

ECONOMIC WRAP-UP

Southern Africa

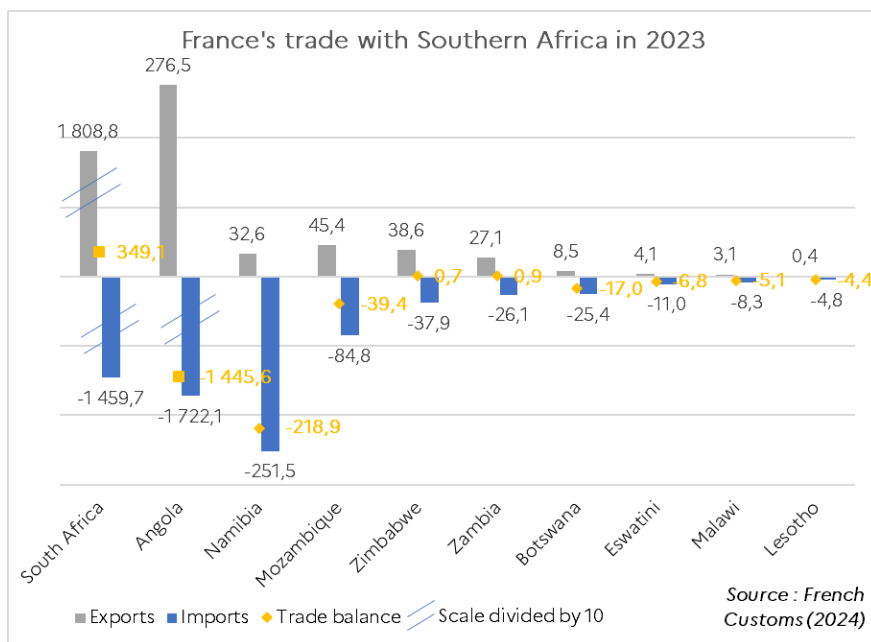
A publication by the Pretoria Regional Economic Service from 20 to 24 May 2024

DATA OF THE WEEK

5,2 %

Inflation rate of consumer price index over one year in April 2024 in South Africa - StatsSA

Focus on the bilateral trade between France and the Southern African region in 2023 (French Customs)



The bilateral trade between France and the Southern African sub-region (10 countries - ZAF, AGO, BWA, SWZ, LSO, MWI, MOZ, NAM, ZMB, ZWE) reached EUR 5.9 billion in 2023, accounting for almost 24% of our trade flows with sub-Saharan Africa (27% of imports and 20% of exports) and 0.4% with the rest of the world (0.5% and 0.4%).

However, trade fell by 26% compared with the previous year, after more than doubling in 2022 (+121%). This poor performance is mainly due to the fall in our imports (down 36% to EUR 3.6 billion), particularly from

Angola (down 53% to EUR 1.7 billion) and South Africa (down 10% to EUR 1.5 billion), our second and third largest suppliers on the continent after Nigeria. Conversely, it is worth noting the strong dynamism of flows from Namibia (+91% to EUR 252m) and Zambia (+23% to EUR 26m), although the amounts involved remain secondary. The structure of our imports remains centred around 'hydrocarbons' (55% - oil and coal - Angola, South Africa), 'transport equipment' (15% - motor vehicles - South Africa), as well as certain specific mining products (uranium: 5% - Namibia; diamonds: 2% - South Africa, Botswana, Namibia, Lesotho). At the same time, our exports remained stable over the period (-0.2% to EUR 2.2 billion). The main flows go to South Africa (81% of exports from the sub-region) and, to a lesser extent, Angola (12%) and Mozambique (2%). They remain concentrated around mechanical and electrical equipment (32% - agricultural and mining machinery, then electrical equipment), chemical products, perfumes and cosmetics (18%) and food industry products (13% - wines and spirits). As a result, France recorded a trade deficit with the sub-region (EUR 1.4 bn), although this was significantly down on the previous year (EUR 3.4 bn), in line with the trends mentioned above (a sharp fall in imports while our exports held firm). It should be noted, however, that France recorded an average trade surplus with the region of around €110m in the second half of the 2010s.

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Southern Africa

Business France organises a business forum on Southern Africa on 26 June (BusinessFrance)

A business forum on Southern Africa and the Indian Ocean will be held in Paris on 26 June, organised by Business France and Team France Export. The aim of the forum is to put the spotlight on the region and its opportunities, given that the sub-region accounts for a third of Africa's GDP. South Africa, Angola, Botswana, Madagascar, Mauritius, Mozambique, Namibia, Zambia and Zimbabwe will be represented. The event will bring together French and local institutional partners (ministers, employers' associations, trade federations, etc.), high-level speakers and over a hundred decision-makers from French and local companies. A number of themed sessions will be organised, focusing in particular on: (i) the energy transition, with a speech by the South African Minister for Electricity, K. Ramokgopa, (ii) infrastructures and their resilience to climate change, (iii) digital transformation, (iv) the rise of the middle classes on the continent. The afternoon will be devoted to B2B meetings and discussions around the opening of the *Volontariat International en Entreprise* (V.I.E) scheme, a powerful tool to be reinstalled in South Africa.

Partnership between Liquid and France's Eutelsat to launch a low-Earth orbit satellite service in Africa (Business Live)

On Tuesday 21 May 2024, *Liquid Intelligent Technologies* (LIT) said it had signed a distribution partnership agreement with French satellite specialist *Eutelsat Oneweb*, which will enable Liquid to offer LEO satellite services across Africa. In 2022, *Eutelsat OneWeb* had already announced the deployment of a gateway in Krugersdorp (Gauteng) as part of a partnership with LIT, an investment valued at nearly USD 1m. The collaboration between LIT and *Eutelsat* follows similar agreements recently signed by SEACOM, which has launched a low-Earth orbit satellite service, and *Avanti*

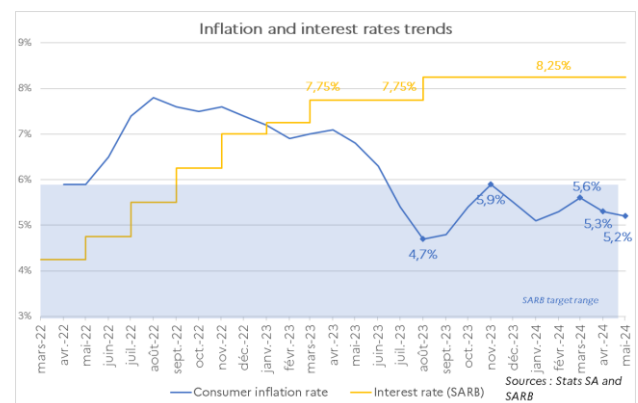
Communications, which has partnered with Q-KON (also a Eutelsat distributor) to provide such services. LEO satellites are growing in popularity in Africa as a means of bridging connectivity gaps, particularly in rural, remote and less-developed areas, and adding a new layer of connectivity to a telecoms operator's portfolio.

Several calls for humanitarian action in response to the historic drought in southern Africa (Reuters)

Calls for the mobilisation of humanitarian aid funds in response to the historic drought linked to the El Nino weather phenomenon in southern Africa are multiplying. The *World Food Programme* (WFP) has said it needs USD 400 million to feed 4.8 million people in Zimbabwe, Zambia and Malawi. And following an extraordinary virtual summit of its heads of state, the *Southern African Development Community* (SADC) has launched a humanitarian appeal to raise at least USD 5.5 billion. A state of humanitarian emergency was declared successively in Zambia (29 February), Malawi (25 March) and Zimbabwe (3 April). According to Oxfam, the crisis is directly affecting 22 million people in southern Africa, including around 10 million Malawians, 6 million Zambians, 3 million Zimbabweans and 3 million Mozambicans.

South Africa

Inflation falls slightly to 5.2% in April (StatsSA)



According to the national statistics agency (StatsSA), consumer price inflation (CPI) reached 5.2% year-on-year in April, after 5.3% in March. Although the indicator has

fallen for the second month in a row, and is now slightly below market estimates, it has remained above the 5% mark since September 2023, close to the upper limit of the South African central bank's target range (3% to 6%). Inflation is therefore persistent, and the moderating trend observed over the medium term is much less marked than initially anticipated by the markets. The main items contributing to the rise in prices are 'housing, water and electricity' (+5.8%, i.e. a positive contribution of 1.4 points), 'food and beverages' (+4.7%, i.e. +0.9 points) and 'transport' (+5.7%, i.e. +0.9 points). While food prices recorded their lowest rise since September 2020, in line with the downward trend seen on world markets, transport prices continued to accelerate, driven by the fourth consecutive rise in petrol prices (+1.5% in April). Thus, in line with the trends observed worldwide, we are seeing a shift in inflation from goods to services.

The rand strengthens against the USD to reach its highest level since July 2023 (Reuters)

On 21 May, the South African rand reached a ten-month high of 18 ZAR to the US dollar. The local currency has thus appreciated by 5.3% over the past month and by 1.1% since the start of 2024. This marks a break with the trend seen in the first quarter of 2024 (-3% to reach a parity of 18.8 ZAR to 1 USD at the end of March), and more broadly over the medium term (-6.3% in 2022 following -7% in 2023). This good performance reflects market expectations of an easing in US key interest rates, which tends to strengthen emerging currencies against the dollar, particularly the rand, which is one of the most sensitive currencies to the Fed's monetary policy. The currency has also benefited from the confidence of economic agents, boosted by the slight fall in inflation in April (see above) and the easing of the energy crisis. Uncertainties surrounding the results of the South African general elections scheduled for 29 May are not destabilising the markets for the time being.

After rejecting a third takeover bid, Anglo American finally enters talks with Australia's BHP (DailyInvestor)

Mining giant *Anglo American* (AA) has agreed to enter into negotiations with rival BHP after rejecting a third proposal valuing them at EUR 44.7 billion, paving the way for the first time for a potential takeover. The news came on 22 May 2024, just hours before the deadline set by UK takeover rules, with AA agreeing to an extension of the deadline to 29 May. Discussions are expected to continue on the fate of AA's subsidiaries *De Beers* (85%), the world's number two diamond producer, *Amplats*, the world's number one platinum group metals producer (PGM) and *Kumba Iron Ore* (iron ore). Before any takeover, BHP wants AA to divest *Amplats* and *Kumba Iron Ore*, which are listed in Johannesburg, while Anglo-American has so far voiced its objections. The treatment of *De Beers* is also at the heart of takeover speculation, as the diamond giant suffers from the crisis in the sector (rise of laboratory diamonds, sanctions against Russian diamonds, etc.). The discussions are starting!

Eskom approves plan to extend operation of three coal-fired power stations until 2030 (Agence Ecofin)

Eskom's Board of Directors has approved the continued operation of the Camden, Grootvlei and Hendrina coal-fired power stations until 2030, deviating from the original decommissioning schedule. Under the original plan, the plants were to be decommissioned between 2023 and 2027. Eskom is undertaking a *Just Energy Transition* (JET) strategy and is gradually decommissioning its old coal-fired power stations in order to begin the country's energy transition. However, in view of its electricity production deficit, which is leading to frequent load shedding, the state-owned company has decided to extend the deadline for decommissioning these three power stations.

Implementation of the reform of the visa system for skilled workers in South Africa (*Business Day*)

On Monday 20 May 2024, the *Department of Home Affairs* published a revised version of its new visa regulations for skilled workers. This new system should facilitate the process of obtaining a visa for skilled workers, in addition to facilitating the arrival of remote workers (*digital nomads*). Obtaining a work visa in South Africa has been difficult for a number of years, not least because of administrative delays, which have made the country less attractive. The aim of this reform is to remedy the situation by introducing a points system that will reduce the number of requirements to be met. Indeed, the previous visa system listed a fairly short list of critical skills, restricting the arrival of many skilled workers against the country's economic interest. Finally, a new 'trusted employer' system should initially give 72 large companies access to a fast-track procedure for applying for work visas for their staff.

Angola

TotalEnergies and its partners celebrate their investment in the Kaminho oil project (*Jornal de Angola*)

In the presence of its CEO Patrick Pouyanné, TotalEnergies signed the *Final Investment Decision* (FID) with the *National Oil and Gas Agency* (ANPG) for the Kaminho oil project in Exploration Block 20 (Cameia and Golfinho fields). This investment of around USD 6 billion will enable the construction of a new deepwater FPSO (*Floating Production Storage and Offloading*) platform vessel (this will be TotalEnergies' 7th FPSO operating in Angolan waters) with a capacity of 70,000 barrels per day. TotalEnergies owns 40% of the JV they operate, in partnership with Petronas (40%) and Sonangol (20%). Block 20 is located 100 km off the Angolan coast and 150 km south of Luanda. It will be the first block in the Kwanza Basin to be mined, with a target date of 2028. Reserves are estimated at 400 million barrels. *OneSubsea* and *Saipem*, also present at the ceremony, are among the

main service providers for the Kaminho project. TotalEnergies and Sonangol also signed a memorandum of understanding on research and development, decarbonisation of the oil and gas industry and renewable energies.

Lesotho

Australia's Lucapa puts majority stake in Lesotho diamond mine up for sale (*Mining.com*)

Australian mining company Lucapa Diamond has put up for sale its 70% stake in the Mothae open-pit diamond mine in Lesotho. Lucapa, which owns the Lulo diamond mine in Angola, would like to concentrate on its other main assets in Africa and Australia. Production at Mothae, which the company acquired in 2017, began commercial operations nearly six years ago. According to Lucapa's December 2023 figures, the modest-sized mine has 180k carats of indicated resources and 960k carats of inferred resources.

Malawi

Australian company Sovereign Metals accelerates its rutile and graphite mine project in Malawi (*Agence Ecofin*)

On 22 May 2024, Australian mining company Sovereign Metals announced the launch of a pilot mining and land rehabilitation programme at its Kasiya rutile and graphite mine project in Malawi. As a reminder, at the end of 2023, Sovereign had highlighted the potential of the project with a pre-feasibility study revealing that the Kasiya mine could become the world's largest producer of rutile with 222,000 tonnes per year. The mine could also supply 244,000 tonnes of graphite a year, making the company one of the world's leading suppliers of this essential material for electric vehicle batteries. Over the 25-year life of the mine, revenues of USD 16 billion are expected from a total investment of more than USD 800 million.

Zambia

Launch of the renovation of the Lusaka-Ndola Road by a Chinese consortium (*LusakaTimes*)

On 21 May 2024, [Zambian President Hakainde Hichilema](#) officially launched work to upgrade the 327-kilometre Lusaka-Ndola dual carriageway between the country's two major economic centres. The project will be carried out and financed to the tune of USD 650m by the Chinese Macro Ocean Investment Consortium, which includes equipment manufacturer *AVIC International Project Engineering* (a subsidiary of the state-owned aerospace group), road construction specialist *Zhenjiang Communications* and *China Railway Seventh Group*. The project is based on a public-private partnership (PPP) model, and the Chinese consortium will finance its investment through a 22-year concession, following a three-year construction period. The rehabilitation of this road should improve connectivity between the capital Lusaka and Ndola, capital of the CopperBelt where the country's strategic copper mines are located. President Hichilema also indicated that in a few weeks' time, Zambia, Tanzania and China will conclude and sign an agreement on the rehabilitation of the TAZARA railway line, a corridor linking the CopperBelt to the Indian Ocean, which is at the heart of China's strategy to import Zambian copper, a strategic material for the energy transition, particularly for electric vehicles, in which China is a world leader.

The World Bank signs a USD 30 million carbon credit contract (*Banque mondiale*)

On 21 May, the [World Bank](#), via the *Biocarbon Fund Initiative*, signed a Emission Reductions Purchase Agreement with the [Zambian government](#), the second of its kind after [Ethiopia \(2023\)](#). The agreement is part of the *Initiative for Sustainable Forest Landscape* (SFLI). The contract will reward the efforts made by communities in the

Eastern Province, which have pledged to reduce their emissions by 3 million tonnes of CO₂ between 2024 and 2029. Beneficiaries will be paid on the basis of the results achieved, up to a maximum of USD 30 million if all the targets are met. The programme builds on the achievements of the Zambia Integrated Forest Landscape Project (funded by the Global Environment Facility - GEF, and the International Development Association - IDA). At the same time, it includes the payment of several grants (around USD 15 million) dedicated to community forest management and the promotion of climate-smart agriculture. While forests play a central economic role in Zambia (directly employing more than 1.5 million people and helping to maintain the livelihoods of around 60% of the population), their economic importance has long been underestimated (lack of capacity and investment in the controlled management of this natural capital) and Zambia is now facing a very high rate of deforestation.

Zimbabwe

The Zimbabwean government has begun talks with China Railway Group to modernise the National Railways of Zimbabwe (*Agence Ecofin*)

The Zimbabwean government has entered into talks with the Chinese company *China Railway Group* to modernise the infrastructure of the *National Railways of Zimbabwe* (NRZ) for a total investment of USD 533 million. The railway company, which currently transports just 3 million tonnes of goods a year, compared with a record 18 million tonnes in 1998, needs investment to upgrade its infrastructure and equipment. The dilapidated state of its rail network is having a negative impact on the export of its minerals, particularly lithium, of which Zimbabwe has the largest reserves in Africa, and which is used in particular in batteries for electric vehicles. The Zimbabwean lithium sector is dominated by Chinese companies (*Zhejiang Huayou Cobalt*, *Chengxin Lithium*

Group, Sinomine Resource Group, etc.), which have spent more than USD 1.4 billion over the past two years and could invest a further USD 2.8 billion to acquire other lithium mines in the country in order to export the strategic mineral to China.

Inflation rises again in April, as the Central Bank officially introduces the new currency (RBZ)

According to data from the Reserve Bank of Zimbabwe, consumer price inflation (CPI) reached 57.5% year-on-year in April, after 55.3% the previous month. The indicator thus rose for the sixth consecutive month, driven by the increase in food prices (+105.1%, i.e. a positive contribution of 25.3 points to total inflation) - linked to the impact of the unprecedented drought linked to the El Nino weather phenomenon on maize harvests, forcing the country to import maize. As a reminder, the Bank uses a blended inflation rate, calculated on the basis of a basket of prices in several currencies, even though more than 80% of the economy's transactions are now denominated in dollars. Inflation in local currency is therefore much higher, at a time when the country is facing a currency crisis which prompted the RBZ to introduce a new local currency (Zimbabwe Gold - ZiG) to replace the New Zimbabwe Dollar (RTGS) on 8 April. On 30 April, the

monetary institution officially introduced the new fiat money, almost three weeks after the electronic currency. While the value of the ZiG on the official market has remained broadly stable since its launch (13.2 ZiG for 1 USD on 24 May, compared with an initial launch of 13.4 ZiG for 1 USD), a premium has already appeared on the parallel market, rising steadily to almost 35% at the beginning of May. In a country affected by chronic monetary instability, this trend reflects the central bank's difficulties in restoring the confidence of economic agents in its skills and ability to conduct an appropriate and independent monetary policy.

	Exchange rates	Change in USD exchange rates (%)			
	23/05/2024	Over a week	Over a month	Over a year	Since 1st of January
South Africa	18,39 ZAR	-0,9%	4,0%	7,0%	-0,6%
Angola	847,9 AOA	-1,5%	-1,8%	-35,1%	-2,3%
Botswana	13,4 BWP	0,1%	2,5%	0,9%	-0,7%
Mozambique	63,2 MZN	0,0%	0,0%	0,0%	0,0%
Zambia	26,2 ZMW	-1,3%	-1,7%	-26,4%	1,5%

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

Source : OANDA (2024)

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