Economics | Sub-Saharan Africa

Africa Insights

GROUP ECONOMIC UNIT

24 February 2025

NEDBANK

Africa Insights

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ISSN 1023-7097

Background and outlook

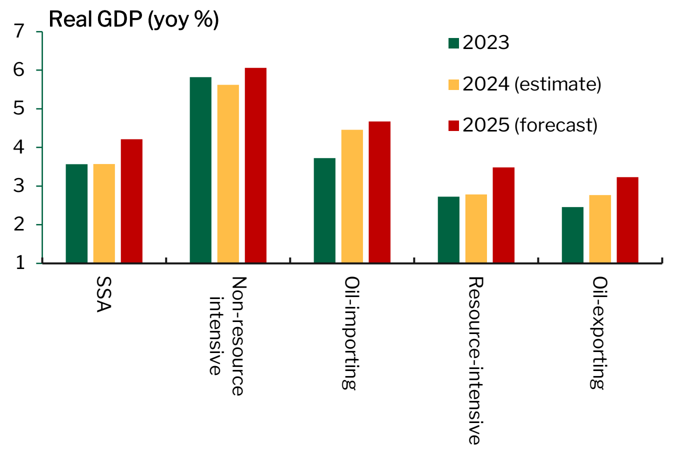
Global conditions are more favourable, supporting firmer economic growth in sub-Saharan Africa. Lower global inflation and falling interest rates will support demand for African exports. However, the risks to this scenario are tilted to the upside. The US government's push for a universal tariff policy could disrupt the global trade momentum and hurt African growth prospects. Additionally, the firmer US dollar will contain foreign liquidity in sub-Saharan African countries faced with high foreign payments. Overall, we expect firmer growth and lower inflation in the region between 2025 and 2026.

The economic outlook: Favourable global conditions, but downside risks are escalating

Sub-Saharan African (SSA) economies will benefit from the supportive global environment in 2025. Geopolitical tensions are easing as the United States (US) pushes ahead with talks to end the Russia–Ukraine war, while the truce between Israel and Hamas has contained tensions in the Middle East. The security situation in SSA is stable in most areas, barring the few trouble spots in the Sahel, Sudan, northern Mozambique, and the eastern Democratic Republic of the Congo. Stimulatory measures in China are expected to support economic activity in the world's second-largest economy. Still, a substantial rise in commodity prices is unlikely as China's high infrastructure development growth phase has almost ended. Inflation will ease as drought effects in southern Africa moderate, while subdued oil prices will help contain fuel prices in most economies. Risks to higher growth will emanate from trade tensions if the US government forges ahead with its mooted universal tariff policy. The strong US dollar will also hurt growth prospects in economies with elevated external financing needs, primarily in relation to high foreign debt repayment obligations.

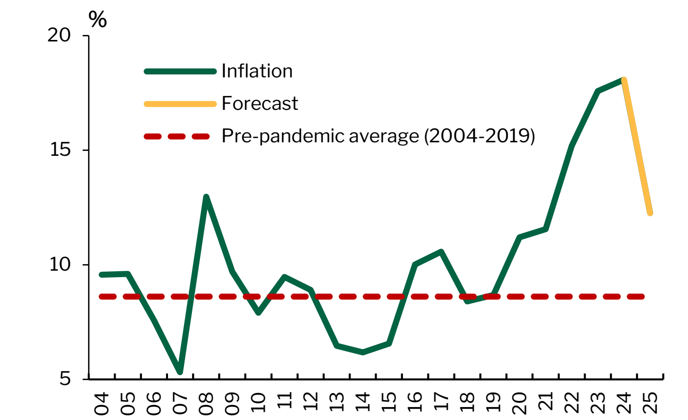
The International Monetary Fund (IMF) forecasts SSA growth at 4.2% a year in 2025 and 2026, faster than the projected global growth of 3.3% a year. The World Bank projects a similar trajectory: regional growth of 4.1% and 4.3% over the 2 years. Strong services demand will be a key driver as tourism-dependent economies benefit from a further pickup in global long-haul travel.

Chart 1: Non-resource-intensive countries will drive growth



Source: International Monetary Fund

Chart 2: Inflation to ease as food supplies rebound



Source: International Monetary Fund

AGOA: An uncertain future as the Trump administration's protectionist trade policies loom large

The African Growth and Opportunity Act (AGOA) preferential trade terms will expire in September 2025 if not renewed. The US unilateral trade concession, enacted in May 2000, facilitates duty-free access for goods from African countries to the US. In June 2015 the US Congress extended the programme for 10 years. A bipartisan Congressional motion to extend the programme for 16 years to 2041 has stalled, and the legislative proposal faces a high hurdle as the Trump administration threatens to implement a universal tariff policy that would end duty-free imports into the US. A universal tariff policy would also curtail African countries' access to the US market under the tariff rate quota (TRQ) of the Generalised System of Preferences (GSP). The GSP eliminates duties on a wide range of products, thereby supporting economic development in the 120 beneficiary countries.

Elections in sub-Saharan Africa: Another busy year as socioeconomic issues rattle governments

Historically, general elections in sub-Saharan Africa have been tepid affairs. More often than not, they have been routine exercises to entrench the hegemony of the governing parties, most of which were the liberation parties. The year 2024 proved different as several African elections conformed with the global trend, which saw several incumbent governing parties lose power. The socioeconomic situations dominated the main election issues, pointing to a gradual shift away from voting along historical or even ethnic lines.

In southern Africa, South Africa's African National Congress formed a coalition government with some opposition parties after losing its parliamentary majority for the first time since 1994. The youthful Bassirou Diomaye Faye was catapulted to the presidency in Senegal a week after being released from prison and after the then-president Macky Sall's unsuccessful attempt to postpone the polls to December unconstitutionally. In Botswana, the Botswana Democratic Party (BDP) was routed after 58 years in power as it retained a meagre 4 seats in a 61-member assembly. Encouragingly, the new government has moved swiftly to secure a new diamond-mining deal with De Beers. In Namibia, the SWAPO Party secured its slimmest majority since independence in 1990, losing 12 seats. It captured 51 seats, a majority of only 3 among the 96 contested seats, while the party's presidential candidate got 58% of the votes.

The Mozambican elections stood out like a sore thumb. Post-election violence claimed over 300 lives as opposition supporters rejected another election victory for FRELIMO. New president Daniel Chapo has moved swiftly to assure the opposition that his government will work towards inclusivity and improving living conditions. Ghana again demonstrated its mature democracy as the National Democratic Congress returned to power after 10 years in the opposition. President John Mahama returned for a second term and affirmed his commitment to stabilising government finances and boosting economic growth as the country recovers from a public debt default.

In 2025, several African countries will conduct polls, which are expected to be largely peaceful. The constitutional reform process in Gabon has gone smoothly, and the government has brought the polls forward to April after they were initially planned for August. The transitional military government, which toppled President Ali Bongo Ondimba in August 2023, seems committed to returning the country to civilian rule within 2 years. Unlike in the West African countries in which the military took power in recent years, Gabon's military government has honoured the mining licences and has promoted more international investment in manganese and iron ore mines.

President Lazarus Chakwera is likely to retain power in Malawi (September). Tanzania's President Samia Suluhu Hassan has probably done enough to win the October elections. She assumed power after the sudden demise of President John Magufuli in 2021, and she reversed most of the imprudent business policies that hurt mining investment during the Magufuli era. An improving economy that benefits from favourable gold prices will boost the prospects of her victory. In Côte d'Ivoire, President Alassane Ouattara's chosen successor, if he does not contest, will likely win the polls, albeit narrowly, in October 2025. In Cameroon, the 92-year-old president Paul Biya, who has been in power since 1982, has strongly hinted that he will contest for another term in general elections due in October. Reports of Biya's poor health suggest he could hand over to his chosen successor ahead of the polls.

Other countries that are scheduled to hold elections this year are Burundi (June), Seychelles (September), Central African Republic (December) and Burkina Faso (no confirmed date). Togo held senatorial elections in line with the new constitution adopted in 2024, but the elections have been seen as a way for President Faure Gnassingbe to extend his executive powers.

The security situation: Pockets of instability in an otherwise stable environment

Widespread violence followed the announcement of Mozambique's October 2024 election results that handed victory to the long-governing FRELIMO. The instability added to the worries about the security situation in the country's north, as the local army, backed by forces from southern Africa and Rwanda, battles to dislodge the Al Sunnah rebels in Cabo Delgado Province completely. The post-election violence has, to an extent, tarnished the image of a country that had achieved much in positioning itself as an attractive investment destination by 2020. Encouragingly, the new president, Daniel Chapo, has assured the local population and international investors that his government will strive to improve socioeconomic conditions and resume investments in liquefied natural gas.

The armed clashes in the eastern Democratic Republic of the Congo magnify the inherent security risks on the continent, with long-running ethnic and nationalist differences often exploding into civil wars. Rwanda is accused of backing the M23 rebel group, which has wreaked havoc as it captured the strategic town of Goma, with the clashes reported to have claimed 3 000 lives in a single week. Reports indicate that the rebels are threatening to move on to the capital, Kinshasa, after capturing Bukavu, the capital of South Kivu province, on 15 February. The escalation is despite leaders of southern and East African nations making efforts to facilitate a permanent ceasefire. Counter-accusations between the DRC and Rwanda have raised fears a full-blown war could erupt between the 2 countries.

The Sudan war is entering its second year, and the government forces have escalated their assault to recapture territory from the paramilitary Rapid Support Forces.

In West Africa, the military governments of Mali, Guinea, Niger and Burkina Faso have been accused of political repression, with the countries announcing their withdrawal from the Economic Community of West African States to form a new bloc – the Alliance of Sahel States. In Mali, the security forces backed by Russia's Wagner Group are reported to have executed suspected Jihadist rebels summarily. The government has clamped down on international mining companies as it pushes to draw more revenue from gold exports. Reports indicate temporary arrests of several mining executives under trumped-up charges.

Eswatini

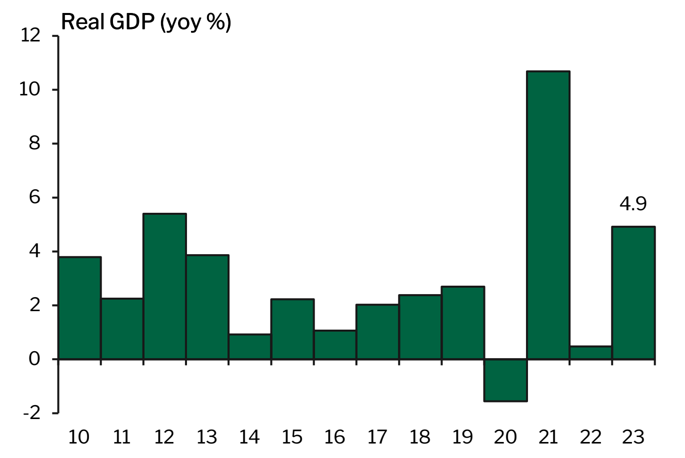
Economic growth: A solid growth phase as low interest rates support local demand, and infrastructure megaprojects add a significant boost

The positive economic momentum that started in 2023 continued in 2024, although the growth rate slowed marginally. Economic growth was robust in Q1 and Q3, with the non-agricultural sector lifting aggregate output. The Eswatini Composite Indicator for Economic Activity (ES-CIEA) indicates that real GDP increased by 1.9% qoq in Q3, rebounding from the 0.6% slowdown in Q2 and surpassing the 1.1% expansion in Q1. The growth momentum was broad-based as 10 of the 16 subsectors expanded during the quarter. Non-agricultural activity, led by manufacturing and electricity output, buoyed the firmer growth rate. The financial services sector further bolstered the overall economy amid robust credit extension to firms. Private sector credit extension was up by 6.6% yoy in December 2024, lifted by an 8.8% gain in corporate credit. On the downside, consumer demand remains constrained, reflecting the still-high-interest-rate environment. Government expenditure eased as spending on old and new infrastructure projects declined while the trade position deteriorated on weaker global demand and logistical constraints. On an annual basis, the ES-CIEA increased by 4.8% in Q3 from 3.4% in Q2.

The Central Bank of Eswatini (CBE) estimates real GDP growth at 3.6% in 2024, still robust despite moderating from 5% in 2023. The CBE projects the economy to expand by 8.3% in 2025 and by 4.7% and 3.2% in 2026 and 2027, respectively, on expectations of a strong boost from the energy-related and public sector investment projects. The major construction projects include the Mpakeni Dam system, the CBE's smart office, the strategic oil reserve, and upgrades to the MR14 and MR21 Roads funded by a $141 million World Bank infrastructure loan. More public infrastructure projects could be announced under the National Development Plan 2023/24–2027/28. Mining and quarrying will be lifted by expanding output in coal mining and robust construction-linked demand for quarried stone. Exports will also draw support from higher sugar output, which will benefit from good rains, although prices will remain subdued. Nedbank expects the area under cultivation to exceed 60 000 hectares in 2024/25 (April to March), with the aggregate output above 5.7 million tonnes. The Food and Agricultural Organization highlights that the upbeat 2024/25 production outlook will keep the world sugar price low. Global sugar prices fell by 13.2% in 2024 due to record-high export volumes in Brazil.

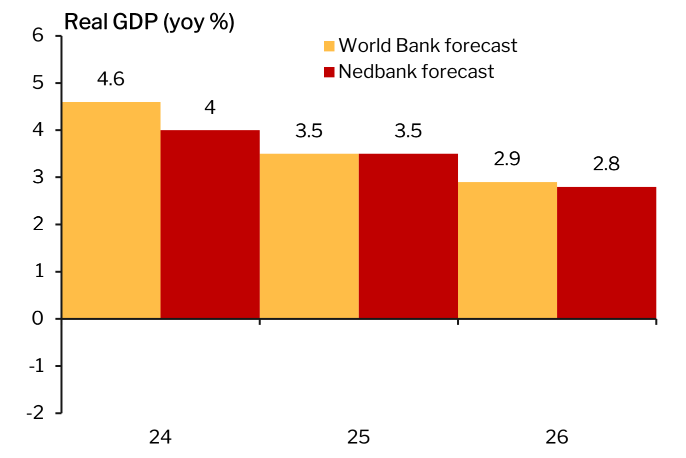
Economic growth will moderate from 2026 but remain reasonably firm as some mega infrastructure projects are completed. The slowdown in the outer years will be offset by increased coal production, exploration of other minerals, and steady tourism activity. The CBE has identified the slow layout of infrastructure spending, adverse weather and geopolitical events as the key downside risks to its economic growth outlook. Prospects for the textiles industry remain dim. Higher operational costs, as electricity and water tariffs rise, and the uncertain global environment as the US Trump administration adopts a stringent protectionist trade policy would further dampen textile shipments. Further restrictive measures by South Africa would accelerate the sector's downturn.

Chart 3: Economic growth has firmed ...



Source: World Bank

Chart 4: ... And the momentum will remain broadly steady



Source: World Bank

Nedbank expects the economic momentum to soften slightly in 2025 and 2026. However, higher domestic demand, corporate credit extension, and the boost from the mega construction projects will contain the downside. We forecast economic growth of around 3.5% for 2025, lower than the CBE's forecast and in line with the World Bank's 3.5%. The medium-term growth outlook is positive as the public sector's expanded infrastructure programme will stimulate private sector investment.

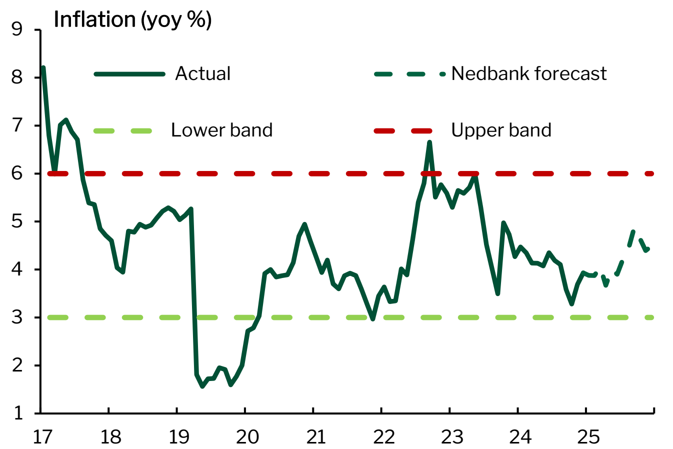
Monetary policy: Low inflation prompts the CBE to drop interest rates, in line with the global trend

Consumer inflation [consumer price index (CPI)] moderated during 2024. Food inflation was modest despite the unfavourable weather, as temperatures rose to their highest level on record, while steady international oil prices and the exchange rate appreciation contained fuel prices. Overall inflation bottomed at 3.3% in October, the lowest level since November 2021, before rising slowly to 3.9% in December to average 4% in 2024 from 4.9% in 2023. Food inflation remained low throughout 2024, hovering between 3% and 4%. Encouragingly, consumer inflation has been within the 3% to 6% target band since October 2022, which points to the effectiveness of the CBE's monetary policy tightening between 2022 and 2023.

CPI will edge higher in 2025 as the low base established in H2 2024 is reversed on the back of rising food inflation and the effect of the weaker exchange rate on import prices. However, Nedbank expects inflation to remain within the 3% to 6% target band, with headline inflation averaging 4.4% and 4.3% in 2025 and 2026, respectively. The CBE forecasts 5.3% in 2025 and 4.8% in 2026, respectively. Nedbank notes that a further depreciation of the exchange rate and higher utility costs could push inflation higher than we currently forecast. Electricity tariffs had been approved to increase by 14.7% in 2025 and 10.9% in 2026 before the government capped the increases at 8% and 7%, respectively, while a rise of 12% in water tariffs will be implemented over 3 years.

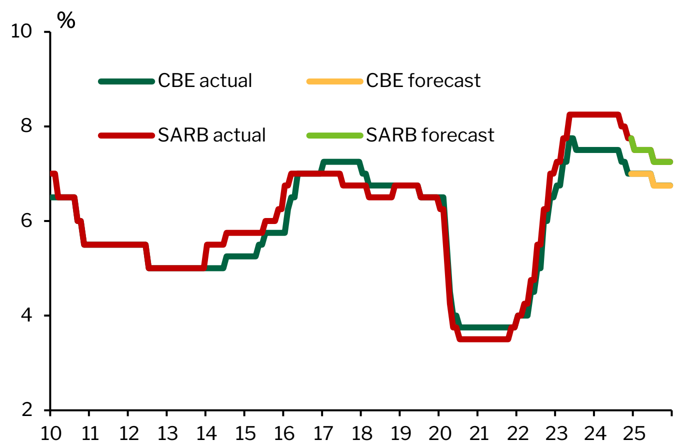
Low domestic inflation and interest rate cuts in South Africa and the major industrialised economies enabled the CBE to ease its monetary policy in H2 2024. The CBE reduced the bank rate by 25 basis points (bps) in September and November to 7% from 7.50%. Nedbank expects the CBE to cut by another 25 bps during 2025 as inflation remains subdued. However, the elevated global risks will delay the cut, and we expect a cut only in July. The timing will depend much on the trajectory of international interest rates, particularly moves by the US Federal Reserve and the impact on the local exchange rate. Therefore, we expect the CBE to maintain a policy interest rate gap of 50 bps below the South African Reserve Bank's (SARB's) repo rate.

Chart 5: Price pressures will remain contained in 2025



Source: CBE and Nedbank

Chart 6: Monetary policy easing will continue



Source: CBE, SARB and Nedbank

Lesotho

Economic growth: A steady uptick amid elevated global risks

Output activity was lacklustre in the first 3 quarters of 2024, but indications are that low inflation and easing interest rates boosted consumer demand in Q4, while exports also expanded. The Central Bank of Lesotho's (CBL's) Quarterly Composite Indicator of Economic Activity (QCIEA) showed that production growth was unsteady in Q2 and Q3. The economy dipped by 1.5% qoq in Q3, almost completely wiping out the 1.8% expansion in Q2, with the downturn driven by contractions in nearly all the subindices. Domestic demand contracted the most, falling for the third consecutive quarter, as it contracted by a significant 9% qoq, following 3% and 1.6% declines in Q2 and Q1, respectively. Household consumption expenditure was dampened by high inflation and elevated interest rates. The downturn in domestic demand was further exacerbated by a decline in the government's recurrent spending.

The manufacturing and production subsector contracted by 2.3% from a 3.1% increase in Q2, as higher shipments of textiles and clothing to South Africa failed to offset a decline in exports to the US. Construction activity declined by 1.3% in Q3 from a 43% expansion in the previous quarter amid lower imports of construction materials. Financial services activity was down by 0.6% from a 2.3% expansion in Q2. In comparison, the 12.7% expansion in transport services reflected the recovery from the declines between Q4 2023 and Q2 2024.

The primary sector performed quite poorly for most of 2024. Agriculture suffered as the drought in certain parts of the country weighed on harvests. Although high-value gems continued to be unearthed in Lesotho's mines, the export gains were contained by subdued diamond prices and demand.

Employment by companies supported by the Lesotho National Development Corporation was 32 823 in Q3 2024, an 8.2% drop from a year earlier. Job losses in the textiles and footwear sectors accelerated, with the number of workers down by 9.1% to 28 682 over 12 months. Employment in the textiles and footwear companies has plunged by 39.8% since Q1 2020, which magnifies the lingering effects of the pandemic-induced supply chain disruptions and subdued orders from the US. The non-renewal of AGOA would worsen the employment situation in Lesotho's textiles and footwear sectors. Encouragingly, worker pay in textiles and footwear rose during 2024. According to the Bureau of Statistics, total wages and salaries in the textiles and clothing sector rose by 2.1% yoy in Q3, while the leather and footwear sector recorded another solid 18.6% gain from a 19.5% rise in Q2. The pay increases in the 2 industries that account for 90.5% of manufacturing jobs boosted worker pay in the broader manufacturing sector to 8% yoy in Q3 after pay fell by 11.1% yoy in Q2. The average pay in textiles and clothing increased by 11.7% yoy, while in leather and footwear, it jumped by 49.2% yoy in Q3.

The economic growth outlook remains encouraging, with real GDP set to rise to 3% in 2025. Favourable weather and a modest recovery in global demand should bolster activity in the agricultural and mining sectors. Domestic demand will be lifted by the positive effects of lower inflation and interest rates, with consumer expenditure lifted by the boost to real incomes. Government consumption will be boosted by the expected higher Southern African Customs Union (SACU) receipts. The second phase of the Lesotho Highlands Water Project (LHWP 2) will underpin construction activity, with the public sector infrastructure projects adding some boost. However, the growth pace of construction will moderate as LHWP 2 nears completion. Manufacturing activity will be weighed down by the prevailing unfavourable environment. The Trump administration's trade protectionism and the uncertainty regarding the renewal of AGOA will prompt the textile manufacturers to remain cautious and not expand their output until the risk has dissipated. The CBL expects real GDP to rise by 2.8% in 2024, up from 1.4% in 2023. Our forecast shows growth increasing to 2.4% in 2024.

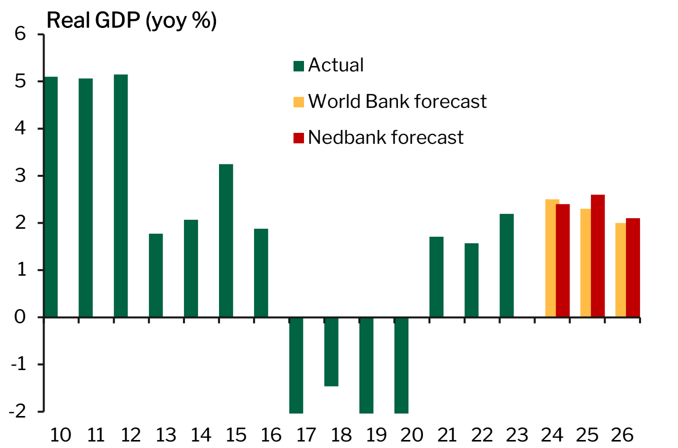
Monetary policy: The CBL cuts in line with the SARB as inflation moderates

Inflation moderated at a faster pace in H2 2024 as price pressures in the major CPI components moderated significantly. Headline inflation eased to 3.7% in December, the lowest rate since mid-2015, from 4.4% in November and substantially lower than 8.2% in January. The meaningful decline in food and transport inflation in Q4 underpinned the disinflation process.

Food inflation was elevated in the first 3 quarters of 2024, driven primarily by the drought-induced shortage of maise and other staples. It dropped notably in the final 2 months of the year, to 5.6% in December from 10.3% a year earlier. Improving food supply, South Africa's falling food inflation, and the slump in global food inflation helped to moderate local food price pressures. Lower fuel prices, as international oil prices stagnated and the local exchange rate firmed, have dragged transport inflation to below 5% since August 2024. Most of the other components in the CPI basket either remained flat or fell slightly in the final quarter of 2024. Nedbank forecasts CPI to average 5% in 2025 and 5.9% in 2026, from 6.1% in 2024. The favourable weather conditions, primarily the good rains and the largely muted global oil prices, will lead to further moderation in 2025 before the uptick in 2026.

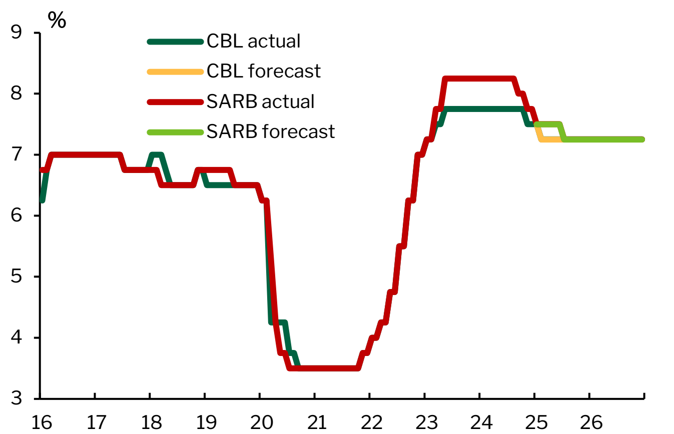
Low inflation and the moderate outlook enabled the CBL to cut its policy interest rate to 7.5% from 7.75% in November, followed by another reduction to 7.25% in February. Notably, the CBL did not start easing its interest rate in September when the SARB commenced its easing cycle, as the CBL's lower policy rate gave it room to start easing later than the SARB. In 2025, we expect the CBL to cut by another 25 bps around the middle of the year. This view aligns with our expectations for the US Federal Reserve and the SARB, which have indicated that they will maintain a cautious approach until the impact of the looming global trade war on inflation is clear. Renewed exchange rate weakness is another key factor that will prompt central banks in southern Africa to delay further easing.

Chart 7: Steady growth over the next 3 years



Source: World Bank and Nedbank

Chart 8: Repo rate gap with SARB set to close in July 2025



Source: CBL, SARB and Nedbank

Mozambique

Political instability: A massive setback in a country with attractive investment prospects

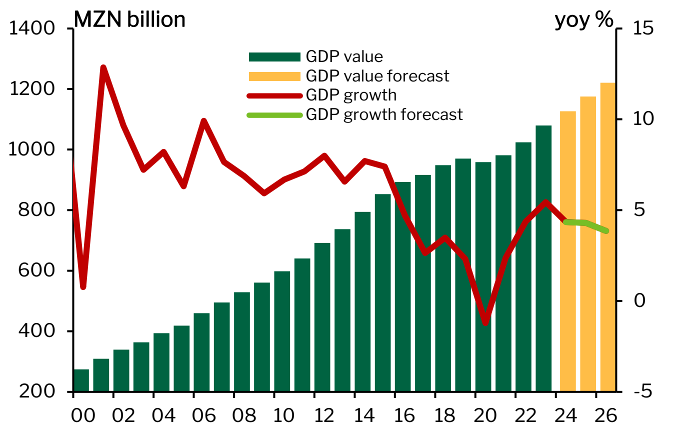
In the final weeks of 2024, election-related violence dampened the positive sentiment towards a country that demonstrated its investment attractiveness in recent years. The political unrest eroded some of the confidence engendered by progress in stabilising the security situation in the north. Encouragingly, the violence has subsided after the new president, Daniel Chapo, extended an olive branch to the opposition parties and PODEMOS leader Venâncio Mondlane, who has also since toned down his calls for public protests by calling for a 100-day truce. In a move to appease the opposition parties, President Chapo has appointed a new police chief and created a new agency to monitor police conduct after the security forces were accused of heavy-handed tactics in quelling the post-election violence.

Encouragingly, key foreign investors have reaffirmed their commitment to the country. In a recent meeting with President Chapo, TotalEnergies stressed that the delay in the company's liquified natural gas (LNG) and hydroelectric investments in Mozambique was primarily due to financial constraints, primarily challenges in raising new funding after construction was halted in 2021. Worryingly, US President Donald Trump's order that all non-essential aid and US government-funded projects around the world be reviewed could delay the construction of TotalEnergies' Afungi LNG plant further. The US Export–Import Bank will likely delay releasing its $5 billion portion of the project cost, totalling $20 billion, until the US government approves the transfer. Encouragingly, the final investment decision on the 3.6 million tonnes a year second LNG platform, Coral Norte, is imminent, and construction of the $7 billion offshore field could start in late 2025 or early 2026, with production commencing within 3 years.

Economic growth: A strong rebound in 2025 as the political situation normalises and interest rates remain low

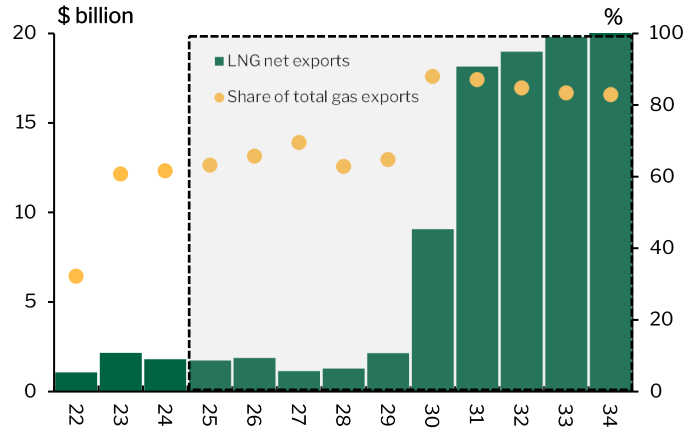
Nedbank estimates that GDP contracted by 0.5% on an inflation-adjusted basis in Q4, bringing real GDP growth to just below 3% in 2024 from 5.4% in 2023 versus an annual average of 4.1% in the 5 years to 2019. Tourism and the trade sectors bore the brunt of the political violence. Tourist arrivals dropped sharply as the public instability coincided with the end-of-year peak season. The closure of the border with South Africa, the country's primary source of leisure tourists, halted most travel between the 2 countries. The border closures disrupted operations at the Port of Maputo, with the export of South African merchandise through the port halted. The government estimates that revenue losses associated with the disruption of economic activity total $657 million, weakening the already tight fiscal liquidity position. Additionally, floods hit the northern regions, disrupting agricultural activity. An indicator of manufacturing activity shows production at levels recorded in 2020 at the height of the Covid-19 pandemic. The extent of infrastructure damage remains unclear, but reconstruction activity by public and private entities will add impetus to the economic rebound.

Chart 9: Growth will recover as political issues stabilise



Source: World Bank

Chart 10: LNG exports are gaining pace



Source: BMI

Growth will recover in 2025 as the political environment stabilises and investments in the extractive sectors rebound. Lower inflation and interest rates will support private demand and corporate activity, while the reconstruction of damaged public infrastructure will add more impetus. However, the tight fiscal position suggests that the government could delay the reconstruction work if higher foreign aid is not received. Exports will benefit from higher LNG output by the Coral Sul floating LNG platform. The offshore platform, which commenced shipments in November 2022, reached a total output milestone of 5 million tonnes in September 2024 as it continued to ramp up to its capacity of 3.4 million tonnes a year. According to Eni, the multinational operator, the platform currently produces 22 000 barrels of oil equivalent per day, and the LNG field holds reserves estimated at 450 billion m^3.

Mining has benefited from higher activity in the traditional sectors and exploration and investment in newer mining sectors. Traditional mining, focused primarily on coal, recorded reasonable growth, with BMI forecasting coal output growth of 2.1% in 2024 and projecting increases of 1.4% in 2025 and 1.2% in 2026. Investments in coking coal mines will potentially boost the growth rate. Investment in ruby gemstones and mineral sands boosted output significantly in 2024, with volumes up by over 50% for the year. In the first 9 months of 2024, the total volume was 3.145 million carats, above the initial forecast of 3.081. Manufacturing will remain underpinned by aluminium production, with the Mozal plant's volumes recovering above 360 000 tonnes in 2025 as the power shortages have eased significantly.

Monetary policy: Steady interest rates are likely in 2025, following sharp cuts in 2024

The Bank of Mozambique (BoM) reduced its policy interest rate sharply throughout 2024 and followed up with another cut in January 2025. The benchmark MIMO rate has dropped to 12.25% from 17.25% in January 2024. The rapid disinflation prompted the bank to ease monetary policy significantly, while the economic shock that resulted from the political disturbances late in 2024 triggered another cut and reduction of the reserve requirements ratio for local currency and foreign currency deposits in January 2025.

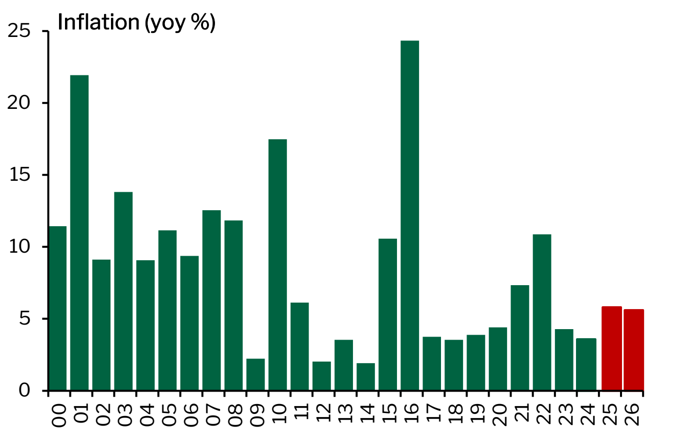
Inflation fell sharply, dropping to a record-low 2.4% in September before rising marginally to 2.9% in November and 4.2% in December. Headline CPI averaged 3.2% in 2024 from 7.1% in 2023, and Nedbank forecasts it to edge higher in 2025 from the low base in late 2024. Inflation will move higher, partly reflecting the disruption of supply chains due to political instability. In addition, the flood damage to crops in December 2024 has affected the supply of basic foods, pointing to an uptick in food inflation. However, the stable exchange rate will help to contain the uptrend. We forecast CPI to average 5.8% in 2025 and 5.7% in 2026. The BoM also forecasts inflation to remain in the single digits in the medium term, suggesting it will maintain low interest rates for the remainder of 2025.

Exchange rate: The MZN remains steady despite mounting liquidity pressures

The BoM has maintained a managed foreign exchange (FX) rate regime despite the foreign currency shortages, with the metical stable around MZN63.90 per US dollar throughout 2024. Market reports indicate that the shortage of foreign currency in the interbank market has reached about $450 million. The latest FX reserves data suggest that the BoM continues to restrict the supply of foreign currency to the interbank market despite official foreign exchange reserves having stabilised in 2024. According to the Economist Intelligence Unit (EIU) data, official reserves totalled $3.68 billion in November 2024 from $3.38 billion at the end of 2023. The BoM terminated its facility for supplying foreign currency for fuel imports in June 2023 and raised the reserve requirement ratio (RRR) on foreign currency deposits from 28.5% to 39.5%, supporting FX reserve accumulation. In January 2025, the foreign currency deposits RRR was cut to 29.5% to ease the foreign liquidity crunch. Nedbank believes that the reduction of the RRR on foreign currency deposits is unlikely to clear the foreign liquidity shortage in the interbank market.

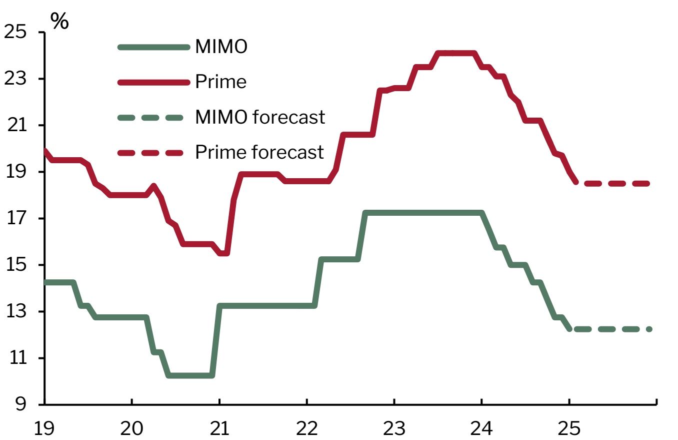
Despite rising foreign payment obligations, we expect the BoM to maintain its *de facto* peg around MZN63.90/USD in 2025. In 2025, the government's external payment obligations will be raised primarily by coupon payments on the 2019 $900 million Eurobond, rising to 9% a year ($81 million) from 5% ($45 million) in 2024.

Chart 11: Inflation will head higher on supply disruptions



Source: World Bank and Nedbank

Chart 12: Policy rates to remain steady for the rest of 2025



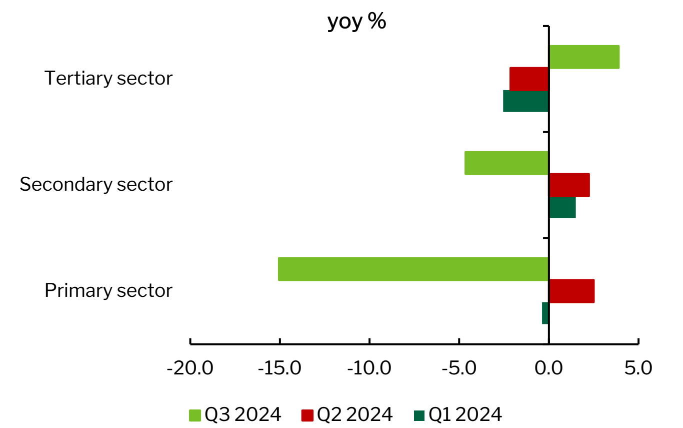
Source: Bank of Mozambique and Nedbank

Severe drought constrained growth in 2024, but low inflation and interest rate cuts provided upside support.

The prolonged drought worsened in 2024 as the El Niño phenomenon in the central and eastern Pacific Ocean exacerbated the harsh conditions. The worst drought in 100 years prompted the government to declare a national state of emergency on 22 May 2024. The severe weather conditions raised significant concerns about the threat to livelihoods and food security. The government stated that all 14 regions in the country were at risk. Many Namibian households depend on crop and livestock farming, with agriculture contributing just over 7% of GDP, and were thus negatively affected by the dry conditions. According to the International Federation of Red Cross and Red Crescent Societies, 48% of the population, approximately 1.8 million, were at risk of acute food insecurity between April and September 2024. Consequently, the Nationwide Drought Relief Programme implemented various initiatives to alleviate the economic and humanitarian impact. The initiatives included food assistance, seeds and horticulture provisions and a livestock support programme. The government also has a water provisions initiative that seems set to run indefinitely or as long as drought conditions persist.

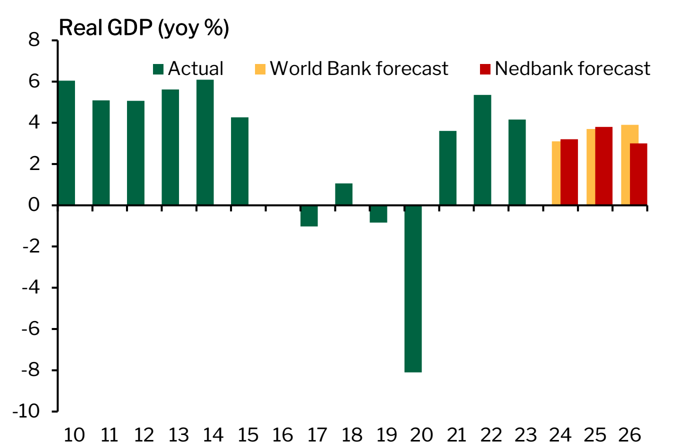
Due to the impact of the unfavourable weather on the primary sector and subdued global demand, the economic growth rate eased in 2024. Mining contracted for a second straight quarter in Q3, down by 6.7%, slightly weaker than the previous quarter's -6.6%. The sector has been impacted by declining global demand for natural diamonds due to moderate economic growth in the key trade partners and growing competition from the lab-grown diamond industry. Further downside pressure came from lower volumes in the uranium sector. Metal ores surged, boosted by an increase in the production of quality gold ore as well as by higher prices. Activity in the agricultural sector also declined for a second quarter in Q3, with the contraction deepening to 6.3% from 4.9% in Q2. The intensely dry weather patterns hurt crop production. However, increased livestock marketing, as the drought drove farmers to dispose of stock, moderated the contraction in aggregate agricultural output. Nonetheless, GDP edged slightly higher in Q3, increasing by 2.8% yoy from 2.7% in Q2. Robust growth in the services sectors, which more than offset the lower primary sector output, underpinned the steady overall growth momentum. Financial services expanded by 7.1% from 9.9% in Q2, while wholesale and retail trade volumes were up by 5.6% from 4.3%. The 3.7% expansion in hotels and restaurants reflected the further rebound in tourism as the sector benefited from the normalisation of global long-haul travel. Construction activity expanded for the third consecutive quarter in Q3, an early sign that the industry is turning around after the deep downturn that started in the mid-2010s. Nedbank estimates lower real GDP growth of 3.2% in 2024 from 4.2% in 2023.

Chart 13: The downturn was driven by the primary sector



Source: Namibia Statistics Agency and Nedbank

Chart 14: Growth set to recover in 2025 and 2026



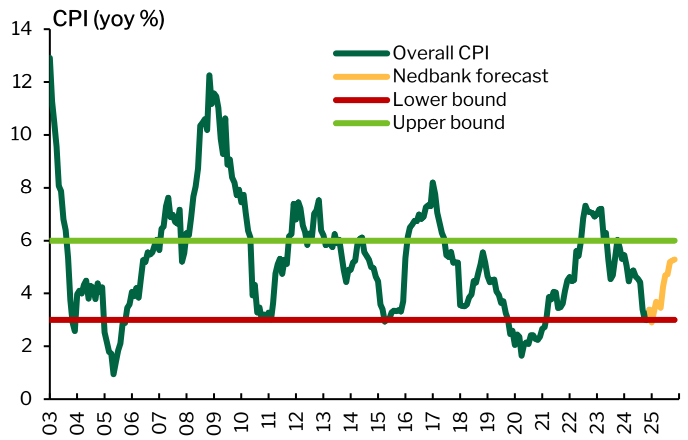
Source: World Bank and Nedbank

In 2025, we expect favourable economic conditions to boost real GDP growth to 3.8%. Our forecast is slightly lower than the Bank of Namibia's (BoN's) 4% and the World Bank's 3.7%. On the global front, improving world growth, easing inflation, and further cuts in interest rates will be the main growth drivers. Domestically, lower inflation and interest rates and stimulatory policy measures, including the adjustment to the personal income tax brackets, will support demand. Effective 13 September 2024, the tax adjustments raise the minimum tax income threshold to N$100 000 from N$50 000. The construction sector will benefit from a higher government infrastructure budget in the coming years. The primary sector will recover amid anticipated La Niña-induced rainfall, but a decline in livestock marketing will partially offset the boost as farmers rebuild their stock. Activity in the mining industry will edge slightly higher, but muted commodity prices will contain the upside. Other downside risks to growth include fiscal consolidation, geopolitical tensions and geoeconomic fragmentation as the US escalates its trade war with its key trading partners.

Subdued inflation enabled the BoN to start reducing its policy interest rate in H2 2024. Inflation averaged 3.1% in Q4. For the year, inflation dropped to 4.2% from 5.9% as food inflation fell to 5.2% from 11.3%, while transport inflation moderated to 3.6% from 4.1%. Food inflation dropped as the sharp fall in international agricultural prices and lower food inflation in South Africa dampened the impact of the lower local harvest. We expect inflation to average 4.3% in 2025. Food and non-alcoholic beverages, which account for 16.5% of the inflation basket, will rebound off a low base but remain in the single digits. Steady global oil prices will likely contain transport prices, although exchange rate weakness will exert higher pressure.

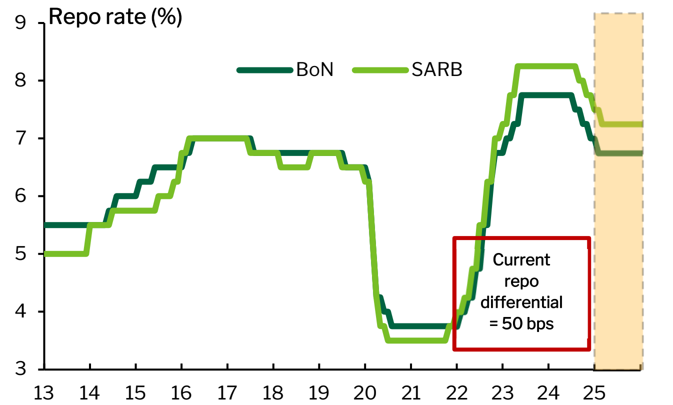
The BoN commenced its easing cycle in August 2024, cutting for the first time since August 2020. The policy decision followed a continued decline in local and global inflation and falling policy interest rates in the major industrialised economies. In February, the BoN delivered its fourth cut of 25 bps, bringing the cumulative interest rate cut in this cycle to 100 bps. We expect the BoN to adopt a cautious approach for the remainder of 2025 as it assesses the shift in global risks. The BoN stressed that it aimed to reduce the gap between its repo rate and the SARB's rate, which stands at 75 bps. Consequently, we forecast the BoN to maintain its repo rate at 6.75% for the remainder of the year. At the same time, we expect the SARB to cut by another 25 bps to 7.25% in July, taking the interest rates differential between the 2 economies to 50 bps.

Chart 15: Inflation was within target throughout 2024



Source: Namibia Statistics Agency and Nedbank

Chart 16: BoN will cut policy rates further in 2025



Source: Central Bank of Namibia and Nedbank

Zimbabwe

Economic growth: Agricultural output slumped as a severe drought damaged crops

Solid export earnings, on the back of favourable prices of the country's key metals, underpinned the firmer growth rate in 2024. However, the effects of the severe drought weighed down agricultural output and power generation. Lake Kariba's critically low water levels restricted power supply, with several nationwide outages recorded. An estimated 7.6 million people needed food aid, with the estimated maise harvest of 744 200 tonnes well below the annual consumption of 2.2 million. Encouragingly, the return of sufficient rains will help to lift the harvest. The World Bank forecasts agricultural output to expand by 13% in 2025, mainly as maise and tobacco volumes recover.

Exports of gold, platinum group metals and tobacco rose strongly in 2024, benefiting from the solid price gains. Despite higher export earnings, foreign currency shortages persisted in the local market.

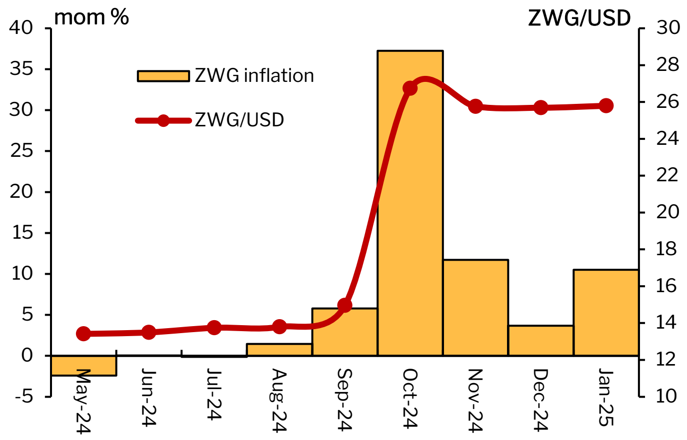
Inflation and interest rates: The return to hyperinflation is imminent as the exchange rate remains weak

Monthly inflation has been in double digits for most of the period since the local currency was devalued in September, pointing to annual inflation in the triple digits when the 12-month figures are provided from April 2025. Encouragingly, US dollar inflation remained moderate, below 4% in the first half of 2024, rising to that level in the second half as shortages of essential food items lifted prices. It averaged 2.7% for the year from 8% in 2023. Food inflation was contained to an average 3.8% in 2024 despite the intense drought in parts of the country, while transport costs rose by an average of 11.9% in 2024. The return of good rains will help to moderate the overall inflation rate in 2025.

The Reserve Bank of Zimbabwe (RBZ) devalued the local currency, the ZiG, to ZWG25/USD on 27 September, a 42% depreciation of a currency introduced in April 2024. The ZiG was supposed to be linked to the global gold price. Still, the precarious macroeconomic environment compelled the RBZ to abandon the ZiG peg as the currency's value decoupled from the metal's surging price. The RBZ has kept its policy interest rate at 35% after hiking it from 20% in September 2024, with the bank stressing that it will maintain a restrictive stance to manage domestic liquidity and maintain exchange stability.

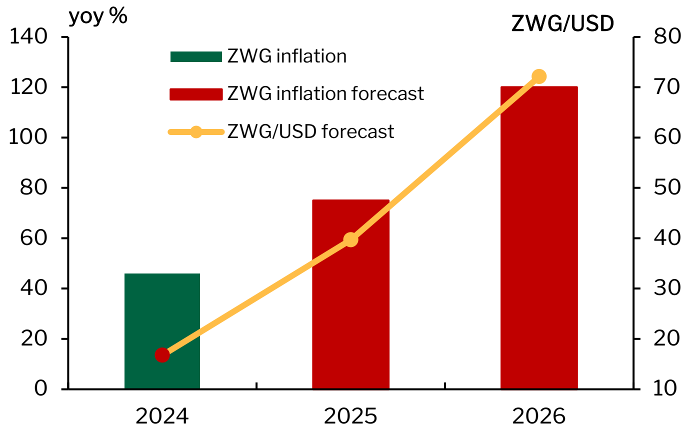
The RBZ forecasts real GDP growth at 6% in 2026, in line with the World Bank projections of 6.2% in 2026 and 4.8% in 2025 from an estimated 2% in 2024.

Chart 17: Monthly inflation spiked again in January



Source: Reserve Bank of Zimbabwe

Chart 18: Price pressures to continue as currency weakens



Source: Nedbank forecasts

Other Southern African economies

Angola: Oil prices remain subdued, keeping export gains limited

The economy continues to show signs of revival, with investor sentiment boosted by better governance. Macroeconomic reforms, although limited, have improved the business environment and ignited interest in the country's investment potential. Shell plc, the major oil company that divested from the country 25 years ago, has signed an agreement to explore several oil blocks. State-owned financial and insurance companies have been partially privatised since 2022, attracting foreign direct investment and generating $1.6 billion for the fiscus.

The latest figures indicate that average oil output was 1.13 million in the first 9 months of 2024, 4% higher than over the same period in 2023. Data from the government's oil and gas sector regulator, ANPG, point to stable output in the final quarter of 2024. New oil fields, albeit small, are propping up volumes as output by the large but old fields stagnates. However, investment incentives such as the Incremental Production Law can potentially boost output by the older fields. Data indicates that the majority of the old fields have operated for more than 20 years and have exploited over 70% of their oil reserves.

The government has refuted claims of a default on foreign currency payments, as it plans to issue global bonds totalling $2 billion in 2025 after it secured $600 million in commercial bank loans for financing the 2025 budget spending. The latest government report indicates loans owed to China fell to $14.5 billion in 2024 from $18.5 billion in 2023. A fiscal liquidity crunch has prompted the government to delay the 25% public sector wage increase from January to March.

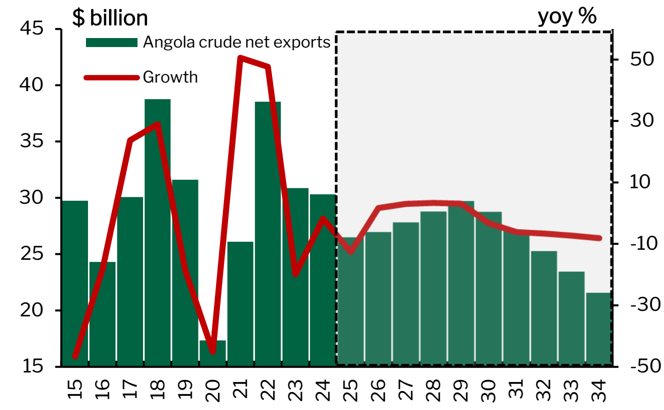
The exchange rate has stabilised around AOA921/$ after its depreciation accelerated in Q3, as the central bank acted to ease the foreign currency shortages. The Bank of Angola limited its supply of foreign currency to the banking market during most of 2024 as it rebuilt official FX reserves, which increased to $15.6 billion in mid-January 2025 from $14.7 billion a year ago. Better economic conditions will help offset the impact of stagnant oil prices and support economic growth. The World Bank forecasts real GDP growth at 2.9% in 2025 from an estimated 3.2% in 2024.

Botswana: On a path to regain its sparkle as the new government moves to revive economic prospects

The new government has finalised a new diamond production deal with De Beers. The new agreement, delayed for over 2 years, raises the state's share of gems mined in Botswana from 25% to 30% and ultimately to 50% over 10 years, lifting the volumes processed locally and offered at local sightholder sales. Debswana, the local joint venture diamond miner, will set aside the equivalent of $720 million for development projects over the period.

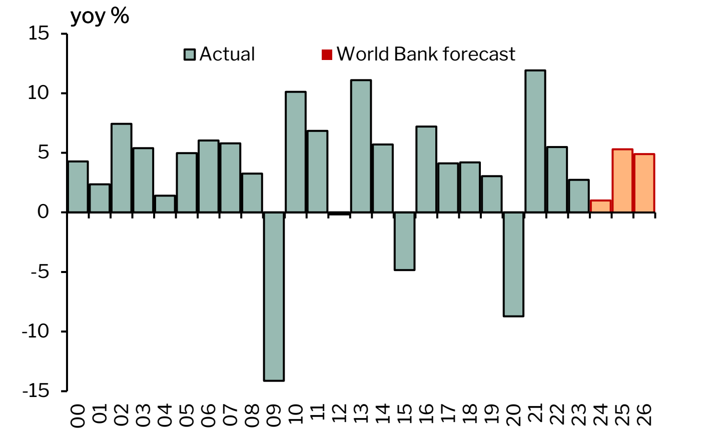
President Duma Boko has moved swiftly to revive the economic fortunes of an economy that maintained the mantle of one of Africa's fastest-growing economies between the 1980s and the 2010s. Economic output has weakened sharply as lower diamond exports and a government liquidity crunch contained domestic spending. Diamond earnings slumped by just over 40% in 2024, depressed primarily by lower prices. Real GDP contracted throughout the first 3 quarters of 2024, pointing to the first yearly contraction in the post-Covid-19 period. The Bank of Botswana slashed its policy interest rate sharply to 1.9% and reduced the deposit reserve requirement ratio to 0% from 2.5% to stimulate lending. Inflation has been below 1.5% since September, below the BoB's 3% to 6% target band. It averaged 2.8% in 2024 from 5.2% in 2023, and the BoB forecasts 3.3% in 2025 and 4.9% in 2026. A liquidity crunch triggered by low diamond earnings has weighed on the local economy.

Chart 19: Angola's oil exports will grow modestly



Source: EIA and BMI

Chart 20: Real GDP for Botswana will recover in 2025



Source: IMF and World Bank

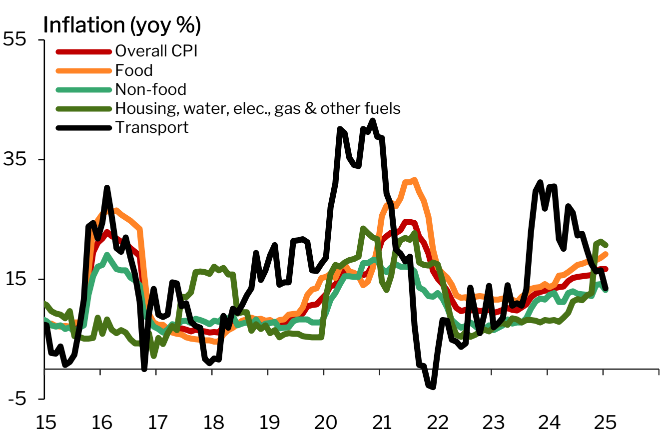
Zambia: With the debt default resolved, it's now time for a fundamental recovery as good rains return

The economy will fare better in 2025 as business sentiment improves and good rains revive food and energy production. The government has reached debt-restructuring deals with almost all the external creditors after it defaulted in 2020. The restructured loans will improve the sovereign's debt sustainability and free up resources for infrastructure investment. The severe drought in the 2023/24 season negatively impacted the economy, with the government declaring a national disaster on 29 February 2024 as the dry conditions hurt food production and power supply. The water level at Kariba Dam was 3% in November 2024 from 15% a year earlier, impacting power generation at the country's main hydroelectric plant. The maise harvest was down by 54% in 2023/24 to a 16-year low. The country had to rely on higher grain and electricity imports from South Africa, Mozambique and the Southern African Power Pool. Fuel shortages also constrained economic activity as logistical bottlenecks impacted fuel imports.

Inflation rose to 16.7% in January, as it continued to exceed the Bank of Zambia's (BoZ's) 6% to 8% target band. Food inflation reached 19.2% as the drought effects remained prominent. Lower supply of basic food products, primarily vegetables and fish, in addition to the surge in global food inflation in 2022 has kept the food inflation in double digits. Currency weakness added to the inflationary pressures. Electricity tariffs were hiked sharply in November 2024. Lower domestic power output and a higher reliance on imports compelled the Energy Regulation Board to increase tariffs by 115% for large-scale consumers to meet the higher energy import bill, which was worsened by the currency depreciation. The kwacha depreciated by 7.8% to ZMW27.88/$ in 2024, although the drop was much lower than the 29.7% slide in 2023. The unit has pulled back to ZMW28.18/$, and we expect a steadier trajectory in 2025 as economic sentiment improves following the foreign debt-restructuring deal. Lower imports of food and electricity will ease the demand for foreign currency.

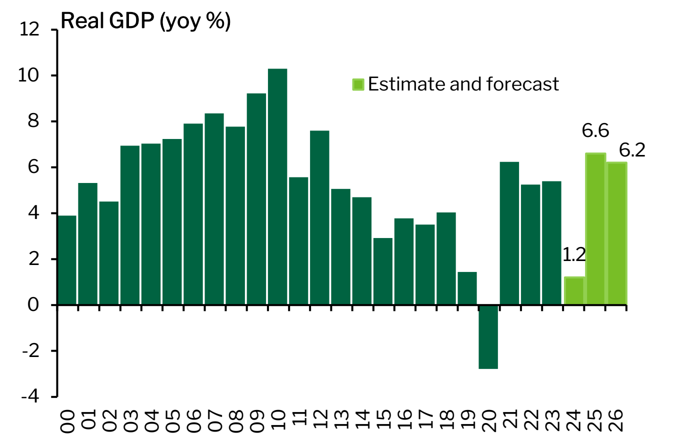
The BoZ forecasts inflation to remain above its target band until the fourth quarter of 2026. The central bank has raised its average inflation forecast to 14.6% in 2025, higher than the 13.9% it projected at its November 2024 policy meeting. It forecasts a lower 10.6% in 2026, still above its target level. The BoZ will likely maintain its policy interest rate steady throughout 2025 after it raised it to 14.5% from 14% in February 2025. The BoZ assesses the risks to inflation as being to the downside, with inflation likely to ease faster than it currently expects.

Chart 21: Food inflation will moderate as harvests pick up



Source: Haver

Chart 22: Real GDP set to post a strong recovery in 2025



Source: IMF and World Bank

We expect economic growth to rebound strongly in 2025 due to the more favourable conditions. Rising output in agriculture and mining will lift exports, while the return of good rains will revive food production and electricity generation, compressing imports. Mining will be bolstered by better power supply and favourable metal prices, with copper prices hovering close to

$10 000. The BoZ forecasts real GDP growth of 6.6% in 2025 after growth plunged to an estimated 1.2% in 2024 from 5.4% in 2023. Similarly, the World Bank projects a recovery to 6.2% in 2025 and 6.6% in 2026. The risks to the growth forecasts emanate primarily from offshore, with an intense trade war between the US and its trading partners and further weakness in China being the key risks.

EAST AFRICA

Kenya: A positive trajectory as the economy rebounds from the shock of the 2024 public violence

East Africa's largest economy has shown solid signs of recovery from the widespread public protests in mid-2024. Real GDP growth was 4% yoy in Q3 from 4.6% in Q2, as the economy largely shrugged off the public disruptions that resulted in damage to public property and a reported 50 deaths.

The services sector maintained its buoyant momentum. Tourist arrivals picked up, with the surge in the peak season between July and September pushing annual arrivals to 2.5 million, the highest number on record. A notable increase in income remittances, which increased by 18% to $4.96 billion, the highest yearly figure on record, supported banking sector activity and foreign currency liquidity. Agricultural output was boosted by favourable weather, with exports of horticultural goods to Europe picking up firmly in H2 2024. Manufacturing was boosted by stronger demand from regional markets. On the downside, mining and quarrying recorded a deeper contraction of 11.1% in Q3 from 2.7% in Q2. Construction activity remained weak, but the rate of contraction slowed to 2% from 2.9%. Growth in all the other sectors remained positive but slowed from the previous quarter.

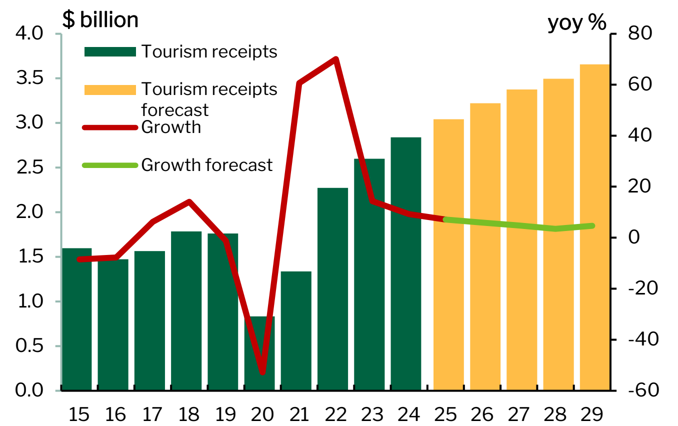
The exchange rate firmed by 21% in 2024, almost totally reversing its 21.1% slump in 2023. The local unit was lifted by positive sentiment after the government prudently managed the repayment of the $2 billion Eurobond and raised foreign loans from several bilateral creditors, comfortably meeting its financing needs. The firmer shilling and better food supplies moderated the inflation rate, which dropped to 2.7% in October before rising marginally to 3.3% in January. Food inflation continued its rapid decline that started in mid-2023, moderating to 4.3% in October. The core inflation rate, which excludes food and fuel prices, has slumped to 3%. Subdued price pressures prompted the Central Bank of Kenya (CBK) to gradually reduce its bank rate to 10.75% in January from 13% in July. The bank has hinted at further cuts as price pressures remain well contained. Subdued bank credit extension, which has expanded at below 5% yoy since August 2024, gives the CBK more room to reduce interest rates further.

The positive economic momentum will spill over into 2025, barring any significant shock from the global economy. The World Bank forecasts growth of 4.7% in 2024. Growth will advance by 5% and 5.1% in 2025 and 2026, bolstered by private investment and accommodative monetary policy.

Tanzania: A star performer on account of a supportive gold price and a favourable investment regime

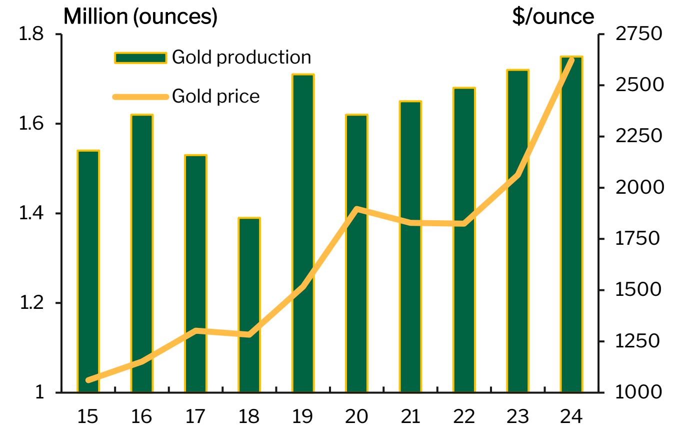
The Tanzanian economy was among the best performers in sub-Saharan Africa in 2024, and it is set to maintain the outperformance in 2025, buoyed primarily by the favourable gold price and expanding mining investment. President Suluhu's government revised the mining legislation in 2022. The positive economic momentum will almost ensure that she retains power in national elections later this year.

Chart 23: Kenyan tourism will continue to accelerate



Source: BMI and Nedbank

Chart 24: Tanzania's gold output buoyed by higher prices



Source: IBM and Nedbank

Real GDP expanded by 5.9% yoy in Q3 from an equally strong 5.6% in Q2. The growth pattern was broad-based as most industries posted firmer growth. Finance and insurance grew by a notable 18.2% from 16.1%, with further upside support coming from mining and quarrying, manufacturing and construction. Indications are that the positive momentum will spill over into 2025. Gold has breached $2 800 an ounce to a new record high, while low inflation will continue to prop up private consumption. Further support emanated from agriculture following the better-than-expected weather conditions at the end of the year. Despite inflation being within target, the Central Bank of Tanzania has maintained its key interest rate at 6% since April 2024. The economy is set to continue its solid growth path over the next few years. The World Bank projects real GDP growth of 5.6% and 6.2% in 2025 and 2026, respectively, from an estimated 5.4% in 2024. Robust public investment, an improved business environment, stronger agricultural performance and enhanced export competitiveness will be the main drivers of economic growth.

Ethiopia: Unleashing the potential of an emerging economic giant on the continent

Ethiopia has been an economic enigma for many decades, as fierce ethnic clashes and tight government control constrained an economy with the potential to be among the continent's most prominent. Economic growth is returning to a robust growth phase after it was dampened by the adverse effects of the pandemic and the Tigray war between 2020 and 2022. A macroeconomic reform programme financed by a $3.4 billion IMF facility seeks to strengthen public sector efficiency. Liberalising key sectors such as banking and telecommunications will attract foreign direct investment. In December 2024, parliament enacted legislation that opens the sector to foreign participation. Legislation to open up the transport and power has been mooted.

The fiscus is boosting its domestic revenue collection, with borrowing directly from the central bank kept at zero in the first half of FY2024/25 (8 July–7 July). Therefore, there is better coordination of monetary and fiscal policies. The local currency, the birr, was devalued by 26% in July 2024 as the country implemented macroeconomic reforms under an IMF-funded programme. The unit has depreciated by another 39% since the devaluation, virtually eradicating the parallel market premium. Official and banking sector FX reserves have risen to a record high, bolstered by a significant increase in capital inflows and income remittances. Monetary policy transparency has improved. The Monetary Policy Committee held its inaugural meeting in December 2024 and publicly communicated its decision as it transitioned to an interest-rate-based system from a fixed currency regime.

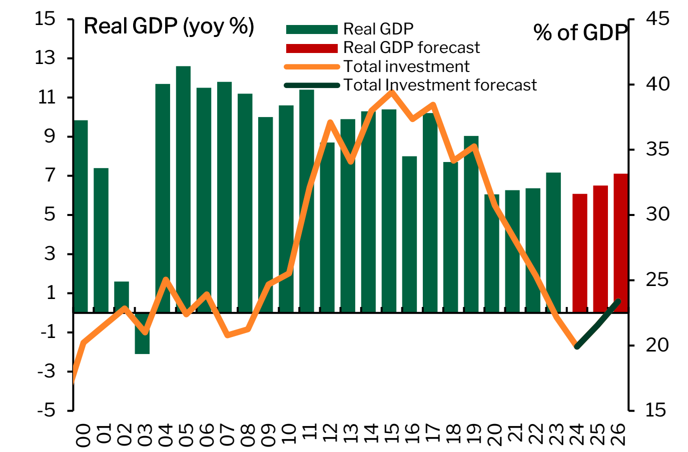
The World Bank forecasts real GDP growth to rise to 6.5% and 7.1% in FY2025/26 and FY2026/27. Good rains will boost the agricultural harvest, with a further lift from the high coffee prices. The high gold prices will bolster export earnings further. The ongoing macroeconomic reforms promise to set Ethiopia on a path to being a dynamic emerging market. To achieve this, the ethnic differences that often explode into intense civil conflicts will have to be overcome.

Rwanda: A regional conflict poses a risk to the robust growth momentum

The economy faces serious security risks as tensions with the neighbouring Democratic Republic of the Congo (DRC) escalate. Overall activity remained buoyant in 2024 as the services-oriented economy benefited from the strong global momentum. Real GDP expanded by 8.1% yoy in Q3, slightly softer than the 9.8% increase in Q2. Services activity grew strongly, more than offsetting the drag from sizeable moderations in the industrial and agricultural sectors. Services output expanded by 10% in Q3, matching the previous quarter's increase, while growth in the industrial sector softened to 8% from 15% in Q2 following softer manufacturing and construction output. The agricultural sector also slowed due to declines in food crops and forest activity.

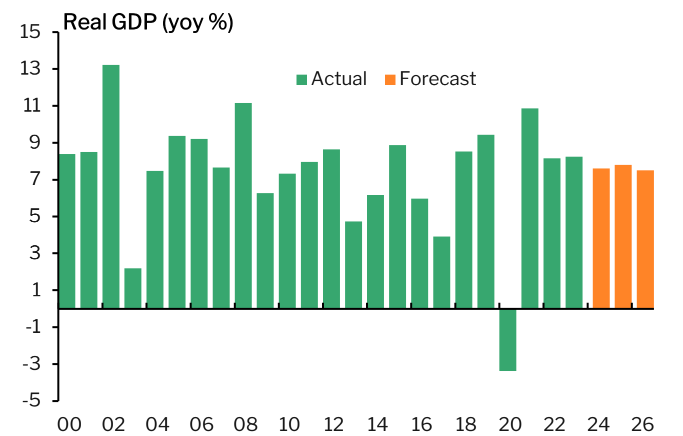
The World Bank estimates a real GDP expansion of 7.6% in 2024, slightly lower than 8.1% in 2023. Barring significant disruptions, the economy will expand by 7.8% in 2025 and 7.5% in 2026. The upside will be bolstered by softer inflation, which will boost household purchasing power, as well as higher public fixed investment.

Chart 25: Rising FDI will underpin growth in Ethiopia



Source: IMF and World Bank

Chart 26: Growth in Rwanda will ease but remain robust



Source: World Bank and Nedbank

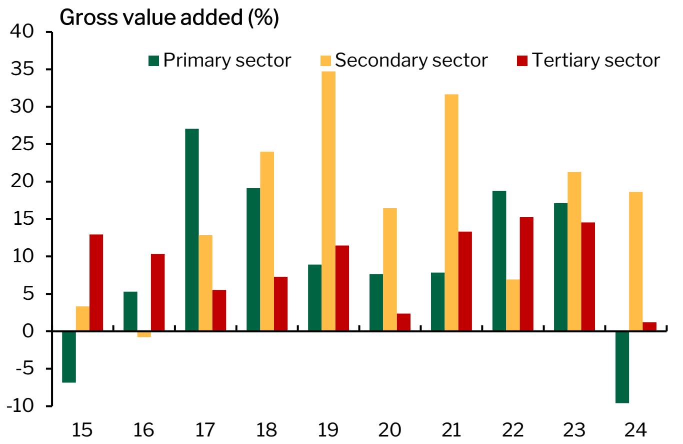
Nigeria: Elevated inflation overshadows the prudent macroeconomic reforms amid positive growth prospects

In Nigeria, real GDP growth rose marginally to 3.5% yoy in Q3 from 3.2% in Q2 despite the impact of tighter monetary policy. Growth was driven mainly by the non-oil sector, with services expanding by over 5% and contributing over 50% of the quarterly rise. Expansions in financial and insurance services, and to a lesser extent in information and communication as well as transport and storage, also contributed to the upside. Growth in the mainstay oil sector softened to 5.2% from 10.2% in Q2. Average daily crude oil production increased to 1.47 million barrels per day (bpd) during the quarter from 1.41 million in Q2 and 1.45 million in Q3 2024. More recent figures from the Organisation of the Petroleum Exporting Countries (OPEC) show production averaging 1.41 million bpd in 2024, compared with 1.3 million bpd in 2023. Oil output has benefited from the security forces clamp down on the sabotage of oil production infrastructure, particularly pipelines.

While the economic growth trend is promising, price pressures remain significantly elevated primarily due to the sharp currency devaluations in 2023 and 2024. Headline inflation reversed the 2-month downward trend in September, reaching a 2024 peak of 34.8% in December from 34.6%. This is the highest inflation since Q1 1996, when it trended between 47.6% and 41.8%. Most upside pressure continues to emanate from food inflation, which has been sticky at close to 40%. The cost of energy and transportation also exacerbated the upside pressures. The Central Bank of Nigeria (CBN) has increased its policy interest rate by a cumulative 875 bps since the start of 2024. The policy rate now stands at 27.5% as the CBN strives to contain underlying inflationary pressures.

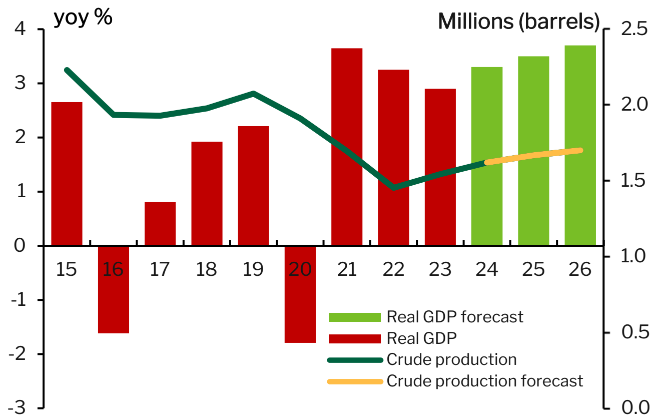
The World Bank anticipates the economic recovery to continue, with growth rising to 3.3% in 2024, 3.5% in 2025 and 3.7% in 2026. In 2025, agricultural output will bolster growth amid sector-specific government initiatives and normalising weather patterns. Rising production in the critical oil sector is also expected to add to the upside.

Chart 27: The secondary sector did the heavy lifting in 2024



Source: BMI and CBN

Chart 28: Rising oil production will boost overall activity



Source: BMI, IMF and World Bank

Nigeria is going through a macroeconomic normalisation phase, with the government acting prudently to address the long-standing major imbalance, the overvalued exchange rate. Unfortunately, the transition phase will be long and volatile. President Bola Tinubu's government has committed to macroeconomic reforms, including eradicating fuel subsidies. Nedbank believes that the macroeconomic reforms, if carried through, will unleash Nigeria's high-growth potential and set the country on the path to being a dynamic developing economy.

Ghana: A new government commits to restoring high economic growth and stable government finances

In general elections held on 7 December, President John Mahama captured 56.6% of the votes to return to the presidency, following his first term between 2012 and 2017. His National Democratic Congress (NDC) secured an overwhelming majority of 66.3% of the parliamentary seats, while the 4 independent MPs have pledged their support to the NDC. President Mahama has demonstrated his commitment to stabilising government finances and reviving the fortunes of an economy that expanded at an average annual rate of 6.7% in the 2010s. He has reduced the number of cabinet ministers to 23 from 30, an early sign of his commitment to eradicate unnecessary expenditure. The sovereign has concluded most of its external debt-restructuring programme after 90% of the holders of $13 billion in Eurobonds accepted the exchange offer.

The economy was robust in the first 3 quarters of 2024, with growth accelerating by 7.2% yoy in Q3 from 7% in Q2. The upward momentum was mainly driven by higher gold earnings, solid services activity and agricultural output. Aggregate export earnings were up by 21.1% in 2024 as gold earnings jumped by 53.2% to $11.6 billion, while cocoa export earnings fell despite a surge in prices, reflecting the slump in volumes. According to the Bank of Ghana's Composite Index of Economic Activity (CIEA), growth remained robust in Q4, bolstered by exports, construction activity, private sector credit extension and tourism.

Inflation started to rise again in September after declining to 20.4% in August. It reached 23.8% in December before easing marginally to 23.5% in January. Inflationary pressures have been broad-based, reflecting exchange rate weakness. Therefore, we expect a more stable currency to dampen inflation during 2025.

The Bank of Ghana maintained a restrictive policy stance, keeping its policy rate at 29% for most of the year before cutting to 27% in September. The central bank expects the disinflation process to resume, contingent on renewed efforts by the NDC-led government to stabilise the exchange rate. The bank's forecast shows a steady disinflation process with an extended time horizon of achieving the medium-term target of 8% (with a ±2% tolerance band).

The World Bank estimates real GDP growth of 4% in 2024 and 4.2% and 4.9% in 2025 and 2026, respectively. Faster growth will be contained by fiscal consolidation efforts and softer oil export growth amid an expected plateau in oil production. On the upside, solid growth in the services sector will continue to boost activity.

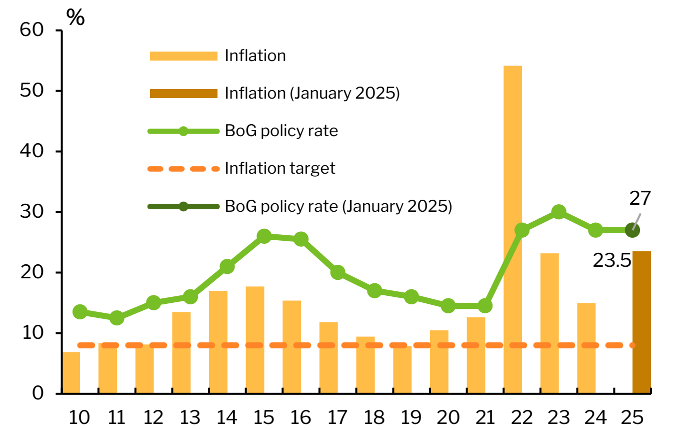
Côte d'Ivoire: Political stability will be tested as elections loom

This year's elections will probably mark the retirement of President Alassane Ouattara, who managed to stabilise the country and promote reconciliation following the devastation of the 2011 civil war. While the political situation remains moderately stable due to healthy growth, improving living standards, robust infrastructure investment and the perception of lower corruption, it is still quite fragile. Unfortunately, there is a high likelihood of tensions or even conflict in the October 2025 presidential elections should President Alassane Ouattara attempt to stand for a fourth term.

The economy expanded solidly in the first half of 2024, supported by easing price pressures and the rebound in cocoa production. Disinflation intensified in the second half of 2024, with inflation easing to 2.4% in November after reaching a peak of 4.9% in May, the highest level in over 2 years. Inflation is now trending closer to the Central Bank of West African States' 2% target. The regional central bank maintained its policy interest rate at 5.5% throughout 2024. However, rates are expected to decline as inflation within the West African Economic and Monetary Union member countries falls further.

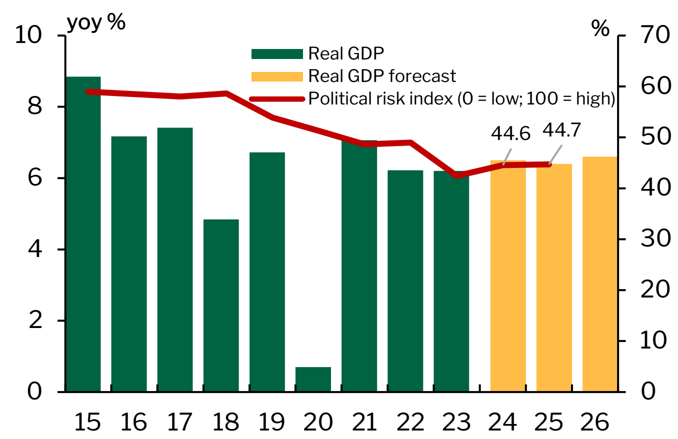
The World Bank sees the economy expanding by 6.4% in 2025 and 6.6% in 2026, from an estimated 6.5% in 2024. The upside to 2025 growth would come from the ongoing recovery in cocoa production, higher government spending ahead of the elections and moderating inflation. Further support will emanate from expansion linked to the Baleine oil and gas field, which is expected to yield exponential output. Reports have stated that the project produced 50 000 to 60 000 bpd during December, much higher than the expected 35 000 bpd. The potential risk of election-related tensions presents a key downside to the growth outlook.

Chart 29: BoG will be slow to cut amid still-elevated inflation



Source: BoG, IMF and Nedbank

Chart 30: Growth to firm despite risks in Côte d'Ivoire



Source: BMI, IMF and World Bank

MONETARY POLICY TRENDS IN SUB-SAHARAN AFRICA

Monetary policy trends have fluctuated in line with regional economic conditions. In southern Africa, the Common Monetary Area central banks continued coordinating their interest rate changes, starting the easing cycle in Q3 2024. We expect the South African Reserve Bank (SARB) to adopt a cautious stance after cutting by 75 bps since September 2024. Although the inflation outlook remains moderate, the exchange rate has come under renewed pressure, while the US Federal Reserve's pause will likely persuade many emerging market central banks to hold off further cuts for some time. We expect SARB to cut by another 25 bps in July 2025. Nedbank expects Lesotho and Namibia to maintain the current levels as they close the gap with SARB's repo rate. Eswatini will likely cut one more time, maintaining the interest rates gap with South Africa at 50 bps.

In East Africa, the broad trend has been steady interest rates despite lower inflation and stable-to-firmer exchange rates. Kenya delayed interest rate cuts despite inflation remaining below 5% since June 2024. The prospect of a firmer exchange rate and improving food supplies keeping inflation subdued prompted the central bank to cut by 50 bps last week. Tanzania also has room to ease monetary policy as inflation has been moderate at or below 3% since December 2023, and the outlook remains benign. Ethiopia devalued its currency sharply in mid-2024, keeping inflation high, and the central bank will maintain a restrictive stance as it strives to bring inflation within single digits.

The major central banks in West Africa have maintained a restrictive stance as they leaned against elevated inflation. In Nigeria, currency devaluations have kept inflation above 30% since February 2024, prompting the central bank to hike its policy interest rate to 27.5% from 18.0% in May 2023. Changes in 2025 will depend largely on the pace of the expected inflation easing. Ghana's central bank held its policy rate unchanged at 27% in September 2024 after easing gradually from 30% in September 2023. Easing inflation will give the bank room to cut further in 2025. In Côte d'Ivoire, we forecast the Central Bank of West African States to hold its policy interest rate steady throughout 2025 as the regional currency depreciates in line with the weaker euro, to which it is linked.

INTEREST RATE TRENDS IN SUB-SAHARAN AFRICA

Updated 24 February 2025

	Average yoy inflation over past 3 months, % (CPI target[1])	2025 CPI forecast	Period of last move (change in bps[2])	Current policy interest rate (Jan 2024 level)	Expected policy bias[3]
Southern Africa					
Botswana	1.7% (4.5%)	3.0%	Aug 2024 (-25)	1.9% (2.15%)	Hold
Eswatini	3.6% (4.5%)	4.2%	Nov 2024 (-25)	7.0% (7.5%)	Cut
Lesotho	4.3% (4.5%)	4.9%	Feb 2025 (-25)	7.25% (7.75%)	Hold
Mauritius	3.2% (3.5%)	3.5%	Feb 2025 (+50)	4.50% (4.50%)	Hold
Mozambique	3.3% (4.5%)	5.8%	Jan 2025 (-50)	12.25% (17.25%)	Hold
Namibia	3.1% (4.5%)	4.3%	Feb 25 (-25)	6.75% (7.75%)	Hold
South Africa	2.9% (4.5%)	4.0%	Jan 2025 (-25)	7.50% (8.25%)	Cut
Zambia	16.6% (7%)	12.2%	Feb 25 (+50)	14.5% (11%)	Hold
Zimbabwe[4]	n/a	75.0%	April 2024 (-11 000)	20% (130%)	Hold
East Africa					
Kenya	2.8% (5.0%)	5.5%	Feb 2025 (-50)	10.75% (12.5%)	Cut
Tanzania	3.0% (5.0%)	3.4%	April 2024 (+100)	6% (5.5%)	Hold
Uganda	3.3% (5.0%)	3.9%	Oct 2024 (-25)	9.75% (9.5%)	Hold
West Africa					
Côte d'Ivoire[4]	2.6% (2.0%)	3.00%	Dec 2023 (+25)	3.5% (3.5%)	Hold
Ghana	23.4 (8.0%)	16.0%	Sep 2024 (-200)	27.0% (29.0%)	Cut
Nigeria	34.4% (7.5%)	28.0%	Nov 2024 (+25)	27.5% (18.75%)	Hold

[1] Midpoint in the case of a target band.

[2] 100 basis points (bps) = 1%.

[3] Likely change over the coming 6 months.

[4] Central Bank of West African States policy rate.

African currencies stabilised, but some experienced deep depreciations

Most SSA currencies recorded smaller losses in 2024, supported by easing monetary policy in advanced economies. However, the relative stability was not broad-based, with some units recording even deeper depreciations due to a combination of factors. The primary drivers were short-term external financing pressures, heightened geopolitical tensions, regional conflicts, declining commodity prices (excluding gold), and discrete devaluations. The currencies of gold-exporting economies somewhat benefited from the higher price of the safe-haven asset.

The Kenyan shilling was the best-performing unit in the region as it rebounded from the slump in 2022 and 2023. The exchange rate was up 21%, almost recovering all its 2023 losses. The shilling was bolstered by better market sentiment after the government prudently managed the repayment of the $2 billion Eurobond, while portfolio investments and income remittances also rose. The Tanzanian shilling was one of the few gainers, up by 2.8% to partially reverse the 7% depreciation in 2023. The local authorities limited the gains through their managed exchange rate regime, with the central bank setting the daily exchange rate. Uganda's managed exchange rate gained 2.2% in 2024 after falling 1.6% in 2023.

The Ethiopian birr dropped by 56.2% in 2024, primarily reflecting the 30% devaluation in July as the National Bank of Ethiopia switched to a market-based exchange rate regime with limited forex intervention. These measures were implemented as part of the macroeconomic reforms under the IMF-financed programme.

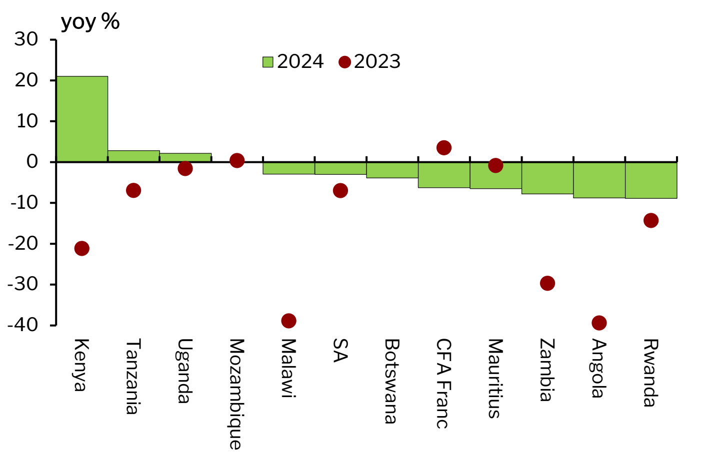
In Nigeria, the naira lost 41.9% in 2024 after depreciating by 48.7% in 2023, as the authorities continued with reform measures adopted by President Tinubu's government in 2023. The authorities introduced various FX market reforms to enhance transparency and attract foreign investment. These included the unification of FX windows under the Nigeria Foreign Exchange Market and the introduction of the Nigerian FX Code, which mandated ethical conduct and governance among market participants. The naira exchange was adjusted via devaluations of 28% in June 2023 and 40% in January 2024. The market reforms have virtually wiped out the parallel market exchange rate and boosted foreign currency inflows via the banking system. These developments and rising oil exports, as local production stabilises, will support the naira exchange rate during 2025.

The Ghanaian cedi lost further ground in 2024 as delays in finalising the foreign debt-restructuring deal dampened economic sentiment. The elections that were held in December had little impact on the currency as both presidential candidates had committed to honouring the debt talks and macroeconomic reforms. Some support for the currency came from high gold prices and increasing exports. The sovereign is close to concluding the debt agreements that will lighten the repayments burden, and this, together with further gains in the gold price and rising oil output, will bolster the cedi in 2025.

The South African rand edged higher after sentiment was boosted by the formation of the Government of National Unity in July, with SARB's cautious stance on interest rate reductions adding some support. However, the currency weakened from the second week of November as the US dollar surged following Donald Trump's election victory. The unit was down by 3% in 2024 after dropping by 7% in 2023. The Eswatini lilangeni, Lesotho loti and the Namibian dollar, pegged to the rand at 1 to 1, were equally softer.

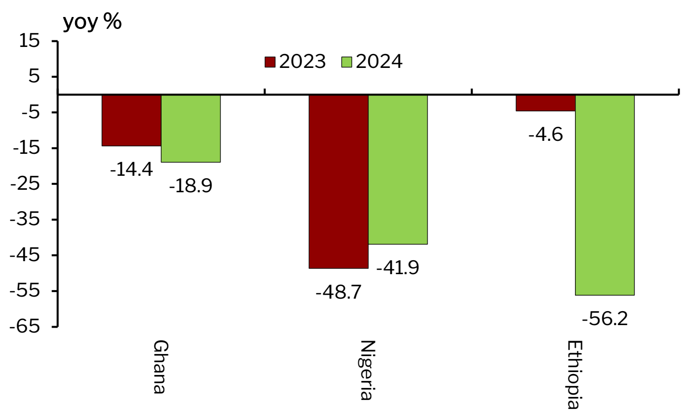
In 2025, SSA exchange rates will remain under pressure as the US dollar benefits from the Trump administration's inward-focused policies. Higher commodity price movements will be critical for exchange rate gains, while countries faced with elevated foreign payments will likely continue to experience sharp devaluations.

Chart 31: Most currencies recovered losses ...



Source: LSEG and Nedbank

Chart 32: ...While others continued to depreciate



Source: LSEG and Nedbank

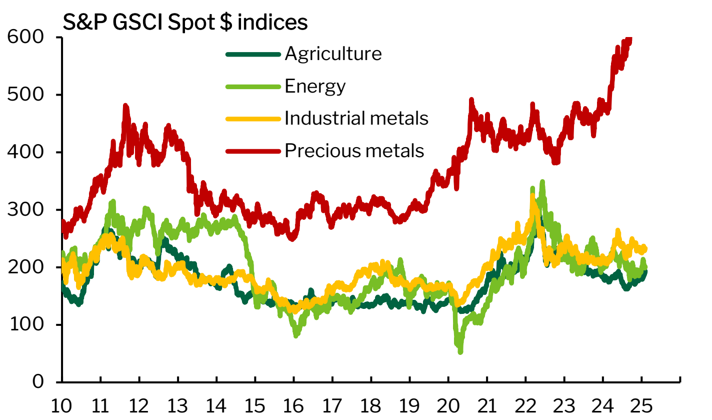
Commodity prices remain supported by a rallying gold price and robust metal prices

Commodity prices recovered slowly in 2024, driven by shifting expectations regarding supply management, escalating geopolitical tensions, trade restrictions and weather-related supply shocks. The S&P Goldman Sachs Commodities Index ended 9.2% yoy higher in 2024, and it is up by another 3.3% mom in January 2025.

Gold surged as the uncertainties surrounding global economic growth and trade fragmentation bolstered its attractiveness as a safe-haven asset, while solid central bank purchases added more lift. It rose by an impressive 27% in 2024, and it has reached a new record high of $2 930 to be up by 12% since the start of 2025. Ghana and Tanzania, the major gold exporters on the continent, will draw further support from the favourable price. Oil prices surged temporarily on escalating tensions in the Middle East, but the move was always short-lived. Export gains for the largest oil exporters, Nigeria and Angola, were contained by supply constraints linked to declining reserves and ageing infrastructure. The benchmark Brent crude oil price hovered between $68 and $92 per barrel in 2024, ending the year around $74 from $80 in 2023. Hopes of higher demand from China supported metal prices as the government adopted stimulus measures and raised investment in metal-intensive clean energy. Copper, a key industrial metal, was lifted by expectations of a rebound in Chinese demand as that country's stimulatory measures take effect. Food prices increased in the second half of 2024 on gains in vegetable oils, meat, and dairy. However, the gains were insufficient to offset the drop in the first half, with the Food and Agricultural Organization's food price index down by 2.1% in 2024.

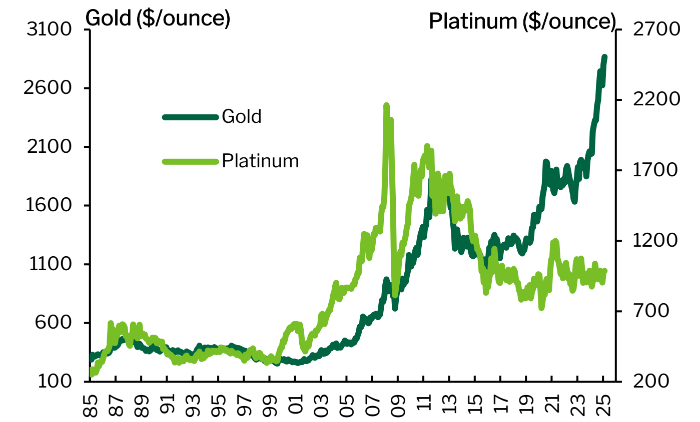
Prospects for substantial gains in commodity prices are limited in 2025. Oil prices will likely remain steady as thawing geopolitical tensions reduce the risk of supply disruptions. Worries about Russian oil and gas supplies have eased after US President Donald Trump announced the imminent start of talks to end the Russia–Ukraine war. Relatively modest growth in China and Europe will also contain global demand, while more downside will stem from OPEC+ unwinding its production cuts. Industrial metals will be supported by the anticipated positive effects of the economic stimulus in China, investment in metal-intensive clean energy and firm growth in the US. However, gains could be contained by weaker-than-expected global industrial activity and the impact of US import tariffs. Agricultural prices will be mixed, with grains and oils set to edge lower as favourable weather boosts supply.

Chart 33: The firm gold prices underpinned metal price gains



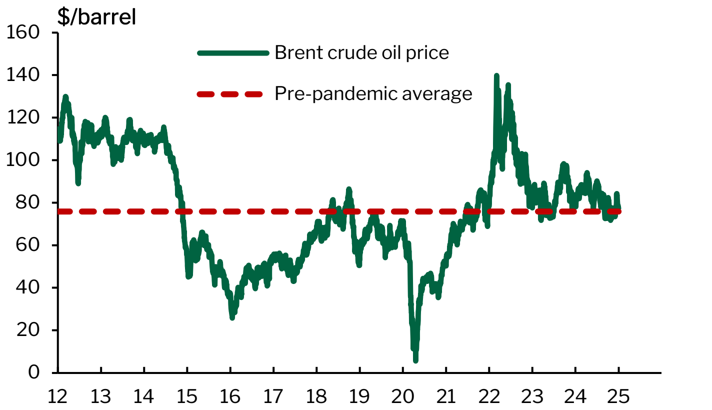
Source: LSEG

Chart 34: Gold at a record high on safe-haven demand



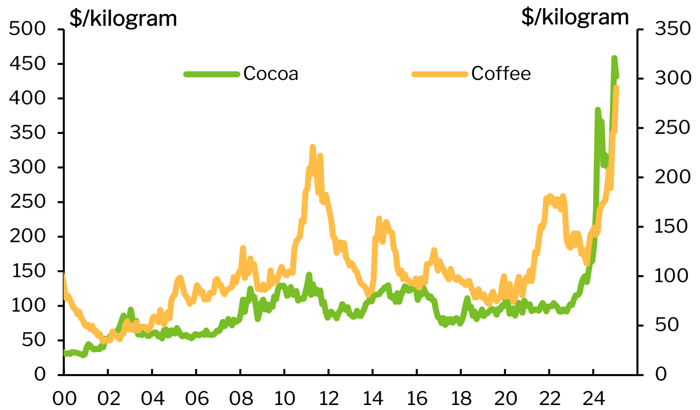
Source: LSEG

Chart 35: Oil prices remain rangebound



Source: LSEG

Chart 36: Cocoa and coffee lifted by low global stockpiles



Source: LSEG

REAL GDP GROWTH FORECASTS

Annual rate (%)	Actual		Estimate	Forecasts	
	2022	2023	2024	2025	2026
World	3.2	2.7	2.7	2.7	2.7
SSA	3.8	2.9	3.2	4.1	4.3
Angola	3.0	1.0	3.2	2.9	2.9
Botswana	5.6	2.7	1.0	5.3	4.9
Eswatini	0.5	4.8	4.6	3.5	2.9
Lesotho	1.3	0.9	2.5	2.3	2.0
Mauritius	8.9	7.0	5.6	4.4	3.8
Mozambique	4.4	5.4	4.0	4.0	4.0
Namibia	5.3	4.2	3.1	3.7	3.9
South Africa	1.9	0.7	0.8	1.8	1.9
Zambia	5.2	5.4	1.2	6.2	6.6
Zimbabwe	6.1	5.3	2.0	6.2	4.8
Kenya	4.9	5.6	4.7	5.0	5.1
Tanzania	4.6	5.1	5.4	5.8	6.2
Rwanda	8.2	8.2	7.6	7.8	7.5
Uganda	4.7	5.3	6.0	6.2	10.8
Nigeria	3.3	2.9	3.3	3.5	3.7
Ghana	3.8	2.9	4.0	4.2	4.9
Côte d'Ivoire	6.2	6.2	6.5	6.4	6.6

Source: The World Bank *Global Economic Prospects*, January 2025

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GROUP ECONOMIC UNIT

Isaac Matshego
+27 10 234 8358
isaacmat@nedbank.co.za

Liandra da Silva
+27 10 228 2527
liandrad@nedbank.co.za

Nicky Weimar
+27 10 234 8357
nickywe@nedbank.co.za

Nedbank 135 Rivonia Campus

135 Rivonia Road, Sandown, Sandton, 2196, South Africa

nedbankgroup.co.za