

22 July 2013

### Analysts

Celeste Fauconnier

Africa Analyst

Celeste.fauconnier@rmb.co.za  
+27 11 282-1923



Nema Ramkhelawan-Bhana

Africa Analyst

Nema.ramkhelawan@rmb.co.za  
+27 11 282-8519



### The week in focus

#### Botswana

- Inflation continues to decelerate
- BWP: Pula remaining relatively unchanged

#### CMA

- Namibia: Headline CPI prints at 6.2% y/y in June
- ZAR: USD/ZAR continues to battle its way lower

#### Ghana

- Eurobond process is underway
- GHS: Cedi retreats to USD/GHS2.0350 after peaking at 2.0600 earlier in the week

#### Kenya

- VAT bill essential to the achievement of KRA's revenue target
- KES: Shilling losses restricted by the CBK

#### Mozambique

- MPC keeps policy rate unchanged at 9%
- MZN: Metical gains on the back of excess US dollar liquidity

#### Nigeria

- Headline CPI dips below 9% y/y in June
- NGN: Naira boosted by offshore participation in local capital markets

#### Tanzania

- Current account deficit narrows as export growth outpaces that of imports
- TZS: Shilling expected to depreciate as US dollar liquidity runs thin

#### Zambia

- The Access to Information (ATI) Bill to be tabled in parliament in September
- ZMW: Kwacha bucks EM currency trend

### Contents

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



## Botswana

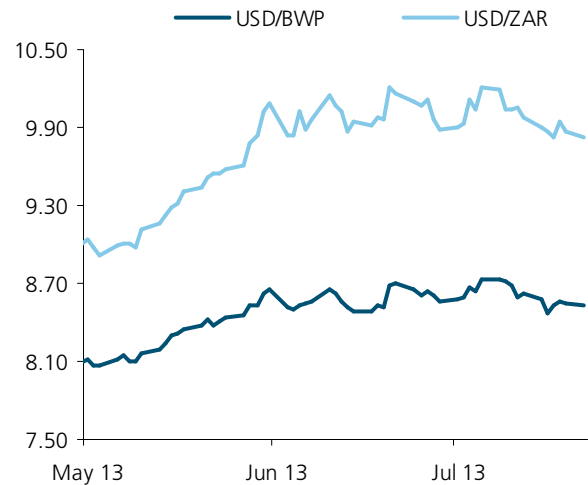
### News flash

- Inflation continues to reflect the deflationary effects of the change in the pula crawl, slipping to 5.8% y/y in June from 6.1% in May. Further falls are likely to take place later this year, implying dips below the 6% upper-end of the Bank of Botswana's (BoB) inflation forecast band. Inflation could even fall as low as 5% by the end of the year, although we expect an average rate around 6% for the rest of this year. After the higher rates at the beginning of the year, this implies an average rate of 6.5%.

### Pula (BWP) in brief

- Last week the pula closed virtually unchanged from the opening levels. The BWP closing levels were 1.1527/56 and 0.1170/73 against the rand and the US dollar respectively. There is no event risk coming from the G8 countries today, as such we expect a relatively quiet and range bound day.

Figure 1: Pula remaining relatively unchanged



Source: Bloomberg  
Data as at July 2013

## CMA

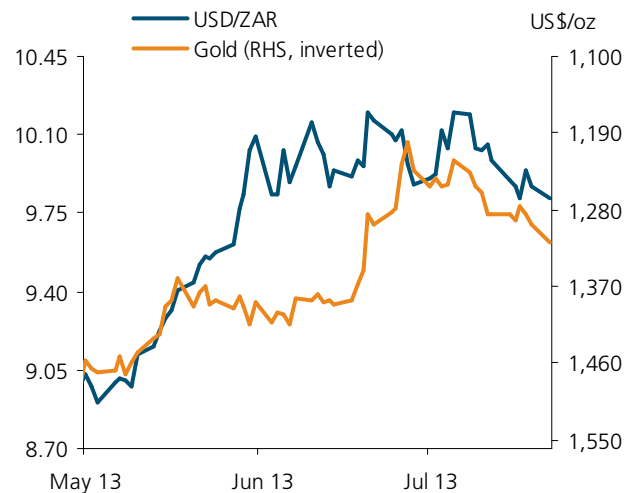
### News flash

- Namibia: Annual headline inflation inched slightly higher in June, printing at 6.2% compared to 6.1% in May. It is apparent from the breakdown that services inflation is increasing at a quicker rate than goods inflation. In terms of goods categories, food inflation appears to have peaked at 7.6%, slightly below our expectation of 8%. Though administered prices appear to have levelled out on an annualised basis, we believe that an escalation in electricity and transport prices will entrench an upward trend in CPI.

### Rand (ZAR) in brief

- From a USD/ZAR9.88 Friday close, it looks like the market will push down to the low 9.80s. A break of last week's 9.78 low is possible later this week but a run to the downside seems unlikely as the pattern of halting gains continues. Last week's break of 9.86 was important technically, supposedly opening the way for a run lower. But the rand has battled to extend its gains partly due to dollar weakness rather than a move in the rand itself. More structurally, it's also probably has a lot to do with the lack of portfolio inflows: after huge net buying at the turn of the month inflows have become very patchy in the past two weeks.

Figure 2: The rand battling its way lower



Source: Bloomberg  
Data as at July 2013



## Ghana

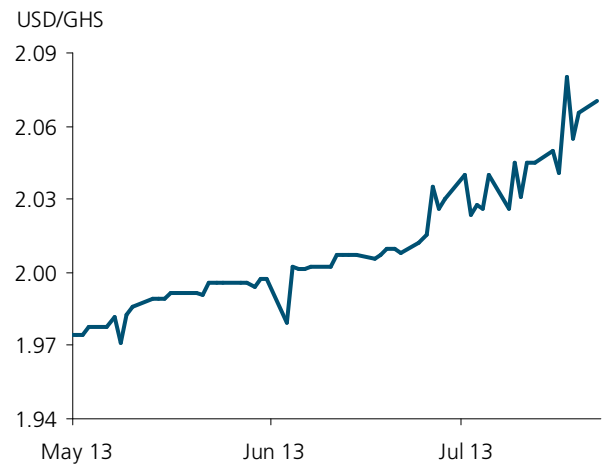
### News flash

- The government has appointed two financial institutions to arrange a series of investor meetings in the US and Europe ahead of a potential Eurobond issuance. The sovereign has also announced its intention to carry out a liability management exercise on its outstanding notes maturing in 2017. This forms part of the government's efforts to tame its current fiscal position. Ghana is planning a supplementary budget where more clarity on the government's deficit target and policy implementation will be provided. The IMF believes that a forecast reduction in the fiscal deficit to about 6% of GDP is feasible by 2015, if measures are implemented as planned.

### Cedi (GHS) in brief

- Having peaked at USD/GHS2.06 last Wednesday, the cedi retreated to 2.0350, where it ended the week. We are of the view that the proceeds from a sovereign bond issuance will assist in easing domestic borrowing requirements, thereby providing the cedi with some respite from persistent weakness.

Figure 3: Respite expected from sovereign bond issuance



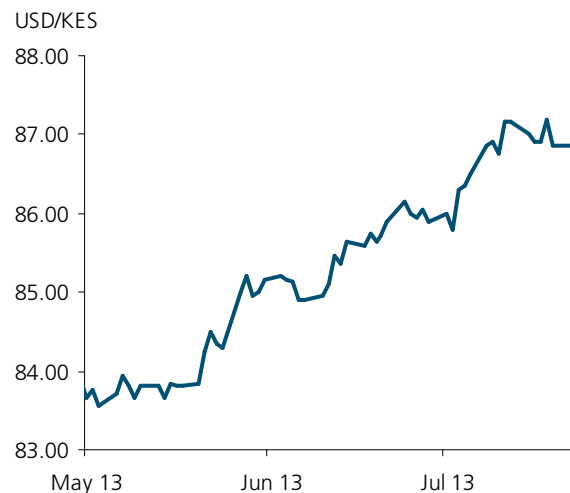
Source: Bloomberg  
Data as at July 2013

## Kenya

### News flash

- Kenya's Revenue Authority has emphasised the importance of the passage of the VAT bill which is crucial to the achievement of its revenue target. The collection of VAT has been complicated by a number of exemptions, which has forced the government to indirectly subsidise excluded goods and services. Various measures, such as the reintroduction of the VAT bill and amendments to customs and excise duties have been implemented to augment domestic revenues. We remain sceptical as revenue growth has disappointed in the past despite increased economic output and a lessening in inflationary pressures. Moreover the collection of aid revenue and the low absorption of donor funds remain challenging. Disappointing revenue growth poses upside risk to our budget forecast of -8.0%.

Figure 4: Import demand to place pressure on shilling



Source: Bloomberg  
Data as at July 2013

### Shilling (KES) in brief

- We expect the CBK to apply a heavier hand to the foreign exchange market to restrict the magnitude of shilling weakness this week, as import demand ramps up ahead of month-end.



## Mozambique

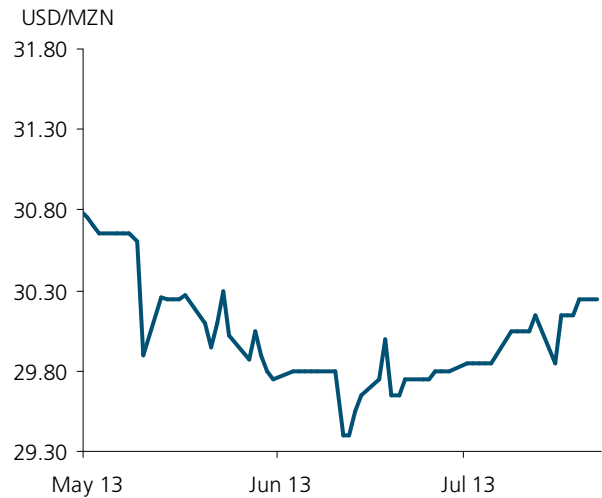
### News flash

- The central bank left its benchmark lending rate unchanged at 9% in July. The latest inflation dynamics reflects the stability of the metical, a slowdown in seasonal behaviour, and a recovery in domestic food production. Headline CPI inched lower in June, printing at 4.86% y/y compared to 4.9% in May. The MPC says stable inflation balances out with the risks associated to uncertainties on global growth front. Our view of an upward trend in inflation for the remainder of the year due mainly to base effects, together with our expectation of a global growth recovery towards the latter part of the year leads us to forecast an unchanged benchmark policy rate for 2013. Further cuts are a possibility in 1H14 as global growth recovers faster.

### Metical (MZN) in brief

- The metical fared positively against the US dollar and the rand in the last two months of 1H13, gaining 5% and 11% respectively. Its performance is attributed to excess dollar liquidity in the local market as oil imports took a seasonal dip and donor funding commitments were lower, but not unexpected.

Figure 5: Metical remains stable due to excess dollar liquidity



Source: Bloomberg  
Data as at July 2013

## Nigeria

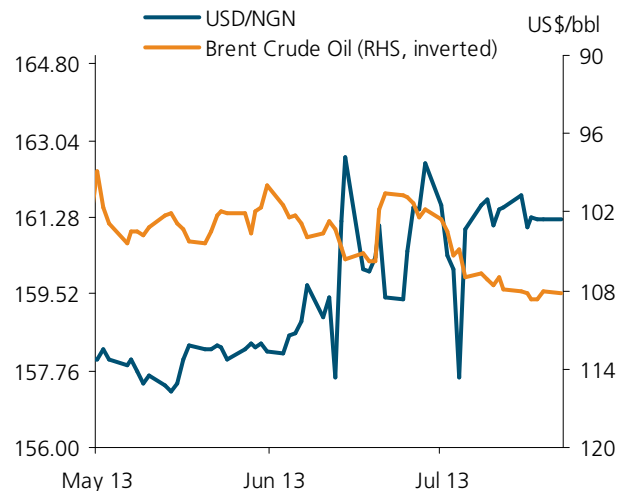
### News flash

- Headline CPI dipped below 9% in June, printing at 8.4%y/y, slightly lower than our expectation of 8.7%. Core inflation eased from 6.2% to 5.5% y/y, while food inflation picked up from 9.3% to 9.6% y/y. The CBN has now met its objective of single-digit inflation for six successive months, which marks the longest sequence since 2008
- A recovery in oil production provided a fillip to government revenues in June. Receipts totalled US\$5.36bn, 46% higher than May's take. An increase in non-oil revenues complimented the oil earnings at the end of 1H13, helping to shore up the Federal government's finances. Oil production is still at risk due to enduring theft and bunkering activities.

### Naira (NGN) in brief

- The naira should receive a welcomed boost from offshore participation in the T-bill auction this week, following on from last week's successful debt offerings. Despite continued CBN support, the unit remains uncomfortably high at USD/NGN161.00. However, a resumption of portfolio inflows should enable a recovery to below 160.00

Figure 6: Offshore participation boosting naira



Source: Bloomberg  
Data as at July 2013



## Tanzania

### News flash

- A narrowing of the trade deficit coupled with a surge in service receipts resulted in a 9.5% decline in the current account balance between April and May. Despite a fall in the volume and value of gold, exports surged on account of traditional agricultural produce, notably cotton, coffee and cashew nuts. A deceleration in the pace of import growth supported a further reduction in the trade deficit. The services account benefitted from a larger number of tourist arrivals, contributing to the US\$0.4bn drop in Tanzania's current account balance in May.
- Malawi is unwilling to entertain any interim agreements regarding the disputed boundary on Lake Malawi until the issue of sovereignty is resolved. The president has vowed to escalate the issue to the International Court of Justice should the African Forum for former Heads of State fail to settle the matter by the end of September.

### Shilling (TZS) in brief

- A resurgence in demand for US dollars could occasion shilling losses this week. A upward breach of USD/TZS1,630 appears likely.

Figure 7: TZS to trade in tight range



Source: Bloomberg  
Data as at July 2013

## Zambia

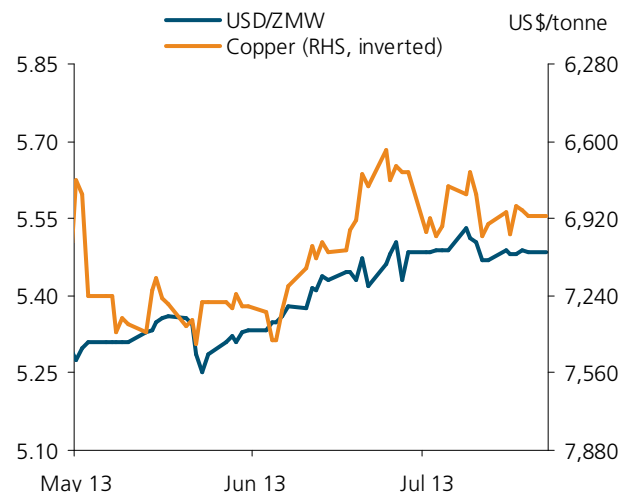
### News flash

- The Access to Information (ATI) Bill will be tabled in parliament in September to allow time for the necessary legislative phases. The proposal seeks to ensure an independent and objective media but has been delayed on several occasions, resulting in scepticism over whether it will be enacted by the end of the year.

### Kwacha (ZMW) in brief

- Once again, the US Federal Reserve reassured markets that it would continue to support the local economy resulting in stability of risky assets last week. Domestically, event risk was limited, reducing the level of kwacha volatility. USD/ZMW meandered in a narrow range of 5.460 to 5.500. Relative to the performance of many other currencies, which have swung wildly on the back of news out of the US and China, the local unit remained calm. We believe that the BoZ will continue to watch developments with keen interest, but should be pleased with recent currency movements.

Figure 8: The local unit remains stable



Source: Bloomberg  
Data as at July 2013



## Spot and implied forward exchange rates

	Currency rates				Outright forwards			
	Last	% change			Maturity			
		1-day	1-week	1-month	1-m	3-m	6-m	12-m
<b>Botswana</b>								
USD/BWP	8.57	0.34	-0.34	0.94	8.58	8.67	8.80	9.06
EUR/BWP	11.21	-0.07	0.14	-0.93	11.28	11.41	11.58	11.93
GBP/BWP	13.02	0.17	0.31	-2.23	13.10	13.24	13.43	13.81
BWP/JPY	11.74	0.79	1.77	4.89	1.14	1.14	1.14	1.14
<b>Ghana</b>								
USD/GHS	2.06	-1.20	0.49	2.48	2.10	2.16	2.26	2.40
EUR/GHS	2.69	-1.61	0.98	0.58	2.76	2.85	2.97	3.17
GBP/GHS	3.12	-1.37	1.15	-0.74	3.20	3.31	3.45	3.67
GHS/JPY	48.92	2.37	0.93	3.31	211.01	216.18	225.29	239.34
<b>Kenya</b>								
USD/KES	87.18	0.32	0.03	1.85	87.00	88.09	89.19	92.81
EUR/KES	114.08	-0.09	0.52	-0.04	114.35	115.82	117.31	122.24
GBP/KES	132.52	0.15	0.69	-1.35	132.78	134.40	136.00	141.43
KES/JPY	1.15	0.81	1.39	3.96	0.86	0.88	0.89	0.93
<b>Mozambique</b>								
USD/MZN	30.15	0.00	0.33	1.34	29.71	30.43	30.62	31.26
EUR/MZN	39.45	-0.41	0.82	-0.53	39.84	40.01	40.28	41.17
GBP/MZN	45.83	-0.17	0.99	-1.84	46.26	46.43	46.69	47.63
MZN/JPY	3.33	1.14	1.09	4.47	3050.39	3061.60	3078.20	3134.68
<b>Nigeria</b>								
USD/NGN	161.23	-0.02	-0.14	0.71	159.75	159.75	159.75	159.75
EUR/NGN	210.97	-0.43	0.34	-1.16	209.98	210.03	210.13	210.41
GBP/NGN	245.09	-0.19	0.51	-2.46	243.82	243.72	243.60	243.43
NGN/JPY	0.62	1.16	1.57	5.13	0.63	1.59	1.59	1.60
<b>South Africa</b>								
USD/ZAR	9.94	1.28	-1.13	0.26	9.86	10.00	10.14	10.35
EUR/ZAR	13.01	0.87	-0.65	-1.60	13.03	13.15	13.33	13.70
GBP/ZAR	15.11	1.11	-0.48	-2.89	15.13	15.26	15.45	15.85
ZAR/JPY	10.11	-0.14	2.58	5.60	10.15	10.06	9.92	9.64
<b>Tanzania</b>								
USD/TZS	1,619.00	0.00	-0.12	-1.19	1,635.00	1,660.00	1,707.50	1,780.00
EUR/TZS	2,118.46	-0.41	0.36	-3.02	2,149.11	2,182.50	2,245.96	2,344.40
GBP/TZS	2,461.04	-0.17	0.53	-4.29	2,495.39	2,532.53	2,603.71	2,712.36
TZS/ZAR	0.06	1.14	1.55	7.15	16.25	16.50	16.99	17.75
<b>Zambia</b>								
USD/ZMW	5.49	0.18	0.37	0.83	5.34	5.36	5.50	5.77
EUR/ZMW	7.18	-0.23	0.85	-1.04	7.02	7.05	7.24	7.61
GBP/ZMW	8.35	0.01	1.02	-2.34	8.15	8.18	8.39	8.81
ZMW/JPY	18.31	0.95	1.05	5.01	0.05	0.05	0.06	0.06

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





## Commodities prices

	Current	m/m % change	y/y % change	Implied volatility	3-month future	12-month future
<b>Metals</b>						
Gold US\$/oz	1,316.93	1.6	-16.9	19.2	1,293.4	1,297.2
Copper US\$/tonne	6,920.00	2.1	-9.2	19.3	6,917.5	6,940.5
<b>Softs</b>						
Cattle US\$/lb	152.25	3.6	11.9	14.8	126.2	127.2
Cocoa US\$/tonne	2,364.00	8.9	6.1	29.2	2,364.0	2,386.0
Coffee — Arabica US\$/lb	122.60	3.3	-34.4	35.0	122.7	131.1
Coffee — Robusta US\$/tonne	0.00	-	-	26.3	1,968.0	1,950.0
Cotton US\$/lb	86.17	1.2	19.6	20.9	86.5	82.9
Maize — Yellow R/tonne	2,200.00	-4.1	-19.1	24.0	2,214.0	2,200.0
Maize — White R/tonne	2,318.00	-0.3	-15.0	23.7	2,333.0	2,173.0
Raw Sugar US\$/lb	16.29	-2.7	-31.9	19.6	17.4	17.4
<b>Energy</b>						
WTI Crude US\$/bbl	108.23	15.5	18.4	21.3	104.4	94.7

## Interest rates

	3-m T-Bill		Policy rate
	June-13 <sup>1</sup>	Current	Current
Botswana	4.82	4.05	8.50
Ghana	23.09	23.06	16.00
Kenya	5.11	6.29	8.50
Mozambique	4.06	4.90	9.00
Namibia	5.15	5.15	5.50
Nigeria	11.50	11.50	12.00
South Africa	5.23	5.17	5.00
Tanzania	11.82	12.60	OMO <sup>2</sup>
Zambia	6.50	7.49	9.75

<sup>1</sup> End of month

<sup>2</sup> Open Market Operations

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

## All rated sub-Saharan countries

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

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

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



## Africa

### Global Markets Africa

Ebrahim Motala  
+27 11 269-9964  
ebrahim.motala@rmb.co.za

### Global Markets Africa Sales

Sylvester Selepe  
+27 11 282-1148  
sylvester.selepe@rmb.co.za

### Global Markets Africa Trading

Roy Daniels  
+27 11 282 4412  
roy.daniels@rmb.co.za

### Africa Structuring

Raveen Ramlakan  
+27 11 269-9150  
raveen.ramlakan@rmb.co.za

### Botswana

Phila Nhlekisana  
+267 364-2830  
pnhlekisana@fnbbotswana.co.bw

### Mozambique

Jeronimo de Faria-Lopes  
+258 21 356-921  
jeronimo.defarialopes@fmb.co.mz

### Namibia

Michelle van Wyk  
+264 61 299-2265  
michellew@fmbnamibia.com.na

### Nigeria

Pardon Muzenda  
+234 1 463-7922  
pardon.muzenda@rmb.com.ng

### Swaziland

Khetsiwe Dlamini  
+268 404-2463  
kdlamini@fmb.co.za

### Tanzania

Keith Blakeway  
+255 768 989-049  
kblakeway@fmb.co.tz

### Zambia

Llewellyn Foxcroft  
+260 (211) 366-800  
lfoxcroft@fmbzambia.co.zm

### India

Harihar Krishnamoorthy: Head: Global Markets  
India  
+91 22 6625-8701  
harihar.krishnamoorthy@firststrand.co.in

## Global Markets regional offices

### Cape Town

+27 21 658-9333

### Durban

+27 31 580-6390

### Port Elizabeth

+27 41 394-2511

### India

+91 22 6625-8701

### London

+44 20 7939-1700

## Business Development — Africa

### Banks and DFIs

Minos Gerakaris  
+27 11 282-8269  
minos.gerakaris@rmb.co.za

### Structured Trade and Commodity Finance

Gregory Havermahl  
+27 11 282-4847  
gregory.havermahl@rmb.co.za

### Investment Banking Business Development: Africa

Ayodele Olajiga  
+27 11 282-4619/+ 234 808 300 2890  
ayodele.olajiga@rmb.co.za

### Investment Banking Property Finance: Africa

Ryan Rhodes  
+27 11 282-4354  
ryan.rhodes@rmb.co.za

## Global Markets contact details

### Africa Sales and Trading

+27 11 282-8664/4412

### Agricultural Trading and Hedging

+27 11 269-9800

### Cross-Asset Solutions

+27 11 269 9030

### Customer Dealing and Sales

+27 11 269-9230/9175

### Distribution and Institutional Solutions

+27 11 269-9295

### Energy and Metals Trading

+27 11 269-9140

### Equities Prime Broking

+27 11 282-1941

### Equity Sales and Research

+27 11 282-8286

### Fixed Income Derivatives Trading

+27 11 269-9065

### Fixed Income Prime Broking

+27 11 282-1941

### Fixed Income Sales

+27 11 269-9040/9100

+27 21 658-9375

### Fixed Income Trading

+27 11 269-9040

### Foreign Exchange Forwards

+27 11 269-9130

### Foreign Exchange Options Trading

+27 11 269-9150

### Funding

+27 11 269-9075

### Global Markets Fund Solutions

+27 11 269 9520

### Futures Clearing

+27 11 282 8375

### Global Markets Structuring

+27 11 269 9150/9030

### Inflation

+27 11 269-9300

### Money Market Trading

+27 11 269-9075

### Nostro Services

+27 11 282-1284

### Reporting Solutions

+27 11 282-1941/4472

### RMB Morgan Stanley Trading

+27 11 269-9260

### RMB Stockbroking Operations

+27 11 282-8401

### Securities Lending

+27 11 269-9719

### Structured Credit Trading

+27 11 269-9295

### Structured Trade and Commodity Finance

+27 11 282-8542

Please email us at [globalmarkets@rmb.co.za](mailto:globalmarkets@rmb.co.za) for more information

[www.rmb.co.za/globalmarkets](http://www.rmb.co.za/globalmarkets)

To subscribe to research, please email [research@rmb.co.za](mailto:research@rmb.co.za)





This research has been written by the Global Markets research team at FirstRand Bank Limited (“the Bank”) (acting through its Rand Merchant Bank Division). Whilst all care has been taken by the Bank in the preparation of the opinions and forecasts and provision of the information contained in this report, the Bank does not make any representations or give any warranties as to their correctness, accuracy or completeness, nor does the Bank assume liability for any losses arising from errors or omissions in the opinions, forecasts or information irrespective of whether there has been any negligence by the Bank, its affiliates or any officers or employees of the Bank, and whether such losses be direct or consequential. Nothing contained in this document is to be construed as guidance, a proposal or a recommendation or advice to enter into, or to refrain from entering into any transaction, or an offer to buy or sell any financial instrument.

This research contains information which is confidential and may be subject to legal privilege. Irrespective of whether you are the intended recipient or not, you may not copy, distribute, publish, rely on or otherwise use anything contained herein without our prior written consent.

Some of our communications may contain confidential information which could be a criminal offence for you to disclose or use without authority. If you have received this communication in error, please notify us at the address below and destroy the communication immediately.

This communication is not intended nor should it be taken to create any legal relations or contractual relationships.

FirstRand Bank Limited is listed on the JSE and Namibian Stock Exchange and is an Authorised Financial Service Provider under South African law. FirstRand Bank Limited is authorised and regulated by the South African Reserve Bank. In the UK, FirstRand Bank Limited is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of FirstRand Bank Limited regulation by the Prudential Regulation Authority are available from us on request.