EmergingMarketWatch

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MIDDLE EAST & N. AFRICA

EGYPT

Mining ministry says 11 companies won gold exploration licenses in first round

Suez Canal revenue drops 5% y/y to USD 490mn in October due to COVID-19

Germany and Egypt agree on EUR 89mn funding program as part of 2019 frame

Security agents reportedly arrest staff member of human rights group

KUWAIT

KEY STAT Trade surplus falls 54% y/y to USD 1.1bn in July

Government to ban many expats over 60 starting in 2021

LEBANON

Govt formation process remains stalled after Hariri, Aoun talks – media report

Pound slumps to six-week low

US to sanction more Lebanese politicians this week – media report

OMAN

Non-oil trade with Abu Dhabi reaches USD 6.5bn for five years

SAUDI ARABIA

Minister say government may review VAT hike after pandemic ends

Government to raise minimum wage by 33%

Saudia receives USD 7bn from government in 2019-2020

Border with Iraq opens for first time since 1990

Saudi-led coalition intercepts drone from Yemen

Aramco signs agreements with eight companies for oil and gas projects

Crude exports rise to 6.1mn bpd in September

TUNISIA

Parliament committee approves 2020 Supplementary Budget

UNITED ARAB EMIRATES

Minister says compliance with OPEC+ reaches 126%

SUB-SAHARAN AFRICA

ANGOLA

Construction of Cabinda Refinery reportedly to be launched in June

Tax revenue collection reportedly reaches 94% of FY target in January – October

GABON

KEY STAT Inflation inches down to 1.9% y/y in October

IVORY COAST

Public debt service to grow to XOF 3.2tn in 2023

Government projects growth to pick up to 6.5% in 2021

KENYA

KEY STAT CA deficit declines by 2% y/y in year to September

KEY STAT Trade deficit shrinks by 10% y/y in year to September

Govt raises KES 54bn in oversubscribed T-bond sale

Local electricity generation increases by 1% y/y in September

KEY STAT Revenue collection remains 12% below target in Q1 – treasury

NIGERIA

Minister says Nigeria should sanction CNN for report on Lekki Toll Gate shooting

Government sells NGN 80bn FGN bonds, yields fall further on strong demand

SENEGAL

IMF says performance under PCI program remains solid

UGANDA

Three killed in clashes following opposition leader arrest

T-bill yields fall at this week's auction

ZAMBIA

KEY STAT Domestic government debt grows by 64.1% y/y at end-September

KEY STAT Budget deficit widens markedly in Jan-Sep

Electricity generation declines by 18.3% m/m in September

[Copper production growth slows to 10.5% y/y in September]

EGYPT

Mining ministry says 11 companies won gold exploration licenses in first round

Egypt | Nov 19, 15:02

- **Four Egyptian and seven international mining companies to invest USD 60mn in exploration**

Egypt's mining ministry has awarded four local and seven international companies gold exploration licenses in the first bid round in the Eastern Desert, oil minister Molla told journalists on Thursday. The mining winners in Egypt's first international bid were awarded 82 blocks, representing 28% of the areas originally offered in the tender, Molla said. The companies have committed USD 60mn investments in the first phase. The foreign companies, which won the tender include Centamin, Red Sea Resources, B2Gold, Lotus Gold, and Barrick Gold.

Gold export revenue (USD mn)

	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20
Revenue	328.0	365.7	386.5	579.0	517.1	769.2
y/y change	1%	-43%	9%	310%	58%	110%

Source: Central Bank of Egypt

The mining ministry launched the second bid round for gold exploration, which will include 208 blocks over an area of 38,000 sq km in the Eastern Desert. The bidding round was launched in February and its deadline was extended from July because of the COVID-19 pandemic. Gold exports have supported Egypt's non-oil trade balance and the recent increase in gold prices will help the external account during H2. We note revenues from gold exports rose to USD 1.8bn in 2019 from USD 1.5bn in the previous year.

Ask the editor   Back to contents

Suez Canal revenue drops 5% y/y to USD 490mn in October due to COVID-19

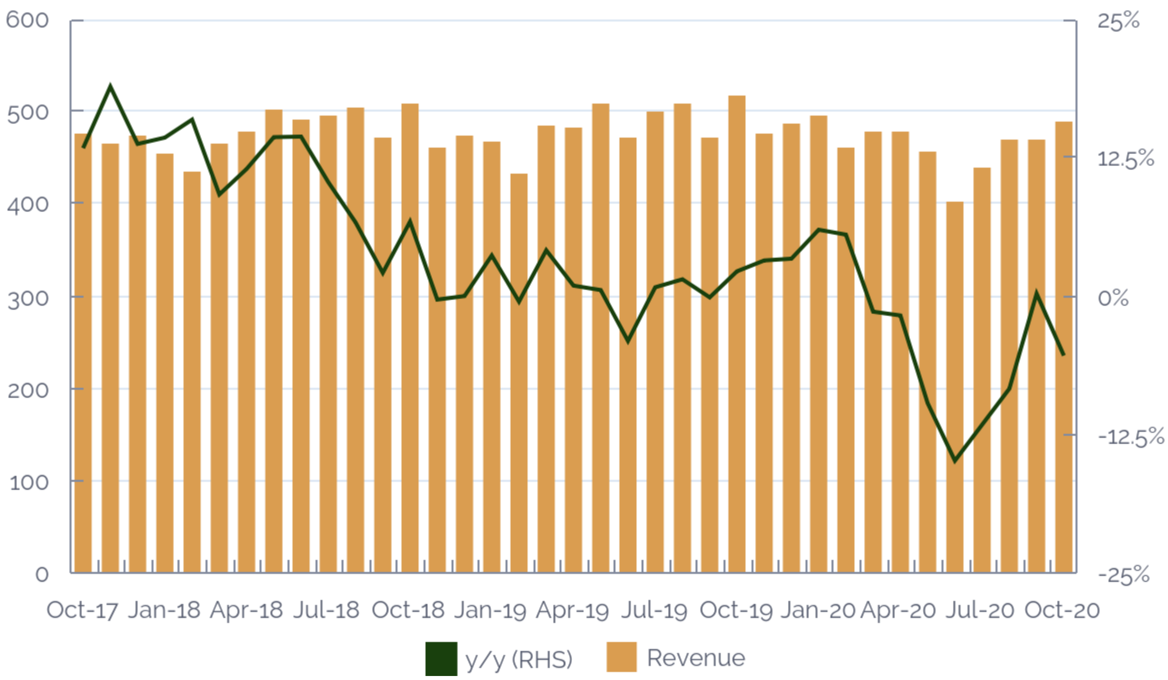
Egypt | Nov 19, 14:39

- **Suez Canal revenue is important FX earner and generates 3% of fiscal revenue**
- **Economy is vulnerable to external shocks due to reliance on tourism, remittances and Suez Canal**

The revenues from Suez Canal fell by strong 5.3% y/y to USD 490mn in October following marginal increase of 0.3% y/y in the preceding month, according to the Suez Canal Authority. The y/y decline in October came despite strong 4.1% m/m increase - the fourth m/m increase in a row, suggesting global economic activity has rebounded from the COVID-19 shock and the slump in global oil demand. Still, the double shock has affected global trade earlier this year, so revenues from Suez Canal fell 4.3% y/y to USD 4.6bn in Jan-Oct and full-year revenue is likely to fall below 2019 level. We remind, Suez Canal revenue rose marginal 1% to USD 5.8bn in 2019, which was supported by 4% increase in the number of vessels passing through.

Suez Canal revenue (USD mn)

Source | Suez Authority



The Suez Canal is a key trading route for global seaborne merchandise trade. Some 8.3% of the global trade passes through the canal, as well as 25% of global containerised goods and 100% of seaborne container trade between Europe and Asia. Suez Canal revenue has come under pressure due to the economic impact of the COVID-19 pandemic. The Suez Canal is an important FX earner and Suez dividends account for about 3% of total fiscal revenue. Egypt's economy is particularly vulnerable to external shocks due to its reliance on the tourism sector, remittance inflows and Suez Canal receipts.

Major FX earners and CA balance (USD mn)

	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20
Remittances	6,166	6,939	6,713	6,964	7,869	6,200
Non-oil exports	4,134	4,539	4,683	4,524	4,421	-
Tourism	2,602	3,179	4,194	3,056	2,305	-
CA balance	-4,548	-1,088	-1,382	-3,192	-2,765	-

Source: EmergingMarketWatch

Ask the editor Back to contents

Germany and Egypt agree on EUR 89mn funding program as part of 2019 frame

Egypt | Nov 19, 11:49

- **Two countries are currently working on finalizing procedures for EUR 133mn in grants and financial contributions for 2020**

Germany and Egypt agreed on EUR 89mn financing program as part of the 2019 framework agreement, according to news agency MENA. The funding is geared towards economic and social development in education, water management and sanitation, e-government and SMEs, according to the Egyptian Ambassador to Germany, Khaled Galal. Earlier this week, Egypt and Germany announced they are finalising the procedures for additional funding of EUR 132.5mn in grants and financial contributions as part of the cooperation program for 2020.

Ask the editor Back to contents

Security agents reportedly arrest staff member of human rights group

Egypt | Nov 19, 10:54

- **President Sisi's regime has been criticised by human rights groups for continued crackdown on media and freedom of speech**

National Security service agents arrested Mohamed Basheer, a staff member of one of Egypt's most prominent independent human rights organizations, EIPR, according to Amnesty International. Amnesty claims Basheer was targeted solely for his work for EIPR, including for meeting with Western diplomats on Nov 3. Basheer was detained under charges including terrorism-related activities. Amnesty noted EIPR's researcher Patrick George Zaki remains detained pending investigations over unfounded "terrorism"-related charges since his arrest in February 2020.

President Sisi's regime has been criticised by human rights groups for the continued crackdown on media and freedom of speech, carried under the extended state of emergency.

Ask the editor Link to source Back to contents

KUWAIT

KEY STAT Trade surplus falls 54% y/y to USD 1.1bn in July

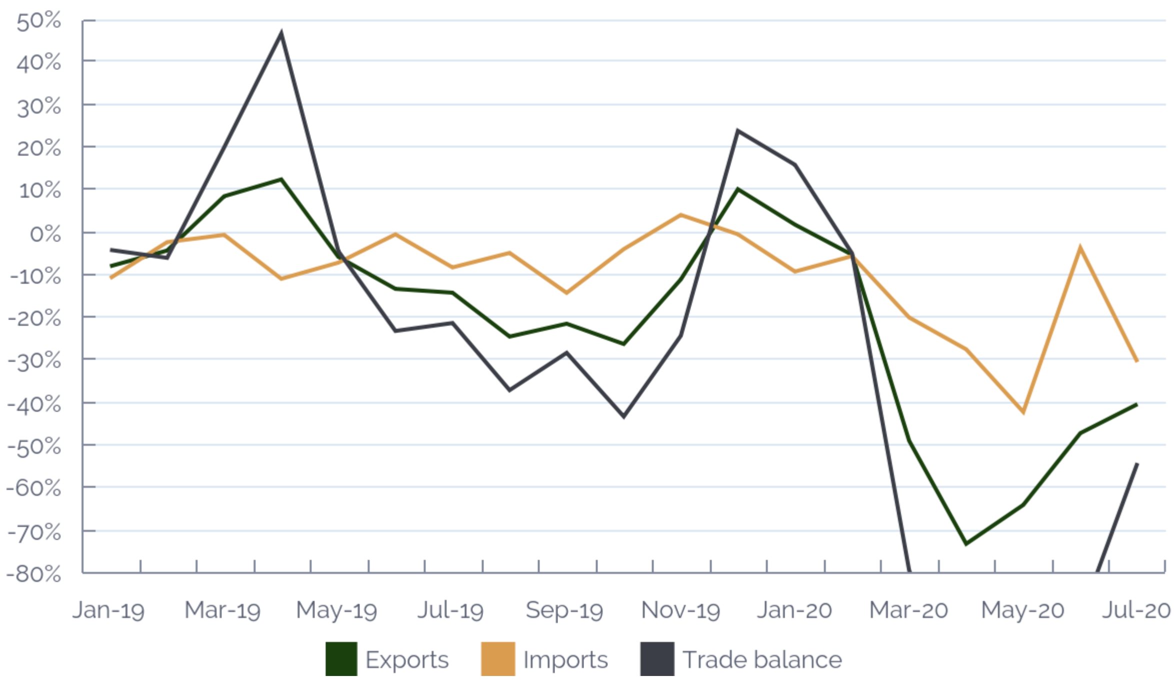
Kuwait | Nov 19, 22:32

- **Trade balance narrows for sixth consecutive month**
- **Exports drop because of low price of oil**
- **Imports decrease 30% y/y**

Kuwait's trade surplus narrowed 54% y/y to KWD 322mn (USD 1.1bn) in July, according to the Central Statistical Bureau. The surplus in July is the highest since February and narrower than the 90% y/y drop in June. The trade balance has been posting y/y decreases for six consecutive months and even showed an unprecedented deficit in April, the month during which the price of a barrel of Brent crude briefly dropped to a 20-year low of USD 19 per barrel.

Change in exports and imports (y/y)

Source | Central Statistical BureaU



Exports decreased 40% y/y to KWD 1bn, while imports fell 30% y/y to KWD 682mn. Kuwait is very dependent on oil exports, consequently the sixth consecutive month of decreasing exports reflects the lower oil price during the period compared with 2019. Given oil price dynamics and commitments to reduce oil production, we expect exports to post y/y decreases in August and September as well. The oil sector typically accounts for over 50% of GDP and more than 90% of both government and export revenues. Looking at imports, the decrease was 30% y/y to KWD 682mn.

Ask the editor Link to source Back to contents

Government to ban many expats over 60 starting in 2021

Kuwait | Nov 19, 15:10

- **Long-term goal is to reduce number of foreigners living in Kuwait**

The government will stop issuing residency permits to foreign workers 60 years of age or older starting on Jan 1, 2021, according to news reports. The measure will be applied on an individual basis when work or residency permits expire. Foreign workers who hold a post-secondary diploma or higher are not affected by the new decision. Some expat workers aged over 60 will have to apply for a family residency permit, but will nonetheless have to leave once the permit expires.

The measure is art of Kuwait's ongoing campaign to reduce the number of foreigners living in the country. In October, parliament approved a law that requires the government to take measures to reduce the number of foreigners in the country. The law also abolishes the quota system for expat nationalities living in the country and gives more powers to the government to tackle the imbalance in Kuwait's demographic structure. The population law stipulates that the government will issue mechanisms to deal with the imbalance in the population structure within one year of issuing the law. These mechanisms will put a ceiling on expatriate workers in the country. PM

Sheikh Sabah Al-Khalid Al-Sabah said in June that Kuwait's expatriate population should be more than halved to 30% of the total from 70%. The ideal population structure is to have Kuwaitis being 70% and non-Kuwaitis 30%, the PM said. The country has a total population of 4.4mn.

Ask the editor Back to contents

LEBANON

Govt formation process remains stalled after Hariri, Aoun talks – media report

Lebanon | Nov 19, 18:12

- **Hizbullah to gain dividends from slow government transition process**

PM-designate Saad Hariri's latest meeting with President Michel Aoun ended with no development on the stalled government formation process. Hariri provided a near-complete list with names for ministry posts, but no consensus was reached, as the зresident insisted on naming the Christian ministers, local TV channel al-Jadeed TV reported.

The intensifying political arguing and the delay of the new cabinet formation serve the interests of Hizbullah and its backer Iran, suggest reports based on unnamed sources who spoke to the Saudi media Asharq el-Awsat. According to one of them, the president supports Hizbullah and Iran, who prefers the formation of a new reformist cabinet to be delayed until the inauguration of Joe Biden as the new US president. For that reason, the affiliated with Hizbullah and Free Patriotic Movement leader Gebran Bassil will not adhere to the French initiative aimed to normalize the political and economic situation in the Middle East country, one of the unnamed sources assumes.

French envoy Patrick Durel's latest visit in the capital of Beirut did not bring any progress in the stalled government transition process despite the conducted talks with all political leaders in Lebanon. This indicates there is not enough political will to accelerate the political processes.

Ask the editor Back to contents

Pound slumps to six-week low

Lebanon | Nov 19, 14:54

- **Political uncertainty weakens further local currency**

The Lebanese pound fell on Thursday to a new low since Saad Hariri was named PM-designate on Oct 22, as the reformist cabinet formation process came to a deadlock amid intensifying political rivalry over key ministry posts. Dealers on the black market were selling the US dollar for around 8,500 Lebanese pounds this morning, the lowest since earlier October, as the Middle East country continues to be locked in its worst economic crisis for decades.

The last time the pound registered significant gains was about four weeks ago, right after the naming of the PM-designate, trading to below around USD\LBP 7,000 on the black market. Hariri's nomination prompted hopes that the much-needed reforms to start the revival of the struggling economy will be implemented soon but those hopes were dashed after the political arguing over cabinet posts broke the efforts to stabilize the political situation and pulled the country back from the path to a national balance. Hariri and President Michel Aoun failed to make any progress over the cabinet formation process despite holding nine meetings since October.

Caretaker PM Diab submitted his cabinet resignation on Aug 10 following mass antigovernment protests after the massive explosion at the port of Beirut. Since then, the main political leaders fail to reach a consensus as the political and economic crisis worsen.

Ask the editor Back to contents

US to sanction more Lebanese politicians this week – media report

Lebanon | Nov 19, 12:11

- **Washington allegedly intensifies pressure against affiliated with Hezbollah politicians**
- **Political turmoil is expected to deepen**

The US administration is set to issue new sanctions against one or several prominent politicians in Lebanon in a move that could tangle further the political turmoil in the Middle East country, the local TV channel MTV reported, citing official sources from the White House. It is expected that the sanctions will be issued by the end of the week in accordance with the Magnitsky act. The sources didn't disclose details due to the sensitivity of the political situation in Lebanon amid the stalled government formation process and continuing arguing between rivalry parties.

This shows that Washington is intensifying the pressure against prominent local politicians, affiliated with Hezbollah, including those accused of financing the controversial organization companies. The last prominent Lebanese political figure to fall under US sanctions is the head of the Free Patriotic movement Gebran Bassil over his ties with Hezbollah and corruption claims. His party denies the accusations of corruption and insists the move is politically motivated. The situation hinders the formation process of a new expert cabinet, which is supposed to implement key for the nation's economic reforms.

Through the Magnitsky act, the US administration sanctions those who it sees as human rights offenders. Affected under the bill figures are banned from entering the US and get their assets frozen.

Ask the editor Back to contents

OMAN

Non-oil trade with Abu Dhabi reaches USD 6.5bn for five years

Oman | Nov 19, 15:55

- **Non-oil trade during the first ten months of 2020 rises 38% y/y to USD 1.3bn**

The volume of non-oil trade exchange between Abu Dhabi, one of seven emirates in the UAE and Oman reached AED 23.7bn (USD 6.5bn) during the past five years, according to General Administration of Customs in Abu Dhabi. Abu Dhabi's foreign trade with Oman was as follows: imports of AED 8.3bn, exports of AED 8.1bn, and re-exports of AED 7.3bn. Mineral products accounted for the largest share of total trade with AED 5.3bn, followed by ordinary minerals and their products with AED 4.9bn, and transportation equipment with AED 4.7bn. Meanwhile, Abu Dhabi's trade with Oman during the first ten months of 2020 amounted to AED 4.6bn (USD 1.3bn) up 38% y/y.

Ask the editor Back to contents

SAUDI ARABIA

Minister say government may review VAT hike after pandemic ends

Saudi Arabia | Nov 19, 18:23

- **Non-oil revenues increase sharply in Q3**

Acting information minister Majid bin Abdullah al-Qasabi said the government could revise the decision to triple the VAT to 15% starting on July 1 after the COVID-19 pandemic ends, according to news reports. The government abruptly tripled the VAT to deal with the sharp drop in revenues caused by low oil prices and the COVID-19 pandemic. The impact of the higher VAT is evident when looking at non-oil revenues in Q3, which jumped 63% y/y and 221% q/q. Indeed, the government collected more non-oil revenues during Q3 than during Q1 and Q2 combined. Nevertheless, the budget posted a deficit of SAR 40.8bn (USD 10.9bn) in Q3, down 63% q/q but an increase of 27% y/y.

Ask the editor Back to contents

Government to raise minimum wage by 33%

Saudi Arabia | Nov 19, 17:29

- **New wage comes into effect in April 2021**

The government will raise the minimum wage for Saudi citizens by 33% to SAR 4,000 (USD 1,067), according to news reports. The new minimum wage comes into force in April 2021. The higher minimum wage must be paid for a worker to be counted as part of a company's quota of citizen employees. Workers who receive between the previous minimum wage of SAR 3,000 and SAR 4,000 will be counted as half of a Saudi employee. The unemployment rate among Saudi citizens jumped to 15.4% as of end Q2 2020, up from 11.8% in Q1 2020. The total unemployment rate, which includes Saudi as well as foreign workers, increased to 9.0% to 5.7% in Q1. There was a total of 13.6mn employed persons during Q2, of which 10.5mn were foreigners and 3.2mn were Saudis. The average monthly wage was SAR 6,590, but rises to an average monthly wage of SAR 10,000 for Saudi employees.

Ask the editor Back to contents

Saudia receives USD 7bn from government in 2019-2020

Saudi Arabia | Nov 19, 14:33

- **COVID-19 is hurting airline industry**

The government has provided state-owned Saudi Arabian Airlines (Saudia) with at least USD 7bn in direct payments and other financial support in 2019 and 2020, according to Reuters. The finance ministry approved a payment of SAR 13.6bn (USD 3.6bn) for Saudia in 2019 and an additional SAR 6.4bn in the first half of 2020. The amounts include government payments for services. The finance ministry has also taken charge of a SAR 5.3bn loan provided by the Public Investment Fund (PIF) to the airline and converted it to a contribution in equity. We remind that state-owned airlines Qatar Airways and Emirates have both received support from their respective governments.

Ask the editor Back to contents

Border with Iraq opens for first time since 1990

Saudi Arabia | Nov 19, 12:00

- **Saudi Arabia wants closer relations with Iraq**

Iraq and Saudi Arabia opened the Arar border crossing for trade for the first time in three decades, according to news reports. The Arar border crossing was closed in the early 1990s because of Iraq's invasion of Kuwait and has not been reopened since. Relations between the two countries have been frosty over the past three decades but have improved somewhat recently. In 2019, Saudi Arabia reopened a consulate in Baghdad for the first time in nearly 30 years and announced a USD 1bn in loans for development projects in Iraq. Previously, then-Saudi Foreign Minister Adel al-Jubeir made a visit to Iraq in 2017, the first by a Saudi foreign minister since 1990. We think Saudi Arabia wants closer ties with Iraq for economic reasons and also to counter Iran's influence in Iraq.

Ask the editor Back to contents

Saudi-led coalition intercepts drone from Yemen

Saudi Arabia | Nov 19, 11:34

- **Civil war in Yemen continues with no end in sight**

The Saudi-led coalition has intercepted and destroyed a bomb-laden drone launched by the Houthi rebels in Yemen toward the southern part of Saudi Arabia, according to the Saudi Press Agency. There are no reports of injuries to people or damage to property. The Houthis have increased their missile and drone attacks on Saudi Arabia during the past three months. The Saudi military has destroyed most of the drones and missiles fired from Yemen, but the attacks are the latest example of how difficult it is to achieve a peaceful resolution to the ongoing civil war in Yemen.

Ask the editor Back to contents

Aramco signs agreements with eight companies for oil and gas projects

Saudi Arabia | Nov 19, 11:19

- **Companies are obligated to use 39% local content**

Saudi Aramco has signed agreement with eight companies for oil and gas brownfield and plant upgrade projects, the state-owned company said. These agreements are for a six-year base period and extendable for an additional six years. The eight companies are: a consortium of Nasser Saeed Al-Hajri And Contracting /Samsung EPC; Daelim Saudi Arabi; Engineering for The Petroleum and Process Industries; GS Construction Arabia; Snamprogetti Engineering and Contracting; JGC Gulf Engineering; Technip Italy; Hyundai Engineering and Construction. The scope of the agreements includes engineering, procurement, construction, start-up and pre-commissioning of each project, as well as the installation of the upgraded facilities in the designated operating areas. Additionally, the contracts mandate a minimum commitment to use 39% local content and supply chains initially, increasing to a 60% commitment within six years. Saudi Aramco did not say what the monetary value of the contracts is.

Ask the editor Back to contents

Crude exports rise to 6.1mn bpd in September

Saudi Arabia | Nov 19, 10:08

- **Crude oil exports increase for third consecutive month**

Saudi Arabia's crude oil exports increased to 6.1mn barrels per day (bpd) in September, up from 6mn bpd in August, according to data from the Joint Organizations Data Initiative (JODI). September was the third consecutive month of rising crude oil exports. Saudi Arabia's crude oil production was 9mn in September, which means it used 2.9mn bpd domestically. We remind that in April, the OPEC + alliance agreed to reduce overall crude oil production by 9.7mn bpd starting on May 1 for an initial period that ended on July 31. For the subsequent period until Dec 31, the total reduction will be 7.7mn bpd. OPEC has not yet decided what it will do in 2021, but it is likely that the production cuts will be extended. The current price of a barrel of Brent crude is USD 44.

Ask the editor Back to contents

TUNISIA

Parliament committee approves 2020 Supplementary Budget

Tunisia | Nov 19, 13:57

- **Budget deficit will amount to 11.4% of GDP well below the 14% projected in the first draft**

The parliament's finance, planning and development committee approved the controversial 2020 Supplementary Budget on Wednesday (Nov 18), local news agency TAP reported. The committee rejected the initial draft submitted by the government and projecting a deficit of about 14% of GDP. The budget deficit will amount to 11.4% of GDP, finance minister Ali Kooli, told parliament, the media noted. This would require the mobilization of additional funds, the official said. He noted the government had already secured TND 800mn from local banks at an interest of 9.4%. Official foreign financing will amount to TND 2.7bn and the central bank will contribute TND 3.5bn.

In the absence of a new agreement with the IMF, Tunisia faces difficulties to finance the large budget deficits both this and next year. The country existed the previous agreement early due to implementation difficulties and was unable to use the total amount of approved funding at about USD 2.8bn. Negotiating a new deal with the IMF has proved difficult against the backdrop of a fragmented parliament, protracted government formation and lack of a strong political mandate for the new technocratic cabinet headed by Mechichi. The lack of an agreement with the IMF is also holding back the release of EUR 600mn support under the Macro-Financial Assistance programme of the EU aimed at supporting coronavirus response.

Ask the editor Back to contents

UNITED ARAB EMIRATES

Minister says compliance with OPEC+ reaches 126%

United Arab Emirates | Nov 19, 10:32

- **Price of oil remains low at USD 44**

The country's compliance with the OPEC+ agreement was 126% in October, according to a post by the energy ministry Suhail Mohamed Faraj Al Mazrouei. Earlier this week the minister called on all parties to the OPEC+ agreement to fully comply with their oil production commitments before agreeing to changes or extensions of the current OPEC+ agreement. We remind that in April, the OPEC + alliance agreed to reduce overall crude oil production by 9.7mn barrels per day (bpd) starting on May 1 for an initial period that ended on July 31. For the subsequent period until Dec 31, the total reduction is 7.7mn bpd. OPEC has not yet decided what it will do starting on Jan 1, 2021, but it is possible that the total reduction of 7.7mn bpd will be extended for another three or six months. The UAE produced 2.4mn bpd of oil in October, down from 2.5mn bpd in September. The current price of a barrel of Brent crude is USD 44.

Ask the editor Back to contents

ANGOLA

Construction of Cabinda Refinery reportedly to be launched in June

Angola | Nov 19, 22:01

- **Consequently refinery may be operational in 2022, albeit at half the planned capacity**
- **Govt relies on new refineries towards ensuring country's self-sufficiency in fuels**

The construction of the Cabinda refinery will start in June, local media reported citing the project's head. We recall the construction contract was awarded to the German Gemcorp and the start of works had previously been envisaged for this August. The implementation of the USD 920mn project will be divided in three phases. The completion of the first phase, which should provide 30,000bpd refining capacity - is planned for 2022. The second phase should double the capacity to 60,000bpd, which is the planned capacity of the refinery, while a third phase should allow for the production of diesel.

We note the planned Cabinda refinery is part of govt's wider plans for the country's oil industry, targeting self-sufficiency in fuels, and - at a later stage - even exports of refined products, to ease the pressures on the external balance. Despite being a major crude producer currently the country imports 80% of its fuels due to lack of infrastructure. Once fully operational, the refinery is also expected to generate some 2,000 jobs.

Ask the editor Back to contents

Tax revenue collection reportedly reaches 94% of FY target in January – October

Angola | Nov 19, 19:37

- **Oil revenues account for 58% of collections**
- **Amount represents 95% of full year target**

Revenues collected by the General Tax Administration reached AOA 5tn in January - October, the head of the agency Paulino dos Santos said, cited by the local media. The amount represents 94% of the revised budget target, in our calculations. Oil revenues accounted for 58% of the collections, dos Santos said. Although the share of non-oil revenues remains lower, it should be noted non-oil revenues accounted for 33% of revenues in 2010 and stood at AOA 0.7bn, hence the collections in 2020 represent a sizable progress, dos Santos underlined. Industrial tax and VAT accounted for most of non-oil revenues, dos Santos said. We note the overperformance of revenues is likely attributable to oil revenues, which had reached 97% of the revised budget target by end-September, supported by the higher-than-budgeted average oil price and the kwanza depreciation.

Ask the editor Back to contents

GABON

KEY STAT Inflation inches down to 1.9% y/y in October

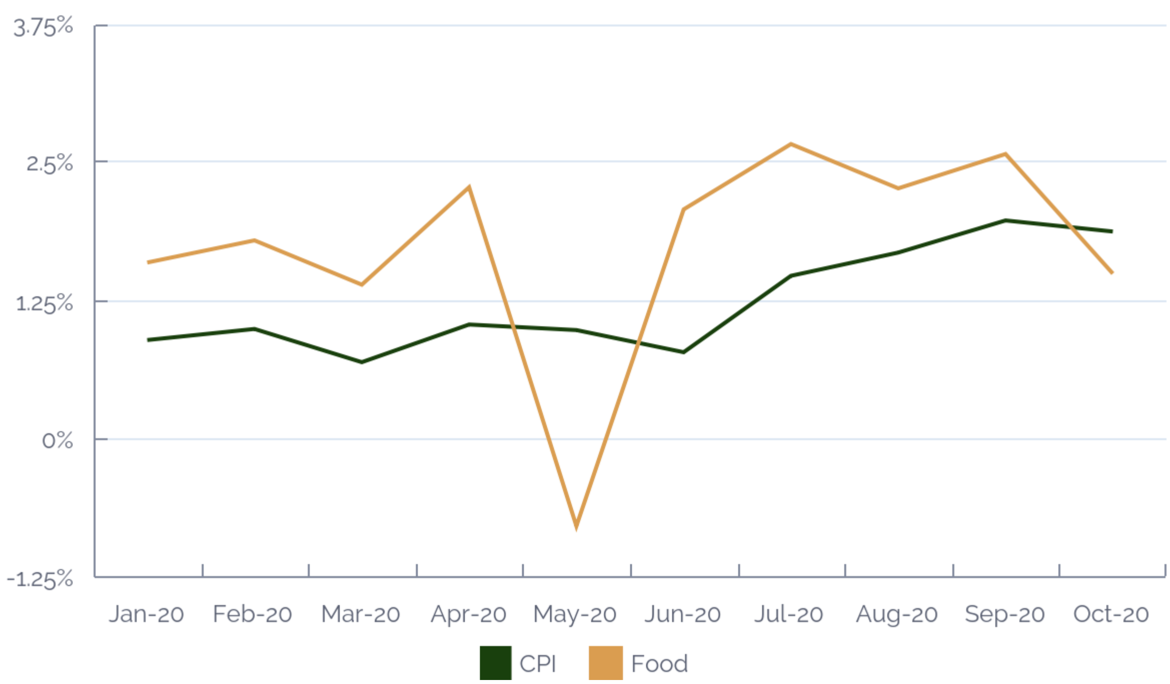
Gabon | Nov 19, 15:20

- **Food and housing are main categories contributing to slowdown in headline print**
- **Core inflation picks up slightly to 1.8% y/y but inflationary pressures remain benign**
- **12-month average inflation inches up to 1.2%, well below CEMAC's 3% norm**

Inflation slowed down to 1.9% y/y in October from 2.0% y/y in September, according to the latest data from the statistical office. The decline in the headline rate was mainly due to the slower food inflation, 1.5% y/y vs. 2.6% y/y in September as prices in the category inched down by 0.2% m/m, mainly due to the drop in prices of bread, leafy vegetables, and tubers and plantains. Also contributing to the downside were the categories of education, and hotels and restaurants although the slowdown there was largely due to vase effects. At the same time, the main upward contributions came from clothing and footwear (due to base effect as prices declined a year earlier), housing and utilities (due to a decline in rents), and household equipment and maintenance. In m/m terms, the headline CPI decreased by 0.1% after rising by 0.2% in September.

Inflation (% y/y)

Source | Stats office DGS



Core inflation (excluding energy and fresh food products) picked up further to 1.8% y/y in October from 1.7% y/y in September as energy prices fell at a slower pace of 0.4% y/y and fresh product inflation slowed to 2.4% y/y. The 12-month average inflation picked up to 1.2% y/y in October from 1.1% y/y in September, staying firmly below the 3% CEMAC convergence norm. Inflationary pressures are expected to remain benign amid the pandemic impact on economic activity.

CPI inflation (% y/y change)

	Weights	Jul-20	Aug-20	Sep-20
Food and soft drinks	40.3	2.7	2.2	2.6
Alcoholic beverages & tobacco	1.7	0.1	0.7	0.0
Clothing & footwear	5.3	-4.4	-4.0	-4.0
Housing & utilities	15.4	-0.9	-1.0	0.0
Household equipment & maintenance	3.8	-0.3	-1.4	0.8
Health	2.3	-0.3	-1.0	-1.2
Transport	8.1	7.6	12.0	9.9
Communications	5.6	2.3	2.3	2.3
Recreation and culture	4.6	0.4	0.5	0.6
Education	3.2	2.9	2.9	2.9
Restaurants and hotels	5.9	-0.2	0.0	0.4
Miscellaneous	3.8	0.5	0.3	0.1
All Items	100.0	1.5	1.7	2.0

Source: DGS

Ask the editor Link to source Back to contents

IVORY COAST

Public debt service to grow to XOF 3.2tn in 2023

Ivory Coast | Nov 19, 11:39

- **Public debt is seen to grow to 44.9% of GDP in 2021 before declining over medium term**
- **Borrowing strategy to focus on long-term instruments and euro-denominated loans**

The public debt service is seen to grow from XOF 2.1tn in 2021 to XOF 3.2tn in 2023, according to a document on the macroeconomic framework annexed to the 2021 budget draft. The document also put the indicative amount of securities to be issued to cover financing needs at XOF 2tn in 2021, XOF 1.7tn in 2022 and XOF 1.8tn in 2023. Total public debt is seen to grow to 44.1% of GDP this year from 38.8% in 2019 and further to 44.9% on 2021 before gradually decreasing to 42.7% in 2023. The debt strategy of the government is to meet financing needs by mainly focusing on long-term instruments and loans denominated in euros. External borrowing should cover about 60% of needs and of this amount 10% should concessional, 40% semi-concessional, and 50% non-concessional loans. As for domestic borrowing, which should cover 40% of financing needs, 40% should be long-term instruments and 40% medium-term instruments.

Debt service porjections 2021-2023 (XOF bn)

	2021	2022	2023
Total debt service	2,132.8	2,818.4	3,199.4
Domestic	1,082.6	1,571.4	1,690.9
Redemption of govt securities	959.9	1,418.2	1,382.0
T-bills	219.3	119.0	119.0
Government bonds	512.9	657.4	755.7
External	1,060.6	1,247.0	1,508.5
Paris Club	156.7	153.1	153.7
Eurobonds	301.9	174.4	174.4

Source: Budget office

Ask the editor Link to source Back to contents

Government projects growth to pick up to 6.5% in 2021

Ivory Coast | Nov 19, 11:28

- **Growth is seen to average 6.8% in 2022-2023**
- **Inflation set to remain below 3% over medium term**
- **Fiscal deficit is expected to gradually decline to converge to 3% norm in 2023**

The country's GDP growth is seen to pick up to 6.5% in 2021 from 1.8% in 2020, the government said in a statement after its weekly meeting. The macroeconomic projections were agreed upon with the IMF team that completed discussions on the seventh and eighth reviews of the programme with the authorities in October. The government that the performance under the programme was satisfactory and the macroeconomic outlook remained favourable despite the negative impact of the pandemic. Inflation is seen to stay below 3% over the medium term while the fiscal deficit is expected to widen to 5.9% of GDP this year from 2.3% in 2019. The increase is due to the additional spending in response to the COVID-19 crisis. The deficit is projected to decrease to 4.6% in 2021 and then converge to the UEMOA norm of 3% in 2023.

In the meantime, the budget office published a document on the macroeconomic framework annexed to the 2021 budget draft, which showed that after the 6.5% growth recovery in 2021, the government expects growth to pick up to 6.8% in 2022 and 6.7% in 2023. The CA deficit is seen to widen to 2.6% of GDP this year and stay at an average of 2.8% over the medium term.

Macroeconomic framework to 2021 budget

	2019	2020	2021	2022	2023
GDP growth, %	6.5	1.8	6.5	6.8	6.7
CA balance, % of GDP	-1.8	-2.6	-2.7	-2.9	-2.8
Inflation, average % change	0.8	1.0	0.9	1.2	1.0
Fiscal balance, % of GDP	-2.3	-5.9	-4.6	-3.8	-3.0
Government debt, % of GDP	38.8	44.1	44.9	43.2	42.7

Source: Budget office

Ask the editor Link to source Back to contents

KENYA

KEY STAT **CA deficit declines by 2% y/y in year to September**

Kenya | Nov 19, 17:00

- **Largely on Covid-related decline in goods trade balance**
- **CA deficit had been seen declining to 5.1% of GDP in calendar year from 5.8% in 2019**
- **Projection will likely be revised taking into account impact of renewed lockdowns on exports**

Kenya's CA deficit printed at USD 4.9bn in the year ending September, down by 1.8% y/y, according to provisional data in Treasury's Q1 Economic and Budget Review Report (QEBR). In terms of ratio to GDP, the deficit improved to 5.0% in the year ending September, in line with preliminary CBK data, and also down from 5.3% in the preceding 12-month period, according to the document.

The contraction in y/y terms was driven by narrowing goods trade balance. As we reported the goods trade deficit shrank by 13% y/y to USD 8.9bn in the review period as export edged up while imports dropped due to lower oil import bill and the reduced demand amidst the Covid-19 outbreak. Narrower primary income deficit also contributed towards the contraction of the CA deficit.

These developments were partly offset by the significant decline in the services surplus (-73% y/y), likewise induced by the pandemic, and by 5% contraction in the secondary income surplus. Looking forward, the CA deficit had been projected to widen marginally over the next months, reaching 5.1% of GDP in 2020 (calendar year), but remain down from 5.8% in 2019. This projections will however likely be revised due to the renewed lockdowns amidst the second Covid-19 wave in Europe.

The financial account recorded net liability of financial assets (inflow) of USD 3.7bn in the year ending September, down by 45% y/y. Most of the inflows came as other investment /govt borrowing (USD 4.4bn) and FDI (USD 0.5bn) while portfolio investments recorded net outflow of USD 1.2bn, according to the document. The balance of payments in the period under review printed in a surplus of 1.2bn vs. a deficit of USD 1.1bn in the previous 12-month period, the Treasury said.

Ask the editor | Link to source | Back to contents

KEY STAT **Trade deficit shrinks by 10% y/y in year to September**

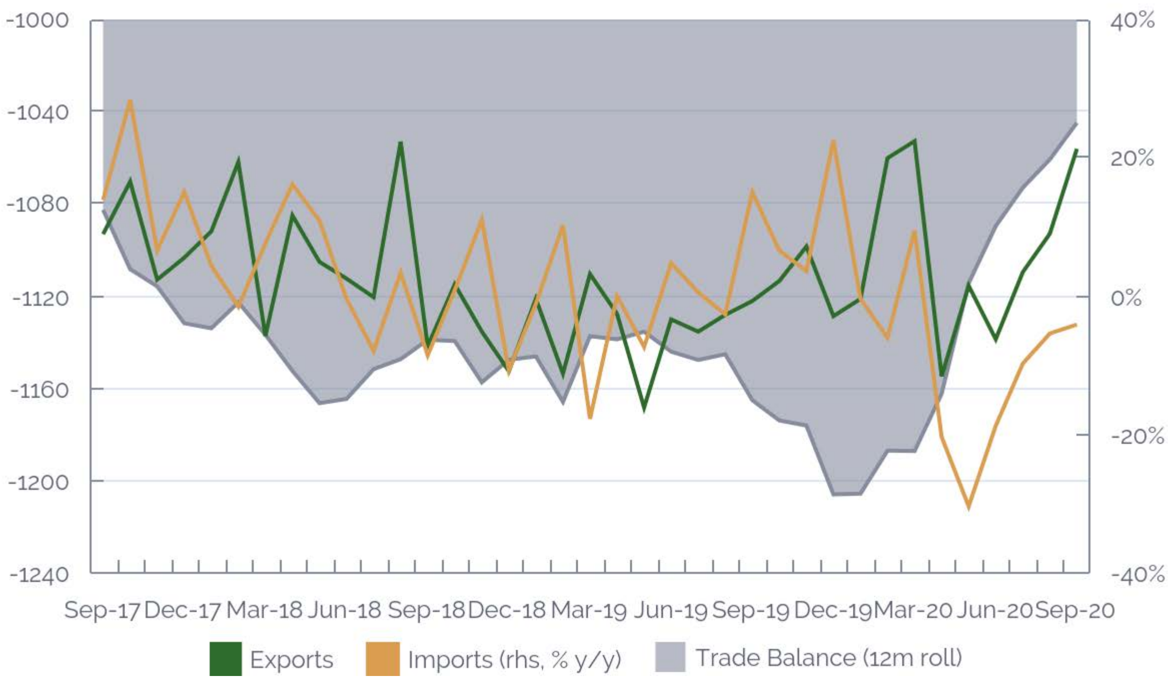
Kenya | Nov 19, 16:37

- **As exports increase while imports decline**
- **Exports rebounded quickly following March-April slump but will likely be affected by renewed lockdowns in Europe**
- **CA balance had been seen improving by year end but projections will likely be revised**

Kenya's trade deficit shrank by 10% y/y to KES 1,045bn in the 12 months ending September as exports increased while imports fell, according to provisional data published by the stats office KNBS. The pace of decline has been faster in USD terms, and it should stand at about 13% in the review period in our calculations.

Goods trade balance, KES bn

Source | KNBS



Total exports increased by 6% y/y to KES 625bn in the year to September. This reflected a 5% rise in domestic exports to KES 544bn, coupled with a 23% increase in re-exports to KES 82bn. With agricultural commodities, particularly tea, horticulture, and to a lesser extent - coffee, accounting for close to 50% of the exports, export performance is pegged to the prevailing weather conditions and global commodity prices. In March-April exports took a hit due to reduced demand and transportation challenges amidst the Covid pandemic, before starting to recover in May as lockdowns in Europe were eased. Also on the upside, in May the country benefited from one-off record vegetable exports, likely also attributable to the pandemic situation. Looking at imports, they fell by 5% y/y, which largely reflected a sizably lower oil import bill.

Geographically, the EAC region remains Kenya's major export destination accounting for 16% of goods exports, making exports sensitive to periodic trade rows. Other leading destinations for Kenya's exports are Pakistan, USA, UK and Netherlands. As to imports, about a fifth come from China, followed by India, UAE, Japan and Saudi Arabia.

Prior to the onset of the second wave in Europe, CBK had projected the impact of the Covid crisis on exports would be short-lived and the good trade balance would continue improving also supported by the lower demand for imports and the lower oil import bill. Consequently, despite the impact of the pandemic on travel and tourism, the country's CA balance was projected to shrink to 5.1% in 2020 from 5.8% in 2019. The projection will however likely be revised to account for lower horticulture exports, given the renewal of lockdowns in some of Kenya's main horticulture exports destinations.

Trade Balance, 12m cum., KES bn

	Sep-19	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20
Domestic exports o/w	519	524	526	525	530	535	544
Tea	114	121	123	126	128	129	131
Horticulture	110	110	112	108	108	109	114

Coffee	22	21	20	21	21	21	22
Re-Exports	73	87	86	84	81	80	82
Total Exports	**592**	**612**	**612**	**609**	**611**	**616**	**625**
Total imports	1,757	1,774	1,726	1,699	1,684	1,676	1,670
Trade Balance	**-1,165**	**-1,162**	**-1,114**	**-1,089**	**-1,073**	**-1,061**	**-1,045**

Source: CBK

Ask the editor Link to source Back to contents

Govt raises KES 54bn in oversubscribed T-bond sale

Kenya | Nov 19, 14:47

- **Above a pre-announced target of KES 50bn**
- **Bond auctions since start of fiscal year have attracted strong interest**

The government raised KES 53.7bn against a pre-announced target of KES 40.0bn in the monthly T-bond auction held Wednesday, 18 November, CBK said. The shorter-term bond (7.5 years effective maturity, 12.000% coupon) attracted KES 27.1bn worth of bids. CBK took most of the bids (KES 26.2bn) with the weighted average yield of accepted bids printing at 11.445%. Investor interest was similar for the longer-term bond (17.4 years effective maturity, 13.200% coupon), which attracted KES 28.9bn in bids. Likewise CBK accepted most of these (KES 27.5bn). The weighted average yield of accepted bids stood at 13.247%. We note govt bond auctions since the start of the fiscal year (July) have attracted strong interest, allowing for the govt to raise KES 329bn in bonds (net) and repay KES 60bn of T-bills, resulting in net domestic borrowing of KES 280bn or about 45% of the latest domestic borrowing target. Earlier this month the govt also tapped a 23-year bond, though that sale remained undersubscribed with govt raising KES 7.9bn against a pre-announced target of KES 20bn.

Ask the editor Back to contents

Local electricity generation increases by 1% y/y in September

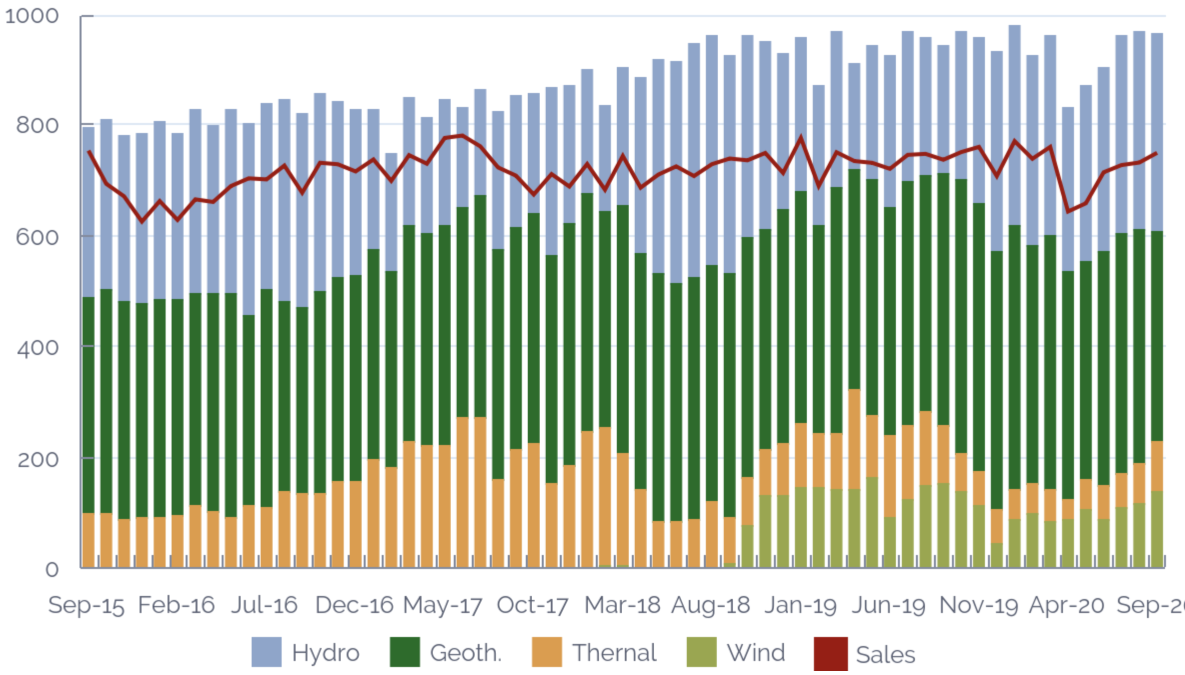
Kenya | Nov 19, 14:24

- **Sales increase as well but by a smaller margin**
- **Despite heavy investment in renewable sources, electricity costs remain high due to supply-demand mismatch**

Growth of local electricity generation (w/o emergency generated power) picked further up to 2% y/y in September from 1% in August, when it returned to the positive territory after five consecutive months of contraction, according to the latest leading economic indicators publication of KNBS. The development was largely driven by improved performance of hydrothermal generation, which rose by 35% y/y. Geothermal generation rose as well, albeit marginally (+1% y/y). Accordingly, thermal generation, which is largely used to compensate for lower hydro generation due to its relatively high price, fell by 52% y/y in September. Cumulatively in January - September electricity generation was down by 1% y/y while sales shrank by 2% reflecting lower consumption by industrial consumers amidst the Covid-19 crisis.

Electricity generation, Kwh mn

Source | KNBS



The govt has been investing heavily in the energy sector in an effort to boost capacity and increase the share of renewable sources but has remained on the spot over its inability to bring down the cost of electricity, allegedly driven by payments for idle capacity and losses due to the aged transmission infrastructure. Moreover, the country's utility firm, Kenya Power, has consistently been demanding a tariff hike, maintaining it operates in the red over the past years. The govt last year acknowledged demand growth had been slower than planned, and unless the trend is changed, consumers should not expect sizable decline in costs.

Ask the editor Back to contents

KEY STAT **Revenue collection remains 12% below target in Q1 – treasury**

Kenya | Nov 19, 11:27

- **All tax categories post negative y/y growth**
- **Govt cut VAT, income tax rates in response to the crisis**
- **Spending also remains below target, but figure is provisional due to possible delays in reporting**
- **Development spending grows by 27% y/y, possibly reflecting payments of pending bills**
- **Budget may be revised further given second Covid wave, potential engagement with IMF**

Revenue collection remained about 12% below the target in Q1 of the current FY 2020/21 (ending June), the Treasury said in its latest quarterly economic and budget review paper. Ordinary (mostly tax) revenue collection underperformed by 11% vs. the quarterly target with all major tax categories contributing to the underperfomance and posting negative y/y growth. VAT collection shrank by the largest margin, down by 27% y/y, reflecting the 2pps VAT rate cut implemented in April, which was part of govt's Covid-19 response measures. Income tax collections, accounting for 44% of ordinary revenues, declined by 16% y/y, likewise reflecting the impact of the crisis and the rate cuts adopted by the govt.

Collection of AIA (fees and taxes collected directly by the ministries) was 20% short of the target. External grants also remained far away from the expected level, according to the QEBR, resulting in total revenue and grants falling short of the FY target by 13%. Also on a negative note, revenue and grants declined by 10% y/y in absolute terms, and in terms of ratio to GDP, down to 3.4% from 4.1% in Q1 FY 2019/20.

Looking at spending, it also remained 10% below the Q1 target and shrank in y/y terms, albeit by a smaller margin (6%), according to the QEBR data, which the Treasury noted are provisional due to possible delays in reporting. The Treasury attributed the underperformance to slower-than-planned absorption by the national govt and scaled down operations amidst the crisis. Worth noting, development spending actually exceeded the target and expanded robustly y/y, which contradicts the explanation, and may be attributable to payments of arrears to domestic suppliers. The Treasury reported total outstanding pending bills of the national government at KES 346bn as of end-September, comprising KES 285bn owed by state corporations and KES 62bn - by ministerial departments and agencies.

The overall fiscal deficit on commitment basis (incl. grants) stood at KES 128bn or 1.1% of GDP, marginally below the quarterly target and up from KES 120bn in Q1 FY 2019/20. The cash deficit amounted to KES 130bn or 1.2% of GDP. Financing was only domestic while external financing resulted in net repayment of KES 23bn (table below). External debt service stood at KES 82bn in Q1, comprising KES 47bn in principal repayments and KES 34bn in external interest payments.

As we reported the stock of gross public debt increased by 19% y/y to KES 7.12tn or about 70% of GDP at end-September, up from 58% a year earlier. Net public debt stood at KES 6.50bn, up by 20% y/y at end-September. External debt accounted for about 51% of gross public debt.

We also recall despite the revenue underperformance govt has remained optimistic on the outturn for the fiscal year, projecting revenues to post marginal y/y growth as collections pick up over the next quarters. Nonetheless the deficit is seen widening to 8.9% of GDP on the back of spending hikes, mostly concerning development spending. These projections however may undergo further revisions, given the second Covid wave, and the country's potential engagement under a new program with the IMF.

Q1 FY 2020/21 Budget Outturn, KES bn

	2019/2020Actual	2020/2021Actual*	Targets
A. TOTAL REVENUE AND GRANTS	**424**	**383**	**437**
1. Revenue	421	379	429
Ordinary Revenue	384	343	384
Import Duty	26	23	26
Excise Duty	50	47	57
Income tax	181	151	167
VAT	106	83	114
Investment Revenue	6	21	3
Others	16	16	17
Appropriation-in-Aid	37	36	45
2. Grants	3	4	8
B.EXPENDITURE AND NET LENDING	**545**	**510**	**565**
1. Recurrent	391	359	410

Domestic Interest	76	81	72
Foreign Interest	34	34	43
Pension & Other CFS	26	26	31
Wages and Salaries	110	119	124
O & M/Others	145	99	141
2. Development and Net Lending	96	122	90
O/W Domestically financed	63	93	44
Foreign financed	33	29	44
4. County Governments	58	29	65
C. DEFICIT EXCL.GRANT (commitment)	-123	-132	-136
D. DEFICIT INCL.GRANT (commitment)	**-121**	**-128**	**-128**
E. Adjustment to cash	26	-2	0
F. DEFICIT INCL.GRANTS (Cash basis)	**-95**	**-130**	**-128**
G. FINANCING	95	130	128
1. Net Foreign financing	13	-23	-8
Disbursements	32	25	41
Programme Loans	2	0	0
Project Cash Loans	3	9	10
Project Loans AIA	27	16	31
Debt repayment - Principal	-19	-47	-49
2. Net Domestic Financing	82	152	136
MEMO ITEM			
GDP ESTIMATE	10 355	11 267	11 267

Source: Finance ministry

Ask the editor Link to source Back to contents

NIGERIA

Minister says Nigeria should sanction CNN for report on Lekki Toll Gate shooting

Nigeria | Nov 19, 15:18

- **Minister blames CNN for using "unverified and possibly doctored videos" in its report**
- **Last month, Amnesty International said federal government was trying to cover up killing of protestors at Lekki Toll Gate**

Information minister Lai Mohammed said Nigeria should sanction CNN for its report on the Lekki Toll Gate shooting on Oct 20. Mohammed claimed the US broadcaster used "unverified and possibly doctored videos" in its report on the shooting. When asked about the sanction, Mohammed did not say how it could be implemented, but he urged Nigerian authorities to do what was necessary.

Protests at the Lekki Toll Gate on Oct 20 were part of the #EndSars protests that began in early October. Nigerians have been taking to the streets, peacefully demanding an end to police brutality, extrajudicial executions and extortion by the Special Anti-Robbery Squad (SARS), a unit of the Nigerian police tasked with fighting violent crimes. But they have been met with excessive use of force by the army and police forces. On Oct 28, Amnesty International published the results of its investigation on the shooting, saying the federal government was trying to cover up the killing of protestors. Amnesty had collated photos and video footage revealing army vehicles leaving the Bonny Camp military base and then arriving in the toll area, right before the lights in the area were switched off and the shooting started. Following the Lekki Toll Gate shooting, the protests spiralled out into mayhem and looting, particularly in Lagos. Violent attacks, looting of shops and arson on banks and public buildings has quickly spread to other cities.

Ask the editor Back to contents

Government sells NGN 80bn FGN bonds, yields fall further on strong demand

Nigeria | Nov 19, 09:26

- **Demand for FGN bond comes almost entirely from local investors**
- **Oil price slump, COVID-19 have triggered sell off of Nigerian assets**
- **In Jan-Nov, total allotment remains 60% above target as government front loaded borrowing requirements**

The federal government offered and sold NGN 80bn in 15- and 25-year FGN bonds at the regular monthly auction on Nov 18, meeting the target at 100%, the Debt Management Office (DMO) said. Total subscription for the bids (which were all on competitive basis) was strong NGN 184.7bn or 2.3 times the offer, although it eased from NGN 235.9bn in the preceding auction (7.7x the offer), so yields fell further. In fact, the sharp compression in bond yields has sent local funds to the equity market, where shares rallied in October and November. We attribute the demand for FGN bonds to local institutional investors as the slump in oil prices have triggered sell off and exit of foreign investors.

Summary of primary FGN auctions (NGN bn)

	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20
Offer	130.0	150.0	145.0	30.0	80.0
Subscription	470.1	242.2	360.2	235.9	184.7
Bid-to-cover ratio	*3.62*	*1.61*	*2.48*	*7.86*	*2.31*
Allotment (competitive bids)	177.0	116.7	103.8	45.0	80.0
Allotment (non-competitive)	1.5	9.5	2.3	5.0	0.0
Bid range for 10Y bond	**-**	**-**	**-**	**-**	**-**
Min (%)	5.00	5.23	4.68	4.00	-
Max (%)	11.50	12.50	9.00	12.00	-
Marginal (%)	6.00	6.70	6.00	4.97	3.37

Source: DMO

In Jan-Nov, total allotment of NGN 1,850bn is 60% above DMO's offer targets after falling short 3% in 2019 as the government took advantage of the low yields in early 2020 to front load its financing requirements. The DMO had to revise upwards the borrowing targets as the revision of the 2020 budget has resulted in NGN 850bn increase in domestic borrowing (to a total of NGN 1,600bn).

Ask the editor Link to source Back to contents

SENEGAL

IMF says performance under PCI program remains solid

Senegal | Nov 19, 12:50

- **Most end-June indicative targets, and important reform targets met as of end-June**
- **Budget implementation remains on track with deficit seen at 6.5% of GDP**
- **Fund endorses the priorities of budget 2021**
- **Economy may avoid contraction this year and growth seen at 5% in 2021**

Senegal's may avoid the previously projected 0.7% contraction this year due to much faster recovery since the easing of the containment measures and robust performance of agriculture, the Fund said in a press release following the end of a mission focused on discussions of the second review under the country's PCI program. The review itself may be considered in the first half of January 2021 while a staff-level agreement on economic and financial policies going forward was reached with the authorities, the statement read. Performance under the program was assessed as solid, with five out of seven indicative targets along with important reform targets said to have been met as of end-June.

Growth momentum is expected to be maintained with the economy seen expanding by 5% next year, though significant downside risks remain related to the ambiguity over the duration of the pandemic and the speed of global recovery. Meanwhile budget execution remained on track and the budget deficit is seen expanding to 6.5% of GDP, in line with the program objectives, albeit adjusted for a shortfall in grants. Effective implementation of govt's Economic and Social Resilience Program was essential in cushioning the economy from the crisis, the IMF noted.

Looking forward, as we expected, the Fund has endorsed the priorities of the draft 2021 budget, according to the statement. The authorities have acknowledged the importance of boosting revenue collection, allowing for gradual fiscal consolidation. Towards this end the IMF recommends review of applicable tax exemptions and re-launch of annual tax expenditure report, along with ore transparency of fuel-related taxes. On the expenditure side, implementation of program-based budgeting, along with reduction of spending executed through below-the-line accounts ("comptes de depot)" should continue, the IMF said. Likewise, govt should continue pursuing reforms towards private sector-led growth, including further improvement of the business environment and support for the SME sector.

We recall the PCI program was approved last December, succeeding a PSI program, which expired in 2018. It targets the achievement of sustainable private-sector led growth, continued fiscal discipline, and prudent management of hydrocarbon resources. The Board completed the first PCI review in July, assessing the performance as satisfactory. In April, the country also benefited from a disbursement of USD 442mn under RFI/RCF.

Ask the editor Back to contents

UGANDA

Three killed in clashes following opposition leader arrest

Uganda | Nov 19, 11:59

- **Police arrested opposition figure Bobi Wine for breaching coronavirus restrictions**
- **Protesters clash with police which uses tear gas and weapons against them**
- **Opposition has complained of police brutality and limited access to mass media ahead of 2021 elections**

Three people were killed and 34 injured in clashes that followed the arrest of prominent opposition figure Robert Kyagulanyi, also known as Bobi Wine. The musician-turned-politician had earlier tweeted that he had been taken into custody by police who broke into his vehicle. The information was later confirmed by the police which noted that he was arrested for violating the coronavirus restrictions. Protests erupted afterwards in Kampala and other major towns, and demonstrators clashed with the police who used tear gas and other weapons to disperse them.

We note that the government has banned public rallies as part of measures to stop the COVID-19 spread but the opposition has said that this is just a pretext to silence them. Indeed, the opposition has limited access to public media compared to the government. In a recent meeting with the electoral commission, opposition candidates complained about police brutality and limited access to mass media during the campaign. The next general elections ill be held in January and February.

Ask the editor Back to contents

T-bill yields fall at this week's auction

Uganda | Nov 19, 08:59

- **Yields fall by 3-65bps amid strong demand**
- **Government still again sells T-bills above target**

Yields fell at the T-bill auction held on Nov 18 as the demand remained solid. The 91-day T-bill yield declined by 9bps from the auction two weeks earlier to 7.56% and the 364-day T-bill yield fell by 65bps to 12.50%. The bid-to-cover ratios were in the 1.9-2.9 range and the government sold UGX 288.3bn securities, exceeding the UGX 245bn target for the second consecutive auction.

The latest results confirm the downward trend in yields that has been seen in the secondary market too. It might be attributed to the recovery in liquidity as there are signs of improved credit activity.

T-bill auction results

	18 Nov		
	91-day	182-day	364-day
Offer (UGX bn)	15.00	35.00	195.00
Bids (UGX bn)	43.66	72.16	369.77
Allocated (UGX bn)	21.96	53.66	212.70
Effective yield at cut-off price, %	7.558	9.621	12.502
Bid-to-cover	2.91	2.06	1.90

Source: Bank of Uganda

ZAMBIA

KEY STAT Domestic government debt grows by 64.1% y/y at end-September

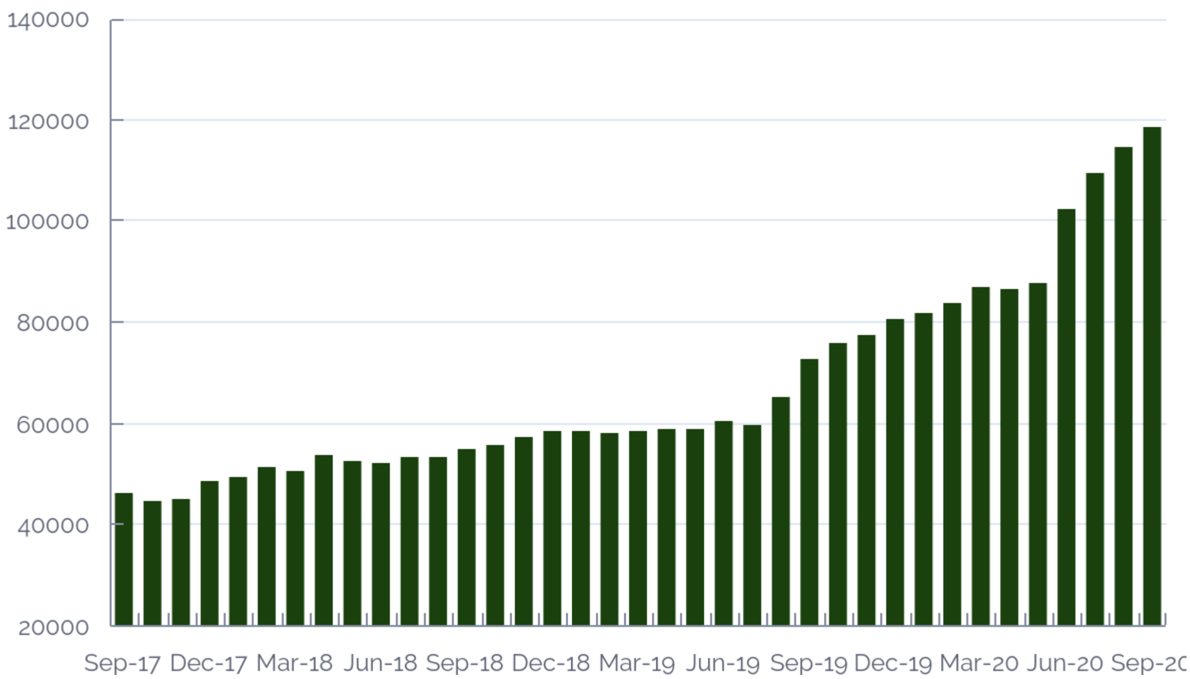
Zambia | Nov 19, 19:30

- **Debt grows further as govt financing needs increase**
- **Domestic debt accounts for about 44% of GDP in our estimates**
- **Public debt set to rise way over 100% of GDP this year due to fiscal challenges, kwacha weakening**

The stock of domestic government debt grew by 3.8% m/m and 64.1% y/y to ZMW 118.7bn at end-September, according to the monthly economic report of the finance ministry. The central bank has attributed the increased issuance of domestic debt to the growing financing needs of the government amid reduced revenues. It was also due to the fact that the country's access to global financial markets has been limited by the pandemic-related developments and also the government's reduced credibility. The debt stock accounts for about 44% of the revised GDP projection derived from the latest central bank MPC statement. The ratio is way above the 24% reported a year earlier. The stock of outstanding bonds grew at a slightly faster rate than T-bills, by 64.9% y/y.

Domestic debt (ZMW mn)

Source | Finance ministry



External debt data is only provided on a quarterly basis and the latest available data put external liabilities at USD 11.97bn at end-June. If we take this into consideration, the public debt should be over ZMW 355bn at end-September or 132% of the revised GDP projection in our estimates. Public debt is set to grow further by the end of year, especially as the coronavirus pandemic is set to negatively affect fiscal performance with the deficit projected to widen to 11.7% of GDP. The latest data suggests even this projection could be exceeded. The IMF's latest WEO forecast (October 2020) was for public debt to end 2020 at 120% of GDP but this was based on budget deficit projection of 6% of GDP.

Ask the editor | Link to source | Back to contents

KEY STAT **Budget deficit widens markedly in Jan-Sep**

Zambia | Nov 19, 19:20

- **Deficit reported by finance ministry accounts for over 13% of GDP in our estimates**
- **Data shows there have been marked upwards revisions to both revenue and spending sides**
- **Interest payments stand at about 7.5% of GDP and 31.5% of revenue**
- **FinMin expects 2020 deficit to widen to 11.7% but latest numbers suggest it might be bigger**

The central government budget deficit was put at ZMW 35.6bn in Jan-Sep in the latest monthly economic report of the finance ministry. The deficit accounts for about 13.2% of the revised GDP projection in our calculations, and is above the revised 11.7% target. The data suggests there have been some sizeable revisions to previously released figure, both on the revenue and spending side.

The biggest upward corrections on the revenue side were to tax revenue, more specifically income taxes and VAT, and non-revenue items such as mineral royalties. On expenditure side, the biggest upward corrections were to personal emoluments, interest payments, and transfers to the farmer programme. As for interest payments, which we have noted before that are suspiciously low, are now put at ZMW 20.3bn in Jan-Sep (about 7.5% of GDP) which translates into an average of ZMW 2.3bn monthly while the data provided for Jan-Aug had put them at ZMW 1.7bn.

The latest data puts total revenue and grants amounted at 88.0% of the full-year target while expenditures were executed at 109.1% of the full-year projection. As in previous months, the worst performance was that of tax revenue (and in particular VAT) and grants, while non-tax revenue was well above target thanks to road tolls and mineral royalties. Grants remained well below programmed levels (55.1% of full-year plan) as donors remain cautious given the lack of IMF programme and worsening debt metrics. On the spending side, the over-execution of current spending was mainly due to the higher-than-planned current spending, and more specifically the transfers to the farmers programme which are 10 times the planned full-year amount. The capital budget remains under-executed.

The finance minister said when presenting the 2021 budget that the total revenues and grants are seen to end the year 12% below target resulting in a deficit of 11.7% of GDP, way above the 5.5% original target which appeared optimistic even before the coronavirus pandemic. The higher-than-planned deficit is expected as a result of underperforming revenues and coronavirus-related spending, as well as the lower-than-planned GDP. The latest data suggests even the revised deficit target will be exceeded, unless there are more revisions down the line.

Budget execution (ZMW mn)

	Approved	Preliminary	% of annual plan
	2020	Jan-Sep	Jan-Sep
Revenue and grants	**75,034.8**	**66,029.5**	**88.0%**
Domestic revenue	65,177.0	64,318.5	98.7%
Tax revenue	71,927.0	50,458.0	70.2%
Income tax	25,612.5	27,633.0	107.9%

VAT	19,004.2	14,402.3	75.8%
Customs and excises	8,964.3	8,162.8	91.1%
Non-tax revenue	11,303.4	13,860.5	122.6%
Grants	3,107.8	1,711.0	55.1%
Total expenditure	**93,080.5**	**101,595.5**	**109.1%**
Current	26,273.7	75,314.5	286.7%
Personal emoluments	25,627.8	27,142.4	105.9%
Use of goods and services	6,457.6	7,859.3	121.7%
Interest payments	20,798.5	20,259.2	97.4%
Transfers	8,306.6	18,379.4	221.3%
Non-financial assets	27,104.5	21,365.1	78.8%
Financial assets & liabilities	2,945.2	4,915.8	166.9%
Fiscal balance	**-18,045.7**	**-35,566.1**	**197.1%**
Financing	18,045.7	39,662.7	219.8%
Net domestic financing	3,115.6	29,781.8	955.9%
Net external financing	14,930.1	9,880.8	66.2%

Note: * calculated from monthly data

Source: Finance ministry

Ask the editor Link to source Back to contents

Electricity generation declines by 18.3% m/m in September

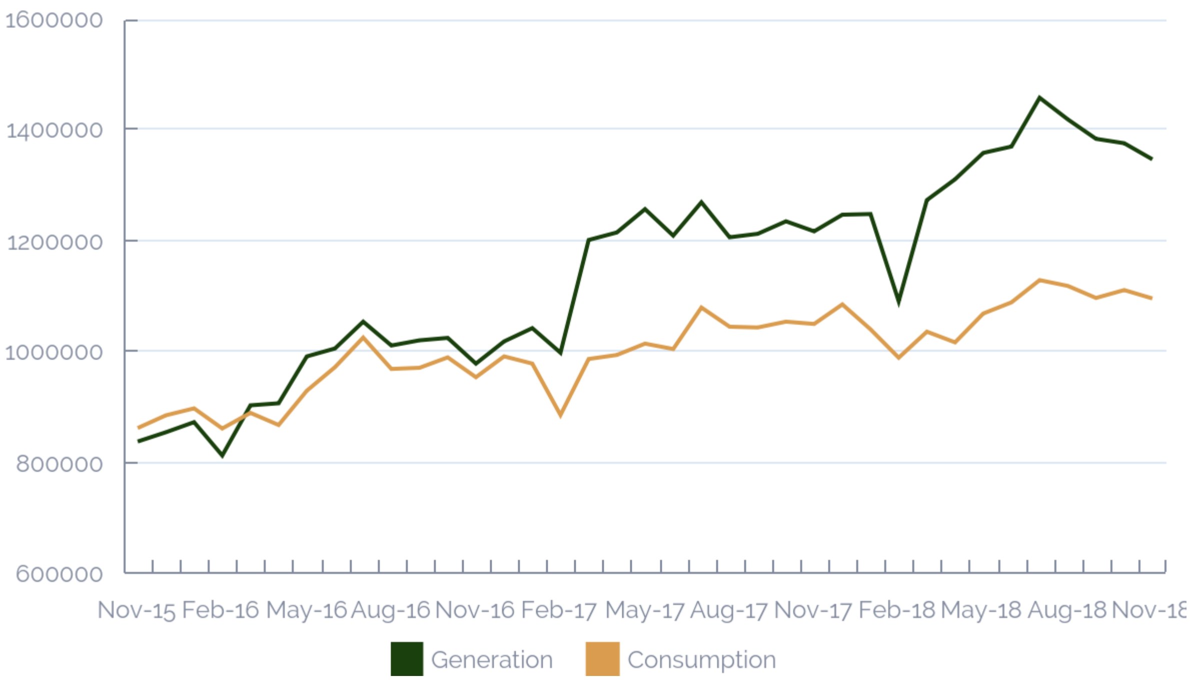
Zambia | Nov 19, 17:33

- **Generation has again been on decline due to gradually falling water levels**
- **Consumption has stayed low too due to continued load shedding allowing for continue exports**
- **Power utility expects power rationing to decrease only towards yearend when 300MW will be added to grid**

Electricity generation decreased by 18.3% m/m and 6.6% y/y in September, according to the latest monthly economic report of the finance ministry. The decline reflects the gradual decline in water levels since July which has forced the power utility Zesco to continue implementing load shedding. There was no data about electricity consumption in September but data for previous months indicated it remained depressed. The low domestic consumption allowed electricity exports to continue rising at double-digit rates y/y (50.2% y/y in September) while imports remained low falling by 94.4% y/y.

Electricity sector data ('000 MWh)

Source | Finance ministry



The dry spells of the past two years led to a significant decline in water levels with the largest dam Kariba registering a low of just 7.8% of capacity in mid-January 2020. The shortfall forced the power utility Zesco to start load shedding in June 2019, with the power cuts escalating to up to 15 hours in some areas. The power rationing did not include mining companies but affected other businesses. The situation improved with the start of the rainy season in November 2019 and water levels at Kariba rose to over 40% allowing Zesco to relax power cuts. Still, the water level peaked at 41.6% at end-June and has started decreasing again reaching 23.3% on Nov 12. Load shedding is seen to decline only towards the end of this year when the new rainy season starts and the first two units (both with 150MW capacity) of the 750MW Kafue Gorge power project come online. The power deficit is currently put at around 800MW.

Ask the editor | Link to source | Back to contents

Copper production growth slows to 10.5% y/y in September

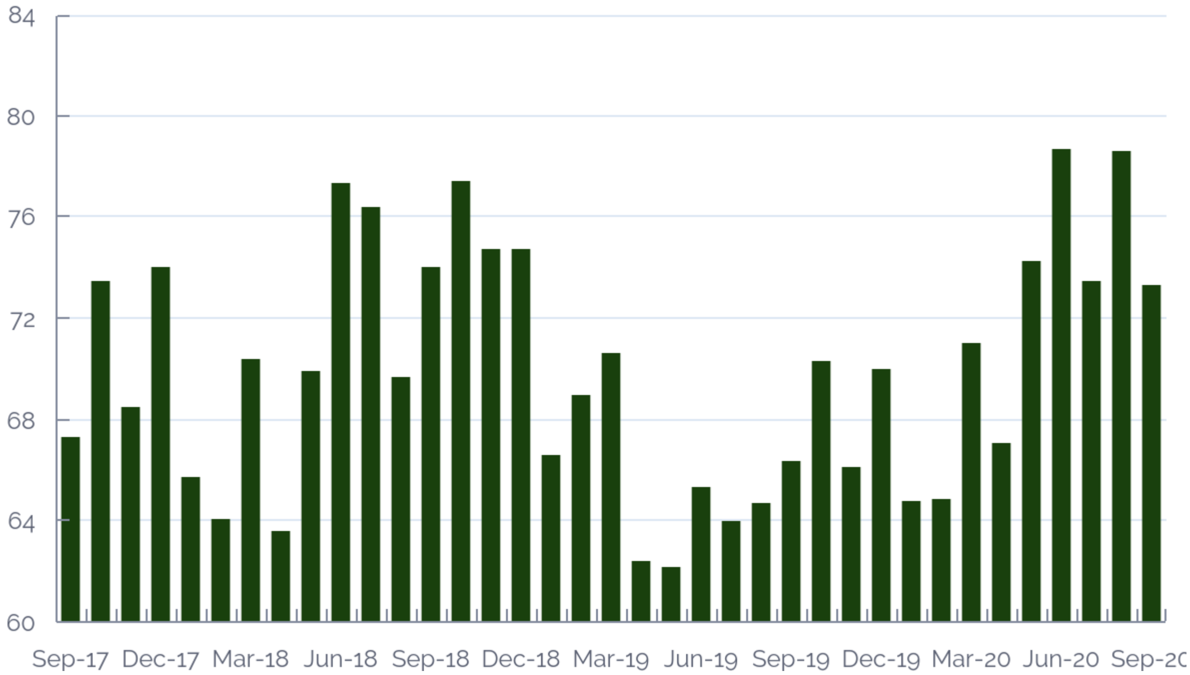
Zambia | Nov 19, 17:20

- **Growth has been driven by recovery in commodity prices since April**
- **Cumulative output grows by 9.3% y/y as sector recovers from 2019 drop**

Copper production increased by 10.5% y/y to 73,382 tonnes in September, according to the latest monthly economic report of the finance ministry. The rate of growth slowed from 21.7% y/y in August (which was the fastest growth since November 2016) as production fell by 6.7% m/m (3.6% if the difference in number of days is taken into account). A major factor behind increase in production over the past few months is the recovery in copper price. The average price grew by 16.8% y/y to USD 6,712 per tonne in September and data for October suggests continued double-digit growth.

Copper production ('000 tonnes)

Source | Finance ministry



Cumulative copper production rose by 9.3% y/y to 646,112 tonnes in Jan-Sep, supported by the increase in prices and the government decision to abolish the import duty on copper concentrates. We recall that copper production fell by 7% y/y to 797,518 tonnes in 2019 and the Chamber of Mines warned that another drop could be seen this year if the government takes no measures to address the situation. The latest results suggest that this has been avoided and mining should be among the few sectors to post growth this year. Mines minister Richard Musukwa said recently that produciton is seen to reach 820,000 tonnes this year thanks to higher copper prices, stable fiscal regime.

Ask the editor | Link to source | Back to contents