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ECONOMIC WRAP-UP
Southern Africa

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KEY FIGURE

184 00

jobs destroyed in the fourth quarter of 2023 in South Africa (*StatsSA*)

Focus on

Agreement signed for the restructuring of Zambian bond debt

On 25 March, the Zambian government announced in a press release that it had reached an agreement with the Creditor Committee to restructure the country's bond debt (Euro bonds - USD 3.9 billion, i.e. around 20% of total external debt). This announcement, which comes just a few weeks after the reopening of negotiations, marks a major step towards the completion of the overall Zambian debt treatment process, which is necessary to guarantee the continuity of the IMF programme (Extended Credit Facility of USD 1.3 billion over three years, granted in August 2022). As a reminder, the bilateral debt (USD 6.3 billion, representing almost 30% of the external debt) is being dealt with in parallel via the new "common framework" initiative, which brings together the G20 creditors, in particular the members of the Paris Club and China within the Official Creditor Committee (OCC). Within this framework, a memorandum of understanding (MoU) was signed in October 2023. The government has confirmed that the proposed agreement complies with the treatment comparability clause set out in the MoU. This stipulates that the effort made by private creditors and bondholders must be at least similar to that made by official creditors, failing which the MoU will be terminated. A previous agreement with the bondholders, announced on 26 October 2023, was finally abandoned a few weeks later, as the OCC considered that this clause had not been respected. The agreement includes the technical terms of the one proposed in October (exchange of the bonds for a new security, in accordance with the agreed terms), but provides for a much greater effort on the part of the bond creditors (according to press sources, a haircut of more than 20%, i.e. USD 840 million, compared with 16% in the previous version). These terms should make it possible to reduce debt servicing by USD 2.5 billion over the period of the IMF programme, in line with its financing plan. Several specific clauses are also included, such as the upward revaluation of coupons paid in the event that Zambia exceeds the IMF programme targets, and the impossibility of offering more advantageous terms (in terms of net present value) to other private creditors - echoing the main principles of the MoU. The markets reacted strongly to the announcement: the local currency (kwacha) appreciated by more than 2% against the US dollar on 26 March, reaching a parity of ZMW 25.9 to the US dollar - whereas the currency had been depreciating continuously since the end of February (-17% between 20 February and 25 March). The process could be completed in the second quarter of 2024. However, a number of stages still need to be completed, in particular the signing of an agreement with the private non-obligor creditors (debt of around USD 3 billion), as well as the signing of the MoU by all the official creditors (only India's signature remains), which will then have to be ratified by bilateral agreements between Zambia and each of the creditor states.

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Malawi

President declares state of climate emergency due to drought *(Malawi Voice)*

On 23 March, President Chakwera declared a state of natural disaster due to prolonged drought in 23 of the country's 28 districts. In an address to the nation, he said that over 45% of maize crops (more than 700,000 hectares) would be affected by the lack of rainfall, linked to the El Nino weather phenomenon. While the country depends on non-irrigated subsistence farming for its supply of essential foodstuffs, the increase in food insecurity, already visible on the ground, is a cause for concern - according to data from the Integrated Food Security Phrase Classification, up to 22% of the population could find themselves in a situation of acute food insecurity, compared with 15% in September 2023. Against this backdrop, the President has estimated that food aid of 600,000 tonnes of maize (at an estimated cost of around €190m) will be needed to cushion the impact of the crisis. This announcement comes just a few weeks after a similar statement by Zambian President H. Hichilema, at a time when the El Nino phenomenon is severely affecting the entire southern sub-region.

Reserves reach lowest level since 2012 *(The Times Group)*

According to the latest data published by the Reserve Bank of Malawi, the level of reserves reached USD 143 million at the end of February 2024, i.e. 0.6 months of import cover, a worrying level that is well below the 4-month threshold recommended by the IMF. The indicator has thus reached its lowest point since April 2012, and has contracted significantly since the start of the year, when it stood at 1 month in December 2023. As a reminder, Malawi is facing a structural imbalance in its balance of payments (exports of around USD 1 billion a year, compared with imports of almost USD 3 billion), which has worsened significantly in recent years, plunging the country into a shortage of foreign currency. The replenishment of reserves by the monetary institution is essential to stabilise the macroeconomic framework and cushion any shocks to the economy: it is one of the priorities of the IMF programme (Extended Credit Facility) granted in November 2023. It should be noted that the start of the tobacco harvest season in mid-March should temporarily boost reserves, given that tobacco accounts for almost half of the country's export revenues.

Namibia

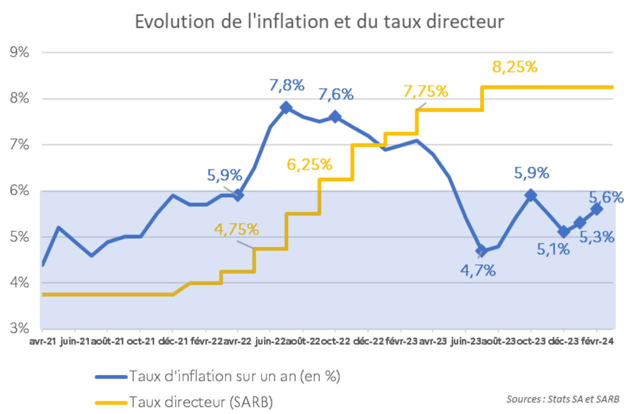
Growth to reach 4.2% in 2023 *(NamStats)*

According to the national statistics agency (Nam Stats), growth reached 4.2% in 2023, down slightly on the previous year (+5.3%). Activity was driven in particular by the exceptional performance of the mining sector (nearly +19%, i.e. a positive contribution of 2.1 points) - linked to the sharp increase in uranium production (+24.5%) against a backdrop of rising prices. To a lesser extent, the "water and electricity" (+27.9% or +0.7 points) and "trade" (+5.8% or +0.5 points) sectors also performed well. Conversely, growth was offset by the contraction of the manufacturing sector (-3.2%, or a negative contribution of 0.4 points) - linked to the poor results of the food processing and diamond polishing industries - and the agricultural sector (-3.4%, or -0.3 points). On the demand side, there was a marked rebound in investment (+69.3%), driven by oil and gas exploration. Household demand has also held up well, albeit at a slower pace (+4.7%, after +9.5% in 2022). The good performance of the Namibian economy, one of the best in the southern sub-region, is remarkable, given the major difficulties of the South African economy (as a reminder, growth of 0.6% in 2023), on which the country remains structurally dependent. In 2024, growth should accelerate slightly to 4.7%.

Namibia to start producing low-carbon hydrogen in July 2024 *(Rand Merchant Bank)*

At the Green Hydrogen Symposium held in Windhoek on 26 and 27 March 2024, Namibia's new president, Nangolo Mbumba, announced that the country would begin producing decarbonised hydrogen in July 2024, thanks to the Daures Green Hydrogen Village project, with financial support from Germany. At full capacity, it could produce up to 100 tonnes of green ammonia in its first phase, and would have the capacity to export 700,000 tonnes in its fourth phase. The second green hydrogen project due to start production is Cleanergy, in the third quarter of next year. This announcement is a positive signal for Namibia, which has been actively trying to set up a green hydrogen industry since 2020, with the aim not only of diversifying its energy mix, but also of strengthening its economy by exporting carbon-free hydrogen to industrialised countries such as Germany and the Netherlands. It now remains to be seen whether this announcement will be followed by the establishment of an intensive low-carbon hydrogen industry in Namibia, given that the technology is still a long way from maturity and is not at all profitable at present.

South Africa



SARB keeps key rate unchanged at 8.25% (*Resbank*)

At its Monetary Policy Committee (MPC) meeting on 27 March, the South African Reserve Bank (SARB) unanimously decided to maintain its key rate at 8.25%. The rate will thus remain unchanged until July 2023. At its Monetary Policy Committee (MPC) meeting on 27 March, the South African Reserve Bank (SARB) unanimously decided to maintain its key rate at 8.25%. The rate will thus remain unchanged until July 2023. This decision, which was widely expected, comes against a backdrop of a slight pick-up in inflation (5.6% year-on-year in February, after 5.3% the previous month), driven in particular by the rise in services prices. The indicator has thus remained around the upper limit of the SARB's target range (3-6%) for the past 6 months. In its press release, the committee also referred to the many risks weighing on the acceleration of inflationary pressures - possible further depreciation of the rand against the US dollar, and the impact of the El Nino drought on the agricultural sector and food prices. However, inflation forecasts have been broadly maintained for 2024 (+0.1 points to 5.1%). The particularly cautious tone adopted by the Governor suggests that the SARB could delay the easing of its monetary policy beyond the second or third quarter of 2024. As a reminder, at its last MPC in January, the monetary institution stated that a rate cut would only be considered if price rises stabilised at 4.5% on a sustained basis.%. In its press release, the SARB also reviews the economy's performance: it attributes the sharp slowdown in growth in 2023 (+0.6%) to difficulties with electricity supplies (the cost of which is estimated at 1.5 points of GDP, after 2 points the previous year) and the logistics crisis. Its forecasts remain unchanged at +1.2% in 2024 and +1.4% in 2025 - while the impact of the energy crisis should gradually fade (-0.6 points and -0.2 points respectively).

Civil servants' pay to rise by 4.7% in 2024 (*The Public Servant Online*)

On 20 March, the Minister for the Civil Service and Administration announced that civil servants' salaries would be increased by 4.7% from 1 April 2024 - a measure that will apply to all employees except senior managers. The increase is therefore in line with inflation (4.6% anticipated for 2024, after 4.9% in 2023), following a 7.5% increase agreed in the previous financial year, in accordance with the two-year agreement reached between the unions and the government on 31 March 2023, within the framework of the Public Service Coordinating Bargaining Council. This announcement was therefore expected and is consistent with the projected increase in the civil service wage bill in the national budget for the 2024/2025 financial year (+4.6%). As a reminder, this is the government's second largest item of expenditure (ZAR 754 billion - EUR 37 billion anticipated for the current financial year, i.e. almost a third of the total).

Publication of new labour market data confirms major job destruction in the fourth quarter *(StatsSA)*

According to the latest publication from Stats SA (Quarterly Employment Statistics - QES - based on VAT statements), 184,000 jobs were destroyed in the formal non-agricultural sector in the fourth quarter of 2024, representing a fall in the workforce of almost 2%. This marks a reversal of the trend seen in recent years, when the economy had been steadily adding jobs since the second quarter of 2020. The sectors most affected are community services (-214,000 jobs), and to a lesser extent construction (-19,000) and business services (-12,000). It should be noted that the contraction was partly offset by strong hiring in the trade sector (+56,000). These data corroborate the results of the other Stats SA publication on the labour market published in mid-February (Quarterly Labour Force Survey - based on a survey of 30,000 households) - which, as a reminder, highlighted an increase in the unemployment rate over the period (+0.3 points to 32.1% of the working population - see Brief). Over the whole of 2023, only 100,000 jobs were created in the formal non-agricultural sector, while the working-age population grew by 560,000, resulting in a deterioration in the quality of jobs. In terms of pay, the average wage in the formal non-agricultural sector rose by 2.3% year-on-year, to ZAR 26,894, or around EUR 1,307 - an increase that remains below inflation over the period (+4.9% in 2023), reflecting a further deterioration in household purchasing power.

Consumer confidence picks up slightly in the first quarter (*Bureau for Economic Research*)

The FNB/BER consumer confidence index rebounded slightly in the first quarter of 2024 (+2 points on the previous quarter) to reach -15 (on a scale of +100 to -100), the highest point since March 2022. This change can be explained by a revival in confidence among high-income households (monthly incomes in excess of ZAR 20,000, or around EUR 1,000), linked in particular to the easing of power cuts in recent months. Conversely, the sub-indicator for lower-income households has deteriorated, in particular as a result of the worsening conditions on the labour market (job losses in the fourth quarter of 2023 - see brief below). The level of consumer confidence thus remains particularly deteriorated, while the index has been continuously in negative territory since the third quarter of 2019.

The National Transmission Company South Africa (NTCSA) in charge of power purchase agreements with independent power producers (IPPs) (*My BroadBand*)

South Africa's national energy regulator (Nersa) has agreed to the transfer of Eskom's powers and duties relating to power purchase agreements with independent power producers (IPPs) to the National Transmission Company South Africa (NTCSA). This action follows the decision to unbundle the South African energy operator Eskom into three branches in order to offset its high level of debt and reduce the mismanagement of the state-owned company, which has led to the current energy crisis marked by numerous daily load shedding incidents. The company's activities will be split between generation, distribution and transmission, which will be the responsibility of NTCSA. The current decision concerning the NTCSA will now be submitted to the National Council of Provinces, whose approval is also required before it can be promulgated by the President. This legislation will enable the establishment of a "market platform" through which electricity can be bought and sold by private players in direct competition with Eskom's generation division. The other challenge will be the construction of 14,000 km of transmission lines to connect renewable energy production sites, mainly located in sparsely populated areas of the Northern Cape and Western Cape.

South African group Aspen announces new donations of pharmaceutical products for Ukrainian patients *(Daily Maverick)*

The South African pharmaceutical group Aspen Pharmacare has donated intensive care products worth €300,000 to Ukraine, bringing its total donation to Ukraine to almost €3 million as it continues to fight the Russian invasion. These donations will be used to treat patients in Ukrainian hospitals. More specifically, Apsen will be sending Fraxiparine, which is used in emergency surgery and can help people affected by the war in particular. Alkeran, used to treat cancer, will also be sent. The Ukrainian Ambassador to South Africa, Liubov Abravitova, was particularly grateful for the donation of Alkeran, which is mainly used to treat paediatric cancer patients at the Filatov Institute in Odessa. In March 2022, Aspen donated vital medicines for 62,000 surgical operations in Ukraine and contributed to the evacuation of South African medical students stranded in Ukraine.

The impact of the El Nino weather phenomenon could also be felt in South Africa *(Business Day)*

South Africa, which is currently less affected by the regional drought, unlike Zambia in particular, due to the El Nino weather phenomenon, could nonetheless suffer the consequences. On Tuesday 26 March 2024, the Crop Estimation Committee published its latest estimates for the summer cereal harvest in South Africa. These show that the white maize harvest (mainly used to produce maize meal for human consumption) is likely to be 25% down on last year, and that the yellow maize harvest (mainly used for animal feed) could fall by around 20%. Total maize production is therefore estimated at 13.2 million tonnes, 20% down on 2023 and the lowest in five years. The provinces most affected by this drop are Gauteng and parts of Free State and North-West. This would still be enough to satisfy annual national maize consumption of around 12 million tonnes. However, a further downward revision of forecasts is possible in view of the extent of the drought. The country also has 2.3 million tonnes of maize stocks carried over from last year, and would be able to export to other more affected countries in the region, such as Zambia and Zimbabwe. Finally, this crisis is also having an impact on prices. The price of white maize has now risen by around 25% compared with last year (ZAR 5,200/t), while yellow maize is trading at around ZAR 4,200/t. This will have a strong impact on the price of maize flour, a staple food for the population, which is expected to rise by 10 to 12% over the next two months in a context of high post-Covid food inflation. More generally, the rise in maize prices will also lead to an increase in the cost of animal feed, resulting in higher prices for meat, eggs and other animal proteins.

Southern Africa

Zambia and Zimbabwe to launch a new call for tenders for the Batoka hydroelectric power station *(Power Technology)*

Zambia and Zimbabwe are to issue a new invitation to tender for the construction of the USD 5 billion Batoka hydroelectric power station, previously awarded to General Electric (GE) and Power Construction Corp. of China. The Zambezi River Authority (ZRA), a joint venture between the two countries, plans to select new bidders by September 2025. The project is planned on the Zambezi River, 54 km downstream of Victoria Falls, straddling the border between the two countries. Work on the Batoka Gorge 2,400 MW hydroelectric project was originally scheduled to begin in 2020, but has been delayed several times, mainly due to the outbreak of the coronavirus pandemic and difficulties in finding financing. In June 2023, Zambia's Minister of Energy, Peter Kapala, said that his country would withdraw from the 2019 contract with GE and Power China because, in his view, procurement methods had not been respected when the agreement was concluded.

Zimbabwe

Inflation continues to rise in March (ZimStats)

According to ZimStats data, year-on-year inflation reached 55.3% in March, after 47.6% the previous month. This is the fifth month in a row that the indicator has risen, reaching its highest point since December 2022. The main contributors to rising prices remain food, housing and water/electricity. In less than three months, the currency has lost almost 72% of its value, reaching a parity of ZWL 21,709 to the US dollar on 27 March, after falling 90% over 2023. Overall, it was the second worst-performing currency over the period, after the Lebanese pound. At a time when the government has failed to restore confidence in its domestic currency, there is a risk of a further uncontrolled surge in inflationary pressures. Against this backdrop, Finance Minister Mthuli Ncumbe stated that the government was well aware of the persistent price instability and that the Central Bank would shortly be announcing new measures to deal with it.

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leopold.vinot@dgtresor.gouv.fr, nicolas.viossat@dgtresor.gouv.fr

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