

4 November 2013

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The week in focus

Botswana

- There were no significant economic news events or data releases last week
- BWP: Pula weakening against the greenback

CMA

- Namibia: There were no significant economic news events or data releases last week
- ZAR: Rand hit despite rise in global risk appetite

Ghana

- Government revises two-year growth and budget forecasts
- GHS: Cedi continues to bumble along as we approach year-end

Kenya

- Headline CPI drops to 7.76% y/y in October from 8.29% in September
- KES: Reduced chance of rate hikes lessens potential for enhanced carry trade returns

Mozambique

- IMF expects economy to grow by 8.3% in 2014
- MZN: Metical trade has been unaffected by the recent political unrest

Nigeria

- AfDB to issue local currency debt in Nigeria
- NGN: Trading off positive momentum

Tanzania

- Economy grows by 7% in 1H13
- TZS: Shilling continues to benefit from lower import demand

Zambia

- Fitch downgrades Zambia sovereign rating from B+ to B
- ZMW: Kwacha's short-term prospects are glum

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Botswana

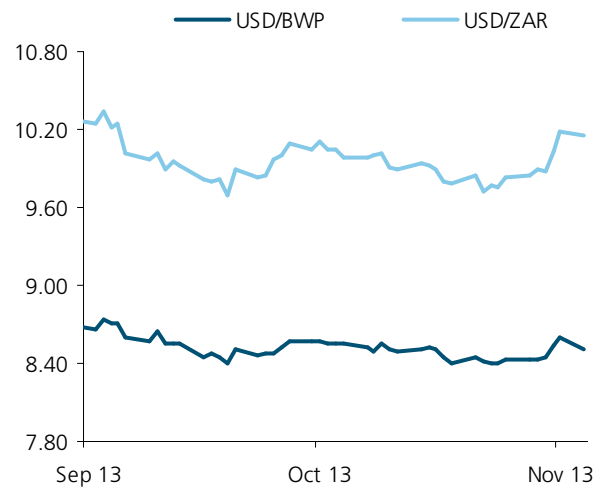
News flash

- There were no significant economic news events or data releases last week.

Pula (BWP) in brief

- The pula weakened against the greenback on Friday following the USD/ZAR performance. The dollar continued its strength against all major currencies after the Fed meeting last week. The pula closed the day weaker at 0.1160/63 from 0.1168/71 in the morning and we expect it to open this morning unchanged at 0.1159/62. Against the rand the pula closed stronger at 1.1766/96 from 1.1722/51 in the morning.

Figure 1: Pula tracks rand to close weaker against the USD



Source: Bloomberg
Data as at November 2013

CMA

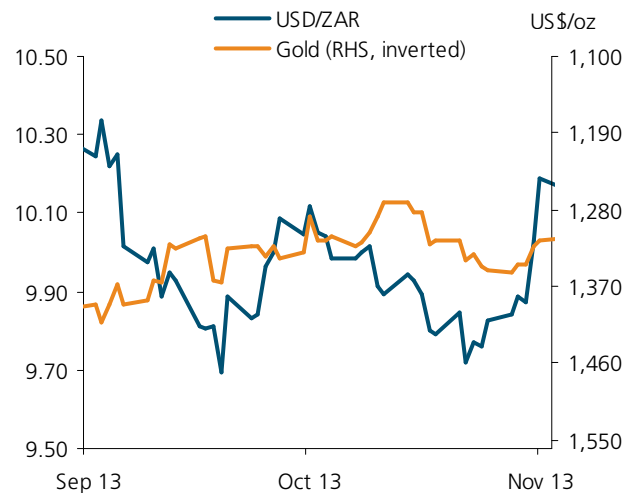
News flash

- Namibia: There were no significant economic news events or data releases last week.

Rand (ZAR) in brief

- The rand was the worst performing currency against a basket of major developed and emerging currencies over the last five trading days. We ascribe the underperformance to three factors. Firstly, the dollar strengthened throughout most of last week due to the rising perception that the US Federal Reserve may start its tapering process as early December and strong manufacturing data out of the world's largest economy. The second factor was euro weakness. The release of lower than expected inflation data for the Eurozone fuelled deflation concerns for the single currency block and the possibility that the ECB will have to ease policy further. The third factor that fuelled rand underperformance was weaker than expected domestic fundamentals. The South African trade deficit surprised markets on the wrong side of consensus expectations, suggesting the current account deficit is yet to react meaningfully to improving global growth prospects, a weak currency and slowing domestic demand.

Figure 2: Rand underperformance driven by dollar strength



Source: Bloomberg
Data as at November 2013



Ghana

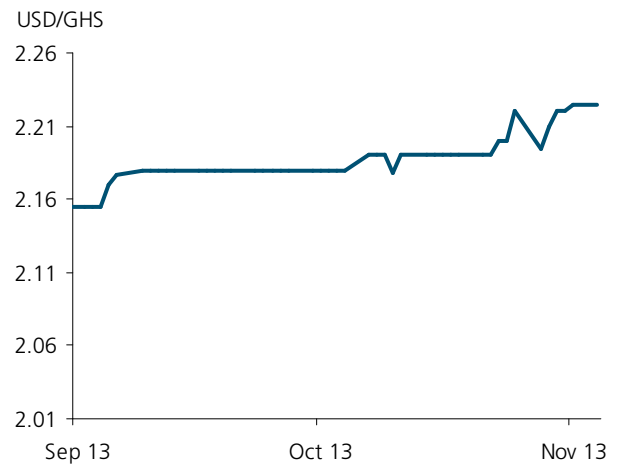
News flash

- The presidency has revised its estimate of GDP growth for 2014 from 7.9% to 7.4% due to short-term challenges, such as high import demand and weak capital inflows, but still considers Ghana's long-term fundamentals as favourable. We remain bullish on growth due to expected increases in oil and gas production and the strong performance of the agricultural sector. The supportive business environment will continue to attract significant investment. We expect growth to print at 7.5% in 2013 and 8% in 2014. The government aims to lower the budget deficit to 9.2% in 2013, a target that we believe could almost be reached (we expect a 9.7% deficit) if all measures are implemented.

Cedi (GHS) in brief

- The cedi continues to bumble along as we approach year-end, strained by unrelenting import demand. At this stage, the central bank needs to renew its commitment to exchange rate stability by adopting stringent liquidity measures to prevent further depreciation.

Figure 3: Unrelenting import demand keeping cedi above 2.18



Source: Bloomberg
Data as at November 2013

Kenya

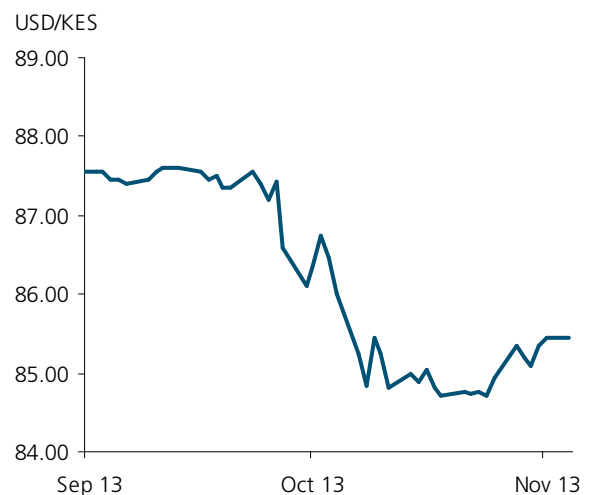
News flash

- Headline CPI dropped to 7.76% y/y in October from 8.29% in September driven by a 0.24% decrease in the food and non-alcoholic index and a 0.16% fall in the housing, water, electricity and gas index due to a reduction in kerosene, electricity and cooking gas prices. These two components of the CPI basket weigh the most at 36% and 18% respectively. The third largest component, namely transport, also experienced a slight decrease of 0.05% due to lower petrol and diesel prices as the international oil price declined. We believe the central bank will keep rates unchanged at the next meeting on 5 November and for the remainder of the year.
- National Treasury announced that public debt has risen to 55% of GDP from 52% at the end of June.

Shilling (KES) in brief

- October's inflation print diminished the possibility of monetary tightening, thereby reducing the potential for enhanced carry trade returns. An easing in inflationary pressures should, however, renew investor interest in long-term shilling-denominated debt, which could provide a fillip to the currency. The shilling is still within striking distance of our year-end forecast of 86.00.

Figure 4: Shilling to remain stable this week



Source: Bloomberg
Data as at November 2013



Mozambique

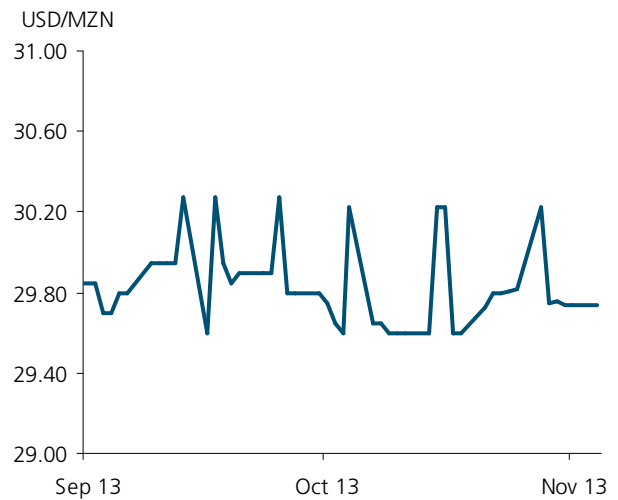
News flash

- After its latest country visit, the IMF says it expects the economy to expand even further in 2014 by 8.3% from the 7% expectation in 2013 due to accelerating business activity mainly driven by the natural resource boom. The IMF added that it only sees money from resources materialising by the end of this decade, and that government should continue enforcing policies that attract investment in the meantime. We similarly expect a 7% to 8% growth rate over the next few years. Large capital inflows into the mining sector will remain the major driver of growth over the medium-term. FDI should continue to grow as new projects come online.

Metical (MZN) in brief

- Metical trade has been unaffected by the recent political unrest, highlighting the disassociation between the financial markets and the real economy. Although there might be a potential loss of export revenue it is difficult to quantify the value at this stage. We anticipate mild depreciation this month as import demand rises ahead of the festive season. However, sustained rand weakness should help to offset the pressure somewhat.

Figure 5: Metical remains steady despite political rumblings



Source: Bloomberg
Data as at November 2013

Nigeria

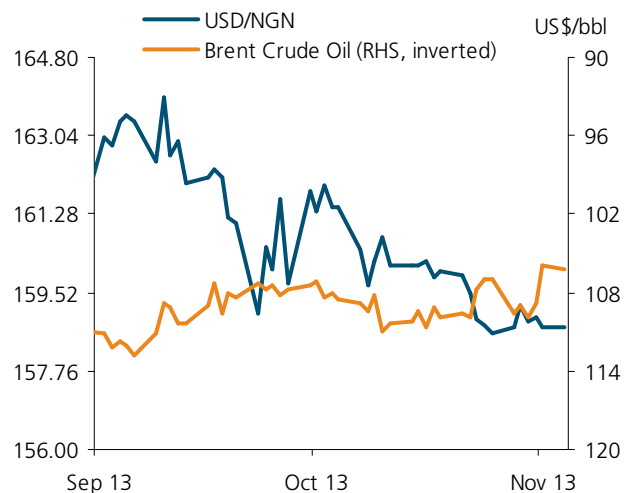
News flash

- The AfDB is set to issue US\$100m in local currency debt in Nigeria within the next few months to help develop the domestic capital market and improve financial liquidity. The AfDB is also set on doing the same in Zambia, Kenya and Tanzania soon, and Botswana, Morocco and Mozambique at a later stage.

Naira (NGN) in brief

- The naira continues to trade off positive momentum following the CBN's implementation of measures to restrict unofficial dollarization. This, together with the prospect of additional month-end inflows from oil exporters should ensure that the local unit remains suspended below USD/NGN160.00.

Figure 6: Positive trading due to month-end flows



Source: Bloomberg
Data as at November 2013



Tanzania

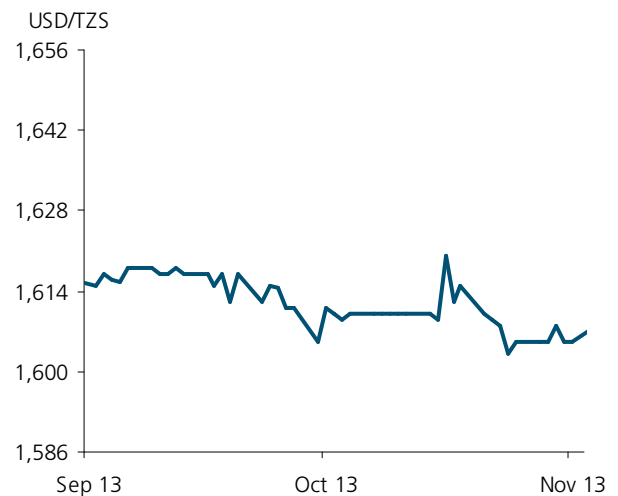
News flash

- GDP growth reached 7% in 1H13, largely driven by financial services, transport and communication and the construction sectors. This matches our 7% growth expectation for 2013. Despite Tanzania's vast mineral wealth, the country incurred losses in 1H13 due to a 12% drop in gold production. According to government statistics, production from major mines declined by 3.1% in 2012. A similar trend has been apparent this year as producers contend with rising costs and falling gold prices. While the outlook for the gold sector poses downside risk to our short-term growth view, it has not eroded our confidence in the country's longer-term prospects.

Shilling (TZS) in brief

- Despite weakening slightly week-on-week, the shilling remains stable below USD/TZS1,620. A lessening in import demand on account of the introduction of a 0.15% excise duty in July, an improvement in electricity generation and distribution, which has reduced operating costs and the development of local industries, has supported a moderation in shilling volatility.

Figure 7: Lessening import demand supports moderation in shilling volatility



Source: Bloomberg
Data as at November 2013

Zambia

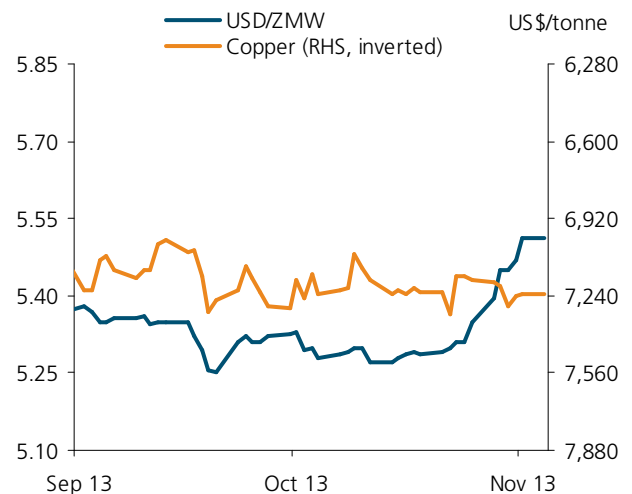
News flash

- Fitch Ratings has downgraded Zambia's Long-term foreign and local currency Issuer Default Ratings to 'B' from 'B+' due to the significant deterioration in government finances. Fitch expects gross general government debt to rise to 36.3% of GDP by end-2013, from 25.5% in 2011, and to reach 40% by 2015.
- Inflation slowed to 6.9% y/y in October from 7.0% in September due to lower food prices. The CPI basket is dominated by the food component (more than 50%) and is therefore sensitive to any changes in prices. The central bank has also kept its key lending rate unchanged last week at 9.75% due to stable inflation supported by a firm kwacha.

Kwacha (ZMW) in brief

- The Fed announcement on tapering last week made prospects for the local unit rather glum. It became obvious that the unit would continue to lose ground and possibly spiral towards uncharted territory. At 5.540, the BoZ decided to act by providing dollars to the market. The rate retraced to a low of 5.440, eventually closing at 5.480 after losing some of the gains from the relief rally. Without central bank intervention, we see the rate going back up to 5.500 and probably beyond.

Figure 8: Kwacha loses steam against the US dollar



Source: Bloomberg
Data as at November 2013



Spot and implied forward exchange rates

	Currency rates				Outright forwards			
	Last	% change			Maturity			
		1-day	1-week	1-month	1-m	3-m	6-m	12-m
Botswana								
USD/BWP	8.53	1.02	1.66	-0.43	8.55	8.64	8.78	9.02
EUR/BWP	11.60	-0.24	0.15	0.07	11.53	11.65	11.84	12.18
GBP/BWP	13.70	0.94	0.75	-1.24	13.61	13.75	13.95	14.33
BWP/JPY	11.52	-0.83	-0.68	0.53	1.19	1.19	1.18	1.18
Ghana								
USD/GHS	2.22	0.00	0.91	1.83	2.21	2.28	2.38	2.54
EUR/GHS	3.02	-1.25	-0.60	2.34	2.98	3.07	3.20	3.43
GBP/GHS	3.56	-0.08	0.01	1.00	3.52	3.62	3.78	4.03
GHS/JPY	44.28	0.18	0.07	-1.70	218.08	224.72	234.20	249.86
Kenya								
USD/KES	85.35	0.29	0.77	-0.87	86.01	87.10	88.63	92.53
EUR/KES	116.07	-0.96	-0.74	-0.38	116.00	117.48	119.57	124.90
GBP/KES	137.00	0.21	-0.13	-1.68	136.94	138.62	140.95	146.94
KES/JPY	1.15	-0.11	0.21	0.98	0.87	0.88	0.90	0.94
Mozambique								
USD/MZN	29.74	-0.07	-0.23	-0.20	29.71	30.10	30.69	31.78
EUR/MZN	40.44	-1.32	-1.72	0.29	40.26	40.60	41.40	42.90
GBP/MZN	47.74	-0.15	-1.13	-1.02	47.53	47.90	48.80	50.47
MZN/JPY	3.31	0.25	1.21	0.30	2945.43	2968.30	3024.41	3126.37
Nigeria								
USD/NGN	158.96	0.06	0.10	-1.76	159.75	159.75	159.75	159.75
EUR/NGN	216.17	-1.19	-1.39	-1.27	215.45	215.47	215.52	215.64
GBP/NGN	255.15	-0.02	-0.80	-2.56	254.36	254.24	254.06	253.69
NGN/JPY	0.62	0.13	0.87	1.89	0.62	1.63	1.63	1.63
South Africa								
USD/ZAR	10.03	1.58	2.80	-0.15	10.21	10.33	10.47	10.75
EUR/ZAR	13.64	0.31	1.26	0.35	13.80	13.93	14.13	14.55
GBP/ZAR	16.10	1.50	1.88	-0.96	16.29	16.44	16.65	17.11
ZAR/JPY	9.80	-1.37	-1.77	0.25	9.64	9.55	9.41	9.13
Tanzania								
USD/TZS	1,605.00	-0.19	0.12	0.00	1,625.50	1,663.50	1,728.50	1,818.25
EUR/TZS	2,182.64	-1.43	-1.37	0.50	2,192.29	2,243.70	2,331.88	2,454.37
GBP/TZS	2,576.19	-0.27	-0.77	-0.82	2,588.21	2,647.45	2,748.92	2,887.43
TZS/ZAR	0.06	0.37	0.85	0.10	16.47	16.87	17.54	18.48
Zambia								
USD/ZMW	5.47	0.37	3.01	2.72	5.34	5.36	5.50	5.77
EUR/ZMW	7.44	-0.89	1.48	3.23	7.20	7.22	7.41	7.79
GBP/ZMW	8.78	0.29	2.09	1.89	8.50	8.53	8.74	9.17
ZMW/JPY	17.97	-0.18	-1.98	-2.55	0.05	0.05	0.06	0.06

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



Commodities prices

	Current	m/m % change	y/y % change	Implied volatility	3-month future	12-month future
Metals						
Gold US\$/oz	1,313.24	0.2	-21.7	18.4	-	1,316.5
Copper US\$/tonne	7,255.50	1.5	-6.6	18.9	7,244.5	7,279.8
Softs						
Cattle US\$/lb	163.50	-0.6	12.8	14.8	132.1	128.9
Cocoa US\$/tonne	2,651.00	1.5	8.3	26.2	2,651.0	2,654.0
Coffee — Arabica US\$/lb	105.55	-7.7	-31.8	21.2	105.6	115.4
Coffee — Robusta US\$/tonne	0.00	-	-	23.1	1,489.0	1,495.0
Cotton US\$/lb	76.95	-10.3	9.4	21.1	76.6	76.7
Maize — Yellow R/tonne	2,312.00	7.2	-9.2	24.0	2,312.0	2,012.0
Maize — White R/tonne	2,407.00	1.6	-4.1	23.7	2,407.0	2,106.0
Raw Sugar US\$/lb	18.25	-1.2	-6.2	17.9	18.7	18.7
Energy						
WTI Crude US\$/bbl	94.49	-9.0	11.3	19.9	95.0	91.0

Interest rates

	3-m T-Bill		Policy rate
	Oct - 13 ¹	Current	Current
Botswana	3.65	3.60	8.00
Ghana	24.28	19.88	16.00
Kenya	9.94	9.79	8.50
Mozambique	5.15	5.15	8.25
Namibia	5.15	5.15	5.50
Nigeria	10.07	10.80	12.00
South Africa	5.11	5.13	5.00
Tanzania	13.68	13.68	OMO ²
Zambia	8.00	7.49	9.75

¹ End of month

² Open Market Operations

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

All rated sub-Saharan countries

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

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



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