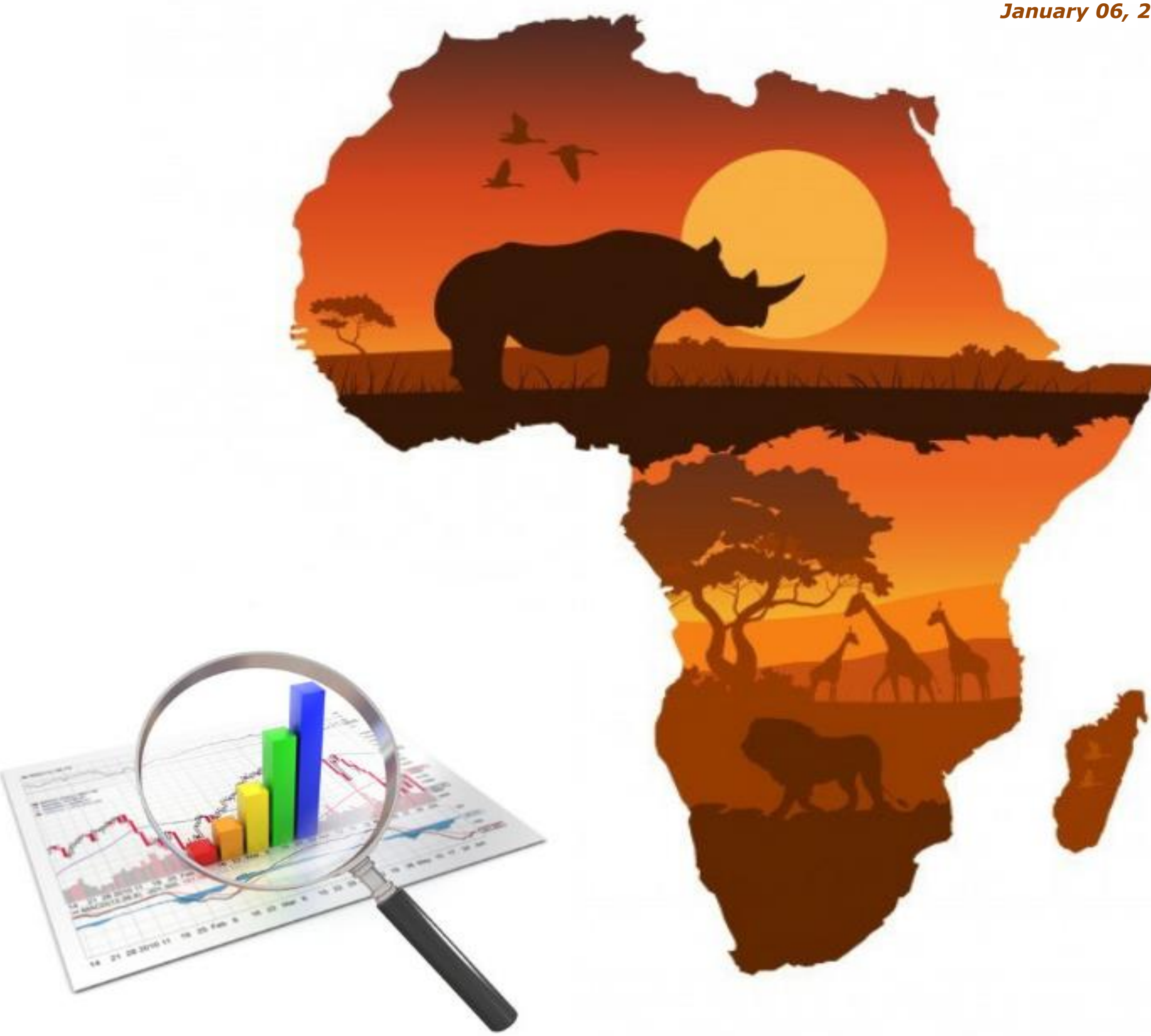
FINANCIAL DERIVATIVES COMPANY

THE FDC AFRISCOPE

Volume 1, Issue 9

January 06, 2020



A Financial Derivatives Company Publication

Tel:01-2715414, 6320213; Email: info@fdc-ng.com; Website: www.fdcng.com

TABLE OF

contents

3 ECONOMICS & POLICY

21 MARKETS ACROSS SUB-SAHARAN AFRICA

24 POLITICAL UPDATE

29 TRAVEL & AVIATION

32 SOCIAL & LIFESTYLE PRECINCT

33 FINANCIAL & ECONOMIC INDICATORS

ECONOMY & POLICY

Ghana backs West Africa's eco, opposes euro peg

Ghana's president Nana Akufo-Addo has indicated his country's determination to join a West African currency dubbed the eco that will replace the France-backed CFA franc in eight regional countries. "We, in Ghana, are determined to do whatever we can to enable us join the Member States of UEMOA, soon, in the use of the eco, as, we believe, it will help remove trade and monetary barriers," the president said in a statement.

However, the statement indicated that Ghana opposed plans to keep the eco pegged to the euro, urging regional authorities to work quickly toward "adopting a flexible exchange rate regime". Ghana's adoption of the new currency would make it the bloc's largest economy, ahead of neighbour Ivory Coast. Ghana is not part of the West African Economic and Monetary Union (UEMOA) of mostly former French colonies that uses the CFA franc and has its own currency, the cedi.

Ivory Coast President Alassane Ouattara and French President Emmanuel Macron announced in early December that West Africa's monetary union had agreed to cut some financial links with Paris that have underpinned the region's common currency since its creation soon after World War 2. Under the deal, African countries in the bloc will not have to keep 50% of their reserves in the French Treasury and a French representative will no longer sit on the currency union's board. The countries due to change from the CFA franc to the eco are Benin, Burkina Faso, Guinea-Bissau, Ivory Coast, Mali, Niger, Senegal and Togo – all former French colonies except Guinea-Bissau. The group is aiming to have the new currency up and running by the end of 2020.

Making sense of West Africa's new currency

The French-backed CFA franc is going. Will the new eco be as stable?

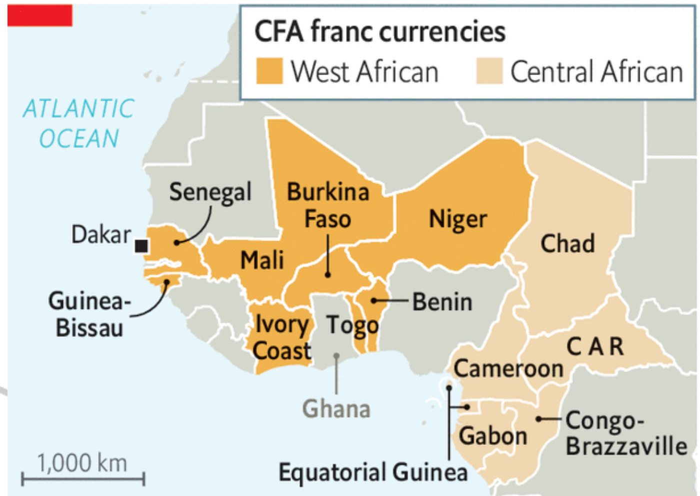
Culled from the Economist

Monetary policy, done well, is meant to put everyone but economists to sleep. Yet in West Africa it has pulled thousands of protesters onto the streets. Many locals have long objected to the West African and central African cfa francs, two monetary unions pegged to the euro and backed by France. This arrangement has delivered low inflation and currency stability to the 14 African countries that use one or other of the cfa francs. But critics call the cfa a relic of past subjugation and absurdly portray it as a "colonial tax" imposed by France, the former power.

On December 21st those calling for an end to the cfa franc mostly got their way. Emmanuel Macron and Alassane Ouattara, the presidents of France and Ivory Coast, announced the most far-reaching changes to the currency area since its formation in 1945. The West African cfa franc, which is used by eight countries, will be ditched in 2020 and replaced by the eco, which will have far looser ties to France. The central African cfa franc is unchanged, but many expect the six countries using it to implement similar reforms.

The symbolism is powerful. The currency's acronym originally stood for "French Colonies of Africa" and the cfa has become a lightning rod for anti-French sentiment across West Africa—in early December Mr Macron threatened to withdraw the 4,500 French troops battling jihadists in the Sahel unless governments in the region ended their "ambiguity" towards "anti-French movements". Mr Macron seems to hope that he will quell some of the anger against France by backing away from the currency it once championed.

Yet the economic implications will be large. France says it will continue to support the currency's peg to the euro. But this guarantee—in effect a promise to make unlimited transfers from the French treasury if the eco comes under speculative attack—is one that markets may doubt, especially in a crisis. "How can we short this thing?" asked one hedge fund trader, on hearing news of the new currency.



The Economist

Confidence in the eco is waning even before it has been formed because the old safeguards are being dismantled. Today, countries using the cfa deposit half their foreign-exchange reserves into an account at the French treasury. When the eco is formed this obligation will end, presumably allowing them to go to the Central Bank of West African States in Dakar (bceao). The French representative on the currency union's board will also be shown the door. With less oversight of the union and no control over its reserves, France may hesitate to write a blank cheque.

Maintaining the eco's peg to the euro may also impose uncomfortable limits on the monetary sovereignty of its members. Any country that maintains a fixed exchange rate while letting capital flow freely across borders—as West African ones will continue to do—forfeits a measure of monetary autonomy. For instance if the bceao were to slash interest rates from their benchmark of 2.5%, capital would probably flee to the relative safety of Europe. The central bank could burn through reserves, but eventually it would either have to raise interest rates or let the exchange rate slide.

By choosing to retain the peg, West African governments are deliberately binding their own hands. A problem for central banks everywhere is convincing people that they will not give in to political pressure to stoke booms or print money. The peg is, in effect, a commitment to track the anti-inflationary stance of the European Central Bank. This has produced benefits: inflation has been much lower in Ivory Coast, which uses the cfa franc, than in neighbouring Ghana, which does not.

Yet critics worry that monetary policies aimed at keeping inflation low in Europe are not necessarily right for Africa. The rigidity of the currency's peg, which has only been devalued once in its history, is also a worry. If wage growth in the eco zone exceeds that of the euro-zone (adjusting for productivity) then the eco's fixed exchange rate would become overvalued. That would retard exports and encourage imports.

UBA
United Bank for Africa

https://m.me/ubachatbanking Leo@ubagroup.com CFC (+234-1-2807400)

- Africa • New York • London • Paris

Web: www.ubagroup.com Email: cfc@ubagroup.com *Africa's global bank*

For all the uncertainty, the change has already produced one positive outcome. A passionate argument about neocolonialism is being transformed into a drier one about inflation. That should calm tempers in the streets, even as it sets economists' pulses racing.

Can Team Ramaphosa stabilize South Africa's economy?

Spare a thought for South African President Cyril Ramaphosa and his top two national economic management officials – Finance Minister Tito Mboweni and Governor of the South African Reserve Bank (SARB), Lesetja Kganyago, as they collectively set out to stabilize the economy. Mboweni has the unenviable task of steering the economy onto a higher GDP growth trajectory, narrowing the fiscal deficit and the GDP/public debt ratio, attracting more inward FDI and lowering the youth joblessness rate of over 50%. All this over the lifetime of the current parliament, following the ruling African National Congress's (ANC's) landslide election victory in May.

The evidence suggests that the response of 'Team Ramaphosa' has hitherto been high on aspirations, good intentions and rhetoric but low on substantive policies. It seems that the President is still coming to terms with how to deal with the legacy and economic mismanagement of his predecessor, Jacob Zuma, the perceived pariah of the Rainbow Nation's current woes and architect of the infamous 'state capture' of assets. The response has also been undermined by a debilitating ideological struggle at the heart of the body politic – between a neo-liberal outlook, and the ANC's socialist statist vision of an economy serving the majority of the population to promote justice, equality of opportunity and prosperity.

The President is also held hostage by the endless factional infighting and jockeying for patronage within the ANC between his own supporters, the militant left in the COSATU trade union, the ANC's coalition partner, the South Africa Communist Party

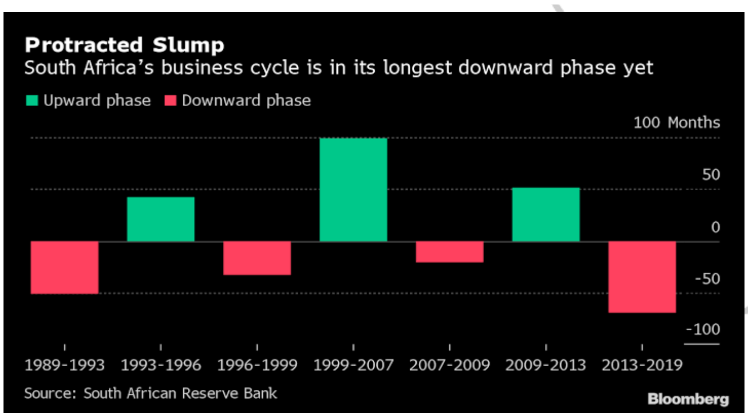
(SACP), and remnants of the surviving Zuma apparatchiks. This governance volatility has been a feature of the South African body politic almost from the start of ANC rule in 1994. The political acumen and sheer personality of the iconic President Nelson Mandela put a temporary lid on it, but his successors, Thabo Mbeki and Jacob Zuma, were incapable of managing dissent and factionalism. This fault saw both removed from the ANC presidency and the leadership of the government. This is the yardstick that the Ramaphosa presidency will also be measured by.

According to Fitch Ratings, since the May election, in-fighting within the ANC party between supporters of President Ramaphosa and his predecessor, Jacob Zuma, has continued.

SARB on slippery surface

The Governor of the Reserve Bank, Lesetja Kganyago is caught between a rock and a hard place. The good Governor is one of the few South African officials who have maintained an international reputation for operational independence and competence, especially in setting monetary policy with its emphasis on maintaining price stability.

He could hardly have expected better endorsement than that from the likes of Fitch Ratings in its latest *Outlook on South Africa* report: "The credibility of SARB and its inflation-targeting regime are an important credit strength. Inflation has recently undershot expectations, allowing SARB to cut its interest rates in July. The banking sector is well-regulated and healthy. The non-bank financial sector (including pension funds and long-term insurance) is large, with assets of 184% of GDP at end-2018. Given the sector's exposure to government debt is relatively low and caps on foreign investment, it could help absorb a potential outflow of foreign investors."



However, for Governor Kganyago, the writing may be on the wall, not because of the commendable work SARB has done but because of the looming political 'interference' through government proposals to nationalize the currently privately-owned Reserve Bank. Both key state officials have good reason to feel insecure despite their own excellent performances. There have been ominous precedents of finance ministers and central bank officials being unceremoniously dumped if they fail to follow the instructions of political masters.

Pace of reforms very important

The economy needs to grow at over 5% per annum for the country to start meaningfully addressing the issues of high unemployment, high economic inequality, lowering the cost of living and a more equitable wealth and income distribution. The reality is that GDP growth forecasts at best remain modest and below population growth. The IMF's forecast for 2019 is 0.7%; Fitch's latest forecast is 0.5%, the fourth year of GDP growth that is below the population growth of 1.6%.

Equatorial Guinea courts $1bn to diversify energy sector

Equatorial Guinea's energy ministry pitched a round of oil and gas projects to investors in Malabo on Wednesday. Ten projects, which will be open to investors in 2020, are part of the OPEC member's efforts to diversify its oil industry and lay the foundations for in-country processing and manufacturing.

Equatorial Guinea's mines and hydrocarbons minister, Gabriel Obiang Lima, called for investment in the construction of three in-country oil refineries, tanks for storing and refining gas and LNG, a urea processing plant and the expansion of an LNG project. Two of the three refineries will have a combined capacity of 30,000-40,000 bpd, and will refine crude from the Zafiro and Aseng fields into gasoline, kerosene, and other petroleum derivatives. A third refinery in Kogo will refine gold mined from Equatorial Guinea and the wider Central African region.

The new refineries will help Equatorial Guinea, which is sub-Saharan Africa's third-largest oil producer refine and process petroleum products in-country for domestic use, according to industry experts. A final project calls for investors to develop the country's compressed natural gas (CNG) plant, with grand plans for a bus terminal, gas-powered bus fleet, cooking gas bottling facility and upgraded road infrastructure.

In partnership with French Total and state-owned GEPetrol, the energy ministry hopes to position the country as the first in the region to use CNG for transport, the energy ministry said in a statement. The plans build on the country's efforts to diversify its economy away from crude exports that currently provide 90% of foreign revenues, but are predicted by the World Bank to decline by over 3% in 2019.

Despite ranking 172 out of 180 countries in Transparency International's 2018 corruption index, the government of Equatorial Guinea has attracted international oil companies. While reputational risk is a key consideration for oil majors operating in the country, it has not stopped ExxonMobil, Marathon, Noble, Glencore, Hess, Devon, Gazprom, Luckoil and Vanco from exploring and in some cases discovering and exploiting oil in the country.

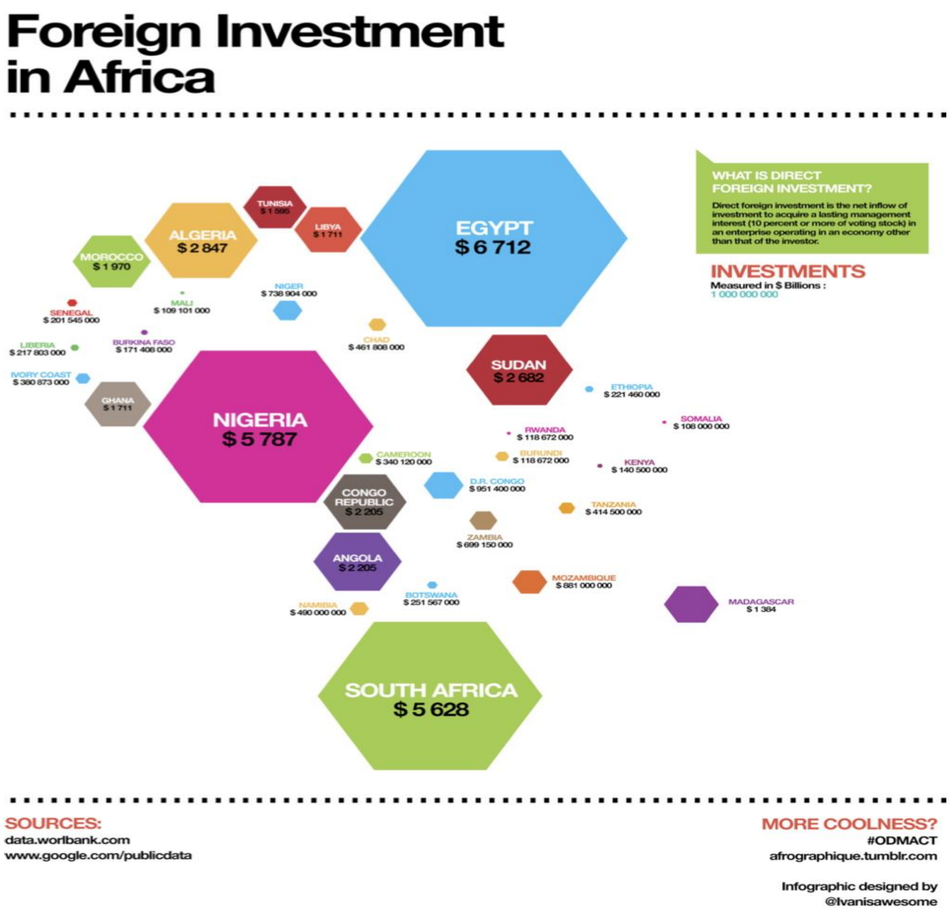
President Teodoro Obiang Nguema, is the world's longest-serving leader who has ruled over the country's 1.3 million population since 1979, after deposing his uncle.

Is Africa open for business?

The October releases of Doing Business 2020 from the World Bank and the Global Competitiveness Report 2019 from the World Economic Forum (WEF) offer a fresh chance to assess the relative standing of Sub-Saharan Africa (SSA). Both convey the message that SSA is improving in absolute terms but making slower progress in relative terms because other regions are reforming at a similar or faster pace. Within this broad context, some SSA countries are rising up the rankings while others are falling, underlining the region's diversity. A notable feature of the various league tables now published—including Transparency International's Corruption Perceptions Index and the Economist Intelligence Unit's Democracy Index—is the leading position held by a select group of countries that regularly appear in the top 10 of several indices: Botswana, Cabo Verde, Ghana, Mauritius, Namibia, Rwanda, Seychelles, Senegal and South Africa. This is hardly surprising, given the obvious correlations between governance, corruption, economic performance and policy coherence.

No single index can capture the complexities of a country's business environment, as each takes a different perspective. The Doing Business index, covering 190 countries, focuses on the regulatory framework, using objective measures such as the time needed to start a business, making it simple to understand and explaining its appeal to policymakers. It also has flaws (as do all the indices), as many aspects of the business climate are not included, such as corruption and infrastructure. The Doing Business index also applies solely to mid-sized local firms, overlooking small enterprises and multinationals, which typically encounter different rules. The WEF's competitiveness index takes a much broader perspective, assessing factors such as institutions, skills and innovation, but many parameters are subjective and country coverage is smaller (at about 140). Additionally, some pillars, such as health and the macro-economy, are based on just one or two underlying indicators. Regular changes in methodology in both indices make comparisons over time less reliable. Our business environment rankings cover just four African countries: Nigeria, Angola, South Africa, and Kenya. The scores for these countries typically suffer from weak corporate governance and regulation, as well as poorly trained labour forces and, in countries such as Angola and Nigeria, an over-reliance on hydrocarbons. Nevertheless, despite the problems of operating in the region, rates of return can be high for those firms that can master the complicated political environment and regulatory climate.

Doing business in SSA



In the WB Doing Business league, Mauritius tops the regional rankings by a large margin—coming first in five of the ten components—and stands 13th globally. Tarnishing this impressive performance is its reputation for facilitating tax evasion. Rwanda ranks second regionally (out of 48 countries), despite dropping nine places globally to 38th. Kenya, third regionally, made a strong advance globally, rising five places to 56th, to mark a fifth consecutive year of improvement. Kenya undertook several reforms in the year to end-May (the cut-off point), making it easier to deal with construction permits, secure an electricity supply, obtain credit, pay taxes and resolve insolvency, although registering property became harder. Illustrating potential flaws in the index, Kenya ranks first globally for protecting minority investors, which seems far-fetched. South Africa, fourth in the region, dipped two places globally to 84th, despite facilitating contract enforcement and, in contrast with Kenya, is sliding over time. Zambia, Botswana, Togo, Seychelles, Namibia and Malawi complete the SSA top ten. Nigeria's regional (17th) and global (133rd) rankings are much poorer, although the World Bank named the country as one of the top ten global reformers this year, alongside Togo. Last year, in contrast, SSA claimed five of the top ten spots: Djibouti, Togo, Kenya, Cote d'Ivoire, and Rwanda.

Competitiveness is a relative concept

Several of the best Doing Business locations in SSA also feature in the regional top 10 in the WEF's competitiveness index. Mauritius claims top spot (out of 34 countries), to lie 52nd globally, followed by South Africa, which posted a seven-place global rise to 60th, on the back of a strong improvement in its underlying score, especially in the institutions category. Seychelles came third, Botswana fourth, Namibia fifth, Kenya sixth and Rwanda seventh, with both Namibia and Rwanda, like South Africa, registering solid advances. Ghana, Cabo Verde and Senegal (114th globally) rounded off the top 10. A large majority of SSA countries posted higher scores in the 2019 WEF index, but only nine made ranking gains and, by extension, competitiveness gains.

List-topping countries

Given the close links between good governance and economic performance, it comes as no surprise that SSA's top-ranked states in the CPI and the Democracy index feature many of the same names. Seychelles leads the corruption rankings, followed by Botswana, Cabo Verde, Rwanda, Namibia, Mauritius, Senegal and South Africa. In terms of democracy, Mauritius leads from Cabo Verde, Botswana, South Africa, Lesotho, Ghana, Namibia and Senegal, with other countries falling below the threshold for being rated as democratic. Yet another league, the Fragile States Index, is similar, with the least fragile SSA countries being Mauritius, Seychelles, Botswana, Ghana, Namibia, Cabo Verde, Gabon and South Africa.

From a broad perspective, the countries that appear in the top 10 in all five indices—Botswana, Mauritius, Namibia and South Africa—can be seen as the most favourable business locations. South Africa's orbit extends to the other three, to varying degrees. Cabo Verde, Ghana and Seychelles (with four top ten), Rwanda and Senegal (with three) and Benin, Kenya, Lesotho and Zambia (with two apiece) all hold promise but each has particular challenges. Kenya, for example, ranks well on regulations and competitiveness, but falls down on corruption and democracy.

The various indices highlight two main factors. SSA is advancing in absolute terms, by cutting red tape for example, but is failing to make gains compared to other regions. Second, regional gains are concentrated in a select group of countries, while others risk lagging behind. In the medium term, SSA will start making gains vis-à-vis other regions, as they reach the limits of improvement, although divergences and disparities within SSA will be more persistent. The region is clearly open for business but the indices can provide no more than a snapshot, sometimes fuzzy, of the operating environment in the region's diverse markets.

Introducing...
DANGOTE
BlocMaster
PORTLAND LIMESTONE CEMENT
42.5R
GRADE CEMENT
SUPER
50±1kg
BEST VALUE FOR MONEY BY FAR
UP TO 50% STRONGER AFTER 1 DAY
THE KING
OF CEMENT
IDEAL FOR ALL
BLOCK & CONCRETE
APPLICATIONS
DANGOTE CEMENT
www.dangote.com
facebook.com/dangoteindustries
@dangotegroup

The wait is over: Uganda's long road to first oil

Oil deposits have sat beneath the shores of Lake Albert, in western Uganda, for millions of years. Since its discovery in 2006, plans to extract the oil, estimated at over 1bn recoverable barrels, have repeatedly stumbled over disagreements between the government and oil companies. The latest was a tax dispute that threw the whole project into limbo, holding up the commencement of commercial production.

The argument revolves around the transfer of assets between the three oil companies who are developing the fields: Total, a French oil major, CNOOC, a Chinese state firm, and Tullow, an independent oil company with headquarters in London. In 2017, Tullow announced it would sell most of its interests in the Uganda project to its two larger partners, reducing its own stake to 11.76%. In August 2019, the companies and the government could still not agree how the $900m deal should be taxed. A sales agreement between the companies expired and the deal was off.

Uncertainty over the transaction has delayed a long-awaited final investment decision (FID) on the oil project, which was expected this year. Irene Muloni, the energy minister, now says that a decision will be reached by April 2020. It typically takes three years for oil projects to move from FID to first oil.

Tax disputes

Uganda has already been waiting a century for oil. The first formal survey around Lake Albert was conducted by a British team in 1925. Yoweri Museveni, the president, held meetings about oil with advisers two weeks after seizing power in 1986, and soon afterwards called off talks with oil companies while the country built its negotiating capacity. At the time, most African oil exploration was off the Atlantic coast. When commercial quantities were finally discovered in three fields in the western part of the country in 2006, it was the largest onshore discovery in Africa for two decades.

The most contentious issue was tax. In 2010, Heritage, the company that had done much of the initial exploration work, agreed to sell its assets to Tullow. The government imposed a $434mn capital gains tax bill, which Heritage disputed. A Ugandan court and an arbitration case in London both ruled in favour of the government, and Museveni later awarded a $1.6mn bonus to 42 officials who had helped in the case. A similar dispute arose when – in a foreshadowing of the current standoff – Tullow sold on part of its stake to Total and CNOOC. That matter was settled out of court in 2015.

It was unsurprising, then, that Tullow's 2017 decision should also run into problems. The deal was structured so that Total and CNOOC would pay Tullow $200mn in cash, and a further $700mn towards its share of future development costs. But disagreements arose over several issues, such as how to account for the costs Tullow had already incurred between acquiring its Ugandan assets and selling them on. The government presented Tullow with a capital gains bill for $167mn, which the company contested.

A compromise was reached after direct meetings between Museveni and Pouyanné. They agreed that Tullow would pay just $85mn, with Total and CNOOC topping up the rest. They could not agree, however, about whether the two larger companies would inherit Tullow's recoverable costs and count them against future tax obligations. That issue and others remained unresolved when the sale collapsed at the end of August.

While the dispute has been resolved, the original sales agreement between the oil companies is dead; they will have to draw up another one, perhaps on fresh terms. Political attention is already turning to contentious elections in 2021. The government also felt the cost of delay in its own pocket. It has poured money into roads, dams and airports on the promise of an imminent oil boom. A 2018 study by Sebastian Wolf, of the Overseas Development Institute, and Vishal Aditya Potluri, of the Harvard Kennedy School, forecasts that oil earnings will peak at 73% of the government's non-oil tax revenues within a few years of coming on stream (assuming a price that starts at $77 a barrel and grows by 2% a year). Senior officials at the Bank of Uganda have warned that debts could become unsustainable if oil arrives late.

But once a decision is finally reached, other challenges loom. Already, thousands of people in western Uganda have been displaced; some are contesting the resettlement package they received. Part of the oil lies below a national park. In January six NGOs will challenge Total in a French court, claiming that it has failed to elaborate and implement its human rights and environmental vigilance plan. Uganda's oil saga is just beginning.

South Africa's investment summit secures $25bn of fresh funding

A second investment summit convened by the president, Cyril Ramaphosa, on December 5th-7th, attended by 1,500 delegates, secured new investment pledges of about R370bn ($25bn). This is roughly 25% higher than what was committed at a first summit in October 2018.

Ramaphosa is, therefore, moving closer to achieving his objective of securing R1.5trn in new investment over five years—from both domestic and foreign sources—geared towards boosting growth and job creation. Specific commitments made at the new summit include R50bn over five years from MTN, one of South Africa's two largest telecoms firms, R23bn over 3-5 years from Transnet, the transport parastatal, and R14bn from Sappi, a paper-maker. In the mining sector, Exxaro and Rio Tinto committed to invest R20bn and R6.5bn respectively, while Anglo American reaffirmed last year's commitment to invest R72bn over five years, of which R19bn has already been spent on diamonds, iron ore, coal and platinum ventures. A new platinum mine, worth R30bn, will follow. Government investment of R12.9bn in a new agricultural support vehicle, and R6bn to support transformation in the automobile industry add to the tally. The state is also investing R3.5bn to help establish a dedicated special economic zone for vehicles adjacent to Ford's Silverton plant in Gauteng. Amazon Web Services, while giving no specific figures, reiterated its intention to launch a dedicated local data centre in 2020.

Describing the summit as a "vote of confidence" in the economy, with the potential to create more than 400,000 jobs, Mr Ramaphosa and his newly appointed investment envoys—Derek Hanekom for tourism and Jeff Radebe for oil and gas—were also frank about the challenges facing investors, acknowledging the need for more policy certainty, less onerous regulations, greater macroeconomic stability, less corruption and more stable electricity supplies. The newly made commitments will not necessarily translate into actual investment, although the signs are promising: Mr Ramaphosa says that of the R300bn committed on 31 projects in 2018, R238bn has already been spent, or is assured, with eight projects now complete and 17 under way. The possible loss of South Africa's last remaining investment-grade credit rating poses a threat to foreign portfolio investment, although foreign direct investment is far less vulnerable to credit-rating shifts.


FirstBank
Since 1894
Success is
built with YOU
125 years of supporting and enabling dreams, 125 years of resilience, relevance, trust, safety and security.
Let's continue working to create your envisioned success together.
Visit www.firstbanknigeria.com to learn more about us.
FIRSTBANK IS AN FBN HOLDINGS COMPANY
PREMIUM BOARD LISTED
WOVEN INTO THE FABRIC OF SOCIETY
1894-2019
-You First-
Contact us: 01-4485500; 0700-34778-2668228 / firstcontact@firstbanknigeria.com / complaints@firstbanknigeria.com / RC 6290

Sub-Saharan Africa's GDP growth projected to rise to a modest 2.6% in 2019

SSA's opportunities are vast, and its challenges persistent. Home to the world's largest free trade area and a 1.2 billion market, the continent is poised to create an entirely new development path harnessing the potential of its resources and people.

Average growth rates across the continent are not yet reflecting this sentiment. Growth in Sub-Saharan Africa is projected to rise to a modest 2.6% in 2019 from 2.5% in 2018, according to the World Bank. However, this masks big differences between countries. Four of the fastest growing economies in the world in 2019 are in Africa: Cote d'Ivoire, Ethiopia, Ghana, and Rwanda.

The slower-than-expected overall growth in 2018 reflects ongoing global uncertainty, increasingly from domestic macroeconomic instability including poorly managed debt, inflation, and deficits; political and regulatory uncertainty; and fragility. It also belies stronger performance in several smaller economies that continue to grow steadily.

At the same time, the recovery in Nigeria, Angola, and South Africa—the region's three largest economies—has remained fragile and is bringing down the regional average. In Nigeria, growth in the non-oil sector has been sluggish, while in Angola the oil sector remained weak. In South Africa, low investment sentiment is weighing on economic activity.

Excluding Nigeria, South Africa, and Angola, growth in the rest of the subcontinent is expected to remain robust, although slower in some countries. The average growth among non-resource-intensive countries is projected to edge down, reflecting the effects of tropical cyclones in Mozambique and Zimbabwe, political uncertainty in Sudan, weaker agricultural exports in Kenya, and fiscal consolidation in Senegal.

Several challenges remain and are holding back progress. Public debt levels and debt risk are rising, which might jeopardize debt sustainability in some countries; the availability of good jobs has not kept pace with the number of entrants in the labor force; fragility is costing the subcontinent a half of a percentage point of growth per year; gender gaps persist and are keeping the continent from reaching its full growth and innovation potential, and 416 million Africans still live in extreme poverty.

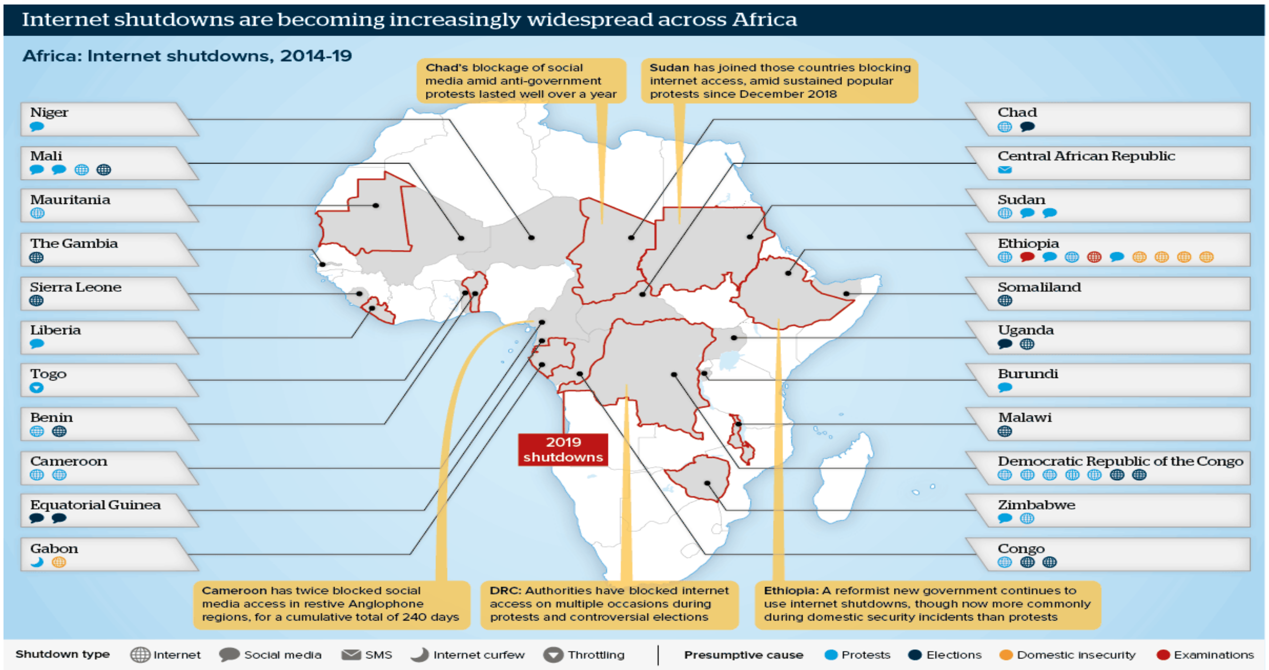
SSA GDP Growth Comparison		
Country	**Quarterly GDP Growth rate (%)**	**2019 GDP Growth forecast (%)**
Angola	-0.1 (Q2'19)	-1.4
Ethiopia	N/A	7
Ghana	5.7 (Q2'19)	6.8
Ivory Coast	7.4 (Q2'19)	7.1
Kenya	5.6 (Q2'19)	5.4
Nigeria	2.3 (Q3'19)	2
Rwanda	12.2 (Q2'19)	7.5
South Africa	0.9 (Q2'19)	0.5

Africans face most expensive internet charges in the world

Consumers in African countries are paying some of the highest rates in the world for internet access as a proportion of income, according to a new report released in late October. The Alliance for Affordable Internet (A4AI) assessed 136 low and middle-income countries for their annual Affordability Report. Examples of middle-income countries according to the report include Malaysia, Colombia, India, Jamaica, South Africa, and Ghana, while low income countries were Nepal, Mali, Haiti, Liberia, Yemen, and Mozambique.

The A4AI is an initiative of the Web Foundation, founded by inventor of the Web Tim Berners-Lee, with partner organizations that include Google and Facebook. The A4AI defines affordability as 1GB of mobile broadband data costing no more than 2% of average monthly income. But the average across the African continent is 7.12%, and in some cases 1GB costs more than a fifth of average earnings.

Such prices are "too expensive for all but the wealthiest few," the report states, citing cost as the primary reason why an estimated 49% of the global population remains offline. The report authors argue that sluggish markets and monopolies are a primary cause of high prices and offer several policy prescriptions to address the issue. African countries are subject to the least affordable internet prices in the world, according to A4AI data.



Citizens of Chad, DR Congo, and the Central African Republic must all pay more than 20% of average earnings for 1GB of mobile broadband data. By contrast, the most affordable rates in the continent are in Egypt at 0.5% and Mauritius at 0.59%.

Overall, the report found that costs are falling faster in low-income countries than middle-income counterparts, but in many cases prices remain prohibitive. A4AI's primary recommendation is for greater liberalization of markets and measures to increase competitiveness. "Competition is core to successful broadband markets," the report states.

The authors' estimate that moving from "consolidated markets" -- monopolies -- to multi-operator markets could drastically reduce costs of mobile broadband data. Recommended measures to increase competition include "fair rules for market entry and incentives to encourage new competitors," such as a liberal and transparent licensing regime.

A4AI has also created a Good Practices Database with case studies of low and middle-income countries improving access, such as Namibia, which has allowed new service providers to enter the market and seen costs decline. Kenya was also cited for making internet access available for millions of its citizens by eliminating a tax on handsets.

MARKETS ACROSS SUB-SAHARAN AFRICA

Kenya

The Nairobi Stock Exchange started out the month of December on a bearish streak. The ASI however recovered its gains to close at 166.4 on December 31 and emerged the second best performing market in Africa in 2019 with a gain of 19.1%. It has gained 0.58% so far in 2020 to close at 171.05 as at close of trading on January 03.

Treasury Bills

	04 Dec(% p.a)	18 Dec (% 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 November at KES100.35 but has so far depreciated by 0.74% against the US dollar to close at KES101.09 as at January 5. 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.

Ghana

The Ghana Stock Exchange recorded a gain of 5.5% in December. The market has traded relatively flat so far in 2020 with a gain of 0.07% to close at 2,258.68 as at close of trading on January 3, 2020.

Treasury Bills

	23-Dec (% pa)	06-Jan (% pa)	Variance (%)
91 Days	14.17	14.15	-0.02
182 Days	14.09	14.1	0.01
364 Days	15.18	15.13	-0.05

Forex Market

The Ghanaian Cedi opened the month of December at GHS5.61 and has so far depreciated by 1.6% against the US dollar to close at GHS5.7 as at January 06, 2020.

South Africa

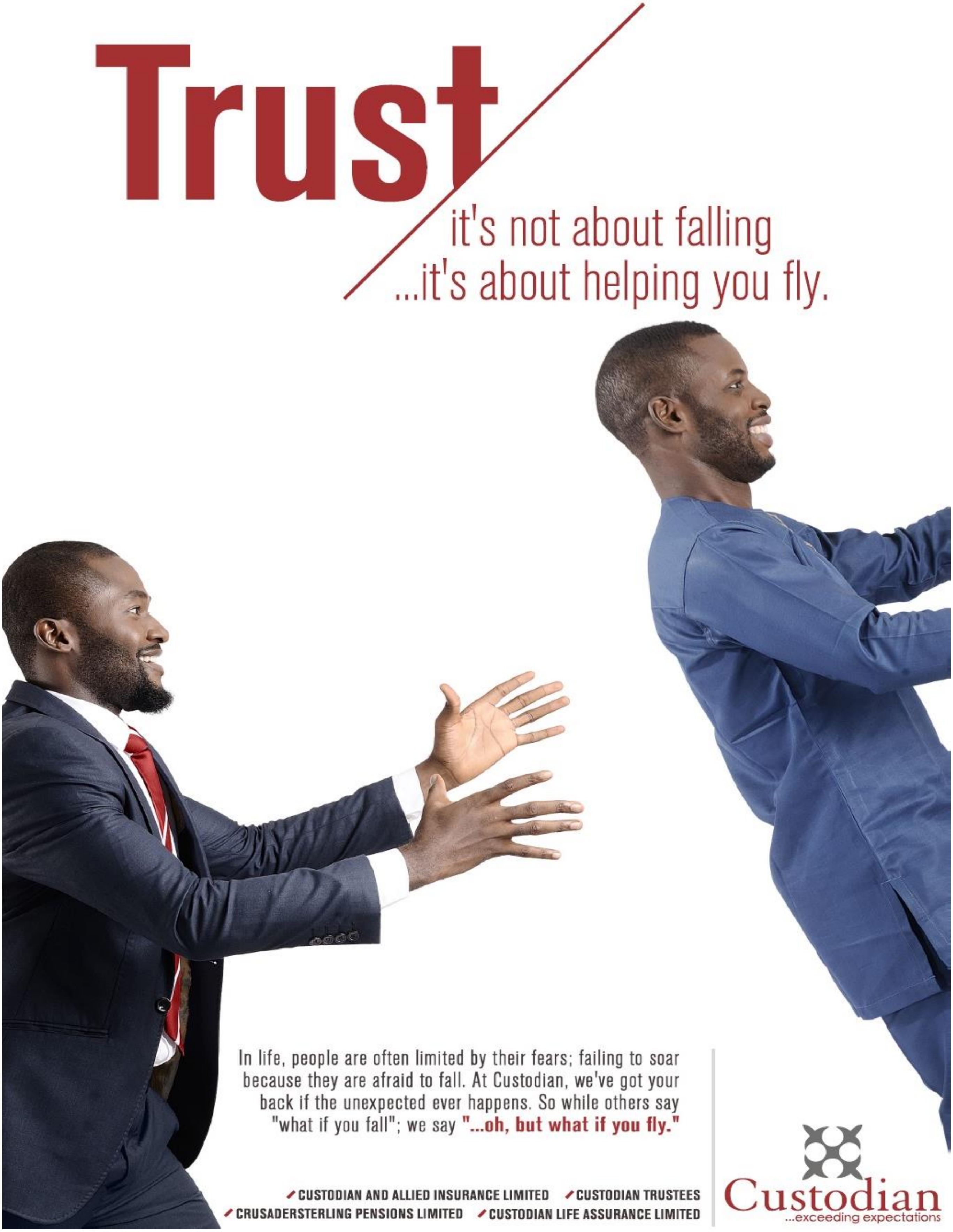
The Johannesburg Stock Exchange gained momentum in the month of December to close at 57,084.1. It has gained 1.27% so far in 2020 to close at 57,810 as at close of trading on January 3, 2020.

Treasury Bills

	23-Dec	03-Jan	Variance
91 Days	7.16	7.11	-0.05
182 Days	7.36	7.28	-0.08
364 Days	7.17	7.13	-0.04

Forex Market

The South African Rand opened the month of December at ZAR14.66 and has so far appreciated by 2.9% against the US dollars to close at ZAR14.23 as at January 06, 2020.


Trust
it's not about falling
...it's about helping you fly.
In life, people are often limited by their fears; failing to soar because they are afraid to fall. At Custodian, we've got your back if the unexpected ever happens. So while others say "what if you fall"; we say "...oh, but what if you fly."
CUSTODIAN AND ALLIED INSURANCE LIMITED
CUSTODIAN TRUSTEES
CRUSADERSTERLING PENSIONS LIMITED
CUSTODIAN LIFE ASSURANCE LIMITED
Custodian
...exceeding expectations

POLITICAL UPDATE

Mokgweetsi Masisi sworn in as Botswana's president for second term

Eric Mokgweetsi Masisi has been sworn in for another five-year term after winning the hotly contested October 23 election. Masisi promised to improve people's lives by creating jobs and diversifying the country's economy.

"Having been sworn in, I want to reiterate my determination to devote my time and energy to improve the lives of our citizens who are yearning for the social and economic transformation of our country. I wish to emphasize here that people of Botswana should always remain at the epicenter of our development agenda," President Masisi said, during the ceremony televised live.

The 58 year-old, who took the oath of office at the University of Botswana Indoor Sports Arena in the capital, Gaborone, said he would ensure that Botswana moves from a dependence on diamond and minerals to a knowledge-based economy.

Masisi was elected after his Botswana Democratic Party (BDP) won 67% of the parliamentary seats.

His inauguration ceremony was attended by Zimbabwean President Emmerson Mnangagwa, Zambian President Edgar Lungu and representatives of other Southern African Development Community (SADC) regional heads of state.

Despite a resounding BDP win, the main opposition, the Umbrella for Democratic Change (UDC), is disputing the vote outcome, and says it is still gathering evidence to legally contest the results.

US removes Cameroon from trade pact over alleged 'persistent' human rights violations

The US is cutting Cameroon from a trade pact over allegations of human rights violations. President Donald Trump said the West African nation failed to address concerns over its "persistent gross violations of internationally recognized human rights'' allegedly committed by Cameroon's security forces. The US also cut more than $17 million in security aid and support to Cameroon in February over concerns about its human rights record.

In a letter addressed to Congress on December 7, Trump cited accusations of torture and extrajudicial killings of citizens by the country's military as reasons for removing Cameroon from the African Growth and Opportunity Act (AGOA).

AGOA helps sub-Saharan countries improve trade ties with the US. Eligible countries must meet criteria including a good human rights record to benefit from the trade.

Cameroon is reeling under the impact of an Anglophone revolt that began in its English-speaking provinces in 2016 after residents complained of being marginalized by the largely Francophone government. Security forces also have been in a standoff with separatists in these areas, and both sides have been accused of killing and torturing citizens in the crossfire. Cameroon's Minister Delegate at the Ministry of External Relations, Felix Mbayu, claimed the sanctions were not linked to its human rights record. "The simple truth is that the US is unhappy with a certain stance we take with China," he said.

In February, China wrote off some of Cameroon's debts. China is also carrying out projects in Cameroon to forge better ties with the government. In a statement reaffirming its commitment to Cameroon despite the sanctions, the US Embassy in the country valued the country's export to the US at $220 million in 2018. It added that more than a quarter of the exports were from the AGOA legislation with 90% from petroleum exports.

Islamist insurgency violence on the rise in Mozambique

In recent weeks, 10 Russian private military contractors have been killed by gunmen reportedly linked to Islamic State (IS) in the northern Cabo Delgado province, as the group's violent insurgency has gained momentum.

The deaths of the mercenaries in two separate incidents (on October 31st and December 3rd) indicate that the Islamist insurgency is accelerating and has not been materially deterred by the intervention of the Russian private military contractor, the Wagner Group. The group has been contracted by the Mozambican authorities to aid the security forces' struggling counter-insurgency campaign. The Russian casualties—and more than 20 deaths among the Forças Armadas por Defesa de Moçambique (FADM)—have taken place less than a month after the arrival of Wagner Group and 200 Russian personnel and military equipment, including three attack helicopters. The terms of Wagner Group's involvement, and how it will be compensated, have not been disclosed. Russia's involvement in Mozambique is rising, and includes bilateral agreements on official and commercial co-operation.

The incidents in which the Russians died follow a week of sharp escalation in violence related to the insurgency; this includes two other violent attacks in which 14 civilians died and a number of transport trucks were destroyed on November 1st and 3rd in the north-eastern part of the Cabo Delgado region in or near Mocimboa da Praia district. Civilian displacement from the area has surged as the local population has begun to flee to urban areas, where safety can be more easily assured.

The insurgency has caused an estimated 300 civilian deaths in the two years since it began in October 2017. Since then, the shadowy Islamist group has done little to communicate its views and objectives to the public or the authorities.

Fidelity
GROW
YOUR
EXPORT
BUSINESS
WITH FIDELITY
Visit any of our
branches today for:
• Ready Market Access
• Enhanced Capacity
• Financing.
We Are Fidelity. We Keep Our Word
Contact Us: +234 (1) 448-5252
true.serve@fidelitybank.ng
Fidelity Bank Plc
FOLLOW US:
www.fidelitybank.ng

Ethiopian Airlines Retrofit Airbus A350 with Wi-Fi

Ethiopian Airlines has announced the fitting of a new Wi-Fi service aboard its Airbus A350 fleet. The Airbus A350 is the flagship of the state-owned enterprise, and there are currently twelve of them in service. All A350s have been upgraded with a Ka-band satellite broadband that will provide passengers with high-speed Wi-Fi during flights. Ethiopia Airlines plans to adopt this new Wi-Fi service on its other aircraft which operate long-haul routes. This is good news for passengers who are considering flying Ethiopian Airlines as it provides greater value add than the typical African carrier.

Nigeria Has a New International Airport in Asaba

The capital of Delta state in Nigeria is once again ready to receive international flights after getting approval from the federal government. The Nigerian Minister of Aviation, Hadi Sirka, stated that the airport had met government requirements and that the government wanted no further delays in the commencement of flights. Asaba is situated around 500 kilometers east of Lagos and had an airport for a long time, but poor infrastructure drove many to patronize the Benin City export instead. The airport's official purpose is to connect Asaba locals to the rest of Nigeria, but many consider it to be a vanity project started by the previous governor.

As of 2013, Asaba Airport serviced an average of 6,880 passengers per month on 260 flights. In 2015, however, the Nigerian Civil Aviation Authority downgraded the airport's capacity over concerns of inadequate infrastructure. The lack of a perimeter fence, poor personnel training and a rundown runway meant that larger aircraft like the 737 could no longer safely use the airport. The following year, work commenced on restoring the runway to a decent condition. The runway is 3.4 kilometers long, theoretically capable of receiving a 747 aircraft. It has been an eventful short life for Asaba International Airport, but Africa is in dire need of good aviation infrastructure. Issues with funding, governance, and management have held Asaba back. If these issues can be sorted, Asaba International has a fair chance of developing into a decent airport.

EgyptAir Takes Delivery of its First Airbus A220

The first of twelve Airbus A220s has been handed over to representatives at EgyptAir in Montreal, Canada. Two weeks ago the aircraft took its first flight, and now it has been ceremoniously handed over to its new owner. EgyptAir intends to put the plane into operation almost immediately.

EgyptAir has ordered twelve Airbus A220-300s in order to replace 10 aircraft it has used for regional operations. However, the company can choose to expand its regional network with the Airbus A220 as it has options to order another 12 in place. The Airbus A220 will be fit with 140 seats, making it suitable for the 100-150 seat market. Of these, 15 will be premium economy seats while the remaining 125 will be standard economy seats.

Kenya Airways' Revenue Jumps 12% on Network Expansion Gains

Kenya Airways has recorded a 12.2% increase in revenue for the half year period ended June 30, 2019. This was attributable to the good performance of the recently introduced routes. H1 revenue rose to Kshs. 58.55 billion from Kshs. 52.19 billion over the same period last year. The board of Kenya Airways announced that the strategic investment initiatives that had been implemented over the past two years are gradually paying off. In particular, investments in new routes to Mogadishu, Rome, Libreville, New York, Mauritius, Malindi and Geneva caused passenger numbers to rise by 6.6% to 2.4 million. This in turn boosted passenger revenues to Kshs. 42.60 billion

Kenya Airways recalled two Boeing 787 aircraft that it had sub-leased to Oman Air. It expects to see positive returns from their employment. The CEO of Kenya Airways, Sebastian Mikosz announced that the airline still has plans to expand its strategic network. Furthermore, despite the increased flight frequency, Kenya Airways kept fuel costs low through a combination of its hedging program as well as favorable global fuel prices. Fuel costs rose by only 5.1% to Kshs. 15.70 billion from Kshs. 14.95 billion in 2018. Revenues from ancillary sources as well as Maintenance, Repair and Overhaul (MRO) jumped by 45.20% to Kshs. 10.65 billion this year from Kshs. 7.34 billion in 2018. Cargo revenues rose to Kshs. 4.22 billion.

15-year old Zimbabwean girl shines in Motocross tournament

Born in Harare, Zimbabwe, Tanyaradzawa 'Tanya' Muzinda is not your typical teenage girl. At the age of 15 she's one of Zimbabwe's Motorcross champions. Motorcross is an expensive and dangerous form of motorbike racing that takes place on off-road circuits. Inspired by her father, Tanya started riding at the tender age of 5. The sport has a significant risk of injury, and in 2017 Tanya hurt her hip and back while practicing for a race. Still, the young lady was far from dissuaded. She went on to finish third place in the 2017 HL Racing British Master Kids Championship in England. In 2018 she was named Junior Sportswoman of the Year in South Africa. Motorcross is an expensive sport and Tanya often misses championships since it is too costly to travel abroad to compete. Another challenge regarding international competitions that she faces is the stigma of coming from a relatively poorer country. However, with support from her family, friends and mentor, she remains upbeat. She also tries to find the time to give back to her community, and she often donates her winnings to support children from poorer families.

Osei Bonsu Assigned as International Art Curator in London's Tate Modern

In early December, Osei Bonsu, a British-Ghanaian was assigned as the international art curator for the African arm of the Tate Modern in London. He joins Devika Singh and Nabila Abdel Nabi who will respectively oversee the Asian arm of modern art and the Middle Eastern arm of contemporary art respectively. The director of Tate Modern, Frances Morris has backed his appointment as playing a critical role in expanding the museum's knowledge of modern and contemporary art. Bonsu lectures on modern and contemporary art, and was the chairperson of the 2019 African Art in Venice Forum. Bonsu has written a catalog on African and South American art, and also curated an exhibition commissioned by Jeu de Paume in 2017.

FINANCIAL AND ECONOMIC INDICATORS

Country	GDP Annual Growth Rate (%)			Inflation Rate (%)			Interest Rate (%p.a.)	Exchange Rate ($)	
	Current		2020f	Current		Trend	Current	Per $	
Angola	-0.10	Q2'19	-0.50	16.32	Nov	Upwards	15.50	477.36	↓
Botswana	3.10	Q3'19	3.50	2.10	Nov	Downwards	4.75	10.63	↑
Cameroon	4.20	Q2'19	4.20	2.40	Sep	Downwards	3.50	579.97	↑
DRC	5.82	Q4'18	4.30	3.80	Aug	Downwards	9.00	1,675.00	↓
Ethiopia	9.20	Q4'18	7.20	19.50	Dec	Downwards	7.00	31.66	↑
Gabon	2.00	Q4'18	3.40	0.90	Sep	Downward	3.50	579.97	↑
Ghana	5.60	Q3'19	7.00	8.20	Nov	Upwards	16.00	5.65	↑
Guinea	5.80	Q4'18	5.90	9.40	Sep	Constant	12.50	9,385.00	↓
Ivory Coast	7.40	Q2'19	6.70	1.20	Nov	Upwards	4.50	584.00	↓
Kenya	5.10	Q3'19	5.30	5.82	Dec	Upwards	8.50	101.05	↓
Liberia	3.10	Q4'18	0.40	30.90	Sep	Downwards	30.00	187.13	↓
Mozambique	2.00	Q3'19	2.50	2.58	Nov	Upwards	12.75	61.30	↓
Nigeria	2.28	Q3'19	2.50	11.85	Nov	Upwards	13.50	361.67	↓
Rwanda	11.90	Q3'19	8.50	11.80	Nov	Upwards	5.00	937.50	↓
Senegal	6.30	Q3'19	6.90	1.30	Nov	Constant	4.50	584.00	↑
South Africa	0.10	Q3'19	0.50	3.60	Nov	Downwards	6.50	14.27	↓
Tanzania	7.20	Q2'19	5.60	3.80	Nov	Upwards	7.00	2,295.88	↓
Uganda	2.70	Q3'19	5.50	3.60	Nov	Upwards	9.00	3,705.00	↑
Zambia	2.20	Q2'19	2.00	11.70	Dec	Upwards	11.50	14.15	↓
Zimbabwe	4.00	Q4'18	-6.50	481.00	Nov	Upwards	35.00	16.39	↑

IMPORTANT NOTICE: This commentary has been prepared by Financial Derivatives Company. Opinions and any other content including data and market commentary in this document are provided by us for personal use and informational purposes only. Nothing contained in this document constitutes investment, legal, tax or other advice and is not to be relied on in making an investment or other decision. Any pricing included in this communication is indicative and is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The information contained herein has been obtained from sources believed to be reliable; however Financial Derivatives Company does not represent or warrant that it is accurate and complete. Neither Financial Derivatives Company, nor any officer or employee thereof accepts any liability whatsoever for any direct or consequential loss arising from any use of this publication or its contents. Any securities recommendations made herein may not be suitable for all investors. Past performance is no guarantee of future returns. Any modelling or back-testing data contained in this document is not intended to be a statement as to future performance.

© 2019. "This publication is for private circulation only. Any other use or publication without the prior express consent of Financial Derivatives Company Limited is prohibited.