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ECONOMIC WRAP-UP
Southern Africa

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DATA OF THE WEEK

12,7%

Increase of electricity tariffs
(*NERSA*)

Focus on Zambia which, amidst drought, negotiates with Mozambique to reduce its electricity exports by 120 MW and seeks other available sources (Lusaka Times)

Facing a shortage of available electricity in Zambia, the government has initiated negotiations with Mozambique to renegotiate the contract for the delivery of 120 MW from Zambia to Mozambique. ZESCO, the Zambian national electricity company, hopes to obtain Mozambique's agreement to modify existing bilateral contracts in order to gradually withdraw 120 MW from the export market. This would result in an estimated revenue loss of $110 million. This request is linked to the current energy crisis, originating from the drought brought about by the El Nino climatological phenomenon. Zambia's energy sector is 85% dependent on its dams, the production of which is currently severely affected, leading to significant power cuts for the population with access to electricity (averaging 8 hours). Furthermore, Zambian Energy Minister Mr. Kapala has highlighted ongoing negotiations between *ZESCO* and *Ndola Energy Company Limited*, a subsidiary of the British group *Africa Energy*, to resume operations at a 105 MW coal-fired power plant. The announced objective is to conclude these negotiations by April 2024. Finally, several long-term projects have been announced to boost the country's electrification rate, which stands at around 50%: the 120 MW photovoltaic solar projects under the GET-FiT (*Global Energy Transfer Feed-in Tariff*) program supported by Germany through its development bank, KfW (*Kreditanstalt für Wiederaufbau*); the massive 500 MW photovoltaic project between ZESCO and the Emirati group *Masdar*; the 271 MW Luapula hydroelectric project supported by the *African Development Bank* (AfDB); as well as the 86 MW Lusiwasi Lower hydroelectric project with Chinese financing.

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Southern Africa

Adenia Partners* closes a fund of 470 MUSD *(Adenia)

On April 3rd, the private equity firm Adenia Partners announced the closing of its fifth fund, *Adenia Capital V*, at its 470 MUSD hard cap. Among the main investors are development financial institutions - long-standing partners of Adenia funds - (*Proparco, Deutsche Investitions und Entwicklungsgesellschaft, European Investment Bank, Financierings-Maatschappij voor Ontwikkelingslanden, International Finance Corporation, Swiss Investment Fund for Emerging Markets*, and *South Suez*), accounting for 60% of the invested amounts. Also noteworthy is the presence of the *Public Investment Corp. Ltd*, the South African government employee retirement fund manager, as well as new international investors (*US International Development Finance Corporation, Findev Canada,* and *Norfund*). As part of this fifth fund, two investments have been finalized, including a stake in the South African company *The Courier Guy*, a specialized delivery service that promotes local entrepreneurship in last-mile logistics. Additionally, Adenia is expected to acquire twelve subsidiaries of the *Air Liquide* group (in the West Africa, Central Africa, and Indian Ocean regions). The company, which invests in Africa across a wide range of sectors, has an office in Johannesburg and primarily targets medium-sized enterprises (with valuations around 40 million USD). To date, its activities in the southern African region are focused in South Africa (*The Courier Guy, Herholdt's Group* - distributors of electrical and solar products).

South Africa

The South African regulator increases electricity tariffs by 12.7% as Eskom misses its operational targets *(SA News*)

In March, the *National Energy Regulator of South Africa* (NERSA) decided to increase the tariffs of the national electricity company Eskom, which came into effect in April. The increase is 12.74% for Eskom's direct customers, and 12.72% for municipalities. However, these increases will not be passed on to consumers until the 1st of July. In addition, certain large accounts will have to pay an increase of 13.29% due to an increase in the Affordability subsidy charge (+25.24%). According to Zaakirah Ismail and Christopher Wood, economists at the *South African Reserve Bank* (SARB), electricity tariffs have risen by 450% since 2008, when the first load shedding was recorded. According to André De Ruyter, former CEO of Eskom, these price rises should increase the incentive for industrial customers and the wealthiest households to acquire their own generating capacity. This applies in particular to photovoltaic panels, for which production costs will have fallen by 42% in China by 2023, with a current price estimated at USD 0.26/W. RMB estimates that 6,000 MW of private capacity will have been connected to the grid between 2023 and 2025, a figure that could rise to 25,300 MW by 2030 (compared with the country's installed capacity of around 45,000 MW in 2023). At the same time, Eskom has officially failed to meet the target, set by Public Enterprises Minister Pravin Gordhan in October 2022, of restoring its plant energy availability factor to 65% by the first quarter of 2024. Over the first three months of the year, this indicator averaged 52.37%, which is lower than the first quarter of 2023 (54.71%). This low level is due to the numerous plant shutdowns caused by equipment failures, operational malfunctions and necessary maintenance operations. To compensate for these shortcomings, Eskom relies heavily on diesel-fired power stations, the fuel for which represented an additional cost of nearly ZAR 3 billion (EUR 150 million) each month for 2023.

Current account deficit ratio widens to 2.4% in 2023 *(SARB)*

On 28 March, the *South African Reserve Bank* published its quarterly bulletin, including the balance of payments. In 2023, South Africa recorded a current account deficit, which widened sharply (+124%) to ZAR 112.2 bn (USD 6.2 bn, or 2.4% of GDP). As a reminder, the current account consists of the balance of goods and services, net primary income or factor income. This development confirms the return to the historical trend of the last twenty years, observed the previous year after the exceptional surpluses of 2020 and 2021. This result can be explained by the contraction in the trade surplus (54% to ZAR 103.5 bn, or 2.2% of GDP), as imports rose sharply (+8.1% to ZAR 1937 bn - energy equipment), at a much higher rate than exports (+1.2% to ZAR 2040 bn) - affected by the fall in the price of exported raw materials (mining in particular). Conversely, the primary income deficit (structurally the main contributor to the country's current account deficit) narrowed significantly (by 31.3% to ZAR 95.1 bn, or USD 17.1 bn), mainly as a result of the 25% fall in dividend payments to non-residents. Similarly, the services deficit narrowed (-10.7% to ZAR 80.9 billion), in line with the recovery in tourism. On the financial account, which represents the sum of financial flows between a country and the rest of the world (direct investment, portfolio investment - shares, bonds or other types of investment (financial derivatives, reserve assets, etc.), South Africa recorded net capital inflows of ZAR 75.4 billion (USD 4.1 billion, or 1.6% of GDP), after net inflows of ZAR 135.2 billion the previous year. This decline can be explained by the marked deterioration in the portfolio investment account, reflecting the growing disinterest of international investors in the South African market. Despite the balances described above (current account deficit and net capital outflows), the level of reserves increased over the period (+2.3%, or USD +1.4 bn) to reach USD 62.5 bn, a level considered comfortable (5.2 months of imports).

Producer price inflation rises slightly in February *(StatsSA)*

According to the national statistics agency (StatsSA), producer price inflation (PPI) reached 4.5% year-on-year in February, after 4.7% in January. The main contributors to the annual rate were "food products, beverages and tobacco products" (+4.3% year-on-year, i.e. a positive contribution of 1.2 points), which are picking up after three months of slowdown, "coke, petroleum, chemical, rubber and plastic products" (+4%, i.e. +1 point - driven by the rise in petroleum prices: +5.8% year-on-year) and "metals, machinery, equipment and computing equipment" (+6.5%, i.e. +1 point). According to analysts, however, the indicator is set to rebound slightly in the months ahead, particularly in view of the impact of the drought (linked to the El Nino weather phenomenon) on harvests, which is likely to push up food prices.

Tax revenues for the 2023/24 financial year have reached a higher level than expected *(SARS)*

On 2 April, the *South African Revenue Service* (SARS) published its preliminary figures for tax revenues in the 2023/24 financial year. Net government revenue is expected to reach ZAR 1,740.8 billion, or 24.7% of GDP (including ZAR 2,154.7 billion in gross revenue and ZAR 413.8 billion in tax refunds). The amount is 0.5% higher (9.5 billion ZAR) than the projections presented in February during the budget for the fiscal year 2024/2025, but remains 2.6% lower (46.6 billion ZAR) than the initial budget expectations from February 2023 for the same fiscal year. Compared with the previous year, tax revenues are up 3.2%, driven by income tax (up 8.2% to ZAR 651 billion), which is benefiting from job creation and the average rise in wages, and VAT (up 6% to ZAR 448 billion). Conversely, corporate tax revenues have significantly declined (-8.9% to 317 billion ZAR), amidst a deterioration in the performance of major South African corporations (-17.5%). It's worth noting that contributions from SMEs, however, have increased (+8.8%). For the year 2024/25, the agency expects revenues of 1,863 billion ZAR (+7%), a level identical to the forecasts of the February 2024 budget, incorporating new tax measures presented in the 2024/2025 budget, which are expected to generate an additional 15 billion ZAR. In its report, the agency also applauds the progress made against tax evasion: the *Compliance Programme* has resulted in the recovery of 294 billion USD in revenue, an increase of nearly 30% over the fiscal year.

South African National Petroleum Company* (SANPC) was created and the Board of Directors appointed *(Engineering News)

The *Minister of Mineral Resources and Energy,* Mr Gwede Mantashe, has announced the creation of the first *Board of Directors* of the *South African National Petroleum Company (SANPC).* He also confirmed Mr. Godfrey Moagi in his position as interim CEO of the new state-owned enterprise. The board will be chaired by former PetroSA CEO, Sipho Mkhize, and is expected to oversee the merger of three state entities in the hydrocarbons sector to form SANPC: *PetroSA* (hydrocarbon exploration, drilling, and trading), *iGas* (sector oversight, investment promotion, and pipelines), and the *Strategic Fuel Fund* (strategic stocks). The DMRE announced that SANPC will be established as a subsidiary of the *Central Energy Fund Group of Companies*. The *National Petroleum Bill*, expected to be enacted soon, aims to formalize the creation of this national hydrocarbon giant and also address the financial shortcomings of PetroSA, which have been affecting the South African hydrocarbon sector at a time when it aims for significant expansion with the potential future exploitation of oil and gas reserves in the Orange Basin and offshore Mossel Bay. Unlike *iGas* and *SFF*, only *PetroSA's Trading Supply and Logistics* division was financially viable. SANPC will now be responsible for all value chain activities in the sector such as exploration, production, refining, marketing, and sale of petroleum products, as well as promoting industry development. This restructuring is part of a broader regulatory review outlined in a separate bill titled the *Upstream Petroleum Resources Development Bill*, which aims to separate the management of petroleum resources from mineral resources management. It also sets out conditions for state participation in offshore petroleum projects, requiring a 20% stake for the state and at least 10% for entities eligible under *Black Economic Empowerment* legislation.

Transnet has awarded a 60 million ZAR contract for the construction of a water desalination plant in the port of East London (*Engineering News*)

The *Transnet National Ports Authority* (TNPA), a subsidiary responsible for managing the ports of the state-owned Transnet group and overseeing infrastructure in South Africa, has awarded a 60 million ZAR contract for the construction of a desalination plant in the port of East London (Eastern Cape). The contract was awarded to a 100% South African joint venture, *Sun Water East London*, composed of *Norland Civil Engineers and Contractors* and *Impact Water Solutions*. This entity will build and operate the plant for seven years. It is the first seawater desalination plant to be built in one of South Africa's major ports. It will produce 500 cubic meters of drinking water per day, and the energy used will be solar-powered. TNPA has announced its aim to ensure the security of potable water supply in its ports by 2029. Currently, the state-owned company issued a request for information in 2022 for potential desalination plants in the ports of Cape Town, Durban, Mossel Bay, Ngqura, Port Elizabeth, Richards Bay, and Saldanha. This strategy comes amid a context of severe water stress in South Africa.

Angola

Inauguration of the multipurpose terminal at the Port of Lobito, managed by AGL

On March 27th, in the presence of the Minister of Transport, the concession for the multipurpose terminal (general cargo and containers) at the Port of Lobito was inaugurated, granted to the company *Africa Global Logistics* (AGL - formerly Bolloré). The terminal has an area of 241 million square meters, a berth length of 1200 meters, a depth of 14.7 meters, a capacity of 600,000 tons of various goods, and 250,000 20-foot containers per year, making it the country's second-largest port. While modest on an international scale, it benefits from the development of the Lobito corridor and holds significant potential due to its location at the extremity of this corridor. Cargo movement in the Port of Lobito could be close to 2 million tons this year (1.4 million tons of cargo handled in 2023). The minister indicated that out of a total of 115 million USD to be paid to the conceding authority, AGL has already paid 80 million USD, as part of the implementation of a global investment plan of over 200 million USD.

A significant French presence at the NewSpace Africa conference in Luanda (April 2-5)

Medef International led a French delegation of a dozen companies to the *NewSpace Africa* conference organised by the African Union, which brings together public and private players in the space sector every year in an African capital. The French delegation represented the entire value chain in the sector, from industrial leaders *Airbus Defence and Space* and *Thales* to the smallest companies. The Medefi delegation was able to meet the Angolan President and a number of ministers, which enabled progress to be made on the *Airbus D&S* project to sell and launch an earth observation satellite for Angola. The conference, which was attended by more than 400 public and private players from all over the world (including Russia, China and the USA), is taking place in an increasingly competitive international environment.

Botswana

Despite a rebound in activity in the fourth quarter, growth slowed in 2023 *(StatsBots)*

According to the national statistics agency, GDP grew by 1.9% in the fourth quarter of 2023 compared with the same period of the previous year, following a 0.5% increase in the second quarter. The economy was driven by the mining industry (+6.5% for a sector accounting for almost 17% of GDP - diamonds), the public administration (+5.9% for 17%) and the construction sector (+2.5% for 11%). Conversely, growth was offset by the sharp contraction in the water and electricity sector (down 85.4% on 1%) and the diamond trade (down 27.9% on almost 2%). Over 2023 as a whole, growth slowed to +2.7%, after +5.5% in 2022, a level below the government's forecasts in the 2023/2024 budget and those of the IMF (around 4%). This underperformance reflects, in particular, a downturn in diamond mining and polishing activities (linked to a decline in demand), despite a good performance in the tertiary sector, particularly financial services. On the demand side, the poor performance of foreign trade weighed heavily on growth (-26%, i.e. a negative contribution of 6 points), while household consumption (+5.6%), government consumption (+4.2%) and investment (+4.2%) held up well. However, growth is expected to pick up again from 2024 (+4.1% forecast by the IMF), on the back of a rebound in global demand for diamonds expected over the year and the development of infrastructure projects (roads, railways, water management and energy) announced by the government.

Botswana aims to attract private passenger rail operators *(Mmegi Online)*

According to a public notice published this week, *Botswana Railways*, the state-owned railway service in Botswana, is looking for service providers to collaborate or partner with in the provision of passenger rail services. *Botswana Railways* has also announced that it is studying the possibility of unbundling its activities into three separate subsidiaries: one for the railway lines, one for the rolling stock and one for the activities along the line. Some of these subsidiaries could potentially be privatized, partially or fully. At present, the Rovos luxury train is the only passenger train using the country's sparse rail network to Victoria Falls. All other trains, whether the luxury "Blue Train" or the Botswana Railways trains, have stopped operating since the Covid-19 pandemic in 2020. This announcement seems to indicate *Botswana Railways'* desire to relaunch the sector.

Mozambique

Mozambican authorities agree to the terms of the hydrocarbon concession contract awarded to CNOOC

On 26 March, the Mozambican authorities approved the terms and conditions of the hydrocarbon exploration and production contracts under the 6th call for tenders for the concession of hydrocarbon exploration and production blocks. This tender, launched in November 2021, covered 5 offshore blocks in central Mozambique (A6-E, A6-G, A6-D, S6-A and S6-B) and was awarded in 2022 to the Chinese group CNOOC, in partnership with the Mozambican state-owned company ENH. This company, which systematically holds the Mozambican government's stakes in oil and gas development and LNG production consortiums, will take a larger stake than usual, up to 30%. The work will include at least: 26,000 km2 of 3D seismic modelling; 4 deep-water exploration wells; geo-scientific studies offshore the Save and Angoche river basin regions.

Namibia

The Central Bank publishes its annual report *(Bank of Namibia)*

On 31 March, the Namibian Central Bank published its annual report for 2023, which includes balance of payments data. Namibia's current account deficit for 2023 widened by 29.2% to NAD 34.1 bn (USD 1.8 bn, or 15% of GDP). This deterioration in the current account for the third consecutive year, following the current account surplus in 2020 (the only surplus year since 2008), can be explained in particular by the increase in the services deficit (+586% to NAD 18.5 bn) - linked to the sharp rise in imports of services linked to mining activities, as well as oil exploration (hydrocarbon prospecting in the Orange basin). At the same time, the primary income deficit also widened (+20.9% to NAD 9.6 billion), due to an increase in dividends paid to non-residents. Conversely, the trade deficit narrowed slightly (-3.7%) to NAD 30.3 billion. Exports grew strongly (+18.6% to NAD 85.7 bn), driven by the good performance of the mining sector (gold, diamonds, uranium). At the same time, exports also increased, but at a slower pace (+11.8% to NAD 116 billion). On the financial account, Namibia recorded net capital outflows of NAD 31 billion (USD 1.7 billion), following net outflows of NAD 26.1 billion the previous year. In

The Langer Heinrich uranium mine in Namibia has announced the restart of production *(Mining Review)*

On 2 April 2024, Australian mining company Paladin Energy announced the start of production at the Langer Heinrich uranium mine in Namibia. Total production is expected to be 77 million pounds (38,500 tonnes) over a 17-year mine life, with an annual peak of 6 million pounds (3,000 tonnes). The restart of the mine should consolidate Namibia's position as Africa's leading uranium producer, ahead of Niger. The Langer Heinrich mine was placed on care and maintenance in 2018 due to low uranium prices. The start-up of production comes at a time when uranium prices have more than doubled over the past three years, peaking at more than USD 100 per pound in January 2024. This rise can be explained by the renewed interest in nuclear energy, and is also having an impact in other countries in the region, such as Malawi and Botswana, where uranium mining projects are also under consideration. The other uranium mines in the region that were shut down have not yet announced a date for resuming operations.

Zambia

UAE fund *International Holding Company* (IHC) interested in Lubambe copper mine *(Lusakatimes)*

According to the Zambian press, Abu Dhabi's sovereign wealth fund, *International Holding Company* (IHC), is interested in investing in the Lubambe copper mine. This wish is said to have been transmitted via *International Resources Holding*, a subsidiary of IHC, to the holding company EMR Capital, whose 80% stake in the mine is currently being sold. By 2023, Lubambe had produced 15,000 tonnes of copper ore. As a result, IHC could find itself in competition with the Chinese company JCHX, specialised in mining subcontracting services, was in discussions with EMR Capital to acquire these shares in January. The Zambian government remains a minority shareholder (20%) via the national company ZCCM-IH. In November 2023, *International Resources Holdings* (IRH) had already been selected as the new strategic investor in the Mopani mine, to take a 51% stake in exchange for a capital injection of USD 1.1 billion. South Africa's *Sibanye Stillwater* and China's *Zijin Mining Group* had also positioned themselves for this investment. At a time when the Gulf States are presenting ambitious strategies to diversify their economies and develop new green industries, these investments reflect their desire to secure their mineral supplies by acquiring stakes in Africa, in competition with historically established Chinese interests. China's state-owned *Non-Ferrous Corporation Africa*, which operates under the name Luanshya Copper Mines, has invested more than USD 1.5 billion over the past 25 years in the country's mining sector, and has committed to investing a further USD 1.3 billion in various projects over the next five years.

The World Bank has granted $157 million to support the emancipation of women *(World Bank)*

On 28 March, the World Bank approved a US$157 million grant to implement the second phase of the *Girls' Education and Women's Empowerment and Livelihoods for Human Capital Project* (GEWEL II). The project, financed to the tune of US$150m by the International Development Association (IDA) and US$7m by the Global Financing Facility for Women, Children, and Adolescents, is designed to empower women by promoting access to education and employment. It is expected to support 1.5 million vulnerable households via two main components: i) direct payment of school fees to keep young girls in the education system; ii) training activities and access to social transfers to encourage certain women to work.

Zimbabwe

Chinese investment in Zimbabwe to refurbish coke plant *(The Herald)*

According to local press reports, Zimbabwean coal miner, processor and marketer *Hwange Colliery Company Limited* has contracted an unnamed Chinese company to rebuild its coke oven battery. The coke oven battery was decommissioned in 2014 due to high operating costs. The cost of refurbishing the coke oven battery is estimated at around USD 10m. Coke ovens are used to convert coal into metallurgical coke, a highly polluting process. Coke is mainly used in the steel industry to reduce iron ore in a blast furnace to obtain cast iron, which is then transformed into steel. This decision by *Hwange Coliery* may come as a surprise, given that global demand for coke is sluggish due to oversupply and a lack of appetite on the part of China, the biggest consumer of coke. In addition, in 2014, *Hwange Colliery* decided not to rebuild its coke oven battery, two years after launching a call for tenders, because it was felt that the coke oven battery had become too expensive to operate. Nevertheless, Hwange's sales for the first nine months of 023 soared to 2.8 million tonnes, an increase of 163% compared with the same period in 2022, which could be the reason for this decision.

	Exchange rates	Change in USD exchange rates (%)			
	07/04/2024	Over a week	Over a month	Over a year	Since 1st of January
South Africa	18,67 ZAR	0,9%	0,5%	-1,5%	-2,1%
Angola	832,0 AOA	0,1%	-0,2%	-39,3%	-0,4%
Botswana	13,5 BWP	0,7%	0,1%	-4,0%	-1,7%
Mozambique	63,2 MZN	0,0%	0,0%	0,0%	0,0%
Zambia	24,6 ZMW	1,5%	-2,6%	-18,7%	-4,5%

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

Source : OANDA (2024)

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