MINISTÈRE
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ECONOMIC WRAP-UP
Southern Africa

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Budget 2025/2026: A delay that reignites political tensions surrounding the national unity government and reveals differing economic approaches to support economic activity.

The announcement of South Africa's national budget, initially scheduled for February 19 at 2:00 PM, was unexpectedly postponed to March 12, sparking a new wave of uncertainty about the future of the coalition government in power since the May 2024 elections. This delay stems from a disagreement within the national unity government (GNU) regarding a proposal to increase the VAT rate from 15% to 17%. The measure aimed to generate an additional ZAR 58 billion (USD 2.9 billion) in revenue for the 2025/2026 fiscal year, bringing total gross tax revenue to ZAR 2.03 trillion (USD 103 billion). In the medium term, this increase, along with the broadening of other tax bases, was expected to bring in ZAR 2.18 trillion (USD 111 billion) in 2026/2027 and ZAR 2.32 trillion (USD 118 billion) in 2027/2028. The Ministry of Finance considered this increase essential to finance rising expenditures while maintaining the budget consolidation trajectory.

Amid political disagreements and economic uncertainties, this delay highlights the divisions within the country and raises serious concerns among economic and political actors. Faced with limited fiscal flexibility, the South African government struggles to define effective solutions to revive an economy weakened by sluggish growth and a crisis in infrastructure.

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Southern Africa

The African Union launches its own credit rating agency to correct biases of international agencies

At the African Union summit, the continent's leaders announced the creation of a sovereign rating agency to counter the distortions in the assessments made by international agencies, which are accused of overestimating risks and imposing excessive borrowing costs on African states. According to a study cited by Kenyan President William Ruto, these biased ratings have caused the continent to lose USD 75 billion in investment opportunities. A modest upgrade in sovereign ratings would unlock an additional USD 15.5 billion in financing, reducing reliance on foreign aid and supporting infrastructure investments. With this initiative, Africa aims to ensure a fairer assessment of its economies and improve its access to international capital.

Zambia suspends export tax on precious stones and metals *(Engineering News)*

On February 18, 2025, Zambia announced it would suspend its 15% export tax on precious stones and metals in order to strengthen its global competitiveness and attract investment. The suspension of this tax, which had been reintroduced in January 2025 after initially being suspended in 2019, follows complaints from market players who believed the tax harmed the precious stone sector in Zambia. Gemfields, which operates the Kagem emerald mine, had raised concerns about the negative impact of this tax on the industry. Zambia is the second-largest producer of emeralds globally after Colombia.

At the same time, Malawi announced on February 14 that it would temporarily suspend its precious stone exports to carry out a regulatory "transparency" operation within the Ministry of Mines. The government is suspected of some foreign companies paying little to no tax on rubies extracted from the country.

The withdrawal of USAID credits weakens the development of the Lobito corridor (Bloomberg)

The recent decision by U.S. President Donald Trump to freeze foreign aid and suspend most operations of the United States Agency for International Development (USAID) has raised serious concerns about its impact on the Lobito corridor. The Lobito corridor project aims to modernize and develop the existing railway corridor connecting the copper and cobalt-rich regions of northern Zambia and southern Democratic Republic of Congo to the Lobito port in Angola. The goal is to ensure the supply of cobalt and copper—critical minerals for the energy transition—mainly to European countries and the United States. The project, strongly supported by President Biden, who visited the site last December, received a loan of USD 553 million in 2023 from the U.S. International Development Finance Corporation (DFC), co-financed with USAID. USAID had provided USD 250,000 for an initial prefeasibility study and had submitted a request for an additional USD 5 million to carry out an updated prefeasibility study. These funds are now blocked indefinitely. However, the Trump administration appears to be in favor of investments in infrastructure and critical minerals, notably through the DFC, which was established under the first Trump administration, as part of a struggle for influence against China, whose companies dominate the critical minerals value chains.

South Africa

President Cyril Ramaphosa delivers his State of the Nation Address (SONA)

In his State of the Nation Address (SONA) delivered on February 6, President Ramaphosa emphasized the economic and governance reforms he intends to implement while reaffirming South Africa's sovereignty, particularly in relation to the United States and Rwanda. He notably discussed his Medium-Term Development Plan, aimed at boosting economic growth to over 3% through massive investments in infrastructure. The government plans to allocate ZAR 940 billion to infrastructure development over the next three years.

The water sector, which suffers from a significant lack of investment, will receive ZAR 23 billion for the implementation of seven major projects. The President also highlighted the need to reform the financing model for municipalities and various other projects, including the implementation of a digital identity system and the mobilization of private capital for railways and logistics.

The President confirmed the future continuation of the Social Distress Grant (SRD), introduced during the Covid crisis, and reaffirmed his commitment to a new health insurance system (National Health Insurance - NHI), despite strong opposition from the Democratic Alliance. The preliminary state of discussions (ongoing preparatory work) makes it unlikely that it will be included in the February budget.

Announcement of a 25% increase in U.S. tariffs on steel and aluminum, which would heavily impact the South African industry (IOL)

The United States announced its intention to impose a 25% tariff on all steel and aluminum imports, a measure that could have significant repercussions for South Africa, a major exporter of these goods to the U.S. In 2024, South Africa exported approximately USD 518 million worth of iron and steel to the U.S., along with nearly USD 400 million worth of aluminum. The imposition of a 25% tariff could significantly reduce these exports, making them less competitive and consequently leading to job losses, as the unemployment rate is already at 32.1%.

This U.S. measure adds additional pressure on South Africa's steel and aluminum sectors, whose struggles are illustrated by the potential closure of the two ArcelorMittal South Africa steel mills. The sector suffers from unfavorable economic conditions, high logistical and energy costs, and increased competition from steel and aluminum imports from China, following the slowdown in China's real estate sector.

Joint venture between Vopak and Transnet to develop a liquefied natural gas terminal at Richard's Bay (Engineering News)

Zululand Energy Terminal, a joint venture between Vopak Terminal Durban and Transnet Pipelines, has been selected to design, develop, construct, finance, operate, and maintain the liquefied natural gas (LNG) terminal at Richards Bay port for 25 years. The LNG terminal will be equipped to handle LNG imports and bulk services, with an initial capacity of 2 million tons per year, which can be expanded to 5 million tons per year. This terminal is expected to create about 1,000 jobs and stimulate local economic activity. The new project partly addresses concerns regarding the country's gas supply as the Pande Temane field (Mozambique) is set to deplete in the coming years.

It is likely that LNG will transit via the Lily pipeline linking Richards Bay to Secunda. In July 2024, Transnet Pipelines issued a request for expression of interest (EOI) to modify this pipeline, originally intended to transport methane-rich gas (MRG), not LNG.

South Africa positions itself as an "observer" of the Paris Summit Declaration on AI (ENCA)

The Paris AI Action Summit, held from February 10 to 11, 2025, brought together global leaders, CEOs, and scientists to discuss the impact of AI on global security, the economy, and governance. The summit, co-organized by France and India, aimed to establish a consensus on regulating AI development. Among the other objectives were expanding access to AI for all, investing in open-source tools and infrastructures, and developing systems to measure AI's social and environmental impact.

60 countries, including France, India, Germany, and China, signed the summit declaration. However, the U.S. and the U.K. declined to sign, citing concerns that excessive regulation could stifle innovation in the sector.

South Africa also distanced itself from the declaration, stating that it was merely an observer and not a signatory. The South

African government expressed concerns about overregulation of AI and highlighted the need to reduce digital inequalities and ensure broader access to the benefits of AI. In addition to the official delegation, several South African companies, researchers, journalists, and experts also participated in the summit.

South African Health Minister reaffirms intent to proceed with the controversial National Health Bill (NHI) (BusinessTech)

Health Minister Aaron Motsoaledi reaffirmed the government's commitment to gradually roll out the National Health Insurance (NHI), designating several public health facilities as pilot sites. These include the Limpopo Central Hospital, Siloam District Hospital (Limpopo), Dihlabeng Regional Hospital (Free State), Bambisana District Hospital (Eastern Cape), Zithulele District Hospital (Eastern Cape), and Bophelong Psychiatric Hospital (North West).
As a reminder, the NHI plans to create a public fund to provide free access to healthcare services, standardize medical prices, and limit the role of private insurance. However, this reform faces strong opposition from several stakeholders, including major health insurance companies and some political parties, including the Democratic Alliance, a major partner in President Ramaphosa's government (ANC). Despite this, Minister Motsoaledi continues with his plan and announced the immediate establishment of transitional mechanisms, such as the formation of advisory committees and modifications to existing laws, to facilitate the implementation of the NHI.

Manufacturing and mining production declines in December (StatsSA)

According to the national statistics agency (StatsSA), manufacturing production fell by 1.2% year-on-year in December (after a 1.9% decline in November). This contraction was less severe than expected (a forecast of -1.7%). The main negative contributions came from "metal products and machinery" (-6.0%, a negative contribution of -1.2 points) and "motor vehicles, parts and accessories, and other transport equipment" (-20.8%, a -1.2 point contribution). In contrast, "food and beverage products" contributed positively to production (+5.8%, a contribution of +1.7 points). Over the entire year, manufacturing production decreased by 0.4% compared to 2023.

At the same time, mining production declined by 2.4% year-on-year in December (after -0.9% in November). This contraction was unexpected, as forecasts had anticipated growth of 1.8%. It was mainly driven by platinum (-7.1%, a negative contribution of 2.7 points) and gold (-8.4%, a -1.1 point contribution). In contrast, manganese ore (+8.7%, a positive contribution of 0.5 points) and coal (+2.5%, a +0.5 point contribution) continued to support activity. However, mining production increased by 0.4% in 2024 compared to 2023.

The World Bank releases its updated growth forecasts (BusinessLive)

The World Bank has revised its growth forecast for South Africa in 2025 upwards to 1.8%, from 1.3% previously. It anticipates growth of 2% by 2027, in line with the South African Reserve Bank's projections. Among the favorable factors, the World Bank cites the end of load shedding since the end of March 2024 (despite a slight resurgence in early 2025) and the commencement of reforms in the logistics sector (notably in rail and ports).

Meanwhile, inflation was contained at 3% in December 2024, now within the lower range of the central bank's target (3%-6%). The World Bank, however, emphasizes that this level of growth is insufficient to address the major challenges facing the country, such as poverty and unemployment. It estimates that a 1% increase in GDP generates only between 30,000 and 50,000 jobs, well below the required amount. The World Bank notes that two key factors will continue to influence South Africa's economic future: the government's ability to revive growth through essential structural reforms and the management of fiscal consolidation to stabilize public debt. The World Bank also warns of climate risks, such as flooding and droughts, which could lead to economic losses of 0.8% of GDP annually between 2022 and 2050.

South African officials deny any nuclear cooperation with Iran while leaving the door open to future

Russian and Iranian offers for the upcoming tender (Engineering News)

Amid growing interest in nuclear energy in South Africa, illustrated by the South African Minister of Electricity and Energy, Dr. Ramokgopa's intention to reopen the tender for the construction of 2,500 MW of nuclear energy, speculation about the future players involved is high.

Mineral Resources and Energy Minister Gwede Mantashe and the CEO of the South African Nuclear Energy Corporation (NECSA), Loyiso Tyabashe, both denied any collaboration with Iran on nuclear arrangements. These denials follow an executive order by U.S. President Donald Trump, which accused South Africa of strengthening its ties with Iran to develop trade, military, and nuclear agreements.

However, Minister Mantashe indicated that South Africa could consider cooperating with Russia or Iran to expand its civil nuclear energy production capacity, which could complicate relations with the U.S. and prevent the renewal of the intergovernmental agreement (123 agreement), which has not yet been renewed between the two countries.

This issue is particularly sensitive as former President Zuma was involved in a controversial nuclear deal with the Russian company Rosatom, which was at the center of many corruption allegations. This deal, which would have cost South Africa USD 76 billion to build a Russian-operated nuclear plant, was ruled unconstitutional by a court in 2017 and did not materialize.

Details on South Africa's proposed new regulation regarding jobs reserved for different communities (BusinessTech)

The Department of Employment and Labour (DEL) is set to publish two new regulations by the end of March 2025 regarding new employment targets for historically disadvantaged communities in the 18 identified economic sectors. This follows a consultation period with businesses in these sectors, which ends in February.

These targets are part of the Employment Equity Amendment Act, enacted in April 2023 by President Cyril Ramaphosa, which stipulates that such quotas must now be implemented at all professional levels for all companies with more than 50 employees, especially at the highest levels, where historically disadvantaged communities have the least access.

As of January 1, 2025, obtaining an employment equity compliance certificate will become a prerequisite for working with public agencies and accessing government contracts. Companies will also face substantial fines if they do not implement new internal employment equity plans that comply with the new regulations by August 31, 2025.

Several employer organizations, such as the National Employers' Association of SA (Neasa) and Sakeliga, are contesting this law, considering it harmful and poorly prepared since the proposed quotas have yet to be disclosed. Sakeliga is planning to file an appeal against the proposal, arguing that it does not respect the legislative process or the principles of the South African Constitution. The government, on the other hand, has argued that the five-year implementation period and the ability to request exemptions make this legislation constitutional.

Meta unveils its project for the world's largest undersea telecommunications cable, passing through South Africa (The Guardian)

US giant Meta announced this week its Waterworth project, a 50,000 km long undersea telecommunications cable that will connect India to the United States, via South Africa and Brazil. This cable would be the longest ever deployed in the world. It will feature 24 pairs of optical fibers to increase the data volume transmitted, compared to the 8 or 16 pairs used in most currently deployed cables. Last May, Google announced its Umoja project to connect South Africa to Australia. Google's project will also include a terrestrial branch, deployed by Liquid Technologies, from Kenya to South Africa, serving several landlocked countries in Eastern and Southern Africa.

The National Treasury makes public-private partnership (PPP) regulations more flexible (Infrastructure News)

On February 13, South Africa's Finance Minister Enoch Godongwana amended the 16th regulation of the National Treasury (NTR 16) governing public-private partnerships (PPPs). Promised in the 2024 budget, this reform notably simplifies the authorization procedures with the National Treasury (NT) for PPPs valued under ZAR 2 billion (EUR 100 million). Additionally, this amendment allows companies to submit unsolicited partnership bids to South African administrations. These projects will remain under the supervision of the PPP Advisory Unit but will follow simplified procedures. The Minister of Infrastructure and Public Works (DPWI) Dean MacPherson welcomed this reform, which "will greatly help achieve the goal of attracting ZAR 100 billion (EUR 5 billion) in private financing for infrastructure during the 7th administration." The use of PPPs is justified by South Africa's government budget constraints, which require turning to the private sector to fund the country's enormous infrastructure needs. This simplification reform will come into effect in June 2025. A similar procedure is underway to amend the Municipal PPP Regulation 309, which governs PPPs at the municipal level.

Unemployment rate drops to 31.9% in Q3 2024 (StatsSA)

According to the results of the Quarterly Labour Force Survey (QLFS), the unemployment rate in the formal sector decreased by 0.2 percentage points in Q4 2024, from 32.1% to 31.9%. The number of employed people increased by 132,000 in the quarter, reaching a total of 17.1 million, while the number of unemployed people decreased by 20,000 to stabilize at 8.0 million. This development was marked by an increase in employment in four of the ten sectors covered by the study. The finance sector (+232,000) recorded the highest job creation, followed by manufacturing (+41,000), domestic employment (+18,000), and transportation (+17,000). However, notable losses were observed in some sectors, including community and social services (-63,000), retail (-48,000), and construction (-22,000). On an annual basis, the number of jobs also increased (+355,000 people), especially in the manufacturing (+168,000), retail (+59,000), community and social services (+46,000), and transportation (+41,000) sectors. The finance and public services sectors, however, experienced a reduction in their workforce, with losses of -16,000 and -12,000 jobs, respectively.

Mixed performance in retail sales (StatsSA)

According to the national statistics agency StatsSA, retail sales increased by 3.1% year-on-year in December 2024. This increase was mainly driven by the "textiles, clothing, footwear, and leather goods" category (7.8%, contributing +1.8 points) and "general retailers" (2.0%, contributing +0.9 points). For the entire year of 2024, retail sales saw a 2.5% increase compared to the previous year. Five of the seven types of retailers showed positive annual growth during this period, with the increase mainly driven by "general retailers" (4.6%, contributing +2.0 points).

Angola

S&P Global Maintains Angola’s Credit Rating and Economic Outlook (S&P Global)

S&P Global Ratings confirmed on February 14 its sovereign credit ratings of B- for the long-term and B for the short-term for Angola. The long-term outlook is stable, with the transfer and convertibility (T&C) assessment also at B-.

The confirmation follows the Angolan government's reduction of its external debt by USD 4 billion in 2024, easing short-term liquidity pressures. However, the country continues to face risks, including budget slippage, vulnerability to external shocks such as oil price fluctuations, and a high level of dollarization in the economy.

Angola’s economy is expected to grow at an average rate of 2.7% from 2025 to 2028. This growth will be driven by stable oil production volumes and improvements in non-oil sector activities. Despite this, fiscal vulnerabilities and public debt remain significant due to high debt service, costly fuel subsidies, and rapidly increasing wage costs.

The stable outlook for Angola balances the country’s large external financing needs and financing risks for the next 12 months with favorable oil revenues and available foreign exchange reserves. However, deterioration in the external environment or increased social pressures could lower the rating if these factors limit the government's ability to service its commercial debt.

VAT Fraud Scandal Leads to Wave of Tax Authority Arrests (Novo Jornal)

Eight officials from the General Tax Administration (AGT) have been arrested and imprisoned following a joint operation involving intelligence services (SINSE), criminal investigations services (SIC), the cybercrime office, the Attorney General's office (PRG), and the AGT itself. These high-ranking officials are accused of embezzling AOA 7 billion (USD 7 million) through VAT refund fraud in Angola. Angolan businessmen are involved in the scheme, which entailed bribing a group of AGT officers to falsify tax payments in the electronic system, payments which were never actually made to the state. In return, these businessmen paid bribes to the corrupt AGT officials.

Angolan President Inaugurates Barra do Dande Oil Products Terminal (Sonangol)

The oil products storage terminal, located about 70 kilometers north of Luanda, features 16 tanks with a total capacity of around 600,000 m3 of fuel (320,000 m3 of diesel, 160,000 m3 of gasoline, and 120,000 m3 of LPG), with a second phase that will increase the storage capacity to 730,000 m3. A 1,700-meter-long pier has been constructed, allowing the facility to accommodate large vessels. The terminal was built by the Brazilian company OECI (Odebrecht Engenharia e Construção Internacional) under a contract awarded in August 2021. The investment is estimated at around USD 700 million, fully financed by Sonangol. As Angola's largest oil products storage facility, the terminal is expected to support the country's energy trade and enable the national oil company Sonangol to significantly increase its storage capacity.

Inflation Remains High in January

Inflation stood at 26.49% year-on-year in January, marking a decrease for the sixth consecutive month since the high of 31.09% year-on-year in July 2024. However, inflation remains at a particularly high level, 4.49 percentage points above its level in January 2024. Food and non-alcoholic beverages remain the main contributor to the overall price increase.

Angola Bans Importation of Certain Animal-Based Products

To promote local production, the Angolan Ministry of Agriculture and Forestry announced a ban, effective August 1, 2025 (and March 15 for certain by-products), on the importation of certain animal-based food products: offal and cuts of poultry (chicken and duck), pigs (pork), and cattle (beef).

The Angolan Agricultural Association (AAPA) warned that the ban on animal protein imports could increase costs for families and small traders and undermine the country's food security. The AAPA noted that "without a solid, properly financed strategy to strengthen national production," the measure could exacerbate market fragility and jeopardize food security, emphasizing that imports have helped balance supply and ensure affordable prices. The association expressed its willingness to work with the government to find solutions "that strengthen national production without compromising immediate supply."

Botswana

Finance Minister Presents First Budget for 2025/26 Fiscal Year (Ministry of Finance)

On February 10, 2025, the new Vice President and Minister of Finance, Ndaba Gaolathe, presented his first budget to Parliament for the 2025/26 fiscal year, outlining the country's key priorities: modernization and transformation of infrastructure, improvement of quality of life, and innovation and digital transformation. He also emphasized the importance of supporting growth driven by the private sector. The budget was prepared amid a difficult economic context, marked by an estimated 3.3% contraction of GDP in 2024. However, the government expects a recovery of 3.5% in 2025, supported by a rebound in the diamond industry, although the proliferation of synthetic diamonds remains a risk to economic growth and tax revenue.

Botswana recorded a budget deficit of 9.0% of GDP in 2024/25, about BWP 24.7 billion (USD 1.8 billion), due to a decline in mining revenues, which amounted to only BWP 8.7 billion (USD 650 million), compared to an initial forecast of BWP 25.2 billion (USD 1.9 billion). At the same time, expenditures were lower than expected (BWP 93.4 billion, or USD 7.0 billion, compared to BWP 102.6 billion, or USD 7.7 billion). For the 2025/26 fiscal year, the budget deficit is expected to be 7.6% of GDP. The government is forecasting revenue of BWP 75.5 billion (USD 5.6 billion), still largely dependent on customs duties from the Southern African Customs Union (SACU). Expenditures are expected to rise to BWP 97.6 billion (USD 7.3 billion), including BWP 72.6 billion (USD 5.4 billion) in operating expenses and BWP 23.8 billion (USD 1.8 billion) in capital expenditures. The deficit will continue to be financed through a combination of domestic and external borrowing. With public debt currently around 25.8% of GDP, the government has the capacity to increase its borrowing before reaching the legal limit of 40% of GDP.

Consumer Price Inflation (CPI) Reaches 2.5% in January (StatsBots)

According to the National Statistics Agency (INE), inflation increased to 2.5% year-on-year in January, up from 1.7% in December. However, it remains below the lower end of the central bank's target range of 3% to 6%. This increase was mainly due to price hikes in "food and non-alcoholic beverages" and "alcoholic beverages and tobacco," each contributing 0.7 percentage points to overall inflation. The "transport" category, however, had a moderating effect on inflation, contributing negatively by 0.1 percentage points. Based on these results, the Botswana Central Bank decided to keep its benchmark interest rate at 1.9% during its monetary policy committee meeting on February 20, 2025.

Botswana Announces Creation of New Sovereign Wealth Fund

Finance Minister Ndaba Gaolathe announced the establishment of a new Sovereign Wealth Fund to strengthen macroeconomic stability and intergenerational equity. This reform is in line with recommendations from the IMF and the Botswana Central Bank, which have long highlighted the need for better public resource management. For reference, Botswana already has the Pula Fund, created in 1994 to save surplus mining revenues. However, this fund has structural weaknesses, including the lack of strict rules governing deposits and insufficient control over frequent withdrawals, which has gradually weakened the country's financial position. Foreign exchange reserves have fallen from 121% to 24% of GDP between 2001 and 2023, while government cash balances have decreased from 43% to 4% of GDP between 2008 and 2023. This trend is largely due to a structural decline in diamond production combined with rising public expenditures.

The new sovereign wealth fund will invest in sustainable national and international assets, with the goal of transforming mining wealth into financial wealth. It will also serve as a mechanism for protection against economic shocks and unforeseen disasters. New legislation will be needed to regulate deposits and withdrawals, ensuring better budgetary discipline and the preservation of resources for future generations.

cooperation with international financial institutions and open the energy sector to private investors.

Malawi

Announcement of the EU Energy Package for Malawi with nearly €500 million investment planned in the Malawian energy sector (European Union)

The European Union (EU) has announced an investment plan of over €500 million for the energy sector in Malawi. This plan, titled the "EU Energy Package for Malawi," aims to strengthen Malawi's energy sector by improving governance and increasing access to energy, while promoting innovative renewable energy solutions. Key energy infrastructure projects include the

Eastern Backbone transmission line connecting Malawi to Tanzania and the Malawi-Mozambique interconnection, which is expected to better integrate Malawi into the regional electricity market (Southern Africa Power Pool).
Another major project is the Mpatamanga hydroelectric power station (361 MW) located on the Shire River, near Blantyre, upstream of Lake Malawi, which is expected to double the country's electricity production by 2030. The project is being developed by Mpatamanga Hydro Power Limited (MHPL), a joint venture between the national power generation company Egenco (30%), EDF (27.5%), the International Finance Corporation (15%), and SN Malawi BV, partly owned by TotalEnergies.

The investment plan includes a mix of concessional loans, grants, and guarantees, with participation from the European Investment Bank (EIB) and other development financial institutions such as the French Development Agency.

Mozambique

Increase in annual inflation to 4.7% in January (Banco de Moçambique)

According to the National Institute of Statistics, inflation rose for the third consecutive month in January 2025, reaching 4.7% year-on-year (up from 4.2% year-on-year in December). This increase is due to a sharp rise in food prices caused by supply chain disruptions amid post-election unrest. Food prices (28.1% of the CPI basket) rose by 4.1% month-on-month in January, following an initial 4.3% increase in December. In this context, although official inflation forecasts for the current year are not yet available, Standard Bank anticipates an acceleration of annual inflation to 6.1% in 2025.

Mozambique signs a debt reduction agreement (C2D) with Iraq (Ministry of Finance)

On February 11, Mozambique signed an agreement to reduce its bilateral debt to Iraq by 256 million USD, representing 80% of its total debt to the country. The remaining 64 million USD (20% of the total) will be repaid over 15 years, with a four-year grace period (from 2029 to 2043). The debt was incurred as part of mutual cooperation between the two countries in the late 1970s and early 1980s and initially amounted to 60.3 million USD, primarily for oil supplies. Due to a series of payment defaults, the debt amount was gradually re-evaluated to its current level of 320 million USD.

Fitch downgrades Mozambique's rating to CCC (Fitch)

Fitch Ratings has downgraded Mozambique's long-term foreign currency Issuer Default Rating (IDR) to CCC, from CCC+ previously. The agency cited a decline in government revenue due to social unrest following the October 2024 elections, increased risks regarding domestic debt in distress, and deterioration in macroeconomic fundamentals (particularly economic growth).

Mozambican business community complains about a currency shortage of 373 million USD

For several weeks, a dispute has been ongoing between the Mozambican employers' union (CTA) and the Bank of Mozambique regarding difficulties and delays in accessing foreign currencies. In response to the central bank's stance (which believes the issue lies in a dysfunction in the foreign exchange market between commercial banks and businesses), the CTA has called on Mozambican companies to report any unmet currency exchange requests. As a result, 63 companies have reported difficulties accessing foreign currencies since January, with 41% from the industrial sector, 25% from the airline sector, and 21% from the commercial sector, totaling 373 million USD. This amount—although relatively high considering the size of Mozambique's economy—is lower than the 402 million USD reported by the CTA in Q3 2024, as well as the 450 million USD backlog estimated by Standard Bank at the end of 2024.

The CTA believes this issue stems from the failure to repatriate export revenues from extractive projects and suggests that the Bank of Mozambique address this matter.

A contraction of -4.9% in Q4, much more severe than earlier estimates suggested

According to a budget execution report published by the Ministry of Finance, activity contracted by 4.9% year-on-year in Q4 2024, limiting GDP growth to only 1.9% for the entire year, far below the 5.5% originally forecast in the national budget law and significantly lower than recent estimates (2.5%, Standard Bank). This sharp growth deviation (over 8 GDP points compared to Q3) illustrates the extent of the economic repercussions of the post-electoral crisis. The two cyclones that hit the country during this period also weighed on growth. The secondary sector was the hardest hit, with a drop of around -8.9%, mainly due to a contraction in manufacturing production (-11.4%), electricity, gas, and water (-4.6%), and construction (-4.1%). In the primary sector, activity declines were much worse than anticipated, notably in the extractive industry (-10.1%) and fishing (-5.1%), with only agriculture showing a positive, albeit weak, performance (+1.6%). The tertiary sector's activity fell by 3.8%, with significant drops in hospitality and restaurants (-14.7%), service and vehicle repair trades (-10.6%), and transport and communications (-7.6%).

This represents the largest quarterly economic contraction Mozambique has experienced in recent history, even greater than the -3.5% drop recorded in Q2 2020 during the height of the COVID-19 crisis.

Namibia

Inflation slowdown leads central bank to cut the benchmark interest rate by 0.25 points to 6.75% (NSA)

According to the Namibia Statistics Agency, inflation decreased to 3.2% year-on-year in January 2025, down from 3.4% the previous month, though it increased by 1.0% month-on-month (up from +0.2% in December). The main contributors to the year-on-year price increase were food (+5.3%, contributing 1.1 percentage points), housing, water, electricity, and fuel (+2.9%, contributing 0.7 points), and alcoholic beverages and tobacco (+3.5%, contributing 0.5 points). Inflationary pressures remain in other sectors, particularly in healthcare (+8.2%, contributing +0.1 point) and education (+4.7%, contributing +0.2 points). In contrast, the communications sector saw a price decrease (-0.4%). In response, the monetary policy committee, meeting on February 11, decided to cut the benchmark rate by 0.25 points to 6.75%. The central bank justified this decision by the slowdown in inflation and its moderate medium-term projections (4.0% in 2025 and 4.4% in 2026), as well as sufficient foreign exchange reserves (42 billion NAD, or 4.3 months of import coverage) to maintain the peg between the Namibian dollar and the rand. Notably, South Africa's central bank has kept its benchmark rate at 7.5% since January 30, 2025. The Namibian central bank's decision should also support the domestic economy as growth slowed to 3.5% in 2024 (down from 4.2% in 2023), and the unemployment rate reached a record high of 36.9% (57.7% among 15-19-year-olds).

Zambia

President Hichilema's visit to Japan (Lusaka Times)

Zambian President Hakainde Hichilema made an official visit to Japan from February 3 to 7, 2025, at the invitation of Japanese Prime Minister Shigeru Ishiba. The visit aimed to strengthen bilateral ties and economic cooperation between the two countries. President Hichilema visited a Toyota factory in Nagoya, where discussions focused on investment and collaboration opportunities between Zambia and Toyota, the world's largest automaker. A Bilateral Investment Treaty (BIT) was signed in the presence of both heads of state to promote and protect investments between the two nations. The BIT provides guarantees against measures such as expropriation, nationalization, or equivalent actions, and allows for the free transfer of funds related to investments, including profits, dividends, and the proceeds from the sale or liquidation of an investment. It also ensures transparency and stability in policies and regulations affecting investments.

In November 2024, Japanese trading company Mitsui made an offer of around 2 billion EUR to acquire a stake in Zambia's copper mines (Sentinel and Kanshanshi) from First Quantum Minerals, signaling growing Japanese interest in Zambia's mining sector.

Logistics partnership between DP World and Zambia (ZNBC)

DP World, a global logistics company based in Dubai, has expressed interest in making Zambia a logistics hub in Africa. Mohamed Aoojee, CEO of DP World for Sub-Saharan Africa, stated that the company plans to expand its fleet and services in Zambia, prioritizing the country in the region. If a potential investment materializes (with 300 million USD mentioned), infrastructure development, including the construction of a dry port and/or a large warehouse, could be considered. Through this partnership, Zambia aims to increase its logistics capacities, especially with growing investments in the mining sector, particularly copper, as the country aims to produce 3 million tons of copper per year by 2031. Copper, essential for the energy transition, is primarily exported to the ports of Durban and Dar Es Salaam. Improving Zambia's access to markets in the Middle East, Europe, and China would facilitate faster exports.

As a reminder, Zambian copper is at the center of the investment strategy of Gulf countries, evidenced by ongoing discussions for the purchase of a minority stake in Zambia's copper and nickel assets held by Canadian company First Quantum Minerals by the Saudi Arabian public investment fund, Manara Minerals (which represented about 75% of the country's copper production in 2022). In 2024, Abu Dhabi's International Resources Holding (IRH) acquired a 51% stake in the Mopani mine for 1.1 billion USD.

Central Bank raises benchmark rate to 14.5% in response to persistent inflation (Bank of Zambia)

The Monetary Policy Committee of the Bank of Zambia has raised the benchmark interest rate by 50 basis points to 14.5%, in response to persistent inflation, which remains well above its target range of 6-8%. In Q4 2024, inflation increased to 16.3% year-on-year (up from 15.5% in Q3 2024), driven by higher electricity prices (emergency electricity tariffs) in November 2024 due to the ongoing drought since the end of 2023, a low supply of vegetables and fish, and the continued depreciation of the kwacha. This situation has led the central bank to revise upward its inflation forecast for 2025, now expected at 14.6%, up from 13.9% previously. Inflation is expected to remain above the central bank's target in 2026.

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