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ECONOMIC WRAP-UP
Southern Africa

A publication from the Pretoria Regional Economic Service from July 22 to 26, 2024

DATA OF THE WEEK

+5.1%

South Africa's inflation rate in June - *StatsSA*

Focus on the new laws enacted by President Ramaphosa : combating climate change, support for SMEs, public procurement framework *(BusinessDay)*

On Monday, South African President Cyril Ramaphosa signed into law three new laws concerning the country's response to climate change, support for SMEs and criteria for awarding public contracts. The *Climate Change Act* is the first regulatory framework in South Africa to respond to the impacts of climate change. With this Act, the climate will have to be taken into account in all public policies, and actions in favour of the climate will have to be coordinated within the government, as well as in all planning documents, including at provincial and municipal level. 2/ The Presidential Climate Commission (PCC) will become an independent State body responsible for providing advice on issues relating to the just transition. 3/ For mitigation (reducing GHG emissions), the law provides for the development of a long-term national trajectory for greenhouse gas emissions and its periodic review, and imposes sectoral emissions targets on the sectors concerned and carbon budgets on the major emitters. 4/ For adaptation, national adaptation targets will be defined, scenarios to assess vulnerabilities will be established, and a national adaptation strategy and plan will be drawn up. 5/ Mechanisms to support and finance the response to climate change are provided for.

The *Public Procurement Act* establishes a new, standardised framework applying to all public bodies (administrations, institutions, municipalities, provinces, public entities) for awarding public contracts. This system is a response to the problems of corruption surrounding public contracts, and aims to bring greater transparency and integrity to the award mechanism. For example, the law now prohibits anyone employed by a public entity (in Parliament, in ministries and administrations, and in the provinces and municipalities) from bidding for a public contract. The law also provides for a proportion of these contracts to be reserved for "persons or categories of persons disadvantaged by unfair discrimination" (women, black people, disabled people, etc.). The law also allows the Department of Trade, Industry and Competition (DTIC) to give preference to production in South Africa for certain categories of products, except where local capacity does not exist or where this is considered "uneconomic".

The *National Small Enterprise Amendment Act* aims to rationalise public support for SMEs in order to increase their participation in the economy. The Act establishes a new public agency, the *Small Enterprise Development Finance Agency, which* brings together the existing *Small Enterprise Development Finance Agency* (SEFA), the *Small Enterprise Development Agency* (SEDA) and the *Cooperative Banks Development Agency* (SEDFA).

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Southern Africa

- Veolia and Norfund announce a partnership targeting industrial customers for water and energy management solutions in Africa (*Veolia Africa*)

South Africa

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- Inflation continues its slow decline to 5.1% in June (*SARB*)
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Angola

- Angola's central bank keeps its key rate unchanged at 19.5% (*BNA*)
- Angola's trade balance in surplus of USD 5.6 billion in the first quarter of 2024
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Zimbabwe

- Zimbabwe's Sovereign Wealth Fund's $1.6 billion takeover of mining company raises questions (*Daily Maverick*)
- Finance Minister presents mid-term budget review (*Parliament*)
- In Zimbabwe, $310 million mobilized for lithium production (*Agence Ecofin*)

Southern Africa

Veolia and Norfund announce partnership targeting industrial customers for water and energy management solutions in Africa *(Veolia Africa)*

On July 22, Veolia announced the conclusion of a partnership with Norfund, the Norwegian sovereign wealth fund, to relaunch its development in the African market. The aim is to develop markets in renewable energy supply, energy efficiency and water management for industrial customers. Target markets include agri-food, materials, chemicals and mining. The new identity targets investment projects of between €3m and €50m.

South Africa

President signs pension reform bill into law on 1er September *(BusinessDay)*

On July 21, the Presidency announced in a press release that President Cyril Ramaphosa had signed the Pension Funds Amendment Bill. The pension fund industry can now make the necessary legal changes to incorporate the new system. The bill allows for the introduction of the partial withdrawal of savings, the inclusion of the insured's interest in the savings, the specific features of the vested and retirement pots, and the tax deductions available under the new two-pot retirement system. This reform of pension funds will come into force on 1 September 2024. As a reminder, it provides for the creation of two accounts : a "saving pot" (which will contain a third of the contributions) and a "retirement pot" (which will contain the remainder of the contributions). The former can be withdrawn annually during a career or on retirement, while the latter will be paid out exclusively in the form of an annual annuity after retirement, regardless of any financial difficulties encountered. Between 1 September 2024 and 1 March 2025, members will be able to withdraw a minimum of ZAR 2,000 and a maximum of 10% of their savings (up to a maximum of ZAR 30,000). From 1 March 2025, the minimum withdrawal will remain at ZAR 2,000, but the maximum limit will be abolished. As a reminder, the current system involved a single account, which could be withdrawn in full when changing jobs, or in part (one-third) when retiring. The new system is designed to improve savings for South Africans and prevent them from drawing on their retirement account before they have finished working.

Trade Minister Parks Tau calls on the United States to extend AGOA to help Africa industrialize *(Daily Maverick)*

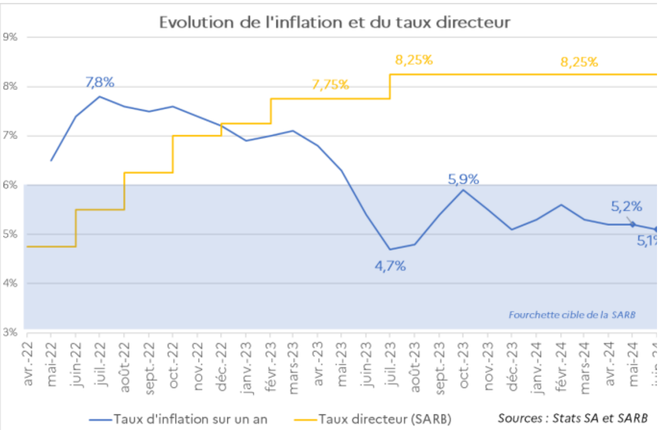
Trade Minister Parks Tau attended the annual African Growth and Opportunity Act (AGOA) Forum in Washington DC this week. He called for the extension of this preferential trade agreement between Africa and the United States, which ends next year.

Since 2000, AGOA has provided tariff-free access to the US market for many products from sub-Saharan African countries, including South Africa. Still driven by the primary sector, Minister Parks Tau would like to see economic integration through AGOA shift more towards the manufactured goods sector. For the Minister, AGOA would enable Africa to industrialise and attract more foreign investors. US Secretary of State Anthony Blinken confirmed the Biden administration's support for extending the agreement, while modernising it to better reflect the economic transformations of the various countries since 2000. In addition, during his visit to the United States, Minister Parks Tau met with the Biden administration to ensure that South Africa would not be excluded from the extension of the agreement. Indeed, some Republicans in the US Congress are calling for South Africa to be withdrawn from the agreement. They point to the country's good relations with Russia, China and Iran, which could pose a threat to American security and foreign policy.

The African Development Bank grants a USD 1 billion loan to Transnet *(AfDB)*

On July 18, the African Development Bank (AfDB) approved a loan of ZAR 18.85 billion (USD 1 billion) for Transnet, the South African national logistics operator. This 25-year loan is fully guaranteed by the government. As a reminder, while Transnet, like all over-indebted public companies, did not receive a bailout for the 2024/25 financial year from the Treasury, the State did provide a ZAR 47 billion (EUR 2.4 billion) guarantee in December 2023 (of which this loan is part) to support a recovery plan. This 18-month plan, announced in October 2023, aims to restore production volumes (down to 150 million tonnes in 2022/23 compared with 226 million in 2017/18) and make the company profitable again. Transnet recorded losses of ZAR1.6bn in the first six months of the last financial year (March to September 2023), increasing its debt to ZAR130bn (EUR6.5bn). According to the AfDB, the loan should also facilitate the implementation of the first phase of the ZAR 153 billion (USD 8.1 billion) five-year investment plan, the aim of which is to improve current capacity before developing new priority segments. In addition to the loan, the AfDB plans to provide two further grants of ZAR13.6m (USD750,000) for technical support under the Sustainable Energy Fund for Africa (SEFA) and ZAR18m (USD1m) under the Infrastructure Project Preparation Facility of the New Partnership for Africa's Development (NEPAD).

Inflation continues its slow decline to 5.1% in June *(SARB)*



According to the national statistics agency (StatsSA), consumer price inflation (CPI) reached 5.1% year-on-year in June, after 5.2% in May. The indicator has continued its slow deceleration since February (5.6%) and has remained above the 5% mark since September 2023, the upper limit of the central bank's target range (3-6%). The main items contributing to the rise in prices are "housing, water and electricity" (+5.5%, i.e. a positive contribution of +1.3 points to total inflation), "food, beverages and tobacco" (+4.6%, i.e. a positive contribution of 0,9 points), which continues to moderate (its lowest level since September 2020), and 'transport' (+5.5%, or +0.8 points), which is also decelerating, benefiting from the fall in fuel prices (-1.24 ZAR for petrol, or -4.9%, and -1.18 ZAR for diesel, or -5.3%). Producer price inflation (PPI) stagnated in June, remaining at 4.6%. The main sectors contributing to inflation were "coal, petroleum and chemical products" (+6.7%, i.e. a positive contribution of 1.6 points to total inflation), followed by "food, beverages and tobacco" (+4%, i.e. +1.2 points) and finally "metals, machinery and equipment" (+5.7%, i.e. a positive contribution of 0.8 points). These latest figures could therefore encourage the Central Bank to cut its key rates at the next Monetary Policy Committee meeting on 19 September.

Gautrain agrees with NUMSA on a 6.8% wage increase after 17 days of strike *(BusinessDay)*

On July 24, Bombela Operating Company (BOC), the Gautrain operator, announced the end of the 17-day strike, after reaching an agreement with the NUMSA union (*National Union of Metalworkers of SA*). Both parties have agreed to a 6.8% pay rise, which is higher than the rate of inflation (5.1% in June), compared with an initial offer of 5.3% from the employer and a demand for 13% from the union. The agreement takes effect retroactively from July 1 and will expire on June 30, 2024. At the same time, the agreement also provides for an increase in the transport premium for night work (from ZAR 105 to ZAR 112), the night work allowance (from ZAR 35 to ZAR 37) and the housing allowance (from ZAR 121 to ZAR 1,300).

Angola

Angola's central bank keeps its key rate unchanged at 19.5%*(BNA)*

The National Bank of Angola (BNA) kept its key rate unchanged at 19.5% during the July 19 monetary policy committee meeting. The central bank justified its decision in view of the slowdown in the monthly growth rate of the consumer price index since last April (+2.07% in June compared with +2.49% in May), as well as better prospects for economic growth. The IMF has revised its GDP growth forecasts upwards to +3.2% in 2024 (compared with 2.4% in April) and +3.5% in 2025. Year-on-year inflation at the end of June stood at 31%, and was as high as 43% in the capital Luanda (the highest inflation rate for over 20 years). It is mainly driven by food, which accounts for almost 67% of the index. The contraction in the M2 aggregate (in kwanza) continues to shrink (-0.3% in June after 1.26% in May), and the money supply in circulation shrank by 7.11% over the first half of 2024, leading the BNA to maintain the minimum reserve ratio for commercial banks unchanged at 21%.

Angola's trade balance in surplus of USD 5.6 billion in the first quarter of 2024

According to the INE, the country's trade balance recorded, during the first quarter of 2024, a surplus of 4.53 trillion AOA (or 5.6 billion USD), due to the sustained level of the price of a barrel of oil, the main product. export. The main export partners are China (45.0%), India (14.6%), Spain (7.8%), Indonesia (6.7%) and the United Arab Emirates (4.0%). In terms of imports, the main partners are China with a share of 14.5%, Belgium 10.0%, Portugal 9.6%, South Korea 7.1% and the USA 6.5%. During the period under review, the main product groups exported were "mineral fuels" (mainly crude oil), with a share of 93.8%, and "pearls, precious stones and metals, jewellery" (mainly diamonds), with a share of 4.6%. Imports were dominated by "machinery and equipment" accounting for 24.9%, "fuels and minerals" for 21.6%, "food products" for 11.5%, "base metals" for 9.9% and "chemical products" for 6.6% of the total value.

Eximbank approves USD 1.6 billion financing for solar energy in Angola

The US Export-Import Bank (EXIM) has approved a $1.6 billion loan to support the construction of 65 solar photovoltaic mini-grids in Angola with energy storage facilities.

These mini-networks will supply water collection, treatment and purification systems in four provinces in southern Angola. According to a press release, the transaction will involve the American companies ING Capital, Sun Africa and the Angolan company Omatapalo.

Botswana

The World Bank grants a loan to Botswana for the development of its renewable energies *(Agence Ecofin)*

In mid-July, the World Bank approved a first loan for the development of renewable energies in Botswana, where a first wave of construction of 335 MW of capacity is underway.

The country has set itself the target of increasing the share of renewable energies in its energy mix to 30% by 2030 and 50% by 2036. The country currently has 75% access to electricity, one of the highest rates in sub-Saharan Africa. However, its energy mix is still largely dependent on fossil fuels, notably oil and coal.

Eswatini

The IMF concludes its annual "Article IV" mission *(IMF)*

At the end of an annual economic analysis mission known as "Article IV", carried out from July 11 to 24, the International Monetary Fund (IMF) published, in a press release, its first conclusions. The IMF highlights the temporary improvement in the country's economy. In 2023, growth reached 4.9% (compared with 0.5% in 2022), driven by sugarcane and beverage exports, tourism and telecommunications. Growth is expected to remain between 4.5% and 5% in 2024, before slowing to 2.5% in the medium term. At the same time, unemployment (35.4% of the population) and poverty remain very high. Opportunities do exist, however, in energy and mining projects, but these require high levels of investment. According to the Bank, inflation remains under control and is below that of its neighbour South Africa, reaching 4.4% in June 2024 (compared with 5.1% in South Africa). The fiscal deficit for the 2024/25 financial year should be limited to 1.5% of GDP, benefiting from the substantial revenue from the customs union (SACU), but there is a risk that it will widen again from next year with the decline in SACU revenue, the increase in public spending and the slowdown in growth.

According to the international financial institution, spending needs to be curbed to limit the deficit to 3.5% by 2025/26 and public debt to around 40% of GDP. It should be noted that the country is experiencing difficulties in financing its deficit, with an insufficient issue of Treasury bills and the accumulation of payment arrears. The government is reluctant to take on debt in an unfavourable environment with high interest rates, but has nevertheless subscribed to treasury bills for ZAR 400 million in May 2024 on the Johannesburg stock exchange, an insufficient amount compared with its needs.

Zambia

The Ministry of Finance revises growth to 2.3% and the deficit to 6.2% in 2024 *(Ministry of Finance)*

On July 13, the Zambian Ministry of Finance published its Medium Term Budget Plan for 2025-2027 in which it assesses the state of the economy.

Firstly, the authorities have revised their growth forecast for 2024 downwards to 2.3% (compared with 4.8% in the September budget), following the impact of El Nino on the economy, particularly on agriculture and electricity production, after growth of 5.4% in 2023. Economic activity is expected to rebound to 6.6% in 2025 and 5.9% in 2026, driven by the agricultural rebound (+15.1% on average over the period 2025-27), the development of the mining sector (+11.7%), transport (+10.8%) and information technology and telecommunications (+11.6%). From a budgetary point of view, fiscal performance suffers from the unfavourable context of 2024, worsening the fiscal deficit to 6.2% of GDP (compared with 4.8% in the 2024 budget), but should improve in the medium term. While revenues have been revised upwards to 22.8% of GDP (compared with 22.5% in the initial budget, i.e. +3.6%), benefiting from the increase in donations (1.2% of GDP compared with 0.5% initially), expenditure should rise to 29% of GDP (compared with 27.4% initially forecast, i.e. +8.8%). In the medium term, the government is presenting a fiscal consolidation plan, supported by the rebound in activity from 2025, with the aim of reducing the fiscal deficit to 0.2% of GDP by 2027.

Zimbabwe

Zimbabwe Sovereign Wealth Fund's $1.6 billion takeover of a mining company raises questions *(Daily Maverick)*

According to revelations from Zimbabwean investigative media *TheNewsHawks*, Zimbabwe's sovereign wealth fund, Mutapa Investment Fund, would have paid $1.6 billion, or 5% of the country's GDP, for the purchase of shares in the mining company Kuvimba Mining House. This transaction was financed by public debt, even though Zimbabwe is negotiating the restructuring of its debt with the African Development Bank (AfDB). The Zimbabwean government already owns 65% of the company, which has a dozen gold, lithium, nickel and platinum mines, and would have bought the remaining 35%. At this price, the company would be valued at USD 4.6 billion, i.e. 3 times more than the valuation indicated by the government in 2022. However, market factors alone cannot explain this increase in value.

This raises the question of embezzlement, as well as the identity of the vendors who allegedly received the money. Already in 2021, revelations had been made about the mining company and its links with Kudakwashe Tagwirei, an adviser to President Emerson Mnangagwa, who secretly owned 35% of the company. Similarly, in 2024, the state is said to have recapitalised Mutapa to the tune of USD 1.9 billion, 4/5 of which was used to pay a number of anonymous shareholders in the sovereign wealth fund. The Zimbabwean authorities have so far refused to comment on the matter.

Minister of Finance presents mid-term budget review *(Parliament)*

On July 25, Finance Minister Mthuli Ncube presented the mid-term budget review to Parliament in a very lively economic context forcing the government to revise its expectations. Firstly, because of the impact of El Nino on agricultural production (which is expected to contract by 21%), domestic growth forecasts have been revised downwards to 2% for 2024 (compared with 3.5% in the initial budget). Secondly, the budget presented in November had been drawn up in Zimbabwean dollars, a currency that was replaced on 5 April 2024 by a new currency, the Zimbabwean Gold (ZiG), necessitating a complete revision of the allocations. In the first six months of the year, revenue is estimated to have reached the equivalent of ZiG 36.5 billion (USD 2.6 billion), compared with expenditure of ZiG 38.9 billion (USD 2.8 billion). Total revenue for 2024 is estimated at ZiG 93.2 bn (USD 6.7 bn, or 22% of GDP) and expenditure at ZiG 96.8 bn. The budget deficit for the year is therefore expected to reach 1.3% of GDP (compared with 1.5% initially). The deficit for the first half of the year was financed by the issue of ZAG 2.3 bn in Treasury bills, increasing the debt in June 2024 to ZiG 287.2 bn (USD 20.8 bn and more than two-thirds of GDP). It should be noted that 58.7% of the debt is external. The speech also provided an opportunity to introduce new tax measures to boost the use of the new currency, the most significant of which is the requirement for companies to pay at least 50% of their taxes in local currency.

In Zimbabwe, $310 million mobilized for lithium production *(Agence Ecofin)*

On July 18, the public mining company Kuvimba Mining announced that it would invest $310 million in the construction of a lithium concentrator within a year and a half at the Sandawana mine.

With an expected production capacity of 600,000 tonnes of lithium concentrate, the project aims to strengthen Zimbabwe's position in the value chain. However, the production of concentrate is only one stage in the initial transformation : from this concentrate, lithium hydroxide or carbonate, used in batteries, is still mainly produced in China.

This project could be linked to the initiative by Zulu Lithium, a local subsidiary of the British group Premier African Minerals (PAM) and supported by the Chinese group Canmax, to produce 8,000 tonnes of lithium concentrate per year.

	Exchange rates	Change in USD exchange rates (%)			
	25/07/2024	Over a week	Over a month	Over a year	Since 1st of January
South Africa	18,40 ZAR	-1,0%	-1,7%	-3,7%	-0,6%
Angola	870,9 AOA	0,1%	-2,5%	-5,3%	-4,8%
Botswana	13,5 BWP	369,9%	-0,9%	-3,8%	-1,2%
Mozambique	63,2 MZN	-78,8%	0,0%	0,0%	0,0%
Zambia	26,1 ZMW	-0,8%	-2,2%	-28,6%	1,0%

Note: a positive sign indicates an appreciation of the currency.

Source : OANDA (2024)

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