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ECONOMIC WRAP-UP
Southern Africa

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DATA OF THE WEEK

22 M food insecure people in Southern Africa

Focus on the launch of Amazon e-commerce platform in South Africa *(Amazon)*

On 7 May, global e-commerce leader Amazon announced that it was launching its platform in South Africa, the 20th country to benefit from the service. The group has already listed "thousands" of independent sellers, and customers will be able to have deliveries made to almost 3,000 collection points. Stella Ndabeni-Abrahams, Minister for Small Business Development, welcomed Amazon's arrival, stressing that the platform would offer marketing opportunities for small businesses.

The American group will have to contend with competition from Takealot, a long-standing player on the local market owned by the Naspers conglomerate, and the Chinese platforms Shein and Temu, which offer a wide range of products imported from Asia at very low prices and have a very aggressive policy of buying listings online. According to the Sunday Times, the Minister for Industry, Trade and Competition, Ebrahim Patel, has warned that these platforms are competing unfairly with local distributors. They are accused of avoiding payment of VAT and import taxes. The import procedures for products sold by Temu and Shein are delegated to their logistics subcontractor, Buffalo International Logistics, which was set up in 2017.

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South Africa

Trade balance in surplus in the first quarter of 2024 *(SARS)*

South Africa recorded a trade surplus of ZAR 10.8 billion in the first quarter of 2024, compared with a deficit of ZAR 5.7 billion in the same period of the previous year. While the country has a structural trade surplus, Q1 2023 saw an exceptional deficit. This return to surplus can be explained by the greater contraction in imports (-6.1% to ZAR 458 billion) than in exports (-2.7% to ZAR 469 billion). On the import side, there was a fall in purchases of vehicles (-33%, representing 10% of imports) and mineral products (-10%, representing 22%). At the same time, exports saw a fall in sales of "precious stones" (down 20% to 20%) and basic metal products (down 7% to 12%). In the first quarter, South Africa's main trading partners remained China (11.8% of exports and 20.2% of imports), the United States (7.8% and 8.2%) and Germany (5.9% and 8%). France remains a secondary partner (0.6% of exports and 2% of imports).

Central Bank introduces bank deposit insurance scheme *(S&P)*

On 25 April, the South African Reserve Bank (SARB) officially launched a new insurance scheme for deposits held in commercial banks. It provides for the establishment of a deposit Insurance Fund, administered by a newly-created entity, the Corporation for Deposit Insurance (CODI). The fund will be fed by monthly contributions and borrowing contributions from all banks operating in the country - unless an exception is granted by the regulator. Designed to protect depositors (individuals and non-financial companies), it offers cover of ZAR100,000 (around EUR5,000) in the event of bank failure. As a reminder, 40 millions South Africans have a bank account and nine out of ten depositors are now fully covered by this new system. CODI is part of the regulatory reforms launched after the 2008-2009 financial crisis to limit the consequences of a potential bank failure, in particular to avoid the government having to compensate depositors directly on a case-by-case basis - bail out (as was the case in South Africa with VBS Mutual Bank or Habib Overseas Bank in 2002). The economy is therefore in line with international best practice in the sector - strengthening confidence in the smallest institutions. To date, the system remains particularly concentrated around the 5 major systemic domestic banks, which account for 80% of the country's banking assets and which charge particularly low interest rates on cheque accounts - on average 4.64%, a level below inflation and more than 3.5 points below the key rate.

PWC says the country has welcomed ZAR 96.5 billion of investment in 2023 (SARS)

According to the latest economic outlook report from PwC Unlocking Foreign Investment, South Africa remains an attractive place to invest. The country has recorded positive net investment inflows (inflows minus outflows) over the past fifteen years, averaging ZAR 58 billion a year. In 2023, it will have attracted ZAR 96.5 billion in new investment flows (or 1.4% of GDP), after ZAR 151 billion in 2022 (2.3% of GDP) despite the economic difficulties the country has experienced. Two-thirds of investment contributes directly to the economy, while one-third is used to import products or equipment into the country. In return, South African investment flows around the world reached ZAR 5.2 billion (0.1% of GDP) in 2023. In total, the stock of foreign commitments in South Africa (including debts, shares and holdings in investment funds) was close to ZAR 3,000 billion, according to data from the Central Bank. These commitments are concentrated in the manufacturing sector (38.5%), particularly the automotive sector, and in the mining (24.2%) and financial (20%) sectors. Despite the unfavourable economic context, PwC notes that South Africa is in the middle of the pack in terms of international reputation for foreign observers, with reference to the Bloom Consulting 2022 survey and the 2023 IESE Business Attractiveness Index. President Ramaphosa echoed this report, welcoming the good health of the automotive industry and citing as an example Volkswagen's announcement in April 2024 that it would invest ZAR 4 billion in the Eastern Cape for a vehicle assembly line planned for 2027, creating 3,500 direct jobs and 50,000 indirect jobs.

Manufacturing output falls in March despite improvement in business confidence *(StatsSA)*

According to the national statistics agency (*StatsSA*), manufacturing output contracted by 6.4% in March, after rising by 4% in February. Although observers were expecting growth to slow, the decline was much greater than expected. This performance reflects the decline in the automotive and transport industry (-25.9%, or a negative contribution of 2.7 points to total growth), the metal industry (-9%, or -1.9 points) and the petrochemical industry (-3.9%, or -0.8 points). Traditionally, the month of March sees a jump in production, which did not materialise this year (probably because of the Easter holidays, which are usually in April), despite the improvement in electricity supply: a deficit of 939GWh in March 2024, compared with 2,042GWh a year earlier. This good electricity performance, which resulted in a full month without load shedding, made a major contribution to the rise in Absa's Purchasing Manager Index (PMI). The indicator, which passed the 50-point threshold, reflects business leaders' perception of a certain improvement in activity, reaching a two-year high of 54 points.

Credit extension slows to 6.6% in the first quarter *(Resbank)*

The extension of credit slowed to 6.6% in the first quarter of 2024 compared with the same period of the previous year, after 7.4% in the previous quarter. Growth continues to be driven by loans to the government (+28.2%) and loans to the domestic private sector (+3.9%). Bank lending to the private sector slowed from 4.6% to 3.8% between Q4 2023 and Q1 2024 (still year-on-year), with in particular a slowdown from 4.8% to 3.9% for households and from 4.4% to 3.7% for businesses. The slowdown in lending can be explained by an uncertain financial environment still marked by high inflation and high interest rates for households, and by the fact that commercial banks have tightened borrowing conditions in the face of rising arrears and defaults in 2023 (5.4% of non-performing loans in January 2024 compared with 4.7% a year earlier). At the same time, businesses are facing weak demand and could wait until after the elections. It should be noted, however, that fixed investment rose sharply from 0.9% to 4.4% between the fourth quarter of 2023 and the first quarter of 2024, and could continue to grow on the back of dynamic investment in renewable energy.

Publication of a first version of the long-awaited Gas Master Plan *(South African Government)*

On 26 April, the Department of Mineral Resources and Energy (DMRE) presented a first version of the Gas Master Plan (GMP), presented as a roadmap for the development of the sector. This document follows on from the Integrated Resource Plan (IRP 2023), which considers gas to be a priority for ensuring the energy transition, and the Gas Amendment Bill (GAB), presented on 19 January, which places the DMRE at the centre of the sector's governance. The GMP identifies 11 industrial and energy centres requiring priority gas supplies. Three scenarios are envisaged, depending on the evolution of demand (low, medium or high), which imply carrying out (or not) various priority projects, in particular :

- Converting Open Cycle Gas Turbines (OCGTs), which are very expensive in terms of fuel and are mainly used to cover peaks in demand, into Combined Cycle Gas Turbines (CCGTs) would enable substantial efficiency gains to be made.

- The construction of new power stations in line with the country's energy strategy (Integrated Resource Plan/IRP 2023). The GMP's mid-range scenario calls for Eskom to add 3 GW of capacity by 2030, corresponding to a long-rumoured project at Richards Bay. GMP also plans to develop 4.22 GW of additional capacity from independent power producers (IPPs).

- The possible conversion of thermal power stations, operated by Eskom and all located in Middelburg (Mpumalanga), into gas-fired power stations is also mentioned.

GMP also envisages four scenarios for the development of the related infrastructure. Despite the planned developments, GMP mentions the possibility of periods of shortage until 2028, while these infrastructures are developed.

Since 2019, SOEs have absorbed ZAR 283 billion of public money for just ZAR 1 billion in dividends *(Parliamentary Monitoring Group)*

Questioned by parliamentarian Farhat Essack (Democratic Alliance), Public Enterprises Minister Pravin Gordhan presented an overview of the financial results of South Africa's main state-owned enterprises (SOEs). Since 2019, the South African government has injected ZAR 283 billion (EUR 14.1 billion) in investment to bail out these companies. Over the same period, only one company, South African Forestry Company SOC Limited, has generated dividends totalling ZAR1m (EUR50,000). Of these companies, Eskom received the majority of this funding, i.e. ZAR 234.6 billion (EUR 11.7 billion), as part of the rescue plan for the national electricity company. At the same time, South African Airways (SAA) received ZAR 33.1 billion (EUR 1.7 billion), Denel ZAR 9 billion (EUR 450 million) and Transnet ZAR 5.8 billion (EUR 290 million). Minister Gordhan attributed these results to the effects of the "State Capture" under President Zuma, which had led to the diversion of resources from public enterprises, as well as to the many operational difficulties that continue to affect these enterprises (financial difficulties, governance problems, lack of skills, etc.).

The European Union (EU) and South Africa begin consultations at the World Trade Organisation (WTO) on citrus fruit exports *(Moneyweb)*

On 15 April, South Africa filed a request for WTO consultations against the EU concerning the import regime for citrus fruits from South Africa. The WTO procedure provides for these consultations to last 60 days, at the end of which the complainant (South Africa) will have the option of convening an adjudication panel if the dispute has not been resolved. This procedure concerns measures to prevent contamination by black spotdisease (Phyllosticta citricarpa). It follows a similar consultation request initiated in 2022 (still ongoing), which at the time concerned measures to combat another infection: false codling moth. The EU believes that these measures are compatible with international rules and are necessary to prevent the significant damage that these infections could cause to plant health and European agriculture. Black spot is a disease that is not present in the EU but is prevalent in South Africa, as shown by the many positive tests carried out on shipments to various EU countries. Despite this, Eurostat estimates that European imports of South African citrus fruit increased significantly (+44.5%) over the 2023 season (May to December) to EUR 463 million, thanks in particular to the increase in citrus fruit prices on international markets (e.g. +40% in the price of oranges in one year), which seems to have been sufficient to offset the additional costs incurred by these phytosanitary measures.

Angola

Inauguration of the multipurpose terminal at the port of Lobito under AGL management *(Jornal O Guardiao)*

On 27 March, in the presence of the Minister of Transport, the concession granted to Africa Global Logitics (AGL - formerly Bolloré) for the multipurpose terminal (general cargo and containers) at the port of Lobito was inaugurated. The terminal has a surface area of 241 millions square metres, a mooring length of 1,200 metres, a depth of 14.7 m, a capacity of 600,000 tonnes of general cargo and 250,000 20-foot containers per year. The minister pointed out that AGL had already paid USD 80 million of the USD 115 million due to the concession-granting authority, as part of an overall investment plan worth more than USD 200 million. The movement of goods in the port of Lobito could be close to 2 million tonnes this year (1.4 million tonnes of goods handled in 2023).

A large French presence at the NewSpace Africa conference in Luanda (2-5 April) *(Africa Intelligence)*

Medef International led a French delegation of a dozen companies to the NewSpace Africa conference organised by the African Union, which brings together public and private players in the space sector every year in an African capital. The French delegation represented the entire value chain in the sector, from industrial leaders such as Airbus Defence and Space and Thales to the smallest companies. The Medefi delegation was able to meet the Angolan President and a number of ministers, which helped to advance the Airbus D&S project for the sale and launch of an earth observation satellite for Angola. The conference, which was attended by more than 400 public and private players from all over the world, took place in an increasingly competitive international environment.

Botswana

The Central Bank of Botswana maintains its key rate at 2.4% *(Bank of Botswana)*

On 26 April, the Bank of Botswana's Monetary Policy Committee decided to maintain its key rate at 2.4%, following a 0.25 point reduction at the previous committee meeting in December. The Bank justified its decision by pointing to inflation, which reached 2.9% in March, below the low end of its target range (set at between 3% and 6%), compared with 3.9% the previous month. According to the Central Bank, inflation should reach 3.2% in 2024, a downward revision of 1.7 points on the previous estimate, after reaching 3.6% in the first quarter. The reasons for this low level include the absence of demand-led inflation, with the economy operating below capacity, the dissipation of the effect of the VAT hike from 12% to 14% in April 2023, a cut in fuel prices on 21 December 2023, a fall in domestic demand, and favourable food price projections on world markets despite the threat of the regional food crisis. At the same time, the Bank expects the economy to grow by 4.2% in 2024 (compared with 2.7% in 2023), underpinned by an accommodating monetary policy and strong growth in the non-mineral sectors: water and electricity and the financial sector. Botswana should therefore continue to diversify its economy in an unfavourable environment for the diamond sector. In the first quarter, the price of rough diamonds fell by 2.5%, and this trend is set to continue. Diamond production fell by 27.7% in Q1 2024 compared with the previous year, and projections for 2024 are 12.7% lower than the production in 2023. The next Monetary Policy Committee meeting will be held on 13 June.

Malawi

The World Bank triggers the USD 58 million additional support option to tackle the food crisis *(World Bank)*

On 26 April, the World Bank granted Malawi immediate aid of USD 57.6 million under the Catastrophe Deferred Drawdown Option (Cat DDO1). In December 2023, the international financial institution approved an initial grant of USD 80 million to support structural reforms in the economy, with an additional clause of USD 57.6 million that could be triggered in the event of a crisis, climatic event or epidemic. The country is experiencing a food crisis caused by a series of climatic disasters in recent years, the most recent of which was a prolonged drought exacerbated by the El Nino phenomenon. The declaration of a natural disaster by the President on 23 March 2024 enabled this additional funding to be released, providing the government with immediate cash to tackle food insecurity.

President Chakwera of Malawi visits the United States and Kenya to promote economic cooperation *(Malawi24)*

In Dallas, Texas, President Chakwera took part in the 16th US Africa Business Summit, alongside the heads of state and government of Angola, Botswana and Lesotho. On the fringes of this event, he also attended a round table with investors from the State of Texas. On this occasion, he reiterated the importance of foreign investment and economic development in "breaking the chains of poverty", while indicating that foreign companies should refrain from "exploiting" Malawi. In line with the national development strategy, the priority sectors identified are agriculture, tourism and mining. In a parallel meeting with representatives of Coca-Cola, the Malawian President indicated the group's intention to increase its investment in the country. The President then travelled to Nairobi (Kenya) to take part in the Africa Fertiliser and Soil Health Summit. He indicated his government's intention to increase the use of fertiliser in Malawi's agriculture by 25%, despite the fact that, according to a representative of the African Union, Malawi is already well above the African average (96 kg/ha) in this respect (40 kg/ha). Faced with the economic crisis in his country, the President of Malawi and his government pledged in November 2023 to refrain from any international travel.

Mozambique

Mozambique's sovereign wealth fund ready to receive first gas revenues from the Rovuma basin *(Cartamz)*

The Sovereign Wealth Fund of Mozambique (FSM), an entity set up in November 2023 - with the blessing of the IMF, which has made the return of its financing to Mozambique conditional - to manage revenues from natural gas in the Rovuma Basin, should begin operations with an initial endowment of USD 37.7 million, according to calculations made by the newspaper *A Carta*, based on data presented in the recent Economic and Social Plan and State Budget balance sheet for the first quarter of 2024. The document, published last week by the MEF, indicates that the transitory account - an account based at the Bank of Mozambique, through which all gas revenues are to be channelled before being distributed between the sovereign wealth fund and the state budget - has already been credited with USD 94.2 million (equivalent to MZN 5.96 billion, at the exchange rate of 28 March), the amount corresponding to the total tax revenues from natural gas in the Rovuma basin since 2022: 800,000 USD (2022); 73.37 MUSD (2023): 20.07 MUSD (2024).

In preparation for the presidential elections on 9 October, the main political forces choose their candidates *(Radio Moçambique)*

On 5 May, the Mozambique Liberation Front (Frelimo) and the Mozambique Democratic Movement (MDM) chose their candidates for the presidential elections to be held on 9 October. Frelimo, the party in power since independence, chose Daniel Chapo, a 47-year-old lawyer from the district of Inhaminga in Sofala province and currently Governor of Inhambane province, to succeed Filipe Nyusi with 94.1% of the vote. Daniel Chapo studied law at the Eduardo Mondlane University (2000) and holds a master's degree in Development Management from the Catholic University of Mozambique (2014). He was a radio presenter and senior civil servant in the district of Nacala Porto, Nampula province (2005); professor of constitutional law and political science (2009); Administrator of the District of Palma, Cabo Delgado (2015); before being appointed to his current position as Governor of Inhambane province in 2016. For its part, the MDM voted 87.9% in favour of Lutero Simango, 64, a mechanical engineer, son of Uria Simango, one of the founders of Frelimo, and brother of David Simango, ex-president of the MDM, who will die in 2021. The Mozambique National Resistance party (RENAMO), traditionally the country's second political force, will elect its candidate on 15 May.

Namibia

Trade deficit reaches NAD 10 billion in the first quarter *(Namstats)*

According to the national statistics agency (*Namstats*), Namibia recorded a trade deficit of NAD 10.2 billion in the first quarter of 2024, compared with just NAD 5.6 billion in the same period of the previous year. The widening of the deficit can be explained by the rate of growth in imports (+15.1% to NAD 36.6 billion), which far outstripped that of exports (+1.1% to NAD 26.4 billion). Imports were dominated by purchases of petroleum products (NAD 7 bn, down 5%) and copper (NAD 3.8 bn), which more than doubled. Meanwhile, exports continue to be dominated by sales of uranium (NAD 4.2 billion, up 16%), fish (NAD 3.9 billion, up 6%), precious stones (diamonds) (NAD 3.6 billion, down 38%) and gold (ZAR 3.3 billion, up 20%). South Africa remains Namibia's main trading partner, accounting for 20.6% of exports and 33.8% of imports, followed by China (14.6% and 7%). France accounts for 2.7% of exports and 0.9% of imports.

The World Bank (WB) approves USD 138.5 million in financing to develop Namibia's electricity infrastructure (Engineering News)

On 6 May, the WB approved a financing plan, part of which is in the form of grants via an IBRD fund, on behalf of the national electricity company, NamPower. These funds should be used to finance three priority projects: (1) deployment of a transmission line (465 km) between Auas and Kokerboom, (2) construction of battery storage capacity (45MW/90MWh) in the Erongo mining region and (3) technical assistance. The aim of this programme is to support the development of renewable energies (solar and wind), for which Namibia has great potential. The Namibian government aims to increase the share of renewable energy to 70% of the national energy mix by 2030. Given that renewable energy generation projects are located a long way from consumption basins, the development of transmission capacity is a priority in order to ease the pressure on existing lines and avoid a collapse of the electricity grid. The project in question is a continuation of the work on the 400 kV Kunene-Omatando and Auas-Gerus lines (already completed) and the Obib-Oranjemond line (in progress). At present, Namibia depends mainly on imports from South Africa and Zambia for its electricity consumption. However, these two countries are experiencing numerous power cuts due to the recurrent droughts affecting the Zambian hydroelectric dams and the collapse of Eskom in South Africa.

Belgian companies announce massive investment to develop infrastructure for exporting green hydrogen from Namibia *(News24)*

During an official visit by King Philippe, Compagnie Maritime Belge (CMB) announced a five-year investment plan that could reach NAD 65 billion (EUR 3.3 billion). The first project is a green hydrogen production site with a capacity of 400 kg/d. Located in Walvis Bay and operated via a joint venture (Cleanergy) with local company Ohlthaver & List Group, this project should come on stream by the end of the year and represent an investment of USD 30m. Above all, CMB is set to invest in a second project with a capacity of 250,000 t/year, to be powered by a solar plant in Arandis. This would be linked to an ammonia export terminal at Walvis Bay, which would be operated by a joint venture between the Port of Antwerp and the state-owned Namport. The two joint ventures are also expected to join forces to develop Africa's first dual-propulsion (hydrogen/fuel) vessel (Hydrotug).

Zambia

Inflation accelerates slightly in April *(Zamstats)*

According to the national statistics agency (ZamStats), year-on-year inflation reached 13.8% in April, compared with 13.7% in March. This is its highest level since February 2022 (14.2%). The indicator is being driven in particular by food (+15.7%, i.e. a positive contribution of 8.4 points) and the transport sector (+20.1%, i.e. +1.2 points). Inflation is set to continue over the coming months, as the Energy Regulatory Board (ERB) has decided to increase fuel prices (+14.3% for petrol and +2.8% for diesel). At the same time, the committee also decided to increase electricity tariffs by 9% to help alleviate the difficulties in the electricity sector. ZESCO, the state-owned electricity company, is facing a severe drought, despite being 80% dependent on hydroelectricity. The state-owned company has introduced electricity rationing and is using alternative, more expensive methods to meet its energy needs. This situation is exacerbating the phenomenon of imported inflation, as the currency has depreciated by 33% against the USD over the past year, reaching a parity of ZMW 26.8 to the USD 1 on1 May (-6.6% over the month of April). The depreciation of the local currency is reinforcing the phenomenon of imported inflation, which largely explains the acceleration in inflationary pressures.

Zambia takes emergency measures to secure maize deliveries in the face of the effects of the drought caused by El Nino *(Lusaka Times)*

The Zambian government is in talks with Uganda to secure the delivery of 500,000 tonnes of maize. At the same time, the government announced that 6,000 tonnes of maize had been delivered by national producers to supply the national reserves (Food Reserve Agency) as part of the Early Maize Programme. Like several southern African countries (Zimbabwe, Malawi, Mozambique, etc.), Zambia is facing the devastating effects of the El Nino weather phenomenon. Over a large part of the region, rainfall has been between a third and a half of its usual level. A state of humanitarian emergency was declared successively in Zambia (29 February), Malawi (25 March) and Zimbabwe (3 April). According to Oxfam, the crisis is already directly affecting 22 million people in southern Africa, including around 10 millions Malawians, 6 millions Zambians, 3 millions Zimbabweans and 3 millions Mozambicans. In Zambia specifically, one million hectares of maize crops have been decimated, representing 40% of the country's fields, and production is estimated to have fallen by two-thirds. Food supply agreements are a sensitive issue between countries in the region. Although Zambia is the second largest maize producer in the region and has signed an agreement in principle to supply Kenya exclusively, it refused to honour this commitment last year. Since then, the country has banned maize exports in response to the crisis.

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