African Markets Overview

February 2003
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Contact details
African Markets Overview
Africa Centre for Investment Analysis
Graduate School of Business
University of Stellenbosch
PO Box 610
Bellville, South Africa, 7535
Tel: +27 21 918-4469
Fax: +27 21 918-4468
E-mail: aca@acia.sun.ac.za
African Indices Performance

<table>
<thead>
<tr>
<th>Country</th>
<th>31-Jan-03</th>
<th>28-Feb-03</th>
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Zimbabwe’s stock market soared during the period under review, boosted by the partial devaluation of the local currency. In Zambia the Stock Exchange listed two new companies when Zambeef Products shares were quoted with effect from 14 February and Shoprite Holdings secured a secondary listing on 19 February 2003. Zambeef has aggressive expansion plans, particularly into the DRC where they are likely to get management of the retail butcheries in Shoprite’s planned new stores. On the Ghanaian market the bull-run is not losing its momentum, with the index closing in positive territory on all the trading days of the month. In Botswana the Domestic Companies Index reached new lows for February. Namibia and South Africa’s Overall and All Share Indices were weighed down by rand hedged stocks as result of the strengthening of their currencies against major currencies. In the north, Morocco bucked the trend, shrugging off the possibility of a war that has increased instability in the Arab World.
## TOP Gainers & Losers

### Exchange

<table>
<thead>
<tr>
<th>Botswana</th>
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<td><strong>Powerspeed</strong></td>
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### Jan-03 | Feb-03 | % Chg | Jan-03 | Feb-03 | % Chg |
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<td><strong>Cairns</strong></td>
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### Jan-03 | Feb-03 | % Chg | Jan-03 | Feb-03 | % Chg |
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### February 2003

Source: Africa Centre for Investment Analysis
Economic Overview

Botswana

Diamond-rich Botswana, one of Africa's most financially stable countries, unveiled a small surplus in its 2003/04 budget on 3 February 2003, but mentioned that an uncertain world economy could overshadow its estimates. The budget follows two years of deficits, both higher than originally estimated because of falling revenues from diamonds, which are the lifeblood of Botswana’s economy.

Egypt

As reported in the previous issue of AMO, the Central Bank of Egypt (CBE) announced that the EGP will move to a free float as of January 29 2003. The CBE mentioned that it will not intervene in the foreign exchange (FX) market and banks can set FX rates as they wish but announced its readiness to intervene in the FX-market to prevent speculative transactions. The decision to liberalise the exchange rate system has resulted in a 30% increase in debts owed by businessmen and a 25% depreciation in the value of public enterprises identified for sale. Cheaper public enterprises might attract more foreign investors to buy companies and push the privatisation process ahead.

Gulf Cooperation Council (GCC) countries are presently earning USD 246 million extra a day due to higher oil prices, compared with February 2002. Egyptian government sources denied the intent to let the price of petroleum and its products to rise.

A twenty-year agreement has been signed between the governments of Egypt and Libya to construct a pipeline that will transfer crude oil from Libya to Egypt and natural gas from Egypt to Libya. Another 15-kilometer pipeline will carry natural gas from Egypt to Jordan.

An agreement has been signed for the establishment of the first external branch of the European Investment Bank (EIB) in Egypt. So far, the bank has pledged EUR 500 million (USD 538.25 million) for investment projects in Egypt.

Ghana

The Ghanaian Finance Minister delivered government’s budget statement for the year 2003. GDP is forecasted to grow by 4.7%; and the rate of inflation is expected to be reduced from 15.2% at the end of 2002 to 9% by the end of 2003. Government also want to achieve a budget deficit of 3.6% of GDP; a domestic primary budget surplus of 3% of GDP; and rebuilding of gross official reserve holdings to equivalent of 2.3 months of imports of goods and services.

The Government has taken advantage of provisions made in the International Labour Organization (ILO) Convention to announce a new minimum wage of ¢9,000, representing a 26% increase from ¢7,150 previously. This announcement was made regardless of the Trade Union Congress’s (TUC) insistence that it wants a 40% increase to ¢10,000. The President stated that the nation’s current resources do not allow the salary levels that are being advocated by some workers, and indicated that expenditure on emoluments in the public sector currently constitute more than 70% of total government revenue.

The Governor of the Bank of Ghana ascribed the low level of bond market activity in Ghana to an inefficient foreign exchange market. The Governor mentioned that a formalized interbank trading of foreign exchange would be introduced by the end of June 2003. The Government also plans to set up a Ghana Development Fund that will give Ghanaians and friends of Ghana the opportunity to contribute funds towards rural development.

The British Government gave Ghana a grant of £35 million to support the health sector over a five-year period while the International Monetary Fund (IMF) announced a three-year lending facility of $245 million to support Ghana’s Poverty Reduction Strategy Programme (PRSP).
Kenya

Kenya’s 12-month underlying inflation stood at 3.4% in February 2003 compared with 3.8% in February 2002. The 12-month overall inflation, however, increased to 7.5% from 1.1% in the same period.

Economic recovery is expected to gather momentum in 2003 and continue into the medium term particularly with the combined implementation of various reform measures – against corruption and in promotion of good governance. The World Bank is prepared to release millions of dollars of suspended funding for economic and public sector reform if the Kenyan government meets certain conditions by the end of June 2003.

More than 100 environment ministers from around the world gathered at the United Nations Environment Programme (UNEP) headquarters in the Kenyan capital, Nairobi, to discuss the world’s crucial environmental and development issues.

Malawi

Inflation dropped slightly to 10.5% in February 2003. Government has privatised more than half of the eligible 110 firms in the last seven years, and will engage in a fast-track sale of some remaining state enterprises to avoid sitting on dead stocks.

Further aid programmes would not be affected by the decision of a group of donors to continue withholding budget support from the Malawi government. After discussions with the Malawi government, the Common Approach to Budget Support (CABS) donor group of the United Kingdom, Norway, Sweden and the European Commission decided to keep to its decision to withhold budget support until it was satisfied with the government’s financial performance.

The re-opening of the Nacala railway line in Malawi will give a significant boost to emergency humanitarian operations in the country. Although Malawi still faces food security problems, the situation was generally better than in 2002.

Two senior government officials accused of obstructing investigations into the sale of the country’s strategic maize reserves in 2002 have been arrested.

As political tension continues to simmer in Malawi, a new initiative has been launched to build bridges between civil society and the country’s lawmakers. The independent Institute for Policy Interaction has organised a workshop to bring parliamentarians and civil society activists together to discuss issues of accountability and cooperation.

Mauritius

Unemployment in Mauritius is estimated to have risen to about 51,100 (or 9.8%) in 2002. According to C.S.O., labour productivity for the manufacturing sector has grown on average by 4.7% annually between 1990 and 2001. During the same period, average unit labour costs have also increased by 4.7% annually.

In pursuance of the development strategy described in the Economic Agenda presented in 2001, it is mentioned that the 2002-2003 budget favours education and ICT and lays emphasis on infrastructure and environment. Government Revenue for 2002-2003 is estimated at Rs 30.3 bn, indicating a rise of 22.3% over 2001-2002. In terms of GDP revenue will increase from 18% to 20.1%. Revenue from VAT is expected to grow by 38.1% and would represent 31.7% of total revenue, compared to 26% two years ago. Excise duty and Property income are also expected to rise significantly. Total expenditure is estimated at Rs 39.4 bn, showing an increase of 16.9%. It will represent 26.1% of GDP compared to 24.5% in 2001-2002.

The Chamber of Commerce and Industry noted that both revenue and capital expenditure were overestimated in 2001-2002, and predict that the same thing would occur in 2002-2003. They mention that it will leave the budget deficit unchanged with Rs 9.1 bn, indicating a slight increase over that of 2001-
In terms of GDP it will go down from 6.5% to 6%. Trade deficit is estimated to be Rs 10.1 bn, compared to Rs 8.8 bn in 2001.

At the end of December 2002, foreign exchange reserves of the Bank of Mauritius amounted to Rs 35.6 bn, showing a marked increase on the level of Rs 25.2 bn recorded in December 2001. Overall balance of payments for 2002 would be Rs 10.4 bn. Net international reserves of the country increased from Rs 35.8 bn in December 2001 to Rs 44.0 bn in December 2002, representing 40.5 weeks of imports compared to 33 weeks a year ago.

Inflation rate for 2002 was 6.4% compared to 5.4% in 2001. Export Processing Zone exports for 2002 were estimated to have amounted to Rs 31.0 bn, Rs 2.6 bn less than in 2001. The most important setback was observed in textile, yarn and fabrics and reflected in the export figures to Madagascar which fell considerably.

Morocco

Standard & Poor’s Ratings Services revised its outlook on the Kingdom of Morocco to stable from negative, reflecting expectations that the government debt burden will stabilise. At the same time, Standard & Poor’s affirmed its 'BBB/A-3' local currency and 'BB/B' foreign currency sovereign credit ratings on the Kingdom. The Moroccan economy is set to grow by 5.5 percent in 2003, helped by promising agricultural output and a continuing rise in exports.

The Finance Minister presented forecasts in mid-February that confirmed many previously published figures and did not incorporate the impact of a possible war in Iraq on Morocco’s economic growth. Morocco imports more than 95 percent of its energy needs and relies heavily on tourism, its second main hard currency earner. If the war against Iraq indeed happens, it will have a severe impact on Morocco’s economy.

Namibia

Namibia’s broad money supply (M2), recorded negative growth of 6.4% m/m in December from +0.3% in November, with annual growth of +7.7% from +15.4%. Gross foreign exchange reserves held by the Bank of Namibia rose by 7% m/m to N$2.9bn in December.

Inflation slowed to 12.8% y/y in January from 13.6% in Dec 2002 while monthly inflation came in significantly lower at 0.4% for January from 1.0% in December.

Employees at the University of Namibia (UNAM) have called off their strike after government agreed to a 16.5% pay increase with effect from April. Analyst state that if UNAM sets the pace in civil service wage negotiations the government will face real budgetary pressure as it budgeted 3.6% for the 2003/4 fiscal year.

The representative of Swiss-based Celler Holding International said that plans to construct a poultry plant in Karibib are still on track, and progress is expected within the next few months. The representative mentioned that major investors would like clarity about a possible war in Iraq before proceeding with the project. Canadian listed venture capital mining company, Afri-Can, claims to have discovered large marine diamond deposits in its 40km concession area, 105km north of Lüderitz. In the two sampling phases since 2000 Afri-Can recovered 107 stones weighing 16.05 carats.
Nigeria

Nigerian oil workers embarked on a 4-day strike action in order to press their demands for an improvement in their service conditions as well as the granting of autonomy to the Department of Petroleum Resources. In its reaction, the Federal Government claimed that the shortfall in the supply of petroleum products was caused by an act of sabotage by the political opponents of President Obasanjo. The unions called off the 4-day industrial action after reaching an agreement with the Federal government.

Some reports noted that the Group Managing Director of the Nigerian National Petroleum Corporation (NNPC) attributed the scarcity to recent developments in the international oil markets. He noted that the war threat on Iraq, the stance of the United States of America on North Korea, as well as the recent strike action in Venezuela, had all contributed to an increase in stock piling of refined fuel by major importers.

Nigeria's external reserves have risen to $7.66 billion in February 2003 representing an improvement of $530 million over $7.13 billion, which it achieved in January. Inflation rate stood at 12.3% in January 2003 down from 12.9% in December 2002. Food inflation fell to 11.6% in January from 13.1% in December 2002. Lending rates dropped from 25% in January to 22.49% in February 2003.

The Central Bank of Nigeria (CBN) contradicted the Federal Government on the performance of the Nigerian economy in 2002. The CBN governor mentioned that the economy shrank while the Chief Economic Adviser to the President, Mr. Magnus Kpakol said last year that the economy grew.

Swaziland

The Swaziland economy continues to be challenged by the food crisis and AIDS pandemic in the country. Nearly 300,000 people, that is, a third of the population, is currently dependant on food aid from international donor organisations because of crop failure. Bleak crop forecasts for this year (2003) suggest a continuation of food relief into 2004. A recent study has established a link between AIDS and Swaziland's current food crisis. It demonstrated that the epidemic is as damaging to agricultural production as drought and outdated land policies. The average age for Swazi mortality currently stands at 33.7 years for AIDS-related deaths and 41.6 years for deaths from other causes.

Tanzania

The annual inflation rate during the year ending January 2003 stabilised at 4.4%. The Tanzanian shilling depreciated against the US dollar by 2.4% to TZS 1,001.7 per US dollar toward the end of January 2003, largely due to a higher demand for the US dollar.

The German government will provide Tanzania with €80 million (US $86.12 million) worth of aid over the next three years.

Tanzania is among nine developing countries scheduled to receive increased investments from Canada. In addition, Japan signed an agreement on 14 February 2003 to grant the local equivalent of US $2.9 million in debt relief to the country. Tanzania is scheduled to receive €24 million (US $26 million) from the EC this year to help meet the humanitarian needs of Burundian and Congolese refugees in the country. The governments of Sweden and the United Republic of Tanzania signed an agreement on 31 January under which Sweden will provide US $50 million to support Tanzania's 2003-2006 Primary Education Development Plan.

Tunisia

Tunisia is now temporarily the base of the African Development Bank after it decided to move its operations from the war-torn Cote d'Ivoire. Some governors have expressed concern that the ADB's AAA credit rating could suffer if it were to stay in the Ivory Coast.
The Tunisian government has taken advantage of its reputation as a safe haven among Middle Eastern countries by issuing a 300 million euro 10-year bond.

Tunisia's consumer price index was unchanged in January to leave year-on-year inflation at 1.54 percent, compared to 1.79 percent in December, the National Statistics Institute said on Thursday. The recent increase in sugar–imports (up 38 percent) might be one of the factors that support inflation forecasts of approximately 3.0 percent for 2003.

Zambia

Things are looking up for Zambia. Zambia's headline inflation fell to 22.9 percent in the 12 months to February from 24.3 percent a year ago. Zambia's headline inflation was seen at 26.7 percent in the year to December 2002, above a government target of 16 percent. More good news is that the New Limpopo Bridge Projects Investments (NLBI) and Spoornet Consortium will pay a total of $253 million over a period of 20 years for running Zambia's loss-making national railway. NLBI will hold 80 percent of the operation, while Transnet, parent of South African state rail network Spoornet, will hold the rest.

South African food and furniture retailer Shoprite Holdings listed on the Lusaka Stock Exchange as part of its strategy to grow its market share throughout southern Africa.

Zimbabwe

The inflation figure for January 2003 stood at 208.1%, an increase of 9.2% on the December figure. This shows the volatility of the trading environment and the bleakness of the economic outlook. The economy is still facing several other challenges such as fuel shortages, company closures and job losses. The low interest rates and the continual increase in money supply, which militate against savings, is encouraging consumptive expenditure. Remittance of funds from Zimbabweans abroad is partly contributing to this consumptive expenditure and to the high demand in the construction of houses, another inflation-beating form of investment.

The tourism sector continues to be affected adversely by security concerns, negative publicity abroad and the erratic fuel supplies. The survival of the sector is heavily reliant on the economic recovery and a return of international confidence. The production sector is also feeling the pinch of the economic downturn as production in companies heavily reliant on coal, is dwindling due to the erratic supply of coal by rail. Some of these companies have resorted to the use of road transport but the costs, which are about three times those by rail, have been highly prohibitive.

The impressive performance of the Zimbabwe Stock Exchange in February was partly driven by rumours, which later became true, that exporters will at last get real returns on their exports. Financial counters regained investors' confidence after the release of very good sets of results by ABCH and Barclays, which added to the bullish sentiment on the market.

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&

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Contact Anita de Jongh: adjongh@acia.sun.ac.za
Zimbabwe effectively devalued the official exchange rate by 1360 percent for key export sectors to just over half its black market value against the US dollar. The government set a so-called "export incentive" rate of 800 Zimbabwe dollars to the U.S. unit for export earnings from sectors such as gold and tobacco. The official exchange rate is $1 for 55 Zimbabwe dollars, but on the black market, the currency trades at around 1,500. Due to the huge change in value, it couldn’t be shown on the above graph. Still, in the SADC region: in the last three days of February the Botswana Pula (BWP) decreased by almost 7% without an obvious explanation while the Mauritian rupee continued to strengthen on the back of tourism and agricultural exports.

Indications that the Egyptian Central Bank is controlling the sale of dollars raise the question whether the Egyptian pound will be allowed to float freely. The gap between the official exchange rate and the black market rate implies a managed rather than free float.

The South African Rand experienced a major boost due to a number of factors. The fact that interest rates are high and the South African economy is sound has attracted a large number of foreign investors. Together with the government raising $485 million from the initial public offering of phone utility Telkom, credit ratings agency Moody’s raised the outlook for South Africa's foreign currency ratings to positive from stable. Furthermore, a number of bonds were issued in February, driving the ZAR to its lowest levels since early 2001. The Swazi lilangeni and Namibian dollar are both linked to the rand and consequently made similar gains for the month.
5th Annual Development Finance Conference – October 2003

The Africa Centre for Investment Analysis (ACIA), together with African Project Development Facility (APDF) and a number of national and international organisations, is this year hosting its Fifth Annual Development Finance Conference in Johannesburg on the 8th and 9th of October 2003.

Aim and Objectives:

The conference aims to examine issues of development finance relevant to promoting sustainable development in Africa. Presentations will cover best practices, case studies and empirical research in development finance relevant to promoting sustainable development in Africa. This year the conference will specifically focus on the economic impact of Small, Medium and Micro Enterprises (SMMEs) in Africa.

Sub-themes of the Conference:

1. Issues surrounding SMMEs Growth
   - Financing SMMEs
   - Sustaining SMMEs growth
   - Cases on Good Practices
   - Role of Government, Private sector and donor agencies

2. Issues surrounding FDI flow into Africa
   - Determinants of capital flows into Africa
   - Strategies for promoting FDI
   - Capacity building aimed in promoting FDI
   - Roles of private sector, government and multinational corporations in promoting sustainable FDI flow

3. Issues surrounding Microfinance
   - Issues Commercialisation of microfinance
   - Issues on Outreach
   - Issues on Regulation
   - Cases on good practices

4. Issues surrounding Commodities and Stock Markets Development
   - Issues on Liquidity
   - Commodities market - Driver of African economies
   - Issues regulation
   - Impact of Globalisation- e.g. contagion

Target Participants

The conference is aimed at both public and private sector participants who are interested in the issues surrounding financing development in Africa. These include Financial Institution Executives, Regulatory Body Members, SMME-stakeholders & Entrepreneurs, Government-officials, Capital Market Practitioners, Microfinance Practitioners, Academia, Development Bankers, NGOs, as well as other Private and Public Sector Organisations.

Africa SMME Awards 2003

For the first time, the Africa SMME Awards will be presented at the conference, honouring the best SMMEs, in Africa. This gala-event will take place on the second eve of the conference and will be broadcast live on SABC Africa and other broadcasting channels throughout Africa and beyond.

The Africa SMME Awards are presented to African businesses that strive for excellence in order to be competitive in regional, national and international markets. These businesses are well established, in good financial shape and enjoy a reputation for quality, integrity and service. Furthermore, they act socially responsible, support community development efforts and create a work environment in which their employees can learn and grow. Each winner will receive a cash-prize and the unique Africa SMME of the year trophy.

A total of thirty awards will be presented, including awards for the best SMME Promoters, the best SMME Journalist and more than 25 awards to the best SMMEs in Africa. Below are the categories that SMMEs can be nominated under. Nominations should be made before the 30th of June.

Banking and Finance  
IT & Technology  
Telecommunication  
Export  
Minerals & Mining  
Energy  
Agriculture & Food  
Environment  
Transport  

Tourism  
Health & Social welfare  
Arts & Craft  
Essential Imports  
Manufacturing  
Construction  
Education  
Other

More information regarding the conference and Awards is available from our website: www.acia.sun.ac.za

For more information contact: Lidia du Plessis - +27 (021) 918 4245 / lidia@acia.sun.ac.za