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ECONOMIC WRAP-UP
Southern Africa

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Arcelor Mittal announces the closure of its two South African steel plants (Reuters)

Arcelor Mittal's South African subsidiary (Amsa) has announced the closure of its two South African steel mills based in Newcastle (KwaZulu-Natal) and Vereeniging (Gauteng), which is expected to result in the loss of 3,500 jobs and could indirectly impact up to 80,000 jobs across the value chain. Long steel production is expected to cease by the end of January, with a complete shutdown scheduled for the first quarter of 2025. This restructuring of Arcelor Mittal's South African operations also involves the closure of its subsidiary ArcelorMittal Rail and Structural, Transnet's main rail supplier.

This measure follows unfavourable economic conditions, high logistics and energy costs, as well as increased competition from steel imports from China. As a result, ArcelorMittal South Africa is forecasting a decline in sales of more than 5% for 2024 compared with 2023, accompanied by a significant reduction in profits.

Extensive consultations with the government and stakeholders, including Eskom and Transnet, were held last November to find viable solutions. However, these consultations were 'insufficient', particularly with regard to sufficient government measures to protect local industry from cheap imports from China, to avoid closure according to the company. The Minister for Trade and Industry (DTIC), Parks Tau, has nevertheless stated that he intends to continue discussions with Amsa to try to dissuade the company from implementing this decision.

At the same time, the International Trade Administration Commission (Itac), the body under the supervision of the DTIC responsible for regulating trade policy, has confirmed that it is undertaking a review of the steel tariff structure. As a reminder, last August Amsa called for the introduction of customs duties of 25%, compared with the current 10%, on steel imports.

10% currently, on steel imports, in response to the expected 24% increase in Chinese steel exports by 2024. The dynamism of Chinese exports can be explained in particular by the crisis in the Chinese property sector, which is pushing Chinese steelworks to shift their production to foreign markets by slashing prices.

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South Africa

Transport Minister Creecy approves Transnet Network Statement paving the way for private sector rail freight *(Daily Investor)*

On 7 January 2025, Transport Minister Barbara Creecy approved the publication of the Transnet Network Statement, which opens the way to private players in rail freight, putting an end in theory to Transnet's monopoly. This marks an important step towards reforming the rail sector in South Africa, with the aim of revitalising the rail network and stimulating economic growth.

Rail freight volumes (44% of the Group's revenues) have particularly deteriorated (-34% between 2018 and 2023) and remain well below the target set for the 2023/2024 financial year (initial target of 184 million tonnes, subsequently revised to 154.4 million tonnes). The rail network, which regularly suffers from acts of looting and vandalism, remains in a critical state, with security incidents (cable theft) continuing to rise over the year (+5.4%).

Nevertheless, the opening up of the rail freight sector to competition could encounter certain difficulties, as is currently the case for port management. For example, the first attempt at a private concession, a 25-year partnership between the Philippine shipowner ICTSI and Transnet for the operation of terminal 2 in Durban, the country's main container terminal, is still the subject of a dispute before the South African courts. Although the project was due to start in April 2024, the courts blocked the granting of the concession, a decision that ICTSI is now challenging in the courts.

South Africa launches an incentive plan for the production of electric vehicles *(Investing.com)*

On 3 January 2025, South African President Cyril Ramaphosa signed into law a 150% tax incentive plan for the production of electric and hydrogen-powered vehicles. The aim of the legislation is to stimulate the country's nascent electric vehicle (EV) industry and kick-start the transition from combustion vehicles, with the ambitious target of attracting USD 27 billion in private investment in the field.

In particular, the initiative seeks to attract Chinese companies that dominate the value chain in the electric vehicle sector with tax breaks on research, development and production costs. The country hopes to use its privileged commercial access to the European and American markets, its access to raw materials and its existing industrial base to become a key regional player in the global transition to sustainable transport.

The production of electric vehicles is a major challenge for the entire South African automotive industry (~5% of GDP but ~20% of exports), which at a time when the major markets are making the transition to electric vehicles is still entirely focused on combustion engine vehicles.

South Africa implements the OECD/G20 Inclusive Framework rules on minimum taxation of multinationals *(BusinessTech)*

At the end of December 2024, with retroactive effect from 1 January 2024, South Africa adopted a new tax law that follows the model of the Global Anti-Base Erosion (GloBE) rules adopted by the OECD/G20 Inclusive Framework and aims to introduce a minimum global tax rate of 15% for multinationals. This agreement, signed by 138 countries in October 2021, aims to combat tax levelling and ensure a fair distribution of tax revenues on a global scale. Companies with an annual turnover in excess of EUR 750 million and a head office or subsidiary in South Africa will be required to pay a top-up tax to the SARS from 1 January 2026 if their effective global tax rate is below 15%.

The business confidence index fell in December *(S&P Global SA)*

The S&P Global SA Purchasing Manager Index (PMI) reached 49.9 points in December 2024, after 50.9 points in November. This indicator, which measures confidence in the private sector as a whole (mining, manufacturing, services, construction and trade sectors, based on data collected from a panel of 400 companies), thus fell back below the 50-point mark, a sign that business leaders are perceiving a decline in activity. This lacklustre performance is mainly due to sluggish demand and rising production costs (higher wages, materials and transport costs). Over the fourth quarter as a whole, however, it averaged 50.5 points, its highest level since Q3 2022, pointing to a recovery in GDP growth in Q4 2024.

Manufacturing output down 2.6% year-on-year in November *(StatsSA)*

According to the National Statistics Agency (StatsSA), manufacturing output fell by 2.6% year-on-year in November, after rising by 0.9% in October. Six out of ten sectors recorded a fall in activity, with the main underperformers being the automotive (-11.5%, a negative contribution of 1.2 points overall) and metal (-2.8%, a negative contribution of 0.6 points) industries. Only petroleum, chemicals, rubber and plastics grew significantly over the period (+5.8%, i.e. a positive contribution of 1.3 points).

Contrasting performances in the automotive sector in 2024 *(Naamsa)*

Selon l'Association des fabricants et importateurs de véhicules (Naamsa), les ventes de véhicules ont baissé de 3 % en 2024 par rapport à 2023, atteignant 515 712 ventes contre 531 775 en 2023. However, a 2.5% increase in vehicle sales was observed in December 2024 compared with December 2023. While this rebound in sales in the final quarter is an encouraging sign for 2025, economic conditions and consumer debt will continue to constrain market growth. Established carmakers are also likely to suffer from growing demand for Chinese vehicles in South Africa. For the first time since the Covid-19 crisis in 2020, exports fell in 2024 (-22.8%, from 399,594 to 308,830 vehicles).

Angola

The Angolan National Bank (BNA) imposes an additional reserve requirement for systemically important banks *(Novo Jornal)*

This measure, taken by the BNA in November 2024 and effective from 1 January 2025, stipulates that systemically important banks (BAI, BFA, Standard Bank, BIC, BPC, BMA, Banco Económico, Keve and BCI) must henceforth transfer an additional amount of required reserves to an account held at the central bank. Systemically important banks in Angola are those which, due to their size, could jeopardise the national economy in the event of bankruptcy. For January 2025, the BAI and BFA banks must increase their reserve requirements by 2% (ratio on total deposits); Standard Bank, BIC, BPC and BMA by 1.5% and Banco Económico, Keve and BCI by 1%.

Angola issues USD 1.5 billion in debt, enabling it to take out a USD 400 million loan from JP Morgan *(Jornal de Negocios)*

The Angolan Ministry of Finance has obtained a USD 400 million loan from the US bank JP Morgan, using part of a USD 1.5 billion public debt issue as collateral. The transaction, carried out on 27 December 2024, has a spread of 650.6 points and is due to mature on 31 December 2030 (source: BFA). The Eurobond issue is intended to guarantee the JP Morgan loan and to support other government financial operations. This issue of new series of Eurobonds on the international markets to guarantee financing operations up to a limit of USD 1.5 billion was authorised by presidential decree at the end of December.

Malawi

The shortage of foreign currency is worsening, threatening harvests and the solvency of businesses *(Malawi Nation)*

The shortage of foreign currency that has affected the country since 2022 worsened in the last quarter of 2024, with the Reserve Bank of Malawi's official foreign currency reserves covering less than 1 month's imports and the Kwacha being traded on the parallel market at a rate almost 80% higher than the official rate. Cette situation a considérablement alourdi le coût des importations pour les entreprises, les contraignant à suspendre leurs activités ou à augmenter significativement leurs prix de vente, alimentant ainsi une inflation galopante (+27 % en glissement annuel en novembre 2024).

The inability of Malawian companies to pay their arrears and foreign currency imports has led some international suppliers to suspend deliveries. As a result, the country's main supplier of agricultural inputs, Farmers Organisation Limited (FOL), is unable to import the fertilisers and pesticides essential to the farming sector as the rainy season approaches, seriously jeopardising the 2025 harvests. This situation risks exacerbating the famine exacerbated by the El Niño drought in 2024, and creating a vicious circle by reducing agricultural exports, one of the country's main sources of foreign currency.

Mozambique

Political instability has already cost USD 388 million and 12,000 jobs *(CTA)*

According to a preliminary assessment carried out on 30 December by the Confederation of Economic Associations (CTA), the political situation has led to losses of USD 388 million (MZN 24.8 billion) for businesses. Around 500 companies are reported to have been looted and vandalised before the end of 2024, affecting around 40% of the country's industrial estate. Most of the companies affected are located in the Beleluane Industrial Park, an industrial free zone in Maputo province. The logistics sector was one of the worst affected, due to the constant road blockades that characterised the demonstrations. In the tourism sector, at the height of the high season, thousands of bookings were cancelled, resulting in losses estimated at more than USD 7.5 million. So far, these losses have resulted in the loss of at least 12,000 jobs. This figure could be revised upwards as protests continue and businesses continue to update their situation.

Business confidence index hits all-time low due to post-election crisis *(Standard Bank)*

The Purchasing Manager Index (PMI) published by Standard Bank reached 46.4 points in December 2024, experiencing its worst monthly contraction since August 2020. The decline in the index, which began in September, intensified at the end of the year due to the scale of the protests, with the index falling below the 50-point mark (a sign that business leaders are perceiving a downturn in activity) from November onwards. The employment perception index has also been contracting since October, and also fell below 50 points in November. While some companies are reporting difficulties in recruiting against a backdrop of massive protests, the partial/complete destruction of certain businesses should, conversely, contribute to the worsening of unemployment rates in the short term.

Namibia

Chinese Foreign Minister visits Namibia as the two countries forge closer economic ties *(South China Morning Post)*

Chinese Foreign Minister Wang Yi has begun an African tour of Namibia. During his meeting with Namibian President Nangolo Mbumba and President-elect Netumbo Nandi-Ndaitwah in Swakopmund, Wang Yi reiterated China's commitment to supporting Namibia's development, focusing on key sectors for the energy transition such as nuclear, wind and solar power. The country has great potential in the energy sector and strong economic ties with China. According to the World Nuclear Association, Namibia is the world's third largest producer of uranium, accounting for 11% of global production, and two of its main mines are owned by Chinese capital. A new desalination plant is due to be built by 2027 by a subsidiary of China General Nuclear Power Company (CGNPC) to supply water to the Husab mine (Swakop Uranium), itself owned by CGNPC.

As for solar and wind energy, the International Energy Agency describes Namibia as having world-class solar and wind resources. The challenge for Namibia is to achieve energy independence by 2040, at a time when the country imports almost 60% of its energy and half its population has no access to electricity, while becoming an energy hub for southern Africa. Current plans include the deployment of 170 MW of new renewable capacity. By the end of 2023, a consortium of Chinese companies (China Jiangxi International Economic and Technical Cooperation and CHINT New Energy Development (Zhejiang)) had won a EUR 70m contract to develop a photovoltaic plant in the south of the country. Almost 80% of this investment was financed by Kreditanstalt für Wiederaufbau (KfW), the German development bank.

Shell writes down an offshore oil discovery off Namibia by USD 400 million as commercially unviable *(Reuters)*

Shell has announced an impairment loss of around USD 400 million on an oil discovery off the coast of Namibia (block PEL39), deemed not to be commercially viable. Since 2022, Shell, in partnership with Qatar Energy and Namibia's national oil company NAMCOR, has drilled nine wells in Block PEL39. However, technical and geological challenges, such as the low permeability of the rocks, high natural gas content and the offshore remoteness and depth of the field, are hampering the extraction of resources.

This decision represents a setback for Namibia's ambitions to become an oil producer. Nevertheless, the country continues to offer significant potential in the offshore Orange Basin, with positive exploration campaigns underway, including that of TotalEnergies, which has just announced the acquisition of additional interests in offshore blocks 2913B and 2912 of 10.5% and 9.39% respectively. Block 2913B is the site of the Venus discovery.

Monthly inflation down to 0.2% in December *(NSA)*

According to the Namibia Statistics Agency, monthly inflation slowed to 0.2% in December 2024, from 0.3% in November 2024. Year-on-year inflation, on the other hand, rose slightly, to 3.4% in December, compared to 3.0% the previous month. The main contributors to the increase in prices over the year were the food sectors (+5.9%, i.e. a positive contribution of 1.2 points), "housing, water, electricity and fuel" (+4.4%, i.e. 1.1 points), and "alcoholic beverages and tobacco" (+4.6%, i.e. 0.6 points). Hotel and restaurant prices also recorded a significant increase (+6.7%, i.e. a contribution of 0.1 points). Conversely, the transport sector recorded a drop in prices (-1.4%, i.e. a contribution of -0.2 points). Inflation will thus be 4.2% on average for the year 2024, compared to 5.9% in 2023. As a reminder, the positive results of recent months led the Namibian Central Bank to reduce its key rate to 7% on December 4, 2024.

Zambia

Zambian kwacha hits record low *(Reuters)*

In early January, the Zambian kwacha hit record lows, trading at ZMW27.95 per USD1 on 9 January (down from ZMW23.9 per USD1 in early July 2024, or -17%), as a result of the severe drought that continues to weigh on the country's economy. This situation is leading to a depreciation of the currency, while Zambia, heavily dependent on hydroelectricity, is going through a significant industrial slowdown. Despite hopes raised by the real progress made in restructuring the country's debt, the kwacha has fallen by almost 15% against the USD over the last six months.

Zimbabwe

Zimbabwe launches tender for battery storage units to ease energy crisis *(The Herald)*

Zimbabwe has launched a tender for the construction of three electricity storage facilities, each with a capacity of 600 MW, located in Munyati, Harare and Insukamini. The facilities are intended to store energy generated during periods of low demand and redistribute it during peaks, thereby helping to stabilise the national electricity grid. The Zimbabwe Electricity Transmission and Distribution Company (ZETDC) has announced that it has already received several bids from international entities. This initiative is part of Zimbabwe's strategy to address recurring power outages, mainly due to limited production at its main power plants, mainly due to the low water level of Lake Kariba due to the regional drought. Frequent outages at the Hwange thermal power plant have worsened the situation. As a result, power outages last an average of 18 hours per day. Other measures, in addition to this call for tenders, such as the 250 MW floating solar panel project on Lake Kariba, demonstrate the Zimbabwean government's desire to increase the share of renewable energy in its energy mix, with an ambitious target of 2,100 MW of renewable energy capacity by 2030.

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Head of publication: Pretoria Regional Economic Service, Luanda Economic Service, Maputo Economic Service
jade.plancke@dgtresor.gouv.fr, nicolas.viossat@dgtresor.gouv.fr

Editor: Pretoria Regional Economic Service

Subscribe: jade.plancke@dgtresor.gouv.fr, nicolas.viossat@dgtresor.gouv.fr