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ECONOMIC WRAP-UP
Southern Africa

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Mozambique Disrupted by an Unprecedented Political Crisis

The general elections (presidential, legislative, and regional) held on October 9 have led to an unprecedented political crisis in Mozambique following the announcement of a broad victory—whose legitimacy is contested—by FRELIMO, the party in power for nearly fifty years, and its candidate, Daniel Chapo. Rallying the entire opposition behind him, the official runner-up, Venâncio Mondlane, claims he won the elections and has filed appeals with the Constitutional Court. He is leading a large-scale protest movement aimed at paralyzing the country's activity through a general strike (now in its 11th day) and seeking to unseat the current government through street demonstrations. While these demonstrations have seen limited participation so far, the general strike has led to a significant economic slowdown and disruption. Maputo and the northern province of Nampula have been particularly affected.

The precise economic impact is difficult to measure at this stage but appears multifaceted: across the country, freight transport has come to a halt, causing major construction projects to be suspended; public transport (primarily minibus services) is also at a standstill, whether by choice or not, preventing workers from reaching their jobs and hindering commercial supply chains. The disruption of social media and mobile internet has rendered several economic sectors (such as taxis and deliveries) inoperative.

Despite this, the paralysis is not complete, and the country's two main economic engines remain operational: the extractive sector (mining and natural gas) has thus far been minimally affected, with the exception of one gemstone mining site that was vandalized and looted. The major logistical corridors that link landlocked Southern African countries to Mozambique's Indian Ocean ports (Maputo, Beira, and Nacala) remain largely functional, albeit tenuously—Nacala's highway has faced intermittent closures, and the main border post linking Maputo to South Africa, vital for trade, was destroyed and has been closed since midweek.

Financial markets have remained stable without significant changes. The Mozambican currency, the Metical, holds near its average value without central bank intervention, and the Maputo Stock Exchange index has not been fundamentally affected. However, Standard Bank recently lowered its growth forecast for 2024 to 3.5%.

While the government and institutions remain operational, the ongoing passive protest movement significantly hampers the economy. In a country largely depoliticized since the end of its civil war in 1992 and lacking traditions or mechanisms for dialogue and negotiation, this political standoff is unprecedented, with no clear resolution in sight as both sides hold firm.

DATA OF THE WEEK

+1.0%

Producer price inflation in South Africa in September 2024 (year-on-year).

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South Africa

The Minister of Finance presented the Mid-term Budget for the 2024/2025 Fiscal Year *(National Treasury)*

On Wednesday, October 30, Finance Minister Enoch Godongwana presented the mid-term budget for the 2024/2025 fiscal year, marking the first budget of the Government of National Unity (GNU). The deficit forecast was revised upward compared to the initial budget (rising from 4.5% to 5%), driven by lower-than-expected revenues (-0.7%, impacted by weak VAT collections) and higher-than-anticipated expenditures (+1.1%, due to increased public sector wages, rising debt interest payments, and the repayment of debts by the South African National Roads Agency (SANRAL). Public debt, which the Finance Minister labeled unsustainable (with 21.6% of state revenue allocated to debt servicing), is projected to reach 74.7% for the fiscal year, compared to 74.1% in the initial budget, and to peak at 75.5% in the 2025/2026 fiscal year.

Budgetary efforts will primarily target public sector wages (with an average annual increase of 4.3% over the next three fiscal years), as well as community development budgets (+3.5% annual increase) and social budgets (+1.8% annual increase). To stimulate stagnant growth—revised to 1.1% in 2024 (-0.2 percentage points) and projected at 1.7% in 2025 and 2026 (+0.1 percentage points)—the minister outlined a reform program focused on public services, private investment, and infrastructure. However, questions remain regarding the credibility of the expenditure trajectory, given ongoing pressures surrounding education funding, public sector wages (amidst ongoing union negotiations), and the state of public enterprises.

Producer Price Inflation declines in September *(StatsSA)*

According to the national statistics agency Stats SA, producer price inflation (PPI) for manufactured products reached 1.0% year-on-year in September, down from 2.8% in August 2024. The main contributors to this decrease were "food products, beverages, and tobacco" (+3.8%, contributing 1.1 percentage points) and "metals, machinery, and equipment" (+3.4%, contributing 0.5 percentage points). In contrast, the category "coke, petroleum, chemicals, rubber, and plastics" experienced a significant decline (-2.1% year-on-year in September, contributing -0.5 percentage points). Prices for water and electricity showed an increase (+9.8% year-on-year in September, compared to +7.1% in August). On the other hand, mining product prices continued to decrease (-4.8% year-on-year in September, after -1.7% in August).

South African Delegation visits China to draw inspiration from the Chinese State-Owned Enterprise Model *(IOL)*

From November 4 to 8, 2024, a delegation of South African companies, led by the Minister in the Presidency for Planning, Monitoring, and Evaluation, Maropene Ramokgopa, visited China. The purpose of this visit was to promote the exchange of best governance practices for State-Owned Enterprises (SOEs). This visit comes after the Ministry in charge of SOEs was dissolved during the formation of the Government of National Unity (GNU) last July. As part of the planned engagements, Ms. Ramokgopa and the delegation participated in bilateral meetings with the State-owned Assets Supervision and Administration Commission (SASAC) of the State Council of the People's Republic of China, as well as the China Enterprise Reform and Development Research Society, a semi-official think tank.

South Africa is seeking to reform its governance model for its SOEs, which have faced years of poor operational and financial management, leading to widespread past misconduct. The cases of Eskom (energy), Transnet (logistics), and South African Airways (airline) are emblematic of these longstanding challenges.

South Africa closes the Lebombo border crossing following violence on the Mozambican side *(News24)*

South Africa has closed the Lebombo border crossing with Mozambique after 15 Mozambican officials fled into South Africa following violence on Thursday, November 7, 2024. At least 11 people have been killed since unrest erupted following the sweeping victory of Frelimo, the ruling party since independence in 1975, in the elections held on October 24 and 25. The opposition claims the election was rigged, awarding Frelimo's candidate, Daniel Chapo, over 70% of the vote. Mozambican and South African troops, as well as police, have been deployed to secure the border post, where acts of looting have been reported on the Mozambican side.

This escalation could disrupt the transportation of goods, particularly minerals, given that the Maputo-South Africa corridor is a major route for exporting South African magnetite and coal. Additionally, the Department of International Relations and Cooperation (DIRCO) issued a travel advisory on Wednesday, November 6, urging travelers to postpone non-essential visits to Mozambique until further notice.

Engie receives a green loan of 500 million EUR to support its expansion in renewable energy, particularly in South Africa *(Solar Quarter)*

Proparco has confirmed a commitment of 85 million EUR in the form of a green loan to support Engie's expansion in renewable energy activities in Poland and South Africa. This financing is part of a larger 500 million EUR project, also backed by the International Finance Corporation (IFC), which is contributing 340 million EUR, and the Asian Infrastructure Investment Bank (AIIB), with a contribution of 85 million EUR.

This green loan is tied to the achievement of certain climate goals, including Engie's commitment to phase out coal from its activities by 2025 in Europe and by 2027 globally. The funding is expected to facilitate the acquisition, development, and construction of over 550 MW of installed capacity, a significant portion of which will be in South Africa. As a reminder, Engie began construction on July 19 of its new 75 MW solar power plant project in Grootspruit, located in the Free State.

President Ramaphosa signs the Petroleum Bill *(Daily Maverick)*

On October 31, 2024, South African President Cyril Ramaphosa signed the Petroleum Resources Development Bill into law, aiming to establish clear regulations for the country's oil and gas sector. Both sectors will be regulated by the Ministry of Mineral Resources and Petroleum, led by Gwede Mantashe.

The law grants the state-owned oil company (PetroSA) the right to hold a 20% stake in exploration and production phases. Each petroleum partnership must include at least one Black Economic Empowerment (BEE) partner holding a 10% stake. The law also allows the minister to reserve exploration blocks for companies that are 100% BEE-owned.

The legislation recognizes the "once empowered, always empowered" principle, which had been a point of contention between the former Department of Mineral Resources and Energy (DMRE), headed by Mr. Mantashe, and the mining industry. This principle means that if a BEE participant sells their share of an oil right, the primary investor is not required to replace them with another BEE partner. Additionally, current holders of production rights can retain them for up to five years after the law comes into effect and must apply for conversion within this period if they wish to keep them.

Energy regulator NERSA approves new electricity trading licenses contested by Eskom *(MoneyWeb)*

South Africa's energy regulator, NERSA, approved four new electricity trading licenses on Tuesday, October 29, 2024, in addition to the six existing licenses, as well as an import and export license that will allow Zambia-based Africa GreenCo to trade electricity beyond national borders within the Southern African Power Pool (SAPP). The SAPP comprises 12 member countries, each represented by their respective electricity companies, operating under the framework of the Southern African Development Community (SADC).

In a statement released the following day, the state-owned power utility Eskom reiterated objections raised during public hearings on July 18, 2024, and opposed the granting of the licenses, stating its intention to refer the matter to the judiciary (High Court). Eskom argues that its distribution areas are exclusive and that no other operator should be allowed to operate within regions where it holds distribution rights.

On its part, NERSA noted that there are no legislative or regulatory restrictions on the number of traders and emphasized that the Electricity Regulation Act encourages competition, a principle that has been strengthened and amplified in the recently approved Electricity Regulation Amendment Act, to which President Cyril Ramaphosa has given his approval.

Angola

Angola placed on the FATF Gray List

At its plenary meeting on October 25, the Financial Action Task Force (FATF) placed Angola on its gray list due to insufficient progress made after its one-year observation period. The gray list identifies countries that have strategic deficiencies in their anti-money laundering (AML) and counter-terrorism financing (CTF) frameworks. Angola, which had been on the black list (non-cooperative countries) in 2010, was removed from the gray list in 2016. In response to this decision, the Angolan government reiterated its commitment to combating money laundering, terrorism financing, and the proliferation of weapons of mass destruction, and expressed its determination to swiftly implement the FATF's action plan. The President of the Republic has promulgated a decree creating the Institute for the Supervision of Community Activities (ISAC), which will, among other tasks, oversee the activities of non-profit organizations, their agents, and financial flows in line with FATF recommendations and the standards of multilateral institutions to which Angola belongs. ISAC is also tasked with monitoring both domestic and international transactions conducted by or on behalf of these organizations and reporting suspicious operations or criminal activities related to money laundering, terrorism financing, weapons of mass destruction proliferation, and other related crimes to the Financial Intelligence Unit (UIF). The Angolan public prosecutor's office has stated that it receives daily complaints from UIF about actions potentially involving money laundering and terrorism financing.

Angolan government begins negotiations for a new program with the IMF

The Minister of Finance indicated during the World Bank and IMF Annual Meetings in Washington that discussions had begun with the IMF to establish a new financing program. Although the exact terms of the discussions and the proposed loan amount were not disclosed, the IMF reportedly presented the Angolan government with various types of programs the country could request. The IMF forecasts limited growth for Angola, predicting 2.4% this year and 2.8% in 2025, below both the sub-Saharan African average and the group of oil-exporting countries (Angola recently left OPEC). Angola has already received two IMF assistance programs since the end of its civil war in 2002. The most recent financing, amounting to USD 3.7 billion, was granted in 2018.

Angolan diamond sector faces sales crisis

According to the CEO of ENDIAMA (the national diamond company), who spoke at the 2024 Angola International Diamond Conference (AIDC) in Saurimo (Lunda Sul province), the company currently holds over 3 million carats of diamonds in stock awaiting sale. The diamond sector is experiencing an "unprecedented" marketing crisis, lasting more than two years, in the context of a significant decline in prices. Although India, the main buyer of Angolan diamonds, lifted the ban on rough diamond imports it had imposed in Q3 2023, synthetic diamond competition represents a growing challenge for the country. On the production side, however, Endiama is seeing good results (increased volumes, expected to reach 14 million carats this year). Angola is the second-largest diamond producer in Africa and the fourth-largest in the world (behind Russia, Botswana, and Canada), and this sector is its second-largest export after hydrocarbons (about 4% of revenue).

Botswana

Towards economic change in Botswana? *(The Citizen)*

The October 30, 2024 elections brought the opposition party, UDC (Umbrella for Democratic Change), and its leader Duma Boko to power, giving them a clear majority (36 out of 61 seats in the national assembly). The central themes of the election campaign were growth (with a historically low forecast of 1.0% in 2024) and employment (unemployment rate at 26%). Duma Boko promised to create 450,000 to 500,000 jobs over the next five years, as well as a growth rate exceeding 10%, based on an ambitious economic diversification program. This program includes increasing private investment, a new tourism strategy (moving away from high-end, low-volume tourism), the creation of a sovereign wealth fund to finance a green economy, and better management of mining revenues. Boko also mentioned the need to revive negotiations with De Beers, which should allow the Botswana government to receive a better share of diamond sales. The UDC also emphasized social reforms to address inequalities (with a GINI index of 53.5, one of the highest in the world) and poverty (with a poverty rate of 53.3% at the $6.85 per day threshold). These reforms include raising the minimum wage (from 1,500 to 4,000 Pula, about 300 USD), more redistributive taxation, the construction of 100,000 homes over five years, universal social protection (currently only available to civil servants), and increased student allowances and pensions. However, the new government will face a significant budget constraint due to a contraction in mining revenues (-4.8% in 2024/2025), a 2.9% budget deficit, and a 75% decline in foreign reserves in less than a year (falling from 19.1 billion to 5.1 billion Pula).

The diamond sector at the center of democratic transition issues in Botswana *(Financial Times)*

The new president of Botswana, Duma Boko, has pledged to restore relations with De Beers, the key player in Botswana's diamond sector, following his surprise victory over outgoing President Masisi. The diamond sector, in which Botswana is the world's second-largest producer, was central to the electoral campaign.

The sector accounts for approximately 80% of the country's exports, one-third of tax revenue, and a quarter of its GDP. However, the diamond industry is facing a severe crisis due to the rise of synthetic diamonds and a decline in Chinese demand, which has driven prices down. As a result, De Beers has reduced its production from 32 to 26 million carats for 2024.

De Beers, which reported only $72 million in profits for 2023, is rumored to be up for sale by its main shareholder, Anglo American. In response to this drop in revenue, the government of Botswana, which holds a 15% stake in De Beers and 50% in Debswana (a joint venture operating four mines with De Beers), had been negotiating aggressively under President Masisi to secure up to half of Debswana's production, compared to the current quarter share. An agreement was announced in the summer of 2023, but it has yet to be ratified.

President Boko has stated he is ready to resume negotiations more calmly to find a sustainable solution. The market collapse has led to a sharp decline in the country's economic growth, which is expected to be just 1% in 2024, while the unemployment rate has reached 28%.

Mozambique

Discovery of a significant new Natural Gas Reserve in Inhambane Province

The government spokesperson has announced the discovery of a new natural gas reserve, named Baubai 1, in the PT5-C block located in the southern Inhambane province. The exact quantities discovered have not yet been determined, and work is still ongoing to assess their commercial viability. The PT5-C block partners include the South African state-owned company Sasol Mozambique, which holds a 70% stake, and the Mozambican state-owned company ENH, which owns the remaining 30%.

Mphanda Nkuwa Dam: Clear path for new concession contract

On November 5, the Council of Ministers ratified the revocation of the 2010 concession contract for the Mphanda Nkuwa Dam (a 1.5 GW hydropower project with a 5 billion USD investment) made with the Brazilian construction group Camargo Correa, the local group Insitec, and EDM (Electricidade de Moçambique). This contract, which had a 35-year term, was revoked in August 2018, but the decision had yet to be ratified by the Council of Ministers. This ratification was a necessary step for the upcoming signing of a new concession contract with the consortium EDF / TotalEnergies / Sumimoto, which was selected in 2023 following a new tender process.

Namibia

The Minister of Finance presents the Mid-Term Budget for 2024/25 *(mfpe)*

On October 30, Finance Minister Lipumbu Shiimi presented the mid-term budget for the 2024/25 fiscal year, which shows a significant improvement in the budgetary situation. Total revenues for the year ending March 31, 2024, reached 4.72 billion USD, slightly exceeding the revised forecast of 4.69 billion USD, due to strong performance in income tax and withholding taxes. Total expenditures amounted to 4.33 billion USD, below the revised forecast of 4.45 billion USD. While the execution rate for operational expenditures was high (98.9%, at 3.92 billion USD), it was notably low for investment expenditures (84.5% of the revised budget, at 410 million USD), reflecting the government's difficulty, given various operational constraints, in completing long-term projects. The budget deficit thus stood at 2.4% of GDP, a significant improvement compared to the previous fiscal year (5.2%) and the revised forecast for the year (3.2%).

For the 2024/25 fiscal year, the minister announced his intention to maintain a primary surplus to stabilize debt while addressing the country's social and development challenges. According to the government, the total public debt, which reached 65.1% of GDP in 2023/24, is expected to decrease to 62.1% of GDP in 2024/25 and further to 57.8% by the end of the medium-term budget framework (MTEF).

Zambia

Central Bank publishes Financial Stability Report *(BoZ)*

On October 5, the Bank of Zambia (BoZ) released its semi-annual financial stability report, highlighting a slight increase in risks, mainly due to the slowdown in economic activity. The report identifies several major risk factors for the sector, including: (i) prolonged power outages, (ii) weak domestic economic growth, (iii) persistent inflation, (iv) increased exchange rate volatility, and (v) escalating geopolitical tensions.

However, the institution emphasized the resilience of the banking system, which has remained stable despite the GDP slowdown caused by the drought. Prudential ratios are still strong (23.3% capital adequacy ratio and 39.2% liquidity ratio). Although the non-performing loan ratio increased by 1.1 percentage points, reaching 4.8%, it remains well below the prudential threshold of 10%.

The institution continues to express concerns about the concentration of loan portfolios. Certain sectors, such as agriculture and energy, account for nearly 50% of loans, and the top twenty borrowers represent up to 61.8% of loans. Additionally, the share of foreign currency-denominated loans, which has been increasing, is particularly high (40.1% in September 2024).

Saudi Arabia interested in two copper mines in Zambia *(Agence Ecofin)*

Saudi Arabia's Manara Minerals is negotiating with Canadian company First Quantum Minerals to acquire a 15-20% stake in its Kansanshi and Sentinel copper mines. The value of the transaction could range between $1.5 billion and $2 billion. Manara Minerals, established in 2023, is a joint venture between Saudi Arabia's national mining company Ma'aden and the country's public investment fund (PIF), focusing on investments in the mining sector.

Copper, along with nickel and lithium, is considered one of the strategic minerals that Manara Minerals aims to prioritize for investments, aligning with Saudi Arabia's strategy to become a key player in the manufacturing of batteries and electric vehicles. This focus on investing in strategic minerals in Africa was also highlighted last October during the Future Investment Initiative New Africa Summit in Riyadh.

This development comes as First Quantum plans to invest an additional $1.3 billion in its Kansanshi copper mine over the next five years, as part of a $2 billion spending plan aimed at increasing copper production to around 277,000 tons per year by 2033, compared to approximately 130,000 tons in 2023. The company has also suffered a 40% loss in revenue due to the suspension of operations at its Cobre copper mine in Panama by the local court in November 2023.

Zimbabwe

Monthly inflation soars to 37.2% in October following the devaluation of the ZiG

According to the Reserve Bank of Zimbabwe, the monthly consumer price inflation reached 37.2% in October. The main contributors to the price increase were food products (+49.2%, contributing 15.4 percentage points), energy (+16.8%, contributing 4.6 percentage points), and alcohol and tobacco (+55.6%, contributing 2.7 percentage points). This sharp inflation surge marks a significant departure from previous months (+1.4% in August, +5.8% in September) and follows the Reserve Bank's decision on September 27 to devalue the ZiG by 42.6% against the US dollar.

Despite measures taken by the authorities, such as increasing the central bank's key interest rate from 20% to 35% and raising commercial banks' mandatory reserve ratios to 30% (compared to 15% in local currency and 20% in foreign currency), inflation induced by the devaluation could not be contained. The ZiG, backed by the central bank's gold reserves, was introduced in April with the aim of limiting inflation and restoring confidence in the national currency. With this new inflation peak and an informal exchange rate of about 40 ZiG to the dollar compared to 26.7 ZiG in the formal market (a 50% premium), the goal of establishing the ZiG as the sole currency by 2026 now appears increasingly unlikely.

	Exchange rates	Change in USD exchange rates (%)			
	24/10/2024	Over a week	Over a month	Over a year	Since 1st of January
South Africa	17,70 ZAR	-0,1%	-1,9%	6,6%	3,3%
Angola	909,2 AOA	0,1%	1,7%	-9,1%	-8,8%
Botswana	13,2 BWP	-0,1%	-1,2%	2,9%	0,6%
Mozambique	63,2 MZN	0,0%	0,0%	0,0%	0,0%
Zambia	26,5 ZMW	0,0%	-0,2%	-17,4%	2,8%

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

Source : OANDA (2024)

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