



## WEEKLY ECONOMIC BRIEFING



WEEK ENDING

26 JANUARY 2024

### HIGHLIGHTS

#### South Africa

1. The International Court of Justice (ICJ) ruled on 26 January that Israel must do everything in its power to prevent acts of genocide in the Gaza Strip.
2. The South African Reserve Bank's Monetary Policy Committee (MPC) voted unanimously to keep the repo rate steady at 8,25%.
3. Dr David Fowkes has been appointed to the Monetary Policy Committee from 12 January 2024.
4. Despite all the negative headlines, steel production rose by 10,6% in 2023 to 4,9 million tons (Mt).
5. Richards Bay Coal Terminal (RBCT) exported 47,2 million tonnes (Mt) of coal in 2023, which is down by 6,3% from 2022 and is the lowest level of exported coal since 1992.
6. Consumer inflation eased to 5,1% y/y in December from 5,5% y/y in November and 4,8% y/y in August.
7. Producer inflation eased to 4,0% y/y in December from 4,6% y/y in November, 2,7% y/y in July and 18,0% y/y in July 2022.
8. The payload transported by rail soared by 46,0% y/y November after rising by 18,4% y/y in October.
9. The real growth in food and beverage sales rose by 1,0% y/y after a revised 0,5% y/y gain (0,6% y/y fall) in October.
10. Income from tourist accommodation increased by 15,0% y/y in November after a 11,0% y/y in October.
11. The number of liquidations fell by 13,8% y/y in December to 137.
12. Eskom's Energy Availability Factor (EAF) rose to 52,13% in week 3 from 51,76% in week 2 and 48,97% in week 1
13. By accepting a reasonable share of no more than 10% of curtailment, 3 470 Megawatts (MW) of additional wind generation can be connected to the grid almost immediately, with 2 680 MW in the Western Cape and 790 MW in the Eastern Cape.
14. The leading business cycle indicator fell by 0,4% m/m in November after a revised 0,5% (0,2%) m/m gain in October.
15. Electricity Minister Kgosientsho Ramokgopa said the government plans to establish an independent transmission project office.
16. The coincident indicator rose to 3,1% y/y in October from 265% y/y in September and 2,4% y/y in August.
17. Wine export volumes fell by 17% in 2023 to 306 million litres.

#### Rest of Africa

18. An International Energy Agency (IEA) report on electricity highlights that per person electricity demand across Africa has been stagnant for three decades.
19. Ivory Coast became the first sub-Saharan African country to issue debt on international bond markets since April 2022.
20. Consumer inflation in Ivory Coast rose to 3,9% y/y in December after being steady at 3,7% y/y in November and October.
21. Consumer inflation in Morocco eased to 3,4% y/y in December from 3,6% y/y in November.
22. Mozambique approved an extended deal for DP World, Grindrod and other operators for the port of Maputo.
23. Consumer inflation in Zambia rose to 13,2% y/y in January from 13,1% in December.
24. Consumer inflation in Zimbabwe rose to 34,8% y/y in January from 26,5% y/y in December.

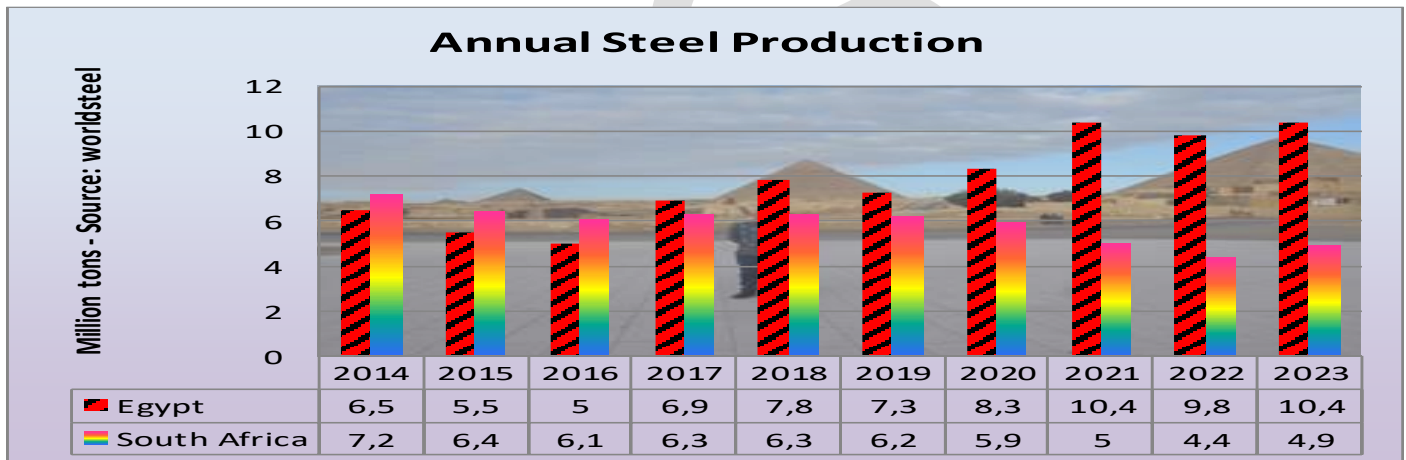
#### International

25. The central bank of Turkey raised its benchmark lending rate by 250 basis points to 45,0%.
26. The American economy expanded by 3,3% q/q at a seasonally adjusted annualised rate in the fourth quarter after a 4,9% q/q gain in the third quarter.
27. US pending home sales rose by 8,3% m/m in December.
28. The US personal consumption expenditure (PCE) price index was steady at 2,6% y/y in December and November.
29. US personal spending rose by 0,7% m/m in December after a 0,4% m/m gain in November.
30. US personal income rose by 0,3% m/m in December after a 0,4% m/m gain in November.
31. The number of Americans filing for unemployment benefits rose by 25 000 w/w to 214 000 in the week ending 20 January.
32. The US trade deficit in goods narrowed to \$88,5bn in December from \$89,3bn in November
33. The number of foreclosed homes in China rose by 43% in 2023.
34. Consumer inflation in Lebanon eased to 192,3% y/y in December from 211,9% y/y in November.
35. The German ZEW Indicator of Economic Sentiment rose to 12,8 in December from 10,9 in November, -1,1 in October, -11,4 in September, -12,3 in August and -14,7 in July.
36. Japan's exports rose by 9,8% y/y in December to a record 9,65 trillion yen.
37. The Ifo Business Climate indicator for Germany eased to 85,2 in January from 86,3 in December.
38. The GfK Consumer Climate Indicator for Germany fell to -29,7 heading into February from -25,4 in January.
39. The GfK Consumer Confidence indicator in the UK rose to -19 in January from -22 in December.
40. A federal judge in Brazil has ordered mining giants BHP, Vale and their Samarco iron ore joint venture to pay 47,6bn reais (\$9,67bn) in damages over a deadly dam burst in 2015.

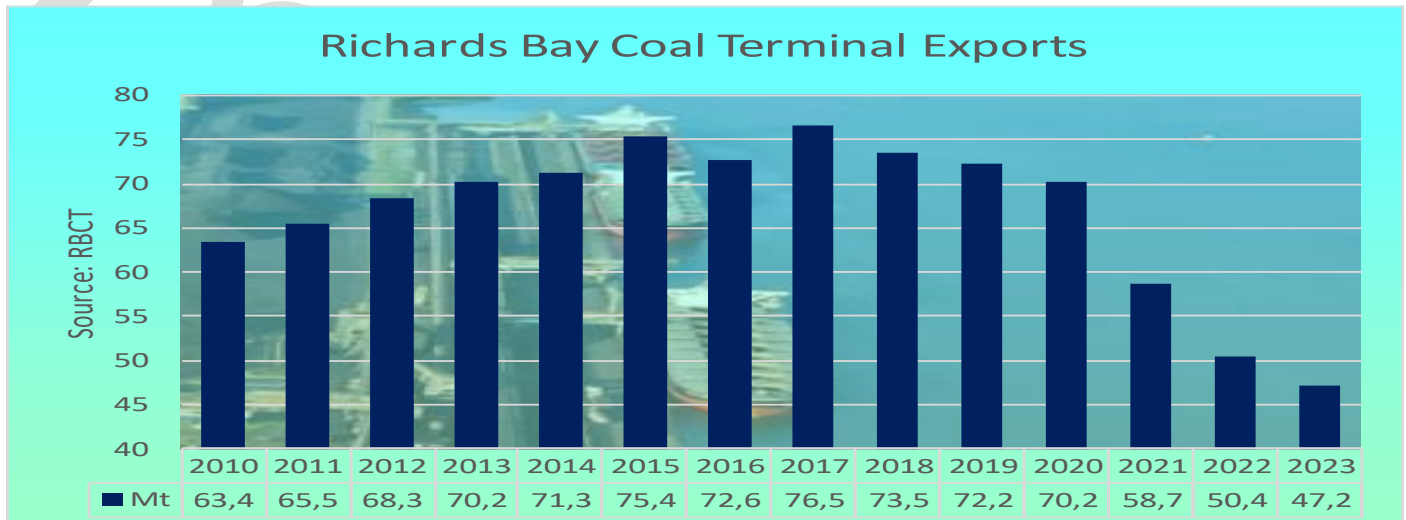
# WEEKLY ECONOMIC BRIEFING

## South Africa

- The International Court of Justice (ICJ) ruled on 26 January that Israel must do everything in its power to prevent acts of genocide in the Gaza Strip.** However, the United Nations' highest court stopped short of demanding that Israel enact a cease-fire. The ICJ's ruling also called for the immediate release of all hostages held by Hamas and other armed groups in Gaza. "The court is acutely aware of the extent of the human tragedy that is unfolding in the region and is deeply concerned about the continuing loss of life and human suffering," ICJ President Joan Donoghue said. The 17-judge panel approved six of eight measures proposed by South Africa to address the ongoing crisis. The measures ordered include Israel doing all it can to prevent acts of genocide, including by refraining from killing or harming Palestinians and preventing Palestinian births; providing basic aid to people in Gaza; preventing and punishing any public incitements to genocide; and ensuring the preservation of evidence indicating possible acts of genocide, among others.
- The South African Reserve Bank's Monetary Policy Committee (MPC) voted unanimously to keep the repo rate steady at 8,25%.** The MPC highlighted the persistence of inflation risks while emphasizing a balanced evaluation of risks to medium-term growth. It noted that the return of inflation to the target has been slow, despite the expected gradual moderation. The MPC maintained its growth projections at 1,2% for 2024 and 1,3% for 2025.
- Dr David Fowkes has been appointed to the Monetary Policy Committee from 12 January 2024.** He has been with the South African Reserve Bank since 2013. Dr Fowkes has a Master's degree from the University of the Witwatersrand and a Doctorate from the Johns Hopkins University School of Advanced International Studies in the US as a Fulbright Scholar.
- Despite all the negative headlines, steel production rose by 10,6% in 2023 to 4,9 million tons (Mt).** This is however 32% below the 2014 level. Egypt's production of 10,4 Mt is now more than double South Africa's after having first surpassed South Africa in 2017.

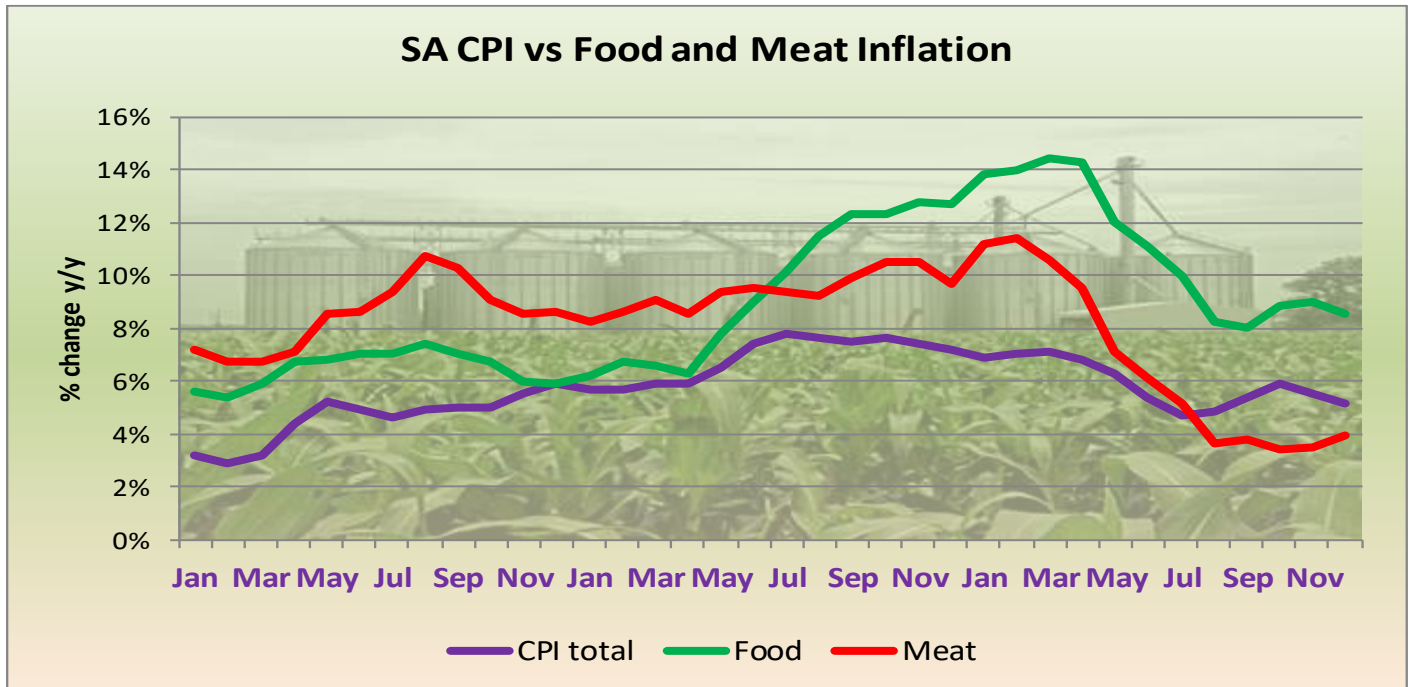


- Richards Bay Coal Terminal (RBCT) exported 47,2 million tonnes (Mt) of coal in 2023, which is down by 6,3% from 2022 and is the lowest level of exported coal since 1992.** In May 2022 Transnet was promising that RBCT exporters should expect to export 60 Mt, but those promises have disappointed.



## WEEKLY ECONOMIC BRIEFING

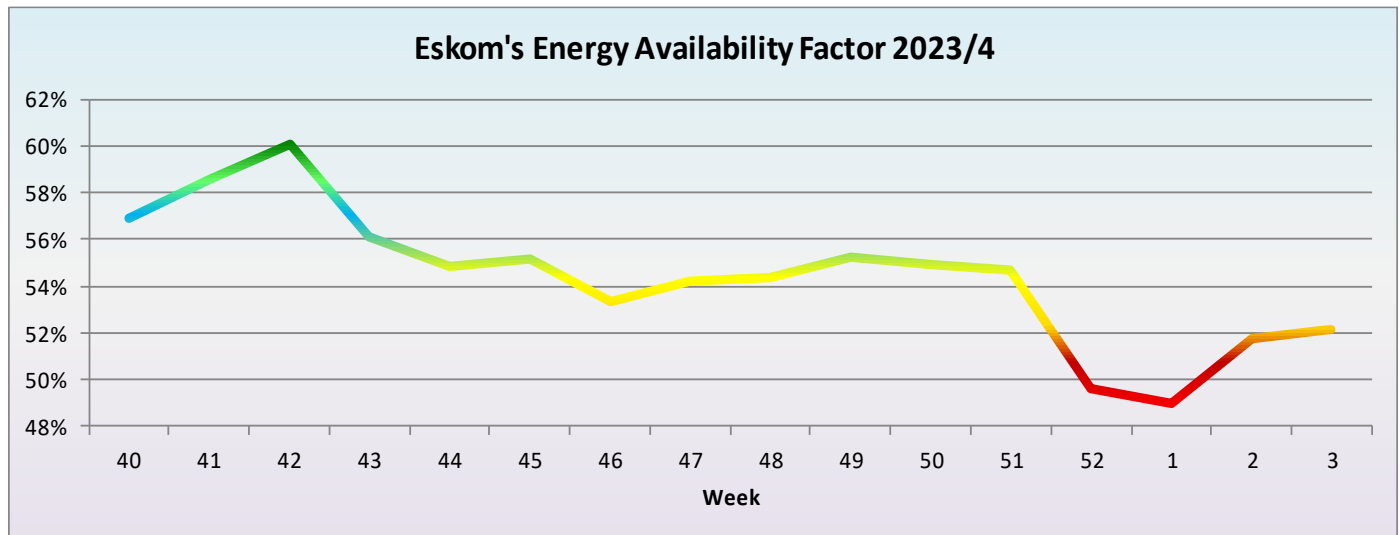
6. **Consumer inflation eased to 5,1% y/y in December from 5,5% y/y in November and 4,8% y/y in August.** The July 2022 rate of 7,8% y/y was the highest y/y rate since May 2009. The 2022 move higher was driven by administered prices. In December administered price inflation was 4,9% y/y from 6,2% y/y in November, 9,3% y/y in October, 6,1% y/y in September, 1,7% y/y in August and a 19,0% y/y jump in July 2022, while food inflation eased to 8,5% y/y in December from 9,0% y/y in November, 8,8% y/y in October, 8,0% y/y in September, 8,2% y/y in August, 10,0% y/y in July and 11,1% y/y in June. Excluding administered prices, consumer inflation slipped 5,3% y/y from 5,4% y/y after being steady at 5,2% y/y in October and September from 5,4% y/y in August, 6,0% y/y in July and 6,4% y/y in June. The annual average for total consumer inflation was 6,0% in 2023 from 6,9% in 2022 and 4,5% in 2021.



7. **Producer inflation eased to 4,0% y/y in December from 4,6% y/y in November, 2,7% y/y in July and 18,0% y/y in July 2022.** The July 2022 rate of 18,0% y/y was the highest producer inflation since comparable records began in 2013. Intermediate producer prices remained in deflation territory with a 2,2% y/y drop in December after a 2,9% y/y decline in October and September, a 0,5% y/y drop in August and a 0,1% y/y decline in July following a 2,4% y/y rise in June. Farm input inflation eased to 6,8% y/y in December from 8,0% y/y in November, 12,0% y/y in October, 8,3% y/y in September, 6,3% y/y in August, 6,5% y/y in July and 6,2% y/y in June. Mining producer prices remained in deflation territory with a 7,6% y/y decline in November after a 3,8% y/y decrease in November, 2,2% y/y drop in October, a 4,8% y/y decline in September, a 2,8% y/y rise in August, a 0,5% y/y drop in July and a 2,8% y/y rise in June. The annual average for 2023 was 6,7% from 14,4% in 2022, 7,1% in 2021 and only 2,6% in 2020.
8. **The payload transported by rail soared by 46,0% y/y November after rising by 18,4% y/y in October.** Road transport payload fell by 3,5% y/y in November and October after a 5,1% y/y decline in September and a 10,9% y/y drop in August. Rail transport payload declined by 12,0% in 2022 after a 6,9% fall in 2021 and a 11,1% drop in 2020, while road transport surged by 25,0% after growing by 10,4% and a 11,9% decline. This meant that the percentage transported by rail fell to 15,6% in 2022 from 20,6% in 2021 and 23,5% in 2020. Transnet's strategic plan was to have a 30% share of land transport.
9. **The real growth in food and beverage sales rose by 1,0% y/y after a revised 0,5% y/y gain (0,6% y/y fall) in October.** The gain in the first 11 months was 3,7% y/y after a 18,9% jump in 2022. The level of sales is 15% below the pre-Covid level.
10. **Income from tourist accommodation increased by 15,0% y/y in November after a 11,0% y/y in October.** This was largely due to higher income per stay unit sold as there was only a 3,9% y/y rise in the number of stay unit nights sold, while there was a 10,7% jump in the average income per stay unit night sold. The seasonally adjusted occupancy is near the 38% level compared with the pre-Covid level of 48%.
11. **The number of liquidations fell by 13,8% y/y in December to 137.** There was a 13,1% decline in 2023 to 1 657 from 1907 in 2002 and a recent high of 2 042 in 2019.
12. **Eskom's Energy Availability Factor (EAF) rose to 52,13% in week 3 from 51,76% in week 2 and 48,97% in week 1.** I saw no media coverage of this important indicator. Unplanned outages eased to 28,48% in week 3 from 29,71% in week 2, 30,89% in week 1 and 25,43% in week 13 of 2022. Planned maintenance rose to 17,97% in week 3 from 17,27% in week 2, 18,88% in week 1, a 2023-high of 19,05% in week 52 and only 5,06% in week 30 of 2022. The EAF fell to 54,69% in 2023 from 58,0% in 2022, 61,79% in 2021, 64,96% in 2020, 66,93% in 2019, 71,84% in 2018 and 78,61% in 2016. Planned maintenance outages rose to 10,9% in

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2023 from 10,62% in 2022 from 10,81% in 2021, 11,32% in 2020 and 9,94% in 2019, while unplanned outages rose to 33,08% in 2023 from 29,86% in 2022, 24,49% in 2021, 20,88% in 2020 and 21,57% in 2019.



13. **By accepting a reasonable share of no more than 10% of curtailment, 3 470 Megawatts (MW) of additional wind generation can be connected to the grid almost immediately, with 2 680 MW in the Western Cape and 790 MW in the Eastern Cape.** This could have major implications for the renewables bid window currently under way for the procurement of 5 000 MW, divided between 3 200 MW of wind and 1 800 MW of solar photovoltaic (PV). Although it has not yet been confirmed whether the new curtailment framework will now be applied during the round, with another bidding round due for release by the end of March. Bid Window Seven is the first bidding round to be hosted following the partial failure of Bid Window Six, when only solar PV projects with a combined capacity of 1 000 MW advanced to a preferred-bidder stage after Eskom indicated there to be no remaining grid-connection capacity for those wind projects that had been vying for a 3 200 MW allocation.
14. **The leading business cycle indicator fell by 0,4% m/m in November after a revised 0,5% (0,2%) m/m gain in October.** This was the first monthly decline since May, as decreases in five of the ten available component time series outweighed increases in the remaining five. The largest negative contributors were a narrowing of the interest rate spread and a deceleration in the six-month smoothed growth rate of job advertisement space. Meanwhile, the key positive contributors were increases in both the average hours worked per factory worker and the volume of orders in the manufacturing sector.
15. **Electricity Minister Kgosientsho Ramokgopa said the government plans to establish an independent transmission project office.** This office will be located either at the Development Bank of Southern Africa (DBSA) or the Industrial Development Corporation (IDC), to procure new transmission capacity using a build, operate and transfer (BOT) model. Inadequate grid investment is currently constraining the ability of independent power producers (IPPs) to connect new generation projects in the Eastern, Northern and Western Cape provinces, where Eskom has indicated there to be no more connection capacity.
16. **The coincident indicator rose to 3,1% y/y in October from 265% y/y in September and 2,4% y/y in August.** This shows a rising trend in the fourth quarter.
17. **Wine export volumes fell by 17% in 2023 to 306 million litres.** The most popular white wines exported from South Africa are sauvignon blanc, chenin blanc and chardonnay, while the red wine bestsellers are shiraz, pinotage and cabernet sauvignon.

### Rest of Africa

18. **An International Energy Agency (IEA) report on electricity highlights that per person electricity demand across Africa has been stagnant for three decades.** As of 2023, 600-million people, or more than 40% of the African population, lacked access to electricity, mostly in sub-Saharan Africa. In 1990, the average electricity consumption per person in Africa exceeded that of Southeast Asia by 40% and India by 65%. Southeast Asia overtook Africa in per capita electricity consumption in 1995, and India achieved the same in 2008 and, by 2023, African consumption of 530 kWh a person was half that of India and 70% lower than in Southeast Asia. The figure falls to only 190 kWh once South Africa is excluded. The IEA argues that the international community needs to work together with African governments to enable urgent progress, describing access to reliable, affordable and sustainable energy as essential if African countries are to achieve their economic and climate goals.
19. **Ivory Coast became the first sub-Saharan African country to issue debt on international bond markets since April 2022.** The Ivory Coast raised \$2,6bn across \$1,1bn 7,625% 2033 and \$1,5bn 8,25% 2037 tranches, the shorter of which was just the second sustainability bond from an African sovereign. The borrower paid little new issue premium as orders hit \$8bn. Ivory Coast's finance ministry said in the statement that the funds will primarily be used to repurchase and refinance the country's existing Eurobonds, as well as international bank loans.

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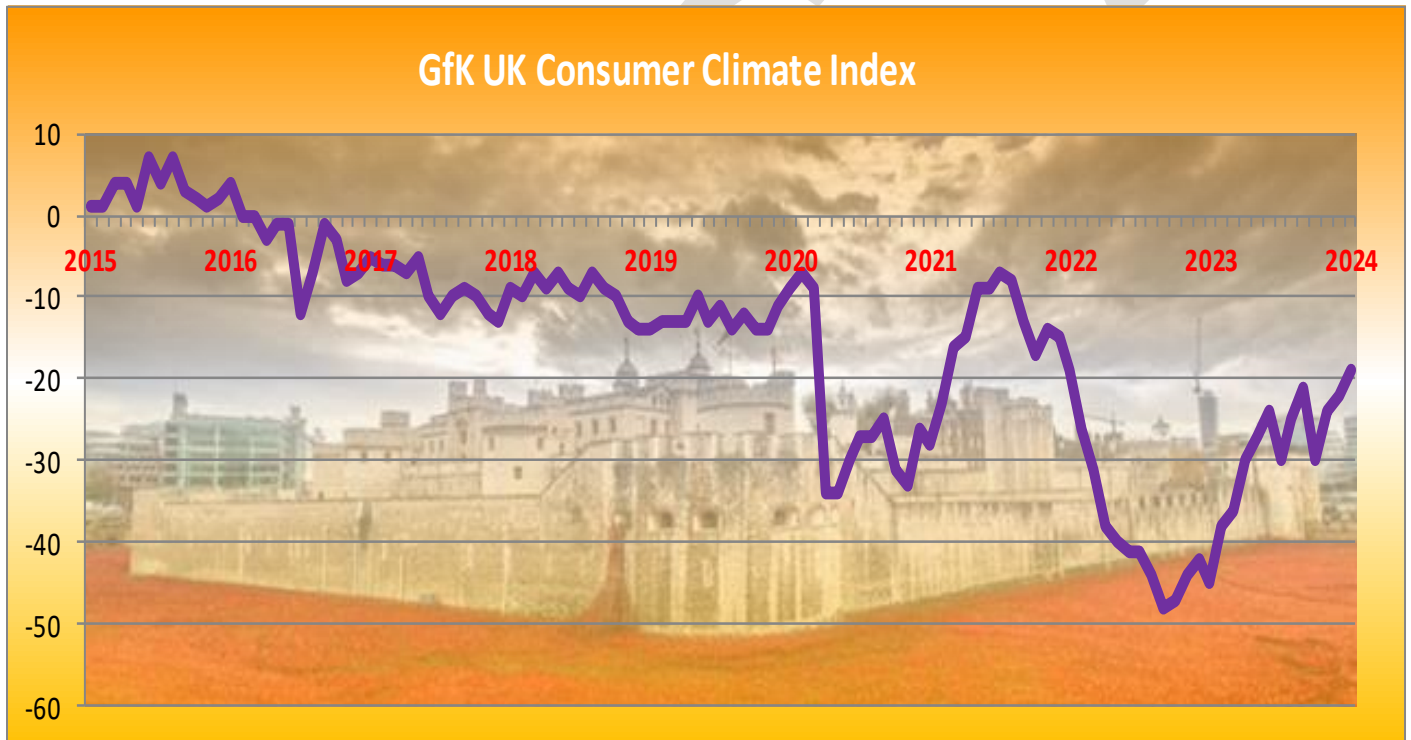
- 20. Consumer inflation in Ivory Coast rose to 3,9% y/y in December after being steady at 3,7% y/y in November and October.** The main upward pressure came from prices of food & non-alcoholic beverages (6,7% vs 6,2% in November). Prices also advanced faster for restaurants & hotels (3,7% vs 3,2%); miscellaneous goods & services (2,3% vs 1,0%) and alcoholic beverages & tobacco (1,7% vs 1,3%).
- 21. Consumer inflation in Morocco eased to 3,4% y/y in December from 3,6% y/y in November.** This also marked the lowest figure since January 2022, primarily driven by cost reductions in transportation (-0,7% vs -2,4% in November) and recreation & culture (-0,8% vs -0,7%), along with ongoing alleviation in food inflation, which reached a 22-month low of 6,7% vs 7,7%. There was also a deceleration in prices of furnishings (2,0% vs 2,1%) and restaurant & hotels (4,2% vs 4,8%), while inflation was steady for education (at 2,1%) and housing & utilities (at 0,9%).
- 22. Mozambique approved an extended deal for DP World, Grindrod and other operators for the port of Maputo.** The group, which also includes Mozambique's state-owned railway operator, won a 25-year extension to run the port ending in 2058. The agreement includes investments of nearly \$1,1bn by 2033 when the original concession was due to end. Capacity at the port is set to increase to 54 million tons per year by 2058, from 37 million tons this year, according to the extended concession agreement. That includes expanding a coal terminal in Matola next to Maputo to 18 million tons yearly, from 7,5 million tons. Annual shipping-container capacity will almost quadruple to a million units over the same period.
- 23. Consumer inflation in Zambia rose to 13,2% y/y in January from 13,1% in December.** Price growth accelerated for non-food products (12,4% vs 11,6% in December), while food prices slowed down a bit likely due to seasonal factors (13,7% vs 14,2%). Zambia's kwacha has experienced a significant 52% decline against the US dollar since the end of June 2023, attributed to reduced metal prices and production, alongside the challenges associated with restructuring over \$10bn of external sovereign debt.
- 24. Consumer inflation in Zimbabwe rose to 34,8% y/y in January from 26,5% y/y in December.** Inflation is driven by the Zimbabwean dollar's continued depreciation.

## International

- 25. The central bank of Turkey raised its benchmark lending rate by 250 basis points to 45,0%.** The central bank has raised its key rate by a total of 3 650 basis points since June, including a 250 bps hike to 42.5% last month. The bank stated that the necessary level of monetary tightness has been reached for disinflation and will be maintained as needed, considering the delayed effects of tightening. The central bank's goal is to reduce inflation and achieve a 5% target in the medium term.
- 26. The American economy expanded by 3,3% q/q at a seasonally adjusted annualised rate in the fourth quarter after a 4,9% q/q gain in the third quarter.** This was well above the consensus forecast of 2% q/q. Many economists expected the economy to enter a recession in 2023 due to the increase in interest rates to curb high inflation, but instead it grew by 2,5% after a 1,9% rise in 2022.
- 27. US pending home sales rose by 8,3% m/m in December.** This was the first increase in three months and the strongest performance since June 2020, with sales rising in the Midwest, South and West while the Northeast recorded a loss in transactions.
- 28. The US personal consumption expenditure (PCE) price index was steady at 2,6% y/y in December and November.** The core inflation rate slowed for an 11th straight month to 2,9% y/y from 3,2% y/y. This was the lowest rate since March 2021.
- 29. US personal spending rose by 0,7% m/m in December after a 0,4% m/m gain in November.** The \$133,9bn increase reflected an increase of \$75,6bn in spending for services and a \$58,4bn increase in spending for goods.
- 30. US personal income rose by 0,3% m/m in December after a 0,4% m/m gain in November.** Compensation of employees rose by 0,4%, a slight ease from the 0,5% gain in November. Furthermore, personal interest income surged by 0,8% in December, maintaining the same pace as in the previous month.
- 31. The number of Americans filing for unemployment benefits rose by 25 000 w/w to 214 000 in the week ending 20 January.** This was a significant rebound from the 16-month low touched in the prior week and overshooting market expectations of 200 000.
- 32. The US trade deficit in goods narrowed to \$88,5bn in December from \$89,3bn in November.** Exports grew faster than imports. Exports rose by 2,5% to \$169,8bn, while imports grew by 1,3% to \$258,3bn.
- 33. The number of foreclosed homes in China rose by 43% in 2023.** The number of foreclosed homes up for auction stood at 389 000 units according to the China Index Academy, a major independent real estate research firm.
- 34. Consumer inflation in Lebanon eased to 192,3% y/y in December from 211,9% y/y in November.** Nevertheless, the inflation rate has been in triple digits since 2021, primarily driven by exchange rate depreciation, especially during the first half of 2023, and the rapid dollarization of economic transactions. Prices rose at a softer pace for alcoholic beverages, tobacco (203,5% vs 221,0% in November), housing & utilities (206,7% vs 227,0%), furnishings (143,1% vs 157,0%), health (173,6% vs 187,0%), transportation (123,9% vs 143,0%) and restaurant & hotels (197,6% vs 215,0%). Food inflation also fell to an eleven-month low of 207,6% from 220,0%.

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35. **The German ZEW Indicator of Economic Sentiment rose to 12,8 in December from 10,9 in November, -1,1 in October, -11,4 in September, -12,3 in August and -14,7 in July.** This was the highest reading since March, suggesting that Europe's largest economy has reached a turning point amid heightened economic expectations coupled with significantly more optimistic outlooks for the German industrial sector, as well as both domestic and foreign stock markets.
36. **Japan's exports rose by 9,8% y/y in December to a record 9,65 trillion yen.** Shipments to the US rose to a record while those to China were also robust, logging their first rise in more than a year.
37. **The Ifo Business Climate indicator for Germany eased to 85,2 in January from 86,3 in December.** Sentiment reached its weakest level since the aftermath of the Covid-19 outbreak back in May 2020 as companies became more pessimistic about both their expectations for the coming months (83,5 vs 84,3 in December) and their current business situation (87,0 vs 88,5).
38. **The GfK Consumer Climate Indicator for Germany fell to -29,7 heading into February from -25,4 in January.** The latest result was far below market forecasts of -24,5, pointing to the lowest figure in 11 months amid declines in income expectations (-20,0 vs -6,9 in January), the propensity to buy (-14,8 vs -8,8), and economic prospects (-6,6 vs -0,4). On the other hand, the propensity to save jumped to its highest since August 2008 (14,0 vs 7,3).
39. **The GfK Consumer Confidence indicator in the UK rose to -19 in January from -22 in December.** This was the highest level since January 2022 and coming in above market expectations of -21. This was also the third consecutive m/m increase amid signs of improving economic activity. Analysts suggested that the ongoing cost of living crisis is being countered by January's cut in national insurance, falling mortgage rates and rising real wages.



40. **A federal judge in Brazil has ordered mining giants BHP, Vale and their Samarco iron ore joint venture to pay 47,6bn reais (\$9,67bn) in damages over a deadly dam burst in 2015.** The collapse of the Fundão dam in the south-east of the country caused a giant mudslide that killed 19 people. It also severely polluted the Rio Doce river, compromising the waterway to its outlet in the Atlantic Ocean. The ruling allows for the companies to appeal the decision.