



ECONOMIC WRAP-UP

Southern Africa

A publication by the Pretoria Regional
Economic Service from 13 to 17 May 2024

DATA OF THE WEEK

32,9%

South Africa's unemployment rate
in the first quarter of 2024 - StatsSA

Focus on the signing of the National Health Insurance (NHI) Bill by President Ramaphosa (*Business Tech*)

South African President Ramaphosa signed the controversial National Health Insurance (NHI) Bill into law on 15 May 2024, just days before the general elections on 29 May 2024.

The aim of the bill for the State is to establish and maintain a national health insurance fund that will act as a 'single purchaser and single payer' for healthcare services provided to the population, replacing the existing supply. South Africa has one of the highest levels of inequality in the world (Gini index of 0.63), which is particularly evident in the area of healthcare, with an efficient and expensive private system that benefits a minority of the population, and a free but underfunded public system that is poorly managed, overburdened and offers poor services.

A number of legal challenges to the bill are being prepared, including one by the majority Afrikaner trade union Solidarity, the opposition political party the *Democratic Alliance*, the *Health Funders Association*, the *South African Medical Association*, the *Board of Healthcare Funders* and the *South African Health Professionals Collaboration*.

De nombreux recours juridiques contre le projet de loi sont en cours de préparation, parmi lesquels celui du syndicat à majorité Afrikaner *Solidarity*, le parti politique d'opposition la *Democratic Alliance*, le *Health Funders Association*, la *South African Medical Association*, le *Board of Healthcare Funders* et le *South African Health Professionals Collaboration*. The private healthcare sector (doctors, hospitals, insurance companies, laboratories, etc.) and the 15% of the population benefiting from this private system are opposed to a reform that they consider financially unrealistic and likely to lead to a drop in the quality of healthcare services.

The implementation of the IHN and its exact timetable, which according to the text of the law should be spread out from 2023 to 2028, remain uncertain given the lack of technical details in the text, the numerous legal appeals, the national elections which could reshuffle the political landscape, and the complexity of setting up the National Health Insurance Fund (NHI).

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Southern Africa

The UN wants to mobilise nearly USD 660 million to meet humanitarian needs in Zambia and Zimbabwe (Agence Ecofin)

On 7 and 9 May, the *United Nations Office for the Coordination of Humanitarian Affairs* (UNOCHA) launched two international appeals to raise USD 228 million and USD 430 million respectively for Zambia and Zimbabwe. This total sum will be used to fund food aid for the populations of these two countries, which have been severely affected by a drought of historic proportions linked to the El Nino weather phenomenon. In both Zambia and Zimbabwe, the authorities have declared a state of natural disaster and are expecting major reductions in their maize harvests, the main staple food. According to UNOCHA, 7.6 million people are in need of humanitarian assistance in Zimbabwe and 4.6 million in Zambia.

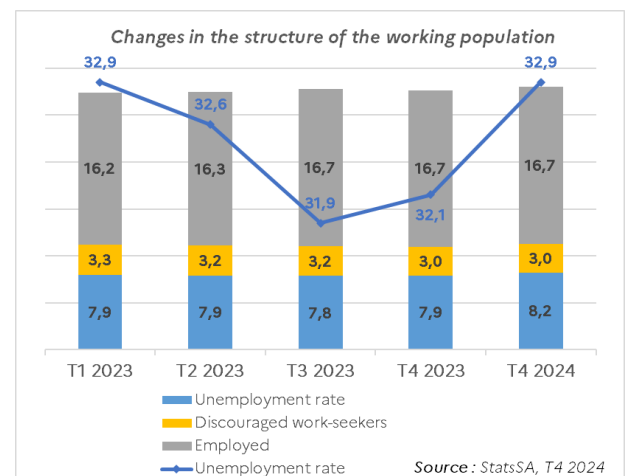
Inflation accelerates in several southern African countries (INE, StatsBots, Namstats, INE)

Several national statistics agencies in the sub-region (INE - Angola, StatsBots - Botswana, Namstats - Namibia, INE - Mozambique) published their inflation data for April this week, showing a slight increase in overall price rises in the sub-region. In Angola, year-on-year inflation rose for the twelfth consecutive month, reaching a seven-year high of 28.2% - after 26% the previous month. It is particularly high in the province of Luanda (+38.9%). As a reminder, Angolan inflation had reached 20% by 2023 and 13.8% by 2022. In Botswana, the indicator rose to 3.1%, from 2.9% in the previous month, driven by transport (+2.7%, a positive contribution of 0.7 points) and food products (+4.2%, or +0.6 points). Inflationary pressures are also building in Namibia, reaching 4.8% in April after 4.5% in March, with consumer prices accelerating in nine out of twelve categories. Food products remains the main contributor to the rise in prices (+5%, i.e. a positive contribution of 1 point), after alcohol and tobacco (+7.9%, i.e. +1 point) and 'transport' (+6%, i.e. a contribution of

0.9 point), driven by the rise in fuel prices - petrol (+7.3% to NAD 22.3/litre) and diesel (+3.4% to NAD 21.77/litre). In Mozambique, inflation reached 3.3%, after 3% in March. The indicator is mainly driven by the rise in food prices (+5.3%, or +0.9 points in the indicator), against a backdrop of difficulties in the agricultural sector (impact of the drought linked to the El Nino weather phenomenon).

South Africa

The unemployment rate rose again in the first quarter of 2024, reaching almost 33% (StatsSA)



According to the national statistics agency (StatsSA), the unemployment rate reached 32.9% of the working population in the fourth quarter of 2023, compared with 32.1% in the previous quarter. This is the second consecutive quarter that the indicator has risen, confirming the break with the downward trend observed between the high point recorded in the fourth quarter of 2021 (35.3%) and the third quarter of 2023 (31.9%). Over the period, the working population rose by 352,000 over the previous quarter, to 25 million. At the same time, the economy created 'only' 22,000 jobs, a level that is clearly insufficient to absorb the arrival of new entrants to the labour market (i.e. a total of 330,000 unemployed). It should be noted that the period was marked by the end of the academic year and the arrival of a generation of new graduates looking for work. There were also contrasting trends depending on the sector. On the one hand, certain sectors were particularly dynamic in terms of hiring, notably trade (+109,000

jobs) and manufacturing (+99,000). Conversely, social and community services and construction and public works shed jobs (-122,000 and -106,000). It should be noted that the extended unemployment rate, which includes individuals discouraged from looking for work, rose to 41.9%.

Anglo-American rejects BHP's EUR39.3bn second takeover bid (DailyMaverick)

On 13 May, the Board of Directors of mining giant Anglo American (AA) issued a statement saying that it had rejected a second offer from its competitor BHP Billiton. The offer had been increased from the initial offer (ZAR 778 billion - EUR 39.3 billion - compared with ZAR 741 billion - EUR 37.4 billion) and provided for the transfer of 16.6% of BHP shares (compared with 14.8% initially) to AA shareholders. The group's board of directors, after consulting its shareholders, considered the offer to be 'undervalued' and 'unattractive', regretting in particular that it did not include the South African subsidiaries Kumba Iron Ore (iron ore) and Amplats (platinum group metals-PGM). The very next day, AA counter-attacked by unveiling a plan to restructure its activities. The plan consists of spinning off its subsidiaries De Beers (85% owned), world leader in the diamond sector, Amplats, number one in PGMs, and its assets in steelmaking coal and nickel. The planned investment in a potash mine in Woodsmith (UK) is also expected to be reduced from GBP1bn (EUR1.2bn) to GBP200m (EUR233m). Instead, AA should focus on strengthening its position in the copper (Chile and Peru) and iron (South Africa and Brazil) sectors. According to AA, this new strategy had been in preparation for several months, but the company did not plan to disclose it before the South African general elections (May 29). BHP Billiton's attempted takeover would therefore have precipitated this reaction, the aim of which is to 'unlock value' for AA shareholders, and possibly attract new bids from investors in the newly defined perimeter. According to Reuters, Glencore recently approached AA with this in mind.

Future uncertain for diamond giant De Beers as owner Anglo-American restructures (MoneyWeb)

In the context of Anglo American's announced restructuring (see above), the future of its 85%-owned subsidiary De Beers is particularly sensitive. According to the *Wall Street Journal*, a consortium of luxury houses and Middle Eastern investment funds may be interested in buying the company. However, the valuation of the De Beers subsidiary remains uncertain, ranging from \$600m to \$4bn (analyst estimates) and up to \$7.6bn (AA estimate). The diamond sector is facing a number of uncertainties, linked in particular to the rise of synthetic diamonds, a downward trend in global demand and uncertainty over the impact of the traceability measures introduced by the G7 to exclude Russian diamonds. However, AA CEO Duncan Wanblad said his group was in no hurry to sell off its assets at a time when the sector is in a slump. In the first quarter of 2024, De Beers' global production was down 23% year-on-year (to 6.9 million carats). The group plans to lower production levels to clear inventory in response to falling demand. As a monopolistic player in the extraction and sale of diamonds from southern Africa, De Beers is currently able to adjust its supply according to changes in demand, concentrated around an almost exclusive network of 65 main buyers. According to Al Cook, CEO of De Beers, the sale would enable the group to be 'more flexible', but some analysts fear that the new shareholders will adopt a more offensive strategy, increasing production in the short term, even if it means causing world prices to fall sharply. The importance of De Beers is cardinal in Botswana, where diamond mining directly accounts for around 20% of GDP and 90% of exports. De Beers' production is concentrated in Botswana (5 million carats), and more marginally in Canada (645,000 ct), Namibia (633,000 ct) and South Africa (598,000 ct) via the Venetia mine (Limpopo).

Mining production down 5.8% in March (StatsSA)

According to the national statistics agency (StatsSA), mining production fell by 5.8% in March compared with the same period last year, compared with an increase of 10.3% in February. Although the contraction was slightly more marked than expected, this poor performance is not surprising given the weakness of global demand, the collapse in commodity prices and persistent domestic structural constraints. This trend is explained in particular by the poor performance of coal mining (-9.1%, or a negative contribution of 2.3 points to total growth), manganese ore (-12.2%, or -1 point), iron ore (-6.8%, or 0.9 point) and platinum group metals (-3.6%, or 0.9 point).

Airlink and Global Airways complain to authorities about alleged majority foreign ownership of rival FlySafair (DailyMaverick)

South African airline Airlink and Global Airways (which co-owns Lift) have approached the International Air Services Council and the Air Services Licensing Council to investigate FlySafair's shareholding structure and determine whether it complies with South African legislation. The Air Services Licensing Act requires licensees operating domestic routes in South Africa to have a local shareholding of at least 75%. According to its competitors, FlySafair does not comply with this requirement because only 25.14% of its shares are held locally by B4i Safair, while Safair Holding's 25% and the 49.86% held by the Safair Investment Trust are held abroad. FlySafair disputes that the 49.86% held by the Safair Investment Trust is linked to foreign interests. FlySafair, which has experienced strong growth in recent years, is not involved in its first legal dispute over its shareholding. In 2013, ASL Aviation Holdings, its Irish owner, had to create the Safair Investment Trust to comply with local shareholding legislation. ASL would have absorbed this entity in 2019.

The ABSA group opens a representative office in China (ABSA)

On 8 May, the ABSA banking group officially opened a non-banking subsidiary in Beijing, following an announcement made last January. ABSA is one of South Africa's five systemic banks (with the third largest balance sheet on the market - ZAR 1.5 billion and 8.9 million customers). The office does not have a banking licence to operate in China, but aims to assist local clients with their transactions on the African continent. Drawing on its expertise, the group provides an advisory service and aims to facilitate Sino-African trade. This opening is part of the group's international strategy, which aims to extend its operations via representative offices in certain strategic markets.

Shell is preparing to sell its refining and distribution activities in South Africa (BusinessLive)

Dutch-British oil giant Shell is preparing to sell its refining and distribution activities in South Africa. The group has announced that it is open to receiving bids between now and June with the aim of selling its 72% stake in Shell Downstream South Africa (SDSA) by December. The remaining 28% is held by Thebe Investment Corp, a fund historically linked to the financing of the ANC, the ruling party. Negotiations between the two parties over the valuation of the assets are notoriously difficult. Shell confirmed that it had been approached by various interested parties, but did not give any further details. The official reason for this decision is the global restructuring of the group, which is seeking to develop in the field of renewable energies and reduce the climate impact of its activities. The regulation of fuel prices by the Central Energy Fund (CEF) is also regularly criticised by industry players. It should also be noted that the Sapref refinery, jointly operated by Shell and BP, has not been in operation since 2022. Last December, TotalEnergies similarly sold its minority stake (36.36%) in the Natref refinery controlled by Sasol.

Orange Marine vessel sent to repair Eastern Africa Submarine System (EASSy) and Seacom Submarine cables (MyBroadband)

The Orange Marine vessel Léon Thévenin left the port of Cape Town on Tuesday 14 May 2024 en route to the area off the coast of East Africa where the Eastern Africa Submarine System (EASSy) and Seacom submarine cables have been damaged. The disruption to the EASSy is affecting millions of users, particularly in Tanzania, Mozambique, Malawi, Burundi, Rwanda, Madagascar, the Comoros, Uganda, Somalia and Kenya. South Africa has also been affected by the slowdown at Seacom. This is the second time this year that internet traffic has been disrupted in Africa, since the Léon Thévenin was already sent in March to repair the West Africa Cable System (WACS- Alcatel Submarine Networks (ASN)), Africa Coast to Europe (ACE- ASN), MainOne (Subcom), and SAT-3 cables (ASN).

Angola

Angola and the USA sign 3 infrastructure financing agreements totalling USD 1.3 billion (Ministry of Finance)

On the occasion of the Angolan President's visit to the United States and the 16th *US-Africa Business Meetings*, US financing for 3 major infrastructure projects in Angola was signed in Dallas. The first agreement concerns financing of USD 872 million for a project to build a 500-megawatt solar power plant, probably for the benefit of the American company *Sun Africa*. The second agreement concerns USD 428 million for the construction and installation of 186 metal bridges on the Angolan road network. The third agreement concerns financing of USD 45.2 million for the installation of radio communication equipment (transmitters, tower antennas, etc.).

Angola slips from 3rd to 5th place among sub-Saharan African economies (IMF)

The IMF's World Economic Outlook estimates Angola's gross domestic product at USD 92 billion in 2024 (-25% in two years in current dollars), behind South Africa at USD 373 billion, Nigeria at USD 353 billion, Ethiopia at USD 205 billion and Kenya at USD 104 billion. By 2027, the Angolan economy should be in seventh place in sub-Saharan Africa (tenth on the continent). The Angolan economy, which had recovered in 2021 and 2022 after five years of recession, was hit in 2023 by a series of shocks: the fall in oil prices that began in mid-2022 and in production during the first half of 2023 (for maintenance) led to a weakening of budget positions and external revenues. In addition, the end of debt moratoria has led to an increase in external debt servicing, a reduction in the supply of foreign currency to the market and pressure for a depreciation in the exchange rate. Communication problems on foreign exchange market conditions have exacerbated the depreciation of the kwanza against the dollar (-37% between mid-May and the end of June 2023).

Mozambique

Collective mission organised by EVOLEN in Maputo for fifteen French companies (EVOLEN) (EVOLEN)

EVOLEN, the French Association of Energy Companies and Professionals, accompanied fifteen French companies from the energy sector to Maputo to take part in the *XIX Annual Private Sector Conference (CASP)*, Mozambique's main forum for public-private dialogue. The delegation held two days of meetings with a wide range of stakeholders, particularly in relation to the major investment projects in the country by France's leading energy groups - the 1.5 GW Mphanda Nkuwa hydroelectric dam project and the Mozambique LNG natural gas exploitation and liquefaction project, developed by consortia led by EDF and Total Energies respectively. It then took part in and led one of the 4 CASP bilateral workshops dedicated to Mozambique's main economic partners - the 3 other workshops

were organised with Portugal, Brazil and the EU. Organised by EVOLEN with the support of the *Franco-Mozambican Chamber of Commerce and Industry* (CCIFM), the *Mozambique Committee of CCEFs* and the French Embassy in Mozambique, this operation was part of the cooperation agreement signed last October in Paris between EVOLEN and the *Confederation of Economic Associations* (CTA), the local counterpart of the MEDEF. The French business delegation included the following companies: *Ponticelli, SPIE, Teledyne, Ecolog, Schneider Electric, Parlym, CIS, Red Offshore, Ekium, Sagemcom, Inter360°, Actenium Vinci Energies, Smart-Catering, Hold-Invest* and the *Grand Port Maritime de la Réunion*, the last two of which are from Réunion's ultra-marine territory.

Malawi

The African Development Bank grants budget support of USD 22.7 million (AfDB)

On 15 May, the Board of Directors of the African Development Bank approved a grant of USD 22.7 million (MWK 40 million). This budgetary support will enable the *Agricultural Productivity and Marketing Program* to be set up. Coordinated by the *Ministry of Economy and the Ministry of Agriculture*, the program aims to reform the agricultural sector, strengthen its resilience in the face of climate change and improve the efficiency and transparency of dedicated public spending. While the government subsidises agriculture via the *Affordable Inputs Program*, the IMF considers this support to be ineffective and very costly for the state budget, and recommends that it be discontinued. This support for reform comes at a critical time for the country's economy - with an unstable macroeconomic framework (high inflation and a shortage of foreign currency), compounded by the impact of drought on harvests (linked in particular to the *El Nino* weather phenomenon).

Ukraine wants to contribute to food security in Malawi and Africa (President of Ukraine)

Ukrainian President Zelensky spoke by telephone on 15 May 2024 with Malawian President Lazarus Chakwera. Mr Zelensky expressed his desire to see Ukraine become a guarantor of food security for Malawi and other African countries. Malawi is currently suffering from a historic drought linked to the El Nino climatic phenomenon, and is expecting major reductions in its agricultural harvest. More generally, the African continent is heavily dependent on Ukrainian wheat imports and has suffered greatly from the disruption of these imports following the Russian invasion in 2022.

Namibia

Overall traffic in Namibia's ports reached 8 million tonnes in the 2023/2024 financial (Agence Ecofin)

During the 2023/2024 financial year, which ended on 31 March, Namibian ports recorded 8 million tonnes of goods, compared with 7.7 million tonnes the previous year, representing an increase of 4%. Growth was driven by exports, notably of salt, copper concentrate, zinc and lead, frozen fish, manganese ore and marble. Imports also contributed to the increase in figures. Namibian ports are benefiting in particular from the congestion in South African ports, the main ports in the region, which is forcing many ships to seek alternatives such as the port of Walvis Bay, Namibia's main port, or those of Maputo and Beira, in Mozambique.

Zambia

The IMF concludes its visit to Zambia (IMF)

At the end of an economic analysis mission conducted from 24 April to 7 May, the International Monetary Fund (IMF) has published its initial conclusions in a [press release](#). This visit is part of the third review of the Extended Credit Facility (ECF) approved in August 2022 for a total

amount of USD 1.3 billion over 38 months. In particular, the Bank has significantly revised down its growth forecasts to 2.3% for 2024, compared with the 4.7% estimated in the World Economic Outlook published in April. This sharp revision is due in particular to the unprecedented drought currently affecting the country (impact of the El Nino weather phenomenon), with major repercussions for the agricultural sector and electricity supply (at a time when the energy mix relies almost exclusively on hydroelectric capacity). The mission also welcomed the progress made by the authorities under the program, particularly in terms of fiscal consolidation, despite the decline in mining revenues. The Fund therefore invites the Zambian authorities to continue their efforts to strengthen tax administration and eliminate tax exemptions. It should be noted that on 13 May, IMF Director Kristalina Georgieva welcomed the country's ambitious reform program and the agreement reached at the end of March between the government and the Committee of Bondholders, a further key step towards finalising the debt restructuring process. However, the Fund's teams have not yet reached an agreement in principle with the Zambian authorities on the conclusion of the third review, and discussions are continuing.

The Central Bank raises its key rate by 1 point to 13.5% (Bank of Zambia)

The Monetary Policy Committee of the Bank of Zambia (BoZ) raised its key rate by 1 point to 13.5% at its meeting on 15 May. This is the sixth rate hike since the start of 2023 (+5 points in total), the last of which came at the previous monetary policy committee meeting in February (+1.5 points). The Bank justifies its decision by the fact that inflationary pressures have been accelerating almost continuously for more than a year, despite the tightening of its monetary policy - as a reminder, the indicator reached 13.8% in April, a level well above the BoZ's target range (6 to 8%). The central bank is therefore forecasting average inflation of 13.7% for 2024. This trend is largely the result of imported inflation, while the local currency has depreciated significantly against the US dollar (by 27.3% over one year, reaching a parity of 25.8 to the dollar on 16 May). The risks of a further acceleration in price rises also remain significant, at a time when the country is being hit by an unprecedented drought (see above). Against this backdrop, Zambia will be forced to import certain essential foodstuffs (maize), putting further pressure on prices. The next Monetary Policy Committee will meet on August 12 and 13.

Exchange rates		Change in USD exchange rates (%)			
	16/05/2024	Over a week	Over a month	Over a year	Since 1st of January
South Africa	18,22 ZAR	1,6%	3,8%	6,3%	0,3%
Angola	835,4 AOA	-0,1%	-0,6%	-35,8%	-0,8%
Botswana	13,4 BWP	0,6%	1,4%	0,2%	-0,9%
Mozambique	63,2 MZN	0,0%	0,0%	0,0%	0,0%
Zambia	25,8 ZMW	5,5%	-3,2%	-27,3%	0,2%

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

Source : OANDA (2024)

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