

13 January 2014

## The week in focus

### Botswana

- December's Business Expectations Survey shows slump in local confidence
- BWP: BWP/USD and BWP/ZAR to be almost exclusively driven by USD/ZAR

### CMA

- Namibia: Mining industry forecast to be valued at US\$1.3bn in 2017
- ZAR: Weak US non-farm payrolls figure provides rand with brief respite

### Ghana

- BoG introduces new measures to lessen impact of cedi weakness on local economy
- GHS: Cedi expected to come under fire this week

### Kenya

- Sovereign's maiden US\$1.5bn Eurobond issuance is nearing fruition
- KES: USD/KES begins the year hovering below 87.00

### Mozambique

- Headline inflation slows to 3.54% y/y in December from 4.04% in November
- MZN: We expect USD/MZN to gravitate towards 29.00 in 2014

### Nigeria

- Presidency denies claims that it intends to privatise Nigeria's four oil refineries
- NGN: The naira recovered strongly after a shaky start last week

### Tanzania

- Annual headline inflation drifts lower in December, printing at 5.6% y/y
- TZS: The shilling is seasonally weak in the first two months

### Zambia

- Ministry of Finance hints at possible introduction of sovereign wealth fund
- ZMW: Quarterly tax obligations should provide support to the kwacha

## 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
- 

## Analysts

---



### Nema Ramkhelawan-Bhana

Africa Analyst

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

### Celeste Fauconnier

Africa Analyst

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



# Botswana

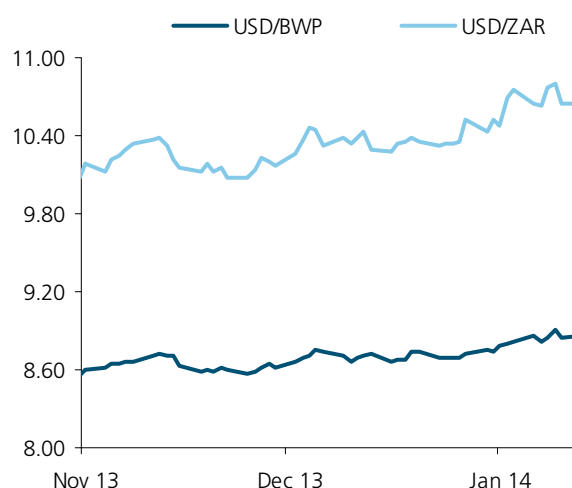
## News flash

- Business confidence slumped to 43% in December, reflecting local firm's uncertainty about the current economic environment. According to the BoB, the latest Business Expectations Survey shows that negative sentiments regarding rising costs of all inputs including utilities, transport and wages are very strong compared with the March 2013 survey, adversely affecting production objectives. The survey does, however, suggest that businesses are more confident about prospects for 2014.

## Pula (BWP) in brief

- The basket peg arrangement and limited crawl implies that BWP/USD and BWP/ZAR rates will almost exclusively be driven by the movements in USD/ZAR. Our forecast for a weak rand in early 2014, followed by mild gains later in the year, generates a BWP/USD forecast of 0.1133 by mid-year and 0.1156 by end-year. The equivalent cross rates on the rand are 1.133 and 1.122. Our forecasts assume a zero crawl in the coming years.

Figure 1: Pula keeping in step with the rand



Source: Bloomberg  
Data as at January 2014

# CMA

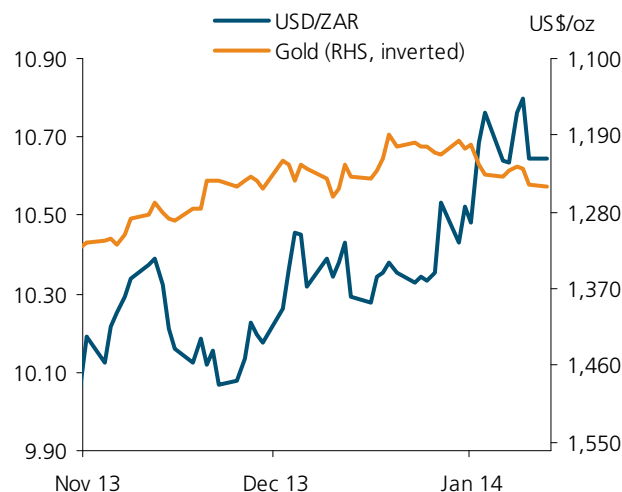
## News flash

- **Namibia:** According to a report by Business Monitor International, the local mining industry should be valued at US\$1.3bn by 2017. Forecasted growth levels for the industry have been lowered due to the sluggish economic backdrop and a precipitous fall in uranium prices in 2013, which led to the postponement of several major projects. The regulatory environment was also marred by tensions between the Chamber of Mines and the government over the possible introduction of a mining super-tax, which is aimed at lessening the administrative burden on companies.

## Rand (ZAR) in brief

- The weak US non-farm payrolls figure has brought some much needed relief for the rand. From a 10.83 high, USD/ZAR has traded back into the low 10.60s and might just be able to dip into the 10.50s this morning. EUR/ZAR and GBP/ZAR have also fallen back but are struggling to regain the early year ranges around 14.50 and 17.45. With event risk limited, volatility should drop away this week but no one would be surprised to see the rand's weakening trend slowly resume.

Figure 2: rand still subject to weakness despite lessening in volatility



Source: Bloomberg  
Data as at January 2014



## Ghana

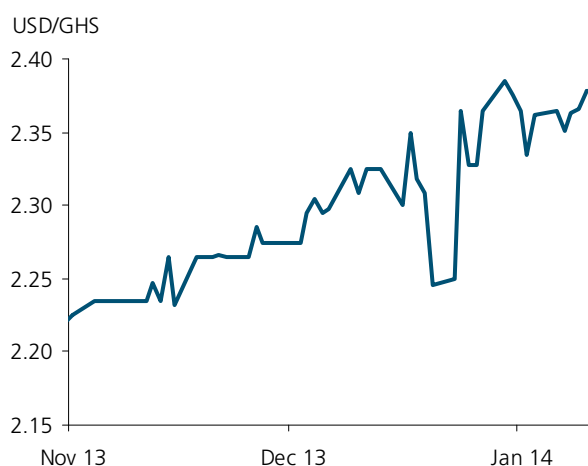
### News flash

- The presidency maintains that an 8.5% fiscal deficit is attainable in 2014. We do not foresee a significant moderation in wages and expect continued high interest payments (especially as short-term domestic interest rates remain elevated). But fiscal consolidation will prevail and we can expect the deficit to continue its downward trend into 2015.
- The BoG has introduced new measures to reduce the impact of exchange rate weakness on the real economy. The restrictions, introduced at the beginning of the week, are aimed at bolstering interbank liquidity and stabilising the cedi. They require that commercial banks actively quote two-way pricing of foreign exchange and limit the spread on corporate transactions to a maximum of 200pips. The BoG has indicated that limits would also be applied to foreign accounts.

### Cedi (GHS) in brief

- The cedi is expected to come under fire this week as corporate demand outpaces the volume of inflows into the interbank market, throwing liquidity conditions off kilter.

Figure 3: Cedi registers new lows against the US dollar



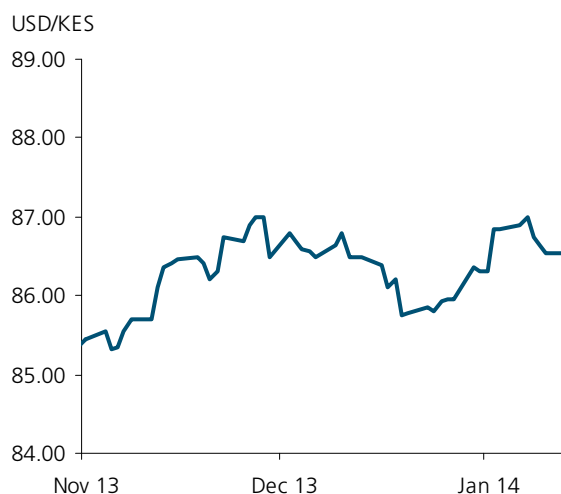
Source: Bloomberg  
Data as at January 2014

## Kenya

### News flash

- Headline inflation drifted back towards 7.1% y/y in December. The index registered a marginal increase of 0.5% m/m, reflecting only slight changes in the goods and services components. We expect inflation to average 6.50% in 2014 and 6.4% in 2015. Favourable base effects will ensure that headline inflation remains near the government's medium-term target of 5%.
- The sovereign's maiden US\$1.5bn Eurobond issuance is nearing fruition. Lead arrangers have reportedly scheduled investor meetings for the week of 20 January, suggesting that the bond will come to market in 1Q14. Though the government intends to issue a Eurobond before the end of FY2013/14 in July, it continues to show a tendency for concessional funding from institutions like the World Bank.

Figure 4: Shilling starting to recoup losses against the US dollar



Source: Bloomberg  
Data as at January 2014

### Shilling (KES) in brief

- USD/KES begins the year hovering below 87.00. Foreign investors have shown renewed interest in Kenyan stocks, bolstering the level of portfolio inflows. This has complemented the recent intake of export earnings, allowing USD/KES to remain comfortably below 87.00.



## Mozambique

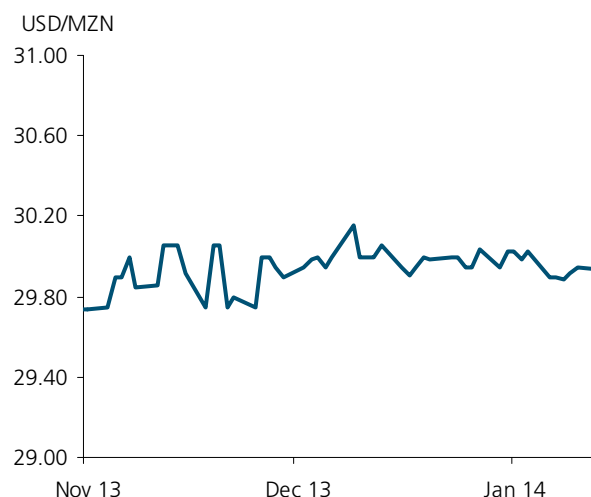
### News flash

- Headline inflation slowed to 3.54% y/y in December 2013 from 4.04% registered the previous month. Headline inflation has hovered below the 5% level for the better part of the last two years. These low rates are supported by effective monetary policy, but most of all by the strength of the local currency against the South African rand (South Africa is Mozambique's largest import partner). The metical has appreciated over 13% against the rand since January 2013.
- The government will attain US\$672m from Japan over a period of five years to assist in the development of infrastructure, particularly in the Nacala Corridor Region.

### Metical (MZN) in brief

- The metical peaked at USD/MZN30.00 last week, touching the level for the first time in almost six months. We expect USD/MZN to gravitate toward 29.00 in 2014 before drifting back to 28.25 in 2015. Short-term momentum indicators, notably the 14-day moving average, suggest an appreciatory bias but this could change depending on prevailing liquidity conditions.

Figure 5: Metical teetering close to USD/MZN30.00



Source: Bloomberg  
Data as at January 2014

## Nigeria

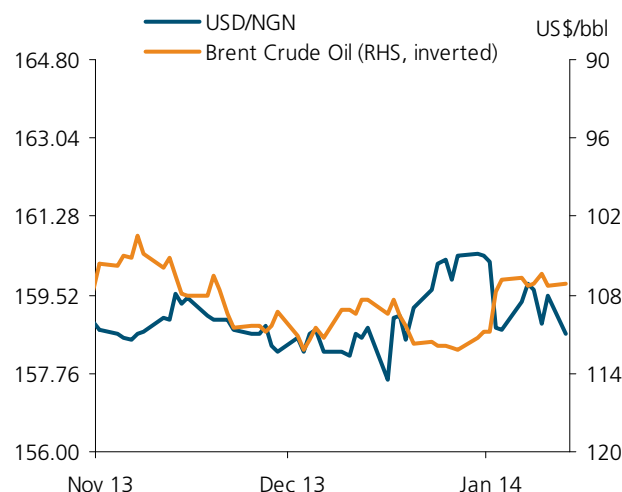
### News flash

- The presidency has denied claims that it intends to privatise Nigeria's four oil refineries, stating that the leadership has not approved any plans to sell the plants. Despite a number of maintenance contracts being doled out over the last 10 years, the refineries operate well below capacity jointly pumping a meagre 445,000bpd, exacerbating Nigeria's fuel burden. Although privatisation is proposed within the Petroleum Industry Bill, it has been seemingly cast aside to avoid strike action by the main oil workers' unions.

### Naira (NGN) in brief

- The naira recovered strongly after a shaky start last week as US dollar sales by multinational oil firms helped to offset the rampant demand by importers. The re-commencement of the CBN's bi-weekly auctions, coupled with sustained inflows into the interbank market should ensure that liquidity conditions remain balanced, keeping the naira in check.

Figure 6: Naira boosted by month-end US dollar sales



Source: Bloomberg  
Data as at January 2014



## Tanzania

### News flash

- Tanzania recorded a 7.1% annual growth rate in 2013, owing to a restoration of purchasing power due to slowing inflation and the continued development of manufacturing, telecommunication and financial services. The World Bank's recent dispensation to the Tanzanian government, valued at US\$60m, should provide impetus to financial activities as the monies will be put towards the Private Sector Competitiveness Project, which aims to improve legal certainty and lower the cost of doing business. We anticipate growth rates to expand by 7.2% in 2014 and 7.5% in 2015.
- Annual headline inflation drifted lower in December, printing at 5.6%. A recipe of factors, including tight monetary policy, fiscal restraint, stability in the international oil market and better regional food supply, suggests that the deceleration in inflation could be sustained over the next two years.

### Shilling (TZS) in brief

- The shilling is seasonally weak in the first two months of the year due to a lack of tangible US dollar inflows. Interbank demand has overwhelmed the market as commercial banks seek out funds to cover their short positions.

Figure 7: Seasonal weakness evident in spot movements



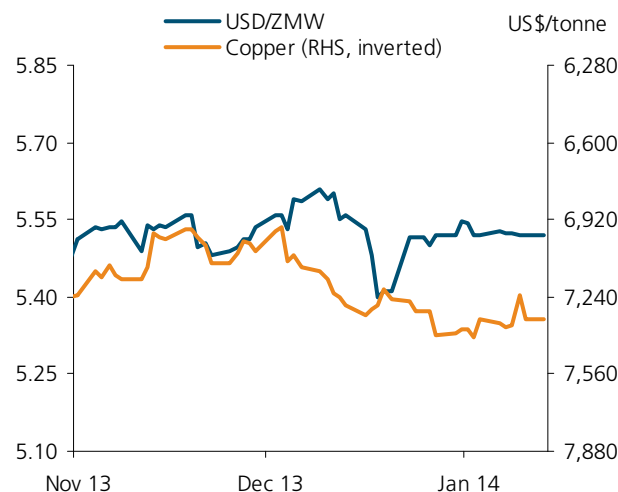
Source: Bloomberg  
Data as at January 2014

## Zambia

### News flash

- The Ministry of Finance has hinted at the possible introduction of a sovereign wealth fund (SWF) but has not disclosed details relating to its possible size or dates of implementations. This type of fund acts as a stabiliser in resource-rich economies. It is a mechanism by which surpluses arising from commodity exports are invested into financial assets, thereby dampening the negative consequences of resource wealth. According to the Centre for Global Development, SWFs can aid in smoothing resource price volatility, help in the formulation of long-term fiscal policy, assist in the management currency appreciation, facilitate intergenerational savings and reduce corruption if structured correctly.

Figure 8: Kwacha seemingly flat against the US dollar



Source: Bloomberg  
Data as at January 2014

### Kwacha (ZMW) in brief

- Indications are that the kwacha will continue to trade within its current range of USD/ZMW5.525/35 with a slight strengthening bias. The third instalment of provisional taxes is due on 14 January. The quarterly tax obligations require companies to make payments in kwacha, hence the conversions are likely to give the local currency support. Support is evident at 5.520 and resistance at 5.535.



## Spot and implied forward exchange rates

	Currency rates				Outright forwards			
		% change			Maturity			
	Last	1-day	1-week	1-month	1-m	3-m	6-m	12-m
<b>Botswana</b>								
USD/BWP	8.90	0.67	1.25	2.32	8.84	8.93	9.07	9.34
EUR/BWP	12.10	0.76	0.57	1.27	12.08	12.22	12.40	12.78
GBP/BWP	14.66	0.76	1.35	2.65	14.57	14.73	14.94	15.36
BWP/JPY	11.77	-0.82	-1.31	-0.83	1.20	1.20	1.20	1.20
<b>Ghana</b>								
USD/GHS	2.37	0.17	1.35	1.78	2.21	2.28	2.38	2.54
EUR/GHS	3.21	0.26	0.67	0.75	3.02	3.11	3.25	3.47
GBP/GHS	3.90	0.26	1.45	2.11	3.64	3.75	3.91	4.17
GHS/JPY	44.27	-0.33	-1.41	-0.31	230.23	235.33	245.33	261.71
<b>Kenya</b>								
USD/KES	86.65	-0.12	-0.23	0.00	87.10	88.50	89.75	93.17
EUR/KES	117.70	-0.03	-0.90	-1.02	119.07	120.97	122.68	127.39
GBP/KES	142.62	-0.02	-0.13	0.32	143.54	145.77	147.73	153.08
KES/JPY	1.21	-0.05	0.15	1.47	0.84	0.85	0.86	0.90
<b>Mozambique</b>								
USD/MZN	29.92	0.10	-0.23	-0.76	29.71	30.31	30.92	32.02
EUR/MZN	40.64	0.19	-0.90	-1.78	41.11	41.44	42.26	43.79
GBP/MZN	49.25	0.19	-0.14	-0.44	49.56	49.93	50.88	52.62
MZN/JPY	3.50	-0.26	0.16	2.25	-	-	-	-
<b>Nigeria</b>								
USD/NGN	158.87	-0.48	0.04	0.40	159.75	159.75	159.75	159.75
EUR/NGN	215.79	-0.39	-0.63	-0.63	218.38	218.37	218.36	218.44
GBP/NGN	261.48	-0.39	0.14	0.72	263.25	263.14	262.94	262.49
NGN/JPY	0.66	0.32	-0.12	1.07	0.66	1.52	1.53	1.53
<b>South Africa</b>								
USD/ZAR	10.80	0.29	1.01	3.93	10.70	10.78	10.93	11.26
EUR/ZAR	14.66	0.38	0.33	2.87	14.61	14.74	14.95	15.39
GBP/ZAR	17.77	0.38	1.11	4.26	17.62	17.76	18.00	18.50
ZAR/JPY	9.70	-0.45	-1.07	-2.36	9.74	9.66	9.52	9.23
<b>Tanzania</b>								
USD/TZS	1,611.50	0.12	3.30	0.22	1,628.95	1,658.02	1,711.75	1,778.06
EUR/TZS	2,188.90	0.21	2.61	-0.80	2,226.75	2,266.38	2,339.76	2,431.22
GBP/TZS	2,652.37	0.22	3.40	0.54	2,684.35	2,731.05	2,817.42	2,921.56
TZS/ZAR	0.07	-0.29	-3.27	1.25	15.64	15.92	16.45	17.11
<b>Zambia</b>								
USD/ZMW	5.52	-0.09	0.00	-1.60	5.34	5.36	5.50	5.77
EUR/ZMW	7.50	0.00	-0.67	-2.61	7.30	7.33	7.52	7.90
GBP/ZMW	9.09	0.00	0.10	-1.29	8.80	8.83	9.06	9.49
ZMW/JPY	18.98	-0.07	-0.08	3.13	0.05	0.05	0.05	0.06

Source: Bloomberg, Reuters, RMB Global Markets  
All data as at January 2014



## Commodities prices

	Current	m/m % change	y/y % change	Implied volatility	3-month future	12-month future
<b>Metals</b>						
Gold US\$/oz	1,250.68	1.0	-24.8	16.6	1,247.5	1,250.3
Copper US\$/tonne	7,283.50	0.9	-9.8	17.6	7,308.5	7,269.5
<b>Softs</b>						
Cattle US\$/lb	168.65	0.9	12.5	14.8	137.0	132.6
Cocoa US\$/tonne	2,712.00	-2.6	20.2	22.3	2,712.0	2,713.0
Coffee — Arabica US\$/lb	120.65	5.4	-21.3	26.4	120.7	130.0
Coffee — Robusta US\$/tonne	0.00	-	-	27.6	1,739.0	1,673.0
Cotton US\$/lb	83.03	-0.2	9.8	19.8	82.6	77.5
Maize — Yellow R/tonne	2,750.00	3.0	25.8	24.0	2,750.0	2,216.0
Maize — White R/tonne	2,910.00	7.9	37.2	23.7	2,910.0	2,340.0
Raw Sugar US\$/lb	15.57	-4.3	-18.8	17.0	17.2	17.2
<b>Energy</b>						
WTI Crude US\$/bbl	92.36	-4.4	-1.3	16.1	92.7	87.5

Source: Bloomberg

## Interest rates

	3-m T-Bill <sup>1</sup>		Policy rate
	Dec - 13	Current	Current
Botswana	3.58	3.52	7.50
Ghana	18.68	17.50	16.00
Kenya	9.63	9.63	8.50
Mozambique	5.21	5.23	8.25
Namibia	5.15	5.57	5.50
Nigeria	10.89	10.90	12.00
South Africa	5.15	5.09	5.00
Tanzania	13.54	13.40	OMO <sup>2</sup>
Zambia	7.41	7.75	9.75

<sup>1</sup> End of month

<sup>2</sup> Open Market Operations

Source: Bloomberg, Reuters, FNB Mozambique, RMB Namibia, RMB Global Markets  
All data as at January 2014

## 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+

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

The sources used to compile this document are: EIN News desk, Bloomberg, Reuters, AllAfrica.com, respective central bank, FNB subsidiaries 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  
michellevw@fnbnamibia.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@firstrand.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

Suresh Chaytoo  
+27 11 282-8154  
suresh.chaytoo@rmb.co.za

### Structured Trade and Commodity Finance

Belinda Dreyer  
+27 11 282-8187  
belinda.dreyer@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.

#### Ratings disclaimer

Ratings are not a recommendation or suggestion, directly or indirectly, to any person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer. Ratings do not comment on the adequacy of market price, the suitability of any investment, loan or security for a particular investor (including without limitation, any accounting and/or regulatory treatment), or the tax-exempt nature or taxability of payments made in respect of any investment, loan or security.

The ratings agencies (Fitch, Moody’s and S&P) are not your advisor, nor are they providing any person any financial advice, or any legal, auditing, accounting, appraisal, valuation or actuarial services. A rating should not be viewed as a replacement for such advice or services. Ratings may be raised, lowered, placed on Rating Watch or withdrawn at any time for any reason in the sole discretion of the agencies. The assignment of a rating by the agencies does not constitute consent by the ratings agencies to the use of its name as an expert in connection with any registration statement or other filings under US, UK or any other relevant securities laws.