

18 November 2013

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The week in focus

Botswana

- Headline inflation falls to 4.8% y/y
- BWP: The pula maintained its strong tone against the greenback

CMA

- Namibia: Rebased CPI dips below 5% in October
- ZAR: Starting with mild gains

Ghana

- Inflation leaps to 13.1% y/y in October from 11.9% in September
- GHS: Onus on BoG to implement measures to curb cedi weakness

Kenya

- Energy Regulatory Commission lowers fuel prices for a second consecutive month
- KES: Shilling incurs 1% losses since start of the month

Mozambique

- BDM retains policy rate at 8.25%
- MZN: Seasonal demand has resulted in increased intra-day volatility

Nigeria

- Headline inflation falls to its lowest level in five years in October
- NGN: Thinning US dollar liquidity and increased demand spells trouble for the naira

Tanzania

- Tourist receipts outpace gold earnings between 1Q13 and 3Q13
- TZS: Losses on the cards as import demand gains momentum

Zambia

- Chinese firms encouraged to employ local labour
- ZMW: Kwacha remains impervious to global sentiment

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Botswana

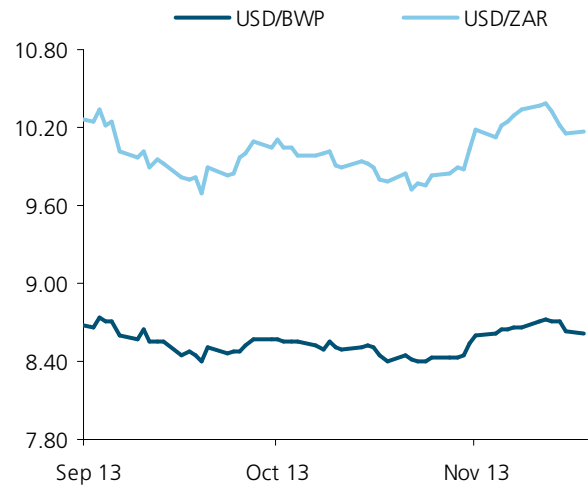
News flash

- Headline CPI slowed to 4.8% y/y in October from 5% in September. Sustained disinflation will open the door for another rate cut. Further reductions may also be seen going into 2014, with inflation likely to bottom at 4% y/y. Administered price pressures and the potential for cost push increases in South Africa are the main risks to our view.
- Botswana will have the ability to export 130 million tonnes of coal following the completion of a heavy haul railway network, which is intended to link local suppliers to ports in Namibia, South Africa and Mozambique. The project, estimated at US\$22bn, will be privately funded.

Pula (BWP) in brief

- The pula maintained its strong tone against the greenback on Friday as the rand put up a good performance against the dollar supported by an official revision of the South African trade data showing a narrower deficit than previously stated. However, the rand's performance remains vulnerable due to eventual tapering by the US. We expect the pula to open a touch stronger around 0.1158/0.1161 compared with the closing level of 0.1155/58.

Figure 1: Pula less perturbed by happenings in the US than the rand



Source: Bloomberg
Data as at November 2013

CMA

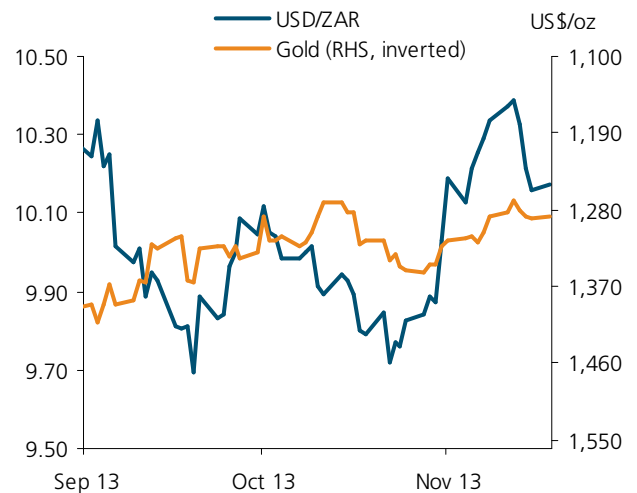
News flash

- Namibia: According to the new chain-linked series published by the statistics agency, annual headline inflation dipped below 5% in October (4.9% y/y vs. 5.4% in September). The new weights, calculated using the 2009/2010 National Income and Expenditure Survey, are more reflective of household spending patterns. The starkest adjustment is the 13.19% decline in the weighting of food and non-alcoholic beverages, which should greatly relieve supply-side pressures. We expect inflation to average 5.9% this year.
- The African Development Bank has extended a US\$338m sovereign guaranteed loan to the Namibian Ports Authority to fund a new container terminal at its Walvis Bay New Port. The new project forms part of a national development plan aimed at positioning Namibia as a regional logistics hub by 2017.

Rand (ZAR) in brief

- USD/ZAR opens at 10.19 with mild downside bias. Event and data risk is limited today but is high through to mid-week before easing off on Friday. Tapering remains the dominant issue for the markets. The focus will therefore be on Bernanke's speech early morning on Wednesday (SA time).

Figure 2: Still some meaningful risk this week



Source: Bloomberg
Data as at November 2013



Ghana

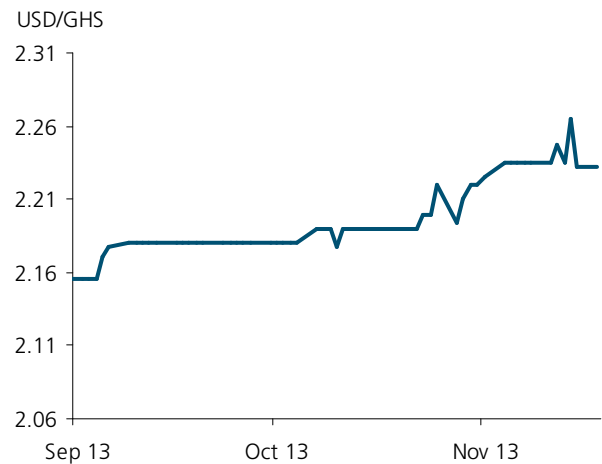
News flash

- Inflation leapt to 13.1% y/y in October from 11.9% in September, owing to a sharp acceleration in non-food inflation. The sizeable jump in the headline figure is largely attributed to mammoth increases in utilities prices in October. The impact would have been far graver had the Public Utilities Authority been allowed to affect an electricity price increase of more than 100%. However, the threat of public demonstrations by the Trade Union Congress appears to have forced the government's hand, resulting in a significant reduction to the billing rate. Despite a moderation in food inflation, goods inflation remains sticky owing to sustained demand for durable and consumable goods such as clothing and footwear. Cedi weakness has compounded inflationary pressures, reinforcing our view of monetary tightening. The Bank of Ghana has rescheduled the November MPC meeting to the 25th of this month.

Cedi (GHS) in brief

- USD/GHS cedi is bid at 2.25, according to indicative pricing on Reuters. Weakness is unrelenting and it appears as though US dollar inflows have dried up, placing the onus on the BoG to effect measure to protect the value of the currency.

Figure 3: Cedi edges higher against the US dollar



Source: Bloomberg
Data as at November 2013

Kenya

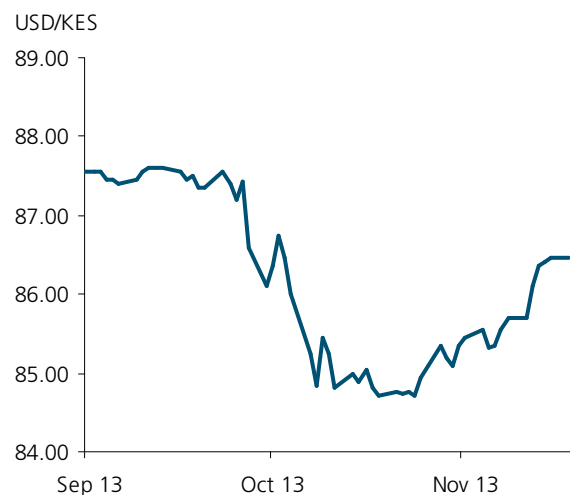
News flash

- The Energy Regulatory Commission lowered fuel prices for a second consecutive month last Thursday, following a slight moderation in international energy prices. Kenya's reliance on kerosene and diesel implies greater sensitivity to changes in the fuel price. The reduction should help to temper inflationary pressures.
- Essar Energy Overseas Limited intends to exercise a put option which would allow it to divest its 50% shareholding in Kenya Petroleum Refineries. Inefficiencies at the refinery have resulted in lower volumes and higher costs which have been passed on to the consumer. The government is unlikely to shut the plant in light of the impending oil and gas boom in East Africa. The state could look to an alternative investor or convert the refinery into a storage facility.

Shilling (KES) in brief

- While the CBK's efforts to boost money market liquidity has eased funding conditions, it has been at the expense of the shilling which has incurred 1% of losses since 7 November. While we do not foresee rapid depreciation, we are mindful of further losses as import demand ramps up as corporates stockpile goods ahead of the festive season.

Figure 4: Further losses a possibility



Source: Bloomberg
Data as at November 2013



Mozambique

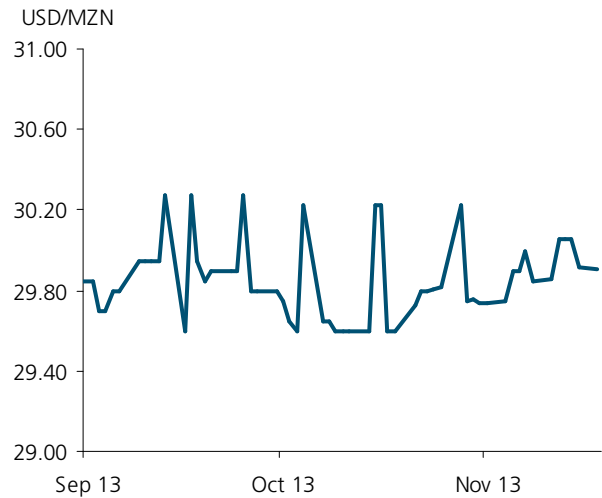
News flash

- The Central Bank (BDM) has retained its policy rate (FPC) at 8.25%, stating that its inflationary targets are still on track. The BDM, however, noted that international pressures pose downside risks to the local economy. We do not anticipate any further adjustments to the policy rate this year as inflation is likely to nudge higher ahead of the festive season.

Metical (MZN) in brief

- Seasonal demand has resulted in increased intra-day volatility. However, the local unit is contained to a range of USD/MZN29.40 to 29.95. Uncertainty over South Africa's current account deficit and the start of Fed tapering will keep the rand in limbo, reinforcing a downward ZAR/MZN trend, at least in the short-term.

Figure 5: Metical holds firm below USD/MZN30.00



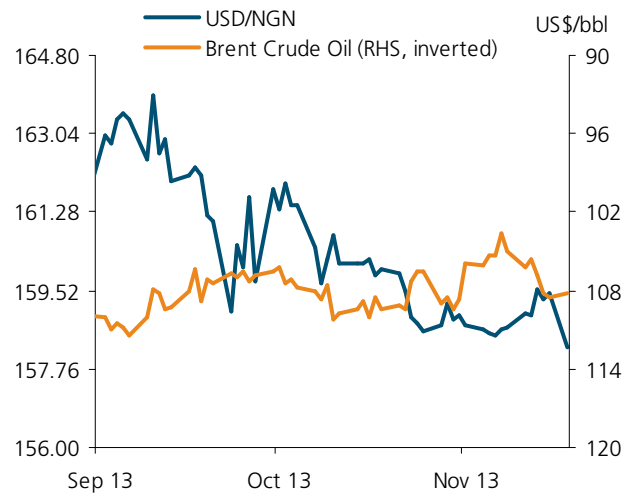
Source: Bloomberg
Data as at November 2013

Nigeria

News flash

- According to the National Bureau of Statistics, inflationary pressures have receded markedly over the last year. The headline figure printed at 7.8% y/y in October compared to 8% at the end of 3Q13, marking its lowest level in five years. A favourable harvest season, which began in July, has led to a moderation in food prices. Core inflation, however, ticked up for a fourth consecutive month but the rate of increase was tempered by a reduction in fuel prices and transport costs. Despite the pace of disinflation, we do not expect the CBN to lower its policy rate as the possibility of fiscal slippage ahead of the 2015 presidential election continues to pose a palpable upside risk to inflation.
- Oil supply outages eroded the value of government revenues in September, resulting in a US\$1bn reallocation of oil savings to the state coffers. Despite a month-on-month improvement, profits fell 15% short of the budgeted forecast.

Figure 6: Thinning liquidity means trouble for naira



Source: Bloomberg
Data as at November 2013

Naira (NGN) in brief

- Thinning US dollar liquidity coupled with increased demand spells trouble for the naira. Weakness is likely to ensue in the run up to year-end but the seasonal month end inflows will ensure that losses are capped.



Tanzania

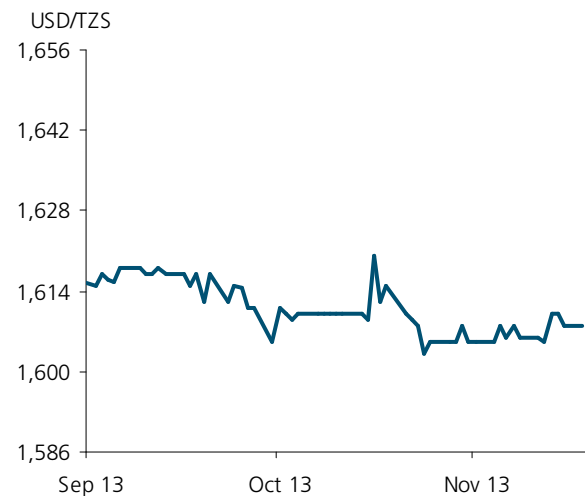
News flash

- Tourist receipts accounted for a greater share of external earnings between 1Q13 and 3Q13, outpacing proceeds accrued from the exportation of gold. The tourism and natural resource ministry estimates a 40% increase in tourist arrivals this year, attributing the sector's success to new markets and security woes in Kenya, which have diverted holidaymakers to neighbouring countries in East Africa.
- Tanzania's debut 15-year local currency government bond issuance attracted considerable domestic interest last week. The CBN accepted TZS15bn of the TZS36.05bn tendered at a weighted average YTM of 16.65%.

Shilling (TZS) in brief

- According to the BoT, the central bank traded US\$48.9m on the interbank foreign exchange market over the past week. Despite an increase in the volume traded, demand, particularly from the oil sector, outstripped supply, driving the shilling higher against the US dollar. We anticipate further losses as import demand gains momentum ahead of the festive season. The pace of depreciation, however, will be measured.

Figure 7: Shilling driven higher due to oil sector dollar demand



Source: Bloomberg
Data as at November 2013

Zambia

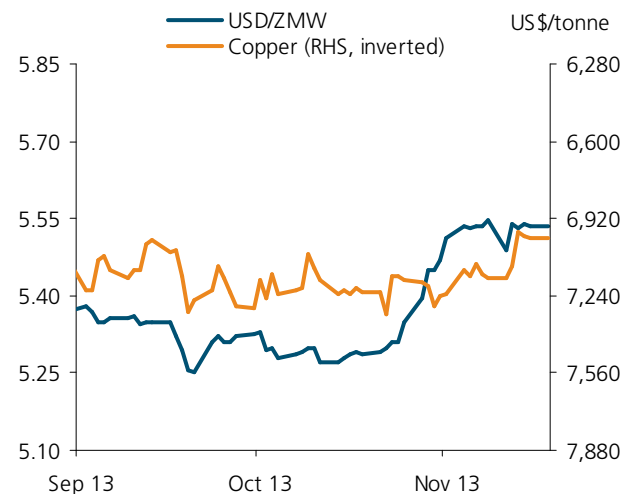
News flash

- President Sata has encouraged Chinese firms engaged in infrastructure development to employ local labour so as to extend the economic benefits of foreign direct investment to surrounding communities. He expressed these sentiments at the initiation of the Kitwe-Chingola dual carriageway. The project will span two years and is expected to create 500 jobs over the construction period.

Kwacha (ZMW) in brief

- The kwacha sustained a depreciatory trend last week amid rising local demand for the greenback. The BoZ has expressed its discomfort with a weaker kwacha in the past but its lack of intervention would suggest that it does not have sufficient international reserves to safeguard the value of the currency. The kwacha remains impervious to global sentiment, as such moves will only be determined by the dollar supply/demand factor.

Figure 8: Kwacha depreciating as demand for greenback rises



Source: Bloomberg
Data as at November 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
Botswana								
USD/BWP	8.71	-0.04	0.48	2.35	8.55	8.64	8.77	9.02
EUR/BWP	11.73	0.09	0.98	1.57	11.53	11.66	11.83	12.18
GBP/BWP	13.99	0.24	0.43	2.84	13.78	13.92	14.12	14.50
BWP/JPY	11.48	0.61	0.96	-0.70	1.19	1.19	1.19	1.18
Ghana								
USD/GHS	2.27	1.34	1.34	3.42	2.21	2.28	2.38	2.54
EUR/GHS	3.05	1.48	1.85	2.64	2.98	3.07	3.21	3.43
GBP/GHS	3.64	1.63	1.29	3.92	3.56	3.67	3.82	4.08
GHS/JPY	44.11	-0.77	0.10	-1.73	221.42	227.76	237.43	253.29
Kenya								
USD/KES	86.40	0.06	0.99	1.65	86.92	87.97	89.55	93.29
EUR/KES	116.40	0.19	1.50	0.88	117.32	118.74	120.89	126.02
GBP/KES	138.85	0.35	0.94	2.14	140.07	141.69	144.11	149.90
KES/JPY	1.16	0.51	0.44	-0.01	0.87	0.88	0.89	0.93
Mozambique								
USD/MZN	30.05	0.00	0.17	1.52	29.71	30.28	30.87	31.97
EUR/MZN	40.48	0.13	0.67	0.75	40.53	40.87	41.67	43.19
GBP/MZN	48.29	0.29	0.12	2.01	48.39	48.77	49.68	51.37
MZN/JPY	3.33	0.56	1.27	0.12	3008.17	3031.71	3089.07	3194.16
Nigeria								
USD/NGN	159.34	-0.13	0.43	-0.51	159.75	159.75	159.75	159.75
EUR/NGN	214.66	0.00	0.94	-1.26	215.61	215.63	215.67	215.80
GBP/NGN	256.08	0.16	0.38	-0.03	257.42	257.30	257.10	256.68
NGN/JPY	0.63	0.70	1.00	2.15	0.63	1.60	1.60	1.60
South Africa								
USD/ZAR	10.21	-1.10	-0.78	2.72	10.22	10.30	10.44	10.75
EUR/ZAR	13.76	-0.97	-0.29	1.94	13.77	13.90	14.09	14.50
GBP/ZAR	16.41	-0.82	-0.83	3.21	16.44	16.59	16.80	17.24
ZAR/JPY	9.78	1.69	2.24	-1.05	9.82	9.72	9.59	9.31
Tanzania								
USD/TZS	1,610.00	0.00	0.12	0.00	1,625.00	1,659.50	1,730.00	1,816.25
EUR/TZS	2,168.99	0.13	0.62	-0.76	2,193.22	2,239.94	2,335.57	2,453.42
GBP/TZS	2,587.43	0.29	0.07	0.48	2,618.54	2,672.82	2,784.24	2,918.26
TZS/ZAR	0.06	0.56	1.32	1.64	16.22	16.57	17.29	18.18
Zambia								
USD/ZMW	5.54	0.18	0.09	5.12	5.34	5.36	5.50	5.77
EUR/ZMW	7.46	0.31	0.59	4.33	7.21	7.23	7.42	7.79
GBP/ZMW	8.90	0.47	0.04	5.63	8.60	8.63	8.85	9.28
ZMW/JPY	18.04	0.38	1.35	-3.32	0.05	0.05	0.05	0.06

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



Commodities prices

	Current	m/m % change	y/y % change	Implied volatility	3-month future	12-month future
Metals						
Gold US\$/oz	1,287.06	-2.2	-24.9	17.5	1,288.3	1,291.4
Copper US\$/tonne	6,967.50	-3.8	-8.0	18.7	7,008.3	7,037.8
Softs						
Cattle US\$/lb	165.15	-0.6	13.4	14.8	134.8	129.5
Cocoa US\$/tonne	2,736.00	0.6	11.4	24.1	2,736.0	2,727.0
Coffee — Arabica US\$/lb	105.75	-7.8	-28.2	23.1	105.8	115.9
Coffee — Robusta US\$/tonne	0.00	-	-	25.2	1,511.0	1,498.0
Cotton US\$/lb	77.00	-7.4	5.9	20.3	78.2	76.9
Maize — Yellow R/tonne	2,372.00	8.6	-4.9	24.0	2,372.0	2,055.0
Maize — White R/tonne	2,428.00	2.2	-0.4	23.7	2,428.0	2,152.0
Raw Sugar US\$/lb	17.55	-10.0	-8.4	15.8	18.4	18.4
Energy						
WTI Crude US\$/bbl	93.54	-7.2	7.9	23.9	95.0	92.1

Interest rates

	3-m T-Bill ¹		Policy rate
	Oct - 13	Current	Current
Botswana	3.65	3.56	8.00
Ghana	24.28	19.01	16.00
Kenya	9.94	9.79	8.50
Mozambique	5.15	5.21	8.25
Namibia	5.15	5.15	5.50
Nigeria	10.07	10.89	12.00
South Africa	5.11	5.12	5.00
Tanzania	13.68	12.99	OMO ²
Zambia	8.00	7.49	9.75

¹ End of month

² Open Market Operations

Source: Bloomberg, Reuters, FNB Mozambique, RMB Namibia, RMB Global Markets
All data as at November 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+	B1	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+

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



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