MINISTÈRE
DE L'ÉCONOMIE,
DES FINANCES
ET DE LA SOUVERAINETÉ
INDUSTRIELLE ET NUMÉRIQUE
Liberté
Égalité
Fraternité

Direction générale du Trésor

ECONOMIC WRAP-UP
Southern Africa

A publication from the Pretoria Regional
Economic Service from September 23 to 27, 2024

DATA OF THE WEEK

17,12 ZAR/
1 USD

Exchange rate parity reached on
25 September - Bloomberg

The rand reaches its highest level against the dollar in almost two years (*Oanda*)

On 25 September, the rand reached a parity of ZAR17.12 to the US dollar, its highest level against the US dollar since February 2023 (twenty months). The exchange then closed the day on a parity of ZAR 17.25 to the USD 1, a rate which analysts expect to remain relatively stable over the coming weeks. The currency, which has historically been volatile, has been on a favourable trend since February 2024, a trend that has accelerated further since August (+2.5% against the USD over one month, and +6% since 1 January). The rand is benefiting in particular from the weakening of the US currency, against the backdrop of the Fed's easing of monetary policy (by 50 basis points on 18 September), which had been widely anticipated by the markets. Other external factors are helping the rand to appreciate: stable oil prices, the rise in the price of gold and a renewed appetite for risk on the part of foreign investors. The domestic context, marked by a sharp fall in political risk (formation of a government of national unity) and by a revival in household confidence (lower inflation and no power cuts since 26 March), has also improved, as shown by the almost continuous rise since mid-September in the JSE ALSI index on the Johannesburg stock exchange, which has reached an unprecedented level (over 87,650 points, i.e. +4.8% over one week and +11.8% since 1 January).

Summary:

South Africa

- **The economy created 42,000 jobs in the second quarter of 2024 *(StatsSA)***
- Producer price inflation (PPI) falls to 2.8% in August *(StatsSA)*

Southern Africa

- **Proparco invests USD 15 million in the South African PRIF II investment fund for sustainable infrastructure projects in Africa *(Proparco)***

Angola

- The Central Bank requires commercial banks to transfer 30% of foreign currency acquired on the foreign exchange market to the interbank market *(Banco Nacional de Angola)*
- Angolan airline TAAG prepares to receive its first Airbus A220-300 in Luanda *(Kiosque da Aviaçao)*

Lesotho

- **The Central Bank maintains its key rate at 7.75% *(Central Bank of Lesotho)***

Zambia

- **The Ministry of Finance publishes its half-yearly review *(Ministry of Finance)***
- **World Bank calls on Zambia to urgently improve fiscal governance *(World Bank)***

Zimbabwe

- **The Central Bank intervenes again on the foreign exchange market to meet demand for US dollars *(Reserve Bank of Zimbabwe)***

South Africa

The economy created 42,000 jobs in the second quarter of 2024 *(StatsSA)*

According to the latest StatSA publication on the labour market, 42,000 jobs were created in the formal non-agricultural sector in the second quarter of 2024 (+0.4% on the previous quarter, for a total of 10.67 million jobs). However, this increase can be attributed exclusively to the personal services sector (+92,000 jobs, or +3.1% on the previous quarter), while the electricity, gas and water sector recorded no change (64,000 jobs in total, or +0%). By contrast, the number of jobs contracted in all other sectors, particularly in mining (-1.5%), manufacturing (-1.2%) and transport (-1.4%), which have been particularly hard hit by the logistics crisis. It should be noted that the previous study by Stats SA, published on 24 July (Quarterly Labour Force Survey - a broader survey based on household responses), suggested that the unemployment rate had risen by 0.6 points to 33.5% of the working population, i.e. a rate still more than 3 points higher than its level in March 2020, before the outbreak of the Covid-19 crisis. The publication also confirms the precarious nature of the South African labour market: the number of part-time jobs has risen sharply (+81,000 jobs, or +6.8% compared to the previous quarter), particularly in the personal services sector (+94,000 jobs, or 17.5%), which is responsible for the general rise in the number of jobs. At the same time, 39,000 full-time jobs were lost, a decrease of 0.4% compared to Q1 2024. The average monthly wage for employees in the formal non-agricultural sector rose by 2.5% compared to the previous quarter, to reach ZAR 27,450 (EUR 1,435), a level well above the average inflation rate over the period (+1.3%), reflecting a slight increase in purchasing power for households.

In Moscow, Minister Ramakgopa takes part in the BRICS ministerial summit on energy *(SA news)*

South Africa's Minister of Electricity and Energy Kgosientsho Ramokgopa took part in the ninth annual meeting of BRICS energy ministers on 26 September. The Minister called for closer cooperation between the members of the organisation, now joined by Saudi Arabia, the United Arab Emirates, Ethiopia, Egypt and Iran. He also pointed out that these countries were collectively faced with the challenge of combining the objectives of energy transition, economic development and energy security. The BRICS countries would therefore have a role to play in 'reshaping, reprioritising and redefining the global energy architecture (...) and promoting a just energy transition'. Speaking to the Russian press on the sidelines of the meeting, Minister Ramakgopa praised the bilateral partnership between the two countries, saying that Russia 'plays an important role in creating the conditions for energy security'. In South Africa, Russia is said to have expressed an interest in investing in energy projects, particularly those involving coal and hydrocarbons.

Producer price inflation (PPI) falls to 2.8% in August *(StatsSA)*

According to the national statistics agency (StatsSA), producer price inflation (PPI) reached +2.8% year-on-year in August, after +4.2% in July. The indicator, which has been on a downward trend since its peak in July 2022 (+18%), is now at its lowest level since July 2023 (+2.7%). The increase continues to be driven mainly by 'food, beverages and tobacco' (+3.6% year-on-year, i.e. a positive contribution of 1.1 points to the rise in prices), which remained stable in August. We can expect a continued moderation in consumer price inflation over the coming months, as the year-on-year inflation rate (CPI) reached 4.4% in August, after 4.6% in July.

Old Mutual announces the opening of its banking arm in the first quarter of 2025 *(Old Mutual)*

On 26 September, during the presentation of its interim financial results, Old Mutual, the continent's largest insurer, announced the opening of its new bank, OM Bank, in the first quarter of 2025. This announcement, by one of the giants of the financial sector, is part of a strategy to develop a comprehensive financial service and may have been motivated by the success of neo-banks in recent years: Bank Zero, Tyme Bank and Capitec. As a reminder, the market is currently dominated by six main banks (Standard Bank, First Rand, NedBank, Investec, RMB, Capitec), representing 90% of the assets of the banking system, which is old and developed (bancarisation rate of over 80%). OM Bank, whose arrival was announced for 2022, received its banking licence in April 2024. It has successfully completed the compulsory banking tests and integration into the national payment system, one of the last technical stages before the Bank's launch. Clarence Nethengwe was appointed head of the subsidiary on 13 September (subject to acceptance by the prudential authority), marking a transition from a 'bank under construction' to a 'functional bank', in the words of Iain Williamson, the company's CEO.

Southern Africa

Proparco invests USD 15 million in the South African PRIF II investment fund for sustainable infrastructure projects in Africa *(Proparco)*

Proparco, the private sector financing arm of Agence Française de Développement (AFD), has just committed USD 15 million to the capital of the Pembani Remgro Infrastructure Fund II (PRIF II), thereby strengthening its commitment to the development of sustainable infrastructure in Africa. PRIF II will focus on traditional infrastructure sectors, such as logistics, transport and large-scale power generation, and on emerging segments, including energy transition, digital infrastructure, waste recovery, electricity grid balancing and energy efficiency. Like PRIF I, PRIF II is also expected to generate significant employment benefits on the African continent over the life of the fund.

Angola

The Central Bank requires commercial banks to transfer 30% of foreign currency acquired on the foreign exchange market to the interbank market *(Banco Nacional de Angola)*

Under Directive 05/2024 issued by the Banco Nacional de Angola (BNA), banks are now obliged to transfer 30% of the foreign currency they acquire from oil and diamond companies to the interbank market as part of their foreign exchange transactions on the Bloomberg FXGO platform. The central bank's objective is to boost the circulation of foreign currency and prevent stock hoarding. Since the Angolan Treasury's virtual withdrawal from the foreign exchange market in April 2023, with the Treasury intervening sporadically for its expenditure in kwanzas, the volume of foreign exchange has fallen from USD 1.2 billion to USD 600 million per month, creating major difficulties for economic agents (particularly foreign subsidiaries) in transferring foreign currency abroad. This measure is likely to provide some relief for these international transfers. After losing 40% against the dollar and the euro in 2023, the kwanza continues to depreciate steadily, under pressure from foreign currency repayments on external debt and the fall in oil prices. Forecasts predict an annual depreciation of 15% against the US dollar.

Zambia, Angola and the African Finance Corporation (AFC) signed a memorandum of understanding in New York for the implementation of the Angola-Zambia rail link project (Angola 24 Horas)

The agreement, signed on the sidelines of the United Nations General Assembly in New York, forms part of the development of the Lobito corridor. It involves the construction of an entirely new railway line, almost 800 km long, to link the town of Luacano in Angola (on the Lobito corridor) to the town of Chingola in Zambia (on the existing Zambian railway line). Construction will cover 280 km in Angola and more than 500 km in Zambia. The plan is to establish a concession for the financing, construction, ownership and operation of this mega rail project, which is not to be financed by public debt. The emphasis is on the participation of the private sector and multilateral, bilateral and development financial institutions. At the same time, another agreement was signed that will enable AFC to receive USD 2 million in funding from the US Trade and Development Agency (USTDA) to carry out environmental and social studies for the project. This is the first funding that AFC will receive from the USTDA.

Angolan airline TAAG prepares to receive its first Airbus A220-300 in Luanda *(Kiosque da Aviaçao)*

TAAG's first Airbus A220-300 will shortly be arriving in Luanda, with a provisional entry-into-service date of January 2025. This acquisition is part of TAAG's fleet modernisation policy. At the last Paris Air Show, the Angolan airline announced the acquisition of four Airbus A220-300s from leasing company Aviation Capital Group (ACG) and six aircraft ordered from Air Lease Corporation (ALC). The new A220s, which will have a flight range of between seven and eight hours, will seat 142 passengers (12 in business class and 130 in economy class).

Lesotho

The Central Bank maintains its key rate at 7.75% *(Central Bank of Lesotho)*

At its meeting on 24 September, the Central Bank of Lesotho's (CBL) Monetary Policy Committee decided to maintain its key rate at 7.75%. This decision is in line with the policy of parity between the Lesotho Loti and the South African rand, due to the country's membership of the Common Monetary Area (CMA). The monetary institution justifies its decision by the weakness of the exchange rate and the risk of a resurgence in inflation, which despite a recent fall (+6% in August, compared with +6.7% in July), remains high, particularly for food products. It also points to the progress made by the Lowlands Water Development Project, the Lesotho Highlands Water Project (LHWP) and the horticulture initiatives, which are having a positive impact on growth, averting the risk of recession. The South African Central Bank (SARB), which was pursuing a more restrictive policy, lowered its key rate to 8% (-25 basis points) on September 19. At the same time, the Central Bank of Lesotho also decided to raise its target for international currency reserves to USD 760m (from USD 750m previously). Against a backdrop of increased internationalisation by commercial banks, maturing government bonds and a positive trade balance, the central bank's foreign currency reserves had in fact fallen by USD 80 million between July and September, but remained stable at 5.5 months of exports.

Zambia

The Ministry of Finance publishes its half-yearly review *(Ministry of Finance)*

According to the Zambian Ministry of the Economy, GDP grew by 2.2% year-on-year in Q1 2024, following an 8.5% year-on-year rise in Q4 2023. Quarterly growth thus reached its lowest level since the first quarter of 2021. This unfavourable performance is mainly due to the contraction in agricultural activity (-23.8%, i.e. a negative contribution of 1.8 points to growth), affected by the collapse in maize production (-54%). Despite an increase in the area planted, harvests were destroyed by the exceptionally severe drought caused by the El Nino phenomenon. The public sector also recorded a sharp fall in activity (38.4%, or -0.7 points), in line with the government's austerity policy. In contrast, growth continues to be sustained by the telecommunications sector (+20.8%, or +1.4 points), mining (+9.6%, or +0.7 points), construction (+4.9%, or +0.5 points) and financial activities (+8.8%, or +0.5 points). At the same time, the report takes a favourable view of budget execution in the first half of 2024, while the budget for 2025 will be published on 27 November. Public revenues totalled ZMW 74.9 billion in the first half of 2024 (-1.2% on forecasts). They were hit hard by the collapse in revenues from the mining sector (-60%), against a backdrop of rising energy costs, but benefited from buoyant VAT revenues (+15.6%). At the same time, current expenditure was limited (ZMW 68.8 billion, 1.2% less than forecast).

World Bank calls on Zambia to urgently improve fiscal governance *(World Bank)*

On September 23, the World Bank released a report, "*Strengthening Fiscal Governance for Transformative Public Sector Investment*," analyzing public investments made between 2013 and 2022. It draws a harsh conclusion, estimating that these investments, poorly calibrated, poorly executed, and made to the detriment of social spending, have not helped develop the country's economic growth. In a context of budgetary pressure and restructuring of its external public debt, the country will have to strengthen its public expenditure management mechanisms if it wishes to sustainably achieve its ambitious infrastructure transformation plan (NDP 8). The report identifies several measures aimed at increasing revenue and improving governance and the efficiency of spending. In particular, it proposes to strengthen the supervision and legal framework of public enterprises, their budgetary discipline and their responsibility, even if it means privatizing them. These entities, at the heart of the Zambian economy, are not always profitable and indeed present considerable tax risks. The World Bank also proposes to strengthen and modernize tax collection, through digitalization. Finally, the institution recommends improving data governance, coordination and transparency of public investment projects, in order to enable the country to better anticipate its medium-term budgetary trajectory.

In Zambia, the Chamber of Mines is publicly concerned about the regulatory risks hanging over the sector *(Lusaka Times)*

The Zambia Chamber of Mines has warned that unstable government policies in Zambia could have negative repercussions on the mining sector. In a statement, it expressed concerns over proposed mining policies that it deemed “abnormal” and “unworkable.” The House warned that such policies could discourage potential investors and damage Zambia’s reputation. Indeed, the House expressed reservations over the Mining Regulatory Commission Bill, which grants discretionary powers to regulators that it did not deem appropriate. Furthermore, under the recently released National Critical Minerals Strategy 2024-2028, the government has planned to impose a 30% no-cost state equity stake in all new mines, as well as an additional 30% production share, which is well above international standards.

The US Millennium Challenge Corporation (MCC) releases $458m to support Zambian agriculture *(Millennium Challenge Corporation)*

The Millennium Challenge Corporation (MCC) approved the Zambia Farm-to-Market Compact on September 18, 2024, to support inclusive economic growth in agriculture and agri-food processing. The program has a budget of $458 million funded by MCC, with a contribution of $33.75 million from the Government of Zambia. The Millennium Challenge Corporation (MCC) is a US bilateral aid agency created by the US Congress in 2004. It is an agency independent of USAID. It provides grants to countries that the United States has determined have good economic policies and potential for economic growth. Its programs cover approximately fifty countries. According to the press release, the program in Zambia aims to reduce the cost of transporting goods to markets, improve access to equipment for small and medium-sized farmers and processors. It will also "increase financing for agricultural infrastructure projects and carry out reforms in the sector to attract more private investment." The approval of this program comes as Zambia faces the consequences of the El Niño climate phenomenon, which has caused a drought in 84 of the country's 116 districts. This situation has led to a 54% drop in maize production to just 1.5 million tons in 2023/2024, its lowest level in 16 years. This drought is the most severe in a century (nearly 10M Zambians affected) and has led the country to declare a state of emergency on 29 February 2024.

Zimbabwe

The Central Bank intervenes again on the foreign exchange market to meet demand for US dollars *(Reserve Bank of Zimbabwe)*

On September 19, the Reserve Bank of Zimbabwe issued a statement detailing its intervention in the foreign exchange market over the past two months. On

September 18, the institution injected an additional USD 40 million into the interbank foreign exchange market to meet the growing demand for USD after initial interventions of USD 24 million during the first two weeks of September. The institution, which wishes to consolidate its new currency introduced in April (Zimbabwean Gold - ZIG) in a context of increasing imbalances on the foreign exchange market, thus used 17% of the reserves it had backed with the ZiG to guarantee the currency. Demand for foreign currencies (mainly USD) has increased considerably, linked to the increase in seed imports at the start of the agricultural season, threatening the official rate of the currency, set at 13.9 ZIG for 1 USD. The gap observed with the rates on the parallel markets is thus widening continuously, with the USD now trading between 20 and 29 ZiG. In its press release, the institution calls on economic agents to respect the official exchange rate framework, indirectly signaling the population's feverish confidence in the ZiG. If Zimbabwe, which is currently part of a multi-currency system, wishes to impose the ZiG as the only currency by 2026, this development seems unlikely today.

The French Treasury is present in more than 100 countries through its Economic Services.

To find out more about its missions and locations:
www.tresor.economie.gouv.fr/tresor-international

Head of publication: Pretoria Regional Economic Service, Luanda Economic Service, Maputo Economic Service
leopold.vinot@dgtresor.gouv.fr, nicolas.viossat@dgtresor.gouv.fr

Editor: Pretoria Regional Economic Service

Subscribe: leopold.vinot@dgtresor.gouv.fr