

ECONOMIC WRAP-UP Southern Africa

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DATA OF THE WEEK

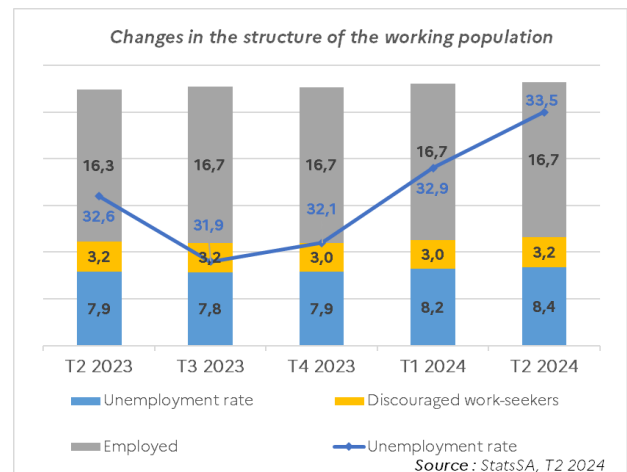
+33.5%

The unemployment rate in South
Africa - StatsSA

Focus on the rebound in the unemployment rate to 33.5% (StatsSA)

According to the national statistics agency (StatsSA), the unemployment rate rose to 33.5% of the working population in the second quarter of 2024, compared with 32.9% in the previous quarter.

This is the third consecutive quarter that the indicator has risen, reaching its highest level since the second quarter of 2022. It is almost 3.5 points higher than its level in March 2020, before the outbreak of the Covid-19 crisis. 92,000 jobs were lost over the quarter, taking the number of employees to 16.7 million (i.e. +1.8 million jobs since the start of 2022). Five sectors saw their workforce shrink, notably trade (111,000) and agriculture (45,000). This contraction was partially offset by hiring in the manufacturing (+49,000) and social and community services (+36,000) sectors. At the same time, the labour force grew by 66,000 - resulting in a rise in the number of unemployed (+158,000), which now stands at 8.4m, a new all-time high (+500,000 since Q1 2022). Of particular note is the rise in the unemployment rate for young people aged 15 to 24 (60.8%, i.e. +1.1 points) and for the 25-34 age group (41.7%, i.e. +1 point). At the same time, the extended unemployment rate, which includes individuals discouraged from looking for work, reached 42.6% (+0.7 points).



Summary:

Southern Africa

- Trade surplus reaches ZAR 68.4 billion in the first half of the year (*SARS*)
- Manufacturing and mining output down in June (*StatsSA*)
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- Botswana
- Debswana diamond sales halved (*Bank of Botswana*)

Malawi

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Mozambique

- Ministerial reshuffle: departure of Ernesto Max Tonela, Minister of Economy and Finance (*Radio Mozambique*)
- The Bank of Mozambique lowers its key rate once again, by 0.75 points to 14.25% (*Banco de Moçambique*)

Namibia

- The Central Bank cuts its key rate by 0.25 points to 7.5% (*Bank of Namibia*)

Zambia

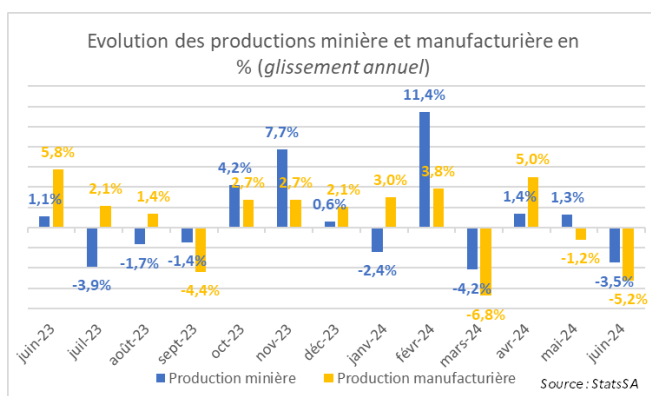
- The Kariba Dam Rehabilitation Project reaches a milestone with the participation of Razel-Bec (*European Union*)
- The Central Bank raises its key rate by 1.5 points to 12.5% (*Bank of Zambia*)
- USD 13m from the African Development Bank to facilitate access to water and sanitation in Zambia (*Agence Ecofin*)

Southern Africa

Trade surplus reaches ZAR 68.4 billion in the first half of the year (SARS)

South Africa's trade surplus (structural) reached ZAR 68.4 bn (EUR 3.5 bn) in the first half of 2024, compared with ZAR 14.4 bn in the same period last year. This clear improvement (multiplied by almost five) is mainly the result of a significant contraction in imports (-6.4%, to ZAR 914.6 bn, or EUR 46.1 bn), linked to the fall in imports of 'machinery, mechanical and electrical equipment' (-17.6%, for an item accounting for a quarter of imports), 'transport vehicles' (-23.2%, for an item accounting for 10% of the total) and 'mining products' (-4.8%, for an item accounting for a fifth of the total). Conversely, exports remained stable (-0.8%, at ZAR 983 bn, or EUR 50 bn). The fall in sales of 'pearls and precious metals' (down 6.4%, representing one-fifth of exports) and 'metals and metal products' (down 7.9%, representing more than one-tenth of exports) was offset by a rise in exports of 'transport vehicles' (up 15.2%, representing 10%). Over the first six months of 2024, South Africa's main trading partners remain China (11.5% of exports and 20.3% of imports), the United States (7.7% and 6.6%) and Germany (6.7% and 7.8%). France remains a secondary partner, accounting for 0.5% of exports and 2% of imports.

Manufacturing and mining output down in June (StatsSA)



According to the national statistics agency (StatsSA), manufacturing output fell by 5.2% in June compared with the same period last year, following a 1.2% drop the previous month. This fall, which was well above the forecasts of observers (between -0.9% and -1.2%), can be explained by a drop in demand despite the improvement

in the economic environment. Eight out of ten sectors recorded a decline in activity, particularly the metal (8.4%, a negative contribution of 1.8 points to growth in the indicator), automotive (15.6%, or -1.6 points) and food (-6%, or -1.4 points) industries. Over the second quarter as a whole, however, production rose by 0.9% compared with the previous quarter.

At the same time, mining output fell by 3.5%, after rising by 1.3% in May. This contraction was far greater than observers had expected (between -0.1% and -0.8%). In detail, seven of the twelve groups recorded a fall in activity, particularly gold (-12.6%, or a negative contribution of 1.8 points), platinum group metals (-5.8%, or -1.7 points) and, to a lesser extent, coal (-3.3%, or -0.8 points). Conversely, iron ore (+3.9%, or +0.5 points) and chromium ore (+13.3%, or +0.5%) continue to support activity. Over the second quarter as a whole, production fell by 0.9% compared with the previous quarter. These results are particularly disappointing, despite the fact that no load shedding was recorded during the month (more than 135 consecutive days without load shedding) and that the global context is generally improving. Business continues to be mainly penalised by logistical constraints linked to the difficulties experienced by the national operator Transnet. In 2023, Transnet chartered 47.9 million tonnes of coal at the Richard Bay terminal, 4.8% less than the previous year. By way of example, these logistical bottlenecks have prompted Kumba Iron Ore, the company that produces more than half of South Africa's iron ore, to reduce its production forecasts to 35 and 37 million tonnes respectively for the next two years (compared with the 42 million tonnes initially forecast).

Qatar Airways is set to acquire around 20% of Airlink (Financial Times)

Qatar Airways is in talks to acquire a 20% stake in the South African airline Airlink. AirLink, founded in 1992, is the largest private airline in Southern Africa in terms of the number of routes it operates: 51 destinations in 16 countries. Its fleet comprises 68 aircraft (mainly Embraer). The investment would strengthen Qatar Airways' network in Southern Africa, given that it is already the foreign airline, along with Emirates, with the largest number of

routes to South Africa: 21 weekly flights between its Doha hub and Johannesburg, 10 to Cape Town and 4 to Durban. As a reminder, the two airlines signed a code-share agreement in 2022 enabling travellers to purchase connecting flights on both airlines using a single reservation. In addition, Qatar Airways CEO Badr Mohammed Al Meer said that the airline would soon announce an investment in a southern African airline. This potential investment would be part of an expansion strategy in Africa, where Qatar Airways has a partnership with Royal Air Maroc in North Africa, and would be accompanied by an imminent 49% investment in East African carrier *RwandAir*.

This potential 20% investment would comply with South African air licensing regulations, which stipulate that South African airlines must be 75% controlled by national capital.

South Africa under water stress (MoneyWeb)

In July, residents of Gauteng, the country's economic heartland, had to endure around 120 hours of water cuts in the municipalities of Johannesburg, Tshwane and Ekurhuleni, due to a maintenance operation by water supplier Rand Water. The Durban region is in a similar situation of water stress. South Africa is currently in the middle of the austral winter, a dry period for most of the country, which is exacerbating the problems of water supply.

There are several reasons for these difficulties: low average rainfall, a hot climate, poor management and inefficient use. Nearly half of the water (47%) distributed in the country does not reach its destination due to leaking pipes, malfunctioning or missing water meters, illegal connections and billing problems. This figure is up from 37% in 2014, according to the Blue Drop report published by the Ministry of Water and Sanitation in 2023. The percentage of households experiencing water cuts of more than two consecutive days or 15 days in total has thus risen from 24.3% in 2012 to 35.8% in 2023.

At the same time, average national consumption is 235 litres per person per day, compared with a global average of around 173 litres per person per day. By

2030, South Africa's water deficit could reach 3.8 billion cubic metres, representing a shortfall of around 17% of current needs.

Angola

Airbus Defence & Space delivers first C-295 to Angola

Airbus Defence & Space has delivered its first C-295 aircraft to Angola. The delivery was part of an order for three Airbus C-295 transport aircraft placed by the Angolan government in April 2022, for an announced value of EUR 160 million. The aircraft will be used by the Angolan National Air Force (FANA) for a range of tactical tasks, including cargo and troop transport, parachuting, cargo launching and humanitarian missions. The other two C295s will be specifically equipped for maritime surveillance. They are expected to play a key role in search and rescue missions, control of illegal fishing and borders, support in the event of natural disasters and intelligence gathering. They will be equipped with the Fully Integrated Tactical System (FITS) mission system developed by Airbus. Angola joins the group of 10 African operators of the C295, consolidating the leadership of this medium tactical transport model.

Botswana

Debswana diamond sales halved (Bank of Botswana)

According to the latest monthly report published by the Bank of Botswana, sales of rough diamonds by the Debswana Diamond Company fell by 49.2% in the first half of 2024, underlining the difficulties facing the diamond sector worldwide. Debswana, which is owned equally by the Botswana government and De Beers, sold \$1.29 billion worth of diamonds, compared with \$2.54 billion in the same period of the previous year. The drop in sales, linked to an unfavourable economic climate (falling Chinese demand and the development of the synthetic diamond sector), was accompanied by a fall in production. De Beers announced that it had reduced its diamond production from 26-29 million carats to 23-26 million during the first half of the year. While diamonds account for

80% of exports, a quarter of government revenue and a third of GDP, the Botswana economy and budget are suffering from this unfavourable situation. In the first quarter of the 2024/25 fiscal year, revenues were 28% below initial forecasts (BWP 23.4 bn, or USD 1.7 bn), weighed down by lower diamond sales. As a result, the country announced that it would be cutting certain operating expenses (purchase of new vehicles, official expenses) and postponing certain investment projects.

Malawi

The central bank maintains its key rate (*Reserve Bank of Malawi*)

On 25 July, the monetary policy committee of the *Reserve Bank of Malawi* (RBM) decided to maintain its key rate at 26%. The monetary institution justified its decision by the high level of inflation. The indicator averaged 32.8% in the second quarter of 2024, rising over the last three months to reach a peak of 33.3% in June. The phenomenon of imported inflation, linked to the devaluation of the local currency - kwacha - in November (-44% to reach the parity of 1691 ZMW against 1 USD) is maintaining this dynamic. Inflation continues to be driven by rising food prices (40.7% over the quarter), particularly for basic necessities, linked to the difficulties in the domestic agricultural sector (poor harvests in 2023/24), exacerbated by climatic shocks. In view of the unfavourable context, the Central Bank has revised its growth forecasts for 2024 downwards, to 2.3% (compared with 3.2% at the last Monetary Policy Committee and 2% according to the latest IMF publication in May).

Mozambique

Ministerial reshuffle: departure of Ernesto Max Tonela, Minister of Economy and Finance (*Radio Mozambique*)

Against all expectations and without any reason having yet been publicly given, the President of the Republic, Filipe Nyusi, announced on 8 August that he had dismissed the Minister of Economy and Finance, Ernesto Max Tonela. In the same press release, he indicated that the Prime

Minister, Adriano Maleiane, would assume responsibility and combine the two portfolios. Adriano Maleiane is taking over the role he held between 2015 and 2022 before leaving the management of the National Investment Bank (BNI). He was also Governor of the Central Bank between 1991 and 1996. The two deputy ministers (Carla Alexandra Oreste do Rosário Fernandes Louveira and Amilcar Paia Tivane), both of good repute, will remain in place. Inducted into politics by Filipe Nyusi, who gave him his first ministry (Industry and Trade) at the start of his first term in 2015, Ernesto Max Tonela was considered one of the main pillars of the government and successively inherited the strategic ministerial portfolios of Energy and Mines (2017 / 2022), then Economy and Finance in 2022. This abrupt cessation of duties raises all the more questions as it comes just two months before the presidential and legislative elections that will lead to the appointment of a new government (term begins in January 2025) and as the person concerned, in his capacity as Mozambique's Minister of Economy and Finance, had just, on 2 August, taken over the rotating chairmanship of the Board of Directors of the Eastern and Southern African Trade and Development Bank (TDB), the armed wing of the Common Market for Eastern and Southern Africa (COMESA). Although he only lasted 28 months, Ernesto Max Tonela's term at the head of MINEFI was marked by a number of major projects for the country: the preparation, signing and implementation of the IMF's Extended Credit Facility (ECF; USD 470m over 3 years), which runs until June 2025; Mozambique's action plan in response to its inclusion on the FATF's grey list in October 2022; the implementation of the reform of the civil service salary scale (Tabela Salarial Única - TSU) in 2023; and of course the management of the economic and financial aspects of the long-running issues of the undeclared debts scandal and the temporary halt to major LNG projects due to the terrorism afflicting the north of the country.

The Bank of Mozambique lowers its key rate once again, by 0.75 points to 14.25% (*Banco de Moçambique*)

On 31 July, the Monetary Policy Committee of the Bank of Mozambique decided to cut

its key MIMO rate from 15% to 14.25%. This cut, the fourth in seven months, represents a reduction of three points from the ceiling of 17.25% in force between the end of September 2022 and January 2024. Technically justified by the control of inflation (which fell again in June, to 3% year-on-year), this cut in the key rate is also a response to the IMF's increasingly vehement calls (including in the latest Article IV review at the beginning of July) for a relaxation of Mozambique's monetary policy, which is among the most restrictive on the continent. While welcoming the move, the business community still considers it too timid, and continues to press for a further reduction, as well as a reduction in the reserve requirements of commercial banks (39.5% for foreign currencies and 39% for the local currency), both of which have been cited as the main reasons for the sluggish economic growth of recent months. In response, the central bank continues to state very cautiously that the pace and scale of easing will depend on the inflation outlook and its assessment of the risks and uncertainties associated with the global climatic and geopolitical situation, and that a review of reserve requirement rates will not take place before September.

Namibia

The Central Bank cuts its key rate by 0.25 points to 7.5% (*Bank of Namibia*)

Following its meeting on 12 and 13 August, the Bank of Namibia's Monetary Policy Committee lowered its key rate by 0.25 points to 7.5%. This decision, which widens the gap with South Africa's monetary policy (key rate of 8.25%), came as a surprise to economic players. As a reminder, Namibia's monetary policy has differed from that of its South African neighbour since 30 November 2022, despite the country's membership of the Rand zone (Common Monetary Area). According to the Central Bank, this decision does not jeopardise this policy, as the level of international reserves (necessary to maintain the exchange rate) remains satisfactory, and is even increasing. The bank justified its decision by the need to reduce the pressure on Namibian consumers, whose average borrowing rate is now 11.25% (compared to 11.5%

previously), while inflation is on a downward trend and growth is slowing. Inflation reached 4.6% in June and July, compared with an average of 6.2% over the first seven months of 2023. It should reach 4.7% in 2024 and 4.5% in 2025. At the same time, growth, which has been hampered in particular by the drought, is expected to slow to 3.1% in 2024, after 4.2% in 2023. Note that the next Monetary Policy Committee meeting will be held on 14 and 15 October.

Zambia

The Kariba Dam Rehabilitation Project reaches a milestone with the participation of Razel-Bec (*European Union*)

The Kariba Dam Rehabilitation Project (KDRP) has reached an important milestone with the completion of the recasting of the deep basin, a key component of this initiative financed by the EU to the tune of EUR 113m as part of the Global Gateway strategy. The other financial partners in this project are the World Bank, the African Development Bank (AfDB), the Swedish International Development Cooperation Agency (SIDA) and the Zambezi River Authority (ZRA). The Kariba Dam, on the border between Zimbabwe and Zambia, is a vital source of clean energy for both countries, generating more than 10,000 GWh of electricity a year.

Recasting the deep basin is essential to minimise the risk of the dam bursting. The French company Razel-Bec has been working on repairing the 80m-deep pit at the foot of the structure, to stop erosion and ensure the dam's long-term stability. The work undertaken therefore involves widening the pit downstream to create a dissipation basin large enough to prevent erosion from spreading towards the foot of the dam.

The Central Bank raises its key rate by 1.5 points to 12.5% (*Bank of Zambia*)

At the end of its meeting on 12 and 13 August, the Bank of Zambia's Monetary Policy Committee maintained its key rate at 13.5%. The Bank justifies its decision in the light of previous increases in key rates (+2.5 points since the start of 2024) and

reserve ratios, ongoing macroeconomic reforms (devaluation of the kwacha) and the general deterioration in the economic environment, linked to the drought affecting the country. On the other hand, inflation remains well above the monetary institution's target range (6 to 8%), reaching 14.6% in the second quarter of 2024 (compared with 13.5% in Q1) and peaking at 15.4% in June, its highest level since December 2021. The indicator is being driven by the continued depreciation of the local currency (-3.4% in Q2 2024 to reach a parity of 24 ZMW against 1 USD, after -10.6% in Q1) and the impact of the drought on food and energy prices. Upward pressure is set to continue, with the central bank now anticipating inflation of 15.3% for 2024 as a whole (compared with 13.7% in its last forecasts in May). The next Monetary Policy Committee meeting will be held on November 11 and 12.

USD 13m from the African Development Bank to facilitate access to water and sanitation in Zambia (Agence Ecofin)

On 17 July 2024 in Abidjan, the Board of Directors of the African Development Fund granted Zambia a USD 13.2 million loan to facilitate access to drinking water, sanitation and hygiene for 460,000 people and to strengthen innovative measures in

the localities of Kabwe and Bauleni (a district of the capital Lusaka). The European Union is supporting the project with a USD 6.05 million grant from its Nexus Energy programme for Zambia, as part of the Global Gateway strategy. In particular, the project involves rehabilitating the Mulungushi water treatment plant (water intake from the river, raw water pipeline) in order to relaunch the production of 37,500 cubic metres of drinking water per day. It also plans to improve and extend the water transport and distribution pipes by more than 70 kilometres, and to build and equip five boreholes on the Kalulu (South-West) and Mukobeko (Centre) wellfields.

	Exchange rates	Change in USD exchange rates (%)			
	15/08/2024	Over a week	Over a month	Over a year	Since 1st of January
South Africa	18,02 ZAR	1,9%	0,6%	5,6%	1,4%
Angola	878,7 AOA	-0,4%	-0,7%	-6,0%	-5,7%
Botswana	13,3 BWP	0,5%	373,8%	0,9%	-0,4%
Mozambique	63,2 MZN	0,0%	-78,9%	0,0%	0,0%
Zambia	26,2 ZMW	-0,9%	-3,4%	-26,1%	1,7%

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

Source : OANDA (2024)

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leopold.vinot@dgtrésor.gouv.fr, theo.courtines@dgtrésor.gouv.fr

Editor : Pretoria Regional Economic Service »

Subscribe : leopold.vinot@dgtrésor.gouv.fr