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ECONOMIC WRAP-UP
Southern Africa

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US EXIM Bank approves a $4.7 billion loan for TotalEnergies' Mozambique LNG project

The board of directors of the US EXIM Bank unanimously voted on March 19 to authorize a loan of up to $4.7 billion to support the export of U.S. goods and services for the development and construction of the Mozambique LNG project, operated by TotalEnergies (TE): engineering, supply, and construction of the onshore LNG plant, along with related facilities.

The US EXIM Bank had previously agreed to a $4.7 billion loan for the initial $20 billion project under the first administration of President Donald Trump. This loan had to be reexamined and approved again following the suspension of the project's construction after TE filed a force majeure declaration in April 2021—prior to the first disbursements—due to the violent unrest in Cabo Delgado province.

Representing a significant step forward for this strategic project for Mozambique, this approval was met with relief by both Mozambican authorities and the business community in Maputo. Attention is now turning to the two other export credit agencies that had also committed during the initial phase of the project (a $300 million loan and $700 million in guarantees for UK Export Finance; and $1 billion in guarantees for Atradius DSB), with the renewal of their commitment now required.

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Southern Africa

The completion date for the second phase of the Lesotho Highlands Water Project has been delayed again *(The Citizen)*

The completion of the second phase of the Lesotho Highlands Water Project (LHWP) has once again been postponed, with the new completion date now scheduled for 2029. Originally launched in March 2014, this second phase was expected to be operational by 2026, but was delayed to 2027. With this new delay, the project is now three years behind schedule.

The South African parliamentary committee on water and sanitation has also expressed concerns about the lack of financial transparency regarding this project, which is crucial for South Africa's water supply. The governance of the project, overseen by the Lesotho Highlands Development Authority (LHDA), which is itself under the supervision of the Lesotho Highlands Water Commission (LHWC), whose governance is jointly managed by the governments of Lesotho and South Africa, has been a source of tension between the two countries, particularly regarding the prioritization of investment in either electricity production or the transportation of drinking water.

For the record, LHWP II is a €2.7 billion binational project between South Africa and Lesotho. Its primary goal is to supply water to Gauteng, the economic heart of South Africa, providing approximately 470 million m^3/year in addition to the 780 million m^3/year from Phase 1 of the LHWP, which was completed in 2003, through the construction of five dams and 200 kilometers of tunnels.

The project also includes an energy component: it aims to strengthen Lesotho's energy security by reducing its dependence on electricity imports, while addressing the growing energy demand in the country. In 2020, Lesotho produced only 102 MW of electricity (from hydroelectric and solar sources) and had to import the remaining 63 MW of its demand from South Africa.

South Africa

Manufacturing and mining production decline in January *(StatsSA)*

According to the national statistics agency (StatsSA), manufacturing production declined by 3.3% year-on-year in January, following a decrease of 1.2% in December, marking the ninth consecutive month of decline. This decline was mainly due to a decrease in the production of "petroleum, chemical, rubber, and plastic products" (- 9.1%, contributing a negative 2.1 points to overall production growth), "food and beverages" (-3.2%, contributing -0.8 points), and "motor vehicles, parts and accessories, and other transport equipment" (-10.1 %, contributing -0.8 points). In contrast, the largest positive contribution came from the "wood products, paper, publishing, and printing" division (+5.6 %, contributing +0.6 points). The ongoing weakness in the manufacturing sector highlights its difficulties in the face of high production costs, weak demand, and operational challenges.

Meanwhile, mining production decreased by 2.7% year-on-year in January, following a 2.4% drop in December. The production of iron ore (-15.1%, contributing -2.7 points), platinum group metals (-3.8%, contributing -1.1 points), and coal (-4.4%, contributing -1.0 point) were the main contributors to this decline. These sectors were particularly affected by a decrease in global demand and operational issues. In contrast, manganese ores (+21.2%, contributing +1.2 points) represented the main support to activity.

Inflation remains stable in February *(StatsSA)*

According to the national statistics agency (StatsSA), consumer price inflation (CPI) reached 3.2% year-on-year in February, remaining stable compared to the previous month. These results are slightly below economists' expectations, which were set at 3.4%. The indicator remains near the lower end of the central bank's target range (3% to 6%). The main contributors to the rise in prices remain housing, water, and electricity (+5.8%, contributing 1.4 points to overall inflation), transport (+6.3%, contributing +0.9 points), and food and beverages (+4.7%, contributing +0.9 points). In this context, the South African Reserve Bank's monetary policy committee (SARB), meeting on March 20, decided to keep its benchmark interest rate at 7.5%. According to SARB Governor Lesetja Kganyago, the decision to maintain this rate is due to the unpredictable global economic environment.

Activity grew by 0.6% in 2024 *(StatsSA)*

According to the national statistics agency (StatsSA), the South African economy is estimated to have grown by 0.6% in 2024, following a 0.7% increase in 2023. Growth was supported by the "finance, real estate, and business services" sector (+3.5%, contributing 0.8 points), as well as by "personal services" (+1.7%, contributing +0.3 points) and "electricity, gas, and water" (+3.5%, contributing +0.1 points). In contrast, several sectors recorded a decline, including agriculture (-8.0%, contributing a negative -0.2 points), construction (-5.1%, contributing -0.1 points), retail trade (-1.4%, contributing -0.2 points), and transport (-1.3%, contributing -0.1 points). From a demand perspective, household consumption grew by 1.0%, contributing positively to growth by +0.7 points. However, gross fixed capital formation declined by 3.7%, negatively affecting GDP growth by 0.5 percentage points.

Essential reforms for South Africa's sustainable growth, according to the IMF

According to the latest report from the International Monetary Fund (IMF), South Africa has strong growth potential but faces significant challenges such as declining income per capita, high unemployment, poverty, and inequality. To address these issues, the IMF advises improving the business environment, strengthening governance, and implementing labor market reforms. It also recommends completing reforms in the energy and logistics sectors, increasing private sector participation, and promoting trade integration. According to the IMF, these measures could boost production by 9% and significantly reduce unemployment, poverty, and inequality, with a possible 10-point reduction in the Gini coefficient. The IMF considers this a crucial moment for the South African government to implement reforms for sustainable growth and shared prosperity.

Ethekwini Municipality (Durban) plans to invest 500 million EUR to restore its water, electricity, and waste management infrastructure (MoneyWeb)

Ethekwini Municipality has announced that it will allocate approximately 500 million EUR for the rehabilitation of its water, electricity, and waste management infrastructure, with the aim of improving its public services and ensuring their sustainability. This initiative is part of the announcement made by Finance Minister Enoch Godongwana, which remains subject to acceptance or rejection by the government coalition of his proposed 2025 budget by the end of March. The proposal includes a grant of 170 million EUR to support the city's commercial services reforms over a three-year period. This performance-based funding aims to modernize essential infrastructure and strengthen its financial autonomy.

This announcement addresses critical needs in the municipality, as 54% of drinking water (with a target of 30% by 2030) is reportedly lost due to leaks and theft, resulting in a revenue shortfall of 58 million EUR annually. Regarding waste, of the 4,500 tons of solid waste generated daily, over 30% is not regularly collected, causing illegal dumping. Only 10% of waste is recycled, far from the national target of 40% by 2035.

Approximately 40% of electricity is lost due to theft and technical faults, leading to financial losses of 120 million EUR per year. Furthermore, Durban is affected by Eskom's load shedding and is seeking to develop its energy capacity (500 MW of renewable energy by 2030 for 135 million EUR).

Reforms will begin with water and electricity services in the 2025/26 fiscal year, which is set to start in May 2025. To ensure this transition, Ethekwini has developed a recovery strategy for water and sanitation, an investment and business plan, as well as a roadmap for institutional reform and governance. These plans are based on six strategic areas, including the financial protection of the Water and Sanitation unit, improving governance, and establishing a performance-based management contract.

With this additional funding, priority efforts will focus on reducing water losses, sanitation, improving customer service systems, strengthening metering systems, and addressing intermittent supply issues. Partnerships with private sector players are being considered to bring in their expertise in managing these municipal services.

Angola

Endiama exchanges shares with Taaden in Alrosa's Catoca stake and sells 49% of the Luele mine

The exit of the Russian diamond company Alrosa from the Catoca and Luele mines was officially confirmed on March 17, 2025, with the signing of three contracts between Endiama, the national diamond company, and the Taaden company, owned by Oman's sovereign wealth fund. These agreements authorize the transfer of Alrosa's stake in the Sociedade Mineira de Catoca to Taaden, which will now hold 41% of Catoca and 49% of the Luele diamond mine. With the entry of the new partner into the mining companies, Endiama now holds 59% of Catoca and 51% of Luele.

During the signing ceremony, the CEO of Endiama stated that the process took about 15 months to find the best solution to make the Catoca and Luele mining companies, which represent over 80% of Angola's diamond production, viable. It is important to note that the Angolan government had to remove the Russian company from Catoca and Luele due to the international sanctions imposed on Russia because of the war in Ukraine.

The BNA keeps its key rate at 19.5% during its Monetary Policy Committee meeting

The Monetary Policy Committee (MPC) of the National Bank of Angola (BNA) decided, during its meeting held on March 17 and 18, to maintain its main policy rate at 19.5% and to reduce the interest rate for the permanent liquidity absorption facility to 17.5%. This reduction aims to signal the need for greater dynamism in the interbank money market.

The monthly inflation rate in February 2025 slowed to 1.59% compared to 1.67% the previous month, with the category of food and non-alcoholic beverages contributing 1.06 percentage points, representing 66.69% of total inflation.

Year-on-year inflation for the past 12 months continued its downward trend for the seventh consecutive month, reaching 25.26%, down from 26.48% the previous month. This trend is expected to continue in the coming months, as monetary conditions adjust to the pace of economic activity growth and the increased availability of consumer goods.

In the monetary domain, the M1 monetary aggregate in local currency contracted by 3.62% in February 2025, after contracting by 0.07% in January, bringing the cumulative variation to 3.69%. The reduction in the M1 aggregate in the second month of the year was reflected in a decrease in the circulation of banknotes and coins as well as in the mandatory reserves in local currency, which contracted by 0.45% and 10.96%, respectively.

Botswana

S&P maintains its sovereign rating at BBB+/A-2 but revises its outlook to negative

This revision of the outlook reflects the deterioration of Botswana's economic prospects, with its dependence on diamonds posing increased challenges amid falling prices and reduced global demand. However, the rating is still supported by a solid institutional framework and prudent management of natural resources. The country also benefits from a strong external balance sheet and relatively low public debt (25% of GDP), although it is on the rise.

Inflation increases to 2.7% in February

According to the National Statistics Agency (StatsBots), the Consumer Price Index (CPI) inflation reached 2.7% year-on-year in February, up by 0.2 percentage points from the previous month. The main drivers of inflation are food and non-alcoholic beverages (+5.5%, contributing +0.8 points) and miscellaneous goods and services (+7.7%, contributing +0.7 points). Inflation is expected to gradually return within the target range of the Central Bank (from 3% to 6%), reaching an average of 3.5% in 2025. In this context, the Central Bank is expected to maintain its key rate at 1.90% during the meeting on April 17, 2025.

Zambia

The World Bank grants a $120 million grant to Zambia for its digital transformation (AfricaNews)

The World Bank has granted a $120 million USD subsidy to Zambia to support its digital transformation. This announcement was made by Zambia's Minister of Science and Technology, Felix Mutati, after meeting with Zambia's Ambassador to the United States, Chibamba Kanyama, in Washington. The agreement was concluded during the Global Digital Summit, which runs from Monday to Thursday this week. In August of last year, Wengcai Zhang, General Director and Head of Administration at the World Bank, stated that the project, called the Digital Zambia Acceleration Project (DZAP), would aim to extend broadband coverage, improve digital infrastructure, and enhance the efficiency of the public and private sectors through digital services. It is also expected to support the development of digital skills aligned with the labor market. A project implementation unit will be established within the Smart Zambia Institute to coordinate the government's digitalization initiatives.

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