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ECONOMIC WRAP-UP
Southern Africa

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Heightened Tensions in the Government of National Unity after the Dismissal of Democratic Alliance Minister Andrew Whitfield

The coalition between the ANC and the Democratic Alliance (DA), the cornerstone of the Government of National Unity (GNU) established a year ago, is being shaken by a crisis triggered by the dismissal of Deputy Minister of Trade, Andrew Whitfield (DA), by President Cyril Ramaphosa.

Whitfield was sanctioned for making an unauthorized trip to the United States during a period of diplomatic tensions, a decision the DA deems disproportionate, especially given that other ministers facing corruption allegations remain in office.

In response, the DA voted against the budgets of the implicated ministers, notably those responsible for social housing and higher education, further escalating tensions within the coalition. John Steenhuisen, leader of the DA, also criticized Ramaphosa for a lack of consultation and a unilateral decision-making process.

While the GNU is still holding together for now, the situation remains fragile, with a high risk of further political tensions as upcoming electoral deadlines approach.

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Southern Africa

New downgrade for Afreximbank: Moody's lowers its credit rating to Baa2

Credit rating agency Moody's has downgraded the African Export-Import Bank (Afreximbank) from Baa1 to Baa2 due to weaker-than-expected asset performance. The outlook has also been revised from stable to negative. This follows a similar downgrade by Fitch a month earlier. The downgrade is primarily attributed to the bank's shift toward unsecured lending to distressed sovereign states, a significant risk and a departure from its original mandate of trade finance. Afreximbank is also exposed to potential losses on sovereign loans to Ghana and Zambia, which are undergoing debt restructuring under the G20 Common Framework. This framework requires Afreximbank to incur losses similar to private creditors. These exposures account for 3% (Ghana) and 0.2% (Zambia) of its total portfolio, and 0.4% of its net equity after provisions.

Mixed economic performance across Southern Africa in Q1 2025

According to Zambia's national statistics agency (ZAMSTATS), the economy grew by 4.5% year-on-year in Q1 2025 (down from +8.6% in Q4 2024). Growth was mainly driven by a rebound in agriculture, forestry, and fishing (+74.4%, contributing +3.9 percentage points) following a sharp contraction in 2024 due to prolonged drought. Mining (+16.5%, +1.4 pts), ICT (+16.2%, +1.1 pts), and tourism (+27.6%, +0.9 pts) also supported growth. In contrast, several sectors contracted: wholesale and retail trade (-12.0%, -2.0 pts), construction (-11.1%, -1.0 pt), electricity production and distribution (-17.7%, -0.3 pt), and financial services (-3.5%, -0.2 pt). As a result, mining became the top GDP contributor (22.0%), overtaking wholesale and retail trade (16.3%).

In Namibia, growth slowed to +2.7% year-on-year in Q1 2025 (from +3.6% in Q4 2024), masking significant sectoral disparities. Agriculture (-20.1%) and fishing (-8.9%) contracted sharply due to drought and disease outbreaks. Manufacturing output also fell (-1.7%), dragging down the secondary sector (-0.7%). On the other hand, mining grew (+2.0%) thanks to a surge in uranium and gold production, and the tertiary sector expanded (+5.1%) on the back of strong performance in healthcare (+11.4%), retail (+6.5%), and financial services (+6.0%). The government forecasts 3.3% growth for 2025, supported by improved rainfall and infrastructure investment. However, this outlook faces downside risks from falling SACU transfers, weak commodity prices, and high public debt.

In Botswana, the slowdown was more pronounced, with GDP contracting by 0.3% year-on-year in Q1 2025. This was mainly due to a poor mining performance (-7.7%), especially in soda ash production (-56.7%) following maintenance at Botswana Ash, and diamond production (-7.5%) amid ongoing weak global demand. Diamond trade also slumped (-36.2%). Agriculture declined (-3.4%) due to severe flooding and an African armyworm infestation. However, "non-mining GDP" grew by 2.2%, supported by education (+5.2%), public administration (+4.2%), and retail (+4.6%), driven by resilient consumption. Medium-term growth remains constrained by expected declines in diamond output.

South Africa

Slight slowdown in South Africa's private sector in June (S&P Global)

S&P Global's Purchasing Managers' Index (PMI) for South Africa stood at 50.1 in June, down from 50.8 in May. The index remains just above the 50 threshold, indicating near-stagnation in private sector activity (manufacturing, services, construction, trade, and mining). This moderation reflects a decline in output—the first in three months—and a slight drop in new orders amid continued weakness in exports. While the services sector continued to support activity, other sectors showed signs of contraction. Business sentiment deteriorated significantly, with optimism falling to its lowest level in nearly four years, driven by uncertainties in both domestic and international policy.

Angola

Angola becomes a sovereign shareholder of the Africa Finance Corporation (AFC)

Angola has become a sovereign shareholder in the Africa Finance Corporation (AFC), a pan-African multilateral institution focused on infrastructure investments, with a capital contribution of nearly USD 185 million. Founded in 2007, the AFC aims to catalyze investment in infrastructure and industry across Africa and is a key promoter of the Lobito Corridor project. Angola's entry into the AFC reflects the institution's nearly USD 1 billion in investments in Angola's priority sectors (energy, railways, logistics, and critical minerals) all vital to the country's industrialization and diversification strategy. Angola joins Cape Verde as the second Lusophone shareholder of the AFC.

Lack of guarantees delays U.S. funding for the Lobito Corridor

The Lobito Corridor has become a central theme in Angola's political and economic discourse and its growing ties with Western powers. Despite repeated announcements of significant investments and financing, actual disbursements have lagged. The USD 550 million in financing announced by the U.S. Development Finance Corporation (DFC)—aimed at modernizing rail lines and acquiring new freight wagons—is still under negotiation with Lobito Atlantic Railway (LAR), which holds the freight concession from Lobito to Luau. The disbursement, expected in Q1 2025, is now contingent upon the conclusion of guarantee agreements with the Angolan government.

Angola warns De Beers over commitment to natural diamonds

Angola has expressed concern over British multinational Anglo American's decision to sell its 85% stake in De Beers (with the remaining 15% owned by the Botswana government). The authorities fear the sale could bring De Beers closer to the synthetic diamond industry. Angola is keen to ensure De Beers continues to support natural diamond production and promotion. Analysts estimate the value of Anglo American's stake in De Beers at between USD 2 and 2.5 billion, less than half its book value. Botswana may increase its stake in De Beers in response. De Beers returned to Angola in 2022 after a decade-long absence, signing new contracts with state-owned Endiama and identifying high-potential exploration areas.

Namibia

Namibia downgraded to lower-middle-income status by the World Bank

The World Bank has reclassified Namibia from an upper-middle-income to a lower-middle-income country—the only country globally to receive such a downgrade this year. The revision reflects slower economic growth (+3.7% in 2024 vs. +4.4% in 2023), driven by a contraction in the mining sector (-1.2% in 2024 vs. +19.3% in 2023) due to weak global diamond demand. The reclassification also stems from a major upward revision of population estimates—from 2.6 million to over 3 million in 2023—resulting in a mechanically lower gross national income per capita. The World Bank stressed the need for Namibia to adjust its economic policies to stimulate growth, control inflation, and strengthen integration into the global economy. This downgrade comes amid a shift in sub-Saharan Africa, where the share of low-income countries fell from 75% to 45%, while all South Asian countries have moved into higher income categories. The downgrade underscores Namibia's need to rethink its development strategy and diversify its economy to escape the middle-income trap.

Zambia

Supplementary budget of 33.6 billion kwacha submitted to Parliament

Zambia's Finance Minister, Dr. Situmbeko Musokotwane, has proposed a supplementary budget of 33.6 billion kwacha (about EUR 1.65 billion) for the current year. Of this amount, 33% is earmarked for fuel arrears, 24% for debt servicing, and 18% for agricultural sector support. Additional funds will go to social services and education. To finance the budget, the government plans to reallocate 11 billion kwacha (EUR 444 million) from savings, raise 14.8 billion kwacha (EUR 598 million) on the domestic market, generate 4.9 billion kwacha (EUR 198 million) from new tax revenues, and secure 2.9 billion kwacha (EUR 123 million) in external financing. This budget follows discussions with the IMF as part of the fifth review of the ECF program, which revised the fiscal deficit for the year upward to 5.3% of GDP, in anticipation of higher debt servicing and social spending needs.

Zimbabwe

Slight increase in inflation

In Zimbabwe, inflation measured in U.S. dollars remained relatively stable at +14% year-on-year in June (after +13.9% in May 2025). Monthly inflation was -0.2% (vs. -0.3% in May), driven by falling prices for food and non-alcoholic beverages (-0.7% after -0.9%). Prices for non-food items remained unchanged (0.0%). Meanwhile, the price index in local currency (ZiG) rose slightly to +92.5% year-on-year, up from +92.1% in May. The official exchange rate remains stable at 26.9 ZiG per USD, while the parallel market rate is around 38 ZiG per USD. According to the national statistics agency's methodology, the weighted inflation rate now stands at 27.1%, up from 26.9% in May. On June 16, the Reserve Bank of Zimbabwe maintained its policy rate at 35%, citing the need to safeguard economic stability amid global trade tensions.

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