

# AFRICAN LOCAL MARKETS GUIDE 2013



PLEASE SEE ANALYST CERTIFICATIONS AND IMPORTANT DISCLOSURES STARTING AFTER PAGE 103.

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*Update: Please note that this replaces the version published on 25 January. We have clarified the countries in which growth exceeded 7% in 2012 (see Overview). The FY11/12 Egypt GDP figure has been corrected in the country snapshot section. We have also simplified the Rate Product table in the Nigeria country profile. Lastly, we have adjusted our growth numbers in the Seychelles Economic outlook section.*

## 14 FEATURED MARKETS

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This booklet comprises a summary of countries in which Barclays has local branches and the trading/custodial services offered by each. This is followed by a set of guides (focusing on sub-Saharan Africa); one for each country. These guides explain the currency regimes, policy stances, key indicators, market drivers, and market dynamics in the different markets.

FIGURE 1  
**Barclays trading capabilities in Africa**

	Foreign exchange	Treasury bills	Bonds
Angola	Trader	n/a	n/a
Botswana	Market maker	Primary dealer	Primary dealer
Egypt	Market maker	Primary dealer	Primary dealer
Ghana	Market maker	Primary dealer	Primary dealer
Kenya	Market maker	Primary dealer	Primary dealer
Mauritius	Market maker	Primary dealer	Trader
Mozambique	Market maker	Primary dealer	Primary dealer
Namibia	Trader	Trader	Trader
Nigeria	Trader	Trader	Trader
Seychelles	Market maker	Trader	Trader
South Africa	Market maker	Primary dealer	Primary dealer
Tanzania	Market maker	Primary dealer	Primary dealer
Uganda	Market maker	Primary dealer	Primary dealer
Zambia	Market maker	Primary dealer	Primary dealer
Zimbabwe	Market maker	Primary dealer	Primary dealer

Source: Barclays

FIGURE 2  
**Africa coverage**



Source: Barclays Research

## OVERVIEW

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The 2013 African Local Markets Guide is our seventh annual publication on this market. In this latest edition, we cover 14 of the continent’s most vibrant economies. As in our earlier editions, the guide is intended to provide a long shelf-life resource that allows the interested reader to gain insight into the macro, policy and regulatory environments in each of these diverse countries and provides background on the market conditions and market conventions of their associated local markets. By presenting a quick and easy introduction to these markets, we hope to help overcome some of the challenges around finding appropriate information and data on the continent.

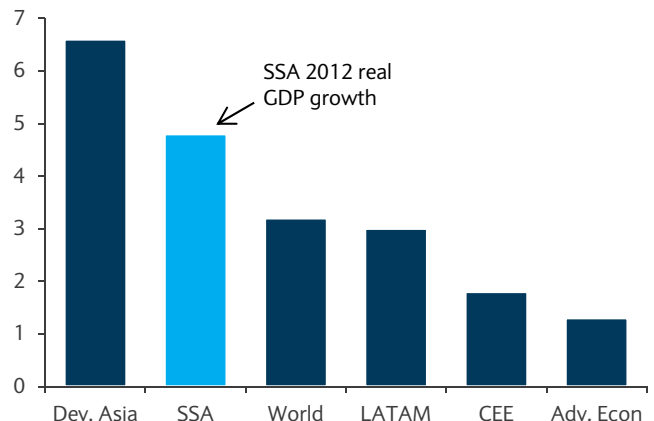
Before we introduce the country specific pages, we believe it makes sense to highlight the performance of our universe of African economies over the past year. In terms of growth, the African economy grew by 6.7% in 2012 (based on IMF data) against 3.1% in 2011. However, our PPP-weighted average of our 14 focus countries reveals growth of 4.2% in the year (as compared with 4.6% in 2011). As is often the case, economic performance varied significantly across the region, ranging from countries where growth exceeded 7% (including Ghana, Cote d'Ivoire, Mozambique, etc), and those where 3% was a hurdle too far (South Africa). Of the 14, growth accelerated in three countries, whilst it decelerated in the other 11. In the immediate future, much of the growth excitement is focused on those countries where new resource discoveries (particularly oil and gas) may help transform their economies (Mozambique, Kenya and Tanzania come to mind), and where a continued push on energy and transport infrastructure may be able to unleash economic potential in a different way (such as Nigeria and South Africa). Over a slightly longer horizon, we continue to believe that exciting growth opportunities will also be created by a young, urbanising population that is looking to enter into the formal economy.

Away from a focus on GDP growth, inflation was also an important topic for the region in the year. In the 14 countries we cover, average inflation fell from December 2011’s 10.8% to 6.7% at the end of 2012. Food and fuel prices were again the main story, particularly in countries where adverse growing conditions suffered (such as Nigeria and Zambia) or where reductions in fuel subsidies challenged consumers (again Nigeria). Sharp currency moves in a number of countries also saw inflation-pass-through as a main theme (South Africa and Ghana). Nevertheless, the main theme during the year was the generally more favourable inflation conditions, allowing central banks to provide some monetary support to growth. Politically, our focus countries saw general elections held in Angola and Ghana. The

FIGURE 1  
 Real GDP, % y/y



Source: IMF, Barclays Research, Absa Capital



Source: IMF, Barclays Research, Absa Capital

elections were held peacefully and passing muster with international observers (even as the losing parties often highlighted their concerns around vote details). In the region's largest economy, South Africa, the ruling party completed its internal leadership election. Looking into 2013, the first focus will be Kenya, where the country returns to the polls for the first time since 2007's election resulted in ethnic violence and a power-sharing agreement.

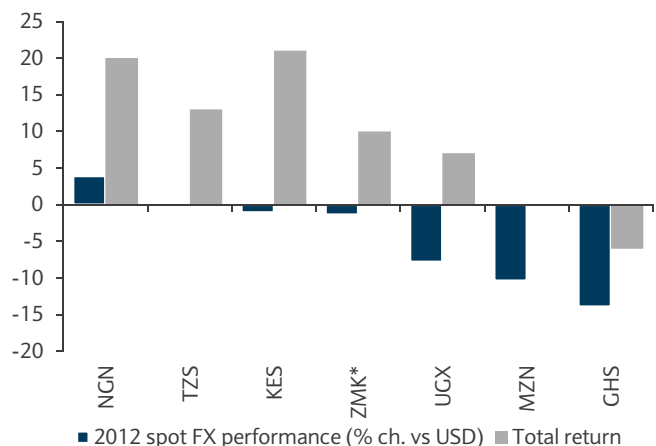
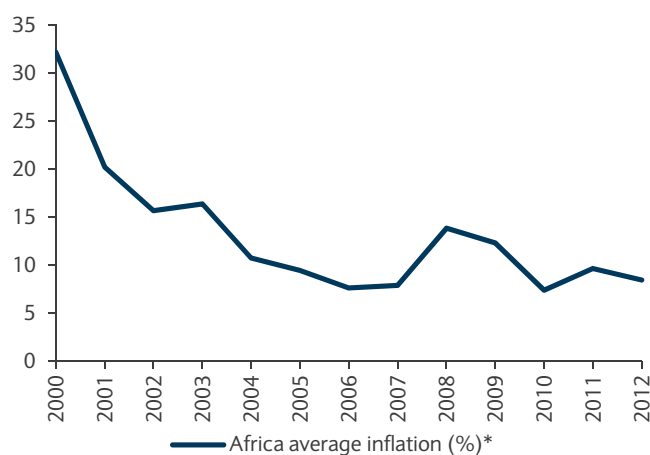
And what of the region's markets? In some important ways, 2012 was a watershed year. South Africa joined the World Global Bond Index and Nigeria joined the JPM Emerging Market Bond Index, opening both domestic bond markets to new investors. Meanwhile, in external markets, Zambia saw a 15x over-subscription for its maiden Eurobond deal, a 10-year USD750mn issue. Since the end of 2011, Mauritius' credit rating was raised to Baa1 by Moody's in June and Nigeria was upgraded in October 2012 by S&P (from 'B+' to 'BB-'). Countries moving in the other direction in the eyes of the rating agencies were Egypt and South Africa, both of which were downgraded since the end of 2011.

Looking to market performance in particular, in FX the stand-out performer among our 14 countries was Nigeria, where the naira appreciated by 3.9% during 2012. The challenging global conditions and some local stories saw every other currencies in our focus area depreciate against the USD. For Tanzania, the decline was modest (-0.2%), as was the case for Kenya and Angola (both -1.2%), but the slide was more pronounced for the southern currencies as Mauritius, Botswana, Namibia and South Africa all declined by 3.9-4.5%. Egypt (-5.2%), Uganda (-7.4%), Mozambique (-9%) and Ghana (-13.9%) fared even worse.

Of course, for institutional investors, the currencies' spot performances do not reflect well the investment case more broadly. Instead, a measure of total return is more appropriate. By comparing the forward rate offered at the beginning of 2012 with the final spot price, a better measure of currency performance can be captured. Looking in this way, we see KES returns at 21%, followed by NGN (20%), TZS (13%), ZMK (10%) and UGX (7%). The GHS recorded negative returns of 6% over the year.

Within our coverage area, a number of countries have active bond markets, with South Africa, Nigeria and Egypt at the forefront. South African bonds rallied in 2012 due to several factors, while further north, Nigerian yields remained very attractive, hovering above 12% across the maturity spectrum. Ghanaian yields were above 20%. Zambian long-end yields were also in double-digits. Yields in Kenya and Uganda, however, fell sharply in 2012 amid aggressive monetary policy easing.

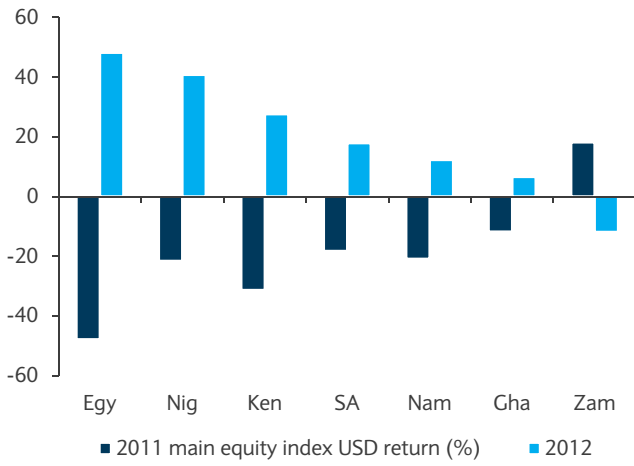
FIGURE 2  
Prices and FX



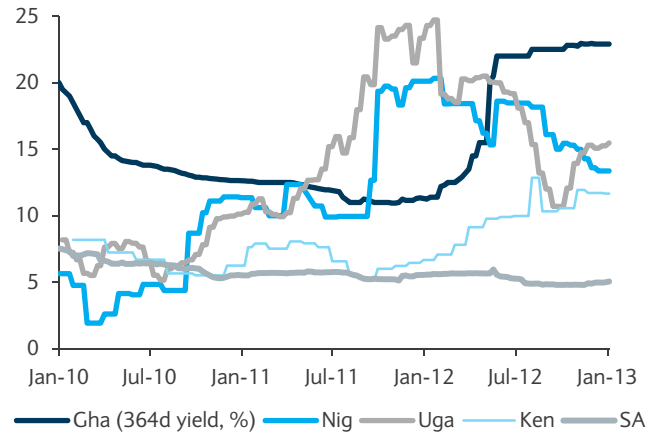
Note \* Our focus countries only. Source: IMF, Official statistics offices, Absa Capital

Source : Reuters, Absa Capital

FIGURE 3  
Equities and yields



Source: Reuters, Inet-Bridge, Absa Capital



Source : Central banks, Inet-Bridge, Absa Capital

# ANGOLA

## Policy environment

Credit rating	
Long-term foreign	BB- (S&P)
currency rating	BB- (Fitch)
	Baa3 (Moody's)

Source: Bloomberg

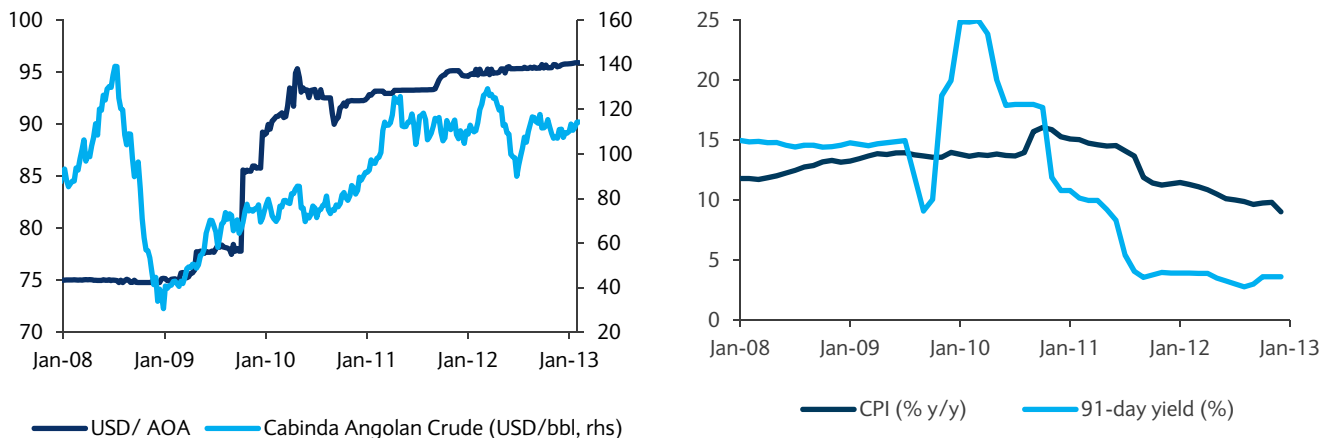


**Monetary policy:** The National Bank of Angola’s (BNA’s) main objectives are currency and price stability. The exchange rate is the main anchor for monetary policy. In October 2011, the BNA introduced a benchmark interest rate, which serves as a guide for monetary policy and as a reference rate for commercial bank lending rates. The policy rate was initially set at 10.5% and is decided by the Monetary Policy Committee on a monthly basis. The Bank also uses open market operations and adjustments to reserve requirements to manage liquidity. With headline inflation on a steady declining path, the BNA reduced the policy rate by 25bp in January 2012, and kept the rate at that level throughout the year. Inflation ended 2012 within the 10% target, at 9% y/y. The official target for 2013 was set by the government at 9%, while the Bank aims to keep inflation in the single digits in the medium term. We expect inflation to remain in the high single digits in 2013, suggesting that the BNA has little scope to reduce its policy rate further.

**Exchange rate policy:** The arrangement is classified by the IMF as a “pegged exchange within horizontal bands”. The BNA uses the auction system as its main tool for setting the exchange rate. With firm oil prices and improved production, the BNA’s FX reserves increased to USD33bn in November 2012 from USD28bn in December 2011. The strong external position enabled the Bank to keep the kwanza (AOA) stable at about 95/USD throughout 2012, with the Bank’s USD sales reaching USD1.5bn in some months. We expect the AOA to remain relatively stable in 2013 amid a favourable outlook for oil production and prices.

**Fiscal policy:** The government runs a calendar-year based budget plan, with the budget heavily dependant on oil revenues (around 80% of total revenues). Ongoing reforms, firm oil prices and production underpinned a notable improvement in the government’s fiscal position in recent years. The fiscal surplus in 2012 was estimated at about 7% of GDP by the IMF and another surplus is anticipated in 2013. The 2013 budget assumes an average oil price of USD96/bbl, production of 1.8mbpd and real GDP growth of 7.1%. The country’s large twin surpluses supported an upgrade in Angola’s credit ratings to BB-/BB-/Ba3 in 2011, while Fitch and Moody’s placed positive outlooks on the country’s ratings during 2012. The government also launched a USD5bn sovereign wealth fund in October 2012.

FIGURE 1  
Market snapshot



Source: Reuters, Absa Capital

Source : BNA, Absa Capital

**Regulatory and tax environment:** Angola has exchange control regulations, with the BNA managing and supervising controls. Purchases of foreign currency can only be used to pay for imports (services and goods). Regarding services, all payments above USD300,000 must be confirmed with the BNA. The tax on government and corporate bonds for foreign investors is 10%; capital may be repatriated with prior approval. Dividends are transferable annually after approval by the BNA, while a dividend withholding tax of 10% applies.

**Political environment:** Angola held only its second election since independence in 1975 when they voted in the legislative elections on 31 August 2012. The ruling Popular Movement for the Liberation of Angola (MPLA) won the election when they received 72% of the votes (82% in 2008). The country's largest opposition party, UNITA, gained in popularity, winning 19% of the votes, nearly double the level they received in 2008. President Jose Eduardo Dos Santos, as leader of the MPLA, retained his presidential position after the new constitution, adopted in February 2010, rescinded the need for presidential elections. The new constitution also limits the president's term to two five-year terms in office and applies only from the term following the adoption of the new constitution, which means that even after more than 30 years in power, Dos Santos could remain in power until 2022. Despite losing some support in the 2012 elections, and the occasional occurrence of anti-government protests, the MPLA remains very popular and firmly in control. As such, we expect political stability to continue over the longer term.

## Economic outlook

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Combined with firm oil prices, a rebound in oil production in 2012 underpinned the recovery in real GDP growth to above 7% (3.9% in 2011). The oil sector accounts for about 50% of GDP. With new oil projects coming on stream, the government projects oil production to increase to 1.84mbpd in 2013 (from about 1.74mbpd in 2012), 1.93mbpd in 2014 and 2.01mbpd in 2015. Given the favourable outlook on oil prices, we believe stronger oil output and exports are likely to help keep Angola's growth at close to 7% this year. In the non-oil sector, the government's focus on infrastructure development is set to provide a pillar for economic growth. The 2013 draft government budget targets economic growth of 7.1% and foresees expenditure of about USD69bn, of which a third is tabled for social spending. Furthermore, a lower inflation and interest rate environment is expected to provide support for growth. Supported by continued exchange rate stability, headline inflation eased to a record low of 9% y/y in December 2012 (11.4% at end-2011), and we foresee it remaining close to this level through 2013. In our view, Angola's growing economy will continue to experience strong import growth (estimated at 28% y/y in 2012), which could see the country's current account surplus (as a share of GDP) declining somewhat. A key risk to this outlook would be a shock to global economic growth, which could put oil prices and revenues under pressure.



## Country snapshot

Indicator	Latest
<b>Government</b>	
Government type	Republic
Head of state	President Jose dos Santos (since September 1979)
Ruling political party	Popular Movement for the Liberation of Angola (MPLA)
Main opposition party	National Union for the Total Independence of Angola (UNITA)
Elections	Parliamentary elections were held on 31 August 2012, with the MPLA winning 72% of the votes. The new constitution, adopted in January 2010, abolished presidential elections in favour of having the leader of the party that wins a majority in the parliamentary elections appointed as president. The next elections are due in 2016.
<b>Demographics</b>	
Population	19mn (2011), 2.7% growth rate (UN)
Life expectancy	54 years
Main ethnic groups	Ovimbundu 37%, Kimbundu 25%, Bakongo 13%
Main language	Portuguese (official) and other languages
Adult literacy	70%
Urban population	59%
<b>Economic structure</b>	
GDP	USD104bn (2011); USD122bn (2012E); 11.5% average real growth rate for 2002-11
GDP per capita	USD5,314 (2011); USD5681 (2012E)
GDP by sector	Oil and gas (47.1%), trade services (21%), agriculture and fishing (10%)
Main industries	Petroleum drilling and refining, mining, cement, fish processing, food processing
<b>Business development indicators</b>	
2012 Corruption Perceptions Index ranking	157 (out of 174)
2011-12 Global Competitiveness Index ranking	139 (out of 144)
2012 Ease of Doing Business ranking	172 (out of 185)
2011 Human Development Index ranking	148 (out of 187)
2012 Mo Ibrahim Index of African Governance	40 (out of 52)

Source: IMF, World Bank, United Nations Statistics Division, CIA World Factbook, African Elections Database, Official offices, Absa Capital

## Key indicators to watch

Indicator	Rationale
Oil price	Oil accounts for more than 95% of export receipts and 80% of government revenues. Angola is also the second largest oil producer in Africa.
Inflation	Price stability is the primary focus for monetary policy. Headline inflation eased to a record low in 2012, ending the year at 9%. The official inflation target for end 2013 is 9%.

Source: Absa Capital

## Market participants

Indicator	Rationale
Banks/corporates	The main participants in the FX market are the central bank (BNA) and commercial banks. The mining and oil corporate sectors also play significant roles.
Local investors	Besides the banks, local pension funds are the main participants in the debt market and also participate in the money market and treasury bonds.

Source: Absa Capital, Barclays Research

## Key macro data

Annual	2008	2009	2010	2011	2012E	2013F	2014F
GDP (real, % y/y)	13.8	2.4	3.4	3.9	7.3	6.9	6.3
Nominal GDP (USD bn)	84.2	75.5	82.5	104.3	123.1	148.9	180.5
CPI (% y/y)	12.5	13.7	14.5	13.5	10.3	9.3	10.0
Overall fiscal balance (% GDP)	-4.5	-7.4	5.5	10.2	7.0	5.3	3.9
Government revenue (% GDP)	50.9	34.6	43.5	48.8	45.5	44.5	43.3
Government expenditure (% GDP)	55.4	41.9	37.9	38.6	38.6	39.1	39.4
External debt (% GDP)	16.5	20.1	21.7	19.7	19.5	20.4	21.0
Domestic debt (% GDP)	15.1	16.3	15.9	11.8	9.0	10.2	11.1
Current account (incl. grants, % GDP)	10.3	-9.9	9.0	10.8	9.0	6.1	5.6
USD/AOA (avg)	75.0	79.3	91.9	93.7	95.4	95.3	96.0
Base rate (%)*	n/a	n/a	n/a	10.50	10.25	10.25	10.50
Official Reserves (USD bn)	18.4	13.2	19.3	27.3	31.0	...	...
Months of imports	6.1	4.4	5.1	6.9	7.7	...	...

Note: \* Introduced in October 2011. Source: BNA, IMF, Absa Capital

Monthly	End 09	End 10	End 11	Mar 12	Jun 12	Sep 12	Oct 12	Nov 12	Dec 12
CPI (% y/y)	14.0	15.3	11.4	11.1	10.1	9.7	9.8	9.8	9.0
Policy rate (%)	...	...	10.50	10.25	10.25	10.25	10.25	10.25	10.25
FX reserves (USDbn, eop)	13.2	19.3	28.4	29.4	32.8	32.5	32.9	33.2	...
182-day T-bill rate (avg)	20.8	11.4	4.8	4.0	3.6	3.7	4.5	4.5	...
USD/AOA (eop)	89.15	92.55	94.63	94.90	95.36	95.42	95.80	95.71	95.82
Cabinda crude (USD/bbl, eop)	78	92	109	125	95	112	110	111	111

Source: IMF (IFS), Reuters, BNA, Absa Capital

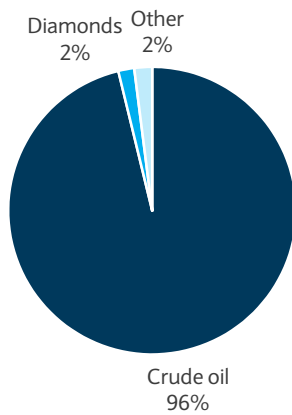
Foreign trade flows, 2011

Exports		
Top product groups	USD bn	% y/y
Crude Oil	64.7	33.0
Diamonds	1.2	23.5
Refined oil products and gas	1.1	45.7

Source: BNA, IMF, Absa Capital

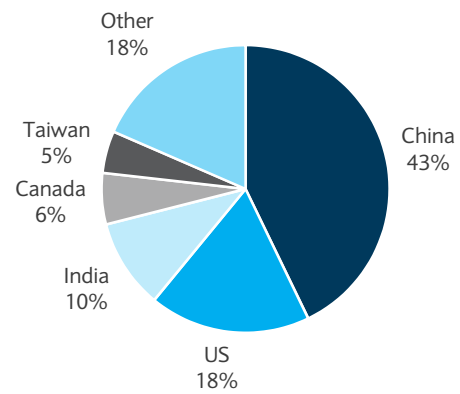
Imports		
Top product groups	USD bn	% y/y
Oil sector	5.2	64.9
Non-oil sector	15.0	11.2

FIGURE 2  
Main export groups (2011)



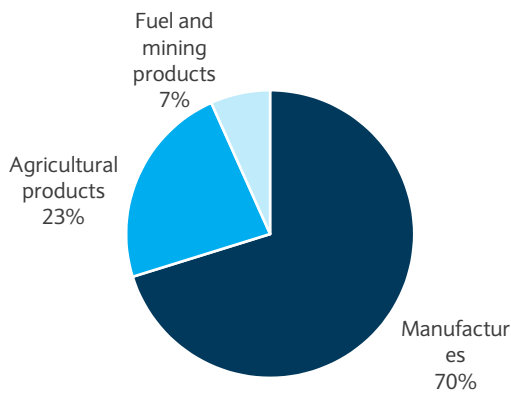
Source: BNA, IMF, Absa Capital

FIGURE 3  
Main export destinations (2010)



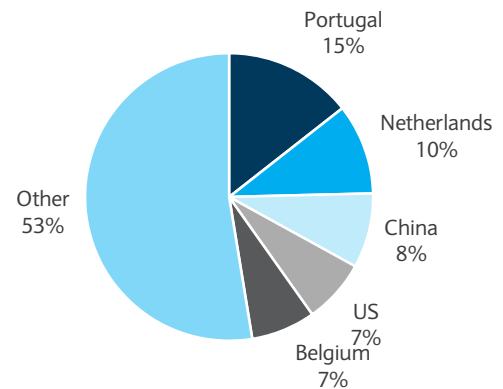
Source: BNA, Absa Capital

FIGURE 4  
Main import groups (2011)



Source: BNA, WTO, Absa Capital

FIGURE 5  
Main origins of imports (2010)



Source: BNA, Absa Capital

## FX markets

<b>Overview</b>	The BNA administers exchange controls. The auction system is the BNA's main tool for setting the exchange rate, the main anchor for monetary policy. The BNA conducts FX auctions three times a week. The parallel market premium is around 5%.
<b>Market access/convertibility</b>	The financial market is relatively dollarised and the BNA intervenes to manage the local currency. The exchange control regulations require prior approval for externalisation of funds affecting convertibility.
<b>Tax regime</b>	Currency transactions are taxed at 1%.
<b>Coverage centre</b>	Trading in London and Johannesburg; sales in London, Johannesburg and globally; research in South Africa.

Security	Liquidity	Bid/offer spread	Tenor/maturity	Quotation	Reuters page	Additional information
Spot	Illiquid	N/A	Mostly spot value	Two-way market almost non-existent. Large volume transactions can be done, but exchange control restrictions on externalisation of FX.		Very small market for speculators. Market transactions are invariably backed by customer demand.
Forwards	Illiquid	N/A	Generally up to six months	Exchange control restrictions on externalising FX.	ABAF=	Forward market not developed.

Source: BCA, IMF

## Rates products

<b>Overview</b>	Treasury bills and bond markets exist in Angola, and are dominated by local investors. Foreign investors are allowed to invest in these instruments (government bonds). The central bank or Minister of Finance may invite non-residents to participate in specific bond issues.
<b>Market access/convertibility</b>	Treasury bills are available through the BNA to commercial banks and, indirectly, to their customers.
<b>Tax regime</b>	Tax on government and corporate bonds for foreign investors is 10%.
<b>Coverage centre</b>	Trading in London and Johannesburg; sales in London, Johannesburg and globally; research in South Africa.

Security	Liquidity	Bid/offer spread	Tenor/maturity	Quotation/settlement	Reuters page	Additional information
Treasury bills issued by the Ministry of Finance.	Illiquid	N/A	14, 28, 63, 91 and 182 and 364 days	T+1		Available through the central bank, but foreign investors are actively discouraged from entering this market by exchange control regulations.
Treasury bonds	Illiquid	N/A	1-10y	T+1		Foreign investors may be invited to participate.
Treasury bills issued by central bank.	Liquid	N/A	14, 28, 63, 91 and 182 and 364 days	T+1		Only open to resident investors.

Source: BCA

## Equity market

<b>Stock exchange</b>	There is no stock exchange currently. Plans to open the first exchange, Bolsa de Valores Derivativos de Angola, are ongoing.
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Source: Absa Capital

## Useful links

Barclays Research	<a href="https://live.barcap.com">https://live.barcap.com</a>
National Bank of Angola:	<a href="http://www.bna.ao">www.bna.ao</a>
Ministry of Finance:	<a href="http://www.minfin.gov.ao">www.minfin.gov.ao</a>
International Monetary Fund:	<a href="http://www.imf.org/external/country/AGO/index.htm">http://www.imf.org/external/country/AGO/index.htm</a>

## BOTSWANA

### Policy environment

Credit rating	
Long-term foreign currency rating	A- (S&P) A2 (Moody's)

Source: Bloomberg

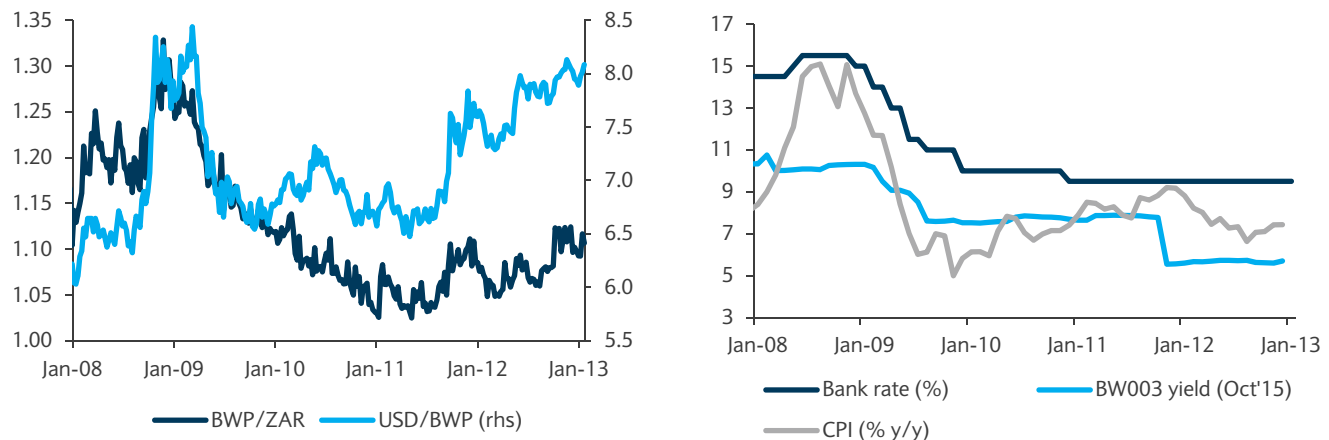


**Monetary policy:** The Bank of Botswana’s (BoB) primary objective is to maintain price stability. BoB currently defines price stability as inflation in the range of 3-6%, over a medium-term horizon of up to three years. It signals its policy stance through the Bank rate (the policy interest rate) and supports this signal by using open market operations to influence interest rates and monetary conditions. The policy rate is decided by the BoB Monetary Policy Committee, which meets approximately every two months (policy meeting dates are not announced ahead of time). The committee may hold additional meetings if necessary. CPI inflation remained outside the official target band during 2012, with inflation hovering just above 7% most of the year (7.4% y/y in December 2012 against 8.8% in January 2012). The sticky inflation trend is partly owing to higher administered prices. At its latest MPC meeting in December 2012, the BoB noted that inflation is expected to remain above the target range in the near term, reflecting transient factors. Our projections indicate that inflation may remain outside the target range throughout 2013. As such, the BoB is unlikely to adjust monetary policy in 2013.

**Exchange rate policy:** The pula (BWP) operates under a crawling band exchange rate regime against the IMF SDR and the South African rand. The rate of crawl is determined from the differential between the BoB’s inflation objective and forecast inflation for trading partner countries, with the aim of stabilising the real effective exchange rate. Tracking the ZAR, the BWP depreciated 4% against the USD in 2012. Botswana’s vulnerable diamond sector and the weaker ZAR environment are likely to remain key risks for the pula in 2013.

**Fiscal policy:** Botswana’s fiscal management is anchored in multi-year national development plans (NDPs) – the NDP10 (the tenth) was approved in 2009 and will run from 2010-16. The fiscal year is April to March. Revenues from the South African Customs Union (SACU) remain a significant source for the budget (a third of total revenue), which leaves the country exposed should these revenues decline. The budget balance for FY 2012-13 was estimated to record a small surplus of 0.9% of GDP, and we expect that the government will aim to maintain a surplus in coming years.

FIGURE 1  
Market snapshot



Source: BoB, Reuters, Absa Capital

**Regulatory and tax environment:** Foreign investors can repatriate all capital, profits and income freely. There is a withholding tax of 7.5% on dividend income and 15% on interest earned. The withholding tax rate varies between 5% and 15% for foreign investors from countries with double taxation agreements with Botswana. In these cases, generally the statutory 7.5% prevails as a maximum where the DTA rate is higher than 7.5%. Foreign investors are charged a capital gains tax of 25% on 75% of the gain on disposal of moveable property and 25% of immoveable property. For countries with double-taxation agreements, the tax is levied in the country of residence.

**Political environment:** Since independence in 1966, Botswana has had a stable multi-party democracy, with elections being held every five years. The ruling Botswana Democratic Party (BDP) has ruled since independence. Though the formation of the BMD (a party formed after a split from the BDP in April 2010) has changed the political sphere, there are few signs yet of the BDP losing its popularity. The next general elections are scheduled to be held in 2014, and we expect political tensions to increase over the next year. Opposition parties may focus their campaigns on the country's high unemployment and poverty levels, though they may struggle to dent the ruling party's strong support base. Political parties do not receive public funds, which in practice means that campaigns by opposition parties are generally not well-funded, and they have therefore been unable to effectively challenge the dominant BDP. President Ian Khama, who will be completing his first full term in office in 2014 (he also had an interim term after former President Mogae stepped down at the end of his second term in April 2008), is likely to stand for re-election and a second term in office.

## Economic outlook

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Botswana continues to do well with regards to performance development indicators, including being the least corrupt African nation and third in the 2012 Ibrahim Index of African Governance. Being the top diamond producing nation in the world, the country is very exposed to the global environment. Despite the difficult global conditions in 2012, the Botswana economy continued to expand at a firm pace, growing 8.1% y/y in H1 12. Growth levelled off somewhat during the latter stages of 2012 amid a deeper contraction in activity in mining and manufacturing. The diamond sector struggled in 2012, with production down substantially during the first three quarters of 2012. (Taking the value of exports for the first 11 months of 2012 as a proxy, it suggests that full-year growth in the value of exports could have been down by as much as 30% from the preceding year.) Other sectors, however, continued to perform strongly. Our estimates show that economic growth was 6.7% in 2012, down from the 8% recorded in the previous year. Demand continued to be restrained by weak growth in incomes, according to the BoB, while the government's fiscal consolidation efforts have also weighed on growth. The lower interest rate environment has, however, helped credit growth improve, which stabilised demand and underpinned economic activity. Looking ahead, we expect infrastructure, improved global conditions that may benefit the mining sector and the accommodative policy environment to support economic growth. However, government's ongoing fiscal consolidation effort could act as a restraint on economic growth.

## Country snapshot

Indicator	Latest
<b>Government</b>	
Government type	Republic, parliamentary democracy
Head of state	President Ian Khama (since April 2008)
Ruling political party	Botswana Democratic Party (BDP)
Main opposition parties	Botswana National Front (BNF), Botswana National Front (BNF), Botswana Congress Party (BCP)
Elections	Botswana has held free and fairly contested elections since independence in 1966. The ruling BDP won 45 of the 57 elected seats in the 16 October 2009 national assembly elections. The leader of the political party that wins a parliamentary majority in the elections is sworn in as president. Elections occur every five years.
<b>Demographics</b>	
Population	2.0mn (2011), 1.7% growth rate (UN)
Life expectancy	53.2 years
Main ethnic groups	Tswana (79%), Kalanga (11%), Basarwa (3%)
Main language	Setswana (78.2%), Kalanga (7.9%), Sekgalagadi (2.8%), English (2.1%, official)
Adult literacy	84.1%
Urban population	38.6%
<b>Economic structure</b>	
GDP	GDP USD17.7bn (2011); USD17.6bn (2012E); 4.3% average real growth rate for 2002-2012
GDP per capita	GDP per capita USD9,537 (2011); USD9,407 (2012E)
GDP by sector	Mining (17%), general government (18%), trade services (15%), finance (14%)
Main industries	Mining, tourism, textiles, construction, beef processing, chemical products, food
<b>Business development indicators</b>	
2012 Corruption Perceptions Index ranking	30 (out of 174)
2012-13 Global Competitiveness Index ranking	79 (out of 144)
2012 Ease of Doing Business ranking	59 (out of 185)
2011 Human Development Index ranking	118 (out of 187)
2012 Mo Ibrahim Index of African Governance	3 (out of 52)

Source: IMF, World Bank, United Nations Statistics Division, CIA World Factbook, African Elections Database, Official offices, Absa Capital

## Key indicators to watch

Indicator	Rationale
Diamonds	The mining sector is the lifeblood of the Botswana economy, accounting for around a third of GDP and over 70% exports. Diamonds have contributed to the relatively large FX reserves in the country.
Copper and Nickel	Copper and Nickel accounted for 7% of export earnings in 2011.
CPI	Released on the 15th day of the month provided the day falls within the working week. Inflation is currently above the central bank's official target band (3-6%).
Monetary policy meetings	Dates for these meetings are not published; however, following each meeting a statement is issued.
ZAR and SDR currencies	The BWP trades in a crawling peg against a basket of currencies comprising the ZAR and SDR.
Annual government budget	The annual budget speech is made every February.
Annual Monetary Policy Statement and Mid-Term Review	Provides an assessment of monetary conditions and the inflation outlook over the next 12 months and the measures to be taken to achieve policy targets. The MPS is published in February each year.

Source: Barclays Research

## Market participants

Indicator	Rationale
US/European institutional investors	Local issuance has increased in recent years as the government aimed to deepen the bond market and financed relatively moderate fiscal deficits during the 2007 global crisis, but has been fairly stagnant since then as it undergoes fiscal consolidation. There is limited participation by offshore investors.
Banks/corporates	The main participant in the FX market is the central bank, providing as much FX as demanded by the market, with the mining sector also playing a significant role.
Local investors	Local pension funds are the main participants in the debt market; they also participate in the FX market. They are allowed to invest up to 70% of their assets offshore.
Hedge funds	Recent interest in FX market from international hedge funds.

Source: Absa Capital, Barclays Research

## Key macro data

Annual	2008	2009	2010	2011	2012E	2013F	2014F
Real GDP (% y/y)	3.7	-7.9	8.1	8.0	6.7	6.9	6.4
Nominal GDP (USD bn)	11.1	10.1	13.9	16.0	16.4	18.9	22.4
CPI (pavg, % y/y)	12.6	8.2	7.0	8.5	7.5	7.0	6.0
Current account balance (% GDP)	10.2	-3.0	1.1	2.4	-1.7	-0.7	0.2
Trade balance (% GDP)	3.9	-7.5	-1.6	1.1	-3.6	-2.6	-1.9
Government balance (% GDP, FY) <sup>1</sup>	5.7	-6.5	-12.7	-6.8	-2.1	0.9	0.2
Revenues and grants (% GDP) <sup>1</sup>	42.6	42.2	40.4	33.5	34.8	34.2	32.2
Expenditure and net lending (% GDP) <sup>1</sup>	37.0	48.7	53.2	40.3	36.8	33.2	32.0
Government debt (% GDP, FY) <sup>1</sup>	5.9	7.9	18.5	19.5	18.2	17.6	17.6
USD/BWP (avg)	6.83	7.16	6.79	6.84	7.62	7.53	7.17
Official international reserves (USD bn)	9.1	8.7	7.9	8.1	7.8	...	...
Months of imports	23.1	19.0	15.0	13.9	12.8	...	...

Note: 1) Fiscal year to 31 March. Source: IMF, Bank of Botswana, MoFDP, CSO, Absa Capital

Monthly	End 09	End 10	End 11	Mar 12	Jun 12	Sep 12	Oct 12	Nov 12	Dec 12
CPI (% y/y)	5.8	7.4	9.2	8.0	7.3	7.1	7.1	7.4	7.4
Bank rate (%)	10.00	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50
BW003 yield (%)	7.53	7.69	5.56	5.66	5.73	5.63	5.62	5.60	5.75
Prime lending rate (% eop)	11.50	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00
FX reserves (USD bn)	8.7	7.9	8.1	8.1	7.8	7.8	...	...	...
Diamond exports (USD mn, 4Q rolling)	2176	3206	4995	4856	4369	3696	...	...	...
USD/BWP (eop)	6.78	6.57	7.60	7.39	7.76	7.81	8.02	8.05	7.89
BWP/ZAR (eop)	1.12	1.03	1.09	1.06	1.07	1.08	1.10	1.12	1.10

Source: Reuters, Bank of Botswana, I-Net Bridge, CSO, Absa Capital



Foreign trade flows, 2011

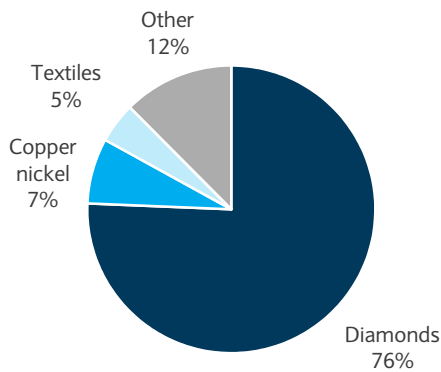
Exports		
Top product groups	USD mn	% y/y
Diamonds	4423	38.0
Copper nickel	430	-31.1
Textiles	266	61.5
Machinery & electric equipment	145	39.7

Source: Central Statistics Office, Absa Capital

Imports		
Top product groups	USD mn	% y/y
Machines and electrical equipment	1676	68.2
Fuel	1212	49.2
Diamonds	860	30.7
Food, beverages and tobacco	766	8.2

FIGURE 2

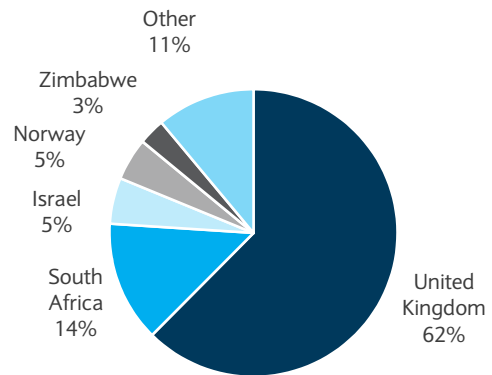
Main export groups (2011)



Source: CSO, Absa Capital

FIGURE 3

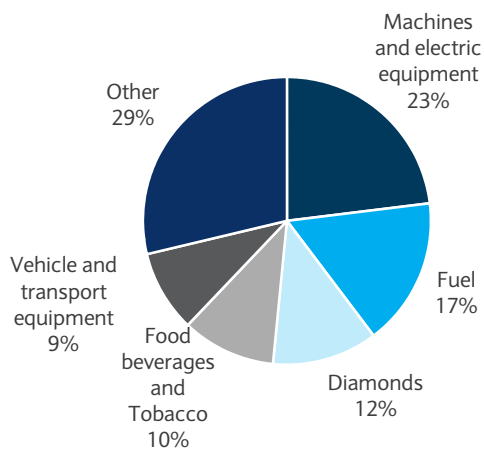
Main export destinations (2011)



Source: CSO, Absa Capital

FIGURE 4

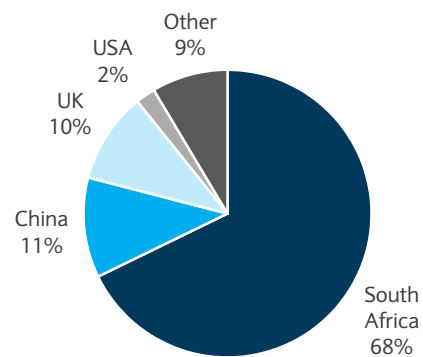
Main import groups (2011)



Source: CSO, Absa Capital

FIGURE 5

Main origins of imports (2011)



Source: CSO, Absa Capital

**FX markets**

<b>Overview</b>	The pula operates under a crawling band exchange rate regime against the IMF SDRs and the South African rand with a view to achieving a stable real exchange rate. The Botswana authorities have not revealed the weights but we estimate that the rand dominates the basket with a weight of 60-70%. The intervention band around central parity was narrowed on 23 March 2009 from +/-0.5% to +/-0.125%.
<b>Market access/convertibility</b>	There are no restrictions on foreign exchange. Exchange controls were discontinued to allow full repatriations of sale proceeds and income. The offshore pula market is small, so locally-arranged FX is usually more effective. The BoB requires reporting of transactions to ascertain whether they are backed by a commercial transaction. However, there are no rules barring trading position transactions.
<b>Tax regime</b>	Returns on FX trades are not subject to tax.
<b>Coverage centre</b>	Trading in London, Johannesburg and Botswana; sales in London, Johannesburg and globally; research in South Africa.

Security	Liquidity	Bid/Offer Spread	Tenor/Maturity	Quotation	Reuters Page	Additional information
Spot	Very Liquid	4 pips in any size		T+2	BWP=	Main cross is BWP/USD, but it is also quoted against GBP, ZAR and EUR.
Forwards	Liquid to 1 year	25 pips in \$15mn	Up to 1 year	Points T+2	ABAF=	Mostly BWP versus USD, but it can be against any G7 currency. Typical size is \$5 up to 12 months.
Swaps	Liquid to 1 year	25 pips in \$5mn	Up to 1 year	T+2		Mostly BWP versus USD, but can be against any G7 currency. Typical size is \$5.

There are no markets for options or exotic options, though this can be structured for customers on a one-to-one basis.

Source: Barclays Botswana, Absa Capital

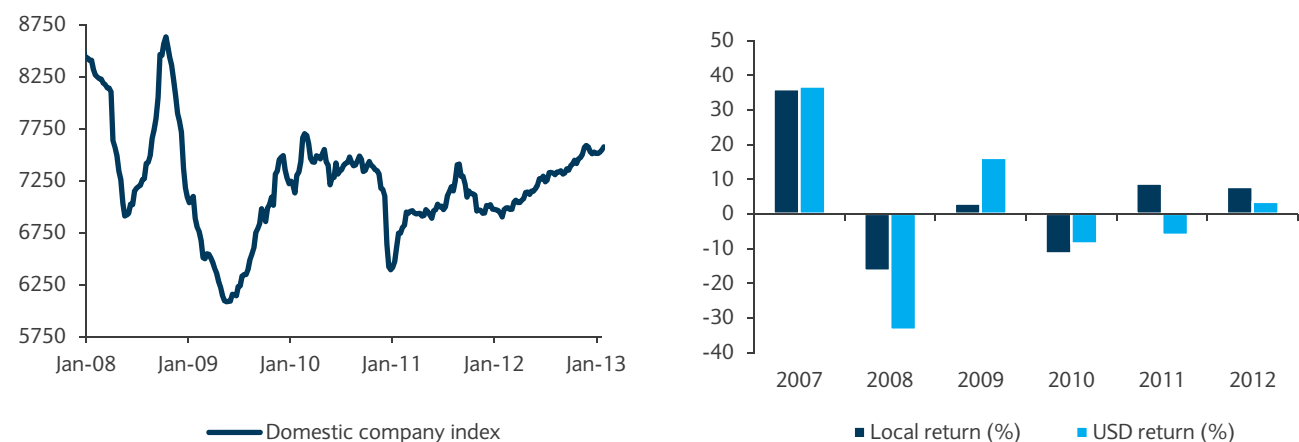
**Equity market snapshot**

<b>Market size</b>	The market capitalisation of the Botswana Stock Exchange (BSE) was USD4.6bn (excluding dual listed companies) as of end 2012.
<b>Main indicator/s</b>	The Domestic Companies Index (DCI) – incorporating companies that are primarily listed on the BSE - and the Foreign Companies Index (FCI).
<b>Listed companies</b>	There are 37 companies listed on the BSE's main board.
<b>Top 5 listed companies (market cap)</b>	First National Bank of Botswana (USD922mn), Barclays Bank of Botswana (USD717mn), Letshego (USD497mn), Standard Charter Botswana (USD383mn), Botswana Insurance (USD373mn).
<b>Taxation</b>	15% withholding tax on dividends
<b>Foreign ownership limits</b>	None

Source: Botswana Stock Exchange, Absa Capital

FIGURE 6

**DCI performance**



Source: Reuters, Absa Capital

## Rates products

<b>Overview</b>	The interest rate market comprises cash deposits, treasury bills and BoBCs, and bonds that are mainly government, quasi-sovereign and corporate bonds. The cash market is mainly over the counter, with deposits ranging from overnight to one year. The BoBC market is highly liquid; however, non commercial banks have been excluded by the central bank from investing in BoBCs since March 2006. The bond market is less liquid, as most investors tend to buy and hold.
<b>Market access/convertibility</b>	Treasury bonds are sold half yearly in March and September and can be bought and sold through the commercial banks which have been granted primary dealership by the Central Bank. These bonds are listed on the BSE for easier secondary market trading. Trading on the Botswana Stock Exchange (BSE) is done through one of the BSE members. All primary dealers have “special membership” on the BSE for dealing in government bonds. Foreign investors are allowed to purchase both government bonds and corporate bonds. Money market cash deposits can be done through Reuters.
<b>Tax regime</b>	There is a withholding tax of 15% applied to dividends and interest. All deposits in local currency attract a reserve requirement of 6.5%.
<b>Coverage centre</b>	Trading in London, Johannesburg and Botswana; sales in London, Johannesburg and globally; research in South Africa.

Source: Barclays Botswana, Absa Capital

Security	Liquidity	Bid/offer spread	Tenor/maturity	Quotation/ settlement	Reuters page	Additional information
Cash deposits	Over the counter	50bp in BWP10mn	O/N to one year			Money Market Cash deposits can be done by calling via Reuters code BWPF=.
BoBC	Not available to foreign investors.		14 days 91 days	T+3	PULB	Bank of Botswana Certificates (BOBC) are not open to foreign investors.
Spot bonds	Less liquid	20bp in BWP2mn	12 Mar 11, 31 Oct 15, 12 Sep 18, 09 Mar 12, 10 Mar 25 and 08 Sep 2020	Trades in yield T+3	BBBONDS	Primary dealers deal in government bonds in both the primary and secondary markets.
Treasury Bill	Very Illiquid	20bp in BWP2mn	3m and 6m	T+3	BBBONDS	Both T-bills and government bonds are issued through Dutch-Auctions where only yields at or below the central bank stop-out yields receive partial or full allotment. The amount put on offer also determines the allotted amount.

There are no markets for the following: FRA, cross currency swaps, caps, floors, swaptions, bond options, futures or options on futures, although they can be structured for customers.

Source: Barclays Botswana, Absa Capital

## Useful links

Barclays Research	<a href="https://live.barcap.com">https://live.barcap.com</a>
Bank of Botswana:	<a href="http://www.bankofbotswana.bw">www.bankofbotswana.bw</a>
Ministry of Finance:	<a href="http://www.finance.gov.bw">www.finance.gov.bw</a>
Central Statistics Office:	<a href="http://www.cso.gov.bw">www.cso.gov.bw</a>
Botswana Stock Exchange:	<a href="http://www.bse.co.bw">www.bse.co.bw</a>
International Monetary Fund:	<a href="http://www.imf.org/external/country/BWA/index.htm">http://www.imf.org/external/country/BWA/index.htm</a>

# EGYPT

## Policy environment

<b>Credit rating</b>	B2 (Moody's)
Foreign currency rating	B- (S&P) B+ (Fitch)

Source: Bloomberg

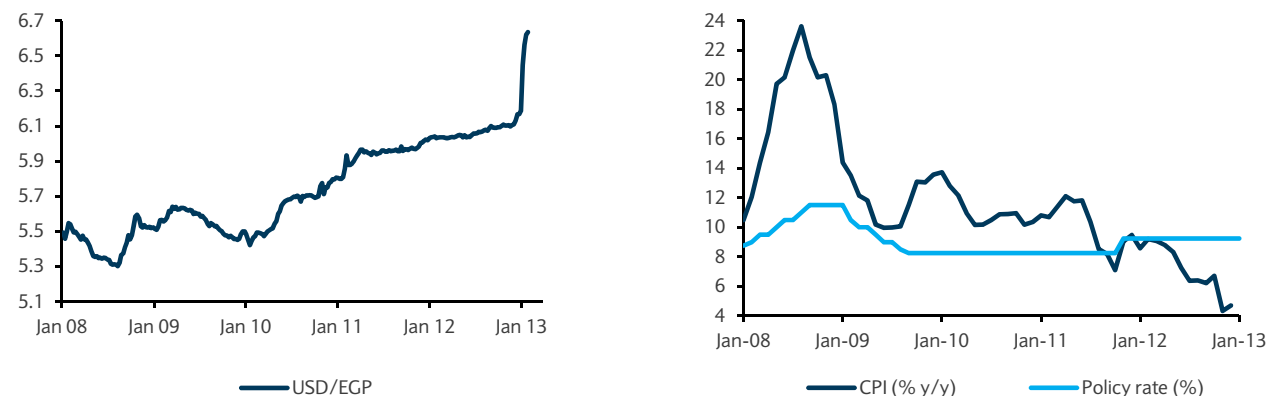


**Monetary policy:** Law No. 88 of 2003 entrusts the Central Bank of Egypt (CBE) with the formulation and implementation of monetary policy, with price stability being the primary and overriding objective. The CBE plans to adopt a full-fledged inflation targeting regime, and has taken several steps in that direction. On 2 June 2005, the CBE introduced an interest rate corridor, including an overnight lending and overnight deposit facility. By setting the interest rates on each facility, the MPC determines the corridor within which the overnight interbank rate can fluctuate, and steering the overnight rate within this corridor is the operational target of the CBE. The MPC meets on a Thursday every six weeks. The CBE has kept rates on hold since December 2011 against a backdrop of moderating inflation environment, weak growth recovery and mounting pressures on the local currency. Average inflation fell from 10.1% y/y in 2011 to 7.1% y/y in 2012. While we expect inflation to rise gradually in 2013 to reach double-digit levels, by June 2013 (end of FY 12/13), we think the CBE will look to maintain an accommodative stance, unless a failure to secure external funding under an IMF programme results in a disorderly devaluation and surging inflation, leading the CBE to hike rates.

**Exchange rate policy:** The CBE operates a managed-float regime. It proactively intervened in the FX market to support the EGP due to volatility driven by political upheavals throughout 2011 and 2012. After FX reserves reached critical levels, falling below 3 months of import cover, the CBE introduced a new system of daily FX auctions on 30 December 2012 to regulate FX supply and demand and avoid further erosion in the reserves. This policy shift accelerated the depreciation of the EGP, and we expect this trend to continue as the CBE gradually moves towards allowing greater exchange rate flexibility. This stance was confirmed by the newly appointed CBE Governor, who stressed the importance of market-based mechanisms, which could herald a new era in Egypt's exchange rate policy. However, delays in concluding an IMF deal, ongoing for the past 8 months, present the biggest risk to an orderly depreciation of the EGP, in our view.

**Fiscal policy:** The annual budget is typically presented in June each year. Since 2008, the government has run large deficits as it implemented a stimulus package to support domestic growth during the global downturn. The sharp growth deceleration, soaring

FIGURE 1  
Market snapshot



Source: Reuters, Bloomberg, Barclays Research

current spending after the 2011 revolution and the continued delays in concluding negotiations with the IMF since May 2011 have contributed to further expanding the budget deficit. The FY 11/12 fiscal deficit equalled 10.8% of GDP, up from 9.8% in the previous FY, while total public debt has expanded to 81% of GDP, up from 76%. We think parliamentary elections in April/May 2013 raise the risk of a further postponement of much needed fiscal reforms, which is likely to keep the deficit at more than 10.5% of GDP in FY 12/13 and result in public sector debt rising to more than 85% of GDP in 2013.

**Regulatory and tax environment:** While there were previously no foreign exchange controls in Egypt, the CBE introduced some (temporary) restrictions on the transfer of foreign currencies in January 2011. More recently, and in parallel with the FX regime shift described above, the CBE further tightened controls on transacting in FX, in an attempt to limit speculative behaviour. It imposed a daily limit of USD30,000 on cash withdrawals by corporate clients, and of USD10,000 for individuals per day, plus an administrative fee of 0.5-1% on individuals who buy foreign currency. The CBE also reduced the size of long positions banks could hold in USD to no more than 1% of their capital, down from a previous 10% limit. No withholding tax is levied on dividends distributed by resident companies, regardless of the residence status of the recipient. Interest and royalties derived by non-resident legal persons is subject to a final withholding tax at the rate of 20% on the gross amount, unless a lower treaty rate applies.

**Political environment:** The first new Parliament voted in January 2012, which saw almost 70% of seats taken by Islamist parties including the Muslim Brotherhood's Freedom and Justice Party (FJP), was dissolved in June 2012. The FJP leader, Mohamed Morsi was elected President in June and subsequently appointed a civilian government to replace the Supreme Council for the Armed Forces that had governed Egypt post the revolution. Amid deep divisions and fierce confrontation, Egyptians approved a new constitution in a referendum in late December 2012. They are expected to go to the polls again to vote for a new Parliament in April 13, which implies political volatility will remain elevated.

## Economic outlook

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Economic growth in Egypt has yet to recover from the sharp slowdown following the revolution. In FY 11/12, growth was just 2.2% y/y, slightly up from 1.8% y/y in FY 10/11 though well down from the 5.1% in FY 09/10, and an average of 5.9% for the five years prior to the 2008 financial crisis. Despite a relative improvement in the security situation, persistent political volatility amid an unfinished political transition and entrenched political divisions continue to weigh on investment and consumer confidence, which contributed to subdued growth of 3% y/y in H1 FY12/13, and a stubbornly high unemployment rate of 12.6%. Despite some improvement in tourism, arrivals are still only 80% of their pre-revolution levels, which is weighing on the sector's contribution to growth and current receipts. While the current account deficit narrowed in Q3 12, a large trade deficit (around 12% of GDP), and lacklustre FDI amid portfolio outflows are a major drag on FX reserves, which fell to around three months of import cover at the end of 2012. With elections on the horizon, the macro-economic outlook is clouded by uncertainty surrounding the timing of an IMF deal and the country's over-dependence on piece-meal bilateral financial support, notably from Qatar. As such, we expect domestic demand to remain subdued in H1 13, which, along with a weak external environment, will keep growth around 3% y/y, if not below in FY12/13. Post elections, we would expect a gradual improvement in tourism and capital flows to support a pick-up in consumption and investment, and expect growth to recover to around 4.5% y/y in FY 13/14, though the downside risks remain significant.

## Country snapshot

Indicator	Latest
<b>Government</b>	
Government type	Republic since 18 June 1953
Head of state	President Mohammad Morsi was elected in June 2012 for a 4-year period. The President is elected by absolute majority vote through a two-round system to serve a six-year term.
Main political parties	Before the dissolution of Parliament, the Freedom and Justice Party (Muslim Brotherhood) held 43% of the seats, followed by the Salafis Al Nour party (22%) and the Wafd party (8%).
Elections	The next parliamentary elections are due in April 2013 (the last general election was in January 2012). A new electoral law is being discussed.
<b>Demographics</b>	
Population	83.9mn (2011), 1.7% growth rate (UN)
Life expectancy	73 years (UN)
Main ethnic groups	Egyptian (98%), Berber, Nubian, Bedouin and Beja (1%).
Main language	Arabic, English, French
Adult literacy	72% (2010)
Urban population	43%
<b>Economic structure</b>	
GDP	USD255.9bn (FY11/12); USD236bn (FY10/11) 4.5% average real growth rate for 2003-12
GDP per capita	USD3,030 (2012), USD2931 (2011)
GDP by sector	Services (48%), Industry (38%), Agriculture (14%)
Main industries	Tourism, agriculture, manufacturing, oil and gas
<b>Business development indicators</b>	
2012 Corruption Perceptions Index ranking	118 (out of 174)
2012-13 Global Competitiveness Index ranking	107 (out of 144)
2012 Ease of doing Business ranking	109 (out of 185)
2011 Human Development Index ranking	113 (out of 187)
2012 Mo Ibrahim Index of African Governance	14 (out of 52)

Source: IMF, World Bank, United Nations Statistics Division, CIA World Factbook, African Elections Database, Official offices, Barclays Research, Absa Capital

## Key indicators to watch

Indicator	Rationale
Monthly Statistical Bulletin	The CBE and the Ministry of Finance release monthly reviews that cover recent developments in inflation, credit, interest rates, real sector, external sector, government budget and public debt.
Tourism earnings and Suez Canal receipts	Tourism and Suez Canal receipts are an important foreign exchange earner. Data are released in the CBE Monthly Statistical Bulletin and by the Suez Canal Authority.
Annual national budget	The budget is delivered around June each year.
CBE Annual Report	This report reviews recent economic and financial sector developments. The bank does not yet publish an inflation report though one is planned for 2013/14. The CBE also publishes a quarterly report on the external position of the Egyptian economy.
Foreign trade	The export sector is relatively diversified but sensitive to external shocks notably for commodity exports and textiles. About 30% of exports are to European countries. Trade data are published by the Central Agency for Public Mobilization and Statistics (CAPMAS) on a monthly basis.

Source: Barclays Research

## Market participants

Indicator	Rationale
Banks	Banks are key participants in both the money and capital markets and sovereign debt instruments.
Corporates	Very important participants. Manufacturing and heavy industry as well as commodity traders. Tourism, textile and agriculture sectors are key players in the foreign exchange market.
Local investors	Key participants in the local equity market.
Offshore funds	International investors are focused on Gov't securities and equity markets.

Source: Barclays Research, Barclays Egypt

## Key macro data

Annual (FY 1 Jul to 30 Jun)	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13F	2013/14F
GDP (real, % y/y)	7.2	4.7	5.1	1.8	2.2	3.1	4.5
Nominal GDP (USD bn)	162.7	188.8	219.1	236.0	255.9	277.4	298.0
CPI (June/June, % y/y)	20.2	9.9	10.1	11.8	7.2	8.3	8.9
Fiscal balance (% GDP)	-6.8	-6.9	-8.1	-9.8	-10.8	-10.6	-9.2
Primary balance (% GDP)	-1.2	-1.6	-2.1	-3.8	-4.0	-2.8	-1.4
Gross public debt (% GDP)* Gen govt	70.6	72.8	72.8	76.3	80.8	85.1	86.2
Current account (% GDP)	0.5	-2.3	-2.0	-2.6	-3.1	-3.0	-2.9
Trade balance (% GDP)	-14.4	-13.3	-11.5	-11.5	-12.4	-12.3	-11.9
Tourist arrivals (mn)	10.7	12.3	13.8	11.9	11.0	12.3	13.1
USD/EGP (eop, June)	5.3	5.6	5.7	6.0	6.1	7.2	7.0
Monetary policy benchmark rate (%)	10.5	9.00	8.25	8.28	9.25	9.25	9.00
Gross official reserves (incl. gold, USD bn)	33.2	29.8	34.4	25.3	13.6	15.5	20.1

Note: \*Consolidated domestic debt of the Budget sector, NIB, and SIF. This level of compilation entails the deduction of Budget Sector borrowings from NIB, MOF securities held by the SIF and NIB, the SIF bonds, and NIB borrowings from SIF. Source: IMF, Haver Analytics, Egyptian Ministry of Finance, CBE, Barclays Research

Monthly	End 09	End 10	End 11	Mar 12	Jun 12	Sep 12	Oct 12	Nov 12	Dec 12
CPI (% y/y)	13.2	10.6	9.6	9.1	7.2	6.2	6.7	4.3	4.7
Current account (USD bn, 12mn)	-3.2	-5.6	-7.6	-7.8	-7.9	-6.0	...	...	...
Monetary policy benchmark rate (%)	8.25	8.25	9.25	9.25	9.25	9.25	9.25	9.25	9.25
3m T-bill yield (eop, %)	9.8	9.2	13.9	13.8	14.7	12.4	12.4	12.4	12.9
Gross official reserves (excl. gold, USD bn)	32.5	33.9	15.4	12.4	12.2	11.8	12.2	11.7	11.7
Tourism arrivals (mn, 12m)	12.5	14.7	9.8	10.5	10.9	11.2	11.3	11.4	11.3
USD/EGP (eop)	5.48	5.8	6.04	6.04	6.06	6.09	6.11	6.11	6.36

Source: Bloomberg, Barclays Research

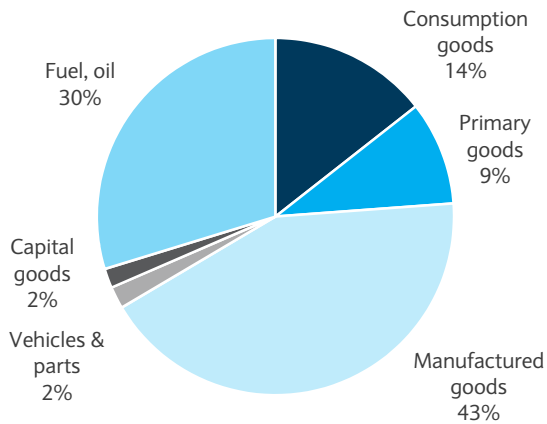
Foreign trade flows, 2011

Exports		
Top product groups	EGP bn	% y/y
Manufactured goods	355	76
Fuel, oil	247	104
Consumption goods	120	140
Primary goods	78	135

Source: Haver, Barclays Research

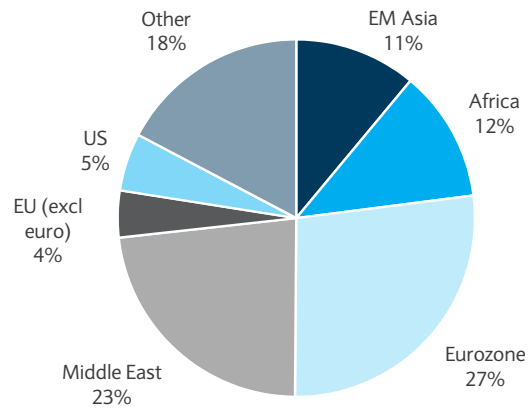
Imports		
Top product groups	EGP bn	% y/y
Manufactured goods	912	22
Primary goods	382	42
Capital goods	366	21
Vehicle and parts	194	23

FIGURE 2  
Main exports (2011)



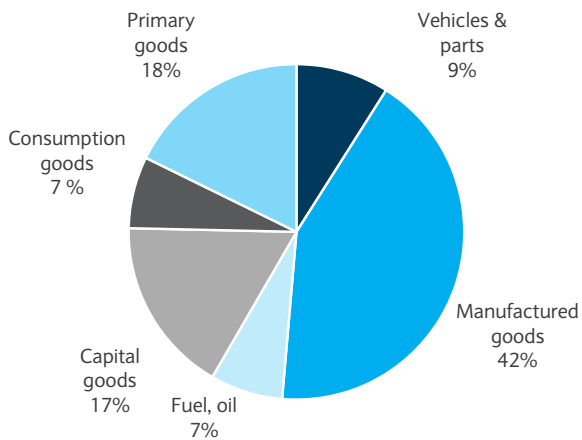
Source: Haver, Barclays Research

FIGURE 3  
Main export destinations (2011)



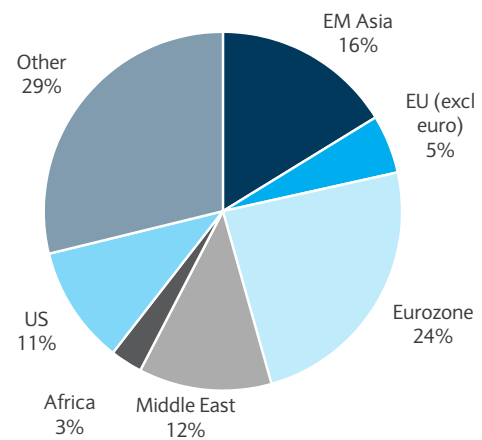
Source: Haver, Barclays Research

FIGURE 4  
Main imports (2011)



Source: Haver, Barclays Research

FIGURE 5  
Main origins of imports (2011)



Source: Haver, Barclays Research



## FX markets

<b>Overview</b>	Although the EGP is a managed float, since the revolution the CBE introduced a few regulations limiting withdrawals and transfers of foreign currency. Moreover, and since December 30, 2012 the CBE introduced an FX auction system to regulate the FX market supply and demand, which led to some rationing of FX liquidity.
<b>Market access/convertibility</b>	Access is through official financial institutions. There are no restrictions for the purchase and sale by foreigners of T-Bills, bonds and equities. There are no restrictions for hedging EGP for genuine commercial transactions involving trade and dividend payments of multi-national companies.
<b>Tax regime</b>	The tax regime is applied equally to all investors (local and foreign) unless there is an applicable taxation treaty. Income taxes range from 20% to 25% depending on income level.
<b>Coverage centre</b>	Trading in Dubai and Cairo; Sales in Cairo, Dubai and globally; Research in London

Security	Liquidity	Bid/offer spread	Tenor/maturity	Quotation	Reuters page	Additional information
Spot	High	30 pips		T+2	EGP1=	Most export-receipts are in EUR and GBP, while a majority of payments are made in USD.
Forwards	Limited	30 pips	Up to 12 months	T+2		Forward sales of foreign exchange are limited to 12 months and are restricted to trade activities and dividends.
Options	Not permitted				N/A	Options in EGP are not permitted by the CBE and are viewed as speculative.

Source: Barclays Egypt, Barclays Research, Absa Capital

## Rates products

<b>Overview</b>	Treasury bills and bonds are issued by the CBE and are auctioned only through Primary dealers. Recently the CBE has issued USD and EUR denominated T-bills with one year maturity offered for local banks and foreign financial institutions only.  There are weekly auctions of 3-, 6-, 9- and 12-month paper with a weekly auction size of USD1.7bn. There are usually around six issues per month of treasury bonds with tenors of 2, 3, 5, 7, and 10y. Average auction size is USD1.2bn.
<b>Market access/convertibility</b>	Foreign investors can access government securities from the CBE's auction window through Primary Dealers only (Barclays Bank Egypt is one of 15 Primary Dealers in the market), but bids need to be submitted by a local Primary Dealer in the market. All government bills/bonds trading are settled through the CBE and a 20% WHT is applicable. US citizens are not eligible to buy T-bills or bonds but US entities may participate. Due to tax treaties with the US and UK, the applicable WHT is 15%.
<b>Tax regime</b>	The tax regime is applied equally to all investors (local and foreign) unless there a tax treaty in place. Income taxes ranging from 20% to 25% depending on income level. WHT 20%
<b>Coverage centre</b>	Trading in Dubai and Cairo; Sales in Cairo, Dubai and globally; Research in London.

Security	Liquidity	Bid/offer spread	Tenor/maturity	Quotation/ settlement	Reuters page	Additional information
Cash deposits	Liquid	200 pips	Up to 350 pips	T+0		
Treasury Bills	Liquid	10 – 25 bp	Up to 1yr	T+0	CBIY	Primary dealers are active in T bill secondary market with daily turnover of USD500-600mn.
Treasury Notes	NA					NA
Treasury bonds	Moderate Liquid	10 – 25 bp	2,3,5, yrs	T+1	CBEX	Daily turnover USD50-75mn.
Long Term Bonds	Illiquid		7,10, yrs	T+1	CBEX	The market dominated by buy-and-hold investors, so supply is limited to auctions.
Corporate bonds	Illiquid					Few corporate bonds available. FI are the only buyers, and thus hold to maturity.

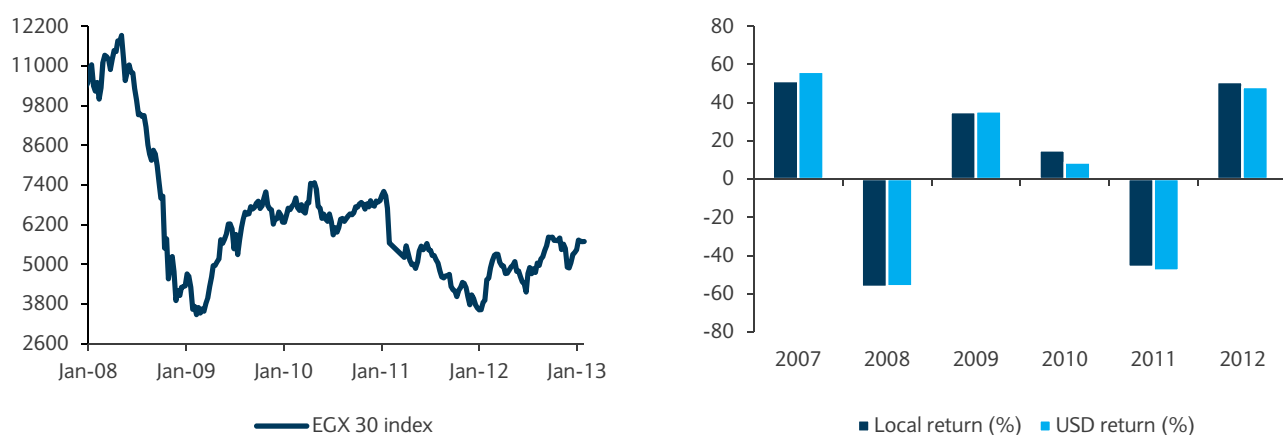
Source: Barclays Research, Barclays Egypt, Absa Capital

### Equity market snapshot

<b>Market size</b>	The market capitalisation of the Stock Exchange of Egypt is EGP376.7bn (USD 59 bn) at end 2012.
<b>Main indicator</b>	EGX 30 ,EGX20 Capped, EGX 70, EGX 100
<b>Listed companies</b>	There are 213 companies listed on the official market.
<b>Top 5 listed companies (market cap)</b>	Orascom Construction (USD8.5bn), Telecom Egypt (USD3.7bn), Commercial International Bank (USD3.4bn), Orascom Telecom (USD3.3bn) and Mobinil (USD2.6bn).
<b>Taxation</b>	Foreign investors are exempt from withholding tax
<b>Foreign ownership limits</b>	None

Source: The Egyptian Exchange, Barclays Research, Absa Capital

FIGURE 6  
EGX30 performance



Source: Reuters, Barclays Research, Absa Capital

### Useful links

Barclays Research

<https://live.barcap.com>

Central Bank of Egypt:

[www.cbe.org.eg](http://www.cbe.org.eg)

Central Agency for Public Mobilisation and Statistics:

[www.capmas.gov.eg](http://www.capmas.gov.eg)

Ministry of Finance:

[www.mof.gov.eg](http://www.mof.gov.eg)

The Egyptian Exchange:

[www.egx.com.eg](http://www.egx.com.eg)

International Monetary Fund:

<http://www.imf.org/external/country/EGY/index.htm>

# GHANA

## Policy environment

Credit rating	
Long-term foreign currency rating	B (S&P)
	B+ (Fitch)
	B1 (Moody's)

Source: Bloomberg

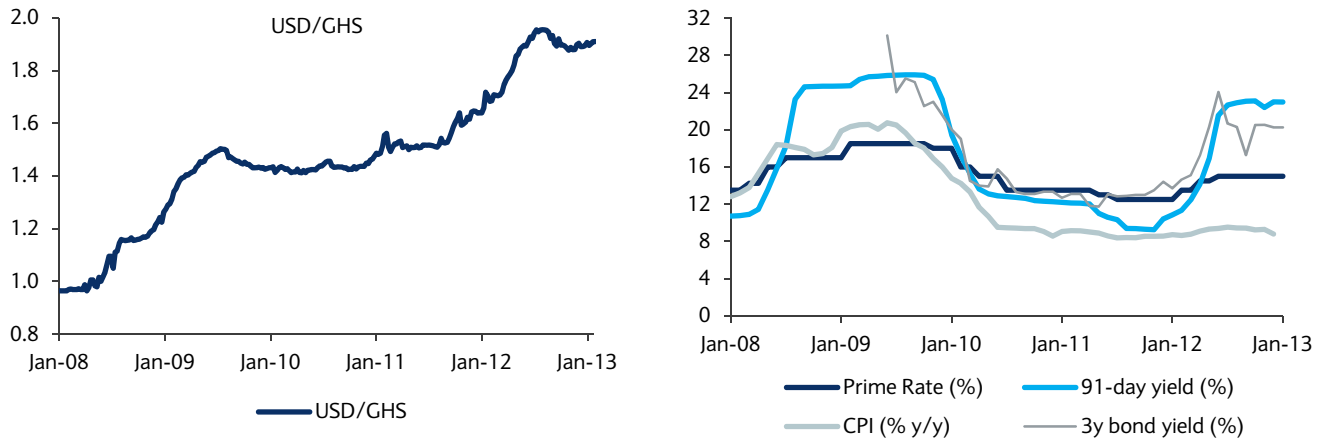


**Monetary policy:** The Bank of Ghana's (BoG) main policy objective is to ensure price stability, which is defined by the government's inflation target. Inflation targets are announced annually in the government Budget Statement. The 2012 year-end inflation target was 8.5%, or +/- 2pp, which was achieved when December's inflation came in at 8.8% y/y. No specific target has been announced for 2013 as the 2013 Budget has not been read yet. That said, we expect a single-digit target to be maintained. Inflation has been relatively stable during 2012, though inflationary pressures early in the year and the rapidly weakening currency in H1 12 forced the BoG to hike the policy rate 250bp. Subsequent currency stability has helped inflation head lower, and we expect inflation to remain within the 7-9% range for most of 2013, which may create an opportunity for the BoG to ease monetary policy by mid-2013.

**Exchange rate policy:** Ghana maintains a managed floating exchange rate regime for the cedi (GHS) with no pre-announced path for the exchange rate. Strong import demand for investment and consumer goods in early 2012 resulted in the cedi depreciating sharply, leading to a series of FX interventions by the BoG during the year that reversed some of the depreciation. For the full year, the cedi lost 14% of its value against the USD. Currency pressures are likely to remain in 2013 given the large current account deficit.

**Fiscal policy:** Ghana's fiscal strategy is set out in a three-year medium-term expenditure framework. Despite reducing the 2008 double-digit fiscal deficit to 4.0% of GDP in 2011, fiscal management slipped in 2012 as a result of several factors, including implementation of a new public service wage system, higher interest payments and the repayment of outstanding arrears. In addition, we believe that election-related spending may also have pushed spending higher. The government presented a supplementary budget in July 2013 in which it raised the fiscal deficit target to 6.7% of GDP for 2012. However, there have been indications at the end of 2012 that the government may have missed its projected deficit target. With the election and other spending pressures subsiding, we believe that authorities will show improved fiscal prudence in 2013.

FIGURE 1  
Market snapshot



Source: BoG, Reuters, Absa Capital

**Regulatory and tax environment:** Foreign investors in listed stocks and all fixed income instruments with an original tenor of three years or more can remit capital, profits and related income freely. Interest on government bonds is exempted from withholding tax. Interest earned on corporate bonds attracts a withholding tax of 8% for both resident and non-resident investors. No withholding tax applies to dividends earned on listed companies. However, dividends from all other companies are taxed at 10%. There is no capital gains tax on bonds and no stamp duty on the transfer of shares. An 8% withholding tax and a 5% capital gains tax applies to equities.

**Political environment:** Ghana remains one of Africa's most stable democratic states following several successful and peaceful transitions in power. Presidential and parliamentary elections were held on 7 December 2012, when the incumbent President Mahama (who succeeded the late President Mills in July), candidate of the ruling National Democratic Congress (NDC), stood against seven other candidates. Mahama won the election in the first round, receiving 50.7% of the votes, versus the 47.7% of his biggest rival, and leader of the official opposition party, Nana Akufo Addo of the NPP. In the parliamentary results, the ruling NDC won 53.8% of the votes and the NPP 44.7%. International observers' declared that the election was free and fair, though the NPP is challenging the results in court as it believes that irregularities may have changed the outcome.

## Economic outlook

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Ghana remains one of the fastest growing countries in the region, with growth averaging about 7% over the past 10 years. Real GDP growth reached 14.4% in 2011 following oil production commencing in December 2010. Oil production increased from less than 60,000bpd at the end of 2010 to 110,000bpd at the end of 2012, with further increases in production expected in 2013. The advent of oil production has boosted the resource industry sector's size from below 20% of total GDP to about 28%, as oil has joined gold as a major export receipt earner. While the new oil sector has been an important contributor to recent strong growth, the services sector also remains a key driver and is likely to have expanded more than 8% in 2012 (compared with growth of close to 3% for agriculture and 7% for the industry sector). A continued focus on infrastructure investment and ongoing investment in the gold, oil and gas sectors are likely to continue to support GDP growth, which we expect to be about 7% in 2013, compared with 7.3% in 2012 (our estimates). The potential for monetary policy easing in H2 13 may lend further support to growth.

## Country snapshot

Indicator	Latest
<b>Government</b>	
Government type	Constitutional democracy
Head of state	President John Mahama (since July 2012, re-elected in December 2012)
Ruling political party	National Democratic Congress (NDC)
Main opposition party	New Patriotic Party (NPP)
Elections	President Mahama became President in July 2012 following the death of President John Atta Mills. Mahama then contested the December 2012 presidential election, receiving 50.7% of the votes. Presidential and parliamentary elections occur every four years (next due in December 2016).
<b>Demographics</b>	
Population	25.0mn (2011); 2.5% growth rate (UN)
Life expectancy	64.2 years (UN)
Main ethnic groups	Akan (47.5%), Mole Dagbani (16.6%), Ewe (13.9%), Ga-Dangme (7.4%)
Main languages	English (official), Akan, Mole-Dagbani, Ewe
Adult literacy	71.5%
Urban population	50.9%
<b>Economic structure</b>	
GDP	USD38.4bn (2011); USD40.1bn (2012E); 7.0% average real growth rate for 2002-2012
GDP per capita (USD)	USD1,580 (2011); USD1610 (2012E)
GDP by sector	Services (49.3%), Agriculture (23.1%), Industry (27.6%)
Main industries	Mining, timber, light manufacturing, fishing, tourism
<b>Business development indicators</b>	
2012 Corruption Perceptions Index ranking	64 (out of 176)
2012-13 Global Competitiveness Index ranking	103 (out of 142)
2012 Ease of Doing Business ranking	64 (out of 185)
2011 Human Development Index ranking	135 (out of 187)
2012 Mo Ibrahim Index of African Governance	7 (out of 52)

Source: IMF, World Bank, United Nations Statistics Division, Ghana Statistical Service, African Elections Database, Official offices, Absa Capital

## Key indicators to watch

Indicator	Rationale
Cocoa prices and production	Ghana is the world's second-largest exporter of cocoa, accounting for 22% of the country's total merchandise exports in 2011.
Inflation	The objective of monetary policy is to maintain inflation in single digits over the medium term. For 2013, we expect inflation to end the year in single digits.
Gold price	Gold is the largest export item, accounting for 39% of merchandise export receipts in 2011.
Private remittances	Inward remittances have been an important source of external financing in Ghana in recent years. They are attributed to the relatively large diaspora, estimated at about 3mn, and mainly come from the US, UK and Canada.
Oil prices	Oil production began in December 2010 and increased steadily to 110,000bpd by the end of 2012. Production is expected to increase further in 2013. Oil exports accounts for 22% of total exports.
Domestic debt to GDP	Nominal anchor for fiscal policy.

Source: Absa Capital

## Market participants

Indicator	Rationale
US/European institutional investors	Includes pension, hedge, mutual funds, global custodians, and international broker dealers. International investors are permitted to invest only in treasury bonds with original maturity of three years and above. There is no restriction on foreign investors buying corporate debt.
Local investors	Corporates, retail, brokers, pension funds, mutual funds and unit trust, discount houses, banks, loans and saving companies.
Hedge funds	Increasing interest from international hedge funds.

Source: Absa Capital, Barclays Ghana

## Key macro data

Annual	2008	2009	2010	2011F	2012F	2013F	2014F
GDP (real, % y/y)	8.4	4.0	8.0	14.4	7.3	6.9	6.5
Nominal GDP (USD bn)	27.9	26.0	32.2	39.2	38.1	40.7	45.7
CPI (pavg, % y/y)	16.5	19.3	10.7	8.7	9.2	8.0	9.3
Fiscal balance (% GDP, incl. grants)	-8.5	-5.8	-6.5	-4.0	-7.1	-6.1	-5.0
Revenue (% GDP)	16.0	16.5	19.1	21.7	22.2	21.8	22.3
Expenditure (% GDP)	24.5	22.3	25.7	25.7	29.3	27.9	27.4
Total public debt (% GDP)	33.6	36.2	46.3	43.4	44.6	44.3	41.4
Current account balance (% GDP)	-12.7	-6.2	-8.2	-9.4	-12.2	-9.9	-8.7
Trade balance (% GDP)	-17.9	-8.5	-9.2	-8.1	-10.6	-8.6	-8.0
USD/GHS (pavg)	1.06	1.41	1.43	1.51	1.81	1.97	2.03
Policy rate (% eop)	17.00	18.00	13.50	12.50	15.50	14.00	14.00
Official reserves (USD bn)	2.0	3.2	4.7	5.4	5.1	5.8	...
Months of imports	1.8	3.2	3.7	3.3	2.9	2.8	...
REER (2005 = 100, pavg)	99.5	91.6	97.6	92.7	87.5	...	...

Source: BoG, IMF, MoFEP, GSS, Absa Capital

Monthly	End 09	End 10	End 11	Mar 12	Jun 12	Sep 12	Oct 12	Nov 12	Dec 12
CPI (% y/y)	16.0	8.6	8.6	8.8	9.4	9.4	9.2	9.3	8.8
Policy rate (% eop)	18.00	13.50	12.50	13.50	15.00	15.00	15.00	15.00	15.00
91-day T-bill (% eop)	21.28	12.25	10.81	13.21	22.37	23.09	23.02	22.59	23.12
USD/GHS (eop)	1.43	1.49	1.64	1.78	1.94	1.90	1.89	1.90	1.90
Cocoa (USD/ton, eop)	3289	3035	2109	2219	2289	2516	2388	2538	2236
Gold (USD/oz, eop)	1097	1421	1564	1668	1598	1772	1721	1715	1674
Brent crude (USD/bbl, eop)	77.2	94.8	107.2	123.8	97.0	113.3	110.2	111.2	111.1

Source: BoG, I-Net Bridge, Reuters, Absa Capital

Foreign trade flows, 2011

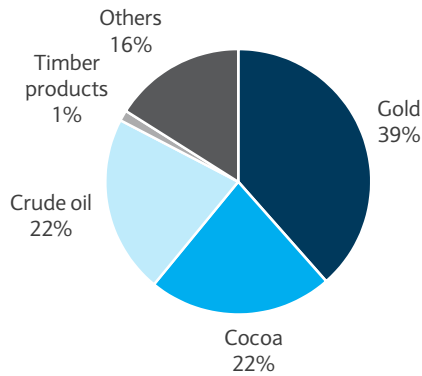
Exports		
Top product groups	USD mn	% y/y
Gold	4920	29.4
Cocoa beans and products	2871	29.3
Crude Oil*	2779	n/a
Timber and timber products	166	-12.6
Other exports	2050	17.3

Note: \*Oil production began at end-2010. Source: BoG, Absa Capital

Imports		
Top product groups	USD mn	% y/y
Non-oil	12672	45.9
Oil	3296	47.4

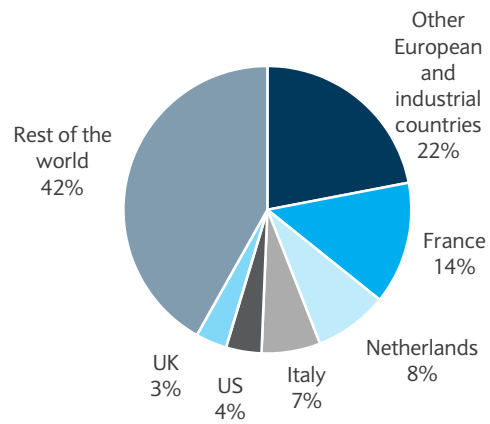
Source: BoG, Absa Capital

FIGURE 2  
Main export groups (2011)



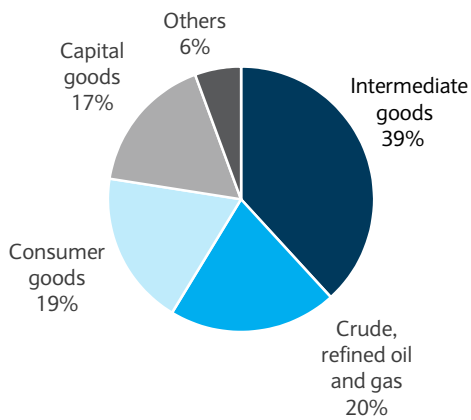
Source: BoG, Absa Capital

FIGURE 3  
Main export destinations (2011)



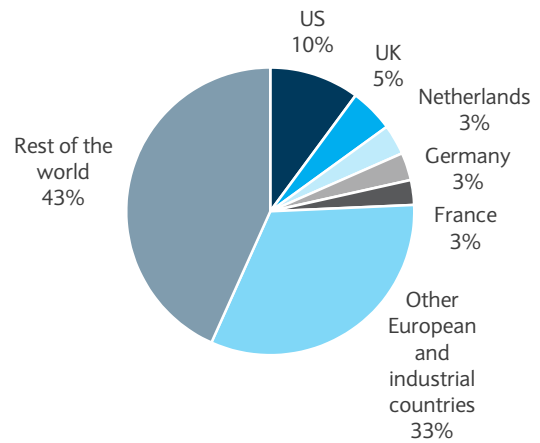
Source: BoG, Absa Capital

FIGURE 4  
Main import groups (2011)



Source: BoG, Absa Capital

FIGURE 5  
Main origins of imports (2011)



Source: BoG, Absa Capital

## FX markets

<b>Overview</b>	The Ghanaian Cedi is a managed floating currency.
<b>Market access/convertibility</b>	The foreign exchange market does not operate under a completely free market system. BoG regularly comes to the market to sell FX aimed at supporting local corporate demand. The BoG also buys FX when the market is flooded. Central bank intervention is therefore aimed at preventing extreme market volatility. The BoG also supports the FX requirement behind particular transactions such as crude oil imports, agrochemicals and government bond transactions. The interbank market is growing with 10 active market makers. The exchange control regulations allow banks to externalise funds affecting convertibility once there is proof that the beneficiary originally brought funds into the economy.
<b>Tax regime</b>	There is no tax on currency transactions.
<b>Coverage centre</b>	Trading in London, Johannesburg and Ghana; sales in London, Johannesburg and globally; research in South Africa.

Security	Liquidity	Bid/offer spread	Tenor/maturity	Quotation	Reuters page	Additional information
Spot	Yes	Interbank 0.3%	Mostly same day and to value.	Growing two-way market. Major market makers quote actively in amounts up to USD500,000. Large volume transactions can be done with prior notification.	GHS01=	Very little market for speculators. Market transactions are invariably backed by customer demand.
Forwards	N/A	0.5%	Generally up to one year, though longer tenors can be structured.	Limited two-way quotes.	ABAF=	Outright forward market not developed, though large volumes can be manufactured up to 3y.

Source: Barclays Bank Ghana

## Rates products

<b>Overview</b>	Foreign investors are allowed to invest in government bonds with original tenors of 3y or more. There is no restriction on investment into corporate paper.
<b>Market access/convertibility</b>	Treasury instruments are available at BoG. Investors must go through licensed primary dealers. All government bonds above 2y are listed on the stock exchange and can be traded through licensed secondary dealers.
<b>Tax regime</b>	Foreign investors do not pay tax on interest earned on government bonds. Interest earned on corporate bonds for foreign investors attracts a withholding tax of 8%. No withholding tax applies on dividends earned on listed companies. However, dividends from all other companies are taxed at 10% for residents and non-residents. There is no capital gains tax on bonds.
<b>Coverage centre</b>	Trading in London, Johannesburg and Ghana; sales in London, Johannesburg and globally; research in South Africa.

Security	Liquidity	Bid/offer spread	Tenor/maturity	Quotation/ settlement	Reuters page	Additional information
Treasury bills	Yes	100bp	91- and 182-day and 1y	T+1	BOGH01	Available through BoG, but foreign investors are not permitted to buy treasury bills.
Treasury bonds	FRNS are liquid but also all bonds listed on the stock exchange are equally liquid.	50bp	2y 3y 5y	T+1  T+2 (3y and 5y bond)	BOGH01	Foreign investors are allowed to participate in bonds with original tenors of 3y and above.  All bonds are listed on the Ghanaian stock exchange.
HFC dollar-denominated housebonds	Yes	100bp		T+3		Currently available to foreign investors. Trading takes place on the Ghana stock exchange.

Source: Barclays Bank Ghana



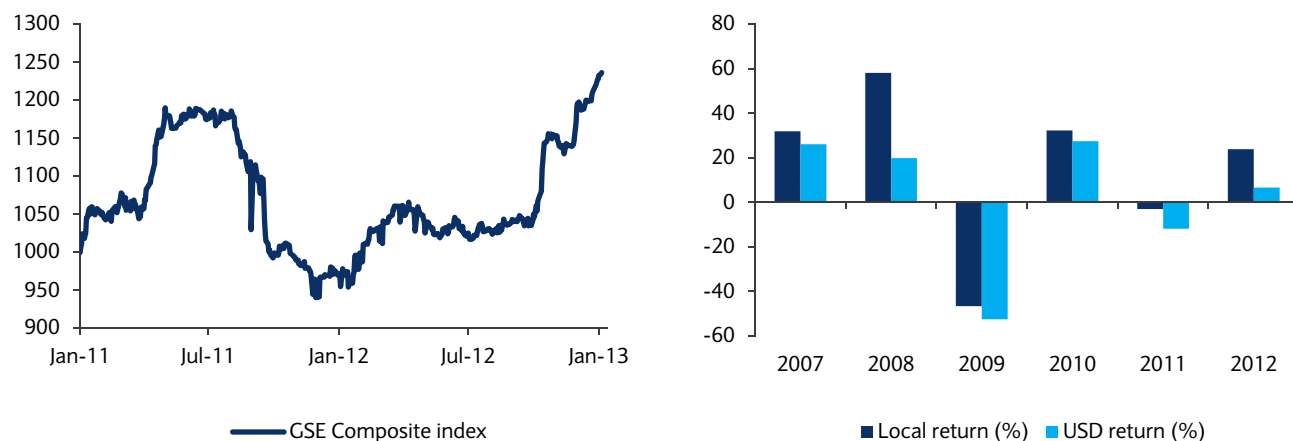
### Equity market snapshot

<b>Market size</b>	The market capitalisation of the Ghana Stock Exchange (GSE) stood at USD2.3bn (excluding dual-listed companies) as of the end of 2012.
<b>Main indicator</b>	The GSE Composite Index (GSE-CI).
<b>Listed companies</b>	There are 36 companies listed on the exchange. Tullow Oil Plc and AngloGold Ashanti Ltd are the largest listed companies making up about 60% and 25% of the GSE's total market capitalisation, respectively.
<b>Top 5 listed companies (market cap)</b>	Tullow Oil (USD18.1bn); AngloGold Ashanti (USD7.5bn); Ecobank Transnational Inc (USD1bn); Standard Chartered, Ghana (USD743mn); Ecobank, Ghana (USD463mn).
<b>Taxation</b>	8% withholding tax on dividends and 5% capital gains tax.
<b>Foreign ownership limits</b>	10% in the banking sector.

Source: Ghana Stock Exchange, Barclays Africa Equity Trade Yearbook, Absa Capital

FIGURE 6

### GSE All Share Index performance



Source: Reuters, Absa Capital

### Useful links

Barclays Research

<https://live.barcap.com>

Government of Ghana:

[www.ghana.gov.gh](http://www.ghana.gov.gh)

Ministry of Finance:

[www.mofep.gov.gh](http://www.mofep.gov.gh)

Ghana Stock Exchange:

[www.gse.com](http://www.gse.com)

International Monetary Fund:

<http://www.imf.org/external/country/GHA/index.htm>



**Regulatory and tax environment:** Foreign investors are able to repatriate all capital, profits and income freely, subject to foreign currency reserves being available. There is a 15% withholding tax on treasury bills and treasury bonds of less than 10y tenor and a 10% withholding tax on treasury bonds of more than 10y. A 10% withholding tax on dividends also applies.

**Political environment:** Disputed elections in 2007 were marred by significant violence that ended only with the agreement for a power sharing government. It is hoped a successful constitutional reform process in 2010 will reduce the potential for a repeat of election-led violence when Kenya goes back to the polls on 4 March, but recent violence in some regions of the country highlights continued risks. President Kibaki will be stepping down after the elections, while opposition leader and PM Odinga, along with Deputy PM Kenyatta, will contest the presidential election. Currently Kenyatta and three other prominent politicians face charges at the International Criminal Court relating to political violence in 2007, and with the ICC trial expected to commence a month after the Kenyan election, this adds a further complication to the political environment.

## Economic outlook

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Real GDP growth was subdued in H1 12, averaging only 3.4%. Weak demand from Europe (a key buyer of Kenyan horticulture) and severe weather conditions weighed on the growth of the all-important agricultural sector. However, growth momentum appears to have improved in recent quarters with the economy having expanded by 4.7% y/y in Q3 12, boosted by some improvements in agriculture. Following expected overall economic growth of 4.1% in 2012, we believe that a performance closer to 5% will be achieved in 2013. Substantial monetary policy easing delivered in H2 12 is likely to help spur credit growth, after new lending slowed sharply in recent months (11% y/y in October 2012 from 28% a year before), while continued infrastructure development, with large loans approved for road and water projects (including a USD600mn approved by the World Bank in June 2012), is likely to provide support. Additionally, there is growing expectation that Kenya may also join the list of new African oil exporters after favourable result from some exploratory drillings. A positive oil story could attract significant investment in the coming years. Risk factors include potential disruptions from the 4 March election and global downside risks.

## Country snapshot

Indicator	Latest
<b>Government</b>	
Government type	Republic
Head of state	President Mwai Kibaki (since December 2002)
Ruling political party	A unity government was formed in 2008 led by President Mwai Kibaki of the Party of National Unity (PNU) and Prime Minister Raila Odinga of the Orange Democratic Movement (ODM).
Elections	A new constitution was adopted in August 2010 providing for the formation of a bicameral parliament and the removal of the position of prime minister. The constitution is expected to come into full effect only after the 2013 elections. Parliamentary and presidential elections are scheduled for 4 March 2013.
<b>Demographics</b>	
Population	41.6mn (2011); 2.7% growth rate (UN)
Life expectancy	57.1 years
Main ethnic groups	Kikuyu (22%), Luhya (14%), Luo (13%), Kalenjin (12%) and several others
Main language	Kiswahili (official), English (official), numerous indigenous languages
Adult literacy	87.0%
Urban population	22.5%
<b>Economic structure</b>	
GDP	USD34.1bn (2011); USD41.8bn (2012E); 4.2% average real growth rate for 2002-2012
GDP per capita (USD)	USD832 (2011), USD993 (2012E)
GDP by sector	Agriculture (22%), Transport and communication (13%), Trade (11%), Manufacturing (9%)
Main industries	Milling, petroleum products, beverages, cement, textiles, paper and light manufacturing
<b>Business development indicators</b>	
2012 Corruption Perceptions Index ranking	139 (out of 174)
2012-13 Global Competitiveness Index ranking	106 (out of 144)
2012 Ease of doing Business ranking	121 (out of 185)
2011 Human Development Index ranking	143 (out of 187)
2012 Mo Ibrahim Index of African Governance	25 (out of 52)

Source: IMF, World Bank, United Nations Statistics Division, CIA World Factbook, African Elections Database, Official offices, Absa Capital

## Key indicators to watch

Indicator	Rationale
IMF program reviews	Kenya's progress within, and adherence to, its IMF and World Bank programmes provides important signposts for policy formation, implementation and relations with international donors. The IMF Executive approved a new three-year USD508.7mn Extended Facility Arrangement for Kenya on 31 January 2011.
Weather conditions	Agriculture is crucially important for inflation as well as the trade balance.
Inflation	Reports are released monthly – at the end of the month or early the next month.
Monetary Policy Statement	Statements must be published at least every six months. They detail the CBK's view on an appropriate monetary policy stance for the short and medium term.
Monthly Economic Review	The CBK releases a monthly review that covers developments in inflation, credit, interest rates, real sector, external sector, government budget and public debt.
Annual budgets and Medium-Term Budget Strategy Paper	The budget speech is delivered in June detailing plans for the next fiscal year (July-June). The Medium-Term Budget Strategy Paper, released in June, provides details of the three-year outlook for government expenditure, revenue and financing plans.

Source: Absa Capital

## Market participants

Indicator	Rationale
Banks	Banks are key players in both the currency and money markets.
Corporates	Very important participant in the currency market as trade flows often dictate currency direction. The oil and energy and telecom sectors are key importers, while tea, horticultural, and tourism sectors feature in the export market.
Local investors	Key player in the local rates market.
Offshore funds	International fund managers are active players in the local markets.

Source: Absa Capital, Barclays Kenya

## Key macro data

Annual	2008	2009	2010	2011	2012E	2013F	2014F
GDP (real, % y/y)	1.5	2.7	5.8	4.4	4.1	4.7	5.8
Nominal GDP (USD bn)	30.5	30.6	32.2	34.1	40.7	43.6	47.2
CPI (pavg, % y/y)	15.1	10.5	4.1	14.0	9.4	4.9	8.6
Fiscal balance (incl. grants, % GDP) <sup>1</sup>	-3.9	-4.9	-7.2	-4.9	-6.9	-6.5	-3.8
Revenue (% GDP) <sup>1</sup>	23.3	22.8	25.0	24.4	26.0	26.2	26.0
Expenditure (% GDP) <sup>1</sup>	27.2	27.8	32.2	29.3	32.9	32.7	29.8
Government domestic debt (% GDP) <sup>1</sup>	21.2	21.7	25.9	27.8	26.1	25.2	23.5
Government foreign debt (% GDP) <sup>1</sup>	21.6	22.4	22.2	26.4	23.5	21.8	21.4
Current account (% GDP)	-6.5	-5.3	-7.8	-9.8	-10.0	-9.6	-9.0
USD/KES (avg)	69.18	77.35	79.23	88.81	84.53	87.17	91.92
Central bank rate (% eop)	8.50	7.00	6.00	18.00	11.00	9.50	10.50
Official gross reserves (USD bn)	2.9	3.8	4.0	4.2	5.6	...	...
Months of import cover	3.4	4.1	3.9	3.7	4.3	...	...

Note: <sup>1</sup>Fiscal year to 30 June. Source: CBK, NBS, MoF, IMF, Absa Capital

Monthly	End 09	End 10	End 11	Mar 12	Jun 12	Sep 12	Oct 12	Nov 12	Dec 12
CPI inflation (% y/y)	8.0	4.5	18.9	15.6	10.0	5.3	4.1	3.3	3.2
Central bank rate (%)	7.00	6.00	18.00	18.00	18.00	13.00	13.00	11.00	11.00
Trade balance (USD bn, 12m rolling)	-5.7	-6.9	-9.0	-9.4	-9.8	-10.0	-10.1	-10.2	...
FX reserves (USD bn)	3.5	4.0	4.2	4.7	5.3	5.5	5.5	...	...
USD/KES (eop)	75.85	80.75	85.10	83.05	84.30	85.30	85.15	85.65	86.00
91-day Treasury bill yield (avg)	6.75	2.30	17.90	17.58	10.45	7.77	9.20	9.53	8.20

Source: CBK, NBS, Reuters, Absa Capital

Foreign trade flows, 2011

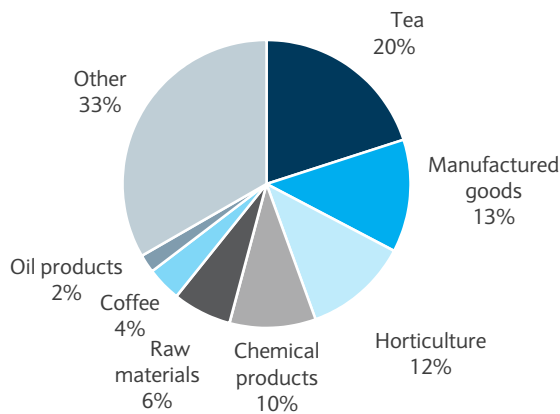
Exports		
Top product groups	USD mn	% y/y
Tea	1153	-0.5
Manufactured goods	729	19.9
Horticulture	678	-6.5
Chemical products	557	28.3
Misc. manufactured articles	523	18.6

Source: CBK, NBS, Absa Capital

Imports		
Top product groups	USD mn	% y/y
Oil	4081	52.7
Machinery and transport equipment	3686	-3.2
Manufactured goods	2250	26.8
Chemicals	1947	21.5

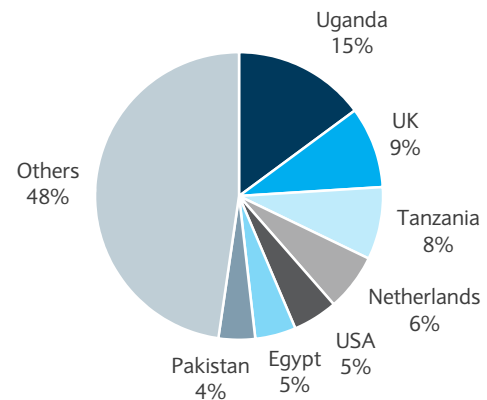
Source: CBK, NBS, Absa Capital

FIGURE 2  
Main export groups (2011)



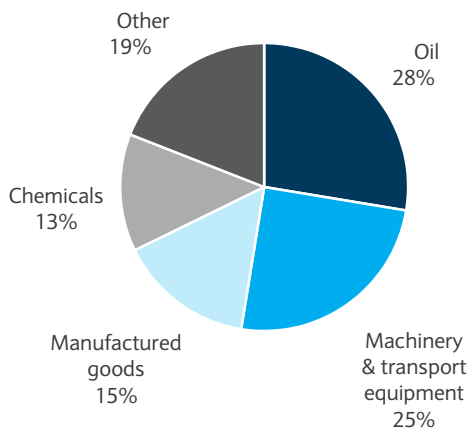
Source: CBK, NBS, Absa Capital

FIGURE 3  
Main export destinations (2011)



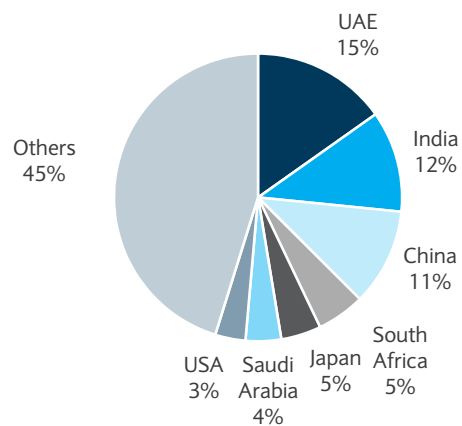
Source: CBK, NBS, Absa Capital

FIGURE 4  
Main import groups (2011)



Source: CBK, NBS, Absa Capital

FIGURE 5  
Main origins of imports (2011)



Source: CBK, NBS, Absa Capital

## Rates products

<b>Overview</b>	The money market is generally liquid, but the bond market is not. Trading in the interbank repo commenced in 2010, thereby providing another source of liquidity in the market.
<b>Market access/convertibility</b>	There are no exchange controls covering the rates markets.
<b>Tax regime</b>	There is a 15% withholding tax on treasury bills and treasury bonds of less than 10y tenor and a 10% withholding tax on Treasury bonds of over 10y. Infrastructure bonds are tax exempt.
<b>Coverage centre</b>	Trading in London, Johannesburg, and Kenya; Sales in London, Johannesburg and globally; Research in South Africa.

Source: Barclays Kenya, Absa Capital

Security	Liquidity	Bid/offer spread	Tenor/maturity	Quotation/ settlement	Reuters page	Additional information
Cash deposits	Liquid	100 pips overnight	Cash up to 1w. Beyond this spread is 100 pips up to 1m.	T+0	CBK02	
Treasury Bills	Illiquid	None	3m, 6m and 1y	T+4	CBK03	91-day T-bills auctioned weekly, 182-day bills weekly and 364-day bills monthly. No primary dealership in place. However, plans are in place to introduce primary dealership and promote interbank treasury bill trading.
Treasury bonds	Sporadic		2y, 5y, 10y, 15y, 20y, 25y and 30y	T+5	BBK BONDS	Open to all CDS account holders. No primary dealership in place. As above, plans are in their early stages to introduce primary dealership.
Corporate bonds	Low		5-7y fixed and floating coupon	T+5		

Source: Barclays Kenya, Absa Capital

## FX markets

<b>Overview</b>	The shilling is a free-floating unitary exchange rate. The exchange rate is sensitive to corporate flows and, in recent times, political-related news. In a stable market, liquidity is high.
<b>Market access/convertibility</b>	Only fully-licensed authorised dealers may deal in foreign exchange in Kenya. The central bank discourages speculative activity.
<b>Tax regime</b>	A 10% withholding tax is charged on dividend income for non-residents and a 5% withholding tax on dividend income for residents. There is no capital gains tax on foreign investors.
<b>Coverage centre</b>	Trading in London, Johannesburg, and Kenya; Sales in London, Johannesburg and globally; Research in South Africa.

Security	Liquidity	Bid/offer spread	Tenor/maturity	Quotation	Reuters page	Additional information
Spot	Moderate	20 cents in \$500k		T+2	KES1=	Main cross is USDKES; larger banks do quote EURKES, GBPKES.
Forwards	Illiquid Forwards are manufactured		T/N to 3m, although 12m possible	Points T+2	ABAF1=	Forwards are manufactured. Local bank counterparties would rarely give prices beyond three months in both outright and swaps.
Options						Very limited liquidity.

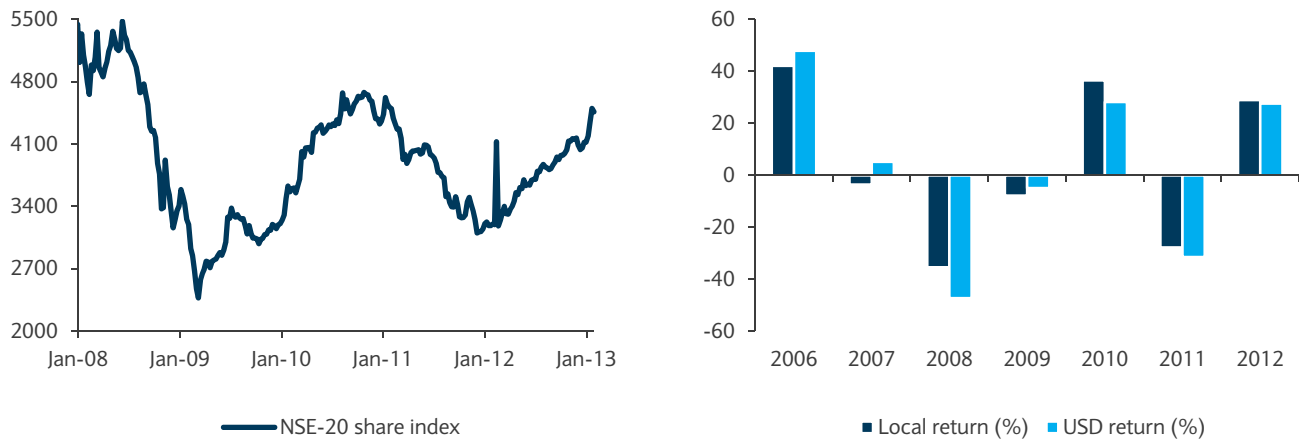
Source: Barclays Kenya, Absa Capital

### Equity market snapshot

<b>Market size</b>	The Nairobi Securities Exchange (NSE) is one of the largest and liquid exchanges in sub-Saharan Africa with a total market capitalisation of USD16.2bn as of January 2013.
<b>Main indicator(s)</b>	The NSE-20 share index, which tracks the performance of the top 20 blue-chip stocks, is the key indicator. FTSE NSE Kenya 15 and FTSE NSE Kenya 25 indices, measuring the performance of major capital and industry segments of the exchange, were introduced in November 2011.
<b>Listed companies</b>	There are 58 companies listed on the NSE. Shares are categorised into 10 sectors, including Agriculture, Commercial and Services, Finance and Investment, and Industrial and Allied sectors.
<b>Top five listed companies (market cap)</b>	East African Breweries (USD2.4bn), Safaricom (USD2.3bn), Equity Bank (USD1bn), Kenya Commercial Bank (USD1bn), Barclays Bank of Kenya (USD945mn).
<b>Taxation</b>	10% withholding tax on dividends
<b>Foreign ownership limits</b>	75% of company

Source: Nairobi Stock Exchange, Absa Capital

FIGURE 6  
NSE-20 share index performance



Source: Reuters, Absa Capital

### Useful links

Barclays Research	<a href="https://live.barcap.com">https://live.barcap.com</a>
Central Bank of Kenya:	<a href="http://www.centralbank.go.ke">www.centralbank.go.ke</a>
Central Bureau of Statistics:	<a href="http://www.cbs.go.ke">www.cbs.go.ke</a>
National Treasury:	<a href="http://www.treasury.go.ke">www.treasury.go.ke</a>
Nairobi Stock Exchange:	<a href="http://www.nse.co.ke">www.nse.co.ke</a>
International Monetary Fund:	<a href="http://www.imf.org/external/country/KEN/index.htm">http://www.imf.org/external/country/KEN/index.htm</a>



# MAURITIUS

## Policy environment

**Credit rating**  
 Foreign currency rating **Baa2**  
 (Moody's)  
 Source: Bloomberg

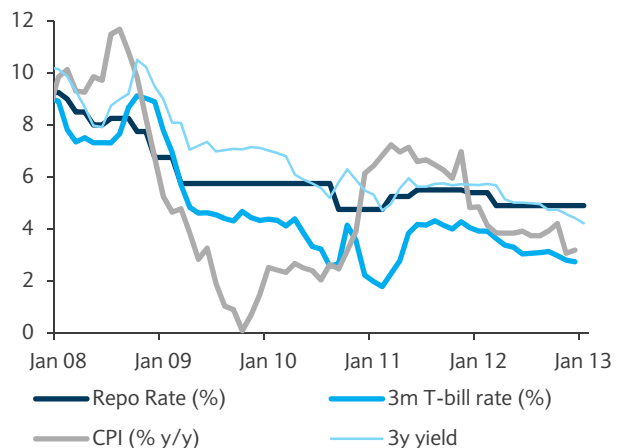


**Monetary policy:** The Bank of Mauritius' (BoM's) primary goals are to maintain price stability and promote orderly and balanced economic development. Its policy framework is broadly defined as hybrid inflation-targeting. The BoM does not have a defined medium-term inflation target, though it generally aims to keep inflation in low single digits. The Bank's MPC meets once a quarter and uses the repo rate as its main policy tool to signal changes in its monetary policy stance. Given moderate inflation for most of 2012, the MPC reduced the policy rate 50bp to 4.9% in Q1 12 and maintained the rate throughout 2012. Inflation pressures began to build in the second half of last year and the MPC expects public sector wages and global food prices to also pose a challenge for inflation in 2013. Our projections indicate that the rise in inflation is likely to remain modest, with CPI forecasted to end 2013 just above 5% y/y from the 3.2% experienced at the end of 2012. Should economic growth strengthen, we believe that the BoM may opt to tighten policy marginally in order to contain any further inflationary pressures.

**Exchange rate policy:** The BoM operates a managed-float regime, intervening in the foreign exchange rate market to a limited extent. The rupee (MUR) depreciated 4% against the USD in 2012 amid a large current account deficit. Current account deficits are likely to remain sizeable in the periods ahead, suggesting further modest depreciation pressure on the currency is likely.

**Fiscal policy:** The annual budget is tabled on a medium-term expenditure framework and is typically presented every November. Despite efforts to stimulate growth, fiscal authorities have been able to keep the budget deficit low, and 2012 was no exception. The projected fiscal deficit for 2012, as announced in the 2013 Budget speech in November 2012, was 2.5% of GDP versus the target of 3.8%. Growth initiatives in the 2013 budget include targeted infrastructure spending across a range of sectors, including water, electricity and transport, in which government programmes are expected to create employment. For 2013, the authorities aim to reduce the fiscal deficit to 2.2% of GDP, which will be the lowest in a decade. Tighter fiscal management is expected to bring overall debt down from levels of 54% of GDP at the end of 2012 to 50% by 2018.

FIGURE 1  
 Market snapshot



Source : BoM, Reuters, Absa Capital

**Regulatory and tax environment:** Exchange controls were suspended in 1994, allowing foreign investors to repatriate all capital, profits and income freely. Withholding taxes are applicable for non-residents, but income is subject to tax at the applicable treaty or non-treaty rate depending on the investor's country of residence. Investors are required to appoint a local tax advisor to assess their tax obligations and prepare an annual report of income received during the year.

**Political environment:** Mauritius continues to rate among Africa's most stable and active democracies, and the country topped the rankings of the 2011 and 2012 Ibrahim Index of African Governance. The ruling coalition currently has a 5-seat majority in the parliament. The next elections are due in 2015, ahead of which there have already been several moves by leading political names in an effort to position themselves best for the electoral contest. Most prominent amongst these moves was the resignation of President Jugnauth in April 2012 to take up the leadership of the main opposition party.

## Economic outlook

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Mauritius performs strongly in global surveys of competitiveness, with the country placing 19th in the World Bank's Ease of Doing Business Survey (of 185 countries ranked), 54th (of 145) in the World Economic Forum's Competitiveness Survey, and 43rd (of 174) in the Corruption Perceptions Index. Economic growth slowed to 3.1% in 2012 as the global environment continued to weigh on the island's economy. The agriculture and manufacturing sectors both struggled, while the key hotels and restaurant sector also saw flat growth in 2012 after the tourism sector was hit by the country's exposure to Europe (which accounts for 58% of tourist arrivals). Tourist arrivals rose only 0.2% y/y during the first three quarters of 2012, with arrivals from Europe down nearly 8%. The textile sector was also struggling, though the sector is increasingly looking at the African and US markets to replace lost demand from the eurozone. In 2013, authorities hope the prospects for a rise in tourist arrivals, continued investment into infrastructure, continued accommodative monetary policy stance and improvement in the eurozone's economy will underpin growth. We project that the economy will grow by 3.8% in 2013.

## Country snapshot

Indicator	Latest
<b>Government</b>	
Government type	Republic
Head of state	President Rajkeswur Purryag (since July 2012)
Ruling political party	A coalition consisting primarily of the Mauritius Labour Party (MLP) and the Parti Mauricien Social Democrate (PMSD).
Main opposition parties	Mouvement Militant Mauricien (MMM), Mouvement Socialiste Mauricien (MSM). The Labour Party, MMM and MSM hold 31, 21 and 8 seats in the national assembly, respectively.
Elections	The president and the vice president are elected by the national assembly for five-year terms. The next parliamentary elections are due in 2015 (the last general elections were in May 2010).
<b>Demographics</b>	
Population	1.3mn (2011), 0.5% growth rate (UN)
Life expectancy	73.4 years
Main ethnic groups	Indo-Mauritian (68%), Creole (27%), Sino-Mauritian (3%)
Main language	Creole (80.5%), Bhojpuri (12.1%), French (3.4%)
Adult literacy	87.9%
Urban population	41.9%
<b>Economic structure</b>	
GDP	USD11.3bn (2011); USD11.9bn (2012E); 4.0% average real growth rate for 2002-2012
GDP per capita	USD8,742 (2011), USD9,199 (2012E)
GDP by sector	Manufacturing (17%), trade (12%), finance (10%)
Main industries	Manufacturing, tourism, agriculture
<b>Business development indicators</b>	
2012 Corruption Perceptions Index ranking	43 (out of 174)
2012-13 Global Competitiveness Index ranking	54 (out of 144)
2012 Ease of doing Business ranking	19 (out of 185)
2011 Human Development Index ranking	77 (out of 187)
2012 Mo Ibrahim Index of African Governance	1 (out of 53)

Source: IMF, World Bank, United Nations Statistics Division, CIA World Factbook, African Elections Database, Official offices, Absa Capital

## Key indicators to watch

Indicator	Rationale
Monthly Statistical Bulletin	The BoM releases a monthly review that covers recent developments in inflation, credit, interest rates, real sector, external sector, government budget and public debt.
Tourism earnings	Tourism is an important foreign exchange earner. Data are released in the BoM Monthly Statistical Bulletin.
Annual national budget	The budget is delivered around November each year.
BoM Annual Report	This report reviews recent economic developments. The bank also publishes a bi-annual inflation report whereby it details its inflation outlook and a basis for monetary policy over the subsequent two quarters ending June and December.
Foreign trade	The export sector is highly concentrated in sugar, fish products and textiles and is sensitive to the international trade environment. About two-thirds of exports are to European countries. Trade data are published by the CSO on a monthly basis.

Source: Absa Capital

## Market participants

Indicator	Rationale
Banks	Banks are key participant in both the money and capital markets.
Corporates	Very important participant in the currency market. Tourism, sugar and the textile sectors are key in the foreign exchange market.
Local investors	Key participant in the local rates market.
Offshore funds	International fund managers have only a minimal role in the markets, though interest from offshore players appears to be picking up.

Source: Absa Capital, Barclays Bank Mauritius

## Key macro data

Annual	2008	2009	2010	2011	2012E	2013F	2014F
GDP (real, % y/y)	5.5	3.0	4.1	3.8	3.1	3.8	4.7
Nominal GDP (USD bn)	9.6	8.8	9.7	11.2	11.5	11.9	12.9
CPI (pavg, % y/y)	9.7	2.5	2.9	6.5	3.9	4.3	5.3
Fiscal balance (% GDP, FY) <sup>1</sup>	-3.3	-3.0	-3.2	-3.2	-2.5	-2.2	-1.7
Revenue (% GDP) <sup>1</sup>	21.2	22.9	21.9	21.5	21.5	21.9	21.1
Expenditure (% GDP) <sup>1</sup>	24.5	26.5	25.1	24.7	24.0	24.2	22.7
Government domestic debt (% GDP, FY)	43.7	45.7	43.0	42.6	41.2	39.0	36.9
Government foreign debt (% GDP, FY)	4.9	6.2	7.4	8.4	9.9	11.7	13.9
Current account (% GDP)	-10.1	-7.4	-10.4	-13.3	-11.3	-11.5	-11.1
Trade balance (% GDP)	-23.4	-20.1	-21.9	-20.9	-22.7	-24.0	-23.8
Tourism earnings (USD mn)	1454	1121	1286	1488	1447	...	...
Tourist arrivals (000s)	930	871	935	965	965	1000	...
USD/MUR (avg)	28.45	31.96	30.78	28.71	30.06	31.59	32.15
Repo rate (%)	6.75	5.75	4.75	5.40	4.90	5.00	5.50
Official reserves (USD bn)	1.8	2.3	2.6	2.8	3.0	...	...
Months of imports	3.7	4.5	4.3	4.6	5.2	...	...

Note: <sup>1</sup>Calendar year from 2010 onwards. Fiscal year to June in previous years. Source: IMF, Bank of Mauritius, Central Statistics Office, Absa Capital

Monthly	End 09	End 10	End 11	Mar 12	Jun 12	Sep 12	Oct 12	Nov 12	Dec 12
CPI (% y/y)	1.5	6.1	4.8	3.8	3.9	3.9	4.2	3.1	3.2
Current account (USDmn, 12m rolling)	-652	-1007	-1494	-1473	-1390	-1270	...	...	...
Tourism earnings (USDmn, 12m)	1121	1286	1485	1551	1547	1508	1512	...	...
Repo rate (%)	5.75	4.75	5.40	4.90	4.90	4.90	4.90	4.90	4.90
3m T-bill yield (avg)	4.33	2.22	4.05	3.63	3.04	3.13	2.97	2.80	2.74
FX reserves (USDmn)	2001	2254	2381	2384	2398	2506	2470	2568	...
USD/MUR (eop)	29.50	30.30	29.40	28.95	31.10	30.67	30.90	30.90	30.50

Source: Bank of Mauritius, CSO, IHS-Global Insight, Reuters, Absa Capital

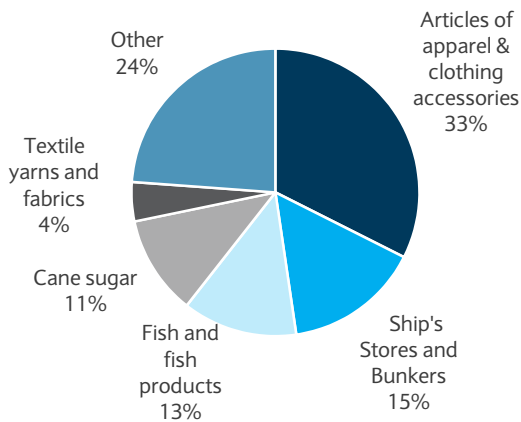
Foreign trade flows, 2011

Exports		
Top product groups	USD mn	% y/y
Apparel and clothing accessories	831	6.9
Ship's store and bunkers	391	59.3
Fish and fish products	330	-0.1
Cane Sugar	287	14.4

Imports		
Top product groups	USD mn	% y/y
Mineral fuels, lubricants & related products	1113	33.7
Manufactured goods	963	18.1
Food and live animals	940	17.5
Machinery and transport equipment	918	3.8
Chemicals and related products	422	4.2

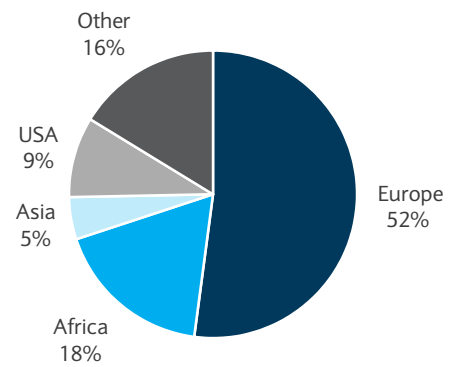
Source for both charts: Central Statistics Office, Absa Capital

FIGURE 2  
Main export groups (2011)



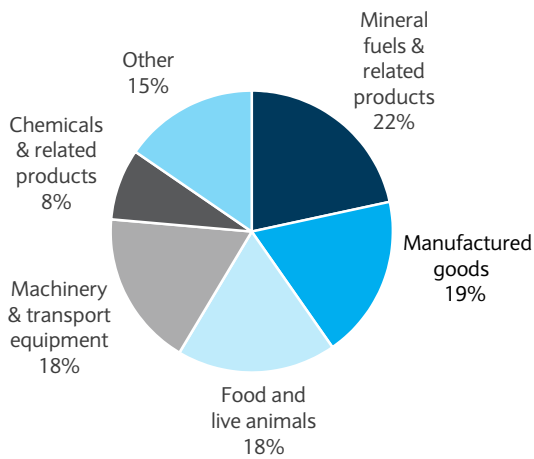
Source: CSO, Absa Capital

FIGURE 3  
Main export destinations (2011)



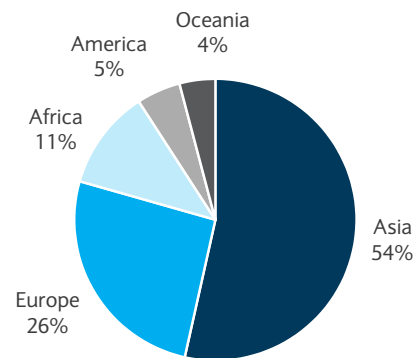
Source: CSO, Absa Capital

FIGURE 4  
Main import groups (2011)



Source: CSO, Absa Capital

FIGURE 5  
Main origins of imports (2011)



Source: CSO, Absa Capital

## FX markets

<b>Overview</b>	The rupee is a managed floating unitary exchange rate. The exchange rate is sensitive to corporate flows. However, in the absence of an adequate number of investors, the market may become illiquid. The central bank does intervene intermittently to buy and sell foreign currency on the local market. The central bank has instated some policy measures with respect to trade finance, swap transactions, excess liquidity, foreign exchange market, and public debt management to further reinforce the local market.
<b>Market access/convertibility</b>	Only fully-licensed dealers may deal in foreign exchange in Mauritius. The BoM issues the licence based on capital base and trading capabilities.
<b>Tax regime</b>	Non-residents are subject to tax on income derived from a source in Mauritius, subject to double taxation agreements. Dividends are exempt from tax. There is no withholdings tax for non-residents.
<b>Coverage centre</b>	Trading in London, Johannesburg, Dubai and Mauritius; Sales in London, Johannesburg and globally; Research in South Africa.

Security	Liquidity	Bid/offer spread	Tenor/maturity	Quotation	Reuters page	Additional information
Spot	Moderate/ cyclical	30 cents		T+2	MUR=	Most of the export-receipts are in euros, while the majority of payments are in US dollars.
Forwards	Moderate		Up to 24 months	T+2	ABAF1=	Forward sales of foreign exchange are limited to 24 months.
Options	Very low	50 cents	Up to 12 months		N/A	Options in MUR have only been recently launched. Fairly new market and therefore low liquidity

Source: Barclays Mauritius, Absa Capital

## Equity market snapshot

<b>Market size</b>	The market capitalisation of the Stock Exchange of Mauritius was USD5.6bn as of February 2012.
<b>Main indicator</b>	The SEMDEX is the benchmark index of prices of all listed shares. The SEM-7 index tracks the seven largest shares in terms of market capitalisation, liquidity and investibility. The SEMTRI is a total return index that tracks the performance of the local market.
<b>Listed companies</b>	There are 53 companies listed on the official market, while 56 are listed in the development and enterprise market.
<b>Top 5 listed companies (market cap)</b>	Mauritius Commercial Bank (USD1309mn); State Bank of Mauritius (USD841mn); ENL Land (USD279mn); New Mauritius Hotels (USD275mn); Medine Sugar (USD176mn).
<b>Taxation</b>	None.
<b>Foreign ownership limits</b>	Sugar companies 15%; Banks approval required above 10-3% of SBM voting rights.

Source: The Stock Exchange of Mauritius, Absa Capital

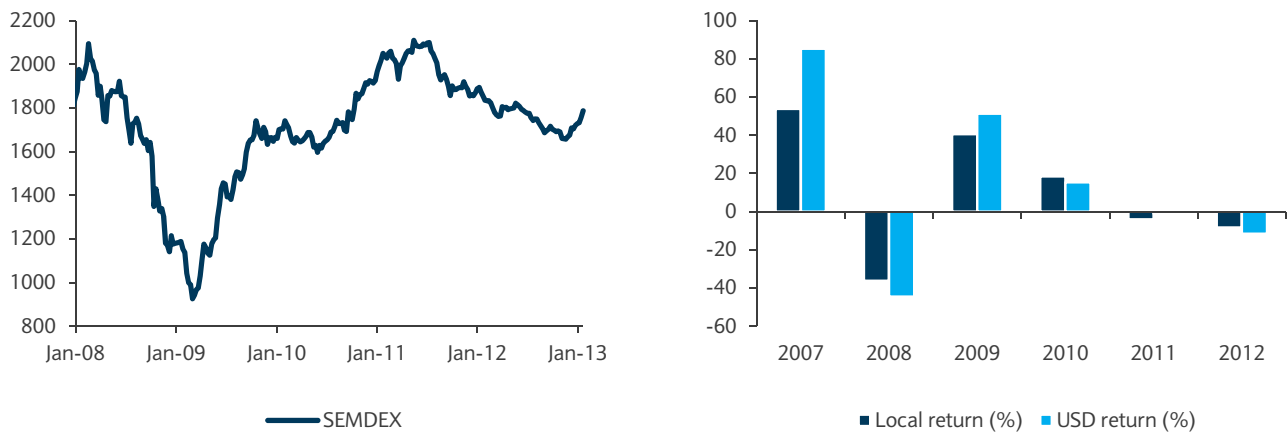
### Rates products

<b>Overview</b>	The treasury bill market is generally more liquid than the bond market. As from October 2011 the Central Bank introduced T-Bills for 273-day tenor. The Central Bank has also come up with the policy of issuing T-Bills for only one tenor in any particular auction. Consequently, T-bill auctions are held 3-4 days per week.
<b>Market access/convertibility</b>	There is a primary dealer system in treasury bills (12 primary dealers). Secondary market activity in bonds and other government securities are quite limited, but there is a heavy demand for such investments, primarily from institutional investors (though other financial institutions are also allowed to bid directly from the central bank).
<b>Tax regime</b>	Non-residents are subject to tax on income derived from a source in Mauritius, subject to double taxation agreements. Dividends are exempt from tax. There is no withholding tax for non-residents.
<b>Coverage centre</b>	Trading in London, Johannesburg and Mauritius; Sales in London, Johannesburg and globally; Research in South Africa.

Security	Liquidity	Bid/offer spread	Tenor/maturity	Quotation/ settlement	Reuters page	Additional information
Cash deposits	Liquid	100 pips overnight	Cash up to 1 week. Beyond this spread is 250 pips up to 1 month.	T+0		
Treasury Bills	Liquid		Up to 1y	T+1	BBMR	Primary dealers may not go short so offered prices are not always available.
Treasury Notes	Illiquid		3y			The market is buy and hold so supply is limited to auctions. Auctioned monthly.
Treasury Bonds	Illiquid		5y			The market is buy and hold so supply is limited to auctions.
Long-term Bonds	Illiquid		10, 15y			The market is buy and hold so supply is limited to auctions.
Corporate bonds	Illiquid					There has only been one issuer to date.

Source: Absa Capital, Barclays Mauritius

FIGURE 6  
SEMDEX performance



Source for both charts: Reuters, Absa Capital

### Useful links

Barclays Research

<https://live.barcap.com>

Bank of Mauritius:

[www.bom.intnet.mu](http://www.bom.intnet.mu)

Central Statistics Office:

[www.gov.mu/portal/sites/ncb/cso/index.htm](http://www.gov.mu/portal/sites/ncb/cso/index.htm)

Ministry of Finance and Economic Development:

[www.gov.mu/portal/site/MOFSite](http://www.gov.mu/portal/site/MOFSite)

The Stock Exchange of Mauritius:

[www.stockexchangeofmauritius.com](http://www.stockexchangeofmauritius.com)

International Monetary Fund:

<http://www.imf.org/external/country/MUS/index.htm>

# MOZAMBIQUE

## Policy environment

### Credit rating

Long-term foreign currency rating      B (Fitch)  
 B+ (S&P)

Source: Bloomberg

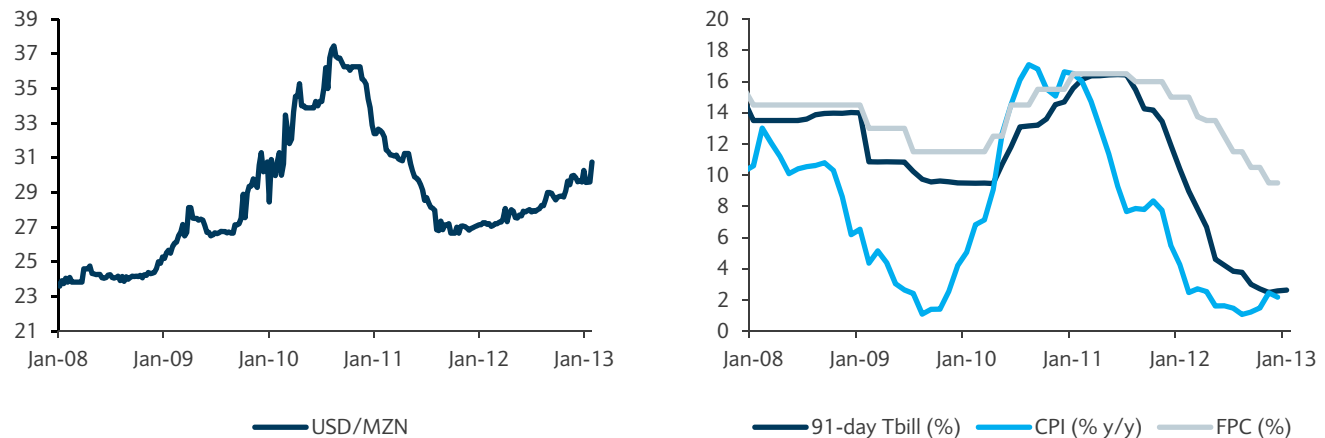


**Monetary policy:** The Bank of Mozambique’s (BoM’s) primary objective is price stability. The policy framework is based on monetary targets, with base money set as the operational target. The bank uses open market operations and reserve requirement adjustments for liquidity management purposes. The BoM Monetary Policy Committee signals its monetary policy stance by setting the interest rates on its standing lending and deposit facilities on a monthly basis. These rates are currently at historic lows of 9.5% and 2.25%, respectively. Under the support of IMF technical assistance, the BoM is planning to shift to an inflation-targeting framework, although no formal timeline has been set. Against the backdrop of easing inflation and subdued credit growth, the BoM reduced its policy rate by 550bp in 2012. Headline inflation (Maputo CPI) ended 2012 well within the initial target of 5.6% y/y, at 2.2% in December. The official inflation target for end-2013 is 6.5% y/y, with the expected average for the year set at 7%. We expect inflation to be somewhat above the year-end target. Despite the current favourable inflation backdrop, and given the substantial rate reductions thus far, we believe the easing cycle has reached a bottom with the BoM likely to be cognisant of the projected higher inflation trajectory this year and a favourable growth outlook. Even so, we see the likelihood of a policy tightening only in H2.

**Exchange rate policy:** Mozambique operates a managed-float exchange-rate regime, with interventions aimed at preventing large fluctuations. After being among the top performing currencies in the world against the USD in 2011, the metical (MZN) came under pressure in H2 12 amid looser monetary conditions. Although the wide current account deficit keeps the MZN vulnerable, strong FDI inflows (totalled USD1.5bn in Q1-Q3 2012, which is about 11% of GDP), largely related to the booming coal and gas sectors, are likely to continue to provide support. Managing the large FX flows relating to the resources boom will be a key challenge for the BoM and exchange rate policy in the years ahead.

**Fiscal policy:** The government’s medium-term economic programme is supported under a three-year policy support instrument (PSI) programme approved by the IMF in June 2010. Under the current PSI programme, the fiscal deficit (including grants) is projected to rise to 5.5% of GDP in 2013 from an estimated 3.6% in 2012. The larger deficit takes into account increased social and capital expenditure.

FIGURE 1  
 Market snapshot



Source: Bank of Mozambique, Reuters, Absa Capital



**Regulatory and tax environment:** Under the foreign exchange regulation that took effect from July 2011, central bank approvals for current account payments and receipts (export/import of goods and services, income and current transfers) are waived. Capital account inward and outward payments still require central bank authorisations, though the process is now more flexible. The regulation requires remittance of the proceeds of exports and offshore investments within 90 days of export and receipt of income, respectively. However, as much as 50% of such proceeds may be kept by exporters or investors in a domestic account or used to fund foreign obligations. Withholding tax on government and corporate bonds for foreign investors is 20%.

**Political environment:** The political scene is largely dominated by the ruling Frente de Libertação de Moçambique (Frelimo), which obtained close to 75% of the votes in the October 2009 elections. Incumbent President Guebuza is currently in his second, and under the country's constitution, final term as president. Parliamentary and presidential elections are scheduled to be held in late 2014.

## Economic outlook

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Mozambique's economic growth is among the highest in our focus area. We expect economic growth to increase to about 8% in 2013 (from an estimated 7.1% in 2012), boosted by solid growth of the mining sector, which continues to attract strong FDI inflows. Real GDP growth averaged 7.2% in H1 12, as rising coal exports (USD313mn in Q1-Q3 2012 from USD21mn for 2011 as a whole) saw the mining sector grow 39.5% y/y in the period. With coal resources sizeable (estimated at 23 billion tonnes), production is expected to increase further in 2013, from about 5 million tons in 2012, even though transport bottlenecks are a constraint to large exports. In addition to infrastructure development in the coal sector, strong growth is expected in the natural gas industry (LNG exports expected only in the latter part of the decade), following the further discovery of abundant reserves recently, while OilMoz plans to begin construction of a 350,000 barrel per day oil refinery this year. Sustained growth of the agricultural sector (the largest economic sector, accounting for about a quarter of GDP), the lagged effect of substantial monetary policy easing and public investment are likely to be supportive of economic growth. With several large infrastructure and new mining projects in the country, import growth is likely to remain firm in upcoming years, keeping the current account balance in a large deficit, in our view.

**Country snapshot**

Indicator	Latest
<b>Government</b>	
Government type	Republic
Head of state	President Armando Guebuza (since February 2005)
Ruling political party	Frente de Libertação de Moçambique (FRELIMO)
Main opposition party	Resistencia Nacional Mocambicana (RENAMO)
Elections	President Guebuza was re-elected for his second and, under the country's constitution, final term in 2009, having won 75% of the vote in the presidential election. Parliamentary and presidential elections occur every five years (next due in 2014).
<b>Demographics</b>	
Population	22mn (2011); 2.4% growth rate (UN)
Life expectancy	52 years
Main ethnic groups	Makhuwa, Tsonga, Makonde, Shangaan, Sena, Ndau and others
Main language	Emakhuwa 25.3%, Xichangana 10.3%, Portuguese (10.7%, official), Cisena (7.5%)
Adult literacy	56.1%
Urban population	38.4%
<b>Economic structure</b>	
GDP	USD12.6bn (2011); USD14.1bn (2012E); 7.6% average real growth rate for 2002-12
GDP per capita	USD571 (2011), USD652 (2012E)
GDP by sector	Services (44%), agriculture (28.6%), industry (20.1%)
Main industries	Aluminium, petroleum products, textiles, tobacco, chemicals
<b>Business development indicators</b>	
2012 Corruption Perceptions Index ranking	123 (out of 174)
2012-13 Global Competitiveness Index ranking	138 (out of 144)
2012 Ease of doing Business ranking	146 (out of 185)
2011 Human Development Index ranking	184 (out of 187)
2012 Mo Ibrahim Index of African Governance	21 (out of 52)

Source: IMF, World Bank, United Nations Statistics Division, CIA World Factbook, African Elections Database, Official offices, Absa Capital

## Key indicators to watch

Indicator	Rationale
Inflation	The BoM is attempting to maintain single-digit inflation. The inflation objective is set (and announced) by the government on an annual basis. For end-2013, the target is 6.5% y/y.
Money supply (M3)	To influence its inflation target, the BoM uses the broad money supply (M3) as the intermediate target and the reserve money as the operational target.
Net international reserves	Given Mozambique's vulnerability to external shocks, stemming from a significant trade deficit, building sufficient reserves as a buffer is a necessity.
Aluminium price/export volumes	Aluminium makes up about 50% of Mozambique's total exports and is an important FX earner for the country.
Extractive sector	Historically, aluminium has been Mozambique's primary export, but with coal exports gaining prominence and recent announcements of significant gas reserves, developments in the energy sector will also become essential.
Real GDP growth	Mozambique has recorded impressive macroeconomic growth over the past few years. Growth averaged above 7% pa over the past 10 years.

Source: Absa Capital

## Market participants

Indicator	Rationale
Regional/US/European institutional investors	Foreign investors are allowed to purchase bonds. Participation is limited, however, and the bond market is illiquid.
Local investors	Corporates, retail, brokers, pension funds, banks and micro lenders. About 80% of all Treasury bonds listed on the stock exchange are purchased by the commercial banks. These act as dealers as well as brokers and underwriters.

Source: Barclays Mozambique, Absa Capital

## Key macro data

Annual	2008	2009	2010	2011	2012E	2013F	2014F
GDP (real, % y/y)	6.8	6.3	7.1	7.3	7.1	7.9	7.8
Nominal GDP (USDbn)	9.9	9.7	9.3	12.6	14.1	15.3	17.3
CPI (pavg, % y/y)	10.3	3.3	12.7	10.4	2.1	5.7	8.6
Fiscal balance (incl. grants, % GDP)	-2.2	-5.5	-3.9	-4.6	-3.6	-5.5	-6.4
Public external debt (% GDP)	21.3	37.3	43.5	36.2	39.1	42.3	44.4
Current account (incl. grants, % GDP)	-11.9	-12.2	-11.7	-18.8	-15.0	-16.6	-15.9
FDI (% GDP)	5.9	9.2	10.7	16.3	17.0	...	...
USD/MZN (pavg)	24.30	27.52	33.96	29.07	28.38	29.92	30.76
Official gross reserves (USD bn)	1.7	2.0	2.1	2.4	2.7	...	...
Months of imports	4.6	5.2	3.3	3.3	3.4	...	...

Source: IMF, Bank of Mozambique, National Statistics Institute, Absa Capital

Monthly	End 09	End 10	End 11	Mar 12	Jun12	Sep12	Oct12	Nov12	Dec12
CPI inflation (% y/y)	4.2	16.6	5.5	2.7	1.6	1.2	1.5	2.5	2.2
Standing lending facility (%)	11.50	15.50	15.00	13.75	12.50	10.50	10.50	9.50	9.50
FX Reserves(USD mn)	1929	1992	2304	2149	2311	2703	2625	...	...
USD/ MZN (eop)	28.45	32.40	27.13	28.08	27.88	28.72	29.30	29.85	30.27
91-day T-bill rate (ave)	9.50	14.69	11.89	8.97	4.61	3.00	2.72	2.48	2.58
Aluminium exports (USDmn, 4Q rolling)	868	1160	1357	1310	1241	1146	...	...	...
Coal exports (USDmn, 4Q rolling)	n/a	n/a	21	110	218	331	...	...	...
Aluminium (USD/ ton, eop)	2208	2461	1971	2099	1835	2094	1883	2079	2040

Source: BoM, INE, IFS, Reuters, I-Net Bridge, Absa Capital

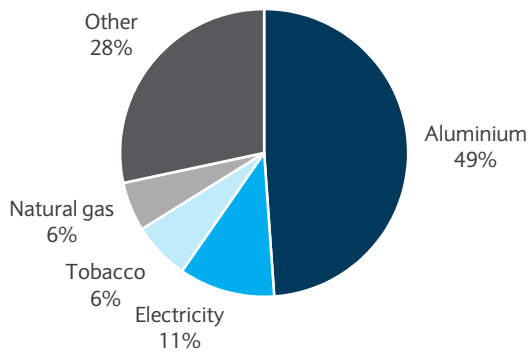
Foreign trade flows, 2011

Exports		
Top product groups	USD mn	% y/y
Aluminium	1357	17.0
Electricity	299	8.3
Tobacco	180	17.7
Natural gas	153	14.4

Source: Instituto Nacional de Estadística, BoM, Absa Capital

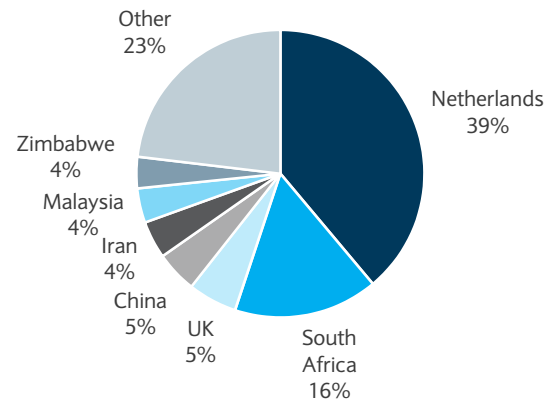
Imports		
Top product groups	USD mn	% y/y
Major projects	1514	68.3
Fuel	872	77.3
Capital goods	603	20.1
Vehicles	276	-5.5

FIGURE 2  
Main export groups (2011)



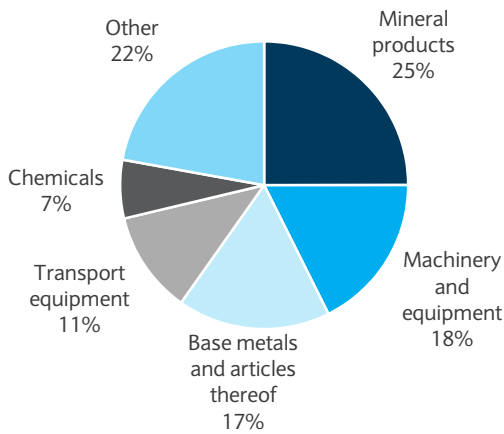
Source: INE, Absa Capital

FIGURE 3  
Main export destinations (2011)



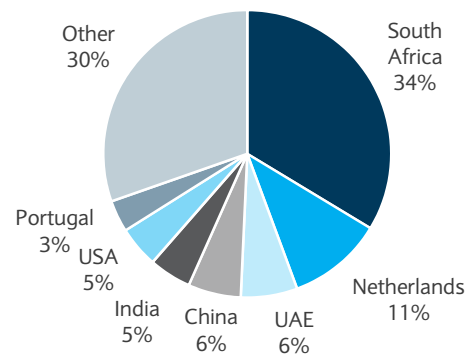
Source: INE, Absa Capital

FIGURE 4  
Main import groups (2011)



Source: INE, Absa Capital

FIGURE 5  
Main origins of imports (2011)



Source: INE, Absa Capital

## FX markets

<b>Overview</b>	The Mozambican Metical is a managed floating currency.
<b>Market access/convertibility</b>	All inward payments can only be deposited in the respective accounts after the receiver of the funds has informed the bank of the nature of the funds for the correct classification of the transaction. Since 50% of export or foreign investment proceeds must be converted to metical, the banks have the obligation to verify every incoming transaction. However, with the exception of export/foreign investment proceeds, all incoming funds may be deposited in foreign currency accounts or converted at the discretion of the receiver of the funds – preferably, these funds should all be registered at the central bank. The commercial banks can only sell currency for outward payments; hence, the commercial banks' sale of currency for a domestic payment is not permitted.
<b>Tax regime</b>	While there is no tax on currency transactions per se, a tax rate of 10-20% applies for international payments related to interest income. A capital gains tax of 32% also applies. Current transfers are tax free.
<b>Coverage centre</b>	Limited Trading in London, Johannesburg and Mozambique; sales in London, Johannesburg and globally; and research in South Africa.

Security	Liquidity	Bid/Offer Spread	Tenor/maturity	Quotation	Reuters page	Additional information
Spot	Yes	40-60 pips normal market conditions. No more than 2% margin	Two business days settlement (International convention applies)	Limited two-way quotes	BMMX	Proprietary trading limited and, in the main, clients cover their transactions.
Forwards	Limited liquidity but developing		Up to one year but flexible	Very limited two-way quotes. Non-deliverable forward transactions permitted.	ABAF=	Forward market growing. Forward transactions increased substantially during 2010 due to sharp metical depreciation. Swap market is limited, but deals up to USD5mn are possible.
Swaps	Limited liquidity but growing		Up to 1-year but flexible	Two-way prices		Exposures can be hedged via manufactured forward techniques.

## Equity market snapshot

<b>Market size</b>	The market capitalisation of the Bolsa de Valores de Moçambique (BVM) was USD1bn as of January 2013.
<b>Main indicator</b>	N/A
<b>Listed securities</b>	There are 20 fixed income and three equity securities listed on exchange.

Source: BVM, Absa Capital

## Rates products

<b>Overview</b>	While treasury bill and repo markets exist in Mozambique, these markets are restricted to local investors. Foreign investors are generally allowed to invest in bonds via the Mozambican stock exchange or accrue interest on term deposits. However, the National Treasury may invite non-residents to participate in private bond placements via local banks, which act as placement brokers.
<b>Market access/convertibility</b>	Investments via the stock exchange or term deposits via banks do not require central bank sanctioning. These investments are dealt with the commercial banks.
<b>Tax regime</b>	Withholding tax on government and corporate bonds for foreign investors is 20%. For local stock market-related investments, all investors (local and foreign) may pay as low as 10% withholding tax.
<b>Coverage centre</b>	Trading in Mozambique and South Africa; sales in London, Johannesburg and globally; research in South Africa.

Source: Barclays Mozambique, Absa Capital

Security	Liquidity	Bid/offer spread	Tenor/maturity	Quotation/settlement	Reuters page	Additional information
Repos/reverse repos (yield)	Yes – in The interbank market	100bp	1-7, 14, 28 and 63 days	N/A		
Treasury bills (discounted instrument)	Yes – in the interbank market	200bp	91, 182 and 364 days	N/A	MOZMM	Available through the central bank, but foreign investors are not allowed to hold, not even if securities are bought in secondary market.  Local investors may buy T-bills for investment portfolio – withholding tax of 10% applies in the primary market, while secondary market investors pay 20%.
Treasury bonds/treasury obligations (yield instrument with zero-coupon floating rate)	Very illiquid but all bonds/ obligations are listed on the stock exchange.	200bp	Primary issues 5-10y	N/A		Foreign investors may buy debt securities from the stock exchange via a registered broker/dealer (BBM is registered broker/dealer). All script is dematerialised, and broker/dealer will hold the central register for all investments via the broker/dealer.  SLA with Barclays Mauritius, which acts as the custodian for International Investors.
Corporate bonds	Very illiquid as investors tend to hold to maturity	350bp	5-10y	N/A		Script dematerialised Coupons: Six-monthly Repricing: Six-monthly Quoted on BVM (stock exchange) 10% withholding tax applicable
Bank bonds	Private placements for T2 capital purposes	50bp over 1y T-bills	3-5y	N/A		Script dematerialised Coupons: Six-monthly Repricing: Six-monthly Quoted on BVM (stock exchange) 10% withholding tax applicable

Source: Barclays Mozambique, Bolsa de Valores de Moçambique, Absa Capital

## Useful links

Barclays Research	<a href="https://live.barcap.com">https://live.barcap.com</a>
Bank of Mozambique:	<a href="http://www.bancomoc.mz">www.bancomoc.mz</a>
Ministry of Planning and Development:	<a href="http://www.mpd.gov.mz">www.mpd.gov.mz</a>
Instituto Nacional de Estatística:	<a href="http://www.ine.gov.mz">www.ine.gov.mz</a>
Government of Mozambique:	<a href="http://www.mozambique.mz">www.mozambique.mz</a>
International Monetary Fund:	<a href="http://www.imf.org/external/country/MOZ/index.htm">http://www.imf.org/external/country/MOZ/index.htm</a>

# NAMIBIA

### Credit rating

Long-term foreign currency rating: BBB- (Fitch) / Baa3 (Moody's)

Source: Bloomberg



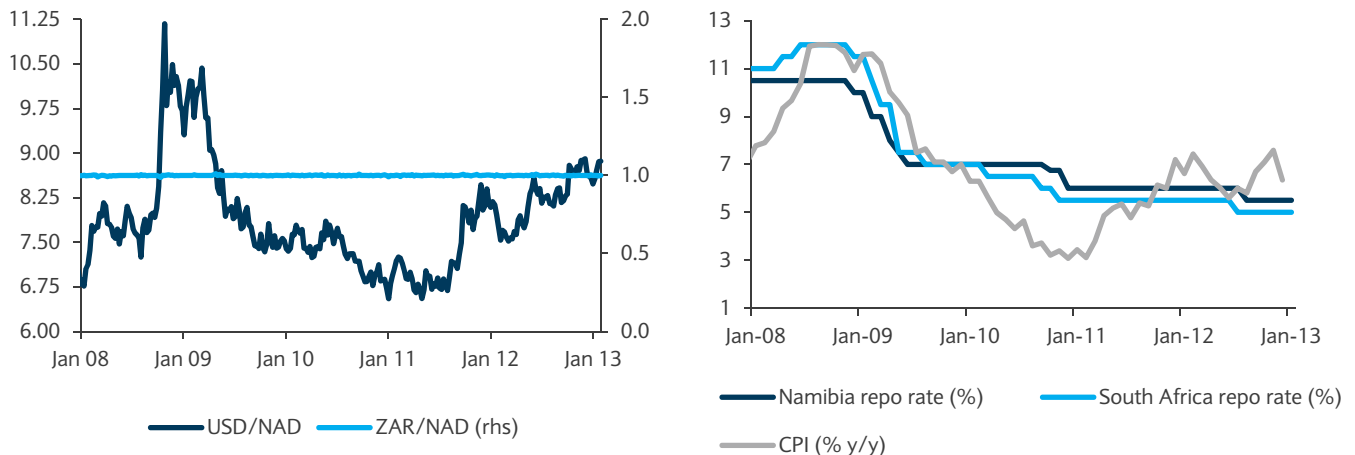
## Policy environment

**Monetary policy:** Fiscal and monetary policies operate within the membership of the Common Monetary Area (CMA). The Bank of Namibia's (BoN's) ultimate objective is to maintain price stability. To achieve this, the BoN has an intermediate target of promoting an economic environment that does not threaten the parity between the Namibian dollar and the South African rand. The South African Reserve Bank (SARB) leads in setting monetary policy in the CMA, yet the BoN has some level of policy discretion, enabling it to maintain a repo rate different from that of the SARB. Currently, the BoN's policy repo rate is 5.5%, 50bp above that of the SARB. With headline inflation easing in H1 12 and the SARB reducing its policy rate by 50bp in July 2012, the BoN lowered its benchmark rate by 50bp in August. Inflation was 6.3% at end-2012, reflecting moderation from above 7% in the previous month. We expect inflation to average close to 6% in 2013. Combined with ongoing economic growth uncertainties, we believe this inflation backdrop is likely to convince the BoN to keep rates unchanged into 2014.

**Exchange rate policy:** The Namibian dollar is pegged at par to the South African rand. The rand is also legal tender in Namibia.

**Fiscal policy:** The government draws up budget estimates based on a three-year medium-term expenditure framework (MTEF). The fiscal year runs from April to March, and the budget is typically presented in March each year. In March 2011, the government launched the Targeted Intervention Programme for Employment and Economic Growth (TIPEEG), which aims to boost economic growth and job creation. Upon implementation of the TIPEEG programme, the budget deficit increased to 11.2% of GDP in FY 11/12. With a focus on fiscal consolidation, the 2012/13 budget projects with a fiscal deficit of 4.6% of GDP. The budget remains highly dependent on receipts (expected at about 38% of total revenues in FY 12/13) from the Southern Africa Custom Union's revenue pool. Increased borrowing in recent years, including issuance of an inaugural USD500mn eurobond in October 2011, saw total government debt rise to 27% of GDP in FY 11/12 from 16.7% in the previous year. However, debt is programmed to remain within the 35% of GDP cap over the MTEF period.

FIGURE 1  
Market snapshot



Source: BoN, Reuters, Absa Capital

**Regulatory and tax environment:** Foreign investors are subject to a non-resident shareholders' tax at 10% of dividends. The withholding tax on interest income is 10%, but this does not apply to government debt securities. Oil companies will be granted exchange control exemption and can operate without any restrictions on the nature of transactions. There are few restrictions on inward investment by foreigners, and profits may be fully repatriated.

**Political environment:** Political risk is low, and the domestic political environment is dominated by the ruling South West Africa People's Organization (SWAPO). SWAPO won the 2009 elections comfortably, receiving more than 74% of the vote in the national assembly elections. In contrast, the main opposition party, the Rally for Democracy and Progress Party (RDP) won only 11% of the vote. President Pohamba was also elected for a second term in November 2009 after winning an overwhelming majority of 76% of the vote. Although President Pohamba was re-elected as leader of SWAPO at the party's congress in late 2012, he is serving his final term as the country's president, in accordance with the two-term limit for head of states set out in the country's constitution. SWAPO is likely to remain the dominant political force for some time in Namibia, as the opposition remains fractured and, thus, unlikely to pose a meaningful challenge to the party.

## Economic outlook

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Output growth is estimated by the Bank of Namibia (BoN) to have been 4.6% y/y in 2012 (4.8% in 2011), largely driven by strong growth of the mining (estimated at 17% y/y) and construction (18% y/y) sectors. Diamond export volumes grew 36% y/y in Q1-Q3 to 1.2 million carats amid reopening of the Elizabeth Bay mine, and construction activity remained underpinned by public investment projects under the government's Targeted Intervention Programme for Employment and Economic Growth (TIPEEG) programme. In our view, economic growth is likely to remain above 4% in 2013 with ongoing construction activity, accommodative monetary policy and growth of the mining sector providing support. The BoN reported that private sector credit extension grew 16.6% in October 2012 (latest), which was the strongest growth in credit in more than five years. This growth was also largely driven by the businesses sector, although credit growth to households was also relatively firm. Despite this strong growth in credit, policymakers is maintaining a low interest rate environment to keep economic growth supported and considering lingering global uncertainties. In particular, Namibia's economy remains exposed to ongoing economic challenges in Europe, which is the destination for more than a third of Namibian exports.



**Country snapshot**

Indicator	Latest
<b>Government</b>	
Government type	Republic
Head of state	President Hifikepunye Pohamba (since March 2005)
Ruling political party	South West Africa People's Organisation (SWAPO)
Main opposition party	Rally for Democracy and Progress (RDP)
Elections	SWAPO won 54 of the 72 elected seats in the November 2009 National Assembly elections while incumbent President Pohamba was re-elected for a second and final term. Presidential and parliamentary elections are held every five years.
<b>Demographics</b>	
Population	2.3mn (2011), 1.7% growth rate (UN)
Life expectancy	52 years
Main ethnic groups	Ovambo (50%), Kavangos (9%), Herero (7%) and others
Main language	Afrikaans, English (official), German and other indigenous languages
Adult literacy	88.5%
Urban population	38.6%
<b>Economic structure</b>	
GDP	USD12.5bn (2011); USD12.3bn (2012E); 5% average real growth rate for 2002-2011
GDP per capita	USD5,862 (2011); USD5634 (2012E)
GDP by sector	Primary industry (16.7%), secondary (18.5%) and tertiary (16.7%)
Main industries	Mineral processing and extraction, fish processing, manufacturing, food
<b>Business development indicators</b>	
2012 Corruption Perceptions Index ranking	58 (out of 174)
2012-13 Global Competitiveness Index ranking	92 (out of 144)
2012 Ease of doing Business ranking	87 (out of 185)
2011 Human Development Index ranking	120 (out of 187)
2012 Mo Ibrahim Index of African Governance	6 (out of 52)

Source: IMF, World Bank, United Nations Statistics Division, CIA World Factbook, African Elections Database, Official offices, Absa Capital

**Key indicators to watch**

Indicator	Rationale
South African rand and monetary policy	The Namibian dollar is pegged to the South African rand, and Namibian policy rates tend to follow those in South Africa. Market participants in the region seeking higher returns are sensitive to interest rate differentials. The Bank of Namibia's repo rate is currently 5.5%, 50bp above that of the South African Reserve Bank.
International reserves	Similar to other commodity-based countries, an adequate level of FX reserves is needed as buffer against external shocks.
Monetary policy statements	The Monetary Policy Committee does not publish its inflation forecasts but it gives an indication of its expected inflation trends in its meeting minutes. Conventionally, the MPC meets six times a year.
Diamond and uranium exports	Diamonds and uranium jointly accounted for more than a third of exports in 2011. Namibia is the fourth-largest uranium producer in the world, accounting about 10% of global output.

Source: Absa Capital

**Market participants**

Indicator	Rationale
US/European institutional investors	Little interest in both interest and currency markets directly, although the yields on money market instruments frequently trade at a premium above SA money market rates and with no currency risk.
Corporates	The participants in the money and capital markets are a mixture of local corporations and SA portfolios. The FX markets are dominated by local exporters.

Source: Bank Windhoek, Absa Capital

**Key macro data**

Annual	2008	2009	2010	2011	2012E	2013F	2014F
Real GDP (% y/y)	3.4	-1.1	6.6	4.8	4.6	4.3	4.6
Nominal GDP (USD bn)	8.8	8.9	11.1	12.5	12.3	13.4	15.7
CPI (pavg, % y/y)	10.4	8.8	4.5	5.0	6.5	6.3	5.5
Fiscal balance incl. grants (% GDP) <sup>1</sup>	4.8	2.0	-1.1	-5.0	-11.2	-4.6	-5.0
Revenue and grants (% GDP)	31.9	31.8	31.2	27.8	29.2	34.6	30.9
Expenditure (% GDP)	27.1	29.8	32.3	32.6	40.4	39.2	36.0
Government domestic debt (% GDP) <sup>1</sup>	13.6	13.2	10.9	12.7	18.7	19.0	22.1
Government foreign debt (% GDP) <sup>1</sup>	4.9	5.0	4.2	3.9	8.3	8.7	8.2
Current account (incl. transfers, % GDP)	3.1	-0.4	0.2	-3.3	0.1	-1.2	-1.0
Repo rate (% eop)	10.00	7.00	6.00	6.00	5.50	5.50	5.50
Gross official Reserves (USD mn)	1395	1890	1535	1806	1716	...	...
Months of imports	3.4	4.6	3.3	3.4	3.0	...	...

Note: 1) Fiscal year ending 31 March. Source: BoN, IMF, MoF, Central Statistical Office, Absa Capital

Monthly	End 09	End 10	End 11	Mar 12	Jun 12	Sep 12	Oct 12	Nov12	Dec12
CPI (% y/y)	7.0	3.1	7.2	6.9	5.6	6.7	7.1	7.6	6.3
Repo Rate (% eop)	7.00	6.00	6.00	6.00	6.00	5.50	5.50	5.50	5.50
USD/ NAD (eop)	7.40	6.62	8.07	7.66	8.14	8.30	8.67	8.90	8.40
FX reserves (USDbn)	1.8	1.5	1.8	1.6	1.7	1.7	1.7	...	...
91-day T-bill yield (% eop)	7.42	5.68	5.86	5.85	5.79	5.42	5.34	5.32	5.42
Uranium exports (USD mn, Q4 rolling)	560	692	687	645	601	596	...	...	...
Diamond exports (USD mn, Q4 rolling)	567	837	881	942	985	1020	...	...	...

Source: BoN, I-Net Bridge, IMF (IFS), Absa Capital

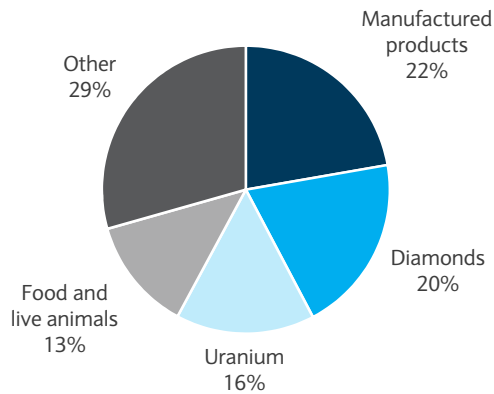
Foreign trade flows, 2011

Exports		
Top product groups	USD mn	% y/y
Manufactured products	985	10.0
Diamonds	881	5.3
Uranium	687	-0.7
Food and live animals	560	12.8

Source: BoN, WTO, Absa Capital

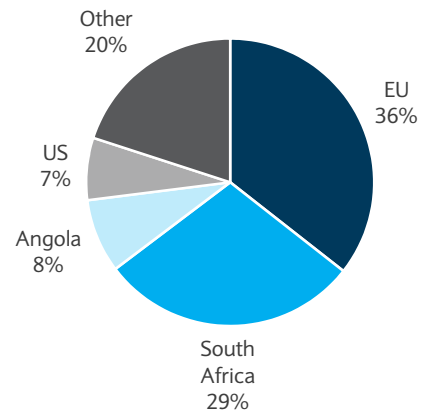
Imports		
Top product groups	USD mn	% y/y
Manufactured products	3323	6.7
Fuels and mining products	1975	15.9
Agricultural products	563	69.5

FIGURE 2  
Main export groups (2011)



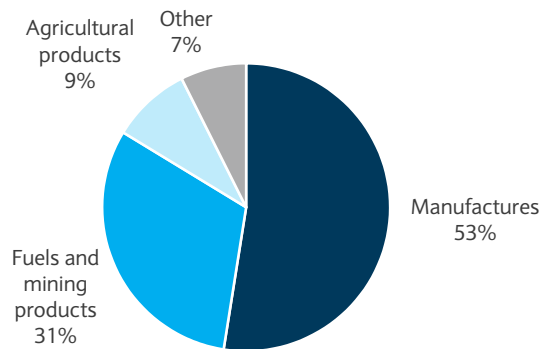
Source: BoN, WTO, Absa Capital

FIGURE 3  
Main export destinations (2011)



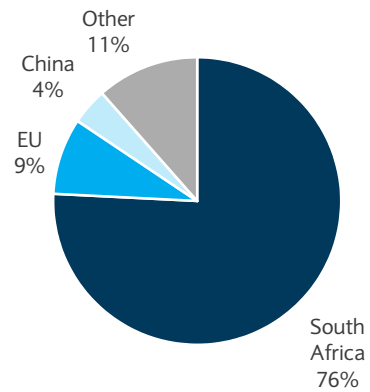
Source: BoN, WTO, Absa Capital

FIGURE 4  
Main import groups (2011)



Source: BoN, WTO, Absa Capital

FIGURE 5  
Main origins of imports (2011)



Source: BoN, WTO, Absa Capital

## Rates products

<b>Overview</b>	The money market is generally liquid but the bond market is not. Most institutions have buy-and-hold strategies.
<b>Market access/convertibility</b>	Exchange control does not restrict trading in government issued paper.
<b>Tax regime</b>	There is a 10% withholding tax on interest income applicable to individuals and non-Namibian companies. The tax currently does not apply to government debt securities, however.
<b>Coverage centre</b>	Trading in London and Johannesburg; sales in London, Johannesburg and globally; research in South Africa.

Security	Liquidity	Bid/offer spread	Tenor/maturity	Quotation/ settlement	Reuters page	Additional information
NCDs	Liquid	...	3-12 months	T+0	BKWIN	
Treasury bills	Liquid	10bp	3, 6 and 12 months	T+1		Settlement relates to primary issue
Government bonds	Illiquid	10bp		T+1		Settlement relates to primary issue

Source: Bank Windhoek, Absa Capital

## FX markets

<b>Overview</b>	The Namibian Dollar forms part of the Common Monetary Area and forex spot deals are settled in ZAR. The exchange rate is therefore the same as for ZAR.
<b>Market access/convertibility</b>	Only fully licensed authorized dealers are permitted to deal in FX in Namibia.
<b>Tax regime</b>	There is a 10% withholding tax for dividends paid to non-residents who do not carry out business in the country (see bilateral double tax treaties). There is no tax on currency transactions.
<b>Coverage centre</b>	Trading in London and Johannesburg; sales in London, Johannesburg and globally; research in South Africa.

Security	Liquidity	Bid/offer spread	Tenor/maturity	Quotation	Reuters page	Additional information
Spot	High (ZAR settlement)			T+2	ZAR= (NAD=)	Main cross is USDZAR, EURZAR, ZARAUD GBPZAR and ZARCAD.
Forwards	Illiquid forwards are manufactured		12 month	Points T+2	ZARF=	Forwards on ZAR are used in forward dealing.
Options	Back-to-back with SA banks		12 months			Locally limited liquidity

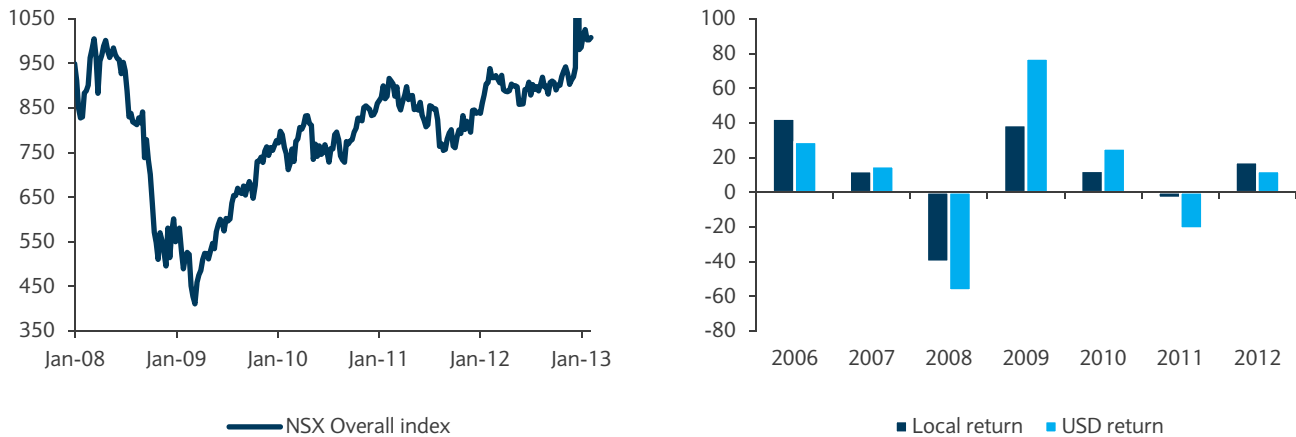
Source: Bank Windhoek, Absa Capital

### Equity market snapshot

<b>Market size</b>	The total market capitalisation (excluding dual listings) of the Namibian Stock Exchange (NSX) was USD2.1bn as of January 2013.
<b>Main indicators</b>	The NSX Overall index and NSX local index.
<b>Listed companies</b>	There are 25 companies listed on the main board and seven listed on the development capital board (DevX). A large proportion of the companies are secondary listings, primarily of companies also listed on the LSE, JSE, ASX and TSX.
<b>Top 5 listed domestic companies (market cap)</b>	FNB Namibia (USD522mn), Bidvest Namibia (USD311mn), Namibia Breweries (USD307mn), Oryx Properties (USD89mn) and Trustco (USD87mn).
<b>Taxation</b>	10% withholding tax on dividends
<b>Foreign ownership limits</b>	Banks 5%

Source: Namibian Stock Exchange, JSE Limited, Absa Capital

FIGURE 6  
NSX Overall index performance



Source: Reuters, Absa Capital

### Useful links

Barclays Research	<a href="https://live.barcap.com">https://live.barcap.com</a>
Bank of Namibia:	<a href="http://www.bon.com.na">www.bon.com.na</a>
Ministry of Finance:	<a href="http://www.mof.gov.na">www.mof.gov.na</a>
National Planning Commission:	<a href="http://www.npc.gov.na">www.npc.gov.na</a>
Namibian Stock Exchange:	<a href="http://www.nsx.com.na">www.nsx.com.na</a>
International Monetary Fund:	<a href="http://www.imf.org/external/country/NAM/index.htm">http://www.imf.org/external/country/NAM/index.htm</a>

# NIGERIA

## Policy environment

### Credit rating

Long-term foreign currency rating	BB- (S&P)
	BB- (Fitch)
	Ba3 (Moody's)

Source: Bloomberg

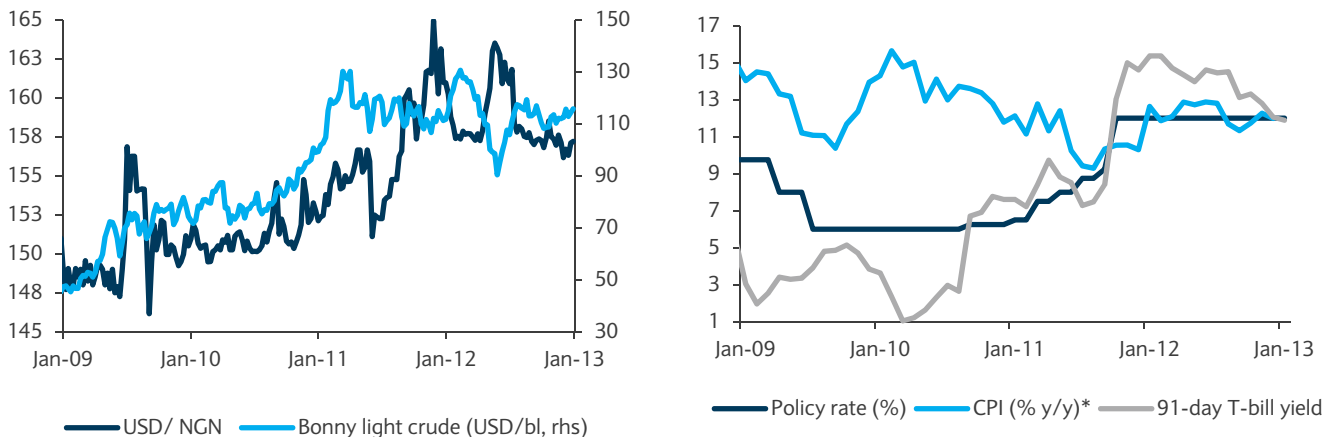


**Monetary policy:** The Central Bank of Nigeria's (CBN) key objective is to ensure monetary and price stability. Although the focus remains on monetary targeting, the CBN's implicit medium-term target is single-digit inflation. After hiking the policy rate a combined 600bp between mid-2010 and H2 2011, the CBN kept the policy rate unchanged throughout 2012 as inflation remained sticky, ie, above 10%, as a result of the partial removal of fuel subsidies, a broad-based increase in utility prices and stubbornly high food inflation. Inflation peaked at 12.9% y/y in April 2012 before edging lower into year-end. Base effects and the lagged effects of tight monetary policy are likely to see inflation dropping into the single digits in early 2013, in our view, though structural factors may make maintaining inflation within this territory a challenge. We believe an expected improvement in the inflation backdrop in 2013 may sway the CBN into easing monetary policy, albeit modestly.

**Exchange rate policy:** After a small devaluation of the official rate in November 2011 to 155/USD, with the band maintained at +/-3% around the target rate, a more favourable FX environment has provided for a period of relative naira stability. Over 2012, portfolio interest into the bond market (aided by inclusion of Nigeria in benchmark EM local debt indices such as the GBI EM index from October 2012), along with better control of oil-related inflows by the authorities, saw FX reserves rise by USD11.3bn to USD44.2bn and the currency appreciate by 4% against the USD. Over the medium term we expect only modest naira depreciation, as authorities look to manage the pace of real effective appreciation and given that the current account remains in surplus.

**Fiscal policy:** The federal government's fiscal strategy is based on a medium-term expenditure framework, using an oil price-based fiscal rule. Oil revenue accounts for over 70% of gross federally collected total revenue. The 2013 budget assumptions include oil production of 2.53mbpd (2.48mbpd in 2012), a benchmark oil price of USD78/bbl (raised from the initial USD75/bbl – USD72/bbl in 2012) and GDP growth of 6.5%. Development spending as a share of total spending is also set to increase from 28.5% in 2012 to 31.3% in 2013. The budget deficit is projected to narrow to 2.2% of GDP from 2.9% in 2012.

FIGURE 1  
Market snapshot



Source: CBN, Reuters, Absa Capital

**Regulatory and tax environment:** Nigeria permits 100% foreign ownership, with the exception of petroleum companies and national security-related activities. Investment in banks, mining, gas and insurance are subject to additional laws, while residents and non-residents may hold foreign exchange accounts. Some capital transactions are subject to documentation requirements and restrictions. The top corporate tax rate is 30% – capital gains and interest are also taxable. The restriction requiring foreign investors to hold government debt for at least one year was lifted on 1 July 2011.

**Political environment:** President Goodluck Jonathan won the presidential elections in April 2011, though not without controversy as his participation was seen to upset the traditional exchange of north and south leaders, within the PDP party, in this ethnically split country. Already a challenge, Boko Haram has subsequently stepped up its attacks in the north, and though security forces look to be making inroads, with a large number of arrests of militants (including leaders of the group), there has been some negative economic impact in agricultural areas. Beyond the security situation, Jonathan also faces a number of challenges, including finding a solution to the fuel subsidy issue, passing the petroleum industry bill, increasing electricity production, further reducing the cost of governance and reducing the large backlog in infrastructure development. The next parliamentary and presidential elections are expected in 2015.

## Economic outlook

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The past year has been a positive story for Nigeria's overall macro environment. Both the fiscal and external accounts improved markedly, while the ongoing reform momentum saw S&P raise the country's credit rating to 'BB-' from 'B+' with a stable outlook. FX reserves rose by over USD10bn after the inclusion of the country's bonds in global bond indices, and on strong oil revenues. Economic growth slowed somewhat in 2012 (we project a growth rate of 6.6% for the year, down from 2011's 7.4%), but with positive momentum evident in the most recent data, we believe that a return to 7% growth for 2013 is likely. Production in the oil sector returned to positive growth in Q3, and while the agriculture sector struggles in the aftermath of floods and security concerns, many parts of the service sector in the economy are showing robust growth. Jonathan's greater focus on development spending and a likely easing in monetary policy are some of the other factors that may underpin growth in 2013.

## Country snapshot

Indicator	Latest
<b>Government</b>	
Government type	Federal Republic
Head of state	President Goodluck Jonathan (since May 2010)
Ruling political party	People's Democratic Party (PDP)
Main opposition parties	Action Congress of Nigeria (ACN), Congress for Progressive Change (CPC), All Nigeria People's Party (ANPP).
Elections	The president is elected by popular vote for a four-year term. The ruling PDP won 123 of the 360 seats in the House of Representatives and 45 of the 109 Senate seats in the April 2011 national assembly elections. The next elections are expected in 2015.
<b>Demographics</b>	
Population	160mn (2011), 2.5% growth rate (UN)
Life expectancy	51.9 years
Main ethnic groups	Hausa and Fulani (29%), Yoruba (21%), Ibo (18%), Ijaw (10%)
Main languages	English (official), Hausa, Yoruba, Ibo and more than 500 other indigenous languages
Adult literacy	60.8%
Urban population	50.5%
<b>Economic structure</b>	
GDP	USD244bn (2011); USD273bn (2012E); 8.7% average real growth rate for 2002-2012
GDP per capita	USD1,522 (2011); USD1,654 (2012E)
GDP by sector	Agriculture (33%), oil and gas (37%), wholesale and retail trade (13%).
Main industries	Oil, textiles, cement, food, metal products, lumber
<b>Business development indicators</b>	
2012 Corruption Perceptions Index ranking	139 (out of 174)
2012-13 Global Competitiveness Index ranking	115 (out of 144)
2012 Ease of doing Business ranking	131 (out of 185)
2011 Human Development Index ranking	156 (out of 187)
2012 Mo Ibrahim Index of African Governance	43 (out of 52)

Source: IMF, World Bank, United Nations Statistics Division, CIA World Factbook, African Elections Database, Official offices, Absa Capital



## Key indicators to watch

Indicator	Rationale
Oil prices and production	Nigeria is a major oil exporter, and higher oil prices have a significant effect on the current account balance and economic growth. Oil and gas make up more than 95% of total exports in Nigeria.
FX reserves and auctions	Important signals on CBN FX interventions and indication of the level of FX demand. The CBN holds its auctions on Mondays and Wednesdays; FX reserves are published by the Bank on a daily basis.
Monetary policy meetings	The CBN MPC meets six times a year (every second month starting from January) following which it announces its decision on the monetary policy rate and issues an MPC communiqué.
Annual budget	The budget details the proposed fiscal plans for the next year and is typically delivered late in the fourth quarter.
Inflation	The CBN focuses on price stability and is aiming to reduce inflation to single digits over the medium term. The Monetary Policy Committee meets bi-monthly.

Source: Absa Capital

Market participants	Rationale
US/European institutional investors	Nigerian debt market is among the deepest and most liquid in Africa. The local market has seen increased foreign interest in recent years and offers attractive yield pickup relative to developed markets and its peers. This has been further supported by addition of Nigerian bonds into the GBI-EM index from October 2012 and the Barclays EM Local Currency Government index (from 31 March 2013).
Local investors	Corporates, retail, brokers, pension funds, mutual funds and unit trust, discount houses, banks, loans and saving companies.

Source: Barclays Africa, Absa Capital

## Key macro data

Key macro data	2008	2009	2010	2011	2012E	2013F	2014F
GDP (real, % y/y)	6.0	7.0	8.0	7.4	6.6	7.0	6.8
Nominal GDP (USD bn)	208.1	169.4	226.1	242.4	278.0	327.9	370.8
CPI (pavg, % y/y)	11.6	12.4	13.7	10.8	12.2	9.8	10.6
Federal government fiscal balance (% GDP)	-0.2	-3.2	-3.3	-3.0	-2.8	-2.2	-1.6
FGN retained revenue (% GDP)*	12.9	10.5	9.1	9.5	8.7	8.1	7.0
Expenditure (% GDP)*	13.1	13.7	12.3	12.6	11.4	10.2	8.5
Government domestic debt (% GDP)	9.4	12.8	15.4	15.9	14.9	12.8	11.9
Government external debt (% GDP)	2.1	2.3	2.4	2.5	2.3	2.2	2.0
Current account balance (% GDP)	14.2	8.3	5.9	3.6	6.8	6.0	4.4
Trade balance (% GDP)	25.3	15.1	13.5	12.8	15.0	14.2	11.4
USD/NGN (pavg)	118.5	148.9	150.3	153.9	158.8	159.2	163.9
Monetary policy rate (%)	9.75	6.00	6.25	12.00	12.00	10.00	10.50
Official reserves (USD bn)	53.0	42.4	32.3	32.9	44.2	...	...
Months of imports	15.9	16.3	7.9	6.3	9.9	...	...

Note: \* Federal government. Source: CBN, IMF (IFS), NBS, FMF, Absa Capital

Monthly	End-09	End-10	End 11	Mar 12	Jun 12	Sep 12	Oct 12	Nov 12	Dec 12
CPI (% y/y)	13.9	11.8	10.3	12.1	12.9	11.3	11.7	12.3	12.0
Monetary policy rate (%)	6.00	6.25	12.00	12.00	12.00	12.00	12.00	12.00	12.00
FX reserves (USD bn, eop)	42.4	32.3	32.9	35.6	36.7	41.2	42.7	44.5	44.2
91-day T-Bill rate (% eop)	4.60	7.64	14.60	14.71	14.60	13.11	13.31	12.80	12.05
USD/NGN (eop)	149.5	152.0	162.3	157.7	162.8	157.2	157.1	157.4	156.2
Bonny light crude (USD/barrel, eop)	79	95	111	126	95	113	111	113	113

Source: CBN, IMF (IFS), NBS, Reuters, Absa Capital

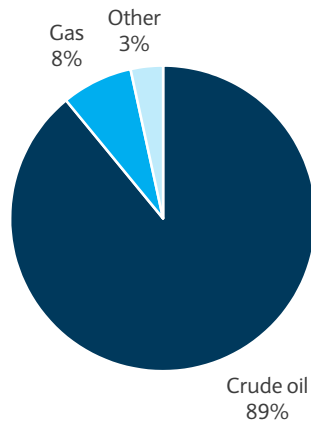
Foreign trade flows, 2011

Exports		
Top product groups	USD bn	% y/y
Crude oil	83.1	21.9
Gas	7.0	7.2
Non-oil	3.2	19.1

Source: CBN, Absa Capital

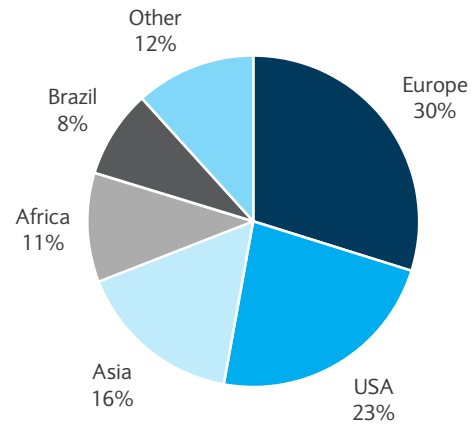
Imports		
Top product groups	USD bn	% y/y
Oil sector	19.9	69.2
Non-oil sector	47.2	20.0

FIGURE 2  
Main export groups (2011)



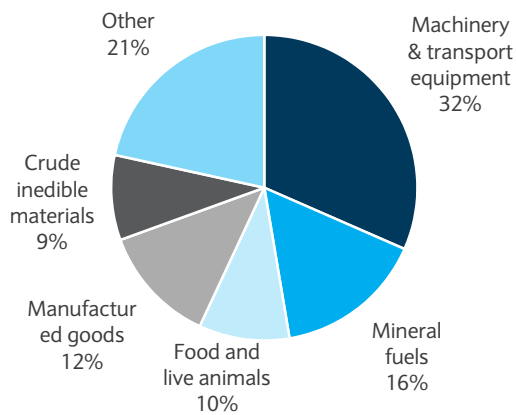
Source: CBN, NBS, Absa Capital

FIGURE 3  
Main export destinations (2011)



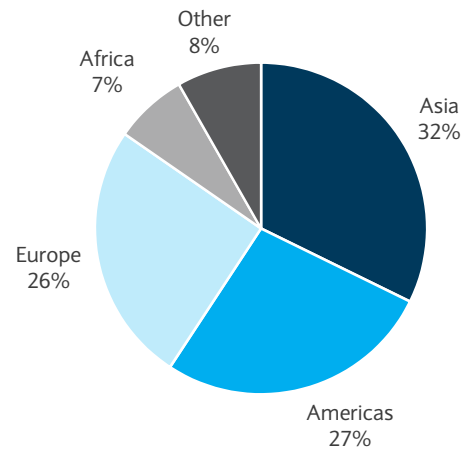
Source: CBN, NBS, Absa Capital

FIGURE 4  
Main import groups (2011)



Source: CBN, NBS, Absa Capital

FIGURE 5  
Main origin of imports (2011)



Source: CBN, NBS, Absa Capital

**FX markets**

<b>Overview</b>	The naira operates under the West African Monetary Zone Exchange Rate Mechanism (ERM), which requires member states to maintain a band of 10% on each side of the central rates with the US dollar. However, the CBN aims to maintain a narrower band of +/-3% given its relatively stronger FX reserves position. In November 2011, the CBN adjusted its mid-point target for the official exchange rate from 150/USD to 155/USD. This implies a target band for the naira of about 150/USD to 160/USD. The interbank exchange rate is at a premium (25-85bp as of January 2013) above the official rate, which is determined via the CBN's FX auctions. FX auctions are conducted twice-weekly (under the Wholesale Dutch Auction System - WDAS) in which the CBN supplies FX to the market.
<b>Market access/convertibility</b>	The foreign exchange market is monitored by the CBN. The introduction of the WDAS has led to a more efficient FX market and unification between the official and inter-bank market rates. This liberalisation made the market more accessible to private BdCs (Bureau du Changes) and authorised dealers. FX purchases at the CBN's auctions are subject to documentation requirements. The repatriation of capital, profit on disposal of assets and dividends are allowed. A certificate of capital importation must be issued upon inflow of funds into the country in order to be able to repatriate.
<b>Tax regime</b>	Non-residents are subject to tax on income derived from a source in Nigeria. Foreign investors may repatriate dividends and profit arising from their investment in Nigeria. Dividends are subject to a 10% withholding tax.
<b>Coverage centre</b>	Traded in London and Johannesburg; sales in London, Johannesburg and globally; research in South Africa.

Security	Liquidity	Bid/offer spread	Tenor/maturity	Quotation/Settlement	Reuters page	Additional information
Spot	Liquid	10 points	-	Two-way quote T+2	NGN1=	Main cross is USD/NGN
Forwards	Not really liquid	No prescribed standard	30 to 180 days (Tenor can be extended up to five years)	Either T+2+Tenor or T+Tenor	NIFEX01 ABAF=	Main benchmark is USD/NGN.

Source: Barclays, Absa Capital

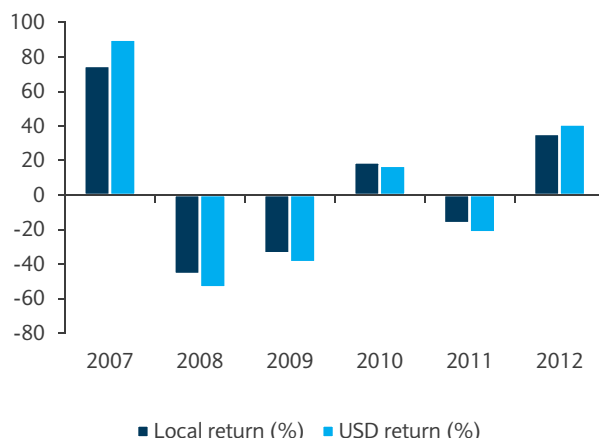
**Equity market snapshot**

<b>Market size</b>	The equity market capitalisation was USD57.7bn as of 31 December 2012.
<b>Main indicator</b>	The All Share index (NSE ASI). The NSE-30 index tracks the top 30 companies in terms of market capitalisation and liquidity. There are 12 industry sectors including agriculture, construction, financial services and oil and gas.
<b>Listed companies</b>	There are 204 listed companies – banks and food & beverage companies dominate the top 10 listed stocks.
<b>Top 5 listed companies (market cap)</b>	Dangote Cement (USD13.2bn), Nigerian Breweries (USD7.0bn), Guaranty Trust Bank (USD4.2bn), Zenith Bank (USD3.7bn), Nestle Nigeria (USD3.5bn).
<b>Taxation</b>	10% withholding tax on dividends.
<b>Foreign ownership limits</b>	None (investor must announce when buying more than 5% of entity).

Source: Nigerian Stock Exchange, Absa Capital

FIGURE 6

**NSE All Share index performance**



Source: Reuters, Absa Capital

## Rates products

<b>Overview</b>	The bond market is generally liquid and there are plans to improve this via the introduction of retail bonds trading on the exchange. The NSE recently announced 6 firms as Fixed Income market makers to aid this.
<b>Market access/convertibility</b>	There are no exchange controls covering the rates markets. There is a primary dealer system in bonds and treasury bills.
<b>Tax regime</b>	There is a 10% withholding tax for interest income. However, treasury bills and FGN bonds are exempt from withholding tax – this applies for both resident and non-resident investors. Exempt interest also includes interest earned on deposit accounts of non-resident companies provided that the deposit is in foreign currency and that it enters the country through government approved channels.
<b>Coverage centre</b>	Traded in London and Johannesburg; Sales in London, Johannesburg and globally; Research in South Africa.

Security	Liquidity	Bid/offer spread	Tenor/maturity	Quotation/settlement	Reuters page	Additional information
Cash deposits	Over the counter		From 1m to 1y		NA	
Treasury bills	Liquid	0.25 points	3, 6 and 12m. These are benchmarks. There is trading in intermediate tenors.	Two-way quote	NA	Note that to be eligible for trading in the two-way market, the t-bill issue must have up to NGN 50bn in circulation. Trading on a unilateral basis can occur, however, for issues with less volume in circulation. The standard trading volume for t-bills is NGN250mn.
Treasury bonds						There are banks and discount houses appointed by the DMO to act as authorised dealers in FGN bonds. These primary dealers and market makers are required to take up, market and distribute primary issues of FGN bonds and provide for secondary market liquidity
	Liquid	3 years or less 0.15 points More than 3 years 0.30 points	Minimum of 2y, maximum of 20y	Two-way quote	0#NGTSY=	Note that to be eligible for trading in the two-way market, the bond issue must have up to NGN30bn in circulation.  The standard trading volume for bonds that have a volume in circulation of NGN30-75bn is NGN50mn. For bonds that have volume in circulation of above NGN75bn, the standard is NGN100mn.
Municipal (State Government) bonds	Not popular					
Corporate bonds	Not popular					

Source: Debt Management Office, Barclays, Zenith Bank PLC, Absa Capital

## Useful links

Barclays research	<a href="https://live.barcap.com">https://live.barcap.com</a>
Central Bank of Nigeria:	<a href="http://www.cenbank.org">www.cenbank.org</a>
Federal Ministry of Finance:	<a href="http://www.fmf.gov.ng">www.fmf.gov.ng</a>
Debt Management Office:	<a href="http://www.dmo.gov.ng">www.dmo.gov.ng</a>
National Bureau of Statistics:	<a href="http://www.nigerianstat.gov.ng">www.nigerianstat.gov.ng</a>
Nigerian Stock Exchange:	<a href="http://www.nse.com.ng">www.nse.com.ng</a>
International Monetary Fund:	<a href="http://www.imf.org/external/country/NGA/index.htm">http://www.imf.org/external/country/NGA/index.htm</a>

# SEYCHELLES

## Policy environment

### Credit rating

Long-term foreign currency rating **B (Fitch)**

Source: Bloomberg

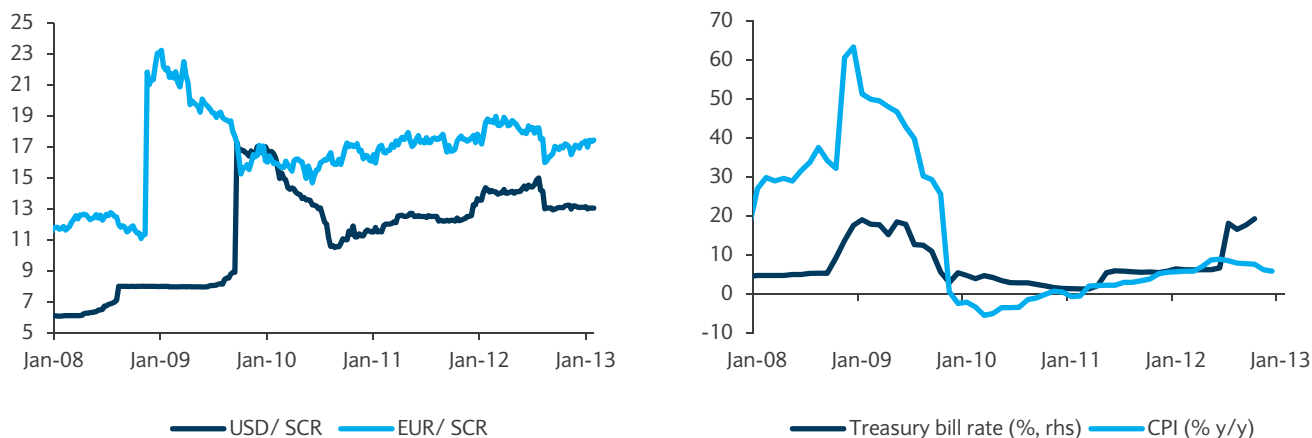


**Monetary policy:** The Central Bank of Seychelles' (CBS) main objectives are price stability and maintaining a sound financial system. The CBS uses monetary targeting, with quarterly targets set and reserve money used as the operational target variable. Interest rates and exchange rates are market-determined. The CBS Board formulates and implements monetary policy while the Monetary Operations Committee oversees the operational implementation of monetary policy. The bank raised its banks' minimum reserve requirements by 3pp to 13% in April 2011 to rein in liquidity, and it has been at this level ever since. Inflation peaked at 8.9% y/y in June 2012 as higher global food and fuel prices and a weaker currency took effect, but fell to 5.8% by the end of 2012. The decline has allowed the CBS to begin to ease monetary policy following the tightening that had been introduced at the turn of 2012. We expect inflation to remain benign during 2013, ending the year at just below 6% y/y.

**Exchange rate policy:** Seychelles has had a floating exchange rate regime since the domestic financial crisis in 2008, though the CBS intervenes in the market intermittently and the market's typically thin liquidity also affects valuations. FX reserves, hovering around USD260mn in Q4 2012, remain below the target of three months of import cover. The Seychelles rupee (SCR) was broadly stable against the USD from mid-August of last year, after suffering sharp swings (weaker from September 2011 through July 2012, followed by a partial recovery in July-August), and ended 2012 about 4% stronger against the USD than it started. The SCR remains susceptible to the persistently large current account deficit of 21% of GDP (in 2012) and a heavy reliance on tourism as a source of FX earnings.

**Fiscal policy:** The government's economic reform programme is supported by the IMF under a three-year USD30mn extended fund facility arrangement. The program was extended by another year in December 2012 to further support the country reform programme. The constraints imposed by the IMF programme have forced greater fiscal discipline, with the fiscal balance in surplus by around 1% of GDP in 2012. For 2013, the fiscal surplus may again be around the same level given the extension in the program and the need to achieve long-term debt sustainability. Total public debt has declined to 81% of GDP in 2012 from more than 150% in 2008 (the aim is to reduce it to 50% by 2018).

FIGURE 1  
Market snapshot



Source: CBS, Reuters, IHS-Global Insight, Absa Capital

**Regulatory and tax environment:** There is 15% withholding tax on dividends paid to non-residents, 10% on interest paid to non-residents other than financial institutions, for whom a zero rate applies, 40% on interest payments by a Seychelles financial institution at maturity of a bearer security issued by that institution and 15% on royalties paid to residents. There is also a 15% tax on royalties paid to non-residents on certain types of royalty (copyrights, patent, design and trademark royalties are exempt).

**Political environment:** President James Michel was re-elected for a second five-year-term in May 2011, while his ruling Parti Lepep (PP) won the September 2011 elections by a landslide. Michel has been in power since 2004 and was re-elected in 2006. The PP has won all the elections since the return of a multi-party political system in 1993. However, the 2011 legislative elections were marred by boycotts of the two main opposition parties in protest of supposed fraudulent presidential elections. This may undermine the democratic process in Seychelles somewhat as it could limit debate in the national assembly. Seychelles is scheduled to hold elections again in 2016.

## Economic outlook

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The IMF-backed reforms continue to underpin the post-crisis recovery in Seychelles, with growth having increased from -0.2% in 2009 to 5.0% in 2011 before moderating to around 3.6% (our estimates) in 2012. A number of sectors, including manufacturing, construction, and tourism continued to show resilience despite difficult global conditions. Tourism, a key sector for the island economy, improved with arrivals up 6% y/y (and revenues up 5%) for the 11 months to November 2012, as the country has made progress in broadening its catchment area beyond Western European tourists to include Asia, Russia and the GCC. Further success along those lines will be important for Seychelles given the muted outlook for the European economy in the periods ahead. Outside tourism, a benign inflation environment and somewhat more accommodative monetary policy should also help support domestic demand and along with the continued focus on public investment programmes, we believe that the economy could grow by 4% in 2013. As a very small open economy, the global environment will remain key. Looking even further out, exploration for oil and gas are also stories that should be watched closely, given the geographic proximity of the island nation to Kenya and Tanzania and their recent finds.

## Country snapshot

Indicator	Latest
<b>Government</b>	
Government type	Republic
Head of state	President James Michel (since April 2004)
Ruling political party	Parti Lepep (formerly Seychelles People's Progressive Front)
Main opposition parties	Seychelles National Party, New Democratic Party
Elections	The ruling Party Lepep won more than 88% of the votes (and 100% of the parliamentary seats) in the 2011 general elections. The next elections are due in 2016.
<b>Demographics</b>	
Population	85,000 (2010), 0.3% growth rate (UN)
Life expectancy	73.6 years
Main ethnic groups	Creole (African, Asian and European)
Main language	Creole, English and French (all official)
Adult literacy	91.8%
Urban population	55.9%
<b>Economic structure</b>	
GDP	USD1,1bn (2011); USD971mn (2012E); 3.1% average real growth rate for 2002-2012
GDP per capita (USD)	USD11,204 (2011), USD10,572 (2012E)
GDP by sector	Services (70%), Industry (13%), Agriculture (2%)
Main industries	Tourism, re-exports, maritime services
<b>Business development indicators</b>	
2012 Corruption Perceptions Index ranking	51 (out of 174)
2012-13 Global Competitiveness Index ranking	n/a
2012 Ease of doing Business ranking	74 (out of 185)
2011 Human Development Index ranking	52 (out of 187)
2012 Mo Ibrahim Index of African Governance	4 (out of 52)

Source: IMF, World Bank, United Nations Statistics Division, CIA World Factbook, African Elections Database, Official offices, Absa Capital

## Key indicators to watch

Key indicators to watch	Indicator	Rationale
Inflation		The CBS focuses on price stability. Consumer inflation rose to 5.5% y/y in December 2011 from 0.4% a year before, amid increase in food prices.
Foreign exchange reserves		As most goods are imported, the level of foreign exchange reserves is crucial to the Seychelles economy. Official reserves amounted to USD254mn as of December 2011.
Exchange rate		Substantial import dependency means the level of the exchange rate is essential to influencing inflation.
Tourist arrivals		The tourism sector is an important revenue earner for Seychelles and is a key driver of economic growth. Tourist arrivals rose 11% y/y to a record 194,476 persons in 2011.
Balance of payments		Seychelles faced a balance of payments (BoP) crisis in 2008 with a near depletion of foreign exchange reserves, resulting in the country defaulting on debt obligations to commercial creditors. However, following implementation of structural reforms from November 2008 and international assistance, the BoP position has improved.

Source: IMF, Absa Capital

## Market participants

	Rationale
Banks	There are six commercial banks operating in the Seychelles, all of which actively participate in the FX and money markets. Development of the interbank market, however, is still at a very nascent stage, and banks would ordinarily manage flows from their customers.
Corporates	Corporates are key participants in the currency market. The corporate sector is dominated by tourism-related businesses. Fishery services represent a fair share of the market segment with construction companies also playing a key role in the economy.
Local investors	Issuance of Treasury bills has increased since the commencement of the economic reforms instituted since late 2008. To this end, participation in the market has broadened beyond insurance companies and pension funds and now includes small business and individuals.
Offshore funds	International fund managers play a minimal role in the local market. International Business Company (IBC) is the most popular structure for offshore business in Seychelles.

Source: Barclays Seychelles, Absa Capital

## Key macro data

Annual	2008	2009	2010	2011F	2012	2013F	2014F
GDP (real, % y/y)	-1.9	-0.2	5.6	5.0	3.6	3.9	4.1
Nominal GDP (USDmn)	967	847	973	1060	1051	1117	1077
CPI (pavg, % y/y)	37.0	31.7	-2.4	2.6	7.1	4.1	3.9
Fiscal balance (% GDP)	-3.3	4.7	2.5	2.7	0.8	1.0	2.3
Total revenue (% GDP)	34.9	35.6	35.0	38.5	40.5	37.9	37.3
Expenditure and net lending (%GDP)	38.1	31.0	32.5	35.9	39.7	36.9	34.9
Current account (% GDP)	-20.3	-9.8	-20.0	-21.7	-21.0	-19.0	-16.2
Trade balance (% GDP)	-41.9	-35.5	-34.2	-37.7	-36.4	-34.0	-37.1
Tourism earnings (USDmn)	309	257	274	291	301	310	340
Public external debt (% GDP)	141.7	67.3	47.1	46.8	54.0	52.2	49.6
Tourist arrivals ('000s)	159	158	175	194	208	...	...
USD/SCR (ave)	9.46	13.61	12.07	12.38	13.71	13.96	15.65
Gross official reserves (USDmn, eop)	73	196	255	279	301	328	354
Months of imports	0.7	2.1	2.6	2.6	2.8	3.1	3.3

Source: CBS, IMF (IFS), NSB, Absa Capital

Monthly	End 09	End 10	End 11	Mar 12	Jun 12	Sep12	Oct 12	Nov12	Dec12
CPI inflation (% y/y)	-2.5	0.4	5.5	5.8	8.9	7.7	7.6	6.2	5.8
Visitor arrivals ('000, 12m rolling)	158	175	194	198	201	204	206	205	208
FX reserves (USD mn, eop)	178	224	241	252	253	258	257	..	...
USD/SCR (eop)	11.18	12.33	13.55	14.00	14.40	13.08	13.24	13.10	13.13
91-day T-bill yield (% eop)	4.17	0.48	4.95	5.43	6.69	16.79	17.98	10.20	8.39

Source: CBS, IMF (IFS), NSB, Reuters, Absa Capital



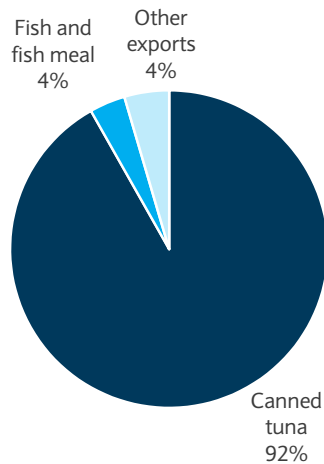
Foreign trade flows, 2011

Exports		
Top product groups	USD mn	% y/y
Canned tuna	242	22.8
Fish and fish meal	9.6	-2.0

Imports		
Top product groups	USD mn	% y/y
Mineral fuels	260	16.7
Machinery and transport equipment	197	-10.8
Food and live animals	229	3.7
Manufactured goods	199	23.8

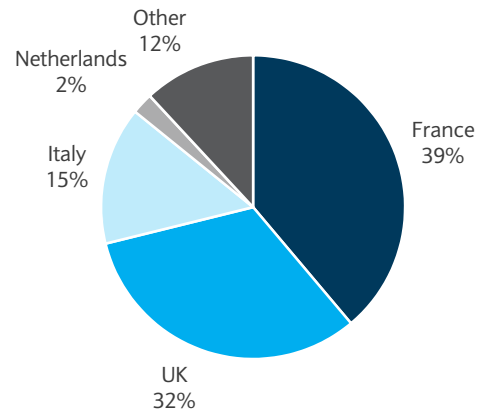
Source: CBS, Absa Capital

FIGURE 2  
Main export groups (2011)\*



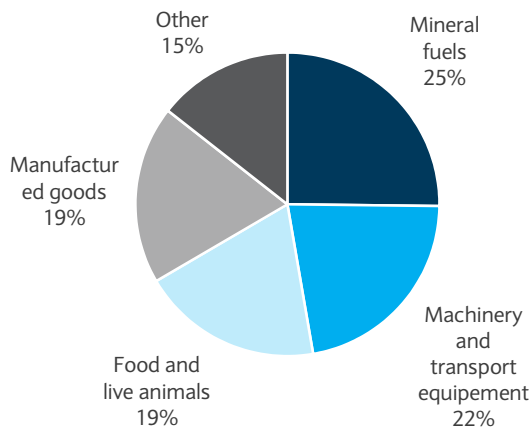
Note\* : Excluding re-exports. Source: CBS, NBS, Absa Capital

FIGURE 3  
Main export destinations (2011)



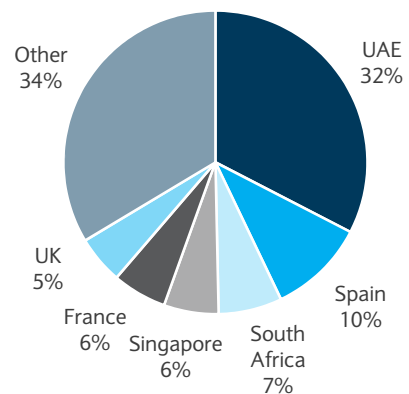
Source: CBS, NBS, Absa Capital

FIGURE 4  
Main import groups (2011)



Source: CBS, NBS, Absa Capital

FIGURE 5  
Main origins of import (2011)



Source: CBS, NBS, Absa Capital

## FX markets

<b>Overview</b>	Seychelles fully liberalised its foreign exchange rate market in November 2008. An interbank FX market was launched in March 2009. The USD/SCR exchange rate, after remaining stable at about 12.40 for most of 2011, depreciated about 10% since end-October 2011. The currency's effective weakening since the float is expected to boost competitiveness of the tourism sector.
<b>Market access/convertibility</b>	With the reforms, the Rupee has become fully convertible, but market behaviour remains an area of concern with aberrations caused by the licensing of money changers as authorised dealers.
<b>Tax regime</b>	There is a 15% withholding tax on dividends paid to non-residents, 10% on interest paid to non-residents other than financial institutions, 40% on interest payments by a Seychelles financial institution at maturity of a bearer security issued by that institution, 15% on royalties paid to residents and 15% on royalties paid to non-residents on certain types of royalty (copyrights, patent, design and trademark royalties are exempt).
<b>Coverage centre</b>	Trading in London, Johannesburg and Seychelles; sales in London, Johannesburg and globally; research in South Africa.

Security	Liquidity	Bid/offer spread	Tenor/maturity	Quotation	Reuters page	Additional information
Spot	Good	Currently at 5.00%, but we have seen a low of 2.00%		T+2	BBSC	Market is nascent and flow driven, which leads to wide swings in direction.
Forwards	Depends upon availability in spot market.	Currently at 5.00%, but we have seen a low of 2.00	Up to 1 year		N/A	BBS is the only bank quoting forwards and swaps in local market

Source: Barclays Seychelles, Absa Capital

## Rates products

<b>Overview</b>	Under the current economic reform programme the Central Bank of Seychelles has increased the frequency of issuance of Treasury bills from monthly to weekly (91-, 182- and 365-day). For selected financial institutions, the government has converted its foreign currency loans due to those financial institutions into structural bonds in tenors ranging from 15-25 years.
<b>Market access/convertibility</b>	The market has had no secondary activity, and all investors – wholesale or retail – bid directly at the central bank.
<b>Tax regime</b>	There is a 10% withholding tax on interest for non-residents.
<b>Coverage centre</b>	Trading in London, Johannesburg and Seychelles; sales in London, Johannesburg and globally; research in South Africa.

Security	Liquidity	Bid/offer spread	Tenor/maturity	Quotation/settlement	Reuters page	Additional information
Treasury bills	Illiquid – no active secondary market	N/A	91, 182 & 365 days	Bilateral arrangement		Market remains buy-and-hold
Treasury bonds	Illiquid		3y, 5y & 7y	Bilateral arrangement		Market remains buy-and hold
Government Stock	Illiquid		10y			Market remains buy-and-hold

Source: Barclays Seychelles, Absa Capital

## Equity market

	There is currently no stock exchange, and there are ongoing plans to open one in the future.
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Source: Absa Capital

## Useful links

Barclays Research	<a href="https://live.barcap.com">https://live.barcap.com</a>
Central Bank of Seychelles:	<a href="http://www.cbs.sc">www.cbs.sc</a>
National Statistics Bureau:	<a href="http://www.nsb.gov.sc">www.nsb.gov.sc</a>
International Monetary Fund:	<a href="http://www.imf.org/external/country/SYC/index.htm">http://www.imf.org/external/country/SYC/index.htm</a>

## SOUTH AFRICA

### Policy environment

**Credit rating**  
 Foreign currency rating: Baa1 (Moody's), BBB (Fitch), BBB (S&P)  
 Source: Bloomberg

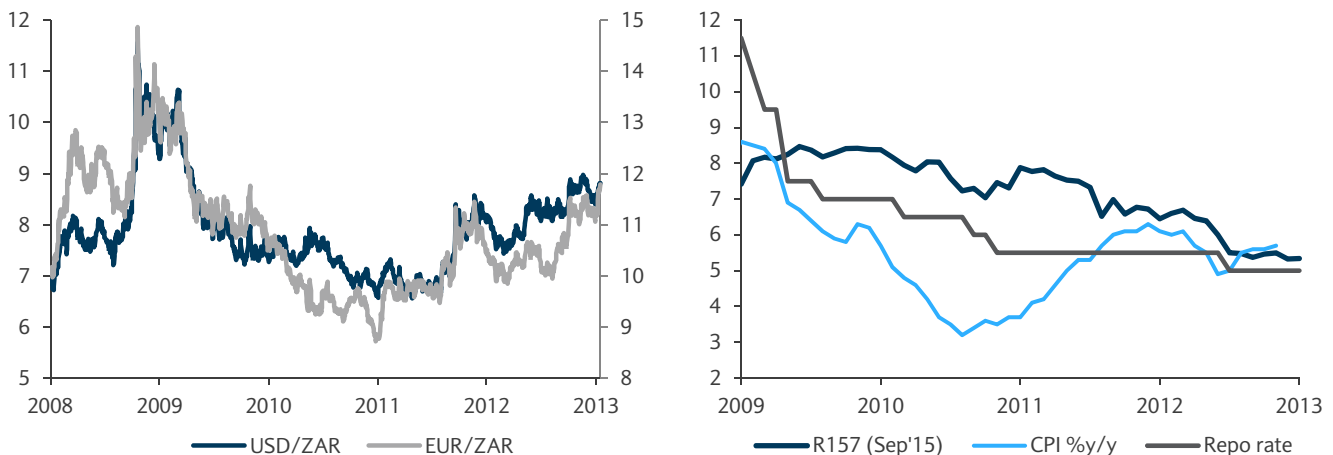


**Monetary policy:** The South African Reserve Bank (SARB) is required to achieve and maintain price stability in the interest of balanced and sustainable economic growth. The SARB formally adopted an inflation-targeting framework in 2000, with a 3-6% target set by the National Treasury (unchanged since). The MPC meets every second month, when the SARB's repo rate (currently 5.0%) is set. We do not expect any move in the policy rate during 2013.

**Exchange rate policy:** Officially, the SARB allows the market to find its natural level. In practice, the SARB modestly, but regularly, accumulates FX reserves. Over 2012, the ZAR shed 4.5% of its value against the USD, making it among the worst performing major EM currencies globally for the year, despite record portfolio inflows during the year (a response, in part, to South Africa's inclusion into the World Global Bond Index on 1 October 2012). The start of 2013 has been far from smooth, as the rand lost another 5% of its value against the USD in the first four weeks of the year.

**Fiscal policy:** South Africa announces detailed budget plans each February (National Budget) and tables a multi-year fiscal framework each October (Medium-Term Budget Programme Statement). In its most recent National Budget, South Africa's National Treasury increased its deficit forecasts through FY 14/15. On a main budget basis, the October MTBPS projections were for a deficit of 5.3% of GDP for FY 12/13, 4.9% for 13/14, 4.2% for 14/15 and 3.5% for 15/16. These contrast with a budget surplus at the height of the last economic boom. The series of large deficits since the 2009 recession have seen government debt rise rapidly (from a net debt figure of less than 25% of GDP in 2008 to a Treasury-projected 36% in FY 12/13). The slow pace of fiscal recovery and the rapid rise in government (and public) debt, along with concerns around the country's challenges of low growth, rising inequality and difficult employment market, triggered single-notch downgrades to the sovereign rating, starting with Moody's (to Baa1, Negative) in September 2012, followed by S&P in October (BBB, Negative) and ending with Fitch (BBB, Stable) in January 2013.

FIGURE 1  
 Market snapshot



Source: I-Net Bridge, Absa Capital

**Regulatory and tax environment:** Exchange controls have been replaced with prudential limits for institutional investors. There are no restrictions for nonresidents, and generally, there is no tax applicable to nonresidents unless they have a permanent establishment in South Africa. Effective from 1 July 2013, a 15% withholding tax on interest will be in place, which may be reduced depending on whether the foreign entity is also covered by a double-taxation agreement with South Africa. Importantly, interest paid by South African banks or interest relating to government or listed debt instruments are excluded. From 1 April 2012, a 15% withholding tax on dividends paid to nonresidents has been in place, also dependent upon double-taxation agreements.

**Political environment:** Following the country's first fully democratic elections in 1994, it has been ruled by the African National Congress. In the most recent parliamentary elections (2009), the ANC won 66% of the seats, with 14 other parties also having a presence in parliament (and more than 100 having contested the election). Parliament selects the president, who is currently the ANC leader, Jacob Zuma. The ANC's own internal elective process also follows a five-year cycle, with Jacob Zuma maintaining his position at the December 2012 elective conference with a convincing victory. The conference also witnessed the political sidelining of calls for the nationalisation of parts of the mining sector and promoted the National Planning Commission's National Development Plan as the broad policy framework for the years ahead. Though the formal political process is very stable in South Africa, there are clear signs of rising tension elsewhere. The tragedy at the Marikana platinum mine complex in August 2012 has led to a significant increase in labour militancy and rising signs of social tension, driven by frustrations around inequality joblessness, and delays in the provision of state services. The next national elections are scheduled for 2014, but it looks likely that pressure for the ruling ANC to deliver more effective policy will be intense during 2013.

## Economic outlook

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South Africa suffered a relatively short and shallow recession in early 2009, but the pace of recovery since then has been underwhelming. The economy expanded by 3.5% in 2011, but growth likely slipped to 2.5% or slightly less in 2012. Difficult global conditions during the year are one important factor behind the slowdown, but domestic challenges have recently loomed even larger. Labour unrest, initially in the platinum and gold mining sectors, but more recently also evident in parts of agriculture have weighed on investor sentiment, business and consumer confidence, economic growth and the trade deficit. Fiscal and monetary policy may find little room to respond to the growth slowdown, in our view. On the fiscal side, the pressure on the country's credit rating has been made clear, while for monetary policy, it can be credibly argued that the Reserve Bank's 700bp in rate cuts (to 5%) this cycle may already be pushing up against the limit of what support interest rates can provide for an economy suffering from external and supply-side shocks. We project that Inflation, fuelled largely by rand depreciation and food prices, is likely to breach the 6% upper bound of the SARB's target range for much of 2013, which may also constrain monetary policy options. However, we also highlight that with few signs of demand-led pressure and ample evidence of an output gap, we do not expect the central bank to tighten monetary conditions. A careful navigation of the country's labour relations and clear signs of political support for the implementation of the National Planning Commission's New Development Plan will be important if South Africa is to finish 2013 in a stronger position than it entered it.

## Country snapshot

Indicator	Latest
<b>Government</b>	
Government type	Parliamentary democracy
Head of state	President Jacob Zuma
Ruling political party	African National Congress (ANC), currently has 264 seats (66% of total) in parliament
Main opposition party	Democratic Alliance (DA), currently has 67 seats (17% of total)
Elections	The president is elected by the National Assembly for a five-year term. National assembly elections occur every five years (next elections due in 2014). Currently 15 parties are represented in parliament.
<b>Demographics</b>	
Population	51.8mn (2011), 1.3% growth rate (StatsSA)
Life expectancy	51.6 years
Main ethnic groups	Black African (79.2%), white (8.9%) coloured (8.9%), Indian/Asian (2.5%)
Main languages	11 official languages, including isiZulu (23.8%), isiXhosa (17.6%), Afrikaans (13.3%) Sepedi (9.4%) and English (8.2%)
Adult literacy	86.4%
Urban population	61.7%
<b>Economic structure</b>	
GDP	USD435bn (2012); 408% average real growth rate for 2002-2012
GDP per capita	USD7,688 (2011)
GDP by sector	Finance, real estate and business (19.2%), general government (14.7%), wholesale and retail trade (14.2%); manufacturing (15.3%); mining (8.6%) in 2012
Main industries	Minerals, mining, motor vehicles and parts, machinery, textiles, chemicals, information technology, electronics, other manufacturing and agro-processing
<b>Business development indicators</b>	
2012 Corruption Perceptions Index ranking	69 (out of 174)
2012-13 Global Competitiveness Index ranking	52 (out of 144)
2012 Ease of doing Business ranking	39 (out of 185)
2011 Human Development Index ranking	123 (out of 187)
2012 Mo Ibrahim Index of African Governance	5 (out of 53)

Source: IMF, World Bank, United Nations Statistics Division, CIA World Factbook, African Elections Database, Official offices, Absa Capital

## Key indicators to watch

Indicator	Rationale
Consumer price Inflation	Local bond market participants are sensitive to inflation and inflation expectations. Headline CPI is the target of monetary policy and also the reference series for the inflation-linked debt market. A new inflation basket is to be introduced from January 2013.
MPC statement	Important signals are flagged here with respect to the SARB's comfort on inflation, as well as the external balance and the ZAR. Currently, MPC meetings take place every second month.
Official reserves	Reserves are watched as an indication of the SARB's comfort level with the rand, and as a part of South Africa's external credit story.
Private sector credit extension	This is the main indicator of borrowing activity by the private sector. Trends in credit extension also important for monetary policy consideration.
Trade balance	The data can be quite volatile on a monthly basis, so the market tends to focus on longer-term trends.
Balance of payments	Viewed as an indication of the rand's vulnerability or strength. Of particular interest is the composition of the financial account, where direct and portfolio investment can be measured.
Annual national budget and Medium-term Budget Policy Statement	Fiscal year runs from April, the detailed annual budget is tabled in February, and in October each year, multi-year initiatives are laid out in the Medium-term Budget Policy Statement.

Source: Absa Capital

## Key macro data

Annual	2008	2009	2010	2011	2012F	2013F	2014F
GDP (real, % y/y)	3.6	-1.5	2.9	3.5	2.5	2.8	3.5
Headline CPI (period avg, % y/y)	11	7.1	4.3	5.0	5.7	6.1	5.5
Nominal GDP (USD bn)	274	285	364	398	435	420	445
Budget balance (% GDP) <sup>1</sup>	0.9	-1.2	-6.9	-5.2	-5.3	-4.9	-4.2
Revenue (% GDP) <sup>1</sup>	29.7	27.2	27.5	27.7	27.4	27.8	28.0
Expenditure (% GDP) <sup>1</sup>	30.8	33.7	31.7	32.5	32.1	31.7	31.0
Government domestic debt (% GDP)	22.8	27.6	29.7	33.3	36.0	37.8	38.5
Government foreign debt (% GDP)	4.2	4.1	3.6	4.3	3.3	2.7	2.5
Current account (% GDP)	-7.2	-4.1	-2.8	-3.4	-4.7	-5.5	-5.5
Trade balance (% GDP)	-3.0	0.1	1.0	0.6	-2.3	-2.3	-2.6
USD/ZAR (period avg)	8.25	8.44	7.32	7.25	8.19	8.49	8.08
Repo rate (% eop)	11.50	7.00	5.50	5.50	5.00	5.00	5.50
Official gross reserves (USD bn)	34.1	39.7	43.8	49.3	55.2	63.2	63.2
Total external debt (% GDP)	25.3	25.8	27.6	26.8	32.3	...	...
REER (2000=100)	94.1	101.4	113.9	110.1	105.05	...	...

Note: 1) Main budget estimates for fiscal year ending March.

Source: SARB, Statistics South Africa, National Treasury, IHS Global Insight, Absa Capital

Monthly	End 08	End 09	End 10	End-11	Mar 12	Jun 12	Sep 12	Dec 12	Jan 13
CPI inflation (% y/y)	9.5	6.3	3.5	6.1	6.0	5.5	5.5	5.7	...
Manufacturing production (% y/y)	-9.02	2.7	0.8	2.4	-2.9	0.9	-1.7	...	...
Mining production (% y/y)	-6.3	-1.9	7.7	-1.3	-6.1	5.6	-7.1	...	...
Real GDP (q/q SAAR)	-1.7	1.7	4.4	3.3	2.5	3.4	1.2	...	...
Trade balance (ZAR bn, 12m rolling)	-66.9	-19.0	11.5	-20.9	-43.2	-69.1	-96.6	...	...
Gross reserves (USD bn)	34.1	39.7	43.8	48.9	50.7	49.2	50.9	50.7	...
Repo rate (% eop)	11.5	7.0	5.5	5.5	5.5	5.5	5.0	5.0	5.0
USD/ZAR (eop)	9.52	7.40	6.62	8.06	7.66	8.14	8.31	8.40	8.84
R157 bond yield (eop)	7.2	8.4	7.3	6.7	6.7	6.0	5.4	5.3	5.3
REER (2000 =100)	88.4	108.0	118.9	114.0	114.8	106.8	100.1	...	...

Source: SARB, Statistics South Africa, I-Net Bridge, IHS-Global Insight, Absa Capital

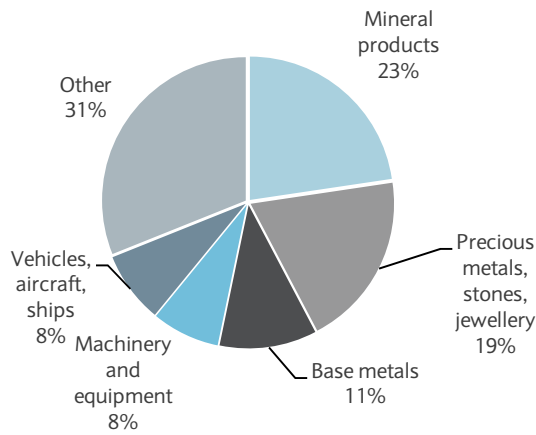
Foreign trade flows, 2012

Exports		
Top product groups	USD bn	% y/y
Mineral products	23.0	11.0
Precious metals, stones, jewellery	19.9	-8.7
Base metals	11.1	-5.6
Machinery and equipment	8.1	12.3
Vehicles, aircraft, ships	7.8	12.6

Imports		
Top product groups	USD bn	% y/y
Machinery and equipment	24.3	14.3
Mineral products	23.2	22.8
Vehicles, aircraft, ships	10.8	11.5
Chemical products	9.2	15.6
OEM motor vehicle parts	6.3	17.9

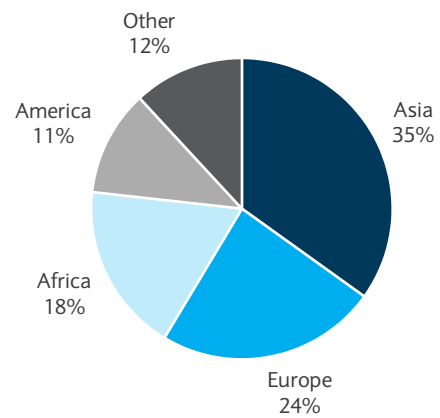
Note: Dec 2011 - Nov 2012. Source: South African Revenue Service, IHS Global Insight, Absa Capital

FIGURE 2  
Main export groups (2012)



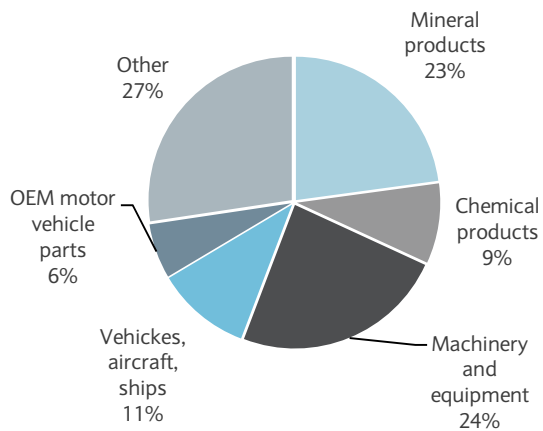
Note: Dec 2011 - Nov 2012. Source: IHS-Global Insight, SARS, Absa Capital

FIGURE 3  
Main export destinations (2012)



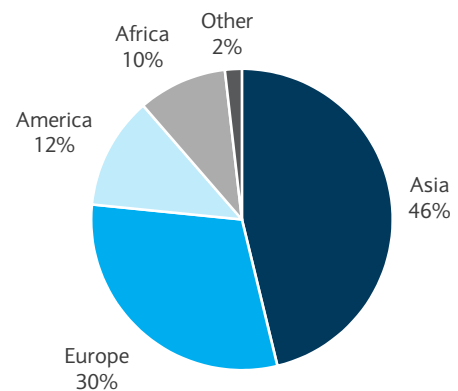
Note: Dec 2011 - Nov 2012. Source: IHS-Global Insight, SARS, Absa Capital

FIGURE 4  
Main import groups (2012)



Note: Dec 2011 - Nov 2012. Source: IHS-Global Insight, SARS, Absa Capital

FIGURE 5  
Main origins of imports (2012)



Note: Dec 2011 - Nov 2012. Source: IHS-Global Insight, SARS, Absa Capital

## Market participants

Indicator	Rationale
Global institutional investors	Important players in both the rand and rates markets. South African equity assets have long been a core holding, whilst fixed-income assets are increasingly viewed as such, particularly given South Africa's high weight in various debt indices.
Corporates	Very important participants in the currency market as trade flows often dictate currency direction in the near term. Active in rates when it comes to locking in financing terms.
Local investors	Key player in the local rates market, but involvement in the currency market more restricted.
Hedge funds	International hedge funds are active participants in both the currency and the rates markets. The domestic hedge fund industry is modest in size.

Source: Absa Capital, Barclays Research

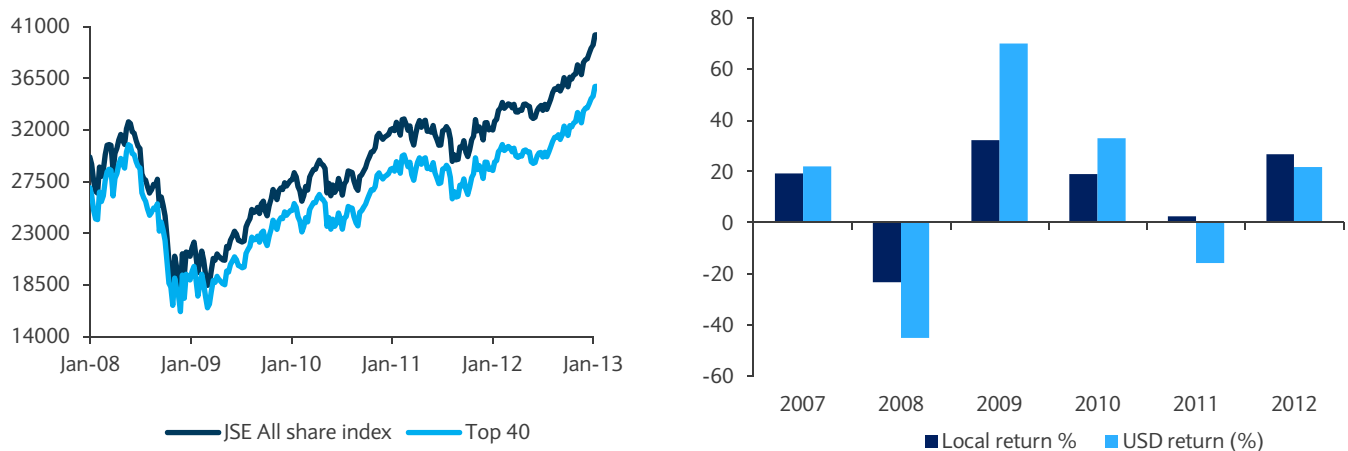
## Equity market snapshot

<b>Market size</b>	The Johannesburg Securities Exchange (JSE) is the largest stock exchange in Africa with a total market capitalisation of ZAR8.6trn (USD970bn) as of 22 January 2013.
<b>Main indicators</b>	The All Share Index (Alsi) is the proxy for the performance of all listed companies. The Top 40 Index (tradable index) tracks the performance of the top 40 stocks. There are eight other tradable indices including those for financials, resources, industrials and gold mining.
<b>Listed companies</b>	473
<b>Top 5 listed companies (market cap)</b>	BHP Billiton (USD197bn), British American Tobacco (USD98bn), SAB Miller (USD72bn), Richemont (USD45bn) and Anglo American (USD42bn)
<b>Taxation</b>	None
<b>Foreign ownership</b>	None

Source: JSE Limited, World Federation of Exchanges, Absa Capital

FIGURE 6

### JSE All Share and Top 40 Index performance



Source: JSE All Share index. Source: I-Net Bridge, Absa Capital



## Rates products

<b>Overview</b>	The interest rate market is generally very liquid for government bonds and for swaps. Liquidity in the non-government market is more modest, but improving (particularly for the largest SOE issuers).
<b>Market access/convertibility</b>	The Exchange Control Rules and Regulations and the Currency and Exchange Act No. 9 of 1993 cover all foreign exchange dealing by residents.
<b>Tax regime</b>	Generally, there is no tax on non-residents unless they have a permanent establishment in South Africa. Effective from 1 July 2013, there is also a 15% withholding tax in place for interest payable to non-residents. This excludes interest paid by banks or interest relating to any listed or government debt instrument. The rate may be lowered in cases where a Double Taxation Agreement with South Africa is in place. Domestic entities entering into interest-bearing arrangements, are taxed on a yield-to-maturity basis under section 24J of the Income Tax Act, 1962. Interest-bearing arrangements may be taxed on a mark-to-market basis, where prior approval is obtained from the South African Revenue Service. Interest rate agreements, such as interest rate swaps and FRAs, are taxed on a day-to-day basis unless covered by the mark-to-market election. Exchange controls have been replaced with prudential regulations, which a change in focus from pre-approval of applications to monitoring of cross-border flows.
<b>Coverage centre</b>	Trading in London and Johannesburg; sales in London, Singapore, Tokyo, Paris, New York and Johannesburg; research in South Africa.

Security	Liquidity	Bid/offer spread	Tenor/maturity	Quotation/settlement	Reuters page	Additional information
Cash deposits	Liquid	15bp	NCDs up to 5y	Yield T+0	ABMM01	Offshore accounts may only deposit money locally. Bid in NCDs only good for 100nm and price maker's own paper.
Treasury Bills	Liquid	15bp, current liquidity dependant	3, 6, 9 and 12m	T+3	SARB10	Weekly auctions where 91-, 182-, 273- and 364-day bills are issued. Typically buy and hold.
FRA	Liquid out to 21x24	3-5bp to 24 mths	24m	T+0		Typically reset against 3-month Jibar
Spot bonds	Very liquid, though concentrated in selected government bonds	3bp in ZAR100mn	Liquid tenors from 2015 to 2026	Trades in yield T+3	ABSA01	Primary dealers system in government bonds. Exchange traded. Curve out to 2041 (extending to 2048 from April 2012).
Swaps	Very liquid to 12 years	3-5bp to 12y 5-7bp in ZAR100mn longer than 12y in ZAR100mn	Up to 30y	T+0	ABAI	Typically reset against 3-month Jibar, but can be reset against 1-, 6- or 12-month Jibar.
Cross currency swaps	Liquid to 10y	10-20bp in \$100mn	Up to 30y	T+0	ABAJ	
Caps, floors, swaptions	Limited liquidity up to 10y	2 to 4 vols	Up to 10y on both expiry and underlying tenor	Premium T+2		Caplets/floorlets: cash settle at reset (in advance) Caps/floors: cash settle at each reset (in arrears) Swaptions: physical settle at expiry
Bond Futures	Illiquid single instrument future (forward)		Up to 2041	Yield T+1		Expiry first Thursday of Feb, May, Aug, and Nov.
Government Linkers	Liquidity across the curve	3-6bp	Up to 2033	Real yield	ABSI	Exchange traded. Weekly primary auctions. Curve to extend to 2049 from April 2012.
Parastatals	Limited liquidity across the curve	4-6bp for Transnet/Eskom, 8-10bp for others in ZAR50mn	> 20y	Yield T+3	ABSA01	Mix of government guaranteed and non-guaranteed on offer, with Eskom and Transnet being the more liquid issuers.
Corporates	Very limited liquidity	10-15bp in ZAR25mn	Typically up to 7y	Yield T+3	ABSACO RP1	No repo market

Source: Absa Capital

## FX markets

<b>Overview</b>	The rand has been a free floating unitary exchange rate since 1995, when the SARB abolished the financial rand. The rand is viewed as a high-beta currency. Liquidity is high.
<b>Market access/convertibility</b>	Only fully licensed, authorised dealers are permitted to deal in foreign exchange in South Africa. The Exchange Control Rules and Regulations and the Currency and Exchange Act No. 9 of 1993 cover all foreign exchange dealing by residents. In his 2008-09 National Budget speech, the minister of finance announced that exchange controls have been replaced with prudential regulations, which changes the focus from pre-approval of applications to monitoring of cross-border flows.
<b>Tax regime</b>	Generally, there is no tax on non-residents unless they have a permanent establishment in South Africa. For residents, foreign exchange gains and losses on exchange items, whether unrealised or realised, are typically included in taxable income over the life of the instrument by applying the spot rate at transaction, year-end and realisation dates.
<b>Coverage centre</b>	Trading in London and Johannesburg; sales in London and Johannesburg; research in South Africa.

Security	Liquidity	Bid/offer spread	Tenor/maturity	Quotation	Reuters page	Additional information
Spot	Liquid	25 pips in \$15mn		T+2	ABFS=	Main cross is USD/ZAR but also quoted in EUR/ZAR and GBP/ZAR and, increasingly, other majors.
Forwards	Liquid to 12 months	1-3m 10 pips in \$50mn, 6-12m 40-75 pips in \$50mn	O/N to 12 months	Points T+2 (Excl O/N)	ABSZ	Marked-to-market at year-end; any unrealised gains and losses whether capital or revenue in nature are included in taxable income.  Forward swaps can be entered into between residents and non-residents when the non-resident has an underlying commitment.
Options	Reasonable liquidity	.70 vol in \$30mn	Overnight to 2 years	Volatility T+2		The main market is in USD/ZAR but a market is also available in EUR/ZAR.  Marked-to-market at year end; any unrealised gains and losses –whether capital or revenue in nature – are included in taxable income.  Premiums earned and incurred on foreign currency options contracts are recognised in taxable income on a cash basis.
Exotic options						First-generation exotics available.

Source: Absa Capital

## Useful links

Barclays Research	<a href="https://live.barcap.com">https://live.barcap.com</a>
South African Reserve Bank:	<a href="http://www.resbank.co.za">www.resbank.co.za</a>
National Treasury:	<a href="http://www.treasury.gov.za">www.treasury.gov.za</a>
Statistics South Africa:	<a href="http://www.statssa.gov.za">www.statssa.gov.za</a>
JSE Limited:	<a href="http://www.jse.co.za">www.jse.co.za</a>
International Monetary Fund:	<a href="http://www.imf.org/external/country/ZAF/index.htm">http://www.imf.org/external/country/ZAF/index.htm</a>

# TANZANIA

## Policy environment

**Credit rating**

N/A

Source: Bloomberg

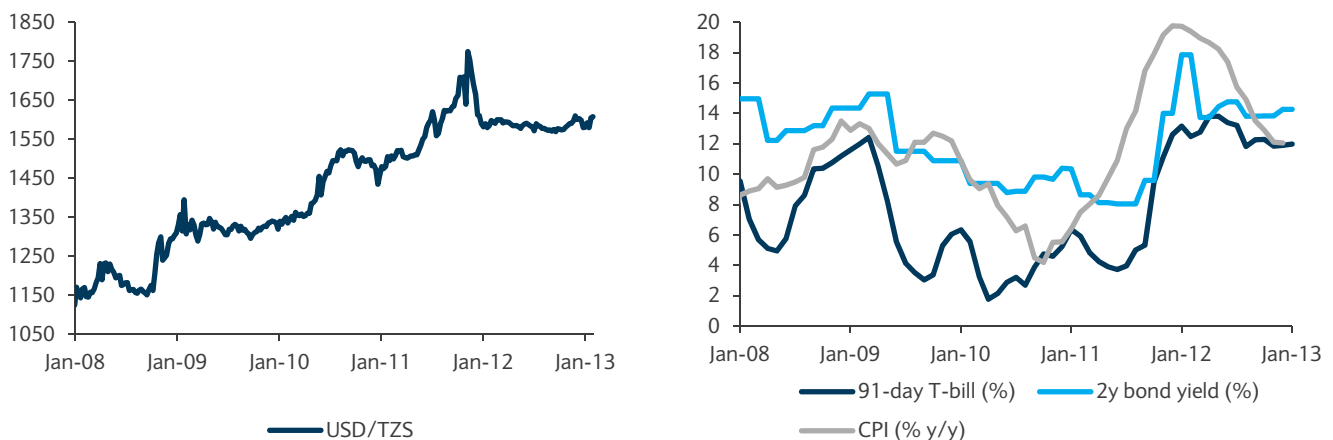


**Monetary policy:** The Bank of Tanzania’s (BoT) primary objective is to maintain price stability conducive to balanced and sustainable economic growth, with a government-set mid-year inflation target of single-digit inflation. To aid in price stability, the BoT attempts to achieve a steady and acceptable increase in the money supply and domestic credit, and to maintain a relatively stable exchange rate. Following the drought in 2011, which pushed inflation to a cyclical peak of 19.8% y/y by end-2011, authorities tightened fiscal and monetary policy. Headline inflation receded to 12.1% y/y by the end of 2012, helped by base effects, lower food and transport inflation, and initially by the currency’s moves. With some recent depreciation working against further deflation, we project inflation to remain around 10% in H1 2013, which implies that monetary policy is likely to remain tight early in the year. We project that more favourable inflation outcomes in the second half of the year (we believe that inflation could fall to about 8% by year-end) could provide room for some monetary easing in H2 2013.

**Exchange rate policy:** The shilling (TZS) is a managed floating exchange rate, with no predetermined path. Interventions are limited to smoothing excessive volatility. A sharp currency depreciation in H1 2011 led to the introduction of restrictive FX regulations that Q4, and these resulted in a significant recovery in the value of the shilling over the closing two months of the year. 2012 saw only modest daily moves in the currency and essentially no net change on the year. Tanzania’s large current account deficit (over 15% of GDP in 2012) remains a key risk for the shilling in 2013.

**Fiscal policy:** The government runs a three-year budget plan, based on a fiscal year beginning in July. The government has a three-year Policy Support Instrument program with the IMF (expires in June 2013), while a precautionary 18-month Standby Credit Facility (SCF) arrangement was approved in July 2012. The SCF was approved to act as a financial cushion to withstand deterioration in external demand and access to global financing. The government remains heavily reliant on donor funding, which contributes more than a fifth to total revenues. In line with programme targets, the budget deficit target for 2012/13 is 5.5% of GDP vs the 5% outcome of 2011/12.

FIGURE 1  
Market snapshot



Source: Bank of Tanzania, Reuters, Absa Capital

**Regulatory and tax environment:** In October 2011, the BoT introduced FX regulation, which further restricts non-resident participation in the local market. Non-resident investors are not permitted to hold local bonds. In 2012, the government introduced a 10% withholding tax from payments of interest earned on deposits held by non-residents. Interest paid by 'strategic investors' to foreign banks are exempt from the normal 10% withholding tax otherwise applicable. Capital gains tax on overseas share transactions was introduced. The tax relates to the sale of shares with respect to a Tanzanian company by its parent or offshore holding company. Exemption from withholding tax on dividends between resident corporations (assuming at least 25% ownership and control) has been abolished and a 5% withholding tax now applies.

**Political environment:** The ruling Chama Cha Mapinduzi (CCM) has been the dominant party since the adoption of a multiparty democracy in 1992. The political situation on the mainland and the island of Zanzibar (where agreement has been reached to form a power-sharing government) is stable. President Kikwete, who was re-elected for a second term in 2010, will be in office until the next elections in 2015.

## Economic outlook

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The economy continues to be guided by the government's development plan, the Second National Strategy for Growth and Reduction in Poverty, which aims to steer the country into middle-income status and focuses on three clusters, namely: raising economic growth and reducing poverty; improving the quality of life and social well-being; and improving governance and accountability. The strategy is being implemented over the 2010/11 to 2013/14 period. Economic growth remained buoyant in 2012 with the electricity, gas and water and transport sectors performing very well. Other sectors such as manufacturing, construction, trade, hotels and restaurants and finance also recorded solid growth rates. Construction continues to benefit from the focus on infrastructure spending with several large projects under way. Though agriculture's growth has been more modest than other larger sectors, it managed to continue to expand at a steady rate in 2012 following favourable weather conditions. The recovery in electricity output (compared with the disruptions in 2011 due to the drought) has been key to the strong performance of the economy during the year.

Growth for 2012 looks to have been 6.8% (our estimate) and we expect a lower inflation environment, prospects of monetary policy easing later in the year, and continued investment in major infrastructure projects to underpin 2013 growth. Strong inflows of FDI, particularly in the oil and gas sector, have served to raise the country's long-term growth prospects considerably (estimates of gas reserves were raised again in Q4 2012 following further significant discoveries.) The government's relationships with the multilateral and bilateral donor community look strong. Downside risks include the global environment, which may result in lower exports, FDI and availability of financing, and domestic weather conditions.

**Country snapshot**

Indicator	Latest
<b>Government</b>	
Government type	Republic
Head of state	President Jakaya Kikwete (since December 2005)
Ruling political party	Chama Cha Mapinduzi (CCM)
Main opposition parties	Chama Cha Demokrasia na Maendeleo (CHADEMA), Civic United Front (CUF)
Elections	President Kikwete won the 31 October 2010 elections with 62.8% of the vote, giving him re-election for a second and final term. The elections occur every five years.
<b>Demographics</b>	
Population	46.2mn (2011); 3.1% growth rate (UN)
Life expectancy	58.2 years
Main ethnic groups	Sukuma, Nyamwezi, Chagga and others (more than 120 none more than 10% of the population)
Main language	Kiswahili and English (both official). Kiswahili is the national language.
Adult literacy	72.9%
Urban population	26.9%
<b>Economic structure</b>	
GDP	USD23.9bn (2011); USD28.0bn (2012E); 7% average real growth rate for 2002-12
GDP per capita	USD565 (2011); USD650 (2012E)
GDP by sector	Agriculture (22%), trade and repairs (14.7%), real estate (10.2%), manufacturing (9.7%)
Main industries	Agro-processing, textiles, construction, steel, cement, food
<b>Business development indicators</b>	
2012 Corruption Perceptions Index ranking	102 (out of 174)
2012-13 Global Competitiveness Index ranking	120 (out of 144)
2012 Ease of doing Business ranking	134 (out of 185)
2011 Human Development Index ranking	152 (out of 187)
2012 Mo Ibrahim Index of African Governance	10 (out of 52)

Source: IMF, World Bank, United Nations Statistics Division, CIA World Factbook, African Elections Database, Official offices, Absa Capital

**Key indicators to watch**

Indicator	Rationale
Gold price	Gold accounts for more than 50% of total exports and is the single-largest export commodity.
IMF Programme Reviews	Important signposts for policy formation, implementation and relations with international donors.
Bank of Tanzania Monthly Economic Review	The country's major statistical releases, including inflation, the external sector, FX reserves, fiscal policy, debt indicators and monetary aggregates, are published monthly. Commentary on the FX and fixed income market is also included.
Inflation	Inflation remains the primary focus of the BoT and should help to drive local interest rates over the medium term.
BoT bi-annual Monetary Policy Statement	The BoT governor's report on the outlook for monetary policy over the coming 12 months is presented to the parliament twice a year.
Official reserves	Changes in FX reserves indicate how significantly the BoT is intervening in the currency market, while the absolute level of reserves aids Tanzania's resilience to external shocks.
Annual national budget	The budget speech contains details of the past year's budget performance (revenue growth and access to bilateral aid are key elements), along with detailed projections for the coming fiscal year. This has an effect on local market financing needs and shapes investor sentiment.
Bilateral donor negotiations	Tanzania received substantial debt relief under the HIPC and MDRI programmes, and from multilateral and bilateral creditors.

Source: Absa Capital

## Market participants

Indicator	Rationale
US/European institutional investors	Not important participants in the local market. Participation is limited by existing regulations, which do not allow non-residents to hold local currency assets.
Corporates	Very important, especially in the exchange market where demand and supply dynamics tend to drive movements in the exchange rate.
Local investors	Very important, especially in the money markets. Pension funds, insurance companies and unit trusts are the major participants and tend to control substantial amounts of local currency liquidity.

Source: Absa Capital

## Key macro data

Annual	2008	2009	2010	2011	2012E	2013F	2014F
Real GDP (% y/y)	7.4	6.0	7.0	6.4	6.8	6.8	7.0
GDP (USD bn)	20.7	21.6	23.2	24.0	28.7	32.6	36.0
CPI (pavg, % y/y)	10.3	12.1	7.2	12.7	16.0	9.5	8.7
Fiscal balance (% GDP, incl grants) <sup>1</sup>	0.0	-4.8	-7.0	-5.9	-5.0	-5.5	-4.5
Revenue (% GDP) <sup>1</sup>	22.8	21.3	20.5	21.1	22.1	22.6	21.9
Expenditure (% GDP) <sup>1</sup>	22.8	26.1	27.5	27.0	26.2	28.1	26.5
External debt (% GDP) <sup>1</sup>	31.1	33.3	37.3	41.6	38.6	39.0	39.5
Domestic debt (% GDP) <sup>1</sup>	9.2	8.9	9.1	10.6	9.9	9.4	9.2
Current account (% GDP)	-12.4	-8.3	-8.3	-16.3	-15.8	-13.9	-13.0
Discount rate (% eop)	15.99	3.70	7.60	12.00	12.00	9.50	9.50
USD/TZS (pavg)	1197	1306	1396	1572	1585	1619	1693
Gross official reserves (USD mn, eop)	2.9	3.6	3.9	3.8	3.9	...	...
Months of imports	4.0	5.7	5.2	3.8	3.8	...	...

Note: 1) Fiscal year ending June. Source: National Bureau of Statistics, Bank of Tanzania, IMF, Absa Capital

Monthly	End 09	End 10	End 11	Mar 12	Jun 12	Sep 12	Oct 12	Nov 12	Dec 12
CPI inflation (% y/y)	12.2	5.6	19.8	19.0	17.4	13.5	12.9	12.1	12.1
Discount rate (%)	3.70	7.58	12.00	12.00	12.00	12.00	12.00	12.00	12.00
Trade bal. (USD bn, 12m rolling)	-3.5	-4.1	-6.3	-6.8	-6.7	...	...	...	...
FX reserves (USD bn)	3.6	3.9	3.8	3.5	3.8	4.1	4.1	3.9	...
364-day T-bill rate (% ave)	8.83	7.67	18.66	13.91	14.44	13.44	13.44	13.31	13.69
USD/TZS (eop)	1339	1480	1582	1593	1572	1576	1587	1601	1585

Source: National Bureau of Statistics, Reuters, Bank of Tanzania, IMF, Absa Capital

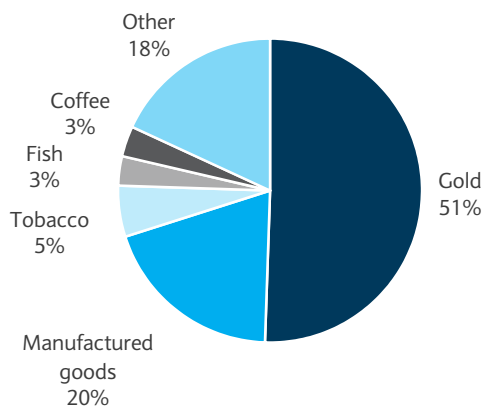
Foreign trade flows, 2011

Exports		
Top product groups	USD mn	% y/y
Minerals	2286	46.6
o.w. Gold	2226	46.8
Manufactured goods	862	-10.6
Traditional Exports	638	14.2
Fish and fish products	138	-2.3

Imports		
Top product groups	USD mn	% y/y
Oil imports	3214	58.8
Consumer goods	2121	24.1
Machinery	1785	48.3
Transport equipment	1006	11.6
Building material	755	23.7

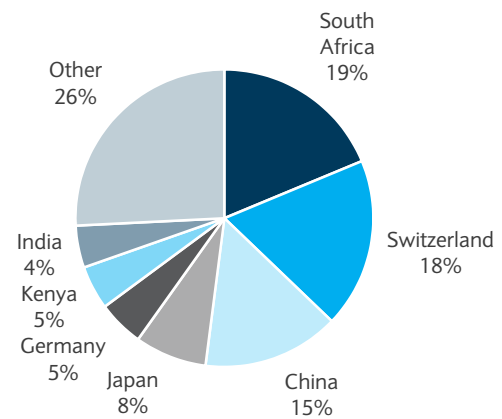
Note: Traditional exports include cotton, coffee, tobacco, cashew nuts and other agricultural commodities. Source: BoT, Absa Capital

FIGURE 2  
Main export groups (2011)



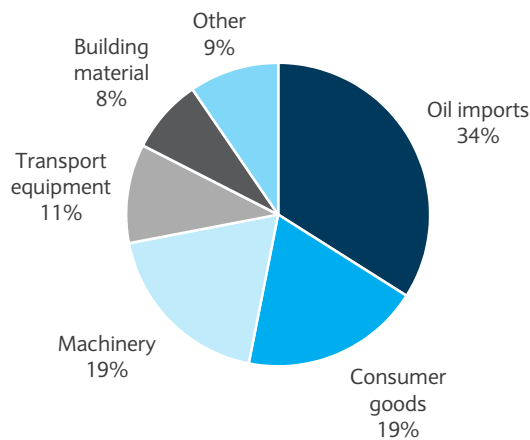
Source: BoT, NBS, Absa Capital

FIGURE 3  
Main export destinations (2011)



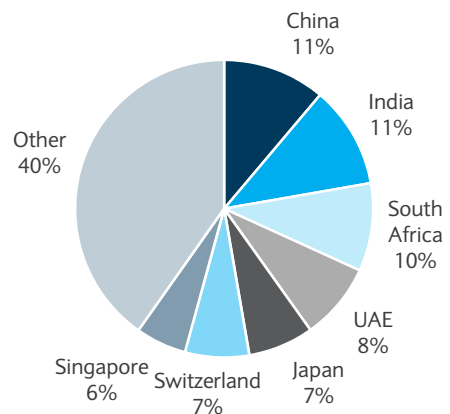
Source: BoT, NBS, Absa Capital

FIGURE 4  
Main import groups (2011)



Source: BoT, NBS, Absa Capital

FIGURE 5  
Main origins of imports (2011)



Source: BoT, NBS, Absa Capital

## FX markets

<b>Overview</b>	While the shilling has been allowed to float freely consequent to the relaxation of the exchange controls, documentary support is required for certain transactions. This is mainly for the substantial amounts of foreign currency remitted out of the country. The capital account remains subject to exchange controls.
<b>Market access/convertibility</b>	Subject to appropriate documentation being furnished for commercial transactions, the FX market is readily accessible. Under the relaxed exchange control environment, commercial banks are expected to ensure required documentation is obtained in support of a foreign exchange transaction. Convertibility on the capital account remains restricted.
<b>Tax regime</b>	Foreign exchange gains and losses, whether unrealised or realised, are included in taxable income and taxed at the applicable corporate tax rate (ie, 30%).
<b>Coverage centre</b>	Trading in London, Johannesburg and Tanzania; Sales in London, Johannesburg and globally; Research in South Africa.

Security	Liquidity	Bid/offer spread	Tenor/maturity	Quotation	Reuters page	Additional information
Spot	Liquid	0.62%	T+2	T+2	TZS1=	Main price driver tends to be the USD/TZS and third-currency exchange rates to the shilling are determined on the basis of the prevailing cross rate.
Synthetic forwards	Illiquid	Subject to interest rates	Typically 12 months or less	Per terms of the trade		Synthetic or “manufactured” forwards price based on accessible interest rates by the seller, leading to wide price variations. Synthetic foreign exchange swaps are also available.

Source: Barclays Bank Tanzania, Absa Capital

## Rates products

<b>Overview</b>	Limited number of products and not available to non-resident participation. Market virtually illiquid.
<b>Market access/convertibility</b>	Non-residents are not allowed to participate in government securities and the debt capital markets.
<b>Tax regime</b>	Interest earned on term deposits is subject to a 10% withholding tax. Investments in treasury bills and government bonds with tenors exceeding five years are exempt from the withholding tax.
<b>Coverage centre</b>	Trading in London, Johannesburg and Tanzania; Sales in London, Johannesburg and globally; Research in South Africa.

Security	Liquidity	Bid/offer spread	Tenor/maturity	Quotation/ settlement	Reuters page	Additional information
Cash deposits	Liquid	200 bps in overnight	12 months	T+0		
Treasury bills	illiquid	N/A	1,3, 6 & 12 months	T+1		Sold in the primary market at fortnightly auctions, which typically have all the tenors. Not open to offshore or non-resident investors.
Government bonds	illiquid	N/A	2, 5, 7 & 10 years	T+1		Sold at periodic auctions and listed on the Dar es Salaam Stock Exchange. Not open to offshore or non-resident investors.

Source: Absa Capital, Barclays Bank Tanzania

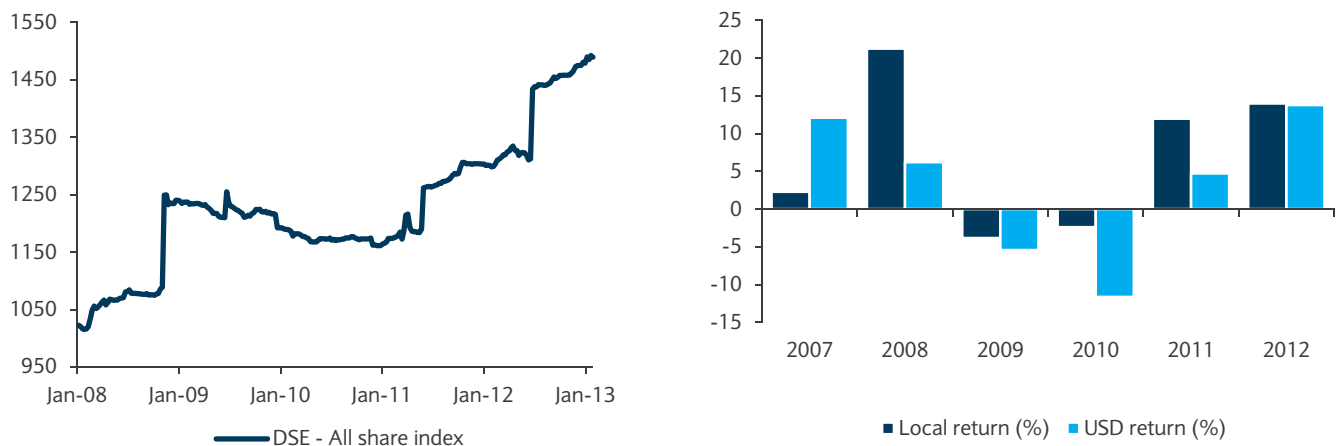


### Equity market snapshot

<b>Market size</b>	The market capitalization of the Dar es Salaam Stock Exchange (DSE) was USD1.9bn (excluding dual-listed stocks) as of end 2012.
<b>Main indicator</b>	There DSE All Share Index (DSEI) is the key indicator, while the Tanzania Share Index (TSI) tracks the performance of local companies.
<b>Listed companies</b>	17 companies are listed on the DSE.
<b>Top 5 listed companies (market cap)</b>	Tanzania Breweries (USD522mn), National Microfinance Bank (USD423mn), Tanzania Portland Cement (USD353mn), Tanzania Cigarette (USD316mn), CRDB Bank (USD225mn).
<b>Taxation</b>	5% withholding tax on dividends.
<b>Foreign ownership limits</b>	60% of company.

Source: Dar es Salaam Stock Exchange, Absa Capital

FIGURE 6  
DSE All Share Index performance



Source: Reuters, Absa Capital

### Useful links

Barclays Research

<https://live.barcap.com>

Central Bank of Tanzania:

[www.bot-tz.org](http://www.bot-tz.org)

World Bank local office:

[www.worldbank.org](http://www.worldbank.org)

Ministry of Finance:

[www.mof.go.tz](http://www.mof.go.tz)

Dar es Salaam Stock Exchange:

[www.dse.co.tz](http://www.dse.co.tz)

International Monetary Fund:

<http://www.imf.org/external/country/TZA/index.htm>

# UGANDA

## Policy environment

**Credit rating**  
 Long-term foreign currency rating B (Fitch)  
 B+ (S&P)  
 Source: Bloomberg

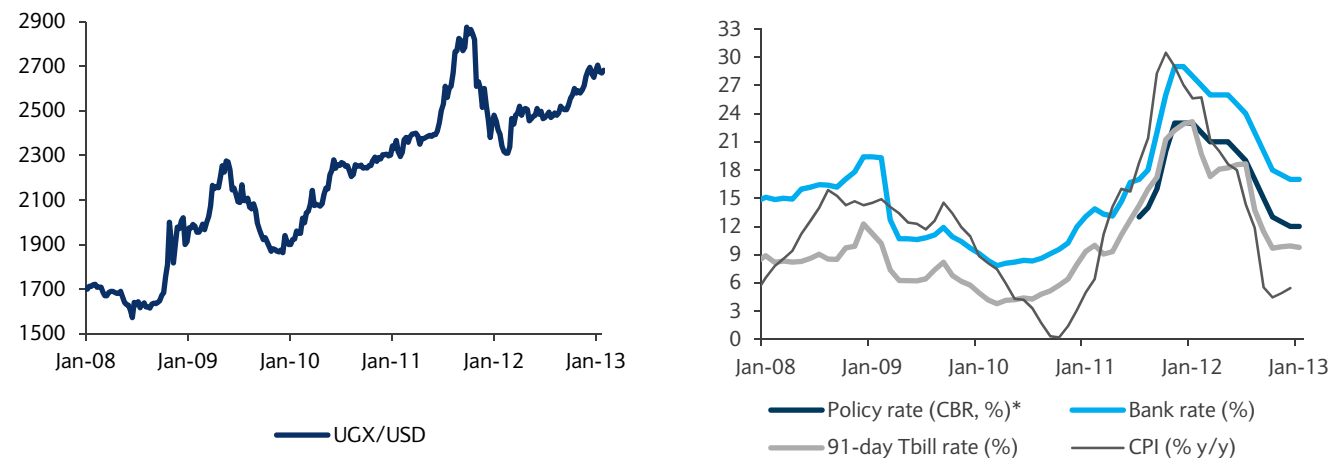


**Monetary policy:** The Bank of Uganda’s (BoU) primary policy objective is to control core inflation over the medium term. The BoU shifted to an inflation-targeting monetary policy framework in July 2011 and targets annual average core inflation of 5% or less over the medium term. The Bank uses the central bank rate (CBR) to guide 7-day interbank interest rates as the operating target of monetary policy. The MPC meets at the beginning of each month to decide on the appropriate monetary policy approach. After hiking the policy rate 1000bp to 23% during H2 11 amid a rapid increase in inflation, the Bank commenced its easing cycle in January 2012, cutting the CBR 1100bp during the year to 12% as core inflation decelerated sharply from 28.1% y/y at the beginning of 2012 to 4.6% by December 2012 (core inflation excludes food crops but includes other foodstuffs, and as a result can be quite volatile). We expect inflation to resume its uptrend by mid-2013, posing new challenges to monetary policy during H2 13.

**Exchange rate policy:** Uganda has a managed floating exchange rate regime. The BoU intervenes periodically to smooth exchange rate volatility. Tight monetary policy and portfolio inflows supported the shilling (UGX) in H1 12, but policy easing and threats to the growth outlook saw the currency depreciate sharply in Q4 12. For 2012 as a whole, the UGX depreciated 8% against the USD. Given prevailing risks to the fiscal outlook and double-digit current account deficit, we believe the UGX remains vulnerable in 2013.

**Fiscal policy:** The budget is guided by a medium-term expenditure framework and is presented in June of each year. The fiscal year runs from July to June. A Policy Support Instrument programme agreed with the IMF and the five-year National Development Plan, launched in 2010, are key anchors to medium-term policy setting. While fiscal performance was encouraging in FY2011-12 when the fiscal deficit came in at 3.9% of GDP – below the initial target – fiscal management looks to have deteriorated in 2012. Allegations of mismanagement of donor funds strained relations with donors, with several countries suspending aid, which was a major setback for budget financing and. Indeed, a government official noted that the suspension of aid would create a USD260mn funding gap in FY 2012-13. As a result, we believe there may be considerable upside risk to the projected deficit of 4.1% of GDP in FY 2012-13.

FIGURE 1  
 Market snapshot



Note: \* CBR introduced in July 2011. Source: Bank of Uganda, Reuters, Absa Capital

**Regulatory and tax environment:** There is a withholding tax of 20% levied on proceeds from investments in fixed deposits and government securities, while it is 15% for dividends received from equities. Repatriation of foreign currency by offshore counterparties does not attract any tax charges.

**Political environment:** The February 2011 elections were followed by opposition-led protests, but political stability has improved since then. Concerns about governance remain, however. Several controversial bills – including the anti-homosexual bill and an oil bill, which critics believe vests too much power in the executive – have caused some divide in the country and have drawn heavy criticism from the international community. The latest scandal regarding the mismanagement of donor funds has further tarnished the government's image. Strained relations with traditional donors and suspension of aid have resulted in the country's sovereign outlook being revised from stable to negative by S&P. The next elections are expected in 2016.

## Economic outlook

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Tight monetary conditions into 2012 and high inflation have restrained economic growth. Despite 1100bp cuts being delivered by the BoU over 2012, commercial lending rates have generally remained high, thus dampening the early pass-through of monetary support to the economy. Lending rates appear to be coming down, which should support the 2013 growth outlook and, at the January MPC, the BoU noted that there are indications that economic activity is picking up. We look for GDP growth to recover to near 6% in 2013, after an estimated 5.2% in 2012, though even this stronger performance would still leave growth short of its long-term average. Looking beyond 2013, continued investment into oil developments looks likely to underpin growth. Delays have pushed out commercial production out to 2015-16, when oil production of 200,000bpd is anticipated. The global economic environment remains a risk to the outlook, while soured relations with donors could put some investment projects at risk.

## Country snapshot

Indicator	Latest
<b>Government</b>	
Government type	Republic
Head of state	President Yoweri Museveni (since January 1986)
Ruling political party	National Resistance Movement (NRM)
Main opposition party	Forum for Democratic Change (FDC). Ahead of the 2011 elections four parties formed a coalition, the Inter-Party Cooperation, with FDC president Kizza Besigye as its leader.
Elections	Results of the 18 February 2011 general elections showed that President Museveni of the NRM won 68.3% of the vote in the presidential poll. Elections take place every five years.
<b>Demographics</b>	
Population	34.5mn (2011), 3.1% growth rate (UN)
Life expectancy	54 years
Main ethnic groups	Baganda (16.9%), Banyankole (9.5%), Basoga (8.4%), Bakiga (6.9%)
Main language	English (Official), Luganda, Swahili and several other
Adult literacy	73.2%
Urban population	13.3%
<b>Economic structure</b>	
GDP	USD17.4bn (2011), USD20.5bn (2012E); 7.1% average real growth rate for 2002-2012
GDP per capita (USD)	USD505 (2011); USD574(2012E)
GDP by sector	Agriculture (15%), Industry (27%), Services (58%).
Main industries	Processing (agricultural products), textiles, cement production, steel production
<b>Business development indicators</b>	
2012 Corruption Perceptions Index ranking	130 (out of 174)
2012-13 Global Competitiveness Index ranking	123 (out of 144)
2012 Ease of doing Business ranking	120 (out of 185)
2011 Human Development Index ranking	161 (out of 187)
2012 Mo Ibrahim Index of African Governance	19 (out of 52)

Source: IMF, World Bank, United Nations Statistics Division, CIA World Factbook, African Elections Database, Official offices, Absa Capital

## Key indicators to watch

Indicator	Rationale
IMF programme/aid flows	IMF programme triggers donor support. Evolution of aid flows affects the exchange rate and the level of international reserves.
Central bank rate and the monetary base	Contains information about the overall monetary policy stance when combined with the evolution of underlying inflation.
Reserves	Closely associated with aid flows and also reflects the pressures on the exchange rate.
Inflation	The BoU adjusts domestic liquidity conditions with a goal of maintaining underlying inflation below 5%.
Coffee harvests/prices	Coffee is the largest single export product (with an approximate 19% share of total exports). Thereby, the level of coffee harvests and prices have significant implications for the country's current account and the level of economic activity.

Source: Absa Capital

## Market participants

Indicator	Rationale
Banks	Main participants in the foreign exchange and money markets. Currently there are 26 commercial banks.
Corporates	Important investors in the currency market – in particular, oil and telecommunication sectors, as well as manufacturing companies.
Local investors	Fund managers and insurance companies actively participate in the money markets and investments in government securities, as well as the National Social Security Fund (NSSF).
Offshore funds	Mainly participation from companies in Kenya in both the foreign exchange and money markets. Also some participation from offshore investors through offshore banks.

Source: Absa Capital, Barclays Bank Uganda

## Key macro data

Annual	2008	2009	2010	2011	2012E	2013F	2014F
GDP (real, % y/y)	10.4	4.1	6.2	5.9	5.2	5.9	6.4
Nominal GDP (USD bn)	16.4	16.8	17.0	17.6	21.2	21.7	24.1
CPI (pavg, % y/y)	12.1	13.0	4.0	18.7	14.0	4.8	9.1
Fiscal balance (incl. grants, % GDP) <sup>1</sup>	-1.9	-2.2	-4.6	-7.2	-4.7	-4.5	-4.0
Fiscal balance (excl. grants, % GDP) <sup>1</sup>	-4.9	-4.6	-7.2	-9.5	-7.3	-6.7	-5.5
External debt (% GDP) <sup>1</sup>	11.7	13.1	15.4	19.6	19.3	16.7	18.2
Current account incl. grants (% GDP)	-7.7	-6.5	-10.0	-11.2	-10.9	-11.6	-12.4
Trade balance (% GDP)	-11.2	-9.0	-13.0	-14.1	-13.0	-13.9	-14.4
USD/UGX (pavg)	1720	2030	2177	2523	2504	2712	2819
Bank rate (%)	19.42	9.65	11.97	29.00	17.00	17.00	18.00
Official reserves (USD bn)	2.3	2.8	2.5	2.4	2.8	3.0	...
Months of imports	6.4	5.7	4.2	3.8	4.2	4.0	...

Note: 1) Fiscal year to 30 June. Source: Bank of Uganda, IMF WEO, Absa Capital

Monthly	End 09	End 10	End 11	Mar 12	Jun 12	Sep 12	Oct 12	Nov 12	Dec 12
CPI inflation (% y/y)	10.9	3.1	27.0	21.1	18.0	5.5	4.5	4.9	5.5
Core inflation (% y/y)	8.0	4.8	29.2	23.6	19.6	4.9	4.0	3.9	4.6
Bank rate (% eop)	9.7	12.0	29.0	26.0	25.0	20.0	18.0	17.5	17.0
Coffee export earnings (USD mn, 12mths)	280	328	467	475	444	392	385	379	...
FX reserves (USD mn)	2769	2485	2399	2521	2609	2880	2903	...	...
USD/UGX (eop)	1900	2342	2480	2520	2470	2555	2580	2680	2690
91-day Treasury bill yield (eop, %)	5.47	8.49	22.72	17.41	18.59	10.02	9.69	9.85	9.94

Source: Bank of Uganda, UBoS, IHS Global Insight, Absa Capital

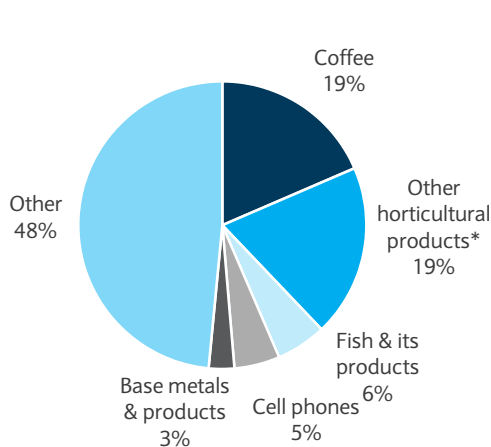
Foreign trade flows, 2011

Exports		
Top product groups	USD mn	%y/y
Coffee	467	42.5
Other horticultural products	488	21.3
Fish and its products	142	-8.6
Cellular phones	128	111

Imports		
Top product groups	USD mn	%y/y
Machinery, vehicles and accessories	1262	13.0
Petroleum products	803	42.7
Veg products, animal, beverages and fats	404	25.5
Chemical and related products	389	9.9
Mineral products (excl. petroleum)	360	22.7

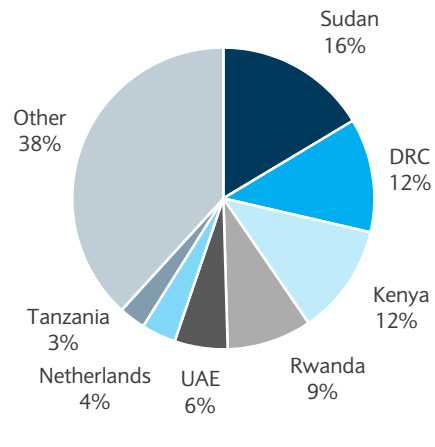
Note: \*Includes tobacco, tea, cotton, maize, flowers and other products. Source: Bank of Uganda, Absa Capital

FIGURE 2  
Main export groups (2011)



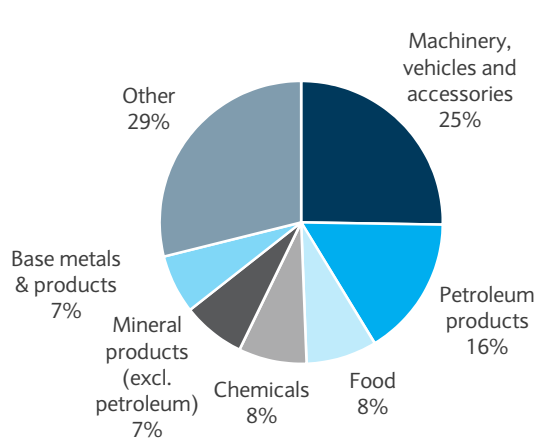
Note: \* Includes tobacco, tea, cotton, flowers and other products. Source: BoU, UBoS, Absa Capital

FIGURE 3  
Main export destinations (2011)



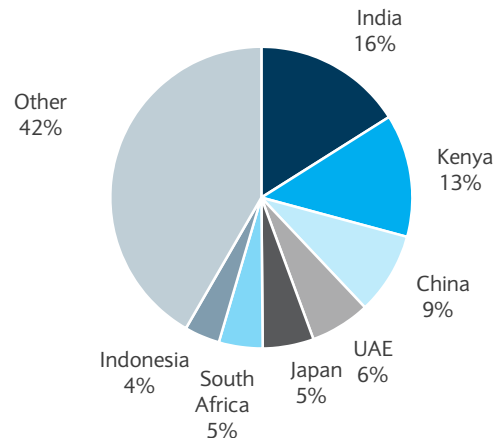
Source: BoU, UBoS, Absa Capital

FIGURE 4  
Main import groups (2011)



Source: BoU, Absa Capital

FIGURE 5  
Main origins of imports (2011)



Source: BoU, Absa Capital

## FX markets

<b>Overview</b>	The major currency pair traded is the dollar/shilling. The rates are driven by demand and supply in the market. As at January 2013, the Bank of Uganda buys a daily amount of USD2mn as sterilisation on the interbank market from the lowest offer. The central bank also intervenes in the currency market if there are big swings, on either the buying or selling side.
<b>Market access/convertibility</b>	Foreigners can freely transact in the USD/UGX.
<b>Tax regime</b>	Returns on foreign exchange are not subjected to any tax.
<b>Coverage centre</b>	Trading in London, Johannesburg and Uganda; sales in London, Johannesburg and globally; research in South Africa.

Security	Liquidity	Bid/Offer spread	Tenor/Maturity	Quotation	Reuters page	Additional information
Spot	Liquid	10 shilling spread for USD0.5mn, 10-15 shillings for USD1mn		T+2	UGX1=	Mainly quoted as USD/UGX.
Forwards	Fairly liquid	30 pips in USD0.5mn	Up to 12 months	Points T+2	ABAF02	Forward market is fairly liquid market players can quote prices for up to USD5m. Major counterparties are offshore banks and a few oil companies.
Swaps	Fairly liquid	30 pips in USD0.5mn	Up to 12 months	T+2	ABAF04	Mainly quoted for USD/UGX and major counterparties are offshore banks for their clients.

Note: There are no markets for options or exotic derivatives. Source: Barclays Bank Uganda

## Rates products

<b>Overview</b>	The interest rate market comprises time deposits, government treasury bills and bonds, repos and corporate bonds. There are currently six banks that are primary dealers in the Ugandan market, although all the non-primary dealer banks, institutions and individual customers have access to the auction through the primary dealers. Bank of Uganda, depending on its monetary targets, issues vertical repos and reverse repos with tenors ranging from overnight to two weeks; these would be priced off the central bank reference rate (CBR), which is advised in the central bank's Monetary Policy Statement at the start of each month. Primary dealers have exclusive access to the repo auctions.
<b>Market access/convertibility</b>	Treasury bonds are listed on the Uganda Securities Exchange (USE). The secondary market is not very active as most investors hold to maturity, but primary dealers are market makers and can trade on any of the bonds in the secondary market.
<b>Tax regime</b>	There is a withholding tax of 20% applied to dividends and interest received from proceeds of treasury bills and bonds. All deposits in both local and foreign currency attract a reserve requirement of 8%.
<b>Coverage centre</b>	Trading in London, Johannesburg and Uganda; sales in London, Johannesburg and globally; research in South Africa.

Security	Liquidity	Bid/Offer Spread	Tenor/Maturity	Quotation/ Settlement	Reuters Page	Additional information
Time deposits	Over the counter		O/N to 1 year			
Treasury bills (BoU)	Liquid	25bp on the secondary market	91 days 182 days 364 days	T+1	BOUG02	Treasury bill auctions are held by the central bank fortnightly.
Treasury bonds	Limited liquidity but primary dealers obligated to make a market.	25bp on the secondary market	2 years 3 years 5 years 10 years	Trades in yield T+1	BOUG08	Treasury bond auctions are held once every 28 days.

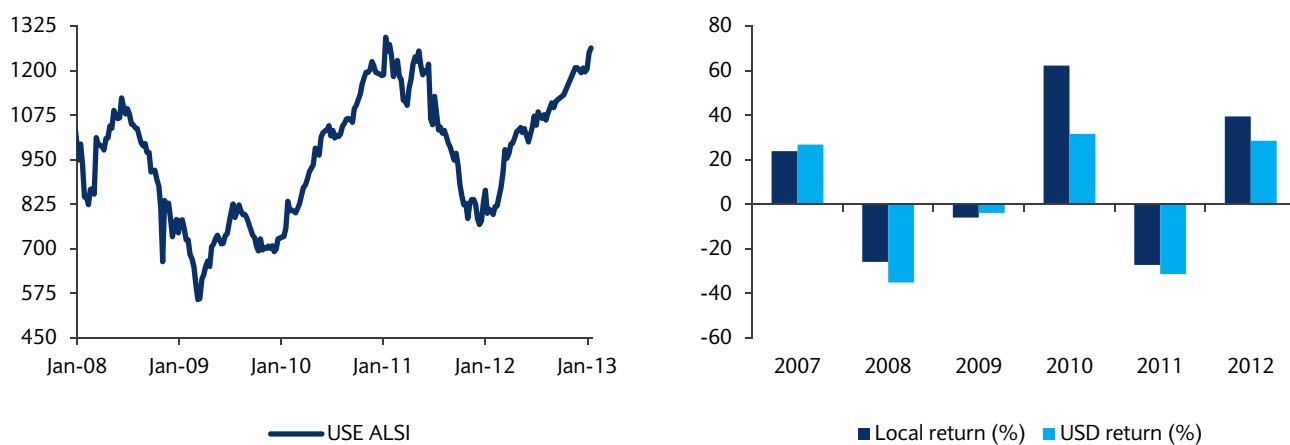
Source: Barclays Bank Uganda, Absa Capital

### Equity market snapshot

<b>Market size</b>	The market capitalisation of the Uganda Securities Exchange (USE) was USD6.5bn as of January 2013.
<b>Main indicator</b>	All Share Index (ALSI).
<b>Listed companies</b>	There are 15 companies listed on the exchange.
<b>Top 5 listed companies (market cap)</b>	Stanbic Bank Uganda (USD385mn); UMEME (USD168mn); Development Finance Corporation (USD88mn); British American Tobacco (USD43mn); Bank of Baroda (USD40mn).
<b>Taxation</b>	15% withholding tax on dividends
<b>Foreign ownership limits</b>	None

Source Uganda Securities Exchange, Absa Capital

FIGURE 6  
USE ALSI performance



Source: Reuters, Absa Capital

### Useful links

Barclays Research

<https://live.barcap.com>

Bank of Uganda:

[www.bou.org.ug](http://www.bou.org.ug)

Uganda Bureau of Statistics:

[www.ubos.org](http://www.ubos.org)

Ministry of Finance, Planning and Economic Development:

[www.finance.go.ug](http://www.finance.go.ug)

Uganda Securities Exchange:

[www.use.or.ug](http://www.use.or.ug)

International Monetary Fund:

<http://www.imf.org/external/country/UGA/index.htm>



# ZAMBIA

## Policy environment

### Credit rating

Long term foreign currency rating B+(Fitch)  
B+(S&P)

Source: Bloomberg

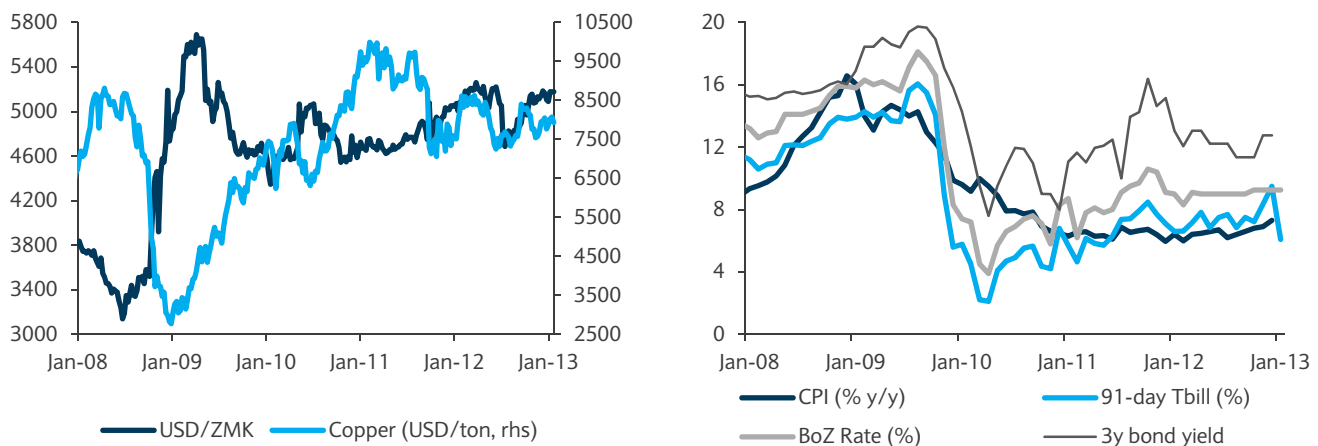


**Monetary policy:** The Bank of Zambia’s (BoZ) core objectives are to maintain single-digit inflation and financial stability. The Bank switched to an inflation-targeting framework in April 2012, when it announced that it will pursue average inflation of 7% as its target for 2012. The BoZ policy rate was set at 9% in April 2012 and is determined at monthly MPC meetings. The MPC hiked the policy rate 25bp to 9.25% in October 2012 amid excess liquidity and the threat of higher food prices. Inflation edged higher in the final quarter of 2012, ending the year at 7.3% y/y from 6.4% in January. The exchange rate remains a key inflation risk, particularly given the depreciation witnessed in the second half of last year. We expect inflation to remain around 7% for most of 2013 and for monetary policy to be unchanged.

**Exchange rate policy:** The BoZ operates a floating exchange regime. For 2012 in its entirety, the kwacha depreciated 1% against the USD though there were larger depreciations within the year. Key to the currency’s resilience were new regulations which made the kwacha the only legal tender. On 1 January 2013, the currency was also rebased (new code ZMW), with three zeroes removed from notes with a value of ZMK1000 and above. The transition phase during which both old and new currencies will circulate concurrently is from 1 January 2013 to 30 June 2013 – the old currency will still be able to be exchanged for new currency until 31 December 2015. The rebasing of the currency is unlikely to have any macro impact, while the outlook for the kwacha will continue to be largely driven by commodities.

**Fiscal policy:** Zambia successfully launched its maiden Eurobond in September 2012, worth USD750mn. The bond was 15 times oversubscribed and the government intends to use the funds to upgrade infrastructure, with a focus on energy and transport. Authorities have been able to contain spending despite numerous challenges and high expectations from the electorate. The overall budget deficit for 2012 is projected to be 4.3% of GDP, in line with initial targets, and this target was kept unchanged for 2013. Through its National Strategy for Industrialization and Job Creation, which was unveiled in October 2012, the government hopes to address many of the socio-economic challenges. As result, there could be upside pressure on fiscal spending as the government has promised to create at least 200,000 jobs.

FIGURE 1  
Market snapshot



Source: Bank of Zambia, Reuters, Absa Capital

**Regulatory and tax environment:** Most capital remittance by Zambian citizens, residents, and registered companies may be affected without restriction and without the approval of the BoZ. Foreign investors can repatriate all capital, profits and income freely. There is a withholding tax of 15% (the medical levy was abolished in the 2013 Budget) on the discount amount of treasury securities, while dividends on equity investments are subject to a 10% withholding tax. With regard to government bonds, there is a withholding tax on the coupon and a discount amount is payable at maturity of the bond. Advance clearance is required from the Zambian Revenue Authority to withhold tax at a reduced rate.

**Political environment:** Zambia has a stable democracy, having had several peaceful elections since becoming a multi-party democracy in 1991. President Sata and his party, the Patriotic Front (FP), ousted the Movement for Multi-party Democracy (MMD), which was in power since the early nineties, during the September 2011 elections. Although the Sata administration has taken many positive steps, including taking a tough stance on corruption, there are signs of public frustration with continued high levels of unemployment and poverty. Despite this, we believe that the political environment will remain stable in the coming periods. For its part, the government is looking for ways to increase revenues from the extractive sector in an effort to provide more funding for poverty alleviation and job creation.

## Economic outlook

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The BoZ indicated that strong growth in crop output, construction and steady growth in transport and communications have supported growth in 2012. We project that the economy grew by 6.5% in 2012, on par with 2011. The authorities' recent move to cap lending rates at 18.25% is designed to further promote growth, though it is too early to know whether this will be successful. A renewed focus on infrastructure build-out may also support the economy. More broadly, copper remains the backbone for economic growth and, though output slipped somewhat in 2012 (down 7% y/y during the first three quarters) as electricity shortages hit the industry, the government is hoping that copper production reaches 1mn tonnes within the next year. Nonetheless, with increased focus on infrastructure investment, we believe a growth rate of around 7% is possible in 2013.

## Country snapshot

Indicator	Latest
<b>Government</b>	
Government type	Republic
Head of state	President Michael Sata (since September 2011)
Ruling political party	Patriotic Front (PF)
Main opposition parties	Movement for Multi-party Democracy (MMD), United Party for National Development (UPND)
Elections	The ruling PF won 60 of the 150 elected seats in the September 2011 national assembly elections. The MMD obtained 55 seats. Elections occur every five years. The next general elections are scheduled for September 2016
<b>Demographics</b>	
Population	13.5mn (2011), 2.5% growth rate (UN)
Life expectancy	49 years
Main ethnic groups	More than 70 ethnic groups including Bemba, Tonga, Chewa, Lozi
Main language	English (official) and more than 70 local languages including Bemba
Adult literacy	70.9%
Urban population	35.9%
<b>Economic structure</b>	
GDP	USD19.2bn (2011); USD20.7bn (2012E); 5.8% average real growth rate for 2002-12
GDP per capita (USD)	USD1,414 (2011); USD1486 (2012E)
GDP by sector	Wholesale/retail trade (17%), Agriculture (14%), Construction (14%), and Mining (11%)
Main industries	Mining, construction, transport, foodstuffs, chemicals and textiles
<b>Business development indicators</b>	
2012 Corruption Perceptions Index ranking	88 (out of 174)
2012-13 Global Competitiveness Index ranking	102 (out of 144)
2012 Ease of doing Business ranking	94 (out of 185)
2011 Human Development Index ranking	164 (out of 187)
2012 Mo Ibrahim Index of African Governance	12 (out of 52)

Source: IMF, World Bank, United Nations Statistics Division, CIA World Factbook, African Elections Database, Official offices, Absa Capital

## Key indicators to watch

Indicator	Rationale
Copper prices/production	Over 80% of Zambian exports are metals, most of which are copper (the remainder being cobalt). Copper prices and FDI into the mining sector are boosting the balance of payments in both the current and capital accounts.
IMF Programme Reviews	Important signposts for policy formation, implementation and relations with international donors. The country currently does not have a program with the IMF, however, after the ending of the Extended Credit Facility program in June 2011.
Bank of Zambia Statistics Fortnightly	Source of data on FX, government securities, stock exchange data, as well as monetary and other indicators, including commodity prices, copper and cobalt output.
Trade balance	High dependence on copper products requires close focus on all copper-related indicators, as well as general trends in the trade balance. Import growth increasingly requires closer monitoring of links to agriculture sector performance and FDI into metals and mining.
Weather conditions	Strains on agricultural output from severe weather conditions have led to problems in controlling inflation and in higher-than-expected imports of food products.

Source: Absa Capital, IMF

## Market participants

Indicator	Rationale
US/European institutional investors	There are no restrictions on foreign participation in the local debt market. Issuance tends to be relatively small, however. Total foreign holdings of government securities were about 5-6% of total outstanding debt as of mid-2011.
Corporates	The mining sector is a dominant player in the FX market.
Local investors	Fairly non-existent in the FX market, but local banks are the major holders of treasury bills while local pension funds dominate government securities holdings. There is effectively no secondary market trading of government securities, although an arrangement exists to place trades through the Lusaka Stock Exchange.
Hedge funds	Largely absent from the market due to size considerations, but smaller funds are increasingly active.

Source: Absa Capital, Barclays Research

## Key macro data

Annual	2008	2009	2010	2011	2012E	2013F	2014F
GDP (real, % y/y)	5.7	6.4	7.6	6.6	6.5	7.1	7.5
Nominal GDP (USD bn)	14.6	12.8	16.2	19.2	20.6	23.3	26.2
Copper exports ('000 metric tonnes)	587	675	830	832	830	860	...
CPI (% y/y, pavg)	12.4	13.4	8.5	8.7	6.6	7.0	7.5
Fiscal balance incl. grants (% GDP)	-0.9	-2.6	-3.1	-3.2	-4.3	-4.3	-4.0
Public sector debt (% GDP)	23.5	26.9	25.8	26.0	28.0	28.5	28.6
Current account (incl. grants, % GDP)	-7.1	4.2	7.1	1.2	-1.6	-0.6	1.8
BoZ rate (% eop)	15.90	8.30	8.30	9.10	9.25	9.50	10.00
USD/ZMK (ave)	3746	5046	4797	4861	5146	5290	5576
Gross reserves (USD bn)	1.1	1.9	2.1	2.3	2.6	2.9	3.7
months of imports	2.1	3.7	3	3.2	3.4	3.5	3.6

Source: Bank of Zambia, IMF, Central Statistical Office, Absa Capital

Monthly	End 09	End 10	End 11	Mar 12	Jun 12	Sep 12	Oct 12	Nov 12	Dec 12
CPI inflation (% y/y)*	9.9	7.9	7.2	6.4	6.7	6.6	6.8	6.9	7.3
Copper price (USD/ton, eop)	7375	9600	7600	8445	7685	8205	7760	7995	7931
Copper output (k tons, 3m MA)	60.1	74.9	67.8	74.0	69.3	65.8	...	...	...
Trade balance (USD mn, 12m rolling)	519	1867	1837	1302	902	752	777	656	...
FX reserves (USD mn, eop)	1254	1469	1706.2	1699	1833	2705	2744	2702	...
91-day T-bill rate (avg, %)	5.59	6.79	7.10	7.15	7.49	7.50	7.22	8.34	9.49
USD/ZMK (eop)	4641	4800	5125	5280	5150	5100	5283	5210	5195

Note: \* Based on new CPI from January 2012. Source: Bank of Zambia, Central Statistical Office, IMF (IFS), Reuters, Absa Capital

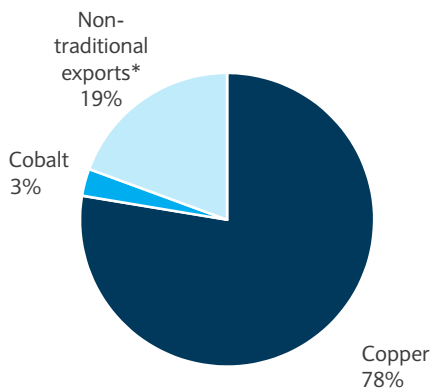
Foreign trade flows, 2011

Exports		
Top product groups	USD mn	% y/y
Copper	6 660	15.5
Cobalt	256	-15.7
Non-traditional exports <sup>1</sup>	1664	32.1

Imports		
Top product groups	USD mn	% y/y
Industrial boilers and equipment	1300	62.5
Chemicals	777	25.3
Vehicles	614	82.8
Petroleum products	531	-8.0

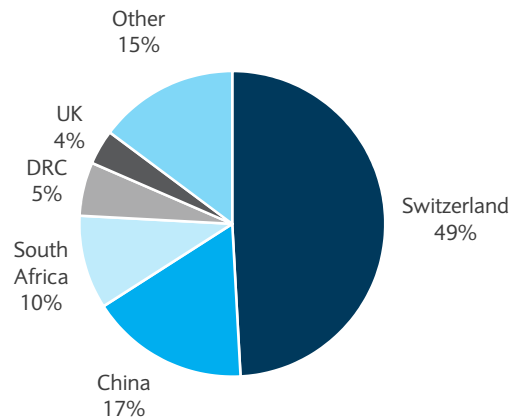
Note: <sup>1</sup> Includes tobacco, sugar, gemstones, cement and other products. Source: Central Statistical Office, BoZ, Absa Capital

FIGURE 2:  
Main export groups (2011)



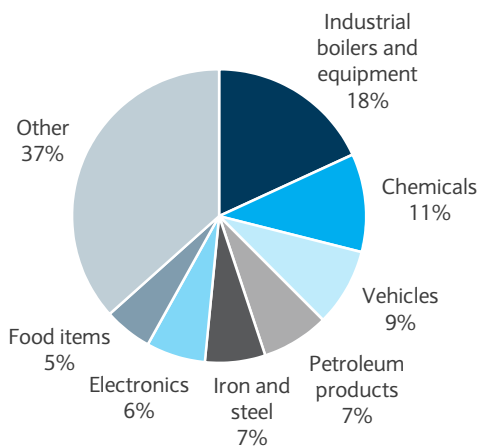
Note: \* Includes tobacco, sugar, gemstones, cement and other products. Source: BoZ, CSO, Absa Capital

FIGURE 3:  
Main export destinations (2011)



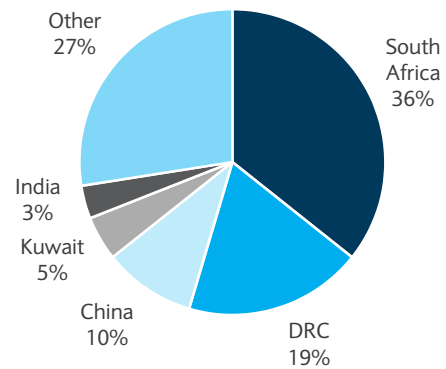
Source: BoZ, CSO, Absa Capital

FIGURE 4:  
Main import groups (2011)



Source: BoZ, CSO, Absa Capital

FIGURE 5:  
Main origins of imports (2011)



Source: BoZ, CSO, Absa Capital

## FX markets

<b>Overview</b>	The kwacha is an independently floating exchange rate, with the FX market evolving since the introduction of the broad-based Interbank Foreign Exchange system in July 2003. The country's economy is materially supported by copper exports and significant movements on copper prices will filter through to the price of the local currency. The kwacha was rebased on 1 January 2013 (new code ZMW), with three zeroes dropped from the old unit.
<b>Market access/convertibility</b>	Only fully-licensed authorised dealers may deal in foreign exchange in Zambia. Although there are no legal restrictions on access to foreign exchange, this can be limited by low market depth for large ticket transactions during episodes of high FX demand.
<b>Tax regime</b>	Generally, there is no tax on non-residents. Foreign exchange gains and losses are typically included in taxable income over the life of the instrument by applying the spot rate at transaction, year-end and realisation dates.
<b>Coverage centre</b>	Trading in London, Johannesburg and Zambia; sales in London, Johannesburg and globally; and research in South Africa.

Security	Liquidity	Bid/offer spread	Tenor/maturity	Quotation	Reuters page	Additional information
Spot	Illiquid currently but liquidity is improving	Between 50-100 points depending on market volatility. The market has been known to trade outside this band in extremely volatile conditions.		T+2	ZMW=	
Forwards	Illiquid		Up to 12 months/up to two years.	Varies	ZMWF=	

Source: Barclays Bank Zambia

## Rates products

<b>Overview</b>	Market illiquid but the central bank is currently looking at developing a secondary market for both T-bills and bonds. The primary market at present involves fortnightly T-bill issuance generally of ZMW350mn in size but placements can be equal to or lower than announced offering. Bonds of 2, 3, 5, 7, 10 and 15y maturities are auctioned monthly, while 7, 10 and 15y tenors are auctioned quarterly. Auction size for bonds is currently ZMW600mn.
<b>Market access/convertibility</b>	Fully accessible for foreigners.
<b>Tax regime</b>	15% Withholding tax on all investors.
<b>Coverage centre</b>	Trading in London, Johannesburg and Zambia; sales in London, Johannesburg and globally; and research in South Africa.

Security	Liquidity	Bid/offer spread	Tenor/maturity	Quotation/settlement	Reuters page	Additional information
Cash deposits	Liquid	Between 7% and 11%	Up to 12 months	Not standard		Generally benchmarked off Treasury bills, but corporate lending rates can be as much as 10% over T-bill yields.
Treasury Bills	Illiquid	No bids and offers	Up to 12 months	T+2	BOZMM01 & BOZMM02	Secondary trading market in the process of being introduced.
Bonds	Illiquid	No bids and offers	2-15y	T+1	BOZMM03 & BOZMM04	Once per quarter (commencing 15 <sup>th</sup> February for 2013, settlement Monday 18 <sup>th</sup> February).

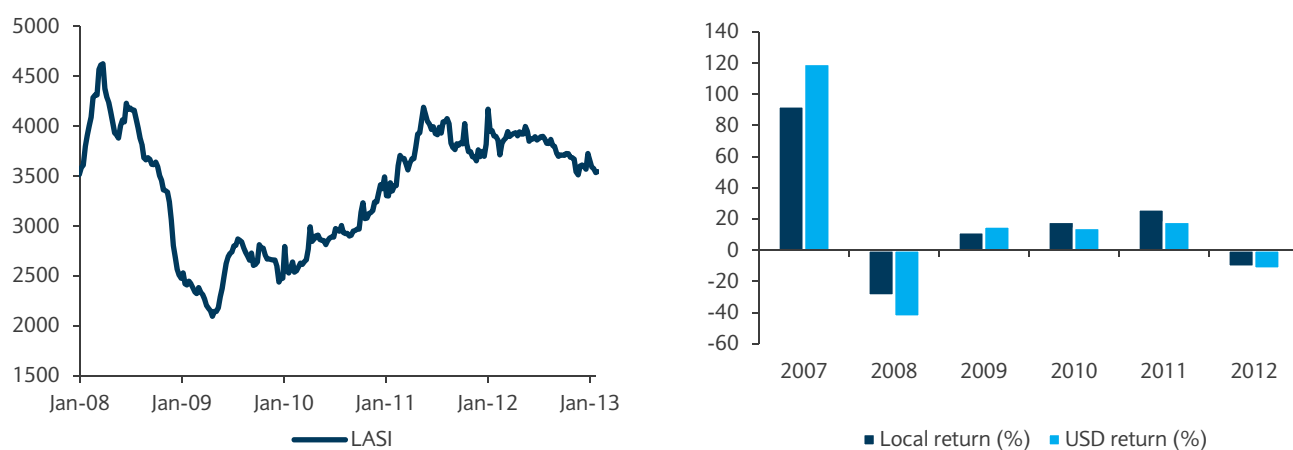
Source: Barclays Bank Zambia

### Equity market snapshot

<b>Market size</b>	Market capitalisation of the Lusaka Stock Exchange (LuSE was USD2.8bn at end-2012 (excluding dual-listed companies).
<b>Main indicator</b>	All share index (LASI).
<b>Listed companies</b>	There are 22 companies listed on the exchange.
<b>Top 5 listed companies (market cap)</b>	Zambia Sugar (USD318mn); Lafarge Cement, Zambia (USD317mn); Zanaco (USD310mn); Standard Charter, Zambia (USD264mn); Zambian Breweries (USD224mn).
<b>Taxation</b>	10% withholding tax on dividends.
<b>Foreign ownership limits</b>	None

Source: Lusaka Stock Exchange, Absa Capital

FIGURE 6  
LASI performance



Source: Bank of Zambia, Reuters, Absa Capital

### Useful links

Barclays Research:	<a href="https://live.barcap.com">https://live.barcap.com</a>
Bank of Zambia:	<a href="http://www.boz.zm">www.boz.zm</a>
Ministry of Finance:	<a href="http://www.mofnp.gov.zm">www.mofnp.gov.zm</a>
Central Statistics Office:	<a href="http://www.zamstats.gov.zm">www.zamstats.gov.zm</a>
International Monetary Fund:	<a href="http://www.imf.org/external/country/ZMB/index.htm">http://www.imf.org/external/country/ZMB/index.htm</a>

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