



ECONOMIC WRAP-UP

Southern Africa

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Economic Service from June 24 to 28 2024

THE KEY FIGURE

67 000

jobs destroyed by the South
African economy in the first
quarter of 2024 - StatsSA

Focus on: Announcement of the new "Government of National Unity" (GNU) by President Ramaphosa (Republic of South Africa)

On Sunday 30 June, Cyril Ramaphosa announced the formation of a new "government of national unity" following the South African general elections on 29 May. This election saw President Ramaphosa's party, the African National Congress (ANC), lose its absolute majority (40.2%) for the first time. Despite the re-elected President's commitment to reduce the number of ministries in his cabinet, the latter was increased from 31 to 32 in order to include seven of the ten parties that are members of the GNU with the ANC.

After lengthy negotiations, the Democratic Alliance (DA - centre-right), the main opposition party, received six ministries, including agriculture (John Steenhuisen), home affairs (Leon Schreiber), public works and infrastructure (Dean Macpherson), communications (Solly Malatsi), education (Siviwe Gwarube) and the environment (Dion George).

Other major changes include the merger of the ministries of electricity and energy, headed by Kgosientsho Ramokgopa, Minister of Electricity in the previous government. The strengthening of Mr Ramokgopa's position could accelerate reforms in the country's energy sector. Gwede Mantashe, President of the ANC, has therefore lost energy from his portfolio, which still covers mining and now petroleum resources. In addition, the Ministry of Public Enterprises and Governance has been dissolved.

The Department of Trade, Industry and Competition (DTIC), coveted by the DA, falls to former Johannesburg mayor Parks Tau (ANC), with the opposition party having to make do with a deputy minister, Andrew Whitfield. Finance Minister Enoch Godongwana was reappointed, as was his deputy David Maseko. The DA has also appointed a deputy minister for finance and for electricity and energy.

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Southern Africa

Italy pledges USD 320m for the Lobito corridor (S&P Global)

Italy has pledged USD 320 million to finance the development of the Lobito Corridor, joining a group of donors that already includes the United States and the European Union. The Lobito Corridor is the name of the project to modernise and develop the existing rail corridor linking the copper- and cobalt-rich regions of northern Zambia and southern Democratic Republic of Congo to the port of Lobito in Angola. The aim is to guarantee the supply of cobalt and copper, minerals that are critical to the energy transition. In October 2023, the USA and the EU signed a memorandum of understanding with the Africa Investment Corporation, the African Development Bank and the Angolan, Zambian and Congolese governments, as part of the investments announced for the corridor. The concession has been awarded to a consortium made up of the Swiss company Trafigura (49.5%), the Portuguese Mota-Engil Engenharia e Construção Africa (49.5%) and the rail operator Vecturis. For its part, China is developing a rival project, with funding from the World Bank, to renovate the Tanzania-Zambia Railway Authority (TAZARA) line linking Zambia to the port of Dar Es Salaam in Tanzania on the Indian Ocean.

Launch of the African Vaccine Manufacturing Accelerator at the Global Forum for Vaccine Sovereignty in Paris (Le Monde)

French President Emmanuel Macron joined several African leaders, including Botswana's President Masisi, to launch the African Vaccine Manufacturing Accelerator (AVMA). AVMA is a USD 1.2 billion funding programme designed to boost vaccine production in Africa, at a time when the COVID-19 pandemic has highlighted the inequalities in access to vaccination from which the African continent has suffered greatly. The African Union has set itself the target of having 60% of African vaccines manufactured on the continent by 2040. With this in mind, South African vaccine manufacturer Biovac signed agreements in Paris with French pharmaceutical giant Sanofi and South Korean company EuBiologics to produce vaccines against

polio and meningitis. Sanofi will supply the active pharmaceutical ingredients and Biovac will formulate, fill, finish and distribute the vaccine under its own brand in more than 40 African countries. Finally, Biovac has also received a commitment of €10m from the French government to accelerate its work on an oral cholera vaccine.

South Africa

Anglo American announces partnership with Hype to launch 250 green hydrogen taxis for Paris Olympics (Mining Weekly)

According to Mining Weekly, JSE-listed platinum producer Anglo American has announced a collaboration with one of the world's leading hydrogen-powered taxi operators, Hype. As the company is the official taxi supplier for the Paris Olympics, the partnership is expected to see the deployment of a fleet of 250 new hydrogen fuel cell vehicles. Some of their components are produced from platinum group metals (PGMs) mined by Amplats, a subsidiary of the South African mining group. These vehicles will include Peugeot's e-expert models and Citroën's e-Jumper. This deployment is part of the H2 Moves Europe programme, which aims to encourage the adoption of hydrogen fuel cell technology to decarbonise transport. The aim of this partnership is to demonstrate the potential of this new technology to a wide audience during the Olympic Games.

Eskom CEO outlines his goals for the coming years (MyBroadband)

Dan Marokane, who took over as CEO of Eskom in March 2024, stressed in an interview his determination to improve the availability of electricity in South Africa, a major problem for the country over the past 15 years and one that is hampering its economic development. To achieve this, several major projects were presented. Firstly, with regard to existing power stations (thermal and nuclear), the energy efficiency of the generating fleet is to be increased to 65%, and three power stations representing 2,500 MW are to be

recommissioned. The second main issue is electricity distribution, with the autonomous operation of the National Transmission Company of South Africa, spun off from Eskom, planned from 1 July 2024. He also pointed out that the pace of construction of new transmission lines will increase from 300 km to 800 km per year over the next two or three years, in order to connect new renewable energy capacity to the electricity grid. Eskom is also expected to commit to further unbundling by creating an autonomous electricity distribution entity. Mr Marokane also revealed that Eskom was working with the South African Nuclear Energy Corporation to acquire small-scale modular nuclear reactors (SMRs) to replace some of the capacity that will be lost in decommissioned coal-fired power stations.

The economy destroyed almost 70,000 jobs in Q1 2024 (StatsSA)

According to StatsSA's latest publication on the labour market, 67,000 jobs were destroyed in the formal non-agricultural sector in the first quarter of 2024 (for a total of 10.7m jobs), following a loss of 168,000 jobs in the previous quarter. The sectors most affected were trade (-57,000), personal services (-18,000), business services (-4,000) and mining (-3,000), while the manufacturing (+12,000), transport (+2,000) and construction (+1,000) sectors saw job creation. The decline was more pronounced in part-time jobs (-38,000, or -3.1% compared to Q4 2023) than in full-time jobs (-29,000, or -0.3% compared to Q4 2023). Overall, the number of jobs in the formal non-agricultural sector fell by 0.6% compared with the previous quarter, and by 0.7% compared with the same period of the previous year. These unfavourable results confirm the previous StatsSA study, published on 14 May (Quarterly Labour Force Survey - a broader survey based on household responses), which predicted a rise in the unemployment rate of 0.8 points to 32.9% of the working population in Q1 2024 - as a reminder, the indicator remains almost 3 points higher than its level in March 2020, before the outbreak of the Covid-19 crisis. Finally, it should be noted that the average monthly wage of employees in the formal non-agricultural sector fell by 1.6% compared with the

previous quarter, to ZAR 26,531, reflecting a decline in household purchasing power.

Producer price inflation falls in May (Stats SA)

According to the national statistics agency (StatsSA), producer price inflation (PPI) for manufactured goods reached 4.6% year-on-year in May, after 5.1% in April. The items that contributed most to this rise were "coke, petroleum, chemicals, rubber and plastics" (+7.3%, a positive contribution of 1.7 points), "food, beverages and tobacco" (+3.8%, a positive contribution of 1.1 points) and "metals, machinery and equipment" (+5.5%, a positive contribution of 0.8 points). Producer prices for water and electricity continue to rise strongly, although at a slightly slower rate (+12.1% year-on-year in May, compared with +14.4% in April). By contrast, prices for mining products continued to fall (-6.4% year-on-year in May, after -5.5% in April).

Marginal improvement in consumer confidence, but still weak (Bureau for Economic Research)

The FNB/BER consumer confidence index continued to improve (+3 points on the previous quarter), reaching -12 (on a scale of -100 to +100), the highest point since December 2022. However, the level of consumer confidence remains particularly deteriorated, as the index has been continuously in negative territory since the third quarter of 2019. It should be noted that the survey was conducted between 3 and 14 June, i.e. after the results of the general election on 29 May, but before the national unity government was finalised. The change in the index is explained by an upturn in confidence among low- and middle-income households (less than ZAR 5,000 and between ZAR 5,000 and ZAR 20,000 per month respectively), while confidence among high-income households remains unchanged. The gradual recovery in consumer confidence, coupled with the stabilisation of inflation (+5.2% in May 2024), may point to an improvement in the outlook for consumption, despite the fact that real household consumption is currently falling (-0.4% year-on-year in Q1 2024).

Angola

The Angolan authorities plan to import 270,000 tonnes of rice by December 2024 (*Jornal de Angola*)

Noting Angola's heavy external dependence on food, the Ministry of Trade and Industry has awarded licences to nine companies, selected following a call for tenders, authorising them to import a total of 270,000 tonnes of rice by the end of the year. The nine companies selected (*Noble group S. A, Bsrat General Trading Lda, Beilul Comércio Geral Lda, Merhat Comércio e Indústria Lda, Anseba Lda, Angoalissar Comércio e Indústria Lda, Ros' Bien Lda, Gulkis and Hidmona General Lda*) should benefit from an average price of AOA 420,000 (around EUR 453) per tonne, helping to reduce the average price of a bag of rice (25 kg) from the current AOA 26,000 (EUR 28) to around AOA 16,500 (EUR 17), excluding exchange losses.

Lesotho

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 3 to 14 June, the International Monetary Fund (IMF) has published its initial conclusions. The IMF notes a number of encouraging developments: i) the increase in growth, which is expected to reach 2.7% over the 2024/25 financial year, supported by construction activities, compared with 2.2% in 2023/24 and 1.6% over the previous financial year; ii) the deceleration in inflation (+7.1% in April 2024, after a peak of 8.2% in January); iii) the prudent fiscal policy pursued by the Lesotho government, which has resulted in a fiscal surplus of +6.1% in 2023/24, an increase in reserves (which now represent 4.5 months of imports) and a contained debt level (61.5% of GDP in 2023/24, compared with 64.5% in the previous year); iv) the prospect of increased royalties from the Lesotho Highlands Water Project II from 2024 onwards (which could represent 6.5% of

GDP in 2024/25, compared with 3.5% of GDP previously), following the renegotiation of the terms of the contract between Lesotho and South Africa. The IMF nevertheless stresses the need for Lesotho to continue to reduce its public spending (recurrent expenditure is more than double the average for SACU countries) and to carry out structural reforms aimed at further diversifying the economy.

Mozambique

Conclusion of the IMF team mission to Mozambique for the 4th review of the FEC 2022-2025 (*IMF*)

The IMF and the Government have reached an agreement on economic policy and reforms to complete the 4th six-monthly review of the FEC put in place in May 2022 (USD456m / SDR340.8m; over 3 years). Giving a positive assessment of the performance of the six-month period audited, the head of the mission, Pablo Lopez Murphy, said that the main areas of focus had been on: (i) strengthening fiscal consolidation measures, in order to reduce domestic financing needs and vulnerabilities linked to public debt; (ii) controlling inflation; (iii) continuing to ease monetary policy in a favourable context; (iv) efforts to improve governance. As part of this agreement, which will enable the disbursement of SDR 45.44m (USD 60m), it has been agreed to implement major measures, in particular with a view to strengthening: fiscal control; the efficiency of public services; improving the transparency of public procurement; safeguarding spending on the most vulnerable sections of the population; and the management of public companies. For 2024, the GDP growth projection has been lowered to 4.3% (i.e. 0.7% less than the forecast made at the beginning of the year), with the economy remaining well oriented but less dynamic than in 2023 (which saw growth of 6%), due in particular to the postponement of major projects in the extractive sector. GDP excluding the extractive sector is expected to grow by 3.5% (2% in 2023).

Namibia

Namibia to build second desalination plant to meet growing water demand (News24)

As Namibia faces the worst drought in a century in southern Africa, its Minister of Agriculture, Water and Land Reform, Calle Schlettwein, has announced the construction of a second desalination plant of around 20 million cubic metres, due to go into operation in January 2025. Faced with an historic drought, the country has declared a state of natural disaster. The increase in demand for water is also being fuelled by the resurgence of the uranium sector, due to a sharp rise in its price (from around USD 50 per pound in January 2023 to USD 85 in June 2024, the highest level since 2007). Ambitious green hydrogen production projects could be a source of additional demand. According to the Minister, the country's existing water sources, notably groundwater and the desalination plant operated by France's Orano, have already reached their maximum sustainable production of nearly 30 million cubic metres per year. Since 2010, the Wlotzkasbaken desalination plant, located 20 km north of Swakopmund, has been producing around 20 million m³/year of drinking water using reverse osmosis technology, and has additional capacity to increase production. The plant is operated by the South African company Nafasi Water on behalf of ORN. The fresh water is sold by Orano to the national company Namwater and supplies industrial customers (mines) and residents of the Erongo region, around Swakopmund. The new plant, which is due to start producing water in 2027, will supply the Husab mine (Swakop Uranium), which is majority-owned by a subsidiary of China General Nuclear Power Company (CGNPC).

Zambia

Zambia: ENGIE begins construction of 15 solar mini-grids (Agence Ecofin)

According to Agence Ecofin, construction of 15 solar mini-grids by ENGIE Energy Access began this week in Zambia. The supplier of the "Paygo" solution and French mini-grids, via its subsidiary MySol Grid

Zambia, is thus launching the project supported since June 2023 by the Energy Inclusion Facility. The Facility committed to providing USD 7.5 million in debt to build 60 mini-grids, which will eventually provide 40,000 people in Zambia with access to electricity. The initiative, which comes under the IAERP programme financed by the 11th European Development Fund, will see MySol Grid Zambia build, operate and maintain these mini-grids, which will be set up in five Zambian provinces. As Gilian-Alexandre Huart, Managing Director of ENGIE Energy Access, points out, this project reinforces the important role played by the company in the country's national electrification plan and places it in close collaboration with the local authorities to extend access to energy and promote sustainable development.

The IMF approves the third review of its programme and notes an increase in its amount (IMF)

On 26 June, the IMF's Executive Board approved the third review of its programme (Extended Credit Facility - ECF) and noted an increase in its amount, releasing an immediate disbursement of SDR 433.34 (around USD 570m). This financing programme, granted on 31 August 2022, aims to strengthen the country's macroeconomic stability and relaunch inclusive growth, in a difficult economic context marked by the restructuring of the country's external debt. Recognising the efforts made by the Zambian authorities in implementing the programme (all the quantitative performance criteria, almost all the indicative targets and seven out of eight structural benchmarks were achieved by the end of 2023), in restructuring its external debt (signature by all the parties of the Memorandum of Understanding concluded with the official creditors, reaching an agreement with bondholders respecting the comparability of treatment with official creditors) and taking into account the dramatic consequences of the drought caused by the El Nino phenomenon on the country's economy (growth is expected to slow to 2, 3% in 2024, after 5.4% in 2023, and against an initial forecast of 4.7%), the international financial institution has agreed to increase the amount of the programme by 192 SDRs (i.e. around USD 383m), bringing the total

amount to 1,271.66 SDRs (i.e. USD 1.7bn, compared with USD 1.3bn initially). The IMF's decision enables the immediate disbursement of the fourth tranche of the programme (around USD 570m, including the entire additional envelope approved on 26 June), bringing the total disbursement under the programme to SDR 852.98m (around USD 1.1bn).

Zimbabwe

Zimbabwe: Minister of Information and Communication Technology visits China (*The Herald*)

According to The Herald, Zimbabwe's Minister of Information Technology, Communication, Posts and Courier Services, Tatenda Mavetera, travelled to Shanghai this week to attend the Mobile World Conference 2024. The Minister also took advantage of her trip to China to visit Huawei's Research & Development centre. Minister Mavetera stressed the need for Zimbabwe to rapidly extend its 5G network in order to take advantage of the intelligent technologies developed by companies such as Huawei, in order to transform the country and ensure the realisation of the Vision 2030 plan.

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