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ECONOMIC WRAP-UP
Southern Africa

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Post-Electoral Crisis: Rapid Economic Downturn in Mozambique

After initially showing resilience, the economy is now deteriorating rapidly in step with the unfolding protests challenging the results of the general elections held on October 9. The marked worsening of the political situation over the past two weeks has led to numerous acts of violence, which are now severely disrupting economic activity. Several key companies have had no choice but to halt their operations (including Australian graphite producer Syrah Resources, Chinese ceramic tile manufacturer Safira, and most of the construction sites for the Temane energy and industrial complex, among others).

The opposition leader's announcement on Thursday, December 12, to ease tensions and postpone (due to the climatic disaster caused by Cyclone Chido's passage over northern Mozambique) the start of a new wave of protests until December 23—when the Constitutional Council is expected to rule on the election results—offers some respite for businesses and their leaders but does not address the underlying issues.

As the country enters a period of uncertainty, awaiting the developments of December 23, the prevailing sentiment is to acknowledge the current paralysis of the economy and minimize losses until the crisis is resolved, the timing and conditions of which remain entirely unknown.

In this increasingly volatile context, the macroeconomic impact is becoming clearer, and all signs point to a significant slowdown. The latest growth forecast for 2024, published by Standard Bank on Friday, December 12, now stands at just 2.5%. Beyond the absolute figure (which is lower than the demographic growth rate of 2.9%, implying a decline in per capita GDP in constant USD), the magnitude and speed of the indicator's deterioration are noteworthy. Just two weeks ago, the bank's estimate was still at 3.7%.

DATA OF THE WEEK

2,9 %

South Africa's year-on-year inflation for November 2024

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South Africa

South Africa's economy lost 133,000 jobs in Q3 2024 *(StatsSA)*

According to the latest labor market data from StatsSA, 133,000 jobs were lost in the non-agricultural formal sector during the third quarter (-1.2% compared to the previous quarter, for a total of 10.61 million jobs). The community services sector was particularly hard hit (-131,000 jobs, or -4.3%), while employment contracted in almost all sectors except for trade (+0.8%) and construction (+0.7%), which saw increases.

Contrary to the trend observed in recent quarters, the job losses this time predominantly affected part-time positions (-119,000 jobs, or -9.4%), while full-time jobs were relatively preserved (-14,000 jobs, or -0.1%).

Meanwhile, the average monthly salary in the non-agricultural formal sector increased by 2.6%, reaching ZAR 28,200 (EUR 1,496), significantly outpacing the average inflation rate during the period (+0.6%) and reflecting a gain in purchasing power for households.

Consumer Price Inflation (CPI) reaches 2.9% in November *(StatsSA)*

According to StatsSA, annual inflation slightly increased in November, reaching 2.9%, up from 2.8% in October. The rise in prices, below economists' expectations (Bloomberg consensus of 3.1%), was mainly driven by housing and utilities (+4.7%, contributing +1.1 points), miscellaneous goods and services (+6.6%, +1.0 points), food and non-alcoholic beverages (+2.3%, +0.4 points), and alcoholic beverages and tobacco (+4.5%, +0.3 points). The transport sector was the only one to record a decline in prices (-3.3%, contributing -0.5 points to total inflation).

Month-on-month inflation remained stable, reflecting price stabilization during the period. In this context, the central bank is expected to cautiously continue monetary easing in the coming months, with observers anticipating a 25 basis point cut in the key interest rate in January. For reference, during its meeting on November 22, the South African Reserve Bank (SARB) lowered the key rate by 0.25 points to 7.75%.

Manufacturing and mining production increased in October *(StatsSA)*

According to the national statistics agency (StatsSA), mining production rose by 1.4% in October compared to the same period last year, following a 4.9% increase in September. This trend, in line with expectations, marks the third consecutive month of growth for the mining industry, which continues to benefit from the easing of the energy crisis (no load-shedding since March 26). The increase was primarily driven by platinum group metals (+3.3%, contributing +1.0 point), chrome ore (+14.0%, contributing +0.7 point), diamonds (+27.9%, contributing +0.5 point), and coal (+1.8%, contributing +0.4 point). Conversely, five out of twelve sectors recorded a decline in activity, including iron ore (-6.4%, contributing -0.8 point) and gold (-3.4%, contributing -0.5 point).

At the same time, manufacturing production grew by 0.8% in October compared to the same period last year, offsetting the 0.8% decline recorded in September and breaking a two-month trend of decreasing production. The main contributors to the increase were the petroleum, chemical, and plastics sector (+4.5%, contributing +0.9 point), food products (+2.9%, contributing +0.7 point), and metal products and machinery (+2.7%, contributing +0.6 point). On the other hand, the automotive sector, still affected by weak global demand, continued to decline (-16.6%, contributing -1.7 point) for the sixth consecutive month.

FFS Tank Terminals Secures a 25-Year Concession for Cape Town's Liquid Bulk Terminal *(BusinessDay)*

The Transnet National Ports Authority (TNPA), a branch of South Africa's national logistics company Transnet, has awarded a 25-year concession to FFS Tank Terminals, a South African company, to manage, maintain, and potentially expand the liquid bulk terminal at the Port of Cape Town.
Valued at approximately EUR 1 billion, this concession marks a significant step in

opening up port infrastructure to the private sector. However, the first private concession attempt—a 25-year partnership between Philippine shipping company ICTSI and Transnet to operate Durban's Terminal 2—remains mired in legal disputes.
While this initiative addresses South Africa's major port logistics challenges, criticisms have arisen regarding FFS Tank Terminals. Allegations of collusion and conflicts of interest involving its parent company, FFS Refiners, surfaced in 2018. CEO Mkhuseli Faku has stated that the company adheres to procurement regulations.

Eskom Reports $3 Billion Net Loss for FY 2023/2024 Amid Transmission Unit Separation *(MoneyWeb)*

Eskom, South Africa's power utility, announced a net loss of approximately $3 billion for the 2023/2024 fiscal year. A significant tax charge related to the formal separation of its transmission subsidiary, the National Transmission Company of South Africa (NTCSA), contributed to this result.
Since July 1, 2024, NTCSA has been operational as a subsidiary focused on electricity transmission. This move is part of Eskom's strategy to address its debt burden while meeting substantial investment needs to expand the grid by 14,000 kilometers by 2032 to connect renewable energy capacities.
Despite increased revenues (+14%) driven by an 18% tariff hike, Eskom faced challenges, including debt service, municipal non-payments, and diesel expenditures. Encouragingly, the utility has avoided load-shedding for 268 consecutive days, reducing diesel costs and boosting revenues. CEO Dan Marokane projects a profit of over EUR 500 million for the next fiscal year, potentially marking the first profit in eight years.

Tongaat Hulett Sells All South African Sugar Assets to Vision Sugar *(Creamer's Media)*

Struggling South African sugar producer Tongaat Hulett has announced the sale of all its South African assets to Vision Sugar South Africa, a subsidiary of Dubai-based Vision Investments.
The purchase price will be determined by an independent evaluator, considering liabilities assumed by Vision Sugar. This sale is part of Tongaat Hulett's rescue plan aimed at preserving its operational viability and protecting stakeholders' interests.
While the company finalizes agreements for non-South African assets, this transaction, subject to suspensive conditions, represents a significant milestone in Tongaat Hulett's restructuring efforts.

Angola

Angola commits to new loans totaling $1.5 billion

The Angolan president has authorized the signing of several financing agreements totaling $1.5 billion. These include: i) a $600 million loan from U.S. financial institution J.P. Morgan in the form of a SWAP (financial instrument) backed by Treasury bond issuance to address cash flow needs; ii) a $500 million financing agreement with Standard Chartered to strengthen cash reserves, fund public investment projects, and finance imports of food and medical supplies; iii) a $400 million agreement to support a social protection project aimed at enhancing human capital and resilience.
The president also approved a €60 million financing agreement with Portuguese bank BIC for the construction of the EN120 national road (Cuima/Chipindo section, 56 kilometers long, including bridges, in the Huambo and Huíla provinces).

Consumer Price Index (CPI) Inflation Reaches 28.41% in November (INE)

According to the National Statistics Agency (INE), year-on-year inflation slightly decreased in November, reaching 28.41% compared to 29.17% in October. The price decline, which fell short of economists' forecasts (estimated at 28.1%), is expected to continue: inflation is projected to reach 27.1% in December and slow to 16.5% by the end of 2025 (RMB). Monthly inflation rose to 1.61% in November 2024, up from 1.55% the previous month. This increase is mainly driven by the categories of "food and non-alcoholic beverages" (+1.51%, contributing 0.94 points), "miscellaneous goods and services" (+1.76%, contributing +0.14 points), "health" (+2.43%, contributing +0.10 points), and "clothing and footwear" (+2.10%, contributing +0.07 points). While inflation remains at very high levels, the central bank is expected to maintain its policy rate at 19.50% (unchanged since May) at the beginning of 2025.

Sharp Reduction in Non-Oil FDI

Non-oil FDI has steadily declined over the first three quarters of 2024: USD 133.5 million in Q1, USD 44.8 million in Q2, and USD 30.5 million in Q3. Totaling USD 208.8 million over the first nine months of 2024, non-oil FDI is up 115% compared to the same period last year but accounts for only 3% of total FDI. This result highlights Angola's struggles to implement an effective economic diversification policy and attract foreign capital outside the oil sector. Diversified investments are crucial for addressing youth unemployment and creating jobs compatible with the current workforce in the country. FDI in the oil sector reached USD 6.903 billion, up 14%, contributing to a total FDI of USD 7.112 billion over nine months. Some observers argue that this increase in oil FDI is insufficient for effective exploration of new reserves.

Botswana

Central Bank maintains key interest rate at 1.9% and eases prudential rules *(Bank of Botswana)*

According to the national statistics agency (StatsBots), inflation slightly increased in October to 1.6% year-on-year (from 1.5% in September). It remains below the lower bound of the medium-term target of 3%-6%. This rate is also significantly lower than the 3.1% recorded in October 2023. The slight rise in inflation between September and October 2024 is mainly attributed to the "food and non-alcoholic beverages" and "miscellaneous goods and services" categories, which contributed 0.8 and 0.7 percentage points, respectively. The "transport" category, on the other hand, had a moderating effect on price increases (a negative contribution of 0.8 percentage points). Given these results, the Central Bank of Botswana is expected to keep its key rate stable at 1.9% during its next monetary policy committee meeting in December 2024.

Finance Minister presents key budget priorities for FY 2025/26 *(Ministry of Finance)*

On December 4, 2024, the Ministry of Finance outlined its key budget priorities for FY 2025/26 ahead of the official budget presentation expected in early February 2025. The public deficit is projected to reach 6.7% of GDP for the current fiscal year (2024/25), compared to an initial forecast of 3.0%. The government plans to implement a fiscal consolidation strategy aimed at limiting public spending to 30% of GDP, with the deficit expected to decrease gradually in the coming years (3.7% in 2025/26, 2.3% in 2026/27, and 1.3% in 2027/28).

For reference, this is the first budget proposal presented by the "Botswana National Front," which won the October 30, 2024, elections—a first for a country governed by the "Botswana Democratic Party" since 1966. The government is under pressure to deliver on its electoral promises, including increasing pensions, student allowances, and other social expenditures, while addressing a widening budget deficit exacerbated by a sharp decline in diamond revenues.

Botswana Lifts Ban on Vegetable Imports from South Africa *(Business Live)*

The government of Botswana, led by newly elected President Duma Boko, has lifted the ban on importing vegetables from South Africa. This decision, implemented in two phases, will gradually ease the restrictions previously imposed to protect local producers and enhance the country's food security.

The first phase, already underway, includes products such as turmeric, squash, sweet potatoes, mushrooms, and eggplants. The second phase, scheduled for April, will cover essential vegetables like potatoes, onions, tomatoes, and peppers.

These restrictions, introduced in 2022, led to a significant drop in South Africa's vegetable exports to Botswana, falling from ZAR 498.8 million (EUR 26 million) in 2021 to ZAR 272.4 million (EUR 14 million) in 2023. According to the National Agricultural Marketing Council, the bans disrupted regional food systems, contributed to food insecurity in Botswana, and reduced income for South African farmers.

This decision is hailed as a crucial step towards boosting intra-African trade and advancing the aspirations of the African Union's Agenda 2063, aligning with the objectives of the African Continental Free Trade Area (AfCFTA). Botswana positions itself as a model for other countries in the region, particularly Namibia, which still enforces similar restrictions.

Lesotho

French Company Artelia Secures Contract for Oxbow Hydropower Dam Design in Lesotho *(Engineering News)*

The Lesotho Highlands Development Authority (LHDA) has awarded an engineering contract for the design and supervision of the Oxbow Hydropower Project to a consortium comprising French company Artelia, along with SMEC International (Australia), SMEC South Africa, and GWC Consulting Engineers (Lesotho). The project involves constructing a 100-meter-high dam on the 'Malibamats'o River, a 6.6-km tunnel, and an 80 MW power plant. The generated electricity will be transmitted via a 132 kV transmission line to the 'Muela substation. A return tunnel will channel water to the 'Muela reservoir, ensuring a continuous water supply to South Africa.

This project is part of Phase II of the Lesotho Highlands Water Project (LHWP), which aims to supply approximately 470 million cubic meters of water annually to South Africa's Gauteng province, supplementing the 780 million cubic meters delivered annually under Phase I, completed in 2003. Additionally, it seeks to bolster Lesotho's energy security by reducing its reliance on electricity imports while meeting the country's growing energy demands.

In 2020, Lesotho generated only 102 MW of electricity (hydro and solar) and imported 63 MW from South Africa. Phase II is overseen by the LHDA, under the supervision of the Lesotho Highlands Water Commission (LHWC), which is jointly governed by Lesotho and South Africa. However, governance tensions have arisen between the two nations over the renewal of LHDA CEO Tente Tente's mandate, amid debates on prioritizing electricity production versus potable water transportation. Lesotho's government blames Tente for project delays and cost overruns, now estimated at €2.7 billion, while South Africa grapples with worsening water shortages in Johannesburg, partly due to LHWP delays.

Malawi

Australian Company Lindian Resources Secures $50M from U.S. Trading Firm for Rare Earth Project in Malawi *(The West Australian)*

Australian company Lindian Resources has secured $50 million in funding from Gerald Metals Group, a major U.S.-based metals trader, to develop its rare earth project in Kangankunde, southern Malawi. This funding marks a key milestone for Phase 1 of the project. Of the total, $40 million will go toward capital investment, with the remainder allocated to building initial raw ore stockpiles. In return, Gerald Metals will have priority rights to the monazite concentrate produced during Phase 1 and preferential access to Phase 2 production.

The Kangankunde project is based on initial reserves of 23.7 million tons of ore with an average rare earth oxide (TREO) grade of 2.9%. It has a projected lifespan of 45 years, with an annual output of 15,300 tons of high-grade concentrate (55% TREO). A feasibility study published in July 2024 valued the project's net present value at $555 million.

This initiative comes amid surging global demand for rare earths, driven by the transition to renewable energy and electric mobility. With China tightening export restrictions on these critical minerals—where it dominates much of the value chain, including refining and increasingly magnet production—Lindian's project aligns with Western efforts to secure alternative sources of these essential materials.

Mozambique

Drought Threatens Hydropower Production (O País)

Water shortages in reservoirs supporting Mozambique's major hydroelectric dams have reached alarming levels, potentially exacerbating the energy crisis in the region. Mozambique's National Directorate for Water Resources Management reports that the reservoir behind the Cahora Bassa Dam—the largest in Southern Africa with a capacity of 2,075 GW, located in the northern Tete province—is currently only 26% full, compared to 78% at the same time last year. This marks the lowest level in 30 years.

At the Kariba Dam in Zambezia province, which typically generates power for Zambia and Zimbabwe, the reservoir is nearly dry, with a fill rate of just 3%.

Namibia

Annual inflation stabilizes at 3.0% in November *(Namibia Statistics Agency)*

According to the Namibia Statistics Agency, annual inflation reached 3.0% in November, remaining stable compared to the previous month. Inflation continues to slow gradually amid slight monetary easing (the Central Bank's key interest rate decreased from 7.75% to 7.0% between August and October 2024).

The main contributors to the price increase remain food (+5.3%, contributing +1.1 points), housing, water, gas, and other fuels (+4.4%, contributing +1.1 points), and alcoholic beverages and tobacco (+4.8%, contributing +0.7 points). Conversely, prices in the transport sector continued to decline for the second consecutive month (-3.5%, contributing -0.6 points).

Growth Revised Upward to 3.5% for 2024 *(Bank of Namibia)*

The Bank of Namibia has revised its 2024 growth forecast upward to 3.5% (from 3.1% in August), driven by strong performances in the mining sector (+26.2% in 2024, boosted by rising gold prices) and livestock farming (+11.5%, as drought conditions led farmers to sell more cattle). However, growth is expected to be lower than in 2023 (+4.2%) due to a contraction in the primary sector (-1.3%) impacted by drought and weak global demand. Agricultural production declined significantly (-34.5%), as did the diamond subsector (-8.2%), hindered by low external demand and competition from synthetic diamonds.

In contrast, the secondary and tertiary sectors showed robust growth in 2024 (+4.2% each). Manufacturing benefited from a recovery in domestic consumption (+3.0%), while the electricity and water sectors saw gains from new investments and strong performance at the Ruacana hydropower plant (+9.4%). For 2025, the central bank forecasts growth to rebound to 4.0% due to improved external conditions and economic reforms. Namibian growth remains particularly vulnerable to climate variability and global demand for raw materials. The central bank's projections align with those of the IMF, which forecasts growth of 3.1% in 2024 and 4.2% in 2025 (World Economic Outlook, October 2024).

Zambia

Historic debt restructuring agreement signed with France

On December 8, William Roos, Head of the Multilateral Affairs and Development Department at the French Treasury, and Situmbeko Musokotwane, Zambian Finance Minister, signed in Lusaka the bilateral agreement implementing, for France, the debt restructuring deal for Zambia agreed under the Common Framework.

This agreement is historic for several reasons: i) it is the first bilateral agreement implementing the multilateral memorandum of understanding reached between Zambia and its public creditors in October 2023; ii) it is also the first debt restructuring agreement negotiated under the Common Framework, which involves both Paris Club and G20 non-Paris Club creditors on one side and the borrowing country on the other.

As President and Secretariat of the Paris Club and Co-Chair of Zambia's public creditors' committee, France played a central role in the negotiations. The agreement was made possible through deep cooperation with Zambia and the collective commitment of all public creditors, whose work was co-chaired by France and China, with South Africa as Vice-Chair.

IMF Approves Fourth Review of Its Program *(IMF)*

On December 16, the IMF Executive Board approved the fourth review of Zambia's program under the Extended Credit Facility (ECF), unlocking the immediate disbursement of approximately $184 million, bringing total disbursements to $1.3 billion. The program, launched on August 31, 2022, aims to stabilize Zambia's macroeconomy and promote inclusive growth amid challenges such as external debt restructuring. The IMF praised Zambia's progress in implementing the program and restructuring its external debt, including signing agreements with public and bond creditors.

While Zambia's macroeconomic situation remains fragile, medium-term prospects are favorable, supported by increased mining output and restored debt sustainability. Growth is projected at 6.2% in 2025 and 6.6% in 2026, driven by a recovery in agriculture (following the end of the drought) and mining.

AfDB Approves $108 Million Loan for Budget and Economic Resilience Support *(AfDB)*

On December 11, the African Development Bank (AfDB) approved a $108 million loan to implement a program aimed at enhancing fiscal sustainability and economic resilience. The program seeks to boost public revenues by introducing an electronic invoicing system and expanding VAT registration while strengthening the agricultural sector, severely affected by drought in 2024. The funding includes provisions for establishing agricultural equipment rental centers. With this new loan, AfDB's portfolio in Zambia exceeds $980 million across 24 projects.

$326 Million PPP Signed to Modernize Key Road *(Lusaka Times)*

The Zambian government signed a $326 million concession agreement with South African logistics company Barotse Highway Limited (majority-owned by China's Jiayou) to upgrade the 371-km Mutanda-Kasempa-Kaoma road. The public-private partnership (PPP) project will span 25 years, with two years for construction and 23 years for operation and maintenance. It includes new bridges and urban road upgrades in Kasempa and Kaoma, improving connectivity to Namibia's Walvis Bay port and enhancing Zambia's regional integration.

Zimbabwe

250 MW Floating Solar Panel Project on Lake Kariba *(MoneyWeb)*

The Intensive Energy User Group (IEUG), primarily comprising mining companies (platinum, ferrochrome, lithium, steel, etc.), has secured $250 million from the African Export-Import Bank (Afreximbank) to develop a 250 MW floating solar project on Lake Kariba, the world's largest artificial reservoir. This project aims to expand Zimbabwe's renewable energy capacity and address persistent electricity shortages, worsened by drought-induced low hydroelectric output at Kariba Dam.

As of December 11, 2024, the lake level stood at 475.91 meters, representing only 2.89% of usable storage capacity, with the dam producing just 125 MW—11% of its installed capacity. Daily power outages average 18 hours. Expected to be operational by mid-2026, the project could

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expand with additional 250 MW phases, potentially reaching a total capacity of 1 GW. The IEUG has secured a 25-year electricity distribution license and a 20-year transmission agreement, allowing payments in U.S. dollars.