MINISTÈRE DE L'ÉCONOMIE, DES FINANCES ET DE LA SOUVERAINETÉ INDUSTRIELLE ET NUMÉRIQUE
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ECONOMIC WRAP-UP
Southern Africa

A publication from the Pretoria Regional Economic Service from October 7 to 11, 2024

DATA OF THE WEEK

+0,3%

Year-on-year mine production up 2024 in August - *StatsSA*

Visa reform in South Africa *(Business Tech)*

On Wednesday 9 October, the Minister for Home Affairs, Leon Schreiber, formalised major reforms to South Africa's visa regime. The changes are aimed at streamlining the country's visa system, which has been plagued by bureaucratic delays and corruption. The reforms include a visa for remote work and a new work visa system based on a points system. The Minister stated that these reforms, 'fit-for-purpose and market-friendly', would reposition South Africa as a leading destination for investment and tourism, creating thousands of new jobs. As a reminder, in May 2024, the former Minister of Home Affairs, Aaron Motsoaledi, had already amended the immigration laws, introducing the points system for critical skills and a visa for remote work. The new remote working visa is designed to enable high earners to settle in the country. For general work visa applications outside the Trusted Employer Scheme, a new gross annual income threshold of ZAR 650,796 (EUR 34,000), double the South African median income, has been introduced to protect low-level jobs while attracting skilled workers. An applicant must meet all the prescribed criteria to obtain a critical skills visa or a general work visa, i.e. a score of 100 points (see table). If the applicant does not achieve 100 points, its application will be rejected.

	Criteria	Points (%)		Points (%)
Occupation:	Occupation on critical skills list	100		
Qualifications:	NQF levels 9 and 10	50	NQF levels 7 and 8	30
Offer of employment (Mandatory):	Above R976,194 gross per annum	50	Between R650,796 and R976,194 gross per annum	20
Work experience:	5 – 10 years	20	10+ years	30
Employment status:	Offer from Trusted Employer	20		
Language skills:	Proficient in at least one official language	10		

Summary:

South Africa

- BEE regulations to be relaxed to allow Starlink into South Africa *(MyBroadband)*
- Court blocks major Transnet deal to privatise management of South Africa's main port terminal *(BusinessDay)*
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- Transnet's financial results continue to deteriorate *(Transnet)*
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- Mining output up 0.3% in August, while manufacturing output down 1.2% *(StatsSA)*

Angola

- The national airline TAAG has posted cumulative losses of USD 1.7 billion over 10 years *(Expansao)*
- The Angolan government approves a strategic plan for public procurement to combat corruption *(Ministry of Finance)*
- To combat inflation, the central bank intervenes on the foreign exchange market, causing the kwanza to appreciate by 5% against the dollar in the space of a week *(Expansao)*

Namibia

- Inflation hits 3.4% year-on-year, its lowest level for over three years *(Namstats)*

Zambia

- Work begins on extending Lumwana copper mine in Zambia *(Mining.com)*
- Zambia signs an agreement with China to create its first cholera vaccine manufacturing plant *(AfricaNews)*

Zimbabwe

- The government calls in the French firm GSA *(Global Sovereign Advisory)*

South Africa

BEE regulations to be relaxed to allow Starlink to come to South Africa *(MyBroadband)*

Communications Minister Solly Malatsi has announced a plan to allow Elon Musk's SpaceX to launch its Starlink internet satellite service in South Africa. He plans to give a political directive to the Independent Communications Authority of South Africa (Icasa) to relax the rules on Black Economic Empowerment (BEE), the system of positive discrimination. In the telecoms sector, it is stipulated that 30% of operator shares must be held by historically disadvantaged groups in South Africa, which Mr Musk, himself of South African origin, has refused to do. The aim of the plan in question is to reduce regulatory barriers to investment in affordable broadband internet by allowing multinational companies to comply with BBE rules via public or private initiatives without being obliged to give up direct ownership shares, but instead using 'equity equivalents' to compensate via social shares. This change in legislation paves the way for the arrival of Starlink in the country, whose Internet satellite service should help to reduce the country's digital divide, particularly in isolated regions with poor fibre connections.

The courts block a major Transnet contract for the partial privatisation of South Africa's main port terminal *(BusinessDay)*

The Durban High Court has suspended a public-private partnership contract for the management of Durban's container terminal 2. The tender was concluded by Transnet, the South African public operator in charge of rail transport and the country's ports, for the benefit of the Philippine shipping company, ICTSI. The deal provided for a 25-year concession for the management of container terminal 2 to a joint venture between Trasnet (51%) and ITCSI (49%), accompanied by an investment of EUR 570m. This terminal alone accounts for almost 46% of South African port traffic. This decision is a major blow to Transnet's plan to delegate its activities to the private sector, which was supposed to bring greater efficiency and rationality to its operations. The High Court in Durban criticised the process of selecting the concessionaire, pointing out major flaws in the way the call for tenders was managed. In fact, Transnet allowed ICTSI to use its market capitalisation to meet the solvency requirements, a measure deemed non-compliant by the experts consulted. The ruling found in favour of APM Terminals (APMT), a subsidiary of the Maersk shipping group, one of the losing bidders, which had challenged the validity of ICTSI's offer. As a result, the agreement has been suspended, raising new questions about Transnet's governance.

Transnet's financial results continue to deteriorate *(Transnet)*

On September 2, state-owned logistics operator Transnet, which is responsible for operating the rail network, port infrastructure and gas pipelines, presented worrying financial results for the year to March 31 2024, despite a stabilisation in operating performance. Although the Group's sales rose for the third year running (ZAR 76.7 billion, up 11.6% over the year), this apparently good performance mainly reflects the increase in transport rates. On the other hand, operating performance remains particularly poor: i) although rail freight volumes (44% of the Group's revenues) rose slightly over the year (151.2 million tonnes, or +1.5% year-on-year), after five years of contraction (-34% between 2018 and 2023), they are still well below the target that had been set for the 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 increase over the year (+5.4%); ii) volumes of sea freight also increased over the year (+2.9%), although remaining modest (4.2 M tonnes). This relative stabilisation in operating activities, coupled with the much faster rise in operating expenses (ZAR54.7bn, or +19.2%) and debt interest charges (ZAR13.8bn, or +14.8%) illustrates the sharp deterioration in the group's finances, which recorded record net losses of ZAR7.3bn (around €380m) over the year. The state-owned company is also suffering the effects of a court decision of 18 June 2024 requiring it to compensate Sasol and TotalEnergies for the extra costs incurred as a result of overcharging for oil transport services, which has been in effect since 2008 (over ZAR 9 billion). Against this backdrop, Transnet's debt continues to grow (ZAR 137.7 billion, or +5.8% over the year and 38% of the balance sheet). As a reminder, the rating agencies S&P Global and Moody's downgraded the public operator's debt profile in November 2023 and January 2024 respectively, despite the presentation of a rescue plan in October 2023 and the granting of a ZAR 47 billion sovereign guarantee by the South African government.

A large South African delegation visited London to attract British investors *(DIRCO)*

From 1 to 4 October, Deputy President Paul Mashatile led a delegation of South African ministers and business leaders to London, with the aim of strengthening trade and financial ties with the UK. Despite stagnation in recent years, London remains the main source of foreign direct investment in South Africa. The visit provided an opportunity to discuss the need to improve access to finance and foreign markets for South African small and medium-sized enterprises, as well as investment in the energy sector. The South African delegation worked to boost the attractiveness of South Africa (80th in the Doing Business rankings, down 41 places between 2015 and 2020), highlighting the stability brought about by the new coalition government, the end of power cuts, and the country's desire to leave the FATF grey list by October 2025. However, according to JPMorgan, South Africa's growth projections (1.0% in 2024 according to the IMF) are insufficient to attract the long-term attention of foreign investors.

Mining output rose by 0.3% in August, while manufacturing output fell by 1.2% *(StatsSA)*

According to the National Statistics Agency (StatsSA), manufacturing output fell by 1.2% year-on-year in August, following an increase of 1.6% year-on-year in July. These results are particularly disappointing, when observers were expecting an increase of almost 2%. While five out of ten sectors recorded a fall in activity, the main underperformers were the automotive industry (-16.1%, a negative contribution of 1.6 points) and the metal industry (-5.4%, a negative contribution of 1.2 points). Only the food industry made significant progress over the period (+5.8%, i.e. a positive contribution of 1.3 points). At the same time, mining production rose by 0.3% year-on-year in August, after falling by 1.0% in July. Production was driven by manganese (+16%, or a positive contribution of 1.2 points), chromium (+24.8%, or a contribution of +1.1 points), and platinum group metals (+4.7%, or +1.2 points). Conversely, production of iron (-15.2%, or a negative contribution of 2.1 points) and gold (-4.6%, or -0.7 points), which suffered its tenth consecutive month of decline, declined.

Angola

National airline TAAG posts cumulative losses of USD 1.7 billion over 10 years *(Expansao)*

According to a report by IGAPE (Institute for the Management of State Assets and Holdings), TAAG again recorded a negative result in 2023 of around USD 34m. Since 2011, only 2022 has seen a profit (USD 500k). Over the last ten years, the company's cumulative losses have reached USD 1.7 billion. TAAG, which has just joined the Latin American and Caribbean Air Transport Association (ALTA) and benefits from a great deal of support from the Angolan government (capital support, government guarantee, and reduced fuel costs due to heavy subsidies), nevertheless has an advantage over many of its competitors. Although it has seen a sharp increase in passenger numbers in 2023 (+45%), its operating costs (USD 163 million, or +67%) have still exceeded its operating revenues (USD 89 million, or +51%). Also of note is the sharp increase (+25%) in the total wage bill in 2023.

The Angolan government approves a strategic plan for public procurement to combat corruption *(Ministry of Finance)*

This Strategic Plan for Public Procurement 2024-2028, approved by the Council of Ministers, aims to develop a more efficient and transparent public procurement regime. According to the Finance Minister, this plan is in line with international best practice and should help to strengthen public financial management and promote the country's sustainable development. It is based on assessments carried out between 2019 and 2023, and uses methodologies recognised by international organisations such as the IMF and the World Bank: the public procurement system (MAPS), public financial management (PEFA) and investment management assessment (PIMA). It should be noted that around a third of public procurement procedures in Angola in 2023 were carried out by private contract (84% of tenders by value). Direct agreement is a common method of awarding contracts in Angola (the law states that it may be used 'in cases of urgency').

To combat inflation, the central bank intervenes on the foreign exchange market, causing the kwanza to appreciate by 5% against the dollar in the space of a week *(Expansao)*

On 2 October, the Angolan Central Bank (BNA) injected USD250m into the foreign exchange market via the Bloomberg platform. By 7 October, USD 170m had been sold to commercial banks at a very low rate (AOA 935 to USD 1), while the kwanza rate on 1 October was at a historically high level (AOA 951.6 to USD 1). Curiously, this amount was not immediately snapped up, at a time when economic agents are complaining of a crucial shortage of foreign currency to carry out their operations abroad, suggesting that the banks, despite a very advantageous rate, are short of kwanza liquidity, especially as they are obliged by a recent directive from the BNA to transfer to the Central Bank 30% of foreign currency acquired on the interbank market. As a result of this operation, the kwanza appreciated by 5% in one week (USD 1 at AOA 905.5 on 9 October). The BNA's primary role is to combat inflation, 80% of which is imported. In order to achieve its target of 24% annual inflation by the end of 2024 (currently 31%), the BNA is obliged to ease pressure on the foreign exchange market in order to reduce the cost of imports, particularly foodstuffs (which account for around 70% of the CPI). It is likely that the BNA will maintain this strategy of 'artificial appreciation' of the kwanza until December 2024, after which it will cease to intervene. This is the BNA's second intervention of the year on the Bloomberg platform, following an injection of USD 200m in May. The amount of international reserves rose by 2% between August and September to reach $15 billion (8 months of imports).

Namibia

Inflation hits 3.4% year-on-year, its lowest level for over three years *(Namstats)*

According to the national statistics agency (NamStats), inflation slowed to 3.4% year-on-year in September, after reaching 4.4% in August. This sharp fall surprised observers, who had expected an acceleration to 4.7%. The indicator, down for the fourth consecutive month, falls below 4% for the first time since October 2021, equalling the low point reached in August 2021. The main items contributing to the rise in prices remain 'food' (+5.1%, i.e. a positive contribution of 1 point), which was however less affected than expected by the drought, 'housing, water and electricity' (+3.7%, i.e. +0.9 point) and 'alcoholic beverages and tobacco' (+4%, i.e. +0.6 point), whose prices fell over the last month. It should be noted that transport, which usually makes a positive contribution to inflation, benefited from a base effect (significant price rise a year ago) which explains the very low level recorded in August (+1.2% in September, compared with +6.1% in August). Technip Energies wins a FEED contract for Mozambique Rovuma Venture

Zambia

Start of extension work at Lumwana copper mine in Zambia *(Mining.com)*

Development of the USD 2 billion Super Pit project for Canadian company Barrick's Lumwana copper mine in Zambia was officially launched on Wednesday 10 October 2024 in the presence of President Hakainde Hichilema and members of his government. The feasibility study is expected by the end of the year, paving the way for construction work to begin in 2025. The expansion plans to double the processing capacity of the existing circuit, followed by a significant increase in mining volumes. The plant's treatment capacity would increase from the current 27 million tonnes to 52 million tonnes, doubling the mine's annual copper production from 120,000 tonnes to 240,000 tonnes. This would make the mine one of the 25 largest copper mines in the world. This expansion is good news for Zambia and its President Hichilema, whose highly ambitious target is to reach 3 million tonnes of production per year by 2030, compared with just 800,000 tonnes last year. The situation is made all the more difficult by the fact that the sector is suffering from daily power cuts linked to the drought, which is affecting electricity production from the country's main dam (Kariba).

Zambia signs agreement with China to create its first cholera vaccine manufacturing plant *(AfricaNews)*

Zambia has signed a Memorandum of Understanding (MoU) with China to establish the country's first cholera vaccine manufacturing plant. The project, announced on Monday 7 October 2024, aims to strengthen Zambia's fight against cholera, a disease that has had a major impact on public health in the country and the region. The first phase of the plant, costing USD 37m, will be developed in partnership between the Zambia Industrial Development Corporation (IDC) and the Chinese company Jijia International Medical Technology Corporation. The facility is expected to produce around three million doses a year. Speaking at the signing ceremony in Lusaka, Zambian President Hakainde Hichilema stressed the importance of this project in eradicating cholera in Zambia. He also highlighted Zambia's potential to become a key production hub for Africa, as the continent's population continues to grow rapidly. Zambia faced a serious cholera epidemic earlier this year, causing more than 400 deaths and infecting more than 10,000 people. Cholera remains a persistent threat in the country, particularly during the rainy season, despite the fact that it is a curable disease. As part of the agreement, China has pledged to provide Zambia with three million doses of cholera vaccine before production begins.

Zimbabwe

The government calls in the French firm GSA *(Global Sovereign Advisory)*

The Zimbabwean government has announced that it is calling on GSA (Global Sovereign Advisory), a firm specialising in sovereign debt restructuring and default, and the law firm Kepkler Kaust to find a solution to its unsustainable debt. The challenge looks daunting, given that Zimbabwe's public debt situation deteriorated significantly in 2023 (due to a public deficit that, according to the IMF, reached more than 14% of GDP). It now stands at USD 21.2 billion (including USD 7.4 billion in arrears, mainly to international donors), or 97% of GDP.

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