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ECONOMIC WRAP-UP
Southern Africa

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Economic Service from April 14 to April 25, 2025

Cancellation of VAT hike scheduled for 1 May *(Daily Maverick)*

In a press release published on 25 April, the South African Treasury announced that it was cancelling the 1 percentage point increase in VAT voted for on 2 April, the first phase of which (from 15% to 15.5%) was due to come into force on 1 May 2025. This decision comes against a tense political backdrop, with the Democratic Alliance (DA), a member of the coalition government that refused to vote for the budget, taking legal action against the way in which the VAT increase was adopted. The cancellation of this measure will result in an estimated loss of revenue of ZAR 75 billion over the medium term: ZAR 13.5 billion in 2025/26, ZAR 29.85 billion in 2026/27 and ZAR 31.62 billion in 2027/28. While the Finance Minister's initial statements pointed to a reduction in public spending, which was also supported by the DA, the scenario of a slippage in the public deficit (beyond the 4.6% of GDP for the 2025/26 financial year and the 3.5% of GDP by 2027/28 estimated in the budget adopted on 2 April last) has not been ruled out.

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Southern Africa

Afreximbank ready to finance Mmamabula-Lephalale rail link between Botswana and South Africa *(Mmegi Online)*

The African Export-Import Bank (Afreximbank) has confirmed its interest in financing the railway line linking Mmamabula (Botswana) to the Lephalale district in South Africa. The cost of the first phase of this major infrastructure project, crucial to the export of Botswana's raw materials, is estimated at USD 627 million. The first section will cover around 120 kilometres, linking the Mmamabula mining region to the South African rail network at Lephalale (Limpopo province). In a second phase, the line should reach the port of Richards Bay. An extension to Mozambique could also be added at a later date.

The project is being carried out jointly by Botswana Railways and Transnet, with the support of the governments of Botswana and South Africa. The first phase of the project envisages an annual transport capacity of 7.8 million tonnes, requiring the purchase of associated rolling stock. The second phase would aim to increase this capacity to 18 million tonnes a year, at an estimated cost of USD 1.13 billion. A request for proposals (RFP) from interested investors is expected in the next few months.

Delayed for more than a decade, this project could facilitate Botswana's exports of coal, copper and iron, as well as its oil imports. The main challenge for Botswana is to enable the export of coal from the Mmamabula mine, which according to initial plans will be extracted from 2026 by the Indian company Jindal Africa.

Tongaat Hulett gets green light to sell Zimbabwe assets *(Business Day)*

South African sugar group Tongaat Hulett has received the necessary regulatory approvals to complete the sale of its assets in Zimbabwe, following final approval from the Zimbabwe Competition and Tariff Commission (CTC). Tongaat Hulett, which was in serious financial difficulty, announced last December that it was selling all its assets in South Africa to Vision Sugar South Africa, a Dubai-based subsidiary of Vision Investments, headed by South African businessman Robert Gumede.

The sale includes Tongaat Hulett's assets and operations in South Africa, Zimbabwe, Mozambique and Botswana, subject to regulatory approvals, all of which have now been obtained. The consortium should now be able to implement its rescue plan for the group shortly. This involves contributing around EUR 95m to settle Tongaat Hulett's outstanding debts, converting most of the EUR 400m debt into equity and making an initial payment of around EUR 235m to relaunch the group's activities.

Tongaat Hulett plays a key role in the region's economy. In South Africa, it is a pillar of the sugar industry with 2,600 employees, and in Zimbabwe, it is the country's second largest employer after the State.

Contrasting developments for two electricity interconnection projects in Southern Africa *(Agence Ecofin)*

Through its representative in Zambia, the World Bank has announced that the Zambia-Tanzania interconnection project will resume by the end of April, with delivery scheduled for 2028. Financed to the tune of 320 M USD by the latter, the European Union and the United Kingdom, this project aims to connect the power grids of Southern Africa (Southern Africa Power Pool) and Eastern Africa (Eastern Africa Power Pool), creating one of the largest energy markets in the world, theoretically stretching from Cape Town to Cairo.

This project should enable Zambia to export more of its potential renewable hydropower to neighbouring countries. This possibility is also dependent on a more favourable water situation, as the country suffered a historic drought in 2024, leading to severe power cuts.

The project, implemented by the national electricity company ZESCO, had been suspended due to the Covid-19 pandemic and Zambia's sovereign debt crisis, which led to the country defaulting on its external debt in 2020. The conclusion in 2023, under the aegis of the Paris Club and the G20 ('Common Framework for Debt Treatment'), of an agreement on the restructuring of the country's external bilateral debt has changed the situation.

Meanwhile, the Mozambique-Malawi interconnection project, launched in 2021 by Presidents Nyusi and Chakwera, is several months behind schedule. Although work is almost complete on the Malawian side, serious post-election unrest in late 2024 and early 2025 in the Mozambican province of Tete has slowed down operations on the Mozambican section.

Initially scheduled for December 2024, then June 2025, commissioning has now been pushed back to September or October 2025. Malawi, which was also hit by the El Nino weather phenomenon in 2024, and whose national grid is extremely limited (capacity of 554 MW), is counting on this project to import 50 MW of Mozambican electricity to relieve its saturated grid.

Financed to the tune of USD 88 million (by the World Bank, Norway and the Malawian government), this 218 km, 400 kilovolt project will also enable Malawi to join the Southern African Power Pool (SAPP), a major step towards the country's energy diversification.

Fitch downplays potential impact of trade war on African sovereign ratings *(Bloomberg)*

Fitch Ratings believes that trade tensions linked to Donald Trump's protectionist rhetoric should not have a significant impact on the sovereign ratings of sub-Saharan African countries. Although a large-scale trade conflict could affect exports, growth and tax revenues, Fitch points out that most African countries have limited direct trade exposure to the United States. The agency points out that the region's ratings continue to be influenced more by domestic factors, such as weak public finances, political instability and slow structural reforms. Even for South Africa, which has relatively stronger trade links with the United States (7.5% of South African exports were destined for the US in 2024), Fitch does not anticipate any major direct impact on its rating, barring a wider macroeconomic deterioration.

Key rates maintained in Southern Africa: monetary prudence in Namibia and Botswana *(Bank of Namibia, Bank of Botswana)*

The monetary policy committees of the central banks of Namibia (BoN) and Botswana (BoB) have opted for the status quo in April 2025, maintaining their key rates at 6.75% and 1.9% respectively, against a backdrop of controlled inflation and vigilance in the face of persistent economic uncertainty.

Both institutions warn of upside risks to inflation, particularly in the event of a recovery in commodity prices, global logistical disruptions, or tariff hikes - such as the differentiated tariffs recently announced by the United States, currently suspended for 90 days. Conversely, weak domestic demand, falling oil prices and the global slowdown could keep inflation under control.

For the record, inflation in Namibia rose to 4.2% year-on-year in March (from 3.6% in February), driven by food, alcohol and transport prices. The BoN has raised its inflation forecast for 2025 to 4.2%, from 4% previously. In Botswana, inflation remains below the 3-6% target, reaching 2.8% in March (compared with 2.7% in February). The BoB is forecasting an annual average of 2.5% in 2025.

South Africa

Saudi Arabia invests in South African industrial group Barloworld *(Engineering News)*

The Public Investment Corporation (PIC), South Africa's leading public asset manager, has agreed to sell its 41 million ordinary shares in Barloworld to a Saudi consortium. This transaction represents approximately 21.93% of the share capital of Barloworld, an industrial conglomerate (Ingrain, Barloworld Automotive, Barloworld Handling, Barloworld Logistics and Barloworld Equipment) listed on the Johannesburg Stock Exchange (JSE).

The acquiring consortium is made up of Entsha Proprietary and Gulf Falcon Holding, a wholly-owned subsidiary of the Saudi-based investment fund Zahid Group. Last December, this consortium proposed to buy all the shares in Barloworld for a total of ZAR 23 billion (EUR 1,075,000 billion), or ZAR 120 per share.

The plan also called for Barloworld to be delisted from the JSE and the A2X market, and for a 13.5% stake to be acquired under the Broad-Based Black Economic Empowerment (B-BBEE) scheme following the delisting. Last February, the proposed acquisition received only 37% of votes in favour in a shareholder vote. PIC itself opposed it, citing concerns about corporate governance. In response, the Zahid consortium changed its strategy, seeking to increase its stake in Barloworld from 19% to over 50%. The acceptance of this offer by PIC marks a turning point: once the transaction is finalised, the Zahid consortium will own 40.93% of Barloworld, bringing it closer to effective control.

South African court cancels EUR 375m rail contract in emblematic 'state capture' case *(Engineering News)*

A South African court has cancelled a EUR 375 million contract for 233 diesel locomotives between Transnet, the state-owned rail operator, and a company (GE South Africa Technologies) that is now a subsidiary of the US group Wabtec Corp. This decision is part of a vast campaign against corruption within South African public companies, which began following the scandals linked to 'State Capture' under President Zuma (2009-2018).

In 2014, Transnet awarded four contracts for the purchase of 1,064 locomotives, worth a total of around €2.5 billion. Under the terms of the settlement, Transnet will retain the locomotives supplied by Wabtec (formerly GE South Africa Technologies). Wabtec will not reimburse the sums received, but Transnet will receive a credit of EUR 3.3 million, equivalent to outstanding commitments from the supplier. Other contentious contracts remain, including those with Chinese companies CNR Rolling Stock South Africa (now CRRC SA Rolling Stock) for 240 diesel locomotives and CSR E-Loco Supply (now CRRC E-Loco Supply) for 359 electric locomotives.

The South African economy showed signs of fragility in February 2025, affected in particular by the marked contraction in industry and the loss of momentum in household consumption *(StatsSA)*

According to StatsSA, mining production fell by 9.6% year-on-year in February, following a 1.5% decline in January. The decline was widespread, with nine of the twelve sub-sectors recording a contraction over the year. The main negative contributions came from platinum group metals (PGMs) (-23.9%, or -5.8 points), iron ore (-10.5%, or -1.9 points), gold (-7.6%, or -1.0 points) and coal (-4.3%, or -1.0 points). This decline far exceeds the Bloomberg consensus (-3.8%) and reflects both temporary disruptions - heavy rainfall and planned maintenance operations - and a weakening in external demand. While certain supply constraints (logistics and energy) could ease in the short term, the prospects for a recovery in the sector remain limited in the absence of a rebound in global demand.

Manufacturing output also fell by 3.2% year-on-year in February, following a contraction of the same magnitude in January. The biggest falls were in the automotive industry (-14.9%, or -1.3 points) and in the petroleum, chemicals, rubber and plastic products sector (-5.6%, or -1.2 points). The outlook remains fragile as global demand slows and new tariffs further complicate the manufacturing environment. As a result, the PMI index continues its trajectory into contraction territory (46.2 in the first quarter of 2025, compared with 49 in the final quarter of 2024).

At the same time, retail sales rose by 3.9% year-on-year in February, following a 7.0% increase in January. This growth was mainly driven by the 'textiles, clothing, footwear and leather goods' (+15.7%, or +2.3 points) and 'general retailers' (+3.4%, or +1.6 points) segments. However, performance remains below market expectations (Bloomberg consensus 6.6%), with households adopting a cautious stance against a backdrop of persistently negative confidence (-20 points), despite falling inflation and expectations of monetary easing.

Consumer price inflation slows in March *(StatsSA)*

According to the national statistics agency (StatsSA), consumer price inflation slowed to 2.7% year-on-year in March 2025, down from 3.2% in February 2025. The main contributors to this annual inflation were housing and utilities (+4.4%, contributing 1.0 percentage point), food and non-alcoholic beverages (+2.7%, contributing 0.5 percentage point), and restaurants and accommodation services (+4.2%, contributing 0.3 percentage point). Conversely, the main negative contributor was the transport sector, which recorded a significant decline of 2.4%, contributing negatively by 0.4 percentage point. This result, lower than Bloomberg consensus expectations of 3.0%, marks the lowest rate since June 2020. Although inflation is below the South African Reserve Bank's (SARB) target range of 3% to 6%, a cut in the institution's key interest rate at its next monetary policy committee meeting in May remains uncertain. The SARB may adopt a cautious approach due to global uncertainties related to the Trump administration's trade policies.

SARB warns of triple trade shock and growing global uncertainty *(Resbank)*

In its semi-annual Monetary Policy Review published on April 15, the South African Reserve Bank (SARB) sounded the alarm over an accumulation of risks weighing on both the South African and global economies. While the SARB is currently maintaining its baseline growth forecast at 1.7% for 2025, it is also considering several alternative scenarios. In the most pessimistic scenario — which includes the termination of the preferential AGOA agreement with the United States, the imposition of 25% tariffs on South African exports, and a 15% depreciation of the rand against the US dollar — growth would reach only 1.0% in 2025 (a negative impact of 0.7 percentage point). In this case, inflation would increase by one percentage point and the policy rate would be raised by 1.2 percentage points, hampering the recovery.

In a more favorable scenario, which assumes a 5% depreciation of the US dollar and a 10% rise in global commodity prices, South African growth could reach 1.8% as early as 2025, accompanied by moderate inflation at 3.5%.

As a reminder, the SARB has lowered its policy rate by 50 basis points since October 2024. A further cut of 25 basis points is anticipated by observers in the second quarter of 2025, although it remains uncertain.

Angola

Indirect effects of new US customs duties on Angola *(Expansao)*

The additional tariffs announced by the U.S. Government — some of which have since been suspended — are having indirect but potentially devastating consequences for Angola: the drop in Brent crude prices. In a context of heightened volatility in oil markets, a sustained decline in oil prices below the $70 per barrel threshold — used as the basis for the budget, which had already projected a primary deficit of 1.65% of GDP (equivalent to USD 1.7 billion) — would have significant repercussions on Angola's public finances in 2025, exposing the country to a series of severe macroeconomic and fiscal shocks.

Inflation stood at 23.85% in March, continuing a downward trend that began seven months ago *(INE)*

According to the National Institute of Statistics (INE), the national consumer price index recorded a monthly increase of 1.38% in March 2025, compared to 1.59% in February. Year-on-year, inflation stood at 23.85%, down from 25.26% the previous month, thus maintaining the downward trend observed since August 2024. The "food and non-alcoholic beverages" category contributed the most to the overall rise in prices (+0.84 percentage point), followed by "miscellaneous goods and services" (+0.11 percentage point) and "transport" (+0.09 percentage point).

The provinces with the lowest price variations were Lunda Sul (1.34%), Malanje (1.23%), and Luanda (1.18%). Conversely, the provinces of Bié (2.09%), Moxico (1.88%), and Cabinda (1.88%) experienced the highest price variations during the period.

ANPG signs production sharing agreements with Walcot, Sonangol E&P and Afentra for the exploration of the Con3 and Kon15 onshore oil blocks *(Angop)*

The National Agency for Oil, Gas and Biofuels, acting as the national concessionaire, has officially announced the signing of Production Sharing Agreements for Blocks CON3 and KON15 with Walcot (Nigeria), Sonangol Exploração & Produção, and Afentra (United Kingdom).

As part of the bidding round for the exploration of new oil blocks launched by the Angolan government in 2023, Sonangol E&P and Afentra were awarded the exploration license for Block KON15 (Kwanza Basin), while Walcot obtained the exploration license for Block CON3 (Lower Congo Basin). The Kwanza Basin, covering 25,000 km^2 (both onshore and offshore), remains underexploited despite discoveries dating back to 1955. Block KON15, with an area of around 1,000 km^2, has shown signs of light oil at the surface and hydrocarbon indicators in both post-salt and pre-salt reservoirs, from wells drilled into salt structures.

The Lower Congo Basin is Angola's main oil-producing basin through its offshore blocks (including Blocks 17, 31, and 32) and has already produced billions of barrels; Block CON3 covers an area of 723 km^2. These new concessions are intended, in the medium term, to ensure the continuity of oil production and are part of the authorities' strategy to attract foreign direct investment, stimulate the local industry, and consolidate Angola's position as one of Africa's leading oil and gas producers.

It should be noted that Angola's onshore oil production currently remains very marginal, accounting for less than 1% of the country's total output, with most crude oil being produced offshore.

Mozambique

The Mozambican government approves the Coral North FLNG Development Plan, for an estimated investment of 7.2 billion dollars *(INP)*

On April 8, the Council of Ministers of Mozambique approved the Development Plan (PdD) for the Coral Norte FLNG project, led by the Italian company ENI, in Area 4 of the Rovuma Basin.

This project will enable the exploitation of natural gas resources from the Coral Eocene 441 reservoir, located within the Area 4 concession, which already includes the Coral Sul/South FLNG floating facility. The final investment decision for Rovuma, initially expected in 2025, has been postponed to 2026.

The Coral Norte FLNG project is expected to produce 3.5 million metric tons of LNG per year (mtpa), with operations set to begin in 2028. The infrastructure will replicate the Coral South FLNG model, designed for deepwater production, which has already exported 100 LNG cargoes to the global market.

Planned investments for the Coral Norte FLNG project amount to USD 7.2 billion and are expected to generate USD 23 billion in revenues for the Mozambican government over 25 years of operation, through taxes, levies, and other contributions.

Block 4 of the Rovuma gas basin in Mozambique is estimated to contain around 85 trillion cubic feet of raw natural gas. The block is operated by Mozambique Rovuma Venture (MRV), a consortium made up of ENI, ExxonMobil, and China National Petroleum Corporation (CNPC), which collectively hold a 70% stake. The remaining 30% is held equally by ENH, ADNOC (which recently finalized the acquisition of Galp's stake), and KOGAS, each with a 10% share.

Bank of Mozambique tightens local currency rules for exporters to free up foreign currency *(Banco de Moçambique)*

On April 9, the Bank of Mozambique approved new regulatory instruments aimed at providing greater flexibility for intermediary banks in managing foreign exchange operations, in light of the current economic situation.

(i) The conversion rate of export earnings from goods, services, and foreign investment income will be increased from 30% to 50%. This exceptional measure will apply for a period of 18 months.

(ii) With regard to the repatriation and conversion of revenues from the re-export of petroleum products, banks and re-exporting entities will now be required to convert 100% of their revenues into local currency. Additionally, payments using foreign currency supplied by the national banking system will be prohibited.

These measures aim to increase the supply of foreign currency on the market, strengthen international reserves, and support the value of the metical.

Zambia

Moody's upgrades Zambia's sovereign rating outlook to positive while affirming its Caa2 rating *(Diggers News)*

Moody's has revised Zambia's sovereign credit outlook from stable to positive, while affirming its Caa2 rating for both local and foreign currency-denominated debt. This decision reflects the increasing likelihood of a sustainable reduction in the country's debt burden, supported by stronger economic growth, continued fiscal consolidation, and the stabilization of the kwacha against the US dollar.

However, Moody's notes that Zambia remains vulnerable to risks stemming from its high debt levels, liquidity constraints, and external shocks — such as trade tensions and falling copper prices — which could negatively impact export revenues in 2025.

Zambia hopes to finalise its bilateral agreements with all its official creditors in September 2025 *(Polity)*

Zambian Finance Minister Dr. Situmbeko Musokotwane confirmed that his ministry is working to finalize bilateral agreements with the remaining members of the Official Creditor Committee (OCC) by September 2025. Following the conclusion of a Memorandum of Understanding (MoU) with its official creditors in October 2023 — signed by all stakeholders in 2024 — Zambia has reached bilateral agreements with France (USD 101 million) and Saudi Arabia (USD 58 million). Negotiations are still ongoing with other countries, including China, India, Israel, the United States, Russia, and South Africa.

At the same time, Zambia has made progress in restructuring its commercial debt, having secured agreements totaling USD 8.4 million with ZTE, USD 15.3 million with Huawei, USD 33.3 million with Crédit Suisse, and USD 2.3 million with Paramount. Discussions are also underway with ICBC, CDB, and Nedbank.

Minister Musokotwane also noted that discussions are ongoing regarding the nature of Zambia's future relationship with the IMF after the current Extended Credit Facility (ECF) program ends in October 2025. The government is considering the possibility of negotiating a new program next year, which would not be a direct continuation of the current one.

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