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ECONOMIC WRAP-UP
Southern Africa

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Stagnant Economic Growth in the First Quarter of 2025 (StatsSA)

According to the National Statistics Agency (StatsSA), GDP grew by 0.1% in the first quarter of 2025 (seasonally adjusted quarterly change), following a 0.4% increase in the previous quarter. The main drivers of economic growth were agriculture (+15.8%, contributing positively by 0.4 percentage points), boosted particularly by the horticulture and animal products sub-sectors, transport (+2.4%, contributing +0.2 percentage points), trade (+0.5%, contributing +0.1 percentage points), and financial services (+0.2%, contributing +0.1 percentage points). Several key sectors experienced contraction, starting with manufacturing (-2.0%, contributing -0.2 percentage points), where seven out of ten divisions (particularly petroleum products, chemicals, food products, and automotive) saw a decline. The mining sector also retreated (-4.1%, contributing -0.2 percentage points), due to a decline in platinum group metals. The "electricity, gas, and water" sector (-2.6%, contributing -0.1 percentage points) suffered from a decrease in production and consumption, while construction (-3.8%, contributing -0.1 percentage points) was affected by the slowdown in residential building activities and civil engineering works.

From a demand perspective, growth was supported by final household consumption (+0.4%, contributing +0.3 percentage points), driven mainly by spending on transport, food and non-alcoholic beverages, restaurant and hotel services, and health. Exports also increased (+1.0%, contributing +0.3 percentage points). However, growth was hampered by the rise in imports (+2.0%, contributing negatively by -0.6 percentage points) and the decline in gross fixed capital formation (-1.7%, contributing -0.2 percentage points). This performance was better than anticipated (Bloomberg consensus at -0.1%). It is worth noting that South African authorities have recently revised down their growth forecasts for 2025 (1.4% instead of the previously anticipated 1.9% by the National Treasury; 1.2% instead of 1.7% by the Central Bank). These forecasts remain higher than those of international observers (1.0% by the IMF; 0.8% by the African Development Bank).

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Southern Africa

The European Union unveils 13 strategic projects outside the EU to secure its supply of critical materials, including three in Southern Africa (*Intellinews)*

On June 4, 2025, the European Commission officially presented a list of 13 strategic projects located outside the EU, aimed at strengthening its security of supply of critical materials and accelerating its energy transition while supporting the economic development of partner countries. This initiative is part of the Critical Raw Materials (CRM) Act, which came into effect in May 2024, and complements the 47 projects already identified within the Union in March 2025.

With a total of 60 projects, the EU seeks to invest in resilient and sustainable supply chains, essential to its industrial and climate ambitions, particularly in the areas of electric mobility, renewable energy, defense, and aeronautics.

Three projects are located in Southern Africa, specifically in South Africa, Zambia, and Malawi, highlighting the European Union's commitment to the development of the African continent. A fourth project is located in Madagascar.

The project led by Kobaloni Energy in Zambia will enable the construction of the first African refinery for cobalt sulfate that meets European standards for electric vehicle batteries. This project positions Zambia, one of the world's leading copper producers, as an African leader in the value chains of critical materials and is expected to benefit the local population by creating skilled jobs.

In Malawi, the Songwe Hill rare earth extraction project, developed by the Canadian company Mkango Resources, is also supported by the EU. These rare earths are essential for manufacturing magnets for electric motors, sensors, turbines, and military equipment. This project is also expected to develop the Malawian economy through direct investments, infrastructure, and training for local populations.

In South Africa, the Zandkopsdrift project in the Northern Cape province is being developed by Frontier Rare Earths. It is one of the largest rare earth deposits on the African continent, with an estimated production capacity of 17,000 tons of rare earths per year and 100,000 tons of battery-grade manganese sulfate per year. It is estimated that nearly 40 years of production will be possible. Again, these strategic minerals are essential for the production of electric batteries.

The Orange Marine cable ship Léon Thévenin repairs an underwater internet cable off the coast of Namibia *(MyBroadband)*

The Orange Marine cable ship Léon Thévenin left the port of Cape Town on June 29, 2025, and is located off the coast of Namibia to repair a defective section of the West Africa Cable System (WACS) underwater internet cable. The repair, which should take the first two weeks of June, is expected to improve connectivity in Southern Africa, which has been slowed by this outage.

The WACS is an underwater cable built by Alcatel-Lucent, connecting South Africa to the United Kingdom via the Atlantic Ocean, off the coast of Africa. It is essential for the connectivity of Southern Africa. The Thévenin is regularly assigned to tasks of repairing underwater cables in the region and has notably repaired over the past two years the Eastern Africa Submarine System (EASSy), Seacom, WACS, Africa Coast to Europe (ACE-ASN), MainOne (Subcom), and SAT-3 cables (ASN).

The African Development Bank launches a facility to support carbon markets in Africa *(RMB)*

The African Development Bank (AfDB) announced during its annual meeting in Abidjan the upcoming creation of an "Africa Carbon Support Facility," an initiative aimed at mobilizing essential funding for a continent particularly vulnerable to climate change. This facility, still in the design phase, will help African governments establish strong political and regulatory frameworks for carbon credit trading, while strengthening the supply, demand, and market infrastructure necessary for their development. The goal is to integrate African carbon credits (mainly from the forestry industry, agriculture, and land use) into local exchanges and direct them towards regulated compensation markets, where prices can be up to ten times higher than in voluntary markets.

This initiative comes under the new presidency of Sidi Ould Tah, former Minister of Finance of Mauritania, whose term is set to be crucial in promoting green growth and climate financing in Africa. Faced with global climate financing of which Africa captures only about 1%, this strategy marks a key step in valuing the continent's natural resources and strengthening its resilience to climate challenges.

This budget, both prudent and realistic, is part of an ambitious trajectory. However, latent budgetary pressures (social subsidies, public enterprises, municipal debts) remain largely outside the framework and could compromise the goal of reducing the deficit to 3.2% by 2027/28. The sustainability of this adjustment now depends on the political stability of the GNU, discipline in spending, and progress in structural reforms.

South Africa

Anglo American finalizes the spin-off of its Platinum Group Metals (PGM) business *(Mining Technology)*

Anglo American has completed the spin-off of approximately 51% of its stake in Amplats, its world-leading Platinum Group Metals (PGM) branch, which is now independent under the name Valterra Platinum. Approved by shareholders on April 30, 2025, the separation took effect on May 31, with a consolidation of shares effective from June 1. Anglo American retains a 19.9% stake, which it plans to gradually divest.

This operation is part of a strategy to refocus the group on its core activities: copper, high-grade iron ore, and agricultural nutrients. Indeed, the volatility of the PGM markets, affected by declining demand in China and the growth of the electric vehicle market—which do not require exhaust systems and thus do not need palladium catalysts—has led Anglo American to separate from Amplats. The mining giant has also recently divested some of its coking coal assets and initiated the formal sale process of De Beers, the world's second-largest diamond company.

South Africa launches the design phase of its new national shipping company, SASCO *(Agence Ecofin)*

The South African Ministry of Transport has established a steering committee for the launch of the South African Shipping Company (SASCO). Since the acquisition of the former national shipping company, Safmarine, by the Danish shipping company Maersk in 1999, South Africa has had no national shipping company and only three merchant ships flying its flag.

This steering committee will include the ministry, maritime sector stakeholders, the Development Bank of Southern Africa (DBSA), and the public industrial development support body, the Industrial Development Corporation (IDC). Their task will be to develop the company's model, exploring different structuring options while ensuring economic and financial viability.

The SASCO project is part of the Comprehensive Maritime Transport Policy, adopted in 2017, which aims to improve South Africa's maritime transport system to support the country's socio-economic development and strengthen its sovereignty.

Angola

Sonangol's profits drop by 21% in 2024 *(Expansao)*

While Sonangol maintains high profits, they have been steadily declining since 2021, when they reached $2.1 billion. This downward trend can be attributed to several factors, including the loss of its concessionaire role to the National Petroleum and Gas Agency (ANPG) in 2019, which accounted for more than half of its revenue. In 2024, the reduced profitability is due to a 2% decrease in oil production and a drop in the average international price per barrel to $80.14 from $81.99 in 2023. Additionally, the Angolan government's debt to Sonangol reached $7.5 billion by the end of 2024, making it the second-largest creditor to the state. A significant portion of Sonangol's claims against the state stems from fuel price subsidies. The state-owned company imports petroleum products, primarily at market prices in dollars, and sells them on the domestic market in kwanzas at a price set by the state, which is significantly lower than the actual cost and uniform across all gas stations in the country.

In the refining and petrochemical sector, the Luanda refinery (the only operational one in the country today) recorded an average utilization rate of 75% in 2024 (3 percentage points higher than in 2023). This allowed for an average self-sufficiency rate of locally refined products of about 28%, with the remainder coming from imports.

The economy grew by 3.5% in the first quarter of 2025 *(INE)*

According to the National Institute of Statistics (INE), GDP increased by 3.5% in Q1 2025 compared to the same period in 2024. This growth rate surpasses the population growth rate, which is approximately 3.2%. The extraction of diamonds, metallic and non-metallic minerals surged by 51.4% during this period, followed by posts and telecommunications (+26.7%) and trade (+10.4%). The sectors of fishing and aquaculture (+8.3%), construction (+5.3%), electricity and water (+4.9%), transport, real estate services and leasing (+2.9%), storage (+1.4%), and other services (+8.4%) also contributed to GDP growth. Conversely, the oil sector, which saw a decline of 4.4%, and the accommodation and food services and financial and insurance intermediation sectors, which fell by 2.5% and 0.6% respectively, recorded the worst performances in the first quarter.

It is worth noting that the IMF has revised downwards Angola's economic growth to 2.4% for 2025, a decrease of 0.6 percentage points from the 3.0% forecasted in January. The IMF's projections are more pessimistic than those of other institutions. For example, the World Bank, in its Pulse of Africa report, forecasts a growth of 2.7%, and Standard Bank predicts a growth of 2.9%. The government, however, is more optimistic, forecasting growth of about 3.8%, revised downwards from the 4.1% projected in the 2025 budget.

Malawi

The IMF concludes its annual "Article IV" economic review mission in Malawi *(IMF)*

Following its annual economic analysis mission (known as the "Article IV" mission), conducted from May 22 to June 3, the International Monetary Fund (IMF) has published its preliminary findings. The monetary institution presents a concerning assessment, highlighting a series of persistent economic imbalances in the context of structural fragilities. Growth, hindered by drought, fuel shortages, and instability in the foreign exchange market, is expected to reach only 2.4% in 2025, following a 1.8% increase in 2024. Inflation remains particularly high (with a forecast average of 29% for 2025), driven by the surge in maize prices, monetary expansion, and a widening gap between the official exchange rate and the parallel market rate (where the dollar exchanges at 3,000 MWK on the black market, compared to a stable official rate of 1,751 MWK per dollar).

On the external front, the current account deficit widened to 22% of GDP in 2024 (compared to 18% in 2023), due to an increase in imports and persistently weak exports. The IMF describes foreign exchange reserves as "critically low" and emphasizes the distortions created by the dual exchange rate regime. The monetary institution recommends a new devaluation of the local currency, which has been categorically refused by the Governor of the Reserve Bank of Malawi, Dr. Mafuta Mwale. The fiscal situation also remains concerning, with domestic financing needs fueling inflationary pressures. Malawi remains in a situation of external over-indebtedness; the institution encourages the authorities to intensify discussions with commercial creditors to pave the way for restructuring.

In a context marked by the holding of general elections in September 2025, the Malawian authorities are developing a so-called "homegrown" economic reform program. The IMF emphasizes the urgency of its implementation to restore macroeconomic stability, strengthen investor confidence, and revive inclusive and sustainable growth.

Zimbabwe

Zimbabwe presents a $9 billion plan, as part of Mission 300, to double its renewable energy production by 2030 *(Moneyweb)*

During a conference organized to promote an electrification program for sub-Saharan Africa, Zimbabwe unveiled a $9 billion plan to support the development of its energy production.

Despite abundant energy resources, particularly renewable ones (solar, hydro), 38% of the population still lacks access to electricity, according to the World Bank (2023 figures). Zimbabwe is also suffering from a severe energy crisis marked by power outages lasting up to an average of 18 hours per day. These blackouts are linked to droughts affecting the country's electricity production, which is mainly dependent on hydropower. The situation is further exacerbated by Zimbabwe's challenging macroeconomic conditions, leaving it with no fiscal maneuvering room.

This plan aims to double Zimbabwe's electricity production using hydroelectric, wind, solar, and biomass power plants. It is part of the World Bank's and the African Development Bank's Mission 300, which aims to finance and develop electricity access for 300 million people in sub-Saharan Africa by 2030.

Zimbabwe plans investments of $3.81 billion for energy production (90% private), $968 million for transmission, and $147 million for distribution (80% public), as well as $2.97 billion for grid access (100% public). Additionally, $405 million is allocated for domestic solar systems, and $792 million for clean cooking solutions, both financed 70% by private investors.

This decision aligns with the World Bank's Mission 300 agenda, which aims to provide electricity access to an additional 300 million people in sub-Saharan Africa by 2030 through investments in renewable energy (solar, hydro, wind) and the improvement and expansion of electrical grids and alternative solutions such as mini-grids.

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