

ECONOMIC WRAP-UP

Southern Africa

A publication by the Pretoria Regional
Economic Service from July 8 to 12 2024

DATA OF THE WEEK

0% and -0.6%

growth in manufacturing and
mining output in May - StatsSA

Focus on the new Home Affairs Minister's announcement of a more favourable visa policy for expatriates in South Africa (*Daily Maverick*)

On Thursday, the new Minister of the Interior, Léon Schreiber, announced an automatic extension of the length of stay until 31 December for foreign nationals waiting for their visas to be extended. While the ministry has been trying for years to reduce delays in granting visas, the new minister has inherited a situation in which more than 145,000 applications are still pending. This decision is designed to prevent people wishing to extend their stay in South Africa from being forced to leave.

The Minister's objective: "to make the country more attractive for international investment, tourism and job creation". This means that anyone holding a long-term visa (work, business, study or family) who was waiting for their visa to be extended on 30 June will have their visa automatically and immediately extended until 31 December. For tourists holding a 90-day visa, an automatic renewal will apply, bringing the total length of stay to 180 days. Finally, the Minister has undertaken to announce future visa extensions well in advance, contrary to the practice of his predecessor.

Mr Schreiber is a member of the Democratic Alliance (DA), which came second in the last general election (around 22% of the vote) and has joined the Government of National Unity (GNU) led by President Ramaphosa.

Summary:

Southern Africa

- Mozambique, Zimbabwe and Botswana negotiate the renovation and extension of a railway line and the construction of a mineral port (*The Herald*)

South Africa

- The new Minister for Energy and Electricity, Mr Ramokgopa, gives priority to the massive deployment of renewable energies and supports nuclear power (*MoneyWeb*)
- Manufacturing output falls slightly while mining output stagnates in May (*StatsSA*)
- US legislation could lead to a complete review of its relationship with South Africa (*MoneyWeb*)
- South Africa's largest union calls for indefinite strike action on Gautrain (*Business Day*)
- African Bank's difficulties affect the Central Bank's assets (*SARB*)

Angola

- The French company Africa Global Logistics (AGL) formalises a USD 188 million investment in Angola
- Launch of the Angola Investor Market platform, a private initiative by DABG-Angola

Botswana

- Growth falls by 5.3% in Q1 2024 (*Statsbots*)

Mozambique

- The State and three banks agree on a resolution to the "hidden debts" (*Government*)

Namibia

- Growth accelerates to 4.7% in Q1 2024 (*NamStats*)
- Inflation slows to 4.6% in June (*NamStats*)

Zambia

- The Zambian government authorises the construction of the country's second coal-fired power station (300 MW) (*Engineering News*)

Southern Africa

Mozambique, Zimbabwe and Botswana negotiate the renovation and extension of a railway line and the construction of a mineral port (*The Herald*)

Mozambique, Zimbabwe and Botswana are negotiating a major infrastructure project involving the upgrading and extension of the existing railway line from the Mozambican port of Beira to Machipanda, on the border with Zimbabwe. The extension of the line to Botswana is part of a tripartite project between Mozambique, Zimbabwe and Botswana, which also includes the construction of a deep-water mineral port in the extreme south of Mozambique, at Techobanine. This line would enable Zimbabwean and Botswana minerals such as lithium to be exported, as well as coal, bypassing South Africa, the main export route, whose ports suffer from major logistical bottlenecks. The total cost of the project is estimated at around USD 6.5 billion, although the financing arrangements have not been specified. The main cargo is expected to be Botswana coal, which the country produces at a rate of around 2 Mt a year. The main point of negotiation concerns the mineral port project: memorandums of understanding should be signed shortly in the fields of geology, mining and metallurgy.

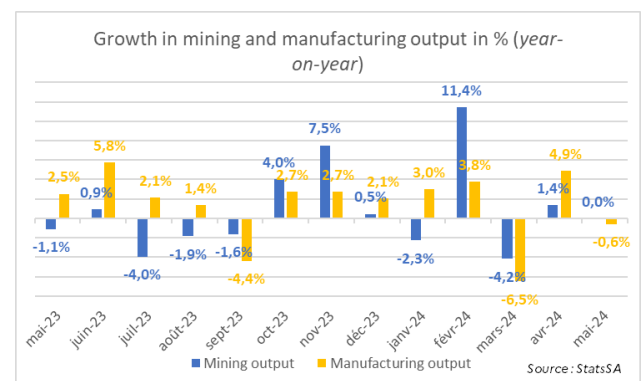
South Africa

The new Minister for Energy and Electricity, Mr Ramokgopa, gives priority to the massive deployment of renewable energies and supports nuclear power (*MoneyWeb*)

At his first press briefing since being appointed Minister of Energy, in addition to his former portfolio of electricity, Kgosientsho Ramokgopa promised to give priority to the massive deployment of renewable energies. This commitment comes at a time when the *Renewable Energy Independent Power Producer Procurement Programme (Reipppp)* is experiencing turbulence, with tender window 6 failing to meet its targets and tender window 7 being delayed, which Mr

Ramokgopa deplored. He also announced that he wanted to guarantee the establishment of local industry as part of the large-scale public procurement programme, beyond the current 10-15%. Finally, the Minister reiterated his belief in a varied energy mix, including nuclear power. As a reminder, the previous Energy Minister, Gwede Mantashe, signed a decision in December 2023 to proceed with a call for tenders for a 2,500 MW nuclear power plant. Mr Ramokgopa has confirmed that he intends to continue the process.

Manufacturing output falls slightly while mining output stagnates in May (*StatsSA*)



According to the national statistics agency (StatsSA), manufacturing output fell by 0.6% in May compared to the same period last year, after rising by 4.6% the previous month. This fall came as a surprise to most observers, who were expecting the opposite trend. Six out of ten sectors recorded a decline in activity, particularly the metal (-8.1%, i.e. a negative contribution of 1.8 points to growth) and automotive (-11.7%, i.e. -1.2 points) industries. On the other hand, the agri-food industry made good progress (+7.2%, or +1.6 points). At the same time, mining production remained unchanged over the period (+0.0%, after +1.4% in April), a disappointing performance compared with observers' forecasts. Six out of twelve groups recorded positive growth, particularly coal (+7%, i.e. a positive contribution of 1.6 points to growth) and chrome ore (+17.1%, i.e. +0.7 points). At the same time, production of gold (-9%, or -1.3 points) and platinum group metals (-4.1%, or -1.1 points) contracted. These results are particularly disappointing, despite the fact that no load shedding was recorded during the month. Electricity production rose by 5.6% in May, reaching its highest level since August 2022.

US legislation could lead to a complete review of its relationship with South Africa (MoneyWeb)

The US House of Representatives last month passed an amendment to the annual *National Defense Authorization Act* that would require the Biden administration to conduct a full review of relations between the US and South Africa. The amendment was tabled by Republican Representative John James, who deplored South Africa's position on the Israeli-Palestinian conflict. The legislation has not yet come into force and still has to be passed by the Senate and approved by the President, but could be in the next few months. This is an important issue for the South African economy, which benefits in particular from the *African Growth and Opportunity Act* (AGOA). AGOA is a preferential trade agreement that waives US import duties on a wide range of products from 35 sub-Saharan African economies. In 2022, the country exported USD 3.1 billion worth of goods under AGOA. The renewal of the agreement, which expires in 2025, has been the subject of intense negotiations for several months. If AGOA were to be called into question, it would be highly damaging, particularly for the automotive, textile and agricultural sectors.

South Africa's largest union calls for indefinite strike action on Gautrain (Business Day)

From Monday, Gautrain services will be affected by an indefinite strike led by the company's majority union, the *National Union Metalworkers of South Africa* (Numsa), which is demanding a pay rise more than twice the level of inflation in the country. South Africa's largest union is demanding a 13% pay rise for all employees, while the inflation rate in May was 5.2%. It is also demanding that *Bombela Operating Company* (BOC), the joint venture majority-owned by RATP that operates Gautrain, cover 60% of employees' medical expenses, and that it increases the housing allowance by ZAR 2,000 (EUR 100) a month. However, Gautrain spokesman Kesagee Nayager announced that traffic would not be disrupted and that BOC had implemented its emergency plan to ensure

that Gautrain customers would not be affected. The Gautrain plays an essential role in Gauteng's economic activity, linking the economic and financial centre, Johannesburg, with the country's capital Pretoria (Tshwane), which is home to many car factories. It carries 40,000 passengers a day. Negotiations have been under way since April, and in the face of BOC's refusal to meet its demands, Numsa has announced that it will go on indefinite strike until it wins its case.

African Bank's difficulties affect the Central Bank's assets (SARB)

According to the Central Bank's annual report, the institution has written down the value of its assets linked to *African Bank Holding Limited* by ZAR 982 million, as a result of the financial institution's poor financial performance. The value of the assets, estimated at ZAR 4.3 billion a year ago, was reduced to ZAR 3.5 billion at the end of March 2024 (-19%). African Bank was bailed out in 2014. 50% of the bank's shares were bought by SARB, 25% by the Public Investment Corporation and the remaining 25% by a consortium of six banks. SARB initially planned to sell its stake in 2025, via a public offer on the *Johannesburg Stock Exchange* (JSE). However, the date for this transaction has been pushed back from 12 to 18 months to May 2024. This depreciation reflects the macroeconomic pressures weighing on the banking sector and consumers. In a March 2024 note, S&P Global forecast an unprecedented decline in private sector credit of 1.4% over 2024 (from an all-time high of 0.75%), or around R74 billion.

Angola

The French company Africa Global Logistics (AGL) formalises a USD 188 million investment in Angola

The contract between AGL and the *Angolan Agency for the Promotion of Private Investment and Exports* (AIPEX) was signed on 10 July in the presence of the Angolan Minister of Transport. The project, relating to the concession of the multi-purpose terminal (general cargo and containers) at the port of Lobito, inaugurated on 27 March last, is expected to generate 731

jobs, 95% of which will go to Angolan nationals. The area operated by AGL covers 45 hectares and has 1,200 m of quays, with depths ranging from 10.5 m (north quay) to 14.7 m (south quay). The terminal has an annual capacity of 600,000 tonnes of general cargo and 250,000 TEU containers. It is also served by the Lobito corridor railway line.

Launch of the Angola Investor Market platform, a private initiative by DABG-Angola

The platform was launched on 10 July 2024 in the presence of a panel of ministers, diplomats and public and private institutions. *Angola Investor Market* is a digital platform that enables investors to easily identify investment projects in the country and access up-to-date information on the Angolan market. Its aim is to attract national and international investors and promote good coordination with the country's public institutions

Botswana

Growth falls by 5.3% in Q1 2024 (Statsbots)

According to the national statistics agency (Statsbots), GDP fell by 5.3% in the first quarter of 2024 compared with the same period of the previous year, after rising by 1.9% in the previous quarter. This decline, mainly due to difficulties in the mining industry (-24.8%, a negative contribution of 5.8 points), comes after twelve consecutive quarters of growth. Due to a drop in Chinese demand and competition from synthetic diamonds, the diamond sector is experiencing a fall in prices not seen for a decade (-15.8% over one year and -30.8% over two years in Q1 2024).

Mozambique

The State and three banks agree on a resolution to the "hidden debts" (Government)

According to the Minister for the Economy and Finance, Max Tonela, the Mozambican state and the Russian banks VTBC and VTBE and the Portuguese bank BCP reached an agreement on 8 July in connection with the hidden debts scandal. This out-of-court

settlement reduces the Mozambican state's exposure to USD 220m, or 16% of the banks' initial claim (and 66% of the capital), and provides for the government to pay this sum by the end of September. The "hidden debt scandal" involves transactions between Mozambican state-owned companies and the Lebanese-Emirati shipbuilder *Prinvest*, partly financed by loans from *Crédit Suisse* and the Russian bank *VTB Capital* totalling USD 2.2 billion. Unbeknownst to Parliament and international donors, the government had given its sovereign guarantee to three loans made through the companies *MAM*, *Proindicus* and *Ematum*, which were in fact state-owned. The revelation of the affair in April 2016 led to a serious economic crisis and a profound alteration in Mozambique's relationship with the IMF and international donors. Between December 2019 and May 2020, *VTBC* and *VTBE* filed three civil actions in court against the State, claiming repayment of the credit lines and damages for the harm suffered. Similarly, in April and June 2020, *BCP* had filed a civil action in the same court against *MAM* and the Mozambican State, claiming payment of sums allegedly due to it under the *MAM* guarantee as well as damages. The agreement therefore comes at a time when the judgment in these civil actions, combined into a single action, is due to be handed down on 17 July 2024. It follows the agreement reached in September 2023 between the State, *Crédit Suisse* and other members of the banking syndicate (with the exception of *VTB*) on the financing of *Proindicus*.

Namibia

Growth accelerates to 4.7% in Q1 2024 (NamStats)

According to the national statistics agency (NamStats), GDP rose by 4.7% in the first quarter of 2024 compared with the same period of the previous year, following a 4.4% increase in the previous quarter. Growth is therefore accelerating for the second consecutive quarter, driven by all sectors with the exception of manufacturing. The mining sector performed well (+6.6%, i.e. a positive contribution of 0.9 points to total growth), despite a fall in uranium production

(-11.8%), offset by an increase in diamond production (+8.9%) despite an unfavourable context. At the same time, commercial activities are expanding (+8.4%, or +0.8 points), as are, to a lesser extent, health services (+7.5%, or +0.4 points) and financial services (+5.3%, or +0.4 points). Conversely, the manufacturing sector contracted (-1.4%, or a negative contribution of 0.1 points), weighed down in particular by diamond cutting and polishing (-44.1%) and the steel industry (-20.7%). On the demand side, growth benefited from the good results of investment (double-digit growth for the seventh consecutive quarter), particularly in the mining sector (+23.5%) and an increase in household consumption (+13.4%). Conversely, foreign trade made a negative contribution to growth, with the trade deficit rising to NAD 17.1 billion.

Inflation slows to 4.6% in June (NamStats)

According to the national statistics agency (NamStats), the year-on-year inflation rate was 4.6% in June, compared with 4.9% the previous month. The main sectors contributing to the rise in prices were "transport" (+8.3%, i.e. a positive contribution of 1.3 points to total inflation), "food and non-alcoholic beverages" (+4.3%, i.e. +0.9 points) and "housing, water and electricity" (+3.6%, i.e. +0.9 points). Inflation thus resumes its downward trend

after two months of rebound, mainly thanks to the slowdown in the rise in prices for "food and alcoholic beverages", while price rises continue to accelerate in the transport sector. Goods inflation reached 5.8%, while services inflation stood at 2.9%. According to the Namibian Central Bank, annual inflation should reach 4.9% in 2024.

Zambia

The Zambian government authorises the construction of the country's second coal-fired power station (300 MW) (Engineering News)

Faced with a serious shortage of electricity due to drought, Zambia has received permission to build its second coal-fired power plant. The Energy Regulatory Commission has granted planning permission for a 300 MW facility in the south of the country. The project, led by Maamba Collieries Ltd, owned by India's Nava, aims to double the capacity of the existing plant. The cost of the project is estimated at USD 400m, part of which should be financed by Zambia's national pension fund. Zambia relies heavily on hydroelectric turbines, which generate around 85% of its electricity. However, the drought caused by the El Nino weather phenomenon, the worst in decades, has led to power cuts lasting at least 12 hours a day.

	Exchange rates	Change in USD exchange rates (%)			
	14/07/2024	Over a week	Over a month	Over a year	Since 1st of January
South Africa	17,95 ZAR	1,2%	2,6%	0,6%	1,9%
Angola	873,0 AOA	-0,7%	-2,4%	-5,6%	-5,1%
Botswana	13,3 BWP	1,0%	1,6%	-2,6%	-0,2%
Mozambique	63,2 MZN	0,0%	0,0%	0,0%	0,0%
Zambia	25,5 ZMW	-4,0%	3,5%	-26,3%	-1,2%

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

Source : OANDA (2024)

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