such as the Trade and Investment Promotion Framework (TIPF) with Malawi to facilitate South Korean investment in the country in the agricultural, mining and tourism sectors. The Zimbabwe National Chamber of Commerce (ZNCC) also signed a Memorandum of Understanding (MoU) with its Korean counterpart to develop institutional, economic and commercial relations.

Discussions between Angola and Namibia on the Baynes cross-border hydroelectric dam project (*The Namibian*)

The energy ministers of Namibia and Angola held a bilateral meeting on Monday 3 June 2024 on the 881-megawatt bi-national Baynes hydropower project. The two governments are developing the project on the lower Kunene River, along the countries' shared border. In a joint statement, the two countries underlined the importance of the 2008 project for Angola and Namibia, as well as for the Southern African Development Community (SADC) region. The project

should also enable the completion of the Angola-Namibia transmission interconnection (ANNA interconnection), which is essential for Angola's integration into the SADC regional electricity exchange platform. The two countries also approved the updated 2023 techno-economic feasibility study report and the development of an additional 21 MW control dam downstream of the main dam.

Antwerp World Diamond Centre (AWDC) calls for change to G7 legislation to allow diamond certification centres to be located in Southern Africa (*JCK*)

In a statement issued at the end of May 2024, the AWDC, the official representative of Antwerp diamond interests, said Antwerp should not be the only diamond certification centre within the G7 certification scheme designed to eliminate Russian diamonds from the G7 market. The AWDC is open to the idea of other certification centres, notably in Botswana, the world's second largest producer and the location of the sorting centre for the production of De Beers, the world's second largest diamond producer. This announcement is a reaction to the G7 plan dating from December 2023, which requires all diamonds destined for a G7 country to be certified in Antwerp. African diamond-producing countries have opposed this measure because of the logistical headache it would entail. The AWDC hopes that a solution will be found by September 2024, when sanctions against Russian diamonds larger than half a carat, which account for the majority of the country's production, come into force. Sanctions against Russian diamonds over one carat have already been in place since March 2024. Russia is the world's leading diamond producer.

South Africa

Activity contracts by 0.1% in the first quarter of 2024 (StatsSA)

According to the National Statistics Agency (StatsSA), GDP contracted by 0.1% in the first quarter of 2024 (seasonally adjusted quarterly change), following an increase of 0.3% in the previous quarter (data revised upwards by 0.2 points compared with the initial publication). This change is due to the fall in activity in six of the ten sectors, notably manufacturing (-1.4%, i.e. a negative contribution of 0.2 points), mining (-2.3%, i.e. -0.1 points) and construction (-3.1%, i.e. -0.1 points). By contrast, the agricultural sector rebounded strongly (+13.5%, or +0.3 points), partly thanks to a base effect following a sharp contraction in 2023 due to the avian and swine flu epidemics. The services sector remained stable, with a slight increase in trade (+0.1%), financial services (+0.1%) and personal services (+0.1%). On the demand side, the fall in exports was the main contributor to the downturn in activity (-2.3%, or -0.7 points), followed by the decline in investment (-1.8%, or -0.3 points) and household demand (-0.3%, or -0.2 points), in an environment of high interest rates and confidence that continues to deteriorate. This performance is slightly worse than the forecasts of observers, who were anticipating growth at the margin (+0.1%), and confirms the expected stagnation of the economy. Although observers expect activity to accelerate slightly in the coming quarters, growth is likely to remain at a particularly low level in 2024 (forecasts of between 0.9% and 1.2%). Note that growth for 2023 has been revised upwards to 0.7% (+0.1 points).

Sigfox South Africa wins national contract to integrate water meter software using French technology (Engineering News)

Sigfox South Africa, a South African company specialising in the Internet of Things (IoT) based on French technology of the same name, has just won a national contract to integrate water meter software. The company will be responsible for adapting or replacing existing meters with smart meters to improve revenue

collection and service delivery. The press release begins by highlighting the major impact of the drought caused by the El Nino weather phenomenon on the economy: growth is expected to plateau at 2% in 2024 (after 1.6% in 2023 and compared with the 3.3% initially forecast by the IMF at the WEO in April 2024) - which should be seen in the context of population growth of around 3% a year. The authorities' efforts to implement the reforms supported by the ECF, despite this unfavourable economic context, are also commended. The IMF points out that a sustainable exit from the economic crisis will require (i) fiscal consolidation, (ii) rebuilding the level of Central Bank reserves to reduce vulnerability to external shocks, and (iii) restructuring external debt. Without giving any explicit reason, the IMF teams have stated that they have not yet reached an agreement in principle with the authorities on the conclusion of the second review (an essential stage for confirming the continuation of the program and releasing the second instalment of around USD 13 million) and that they are therefore continuing discussions.

South African broadcasting group MultiChoice encourages its shareholders to subscribe to Canal+'s takeover bid (MoneyWeb)

The independent committee appointed by MultiChoice to study the takeover offer of ZAR 125 (approximately EUR 6) per share made by Canal+ in April has decided to approve the proposal. The two groups announced this in a press release published on Tuesday 4 June. The offer, which values the company at EUR 2.6 billion, will close on 25 April 2025. The French group already owns 45.2% of MultiChoice's shares. If the takeover bid is successful, it would create a pan-African audiovisual group present in English- and French-speaking Africa in nearly 50 countries and representing around 31.5 million subscribers. However, this transaction is still subject to regulatory hurdles, in particular the prohibition on a foreign shareholder controlling more than 20% of the voting rights in a South African media company. Canal + says it is working on a solution

South African court makes exploration of offshore deposits by Shell and its partners conditional on consultation procedures with local communities (Reuters)

On Monday 3 June 2024, the South African Supreme Court of Appeal suspended a 2014 decision that had halted offshore exploration of the Wild Coast by Shell and other oil companies. The resumption of offshore exploration is, however, conditional on the implementation of a public consultation with local communities, which had not been done in the past and had led to the project being halted in the first place. The court also found that the Department of Mineral Resources and Energy (DMRE) had failed to comply with the requirements of the Integrated Coastal Zone Management Act. Nor did it rule out renewal of the exploration licence for a further period. The outcome of these consultations will therefore be decisive.

Namibia

The Ministry of Labour announces the creation of an interprofessional minimum wage (Namibia Economist)

On June 2, the Ministry of Labour announced that it had received cabinet approval for the introduction of a national inter-professional minimum wage from January 2025. To date, the minimum wage already existed, but applied exclusively to certain sectors such as security, agriculture, construction and domestic work. In addition, the reform aims to gradually revalue the amount of the minimum hourly wage over the next three years, with an initial increase from NAD 9.03 to NAD 12.02 (EUR 0.6) in the first year, then to NAD 15.01 (EUR 0.75) in the second year before

reaching NAD 18 (EUR 0.9). Details of this reform are due to be published in the Government Gazette in July 2024.

Agence Française de Développement (AFD) lends EUR 100m for the construction of a biomass power plant in Namibia (New EraLive)

At the beginning of June, Namibia's national electricity company NamPower began the construction phase of its pioneering 40 MW Otjikoto biomass power plant, which will make use of an invasive shrub as a fuel. Last month, at a signing ceremony attended by Audrey Rojkoff, AFD's Director for Southern Africa, the EUR 100m loan for the construction and operation of the plant was formalised. In addition, the Mitigation Action Facility is providing a EUR 25m grant towards the capital costs of the power plant and capacity building for the local biomass value chain. For the engineering, procurement and construction (EPC) of the power plant, NamPower has chosen Dongfang Electric International Corporation, a state-owned Chinese company.

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