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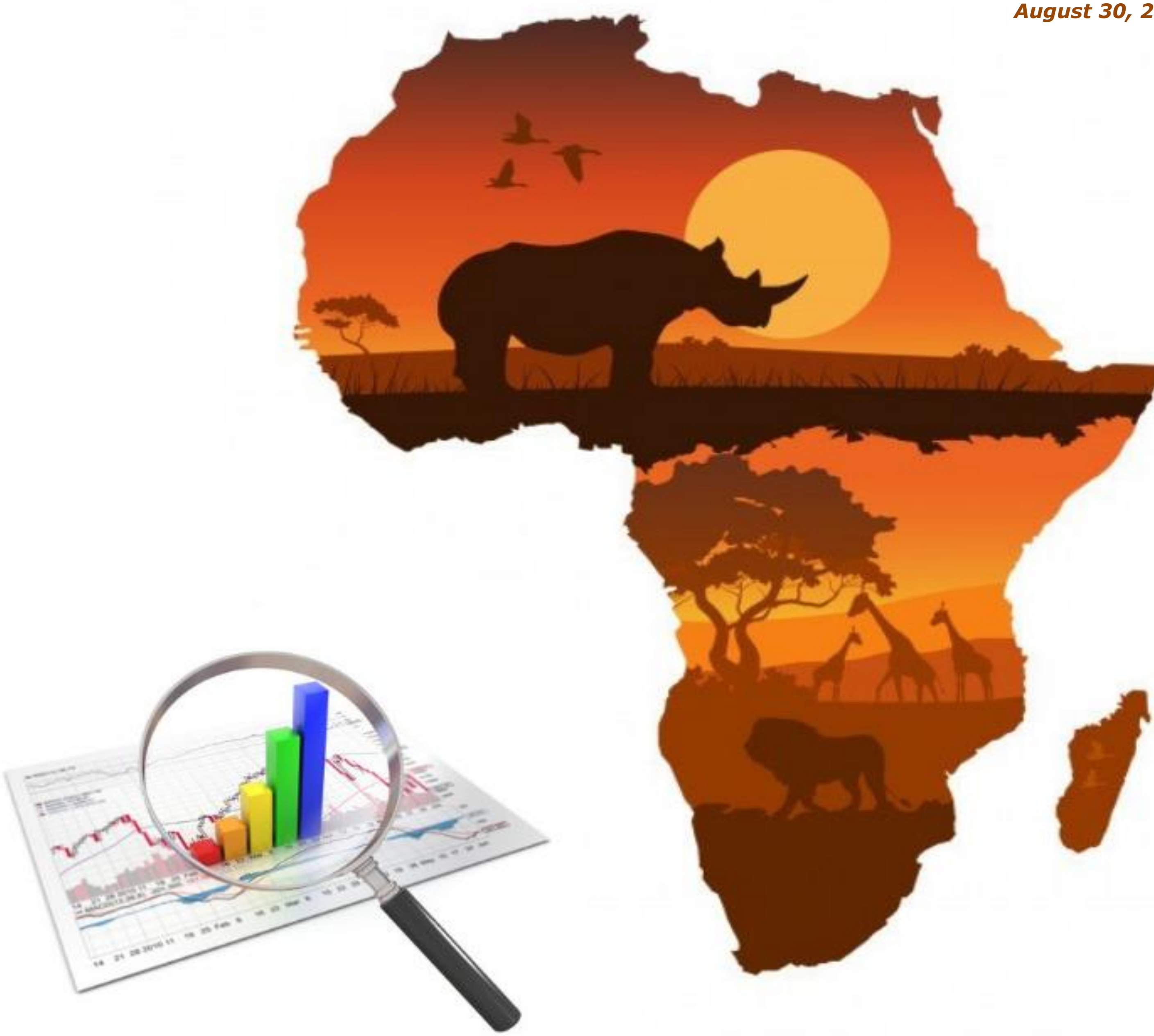

A Financial Derivatives Company Publication

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ECONOMIC & POLICY

African Central Bankers discuss rising debt in Kigali

The Association of African Central Banks (AACB) organized its traditional annual Symposium on July 31, 2019 in Kigali, Rwanda. The theme of the summit was Rising African Sovereign Debt: Implications for Monetary Policy and Financial Stability. The meeting brought together more than 400 participants including African central bank governors and their senior staff, domestic economic policymakers, development partners, financial sector players, academia, think tanks and representatives of African regional economic communities.

The rising debt level in Africa is increasingly becoming a topical issue and is described as a ticking time bomb by some experts. However, at the meeting, there was a divided opinion on whether the rising debt levels are a real threat or an alarm fuelled by misinformation. Nonetheless, there are growing concerns that African countries are accumulating external debt, which has been steadily increasing at an average of 10% since 2010, reaching nearly 43% of GDP in 2018. Africa's most indebted nations include Republic of Congo, Mozambique, Sudan and Angola. Meanwhile, Nigeria's public debt has increased steadily from $65.43bn in 2015 to $81.27bn as at March 2019.

Public debt on the African continent stood at 45% of GDP at the end of 2017 compared to 29.1% in 2013. According to the World Bank's Africa Pulse 2018 report, 11 out of 35 low income countries in Sub-Saharan Africa are classified as high risk of debt distress. These countries are at high risk of getting overly indebted if they continue taking loans. Experts say that if the debt levels are not well managed, the continent could spiral into a debt crisis, even though most countries remain under the 60% debt-to-GDP ratio threshold set by the AACB.

Heavy borrowing to finance infrastructure projects and depreciation of domestic currencies are mainly blamed for increasing indebtedness, with countries having to pay back a significant portion of the debt denominated in foreign currencies. According to the IMF, around 40% of low-income countries in SSA are already either in debt distress or at high risk of it. In turn, this points to the need for countries in the region to place greater reliance on domestic sources of income (tax receipts in particular) as a way of financing long-term development needs.

The key note speaker at the symposium, John Rwangombwa (Governor of the National Bank of Rwanda) opined that most African countries remain in a healthy position to sustainably borrow more than some developed countries, as long as they can wisely invest in key projects, which will in turn have a multiplier effect on their economies. He also pointed out that the nature of the debt has evolved, with countries moving from taking concessional loans to commercial loans such as bonds to concessional loans, which are issued by development finance institutions and given at low interest rates and more favorable terms.

The Economist Intelligence Unit (EIU) is of the view that debt write-offs together with the improved economic policy and political environments, has encouraged an increasing number of SSA countries to borrow from private capital markets in recent years. Nonetheless, the increased reliance on private funding also carries with it a number of risks. These include the possibility of a sudden reversal of flows, prompted by a higher than expected rise in international interest rates or a spike in global risk perceptions. As relative newcomers to global financial markets, a protracted deterioration in sentiment towards emerging markets generally could hit African borrowers particularly hard. The EIU expects SSA's external debt to increase by 11% from $559bn in 2018 to $621bn in 2020. The region's debt servicing to GDP ratio is projected to reach 11.5% in 2020, up sharply from 5.7% in 2015.

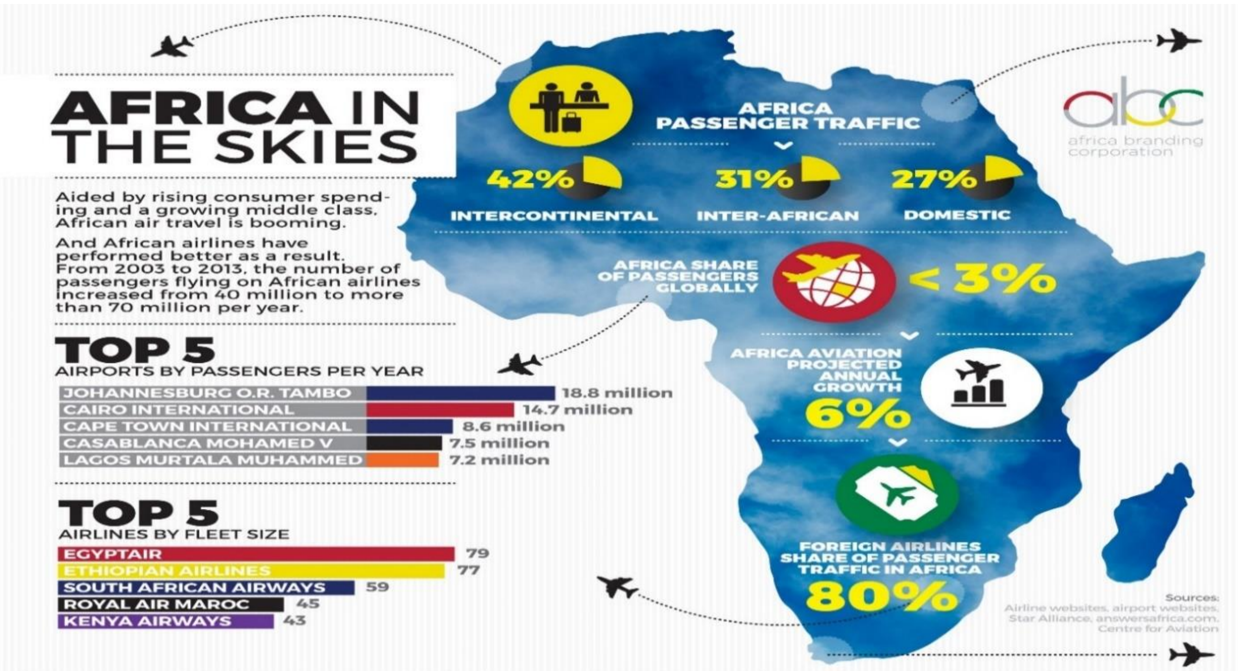
A further source of potential vulnerability comes from the region's strong economic linkages with China. Already the region's largest trade partner, China is also a major source of bilateral funding for many countries in SSA. A weakening of Chinese economic growth exacerbated by the continuing trade confrontation with the US would therefore not only undermine the region's export earnings and debt-servicing capacity, but could also lead to a reduction in capital inflows.

AU may miss 2019 target for African single aviation market

The African Union's target of having a Single African Air Transport Market (SAATM) may have to wait for another year as the majority of African countries are reluctant to endorse the Yamoussoukro Decision.

This was observed during the just-concluded capacity building workshop on the regulations needed for the smooth implementation of the Yamoussoukro Decision, held in Kigali. The Yamoussoukro Decision is a treaty adopted in 1999 by 44 members of the African Union, allowing for open skies among them. However, since then, only 28 countries have signed.

Officials revealed that lack of political will, lobbying tendencies of some airlines and protectionist policies of some governments, designed to protect their respective national carriers from perceived outside competition, were the major challenges.



Industry experts are of the opinion that without a well-established land infrastructure connectivity across the majority of African countries, air transport is an important means of transportation.

The Yamoussoukro Decision seeks full liberalisation of intra-African air transport services in terms of access, capacity, frequency, tariffs, and fair competition. Of the 28 countries that are signatories, only 16 have taken measures to harmonise their bilateral air services agreements to make them compliant with the provisions of the Yamoussoukro Decision.

Saving South African Airways

The flagship carrier is suffering and even its own optimistic predictions do not call for a return to profitability for at least the next two years. The firm has been making losses and relying on government bailouts since 2011.

With billions of dollars in debt and a record of opaque decisions and political interference, government-owned national carrier South African Airways (SAA) is under threat. Reforming SAA and other parastatals puts President Cyril Ramaphosa in a tight squeeze: the economy is suffering and investors want to see improvements in that area, but the governing African National Congress's leftist base is opposed to job cuts and privatization.

SAA chief executive Vuyani Jarana, who was a veteran senior executive at telecoms company Vodacom, has the task of managing SAA's multi-year turnaround. That means improving the company's supply contracts, possibly selling off subsidiaries like Air Chefs and cutting loss-making routes. He told local media: "We are going to review the business model and ask: 'What are the things we can do that we can be great at, and what are the things we are not great at that we can let go?"

Jarana's goal is to make the company profitable by 2021, as the firm has been making losses and relying on government bailouts since 2011. The government upped its guarantees for SAA in the 2019 State of the Nation address given by Ramaphosa in February. SAA estimates that it has the funds to keep running until June of this year, but it is likely to need more government money and to roll over its commercial bank loans due this year in order to move forward with its plans.

Reorganization is the name of the main game. Jarana announced in February that SAA will split its internal operations into three parts to make the company more nimble in its main areas of focus: the domestic, regional and inter- national markets. But analysts warn that changes to the way SAA manages the unpredictability of fuel prices and its wage bill will need to be addressed for the government's current plans to be fruitful. If SAA enters a better glide path, the government might consider selling some of its stake in the company on the stock market to raise more funds.

But the early days are showing that it will be difficult to keep the government on message. In October 2018, public enterprises minister Pravin Gordhan announced that SAA does not have the means to launch any new routes. In November 2018, finance minister Tito Mboweni said SAA should be shut down. Then on a trip to India in January 2019, President Ramaphosa said that SAA should relaunch its flights from Johannesburg to Mumbai. Former public enterprises minister Barbara Hogan told the Zondo Commission, which is investigating 'state capture' by private interests, that SAA was pressured to drop the India route for the benefit of people connected to former president Jacob Zuma – a claim that they deny.

Making SAA run like a company – as state-run Ethiopian Airlines has shown can be possible and profitable – rather than a strategic state asset or a source of patronage will take the buy-in of the wider government, SAA's senior leadership and the workers who make sure that the planes fly on time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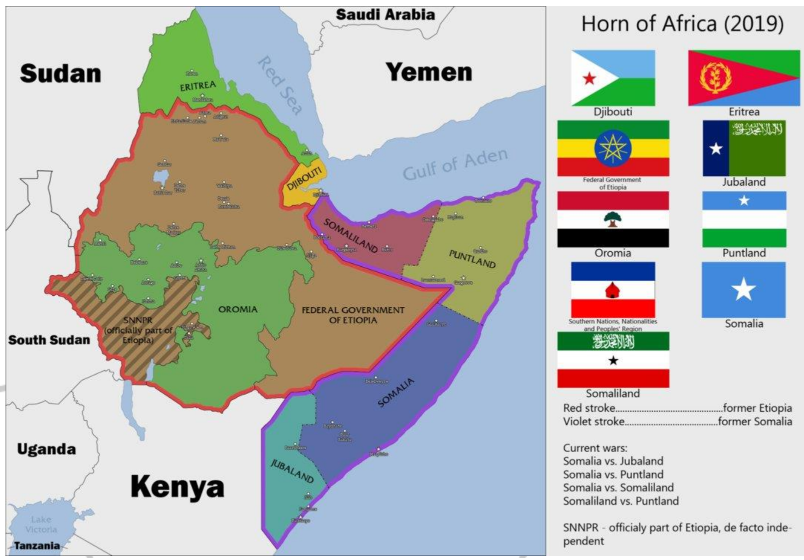
A new dawn for the Horn of Africa

The Horn of Africa (which comprises Djibouti, Eritrea, Ethiopia and Somalia) is witnessing a rare period of cordial relations between its constituent countries. The positive development is one that could spill over into the region's neighbours, such as Kenya and Uganda, of which both states have suffered outbreaks of violence related to the civil wars in Somalia.



The current regional trend towards peace includes moves by the Eritrean government to defuse border tensions with Djibouti, a diminishing state of instability in Somalia—where multiple regional centers of authority have now established themselves and a reforming Ethiopian leader who has moved quickly to improve relations with both Eritrea and Somalia (Ethiopia already enjoys cordial relations with the breakaway state of Somaliland). Somalia has even agreed to restore diplomatic relations with Eritrea, a country accused of backing the al-Qaida-affiliated al-Shabab insurgent Islamist movement in Somalia. The Somali government has also called for the lifting of international sanctions—which were imposed on Eritrea in 2009 because of its support for al-Shabab—in order to facilitate regional economic integration.

The slow rebuilding of a failed state

The trend towards peace also includes an evolving security situation in the region's most long-running crisis—the civil conflict in the Federal Republic of Somalia. Mukhtar Robow, a former deputy leader of al-Shabab who defected from the group, is running for office in South West state, despite the federal government's attempts to block him. Mr Robow's candidacy for the regional presidency highlights Somalia's present contradictions, but also the slow progress made towards creating more settled conditions.

A more peaceful Somalia would be a relief for its neighbours, especially the two regional powers, Ethiopia and Kenya, both of which have long had poor relations with their Somali neighbour. Ethiopia invaded Somalia, although not Somaliland, in 2006, in support of the internationally backed Transitional Federal Government of Somalia, against a rival Somali administration known as the Islamic Courts Union. That conflict created the current al-Shabab insurgency, and the group still controls parts of southern and central Somalia, and led to an invasion of Somali territory in 2011 by Kenyan forces fighting the terrorist group. However, the Ethiopian invasion arguably also eventually led to the creation of today's federal republic in Somalia, in which regional governments have been allowed to establish themselves constitutionally as federal states. Regional government leaders have often fiercely resisted the authority of the federal government in Mogadishu, but the state administrations' struggles with the federal authorities have so far been confined to peaceful methods.

Clouds on the horizon

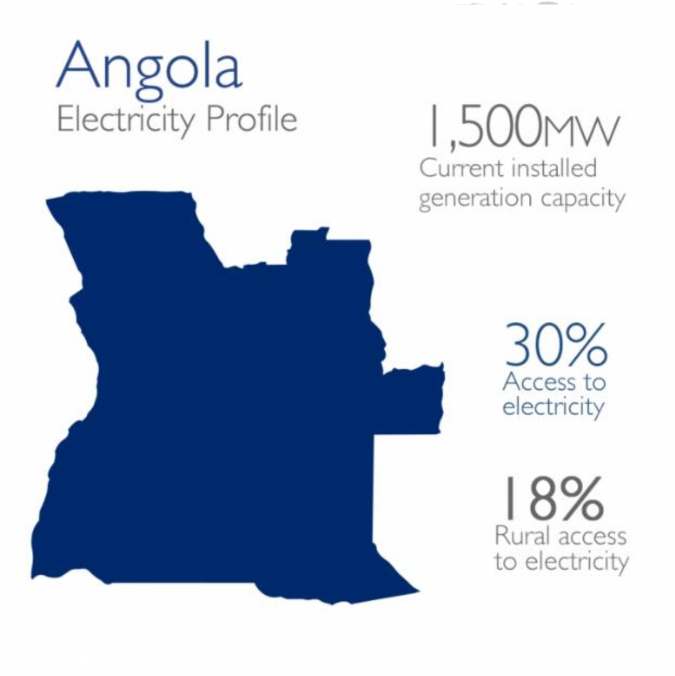
The precarious nature of the regimes currently in power in Ethiopia and Eritrea remains a concern. Eritrea's president, Isaias Afwerki, is 72 years old, and his highly personalised regime has no clear succession mechanisms if he dies in office or is overthrown. Elections were last held in Eritrea in 1993 when it transitioned to independence. In Ethiopia the new prime minister, Abiy Ahmed, has faced problems with mutinous soldiers and outbreaks of inter-ethnic violence since he started to loosen the control exercised over the country by the ruling Ethiopian People's Revolutionary Democratic Front (EPRDF) government. He survived a grenade attack at a political rally in June 2018 that killed two civilians.

Regional peace depends on domestic stability

For now, the leaders of Somalia, Ethiopia and Eritrea appear to be committed to peaceful relations between their countries, for domestic reasons. However, the commitment is dependent on these leaders surviving domestic power struggles. If the federal government in Somalia were to fall apart in the medium term, or if either Mr Ahmed or Mr Afwerki were to lose power, improved relations between the countries of the Horn of Africa could be jeopardized.

Angola raises electricity tariffs by 97%

In early July, the government announced that it will reduce subsidies on electricity. There will be three new tariff tiers for domestic users: one for those with the lowest level of income, one for the mass consumers and, one for the highest consumers. The government has defended the increases as part of broader steps to cut its subsidy bill, a key target under its $3.7 billion three-year extended fund facility program with the IMF. The IMF argues that subsidies disproportionately benefit the wealthiest in the society.



Although the price per kilowatt will remain comparatively low, ranging from Kz2.46 ($0.007) to Kz14.74 ($0.04), the average increase will be 97% and the impact of the hike will be felt. The move comes as the country is preparing to introduce a value-added tax of 14%, which has been pushed back repeatedly. Both these factors are likely to contribute to an uptick in inflation in the short term. The increase will also be felt by businesses, which will hamper efforts to stimulate non-oil growth.

South Africa – Major casualty of US-Sino trade war

Trade tensions between the US and China reached a new high as the US, for the first time since 1994, accused Beijing of manipulating the yuan to gain an unfair advantage in international trade. This came after the Yuan fell below the ¥7/$ psychological resistance level, a hint that China is willing to use its currency as a trade weapon.

The South African rand has been the worst-performing among emerging-market currencies, losing 9.8% since July. As a result, inflation expectations are trending upwards. South Africa's inflation is currently close to the lower end (4%) of the central bank's target range (3%-6%). This gives the South African Reserve Bank very little room to follow up with its 25bps rate cut in July. It also leaves the rand and South African bonds vulnerable as the economy struggles to gain traction and government borrowing mounts. It is worth stating that the Johannesburg Stock Exchange has lost 3.6% cumulatively in the last 7 weeks.

Ghana hosts regional aviation forum

IATA, together with the Ghana Ministry of Aviation, held the IATA Regional Aviation Forum for West and Central Africa in late June in Accra. The event was convened under the theme "Aviation: Business for Regional Prosperity". The event brought together distinguished aviation decision makers and influencers, representing governments, regulatory agencies, airlines, airports, tourism, international and regional organizations, aviation suppliers and aircraft manufacturers from across Africa.

The meeting largely focused on Ghana's plan to launch a new national airline. Officials from the Ministry of Aviation announced that it expects the airline to start flying in 2019, although no set target date, or route coverage, was announced.

In addition to developing Kotoka International Airport, the government has made substantial investments in airports across the country. The new airline will utilize this improved domestic infrastructure, and this should help to develop domestic tourism and the transportation of goods for domestic businesses.

The success of the new national airline will depend on the number of routes it can secure, and where those routes go, as well as the level of government involvement in the running of the entity. If the airline can establish several good-quality routes, it will be capable of increasing the flow of tourists in and out of the country, as well as trade in goods.

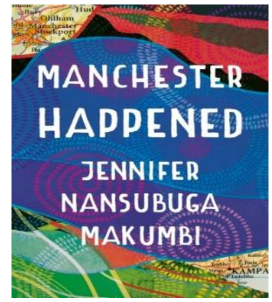
Previous attempts to establish a national airline in Ghana have ended badly

The government first established a fully state-owned airline, Ghana Airways, in 1958, and it operated reasonably successfully for many years. However, the airline faced numerous management challenges including operating on an out-of-date license and several international routes were blocked. With mounting debts, a deal with Ethiopian Airlines was being negotiated, but the government refused to pump more money into the airline, and it was liquidated in 2005. Subsequently, the government established Ghana International Airlines with several private-sector partners. However, the shareholders were engaged in a protracted legal dispute for several years and the airline collapsed in 2010.

Some of the best books by African writers in 2019 so far...

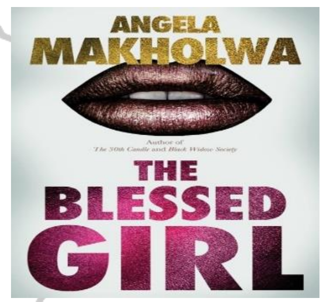
It is no surprise that some of the best writers in the world are of African descent. We are just 7 months into 2019 and we already have some pretty amazing reads. They include:

Manchester Happened - Jennifer Nansubuga Makumbi



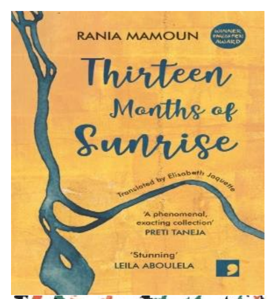
Jennifer Nansubuga is a novelist and short story writer from Uganda best known for her debut novel, *Kintu.* This time she is back with her sophomore book, *Manchester Happened.* This book is a collection of short stories that will give readers an insight into what it is like dealing with UK immigration, racism and various political and social issues.

The Blessed Girl - Angela Makholwa



Best selling South African novelist, Angela Makholwa, recently released her fourth book titled *The Blessed Girl.* This book explores the concept of sugar daddies or “blessers”.

Thirteen Months of Sunrise-Rania Mamoun



Rania Mamoun strongly encapsulates landscape and the five senses into this collection of ten short stories that center around her Sudanese people. It was originally written in Arabic but has since been translated to English by Elizabeth Jaquette.

German Calender, No December

Olivia Evezi is a 10-year old German-Nigerian whose life is turned upside down when she has to move from Warri to a boarding school in Lagos and then to a university in her mother’s land, Germany. This book expresses how she struggles with fitting in and takes readers on her journey to self-discovery.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CONSUMER PROMO
DANGOTE
3X
PORTLAND LIMESTONE CEMENT
BAG OF GOODIES
42.5R
CHECK INSIDE FOR YOUR SCRATCH CARD
50±1kg
43
GAC SALOON CARS TO BE WON
OVER
21Million
POSSIBLE WINNERS
OVER
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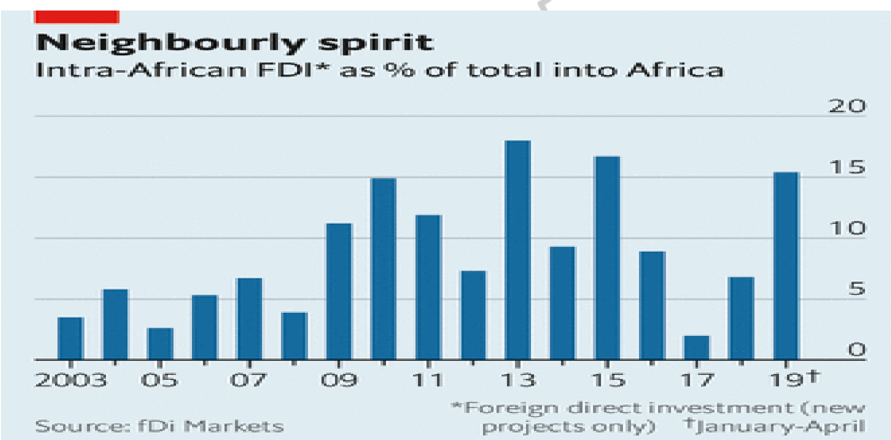
The Pan-African dream lives on

Culled from the Economist

African companies are expanding across the continent.

TWENTY YEARS ago Patrick Bitature, a Ugandan tycoon, took his mobile-phone business to Nigeria. At first the cash was piling up so fast that it would not fit in the safe. But he found the business culture more cut-throat and less trusting than back home. Money started going missing. Eventually he retreated to the east African markets he knows best. "I was going to go to every country in Africa at the time," he recalls, smiling at his naivety. "I was lucky not to lose my shirt."

Plenty of African businesses have tried to conquer new markets over the years, only to return home sartorially compromised. Colonialism fragmented the continent and linked its economies to imperial capitals rather than to each other. That legacy locked many businesses into national silos. Today big European and American multinationals still dominate markets from logistics to soft drinks. African firms have announced $72bn of foreign direct investments in new projects on the continent this decade, according to FDI Markets, a data provider. Companies from the rest of the world have made nearly nine times as much.



But the Pan-African dream lives on. Two-thirds of African firms surveyed by McKinsey, a consultancy, in 2017, planned to enter new countries in the region in the next five years, compared with half of foreign multinationals in Africa. According to the Boston Consulting Group, the 30 biggest African companies operated in an average of 16 of the continent's countries last year, twice as many as in 2008.

Leading African businesses are stitching the region together, making it easier for others to follow suit. Banks serve their corporate clients across multiple countries. Business leaders flit between megacities aboard Ethiopian Airlines, which flies to 36 African states.

The largest firms already have the scale to take on multinational incumbents. Aliko Dangote, a Nigerian cement baron, has ventured into ten countries. Dangote Group has overtaken LafargeHolcim, a Swiss behemoth, as the largest cement producer in sub-Saharan Africa. Alh. Dangote's plants, built by a Chinese contractor to two standard designs, are bigger, newer and more efficient than most others. He has the ears of presidents.

Intra-continental expansion is a response to two challenges. The first is finding customers. The combined economy of Africa's 54 countries is smaller than that of France. As they grow richer, individuals or businesses switch from informal purveyors to formal markets where big firms operate. But these customers are concentrated in pockets across a vast land mass.

To reach as many as possible, Shoprite, a South African retailer, has opened supermarkets in 15 countries. A similar logic drove OCP Group, a Moroccan phosphate producer, to create a sub-Saharan subsidiary in 2016. By investing in soil research, microcredit and logistics, it hopes to turn subsistence farmers into commercial growers--and buyers of its phosphate fertiliser. Other firms are taking similar steps.

The second challenge is uncertainty. Africa's weak supply chains, volatile currencies and fickle regulators with a fondness for expropriation or capital controls, which make repatriating profits difficult, render the future blurrier than in mature economies. Businesses focused on a single country (or industry) face greater risks, notes Kartik Jayaram of McKinsey. Firms with a toehold in many places and sectors, like Dangote Group or Shoprite, are less exposed to a setback in any one of them.

As Mr Bitature's experience reveals, crossing borders can backfire. Policymakers in other countries are prone to sudden "somersaults", cautions Abdul Samad Rabiu, whose BUA Group sells everything from cement to sugar but has stuck to native Nigeria. Foreign soil can be inhospitable even in the absence of political flips. Tiger Brands, a South African foodmaker, sold its stake in its Nigerian flour division to Dangote for $1 in 2015, three years after buying it from him at nearly $200m. A depreciating naira hit Nigerians' pockets, dampening demand, and drove up the cost of imports like wheat, which Tiger Brands could not pass onto consumers because of stiff competition.

The strongest firms are those which are choosy. MTN, a large South African telecoms company, is pulling back from some smaller countries. But it is toughing it out in Nigeria, despite endless battles with regulators. It is a vast market with gross operating margins of 44% to stiffen the spine. OCP Group set out to deepen its presence in 15 African countries. It has winnowed the list down to five--including the regional giants, Nigeria and Ethiopia--where policies are most business-friendly.

IMF lauds Rwanda's reform efforts, approves three-year unfunded program

The International Monetary Fund (IMF) has released its annual Article IV consultation on Rwanda and announced the approval of a three-year unfunded Policy Coordination Instrument (PCI) to June 2022.

The latest announcement follows the IMF's favorable reviews of Rwanda in previous

program, including a Policy Support Instrument (PSI) during 2013-18, and is in line with analysts' expectations of a follow-up program after the expiry of the PSI. The PCI with Rwanda was approved on June 28. It seeks to provide policy support through a strict reform agenda for low-income countries that do not require financing from the IMF. The PCI will seek to support the implementation of the Rwandan government's seven-year economic development plan, the National Strategy for Transformation 2017-24, which aims to spur broad-based socioeconomic development through easing fiscal policy (while maintaining debt sustainability and greater private-sector involvement).

Although it is unfunded, the PCI will still entail a series of qualitative and quantitative targets that Rwanda will be required to meet for continued engagement with the IMF. The government is expected to remain committed to these targets, with further macroeconomic and policy reforms to be implemented in 2020/21. Targets include a better current-account balance, adoption of pro-business policies to attract investors, and growth in external reserves.

Even outside of IMF supervision, the government has been implementing business-friendly reforms to spur private investment inflows. These efforts have translated into Rwanda's recognition as one of the most business-friendly economies in the world. It was ranked 2nd out of 48 Sub-Saharan African countries and 29th out of 190 countries in the World Bank's 2019 Ease of Doing Business survey.

Quick facts-Rwanda	
Unemployment rate (2017)	*15.10%*
GDP (2017)	*$9.14bn*
Inflation rate	*0.40%*

South Africa seizes Air Tanzania aircraft over land compensation claim

South Africa has impounded a plane belonging to Tanzania's national carrier over a farmer's $33mn compensation claim for land, which was nationalised decades ago. The Air Tanzania aircraft was seized on August 23 at OR Tambo International Airport after it landed on a scheduled flight from Dar es Salaam. The seizure followed an order granted by the high court in Johannesburg on August 21.

In the 1980s, Tanzania's government nationalised a massive privately owned bean-and-seed farm, seizing everything including equipment, 250 cars and 12 small planes. The Namibian-born Tanzanian farm owner, who prefers to remain anonymous, was awarded $36mn in compensation in the 1990s, however, the government only paid $20mn. The outstanding balance of $16mn has accrued interest over the decades and now stands at $33mn. The 86-year-old farmer and grandfather has been fighting for years to get the outstanding amount.

The farmer approached lawyers in South Africa, which is party to an international convention on the recognition and enforcement of foreign arbitration awards, in a bid to secure the remaining money. He said the plane was seized "to certify a long-outstanding debt to the plaintiff, which the government of Tanzania has always acknowledged was owing but they just breached their undertaking".

"The only way that the aircraft can now be released is if they pay the debt or if they put up security for the claim."

Tanzania's transport ministry said in a statement that the government was working to secure the release of the plane so it can resume its flights as usual. The seized Airbus is valued at about $90mn. On its website on August 26, Air Tanzania listed only five "available" planes, namely one Airbus 220-300, one Boeing 787-8 Dreamliner and three Bombardier Dash 8-Q400.

In 2017, a Bombardier Q400, purchased by the government for use by Air Tanzania, was seized by Canadian authorities over an unpaid debt of $38mn owed to a Canadian engineering company since 2010. The International Court of Arbitration, in 2010, ruled in favour of Canadian company Stirling Engineering, which had been contracted to build a road in Tanzania but then had the deal terminated by the government without compensation.

AFRIQUIZ

If you think you have your finger on the pulse of the continent's trends why not try this quiz to know exactly how informed you are about developments in the continent.

1) The longest mountain range in Africa is?
a) Drakensberg b) Rwenzori c) Atlas d) Semien

2) Which African country planted 353 million trees in 1 day in a bid to stem deforestation?
a) Equatorial Guinea b) Ghana c) Ethiopia d) Botswana

3) Which African celebrity won the Kid's Choice Award 2019 'Favorite African Star' category?
a) Bonang Matheba b) Davido c) Adesua Etomi d) Stonebwoy

4) Which of these countries was the first Sub-Saharan African country to gain its independence?
a) Ghana b) Nigeria c) South Africa d) Kenya

5) The world's oldest desert is located in Africa. What country is it located in and how old is it?

6) The headquarters of the African Union is located in one of these cities. Which one?
a) Cape Town b) Nairobi c) Lagos d) Addis Ababa

7) Burkina Faso was formerly known as?
a) Ouagadougou b) Burkin c) Upright Fatherland d) Upper Volta

8)This Francophone country is using a loan from France to build a museum for the return of artifacts looted by France?
a) Cote D'Ivoire b) Algeria c) Senegal d) Benin Republic

9) Which former African president was exiled for marrying a Caucasian woman?
a) Thabo Mbeki b) Charles Taylor c) Thomas Sankara) d) Seretse Khama

Answers to the quiz are on Page 23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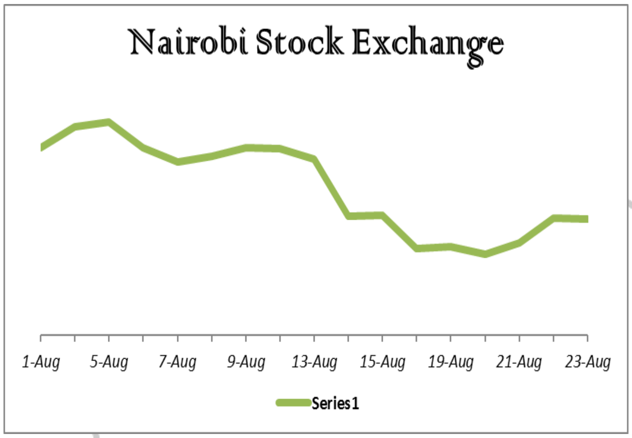
MARKETS ACROSS SUB-SAHARAN AFRICA

(August till date)[1]

Nairobi



The Nairobi Stock Exchange started out the month of August on a positive streak. The ASI has however lost 3.76% to close at 150.11 on August 30 from 161 on August 01.

The first oil marketer to list on the exchange, Kenol-Kobil has delisted making it the fourth company to delist from the NSE in three (3) years. Total Kenya is now the only oil marketer on the exchange.

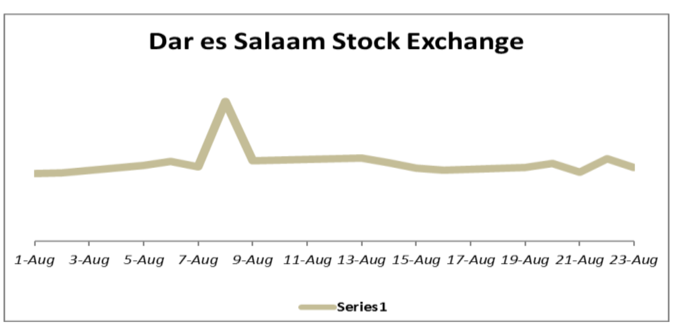
Treasury Bills

	02Aug (p.a)	15Aug (p.a)	Variance
91-day	6.814	6.738	-0.076
182-day	7.578	7.487	-0.091
364-day	9.050	8.759	-0.291

Forex Market

The Kenyan shilling opened the month of August at KES100.35 but has so far appreciated by 1.25% against the US dollar to close at KES102.23 as at August 30. This was as a result of a rise in the demand for dollars especially among oil importers and excess liquidity in the local money market.

Tanzania



The ASI index lost 2.40% to close at 1,887.68 on August 30 from 1,974.54 on August 01. Market capitalization declined by 2.37% to TZS18,606.23bn on August 30 from TSZ19,451.52bn on August 02. The decline can be attributed to the banks, finance and investment index which declined by 3.26% to 2,056.39 from 2,125.58.

Forex Market

Tanzania shilling appreciated by 0.19% from TSh2,304.23 on August 01 to TSh2,299.88 as at August 30. The currency has appreciated 0.41% since April when some forex shops shut down in order to support the currency. Tanzania is also helping Kenya and Uganda combat money laundering by banning exchange of its old bank notes.

Treasury Bills

	01 Aug(p.a)	16Aug (p.a)	Variance
91-day	4.12	4.25	0.13
182-day	5.07	5.19	0.12
364-day	9.05	9.09	0.04

The rate increased by 0.11bps, 0.06bps and 0.02bps for the 91-day, 182-day and 364-day instrument respectively from results on August 01 and August 30.

POLITICAL UPDATE

Ivory Coast 2020 election in focus – Election line up raises spectre of 2011 crisis

President Alassane Ouattara and former presidents Henri Konan Bédié and Laurent Gbagbo, all ageing stalwarts of the country's political scene, look increasingly likely to battle it out at the polls once more.

Their candidacies have yet to be confirmed, but if they are, they would mirror the line-up during the country's chaotic 2010 elections, which led to a brutal civil conflict in the following year that left about 3,000 people dead.

Although the country has significantly changed for the better during the intervening decade, there are fears that the instability generated by Laurent Gbagbo's return to the country and the simmering rivalry between Konan Bédié and Alassane Ouattara's respective camps could reignite a political crisis.

Many question marks hang over this scenario. Ouattara has yet to announce his candidacy at the head of his ruling coalition, the Rassemblement des houphouëtistes pour la démocratie et la paix (RHDP). The 74-year-old president is reportedly waiting for the 85-year-old Mr Konan Bédié to do so first. However, doing so would mean that he would be running for a third term, a controversial decision in itself, given that the new constitution that he implemented in 2016 imposes a two-term limit (it is unclear whether this applies retroactively). Konan Bédié has hinted that a formal investiture of the PDCI's candidate for the elections will take place in September.

Gbagbo who is on conditional release following his acquittal from the International Criminal Court in Brussels, has yet to return home and face parallel charges laid against him. However, indications that he is reasserting his authority over the Front populaire ivorien (FPI), which had been adrift in his absence, are causing everybody else to sit up and take notice.

An evolving political environment

The current electoral scenario involving Ouattara, Bédié and Gbagbo is highly unpredictable, but it will take place in a different environment than in 2010. The army, which proved so volatile during the 2011 conflict, remains prone to breakouts of unrest. The positive is that former rebels who fought in the conflict have been successfully integrated and many have more to lose than to gain from possible violence. Chief among them is Guillaume Soro, the prominent former rebel leader of the Forces Nouvelles, who is now standing as an independent after resigning as president of the National Assembly in February and is also reportedly in rapprochement talks with Mr Gbagbo.

Risks of instability perceived higher because of Ivory Coast's growing economic clout

The economy has boomed since the crisis, with GDP growth hitting 6.5% in 2019, far above the continental average of 2.7%. It is now a significant economic power in the region and home to an increasing number of international companies and organisational headquarters, including the African Development Bank. Perhaps because of this, the risks of instability at around the time of the election are perceived as higher than usual, especially as at least five people were killed and several more injured during local elections in October 2018. In addition, violence in the wider Sahel region as a result of Islamist terrorism means that the country cannot afford to lose its political unity, as cracks could be rapidly exploited by militants operating in the majority-Muslim north of the country.

Sudan protests – Military and opposition agree on constitutional declaration

On August 4th, the deputy head of the Transitional Military Council (TMC), Mohammed Hamdan Dagalo and Ahmed Rabie, a protest leader from the Declaration of Freedom and Change Forces (DFCF, a coalition of opposition groups) signed the constitutional declaration.

The declaration builds on the power-sharing deal that was signed by the two parties on July 17th and will replace the 2005 constitution. The agreement entails a 39-month transitional period, which will be led by an 11-member joint Sovereign Council (SC) with a rotating presidency between the military (for the first 21 months) and civilians (for the next 18 months). The DFCF is expected to appoint the prime minister after the formal signing of the declaration (scheduled for August 17th in front of foreign dignitaries), who will then name a 20-member cabinet, excluding the defence and interior minister portfolios, which will be appointed by the TMC. An independent 300-member legislative council will be formed with 67% of legislators appointed by the DFCF and the remaining 33% coming from political groups that are not associated with the former president, Omar al-Bashir.

Although the agreement is a major step forward and paves the way for a civilian administration, some major issues remain unaddressed. For instance, the powers of the president remain unclear, especially in comparison to those of the prime minister. A two-thirds majority is required in the SC, which means that military members could block council initiatives, particularly if they undermined their influence in the political sphere. In the declaration, the parties have also slightly amended the "immunity clause". Earlier, the TMC reportedly demanded that members of the SC be protected from prosecution for violence that took place on June 3rd. However, this has been changed from blanket immunity for all members to immunity that can be lifted by a majority parliamentary decision.

Nonetheless, this rule also hangs in the balance owing to the lack of clarity about the powers of the president. Despite the agreement, there remains some caution over the TMC reneging on the terms of the deal and the country slipping back into military rule.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Ghazouani wins Mauritania's presidential election

On July 1, the Constitutional Council confirmed Mohamed Ould Cheikh Ahmed Ghazouani's election victory, declaring that the opposition had failed to produce evidence to support its appeal against the provisional result. Mr Ghazouani will take office on August 2, when the incumbent head of state, Mohamed Ould Abdelaziz, completes his term. The response of the four defeated opposition candidates—Biram Dah Abeid, Sidi Mohamed Boubacar, Hamidou Baba Kane and Mohamed Ould Maouloud—was pragmatic. They declared their disagreement with the Council's ruling but decided there was no point in continuing a post-election campaign of street protests, which had been met with a severe crackdown by the security forces. Instead, they called for dialogue with the regime.

The authorities responded with a gesture of consensus, releasing many of the several hundred opposition protesters arrested in the election aftermath. On the evening of July 9, the leader of the ruling Union pour la république (UPR) party, Seyedna Ali Ould Mohamed Khouna, led a government delegation to visit Mr Abeid at his office. Mr Abeid, a prominent campaigner for the rights of the Haratine (descendants of slaves), presented the visitors with a document outlining a range of social and economic concerns, which Mr Khouna promised would be considered.

Up to this point, the four opposition leaders have maintained a common front. There are hints that Mr Boubacar, Mr Kane and Mr Maouloud have been unsettled by this unilateral measure of Mr Abeid, a charismatic and self-confident figure; but Mr Abeid insists that he has consulted them and is maintaining the common stance. Other opposition leaders remain wary, as the government maintained a tough security stance towards some of their supporters. Ahmed Ould Wedia, a television presenter who belongs to an Islamist party, Tawassoul, was detained, although he has since been visited by the president of the National Human Rights Commission. Meanwhile, 27 supporters of Mr Kane, from the Vivre ensemble movement, remain in detention in Nouadhibou and Kaédi, accused of public order offences.

Answers to AfriQuiz

1. Atlas
2. Ethiopia
3. Stonebwoy
4. Ghana
5. Namib Desert in Namibia- 55 million years
6. Addis Ababa
7. Upper Volta
8. Benin Republic
9. Seretse Khama

TRAVEL & AVIATION

Marriott continues Africa expansion [2]

Marriott International has signed three new deals in Morocco, Ghana and Liberia. Anticipated to open in 2024, the St. Regis Marrakech Resort in Morocco will be a part of the Assoufid Golf Resort and include 80 rooms and villas. The offering will include six dining options, a spa, pool, fitness center, and the 18-hole Assoufid Golf Club course. Residence Inn by Marriott Accra Kotoka Airport is projected to open in 2023. The 12-storey hotel will consist of 160 suites equipped with fully-functional kitchens. Other facilities will include three food and beverage outlets, including a rooftop bar, a health and leisure club and a boardroom. Marriott expects to make its debut in Liberia in 2020 with the Four Points by Sheraton Monrovia with 111 rooms and four food and beverage outlets, including a rooftop bar and lounge, and specialty restaurant.

Ethiopian Airlines unveils new airport terminal

Ethiopian Airlines recently unveiled a new state-of-the-art passenger terminal at Bole International Airport in Addis Ababa. The existing airport was initially designed to accommodate six million passengers annually. The upgraded terminal will accommodate 22 million passengers a year and will have upgraded runways and navigations systems. There is a new check-in hall with an elevated motorway, more international gates, check-in and immigration counters, duty-free shops, restaurants, auto-walks, escalators, a new 373-room hotel; panoramic lifts, and hi-tech airport systems such as automated bag drop solutions, e-gates, self-check-in kiosks, and baggage handling and tilting tray sorter systems.

[2] Marriott, February 11, 2019. "Marriott International announces three new deal signings for Africa," Hotel News Resource. https://www.hotelnewsresource.com/article103962.html

Kenya Airways intends to double fleet over the next five years

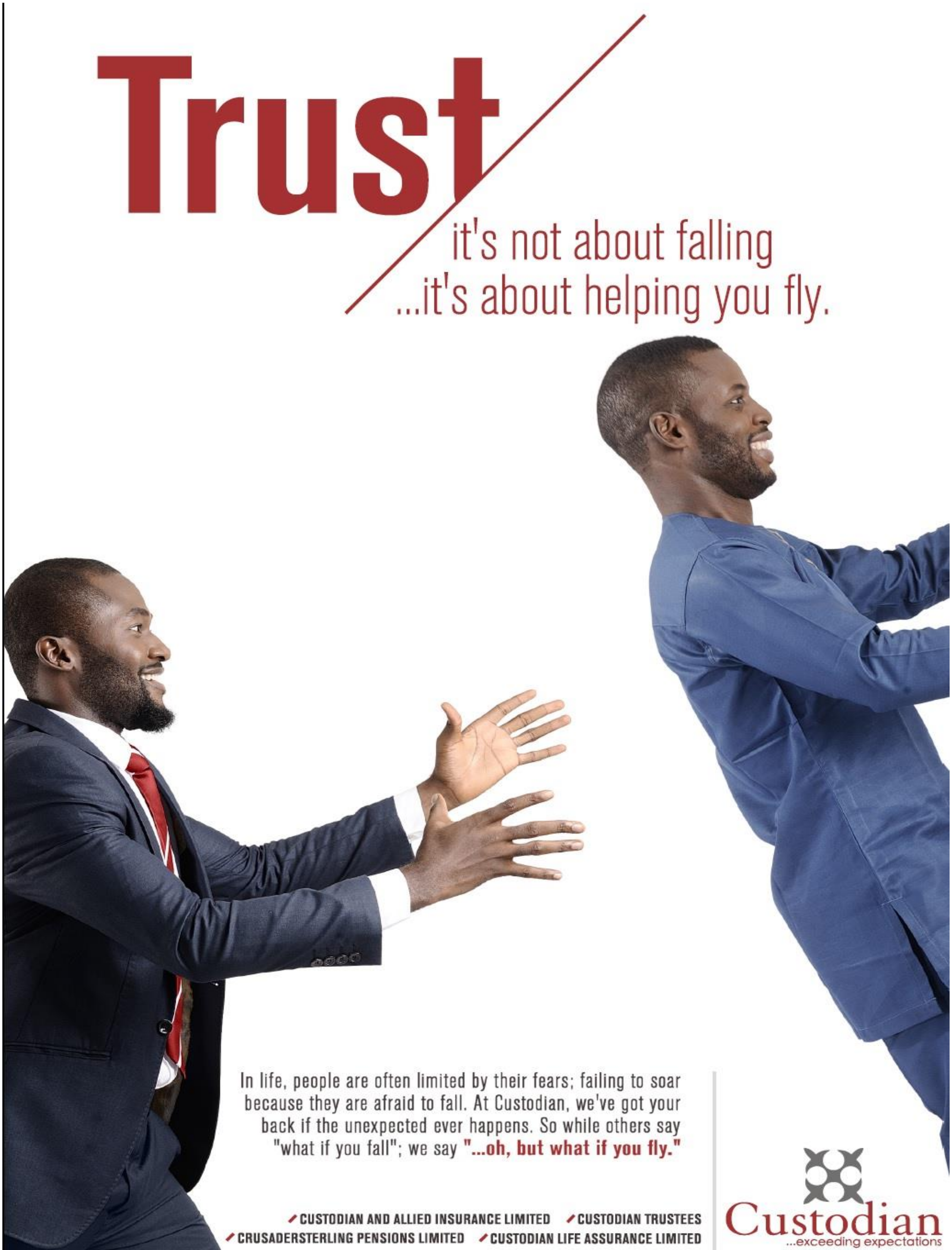
Kenya Airways is 48.9% owned by the government and 7.8% owned by Air France-KLM. It restructured its $2 billion debt in 2017. To curb losses and compete with rivals like Ethiopian Airlines, Kenya Airways plans to double the size of its fleet in five years by opening new routes in the hope of profit returns. The airline had a fleet of 41 airplanes at the end of 2018 while Ethiopian Airlines has more than 100 planes.

Although plans to increase revenue through the takeover of Nairobi's Kenyatta International Airport were thwarted last month by a parliamentary committee, the airline plans to reorganize its aircraft leasing agreement and other debts so as to allow for cash flow for investment in new planes. The parliament's transport committee instead proposed that the government help in other ways such as by exempting it from paying taxes.

Air Seychelles increases frequency of flights to Johannesburg

Seychelles' national carrier, Air Seychelles, launched new daily service to Johannesburg on June 4, 2019. Flight HM061 from Seychelles to Johannesburg operated by the airline's Airbus A320 aircraft, features 16 business class and 120 economy class seats. It flies daily, departing at 1.45pm from Johannesburg's O.R. Tambo International Airport and arriving in the Seychelles at 8.40pm. Charles Johnson, Chief Commercial Officer of Air Seychelles said the airline was constantly looking at ways to maximize convenience and flexibility for our guests.

Air Seychelles just added a sixth weekly flight last year, and will be now offering daily service between the two countries to strengthen business, tourism and cultural ties. The new daily service will cater to leisure and business travelers and create a combined experience to South Africa and beyond.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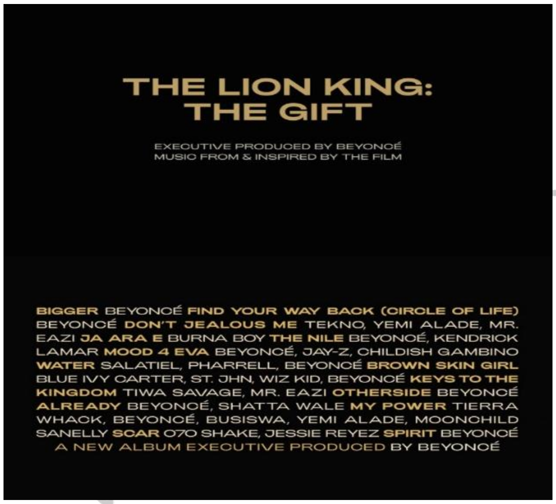
African Music to the World: Beyoncé's New Lion King Album featuring Africa



Beyoncés recently released her album: *The Lion King: The Gift*. The album accompanies Disney's Live action remake of 'The Lion King', as well as, the original Lion King soundtrack. It features many African artists and was released on Friday, 19th July, 2019.

The album, which she describes as her "love letter to Africa", includes Nigeria's Wizkid, Tiwa Savage, Tekno, Yemi Alade, Mr. Eazi, and Burna Boy. South African artists Busisiwa, Moonchild Sannely, Ghanaian artist Shatta Wale and Cameroonian artist Salatiel were also not left out.

In a recent interview, Beyoncé claimed that the idea to include African artists in this album stemmed from "authencity". She wanted it to represent "what is beautiful about the music in Africa, therefore, she made sure to find "the best talents from Africa".

Nigeria's LVMH prize finalist is re-defining luxury

Kenneth Ize is one of the people transforming the Nigerian Fashion Industry. The young designer achieves this through his cross-cultural experiences to produce new contemporary forms.

It comes as no surprise why he is a finalist of this year's prestigious LVMH Prize, considering his masterpieces have been worn by the likes of Naomi Campbell, Donald Glover and Burna Boy. Ize said that his goal is to continue to "shift the narrative" and tell the international audience that possibilities are endless in Nigeria.

Algeria wins AFCON 2019

Algeria succeeded in winning the Africa Cup of Nations 2019 (AFCON 2019) again after 29 years (nearly 3 decades). They beat Senegal (1-0) and solidified their second win in their history of participating in AFCON.

The game was won due to an early deflected goal by Baghdad Bounedj. Senegal came second, while Nigeria came third after losing to Algeria during the semi-finals.

FINANCIAL AND ECONOMIC INDICATORS

Country	GDP Annual Growth Rate (%)			Inflation Rate (%)			Interest Rate (%p.a.)	Exchange Rate ($)
	Current		2019f	Current		Trend	Current	Per $
Angola	2.20	Q4'18	0.40	17.24	July	Upwards	15.50	343.69
Botswana	4.30	Q1'19	3.90	2.90	July	Upwards	5.00	10.62
Cameroon	4.60	Q3'18	4.40	2.30	Dec	Upwards	3.50	582.97
DRC	4.10	Q4'18	4.30	4.57	July	Downwards	9.00	1,649.89
Ethiopia	8.50	Q4'18	7.70	15.50	July	Upwards	7.00	29.12
Gabon	2.00	Q4'18	3.10	1.90	May	Downward	3.50	582.97
Ghana	6.70	Q1'19	8.80	9.40	July	Downwards	16.00	5.44
Guinea	5.80	Q4'18	5.90	9.90	July	Constant	12.50	9,245.00
Ivory Coast	7.70	Q3'18	7.00	1.20	July	Upwards	4.50	582.05
Kenya	5.60	Q1'19	5.80	6.27	July	Upwards	9.00	102.39
Liberia	2.50	Q4'17	0.40	23.30	Apr	Downwards	12.40	197.29
Mozambique	2.50	Q1'19	4.00	2.16	July	Downwards	13.25	62.22
Nigeria	2.01	Q1'19	2.10	11.08	July	Downwards	13.50	361.67
Rwanda	8.40	Q1'19	7.80	1.50	July	Upwards	5.00	897.50
Senegal	5.70	Q1'19	6.90	1.10	July	Upwards	4.50	582.05
South Africa	0.00	Q1'19	1.20	4.00	July	Downwards	6.75	14.06
Tanzania	6.80	Q1'19	4.00	3.50	July	Upwards	7.00	2,299.88
Uganda	6.60	Q4'18	6.30	2.60	July	Downwards	10.00	3,702.25
Zambia	3.70	Q4'18	3.10	8.60	July	Upwards	10.25	12.84
Zimbabwe	4.00	Q4'18	-5.20	175.25	Jun	Upwards	9.23	N/A

	Aug 30 ($)	Aug 23 ($)	% Weekly Change	YTD %
Cocoa	2,239.00	2,215.00	0.33	0.70
Wheat	514.00	527.25	2.51	2.14
Corn	441.25	431.50	2.26	17.67
Sugar	12.54	12.62	0.63	4.24
ENERGY				
Brent	59.11	59.85	0.41	18.62
WTI	54.58	53.47	1.93	26.27
LNG	2.17	2.27	0.87	22.11
METALS				
Gold	1,517.90	1,413.70	0.51	10.90
Copper	268.30	271.35	1.12	1.98
Silver	15.35	15.34	0.07	1.22