

The African Development Bank Group Chief Economist Complex



Market Brief

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1. Market Commentary

1.1 Stock Markets

During the week of 27 September – 1 October 2010, most African stock markets rose, alongside strong commodity markets, a weak U.S. dollar, and an optimism bolstered by a higher-than-estimated consumer spending in the U.S. Ghana recorded the largest gain of 4.2%. Some moderate gains of between 0.9% and 1.9% were registered in Morocco, Kenya, Uganda, Nigeria, Côte d'Ivoire, Tunisia, and South Africa. The two markets which recorded declines were Egypt and Mauritius, which posted losses of 1.3% and 1.1%, respectively.

Equity Focus

Ghana: The All Share Index rose by 4.2% over the week, driven by gains of bank stocks. Particularly, the shares of *Ecobank Ghana Limited* (+12.5%) and *Ghana Commercial Bank* (+7%) rose substantially on hopes that banking stocks will post strong results for the third quarter.

Egypt: The CASE 30 Index fell by 1.3% during the week, dragged down by reports of the Algerian government imposing further retrospective taxes on *Djezzy*, the Egypt-based mobile operator and *Orascom Telecom's* subsidiary in Algeria. *Orascom Telecom* reported that it has received notification from the Algerian

authorities that *Djezzy* owes an extra USD 230 million on top of the USD 600 million fines and back taxes it has already paid.

1.2 Commodity Markets

Crude Oil (Brent): The price of Brent crude oil rose by 8.9% to USD 81.6, a fresh seven-week high after stronger-than-expected U.S. and Chinese economic data raised hopes of demand recovery in the world's largest markets.

Gold: The price of gold rose in a steady upward trend on the back of a weak US dollar. The weekly gains, however, were reduced to 1.5% from 4% in the previous week, affected by the improving data on the global economic strength.

1.3 Exchange Rates

Most African currencies strengthened against the US dollar, which fell vis-à-vis the Euro and Japanese Yen. The Euro hit a five-month high against the US dollar after upbeat Chinese economic data increased demand for riskier assets, while the US dollar weakened due to investors' speculation on a further monetary easing by the U.S. Federal Reserve. Among African currencies, the Guinea Franc registered the largest appreciation of 14.5% against the US dollar, partly offsetting the previous week's depreciation of 23.6%.

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“In Djibouti: Annual inflation rate rose to 5.1% in September 2010 from 2.8% in the previous month, pushed by higher food prices ...”

The Gambian Dalasi, CFA Franc, and Comoros Franc recorded appreciations of between 2% and 2.6%. All other currencies posted minor gains in value of less than 2% against the US dollar. The exceptions include the currencies of Nigeria, Zambia, Angola, and Ethiopia which recorded marginal depreciations of less than 0.5% and the New Metical of Mozambique which remained unchanged.

2. Regional Developments

Southern Africa: The Board of Directors of the African Development Fund (ADF) approved a USD 95.6 million loan to fund the Nacala Corridor Phase II Road project (NCRP) in Zambia. The NCRP aims at promoting economic growth and regional integration within the Southern African Development Community (SADC) through a reliable and efficient transport infrastructure to improve sub-regional trade and the region's overall competitiveness. The NCRP covers over 1,00km of roads in Zambia, Malawi and Mozambique and two border posts.

3. Countries in Focus

Angola: Foreign exchange reserves rose to USD 15.8 billion in August 2010 from USD 15.3 billion in the previous month. The country stocked up the foreign reserves, helped by the increases in prices and exports of crude oil, which is the major source of its foreign exchange earnings.

Burundi: The Tea Board expects revenues from its tea exports to rise to USD 24 million, a 50% increase from 2009, due to higher export volumes. In 2009, the country earned USD 16 million from the exports of 7,000 tonnes, which is expected to increase to 7,500 tonnes for 2010.

Côte d'Ivoire: The International Monetary Fund (IMF) announced that Cote d'Ivoire has met all but one of the conditions for completing an IMF and World Bank

program of \$3 billion debt relief under the Heavily Indebted Poor Countries scheme. The exception related to delays in implementing cocoa sector reforms consisting of changing the tax regime and restructuring the cocoa authorities. The Republican President has vowed to complete cocoa reforms as soon as the polls scheduled on October 31 are over.

Djibouti: Annual inflation rate rose to 5.1% in September 2010 from 2.8% in the previous month, pushed by higher food prices. Food prices rose by 2.3% in September compared with August, due to higher costs of meat, fish, fresh fruit and vegetables.

Egypt: The Investment Minister has announced that the country is close to completing a new legal framework for its secondary market for bonds, while taking other measures to improve bond trading. The measures include a plan to allow non-Egyptian organizations such as the World Bank, International Financial Corporation, and AfDB to issue bonds denominated in Egyptian pounds so that local currency bond markets can be deepened.

Ghana: The Government raised cocoa producer prices for the 2010-11 season by a third to 3,200 Cedis (USD 2,200) per tonne. The move was intended to discourage smuggling of cocoa to neighboring West African states.

Fitch Ratings has revised Ghana's outlook to stable from negative following the economic stabilization through tight monetary and fiscal policy and the imminent start of oil production. The agency has also affirmed Ghana's Long-term foreign and local currency Issuer Default Ratings (IDR) at 'B+' and Short-term foreign currency IDR at 'B'.

“In Kenya, the current account swung into a surplus of 15.5 billion shillings (USD 180 million) in the first half of 2010 from a deficit of 54 billion shillings (USD 640 million) a year earlier...”

Kenya: The current account swung into a surplus of 15.5 billion shillings (USD 180 million) in the first half of 2010 from a deficit of 54 billion shillings (USD 640 million) a year earlier, due to an increase in tourism earnings. However, the trade deficit widened by 17% to 242 billion Kenya shillings (USD 2.9 billion) during the same period, due partly to an increase in imports.

Mauritius: The Bank of Mauritius reduced its benchmark lending rate by 1 percentage point, citing a risk of a significant economic slowdown next year and a benign inflation outlook. The central bank added that the move signaled a major shift in its monetary policy stance.

The unemployment rate fell to 7.6% during the second quarter of 2010 from 8.3% in the same period a year earlier. Even though the global economic downturn has hurt demand for tourism and key export sectors such as textiles, two stimulus packages and an aggressive easing of monetary policy have helped the economy weather the crisis.

Morocco: The Government is reviewing the issuing of Eurobonds, following a three-year gap, as a 1 billion Eurobond with a 10-year tenure was oversubscribed. Bids totaled 2.3 billion Euros.

The Government reported that Morocco's economic growth slowed to 3% in the second quarter this year from 4.2% in the same period of last year due to the slowdown in the agriculture sector. The economic activity saw a rise in non-agricultural GDP of 4.8% compared to the same period in 2009, and a 7.6% decline in the agricultural value added.

South Africa: The country recorded a big jump in weekly yellow maize exports boosted by sales to South Korea and Kuwait, while maize futures ended lower in line with international prices. The country, which is the continent's biggest maize producer, exported 94,200 tonnes of yellow maize in the week to September 24, compared to 5,300 tonnes in the previous week.

4. Development Partnerships

Botswana-AfDB: The Bank Group Board of Directors approved a USD 25 million equity investment to support the Summit Development Group Fund (SDG), a 10-year first generation private equity fund registered in Botswana. The SDG Fund is seeking to raise USD 125 million in capital commitments to make equity investments in financial institutions with growth potential in Sub-Saharan Africa and a focus on lending to SMEs, the un-banked and the under-banked.

The EU – Zimbabwe: Zimbabwe will receive a 130 million Euro loan from the 10th European Development Fund. In addition, the European Commission announced that a complementary envelope of 8.6 million Euros would be available to Zimbabwe to cover unforeseen needs such as emergency assistance.

Iran – Senegal: To cultivate an international presence, *Iran Khodro* - Iran's biggest auto manufacturing company - has planned to inaugurate a car production plant in Senegal. Iran's state owned *Iran Khodro* is the largest carmaker in the Middle East, Central Asia and North Africa with an annual production of more than 1 million vehicles of various models including cars, trucks, minibuses and buses.

5. Summary

During the week of 27 September – 1 October 2010, most African stock and currency markets rallied, partly reflecting heightened commodity prices and enhanced risk appetite of investors. Favorable developments observed in Africa during the week include an increase in foreign exchange reserves in Angola, improved sovereign credit rating outlook in Ghana, a switch of current account from deficit to surplus in Kenya, and oversubscription of a Eurobond issue by Morocco. However, challenges also emerged, including a substantial increase in inflation in Djibouti, a decline in agricultural value added in Morocco, and a significant economic slowdown expected in Mauritius.

“The AfDB Board of Directors approved a USD 25 million equity investment to support the Summit Development Group Fund (SDG), a 10-year first generation private equity fund registered in Botswana ...”

Appendix Table 1: Stock market movements – Week ending on 1 October, 2010

Stock Markets							
Region/Country	Index Name	Index Code	Market Capitalization (USD, million) (01-10-2010)	Weekly % change (01-10-2010)		Year-to-date % Change Dec 31 - Sep 24	
				Week under review	Previous week		
Côte d'Ivoire	BRVM Composite Index	BRVM CI	6,577	▲ 1.66	▲ 0.86	▲ 18.5	
Egypt*	CASE 30 Index	CASE30	18,739	▼ -1.28	▲ 2.91	▲ 6.9	
Ghana	Ghana All Share	GSE	13,625	▲ 4.18	▼ -1.84	▲ 24.7	
Kenya	Nairobi SE Index- NSE 20	NSE 20	13,944	▲ 1.19	▲ 0.70	▲ 42.7	
Mauritius	Mauritius AllShares	SEMDEX	5,099	▼ -1.10	▼ -0.89	▲ 5.2	
Morocco	Casa All Share Index	MASI	14,624	▲ 0.91	▲ 0.29	▲ 13.2	
Nigeria	NGSE All Share Index	NGSE	35,745	▲ 1.59	▼ -1.33	▲ 10.7	
South Africa	All Share Index	JALSH	689,652	▲ 1.92	▲ 1.06	▲ 5.8	
Tunisia	Tunis se Tnse Index STK	TUNINDEX	7,533	▲ 1.71	▲ 0.41	▲ 32.3	
Uganda*	Uganda SE All Share index	USE	4,989.8	▲ 1.45	▲ 0.76	▲ 52.6	
Others							
USA	Dow Jones Industrial	DJ Index	3,459,268	▲ 1.57	▲ 0.51	▲ 3.9	
France	CAC 40 Index	CAC40	901,959	▼ -0.09	▼ -0.71	▼ -6.2	
Japan	Nikkei 225 Index	N225	2,280,093	▼ -0.71	▼ -1.60	▼ -10.8	

* Value at end of 30 September, 2010

Appendix Table 2: Exchange rate movements – Week ending on 1 October, 2010

Exchange Rates (currency per US\$)								
Region/Country	Currency Name	Currency Code	Weekly % change (01-10-2010)		Year-to-date % Change			
			Week under review	Previous week	Dec 31 -Oct 01			
Africa								
Algeria	<i>Algerian Dinar</i>	DZD	▲	0.36	▲	1.07	▼	-2.4
Angola	<i>New Kwanza</i>	AON	▼	-0.18	▼	-1.00	▼	-2.8
Botswana	<i>Pula</i>	BWP	▲	1.10	▲	0.70	▲	1.3
Burundi	<i>Burundi Franc</i>	BIF	▲	0.37	▲	0.09	▲	1.4
Cape Verde	<i>Escudo</i>	CVE	▲	0.62	▲	2.66	▼	-9.5
Comoros	<i>Comoros Franc</i>	KMF	▲	2.00	▲	2.17	▼	-4.9
Congo. Dem. Rep. of	<i>Congolese Franc</i>	CDF	▲	1.41	▼	-0.08	▼	-10.5
Djibouti	<i>Djibouti Franc</i>	DJF	▲	0.72	▼	-0.08	▼	-1.8
Egypt	<i>Egyptian Pound</i>	EGP	▲	0.19	▲	0.06	▼	-3.6
Ethiopia	<i>Birr</i>	ETB	▼	-0.04	▲	0.04	▼	-22.5
Gambia. The	<i>Gambian Dalasi</i>	GMD	▲	2.59	▲	9.10	▼	-0.9
Ghana	<i>New Cedi</i>	GHS	▲	0.52	▼	-0.25	▲	0.8
Guinea	<i>Guinea Franc</i>	GNF	▲	14.53	▼	-23.64	▼	-22.4
Kenya	<i>Kenyan Shilling</i>	KES	▲	0.33	▼	-0.27	▼	-6.2
Liberia	<i>Liberian Dollar</i>	LRD	▲	0.07	▼	-0.75	▼	-4.1
Libya	<i>Libyan Dinar</i>	LYD	▲	1.22	▲	0.68	▼	-0.7
Madagascar	<i>Ariary</i>	MGA	▲	0.34	▼	-0.74	▼	-2.9
Malawi	<i>Kwacha</i>	MWK	▲	1.67	▼	-1.64	▼	-3.2
Mauritania	<i>Ouguiya</i>	MRO	▲	0.06	▼	-0.05	▼	-8.1
Mauritius	<i>Mauritius Rupee</i>	MUR	▲	1.13	▲	1.21	▲	0.3
Morocco	<i>Dirham</i>	MAD	▲	1.55	▲	1.59	▼	-4.0
Mozambique	<i>New Metical</i>	MZN	▲	0.00	▼	-2.75	▼	-24.2
Nigeria	<i>Naira</i>	NGN	▼	-0.46	▼	-1.64	▼	-2.7
Rwanda	<i>Rwandan Franc</i>	RWF	▲	0.72	▼	-0.20	▼	-2.3
São Tomé & Príncipe	<i>Dobra</i>	STD	▲	1.83	▲	3.11	▼	-12.1
Seychelles	<i>Seychelles Rupee</i>	SCR	▲	0.71	▼	-0.13	▼	-9.3
Sierra Leone	<i>Leone</i>	SLL	▲	1.85	▼	-0.59	▼	-1.3
Somalia	<i>Somali Shilling</i>	SOS	▲	0.21	▲	0.96	▼	-6.7
South Africa	<i>Rand</i>	ZAR	▲	1.14	▲	1.03	▲	6.1
Sudan	<i>Sudanese Pound</i>	SDG	▲	0.04	▼	-0.02	▼	-2.0
Tanzania	<i>Tanzanian Shilling</i>	TZS	▲	1.42	▲	0.17	▼	-10.5
Tunisia	<i>Tunisian Dinar</i>	TND	▲	1.41	▲	1.14	▼	-6.8
Uganda	<i>Uganda Shilling</i>	UGX	▲	0.53	▼	-0.02	▼	-14.7
Zambia	<i>Zambian Kwacha</i>	ZMK	▼	-0.25	▲	0.62	▼	-3.5
CFA zone Countries	<i>CFA Franc</i>	XOF	▲	2.38	▲	1.89	▼	-4.7
Others								
Europe	<i>Euro</i>	EUR	▲	2.04	▲	2.24	▼	-5.0
Japan	<i>Yen</i>	JPY	▲	1.24	▲	1.39	▲	10.6

Source: AfDB Statistics Department, September 2010