MEFMI MACROECONOMIC BULLETIN – April 2016

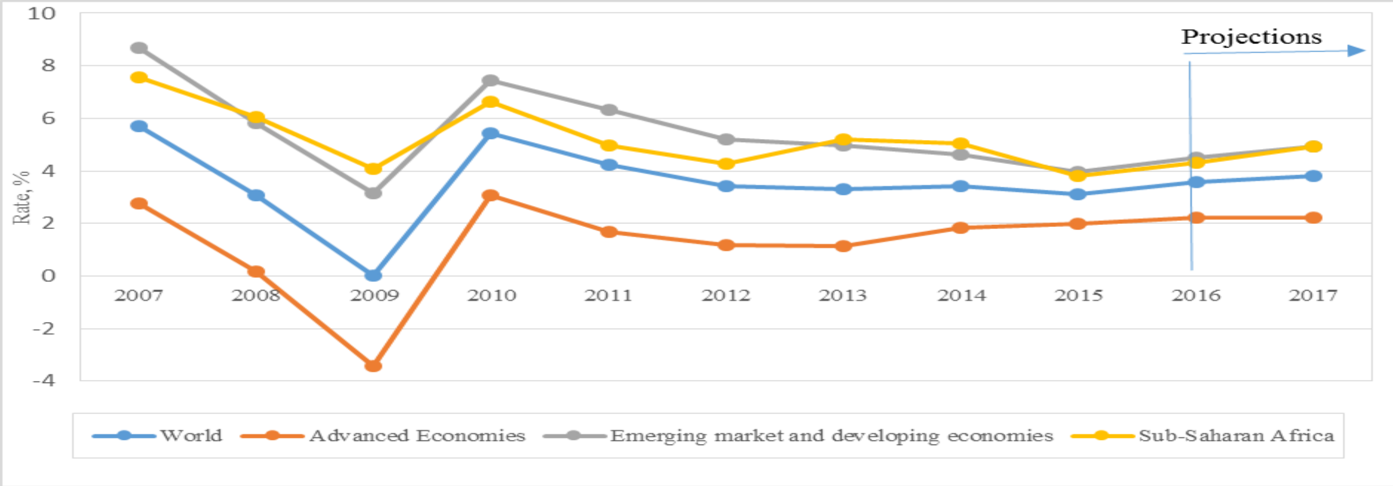
Economic growth patterns in different geographic regions varied widely in 2015. Global economic activity remained slow-paced, with advanced economies slowly recovering, while emerging and developing economies slowed down. The Sub-Saharan region - a net exporter of oil and other commodities, continued to be vulnerable to falling global commodity prices, also slowed down while the MEFMI region witnessed a mixed bag of economic factors, which pulled in opposite directions. China's economic slowdown, global oil and commodity prices have been at the centre of much of economic discussion. As a result, spillovers and contagion effects have been felt throughout the world, resulting in, among other things, pressures on current account and fiscal balances for most countries, while inflation remained below most central banks' targets. This edition of the Macroeconomic Bulletin, therefore provides a summary of recent economic activities and developments. It begins by assessing performance of the global and Sub-Saharan Africa economies and their outlook, followed by an analysis of the MEFMI region. An analysis of the South African economy and its implications on the MEFMI region is also discussed, closely followed by individual MEFMI Member States' economic performance. The Bulletin also presents an annex with various useful statistics such as macroeconomic indicators, global competitiveness index, ease of doing business and the corruption perception index.

1. Global Economic Developments

The latest IMF's World Economic Outlook (WEO) of January 2016 indicates that global economic activity remained subdued in 2015. It is estimated that the global economy will record a slower growth rate of 3.1 percent in 2015, compared to modest growth of 3.4 percent in 2014 as depicted by Figure 1. This slowdown in growth is attributed to a number of economic factors occurring in various economic regions such as the persistent reduction in oil and commodity prices; weakening currencies against the US dollar; slowdown and rebalancing of economic activity in China away from investment and manufacturing toward consumption and services, as well as the depressed current account balances.

However, the WEO (Jan. 2016) projects that global activity will slightly pick up in 2016 and 2017. During this period, moderate growth rates of 3.4 percent and 3.6 percent, respectively, are forecast, owing to a recovery in advanced, emerging and developing economies. With respect to advanced economies, a modest and uneven recovery is expected to continue with real GDP continuing to perform below its potential output. Advanced economies are estimated to grow by 1.9 percent in 2015 and by 2.1 percent in both 2016 and 2017, respectively. This growth is expected to be driven by activity in the United States of America (USA), which is anticipated to remain resilient, mainly supported by financial conditions and strengthening housing and labour markets. A further boost is expected from the performance of the Euro area, which is expected to gain momentum. This performance comes as a result of a stronger private consumption, driven by low global oil prices, and easy financial conditions, which outweigh net exports. In addition, these low oil prices, together with accommodative financial conditions and rising incomes are expected to boost growth in Japan. This is also anticipated to contribute positively to growth in advanced economies.

Figure 1: Real GDP Growth Rates, Various Regions, 2007-2017



Source, IMF, World Economic Outlook, January 2016

The report further indicates that there is varied economic performance in emerging market and developing economies. Emerging market and developing economies account for over 70 percent of global growth. Therefore, percentage change in growth in this region has a larger impact on global growth. This region is estimated to record sluggish growth of 4 percent in 2015, compared to 4.6 percent realised in 2014 (Figure 1). This slowdown is mainly attributed to weak investment growth and economic rebalancing in China. Although the reduction in economic activity in China is expected to spill over to some countries in Asia, others like India are expected to grow at a robust pace, owing to the current state of global oil prices. On the other hand, mixed economic performance is expected in Latin America and the Caribbean countries. Some countries in this region are expected to achieve moderate growth but the current recession in Brazil is expected to drag economic activity in the entire region, down.

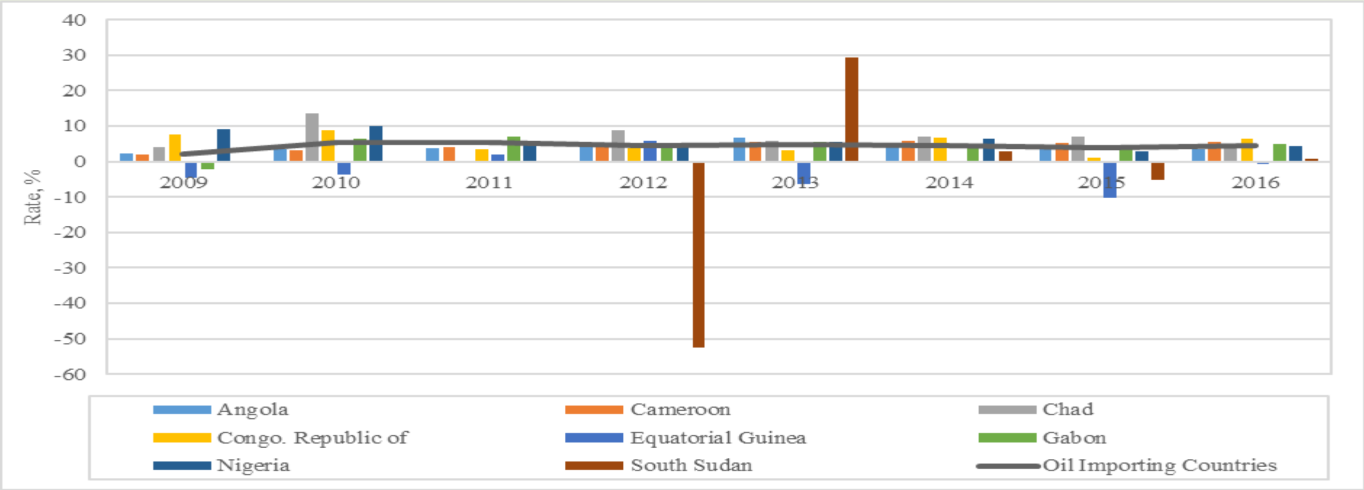
Russia is going through a recession as a result of low global oil price effects and western sanctions. This recession is expected to have a contagion effect to the Commonwealth of Independent States. Other regions like Middle East and Emerging Europe are expected to grow at steady pace. However, lower global oil prices, and in some cases geopolitical pressures and domestic conflict, provide a bleak outlook.

2. Economic Developments in Sub-Saharan Africa

The Sub-Saharan region has also been affected by similar challenges facing other regions. Growth in the region is expected to show a noticeable decline of 3.5 percent in 2015, compared to 5 percent recorded in 2014. This decline in economic activity is attributed to a combination of water and electricity supply shocks (i.e. South Africa, Botswana and Zimbabwe), large domestic financing imbalances (i.e. Ghana and Zambia) and largely to the sharp fall in global oil and commodity prices, which created difficult financing options for the region. This shows that, as a net exporter of oil and other commodities, the region is vulnerable to any downward movement in prices of these commodities. However, these price shocks have resulted in winners and losers throughout the region. For instance, for the eight oil exporters (especially the less diversified ones), the transmission mechanism has been through the trade channel resulting in reduced export earnings leading to current account deficits. Furthermore, the effect of the reduction in global oil prices has also been felt through the loss of fiscal space resulting from low revenues. The most affected oil exporters as shown in Figure 2 are Equatorial Guinea, South Sudan, Republic of Congo and Nigeria. In addition, even the less diversified non-oil exporters like Botswana and Zambia are also being negatively affected by lower prices for their main traded commodities such as diamonds and copper. Other net oil importers, such as Kenya and Senegal, are expected to see modest gains from cheaper energy prices. Going forward, although there exist less risks in the outlook, most countries in the region are expected to see a gradual pickup in growth, but with lower commodity prices, to rates that are lower than those realised over the past decade. The region is expected to grow by 4 percent and 4.7 percent in 2016 and

2017, respectively, reflecting continued adjustment to effects of global conditions.

Figure 2: Real GDP Growth Rates for Sub-Saharan Africa (Oil Exports and Importers), 2009-2016



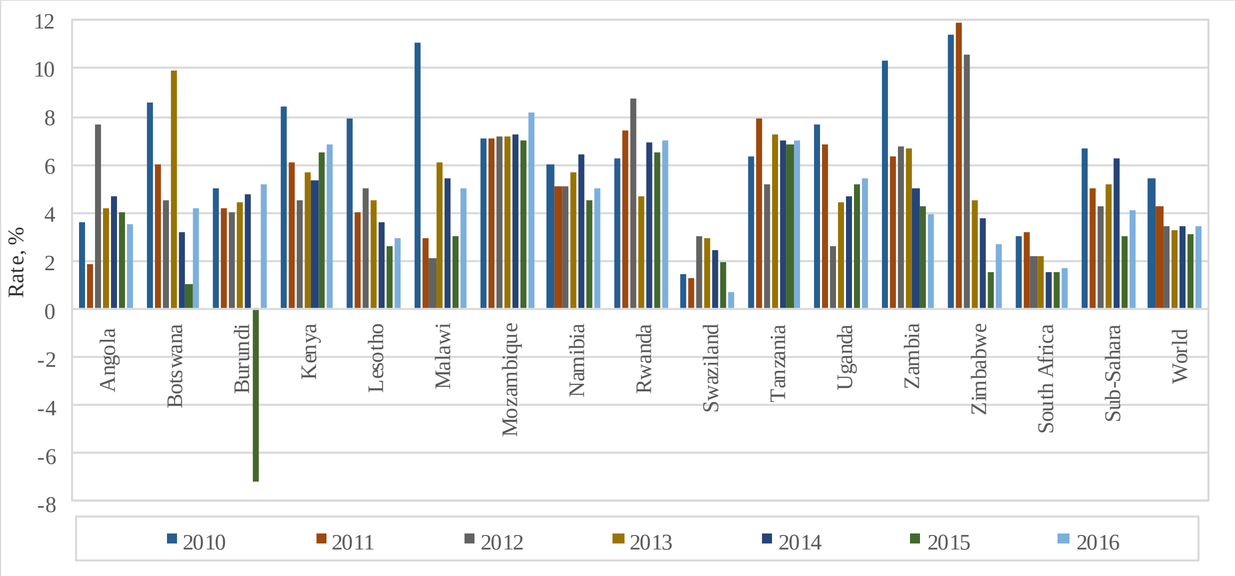
Source, IMF, World Economic Outlook, January 2016

3. Economic Developments in the MEFMI Region

3.1. Real Gross Domestic Product

The MEFMI region has not been immune to the global economic risks. The region has witnessed a mixed bag of economic factors pulling in opposite directions. These factors include amongst others; slowdown of the Chinese economy; low global commodity prices, which has affected most members of the region whose economies are less diversified and mainly driven by extractive industries; increased disposable income as a result of falling global oil prices; twin deficits of the current account balance and fiscal balance due to low export volumes and earnings, as well as low productivity in most economic sectors. Furthermore, most economies in the region, particularly in the Southern African region (such as Botswana, Zambia and Zimbabwe) have been affected by harsh climate conditions, which has reduced the productivity of their agricultural sectors. In view of this, the MEFMI region is estimated, on average, to record lower real GDP growth rates of 3.2 percent in 2015 compared to the 5 percent realised in 2014. The 2015 average growth is mainly on account of higher growth rates experienced in Mozambique (7 percent); Tanzania (6.9 percent); Kenya (6.5 percent) and Rwanda (6.5 percent). Other countries in the region are anticipated to record low grow rates. For instance, low aggregate demand in Zimbabwe; lower diamond production in Botswana associated with reduced global demand and political instability in Burundi are some of the economic factors associated with economic slowdown in these countries. These countries are estimated to record the lowest growth in the region at 1.5 percent, 1 percent and -7.2 percent, respectively in 2015. Figure 3 presents real GDP growth rates for individual MEFMI Member States from 2010 to 2016. It also shows a comparison between the MEFMI region, Sub-Saharan Africa and global economic performance.

Figure 3: Real GDP growth rates, MEFMI region, 2010-2016



Source: *IMF and Member Countries Data Base (Accessed through member states focal persons), IMF World Economic Outlook, January 2016*

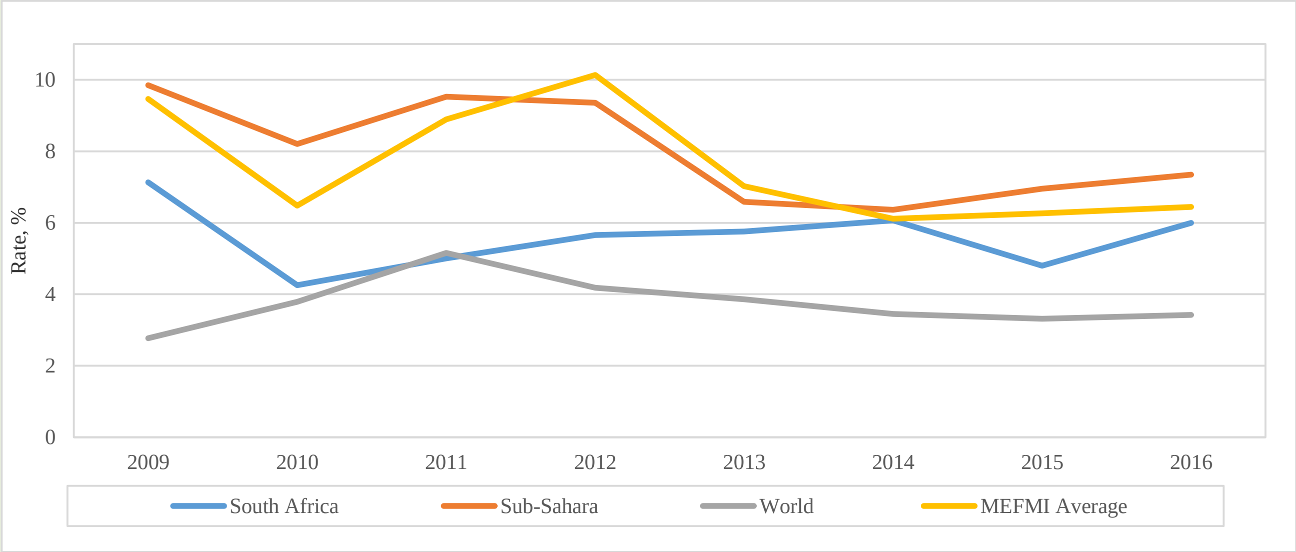
The region is also faced with other challenges which directly affect economic performance. These include the ease of doing business. Annex 2-2 shows that only 3 countries in the region, namely Rwanda (62), Botswana (72) and Zambia (97) have ranked below 100, indicating the ease of opening a business; getting electricity, registering property and access to credit, just to list a few. This indicates the extent of foreign direct investment losses, which the region could be benefiting from if it gets rid of various forms of red tape. The supply challenges of water and electricity have also been a disadvantage to the region. Corruption and economic crime also deprive the region of the potential growth it could achieve. The latest Corruption Perception Index of the Transparency International shows that out of 168 countries surveyed, only 1 country (Botswana) in the region is ranked below 50 while 5 countries (Rwanda, Namibia, Lesotho, Swaziland and Zambia) are ranked below 100 and the rest are ranked above 100. This indicates the severity of corruption in the region. Looking at how competitive the region is, the data presented in Annex 2-1 shows that Rwanda, Botswana, Namibia, Zambia and Kenya were ranked below 100. This implies that most of the economies are less competitive globally. This presents an opportunity for countries to adopt the latest technologies and produce products that can compete globally.

3.2. Price Developments

Generally, prices in region declined in 2015, largely reflecting the reduction in global oil prices and a downward trend of commodities prices. Most countries in the region are expected to benefit from these oil and other commodity price shocks (including food, which has a larger weight in the consumer price index in the region) which have led to reductions in inflation. Although inflation in this region is expected to remain higher than both the World and South African inflation (Figure 4), it is anticipated that it will remain below most central bank targets.

In the outlook, inflation is expected to be stable in the region due to delayed effects on oil and commodity price movements.

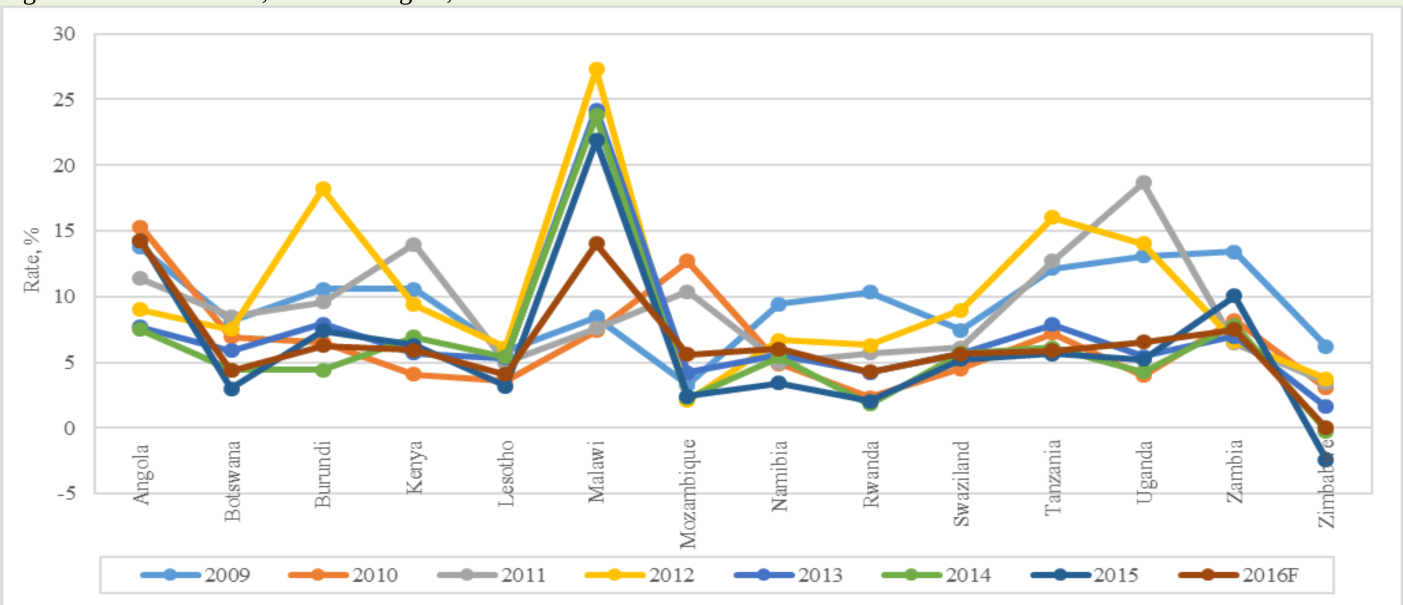
Figure 4: Real GDP Growth Rates, MEFMI Region, 2010-2016



Source: *IMF World Economic Outlook, January 2016*

Figure 5 compares inflation trends for individual Member States in the region. It shows that in line with convergence targets for various Regional Economic Blocks, all Member States recorded single-digit inflation except Angola, Malawi and Zambia that recorded double-digit inflation of 14.3 percent, 21.9 percent and 10 percent, respectively.

Figure 5: Inflation Rates, MEFMI Region, 2009-2016

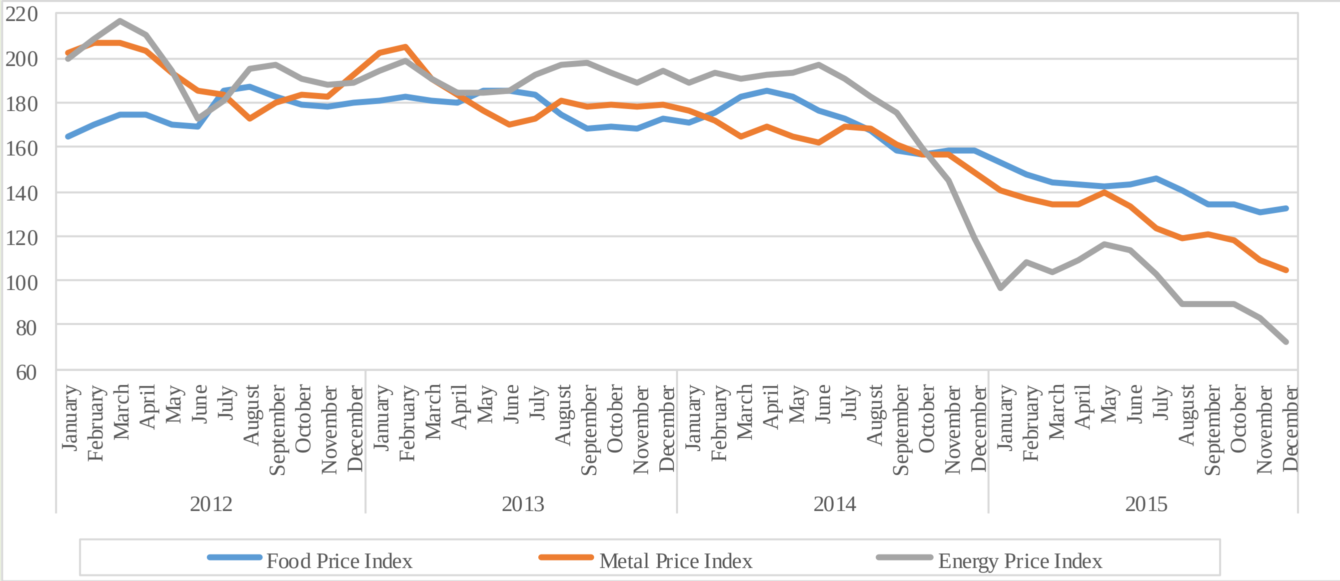


Source: *IMF and Member Countries Data Base (Accessed through member states focal persons), IMF World Economic Outlook, January 2016*

3.2.1. Food and Other Commodity Prices

Since mid-2014, there has been a downward trend in food, metal and energy prices (Figure 6). The drop in energy prices has been more severe than other commodity prices, mainly due to oversupply in the market. Although these trends are expected to continue in the short-run, markets are expected to stabilize and recover in the medium term.

Figure 6: Selected Commodity Price Indices (2005=100)

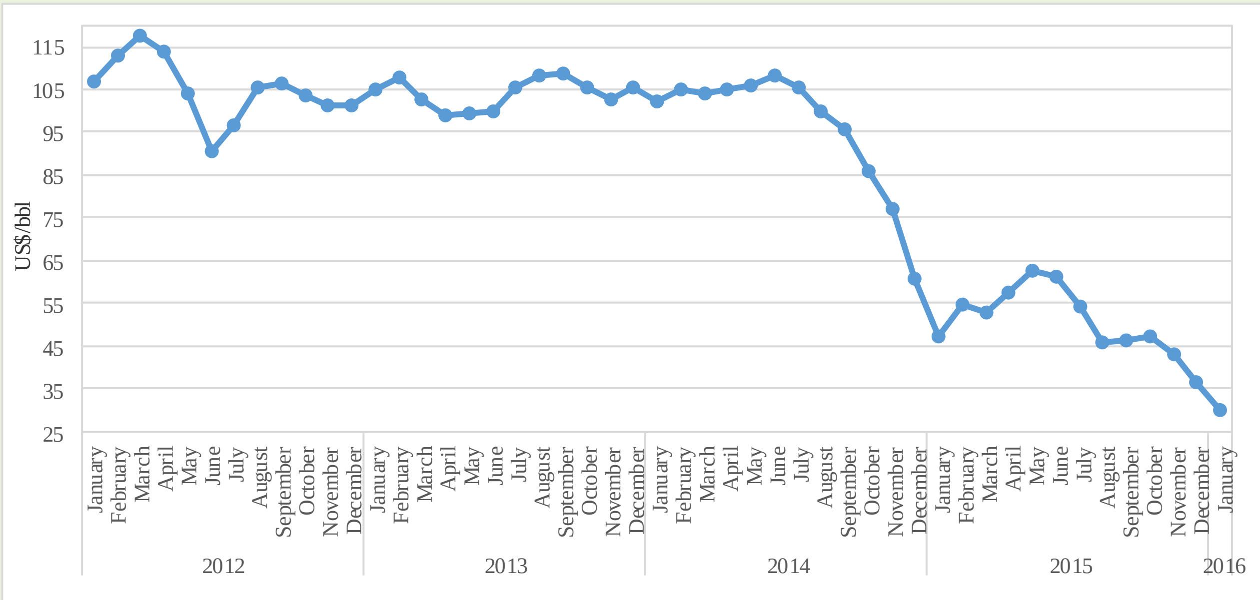


Source: IMF Commodity Price System, 2016

3.2.2. Oil Prices

Oil and commodity prices have taken the centre stage of much of economic discussion in 2015. These have sharply declined in recent years with the largest decline of oil prices witnessed between 2014 and 2015 as shown in Figure 7. As indicated in the analysis above, this decline has had major impact in the performance of major economies such as advanced, emerging and developing economies, and the Sub-Saharan Africa, as well as the MEFMI region as discussed above. For oil prices, excess market supply from USA, Russia and members of the Organization of the Petroleum Exporting Countries (OPEC) have been attributed to reduction in prices. Figure 7 also shows that crude spot prices averaged US$104/bbl between 2012 and 2013, to below US$73/bbl between 2014 and 2015. Recently, oil prices have been below US$28/bbl during the first month of 2016. More declines are anticipated in the outlook, following the lifting of sanctions against the Islamic Republic of Iran and weaker global demand. With respect to future prospects, it is expected that oil markets will take longer to reverse current conditions of excess supply. Commodity prices also followed the downward trend during the same period. The decline in commodity prices has been due to the reduced global demand and the rebalancing of the Chinese economy.

Figure 7: Monthly Spot Crude Prices (US$/bbl), 2012-2015

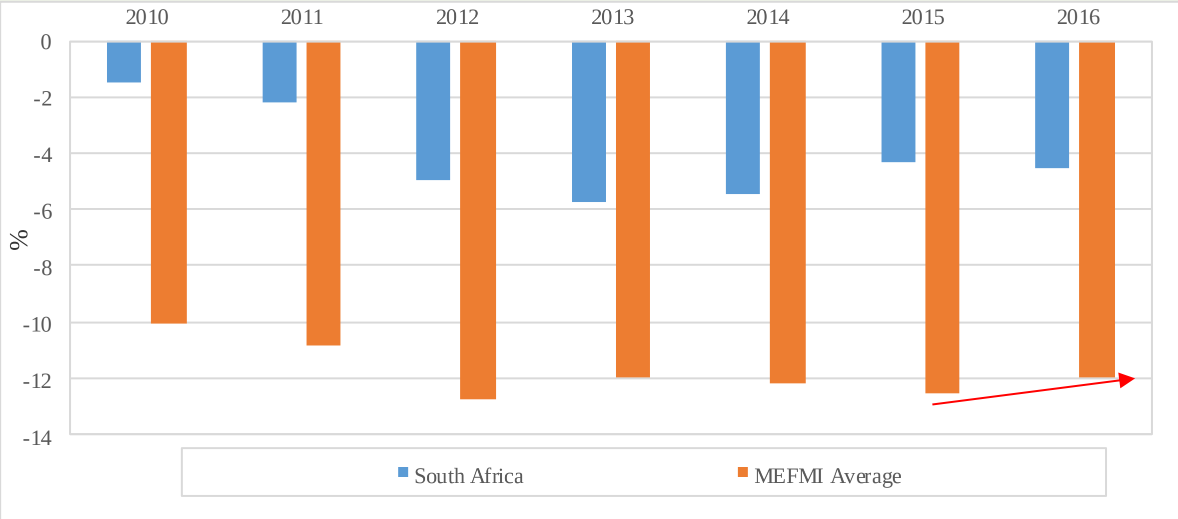


Source: World Bank Commodity Price Market Data, 2016

3.3. External Sector Performances of the MEFMI Region

The ratio of current account balance to GDP for the MEFMI region has to a large extent, been driven by the trade balance and remittances. A common characteristic among economies in the region is that of being net exporters (mainly due to increased demand of raw materials by industrial nations) of primary commodities. In addition, oil has a significant share in the import basket for most countries in the MEFMI region. In this regard, as mentioned earlier, the downward trend of most commodities and oil prices has led to widening current account balances in the region. For instance, in 2015, on average, the current account balance as a percent of GDP slightly deteriorated from -12.3 percent recorded in 2014 to -12.5 percent (Figure 8). This deterioration is due to the trade deficits reported in most of the Member States as a result of low merchandise exports and high import bills. To address this worsening external performance, the region needs to improve on its competitiveness and intensify diversification of domestic economies from extractive industries to services sectors. In addition, corruption and economic crime, which reduce domestic and international business confidence need to be tackled vigorously throughout the region in order to reap the benefits of all economic activities.

Figure 8: Current Account Balance (percent of GDP), 2010-2016



Sources: *MEFMI Member Countries and IMF Database, 2016*

3.3.1. Exchange Rate Developments

Table 1 presents international and regional currencies against the US dollar. The Euro and the British Pound Sterling show the quantities of US$ (Indirect Method) while others show the quantity of the particular currency to the US$ (Direct Method). Table 1 shows that in 2015, the US dollar appreciated against most major international and regional currencies. This reflects, amongst other factors, that economic conditions in the USA were better than those in most regions. Furthermore, economic policies (both contractionary and expansionary) in various countries has made buying domestic currencies a less attractive proposition for investors.

Table 1: International US Dollar Cross Rates – Mid-Market Rates (As of end December of each Year)

	2008	2009	2010	2011	2012	2013	2014	2015
US Dollar /Euro	1.4	1.4	1.3	1.3	1.3	1.4	1.2	1.1
US Dollar/British Pound	1.5	1.6	1.6	1.6	1.6	1.7	1.6	1.5
Japanese Yen /US Dollar	90.8	93.1	81.1	77.1	86.6	105.3	119.8	122
Chinese Yuan /US Dollar	6.8	6.8	6.6	6.3	6.2	6.1	6.2	6.5
Rand /US Dollar	9.3	7.4	6.6	8.1	8.5	10.5	11.6	15
Angolan Kwanza/US Dollar	75.2	89.4	92.4	94.9	95.8	97.6	102.9	135
Botswana Pula/US Dollar	7.6	6.7	6.5	7.5	7.8	8.7	9.5	11
Burundi Franc/US$ Dollar	1,236.0	1,215.0	1,207.0	1,282.0	1,533.7	1,540.0	1,555.3	1,555.5
Kenyan Shillings/US Dollar	78.1	75.9	80.7	85	86.1	86.5	90.5	102.3
Basotho Loti/US Dollar	9.3	7.4	6.6	8.1	8.5	10.5	11.6	15.5
Malawian Kwacha/US Dollar	138.5	144.5	150	162.1	334.6	429.5	465.8	615.5
Mozambican Meticais/US Dollar	25.2	30.6	32.2	26.5	29.9	29.9	34	48
Namibian $/US Dollar	9.3	7.4	6.6	8.1	8.5	10.5	11.6	15
Rwandan Franc/US Dollar	557	567	585	595	630.8	676	689	745
Swazi Emalangeni/US Dollar	9.3	7.4	6.6	8.1	8.5	10.5	11.6	15
Tanzanian Shillings/US Dollar	1,317.50	1,339.50	1,480.00	1,575.00	1,582.10	1,585.50	1,734.20	2158.6
Ugandan Shillings/US Dollar	1,942.50	1,900.00	2,342.00	2,475.00	2,695.00	2,524.90	2,764.90	3,371.90
Zambia Kwacha/US Dollar	4,832.26	4,653.27	4,796.11	5,117.04	5,146.61	5.51	6.39	11.03
Zimbabwe $/US Dollar	--	--	--	--	--	--	--	--

***Source:** Web Sites of Central Banks in the MEFMI Region - Historical Series of Exchange Rates*

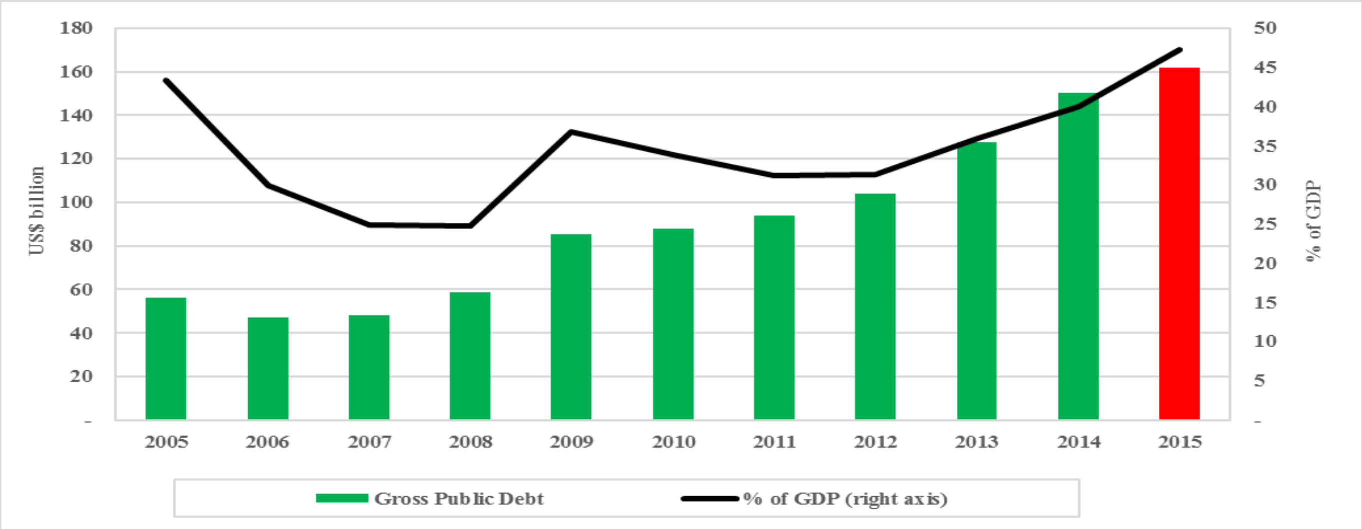
Analysis of the MEFMI region indicates that as at the end 2015, the US dollar strengthened against all Member States' currencies. The biggest losses were witnessed in Zambia, Mozambique and Malawi. Countries which belong to the current Common Monetary Area (Lesotho, Namibia and Swaziland) with South Africa also experienced significant currency depreciations, mainly due to the contagion effect of the downward movement of the South African Rand against the US dollar. Rwanda, Kenya and Botswana had the least depreciations during this period.

3.4. Public Debt Developments in the MEFMI Region

3.4.1. Trends in Public Debt

Public debt levels in the MEFMI region have increased sharply over the last decade, both in nominal terms and as a proportion of GDP. In fact, debt has more than tripled from US$48 billion in 2007 when some member states in the region received debt relief under the HIPC and MDRI initiatives to US$150 billion as at end-2014 (Figure 9). Debt was estimated at US$162 billion as end-2015, representing 47 percent of GDP compared to 25 percent in 2007.

Figure 9: Public debt in MEFMI Member States, US$ billion and percent of GDP, 2005-2015

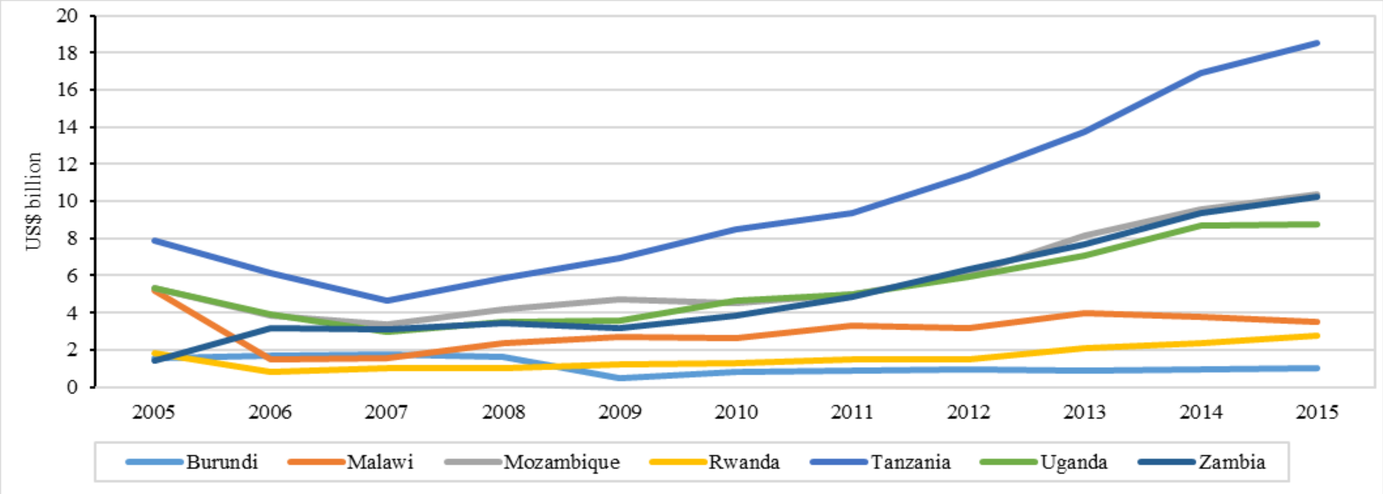


Source: IMF World Economic Outlook, January 2016

The increase in public debt has been quite significant in the post HIPCs, including in Tanzania, Mozambique, Uganda and Zambia (Figure 10). Tanzania's debt increased from US$4.9 billion (21.6

percent of GDP) in 2007 to US$14.9 billion (35.2 percent of GDP) in 2014 while in Uganda it almost tripled during the same period, increasing from US$3 billion (19.6 percent of GDP) to US$8.7 billion (31.4 percent of GDP). Recent estimates by the IMF indicate further increases in public debt in these countries as at end-2015.

Figure 10: Public debt in the MEFMI Region Post HIPCs, US$ billion



Source: IMF World Economic Outlook, January 2016

Debt accumulation has also been rapid in the non-HIPC member states, particularly Angola and Kenya. Kenya's public debt was estimated at US$29.2 billion (48.8 percent of GDP) as at end-June 2015 compared to US$12.3 billion (38.4 percent of GDP) in 2007. Angola's public debt increased from US$7.8 billion in 2007 (16.4 percent of GDP) to US$56.4 billion in 2014 and was estimated to have increased further to US$ US$58.5 billion (57.4 percent of GDP) as at end-2015 (WEO, Jan. 2016).

3.4.2. Drivers of Public Debt Accumulation

Several factors have contributed to the accumulation of debt in the MEFMI region in recent years. These include declining foreign grants, larger fiscal deficits, as well as emergence of new borrowing opportunities. The decline in grants and other concessional resources has been particularly significant in the post HIPCs and those countries that have been reclassified into lower-middle income status, implying that governments have resorted to much more borrowing to meet the financing gap. External shocks and the need to meet the large development needs has also led most Member States to tap into other funding sources such as semi-concessional and commercial loans from non-traditional creditors like China, Korea, India, among others.

In addition, there is an increasing number of MEFMI Member States that have accessed the international capital markets through issuance of international sovereign bonds. For instance, Zambia issued a Euro bond of US$1.25 billion in 2015, following earlier issuance of US$0.75 billion and US$1 billion in 2012 and 2014, respectively. Kenya also issued a debut bond of US$2 billion in 2014 followed by a reopening of US$0.75 billion in 2015, while Namibia and Rwanda also tapped on the international capital market in 2011 and 2014, raising US$0.5 billion and US0.4 billion, respectively.

3.4.3. Outlook for Debt Sustainability

Public debt of most MEFMI Member States has remained sustainable despite the rapid debt accumulation, mainly due to the high growth rates of real GDP, partly associated with rebasing as has been the case in Kenya, Uganda and Tanzania. However, the recent increase in commercial borrowing implies a new set of risks, going forward. This type of financing is associated with high interest rates, and shorter grace and maturity periods, thus raising concern about debt sustainability. While borrowing augments resource shortfalls, there is need for Member States to moderate commercial borrowing and explore alternative means of financing, including Public Private Partnerships, deepening domestic markets and maximizing borrowing from concessional and semi-concessional sources.

3.5. Financial Sector Developments in the MEFMI Region

Since the global financial crisis, financial sector regulations and supervisory processes continue to be reviewed and reformed in a bid to address some of the weaknesses which gave rise to the crisis. On a broader level, the reforms being championed by the Basel Committee on Banking Supervision (BCBS) aim to reduce the probability of failure of banks, as well as to mitigate the impact of failure by facilitating orderly exit from the market for those institutions that fail. This requires banks to raise the quality and level of capital to withstand systemic shocks as enshrined in the Basel III capital accord framework; strengthening supervision of banks' risk management practices; ending the "Too–Big–To–Fail" mentality in banking systems by identifying the globally and domestically systemically important banks; strengthening problem bank resolution frameworks and providing assessment methodology for the identification of the global and domestic nonbank non insurance entities. Other reforms on the periphery include methodologies for making derivatives safer and addressing the challenges of shadow banking.

Given the interconnectedness of financial sector infrastructure to the global markets, regional initiatives in financial sector supervision have been focusing on developing capacity in these critical areas. Most of the countries have set up working teams to study the reforms and work out ways on how these can be implemented to suit their market conditions, while others have already gone as far as implementing some of the reforms. It is pleasing to note that almost all member countries have been proactive to the reforms and are working towards adopting the changes. It is often said that there is no telling where the next financial crisis will come from.

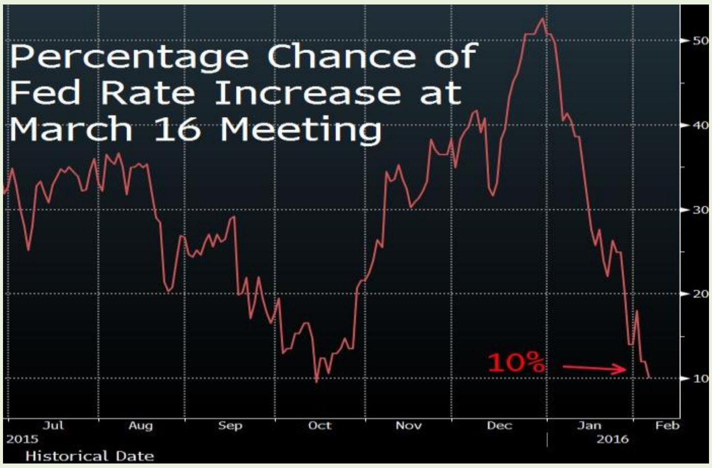
3.5.1. Interest Rates

The international financial markets global recovery has been achieved in spurts rather than a sure steady recovery, leading to relentless risk management from the after-shock effects. In addition, divergent international monetary policy has created a remarkable investment climate for MEFMI region central banks with official foreign exchange reserves denominated mostly in US dollars, British Pound Sterling, Euro and a mix of other currencies, respectively.

The Federal Reserve Bank, on 16 December 2015, raised interest rates for the first time since 2006 after holding them near zero for seven years. In making the move, they cited an improved labor market and inflation expectations. This signals a new era for MEFMI member countries and the management of official foreign exchange reserves, applying strategies for fund management in an environment of rising interest rates, which implies falling yields for bond portfolios. The pace of future rate increases is expected to be gradual and dependent on economic data. However, due to softening global economic conditions, market participants do not expect another Federal Reserve Bank hike in the March 2016 meeting.

Figure 11: Percentage Chance of Fed Rate Increase at March 16 Meeting, July 2015-February 2016

Source: Bloomberg



On the other hand, the Bank of England voted unanimously not to raise interest rates. The European Commission also slashed its inflation forecasts, all but guaranteeing more quantitative easing when the European Central Bank next meets in March. The markets are predicting a 29 percent chance the Bank of England will cut rates in the November 2016 meeting.

4. South Africa Economic Developments and its Implications to the MEFMI Region

The South African economy remains an important trading partner for most of the MEFMI Member States. For example, some of Member States (Botswana, Lesotho, Namibia and Swaziland) belong to a trading block[1] with South Africa. Therefore, the performance of this regional super power is key as it has spill over effects for the region. The National Treasury of South Africa estimates that real GDP will grow by 1.5 percent in 2015 and projects marginal increase of 1.7 percent in 2016 while 2.6 percent is forecast for 2017. This slow growth is assumed to be driven by various challenges, which include, on the supply side, electricity supply challenges that continued to affect output in major sectors of the economy such as mining and manufacturing.

The demand side, on the other hand, has been affected by weaker confidence, both domestically and abroad, which has continued to reduce trade, consumption and investment. Furthermore, the commodity prices' decline, financial markets volatility and a slower growth in China, as well as higher interest rates in USA, have created a difficult environment for this economy.

These factors have also affected other developing countries that are characterised by low domestic savings and rely on foreign capital to fund investment. However, despite this, it is assumed that persistent Rand depreciation against the US dollar, reduced labour-market tensions and improved demand from Europe will boost the economy and export demand. Further economic boost is anticipated as benefits derived from low oil prices are expected to cushion household spending by reducing transportation costs. More benefits derived from the low oil prices have been the lower domestic inflation, however, the Rand deprecation still poses some risk to the price outlook.

[1] The Southern African Customs Union (SACU) is the oldest customs union in the world with five countries of Southern Africa: Botswana, Lesotho, Namibia, South Africa and Swaziland

5. MEFMI Region - Individual Country Performances

Angola

Macroeconomic conditions in Angola remain weak driven, mostly by the performance of the oil sector. The sector constitutes over 95 percent of exports, roughly 75 percent of fiscal revenues and contributes over 35 percent of GDP. Global oil price declines, have therefore, contributed to low economic performance, low export volumes and loss of fiscal revenue. The current account balance has also widened further, reflecting an ailing trade balance. Real GDP is expected to slow down from 4.7 percent recorded in 2014 to around 3.5 percent in 2015. This is attributed to the performance of both the oil sector and the non-oil sectors. The non-oil sectors of construction and services are also expected to decline as they adjust to cuts in private consumption and public investment.

The decline in oil prices has also contributed to the upward movement in prices. In this regard, compared to a rate of 7.5 percent recorded 2014, inflation, estimated at 14.3 percent in 2015, is expected to remain outside the central bank objective target of 7-9 percent. On the budget side, the deficit in the fiscus is expected to widen as oil tax revenue decreases more than the total government expenditure. Headwinds will also be felt in the external sector as export volumes decline while imports continue to increase, leading to the further widening of the current account deficit.

The economic outlook in 2016 is anticipated to remain weak as international oil prices are not expected to recover soon. Real GDP growth is therefore forecast at 3.5 percent. This growth is expected to be dragged down by the oil sector while the non-oil sector is expected to recover slightly due to the recovery in agriculture. With regard to inflation, although it is expected to slow down by 1.3 percentage points, it will still remain above the central bank objective target.

Botswana

Latest data indicates an economic slowdown in 2015. The economy is expected to record a real GDP growth rate of 1 percent compared to 3.2 percent recorded in 2014. This decline is expected to be driven by the mining sector, which fell 14 percent in 2015, reflecting reduced diamond production. Slow growth was also witnessed on the non-mining sectors, such as Water and Electricity, which recorded a decline of 104 percent. However, domestic policy initiatives (e.g. Economic Stimulus Programme) are expected to have positive impact on the economy in 2016. In this connection, the economy is forecast to grow at 4.2 percent in 2016, supported by recovery in both the mining and non-mining sectors. With respect to prices, the decrease in global prices of oil led inflation rate remaining within the central banks objective range of 3-6 percent. In 2015, annual inflation rate fell to 3.1 percent in December compared to 3.8 percent recorded during the same period in 2014. This trend is expected to continue in the next year. Authorities are anticipating a decrease in the current account surplus from P22.9 billion in 2014 to P12.9 billion in 2015. This decline is expected to be driven by a deficit in the merchandise account of the Balance of Payments. Foreign exchange reserves stood at P84.9 in 2015, representing 19 months of import cover of goods and services. The increase in foreign exchange reserves in Pula terms was mainly due to the depreciation of the Pula against major international currencies. In line with this, the Botswana Pula appreciated against the South African Rand by 13.6 percent, while it depreciated by 11.6 percent against the SDR.

Burundi

Economic conditions in Burundi continue to be fragile. Socio-political instabilities remain the main short-term risks and are likely to affect economic prospects, foreign direct investment and the attainment of the growth goals in the country. In this regard, the economy is expected to record a noticeable negative growth of 7.2 percent in 2015, compared to a positive growth of 4.5 percent in 2014. In addition, to the short-term main risks, infrastructure failure, especially electricity failure also disabled industrial production. In addition, the agricultural sector (the main driver of the economy) is expected to decline and contribute negatively to the economy. In the outlook, IMF projects the Burundi economy to improve in 2016 as the conditions in the country stabilize. General prices are expected to rise in 2015 compared to 2014. On the fiscus, the ratio of government revenue is expected to decline while government expenditure is anticipated to increase, leading into a deficit. The external position also continues to deteriorate due to low trade in regional and local markets. Therefore, the current account balance of the balance of payment is in deficit. This indicates, to a large extent, the effects of the current instability, leading to low investor and consumer confidence. However, the economic situation is anticipated to improve as these conditions stabilizes.

Kenya

Real GDP is expected to increase significantly by 1.2 percentage point from 2014 to 6.5 percent in 2015. This growth is anticipated to be driven by both demand and supply factors. On the demand side, this growth is expected to be driven by the effects of lower global oil prices, which will spur consumption. On the supply side, the strong performance in most sectors of the economy such as agriculture, forestry and fishing; construction; wholesale and retail trade; education; and finance are expected to contribute to this growth. This growth momentum is expected to prevail in 2016. A marginal growth is of 6.8 percent is forecast, and will be mostly driven by the supply side factors.

However, risks to the outlook include the threat of insecurity, which continues to hurt tourism (a key source of foreign exchange), and pressure on the budget deficit as the government increases spending (particularly on infrastructure developments). Inflation is expected to decline on account of low global oil prices and reach 6.3 percent in 2015. A further reduction is anticipated in 2016. The large twin deficits continue to leave the country in a vulnerable external position.

Lesotho

Data from Lesotho authorities indicates that real GDP averaged 4.6 percent, post the 2008/09 global economic meltdown. However, since 2012, the economy has been registering a downward trend, reaching 2.8 percent in 2015. This slowdown is due to low economic activity in the primary sector (mining and quarrying, agriculture, forestry and fishing) and spill overs from low economic activity in South Africa. An improvement in economic activity is expected in 2016 with the economy expected to grow by 0.3 percentage points. Despite this little improvement, unemployment and poverty (especially the rural economy) still remain a major socio-economic challenge for Lesotho. The current drought facing the region also has the potential to reduce the anticipated growth. Therefore, growth needs to be more inclusive in order to reduce rural poverty. Inflation rate moderated in 2015, due to a decline in the pump prices of petrol diesel and paraffin.

It recorded 3.2 percent in 2015, down from 5.4 percent recorded in 2014. This decline was also driven by recent oil price declines. Inflation is expected to continue to move in line with that in South Africa over the medium-term, due to trade relationships between the two countries. Government revenue is mostly dominated by the highly volatile and unpredictable Southern African Customs Union (SACU) receipts. Therefore, there is need to diversify revenue sources in the medium-term. Government expenditure continues to be skewed towards recurrent spending and remained higher than revenue leading to more prolonged deficits as some of these socio economic challenges will need to be financed.

Malawi

Weather related shocks in form of the late onset of rains, heavy floods and drought in some parts of the country during the 2014/15 growing season led to reduced agricultural output. Noticeably, maize yield declined substantially, which resulted into high maize prices on the market. In this regard, real GDP growth slowed down to 3 percent in 2015 compared to 5.4 percent growth recorded in 2014.

In 2016, the recovery in the agricultural sector; increased activities in the construction sector and the services sectors (such as wholesale and retail) are expected to boost economic growth. Real GDP growth is therefore projected at 5.8 percent in 2016. With respect to inflation, the raising of the policy rate to 27 percent in November 2015 and low global oil prices contributed to decelerating average annual inflation rates. However, the rising food prices and depreciation of the Malawian Kwacha is believed to have slowed down the inflation deceleration trend during the last quarter of 2015. Relatively lower export earnings, kept the current account in deficit. This is compounded by the ongoing aid freeze in the country.

Mozambique

Economic activities in Mozambique are expected to be positive, supported by sound macroeconomic management, large-scale foreign investment projects and significant donor support. The main beneficiaries of these reforms have been the sectors that include construction, services to enterprises, transport and communications, the financial sector and extractive industries. Therefore, despite the current lower commodity prices and weaker global environment, real GDP is expected to average 7.5 percent between 2014 and 2016.

On the other hand, inflation is expected to increase towards the central bank's medium target of 5–6 percent, as a result of the recent depreciation of the metical and adjustments in administered prices. Currently, inflation recorded 2.4 percent in 2015 and is expected to record 5.6 percent in 2016.

The depreciation of the exchange rate has increased both the country's debt vulnerability and balance of payment pressures. Further analysis shows an improvement in the overall current account due to a reduction in import-intensive megaproject investments. However, the worsening of the non-megaproject current continues to intensifying pressures in the foreign exchange market.

Namibia

Economic activity in Namibia is expected to slow down in 2015 compared to 2014. This is shown by a lower real GDP growth of 4.5 percent estimated for 2015 against a higher growth of 6.4 percent in 2014. This slowdown is attributed to low global demand of the country's main export commodities such as diamond and uranium. However, economic activity is expected to increase marginally by 0.5 percentage points in 2016. This growth is anticipated to be driven by mining and construction sectors. Nonetheless, this growth is anticipated to reduce slightly once the production from new mines reaches full capacity. Inflation is on a downward trend due to declining international oil prices. In 2015/16, Government revenue is estimated to decline (due to low SACU revenues) while expenditures (mainly recurrent) are predicted to rise, leading to wider fiscal deficits. The impact of low SACU revenues on the budget can be seen by much wider fiscal deficits (excluding SACU) of 15.4 percent. The current account deterioration continued mainly due to increased imports linked with investment in the mining sector and expansionary fiscal policies. In addition, any low economic activity in Namibia's export destination, (that is European market) is expected to result in downward movement of its total exports (mainly uranium ore, diamonds, beef, unrefined copper and fish). Furthermore, with its export base, the country remains vulnerable to further decline in international prices of its main commodity exports.

Rwanda

The economy is expected to grow by 6 percent in 2016 compared to 6.9 percent recorded in 2015. Growth in 2015 was driven by strong performance in the construction sector and other service sectors such as wholesale and retail trade, transport, information and communication. Investment in various projects in the country such as ICT and hydropower plant has also contributed positively to growth. The agricultural sector has also realised positive developments despite the El Niño which arose in the second half of the year.

Inflation remained well contained below the Central Bank's medium term objective of 5%, averaging at 2.5 percent in 2015. This low rate of inflation is mainly due to the decline in energy prices as a result of low global oil prices. However, the recent upward trend in food prices has led to the rise in overall inflation. The current account balance has continued to be in deficit mainly affected by higher growth in imports relative to the growth of exports. The latter has been adversely affected by the contraction in the value of mineral exports. This is expected to remain so in 2016. In addition to the current account deficit, the high demand for foreign currency and the hardening of the US dollar resulted in the depreciation of the Rwandan Franc against the USD by 7.6 percent in 2015.

Rwanda's economic outlook is tilted to the downside on the back of continued low global commodity prices, especially for minerals, and weaker growth prospects in main export markets, particularly China. The expected continuation of the current account deficit may pose exchange rate pressures going forward.

Swaziland

Revised estimates indicate that Swaziland's real GDP growth will be 1.7 percent in 2015 compared to a preliminary figure of 2.5 percent in 2014. This slowdown is mainly driven by adverse weather conditions, low levels of activity in the tourism and transport sectors. In addition, weakening regional economic prospects have affected the economy through both the trade and financial sectors, leading to the worsening of the current account. Just like in its neighbouring trade partners, inflation in Swaziland has been on a downward trend due to low international oil prices and other commodity prices. The ratio of total expenditure to GDP is expected to decline from 30.1 percent realised in 2014 to 27.8 percent in 2015. This decline is expected to be driven by the anticipated decline in SACU revenues, which will put budgetary pressures on the Swazi government. These budgetary pressures will be constrained by higher expenditures (dominated by recurrent spending) which is expected to rise from 31.3 as percent of GDP in 2014 to 32.78 percent of GDP. The ratio of debt to GDP is also expected to increase from 13.7 percent to 17.4 percent during the same period. Similarly, to Lesotho, there is need to intensify revenue diversification efforts in order to meet on-going expenditure priorities. Swaziland also lost its eligibility of trade benefits under the Africa Growth Opportunity Act, but the impacts on total growth and exports was less severe. Furthermore, the weakening of the South African rand has made Swaziland exports more competitive compared with dollar priced exports from other countries. Swaziland also faces developmental challenges similar to those of other Southern African countries. These include unemployment (28 percent in 2013/14) and poverty (head count 63 percent in 2009/10). In addition to these, Swaziland faces an additional challenge of HIV/AIDS with the prevalence of 27.7 percent among adults.

Tanzania

Tanzania's macroeconomic performance remained strong. Real GDP growth was estimated to remain at about 7 percent. Headline inflation picked up to 6.8 percent in December 2015 from 6.6 percent in the preceding month, mostly driven by food and non-alcoholic beverages inflation. However, it is expected to converge to the central bank's 5 percent target in 2016. During 2014/15, the current account deficit narrowed to 8.8 percent of GDP compared to a ten year average of 10.5 percent, and is expected to improve further in 2015/16. This improvement is largely due to a decrease in the oil import bill, coupled with an increase in receipts from tourism, manufactured goods and transportation services in the region.

Uganda

The economy continued to grow at a moderate pace. Economic growth for 2014/15 was 5.0 per cent, a slight improvement compared to the growth rate of 4.8 per cent in 2013/14. Export performance continued to be a drag on growth, with the value of exports contracting by 7.5 per cent compared to the growth in the value of imports, which grew robustly at 15.5 per cent. Since March 2015, inflation has been rising on account of the depreciation pressures, increasing prices of food crops, and strong domestic demand. The Bank of Uganda has embarked on a tight monetary policy stance to ensure that annual core inflation remains around the target of 5 per cent over the medium term. The fiscal stance for the Financial Year (FY) 2015/16 is centered on supporting economic growth by addressing the infrastructural constraints in the economy. However, downside risks to the projected output path include weakened domestic demand due to a tight monetary policy stance, possible delays in commencement of public investments, and declines in private investment and consumption coupled with a weak external environment. In the short-to medium-term, Uganda's Balance of Payments is likely to remain fragile because of low international prices for the country's export commodities and high imports for government infrastructure projects.

Zambia

Preliminary data suggest that economic activity in the country remained constrained in the fourth quarter of 2015. GDP growth for 2015 is projected at 3.6 percent compared to 4.9 percent recorded in 2014. The decrease in economic activity was mainly attributed to adverse weather conditions which led to a decline in output in the agriculture sector and power rationing, which affected productivity in key sectors. In addition, the sharp depreciation in the exchange rate raised production and transportation costs, as well as the cost of inputs in general. External sector developments also contributed to lower growth. The current account deteriorated to a deficit of US$767.7 million from a surplus of US$581.2 million recorded the previous year. This deterioration was on account of a decline in export earnings, resulting from the depressed copper prices. Annual overall inflation increased to 21.1 percent in December 2015, significantly higher than the 7.7 percent in September. The higher inflation in the last quarter of 2015 was mainly a result of the pass-through effects from the sharp depreciation in the exchange rate, high food prices, elevated production costs induced by power rationing, and the increase in electricity tariffs.

Zimbabwe

Growth slowed to 1.5 percent as at end of 2015 from 3.8 percent in 2014, driven mainly by a slowdown in the agricultural sector, caused by the drought, deteriorating electricity supply conditions, and the downturn in international commodity prices. Year-on-year inflation closed at -2.47 percent in December 2015, down from -0.20 percent in the previous year. Inflation has remained in the negative territory since the fourth quarter of 2014 against the backdrop of waning aggregate demand. The external position remains delicate and the overall balance of payments deteriorated from a deficit of US$40.3 million in 2014 to US$385.8 million as at the end of December 2015.

However, growth is expected to improve in the outlook on account of on-going reforms and policies aimed at transforming the economy through rebalancing it away from being consumptive to a productive one, and to plug the leakages of liquidity from the economy.

3. Annexes

Annex 1: Macroeconomic Indicators in the MEFMI Region 2010-2016

Indicators	Country	2010	2011	2012	2013	2014	2015	2016 IMF Data Base
Inflation Rates Consumer Prices-Annual Average	Angola	15.3	11.4	9.0	7.7	7.5	14.3	14.2
	Botswana	6.9	8.5	7.5	5.9	4.4	3.0	4.4
	Burundi	6.5	9.6	18.2	7.9	4.4	7.4	6.2
	Kenya	4.1	14.0	9.4	5.7	6.9	6.3	5.9
	Lesotho	3.6	5.0	6.1	5.3	5.4	3.2	4.1
	Malawi	7.4	7.6	27.3	24.2	23.8	21.9	14.0
	Mozambique	12.7	10.4	2.1	4.2	2.3	2.4	5.6
	Namibia	4.9	5.0	6.7	5.6	5.4	3.4	6.0
	Rwanda	2.3	5.7	6.3	4.2	1.8	2.1	4.3
	Swaziland	4.5	6.1	8.9	5.6	5.7	5.2	5.7
	Tanzania	7.2	12.7	16.0	7.9	6.1	5.6	5.9
	Uganda	4.0	18.7	14.0	5.5	4.3	5.2	6.5
	Zambia	8.2	6.4	6.6	7.0	7.8	10.0	7.5
	Zimbabwe	3.1	3.5	3.7	1.6	-0.2	-2.4	0.0
	MEFMI Average	6.5	8.9	10.1	7.0	6.1	6.3	6.4
	South Africa	4.3	5.0	5.7	5.8	6.1	4.8	6.0
	Sub-Saharan Africa	8.2	9.5	9.4	6.6	6.4	6.9	7.3
	World	3.8	5.2	4.2	3.9	3.5	3.3	3.4
Nominal GDP (in US$ billions)	Angola	82.5	104.1	115.3	124.2	129.3	102.0	98.8
	Botswana	12.8	15.7	14.8	15.1	15.2	13.1	13.0
	Burundi	2.0	2.4	2.5	2.7	3.1	3.0	3.2
	Kenya	40.0	42.0	50.4	54.9	60.9	63.1	68.9
	Lesotho	2.3	2.5	2.4	2.3	2.2	2.0	2.1
	Malawi	7.0	8.0	6.0	5.4	6.1	6.4	6.1
	Mozambique	10.5	13.2	14.9	15.6	16.7	17.0	19.0
	Namibia	11.3	12.4	13.0	12.9	13.6	12.9	13.7
	Rwanda	5.7	6.4	7.2	7.5	7.9	8.5	9.2
	Swaziland	4.5	5.0	4.9	4.6	4.4	4.3	4.4
	Tanzania	31.1	33.6	39.1	44.4	48.1	46.2	46.9
	Uganda	20.2	21.1	24.6	25.6	27.6	24.9	26.6
	Zambia	20.3	23.7	24.9	26.8	26.6	24.5	25.2
	Zimbabwe	9.4	11.0	12.5	13.5	13.8	13.9	14.3
	Total MEFMI	18.5	21.5	23.8	25.4	26.8	24.4	25.1
	South Africa	375.3	417.1	397.4	366.2	350.1	317.3	326.541
	Sub-Saharan Africa	1,273.3	1,458.8	1,533.4	1,613.9	1,680.3	1,509.8	1,550.9
	World	65,338.9	72,422.5	73,777.3	75,467.1	77,269.2	73,506.8	76,321.3
Real GDP Growth	Angola	3.6	1.9	7.6	4.2	4.7	4.0	3.5
	Botswana	8.6	6.0	4.5	9.9	3.2	1.0	4.2
	Burundi	5.1	4.2	4.0	4.5	4.7	-7.2	5.2
	Kenya	8.4	6.1	4.6	5.7	5.3	6.5	6.8
	Lesotho	7.9	4.0	5.0	4.5	3.6	2.6	2.9
	Malawi	11.1	2.9	2.1	6.1	5.4	3.0	5.0
	Mozambique	7.1	7.1	7.2	7.1	7.2	7.0	8.2
	Namibia	6.0	5.1	5.1	5.7	6.4	4.5	5.0
	Rwanda	6.3	7.5	8.8	4.7	6.9	6.5	7.0
	Swaziland	1.4	1.2	3.0	2.9	2.5	1.9	0.7
	Tanzania	6.4	7.9	5.1	7.3	7.0	6.9	7.0
	Uganda	7.7	6.8	2.6	4.4	4.7	5.2	5.5
	Zambia	10.3	6.3	6.7	6.7	5.0	4.3	4.0
	Zimbabwe	11.4	11.9	10.6	4.5	3.8	1.5	2.7
	MEFMI Average	7.2	5.6	5.5	5.6	5.0	3.4	4.8
	South Africa	3.0	3.2	2.2	2.2	1.5	1.5	1.7
	Sub-Saharan Africa	6.6	5.0	4.3	5.2	6.3	3.0	4.1
	World	5.4	4.2	3.4	3.3	3.4	3.1	3.4
Population (in millions)	Angola	17.4	17.9	18.6	19.2	24.4	25.1	25.9
	Botswana	1.9	2.0	2.1	2.1	2.1	2,2	2.2
	Burundi	8.4	8.6	8.8	8.9	9.2	9.4	9.6
	Kenya	39	40	41	42	43	44.1	45.2
	Lesotho	1.9	1.9	1.9	1.9	1.9	1.9	1.9
	Malawi	13.9	14.4	14.8	15.3	15.8	16.3	18.6
	Mozambique	22.4	23.0	23.7	24.4	25.0	25.7	27.8
	Namibia	2.0	2.1	2.2	2.2	2.2	2.3	2.2
	Rwanda	10.0	10.2	10.5	10.8	11.1	11.4	11.7
	Swaziland	1.1	1.1	11	1.1	1.1	1.1	1.1
	Tanzania	42.83	43.88	44.93	45.83	46.74	47.67	48.63
	Uganda	34.0	35.1	36.3	37.6	38.7	39.9	41.1

		Zambia	13.1	13.7	14.1	14.6	15.0	15.5	16.0
		Zimbabwe	12.3	12.5	13.1	13.4	13.8	14.2	13.6
		MEFMI Region	227.6	233.7	240.3	246.5	252.8	259.1	265.6
		South Africa	50.8	51.6	52.3	53.2	54.0	54.9	55.7
		Sub-Saharan Africa	800.1	830.3	851.9	873.7	895.8	918.3	941.2
		World	6,916.00	7,000.00	7,081.25	7,162.50	7,243.75	7,325.00	7,403.400
Per Capita Income (in US$)		Angola	2,574.59	2,576.53	2,593.90	2,644.62	2,668.66	2,815.60	3,819.93
		Botswana	6.43	7.76	7.11	6.97	7.36	6,149.67	6,040.56
		Burundi	242.84	276.688	286.043	303.004	336.256	315.197	336.599
		Kenya	1,040	1,061	1,240	1,315	1,418	1,432.09	1,522.00
		Lesotho	820.95	874.78	886.30	934.80	980.39	1,014.61	1,091.66
		Malawi	219.2	222.1	219.9	224.4	231.4	239.0	330.005
		Mozambique	436.3	534.2	602.2	619.8	624.3	626.233	684.804
		Namibia	5,405	5,871	6,039	5,811	5,811	5,787.15	6,118.17
		Rwanda	569.786	628.084	687.893	696.495	711.68	742.852	789.331
		Swaziland	7,389.04	8,089.87	7,592.20	6,889.70	6,482.75	5,783.50	5,859.08
		Tanzania	4,306.80	4,657.48	4,550.69	4,178.00	3,994.22	3,847.66	3,847.56
		Uganda	629	673	735	746	780	625.299	648.163
		Zambia	1,547.0	1,550.4	1,516.9	1,497.4	1,344.9	843.23	1,569.05
		Zimbabwe	766.6	879.4	954.9	1004.5	1030.4	981.6	1,054.43
		MEFMI Region	717.82	735.40	753.39	771.26	787.30	810.01	
		South Africa	7,389.04	8,089.87	7,592.20	6,889.70	6,482.75	5,783.50	5,859.08
		Sub-Saharan Africa	951.63	974.21	988.13	998.33	1,008.69	1,029.28	
		World	7,343.92	7,554.23	7,677.17	7,772.14	7,850.17	8,016.55	
Private Consumption (in percent of GDP)		Angola	9.6	6.3	7.2	9.8	4.6	9.0	…
		Botswana	49.1	45.3	51.0	53.0	48.3	…	…
		Burundi	…	…	…	….	…	…	…
		Kenya	77.2	78.8	78.8	80.9	80.7	…	…
		Lesotho	102.5	99.2	99.1	97.8	93.3	…	…
		Malawi	71.5	71.9	77.5	73.7	…	…	…
		Mozambique	77.8	75.9	77.9	75.3	72.2	…	…
		Namibia	63.2	66.4	65.1	65.2	64.5	…	…
		Rwanda	…	…	…	….	…	…	…
		Swaziland	…	…	…	…	…	…	…
		Tanzania	…	…	…	….	…	…	…
		Uganda	…	…	…	…	…	…	…
		Zambia	57.4	55.7	56.5	54.0	51.6	…	…
		Zimbabwe	86.3	102.1	94.9	96.6	81.2	…	…
Gross National Savings (in percent of GDP)		Angola	37.7	42.1	43.7	39.2	37.7	42.1	5.759
		Botswana	35.9	42.8	40.9	39.8	47.591	35.574	33.556
		Burundi	7.798	6.384	2.728	1.623	2.387	3.68	10.341
		Lesotho	20.7	13.9	18.7	27.0	20.2	26.908	19.21
		Kenya	3.22	3.85	1.60	(1.93)	(3.00)	14.067	14.496
		Malawi	24.7	9.4	12.7	18.9	18.1	8.928	6.113
		Mozambique	0.9	-7.3	-0.9	12.5	9.5	10.481	9.458
		Namibia	96.8	96.0	98.4	102.2	102.2	17.46	16.465
		Swaziland	-2.068	-2.241	8.612	12.949	12.156	11.2	5.159
		Rwanda	17.839	16.363	14.666	19.098	14.371	14.698	15.871
		Tanzania	21.248	21.647	19.293	15.096	21.884	22.694	23.907
		Uganda	16.908	18.703	21.498	21.974	20.589	22.836	23.561
		Zambia	28.1	27.1	24.9	33	29.4	31.1	28.1
		Zimbabwe	15.3	-3.5	-1.3	-4.7	-3.2	-10.5	-7.056
Government Finance	**Government Revenue (percent of GDP)**	Angola	43.5	48.8	46.5	40.2	35.3	25.4	27.586
		Botswana	39.3	34.8	35.1	36.4	37.5	38.7	32.663
		Burundi	37.207	35.854	31.375	29.648	26.691	24.363	24.641
		Lesotho	55.9	49.9	63.5	60.2	60.0	60.179	50.818
		Kenya	18.1	18.1	17.3	17.2	18.5	20.401	21.384
		Malawi	29.3	23.9	25.5	22.1	21.1	24.589	24.539
		Mozambique	17.9	19.8	21.9	26.3	27.3	30.386	29.119
		Namibia	31.8	31.6	34.3	32.8	34.2	33.5	29.594
		Swaziland	20.579	20.179	29.802	29.096	30.32	27.274	22.377
		Rwanda	26.307	24.615	24.233	25.058	24.066	22.551	20.973
		Tanzania	15.479	15.582	15.665	15.461	14.854	15.108	15.95
		Uganda	13.164	14.504	13.487	12.784	13.622	15.19	15.291
		Zambia	19.6	21.7	22.7	18.4	19.3	18	16.792
		Zimbabwe	24.7	26.7	28.0	27.7	26.6	28.051	26.972
	Government Expenditure (percent of GDP)	Angola	36.7	38.6	39.8	39.9	41.9	29.6	28.986
		Botswana	51.6	41.9	35.3	35.8	32.2	34.8	32.241
		Burundi	40.844	39.782	34.902	31.361	30.137	30.34	29.432
		Lesotho	60.9	55.6	63.4	56.9	59.1	63.364	61.24
		Kenya	24.8	25.6	23.8	26.2	28.6	28.541	28.687
		Malawi	28.0	26.8	27.3	28.0	23.4	30.987	27.745
		Mozambique	30.0	32.2	30.7	34.0	42.2	36.934	34.264
		Namibia	43.3	40.4	42.1	46.0	46.0	43.0	36.963
		Swaziland	29.397	23.792	25.61	28.637	31.889	31.715	29.09

		Rwanda	25.869	26.459	25.866	27.622	27.675	25.736	24.031
		Tanzania	20.247	19.146	19.783	19.38	18.019	19.106	19.854
		Uganda	18.836	17.165	16.484	16.803	17.085	18.741	19.483
		Zambia	22.6	23.9	26.0	25.1	24.8	25.655	23.271
		Zimbabwe	22.7	26.5	28.1	29.6	27.6	29.318	27.47
	Overall Fiscal Balance Excluding Grants (percent of GDP)	Angola	6.8	10.2	6.6	0.3	-6.6	-4.2	…
		Botswana	-11.7	-7.1	-0.2	0.8	5.5	…	…
		Burundi	…	…	…	…	…	…	…
		Lesotho	-10.5	-14.3	-8.5	-2.6	-1.5	…	…
		Kenya	-4.5	-4.5	-4.4	-5.4	-5.9	…	…
		Malawi	-8.0	-6.3	-12.4	-25.5	-13.3	…	…
		Mozambique	-12.0	-12.5	-8.9	-7.9	-14.8	…	…
		Namibia	-4.6	-7.3	-0.3	-3.6	-6.1	-6.8	…
		Swaziland	…	…	…	…	…	…	…
		Rwanda	…	…	…	…	…	…	…
		Tanzania	…	…	…	…	…	…	…
		Uganda	…	…	…	…	…	…	…
		Zambia	-7.4	-7.3	-7.3	-6.5	-6.0	…	…
		Zimbabwe	2.1	0.2	-0.1	-1.8	-1.0	…	….
	Government Debt (percent of GDP)	Angola	…	…	…	24.5	31.0	…	…
		Botswana	21.0	25.9	26.3	25.2	22.6	22.9	…
		Burundi	…	…	…	…	…	…	…
		Lesotho	35.6	37.7	43.4	41.7	42.8	…	…
		Kenya	34.8	36.2	36.0	36.6	41.4	…	…
		Malawi	35.1	44.0	53.4	72.9	48.6	…	…
		Mozambique	…	36.0	39.9	50.9	56.6	…	…
		Namibia	15.7	26.6	24.6	24.3	23.2	31.0	…
		Swaziland	…	…	…	…	…	…	…
		Rwanda	…	…	…	…	…	…	…
		Tanzania	…	…	…	…	…	…	…
		Uganda	…	…	…	…	…	…	…
		Zambia	22.1	20.1	24.2	28.5	35.1	…	
		Zimbabwe	68.2	59.1	54.3	51.8	48.1	…	
External Sector	Exports of Goods and Services (percent of GDP)	Angola	62.2	62.2	58.1	55.7	46.8	…	…
		Botswana	43.6	48.9	48.4	61.9	62.2	…	…
		Burundi	…	…	…	…	…	…	…
		Lesotho	42.2	48.7	42.6	39.7	39.5	…	…
		Kenya	22.5	23.6	21.9	19.6	18.2	…	…
		Malawi	27.5	28.5	22.0	24.5	25.6	24.0	…
		Mozambique	27.0	28.4	33.4	32.0	29.0	…	…
		Namibia	41.6	41.4	41.9	43.7	43.5	…	…
		Swaziland	…	…	…	…	…	…	…
		Rwanda	…	…	…	…	…	…	…
		Tanzania	…	…	…	…	…	…	…
		Uganda	17.6	19.8	20.2	20.9	17.3	…	…
		Zambia	36.6	37.6	39.5	39.5	37.6	…	…
		Zimbabwe	35.7	43.4	33.9	31.5	30.7	…	…
	Imports of Goods and Services (in percent of GDP)	Angola	42.8	40.2	37.1	39.4	41.2	…	…
		Botswana	51.3	52.5	60.3	61.9	55.2	…	…
		Burundi	…	…	…	…	…	…	…
		Kenya	33.8	39.0	35.5	33.4	33.6	…	…
		Lesotho	110.9	105.8	113.3	101.4	101.1	…	…
		Malawi	44.9	39.8	41.0	52.0	46.0	…	…
		Mozambique	49.5	62.1	89.1	83.1	72.5	…	…
		Namibia	-52.0	-50.8	-55.7	-59.3	-63.9	…	…
		Rwanda	…	…	…	…	…	…	…
		Swaziland	…	…	…	…	…	…	…
		Tanzania	…	…	…	…	…	…	…
		Uganda	31.4	34.4	31.7	30.4	28.6	…	…
		Zambia	25.8	30.2	35.3	38.1	35.9	…	…
		Zimbabwe	56.8	74.4	59.7	58.0	51.9	…	…
	Real Effective Exchange Rate (2010 =100)	Angola	51.5	52.5	53.6	56.9	72.8	113.9	
		Botswana	102.5	103.4	104.5	107.5	10.6.3	106.9	…
		Burundi	…	…	…	…	…	…	…
		Kenya	79.2	88.8	84.5	86.1	87.9	…	…
		Lesotho	…	…	…	…	…	…	…
		Malawi	100.0	96.8	68.5	26.7	22.6	…	…
		Mozambique	…	…	…	…	…	…	…
		Namibia	124.5	125.4	125.4	115.2	105.8	…	…
		Rwanda	…	…	…	…	…	…	….
		Swaziland	…	…	…	…	…	…	
		Tanzania	…	…	…	…	…	…	
		Uganda	…	…	…	…	…	…	…
		Zambia	106.7	109.4	106.7	97.2	101.2	…	…
		Zimbabwe	112.5	101.1	95.4	82.4	72.1	…	…

	External Current Account, Excluding Grants (percent of GDP)	Angola	9.0	11.9	11.2	6.7	-2.8	-5.8	-5.6
		Botswana	-12.6	-4.4	-11.5	-2.1	5.2	2.775	0.144
		Burundi	-12.202	-13.616	-17.272	-18.377	-17.613	-11.32	-9.659
		Lesotho	-6.7	-5.3	-14.4	-5.8	-10.6	-6.303	-13.915
		Kenya	-11.7	-15.5	-14.0	-14.4	-16.2	-9.575	-9.194
		Malawi	-21.4	-12.7	-14.6	-23.9	-18.1	-13.2	-2.478
		Mozambique	-25.9	-35.5	-54.5	-46.3	-40.7	-40.977	-45.341
		Namibia	-14.2	-14.6	-17.7	-16.4	-21.5	-12.112	-16.267
		Swaziland	-8.552	-6.822	3.149	5.234	2.909	1.092	-2.824
		Rwanda	-7.26	-7.453	-11.364	-7.424	-11.924	-10.568	-9.553
		Tanzania	-7.674	-10.819	-11.662	-10.347	-9.308	-8.172	-7.139
		Uganda	-10.81	-11.32	-8.55	-7.87	-10.33	-10.523	-11.272
		Zambia	5.6	3.4	4.2	-1.3	-1.7	-1.393	-2.556
		Zimbabwe	-20.7	-33.3	-27.1	-29.2	-21.9	-18.1	-21.797
Monetary Policy Indicators	Reserves (Months of Imports of Goods and Services)	Angola	6.6	7.8	8.6	8.1	6.2	7.7	…
		Botswana	15.8	14.5	11.5	11.5	13.1	19	
		Burundi	…	…	…	…	…	…	…
		Lesotho	4.6	4.5	4.8	6.2	6.1	…	
		Kenya	3.9	3.7	4.3	4.5	4.9	…	
		Malawi	2.2	1.5	1.1	2.1	3.1	3.2	
		Mozambique	7.5	6.3	4.7	4.8	4.7	3.8	
		Namibia	2.9	3.8	3.0	2.6	1.8		
		Swaziland	…	…	…	…	…	…	…
		Rwanda	…	…	…	…	…	…	…
		Tanzania	…	…	…	…	…	…	
		Uganda	4.0	3.8	4.6	4.8	4.9	…	…
		Zambia	3.3	3.0	3.3	3.1	4.2	…	…
		Zimbabwe	1.0	0.6	0.7	0.5	0.6	…	…
	Interest Rates (T-Bill Rate)	Angola	10.8	3.9	3.4	3.6	6.4	…	…
		Botswana	7.5	7.7	5.6	5.60	4.31	…	…
		Burundi	…	…	…	…	…	…	…
		Lesotho	6.24	5.35	5.46	5.3	6	…	…
		Kenya	2.3	18.3	8.3	9.5	8.6	…	…
		Malawi	6.2	7.7	20.0	32.3	26.9	23.9	…
		Mozambique	12.4	15.5	5.8	5.0	6.4	6.8	…
		Namibia	6.72	5.91	5.69	5.65	6.02	…	…
		Swaziland	…	…	…	…	…	…	…
		Rwanda	…	…	…	…	…	…	…
		Tanzania	…	…	…	…	…	…	…
		Uganda	7.3	15.9	17.3	13.1	12.7	…	…
		Zambia	6.6	10.5	10.8	12.8	17.6	…	…
		Zimbabwe	…	…	…	…	…	…	…
	Average Deposit Rates	Angola	1.7	8.6	7.0	5.6	4.9	…	
		Botswana	3.72	3.37	3.14	2.36	2.63	3.72	
		Burundi	…	…	…	…	…	…	…
		Kenya	3.6	6.9	6.8	6.7	6.8	3.6	
		Lesotho	3.68	2.7	2.85	2.85	2.73	2.33	
		Malawi	3.8	3.8	10.5	9.0	8.5	8.4	
		Mozambique	10.5	13.1	12.4	9.7	9.3	8.9	
		Namibia	5.0	4.3	4.2	3.9	4.3	…	
		Rwanda		…	…	…	…	…	…
		Swaziland	…	…	…	…	…	…	…
		Tanzania	…	…	…	…	…	…	…
		Uganda	7.7	13.3	16.8	12.1	10.8	…	…
		Zambia	5.2	5.0	4.9	4.4	5.1	…	…
		Zimbabwe	10.3	9.1	12.0	12.0	12.0	8.6	…
	Average Lending Rates(Quarterly data are end of period actual rate)	Angola	23.7	17.7	15.1	13.1	13.7	…	…
		Botswana	11.0	11.0	11.0	9.3	9.0	…	…
		Burundi	…	…	...	…	…	…	…
		Lesotho	11.2	10.4	10.1	9.9	10.3	…	…
		Kenya	13.9	20.0	18.2	16.9	15.9	…	…
		Malawi	20.0	14.0	25.6	28.8	29.8	…	…
		Mozambique	19.9	23.6	22.2	20.1	20.8	18.7	…
		Namibia	9.7	8.7	8.7	8.3	8.7	9.3	
		Swaziland	…	…	…	…	…	…	…
		Rwanda	…	…	…	…	…	…	…
		Tanzania	…	…	…	…	…	…	…
		Uganda	20.2	21.8	26.2	23.3	21.6	…	
		Zambia	27.7	25.8	19.1	16.3	18.7	…	
		Zimbabwe	24.6	23.5	22.5	20.5	20.4	…	
Unemployment, total (percent of total labor force) (modeled ILO estimate)		Angola	7.60	7.60	7.60	7.50	…	…	…
		Botswana	17.8	19.9	-	20.0	…	…	…
		Kenya	9.40	9.30	9.30	9.20	20.00	…	…
		Burundi	…	…	…	…	….	…	…
		Lesotho	25.3	25.3	25.3	25.3	25.3	…	…
		Malawi	7.50	7.60	7.60	7.60	…	…	…
		Mozambique	7.60	7.50	7.50	7.50	…	…	…
		Namibia	37.0	37.0	27.4	29.6	28.1	37.0	…

	Rwanda	0.60	0.60	0.60	0.60	…	…	…
	Swaziland	22.90	22.80	22.70	28.5	..	..	…
	Tanzania	2.50	3.00	3.50	3.50	…	…	…
	Uganda	4.20	4.20	4.20	4.20	…	…	…
	Zambia	15.60	13.20	13.20	13.10	…	…	…
	Zimbabwe	11.4	10.7	11.1	10.7	11.3		…

Sources: Member States Central Banks, Ministries of Finance, Central Statistical Offices and IMF data base.

Annex 2: Other Useful Indicators

Annex 2-1: Global Competitiveness Index, 2013/2014-2015/16

Country		2013/2014		2014/2015		2015/2016	
		Rank	Score/7.0	Rank	Score/7.0	Rank	Score/7.0
		Global Ranking – Top 10					
1.	**Switzerland**	1	5.7	1	5.7	1	5.76
2.	**Singapore**	2	5.6	2	5.6	2	5.68
3.	**United States**	5	5.5	3	5.5	3	5.61
4.	**Germany**	4	5.5	5	5.5	4	5.53
5.	**Netherlands**	8	5.4	8	5.5	5	5.50
6.	**Japan**	9	5.4	6	5.5	6	5.47
7.	**Hong Kong**	7	5.5	7	5.5	7	5.46
8.	**Finland**	3	5.5	4	5.5	8	5.45
9.	**Sweden**	6	5.5	10	5.4	9	5.43
10.	**United Kingdom**	10	5.4	9	5.4	10	5.43
		Sub-Saharan Africa - Top 10					
1.	**Mauritius**	45	4.5	39	4.5	46	4.43
2.	**South Africa**	53	4.4	56	4.4	49	4.39
3.	**Rwanda**	66	4.2	62	4.3	58	4.29
4.	**Botswana**	74	4.1	74	4.2	71	4.19
5.	**Namibia**	90	3.9	88	4.0	85	3.99
	Cote'd Ivoire	126	3.5	115	3.7	91	3.93
6.	**Zambia**	93	3.9	96	3.9	96	3.87
7.	**Seychelles**	80	4.1	92	3.9	97	3.86
9.	**Kenya**	96	3.9	90	3.9	99	3.85
10.	**Gabon**	112	3.7	106	3.7	103	3.83
		MEFMI Region - All					
1.	**Rwanda**	66	4.2	62	4.3	58	4.29
2.	**Botswana**	74	4.1	74	4.2	71	4.19
3.	**Namibia**	90	3.9	88	4.0	85	3.99
4.	**Zambia**	93	3.9	96	3.9	96	3.87
5.	**Kenya**	96	3.9	90	3.9	99	3.85
6.	**Lesotho**	123	3.7	107	3.2	113	3.70
7.	**Uganda**	129	3.5	122	3.6	115	3.66
8.	**Tanzania**	125	3.5	121	3.6	120	3.57
9.	**Zimbabwe**	131	3.4	124	3.6	125	3.45
10.	**Swaziland**	124	3.5	123	3.5	128	3.40
11.	**Mozambique**	137	3.3	133	3.7	133	3.20
12.	**Malawi**	136	3.3	132	3.2	135	3.15
13.	**Burundi**	146	2.9	139	3.1	136	3.11
14.	**Angola**	142	3.2	140	3.0	--	--

***Source**: 2015/2016 Global Competitiveness Index (GCI) Report*

<u>Note</u>: The World Economic Forum's Global Competitiveness Index ranks 140 countries out of 114 indicators that capture concepts that matter for productivity. These indicators are grouped into 12 pillars namely: institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labor market efficiency, financial market development, technological readiness, market size, business sophistication, and innovation. Based on these Switzerland is ranked top, with all-time score of 5.76, while the lowest is Guinea with a lowest with a score of 2.84. The highest for Sub-Saharan Africa is Mauritius (globally ranked at 46) with a score of 4.43. Rwanda is ranked high in the MEFMI Region at 58 with a score of 4.29

Annex 2-2: Ease of Doing Business, 2006-2016

Country		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Global Ranking – Top 10												
1.	**Singapore**	1	1	1	1	1	1	1	1	1	1	1
2.	**New Zealand**	2	2	2	3	3	3	3	3	3	2	2
3.	**Denmark**	6	6	5	5	6	6	5	5	5	4	3
4.	**Korea, Rep.**	20	19	22	23	19	16	8	8	7	5	4
5.	**Hong Kong**	4	4	4	2	2	2	2	2	2	3	5
6.	**United Kingdom**	5	5	6	6	5	4	7	7	10	8	6
7.	**United States**	3	3	3	4	4	5	4	4	4	7	7
8.	**Sweden**	14	13	17	18	9	14	14	14	9	9	8
9.	**Norway**	8	9	9	10	10	8	6	6	9	6	9
10.	**Finland**	13	13	13	14	16	13	11	11	12	9	10
Sub-Saharan Africa - Top 10												
1.	**Mauritius**	31	32	29	24	17	20	23	19	20	28	32
2.	**Rwanda**	132	145	148	143	67	58	45	52	32	46	62
3.	**South Africa**	30	31	35	32	34	34	35	39	41	43	63
4.	**Botswana**	40	48	53	39	45	52	54	59	56	74	72
5.	**Seychelles**	83	84	90	105	111	109	103	77	80	104	95
6.	**Zambia**	73	90	101	99	90	76	84	94	83	111	97
7.	**Namibia**	35	39	49	54	66	69	78	87	98	88	101
8.	**Swaziland**	..	87	99	114	115	118	124	123	123	110	105
9.	**Kenya**	83	82	72	84	95	106	109	122	129	129	108
10.	**Ghana**	88	100	83	87	92	67	63	64	67	70	114
MEFMI Region - All												
1.	**Rwanda**	132	145	148	143	67	58	45	52	32	46	62
2.	**Botswana**	40	48	53	39	45	52	54	59	56	74	72
3.	**Zambia**	73	90	101	99	90	76	84	94	83	111	97
4.	**Namibia**	35	39	49	54	66	69	78	87	98	88	101
5.	**Swaziland**	..	87	99	114	115	118	124	123	123	110	105
6.	**Kenya**	83	82	72	84	95	106	109	122	129	129	108
7.	**Lesotho**	91	105	119	128	130	138	143	136	136	151	114
8.	**Uganda**	86	104	107	106	112	122	123	120	132	135	122
9.	**Mozambique**	129	147	139	140	135	126	139	146	139	128	133
10.	**Tanzania**	110	112	124	126	131	128	127	134	145	140	139
11.	**Malawi**	104	125	131	131	132	133	145	157	171	144	141
12.	**Burundi**	146	168	174	177	176	181	169	159	140	151	152
13.	**Zimbabwe**	122	140	154	160	159	157	171	172	170	153	155
14.	**Angola**	144	166	169	170	169	163	172	172	179	183	181

***Source**: 2015/2016 Ease of Doing Business Index (EDBI) - The World Bank*

***Note:** The 2016 doing business report ranks data for 189 economies on 10 areas of business regulation. i.e. starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency in order develop an overall ease of doing business ranking. A high ranking index means the regulatory environment is more conducive to the starting and operation of Businesses. Latest rankings indicates that, Singapore is ranked top (1) while Eritrea is ranked the lowest at 189. The highest for Sub-Saharan Africa is Mauritius (32) followed by Rwanda (62). The MEFMI Region is led by Rwanda and followed by Botswana (72).*

Annex 2-3: Corruption Perception Index, 2013/2014-2015/2016

Country		2013/2014		2014/2015		2015/2016	
		Rank	Score/100	Rank	Score/100	Rank	Score/100
Global Ranking – Top 10							
1.	**Denmark**	1	91	1	92	1	91
2.	**New Zealand**	1	91	2	91	4	91
3.	**Finland**	3	89	3	89	2	89
4.	**Sweden**	3	89	4	87	3	87
5.	**Norway**	5	86	5	86	5	86
6.	**Switzerland**	7	85	5	86	7	86
7.	**Singapore**	5	86	7	84	8	84
8.	**Netherlands**	8	83	8	83	5	83
9.	**Luxembourg**	11	80	9	82	10	82
10.	**Canada**	9	81	10	81	9	81
Sub-Saharan Africa - Top 10							
1.	**Botswana**	30	65	30	64	31	63
2.	**Cape Verde**	39	60	41	58	42	57
3.	**Seychelles**	51	52	47	54	43	55
4.	**Mauritius**	43	57	52	52	47	54
5.	**Rwanda**	50	53	49	53	55	49
6.	**Namibia**	58	48	55	49	55	49
7.	**Lesotho**	64	45	57	48	55	49
8.	**Ghana**	64	45	63	46	61	48
9.	**South Africa**	69	43	72	42	67	44
10.	**Senegal**	94	36	77	41	69	43
MEFMI Region - All							
1.	**Botswana**	30	65	30	64	31	63
2.	**Rwanda**	50	53	49	53	55	49
3.	**Namibia**	58	48	55	49	55	49
4.	**Lesotho**	64	45	57	48	55	49
5.	**Swaziland**	88	37	82	39	69	43
6.	**Zambia**	88	37	83	38	85	38
7.	**Malawi**	88	37	91	37	110	33
8.	**Mozambique**	123	31	119	30	119	31
9.	**Tanzania**	102	35	111	33	119	31
10.	**Uganda**	130	29	140	26	142	26
11.	**Kenya**	139	27	136	27	145	25
12.	**Zimbabwe**	163	20	157	21	156	21
13.	**Burundi**	165	19	157	21	159	20
14.	**Angola**	157	22	153	23	161	19

Source: *2015 Corruption Perception Index (CPI) Report-Transparency International (TI)*

***Note**: The Corruption Perception Index report ranks 168 countries/territories around the world according to the extent to which corruption is believed to exist. These countries/territories are ranked on a scale of zero to 100, with zero indicating high levels of corruption and 100 indicating low levels. Developed countries typically rank higher than developing nations due to stronger regulations. The highest score is for Denmark, ranked top, with a score of 91 and while the lowest is North Korea and Somalia, both ranked 167 with a score of 8. The highest for Sub-Saharan Africa is Botswana, ranked 31st with a score of 63 followed by Cape Verde in 42nd place with 57. The MEFMI Region is led by Botswana, followed by Rwanda, Namibia and Lesotho all tied up number 55 with an equal score of 49.*