

# RMB Global Markets Research

## Africa markets update

1 July 2013

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### The week in focus

#### Botswana

- GDP growth slows in 1Q13
- BWP: Pula tracks rand, strengthening against the greenback

#### CMA

- Namibia: GDP outlook is largely positive but there are downside risks
- ZAR: Rand continues to outperform

#### Ghana

- Headline inflation at 11.1% y/y in May under rebased index
- GHS: Mild improvement in cedi expected at year-end

#### Kenya

- Government set to cancel local shareholding law for mining companies
- KES: Month-end provides welcome relief to the shilling

#### Mozambique

- EU provides €93m to fund development projects
- MZN: Metical maintains appreciatory trend

#### Nigeria

- FDI falls in 2012
- NGN: Naira poised at 161.50

#### Tanzania

- Reuters' latest poll on Africa shows a 7% growth expectation for 2013
- TZS: Quarter-end bodes well for shilling

#### Zambia

- Inflation rose to 7.3% y/y in June from 7.0% in May
- ZMW: Kwacha gains in line with EM currencies

### Contents

- 2 Botswana and CMA
- 3 Ghana and Kenya
- 4 Mozambique and Nigeria
- 5 Tanzania and Zambia
- 6 Spot and forward exchange rates
- 7 General information
- 8 Contact pages
- 9 Disclaimer



## Botswana

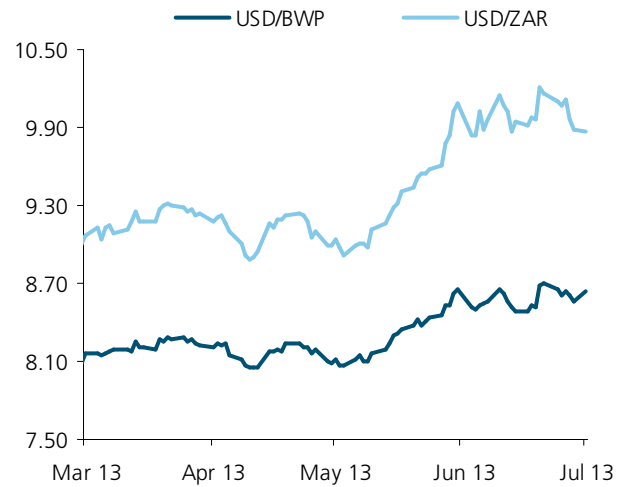
### News flash

- Contractions in the mining, manufacturing, agriculture and utilities sectors resulted in a slowdown in GDP growth in the first three months of 2013. Botswana expanded by 3.2% compared to 5.8% in 1Q12. The economy continues to contend with a struggling mining sector and fiscal tightening but buoyant domestic demand funded by credit growth. The decline in international commodity prices and local rate cuts will only spur these divergent paths. The net result will be decent but not spectacular growth, with GDP running around 5% p.a. this year and next.

### Pula (BWP) in brief

- The pula traded stronger against the greenback at the end of last week following the rand which posted gains against the dollar. USD/ZAR strengthened to below the 10.00 barrier, supported by short-term flows ahead of the end of the financial quarter. The pula closed at 0.1166/70 from 0.1160/65 in the morning. Against the rand the pula bled to close the day at 1.1494/1.1555 from 1.1510/83 in the morning (rates as per Reuters).

Figure 1: Pula tracks rand stronger against the greenback



Source: Bloomberg  
Data as at July 2013

## CMA

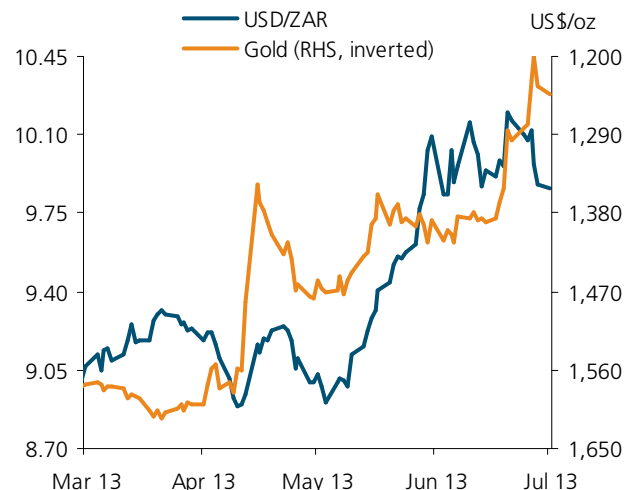
### News flash

- In our mid-year review we note that Namibia's GDP outlook is largely positive and we maintain that growth will come in around 4.5%, but there are downside risks.

### Rand (ZAR) in brief

- The rand continues to outperform, with USD/ZAR now pushing at the key 9.83/85 support level. A break would open up scope for a proper rand recovery but if the level holds it looks like we could be trapped in a range for a while. At 9.86 this morning, the rand is actually stronger than where it was before the Fed meeting! The cause of this remarkable outperformance remains unclear. While other high risk currencies and other assets have stabilized at weak levels it's only the Mexican peso and the rand that have shown a decent recovery. Initial speculation was that there was a large deal that was going through the market but there is no evidence that this was the case. More likely, is simply that the rand – having started declining well before other risky assets – was heavily oversold.

Figure 2: The rand continues to outperform



Source: Bloomberg  
Data as at July 2013



## Ghana

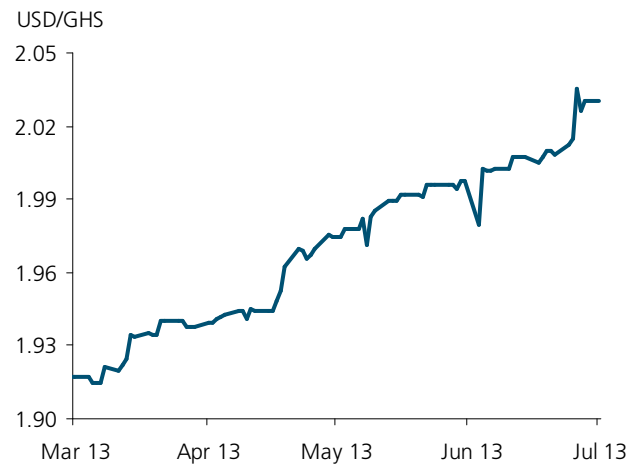
### News flash

- Inflation rose to a three-year high of 11.1% y/y in May (rebased number) from 10.6% in April (non-rebased index). The rebasing reflects new items in the basket and has also increased the contribution of components like transport due to the large increases in fuel prices since the last rebasing in 2002, while rice has become part of a staple diet and its inclusion in the food component should spur inflationary pressure.
- First quarter GDP printed at 6.7%, down from 10.3% a year ago due to lower-than-expected oil and cocoa production. The services sector grew by a robust 12%, agriculture by 1.1%, and the industrial sector contracted by 0.8%.

### Cedi (GHS) in brief

- Our initial year-end forecast of USD/GHS1.85 was premised on strong economic growth, consistent export earnings from gold and cocoa trades, and sustained portfolio inflows. However, the cedi has weakened almost 6% since the start of the year, prompting us to reassess our view. We now anticipate a mild improvement in the cedi in 2H13, projecting USD/GHS1.93 at the end of the year and 1.97 in 2014.

Figure 3: We anticipate a mild improvement in the cedi in 2H13



Source: Bloomberg  
Data as at July 2013

## Kenya

### News flash

- The government is set to cancel a law requiring mining firms to have a 35% local shareholding after foreign investors and the World Bank warned it's an impediment to FDI.
- Kenya grew by 5.2% in the first three months of the year compared to 3.9% recorded in the corresponding period last year. Agricultural gains and a quickening in the pace of construction growth supported Kenya's overall expansion. Meanwhile, headline inflation nudged up slightly in June, printing at 4.9% y/y.
- The government announced the upgrade, and not closure, of its sole oil refinery in the port of Mombasa after the threat of shutting it down prompted protests. It refines 4,500 tonnes of crude per day (about 32,000 barrels per day), but this has fallen to 2,500 or less due to reduced buying by oil marketers.

### Shilling (KES) in brief

- The end of the month provided welcome relief to the shilling as the demand for US dollars receded, allowing the unit to strengthen to below USD/KES86.00. We do not expect the CBK's July MPC meeting to generate additional shilling volatility as the central bank is unlikely to adjust its policy rate.

Figure 4: Shilling boosted by lessening n US dollar demand



Source: Bloomberg  
Data as at July 2013



## Mozambique

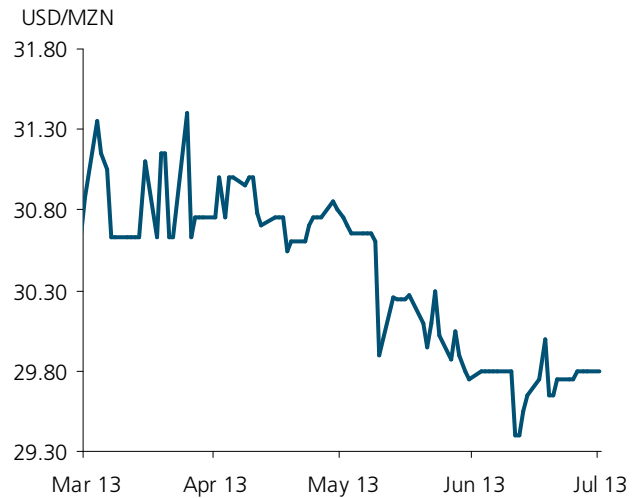
### News flash

- Mozambique is set to receive €93m from the EU to fund development projects aimed at improving healthcare, sanitation and transport infrastructure. The first of the three ventures will provide clean water to 50,000 individuals and is scheduled to begin before the end of the calendar year. Of the €11m required to fund the plan, €9m will be attained from the EU, €1m from the government and the remaining amount from UNICEF. The second initiative supports regional integration as it focuses on the expansion of Mozambique's road network, which should facilitate greater trade with neighbouring Malawi. A further €3m in funds will be used to extend healthcare services.

### Metical (MZN) in brief

- The metical has maintained an appreciatory bias which should hold in the short-term, provided there are sufficient methods with which to fund Mozambique's burgeoning trade deficit.

Figure 5: Metical has maintained an appreciatory bias



Source: Bloomberg  
Data as at July 2013

## Nigeria

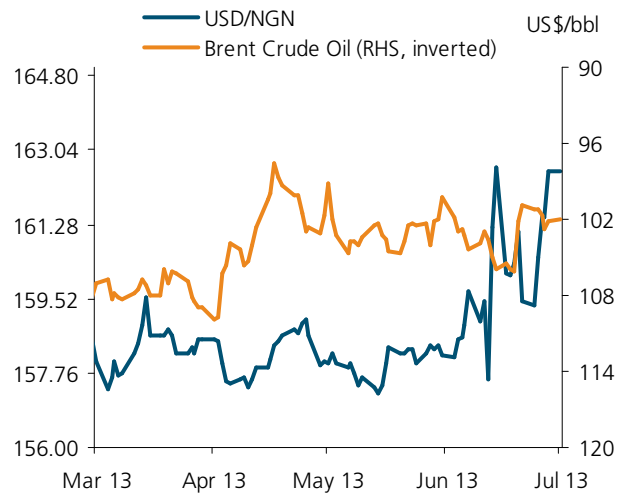
### News flash

- The latest UN FDI data shows Nigeria and South Africa inflows declined from 2011 to 2012. Flows to West Africa declined by 5% US\$16.8bn largely due to decreased investment in Nigeria.

### Naira (NGN) in brief

- The naira is poised at USD/NGN161.50 but an upward breach is imminent if the BoN lessens its support to the market. Despite being month-end, the naira could weaken if IOCs hold back on the sale of US dollar proceeds, which would lead to imbalances in market liquidity.

Figure 6: Naira poised at USD/NGN161.50



Source: Bloomberg  
Data as at July 2013



## Tanzania

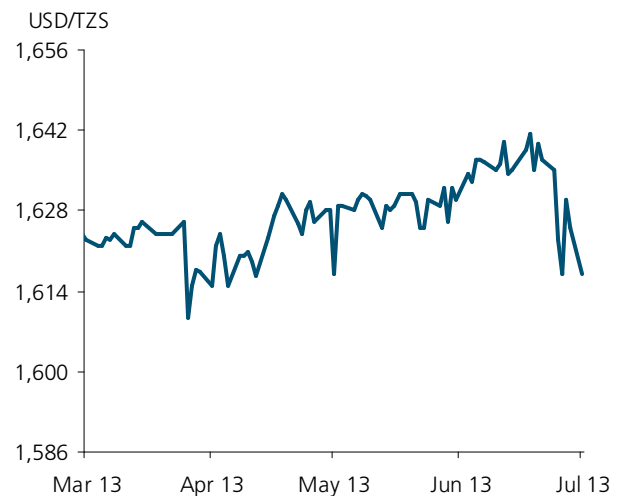
### News flash

- Reuters' latest poll on Africa shows a 7% growth expectation for 2013 due to strong investment. We also forecast 7% due to continued investment into traditional base and precious metals. On-going infrastructure development will continue to attract considerable donor funding, particularly from China, providing impetus for construction growth. From a demand perspective, consumer spending should gain momentum in 2H13 as diminishing price pressures and a reasonable harvest boost purchasing power and income growth. Fiscal consolidation implies lower government spending, but an expansion in net exports suggests slower growth. The Reuters poll further shows inflation to average at 8.6% in 2013 and probably ease further to an average of 7.4% next year.

### Shilling (TZS) in brief

- We usually observe greater shilling volatility at quarter-end as corporates seek local currency to fulfil funding obligations. After gaping to USD/TZS1,608, the unit tracked gradually higher, ending the week at 1,618. We anticipate smaller trading ranges this week as liquidity conditions begin to normalise.

Figure 7: Normalisation in liquidity conditions should result in tighter ranges



Source: Bloomberg  
Data as at July 2013

## Zambia

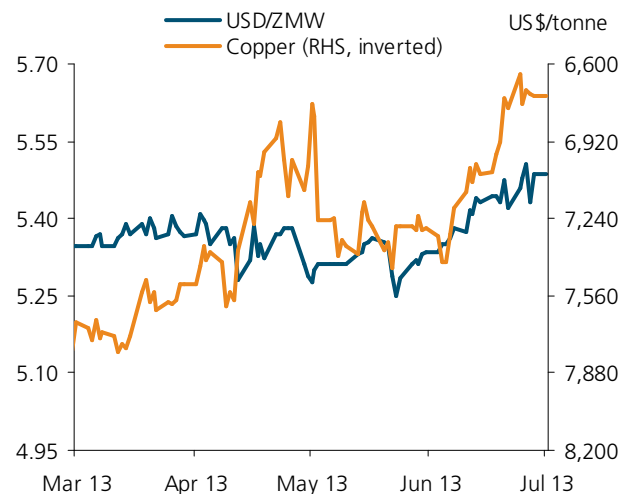
### News flash

- Concerns over inflation has prompted the central bank to hike rates for a second month in a row by 25bp to 9.75%.
- Inflation rose to 7.3% y/y in June from 7.0% in May — both food and non-food prices increased. More specifically, petrol and diesel prices surged by 21% at the end of April following the government's cut of the fuel subsidy, which has placed upward pressure on the inflation print.
- The Bond and Derivatives Exchange will start trading currency futures in July after the government required mining companies and other exporters to quote their contracts in the kwacha. The new law has exposed exporters and importers to FX risk.

### Kwacha (ZMW) in brief

- The kwacha was a function of local and global determinants last week. A slight improvement in global risk sentiment and participation by the central bank, prompted a sharp reversal in the kwacha's depreciatory trend which has been evident since the end of May. The sustainability of the move is dependent on whether the global backdrop remains supportive of growth, which should reenergise capital flows and commodity prices. Though the kwacha is biased to further weakness, it is unlikely to depreciate rapidly as the BoZ will cap losses above 5.50 to limit the pass-through to inflation.

Figure 8: Kwacha strengthens on the back of BoZ support



Source: Bloomberg  
Data as at July 2013



## Spot and implied forward exchange rates

	Currency rates				Outright forwards			
	Last	% change			Maturity			
		1-day	1-week	1-month	1-m	3-m	6-m	12-m
<b>Botswana</b>								
USD/BWP	8.60	-0.43	-0.99	1.84	8.63	8.70	8.83	9.05
EUR/BWP	11.21	-0.24	-2.52	2.66	11.24	11.34	11.52	11.82
GBP/BWP	13.12	-0.93	-2.49	2.82	13.13	13.24	13.43	13.75
BWP/JPY	11.42	1.06	1.30	-4.59	1.15	1.15	1.15	1.15
<b>Ghana</b>								
USD/GHS	2.03	-0.43	0.84	1.54	2.06	2.12	2.22	2.36
EUR/GHS	2.64	-0.23	-0.73	2.36	2.68	2.77	2.89	3.08
GBP/GHS	3.09	-0.93	-0.69	2.52	3.13	3.23	3.37	3.59
GHS/JPY	48.47	1.06	-0.54	-4.31	203.97	210.85	219.82	233.63
<b>Kenya</b>								
USD/KES	86.05	0.12	0.38	1.24	86.21	87.13	88.55	92.61
EUR/KES	112.16	0.32	-1.17	2.05	112.18	113.41	115.30	120.75
GBP/KES	131.22	-0.39	-1.13	2.21	131.12	132.47	134.54	140.60
KES/JPY	1.14	0.51	-0.09	-4.02	0.87	0.88	0.89	0.94
<b>Mozambique</b>								
USD/MZN	29.80	0.00	0.51	-0.25	29.80	0.00	0.51	-0.25
EUR/MZN	38.84	0.20	-1.05	0.55	38.84	0.20	-1.05	0.55
GBP/MZN	45.44	-0.50	-1.01	0.71	45.44	-0.50	-1.01	0.71
MZN/JPY	3.30	0.62	-0.21	-2.59	3.30	0.62	-0.21	-2.59
<b>Nigeria</b>								
USD/NGN	161.45	-0.03	0.22	2.02	159.75	159.75	159.75	159.75
EUR/NGN	210.43	0.17	-1.33	2.84	207.86	207.92	208.02	208.29
GBP/NGN	246.20	-0.53	-1.30	3.00	242.96	242.87	242.74	242.53
NGN/JPY	0.61	0.66	0.08	-4.76	0.62	1.63	1.63	1.63
<b>South Africa</b>								
USD/ZAR	9.96	-1.51	-2.34	3.68	9.91	10.01	10.14	10.39
EUR/ZAR	12.99	-1.31	-3.85	4.51	12.91	13.03	13.20	13.57
GBP/ZAR	15.20	-2.00	-3.82	4.67	15.09	15.22	15.41	15.80
ZAR/JPY	9.86	2.17	2.70	-6.28	9.99	9.90	9.76	9.49
<b>Tanzania</b>								
USD/TZS	1,630.00	0.80	-0.58	0.06	1,640.00	1,665.00	1,712.50	1,785.00
EUR/TZS	2,124.54	1.01	-2.12	0.87	2,133.90	2,167.05	2,229.98	2,327.32
GBP/TZS	2,485.59	0.30	-2.08	1.02	2,494.24	2,531.27	2,602.11	2,709.90
TZS/ZAR	0.06	-0.18	0.88	-2.89	16.54	16.80	17.30	18.08
<b>Zambia</b>								
USD/ZMW	5.43	-1.36	-0.82	2.26	5.34	5.36	5.50	5.77
EUR/ZMW	7.08	-1.17	-2.36	3.08	6.95	6.98	7.17	7.54
GBP/ZMW	8.28	-1.86	-2.32	3.24	8.12	8.15	8.36	8.77
ZMW/JPY	18.09	2.01	1.13	-4.98	0.05	0.05	0.06	0.06

Source: Bloomberg, Reuters, RMB Global Markets  
All data as at July 2013





## Commodities prices

	Current	m/m % change	y/y % change	Implied volatility	3-month future	12-month future
<b>Metals</b>						
Gold US\$/oz	1,242.58	-10.5	-22.2	25.8	#N/A	1,229.3
Copper US\$/tonne	6,750.50	-6.8	-11.2	24.6	6,751.0	6,800.0
<b>Softs</b>						
Cattle US\$/lb	149.45	3.6	-1.3	14.8	122.0	125.1
Cocoa US\$/tonne	2,194.00	0.1	-4.2	21.7	2,164.0	2,200.0
Coffee — Arabica US\$/lb	120.00	-5.5	-29.5	27.0	120.4	128.3
Coffee — Robusta US\$/tonne	0.00	-	-	22.9	1,759.0	1,811.0
Cotton US\$/lb	82.71	4.2	14.6	22.8	85.6	81.4
Maize — Yellow R/tonne	2,220.00	-5.5	4.3	24.0	2,260.0	2,291.0
Maize — White R/tonne	2,242.00	-5.4	4.3	23.7	2,285.0	2,168.0
Raw Sugar US\$/lb	16.38	-1.0	-24.9	20.1	18.3	18.3
<b>Energy</b>						
WTI Crude US\$/bbl	96.47	4.9	13.5	19.8	95.8	90.3

## Interest rates

	3-m T-Bill		Policy rate
	June-13 <sup>1</sup>	Current	Current
Botswana	4.82	4.82	8.50
Ghana	23.09	21.831	16.00
Kenya	5.11	5.17	8.50
Mozambique	4.06	4.55	9.00
Namibia	5.15	5.15	5.50
Nigeria	11.50	12.15	12.00
South Africa	5.23	5.15	5.00
Tanzania	11.82	11.82	OMO <sup>2</sup>
Zambia	6.50	6.50	9.75

<sup>1</sup> End of month

<sup>2</sup> Open Market Operations

Source: Bloomberg, Reuters, RMB Global Markets

All data as at July 2013

## All rated sub-Saharan countries

	Fitch	Moody's	S&P
Angola	BB-	Ba3	BB-
Benin	-	-	B
Botswana	-	A2	A-
Burkina Faso	-	-	B
Cameroon	B	-	B
Cape Verde	B+	-	B+
Egypt	B	Caa1	CCC+
Gabon	BB-	-	BB-
Ghana	B+	B1	B
Kenya	B+	B1	B+
Lesotho	BB-	-	-
Mauritius	-	Baa1	-
Morocco	BBB-	Ba1	BBB-
Mozambique	B	-	B+
Namibia	BBB-	Baa3	-
Nigeria	BB-	Ba3	BB-
Rwanda	B	-	B
Senegal	-	B1	B+
Seychelles	B	-	-
South Africa	BBB	Baa1	BBB
Tunisia	BB+	Ba2	BB-
Uganda	B	-	B+
Zambia	B+	B1	B+

Note: For full ratings disclosure, please refer to the last page

The sources used to compile this document are: Bloomberg, Reuters, AllAfrica.com, respective central bank and national statistical websites.



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