

SECOND QUARTER 2016

INTRODUCTION

The second quarter of 2016 was marked by a continuation of depressed hard international commodity prices. Soft commodity prices rose due to the El Niño phenomenon and this trend is expected to continue because of the expectation of La Niña. La Niña is a climate pattern that describes the cooling of surface ocean waters. It can lead to severe effects on atmospheric pressure such as rainfall patterns, catastrophic floods and dry conditions.

The full effects of Brexit remain to be seen, although it is expected that the impact of British trade with individual economies may not hamper economic growth. Potential re-negotiation of trade deals and a slow-down in growth in the European Union, a large export market for the MEFMI region will continue to pose real risks.

In the medium-term, China's structural shift limits growth opportunities for commodity exporting nations, and therefore, it is imperative that Governments seek ways in which to diversify their economies. Here are a few key economic indicators and policy developments in the MEFMI region.

*Data is sourced from Member States Central Banks, Ministries of Finance, IMF and the African Development Bank.



ANGOLA

Angola is Africa's largest oil exporter. The decline in the international price of oil to below US\$50 per bbl has negatively affected the economy.

- Angola's inflation rate rose to the highest in at least five-and-half years in June 2016, as annual inflation accelerated to 31.8%.
- Banco Nacional de Angola(BNA) increased its key lending rate by 2 percentage points to 16% on 30 2016.
- BNA operates a pegged exchange rate and the USD/Kwanza was trading at 165.06 as at 30 June, 2016.
- 2016 real GDP growth forecast of 1.1%.
- 2016 non-oil growth forecast of 1.2%.
- 2016 oil growth forecast of 0.8%.
- Moody's credit rating of B1.
- Standard and poor's credit rating of B.
- Government debt of 47.5% in 2015.

2015 GDP Current Prices USD: 102.6 billion
2015 GDP per capita USD: 3,976.00
2016 Projected Population: 25,868 people

www.bna.ao & www.minfin.gv.ao



BOTSWANA

Weak mining sector data led to a contraction in domestic output in 2015. GDP growth declined by 0.3% in 2015 compared to the 3.2% growth of 2014. 2016 has seen a recovery, led by Trade, Hotels & Restaurants.

- Bank of Botswana maintained its stable outlook, with expected inflation remaining within the objective range of 3%. This out-turn reflected its commitment to inflation targeting within the range of 3-6%.
- Annual inflation for June 2016 stood at 2.7%.
- Bank rate has been reduced by 50 basis points, from 6% to 5.5% as at August 2016.
- Real GDP growth forecast of 3.7% in 2016.
- On an annual basis (12 months to June 2016) the Pula depreciated against dollar (9.4%), 1 USD = 10.94 Pula on 30 June 2016.
- Debt to GDP ratio of 22% as at March 2015/16

2015 GDP Current Prices USD: 12.8 billion
2015 GDP per capita USD: 6,040
2016 Projected Population: 2,230,905 people

www.bob.bw & www.finance.co.bw



BURUNDI

Socio-political challenges that have occurred since 2015 have resulted in major difficulties for economic activity. This has disturbed growth prospects for the country.

- Projected inflation for 2016 is 7.6%.
- General government total expenditure as % of GDP for 2016 is 24.4%.
- Budget balance as a % GDP for 2016, of -2.2%.
- CAB as a % of GDP for 2016 is -8.914%.
- 2016 GDP growth forecast of 3.3%.
- Projected General government revenue as a % of GDP for 2016 is 21%.
- Projected General government gross debt as a % of GDP for 2016 is 39.5%.
- Projected total investment as a % of GDP for 2016 is 13.4%.
- Projected Gross national savings as a % of GDP for 2016 is 4.8%.
- Debt to GDP ratio of 34% as at December 2015.

2015 GDP Current Prices USD: 2.88 billion
2015 GDP per capita USD: 305
2016 Projected Population: 10,114,505 people

www.imf.org & www.afdb.org



KENYA

In 2016, the economy continued to expand robustly, posting positive a growth rate of 5.9% in the first quarter of 2016 compared to 5.0% in a similar quarter of 2015.

The improvement was led by recoveries in Tourism and improved performance of Agriculture, Forestry and Fishing; Transport and Storage; and Mining and Quarrying sectors.

- Month-on-month overall inflation increased to 5.8% in June 2016, from 5.0% in May 2016, but remained within the Government target range of 5.0% ± 2.5%.
- In July 2016, the Central Bank Rate was retained at 10.5% in order to anchor inflation expectations and maintain market stability.
- The foreign exchange market has remained stable, averaging at KSh 101.5 per USD in the first half of 2016, reflecting a narrower current account deficit due to a lower import bill, improved tea and horticulture exports, and stronger diaspora remittances.
- The level of official foreign reserves was US\$7.8 billion (5.17 months of imports) as at end July 2016.
- 2016 GDP growth forecast of 5.9%.
- Debt to GDP ratio of 49.6% as at June 2015.

2015 GDP Current Prices USD: 63.4 billion
2015 GDP per capita USD: 1,434
2016 Projected Population: 45,478,000 people

www.centralbank.go.ke & www.treasury.go.ke



LESOTHO

High food prices, as a result of a weaker exchange rate and effects of drought are expected to lead to high inflation. In this regard, inflation is expected to continue on an upward trajectory in 2016. Southern African Custom Union revenues continue to contribute a significant amount of Government revenues.

- The Central Bank of Lesotho (CBL) rate for June 2016 was 7%.
- The Lesotho Loti trades at par with the Rand.
- Current account deficit widened 11.6% in the first quarter of 2016.
- Gross official reserves rose by 5.4% in the second quarter of 2016, resulting in a marginal improvement in terms of import cover.
- At the end of June 2016, government budget balance (excluding grants) estimated to have deteriorated to a deficit of 18.4% of GDP.
- The Committee also decided to keep the CBL Rate unchanged at 7%.
- 2016 GDP growth forecast is 2.6%.
- Debt to GDP ratio of 58.7% as at June 2015.

2015 GDP Current Prices USD: 2.03 billion
2015 GDP per capita USD: 1,051
2016 Projected Population: 1, 937, 000 people

<http://www.centralbank.org.ls> & www.imf.org



MALAWI

The foreign exchange market was relatively stable during the six months to June 2016. The Kwacha depreciated to trade at K719.18 per US\$ by the end of June 2016. On a longer-term basis, the Kwacha depreciated by more than 50% from July 2015 to June 2016, a trend similar to experiences in some countries in the region that was largely attributed to the strengthening of the US dollar.

- Inflation at 24.5% as at July 2016.
- Current account deficit expected to widen substantially in 2016, due to higher imports of food supplies. It is projected to remain in the range of 7- 9% of GDP.
- Since November 2015, the Bank Rate has been held at 27%.
- Inter-Bank Market Rate of 28.5% as at August 2016.
- Real GDP growth projected at 5% in 2016.
- Import cover at 2.93 months as at August 2016.
- As of April 2016, annual growth of money supply was at 25.7%, of which net credit to Government was a major determinant, responsible for 17.9% of the growth in money supply.
- Debt to GDP ratio of 51% as at December 2015

2015 GDP Current Prices USD: 6.41 billion
2015 GDP per capita USD: 354
2016 Projected Population: 17,663,620 people

www.rbm.mw & www.finance.gov.mw



MOZAMBIQUE

Mozambique cut growth forecasts from 7 to 4.5% for 2016, citing depressed domestic and international markets. The country is also faced with debt challenges.

- Annual inflation for the month of July was recorded at 20.68%.
- Permanent Lending Facility Interest Rate was set by the MPC at 17.25% in August 2016.
- 1 USD was equivalent to 69.15 metical on the 31st of July, 2016 and the metical had depreciated against the US\$ by 79% on an annual basis.
- 2016 y/y Inflation forecast of 20.0%.
- 2015 Current account as % of GDP of 40.5%.
- Standard & Poor rating (from 05th August 2016): CCC.
- 2016 Ease of Doing Business Rank: 133 of 189 economies.
- 2016 growth forecast of 4.5%
- Debt to GDP ratio of 73.6% as at December 2015.

2015 GDP Current Prices USD: 14.95 billion
2015 GDP per capita USD: 5294
2016 Population: 26,423,623 people

www.bancomoc.mz & www.mpd.gov.mz



NAMIBIA

2016 growth projection indicates a slowdown from an earlier projection of 5.7% in 2015. The slowdown is attributed to the decline in construction and diamond sectors. Risks to growth outlook include low international commodity prices and water challenges. Increased uncertainties in South Africa may also increase exchange rate volatility further, with consequential effects on inflation

- As at August 2016, the MPC maintained the Repo rate at 7%.
- June 2016 annual inflation rate increased to 6.7 %.
- As at July 2016, real GDP is projected at 4.4% and 5.4% in 2016 and 2017, respectively.
- The Namibian dollar trades at par with the South African Rand.
- Months of import cover = 13.5 weeks.
- Debt to GDP ratio of 34% as at December 2015.
- Estimated Gini Coefficient = 0.58.

2015 GDP Current Prices USD: 12.8 billion
2015 GDP per capita USD: 5,776
2016 Population: 2,300, 000 people

www.bon.com.na & www.mof.gov.na



RWANDA

The Rwandan economy grew by 7.3% in 2016Q1. The economic performance in 2016Q1 was driven by high growth in the industrial sector (+10.0%), as well as in services and agricultural sectors, which grew by 7.0% each. Economic growth is projected to be 6.0% in 2016, from 6.9% recorded in 2015, as the sluggish global economy and the still, lower levels of commodity prices continue to weigh down Rwanda's external sector.

- Headline inflation recorded at 5.5% in June 2016 and forecast to 5.8% for the rest of the year.
- Bank rate maintained at 6.5% by MPC in June meeting.
- The Rwandan franc depreciated against the US\$ on annual basis, by 9.6%. On the 30th of June, 1 USD was equivalent to FWR 783.26.
- Inter-bank Money Market rate of 5.9% as at June 2016.
- Deposit Rate of 8.6% as at June 2016.
- Trade deficit widened by 5.1% in the first half of 2016, from US\$858.98 million to USD902.69 million.
- Debt to GDP ratio of 35.7% as at December 2015.

2015 GDP Current Prices USD: 8.26 billion
2015 GDP per capita USD: 731
2016 Projected Population: 11,533,446 people

www.bnr.rw & www.minecofin.gov.rw



SWAZILAND

Gross Official Reserves remain under pressure from the fiscal challenges faced by the economy. The current reserves are enough to cover over 4 months of import of goods and services. This is above the recommended 3 months, but lower than the regional target of 6 months.

- As at June, Bank Rate increased by 50 basis points to 7.0% in May 2016.
- The Swazi currency, the Lilangeni trades at par with the Rand.
- Headline inflation recorded at 7.4% in July 2016. Inflation is projected to average 7.7% for the rest of the year.
- Policy rate of 7% as at July 2016.
- Prime lending rate of 10.5% as at July 2016.
- Credit to the Private sector grew by 105 in May 2016 compared to May 2015.
- Estimated Real GDP of 1.9% and forecast of -0.6% in 2015 and 2016 respectively.
- Debt to GDP ratio of 14% as at March 2016

2015 GDP Current Prices USD: 4.02 billion
2015 GDP per capita USD: 2,858
2016 Projected Population: 1,190,000 people

www.centralbank.org.sz & www.gov.sz



TANZANIA

The economy is expected to maintain strong growth momentum in 2016 and beyond, supported by government initiative to promote further infrastructure investments and industrialization under the Second Five Year Development Plan.

- Annual Headline Inflation Rate for the month of June, 2016 has further increased to 5.5%.
- Average interest rates on deposits of various maturity spectrums was 8.18% in June 2016.
- Average lending rates averaged 15.99%, compared in June 2016.
- 2016 growth forecast of 6.8%.
- Projected General government revenue as % GDP for 2016 is 16%.
- Projected General government total expenditure as % of GDP is 19.6%.
- Projected General government gross debt as % of GDP for 2016 is 42.4%.
- Projected CAB as % of GDP for 2016 is -7.7%.
- Debt to GDP ratio of 40.4% as at June 2015.

2015 GDP Current Prices USD: 44.9 billion
2015 GDP per capita USD: 941.8
2016 Population Projection: 48,633 people

www.bot.go.tz & www.imf.org



UGANDA

The economy is expected to grow more strongly in 2016/17 at 5.5%, compared to the preliminary estimate of 4.6% for 2015/2016. This growth is expected to be driven largely by public infrastructure spending and an expected recovery in credit to the private sector.

- Annual inflation for the month of July was recorded at 5.1%.
- The Central Bank Rate (CBR) was reduced to 14% in August 2016.
- Fitch rating of B+ with stable outlook as at July 2016.
- Standard and poor's rating of B/B with stable outlook as at July 2016.
- Debt to GDP ratio of 31.3% as at June 2015.

2015 GDP Current Prices USD: 25.5 billion
2015 GDP per capita USD: 650
2016 Projected Population: 40,141,000 people

www.bou.or.ug & www.finance.go.ug



ZAMBIA

2016 MPS stated that “unfavourable weather conditions, continued electricity supply constraints, and low copper prices are expected to weigh on the projected GDP growth for 2016.”

- Annual inflation has been decreasing. Inflation for end June 2016 stood at 21.0%.
- Bank rate maintained at 15.5% by MPC in mid-May meeting.
- Zambia recorded a trade deficit in June 2016, valued at K 1,905.9 million.
- 2016 growth forecast of 3.4%.
- CAB deficit narrowed to US\$168.8 million from US\$482.5 million due to a sharp drop in imports relative to the contraction in exports.
- Debt to GDP ratio of 51% in June 2015.

2015 GDP Current Prices USD: 18.4 billion
2015 GDP per capita USD: 1,187
2016 Projected Mid-Year Population: 15,933,883 people

www.boz.zm & www.mofnp.gov.zm



ZIMBABWE

The operating environment remains challenging. The 13.2% growth for mining sector might be elusive, given prevailing low international commodity prices, acute foreign currency shortages to import critical raw materials and the high cost of doing business due to the usage of a stronger currency.

- Annual broad money growth rate increased from 12.5% in May 2016, to 13.1% in June 2016.
- Annual headline inflation stood at -1.37% in June 2016.
- Zimbabwe has experienced deflation since 2014 and annual inflation for July 2016 stood at -1.6%.
- 2016 Projected CAB/GDP of -11%.
- 2016 Projected Trade Balance/GDP of -18.8%.
- 2016 growth forecast of 1.4%.
- Ease of doing Business Ranking: 155/189 in 2016, from 153/189 in 2015; 170/189 in 2014.
- Bond Notes, a 5% export incentive, backed by AFREXIMBANK facility of US\$200 million are expected in October 2016.
- Debt to GDP ratio of 63.7% as at December 2015.

2015 GDP Current Prices USD: 14.2 billion
2015 GDP per capita USD: 1,064
2016 Projected Population: 13,554,000 people

<http://www.rbz.co.zw> & www.zimtreasury.gov.zw