The FDC AFRISCOPE

Volume 2, Issue 6

December 23, 2020

A Financial Derivatives Company Publication

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

TABLE OF CONTENTS

Economics & Policy

The AfCFTA Commences January 2021

The African continental Free Trade Agreement (AfCFTA) was established in 2018 with the sole aim of creating a single market for goods and services in Africa. The agreement has been ratified by 32 AU countries. It was recently ratified by Nigeria. The agreement has a huge potential as it would create the world's largest single market of about 1.2bn consumers and workers thereby increasing opportunities for African manufacturers and businesses especially those constrained by the size of their domestic markets. The AfCFTA, if properly implemented and executed across the continent could boost Africa's economy to $29 trillion by 2050 from the current size of $2.6trn.

The agreement will also be facilitated by movement of persons to expand economic integration of the continent, under the Pan African Vision of "An integrated, prosperous and peaceful Africa". Integrating Africa into one trade area provides significant opportunities for entrepreneurs, businesses and consumers across the continent. It could also rapidly support sustainable development in the world's least developed region.

Benefits for Africa

- Improve intra-African trade and export structure. Intra-African trade could increase by over 50% as it currently accounts for less than 20% of exports in Africa, compared with about 60% in Asia and 70% in Europe
- Create a sound global economic impact
- Avenue for developing better policy frameworks
- Foster specialization and boost industrialization. An enlarged regional market could lead to an increase in FDI inflows for several countries
- Strengthen regional and inter-state cooperation

- Increase employment and investment opportunities, as well as technological development. Real wages for both skilled and unskilled workers could increase especially manufacturing and agricultural sectors
- Provide the opportunity to harness Africa's young demography
- Export diversification and structural transformation

2021 Regional Outlook — SSA

Africa seems to have escaped the brutal effect of covid-19 in terms of casualties. This has been attributed to a number of factors including the young demography, weather and in some cases herd immunity. The region has been plagued by a number of ailments from HIV/AIDS, Malaria, Ebola and Lassa fever. Even though, the number of casualties is extremely low compared to other regions like Europe and the United States, the pandemic did a great deal to further worsen the dire state of several African countries, particularly in SSA. Several SSA countries would limp through 2021/22 as the full impact becomes evident in the coming years.

The EIU has come up with its report for the last quarter of 2020 and projections for 2021. Here are a few of the highlights:

- Policy makers in SSA will intensify efforts to limit the health, social and economic effect of Covid-19 which will spill over into 2021/22.
- Vaccines will be rolled out slowly for most countries due to the financial and logistic constraints pervading the region
- Unemployment and poverty levels will remain high. The World Bank estimates that between 88mn and 155mn people would be pushed back into extreme poverty in 2020. In addition, insecurity in certain countries would also continue to douse hopes for a quick recovery
- Fiscal positions of several countries which had improved on higher tax revenue have declined and will limit the capacity of governments to boost living standard of citizens
- Some rich countries with the region will have more room to maneuver and will continue to introduce a number of economic mitigation measures like temporary income support, deferral of loan payments, extended tax deadlines of credit to households and businesses.
- The IMF's swift response to the pandemic by providing the emergency funding through its main facilities like the Rapid Credit Facility (RCF) and Rapid Financing Instrument (RFI) will continue to serve as a vital safety valve for countries in SSA

Source: EIU

- The AfCFTA will serve as a major boost to intra-regional trade which currently accounts for less than 20% of exports in Africa
- SSA's GDP is expected to contract by 4.5% in 2020 and recover modestly to 2.2% and 3.5% in 2021 and 2022 respectively. Recovery in the region will be supported by global developments
- A strong rebound in China (SSA's largest trade partner and source of bilateral funding) will also spur a significant recovery in exports and investment flows
- The overall performance of the region would be heavily influenced by trends in the dominant economies (Nigeria & South Africa). Both countries account for one-third of SSA's aggregate GDP. South Africa and Nigeria are set for a slow and gradual recovery in 2021/22 after a sharp contraction in 2020
- Major oil exporting countries (Nigeria, Angola, Chad and Equatorial Guinea) will significantly gain from the upward trend in oil prices
- Countries like Seychelles, Botswana, Mauritius, Namibia, Kenya and South Africa that depend on tourism would still be affected by the general reluctance to travel, especially now that there is new strain of the virus. Tourism is expected to recover from 2022.
- External debt stock is projected to continue rising from $612.8bn in 2019 to $652.4bn in 2020. By 2021, debt stock would have climbed by 6.2% to $693bn and debt service to GDP ratio will also edge higher. This would be driven by an uptick in multilateral lending to the region to avert the impact of covid-19 and support balance of payments

Key Economic Indicators — SSA

Indicators	**2021**	**2022**
Real GDP growth (%)	2.2	3.5
Population (bn)	1.13	1.16
GDP ($'bn)	2.2	2.4
GDP per head ($)	1,952	2,078
Inflation (%)	8.6	7.9
Trade balance ($'bn)	-33.4	-24.5
Current– account balance ($'bn)	-66.9	-56.3
External debt ($'bn)	693.0	699.1
Debt-service ratio (%)	11.9	12.0

Source: EIU

2021 Outlook for Leading African Economies

Nigeria

The Nigerian economy will still be plagued by slow growth, rising inflation, unemployment and poverty levels. Standard of living is expected to keep deteriorating as living costs stay high. With the widening infrastructure deficit, high inflation, instability in crucial agricultural regions and high unemployment, we expect a GDP growth of just 1.2% in 2021. Only when the exchange rate and inflation stabilize will there be a more meaningful recovery but that is unlikely in the near term. The shortage of forex would keep undermining the value of the naira and could lead to another devaluation in 2021. Inflation will stay high in 2021 as the possible devaluation of the naira, PMS price deregulation, cost reflective electricity tariff hike, insecurity in agricultural growing areas, monetary loosening and forex restrictions for staple imports feed into consumer prices. We expect the fiscal deficit to remain above the target (3%).

South Africa

With the new variant of Covid-19 present in the country, the number of infections could continue the upward trend in South Africa. The new lockdown restrictions could remain a huge limitation to economic recovery. Despite the challenging environment, the country will remain a major hub for international companies courtesy of strong institutions. Both fiscal and monetary authorities will focus on alleviating the economy from recession and checkmate the rising Covid cases. There would be a slight rebound in GDP growth by 2021 (1.8%) after an estimated contraction of 7.2% in 2020. Inflation will increase to 3.7% and this will be driven by the rise in global oil prices, electricity costs and currency depreciation. The rand is expected to strengthen by 2021 after depreciating as a result of the pandemic. As global trade activities pick up, South Africa will continue to benefit from its preferential access to the US under the African Growth and Opportunity Act. However, with the recent flight restrictions by Germany and Switzerland, trade activities could slow. To finance deficits, the country will still rely heavily on foreign investment inflows.

Source: EIU

2021 Outlook for Leading African Economies

Ghana

The government will continue to prioritize trade and investment ties with the international community. GDP growth is projected at 1.8% (2021) after an estimated contraction of 1.3% in 2020. Gold production will remain high and the country would also benefit from the current rally in oil prices as vaccinations continue in 2021. Inflation will ease to 8.1% from 10.2% in 2020 on lesser supply chain disruptions and gradual recovery in domestic demand. The Ghanaian cedi could still be under pressure as the effect of the pandemic lingers through 2021. The GH¢ could average 5.95/$. The government will stay keen on investments to boost small scale mining and provide large mines with protection from illegal incursions, which will go a long way to support gold production.

Kenya

Kenya will maintain close ties with the US and UK. A Kenyan-US bilateral trade agreement is under consideration and the EIU says it could pose a risk to the EAC, unless all members signed up to the same template. Policy authorities will focus on boosting revenue post-Covid 19. The government will also intensify efforts towards its private sector led development. GDP growth is expected to rise more rapidly in 2021 (2.2%) from -0.5% in 2020. This will be driven by easing of lockdown restrictions, an accommodative monetary policy and a stimulative tax environment. Average inflation rate is expected to rise to 5.3% in 2021, up from 5.1% in 2020. The Kenyan shilling is expected to decline to an average of KSh111.9:US$1 from an estimated KSh106.3:US$1 in 2020. Imports will also outweigh exports, further widening the fiscal deficit.

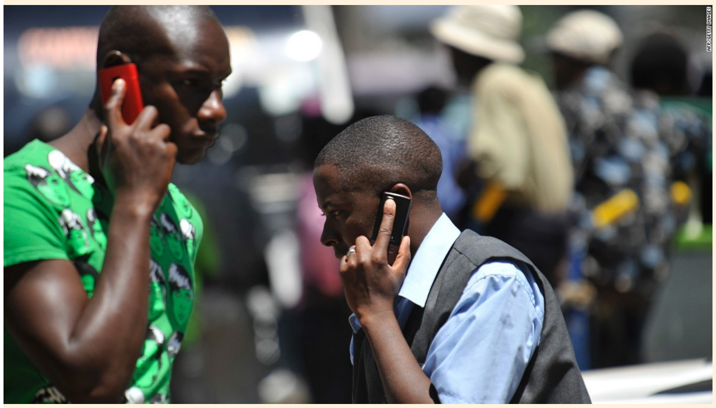
	GDP Weight by Country (% of total)
	2021
Nigeria	20.0
South Africa	14.5
Kenya	4.5
Ghana	3.3

Source: EIU

These countries stand to benefit the most if there is any growth in Africa

Driving World-Class Enterprise...
DANGOTE
MOST ADMIRED AFRICAN BRAND
2018 - 2020
#1
BRAND AFRICA:100
BRAND LEADERSHIP SA
TOP 50 BRANDS NIGERIA
DANGOTE GROUP
MOST VALUABLE BRAND IN NIGERIA
#1
2018 -2019
2018
2019
2020
DANGOTE
Touching the Lives of the People, Empowering Africa.
@DangoteGroup
www.dangote.com
Cement | Sugar | Salt | Rice | Oil & Gas | Fertilizer | Petrochemicals | Automotive | Polysacks | Logistics | Real Estate | Maritime | Mining | Energy | Infrastructure

Africans Use Cellphones as Covid-19 Financial Lifelines – Culled from Wall Street Journal



The coronavirus pandemic has supercharged growth of mobile money and credit on the continent. Consumers struggling with Covid-19 shutdowns across sub-Saharan Africa have found a new place to get cash to make ends meet: their cellphones. Tidahy Jacquot, 65 years old, a retired ministry of transport worker who lives in Madagascar's capital city Antananarivo, hasn't received any government grants or assistance and has been unable to make his normal income doing odd jobs. But he did get a loan of 60,000 ariary, equivalent to about $16, via his account with French telecom giant Orange SA. By depositing more money into his mobile money wallet, he qualified for a loan and got an answer to his request for cash in about 10 seconds. He used the digital cash to stock up on rice. "I am thankful…it was helpful in a critical moment," he said.

African consumers have long been paying each other for goods and services on cellphones, making them among the earliest adopters of mobile money services in the world. The pandemic has turbocharged the usage of digital cash. It has also hastened the use of cellphones not just to transfer money, but also to take out loans and deliver government assistance. During the pandemic, African governments bolstered the use of digital payments, known locally as mobile money. The goal was to reduce the usage of hard currency, which requires people to meet face to face and handle physical paper or coins—as well as to keep citizens at home.

Mobile money differs from popular payment apps like PayPal in the West, or Alipay in China, in that it isn't connected to an underlying bank account. The telecom service processes the transactions. Customers dial a code and then follow simple prompts on their phones, which often are pre-smartphone-era devices and don't require internet access. They enter the number of the person they want to send money to and the amount.

The Central Bank of Kenya eliminated transaction fees for low-value transactions, among other measures, which it said spurred "a significant increase in the use of mobile money channels by individuals in both value and number of transactions."

The bank added that the move "helped cushion the most vulnerable households" and saw 1.6 million more households start using mobile money. Mozambique, Zambia and Rwanda cut mobile-money transaction fees and increased balance and transaction limits. Ghana's government relaxed regulations that require customers to show their IDs at a mobile carrier's physical shop in order to purchase a SIM card, to give more people contactless access to mobile money services. Nearly half of 1.04 billion registered mobile money accounts world-wide are in sub-Saharan Africa, according to GSM Association, a telecommunications trade group. "We continue to see significant growth in sub-Saharan Africa in terms of number of mobile money accounts, in terms of active accounts, value of transactions and volume of transactions [since March]," said Akinwale Goodluck, head of sub-Saharan Africa at GSMA.

Government shutdowns restricted workers—especially those in the informal sector so preva-

lent across Africa —from moving around and sending physical cash home. The International Monetary Fund warned in June that it expects gross domestic product per capita in sub-Saharan Africa to contract 5.4% in 2020, the sharpest economic contraction since the 1970s, thrusting as many as 39 million people in the region into extreme poverty. In Madagascar, the government distributed one-time social grants of 100,000 Malagasy ariary (about $26) via mobile money to nearly 200,000 households at risk of food insecurity due to lost income from the country's shutdowns.

In Zimbabwe, promise of Mobile Money Fades when the power goes out in Nigeria's wild Telecom Frontier, Firms Brave Shifting Rules for Hopes of Growth Vodacom to Buy 35% Stake in Kenya's Safaricom From Vodafone Africa Makes Leap in Cross-Border Mobile Payments Cellphone companies, which have dominated the mobile money space for more than a decade, have used the pandemic to accelerate their expansion beyond payments into more traditional banking services such as lending. Telecom executives say Africa is fertile territory because of the lack of traditional bank branches, their distance from most rural areas and the fact that most people earn so little. In 2019, the average GDP per capita in sub-Saharan Africa was $1,585, according to the World Bank.

The active customers in the Middle East and Africa of Orange SA's Orange Money unit climbed by 5.4% to 19.6 million users from March to June. Orange launched its own bank in Ivory Coast in July, using mobile phones as a distributor for its services.

"The success of Orange Money in Africa has shed a light on how we can proceed in Europe," said Patrick Roussel, executive vice president of mobile financial services in the Middle East and Africa at Orange. He cited specifically the importance of the company's strong distribution network, the better response to customer needs that technology can provide, as well as learning about compliance and IT platform management.

The largest mobile money service on the continent is M-Pesa, launched in 2007 by Kenya's Safaricom PLC. It has 40 million active users in Africa and processed transactions worth about $173 billion during the 12 months ended March 31, equivalent to almost double the GDP of Kenya, sub-Saharan Africa's third-largest economy. 'The more time goes by, telecoms are becoming banks and banks are becoming telecoms.' Diego Gutierrez, chief officer for international business at Vodacom Group Ltd., which owns a 35% stake in Safaricom. Telecom firms in Africa have traditionally partnered with local banks to manage the mobile money balances.

The telecoms have a trove of data about customer spending habits through their payment platforms. This helps them make credit decisions for these low-earning customers. Before Covid-19 forced much of the globe into rolling shutdowns, Sera Finina, a 35-year-old single mother who sold samosas on the streets of Antananarivo, was able to expand her business from making and selling 30 to 50 samosas a day to 200 of the savory pastries using a digital credit and savings service distributed by Orange, which is called M-kajy. "This loan…was like sunshine to me. I started from a very little amount of money to borrow, and ended up with 300,000 [Malagasy ariary] monthly," Ms. Finina said. Now the pandemic means there are fewer customers walking the

streets to buy her samosas, but she is already planning to tap another loan post-Covid-19 to rebuild her business. "Hopefully [they] will consider increasing the amount they will lend, as really everyone is in bad shape now," she said.

Why Pan-Africanism is Important for African Development?

Pan Africanism is the idea that people of African descent have common goals and should be unified in order to achieve their interests. When the idea first came about, Kwame Nkrumah, the first president of Ghana, thought that the best way to achieve the common interests of people of African descent was to have Africa unified into one country. This notion was rejected, and over time, Pan Africanism evolved into the ideal that all African countries should be united in pursuing the goals of economic development and democracy in Africa as a whole.

Why is Pan Africanism important?

Pan Africanism is desperately needed in Africa for many reasons. Firstly, many African countries have similar problems but to varying degrees (e.g. bad infrastructure, famine, high levels of poverty, weak institutions, instability, corruption etc). As we have seen since the end of colonialism, some progress has been made in a few countries, but not enough. By virtue of having more brainpower and resources, as a result of collaboration, the chances of each country resolving their issues should increase significantly. Secondly, a unified and well-organized Africa has a lot of economic and political potential. Africa's median age is 19.7 years old, which shows that the continent has a large youth population ready to be equipped with skills needed to be a part of a productive labor force. Once African countries use these advantages, they could become economic powerhouses. Once economic prosperity is achieved, Africa would be able to exert more of an influence on world politics, and this could support cooperation with western countries on more equal terms.

How can Pan-African institutions ensure that African interests are met?

In order to achieve the collective goals of African nations, Africa must have strong Pan-African institutions and rules to cooperate effectively. Currently, there are institutions such as the African Union (AU), the Economic Community of West African States (ECOWAS), East African Community (EAC) and the Southern African Development Community (SADC). These institutions are good in theory, but they must play an active role in enforcing rules across the countries, settling any disputes between nations and promoting free trade and movement across the continent.

AU has already promoted free trade through the creation of the African Continental Free Trade Area (AfCFTA), which has been joined by 54 out of 55 AU members. The AfCFTA will be the largest free trade area in the world by number of members and will cover up to 1.2 billion people. This could have a positive economic effect on Africa, as trade would increase. African citizens will receive cheaper consumer goods and many jobs could be created as well. We have seen the benefits of countries being a part of a free trade agreement or customs union, the greatest example would be the European Union.

Potential Challenges

One potential challenge that Pan-Africanism faces is the continued meddling of western countries, specifically the old colonial powers and the US, in the economic and political affairs of the continent. There is a long history of interference, from the overthrow of Ghanaian President Kwame Nkrumah in the 1960s, to the more recent overthrow of Libyan President Muammar Gaddafi in 2011, and countless acts of economic interference through unilateral and multilateral means. This could be overcome by strength in numbers; if enough African countries stand together and do not fall prone to outside interference, Pan-Africanist policies will have the desired effects.

Another challenge is the crippling amount of external debt accumulated by African countries. China, in particular, is guilty of the neo-colonialist practice of debt trapping. Although China has invested billions of dollars into African infrastructure projects over the years, it has given African countries loans that they have not been able to pay, which have piled up. As of 2018, around 20% of all African debt was owed to China. Once these debts are repaid or forgiven, African leaders should try to manage and restructure any future debt they have in such a way that it will not limit the budgets they set for each year or put them in a debt trap.

Conclusion

A unified approach in development is essential for the future prosperity of Africa. If this is fulfilled, Africa can overcome all of its structural challenges and become a real powerhouse. Agreements such as the AfCFTA give hope that Africa as a whole is starting to take this approach seriously, but the key is to make sure that the rules created in these agreements are binding and respected. The benefits of this may not come immediately, but they will definitely be seen in the long run.

Zambia blames creditors for default

Zambia is now the first African country in the pandemic to default on its debt, after creditors refused to approve a six-month interest repayment freeze. The government owed a total of $42.5 million in interest repayments for a $1 billion bond, due to mature in 2024. The reason for the creditors rejecting the repayment freeze is the lack of transparency regarding Zambia's debts to China and other creditors, and a lack of information regarding the country's fiscal policy trajectory.

Zambian Finance Minister Bwalya Ng'andu has blamed creditors for the default, suggesting that Zambia was willing to disclose information to creditors, but the creditors were unwilling to sign the necessary confidentiality agreements.

Central African trade expected to triple by 2025

On November 16, the Central African Economic and Monetary Community (CEMAC) held a roundtable discussion in Paris to raise €3.4 billion. The aim was to close the finance gap for key energy and transport infrastructure projects in the region from 2021 to 2025. The African Development Bank (AfDB) expects intra-regional trade to triple, from 2% to 6%, by 2025 due to investments of $4.4bn in regional projects from donors and the private sector.

Between 2015 and 2019, the AfDB reports to have mobilized over €1.13 billion towards regional infrastructure projects, predominantly for the development of intra-country roads. According to the bank's Acting Director for Central Africa, Solomane Koné, the AfDB is now poised to leverage its infrastructure expertise, diplomatic power, and capacity building capabilities, to ensure the 2025 target is met.

Economic Crisis to Sink 7 million people into Poverty in Nigeria

Views from Bloomberg

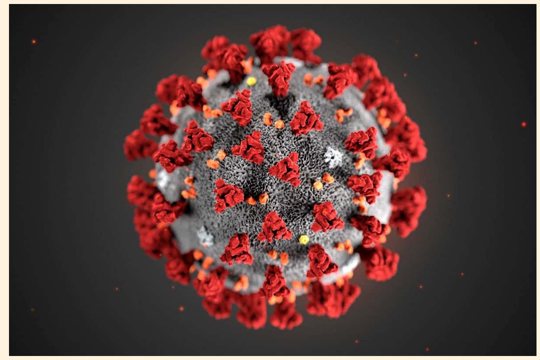
Nigeria needs to compile a solid economic-recovery plan with the right foreign-exchange policies to convince the World Bank to approve a $1.5 billion loan to support the West African nation's budget. The government has to assure the lender's shareholders it is doing all it can to prop up Africa's largest economy amid the devastation brought by the coronavirus pandemic, according to the World Bank country director in Nigeria, Shubham Chaudhuri. The nation had expected the loan to be released earlier this year to help cover a widening budget shortfall. "The way that our board and our shareholders approach this kind of budget support is to say: 'Has the country that's requesting the support done all it can to help itself?'" Chaudhuri said in a webinar, when asked about the loan. "There needs to be a little bit more." The pushback comes after Nigerian Finance Minister Zainab Ahmed told Bloomberg TV on Nov. 27 that the loan was in the final stages of approval as the government had fulfilled the bank's conditions.

The country is asking for financial help to overcome a crisis that could sink an extra 7 million people into poverty. Solid exchange-rate management and macroeconomic policies are key for the World Bank to assist the continent's top oil producer, Chaudhuri said. Two separate loans worth another $1.5billion earmarked for Nigerian states was recently considered and approved the by the lender's board. President Muhammadu Buhari's administration has been forced to devalue the naira three times this year as authorities struggle to curb the demand for dollars. Still, the naira remains too expensive and a dollar shortage is starting to hurt local businesses, economists say.

The merger of different exchange rates and allowing the naira to float more freely would speed up the recovery of an economy that slumped into a recession in the third quarter and bolster investor confidence, according to the World Bank.

Covid-19 Update in Africa — As at December 23, 2020

Region	Cases (mn)	Fatalities
Africa	2.56	60,177
Sub-Saharan Africa	1.65	36,893



Fatalities in Africa still significantly low compared to other regions

Highest Cases in SSA

Country	Cases	Fatalities	Tested (mn)	Cases as % of tested
South Africa	940,212	25,246	6.22	15.12
Ethiopia	120,638	1,864	1.75	6.89
Kenya	94,768	1,647	1.01	9.38

South Africa has the highest number of Covid cases in Africa and also the highest number of tested individuals

Lowest Cases in SSA

Country	Cases	Fatalities	Tested	Cases as % of tested
Tanzania	509	21	-	-
Seychelles	205	-	5,200	3.94
Western Sahara	10	1	-	-

Seychelles is the only country in this category that has the number of tested cases

Nigeria revamps regulation in Fintech

On November 13, Nigerian President Muhammadu Buhari ratified the *Banks and Other Financial Institutions Act 2020*. This law is an update to Nigeria's banking legislationt which was last revised in 1991.

The main objectives of the new *Banks and Other Financial Institutions Act* are to enhance the resilience of the Nigerian financial system, improve loan recovery and reduce the high incidence of non-performing loans by using a credit tribunal. Having a more resilient financial system is only going to be positive for Nigeria, as it will create a more stable environment for business loans, and it will aid the economic recovery post-COVID-19.

East Africa moving towards regional digital tax harmonization

The 48th East African Revenue Authorities' Commissioners' general meeting took place on November 11, with representatives from the Tanzania, Burundi, Rwanda, Kenya, Uganda, South Sudan and Zanzibar revenue boards and authorities. Representatives from the East African Community (EAC) secretariat and the African Tax Administration Forum (ATAF) were also present.

During the meeting, it was agreed by the EAC that a joint digital tax strategy would be developed, and the integration of domestic tax systems would be accelerated. The aim is to enhance revenue collection, compliance and identification of potential revenue, as well as improve support to taxpayers. The forthcoming digital tax strategy will be designed by member states' tax commissioners and directors of domestic ICT authorities, who intend to work closely with and leverage the expertise of the ATAF. Some EAC states have implemented the digital tax regimes, while some are still in the process of implementation. However, there are still concerns regarding transparency, public engagement and business consultations ahead of the new regulations and the implementation.

East Africa's FDI doubles in size

Foreign direct investment into the East African region doubled in size in 2019 compared to 2018. Inflows surged to $11.5bn in 2019 from $5.7bn in 2018. This was courtesy the significant boost in Chinese investment ($7bn) within the manufacturing, construction and services sectors in several East African countries including Kenya and Uganda (some of the largest economies in Africa). China was the largest investor in 2019, accounting for 59.7% of the total FDI inflows into the region. Kenya targeted sizable investment towards ICT and Health care while Uganda channelled efforts to its extractives sector and infrastructural projects. The increase in FDIs created an additional 121,207 new jobs from 89,877 in 2018. However, with the lingering problems of weak institutions and tax regimes in the region, the impact of the increased FDI inflows has not been significant. Legislators within the region need to harmonize policy and regulatory measures to harness this investment flow and boost both country and regional development.

Kenya debt crisis looms large

A crippling public debt crisis continues to fuel debate in Kenya, with the combination of erratic external borrowing and economic pressures coming from the COVID-19 pandemic means that debt will likely pass the KES 9 trillion ($9bn) ceiling by the 2022/23 fiscal year.

Commercial loans, which make up a significant portion of Kenya's external debt, have been paused and the government has turned to the IMF to negotiate a short-term lending facility to ease increasing budget deficits. Outside of costly loans, poor tax collection levels that have only gotten worse during the pandemic means that Kenya will have to result to borrowing more, this will worsen their debt crisis.

In order to weather the pandemic, Kenya plans to join the G20's Debt Service Suspension Initiative and defer about $690 million in debt payments after it initially declined to do so.

Kenya signs post-Brexit trade pact with U.K. to avoid disruption

Kenya Trade Secretary Betty Maina has announced the ratification of a post-Brexit trade deal with the UK, its biggest European trade partner. Kenya, the biggest economy in the East African Community, broke ranks with other members in forming the bilateral deal because it is seen as a developing economy and is not eligible for the preferential access granted to least-developed countries, Maina said in a statement on Thursday.

The Trade Pact means that Kenyan exports such as tea, flowers, fruit and vegetables will continue to have duty- and quota-free access after the U.K. leaves the European Union. The U.K. accounted for almost one-third, or 40 billion shillings ($359 million), of Kenya's 133 billion shillings worth of exports to the EU last year, according to data from the trade department.

Kenya, the world's biggest producer of black tea, exported $150 million worth of tea leaves to the U.K. in 2019, while shipments of flowers amounted to $105 million, Maina said. It imported 35 billion shillings of goods from the U.K. or about 15% of total purchases from the EU. Such items included machinery, autos, pharmaceuticals, and electrical and electronic equipment. The U.K.-Kenya Trade Pact comes into effect on January 2021 and will be reviewed every five years.

DRC declares end to Ebola epidemic

The Democratic Republic of Congo (DRC) Ministry of Health has officially declared an end to the Ebola outbreak in the North-Western Equateur province; the outbreak began in June 2020 and resulted in 130 cases and 55 deaths. The response, which received significant help from the WHO, could result in the DRC being better equipped in their fight against COVID.

Like the potential COVID-19 vaccines, the Ebola vaccine must be stored at very cold temperatures. Despite this, Ebola responders were able to vaccinate over 40,000 people, travelling across challenging terrains to remote regions of the country. Through the Ebola response, the government has also been able to improve its testing and tracing capacity.

New Covid-19 variant, second wave & restrictions in South Africa

The new strain of Covid-19 has been detected in South Africa and is driving the current resurgence in cases. Due to this, Germany and Switzerland have banned flights from South Africa. This came after the President of South Africa, Cyril Ramaphosa, announced new lock-down measures at both the national and district levels. The country recorded 10,000 daily new cases on December 16. Total cases are now over 890,000 while fatalities are about 24,000. According to the president the spike in infections could be due to social gatherings and parties as social distancing measures are not strictly observed in these events. The four provinces leading the second wave of cases are the Western Cape, Eastern Cape, KZN and Gauteng. The restrictions imposed affect parks, beaches and alcohol sales. Alcohol will be sold only between 10 am and 6 pm from Monday to Thursday. The health minister urged South Africans adhere strictly to covid-19 measures and stay protected at all times.

South Africa's financial system could be hit by severe instability

The South African Reserve Bank (SARB) has warned that unless the government succeeds in fiscal consolidation, the country could face severe financial instability. It was revealed in October that South Africa's public debt is expected to be 82% of GDP in the current fiscal year and will reach 95% in 2026.

In SARB's Financial Stability review, published on November 24, it stated that the decline in public finances will have a negative impact on the credit worthiness of South Africa's financial institutions. It also stated that any government intervention to resolve an insolvency crisis would only create more financial strain. Any successful and effective fiscal consolidation will be contingent on the health of the broader financial sector. The rising costs of borrowing also make private investment less attractive to potential investors. On a positive note, South Africa's banks are still highly capitalized, with banks having entered the pandemic with sufficient capital and capital buffers.

South Africa's Q3'20 GDP recovery must still survive the second wave

South Africa has recorded an impressive economic bounce-back in Q3 2020 (July-September) following four consecutive periods of contraction. South Africa in Q3 recorded an annual growth of 66.1%, mainly because of the easing of lockdown restrictions that stimulated economic activity. Substantial growth in the manufacturing (210.2%), mining and quarrying (288.3%), trade catering and accommodation (137%), transport, storage and communication (79.3%) drove the sizeable economic growth rate. While these growth rates are commendable, South Africa's economy was always expected to rebound following the reduction in Covid-19 restrictions. The true test of the economy will come during the second wave, where restrictions are likely to be put back in place.

Ethiopia pushes telecoms privatization despite security worries

Despite the pressures of an ongoing conflict with Tigray and the economic slowdown brought by the Covid-19 pandemic, Ethiopia has decided to go ahead with a multi-billion dollar privatization of its telecoms sector. The minister in charge of the privatization called it "a once-in-a-century reform" in a country that has, until this year, had almost two decades of near double-digit growth, and was home to the biggest telecoms industry monopoly in the world. Bankers and other people interested in the telecoms industry have said that government restrictions will limit the value of the sale.

The Ethiopian government is offering a 40% equity stake in Ethio Telecom, the existing monopoly, which has 44mn subscribers, as well as spectrum for two new telecoms licenses. The privatization is expected to be completed by April. However, people privy to the details of the privatization say that the potential attractiveness of the deal has been reduced by two important factors. Firstly, mobile financial services, which are common in Africa and are often among the most profitable part of an operator's business, have been restricted to only existing providers, acting as a barrier of entry to new entrants. Secondly, companies would have to lease towers from Ethio Telecom, the state provider, and would not be able to invite third parties to build new infrastructure, which happens often on the continent, although they would be allowed to build it themselves.
Telecoms operators such as Etisalat, Axian, MTN, Orange, Saudi Telecom Company, Telkom South Africa, Liquid Telecom, Snail Mobile, Vodacom and Safaricom, have all expressed an interest in buying the stake.

Political Update

Both sides claim gains in Ethiopia war, Tigrayans accused of massacre

Ethiopia's state-appointed human rights watchdog accused Tigrayan forces of killing hundreds of Ethiopian civilians. The Ethiopian Human Rights Commission published findings of a November 9 attack in Mai Kadra, in southwest Tigray, where it said that the Samri youth group killed at least 600 people of the minority Amhara and Wolkait ethnic groups in the town. The Tigray People's Liberation Front (TPLF) deny this. The civil war has led to the destruction and uprooting of people from their homes, including up to 41,000 Ethiopians fleeing to Sudan.

Both Tigrayan and Ethiopian forces have claimed gains in the civil war. Ethiopian Prime Minister Abiy Ahmed claimed that Tigrayan forces had begun to surrender. The TPLF claimed that they had defeated an important division of the Ethiopian army.

Ugandan Opposition leaders speak in one voice after release of Bobi Wine

After the release of Uganda Presidential candidate Bobi Wine, five opposition presidential candidates, including Wine, released a joint statement expressing their worries about the Uganda Electoral Commission, stating that it had been overrun by security agencies and was no longer in charge of the election.

Wine was arrested for allegedly breaking COVID-19 regulations by having rallies with over 200 people in attendance. Wine's support-ers and the supporters of another presidential candidate, Patrick Oboi Amuriat, were teargased during these rallies. Supporters of Wine were also shot at during protests against Wine's arrest, which has led to 28 deaths, over 100 people injured, and over 300 arrests.

Ghana's incumbent president Akufo-Addo wins election

Incumbent Ghanaian President Nana Akufo-Addo has been declared the winner of the Ghanaian elections held this week, according to the Ghanaian electoral commission. Akufo-Addo won 51.6% of the votes, with opposition leader John Mahama of the National Democratic Congress winning 47.4% of the votes. Mahama has so far refused to accept the results, stating that the vote was illegal and has announced that he is taking all legal steps to fight the result and reverse it in his favor.

Not too dissimilar to what happened in the United States, democracy is being questioned in what is one of Africa's strongest democracies.

Congolese Coalition Crumbles

The Congolese government has been in turmoil since President Felix Tshisekedi announced the formal rupture of the ruling coalition between his CACH and his predecessor's FCC party on December 6.

This move had been building up for a while, as there has been months of heightened tensions and disagreements between the coalition partners, with Tshisekedi accusing the FCC of stalling his agenda, and the FCC accusing him of constitutional overreach. After the dismantling of the coalition, there were scenes of violence in the parliament between the two parties, with chairs and desks being thrown at one another.

Travel & Aviation

South Africa Seeks $400 Million for Stake in State Airline

South Africa is aiming to raise at least $400 million from the sale of a stake in its bankrupt national airline, according to people close to the situation. This plan is expected to reduce the chances of finding a partner to assist in its rejuvenation.

The funds would be used to re-capitalize the reformed South African Airways, insiders claimed, and have kept and anonymous profile because the information has not been shared to the public. The government is banking on SAA attracting interest because it has access to highly-rated and valuable roots, such as at London's Heathrow Airport.
South Africa's search for a buyer of shares in SAA comes during a time where the aviation industry in the midst of dealing with its biggest modern day crisis, as demand for flights has reduced dramatically due to the effects of the pandemic (travel restrictions, transmission fears, loss of income for consumers).
Ethiopian Airlines Group (EAG) has said it would consider a deal for SAA, with CEO Tewolde GebreMariam has made clear he's not interested in investing capital. EAG is still interested in SAA "but the process is slow as it is complex," the CEO said in response to questions last week.

The South African government has also spoken to with Fairfax Africa Holdings Corp. about buying a stake in the airline, the Financial Mail reported on Thursday, without mentioning how the information was obtained. Fairfax didn't immediately respond to a request for comment outside Canadian business hours.

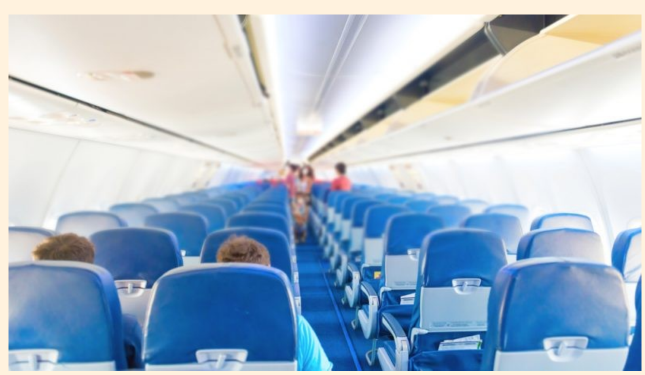
Airbus awards Ethiopian for agility and resilience during COVID–19 pandemic

The European multinational aerospace corporation, Airbus, recently awarded the Ethiopian Airlines Group in recognition of the impressive agility and resilience it showed during the disruption in the aviation industry caused by the Covid-19 pandemic.

The EAG is the one of the only airlines that has been able to continue with its existing fleet in a time where most airlines are operating at reduced capacity, with some airlines even operating at 10% capacity. The EAG also used the pandemic as an opportunity to expand its services, as it used its existing passenger planes as freight planes instead; converting its fleet of A350 passenger aircraft to planes that were capable of carrying vital medical supplies needed to fight the Covid-19 virus.

Flight restrictions with the new Covid-19 strain

The presence of a new Covid-19 variant that is fast spreading is beginning to trigger another set of fight restrictions. Over 20 countries including Canada, France, India, Germany and Switzerland have banned flights from the UK. The airlines are already running on 50% capacity, while some are struggling to stay afloat. The new mutation of the virus puts the outlook for the aviation industry at risk, both global and regional. This indicates that the new normal of Covid-19 protocols (facemasks, sanitizers and social distancing) might be here longer than anticipated. Passenger traffic and revenues could remain suppressed further stalling the pace of recovery for airlines.



Social Precinct

Two African women shortlisted for the booker prize

Two novels by African authors have been shortlisted for the 2020 Booker Prize for fiction. The authors are Tsitsi Dangarembga from Zimbabwe and the Ethiopian-American writer, Maaza Mengiste. Dangarembga was nominated for her work on the novel *This Mournable Body*, a book that covers a woman confronting the realities of life and morality in Zimbabwe as she descends into poverty. Mengiste was nominated for her book *The Shadow King*, which depicts the extraordinary tales of the African women who went to war during Italy's 1935 invasion of Ethiopia.

Wizkid and Burna Boy nominated for 2020 Grammy Awards

Wizkid has received yet another nomination, this time for the prestigious Grammy Awards, in the category for video of the year. Wizkid received this nomination for the song "Brown Skin Girl" that he did with American superstar Beyoncé and Saint Jhn, with a small cameo from Beyoncé's daughter Blue Ivy.

This is not the first time that "Brown Skin Girl" has received an award or nomination. The song already received nominations for Best Collaboration at the 2019 All Africa Music Awards and the 2019 Soul Train Music Awards, and for Video of the Year at the 2020 Soul Train Music Awards. It has also won the 2020 BET Her Award, the 2019 Soul Train Songwriter's Award, and the 2020 NAACP Outstanding Duo, Group or Collaboration Award.

Fellow Nigerian artist, Burna Boy, has also been nominated for a 2020 Grammy award, in the category of best Global Music Album for his album *Twice as Tall*. This is Burna Boy's second nomination for the award, after being nominated in 2019 for his album *African Giant*.

Disney announces African collaboration with Kugali Media

On December 11, the animation department of Walt Disney announced that it will be collaborating with Hugali Media, a Pan-African entertainment industry founded by creatives Zikl Nelson, Tolu Olowofoyeku from Nigeria and Hamid Ibrahim from Uganda.

The collaboration will result in the animated adaptation of the comic book titled "Iwaju", which is Yoruba for 'the future', and the animation will be set in Lagos. Iwaju is a sci-fi comic book that is based on a futuristic version of Lagos, and is planned to explore the themes of class, innocence and challenging the status quo.

The production of the adaptation of the book (currently at the visual development stage) will begin in 2021 and will debut on the streaming service Disney+ in 2022.

UBA
United Bank for Africa
Leo
on WhatsApp
Chat on +234-903-000-2455
Check Account Balance?
Top up your airtime?
Bank Transfers?
Bills Payment?
Leo
TODAY
Type a message
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

Financial & Economic Indicators

Country	GDP Annual Growth Rate (%)	Inflation (%)	Life Expectancy (Years)	Unemployment Rate (%)	Interest Rate (%)
Angola	-8.8 (Q2'20)	24.9 (Nov'20)	62.2	34 (Q3'20)	15.5 (Nov'20)
Botswana	-6.0 (Q3'20)	2.2 (Nov'20)	69.9	18.2 (Dec'19)	3.75 (Dec'20)
Cameroon	2.8 (Q1'20)	2.40 (Jun'20)	60.3	3.4 (Dec'19)	3.25 (Oct'20)
Ethiopia	6.1 (Dec'19)	19.0 (Nov'20)	67.8	19.1 (Dec'18)	7.0 (Dec'19)
Eritrea	3.8 (Dec'19)	-16.4 (Dec'19)	67.5	6.5 (Dec'19)	-
Gabon	3.4 (Dec'19)	-0.2 (Oct'20)	67.0	19.6 (Dec'19)	3.25 (Oct'20)
Ghana	-1.1 (Q3'20)	9.8 (Nov'20)	64.9	6.8 (Dec'19)	14.5 (Nov'20)
Guinea	6.3 (Dec'19)	11.0 (Aug'20)	62.6	4.3 (Dec'19)	11.5 (Nov'20)
Ivory Coast	0.7 (Q2'20)	1.7(Nov'20)	58.8	2.4 (Dec'19)	4.0(Oct'20)
Kenya	-5.7 (Q2'20)	5.46 (Nov'20)	67.5	10.4 (Q2'20)	7.0 (Nov'20)
Liberia	-2.5 (Dec'19)	17.1 (Jul'20)	65.0	2.0 (Dec'19)	25.0 (Oct'20)
Mozambique	-1.09 (Q3'20)	3.3 (Nov'20)	62.1	25.04 (Dec'17)	10.25 (Dec'20)
Nigeria	-3.62 (Q3'20)	14.89(Nov'20)	55.8	27.1 (Q2'20)	11.5 (Nov'20)
Rwanda	-3.6 (Q3'20)	4.5 (Nov'20)	70.0	16.0 (Q3'20)	4.5 (Nov'20)
Senegal	-1.3 (Q2'20)	2.4 (Nov'20)	68.9	17.0 (Dec'19)	4.0 (Oct'20)
South Africa	-6.0 (Q3'20)	3.2 (Nov'20)	64.9	30.8 (Q3'20)	3.5 (Nov'20)
Tanzania	5.7 (Q1'20)	3(Nov'20)	66.4	9.6 (Dec'19)	5.0 (Sep'20)
Uganda	-6.0 (Q2'20)	3.7 (Nov'20)	64.4	1.8 (Dec'19)	7.0 (Dec'20)
Zambia	-2.1 (Q2'20)	17.4 (Nov'20)	64.7	13.2 (Dec'19)	8.0 (Dec'20)
Zimbabwe	-6.5 (Dec'19)	402(Nov'20)	62.2	4.9 (Dec'19)	35.0 (Dec'20)

Source: Trading Economics

Fast Growing Economies

Country	GDP Annual Growth Rate (%)
Guinea	6.3 (Q4'19)
Ethiopia	6.1 (Q4'19)
Tanzania	5.7 (Q1'20)

Sluggish Economies

Country	GDP Annual Growth Rate (%)
Eritrea	3.8 (Q4'19)
Gabon	3.4 (Q4'19)
Cameroon	2.8 (Q1'20)

Contracting Economies

Country	GDP Annual Growth Rate (%)
Botswana	-24.0 (Q2'20)
Rwanda	-12.4 (Q2'20)
Angola	-8.8(Q2'20)

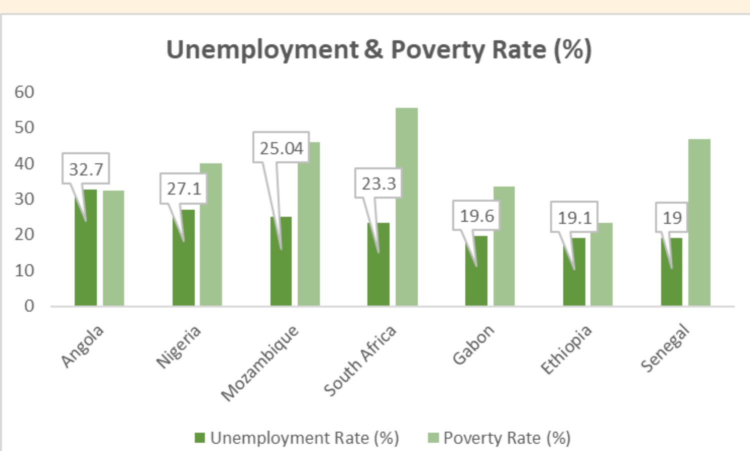
- *Of the 20 African countries tracked;*
- *Botswana recorded the sharpest GDP contraction in Q2'2020 , followed by Rwanda and Angola, as they continue to feel the effects of lockdown restrictions*
- *The fastest growing countries have not yet released GDP reports for 2020 (Guinea & Ethiopia)*

High inflation countries

Country	Inflation (%)
Zimbabwe	402 (Nov'20)
Angola	24.34 (Oct'20)
Ethiopia	19(Nov'20)
Zambia	17.4(Nov'20)
Liberia	17.1(Jul'20)
Nigeria	14.23(Oct'20)

- *Some countries including Angola and Zambia recorded a rise in inflation for November and October*
- *This was despite the relaxation of lockdown measures and the resulting uptick in economic activity*
- *Nigeria's inflation for October crossed 14% due to higher food prices*

Unemployment and Poverty rates



- *Angola has the highest rate of unemployment in 2020 (32.7%) with a poverty rate of 32.3 as at 2018*
- *The pandemic is expected to worsen poverty and unemployment rates in SSA*