

The African Development Bank Group Chief Economist Complex



Market Brief

Volume 1, Issue 34
27 August, 2010

Africa Economic & Financial Brief

For the period 16 – 20 August, 2010

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1. Market Commentary

1.1 Stock Markets

During the week of 16 – 20 August 2010, some African stock markets registered gains while others fell along with the major global stock markets which retreated due to heightened concerns about the weak U.S. economy and high debt levels in Europe. The stock markets in Ghana and Kenya recorded significant gains of about 3.5% and 2.3% respectively, while marginal gains of 1.1%, 0.9%, and 0.4% were recorded in Tunisia, Egypt and Nigeria, respectively. The market in Mauritius remained virtually unchanged. In contrast, the stock markets in Côte d'Ivoire and South Africa recorded substantial losses of about 2.2% and 2% respectively, while moderate losses of about 1.1% and 0.4% were posted in Morocco and Uganda, respectively.

Equity Focus

Ghana: The Ghana stock market continued its rally during the week. The GSE All Share Index rose by 3.5% over the week, representing a gain of 19.3% this year. Blue chips such as *Unilever Ghana*, *Ecobank Ghana* and *Enterprise Insurance* led the rally, bringing renewed confidence to investors.

Côte d'Ivoire: The BRVM Composite Index fell by 2.2% during the week, led by losses of agricultural stocks such as *PALM CI*, *SAPH* and *SOGB*.

South Africa: The All Share Index fell for fourth consecutive week, dropping by 2% during the week. The stock market's movement followed those of global equity markets, which were weighed down by persistent worries over fragile global economic recovery.

1.2 Commodity Markets

Crude Oil (Brent): The price of crude oil fell by 2.6% over the week to USD 73.46 a barrel. The drop was driven by doubts about the global economic recovery.

Gold: The price of gold rose by 0.8%, standing above USD 1,220 per ounce in international markets as concerns over the outlook for the global economy supported interests in the metal as a safe-haven from risk, but gains were capped by strengthening of the US dollar.

1.3 Exchange Rates

Many African currencies weakened together with Euro against the US dollar. The U.S. dollar strengthened as safe-haven demand rose after U.S. jobless claims and weak manufacturing data prompted some investors to sell risky assets. Twenty three African currencies depreciated against the US dollar in the inter-bank foreign exchange markets. The highest depreciation of 2% was recorded by Mozambique New Metical, followed by the Gambian Dalasi (-1.4%) and the Kenyan Shilling (-1.1%). Twelve African currencies appreciated, including the CFA Franc, which appreciated by 0.1% against

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“Tanzania Coffee Board (TCB) reported that coffee crop for 2010/11 season (June - April) is expected to increase by 52.7% to 55,000 tonnes, helped by good rains.”

“In Nigeria, cement industry is expected to sharply grow in the coming years, driven by infrastructure demand. Cement production is expected to rise to 20 million metric tonnes by 2012, almost double the level expected this year, turning Nigeria to a net cement exporter.”

the US dollar. The highest appreciation was recorded by Zambian Kwacha (2.6%), followed by the Sierra Leone's Leone (1.3%).

2. Regional Developments

Africa: The African Union (AU) recently launched a feasibility study as a step to set up Africa's own space agency and to prepare a common space policy for the continent. Meanwhile, the organizers of *Avex International Air Show* reported that an estimated USD 3.2 billion worth of airport projects is to be invested in Africa over the next 15 years, particularly in countries such as Tunisia, Egypt, Libya, Morocco and South Africa. As per Airbus' *Global Market forecast for 2009-2028*, in less than ten years, total new aircraft deliveries in Africa are expected to be 455. Boeing's latest *Current Market Outlook (CMO)* forecasts the value of the airplane market in Africa to be USD 80 billion with 710 new aircraft deliveries projected to take place to the continent by 2029.

East Africa: The East African Community (EAC) reported that the East Africa needs to raise up to USD 25 billion, or about two-thirds of Kenya's annual output over the next decade to upgrade its railways. The EAC will prepare a rail investment plan by the end of the year. Upgrading existing railways or building new ones will start in 2013.

3. Countries in Focus

Rwanda: The Government reported that mobile telecom market grew by 20.9% in the second quarter. It is considering licensing another mobile operator. Mobile subscription increased to about 3.3 million users at the end of June 2010, from 2.7 million in March this year. Rwanda is targeting 6 million subscribers by 2012.

Kenya: Coffee production in Kenya may fall by 31% during the 2009/10 season (August – September) as unfavorable weather cut yields, according to the Kenya Coffee Traders Association. Output for 2009/10 season is expected to decline to 40,000 metric tons, from more than 58,000 tons last season.

Tanzania: Tanzania Coffee Board (TCB) reported that coffee crop for 2010/11 season (June - April) is expected to increase by 52.7% to 55,000 tonnes, helped by good rains. Output was 36,000 tonnes in the previous crop year due to bad weather and the outbreak of bugs in major coffee-producing regions.

Mauritius: Tourism revenues rose by 8.5% to 19.8 billion rupees (USD 625 million) in the first half of 2010, due to a jump in visitors from Asia. The Government forecasts a 5% increase in visitors this year (to 915,000).

Morocco: The fiscal balance deteriorated from a surplus of 6 billion dirham (about USD 0.7 billion) in the first half of 2009 to a deficit of 16.8 billion dirham (about USD 2 billion) in the first half of 2010. The deficit was largely attributable to an increase in government spending, as well as a drop in total revenues owing in part to a slowdown in overall domestic economic activity. Additionally, scheduled tax cuts also contributed to lower government revenues.

Nigeria: The Cement Manufacturers' Association of Nigeria (CMAN) reported that cement industry is expected to sharply grow in the coming years, driven by infrastructure demand. Cement production is expected to rise to 20 million metric tonnes by 2012, almost double the level expected this year, turning Nigeria to a net cement exporter.

The Government announced that Nigeria would achieve the 11% average growth target for the attainment of *Vision 2020* –

“In Tanzania, inflation slowed to 6.3% in July 2010 from 7.2% in the previous month, due to falling food costs.”

“Zimbabwe produced about 4 tonnes of gold in the first half of this year and is on course to double last year's output...”

“By 2020 Nigeria will be one of the 20 largest economies in the world”. Inadequate infrastructure, high graduate unemployment and subsistence agriculture were identified as the key challenges to achieving the goal. The government estimates that it cost about 32 trillion naira (about USD 210 billion) to implement the *Vision 2020* in the next four years. Of the projected expenditure, 19 trillion naira (about USD 125 billion) would come from the government, while the balance should come from the private sector.

Uganda: Uganda will take at least five years to “fully” introduce inflation targeting as an economic policy. The Bank of Uganda is starting repurchase operations in the secondary market for government debt to fine tune its control of money supply and inflation as part of the first phase of the system's introduction. Repurchase operations, which started in September 2009, have helped reduce interbank lending rates to 3% – 4% from 12%.

Zimbabwe: The mining chamber reported that Zimbabwe produced about 4 tonnes of gold in the first half of this year and is on course to double last year's output despite regular disruptions to electricity supplies. Gold production fell to a record low of 3 tonnes in 2008 from 6.8 tonnes in 2007. It marginally recovered to 4.9 tonnes last year.

4. Development Partnerships

Egypt – Europe: Egypt secured a 300 million Euro loan from the European Investment Bank to fund a power project. The project will cost 120 billion Egyptian Pounds and is scheduled to start operations by 2014. The plant is part of the country's 2007-2012 five-year energy plan to add 9,200 megawatts to its capacity, set up transformer stations and extend power lines.

Cote d'Ivoire - Singapore: Singapore commodities firm *Olam International* plans to invest USD 43.5 million in Cote d'Ivoire to set up a cocoa processing and storage facilities.

5. Summary

During the week of 16 - 20 August, African stock markets showed mixed performance while the majority of African currencies weakened along with the global stock markets and the major commodity markets. In the real sector, signs of improving industrial activities continued: a report on recovery in gold production in Zimbabwe and positive outlooks for coffee crop in Tanzania and cement production in Nigeria. It was also notable that the number of mobile phone subscribers in Rwanda grew rapidly. For agenda for future development, upgrading railways in East Africa and improving infrastructure and agriculture in Nigeria have been identified as the main challenges for rapid economic growth.

Appendix Table 1: Stock market movements – Week ending on 20 August, 2010

Stock Markets						
Region/Country	Index Name	Index Code	Market Capitalization (USD, million) (20-08-2010)	Weekly % change (20-08-2010)		Year-to-date % Change
				Week under review	Previous week	Dec 31 - Aug 20
Côte d'Ivoire	BRVM Composite Index	BRVM CI	5,915	▼ -2.18	▼ -0.10	▲ 13.8
Egypt*	CASE 30 Index	CASE30	18,006	▲ 0.88	▼ -1.15	▲ 2.9
Ghana	Ghana All Share	GSE	12,662	▲ 3.47	▲ 2.78	▲ 19.3
Kenya	Nairobi SE Index- NSE 20	NSE 20	14,820	▲ 2.26	▼ -3.83	▲ 41.5
Mauritius	Mauritius AllShares	SEMDEX	4,975	▲ 0.04	▼ -0.80	▲ 4.2
Morocco*	Casa All Share Index	MASI	15,289	▼ -1.11	▼ -1.13	▲ 10.1
Nigeria	NGSE All Share Index	NGSE	38,878	▲ 0.36	▼ -3.00	▲ 20.5
South Africa	All Share Index	JALSH	605,279	▼ -1.95	▼ -2.67	▼ -2.4
Tunisia*	Tunis se Tnse Index STK	TUNINDEX	6,737	▲ 1.08	▲ 0.28	▲ 22.3
Uganda*	Uganda SE All Share index	USE	4,498	▼ -0.42	▲ 0.73	▲ 43.1
Others						
USA	Dow Jones Industrial	DJ Index	3,250,140	▼ -0.87	▼ -3.29	▼ -2.1
France	CAC 40 Index	CAC40	823,969	▼ -2.35	▼ -2.83	▼ -10.4
Japan	Nikkei 225 Index	N225	2,203,223	▼ -0.80	▼ -4.03	▼ -13.0

* Value at end of 19 August, 2010

Appendix Table 2: Exchange rate movements – Week ending on 20 August, 2010

Exchange Rates (currency per US\$)								
Region/Country	Currency Name	Currency Code	Weekly % change (20-08-2010)		Year-to-date % Change			
			Week under review	Previous week	Dec 31 -Aug 20			
Africa								
Algeria	<i>Algerian Dinar</i>	DZD	▼	-0.03	▼	-1.96	▼	-3.0
Angola	<i>New Kwanza</i>	AON	▲	0.25	▲	0.00	▼	-3.5
Botswana	<i>Pula</i>	BWP	▲	0.53	▼	-1.37	▼	-1.8
Burundi	<i>Burundi Franc</i>	BIF	▲	0.10	▼	-0.04	▲	1.0
Cape Verde	<i>Escudo</i>	CVE	▼	-0.80	▼	-1.69	▼	-13.3
Comoros	<i>Comoros Franc</i>	KMF	▼	-0.79	▼	-2.18	▼	-11.0
Congo. Dem. Rep. of	<i>Congolese Franc</i>	CDF	▲	0.57	▲	0.11	▼	-11.2
Djibouti	<i>Djibouti Franc</i>	DJF	▲	0.50	▼	-0.01	▼	-1.9
Egypt	<i>Egyptian Pound</i>	EGP	▼	-0.02	▼	-0.49	▼	-3.8
Ethiopia	<i>Birr</i>	ETB	▼	-0.10	▼	-0.10	▼	-7.0
Gambia. The	<i>Gambian Dalasi</i>	GMD	▼	-1.43	▼	-6.03	▼	-7.3
Ghana	<i>New Cedi</i>	GHS	▼	-0.25	▼	-0.31	▼	-0.1
Guinea	<i>Guinea Franc</i>	GNF	▼	-0.28	▼	-0.85	▼	-3.9
Kenya	<i>Kenyan Shilling</i>	KES	▼	-1.12	▼	-0.93	▼	-6.8
Liberia	<i>Liberian Dollar</i>	LRD	▲	0.68	▼	-0.68	▼	-4.1
Libya	<i>Libyan Dinar</i>	LYD	▼	-0.23	▼	-0.51	▼	-3.4
Madagascar	<i>Ariary</i>	MGA	▼	-0.90	▼	-0.49	▼	-10.2
Malawi	<i>Kwacha</i>	MWK	▼	-0.65	▼	-0.02	▼	-3.8
Mauritania	<i>Ouguiya</i>	MRO	▼	-0.55	▲	0.49	▼	-8.2
Mauritius	<i>Mauritius Rupee</i>	MUR	▼	-0.59	▼	-1.44	▼	-1.2
Morocco	<i>Dirham</i>	MAD	▼	-0.18	▼	-1.81	▼	-8.6
Mozambique	<i>New Metical</i>	MZN	▼	-1.95	▼	-2.12	▼	-28.7
Nigeria	<i>Naira</i>	NGN	▼	-0.87	▼	-0.22	▼	-0.3
Rwanda	<i>Rwandan Franc</i>	RWF	▼	-0.60	▲	0.54	▼	-3.1
São Tomé & Príncipe	<i>Dobra</i>	STD	▲	0.05	▼	-2.16	▼	-16.9
Seychelles	<i>Seychelles Rupee</i>	SCR	▼	-0.09	▼	-0.43	▼	-10.6
Sierra Leone	<i>Leone</i>	SLL	▲	1.26	▼	-0.98	▼	-0.3
Somalia	<i>Somali Shilling</i>	SOS	▲	0.47	▲	0.01	▼	-7.0
South Africa	<i>Rand</i>	ZAR	▲	0.38	▼	-0.64	▲	1.7
Sudan	<i>Sudanese Pound</i>	SDG	▼	-0.52	▲	0.45	▼	-2.2
Tanzania	<i>Tanzanian Shilling</i>	TZS	▼	-0.91	▲	0.77	▼	-12.0
Tunisia	<i>Tunisian Dinar</i>	TND	▼	-0.59	▼	-0.91	▼	-9.8
Uganda	<i>Uganda Shilling</i>	UGX	▼	-0.97	▼	-0.35	▼	-14.8
Zambia	<i>Zambian Kwacha</i>	ZMK	▲	2.60	▼	-3.94	▼	-5.1
CFA zone Countries	<i>CFA Franc</i>	XOF	▲	0.09	▼	-2.99	▼	-10.4
Others								
Europe	<i>Euro</i>	EUR	▼	-0.18	▼	-2.44	▼	-10.5
Japan	<i>Yen</i>	JPY	▲	0.17	▲	0.47	▲	7.9

Source: AfDB Statistics Department, August 2010