



Country Quarterly Update

Africa

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- **North Africa** – GDP growth is forecast to slow this year, mainly reflecting a deterioration in Libya's growth outlook due to potential oil output disruptions. Rising inflation across oil importing countries is also expected to weigh on regional growth.
- **Southern Africa** – The powerhouses in the region, namely South Africa and Angola, continue to struggle. Therefore, economic growth for the region has been lowered once again. Except for the gem in the Indian ocean, Mauritius, the rest of the countries in the region are all underperforming by quite some margin.
- **Central & West Africa** – Regional GDP growth is now seen at 2.6% in 2018, down from 3% previously. This is mainly ascribed to signs that Nigeria's economic rebound remains especially fragile, a situation exacerbated by lower oil output in Q2.
- **Franc zone** – Economic growth is forecast to accelerate to 4.3% this year thanks to good growth prospects for Cameroon, Ivory Coast, Mali and Senegal. The robust economic expansion is mostly due to continued strong public investment spending.
- **East Africa** – The past quarter has seen some notable developments in the political space, with Ethiopia's Prime Minister Abiy and Kenyan President Kenyatta making some good progress with regard to policy reforms and fighting graft, respectively.



North Africa

In our last Africa Quarterly Report, we warned that rising tensions in Libya ahead of elections could see oil production disrupted. Shortly thereafter, the country's main oil ports were seized, and oil production came to a halt. While the authorities have retaken the ports, the risk of further disruptions remains. In neighbouring Egypt, President Abdel Fattah Al-Sisi reshuffled his cabinet with key changes in the defence and interior ministries.

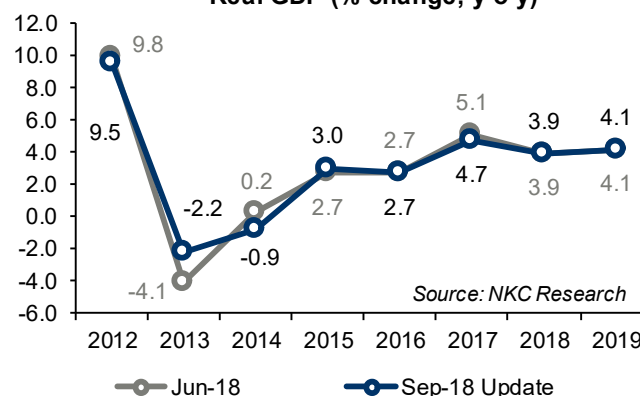
Key issues at present

- **Egypt** – real GDP growth increased to 5.2% y-o-y in 2018 Q1, thanks to strong performances in the manufacturing, tourism, construction and energy sectors. Nonetheless, the government's firm grip on civil society raises some concerns over how effective reforms will be in developing the private sector to absorb a growing working age population.
- **Morocco** – high youth unemployment, rising prices and underdevelopment in certain areas have contributed to heightened social tensions. The government is attempting to address these issues, but protests have the potential to weaken the economy as well as increase political instability.
- **Tunisia** – the economic situation remains fragile as the country is highly dependent on consumption and imports. There are, however, some positive signs of an economic recovery, with growth increasing to 2.8% y-o-y in 2018 Q2, thanks to robust performance in the agricultural and tourism sectors.
- **Sudan** – Economic conditions have deteriorated following tough reforms in the 2018 budget. Wide-reaching subsidy cuts and a sharp devaluation at the turn of the year have aggravated macroeconomic fragilities and raised financial pressures.

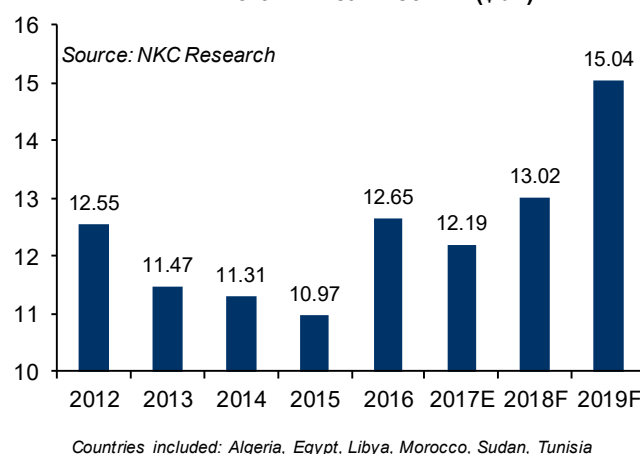
Forecast

Real GDP growth is forecast to slow to 3.9% in 2018 mainly reflecting a deterioration in Libya's growth outlook due to further risks of oil production disruptions. Additionally, rising inflation across oil importing countries is expected to weigh on regional economic growth, while net FDI is forecast to increase only gradually this year. Medium-term economic growth prospects are supported by reforms to improve the business environment and increase fiscal pro-growth spending. However, additional reforms are needed to encourage private sector participation to reduce the region's high youth unemployment and address social challenges.

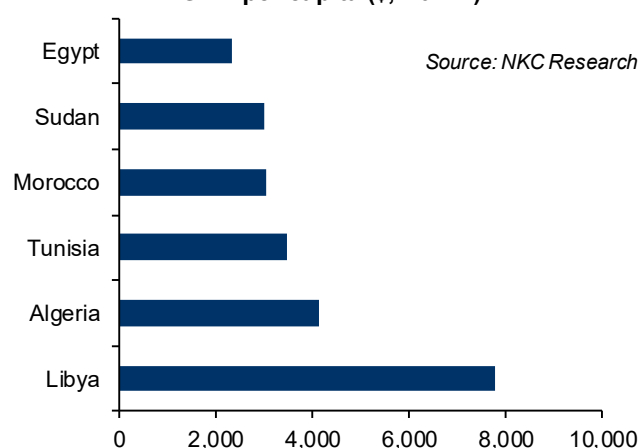
North Africa:
Real GDP (% change, y-o-y)



North Africa: Net FDI (\$bn)



GDP per capita (\$, 2017E)



Southern Africa

Zimbabwe held historic elections during the quarter; however, matters did not go smoothly. Accusations of rigging and the use of force on opposition protesters were reminiscent of previous elections. President Emmerson Mnangagwa was sworn in as expected. In neighbouring South Africa, a hoped-for fresh start under President Cyril Ramaphosa is proving difficult to get out of the blocks, with the land debate heating up as elections next year approach. Hope in the region has been supported by events in Angola where President João Lourenço has made symbolic overtures to the opposition and continued his efforts to stamp out corruption and mismanagement.

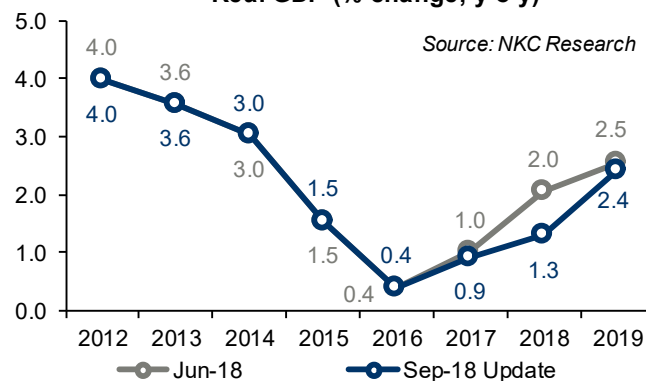
Key issues at present

- **South Africa** – The economy slipped into a recession as a 0.7% q-o-q contraction in Q2, followed a revised 2.6% q-o-q contraction in Q1. Furthermore, the rand tumbled from R13.22/\$ at the start of August to R15.60/\$ on September 5, largely due to the emerging market turmoil and a host of domestic issues. Fitch Ratings (Fitch) affirmed South Africa's sovereign credit rating at BB+ with a stable outlook on June 15.
- **Angola** – The IMF released a statement on August 21, stating that Luanda had reiterated its request for assistance from the IMF, but this time in the form of an Extended Fund Facility (EFF) programme.
- **Zambia** – S&P Global Ratings lowered the country's sovereign credit rating by one notch to B- on August 24, whilst the outlook was placed at stable. Moody's Investors Service also decided to downgrade the sovereign credit rating from B3 to Caa1 with a stable outlook, over the past quarter.

Forecast

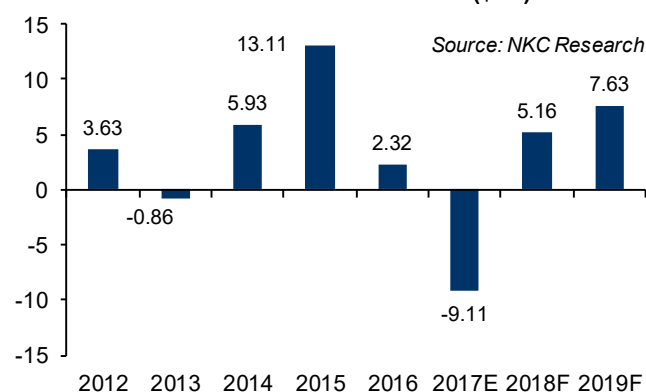
Regional economic growth for 2018 has been lowered to 1.3% (2.0% previously). The downward revision is mainly due to growth being lowered for the two main engines in the region. More specifically, South Africa's growth for this year has been cut to 0.7% (1.1% previously) and Angola's to 0.9% (1.5% previously). The latter's growth is constrained by lower oil output, whilst South Africa faces a myriad of problems which causes the economy to be stuck in first gear. Zambia and Botswana are expected to see stronger growth of 4.1% and 4.3% in 2018, respectively. Except for Mauritius, the rest of the economies in the region are still expanding at rates well-below potential.

**Southern Africa:
Real GDP (% change, y-o-y)**



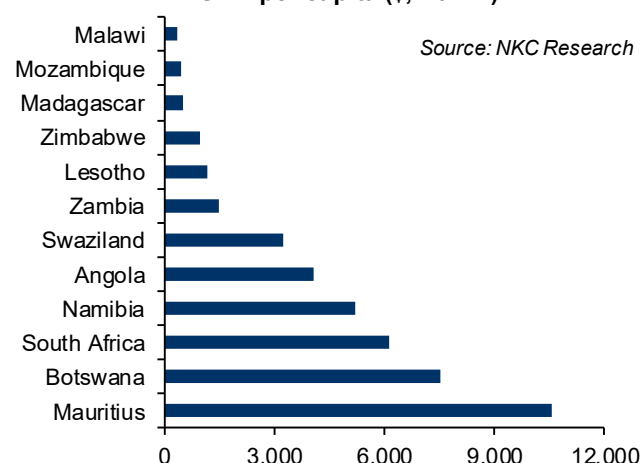
Countries included: Angola, Botswana, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Zambia, Zimbabwe

Southern Africa: Net FDI (\$bn)



Countries included: Angola, Botswana, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Zambia, Zimbabwe

GDP per capita (\$, 2017E)



Central & West Africa

Nigeria's ruling party has experienced mass defections in recent months, but party primaries should give a sense of President Muhammadu Buhari's chances in next year's polls. Elections in the DRC in December will go ahead without President Joseph Kabila, but they will also not include the main opposition aspirants. In Ghana, meanwhile, a dodgy energy deal by the former administration has become a major headache for President Nana Akufo-Addo.

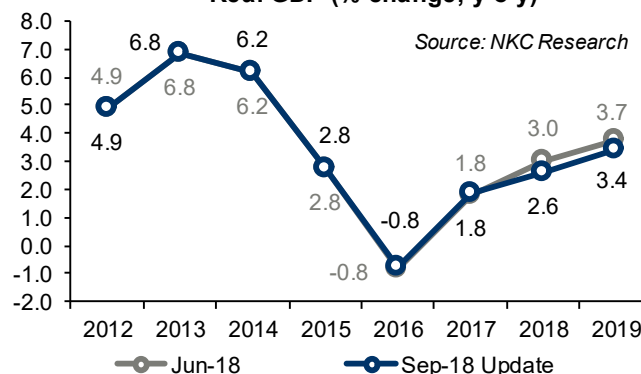
Key issues at present

- **DRC** – Although we expect an improved outlook for the mining sector to support a modest growth recovery, non-mining activity will remain constrained by a weak currency and high inflation. However, rising political tensions pose downside risks to the growth outlook.
- **Ghana** – GDP growth slowed markedly to 6.8% y-o-y in Q1. Agriculture performed poorly due to adverse weather conditions. Industry, meanwhile, continued to perform well in line with higher oil output. Services sector growth rose sharply, hinting that consumer demand may be strengthening. Nonetheless, the poor start to the year contributed to a deterioration in near-term growth prospects.
- **Nigeria** – A gradual increase in oil output was the main driver behind the economic rebound over the past year, but a decline in oil production dragged GDP growth down from 2% y-o-y in Q1 to 1.5% y-o-y in Q2. Aggregate non-oil activity looks to have gained some traction, but closer inspection reveals that the recovery is far from broad-based, raising doubts regarding the sustainability thereof.

Forecast

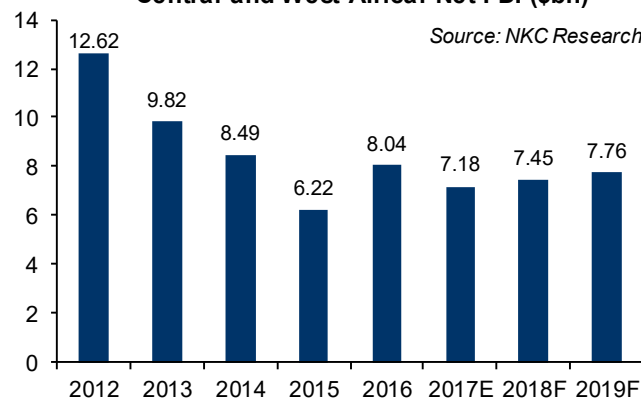
Regional GDP growth is now seen at 2.6% in 2018, dragged lower due to a deterioration in Nigeria's near-term growth prospects. Nigeria's real GDP growth forecast was recently revised lower to 1.8% in 2018 due to weak agricultural performance and lower-than-anticipated oil output. Ghana, meanwhile, remains among the strongest performing countries in the region. Despite being rather slow out of the blocks, the economy is still seen expanding by a robust 6.7% this year. The mining sector gaining some momentum also bodes well for the DRC, with growth seen rising slightly to 3.9% in 2018.

**Central and West Africa:
Real GDP (% change, y-o-y)**



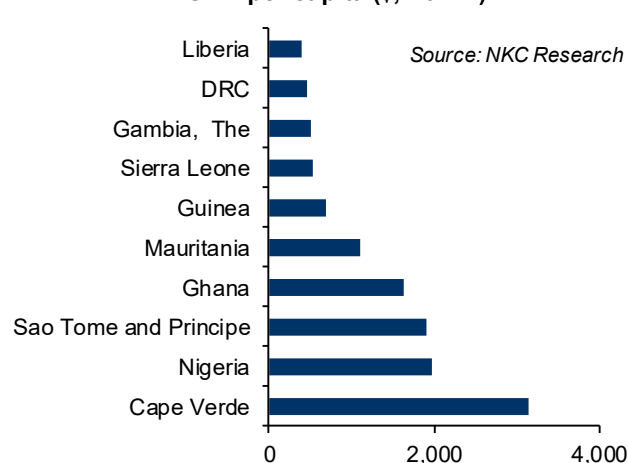
Countries included: Cape Verde, DRC, Gambia, Ghana, Guinea, Liberia, Mauritania, Nigeria, Sao Tome and Principe, Sierra Leone

Central and West Africa: Net FDI (\$bn)



Countries included: Cape Verde, DRC, Gambia, The, Ghana, Guinea, Liberia, Mauritania, Nigeria, Sao Tome and Principe, Sierra Leone

GDP per capita (\$, 2017E)



Franc Zone

In the Ivory Coast, President Alassane Ouattara's project to form a strong unified party finally failed in the past quarter, when ex-president Henri Konan Bédié rejected the idea. This introduces uncertainty in the party-political environment ahead of regional and municipal elections to be held in October, and, more importantly, ahead of the 2020 presidential election. Meanwhile, in Senegal Dakar Mayor Khalifa Sall's appeal against a five-year sentence for irregular expenditure failed in late August: this means he is likely to sit out next year's election.

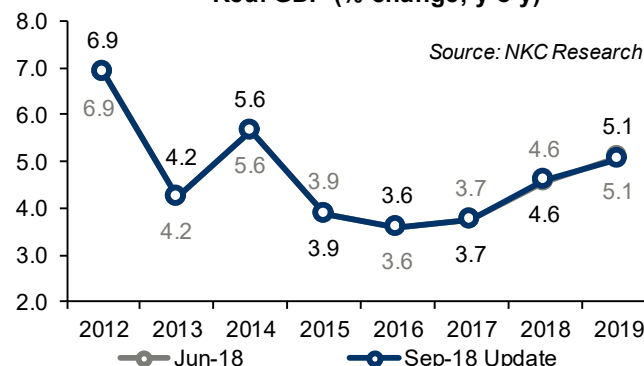
Key issues at present

- **Senegal** – Senegal's economic growth has been trending upwards thanks to ongoing public investment under the auspices of the Emerging Senegal Plan (PSE) and continued support from the IMF. We forecast growth to reach 7% this year. That said, significant risks remain and one of the key risks relate to fiscal sustainability.
- **Ivory Coast** – Strong public investment and rising private investments are at the forefront of economic growth, which is expected to reach 7.4% this year. In addition, the main drivers of growth will be an improved business climate and a robust industrial sector. The government is starting with the second generation of business reforms this year, which should boost the investment climate even further.
- **Cameroon** – Cameroon's real GDP growth is forecast to rebound to 4% this year. The expectation of higher economic growth is underpinned by higher international oil prices, more construction related to preparations for the 2019 Afcon, and greater public and private investments to meet the country's many infrastructure needs.

Forecast

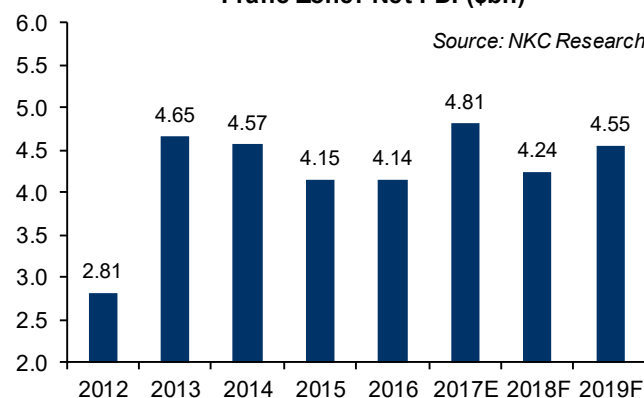
Overall, growth in the franc zone is expected to accelerate to 4.6% this year from 3.7% in 2017 and our forecast has remained the same since the previous quarter. Economic expansion in the region is driven especially by robust growth in Cameroon, Ivory Coast, Mali and Senegal. The main contributing factors to the rise in economic growth are expected to be higher oil prices and other favourable commodity prices. Moreover, zealous public investment is also central to the region's economic development.

Franc Zone:
Real GDP (% change, y-o-y)



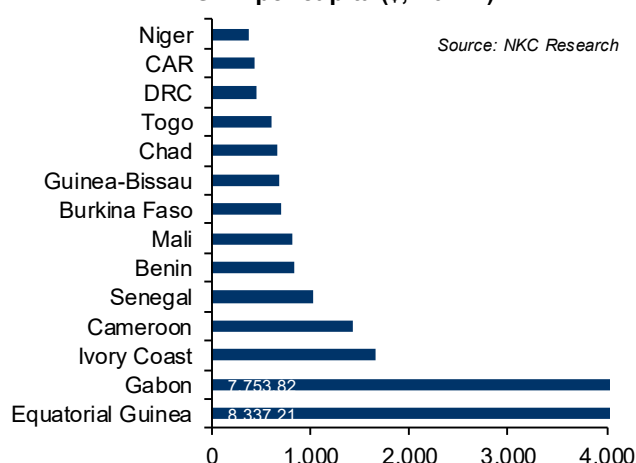
Countries included: Benin, Burkina Faso, Cameroon, CAR, Chad, Congo, Rep., Ivory Coast, Equatorial Guinea, Gabon, Guinea-Bissau, Mali, Niger, Senegal, Togo

Franc Zone: Net FDI (\$bn)



Countries included: Benin, Burkina Faso, Cameroon, CAR, Chad, Ivory Coast, Gabon, Mali, Niger, Senegal, Togo

GDP per capita (\$, 2017E)



East Africa

Ethiopia's new prime minister, Abiy Ahmed, is becoming something of a cult figure in the country as he reforms the political and economic environment, but the past quarter showed how difficult the task ahead still is after communal violence broke out in Somali region. Uganda saw political tensions rise quickly in August and remains tense after popular independent member of Parliament Robert Kyagulanyi was arrested, allegedly tortured and finally charged with treason after a run-in with President Yoweri Museveni's security detail in Arua. Meanwhile, in Kenya the anti-corruption drive continues apace, but the arrest of Deputy Chief Justice Philomena Mwili has raised questions about political motives and executive pressure on the judiciary.

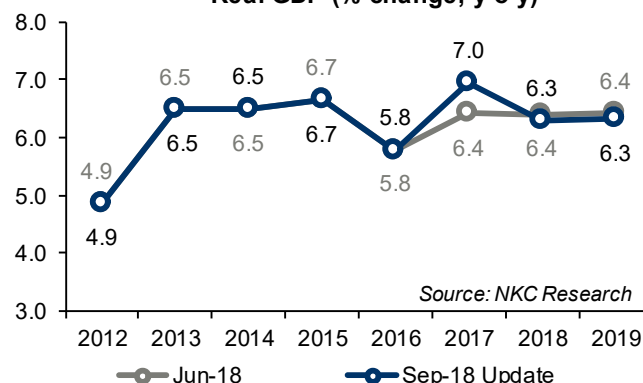
Key issues at present

- **Ethiopia** – Prime Minister Abiy Ahmed continues to surprise with regard to the pace and scope of his reform efforts. The recognition of the country's economic problems and political shortcomings is refreshing, and Mr Abiy seems to be winning over both domestic and foreign investors.
- **Kenya** – President Kenyatta's war on corruption has claimed some high-profile scalps, but tensions between the presidency and the judiciary persist, casting doubt over the motivations behind some anti-corruption efforts.
- **Uganda** – Momentum against the regime in Uganda continues to build, driven by the government's efforts to silence outspoken member of Parliament Robert Kyagulanyi (aka Bobi Wine). President Museveni did, however, get his way with the constitutional court approving the amendment to the Constitution scrapping age limits on the presidency.

Forecast

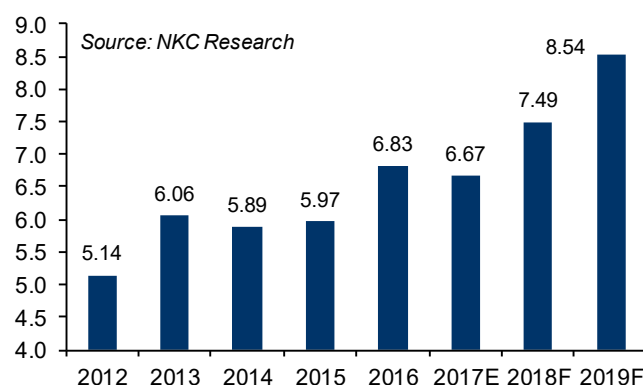
Regional economic growth has been revised upwards for 2017 to incorporate a remarkable 10.2% real GDP growth rate in Ethiopia. The East African giant saw a 20.7% expansion of its construction sector, largely driven by public investment. Regional GDP growth is expected to ease this year, with a slowdown in Ethiopia's economic growth offsetting a stronger performance in Kenya. Overall, growth is expected to remain strong, with all the major East African economies expected to record growth north of 5% this year.

East Africa:
Real GDP (% change, y-o-y)



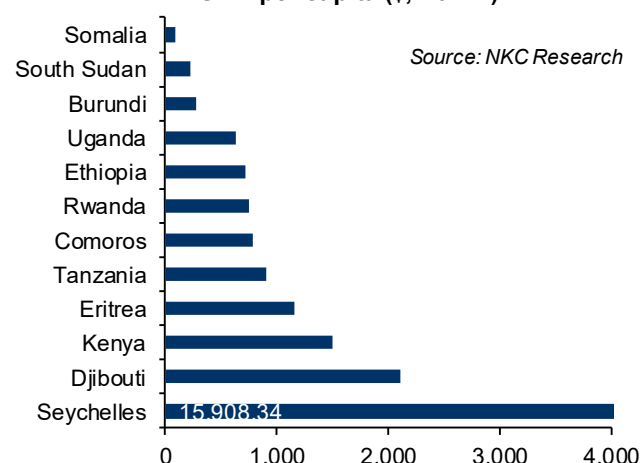
Countries included: Burundi, Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Rwanda, Seychelles, Somalia, South Sudan, Tanzania, Uganda

East Africa: Net FDI (\$bn)

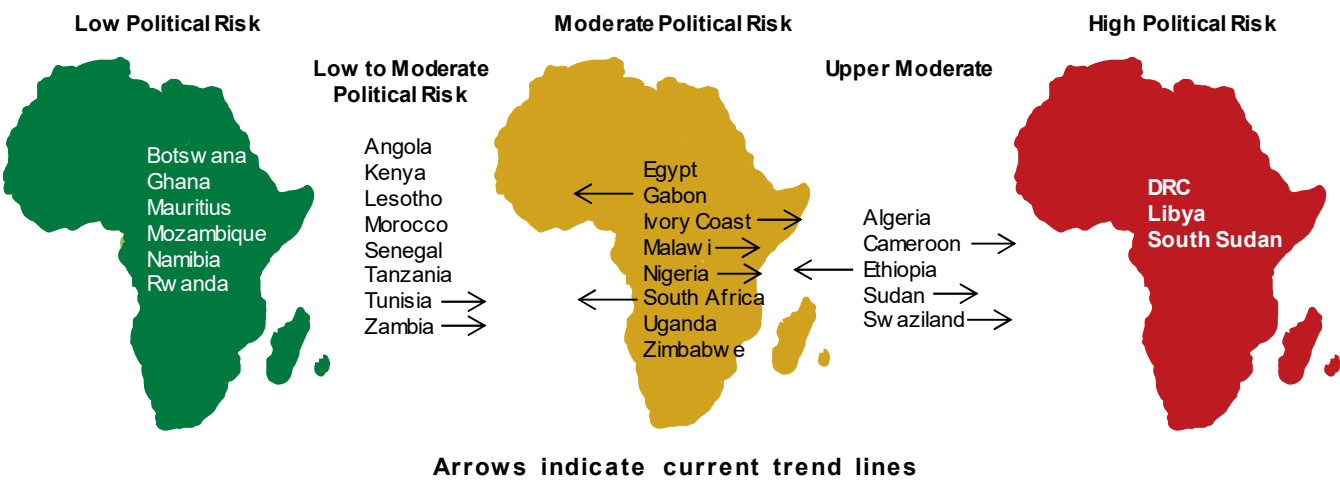


Countries included: Burundi, Comoros, Djibouti, Ethiopia, Kenya, Rwanda, Seychelles, Tanzania

GDP per capita (\$, 2017E)



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