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ECONOMIC WRAP-UP
Southern Africa

A publication from the Pretoria Regional
Economic Service from January 17 to 24, 2025

South Africa's Economy in 2025: Cautious Recovery Amid Global Uncertainty

In 2025, South Africa's economy is expected to experience slight growth, with the IMF forecasting a 1.5% increase in GDP, up from 0.8% in 2024. This anticipated improvement is driven by a combination of structural reforms and more temporary factors, such as moderating inflation and the continued reduction of interest rates. However, these projections face several uncertainties, including the potential intensification of protectionist policies following Donald Trump's re-election in the United States.

Globally, economic growth remains moderate. The U.S. economy is undergoing a "very soft landing," China's growth is slowing, and Europe is stagnating. These trends present both opportunities and challenges for South Africa in an uncertain environment. While South Africa could benefit from demand for certain raw materials, volatile commodity prices and a strong U.S. dollar could pose risks. The rand, already weakened, is predicted by some observers to trade at around 17.80 ZAR to 1 USD by the end of the year, well below its fair value.

Domestically, structural reforms are progressing slowly, particularly in the management of the country's infrastructure. Despite significant improvements in the energy sector—there has been no load-shedding since the end of March 2024—the financial situation of the state utility, Eskom, remains precarious. Additionally, weaknesses in the logistics sector continue to hinder the nation's competitiveness.

The potential visit of Donald Trump to South Africa for the G20 Summit in November could be a double-edged sword, especially amid uncertainty surrounding the renegotiation of the African Growth and Opportunity Act (AGOA), which is set to expire in its current form in November.

On a more positive note, South Africa's possible removal from the Financial Action Task Force (FATF) grey list in 2025 would be a welcome development. Being on the grey list has negatively impacted the business climate and deterred foreign investment in recent years. Despite this, rating agencies remain cautious and do not anticipate an upgrade of South Africa's sovereign credit rating in 2025.

South Africa finds itself at an economic crossroads. With fragile recovery supported by internal reforms and a volatile global context, 2025 could prove to be a pivotal year in shaping the country's economic future.

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South Africa

Consumer Price Index (CPI) inflation reaches 3.0% in December *(StatsSA)*

According to the national statistics agency (StatsSA), the annual inflation rate slightly increased in December 2024, reaching 3.0% after 2.9% in November. The price increase, lower than expected by analysts (around 3.2%), was mainly driven by the following categories: "housing and utilities" (+4.4%, contributing 1.0 percentage point), "miscellaneous goods and services" (+6.6%, contributing 1.0 percentage point), "food and non-alcoholic beverages" (+2.5%, contributing 0.5 percentage point), and "alcoholic beverages and tobacco" (+4.3%, contributing 0.3 percentage point). Price declines slowed slightly (-2.0% year-on-year in December, compared to -3.3% in November), mainly due to the recovery of fuel prices (+1.1% in December, linked to the depreciation of the rand by 4.4% against the dollar). Over the entire year of 2024, the average price increase was 4.4% (compared to 5.9% in 2023), due to a combination of factors such as global inflation reduction, low commodity prices, lower fuel prices, and a base effect on food prices. In this context, observers suggest that the central bank (SARB) may reduce its policy rate (7.75% since November 22) by 25 basis points at its next monetary policy committee meeting, scheduled for Thursday, January 30.

Mixed economic results in November 2024: Mining declines, retail sales surge *(StatsSA)*

According to StatsSA, mining production decreased by 0.9% in November compared to the same period the previous year, following a 1.1% increase in October. The decline was mainly driven by gold production (-11.5%, contributing -1.5 percentage points to total production), iron ore (-3.8%, contributing -0.5 percentage points), coal (-1.6%, contributing -0.3 percentage points), and diamonds (-11.4%, contributing -0.2 percentage points). However, the production of platinum group metals (+4.0%, contributing +1.3 percentage points) and chrome ore (+15.6%, contributing +0.7 percentage points) showed more dynamism.

At the same time, retail sales grew by 7.7% in November compared to the same period last year, following a 6.2% increase in October 2024. This growth was mainly driven by general retailers (+11.9%, contributing 5.2 percentage points to sales growth), the textile, clothing, footwear, and leather goods sector (+9.5%, contributing +1.7 percentage points), and the furniture, appliances, and household equipment sector (+9.4%, contributing +0.5 percentage points). In contrast, sales from hardware, paint, and glass retailers fell by 4.3% (contributing -0.4 percentage points).

16 new coal mining projects planned in South Africa, totaling 44 Mt annually *(BusinessDay)*

South African mining companies are considering new coal projects, with a total estimated capacity of 44 million tons per year. These initiatives come at a time when global demand for coal remains strong, particularly in Asia and the Middle East, which are the main export markets for South African coal, in addition to a still high national demand. About one-third of South African coal is exported (2022 figures). They also highlight the difficulty of starting the energy transition in South Africa, as the country is part of the Just Energy Transition Partnership (JET-P), an international initiative to finance this transition away from coal, with France contributing EUR 1 billion.

For reference, South Africa relies on coal for 83% of its electricity (2023 figures). The air pollution caused by this use severely affects the health of South Africans, causing between 30,000 and 45,000 deaths annually, according to studies. The Minister of Environment at the time, Barbara Creecy, had granted Eskom's request in 2023 to suspend the minimum emission standards (MES) for five of the oldest coal power stations. This dual dynamic illustrates the complexity of the transition process, as the country committed under the JET-P to decommission its old coal power stations, but must also address the challenges of electricity production deficits and dependence on jobs and revenues from the coal industry in some regions.

Meridiam invests in Ilitha Telecoms in South Africa to deploy fiber optic

access in underserved neighborhoods *(Meridiam)*

Meridiam, a French investment company specializing in sustainable infrastructure, acquired a majority stake in Ilitha Telecommunications, a South African company focused on deploying fiber optic networks in underserved areas of South Africa. This investment, made through the Meridiam TURF B fund, will enable Ilitha to accelerate the modernization and expansion of its fiber optic network, aiming to connect more than half a million households. Its solutions involve setting up internet access points with prepaid internet packages at affordable costs in rural areas and townships (underprivileged urban neighborhoods).

South Africa faces challenges in internet access, particularly in rural areas where connectivity remains weak, creating a digital divide and exacerbating inequality (the country has the highest Gini index in the world).

Trade Minister Parks Tau proposes a 3% tax on businesses to fund a R100 billion (EUR 5.1 billion) "transformation fund" *(The Citizen)*

In a parliamentary session, the Minister of Trade, Industry, and Competition (DTIC) Parks Tau proposed a new 3% tax on corporate profits to fund a Black Economic Empowerment (BEE) transformation fund of R100 billion (EUR 5.1 billion). According to the minister's proposal, businesses that fail to comply with the rules would face penalties and be excluded from public tenders. Multinational companies would be required to allocate up to 25% of their South African assets to "transformation." This announcement has raised concerns among businesses, investors, and economic experts, who criticized the lack of prior consultation.

Gazprombank's investment project to rehabilitate the Mossel Bay refinery falls through *(amaBhungane)*

One year after the controversial agreement of R3.7 billion (EUR 192 million) between PetroSA and Gazprombank for the rehabilitation of the Mossel Bay gas-to-liquid refinery, the Russian bank has reportedly decided to withdraw. According to internal documents, the relationship between PetroSA and Gazprombank has significantly deteriorated, primarily due to hidden weaknesses in the agreement.

Furthermore, an internal report criticizes Gazprombank's choice, whose offer was initially rated 80/100 but was actually closer to 40/100, placing it in third place. As a result, the bank failed to provide the promised USD 200 million in financing or the USD 3 million needed for a feasibility study. This situation costs PetroSA R26 million per year for annual refinery maintenance, not to mention the potential loss of revenue, and creates significant uncertainty about the refinery's future.

Minister Ramokgopa provides details on the development plan for electric transmission infrastructure *(BusinessDay)*

At an ANC meeting, Minister of Electricity and Energy Ramokgopa presented the strategy to deploy new electric transmission capacities. The National Transmission Company of South Africa (NTCSA), an independent subsidiary of Eskom, is expected to deploy its own infrastructure independently with its own funding. Simultaneously, NTCSA is set to develop a public-private partnership (PPP) model to attract private financing for certain lines through build-operate-transfer (BOT) contracts lasting 20 to 30 years. A pilot project of this type is expected to be presented in the third quarter of 2025.
For reference, the government estimates that 14,500 km of transmission lines will need to be built over the next five years, with a total cost now estimated at R112 billion (EUR 5.8 billion), compared to R400 billion in 2024. These infrastructures are essential to support the energy transition, especially for transmitting renewable electricity produced in remote regions (Northern Cape, Eastern Cape…) to major consumption areas (Gauteng, Western Cape, KwaZulu-Natal).

Angola

The BNA maintains its key interest rate at 19.5% *(BNA)*

Following its meeting on January 20-21, the Monetary Policy Committee (MPC) of the National Bank of Angola (BNA) decided to keep its main interest rate at 19.5% and reduce its reserve requirement ratio in local currency from 21% to 20%. This reduction in the reserve requirement is intended to circulate approximately 100 billion AOA to align the interbank money market rates with the key interest rate. The Central Bank also highlighted the following points: i) international reserves reached 15.6 billion USD by the end of 2024 (compared to 14.7 billion USD in the previous year, a 6% increase), due to the appreciation of reserve assets, particularly gold, and active financial placements; ii) in the foreign exchange market, commercial banks purchased a total of 10.82 billion USD in 2024 (compared to 9.85 billion USD in 2023), including 5.5 billion USD on the Bloomberg platform, 1.97 billion USD from the Treasury, and 953.49 million USD from the BNA. The remaining 2.39 billion USD was acquired from various clients who do not operate on the Bloomberg platform. The exchange rate of the dollar depreciated by 9.12% in 2024, following a 39.2% depreciation in 2023; iii) the trade balance had a surplus of 22.02 billion USD in 2024, up 1% due to a decrease in imports (-5.9% to 14.19 billion USD) and a slight increase in exports (+0.1% to 36.92 billion USD, mainly oil exports); iv) the inflation rate reached 27.5% year-on-year and 1.7% month-on-month in December 2024; v) GDP is expected to grow by 3.5% in 2025, driven by the non-oil sector, which is projected to grow by 4.24%, due to increased domestic demand and net exports.

A historic level of diamond production in 2024 but revenues below forecasts *(NovoJornal)*

According to the Angolan National Diamond Company (ENDIAMA), a record 14 million carats of diamonds (+63% year-on-year) were produced in 2024. However, diamond export revenues were below forecasts: while ENDIAMA had anticipated sales of 2.5 billion USD, they only reached 1.4 billion USD, affected by a significant drop in prices. The global diamond market is experiencing oversupply, with reduced purchases, especially from India and Belgium. The natural diamond market also faces competition from synthetic diamonds. Nevertheless, Angola remains the fourth-largest producer of diamonds globally, behind Russia, Botswana, and Canada, securing its place among the leading countries in the market. In 2025, ENDIAMA hopes to maintain its production and collect more than 2 billion USD in revenues.

The President of the Republic authorizes a sovereign guarantee of 110 million USD for TAAG to purchase three new Boeing 787s *(NovoJornal)*

The national airline TAAG will acquire three Boeing 787 Dreamliners to strengthen its fleet and provide the company with the necessary means for its operations. The investment requires an advance payment of 150 million USD, to be provided by the Afreximbank consortium (African Export-Import Bank) and Banco Absa as lenders, and Cuanza Limitada as the borrower. To this end, the President of the Republic has approved the granting of a sovereign guarantee of 110 million USD to TAAG to finance the advances. Presidential Decree 30/25 of January 21, which contributes to the purchase of these aircraft, aims to give TAAG the means to overcome sector challenges and is part of the government's strategy to make Angola a regional hub as part of the country's economic diversification. The new Luanda Antonio Agostinho Neto International Airport (AIAAN) is in the process of operational start-up: starting February 1, all of TAAG's domestic destinations, as well as routes to the Democratic Republic of Congo and the Republic of Congo, will operate from the new airport, with international airlines expected to begin operations at AIAAN by the end of March as part of the transfer of commercial activities from the "4 de Fevereiro" International Airport to AIAAN. However, it is likely that foreign airlines may not be able to operate at the new airport by the end of Q1 2025 due to delays in obtaining all the necessary approvals.

Up to 2 billion USD in Eurobond issuance in 2025 *(Bloomberg)*

On January 22, State Minister for Economic Coordination, Jose de Lima Massano, announced at the Davos Economic Forum that Angola would issue between 1 and 2 billion USD in Eurobonds, with the goal of reducing the cost of its debt and extending its maturity (864 million USD maturing in November 2025). As a reminder, Angola's public debt stabilized at 60% of GDP in 2024 (compared to 73% in 2023), with the country recording a budget surplus of 1.6% in 2024.

Lesotho

Lesotho Price increase slows to 3.7% year-on-year *(Bos)*

According to the National Statistics Agency (Bos), the price increase was 3.7% year-on-year in December, down from 4.4% in November. The increase in prices is mainly driven by food products (+5.6%, contributing 2.1 percentage points), clothing (+8.3%, contributing 0.7 points), hospitality (+4.5%, contributing 0.2 points), and education (+5.0%, contributing 0.3 points). On a monthly basis, inflation slowed to 0.2% in December, down from 0.3% in November. This situation allowed the central bank to reduce its key interest rate by 0.25 percentage points to 7.50% on November 26.

Mozambique

Mozambique Tax revenues significantly impacted by year-end protests *(JornalNoticias)*

According to the new Finance Minister, Carla Louveira, tax revenues for 2024 were expected to be 658 million USD (42 billion MZN) below forecast, representing an 11% shortfall compared to the revenues outlined in the budget. The month of December alone, heavily affected by the unrest in the country, saw a tax loss of 219 million USD (14 billion MZN). While the economic impact of the nearly three months of social unrest (which paused in mid-January) is still provisional, the minister has raised concerns about the state of the country's fiscal resources.

Standard Bank releases initial macroeconomic indicators showing economic slowdown linked to post-election protests *(StandardBank)*

Standard Bank Mozambique predicts an economic growth slowdown to 2.5% in 2024 (down from 5.4% in 2023), with a slight recovery expected to 3% in 2025. These estimates, which are well below the 5% growth forecasted in the 2024 budget, take into account a negative period in Q4 2024 and Q1 2025 due to post-election protests affecting the country's economy since October 21.

This drop in activity has also been accompanied by a notable increase in prices, with the financial institution estimating inflation at 4.2% year-on-year in December (official figures have yet to be released), up from 2.8% in November.

Zambia

Zambia Copper production up by 12% in 2024 *(BusinessDay)*

Copper production reached 820,670 metric tons in 2024, compared to 732,580 tons in 2023, marking a 12% increase. This growth results from resumed operations at the Lumwana (Barrick Gold) and Konkola (Konkola Copper Mines - KCM) mines, as well as increased production at the Mopani mine (Mopani Copper Mines, recently acquired by International Resources Holding from the UAE), despite difficult conditions marked by severe electricity shortages caused by the historic drought that affected the country in 2023 and 2024. Zambia, Africa's second-largest copper producer after the Democratic Republic of Congo (DRC), aims to further increase its production, targeting 1 million metric tons in 2025 and 3 million tons by 2032.

Saudi Arabia interested in Zambia's copper resources *(Reuters)*

At the Future Minerals Forum held in Riyadh from January 14-16, Saudi Arabia and Zambia signed a Memorandum of

Understanding (MoU) to promote cooperation and exploration in the mining sector. This cooperation agreement is driven by strong interest from Saudi Arabia's public investment fund, Manara Minerals, in African critical minerals, including those in Zambia. Copper, for which Zambia is the second-largest producer in Africa, is central to this investment strategy, highlighted by ongoing discussions to acquire a minority stake in Zambia's copper and nickel assets held by the Canadian company First Quantum Minerals (which represented around 75% of Zambia's copper production in 2022).

This development is part of Saudi Arabia's strategy to secure critical minerals, such as copper, needed to support the global energy transition, particularly for renewable energy technologies, electric vehicles, and green infrastructure. It could also help Zambia reach its ambitious goal of producing 3 million tons of copper annually by 2032.

World Bank grants 292 million USD to develop Zambia-Tanzania electricity interconnection *(ZNBC)*

The World Bank has provided 292 million USD in funding to Zambia to support the Zambia-Tanzania Power Interconnection Project (ZTIP). This project aims to link the electrical grids of the two countries, enhancing energy access, network stability, and regional electricity trade opportunities. ZTIP is expected to enable Zambia to export more of its renewable hydropower production to neighboring countries. However, this possibility is contingent on more favorable hydrological conditions, as the country is currently facing a historic drought that is causing severe power outages. The project is part of the World Bank's broader strategy to support electricity market integration in Southern and Eastern Africa under the RETRADE-SA MPA program. It also aligns with the Southern African Development Community (SADC)'s efforts to strengthen regional integration in energy. The ZTIP will connect the Southern African Power Pool (SAPP) with the Eastern Africa Power Pool (EAPP) through the two countries, creating a theoretical energy market stretching from Cape Town to Cairo. The project will be implemented by Zambia's state-owned electricity company ZESCO, which is currently facing operational and financial difficulties.

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