Middle Africa FICC Guidebook 2016:

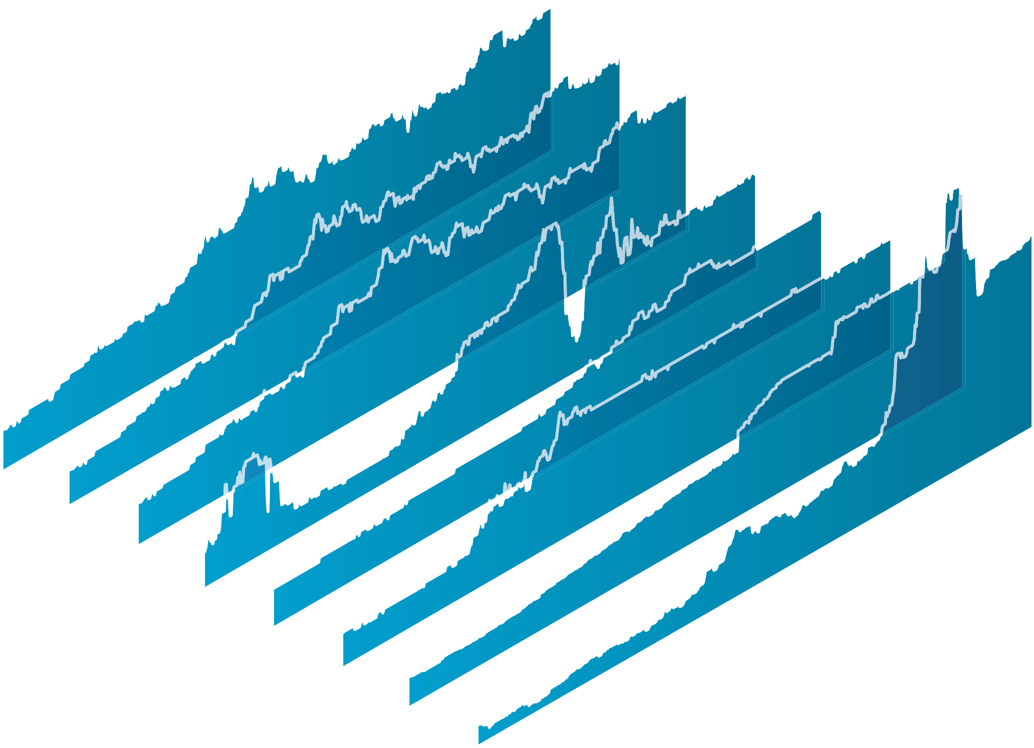
Fixed Income, Currency and Commodities

SADC
Southern Africa (including Nedbank regions)

Produced in association with:

MAKE THINGS HAPPEN

NEDBANK CIB



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Ecobank
The Pan African Bank

Middle Africa FICC Guidebook 2016:

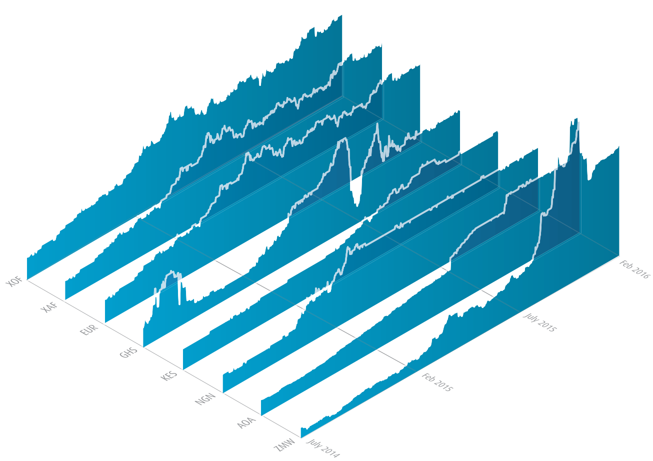
Currency Volatility (Jul 2014 to Feb 2016)

The front cover shows the exchange rate volatility of key currencies in Middle Africa from July 2014 to February 2016 and is measured by the number of standard deviations around the average exchange rate. Volatility is driven by the strength of export revenues and import demand, the level of FX reserves, capital flows and capital account restrictions, economic growth prospects, and the exchange rate regime (fixed, floating, or a system in between).

From the data we can see that there are high volatility currencies, such as the Zambian kwacha, which operates under a floating exchange rate regime. Floating regimes can help absorb external pressures but this flexibility can reflect changes in market expectations for export earnings, domestic demand, FX reserves and so on.

In contrast, fixed exchange rate regimes, or managed floats such as implemented in Nigeria, can often show significantly less volatility helped by maintaining a high level of FX reserves to defend the fixed rate. However, there are advantages and disadvantages in both types of regime, linked to the 'Impossible Trinity', which means a country can only chose two of the three: an independent monetary policy, free movement of capital, and a fixed exchange rate regime.

Overall, exchange rate volatility in some countries that run floating regimes has raised currency risk and increased transaction costs, which in turn has reduced the gains from international trade. Equally, under fixed regimes, when FX reserves come under pressure leading to a sharp currency devaluation, this can lead to major trading and investment losses.



For the fourth edition of our Middle Africa FICC Guidebook, we are publishing each region separately.

There are five regional guides to choose from:

- Francophone West Africa
- Nigeria and Rest of West Africa
- Central Africa
- East Africa
- Southern Africa (including Nedbank regions)

Soft copies of these guides can be downloaded via our online portal, the Ecobank Research Centre (ERC): http://ecobank.com/rc.aspx. Request a free log-in for access to the guidebooks and to our complete report archive.

Ecobank: Group at a glance

Ecobank is a full-service bank focused on Middle Africa. It provides wholesale, retail, investment and transactional banking services to governments, financial institutions, multinationals, local companies, SMEs and individuals. The Group has 19,568 employees in 36 countries.

Unrivalled pan-African network

Ecobank is present in more countries in Africa than any other bank in the world. Ecobank currently is present in 36 countries across the continent, as highlighted in the map opposite. The Group also has a subsidiary in Paris and representative offices in London, Dubai and Beijing.

One Bank

Ecobank operates as 'One Bank' with common branding, standards, policies, processes and technology to provide a consistent and reliable customer experience across the entire network. At 31 December 2015, Ecobank had a unique network of 1,265 branches, 2,773 ATMs and over 10,000 POS machines, servicing over 11.1 million customers.

Diversified business mix

Ecobank's mix of retail, wholesale and investment banking is diversified across geographies, customers and products to provide a sustainable platform for long-term growth and value creation.

Sustainability

Ecobank seeks to comply with international best practices in key areas such as business ethics, anti-money laundering and corporate governance. We also seek to factor social responsibility and sustainability into our business approach and to contribute to poverty alleviation and wealth creation.

Investment story

Incorporated in Lomé, Togo, Ecobank Transnational Incorporated (ETI) is the parent company of the Ecobank Group. ETI is listed on the BRVM in Côte d'Ivoire, the Ghana Stock Exchange and the Nigeria Stock Exchange and has over 650,000 shareholders.

Please visit www.ecobank.com to find out more about the Ecobank Group.

Nedbank Corporate and Investment Banking (NCIB)

The Nedbank Group successfully concluded the integration of its Nedbank Capital and Nedbank Corporate businesses in 2015. The combined wholesale franchise, **Nedbank Corporate and Investment Banking (NCIB)**, offers the full spectrum of transactional, corporate, investment banking and markets solutions, characterised by a highly integrated partnership approach. These solutions include lending products, advisory services, leverage financing, trading, broking, structuring, and hedging and client coverage.

Markets

The Markets franchise undertakes trading activities and provides products to institutional and corporate clients. Trading capabilities span commodities, equities, fixed income, foreign exchange and structured credit solutions. The division also provides treasury services to the broader Nedbank Group to facilitate funding and liquidity.

Investment Banking

The Investment Banking (IB) franchise is a lending and advisory business covering corporate clients, debt and equity capital raisings, investing activities and providing specialised financing solutions to clients in all sectors (excluding property) requiring funding in excess of 12 months.

Property Finance

This franchise is focused exclusively on the commercial property sector and undertakes lending and investing activities. The business provides finance for existing properties and developments as well funding and minority stakes for listed/unlisted funds.

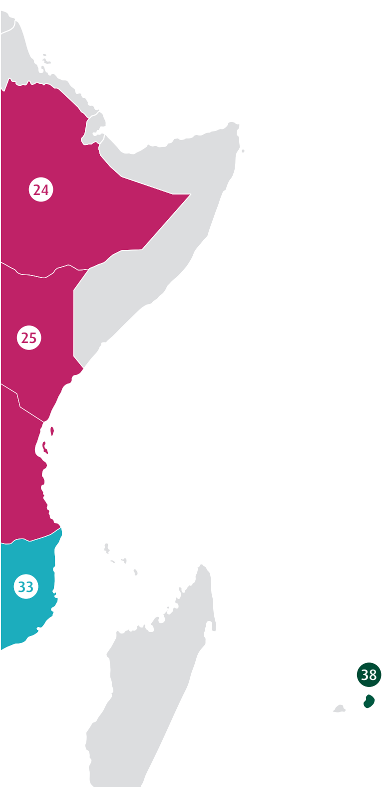
Transactional Services

Transactional Services provides transactional product solutions and innovation support to the wholesale clusters of the Group (NCIB, Business Banking, Rest of Africa and Retail Relationship Banking) and their clients.

Client Coverage

Operations are focused on driving deal origination with clients by building trusted relationships which deliver value for clients through the implementation of bespoke solutions to mitigate financing risks that clients may face.

Our Regional Guides



Country guide and map key

Francophone West Africa	01. Benin 02. Burkina Faso 03. Cape Verde 04. Côte d'Ivoire 05. Guinea-Bissau	06. Mali 07. Niger 08. Senegal 09. Togo
Nigeria and Rest of West Africa	10. Ghana 11. Guinea 12. Liberia	13. Nigeria 14. Sierra Leone 15. The Gambia
Central Africa	16. Cameroon 17. Central African Republic 18. Chad 19. Republic of Congo	20. Equatorial Guinea 21. Gabon 22. São Tomé and Príncipe
East Africa	23. Burundi 24. Ethiopia 25. Kenya 26. Rwanda	27. South Sudan 28. Tanzania 29. Uganda
Southern Africa	30. Angola 31. Democratic Republic of Congo 32. Malawi	33. Mozambique 34. Zambia 35. Zimbabwe
Nedbank Regions	36. Botswana 37. Lesotho Malawi ▲ 38. Mauritius Mozambique ▲	39. Namibia 40. South Africa 41. Swaziland Zimbabwe ▲

▲ – These countries have already been numbered (see above).

Contents

Foreword

Welcome to this fourth edition of Ecobank's Middle Africa Fixed Income, Currency and Commodities (FICC) Guidebook. This guidebook is intended as an essential reference tool for any institution or investor interested in monitoring recent developments in debt markets, exchange rates, macroeconomic performance, and commodities across the 36 African countries that constitute our African footprint.

Middle Africa represents a market of more than 850 million people, with a combined GDP of around USD1.2 trillion. It remains the joint fastest growing region in the world (alongside Developing Asia), thanks to macroeconomic policy improvements, a stronger business climate supported by ongoing reforms, attractive demographics, and an emerging consumer class whose disposable income is rising each year. Yet Middle Africa tends to be a region that is under-researched and, as a result, misunderstood or overlooked by many private and institutional investors.

Having worked for many years to support the development of Middle Africa's financial markets and investment opportunities, we understand the complexities of investing in the region and recognise the importance of having access to up-to-date and comprehensive information when making investment decisions.

Through the Ecobank Research platform and a seamless Corporate and Investment Bank presence across Middle Africa, along with the collaboration of our partner, Nedbank, we believe that we have the ability to gather local knowledge – that is often difficult to access – and present it in a clear and concise manner. We capitalize on our Middle African knowledge and expertise to develop appropriate business and investment strategies. In turn, the combination of our pan-African platform, local knowledge and relationships, assists our clients in achieving their pan-African ambitions.

Whether you are relatively new to Middle Africa or an experienced investor, we encourage you to use this guidebook to help inform your decisions. Moreover, Ecobank should be seen as your key strategic partner in Middle Africa, leveraging on the power and insight of all of our major shareholders as you look to expand and diversify your businesses and portfolios. It is the combination of Ecobank's pan-African reach and local knowledge that will give you the Network Advantage.

Ade Ayeyemi
Group CEO, Ecobank Group

Introduction

Welcome to this fourth edition of our Fixed Income, Currencies and Commodities (FICC) Guidebook, in which we continue to provide the most comprehensive coverage of Middle Africa. This book has been produced by Ecobank's research team, who are spread across the bank's network of 36 Sub-Saharan African countries. Once again, we are pleased to join forces with our Alliance partner and shareholder, Nedbank, by adding their local knowledge of five Southern African countries to this year's guidebook. This enables us to cover the key markets in Sub-Saharan Africa in one guidebook.

African markets have weathered a challenging global environment since the 2008-09 financial crisis, with falling demand in key export markets, notably China, and prolonged weakness in commodity prices putting heavy pressure on Middle African currencies and current accounts. The 'Africa Rising' narrative has given way to a more sober outlook for emerging and frontier markets, raising fresh concerns over Africa's growth prospects.

But this negativity is misplaced because, despite the headwinds, Middle Africa remains the joint fastest growing region in the world (alongside Developing Asia). Middle Africa boasts increasingly diversified economies and an expanding consumer class which is creating an array of new investment opportunities. The region has also seen a rebound in capital inflows and increased portfolio allocations, marking a structural shift away from cyclical flows to strategic investment in Middle African assets. This change has in part been driven by investors' search for yield, which has been reflected in the rise of African sovereigns accessing the Eurobond market. Middle Africa is changing, both economically and socially, and the pace and depth of this change varies greatly between markets in the region, some boasting the world's fastest growth rates, while others struggle with currency, fiscal and financing constraints.

In order to understand Middle African markets – and tease out the opportunities for investment – you need strong local knowledge of how these markets work, their key players and their outlook. Drawing on the research team's extensive network of contacts across Middle Africa – from central banks and regulators to leading businesses and investors – this guidebook is intended as a primer for investors in the region. There is an outlook for the region's economy, an overview of the key sectors (financial, energy and soft commodities), and a detailed country-by-country guide of 41 countries in Middle Africa.

Investing in Middle Africa comes with risks, just as anywhere else in the world. Understanding these risks and how to manage them is what makes a successful investment. With what appears little space for Middle African central banks to cut rates, owing to robust domestic demand and accelerating inflation, understanding the policy response is an essential part of managing a successful portfolio of investments. This guidebook helps summarise possible risks that may arise and how to navigate through them in order to mitigate the effects of changes in interest rates and currencies, volatile commodity price swings, and regulatory changes across Africa's productive sectors. Not only do we aim to help local investors achieve good returns, but we also want to encourage foreign investors to deepen their commitment to Africa's investment opportunities, which will help boost liquidity, increase market depth, and diversify returns.

We hope you find this guidebook useful, and we encourage you to reach out to our research team if you want to discuss any of the opportunities for investment.

Edward George

Edward George
Head of Group Research

Introduction

Global and Regional Context

Southern Africa (including Nedbank regions)

The Ecobank Research team

Ecobank's research team has a wealth of experience in Middle African markets, with analysts drawn from all corners of the African continent. The research team is made up of eight analysts, based in the UK, Nigeria, Ghana, Côte d'Ivoire and Kenya, who focus on the Fixed Income, Currencies and Commodities (FICC) space in Middle Africa.

The team is divided into four desks:

- Macroeconomics: covering GDP, fixed income and currencies
- Financials and banking: covering the banking and financial sector
- Energy: covering oil, gas and power
- Soft commodities: covering the region's key cash crops (e.g. cocoa, coffee and cotton).

The team also has expertise in trade flows, trade finance, mobile payments, mining and Francophone and Lusophone Africa.

The research team produces regular reports for public consumption, including:

- Weekly Middle Africa currency and equity market updates
- Monthly Middle Africa energy and soft commodity market updates
- Quarterly Economic Strategic Reviews of the largest economies in Middle Africa (currently Nigeria, Ghana and Côte d'Ivoire)
- Ad hoc speednotes and briefing notes on key developments affecting Middle African markets.

If you would like to receive our reports, please send an email to ecobankresearch@ecobank.com requesting to be added to our distribution list.

You can visit our online portal using this link: http://ecobank.com/rc.aspx. Click on the blue box to request a free log-in. The portal has a full archive of our reports, profiles of our analysts, background material, as well as information about our bespoke advisory service, LocalKnowledgeAfrica™.

Follow our Twitter account @EcobankResearch for the latest news and reports on Middle Africa.

Key Contacts

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Head of Soft Commodity Research
Edward George
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LocalKnowledgeAfrica™

The Ecobank Research Team

Ecobank's research team also runs a bespoke advisory service for clients: LocalKnowledgeAfrica™.

LocalKnowledgeAfrica™ recognises the difficulties businesses and investors face in designing and executing their investment and expansion strategy into and within Africa. Success in Africa can only be achieved with a well-planned and executed strategy based on local knowledge. We also know that success in Africa relies upon the relationships that our clients have with governments, regulators and their customers. Our local network enables us to access these critical relationships for our clients. Our pan-African platform keeps our finger on the pulse of local markets so that we can advise our clients on how best to manage their investment in Africa and tease out the opportunities for investment.

Our Service Offering

High-level briefings and consultations

- Strategic Consultations
- Strategic Notes

Bespoke reports

- Country and Regional Analysis
- Sector Analysis
- Market Sizing
- Competitive Landscape
- Quarterly Updates

Access to the network

- Target/Opportunities Research

Our Expertise

Our expertise

Anchored on the award-winning Ecobank Research team, the LocalKnowledgeAfrica™ team is a diverse collective of analysts and consultants in the UK and across Middle Africa, with world-class expertise on Africa's emerging markets and sectors.

- Macroeconomics
- Fixed Income and Currencies
- Banking and Financial Services
- Oil and Gas, Power and Natural Resources
- Mining
- Soft Commodities, Food and Agribusiness
- Consumer Goods and Services

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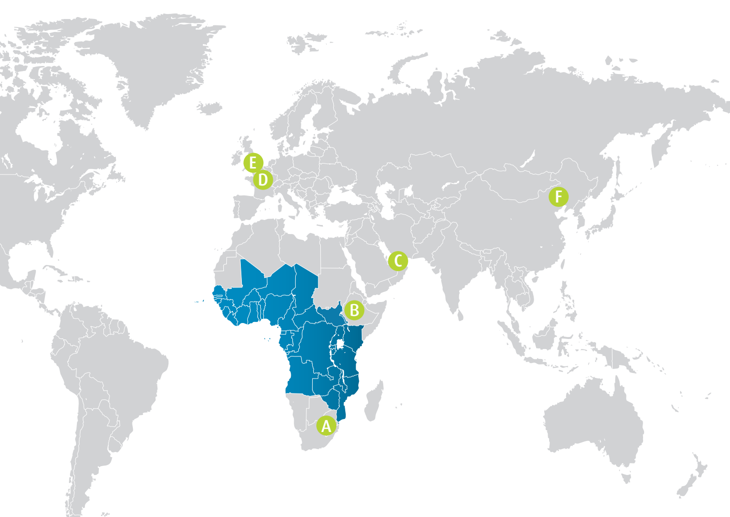
Ecobank at a glance

Our global network

Ecobank's international operations are in six countries, running six offices, with approximately 100 employees that look after corporate and investment banking clients. Very strong revenue and profit growth reflects the relatively new operations, particularly in London, that opened in early 2011. The importance of the international operations lies in their ability to channel investors' interest and finances towards Middle Africa and the development of its people and resources.



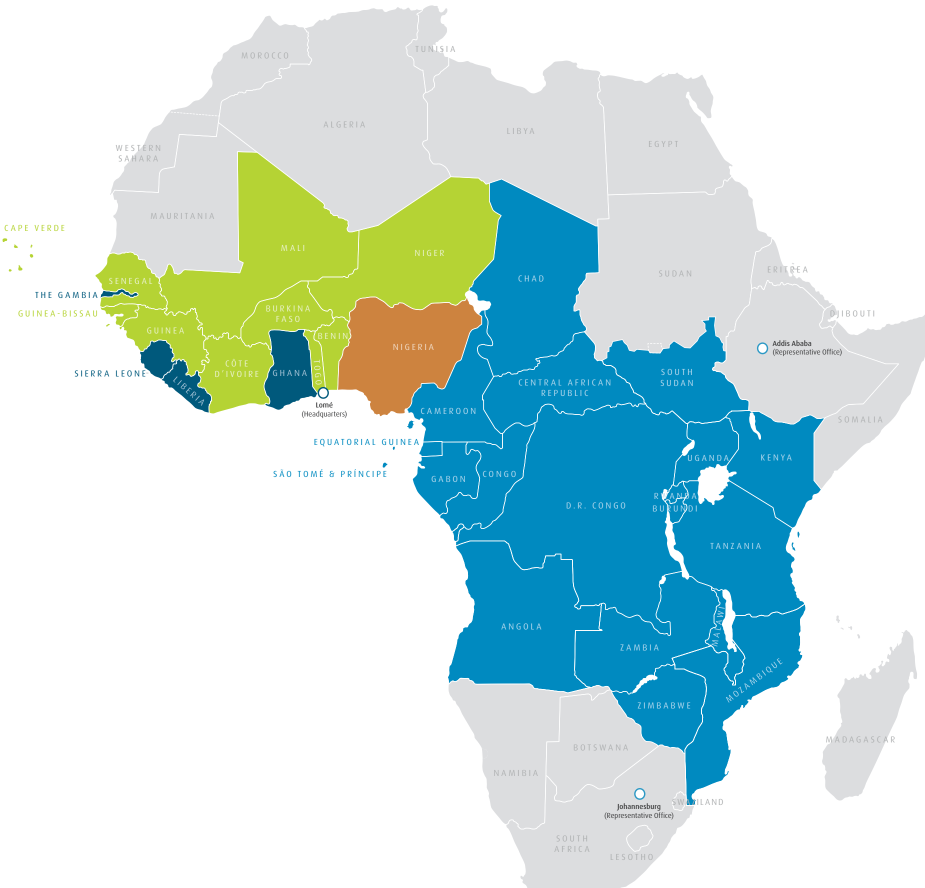
Our representative offices are located in:

- A Johannesburg
- B Addis Ababa
- C Dubai
- D Paris
- E London
- F Beijing

Our key figures

as at 30 September 2015

19,568 Ecobank employees	23.4 bn Total assets USD	1,265 Branches and offices
11.1 mn Ecobank customers	2.7 bn Total equity USD	2,773 Ecobank ATMs



Francophone West Africa

Countries

9

- Benin
- Burkina Faso
- Côte d'Ivoire
- Cape Verde
- Mali · Niger
- Senegal · Togo
- Guinea-Bissau

Nigeria

Countries

1

- Nigeria

Rest of West Africa

Countries

5

- Ghana
- Guinea
- Liberia
- Sierra Leone
- Gambia

Central, Eastern and Southern Africa

Countries

7

- Cameroon
- Chad
- Central Africa
- São Tomé and Príncipe
- Congo · Gabon
- Equatorial Guinea

Countries

7

- Rwanda
- Kenya
- Burundi
- Uganda
- Tanzania
- South Sudan
- Ethiopia

Countries

5

- Angola
- DR Congo
- Malawi
- Zambia
- Zimbabwe

Global and regional economic overview

Global Economy Overview

- The main Quantitative Easing stimulus has been withdrawn in the US and UK – which is leading to booms and busts.
- As QE is withdrawn, tightening global liquidity is increasing pressure on debt and equity markets.
- The fallout has been seen in US Federal Reserve monetary policy tightening, China's slowing growth, falling commodity prices, and corporate scandals and strains (such as VW and Glencore).
- Slowdown in China is affecting the whole of Africa – as well as the Global Economy – because the Chinese presence across Africa has grown strongly over the past decade.
- The recent withdrawal of QE is also having an adverse effect on EMs and Africa, with capital flowing out of these markets as investors seek less risky investments (such as US T-bills and bonds).
- This has also been reflected in increased volatility in Africa's main FX markets.
- All of these factors impact Africa's growth prospects in 2016, and the region's operating environment will be challenging throughout the year. But we are unlikely to see a contraction in real economic activity.
- However, there is a major risk that China could be the third leg of a long global crisis, following the impact of the US crash in 2007-08 and the eurozone economic turmoil in 2010.

The fragile global recovery is being led by developed economies. However, the global economy faces the prospect of low growth for the next few years because the recovery from the global crisis remains weak, uneven and undermined by risks.

The US economic recovery continues, although growth remains weak, with real GDP estimated to have grown by 2.5% in 2015, compared with 2.4% in previous year. Unemployment continues to fall (reaching 4.9% in January 2016, down from 5.7% in the corresponding period in 2015), housing starts remain on an upward trend and inventory indices are strengthening. However, the US recovery appears fragile: although the Economic Confidence Index improved from its recent nadir of -42 in October 2013 to a peak of +7 in January 2015, it has since dropped to negative territory, staying firmly within a narrow range of -8 to -12 at end-2015/early 2016. Meanwhile, with the return of Congress in September 2015 in its last full year before the 2016 elections, political polarisation appears set to resume, which could damage the recovery.

With the Federal Reserve ending its QE program in October 2014, and with the adverse effect of the recent China-induced global market turmoil expected to persist, the US interest rate hike cycle is likely to be less aggressive than previously anticipated: financial markets are currently pricing in one/no rate rises in 2016, against the Federal Reserve's forward guidance, which envisages gradual increases in interest rates. In view of this, the scope for increases in the prices of US Treasuries appears limited.

In the eurozone, many countries are still dealing with large fiscal deficits, high debt stocks and widespread unemployment. As a result, growth remained weak at 1.5% in 2015, which has contributed to deflationary pressures. Annual inflation rose slightly to 0.4% in January 2016, up from 0.2% in December 2015, but remains well below the ECB's 2.0% target. Deflation highlights the delay in the return of private sector spending and investment throughout the region. With investors expecting future growth to be lower, they have cut back on current investment and consumption, which is undermining policymakers' efforts to pull the region out of its weak growth cycle. The ECB has changed its view that deflation risks are manageable and is expected to expand its QE/asset buying programme to boost demand.

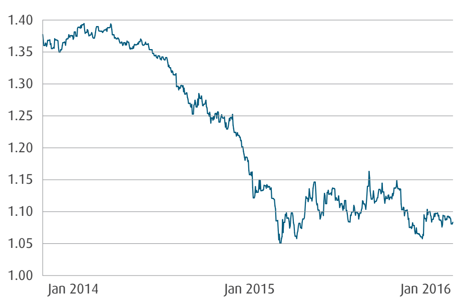
Emerging Markets are likely to remain a weak source of global growth, expanding at a slower pace than earlier forecast. This is due to a combination of factors such as uncertainty over US interest rate hike cycle, weak EU demand, fiscal and current account strains within a tightening monetary policy environment, and for exporters of commodities, notably oil, the prospects of depressed revenues.

China remains a major concern for Africa given that growth has continued to slow: the economy grew by 6.9% in 2015, compared with 7.3% in 2014, marking its weakest growth in the past 25 years.

- In 2014, China was Africa's largest bilateral trading partner, with an estimated USD140 bn worth of trade
- However, this trade relationship is weakening, owing to the slowdown in Chinese demand for Africa's commodity exports, presenting African economies with their toughest economic challenge since the Global Crisis
- Not only are Chinese funded projects being delayed and jobs being cut, but African currencies have been weakening significantly against the US dollar – driven by the oil price crash and US dollar spike, which are causing major problems for Africa's policy makers.

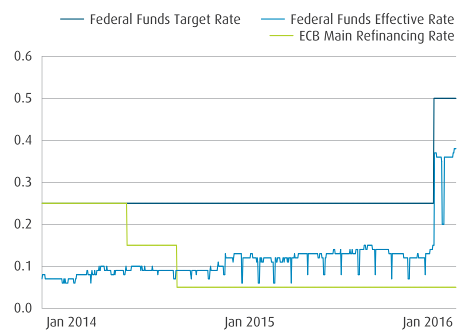
USD:EUR1 Exchange Rate

Source: Bloomberg



Federal Reserve and ECB Policy Rate (%)

Sources: Federal Reserve and ECB



Global and regional economic overview

Global FX Outlook

Global FX

Following a series of policy decisions by the ECB – to cut its main refinancing rate by 10 bp to 0.05% in September 2014, to implement a programme of buying around EUR1 trn of eurozone sovereign bonds from March 2015 onwards, and to boost the QE programme in September 2015 – we retain a weak outlook for the EUR against the USD in 2016. The EUR weakened steadily against the USD from early May 2014 to March 2015, with two main factors influencing the market:

- The effects of a normalisation in US monetary policy. The agreement by the Federal Reserve in December 2013 to start slowing its asset purchase programme, starting in January 2014 by a cumulative USD10 bn per month, was completed in October 2014. The effect of this slowdown increased confidence in the US economic recovery, which in turn led to a rise in US Treasury yields that has pulled some capital out of the eurozone and Emerging and Frontier Markets.
- Concerns over the risk of a deflationary cycle in the eurozone. Annual inflation decelerated throughout 2014, which turned into contraction prices in January to March 2015. Since then inflation has remained very low (contracting again in September 2015) and the longer inflation remains below the ECB's 2.0% target, the greater the risk to the ECB's credibility. However, the ECB's decision in late 2015 to boost its original QE policy should help increase liquidity and support inflation, although this policy will further weaken the EUR.

Now that the immediate problems with Greece's membership of the eurozone have been 'papered over', downward pressure on the EUR has improved somewhat. However, this is likely to be a short lived phenomenon, given the large debt stock of Greece and the US interest rate hike cycle.

Sub-Saharan Africa Economic Outlook

Middle Africa continues to grow strongly despite ongoing weakness in the global economy. Strong growth reflects robust domestic demand and demand for exports in Emerging Markets (despite recent weakness in Asia). Although Sub-Saharan Africa accounts for a small share of global GDP, resilient growth over recent years has seen its share increase steadily, with real GDP averaging 5.6% between 2000-14. Moreover, strong population growth and rising urbanisation rates offer many opportunities for investors, which in turn will support exports and help underpin increased flows of FDI over the coming years.

Economic growth in Sub-Sahara Africa has been revised downwards, but is still expected to grow strongly in 2016: from an estimated 3.5% in 2015 to 4.0%, reflecting improved prospects in a large number of countries, excluding most oil exporters. The region boasts some of the highest levels of real growth in the world, reflecting various factors: rising agricultural production and processing, robust domestic demand, strong population growth, large investments in infrastructure and mining, rising demand for services (particularly trade, transport, telecoms and financial services), and ongoing demand for exports, despite the weak global commodity price outlook in 2016. Improving macroeconomic policies and infrastructure will underpin this growth.

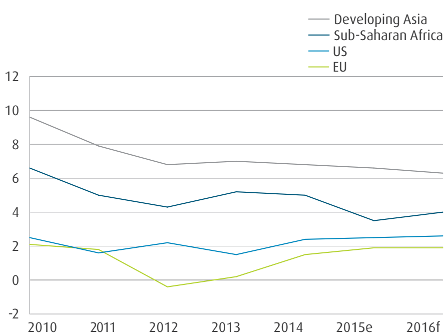
Inflation should remain relatively moderate under the assumption that oil and other commodity prices remain low throughout 2016. Inflation will be contained in most countries for several reasons. Currency pegs to the euro in Francophone Africa help anchor fiscal policy, which in turn keeps money supply growth in check. Stronger policies (particularly fiscal policy) will contain government spending, which has generally led to an increase in liquidity. However, upside risks to inflation remain.

There is a possibility that El Niño would disrupt weather patterns across Africa, threatening grain/cash crops across the region, resulting in increases in food prices (the largest component of the CPI basket of goods in most countries). At the same time, falling export and government revenues will increase fiscal imbalances, prompting governments to make difficult policy decisions involving reductions in government subsidies and/or hikes in utility prices. This, alongside increased uncertainty in the global economy and potential hikes in US interest rates suggests that the scope for monetary policy easing will be limited; as such, monetary authorities are likely to adopt a broadly tight policy stance in 2016.

Current account deficits look to remain elevated owing to the ongoing high level of infrastructure investment, foreign direct investment related imports and imports of food and consumer goods. As most countries in Sub-Saharan Africa are oil importers, low global oil prices will also reduce external sector pressures despite somewhat weaker demand for exports from key export markets.

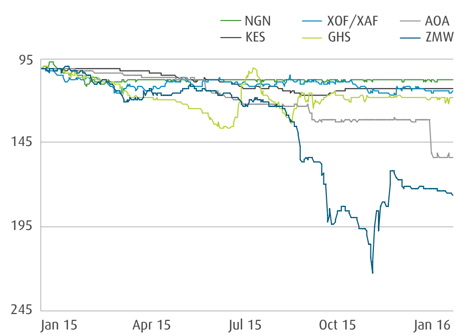
Real GDP, annual percent change

Source: IMF



Exchange Rate Index (Jan 2015 = 100)

Source: Bloomberg



Sub-Saharan Africa FX Outlook: The outlook for African currencies appears negative. African currencies will come under increasing pressure from recent shocks in the global economy, in particular, weakening demand in key trade partner, China, sustained weakness in commodity prices, mainly oil, and uncertainty over US interest rate hike cycle. Currency weaknesses will be more pronounced in major oil exporters such as Nigeria and Angola, increasing the scope for further devaluation: this is following a series of devaluation in 2014-15 amid the sharp drop in oil prices since mid-2014. Non-oil importers that are also reliant on commodities such as metals/precious minerals will also see their exchange rates come under further stress in 2016 e.g. Zambia. Moreover, with challenges to the eurozone persisting (deflationary pressures that ECB’s QE programme aims to resolve, depressed growth forecasts, and large fiscal deficits and debt stocks), and with the US recovery remaining positive, EUR:USD volatility will remain pronounced, and this will be reflected in the XOF and the XAF, which are pegged to the EUR. In addition, assuming oil prices remain low, this will undermine prospect for CEMAC countries and the XAF via lower oil export receipts and hence lower accumulation of FX reserves at the Bank of Central African States (BEAC). As most of the countries of the West African Economic and Monetary Union (UEMOA) are oil importers and export goods to Europe, the moderate spread between the XOF and XAF will reflect balance of payments pressures rising in CEMAC countries.

Global and regional economic overview

The business operating environment in many countries in Sub-Saharan Africa has generally improved in recent years. Power supply has increased somewhat in many African countries, thanks to growing efforts by African governments to strengthen the productive capabilities of their economies. However, public financing of power projects has been limited (owing to leakages, high financing costs, weak tax revenue collection, among other things); instead, African governments have had to resort to financing from the private sector and multilateral donors. Despite recent progress, power supply remains significantly short of demand, constraining Africa's growth potential, and sustaining high costs for doing business in the region. The short-term outlook for power provision is positive, but progress will be limited given the huge investment required against the backdrop of low commodity receipts and growing fiscal prudence.

However, the medium to long term outlook appears good; African governments are likely to accelerate their ambitious investment plans as risks to the global economy subside over the medium- to long-term. Meanwhile, most Middle African banking sectors remain largely insulated from global financial strains due to limited financial integration of Middle Arica's banking sector into the global system (bar the trade channel). However, improvements in portfolio quality, liquidity, and revenues would be welcome.

The overall positive scenario for Middle Africa in 2016 is beset by numerous risks. External factors continue to pose the largest threats to the region as a whole, but domestic risks are more significant in some countries. Although nearly all countries grew in 2015, some were adversely affected by weakness in the eurozone. Currency pegs to the euro and/or strong trade links to Europe highlight some of the direct links that will remain a major concern for the continent in 2016. Moreover, weak global growth is likely to moderate growth in Middle Africa's export sector, which in turn could increase pressure on some currencies following relatively strong depreciation in 2015. Some of the more specific risks facing middle Africa include:

- Growth in EMs could prove less supportive. South-South trade and investment has been growing in importance. But if growth in EMs – particularly in China – slows more than already envisaged, many countries in Africa would be certain to face lower export demand. The outlook for some of Africa's commodity prices would also likely deteriorate further.

- The tightening of developed economy monetary policies. The loosening of developed economies' monetary policies following the global crisis led to large portfolio capital inflows into Sub-Saharan Africa's largest markets. As monetary policies are 'normalised' in some developed economies, including the US, Africa faces higher financing costs and a slowdown in some markets, or even a reversal, of private capital flows.

- The threat of El Niño. This could have a negative impact on agricultural production and hence inflation. Already, this has disrupted weather patterns across Africa, threatening grain crops in Southern and East Africa, and cash crops in West Africa. The phenomenon will be felt throughout first half of 2016, and will continue to have an impact until the end of the year. This will put pressure on the trade account as export revenues falls (already undermined by low cash crop prices) and the food import bill rises.

- Rising fiscal imbalances. In the years following the global financial crisis, fiscal policy in Sub-Saharan Africa has remained expansionary, despite growth having recovered to pre-crisis levels in most countries. Particularly vulnerable are those countries that have relied heavily on portfolio inflows to finance their high fiscal and/or current account deficits.

- Heightened insecurity. Recent conflicts in the Central African Republic, South Sudan, Mali and other countries in the Sahel, along with Burundi, all highlight the fragility of peace in many areas. Instability threatens to spill over into neighbouring countries, which could disrupt growth and private sector investment.

Banking and financial sector overview

Middle Africa's Banking Sector

Middle Africa's banking sector was estimated to be worth USD292 bn in total assets at the close of 2014, accounting for around a third of Africa's total banking sector assets. Middle Africa's banking sector is broadly divided into five regions:

- The West Africa Monetary Zone (WAMZ), which is dominated by Nigeria
- The West African Economic and Monetary Union (Union Économique et Monétaire Ouest-Africaine – UEMOA)
- The Central African Economic and Monetary Union (Communauté Économique et Monétaire de l'Afrique Centrale – CEMAC)
- The East African Community (EAC)
- The Southern African Development Community (SADC), excluding SACU countries.

Middle Africa: Regional groupings and member countries

West African Monetary Zone (WAMZ)	West African Economic and Monetary Union (UEMOA)	Economic and Monetary Community of Central Africa (CEMAC)	East African Community (EAC)	Southern African Development Community (SADC)*
Gambia, The	Benin	Cameroon	Burundi	DRC
Ghana	Burkina Faso	CAR	Kenya	Malawi
Guinea	Cape Verde	Chad	Rwanda	Mozambique
Liberia	Côte d'Ivoire	Republic of Congo	Tanzania	Zambia
Nigeria	Guinea Bissau	Equatorial Guinea	Uganda	Zimbabwe
Sierra Leone	Mali	Gabon		
	Niger	São Tomé and Príncipe		
	Senegal			
	Togo			

*Excluding SACU countries

Banking and financial sector overview

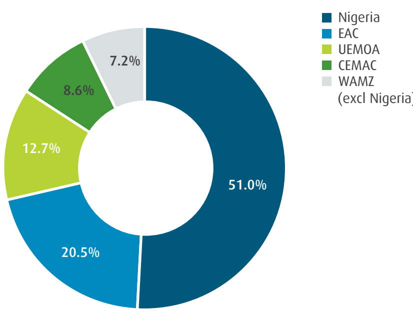
Nigeria has a dominant market share

Nigeria commands the largest market share of Middle Africa's banking sector (51%), with estimated total banking assets of USD149 bn in 2014. The EAC has the second largest banking sector (20.5%), with total assets of USD60 bn. The other three regions together account for USD83 bn of banking assets, 28.4% of Middle Africa's total.

Middle Africa remains a loan-driven market, with loans and advances accounting for over half of balance sheet activity. This lack of sophistication in Middle African balance sheets remains a positive factor, as it greatly reduces the costs and risks of compliance.

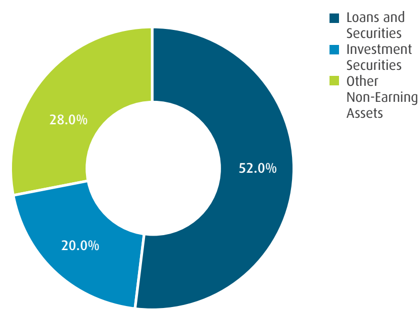
Banking sector market share, 2014, (%)

Source: Ecobank Research



Composition of balance sheets, 2014, %

Source: Ecobank Research

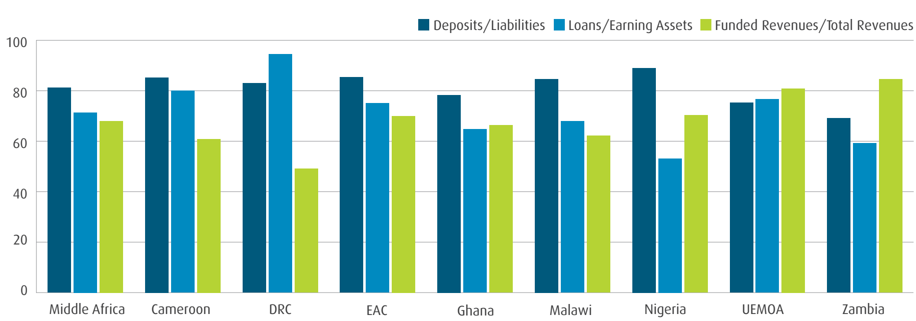


Middle African banks remain well funded

Middle African banks derived an average of 68% of their revenues from funding activities in 2014. Loans and advances constituted 71% of the earnings asset book, with investment securities making up the balance. Earning assets constituted 64% of total assets, with the balance comprising non-earning assets, although there are significant variations between individual markets. The lack of congestion on bank's balance sheets presents an opportunity for banks to be more innovative with asset generation. The absence of sophisticated and risky lending-based products explains why banking sector regulators in Middle Africa are yet to consider a full migration to the Basel III regime.

Composition of bank lending, % of total, 2014

Sources: Ecobank Research, Central Banks

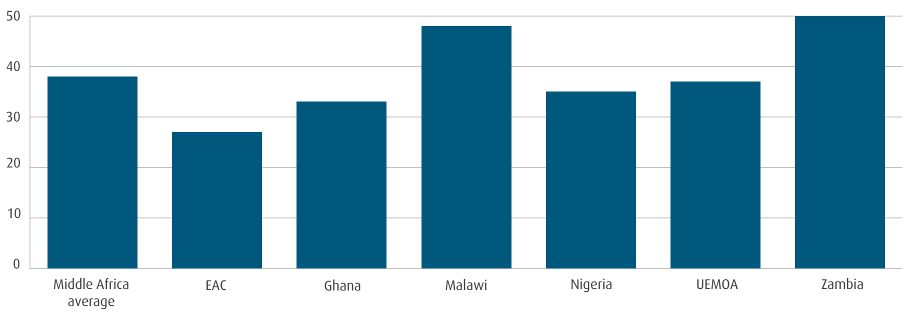


Deposit-based funding and high liquidity buffers are a key strength

Middle Africa's banks maintain a deposit-funded profile, with deposits accounting for an average of 81% of total liabilities in 2014. To sustain this deposit-based funding model, banks have continued to invest in brick-and-mortar branch networks as the basis on which they measure their retail franchise strength, which supports their ability to collect low-cost deposit liabilities. Deposit intermediation levels in Middle African are prudent, with an average net loans-to-deposit ratio (LD Ratio) of 69% in 2014. Liquidity buffers are generally healthy, with liquid assets (cash and investments) making up an average of 38% of total assets. All of these factors contribute to the general strength of the region's banking sector.

Liquid assets (cash and investments) as a proportion of total assets, 2014, %

Sources: Ecobank Research, Central Banks

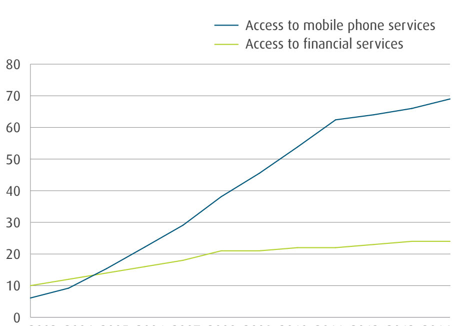


Banking sector penetration is low

Despite strong growth in Middle Africa's banking assets and lending base, access to financial services remains low. Although financial inclusion has improved over the past decade, growth in mobile phone ownership has dramatically outpaced growth financial services. According to the IFC, in 2014 only 25% of the population had access to financial services, and just 15% had access to mobile financial services. This contrasts with an average of 65%-70% of Africans who have access to mobile phone services. This is a missed opportunity, as mobile phones offer the opportunity not only for mobile payments, but also for banks to provide savings, lending and insurance products.

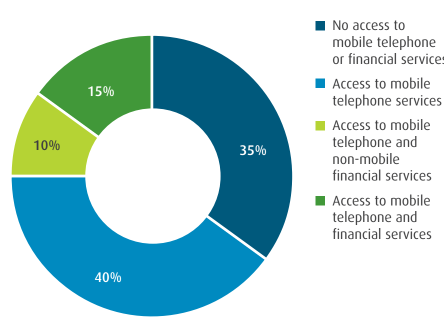
Growth of mobile phone and financial services in SSA, % of total population

Sources: Ecobank Research, IFC



Access to mobile and financial services, 2014

Source: Ecobank Research



Banking and financial sector overview

Mobile financial services are expanding rapidly across Middle Africa

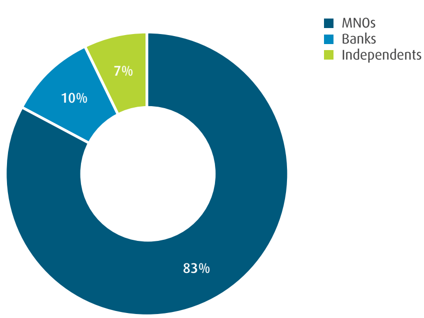
The mobile phone is increasingly being used as the conduit for providing financial services to the population of Middle Africa, especially in remote or rural areas where there is no banking branch network. In order to accelerate this process, banks and telecoms companies need to converge in the provision of financial services, operating as partners rather than as competitors. Future mobile banking technology must focus on mobile phone-based savings and loan origination, developing consumer based financial products. This is already happening in Kenya where the M-Shwari mobile savings and lending service, using the M-Pesa money transfer system as its backbone, has revolutionised mobile lending and saving.

MNOs are driving the expansion of mobile financial services across Middle Africa

Since 2008, the success of Safaricom's M-Pesa has motivated Mobile Network Operators (MNOs) to deploy mobile money platforms across SSA, securing them an 83% market share. Although most MNOs operate their mobile money businesses in a single country, Pan-African MNOs are launching operations across multiple countries. Airtel and MTN are leading the race, with live mobile money deployments in 12 and 11 countries, respectively.

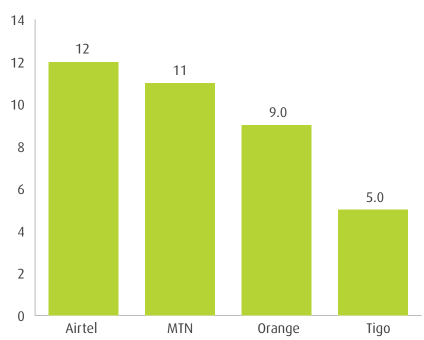
Share of live mobile money deployments in Middle Africa, 2014

Sources: Ecobank Research, GSM Association



Leading MNO live deployments in Middle Africa, 2014

Sources: Ecobank Research, GSM Association



Overview of Middle Africa's oil and gas sector

Oil and Gas

Overview of Middle Africa's oil and gas sector

Africa is a relatively small producer of hydrocarbons for the world market, accounting for an estimated 9% of world oil output and less than 6% of gas production in 2015. African oil production fell marginally in 2015, from 9.3 mn barrels per day (b/d) in 2014 to around 9.1 mn b/d, owing to lower output from Libya, Nigeria and South Sudan more than offsetting a ramp-up in output from other African countries.

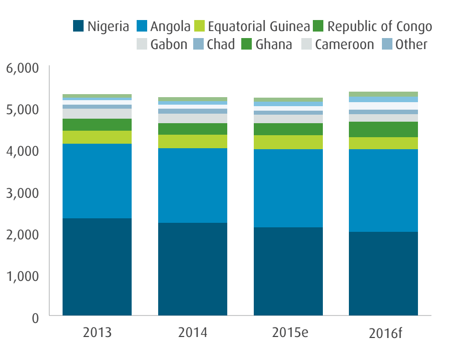
Sub-Saharan Africa (SSA) hosts two of Africa's largest producers, Nigeria and Angola, who dominate output in the sub-region. SSA produced an estimated 5.3 mn b/d in 2015, up marginally from 5.2 mn bpd in 2014, owing to higher output from the Republic of Congo and Angola. However, Ecobank Research expects production to remain flat into 2016, at around 5.3 mn b/d, as major oil companies have made significant capex cuts to oil projects in the region.

SSA's gas production has been boosted significantly by rising demand for power following the development of several gas-fired power plants in Nigeria, Ghana and Côte d'Ivoire. With more production expected to come over the medium term from countries such as Mozambique, Tanzania, Cameroon and Angola, the outlook for gas production in 2016 is largely positive. The return to operation of Angola LNG in 2016 is also expected to boost the region's gas exports.

Asia remains the leading importer of African oil and gas. China and India have emerged as the largest importers of African oil since 2013, sharply contrasting the decline in US imports of African oil since 2010. Nonetheless, the EU remains a key destination for Africa's oil exports, and countries such as Spain, Netherlands, France, Italy and the UK are among Africa's top ten oil export markets. This relationship is likely to become increasingly important as competition between major oil producing countries for market share in Asia intensifies in 2016.

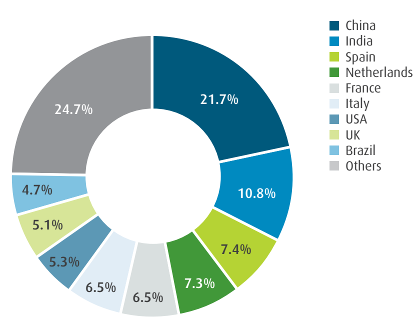
Middle Africa's crude oil production, 000 bpd

Sources: BP Stats, Ecobank Research



Middle Africa's crude export markets, 2014, % market share

Source: Intracen



Oil and gas

Oil

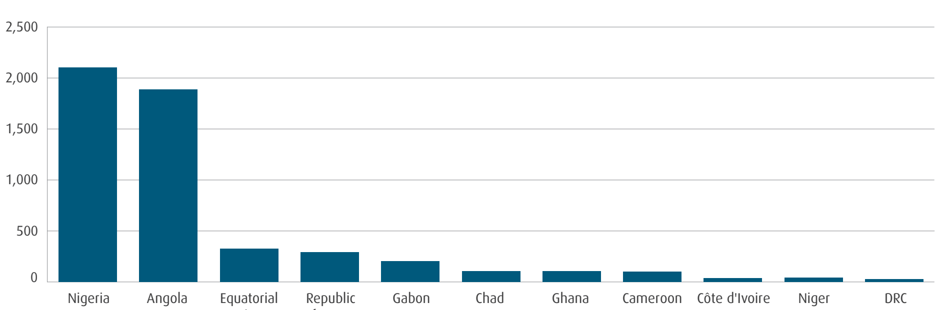
Sub-Saharan Africa produced an estimated 5.3 mn b/d in 2015, dominated by Nigeria and Angola, which are not only the region's leading producers, but which have also contributed most to production growth in 2015. That year seven new fields started production in Nigeria, and four in Angola, adding nearly 100,000 b/d to the region's output. As these fields move towards peak production in 2017, they are expected to add a further 300,000 b/d of output. Nigerian production averaged an estimated 2.1 mn b/d in 2015 and it is expected to maintain the same level of output in 2016, aided by the ramp up of production in some fields and output from new fields. Angola's production is being boosted by the coming on-stream of some of its offshore fields on Block 15 and 17. Other fields expected to come on-stream in 2016 could push the country's production to 1.9 mn b/d, on a par with Nigeria. Cameroon's oil output also rose sharply in 2015, rising above 100,000 bpd for the first time since 2002, well above the 63,000 b/d produced in 2013. The rise in output follows the completion of projects to expand output on fields such as the Dissoni Nord, and we expect to remain well above 90,000 b/d in 2016.

The outlook for the region's other significant oil producers is more negative. Production has either been flat, or declining, in Equatorial Guinea, Republic of Congo and Gabon, owing to field maturity and technical challenges with some of the fields. This trend is also evident among the smaller producers, such as Chad, Ghana, Niger and the DRC. The exception is Côte d'Ivoire, where output has risen following the start of a new field on the offshore block CI-27, adding an estimated 1,100 b/d to production, with the potential to add a further 3,000-4,000 b/d at its peak. Despite the recent weakness, the short to medium outlook for these producers is positive. New fields expected to come on-stream in Niger, Cameroon, Côte d'Ivoire, Republic of Republic and Ghana in 2016 are set to boost oil output by an estimated 123,000 b/d. However, this increase will be countered by the decline in output in Nigeria, Equatorial Guinea and Gabon, where the outlook is negative owing to delays in new projects following the decline in world oil prices.

Overall, the outlook for Sub-Saharan Africa's oil industry over the short to medium remains positive, supported by a stream of new projects and field output stabilisation programs in Nigeria and Angola. However, the long-term outlook is challenged by the slump in investment in oil exploration since mid-2014, as oil companies have cut back their exploration budgets in response to weak international prices. Unlike in previous years, where over 50 exploration wells were drilled across the region, around half of them in West Africa, only around 25 wells were drilled in 2015. These wells were concentrated in Cameroon, Senegal, Mauritania, Gabon and the DRC, with notable discoveries of oil and gas made in Senegal by Cairn Energy (Canada) and and Mauritania by Kosmos Energy (USA). The UK-Listed Bowleven also discovered oil and gas on two wells it drilled onshore Cameroon in its Bomono license.

Middle Africa's crude oil production by country, 2015, 000 b/d

Sources: GlobalData, Ecobank Research



Gas

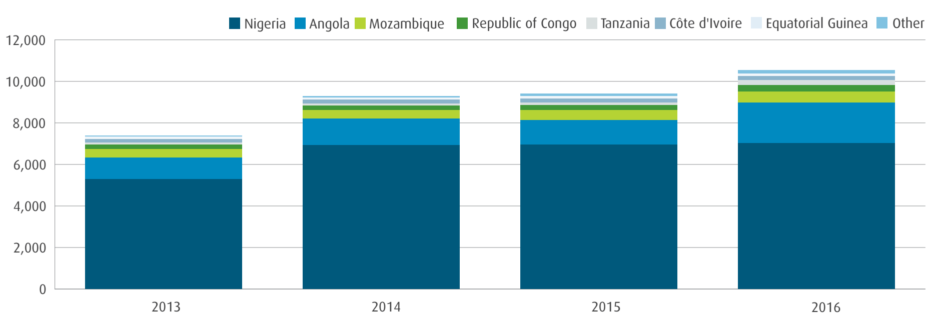
Sub-Saharan Africa's gas production was estimated at 9,413 bn cubic feet per day in 2015, 1% higher than in 2014. Nigeria is the region's largest gas producer, producing over 2.5 trn cubic feet per year, followed by Angola and Mozambique, with 435 trn and 175 trn cubic feet per year, respectively. Republic of Congo, Tanzania, Côte d'Ivoire and Equatorial Guinea are also major gas producers, with combined output of 240 trn cubic feet per year. Gas production has become a major focus for oil companies in the region in response to strong investment in gas-to-power projects across the region. Angola LNG was closed throughout 2015 owing to delayed repairs, but is expected to resume operations in the first half of 2016. Although gas output in smaller producers, such as Cameroon and Ghana, has increased, these countries face infrastructural constraints that prevent them ramping up gas output significantly, and they will require additional investment in gas processing and transporting infrastructure if they are to increase output significantly.

Sub-Saharan Africa's gas reserves have grown significantly in recent years, boosted by discoveries offshore in Tanzania and Mozambique, which are estimated at 70 tcf and 180 tcf, respectively. Overall, Sub-Saharan Africa is estimated to have 496 tcf of natural gas reserves. Recent discoveries onshore Cameroon, and offshore Republic of Congo, Gabon, Senegal and Mauritania, could boost the region's gas reserves further, once appraisals of the finds have been conducted. Moreover, further discoveries offshore Mozambique during appraisals support USGS estimates that the East Africa offshore region could hold over 440 tcf of natural gas reserves.

Funding gas projects remains a major challenge in West Africa, owing to the poor commercial terms for domestic gas supply. Despite huge demand for power, and the presence of huge gas reserves offshore, governments have been hesitant to make needed changes to electricity pricing in order to accommodate higher gas prices for power. This has slowed progress with gas-to-power projects. However, since late 2015 there have been moves to raise electricity tariffs in Zambia, Ghana and Nigeria. These efforts were driven by the devaluation of these countries' currencies, which drove up the cost of feedstock fuels and gas, and which gave greater urgency to the need to make tariffs more cost-reflective.

Middle Africa's gas production, million standard cubic feet per day

Sources: NNPC, GlobalData



Oil and gas

Refined products

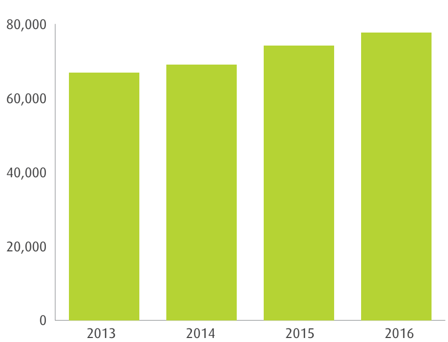
Middle Africa consumed an estimated 74 mn tonnes of petroleum products in 2015. Demand for refined products across the continent is forecast to rise by up to 24% by 2020, to 92 mn tonnes. This equates to an annual growth rate of 3-4%, three times the global demand increase forecast by the IEA. Across Middle Africa, diesel and gasoline are the primary fuels used in road transport, with diesel the most consumed product across all key sectors in 2015. Nigeria's huge gasoline demand makes up nearly 60% of regional gasoline demand, supplying the country's transportation sector and residential electricity generation.

Middle Africa's total installed refinery capacity stands at 860,000 b/d. However, output of refined products falls well short of demand, and we estimate the region faced a product supply gap of over 685,000 b/d in 2015, underpinning the region's dependence on imports. Côte d'Ivoire is the largest exporter of refined petroleum products among Middle Africa's refiners. West, East and Southern Africa import more refined products than they export (and in West Africa's case, despite significant oil exports).

West Africa is leading investment into refining capacity, with the massive 650,000 b/d plant planned by Aliko Dangote, Africa's richest man. The new plant is expected to be completed in 2018 and could supply the entire West African coastal region, where currently Côte d'Ivoire and Senegal have the only functioning refineries. Efforts to build new refining capacity elsewhere in Middle Africa have slowed considerably since oil prices declined, as funding has become difficult to secure. Moreover, the slump in foreign currency revenues from crude exports has made it difficult for governments to fund fuel imports, forcing them to curb fuel subsidies.

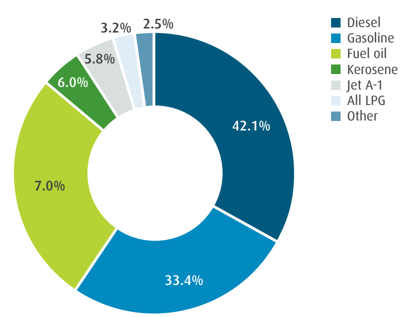
Middle Africa's refined products consumption, 000 tonnes per year

Source: ARA



Composition of Middle Africa's refined products consumption, 2015, %

Source: ARA



Soft commodities and trade

Middle Africa is a diverse producer of soft commodities

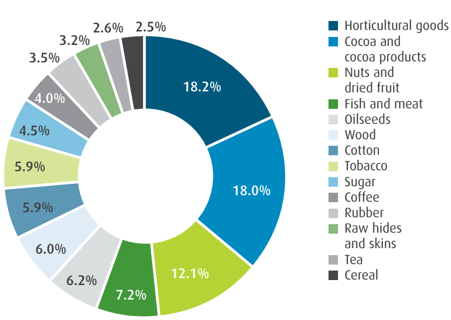
Middle Africa is a leading producer of agricultural commodities for the global market, with a dominant position in the cocoa, coffee, cashew nut, and tea export markets. West Africa is the production hub for tropical cash crops – notably cocoa, palm oil and natural rubber (NR) – while East and Southern Africa dominate the production of sugar, tea and coffee. South Africa and Nigeria are the largest soft commodity producers by volume, but owing to the high level of domestic demand they consume most of their production, requiring large imports of wheat, rice, sugar and maize. A handful of Middle African countries are market movers, notably Côte d'Ivoire and Ghana which together account for 60% of world cocoa production, and Kenya, which accounts for 14% of world tea exports. But the majority of Middle Africa's soft commodity producers account for a small fraction of global production – cotton production accounts for just 5% – limiting the region's influence over the global market.

Middle Africa's agricultural sector is focused on the large-scale production of staple foods, notably cassava, yams, maize, rice and palm oil for domestic consumption. However, most regions run food deficits and require large volumes of imports to satisfy domestic demand. Large volumes of local staples – notably cassava, maize, sorghum and millet – are traded informally and are not captured by official data. There is also significant production of cash crops for export to the global market, including cocoa, coffee, tea, cotton, NR and nuts (groundnuts and cashew nuts). The region produces niche commodities for the global market, notably vanilla (around 90% of world supply comes from Madagascar), gum Arabic, sesame and Shea butter. In recent years horticultural goods – including edible nuts, fruit and vegetables, cut flowers and live plants – have grown to become the single largest soft commodity export, servicing markets in the EU, USA and Asia.

Despite the high and diversified level of soft commodity production, the level of processing of these crops is low; an estimated 75% of cocoa beans, 70% of cotton and 90% of cashew nuts are exported raw to foreign markets. As a result, concerted efforts are being made to extract more value from these commodities prior to export, involving heavy investment to boost processing capacity, warehousing facilities, and export infrastructure, as well as to develop domestic consumption (for example, speciality coffee and fast food chains). This should help reduce the level of wastage, as currently 40-50% of agricultural output rots before it gets to market. The development of commodity exchanges could unlock the financing potential for the agricultural sector which suffers from low use of fertilisers and pesticides, poor irrigation and inefficient practices.

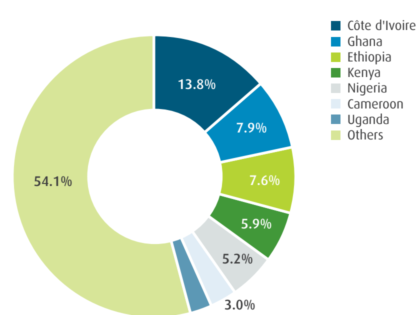
Middle Africa's leading soft commodity exports, USD 000s, 2014

Sources: Intracen, Ecobank Research



% share of Middle Africa's soft commodity exports, USD, 2014

Sources: Intracen, Ecobank Research



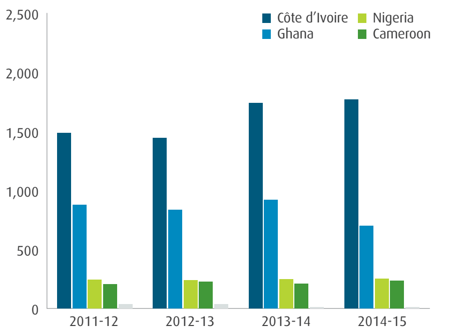
Soft commodities and trade

Cocoa

West Africa dominates world cocoa production, accounting for around 3/4 of output. Côte d'Ivoire is the market leader, producing 1.8 m tonnes in 2014-15, followed by Ghana with 700,000 tonnes, and Nigeria and Cameroon with 200,000-250,000 tonnes. Côte d'Ivoire is the world's largest grinder, producing 545,000 tonnes of cocoa products in 2014-15, while Ghana ground 200,000 tonnes.

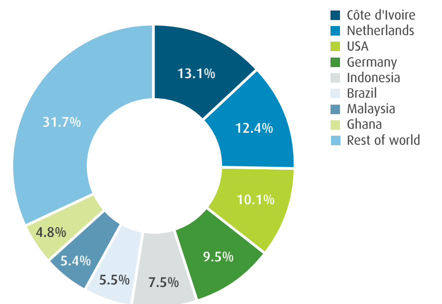
Cocoa production (tonnes, 000s)

Sources: ICCO, Ecobank Research



% share of world cocoa grind, 2014-15

Source: ICCO

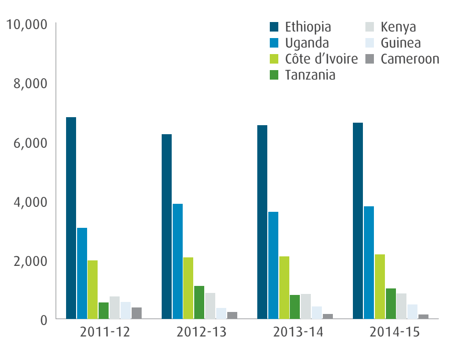


Coffee

East Africa dominates production of coffee, accounting for 3/4 of African output, led by Ethiopia (Arabica) and Uganda (Robusta). Kenya and Tanzania have a strong market share in the world speciality sector, while Côte d'Ivoire exports Robusta to niche markets in the Mediterranean. Given the high level of coffee consumption in Ethiopia, Uganda is Africa's largest coffee exporter.

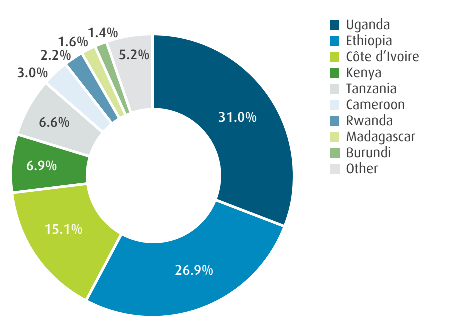
Coffee production in Middle Africa (60kg bags, 000s)

Source: ICCO



% of African coffee exports, 2013-14

Source: ICCO

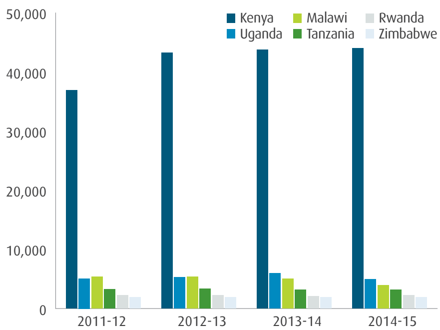


Tea

Kenya is by far Middle Africa's largest tea producer, globally ranking third behind China and India with production of 440,150 tonnes in 2015, around 10% of world tea output. Other production in East and Southern Africa is on a small scale. Kenya is the world's third-largest exporter of tea, with Pakistan and Egypt displacing the UK as the country's leading tea export markets.

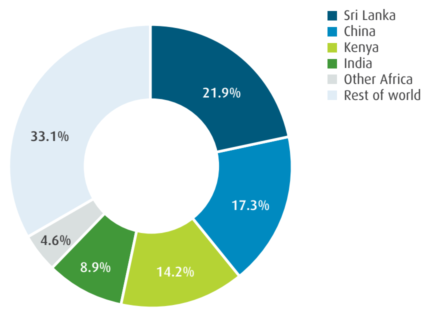
Tea production in Middle Africa (tonnes, 000s)

Source: FAOSTAT



% of world tea exports, 2014

Source: Intracen

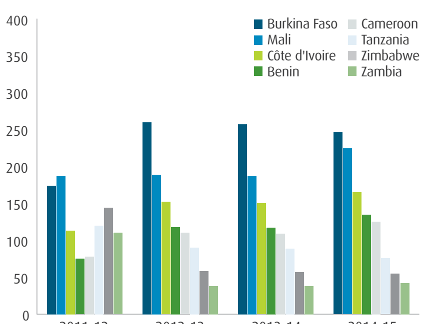


Cotton

Cotton production is concentrated in the CFA Franc Zone in West and Central Africa. In 2014-15 Burkina Faso, Mali, Côte d'Ivoire, Benin and Cameroon produced an estimated 896,000 tonnes of cotton lint, around 60% of the Middle African total. Southern Africa (23.8%) and East Africa (9.4%) are also important cotton production hubs. Despite the presence of large-scale ginners across West Africa, 70% of Africa's cotton is exported as lint (raw cotton) to markets in Asia.

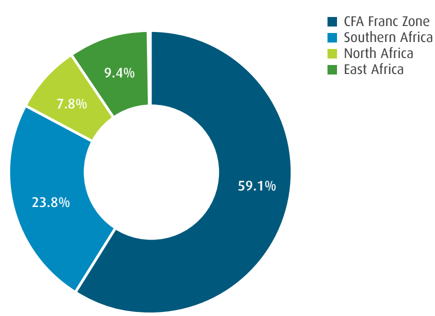
Cotton lint production in Middle Africa (tonnes, 000s)

Sources: ICAC, Ecobank Research



Cotton production by region, 2013-14

Sources: ICAC, Ecobank Research



Introduction
Global and Regional Context
Southern Africa (including Nedbank regions)

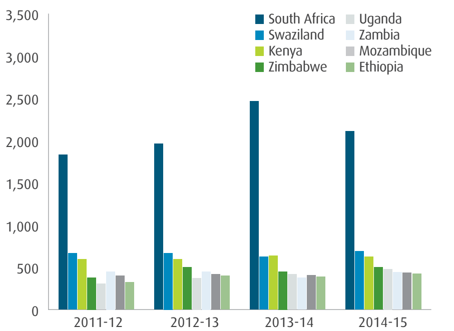
Soft commodities and trade

Sugar

Sugar cane is primarily grown in Southern and East Africa, which have a 61% and 25% share of output, respectively. South Africa is the largest producer, with output of 2.1 m tonnes of refined sugar in 2014-15. Other significant producers include Swaziland, Kenya, Zimbabwe, Uganda, Zambia, Mozambique and Ethiopia, all of which compete in the regional market. In West Africa, most sugar is imported raw from Brazil to be refined domestically, notably in Nigeria's refinery complex in Lagos.

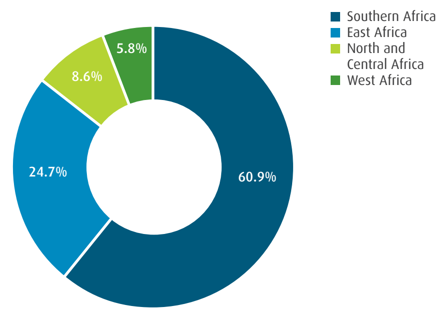
Sugar production in SSA (tonnes, 000s)

Sources: ISO, Ecobank Research



Sugar production by region, 2014-15

Sources: ISO, Ecobank Research

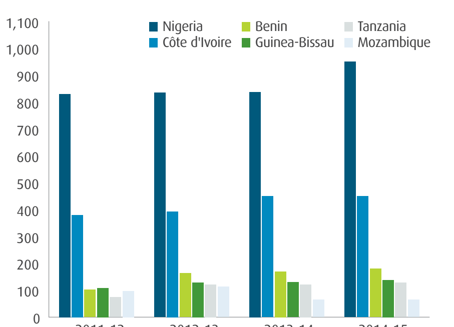


Cashew nuts

Cashew nut production is focused on West Africa and is led by Nigeria, with 950,000 tonnes of output in 2013, although Côte d'Ivoire and Benin are rapidly expanding output. East Africa's cashew nut production is focused on Tanzania and Mozambique, which together produced 193,000 tonnes in 2014. Overall, Middle Africa accounts for 44.8% of world production of raw cashew nuts (RCN), 90% of which are exported raw to India, Vietnam and Brazil for processing.

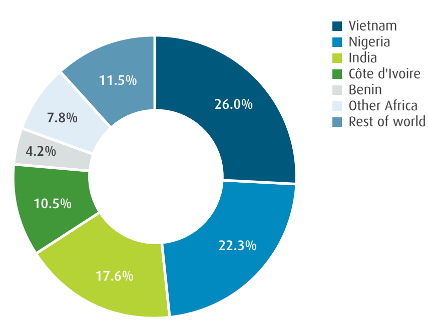
Raw cashew nut (RCN) production in Middle Africa (tonnes)

Source: The Public Ledger



% share world RCN production, 2013

Source: The Public Ledger

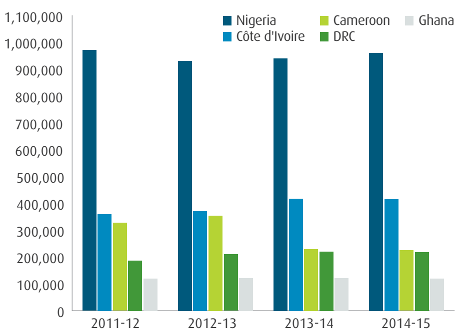


Palm oil

Palm oil production is focused on West Africa, where output is dominated by smallholders supplying the local market and processers. Middle Africa produced 2.3 m tonnes of palm oil in 2013, led by Nigeria (960,000 tonnes), Côte d'Ivoire (415,000 tonnes), Cameroon (225,000 tonnes) and the DRC (218,000 tonnes). Given the high level of domestic consumption, and lack of production in East Africa, Middle Africa runs a large palm oil deficit. The region imported USD3.7 bn of palm oil in 2014, most of which went to countries with the largest populations.

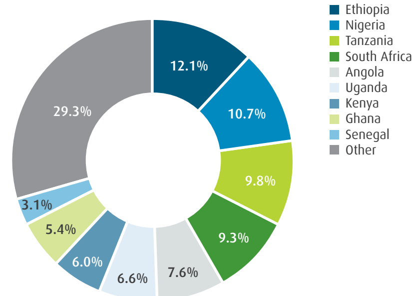
Palm oil production in Middle Africa (tonnes, 000s)

Source: FAOSTAT



% share of palm oil imports in Middle Africa, 2014

Source: Intracen

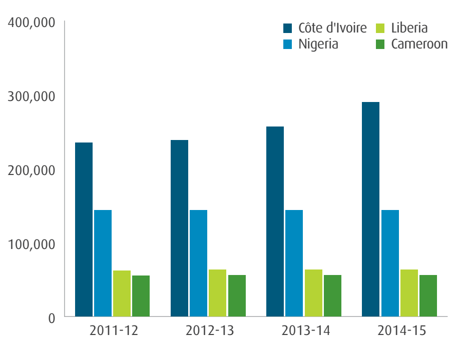


Natural rubber (NR)

Natural rubber (NR) production is also focused on West Africa, which accounts for 85% of output. Côte d'Ivoire is the largest producer, with output of 290,000 tonnes in 2013, followed by Nigeria (143,500 tonnes), Liberia (63,000 tonnes) and Cameroon (56,000 tonnes). Given the low level of domestic consumption of NR, Côte d'Ivoire and Liberia export all of their rubber to Malaysia, the EU and North America. Nigeria's exports of NR are modest, indicating the high proportion of output that is consumed by the domestic industrial sector.

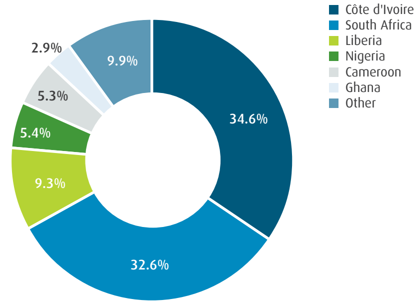
NR production in Middle Africa (tonnes)

Source: FAOSTAT



% share of NR exports from SSA, 2014

Source: Intracen



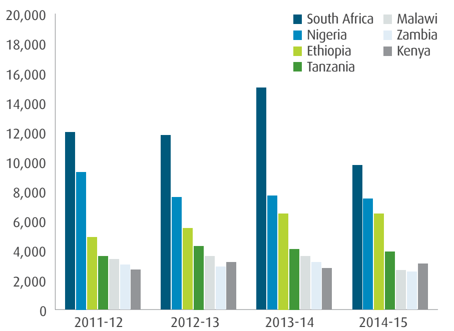
Soft commodities and trade

Maize

Sub-Saharan Africa is a major producer of cereals for domestic consumption. The region produced an estimated 56.7 m tonnes of maize in 2014-15, led by South Africa, Nigeria and Ethiopia. Large volumes of maize are traded across the region, both formally and informally, redistributing stocks from surplus to deficit regions. Kenya and Zimbabwe are the largest maize importers, together accounting for 32% of Middle Africa's maize imports in 2014.

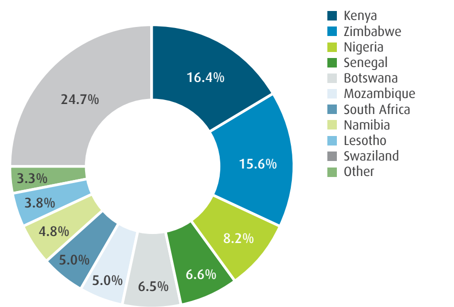
Maize production in SSA (tonnes, 000s)

Source: IGC



% share of maize imports to SSA, 2014

Source: Intracen

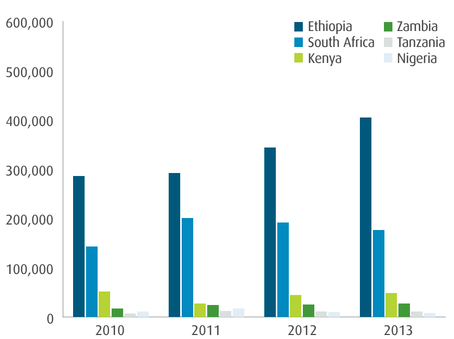


Wheat

Sub-Saharan Africa produces small volumes of wheat, as the crop is not well suited to cultivation in tropical climates. Ethiopia and South Africa dominate wheat output, together producing 5.8 m tonnes in 2013, 79.4% of the regional total. Rapid population growth and urbanisation are driving up consumption of wheat, requiring an estimated 6 m tonnes of imports in 2014, 29.2% of which went to Nigeria, the region's largest grain importer.

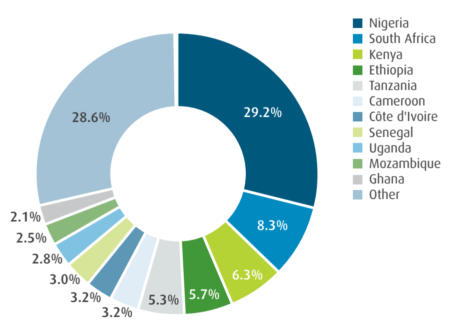
Wheat production in SSA (tonnes, 000s)

Source: FAOSTAT



% share of wheat imports to SSA, 2014

Source: Intracen

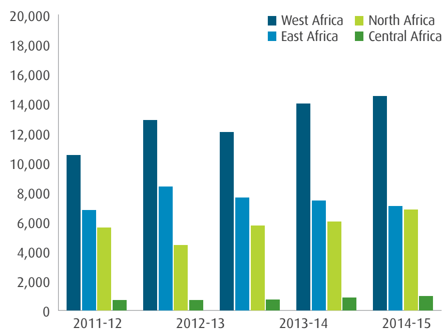


Rice

Sub-Saharan Africa produced 24.5 m tonnes of paddy rice in 2013, led by West Africa (59.1% of the total). Nonetheless, the region runs a large rice deficit, requiring an estimated USD6.1 bn worth of imports in 2014. Although Benin is officially Africa's largest rice importer, most of its rice imports are destined for Nigeria, which is by far Africa's largest consumer. Large volumes of imported rice are traded informally across Africa, especially from coastal regions to the landlocked interior.

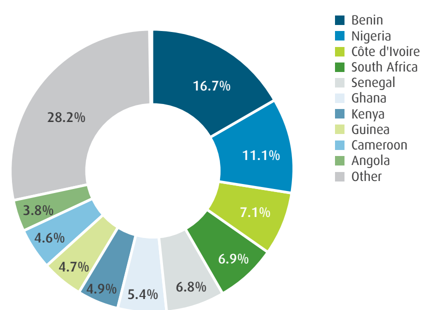
Paddy rice production in SSA (tonnes, 000s)

Source: FAOSTAT



% share of rice imports to SSA, 2014

Source: Intracen

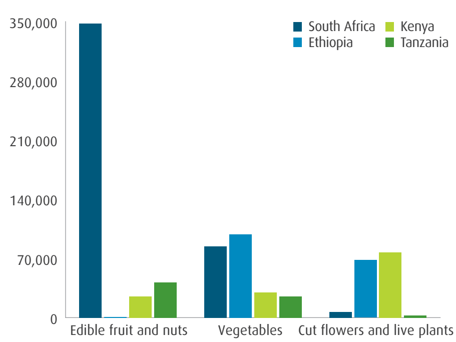


Horticultural goods

In recent years horticultural goods have emerged as Middle Africa's leading soft commodity export, worth USD9.5 bn in 2014 and led by East and Southern Africa. South Africa dominates exports of edible fruit and nuts (USD3.5 bn in 2014) and of vegetables (USD840 m). Ethiopia is an important vegetable exporter (USD984 m in 2014), and along with Kenya dominates exports of cut flowers and live plants (USD1.5 bn). The EU takes nearly half of Middle Africa's horticultural exports, using air freight to get perishable goods to market.

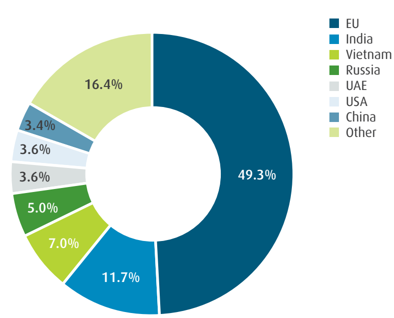
Horticultural goods exports by category, USD 000s, 2014

Source: Intracen



Key export markets for SSA's horticultural goods, 2014

Sources: Intracen, Ecobank Research



Soft commodities and trade

Africa's external and intra-regional trade

Africa is a major exporter of raw and semi-processed commodities to the global market. Total trade volumes reached an estimated USD903 bn in 2014. Exports are dominated by crude oil, precious metals and stones, iron, manganese and copper ores, and cash crops (notably cocoa, coffee, tea and cotton), and imports by petroleum products, machinery, electronic equipment, food and consumer goods. With the exception of a few key commodities (e.g. cocoa), the region remains a small player on the global stage, with total trade volumes amounting to just 2.4% of global trade flows in 2014.

The region's leading trade partners are the EU (25.7% of total trade), reflecting long-standing historical ties, and China (15.6%), which continues to import large volumes of African commodities. India has displaced the USA as the region's fourth largest trade partner, with 7% of flows, reflecting India's rising demand for African crudes and soft commodities versus the slump in US demand for West African crude. Brazil's trade flows have slumped to just 2.1%, mostly comprising sugar, meat and soya, as Brazilian demand for African crude has also fallen.

According to official data, Africa's intra-regional trade is poorly developed compared with other regions of the world. Total intra-regional flows reached an estimated USD174 bn in 2014, the equivalent of 17.5% of total flows. This compares with an average of 60% in the EU and Asia and 40% in North America. However, given the prevalence of informal trade across the sub-continent, little of which is captured in official data, it is likely that the proportion of intra-regional flows is on a par with North America, and in many areas exceeds 50% of all flows. This trade is dominated by food, fuel and consumer goods to sub-regional markets, and by re-exports of raw and semi-processed commodities from neighbouring countries to global markets. The SADC trade block – which is dominated by South Africa – accounts for 55.2% of all intra-regional trade, while West Africa makes up 21.1%. Intra-regional trade is less developed in other regions of Sub-Saharan Africa, averaging around 7% each in Central Africa and the EAC.

The largest intra-regional trader by value is South Africa, reflecting the size of its economy and the country's role as a conduit for goods, services and investment into Southern and East Africa. Southern African countries make up the top five intra-regional traders by value, underlining the strong integration of the Southern African Customs Union (SACU). Landlocked countries are heavily dependent on intra-regional flows, making up 10 of the top 20 intra-regional traders by value. In 2014 they were led by Lesotho (90.7%), Botswana (88.5%), Zimbabwe (81.3%), Swaziland (75.2%) and Burkina Faso (63.7%). West Africa's trading hubs also handle large intra-regional flows, notably Côte d'Ivoire (31%) and Ghana (20.2%). However, countries that are heavily dependent on commodity exports to the world market have negligible intra-regional flows, notably Nigeria (2.6%) and Angola (4.8%).

Numerous constraints block the development of intra-regional trade. Overlapping trade blocks are a major obstacle: 27 African countries are members of at least two trade blocks, and 18 countries are members of three, creating a spaghetti bowl of interlinking trade regulation. High transport costs are also a burden: to export a container from Central Africa costs an average of USD2,809, more than three times the cost in East Asia and the Pacific. Poor logistics also hamper efforts to boost trade volumes. According to the World Bank's Logistics Performance Index, Sub-Saharan Africa scores the lowest of all regions in the world on customs, shipping and tracking indicators, reflecting the weak capacity of the road, rail and port networks. However, the development of trade corridors could provide the key to unlocking the region's trade potential (see Africa's Trade Corridors on page 31).

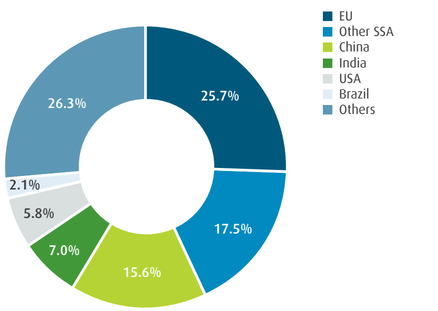
Sub-Saharan Africa's key trade partners, 2014

Country	Exports to SSA (US$ mn)	Imports from SSA (US$ mn)	Bilateral trade (US$ mn)
EU	116,886,365	115,365,340	232,251,705
Other SSA	81,669,225	76,659,510	158,328,735
China	75,362,081	65,180,714	140,542,795
India	28,473,761	34,739,117	63,212,878
USA	27,160,707	25,219,682	52,380,389
Brazil	7,467,707	11,656,350	19,124,057
Others	131,345,777	106,578,212	237,923,989
World	468,365,623	435,398,925	903,764,548

Sources: Intracen, Ecobank Research

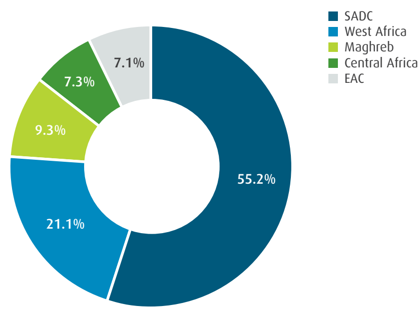
% share of Sub-Saharan Africa's bilateral trade, 2014

Sources: Intracen, Ecobank Research



% share of Sub-Saharan Africa's intra-regional trade, 2014

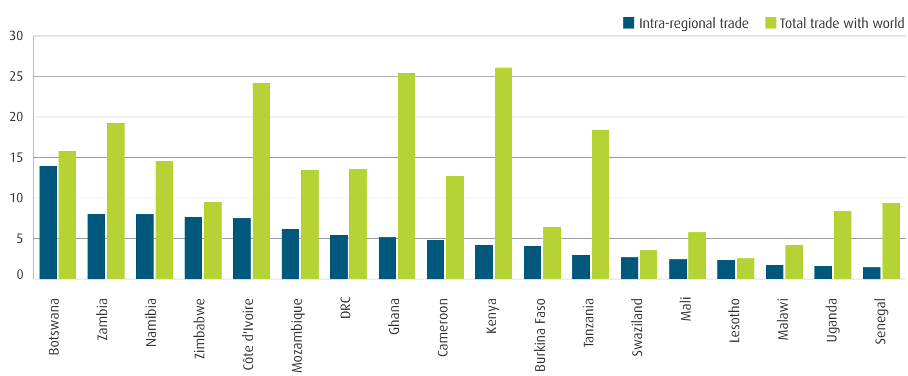
Source: Intracen



Sub-Saharan Africa's leading intra-regional traders, 2014 (USD billions)*

*Excluding South Africa, Angola and Nigeria

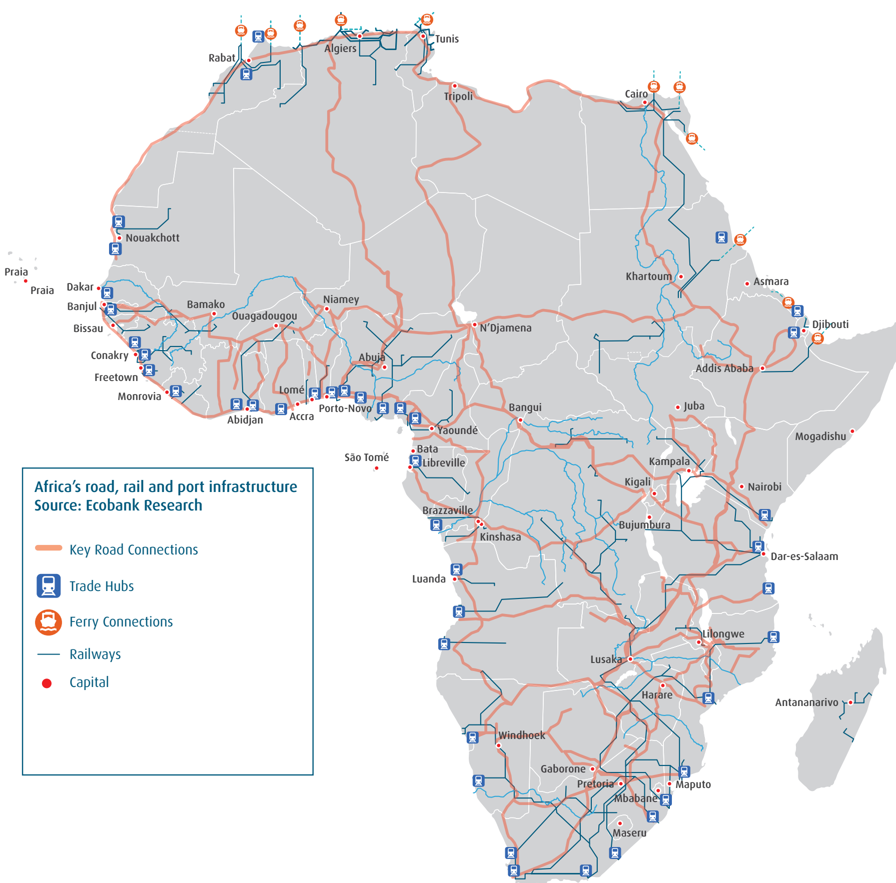
Sources: Intracen, Ecobank Research



Africa’s road, rail and port infrastructure

Africa’s transport infrastructure is inadequate, with numerous blockages and capacity constraints resulting from chronic underinvestment during the 1980s and 1990s. However, since 2000 a wave of investment has boosted port, road and rail capacity, and in the process this has strengthened historic trade corridors across Sub-Saharan Africa. It is estimated that the region requires USD110 bn of investment per year over the next decade to close the infrastructure gap; current investment is short of this target, at around USD60 bn per year, although this amount is rising as investment flows in from public and private sources.

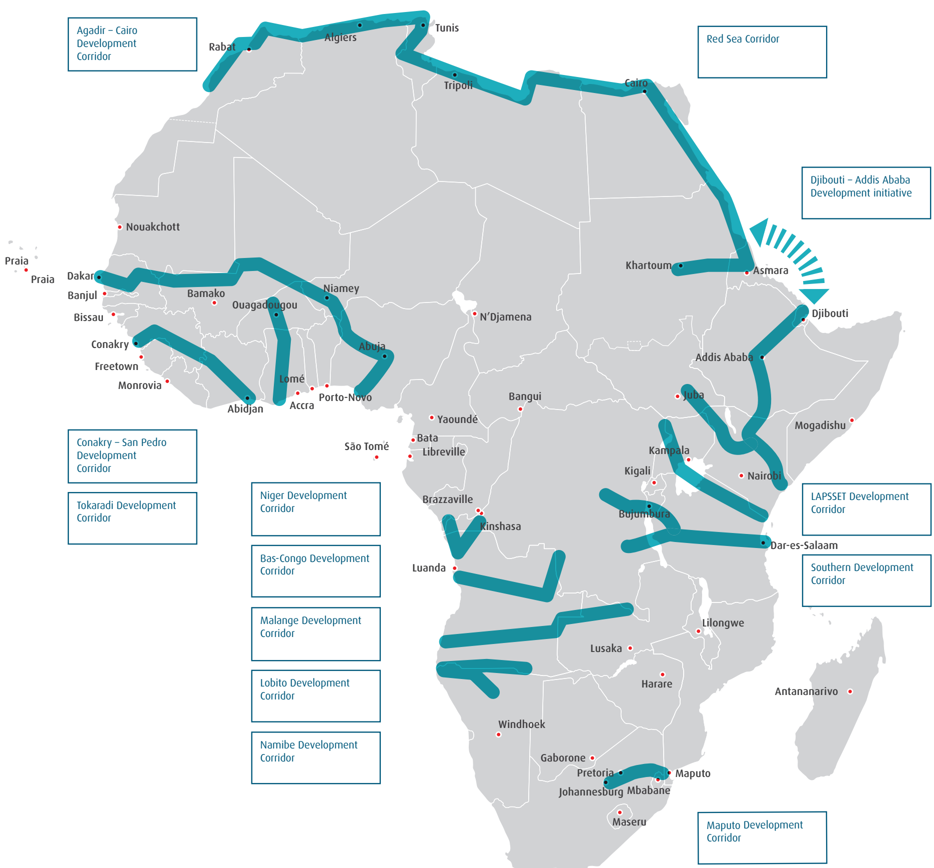
Africa’s road infrastructure is disjointed, with isolated sections of paved highways interspersed with secondary trunk and dirt roads. Only one quarter of Africa’s road network is paved, making transport in many regions impossible during the rainy season. Road connections between the major ports and business hubs have improved in recent years, but the rural network remains poor. Africa has a long-established network of ports, running along the West coast from Dakar (Senegal) to Luanda (Angola), and along the East coast from Durban (South Africa) to Mombasa (Kenya). Major investment is underway to boost capacity at the busiest ports, notably Tema/Takoradi (Ghana), Lagos (Nigeria), Luanda, Maputo (Mozambique) and Mombasa. Africa’s rail infrastructure has traditionally served flows of commodities from the interior – notably mineral ores – resulting in few regional interconnections. However, the development of urban passenger services is transforming the network, which will be the backbone of future development corridors.



Africa’s trade corridors

Key to boosting Africa’s intra-regional trade is the development of trade corridors. Long-standing corridors exist along the West African coast, running from Dakar to Lagos. There are also corridors from the coast to the interior, from Senegal and Côte d’Ivoire into the Sahel, from Cameroon into Central Africa, and from Kenya and Tanzania into Southern and East Africa. More recently, regional development corridors have been developed, notably the Maputo Development Corridor, which links South Africa’s industrial Gauteng province to the port of Maputo. The most ambitious project is the Lamu Port and South Sudan Ethiopia Transport, or LAPSSET, project. This aims to build a port at Lamu on the Kenyan coast, with a road, railway and oil pipelines running to Ethiopia and South Sudan, and possibly into Central Africa and beyond. Many other trade corridors have been proposed; for example, from Khartoum in Sudan across the southern Mediterranean to Agadir in Morocco, and from Dakar along the Niger River to Port Harcourt in Nigeria (the Niger Development Corridor). There will also be new coastal corridors, notably Angola’s Lobito Development Corridor, whose backbone will be the recently reopened Benguela Railway.

Existing and proposed trade corridors



Country Profiles:
Southern Africa (including Nedbank regions)

Southern Africa is the largest region in Middle Africa, stretching from the DRC in the north to South Africa in the south. The region has at its core the Southern African Development Community (SADC), which is made up of Angola, Botswana, the DRC, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe. Madagascar and Seychelles are not covered in this guidebook as neither Ecobank nor Nedbank have operations there. Tanzania is covered in the East Africa section, as the country is a member of both the EAC and SADC.

SADC is dominated by South Africa, by virtue of its large and diversified economy, and also its role as a regional hub for trade, services and investment into Southern Africa. South Africa is a leading supplier of minerals to the world market, including platinum, diamonds, gold, iron, coal, manganese, chromium and titanium, as well as of soft commodities to both regional and global markets, notably sugar and grains. Minerals dominate the economies of the block's other large members, including Angola and the DRC (oil and gas), Botswana, Lesotho, Namibia and Zimbabwe (diamonds), Mozambique (aluminium, gas and coal) and Zambia (copper). The region also trades large volumes of soft commodities, notably grain and sugar, which move from surplus to deficit regions depending on the annual crops.

Given the wide geographical reach of SADC and the various trade blocks with which it overlaps, the level of integration varies greatly. Countries within the Southern African Customs Union (SACU) – Botswana, Lesotho, Namibia, South Africa and Swaziland – are among the most integrated in Africa, bolstered by their strong integration into South Africa's trade flows and transport infrastructure. Trade links between South Africa and Mozambique have been enhanced by the Maputo Development Corridor, linking the industrial Gauteng province with Maputo Province. However, trade links with the periphery members of SADC, notably the DRC and Angola, are poorly developed.

Southern Africa has the largest financial sector in Africa, focused on Johannesburg.

Country Profiles:
Southern Africa (including Nedbank regions)

Southern Africa

Continued

***Nedbank Regions**

Angola

Select economic and financial indicators	2012	2013	2014	2015e	2016f
Real GDP (% change)	5.2	6.8	4.8	3.5	2.9
GDP (USD bn)	115.3	124.2	129.3	102.0	98.8
Inflation (average)	10.3	8.8	7.3	10.2	23.7
Fiscal Balance (% GDP)	4.6	-0.3	-6.4	-3.5	-3.0
Broad Money (% change, end period)	4.9	14.1	16.5	14.4	14.6
Population (mn)	22.7	23.4	24.2	25.0	25.8
Exports (USD bn)	71.1	68.2	59.2	37.0	38.5
Imports (USD bn)	23.7	26.3	28.6	21.0	21.2
Current Account Balance (% GDP)	13.9	8.3	-2.0	-7.8	-6.2
FX Reserves (USD bn, end period)	32.2	32.2	27.8	22.3	18.6
Exchange Rate (average)	95.33	96.50	98.41	120.31	170.00
Oil production (mn bpd)	1.73	1.716	1.672	1.785	1.85

e=estimate; f=forecast

Sources: IMF, World Bank, Bloomberg, Ecobank Research

Economic Outlook

Real GDP: Growth is expected to slow to 2.9% in 2016 because the oil price shock has significantly reduced fiscal and export revenues, stressing the need to address vulnerabilities, diversify the economy, and better manage oil revenues. Government spending on infrastructure, particularly in the power sector and road building (assuming capital spending is not cut significantly), will boost the non-oil sector. Non-oil growth will also be supported by ongoing, albeit moderate, improvements to the business environment and financial sector reform. Oil GDP will be supported by further increases in oil production although the indirect effect of sustained low oil prices will act as a brake on the sector.

Inflation: Inflation is likely to accelerate to around 24% in 2016 given kwanza weakening, the recent removal of fuel subsidies and the pass through effect of higher imported goods costs. There is a need to continue adjusting the exchange rate supported by tight monetary policy to address imbalances in the FX market to contain the impact on inflation while improving liquidity management.

Fiscal balance: The fiscal deficit will narrow slightly to 3% of GDP in 2016 due to spending adjustments to what appears to be permanently lower oil revenues. In addition, the authorities will need to continue to take strong policy steps to mitigate the impact of the oil price shock in 2016 by making further spending cuts and considering the necessity for another devaluation of the kwanza. However, institutional capacity constraints will limit spending as will the aim to reduce quasi-fiscal spending. It will be important to implement an orderly fiscal adjustment to avoid domestic payments arrears in 2016 while striking a better balance between current and capital spending priorities. On the revenue side, efforts will be strengthened to mobilise additional non-oil taxes given the shift required to reduce dependency on the oil sector.

Current account: The current account deficit is likely to narrow to around 6% of GDP, largely due to increased oil export revenues driven by higher production and despite the expected low oil price. Strong demand for imports will push up the import bill albeit moderately amid an environment of slower growth in government spending.

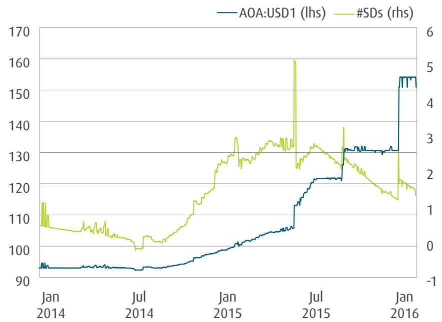
The authorities will continue to face several challenges in 2016, which they will have some success in meeting: to make investment spending more efficient, enhance public financial management by improving management of oil revenues and cash management, increase FX reserves, and reduce inflation to within single digits.

Risks: There remains a strong need to boost economic diversification by improving the business environment and competitiveness, and by strengthening the role of the private sector across the economy. On the policy front, there remains a strong requirement to adopt an improved medium term fiscal framework and a properly designed fiscal stabilisation fund to reduce pro-cyclical spending and an increase in debt – both of which pose major risks to economic stability.

Angola

AOA performance and volatility*

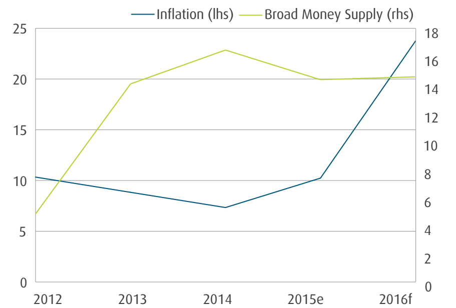
AOA versus USD1 Sources: Bloomberg and Ecobank Research



*Note: AOA volatility is measured by standard deviation.

Angola inflation and money supply (%)

Source: IMF



FX, FI and Commodity Information

Exchange rate structure

Regime	Crawl-like arrangement
Target	No official target but de facto anchored to the USD
Type of intervention	Via Central Bank
Convertible currency?	No
Market participants	n/a

FX

FX products	Spot	Forwards	Non-deliverable forwards	Options	Swaps
On offer	Yes	No	No	No	Yes
Daily trading volume (USD mn)	n/a	n/a			
Average trade size (USD mn)	n/a				
Average spread	n/a				
Trading hours	Limited				
Settlement	T+2				
FX market structure	The central bank is the largest provider of FX in Angola. FX is auctioned to banks that bid for FX quantities according to a predefined auction calendar.				
Non-resident FX regulations	**Spot**	**Forwards**	**Non-deliverable forwards**	**Options**	**Swaps**
Trade and FDI flow	Limits to unrequited transfers to non-residents; discriminatory application of the 0.015% stamp tax on FX operations.	n/a			
Financial flow					
Resident FX regulations	**Spot**	**Forwards**	**Non-deliverable forwards**	**Options**	**Swaps**
Trade and FDI flow	Limits on availability of FX for invisible transactions; limits to unrequited transfers to non-residents; discriminatory application of the 0.015% stamp tax on FX operations.	n/a			
Financial flow					

Angola

FI

Primary market	Treasury bills	Treasury notes	Treasury bonds	Central Bank bills	OMOs
Issuer	Government	n/a	Government	n/a	n/a
End use	Government financing	n/a	Government and infrastructure financing	n/a	n/a
Maturity structure	28- to 182-days	n/a	1- to 12-yrs	n/a	n/a
Coupon	Zero	n/a	Fixed / Floating	n/a	n/a
Coupon payments	n/a	n/a	Semi-annual	n/a	n/a
Secondary market					
Daily trading volume	Limited trading	Limited trading	Limited trading	n/a	n/a
Average trade size	Limited trading	Limited trading	Limited trading	n/a	n/a
Settlement	n/a	n/a	n/a	n/a	n/a

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Tel: +244 938 910 345

Sources: Bloomberg, IMF and Ecobank Research

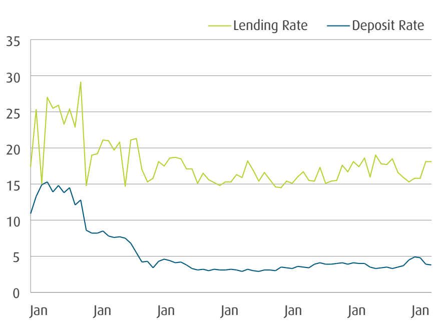
FI primary market information

Angola debt	2012	2013	2014	2015e	2016f
Government debt (% GDP)	28.7	36.2	42.2	57.4	53.0
Sub-Sahara average	37.3	39.3	42.9	47.6	47.6
External debt (official creditors, % GDP)	18.8	23.7	25.5	38.8	36.4
Sub-Sahara average	23.5	24.6	27.1	32.1	32.3
External debt stock (USD bn)	21.7	29.4	33.0	39.6	36.0
Share of total sub-Sahara debt (%)	7.4	9.4	9.6	10.7	9.1

Sources: IMF and World Bank

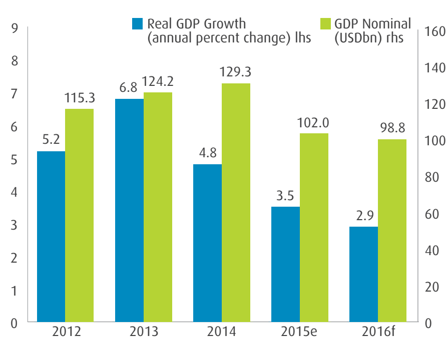
Interest rates (%)

Source: IMF



Real GDP growth (%)

Source: IMF



Angola

Banking Sector Information

Angola's banking sector has grown dramatically since the end of the civil war in 2002, with the asset base expanding from USD3 bn in 2002 to more than USD60 bn in 2015. There are 23 banks in Angola, 20 of them fully functioning commercial banks. The sector is dominated by locally owned private banks, which together control 42% and 50.5% of total assets and deposits, respectively. Concentration levels are high, with the top five banks accounting for 77% of total banking sector assets in 2013, and the ten largest banks controlling 93% of assets. The same is true for Angola's insurance sector, which is dominated by just two state-owned insurers: AAA and ENSA.

Locally owned private banks dominate the deposit liability market, primarily because they have the strongest distribution network, with 46% of the branch network. State-owned Banco de Poupança e Crédito (BPC) has the strongest distribution network, with 20% of branches, followed by the privately owned BIC and foreign-owned BFA, both of which have a 13% share of the branch network. The share of foreign currency (FCY) liabilities to total liabilities plunged to 43.1% by end-2014, down from 51% at end-2013. This is partly attributable to a directive issued by the central bank that came into effect in July 2013, requiring oil companies to settle their obligations in local currency, the Kwanza, which forced oil companies to sell USD to local banks in exchange for Kwanza. Around 50% of total deposit liabilities are demand, driven by current accounts held by large corporates engaged in oil businesses, while around 45% are term. The mismatch between the contractual and behavioural life of deposits reflects the fact that financial sector deepening in Angola is still below 10%, limiting access to long term cheap local currency deposits.

The central bank's drive to de-dollarize Angola's economy has seen foreign currency lending by banks drop significantly, from a high of 60% in 2011 to below 27% at end-2014. Private sector business (SMEs and corporates) continues to dominate credit uptake, accounting for 80% of lending by banks. Just 20% goes to personal consumer lending accounts, reflecting banks' onerous collateral requirements which only high net worth individuals (HNIs) can meet. Angola's banking sector return on equity (ROE) has declined sharply, from 22% in 2011 to just 6.3% at end-2014, reflecting rising bad debts and tightness in net spreads.

Angola's banking sector's capital adequacy ratio stood at 22% in Q2 2014, well above the regulatory minimum of 10%. However, there is a need for risk-based capital measurements, as well as boosting the capital buffers of the systemically important five leading banks. The slump in the oil price and its impact on Angola's economy has increased the number of non-performing loans (NPLs), raising the country's NPL ratio to an estimated 12% at end-2014. In 2013 state banks accounted for two thirds of NPLs, reflecting the weakness of their credit processes compared with privately owned banks.

Angola

Angola's leading banks, 2014

Bank	Total assets (USD mn)	Ownership
Banco de Poupança e Crédito	11,659	Public
Banco Angolano de Investimentos	10,712	Private Local
Banco de Fomento Angola	10,439	Private Foreign
Banco BIC	8,132	Private Local
Banco Privado Atlântico	3,651	Private Local
Banco de Desenvolvimento de Angola	2,779	Public
Banco Sol	2,636	Private Local
Banco Millennium Angola	2,380	Private Foreign
Banco Caixa Geral Totta de Angola	2,240	Private Foreign
Standard Bank Angola	1,978	Private Foreign
Banco de Negócios Internacional	1,966	Private Local
Banco Keve	1,142	Private Local
Banco de Comércio e Indústria	1,074	Public
Finibanco Angola	741	Private Foreign
Banco Comercial Angolano	301	Private Local
Banco Angolano de Negócios e Comércio	280	Private Local
Banco Valor	117	Private Local
Banco VTB África	112	Private Foreign
Standard Chartered Bank Angola	104	Private Foreign
Banco Kwanza de Investimento	97	Private Local
Banco Comercial do Huambo	60	Private Local

Sources: Banco Nacional de Angola (BNA), Ecobank Research.

Commodity and Trade Information

Hydrocarbon and mineral production

Angola is Sub-Sahara Africa's second largest crude oil producer (after Nigeria), with output of 1.8 mn bpd in 2015, most of which was exported to China, the USA and India. Angola produces almost 99% of its crude oil from offshore fields. Angola has an estimated 17 bn barrels of oil offshore reserves, including pre-salt discoveries that are believed to hold over 4 bn barrels. Angola's first LNG plant is a joint venture between Angola's Sonangol and several international oil companies (Total, BP, Chevron and ENI), with a nameplate capacity of 5.2 mn metric tonnes per annum. The plant was brought on stream in July 2013 and shipped a dozen cargoes before it was forced to close owing to technical challenges. The plant was scheduled to re-open in Q2 2016.

Domestic consumption of petroleum products is around 152,000 bpd. This is well in excess of the capacity of the country's sole refinery which produces around 39,000 bpd, making the country dependent on imports to meet the shortfall. Angola spent more than USD3.7 bn on fuel subsidies in 2015, but has recently suspended the subsidy on pump prices due to falling oil revenues and the weakening exchange rate.

Angola is the world's sixth largest diamond producer, with output of 8.8 mn carats in 2014. The country's diamond production is expected to surge in the coming years, thanks to rising investment in new mines, including an exploration concession that was granted to De Beers. Angola has large reserves iron ore, notably in Huíla province where the Cassinga mine produced 1.1 mn tonnes per year during the 1980s. However, efforts to restart production have foundered owing to the lack of logistical infrastructure and weak international prices. Angola is known to have rich reserves of copper, manganese, gold, phosphates, uranium, coltan and marble, but to date there has been little exploitation of these.

Angola

Soft commodity production

Angola's agriculture sector largely collapsed during the country's lengthy civil war, but in recent years the Angolan government has made efforts to revive agricultural production in a bid to diversify the economy away from hydrocarbons. However, these efforts have been undermined by high operating costs, the lack of cheap and reliable power supplies, poor logistics for getting perishable goods to market, and the strength of established food importers. As a result, Angola remains dependent on imports of all basic foodstuffs (even eggs and flour). Nonetheless, progress has been made with boosting sugar production, led by the integrated Biocom sugar project which is targeting sugar production of 260,000 tonnes by 2018.

Trade flows

Imports

Angola is one of Middle Africa's most heavily import-dependent countries, with total imports of USD26.5 bn in 2014, 13.4% higher than the previous year. Angola is heavily dependent on the import of capital goods, reflecting the underdevelopment of its manufacturing sector. The country imported machinery, vehicles and electronics together worth USD8.3 bn in 2014, along with USD2 bn worth of ships, most of which were destined for the offshore extractives industry. Angola also imported USD1.1 bn worth of petroleum products, reflecting the low level of local refining capacity. The country imports large volumes of raw industrial materials, including iron and steel (worth USD2.3 bn), building materials (USD1.2 bn) and plastics (USD749 mn). Angola remains heavily dependent on food imports, including meat (worth USD1.2 bn), palm oil (USD283 mn), dairy products (USD315 mn) and sugar (USD263 mn).

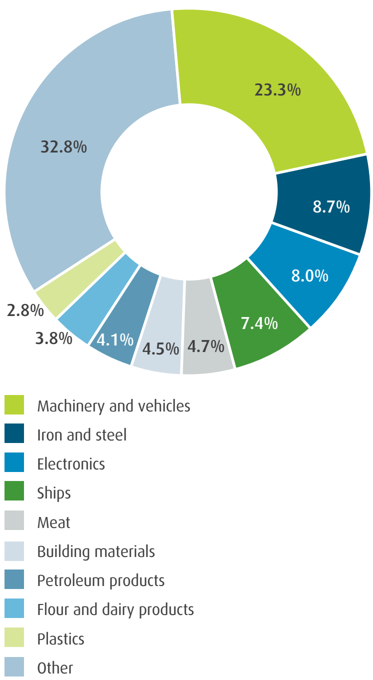
Exports

Angola's exports totalled USD63.7 bn in 2014, 10.8% lower than the previous year owing to slump in international oil prices. Crude oil dominates exports, accounting for 96% of export revenues in 2014. That year Angola exported crude oil worth USD61.2 bn, making the country Sub-Saharan Africa's second largest crude oil exporter (after Nigeria). The country also exported USD679 mn of gas, an amount that is likely to surge once LNG production resumes. Angola also exported petroleum products worth USD754 m, most of which went to Western Europe. Angola exported 9 mn carats of diamonds in 2014, worth USD810 mn in 2014, the bulk of which went for cutting to Belgium, India and China. The country also exported small volumes of commodities, including 102,000 tonnes of granite (worth USD30 mn), 15,000 tonnes of seafood (worth USD33.1 mn) and 7,000 tonnes of raw timber (worth USD7 mn).

Angola

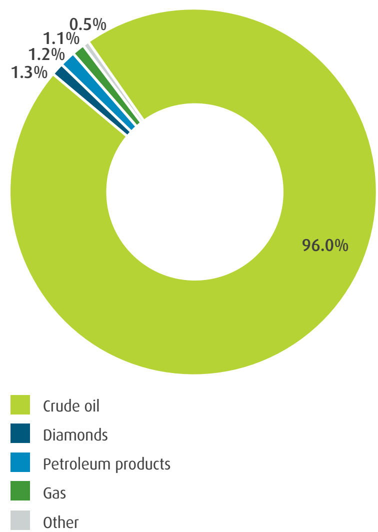
Share of Angola's total imports, 2014 (%)

Source: Intracen



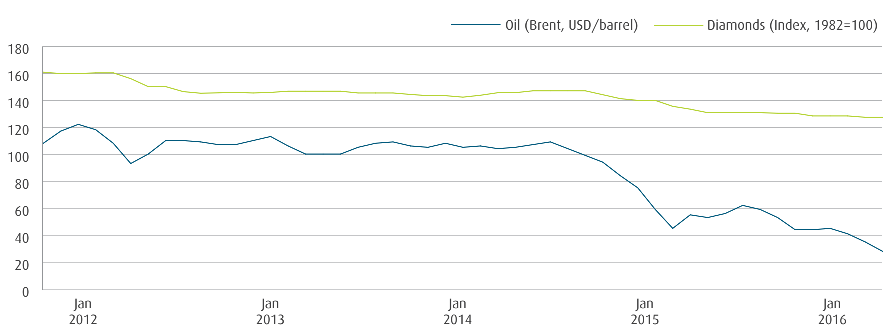
Share of Angola's total exports, 2014 (%)

Source: Intracen



Key commodity prices

Source: IMF



Angola

Useful Links

- Central Bank www.bna.ao
- Ministry of Finance www.minfin.gv.ao
- National Statistics Bureau www.ine.gov.ao

Botswana

Select economic and financial indicators	2012	2013	2014	2015e	2016f
Real GDP (% change)	4.8	9.3	4.4	2.6	3.2
GDP (USD bn)	14.8	15.1	15.2	13.1	13.0
Inflation (average)	7.5	5.8	3.9	3.0	3.8
Fiscal Balance (% GDP)	0.8	5.3	4.3	-0.5	0.4
Broad Money (% change, end period)	13.9	8.3	12.5	7.7	9.0
Population (mn)	2.1	2.2	2.2	2.3	2.3
Exports (USD bn)	6.0	7.6	8.0	7.8	7.7
Imports (USD bn)	8.0	7.4	8.6	9.1	9.5
Current Account Balance (% GDP)	-3.4	8.8	16.1	2.8	0.1
FX Reserves (USD bn, end period)	8.3	8.4	9.2	9.8	10.0
Exchange Rate (average)	7.61	8.39	8.97	10.11	10.76

e=estimate; f=forecast

Sources: IMF, World Bank, Bloomberg, Ecobank Research

Economic Outlook

Real GDP: After rebounding in 2013 (with real GDP expanding 9.3%), the economy has grown at a slower pace since 2014 owing largely to the recent slump in the global commodity market. In 2016, we expect real GDP to grow at a modest pace of 3.2%, supported mainly by mining-related activities.

Inflation: Likely to remain within the mid-level of the central bank's 3-6% inflation target band, supported by modest economic activity, and low credit growth and commodity prices. Amid this, we expect inflation to average 3.8% in 2016.

Fiscal balance: After posting a small deficit in 2015, we expect the budget to post a surplus in 2016, buoyed by higher minerals revenue and continued strong revenues from the SACU (Southern African Customs Union) pool. However, there is a need to adopt prudent fiscal management and to strengthen fiscal buffers against a slowdown in the diamond mining sector.

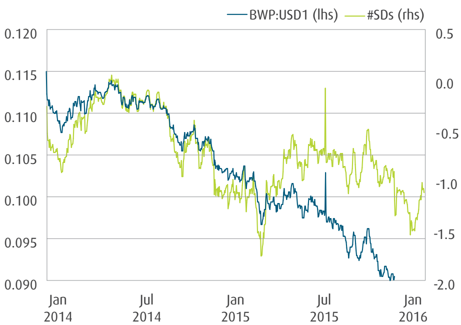
Current account: Exports are likely to remain under pressure due to slowing demand for diamonds, the major export commodity. Even though the current account registered a large surplus in 2014 (16% of GDP), we expect the deterioration seen in 2015 to continue in 2016 amid weaker diamond exports and rising imports.

Risks: While the medium term outlook remains favourable, a slowdown in emerging markets (Botswana's key export destination), and the global economy pose downside risk to the growth outlook. Delays in commissioning the 600 MW Morupule B power plant (which aims to significantly boost current installed capacity of 132 MW) will add further risk as the country's power and water supply problems could undermine the economic recovery.

Botswana

BWP performance and volatility*

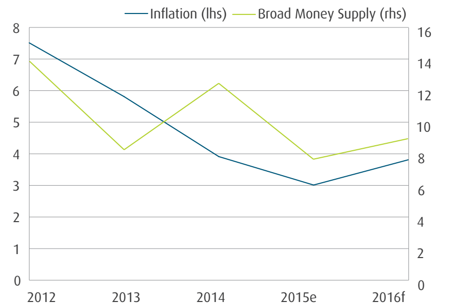
BWP versus USD1 Sources: Bloomberg and Ecobank Research



*Note: BWP volatility is measured by standard deviation.

Botswana inflation and money supply (%)

Source: IMF



FX, FI and Commodity Information

Exchange rate structure

Regime	Fixed (Crawling Peg)
Target	The BWP is pegged to a currency composite: IMF's SDR(50%) and the ZAR(50%)
Type of intervention	Via central bank
Convertible currency?	No
Market participants	n/a

FX

FX products	Spot	Forwards	Non-deliverable forwards	Options	Swaps
On offer	Yes	Yes – up to 12 months	No	No	Yes
Daily trading volume (USD mn)	n/a		n/a		n/a
Average trade size (USD mn)					
Average spread					
Trading hours	Limited				
Settlement	T+2	T+1 to T+Tenor+2			T+0
FX market structure	The BWP is determined using a differential between BOB's inflation objective and forecast to stabilise the real effective exchange rate.				
Non-resident FX regulations	**Spot**	**Forwards**	**Non-deliverable forwards**	**Options**	**Swaps**
Trade and FDI flow	No restrictions	n/a			
Financial flow					
Resident FX regulations	**Spot**	**Forwards**	**Non-deliverable forwards**	**Options**	**Swaps**
Trade and FDI flow	No restrictions	n/a			
Financial flow					

Botswana

FI

Primary market	Treasury bills	Treasury notes	Treasury bonds	Central Bank bills	OMOs
Issuer	Government		Government	Central bank	
End use	Government financing		Government and infrastructure financing	Liquidity management	
Maturity structure	3- to 6-months	n/a	2 to 30-yr	14- to 91-days	
Coupon	Zero		Fixed	Zero	
Coupon payments	n/a		Semi-annual	n/a	
Secondary market					
Daily trading volume	Limited trading			Limited trading	
Average trade size	Limited trading				
Settlement	T+2				

Nedbank contact details for Botswana – please contact Head Office:

135 Rivonia Road, Sandown, Sandton 2196, Johannesburg, South Africa
P.O. Box 1144, Johannesburg 2000, South Africa
Tel: +27 11 294 4444

Sources: Bloomberg, IMF and Ecobank Research

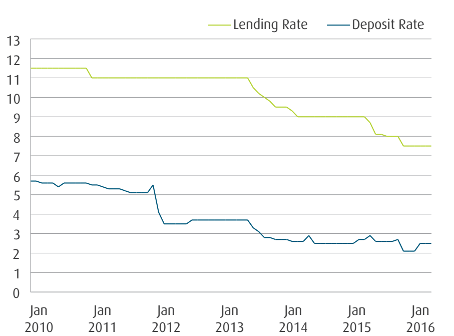
FI primary market information

Botswana debt	2012	2013	2014	2015e	2016f
Government debt (% GDP)	18.9	17.5	14.5	12.4	11.3
Sub-Sahara average	37.3	39.3	42.9	47.6	47.6
External debt (official creditors, % GDP)	12.3	11.7	8.2	7.5	6.9
Sub-Sahara average	23.5	24.6	27.1	32.1	32.3
External debt stock (USD bn)	1.8	1.8	1.2	1.0	0.9
Share of total sub-Sahara debt (%)	0.6	0.6	0.4	0.3	0.2

Sources: IMF and World Bank

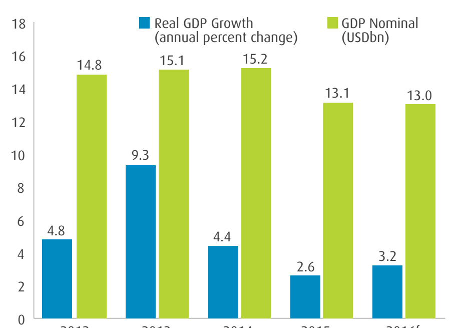
Interest rates (%)

Source: IMF



Real GDP growth (%)

Source: IMF



Botswana

Banking Sector Information

- Botswana has a small, but thriving, financial sector that has recorded significant growth in the past decade. Pension funds and commercial banks are the two most important segments by asset size.
- The country's banking sector is not highly exposed to the mining sector which is largely financed by foreign parent companies and via retail earnings.
- Banks are exposed to households, which account for around 59% of bank lending to the private sector, representing about 23% of total bank assets.
- The banking sector comprised 11 commercial banks at the end of 2014, but is highly concentrated and is dominated by the four largest banks which control 81% of all assets in the sector.
- The capital adequacy ratio among banks remains above the required 15%, while the ROE of the sector was 19.1% in 2014.
- The pension fund system is relatively large: 94 pension funds operate in Botswana, with total assets of P59.4 billion in 2014. Over the past 20 years, the legal framework for pension systems has provided a good basis for developing the sector.
- According to BoB's midterm MPC review in August 2015, banking sector indicators, including low default ratios for household borrowing, suggest a stable financial environment. The aggregate ratio of non-performing loans-to-total loans was 2.9% in June 2015 (unchanged from December 2014).

Commodity and Trade Information

Hydrocarbon and mineral production

Botswana's mining sector is dominated by the mining and polishing of diamonds. The country is Africa's largest producer of diamonds (and the second largest in the world, after Russia), with output of 24.7 mn carats in 2014. Botswana is also a moderate producer of nickel, copper ore and gold, without output of 39,000 tonnes, 109,000 tonnes and 1 tonne, respectively, in 2014.

Botswana has no known oil and gas reserves and must import all of its refined products, 95% of which come from South Africa. Botswana consumes just under 1mn tonnes of refined product annually and is heavily dependent on refineries in South Africa.

Soft commodity production

Given its arid climate, Botswana lacks a robust agricultural sector, and there is little commercial production of cash crops, with most crops produced for local consumption or sale. However, the country is a large producer of livestock, and exports substantial volumes of livestock and meat to the region.

Trade flows

Imports

Botswana's imports totalled USD7.8 bn in 2014, 5.3% above the previous year. Botswana's ambitions to become the world's leading diamond trading centre have driven a surge in imports of diamonds from Namibia, Canada, South Africa and Belgium for trading and polishing in country. In 2014 Botswana imported 13.5 mn carats of diamonds, worth USD2.7 bn, and imports could surge further following the relocation of De Beer's rough diamond sales from London to Gaborone in early 2015. Botswana is heavily dependent on imports of capital goods, including USD2.3 bn worth of machinery, vehicles and electronics, reflecting the absence of a developed manufacturing sector, and of industrial raw materials, including USD230 mn of iron and steel, USD136 mn of plastics and USD72 mn of cement. The country is also dependent on imports of petroleum products, worth USD1 bn in 2014, and imported USD149 mn worth of electricity from neighbouring South Africa and Namibia in 2014. Given the weakness of the agricultural sector, Botswana relies heavily on maize and wheat imports (worth a total of USD89 mn), as well as of palm oil (USD37 mn).

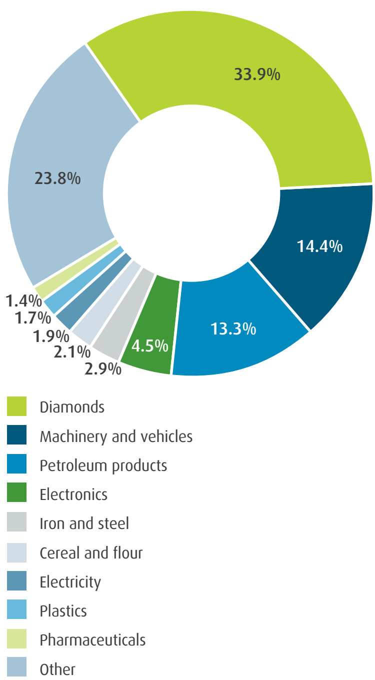
Botswana

Exports

Botswana's exports totalled USD7.9 bn in 2014, 4.5% higher than the previous year. Diamonds were by far the country's largest export, with exports of 49.7 mn carats worth USD6.7 bn in 2014 (including re-exports), of which over half went to Belgium, India and Israel. The country's other mineral exports included USD334 mn worth of nickel, most of which went to Norway and Finland, USD134 mn of copper ore and USD42 mn of gold. The only other significant export is meat, worth USD117 mn in 2014, most of which went to neighbouring countries.

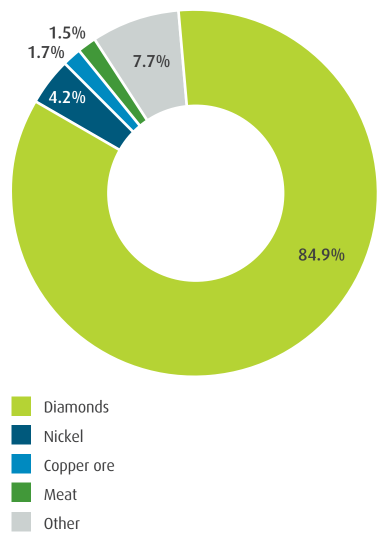
Share of Botswana's total imports, 2014 (%)

Source: Intracen



Share of Botswana's total exports, 2014 (%)

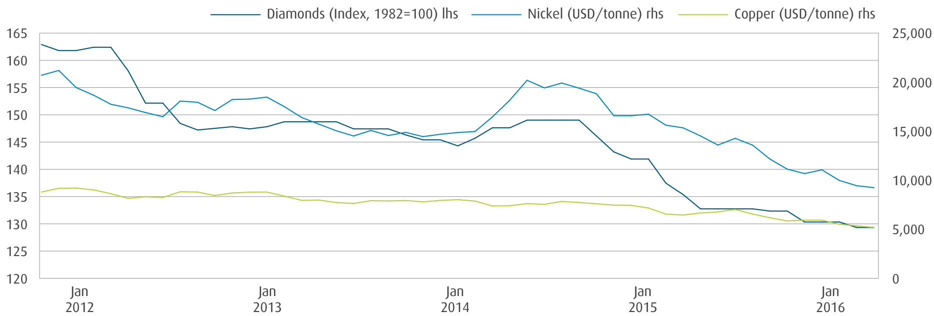
Source: Intracen



Botswana

Key commodity prices

Source: IMF



Useful Links

- www.bankofbotswana.bw/content/2009103009029-policy-framework
- www.bankofbotswana.bw/content/2009103010049-current-formulation
- www.imf.org/external/pubs/ft/scr/2014/cr14204.pdf
- www.state.gov/e/eb/rls/othr/ics/2012/191114.htm
- www.africanbondmarkets.org/en/country-profiles/southern-africa/botswana/
- www.bse.co.bw/listed_companies/bonds.php
- www.cso.gov.bw/index.php/sector-statistics/trade
- www.worldbank.org/en/country/botswana/overview
- www.cso.gov.bw/images/bimts_september.pdf

Democratic Republic of Congo

Select economic and financial indicators	2012	2013	2014	2015e	2016f
Real GDP (% change)	7.1	8.5	9.2	8.4	7.3
GDP (USD bn)	27.6	32.7	35.9	39.1	42.1
Inflation (average)	2.1	0.8	1.0	1.6	1.7
Fiscal Balance (% GDP)	1.8	3.0	1.3	1.9	0.9
Broad Money (% change, end period)	21.1	18.1	14.2	6.7	8.5
Population (mn)	70.3	72.6	74.9	77.3	79.7
Exports (USD bn)	9.0	10.3	12.1	12.6	14.2
Imports (USD bn)	8.7	10.0	12.0	11.6	12.3
Current Account Balance (% GDP)	-6.2	-10.6	-9.2	-7.6	-8.7
FX Reserves (USD bn, end period)	1.6	1.7	1.6	1.5	1.5
Exchange Rate (average)	919.32	919.81	922.27	921.29	939.68

e=estimate; f=forecast

Sources: IMF, World Bank, Bloomberg, Ecobank Research

Economic Outlook

Real GDP: Trade and investment inflows, driven mainly by the mining sector, will continue to provide the main source of growth in 2016, with the economy expected to continue growing robustly in real terms. However, growth is likely to slow to around 7% on the back of the recent drop in global commodity prices and a possible reduction in FDI levels amid increased global risk aversion toward Emerging and Frontier Markets. Efforts to improve governance and transparency in the extractive industries and more generally the business climate (such as removing bottlenecks to private sector activity) are necessary if double digit growth is to be achieved and sustained.

Inflation: Inflation is likely to remain low at around 2% in 2016 due to ongoing central bank efforts to control liquidity and helped by low global commodity prices that will keep imported inflation in check. Although the central bank will aim to contain inflation through the issuance of central bank bills, data and capacity problems, among others, will remain challenges to proactive monetary tightening in 2016.

Fiscal balance: The fiscal position is likely to be in balance in 2016 although there is a small risk of it slipping into a modest deficit as progress on critical structural reforms has stalled. The main fiscal challenges are to address competing spending demands given the limited budget resources and increase domestic revenue. In addition, there will be strong pressure to increase spending although we expect further revenue mobilisation reform efforts and adherence to cash-based budgeting (efforts to strengthen public financial management remain work in progress).

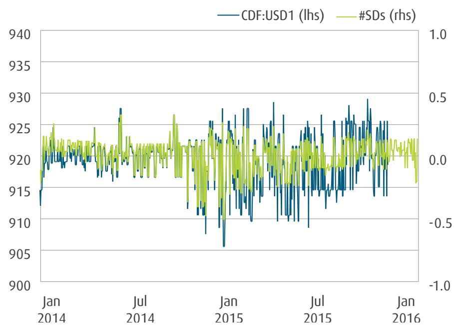
Current account: The current account deficit is likely to remain large at nearly 9% of GDP in 2016 despite a small pick-up in export revenues. The large deficit reflects volatility in the terms of trade, high import costs related to mining sector and infrastructure investments, and better accounting of income flows.

Risks: The outlook is favourable but vulnerable to adverse developments in commodity prices and spending pressures in the period leading up to the 2016 presidential elections. Sustained low FX reserves means the economy is vulnerable to external shocks. In addition, continued delays in adopting some economic legislations and lingering insecurity in parts of the country are also sources of risk. There is also a need to diversify the economy, given concentration risk of revenues in the fiscal and external accounts.

Democratic Republic of Congo

CDF performance and volatility*

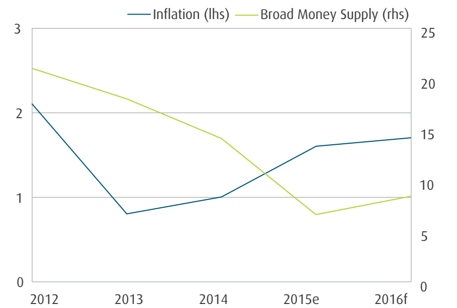
CDF versus USD1 Sources: Bloomberg and Ecobank Research



*Note: CDF volatility is measured by standard deviation.

D.R.Congo inflation and money supply (%)

Source: IMF



FX, FI and Commodity Information

Exchange rate structure

Regime	Stabilised arrangement
Target	No official target but de facto anchored to the USD
Type of intervention	Via spot market
Convertible currency?	No
Market participants	n/a

FX

FX products	Spot	Forwards	Non-deliverable forwards	Options	Swaps
On offer	Yes	No	No	No	No
Daily trading volume (USD mn)	n/a				
Average trade size (USD mn)	n/a		n/a		
Average spread	n/a				
Trading hours	08:00-11:00				
Settlement	T+2				
FX market structure	The economy is highly dollarised; most transactions are carried out in USD. The Central bank is not a major supplier of FX; however, mining firms are.				
Non-resident FX regulations	**Spot**	**Forwards**	**Non-deliverable forwards**	**Options**	**Swaps**
Trade and FDI flow	No restrictions		n/a		
Financial flow					
Resident FX regulations	**Spot**	**Forwards**	**Non-deliverable forwards**	**Options**	**Swaps**
Trade and FDI flow	No restrictions		n/a		
Financial flow					

Democratic Republic of Congo

FI

Primary market	Treasury bills	Treasury notes	Treasury bonds	Central Bank bills	OMOs
Issuer				Central Bank	
End use				Liquidity management	
Maturity structure				7- to 84-days	
Coupon	n/a			Zero	n/a
Coupon payments				n/a	
Secondary market					
Daily trading volume				Limited trading	
Average trade size				Limited trading	
Settlement				T+0	

Ecobank local affiliate contact details:

Ecobank Democratic Republic of Congo, Avenue Ngongo Lutete 47, Commune de Gombe, Kinshasa
Tel: +243 99 60 16 000

Sources: Bloomberg, IMF and Ecobank Research

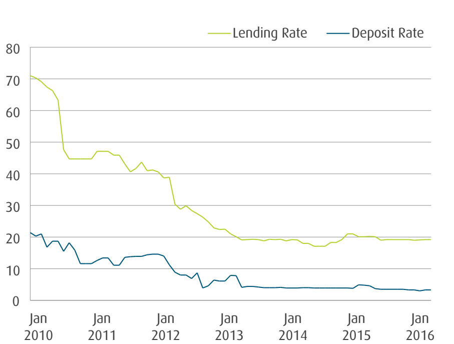
FI primary market information

Democratic Republic of Congo Debt	2012	2013	2014	2015e	2016f
Government debt (% GDP)	19.9	18.3	19.0	20.5	21.5
Sub-Sahara average	37.3	39.3	42.9	47.6	47.6
External debt (official creditors, % GDP)	18.3	15.0	12.7	14.9	16.0
Sub-Sahara average	23.5	24.6	27.1	32.1	32.3
External debt stock (USD bn)	5.0	4.9	4.6	5.8	6.7
Share of total sub-Sahara debt (%)	1.7	1.6	1.3	1.6	1.7

Sources: IMF and World Bank

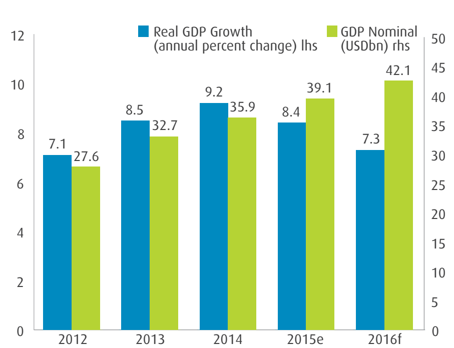
Interest rates (%)

Source: IMF



Real GDP growth (%)

Source: IMF



Democratic Republic of Congo

Commodity and Trade Information

Hydrocarbon and mineral production

The Democratic Republic of Congo (DRC) has one of the richest endowments of minerals in Middle Africa, and is a highly diversified mineral producer. However, given the country's long history of political instability and the fragmentation of the mining sector in conflict areas, the true size of the country's output remains unclear, with large volumes of minerals being smuggled illicitly into neighbouring countries, notably Rwanda and Uganda. The DRC is Africa's largest producer of copper, recently overtaking Zambia, with estimated output of 344,000 tonnes in 2014. The DRC also produced 319,000 tonnes of copper ore, 273,000 tonnes of cobalt ore and 5,000 tonnes of tin in 2014. The country is also an important producer of diamonds, with estimated output of 15.7 mn carats in 2014.

The DRC has one producing oilfield operated by Perenco in partnership with Chevron and Teikoku Oil, with average output of 12,000 bpd in 2015. The country has proven oil reserves of 200 mn barrels, and following successful exploration in the Albertine Lake, exploration on the DRC's side of the lake could add to these. The government initially opened up the Virunga national park to oil exploration companies, but active exploration has been suspended after UNESCO and environmental groups opposed exploration in the area. Domestic consumption of petroleum products is around 960,000 metric tonnes annually, of which gasoil makes up 70% (which is used for power generation). The DRC imports all of its petroleum products, with over 80% coming from South Africa, Côte d'Ivoire and Zambia.

Soft commodity production

The DRC does not produce cash crops on a large scale, owing to the collapse of the commercial agricultural sector following independence and decades of political instability. The country produced 46,000 tonnes of raw timber and 12,000 tonnes of natural rubber in 2014. The DRC also produces tiny volumes of Robusta coffee, with estimated outturn of 335,000 60 kg bags in 2014-15 (October-September).

Trade flows

Imports

The DRC's imports totalled USD6.5 bn in 2014, 5.8% lower than the previous year. The country is heavily dependent on imports of capital goods, reflecting the poorly developed manufacturing sector. In 2014 the country imported USD1.8 bn worth of machinery and vehicles, and USD556 mn of electronics. The country also depends on imports of raw industrial materials, including USD452 mn worth of iron and steel, USD308 mn of sulphuric acid (for making fertiliser), USD203 mn of plastics and USD120 mn of cement. Given the lack of refining capacity, the country is entirely dependent on imports of petroleum products, worth USD343 mn in 2014. The country is also imports large volumes of food, including meat and fish (worth USD374 mn), wheat (USD60 mn), rice (USD32 mn) and sugar (USD99 mn).

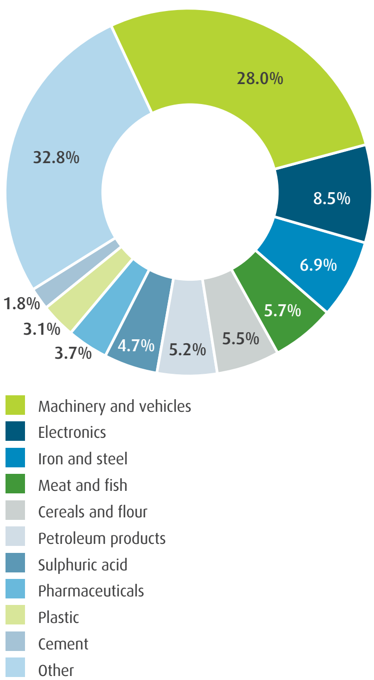
Exports

The DRC's total exports totalled USD7 bn in 2014, 8.1% lower than the previous year, reflecting the fall in commodity prices. Copper is DRC's most valuable export, with refined and raw copper together worth USD2.4 bn, the bulk of which went to China, Italy, Korea and Turkey. The country also exported copper ores, worth USD1.3 bn, the bulk of which went to Zambia before being re-exported to international markets. The country's other mineral exports included cobalt and cobalt ore (worth USD1.3 bn), diamonds (USD190 mn) and tin (USD65 mn). Large volumes of the country's mineral exports, notably of gold, coltan and tin, are smuggled to neighbouring countries and are not captured in official trade flow data. The DRC is also a significant exporter of crude oil, worth USD981 mn in 2014. The DRC exports small volumes of cash crops raw to international markets, including wood (worth USD138 mn), natural rubber (USD19 mn), coffee (USD15 mn), palm oil (USD9 mn) and cocoa (USD9m).

Democratic Republic of Congo

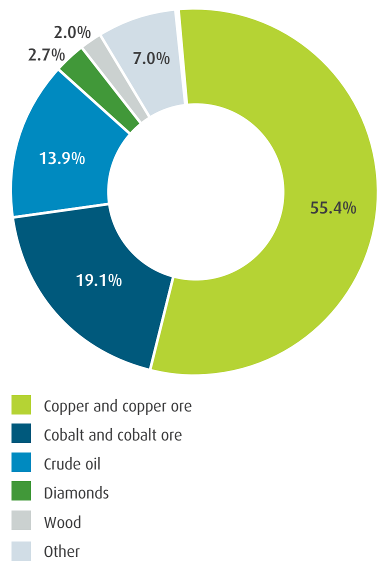
Share of D.R.Congo's total imports, 2014 (%)

Source: Intracen



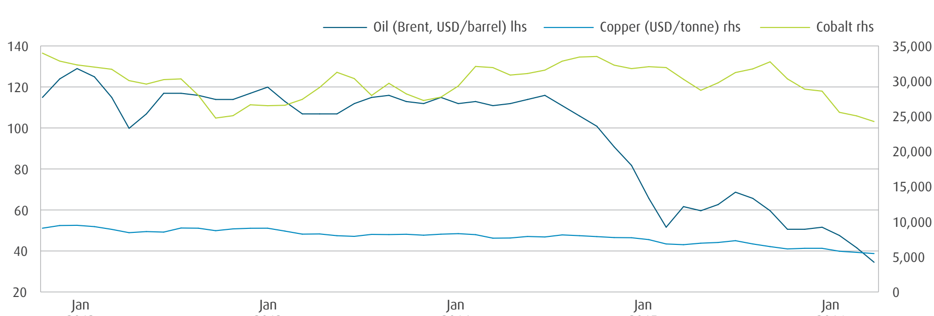
Share of D.R.Congo's total exports, 2014 (%)

Source: Intracen



Key commodity prices

Source: IMF



Democratic Republic of Congo

Useful Links

- Central Bank www.bcc.cd
- Ministry of Finance www.minfinrdc.com/minfin
- National Statistics Bureau www.ins.cd

Lesotho

Select economic and financial indicators	2012	2013	2014	2015e	2016f
Real GDP (% change)	5.3	3.6	3.4	2.6	2.9
GDP (USD bn)	2.4	2.3	2.2	2.0	2.1
Inflation (average)	5.5	5.0	3.8	3.2	4.1
Fiscal Balance (% GDP)	5.0	-2.5	0.6	-3.2	-10.4
Broad Money (% change, end period)	7.0	21.2	4.0	3.1	8.7
Population (mn)	2.1	2.1	2.1	2.1	2.2
Exports (USD mn)	1096.0	979.0	912.0	985.0	1031.0
Imports (USD mn)	2183.0	2147.0	2021.0	2122.0	2355.0
Current Account Balance (% GDP)	-9.8	-10.3	-7.9	-6.3	-13.9
FX Reserves (USD mn, end period)	858	990	982	1121	1047
Exchange Rate (average)	8.21	9.65	10.85	12.78	16.80

e=estimate; f=forecast

Sources: IMF, World Bank, Bloomberg, Ecobank Research

Economic Outlook

Real GDP: For the next few years Lesotho should experience stable, although moderate, economic growth with relatively low inflation based on its expanding clothing and textiles sector and increased telecommunications and financial services activity. However, the recent drought alongside widespread unemployment and high levels of poverty and HIV/AIDS prevalence will likely remain obstacles to Lesotho's economic development, as will its reliance on the surrounding Southern African Customs Union (SACU) to support export demand.

Inflation: Inflation is expected to rise on the back of rising food prices but to remain moderate and in line with that of South Africa. Annual inflation has thus fluctuated between 3.5 and 6.0% and this stability in Lesotho's inflation is anchored as much by fiscal policy as by the loti's peg to the South African rand. Preservation of this currency peg is crucial for Lesotho to maintain an adequate stock of international reserves.

Fiscal balance: The fiscal position is expected to deteriorate in 2016 given high government spending (around 60% of GDP, a large portion of which is allocated to the wage bill), drought related expenditure, falling SACU revenue and weaker prospect for FDI inflows amid ongoing political difficulties. Fixed investment growth in Lesotho in recent years has benefited from financial sector reforms which have eased access to credit and government capital investment. Domestic demand has further been boosted by increased government consumption, largely through higher public sector wages, although this may have a detrimental effect on Lesotho's fiscal position in years to come if public sector wage increases regularly outstrip inflation.

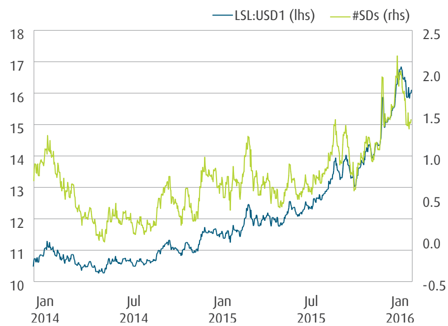
Current account: The external sector is likely to deteriorate in 2016. A potential rise in government spending will increase import demand, putting pressure on the trade account. In addition, subdued growth in Europe, a key traditional trading partner, remains a concern for Lesotho's exporters. Weak global demand for diamonds is likely to keep prices down and the future of the Third Country Fabric Provision in the US African Growth and Opportunity Act (AGOA), which is crucial in supporting the competitiveness of Lesotho's textile exports to the US, remains in the balance.

Risks: While Lesotho's medium term economic outlook seems fairly favourable, a persistent current account deficit and lack of access to international financial markets remain key constraints. Exposure to a downturn in South Africa, given labour, trade and other links is another potential concern. High unemployment adds risk to Lesotho's economic growth prospects. In addition, agricultural production faces ongoing challenges from adverse weather conditions and disease, and given the significant proportion of the country reliant directly or indirectly on farming, a prolonged drought could suppress economic development significantly.

Lesotho

LSL performance and volatility*

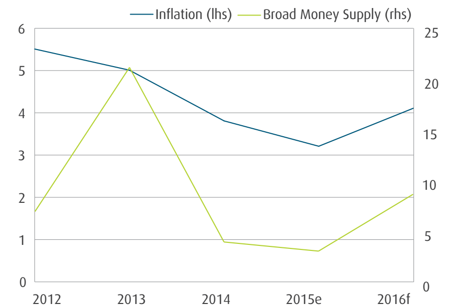
LSL versus USD1 Sources: Bloomberg and Ecobank Research



*Note: LSL volatility is measured by standard deviation.

Lesotho inflation and money supply (%)

Source: IMF



FX, FI and Commodity Information

Exchange rate structure

Regime	Fixed
Target	LSL1 to ZAR1
Type of intervention	Via Central Bank
Convertible currency?	Yes
Market participants	n/a

FX

FX products	Spot	Forwards	Non-deliverable forwards	Options	Swaps
On offer	Yes	No	No	No	Yes
Daily trading volume (USD mn)	n/a	n/a			
Average trade size (USD mn)	n/a				
Average spread	n/a				
Trading hours	Limited				
Settlement	T+2				
FX market structure	The LSL is guaranteed by a pegged exchange rate with the ZAR. The stability of the peg is ensured by an adequate level of net international reserves held by CBL.				
Non-resident FX regulations	**Spot**	**Forwards**	**Non-deliverable forwards**	**Options**	**Swaps**
Trade and FDI flow	Non-residents of CMA zone require central bank approval for capital flows	n/a			
Financial flow					
Resident FX regulations	**Spot**	**Forwards**	**Non-deliverable forwards**	**Options**	**Swaps**
Trade and FDI flow	No restrictions	n/a			
Financial flow					

Lesotho

FI

Primary market	Treasury bills	Treasury notes	Treasury bonds	Central Bank bills	OMOs
Issuer	Government		Government		
End use	Government financing		Government and infrastructure financing		
Maturity structure	91- to 364-days	n/a	7- to 10-yrs	n/a	
Coupon	Zero		Fixed		
Coupon payments	n/a		Semi-annual		
Secondary market					
Daily trading volume	Limited trading				
Average trade size	Limited trading			n/a	
Settlement	T+2				

Nedbank contact details for Lesotho:

Nedbank Lesotho Limited, 115-117 Griffith Hill, Kingsway Street, Maseru 100
PO Box 1001
Tel: +266 2228 2100/Fax: +266 2231 0025

Sources: Bloomberg, IMF and Ecobank Research

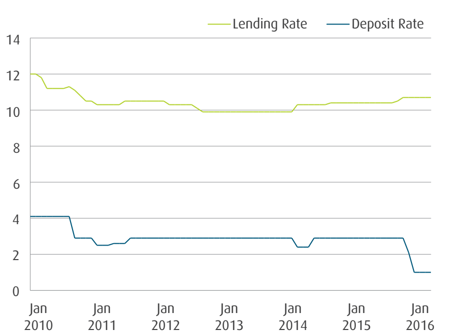
FI primary market information

Lesotho debt	2012	2013	2014	2015e	2016f
Government debt (% GDP)	40.3	43.4	47.8	53.4	55.8
Sub-Sahara average	37.3	39.3	42.9	47.6	47.6
External debt (official creditors, % GDP)	33.6	36.9	41.4	47.1	46.7
Sub-Sahara average	23.5	24.6	27.1	32.1	32.3
External debt stock (USD bn)	0.8	0.8	0.9	1.0	1.0
Share of total sub-Sahara debt (%)	0.3	0.3	0.3	0.3	0.2

Sources: IMF and World Bank

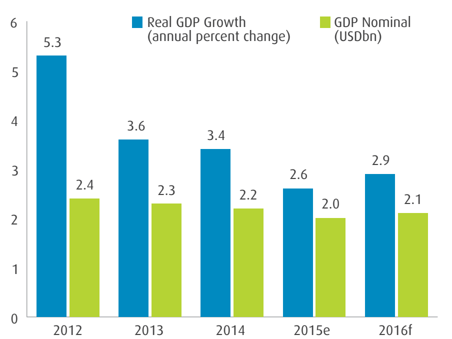
Interest rates (%)

Source: IMF



Real GDP growth (%)

Source: IMF



Lesotho

Banking Sector Information

- Lesotho's banking sector is made up of three main commercial banks and a post bank.
- Three South African banks dominate Lesotho's banking sector – they hold 90% of the sector's assets and largely account for its stability:
  - First National bank of Lesotho
  - Nedbank Lesotho
  - Standard Bank Lesotho
- The Lesotho Post bank is government-owned and has long faced solvency issues.
- Overall, Lesotho's financial services indicators point to a sound banking sector. Implementing the Financial Sector Development Strategy is likely to improve the quality and scope of financial services and support private sector development. Non-performing loans are small.

Commodity and Trade Information

Hydrocarbon and mineral production

Lesotho is a minor diamond producer, having only started mining low-volume, high-quality diamonds in 2003. The country produced an estimated 346,000 carats of diamonds in 2014. There are four operational mines, and Letseng Diamonds plans a substantial expansion on its Project Kholo concession. The country's known reserves of coal, base metals and uranium have yet to be commercially developed.

Lesotho has no known oil and gas reserves and must import all of its refined products. Lesotho consumes 200,000 tonnes of refined product annually, all of which is imported from South Africa.

Soft commodity production

Given the country's tiny size and mountainous geography, Lesotho lacks a robust agricultural sector, which is mostly subsistence farming, and the country relies on food imports from South Africa to meet its domestic food requirement.

Trade flows

Imports

Lesotho's imports totalled USD1.6 bn in 2014, 14% lower than the previous year. As the country has no refining capacity, Lesotho is entirely reliant on imports of petroleum products, worth USD244 mn in 2014, all of which come from South Africa. Lesotho is also dependent on imports of capital goods, importing USD266 mn worth of machinery, vehicles and electronics in 2014, reflecting the lack of high-end manufacturing. However, the country's textiles and garment sector is well developed, requiring substantial imports of fabric (USD81 mn in 2014) and cotton (USD39 mn). Lesotho also imports significant volumes of iron and steel (worth USD42 mn) and cement (worth USD32 mn) for its construction sector. The country is also dependent on food imports, including cereals and flour (worth USD83m), meat (USD47 mn) and dairy products (USD23m).

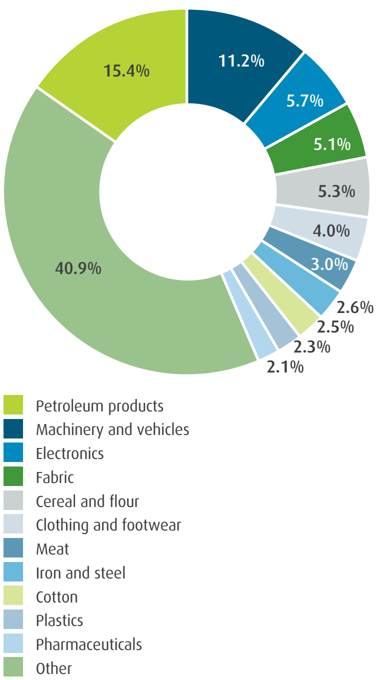
Exports

Lesotho's exports totalled USD992 mn in 2014, 180% higher than the previous year, driven by the surge in exports of diamonds and apparel. Lesotho is Sub-Saharan Africa's largest exporter of textiles and footwear to the USA under the AGOA initiative, with textiles and footwear exports worth USD414 mn in 2014. Diamonds were the other significant export, with exports of 330,000 carats of diamonds worth USD397 mn, all of which went to Belgium, Botswana (for re-export) and South Africa. The country also exports small volumes of electronics (USD65 mn in 2014), cotton (USD26 mn) and leather and wool (USD28 mn).

Lesotho

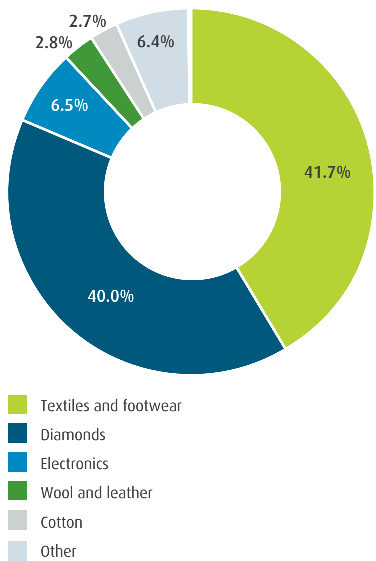
Share of Lesotho's total imports, 2014 (%)

Source: Intracen



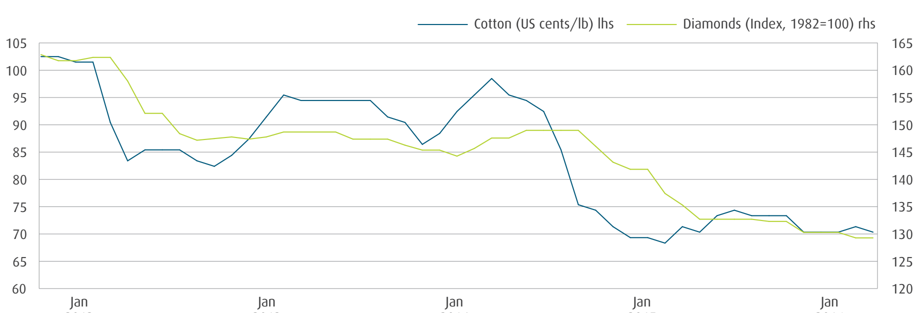
Share of Lesotho's total exports, 2014 (%)

Source: Intracen



Key commodity prices

Source: IMF



Lesotho

Useful Links

- Central Bank of Lesotho: www.centralbank.org.ls/home/default.php
- Ministry of Finance www.gov.ls/finance
- National Statistics www.bos.gov.ls

Malawi

Select economic and financial indicators	2012	2013	2014	2015e	2016f
Real GDP (% change)	1.9	5.2	5.7	3.4	3.0
GDP (USD bn)	6.0	5.4	6.1	6.4	6.1
Inflation (average)	21.3	28.3	23.8	21.9	18.0
Fiscal Balance (% GDP)	-1.9	-6.4	-4.0	-6.4	-6.9
Broad Money (% change, end period)	22.9	35.1	20.7	27.8	22.2
Population (mn)	15.7	16.2	16.7	17.2	17.7
Exports (USD bn)	1.3	1.5	1.6	1.7	1.9
Imports (USD bn)	1.9	1.9	2.0	2.1	2.3
Current Account Balance (% GDP)	-2.4	-1.2	-3.6	-2.6	-3.7
FX Reserves (USD mn, end period)	215.0	397.0	599.0	698.0	791.0
Exchange Rate (average)	245.81	364.31	421.82	498.93	755.00

e=estimate; f=forecast

Sources: IMF, World Bank, Bloomberg, Ecobank Research

Economic Outlook

Real GDP: The economy is facing problems due to weather-related shocks and a growing food crisis is expected to affect nearly 3 mn people. Amid these challenges, we expect real GDP growth to remain modest in 2016, slowing to around 3% during the year. Agriculture production will fall reflecting the steep decline in the maize harvest in addition to weak private sector investment and consumption. Addressing existing infrastructure bottlenecks (such as improving transportation infrastructure, electricity supply, the business environment, and access to finance) will be instrumental to boosting potential growth and creating job opportunities.

Inflation: Restoring macroeconomic stability by reducing inflation, which has been above 20% since mid-2012, to single digits, will remain a major focus in 2016. We expect inflation to continue to accelerate in 2016 (albeit at a slower rate than previous year) due to rising food prices. However, growth in credit to the private sector remains negative in real terms given ongoing economic uncertainties, persistently high inflation, and tight bank lending conditions, which will go some way to reduce inflationary pressures.

Fiscal balance: Fiscal slippages will likely continue in 2015-16, partly due to overspending on the wage bill, and revenue and external financing shortfalls (especially following the recent withdrawal of donors' budgetary support). As a result, the deficit is expected to remain large throughout 2016. Planned reforms to farm input subsidies, which seek to increase expenditure efficiencies will be a welcome step, while measures to boost revenue mobilisation are necessary to respond to rising demand for government services. Moreover, strengthening public financial management systems will remain integral to safeguarding public resources and restoring confidence in budgetary processes this year.

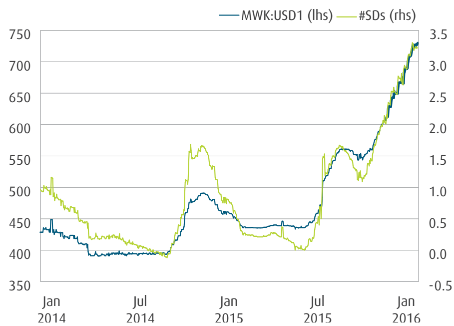
Current account: The current account deficit is expected to widen on the back of weather-related supply shocks, the absence of donor budget support, and weaker demand for Malawi's exports. The Reserve Bank should be able to accumulate FX reserves (albeit at a slower pace than in 2015) when the tobacco auction season starts in March/April 2016, but these will be offset to a large extent by strong import demand related to food, fertiliser, capital and consumer goods, and other goods throughout the year.

Risks: Malawi faces two main risks: the first is the reliance on rain-fed agriculture – both for food and tobacco. Efforts to increase irrigated farmland needs to be made so the economy and population face smaller difficulties created by drought. The second is the heavy reliance on donor support. This has helped to cushion the economy against shocks. However, the suspension of donor support since 2013 has increased imbalances in the country. On a positive note, this might spur the authorities to accelerate the economic diversification process and to strengthen economic policy with the aim of raising corporate tax revenues.

Malawi

MWK performance and volatility*

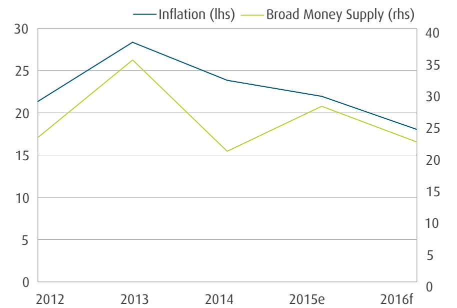
MWK versus USD1 Sources: Bloomberg and Ecobank Research



*Note: MWK volatility is measured by standard deviation.

Malawi inflation and money supply (%)

Source: IMF



FX, FI and Commodity Information

Exchange rate structure

Regime	Floating
Target	No target
Type of intervention	Via spot market
Convertible currency?	No
Market participants	Corporates (45%); NGOs/International Orgs. (28%); Interbank/Reserve Bank (17%); Foreign Investors (10%)

FX

FX products	Spot	Forwards	Non-deliverable forwards	Options	Swaps
On offer	Yes	No	No	No	Yes
Daily trading volume (USD mn)	n/a	n/a			
Average trade size (USD mn)					
Average spread					
Trading hours	09:00-15:00				
Settlement	T+2				
FX market structure	RBM, donors and the corporate sector are all large suppliers of FX in Malawi.				
Non-resident FX regulations	**Spot**	**Forwards**	**Non-deliverable forwards**	**Options**	**Swaps**
Trade and FDI flow	Official approval required for transacations above USD 25,000 for prepayments and services, and USD 2mn for invoiced goods	n/a			
Financial flow					
Resident FX regulations	**Spot**	**Forwards**	**Non-deliverable forwards**	**Options**	**Swaps**
Trade and FDI flow	Official approral required for transacations above USD 25,000 for prepayments and services, and USD 2mn for invoiced goods	n/a			
Financial flow					

Malawi

FI

Primary market	Treasury bills	Treasury notes	Treasury bonds	Central Bank bills	OMOs
Issuer	Government	n/a	Government	n/a	
End use	Government financing		Government financing		
Maturity structure	91- to 364-days		2- to 5-yrs		
Coupon	Zero		Fixed		
Coupon payments	n/a		Semi-annual		
Secondary market					
Daily trading volume	Limited trading			n/a	
Average trade size	Limited trading				
Settlement	T+2				

Nedbank contact details for Malawi:

Nedbank Malawi, 2nd and 3rd Floor Plantation House, Victoria Avenue, Blantyre 3

Tel: +265 1 820 477/997/674

Ecobank local affiliate contact details:

Ecobank Malawi, Ecobank House, Corner Victoria Avenue and Henderson Street, Blantyre 3

Tel: +265 01 822 099/808/681

Sources: Bloomberg, IMF and Ecobank Research

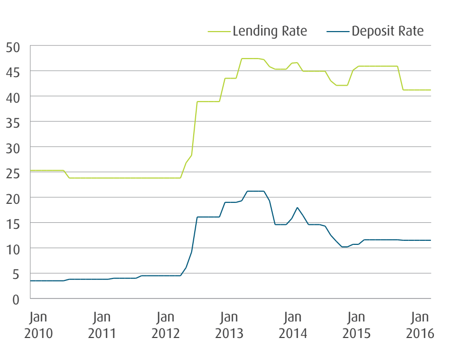
FI primary market information

Malawi debt	2012	2013	2014	2015e	2016f
Government debt (% GDP)	43.9	59.4	62.2	62.5	57.8
Sub-Sahara average	37.3	39.3	42.9	47.6	47.6
External debt (official creditors, % GDP)	20.1	26.8	29.8	31.6	34.1
Sub-Sahara average	23.5	24.6	27.1	32.1	32.3
External debt stock (USD bn)	1.2	1.5	1.8	2.0	2.1
Share of total sub-Sahara debt (%)	0.4	0.5	0.5	0.5	0.5

Sources: IMF and World Bank

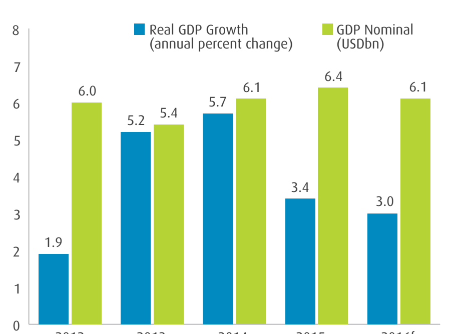
Interest rates (%)

Source: IMF



Real GDP growth (%)

Source: IMF



Malawi

Commodity and Trade Information

Hydrocarbon and mineral production

Malawi has developed into a significant uranium producer in recent years, with output of 646 tonnes of uranium ore in 2014, most of which is exported to Canada for use in the nuclear industry. The country has significant reserves of coltan, zirconium and gemstones, but production is predominantly artisanal and on a small scale.

Malawi has no known hydrocarbon reserves, and there is currently no exploration under way. The country plans to explore for hydrocarbons in and around Lake Malawi, but faces opposition from locals and Tanzania's claim to half of the Lake. Although six licenses were granted by the previous government to oil companies for exploration of Lake Malawi, the new government has imposed a moratorium on exploration citing irregularities in the licensing process. Malawi consumes 236,000 metric tonnes of Gasoline, Gasoil and LPG annually, and imports over 90% of its petroleum products from South Africa, usually via Mozambique.

Soft commodity production

Despite its small size, Malawi is an important producer of cash crops. The country's most important agricultural commodity is tobacco, with output of 256,000 tonnes of 2014. Malawi also produces large volumes of sugar, with output of 315,000 tonnes in 2014, half of which is controlled by South African sugar miller Illovo. Sugar output is both for domestic consumption and for export to the EU under duty- and quota-free access granted to ACP countries. Malawi is also Africa's third-largest producer of tea, with output of 48,000 tonnes in 2014.

Trade flows

Imports

Malawi's imports totalled USD2.8 bn in 2014, marginally below the previous year. The country is reliant on imports of vehicles, electronics, machinery and pharmaceuticals (together worth USD813 mn in 2014), reflecting the poorly developed manufacturing sector. Given the country's lack of refining capacity, Malawi is entirely dependent on imports of petroleum products, worth USD379 mn in 2014. The country also imports large volumes of raw industrial materials, including USD219 mn worth of iron and steel, USD210 mn of fertiliser, USD117 mn of plastics and USD82 mn of cement. Although Malawi is an important maize producer, which is traded informally across the region, the country also imports large volumes of food, including wheat (worth USD84 mn in 2014) and maize (USD13 mn).

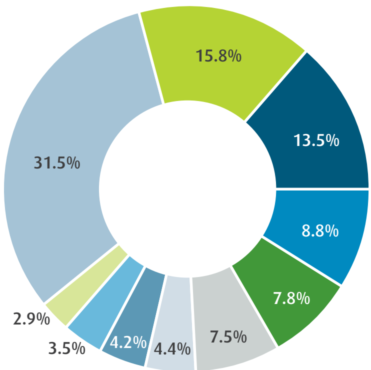
Exports

Malawi's exports totalled USD1.4 bn in 2014, 17.7% higher than the previous year. Tobacco is Malawi's most valuable export, worth USD647 mn in 2014, most of which went to Belgium, Egypt and China. Sugar is the country's second most important soft commodity export, with exports of 201,000 tonnes (worth USD127 mn), most of which went to the EU under special tariff-free arrangements. Malawi also exported 48,000 tonnes of tea, worth USD77 m, the bulk of which went to South Africa, the UK and Kenya. Other agricultural exports included 62,000 tonnes of vegetables (worth USD46 mn), 29,000 tonnes of groundnuts (USD38 mn) and 11,000 tonnes of cotton lint (USD22 mn) in 2014. Malawi's only significant mineral export is uranium ore, worth USD41mn in 2014, the bulk of which went to Canada.

Malawi

Share of Malawi's total imports, 2014 (%)

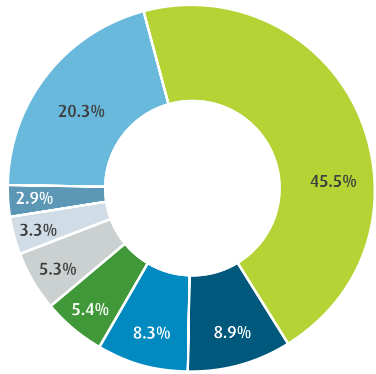
Source: Intracen



- Machinery and vehicles
- Petroleum products
- Pharmaceuticals
- Iron and steel
- Fertiliser
- Electronics
- Plastics
- Cereal
- Cement
- Other

Share of Malawi's total exports, 2014 (%)

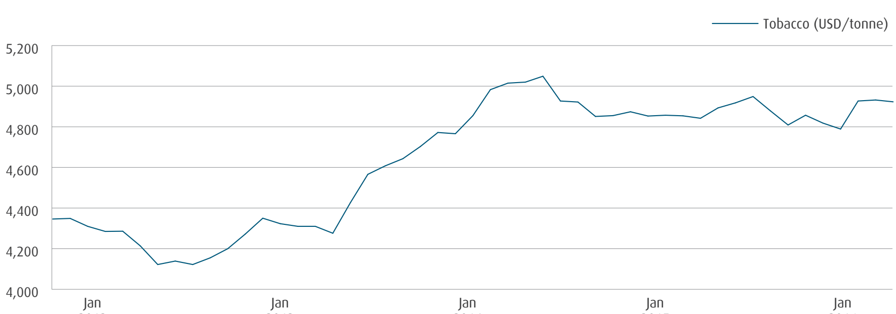
Source: Intracen



- Tobacco
- Sugar
- Machinery (re-exports)
- Tea
- Oil seeds
- Vegetables
- Uranium ore
- Other

Key commodity prices (tobacco)

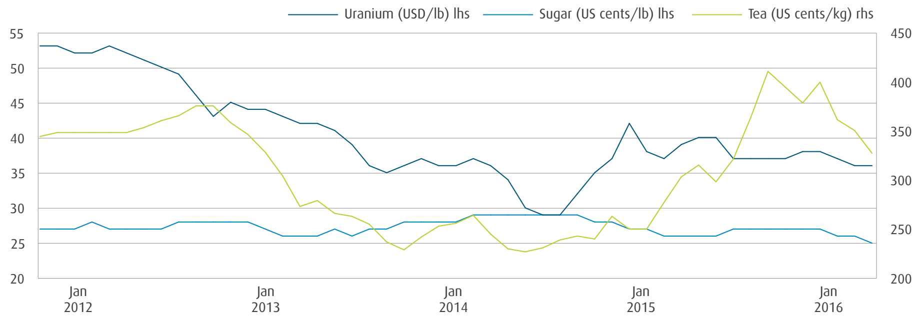
Source: IMF



Malawi

Key commodity prices (uranium, sugar and tea)

Source: IMF



Useful Links

- Central Bank www.rbm.mw
- Ministry of Finance www.finance.gov.mw
- National Statistics Bureau www.nsomalawi.mw
- Stock Exchange www.mse.co.mw

Mauritius

Select economic and financial indicators	2012	2013	2014	2015e	2016f
Real GDP (% change)	3.2	3.2	3.4	3.4	3.8
GDP (USD bn)	11.2	11.9	12.6	11.6	12.1
Inflation (average)	3.9	3.5	3.2	1.3	1.7
Fiscal Balance (% GDP)	-1.8	-3.5	-3.2	-5.0	-3.9
Broad Money (% change, end period)	8.2	5.8	8.7	5.2	2.2
Population (mn)	1.3	1.3	1.3	1.3	1.3
Exports (USD bn)	2.7	2.9	2.9	3.0	3.2
Imports (USD bn)	5.1	5.1	5.5	5.6	5.8
Current Account Balance (% GDP)	-7.3	-6.3	-5.6	-4.8	-5.0
FX Reserves (USD bn, end period)	3.0	3.3	3.6	4.0	4.5
Exchange Rate (average)	30.10	30.75	30.65	35.13	37.59

e=estimate; f=forecast

Sources: IMF, World Bank, Bloomberg, Ecobank Research

Economic Outlook

Real GDP: Growth is estimated at 3.4% in 2015 (same as in previous year), supported primarily by government's focused fiscal stimulus plan which has largely offset weak domestic confidence and private investment. Tourism arrivals remain fairly strong although tourism earnings appear to have dropped amid lower spend per tourist. We expect real GDP growth to pick up in 2016, albeit only marginally, as sluggish global growth (especially in Europe) weighs on Mauritius' economic momentum. Promoting geographical diversification through tourism, and continued efforts to diversify the economic mix internally (higher manufacturing and services focus) still dominate policy intent but face headwinds as other African countries become increasingly popular with international investors. The new government of Prime Minister Anerood Jugnauth has taken a more stimulus-minded approach to fiscal policy.

Inflation: Inflation remains subdued, averaging 1.3% in 2015, despite the significantly weaker rupee. Large declines in food and oil prices globally have sheltered Mauritius from imported inflation but do little to support its competitiveness. Although the low oil price environment should continue to support inflation, we expect domestic prices to rise in 2016, albeit slightly, owing to slight weakening of the currency.

Fiscal balance: The government has increased its efforts to reducing the fiscal deficit, but this goal hinges on reasonably healthy GDP growth which may prove challenging in the short-term. Broadening tax incentives to boost investment and consumption may have a negative short-term impact on the fiscus, but with an envisaged longer-term payoff. In 2016, we expect the fiscal position to remain weak amid high government spending and weaker tourism and export revenues.

Current account: Government's focus on developing strong ICT and financial sectors, and boosting Mauritius as a re-export market is positive, but benefits will likely take some years to accrue. The large capital investment push from government is likely to entrench the current account deficit in 2016.

Risks: Mauritius' main fiscal challenge will be to maintain momentum in diversifying the economy and enhancing productivity by investing in physical and human capital in a growth-constrained economic environment.

Mauritius

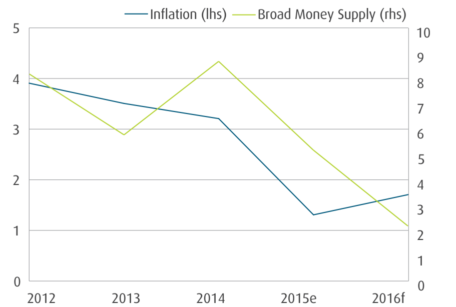
MUR performance and volatility*

MUR versus USD1 Sources: Bloomberg and Ecobank Research

*Note: MUR volatility is measured by standard deviation.

Mauritius inflation and money supply (%)

Source: IMF



FX, FI and Commodity Information

Exchange rate structure

Regime	Floating
Target	No target, but the central bank intervenes occasionally to smooth excess volatility.
Type of intervention	Via spot market
Convertible currency?	No
Market participants	n/a

FX

FX products	Spot	Forwards	Non-deliverable forwards	Options	Swaps
On offer	Yes	Yes – up to 5 months	No	No	Yes
Daily trading volume (USD mn)	n/a				
Average trade size (USD mn)					
Average spread					
Trading hours					
Settlement	T+2	T+Tenor+2	n/a		T+2
FX market structure	Spots, forwards and FX swap markets have reasonable average single transaction and overall daily turnover sizes. Liquidity out to one year is present for all swaps, although their spreads are relatively high.				
Non-resident FX regulations	**Spot**	**Forwards**	**Non-deliverable forwards**	**Options**	**Swaps**
Trade and FDI flow	No restrictions	n/a			
Financial flow					
Resident FX regulations	**Spot**	**Forwards**	**Non-deliverable forwards**	**Options**	**Swaps**
Trade and FDI flow	No restrictions	n/a			
Financial flow					

Mauritius

FI

Primary market	Treasury bills	Treasury notes	Treasury bonds	Central Bank bills	OMOs
Issuer	Government			Central Bank	n/a
End use	Government financing	Government financing	Government and infrastructure financing	Liquidity management	
Maturity structure	91- to 364-days	2- to 4-yrs	5- to 20-yrs	2- to 4-yrs	
Coupon	Zero	Fixed	Fixed/Floating	Fixed	
Coupon payments	n/a	Semi-annual	Semi-annual	Semi-annual	
Secondary market					
Daily trading volume	Limited trading			n/a	
Average trade size	Limited trading				
Settlement	T+2				

Nedbank contact details for Mauritius – please contact Head Office:

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P.O. Box 1144, Johannesburg 2000, South Africa
Tel: +27 11 294 4444

Sources: Bloomberg, IMF and Ecobank Research

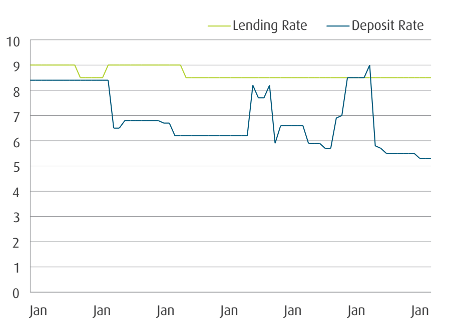
FI primary market information

Mauritius debt	2012	2013	2014	2015e	2016f
Government debt (% GDP)	51.5	53.9	56.2	56.0	54.3
Sub-Sahara average	37.3	39.3	42.9	47.6	47.6
External debt (official creditors, % GDP)	13.5	16.1	15.7	15.9	13.7
Sub-Sahara average	23.5	24.6	27.1	32.1	32.3
External debt stock (USD bn)	10.2	10.9	11.3	11.9	12.4
Share of total sub-Sahara debt (%)	3.5	3.5	3.3	3.2	3.1

Sources: IMF and World Bank

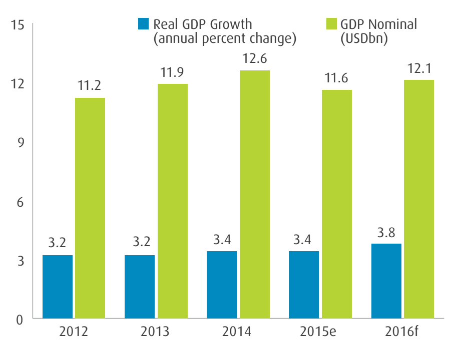
Interest rates (%)

Source: IMF



Real GDP growth (%)

Source: IMF



Mauritius

Banking Sector Information

The Mauritian banking industry comprises 23 banks of which six are domestic, 10 foreign subsidiaries, four branches of international banks, two private banks and one joint venture. The sector is effectively regulated and well capitalized, which has led to Mauritius positioning itself as a regional financial centre, specialising in general financial, fiduciary and investment services.

The Bank of Mauritius (BoM) financial stability report of February 2015 indicates that Mauritian banks have an average core capital ratio of 17.1%, above prudential requirements at September 2014 (latest data available). However, the report flags a high concentration of corporate credit and vulnerability to external capital flows as risks. To mitigate these risks, banks have been increasing their provisions against NPLs: the coverage ratio is currently 47.4%, which provides a further buffer.

Commodity and Trade Information

Hydrocarbon and mineral production

Given the country's tiny size, Mauritius has no formal mining sector, although there is small-scale production of basalt, lime and salt.

Mauritius has no known oil and gas reserves and must import all of its refined products. Mauritius consumes 250,000 tonnes of refined products annually, all of which are imported from India.

Soft commodity production

Despite its small size, Mauritius is an important sugar producer, with output of 449,000 tonnes in 2014. Following the end of preferential access to the EU for raw sugar, the country's sugar sector underwent massive restructuring in a bid to boost its competitiveness; it now exports refined white sugar and molasses to the EU. Although the restructuring led to a decrease in area planted with sugarcane and a drop in output, the country's sugar millers, led by Alteo and Omnicane, have successfully diversified into sugar by-products and co-generation. Mauritius is also a major producer of fish, with output of 69,000 tonnes in 2014.

Trade flows

Imports

Mauritius's total imports were USD5.6 bn in 2014, 3.9% higher than the previous year. As the country has no refining capacity, Mauritius is entirely reliant on imports of petroleum products, worth USD1 bn in 2014, the bulk of which come from India. Mauritius is also dependent on imports of capital goods and industrial raw materials, importing USD1.3 bn worth of machinery, vehicles and electronics, USD146 mn of iron and steel, USD145 mn of plastics and USD53 mn of cement. As Mauritius does not produce cotton, it needs to import cotton fibre for its textile sector, with imports worth USD183 mn in 2014. The country also imported USD116 mn worth of rough diamonds for its polishing and cutting industry. Mauritius is dependent on food imports, including fish (worth USD316 mn), cereals and flour (USD196 mn) and dairy products (USD126 m).

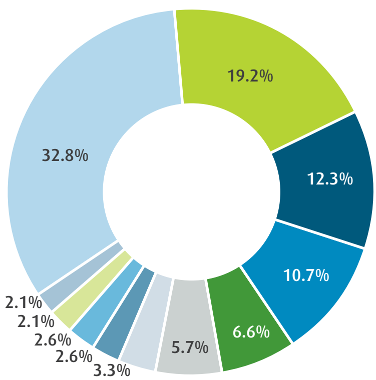
Exports

Mauritius' exports totalled USD2.7 bn in 2014, 13.7% higher than the previous year. Textiles were the country's largest export, totalling USD798 mn, of which the majority went to the EU, the USA and South Africa, reflecting the island's preferential trade agreements. Textiles have eclipsed Mauritius' traditional export, sugar, exports of which totalled 6,000 tonnes in 2014 (worth USD262 mn), most of which went to the EU under preferential trade terms. The country also exported USD456 mn of fish, meat and seafood, including 69,000 tonnes of fish (worth USD321 mn), most of which went to the EU. The country also exports diamonds and jewellery (worth USD179 mn), and is a re-export hub for electronics (USD329 mn), cotton yarn (USD48 mn) and vehicles (USD43 mn) to southern Africa and Madagascar.

Mauritius

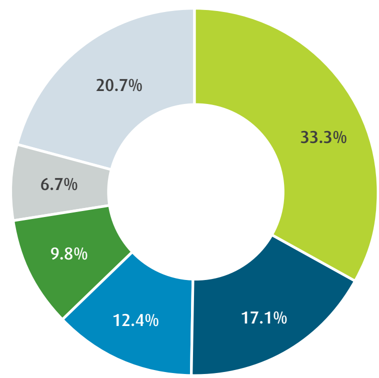
Share of Mauritius's total imports, 2014 (%)

Source: Intracen



Share of Mauritius's total exports, 2014 (%)

Source: Intracen



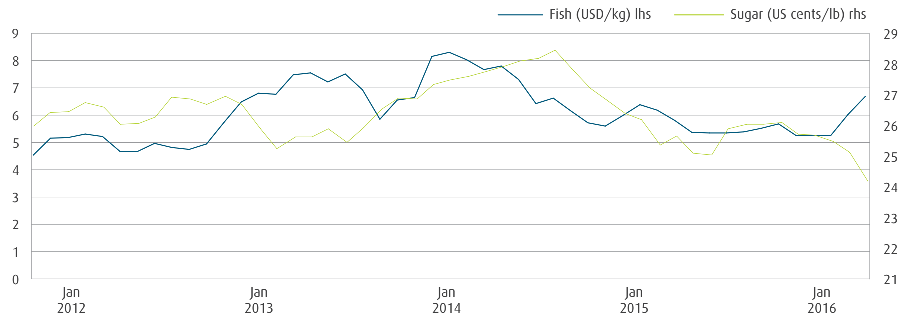
Commodity trade flows

Europe (France in particular) absorbs the majority of Mauritian exports at 47%. Although exports to Asia have more-than doubled in the last year, they still make up only 22% of total exports. Asia (primarily India, followed by China) remains the main import partner at 57% of total imports.

Mauritius

Key commodity prices

Source: IMF



Useful Links

- Bankers Association www.mba.mu/banking_industry.php
- Central bank www.bom.mu/
- Government of Mauritius www.govmu.org/English/Pages/default.aspx
- Ministry of Finance and Economic Development www.mof.govmu.org/English/Pages/default.aspx
- Statistics Mauritius www.statsmauritius.govmu.org/English/Pages/default.aspx
- Stock Exchange www.stockexchangeofmauritius.com/
- Financial Services Commission www.fscmauritius.org/

Mozambique

Select economic and financial indicators	2012	2013	2014	2015e	2016f
Real GDP (% change)	7.1	7.4	7.4	7.0	7.8
GDP (USD bn)	14.9	15.6	16.7	17.0	19.0
Inflation (average)	2.1	4.2	2.3	3.5	14.3
Fiscal Balance (% GDP)	-3.9	-2.7	-10.3	-6.5	-6.2
Broad Money (% change, end period)	25.6	21.2	27.4	17.1	15.4
Population (mn)	25.7	26.5	27.2	28.0	28.8
Exports (USD bn)	3.9	4.1	3.9	4.0	4.5
Imports (USD bn)	7.9	8.5	8.0	8.6	10.1
Current Account Balance (% GDP)	-42.3	-40.0	-34.7	-41.0	-45.3
FX Reserves (USD bn, end period)	2.8	3.2	3.1	3.1	3.5
Exchange Rate (average)	28,272	30,165	31.36	39.41	54.16

e=estimate; f=forecast

Sources: IMF, World Bank, Bloomberg, Ecobank Research

Economic Outlook

Real GDP: Economic challenges that emerged in 2015 will remain evident this year and require decisive policy action to support growth, which we believe will accelerate slightly to 7.8% in 2016. Growth will be driven by continued mega project activity and large investments in extractive industries, especially liquefied natural gas (less so coal). Agriculture (assuming normal rains) and services (particularly trade, communications and financial services) will support growth. However, the external shock associated with the fall in global commodity prices, lower growth in trading partners, and delays in investment associated with large natural resource projects will slow growth potential.

Inflation: Inflation is expected to continue accelerating in H1 2016, averaging over 10% during the year; this is due to recent depreciation of the metical and adjustments in administered prices. This would well exceed the Banco de Moçambique's 5–6% medium term inflation target.

Fiscal balance: An expansionary fiscal policy will maintain the budget deficit at around 6% of GDP in 2016 (in line with deficit in the year before). Further fiscal consolidation in 2016, therefore, is necessary in order to maintain debt sustainability. Reforms that are likely to feature in 2016 include efforts to help manage fiscal risks, eliminate arrears on VAT refunds, and make public spending more efficient and transparent. These will compete with strong demand for government services and ongoing large infrastructure spending, both of which will maintain the structural deficit.

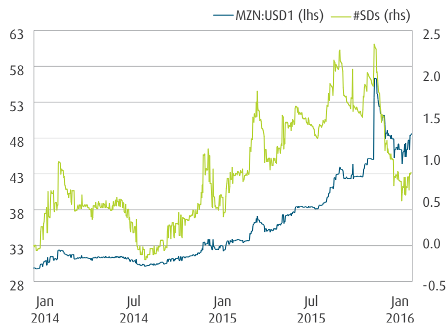
Current account: Imports will continue to grow at a fast pace in 2016 driven by FDI-related goods and services. Meanwhile, exports of aluminium, coal and traditional goods will rise only slightly owing to depressed global demand and weak global prices. As a result, the current account deficit will remain very large at more than 40% of GDP in 2016 (and until the start of liquefied natural gas exports beyond 2020). The deficit will be financed by a combination of FDI capital inflows and donor assistance. However, capital inflows will not fully bridge the current account deficit, which will create pressures in the FX market and lead to further depreciation of the metical.

Risks: Risks to the outlook are moderate, although Mozambique is exposed to weather disasters (flooding), commodity price shocks, and reduced donor funding. Security challenges in certain regions are a growing concern since 2013, although widespread instability is unlikely and the impact on the economy is likely to be contained. Talks between the government and Renamo militants will need to agree on common long-standing concerns if further instability is to be avoided.

Mozambique

MZN performance and volatility*

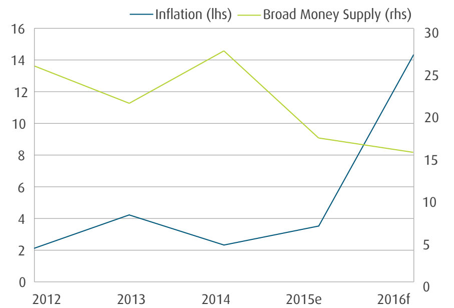
MZN versus USD1 Sources: Bloomberg and Ecobank Research



*Note: MZN volatility is measured by standard deviation.

Mozambique inflation and money supply (%)

Source: IMF



FX, FI and Commodity Information

Exchange rate structure

Regime	Floating
Target	No target, but the central bank intervenes to limit volatility
Type of intervention	Via spot market
Convertible currency?	No
Market participants	n/a

FX

FX products	Spot	Forwards	Non-deliverable forwards	Options	Swaps
On offer	Yes	Yes – up to 12 months	No	No	No
Daily trading volume (USD mn)	n/a		n/a		
Average trade size (USD mn)					
Average spread					
Trading hours	Limited				
Settlement	T+2	T+1 to T+Tenor+2			
FX market structure	The exchange rate is largely determined by the interbank FX market.				
Non-resident FX regulations	**Spot**	**Forwards**	**Non-deliverable forwards**	**Options**	**Swaps**
Trade and FDI flow	No restrictions		n/a		
Financial flow	Participation in T-bills market must be done through financial intermediaries that request authorisation from BoM for such activity				
Resident FX regulations	**Spot**	**Forwards**	**Non-deliverable forwards**	**Options**	**Swaps**
Trade and FDI flow	No restrictions		n/a		
Financial flow					

Mozambique

FI

Primary market	Treasury bills	Treasury notes	Treasury bonds	Central Bank bills	OMOs
Issuer	Government	n/a	Government	n/a	
End use	Government financing		Government and infrastructure financing		
Maturity structure	91-days to 364-days		2- to 5-yrs		
Coupon	Zero		Fixed		
Coupon payments	n/a		Semi-annually		
Secondary market					
Daily trading volume	Limited trading			n/a	
Average trade size	Limited trading				
Settlement	T+2				

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Ecobank local affiliate contact details:

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Tel: +258 21 313 344/Fax: +258 21 313 345

Sources: Bloomberg, IMF and Ecobank Research

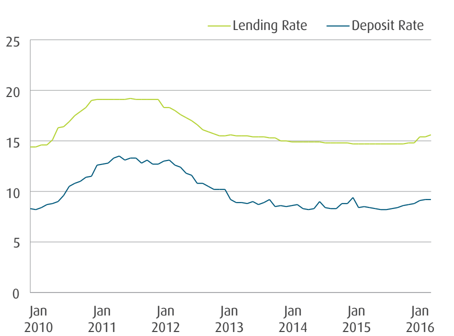
FI primary market information

Mozambique debt	2012	2013	2014	2015e	2016f
Government debt (% GDP)	40.8	52.2	57.5	61.0	59.6
Sub-Sahara average	37.3	39.3	42.9	47.6	47.6
External debt (official creditors, % GDP)	33.7	43.5	45.8	50.4	49.8
Sub-Sahara average	23.5	24.6	27.1	32.1	32.3
External debt stock (USD bn)	5.0	6.8	7.6	8.6	9.5
Share of total sub-Sahara debt (%)	1.7	2.2	2.2	2.3	2.4

Sources: IMF and World Bank

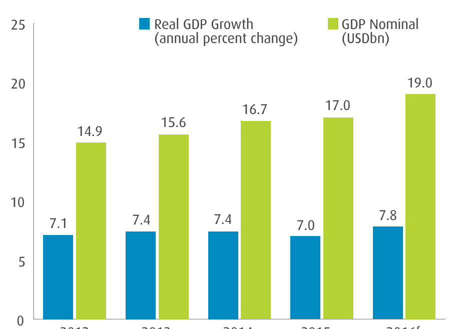
Interest rates (%)

Source: IMF



Real GDP growth (%)

Source: IMF



Mozambique

Banking Sector Information

Mozambique's banking sector consisted of 361 financial institutions at end-2014. There were 18 commercial banks, with the four largest-Banco Internacional de Moçambique (BIM), Banco Commercial e de Investimentos (BCI), Standard Bank Mozambique and Moza Banco (MB)–dominating the sector. At end-2014 these four banks controlled 77%, 78% and 80% of total assets, loans and customer deposits, respectively, marginally lower than in 2013. The decline in concentration levels reveals how aggressive the smaller competitors have been in liability mobilisation, branch network expansion and granting loans.

Customer deposits remain the biggest source of balance sheet funding, accounting for 83% of funding liabilities at end-2014. Sight deposits accounted for around 65% of the total, with time deposits making up the balance. Public-sector entities and individuals remain the biggest source of customer deposits, accounting for 42% and 36% of total local deposits, respectively, with the latter's contribution expected to rise over the next decade as banks grow their distribution network. However, funding rates remain elevated; at end-2014 the weighted average annual interest rate on customer deposits stood at 9.14%.

The banking sector's total assets grew by 24% in 2014, to USD12.4 bn, at nearly double the rate of growth recorded in 2013. Strong asset growth has been driven by banks' increased exposure to government debt securities, underlining their preference for risk-free assets over riskier credit extension. Mozambique's banking sector is a loan-driven market, with loans and advances accounting for 53% of total assets. Financial assets are the second largest balance sheet component, accounting for 15% of total assets.

Funded income portfolio accounts for 60% of operating income, with interest income from loans and advances making up 85% of the income pool. The dominance of funded income is partly attributable to the wide net spreads, which stood at 11.6% at the end-2014, versus 11.17% at end-2013. The profitability of Mozambique's banking sector remains strong, with return on equity rising to 22.2% at end-2014, up from 20.6% the previous year. Profitability has been supported by the stable cost to income ratio (CIR) – which stood at 61% at end-2014-and relatively high asset performance levels.

Mozambique's financial institutions

Bank	2011	2012	2013	2014
Banks	18	18	18	18
Micro Banks	8	8	10	10
Credit Unions	7	7	8	8
Leasing Corporations	0	0	0	0
Investment Corporations	1	1	3	3
Card issuing and management Corporations	1	1	2	2
E-money Institutions	1	1	2	2
Venture Capital Companies	1	1	2	2
Group-purchase managing companies	1	1	1	1
Foreign Exchange Bureaus	21	19	18	18
Loan and Saving Institutions	10	11	12	12
Microcredit Operators	166	199	285	285
Total	235	267	361	361

Source: Banco de Moçambique

Mozambique

Commodity and Trade Information

Hydrocarbon and mineral production

Mozambique is a diverse mineral producer, with rich reserves of metals, coal and precious stones. The country's leading mineral output is aluminium, produced by the Mozal smelter complex outside Maputo, with output of 206,000 tonnes of raw aluminium. Plans to expand production at Mozal (Mozal II and III) have been repeatedly postponed owing to constraints on the availability of cheap power from the Cahora Bassa Dam. Mozambique is emerging as a major producer and exporter of coal to the regiona and world market. From just 40,000 tonnes in 2010, production surged to 6.8 mn tonnes in 2014. Two thirds of Mozambique's output is metallurgical coal, making the country's sector an ideal source of supply for India's steel makers. Coal production could exceed 20 mn tonnes over the next five years, provided investment is made to boost the capacity of railways running from the coal fields to the coastal ports. Mozambique also produced 89 mn tonnes of titanium ore and 17 mn tonnes of niobium ore in 2014, along with 17 tonnes of precious stones, including rubies, sapphires and emeralds.

Mozambique has no known oil reserves, but is emerging as an important gas producer, with some of the richest gas reserves in East Africa. Offshore Mozambique is estimated to hold in excess of 150 trn cubic feet of gas (second only to Nigeria), based on discoveries by American explorer Anadarko and Italian IOC, ENI. Mozambique produced 152 Bcf of natural gas in 2014 and exported over USD500 million of natural gas, over 90% of which went via pipelines to South Africa under a bilateral trade agreement with South Africa and the South African oil company, SASOL.

Mozambique's consumption of petroleum products has increased to about 25,000 bpd. Plans to construct a 350,000 bpd refinery and petrochemical plant in Mozambique by a group of investors have progressed slowly, with completion expected in 2017-18. As a result, Mozambique imports all of its petroleum products and also serves as a major import terminal for its landlocked neighbours, Malawi and Zimbabwe. Of the 1.9 mn tonnes of refined products imported into the country in 2014, 1.05 mn tonnes were consumed locally, with the balance being re-exported to Malawi. Bahrain, the UAE and South Africa are the country's key sources of refined products.

Soft commodity production

Mozambique produces a variety of cash crops for domestic consumption and for export. The country is one of Southern Africa's leading sugar producers, with estimated output of 435,000 tonnes in 2014-15. The sugar sector is dominated by South African sugar millers, Illovo and Tongaat Hulett, which are investing in new mills and sugarcane plantations. Mozambique's cashew nut production has fluctuated since the 1990s, declining to just 35,000 tonnes in 2014-15. Mozambique also produced 59,000 tonnes of tobacco, 352,000 tonnes of timber, and 23,000 tonnes of cotton lint in 2014.

Trade flows

Imports

Mozambique's imports totalled USD8.7 bn in 2014, 13.4% lower than the previous year, owing to the slump in commodity prices. Mozambique is reliant on imports of machinery, vehicles and electronics (together worth USD2.7 bn in 2014), reflecting the poorly developed manufacturing sector. Given the country's lack of refining capacity, Mozambique is dependent on imports of petroleum products (worth USD1.4 bn in 2014). The country also imported electricity worth USD270 mn from South Africa, all of which was reimports of Mozambican electricity from the Cahora Bassa Dam which went via transmission lines in Gauteng province. Mozambique also imported large volumes of industrial raw materials, including USD595 mn of iron and steel, USD529 mn of unwrought aluminium (for use in Mozal), USD182 mn of plastics and USD108 mn of cement. The country also imports large volumes of food, including rice (worth USD187 mn), wheat (USD184 mn), and palm oil (USD93 mn).

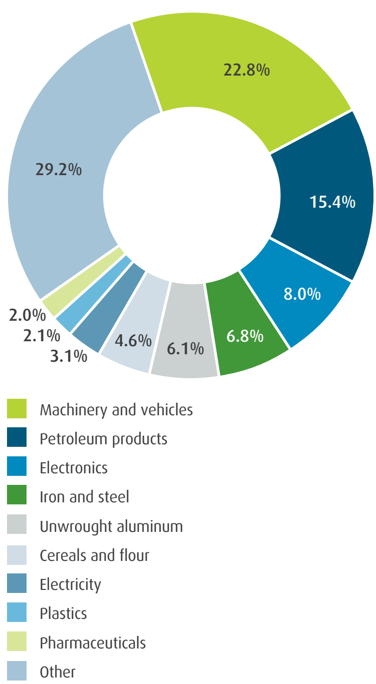
Mozambique

Exports

Mozambique's exports totalled USD4.7 bn in 2014, 17.4% higher than the previous year. Aluminium is Mozambique's most valuable export, worth USD1.4 bn in 2014, the bulk of which went to the Netherlands, a key aluminium trading hub. Mozambique also exported USD928 mn worth of coking coal, mostly to Singapore (trading) and India (consumption), and USD569 mn of gas and USD301 mn of electricity, both primarily to South Africa, via the SASOL pipeline and Cahora Bassa Dam transmission lines, respectively. Other mineral exports included titanium ore (worth USD134 mn), niobium (USD52 mn) and precious stones (USD80 mn). The country also exports a variety of agricultural cash crops, including tobacco (worth USD258 mn in 2014), wood (USD123 mn), sugar (USD86 mn), cotton lint (USD80 mn) and cashew nuts (USD10 m).

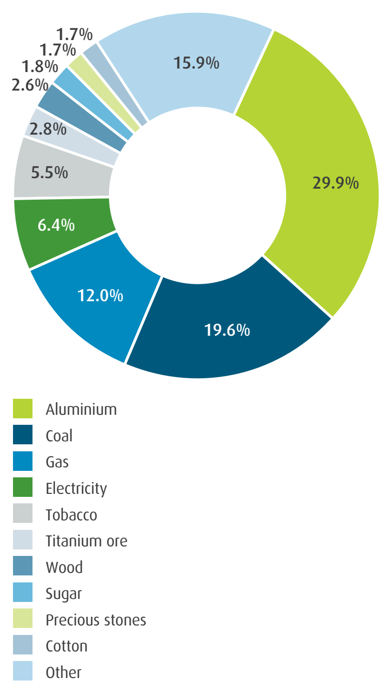
Share of Mozambique's total imports, 2014 (%)

Source: Intracen



Share of Mozambique's total exports, 2014 (%)

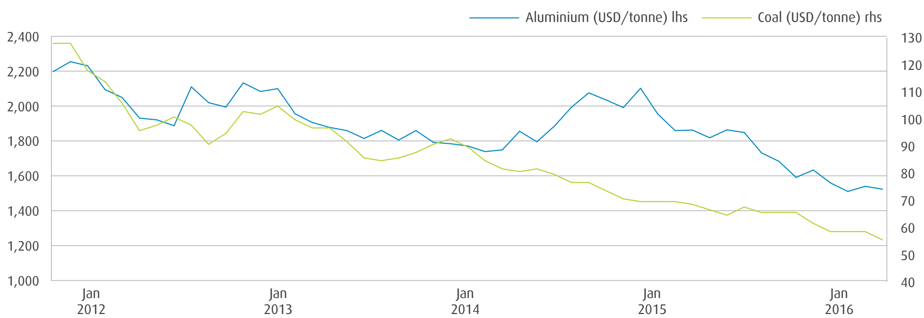
Source: Intracen



Mozambique

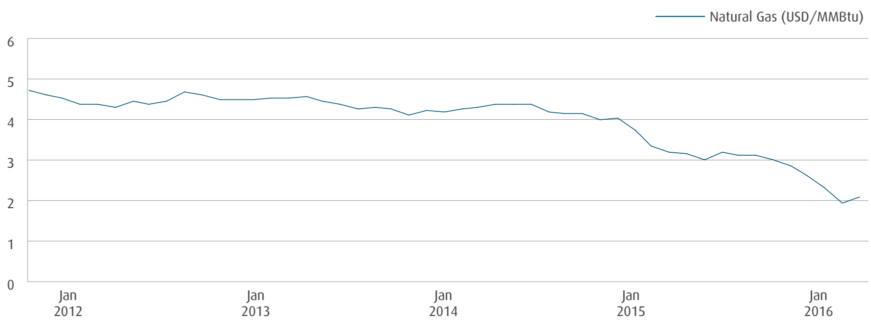
Key commodity prices (aluminum and coal)

Source: IMF



Key commodity prices (natural gas)

Source: IMF



Mozambique

Useful Links

- Central Bank: www.bancomoc.mz
- Ministry of Planning and Development: www.mpd.gov.mz
- Instituto Nacional de Estatistica: www.ine.gov.mz
- Government of Mozambique: www.mozambique.mz
- International Monetary Fund: http://www.imf.org/external/country/MOZ/index.htm

Namibia

Select economic and financial indicators	2012	2013	2014	2015e	2016f
Real GDP (% change)	5.1	5.1	4.5	4.8	5.0
GDP (USD bn)	13.0	12.9	13.6	12.9	13.7
Inflation (average)	6.7	5.6	5.3	3.4	6.0
Fiscal Balance (% GDP)	-2.3	-3.4	-3.7	-5.9	-7.4
Broad Money (% change, end period)	5.3	8.6	7.7	9.8	9.7
Population (mn)	2.3	2.3	2.4	2.5	2.5
Exports (USD bn)	4.4	4.6	4.6	4.3	4.6
Imports (USD bn)	6.5	6.6	7.4	6.9	7.4
Current Account Balance (% GDP)	-5.6	-3.9	-9.9	-12.1	-16.3
FX Reserves (USD bn, end period)	1.8	1.5	1.2	1.1	1.0
Exchange Rate (average)	8.21	9.65	10.85	12.78	16.80

e=estimate; f=forecast

Sources: IMF, World Bank, Bloomberg, Ecobank Research

Economic Outlook

Real GDP: Mining remains the mainstay of the economy, with diamonds, zinc, uranium and gold still the main export earners. Tourism is also a key generator of FX earnings, and Namibian tourist arrivals could be boosted by tourism being diverted following South Africa's visa requirements tightening earlier in 2015.Although the services sector is likely to be the main driver of growth in 2016 and beyond, a moderate contraction in agricultural output would constrain growth.

Inflation: Inflation has remained moderate despite sharp currency weakness, but it is likely to rise in 2016 as food price pressures are stoked by a drought-induced smaller harvest.

Fiscal balance: Government revenue is dominated by mineral export earnings and SACU receipts, but is set to decline in the coming years as SACU receipts fall due to weak economic growth in South Africa and the imminent revision of the revenue-sharing formula. SACU receipts contributed 34.5% of total fiscal revenue in 2013-14. According to IMF data, SACU receipts were equivalent to 13.4% of GDP in 2014-15 and will drop to 8.0% of GDP in 2015-16. Against this backdrop and still high government spending, we expect the fiscal deficit to widen to around 7.4% of GDP.

Current account: The current account deficit is projected to widen further in 2016. Export growth is likely to moderate on the back of low commodity prices and lower diamond and uranium output, while imports will be underpinned by a weakening currency along with capital equipment purchases for the ongoing mining and manufacturing projects. Slowing imports of consumer goods and lower oil prices should, however, help to reduce the import bill.

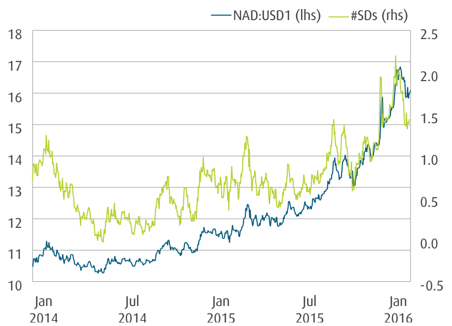
Risks: Namibia's economy remains highly dependent on mineral exports and SACU revenue. Low global commodity prices and falling SACU revenue, as the South African economy remains weak, could dampen economic growth.

- Agricultural activity, which encompasses animal production and grain output, is often undermined by unfavourable weather conditions
- Socio-economic conditions remain difficult in rural areas, particularly where subsistence farming is the main economic activity.

Namibia

NAD performance and volatility*

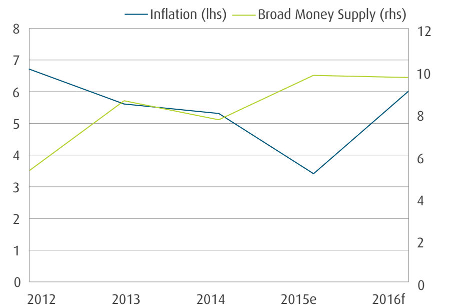
NAD versus USD1   Sources: Bloomberg and Ecobank Research



*Note: NAD volatility is measured by standard deviation.

Namibia inflation and money supply (%)

Source: IMF



FX, FI and Commodity Information

Exchange rate structure

Regime	Fixed
Target	NAD1 to ZAR1
Type of intervention	Via central bank
Convertible currency?	Yes
Market participants	n/a

FX

FX products	Spot	Forwards	Non-deliverable forwards	Options	Swaps
On offer	Yes	No	No	No	Yes
Daily trading volume (USD mn)	n/a	n/a			
Average trade size (USD mn)	n/a				
Average spread	n/a				
Trading hours	24 hours				
Settlement	T+2	T+Tenor+2		n/a	
FX market structure	The NAD is guaranteed by a pegged exchange rate with the ZAR. FX spot deals are settled in ZAR. Only fully licensed dealers are permitted to deal FX in Namibia.				

Non-resident FX regulations	Spot	Forwards	Non-deliverable forwards	Options	Swaps
Trade and FDI flow	Non-residents of CMA zone are subject to exchange rate restrictions which require central bank approval for capital flows	n/a			
Financial flow					

Resident FX regulations	Spot	Forwards	Non-deliverable forwards	Options	Swaps
Trade and FDI flow	No restrictions	n/a			
Financial flow					

Namibia

FI

Primary market	Treasury bills	Treasury notes	Treasury bonds	Central Bank bills	OMOs
Issuer	Government	n/a	Government	Central Bank	
End use	Government financing		Government and infrastructure financing	Liquidity management	
Maturity structure	91- to 364-days		5- to 30-yrs	7-days	
Coupon	Zero		Fixed	Zero	
Coupon payments	n/a		Semi-annual	n/a	

Secondary market		
Daily trading volume	Limited trading	n/a
Average trade size	Limited trading	
Settlement	T+2	

Nedbank contact details for Namibia:

7th Floor, Old Mutual Towers, Independence Avenue, Windhoek, Namibia
Tel: +264 61 295 2000/Fax: 264 61 295 2079

Sources: Bloomberg, IMF and Ecobank Research

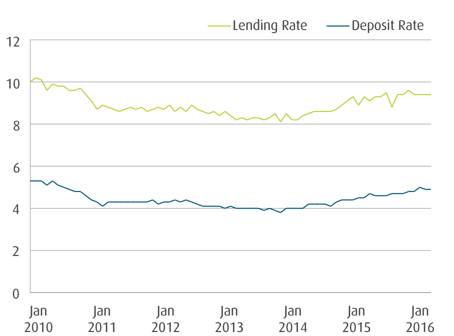
FI primary market information

Namibia debt	2012	2013	2014	2015e	2016f
Government debt (% GDP)	24.1	23.8	24.7	25.8	26.1
Sub-Sahara average	37.3	39.3	42.9	47.6	47.6
External debt (official creditors, % GDP)	7.8	6.9	7.2	8.9	10.8
Sub-Sahara average	23.5	24.6	27.1	32.1	32.3
External debt stock (USD bn)	1.0	0.9	1.0	1.1	1.5
Share of total sub-Sahara debt (%)	0.3	0.3	0.3	0.3	0.4

Sources: IMF and World Bank

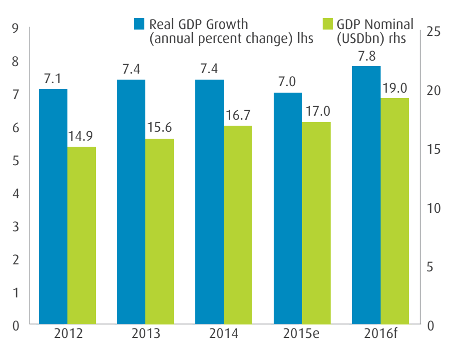
Interest rates (%)

Source: IMF



Real GDP growth (%)

Source: IMF



Namibia

Banking Sector Information

Namibia's banking sector is made up of seven commercial banks. The banking sector is highly concentrated, with four banks – EBank, Bank Windhoek, First National Bank of Namibia and Standard Bank – holding more than 90% of total sector assets. Three of the top four banks by assets are owned by South African institutions, reflecting the dominance of South Africa's banking sector across the SACU region. Total banking sector assets grew by 13.2% in 2014, to an estimated NAD150 bn, with heavy concentration in mortgages. Commercial bank assets accounted for an estimated 87% of GDP in 2014.

Namibia's commercial banks are sound, liquid and well capitalized, benefiting from close linkages with South Africa's banking system. Net loans and advances made up 74.5% of total assets in 2014. Deposits remain the key driver of growth, making up 79.9% of capital and liabilities in 2014, while the loan-to-deposit ratio rose to 94.4% that year, indicating the importance of deposits to support lending. Capital adequacy remains strong, with the Tier 1 risk-weighted capital ratio (RWCR) of 11.9% and total RWCR of 14.7% in December 2014. The liquidity ratio, expressed as liquid assets to average total liabilities to the public, was 12.5% in December 2014, comfortably above the statutory minimum of 10%. The credit risk of Namibian banks remained low during 2015, with the non-performing loan (NPL) ratio rising marginally from 1.5% in 2014 to an estimated 1.6% in 2015. Profitability of the banking sector remains high, with return on equity (ROE) averaging 24% at end-2014.

Namibia's leading banks, 2015

Bank	Parent
Bank Windhoek Limited	Bank Windhoek Holdings Limited
EBank Limited	Pointbreak Group
First National Bank of Namibia Limited	FirstRand Limited
Nedbank Namibia Limited	Nedbank Group
Standard Bank Namibia Limited	Standard Bank Group
SME Bank Limited	Government majority stake
Trustco Bank Limited	Trustco Group

Source: Ecobank Research

Commodity and Trade Information

Hydrocarbon and mineral production

Namibia is a diverse mineral producer, producing both precious and industrial metals. The country's most important mineral resource is high quality alluvial diamonds, with output of 1.9 mn carats in 2014. Uranium is the country's second leading mineral, with annual production of 5,000 tonnes. Namibia has the potential to become the world's largest uranium exporter following significant investment in developing the country's deposits. Namibia is also a significant producer of zinc, lead, copper, gold and manganese, and acts as a re-export hub for copper and diamonds from the DRC and Zambia.

Namibia has no known crude oil reserves, but has an estimated 2.2 Bcf of natural gas reserves largely located offshore. The most significant discovery to date is the offshore Kudu field whose gas is intended for an 800MW gas-to-power plant as part of plans to boost local power generation capacity. A Final Investment Decision (FID) on the USD2.3 bn project was expected by mid 2016, despite opposition from cheaper rival renewable energy projects. Namibia consumes over 1 mn tonnes of refined product annually, half of which are imported from South Africa and the balance from refineries in Asia and Europe.

Soft commodity production

Namibia does not have a well-developed agricultural sector, given its lack of arable land, although the country is a major livestock producer and exporter to the sub-region.

Namibia

Trade flows

Imports

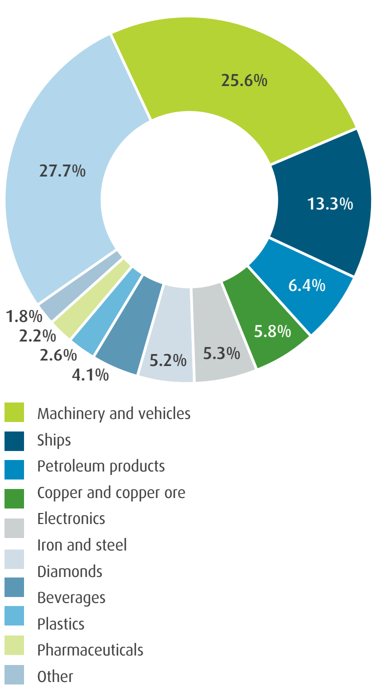
Namibia's imports totalled USD8.5 bn in 2014, 12.2% higher than the previous year. The country is heavily dependent on imports of capital goods, notably machinery, vehicles and ships, together worth USD3.3 bn in 2014, partly reflecting the country's role as a shipping re-export hub. Given its lack of refining capacity, Namibia is also dependent on imports of petroleum products (worth USD543 mn in 2014), as well as on industrial raw materials, such as iron and steel (USD444 mn), plastics (USD187 mn) and rubber (USD89 mn). The country acts as a re-export hub for minerals from the DRC and Zambia, importing USD498 mn worth of copper and copper ore and USD345 mn of diamonds in 2014, all of which were re-exported. Given the lack of domestic food production, the country imports significant volumes of food, including cereal (worth USD86 mn) and sugar (worth USD81 mn).

Exports

Namibia's exports totalled USD6 bn in 2014, 5.6% higher than the previous year, dominated by minerals and re-exports. Diamonds are Namibia's most valuable export, with 2 mn carats of exports worth USD1.4 bn in 2014, nearly two-thirds of which went to Botswana for re-export to world markets. The country also exported uranium ore, worth USD417 mn, most of which went to the USA, Canada, China and France. The country's other significant mineral exports (including re-exports) were copper and copper ore (worth USD549 mn), zinc and zinc ore (worth USD359 mn), gold (worth USD93 mn), and lead (worth USD28 mn). Namibia is also a major exporter of fish (worth USD658 mn), mainly to the EU and the SADC zone, and meat (USD111 mn), mainly to South Africa and the UK. The country also acts as a re-export hub for capital goods, including ships (worth USD832 mn), vehicles (worth USD246 mn) and machinery (worth USD165 mn).

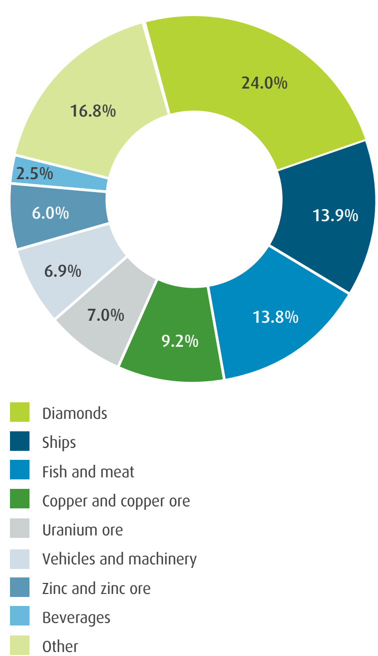
Share of Namibia's total imports, 2014 (%)

Source: Intracen



Share of Namibia's total exports, 2014 (%)

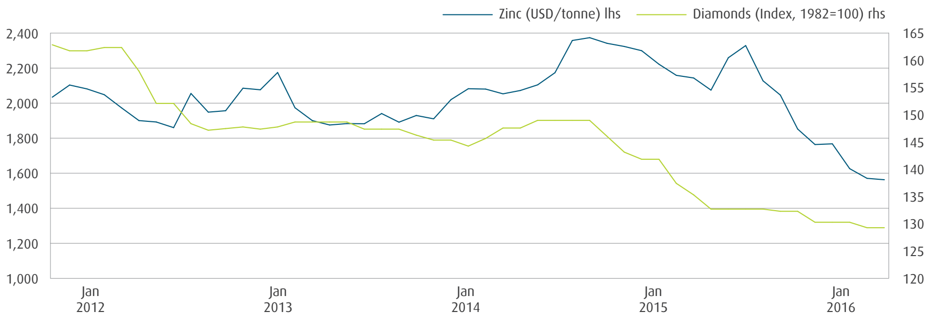
Source: Intracen



Namibia

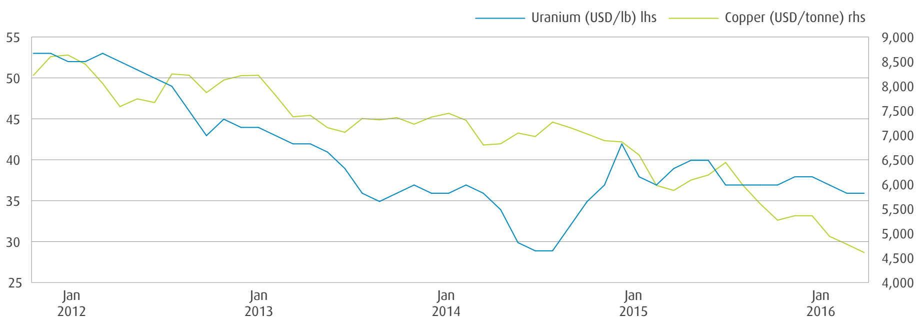
Key commodity prices (zinc and diamonds)

Source: IMF



Key commodity prices (uranium and copper)

Source: IMF



Useful Links

- Central Bank: www.bon.com.na
- Ministry of Finance: www.mof.gov.na
- National Statistics: www.nsa.org.na
- Stock Exchange: www.nsx.com.na

South Africa

Select economic and financial indicators	2012	2013	2014	2015e	2016f
Real GDP (% change)	2.2	2.2	1.5	1.4	1.0
GDP (USD bn)	397.4	366.2	350.1	317.3	326.5
Inflation (average)	5.7	5.8	6.1	4.6	5.9
Fiscal Balance (% GDP)	-4.1	-4.1	-3.8	-4.1	-3.7
Broad Money (% change, end period)	5.2	5.9	7.3	6.3	7.2
Population (mn)	52.8	53.4	54.0	54.5	55.0
Exports (USD bn)	99.3	95.1	92.9	93.1	94.0
Imports (USD bn)	90.6	88.5	86.8	87.1	88.8
Current Account Balance (% GDP)	-5.0	-5.8	-5.4	-4.3	-4.5
FX Reserves (USD bn, end period)	50.7	49.6	49.6	49.6	49.6
Exchange Rate (average)	8.21	9.65	10.85	12.78	16.80

e=estimate; f=forecast

Sources: IMF, World Bank, Bloomberg, Ecobank Research

Economic Outlook

Real GDP: The South African economy is under significant pressure, as indicated by slowing economic growth and a weakening currency. Both domestic constraints and a less favourable global environment have suppressed real GDP growth to below 2% per annum, and this is likely to persist over 2016. Power shortages have kept output growth in mining and manufacturing low, agricultural production has contracted due to poor weather conditions and the rest of the primary and secondary sectors have been undermined by low prices and weak global and domestic demand. Amid these factors, we expect real GDP growth to slow to 1.0% in 2016.

Inflation: Inflation has mostly surprised to the downside over the past 12 months, remaining below 6% since Q4 14, mainly on the back of lower fuel prices. However, the consumer inflation rate is projected to breach the SARB's 3% to 6% target band in H1 2016, primarily as a result of rising food prices, before easing in H2 2016. The rand's renewed weakness is likely to add further pressure and we believe inflation could remain higher for longer than is currently anticipated.

Fiscal balance: The budget aims to continue reducing annual deficits over time by improving spending priorities and efficiencies, cutting wasteful spending and increasing taxes cautiously. However, the government's objective to lower the deficit to below 3% of GDP is unlikely to be met until at least 2018. Tax revenue growth is being constrained by lower-than-expected corporate taxes and Value Added Tax collections, which reflects weak domestic demand. Tax revenue is nevertheless being bolstered by better personal income tax collection following the hikes in marginal tax rates in April 2015. Over the medium term, revenue growth will likely be constrained by weaker economic growth. Revenue is projected to reach ZAR1,540.90 bn in FY2018-19, easing slightly to 29.3% of GDP from the estimated 29.8% in fiscal 2015-16. The government aims to strengthen fiscal buffers. However, the high public sector wage settlement creates major challenges in achieving this goal, setting back efforts to improve the composition of government spending, putting "pressure on capital and other critical inputs" and leaving little room for other spending priorities over the next three years. Over the medium term, education, social protection, and health are the key priorities.

Current account: The current account position has improved in recent years, thanks to a swing to the trade surplus. However, the terms-of-trade position has weakened somewhat in recent quarters due to lower international prices of South Africa's main commodity exports and this is likely to sustain pressure on the current account in 2016.

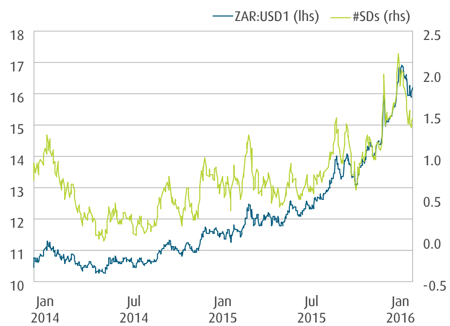
Risks: Growth in South Africa's economic output is constrained by infrastructure challenges, particularly power shortages. In addition, concerns about the adequacy of the country's water supply have been raised amid the strengthening of an El-Niño episode. According to the South Africa Weather Service, unusually dry conditions are expected to continue throughout the 2015/2016 growing season and in Q2 2016 and these, combined with the country's electricity-supply difficulties, will probably keep economic growth lacklustre over the next few years.

South Africa

- The economy's limited capacity to create jobs is exacerbating socio-economic challenges, which manifest in a high rate of joblessness, with the official unemployment rate remaining sticky around 25%, and large income gaps.
- Weak economic growth, a high unemployment rate and a rapidly-rising public debt stock could result in the sovereign being downgraded to non-investment grade within the next five years if the environment does not improve.
- The South African economy is highly dependent on foreign capital inflows to finance the current account deficit and a sudden reversal of these could result in a tightening of financing conditions that impact on the economy.

ZAR performance and volatility*

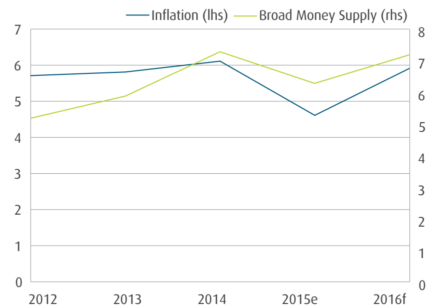
ZAR versus USD1 Sources: Bloomberg and Ecobank Research



*Note: ZAR volatility is measured by standard deviation.

South Africa inflation and money supply (%)

Source: IMF



FX, FI and Commodity Information

Exchange rate structure

Regime	Floating
Target	No target. SARB does not intervene in the FX market.
Type of intervention	Via spot market
Convertible currency?	Yes
Market participants	n/a

South Africa

FX

FX products	Spot	Forwards	Non-deliverable forwards	Options	Swaps
On offer	Yes	Yes – up to 5 years	Yes	Yes	Yes
Daily trading volume (USD mn)	51,000	n/a	1.04	675.31	n/a
Average trade size (USD mn)	n/a		172.79	21.78	
Average spread	n/a				
Trading hours	24 hours				
Settlement	T+2	T+1 to T+Tenor+2	T+Tenor+2	T+2	T+0
FX market structure	SARB accumulates FX reserves by buying FX from the spot market. SARB does not hold periodic FX auctions as its mandate is price stability instead of exchange rate management.				
Non-resident FX Regulations	**Spot**	**Forwards**	**Non-deliverable forwards**	**Options**	**Swaps**
Trade and FDI flow	No restrictions				
Financial flow					
Resident FX regulations	**Spot**	**Forwards**	**Non-deliverable forwards**	**Options**	**Swaps**
Trade and FDI flow	Corporates: outward FDI greater than ZAR 1 bn p.a. needs SARB approval and 10%+ of target company's voting rights must be obtained. Individuals: must obtain approval to invest more than ZAR 10 mn abroad.				
Financial flow	Capped at ZAR 1 mn for adults, ZAR 200,000 for minors				

FI

Primary market	Treasury bills	Treasury notes	Treasury bonds	Central Bank bills	OMOs
Issuer	Government	n/a	Government	Central bank	
End use	Government financing		Government and infrastructure financing	Liquidity management	
Maturity structure	91- to 364-days		2- to 35-yrs	7- to 56-days	Various
Coupon	Zero		Fixed	Fixed	Fixed
Coupon payments	n/a		Semi-annual	On maturity	Dependent on issue
Secondary market					
Daily trading volume	ZAR 1.9 trn per month			n/a	
Average trade size	n/a				
Settlement	T+3				

Nedbank Head Office contact details:

135 Rivonia Road, Sandown, Sandton 2196, Johannesburg, South Africa
P.O. Box 1144, Johannesburg 2000, South Africa
Tel: +27 11 294 4444

Ecobank Representative Office contact details:

4 Sandown Valley Crescent, Sandton 2196, Johannesburg, South Africa
Tel: +27 11 783 6391

Sources: Bloomberg, IMF, SARB and Ecobank Research

South Africa

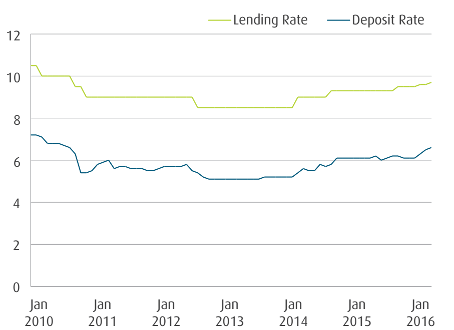
FI primary market information

South Africa debt	2012	2013	2014	2015e	2016f
Government debt (% GDP)	40.5	43.3	46.0	48.4	49.8
Sub-Sahara average	37.3	39.3	42.9	47.6	47.6
External debt (official creditors, % GDP)	11.4	11.9	13.2	14.8	15.4
Sub-Sahara average	23.5	24.6	27.1	32.1	32.3
External debt stock (USD bn)	145.0	139.2	144.0	144.4	151.8
Share of total sub-Sahara debt (%)	49.5	47.5	49.1	49.3	51.8

Sources: IMF and World Bank

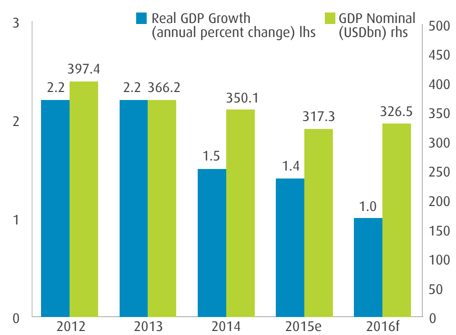
Interest rates (%)

Source: IMF



Real GDP growth (%)

Source: IMF



Banking Sector Information

South Africa has the largest and most sophisticated banking sector in Sub-Saharan Africa, with several of the region's strongest financial institutions. Total financial sector assets reached an estimated 298% of GDP in 2014, around 40% of which were held by commercial banks. In 2015 there were 17 commercial banks, 3 mutual banks and 3 cooperative banks. In addition, 14 foreign banks had local branches in South Africa, and 39 had representative offices. South Africa's banking sector is highly concentrated, with the top five banks – Standard Bank, Barclays Africa (ABSA), FirstRand, Nebank and Investec – controlling an estimated 90.2% of banking sector assets at June 2015. The first four banks provide full-scale banking services, while Investec is focused on corporate and private banking. Three of the five largest banks have full or part foreign ownership – the UK's Barclays holds a majority stake in ABSA, Nedbank is indirectly owned by the UK's Old Mutual, and Investec is dual listed on the Johannesburg Stock Exchange and London Stock Exchange. In recent years South African banks have expanded their pan-African footprint, and in 2014 four of the top five banks had 39 subsidiaries in 17 Sub-Saharan countries.

South Africa's commercial banks are sound, liquid and well-capitalized. The banking sector is regulated by the South African Reserve Bank (SARB), which since 2013 has overseen the implementation of Basel III regulations. Deposits made up an estimated 87.5% of total bank funding in 2014, most of which was wholesale funding from non-bank financial institutions and corporations. The sector's average loan-to-deposit ratio was 127% in 2014. Capital adequacy ratios are sound, with the risk-weighted capital ratio (RWCR) for Tier 1 banks estimated at 11.7% in November 2015, and for the entire banking sector at 14.4%. The liquidity ratio (liquid assets held to liquid-asset requirement) was 210% in November 2015. Asset quality remains strong, with the sector's (NPL) ratio falling from a peak of 6% in late 2009 to an estimated 3.08% in November 2015. Profitability is also strong, with the four largest banks having an average return on equity (ROE) of around 20%.

South Africa

South Africa's leading banks, February 2016

Bank	Total market capitalisation (ZAR millions)	Parent company
FirstRand	257,532	FirstRand Ltd
Standard Bank	188,607	Standard Bank Group Ltd
Barclays Africa	129,087	Barclays PLC
Nedbank	94,843	Old Mutual PLC
Investec	92,469	Investec Ltd
RMB Holdings	82,161	RMB Holdings Ltd
Capitec Bank Holdings	58,005	Capitec Bank Holdings Ltd

Source: Bloomberg

Commodity and Trade Information

Hydrocarbon and mineral production

South Africa is Sub-Saharan Africa's leading mineral producer, reflecting its abundant mineral resources and its developed economy. The country is the world's leading producer of platinum, with output of 222 tonnes in 2014, and of gold, with output of 117 tonnes, and is the region's second largest diamond producer (after Botswana), with output of 7.4 mn carats in 2014. South Africa is also a significant producer of industrial metals, including iron ore, aluminium, manganese, chromium, zinc and nickel. Iron ore is its most significant industrial metal, with output of 68 mn tonnes in 2014, most of which is exported to China. In recent years labour unrest, coupled with weak global prices, has shaken South Africa's metals mining sector, leading to the closure of several large mines and casting a shadow over the sector's future. South Africa is also one of Africa's largest cement producers, with 21.4 mn tonnes of installed capacity in 2015.

South Africa holds 95% of Africa's thermal coal reserves and is by far the continent's largest coal producer, with output of 280 mn tonnes in 2014. Although the country's coal consumption is high, led by the state power generator Eskom, there is still an average surplus of 70 mn tonnes per year which is exported to the global market via one of the world's largest coal export terminals at Richards Bay.

South Africa's hydrocarbons sector is dominated by gas, with annual output of 41 bcf of natural gas and estimated reserves of 0.5 Tcf. South Africa is a marginal crude oil producer, with the single Oribi complex field producing just 1,300 bpd. Despites the low level of hydrocarbon output, South Africa's refining capacity dwarfs that of its neighbours. South Africa has six refineries with total installed capacity of 715,522 bpd. However, only four of these refineries refine crude oil, while the other two are a Gas-To-Liquid refinery and a Coal-To-Liquid refinery. South Africa's refinery capacity outweighs local demand, making the country a net exporter of petroleum products. The government is planning construction of a new refinery that could refine crude from Iran, following the lifting of international sanctions in early 2016. In response to capacity constraints for the state-owned power producer, Eskom, the government is considering building its first LNG terminal in the Saldanha Bay which would import gas to supply a 3,126 MW gas-fired power plant. Currently 82% of South Africa's 47.55 GW of installed capacity is coal-fired.

Soft commodity production

South Africa has a diverse and well-developed agricultural sector, enabling the country to be a net food exporter. South Africa is Sub-Saharan Africa's sugar giant, with output of 2.1 mn tonnes of raw sugar in 2014-15 (October-September). This reflects the country's optimal climatic conditions for growing sugarcane, the high yields of its large-scale plantations, the efficiency of its mills and the country's well-developed infrastructure and power network. The sugar sector is led by the South African sugar giants, Illovo and Tongaat Hulett, whose operations stretch across Southern and East Africa.

South Africa

South Africa is also a key producer of grain, notably maize and wheat, both for sub-regional and world markets. The country produced a record crop of 15 mn tonnes of maize and 1.8 mn tonnes of wheat in the 2013-14 season. However, poor weather severely reduced yields in the 2014-15 season, and output was forecast to fall sharply in 2015-16 under the impact of the worst drought since records began (exacerbated by the El Niño weather phenomenon). South Africa is Africa's leading producer and exporter of edible fruit, nuts and vegetables, and has one of the continent's largest livestock sectors.

Trade flows

Imports

South Africa's imports totalled USD100 bn in 2014, 3.4% below the previous year. Capital goods were the largest imports, including USD21.5 bn of machinery and vehicles and USD9.7 bn of electronics in 2014, reflecting both the size of South Africa's consumer class as well as the country's role as a re-export hub. The country imported USD7.7 bn worth of crude oil for its domestic refining sector, mostly from Saudi Arabia, Nigeria and Angola, but also imported USD15.3 bn worth of petroleum products, both to meet the domestic shortfall as well as for re-export to the sub-region. The country also has significant imports of inputs for its industrial sector, including USD3.3 bn of chemicals, USD2.6 bn of plastics, USD2.5 bn of iron and steel, and USD1.3 bn of rubber. Given that the size of the cereal harvest can vary, owing to periodic drought, South Africa often requires cereal imports, and in 2014 imported USD497 mn of wheat and USD421 m of rice.

Exports

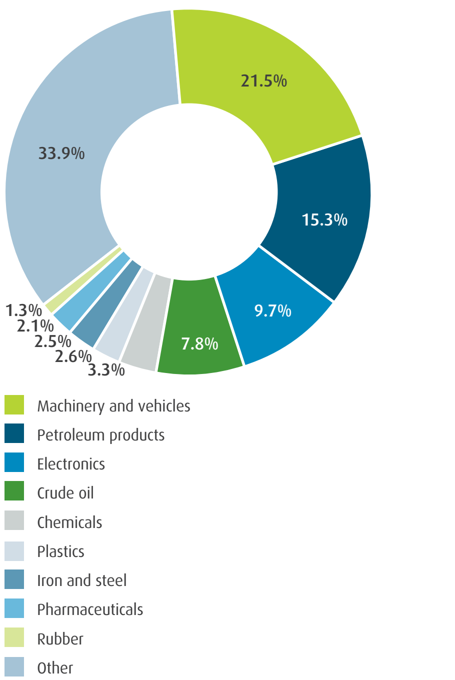
South Africa's exports totalled USD90.6 bn in 2014, 4.7% lower than the previous year. Exports are dominated by a mixture of metals, minerals and capital goods, both to sub-regional and world markets. In 2014 South Africa exported precious metals and stones worth USD14 bn, including 222 tonnes of platinum (worth USD6.5 bn), 117 tonnes of gold (worth USD4.7 bn), and 10.4 mn carats of diamonds (worth USD2.4 bn) in 2014. Industrial metals were the second largest export, totalling USD11.7 bn, including USD8.5 bn worth of iron and steel, 67.9 mn tonnes of iron ore (worth USD6.7 bn), 12 mn tonnes of manganese (worth USD1.6 bn), and 7 mn tonnes of chromium (worth USD1.1 bn) in 2014.

South Africa remains Africa's largest exporter of coal, exporting USD5.2 bn worth of thermal coal in 2014, primarily to India and the Netherlands, and is a major re-export hub for petroleum products, with exports worth USD3.1 bn in 2014, mostly to the sub-region. The country's most successful industrial export is vehicles, worth USD8.8 bn in 2014, the largest share of which went to Germany, the USA, Belgium, Namibia and Japan. South Africa is also Sub-Saharan Africa's largest exporter of fruit (including citrus fruit, grapes and apples) worth USD2.5 bn in 2014.

South Africa

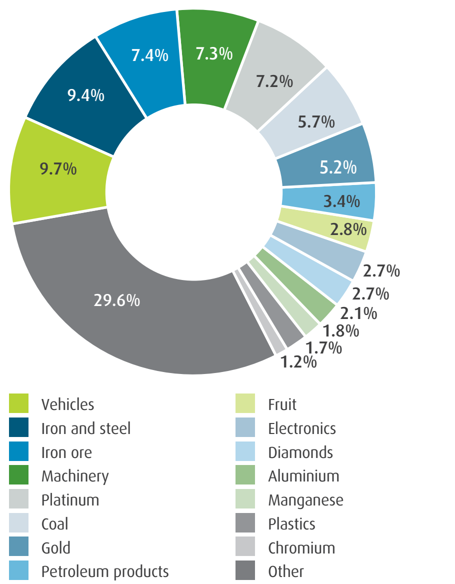
Share of South Africa's total imports, 2014 (%)

Source: Intracen



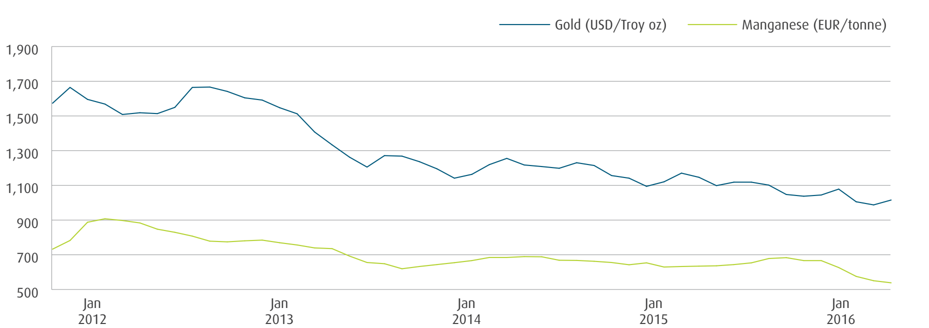
Share of South Africa's total exports, 2014 (%)

Source: Intracen



Key commodity prices (gold and manganese)

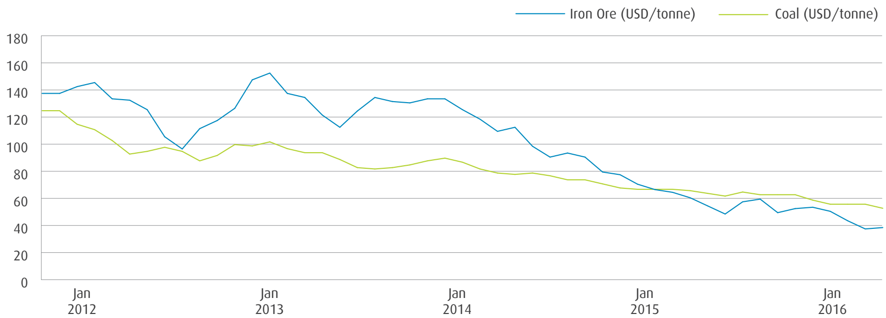
Source: IMF



South Africa

Key commodity prices (iron ore and coal)

Source: IMF



Useful Links

- South African Reserve Bank www.reservebank.co.za
- Ministry of Finance www.treasury.gov.za
- National Statistics www.statssa.gov.za
- Johannesburg Stock Exchange www.jse.co.za
- Financial Services Board www.fsb.co.za

Swaziland

Select economic and financial indicators	2012	2013	2014	2015e	2016f
Real GDP (% change)	3.0	2.9	2.5	1.9	0.7
GDP (USD bn)	4.9	4.6	4.4	4.3	4.4
Inflation (average)	8.9	5.6	5.7	4.9	5.7
Fiscal Balance (% GDP)	4.2	0.5	-1.6	-4.4	-6.7
Broad Money (% change, end period)	10.0	15.9	3.9	7.4	6.9
Population (mn)	1.2	1.3	1.3	1.3	1.3
Exports (USD bn)	1.9	1.9	1.9	1.9	1.9
Imports (USD bn)	1.8	1.7	1.7	1.7	1.7
Current Account Balance (% GDP)	3.1	5.2	2.9	1.1	-2.8
FX Reserves (USD mn, end period)	463	595	760	862	941
Exchange Rate (average)	8.21	9.65	10.85	12.78	16.80

e=estimate; f=forecast

Sources: IMF, World Bank, Bloomberg, Ecobank Research

Economic Outlook

Real GDP: Swaziland's economic growth is underpinned by revenues from the Southern Africa Customs Union (SACU), which are recycled into the economy. Growth prospects are also predicated on the export sector, in particular the extension of the US African Growth and Opportunity Act (AGOA) and the ratification of the Economic Partnership Agreement (EPA) with the European Union (EU) signed in August 2014. We expect real GDP growth to slow in 2016 amid expectation of lower SACU revenue in 2016/17, adverse weather conditions, a slowdown in tourism and transport sectors and growing external headwinds. A higher rate of growth will require investments in human capital and an inclusive social safety net system to address the country's endemic poverty.

Inflation: Inflation pressures have eased on the back of slower economic growth; however food and administered prices have been rising, adding upside risk to Swaziland's inflation. As such, we expect inflation to average above 5% in 2016.

Fiscal balance: Fiscal balances have improved substantially in recent years on the back of a recovery in SACU revenue, but also because of government adjustments to the wage bill, the revival of capital expenditure projects, enhanced VAT collection and strengthened auditing and compliance. Unfortunately, slowing revenues from SACU in recent quarters and a shift to expansionary fiscal policies are likely to adversely impact Swaziland's fiscal position in 2016 onwards.

Current account: The current account has moved from a deficit of 8% to GDP in 2011 to a surplus in recent years on the back of increased SACU revenue and improved growth in exports. Swaziland's dependence on SACU revenue, which is significantly larger than any other income stream, nevertheless adds risk. Despite lower oil prices, we expect the current account to post a deficit in 2016 owing to a likely reduction in SACU revenue, a weaker currency and high import demand. Slower growth in Europe will also have a negative impact on Swaziland's sugar-driven export revenue.

Risks: There are remarkable divergences in the availability of social and economic amenities among the urban and rural areas, underscoring the need for the government to ensure that opportunities to promote inclusive growth are put in place for the benefit of all Swazis. Despite Swaziland's classification as a low country, economic issues that are mainly associated with low income countries – such as a weak business climate and low foreign direct investment (FDI) inflows – prevail. The high rate of HIV/AIDS and an uneven distribution of resources remain major social concerns.

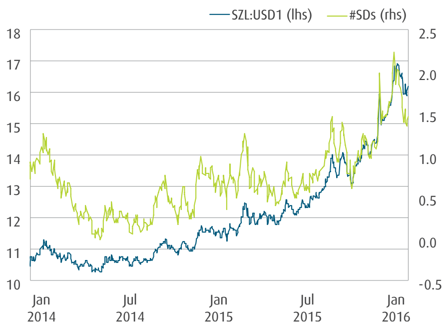
The secondary sector was the most adversely affected, particularly the predominant manufacturing sub-sector. The decline in growth in the secondary sector was somewhat counteracted by growth in the primary sector. Agriculture is estimated to have improved by 4.0%, reflecting enhanced productivity accruing from key interventions. Although growth in the tertiary sector slowed down, an increase in investment in government capital programmes tempered the outcome.

-

Swaziland

SZL performance and volatility*

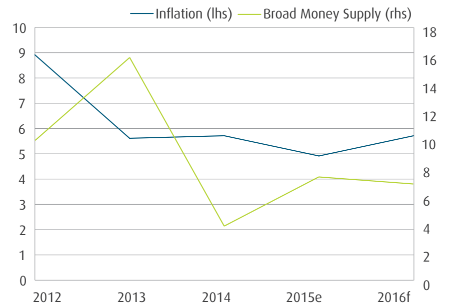
SZL versus USD1 Sources: Bloomberg and Ecobank Research



*Note: SZL volatility is measured by standard deviation.

Swaziland inflation and money supply (%)

Source: IMF



FX, FI and Commodity Information

Exchange rate structure

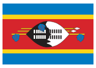
Regime	Fixed
Target	SZL1 to ZAR1
Type of intervention	Via Central Bank
Convertible currency?	Yes
Market participants	n/a

FX

FX products	Spot	Forwards	Non-deliverable forwards	Options	Swaps
On offer	Yes	No	No	No	No
Daily trading volume (USD mn)	n/a	n/a			
Average trade size (USD mn)	n/a				
Average spread	n/a				
Trading hours	Limited				
Settlement	T+2				
FX market structure	The SZL is guaranteed by a pegged exchange rate with the ZAR. The stability of the peg is ensured by an adequate level of net international reserves held by CBS.				

Non-resident FX regulations	Spot	Forwards	Non-deliverable forwards	Options	Swaps
Trade and FDI flow	Non-residents of CMA zone are subject to exchange rate restrictions which require central bank approval for capital flows	n/a			
Financial flow					

Resident FX regulations	Spot	Forwards	Non-deliverable forwards	Options	Swaps
Trade and FDI flow	No restrictions	n/a			
Financial flow					



Swaziland

FI

Primary market	Treasury bills	Treasury notes	Treasury bonds	Central Bank bills	OMOs
Issuer	Government	n/a	Government	n/a	
End use	Government financing		Government financing		
Maturity structure	91- to 364-days		3- to 10-yrs		
Coupon	Zero		Fixed		
Coupon payments	n/a		Semi-annual		
Secondary market					
Daily trading volume	No trading			n/a	
Average trade size	No trading				
Settlement	T+2				

Nedbank contact details for Swaziland:

Nedbank Swaziland Limited, P.O. Box 68, Mbabane, Swaziland
Tel: +268 2408 1000

Sources: Bloomberg, IMF and Ecobank Research

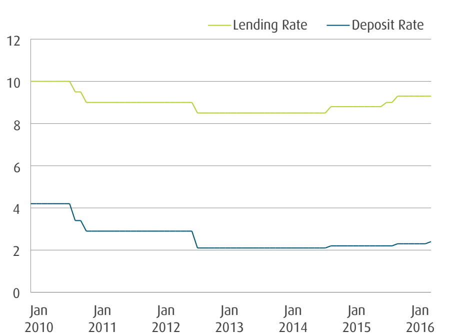
FI primary market information

Swaziland debt	2012	2013	2014	2015e	2016f
Government debt (% GDP)	14.4	14.8	13.6	17.6	21.5
Sub-Sahara average	37.3	39.3	42.9	47.6	47.6
External debt (official creditors, % GDP)	n/a	n/a	n/a	n/a	n/a
Sub-Sahara average	23.5	24.6	27.1	32.1	32.3
External debt stock (USD bn)	0.5	0.5	0.4	n/a	n/a
Share of total sub-Sahara debt (%)	0.2	0.1	0.1	n/a	n/a

Sources: IMF and World Bank

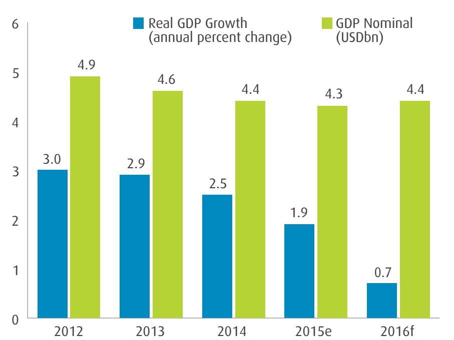
Interest rates (%)

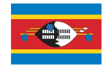
Source: IMF



Real GDP growth (%)

Source: IMF





Swaziland

Banking Sector Information

Swaziland's banking sector is highly concentrated and the main four commercial banks dominate the industry. Three of the banks are owned by South African institutions and together hold 85% of the total assets of the Swaziland banking sector:

- Nedbank Swaziland
- Standard Bank Swaziland
- First National Bank of Swaziland.

Commercial banks are generally sound and liquid. The asset quality of these banks has been steadily improving in recent years with the non-performing loan ratio falling to 6% in 2014 from 9% at the end of 2012. The banking sector is well capitalized with the capital adequacy ratio reaching 24% of risk-weighted assets. According to the IMF, financial soundness indicators are strong.

Commodity and Trade Information

Hydrocarbon and mineral production

Given the country's small size, Swaziland has a small mining sector, dominated by production of iron ore, with output of 573,000 tonnes in 2014. There is also small-scale production of coal, diamonds and gold.

Swaziland has no known oil and gas reserves and must import all of its refined products. Swaziland consumes 250,000 tonnes of refined products annually, all of which are imported from South Africa.

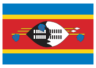
Soft commodity production

Despite the country's small size, Swaziland is the second largest sugar producer in Sub-Saharan Africa (after South Africa), with output of 519,000 tonnes in 2014. Unlike other African sugar producers, Swaziland's sugarcane is irrigated, leading to high yields of above 100 tonnes per hectare. Coupled with ideal growing conditions, this makes the country one of Africa's most cost-competitive sugar producers. The country's sugar sector is dominated by large millers and estates, which represent over three quarters of sugarcane production. Following Swaziland's renewal of its Economic Partnership Agreement (EPA) agreement with the EU, sugar production in the 2015-16 season (October-September) was expected to rise to a record 705,000 tonnes.

Trade flows

Imports

Swaziland's imports totalled USD1.7 bn in 2014, 4.2% lower than the previous year. Given the country's lack of refining capacity, Swaziland is dependent on imports of petroleum products (worth USD272 mn in 2014). The country is also reliant on imports of vehicles, electronics and machinery (together worth USD323 mn in 2014), reflecting the poorly developed manufacturing sector. Swaziland also imported plastics (USD72 mn), iron and steel (worth USD67 mn) and cement (worth USD22 mn) for its industrial sector. With large parts of the country's agricultural sector given over to sugar production, the country depends on imports of food, including including cereals and flour (worth USD73 mn in 2014) and dairy products (USD30 m).



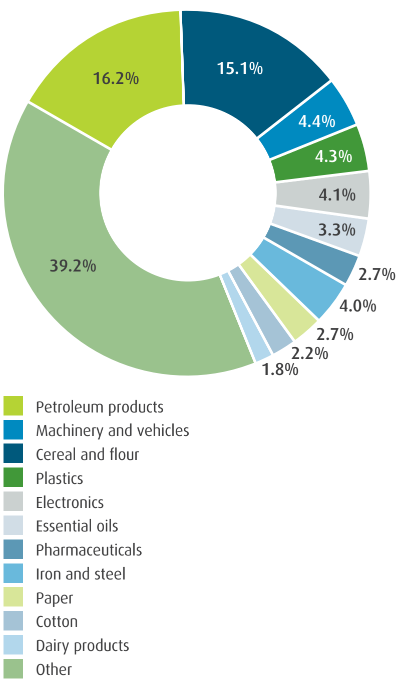
Swaziland

Exports

Swaziland's exports totalled USD1.9 bn in 2014, on par with the previous year. The country's most valuable exports are essential oils (used in the cosmetics industry), worth USD576 mn in 2014, and chemical products worth USD385 mn, both of which were exported primarily to markets across Sub-Saharan Africa. The country's historically most important export, sugar, was worth USD374 mn in 2014, most of which went to the EU under the EPA preferential market access agreement. Swaziland also exported apparel (worth USD138 mn), mostly to South Africa, as well as wood (USD76 mn) and iron ore (USD36 mn).

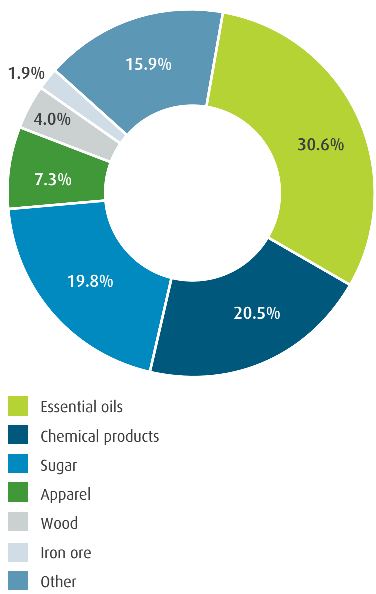
Share of Swaziland's total imports, 2014 (%)

Source: Intracen



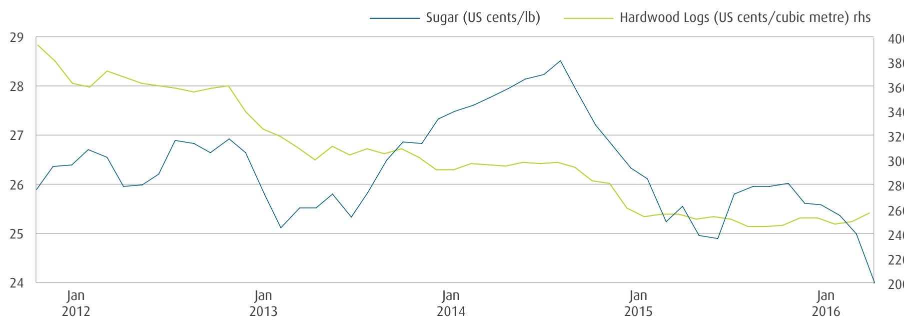
Share of Swaziland's total exports, 2014 (%)

Source: Intracen



Key commodity prices

Source: IMF



Useful Links

- Central Bank: www.centralbank.org.sz
- Other government department and the Ministry of Finance: www.gov.sz
- National Statistics: www.swazistats.org.sz
- Stock Exchange www.ssx.org.sz

Zambia

Select economic and financial indicators	2012	2013	2014	2015e	2016f
Real GDP (% change)	6.8	6.7	5.6	3.6	3.8
GDP (USD bn)	24.9	26.8	26.6	24.5	25.2
Inflation (average)	6.6	7.0	7.8	10.0	10.5
Fiscal Balance (% GDP)	-2.9	-6.5	-6.1	-6.9	-8.3
Broad Money (% change, end period)	17.9	20.8	12.6	13.4	15.2
Population (mn)	14.8	15.2	15.7	16.2	16.7
Exports (USD bn)	9.5	10.8	10.2	9.7	10.8
Imports (USD bn)	7.9	9.2	8.7	8.1	8.5
Current Account Balance (% GDP)	5.5	-0.6	-1.4	-1.4	-2.6
FX Reserves (USD bn, end period)	3.0	2.7	3.1	3.2	3.3
Exchange Rate (average)	5,142.4	5,386.2	6.16	8.64	12.45

e=estimate; f=forecast

Sources: IMF, World Bank, Bloomberg, Ecobank Research

Economic Outlook

Real GDP: The economy is under stress, a situation that is likely to remain in place throughout much of 2016. Low copper prices and a severe electricity shortage will continue to strain economic activity, which in turn will see real GDP rebound marginally, after slowing sharply to less than 4% in the previous year; growth will be supported by further increases in mining and agriculture sector production. The pressures on the economy have not only reflected the impact of external shocks but also waning market confidence. Therefore, significant policy adjustment is required this year to restore fiscal health and strengthen the investment climate in order to underpin growth.

Inflation: Depreciation of the kwacha is expected in 2016, which will place further upward pressure on inflation as the cost of imported goods rise. Sustaining a responsible level of central bank credit to government will help reduce inflationary pressures. However, significant government spending pressures will complicate the Bank of Zambia's (BoZ) task of controlling inflation. Monetary policy will be tightened further to counter the pressures on the exchange rate and rising inflation, but success will depend on a similar tightening of fiscal policy. One result will be sustained high interest rates on government debt.

Fiscal balance: Fiscal discipline was undermined in 2015 by additional spending commitments in contrast to lower-than-budgeted revenues. This scenario could unfold again in 2016 given the prospect that there is a further, delayed implementation of critical policy pronouncements such as ensuring cost reflective pricing of petroleum products and electricity that will continue to impact negatively on the budget. Therefore, another large fiscal deficit, of 8-9% of GDP is expected in 2016. In order to help reduce the deficit the authorities will need to lower the cost of agricultural subsidies and contain government wages. There is also a need to increase domestic revenue mainly through non-tax measures, enhancing mining tax administration (particularly difficult given recent experience), and broadening the tax base. However, all of these measures will be difficult because of challenges in attempts to increase revenue mobilisation, difficulties in switching spending from recurrent spending to capital, and the need to service public debt at high interest rates.

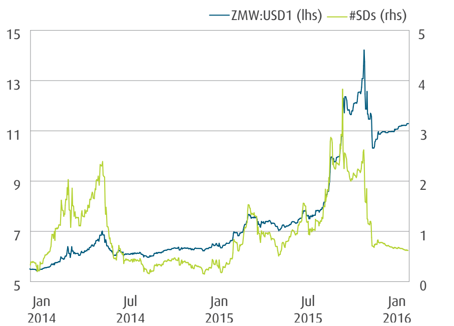
Current account: The current account position is likely to deteriorate in 2016 owing to strong import demand, currency weakness, and lower global copper prices. The BoZ will aim to build up FX reserves gradually with the goal to reach 4 months of imports over the medium term but this will prove difficult highlighting some of the external pressures Zambia faces.

Risks: The main challenge is for the government to develop and implement successfully a credible package of measures to lower the fiscal deficit, which in turn will help support efforts to restore market confidence, bring stability to the economy, enable a speedy recovery in economic growth, and ensure debt sustainability. In addition, there are several additional risks to the economy stemming from the impact arising from the large fiscal deficit, low FX reserves, volatile copper prices, major weakening of the kwacha, and challenges in strengthening public financial management and improving the business environment to help diversify the economy away from mining.

Zambia

ZMW performance and volatility*

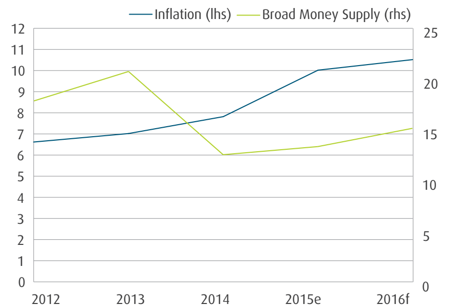
ZMW versus USD1 Sources: Bloomberg and Ecobank Research



*Note: ZMW volatility is measured by standard deviation.

Zambia inflation and money supply (%)

Source: IMF



FX, FI and Commodity Information

Exchange rate structure

Regime	Floating
Target	No target, BoZ's interventions limited to managing volatility while allowing a gradual build up of foreign reserves
Type of intervention	Via spot market
Convertible currency?	No
Market participants	n/a

FX

FX products	Spot	Forwards	Non-deliverable forwards	Options	Swaps
On offer	Yes	Yes – up to 12 months	Yes	No	No
Daily trading volume (USD mn)	n/a			n/a	
Average trade size (USD mn)					
Average spread					
Trading hours	Limited				
Settlement	T+2	T+1 to T+Tenor+2	T+Tenor+2	n/a	T+0
FX market structure	The corporate sector (largey based on mining firms) is the largest supply of FX; although, the BoZ supplies FX when deemed necessary to smooth ZMW volatility.				
Non-resident FX regulations	**Spot**	**Forwards**	**Non-deliverable forwards**	**Options**	**Swaps**
Trade and FDI flow	No restrictions		n/a		
Financial flow					
Resident FX regulations	**Spot**	**Forwards**	**Non-deliverable forwards**	**Options**	**Swaps**
Trade and FDI flow	No restrictions		n/a		
Financial flow					

Zambia

FI

Primary market	Treasury bills	Treasury notes	Treasury bonds	Central Bank bills	OMOs
Issuer	Government	n/a	Government	n/a	
End use	Government financing		Government financing		
Maturity structure	91- to 365-days		2- to 15-yrs		
Coupon	Zero		Fixed		
Coupon payments	n/a		Semi-annual		
Secondary market					
Daily trading volume	Limited trading			n/a	
Average trade size	Limited trading				
Settlement	n/a				

Ecobank local affiliate contact details:

Ecobank Zambia, Acacia Park, 22768 Thabo Mbeki Road, Lusaka
Tel: +260 211 250 056/057

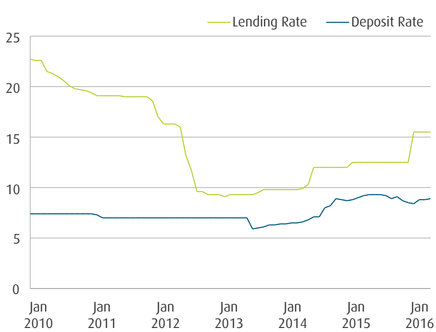
Sources: Bloomberg, IMF and Ecobank Research

FI primary market information

Zambia debt	2012	2013	2014	2015e	2016f
Government debt (% GDP)	25.5	28.6	35.2	41.9	44.9
Sub-Sahara average	37.3	39.3	42.9	47.6	47.6
External debt (official creditors, % GDP)	13.5	13.0	17.5	25.4	29.4
Sub-Sahara average	23.5	24.6	27.1	32.1	32.3
External debt stock (USD bn)	3.4	3.5	4.7	6.2	7.4
Share of total sub-Sahara debt (%)	1.1	1.1	1.4	1.7	1.9

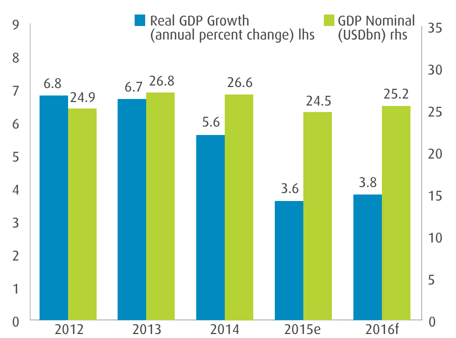
Sources: IMF and World Bank

Interest rates (%)



Real GDP growth (%)

Source: IMF



Zambia

Banking Sector Information

Following the adoption of financial sector liberalisation, Zambia's banking sector has grown rapidly, rising from 13 commercial banks in 2007 to 19 at end-2014, while the number of financial institutions has risen from 74 to 135 over the same period. Eight of the country's commercial banks were subsidiaries of foreign banks, nine were locally owned, and two were partly owned by the State. Total banking sector assets grew by 16% in 2014, to an estimated USD7.7bn. Concentration levels remain relatively high, with the five largest banks controlling an estimated 54% of assets, 61% of loans and advances, and 56% of customer deposits in 2014.

The dramatic growth in the financial sector has helped drive financial inclusion, reducing the proportion of adults with no access to financial services from 63% in 2009 to 40.7% in 2014. However, formal banking sector penetration remains low, having risen from 23% in 2009 to 38% in 2014. This reflects the high proportion of the population that works in the informal sector, as well as the lack of bank branches in rural areas and in cities outside Lusaka and the Copper belt.

Three sectors dominate banking assets: Personal lending, Agriculture and Manufacturing, which accounted for 35%, 17% and 12%, respectively, at end-2014. Banks continued to rely on customer deposits as the primary source of funding. The predominance of demand deposits (60% of total deposits) is an indication of the sector's stable funding base. Capital adequacy remains satisfactory, with an average capital adequacy ratio of 27% in 2014, well above the minimum required level of 10%. Asset quality was also satisfactory, with the ratio of non-performing loans to gross loans (NPL Ratio) falling from 7% in 2013 to an estimated 6.1% at end-2014. Profitability in the banking sector remains healthy, with average return on equity (ROE) rising from 14.8% in 2013 to an estimated 16.4% in 2014. However, it remains short of the industry target for Sub-Saharan Africa of 20%, reflecting the sector's relatively low efficiency levels.

Top 5 banks in Zambia, USD millions, 2014

USD Mn	Total Assets	Total Loans and Advances	Total Customer Deposits	Total Shareholder Funds
Stanbic	1,022	424	817	125
Zanaco	965	436	734	126
Barclays	832	478	568	115
Standard Chartered	831	363	591	126
FNB	519	287	352	80
Total	4,170	1,988	3,063	573
Banking sector total	7,663	3,258	5,505	1,149
Share of banking sector total	54%	61%	56%	50%

Source: Ecobank Research

Commodity and Trade Information

Hydrocarbon and mineral production

Zambia is a major mineral producer with the bulk of production focused on copper mining. The country produced 941,000 tonnes of refined copper in 2014, making it second largest producer in Sub-Saharan Africa, after the DRC. Zambia also produced 427,000 tonnes of sulphuric acid in 2014, and 2,000 tonnes of cobalt. The country is also a modest producer of gold and precious stones (rubies, sapphires and emeralds), with output of 4.2 tonnes and 1,139 tonnes, respectively, in 2014. The country has installed capacity to produce cement of 3.2mn tonnes, both for domestic consumption and for export to the sub-region.

Zambia

Oil exploration in Zambia is still in the preliminary stages, and the country does not yet have any proven reserves. Zambia's consumption of petroleum products grew by 200% between 2005 and 2014 to an estimated 974,000 tonnes. 70% of refined product consumption is gasoil, which is also used as fuel for power generation. The country operates a 26,000 bpd refinery at Ndola, importing crude through a pipeline running from Tanzania's Dar-es-Salam port. Given the surge in consumption in recent years, the Ndola refinery's share of local demand has fallen from 90% to just over 50%. The country also exports some of its refined product to neighbouring countries, notably DRC. An Australian company is planning to build a 5 mn tonne refinery to meet domestic and regional demand, along with two new export pipelines to Tanzania and the DRC.

Soft commodity production

Zambia is a diverse producer of soft commodities. The country is one of Southern Africa's leading sugar producers, with estimated output of 440,000 tonnes in 2014-15. The sugar sector is dominated by South African sugar miller Illovo which is upgrading its mills in a bid to boost efficiency and step up exports to the sub-region. Zambia is also a leading producer of maize, eclipsing Zimbabwe as Southern Africa's bread basket. Maize production reached an all-time high of 3.35 mn tonnes in the 2014-15 season, following favourable weather, but fell back to an estimated 2.9 mn tonnes in 2015-16, owing to severe dry weather. Zambia's surplus maize is traded widely in the region, both formally and informally, with Zimbabwe receiving the largest share. Zambia is also Southern Africa's second largest cotton producer, with estimated cotton lint outturn of 57,000 tonnes in the 2014-15 season. The country also produced 32,000 tonnes of tobacco in 2014-15.

Trade flows

Imports

Zambia's imports totalled USD9.5 bn in 2014, 6.1% lower than the previous year. Given its landlocked status, the country is heavily reliant on imports of capital and consumer goods, as well as acting as a conduit for its neighbours' mineral exports to the world market. Capital goods are the largest import category, with imports of machinery, vehicles and electronics totalling USD3 bn 2014, reflecting the poorly developed manufacturing sector. Given the lack of refining capacity, Zambia depends on imports of petroleum products, worth USD1.1 bn in 2014. Zambia is also dependent on imports of industrial raw materials, including USD740 mn worth of iron and steel, USD334 mn of fertiliser and USD265 mn of plastics. As Zambia is Southern Africa's 'bread basket', the country's imports of food are modest, led by fish (USD73 mn), palm oil (USD57 mn) and dairy products (USD29 mn). Zambia also acts as a conduit for regional mineral exports, and in 2014 imported USD1.2 bn worth of copper ore and concentrates and USD203 mn worth of cobalt ore and concentrates from the DRC's neighbouring Katanga province for re-export to the international market.

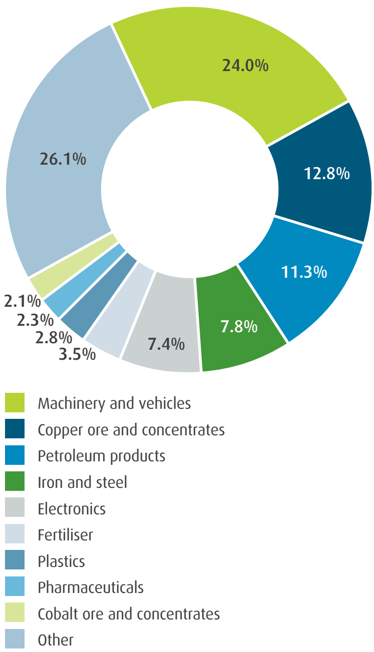
Exports

Zambia's exports totalled USD9.7 bn in 2014, 8.6% lower than the previous year. Copper is Zambia's most valuable export, worth USD7.2 bn in 2014 (including re-exports from the DRC), over half of which went to the Netherlands, a key copper trading hub, and to China for its industrial sector. Zambia also exported 427,000 tonnes of sulphuric acid (worth USD218 mn) all of which went to the DRC for processing into fertiliser, and 196,000 tonnes of cement, again mostly to the DRC. Zambia's other mineral exports included gold worth USD118 mn, most of which went to South Africa, and precious stones worth USD96 mn, most of which went to Singapore. The country's leading soft commodity export was sugar, with exports of 223,000 tonnes in 2014 (worth USD222 mn), either to the sub-region or to the EU under preferential agreements. Zambia also exported tobacco (worth USD143 mn), maize (USD65 mn), and cotton lint (USD62 mn).

Zambia

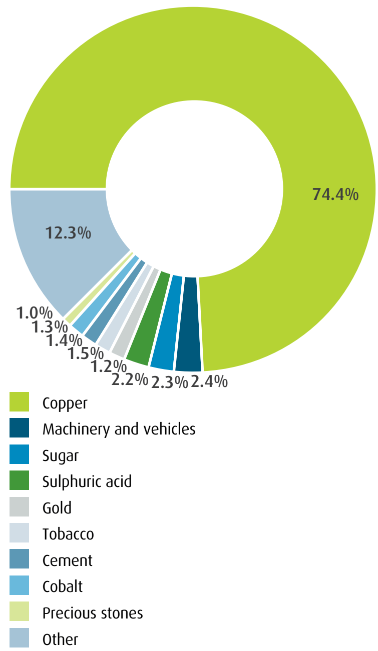
Share of Zambia's total imports, 2014 (%)

Source: Intracen



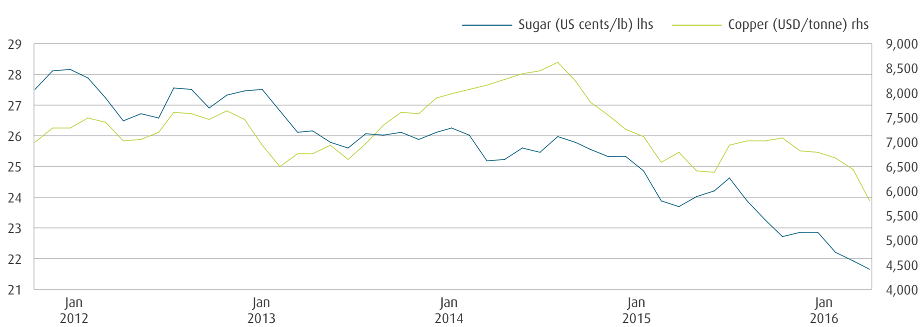
Share of Zambia's total exports, 2014 (%)

Source: Intracen



Key commodity prices

Source: IMF



Useful Links

- Central Bank www.boz.zm
- Ministry of Finance www.mofnp.gov.zm
- National Statistics Bureau www.zamstats.gov.zm
- Stock Exchange www.luse.co.zm

Zimbabwe

Select economic and financial indicators	2012	2013	2014	2015e	2016f
Real GDP (% change)	10.6	4.5	3.3	1.4	2.4
GDP (USD bn)	12.5	13.5	13.8	13.9	14.3
Inflation (average)	3.7	1.6	-0.2	-2.4	-1.6
Fiscal Balance (% GDP)	-0.6	-1.9	-1.5	-1.3	-0.5
Broad Money (% change, end period)	19.1	5.3	12.6	5.1	5.8
Population (mn)	14.6	14.9	15.2	15.6	16.0
Exports (USD bn)	3.8	3.7	3.5	3.3	3.3
Imports (USD bn)	6.7	6.8	6.3	6.0	6.2
Current Account Balance (% GDP)	-24.6	-25.4	-22.0	-22.9	-21.8
FX Reserves (USD mn, end period)	398	284	303	308	363
Exchange Rate (average)	n/a	n/a	n/a	n/a	n/a

e=estimate; f=forecast

Sources: IMF, World Bank, Bloomberg, Ecobank Research

Economic Outlook

Real GDP: The economy remains very weak, unemployment is rising and economic activity is shifting to the informal sector. Growth will remain constrained by a persistent liquidity crunch, lack of competitiveness of locally produced goods resulting in a high import bill and current account deficit, infrastructure bottlenecks related to energy, transport and communication, and inadequate and erratic services. However, recent re-engagement with the IMF should help support efforts to normalise relations with creditors, mobilise donors' support, and support macroeconomic policies and start to address Zimbabwe's major structural problems. Assuming the government continues with its reform agenda, growth could expand around 2.4% in real terms in 2016 – a low, but positive level.

Inflation: Zimbabwe will likely experience deflation again in 2016 partly due to the liquidity crunch but also because of the very weak level of private sector confidence that will undermine investment decisions. The use of the rand and US Dollar will help prevent most imported inflationary pressures from rising.

Fiscal balance: The fiscal deficit will remain low given the financing constraint and spending skewed to recurrent expenditure. Domestic arrears will continue to build although probably at a slower pace as IMF-advised reforms take hold. The main policy and reform agenda for 2016 (and beyond) will include reducing the impact of the 2015 adverse shocks on the external position and growth, strengthening the investment climate, restoring confidence in the financial sector, and building support for a strategy to clear arrears to donors.

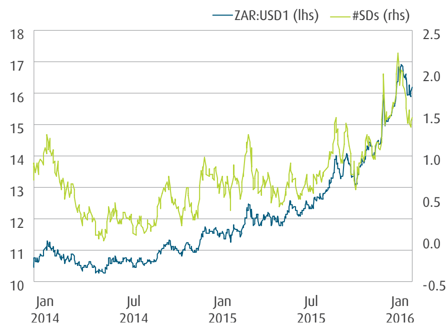
Current account: The external position remains precarious. Slowing growth in China will lower global commodity prices, and thus Zimbabwe's export revenues and Chinese investment into Zimbabwe. In light of their arrears to creditors, low commodity prices, and a fundamentally strong US dollar, external inflows in 2016 will remain highly constrained, the levels of FX reserves very low, and significant debt distress evident.

Risks: Risks to the outlook stem mainly from fiscal challenges, weak global commodity prices, adverse weather conditions, and policy implementation in a difficult political environment. However, continuing to implement ongoing reforms and reengaging with the international community could reopen Zimbabwe's access to financial support and boost the economic outlook.

Zimbabwe

ZAR performance and volatility*

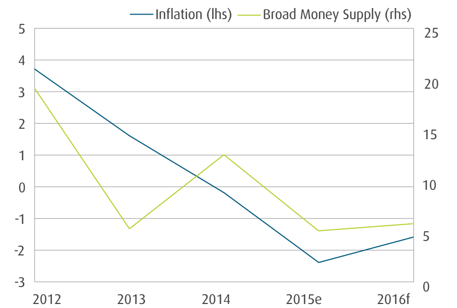
ZAR versus USD1 Sources: Bloomberg and Ecobank Research



*Note: ZAR volatility is measured by standard deviation.

Zimbabwe inflation and money supply (%)

Source: IMF



FX, FI and Commodity Information

Exchange rate structure

Regime	No separate legal tender
Target	n/a
Type of intervention	n/a
Convertible currency?	n/a
Market participants	n/a

FX

FX products	Spot	Forwards	Non-deliverable forwards	Options	Swaps
On offer			n/a		
Daily trading volume (USD mn)					
Average trade size (USD mn)					
Average spread					
Trading hours					
Settlement					
FX market structure	The RBZ, external lines of credit, donors, diaspora remittances, and export revenues all supply varying, albeit relatively small, amounts of FX.				
Non-resident FX regulations	**Spot**	**Forwards**	**Non-deliverable forwards**	**Options**	**Swaps**
Trade and FDI flow	n/a		n/a		
Financial flow					
Resident FX regulations	**Spot**	**Forwards**	**Non-deliverable forwards**	**Options**	**Swaps**
Trade and FDI flow	n/a		n/a		
Financial flow					

Zimbabwe

FI

Primary market	Treasury bills	Treasury notes	Treasury bonds	Central Bank bills	OMOs
Issuer					
End use					
Maturity structure					
Coupon			n/a		
Coupon payments					
Secondary market					
Daily trading volume					
Average trade size					
Settlement					

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Ecobank local affiliate contact details:

Ecobank Zimbabwe, Sam Levy's Office Park, 2 Piers Road, Borrowdale, Harare

Tel: +263 4 85 16 44/49

Sources: Bloomberg, IMF and Ecobank Research

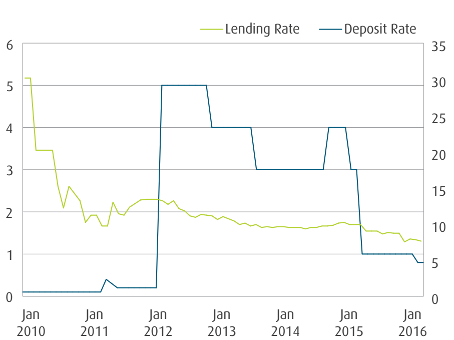
FI primary market information

Zimbabwe debt	2012	2013	2014	2015e	2016f
Government debt (% GDP)	56.7	54.2	53.4	69.3	57.5
Sub-Sahara average	37.3	39.3	42.9	47.6	47.6
External debt (official creditors, % GDP)	48.4	46.6	46.7	49.0	49.6
Sub-Sahara average	23.5	24.6	27.1	32.1	32.3
External debt stock (USD bn)	8.7	8.2	10.6	12.7	12.8
Share of total sub-Sahara debt (%)	3.0	2.6	3.1	3.4	3.2

Sources: IMF and World Bank

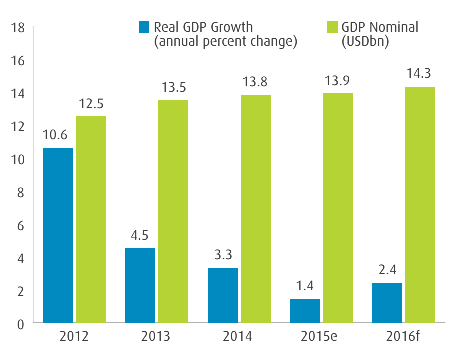
Interest rates (%)

Sources: RBZ and Ecobank Research



Real GDP growth (%)

Source: IMF



Zimbabwe

Commodity and Trade Information

Hydrocarbon and mineral production

Zimbabwe is a diverse mineral producer, with output of precious metals and stones, mineral ores and refined metal. The country produced 65,000 tonnes of platinum in 2014, 4.8 mn carats of diamonds, 565 tonnes of precious stones and 13 tonnes of gold in 2014. Other significant mineral production included 183,000 tonnes of nickel ore and 292,000 tonnes of iron and steel. However, the outlook for the diamond sector is unclear following the government's decision to rescind the licences of private miners and bring all diamond mining under the control of the state-owned Zimbabwe Consolidated Diamond Company (ZCDC).

Zimbabwe has no known oil and gas reserves and must import all of its refined products. The severe economic crisis caused domestic consumption to collapse from a peak of 1.9 mn tonnes in 2009 to just 399,000 tonnes in 2007, before recovering slowly to around 625,000 tonnes in 2014. Zimbabwe sources its petroleum products from South Africa, the UK and (more recently) Singapore, channelling the imports via South Africa and Mozambique.

Soft commodity production

Zimbabwe is a diverse producer of soft commodities for the domestic and global market. The country is Southern Africa's third largest sugar producer, after South Africa, with estimated output of 500,000 tonnes in 2014-15. South African sugar millers Illovo and Tongaat Hulett dominate the country's sugar output. Zimbabwe is also a large producer of tobacco, with output of 142,000 tonnes in 2014. Zimbabwe is also a key producer of cotton, with cotton lint output of 57,000 tonnes in 2014-15. Cotton production has fluctuated in recent years, owing to erratic weather, low yields and rampant 'side selling'. This has put pressure on the country's fragmented ginning sector, which lacks feedstock, forcing the exit of major cotton ginners from the sector, including Cargill. Zimbabwe used to be Southern Africa's leading maize producer, but in recent years it has been overtaken by its neighbour Zambia, largely owing to the mismanaged distribution of agricultural land in the early 2000s. Zimbabwe's crop has, as a result, fluctuated between surpluses (2014-15 production was a bumper crop of 1.3 mn tonnes) and severe deficits, forcing the country to rely on imports.

Trade flows

Imports

Zimbabwe's imports totalled USD6.4 bn in 2014, 17.2% lower than the previous year. Given the country's lack of refining capacity, Zimbabwe is heavily dependent on imports of petroleum products (worth USD1.5 bn in 2014) and electricity (USD49 mn). The country is also reliant on imports of machinery, vehicles and electronics (together worth USD1.5 bn in 2014), reflecting the poorly developed manufacturing sector. Zimbabwe also imported large volumes of industrial raw materials, including fertiliser (worth USD269 mn), iron and steel (USD239 mn), plastics (USD223 mn) and rubber (USD97 mn). Zimbabwe has lost its status as the breadbasket of Southern Africa and has come to rely on imports of food, including 287,000 tonnes of maize (worth USD115 mn), 201,000 tonnes of wheat (USD114 mn), 176,000 tonnes of rice (USD92 mn), and 48,000 tonnes of soybean oil (USD56 mn).

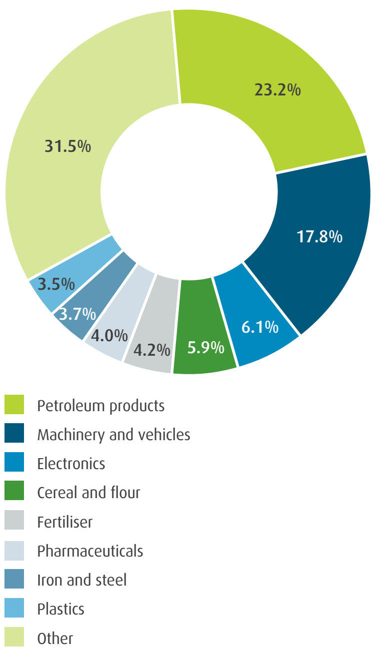
Exports

Zimbabwe's exports totalled USD3.1 bn in 2014, 12.6% lower than the previous year. The country's single most valuable export is tobacco, with 142,000 tonnes exported in 2014, worth USD840 mn.However, the lion's share of exports is made up of precious metals and stones, mineral ores and refined metals. In 2014 Zimbabwe exported gold worth USD533 mn and nickel ore worth USD354 mn, all of which went to South Africa, as well as 6.4 mn carats of diamonds (worth USD234 mn) and platinum (USD137 mn). The country also exported USD294 mn of iron and steel, all of which went via Mozambique for re-export to world markets. Zimbabwe's other soft commodity exports included 261,000 tonnes of sugar (worth USD153 mn), 40,000 tonnes of cotton lint (USD79 mn) and 13,000 tonnes of tea (USD19 mn).

Zimbabwe

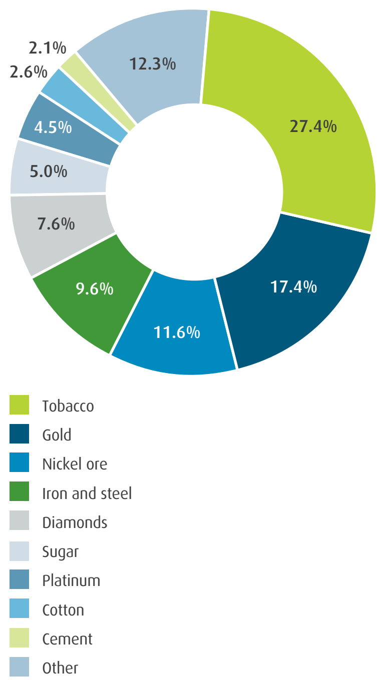
Share of Zimbabwe's total imports, 2014 (%)

Source: Intracen



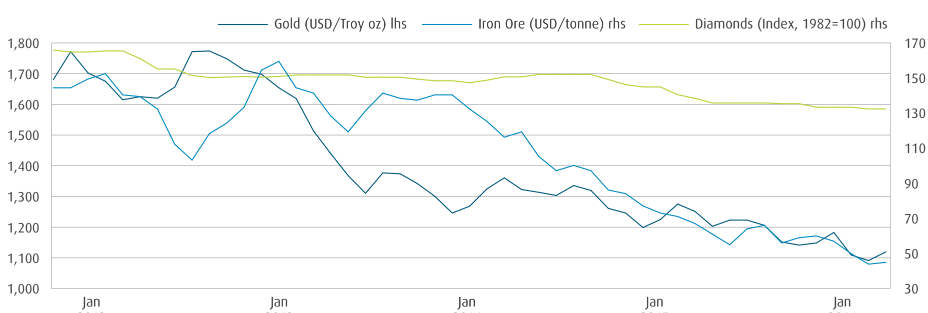
Share of Zimbabwe's total exports, 2014 (%)

Source: Intracen



Key commodity prices (gold, iron ore and diamonds)

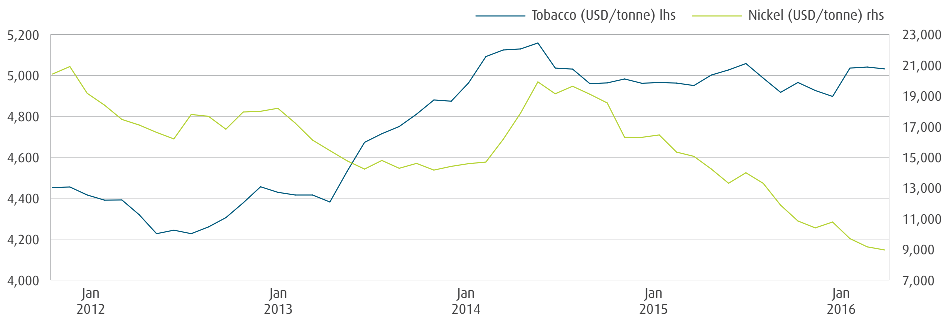
Source: IMF



Zimbabwe

Key commodity prices (tobacco and nickel)

Source: IMF



Useful Links

- Central Bank http://www.rbz.co.zw/
- Ministry of Finance www.zimtreasury.gov.zw/
- National Statistics Bureau www.zimstat.co.zw/
- Stock Exchange www.zimbabwe-stock-exchange.com

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