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ECONOMIC WRAP-UP
Southern Africa

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DATA OF THE WEEK

GBP 3.1 billion

BHP's takeover bid for Anglo American (AA)

Focus on the £31.1bn takeover bid for Anglo American (AA) by British mining giant BHP (AngloAmerican)

The London-based group of South African origin confirmed that it had received this unsolicited takeover offer. Its board of directors subsequently said that the offer was too low and 'not attractive'. Dans la foulée, son conseil d'administration a indiqué que celle-ci était trop basse et « pas attractive ». Under the terms of the offer, AA shareholders will be able to exchange part of their shareholdings for shares in BHP, as well as in Amplats and Kumba Iron Ore (KIO), South African mines (PGM and Iron, respectively), whose activities will be separated from those of the group. The announcement of this offer immediately boosted the AA share price on the London Stock Exchange (+13%), which is 4% higher than the offer value. These movements seem to reflect market expectations of either a new higher offer from BHP, or potentially bids from competitors such as Rio Tinto and Glencore.

As part of this operation, BHP is said to be planning to split up the group's activities, isolating assets deemed less strategic, particularly in southern Africa, in order to concentrate on those that could help strengthen its position in metals deemed strategic, particularly copper, nickel and iron, whose assets are concentrated in Latin America (Peru, Brazil and Chile). In this way, BHP could reduce its operating costs through economies of scale and increase its influence on world markets. A break-up of the group could further weaken the orphan assets based in South Africa (Kumba Iron Ore and Amplats), whose attractiveness has been undermined by the lack of prospects for the mining sector in South Africa and, in the case of Amplats, the fall in the price of platinum metals.

According to the Wall Street Journal, De Beers, another AA subsidiary and the world's second-largest diamond company, is expected to undergo a parallel takeover by third-party investors. In the first quarter of 2024, De Beers' global production was down 23% year-on-year (6.9 million carats). De Beers' production is concentrated in Botswana (5 M ct), and more marginally in Canada (645,000 ct), Namibia (633,000 ct) and South Africa (598,000) via the Venetia mine (Limpopo).

Unsurprisingly, this mega-transaction provoked a strong reaction from South Africa's Minister of Mineral Resources and Energy, Gwede Mantashe. He publicly expressed his reservations on the same day, citing 'bad experiences' with BHP in the past. In 2001, BHP had already bought the South African group Billiton, which has since divested from the country by selling its local assets (manganese mines, thermal coal and aluminium) to a newly created entity: South32. The Minister nevertheless indicated that this opposition did not represent the government's official position for the time being.

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Southern Africa

De Beers negotiates with the G7 to set up a diamond certification centre in southern Africa (*Agence Ecofin*)

On 6 December 2023, the G7 decided to extend the sanctions regime against Russia to include diamonds. Since 1 January 2024, all imports of non-industrial diamonds from Russia have been banned in the G7 countries. Since 1 March 2024, rough stones indirectly originating from Russia have been progressively banned, and each G7 country must implement a traceability and certification system before 1 September 2024, when the ban will be complete. The European Union translated these commitments into a new sanctions package on 18 December 2023, imposing a mandatory verification system through the single-entry point of Antwerp, Belgium, which already handles 85% of Europe's trade in rough diamonds. De Beers (in which the Botswana government has a 15% stake) is advocating the establishment of a diamond certification centre in southern Africa, the world's main diamond-producing region (Botswana, Namibia, South Africa, Angola, Lesotho, etc.). De Beers (the world's second-largest producer behind Russia's Alrosa), which has its own global diamond certification centre in Gaborone, Botswana, and the Botswana government (the world's second-largest producer behind Russia) are seeking to develop a local cutting and polishing industry. These two players are pushing for their interests to be taken into account in the G7 certification mechanisms.

The World Bank publishes its new biannual Africa Pulse report (*World Bank*)

On April 5, the World Bank published its biannual *Africa Pulse report*, updating its forecasts for the major economic aggregates. Inflation is expected to slow down in sub-Saharan Africa in 2024, but to remain elevated (5.1% compared with 7.1% in 2023). Benefiting from the normalisation of supply chains, lower commodity prices, the effects of restrictive monetary policies and fiscal consolidation policies, 90% of countries should see their inflation fall. However, 13 countries are still recording double-digit inflation, including four in Southern Africa (Zimbabwe, Malawi, Angola and Zambia). Inflation continues to be driven by rising food prices (poor harvests due to unfavourable weather conditions) and the depreciation of local currencies. Despite food prices on international markets falling for the fifteenth consecutive month (year-on-year - *FAO data*), a third of sub-Saharan countries recorded double-digit rises in food prices in February 2024, particularly Malawi, Nigeria and Zimbabwe. Several countries in the sub-region are also experiencing currency crises (Angola, Zimbabwe) and shortages of foreign currency (Malawi), adding to inflationary pressures. At the same time, the South African rand has depreciated by 9% since 1 January 2023, boosting imported inflation for its common monetary zone (Eswatini, Lesotho, Namibia). To combat these levels of inflation, the central banks are maintaining restrictive monetary policies, with key rates held at high levels in the zone (Angola: 19%, Mozambique: 16.5%, Malawi 26% with a two-point rise in February, South Africa: 8.25%).

South Africa

South African Airways is looking for new investors *(Reuters)*

The national airline *South African Airways* (SAA) is seeking minority investors following the failure in March of this year of the acquisition of 51% of its shares by the Takatso consortium. In exchange for this sale, the Takatso consortium (80% owned by Harith General Partners, a leading pan-African infrastructure investor, and 20% by Global Aviation, a South African aerospace group) was supposed to invest ZAR 3 billion (EUR 150 million) in the notoriously indebted national airline, which had declared bankruptcy in 2019. Thus, the failure of the agreement forced SAA to delay the opening of several international routes to Frankfurt, London, and North America. SAA also aims to increase its fleet from 13 to 21 aircraft during the next financial year and to serve more African states and Australia. Its president Derek Hanekom has stated that they are seeking new capital to enable the consolidation of SAA's growth.

Producer price index (PPI) rises slightly *(StatsSA)*

According to the national statistics agency (StatsSA), producer price inflation (PPI) reached 4.6% year-on-year in March, after 4.5% in February, in line with observers' forecasts. The indicator has thus remained at around the mid-point of the central bank's target range (South African Reserve Bank - 4.5%) since the start of 2024. The main items contributing to the rise in prices are 'food products, beverages and tobacco' (+4.4%, i.e. a contribution of +1.3 points to the total rise in the indicator), which have reached their highest level for three months, 'coke, petroleum, chemical, and plastic products' (+4.6%, i.e. 1.1 points) and 'metals, machinery and equipment' (+5.5%, i.e. a positive contribution of 0.8 points - linked to continuing high demand for power generation equipment, in response to the energy crisis).

Further redundancies announced at Sibanye Stillwater as platinum group metals prices fall *(Reuters)*

South African mining company *Sibanye Stillwater* is to close one of its boreholes at Marikana and cut 855 jobs as a result of profitability concerns due to falling prices for platinum group metals (PGMs). This announcement is part of a wider restructuring to contain costs. In February 2024, Sibanye Stillwater had already announced that it had cut around 2,000 jobs, in particular by closing wells that had reached the end of their life cycle, were deemed to be loss-making and for which new investment had not been deemed appropriate.

The Central Bank publishes its April Monetary Policy Review *(Resbank)*

On 24 April, the South African Reserve Bank published its half-yearly monetary policy review. Governor Kganyago emphasised that one of the main challenges for the South African economy was the sustainable reduction in inflation, which was proving more tenacious and persistent than initially anticipated. Although the indicator has continued to moderate over the medium term (6.9% in 2022, 6% in 2023 and an expected 5.1% in 2024), it remains close to the upper limit of the SARB's target range (6%) and should only converge towards the mid-point (4.5%) by the fourth quarter. The risks to the acceleration of inflationary pressures also remain numerous: climatic shocks (the El Nino phenomenon and its impact on food prices), geopolitical risks (the flare-up of the conflict in the Middle East, which could lead to further rises in oil prices), volatility of the local currency, etc. While monetary policy is considered to be moderately restrictive, this context should delay its easing, initially expected by the markets from the first half of 2024 - a trend observed worldwide. Furthermore, although economic growth is set to accelerate slightly, forecasts remain sluggish for 2024 (estimates of 1.2%, compared with 0.9% for the IMF and after 0.6% in 2022). South Africa's long-term growth forecast is therefore 2% on average, well below that of emerging countries (4.1%). South Africa is suffering from severe constraints on supply, in the face of household demand that remains subdued. The effects of the energy crisis on the economy persist - an impact of 2 points of GDP in 2023, which should however gradually fade (estimated at 0.6 points of GDP in 2024 and 0.2 in 2025). The logistics crisis continues to worsen, with a direct impact on the mining sector estimated at between 0.5 and 0.75 points of GDP, to which must be added the indirect effect. Added to this is a deterioration in the terms of trade, and in particular the fall in the price of raw materials exported by South Africa (-25% in 2023 and -5% anticipated for 2024), which should continue to weigh on the performance of foreign trade.

L'Oréal and UNESCO join forces for the 2024 South Africa Women in Science Young Talents Programmes, which will provide funding for young South African women researchers *(EngineeringNews)*

The L'Oréal Foundation is launching the sixth *Women in Science Young Talent Search in South Africa*. This initiative is a partnership between the group's foundation and UNESCO. Female researchers under the age of 40 in a wide range of fields (formal sciences, life sciences, environmental sciences, physical sciences, engineering sciences and technical sciences) can apply until 19 May 2024. This programme aims to promote excellence, scientific innovation and diversity, and since its inception has provided financial support of ZAR 3M (EUR150k) to 32 young South African women researchers. This commitment by L'Oréal is part of its innovation strategy in South Africa, where the group's research and development centre for the continent is located.

Angola

The Angolan government raises the price of diesel fuel

The government has decided to increase the price of diesel from AOA 135 to AOA 200 (USD 0.24) per litre. This decision is part of the programme to abolish subsidies on refined petroleum products recommended by the IMF (the Angolan authorities had already increased the price of petrol by AOA 300 per litre at the beginning of June 2023), which aims to bring the price of petrol, diesel, liquefied petroleum gas and lighting oil into line with average international market prices by the end of 2025. The price of Angolan diesel will remain well below that of its neighbours: Namibia (USD 1.14/l), DRC (USD 1.15/l), Zambia (USD 1.15/l) and South Africa (USD 1.31/l). According to some economists, the Angolan government could make 4 further adjustments to the price of diesel before the end of this programme in 2025: 296 AOA (June-July 2024), 439 AOA (September-October 2024), 650 AOA (April-May 2025) and 960 AOA (September-October 2025). The main benefit of this subsidy reduction programme is the reduction in transfer expenditure in the Angolan State budget: the weight of fuel subsidies, which were 4% of GDP in 2022 and 3% in 2023, should be reduced to 1.2% of GDP in 2024. It will also improve the business environment for the marketing of petroleum-derived products. Another advantage - not admitted by the authorities - is the likelihood of obtaining a budget loan of USD 500m from the World Bank, conditional on the country continuing its policy of abolishing fuel subsidies. The negative consequences or risks of this rise in the price of diesel are i) an upward impact on inflation, which is expected to exceed 20% until 2027, with forecasts of 27% in 2024 and 30% in 2025; ii) the central bank is likely to maintain the current exchange rate of USD 832/AOA to guarantee budgetary gains, with the risk of an over-adjustment in 2027; iii) a brake on growth in the non-oil sector, particularly agriculture and retailing, which are heavily dependent on transport; iv) an increase in the cost of financing the economy as a whole due to its indexation to inflation.

New customs tariff comes into force in Angola

The new Angolan customs tariff came into force on 3 April 2024, having been approved and published in the official gazette on 3 January this year. It is based on the 2022 version of the Harmonised Commodity Description and Coding System nomenclature and introduces new codes. For the authorities, it is seen as an instrument capable of encouraging national production. Customs duties have been increased for certain consumer products such as rice, sugar, oil and beans. Duties on the basic food basket are between 30% and 40%, those on wines, perfumes and clothing are at 15% and wheat flour, which was previously tax-free, is now subject to a duty of 20%. Imports of industrial machinery are exempt from duty. For private operators in these sectors, the duty increases are likely to penalise them and increase the difficulties of many families.

Lesotho

The Millennium Challenge Corporation (MCC) signs a USD 300 million agreement with Lesotho *(MCC)*

On 11 April, the Millennium Challenge Corporation (MCC) signed a US$300 million Compact in the health and horticulture sectors. The MCC is an American development aid agency, which provides funding on condition that countries commit to improving governance, economic freedom, the fight against corruption and respect for democratic rights. This grant programme, which is being supplemented by additional funding of USD 22 million from the government of Lesotho, is structured around three projects aimed at (i) strengthening the health system in collaboration with the relevant ministry, (ii) developing horticulture and irrigation to transform the production model and (iii) strengthening the business environment in the agriculture, tourism, manufacturing and creative industries sectors through technical assistance. The horticulture segment alone is expected to create 4,000 direct jobs. This new agreement follows a previous programme worth USD 362.5 million, which ended in September 2013 and financed the Metolong dam, one of the country's largest infrastructures, supplying water to two-thirds of the population.

Malawi

Agreement between Malawi and Israel to send Malawian agricultural workers to Israel *(Nyasa Times)*

On the occasion of the opening of the Malawian embassy in Tel Aviv, the two countries signed a *Memorandum of Understanding* (MoU) to pilot a programme to bring around 3,000 agricultural workers to Israel. The agreement is intended to provide a partial response to the shortage of agricultural labour in Israel, caused by the mobilisation of Israeli citizens as part of ongoing operations, particularly in the Gaza Strip. For its part, Malawi is suffering one of the worst droughts in its history, with the government declaring a state of famine emergency in 23 of the country's 28 districts in March. Malawi's Minister of Information, Moses Kunkuyu, also said that discussions were under way with the Israel Builders Association to enable some 80,000 Malawian workers to benefit from a similar programme in the construction and public works sector.

Mozambique

S&P affirms sovereign rating at CCC+ *(S&P)*

On 19 April, S&P Global Ratings maintained Mozambique's sovereign rating at CCC+ with a stable outlook - seven places below investment grade. The agency justifies its decision in part by the cash flow problems facing the country, as evidenced by late payments to creditors and accumulating arrears to suppliers. Furthermore, while the medium-term growth outlook remains favourable (5.5% per annum on average over 2024-27), driven by gas projects, the agency points out that the benefits will take time to materialise (2028 for gas revenues, which currently stand at USD 75m per annum, or 0.3% of GDP). Finally, although some of the reforms supported under the IMF programme (US$456m *Extended Credit Facility*, granted in May 2022) are making progress (rationalisation of the civil service wage bill, etc.), the situation of public finances and debt management remains a cause for concern. The level of debt remains particularly high (79.2% of GDP at the end of 2023) and is expected to fall only gradually (73.9% in 2027). The debt represents a non-negligible burden on public finances (interest costs equivalent to 14.5% of government revenues, an amount well in excess of the government's expectations) and public deficits are likely to remain at around 4% over the next three financial years.

Zambia

Zambia expects a 700 MW electricity deficit in 2024 due to drought, with a major impact on copper mines *(Reuters)*

Zambia's state-owned electricity company, ZESCO, has said it expects an electricity deficit of 700 MW in 2024 due to the drought, which is drastically reducing output from hydroelectric dams. This shortfall will have an impact on the country's strategic sectors, including mining, particularly copper, and agriculture. Indeed, ZESCO has announced that it is considering unprecedented rationing of the country's copper mines.

ZESCO is therefore looking for alternative sources of imports, and in particular has just concluded an amendment to the power purchase agreement with Mozambique's state-owned energy company, *Electricidade de Moçambique* (EDM), to increase the off-peak power supply from 50 MW to 90 MW.

Negotiations with the MCC are progressing for a grant of USD 400 million *(X/Twitter)*

On 19 April, the Zambian Ministry of Finance announced on its Twitter account that it had signed an aide-memoire with the Millennium Challenge Corporation (MCC) in Washington, setting out the objectives of a new Compact. This step marks progress towards the signing of a second Compact between the US development aid agency and the Zambian government, although negotiations began in December 2021. They are expected to result in a grant of around USD 400 million by the end of 2024. A previous programme (USD 335 million) was signed in May 2012 to finance investment in sanitation and water management infrastructure. While the process of restructuring Zambia's debt continues, the country's financing needs remain massive (ZMW 33.3 billion, i.e. USD 1.3 billion and 5.2% of GDP at the time of the November 2024 budget), to which must be added a humanitarian requirement of USD 940.6 billion, called for by President Hakainde Hichilema on 16 April as the country faces the worst drought in its history.

Potential USD 1 billion investment by UAE sovereign wealth fund IHC in Zambia's Konkola copper mine *(GlobalData)*

Abu Dhabi's sovereign wealth fund, *International Holding Company* (IHC), is reportedly in discussions to acquire a 51% majority stake in the Konkola copper mine from Indian mining company *Vedanta Resources* for USD 1 billion. This offer is part of a broader strategy by the fund to invest in Zambian copper, a metal that is essential to the energy transition, particularly batteries for electric vehicles. In November 2023, IHC had already been selected as a new strategic investor in the Mopani mine, acquiring a 51% stake in exchange for a capital injection of USD 1.1 billion. The sovereign wealth fund is also said to be in negotiations to invest in the Lubambe copper mine.

Zimbabwe

Zimbabwe signs a power purchase agreement (PPA) for a potential 500 MW of solar energy *(SolarQuarter)*

The *Zimbabwe Electricity Transmission and Distribution Company* (ZETDC), the national electricity transmission and distribution company, has finalised a power purchasing agreement (PPA) with *SkyPower*, an energy company based in the United Arab Emirates and originally from Canada. The agreement, which follows on from a *Memorandum of Understanding* signed at COP27, should lead to the *Green Giant project*, which aims to produce 500 MW of solar energy to power around 2 million homes in Zimbabwe. Three major solar power plants are due to be built in the country: a 100 MW plant in Manhizhe, a 70 MW plant in the Mazowe district and a 130 MW plant in the Matobo district. This should enable the country to meet the growing demand for electricity, reduce its dependence on South African imports and diversify its energy mix, which is heavily dependent on hydroelectricity and currently affected by the regional drought.

	Exchange rates	Change in USD exchange rates (%)			
	25/04/2024	Over a week	Over a month	Over a year	Since 1st of January
South Africa	19,08 ZAR	-0,1%	-0,8%	-4,0%	-4,2%
Angola	834,6 AOA	-0,2%	-0,2%	-39,2%	-0,7%
Botswana	13,7 BWP	-0,4%	-0,8%	-4,6%	-3,0%
Mozambique	63,2 MZN	0,0%	0,0%	0,0%	0,0%
Zambia	26,2 ZMW	-3,6%	1,3%	-32,8%	1,6%

Note: a positive sign indicates an appreciation of the currency.

Source : OANDA (2024)

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