

Monthly Developments in the Macroeconomic Environment

March 2024

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Outline of presentation

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Recent Developments & Outlook**

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**Recent Developments in the African
Macroeconomic Environment**

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01

Global Macroeconomic Environment: Recent Developments & Outlook





Global Macroeconomic Environment: Recent Developments

Growth remains fragile

Global growth remains slow and fragile with offsetting results recorded in some major economies. Although the US economy expanded in Q4 2023, the UK and Japanese economies plunged into recessions while the Euro Area stagnated, we still expect stronger growth in 2024 over 2023.

High Inflation and rate pause

Inflation remains elevated at high levels and we still expect it to trends downwards in 2024 but may be further stoked in 2024 by the attacks in the Red Sea, potentially dashing hopes of a rate cut by central banks.

Climate change

Climate change and El Niño which is set to peak by mid-2024 threaten food and water security in Africa, Middle East, causing flood, drought and heatwaves.

Deepening geopolitical tensions

Continuing and deepening tensions in Russia/ Ukraine, USA/China, China/Taiwan, Israel/Palestine, USA/Russia, Israel/Egypt and many conflicts in Africa

Added EU & US sanctions on Russia

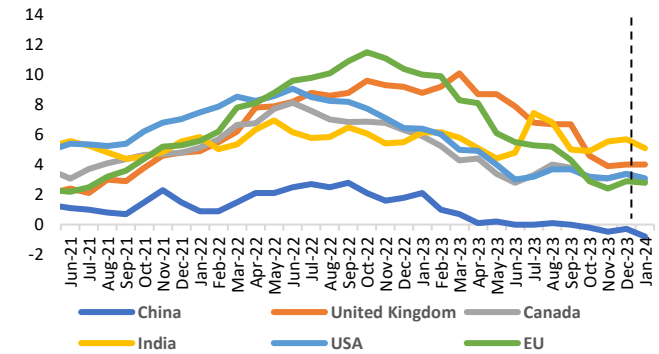
The war in Russia/Ukraine is poised to further cripple the global economy in 2024 as the EU & US starts targeting entities supporting Russia's war in Ukraine as it unveils its 13th package sanction, with more focus on Chinese and Indian businesses.

De-dollarization in Egypt and Iran ?

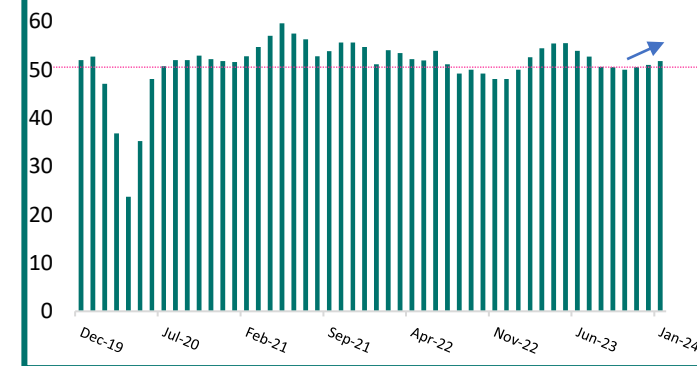
Both countries have de-dollarized their international trade as part of a broader geopolitical realignment with the BRICS, with implications for international trade

Inflation still trending downwards but deceleration has slowed

Inflation in major economies



JP Morgan PMI



Global output expanded in January continuing consistent improvements



Zooming in on major global economies



China

Despite growing at 5.3% in Q4 2023 above government's 5% target, China's long-term growth is slowing and may still weigh on global growth in 2024 and beyond.

High debt and a property sector crisis has undermined confidence in the sector that accounts for about 25% of GDP are weighing on output.

To stimulate the sector, there are a number of interventions, including the "Project Whitelist" mechanism aimed at helping financial institutions reduce risks by recommending suitable residential projects for financing, in addition to a record cut in benchmark mortgage interest rate seen in the slashing of five-year loan prime rate from 4.3% to 3.95% to stimulate demand from home buyers.

United Kingdom

Economic recession



The UK economy plunged into a recession after recording a GDP contraction of 0.3% in Q4 2023 after initially posting -0.1% in Q3 2023.

This occurred after a broad-based decline in output (services & industrial) and spending (exports, imports, household and government spending), leading to the weakest growth in 2023 since 2009 after the aftermath of the GFC

United States

Inflation cools amid growth



The US economy grew 3.3% in Q4 2023 driven by consumer and government spending, bringing the annual growth pace of the economy to 2.5% in 2023.

US Inflation also back on downward trend in January 2024 (3.1%) after a moderate seasonality-induced rise in December (3.4%)

Euro Area

Stagnation amid mixed growth



The eurozone stagnated in Q4 2024 as persistently high inflation, record-high borrowing costs, and weak external demand continued to exert downward pressure on growth. However, Germany contracted by 0.3%, primarily due to weaknesses in the industrial sector, while France's GDP stalled.

Economic growth in Spain and Italy reached to 0.6% and 0.2%, respectively

Dutch GDP expanded by 0.3%, marking the end of a three-quarter period of contraction

Japan

Economic recession



Shrank -0.1% in Q4 2023 as private consumption, which accounts for more than 50% of the economy, declined for the third successive quarter amid elevated cost pressure and lingering global headwinds

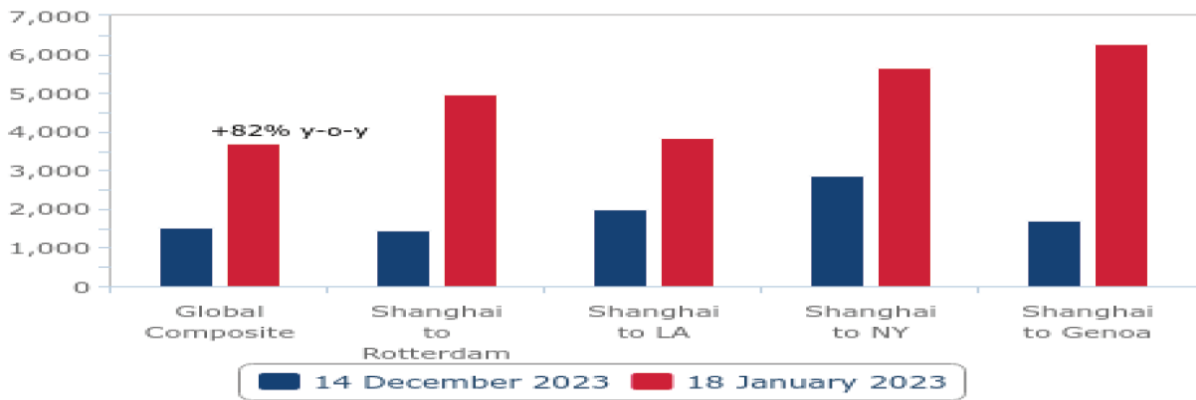
The contraction of the Japanese economy defied initial market forecast of a 0.3% growth.



Red Sea Attacks: Impact on international Trade

Red Sea attacks contribute to spike in freight rates

Drewry Container Index, USD per 40ft Container



Source: Bloomberg, Drewry, BMI

Impact on Global Brands

Raw materials delays

Production halts

Higher freight rates

Price changes

Extra 4,000 miles

EV sales affected by delivery delays

Output delivery delays

Lack of components

Extra 10 days

Uncertainty

Suspension of production

Autos, Energy, Logistics, and Retailers

Tesla, Volvo, Michelin, Geely & Suzuki

BP & Shell, Adidas & Marks & Spencer, DHL & FedEx

The Israel/Palestine war and the solidarity assaults on the Red Sea by Yemen's Houthi Rebels has caused:

◆ Disruption to international trade

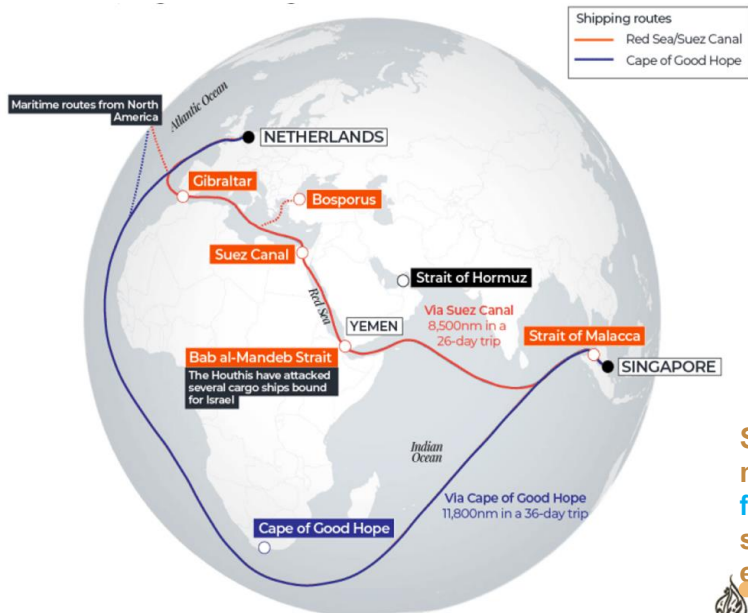
Disrupted international trade in the shortest shipping route between Europe and Asia. supply disruptions affecting major companies' production. Transit volumes are now down 62%

◆ Rerouting of commercial vessels

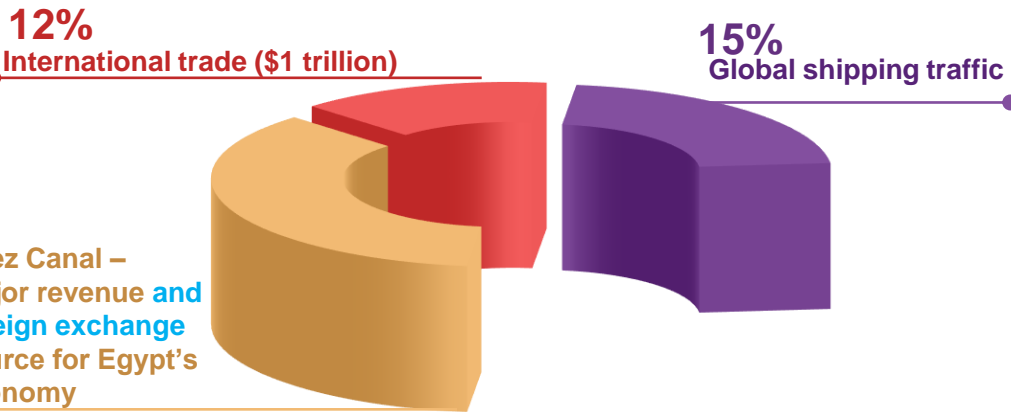
Forced commercial vessels/ships to reroute from the shorter Suez Canal and the Bab al-Mandeb Strait to the longer alternative route of (10 days longer) around South Africa's Cape of Good Hope.

◆ Higher freight and insurance costs

These higher freight rates from the longer journey causing delays and additional insurance costs may once again stoke inflation in 2024



Strategic relevance of the Sea





Outlook for 2024



01

Expectation of global output growth remaining unchanged at 3.1%.



02

In developing markets, growth is expected to stabilize about same levels recorded in 2023 or drop slightly in 2024.



03

Interest rates are unlikely to be cut until sometime in Q2/Q3 2024. However, risks of rate hikes/hold are now emerging linked to potential inflationary pressure from Red Sea disruptions.



04

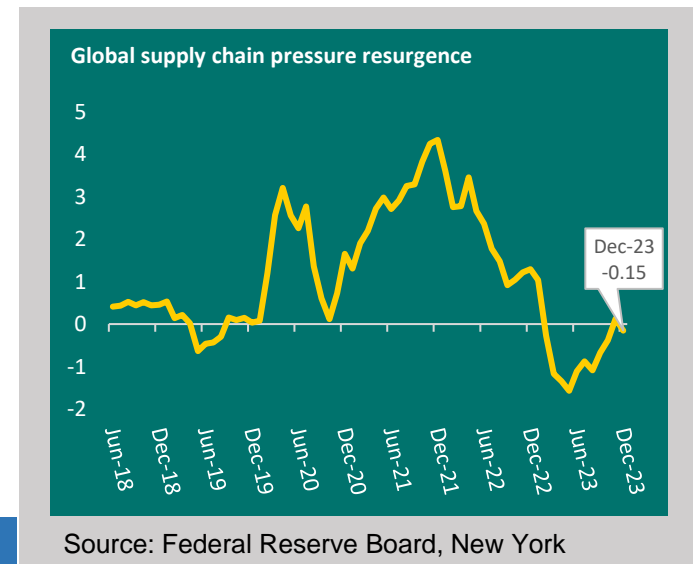
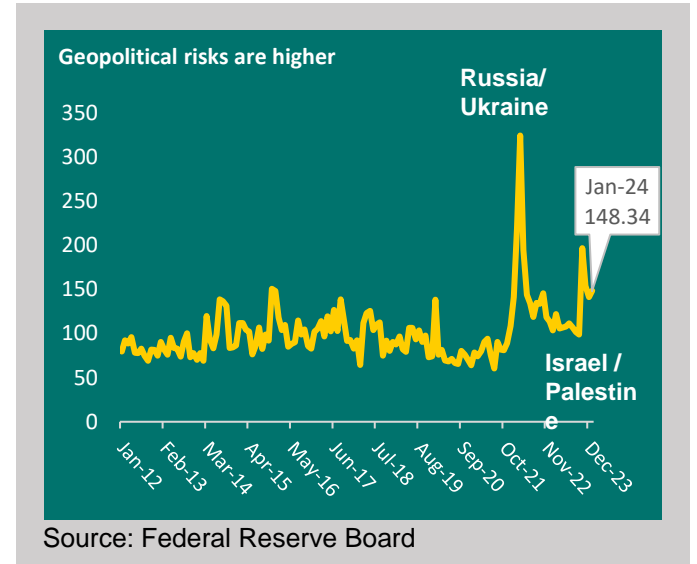
Inflation is expected to continue easing in 2024, although at a slower pace in most countries.

Risks from Red sea Disruptions



05

Heightened risks of escalation of geopolitical tensions that may drive oil prices.



Earlier expectations of lower global inflation in 2024 and prospects of rate cuts by Central Banks, after the longest aggressive monetary tightening in decades (18 months+) since 2022, may now be unrealizable as the war and its disruptive impacts on the Red Sea may stoke inflation and cost of living in 2024. If this happens, the global monetary policy environment may remain tighter for longer. Shrinkflation/Flavorflation are now more likely as companies try to navigate the higher cost environment.



02

Recent Developments in the African Macroeconomic Environment



Africa: A mixed bag of prospects



Africa

Improved regional growth prospects

- Expected average GDP growth of **3.5%** in 2024 from 3.3% in 2023 –
- However, challenges from **domestic and global headwinds** abound

Fragile and offsetting growth in major economies

- **The Good** – Nigeria's growth to **edge up to 3.1%** in 2024 driven by critical oil sector reforms.
- **The Bad** – South Africa's persistent **energy crisis** and **mining sector** challenges which limited growth to **0.5%** in 2023 to continue weighing on its growth in 2024 with little tendency for change
- **The Ugly** – Egypt's economy could **slowdown to 3.4% in 2024 from 4.2% in 2023** driven by weaker demand and lower imports linked to **FX scarcity**.

Regional tensions affecting the AU

- Rwanda and DRC - M23 Rebels in DRC
- Somalia and Ethiopia - violation territorial integrity violation
- Morocco and Algeria - Status of Western Sahara
- Coup sanctions- Gabon, Niger, Mali, Guinea, Sudan and Burkina Faso.

Debt burden and fiscal sustainability

Debt distress has emerged as 18 African countries recorded a debt-to-GDP ratio of **70%** in 2023, including Zambia.

In Ghana, debt servicing gulps nearly **20%** of tax revenue

Fiscal stability still elusive despite greater revenue mobilisation drive and energy reforms (Nigeria & Angola)

Inflation & tighter monetary policy

African economies are also contending with high and re-accelerating inflation necessitating tighter monetary policies to tame inflation and address currency depreciation.

Ghana (23.5%) and Nigeria (29.9%) are hot inflation zones with Ghana's inflation regaining momentum after 6 consecutive months of decline.

Climate change & economic stability

Food security, livelihoods and economic stability remains threatened by climate change in agriculture-dependent economies affected by acute drought in the Horn of Africa (Djibouti, Eritrea, Ethiopia, and Somalia). The losses from Cyclone Freddy which hit South Africa in 2023 also exposes its vulnerability to climate change.

The effect of climate change underscores the need for climate resilience strategies

Weak intra-African trade

Weaker international trade and low demand from developed markets for African exports weighed on growth in 2023.

Regional tensions affecting intra-African trade and a further slowdown in international trade on the back of increased attacks by Houthi Rebels on the Red Sea may pose major risks to the growth of the continent in 2024



Region's resilience is been challenged by rising debt and debt service payments, increasing demands by their citizens to spend more at a time financial resources are weakened and at the same time currencies are unstable

Macroeconomic performance of African economies (1/3)

Country	GDP (%)		Inflation (%)		Foreign reserves (US\$, mn)		Interest rate (%)		External Debt (US\$, mn)	
	Previous	Last	Previous	Last	Previous	Latest	Previous	Latest	Previous	Latest
Algeria	3.8	3	8.9	7.8	65,442.00	64,673.00	3	3	3,209.00	3,114.00
Angola	0.02	0.6	20.01	21.99	14,733.00	14,579.00	18	18	52,066.00	50,260.00
Benin	5.5	5.8	0.4	-1.2	1,329.70	1,755.60	5.5	5.5	8,008.10	9,362.10
Botswana	3.3	0.5	3.5	3.9	4,676.00	4,748.00	2.4	2.4	18,864.00	20,004.00
Burkina Faso	4	4.6	1	4.3	275.6	316.6	5.5	5.5	4,594.00	4,947.00
Burundi	3.1	1.8	20.38	19.99	216714	347471	12	12	1788748	1793610
Cape Verde	3.4	2.7	1.3	0	70955	70614	1.25	1.25	1,999.50	2,133.10
Cameroon	3.6	3.9	6.2	5.9	5,134.10	5,402.70	5	5	16,409.40	16,982.60
Central African Republic	1	0.5	0.98	2.32	420.5	459.2	5	5	1,070.50	1,044.20
Chad	-1.2	2.4	-1.7	1.9	1,008.50	794.6	5	5	3,955.80	3,963.40
Comoros	2.2	2.6	1.8	1.1	282.7	287.2	2.87	3.08	279.1	280.7
Congo	6.2	8.5	40.4	42.5	4,611.00	4,808.00	25	25	4,249.00	4,249.00
Congo Rep.	1.5	3.2	4.7	5	564.5	822.8	5	5	7,176.40	7,564.10
Côte d'Ivoire	6.5	6.6	3.7	3.9	8,892.90	8,537.20	5.3	5.5	32,222.00	34,309.50
Djibouti	4.8	3.7	3.6	3.8	580.1	624.2			3,263.50	3,526.30
Egypt	2.9	2.7	33.7	29.8	35,220.00	35,250.00	19.25	21.25	165,361.00	164,728.00
Equatorial Guinea	-0.9	3.1	-1.3	5	1,456.70	1,540.40	5	5	1,838.50	1,868.20
Eritrea	2.5	2.3	4.5	7.5	285.2	240.4			726.8	732.5
Eswatini	3.6	3.1	4.8	5.5	506	469.5	3.8	3.7	831.3	864.6
Ethiopia	6.4	7.5	28.3	28.7	1,174.70	726.7	7	7	28,601.40	30,107.00
Gabon	1.5	3	2.3	2.25	1,411.30	1,305.00	5	5	7,844.10	7,835.70
Gambia	4.3	5.2	17.3	16.15	568.2	595.6	17	17	1,165.80	1,239.10
Ghana	3.2	2	23.2	23.5	5,205.00	5,094.00	29	29	28,412.00	29,185.00
Guinea	3.9	4.7	7.94	9.27	1,816.00	1,725.00	11	11	5,701.70	5,760.10
Guinea Bissau	4.5	4.5	3	3.1	381.6	—	5.25	5.5		
Kenya	5.5	5.9	6.6	6.9	14,211.00	-14,155.00	12.5	13	5,896.00	6,090.00
Lesotho	1.29	0.59	6.8	7.2	783.7	837.4	7.75	7.75	18194	18,112.00
Liberia	5	4.8	9.96	10.14	599.7	630.6	20	20	1,136.00	1,173.00
Libya	28.3	-12.1	2	1.8	79,887.10	80,686.00	3	3	4,897.20	4,978.20

Macroeconomic performance of African economies (2/3)

Country	GDP (%)		Inflation (%)		Foreign reserves (US\$, mn)		Interest rate (%)		External Debt (US\$, mn)	
	Previous	Last	Previous	Last	Previous	Latest	Previous	Latest	Previous	Latest
Madagascar	5.7	4.2	7.2	7.4	2,159.90	2,381.50	9.5	9.5	5,810.00	6,109.40
Malawi	1.2	1.5	34.5	35	990	1415	24	26	2,021,553.00	2,812,734.00
Mali	4.1	5.2	0	-0.5	1,052.90	1,125.20	5.5	5.5	6,559.10	7,339.00
Mauritania	2.4	7.1	1.6	1.8	1,605.00	1,689.00	8	8	4,397.00	4,320.00
Mauritius	6.8	4.8	3.9	5.2	7,254.00	7,154.00	4.5	4.5	79,518.00	83,784.00
Morocco	2.3	2.8	3.4	2.3	359,410.00	354,526.00	3	3	694,237.00	676,819.00
Mozambique	5.92	5.36	4.29	4.19	3,025.00	3,084.00	17.25	16.5	64,021.20	63,750.40
Namibia	5.5	7.2	5.31	5.45	54,858.00	55,793.00	7.75	7.75	37,545.00	37,542.00
Niger	4	3.3	7.18	6.9	1,494.70	827	5.5	5.5	5,403.30	5,688.40
Nigeria	2.54	3.46	28.92	29.9	32,870.00	33,370.00	18.75	18.75	43,159.00	41,595.00
Rwanda	6.3	7.5	6.2	3.1	1,726.00	1,610.30	7.5	7.5	6,053.00	6,256.00
Sao Tome and Principe	1.9	0.9	16.6	17	64.5	56.7	10	10	307.8	318.4
Senegal	3.2	4.5	0.8	2.1	3,935.00	4,430.00	5.5	5.5	32,414.40	33,310.70
Seychelles	1	-12	-2.71	-2.02	681	682	2	2	8355	8235
Sierra Leone	3.5	3.4	54.2	52.16	624.6	600	22.25	22.25	2,389.70	2,378.30
Somalia	3.3	2.4	6.59	6.19	-	-	8.25	8.25	4,698.40	4,729.80
South Africa	1.5	-0.7	5.1	5.3	62,518.00	61,188.00	12	12	155,565.00	156,096.00
South Sudan	-2.3	-2.9	0.8	5.8	-	-	27.3	28.3	-	-
Sudan	-1.9	0.7	83.6	63.3	486.4	243.2	7.5	7.5	36,039.90	35,687.10
Tanzania	-1.1	0.1	8.2	8.1	8,919.70	8,409.60	8	8	41,099.70	41,221.30
Togo	5	5.6	3.5	2	2,114.30	1,992.20	5.5	5.5	3,113.50	3,132.80
Tunisia	-0.2	-0.2	8.1	7.8	26,527,220.00	27,816,557.00	8	8	129,053.00	129,435.00
Uganda	5.4	5.3	2.6	2.8	3,808.00	3,685.00	9.5	9.5	19,872.60	21,408.20
Zambia	5.7	5.1	13.1	13.2	2,889.00	3,034.00	11	12.5	8,274.00	7,925.00
Zimbabwe	8.5	6.5	26.5	34.8	588.8	215.3	130	130	14,324.00	13,325.00

Russia	4.9	5.5	7.4	7.4	598,592.00	585,448.00	16	16	322,000.00	327,000.00
United States	2.9	3.1	3.4	3.1	37,316.00	36,439.00	5.5	5.5	25,099,063.00	25,649,607.00
China	4.9	5.2	-0.3	-0.8	3,237,977.00	3,219,320.00	3.45	3.45	2,746,600.00	2,452,800.00
United Kingdom	0.2	-0.2	4	4	190490	185469	5.25	5.25	7,235,456.00	7,394,049.00
EU	0	0.2	3.4	3.1	87.40	87.40	4.5	4.5	-	-

* External debt in BWP Million for Botswana, EUR Million for Burkina Faso, BIF Million for Burundi, KES Billion for Kenya, LSL Million for Lesotho, MWK Million for Malawi, MUR Million for Mauritius, MAD Million for Morocco, NAD Million for Namibia, SCR Million for Seychelles, SZL Million for Swaziland, and TND Million for Tunisia

* Foreign Reserves in BIF Million for Burundi, CVE Million for Cape Verde, MWK Billion for Malawi, MAD Million for Morocco, NAD Million for Namibia, SZL Thousand for Swaziland, and TND Thousand for Tunisia

Macroeconomic performance of African economies (3/3)

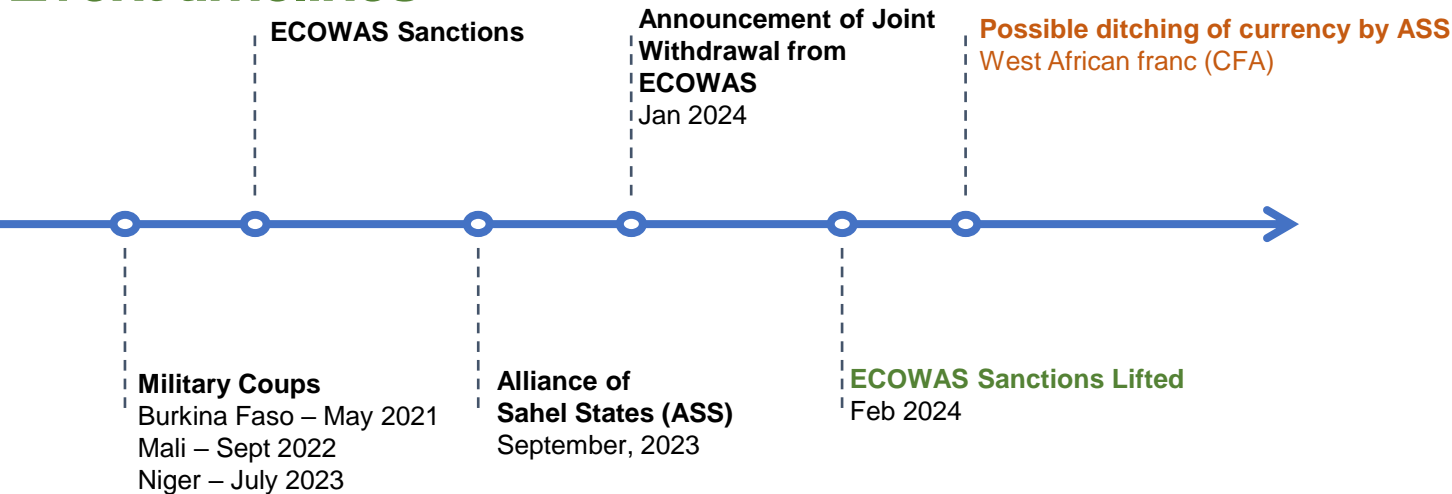
Country	31-Dec-23	03-Feb-24	23-Feb-24	% change
Angola	828.8	828.8	840	1.35%
Burkina Faso	589.19	599.29	602.25	0.49%
Burundi	2,878.96	2,884.14	2,887.22	0.11%
Cameroon	594.54	608.03	606.13	-0.31%
Egypt	30.83	30.96	30.8965	-0.21%
Ethiopia	56.56	56.75	57.533	1.38%
Ghana	11.88	12.296	12.3939	0.80%
Mali	589.19	599.29	602.25	0.49%
Mozambique	63.69	63.25	63.23	-0.03%
Niger	589.19	599.29	602.25	0.49%
Nigeria	899.89	1368.25	1489.396	8.85%
Senegal	589.19	599.29	602.25	0.49%
South Africa	18.29	18.63	19.3218	3.71%
Tunisia	3.07	3.12	3.1135	-0.21%
Zambia	25.44	27.21	22.9952	-15.49%

Source: Trading Economics



West Africa – Burkina Faso, Mali & Niger

Event timelines



- Niger missed debt repayment of 13.4 billion CFA francs (\$22 million) in February, bringing total default to \$519 million since July
- Moody's downgrade of the long-term foreign and local currency ratings of Niger to Caa3 from Caa2 due to the accumulation of unpaid debts caused by ECOWAS sanctions.



In Mali, incessant power cuts weighing on economy as, negotiations to restructure the state energy company' debt as it struggles to meet demand.

Sanctions lifted by ECOWAS

	Travel bans
	Niger border closure
	Financial transactions
	ECOWAS election of Mali citizens
	Guinea sanctions

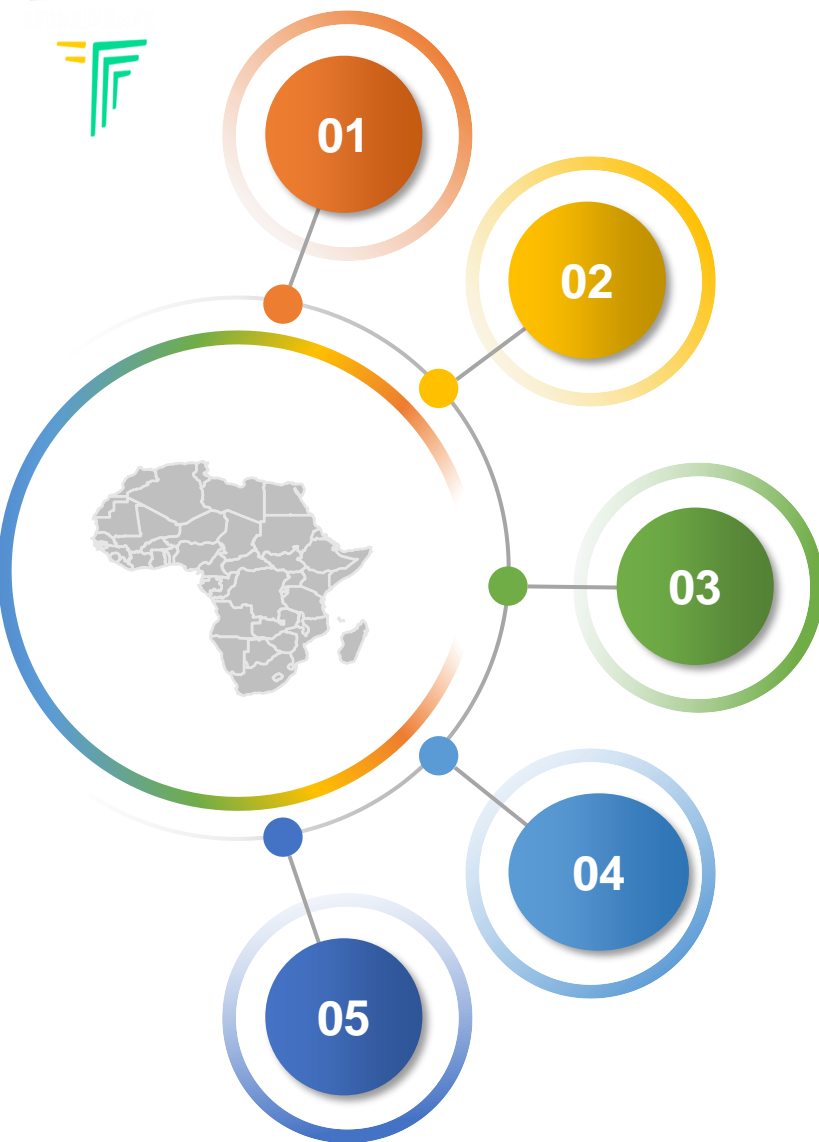
Despite the recent announcement of sanctions lifted by the regional bloc, the Alliance of Sahel states is yet to issue an official reaction.

There are concerns that the fragmentation of the bloc may continue undermining flagship economic integration and weighing on output growth in the region for longer than expected as the secession may have entered an advanced stage.

The new proposal to dump the West African franc (CFA) appears to be inspired by a bigger resolve to end neocolonialism in all its forms in these nations.



West Africa - Ghana and Côte d'Ivoire



Ghana

Inflation re-emerges

Ghana's inflation rose unexpectedly to 23.5% in January from 23.2% in December, reducing the likelihood of another rate cut to stimulate growth after the first rate cut since 2021 brought the MPR to 29% in January.

Overseas debt restructuring delays

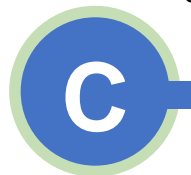
The market reacted to the news of a change in Ghana's Finance Minister with expectations of delays to Ghana's overseas debt restructuring as seen in the fall of the country's Eurobonds price even as the country seeks relief for its \$13bn debt to private creditors.

Widespread Cocoa Shoot Virus

Over 500,000 hectares of Ghana's cocoa farms have been affected by the highly destructive cocoa shoot virus linked to harmattan-induced dryness, linked to El Nino and climate change.

Crash in cocoa output

Ghana's cocoa output in the 2023/2024 season is set to fall 40% below the 820,000 metric tons targeted with adverse implications for Ghana's economic performance.



Côte d'Ivoire

IMF resilience fund

IMF reaches staff level agreement with Ivory Coast for \$1.3 billion resilience, sustainability facility

Climate exposure reduction

The facility is expected to reduce the exposure of the leading cocoa powerhouse to climate shocks and associated issues such as increased pest infestation, rising temperature, depletion of arable lands, and boost cocoa production in the season.

The exposure of Ghana and Cote d'Ivoire to El Nino and Climate change may stall growth prospects by drastically reducing viable yields and exports earnings. In addition, the output loss could also further drive cocoa prices higher and fuel global inflation in 2024 apart from deepening FX pressures and constraining debt repayments.



West Africa – Nigeria



Despite the CBN's reform momentum, challenges in implementation and market speculation persist, requiring additional policy adjustments and strengthening of monetary policy transmission.

The nation's FX liquidity problems and the consequent free fall of the Naira are expected to keep pressure on inflation and keep growth moderated in 2024, with only mild departure from the growth recorded in 2023.



Inflation and cost of living crisis

Nigeria is in the middle of a cost of living crisis with headline inflation soaring to 29.90% in January, driven mainly by food inflation. This comes on the heels of the FX reforms and petrol subsidy removal that pushed fuel price up by over 200%, straining households and businesses.



Currency depreciation

Also fanning the cost of living crisis is the steep depreciation of the Naira on the back of FX reforms that have seen the Naira hit record lows against the dollar, reaching N1,524 per USD, reflecting a 230% loss in value.



Importers change ports

Exchange rate instability affecting cargo clearance has caused importers to begin diverting to neighbouring ports in Ghana (Port of Tema), Togo (Port of Lome), and Benin (Port of Cotonou), impacting the availability of commodities.



CBN's policy responses

The CBN is pursuing various reforms, including lifting restrictions, raising rates on 12-month T-bills, and keeping a portion of the NNPC's earnings to stabilize the market and ease pressures on the naira.



FX backlogs

Greatly tied to the free fall of the Naira are uncleared \$7bn FX backlogs. So far,
Cleared backlogs - \$2.5 bn
False claims - \$2.4 bn
Uncleared backlogs - \$2.2 bn



Low capital importation

Despite reforms since mid 2023, FDI equities reached a 10-year low of \$377.37 million in 2023 due to continuing negative sentiments on the economy on the back of major reforms by the CBN to address the issue of FX illiquidity.



Southern Africa– South Africa

Businesses slowdown

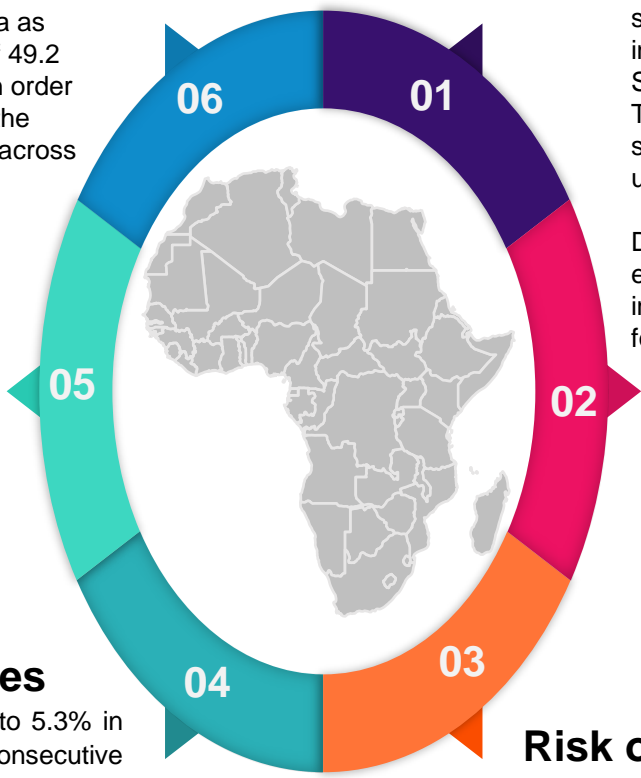
Second consecutive slowdown in business activities in South Africa as shown in its January PMI data of 49.2 caused by weak demand seen in order declines, shipping disruption as the effect of high inflation resonates across sectors.

Power sector crises

Economic activities in South Africa remain disrupted by rolling power blackouts and port and rail blockages imposed by the troubled Eskom and Transnet power and freight state monopolies.

Inflation reaccelerates

Inflation in South Africa climbed to 5.3% in January after two months of consecutive decline in 2023. Thus, despite the global inclination for rate cuts, the South African Reserve Bank will need to see inflation within its official 3%-6% target band before cutting policy rates.



Mining sector challenges

Amid rising costs of production, global PGM prices have softened and remained very low on the back of insufficient demand, particularly from China, the United States and the Euro Area. These challenges rocking the mining sector has squeezed profitability of key industry players while uncompetitive mines are beginning to shut down.

Due to the pivotal role of the mining sector in the economy, more than 7,000 people risk losing their jobs in the South African Platinum Industry which accounts for around 70% of global mined platinum output around.

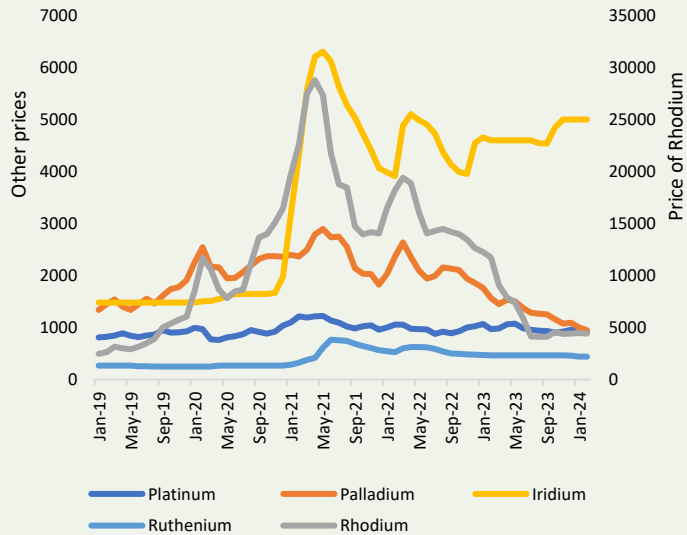
Electoral dilemma

Debts and social welfare are being paid with drawdown of reserves as the finance department avoids the politically unpopular tax hikes months to the May 29 Elections. The implication of this is that VAT and other taxes will rise in post-election period.

Risk of political business cycles

South Africa is faced with a spiraling debt and growing spending needs that may be exacerbated by elections in which the ruling African National Congress risks losing its national majority for the first time since it took power in 1994.

PGM prices (USD per troy ounce)



Source: Matthey

South Africa remains challenged principally by supply-side and structural problems. Apart from weighing on its already fragile growth, the current environment also threatens the FX stability of the economy in addition to greater risks of inflationary pressures caused by continuing currency depreciation.



Southern Africa– Zimbabwe and Zambia

Zambia

◆ Best performing currency

Best performing currency in the region, appreciating by more than 15% to 22.99 Kwacha per USD on the heels of recent monetary tightening by the central bank.

◆ Inflation

Driven by persistent depreciation of the local kwacha currency and the effects of bad weather on food prices, inflation in Zambia rose to 13.2% year-on-year in January from 13.1% in December, moving further away from the bank's 6%-8% target band.

Consequently, the central bank raised its benchmark lending rate for the fifth time in a row by 150 basis points to 12.5%, following the worsening inflation in the Southern African country.

Zimbabwe

◆ Reserves accumulation

Zimbabwe's central bank have accumulated almost a ton of gold reserves as authorities consider using gold to back the nation's weak currency to end persistent exchange-rate instability.

◆ Debt and forex risks

Political upheavals are expected to drive debt and forex risks despite new investments with implications for economic stability as the government attempts to address a range of critical issues, such as electricity supply, mining investment, and forex volatility.



Recent challenges in the mining sector such as low pricing of Platinum Group Metals (PGMs) and rising costs are poised to exacerbate debt repayment difficulties in both South Africa and Zimbabwe as companies struggle to navigate the new environment. In Zimbabwe, the ability of the central bank to maintain exchange rate stability is also threatened by lower and declining FX earnings from PGMs.



East & Central Africa– Kenya, Equitorial Guinea, Djibouti and Tanzania

Kenya



Debt repayment - Ksh 239.6 bn

18 foreign nations received payments including; (UAE-Abu Dhabi, China, Saudi Arabia and the United States. Additionally, financial institutions including; the World Bank and the Asian Development Bank also received payments to the tune of Ksh49 billion. Commercial loan repayments too.



Inflationary petroleum levy

Petroleum Regulatory Levy has been tripled and currently driving higher fuel prices with prospects to push up consumer prices and strain consumer wallets.



Currency appreciation

The shilling saw its highest appreciation in 3 months on the heels of a recent sale of a new \$1.5 billion Eurobond, which will be used to buy back a substantial portion of the existing \$2 billion international bond due in June. The bond which is priced at 10.37%, the highest rate an African state has ever offered, boosted investor confidence in the government's ability to repay a maturing Eurobond in June



Reserves building up

Kenya's forex reserves reached a four-month high, driven by a \$117 million loan from the Trade Development Bank and rising remittances, pushing the usable foreign exchange reserves to \$7,134 million (Sh1.15 trillion) as of February 1.



Djibouti

Economic model under threat

Economic model based on ports and logistics services now under threat as global shipping companies suspend orders because of the attacks on the Red Sea and Gulf of Aden

Similar threats from New Ethiopia-Somalia port deal which is poised to redirect critical Ethiopian trade.

Vulnerability to geopolitical shifts

Model is unsustainable as it is vulnerable to global geopolitical shifts. Calls for rethinking of a model for economic diversification.



Central Africa



Equitorial Guinea

Revenue mobilization

Greater revenue mobilization drive through economic diversification (especially its mining sector), tax reforms and greater FDI attraction on the heels of a slump its oil sector



Tanzania

Rising public debt

Despite Tanzania's debt-to-GDP ratio (41.8%) being one of the lowest in Africa, according to the IMF, government debt rose by 17.09% in 2023, reaching a total of Sh87.47 trillion.

Energy sector dominance

Tanzania has expanded its involvement in the energy sector through a partnership with a French multinational, doubling its stake in the Mnazi Bay gas project via a \$23.6 million deal, part of a larger plan, including a \$100 million investment to upgrade gas infrastructure. This will help Tanzania secure an additional 20% stake in the project and enhancing its voting rights and role in the energy industry.

Despite these local headwinds, the effect of the disruptions in the Suez Canal may further pump domestic prices and necessitate tighter monetary responses as the knock-on effect of the attacks trickle into the economies of Kenya and Tanzania where the Suez Canal accounts for 15% and 10% of international trade volume, respectively.

North Africa – Egypt and Morocco



Egypt

The sale of Ras El-Hikma and Alexandria are necessary moves to address FX constraints, mounting debt, and sustained pressure on the Egyptian pound. The Egyptian pound is expected to start gaining as these inflows increase.

The sale of Alexandria is expected to pave the way for Turkiye's strategic penetration to become a leading economic player into Africa by leveraging its proven prowess in logistics and supply chain management to facilitate and boost trade in the region..



Morocco

With Mauritania being its only land access and transshipment point to other African countries, the tension can stoke food inflation in both countries and other African countries through increased tariff.

For Morocco, this may imply significant loss of investments to Mauritania as producers mull relocation to Mauritania to avoid the higher tariff, in addition to getting better access to Senegal River, fertile land, and proximity to markets.

Egypt

E

Slowdown in private sector

Egypt's non-oil private sector activity edged down to 48.1 in January from 48.5 in December as inflation pressure, exchange rate problems and the conflict in Gaza continued to affect production and demand and tourism.

Red Sea attacks hits revenue

Traffic in the Suez Canal reduced by 30% while Dollar revenue dropped by 40% this year due to the attacks by Houthi Rebels on the Red Sea

Ras El-Hikma sold- \$35 billion

Egypt recently sold the Ras El-Hikma to the UAE in a \$35bn deal and the historical city of Alexandria to follow soon. This is in addition to negotiating its debt program extension with the IMF to avert bankruptcy and salvage its economy. Egypt's sovereign dollar bonds surged ahead of the announcement

Israel's invasion of Rafah

The proposed invasion of Rafah by Israel and the likely mass exodus of refugees is posed to be another pressure point for Egypt's struggling economy.

Morocco

M

EU's environmental policies

Protests against Moroccan agricultural exports to the EU by French and Spanish protesters under accusations of inferior quality, non-compliance, and cheaper labor.

A consequence of EU's ambitious green goals and policies affecting the livelihood of farmers through higher costs as they struggled to compete with Moroccan products.

Trade tensions with Mauritania

Mauritania increased customs tariff on Moroccan vegetables and fruits by 150% to stimulate domestic production, causing Moroccan vegetables and fruits exports to Mauritania to plummet by 50% since the start of the year.

A retaliation to Morocco's earlier partial ban on vegetable exports in 2023 to check the supply gap that caused prices to surge in Morocco

Transition to Inflation-targeting

The IMF has also advised the Moroccan central bank to transition to inflation targeting on the back of a surge in inflation.



North Africa – Algeria, Tunisia and Libya

Algeria



◆ Integration with Mauritania

Deeper bilateral trade integration with plans for a Free Trade Zone (FTZ) and a connecting road linking Tindouf (Algeria) to Ezourat (Mauritania). Expected to spur trade, growth and standard of living in both economies.

◆ Fiscal consolidation and Elections

Algeria is also enhancing fiscal consolidation on the back of higher hydrocarbon revenues in addition to strengthening transparency to attract investors and alternative funding.

Political business cycles and softer diplomacy with Mali expected ahead of 2024 election

Tunisia



◆ Recession

Economy contracted by 0.2% year-on-year in Q4 2023, following an upwardly revised 0.3% decline in the previous quarter, thus entering a technical recession.

◆ Trade deficit

However, Tunisia's trade deficit narrowed by 49.7% in January 2024 driven by increased exports from agro-food industries sector (+66.2%) following the sharp increase in sales of olive oil,

Libya



◆ Libya mulls removal of fuel subsidy

The Prime Minister has hinted on the removal of fuel subsidies by mid to late 2024, citing that fuel subsidy expenditures already take up 40% of the country's budget

However, this is likely to be resisted by the population as the policy is expected to pressure consumer prices upward and may exacerbate the cost of living crisis as the dinar trades at its lowest against the dollar in a decade.

The implementation of the proposed policy could as mean lower growth prospects for Libya in 2024.

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