AFRICABULLETIN

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POSITIVE ECONOMIC OUTLOOK FOR ZAMBIA

According to Business Monitor International (BMI)'s December report on Zambia, after bottoming out in the first half of 2016, economic activity in the country is expected to begin picking up in the months ahead, driven by increased agriculture and mining sector output.

A myriad of issues, which include an El Niño induced drought, collapsing commodity prices and currency volatility led to a substantial economic slowdown between 2014 and 2015.

As weather conditions normalise, agricultural yields are expected to rise and power generation is projected to stabilise, limiting power cuts, and as a result, providing a boost to the economy.

While copper prices will remain structurally lower compared to the last few years, BMI expects prices to rise and this will see mining firms raise copper production in the years ahead.

Significance:

BMI believes that Zambia's economy has endured the worst, and forecasts economic growth to rise from 3.1 percent in 2015, to 3.4 and 5.2 percent in 2016 and 2017 respectively, and to subsequently average 6.0 percent until 2025.

BOTSWANA

Standard Chartered Bank looks to Botswana for Islamic growth

Standard Chartered's Islamic division is seeking banking licences in three African countries in order to offer its services to the continent's large Muslim population. According to Mohammad Ali Allawalla, who is head of Islamic banking for retail clients at the bank, Standard Chartered Saadiq could enter at least one of these markets - Botswana, Nigeria and Zambia - as early as 2017. The bank's entry into these three markets, however, depends on how mature the regulations are, what the regulations allow them to do, and the cost of setting up vis-à-vis the products they can roll out in the market.

The bank's strong network across Africa will facilitate the introduction of Islamic banking products and services into the market. In 2014, Standard Chartered Saadiq entered the Kenyan market, its first move into Africa. The bank has been providing Islamic banking products and services based on Shariah principles since 1993 in Malaysia and since 2003 in the UAE, Pakistan and Bangladesh.

Significance:

According to Pew Research Center, the Muslim population in sub-Saharan Africa is forecast to more than double from about 250 million people in 2010 to nearly 670 million in 2050, increasing the demand for Islamic banking products and services.

ETHIOPIA

Ethiopia to develop Islamic finance

Ethiopia plans to develop Islamic finance to help expand financial access and inclusion, as part of wider Government efforts to mobilize domestic resources to diversify its economy. The Government needs to sustain investment rates of almost 40 percent of GDP over the next five years in order to industrialize the economy.

According to Getahun Nana, Vice Governor of the National Bank of Ethiopia, the Central Bank is conducting a study on the demand for sharia compliant financial products, which will help to determine the proportion of Muslims excluded from the financial sector. If this is identified to be a barrier, a specific and enabling regulatory framework will be developed so as no one is excluded from obtaining financial services for religious reasons.

Islamic finance is still new in Ethiopia, despite the Government allowing financial institutions to offer such products back in 2008. Currently, eight out of 18 financial institutions offer sharia compliant products via Islamic windows, but they have so far mobilized less than one percent of total deposits.

Significance:

According to the Vice Governor, industrialization can only be achieved if the financial sector, particularly the banking industry, plays a significant role in mobilizing desperately needed savings from domestic sources, and Islamic Finance can help in this endeavour. A third of the population in the country of 100 million is Muslim.

KENYA

Economists cut Kenya's 2017 growth projection

Economists have cut the growth projection for Kenya in 2017, citing the approaching general election. The effects of amendments to the banking act passed two months ago, capping interest rates, has also been cited as an additional factor that will impact negatively on the economy's growth in 2017. The latest forecast shows a modest five percent cut in the expected six percent growth rate widely predicted by Treasury Cabinet Secretary Henry Rotich and International Monetary Fund (IMF) officials.

Focus Economics panellists see the economy growing at 5.8 percent this year, with next year seeing GDP growth decelerating slightly to 5.7 percent, down 0.2 percentage points from October's projection.

Significance:

Despite this outlook, the Kenyan economy is expected to do better than other African counterparts as it has been largely unaffected by the ongoing commodity slump. Economists also expect increased agricultural output over the coming months following favourable weather reports in key food-growing counties.

The IMF also indicated that Kenya was largely unaffected by the external macro-economic shocks its neighbours are grappling. In addition, the country is several months away from making commercial use of its newly-discovered oil deposits.

MADAGASCAR

Weak revenue growth and high expenditure widens fiscal deficit in Madagascar

According to Business Monitor International (BMI), subdued economic activity will see the Madagascar Government's revenues grow at a slow pace, placing continued pressure on the fiscal balance over 2016 and 2017. BMI forecasts the fiscal deficit will widen to 3.7 percent and 4.4 percent of GDP in 2016 and 2017 respectively, from 3.1 percent of GDP in 2015. In July, the IMF approved a 40-month Extended Credit Facility (ECF) arrangement worth USD304.7million, under which the Government will raise capital expenditures, particularly in the education and healthcare sectors.

Madagascar's slow economic recovery, weighed down by muted private consumption, will remain a drag on Government coffers. Government revenues are projected to grow at 7.4 percent and 9.4 percent in 2016 and 2017 respectively, compared to 10.2 percent average annual growth over the past five years.

Low income tax collections over the next few months, a large wage bill and transfer of funds to state-owned enterprises (SOE) are expected to further exert pressure on the economy.

Significance:

Madagascar's fiscal deficit will continue widening over 2016 and 2017 as weak economic activity keeps revenue generation subdued. The Extended Credit Facility Arrangement with the IMF, approved in July 2016, will however, enable the Government to raise capital expenditures over the next several months.

MALAWI

FDH Bank unveils two new products in Malawi

This month, FDH Bank unveiled the FDH Mobile Banking and FDH Wallet as part of the bank's strategy to diversify from traditional brick and mortar to offer more modern and convenient banking services to its customers. The new products which are available on both USSD and Native Applications were unveiled in Blantyre.

Travelling customers using smart phones and those in the diaspora will uniquely benefit from the application as they will be able to transact without the need for roaming services. The Mobile Wallet will allow an FDH customer to create an electronic wallet for any mobile number by simply transferring money direct to the phone number. The service also allows wallet to wallet transfers.

Customers will soon be able to download the application direct to their smart phones on all Android, Apple and Windows devices.

Significance:

According to FDH's Head of Transactional Banking, Ewen Hiwa, the products offer distinct features and a totally new landscape in the payments space while at the same time supporting the Government's agenda of promoting financial inclusion.

MAURITIUS

Mauritius and India sign MOU for grant assistance

On 14 November 2016, Mauritius and India signed a Memorandum of Understanding (MoU) in Port Louis, to finalise grant assistance to the tune of USD 187 million allocated by the Government of India for priority development projects in Mauritius. The signatories were the Minister of Finance and Economic Development, Mr Pravind Jugnauth, and the High Commissioner of India, Mr Abhay Thakur.

The Government of India agreed to provide grant funding to the Mauritian Government during the visit of the Finance Minister Pravind Jugnauth to India in September this year, during which India responded positively and promptly in disbursing funds for several projects in Mauritius.

The funds will be used to finance the Metro Express project, a New Supreme Court building, provision of tablets to primary school students, the construction of some 1,000 social housing units and a state-of-the-art ENT hospital.

Significance:

According to Finance Minister Jugnauth, the grant funding which will be used for the aforementioned projects will be beneficial to the entire Mauritian population, including families living in poverty. Children will be able to get an early start in the digital economy and society, and employment opportunities for construction workers and other job seekers will be possible, owing to the vast infrastructure investment works throughout the country.

This MoU also further strengthens the long lasting ties between Mauritius and India.

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NIGERIA

African Development Bank approves a USD 600 million loan for Nigeria

The African Development Bank has approved a USD 600 million disbursement, the first tranche of a USD 1 billion budget support loan to Nigeria, to help the West African country overcome its ongoing recession. President Muhammadu Buhari introduced a record USD 20 billion budget designed to stimulate growth earlier this year, but it has struggled to attract funding.

According to the bank, the money will help the Nigerian Government to create fiscal space to facilitate a smooth implementation of the Government's budget, support fiscal and structural reforms, and improve the targeting of social sector spending. The last tranche of USD 400 million will be approved in 2017, depending on the implementation of reforms.

Significance:

The Nigerian economy has taken a hit after the global price of crude oil which makes up 90 percent of its exports and 70 percent of Government revenue, crashed. Ongoing rebel attacks on oil infrastructure in the country's oil-producing southern swamplands have compounded the country’s problem, slashing production at a time when it desperately needs the money from the oil sector.

This assistance by AfDB is therefore much needed by the country whose gross domestic product is expected to shrink in 2016 by 1.6 percent after slipping into a recession in August.

RWANDA

Electronics giant, Philips, eyes Rwanda market

Electronics giant, Philips, is interested in entering the Rwandan market to provide lighting and healthcare-lifestyle solutions. Bill Biene, Philips’ Chief Marketing Officer and Head of Strategy, revealed this during a panel on ‘energy efficiency through smart lighting systems’ at the 22nd Conference of the Parties to the UN Framework Convention on Climate Change (COP 22) summit held in Marrakech, Morocco, this month.

The one-hour panel explored how countries, cities and corporations are using smart lighting systems to cut greenhouse gas emissions and reduce energy costs. Citing Rwanda’s success story, Nick Nuttall, the UN Framework Convention on Climate Change (UNFCCC) spokesperson, said smart lighting systems are creating a profound transformation of the lighting sector, pushing the old technologies out of the market. As part of its transformation strategy, Philips moved from a holding company structured around multiple divisions to two stand-alone operating companies in the areas of health technology and lighting. In May 2016, Philips Lighting was listed and started trading on Euronext in Amsterdam as a stand-alone company, focusing on the great opportunities in energy-efficient connected light-emitting diode (LED) lighting, a two-lead semiconductor light source.

During COP21 in Paris, last year, hundreds of governments, businesses and financial institutions pledged major action on energy efficiency, recognising it as the basis of the energy transition.

Significance:

Since its founding, Phillips has had operations in Africa, and the entry into the Rwanda market comes as no surprise in light of the country’s impressive economic growth in the last decade.

SUDAN

Sudan offers its citizens abroad incentive to sell dollars to banks

The Central Bank of Sudan is offering Sudanese living abroad incentives to attract their foreign currency into the Sudanese banking system to alleviate the country's foreign currency crunch. The Bank, which has been keeping the Sudanese Pound artificially strong at 6.4 Pounds per Dollar, is now buying dollars from Sudanese living abroad for about 16 Sudanese Pounds per Dollar, close to the parallel market rate.

According to Hazem Abdul-Qadir, Sudan's Central Bank Spokesman, there is no intention to float the Pound, but the move is meant to close the gap between the official and unofficial rate of the dollar to attract savings from Sudanese expatriates. The Central Bank does not have a value for the Sudanese expatriates' remittances, as transactions are carried out outside the banking system.

Significance:

With inflation in the country having reached 18.32 percent in September, the Central Bank hopes to attract the savings of workers abroad and to provide more foreign currency resources to banks, to fund imports for private companies.

TANZANIA

Tanzania to develop a multi-million dollar water project with China

The Tanzania Government has affirmed that the construction of a USD 281 million water project to cater for an industry boom in the Mtwara Region is scheduled to start this financial year. According to the Permanent Secretary (PS) in the Ministry of Water and Irrigation, Engineer Mbogo Mfutakamba, the project will supply the region with 120 million litres of water daily from Ruvuma River, upon completion. The Governments of Tanzania and China will implement the project and China will finance the project through a soft loan.

The PS was briefing the media on the sidelines of the Energy and Water Utility Regulatory Authority (EWURA) tenth annual conference of the Eastern and Southern Africa Water and Sanitation Regulators Association (ESAWAS). The water sector regulators from the sub-region convened in Dar es Salaam to chart out strategies to improve access to water in the region, in line with the United Nations agreement that requires all member states to ensure availability and sustainable management of water and sanitation for all by 2030.

The region currently receives 60 million litres of water daily, but this project alone will supply two times the current amount.

Significance:

The project is important for the Mtwara Region as it will support the soaring number of industries which have been triggered by gas and oil extraction in the region.

UGANDA

BMI projects economic activity in Uganda to bounce back in 2017

Uganda's growth slowed down modestly in 2016, as elevated inflation and high borrowing costs tempered consumer spending, whilst El Niño related drought conditions weighed on export volumes. However, a more accommodative monetary policy, a return to wetter weather, bolstering the country's coffee production and exports and a significant uptick in infrastructure investment are expected to reaccelerate growth in 2017.

Business Monitor International (BMI) expects household spending to slowly rebound over the course of 2016 as businesses ramp up hiring. According to Uganda's Business Tendency Indicator, after bottoming in October, appetite for hiring new employees has soared in recent months.

The Central Bank shifted from monetary tightening to monetary easing earlier this year, and this is expected to spur a pick-up in credit growth. Infrastructure is also expected to buoy growth with a large number of projects beginning construction this year and next. For example, construction of the oil pipeline between Uganda and Tanzania is scheduled to begin in July 2017.

Private sector investment is set to pick up steam towards the end of the year, with lower lending rates providing tailwinds to local businesses. The agricultural sector in particular will see a significant pickup in fixed investment, as the Government removed the 18 percent levy on agricultural machinery for fiscal year 2016/17 in a bid to bolster the fortunes of smallholder farmers.

Significance:

These economic activities are likely to see Uganda's real GDP growth accelerate to 6 percent in 2017, above the five-year average of 4.9 percent, according to BMI's forecast.

SOUTH AFRICA

Fraud charges dropped against South Africa's Finance Minister

South Africa's Finance Minister, Pravin Gordhan, is in the clear after the country's Chief Prosecutor dropped fraud charges against him.

The domestic stock market and the South African currency tumbled after the fraud charges against him were announced this October. The fraud charges related to Gordhan authorizing an early retirement package for his deputy in 2010, when he was head of the country's revenue service.

Gordhan recently returned from an international roadshow aimed at convincing investors that South Africa is a safe and stable place to invest. The country has been losing favour with investors due to political scandals and a weak economy. Unemployment is close to 27 percent, and the country is buckling under weak commodity prices, a drought and public protests. The rand rallied about 2 percent on withdrawal of the charges.

Significance:

The exoneration of the Minister can be considered a positive for the country which is facing economic headwinds. The announcement that the Finance Minister would formally be charged with fraud had further shaken investor confidence toward South Africa. According to BMI's December report, some investors are viewing Gordhan's efforts as 'make or break' in determining whether South Africa maintains its investment grade rating in December, when S&P and Fitch re-evaluate the country.

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