



ECONOMIC WRAP-UP

Southern Africa

A publication by the Pretoria Regional
Economic Service from July 15 to 19 2024

DATA OF THE WEEK

+7%

Wage increases for municipal water
employees in South Africa-
BusinessDay

Focus on : Cyril Ramaphosa begins his second term in office (*Republic of South Africa*)

At the opening of Parliament on 18 July, the symbolic date of Mandela Day, President Ramaphosa gave a speech detailing the priorities of the new Government of National Unity (GNU).

This general policy speech focused on economic issues, along three major lines derived from the 'minimal programme' of work validated by the entire GNU: (i) inclusive growth and job creation, (ii) reducing poverty and the cost of living, and (iii) building a competent and ethical administration. On the first point, the President emphasised the need to pursue economic reforms and investment in infrastructure through public-private partnerships, in particular as part of the Just Energy Transition Plan. Other reforms, such as facilitating the issuing of professional visas, should be implemented in the second phase of Operation Vulindlela. In terms of employment, he also wants to make job creation programmes such as the Presidential Employment Stimulus and the Expanded Public Works Programme permanent, while the BEE (Broad-Based Black Economic Empowerment) model should remain unchanged. The President also mentioned the introduction of a new model for managing public companies through a shareholding agency, which could be coupled with the creation of a sovereign wealth fund. The government also wants to continue the reform of the National Health Insurance (NHI) to reduce poverty, although this issue divides the coalition, as well as extending the basket of goods exempt from VAT and speeding up land reform. Finally, to improve basic public services, a reform of the municipalities is presented as necessary to ensure the country's development, even though they are experiencing serious difficulties.

Summary:

South Africa

- Leading municipal workers' union secures 7% pay rise for water sector (*BusinessDay*)
- Finance Minister alerts Parliament to rising deficit (*Treasury*)
- The Central Bank leaves its key rate unchanged (*SARB*)
- The IMF leaves its growth forecasts unchanged (*IMF*)

Angola

- Angola is the second largest diamond producer in Africa and the fourth largest in the world (*Expansao*)
- The Executive increases the monthly minimum wage to AOA 70,000 (EUR 72) (*Correio kianda*)
- The President of the Republic authorises the partial privatisation of shares held in Standard Bank Angola (*Novo Jornal*)

Botswana

- The IMF revises its growth outlook from 3.6% to 1% for 2024 (*IMF*)

Zambia

- Child poverty on the rise since 2015 (*Zamstats/UNICEF*)

South Africa

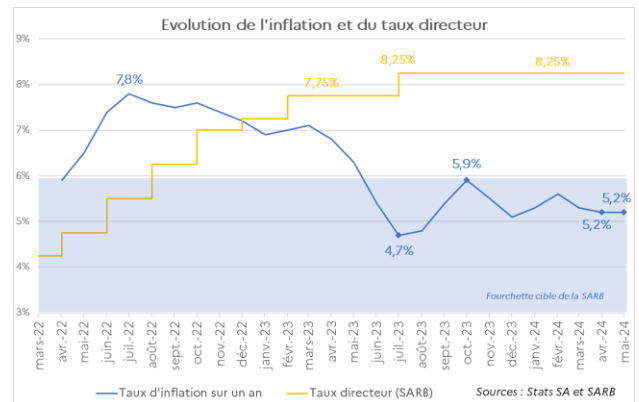
Leading municipal workers' union secures 7% pay rise for water sector (BusinessDay)

On 11 July, the South African Municipal Workers' Union (SAMWU) and seven water and sanitation authorities agreed on a 7% pay rise for municipal workers in the water sector. This agreement, effective retroactively from 1 July and valid until 30 June 2025, plus an increase in the housing subsidy to ZAR 3,700 per month (+ZAR 200) and an increase in the number of annual holidays to 30 days per year, should stabilise the water sector. These seven utilities manage 95% of the country's water supply, a sector that is facing major financial difficulties, with municipal debts to the utilities totalling ZAR 16.7 billion (as at May 2023). With SAMWU representing 160,000 of the country's 300,000 employees, and negotiations for all employees in the country's 257 municipalities having started on 15 July, this pay rise could set a precedent for all municipal workers. Higher than the inflation rate recorded in April and May (5.2%), this increase is likely to put a strain on the state budget and contribute to inflationary pressures, if the 7% rate were to be generalised.

Finance Minister alerts Parliament to rising deficit (Treasury)

On 17 July, during the presentation of the Treasury's budget as part of the budget vote, Minister Enoch Godongwana reminded Parliament of the budgetary difficulties that South Africa has been experiencing since 2012. The steady rise in public deficits in recent years has led to public debt exceeding ZAR 5,000 billion (over 70% of GDP). At the same time, annual debt servicing has risen to more than ZAR 380 billion for the current financial year. This expenditure is crowding out other government needs. The Minister reiterated the objectives of reducing the public deficit to 3.4% of GDP by 2026/27 and stabilising the debt by stabilising the debt servicing cost ratio as a percentage of government revenue (at around 21%).

The Central Bank leaves its key rate unchanged (SARB)



The Monetary Policy Committee of the South African Reserve Bank (SARB) decided, by four votes to two, to leave its key rate unchanged at 8.25% at its meeting on 18 July. This decision comes as consumer price inflation (CPI) stabilised at 5.2% year-on-year in June, at the top end of the inflation target range set by the central bank (3-6%), and as several central banks have eased their monetary policies (eurozone, Canada, Switzerland). The South African central bank is now forecasting average inflation of 4.9% for 2024 (compared with 5.1% at the last committee meeting). The inflation target of 4.5% should be achieved over the next few quarters. This positive trend is linked to the fall in world fuel and food prices, reinforced by the appreciation of the rand. Conversely, the indicator remains high for services, and inflation could rebound in July and August with the upward revision of administered prices. At the same time, inflation expectations among economic players continue to fall, but have reached 5% for 2025, putting upward pressure on the indicator. It should be noted that the Bank has updated its GDP growth forecast for 2024 to 1.1% (-0.1 points since May). The next committee meeting will be held on 19 September, at which economic players are expecting a slight rate cut.

The IMF leaves its growth forecasts unchanged (IMF)

On 16 July, the IMF published a partial update of its World Economic Outlook, updating growth forecasts for several major developed and emerging economies. As part of this update, the IMF left its growth forecasts for South Africa unchanged at 0.9% for 2024 and 1.2% for 2025. It should

be noted that expectations for sub-Saharan Africa have been revised to 3.7% (-0.1 points) and 4.1% (+0.1 points) respectively, reflecting the dynamics of Nigeria. In particular, the report highlights the challenge for central banks to adjust their key rates as the slowdown in inflation falters, with the rise in services prices. While the price of oil products is set to fall, the price of other commodities is set to rise. In addition, the risks of upward pressure are increasing, making it difficult to normalise monetary policy. Interest rates could therefore remain at high levels for longer than expected.

Angola

Angola is the second largest diamond producer in Africa and the fourth largest in the world (*Expansao*)

According to the *Expansao* newspaper, in 2023 Angola will be the continent's second-largest diamond producer and the world's fourth-largest, with 9% of world production (or 9.8 million carats), behind Russia (33% of world production), Botswana (23%) and Canada (14%). Angola could move into third place as early as 2024, boosted by the ramp-up of the Luele mine, which is set to become Angola's largest open-cast diamond mine, overtaking Catoca, and one of the world's biggest. It should be noted that the difficulties in the diamond sector linked to the fall in demand and prices are reflected in the drop in production of 7.6% in volume and 20% in value. Angola's diamond exports totalled USD 1.5 billion, down 4.6% in value terms but up 14% in volume terms. Angolan stones are mainly sold to the United Arab Emirates and Belgium. Diamonds will account for 4.6% of Angola's export revenues in 2023, while the mining sector (mainly diamonds) will account for just 1.4% of GDP.

The Executive increases the monthly minimum wage to AOA 70,000 (EUR 72) (*Correiokianda*)

On 17 July, the Executive approved a presidential decree increasing the national minimum wage from AOA 35,000 (EUR 36) to AOA 70,000 (EUR 72). This measure will take effect from September 2024, and the minimum wage is due to rise to AOA

100,000 (EUR 102) next year. However, an exception has been made for micro-enterprises and start-ups, which will be able to pay their employees a minimum of AOA 50,000 (EUR 51). There is also a specific clause for companies that do not have sufficient financial capacity to pay the national minimum wage: they can apply to the Ministry of Labour for temporary authorisation to pay wages below the minimum level set by the State. This decision promotes an increase in the purchasing power of Angolans, even though the country has major wage disparities: wages are higher in the oil sector, while in agriculture and services they are much more modest.

The President of the Republic authorises the partial privatisation of shares held in Standard Bank Angola (*Novo Jornal*)

According to *Novo Jornal*, the President of the Republic has authorised by presidential decree the privatisation of part of the shares held in Standard Bank Angola. This operation forms part of Angola's privatisation programme (PROPRIV), which was extended for a second phase from 2023 to 2026 by presidential decree on 28 March 2023. The government wishes to sell 34% of its 49% stake in Standard Bank, of which 24% will be sold to a partner shareholder and 10% via an IPO. Other companies involved in the privatisation process are the insurance company ENSA, the Angolan Debt and Securities Exchange (BODIVA) and the telecommunications company Unitel.

Botswana

The IMF revises its growth outlook from 3.6% to 1% for 2024 (*IMF*)

On 12 July, at the end of its 'Article IV' mission, the IMF published its initial conclusions. The institution notes the difficulties experienced by the diamond sector and the mining sector in general, following the global drop in diamond prices. The country's growth outlook has been revised to 1% for 2024, compared with 3.6% previously (World Economic Outlook, April 2024), as the decline in diamond production is partially

offset by government construction projects. Following growth of 5.5% in 2022 and 2.7% in 2023, Botswana is expected to record growth below its long-term potential (estimated at 4%). According to the international financial institution, inflation, which reached 14.7% in August 2022, should remain low and within the central bank's target range (3-6%). This dynamic can be explained by the absence of significant inflationary pressures, despite the 0.5 point cut in the key rate since December 2023. The fall in mining royalties and the government's ambitious investment policy since 2023/24 should result in a widening of the fiscal deficit to 6% of GDP for the current financial year 2024. Public debt should remain contained at 20% of GDP. At the same time, with a further fall in diamond exports this year, the IMF is forecasting a deterioration in the current account after the good performance in 2023 supported by high levels of customs union revenue. The IMF reiterates the importance of private sector development in accelerating growth and job creation, as well as public sector efficiency gains.

Zambia

Child poverty on the rise since 2015 (Zamstats/UNICEF)

On 17 July, Zambia's national statistics agency, in partnership with UNICEF, published its Child Poverty Report 2023. The report seeks to measure the well-being of children across seven dimensions: nutrition, health, education, housing, water, sanitation and access to information. According to the published results, 11% of children will meet all the criteria for well-being in 2022. If we look at 'multidimensional' poverty, 70.6% of children aged 0-17 reach unsatisfactory levels in at least two of the dimensions and 28.9% in at least four dimensions. Poverty has therefore increased since 2015, when the figures were 66.5% and 25.5% respectively. While age and gender do not significantly influence levels of well-being, geography reinforces the shortcomings. Children living in rural areas are more affected by hardship although there has been an increase in poverty in urban areas (+9.5 points) which has carried the rise in total poverty since the last report in 2015. Among children who do not meet all the dimensions, the most recurrent criteria are mainly health (66.4%), hygiene (62.6%) then education (35.7%).

	Exchange rates	Change in USD exchange rates (%)			
	18/07/2024	Over a week	Over a month	Over a year	Since 1st of January
South Africa	18,21 ZAR	-0,9%	0,4%	-1,4%	0,4%
Angola	871,5 AOA	0,0%	-2,3%	-5,4%	-4,9%
Botswana	63,2 BWP	-78,8%	-78,7%	-79,4%	-79,0%
Mozambique	13,4 MZN	372,6%	372,6%	372,6%	-78,8%
Zambia	25,8 ZMW	-2,0%	0,4%	-25,2%	0,2%

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

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