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ECONOMIC WRAP-UP
Southern Africa

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Slowdown in Growth and Increased Financial Pressures According to the IMF

The International Monetary Fund (IMF) has lowered its growth forecast for Sub-Saharan Africa in 2025 to 3.8%, down from 4.2% in October 2024. This revision comes in a global context marked by persistent uncertainty, notably due to the trade war initiated by the United States and the suspension of American bilateral aid. While the direct impact of these trade tensions on the continent is expected to remain limited, the resulting decline in commodity prices could have significant consequences—particularly for economies heavily dependent on hydrocarbon exports, such as Angola or Nigeria.

According to the latest World Economic Outlook (WEO 2025), growth dynamics in Southern Africa are highly uneven from one country to another (see table below), with some economies showing encouraging prospects, while others are struggling to return to a stable growth path.

The IMF also highlights the major concern posed by the growing need for external financing in many countries across the region. The rise in risk aversion among international investors has led to a significant increase in borrowing costs, making access to capital more difficult. In this tense context, the Fund reaffirms its commitment to support the most vulnerable countries by offering low-cost financing and assisting them in implementing fiscal and structural reforms. The goal is to strengthen their resilience to external shocks and to promote inclusive, sustainable, and more equitably distributed growth.

Country	GDP Growth (%) for 2025
South Africa	1,0 %
Zambia	6,2 %
Zimbabwe	6,0 %
Angola	2,4 %
Botswana	-0,4 %
Namibia	3,8 %
Malawi	3,5 %
Mozambique	2,5 %
Lesotho	1,5 %
Eswatini	5,1 %

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Southern Africa

Zambia and Zimbabwe Seek New Investors for Batoka Gorge Dam Project *(TechCentral)*

Zambian and Zimbabwean authorities have relaunched efforts to secure funding for the Batoka Gorge hydroelectric project (2.4 GW), estimated at USD 5 billion. Led by the Zambezi River Authority (ZRA), this binational project aims to ensure a stable electricity supply for both countries, as low inflows at the Kariba Dam—affected by recurring El Niño-related droughts—threaten grid stability. The selected site is located near the Victoria Falls (a UNESCO World Heritage site).

Originally awarded in 2019 to a General Electric – PowerChina consortium, the contract was cancelled by Zambia in 2023 due to irregularities. The two countries plan to select new partners by September 2025. A fundraising campaign is underway for 12 to 18 months, with the possibility of using climate financing. The project is also backed by ongoing technical, environmental, and economic feasibility studies.

However, the viability of the project hinges on the debt sustainability of both countries (USD 21 billion in external debt for Zimbabwe; ongoing restructuring for Zambia) and on water availability. One of the scenarios under review includes transferring 16 billion cubic meters of water per year from the Congo River, although this raises major technical and environmental challenges.

As a reminder, both countries are facing a severe energy crisis, with power outages reaching up to 24 hours a day in Zambia and averaging 18 hours in Zimbabwe. These blackouts are caused by droughts that have severely impacted electricity production, which is largely dependent on hydropower in both nations.

South Africa

Manufacturing Output Still Declining, but Business Sentiment Shows Signs of Improvement *(StatsSA & S&P)*

According to the national statistics agency (StatsSA), South Africa's manufacturing output declined by 0.8% year-on-year in March. This marks the eighth consecutive month of contraction, a worse performance than expected, as analysts had forecast a 0.8% increase. The largest negative contributions came from the petroleum, chemical, rubber, and plastic products sector (-2.5%, or -0.5 percentage points), as well as electrical machinery (-12.2%, or -0.3 percentage points).

Meanwhile, the S&P Global Composite PMI for South Africa rose to 50.0 in April, up from 48.3 in March, reaching the neutral threshold (which separates expansion from contraction) for the first time since November 2024. This indicator reflects overall private sector confidence—covering mining, manufacturing, services, construction, and trade—based on surveys conducted with a panel of businesses. This slight improvement in economic conditions led to a modest recovery in production, new orders, and employment. New orders increased for the first time in five months, driven by rising customer volumes and effective marketing campaigns, despite demand still being affected by economic uncertainty. Supply chains also showed signs of improvement, with delivery times shortening for the first time since June 2023, thanks to reduced congestion at the Durban port. This allowed for a moderate recovery in purchasing activity, as companies worked to rebuild inventories.

Continued Decline in Fuel Prices in South Africa

South African consumers will see another drop in fuel prices starting this Wednesday, marking the third consecutive month of reductions. Petrol (both 93 and 95 octane) will decrease by 22 cents per litre, while diesel will drop by 42 cents per litre. This trend is primarily due to the fall in the Brent crude oil price, which dropped from $71.04 to $66.40. A further 21 cents per litre reduction is expected in June, amid the ongoing decline in Brent prices. These adjustments are expected to support the disinflation process and contribute to a continued decline in the Consumer Price Index (CPI) in the coming months.

South Africa Reforms Tariffs in Two Strategic Sectors *(Engineering News)*

South Africa recently announced two tariff measures: a 13% import duty on hot-rolled steel from China, effective May 1, and a review of 82 tariff codes concerning the import of materials and components used in wind turbines, solar panels, and storage batteries.

The steel tariff decision was driven by the challenges faced by ArcelorMittal South Africa (AMSA), whose two steel plants are in crisis, largely due to cheap Chinese steel imports. Despite receiving nearly €200 million in public aid over the past year, the future of these two steel plants is only secured until August 2025.

This measure adds to the provisional anti-dumping duties of 52.81% on certain Chinese structural steel imports and aligns with AMSA's calls for protection. The Chinese real estate crisis has led to excess steel capacity, prompting Chinese producers to export at low prices. A shutdown would be catastrophic for South Africa, potentially costing 3,500 direct jobs and up to 80,000 jobs along the value chain.

In a second initiative, the International Trade Administration Commission (ITAC) has launched a review of 82 tariff codes related to renewable energy and storage value chains. Published in the Official Gazette on April 17, this review opens a four-week public consultation period.

ITAC proposes raising tariffs where local production capacity exists, removing or adjusting rebate schemes—including one that exempts imported solar modules, mainly from China—and introducing new local content requirements. The aim is to boost local production of solar, wind, and storage equipment, as the domestic industry currently focuses mainly on assembly.

Launch of Phase II of Operation Vulindlela *(Engineering News)*

The South African government has just approved Phase II of Operation Vulindlela, a strategic initiative launched in 2020 by the Presidency and National Treasury to remove key structural barriers to economic growth. Three new reform priorities have been added, expanding the program's scope to seven key areas.

The new reforms will now address:

- Local governance, in response to widespread institutional, financial, and administrative decline—especially in major cities;
- Spatial transformation, to correct apartheid-era geographic legacies by promoting urban densification and spatial integration, reducing transport costs and connecting people to economic hubs;
- Public digital infrastructure, to modernize state capabilities and broaden economic inclusion through digital solutions.

These will build on ongoing efforts in electricity, logistics, water, and visa systems, launched during Phase I.

According to President Cyril Ramaphosa, 91% of the reforms have been implemented or initiated, unlocking over €25 billion in investment. Phase I saw some successes, such as a significant reduction in load-shedding, which had peaked in 2022–2023, despite sluggish economic growth (0.6% in 2024 and 0.7% in 2023).

The objective for Phase II is to raise real GDP growth to 3.5% by 2029, although major challenges remain, especially in electricity distribution, water management, financially distressed municipalities, and infrastructure investment planning. These priorities are expected to be reflected in the upcoming budget on May 21.

Trade Minister Parks Tau Confirms BEE Transformation Fund Will Be Voluntary *(Engineering News)*

South Africa's Minister of Trade, Industry, and Competition, Parks Tau, has confirmed that the new ZAR 100 billion Transformation Fund (approx. €5 billion) will not impose new obligations on businesses. The fund aims to enhance the impact of economic empowerment spending for historically disadvantaged groups (Black Economic Empowerment or BEE), by consolidating supplier and enterprise development efforts already undertaken by the private sector.

This announcement reassured the business community, which had been concerned after the minister's January comments proposing a 3% corporate profits tax to finance the fund. Tau warned that companies failing to comply with regulations could face fines and exclusion from public procurement, and multinational companies would be required to dedicate up to 25% of their local interests to transformation.

The minister has since clarified that participation in the fund will be voluntary, and companies with effective existing programs will not be forced to contribute. He called for collaboration between the state and private sector, acknowledging that many current initiatives lack impact or aren't aligned with core business activities.

The fund, now under public consultation until May 28, will pool voluntary contributions from Johannesburg Stock Exchange-listed companies, public entities, unlisted firms, and multinationals via equity equivalency programs. The government estimates around €1 billion could be raised over five years, primarily targeting poorer regions and Black-owned SMEs.

To ensure governance and transparency, a dedicated Special Purpose Vehicle (SPV) will be established, overseen by an independent board of directors and executive team. This mechanism aims to boost efficiency and prevent corruption, a major concern raised by some economic stakeholders.

Angola

Remittances Abroad Drop by 43% to USD 246.6 Million in 2024

Foreign nationals living in Angola transferred around USD 246.6 million abroad in 2024, a 43% decrease compared to 2023 (USD 436.5 million). This marks the second consecutive year of decline, following the USD 1.039 billion recorded in 2022.

This decrease is mainly due to the sharp depreciation of the kwanza in 2023 and 2024, the recent introduction of a 2.5% tax on individuals, and tighter foreign exchange availability.

In contrast, Angola received USD 14 million in remittances from its diaspora — a 16% year-on-year increase and the highest amount recorded by the central bank since 2014.

Two Private Commercial Banks Sanctioned by the Central Bank

Yetu Bank and BCI have been sanctioned by the Angolan Central Bank for violating obligations related to anti-money laundering, combating the financing of terrorism, and the proliferation of weapons of mass destruction. They must pay penalties of AOA 1 billion (USD 1 million) and AOA 330 million (USD 330,000) respectively to the BNA.

Additionally, the head of Yetu Bank was fined AOA 100 million (USD 100,000) for breaching the Interbank Market Code of Conduct.

Vera Daves Acknowledges Liquidity Issues Behind Delays in State Payments

On the sidelines of the IMF and World Bank Spring Meetings, Angola's Finance Minister acknowledged that liquidity issues are behind delays in payments to companies with government contracts. She assured that the situation would be resolved, although no specific timeline was given. Payment delays have been reported since October 2024, with several service providers nearing collapse. The minister urged companies — many of which work almost exclusively with the state — to diversify their client base, including targeting the private sector and foreign markets. She reaffirmed the state's commitment to honoring its obligations and emphasized that efforts would continue to "do more with less." As a reminder, debt servicing currently absorbs half of the state's expenditure.

Botswana

European Investment of USD 200 Million Announced in Nickel Mine in Botswana *(Mmegi Online)*

European investment group NIU Invest, led by Austrian businessman Cevdet Caner, has announced a USD 200 million investment plan to revive the Phoenix nickel mine in northeastern Botswana. In 2023, NIU acquired the mine for USD 15 million after a prolonged liquidation process of its former owner, Tati Nickel. The Phoenix site had been under care and maintenance since 2003, and Tati Nickel in liquidation since 2016.

The project includes an initial USD 50 million investment over the first 18 months to reach stable production, followed by USD 150 million through 2035 to maintain and expand infrastructure. The revived mine is expected to operate for 10 years, generating USD 4.2 billion in revenue and contributing USD 3 billion to Botswana's GDP. Estimated annual production volumes are: 170,000 tonnes of nickel ; 100,000 tonnes of copper ; 7,000 tonnes of cobalt.

The restart could create up to 3,000 direct and indirect jobs over the next decade. Nickel is a key component in stainless steel used in infrastructure, batteries, and special alloys in aerospace. Copper and cobalt are mainly used in electric batteries.

Mozambique

IMF Announces Termination of the 2022–2025 Extended Credit Facility (ECF) Program

On April 18, the IMF issued a statement announcing the discontinuation of the ECF program, which began in the second half of 2022 and was scheduled to end on May 8, 2025. This announcement follows the IMF mission held from February 19 to March 4 for the 5th and 6th reviews of the program.

The IMF stated that "the Mozambican authorities and the Fund have agreed not to proceed with the remaining two reviews," and noted that "to better align IMF support with the priorities and vision of the new government, the Mozambican authorities have requested discussions toward a new program with the IMF, which will begin soon."

In a March 5 statement, the IMF had already highlighted major fiscal slippages in 2024 and noted the need for fiscal consolidation in 2025, with three recommendations: Rationalize public sector wage spending to allow for social transfers and infrastructure investments; Reduce tax exemptions; Improve public debt management, notably by reducing payment arrears.

Public sector wages have become a major point of contention between the Mozambican government and the IMF, especially since their deterioration coincided with the ECF. According to a Standard Bank note on April 3, the wage bill increased by 50.9% between 2021 and 2024 (MZN 210 billion vs. MZN 139.2 billion) due to the new salary scale reform implemented in the second half of 2022—just months after the IMF program began.

At the same time, domestic debt grew by 79%.

Due to this early termination, Mozambique will have received only USD 330 million from the ECF—about 70% of the initially approved USD 457 million.

Although Mozambique's Finance Minister attended the IMF and World Bank Spring Meetings in Washington from April 21 to 26, no information has yet been released about negotiations for a new IMF program.

Mozambique Affected by U.S. Department of Government Efficiency (DOGE) Decision to Dissolve the Millennium Challenge Corporation (MCC)

The DOGE announced the termination of MCC programs as part of the Trump administration's broader federal spending cuts. This decision will significantly impact Mozambique, which had launched the Compact II program with the MCC in September 2023—worth USD 537.7 million (including USD 37.5 million from the Mozambican government). This second "Compact" (the first ended in 2013) aimed to fund actions in 2026–2027 to improve productivity, increase public revenues, and reduce poverty in Zambezia province, central Mozambique. The program included three projects: Coastal Livelihood and Climate Resilience Project (CLCR); Rural Connectivity and Transport Project (CTR) – notably involving the construction of a large bridge across the Zambezi River; Promotion of Reform and Agricultural Investment Project (PRIA) This abrupt end follows just days after the ECF's cancellation, which halted the disbursement of the remaining USD 120 million from the IMF program. Additionally, the World Bank's USD 500 million budget support (2022–2025), of which only USD 300 million has been disbursed so far, is unlikely to resume before late 2025 at the earliest.

NERSA Publishes Strategic Gas Plan to Anticipate Decline in Mozambican Supply

South Africa's energy regulator NERSA released a national gas strategy in late April to develop natural gas as a transitional energy source alongside renewables and hydrogen. The report comes amid forecasts of declining imports from Mozambique (Pande/Temane fields) by 2028, which are vital to South Africa's industry, and amid an underdeveloped domestic gas sector.

The strategy follows South Africa's National Development Plan 2030 and its Nationally Determined Contributions (NDC) on decarbonization and is organized into three phases: Establish a favorable regulatory framework and diversify supply sources (e.g., non-liquefied gas); Develop domestic production and integrate low-carbon gas; Gradually decarbonize hard-to-electrify sectors (industry, transport).

Key infrastructure goals include expanding port facilities (Coega, Richards Bay LNG terminal, Saldanha), extending the pipeline network, converting thermal power plants to gas, and aligning with the Gas Master Plan.

NERSA calls for the rapid adoption of key legislation (Gas Amendment Bill, Upstream Petroleum Resources Act), increased cooperation with neighbors (Mozambique, Namibia, Angola), and the introduction of tax incentives to support biogas, biomethane, and green hydrogen projects. While the strategy has been well received overall, some in industry (e.g., IGUA-SA) criticize the lack of focus on developing local gas resources (e.g., the Orange Basin), seen as strategically important in the medium term.

Zambia

IMF Praises Zambia's Progress in ECF Program

Following a mission for the 5th review of Zambia's ECF program (granted in August 2022), IMF Deputy Managing Director Nigel Clarke praised Zambia's performance as "remarkable." Barring surprises, a new tranche of 139 million SDRs (around USD 190 million) is expected to be released in June, pending the IMF Board's approval.

Clarke emphasized the IMF's willingness to continue supporting Zambia—either through an extension of the current program or a new one—though the final decision lies with the Zambian authorities. While Lusaka has not yet indicated whether it will request an extension, IMF–Zambia relations remain strong.

Inflation Holds Steady at 16.5% Year-on-Year in April (ZamStats)

According to ZamStats, Zambia's annual inflation rate held steady at 16.5% in April, unchanged from March. This stability is due to a slight decrease in food inflation (from 18.9% to 18.7%) offset by a small increase in non-food inflation (from 13.2% to 13.4%). Food remains the primary driver of inflation, contributing 11 percentage points to the overall price rise.

Analysts expect the policy rate to remain at 14.5% at the May Monetary Policy Committee meeting, with a potential easing starting in August.

Zambia Approves USD 270 Million Transmission Line Connecting Copperbelt with DRC *(Engineering News, Africa Mining Union)*

Zambia's Energy Regulation Board (ERB) approved in early May the construction of a 200-km high-voltage transmission line linking northwestern Zambia to Kolwezi, DR Congo. This USD 270 million cross-border project aims to boost electricity transport infrastructure in a mining-intensive and energy-hungry region.

The new interconnection will link Sentinel Mine (First Quantum Minerals) to a substation on the Congolese side through a partnership with Enterprise Power DRC, a private electricity trading company. It addresses growing strain on Zambia's power grid due to reduced hydroelectric production caused by drought.

The project will enable cross-border electricity trade and improve supply reliability for mining operators. The regulator sees this initiative as a major step in regional energy market integration and part of the government's strategy to attract more private investment in energy infrastructure.

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