AMR

AFRICAN MARKETS REVEALED

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Standard Bank

ABOUT THE COVER IMAGE

Located on the border between Zambia and Zimbabwe, Victoria Falls is one of the world's most spectacular natural wonders. Known locally as "Mosi-oa-Tunya," or "The Smoke That Thunders," the falls stretch over 1.7 kilometers and drops approximately 108 meters into the Zambezi River gorge. This awe-inspiring cascade produces a mist that can be seen from miles away, creating rainbows and a magical atmosphere.

The Zambian side offers unique vantage points, including the Knife-Edge Bridge, where visitors can get up close to the roaring water and feel the mist.

Victoria Falls is a UNESCO World Heritage Site and a must-visit destination for nature lovers, offering unparalleled views, cultural significance, and an unforgettable experience.

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Resilient ambitions: Africa's economy in a volatile global climate

The global outlook for 2025 remains modestly optimistic, with growth projected at 3%. Central banks in advanced economies are expected to maintain an easing bias, supporting consumer spending and global risk appetite. However, geopolitical tensions and domestic political risks, such as potential US tariff policies and Europe's fiscal struggles, could disrupt this stability. Against this uncertain global backdrop, Sub-Saharan Africa (SSA) faces a mix of external headwinds and internal opportunities that shape its growth prospects.

Growth in SSA is forecast to recover to 4% in 2025, from 3.6% in 2024, with domestic consumption remaining a stabilizing force for many economies. However, reliance on exports to China makes countries such as Angola, DRC, and Zambia vulnerable to any economic slowdown in China. US tariffs could exacerbate these risks by dampening global trade flows, further pressuring commodity-dependent economies. Despite these challenges, several SSA countries are demonstrating resilience, driven by robust private consumption.

Climate-related shocks continue to weigh heavily on the region. Severe droughts in 2024 reduced agricultural yields and hydropower generation in Zambia and Malawi, exacerbating economic challenges. La Niña conditions in 2025, though less intense than initially feared, may not provide the rainfall relief necessary to fully replenish resources and support recovery in these economies. As climate risks intensify, the need for investment in resilient infrastructure and diversified economic activity becomes more pressing.

The global transition to clean energy presents a significant structural opportunity for SSA's critical minerals sector. Rising demand for minerals such as copper, cobalt and nickel, driven by electric vehicles, solar energy and battery technology, positions Zambia and the DRC as key suppliers. The DRC, with 70% of the world's cobalt reserves, and Zambia, with vast copper deposits, stand to benefit immensely. Infrastructure projects, such as the Lobito Corridor and the TAZARA rail line, aim to address logistical inefficiencies, reduce transportation costs, and enhance mining profitability. However, policy consistency and regulatory clarity are crucial to attract the long-term investment needed to unlock this potential fully.

Fiscal consolidation remains a central theme for many SSA economies as they navigate high debt burdens. While governments increasingly rely on raising revenue rather than cutting expenditure, this approach has its limitations. For instance, Kenya's tax hikes since 2023 have triggered public protests even as revenue collection growth eases, highlighting the challenges of implementing fiscal reforms in economies with large informal sectors. Broader tax bases and improved governance are essential for sustainable fiscal health. Mozambique exemplifies the fiscal pressures facing the region, with rising domestic debt and liquidity constraints increasing the risk of defaults. External ratings agencies have downgraded this country, reflecting growing investor concerns.

Monetary policy in SSA is expected to remain largely accommodative in 2025, with central banks in countries such as Angola and Mozambique likely maintaining cautious stances. Egypt's declining inflation provides room for further easing, while Kenya plans new infrastructure bonds to address significant maturities. Zambia and Nigeria face challenges related to exchange rate pressures. Uganda's rising government bond yields, driven by increased domestic borrowing due to large local debt maturities, offer potential opportunities for duration trades despite fiscal risks into the Jan 26 elections.

The political landscape in 2025 is less crowded than in 2024 but includes significant elections in Côte d'Ivoire, Malawi and Tanzania. Côte d'Ivoire's elections could see unrest if President Ouattara seeks a fourth term, while Malawi's political landscape has been reshaped by the dissolution of key alliances and the passing of Vice President Chilima. Tanzania's ruling CCM party is expected to retain power, leveraging infrastructure achievements and economic reforms. These elections will influence governance, stability and economic trajectories across the region.

Despite external challenges, SSA economies will likely continue to show resilience, with several countries approaching, or surpassing, pre-pandemic growth levels. This region's

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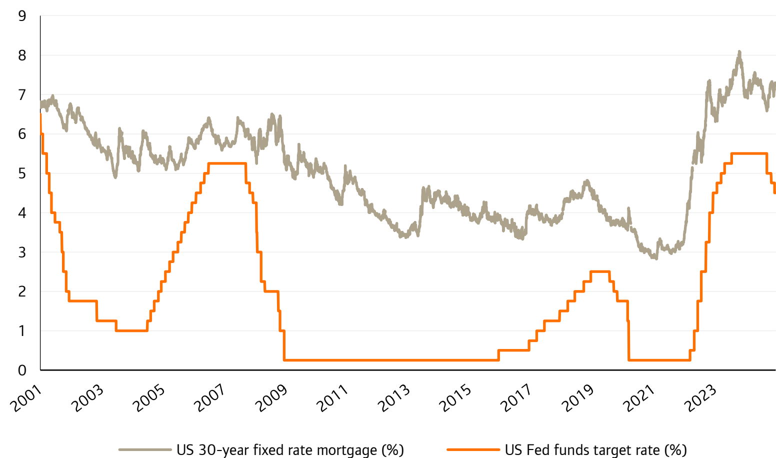
ability to capitalize on opportunities, such as the rising demand for critical minerals, while managing risks from climate shocks and fiscal pressures, will be crucial for sustaining its recovery and long-term growth.

Stability or instability?

In theory, at least, it looks as if the global economy could be in for another year of modest, but stable, growth of around 3%, close to the likely outturn for 2024. In practice, however, the outlook could prove to be far from stable, largely on account of domestic politics and geopolitics. In the US, the incoming Trump administration threatens to throw a spanner in the works of not just the domestic economy, but international relations as well. While in Europe, the economic and fiscal struggles of the past year or more have made early German elections in 2025 a reality and could do the same in France as well. But against this flaky political environment lies a global economy that should be aided by several factors in 2025. One of these is the improvement in real (inflation-adjusted) wages, which has been developing for some time now and should lift consumer spending. Another positive factor is the fall in policy rates amongst most central banks, with the notable exception being the Bank of Japan. Lower policy rates and mortgage costs should also serve to underpin consumer spending. And, while unemployment rates have generally edged up, at least in major developed nations, labour markets remain tight; this should help to support consumer sentiment.

However, the probability distribution around a 3% median global growth forecast for 2025 seems to be skewed to the left, meaning weaker-than-anticipated growth. One reason for this relates to the persistence of above-target inflation for many developed countries, not least the US, which threatens to both limit the scope for policy easing and constrain the room for bond yields to decline. In fact, we have already seen longer-term yields, and hence mortgage rates, rise in the US since the Federal Reserve started to cut policy rates back in September; this is quite unusual. A related risk of higher inflation comes from the possibility of widespread US tariffs that prompts countermeasures from other countries. While we remain hopeful that any US tariffs will not be widespread, there is no denying that the global political and geopolitical climate could prove counterproductive when it comes to not only lowering inflation but also lifting economic growth.

Figure 1: The Fed has cut – but mortgage rates have risen



Source: Bloomberg

The tariff threat

There is little doubt that one of the main threats to global growth this year and beyond is the imposition of punitive tariffs by President Trump. Tariffs were used extensively during Trump's first term, and pre-election 'promises' to levy tariffs of 60% on China and between 10% and 20% globally, have rightly set policymakers around the world on edge. A tariff on all imports could clearly lift US inflation significantly and would likely

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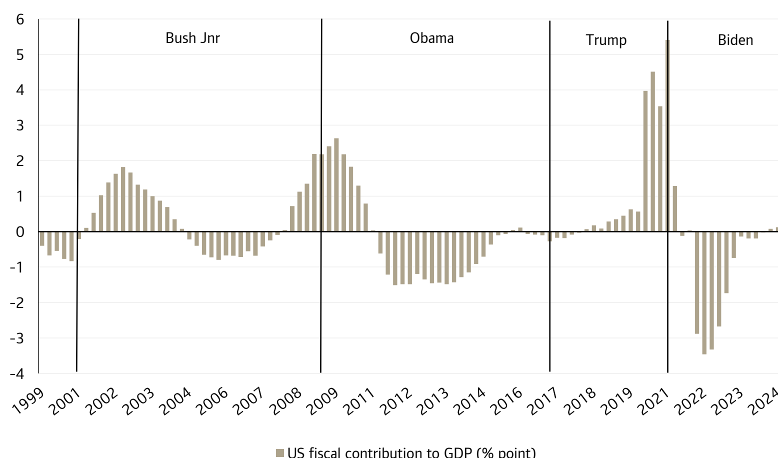
eat into growth. This is because a global tariff cannot be circumvented by switching production and purchases to non-tariffed countries, as happens right now in the case of China. But is a global tariff likely? We think not. This is partly due the president only having the right to unilaterally imposes tariffs if national security is threatened, or if a country/industry is deemed to be acting unfairly against the US. These caveats have been used in the past to levy tariffs on countries, such as China, and industries, such as steel. But a global tariff is seemingly under the jurisdiction of Congress, not the president and, while the new Congress will be Republican-led in both houses, we are sceptical that there will be sufficient support to push such a policy through. And besides, a global tariff does not seem to fit Trump's *raison d'etre* for tariffs, which is to threaten their use to draw concessions out of other countries. But while a global tariff seems to be a less-than-even possibility, in our view, tariffs on individual countries, notably China, appear much more likely. Hence, we think that we can expect significant political and economic tensions between countries, with adverse consequences for both growth and inflation.

More monetary easing

The spectre of tariffs is already playing on the minds of policymakers, and not just in the US. FOMC members certainly appear to have skewed their expectations for rate cuts in 2025 in a more hawkish direction and our expectation is that central bankers outside the US are likely to err towards more dovish policy settings, should widespread tariffs become a part of the landscape in 2025. The last Summary of Economic Projections (SEP) from the Fed in December showed that members had removed two of the four rate cuts for 2025 that they had been pencilled in at the September FOMC meeting. The median FOMC view is that the fed funds target rate will be 3.875% at the end of 2025, and that's pretty much the view adopted by the fed funds futures market as well. Our view is a little more constructive as we look for three 25 bps rate cuts to take the upper end of the fed funds target to 3.75%. But even this is short of the 125 bps of rate cuts that we expect from the ECB in 2025 and the 150 bps from the Bank of England. But while we lean towards the more optimistic side of market expectations when it comes to policy easing, the same cannot necessarily be said for the bond market, or at least the treasury market. As we noted earlier, longer-term yields have risen in the US in spite of 100 bps of Fed rate cuts since September. This increase largely reflects a 70 bps rise in the term premium (for 10-year treasuries) since the Fed started to ease in September. In turn, the increase in the term premium seems to be associated with the probability that the incoming Trump administration will repeat the looser control of the fiscal finances that we've seen during previous Republican-led administrations.

Figure 2: Republicans tend to expend the budget deficit



Source: Hutchins centre

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Simulations of Trump's fiscal plans have led to claims that debt could be increased by around USD8tn, or just under a quarter, over the next decade. Now we don't doubt that these figures will be disputed by the Trump team. In addition to this, we have to acknowledge that some of the prior surges in the deficit under Republican presidents have occurred because of adverse shocks, such as the pandemic and the 2008/09 global financial crisis. Nonetheless, there seems to be no getting away from the fact that the treasury market currently sees the incoming Trump administration as a liability and, while we do think that longer-term (10-year) yields will end 2025 lower than where they started, we believe it will be marginal and that yields could easily vault 5% in the interim. A key question is whether this 'stickiness' in treasury yields will impinge on the ability of other developed-country bond yields to fall materially in 2025. While the answer to this may well be 'yes', it is possible that exchange rates take some of the strain as the widening gap between treasury yields and those of other developed countries keep the dollar in the ascendancy.

Dollar high but vulnerable

The dollar has been riding high on a combination of economic outperformance relative to its peers (US exceptionalism) and, more recently, the spectre of tariffs. The latter could lift inflation and slow down, or even reverse, Fed easing. The contrary could happen overseas. But even if there is very little impact on US inflation and Fed policy, tariffs are still likely to lift the dollar. In simple trade terms, tariffs on Chinese goods, for instance, should reduce the demand for renminbi to pay for imports. When Trump first imposed tariffs on China in the first half of 2018 the dollar rallied from around 6.30 to near 7.0 before the year was over; a rise of over 10%. Right now, we suspect that the renminbi is most exposed to any new US tariffs as these could both be large and directed specifically at China. Indeed, we expect another 10% rise in the dollar against the renminbi through this year, taking the dollar to 8.0.

Figure 3: Dollar surged on 2018 tariff imposition

Source: Bloomberg

Will such dollar strength be replicated elsewhere? The provision of a general 10-20% tariff on all imports entering the US could certainly produce a similarly sized rally in the dollar against other currencies, and perhaps especially the euro given the heavy export orientation of the euro zone economy. But, as we've said, we think a general tariff is unlikely and hence we are somewhat more restrained in our optimism for the dollar against the euro, where we see the single currency falling into a 0.95-1.0 range in the first half of 2025. A second consideration is that the idea of US exceptionalism seems so embedded in market psyche – and the level of the dollar – that it will not take much slippage in US economic prospects, or improvement elsewhere, to tip the balance away from dollar strength. We also have to remember that Trump tariffs might have led to early strength in the dollar during his 2017-2021 tenure – but he ultimately left the dollar in a worse place than where he found it. We think that history will repeat itself.

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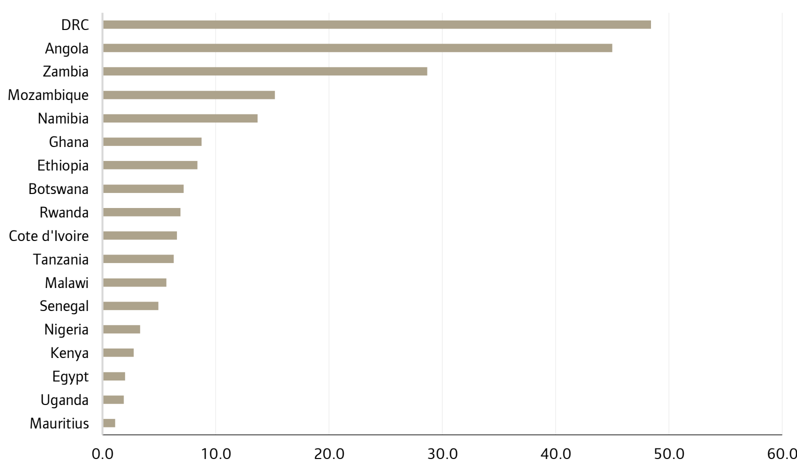
Climate-related shocks frequency increasing

GDP growth in SSA is likely to recover to around 4.0% y/y in 2025, from an expected 3.6% y/y in 2024. Our assessment, that SSA growth will likely prove resilient from the Jan 2024 AMR publication, amid sluggish global growth and fading external demand, seems to have transpired. We had emphasized back then that, since private consumption expenditure comprises a notably larger share of overall GDP, subdued external demand from weaker global growth wasn't likely to majorly disrupt economic activity in many of the SSA markets in our coverage.

But still, SSA economies that are reliant on robust external demand from China for their key exports may still face downside risks to growth over the coming year, should US tariffs become detrimental for economic activity in China. Of the markets in our coverage, DRC, Zambia and Angola have a sizeable concentration of their exports that are routed to China. In Angola, around 45% of their total exports of goods go to China, while in DRC this is higher at around 48%. In Zambia this ratio is also elevated, at around 28.7%. However, this is lower in other economies such as Botswana at c.7.2%, Ethiopia c.8.4%, Ghana c.8.7%, Kenya c.2.8%, and Nigeria at c.3.3%.

Nonetheless, oil-exporting economies such as Nigeria may still be susceptible to a slowdown in the Chinese economy, as this may coincide with a decline in international oil prices and worsen the external position. In the past, this has exacerbated FX liquidity conditions and weighed on growth in the non-oil sector too. However, recent pledges by Chinese authorities, to ramp up their stimulus support, may underpin economic activity in China and thereby support prices for both oil and copper.

Figure 4: Exports to China % total exports



Source: UNCTAD

But as we've stressed in previous AMR editions, more than shocks to external demand, domestic shocks that drain personal consumption expenditure such as prolonged weather shocks, aggressive monetary policy tightening from an overheating of the economy and entrenched political disruptions, are likely to have a larger and durable negative impact on economic growth in our markets.

In fact, over the better part of the past decade or so, economic growth in SSA has increasingly been influenced by climate-related shocks. For instance, droughts and floods are not only becoming acute, but the frequency has also increased.

Extreme La Niña drought conditions in 2024 weighed heavily on GDP growth in both Zambia and Malawi. The drought, described as a humanitarian catastrophe by the United Nations, destroyed key crop harvests, reduced hydropower production and drained livelihoods in Zambia, Malawi and other southern African economies.

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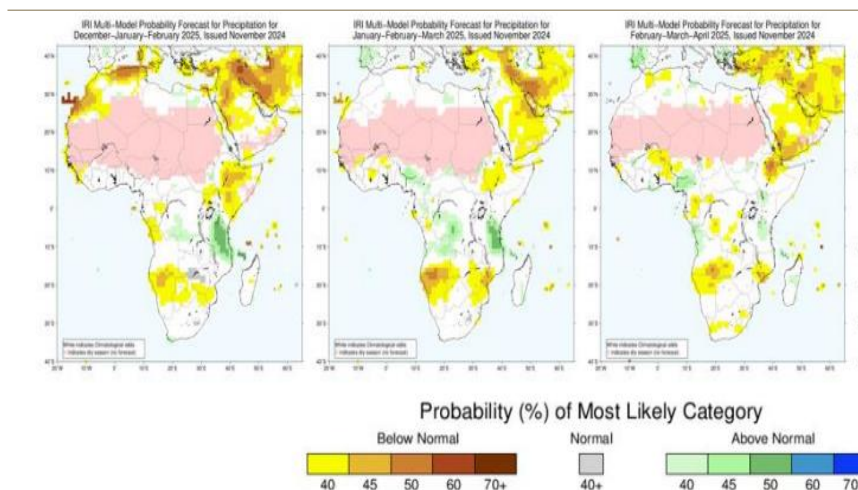
As we have highlighted in our previous edition of the AMR, hot on the heels of the El Niño weather conditions experienced in 2024, which resulted in severe droughts in Zambia and Malawi and heavy rainfall in Kenya and Uganda, a transition towards La Niña conditions is now being widely expected by weather experts. This would likely reverse the weather trend experienced in 2024, with the East Africa region expected to face drier conditions, while southern Africa, including Zambia and Malawi, could now face increased rainfall.

La Niña conditions were expected to begin in H2:24, although, per the International Research Institute for Climate and Society (IRI), this will likely only transpire around Q1-Q2:25. But, more importantly, the intensity of La Niña conditions is likely to be milder, compared to earlier expectations from climate experts.

While the weaker than expected La Niña may be a point of celebration for economies in East Africa, economies such as Zambia and Malawi may now potentially experience lower rainfall than was previously envisaged. This would in turn not aid the expected replenishing of the hydropower dams and would also not underpin any rapid improvement in agricultural productivity.

However, with base effects expected to unwind, GDP growth in Zambia is likely to receive a statistical boost in 2025. Notwithstanding the risks of below-average rainfall from the weaker-than-previously expected La Niña, we see GDP growth recovering to 5.8% y/y in 2025, from an expected outturn of 2.2% y/y in 2024. In fact, the mining sub-sector could add an additional 75k MT in copper production in 2025, based on guidance from listed mining firms. This would equate to about 10.3% y/y growth in copper output for 2025. But of course, there are notable downside risks to this forecast, should agricultural productivity and hydropower generation remain subdued.

Figure 5: IRI probabilistic seasonal rainfall forecast for Africa



Source: IRI

In Malawi, too, GDP growth will likely recover to 2.5% y/y in 2025, from an expected 1.8% y/y in 2024. Despite a weaker intensity La Niña being expected, the government's meteorological department expects above-normal rainfall in Q1:25. Should this transpire, food harvests will likely improve, which may reduce cereal imports and thereby likely underpin net exports and GDP growth. Furthermore, government expenditure could also increase ahead of the Sep 2025 elections, which could support growth. However, in addition to the downside risk of below-average rainfall for growth, too much rainfall can also create flooding and destroy crops in key food growing regions of the country. The agriculture sub-sector accounts for around 22.0% of GDP.

Climate-related shocks have also increased in frequency in Mozambique. Following the detrimental effects of Cyclone Freddy back in 2023, Cyclone Chido has already hit parts

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of northern Mozambique, resulting in notable damage to infrastructure. But the cyclone is also likely to weigh down agricultural output, considering that the agrarian sector accounts for nearly 25.0% of GDP in Mozambique.

We have slashed our GDP growth forecast for Mozambique to 2.5% y/y in 2024, from our initial expectation of 4.6% y/y. For 2025, we now expect growth of 3.0% y/y (3.8% y/y previously). Growth may have contracted in Q4:24 due to post-election protests and, with the risk of entrenched domestic political disruptions, growth may even potentially contract in Q1:25. Moreover, aside from the risks of protests becoming durable, economic activity may be dragged lower by FX liquidity pressures that may persist, intensifying fiscal pressures, and recurring episodes of insecurity in Cabo Delgado which will further delay FDI in the LNG sector.

GDP growth in Kenya will likely be lower at 4.6% y/y in 2024, from our earlier forecast of 4.9% y/y. This downward revision was largely due to economic disruptions during the Gen-Z led protests in mid-2024. Growth in Q3:24 eased to 4.0% y/y, from 4.6% y/y in Q2:24, and 5.0% y/y in Q1:24. Due to this slower impetus from 2024, we now see GDP growth rising to 5.0% y/y in 2025, lower than our earlier expectation of 5.3% y/y.

Interestingly, despite the torrential El Niño rainfall in Q2:24, growth in the agricultural sub-sector remained resilient, at 4.8% y/y, from 6.1% y/y in Q1:24. In fact, positively, it appears that the Kenya Kwanza government's increased emphasis on agriculture sector reforms could be bearing fruit. Growth in the agricultural sub-sector averaged 5.0% y/y in the 9-m to Sep 2024 and 6.4% y/y in 2023. This exceeds the average growth of 2.2% y/y in the sector between 2018-2022. The government has been providing fertiliser subsidies to farmers, while also providing seeds to spur cotton cultivation.

Of course, favourable base effects should help overall GDP growth recover in Kenya in 2025. However, the risk of drier weather conditions from the La Niña drought may still weigh down agrarian output. Additionally, personal consumption expenditure may also remain sluggish over the coming year due to still elevated taxes and higher statutory deductions from salaried employers. However, declining KES interest rates may help spur private sector credit (PSC) lending and underpin consumer spending in 2025. However, with government arrears owed to suppliers and contractors still in excess of KES700bn (c.4.4% of GDP), PSC growth could remain subdued as banking sector non-performing loans (NPLs) typically don't decline when arrears are also increasing. The government still has plans to issue local bonds to roads contractors to clear part of these arrears. However, should arrears remain elevated, public investment in infrastructure may also decline further, likely weighing down growth.

Growth in Uganda has been impressive, in line with our expectations. This has largely been on the back of higher investment spending around the oil sub-sector. We see GDP growth rising further, to 6.5% y/y in FY2024/25 and 7.5% y/y in FY2025/26, from 6.2% y/y in FY2023/24. We expect the government to secure and finalise all the funding requirements for the East Africa Crude Oil Pipeline (EACOP) in 2025. However, on first oil, we see this being delayed into H2:26, while the government still sees first oil by the end of 2025.

But again, as we have highlighted before in previous editions of the AMR, even should first oil be delayed beyond our 2026 baseline assumption, FDI in the oil sector will probably remain robust and thereby support GDP growth. Furthermore, government spending outside the oil sector will also likely increase in 2025 ahead of the Jan 2026 elections. This could also support growth.

However, with Uganda's external position looking weak, should the UGX come under pressure from either a stronger USD globally or looser fiscal policy, the Bank of Uganda's MPC is likely to tighten monetary policy conditions again, which could drag

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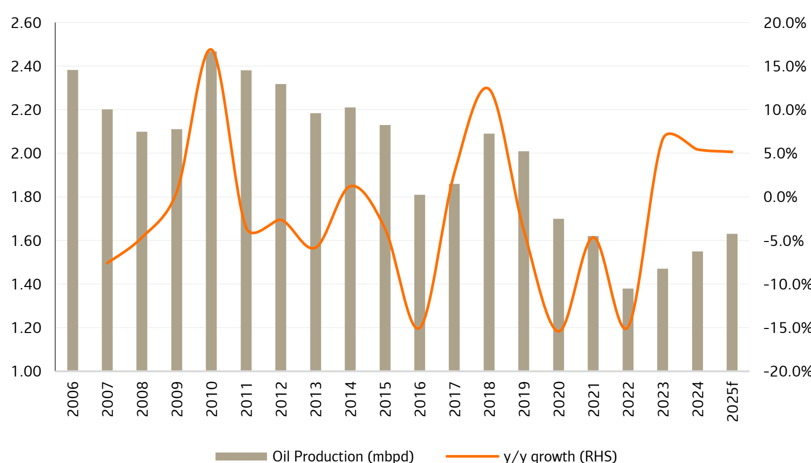
down consumption expenditure. Also, should a stronger-than-expected La Niña occur in H1:25, growth in the agrarian sector will likely decline and drag down overall growth too.

In West Africa, growth in Nigeria will likely recover to 3.5% y/y in 2025, from an expected 3.2% y/y in 2024. With most of the reforms, such as removing fuel subsidies and adjusting the NGN drastically to address overvaluation and USD liquidity concerns now behind us, consumer growth could gradually recover.

We see 7.6% y/y growth in crude oil production in 2025, which equates to an average of 1.63m bpd. Notwithstanding sluggish new investment in the oil sub-sector, the authorities continue to focus on curbing oil theft and pipeline vandalism. Moreover, commencement of operations at the Dangote refinery should also boost growth in the oil refining sub-sector and support overall growth through linkages with other sectors such as construction and transport. Further, the improvement in FX liquidity will also likely continue to bode well for growth in the non-oil economy.

However, should oil production falter or should exchange rate pressures re-emerge, growth will likely be dented, particularly as inflationary pressures remain elevated.

Figure 6: Nigeria oil production



Source: CBN; NUPRC

Growth in Ghana has surprised to the upside in 2024. We now expect GDP growth to rise to 6.2% y/y in 2024, from our initial view of 3.8% y/y. Despite a poor performance from the cocoa sub-sector, the mining sector outperformed in 2024. We expect this trend to continue in 2025 following the commissioning of the Cardinal Namdini mine in Q4:24, and a new mine Ahafo North is also expected to commence production in mid-2025. The authorities expect these two mines to cumulatively contribute around 600k ounces to gold production. Hence, this development may also result in higher GDP growth in 2025 than our current core scenario.

In Botswana, we forecast 3.7% y/y GDP growth in 2025, from an expected contraction of 3.5% y/y in 2024, driven largely by a slower decline in net exports and an increase in domestic spending, courtesy of increased monetary and fiscal stimulus.

The likely contraction in growth in 2024 was worsened by domestic supply-side constraints, particularly in the utilities sector where the Morupule B power plant's maintenance works created significant energy supply shortages, while the agricultural sector's performance remained subdued due to drought conditions in the broader southern Africa region. Our baseline scenario for 2025 includes a slower decline in natural diamond prices as the market stabilizes, with production cuts potentially easing price pressure from lab-grown alternatives and 20-y high inventories.

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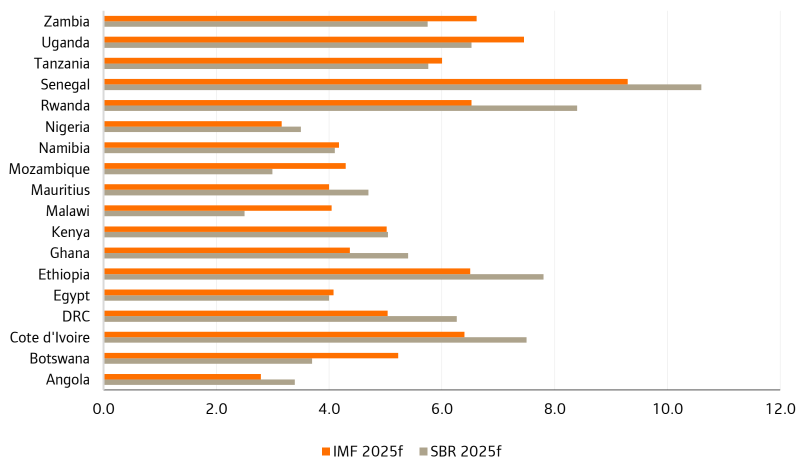
Figure 7: SBR vs IMF GDP forecasts 2025



Source: Standard Bank Research; IMF

Laying the tracks for a structural shift

The long-term demand for critical minerals – such as copper, cobalt and nickel – may surge over the coming decades, driven by electric vehicle growth, solar power expansion, artificial-intelligence (AI) data centers, and robotics. This battery-technology super-cycle represents a major structural tailwind for 'electrification metals', with estimates by the SBR mining and resources team indicating global annual copper demand as likely to double, from currently 25m MT, to 50m by 2050.

Zambia and the Democratic Republic of Congo (DRC) are ideally positioned given their hefty high-grade deposits. According to the United States Geological Survey (USGS), DRC has approximately 70% of the world's cobalt reserves, and copper reserves of approximately 80m MT (USD750bn at current prices). Zambia's copper reserves are estimated at 21m MT (USD189bn). Critical minerals demand growth creates a structural growth opportunity, not only for these two countries but also for Angola by way of the Lobito Corridor, and for Tanzania by way of the TAZARA rail line, which, respectively, connect the Zambia-DRC Copperbelt to the US export market via the Atlantic facing Lobito port, and to China via the Dar es Salaam port on the Indian Ocean.

The Lobito corridor investment project, funded by the Partnership for Global Infrastructure and Investment (PGII), is a USD10bn rehabilitation and development of rail, road, bridges, and energy infrastructure. Angola is the primary beneficiary given that 90% of the rail line falls within its borders, as does the Lobito port.

In Zambia, the refurbishment of the Lobito corridor may boost efficiency and throughput of existing mines, while simultaneously laying the foundation for broader economic growth. Local contractors can see immediate benefits in track rehabilitation and station upgrades, while secondary towns near the rail corridor may develop bonded warehouses and other services for metals and general cargo.

From a mining perspective, long-term investment decisions tend to be based on long-term copper demand and sustained high prices. As such, for mining, the benefits of the Lobito corridor are likely to stem from wider margins by way of logistical efficiency gains. Currently, much of Zambia's and DRC's copper travels up to 2,000 kilometers by truck from mines to Durban or Richards Bay ports in South Africa, along the way facing border delays, security risks, and high insurance costs. Turnaround can be up to 60 days

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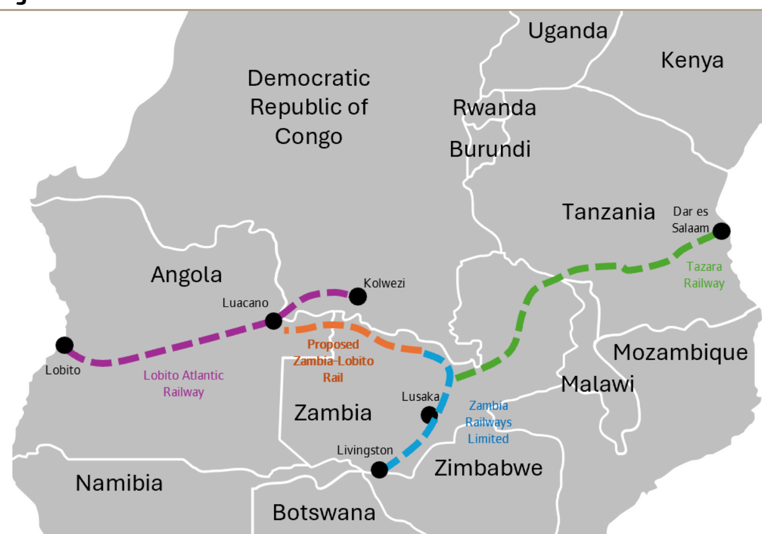
from mine to port. Therefore, streamlined logistics from trucking should improve margins for mining operators.

Beyond mining, an optimized Lobito and TAZARA corridor can reduce truck congestion on existing road networks throughout Zambia, expedite delivery of capital goods imports, and enable Zambia's non-traditional exports (including agricultural products) to reach regional markets faster and cheaper.

Figure 8: Lobito and TAZARA corridor



Source: Standard Bank Research

To maximize the opportunity presented by critical minerals demand, a consistent and transparent regulatory framework is as important as infrastructure investment. Frequent changes to mining taxes or royalty rates, and uncertainty over production-sharing agreements, may erode investor confidence and deter the long-term capital needed to develop large-scale mining projects. By upholding regulatory clarity, Zambia and DRC should attract reliable investment and fully capitalize on the structural opportunities provided by copper, critical minerals, and the infrastructure supporting their extraction.

Is revenue-driven fiscal consolidation failing?

Fiscal consolidation, the term increasingly commonly referred to when discussing SSA debt sustainability and/or public finance management dynamics. Often, when there is a concern about public debt vulnerabilities, reducing the fiscal deficit invariably becomes an urgent requirement. However, it is becoming habitual for economies in Africa to increasingly focus on mobilising higher revenue, rather than cutting back on expenditure notably, in order to advance fiscal consolidation and restore public debt on a more sustainable trajectory.

Arguably, many would assert that African governments prefer revenue-based consolidation as they have a limited propensity to scale back on exorbitant and bloated government costs. But, in many instances, even the IMF frowns on expenditure-based fiscal consolidation, arguing that it can increase inequality. The IMF has been proponents of not cutting back on capital expenditure or critical social spending programmes, believing that this could dent long-term growth. In essence, the IMF prefers a balanced approach that combines spending cuts and revenue increases which can help ensure both fairness and economic development.

However, there is substantial support for expenditure-based consolidation in OECD research papers, which emphasizes that reducing government spending, particularly on current expenditure, has a greater likelihood of achieving long-term debt stabilization.

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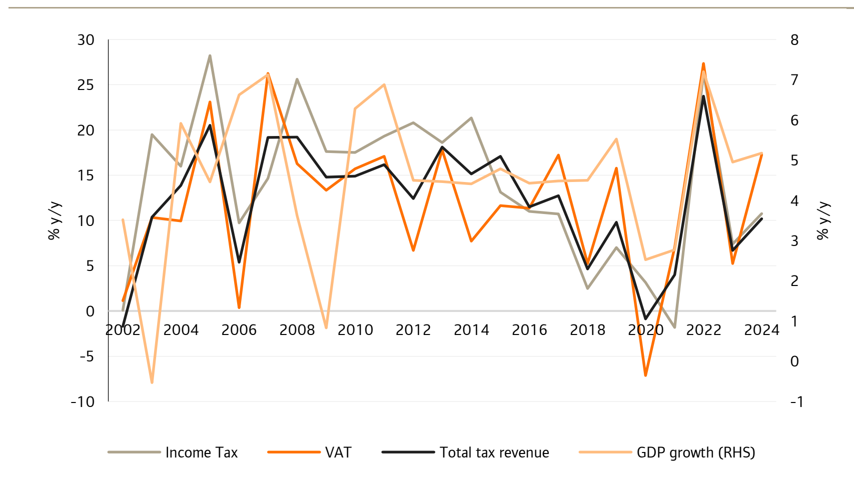
The World Bank also agrees that reducing spending typically has a smaller negative impact on economic growth than would raising taxes. Tax hikes, according to the World Bank, can lower private sector activity by reducing disposable income and discouraging investment, while well-targeted spending cuts can maintain investor and consumer confidence, keeping an economy stable.

Indeed, many countries probably rely on raising revenue to address fiscal problems because their ability to cut essential spending is limited. However, focusing too much on increasing tax rates can push these economies beyond the point where higher taxes generate more revenue. Of course, this has been well documented by the Laffer Curve theory.

However, based on empirical research, the Laffer Curve doesn't always necessarily hold in developing countries, with results being mixed. While there isn't much recent research conducted on this, studies from the 1980s found some evidence of increased tax revenue in Jamaica after tax rates were reduced, although this wasn't the case in India. Interestingly, in Jamaica, when tax rates were cut, the number of taxpayers grew significantly. But still, other factors, such as improved tax administration, may have influenced this outcome.

For instance, Kenya's recent tax policy adjustments which eventually resulted in youth protests in mid-2024, such as the VAT revision on fuel to 16% from 8% effective Jul 2023, and the introduction of new individual personal income tax rates and bands, provide valuable insights into revenue dynamics. Interestingly, VAT collections rose by 17.3% y/y in FY2023/24, compared to the 10-y average of 12.6% y/y (2010–2019). Similarly, income tax collections grew by 10.74% y/y in FY2023/24, falling below the 10-y average growth rate of 14.2% y/y (pre-2019). Admittedly, one must acknowledge that other factors may have either dampened or underpinned economic growth during these periods. However, we suspect that the Laffer Curve probably doesn't hold in this instance due to the large informal sector in Kenya, which accounts for around 86% of total employment statistics. In fact, despite recent improvements, Kenya's tax as a % GDP remains below the levels seen between 2015 and 2018, perhaps signalling a decline in the efficiency of tax mobilization relative to economic growth.

Figure 9: Kenya tax revenue VS GDP growth



Source: Central Bank of Kenya

But then again, notwithstanding a misalignment of the Laffer Curve theory in this case, we find it unsurprising that the return on the VAT increase is higher than the hike in personal income tax. This is likely due to the large magnitude of the informal sector workforce where VAT increases, as an indirect consumption tax, would probably capture the vast informal sector. On the other hand, the increase in personal income tax rates wouldn't necessarily tap into the large informal sector.

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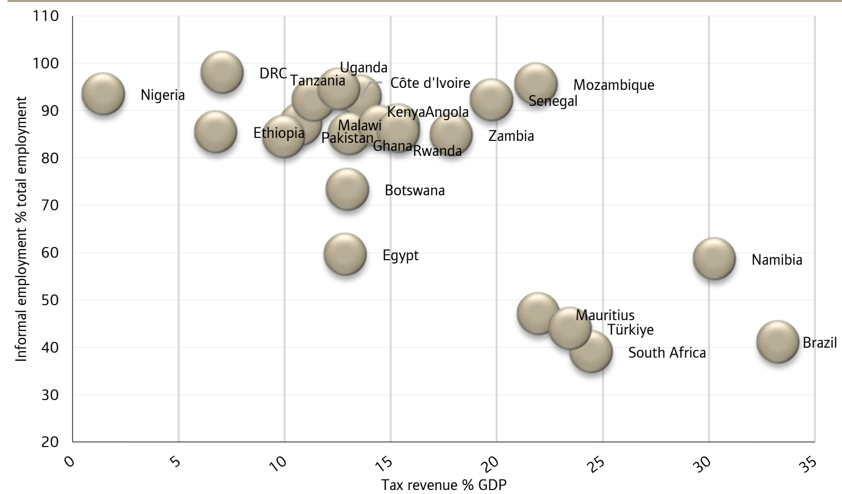
In fact, there clearly appears to be a relationship between the size of the informal sector and the revenue collections as a % of GDP for VAT and income tax. For example, per data from the International Labour Organisation (ILO), economies in SSA such as South Africa, Mauritius and Namibia, have a relatively smaller share of the informal sector as function of total employment statistics, at 39.8%, 46.9% and 58.6% respectively. Ergo, unsurprisingly, VAT collections as a percentage of GDP are higher in South Africa at around 6.2%, 7.3% in Mauritius, and 6.7% in Namibia. This would be in comparison to Kenya at 4.1%, Ghana at 4.2% and Uganda at 3.8% – all economies with informal sector workforces reported at between 85% and 95%.

In some economies, such as Nigeria where the VAT rate is the lowest amongst the economies in our coverage at 7.5%, while the informal sector size is reported at over 90% by the ILO, an increase in the VAT rate (which is widely expected by the market this year) may boost collections – not just because of the large informal sector but also as the VAT rate is perhaps just way too low.

Figure 10: Relationship between informal employment and tax revenue



Source: Various ministries of finance, IOL

Moreover, Mozambique, has the highest corporate tax rate amongst the countries in our coverage, at 32%. They collect around 6.6% of corporate tax as a percentage of GDP, while in Mauritius and Egypt, where the corporate tax rate is 15% and 22.5% (some of the lowest in our coverage) respectively, they collect around 3.6% and 3.9% of GDP respectively. However, the corporate tax rate in Uganda and Kenya is at 30%, yet these economies collect corporate tax of around 1.9% and 1.0% of GDP respectively, perhaps reflecting deficiencies in the investment climate.

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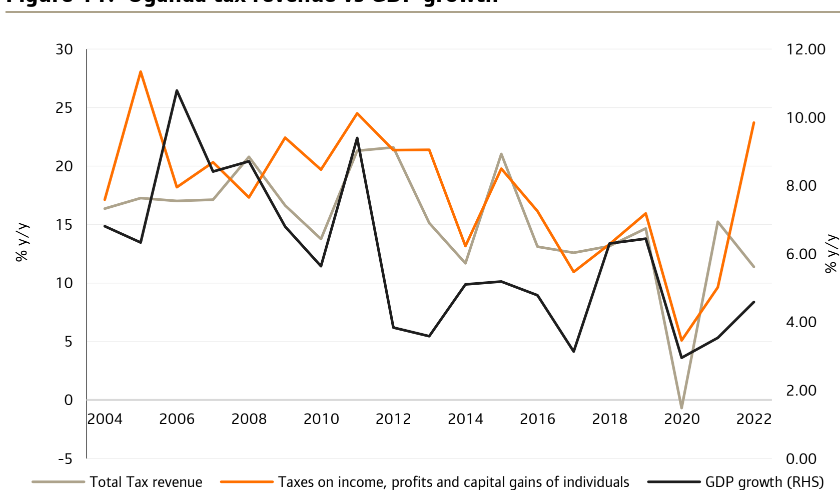
Table 1: Tax rates vs tax revenue % GDP

	CIT	VAT	Personal income tax rates	Tax revenue % GDP
Angola	25	14	25	15.4
Botswana	22	14	25	13
Côte d'Ivoire	25	18	32	13.6
DRC	30	16	40	7.1
Egypt	22.5	14	27.5	12.9
Ethiopia	30	15	35	6.8
Ghana	25	15	35	13.1
Kenya	30	16	35	14.5
Malawi	30	16.5	35	10.8
Mauritius	15	15	20	22
Mozambique	32	16	32	21.9
Namibia	30	15	37	30.3
Nigeria	30	7.5	24	1.5*
Rwanda	28	18	30	15.4
Senegal	30	18	43	19.8
South Africa	27	15	45	24.5
Tanzania	30	18	30	11.4
Uganda	30	18	40	12.6
Zambia	30	16	37	17.9

Source: Various tax authorities; Various ministries of finance; Standard Bank Research
*Tax revenue' refers exclusively to revenue streams allocated to the federal government

Uganda's 2012–2013 personal income tax reform, which raised the top marginal rate from 30% to 40%, while adjusting lower-income thresholds, also highlights interesting dynamics. Personal income tax revenue rose by 21.4% during 2012–2013, only marginally above the 8-y average of 21% before the reform. But again, Uganda's informal sector is large, estimated at nearly 95% of total employment statistics, per the ILO.

Figure 11: Uganda tax revenue vs GDP growth



Source: OECD; Uganda Bureau of Statistic

In Ghana, when VAT was cut to 12.5%, from 15.0% back in 2018, y/y growth of VAT collections averaged just 4.5% during 2018 and 2019, from 22.6% in the 3-y to 2017. This isn't surprising given that Ghana's informal sector is c.85%.

But, crucially, while there is probably enough evidence to suggest that VAT increases will likely grow tax revenue faster in most economies in SSA given their large informal sectors, some economies may have their tax rates way lower than is optimal. Hence, in this scenario, any increase in tax rates off a low base will likely spur tax revenue collections – in the near term at least. But, more importantly, as it is becoming increasingly difficult to formalise informal sectors in SSA, authorities perhaps need to relentlessly focus on broadening the tax base, instead of relying solely on increasing tax rates. Of course, hiking VAT rates, regardless of the size of the informal sector, is politically challenging. Thus, perhaps utilisation and leveraging off technology will likely be a quicker way to broaden the tax base and thereby improve tax compliance. Although, various studies suggest that growing non-tax compliance in SSA is perhaps less to do with inefficient tax administration, but rather strongly linked to the

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perception amongst citizens that the government isn't providing adequate and quality public services such as health, transport and education. This change in perception, along with efforts to continue broadening the tax base, will be central in reviving tax revenue durably for economies in SSA.

Mozambique: higher risk of domestic debt default, and poor prospects of any improvement in sovereign ratings

We examine Mozambique's domestic debt performance as this economy faces recurrent episodes of government bond arrears and a large increase in bond maturities in 2025 and 2026.

Before, arrears were partly attributed to poor debt management office (DMO) capacity, which saw the Ministry of Economy and Finance (MEF) completing in 2024 the migration of external debt data to the Meridian IT system, from CS-DRMS, with a similar process being followed for domestic debt, to help improve debt management.

However, we foresee administrative issues as well as entrenched liquidity pressures culminating in a higher risk of a domestic debt default in 2025. Indeed, external rating agencies too have been flagging Mozambique's sovereign debt pressures. In Oct 2024, S&P downgraded Mozambique's local currency (LCY) long-term sovereign rating to CCC, from CCC+, while affirming the short-term LCY rating at C, with a stable outlook or both LCY and FCY.

In Aug 2024, Fitch has affirmed Mozambique's foreign currency (FCY) rating at CCC+. This rating agency has not assigned LCY ratings on Mozambique's sovereign since Aug 2023. The agency decided to withdraw due to a dearth of reliable information on the resolution of late coupon payments on domestic bonds.

Moody's however has kept Mozambique's LCY and FCY sovereign debt at Caa2, but with the outlook downgraded from positive to stable in Sep 2023.

We see little chance of this economy garnering any material improvement in sovereign ratings soon – unless a speedy resumption of LNG investment can manage to lift economic growth.

An alarming rapid rise in domestic debt in 2024

We estimate central government domestic debt to have grown by an alarming 30% y/y in 2024, to just over MZN400bn (c.USD6.4bn), or 29% of GDP, from 23% of GDP in 2023. This may be due to poor revenue performance during 2024 and general election overspending.

Mozambique's rapid rise in domestic debt began in 2016 when over USD2bn in previously undisclosed publicly guaranteed loans came to light, resulting in the suspension of an IMF programme at that time. This has also limited access to external borrowing in the meantime. Therefore, central bank financing to the government rose to more than double of the legal limit of 10% of revenue of the previous fiscal year.

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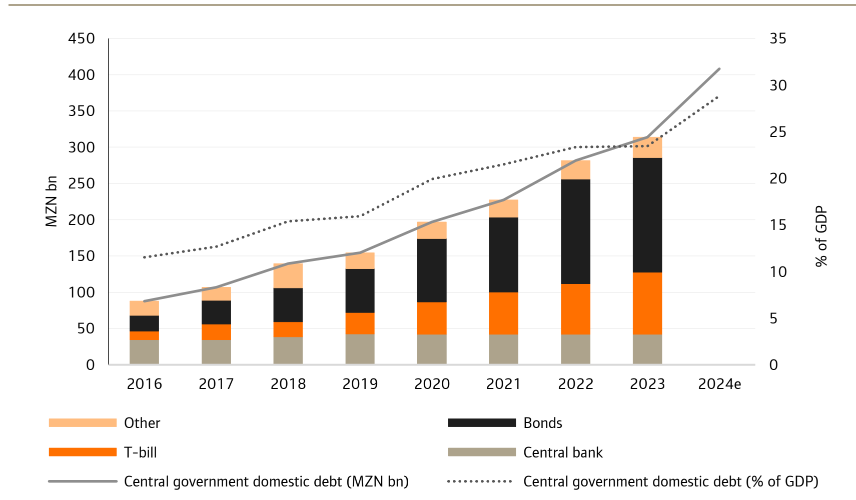
Figure 12: Central government domestic debt balances



Source: Banco de Moçambique; Ministério da Economia e Finanças; Standard Bank Research

More recently, the implementation of the government's unique salary (TSU) in the latter part of 2022 saw the wage bill rising by a staggering 40% y/y in that year, partly financed by a 24% y/y increase in central government domestic debt, with part of that in the form of domestic bonds issued which are now maturing in 2025 and 2026.

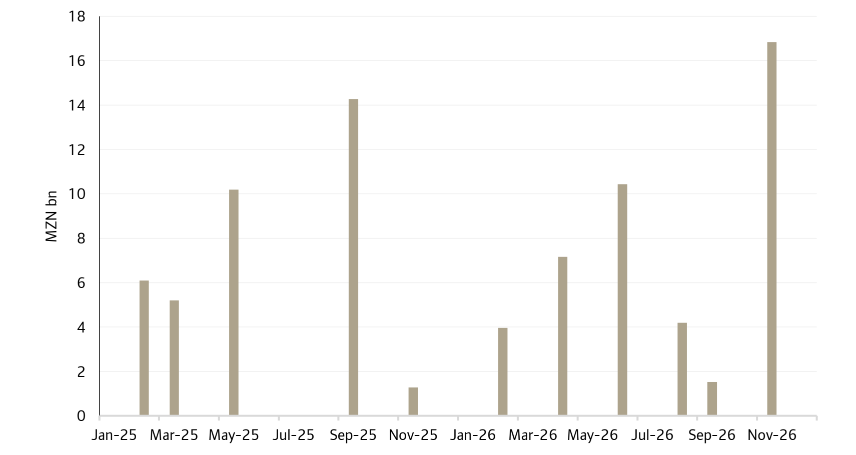
The wage bill in 2024, targeted at MZN199.4bn (c.USD3.1bn), or 14.1% of GDP, consumes over 70% of government revenue, forcing the government to continue borrowing aggressively in the domestic market.

Data reported to Q3:24 shows central bank financing corresponding to 18% of central government debt balances, with T-bills carrying a 31% weight, bonds representing 44% of the exposure, and other term-facilities accounting for 7%.

A material rise in bond repayments in 2025 and 2026

We have been flagging an 88.7% y/y increase in government bond repayments in 2025, to MZN37bn (c.USD580m), from MZN19.6bn in 2024, then rising further, by 19.1% y/y in 2026, to MZN44.1bn (c.USD690m). Poor government bond subscriptions meant that the government has had to increase its reliance on T-bill issuances to fund the Treasury.

Figure 13: Government domestic bond principal repayment



Source: Bolsa de Valores de Moçambique; Standard Bank Research

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Rolling over these bonds, most likely via switch auctions, was the strategy of the previous cabinet to help in dealing with large domestic bond repayments and avoid defaulting. The new cabinet's approach is not known.

Mozambique's capital markets remain underdeveloped, implying a heavy concentration of government T-bill and bonds exposures in commercial banks' balance sheets, pension funds and insurance companies, as well as limited participation from other companies and the public. Notably, investment by foreigners in these instruments is also minimal.

Per the latest published commercial bank financials reported to Dec 2023 and Jun 2024, the top five commercial banks hold over 50% of government debt exposures in the form of T-bill and bonds, with pension funds, including the National Social Security Institute (INSS), also holding a large portion of these instruments, which could range at 20-30%.

Such heavy concentration may assist the government because it implies managing a limited number or stakeholders in performing switch auctions.

Debt service metrics now alarming, in the context limited fiscal space

At face value, per the 2025-2027 medium-term fiscal framework, Mozambique's domestic debt service (interest plus principal) ratio, seen at 17.4% of revenue in 2025 and 14.9% in 2026, with external debt service (interest plus principal) to revenue ratios at respectively 11.6% and 10.8% in 2025 and 2026, does not look particularly alarming, especially when compared with the debt service ratios of economies that have defaulted. However, Mozambique's wage bill, consuming over 70% of revenue, translates into severe liquidity constraints for this sovereign, which does raise deep concern about domestic debt service levels.

Still, Mozambique compares favourably from an inflation perspective. Monetary policy being kept tight, by means of high real interest rates, and high cash required reserves (CRR) at 39% for LCY deposits and 39.5% for FCY deposits, has helped to sterilize the impact of fiscal slippage on inflation.

This, alongside the USD/MZN pair being kept stable since mid-2021, has seen inflation outcomes low, last reported at 4.2% y/y in Dec 2024, and remaining in single digits since Apr 2023. We forecast inflation closing 2025 at 6.1% y/y because of constrained aggregate demand and a stable metical limiting imported inflation.

Easing inflation has allowed the Banco de Moçambique to cut the MIMO policy rate by a cumulative 450 bps in 2024, to 12.75%, from 17.25%, which helps in lowering the cost of financing, especially for the government. This goes a long way in helping to reduce the government's domestic debt interest bill. Further, the central bank could use the LCY CRR to help in releasing some LCY liquidity and thereby entice commercial banks' participation in the likely government debt reprofiling exercise this year and next.

We view domestic debt defaults risks as having increased, especially due to the Treasury's severe liquidity constraints.

The measures announced by President Daniel Chapo during his inaugural speech on 15 Jan may not relieve the government's liquidity pressure. The president announced expenditure cuts of MZN17bn (c.USD266m) by reducing the size of the government, dealing with ghost workers, improving the government's procurement process, and dealing with corruption.

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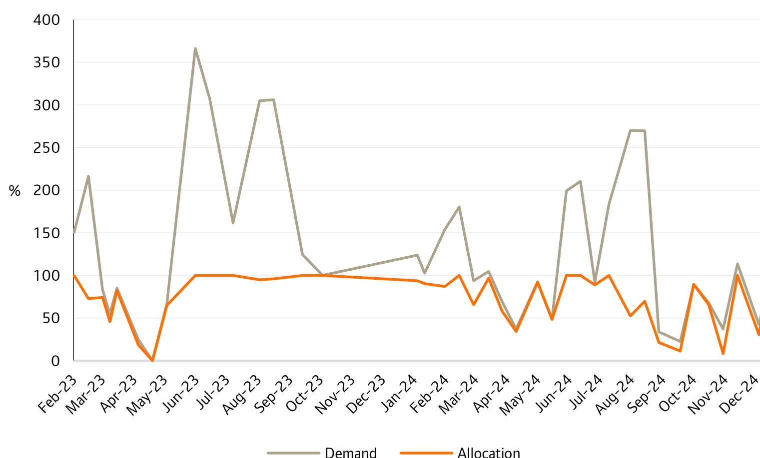
However, low government bond subscriptions in some 2024 issuances, and the already high concentration of bond repayments in H1:25, implies an imminent domestic debt crunch – unless the new cabinet can successfully implement some switch auctions.

Figure 14: Mozambique government domestic bond subscription rates



Source: Bolsa de Valores de Moçambique; Standard Bank Research

Fixed income and currency strategy

Except for Zambia and Ethiopia, we expect most central bank Monetary Policy Committees in our coverage to maintain an easing bias in 2025. However, the Committees in Angola, Malawi and Mozambique will likely keep rates on hold over the coming year.

Of course, should guidance from the US Federal Reserve on future expected rate cuts change, some MPCs will likely turn cautious and perhaps not ease as much as we currently expect. Admittedly, high beta markets, where the concentration of foreign portfolio investment in local debt has risen over the past year, will likely be more cautious if the global inflation outlook changes.

However, in a market such as Egypt, where headline inflation is likely to decline sharply from Feb 2025 onwards, the MPC should have room to ease its policy stance during 2025, even if the Federal Reserve were to further scale back its expectations of rate cuts.

The carry trade that we recommended back in Mar 2025 has returned 13.3% since inception. The EGP came under pressure into Q4:24 as T-bill maturities fell due in Dec, resulting in higher USD demand. In addition, previous restrictions on USD demand for certain sectors were lifted, which also placed upside pressure on USD/EGP in Q4:24.

But, with inflation likely to materially ease from Feb 2024, in large part due to unwinding base effects, T-bill yields have begun edging lower. However, roll-over risks remain large, particularly in Mar 2025 when a large chunk of the 1-y T-bill investments from last year will fall due. Hence, these roll-over risks towards Mar 2025 will likely keep nominal T-bill yields elevated. However, as real EGP yields likely improve notably from Feb 2025, we could still see more investors add exposure to the 3-y government bond.

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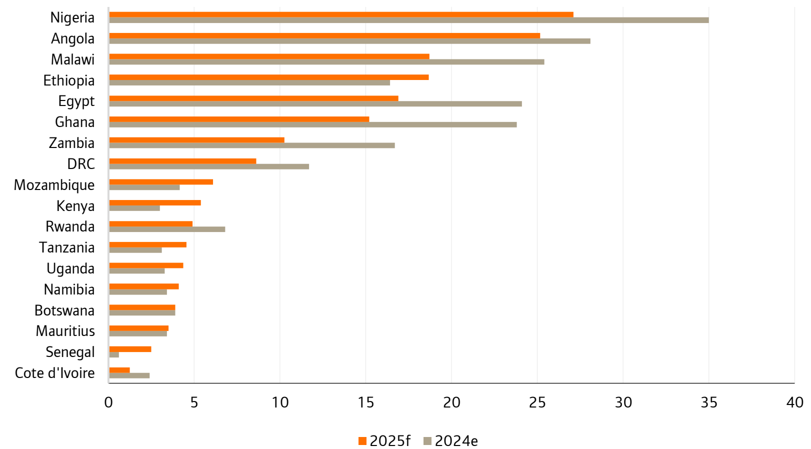
Figure 15: Inflation forecasts (% y/y period end)



Source: Standard Bank Research

But, even as our trade in our shadow portfolio matures in Mar 2025, we would still extend this trade with another carry trade. We still view the EGP's valuation on a REER basis as favourable, undervalued by around 26%, per our estimates, while current account dynamics may also improve after the recent ceasefire deal which may revive Suez Canal receipts. In fact, even before the ceasefire deal, despite a large current account deficit (exacerbated by increased gas imports), and elevated external debt service (between USD15.0-20.0bn per annum) in both 2025 and 2026, the Egyptian government's external funding sources remained ample to cover this.

Kenya will issue another infrastructure bond (KENIB) in Feb 2025. In fact, the government may even prefer to issue new KENIBs in the months where there is a coupon reinvestment risk, being Feb and Aug 2025. But also, in Apr 2025, cumulative maturities of T-bills and government bonds rises to KES254.7, from KES174.9bn in Mar 2025 and KES128.2bn in Feb 2025. Thus, with this large roll-over risk, the government may also look to potentially issue another KENIB closer to Apr.

Recall that the government had initially communicated the intention to conduct a switch auction to deal with this large redemption in Apr 2025 but then decided to delay these liability management plans on the expectation that KES yields may fall further.

With KENIB yields having fallen to around 13.5% in the secondary market at the time of writing, there is probably limited scope for further large duration gains right now, considering that KENIB yields haven't historically been lower than c.12.0%. In addition, we don't expect the KES to rally sharply from current levels. However, we also don't expect the KES to sharply depreciate in 2025, which would imply that the KENIB trade may still provide an attractive avenue for the carry.

The KENIB 2032 position, that we had opened in our shadow portfolio last year, has returned 36.1% in USD terms. We took profit on this trade in early Sep 2024. But, looking ahead, we will only re-enter the KENIB trade if new primary issuances provide entry level yields of 15-16%. Of course, there is always the risk that offshore investors take profit, and move to other markets such as Nigeria and Egypt.

Further, if Kenya doesn't secure a new IMF programme in 2025, portfolio investors may become nervous, particularly if this coincides with a volatile global risk environment. Indeed, while FX reserves have risen to above USD9.0bn, Kenya's external debt service remains elevated over the medium term, which perhaps makes it appropriate for the government to secure a funded, rather than a precautionary, programme.

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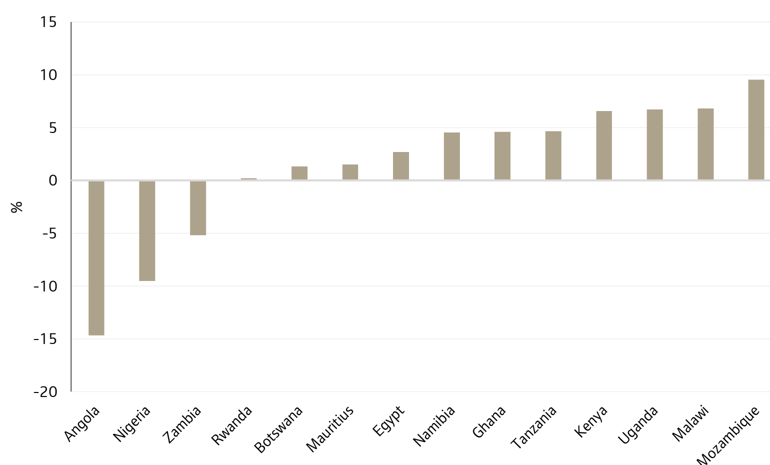
The government is keen to secure another funded programme, although may potentially have to tap into exceptional access again to receive a sizeable IMF arrangement because the government is already close to the SDR quota ceiling. But also, should the government increase uptake of new non-concessional financing, such as the recently discussed UAE financing beyond the USD675m agreed limit with the IMF under the current fiscal framework, the pending ninth, and final, review under the current IMF programme may not transpire. This may then complicate the remaining disbursements under the RSF tranche of the arrangement.

Nevertheless, real KES yields remain relatively attractive, with inflation also unlikely to become troublesome for the MPC. KES liquidity at primary debt auctions may also be anchored by further increases in the National Social Security Fund (NSSF) contributions. However, a La Niña drought may still increase food inflation – but the MPC will still probably look to cut the CBR further in H1:25.

Figure 16: Real 3-m rate



Source: Bloomberg; Various central banks

In Uganda, the 5-y bond yield is now approaching 17.0%. The government has ramped up domestic borrowing over the last few months due to large redemptions in Jan 2025 as well the requirement to clear the remaining overdraft at the BoU. Recall that the government had to clear UGX7.8tn of the BoU overdraft through issuance of marketable securities to the apex bank, with a further UGX1.3tn expected to be cleared in cash. Positively, as of Q4:24, the government had already issued UGX7.8tn in securities to the BoU and cleared that portion of the overdraft. This will likely improve the government’s chances to secure a new IMF programme, which they aim to finalise by Jun 2025.

We still expect further upside for UGX bond yields over the next 3-m due to upcoming large maturities in May 2025, which rise to UGX2.45tn, from UGX722bn in Feb 2025 and UGX547bn for Mar 2025. The yield on the 5-y government bond could reach 17.0-17.5%, a range that may well see us recommending the duration trade in Uganda again, more so if the USD/UGX pair reaches 3800-3850 levels in Q1:25, typically a period where USD demand spikes due to dividend repatriation.

However, the risk of supplementary budgets being issued would normally increase UGX bond yields. Also, with elections expected in Jan 2026, government domestic borrowing and issuance of supplementary budgets could increase in 2025. However, we will closely track whether any tactical duration opportunities arise between Mar and May 2025.

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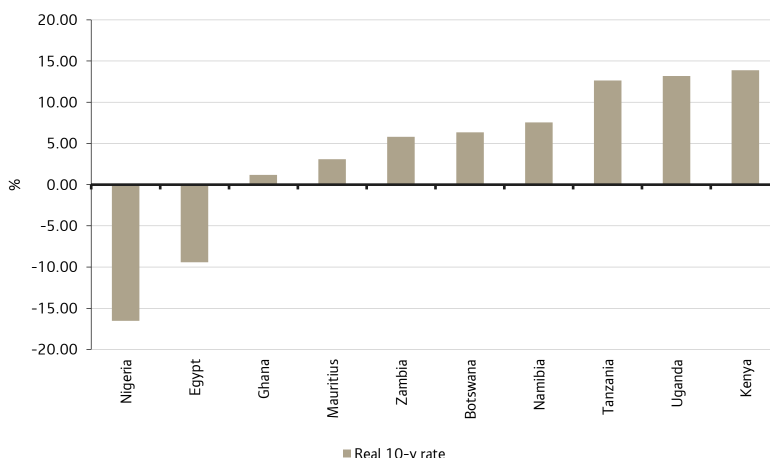
Figure 17: Real 10-y rate



Source: Bloomberg; Various central banks

The carry trade via the 364-d T-bill that we recommended in Zambia will mature in Aug 2025. The trade is down 0.9% due to ZMW weakness in Q4:24. This weakness was largely on the back of increased seasonal agricultural input demand, in addition to looser ZMW liquidity.

We expect moderate upward pressure on USD/ZMW to persist in H1:25, with ZMW liquidity conditions expected to remain loose, in large part due to concerns that domestic funding pressures would deteriorate if ZMW liquidity were tightened, amid the still elevated increase in social spending from the severe drought in 2024.

ZMW pressure in 2024 was also exacerbated by the El Niño drought which increased both food and electricity imports, thereby widening the trade balance. Admittedly, the resumption of favourable rains will be crucial in easing these trade account pressures by replenishing the Kariba Dam and boosting agricultural productivity. However, even if La Niña rains were weak, as is widely expected, which would imply weaker rains in Zambia, we would expect an improvement in the trade account largely due to a significantly lower base from 2024.

Looking ahead, a large portion of the local debt maturities in 2026 is skewed towards foreign portfolio investors estimated at around USD800m. This is more likely to be a balance of payments challenge, rather than a debt sustainability issue, according to us, as non-resident holders are likely to increase USD demand. We believe that the authorities would benefit from signalling to the market how this potential large capital outflow in the financial account would be funded, particularly given that 2026 is in an election year and the current IMF funded programme expires in October 2025. Such signalling would perhaps help alleviate challenges for the government to roll over ZMW debt, which would also anchor investor confidence.

Given our entry point at a 19% yield, we maintain our shadow portfolio position in the carry trade. Our base case is that Zambia will muddle through the high maturity wall both in 2025 and 2026 as the banking system maintains high levels of liquidity. That said, likely looser ZMW liquidity may place further upside pressure on USD/ZMW than we currently envisage in our baseline assumption. But crucially, we also believe that it is likely that Zambia extend, or enter, a new IMF programme once the current one expires in Oct 2025. However, the authorities are keen to extend the current programme before the Oct expiry, which would then also make them eligible for the Resilience and Sustainability Facility (RSF).

In Nigeria, our carry trade recommendation is down around 12.6% since inception in Apr 2024. The NGN came under pressure in Q3:24 largely on the back of both seasonal (college fees) and speculative USD demand. The NGN appreciated in Q4:24 due to an

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increase in FX reserves from the USD2.2bn Eurobond issuance. This was further complemented by the introduction of the B-Match system, which has aided price discovery in the FX market.

However, as USD/NGN declined from late last year, we have seen right-hand-side USD demand also pick up. In fact, the NGN started 2025 on the back foot, with structural USD demand still persisting. The NGN has been under pressure despite the CBN selling USD536m in Dec 2024 and USD360m so far in Jan 2025.

Hence, we will now cut our losses and exit the 364-d T-bill in our shadow portfolio. However, we will wait for better entry levels for USD/NGN between 1600-1700, as OMO yields will likely continue to range around 30.0% for the better part of 2025.

Our expectation for an IMF-sponsored, stepped-up depreciation of the Ethiopian birr (ETB) against the USD has materialized. Our recommendation to buy a 24-month USD/ETB NDF in Jan 2023 proved highly effective, delivering a strong return of 53.73% upon maturity on 21 Jan 2025.

Table 2: Open trades

Positions	Entry Date	Entry Yield, %	Entry FX	Latest yield, %	Latest FX	Total return, %
						Since inception
Egypt: buy Egypt 364-d	28-Mar-24	25.9	47.40	25.43	50.31	13.4
Zambia: buy Zambia 364-d	22-Aug-24	19.00	26.11	15.50	27.8	-0.9

Source: Bloomberg, Standard Bank Research

African Eurobonds: cautious optimism as Eurobonds find their footing

The SBAFSO index posted a solid 12.4% y/y return in 2024, marking a second consecutive year of double-digit gains for African Eurobonds. Z-spreads have largely reverted to their long-term averages, reflecting improved investor sentiment. Several African nations capitalized on this favorable environment to address debt obligations and budgetary needs. Côte d'Ivoire spearheaded issuance activity with a USD2.6bn bond in Jan, primarily allocated to maturing debt. Kenya followed suit, issuing USD1.5bn for liability management. Benin debuted its first dollar-denominated bond, raising USD750m to fund infrastructure and bolster economic resilience. Nigeria tapped the market with a USD2.2bn issuance to bridge its fiscal deficit, while Senegal reopened its Jun bond, raising USD300m in Oct to cover budget gaps caused by delayed IMF disbursements.

Looking ahead to 2025, Egypt, Nigeria, Kenya and Angola are expected to dominate issuance activity. Egypt, Nigeria and Angola face USD1bn maturities this year, likely driving their return to the market for refinancing and fiscal needs. Meanwhile, Kenya, with a modest USD333m maturity, is expected to focus on liability management. Zambia stands out with potential for a credit rating upgrade. Preliminary deals are in progress, and IMF approval secured for the remaining external debt (c.USD1.5bn) yet to be restructured. Zambia's removal from restricted default could follow the completion of its debt restructuring.

Returns will likely be driven by high coupon income on short-term bonds and duration gains on longer maturities, provided US Fed rates decline and global conditions remain supportive. However, a "Trump 2.0" scenario, characterized by volatile trade policies and a strong USD, remains a key risk factor.

Senegal (neutral)

Senegal's credit outlook has taken a significant hit after a reassessment of its fiscal health revealed a much higher debt-to-GDP ratio (83.7% vs. 73.6%) and historical deficits (10.4% vs. 5.5%). Moody's has since downgraded Senegal to B1, citing

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heightened liquidity risks. Although oil production (100k bpd) and LNG exports are on the horizon, the planned hydrocarbon contract reviews by the new government introduce revenue uncertainty at a time when restoring market confidence is critical.

In the near term, risks remain skewed to the downside. The suspended USD1.8bn IMF programme hinges on the completion of pending audits, while Moody's has signalled potential further rating pressure. Market pricing reflects these challenges, with widening spreads and underperformance relative to peers. We recommend maintaining a cautious stance until there is greater clarity on audit outcomes and the IMF programme status.

Côte d'Ivoire (neutral)

Côte d'Ivoire's credit fundamentals remain strong, underpinned by narrowing deficits and ample liquidity from rising foreign reserves, which now cover 4-m of imports. The IMF programme is progressing well, with all performance criteria met to date.

Looking ahead, the Mar 2025 IMF review will be pivotal, likely confirming progress towards the WAEMU's 3% deficit target. Key data on cocoa production for the 2024/25 main crop, expected in Apr, will shape revenue forecasts given recent record prices. Mid-2025 could bring positive ratings action if the government succeeds in eliminating VAT exemptions under its Medium-Term Revenue Strategy. Political developments leading up to the Oct 2025 elections should be closely monitored for potential volatility and market entry opportunities, particularly for the 2037 bonds.

Zambia (overweight)

Zambia's debt sustainability metrics have improved significantly as commercial restructuring nears completion. External debt service is forecast at under 15% of 2025 revenue, with reserves approaching USD5bn. Further, the current account is expected to swing from a 0.6% deficit in 2024 to a 3.4% surplus in 2025, driven by robust mining activity.

Near-term catalysts include a possible announcement of a debt-for-nature swap tied to the 2053 bonds. At current prices of 62.00, these bonds reflect an 80% implied probability of an upside trigger, likely linked to a swap scenario, rather than enhanced debt-carrying capacity, as risks from potential import reclassification could affect the reserve coverage ratio (33% of the composite score), and institutional assessment metrics (47% of score) remain subjective. We maintain our overweight 2033s and neutral 2053s recommendation.

Ghana (neutral)

Ghana's credit fundamentals are improving gradually. The current account surplus and a recovery in FX reserves, which reached USD7.9bn in Nov 2024, enhance debt servicing capabilities. Support from the IMF and World Bank, alongside stronger gold exports, has bolstered reserve adequacy. However, risks linger around fiscal slippage due to delays in the provisional budget and potential overspending by the incoming government. Additional challenges stem from the resumption of external debt repayments and energy sector arrears (2.2% of GDP).

Critical events include the provisional budget approval in Jan 2025 and fiscal policy announcements expected by Mar. Adherence to IMF programme targets by mid-2025 could stabilize spreads, while any fiscal overshoot would likely widen them. Balancing these risks, we maintain a neutral stance.

Mozambique (underweight)

Mozambique's credit fundamentals remain fragile. The current account deficit is widening, and FX reserves at USD3.7bn provide only 3.2-m of import cover, leaving little buffer to address a growing USD440m FX backlog. With debt servicing consuming

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30% of revenue through 2026 and a wage bill at 70% of revenue, fiscal flexibility is severely constrained.

Eurobond servicing obligations remain modest at USD90m annually until 2028 – but mounting domestic refinancing pressures and excessive central bank monetization point to significant funding stress. Near-term catalysts include the formation of a full cabinet and anticipated policy adjustments in February, potential updates on domestic debt liability management by Apr, and any resurgence of political unrest driven by social and revenue pressures. Given these vulnerabilities, we remain underweight.

Nigeria (overweight)

Nigeria's credit metrics present a mixed picture. While public debt/GDP has climbed to 54.5%, FX reserves have strengthened to USD40.9bn (c.10-m of import cover) due to improved remittance inflows and external borrowing. Non-oil revenue outperformance compensates partly for oil revenue falling 25% short of budget projections in 2024, signalling early success in revenue diversification efforts.

Eurobond spreads have tightened significantly, compressing to the 550-580bps range in early 2025, from peaks above 630 bps in late 2024. However, the anticipated Eurobond issuances in 2025, to fund the fiscal deficit, could temporarily widen spreads. The operational launch of domestic oil refining facilities is expected to reduce fuel imports, supporting the balance of payments. Given these improving fundamentals, particularly at the long end of the curve, we maintain an overweight stance but advise monitoring the impact of new issuances.

Angola (overweight)

Angola's credit profile shows marked improvement, with public debt/GDP declining to 56% as of Sep 2024, from a peak of 81% in 2017. Consistent primary fiscal surpluses and proactive liability management have supported this progress, with the debt-to-revenue ratio projected to fall to 85% in 2025, from 133% in 2023. FX reserves stand at USD15.6bn (over 8-m of import cover), although the USD800m FX backlog poses a risk.

Key near-term events include a potential Eurobond issuance of USD2-3bn in H1:25, upcoming rating reviews in Q2, and phased fuel subsidy reforms throughout the year. These developments underscore Angola's commitment to improving fiscal metrics, justifying our overweight position.

Kenya (neutral)

Kenya's debt metrics are under significant strain, with public debt at 73% of GDP and external debt service averaging USD4.7bn p.a. over the medium term. Accumulated arrears exacerbate funding pressures despite a reported fiscal deficit of 4.3% of GDP for FY2024/25. FX reserves provide 4-m of import cover, while the country remains heavily reliant on multilateral support.

The ninth, and final, IMF programme review in Apr 2025 could unlock USD850m, serving as a crucial policy anchor. However, should the government's uptake of non-concesssional finance breach the agreed targets per the IMF programme, the ninth and final review of the programme may be cumbersome to complete. The second supplementary budget planned for Q1:25 presents binary risks, potentially introducing fiscal discipline, or recognizing additional arrears. Liability management efforts, including potential Eurobond and Panda bond issuances totalling USD1.5bn in H1:25, will test market appetite. With these factors in play, we remain neutral.

Egypt (neutral)

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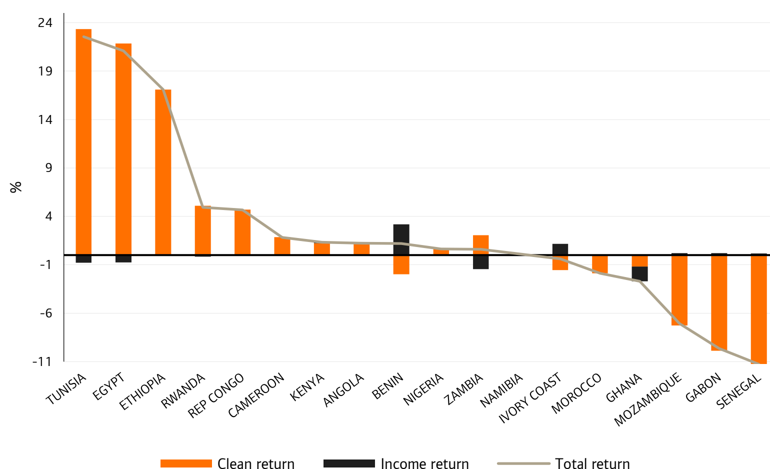
Egypt's debt service requirements remain elevated at USD15-20bn p.a. through 2026, though FX reserves have risen to USD35bn, providing 4.5-m of import cover. The IMF's adjusted programme targets acknowledge fiscal pressures but offer relief through relaxed primary surplus goals (4% vs. 4.5%). Progress in privatization and FX backlog clearance is positive – but the fiscal deficit remains a significant challenge.

A key near-term event is the continuation of multilateral funding and large investment deal with a GCC partner. Also, should the recent ceasefire agreement in the Middle East prove durable, Suez Canal service receipts should receive a boost and support the C/A balance. External debt sustainability hinges on these developments. Given these dynamics, we maintain a neutral stance, pending further clarity.

Figure 18: 2024 Eurobond performance by country (sorted by total returns)



Source: Bloomberg; Standard Bank Research

Africa political calendar: a year of fewer elections – but enduring challenges

The 2025 political calendar appears less crowded. In 2024, it was marked by significant transitions and challenges, as 13 countries held elections across the continent. Key political shifts occurred in Botswana, Ghana and Mauritius. Elections reflected a mix of peaceful transitions and contentious outcomes that drew widespread attention and, in some cases, international scrutiny.

Table 3: 2024 elections in hindsight

Country	Incumbent lost majority
Senegal	Yes
South Africa	Yes
Rwanda	No
Mozambique	No
Botswana	Yes
Namibia	No
Mauritius	Yes
Ghana	Yes
South Sudan	postponed to 2026

Source: Standard Bank Research

In Botswana, the Oct 2024 elections brought a first-time shift in the political landscape. For the first time since independence, the Botswana Democratic Party (BDP) was unseated, with the Umbrella for Democratic Change (UDC) under Duma Boko claiming victory. This political change coincided with some economic adjustments, including a revision to the pula's currency basket. The Bank of Botswana changed the composition to a 50:50 split between the ZAR and SDR, aiming to stabilize currency fluctuations and improve trade competitiveness with South Africa, Botswana's largest trading partner.

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Mauritius experienced its own historic shift during the Nov 2024 elections. The opposition Alliance du Changement (ADC), led by Navin Ramgoolam, ended the dominance of the ruling coalition. Following their victory, the new administration conducted a financial audit that uncovered discrepancies in previously reported economic data, including inflated GDP figures and underreported deficits. These revelations prompted a reassessment of fiscal policies and with the government also signalling a potential shift in foreign policy by revisiting the Chagos Islands agreement, highlighting its focus on safeguarding national interests.

Namibia's Nov elections marked another milestone as Netumbo Nandi-Ndaitwah was elected as the country's first female president. Although the ruling SWAPO party retained power, its declining vote share reflected a gradual erosion of political dominance.

Mozambique, on the other hand, faced challenges with its Oct 2024 elections. Allegations of fraud and irregularities led to widespread protests, even as Daniel Chapo of the ruling FRELIMO party secured the presidency. These controversies mirrored concerns from the previous year's municipal elections, which were also marred by legal battles and protests, though on a less pronounced scale.

In East Africa, Rwanda's Jul elections reaffirmed President Paul Kagame's leadership, with over 99% of the vote. While the election proceeded without major disruptions, it drew criticism from international observers for the lack of meaningful political competition.

In West Africa, Ghana's Dec elections saw the return of former President John Dramani Mahama (previous tenure as President of Ghana, which ended in Jan 17) after a closely contested race against Vice President Mahamudu Bawumia. Economic challenges, including ongoing debt restructuring and fiscal constraints, heavily influenced voter sentiment.

Meanwhile, Senegal's Feb elections featured a record 20 presidential candidates. While the exclusion of opposition leader Ousmane Sonko due to a suspended sentence initially raised tensions, the elections proceeded peacefully following President Macky Sall's decision not to seek a third term. Bassirou Diomaye Faye, representing the opposition, emerged victorious, signalling a significant political shift in Senegal.

Table 4: 2025 elections

Country	Election	Date
Côte d'Ivoire	General elections	Oct 25
Malawi	General elections	Sep 25
Tanzania	President, National Assembly, Zanzibar House Of Representatives & Zanzibar President & Local	Oct 25
Namibia	Local and Regional	H2:25

Source: EISA

The 2025 general elections in Oct in Côte d'ivoire will be the most watched as it is still unclear if the incumbent, 83-year old President Alassane Ouattara, of the ruling coalition party, Rassemblement des houphouëtistes pour la démocratie et la paix (RHDP), will seek a re-election for a fourth term in office. His third term re-election in 2020 was contested by some of the opposition parties, and initially did not recognise his third term re-election as president; Ouattara maintained that a 2016 constitutional amendment essentially "reset" the two-term limit given that a new constitution adopted in 2016 did not retroactively apply presidential terms limits.

There is a growing view that if President Ouattara were to run again for a fourth term, there could be some sporadic and localised unrest and that opposition parties may seek to boycott the poll. That said, most political analysts believe that President Ouattara may prioritise securing his legacy of engendering the political stability necessary for long-term economic growth, and not run for a fourth term in office. And, he could

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instead endorse other partymen, with some analysts suggesting current Prime Minister Robert Beugré Mambé as his successor.

Nevertheless, it is widely expected by political analysts that the ruling party, RHDP, will likely retain power given that opposition remains fragmented and seemingly unlikely to form a strong alliance. While most opposition parties are also yet to nominate their candidates, including the Democratic Party of Côte d'Ivoire (PDCI), the field is stacked with prominent politicians seen as serious contenders.

Ex-president Laurent Gbagbo (2000-2011) has also declared his intention to run again under the Parti des peuples africains – Côte d'Ivoire (PPA-CI). However, he might be barred from contesting due to prior criminal convictions; however, no definitive ruling on his candidacy has been made yet. His party, the PPA-CI, had re-affirmed former president Gbagbo as its chosen candidate for the election – and some analysts believe that the PPA-CI may organise various protests over the coming months in a bid to force the current administration to allow Gbagbo to stand.

The upcoming presidential election in Malawi, scheduled for 16 Sep 2025, is expected to be a highly contested race. President Lazarus Chakwera has been in office since Jun 2020; however, the dissolution of the Tonse Alliance, which initially brought Chakwera to power, has weakened his position and led to a loss of support from key allies. The death of late vice-president Saulos Chilima in 2024 has further complicated the political landscape, removing a key player and kingmaker from the scene. The Democratic Progressive Party (DPP) and the Malawi Congress Party (MCP) are expected to be the main contenders, with the DPP currently holding a slight edge in voter preference, according to recent surveys. Economic issues, governance, and the delivery of public services will be key factors influencing voter decisions. The performance of the current administration in addressing these issues will be under scrutiny.

Tanzanians head to the polls in Oct 2025 for general elections. The main candidates are expected to be incumbent President Samia Suluhu Hassan leading the Chama Cha Mapinduzi (CCM) party. On the opposing side, Chama Cha Demokrasia na Maendeleo (Chadema), in English, the Party for Democracy and Progress, the second-largest political party in Tanzania, will likely front either Freeman Mbowe or Tundu Lissu. The other opposition party looking to increase its influence is ACT-Wazalendo.

CCM is likely to win re-election in 2025, as in the 2020 elections. CCM will tout the country's advancement towards becoming an economic powerhouse for the region, showcasing recent achievements such as business and economic reforms and progress on major infrastructure projects such as the Standard Gauge Railway, the Julius Nyerere Hydroelectric Power Plant and Dam, the East Africa Crude Oil Pipeline (EACOP). Additionally, CCM will tout their progress on ensuring food security. On the political front, President Hassan can also argue that she has allowed for more political freedom with the lifting of the 6-y ban on political rallies.

However, some abductions in the run-up to the local elections in 2024 still cast a shadow and this may give impetus to the opposition. However, with internal fractures in Chadema between the leading opposition protagonists, CCM may still carry both the presidential and the national assembly elections with a majority in the national assembly.

While fewer elections are scheduled for 2025, their outcomes will have profound implications for governance, economic stability, and regional dynamics. As African nations navigate these pivotal moments, the lingering effects of the transformative year of 2024 will likely continue to shape the continent's political and economic trajectories.

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Table 5: African Eurobonds

Name	Moody's/S&P/Fitch	Mid Price	Mod Dur	Yield, %	Spread, bps		Spread change, bps			Total Return, %		
					Over UST	Z-Spread	1 wk	YTD	12mths	1 wk	YTD	12mths
ANGOL 9 1/2 12-Nov-25	B3/-/B-	101.17	0.75	7.94	365.5	368.47	-56.4	-75.5	-293.2	0.61	0.95	3.45
ANGOL 8 1/4 09-May-28	B3/-/B-	94.92	2.78	10.10	574.7	595.26	-18.8	5.4	-107.4	0.70	0.52	5.03
ANGOL 8 26-Nov-29	B3/B-/B-	90.90	3.82	10.44	600.3	628.68	-16.1	-16.2	-81.6	0.85	1.08	4.67
ANGOL 8 3/4 14-Apr-32	B3/B-/B-	89.88	4.99	10.80	616.8	663.28	-21.6	-15.0	-67.3	1.32	1.22	4.61
ANGOL 9 3/8 08-May-48	B3/-/B-	83.61	8.25	11.39	646.4	720.36	-14.2	-15.2	-49.1	1.43	1.22	3.90
ANGOL 9 1/8 26-Nov-49	B3/B-/B-	81.76	8.35	11.33	646.7	715.07	-14.5	-9.9	-40.0	1.46	1.33	3.70
BENIN 7.96 13-Feb-38	B1/BB-/-	96.00	7.28	8.47	384.4	429.22	-37.1	-	-	3.05	-	-
REPCAM 9 1/2 19-Nov-25	-/B-/B	99.57	0.76	10.02	573.9	577.32	17.3	20.3	-113.8	0.08	0.27	2.34
REPCAM 9 1/2 31-Jul-31	-/B-/B	95.48	3.33	10.47	603.9	665.90	-3.1	-	-	0.37	-	-
REPCON 6 30-Jun-29	-/-/CCC+	85.77	2.06	10.05	576.7	895.41	-0.7	-5.2	-60.9	0.24	0.81	5.65
EGYPT 5 1/4 06-Oct-25	-/B-/B	99.15	0.67	6.48	219.7	221.59	-16.3	-6.0	-678.3	0.25	0.32	12.22
EGYPT 3 7/8 16-Feb-26	Caa1/B-/B	96.37	1.00	7.47	318.7	324.95	-35.5	-17.9	-785.1	0.52	0.51	19.47
EGYSK 10 7/8 28-Feb-26	Caa1/B-/-	104.33	0.99	6.71	243.0	249.65	-43.4	-53.5	-515.1	0.59	0.85	6.12
EGYPT 7 1/2 31-Jan-27	Caa1/-/B	99.63	1.78	7.70	341.6	353.89	-40.6	-32.1	-759.5	0.90	1.01	21.31
EGYPT 5.8 30-Sep-27	Caa1/B-/B	94.84	2.38	7.97	368.1	381.98	-35.3	-31.2	-709.0	1.03	1.22	26.95
EGYPT 6.588 21-Feb-28	Caa1u/B-/B	95.85	2.65	8.14	378.6	398.76	-19.8	0.1	-723.4	0.67	0.58	28.31
EGYPT 7.6003 01-Mar-29	Caa1u/B-/B	97.75	3.36	8.25	382.1	411.02	-21.0	-9.3	-709.0	0.89	0.68	31.66
EGYPT 5 7/8 16-Feb-31	Caa1/B-/B	84.78	4.73	9.20	477.1	504.53	-25.1	-3.5	-511.2	1.40	1.50	33.99
EGYPT 7.0529 15-Jan-32	Caa1u/B-/B	87.14	5.26	9.63	499.7	546.28	-19.5	-18.0	-484.2	-2.74	-2.61	32.76
EGYPT 7 5/8 29-May-32	Caa1u/B-/B	89.12	5.33	9.73	510.0	556.41	-22.3	-15.7	-499.8	1.41	1.27	33.42
EGYPT 7.3 30-Sep-33	Caa1/B-/B	85.53	5.93	9.81	518.1	563.53	-12.7	-3.5	-468.5	0.97	0.64	34.14
EGYPT 6 7/8 30-Apr-40	Caa1/B-/B	74.82	8.17	10.15	552.4	592.87	-21.3	16.8	-275.5	1.96	1.54	28.19
EGYPT 8 1/2 31-Jan-47	Caa1/-/B	80.25	8.22	10.88	595.0	668.04	-19.8	-25.9	-354.8	1.87	2.62	30.40
EGYPT 7.903 21-Feb-48	Caa1u/B-/B	76.20	8.55	10.70	577.2	651.13	-18.0	-34.3	-320.9	1.78	2.86	28.19
EGYPT 8.7002 01-Mar-49	Caa1u/B-/B	81.62	8.41	10.86	600.0	668.01	-20.3	-30.0	-360.5	1.95	3.02	31.55
EGYPT 8 7/8 29-May-50	Caa1u/B-/B	82.55	8.65	10.92	605.1	673.94	-20.9	-26.2	-354.5	2.06	2.77	31.95
EGYPT 8 3/4 30-Sep-51	Caa1/B-/B	81.66	8.61	10.87	600.1	669.99	-18.0	-29.2	-349.2	1.80	3.01	31.03
EGYPT 8.15 20-Nov-59	Caa1u/B-/B	76.42	9.10	10.75	588.6	663.84	-16.6	-27.9	-294.5	1.75	3.03	27.19
EGYPT 7 1/2 16-Feb-61	Caa1/B-/B	71.18	9.01	10.64	577.6	653.80	-19.8	-29.0	-266.5	2.02	3.10	24.25
GABON 6 5/8 06-Feb-31	Caa2/-/CCC+	79.15	3.83	11.51	707.5	818.01	-28.5	-109.2	87.4	1.55	5.56	-2.21
GABON 7 24-Nov-31	Caa2/-/CCC+	79.09	4.39	11.49	706.0	796.22	-34.0	-95.5	75.2	1.97	5.42	-2.40
GHANA 5 03-Jul-29	Caa2/CCC+/CCC+	88.87	2.34	8.23	394.9	580.96	-45.4	-50.2	-	1.95	2.51	-
GHANA 5 03-Jul-35	Caa2/CCC+/WD	72.44	5.79	9.83	520.6	664.86	-23.8	-25.8	-	1.96	2.34	-
GHANA 1 ½ 03-Jan-37	Caa2/CCC+/CCC+	41.35	9.36	10.04	540.8	616.65	-23.3	-17.2	-	2.51	2.13	-
GHANA 0 03-Jul-26	Caa2/CCC+/CCC+	93.37	0.90	4.80	51.2	321.05	-27.6	10.9	-	0.50	0.05	-
GHANA 0 03-Jan-30	Caa2/CCC+/CCC+	77.69	2.38	5.17	88.5	580.28	-21.1	10.2	-	1.14	-0.05	-
IVYCST 6 3/8 03-Mar-28	Ba2/BB/BB-	99.64	1.88	6.50	221.5	240.16	-15.9	0.3	-79.5	0.58	0.40	3.07
IVYCST 5 3/4 31-Dec-32	-/BB/BB-	95.18	3.21	7.27	291.5	310.88	-16.7	22.7	-47.4	0.65	-0.15	2.15
IVYCST 7 5/8 30-Jan-33	Ba2/BB/BB-	97.42	5.40	8.07	343.9	392.32	-35.6	-	-	2.21	-	-
IVYCST 6 1/8 15-Jun-33	Ba2/BB/BB-	89.24	5.67	7.90	327.3	392.45	-34.4	4.3	-3.9	2.36	0.07	1.07
IVYCST 8 1/4 30-Jan-37	Ba2/BB/BB-	97.10	6.98	8.64	401.4	445.43	-27.8	-	-	2.20	-	-
KENINT 7 22-May-27	Caa1u/B-/B-	98.96	1.21	7.49	320.0	366.75	-24.0	-18.0	-216.8	0.67	0.71	6.82
KENINT 7 1/4 28-Feb-28	Caa1u/B-/B-	96.15	2.63	8.69	433.9	454.07	-22.4	-7.4	-161.5	0.74	0.80	6.52
KENINT 9 3/4 16-Feb-31	Caa1u/B-/B-	100.04	3.75	9.74	530.4	558.15	-14.1	-	-	0.83	-	-
KENINT 8 22-May-32	Caa1u/B-/B-	92.17	4.71	9.50	507.0	552.84	-17.0	-4.0	-26.6	1.11	1.66	3.35
KENINT 6.3 23-Jan-34	Caa1u/B-/B-	80.36	5.93	9.61	498.0	558.08	-13.0	-27.3	-5.7	1.01	2.12	1.84
KENINT 8 1/4 28-Feb-48	Caa1u/B-/B-	83.84	8.86	10.06	513.3	587.19	-6.7	-21.0	-41.0	0.81	1.73	3.47
MOROC 2 3/8 15-Dec-27	Ba1u/BB+/BB+	91.43	2.73	5.62	133.4	147.54	-12.5	8.8	22.2	0.47	0.13	2.33
MOROC 5.95 08-Mar-28	Ba1u/BB+/-	100.78	2.76	5.67	132.3	152.93	-17.3	5.4	19.5	0.56	0.33	-1.05
MOROC 3 15-Dec-32	Ba1u/BB+/BB+	81.00	6.75	6.06	143.5	189.20	-5.3	14.3	19.5	0.49	-0.71	0.61
MOROC 6 1/2 08-Sep-33	Ba1u/BB+/-	102.16	6.41	6.17	154.4	199.70	-7.5	13.9	11.7	0.61	-0.63	-1.18
MOROC 5 1/2 11-Dec-42	-/BB+/BB+	87.28	10.68	6.73	180.5	250.65	-3.8	13.8	6.8	0.56	-1.18	-0.43
MOROC 4 15-Dec-50	Ba1u/BB+/BB+	66.60	13.50	6.75	188.1	260.27	-3.7	11.9	24.8	0.64	-1.32	-2.54
MOZAM 9 15-Sep-31	Caa2u/-/-	84.95	3.54	12.38	794.8	917.61	-82.4	-141.3	44.3	4.08	7.18	-1.23
REPNAM 5 1/4 29-Oct-25	B1/-/BB-	99.20	0.73	6.32	204.0	207.49	18.5	14.7	36.4	0.00	0.16	0.38

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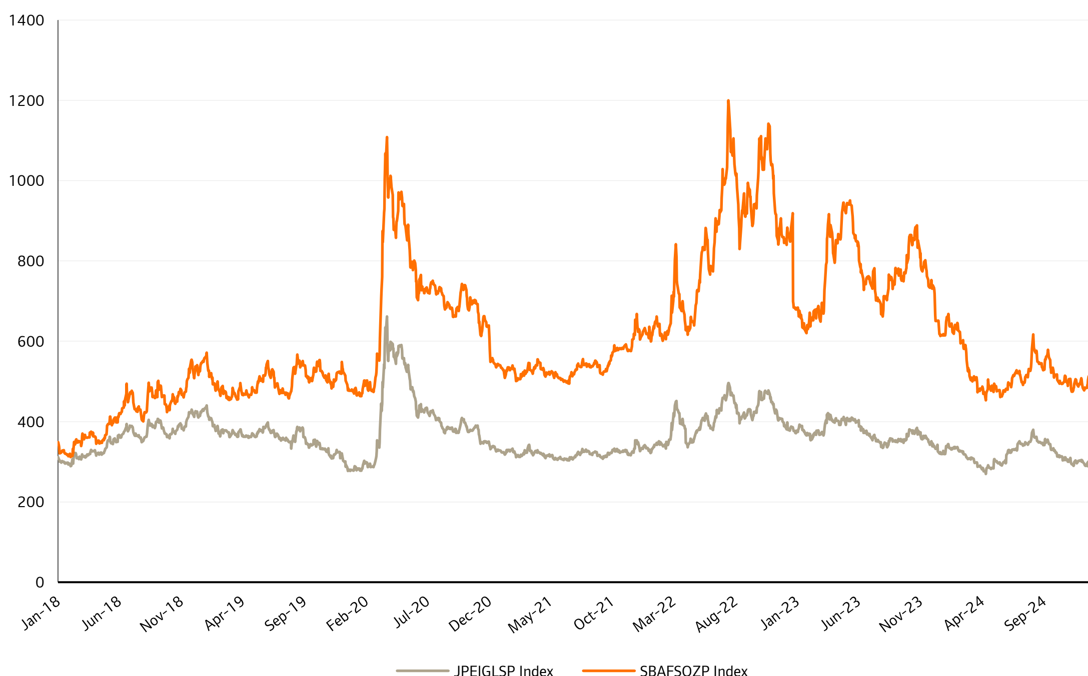
African Eurobonds (continued)

Name	Moody's/S&P/Fitch	Mid Price	Mod Dur	Yield, %	Spread, bps Over UST	Spread, bps Z-Spread	Spread change, bps 1 wk	Spread change, bps YTD	Spread change, bps 12mths	Total Return, % 1 wk	Total Return, % YTD	Total Return, % 12mths
NGERIA 7 5/8 21-Nov-25	Caa1/B-/B-	100.33	0.78	7.19	290.2	293.79	-52.4	-68.4	-154.0	0.58	0.88	2.21
NGERIA 6 1/2 28-Nov-27	Caa1/B-/B-	95.63	2.51	8.25	396.2	410.11	-20.2	-12.4	-124.3	0.69	0.80	5.77
NGERIA 6 1/8 28-Sep-28	Caa1/B-/B-	91.60	3.13	8.84	449.1	469.42	-28.9	-8.1	-83.2	1.06	0.91	5.18
NGERIA 8 3/8 24-Mar-29	Caa1/B-/B-	97.40	3.35	9.13	469.8	498.79	-11.0	1.7	-84.6	0.57	0.34	3.42
NGERIA 7.143 23-Feb-30	Caa1/B-/B-	91.45	3.99	9.29	485.5	513.61	-19.2	-6.1	-75.7	0.97	0.65	4.34
NGERIA 8.747 21-Jan-31	Caa1/B-/B-	97.21	4.56	9.37	493.3	520.97	-16.4	7.9	-55.5	-3.42	-3.43	-0.51
NGERIA 7 7/8 16-Feb-32	Caa1/B-/B-	91.49	5.04	9.56	492.9	539.27	-16.2	-20.4	-64.5	1.03	1.45	4.39
NGERIA 7 3/8 28-Sep-33	Caa1/B-/B-	86.78	5.93	9.65	502.6	548.08	-11.6	-12.5	-54.9	0.90	1.17	4.49
NGERIA 7.696 23-Feb-38	Caa1/B-/B-	82.70	7.31	10.11	547.9	589.54	-12.6	-8.0	-48.8	1.14	1.02	4.30
NGERIA 7 5/8 28-Nov-47	Caa1/B-/B-	77.53	9.12	10.17	524.3	598.21	-8.4	-6.6	-21.6	0.99	1.05	2.26
NGERIA 9.248 21-Jan-49	Caa1/B-/B-	91.79	9.05	10.17	530.4	598.30	-8.3	-7.5	-54.3	-3.90	-3.76	-0.05
NGERIA 8 1/4 28-Sep-51	Caa1/B-/B-	80.99	8.99	10.36	549.5	619.69	-9.7	-7.2	-20.2	1.11	1.11	2.14
RWANDA 5 1/2 09-Aug-31	B2u/B+/B+	85.49	5.12	8.43	399.5	426.84	-6.3	3.8	-73.1	0.51	1.17	7.23
SENEGL 7 3/4 10-Jun-31	B1 *-/B+/-	90.30	4.17	9.83	539.6	598.80	5.3	-	-	-0.04	-	-
SENEGL 6 1/4 23-May-33	B1 *-/B+/-	80.92	5.45	9.63	499.9	582.39	-1.4	-7.8	127.7	0.29	0.89	-6.58
SENEGL 6 3/4 13-Mar-48	B1 *-/B+/-	68.23	8.92	10.40	547.4	626.64	1.4	6.2	97.4	0.10	-0.11	-8.38
SOAF 5 7/8 16-Sep-25	Ba2/BB-/BB-	100.23	0.62	5.50	121.3	121.66	-2.7	-	-19.3	0.14	0.33	-0.06
SOAF 4 7/8 14-Apr-26	Ba2/BB-/BB-	99.17	1.16	5.58	129.1	138.82	-10.8	-18.8	-35.0	0.25	0.50	1.33
SOAF 4.85 27-Sep-27	Ba2/-/BB-	97.52	2.44	5.86	157.5	171.30	-11.3	-	-12.7	0.41	0.26	1.40
SOAF 4.3 12-Oct-28	Ba2/BB-/BB-	93.52	3.33	6.28	192.6	213.07	-9.8	-	-16.8	0.41	0.08	2.10
SOAF 4.85 30-Sep-29	Ba2/BB-/BB-	93.09	4.03	6.58	215.1	243.61	-6.9	5.9	-26.7	0.42	0.08	1.95
SOAF 5 7/8 22-Jun-30	Ba2/BB-/BB-	95.84	4.53	6.80	237.1	265.29	-9.5	-	-32.0	0.58	0.25	1.62
SOAF 5 7/8 20-Apr-32	Ba2/BB-/BB-	93.83	5.67	6.97	234.3	280.69	-8.1	-	-26.5	0.61	0.08	2.17
SOAF 6 1/4 08-Mar-41	Ba2/BB-/BB-	85.77	9.27	7.82	288.7	358.98	-3.4	7.2	-8.9	0.48	-0.29	1.25
SOAF 5 3/8 24-Jul-44	Ba2/BB-/BB-	74.54	10.30	7.97	304.0	374.62	-3.6	-	8.2	0.55	-0.40	-0.27
SOAF 5 12-Oct-46	Ba2/BB-/BB-	68.64	11.01	8.09	315.8	388.81	-4.1	5.3	14.8	0.63	-0.19	-1.02
SOAF 5.65 27-Sep-47	Ba2/-/BB-	74.28	10.78	8.16	322.7	396.69	-3.2	-	9.4	0.52	-0.60	-0.63
SOAF 6.3 22-Jun-48	Ba2/BB-/BB-	80.14	10.79	8.22	329.5	404.03	-3.2	-	3.6	0.52	-0.47	-0.63
SOAF 5 3/4 30-Sep-49	Ba2/BB-/BB-	74.24	10.99	8.20	333.3	402.61	-1.5	-	7.7	0.34	-0.68	-0.32
SOAF 7.3 20-Apr-52	Ba2/BB-/BB-	89.95	10.80	8.23	336.4	408.12	-2.3	-	-10.8	0.42	-0.54	1.40
TUNIS 8 1/4 19-Sep-27	Caa2/NR/WD	93.87	2.24	10.96	667.1	680.70	-37.8	-69.8	-	1.10	-	-
ZAMBIN 5 3/4 30-Jun-33	Caa2u/CCC+/CCC+	89.62	3.09	7.77	341.8	514.07	-7.8	-	-	0.55	-	-
ZAMBIN 0 1/2 31-Dec-53	Caa2u/CCC+/CCC+	62.00	25.12	2.31	-255.7	-166.99	-6.2	-	-	1.66	-	-
SB Africa Eurobond (incl. SA)										0.99	1.51	15.79
SB Africa Eurobond (excl. SA)										1.09	1.78	16.85

Source: Bloomberg; Standard Bank Research

Figure 19: Spread over UST: SB African Eurobond index vs EMBI Global



Source: Bloomberg; Standard Bank Research

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Figure 20: SBAFSO total return index vs 10-Y UST yield

Source: Bloomberg; Standard Bank Research

Table 6: Open trades

Positions	Entry Date	Entry Yield, %	Entry FX	Latest yield, %	Latest FX	Total return, %
						Since inception
Egypt: buy Egypt 364-d	28-Mar-24	25.9	47.40	25.43	50.31	13.4
Zambia: buy Zambia 364-d	22-Aug-24	19.00	26.11	15.50	27.8	-0.9

Source: Bloomberg, Standard Bank Research

Table 7: Closed trades

Positions	Entry Date	Exit date	Entry Yield	Entry FX	Latest yield, %	FX	Total return, %	
Uganda: buy UGANGB '24	11-Apr-19	30-Apr-19	15.00	3760.000	14.70	3735.000	2.40	57.65
Egypt: buy 12-m T-bill	01-May-18	30-Apr-19	16.92	17.704	17.52	17.183	18.42	18.48
Zambia: sell USD/ZMW 6-m NDF	30-Oct-18	25-Apr-19	34.27	11.570	5.00	12.350	9.62	20.85
Malawi: buy 12-m T-bill	02-May-18	02-May-19	15.00	725.500	9.35	736.740	11.25	11.25
Ghana: sell USD/GHS 12-m NDF	07-Jun-18	03-Jun-19	19.40	4.740	5.00	5.350	5.73	5.79
Kenya: buy INF 14	18-Feb-19	28-Jun-19	11.80	100.200	10.95	102.200	6.33	18.82
Angola: sell USD/AOA 12-m NDF	09-Jan-19	27-Sep-19	18.77	311.620	17.97	375.120	-6.14	-8.48
Angola: sell USD/AOA 12-m NDF	09-Jan-19	10-Oct-19	18.77	311.620	28.25	390.760	-11.52	-15.04
Egypt: buy 12-m T-bill	06-Nov-18	29-Oct-19	19.78	17.920	5.00	16.134	30.60	31.39
Nigeria: buy 12-m T-bill	01-Nov-18	31-Oct-19	16.82	363.000	5.00	363.000	14.78	14.82
BEAC: sell USD/XAF 2-y NDF	24-Nov-17	21-Nov-19	4.25	550.620	5.00	592.342	0.82	0.41
Kenya: buy INF 2035	28-Oct-19	31-Jan-20	12.40	103.600	11.35	100.560	13.20	61.02
Nigeria: buy NIGB '27	27-Feb-18	17-Mar-20	13.70	361.000	13.38	368.170	25.44	11.68
Zambia: sell USD/ZMW 6-m NDF	10-Dec-19	20-Mar-20	25.02	15.250	38.34	17.150	-8.27	-26.81
Nigeria: buy NIGB '27	27-Feb-18	17-Mar-20	13.70	361.000	13.38	368.170	25.44	11.68
Zambia: buy ZAMGB '26	18-Nov-16	14-Apr-20	24.50	9.810	33.81	18.403	-6.15	-1.85
Zambia: sell USD/ZMW 6-m NDF	10-Dec-19	14-Apr-20	25.02	15.250	32.63	18.400	-11.74	-30.36
Uganda: buy Uganda '29	14-Oct-19	15-Jun-20	14.90	3700.000	14.80	3720.000	8.75	13.31
Ghana: buy GHGB '20	31-Oct-16	23-Jun-20	20.00	3.985	15.60	5.791	24.87	6.28
Kenya: KenGB '29	08-Apr-20	20-Aug-20	12.10	106.000	10.60	108.000	10.41	30.96
Nigeria: sell USD/NGN 12-m NDF	22-Jun-20	13-Jan-21	18.06	387.800	20.96	393.180	6.37	11.61
Angola: buy USD/AOA 12-m NDF	09-Sep-20	13-Jan-21	26.15	620.750	17.57	652.500	-7.46	-20.11
Kenya: buy KenGB '31	24-Aug-20	17-Jan-21	11.24	108.000	11.00	110.080	3.93	10.12
Zambia: buy ZAMGB '24	22-Feb-21	07-Dec-21	34.50	21.675	19.00	17.525	43.97	58.70
Ghana: buy Ghana '29	03-Dec-20	04-Jan-22	21.00	5.940	21.95	6.420	11.30	10.35
Ethiopia: buy USD/ETB 24-m NDF	06-Aug-20	06-Aug-22	12.10	35.420	15.05	52.480	17.17	8.25
Nigeria: sell USD/NGN 12-m NDF	25-May-22	18-Aug-22	18.56	416.750	23.71	428.880	-2.41	-2.41
Uganda buy Uganda 15-y	27-Jun-23	10-Jan-24	15.6	3675	15.6	3800.88	15.10	11.29
Egypt: buy Egypt '27	23-Nov-17	10-Jan-24	15.88	17.69	17.92	30.85	130.22	32.03

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Egypt: buy Egypt 364-d	24-Jan-23	24-Jan-24	21.95	29.8325	21.95	30.89	19.97	15.87
Zambia: buy Zambia 10-y	11-Aug-23	22-Dec-23	26.75	19.075	25.21	26.51	21.44	-12.60
Angola: buy USD/AOA 12-m NDF	02-Sep-24		27.60	1120		1125		0.44
Kenya: buy Kenya IFB '32	14-Feb-24	03-Sep-24	18.46	145.25	17.79	128.90		36.10
Tanzania: buy USD/TZS 12-m NDF	14-Sep-23	13-Sep-24	17.00	2473.22		2701		8.43
Ethiopia: buy USD/ETB 24-m NDF	21-Jan-23	21-Jan-25	19.00	53.93		126.03		57.37
Nigeria: buy Nigeria 364-d	12-Apr-24	21-Jan-25	23.30	1202.5	22.00	1551.410	12.7	-12.6

Source: Bloomberg, Standard Bank Research

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Angola: an improved outlook – but the risks remain abundant

Medium-term outlook: high debt service and subdued investment limit GDP growth

The outlook for the Angolan economy has improved, supported by moderating government debt service creating fiscal space and increasing developmental spending.

Our growth forecasts for 2025 and 2026, at 3.4% y/y and 3.6% y/y respectively, now exceed our Jun 2024 AMR forecasts of respectively 2.6% y/y and 1.7% y/y. Now, we factor in higher general domestic expenditure (GDE), a metric that captures personal and government expenditure, as well as investment.

Oil sector reform progress has seen FDI in this sector supporting oil output currently around 1.1m bpd, but with some upside for natural gas output.

This, alongside targeted investment in agriculture, mining, electricity generation and transport and logistics, improves the outlook. Further, targeted public and private sector investment in the Lobito and Namibe corridors should gain momentum. Privatizations progress too should help generate some FDI.

There are still many risks to the outlook because Angola remains heavily exposed to oil price volatility. Its oil sector accounts for c.94% of exports, over 25% of GDP, and represents over 50% of government revenue.

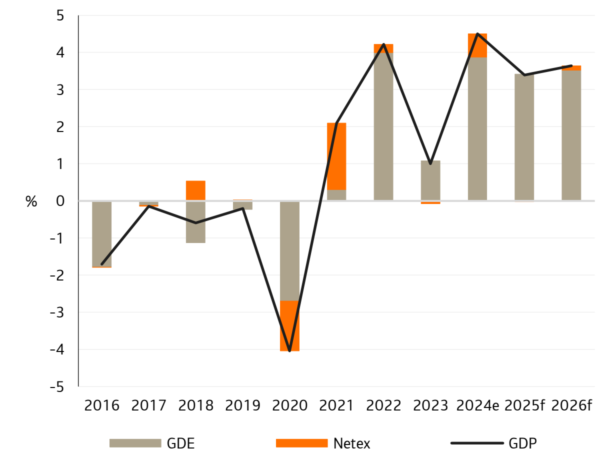
We foresee net exports' contribution to growth turning negative temporarily in 2025 due to softer oil prices affecting exports, and higher imports (mostly investment-driven). Net exports' growth contribution should then resume in 2026, while imports may decline temporarily, critical in keeping the current account in surplus.

We estimate GDP growth at a 10-y high of 4.5% y/y in 2024, up from 1% y/y in 2023, due to robust oil sector GDP growth which we estimate at 3.9% y/y in 2024, up from a contraction of 2.4% y/y in 2023 when a maintenance production pause during Q1:23 at one of the oil streams saw oil output dip below 1m bpd. The non-oil economy staged a broad-based growth acceleration, which we estimate at 4.7% y/y in 2024, up from 2.3% y/y in 2023.

Despite entrenched FX liquidity pressures, with an FX backlog estimated at USD600m at end 2024, FX supply increased in 2024 mostly due to higher FX sales by the Treasury, which supported the economy.

Nevertheless, inflation is seen still high, which, alongside high unemployment, last reported at 32.3% in Q2:24, will constrain consumer confidence. We retain our 2025 year-end inflation forecast at 25.2% y/y due to likely kwanza weakness as well as fuel subsidy reform progress. Inflation rose to 27.5% y/y in Dec 2024, from 20% y/y in 2023.

GDP by demand



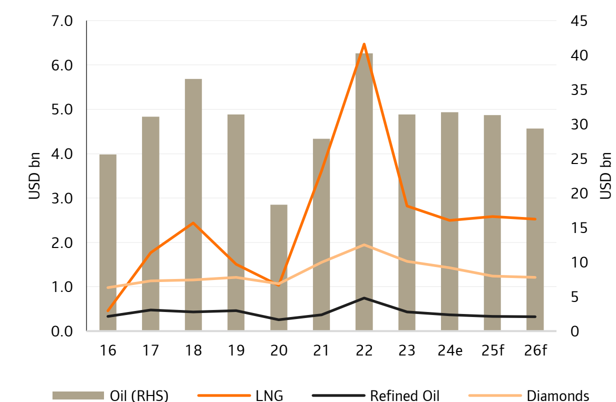
Source: Banco Nacional de Angola; Instituto Nacional de Estatística; Standard Bank Research

Contribution of GDP by sector (% of total)

	2016	2021	2022	2023
Agriculture and forestry	4.5	5.8	5.8	5.9
Fishing	2.8	3.3	3.3	3.4
Oil	38.0	27.0	26.3	25.4
Other extractive	1.9	2.0	1.9	2.1
Manuf. (incl. oil refin.)	3.9	4.2	4.2	4.2
Electricity and water	0.7	0.9	0.9	0.9
Construction	10.3	8.2	8.4	8.2
Trade	12.7	16.5	16.2	16.4
Transport and storage	2.4	2.2	2.9	2.8
Courier and comm.	1.8	1.7	1.6	1.6
Financial and insurance	1.5	1.3	1.2	1.3
Real estate	5.0	5.5	5.5	5.6
Public administration	7.5	8.2	8.6	8.5
Other services	5.9	6.5	6.5	6.6
Taxation minus subsid.	-0.3	-5.8	-0.7	-0.7
Statistical discrepancies	1.4	12.4	7.4	7.7
GDP	100.0	100.0	100.0	100.0

Source: Instituto Nacional de Estatística; Standard Bank Research

Principal exports



Source: Banco Nacional de Angola; Standard Bank Research

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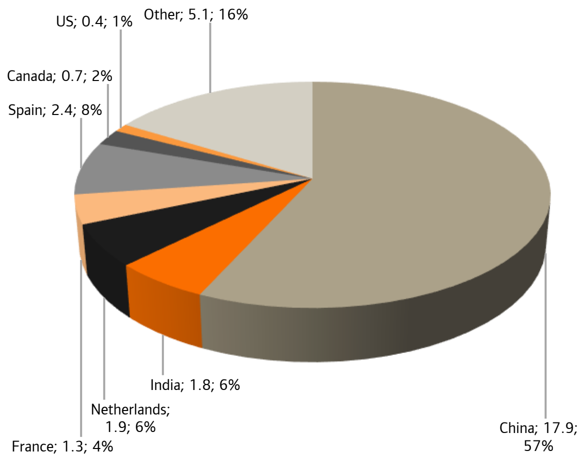
Medium-term economic growth forecasts

	Q1:25	Q2:25	Q3:25	Q4:25	Q1:26	Q2:26	Q3:26	Q4:26	Q1:27	Q2:27	Q3:27	Q4:27	Q1:28	Q2:28	Q3:28	Q4:28
GDP (% y/y) pa	3.6	3.4	3.1	3.4	3.7	3.9	3.3	3.6	3.1	3.3	3.5	3.3	3.1	3.2	3.0	3.1
CPI (% y/y) pe	24.0	21.7	23.0	25.2	25.1	24.5	22.9	20.5	20.2	19.8	19.5	19.1	18.2	17.2	16.3	15.4
Policy rate (%) pe	19.50	19.50	19.50	19.50	19.50	19.50	19.50	19.50	19.00	18.00	18.00	18.00	18.00	18.00	18.00	17.00
3-m rate (%) pe	17.4	17.3	17.3	17.4	17.4	17.4	17.3	17.2	16.8	15.9	15.9	15.9	15.9	15.9	15.8	15.0
6-m rate (%) pe	17.6	17.5	17.6	17.7	17.7	17.7	17.6	17.5	17.1	16.2	16.2	16.2	16.1	16.1	16.0	15.2
USD/AOA pe	926.7	997.6	1,053.4	1,085.4	1,121.6	1,159.0	1,197.7	1,237.6	1,248.8	1,260.1	1,271.4	1,282.9	1,302.3	1,321.9	1,341.8	1,362.0

Source: Banco Nacional de Angola; Bloomberg; Instituto Nacional de Estatística; Ministério das Finanças; Standard Bank Research

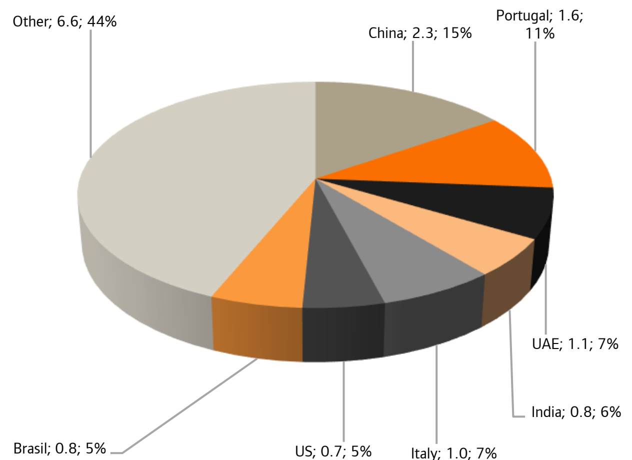
Notes: pa - period average; pe - period end

Exports destinations (USD bn)



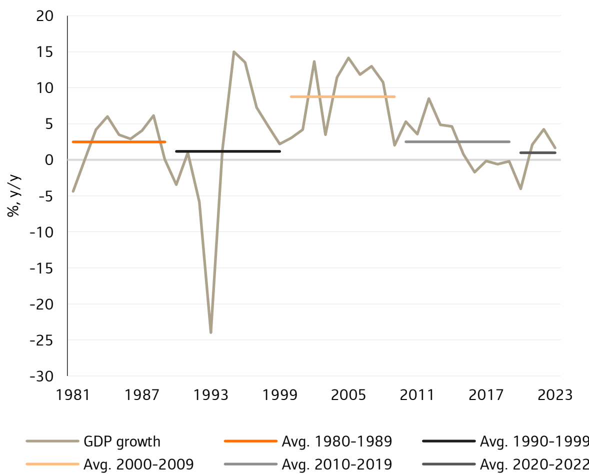
Source: Banco Nacional de Angola

Imports destinations (USD bn)



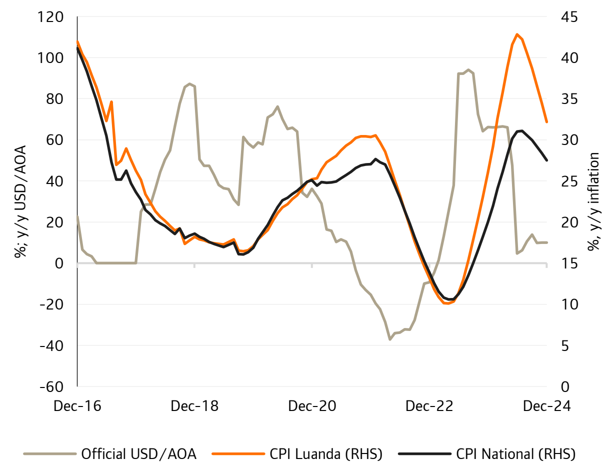
Source: Banco Nacional de Angola; Standard Bank Research

Long-term GDP performance



Source: Instituto Nacional de Estatística; Standard Bank Research

Annualised FX rate changes versus inflation



Source: Banco Nacional de Angola; Instituto Nacional de Estatística; Standard Bank Research

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Balance of payments: keeping the C/A in surplus

We estimate the current account (C/A) to have remained in surplus in 2024, at 5.7% of GDP. For 2025 and 2026 our forecasts point to C/A surpluses of respectively 3.2% of GDP and 2.2% of GDP.

Overall exports, which peaked at USD50.1bn in 2022 when Russia's invasion of Ukraine saw oil prices averaging USD101.8/bbl in that year, may soften further into 2026 to USD34.1bn, from USD37bn in 2023.

Consensus estimates foresee softer oil prices for 2025 despite geopolitical risks and sanctions. Angola likely has limited upside for oil output, which may constrain export revenue.

The government approved in Dec 24 fiscal incentives for incremental production in mature oilfields, which may help stabilize oil output around 1.1m bpd. There has been an increased focus on oil concessions, with six oil blocks awarded this during 2024, bringing the cumulative figure since 2019 to 35 blocks.

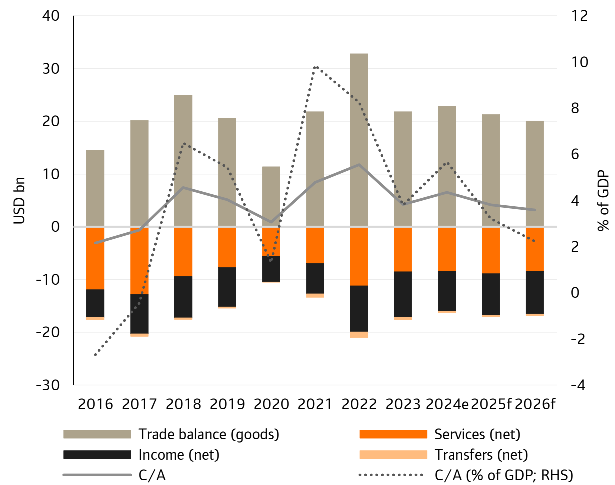
The diamond sector, accounting for c.4% of exports, may have recorded an all-time high production volume of over 12m carats in 2024, this after breaking during Jan-Nov 24 the previous year's record of 10m carats. Nevertheless, diamond export revenue has had to absorb the impact of softer prices.

From an import perspective, likely higher public and private investment may see imports growing at 6.8% y/y in 2025, to USD23.8bn, as some infrastructure spending carries a large imports component. This may moderate the C/A surplus.

FDI has remained low and mostly directed towards the O&G sector – but may have turned positive in 2024; it is seen as positive into 2026 as O&G FDI rises. As noted in our equity research thematic published in Dec 24, privatization progress should boost FDI.

Limited FX sales by the BNA saw gross FX reserves up by 1.7% y/y in 2024, to USD15.6bn, or over 8-m of imports.

Current account developments



Source: Banco Nacional de Angola; Standard Bank Research

FX reserves

Source: Banco Nacional de Angola; Standard Bank Research

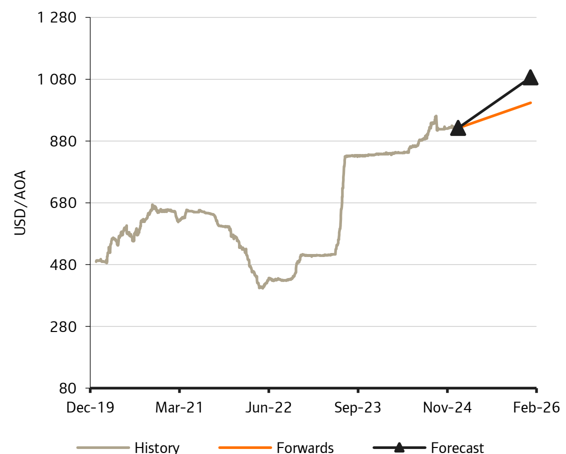
FX outlook: still a depreciating kwanza bias

Despite some easing in government's debt service, which supports increased FX sales by the Treasury, FX supply will likely remain insufficient to clear the FX backlog, last reported at USD600m.

This underpins a depreciating bias for the kwanza, with FX sales (excluding the Treasury and BNA) averaging USD700m per month (of which USD450m via B-match) in recent months which was insufficient to help satisfy full FX demand.

During 2024, the kwanza depreciated by 9.1% y/y, much softer than 40% y/y in 2023 when governmental external debt service peaked after payments to China were resumed. Our 2025 year-end forecast for the kwanza to the USD, at 1,085.4, implies the kwanza depreciating by 15.1% y/y, largely from mid-year.

USD/AOA: forwards versus forecasts



Source: loomberg; Standard Bank Research

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Monetary policy: tightening bias

We see the BNA MPC keeping the BNA rate on hold at 19.5% this year. It had hiked by a cumulative 250 bps between Nov 23 and May 24.

Even as inflation eases further, the BNA may opt to maintain local currency liquidity conditions as tight to help limit kwanza weakness. We therefore foresee further monetary policy tightening.

The government budget assumes year-end inflation easing to 16.6% y/y in 2025, with the 12-m average down to 19.3% y/y, from an average of 28.2% y/y in 2024.

Inflation in Dec 24 was 27.5% y/y, up from 20% y/y in Dec 23, mostly reflecting sharp kwanza depreciation during 2023 which continued to lift imported inflation into 2024. It also reflects progress on fuel subsidy reform.

We still see inflation easing to 25.2% y/y by Dec 25 but remaining high, which implies real interest rates being kept negative for longer.

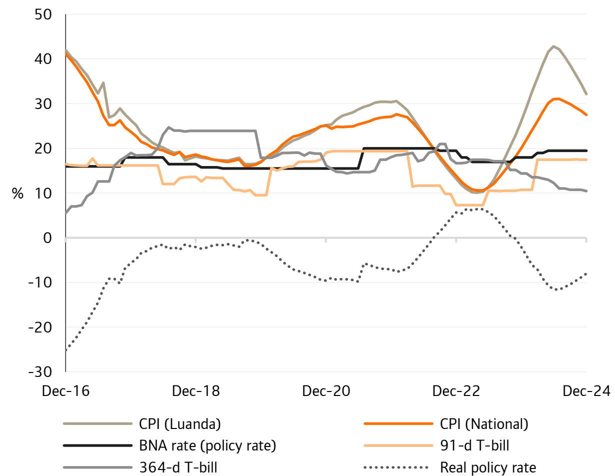
We forecast inflation at a low of 21.7% y/y by Jun 25, then rising due to further progress on fuel subsidy reform and, most likely, more currency weakness from mid-2025.

Since Nov 23, the BNA has lifted the local currency (LCY) cash reserves ratio (CRR) by 4 percentage points, to 21%, but with the foreign currency (FCY) CRR kept unchanged, at 22%.

This, alongside some improvement in fiscal performance, has seen a material deceleration in money supply.

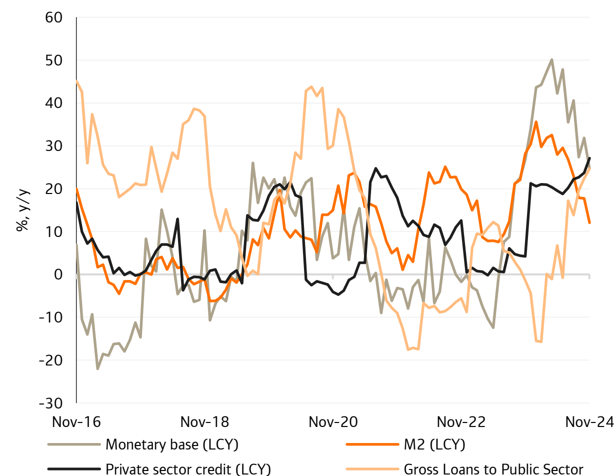
Data reported to Nov 24 shows local currency money supply (M2) growth easing to 12% y/y, down from a peak of 35.6% y/y in Jan 24, assisted by some containment in government's domestic borrowing, which tends to moderate inflation.

Inflation and interest rates



Source: Bancon Nacional de Angola; Instituto Nacional de Estatística; Standard Bank Research

Monetary statistics



Source: Banco Nacional de Angola; Standard Bank Research

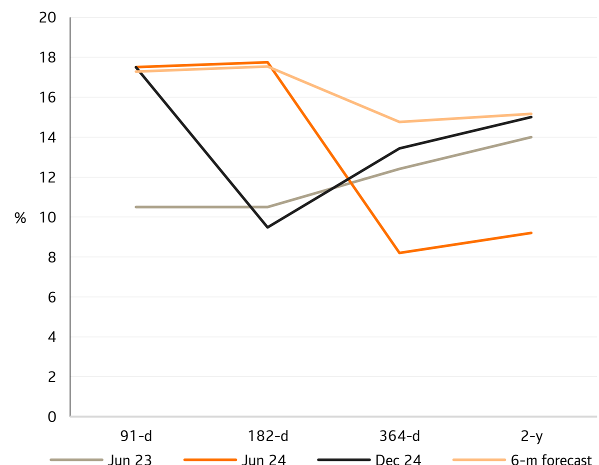
Yield curve outlook: downward pressure

Dec 24 data shows the government combined T-bill and bond exposure down by some 9.4% y/y, to AOA12,751.4bn (c.USD13.8bn). This goes a long way in helping the government lower its domestic debt service costs.

During 2023, when the overall debt service (interest plus principal, domestic plus external) reached 133.4% of revenue, the domestic debt service component represented an alarming 92.6% of revenue. However, this ratio is targeted to decline to 37.2% in 2025, from a targeted 68.3% of revenue in 2024.

This should create fiscal space and continue to see the Ministry of Finance targeting lower yields for both T-bills and government bonds. Cut-off yields for the 364-d T-bill recovered a bit from Jun 24 lows, but these alongside the 2-y local currency bonds yields has remained lower than the BNA policy rate. There is clearly downward pressure at the long end of the yield curve.

Yield curve changes



Source: Banco Nacional de Angola; Standard Bank Research

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Fiscal policy: recurrent fiscal deficits

Angola had fiscal deficits in 2023 and 2024, deviating from the budget which had targeted a surplus in 2023 and a zero deficit in 2024. This mostly reflect the impact of fuel subsidies.

For FY2025, the government budget (12-m ending Dec 25) targets a deficit of AOA1.5tn (c.USD1.6bn at today's FX rate), or 1.2% of GDP (we use a higher nominal GDP than the one considered in the budget as we incorporate updates to national accounts announced by the National Statistics in May 24).

The 2025 deficit reflects higher development expenditure, mostly in infrastructure, which is seen as a key element in supporting private sector business and investment, as well as to increase agriculture's contribution to GDP (which has dwelled around 6%, well below most African economies).

Notably, fiscal consolidation ambitions as well as oil sector performance saw Angola generating fiscal primary surpluses, which have been instrumental in helping reduce public debt balances.

End of Sep 24 data shows overall public debt (domestic plus external) at USD64bn or 56% of GDP, of which USD15bn in domestic debt and USD49bn in external debt (of which USD2.2bn representing SOE external debt, namely Sonangol and Taag). This translates into an impressive cumulative 21% decline in public debt, compared to peak public debt levels of USD81bn in 2017.

The decline in government debt should see a moderating debt service ratio (interest plus principal), to 85% of revenue, in 2025, from 107% in 2024 and 133.4% in 2023. This too should allow for fiscal space to increase developmental spending, up by some 72.5% y/y in 2025, to AOA6.1tn (USD6.7bn) or 4.7% of GDP.

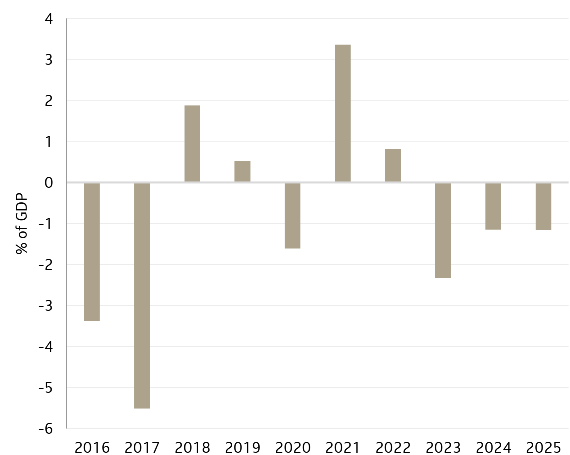
We expect development spending to be partly funded by external borrowing, with Angola most likely tapping the Eurobond market whenever interest rates become more attractive, with the amounts likely disclosed as the 2025 debt plan becomes available. We do not expect Angola to seek financial assistance from the IMF.

Central government finances

% of GDP	2022	2023	2024	2025
Total revenue	20.3	17.3	16.4	15.3
- Oil	11.7	10.2	9.9	8.4
Total expenditure	19.5	19.7	17.5	16.5
- Recurrent	14.2	15.6	14.0	11.7
- Interest	3.5	5.4	4.9	3.4
- Of which domestic	1.8	2.0	1.8	1.4
- Of which external	1.7	3.4	3.1	2.0
- Wages	3.6	3.6	2.9	3.3
- Development	5.3	4.0	3.5	4.7
Overall balance (commitment)	0.8	-2.3	-1.2	-1.2
Net domestic borrowing (-saving)	3.5	5.9	2.9	1.6
Net external borrowing (-saving)	-0.2	-0.6	-1.3	-0.5
Statistical discrepancy	-4.1	-3.0	-0.4	0.0

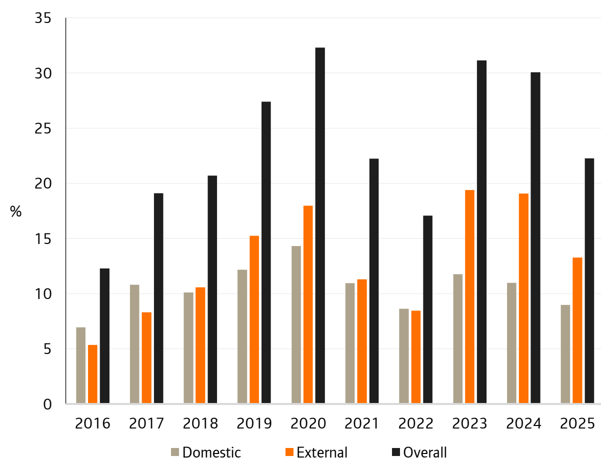
Source: Ministério das Finanças; Standard Bank Research

Fiscal deficits



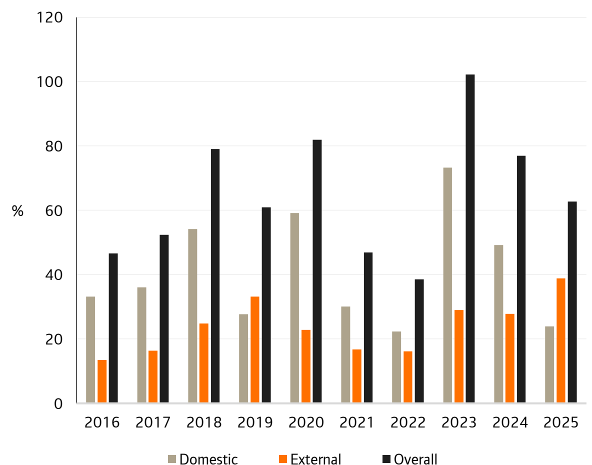
Source: Ministério das Finanças; Standard Bank Research

Interest to revenue



Source: Ministério das Finanças; Standard Bank Research

Principal repayment to revenue



Source: Ministério das Finanças; Standard Bank Research

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Annual indicators

	2020	2021	2022	2023	2024e	2025f	2026f
Output							
Population (million)	31.4	32.1	33.1	34.1	35.1	36.2	37.3
Nominal GDP (AOA bn)	38 466.1	53 278.0	65 604.3	75 753.0	101 510.8	129 561.0	166 042.0
Nominal GDP (USD bn)	66.5	85.4	142.7	110.3	115.0	129.5	142.4
GDP / capita (USD)	2 115.1	2 659.4	4 312.7	3 234.4	3 273.4	3 575.2	3 813.8
Real GDP growth (%)	-4.0	2.1	4.2	1.0	4.5	3.4	3.6
Oil output ('000 bpd)	1,271	1,124	1,137	1,098	1,135	1,149	1,145
LNG output ('000 BOE/d)	146	121	84	94	117	126	131
Central Government Operations							
Budget balance / GDP (%)	-1.6	3.4	0.8	-2.3	-1.2	-1.2	-3.8
Domestic debt / GDP (%)	30.2	20.2	15.2	17.8	13.1	12.9	10.0
External debt / GDP (%)	75.4	59.8	36.5	45.5	41.2	39.9	39.8
Balance of Payments							
Goods and services exports (USD bn)	21.0	33.7	50.1	37.0	36.7	36.2	34.1
Goods and services imports (USD bn)	-15.1	-18.8	-28.6	-23.7	-22.3	-23.8	-22.5
Trade balance (USD bn)	5.9	14.8	21.6	13.3	14.4	12.3	11.6
Current account (USD bn)	0.9	8.4	11.8	4.2	6.5	4.2	3.2
- % of GDP	1.3	9.8	8.2	3.8	5.7	3.2	2.2
Capital and financial account (USD bn)	-2.9	-6.2	-7.8	-4.6	-5.6	-4.1	-2.9
- FDI (USD bn)	-2.0	-3.3	-6.6	-2.2	0.6	1.2	1.4
Basic balance / GDP (%)	-3.1	2.6	2.7	-0.4	0.8	0.1	0.2
FX reserves (USD bn) pe	14.9	15.5	14.6	14.7	15.6	15.1	15.4
- Import cover (months) pe	11.8	9.9	6.1	7.5	8.4	7.6	8.2
Sovereign Credit Rating							
S&P	CCC+	CCC+	B-	B-	B-	B-	B-
Moody's	Caa1	B3	B3	B3	B3	B3	B3
Fitch	CCC	CCC	B-	B-	B-	B-	B-
Monetary & Financial Indicators							
Headline inflation (%) pa	22.3	25.8	21.4	13.6	28.2	23.5	23.7
Headline inflation (%) pe	25.1	27.0	13.9	20.0	27.5	25.2	20.5
M2 LCY money supply (% y/y) pa	11.9	13.4	17.5	15.6	24.6	23.7	24.3
M2 LCY money supply (% y/y) pe	20.7	1.0	18.6	30.4	10.0	25.1	21.5
Policy interest rate (%) pa	15.50	17.75	19.83	17.33	19.17	19.50	19.50
Policy interest rate (%) pe	15.50	20.00	19.50	18.00	19.50	19.50	19.50
3-m rate (%) pe	19.0	19.4	7.3	10.7	17.5	17.4	17.2
1-y rate (%) pe	20.8	17.1	11.0	16.8	13.4	14.9	14.7
USD/AOA pa	578.4	624.1	459.8	686.6	882.9	1,000.8	1,166.2
USD/AOA pe	656.2	555.0	503.7	837.1	921.1	1,085.4	1,237.6

Source: Banco Nacional de Angola; Bloomberg; Instituto Nacional de Estatística; Ministério das Finanças; Standard Bank Research

Notes: pa - period average; pe - period end; na - not available; nr – not rated

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Botswana: offsetting diamond decline with domestic stimulus

Medium-term outlook: growth hinges on diversification amid diamond sector weakness

We estimate that real GDP contracted by 3.5% y/y in 2024, exceeding our Jun AMR 0.03% y/y contraction forecast. Domestic expenditure from households, government and private investment likely added around BWP7.5bn to GDP in 2024 but failed to offset the BWP16.4bn estimated decline in net exports, caused by structural weaknesses in the diamond sector, where both production and trading volumes fell. We estimate that Debswana produced 18.7m carats in 2024, down 26% y/y and below our Jun AMR forecast of 20m.

Our baseline scenario for 2025 includes a slower decline in natural diamond prices as the market stabilizes with production cuts, potentially easing price pressure from lab-grown alternatives and 20-y high inventories.

We forecast 3.7% y/y GDP growth in 2025, driven by a slower decline in net exports of BWP2.7bn and an increase in domestic spending of BWP7.2bn, driven by monetary and fiscal stimulus.

Besides a weak mining sector, Botswana's poor 2024 growth was exacerbated by domestic supply-side constraints, particularly in the utilities sector where the Morupule B power plant's maintenance works created significant energy supply shortages, while the agricultural sector's performance remained subdued due to drought conditions.

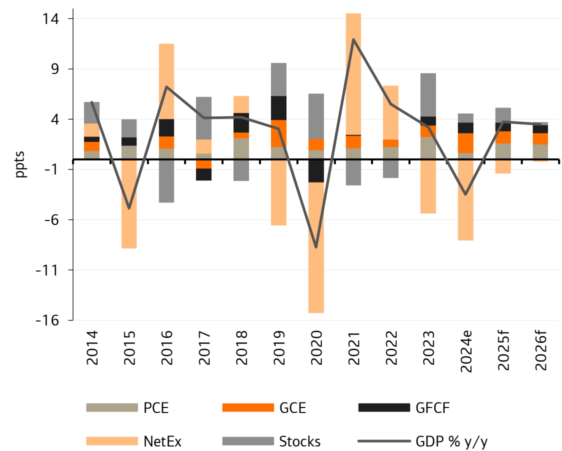
Still, household consumption demonstrated some resilience in 2024, growing 2% y/y in the first 9-m despite significant constraints, including a high unemployment rate of 27.6%, elevated household indebtedness, the high cost of consumer debt, and real purchasing power of average worker salaries remaining below their pre-Covid levels in Q1:24.

For 2025 we expect that recent actions by the central bank (lowering reserve requirements to enhance banking liquidity) will increase lending by commercial banks. Further, a still benign inflationary environment may foster a gradual improvement of real purchasing power for households.

Botswana's Business Expectations Survey in Q3:24 showed private sector optimism concentrated in sectors receiving the most government support. Continued government investment in construction will likely continue this trend in 2025.

Fiscal spending in 2025 should stimulate growth through targeted investment. The recently elected government has earmarked BWP25.1bn for development expenditure, which will focus on transportation, water, electricity and telecommunications. Specific projects include the 100MW solar stations in Selebi-Phikwe, Letlhakane and Jwaneng, aimed at advancing green energy and reducing reliance on traditional fossil fuels. Investment in tourism, agriculture and manufacturing should bolster diversification efforts, addressing this economy's still heavy reliance on diamond revenue.

Composition of GDP growth by demand



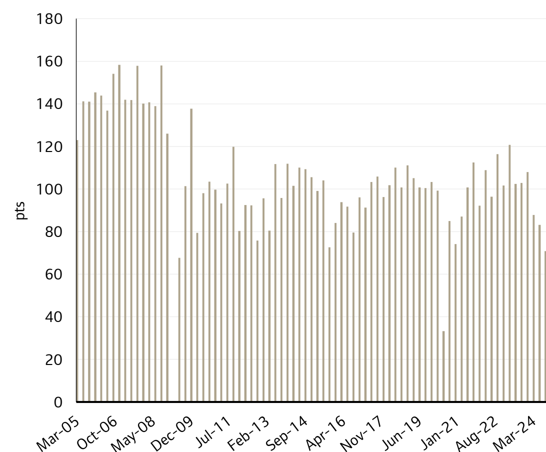
Source: Statistics Botswana; Standard Bank Research

Contribution to GDP by sector

%of GDP	2013	2018	2023
Agric, Forestry & Fishing:	1.9	1.8	1.6
Mining & Quarrying:	27.4	24.3	21.7
Manufacturing:	7.3	5.8	5.4
Water and Electricity:	1.0	1.2	1.1
Construction:	8.8	9.8	8.9
Wholesale & Retail:	7.5	8.7	10.4
Diamond Traders:	1.5	2.4	2.1
Transport & Storage:	1.8	1.8	1.7
Accommodation & Food Services:	2.4	2.6	1.8
Information & Comm Technology:	2.2	2.3	2.5
Fin, Insur & Pension Funding:	3.6	4.7	4.7
Real Estate Activities:	4.0	4.4	4.7
Prof, Sci & Tech Activities:	1.6	1.6	1.6
Admin & Support Activities:	1.6	1.6	1.6
Public Administration & Defence:	14.7	14.4	17.2
Education:	4.8	4.3	4.6

Source: Statistics Botswana; Standard Bank Research

Diamond production



Source: Statistics Botswana; Standard Bank Research

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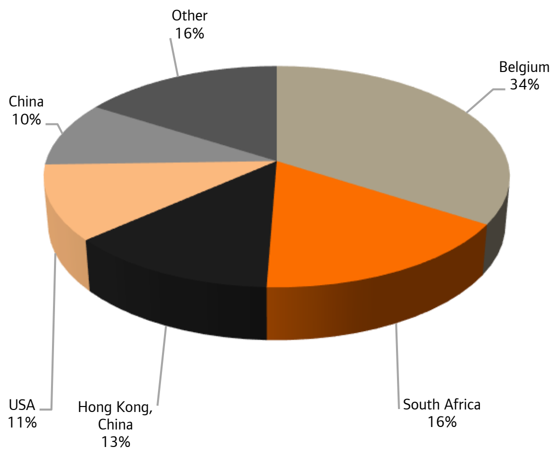
Medium-term economic growth forecasts

	Q1:25	Q2:25	Q3:25	Q4:25	Q1:26	Q2:26	Q3:26	Q4:26	Q1:27	Q2:27	Q3:27	Q4:27	Q1:28	Q2:28	Q3:28	Q4:28
GDP (% y/y) pa	3.84	1.14	5.50	4.58	3.44	3.47	3.49	3.51	3.17	3.20	3.22	3.23	3.44	3.47	3.49	3.51
CPI (% y/y) pe	2.48	2.95	3.43	3.90	4.03	4.15	4.28	4.40	4.43	4.45	4.48	4.50	4.53	4.55	4.58	4.60
MoPR (%) pe	1.65	1.40	1.40	1.40	1.40	1.40	1.65	1.65	1.65	1.90	1.90	1.90	1.90	2.15	2.15	2.15
6-m rate (%) pe	3.57	3.85	4.12	4.40	4.53	4.65	4.78	4.90	4.93	4.95	4.98	5.00	5.03	5.05	5.08	5.10
USD/BWP pe	13.72	13.76	13.79	13.83	13.90	13.98	14.05	14.13	14.22	14.30	14.39	14.48	14.54	14.60	14.67	14.73
BWP/ZAR pe	1.327	1.325	1.323	1.322	1.323	1.325	1.326	1.328	1.330	1.333	1.336	1.338	1.339	1.339	1.339	1.340

Source: Bank of Botswana; Statistics Botswana; Ministry of Finance; Standard Bank Research; Bloomberg

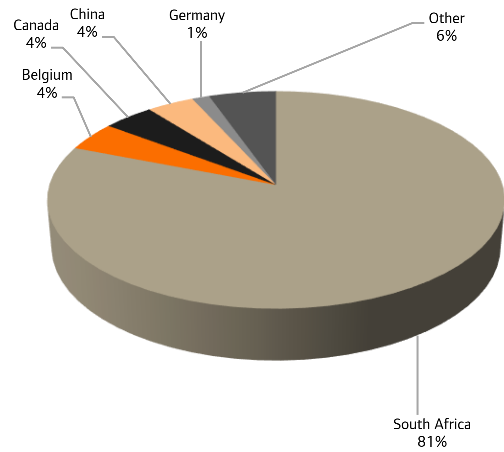
Notes: pa - period average; pe - period end

Share in Botswana's exports (%)



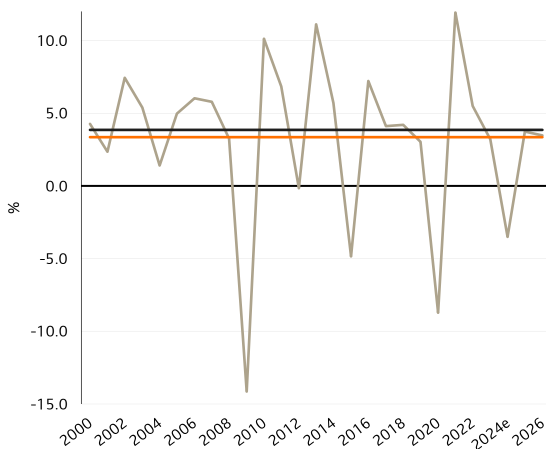
Source: ITC

Share in Botswana's imports (%)



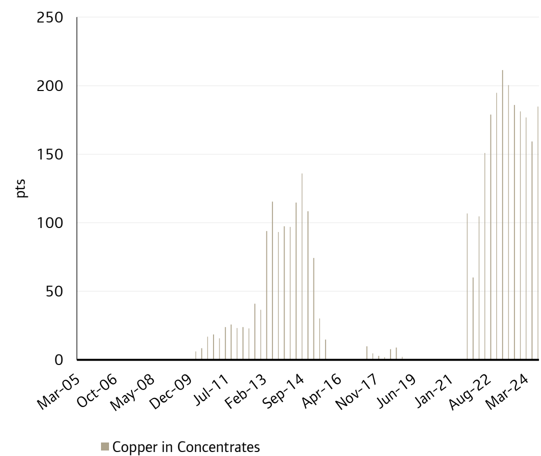
Source: ITC

Long-term GDP performance



Source: Statistics Botswana; Standard Bank Research

Copper production



Source: Statistics Botswana; Standard Bank Research

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Balance of payments: widening current account deficit driven by diamond trade imbalance and SACU revenue

We estimate that the current account deficit widened to USD0.85bn, or 4.27% of GDP, in 2024, from a revised USD0.12bn, or 0.61% of GDP, in 2023, largely due to a deeper goods trade deficit in diamonds.

In the 9-m to Sep 24, rough and polished diamond exports declined by 43.9 % y/y, to USD2.3bn. However, rough diamonds imported for re-export by Okavango Diamond Company (ODC) increased by 45% y/y, to USD0.9m.

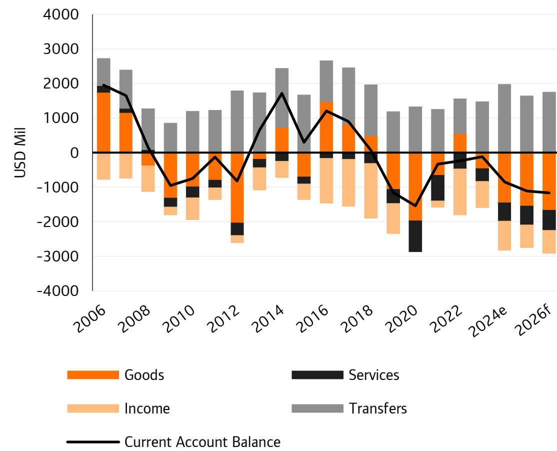
This is because in late 2023, ODC had subdued imports likely due to its suspension of diamond sales because of a severe accumulation of inventory in the mid-stream market. The normalisation of ODC imports, while exports declined, caused a 60% y/y decline in the diamond trade balance of c.USD2bn (10.2% of 2024 GDP) in the 9-m to Sep 2024.

We project the current account deficit to widen to USD1.1bn, or 5.29% of GDP in 2025, driven primarily by a continued, albeit slower, decline in diamond exports. Additionally, SACU receipts are expected to decrease to BWP23.0bn in 2025, down from BWP26.7bn in 2024, reflecting weakened growth in international trade across member states of the customs union, particularly South Africa.

The financial account recorded a net outflow of BWP6.6bn in H1:24 due to an increase in the value of portfolio investments abroad. The overall balance of payments consequently reflected a deficit of BWP4.7bn (3.6% of GDP).

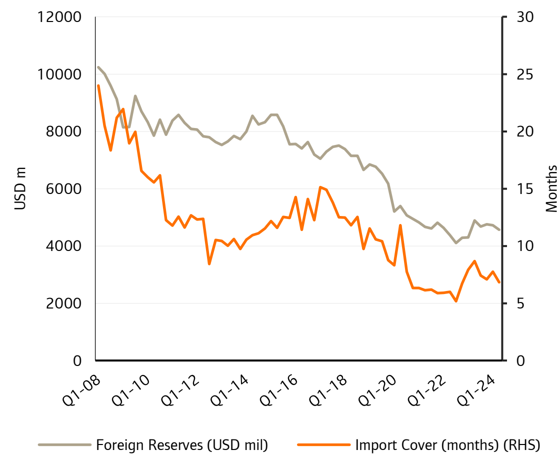
In line with these developments, we expect that foreign exchange reserves declined by 10.0% y/y in 2024, to USD4.3bn. Despite this likely reduction, we estimate that reserves remained sufficient to cover 6.6-m of import requirements.

Current account developments



Source: Statistics Botswana; Bank of Botswana; Standard Bank Research

FX reserves



Source: Bank of Botswana; Statistics Botswana; Standard Bank Research

FX outlook: ZAR weight increased to 50% from 45% to better reflect trading patterns

In 2024 the pula exhibited more volatility against the South African rand (ZAR), against which it depreciated by 4% y/y, than the USD, against which the pula depreciated 1.2% y/y.

This led to the Ministry of Finance and the Bank of Botswana in Dec 24 revising the currency basket weights to an equal 50% allocation for the IMF's Special Drawing Rights (SDR) and the ZAR, South Africa being Botswana's most significant non-diamond trading partner. The 1.5% downward crawl within a fixed range was maintained.

In 2025 we forecast the pula depreciating against the USD by 1.1% y/y, with the USD/BWP closing the year at 13.83, driven by the deficit in the balance of payments. We see the pula depreciating modestly against the ZAR, by 0.57%, with the BWP/ZAR pair ending the year at 1.322.

USD/BWP forwards versus forecasts

Source: Bloomberg; Standard Bank Research

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Monetary policy: benign inflation should enable stimulative monetary stance

Headline inflation likely averaged 2.9% y/y in 2024, down from 5.26% y/y in 2023, but slightly higher than our revised forecast of 2.6% y/y. This was driven by subdued domestic demand, declining international oil prices, and the impact of base effects from fuel price adjustments in late 2023. The downward trend in inflation persisted throughout last year, falling below the lower bound of the central bank's target range (3-6%) in Q2:24 and bottoming out at 1.5% in Sep 24.

The Bank of Botswana (BOB) responded with accommodative measures to address slowing growth and persistent liquidity challenges in the financial system caused by weak diamond revenue.

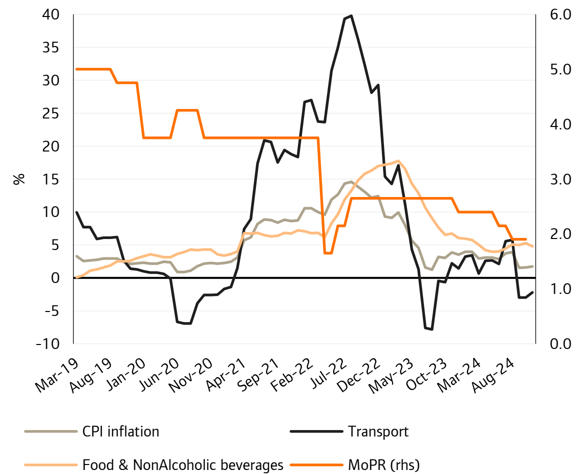
Specifically, the policy rate was reduced by 25 bps twice in 2024, bringing it to 1.9% by year-end. Further, in its Dec 24 meeting, the BOB cut the primary reserve requirement (PRR) to 0%, from 2.5%, injecting BWP2.1bn into the banking system to bolster lending capacity.

We forecast inflation to increase to 3.19% y/y on average in 2025, closing the year at 3.9% y/y. This may be driven by a combination of dissipating base effects from earlier fuel price reductions and a gradual recovery in non-mining economic activity supported by fiscal spending and monetary easing.

We expect the BOB to cut the policy rate further, to 1.4% in H1:25, to stimulate credit growth and address the persistent negative output gap of Botswana's domestic economy.

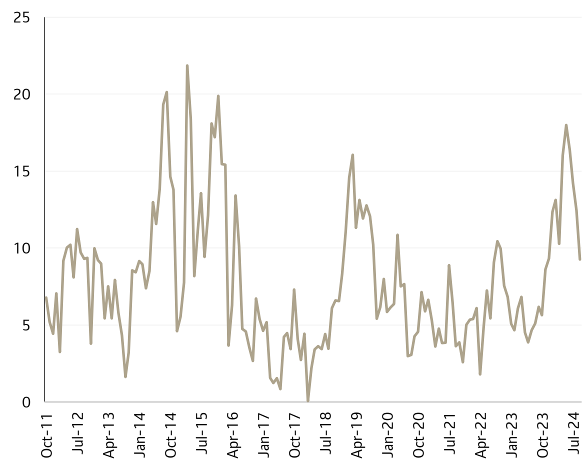
Beyond rate cuts, the central bank may need to enhance liquidity further through targeted lending facilities and open-market operations to stabilize the banking system due to the continued, albeit slower, decline in diamond revenue expected in 2025.

Inflation and interest rates



Source: Bank of Botswana; Standard Bank Research

Money supply



Source: Bank of Botswana

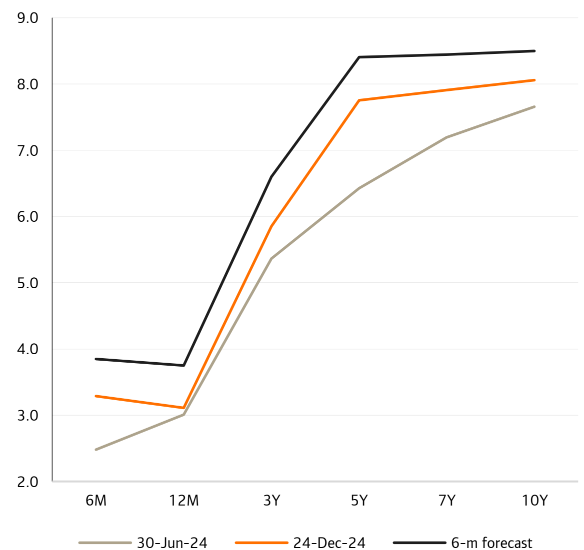
Yield curve outlook: bear-steepening in H1:25 caused by liquidity, rather than solvency, concerns

We forecast a bear-steepening of the yield curve in H1:25, driven by increased supply of treasury securities due to wider fiscal deficits, and relatively constrained liquidity conditions to absorb those issuances.

While pension funds must increase domestic allocations to 44% in 2025, this may only translate into between BWP4bn to BWP5bn in additional liquidity inflows under the current legislation, below the government's projected funding requirements. Requirements may increase, should diamond revenue once again decline more than expected.

Short-end rates may see more modest increases given subdued inflation, although increased bill issuance will likely push yields somewhat higher across the curve.

Changes in the yield curve



Source: Bloomberg; Standard Bank Research

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Fiscal policy: diamond revenue decline creating fiscal hurdles

The finalized budget for FY23/24, ending Mar 24, showed a higher-than-anticipated deficit of BWP11.73bn, equivalent to 4.5% of GDP, exceeding earlier forecasts of 3.5%. This increase was largely driven by higher recurrent spending amid subdued diamond revenue. The performance of customs & excise receipts (SACU) and non-mineral income tax slightly moderated the overall revenue decline, but not enough to offset reduced mineral inflows.

The new government's FY24/25 revenue projections have been revised down for minerals (from BWP25.2bn to BWP8.7bn), with SACU earnings once again partially offsetting the decline. Overall, total revenue may reach BWP77.2bn, while expenditure may reach BWP95.7bn, BWP4bn higher than previously planned. Accordingly, the projected deficit widens to BWP18.6bn (6.7% of GDP), nearly double initial estimates.

The debt profile has shifted significantly towards domestic financing, with domestic debt now comprising 56.02% (BWP43.2bn) of total public debt. Notably, BWP12.018bn (32.4%) of domestic debt requires refinancing in FY25/26, presenting a significant challenge given that banking system liquidity correlates with diamond revenue.

Domestic borrowing under the BWP55bn Bond Issuance Programme will bridge part of this financing gap, with the balance likely covered drawdowns from the much-depleted Government Investment Account (GIA) which declined from BWP12.6bn in Sep 23 to BWP1.2bn in Sep 24.

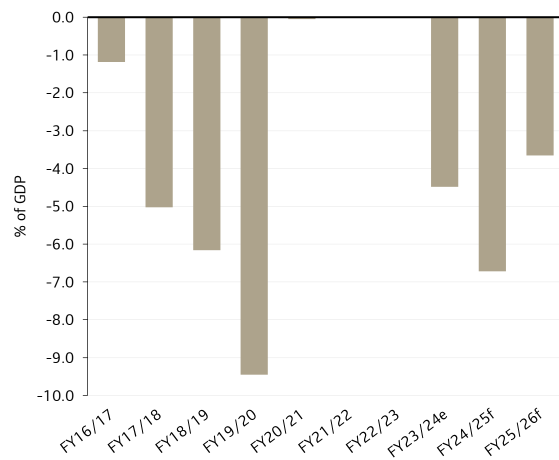
For FY25/26, starting in Apr 25, a modest rebound in diamond sales is expected, alongside tighter controls on recurrent spending, leading to a narrowing of the deficit to likely c. BWP11.3bn, or 3.7% of GDP. Non-mineral revenue sources, especially non-mineral income tax and VAT, are projected to grow due to improved tax administration and e-invoicing.

Central government budget

% of GDP	FY23/24	FY24/25	FY25/26
Total revenue	28.21	27.75	27.35
Total expenditure	32.69	34.47	31.00
Recurrent	24.81	25.15	22.98
- wages	13.42	12.66	11.76
-interest	0.97	0.94	1.01
Development	7.84	9.31	8.05
Overall balance (+ grants)	-4.5	-6.7	-3.7
Overall balance (- grants)	-5.4	-8.1	-4.9
Net external borrowing	1.0	-0.7	-0.6
Net domestic borrowing	3.5	7.4	4.2

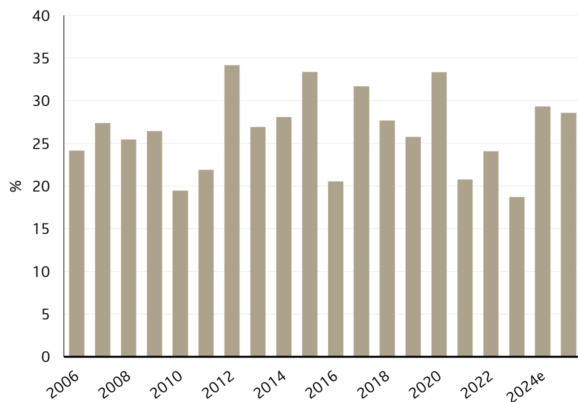
Source: Ministry of Finance; Statistics Botswana; Bank of Botswana; Standard Bank Research

Fiscal deficit



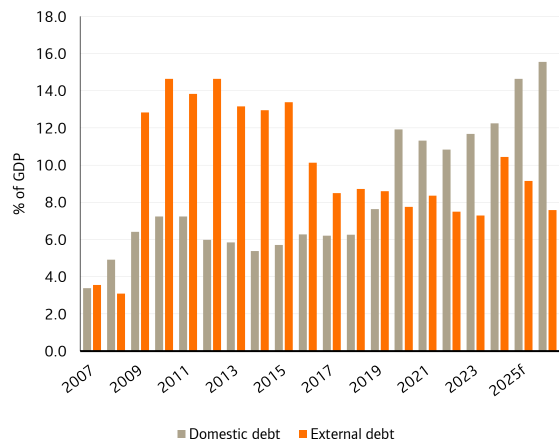
Source: Ministry of Finance; Standard Bank Research

Sacu revenue share of total revenue



Source: Ministry of Finance; Standard Bank Research

Domestic and external debt



Source: Ministry of Finance

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Annual indicators

	2020	2021	2022	2023	2024e	2025f	2026f
Output							
Population (million)	2.4	2.4	2.4	2.3	2.3	2.3	2.3
Nominal GDP (BWP bn)	179.9	171.4	207.7	271.9	270.2	288.9	311.6
Nominal GDP (USD bn)	16.7	15.0	18.7	20.36	19.93	20.99	22.27
GDP / capita (USD)	6 969	6 233	7 807	8 853	8 663	9 125	9 685
Real GDP growth (%)	3.00	-8.70	11.90	2.7	-3.5	3.7	3.5
Diamond ('000 carats)	23 687	16 868	22 696	25 095	18 648	17 716	17 716
Coal (thousand tons)	n.a	n.a	11 742	54 808	48 868	51 311	53 877
Central Government Operations							
Budget balance / GDP (%)	-6.16	-9.45	-0.05	-2.55	-4.49	-6.72	-3.65
Domestic debt / GDP (%)	7.64	11.92	11.32	11.67	12.24	14.64	15.56
External / GDP (%)	8.60	7.75	8.36	7.29	10.44	9.15	7.59
Balance of Payments							
Exports of goods and services (USD bn)	6.23	4.66	7.87	6.51	5.91	5.57	5.91
Imports of goods and services (USD bn)	-7.70	-7.53	-9.27	-7.36	-7.89	-8.02	-7.97
Trade balance (USD bn)	-1.47	-2.87	-1.40	-0.84	-1.98	-2.45	-2.06
Current account (USD bn)	-1.16	-1.54	-0.33	-0.12	-0.85	-1.11	-1.16
- % of GDP	-6.91	-10.29	-1.75	-0.61	-4.27	-5.29	-5.13
Capital & Financial account (USD bn)	-0.44	-0.67	-0.46	0.31	-0.98	-0.05	-0.06
- FDI (USD bn)	0.11	0.10	-0.29	0.67	0.74	0.33	0.35
Basic balance / GDP (%)	-6.23	-9.62	-3.28	2.67	-0.54	-3.70	-3.54
FX reserves (USD bn) pe	6.17	4.94	4.81	4.76	4.32	4.08	3.86
- Import cover (months) pe	8.77	6.32	5.87	7.1	6.6	6.1	5.8
Sovereign Credit Rating							
S&P	A-	BBB+	BBB+	BBB+/A-2	BBB+/A-2	BBB+/A-2	BBB+/A-2
Moody's	A2	A2	A3	A3	A3	A3	A3
Fitch	NR	NR	NR	NR	NR	NR	NR
Monetary & Financial Indicators							
Consumer inflation (%) pa	2.79	1.89	6.68	5.26	2.86	3.19	4.21
Consumer inflation (%) pe	2.20	2.20	8.70	2.50	3.90	3.90	4.40
M3 money supply (% y/y) pa	7.99	5.89	5.02	5.88	11.68	8.10	7.41
M3 money supply (% y/y) pe	7.99	5.89	5.02	9.31	9.26	6.93	7.88
BOB policy rate (%) pa	4.92	3.92	3.75	0.00	2.15	1.46	1.53
BOB policy rate (%) pe	4.75	3.75	3.75	2.40	1.90	1.40	1.65
6-mnth rate (%) pe	1.80	1.30	1.50	5.50	3.29	4.40	4.90
5-yr rate (%) pe	4.20	5.10	6.64	7.01	7.45	8.40	8.50
USD/BWP pa	10.75	11.44	11.07	13.35	13.56	13.76	13.99
USD/BWP pe	10.63	10.79	11.74	13.51	13.68	13.83	14.13

Source: Bank of Botswana; Statistics Botswana; Ministry of Finance; Standard Bank Research; Bloomberg

Notes: pa – period average; pe – period end

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Côte d'Ivoire: cocoa likely to be boosted, as should mining

Medium-term outlook: cocoa sector rebound complemented by a boost in mining production

Amid poor weather crimping agricultural production last year, 2024 GDP growth was likely still a robust 6.6% y/y, slightly below our 6.8% y/y forecast in the Jun 24 AMR. Growth in H1:24 averaged 6.4%.

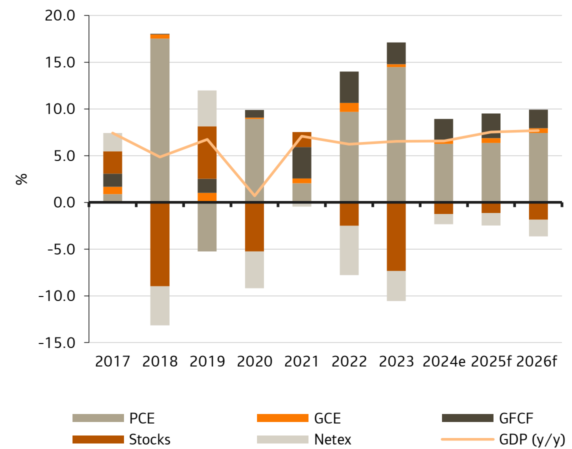
Relatively better weather this year should see cocoa and coffee production recover in the 2024/25 season. Indeed, the Conseil du Café-Cacao, the regulator, expects the main crop (Oct-Mar) to increase by as much as 10%, with this optimism stemming from good weather prospects for the crop through to Sep 25; the mid-crop (Apr-Sep) too is likely to get a boost. We forecast GDP growth of 7.5% y/y in 2025 and 7.7% y/y in 2026 as the agricultural sector rebounds, complemented by the ongoing reforms under the ongoing NDP (2021-2025), and continued robust activity in the mining sector, especially in gold mining. Further, we foresee increased investment in offshore oil explorations.

The extractive industries continue to benefit from offshore oil and gas production at the Baleine oilfields which commenced in Aug 23, as well as further explorations. In Nov 24, Eni acquired four new offshore exploration blocks. Eni started its second phase of oil production at the offshore Baleine oilfields in Dec 24, with production now expected to reach 60,000 bbl/d. The planned third phase, currently under study, is projected to increase output to 150,000 bbl/d. Moreover, Endeavour Mining opened its second gold mine last Oct, which should boost output, complemented by new mines as well new gold discoveries (Koné mine, Afema project expansion).

On the expenditure side, exports growth therefore should remain strong into 2025 and 2026 due to support from mining, oil, and agricultural exports. The regional central bank is forecast to cut rates from this year, which should support household consumption. However, government spending may prove relatively subdued as the authorities pursue fiscal consolidation under the 3-y IMF deal, which ends in 2026. That said, amidst the consolidation under the IMF programme, further funds have been coming to finance government projects; South Korea has signed USD1.0bn loan agreement with Côte d'Ivoire, likely enabling the government to implement several development projects over 2024 to 2028. Moreover, 2025 is an election year; there may therefore be increased government activity in the run-up to the Oct 25 elections. Further, ongoing investment in the hydrocarbons sector should see investment flows remain elevated.

However, the construction sector remains on the back foot, though the second phase of highway rehabilitation should see improvements there. The key risk to our growth outlook is unpredictable weather and therefore further agricultural losses.

Composition of GDP by demand



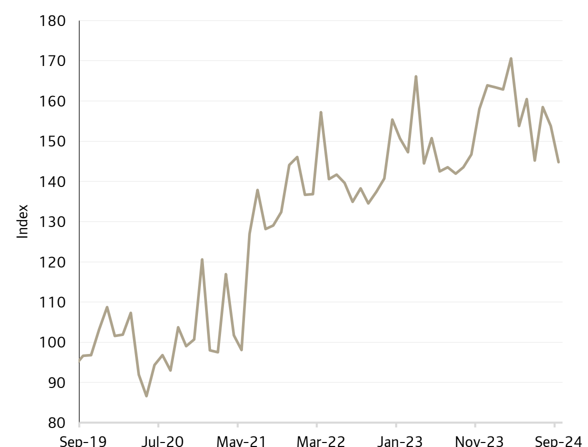
Source: Banque Centrale des Etats de l'Afrique de l'Ouest; International Monetary Fund; Standard Bank Research

Composition of GDP by sector

% of GDP	2018	2020	2022
Food crops	8.8	4.3	8.8
Export crops	9.2	10.0	10.0
Extractive industries	2.8	2.1	2.6
Agroprocessing	4.3	5.4	4.4
Water and Electricity	2.6	1.7	2.1
Construction	3.7	5.0	3.8
Transport and Storage	5.9	8.3	7.8
Information and Communication	3.9	1.9	4.3
Trade and Repair	17.3	14.8	18.0
Financial and Insurance Activities	1.3	1.8	1.4

Source: Institut National de la Statistique

Harmonised index of industrial production



Source: Institut National de la Statistique

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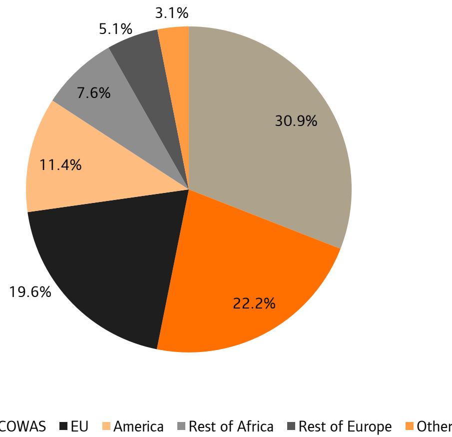
Medium-term economic growth forecasts

	Q1:25	Q2:25	Q3:25	Q4:25	Q1:26	Q2:26	Q3:26	Q4:26	Q1:27	Q2:27	Q3:27	Q4:27	Q1:28	Q2:28	Q3:28	Q4:28
GDP (% y/y) pa	7.1	8.8	6.5	7.5	7.8	7.4	7.8	8.0	7.7	6.4	7.8	7.7	7.1	8.8	5.5	7.4
CPI (% y/y) pe	2.4	2.1	2.0	1.9	1.7	1.5	2.3	2.5	2.5	2.8	3.2	3.2	3.5	3.2	3.0	2.9
Policy interest rate (%) pe	5.25	5.00	4.75	4.50	4.25	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
3-m rate (%) pe	6.4	6.1	5.9	5.6	5.4	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1
6-m rate (%) pe	6.7	6.4	6.2	5.9	5.7	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4
USD/XOF pe	630.7	630.7	630.7	630.7	610.2	607.7	607.4	607.4	597.7	596.5	596.3	596.3	596.4	596.6	596.7	596.8

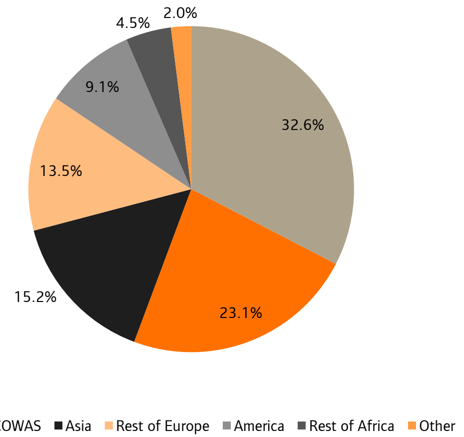
Source: Banque Centrale des Etats de l'Afrique de l'Ouest; Institut National de la Statistique; Bloomberg; Standard Bank Research

Imports origin (% of total)



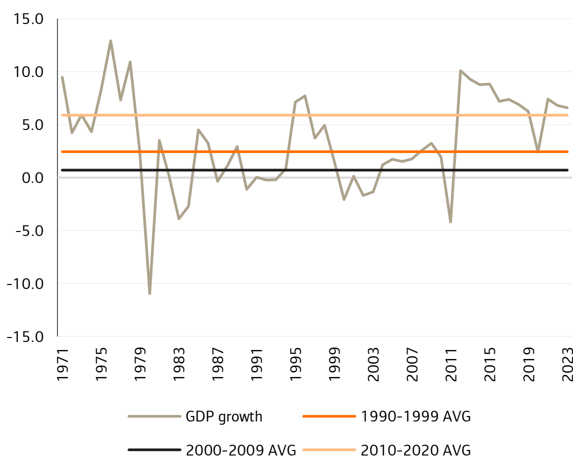
Source: Ministère de l'Economie et des Finances

Exports destination (% of total)



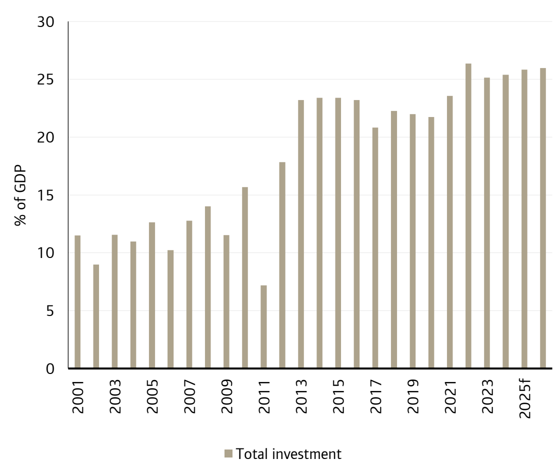
Source: Ministère de l'Economie et des Finances

Long-term growth performance



Source: Banque Centrale des Etats de l'Afrique de l'Ouest; Institut National de la Statistique

Investment spending



Source: International Monetary Fund

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Balance of payments: C/A deficit to narrow on continued trade surplus

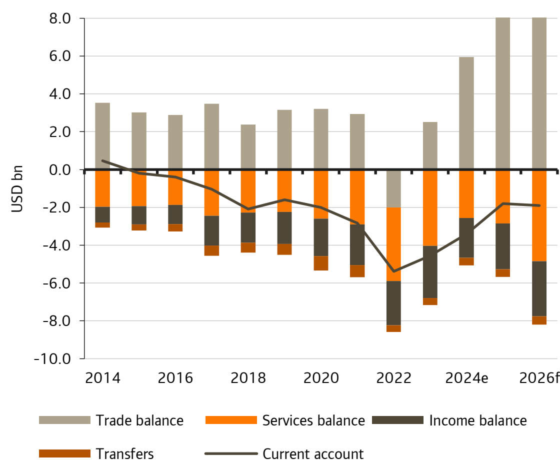
We estimate the C/A deficit at 3.4% of GDP in 2024 and forecast it to narrow further, to 3% of GDP in 2025, then decline to 2.7% of GDP in 2026.

The goods trade surplus increased by 125.8% y/y in H1:24, driven by 3.9% growth in exports; however, imports growth declined by 2.3%. Higher exports stemmed from oil and gold exports which were up 41.1% y/y and 34.4% y/y respectively – supported by both higher production and global prices in that time. Furthermore, processed cocoa exports benefited from record-high cocoa prices; and were up 16.6% y/y. Coffee exports too were strong. Exports growth is likely to remain strong into 2025 and 2026, supported by higher mining earnings as new gold mines enter, as well as by crude oil exports. Eni's second phase of oil production at the offshore Baleine oilfields started in Dec 2024, with production now expected higher. The planned third phase, currently under study, is projected to increase output to 150,000 bbl/d and 200 Mscf/d. Moreover, in Nov 2024, Eni acquired four new offshore exploration blocks.

Cocoa and cashew nuts production should improve this year; however, cocoa prices may not be as high as in 2024. Still, the Conseil du Café-Cacao is optimistic that favourable weather conditions may see the main crop (Oct-Mar) increase by as much as 10% for the 2024/25 season. Increased investment in public infrastructure and the revival in consumer demand due to anticipated monetary policy easing may bump up imports – but still likely lagging exports growth. The hydrocarbons sector-related service imports are likely to keep the services balance on the back foot too.

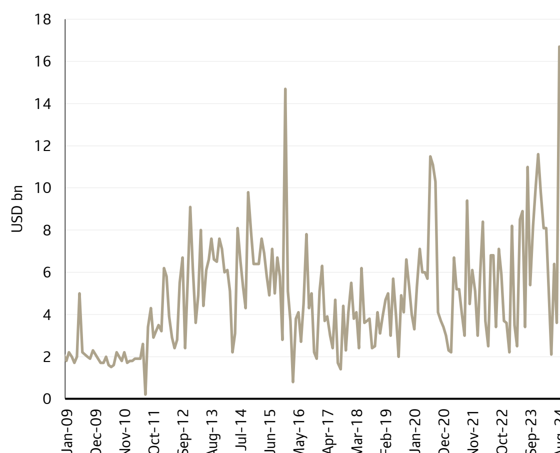
Adequate funding sources via the capital account, structurally in surplus, as well as financial account, should underpin the funding of the C/A deficit. Performance has been strong under the IMF programme thus far and in 2025; Côte d'Ivoire will receive a cumulative c.USD1.3bn – subject to successful reviews and board approval. There is no provision for a Eurobond issuance this year, only in 2026.

Current account developments



Source: Banque Centrale des Etats de l'Afrique de l'Ouest; International Monetary Fund; Standard Bank Research

FX reserves

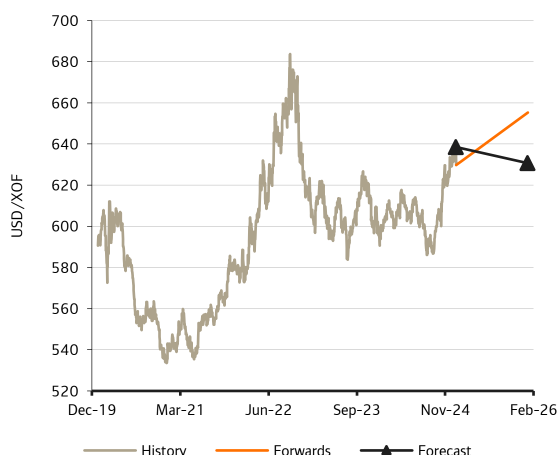


Source: Bloomberg, International Monetary Fund

FX outlook: non-convergence for adoption of the 'eco' implies XOF still to track EUR/USD moves

The second year of assessing compliance with the Macroeconomic Convergence and Stability Pact (MCSP) still shows slower progress in satisfying the convergence criteria. In 2023, only one country met all four primary criteria (budget deficit, gross FX reserves, average inflation, and central bank financing of fiscal deficit), though seven states met at least three, up from four in 2022. Inflation and gross reserves targets were likely missed by most states, driven by food supply constraints requiring increased imports in 2024. This growing divergence makes it unlikely that most regional economies will achieve convergence by the planned 2027 launch of the "eco" common currency, contrary to earlier expectations. Therefore, the XOF direction will meanwhile still be dependent on the EUR/USD movements given the CFA franc's peg to the euro at 655.957. Our view is that the euro may withstand dollar strength; we project the EUR/USD to end this year at 1.10, then reach 1.20 by end 2026. Thus, we forecast USD/XOF at 630.7 by Dec 25 and 607.4 by Dec 26.

USD/XOF: forwards versus forecasts



Source: Bloomberg; Standard Bank Research

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Monetary policy: accommodative bias this year

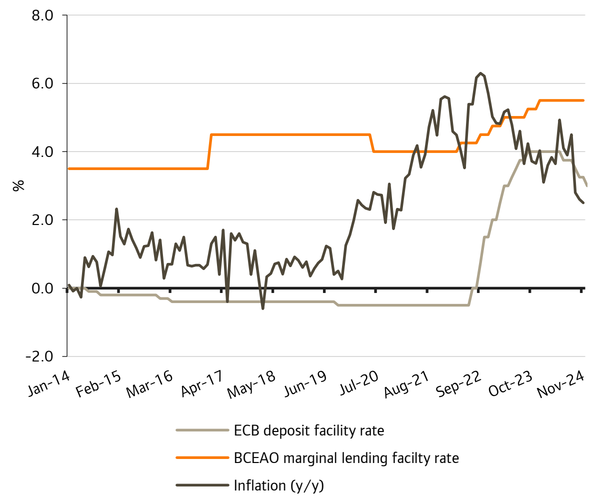
Headline inflation in the eight member countries' WAEMU bloc now seems set to return to the targeted 1-3% range; we foresee the BCEAO, the regional central bank, starting to cut rates from the Mar 25 meeting. We expect the key policy rate to be cut by a cumulative 75 bps in 2025 at the very least, and then by a further 50 bps in 2026.

The BCEAO left key policy rates steady in 2024, with the liquidity calls and marginal lending window at 3.50% and 5.50%, respectively. We had expected a cut in late H2:24 – but the slower rate of moderation in food prices, due to a less favourable 2023/24 agricultural season, coupled with supply-chain challenges, implied inflationary pressures on the bloc persisting for much longer, particularly in Mali and Niger.

However, inflation moderated meaningfully in Nov 24, to 2.5% y/y – after remaining above the 3% upper band of the BCEAO's target for 7-m – with food inflation's contribution to overall inflation falling to 1.5ppt in Nov, from 2.1ppts in Oct. Core inflation also dropped, to 1.8% y/y, from 2.3% y/y in Oct and an average of 2.5% y/y in Q3:24. The improvement in food supply during the 2024/25 season, which should beat the previous year, and the expected decline in global prices of imported food products, should further soften overall inflation. The BCEAO forecasts inflation in the bloc to average 3.0% y/y in 2025, from an estimated 3.6% y/y in 2024. Upside risks to the inflation outlook include recurring climate shocks, the security crisis in some countries in the region, and worsening geopolitical and trade tensions. For Côte d'Ivoire, headline inflation softened to 2.5% y/y in Nov 24, from 2.6% y/y in Oct; we forecast higher base effects driving down inflation in the coming months, likely ending 2025 at 1.9% y/y.

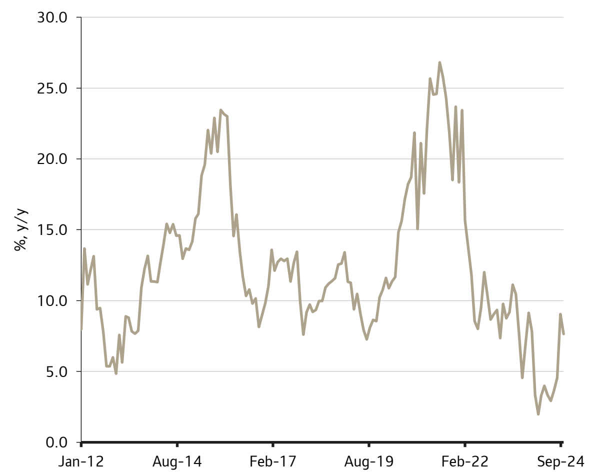
The BCEAO factors in policy rate decisions by the European Central Bank (ECB) in maintaining the CFA franc's peg to the euro. The ECB has cut the key rate by 100 bps since Jun 24, to 3%; the broader market expects further cuts this year but seems split on whether ECB will deliver four, or five, 25 bps cuts by end-2025.

Inflation and interest rates



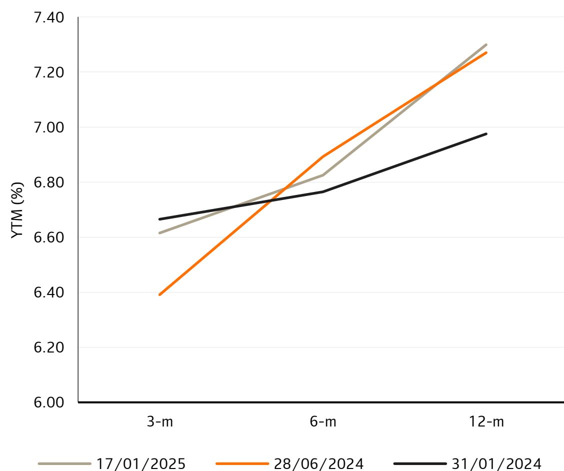
Source: Banque Centrale des Etats de l'Afrique de l'Ouest; Institut National de la Statistique; European Central Bank

Money supply



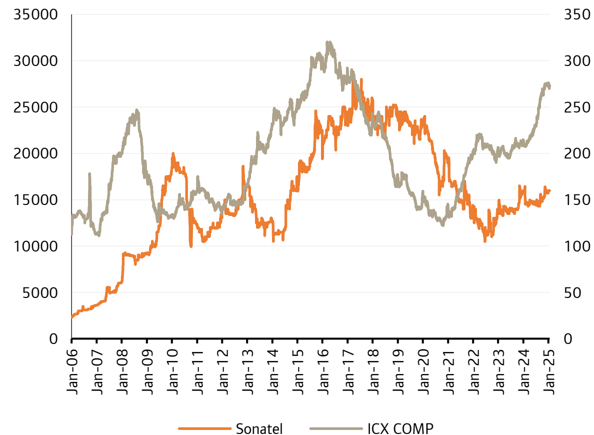
Source: Banque Centrale des Etats de l'Afrique de l'Ouest

Yield curve changes



Source: Bloomberg

Capital market overview



Source: BRVM; Bloomberg

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Fiscal policy: revenue-based fiscal consolidation on track

The government's stance remains to continue consolidating finances, with the fiscal deficit (incl. grants) for FY2025 to converge to the WAEMU deficit target of 3% of GDP this year, from an estimated 3.9% of GDP in 2024 and 5.2% of GDP in 2023. This should be supported by strong revenue measures under the comprehensive medium-term revenue strategy (MTRS) adopted last May.

To achieve a 3% of GDP fiscal deficit, the government will focus on increasing domestic revenue by optimizing the tax system and broadening the tax base. Furthermore, the authorities plan to tighten control on operating expenses to ensure efficient management of public resources.

Revenue is seen rising to 17.2% of GDP in 2025, from 16.3% of GDP in 2024, then increasing to an average of 17.9% during 2026-2028, courtesy of the MTRS aimed at converging tax revenue with the WAEMU floor level of 20% of GDP. Tax policy and tax administration reforms, such as fuel pricing mechanism reforms, increased registration rates for cacao, the elimination of tax exemptions, particularly the VAT on non-staple foods, property tax reforms, improved tax collection, are amongst planned revenue measures for 2024 and beyond. The new entrants in mining and oil explorations too should mean increased revenue. As of Oct 2024, tax authorities had collected XOF6,842.3bn, up 12.6% y/y, from XOF6,069.3bn in Oct 2023. This is 80% of the budgeted XOF8,517.7bn in revenue for 2024.

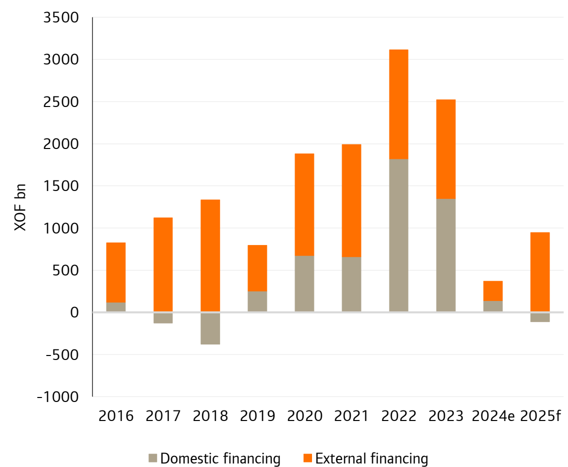
Further, improved spending efficiency should complement consolidation efforts by phasing out the 2020 to 2022 crisis-era blanket food and fuel subsidies. As the fiscal deficit decreases, public debt accumulation should decline over the near- to medium term.

Central government budget

(%of GDP)	2023	2024e	2025f
Tax revenue	13.6	14.4	15.3
Non-tax revenue	2.0	1.9	1.9
Grants	0.7	0.5	0.4
Total expenditure	21.5	20.8	20.6
Recurrent expenditure	14.7	13.5	13.9
- Of which: interest due	2.6	2.4	2.6
- Of which: wages	4.7	4.5	4.4
Capital expenditure	6.8	7.3	6.7
Budget deficit (incl. grants)	-5.2	-3.9	-3.0
Budget deficit (excl. grants)	-5.9	-4.5	-3.4
Domestic financing	2.8	0.3	-0.2
External financing	2.4	0.4	1.7
Expected financing (excl.IMF)	0.8	2.2	0.5
IMF funding	1.3	1.1	1.1

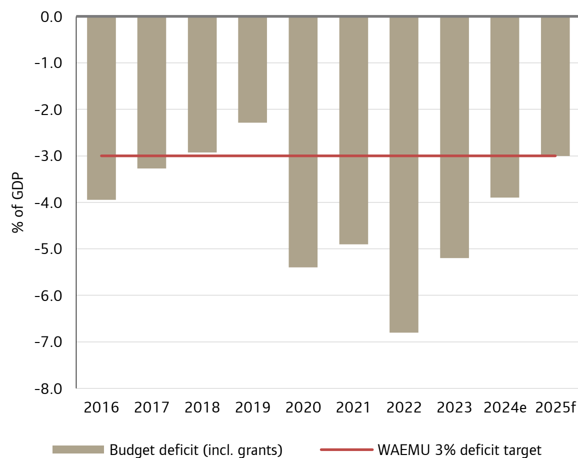
Source: Ministère de l'Economie et des Finances

Financing the fiscal deficit



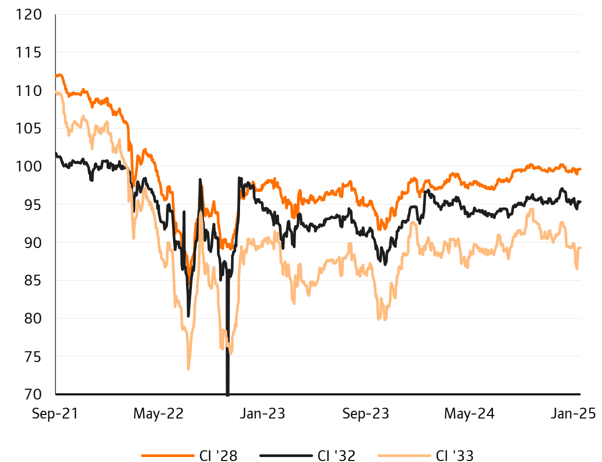
Source: International Monetary Fund, Ministère de l'Economie et des Finances

Budget deficit (incl. grants)



Source: Ministère de l'Economie et des Finances

Eurobonds overview



Source: Bloomberg

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Annual indicators

	2020	2021	2022	2023	2024e	2025f	2026f
Output							
Population (million)	28.6	29.4	30.2	31.1	32.0	32.9	33.8
Nominal GDP (XOF bn)	36278.0	40366.9	43771.2	48558.5	53453.1	58717.2	64232.4
Nominal GDP (USD bn)	63.7	71.6	70.0	80.1	87.8	93.1	105.6
GDP / capita (USD)	2229.4	2435.9	2316.4	2575.3	2746.5	2829.9	3121.2
Real GDP growth (%)	0.7	7.1	6.2	6.5	6.6	7.5	7.7
Oil production (m bbl)	15.0	15.5	15.7	16.2	16.5	17.3	18.2
Cocoa production (m tonnes)	2.1	2.2	2.3	2.0	1.7	1.9	2.0
Central Government Operations							
Budget balance (excl. grants) / GDP (%)	-6.0	-5.4	-7.4	-5.9	-4.5	-3.4	-3.2
Budget balance (incl. grants) / GDP (%)	-5.4	-4.9	-6.8	-5.2	-3.9	-3.0	-3.0
Domestic debt / GDP (%)	13.3	13.4	22.2	22.2	23.0	21.0	18.2
External debt / GDP (%)	29.7	30.9	34.5	35.9	37.0	35.7	36.8
Balance of Payments							
Exports of goods (USD bn)	12.6	15.1	16.3	17.1	18.4	18.8	21.0
Imports of goods (USD bn)	-9.6	-12.1	-15.2	-14.6	-12.5	-9.2	-8.7
Trade balance	3.0	3.0	-1.1	2.5	5.9	9.6	12.2
Current account (USD bn)	-2.0	-2.8	-5.4	-4.6	-3.4	-1.8	-1.9
- % of GDP	-3.1	-3.9	-7.7	-5.8	-3.4	-3.0	-2.7
Capital & Financial account (USD bn)	3.1	4.8	4.9	1.5	3.0	3.0	3.1
- FDI (USD bn)	0.7	1.1	1.4	1.5	1.6	1.9	2.7
Basic balance / GDP (%)	-2.0	-2.4	-5.6	-3.8	-2.1	0.1	0.8
FX reserves (USD bn) pe	3.4	5.3	4.9	4.3	3.9	5.1	6.3
- Import cover (months) pe	4.2	5.3	3.8	3.5	3.8	6.3	8.4
Sovereign Credit Rating							
S&P	nr	BB-	BB-	BB-	BB	BB	BB
Moody's	Ba3	Ba3	Ba3	Ba3	Ba2	Ba2	Ba2
Fitch	B+	BB-	BB-	BB-	BB-	BB-	BB-
Monetary & Financial Indicators							
Consumer inflation (%) pa	2.4	4.2	5.2	4.4	3.5	2.3	1.7
Consumer inflation (%) pe	2.3	5.6	5.0	4.0	2.6	1.9	2.5
M2 money supply (% y/y) pa	15.7	22.8	11.7	8.0	5.7	14.4	15.1
M2 money supply (% y/y) pe	21.1	18.3	9.4	3.3	13.0	13.8	14.5
Marginal lending facility (%) pe	4.00	4.00	4.75	5.50	5.00	4.50	4.00
USD/XOF pa	569.5	563.9	625.1	606.4	608.5	630.7	608.2
USD/XOF pe	537.6	576.8	612.8	601.0	624.7	630.7	607.4

Source: Banque Centrale des Etats de l'Afrique de l'Ouest; Institut National de la Statistique; Ministère de l'Economie et des Finances; International Monetary Fund; Bloomberg; Standard Bank Research

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DRC: mainstays from mining as well as external support

Medium-term outlook: extractive sector still supportive of growth

We forecast GDP growth ranging between 6.1% y/y and 6.4% y/y in the medium-term. For 2025, we now forecast growth at 6.3% y/y, down from 6.8% y/y in the Jun AMR edition. For 2026, we forecast growth at 6.2% y/y, up from 5.6% before. This would reflect this economy rebalancing, with mining growth stabilizing and non-extractive growth accelerating.

We see the mining sector, accounting for 38% of GDP, growing at just below 10% y/y, after impressive growth of 22% y/y in 2022 and 18% y/y in 2023 after the Ivanhoe's Kamoa-Kakula copper complex production ramped up.

Also reflecting this rebalancing, we estimate mining GDP growth to have slowed to 8.9% y/y in 2024, from 18.2% y/y in 2023, but with the rest of the economy's growth up to 4.4% y/y in 2024, from 3.5% y/y in 2023.

We therefore estimate GDP growth at 6.1% y/y in 2024, from 8.6% y/y in 2023, slightly up from our forecast of 5.9% y/y in the Jun AMR, supported mostly by improved FX supply. Notably, our estimates show net exports contribution to growth turning positive in 2024.

Prudent macroeconomic management during 2024, in the wake of election overspending in 2023, alongside supportive copper prices, helped to increase FX supply, stabilize the CDF, and reduce inflation, last reported at 11.7% y/y in Dec 2024, down from a peak of 23.8% y/y in Dec 2023.

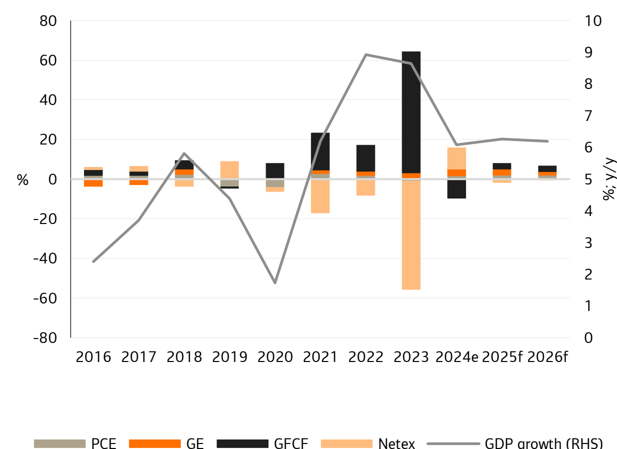
Copper, accounting for 78% of exports in 2023, and cobalt, accounting for 12% of exports, supports the outlook, as production continues to increase, supported by FDI.

Latest mining production data shows the cumulative 12-m rolling copper production in Aug 2024 at 2.96m tonnes, up by some 13.2% y/y. Copper output reached the 3m tonnes landmark in Feb 2024. Cobalt's cumulative 12-m rolling production, reported to Aug 2024 at 206.4k tonnes, has been rising at a healthy clip, at 96.1% y/y.

Also supporting the outlook is external assistance and reform progress. The IMF Board approved in Jan 2025 a funding package totalling USD2.8bn, comprising a 38-m ECF of USD1,729m (125% of quota) and a 38-m RSF of USD1,038m (75% of quota).

These facilities aim to extend the reform progress already achieved under the 36-m ECF of USD1.5bn that ended in Jul 2024, and further support macroeconomic stability, the business climate, as well as support DRC's national strategy to deal with climate change effects. However, downside risks are posed by the security and humanitarian crisis in the eastern part of DRC, which recently worsened.

GDP by demand



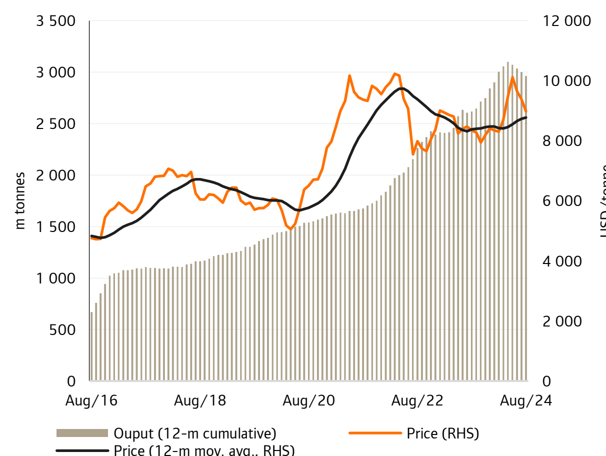
Source: Banque Centrale du Congo; Institut National de la Statistique; Standard Bank Research

Contribution of GDP by sector (% of total)

	2016	2021	2022	2023
Agriculture, forestry, fishing & hunting	16.6	15.0	14.1	13.4
Mining and quarrying	25.0	31.1	34.8	37.9
Manufacturing	12.2	10.2	9.6	9.1
Electricity, gas and water	0.6	0.6	0.6	0.6
Construction	2.7	4.3	4.1	4.3
Wholesale and retail trade, hotels and restaurants	15.1	13.6	12.8	12.1
Transport, storage and communication	12.5	13.0	12.4	12.4
Finance, real estate and business services	9.3	8.6	8.1	7.1
General government services	3.7	3.1	2.9	2.8
Other	2.1	0.4	0.5	0.5
GDP	100.0	100.0	100.0	100.0

Source: Banque Centrale du Congo; Institut National de la Statistique; Standard Bank Research

Copper production and prices



Source: Banque Centrale du Congo; Standard Bank Research

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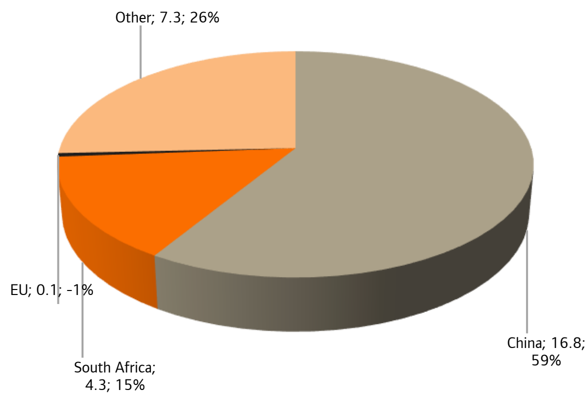
Medium-term economic growth forecasts

	Q1:25	Q2:25	Q3:25	Q4:25	Q1:26	Q2:26	Q3:26	Q4:26	Q1:27	Q2:27	Q3:27	Q4:27	Q1:28	Q2:28	Q3:28	Q4:28
GDP (% y/y) pa	6.3	6.3	6.3	6.3	6.2	6.2	6.2	6.2	6.4	6.4	6.4	6.4	6.1	6.1	6.1	6.1
CPI (% y/y) pe	10.2	8.1	7.7	8.6	7.7	7.3	6.3	6.5	6.5	6.8	7.4	6.2	6.5	6.8	7.1	7.4
Policy rate (%) pe	17.50	17.50	15.00	15.00	15.00	10.25	10.25	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50
USD/CDF pe	2,870.7	2,896.7	2,922.8	2,949.2	2,984.7	3,020.7	3,057.1	3,093.9	3,121.8	3,150.0	3,178.4	3,207.1	3,216.8	3,226.4	3,236.1	3,245.8

Source: Banque Centrale du Congo; Institut National de la Statistique; Standard Bank Research

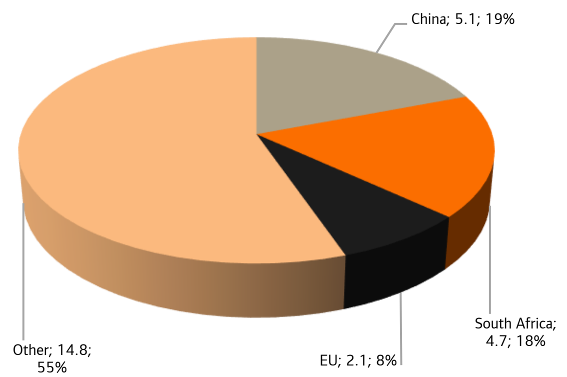
Notes: pa - period average; pe - period end

Exports destinations (USD bn)



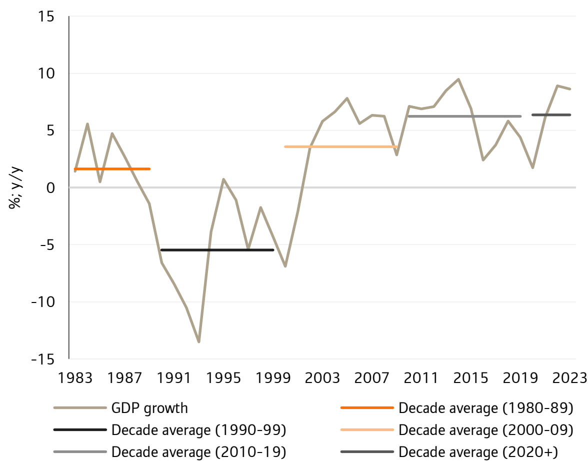
Source: Banque Centrale du Congo; Standard Bank Research

Imports origins (USD bn)



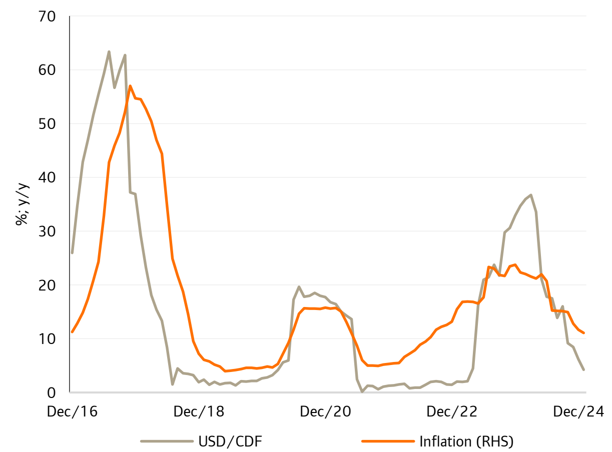
Source: Banque Centrale du Congo; Standard Bank Research

Long-term GDP performance



Source: Banque Centrale du Congo; Standard Bank Research

Annualised FX rate changes versus inflation



Source: Institut National de la Statistique; Banque Centrale du Congo; Standard Bank Research

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Balance of payments: exports growth continues

Our estimates indicate that the current account (C/A) may have turned into a surplus of USD1.5bn, or 2.2% of GDP, in 2024.

This would reflect our estimates of goods and services exports rising 17.2% y/y in 2024, to USD34.7bn, supported by stronger copper production and favourable copper prices.

Notably, goods and service imports could have contracted by some 2.4% y/y, to USD32.8bn, as the economy experienced some relief from the 2023 election imports pressure.

This lifts the trade account into a surplus of USD1.9bn in 2024, from a deficit of USD4bn in 2023, supporting the C/A.

Our forecasts for 2025 and 2026 imply the C/A in surplus, at respectively 1.7% of GDP and 1.6% of GDP, supported by a positive outlook for copper and cobalt.

We forecast copper output to grow 5.7% y/y in 2025, to 3.2m tonnes, with cobalt growing 9.7% y/y, to 223.2k tonnes, supported by FDI.

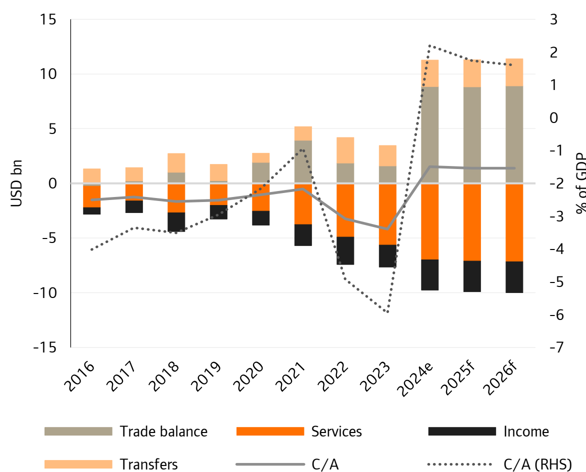
We see FDI averaging nearly USD2bn per year from 2024 to 2026, mostly targeting the resources sector, which should support this economy.

FX reserves, last reported at USD5.8bn in Dec 2024, or just over 2-m of imports, rose by 13% y/y, supported by disbursements under the IMF programme and strong mining sector performance.

We see FX reserves closing at around USD6.4bn by Dec 2025, with import cover of 2.3-m, supported by targeted disbursements under the just approved IMF facilities, totalling USD2.8bn.

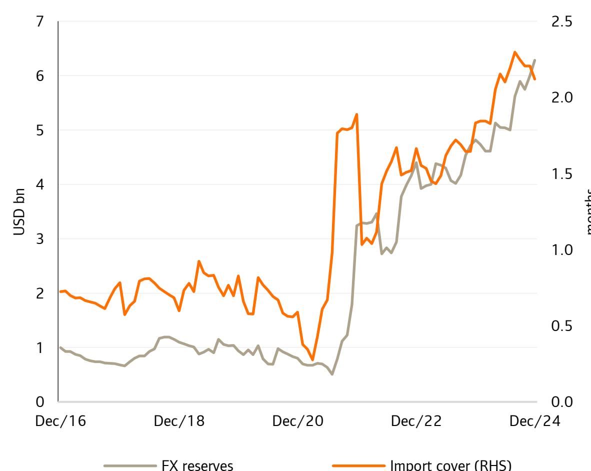
This IMF financing package also looks at helping DRC consolidate its role as a 'solution country' in the transition toward a low-carbon global economy.

Current account developments



Source: Banque Centrale du Congo; Standard Bank Research

FX reserves



Source: Banque Centrale du Congo; Standard Bank Research

FX outlook: depreciating bias for CDF

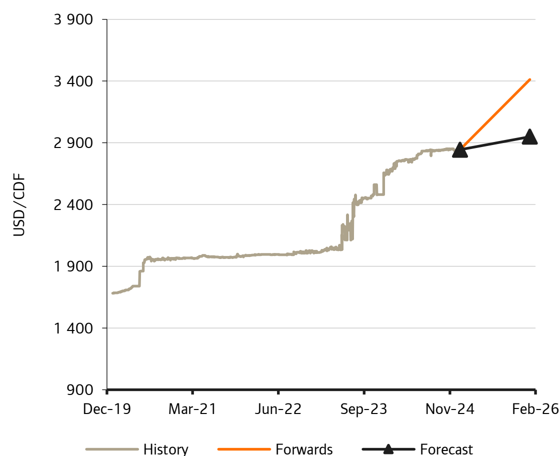
The Congolese franc has remained flexible, acting as an important shock absorber, ultimately helping to protect FX reserves.

Strong export performance, and some containment in imports, helped to clear the FX backlog and make CDF depreciation somewhat softer.

We forecast for the USD/CDF pair at 2,949.2 by end 2025. This would represent a CDF depreciation of 3.5% y/y, below 5.8% in 2024 and 24.8% in 2023.

Continued positive export performance, alongside imports growing at a softer pace, may indeed see the pace of Congolese franc depreciation easing, supporting our view of inflation softening.

USD/CDF: forwards versus forecasts



Source: Bloomberg; Standard Bank Research

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Monetary policy: policy rate cuts in 2025

Inflation, last reported at 11.6% y/y in Dec 2024, peaked at 23.8% y/y in Dec 2023 and is seen easing to 8.6% y/y by Dec 2025. Our forecasts imply inflation below the 7% BCC target by Q3:26.

Nevertheless, fuel subsidy reform as well as climate events bring risks to the inflation outlook.

Should inflation decline in line with our forecasts, we see the BCC policy rate cut to 15% this year, which would represent cumulative policy rate cuts of 1,000 bps during 2025.

The BCC kept the policy rate on hold at 25% during 2024. Between Mar 23 and Aug 23, the BCC MPC had hiked the policy rate by 1,675 bps, to 25%, to help fight inflation and support the CDF. This has seen real policy rate kept positive since Aug 23.

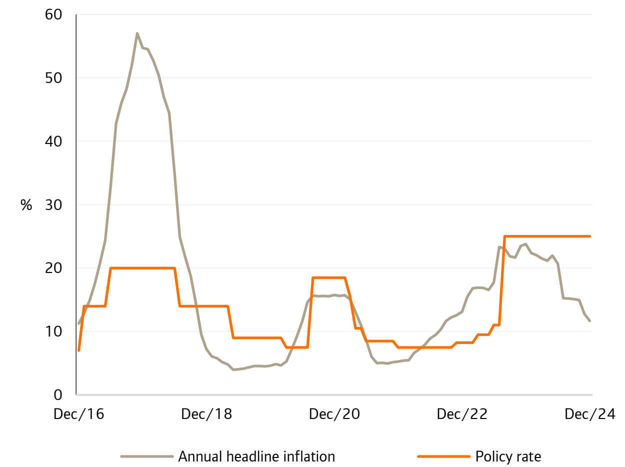
High level of dollarization (over 90% of deposits are held in foreign currency, with over 96% of loans granted in foreign currency), and the lack of financial and capital markets development, conspires to make the interest rate transmission mechanism weak.

Monetary policy tightening in 2023 saw the cash reserves ratio (CRR) for local currency deposits (LCY) set at 10% at the Jun 2023 MPC, from 0%. This was lifted further to 12% in Aug 2024, with foreign currency (FCY) CRR kept unchanged, at 13% for current deposits and 12% for term deposits.

Notably, monetary policy tightening has seen money supply growth easing, reflecting both softer growth in currency in circulation and in deposits.

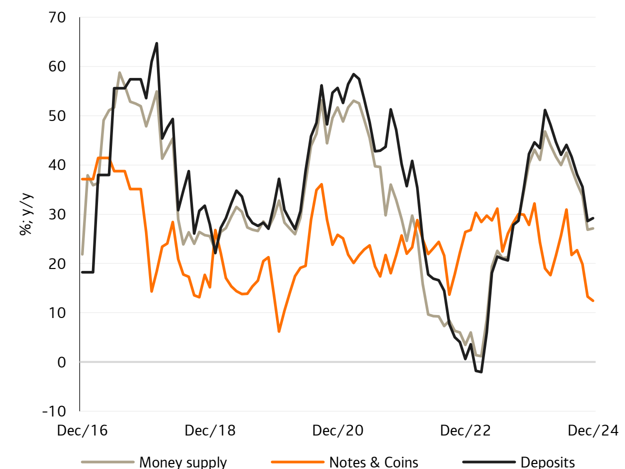
Reforms towards helping develop DRC's domestic debt and capital markets are seen being targeted under the ECF, which over time may help strengthen domestic savings in local currency, reduce dollarization and strengthening monetary policy mechanism.

Inflation and policy rate



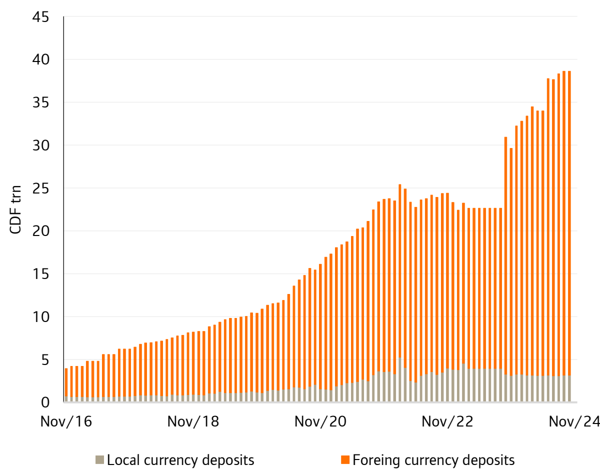
Source: Banque Centrale du Congo; Institut Nationale de la Statistique; Standard Bank Research

Money supply growth



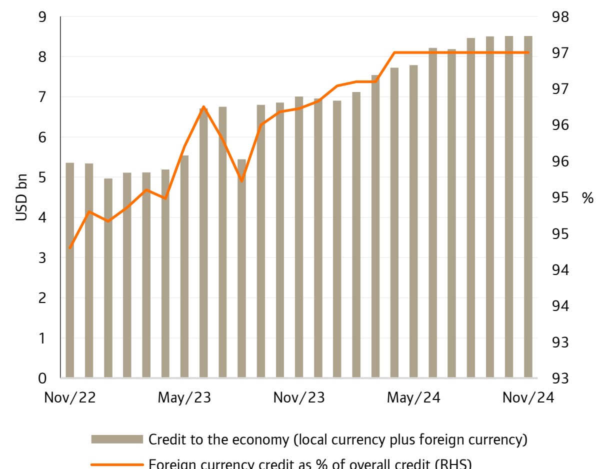
Source: Banque Central du Congo; Standard Bank Research

Deposits



Source: Banque Central du Congo; Standard Bank Research

Credit



Source: Banque Centrale du Congo; Standard Bank Research

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Fiscal policy: lower deficit being targeted

The FY2025 budget for the 12-m ending Dec 2025 foresees the central government deficit (including grants) easing by 32.2% y/y, to CDF4,082.4bn or 1.8% of GDP, implying the first decline in the deficit in three years, denoting some fiscal consolidation being targeted.

This follows impressive increases in the deficit of 104.7% y/y, to CDF4,735.3bn or 2.9% of GDP in 2023, which was an election year. Notably the deficit continued to rise in 2024, up by some 27.1% y/y, to CDF6,018.3bn or 3.1% of GDP in 2024, partially reflecting some increase in military spending, due to an intensification of the armed conflict in the Eastern part of DRC.

Despite multiple peace talks facilitated by Angola, involving DRC officials, M23 rebels and the Rwanda government, to help resolve the conflict in the Eastern part of DRC, there has been little success, which saw a security and humanitarian crisis developing, and clearly adding pressure to the fiscus.

Notably, some of the security challenges have contributed to some reforms agreed with the IMF under the EFC that ended in Jul 24 progressing slowly.

Satisfactory reviews on the ECF that ended last year saw the IMF Board approving the USD2.8bn financing package this year, which consists of an ECF and an RSF.

Among the reforms being targeted, we note tax base broadening, towards keeping non-mining fiscal contribution above 50% of overall government revenues.

Most likely there will be continued focus on reforms towards helping remove DRC from the Financial Action Task Force (FATF) grey-listing, which include improving transparency and advancing on the fight on corruption.

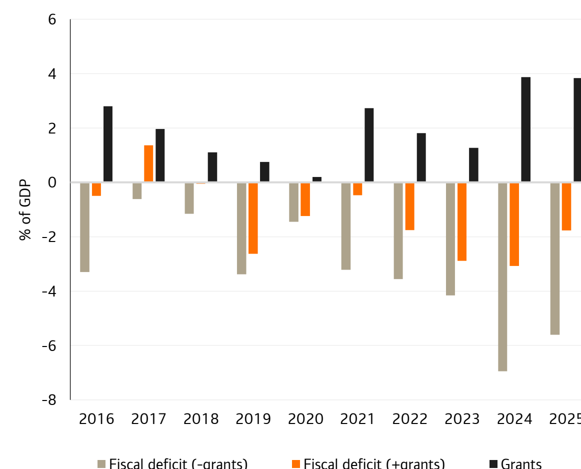
The FY2025 budget flags no material changes in overall government debt (which should remain below 25% of GDP).

Central government finances

% of GDP	2022	2023	2024	2025
Total central govt. revenue	12.6	15.0	14.9	15.3
Total central govt. expenditure	16.1	19.2	21.8	20.9
- Recurrent	9.5	11.1	9.8	9.5
- Interest	0.2	0.4	0.4	0.1
- Wages	4.8	4.7	4.5	4.4
- Development	5.5	7.1	10.6	9.8
Overall balance (ex. grants)	-3.6	-4.2	-6.9	-5.6
Overall balance (incl. grants)	-1.8	-2.9	-3.1	-1.8
Net domestic borrowing (saving)	-0.2	0.0	-0.2	0.2
Net external borrowing (saving)	2.0	2.9	2.9	1.6
Grants	1.8	1.3	3.9	3.8
Balancing figures	0.0	0.0	0.4	0.0

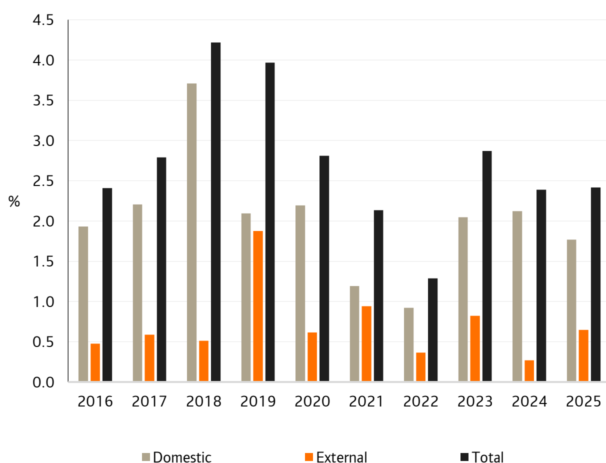
Source: Ministère du budget; Standard Bank Research

Fiscal deficits



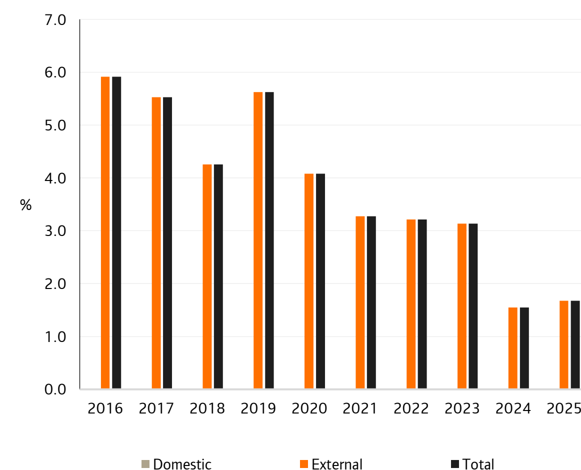
Source: Ministère du Budget; Ministère de Finances; Standard Bank Research

Interest to revenue



Source: Ministère du Budget; Ministère des Finances; Standard Bank Research

Principal repayment to revenue



Source: Ministère du Budget; Ministère des Finances; Standard Bank Research

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Annual indicators

	2020	2021	2022	2023	2024e	2025f	2026f
Output							
Population (million)	92.9	95.9	99.0	102.3	105.6	109.1	112.6
Nominal GDP (CDF bn)	90 181.1	110 114.7	132 063.7	163 777.4	195 543.2	230 344.3	262 423.6
Nominal GDP (USD bn)	48.7	55.4	65.8	70.3	69.4	79.4	86.7
GDP / capita (USD)	524.5	577.7	664.6	687.4	657.4	727.9	769.9
Real GDP growth (%)	1.7	6.2	8.9	8.6	6.1	6.3	6.2
Crude oil ('000 barrels)	8 736.5	8 577.7	8 316.9	8 430.4	7 085.9	7 554.1	7 864.7
Copper ('000 tonnes)	1 601.2	1 802.9	2 394.6	2 842.0	2 995.9	3 167.4	3 354.0
Cobalt ('000 tonnes)	86.6	93.1	115.4	139.8	203.4	223.2	240.5
Gold (Kg)	31 501.0	31 663.0	28 308.0	34 526.0	27 916.1	29 471.8	30 517.6
Central Government Operations							
Budget balance (excl. Grants) / GDP (%)	-1.4	-3.2	-3.6	-4.2	-6.9	-5.6	-2.8
Budget balance (incl. Grants) / GDP (%)	-1.2	-0.5	-1.8	-2.9	-3.1	-1.8	-2.1
Domestic debt / GDP (%)	7.9	9.4	6.1	6.7	6.8	6.6	6.5
External debt / GDP (%)	15.2	15.9	15.0	15.4	18.3	17.1	16.6
Balance of Payments							
Exports (USD bn)	13.8	22.2	28.6	29.6	34.7	35.3	35.6
Imports (USD bn)	-14.4	-22.0	-31.6	-33.6	-32.8	-33.6	-33.8
Trade balance (USD bn)	-0.6	0.2	-3.0	-4.0	1.9	1.7	1.7
Current account (USD bn)	-1.1	-0.5	-3.2	-4.2	1.5	1.4	1.4
- % of GDP	-2.2	-0.9	-4.9	-5.9	2.2	1.7	1.6
Financial account (USD bn)	0.4	-0.5	-2.0	-2.6	-1.0	0.1	1.1
- FDI (USD bn)	-1.5	-1.7	-1.4	-2.4	-1.7	-1.8	-2.1
Basic balance / GDP (%)	-1.4	-1.8	-7.9	-9.7	0.8	1.9	2.9
FX reserves (USD bn) pe	0.7	3.5	4.4	5.1	5.8	6.4	6.7
- Import cover (months) pe	0.6	1.9	1.7	1.8	2.1	2.3	2.4
Sovereign Credit Rating							
S&P	CCC+	CCC+	CCC+	B-	B-	B-	B-
Moody's	Caa1	Caa1	B3	B3	B3	B3	B3
Fitch	CCC	CCC	CCC+	CCC+	CCC+	CCC+	CCC+
Monetary & Financial Indicators							
Headline inflation (%) pa	11.4	9.0	9.3	19.9	17.7	8.9	7.1
Headline inflation (%) pe	15.8	5.3	13.1	23.8	11.7	8.6	6.5
Money supply (% y/y) pa	39.1	42.3	12.9	19.4	38.5	15.7	13.7
Money supply (% y/y) pe	51.7	29.0	3.5	40.3	27.1	15.7	13.7
Policy bank rate (%) pa	12.33	11.00	7.63	16.00	25.00	17.08	12.17
Policy bank rate (%) pe	18.50	7.50	8.25	25.00	25.00	15.00	9.50
USD/CDF pa	1 851.8	1 987.6	2 007.0	2 329.7	2 816.0	2 901.2	3 027.0
USD/CDF pe	1 963.0	1 987.8	2 016.0	2 679.6	2 845.1	2 949.2	3 093.9

Source: Banque Centrale du Congo; Bloomberg; International Monetary Fund; Institut National de la Statistique; Ministère du Budget; Ministère des Finances; Standard Bank Research

Notes: pa - period average; pe - period end; na - not available; nr – not rated

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Egypt: ample funding despite elevated debt service

Medium-term outlook: resilience despite regional shocks

We expect GDP growth to recover to 4.0% y/y in FY2024/25, from 2.4% y/y in FY2023/24. Growth in FY2023/24 undershot the 3.2% y/y we had forecast in our Jun 24 AMR publication. In FY2025/26, we see GDP growth reaching 4.5% y/y.

GDP growth rose to 3.5% y/y in Q1:FY2024/25 (Q3:24), from an average of 2.3% y/y in H1:24. This was the fastest growth since 3.9% y/y growth in Q3:FY2022/23.

Positively, courtesy of the restoration of USD liquidity over the past year, growth in the manufacturing sub-sector recovered to 5.9% y/y in Q3:24, from an average contraction of 1.3% y/y in H1:24 and contraction of 8.5% y/y and H2:23. With FX liquidity conditions expected to remain favourable over the next 2-y, growth in the manufacturing sector will likely remain robust.

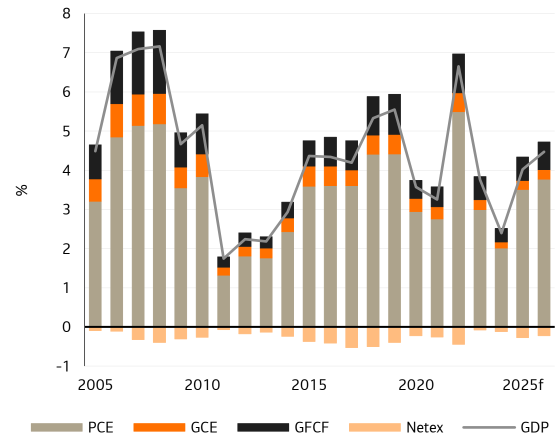
However, given the still large current account deficit and increased cyclical offshore investment in local debt, the exchange rate may remain susceptible to volatility. But that said, continued external funding from multilateral partners and further direct investment expected from the (Gulf Cooperation Council) GCC over the coming year, per media reports, will likely further underpin FX liquidity. This should also support personal consumption expenditure over the coming year.

Surprisingly, the manufacturing sector recovered despite power outages for the better part of 2024, due to a notable decline in domestic gas production. Hence, the government still expects to increase LNG imports in 2025, which will likely continue to support industrial activity, although it will probably weigh down net exports over the coming year.

However, the government plans to increase drilling in the oil and gas sector, with up to 46 additional exploration wells in the pipeline in FY2024/25. This should help the gas sub-sector recover; it had contracted by an average of 15.1% y/y in the 9-m to Sep 24, from an average contraction of 10.0% y/y in 2023.

The government also recently extended the southern end of the Suez Canal by 10km, which should increase capacity of the canal and boost shipping traffic. However, should the shipping attacks in the Red Sea persist over the coming year despite the recent ceasefire deal in the Middle East, Suez Canal activity will likely remain weak and continue to weigh on Egypt's GDP growth.

GDP by expenditure



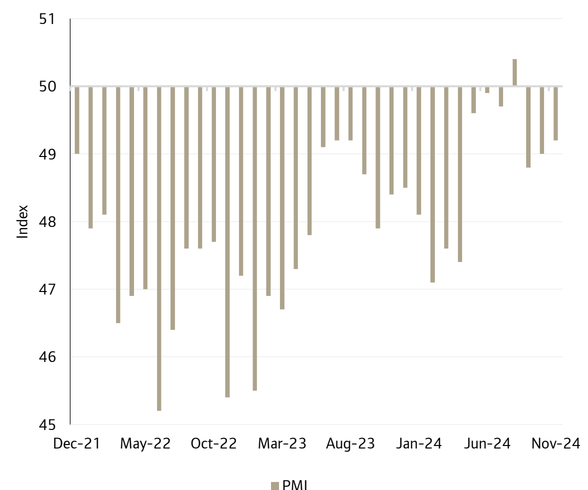
Source: Ministry of Planning; Standard Bank Research

Contribution to GDP by sector

% of GDP	FY2008/09	FY2010/11	FY2022/23	FY2023/24
Agriculture	13.6	14.5	11.2	14.4
Petroleum	6.2	6.2	3.9	3.9
Natural gas	8.3	8.3	2.7	2.3
Manufacturing	16.6	16.5	15.9	14.6
- Petroleum refinement	1.0	1.1	3.3	2.7
Construction	4.4	4.6	8.3	10.0
Transport	4.1	4.1	5.1	4.8
Wholesale and retail trade	11.4	11.5	14.0	14.4
Financial intermediation	3.6	3.4	3.3	3.4
Real estate	2.7	2.6	10.3	8.6
General government	9.9	10.2	5.9	5.4

Source: Ministry of Planning

Egypt PMI



Source: Bloomberg

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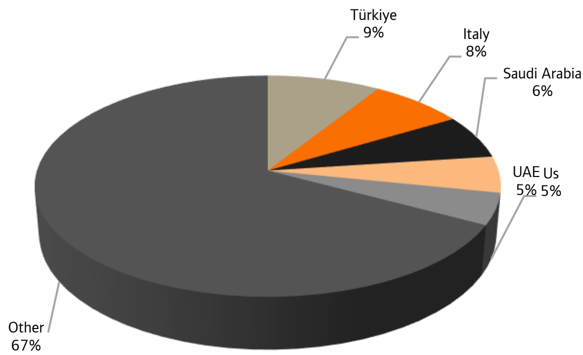
Medium-term economic growth forecasts

	Q1:25	Q2:25	Q3:25	Q4:25	Q1:26	Q2:26	Q3:26	Q4:26	Q1:27	Q2:27	Q3:27	Q4:27	Q1:28	Q2:28	Q3:28	Q4:28
GDP (% y/y) pa	4.1	4.6	3.7	3.6	5.2	5.3	4.8	4.9	4.3	4.8	5.6	5.6	4.6	3.6	3.5	3.4
CPI (% y/y) pe	13.46	13.24	14.08	16.89	15.94	15.99	14.06	11.52	9.38	8.87	6.78	6.13	6.30	6.43	6.61	6.76
CBE prime lending rate (%) pe	27.25	25.25	22.25	22.25	20.25	18.25	16.00	16.00	14.00	14.00	14.00	14.00	12.00	12.00	12.00	12.00
3-m rate (%) pe	26.14	24.50	24.15	23.07	22.49	20.40	18.95	18.01	16.39	16.91	15.81	15.10	13.75	14.18	13.26	12.66
6-m rate (%) pe	27.20	25.00	24.50	23.30	22.80	21.49	20.59	19.48	18.70	17.73	16.60	15.79	15.10	15.40	14.81	13.80
USD/EGP pe	52.07	50.92	52.91	53.84	54.36	55.27	55.86	56.13	56.69	58.08	57.79	59.01	62.17	64.98	64.38	66.86

Source: Central Bank of Egypt; Central Agency for Public Mobilisation and Statistics; Bloomberg; Ministry of Finance; Standard Bank Research

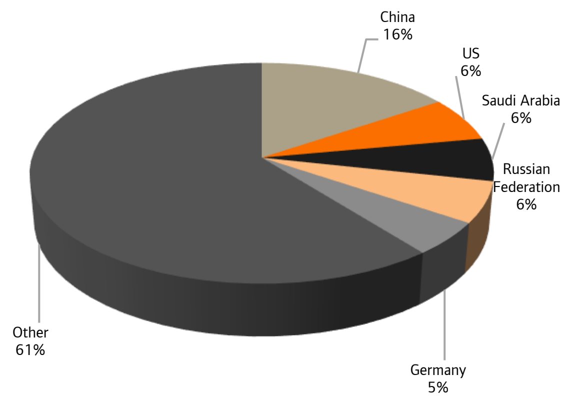
Notes: pa - period average; pe - period end

Share in Egypt's exports (%)



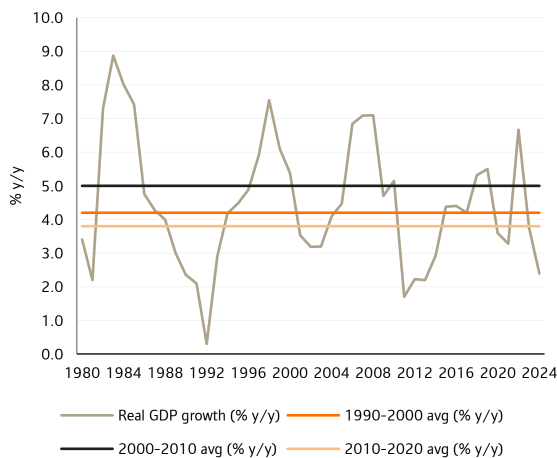
Source: ITC

Share in Egypt's imports (%)



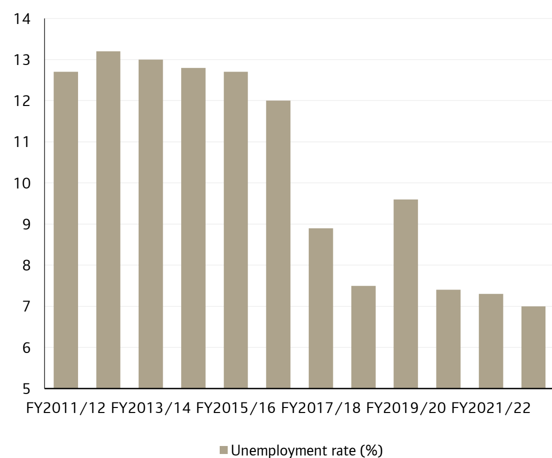
Source: ITC

Long-term GDP performance



Source: World Bank

Unemployment rate



Source: Ministry of Finance

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Balance of payments: gas imports key for C/A trajectory

We still see the C/A deficit remaining elevated in FY2024/25 – but narrowing to 2.1% of GDP, from 3.8% of GDP in FY2023/24. The C/A deficit should then narrow further, to 1.3% of GDP in FY2025/26.

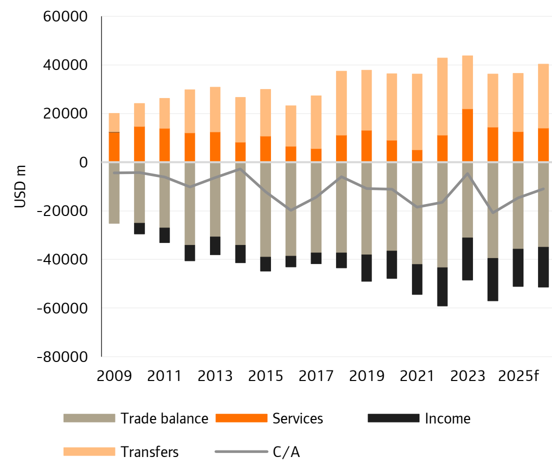
Our baseline assumption factors in improving domestic gas production over the next 2-y following the recent plans outlined by the authorities to ramp up investment and drilling in the gas sector. This should underpin a reduction in imports of goods, which swelled in 2024 largely due to increased gas imports.

As noted in our Jun 24 AMR publication, diaspora remittances continue to recover in the wake of FX reforms over the past year. Remittances rose to USD7.5bn in Q2:24, from USD5.0bn in Q1:24 and USD4.5bn in Q3:24. We expect this trend to continue over the coming year, which should boost net current transfers and support the C/A balance.

However, amidst the ongoing shipping container attacks in the Red Sea, Suez Canal receipts have dwindled, weighing down the C/A balance. Suez Canal receipts declined to USD870.4m in Q2:24, from USD2.4bn in Q4:23. Should revenue from this avenue remain subdued over the coming year despite the recent ceasefire agreement, and if this were combined with sluggish domestic gas production (which would necessitate higher imports), the C/A deficit might significantly overshoot our current expectation.

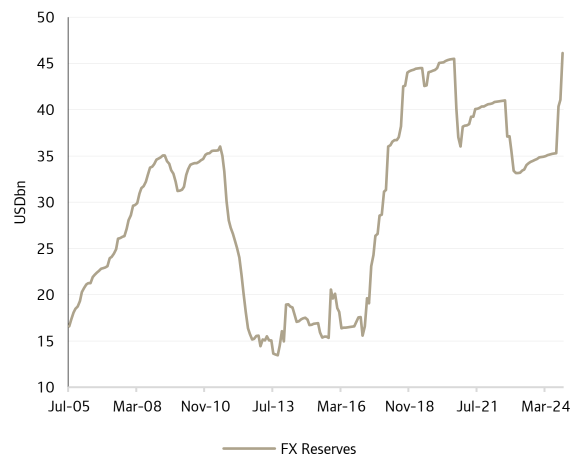
FX reserves grew in in H1:24 by c.USD11.0bn, courtesy of increased multilateral and foreign portfolio inflows. Despite lower net portfolio investment in Q4:24 associated with profit-taking as T-bill maturities fell due, portfolio inflows may well recover and be robust in H1:25. Further, should the land investment deal with a GCC partner transpire, per media reports, and should material public asset sales resume, the capital and financial A/C should cover the expected relatively large C/A deficit over the coming

Current account developments



Source: Central Bank of Egypt; Standard Bank Research

Net FX reserves (USD bn)



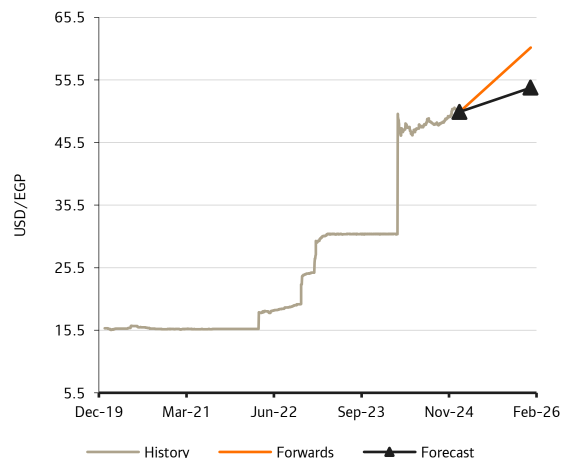
Source: Central Bank of Egypt

FX outlook: moderate EGP weakness

We expect the USD/EGP to move upward modestly in 2025. The pair will likely reach 53.80-54.50 by end Dec 25. The EGP depreciated towards the end of Q4:24 largely due to profit-taking from portfolio investors on their carry trades maturing in Dec. Additionally, previous FX restrictions for certain sectors were also withdrawn, which increased USD demand.

On a REER basis, the EGP still looks relatively cheap, according to our estimates following the 38% devaluation in Mar 24. Hence, we expect foreign portfolio investment to continue to rise over the coming year, even as the risk of further profit-taking looms in Mar 25. In addition, the likely increase in direct investment and further multilateral financing from the IMF and World Bank should help support FX reserves, particularly as external debt service remains elevated in 2025.

USD/EGP: forwards versus forecasts



Source: Bloomberg; Standard Bank Research

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Monetary policy: likely to ease in 2025

The MPC may begin easing its policy stance from Q1:25. We therefore expect the policy rate to be cut by a cumulative 400-600 bps in 2025.

Perhaps were it not for the removal of bread and fuel subsidies and sharply higher electricity tariffs, headline inflation might have begun easing from H2:24.

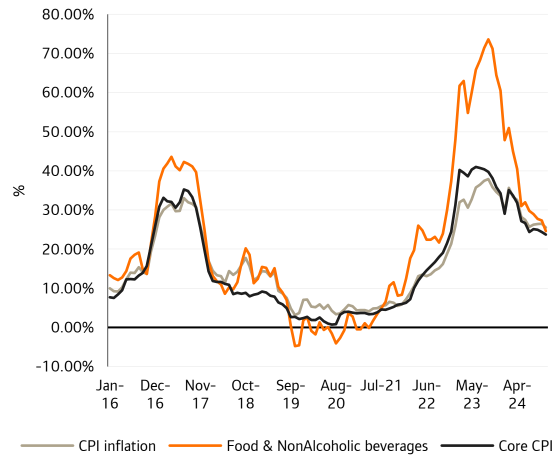
However, the second-round effects from these price hikes may keep inflation stickier than previously anticipated. Still, unwinding base effects in Feb 25 should underpin a notable decline in headline inflation.

Hence, we see headline inflation falling to 13.8% y/y in Feb 25, from 24.5% y/y in Jan 25. Thereafter, headline inflation will likely average 15.7% y/y in H2:25. Although, per the current agreement under the IMF programme, the government is likely to continue eliminating fuel subsidies into end 2025. This will likely keep fuel inflation elevated and pose an upside risk to our inflation outlook for 2025.

Moreover, given the notable uptick in foreign holdings of local EGP debt since Mar 24, the MPC may be wary of aggressively cutting the key policy rate, particularly if the global risk environment becomes volatile and thereby exerts upside pressure on USD/EGP.

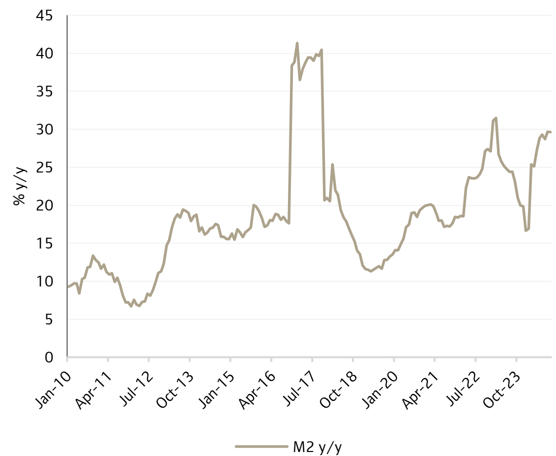
Critically, any excessive USD/EGP volatility, induced by global risk dynamics, might make the MPC cautious and prompt the committee to reassess its expected easing path. Additionally, if the disinflation path were more sluggish in H1:25 than we currently expect in our base case, the IMF might impel the authorities to maintain a relatively tight policy stance.

Inflation and interest rates



Source: Central Bank of Egypt

M2 money supply growth



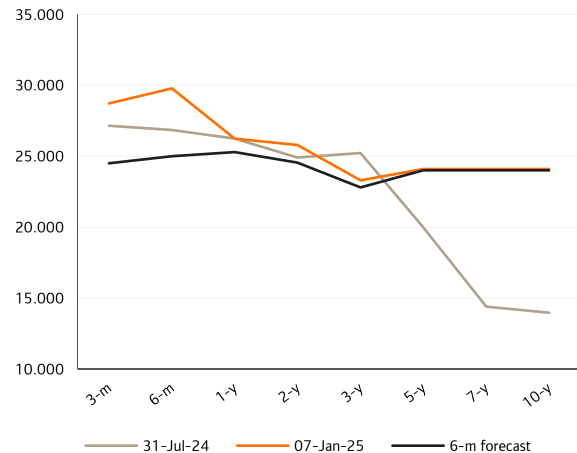
Source: Central Bank of Egypt

Yield curve outlook: T-bill yields could ease after March 25

Yields at the short end of the curve will likely edge lower in 2025. However, the CBE will probably ensure that the decline in T-bill yields is gradual to avoid an increase in portfolio outflows. Perhaps they will remain cautious, particularly around Mar 25 when the next round of large T-bill maturities will fall due for offshore investors, and thus keep T-bill yields relatively elevated until then.

The expected decline in T-bill yields, in tandem with the broader market's expectation for the MPC to begin easing in H1:25, may see investors test the water by slightly lengthening duration and shifting further towards the 3-y government bond. Our recommended 12-m EGP T-bill trade will mature in Mar 25. Even after that time, our preference to extend the carry trade will likely remain.

Changes in the yield curve



Source: Standard Bank Research; Bloomberg

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Fiscal policy: expecting consolidation from FY2025/26

Following the EGP devaluation in Mar 24 and a tighter monetary policy stance by the CBE, the government's net domestic funding position has improved markedly as both local and foreign investors have increased their uptake of local debt.

In addition to robust net domestic financing, the government will likely still have ample external funding options too over the coming year. This would be crucial as external debt repayments range between USD15.0-20.0bn p.a. in 2025 and 2026, per World Bank data.

In FY2025/26 and FY2026/27, local debt service costs are likely to ease, compared to FY2024/25. Thus, overall recurrent expenditure may decline and thereby reduce the fiscal deficit.

For the fourth review under the Extended Fund Facility (EFF), the authorities and the IMF agreed to recalibrate fiscal targets under the programme given the need to boost social expenditure amid elevated inflation after the withdrawal of some subsidies.

Under the IMF programme, the government will now target a primary balance surplus of 4.0% of GDP in FY2025/26, less than the 4.5% of GDP initial target. For FY2026/27, the primary balance surplus target of 5.0% of GDP remains unchanged.

Notably, these revised fiscal targets exclude State Own Enterprise (SOE) divestment proceeds. Crucially, the IMF appears to be pushing for an acceleration of this process to support fiscal revenue for the government.

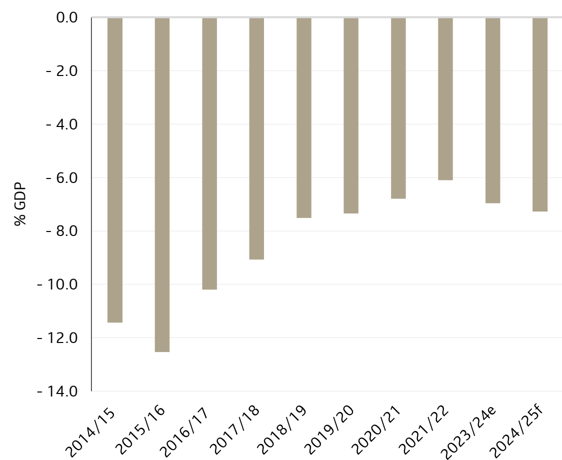
Furthermore, should the much-discussed direct investment land deal with a GCC partner also transpire, this should underpin revenue for the government.

Central government budget

% of GDP	FY2022/23	FY2023/24	FY2024/25
Total Revenue	15.4	18.1	15.3
Total Expenditure	21.6	22.1	22.6
Wages and salaries	4.1	4.0	3.4
Interest payments	7.7	9.5	10.8
Subsidies	4.4	4.5	3.7
Cash deficit	-6.2	-4.0	-7.3

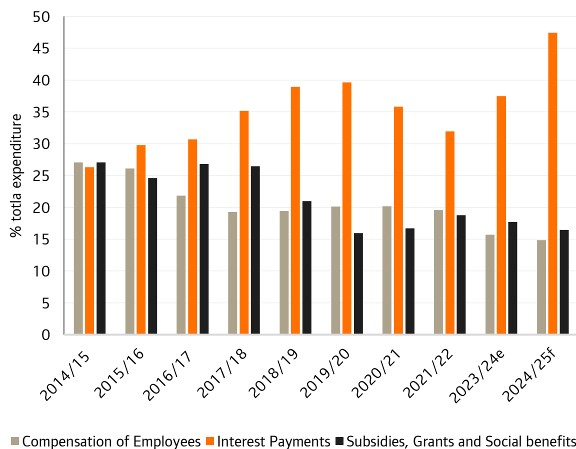
Source: Ministry of Finance

Fiscal deficit including grants (% of GDP)



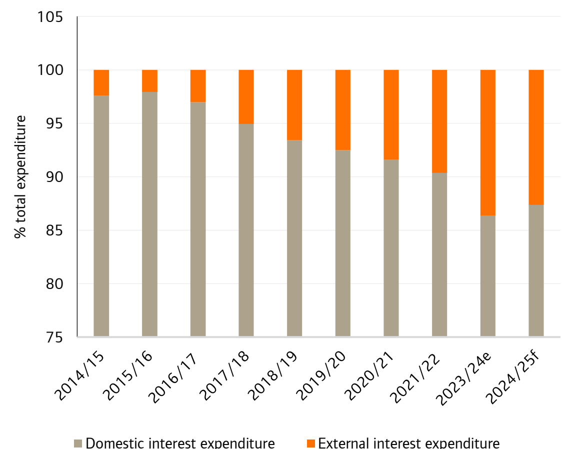
Source: Ministry of Finance

Components of expenditure



Source: Ministry of Finance

Composition of interest expenditure



Source: Ministry of Finance

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Annual indicators

	2020	2021	2022	2023	2024e	2025f	2026f
Output							
Population (million)	100.6	102.1	103.6	105.2	106.8	108.3	109.9
Nominal GDP (EGP bn)	5879.6	6336.7	7457.1	9646.0	13236.3	15795.0	18865.2
Nominal GDP (USD bn)	402.8	461.9	458.7	391.5	549.2	680.8	869.4
GDP / capita (USD)	4004.0	4524.2	4427.3	3721.7	5142.5	6286.4	7910.5
Real GDP growth (%)	3.6	3.3	6.7	3.8	2.4	4.0	4.5
Oil Production ('000 b/d)	586.9	560.5	567.5	564.25	541.03	544.56	550.69
Central Government Operations							
Budget balance (incl. grants) / GDP (%)	-7.9	-7.7	-6.1	-6.20	-4.00	-7.30	n/a
Budget balance (excl. grants) / GDP (%)	-7.9	-7.7	-6.1	-6.20	-4.00	-7.30	n/a
Domestic debt / GDP (%)	83.9	79.6	80.5	83.2	85.6	89.0	n/a
External debt / GDP (%)	18.1	19.5	17.5	25.8	31.5	32.9	n/a
Balance Of Payments							
Exports of goods and services (USD bn)	47.7	44.7	70.8	74.2	62.8	65.8	72.3
Imports of goods and services (USD bn)	-75.2	-81.6	-103.1	-83.4	-88.0	-84.4	-85.0
Trade balance (USD bn)	-27.5	-36.9	-32.2	-9.23	-25.22	-18.63	-12.69
Current account (USD bn)	-11.17	-18.44	-16.55	-4.71	-20.8	-14.6	-11.0
- % of GDP	-2.77	-3.99	-3.61	-1.20	-3.8	-2.1	-1.3
Capital & Financial account (USD bn)	5.4	23.4	11.8	8.9	30.0	33.4	26.5
- FDI (USD bn)	7.453	5.214	8.937	10.04	46.0	21.3	23.8
Basic balance / GDP (%)	-1.4	1.1	-1.0	1.1	1.7	2.8	1.8
FX reserves (USD bn) pe	40	41	34	35.2	47.1	55.6	56.6
- Import cover (months) pe	6.4	6.0	4.0	5.1	6.4	7.9	8.0
Sovereign Credit Rating							
S&P	B+	B+	B	B-	B-	B	B
Moody's	B2	B2	B2	Caa1	Caa1	B3	B3
Fitch	B+	B+	B+	B-	B	B	B
Monetary & Financial Indicators							
Consumer inflation (%, y/y) pa	5.1	5.2	13.9	33.8	28.5	15.3	15.0
Consumer inflation (%, y/y) pe	2.2	8.7	12.4	33.6	24.1	16.9	11.5
M2 money supply (%, y/y) pa	17.4	17.1	23.7	24.8	26.3	21.5	23.8
M2 money supply (%, y/y) pe	19.7	18.3	27.1	19.9	29.9	20.9	26.4
CBE overnight lending rate (%) pa	10.00	9.25	12.75	19.25	28.25	24.25	17.63
CBE overnight lending rate (%) pe	9.25	9.25	16.25	20.25	28.25	22.25	16.00
3-m rate (%) pe	12.6	11.6	18.0	25.70	28.72	23.07	18.01
1-y rate (%) pe	12.7	13.2	18.8	27.60	26.24	23.55	19.32
5-y rate (%) pe	14.1	14.3	18.2	23.50	24.10	23.20	21.70
USD/EGP pa	15.8	15.7	19.7	30.78	45.58	52.44	55.40
USD/EGP pe	15.7	15.7	24.7	30.89	50.84	53.84	56.13

Source: Central Bank of Egypt; Central Agency for Public Mobilisation and Statistics; Bloomberg; Ministry of Finance; Standard Bank Research

Notes: pa - period average; pe - period end

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Ethiopia: navigating an evolving economy

Medium-term outlook: further promising growth momentum

Ethiopia's economic outlook remains optimistic, with the country positioned for further robust growth. Following an impressive expansion of 8.1% y/y in FY2023/24, we anticipate positive momentum to persist, albeit at a more moderate 7.8% y/y in FY2024/25. Several key factors are driving this optimism, including support from the agricultural sector, ongoing structural reforms, and steady performances in the industrial and services sectors. The agricultural sector, the backbone of this economy, will remain a vital contributor to growth. Targeted initiatives aimed at boosting productivity are likely to result in improved harvests. On the industrial front, we have seen notable y/y growth in areas such as electricity generation and manufacturing. While the mining sector currently represents a smaller share of GDP, it holds significant potential. From 2026 onwards, the Tulu Kapi Gold Mine is poised to boost economic growth, generating export revenue and creating jobs. The services sector remains on a strong upward trajectory. A surge in air travel and a marked increase in tourism too should boost GDP growth.

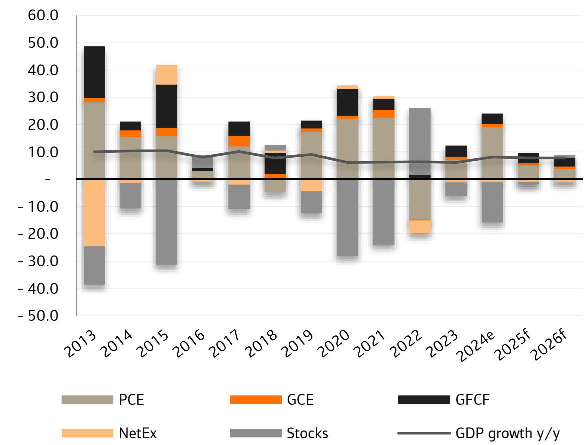
Monetary policy adjustments by the NBE are likely to further support growth. By raising the annual credit growth ceiling for commercial banks to 18% from 14%, the NBE has adopted a flexible approach to credit expansion in response to easing inflation. This policy shift should address liquidity constraints in the banking sector, making financing more accessible to businesses. Structural reforms are also likely to spur long-term growth. The recent parliamentary decision, to allow foreign banks to operate in Ethiopia, is a pivotal development. By increasing competition and attracting foreign investment, this reform is expected to introduce advanced banking technologies, improve financial services, and expand access to credit. These changes should not only stimulate business investment and consumer spending but also foster greater financial inclusion and efficiency across this economy.

While Ethiopia's growth prospects are promising, we are wary of challenges that may constrain economic performance. Civil conflict poses a persistent risk, and may disrupt agricultural output, deter foreign investment, and undermine broader stability.

Macroeconomic imbalances too pose a downside risk. Despite inflation reaching a 5-y low of 16.9% y/y in Nov 2024, it remains in double digits, and a resurgence in inflationary pressures is possible during H2:25. Rising inflation could constrain consumer spending and investment, impeding broader economic activity. Further, ongoing liquidity hurdles in the banking sector may limit the effectiveness of recent monetary policy adjustments, thereby restricting credit flows and slowing private sector growth.

Addressing these constraints would require a balance of fiscal and monetary policies to ensure sustainable expansion without exacerbating inflationary pressures.

Composition of GDP by demand



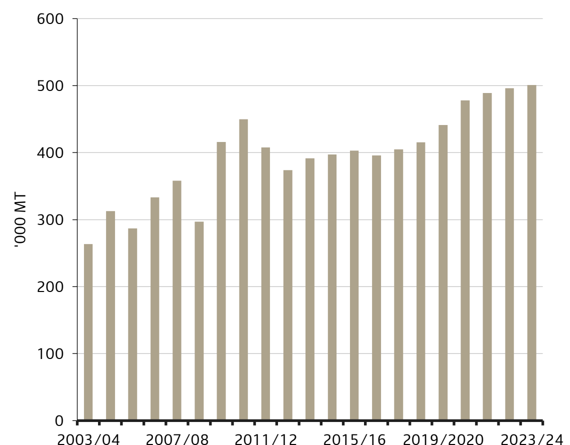
Source: National Bank of Ethiopia; Standard Bank Research

Contribution to GDP by sector

% of GDP	2010/11	2016/17	2021/22	2022/23
Agriculture, hunting, fishing, and forestry	44.60	36.30	32.40	32.10
Mining and quarrying	1.40	0.20	0.51	0.52
Manufacturing	4.00	6.40	6.67	6.74
Electricity and Water	1.00	0.70	0.77	0.84
Construction	4.00	16.40	20.58	20.79
Wholesale and retail trade	14.50	13.80	14.38	14.63
Hotels and restaurants	3.60	2.70	2.41	2.50
Transport and communication	4.20	5.20	5.45	5.76
Real Estate, Renting and Business activities	9.30	4.50	4.54	4.72
Public admin and defence	5.40	4.50	4.11	4.03

Source: National Bank of Ethiopia

Coffee production



Source: National Bank of Ethiopia

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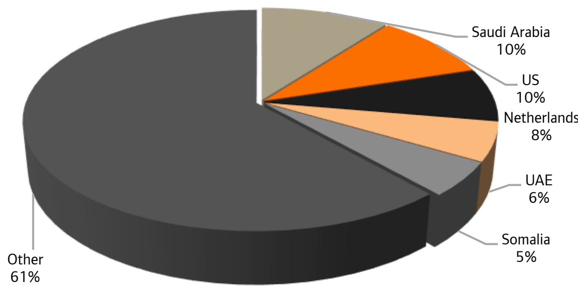
Medium-term economic growth forecasts

	Q1:25	Q2:25	Q3:25	Q4:25	Q1:26	Q2:26	Q3:26	Q4:26	Q1:27	Q2:27	Q3:27	Q4:27	Q1:28	Q2:28	Q3:28	Q4:28
GDP (% y/y) pa	7.80	7.80	7.70	7.70	7.70	7.70	8.50	8.50	8.50	8.50	9.00	9.00	9.00	9.00	8.80	8.80
CPI (% y/y) pe	15.13	21.06	21.03	18.67	16.39	14.43	12.82	11.58	11.71	11.83	11.46	10.81	9.62	9.64	9.15	8.75
Policy rate (%) pe	15.00	15.00	18.00	18.00	18.00	15.00	15.00	15.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00
3-m rate (%) pe	15.83	15.83	18.83	18.83	18.83	15.83	15.83	15.83	12.83	12.83	12.83	12.83	12.83	12.83	12.83	12.83
6-m rate (%) pe	14.47	16.47	19.47	19.47	19.47	16.47	16.47	16.47	13.47	13.47	13.47	13.47	13.47	13.47	13.47	13.47
USD/ETB pe	130.1	134.0	137.8	144.6	148.17	152.14	156.07	162.95	167.4	172.4	177.4	186.1	190.7	196.0	201.1	210.2

Source: National Bank of Ethiopia; Central Statistics Agency; Standard Bank Research; Bloomberg

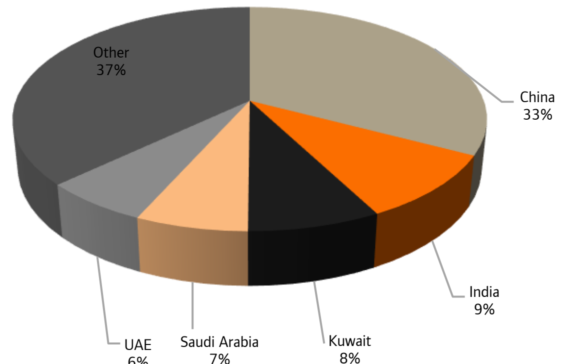
Notes: pa - period average; pe - period end

Ethiopia's top 5 exports destination (% of total)



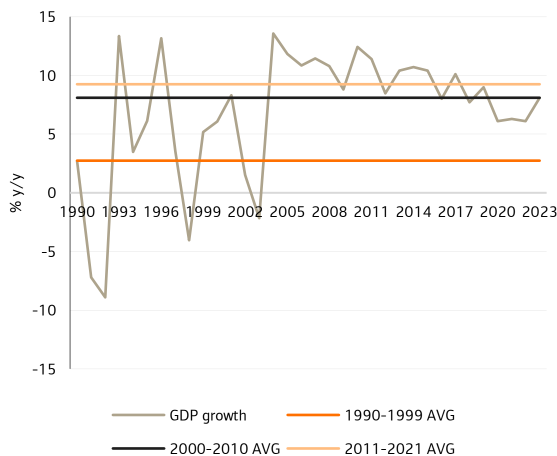
Source: International Trade Centre

Ethiopia's top 5 imports origin (% of total)



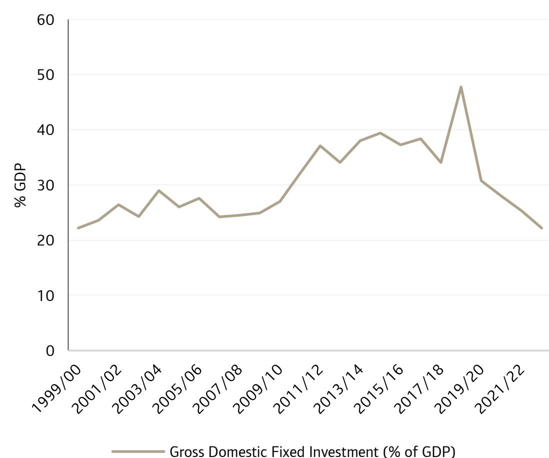
Source: International Trade Centre

Long-term GDP performance



Source: National Bank of Ethiopia

Domestic fixed investment



Source: National Bank of Ethiopia

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Balance of payments: gold and remittances in the spotlight

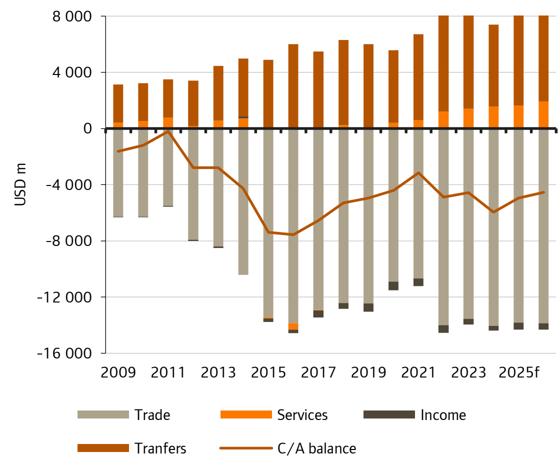
After widening in 2023/24, the C/A deficit may narrow to 2.5% of GDP in 2024/25. However, rising FX availability may fuel higher imports, which may offset some of the gains from improved exports and remittances – but fiscal consolidation should constrain import growth. Debt servicing after a formal debt restructuring is likely to widen the primary income deficit, piling pressure on the C/A in the medium term.

Exports growth is expected, considering that AGOA access may be reinstated if Ethiopia can meet eligibility requirements. Economic reforms introduced in 2024, particularly exchange rate adjustments, should still boost exports and remittances. According to the NBE, these reforms contributed to a C/A surplus in Q1 of this fiscal year. High global prices for key commodities like coffee and gold, alongside efforts to formalize trade and curb smuggling, too boosted export growth. However, if the parallel market rate remains persistently higher than the official rate, trade may shift back to the parallel market. Moreover, with imports still at roughly twice the level of exports, any trade balance improvements may be merely gradual.

The launch of the Ethiopian Securities Exchange (ESX) in Jan marks a pivotal development. By enabling the trade of shares, government-issued securities, and money market instruments, the ESX is set to attract investment from the Ethiopian diaspora and foreign investors. While it is unclear if government securities will be open to foreign investors, the clustering, likely to be created by the exchange, could make long-term investments more liquid and attractive, thereby enhancing the overall investment environment.

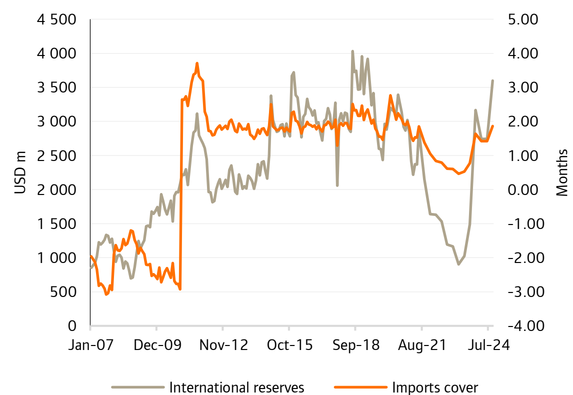
The C/A deficit will likely be financed through FDI and funds from development partners. Ethiopia and the IMF have reached a staff-level agreement on the second review of the four-year USD 3.4bn ECF arrangement. The BOP is projected to improve further, with FX reserves currently at USD3.6bn. Sustained progress would depend on effective reform implementation, prudent debt management, and the ability to attract diversified capital inflows.

Current account developments



Source: National Bank of Ethiopia; Standard Bank Research

FX reserves

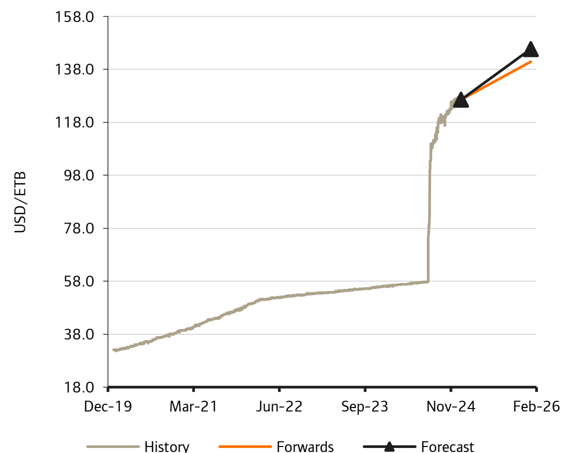


Source: Bloomberg; National Bank of Ethiopia; Standard Bank Research

FX outlook: rapid depreciation unlikely

Exchange rate reforms implemented in Jul 24, aimed at aligning the official rate more closely with market dynamics, resulted in the ETB weakening by c.55% against the USD. The ETB should stabilize, perhaps ending 2025 at 144.6 against the USD. These reforms, along with strong export performance and rising remittances, have significantly bolstered Ethiopia's foreign exchange reserves. While an appreciation of the ETB cannot be ruled out due to poor ETB liquidity, it will likely depend significantly on whether FX supply improves in both the parallel and formal markets. The initial alignment of the official exchange rate with the parallel market rate reduced market distortions and somewhat enhanced transparency. According to our real effective exchange rate (REER) estimates, the magnitude of the ETB's overvaluation has fallen to single digits, which should foster confidence in the ETB. The convergence of exchange rates, combined with ongoing economic policies aimed at achieving a BOP surplus and improving economic fundamentals, should position the ETB for gradual depreciation against the USD, rather than sharp fluctuations.

USD/ETB: forwards versus forecast



Source: Bloomberg; Standard Bank Research

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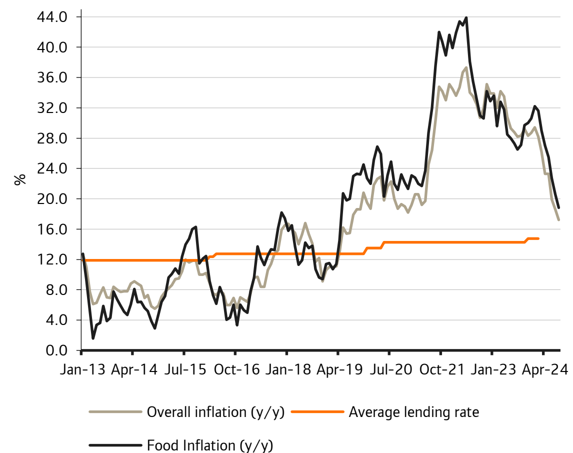
Monetary policy: maintaining a tighter stance

The MPC appears set to maintain its tightening stance in the short- to medium term. The MPC of the NBE held its inaugural meeting in late 2024, reviewing macroeconomic conditions to align its strategies with price stability and economic growth goals. Inflation, while on a declining trend, remains elevated, with y/y inflation dropping to a 5-y low of 16.9% in Nov 24. The MPC attributed this decline to the stringent monetary policies implemented since Aug 23. Food inflation, though still high shows signs of stabilization, while non-food inflation edged up, driven by exchange rate fluctuations and adjustments in administered prices.

The NBE maintained the policy rate at 15% to further consolidate gains in reducing inflation and strengthening macroeconomic stability. Open-market operations are being utilized to manage liquidity by trading government securities, aiming to influence short-term interest rates and money supply. Meanwhile, credit growth targets have been raised to 18% from 14%, signalling a balanced approach to supporting growth but without exacerbating inflation. We expect inflation to remain sticky, or rise, peaking at 21.97% in Aug 25 and ending 2025 at 18.67% y/y due to secondary effects of the new exchange rate regime, potential electricity tariff hikes, and the gradual reduction of fuel subsidies. However, tight monetary policy, the decision to halt fiscal deficit monetization, and subdued ETB liquidity are expected to limit the extent of inflation increases.

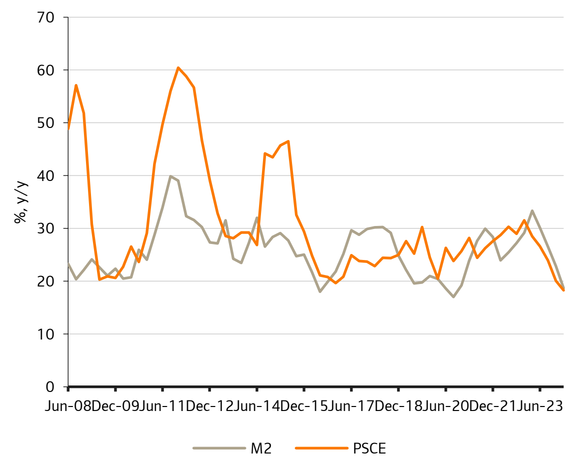
Looking ahead, the convergence of the official and parallel exchange rates may aid inflation stabilization, but risks remain. Headline inflation could persist in double digits until fiscal reforms and tighter monetary policies take firmer hold. As such, we anticipate gradual adjustments in policy tools, rather than abrupt shifts in the coming quarters.

Inflation and interest rates



Source: National Bank of Ethiopia; Central Statistics Agency

Money supply



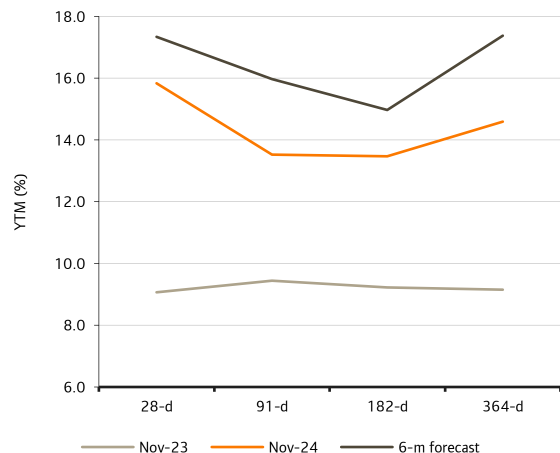
Source: National Bank of Ethiopia

Yield curve outlook: likely to reflect evolving economic landscape

Yields should remain stable in the near term but may rise in H2:25, reflecting the impact of recent economic reforms. The NBE has adopted a policy rate as its primary policy tool to signal its monetary stance and influence credit conditions, in alignment with IMF-sponsored reforms.

As a result, yields have adjusted to align with the current NBR of 15%. The NBE's restrictive monetary policy, aimed at attaining positive real interest rates, has further influenced government bond yields. However, the T bill market remains underdeveloped, with total offers from Oct to Dec 24 reaching ETB114.6bn, while bids totalled only ETB51.9bn. This gap underscores limited participation from the banking sector and challenges in achieving issuance targets. But then, in Jan 25, bids exceeded offers, with ETB22.9bn in bids against ETB16.9bn offered. This sharp contrast highlights pockets of liquidity and market interest, though sustained participation remains a challenge.

Change in the yield curve



Source: National Bank of Ethiopia; Standard Bank Research

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Fiscal policy: long-term solvency issue, or short-term liquidity crunch?

Fiscal policy may continue to focus on achieving debt sustainability while addressing the urgent need for economic reform and recovery. The government's approach emphasizes a revenue-driven fiscal consolidation strategy designed to restore stability to public finances. Under this framework, the primary deficit is projected to decline gradually from 1.5% of GDP in 2023/24 to 0.7% of GDP by 2027/28, aligning with the IMF programme.

A key element of this strategy is the establishment of the National Tax Reform Taskforce, which is driving efforts to implement comprehensive tax reforms. These measures are expected to enhance revenue generation, with projections indicating an additional 1.0% of GDP in revenue by 2024/25. Over the programme period, the tax percentage of GDP is expected to increase by 4 percentage points.

Debt restructuring is also central to achieving fiscal sustainability. While official debt restructuring negotiations are likely to progress relatively swiftly, discussions with Eurobond holders may face delays due to disagreements about whether Ethiopia is experiencing a long-term solvency issue or a short-term liquidity crunch. The IMF and authorities lean toward the former, evidenced by their proposed 18% haircut, whereas some bondholders and World Bank staff reportedly view a liquidity crunch as the more realistic assessment.

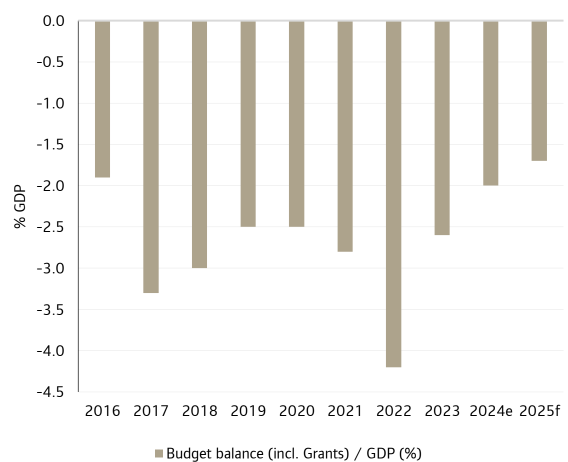
According to the IMF, restoring debt sustainability would require reducing external debt service to 14% of revenue and 10% of exports, and lowering the PV of external debt to 140% of exports by the end of the programme. However, these thresholds are projected to be breached through to 2028, largely due to Ethiopia's low export base, forecast at 5.4% of GDP in 2024. The government considers these breaches as indicative of a solvency issue. Notably, some breaches are expected to extend up to 4-y beyond the programme period; but we would not rule out the IMF adjusting the DSA.

Central government budget

% of GDP	FY2021/22	FY2022/23	FY2023/24	FY2024/25
total revenue	8.50	8.20	7.90	9.80
tax revenue	7.10	6.80	6.30	7.30
current expenditure	8.40	6.70	5.90	7.80
capital expenditure	4.30	4.10	4.00	3.70
total expenditure	12.70	10.80	9.90	11.50
Deficit incl. grants	-4.20	-2.60	-2.00	-1.70

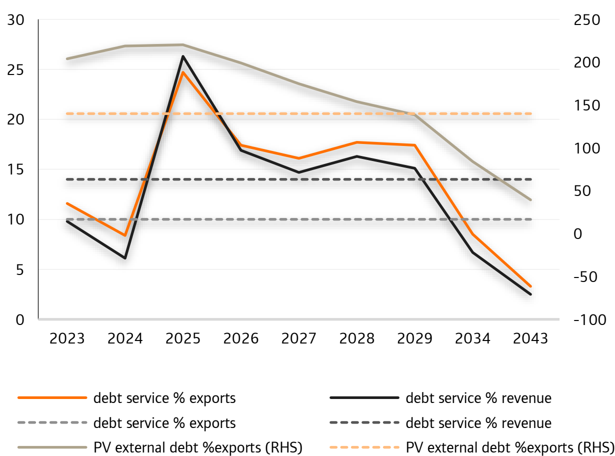
Source: Ministry of Finance

Fiscal deficit (incl. grants/GDP %)



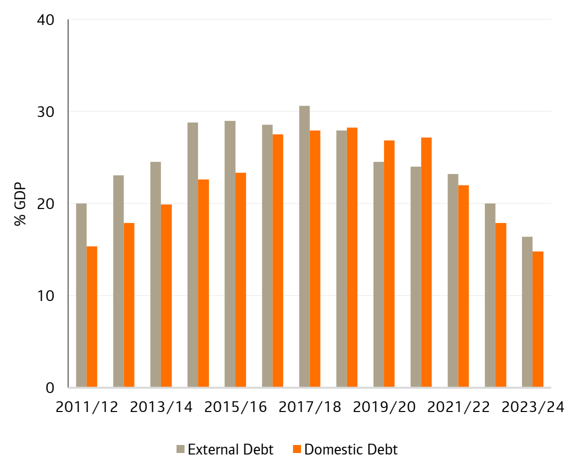
Source: Ministry of finance

Debt sustainability



Source: IMF

Domestic and external debt



Source: Ministry of Finance

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Annual indicators

	2020	2021	2022	2023	2024e	2025f	2026f
Output							
Population (million)	99.75	101.90	104.10	105.70	107.81	109.97	112.17
Nominal GDP (ETB bn)	3374.75	4341.39	6157.54	8722.30	11267.87	14274.24	17371.94
Nominal GDP (USD bn)	107.67	111.27	126.78	158.94	178.02	199.38	223.30
GDP / capita (USD)	1080.00	1091.80	1218.00	1503.71	1651.13	1813.01	1990.75
Real GDP growth (%)	6.13	6.27	6.36	6.10	8.10	7.80	7.70
Coffee production ('000 MT)	441.00	478.00	489.00	496.20	501.00	519.54	538.76
Central Government Operations							
Budget balance (excl. Grants) / GDP (%)	-3.70	-3.60	-4.60	-3.00	-2.40	-3.00	-2.60
Budget balance (incl. Grants) / GDP (%)	-2.50	-2.80	-4.20	-2.60	-2.00	-1.70	-2.10
Domestic debt / GDP (%)	24.52	24.00	22.00	20.00	16.40	n/a	n/a
External debt / GDP (%)	26.84	27.16	22.00	17.90	14.80	n/a	n/a
Balance of payments							
Exports (USD bn)	7.67	8.51	10.44	10.79	11.14	13.13	13.25
Imports (USD bn)	-18.17	-18.60	-23.22	-22.93	-23.62	-25.32	-25.17
Trade balance (USD bn)	-10.50	-10.08	-12.79	-12.13	-12.48	-12.19	-11.93
Current account (USD bn)	-4.40	-3.15	-4.89	-4.56	-5.96	-4.95	-4.55
- % of GDP	-4.09	-2.83	-3.86	-2.87	-3.35	-2.49	-2.04
Financial and Capital account (USD bn)	4.33	3.82	2.76	3.50	3.43	3.15	3.47
- FDI (USD bn)	2.42	3.96	3.31	3.43	3.61	4.27	5.10
Basic balance / GDP (%)	-1.84	0.72	-1.25	-0.71	-1.32	-0.34	0.24
FX reserves (USD bn) pe	3.02	1.60	1.50	1.00	1.50	3.80	5.20
- Import cover (months) pe	2.00	1.03	0.78	0.52	0.76	1.80	2.48
Sovereign Credit Rating							
S&P	B	CCC	CCC	SD	SD	CCC	CCC
Moody's	B2	Caa2	Caa2	Caa3	Caa3	Caa2	Caa2
Fitch	B	CCC	CCC	RD	RD	CCC	CCC
Monetary & Financial Indicators							
Consumer inflation (%) pa	20.41	26.48	34.03	30.43	21.13	18.88	14.00
Consumer inflation (%) pe	18.20	35.10	33.90	28.70	17.00	18.67	11.58
M2 money supply (% y/y) pa	24.25	25.58	26.26	29.81	19.56	23.55	21.72
M2 money supply (% y/y) pe	17.02	29.94	27.22	26.56	18.69	23.88	19.06
Policy rate (%) pa	16.00	16.00	16.00	17.00	15.00	16.50	15.75
Policy rate (%) pe	16.00	16.00	16.00	18.00	15.00	18.00	15.00
USD/ETB pa	35.25	44.26	52.13	54.88	82.02	135.01	153.17
USD/ETB pe	38.70	49.37	53.56	56.30	126.65	144.61	162.95

Source: National Bank of Ethiopia; Central Statistics Agency; Standard Bank Research; Bloomberg; Reuters

Notes: pe – period end; pa –a period average

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Ghana: must stay the course in restoring fiscal stability

Medium-term outlook: a boost from mining

GDP growth in 2024 may materially exceed our forecast of 3.8% y/y in the Jun 2024 AMR publication. We now see GDP growth reaching 6.2% y/y in 2024, from 2.9% y/y in 2023. This would be the fastest since 2019 when economic growth was 6.6% y/y.

Given such an impressive recovery and amidst improving macroeconomic fundamentals, growth should remain relatively robust, at 5.4% y/y in 2025, and thereafter likely even rise 5.7% y/y in 2026.

The cocoa sub-sector contracted by an average of 24.1% y/y in the 9-m to Sep 24, from growth of 0.3% y/y in the same period in 2023. Despite record high international prices of cocoa over the past year, unfavourable weather conditions and disease such as swollen shoot virus substantially crimped cocoa output.

However, according to the Cocobod, cocoa production is seen rebounding in the 2024/25 season as weather conditions should be more conducive to robust production. Should cocoa production recover more robustly than we currently price into our baseline assumption, our GDP growth forecast may exceed 5.4% y/y for 2025.

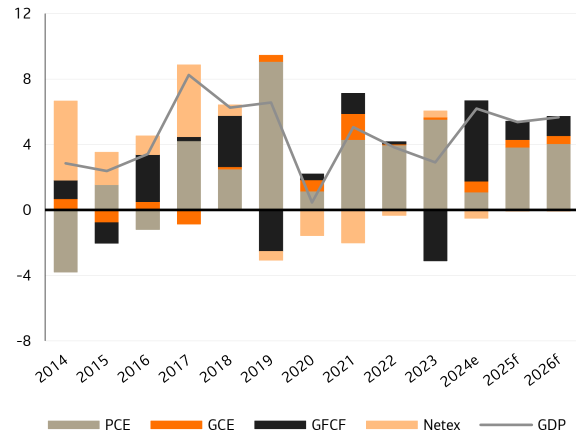
Additionally, unfavourable base effects may dent GDP growth prospects in 2025. However, the mining-sub-sector, largely dominated by gold, should again excel in 2025.

Despite patchy output from large-scale gold-mining companies, small-scale and artisanal miners ramped up production over the past year. Furthermore, the commissioning of the Cardinal Namdini mine in Q4:24 should boost gold production over the medium term. This mine, along with a new mine Ahafo North expected in mid-2025, should cumulatively contribute c.600k ounces p.a. to gold production. In addition, the expected commissioning of Azumah Resources mine, and a lithium project investment, should support economic activity in 2026 too.

Hence, notwithstanding negative base effects for growth in 2025, we acknowledge notable upside risks to our forecasts given the potential for both increased investment in the mining sector as well as higher gold production.

Unsurprisingly, growth in the mining and quarrying sub-sector averaged 15.0% y/y in the 9-m to Sep 24, from just 0.4% y/y in the 9-m to Sep 23.

Composition of GDP by demand



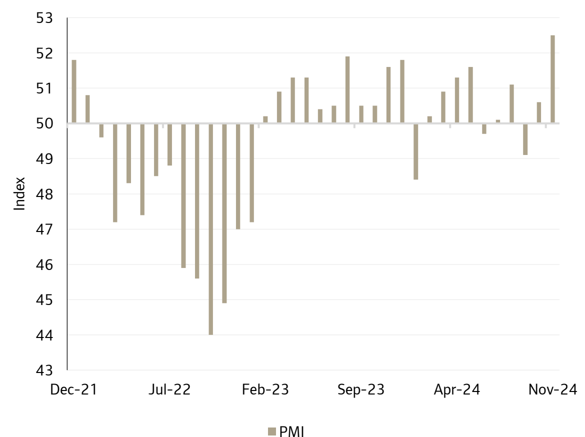
Source: Ghana Statistical Service; Standard Bank Research

Contribution to GDP by sector

% of GDP	2013	2018	2023
Crops	15.7	15.3	19.4
- Cocoa	2.2	2.0	1.9
Livestock	2.6	1.8	1.3
Mining and Quarrying	13.1	13.7	12.9
- Oil and gas	8.8	6.7	5.3
Manufacturing	12.2	10.9	12.1
Construction	8.8	6.7	5.3
Trade	11.7	15.6	18.3
Hotels and Restaurants	4.0	3.8	2.1
Transport and Storage	6.0	7.3	6.0
Financial services	5.0	4.0	3.2
Public administration	3.9	3.5	3.7
Education	4.5	3.5	2.1

Source: Ghana Statistical Service

Ghana PMI



Source: Bloomberg

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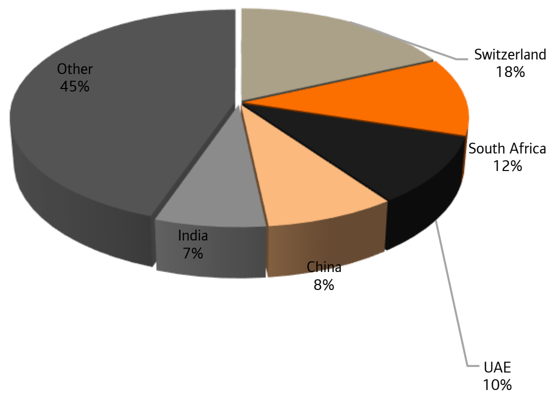
Medium-term economic forecasts

	Q1:25	Q2:25	Q3:25	Q4:25	Q1:26	Q2:26	Q3:26	Q4:26	Q1:27	Q2:27	Q3:27	Q4:27	Q1:28	Q2:28	Q3:28	Q4:28
GDP (% y/y) pe	6.11	4.98	5.04	5.35	5.14	5.68	5.87	5.97	6.18	6.97	6.78	6.68	7.45	7.01	7.01	6.72
CPI (% y/y) pe	22.59	21.27	18.01	15.19	13.83	10.72	10.42	10.09	9.82	9.43	9.33	9.13	8.87	8.49	8.38	8.19
BOG MPR (%) pe	27.00	27.00	24.00	21.00	18.00	16.00	16.00	14.00	14.00	14.00	14.00	14.00	13.00	13.00	13.00	13.00
3-m rate (%) pe	30.20	28.55	25.53	23.93	19.21	17.50	16.89	16.58	17.27	16.54	16.83	16.39	16.00	15.35	15.63	15.49
6-m rate (%) pe	30.80	29.35	26.33	24.63	20.01	18.30	17.69	17.38	18.07	17.34	17.63	17.19	16.80	16.15	16.43	16.29
USD/GHS pe	15.30	16.20	16.60	17.50	17.80	18.00	18.20	18.60	18.80	19.10	19.30	19.70	20.00	20.56	20.90	21.40

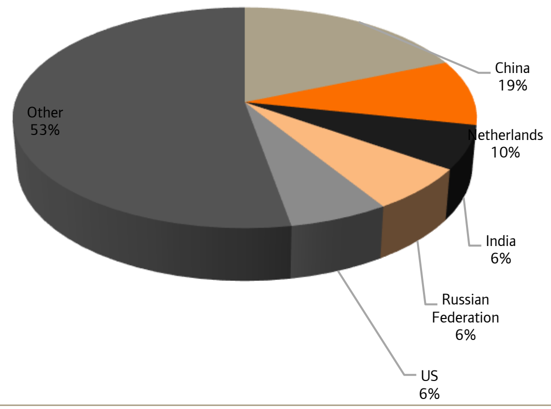
Source: Bank of Ghana; Ghana Statistical Service; Bloomberg; Ministry of Finance; Standard Bank Research

Ghana's top 5 exports destination (% of total)



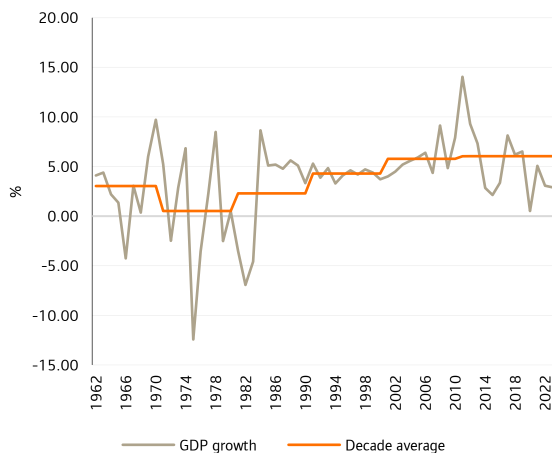
Source: International Trade Centre

Ghana's top 5 imports origin (% of total)



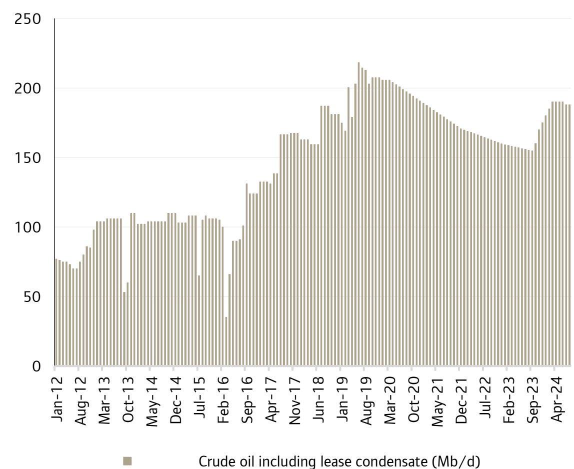
Source: International Trade Centre

Long-term GDP performance



Source: World Bank

Oil production



Source: US Energy Information Administration

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Balance of payments: sustained C/A surplus in 2025

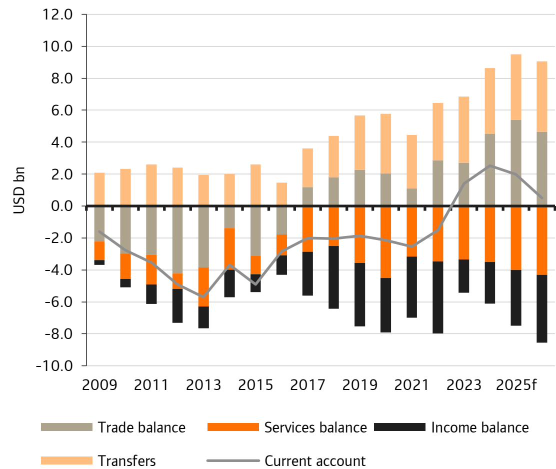
We see the C/A surplus narrowing to USD2.0bn in 2025 and USD0.5bn in 2026, from USD2.5bn in 2024. Despite mixed signals on whether the IMF programme may be renegotiated in the run-up to the Dec 24 elections, the new government recently seemingly qualified these statements, implying that, while they don't intend to cancel the programme, they remain keen to review targets under the facility.

Specific mention was made of reviewing multiple tax measures which may have hindered the business climate, while stressing the need to rationalise government expenditure. In our core scenario, we expect the government to remain committed to the current programme that expires in 2026. However, complications with the programme might arise if the authorities attempted to review external debt repayments.

Gross FX reserves recovered sharply, to USD7.9bn in Nov 24, from USD6.3bn in Jan 24 and USD4.9bn in Sep 23. Reserves have been underpinned by improving gold exports, the BoG's gold purchase programme, and higher external funding receipts from the IMF and World Bank. For 2025, the government expects a further combined USD1.45bn from the IMF and World Bank; this would however undershoot the USD1.71bn received in 2024.

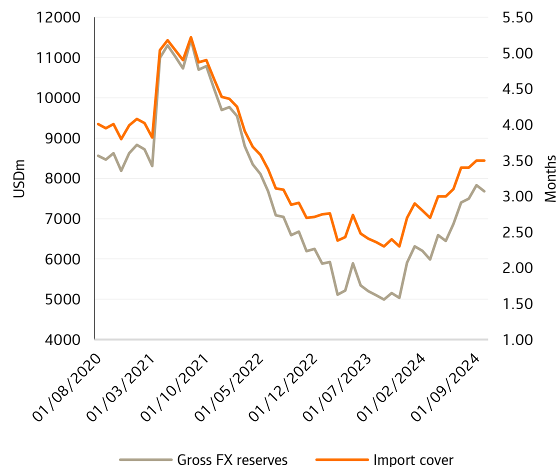
As at Q3:24, the C/A surplus deepened to USD2.2bn, from USD1.4bn in the same period 2023, driven largely by the notable improvement in gold exports (which recovered to a cumulative USD9.6bn in Oct 24, from USD5.9bn in Oct 23). This recovery helped counterbalance the increase in imports of goods into the Dec 24 elections. However, the trade account may still benefit from robust gold exports over the coming year amidst the expected increase in production and higher international prices. That said, the income account of the BOP may deteriorate over the next 2-y, with external debt repayments having resumed. Further, we expect higher government spending to increase goods imports over the coming year.

Current account developments



Source: Bank of Ghana; Standard Bank Research

FX reserves



Source: Bank of Ghana

FX outlook: likely near-term GHS support

USD/GHS will likely trade within a 14.6-16.2 range in H1:25. However, following the sharp appreciation of the GHS against the USD in Q4:24, most of the previous REER gains have been eroded. Per our estimates, the GHS is now only c.1.5% undervalued on a REER basis, compared to 16.5% in Oct 24. GHS appreciation in Q4:24 was largely driven by BOG USD sales to the market. Thus, with FX reserves having recovered materially, the apex bank will likely remain in the driving seat to mitigate USD/GHS upward pressure over the next 6-m. Further, should GHS bond issuances resume in 2025, foreign portfolio investment should recover and thereby support the GHS.

Still, given that external debt service for Eurobond and bilateral creditors has resumed, FX reserves may still decline. Furthermore, higher government expenditure, which may fuel imports of goods, may also exert upward pressure on the USD/GHS pair. We see the pair at 17.2-17.5 at end Dec 25.

USD/GHS: forwards versus forecasts

Source: Bloomberg; Standard Bank Research

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Monetary policy: easing bias from H2:25

We expect the MPC to cut the key policy rate by a cumulative 400-600 bps in 2025.

Despite central banks in advanced economies beginning to loosen monetary policy in Q4:24, the Bank of Ghana's MPC has, prudently, favoured caution after headline inflation rose to 23.1% y/y in Nov 24, from 21.8% y/y in Oct 24.

Headline inflation had eased to 20.4% y/y in Aug 24, from 25.8% y/y in Mar 24 and 38.1% y/y in Oct 23.

In the Nov 24 communiqué, the MPC upwardly revised year-ahead inflation forecasts to an average of 20.1% y/y, from 19.0% y/y.

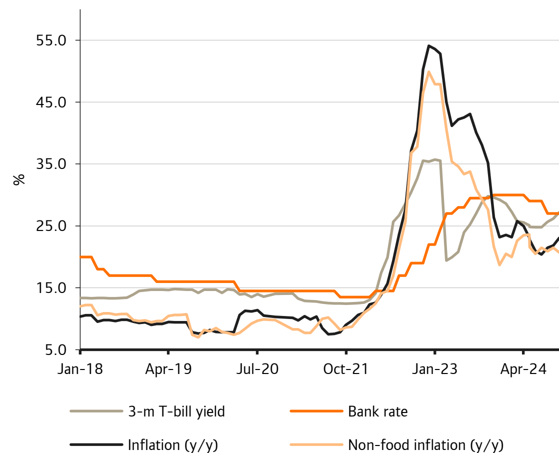
Furthermore, the MPC now only expects inflation to fall within the target band of 6-10% y/y in Q4:25, from Q3:25 before. The MPC remaining neutral into Q4:24 was likely due to concerns about the second-round effects on inflation from GHS depreciation and higher utility prices.

We see headline inflation easing to 20.6% y/y in Jul 25, 18.0% y/y in Sep 25, and 15.2% y/y in Dec 25. While we expect, in our baseline assumption, headline inflation to decline below 10.0% y/y only by Jul 26, the MPC may well begin easing monetary policy conditions from H2:25.

However, should utility prices be adjusted further upward in H1:25 to address inefficiencies in the energy sector, and should the GHS weaken sharply again owing to volatile global risk conditions, inflation might remain stickier than we currently expect, impelling a cautious MPC.

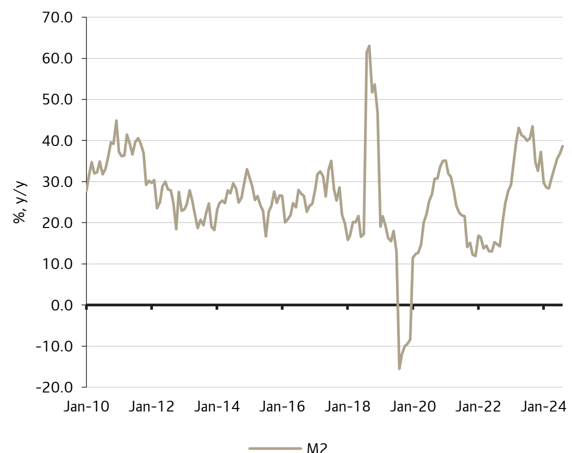
An expansionary fiscal policy stance by the new government may cause GHS weakness, driving up inflation.

Inflation and interest rates



Source: Bank of Ghana; Ghana Statistical Service

M2 money supply growth



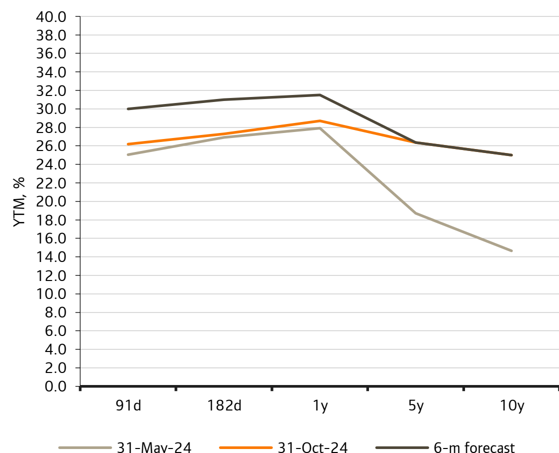
Source: Bank of Ghana

Yield curve outlook: bull-steepen in H2:25

The yield curve may first bear-flatten in Q1:25, then bull-steepen in H2:25. Unsurprisingly, the aggressive FX intervention in the market in Q4:24 tightened GHS liquidity, which pushed up T-bill yields. We see upside pressure on T-bills persisting in Q1:25 largely due to large T-bill maturities averaging GHS25.6bn in that time. In comparison, T-bill maturities may then ease to an average of GHS4.2bn in Q2:25.

Should the government resume primary GHS bond issuances in H1:25, some foreign portfolio investors may be encouraged to re-enter the market. However, there may still be elevated risk aversion from offshore investors due to the domestic debt restructuring of 2022. Also, as the MPC may ease policy from H2:25, T-bill yields should decline. However, if primary GHS bond issuances hadn't resumed, any decline in T-bill yields might be merely moderate.

Changes in the yield curve



Source: Bank of Ghana; Standard Bank Research

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Fiscal policy: slippage risks

The government ordinarily would have been expected to pass a provisional budget in Nov 24 ahead of the elections. This would have been critical in avoiding a government shutdown (which would have affected expenditure plans).

However, parliament only passed a provisional budget of GHS68.1bn in early Jan 25 for Q1:25 – to ensure continuous government operations until the new government can present their own budget for FY2025 (expected around Mar 25).

While the new government has already voiced concerns about taxation, which they view as detrimental for the business climate, they have also expressed interest in boosting expenditure in healthcare, education and infrastructure during the campaign. However, the IMF has cautioned authorities about increasing expenditure that would disrupt programme parameters in the IMF staff report for the third review under the Extended Credit Facility (ECF) arrangement. Still, the government was on track to achieve the 0.5% of GDP primary surplus target for FY2024 despite unforeseen expenditure related to a drought in parts of the country as well as energy-sector arrears. The IMF expects the government to achieve a primary surplus of 1.5% of GDP in 2025; this may however prove ambitious, were the new government to remain keen to raise expenditure beyond programme targets.

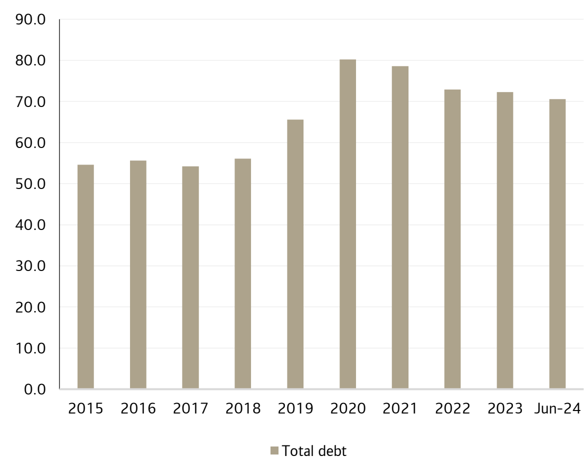
The IMF now seems more assertive about the pressing need to address the challenges in the energy sector. While the government made progress in clearing legacy arrears owed to Independent Power Producers (IPPs) in 2024, the public utility also accumulated new arrears. Expenditure to clear these arrears (c.2.2% of GDP) could be a key feature over the medium term. Further, the government would need to expedite debt restructuring negotiations with the remaining external commercial creditors in 2025, reportedly exceeding USD2.0bn.

Central government budget % GDP

	FY2022	FY2023	FY2024
Total revenue and grants	15.80%	16.20%	17.37%
Total expenditure	27.70%	19.90%	21.54%
Wages	6.30%	6.04%	6.24%
Interest payments	7.20%	3.49%	4.70%
Development expenditure	2.60%	2.51%	2.79%
Overall balance (commitment)	-11.80%	-3.70%	-4.20%

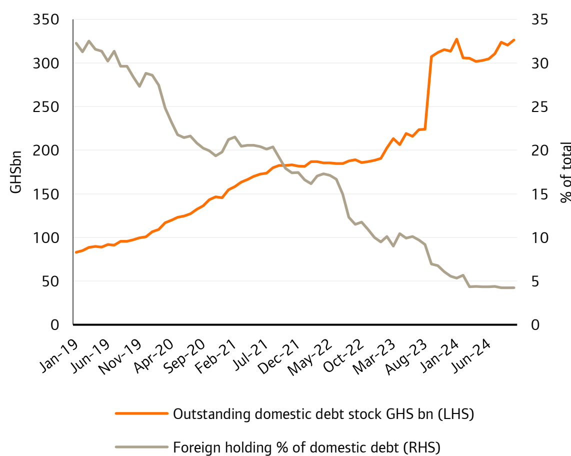
Source: Ministry of Finance

Total debt (% of GDP)



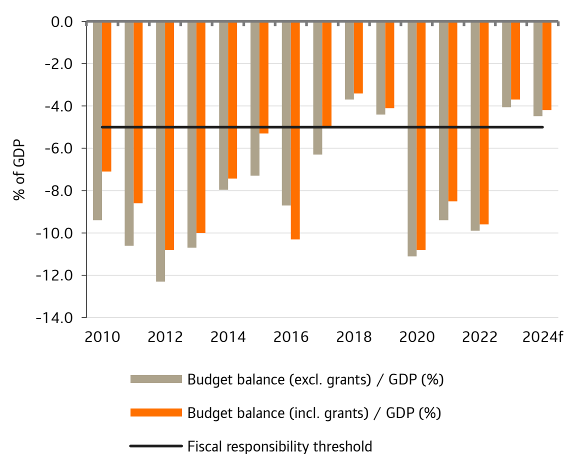
Source: Ministry of Finance

Foreign holdings of domestic debt



Source: Central Securities Depository

Fiscal balance



Source: Ministry of Finance

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Annual indicators

	2020	2021	2022	2023	2024e	2025f	2026f
Output							
Population (million)	30.7	31.3	32.1	32.9	33.7	34.5	35.2
Nominal GDP (GHS bn)	392	462	614	842	1087	1365	1601
Nominal GDP (USD bn)	68	78	66	72	74	83	88
GDP / capita (USD)	2 228	2 491	2 071	2 179	2 208	2 412	2 509
Real GDP growth (%)	0.5	5.1	3.8	2.9	6.2	5.4	5.7
Cocoa bean production ('000 MT)	771	1 047	822	1050	630	1 137	1 059
Oil production (k bpd)	199	180	165	160	188	162	157
Central Government Operations							
Budget balance (excl. grants) / GDP (%)	-11.1	-9.4	-11.8	-4.1	-4.5	-4.1	-6.1
Budget balance (incl. grants) / GDP (%)	-10.8	-8.5	-9.6	-3.7	-4.2	-3.9	-3.9
Domestic debt / GDP (%)	40.7	41.9	33.6	30.6	34.54	41.34	47.74
External debt / GDP (%)	39.5	36.7	39.3	41.7	43.19	41.29	39.59
Balance Of Payments	80.2						
Exports (USD bn)	14.5	14.7	17.5	16.7	19.2	21.2	22.1
Imports (USD bn)	-12.4	-13.6	-14.6	-14.0	-14.7	-15.8	-17.5
Trade Balance	2.0	1.1	2.9	2.7	4.5	5.4	4.6
Current account (USD bn)	-2.1	-2.5	-1.5	1.4	2.5	2.0	0.5
- % of GDP	-3.1	-3.3	-2.3	2.0	3.4	2.4	0.6
Capital & Financial account (USD bn)	2.9	3.3	-2.1	-0.7	-0.5	1.3	2.1
- FDI (USD bn)	1.3	2.4	1.5	1.3	1.4	1.7	1.9
Basic balance / GDP (%)	1.1	1.0	-5.5	0.9	2.7	4.0	2.9
Gross FX reserves (USD bn) pe	8.6	9.7	6.1	5.9	7.8	8.5	8.2
- Import cover (months) pe	4.0	4.3	2.6	2.7	3.5	3.9	3.7
Sovereign Credit Rating							
S&P	B-	B-	SD	SD	SD	CCC	CCC
Moody's	B3	B3	Ca	Ca	Caa2	B3	B3
Fitch	B	B	C	RD	RD	CCC	CCC
Monetary & Financial Indicators							
Consumer inflation (%) pa	9.9	10.0	31.5	40.3	22.9	20.2	11.7
Consumer inflation (%) pe	10.4	12.6	54.1	23.2	23.2	15.2	10.1
M2 money supply (% y/y) pa	23.0	19.8	17.1	38.1	34.7	26.4	31.4
M2 money supply (% y/y) pe	35.1	11.9	27.8	37.2	30.5	33.1	27.5
BOG prime rate (%) pa	14.9	14.0	21.3	29.8	28.0	24.8	15.6
BOG prime rate (%) pe	14.5	14.5	27.0	30.0	27.0	21.0	14.0
3-m rate (%) pe	14.1	12.6	35.4	32.4	28.0	23.9	17.3
1-y rate (%) pe	17.0	16.6	36.10	32.50	28.70	25.03	21.33
2-y rate (%) pe	19.1	20.3	55.0	29.0	28.0	23.4	23.4
5-y rate (%) pe	19.7	21.7	67.5	29.0	26.4	24.1	24.1
USD/GHS pa	5.73	5.92	9.24	11.75	14.60	16.40	18.15
USD/GHS pe	5.87	6.18	10.10	11.96	14.70	17.50	18.60

Source: Bank of Ghana; Ghana Statistical Service; Bloomberg; Ministry of Finance; Standard Bank Research

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Kenya: still fiscal pressures amid a more stable macro

Medium-term outlook: easing monetary policy to aid recovery in aggregate demand

We revise lower our GDP growth forecast to 4.6% y/y for 2024, and we forecast GDP growth of 5.0% y/y for both 2025 and 2026.

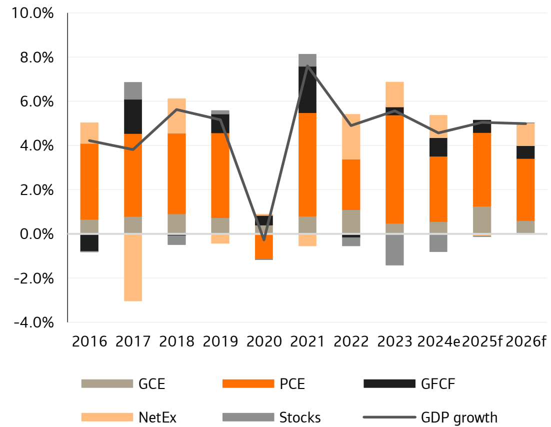
Growth in 2024 was likely weaker due to tighter monetary policy, increased taxation constraining private sector appetite for credit, and weakening private consumption expenditure. In Q3:24 growth slowed to 4.0% y/y, from 4.6% y/y in Q2:24, and 5.0% y/y in Q1:24, reflecting the impact of disruptions caused by Gen-Z protests in mid-2024 and contractions in the construction and mining sectors. Furthermore, the manufacturing sector struggled due to higher production costs, while fiscal pressures, and non-payment of pending bills by government, limited investment in infrastructure. However, growth in the agricultural sector was aided by El Niño weather conditions in 2024.

We foresee aggregate domestic demand bouncing back in 2025, with lower inflation and easing monetary policy set to spur private consumption, while credit appetite is expected to improve for several sectors. The agricultural and services sectors should both drive growth. The agricultural sector should perform robustly in 2025, assuming favourable weather conditions and the continued provision of subsidized fertilizer to farmers. The government also plans to provide free vaccinations to livestock in 2025 to increase livestock exports.

Infrastructure investment is set to ramp up in 2025. Ongoing public projects, set to be complete in 2025, include the construction of a new stadium and refurbishing existing stadiums for the upcoming Africa Cup of Nations in 2027. Other projects include the construction of affordable houses across counties through funds collected via the housing levy, clean energy projects such as the construction of two geothermal power plants in Menengai, each set to generate 35MW, which should bolster the construction sector. Additionally, the government may also launch phase 2B of the Standard-gauge railway from Naivasha to Malaba. However, growth from gross capital formation may still be modest as the government's ability to invest in infrastructure projects remains constrained by limited fiscal space.

Downside risks will stem from still elevated debt, pending bills, and uncertain tax policies, all of which pose a threat to macro stability over medium term. Further, La Niña weather conditions in H1:25 may crimp agricultural productivity. Still, the start of clearing verified pending bills by the National Treasury should assist economic recovery in 2025. The government has received c.114,376 claims totalling c.KES664.7bn (c.USD 5.14bn). In Q4:24, the cabinet approved a pending bills clearance strategy to run over a 5-y period. Exacerbating this challenge is the government having accumulated 1.3% of GDP of new pending bills and spending carry-overs in FY23/24.

GDP contribution by demand



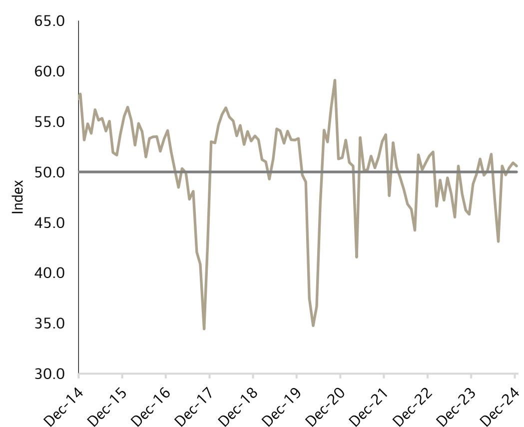
Source: Kenya National Bureau of Statistics

Contribution to GDP by sector

% of GDP	2021	2022	2023
Agriculture	21.5	21.0	21.8
Mining & quarrying	0.8	0.9	0.7
Manufacturing	7.4	7.7	7.6
Electricity & water	1.9	1.8	1.9
Construction	7.1	7.1	6.6
Wholesale & retail trade	7.9	7.7	7.5
Accommodation	1.1	1.1	1.3
Transport & storage	11.6	13.2	13.6
ICT	2.4	2.3	2.2
Financial & insurance	7.2	7.4	7.8
Public administration	5.3	5.0	4.8
Real estate	9.0	8.5	8.4
Education	4.3	4.0	3.8

Source: Kenya National Bureau of Statistics

Stanbic Kenya PMI



Source: S&P Global

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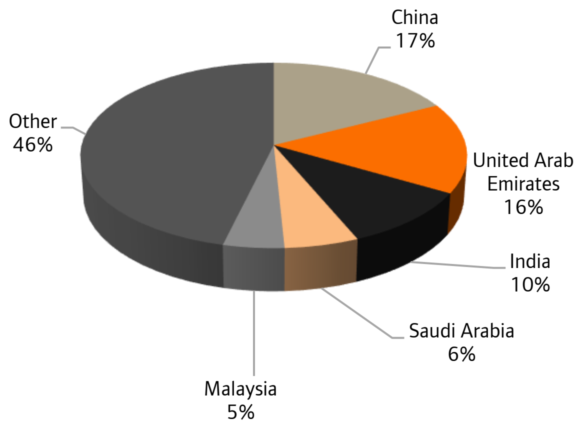
Medium-term economic growth forecasts

	Q1:25	Q2:25	Q3:25	Q4:25	Q1:26	Q2:26	Q3:26	Q4:26	Q1:27	Q2:27	Q3:27	Q4:27	Q1:28	Q2:28	Q3:28	Q4:28
GDP (% y/y) pa	4.9	4.8	5.2	5.3	6.0	6.1	3.4	4.5	3.7	3.2	6.6	3.8	5.4	5.4	4.1	6.6
CPI (% y/y) pe	3.8	3.9	4.7	5.4	5.5	5.7	5.5	4.9	5.1	5.3	5.5	5.8	6.6	7.3	7.4	7.8
CBK policy rate (%) pe	10.5	9.8	9.5	9.5	9.0	9.0	8.5	8.3	8.3	8.3	8.3	8.3	8.5	8.5	9.0	9.0
3-m rate (%) pe	8.5	8.0	8.3	8.4	8.5	8.9	8.9	9.0	8.9	8.5	8.0	7.7	7.8	8.2	8.8	9.0
6-m rate (%) pe	9.3	8.5	8.7	9.1	9.9	10.7	10.4	9.8	9.9	10.2	10.1	10.1	10.1	9.6	9.8	9.8
USD/KES pe	129.5	130.2	132.0	134.5	134.4	134.0	133.6	133.6	136.1	139.7	141.6	141.6	142.2	144.3	146.7	146.7

Source: Central Bank of Kenya; National Treasury; Kenya National Bureau of Statistics; Bloomberg; Standard Bank Research

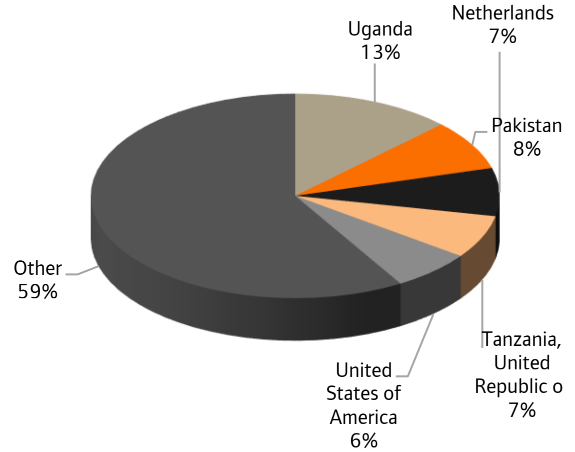
Notes: pe – period end; pa –a period average

Kenya's top 5 imports origins (% of total)



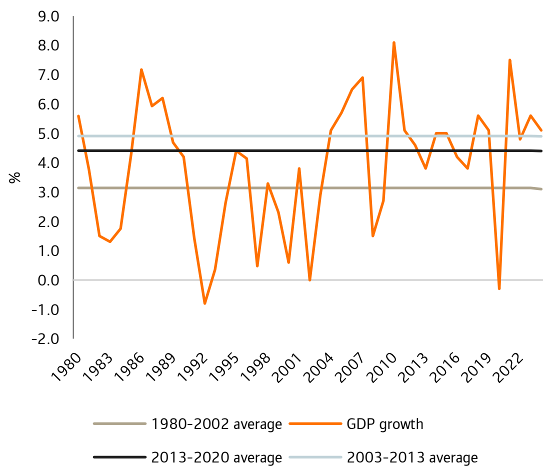
Source: International Trade CentreInternational Trade Centre

Kenya's top 5 exports destinations (% of total)



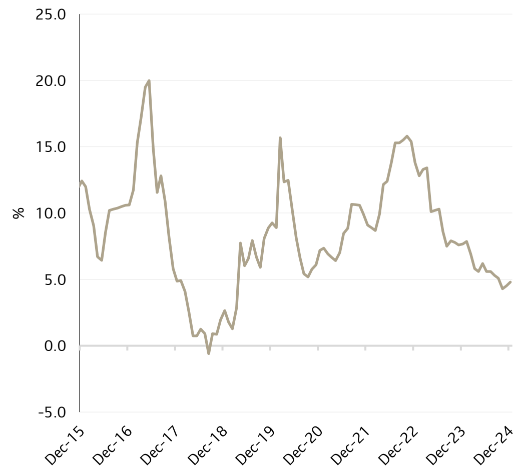
Source: International Trade Centre

Long-term GDP performance



Source: Kenya National Bureau of Statistics, World Bank

Food inflation



Source: Kenya National Bureau of Statistics

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Balance of payments: steady C/A deficit in the near term; FX reserves to be boosted by both concessional and commercial financing

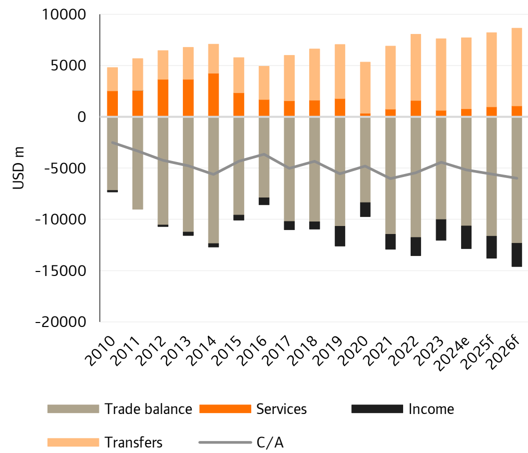
We now see the C/A deficit stable at 4.0% of GDP in 2025 and 4.0% in 2026. The trade balance should widen by 10.3% y/y, driven by higher imports amid a recovery in aggregate demand.

Exports may grow 11.4% y/y in 2025, in line with y/y growth rate in 2021, 2022 and 2024, due to favourable volumes and prices for Kenya's key agricultural commodities such as tea, vegetables, fruit and cut flowers as well as re-exports within East Africa. Moreover, we see diaspora remittances growth likely surpassing USD5bn in 2025 due to the increased immigration of Kenyans in search for employment abroad. Downside risks relate to geopolitical tensions, weaker spending power in source markets for tea and horticultural produce, as well as La Niña conditions in 2025 which may constrain agrarian exports.

Imports may rise 10.8% y/y to USD20.9bn in 2025, from USD18.8bn in 2024, reflecting increased imports of machinery, transport equipment, wholesale and retail goods and inputs for manufacturing. In the first 10-m of 2024, imports stood at USD15.7bn, compared to USD 14.3bn for the same period in 2023. In addition, new infrastructure projects may increase capital goods imports from 2025.

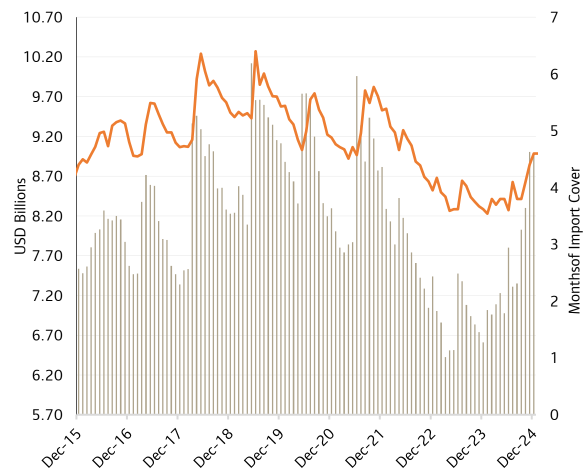
We estimate gross FX reserves to range around USD 8.5-10bn in H1:25. External debt service to be paid in H1:25 is estimated at USD2.1bn. However, Kenya could receive USD1.0bn from a World Bank Development Policy Operation (DPO) budget support loan, and USD850m from the IMF for the ninth review of the IMF EFF/ECF. The government also intends to pursue a sustainable-linked-bond and debt swap arrangement, a commercial loan from the UAE of about USD675m, and a Eurobond in H1:25 for liability management purposes. A Panda bond for an equivalent of USD500m may also be issued in H1:25, which may underpin FX reserves.

Current account developments



Source: Kenya National Bureau of Statistics, Standard Bank Research

Foreign exchange reserves



Source: Central Bank of Kenya, Bloomberg

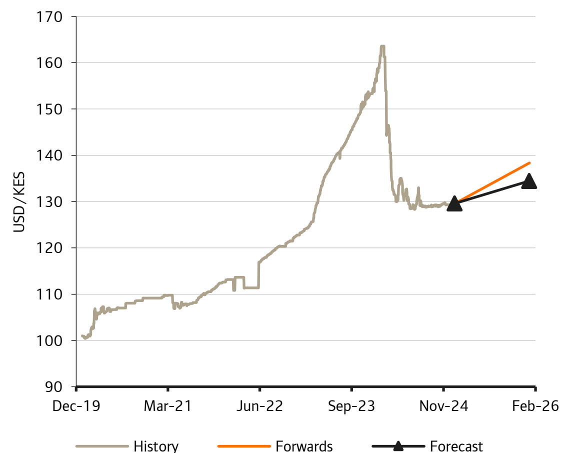
FX outlook: stability in H1:25

We still expect the USD/KES pair to trade around 129-130 in H1:25, possibly closing at 130.2 in Jun 25 and 134.5 in Dec 25.

FX supply could outweigh demand in Q1:25 due to increased demand for flowers during Valentines and winter in the Western Hemisphere, at a time when import demand is still muted. In Q2:25 dividend repatriation by a few corporates may increase FX demand.

With FX reserves projected at USD8.5-10bn in H1:25, adequate in the event of sudden volatility, the KES will probably trade within a narrow range over the next 6-m. However, there may be upside risks if Kenya fails to secure a funded IMF programme beyond Apr 25, aggressive monetary easing, bull-steepening compressing real yields and driving away offshore investors and thus increasing FX demand in H1:25.

USD/KES: forwards versus forecasts



Source: Bloomberg; Standard Bank Research

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Monetary policy: an easing bias in H1:25

The MPC may maintain the same pace of rate cuts in H1:25 as in H2:24, bringing the policy rate to 9.75%.

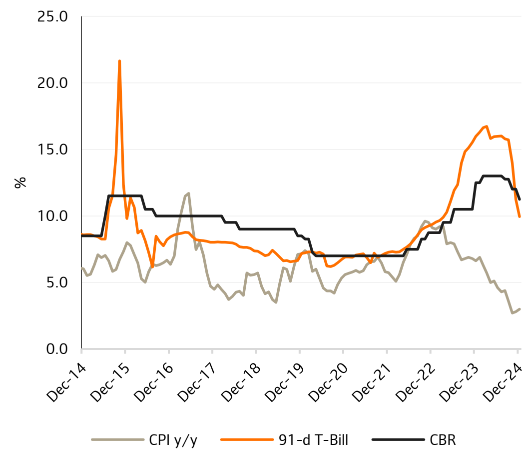
The MPC will endeavour to strike a balance between lowering interest rates at a predictable pace to encourage more private sector lending (which slowed to 0.0% in Oct 24) and ensuring price stability. The MPC may however slow the pace of rate cuts if global risk conditions are deemed to be worsening.

The MPC in H2:24 cut the CBR by 175 bps, much more aggressively than we had forecast in the Jun AMR. This cut was encouraged by progress in lowering headline inflation to 2.7% y/y in Oct 24, the lowest in 17-y, as well as exchange rate stability, coupled with increasing FX supply in the market that created an opportunity for FX reserve accretion in Q3:24, KES liquidity improvement, and lower borrowing costs for government.

The transmission of the monetary policy stance to the broader economy will likely occur in 2025 as banks are expected to lower lending rates. The MPC noted their decisions as having been transmitted in the financial markets but not to the broader economy. Thus, both private sector credit growth and money supply should recover gradually in 2025 as monetary policy is set to ease.

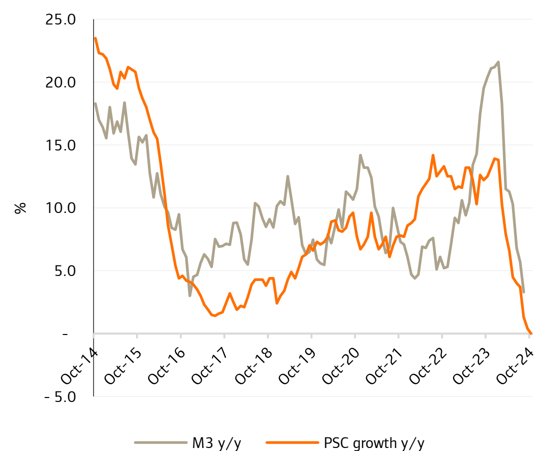
Inflation will likely average 3.9% y/y in H1:25 and 5.0% y/y in H2:25. Food inflation could rise in Q1:25; the Kenya Meteorological department forecasts sunny and dry weather, and the World Meteorological Organization (WMO) indicates a 55% chance of La Niña conditions forming in early 2025. The upside risk here could be geopolitical tensions, leading to volatile oil prices in 2025. Indeed, the recent sanctions by the US on Russian oil impelled oil prices to USD80/bbl in Jan 2025.

Inflation and interest rates



Source: Kenya National Bureau of Statistics, Central Bank of Kenya

Monetary aggregates



Source: Central Bank of Kenya

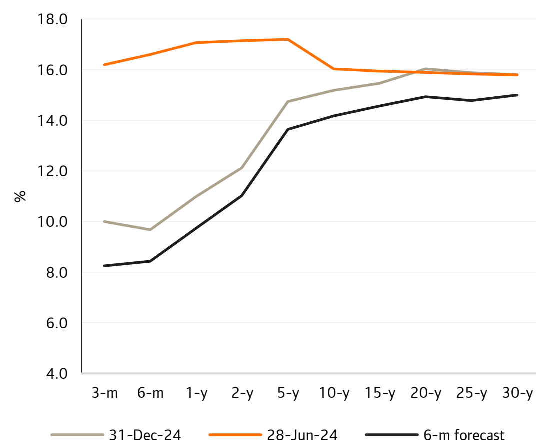
Yield curve outlook: moderate bull-steepening

We project a moderate bull-steepening of the curve in H1:25. The government has heavy debt maturities in Q2:25 estimated at KES KES470.4bn, up from KES300.6bn in Q1:25, which could push yields higher. That said, the government may consider liability management as a strategy to address these heavy debt maturities.

It is plausible that the authorities will issue another infrastructure bond in Feb 25 to coincide with the coupon payments for KENIB 2032s, with the strategy being to limit foreign portfolio outflows.

The yield curve bull-steepened in Nov and Dec 24 because of improved KES liquidity even after the government issued a supplementary budget. Furthermore, the National Treasury has successfully frontloaded net domestic financing, realizing 112.5% of the KES413bn target.

Changes in the yield curve



Source: Standard Bank Research

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Fiscal policy: fiscal deficit fully funded in H1:25

For FY2024/25, the fiscal deficit including grants is estimated to decline to 4.3% of GDP. Total revenue was revised lower to 16.9% of GDP in FY2024/25, from 18.5% of GDP in the budget estimates, reflecting the withdrawal of the Finance Bill 2024. Notably, the government in Dec 24 reintroduced tax measures via a series of tax amendment laws to raise 0.9% of GDP to alleviate spending pressures. In H1:25, the government will likely release a second supplementary budget to cater for likely expenditure increases.

In the first 5-m of FY2024/25, total revenue grew 7.4% y/y, to KES1,092bn, or 6% of GDP, below the target of KES1,169.8bn. The performance was mixed, with some tax categories growing y/y such as import duty, income tax, other revenue and appropriations in aid outperforming the 5-m FY23/24 outturn. That said, all tax categories missed their targets for FY24/25. Total expenditure and net lending growth outpaced total revenues, growing by 24.3% y/y to KES1,442.9bn, against a target of KES 1,509.5bn. A slowing economy may see tax revenue underperforming in H1:25.

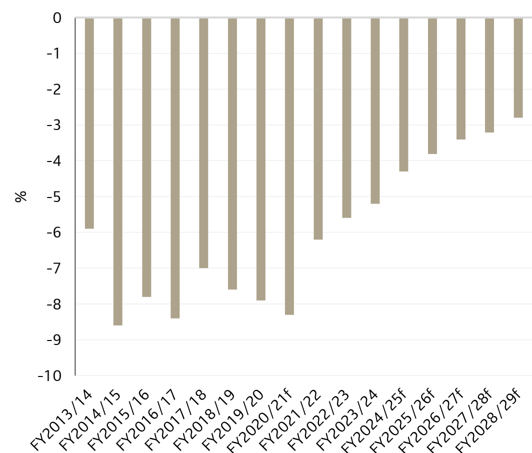
For deficit financing, the government targets receiving USD1.5bn from programme loans, with the ninth and final review of the IMF EFF/ECF/RSF set for April 25 and World Bank DPO funding. Other funding pencilled in include commercial financing of USD1.7bn, which could be UAE funding, and a Eurobond and/or Panda bond. External debt service over the medium term remains large, rising from USD4.6bn in FY2024/25 to USD5.95bn in FY2025/26. Therefore, having a funded IMF programme and sound liability management remain vital. Per the draft budget policy statement (BPS 2025), in FY2025/26 the government will likely still rely on revenue-led fiscal consolidation, supported by a medium-term revenue strategy, expenditure rationalization, and improved tax administration by the Kenya Revenue Authority to increase tax revenue to 18.2% of GDP and increase overall expenditure to 22.5% of GDP. But, as in 2023 and 2024, there is a risk that the Finance Bill 2025 may impel social unrest, should the government again introduce unpopular tax measures.

Central government budget

% of GDP	FY2023/24	FY2024/25	FY2025/26
Total revenue	16.8	16.9	18.2
Total expenditure	22.4	21.5	22.5
Recurrent	16.6	15.7	16.0
Wages	3.6	3.3	3.3
Interest	5.2	5.6	5.4
Development	3.4	3.3	4.2
Overall balance (+ grants)	-5.2	-4.3	-3.9
Overall balance (- grants)	-5.6	-4.5	-4.2
Net external borrowing	1.4	2	1.1
Net domestic borrowing	3.7	2.3	2.8
Donor support	0.1	0.3	0.3

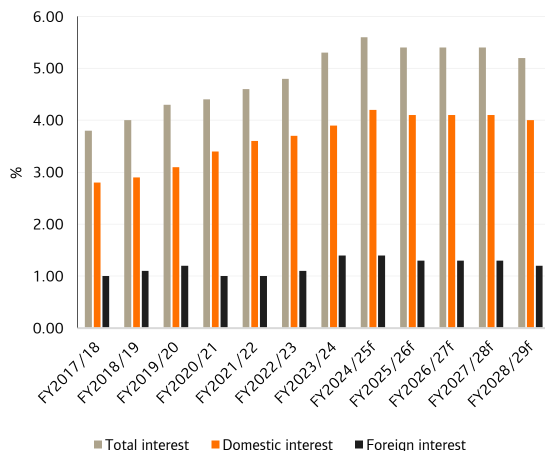
Source: National Treasury

Fiscal deficit including grants



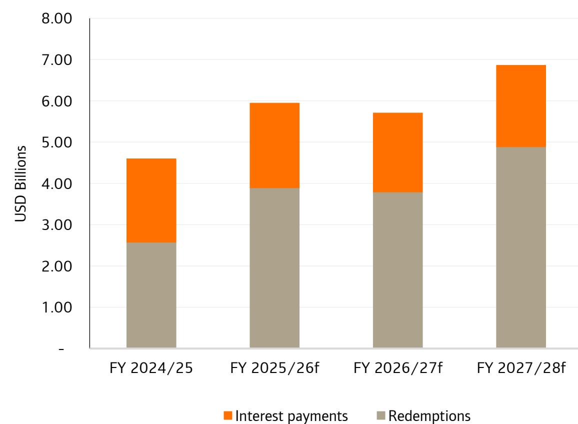
Source: National Treasury

Debt service (% of GDP)



Source: National Treasury

External debt service in USD bn



Source: National Treasury

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Annual indicators

	2020	2021	2022	2023	2024e	2025f	2026f
Output							
Population (million)	48.8	49.7	50.6	51.5	52.5	53.4	54.3
Nominal GDP (KES bn)	10 715.1	12 027.7	13 489.6	15 108.8	16 465.3	18 065.9	19 992.2
Nominal GDP (USD bn)	100.6	109.1	114.1	104.8	126.9	137.3	149.3
GDP / capita (USD)	2 062	2 195	2 254	2 034	2 416	2 572	2 747
Real GDP growth (%)	-0.3	7.6	4.9	5.6	4.6	5.0	5.0
Coffee production ('000 tons)	24.4	28.2	41.9	32.4	36.6	41.3	42.4
Tea production ('000 tons)	569.5	537.8	535.0	570.3	590.8	609.7	628.5
Central Government Operations							
Budget balance (excl. grants) / GDP (%)	-8.1	-8.5	-6.5	-6.1	-5.6	-4.5	-4.2
Budget balance (incl. grants) / GDP (%)	-7.8	-8.4	-6.2	-5.6	-5.2	-4.3	-3.9
Domestic debt / GDP (%)	26.3	27.6	33.9	33.8	33.6	32.3	31.9
External debt / GDP (%)	34.6	35.4	37.5	38.1	32.0	30.5	28.6
Balance of Payments							
Exports of goods (USD bn)	6.1	6.7	7.5	7.2	8.3	9.2	9.5
Imports of goods (USD bn)	14.4	18.2	19.2	17.2	18.8	20.9	21.8
Trade balance (USD bn)	-8.3	-11.4	-11.8	-10.0	-10.6	-11.6	-12.3
Current account (USD bn)	-4.8	-6.0	-5.5	-4.4	-5.1	-5.6	-6.0
- % of GDP	-4.8	-5.5	-4.8	-4.2	-4.0	-4.0	-4.0
Financial account (USD bn)	1.9	5.5	4.2	2.7	5.3	5.5	6.4
- FDI (USD bn)	0.7	0.4	0.4	0.2	0.4	0.6	0.6
Basic balance / GDP (%)	-4.1	-5.1	-4.5	-4.0	-3.7	-3.6	-3.6
FX reserves (USD bn) pe	7.8	8.8	7.4	6.6	9.2	9.1	9.5
- Import cover (months) pe	4.8	5.4	4.2	3.5	4.7	4.8	5.3
Sovereign Credit Rating							
S&P	B+	B	B	B	B-	B-	B-
Moody's	B2	B2	B2	B3	Caa1	Caa1	Caa1
Fitch	B+	B+	B+	B	B-	B-	B-
Monetary & Financial Indicators							
Consumer inflation (%) pa	5.4	6.2	7.9	7.6	4.2	4.5	5.4
Consumer inflation (%) pe	5.6	5.7	9.1	6.6	3.0	5.4	4.9
M3 money supply (% y/y) pa	9.9	9.4	11.1	10.4	10.0	11.3	10.5
M3 money supply (% y/y) pe	13.2	8.7	14.5	12.6	0.8	15.2	18.6
Policy interest rate (%) pa	7.3	7.0	7.9	10.8	12.2	9.8	8.7
Policy interest rate (%) pe	7.0	7.0	8.8	12.5	11.3	9.5	8.3
3-m rate (%) pe	6.9	7.3	9.4	16.0	9.9	8.9	10.8
1-y rate (%) pe	8.3	8.9	10.4	16.1	14.8	10.0	11.8
2-y rate (%) pe	9.3	9.8	12.4	17.9	14.9	11.4	12.9
5-y rate (%) pe	10.5	11.4	13.8	17.5	15.0	12.5	13.7
USD/KES pa	106.5	110.2	118.3	144.2	129.8	131.6	133.9
USD/KES pe	109.6	113.1	123.4	156.1	129.3	134.5	133.6

Source: Central Bank of Kenya; National Treasury; Kenya National Bureau of Statistics; Bloomberg; Standard Bank Research

Notes: pe – period end; pa –a period average

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Malawi: presidential race to take centre stage in 2025

Medium-term outlook: rainy season heralds both hope and hazard

We forecast Malawi's economy to grow by 2.5% y/y in 2025, following an estimated 1.8% y/y growth in 2024, constrained by weak private consumption and increased imports. However, anticipated good weather conditions should support agriculture, with increased rainfall boosting food crop production and reducing import needs.

Malawi, which declared a state of disaster in Mar 2024 due to severe drought, now anticipates increased rainfall. While this is crucial for agriculture, it also brings risks of flooding, soil erosion, and landslides – especially with the impending La Niña phenomenon.

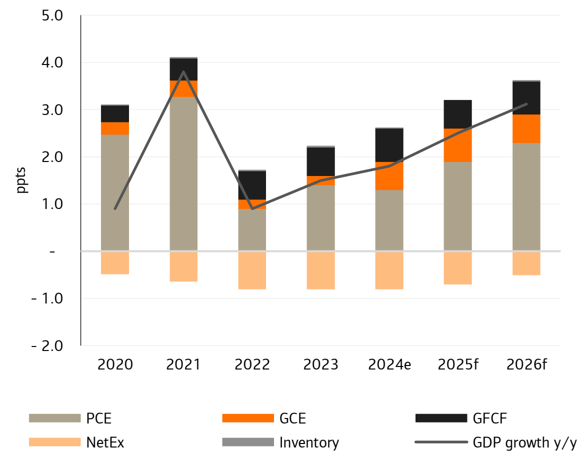
The FAO estimates that, due to the poor 2024 harvest, maize import needs are expected to be above average in the 2024/25 marketing year. Rainfall predictions for Jan to Apr 2025 imply average to above-average precipitation, benefiting cereal crop development but posing risks of higher temperatures and localized flooding, particularly in central and northern regions.

The government's commitment to the Agriculture, Tourism, Mining, and Manufacturing (ATM) strategy is expected to provide further financing to these sectors, which should support their growth. The mining sector's outlook is positive, with projects targeting rare earth elements, graphite, and uranium.

On16 Sep 2025, Malawians go to the polls for the eighth time since the return of multi-party elections in 1994 but, this time, the choice is between three leaders who have either ruled before or are currently in office. President Lazarus Chakwera, in office since Jun 2020, has seen his position weakened by the dissolution of the Tonse Alliance and the passing of late vice-president Saulos Chilima in 2024.

The incumbent, President Lazarus Chakwera (Malawi Congress Party (MCP)), who was elected in 2020 after the Constitutional Court nullified his predecessor Peter Mutharika’s 2019 victory, faces Mutharika (Democratic Progressive Party (DPP)) again as well as former President Joyce Banda (People’s Party). The presidential election on 16 Sep 2025 is expected to be highly contested. Economic issues, governance, and public service delivery will be key factors influencing voter decisions.

Composition of GDP by demand



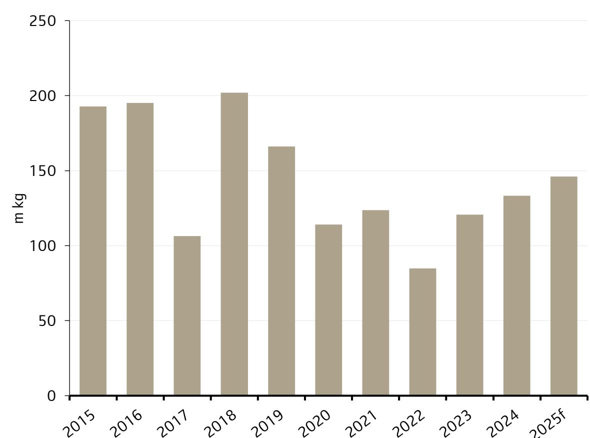
Source: Reserve Bank of Malawi; National Statistical Office; Standard Bank Research

GDP composition by sector

	2017	2020	2023
Agriculture, forestry & fishing	22.9	22.6	22.2
Mining & quarrying	0.7	0.7	0.7
Manufacturing	11.3	12.2	11.7
Electricity gas &water supply	2.7	3.0	2.8
Construction	3.1	3.3	3.4
Wholesale and retail trade	12.7	12.5	11.5
Transport and storage	4.5	4.3	4.5
Accommodation and food	1.5	1.1	1.2
Information and communication	5.2	5.9	6.2
Financial and insurance services	5.9	6.2	6.7
Real estate activities	7.1	6.6	6.6
Professional & support services	1.2	1.2	1.2
Public administration & defence	3.1	3.2	3.4
Education	4.3	4.0	4.1
Health and social work activities	5.9	5.8	5.7
Other services	1.7	1.8	1.9
Plus: Taxes less Subsidies on products	6.2	5.4	6.1
GDP	100.0	100.0	100.0

Source: Reserve Bank of Malawi, National Statistical Office, Standard Bank Research

Tobacco sales volume



Source: Reserve Bank of Malawi, Ministry of Agriculture

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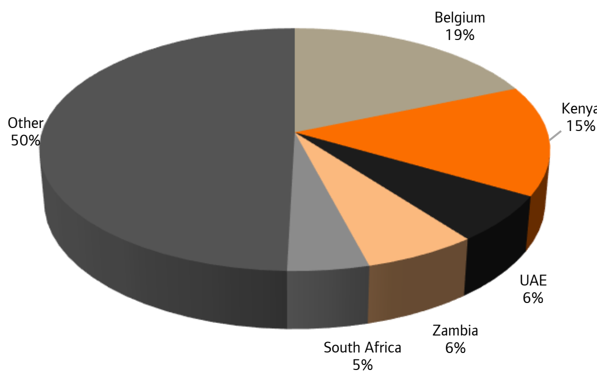
Medium-term economic growth forecasts

	Q1:25	Q2:25	Q3:25	Q4:25	Q1:26	Q2:26	Q3:26	Q4:26	Q1:27	Q2:27	Q3:27	Q4:27	Q1:28	Q2:28	Q3:28	Q4:28
GDP (% y/y) pa	1.8	2.9	3.0	2.2	2.6	3.3	4.0	2.5	2.6	3.7	3.0	4.2	2.4	3.5	2.8	4.0
CPI (% y/y) pe	26.4	26.8	25.4	18.7	16.4	10.9	10.4	11.4	11.6	11.8	12.2	10.5	10.8	14.3	14.3	13.9
Policy rate (%) pe	26.0	26.0	26.0	26.0	25.5	25.5	25.0	25.0	24.5	24.5	24.0	24.0	23.5	23.5	23.0	23.0
3-m rate (%) pe	16.0	16.0	16.0	16.0	15.5	15.5	15.0	15.0	14.5	14.5	14.0	14.0	13.5	13.5	13.0	13.0
6-m rate (%) pe	20.0	20.0	20.0	20.0	19.5	19.5	19.0	19.0	18.5	18.5	18.0	18.0	17.5	17.5	17.0	17.0
USD/MWK pe	1751.0	1751.0	1958.0	1958.0	1958.0	2171.0	2205.5	2240.0	2275.5	2310.8	2345.8	2380.7	2415.7	2450.6	2485.6	2520.5

Source: Reserve Bank of Malawi, Malawi Statistical Service; Bloomberg; Ministry of Finance; Standard Bank Research

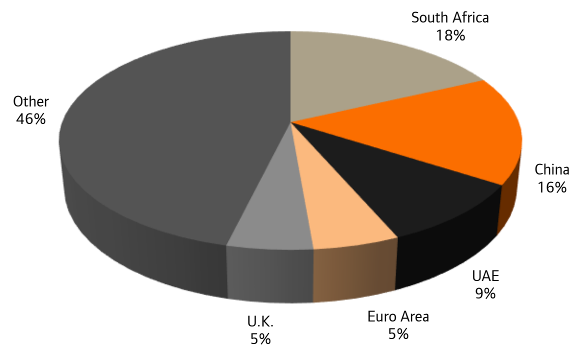
Notes: pa - period average; pe - period end

Share in Malawi's exports (%)



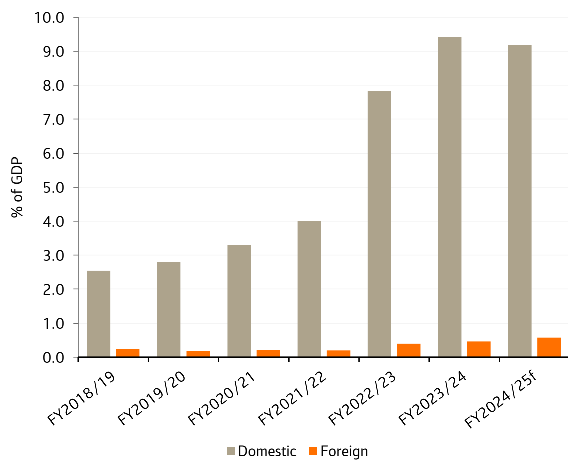
Source: IMF

Share in Malawi's imports (%)



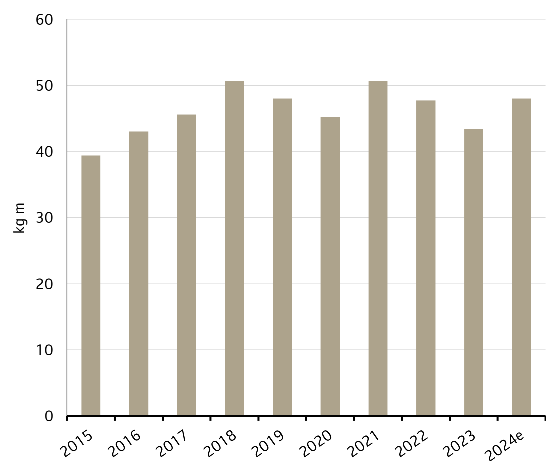
Source: IMF

Debt service payments share of GDP



Source: Reserve Bank of Malawi

Tea production



Source: Reserve Bank of Malawi

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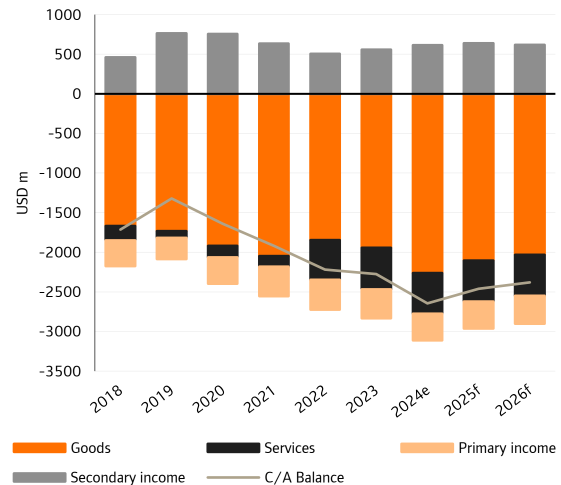
Balance of payments: current account remains under pressure as reserves continue to dwindle

Malawi's external position has been under increasing pressure due to its narrow export base and reliance on capital inflows, such as project loans and budget support from international donors, to finance persistent current account deficits. This makes this economy particularly vulnerable to external shocks. The lack of dollar supply has led to the MWK trading at a premium of 45-50% in the parallel market. Official foreign exchange reserves remain under pressure, at around 1-m of import cover. Consequently, Malawi faces challenges in maintaining a stable supply of essential imports, which can hinder economic stability and growth.

In recent years, revenue from Malawi's key export commodities, such as tobacco and tea, has been insufficient to cover the necessary fuel and fertilizer imports. This foreign exchange shortfall is exacerbated by the seasonal nature of Malawi's primary export products, constraining the accumulation of foreign exchange reserves. Looking ahead to the 2025 tobacco season, tobacco remains Malawi's main source of foreign exchange earnings; it is the world's largest producer of the Burley variety of the leaf. However, reports imply that remittance inflows to Malawi through official channels may be declining due to the significant discrepancy between the parallel market and the official rate of 1,751 MWK. This decline could further undermine the current account balance.

Still, we forecast that Malawi's current account deficit will improve slightly in 2025, reaching 18.4% of GDP, compared to an estimated 22.2% of GDP in 2024. Such an improvement would be contingent on a better agricultural season in 2025, which would reduce the need for food imports. However, a key risk to our forecast is the expected movement in the MWK following the September elections. Reports indicate that Malawi will purchase large quantities of corn from Tanzania due to the high cost of locally available grain. The National Food Reserves Agency (NRFA) plans to import between 9,000 and 20,000 metric tonnes (MT) of maize.

Current account developments



Source: Reserve Bank of Malawi

FX reserves and import cover

Source: Reserve Bank of Malawi

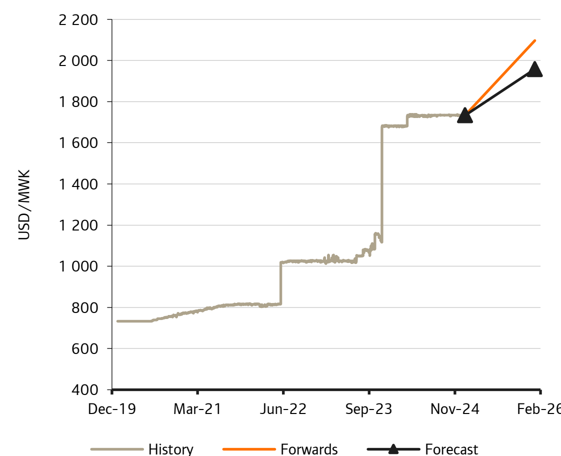
FX outlook: MWK likely steady until Sep election

We forecast that the MWK will remain steady against the USD, at least until the general election on 16 Sep 2025. Currently, the MWK is trading at 1751 against the USD despite mounting pressure due to a poor harvest in 2024 which necessitated increased food imports.

If there is any movement in the MWK, we expect it to be no more than the rate at which the MWK is trading at Bureaus. However, a risk to our forecast is that the Bureau rate could widen in the run-up to the elections. At present the MWK Bureau rates are at 1,958 against the USD, a premium of c.11-12%, which is much narrower than the premiums seen before the two most recent devaluations – c.25% in May 2022 and c.50% in Oct 2023.

Further, Malawi has received external support from sources other than the IMF, which could help maintain the stability of the MWK.

USD/MWK: forwards versus forecasts



Source: Bloomberg; Standard Bank Research

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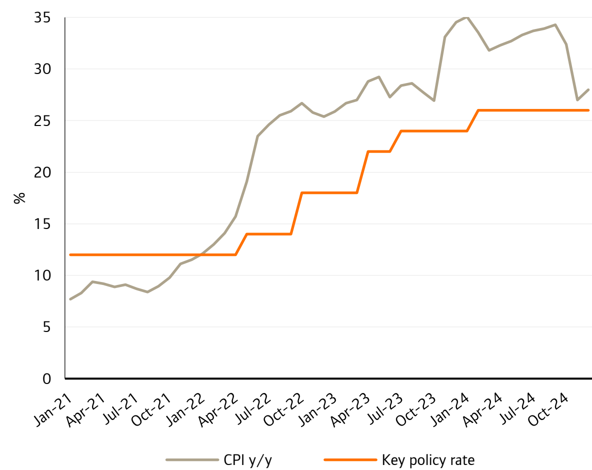
Monetary policy: inflation set to stay high

We forecast headline inflation to average 22.9% y/y in 2025, considerably below the estimated average of 32.3% y/y in 2024. Lower-trending inflation in H1:25 would be due to base effects after substantially high inflation in H1:24 due to the devaluation of the MWK in Q4:23. Key risks to such downward-trending inflation outlook would include a weak crop harvest, high money supply growth, and higher global oil prices. Still, the latest inflation data supports our view of the start of the downward trend in inflation, as headline inflation for Nov and Dec 2024 were below 30% y/y for the first time in 12 months, at 27.0% y/y and 28.1% y/y respectively.

Food comprises 53.7% of the consumer basket in Malawi, indicating that headline inflation is very sensitive to any form of shock (external or domestic) to food prices. We forecast food inflation to average 31.5% y/y in H1:25, down from the 41.4% y/y average in H1:24. Non-food inflation (46.3% of the consumer basket) averaged 21.1% y/y in 2024 and was less volatile than that of food prices. We forecast non-food inflation to average 13.2% y/y in H1:25.

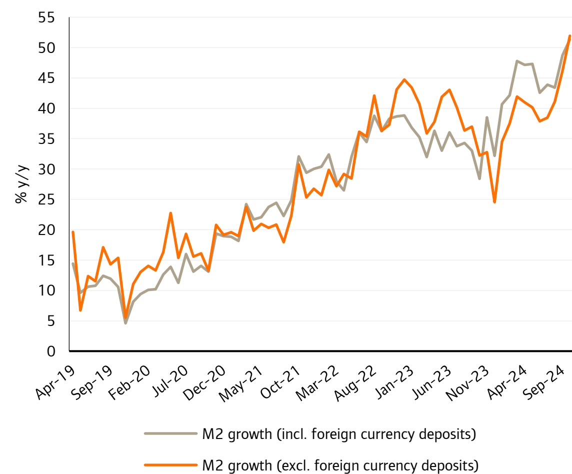
We forecast that the Reserve Bank of Malawi (RBM)'s Monetary Policy Committee (MPC) will keep the key policy rate unchanged at 26% throughout this year, with even the possibility of a hike in Q4:25 if movement in the currency feeds through to inflation. The MPC kept the key policy rate unchanged at its latest meeting in Nov 2024; however, the MPC increased the liquidity reserve requirement for domestic currency deposits by 125 bps, to 10.0%, and kept the LRR on FX deposits unchanged, at 3.75%.

Inflation and key policy rate



Source: Reserve Bank of Malawi; Standard Bank Research

Money supply growth



Source: Reserve Bank of Malawi; Standard Bank Research

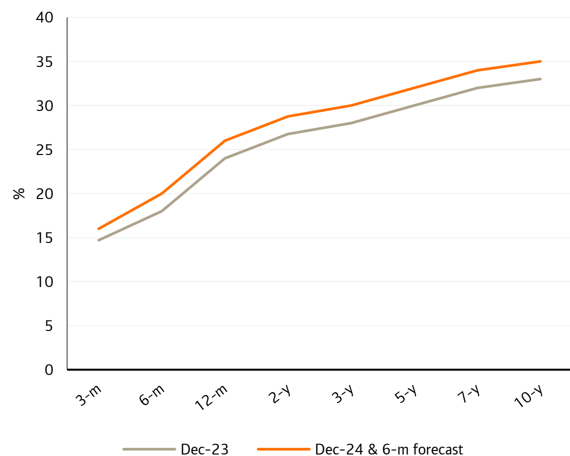
Yield curve outlook: yields likely still steady

We expect yields to continue to move in sync with any adjustment in the key policy rate. With the MPC having kept the policy rate flat, we'd therefore not expect any significant moves in the yield curve as we expect the key policy rate being kept at 26.0% throughout 2025.

From Jan 24 to Nov 24, the RBM T-bill issuance averaged MWK124.5bn per month, while maturities averaged MWK77.3bn per month. T-note issuance averaged MWK284.7bn per month, while redemptions averaged 86.5bn per month from Jan24 to Nov 24.

Malawi has MWK1.2tn domestic debt maturing in 2025, of which 53.5% is treasury bills.

Yield curve changes



Source: Reserve Bank of Malawi; Standard Bank Research

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Fiscal policy: grants essential to support the fiscus

In early Jan 2025, President Chakwera replaced former finance minister Chithyola Banda with MacDonald Mafuta Mwale during a cabinet shuffle. The budget for FY2024/25 was raised in Dec 2024, to MWK6.04tn from MWK5.99tn, due to increased grants from international organizations. Expected revenue for FY2024/25 was increased to MWK4.55tn, while interest payments on debt remained at MWK146tn. The revised budget narrows the deficit to MWK1.41tn (7.5% of GDP), from MWK1.45tn (7.7% of GDP). The budget gap would be financed by local borrowing. The updated budget is based on the government's expectation that the Malawian economy will grow by 1.8% y/y in 2024 and by 4.0% y/y in 2025, though we are less optimistic about 2025 growth.

Malawi is falling short of the indicative targets necessary for the next tranche of ECF funding. Reports indicate that low revenue collection, ballooning expenditure, and delayed implementation of the Integrated Financial Management System (IFMIS) have impeded Malawi's ability to stay on track with the ECF programme. Government data up to Jun 2024 shows domestic revenue (excluding grants) at MWK694bn, below the IMF target of MWK747bn. The primary fiscal balance target was a surplus of MWK95.5bn but the actual balance was a deficit of MWK5.7bn.

Domestic debt makes up c.52.8% of total debt, while external debt is c.47.2% of total debt. Malawi's external debt stock is primarily owed to multilateral lenders, making up c.72.6% of total external debt. Furthermore, there have been delays in reaching agreement on the necessary debt restructuring with some of Malawi's international creditors. Malawi has been in external debt renegotiations since 2022, with one-third of its external debt classified as commercial and bilateral, amounting to c.2% of GDP.

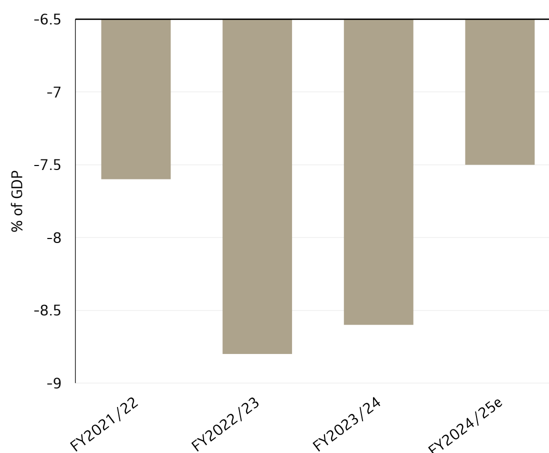
The latest news on Malawi's external debt restructuring includes an agreement reached on Chinese debt in Jun 2024, although Malawi's Chinese debt servicing is relatively small.

Central government budget

% of GDP	FY2022/23	FY2023/24	FY2024/25e
Total revenue	17.8	16.7	24.4
Total expenditure	26.7	25.4	31.9
- Recurrent	20.6	19.5	22.5
- Development	6.0	5.9	9.4
Overall balance (- grants)	-12.1	-11.6	-13.8
Overall balance (+grants)	-8.9	-8.7	-7.5
Net domestic borrowing	8.0	7.8	6.8
Net foreign borrowing	0.9	0.9	0.7

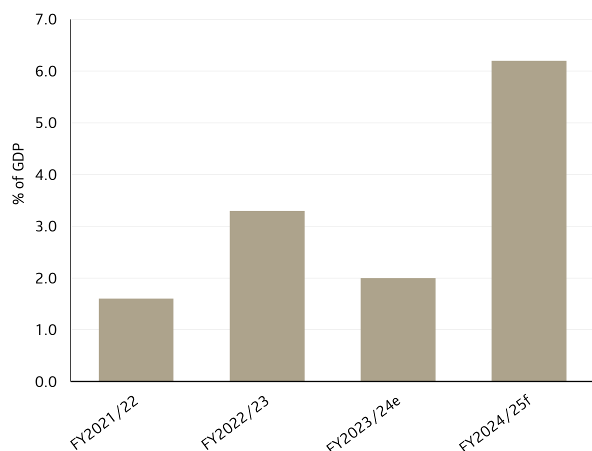
Sources: Ministry of Finance; IMF

Budget deficit



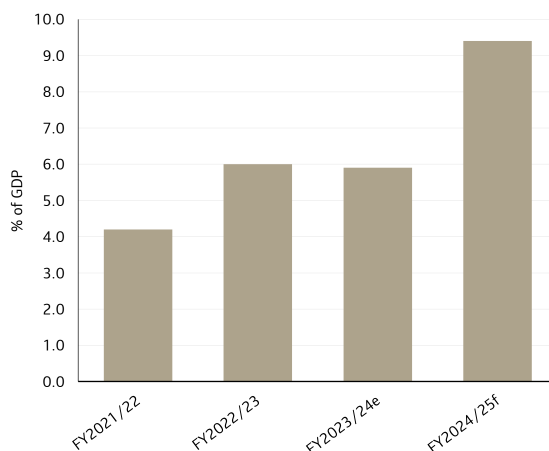
Source: Ministry of Finance; Standard Bank Research

Budget grants



Source: Ministry of Finance; Standard Bank Research

Development spending



Source: Ministry of Finance; Standard Bank Research

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Annual indicators

	2020	2021	2022	2023	2024e	2025f	2026f
Output							
Population (million)	20.9	21.5	22.1	22.7	23.4	24.1	24.8
Nominal GDP (MWK bn)	8815.34	9975.5	11795.7	15516.48	20947.2	24298.8	27943.6
Nominal GDP (USD bn)	11.8	12.4	12.4	13.4	12.2	13.4	13.3
GDP / capita (USD)	563.5	576.4	562.6	588.0	520.4	555.0	537.0
Real GDP growth (%)	0.8	4.6	0.9	1.5	1.8	2.5	3.1
Tobacco auction sales (million kgs)	114	123.7	84.8	120.6	133.3	150.0	161.3
Tea production (million kgs)	45.2	50.6	47.7	43.4	48.0	50.3	52.1
Central Government Operations							
Budget balance (excl. Grants) / GDP (%)	-6.3	-6	-9.6	-12.1	-11.6	-13.8	n/a
Budget balance (incl. Grants) / GDP (%)	-4.6	-4.5	-7	-8.9	-8.7	-7.5	n/a
Domestic debt / GDP (%)	25	21.9	30	40.9	42	38.2	n/a
External debt / GDP (%)	30	32.9	31.5	34.8	39.3	34.1	n/a
Balance of Payments							
Exports (USD m)	866.7	1076.6	990.1	1051.5	992.0	1043.0	998.0
Imports (USD m)	2786.2	3167.8	2866.0	2996.7	3253.0	3147.0	3032.0
Trade balance (USD m)	-1919.6	-2091.2	-1875.9	-1945.2	-2261.0	-2104.0	-2034.0
Current account (USD m)	-1638.7	-1960.3	-2248.8	-2196.9	-2644.4	-2460.8	-2378.9
- % of GDP	-13.9	-15.8	-18.1	-17.5	-22.2	-18.4	17.9
Financial account (USD m)	-638.2	-473.0	-855.3	-601.3	-877.6	-861.0	853.0
- FDI (USD m)	252.2	129.5	198.7	203.3	153.6	174.2	176.4
Basic balance / GDP (%)	-11.8	-14.8	-16.5	-15.8	-20.4	-17.1	-16.6
FX reserves (USD m) pe	584.64	456.05	293.6	236.4	135.0	145.0	150.0
- Import cover (months) pe	4.0	1.7	1.2	0.9	0.5	0.7	0.7
Sovereign Credit Rating							
S&P	nr	nr	nr	nr	nr	nr	nr
Moody’s	nr	nr	nr	nr	nr	nr	nr
Fitch	nr	nr	nr	nr	nr	nr	nr
Monetary & Financial Indicators							
Consumer inflation (%) pa	8.6	9.3	21.0	28.1	32.3	22.9	12.3
Consumer inflation (%) pe	7.6	11.5	25.4	34.9	28.1	18.7	11.4
M2 money supply (% y/y) pa	13.9	23.7	34.5	33.8	45.6	47.3	52.7
M2 money supply (% y/y) pe	16.7	30.0	38.8	32.2	46.8	51.9	56.2
Policy interest rate (%) pa	13.3	12.0	14.3	22.0	25.8	26.0	25.3
Policy interest rate (%) pe	12.0	12.0	18.0	24.0	26.0	26.0	25.0
3-m rate (%) pe	9.5	9.4	13.0	14.7	16.0	16.0	15.0
USD/MWK pa	749.5	805.9	949.0	1161.1	1721.3	1820.0	2102.6
USD/MWK pe	773.1	819.4	1034.7	1697.9	1 734.1	1 958.0	2240.0

Source: Reserve Bank of Malawi; National Statistical Office; Ministry of Finance; International Monetary Fund; Bloomberg; Standard Bank Research

Notes: pe – period end; pa – period average; na – not available; nr – not rated

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Mauritius: revised macro statistics paint a sobering picture

Medium-term outlook: still growing, but at lower rates than advertised

The Alliance of Change coalition party won the Nov 24 national elections by a landslide. One of their first actions was publishing a “State of the Economy” report which made sweeping revisions to previously published economic statistics. These revisions reveal a fundamental shift in Mauritius’s growth narrative.

2023 real GDP growth was lowered from 7.0% y/y to 5.6% y/y, while the 2024 projection dropped from 6.5% y/y to 5.1% y/y, nevertheless exceeding our Jun AMR forecast of 4.1% y/y for 2024. These revisions reveal that nominal GDP in USD terms only recovered to pre-Covid levels in 2024, not 2023 as was previously reported.

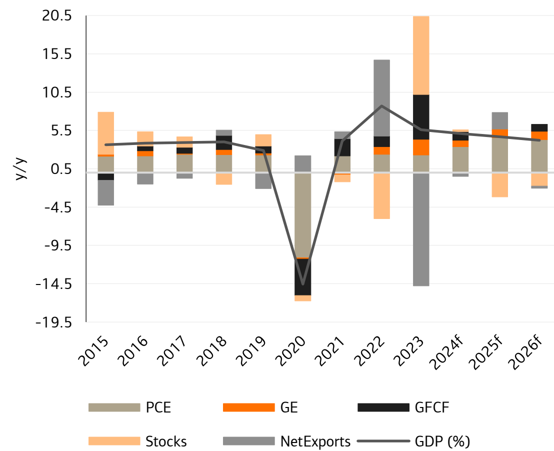
From an expenditure standpoint, the revised figures for gross fixed capital formation (GFCF) in 2023 were lowered from MUR158.2bn to MUR141.0bn. A notable shift was also observed in the exports of goods and services, where earlier estimates of MUR347.8bn were revised to MUR303.4bn, pointing to lower-than-claimed export performance. However, imports and final consumption expenditure for 2023 did not undergo as large a revision.

At sectoral level, 2023 growth in the construction sector was initially reported to be 37.4% y/y but has now been recalculated to 21.3% y/y. Wholesale and retail trade was revised from 3.6% y/y to 3.0% y/y, while the tourism-linked accommodation and food services sector moved from 26.8% y/y to 25.7% y/y. The new data also revealed that manufacturing, at 12% of GDP and about 15% of employment, has been in a deeper structural slowdown than previously understood, growing on average by 0.7% p.a. between 2013 and 2024, from a previously reported 2.5% p.a. The report attributes this to specific infrastructure gaps such as limited "plug and operate" industrial parks for capital-intensive industries, rising utility and freight costs, and poor port productivity affecting lead times.

Despite these sobering revelations, Mauritian growth will likely remain above the regional average in 2025. We raise our real GDP growth estimate to 5.1% y/y for 2024. For 2025 we forecast a moderate slowdown to 4.7% y/y due to increased caution amongst foreign property developers while a new political regime beds down. Private sector GFCF has been driven by foreign direct investment (FDI), with real estate development comprising 70% of FDI in H1:24. The more productive sectors such as agriculture, manufacturing and telecommunications have received significantly less investment from domestic investors and/or FDI (less than 15% of H1:24 investments).

Public GFCF also faces a likely slowdown in 2025. The report reveals that public sector debt has reached 83.4% of GDP, exceeding the statutory ceiling of 80%, and projects a further deterioration to 84.5% by Jun 25. This will constrain new public investment capacity.

Composition of GDP growth by demand



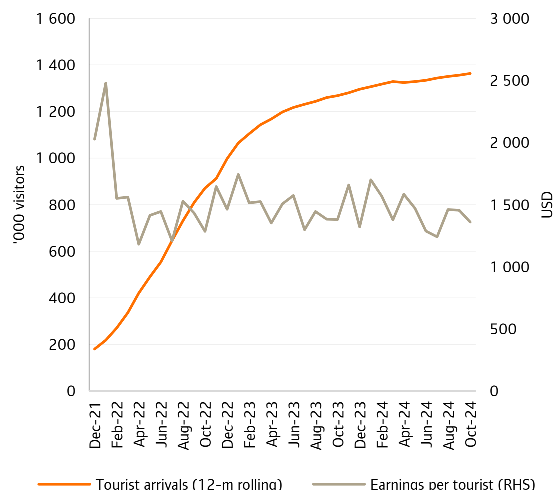
Source: Statistics Mauritius; Standard Bank Research

Contribution to GDP by sector

% of GDP	2021	2022	2023
Agriculture	3.52	3.38	3.59
Manufacturing	12.79	12.69	12.12
Food excl. Sugar	4.74	4.84	4.72
Textiles	2.98	2.89	2.45
Electricity	1.61	1.54	1.52
Construction	4.96	4.57	5.87
Wholesale & retail trade	12.49	11.70	11.33
Transportation and storage	5.58	5.34	5.44
Accommodation and food service	2.32	6.35	7.53
ICT	5.45	5.15	5.11
Financial and insurance	15.04	14.26	13.90
Real estate activities	6.42	5.94	5.67
Professional activities	5.56	5.32	5.20
Public administration	6.69	6.44	5.96
Education	5.06	4.76	4.50
Health	5.17	5.00	4.64
Entertainment	2.50	2.46	2.46
Other	4.85	5.10	5.17

Source: Statistics Mauritius

Tourism trends



Source: Statistics Mauritius; Standard Bank Research

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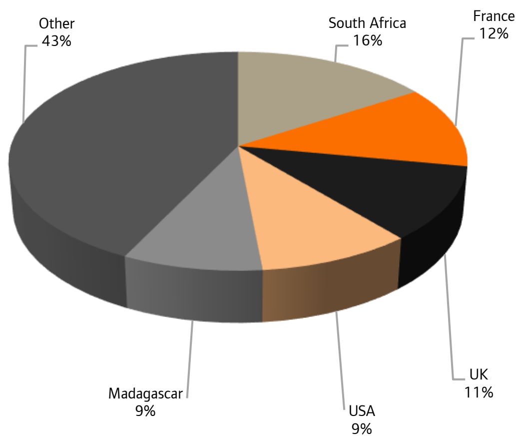
Medium-term economic growth forecasts

	Q1:25	Q2:25	Q3:25	Q4:25	Q1:26	Q2:26	Q3:26	Q4:26	Q1:27	Q2:27	Q3:27	Q4:27	Q1:28	Q2:28	Q3:28	Q4:28
GDP (% y/y) pa	4.3	4.6	4.7	5.1	3.9	4.1	4.2	4.7	3.5	3.7	3.8	4.2	3.5	3.7	3.8	4.2
CPI (% y/y) pe	3.4	3.5	3.5	3.5	3.5	3.5	3.4	3.4	3.4	3.4	3.3	3.3	3.3	3.3	3.2	3.2
BoM policy rate (%) pa	4.00	4.00	4.00	3.75	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.25	3.25	3.25	3.25	3.25
3-m rate (%) pe	4.06	4.09	4.11	4.14	4.11	4.09	4.06	4.04	4.01	3.99	3.96	3.94	3.91	3.89	3.86	3.84
6-m rate (%) pe	4.30	4.32	4.35	4.37	4.35	4.32	4.30	4.27	4.25	4.22	4.20	4.17	4.15	4.12	4.10	4.07
USD/MUR pe	47.11	46.97	46.85	46.83	46.47	46.42	46.42	46.42	46.54	46.55	46.55	46.55	46.55	46.55	46.55	46.55

Source: Bank of Mauritius; Statistics Mauritius; Ministry of Finance; Bloomberg; Standard Bank Research

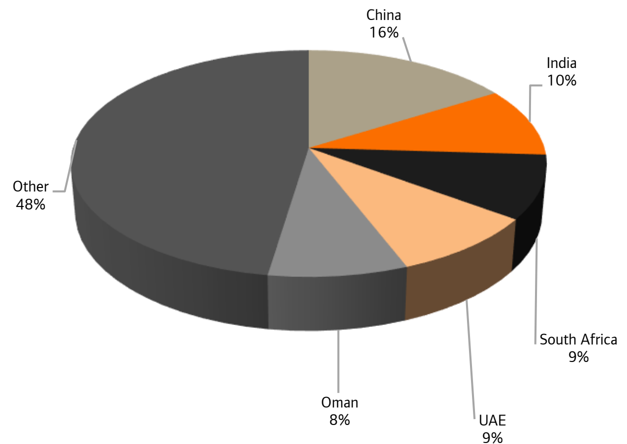
Notes: pa - period average; pe - period end

Share in Mauritius's exports (%)



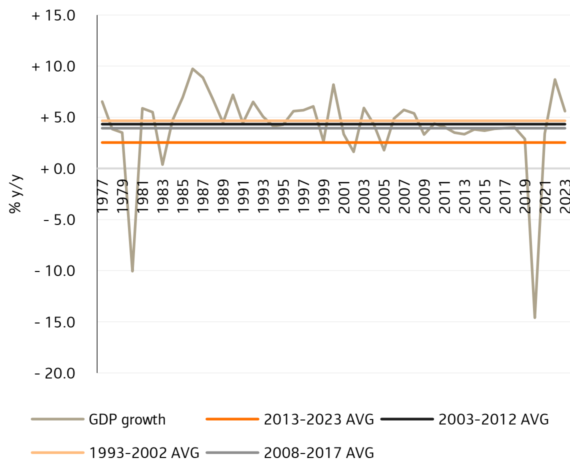
Source: ITC

Share in Mauritius's imports (%)



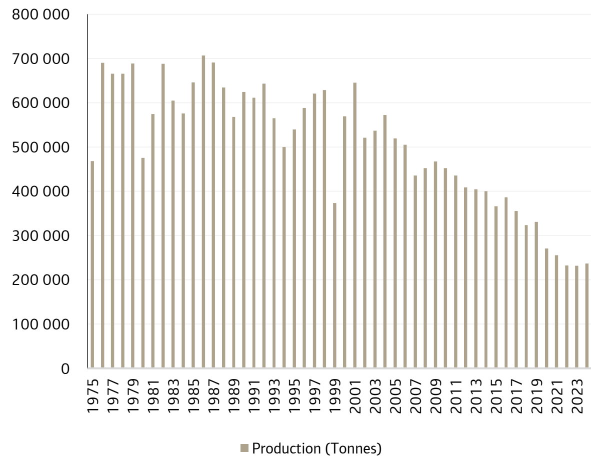
Source: ITC

Tourism trends



Source: Statistics Mauritius; Standard Bank Research

Sugar production



Source: Statistics Mauritius; Standard Bank Research

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Balance of payments: services trade surplus to offset goods deficit for the foreseeable future

We revise our 2024 current account (C/A) deficit forecast to 5.9% (from 4.4%) due to lower GDP figures in the "State of the Economy" report. We expect the deficit to narrow to 4.5% in 2025 due to softer commodity import costs slowing down the rise of imports relative to exports.

While the report kept the overall C/A balance for 2021, 2022 and 2023 unchanged, it shifted its composition. Services exports were revised upward by roughly USD1bn p.a. – offset by a corresponding downward revision in income.

This reclassification stems from the IMF's 2021 recommendation that Mauritius-based offshore companies' revenue from management fees and professional services be recorded as services exports rather than dividend or interest income.

In 2025 and 2026, these service exports, together with tourism, are expected to mostly offset the structural goods trade deficit resulting from Mauritius's reliance on imported food and fuel.

Positively, the 2025 Food and Agriculture Organisation (FAO) price projection for cereals remains benign. Global production of rice, a key Mauritian import, is projected to hit a record high of 538.8m in 2025, with global supply stocks remaining comfortable with a stock-to-use ratio of 30.1%.

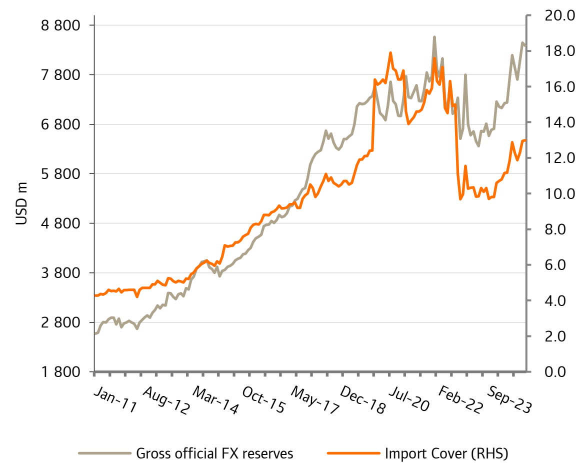
As per our Jun 24 AMR, tourism's post-Covid recovery was essentially complete in 2023. Visitor arrivals are projected to grow at a normalized rate of about 3% per year going forward.

An acceleration of growth in tourism is likely only to materialise in the medium term from increased investment in mid-range destinations. The industry's current model is focused on high-end beach tourism, meaning that Mauritius is likely missing out on the growing Asian middle-class travel market.

Current account developments

Source: Bank of Mauritius; Standard Bank Research

FX reserves



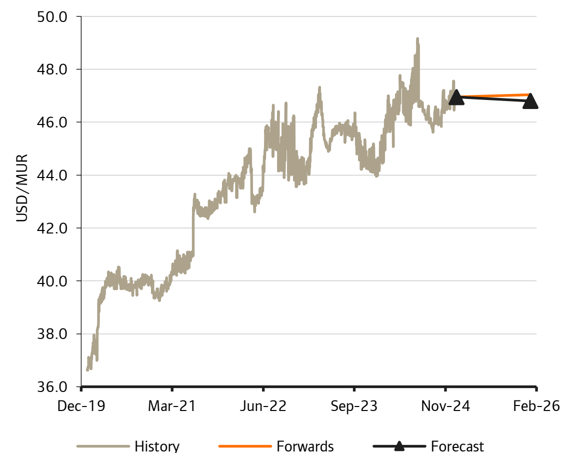
Source: Bank of Mauritius

FX outlook: new central bank governor signals greater focus on USD/MUR stability

We expect USD/MUR stability in 2025, supported by subdued inflation and the new central bank governor's stated intention focus on exchange-rate management. Despite reported official reserves of around USD8.4bn, the Bank of Mauritius has limited flexibility because a portion of these reserves consists of foreign currency balances that are ring-fenced for commercial bank clients.

We expect future disclosures as early as Q1:25 to provide clarity on true net usable reserves. Both the new governor and government acknowledge that misaligned local and foreign interest rates have contributed to recent rupee depreciation, highlighting the need to revisit monetary policy tools, including the key interest rate, to bolster the currency.

USD/MUR: forwards versus forecasts



Source: Bloomberg; Standard Bank Research

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Monetary policy: easing inflation makes the case for rate cuts in 2025

We estimate that headline CPI averaged 3.6% y/y in 2024, down from our previous forecast of 3.9% (Jun 24 AMR), largely due to better-than-expected deflationary base effects in the transportation index.

Looking ahead, we project inflation to remain within the 2%–5% target range set by the Bank of Mauritius (BOM), with our baseline forecast of 3.5% y/y in 2025 reflecting a continued benign imported food and fuel outlook.

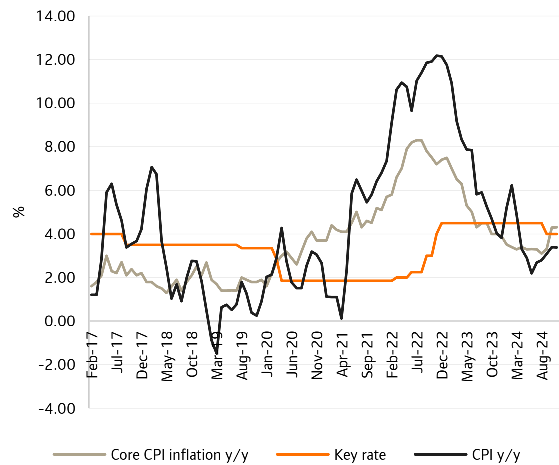
In Sep 24, the BOM cut its key rate by 50 bps, to 4.00%—the first step in a potential easing cycle—after inflation had remained comfortably within target for four consecutive months. We expect at least one 25 bps rate cut in H2:25. However, this would be contingent on inflation staying near current levels as well as on further global monetary easing; recent remarks by the new governor emphasised the need to align domestic interest rates more closely with rates abroad to avoid further rupee depreciation.

The monetary transmission mechanism improved in 2024, with the overnight interbank rate staying closer to the policy rate floor than in 2023. We expect the BOM to maintain its current operating framework of using 7-day BOM bills, and occasionally longer-term bills, as tools to manage liquidity conditions and support policy transmission.

Although the BOM has also historically used FX interventions for this purpose, concerns about the composition of official reserves may limit the bank's scope for direct FX interventions in 2025, potentially making interest-rate policy and liquidity operations the primary levers to uphold the BOM's core mandate of price and financial sector stability.

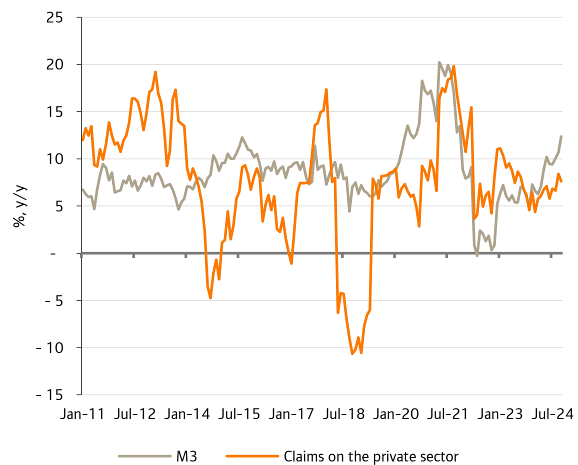
Key risks to our outlook include unforeseen supply shocks from adverse weather and/or geopolitical tensions affecting commodity prices, particularly fuel.

Inflation and interest rates



Source: Bank of Mauritius; Standard Bank Research

Money supply



Source: Bank of Mauritius

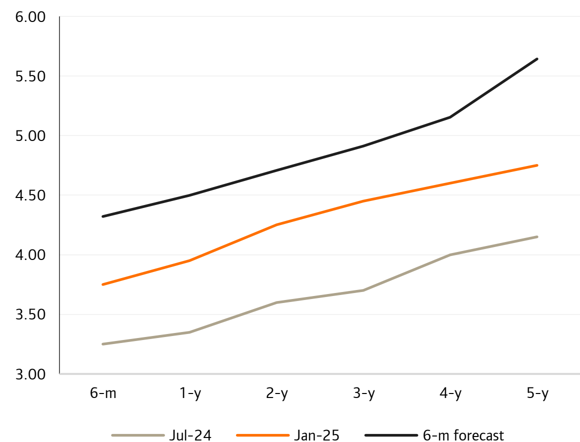
Yield curve outlook: bear-steepening likely

In our Jun 24 AMR we anticipated lower rates on the short end of the curve on account of declining inflation and fiscal consolidation. Instead, we have seen a broadly parallel shift upward, a trend we now see continuing over the next 6-m as fiscal dynamics dominate monetary policy.

Higher fiscal deficits and debt than originally reported, as well as significant 2025 maturities (25% of estimated domestic debt), may contribute to greater issuance and elevated term premiums, outweighing lower monetary policy rates.

Further, as disclosed in the "State of the Economy" report, Special Funds, a savings pool for the government, have been depleted more than previously reported, and contingent liabilities may further constrain public finances.

Change in yield curve



Source: Bank of Mauritius; Standard Bank Research

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Fiscal policy: structural challenges exposed

The revised Mauritian economic data reveals significant deterioration across key fiscal metrics. The budget deficit for FY 23/24 reached 5.7% of GDP, substantially exceeding the previously reported 3.9%. This 1.8 percentage point increase primarily resulted from revenue shortfalls of MUR13.8bn, particularly in corporate tax (MUR4.8bn) and VAT (MUR3bn).

For FY24/25, the outlook is more concerning, with the deficit projected to reach 6.7% of GDP; the original estimate was 3.4%. This deviation is driven by a MUR16.7bn revenue shortfall and MUR5bn in additional expenditure, including salary adjustments and higher social benefit payments.

Government borrowing requirements are expected to surge to 8.2% of GDP in FY24/25, exceeding the budgeted 4.8%. Public sector gross debt has been revised upward to 83.4% of GDP as of Jun 24, above the statutory ceiling of 80%, and is projected to reach 84.5% by Jun 25.

Also concerning is the depletion of Special Funds which include the National Resilience Fund, Projects Development Fund, National Environment Fund, Climate and Sustainability Fund, and Poverty Reduction Fund, key vehicles for financing development projects and social programs. These funds have declined from MUR36.8bn in Jun 22 to MUR14.1bn in Jun 24, with projections showing near depletion by Jun 25, prompting proposals for a MUR2bn supplementary appropriation by the National Assembly to replenish this fund.

Furthermore, the Contribution Social Généralisée (CSG) system, which replaced the National Pension Fund in 2020 as the country's main social security facility for retirement benefits and social allowances, faces growing sustainability challenges, with a projected financing gap of MUR9bn in FY24/25.

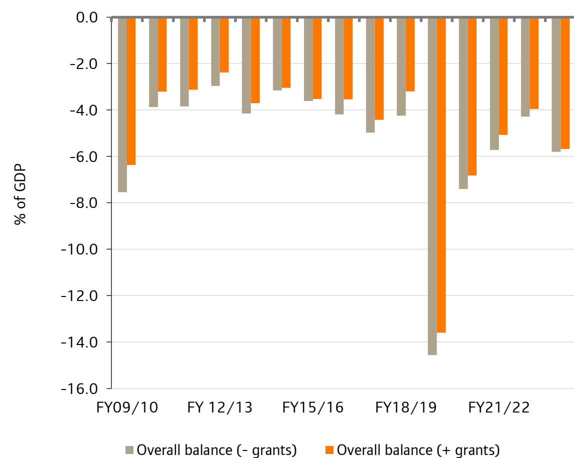
Lastly, the government faces substantial contingent liabilities from struggling public entities, including Metro Express (MUR15.98bn), Air Mauritius (MUR16.5bn), and various statutory bodies' pension funds with combined actuarial deficits reaching MUR47bn.

Central government budget

% of GDP	FY2023/24e	FY2024/25f
Total revenue	24.0	26.7
Total expenditure	29.7	33.4
- Interest	2.8	2.8
- Wages	5.8	5.8
- Capital expenditure	4.1	396
Overall balance (- grants)	-5.8	-6.9
Overall balance (+ grants)	-5.7	-6.7
Net external borrowing	0.0	1.9
Net domestic borrowing	6.0	6.3
Donor support (grants)	0.1	0.3

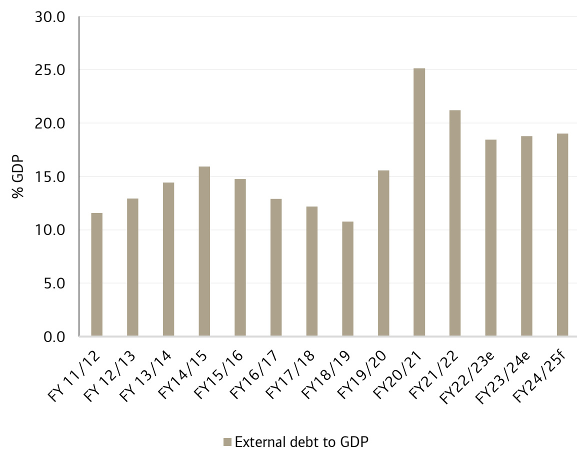
Source: Ministry of Finance and Economic Development

Fiscal deficit



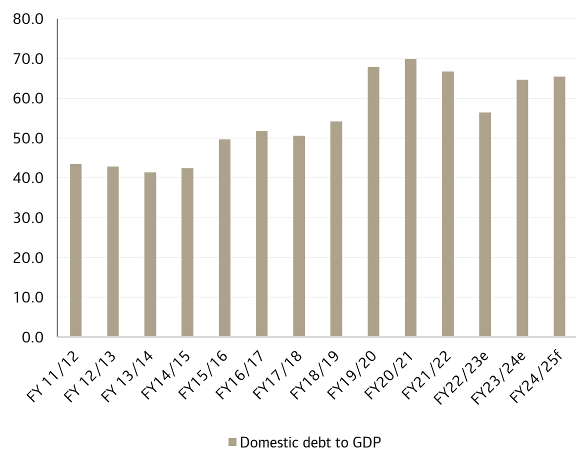
Source: Ministry of finance and Economic Development

External debt



Source: Ministry of Finance and Economic Development

Domestic debt



Source: Ministry of Finance and Economic Development

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Annual indicators

	2020	2021	2022	2023	2024e	2025f	2026f
Output							
Population (million)	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Nominal GDP (MUR bn)	449	479	570	641	697	754	812
Nominal GDP (USD bn)	11.7	11.4	12.9	14.2	15.1	16.1	17.5
GDP / capita (USD)	9241	8991	10039	11063	11773	12548	13653
Real GDP growth (%)	-14.5	4.1	8.7	5.6	5.1	4.7	4.2
Sugar production ('000 Tonnes)	271	256	233	232	237	241	246
Tourism arrivals ('000)	309	180	997	1295	1328	1368	1409
Central Government Operations							
Budget balance (excl. Grants) / GDP (%)	-14.6	-7.4	-5.7	-4.3	-5.8	-6.9	n/a
Budget balance (incl. Grants) / GDP (%)	-13.6	-6.8	-5.1	-3.9	-5.7	-6.7	n/a
Domestic debt/GDP (%)	67.9	69.9	66.8	56.4	64.6	65.5	n/a
External debt/GDP (%)	15.6	25.1	21.2	18.5	18.8	19.0	n/a
Balance of Payments							
Exports of goods and services (USD bn)	3.1	3.2	5.0	5.7	5.9	6.3	6.9
Imports of goods and services (USD bn)	-5.2	-6.1	-8.0	-7.4	-7.7	-8.0	-8.3
Trade balance (USD bn)	-2.1	-2.9	-3.0	-1.7	-1.7	-1.7	-1.4
Current account (USD bn)	-1.4	-1.5	-1.4	-0.7	-0.89	-0.72	-0.74
- % of GDP	-11.7	-13.1	-11.1	-4.7	-5.9	-4.5	-4.3
Capital & Financial account (USD bn)	-1.2	-1.6	-1.4	-0.7	-0.7	-0.8	-0.9
- FDI (USD bn)	-2.8	-3.6	2.3	0.4	1.9	1.0	0.9
Basic balance / GDP (%)	-22.3	-27.1	-22.3	-9.6	-10.8	-9.4	-9.2
FX reserves (USD bn) pe	7.3	8.6	7.8	7.3	8.4	8.0	7.9
- Import cover (months) pe	16.9	17.6	13.3	11.7	13.1	12.1	11.5
Sovereign Credit Rating							
S&P	nr	nr	nr	BBB-	BBB-	BBB-	BBB-
Moody's	Baa1	Baa2	Baa3	Baa3	Baa3	Baa3	Baa3
Fitch	nr	nr	nr	nr	nr	nr	nr
Monetary & Financial Indicators							
Consumer inflation (%) pa	2.5	4.3	10.8	7.1	3.6	3.5	3.4
Consumer inflation (%) pe	2.7	6.7	12.2	3.8	3.4	3.5	3.4
M2 money supply (% y/y) pa	13.2	16.4	3.3	6.2	9.3	9.2	9.2
M2 money supply (% y/y) pe	16.8	8.8	5.3	7.3	8.1	9.2	9.2
BoM Policy rate (%) pa	1.85	1.85	2.94	4.50	4.33	3.94	3.69
BoM Policy rate (%) pe	1.85	4.50	4.50	4.50	4.00	3.75	3.50
3-m rate (%) pe	0.3	0.6	1.0	3.6	4.0	4.1	4.0
5-y rate (%) pe	1.2	3.5	4.4	5.0	5.5	5.6	5.5
USD/MUR pa	39.4	41.9	44.4	45.3	46.3	46.9	46.5
USD/MUR pe	39.7	43.8	44.3	44.3	47.2	46.8	46.4

Source: Bank of Mauritius; Statistics Mauritius; Ministry of Finance; Bloomberg; Standard Bank Research

Notes: pe – period end; pa –a period average

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Mozambique: multiple downside risks

Medium-term outlook: growth heavily reliant on LNG foreign direct investment (FDI)

Following a tense political transition, and further delays on liquified natural gas (LNG) investment, we now lower our growth forecasts for 2025 and 2026 to respectively 3% y/y and 3.1% y/y, from respectively 3.8% y/y and 4.7% y/y in the Jun edition of the AMR. The outlook remains subject to multiple risks – including political, fiscal, climate, and LNG-related.

For 2024, we estimate GDP growth to have slowed to just 2.5% y/y, well below than our Jun AMR forecast of 4.6% y/y. This change reflects mostly the impact of the protests in the wake of the Oct 2024 general election; our GDP growth estimates for Q4:24 have now turned negative.

The protests were called by Venâncio Mondlane, a presidential candidate who claims to have won the election based on a parallel count. While acknowledging some of the election irregularities, the Constitutional Council validated the election results in favour of Daniel Chapo, the ruling party candidate, who was sworn in the nation's fifth president on 15 Jan.

Restoring political stability remains critical in restoring economic growth. It would also assist in preventing a domestic debt default this year, or at least reducing the risk thereof.

We see TotalEnergies lifting *force majeure* on their LNG project this year, which should spur GDP growth in good time. FDI, mostly LNG related may see growth not sufficiently inclusive.

Per National Statistics data, GDP growth slowed to an average of 3.8% y/y in the first 3-q of 2024, from 5.6% y/y during the same period of 2023, after having recorded 5.4% y/y for 2023.

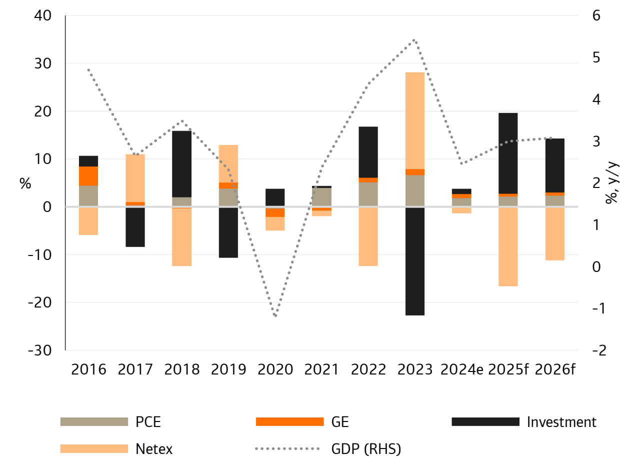
Slower growth in 2024 partly reflects Coral South FLNG operating at near full capacity output since 2023, which implies diminishing favourable base effects in 2024.

Further, this economy faces government domestic debt pressures and choppy foreign exchange (FX) supply. The central bank has kept financing conditions tight, thereby subduing aggregate demand and growth while helping keep inflation low, last reported at 4.2% y/y in Dec 2024.

For 2024, we estimate the extractive sector (accounting for 13% of GDP) growing 13% y/y, from 34% in 2023 when FLNG output was still rising. The rest of the economy likely slowed to 0.9% y/y in 2024, from 2.2% y/y in 2023.

Agriculture, employing over 75% of the workforce, performed poorly in 2024 due to adverse weather and diminishing support from the government budget because of limited fiscal space; the wage bill consumes c.70% of government revenue.

GDP by demand



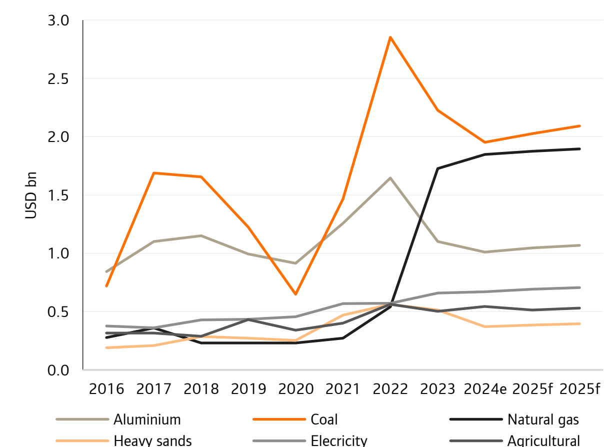
Source: Instituto Nacional de Estatística; Standard Bank Research

Contribution of GDP by sector (% of total)

	2016	2021	2022	2023
Agriculture & forestry	23.3	25.0	25.3	24.9
Fishing	1.3	1.3	1.3	1.3
Extractive	9.8	9.7	10.1	12.9
Manufacturing	9.2	8.7	8.4	7.6
Electricity & gas	3.0	2.5	2.5	2.4
Water supply	0.3	0.3	0.3	0.3
Construction	1.4	1.3	1.2	1.1
Trade	11.0	9.9	9.5	9.1
Transport & storage	6.2	5.9	6.4	6.4
Accommodat. & food	1.7	1.2	1.3	1.3
Information & comm.	2.8	3.2	3.1	3.0
Financial	4.1	4.2	4.1	4.1
Real estate	3.5	3.4	3.3	3.2
Public administration	6.7	6.4	6.2	6.2
Education	3.5	3.3	3.3	3.2
Health	1.4	1.6	1.6	1.5
Other	0.7	0.7	0.7	0.6
Taxation minis subs.	10.4	11.4	11.3	10.8
GDP	100.0	100.0	100.0	100.0

Source: Instituto Nacional de Estatística; Standard Bank Research

Principal exports



Source: Banco de Moçambique; Standard Bank Research

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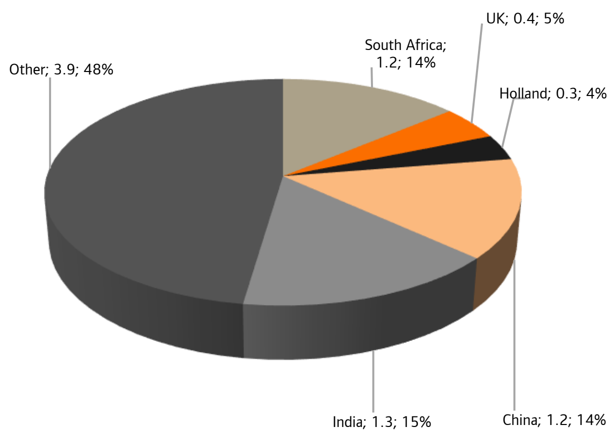
Medium-term economic growth forecasts

	Q1:25	Q2:25	Q3:25	Q4:25	Q1:26	Q2:26	Q3:26	Q4:26	Q1:27	Q2:27	Q3:27	Q4:27	Q1:28	Q2:28	Q3:28	Q4:28
GDP (% y/y) pa	-1.9	1.9	2.1	9.9	3.1	3.0	3.1	3.1	4.0	4.2	4.6	4.3	5.2	5.0	5.3	5.2
CPI (% y/y) pe	5.8	6.2	6.3	6.1	4.5	4.3	4.8	5.6	5.6	5.7	5.6	5.3	5.9	6.0	5.9	5.7
Policy rate (%) pe	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00
3-m rate (%) pe	11.8	11.8	11.8	11.8	11.8	11.8	11.8	11.8	11.8	11.8	11.8	11.8	11.8	11.8	11.8	11.8
6-m rate (%) pe	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9
USD/MZN pe	63.9	63.9	63.9	63.9	63.9	63.9	64.1	64.4	64.7	65.0	65.3	65.6	65.9	66.2	66.5	66.8

Source: Banco de Moçambique; Instituto Nacional de Estatística; Ministério da Economia e Finanças; Standard Bank Research

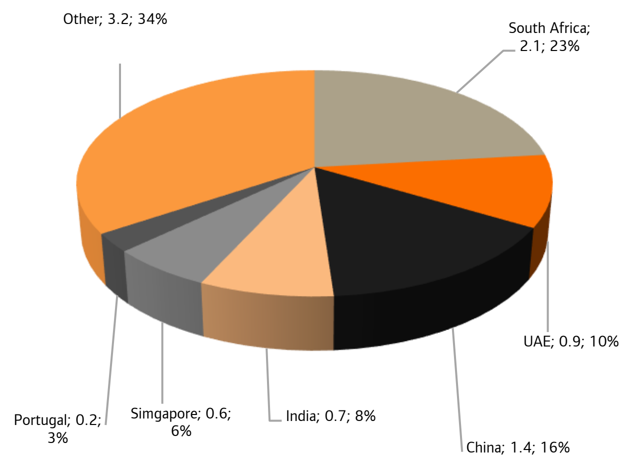
Notes: pa - period average; pe - period end

Exports destinations (USD bn)



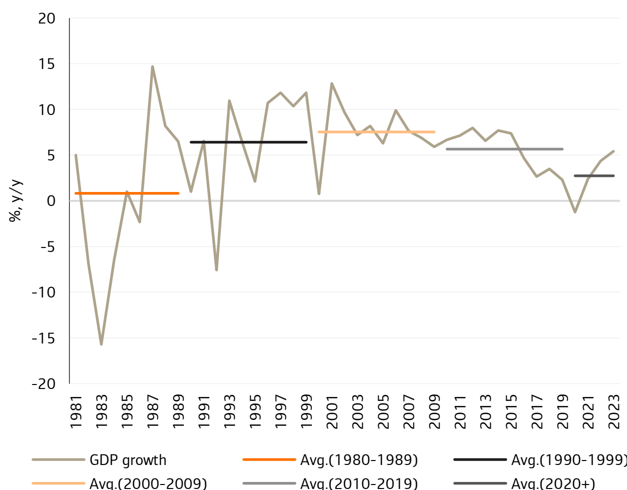
Source: Banco de Moçambique; Standard Research

Imports origins (USD bn)



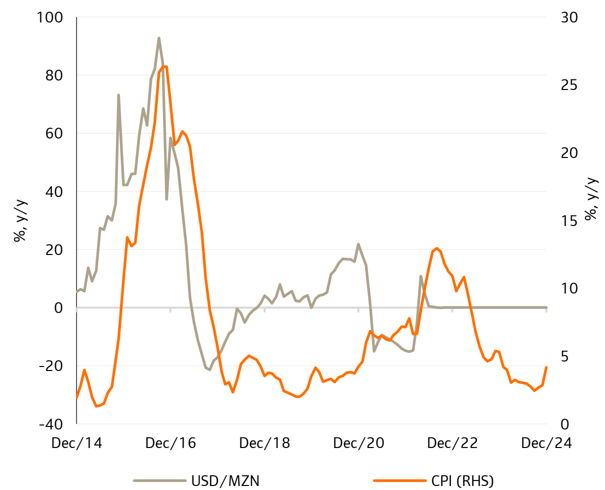
Source: Banco de Moçambique; Standard Bank Research

Long-term GDP performance



Source: Instituto Nacional de Estatística; Standard Bank Research

Annualised FX rate change versus inflation



Source: Banco de Moçambique; Instituto Nacional de Estatística; Standard Bank Research

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Balance of payments: C/A deficit deepening as LNG investment advances

We forecast the current account (C/A) deficit growing and remaining high as LNG investment advances. After all, during the construction phase, LNG projects tend to materially lift imports. We therefore forecast the C/A deficit at 26.7% of GDP in 2025 and 32.8% of GDP in 2026, from an estimated 15.5% of GDP in 2024.

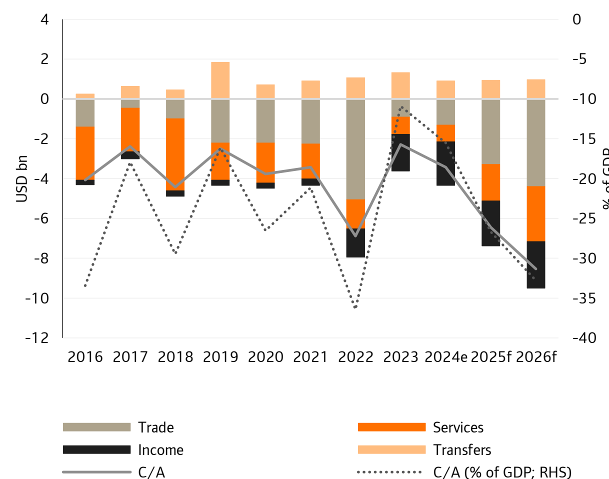
This implies Area1 LNG project (Mozambique LNG), led by TotalEnergies for 13 mtpa, resuming construction during 2025, with first gas exports by 2029. Another sanctioned project, Area 4 LNG (Rovuma LNG) led by ExxonMobil for over 15 mtpa, may reach final investment decision (FID) in 2026, with first gas exports by 2030. Area4 project (Coral North FLNG), led by ENI, awaits government sanction for 3.4 mtpa, with FID likely this year and first gas by 2028.

We estimate goods and services exports to have contracted by 4.4% y/y in 2024, mostly reflecting a poor performance in Q4:24 due to post-election tension. Data for the first 3-q of 2024 shows goods and service exports up by 4.8% y/y, to a cumulative USD7.1bn, supported by natural gas exports, up 25% y/y, on higher Coral South LNG exports. For the same period, goods and services imports fell by 0.2% y/y, to USD8bn, on limited FX supply and tight financing conditions subduing imports. The result was a lesser cumulative trade deficit of 29.1% y/y, at USD832m. For the same period, the C/A deficit eased by 4.5% y/y, to USD1.9bn, or 11.2% of GDP.

Cumulative FDI for the first 3-q of 2024, at USD2.9bn, rose 44.5% y/y, reflecting progress on the large project investment (coal and natural gas).

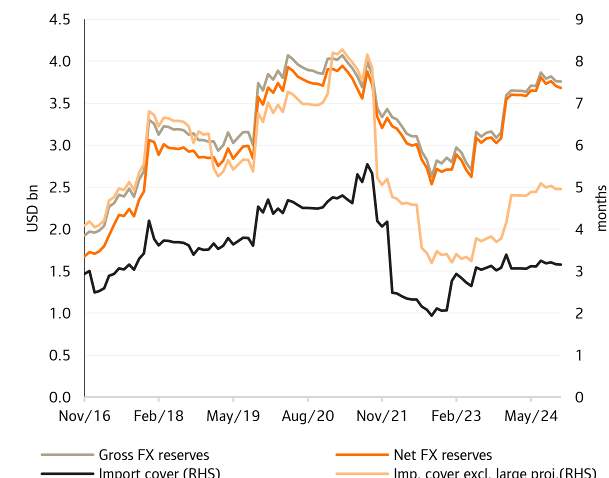
Notably, FX reserves recovered further in 2024, rising by 19.2% y/y by Nov, to USD3.7bn, or 3.2-m of imports, or 5.1-m, when excluding the large projects imports. This reflects the Banco de Moçambique (BOM) not selling FX for fuel imports since mid-2023, which has assisted FX reserves.

Current account developments



Source: Banco de Moçambique; Standard Bank Research

FX reserves



Source: Banco de Moçambique; Standard Bank Research

FX outlook: USD/MZN stable

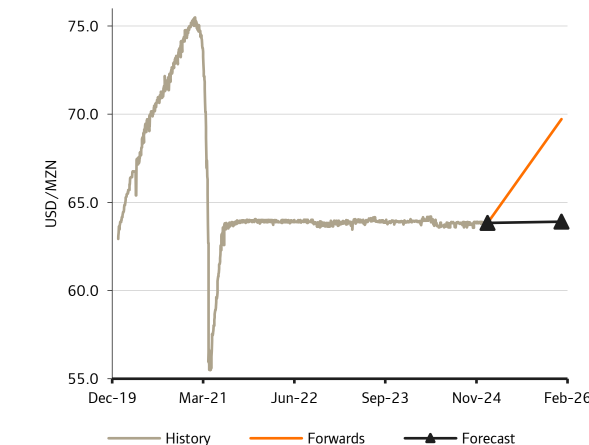
The USD/MZN pair has been stable since mid-2021 and is seen as still steady into year-end, even with the FX market still experiencing choppy FX supply.

Reform progress towards a more flexible metical is expected – but with no material depreciation foreseen.

FX supply remained constrained in 2024, with commercial banks' cumulative FX purchases at USD7.8bn (USD650.5m per month), down by 9.9% y/y. For the same period, commercial banks' FX sales in the market fell by 17.1% y/y, to USD6.9bn (USD575.6m per month), insufficient to meet client needs, mainly reflecting the BOM not selling FX for fuel imports.

As a result, this market had an FX backlog of over USD400m by end 2024.

USD/MZN: forwards versus forecasts



Source: Bloomberg; Standard Bank Research

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Monetary policy: another cut, likely followed by a pause

Despite cutting the policy rate since Jan 2024, the Banco de Moçambique (BOM) is keeping financing conditions tight, manifest in real interest rates remaining among the highest on the continent, and cash required reserves (CRR) kept high at 39% for local currency deposits and 39.5% for foreign currency deposits.

Tight financing conditions helped to sterilize the impact of government operations, helped to support currency stability, and kept inflation under control, last reported at 4.2% y/y in Dec 2024.

The MPC began an easing cycle for monetary policy in Jan 2024, with the MIMO policy rate being cut by cumulative 450 bps, to 12.75%. We forecast a further 75 bps cut in 2025, to 12%, likely followed by a pause.

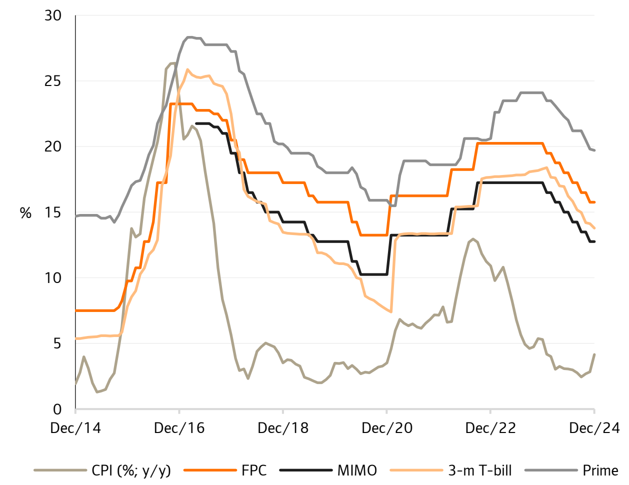
We now adjust higher our year-end inflation forecast for 2025 to 6.1% y/y, from 5.6% y/y in the Jun AMR. This reflects food inflation exceeding our previous forecast.

Notably, there was a spike in food inflation in Dec 2024, which rose to 10.2% y/y, from 7.4% y/y in Nov and 6.3% y/y in Oct. Clearly, post-election tension and supply disruptions lifted food inflation.

While we foresee some ease in food inflation pressures as the political situation normalises, there will still be some price pressure emanating from some supply-chain damages that may take time to subside, and which may require a temporary increased reliance on imports.

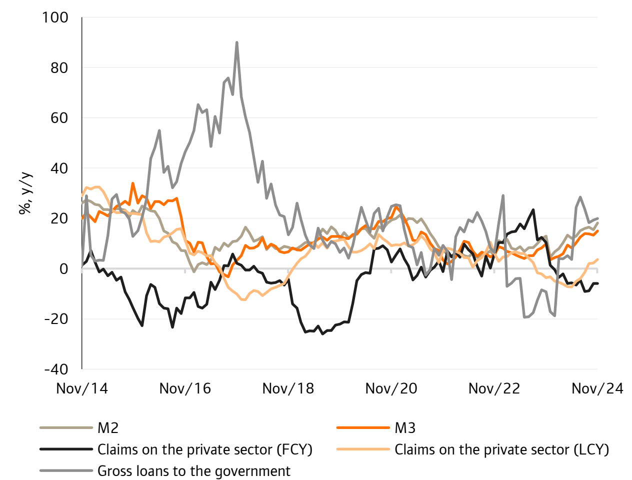
The prime lending rate is declining but remains high; it closed 2024 at 19.7%, from 24.1% at end 2023. It has declined further, to 19% in Jan 2025, and should be at c.18.2% by Dec, which may further subdue credit growth. Nov 2024 data shows credit to the economy growing 2% y/y, after being in contraction between Nov 2023 and Aug 2024.

Inflation and interest rates



Source: Banco de Moçambique; Instituto Nacional de Estatística; Standard Bank Research

Monetary statistics



Source: Banco de Moçambique; Standard Bank Research

Yield curve outlook: a downward shift

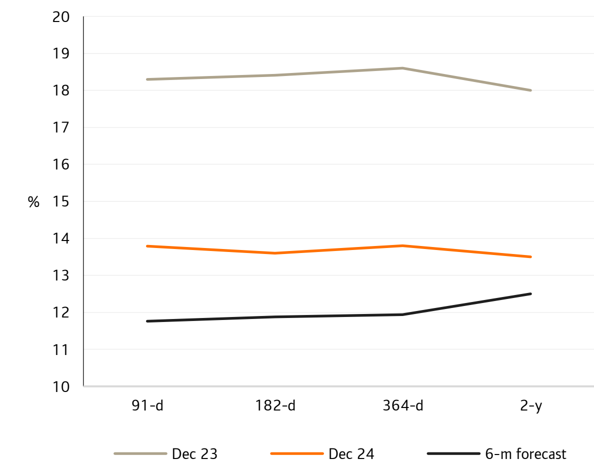
With the BOM likely further cutting interest rates, we see yields declining, implying a downward shift in the yield curve despite persistent government domestic debt pressure.

The government succeeding in smoothing the large domestic bond repayments of 2025 and 2026, most likely through switch auctions, remains critical for T-bill yields adjustments remaining aligned to policy rate changes.

Government bonds are still being issued at complex hybrid structures of fixed rate for the first four semi-annual coupons, then floating.

This does little to help develop a local currency yield curve. The latest 5-y issuance attracts a fixed coupon of 13.5% for the first 2-y, then becomes a floating coupon (T-bill+0.25%).

Yield curve changes



Source: Banco de Moçambique; Ministério da Economia e Finanças; tandard Bank Research

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Fiscal policy: relentless public debt pressure

We have been flagging an increase in fiscal performance risks in the context of 2024 general election overspending, wage bill pressures, higher security and military expenditure, large domestic debt repayments in 2025 and 2026, and the likely revenue underperformance as GDP growth may slump.

This culminates in a higher risk of a domestic debt default, which would need careful management. To complicate things, the change in government implies a slow start to this year, with the FY2025 government budget for the 12-m ending Dec 2025 only expected to be approved in Apr or after.

The ongoing political transition cycle implies that it now takes more time for the government budget to be approved. The budget is typically approved in December (before the beginning of the calendar and fiscal year to which the budget corresponds).

As the FY2025 budget becomes available, it should shed light on the impact on the fiscus of some of the measures that President Daniel Chapo announced at his inauguration speech. This includes reducing the size of the government, freezing the purchase of vehicles for government officials, and creating a centralized unit for government purchases with the view of helping to fight corruption and saving public money. The President is also looking at creating a development bank, to support the economy.

We estimate central government domestic debt to have grown near 30% y/y in 2024. This would imply a failure to achieve the fiscal consolidation targets under IMF 3-y ECF ending in Apr 2025. It may also mean limited access to external funding by this sovereign.

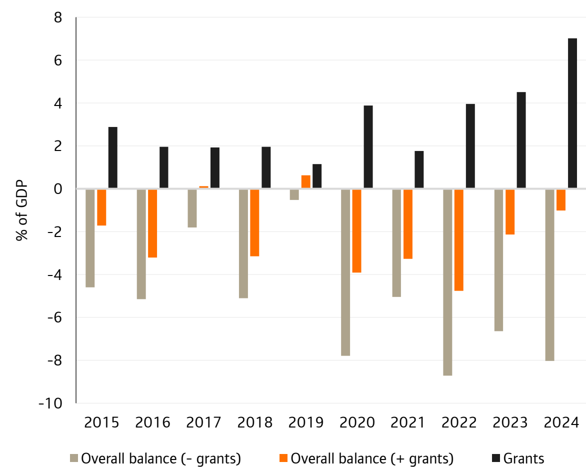
Per the medium-term fiscal framework (2025-2027), for 2025 and 2026, debt service, domestic plus external, and interest plus principal repayment consume 30% and 29.1% of revenue, leaving limited room for development expenditure. After temporarily easing to 17.3% of revenue in 2027, debt service rises again in 2028 when repayment of the USD900m Eurobond falls due.

Central government finances

% of GDP	2021	2022	2023	2024
Total revenue	25.1	23.7	24.4	25.0
Total expenditure	30.2	32.3	31.0	33.0
- Recurrent	23.3	26.2	25.5	22.1
- Domestic interest	1.7	2.0	3.0	2.6
- External interest	0.9	0.9	0.8	0.9
- Wages	13.2	16.1	15.2	13.0
- Development	6.5	5.9	5.2	10.6
- Net lending to SOEs	0.3	0.2	0.2	0.3
Overall balance (-grants)	-5.0	-8.6	-6.6	-8.0
Overall balance (+grants)	-3.3	-4.7	-2.1	-1.0
Grants	1.8	4.0	4.5	7.0
Net domestic borrowing (-saving)	2.4	4.2	1.6	1.5
Net external borrowing (-saving)	0.6	0.8	-0.6	-0.5
Previous years revenue allocation	1.5	1.0	1.5	0.0
Changes in balances	-1.2	-1.4	-0.4	0.0

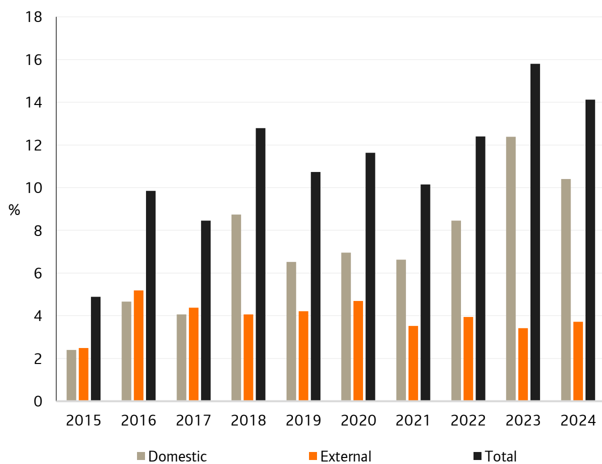
Source: Ministério da Economia e Finanças; Standard Bank Research

Fiscal balance and grants



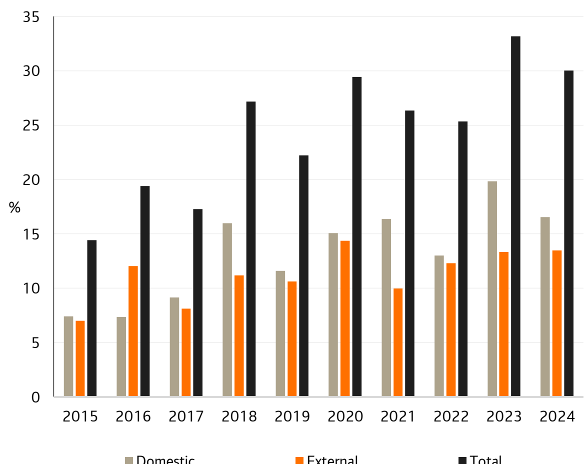
Source: Ministério da Economia e Finanças; Standard Bank Research

Interest to revenue



Source: Ministério da Economia e Finanças; Standard Bank Research

Debt service to revenue



Source: Ministério da Economia e Finanças; Standard Bank Research

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Annual indicators

	2020	2021	2022	2023	2024e	2025f	2026f
Output							
Population (million)	30.1	30.8	31.6	32.4	33.2	34.1	35.0
Nominal GDP (MZN bn)	988.9	1,058.4	1,205.7	1,338.7	1,415.4	1,542.9	1,667.0
Nominal GDP (USD bn)	14.2	16.2	18.9	21.0	22.1	24.1	26.0
GDP / capita (USD)	473.4	526.5	597.4	646.4	666.3	708.2	744.8
Real GDP growth (%)	-1.2	2.4	4.4	5.4	2.5	3.0	3.1
Coal output ('000 000 tonnes)	8.0	11.1	14.8	15.0	15.6	15.1	15.9
LNG output ('000 BOE/d)			1.2	66.2	73.9	76.0	79.2
Central Government Operations							
Budget balance (- grants)/ GDP (%)	-7.8	-5.0	-8.6	-6.6	-8.7	-3.1	-2.3
Budget balance (+ grants)/ GDP (%)	-3.9	-3.3	-4.7	-2.1	-1.1	-0.3	0.6
Domestic debt / GDP (%)	22.7	24.0	25.5	25.1	30.8	32.5	33.1
External debt / GDP (%)	89.4	83.7	54.7	50.5	47.3	43.4	39.9
Balance of Payments							
Exports (USD bn)	4.5	6.5	9.4	9.4	9.0	9.2	9.4
Imports (USD bn)	-8.7	-10.5	-15.9	-11.2	-11.1	-14.3	-16.6
Trade balance (USD bn)	-4.2	-4.0	-6.5	-1.8	-2.1	-5.1	-7.2
Current account (USD bn)	-3.8	-3.4	-6.9	-2.3	-3.4	-6.4	-8.5
- % of GDP	-26.5	-21.2	-36.4	-10.9	-15.5	-26.7	-32.8
Capital and financial account (USD bn)	4.0	3.4	6.6	2.4	3.4	6.4	8.5
- FDI (USD bn)	3.0	5.1	2.5	2.5	3.1	5.3	5.1
Basic balance / GDP (%)	-5.2	10.3	-23.4	1.1	-1.4	-4.7	-13.2
FX reserves (USD bn) pe	4.0	3.4	2.9	3.6	3.8	4.0	4.2
- Import c. excl. large proj. (months) pe	7.2	4.9	3.7	4.6	5.1	5.2	5.5
Sovereign Credit Rating							
S&P	CCC+	CCC+	CCC+	CCC+	CCC+	CCC+	CCC+
Moody's	Caa2	Caa2	Caa2	Caa2	Caa2	Caa2	Caa2
Fitch	CCC	CCC	CCC+	CCC+	CCC+	CCC+	CCC+
Monetary & Financial Indicators							
Headline inflation (%) pa	3.1	5.7	10.3	7.1	3.2	5.8	4.8
Headline inflation (%) pe	3.5	6.7	10.9	5.3	4.2	6.1	5.6
M2 money supply (% y/y) pa	15.6	15.2	6.0	9.1	13.5	9.8	8.8
M2 money supply (% y/y) pe	19.9	5.6	11.2	4.5	17.1	10.6	8.3
Policy interest rate (%) pa	11.04	13.25	15.58	17.25	14.63	12.00	12.00
Policy interest rate (%) pe	10.25	13.25	17.25	17.25	12.75	12.00	12.00
3-m rate (%) pe	7.6	13.4	17.7	18.3	13.8	11.8	11.8
1-y rate (%) pe	7.3	13.4	17.7	18.6	13.8	11.9	11.9
USD/MZN pa	69.5	65.2	63.8	63.9	63.9	63.9	64.0
USD/MZN pe	74.9	63.8	63.9	63.9	63.9	63.9	64.4

Source: Banco de Moçambique; Bloomberg; Instituto Nacional de Estatística; Ministério da Economia e Finanças; Standard Bank Research

Notes: pa - period average; pe - period end; na - not available; nr – not rated

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Namibia: hopes of sufficient La Niña conditions

Medium-term outlook: upside from a lower base

We slightly increase GDP growth for 2025 to 4.1% y/y (from 4.0% y/y), then rising further, to 4.6 % y/y in 2026, from what we estimate was 3.5% y/y growth in 2024. For the first 3-q of 2024, GDP growth averaged 3.3% y/y.

The agricultural sector performed poorly in 2024 due to the El Niño-induced drought during the 2023/24 planting season. However, the higher probabilities of normal rains as well as indications of La Niña conditions (above-normal rainfalls) likely forming since Dec 2024, albeit delayed, bodes well for crop farming in 2025. The Southern Africa Regional Climate Outlook Forum (SARCOF-29) anticipates Namibia to experience normal to above-normal rainfall over the Nov 2024-Mar 2025 period; the next outlook for this region, SARCOF-30, is due by end Jan.

Diamond mining may remain on the back foot this year due to reduced global demand for natural diamonds because of competing lab-grown diamonds; however, uranium mining should remain strong on global demand for a greener energy mix. Exploration for oil and gas, classified under ‘other mining and quarrying’, too should boost mining sector activity – albeit with some expected moderation. The real benefit of these oil finds to economic growth will likely play out only in the long term, especially considering reports of an unexpectedly very high gas-to-oil ratio in these fields, which may require additional infrastructure. This implies oil projects being both delayed and more costly.

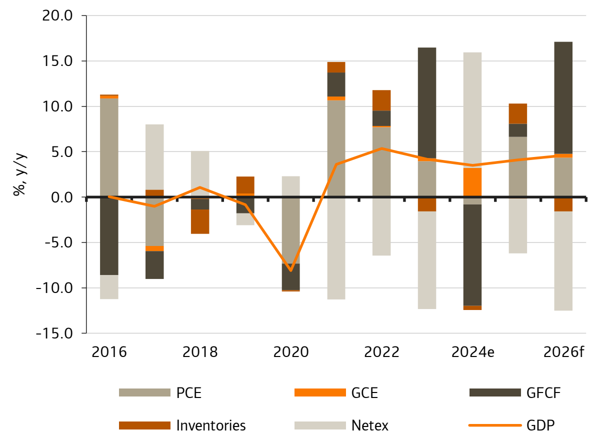
Still, green hydrogen may come online sooner, boosting the Namibian economy but here too the risk involves unforeseen delays. Namibia intends shipping its first green hydrogen exports by 2026 (a 125,000 tonne first phase).

The secondary and tertiary sectors remain robust and should continue supporting this economy in 2025, particularly transport and storage, wholesale and trade, partly on account of a continued recovery in the tourism sector. Indeed, tourist arrivals were up 9.5% y/y in H1:24. Moreover, likely improved rainfall this year should see the electricity and water sub-sector benefit from relatively better inflows at the Ruacana hydro plant, which would boost electricity generation.

On the expenditure side, household consumption is likely to increase due to less inflationary pressure and the resultant monetary easing which started in Aug 2024. Furthermore, the tax relief measures approved by parliament in Sep 2024 should translate into more disposable income and thereby increase demand for goods and services. An increased budget for development expenditure should see government expenditure improve and thereby boost sectors such as construction which are only now recovering after years of contraction.

Risks to our growth outlook include weaker-than-anticipated La Niña-induced rainfall, geopolitical tensions, and weaker global commodity demand, especially amid the likely slowdown in China which may reduce its import demand for Namibia’s zinc and copper.

Composition of GDP by demand



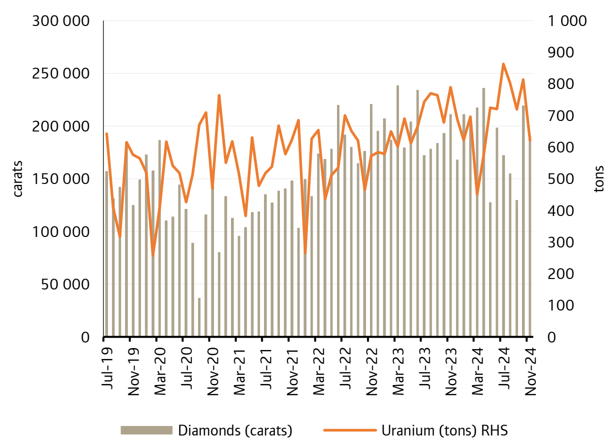
Source: Namibia Statistics Agency; Standard Bank Research

Contribution to GDP by sector

% of GDP	2015	2019	2023
Agriculture, forestry & fishing	6.7	7.1	7.7
-Fishing	2.6	2.6	2.8
Mining and quarrying	8.9	9.1	14.4
Manufacturing	11.4	12.5	11.2
Electricity and Water	1.7	3.4	3.0
Construction	5.5	2.1	1.4
Wholesale and retail trade	11.2	10.0	11.0
Hotels and restaurants	1.9	2.0	1.5
Transport & storage	3.1	3.1	3.1
ICT	1.4	1.4	1.3
Financial and insurance	7.0	7.0	6.8
Real estate	5.1	5.5	4.8
Professional, scientific & technical	0.8	0.7	0.5
Administrative and support	1.3	1.1	1.0
Arts and Entertainment	1.6	1.8	1.5
Public administration and defence	11.4	11.5	8.8
Education	8.8	10.3	9.4
Health	3.5	3.3	3.1

Source: Namibia Statistics Agency

Diamond and uranium production



Source: Namibia Statistics Agency

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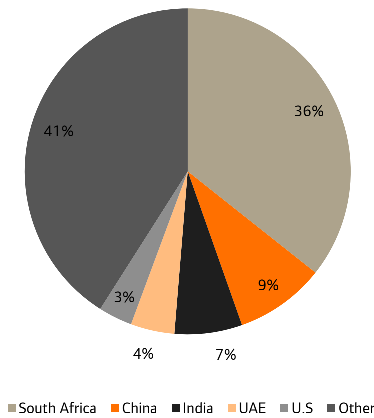
Medium-term economic growth forecasts

	Q1:25	Q2:25	Q3:25	Q4:25	Q1:26	Q2:26	Q3:26	Q4:26	Q1:27	Q2:27	Q3:27	Q4:27	Q1:28	Q2:28	Q3:28	Q4:28
GDP (% y/y) pa	4.7	3.5	3.8	4.3	4.4	4.7	4.9	4.4	3.0	5.4	5.3	4.3	5.0	4.2	4.1	4.2
CPI (% y/y) pe	3.8	3.8	4.3	4.1	4.2	4.0	4.0	3.9	3.9	4.3	4.5	4.7	4.7	4.4	4.3	4.1
Policy interest rate (%) pe	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75
3-m rate (%) pe	7.82	7.82	7.82	7.82	7.82	7.82	7.82	7.82	7.82	7.82	7.82	7.82	7.82	7.82	7.82	7.82
6-m rate (%) pe	7.65	7.65	7.65	7.65	7.65	7.65	7.65	7.65	7.65	7.65	7.65	7.65	7.65	7.65	7.65	7.65
USD/NAD pe	18.58	18.25	17.93	17.60	17.64	17.68	17.71	17.75	17.88	18.02	18.15	18.28	18.28	18.28	18.28	18.28

Source: Namibia Statistics Agency; Bank of Namibia; Ministry of Finance; Bloomberg; Standard Bank Research

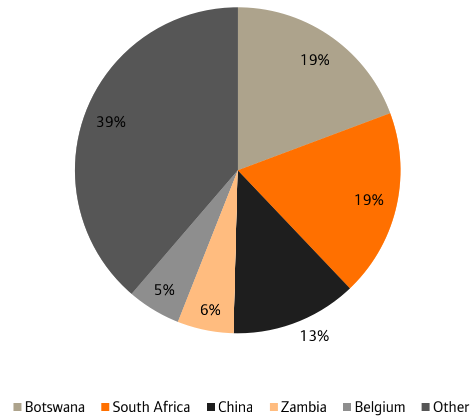
Notes: pa - period average; pe - period end

Top 5 imports origin markets (% of total) - 2023



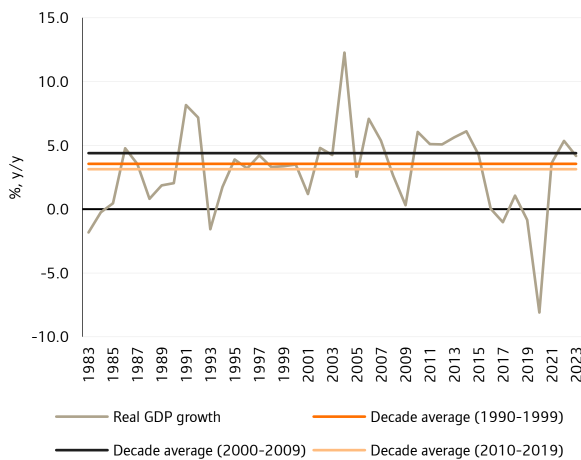
Source: International Trade Centre

Top 5 exports destination markets (% of total) - 2023



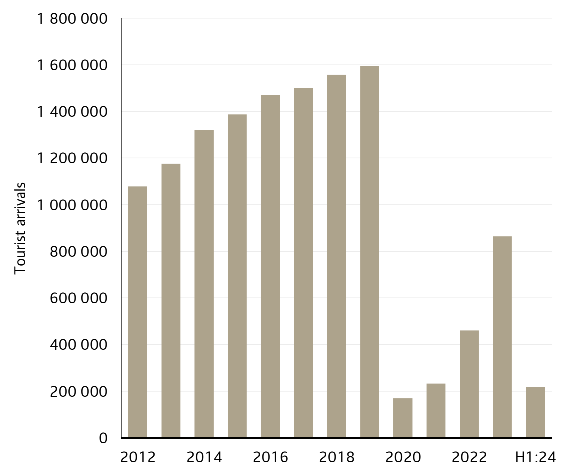
Source: International Trade Centre

Long-term growth performance



Source: Namibia Statistics Agency; Standard Bank Research

Tourist arrivals



Source: Ministry of Environment, Forestry and Tourism, Bank of Namibia

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Balance of payments: C/A deficit to narrow further

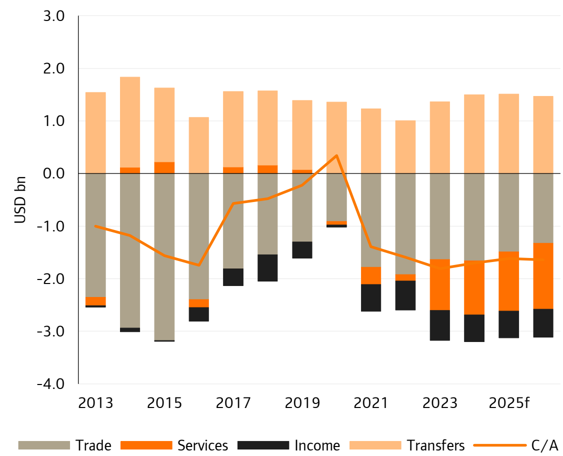
We forecast the C/A deficit to narrow further in 2025, to 11.2% of GDP, from what we estimate was a deficit of 12.8% of GDP in 2024. Thereafter, narrowing further to 10.1% of GDP in 2026.

As at Q3:24, the C/A deficit had improved further by narrowing to NAD5.6bn (9% of GDP), from NAD6.3bn (10.6% of GDP) in Q2:24. This was due to higher SACU receipts, a narrower goods trade deficit, as well as lower services outflows on the back of reduced services outflows related to oil exploration.

Robust export earnings, particularly from gold and uranium, are likely to see the trade account improve further in 2025. Increased gold production should see gold exports earnings holding their ground. For Jan-Nov 2024, gold production was up 6.1% y/y; the latest forecasts by mining houses still show robust volumes for 2025 too. Uranium production too should remain supported on increased demand from the growing use of nuclear power globally as well as new mines coming online. Though imports may rise on capital goods related to oil exploration activities, this had moderated and is likely to be offset by a lower oil import bill due to softer crude oil prices. Food imports too should ease as crop production should recover this year due to the expected La Niña rainfall. The expected slight moderation in SACU receipts in FY2025/26, per the mid-year budget review (MYBR), may be countered by lower net services outflows due reduced outflows related to oil exploration as well robust tourism continuing to boost net travel services.

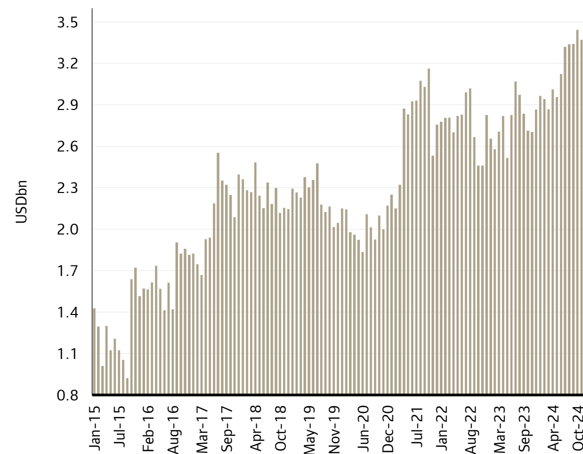
Gross FX reserves have recovered to USD3.4bn (4.1-m of import cover) in Nov 2024, from USD3.1bn in Jun 2024 and USD2.8bn in Dec, due to higher SACU receipts and increased exports growth. For the USD750m Eurobond redemption due in Oct 2025, the government has reportedly accumulated a total of USD407.8m in its Eurobond sinking fund, with a balance of USD342.2m still to be funded, to ensure its successful redemption. Based on the MYBR, we estimate that Namibia may receive c.NAD19.3bn in SACU receipts (cUSD1.1bn) during Jan-Sep 2025.

Current account developments



Source: Bank of Namibia; Standard Bank Research

FX reserves



Source: Bank of Namibia

FX outlook: likely dollar weakness in H2:25

We still see the one-to-one link between NAD and the ZAR remaining intact in the near- to medium term. The rand erased all its 2024 gains in Dec, dwelling at its weakest levels since the SA general elections in May. The rand's weakness came from both global and local factors, including hawkish comments from the US Federal Reserve about further US interest rate cuts depending on further progress in lowering US inflation. Rand losses have extended into early Jan 2025. President-elect Trump's intended policies, of increasing tariffs later this month, may further support dollar strength.

Our SA macroeconomic desk estimates the real trade-weighted rand as in line with its long-term average as well as relatively strong, compared with key benchmarks. However, dollar weakness is foreseen in H2:25, which should provide scope for the USD/ZAR to end 2025 stronger, at 17.60.

USD/NAD: forwards versus forecasts

Source: Bloomberg; Standard Bank Research

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Monetary policy: closer to an end of easing cycle

We still foresee the Bank of Namibia's MPC cutting the repo rate only by a further 25 bps in H1:25 to help narrow the repo rate differential with the SARB given the head-start to policy easing the BON has had with the SARB as well as factoring in Namibia's inflation trajectory beyond Q1:25.

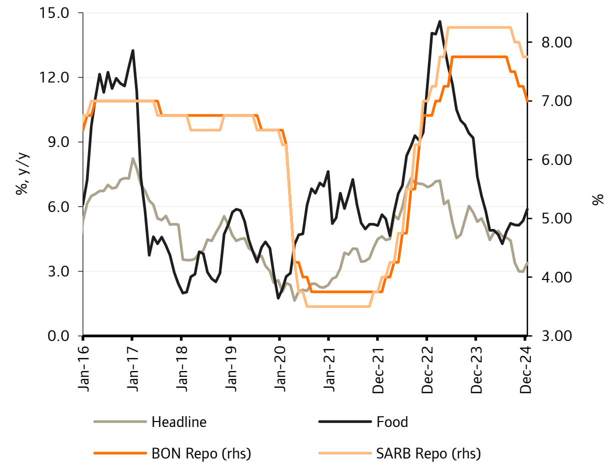
The slowing trend in food prices has helped to drive down headline inflation significantly during most of 2024, assisted by favourable base effects in fuel prices. However, given the steep production declines in cereals for the 2024/25 marketing year (May-Apr), we would foresee increased cereal imports into Q1:25, predominately maize, amid the still sticky prices for white maize in SA (Namibia's main partner for grain). The food and non-alcoholic beverages sub-component increased to 5.9% y/y in Dec 2024, from an average of 5.1% y/y in Q3:24. Likely further pressure on food prices, coupled with the passthrough effect of annual rental increases to the housing index (28.36% of the CPI basket), may see inflation trending higher over the next 6-m. However, ongoing base effects in transport inflation may reel in inflation. Headline inflation increased to 3.4% y/y in Dec 2024, after remaining flat at 3% y/y for two consecutive months. We forecast inflation at 4.1% y/y by end 2025 due to unfavourable base effects.

Upside risks to our inflation outlook include any increase in international oil prices given Middle East tensions, especially if coupled with currency weakness. Risks of a delayed, and weaker, La Niña may also inflate food prices.

The likely end to easing from the BON, if it transpired, should help to narrow the margin between the repo rates in Namibia and SA to 50 bps, from 75 bps currently, given the head-start to policy easing the BON has had with the SARB. Repo rate trends with the SARB tend to favour a 25-50 bps differential.

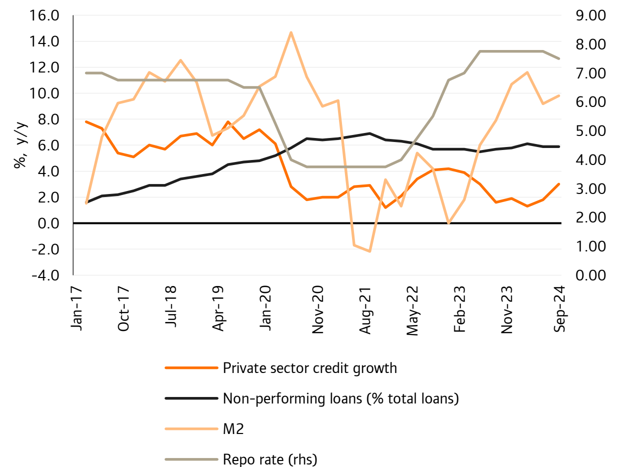
Encouragingly, private sector credit extension (PSCE) growth has been picking up, at 3.3% y/y as of Nov 2024, from 1.8% y/y in Jul 2024, and may gain further if a 25 bps cut played out in H1:25.

Inflation and interest rates



Source: Bank of Namibia; South African Reserve Bank; National Statistics Agency

Monetary statistics, policy rate



Source: Bank of Namibia

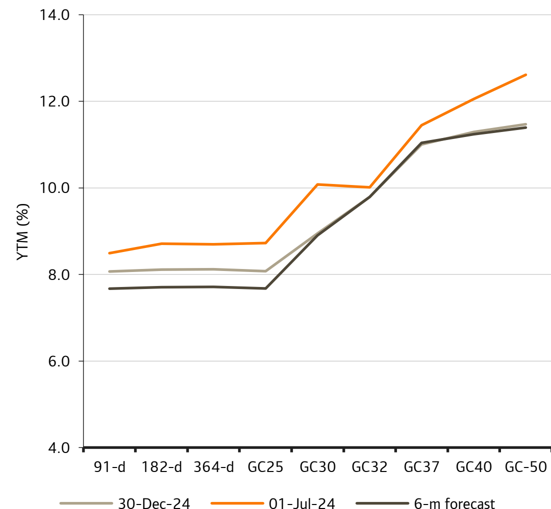
Yield curve outlook: downside bias only for next 3-m

We forecast the BON's accommodative bias to taper off by Q1:25. Therefore, though T-bill yields may fall further over the next 3-m, they then may hold relatively steady into Jun 25, especially if the easing cycle indeed comes to an end.

The gradual recovery in demand for credit by the private sector may imply commercial banks channelling a relatively lesser portion of their excess liquidity into the short end of the curve.

Per the FY2024/25 mid-year budget review, the government has increased its borrowing targets, with domestic financing up by NAD2.5bn, to NAD11.7bn (90% of total financing requirement), to fund the fiscal deficit. The new borrowing plans for the remaining months of FY2024/25 may see yields at the longer end of the curve rise due to increased government demand. Domestic issuances remain tilted largely towards longer-dated bonds, with the allocation for GC32-GC50 bonds accounting for c.70% of planned bond issuances. With inflation projected higher in 2025, investors may demand higher yields at auctions.

Yield curve changes



Source: Bank of Namibia; Standard Bank Research

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Fiscal policy: revenue now projected higher

The government now envisages the fiscal deficit at 3.2% of GDP in FY2024/25 (NAD8.7bn), from a downwardly revised 2.4% of GDP in FY2023/24. The budget to be tabled in Feb will shed light on the expected deficit at 3.9% of GDP for FY2025/26.

The narrower deficit in FY2024/25, in nominal terms, is primarily due to an upward revision in revenue estimates, coupled with less developmental expenditure, specifically due to delays in project implementation. Revenue collected in H1 of FY2024/25 (50.5% of the initial budget) was 3.4 percentage points above the average mid-year revenue collection rate. This revenue outperformance has seen the government now projecting revenue collection of NAD92.1bn (up13.1% y/y), higher by NAD1.7bn than NAD90.4bn in the initial budget. However, diamond sector revenue had disappointed by mid-year, and were therefore revised down due to lower international diamond prices and depressed demand. The sustained weaknesses in the diamond sector remains the most significant risk to Namibia's fiscus in the short- to medium term. However, diamond sector revenue only accounted for 4.8% of total revenue in FY2023/24. Positively, taxes on international trade, mainly SACU revenues (a third of total revenue), remain relatively supportive for the current FY. Though SACU revenue can be volatile, domestic revenue streams should remain resilient and even improve gradually, aligned to the positive economic growth outlook.

To fund the fiscal deficit, the government has been borrowing heavily in the domestic market; domestic financing has increased to 90% of total financing. Subsequently, external financing was revised down and limited to multilaterals. In the MTEF, the funding deficit is similarly rationed.

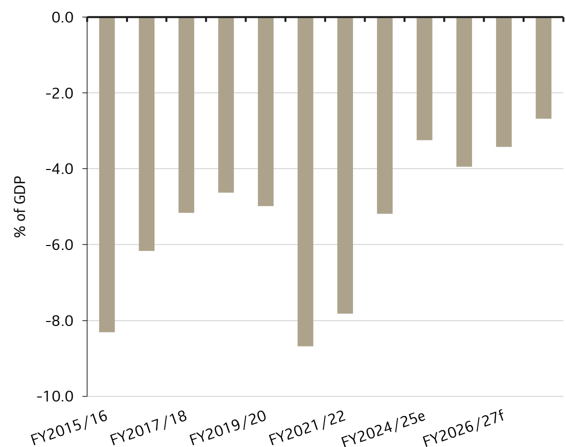
For the USD750m Eurobond redemption due in Oct 2025, the government has set aside funds by way of a dedicated sinking fund, utilising higher SACU receipts, to ensure its successful redemption. Per the mid-year review, a total of USD407.8m had been accumulated in the fund, with a balance of USD342.2m still to be funded. We see Namibia receiving c.NAD19.3bn in SACU receipts (circa USD1.1bn) during Jan-Sep 2025.

Central government budget

	FY2023/24	FY2024/25	FY2024/25
% of GDP	**Actual**	**Budgeted**	**Mid-year estimates**
Total revenue and grants	34.7	33.0	34.5
Total expenditure	32.3	29.8	31.3
- Operational	28.7	27.1	29.1
- Salaries	11.8	10.7	11.1
- Interest	5.0	4.7	4.8
- Development	3.0	4.6	3.9
Budget deficit (excl. grants)	-2.8	-3.9	-3.8
Budget deficit (incl. grants)	-2.4	-3.2	-3.2
Primary balance	2.9	1.4	1.6
Foreign Financing	1.0	0.9	0.5
Domestic Financing	1.8	3.3	4.4
Domestic debt	48.7	45.0	47.2
Foreign debt	16.4	14.9	14.9
Total debt	65.1	60.0	62.1

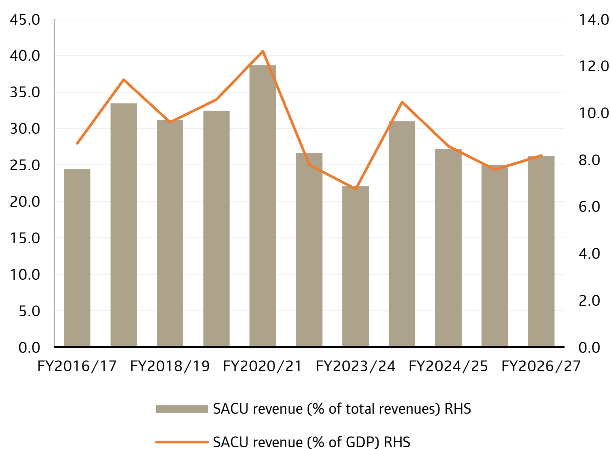
Source: Ministry of Finance

Fiscal deficit



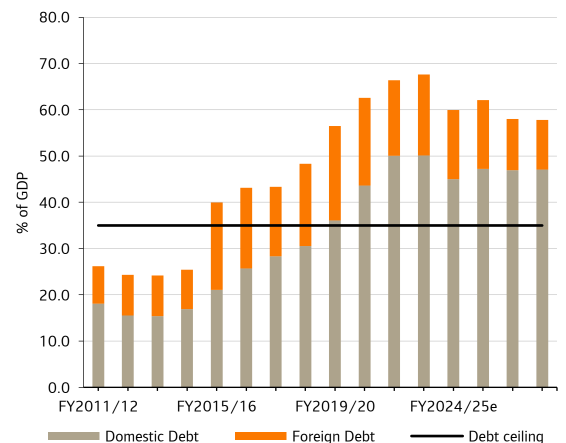
Source: Ministry of Finance

SACU revenue



Source: Ministry of Finance, Standard Bank Research

Fiscal deficit



Source: Ministry of Finance

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Annual indicators

	2020	2021	2022	2023	2024e	2025f	2026f
Output							
Population (million)	2.4	2.5	2.5	3.0	3.1	3.1	3.2
Nominal GDP (NAD bn)	174.2	183.9	206.2	226.9	244.4	263.7	286.7
Nominal GDP (USD bn)	10.6	12.4	12.6	12.3	13.2	14.6	15.9
GDP / capita (USD)	4 409	4 976	4 944	4 100	4 311	4 703	5 022
Real GDP growth (%)	-8.0	3.6	5.3	4.2	3.5	4.1	4.6
Diamonds ('000 carats)	1452	1475	2065	2891	2741	2691	2641
Uranium (MT)	6861	6782	6618	6757	6892	7030	7171
Central Government Operations							
Budget balance (excl. Grants) / GDP (%)	-5.0	-8.8	-7.8	-2.8	-3.8	-3.1	-2.4
Budget balance (incl. Grants) / GDP (%)	-5.0	-8.7	-7.8	-2.4	-3.2	-3.9	-3.4
Domestic debt / GDP (%)	36.1	43.6	50.7	49.0	46.6	45.1	45.1
External debt / GDP (%)	20.4	19.0	16.5	17.1	15.8	15.1	15.1
Balance of Payments							
Exports (USD bn)	3.2	3.7	4.4	4.6	5.1	5.5	6.2
Imports (USD bn)	4.1	5.5	6.3	6.3	6.7	7.0	7.5
Trade balance (USD bn)	-0.9	-1.8	-1.9	-1.6	-1.7	-1.5	-1.3
Current account (USD bn)	0.3	-1.4	-1.6	-1.8	-1.7	-1.6	-1.6
- % of GDP	3.2	-11.2	-12.7	-14.7	-12.8	-11.2	-10.1
Financial account (USD bn)	0.3	-1.5	-1.6	-0.3	-0.3	-0.3	-0.3
- FDI (USD bn)	0.7	1.4	1.2	2.2	3.4	3.5	3.6
Basic balance / GDP (%)	9.8	0.1	-3.1	3.2	12.9	34.3	34.3
FX reserves (USD bn) pe	2.2	2.8	2.8	3.1	3.5	3.6	3.6
- Import cover (months) pe	6.4	5.8	5.9	5.1	5.8	5.9	6.0
Sovereign Credit Rating							
S&P	nr	nr	nr	nr	nr	nr	nr
Moody's	Ba3	Ba3	B1	B1	B1	B1	B2
Fitch	BB	BB	BB-	BB-	BB-	BB-	BB-
Monetary & Financial Indicators							
Consumer inflation (%) pa	2.2	3.6	6.1	5.9	4.2	3.9	4.1
Consumer inflation (%) pe	2.4	4.5	6.9	5.3	3.4	4.1	3.9
M2 money supply (% y/y) pa	11.2	11.9	12.6	12.1	10.6	10.4	10.4
M2 money supply (% y/y) pe	8.8	11.0	10.4	10.6	11.6	12.6	13.6
BON bank rate (%) pa	4.19	3.75	5.25	7.46	7.56	6.77	6.75
BON bank rate (%) pe	3.75	3.75	6.75	7.75	7.00	6.75	6.75
3-m rate (%) pe	4.3	4.6	7.2	8.7	8.1	7.8	7.8
5-y rate (%) pe	9.4	9.9	10.3	9.1	8.8	8.7	8.7
USD/NAD pa	16.47	14.79	16.42	18.45	18.34	18.20	17.68
USD/NAD pe	14.87	15.89	17.29	18.63	18.25	17.60	17.75

Source: Namibia Statistics Agency; Bank of Namibia; Ministry of Finance; Bloomberg; Standard Bank Research

Notes: pa - period average; pe - period end

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Nigeria: still a reforms story, though with lesser pressure

Medium-term outlook: likely higher economic growth – but downside risks remain

We forecast real GDP growth at 3.5% y/y in 2025, from an estimated 3.2% y/y in 2024, based on likely sustained oil GDP growth and an improvement in the non-oil sector; much of the government's flagship reforms have already played out in the last 2-y.

While new investment remains inadequate, most of the government's focus has been on reducing pipeline vandalism by way of improved security. The government's focus will likely remain firm in 2025, with crude oil production likely averaging 1.63m bpd, translating into oil GDP growth of 7.6% y/y in 2025, from estimated 6.0% y/y growth in 2024. The recent improvement in regulatory approvals involved in onshore assets divestments should boost sentiment in the oil sector in the medium term, likely propelling crude oil production in that time.

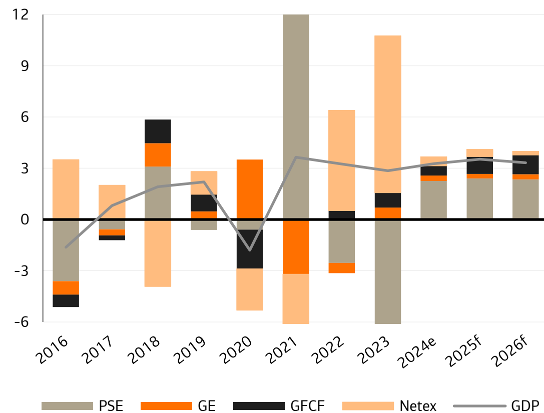
Most of the government's reforms played out during 2023 and 2024, especially as fuel prices are now fully liberalized and the exchange rate is market-driven. This implies that pressure in the short- to medium term should be contained, bar any significant negative shocks to the domestic economy.

Non-oil sectoral activities in 2024 improved; we project this sector to grow by 3.2% y/y in 2025, from an estimated 3.0% y/y in 2024. Growth is likely to pick up across manufacturing and trade, while ICT and finance & insurance should continue to play a big role in economic performance. However, agriculture will likely still lag its long-term average amid worsening internal security, high input costs, and extreme weather conditions. Within the manufacturing sector, cement, food and chemicals & pharmaceutical products are key sub-sectors that have been exceeding the manufacturing sector's growth since Q4:22.

We expect the Dangote Refinery at full operation to increase the contribution of the oil refining sub-sector to overall growth, with attendant positive spill-over effects to the manufacturing, transport, trade, and construction sectors. Dangote Refinery may add c.0.80% to manufacturing's real GDP growth in the medium- to long term. Given the anticipated spillover effect to other sectors of this economy, Dangote Refinery may contribute c.0.60% to overall real GDP growth in the medium- to long term.

However, the outlook faces risks from exchange rate uncertainties; lower-than-expected crude oil production; high inflationary pressures; extreme weather conditions; and elevated energy costs constraining production in the non-oil sector.

GDP by expenditure



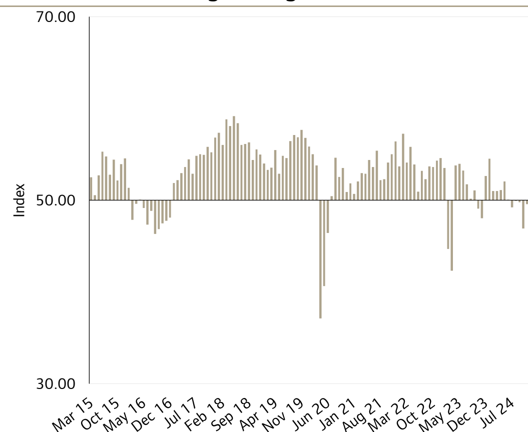
Source: National Bureau of Statistics; Standard Bank Research

GDP by sector (%) contribution

	2010	2020	2021	2022	2023
Agriculture	40.87	26.21	25.88	25.58	25.18
Mining and Quarrying (Oil)	15.88	8.31	7.41	5.88	5.56
Manufacturing	4.16	8.91	8.98	8.92	8.81
Electricity, Gas, Steam and Air	0.4	0.38	0.47	0.45	0.46
Water Supply, Sewerage, Waste	0.08	0.18	0.21	0.23	0.25
Construction	1.99	3.5	3.49	3.54	3.56
Trade	18.69	14.94	15.68	16	15.83
Accommodation	0.5	0.75	0.72	0.73	0.73
Transportation and Storage	1.27	1.18	1.32	1.48	1
Information and Communication	4.55	15.28	15.56	16.51	17.34
Financial and Insurance	3.56	3.36	3.57	4.03	4.97
Real Estate	1.74	5.66	5.6	5.64	5.59
Professional and Scientific Services	3.13	3.35	3.24	3.22	3.21
Public Administration	3.66	2.1	2.03	2	1.99
Education	1.51	1.88	1.8	1.77	1.75
Other Services	6.82	3.24	3.12	3.06	3.77
GDP	100	100	100	100	100

Source: National Bureau of Statistics; Standard Bank Research

Stanbic IBTC Purchasing Managers Index



Source: S&P Global

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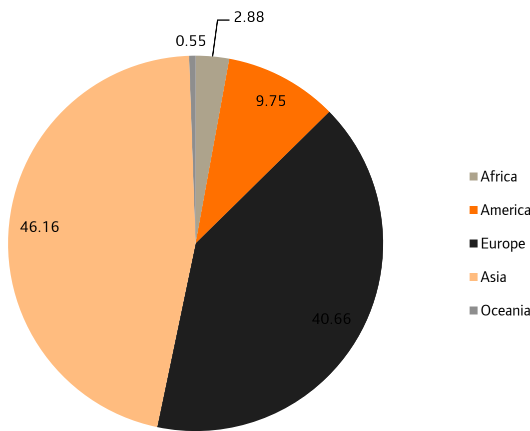
Medium-term economic growth forecasts

	Q1:25	Q2:25	Q3:25	Q4:25	Q1:26	Q2:26	Q3:26	Q4:26	Q1:27	Q2:27	Q3:27	Q4:27	Q1:28	Q2:28	Q3:28	Q4:28
GDP (% y/y) pa	3.4	3.3	3.6	3.5	3.2	3.4	3.0	3.4	4.0	3.9	3.9	4.1	3.5	3.7	3.7	3.6
CPI (% y/y) pe	31.9	30.6	29.5	27.1	26.4	25.8	24.9	24.2	23.9	23.6	23.7	23.0	22.1	21.1	19.4	18.2
CBN policy rate (%) pe	27.8	27.8	27.8	27.3	26.5	26.5	25.5	25.0	24.8	24.3	24.0	24.0	22.5	22.5	21.0	21.0
3-m rate (%) pe	24.1	24.0	23.9	23.9	22.8	22.2	21.9	21.8	19.4	19.6	19.0	18.8	18.6	17.7	17.1	17.4
6-m rate (%) pe	25.2	25.7	25.8	24.1	23.9	23.5	23.1	23.0	21.6	21.9	21.0	20.3	20.1	19.8	19.9	19.1
USD/NGN pe	1639.7	1736.1	1731.0	1786.8	1875.9	1941.3	1977.6	2014.6	2251.2	2305.6	2303.6	2297.6	2524.3	2683.8	2714.7	2700.6

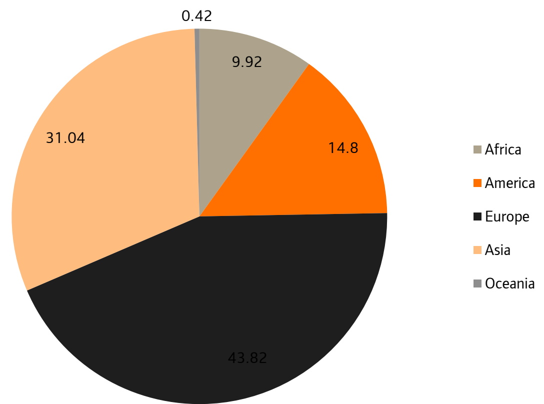
Source: Central Bank of Nigeria; National Bureau of Statistics; Bloomberg; Ministry of Finance; Standard Bank Research Notes: pa - period average; pe - period end

Import source markets



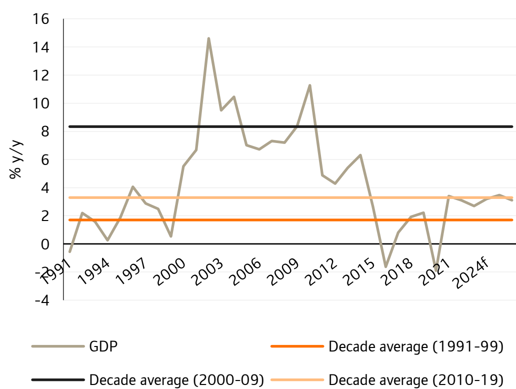
Source: NBS; Standard Bank Research

Export destination markets



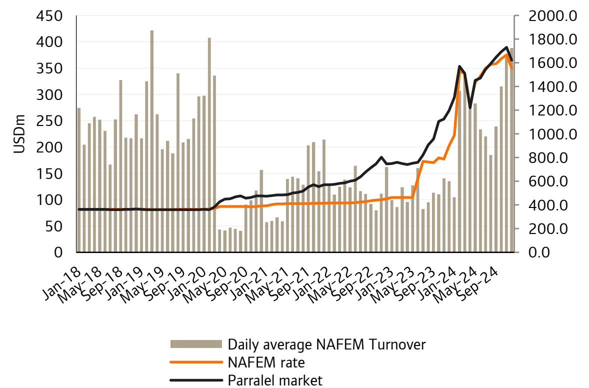
Source: NBS; Standard Bank Research

Long-term GDP growth rate



Source: Bloomberg

USD/NGN rate and NAFEM turnover



Source: FMDQ; Standard Bank Research

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Balance of payments: a modest C/A surplus

We forecast the current account (C/A) surplus to moderate in 2025, likely to USD5.89bn (or 3.6% of GDP), from an estimated USD13.50bn (or 8.9% of GDP) in 2024.

We see only a modest decline in non-oil imports (c. 62.0% of total imports), which should partly counterbalance a potentially sharp decline in oil imports (c. 38.0% of imports) and lead to a likely overall 4.0% decline in aggregate imports in 2025. Still, Dangote Refinery securing part of its crude oil from international sources may partly negate the anticipated significant reduction in refined petrol products imports occasioned by higher domestic refining.

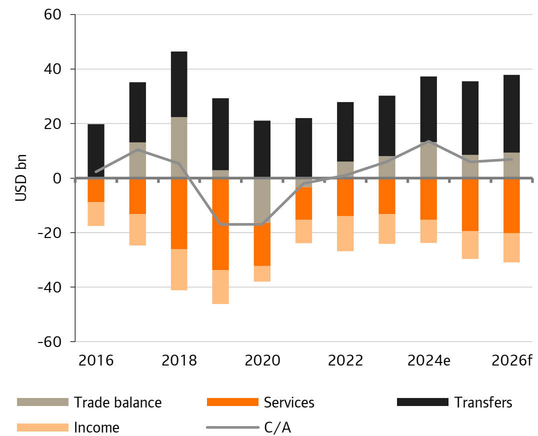
We anticipate aggregate exports to be lower by 11.7% y/y in 2025 given the crude-for-naira deal between the NNPCL and Dangote refinery and likely lower crude oil prices. Notably, with the sales of crude oil in naira to the refinery, and if there were no incremental additions to the current daily crude oil production (1.55m bpd average in 2024), overall export earnings may suffer.

Higher travel costs exacerbated by a weak domestic currency are likely to continue to constrain the growth of services imports at pre-Covid levels. Also, the absence of FX controls, a market-driven exchange rate and significantly improved FX liquidity should support higher repatriation of investment income.

Gross FX reserves settled at a 36-m high of US40.88bn in 2024 (or 9.2 months of goods and services import cover), from US32.91bn in 2023. Higher reserves were bolstered by the CBN's reforms-induced increase in remittance inflows and improved foreign inflows; large FX swaps; private OMO placements; FX-denominated local debt (USD900.0m); USD2.20bn Eurobond issuance; and inflows from the World Bank (USD1.50bn) and AFREXIM bank (USD925.0m).

Any further Eurobond issuances in 2025 should shore up FX reserves and therefore improve foreign sentiment, thereby giving the CBN sufficient leeway to support the naira during periods of excessive volatility.

Current account developments



Source: Central Bank of Nigeria; Standard Bank Research

FX reserves and current account

Source: Central Bank of Nigeria; Standard Bank Research

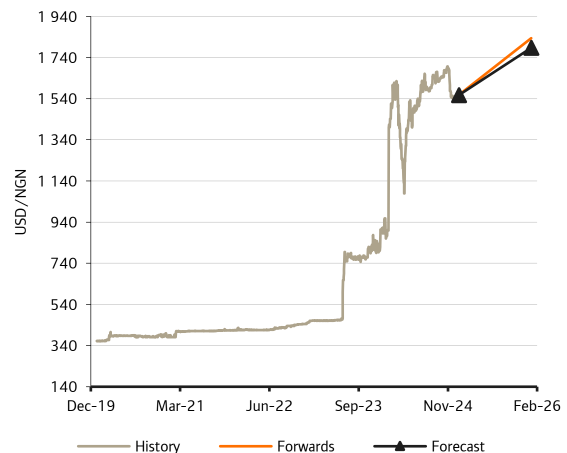
FX outlook: USD/NGN may end 2025 at 1,786

We see the USD/NGN pair settling at 1786 by Dec 25 in the official market, signifying a moderate depreciation, compared to 2024 and 2023. Structurally, high inflation and wide fiscal deficits imply the naira remaining on the back foot against the USD in the medium term.

While the current account (C/A) was positive in the last 8-q, large errors and omission meant the higher C/A surplus not fully reflecting gross FX reserves. This implies that large outflows may still be occurring outside the official system, making the C/A position more positive than might otherwise have been the case. Indeed, the increase in gross FX reserves in 2024 stemmed largely from inorganic sources like inflows from World Bank and Afrexim bank; Eurobond and FX denominated local debt issuances; and significant FPI inflows.

However, crude oil production should still be higher, at 1.63m bpd in 2025. We also anticipate dollar-debt issuance of up to USD4.0bn in two tranches. Further, we expect FX liquidity to increase, compared to 2024, while the CBN is anticipated to maintain its intermittent FX supply to the market.

USD/NGN: forwards versus forecasts



Source: Bloomberg; Standard Bank Research

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Monetary policy: MPC may turn neutral – but with a dovish bias

Headline inflation may average 30.5% in FY2025 (FY2024: 33.2%) and end 2025 at 27.1% y/y, down from 34.8% y/y in Dec 24.

The MPC of the CBN is anticipated to increase the monetary policy rate (MPR) further, by 25 bps, to 27.75% at its Feb 25 policy meeting. Thereafter, should headline inflation moderate, the MPC may turn neutral until the Nov 25 policy meeting when inflation may be undershooting the MPR.

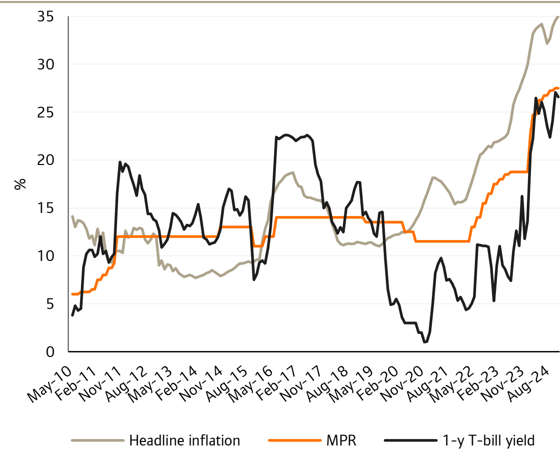
At the Nov 24 policy meeting, the MPC softened its forward guidance from its previous tone of increasing the key policy rate, as long as inflation keeps rising. This dovish tone, in addition to the moderate interest rate hike at that meeting, implies rate hikes as peaking despite the uncertain inflation outlook.

The MPC increased the MPR by 875 bps, to 27.50% in 2024, narrowed the asymmetric corridor around the MPR, and raised the cash reserve ratio to 50.0%, from 32.5% in Jan 2024.

Although the MPC in 2024 favored increasing the cash reserve requirement (CRR) despite the impact of FAAC inflows on financial system liquidity, we still view the bifurcation of the CRR mechanism as a possibility. Here, we would expect an CRR of 75.0-100.0% on public deposits, with the CRR on private sector deposits left unchanged at 50.0%. We also anticipate a narrower asymmetric corridor around the MPR, from the current +500 bps/-100bps, while the CBN is likely to continue using OMO issuances to mop up excess liquidity and it may also roll over big maturities.

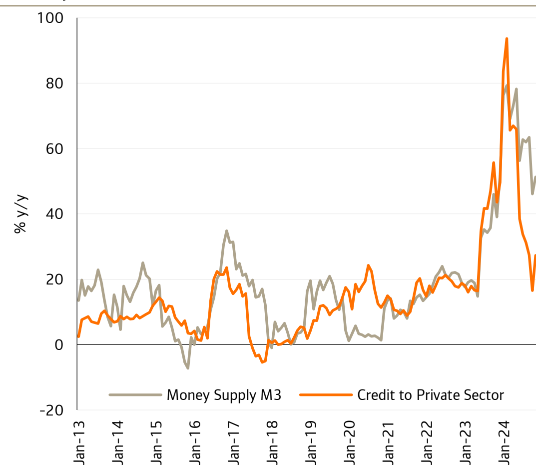
Non-FX quasi money still may imply excessive money supply growth. Notably, M2 expanded by 52.7% y/y as of Nov 24, while growth in M2 (excluding foreign currency deposits) was 45.2% y/y as of Jun 24. The CBN targeted just 15.7% M2 growth in 2023 but the reality was 60.8%.

Inflation and interest rates



Source: Central Bank of Nigeria; FMDQ, National Bureau of Statistics, Standard Bank Research

Monetary statistics



Source: Central Bank of Nigeria; Standard Bank Research

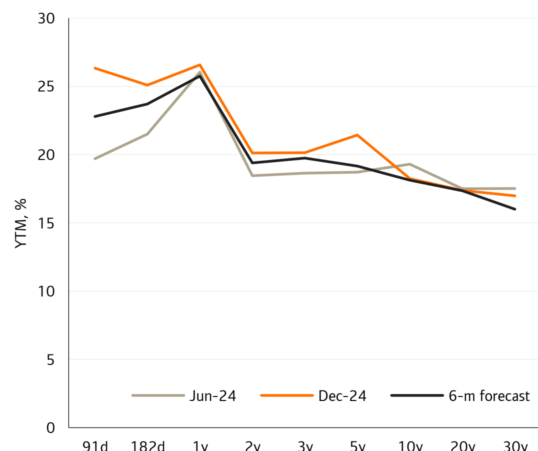
Yield curve outlook: bear-flattening

On 29 Nov, the CBN removed the second tier of the standing deposit facility (SDF) of 19.0% of deposits with the CBN above NGN3.0bn, implying that all SDF will now be remunerated at the prevailing SDF rate of MPR minus 100 bps (26.50%). This signifies a return to normalcy, with tight monetary policy than would otherwise be implied by the 26 Aug tier SDF, thereby further improving policy transmission mechanism and establishing a higher floor to rates.

At OMO auctions, effective yields are now close to headline inflation, with the one-year OMO bill at the last auction on 07 Jan closing at an effective yield of 31.28%. Yields on the NTBs have also increased but not quite matching the increase in OMO yields.

We expect NGN yields to remain high because of a likely larger fiscal deficit than budgeted which may bump up bond/bills supply amid large maturity rollovers in 2025.

Yield curve changes



Source: FMDQ; Standard Bank Research

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Fiscal policy: borrowing likely still high

Government expenditure will likely overshoot revenue; we view the government's 2025 revenue projections as overly optimistic despite the positive impact of reforms on revenue generation. This implies that the government may still tap into the Eurobond market in 2025 to raise up to USD2.0bn and adopt other creative means of raising dollar-denominated debt, possibly raising additional USD2.0bn, leading to a cumulative USD4.0bn dollar-debt issuance in 2025.

The government projects spending NGN47.9tn in 2025, while assuming NGN34.8tn in revenue. The government's revenue expectations factors in an optimistic crude oil production assumption of 2.06m bpd; full fuel price liberalization; and tax reforms. Consequently, the government expects the fiscal deficit to settle at NGN13.08tn (or 3.87% of GDP) in 2025. The fiscal deficit to GDP was 4.59% and 2.74% in 2023 and 2022 respectively.

In the first 8-m of 2024, aggregate revenue and expenditure fell short of prorated budget targets by 26.2% and 27.4% respectively. Revenue underperformance stemmed from lower oil revenue (-25.0% vs the prorated budget) and GOEs retained earnings (-77.3% vs the prorated budget), though non-oil revenue exceeded targets by 60.1%. Expenditure underperformance reflected lower non-debt (-34.8% relative to the prorated budget) and capital spending (-60.3%, compared to the prorated budget), despite debt service costs exceeding budget by 34.4%. These revenue and spending shortfalls resulted in a fiscal deficit of NGN4.24tn (1.8% of GDP) the first 8-m of 2024.

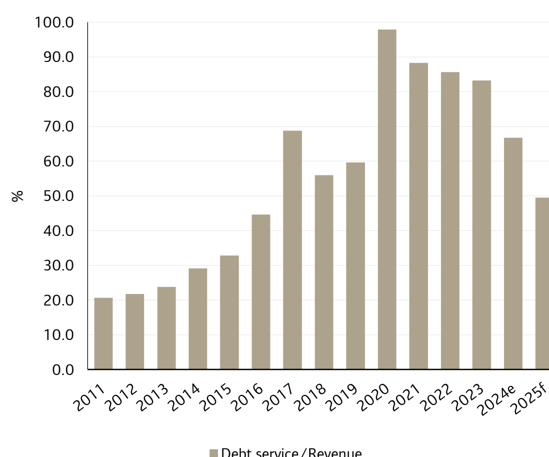
Despite the increase in debt profile, partly driven by the impact of local currency depreciation on foreign debt, the exposure to refinancing risks looks relatively stable due to the government's strategy of issuing long-term securities in the domestic and international markets, in addition to accessing long-term funds from multilateral and bilateral lenders.

Federal government budget

% of GDP	FY2023	FY2024e	FY2025f
Revenue	5.4	7.8	10.3
Capital expenditure	2.1	2.5	2.7
Recurrent expenditure	6.1	6.9	8.3
Statutory transfers	0.5	0.6	1.3
Service debt	3.7	3.6	4.7
Total expenditure	10.0	11.6	14.2
Oil price assumption (US$/bbl)	75.0	78.0	75.0
Oil price actual (US$/bbl) pa	83.0	79.8	na
Oil production assumption (m bbl)	1.7	1.8	2.1
Exchange rate assumption	435.6	800	1500
Exchange rate actual (pa)	648.5	1484.1	na
Domestic financing	2.6	2.6	2.2
External financing	0.0	0.7	0.5
Fiscal deficit	-4.6	-4.2	-5.4
Revenue	5.4	7.8	10.3
Capital expenditure	2.1	2.5	2.7

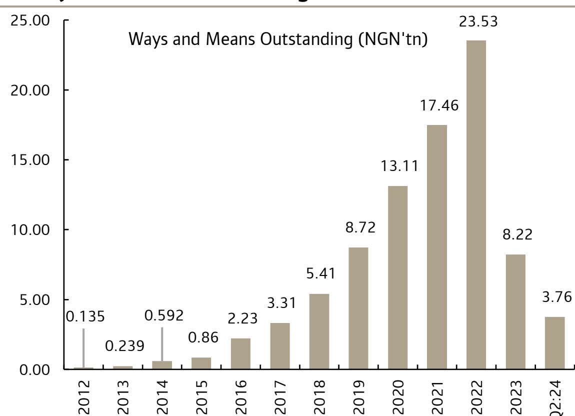
Source: Federal Ministry of Finance; Standard Bank Research

Debt-service-to-revenue



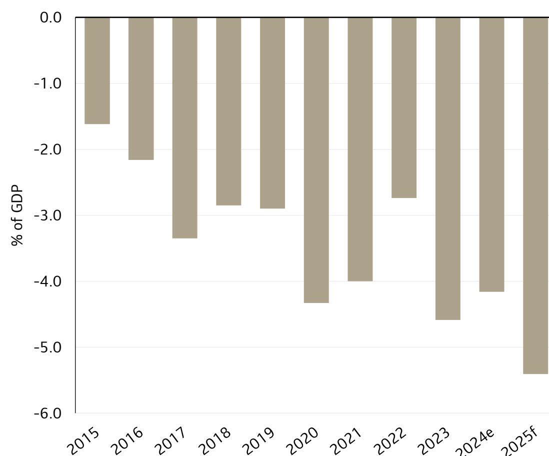
Source: Federal Ministry of Budget and National Planning; Standard Bank Research

CBN's ways & means outstanding (NGN tn)



Source: Central Bank of Nigeria, Standard Bank Research

Fiscal deficit



Source: Federal Ministry of Budget and National Planning; Standard Bank Research

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Annual indicators

	2020	2021	2022	2023	2024e	2025f	2026f
Output							
Population (million)	197.3	202.5	207.7	213.1	218.7	224.4	230.2
Nominal GDP (NGN bn)	152324.1	173527.7	199336.0	229912.9	313655.6	420047.5	541399.2
Nominal GDP (USD bn)	403.9	430.5	465.4	354.5	211.3	241.5	281.8
GDP / capita (USD)	2046.7	2126.1	2240.3	1663.3	966.4	1076.5	1224.0
Real GDP growth (%)	-1.92	3.4	3.10	2.74	3.22	3.5	3.3
Crude oil production (mbpd) pa	1.7	1.6	1.37	1.47	1.57	1.63	1.68
Central Government Operations							
Budget balance / GDP (%)	-4.3	-4	-2.7	-4.6	-4.2	-5.4	na
Domestic debt / GDP (%)	13.3	13.7	13.8	25.7	27.6	26.7	na
External debt / GDP (%)	8.3	9.1	9.4	16.6	27.8	27.8	na
Excess crude account/SWF (USD bn)	0.036	0.036	0.00	0.00	0.00	0.00	0.00
Balance of Payments							
Exports (USD bn)	35.9	46.9	64.2	55.8	55.0	48.6	51.5
Imports (USD bn)	52.4	51.4	58.2	47.7	41.7	40.1	42.1
Trade balance (USD bn)	-16.4	-4.6	6.0	8.1	13.2	8.5	9.4
Current account (USD bn)	-17.0	-1.9	3.5	6.0	13.5	5.9	6.9
- % of GDP	-4.2	-0.4	0.7	1.7	8.9	3.6	3.3
Financial account (USD bn)	-1.0	6.2	6.5	18.8	-5.5	-8.2	-6.1
FDI (USD bn)	1.0	0.7	0.5	1.9	0.8	1.2	1.4
Basic balance / GDP (%)	-0.3	0.1	-0.7	7.0	3.8	-0.9	0.3
FX reserves (USD bn) pe	36.5	40.2	36.6	32.9	40.9	38.6	39.4
Import cover (months) pe	7.7	8.4	6.8	7.3	9.2	8.8	8.9
Sovereign Credit Rating							
S&P	B-	B-	B-	B-	B-	B	B
Moody's	B2	B2	B3	Caa1	Caa1	B3	B3
Fitch	B	B	B-	B-	B-	B	B
Monetary and financial Indicators							
Headline inflation pa	13.2	17.0	18.8	24.5	33.2	30.5	25.6
All items less farm produce CPI pa	10.8	13.1	16.0	20.5	26.5	25.6	23.4
Food CPI pa	16.1	20.6	20.8	26.9	38.3	31.2	28.6
M2 money supply (% y/y) pa	20.3	20.1	21.4	29.5	54.4	31.8	21.8
M2 money supply (% y/y) pe	31.0	16.2	18.1	52.3	60.1	21.3	16.4
Policy interest rate (%) pa	12.3	11.5	13.7	18.4	25.5	27.7	26.1
Policy interest rate (%) pe	11.50	11.50	16.50	18.75	27.50	27.25	25.0
3-mth rate (%) pe	0.4	5.0	4.4	3.5	26.3	23.9	21.8
1-yr rate (%) pe	1.0	5.3	8.5	11.8	26.6	25.8	24.6
3-yr rate (%) pe	3.9	9.2	11.8	13.0	20.1	19.4	18.6
5-yr rate (%) pe	6.3	12.3	12.9	14.5	21.4	20.7	19.0
USD/NGN pa	381.9	409.0	428.3	648.5	1484.1	1739.0	1921.4
USD/NGN pe	395.0	415.0	461.5	907.1	1535.8	1786.8	2014.6

Source: Central Bank of Nigeria; Federal Ministry of Finance; National Bureau of Statistics; International Monetary Fund; Bloomberg; Standard Bank Research

Notes: pe — period end; pa — period average; nr — not rated; na — not available

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Rwanda: RSF and SCF programmes completed

Medium-term outlook: GDP growth still the strongest in Sub-Saharan African

We forecast the Rwandan economy to grow by 8.4% y/y in 2025, following estimated growth of 9.0% y/y in 2024.

Though the outlook for Rwanda's economy is positive, fiscal and external vulnerabilities remain high. In Dec 2024, the IMF concluded the fourth review under the Policy Coordination Instrument (PCI), the fourth and final review of the arrangement under the Resilience and Sustainability Facility (RSF), and the second and final review under the Standby Credit Facility (SCF). This allowed for the immediate disbursement of c.USD94.2m under the RSF and c.USD87.5m under the SCF.

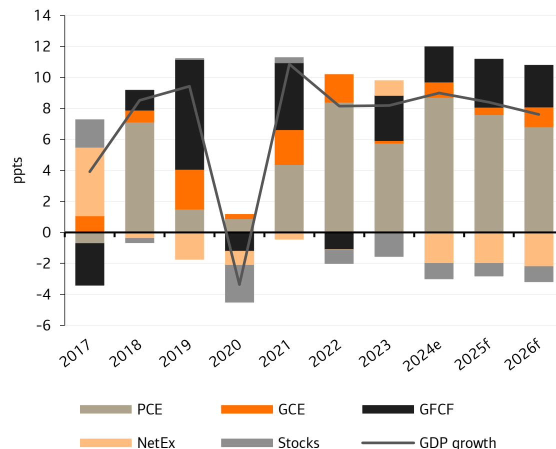
Programme performance under the PCI/SCF has been robust, with successful reforms enhancing public investment transparency and FX market functioning. The RSF has been successfully completed, and ahead of schedule, with all reform measures implemented 6-m early. The PCI will continue to serve as the main policy framework to support the authorities' medium-term policy objectives.

From a sectoral perspective, continued growth in the services sector, as well as increased construction activity, should see GDP growth remaining the most robust on the continent. The services sector (c.50% of GDP) will remain a key driver of Rwanda's economic growth in 2025. Tourism, trade and telecommunication services are key pillars in this sector.

Agriculture rebounded admirably in 2024; we foresee growth here remaining strong in 2025, based on a generous rainy season. Though agriculture has trended lower as a share of GDP, from above 30% in 2007, to below 22% in 2023, this sector remains key to economic output and employment.

From an expenditure standpoint, we forecast private consumption expenditure to continue to drive growth in 2025 as we foresee inflation remaining well within the MPC's target band in 2025. Another factor playing into the hand of the consumer is the MPC's easing of the monetary policy rate, making credit more attainable. However, government consumption might be reined in even more in 2025 as part of the fiscal consolidation targets based on the IMF's PCI programme, and likely less governmental expenditure contribution to GDP. Further, net exports may remain in negative territory given Rwanda's external trade deficit.

Composition of GDP by demand



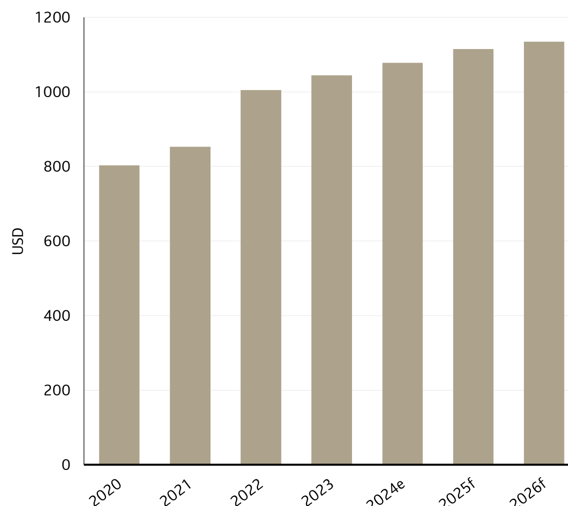
Source: National Institute of Statistics of Rwanda; Standard Bank Research

Contribution to GDP by sector

% of GDP	2008	2013	2018	2023
AGRICULTURE	29.6	27.5	25.8	21.8
Food crops	18.4	17.6	16.5	13.2
Forestry	6.6	5.5	4.7	4.4
INDUSTRY	16.6	18.2	17.3	18.5
Mining & quarrying	2.0	1.8	2.0	1.6
Manufacturing	9.4	9.1	8.0	9.0
Construction	5.1	6.3	5.7	6.3
SERVICES	43.4	45.6	48.4	50.3
Wholesale & retail trade	7.1	7.5	8.4	9.5
Transport services	3.7	4.1	5.1	5.0
Hotel & restaurants	1.9	1.6	1.8	2.3
Information & communication	1.3	1.5	1.8	3.6
Financial services	1.9	2.4	2.5	2.7
Real estate activities	9.4	7.4	7.0	5.9
Professional activities	2.6	2.2	2.1	2.0
Admin	3.5	3.0	3.5	2.7
Public admin	4.3	5.8	5.7	5.6
Education	2.9	3.4	2.9	2.9
TAXES LESS SUBSIDIES	10.5	8.6	8.5	9.4

Source: National Institute of Statistics of Rwanda

GDP per capita



Source: Rwanda Development Board

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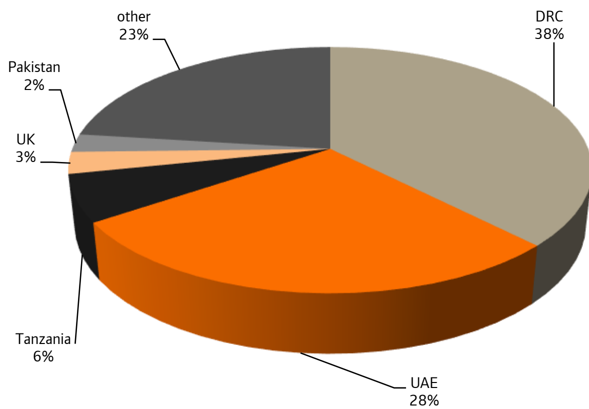
Medium-term economic growth forecasts

	Q1:25	Q2:25	Q3:25	Q4:25	Q1:26	Q2:26	Q3:26	Q4:26	Q1:27	Q2:27	Q3:27	Q4:27	Q1:28	Q2:28	Q3:28	Q4:28
GDP (% y/y) pa	9.4	9.6	8.5	6.0	8.2	8.2	7.8	7.4	7.3	7.2	7.1	6.9	7.8	7.7	7.5	7.2
CPI (% y/y) pe	5.5	6.3	6.6	5.2	5.8	5.1	5.2	5.2	4.9	4.9	4.8	4.7	5.0	5.0	5.3	4.9
Policy rate (%) pe	6.25	6.25	6.00	5.75	5.50	5.50	5.25	5.25	5.00	5.00	4.75	4.75	4.75	5.00	5.00	5.00
3-m rate (%) pe	7.8	7.5	7.3	7.0	6.8	6.8	6.5	6.5	6.3	6.3	6.0	6.0	5.8	5.8	5.8	5.8
6-m rate (%) pe	8.9	8.6	8.4	8.1	7.9	7.9	7.6	7.6	7.4	7.4	7.1	7.1	7.0	7.0	6.9	6.9
USD/RWF pe	1415.9	1450.0	1484.1	1518.2	1552.3	1586.4	1620.5	1654.6	1688.7	1722.8	1756.9	1791.0	1825.1	1859.2	1893.3	1927.4

Source: Standard Bank Research

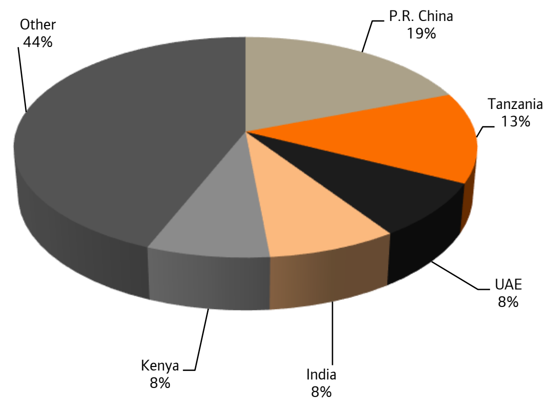
Notes: pa - period average; pe - period end

Share in Rwanda's exports (%)



Source: IMF

Share in Rwanda's imports (%)

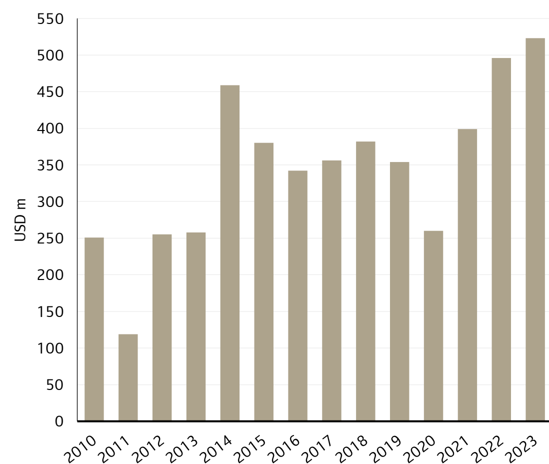


Source: IMF

Long-term GDP performance

Source: National Institute of Statistics of Rwanda; Standard Bank Research

Foreign direct investment inflows



Source: Unctad

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Balance of payments: external position still under pressure despite IMF funding

We forecast a current account (C/A) deficit of 15.4% of GDP in 2025, up from an estimated 13.8% in 2024. This likely deterioration would reflect two key structural challenges in this economy. The widening deficit stems primarily from an expanding goods trade gap that services sector exports have been unable to offset. While the agricultural sector showed promise in early 2024 with a robust harvest that helped offset food imports, this proved insufficient to prevent overall deficit expansion.

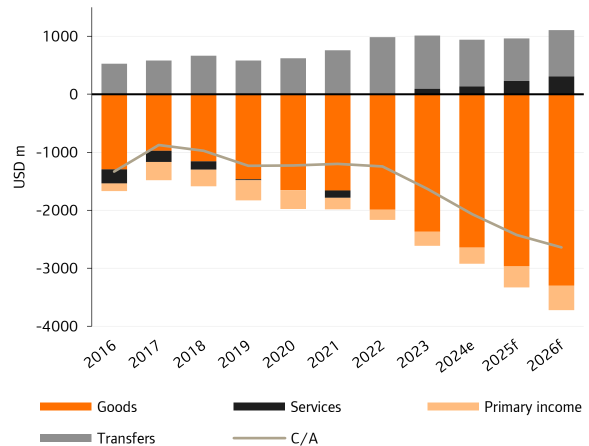
A notable increase in capital and intermediate goods imports drove the trade deficit wider during H1:24. These imports supported strong domestic industrial output growth. The Rwandan franc (RWF) depreciated by 4.05% y/y in H1:24. While this made imports more costly in local currency terms, exports were muted.

Rwanda's adherence to its IMF programme targets has yielded significant financial support, with c.USD94.2m and USD87.5m being disbursed. This funding strengthens the country's external foreign exchange reserves, enhancing Rwanda's resilience against climate-related challenges, such as the droughts experienced in 2023, which impacted agricultural production and necessitated increased food imports, triggering balance of payments pressures.

The RSF disbursements are particularly significant for Rwanda's reserve position, as they are expected to augment the country's gross official reserves by an additional 0.7-m of imports, measured cumulatively from the initiation of the RSF arrangement until Dec 2024.

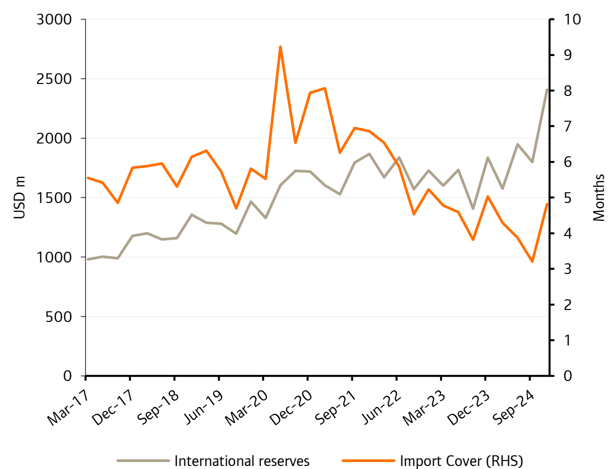
Rwanda’s total reserves rose to USD2.4bn in Dec 2024, while we estimate that import cover was c.4.7-5.0-m by end 2024. The ongoing conflict in Democratic Republic of Condo (DRC) increases the risk to Rwanda’s exports as DRC is Rwanda’s most important trade partner in the region, claiming the lion’s share of Rwanda’s re-exports.

Current account developments



Source: National Institute of Statistics of Rwanda; Standard Bank Research

FX reserves & import cover



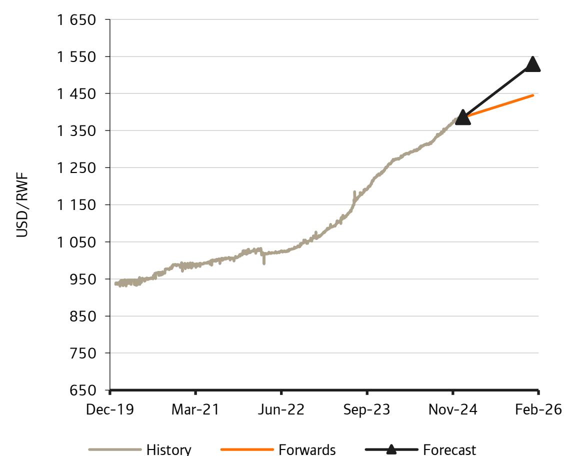
Source: National Bank of Rwanda

FX outlook: likely remaining under pressure

The RWF depreciated 9.65% y/y in 2024, ending that year at RWF1,381.79 against the USD. As part of the PCI Reform Targets (RTs) and SCF structural benchmarks (SBs), the NBR’s official exchange rate calculation methodology was revised to better reflect market conditions by including exchange rates from market transactions from the previous day. This target was met by end Jun 2024. However, the efficient functioning of the FX market is challenged by macroeconomic imbalances as the financing sources of the current account deficit are inadequate to meet the relative shortage of FX funding.

We forecast the RWF remaining under pressure in 2025 due to the structural nature of Rwanda’s export shortfall. We foresee the RWF depreciating by 9.9% y/y in 2025, likely closing the year at RWF1,518.2 against the USD.

USD/RWF: forwards versus forecasts



Source: Bloomberg; Standard Bank Research

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Monetary policy: NBR likely to cut further despite mild inflation uptick

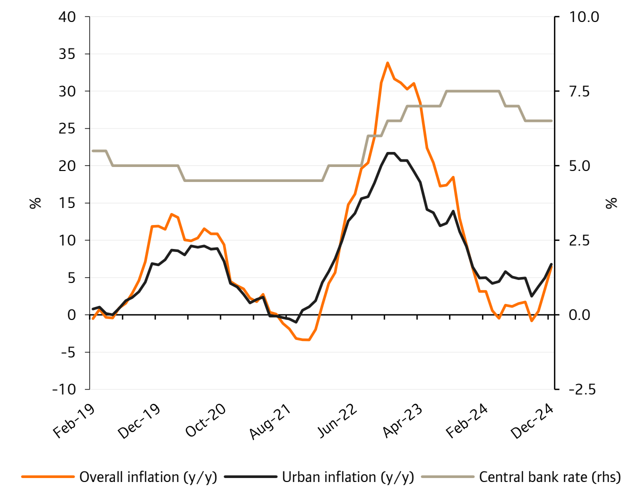
We forecast Rwanda's inflation to edge higher in 2025, averaging between 5.8% y/y and 6.2% y/y, following the 2024 average of 4.8% y/y. While inflation moderating in 2024 was driven primarily by reduced food price growth, a result of favourable 2023 base effects after a peak as well as improved agricultural yields, these factors may have less disinflationary influence in 2025. However, inflation will likely run higher than 2024 levels but remain well within acceptable bounds.

The National Bank of Rwanda's (NBR) monetary policy framework targets inflation within a band of 2% y/y and 8% y/y for urban CPI. This is framework is based on the IMF's Policy Coordination Instrument (PCI) programme, which sets a mid-point target of 5.0% with a ±3 percentage point tolerance band, assessed using a 3-m moving average. Current projections indicate that Rwanda should remain compliant in 2025.

The NBR initiated an easing cycle in 2024 with two 50 bps reductions in the central bank rate (CBR). The first cut in May 2024 brought the rate from 7.5% to 7.0%, followed by a second reduction in August taking it from 7.0% to 6.5%. We anticipate three quarterly rate cuts of 25 bps each through to Dec 2025, totalling a 75 bps reduction in the CBR. Such a gradual easing stance would align with the stable inflation environment and likely support economic growth through enhanced private consumption.

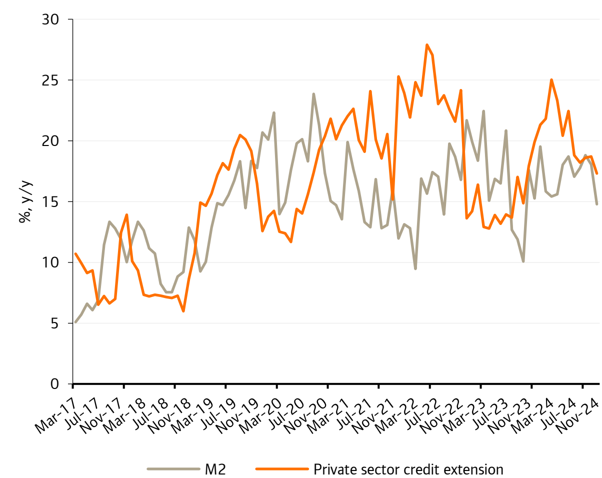
Private sector credit expansion has shown remarkable strength, accelerating from 15.1% y/y in 2023 to 20.5% y/y in 2024. Robust credit growth trend is expected to persist through 2025, supported by the NBR's increasingly accommodative monetary stance. This sustained credit expansion, combined with low and stable inflation, should create favourable conditions for continued economic growth and private sector development in Rwanda.

Inflation and central bank rate



Source: National Bank of Rwanda; National Institute of Statistics of Rwanda

Money supply



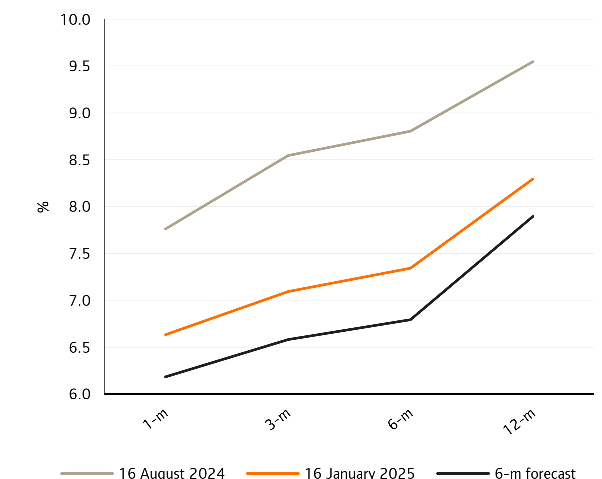
Source: National Bank of Rwanda

Yield curve outlook: downward trend to continue

Rwanda's yield curve has come down considerably since Aug 2024, largely owing to the easing in the monetary policy rate. Yields have come down across the curve; we expect yields to trend further down in H1:25, in line with the easing of monetary policy.

Rwanda has a moderate maturity profile with RWF292bn maturities in 2025. This comprises RWF222bn in Treasury bills and RWF70bn in government bonds and represents 16% of domestic debt of RWF1,800bn. We believe that the government will attempt to roll over Treasury bills into longer duration securities. This greater issuance on the longer end of the curve should ensure the yield curve remaining steep.

Yield curve



Source: Bloomberg; National Bank of Rwanda; Standard Bank Research

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Fiscal policy: balancing debt management and development goals

Rwanda's FY2024/25 budget is largely guided by the PCI programme of the IMF. The budget for FY2024/25 is set at RWF5,690.1bn. This is an 11.2% increase from the previous budget. The government expects domestic revenue and grants increase to 22.2% of GDP in FY2024/25, while total expenditure should remain relatively steady at 27.4% of GDP, resulting in an overall fiscal deficit of 5.2% of GDP in FY2024/25.

Some of the key targets of the PCI relate to Rwanda's fiscus. The ceiling on the debt-creating overall deficit is a quantitative target, while the present value of new external debt is a continuous target. Rwanda's debt is assessed to be sustainable, with a merely moderate risk of external and public debt distress. Rwanda benefits from a high share of concessional external debt, mostly to official multilateral creditors. Over 77% of Rwanda's total PPG debt is owed to external creditors, 75% of which is to multilateral creditors, with highly concessional World Bank financing accounting for most of that.

Rwanda is vulnerable to external and climate shocks. To accommodate the government's response to risks related to health and climate, such as the Marburg virus outbreak, droughts and flooding, the IMF has agreed to adjust the end Jun 2025 quantitative targets on the ceiling on the debt-creating overall deficit. The IMF programmes, including concessional financing and debt management strategies, have been crucial in mitigating liquidity risks and ensuring debt sustainability.

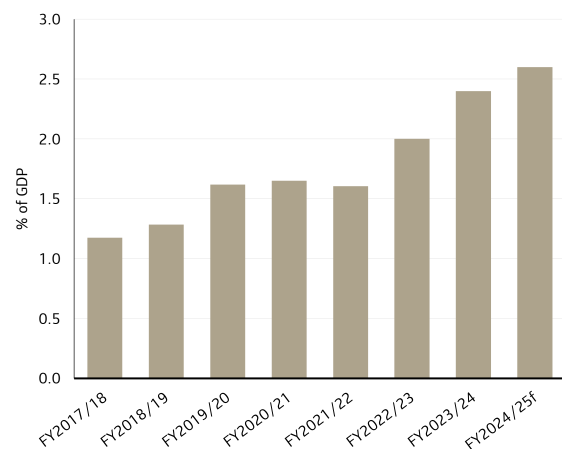
The IMF's latest debt-sustainability analysis (DSA) estimates that Rwanda's debt-service-to-exports ratio will be 7.1% in 2025 and 7.6% in 2026. Rwanda's debt service to revenue ratio is estimated to be 12.5% in 2025 and 14.1% in 2026. These are all well within the IMF thresholds of 21% and 23% respectively.

Central government budget

% of GDP	FY2022/23	FY2023/24	FY2024/25f
Total revenue & grants	22.3	21.5	22.2
Total expenditure	28.5	27.8	27.4
- Wages	2.4	2.7	2.9
- Interest	2.0	2.4	2.6
- Capital expenditure	9.8	9.9	8.9
Overall fiscal deficit	-6.2	-6.9	-5.2
Net domestic borrowing	0.9	0.7	-1.2
Net foreign borrowing	5.3	6.2	4.0
Donor support (grants)	4.7	4.3	3.8

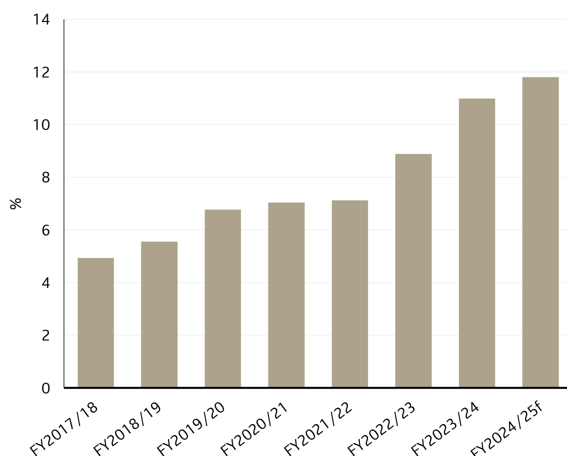
Source: Ministry of Finance and Economic Planning; Standard Bank Research
*original budget forecasts

Interest expenditure



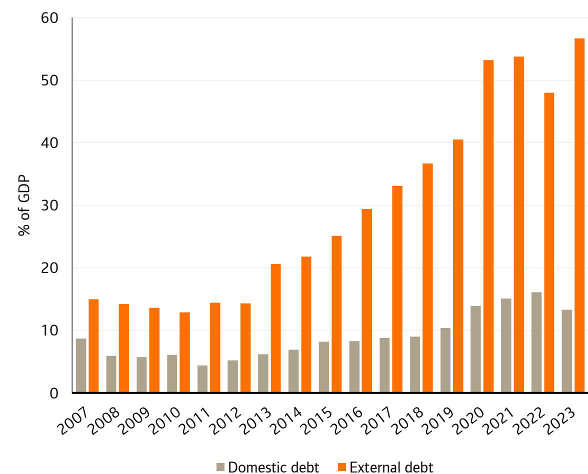
Source: Ministry of Finance and Economic Planning, Standard Bank Research

Debt-service-to-revenue ratio



Source: Ministry of Finance and Economic Planning, Standard Bank Research

Public debt



Source: Ministry of Finance and Economic Planning, Standard Bank Research

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Annual indicators

	2020	2021	2022	2023	2024e	2025f	2026f
Output							
Population (million)	12.66	12.96	13.25	13.50	13.90	14.16	14.47
Nominal GDP (RWF bn)	9597	10943	13720	16622	18589.2	21359.7	24430
Nominal GDP (USD bn)	10	11	13	14	14.9	15.7	16.4
GDP / capita (USD)	803	853	1005	1044	1078.3	1114.8	1134.2
Real GDP growth (%)	-3.4	10.9	8.2	8.2	9.0	8.4	7.9
Central Government Operations							
Budget balance (incl. Grants) / GDP (%)	-4.00	-7.07	-6.0	-6.2	-6.9	-5.2	n/a
Budget balance (excl. Grants) / GDP (%)	-8.96	-12.20	-11.21	-10.9	-11.2	-9.0	n/a
Domestic debt / GDP (%)	13.9	15.1	16.1	13.3	15.0	12.5	n/a
External debt / GDP (%)	53.2	53.8	48.0	56.7	65.0	67.5	n/a
Balance of payments							
Exports of goods (USD m)	1407.51	1530.83	2111.89	2465.95	2997.8	3457.7	3764.2
Imports of goods (USD m)	3057.79	3189.53	4100.43	4834.71	7475.9	7545.2	7738.4
Trade balance (USD m)	-1650.27	-1658.70	-1988.53	-2368.76	-4478.1	-4087.4	-3974.2
Current account (USD m)	-1227.53	-1203.08	-1246.43	-1632.85	-2067.3	-2424.24	-2640.28
- % of GDP	-12.1	-10.9	-9.4	-11.6	-13.8	-15.4	-16.1
Financial account (USD m)	-786.73	-953.72	-833.43	-1207.94	-1106.5	-1114.5	-1110.7
- FDI (USD m)	152.61	233.38	305.10	459.17	470.0	510.0	495.0
Basic balance / GDP (%)	-10.7%	-8.8%	-7.2%	-8.4%	-10.7%	-12.2%	-13.1
FX reserves (USD m) pe	1720.0	1867.0	1726.0	1834.0	2407.0	2270.0	2140.0
- Import cover (months) pe	7.90	6.80	5.20	4.0	4.8	4.3	4.2
Sovereign Credit Rating							
S&P	B+	B+	B+	B+	B+	B+	B+
Moody's	B2	B2	B2	B2	B2	B2	B2
Fitch	B+	B+	B+	B+	B+	B+	B+
Monetary & Financial Indicators							
Urban consumer inflation (%) pa	7.7	0.8	13.9	14.0	4.8	6.0	5.2
Urban consumer inflation (%) pe	3.7	1.9	21.7	6.4	6.8	5.2	5.2
M3 money supply (% y/y) pa	17.10	16.28	17.89	18.0	17.2	15.7	15.2
M3 money supply (% y/y) pe	17.97	15.68	22.59	15.3	15.2	15.1	14.8
Policy interest rate (%) pa	4.67	4.50	5.39	7.12	7.0	6.1	5.4
Policy interest rate (%) pe	4.50	4.50	6.50	7.50	6.5	5.75	5.25
3-m rate (%) pe	6.3	6.5	7.3	8.9	7.3	7.0	6.5
1-y rate (%) pe	8.0	7.7	8.7	9.7	7.7	8.3	7.8
USD/RWF pa	943.3	988.9	1030.6	1160.1	1321.3	1455.7	1592.1
USD/RWF pe	972.5	1009.6	1070.7	1263.9	1381.8	1518.2	1654.4

Source: National Bank of Rwanda; National Institute of Statistics of Rwanda; Ministry of Finance and Economic Development; IMF; Bloomberg; Standard Bank Research

Notes: pa – period average; pe – period end

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Senegal: oil production commencing should boost GDP growth

Medium-term outlook: hydrocarbon sector on course to pave the way to higher growth

We forecast real GDP growth at 10.6% in 2025, from an estimated 8.0% in 2024, propelled by offshore oil projects in Senegal's burgeoning hydrocarbon sector; the low statistical base effects of H1:24; new gold-mining sites; and ongoing infrastructure investment which should spill over to services activities.

As anticipated in our Jan 2024 AMR publication, Senegal's first offshore oil production was in Jun 2024, with the production of 100k bpd of crude oil from the Sangomar deep-water project, paving the way to increased industrialization over the medium term. Most of the benefits of this oil project should play out this year given the indirect lift for other sectors of this economy. Furthermore, the country's liquified natural gas project (Greater Tortue Ahmeyim LNG project) is expected to start extraction in Q1:25; it should produce c.2.5m tons of LNG p.a. for domestic use and export.

However, the new government plans to review oil and gas contracts with foreign companies it views as unfavourable for Senegal, which may pose a downside risk to medium-term growth. Other risks to the growth outlook include structural vulnerabilities linked to extreme weather conditions; geopolitical uncertainties in the Middle East; and Senegal's terms of trade deteriorating.

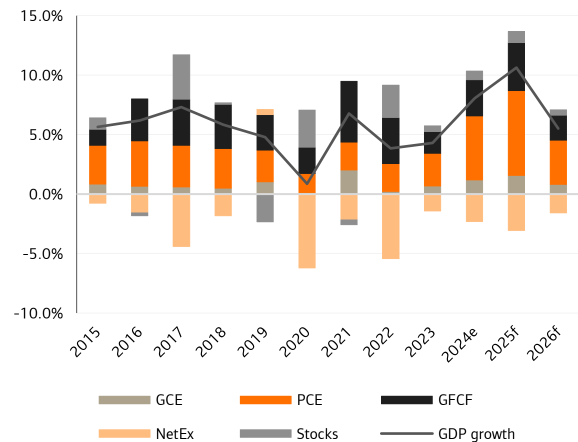
Infrastructure investment by way of the Emerging Senegal Plan (PSE), launched in 2014 with the aim of positioning the economy as an emerging economy by 2035 through large-scale infrastructure projects, has been attracting significant public and private interest. Hence, the investment climate in Senegal should remain favourable in 2025, underpinned by likely lower inflation which should boost consumer sentiment and increase business investment.

Real GDP growth disappointed in H1:24 due to the political upheaval around the 2024 presidential election. However, Q3:24 saw improved economic activities due to increased crude oil production given the commencement of the production of 100k bpd of crude oil from the Sangomar deep-water project in that quarter. Specifically, the economy grew by 11.5% y/y in Q3:24 propelled by oil production which contributed 66.9% to the overall real GDP growth rate and 6.9% of the economy in Q3:24.

Oil production should further fuel higher industrial sector growth. The services sector too should benefit from oil sector growth, with sub-sectors such as trade, financial services, and transport anticipated to benefit the most.

Agriculture sector growth too should be supported by the government supporting quality farm inputs such as seedlings, fertilizer, and farming tools.

Composition of GDP by demand



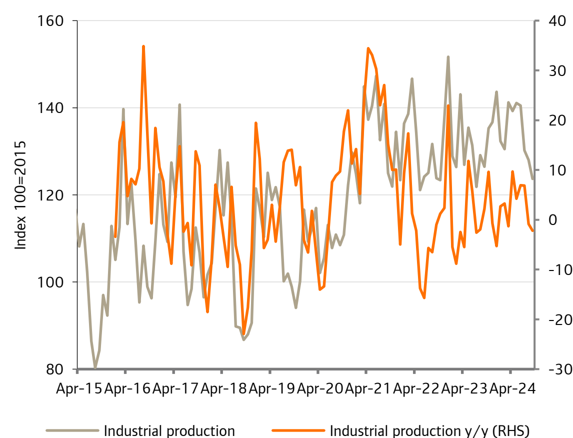
Source: Agence Nationale de la Statistique et de la Demographie; Standard Bank Research

GDP contribution by sector (%)

	2017	2020	2022	2023
Agriculture	9.2	11.1	10.0	10.4
Breeding and Hunting	3.5	3.5	3.5	3.5
Forestry	0.5	0.4	0.4	0.4
Fishing	1.1	1.0	0.8	0.8
Mining and Quarrying Activities	2.0	2.3	2.3	1.9
Manufacturing	18.4	17.9	18.0	18.2
Electricity/Gas	1.0	1.1	1.2	1.3
Construction	2.8	2.6	2.3	2.4
Trade	13.0	13.0	12.7	12.7
Transport Network	3.5	3.2	3.4	3.3
Information and Communication	4.9	4.5	4.7	4.5
Financial and Insurance Activities	2.2	2.3	2.6	2.6
Real Estate Activities	8.0	8.1	7.9	7.8
Business Services	5.9	5.7	6.4	6.7
Professional activities	4.2	4.0	4.4	4.6
Public Administration Activities	5.4	6.1	6.0	6.0
Education	4.3	3.7	4.2	4.2

Source: Agence Nationale de la Statistique et de la Demographie

Harmonised index of industrial production



Source: Agence Nationale de la Statistique et de la Demographie

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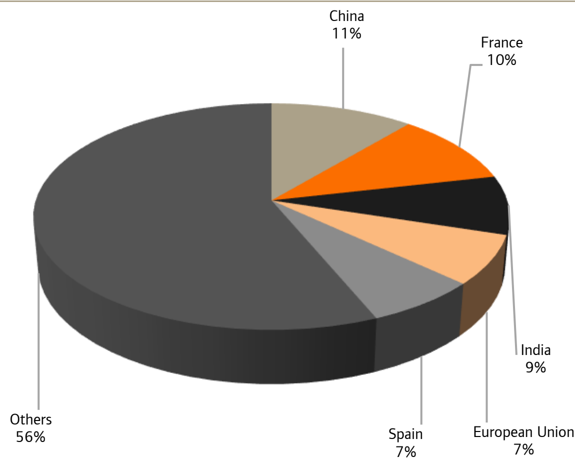
Medium-term economic growth forecasts

	Q1:25	Q2:25	Q3:25	Q4:25	Q1:26	Q2:26	Q3:26	Q4:26	Q1:27	Q2:27	Q3:27	Q4:27	Q1:28	Q2:28	Q3:28	Q4:28
GDP (% y/y) pa	15.3	14.9	7.2	5.2	5.4	5.7	5.6	5.3	5.1	4.5	6.5	7.6	8.3	8.4	9.0	8.6
CPI (% y/y) pe	-0.74	0.12	2.09	2.52	1.55	1.64	1.26	1.32	1.20	1.06	1.64	1.54	1.41	1.28	1.85	1.75
Marginal lending facility (%) pe	6.7	6.4	6.2	5.9	5.7	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4
USD/XOF pe	630.7	630.7	630.7	630.7	610.2	607.7	607.4	607.4	597.7	596.5	596.3	596.3	596.4	596.6	596.7	596.8

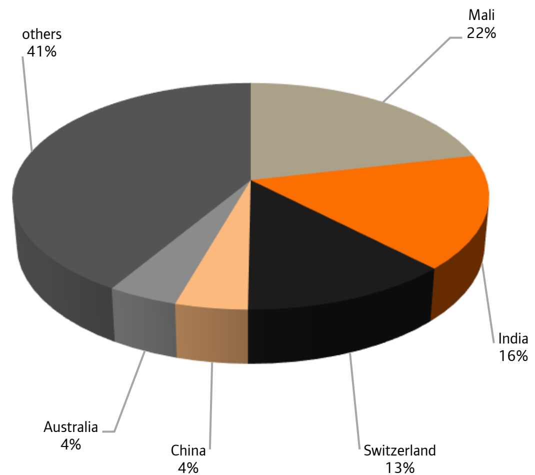
Source: International Monetary Fund; Ministère de l'Economie et des Finances; Agence Nationale de la Statistique et de la Demographie; Banque Centrale des Etats deNotes: pa - period average; pe - period end

Import source markets



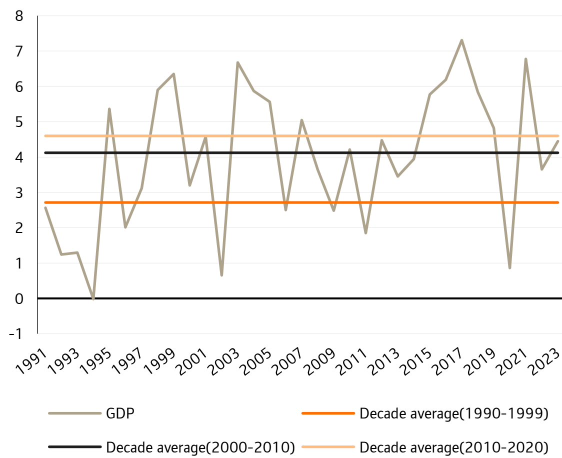
Source: ITC

Export destination markets



Source: ITC

Long-term GDP performance



Source: Bloomberg; Standard Bank Research

Historical USD/XOF

Source: Bloomberg; Standard Bank Research

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Balance of payments: structural C/A deficit should narrow due to higher exports

The structural C/A deficit should narrow to 6.4% of GDP in 2025, from an estimated 11.2% of GDP in 2024, as oil and gas exports should ease trade balance deficits. Notably, supportive crude oil prices and 100k bpd crude oil production introduce a new dynamic to the trade picture by way of higher exports. This, in addition to LNG exports from the Greater Tortue Ahmeyim LNG project, should lift exports and ease the trade balance deficit in 2025.

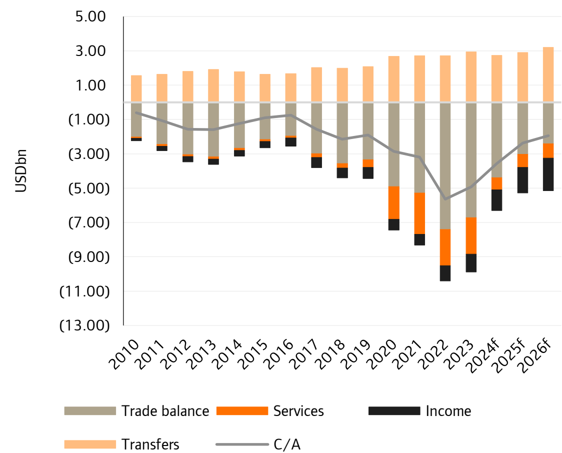
Simultaneously, imports, which include FPSO imports, may rise further, in tandem with the growth in oil and gas developments. Robust current transfers from significant inward diaspora remittances and budgetary aid too should support the C/A balance. However, the repatriation of significant amounts of fees and profits, particularly linked to payment of interest on debt and the oil & gas operations, may see negative income and service balances persisting.

Already for the first 10-m of 2024, aggregate exports increased by 11.5% y/y, boosted by exports of crude petroleum (+1598.6% y/y), petroleum products (+16.2% y/y) and non-monetary gold (+5.4% y/y), all of which contributed 44.4% to total exports in that time. Further, total imports increased by 0.6% y/y, supporting a smaller trade deficit of XOF2.81bn in the first 10-m of 2024, from XOF3.09bn in the first 10-m of 2023.

Financing the C/A deficit is still feasible due to foreign investment, support from remittances, and donor funding. Further, there may be more drawdowns from FX reserves, which may constrain the BCEAO's reserves amid Senegal's IMF programme (currently on hold due to the discrepancies in previously reported fiscal deficits and debt figures).

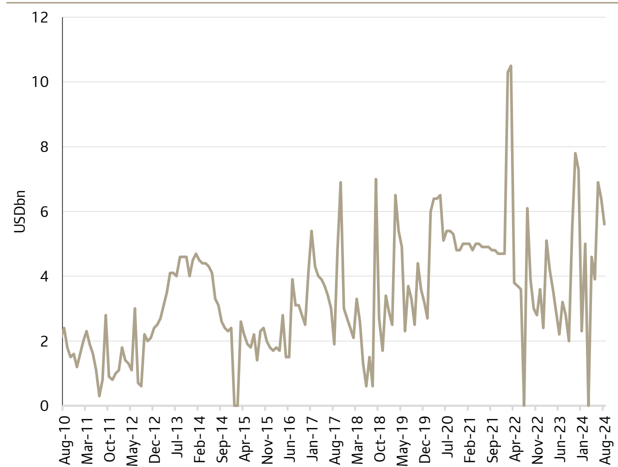
Nonetheless, the government and the IMF should find a resolution by Q2:25, which should secure additional disbursement under the USD1.90bn programme.

Current account developments



Source: Agence Nationale de la Statistique et de la Demographie; Banque Centrale des Etats

FX reserves



Source: Bloomberg

FX outlook: non-convergence for adoption of the 'eco' implies XOF still to track EUR/USD moves

The second year of assessing compliance with the Macroeconomic Convergence and Stability Pact (MCSP) still shows slower progress in satisfying the convergence criteria. In 2023, only one country met all four primary criteria (budget deficit, gross FX reserves, average inflation, and central bank financing of fiscal deficit), though seven states met at least three, up from four in 2022. Inflation and gross reserves targets were likely missed by most states, driven by food supply constraints requiring increased imports in 2024. This growing divergence makes it unlikely that most regional economies will achieve convergence by the planned 2027 launch of the "eco" common currency, contrary to earlier expectations.

Therefore, the XOF direction will meanwhile still be dependent on the EUR/USD movements given the CFA franc's peg to the euro at 655.957. Our view is that the euro may withstand dollar strength; we project the EUR/USD to end this year at 1.10, then reach 1.20 by end 2026. Thus, we forecast USD/XOF at 630.7 by Dec 2025.

USD/XOF: forwards versus forecasts

Source: Bloomberg; Standard Bank Research

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Monetary policy: an easing bias amid deflation

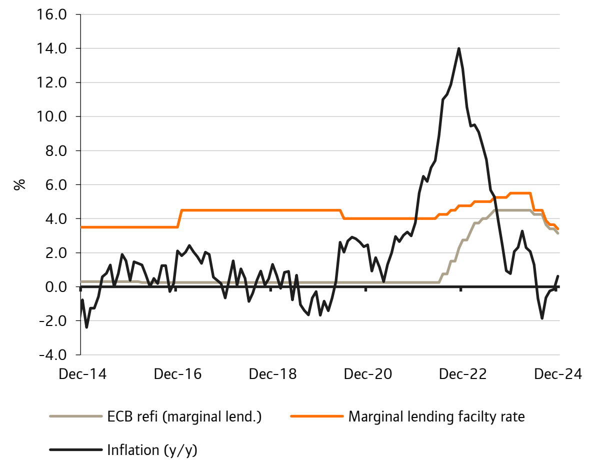
Headline inflation in the eight member countries' WAEMU bloc now seems set to return to the targeted 1-3% range; we foresee the BCEAO, the regional central bank, starting to cut rates from the Mar 2025 meeting. We expect the key policy rate to be cut by a cumulative 75 bps in 2025 at the very least, and then by a further 50 bps in 2026. Senegal entered a period of deflation between Jul and Nov as food prices and utilities costs declined from Jul. Besides, agricultural production in the Northern Hemisphere increased in H1:24, impelling lower international cereal prices.

Inflation should remain benign during 2025, albeit a higher than an expected average inflation of 0.9% y/y 2024. Notably, we forecast headline inflation much lower in H1:25. However, the low base effects from H2:24 may see inflation increasing from Jul 25, possibly settling at 2.5% y/y by Dec 25. Overall, we see headline inflation averaging 1.0% y/y in 2025, from an estimated 0.9% y/y in 2024.

The start of hydrocarbon production, together with the adoption of appropriate policies, should keep Senegal's medium-term prospects positive as it turns net oil exporter. However, upside risks to the inflation outlook include the persistence of security crisis in some countries in the region as well as any worsening of geopolitical tensions propelling high global energy and food prices higher. Further, the government may phase out its costly electricity subsidies by 2025 as part of its measures to improve public finance and financial viability of the public electricity company SENELEC. While implementation is uncertain, this phasing out poses a significant risk to the near-term inflation outlook. Here, headline inflation may average 2.0-3.0% in 2025.

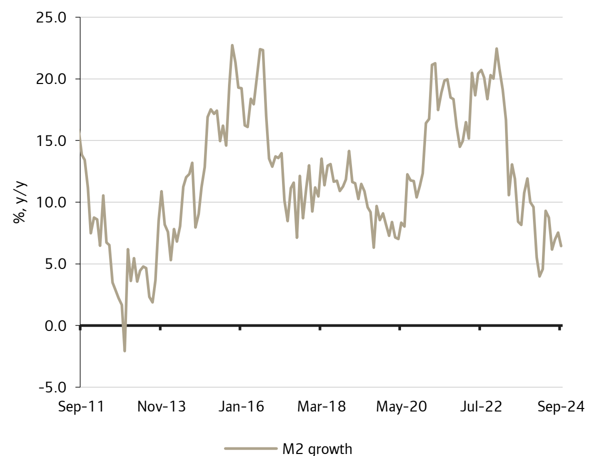
The BCEAO factors in policy rate decisions by the European Central Bank (ECB) in maintaining the CFA franc's peg to the euro. The ECB has cut the key rate by 100 bps since Jun 24, to 3%; the broader market expects further cuts this year but seems split on whether ECB will deliver four, or five, 25 bps cuts by end-2025.

Inflation and interest rates



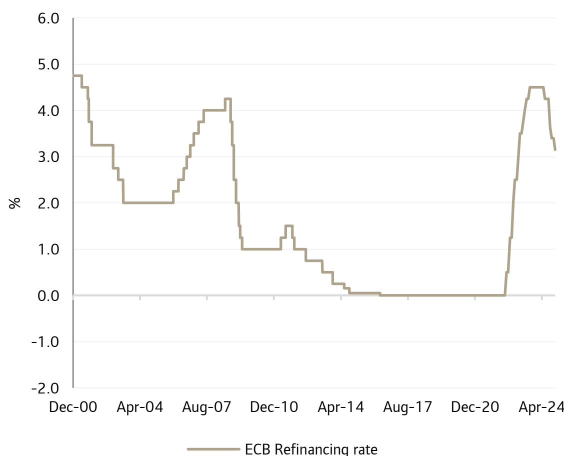
Source: Agence Nationale de la Statistique et de la Demographie; Standard Bank Research

Money supply growth



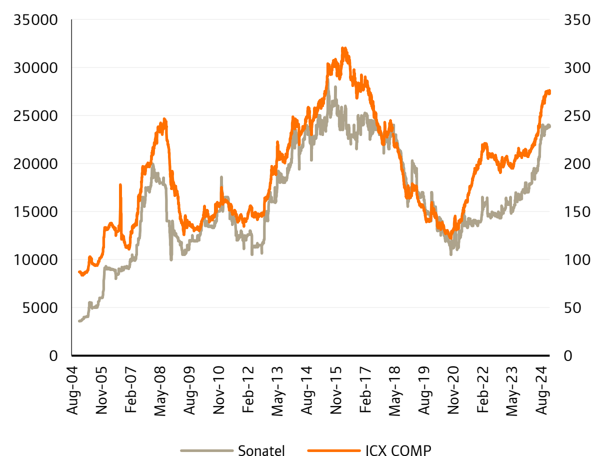
Source: Banque Centrale des Etats de l'Afrique de l'Ouest

Historical ECB refinancing rate



Source: Bloomberg

Capital markets



Source: BRVM; Bloomberg

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Fiscal policy: higher fiscal deficit and debt

Tax revenue in 2025 may increase, alongside strong economic growth; however, spending may exceed budget amid a likely higher-than-budgeted increase in capital expenditure and debt servicing, implying that the fiscal deficit may remain above 3.0%.

For the first 9-m of 2024, the Ministry of Finance & Budget reported aggregate government revenue at CFA2.89tn, representing a 61.5% execution rate, compared with the budget income of CFA4.69tn. This underwhelming revenue performance reflects a lower-than-expected receipts across tax revenue (63.5% execution rate), non-tax revenue (59.9% execution rate), and capital gifts (40.9% execution rate) as of Q3:24. Notably, even as tax revenue (92.0% of aggregate revenue) increased by 6.4% y/y (vs CFA2.50tn in the first 9-m of 2024), its lower execution rate likely reflects overly optimistic government expectations in a bid to justify higher budgeted expenditure.

Further, total expenditure performance overshot revenue performance, with an execution rate of 81.8% in the first 9-m of 2024. Among the major expenditure line items, capital expenditure (92.1%), interest payments (98.2%) and current transfers (76.2%) recorded the highest execution rates. Given the revenue and expenditure performance, the fiscal deficit settled at 7.5% of estimated nominal GDP in this period.

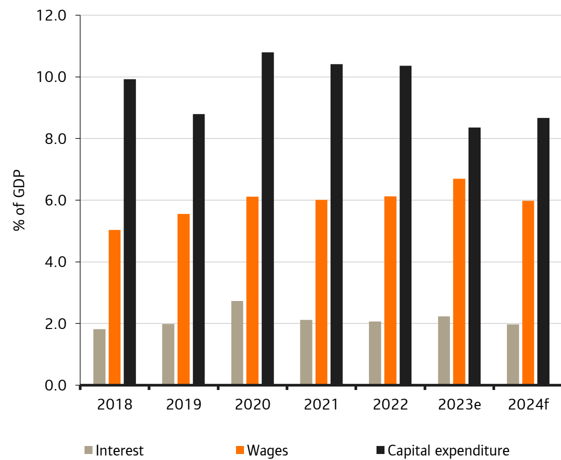
Preliminary findings by the government on 26 Sep 24 showed the fiscal deficit averaging 10.4% of GDP during 2019 to 2023 – significantly wider than the 5.5% average reported by the previous administration. Hence, public debt to GDP ratio was 83.0% as of 2023, from 73.0% published previously. These revised figures reflect primarily higher domestic and external project loans used to fund certain investments in the review period. While this reflects an effort towards improving transparency, it increases the need to embark on more fiscal consolidation efforts to moderate the fiscus as well as debt concerns.

Central government budget

% of GDP	2021	2022	2023e	2024f
Revenue	20.4	20.7	20.6	21.4
Grants	1.5	1.6	1.5	1.3
Expenditure	26.7	26.9	26.1	25.0
- Salaries	6.0	6.1	6.7	6.0
- Interest	2.1	2.1	2.2	2.0
- Capital	10.4	10.4	8.4	8.7
Fiscal deficit (excl. grants)	-7.9	-7.8	-6.3	-5.0
Fiscal deficit (incl. grants)	-6.3	-6.2	-5.5	-3.6

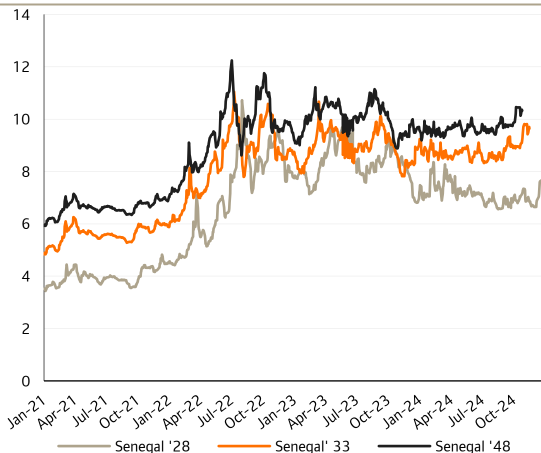
Source: Ministre de l'Economie et des Finances et du Plan

Components of expenditure



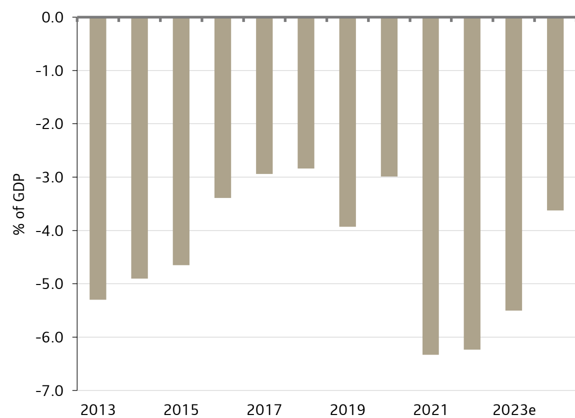
Source: Ministre de l'Economie et des Finances et du Plan

Eurobonds yields



Source: Bloomberg

Fiscal deficit (incl grants)



Source: Ministre de l'Economie et des Finances et du Plan

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Annual indicators

	2020	2021	2022	2023	2024e	2025f	2026f
Output							
Population (million)	16.4	16.9	17.3	17.8	18.2	19.1	19.6
Nominal GDP (XOF bn)	14,119.5	15,261.2	17,228.0	18,126.9	19,178.3	21,153.6	23,480.5
Nominal GDP (USD bn)	24.5	27.5	27.6	29.9	31.7	37.1	39.8
GDP / capita (USD)	1492.5	1630.7	1595.0	1682.8	1740.4	1943.1	2033.1
Real GDP growth (%)	0.9	6.8	3.9	4.4	8.0	10.6	5.5
Central Government Operations							
Budget balance (excl. grants) / GDP (%)	-3.0	-6.3	-6.2	-5.5	-3.6	-4.5	-3.6
Budget balance (incl. grants) / GDP (%)	-4.9	-7.9	-7.8	-6.3	-5.0	-5.8	-4.4
Domestic debt / GDP (%)	19.2	16.1	19.6	20.8	16.8	14.7	
External debt / GDP (%)	48.9	57.2	56.4	58.7	55.70	52.70	
Balance of Payments							
Exports of goods (USD bn)	5.1	6.7	7.4	8.0	9.0	11.3	12.8
Imports of goods (USD bn)	-9.7	-12.1	-14.2	-13.6	-13.4	-14.5	-15.1
Trade balances	-4.6	-5.4	-6.7	-5.6	-4.4	-3.2	-2.3
Current account (USD bn)	-2.9	-3.2	-5.6	-4.9	-3.6	-2.4	-1.9
- % of GDP	-11.67	-11.62	-20.43	-16.5	-11.2	-6.4	-4.9
Capital & Financial account (USD bn)	2.41	3.23	4.70	3.44	3.65	4.15	4.73
- FDI (USD bn)	1.87	2.44	2.64	2.57	2.67	3.14	3.59
Basic balance / GDP (%)	-1.84	0.10	-3.40	-5.00	0.27	4.83	7.03
FX reserves (USD bn) pe	3.2	2.8	5.0	4.4	6.0	7.7	8.7
- Import cover (months) pe	5.1	4.1	2.8	5.0	5.4	6.4	6.9
Sovereign Credit Rating							
S&P	B+	B+	B+	B+	B+	B+	B+
Moody's	Ba3	Ba3	Ba3	Ba3	Ba3	Ba3	Ba3
Fitch	nr	nr	nr	nr	nr	nr	nr
Monetary & Financial Indicators							
Consumer inflation (%) pa	1.5	2.4	9.6	6.1	0.9	1.0	1.4
Consumer inflation (%) pe	2.5	3.8	12.8	0.8	0.6	2.5	1.3
M2 money supply (% y/y) pa	9.7	18.3	19.0	12.6	6.3	9.8	12.4
M2 money supply (% y/y) pe	12.3	12.3	22.5	5.5	5.2	11.2	12.6
Marginal lending facility (%) pe	4	4	4.75	5.5	5	4.5	4
USD/XOF pa	569.5	563.9	625.1	606.4	608.5	630.7	608.2
USD/XOF pe	537.6	576.8	612.8	601	624.7	630.7	607.4

Source: Banque Centrale des Etats de l'Afrique de l'Ouest; Agence Nationale de la Statistique et de la Demographie; Ministère de l'Economie et des Finances; International Monetary Fund; Bloomberg; Standard Bank Research

Notes: pe — period end; pa — period average; nr — not rated; na — not available

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Tanzania: economy robust heading into 2025 elections

Medium-term outlook: opening of regional transportation and trade corridors to drive growth

We forecast growth of 5.8-6.1% for both 2025 and 2026, driven by the services sector, agriculture, mining and tourism, and complemented by ongoing public infrastructure investment. Growth over the medium term may be underpinned by strategic infrastructure investments.

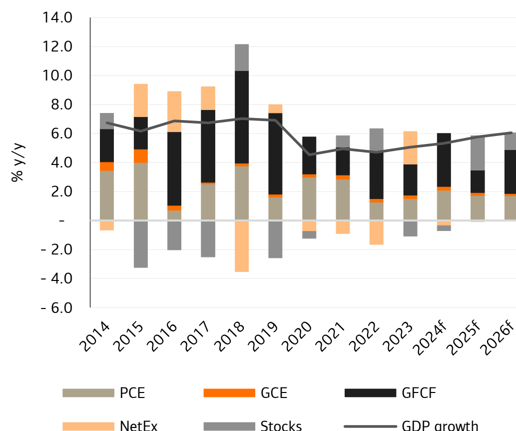
Progress continues to be made on the latter phases of the Standard Gauge Railway (SGR), with Phase 1 complete, and operations between Dar es Salaam and Dodoma officially inaugurated in Aug 24 by President Samia Suluhu Hassan. Expansion on the remaining phases continues, with the AfDB recently announcing its intention to raise USD1.2bn through a commercial syndicate to extend the SGR from Tabora to Kigoma on the western border of Tanzania. Further, progress on the construction of the East Africa crude oil pipeline (EACOP), estimated at 47% completion, to Uganda, too should boost economic activity in 2025. On LNG, the host government agreement (HGA) has been delayed by a further year, exacerbating uncertainty about its due date; this may also delay the final investment decision (FID). However, when progress is made on the HGA, it should impel significant investment in project construction.

On the expenditure side, and with 2025 being an election year, we anticipate a pick-up in government consumption expenditure towards social spending and areas that would boost the government's popularity.

The downside risks remain the possibility of drier La Niña weather conditions materializing, likely denting growth in the agrarian sector which remains rain-dependant, and delays in infrastructure investment decisions as well as delayed project funding. With a credible pipeline of investment plans, the test for Tanzania will be addressing its structural bottlenecks to return the economy to 2000-2019 average growth rates of c.6.4% y/y.

Growth for 2024 is still seen at 5-5.5% y/y, with the key drivers being services, agriculture, mining and manufacturing. Per official data, economic growth averaged 5.6% y/y in the first three quarters of 2024, with double-digit growth in the electricity and gas, finance and insurance, ICT, and sectors. However, agriculture and mining, that contribute about 25.9% and 9.4% of GDP respectively, posted lower average growth of 3.8% y/y and 6.2% y/y between Q1 and Q3:24, after 4.3% y/y and 11.5% y/y in 2023, well below the 4.2% y/y and 11.4% y/y 5-y average. The tourism sector continued its strong recovery in 2024, with tourist arrivals reaching 2.1 million y/y in Nov 2024 due to successful marketing campaigns by both the government and private sector.

Composition of GDP by demand



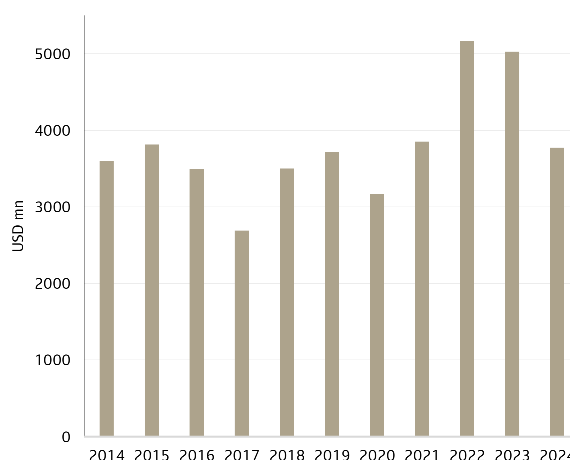
Source: National Bureau of Statistics, Standard Bank Research

Contribution to GDP by sector

% of GDP	2021	2022	2023
Agriculture	26.8	26.1	26.5
Mining & quarrying	7.3	9.0	9.0
Manufacturing	7.2	7.2	7.0
Electricity & gas	0.2	0.1	0.1
Construction	15.1	13.7	13.2
Wholesale & retail trade	8.7	8.2	8.3
Transport & storage	6.9	6.7	7.2
Hotels & restaurants	1.0	1.1	1.2
ICT	1.5	1.5	1.4
Finance & insurance	3.4	3.2	4.5
Real estate	2.9	2.8	2.7
Public administration	3.8	3.7	3.5
Education	2.3	2.3	2.2

Source: National Bureau of Statistics

Capital goods imports



Source: Bank of Tanzania

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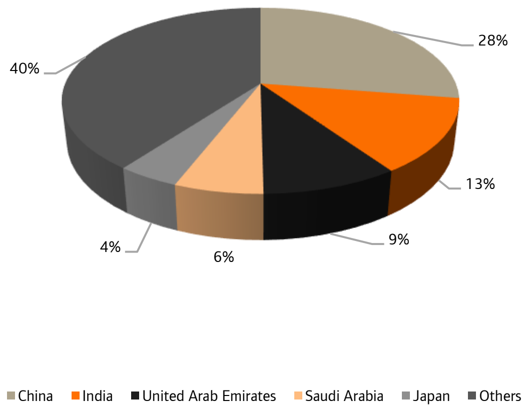
Medium-term economic growth forecasts

	Q1:25	Q2:25	Q3:25	Q4:25	Q1:26	Q2:26	Q3:26	Q4:26	Q1:27	Q2:27	Q3:27	Q4:27	Q1:28	Q2:28	Q3:28	Q4:28
GDP (% y/y) pa	6.0	6.6	4.6	5.9	4.5	6.3	6.9	6.5	5.9	5.7	6.8	6.8	6.3	6.4	5.4	6.8
CPI (% y/y) pe	3.6	4.3	3.8	4.5	3.9	3.3	3.7	2.9	3.1	3.2	3.2	3.3	3.5	3.6	3.6	3.7
BoT policy rate	6.0	6.0	6.0	6.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.5	5.5	5.5	5.5
3-m rate (%) pe	8.1	8.1	7.9	8.5	8.1	7.7	7.1	7.7	7.5	7.3	6.8	7.1	7.5	7.6	7.6	8.3
6-m rate (%) pe	8.4	8.7	8.8	8.7	8.5	7.8	7.7	7.9	7.8	7.6	7.5	7.6	7.8	8.3	8.4	8.2
USD/TZS	2496.9	2547.4	2558.5	2574.8	2599.6	2608.8	2628.9	2635.6	2654.7	2664.2	2680.4	2684.2	2705.8	2716.6	2734.9	2739.3

Source: Bank of Tanzania; Ministry of Finance; National Bureau of Statistics; Bloomberg; Standard Bank Research

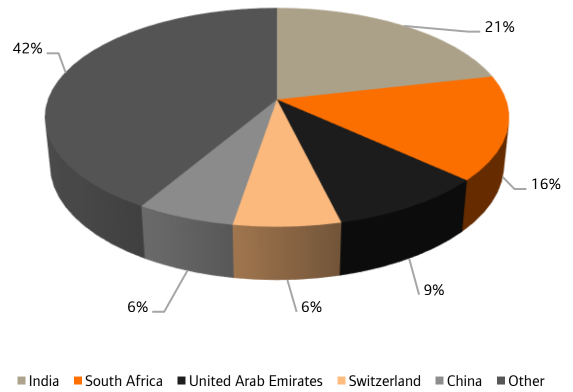
Notes: pe – period end; pa –a period average

Top 5 imports origins (% of total)



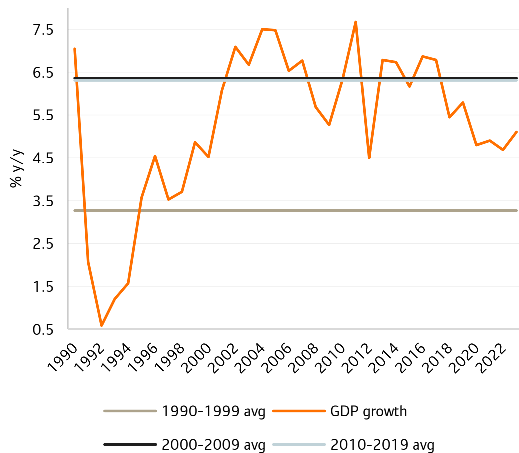
Source: International Trade Centre

Top 5 exports destinations (% of total)



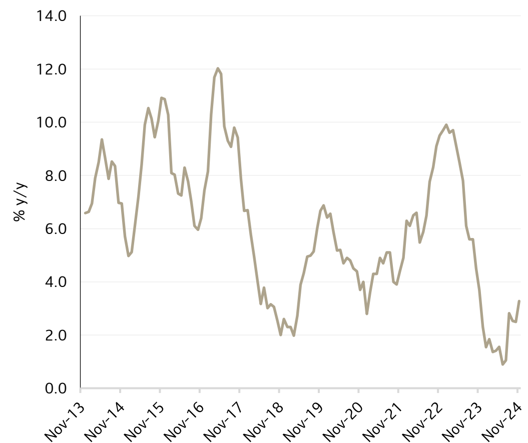
Source: International Trade Centre

Long-term GDP growth



Source: World Bank

Food inflation



Source: National Bureau of Statistics

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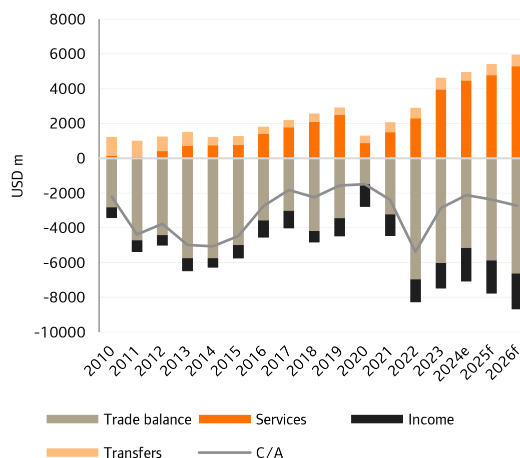
Balance of payments: C/A deficit to stabilize

We forecast the C/A deficit to be steady at 3.1% of GDP for 2025 and 3.3% of GDP for 2026. Capital expenditure related to investment in infrastructure projects, such as SGR, EACOP, 2027 Africa Cup of Nations (AFCON) stadiums and roads, is anticipated to rise in 2025 and in 2026. This may however be counterbalanced by higher exports of goods, and higher service receipts from gold mining, horticulture, cashews exports and tourism receipts, resulting in a current account deficit of USD2.1bn, USD2.4bn and USD2.7bn in 2024, 2025 and 2026 respectively. Increased exports will be supported by favourable commodity prices and volumes mined as well as increased tourist arrivals. A possible widening of the current account deficit may arise from commodity price volatility, and climate shocks constraining major exports.

Exports of goods and services increased by 14.2% y/y in Nov 24, to USD15.9bn, bolstered by higher volumes and prices of commodities — cashews, coffee, tobacco as well as exports of gold, horticultural exports products and tourism receipts. Travel receipts performed strongly, growing by 19.7% y/y, to USD3.68bn in Nov 24, from USD3.27bn in Nov 23. Imports of goods and services increased by only 2.7% y/y, to USD16.58bn in Nov 24. Capital goods imports were flat, at USD2.97bn, and consumer goods declined modestly, by 2.15% y/y in Nov 24, while fuel imports declined by 5.6% y/y in Nov 24, to USD2.81bn. Notable increases were iron and steel imports rising by 33.5% y/y in Nov 24.

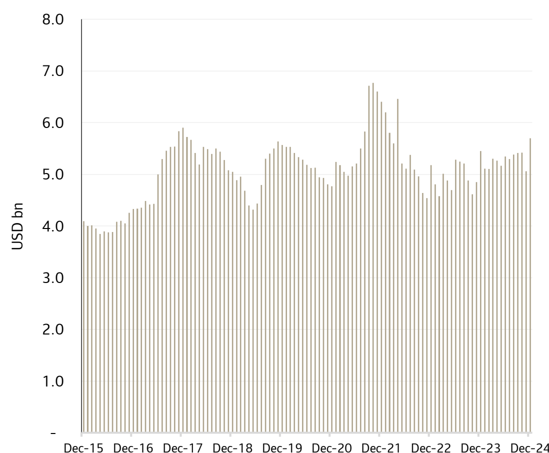
We estimate FX reserves at USD6.8bn by Dec 2025, supported by external budget financing and dollar purchases from anticipated FDI inflows. Positively, Tanzania completed the fourth review under the Extended Credit Facility (ECF) arrangement and first review under the Resilience and Sustainability Facility (RSF), leading to a disbursement of c.USD204.5m. We still foresee a further USD728m from the IMF ECF/RSF, the World Bank and AFDB in 2025 and a syndicated loan for USD 600m.

Current account developments



Source: Bank of Tanzania, Standard Bank Research

FX reserves



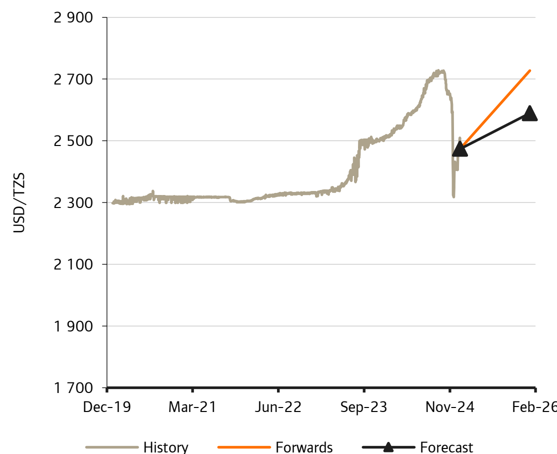
Source: Bank of Tanzania

FX outlook: stable currency after volatile Q4:24

We see the USD/TZS pair trading around 2,547.4 by end June 25 and 2,574.8 by Dec 25, a depreciation of 7%, above the 3.6% 10-y average. Cyclically, FX demand may be higher in H1:25 from the oil sector, industrial sector and from capital goods imports related to ongoing projects compared to FX inflows from agricultural exports. Upside risks could come from commodity price volatility, affecting FX inflows and reemergence of FX illiquidity – driving the currency higher.

USD/TZS appreciated 11.5% in Q4:24 due to a narrowing of the C/A deficit, with FX inflows from the mining sector, cashew nuts and tourism outstripping FX demand from importers, at a time when TZS liquidity was tight due to lower government spending. Pent-up FX demand during most of 2024 was cleared in Q4:24. Furthermore, FX market reforms, such as the FX intervention policy, code of conduct and allowing the exchange rate to adjust gradually, contributed to the turnaround in USD/TZS.

USD/TZS: forwards versus forecasts



Source: Bloomberg; Standard Bank Research

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Monetary policy: still restrictive

We foresee the MPC keeping the policy rate unchanged during H1:25. At their first meeting in Jan 25, the MPC committee maintained the CBR at 6.0%.

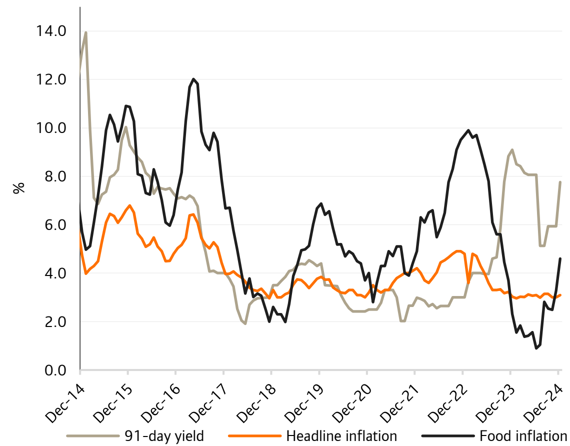
In H2:24, the BOT offered reverse repos to the market daily to counter tight TZS liquidity due to slow government spending amid higher demands for cash during the harvesting season. In Q4:24, reverse repos offered increased 2.8 times to TZS9.2tn as the 7-day interbank rate breached the upper band of the CBR corridor, touching highs of 9%, thus forcing the BOT to act to align the interbank rate back to within the corridor. Consequently, short-term interest rates have risen.

We forecast headline inflation rising gradually in H1:25, to 4.3% y/y by Jun 25 and 4.5% y/y Dec 25, from 3.1% y/y in Dec 24. Inflation may mirror La Niña conditions forecast for H1:25. However, potential food price increases may be mitigated by food stocks estimated at 702,502 tonnes held by the National Food Reserve agency. Additionally, positive passthrough from recent currency appreciation should ease fuel prices in Q1:25.

The upside risks to inflation over the coming year may come by way of currency depreciation due to geopolitical tensions globally leading to commodity price volatility and poor FX liquidity.

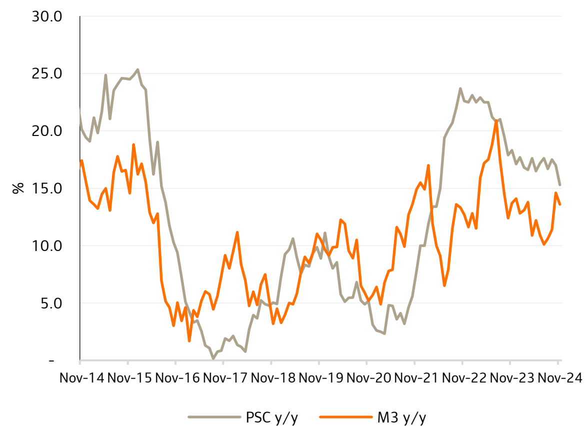
Money supply growth (M3) and private sector credit (PSC) growth are anticipated to trend lower in H1:25 due to revaluation of foreign currency deposits, following the appreciation of the TZS in Dec 24, further curbing upside pressure for demand-driven inflation. The MPC may loosen policy if they see PSC and M3 growth slowing considerably, impacting economic growth. By Nov 24, M3 growth, stood at 13.6% y/y, above the 10.4% 10-y average, while PSC declined to 15.3% y/y, higher than the 12% 10-y historical average.

Inflation and interest rates



Source: Bank of Tanzania, National Bureau of Statistics

Monetary aggregates



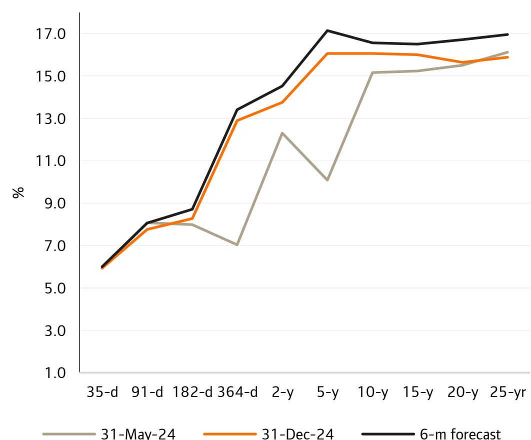
Source: Bank of Tanzania

Yield curve outlook: stable interest rates

Yields are likely to trade at slightly higher levels, with a modest bear-steepening expected over the next 6-m as government's domestic debt maturities are estimated to rise to TZS2.1tn in H1:25, from TZS1.7tn in H2:24. Yields were unchanged for most of H2:24. However, tighter shilling liquidity led to higher yields in Q4:24. In Q1:FY24/25, net domestic borrowing stood at TZS549bn, vs target of TZS2,595.4bn, or a 21.2% performance rate.

From 2025, the BOT will publish Treasury Bond Coupon rates at least once week to auction date. This is meant to align issuances with prevailing market conditions. We assess these changes as a positive step in market development, hopefully resulting in increased investor interest for bonds and better price discovery in the secondary market.

Change in yield curve



Source: Bank of Tanzania; Standard Bank Research

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Fiscal policy: likely steady fiscal deficit

The Tanzanian government will continue a growth-friendly fiscal consolidation path in 2025. In our Jun AMR publication, we had indicated that the government would target a budget deficit, excluding grants, of 6.7% in FY24/25. Total expenditure was estimated at TZS49.35tn, or 22.5% of GDP, including what the authorities call amortization and expenditure float accounting for about 3.4% of GDP. When that is excluded, the fiscal deficit for FY24/25 declines to 3.3% of GDP. Furthermore, in H2:FY24/25, the government is expected to make progress on strategic infrastructure projects such as the Standard Gauge Railway (SGR), EACOP, renovating the 1,860-km Tanzania-Zambia (TAZARA) Railway, Samia Suluhu Hassan Stadium in the Arusha region for AfCON 2027 as well as roads and port expansion projects. Increased social spending is also anticipated ahead of the pending general elections.

For the first 5-m of FY24/25, total revenue collected stood at TZS10,757.7bn, against a target of TZS10,899bn, a y/y increase of 14.5%, compared to the same period in FY2023/24. Total expenditure for first 5-m was TZS12,796.6bn, against a target of TZS13,689.3bn, or a 6.8% increase from FY23/24. Recurrent expenditure totalled TZS8,233.3bn, meeting 93% of the target. Development expenditure totalled TZS4,563.3bn, or 30.9% of the target for FY24/25.

In H1:25, the government's external financing requirements will be financed largely via concessional loans, commercial debt and grants. Concessional financing will include IMF ECF/RSF of USD150m-200m, World Bank loan of USD250m, and AfDB of USD171m. Likewise, the AfDB has been mandated to lead a USD1.2bn financing syndication for the SGR project. The government is also in the market to raise USD 600m through a syndicated loan.

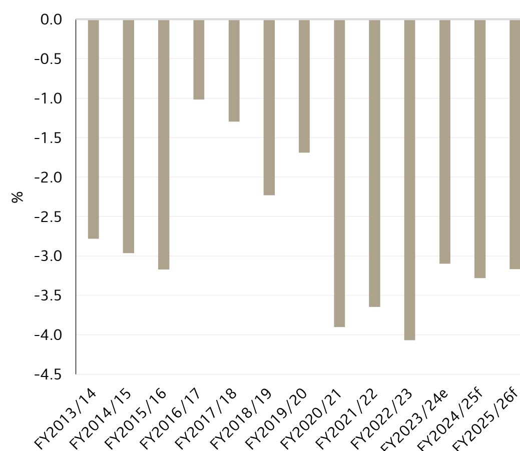
The main concern in H1:25 is the likelihood of expenditure slippage ahead of the general elections in Oct 25. However, the government has the fiscal space to absorb unexpected expenditure.

Central government budget (% of GDP)

	FY2023/24	FY2024/25f	FY2025/26f
Total revenue	15.0	15.8	16.0
Total expenditure	18.3	19.1	19.2
Wages	5.0	5.4	5.1
Interest	2.3	2.5	2.4
Development	7.4	6.7	6.7
Overall balance (-grants)	-3.3	-3.3	-3.2
Overall balance (+grants)	-3.0	-2.9	-2.8
Net domestic borrowing	1.1	1.2	1.1
Net external borrowing	1.9	1.7	1.5
Donor support (grants)	0.3	0.4	0.4

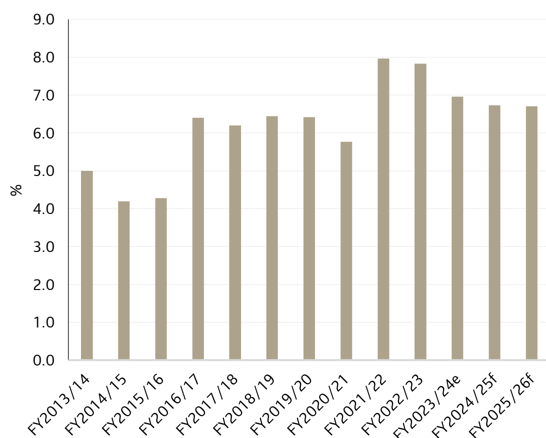
Source: Ministry of Finance

Fiscal deficit excluding grants



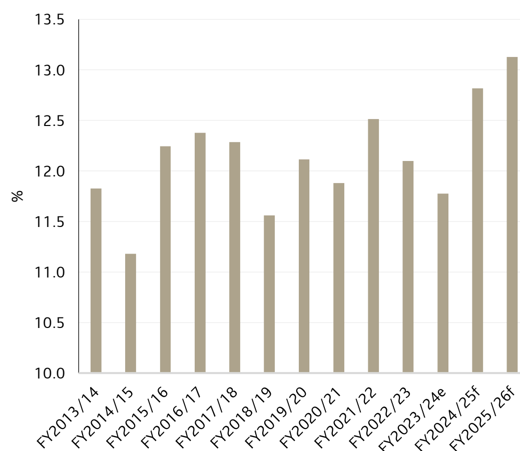
Source: Ministry of Finance

Developmental expenditure



Source: Ministry of Finance

Tax revenue



Source: Ministry of Finance

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Annual indicators

	2020	2021	2022	2023	2024e	2025f	2026f
Output							
Population (million)	55.9	57.7	61.7	62.6	64.6	66.6	69.1
Nominal GDP (TZS bn)	145 384	156 167	170 820	178 383	188 788	199 397	213 078
Nominal GDP (USD bn)	62.8	67.8	73.4	73.2	73.1	78.4	81.4
GDP / capita (USD)	1 157	1 213	1 272	1 187	1 168	1 213	1 222
Real GDP growth (%)	4.8	4.8	4.7	5.1	5.6	5.8	6.1
Gold production ('000 Kg)	55.8	59.6	56.9	54.8	60.5	63.7	66.2
Tobacco production ('000 MT)	37.5	58.5	70.7	122.9	106.7	117.6	128.6
Coffee production ('000 MT)	232.7	210.8	240.2	254.4	251.5	254.6	265.7
Central Government Operations							
Budget balance (excl. Grants) / GDP (%)	-1.7	-3.9	-6.3	-3.9	-3.3	-3.3	-3.2
Budget balance (incl. Grants) / GDP (%)	-1.4	-3.5	-3.8	-4.7	-3.0	-2.9	-2.8
Domestic debt / GDP (%)	10.7	12.6	14.7	16.0	15.3	14.9	17.5
External debt / GDP (%)	28.0	30.1	28.1	29.5	31.7	30.1	30.9
Balance of Payments							
Exports of goods and services (USD bn)	8.8	10.0	11.6	14.0	16.1	16.5	17.4
Imports of goods and services (USD bn)	8.9	11.7	16.7	16.1	16.8	17.6	18.8
Trade balance (USD bn)	-0.1	-1.8	-5.1	-6.0	-5.2	-5.9	-6.6
Current account (USD bn)	-1.0	-2.4	-5.4	-2.9	-2.1	-2.4	-2.7
- % of GDP	-1.5	-3.5	-7.3	-3.9	-2.9	-3.1	-3.3
Financial account (USD bn)	0.9	3.3	4.1	2.9	3.7	4.0	3.8
- FDI (USD bn)	0.9	1.2	1.4	1.6	1.7	1.8	2.1
Basic balance / GDP (%)	-1.0	-2.9	-6.8	-3.6	-2.4	-2.6	-3.2
FX reserves (USD bn) pe	4.7	6.4	5.2	5.5	5.7	6.8	7.3
- Import cover (months) pe	6.2	5.4	4.7	4.5	4.7	5.7	6.0
Sovereign Credit Rating							
S&P	nr	nr	nr	nr	nr	nr	nr
Moody's	nr	B2	B2	B2	B2	B2	B2
Fitch	nr	nr	nr	B+	B+	B+	B+
Monetary & Financial Indicators							
Consumer inflation (%) pa	3.3	3.7	4.4	3.7	3.1	4.1	3.4
Consumer inflation (%) pe	3.2	4.2	4.9	3.0	3.1	4.5	2.9
M3 money supply (% y/y) pa	8.8	10.2	11.7	15.6	11.9	14.5	14.4
M3 money supply (% y/y) pe	5.7	15.5	11.6	14.1	12.0	17.3	11.3
BoT discount rate (%) pa	5.5	5.0	5.0	5.0	5.9	6.0	5.0
BoT discount rate (%) pe	5.0	5.0	5.0	5.0	6.0	6.0	5.0
3-m rate (%) pe	2.5	3.0	3.0	9.1	7.8	8.5	7.7
1-y rate (%) pe	4.3	4.2	6.6	11.0	13.0	13.7	12.9
2-y rate (%) pe	7.1	7.7	8.5	11.6	12.9	14.5	13.5
5-y rate (%) pe	9.1	9.4	9.1	10.1	13.8	14.8	13.7
USD/TZS pa	2313.6	2303.8	2327.1	2435.5	2582.5	2544.4	2618.2
USD/TZS pe	2319.0	2297.8	2329.1	2511.3	2408.8	2574.8	2635.6

Source: Bank of Tanzania; Ministry of Finance; National Bureau of Statistics; Bloomberg; Standard Bank Research

Notes: pe – period end; pa –a period average

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Uganda: new IMF programme critical ahead of first oil

Medium-term outlook: oil investment to continue supporting growth

We forecast GDP growth at 6.5-6.7% y/y in FY2024/25 and 7.0-7.5% y/y in FY2025/26.

Growth in FY2024/25 may reach an average of 6.5-6.7% y/y, buttressed by continued oil sub-sector and infrastructure investment. The government has announced plans to fully finance its USD4.0bn oil refinery through an equity arrangement, which may further spur FDI and economic growth over the medium term. Furthermore, the government in Q4:24 signed a USD3.0bn contract to construct a 273km Standard Gauge Railway (SGR). This was followed by the launch of the construction of the SGR from Malaba to Kampala. Nevertheless, there are enduring downside risks to growth both in the near- and medium term.

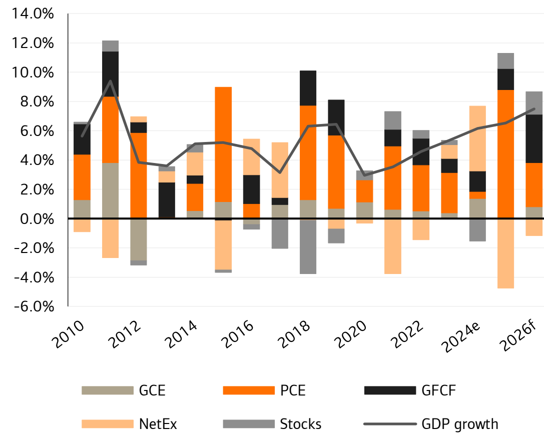
Over the medium term, we remain concerned about the likelihood of extended delays in securing financing for oil-related infrastructure; this may delay first oil beyond the widely expected FY2025/26, which may constrain investment spending. Industrial activity was robust in Q1:FY2024/25, growing by 5.9% y/y vs 0.6% y/y in Q4:FY2023/24 and above the average of 6.4% Y/Y in the preceding 3-q.

In H1:25, should the UGX come under pressure because of difficulties in securing external funding, leading to lower foreign exchange reserves, increasing FX vulnerability and macroeconomic instability, the MPC may again choose to tighten policy aggressively, thereby lowering domestic demand and private sector credit (PSC) growth, which would constrain growth. Moreover, the possibility of uncertain weather conditions too may weigh on agricultural output from Q2:25. GDP growth rose to 6.7% y/y in Q1:FY2024/25 vs 6.2% y/y in Q4:FY2023/24 (Q2:24), well above average growth of 6.2% y/y in the preceding 3-q. This strong performance was due to increased agricultural output, implying that El Niño rains supported agricultural output in the sub-sector.

The services sector grew 5.6% y/y in Q1:FY24/25 vs. 6.8% y/y in Q4:FY23/24 (Q2:24), in line with average growth of 6.9% over the preceding 4-q. Growth was notably strong in transportation and storage, financial and insurance, as well as the human health and social work sub-sectors, growing by 12% y/y, 10.5% y/y and 10.6% y/y respectively.

Should the government secure and finalise funding for the East Africa Crude Oil Pipeline (EACOP), which we expect in H2:25 under our core assumption, growth in the transport and construction sub-sectors would benefit meaningfully. Positively, even if first oil were delayed beyond 2026, investment spending in the oil sector is likely to persist and thereby underpin economic activity. We still expect first oil in 2026 under our baseline assumption.

GDP by expenditure



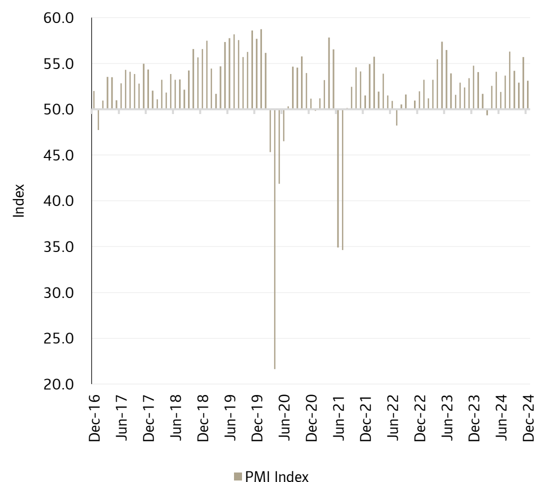
Source: Uganda Bureau of Statistics; Standard Bank Research

Contribution to GDP by sector

% of GDP	2008	2015	2024
Agriculture	27.1	23.2	24.7
Mining	1.2	1.0	1.3
Manufacturing	8.7	16.1	15.2
Construction	5.5	5.1	5.2
Trade & repairs	13.3	9.7	9.5
Transport	2.6	3.3	3.6
Accommodation & food	2.1	2.5	2.3
ICT	4.2	1.6	1.9
Financial & insurance	2.4	2.8	2.8
Real estate	5.5	6	6.0
Public administration	2.8	2	2.9
Education	5.3	5.2	3.6

Source: Uganda Bureau of Statistics

Stanbic Bank Uganda PMI



Source: Stanbic Bank Uganda

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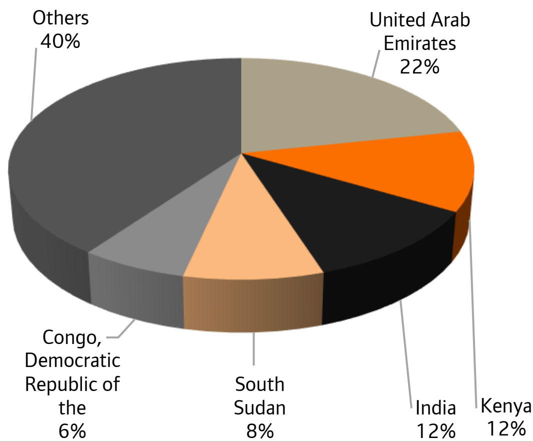
Medium-term economic growth forecasts

	Q1:25	Q2:25	Q3:25	Q4:25	Q1:26	Q2:26	Q3:26	Q4:26	Q1:27	Q2:27	Q3:27	Q4:27	Q1:28	Q2:28	Q3:28	Q4:28
GDP (% y/y) pa	6.7	8.3	3.9	7.2	7.1	6.4	8.5	7.9	7.2	7.3	7.9	5.4	5.9	5.8	4.8	9.9
CPI (% y/y) pe	3.5	4.2	4.6	4.4	4.0	3.3	3.4	3.4	3.6	3.8	4.0	3.9	3.9	3.8	4.3	4.5
BOU policy rate (%) pe	9.50	9.25	9.25	9.00	8.50	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.25	8.50	8.50	8.75
3-m rate (%) pe	13.48	13.70	13.49	12.79	12.19	11.97	12.18	11.98	10.18	9.52	10.15	11.35	10.15	9.71	10.13	10.63
6-m rate (%) pe	14.48	14.70	14.99	14.29	13.69	13.47	13.68	13.48	12.68	12.02	12.65	13.85	12.65	12.21	12.43	13.13
USD/UGX	3885.1	3750.0	3720.0	3700.0	3733.5	3748.2	3784.3	3758	3697.4	3617.5	3547.8	3597.2	3566.2	3503.5	3467.5	3493.2

Source: Bank of Uganda; Uganda Bureau of Statistics; Ministry of Finance; Bloomberg; Standard Bank Research

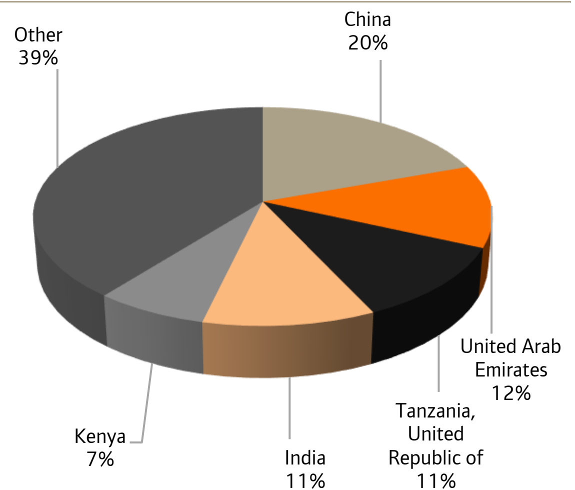
Notes: pa - period average; pe - period end

Uganda's top 5 exports destinations (% of total)



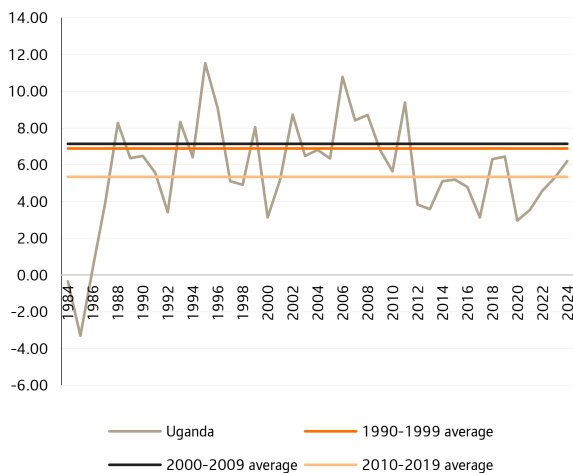
Source: International Trade Centre

Uganda's top 5 imports origins (% of total)



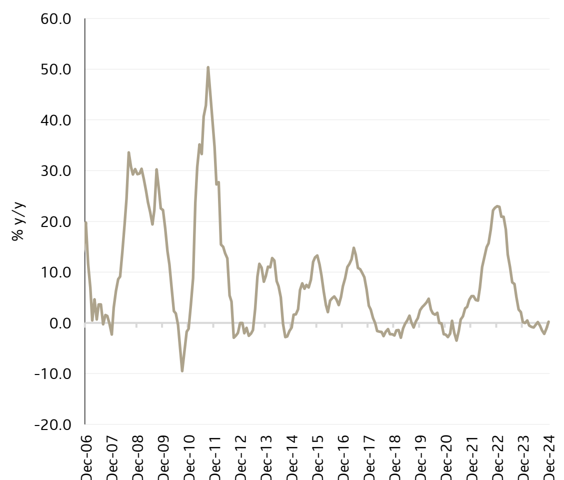
Source: International Trade Centre

Long-term GDP performance



Source: World Bank; Standard Bank Research

Food inflation (%)



Source: Uganda Bureau of Statistics

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Balance of payments: higher imports in H1:25

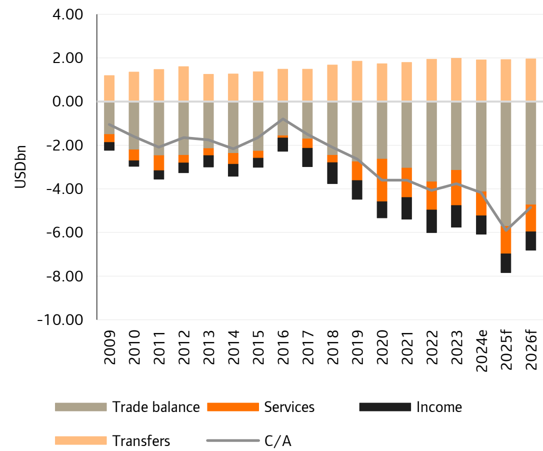
The 2025 C/A deficit may widen to 9.9% of GDP, then narrow to 7.3% of GDP in 2026. Exports in 2025 may rise to USD11.9bn, from USD10.7bn, assuming sustained favourable pricing for coffee. Goods exports rose by 24.5% y/y, to a cumulative USD 7,159.48m from Jan to Oct 24, largely due to higher international prices for coffee owing to climate-related shocks in Brazil and Vietnam. Gold exports rose to USD3,175.99m from Jan to Nov 24, from USD2,066.30m in the same period in 2023. Coffee exports recovered to USD1,323.10m, from USD828.71m in that time due to higher volumes and prices internationally. Gold prices may stay high this year and continue supporting the trade account.

We still see goods imports rising further over 2025 and 2026 largely because of an increase in capital goods imports associated with the oil sector. However, consumer goods imports will likely only recover modestly over the next 2-y. Total imports of goods rose 20.8% to USD11,164.83m from Jan to Nov 24, compared to USD 9,259.09m from Jan to Oct 23.

The current account deficit may narrow, were external funding constraints to the oil sector and other infrastructure projects to persist, as capital goods imports may rise more modestly over the next 2-y than we currently anticipate. FX reserves remain under pressure due to rising public sector import requirements owing to higher oil investments amid a reduction in foreign portfolio inflows, subdued external funding, and rising external debt service. Positively, the Bank of Uganda has purchased USD314m on a net basis from the interbank market since Jul 24. Still, gross FX reserves increased by only USD79.0m, to USD3.38bn, from Jul 24 to Nov 24, because of external debt repayments.

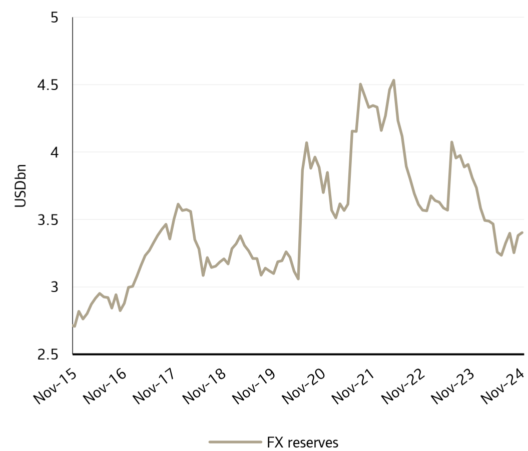
The government remains keen to start a new IMF programme by Jun 25. The previous ECF programme couldn't be completed as the government had failed to meet several key quantitative and structural targets for the sixth, and final, review.

Current account developments



Source: Bank of Uganda; Standard Bank Research

FX reserves



Source: Bank of Uganda

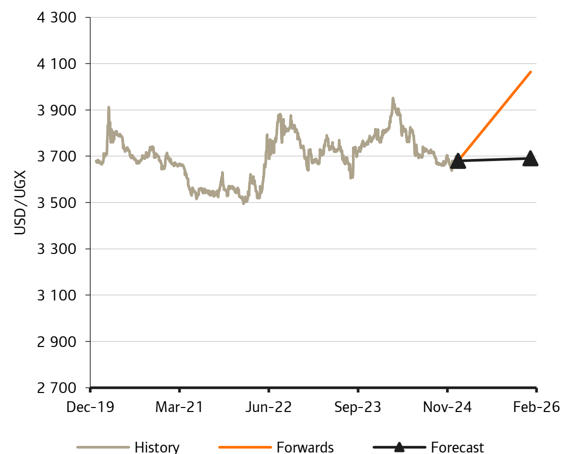
FX outlook: UGX likely to follow cyclical trend

We expect UGX weakness in Q1:25 due to cyclical dividend repatriation and ongoing capital goods imports for infrastructure investment projects. The UGX will likely trade within a wide range 3700-3890 range in H1:25.

Still, coffee exporters will again look to capitalise on the spike in USD/UGX spot and then sell USD forward, thereby likely supporting a reversal in the pair. However, should coffee prices decline over the coming year, following the 65% and 70% price rises for robusta and arabica coffee respectively in 2024, USD flows from coffee earnings may dwindle and weigh down the UGX.

The UGX could also face risks from a still precarious global risk environment, even though foreign portfolio investment positioning has reduced relatively to the past 2-y. Nevertheless, we expect real UGX yields to continue to remain attractive, while the BoU will likely tighten policy should upward pressure on the USD/UGX become unbearable.

USD/UGX: forwards versus forecasts



Source: Bloomberg; Standard Bank Research

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Monetary policy: cautious easing bias for H1:25

We expect the MPC to ease further in H1:25 but remain cautious, as in Q4:24.

The MPC cut the policy rate by a cumulative 50 bps at the Aug and Oct 24 meetings as headline inflation had eased and the USD/UGX proved stable. This easing pre-empted rate cuts from advanced economies central banks.

Interestingly, the MPC opted to cut the CBR cautiously, perhaps due in large part to FX reserves remaining subdued, while the risks of recurring global inflationary pressures may also have constrained easing.

However, the MPC now sees inflation rising to 4.2% y/y this year, although this would still be below the 5% y/y mid-point target.

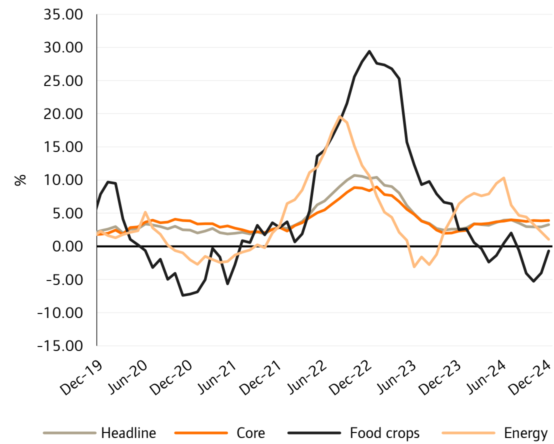
We see headline inflation at 3.5% y/y in Mar 25 and 4.2% y/y in Jun 25. Positively, the outlook for inflation remains relatively benign, with an average of 4.1% y/y expected in H1:25.

However, the MPC should have sufficient scope to cut the CBR further H1:25 as private sector credit (PSC) growth remains subdued. PSC declined to 8.1% y/y in Oct 24, from an average of 8.9% y/y in Q3:24 and 5-y average of 9.3% y/y.

Yet, an uncertain global risk environment, the possibility of geopolitical tensions intensifying, the unpredictability of regional weather conditions and with La Niña conditions anticipated, there are upside risks to USD/UGX and therefore to inflation too.

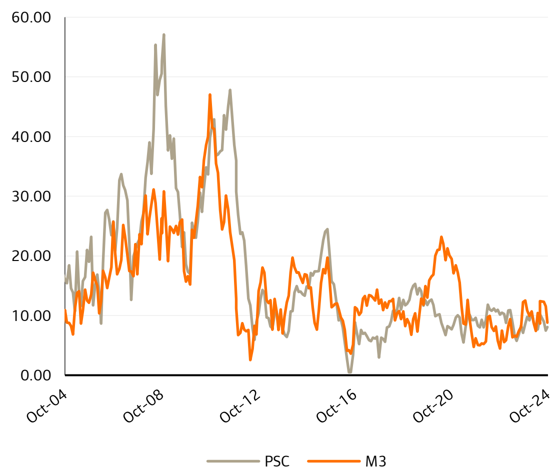
Hence, should the UGX face renewed pressures, the MPC may turn pre-emptive again, as in H1:24. In fact, the MPC may not even ease policy conditions in H1:25, should the Federal Reserve provide guidance on reducing or halting their planned rate cuts.

Inflation and interest rates



Source: Bank of Uganda; Uganda Bureau of Statistics

Monetary aggregates



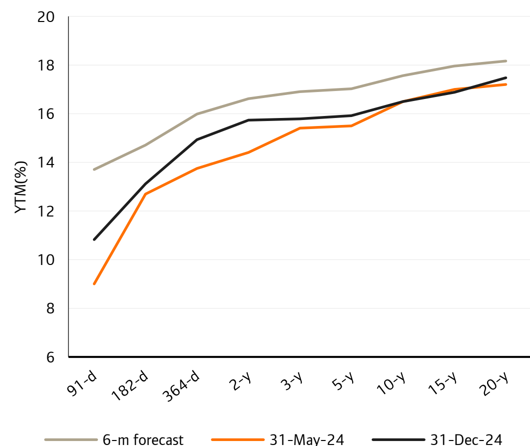
Source: Bank of Uganda

Yield curve outlook: large maturities in H1:25

Given the sharp rise in the domestic borrowing refinancing for FY2024/25, UGX yields could rise further during H1:25. Furthermore, the debt management office (DMO) would need to roll over UGX 6.4tn in H1:25, of which UGX 1.75tn falls due in Jan 25 and UGX 2.45tn in May 25, which may push UGX yields higher. A tactical duration opportunity may emerge H1:25, were UGX bond yields to rise above 17.0% and USD/UGX entry levels increase above 3800.

The debt management office has signalled its intention to slash the net domestic borrowing target by half in FY2025/26. The risk here is that if the government issued a supplementary budget in H1:25, this may increase the net domestic borrowing target in the event of tax revenue underperformance and unforeseen expenditure ahead of the Jan 26 elections. This may then push UGX bond yields up further than we envisage.

Changes in the yield curve



Source: Bank of Uganda; Standard Bank Research

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Fiscal policy: likely higher deficits ahead of first oil

The fiscal deficit including grants is seen widening to 5.7% of GDP in FY2024/25, from an expected outturn of 4.5% of GDP. In the first 5-m of FY2024/25, the government raised UGX 10,701bn, against a target of UGX 10,678bn in tax revenue, 36.4% of total tax revenue for FY2024/25. The surpluses in tax collected occurred in Q1 of FY2024/25, reflecting strong performances in income tax, import duty, and capital gains taxes. With strong growth expected over H1:25, it is plausible that tax revenue will perform at, or close to, target. Total expenditure performance over the first 5-m of FY2024/25 is behind target, with UGX 14,223bn spent against a target of UGX 15,541bn. The shortfall in spending reflected delays arising from payroll system challenges and lengthy budget processes for some government agencies.

Domestic debt refinancing rises to UGX12,812bn in FY2025/26, from UGX12,021bn, with domestic borrowing declining to UGX4,011bn, from UGX8,968bn. Fiscal slippage risks are possible in 2025, with the government likely to increase pre-election expenditure ahead of the elections in early 2026.

Given likely delays in commencing first oil, we anticipate a likely revision of oil revenue expectations in the final budget for FY2025/26. Consequently, the expectation that oil revenue would help counterbalance the increase in external debt amortizations over the next 5-y may be challenged in the near term, with external debt amortization of USD2.0bn falling due in 2025.

Hence, securing another IMF programme, which will likely trigger an increase in other concessional financing for budget support, will be crucial amid large external debt repayments.

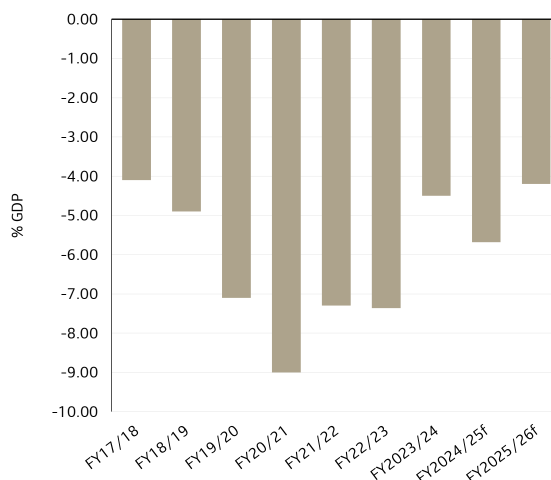
Still, the government will likely continue to issue other commercial debt, with a Panda Bond also pencilled in for this year.

Central government operations

% of GDP	FY2023/24	FY2024/25f	FY2025/26f
Total revenue	14.4	15.6	16.4
Total expenditure	18.9	21.2	20.6
Wages	3.6	3.5	3.5
Interest	3.2	4.3	3.5
Development expenditure	5.2	6.9	7.6
Overall balance (- grants)	-5.3	-7.0	-5.3
Overall balance (+ grants)	-4.5	-5.7	-4.2
Net domestic borrowing	3.9	3.5	2.6
Net external borrowing	0.0	2.2	1.6

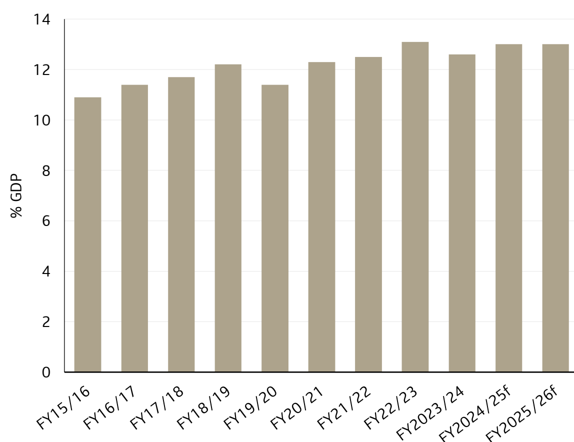
Source: Ministry of Finance

Fiscal deficit (including grants)



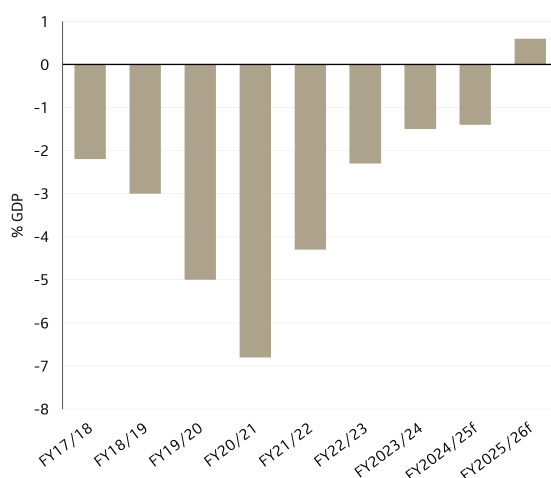
Source: Ministry of Finance

Tax revenue



Source: Ministry of Finance

Primary balance



Source: Ministry of Finance

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Annual indicators

	2020	2021	2022	2023	2024e	2025f	2026f
Output							
Population (million)	41.6	42.9	44.2	45.6	45.9	47.2	48.5
Nominal GDP (UGX bn)	139 689	148 310	162 750	183 004	202 725	224 263	249 048
Nominal GDP (USD bn)	38.9	42.8	45.5	49.0	53.9	59.6	66.5
GDP / capita (USD)	935.0	998.8	1028.3	1 075	1 175	1 264	1 372
Real GDP growth (%)	3.0	3.5	4.6	5.3	6.2	6.5	7.5
Coffee production ('000 Tonnes)	360.1	414.0	337.8	366.8	381.0	413.1	416.5
Central Government Operations							
Budget balance (excl. Grants) / GDP (%)	-8.0	-10.8	-8.1	-8.1	-5.3	-7.0	-5.3
Budget balance (incl. Grants) / GDP (%)	-7.1	-9.5	-7.4	-7.4	-4.5	-5.7	-4.2
Domestic debt / GDP (%)	13.1	17.2	18.8	18.7	18.1	20.3	22.2
External debt / GDP (%)	27.9	29.7	29.6	28.2	29.3	27.4	27.3
Balance Of Payments							
Exports of goods and services (USD bn)	5.6	6.2	6.1	9.1	10.7	11.9	13.4
Imports of goods and services (USD bn)	-10.2	-10.6	-11.1	-13.9	-15.9	-18.8	-19.4
Trade balance (USD bn)	-4.6	-4.4	-5.0	-4.8	-5.2	-7.0	-6.0
Current account (USD bn)	-3.6	-3.6	-4.1	-3.8	-4.2	-5.9	-4.9
- % of GDP	-9.3	-8.4	-8.9	-7.7	-7.7	-9.9	-7.3
Financial account (USD bn)	-3.5	-3.5	-4.0	-3.8	-3.3	-4.3	-4.4
- FDI (USD bn)	1.2	1.6	3.0	3.0	3.2	3.7	4
Basic balance / GDP (%)	-6.2	-4.6	-2.4	-1.6	-1.8	-3.7	-1.3
FX reserves (USD bn) pe	3.8	4.3	3.6	3.7	3.5	2.8	3.9
- Import cover (months) pe	3.9	4.6	4.1	3.5	2.6	1.8	2.4
Sovereign Credit Rating							
S&P	B	B	B	B-	B-	B-	B-
Moody's	B2	B2	B2	B2	B3	B3	B3
Fitch	B+	B+	B+	B+	B	B	B
Monetary & Financial Indicators							
Consumer inflation (%) pa	2.8	2.3	7.2	5.4	3.3	4.1	3.6
Consumer inflation (%) pe	2.5	2.9	10.2	2.6	3.3	4.4	3.4
M3 money supply (% y/y) pa	19.8	9.2	6.9	8.3	9.7	7.6	8.2
M3 money supply (% y/y) pe	17.1	5.1	7.5	10.9	7.6	7.8	8.6
BOU policy rate (%) pa	7.5	6.6	8.3	9.8	10.0	9.3	8.1
BOU policy rate (%) pe	7.0	6.5	10.0	9.5	9.8	9.0	8.0
3-m rate (%) pe	8.5	6.5	11.0	10.0	10.4	12.8	12.0
1-y rate (%) pe	14.0	10.4	12.5	12.8	13.0	16.0	15.0
2-y rate (%) pe	16	10.7	13.3	13.1	14.2	16.3	15.2
5-y rate (%) pe	16.5	13.9	15.0	14.80	15.3	16.5	15.3
USD/UGX pa	3593	3462	3580	3737	3759	3761	3743
USD/UGX pe	3650	3544	3716	3780	3679	3700	3758

Source: Bank of Uganda; Uganda Bureau of Statistics; Ministry of Finance; Bloomberg; Standard Bank Research
Notes: pa - period average; pe - period end

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Zambia: hopeful of a recovery – but downside risks dominate

Medium-term outlook: base effects positive for 2025

Positively, real GDP growth in Q3:24 was 2.5% y/y, exceeding our (revised) projection of 1.0% y/y. We now therefore increase our 2024 growth estimate to 2.2% y/y. The largest contributing sectors to growth in the 9-m to Sep 24 were telecommunications (+11.8% y/y) and construction (+7.9% y/y). The largest detractors were agriculture (-15.8% y/y) and electricity generation (-25.8% y/y).

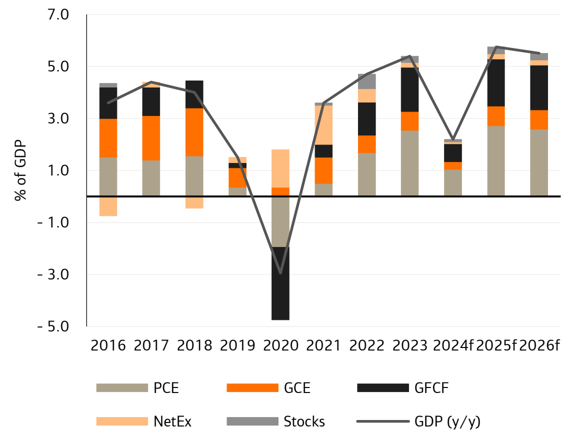
We anticipate a further uptick, to 5.75% y/y in 2025, driven by momentum from 2024 growth drivers, a partial rebound in electricity generation and agriculture, renewed activity in wholesale and retail trade, and an accelerated expansion in mining output. Construction will remain a major growth area, underpinned by PPP-funded investment in roadworks, feeder roads, and social infrastructure.

For mining, we estimate 2024 production of 729k MT, up 4.4% y/y, which we view as feasible given Q3:24 production run-rates disclosed by publicly listed operators. We estimate that copper export volumes rose by 11k MT, to 790k MT, up 1.4% y/y in 2024. For 2025, based on forward production guidance of listed miners, we forecast a 10.3% y/y increase in copper production of 75k MT, with the main drivers being Vedanta and IRH ramping up operations at Konkola and Mopani Copper Mines. We forecast similar growth in exports. However, the risk remains to the downside due to the unclear outlook for electricity production.

We expect a moderate improvement in electricity generation in 2025 and 2026, driven by back-to-back normal rainy seasons, thermal coal investment, a gradual shift toward cost-reflective tariffs, and commitment to open access that should encourage new Independent Power Producer (IPP) investment, particularly in large-scale solar projects, which the World Bank cites as the most cost-effective power source and an ideal complement to Zambia's predominantly hydropower-based mix.

December 2024 weather forecasts initially implied below-average rainfall. Despite the season starting later than forecast, early indicators in 2025 imply that if current patterns persisted, conditions could reach at least average levels. Given how early it is, no formal estimates of the harvest have been released. Our base case sees a harvest of c.2.5m tonnes in the 2024/2025 season – an improvement from the estimate of 1.5m tonnes in 2023/2024, yet still below 3.2m tonnes in 2022/2023. Because last year's drought created a low base, agriculture need not rebound fully to prior norms to meaningfully boost GDP. We estimate this partial recovery in agriculture to add c.2.5% y/y to overall growth in 2025, with a return to likely normal harvests in 2026 contributing c.1.5% y/y.

Composition of GDP growth by expenditure



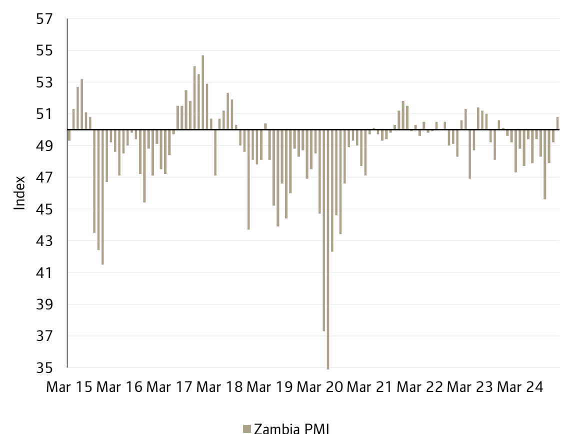
Source: Zambia Statistics; Standard Bank Research

Contribution to GDP by sector

	2014	2019	2023
Wholesale and retail trade	23.38	21.76	19.84
Transportation and storage	3.85	9.02	12.08
Mining and quarrying	15.70	15.36	14.65
Construction	9.57	11.89	13.17
Manufacturing	7.32	7.35	8.85
Financial and insurance	3.37	7.68	7.64
Public administration and defence	4.74	4.60	5.19
Information and communication	2.46	2.76	2.87
Agriculture, forestry, and fishing	7.27	3.10	2.98
Education	8.40	4.02	3.18
Real estate activities	4.41	4.00	2.56

Source: Zambia Statistics Agency

Stanbic Zambia PMI



Source: IHS Markit; Bloomberg

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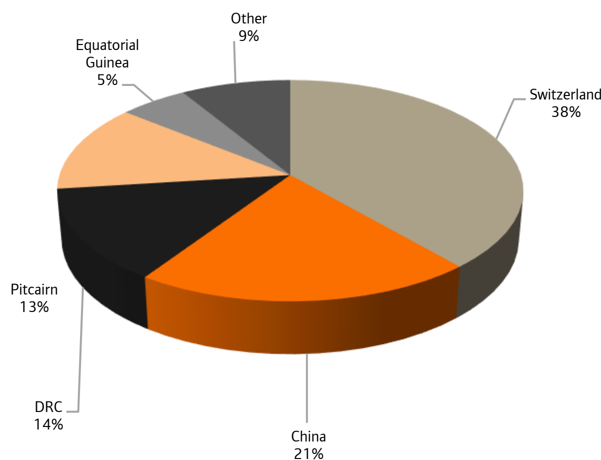
Medium-term economic growth forecasts

	Q1:25	Q2:25	Q3:25	Q4:25	Q1:26	Q2:26	Q3:26	Q4:26	Q1:27	Q2:27	Q3:27	Q4:27	Q1:28	Q2:28	Q3:28	Q4:28
GDP (% y/y) pa	5.5	5.7	5.9	6.0	5.2	5.4	5.6	5.7	4.3	4.4	4.6	4.7	3.8	3.9	4.1	4.2
CPI (% y/y) pe	16.6	15.6	14.7	13.7	12.7	11.6	10.6	9.5	9.4	9.3	9.1	9.0	8.8	8.5	8.2	8.0
BOZ policy rate (%) pe	14.50	14.50	14.50	14.50	13.00	13.00	11.50	11.50	10.00	10.00	9.50	9.50	9.00	8.50	8.00	8.00
3-m rate (%) pe	10.7	11.0	11.0	11.0	11.0	10.2	10.2	9.5	9.5	8.7	8.7	8.5	8.5	8.2	8.0	7.7
6-m rate (%) pe	10.6	10.9	11.1	11.1	11.1	10.3	10.3	9.6	9.6	8.8	8.8	8.6	8.6	8.3	8.1	7.8
USD/ZMW	27.54-28.67	28.05-29.20	28.56-29.72	29.07-30.25	29.37-30.57	29.67-30.88	29.98-31.20	30.28-31.51	29.92-31.14	29.56-30.76	29.20-30.39	28.84-30.01	28.49-29.66	28.15-29.30	27.81-28.94	27.46-28.59

Source: Bank of Zambia; Zambia Statistics Agency; Bloomberg; Standard Bank Research; Ministry of Finance and National Planning

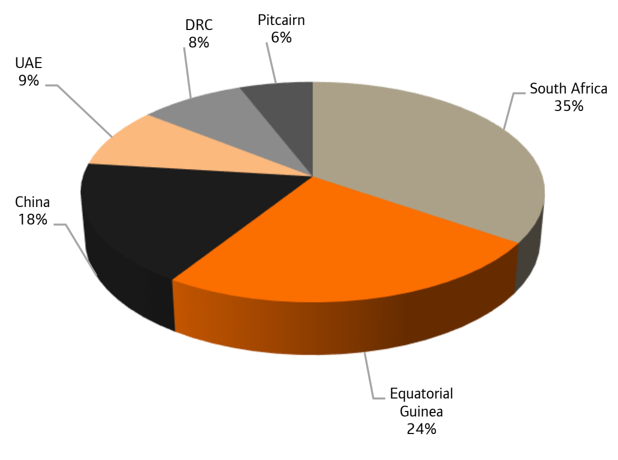
Notes: pa - period average; pe - period end

Share in Zambia's exports (%)



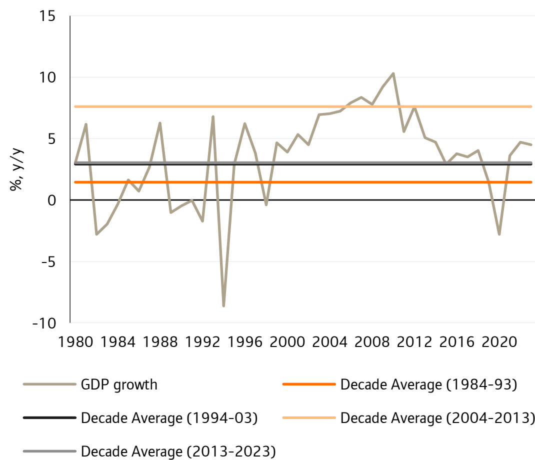
Source: ITC

Share in Zambia's imports (%)



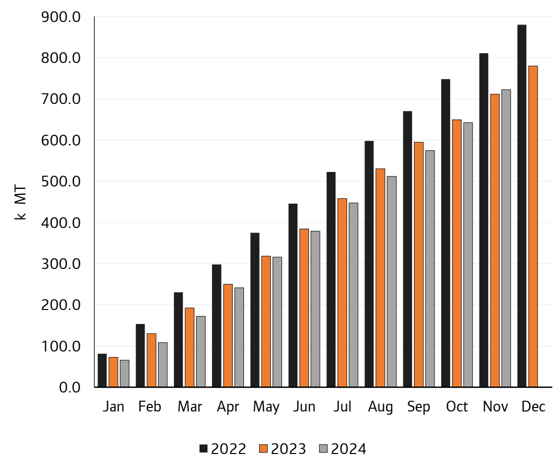
Source: ITC

Long-term GDP performance



Source: World Bank; Standard Bank Research

Cumulative export volumes of refined copper



Source: Zambia Statistics Agency

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Balance of payments: 2024 deficit to switch to a surplus in 2025

We upgrade our 2024 current account (C/A) forecast from a deficit of 1.9% of GDP to a deficit of 0.6% of GDP due to a better-than-expected goods trade account balance in H1:24, driven by rising copper prices and growth in non-traditional exports, which has led to a small C/A surplus of USD88m.

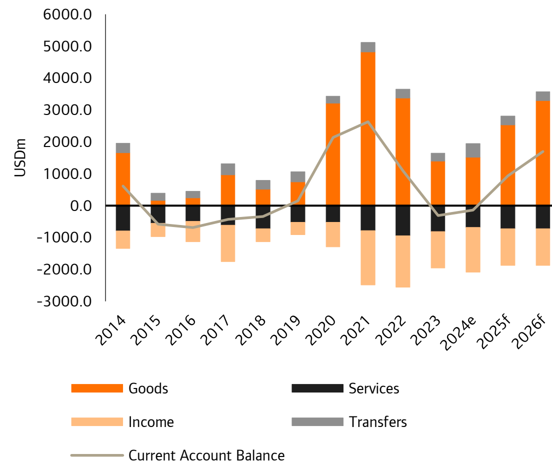
We expect a C/A deficit of USD230m in H2:24 due to higher petroleum and drought-related emergency food and electricity imports likely eroding H1:24 momentum. We reduce our 2024 copper export forecasts from 838.1kMT to 790kMT, then rising to 869kMT in 2025 and improving the C/A to +3.4% of GDP.

In H1:24, the capital account had an accounting inflow of USD1.3bn due to debt write-downs to the sovereign as part of external debt restructuring progress made last year. Despite a 6.8% y/y increase in foreign direct investment (FDI) into the mining sector, the financial account deficit increased in H1:24, by USD416.3m, due to “other” investment outflows, including large profit repatriations and related-party transactions. These will remain a persistent risk to external stability in 2025 and 2026.

We expect positive mining FDI inflows to continue in 2025 and 2026. The current pipeline of high-profile mining projects includes First Quantum Minerals’ Kansanshi S3 expansion which aims to take annual output to 240kMT by 2027 from 171kMT in 2024, while Barrick Lumwana’s plan targets 240kMT from its current 135kMT. In addition, Mopani Copper Mines, now owned by International Resource Holdings (IRH), plans to ramp up production from roughly 60kMT to 225kMT p.a. due to an investment of USD1.1bn, and Konkola Copper Mines (KCM) plans to restore production from 70kMT to 300kMT p.a. with an investment of USD1bn over the next 4-y.

We expect FX reserves to rise to USD5bn in 2025 as the Bank of Zambia limits FX market interventions for the remainder of the current IMF programme.

Current account developments



Source: Bank of Zambia; Standard Bank Research

Gross FX reserves

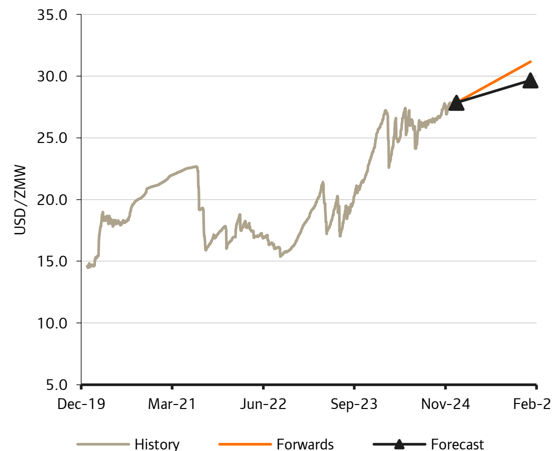
Source: Bank of Zambia; Standard Bank Research

FX outlook: lower volatility, gradual weakness

The kwacha depreciated by 10% y/y against the USD in 2024. Annualized daily volatility was very high in the first 8-m, averaging 23%. Heavy interventions (USD100m monthly average sales between Jan and Aug 24) declined to USD31m a month in Q3:24. Notably, lower intervention coincided with more stability and accelerated weakening. Daily volatility fell to 7% and the currency depreciated by 4% in Q4:24, compared to 2% on average in the previous quarters.

We expect continued controlled depreciation, with strategic rather than frequent central bank intervention. Our 2025 forecast projects a 7% y/y weaker kwacha by year-end. While the currency appears undervalued on a real effective exchange rate basis and trade fundamentals are improving, persistent excess liquidity in both the financial and real economy will likely maintain downward pressure on the currency.

USD/ZMW: forwards versus forecasts



Source: Bloomberg; Standard Bank Research

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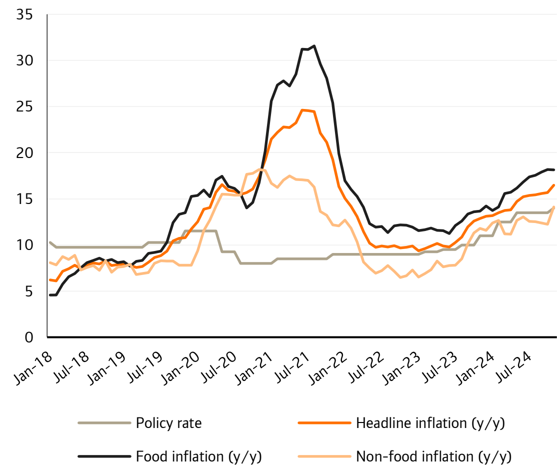
Monetary policy: sticky inflation to prompt a rate hike in H1:25

We forecast inflation to average 15.4% y/y in 2025, ending the year at 13.7% y/y. This compares with a 15.0% y/y average and 16.7% y/y year end inflation for 2024. We have revised upwards our 2025 average and year-end forecasts from 12.4% y/y and 10.3% y/y, respectively. This is to account for the second-round inflationary effects from the Q4:24 inflation spike, which was driven by emergency electricity tariff hikes and a weakening kwacha. These factors may prolong inflationary pressure in H1:25. However, in H2:25, the inflation outlook should improve as a better agricultural crop exerts deflationary pressure on food prices, aided by base effects. Consequently, we expect year-end inflation to moderate to 13.7% y/y despite a likely persistently high average over the course of the year.

Bank of Zambia's (BOZ) policy stance was hawkish in Q1:24 when it raised rates by 150 bps, increased the statutory reserve ratio (SRR) to 26%, and engineered a 978 bps rise in interbank overnight rates. This drained liquidity from the system, reducing commercial bank demand at treasury primary auctions, as evidenced by average bid-to-offer ratios of 0.73 across bonds and treasury bills in H1:24.

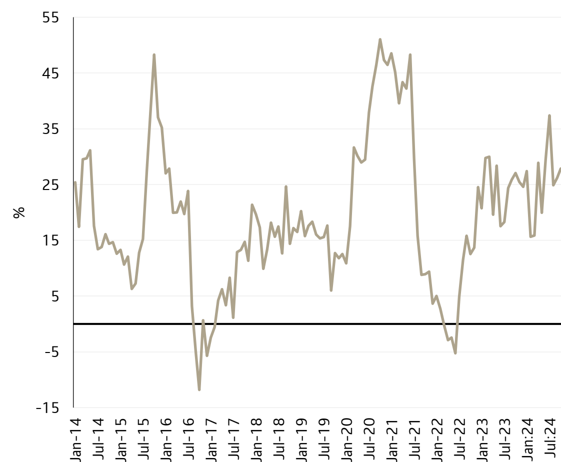
However, policy loosened between May 24 and Oct 24, with rates kept on hold, overnight rates allowed to drop 728 bps, and commercial bank liquidity allowed to build up despite a 190 bps acceleration in inflation over that period. This coincided with the Ministry of Finance's expanded domestic borrowing needs (from ZMW16.3bn to ZMW22.3bn) and the introduction of a "liability management operation" which allowed banks to use statutory reserves to purchase bonds, with the proceeds likely used to settle more expensive domestic legacy arrears. Ample system liquidity created a tailwind to demand for government paper, as evidenced by average bid-to-offer ratios of 1.19 across bonds and Treasury bills in H2:24. In H1:25, the BOZ's focus on inflation may increase at the margin, leading to a 50 bps hike, after the 50 bps increase in Nov 24.

Inflation and interest rates



Source: Bank of Zambia; Zambia Statistics Agency

Money supply growth



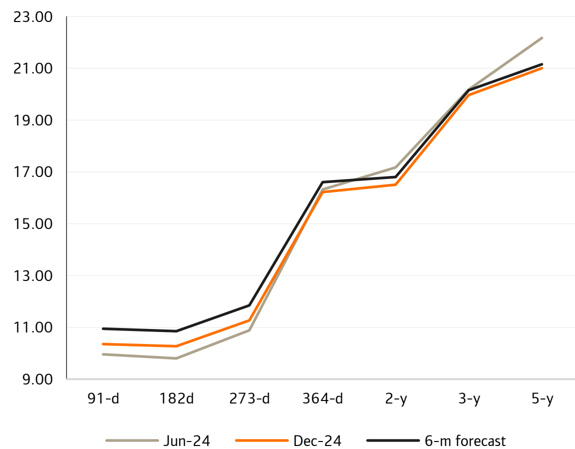
Source: Bank of Zambia; Standard Bank Research

Yield curve outlook: bear-flattening in H1:25

Our Jun AMR steepening call did not play out due to looser-than-expected monetary policy which facilitated excess liquidity in the banking industry and excess demand for government paper. This triggered a bull-flattening of the curve in H2:24. Government's 2025 annual borrowing plan targets ZMW15.4bn in net domestic financing. ZMW60bn of maturities implies a roll-over ratio of 26% of outstanding domestic debt and a gross domestic supply of government paper of ZMW85.4bn. Banking system liquidity remains ample, with ZMW25bn in combined statutory reserves and current account balances at BOZ as of Dec 24.

While we expect the BOZ to hike rates by 50 bps in Q1:24, liquidity conditions may remain high given the refinancing needs and the fiscal dominance observed in monetary policy in H2:24. This should drive a bear-flattening as front-end rates reprice towards the MPR, while bank liquidity anchors the long end.

Changes in the yield curve



Source: Bank of Zambia; Standard Bank Research

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Fiscal policy: consolidation back on track

The 2025 budget projects a 23.1% y/y increase in revenue and grants, from ZMW148.1bn in 2024, to ZMW182.4bn in 2025 (22.3% of GDP). Such growth may be driven primarily by tax revenue which may rise 24.2% y/y, representing an increase of ZMW30.4bn, and with substantial contributions from import VAT and mineral royalties. Interestingly, mining corporate tax revenue is projected to decline by 27.5% y/y in 2025 due to the government implementing policies to make Zambia's mining sector more attractive. This may include tax incentives or reductions and a greater focus on royalties. The Zambian Ministry of Finance has acknowledged that Zambia's mining tax rates remain high, compared to other countries, and highlighted its intention to create a more competitive environment for mining investment.

The 2025 budget proposes total expenditure of ZMW217.1bn, representing 26.6% of GDP, compared to ZMW198.9bn (25.2% of GDP) expected in 2024. The resumption of commercial external debt servicing, and social protection in the form of drought relief related social cash transfers and food security grants, account for 42% of the increase in planned expenditure, compared to the 2024 original budget. Investment in education and domestic debt servicing make up 22% of this increase.

The 2025 budget proposes total financing of ZMW34.7bn split between domestic borrowing of ZMW15.4bn, representing 1.9% of GDP and foreign borrowing of ZMW19.4bn, 2.4% of GDP. Foreign borrowing will remain mostly concessional, with IMF programme loans amounting to ZMW8.1bn and development project loans of ZMW11.3bn.

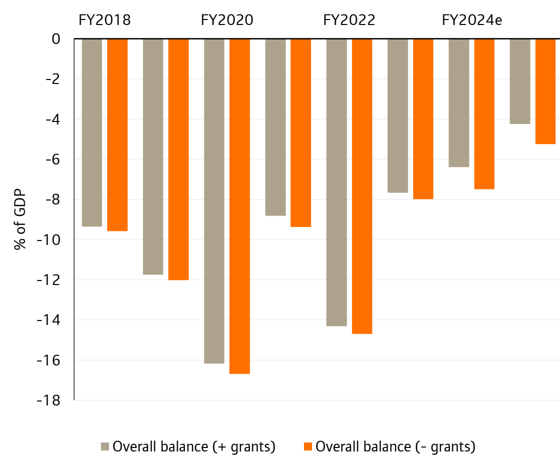
Zambia made progress in its debt restructuring in Q4:24, executing agreements with Paramount and Huawei Technologies, and Agreements in Principle with ICBC and CDB (USD1.5bn) that have passed IMF compatibility tests. Preliminary agreements with Nedbank and ZTE Technologies await final execution.

Central government budget

% of GDP	FY2023	FY2024e	FY2025f
Total revenue and grants	21.3	18.8	22.3
Total exp. (- amort)	-28.9	25.2	-26.5
- Interest	6.7	6.2	5.4
- Salaries	8.7	8.3	7.2
Overall balance (+grants)	-7.7	-6.4	-4.2
Overall balance (-grants)	-8.0	-7.5	-5.2
Net domestic borrowing	2.9	2.8	1.9
Net external borrowing	4.7	3.6	2.4
Donor support (grants)	0.3	1.1	1.0
Domestic debt service	5.7	5.1	4.6
Ext. debt service	3.4	0.9	2.0

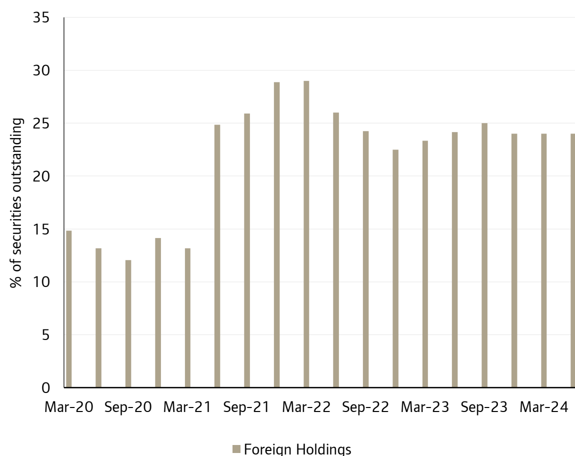
Source: Ministry of Finance and National Planning

Fiscal deficit



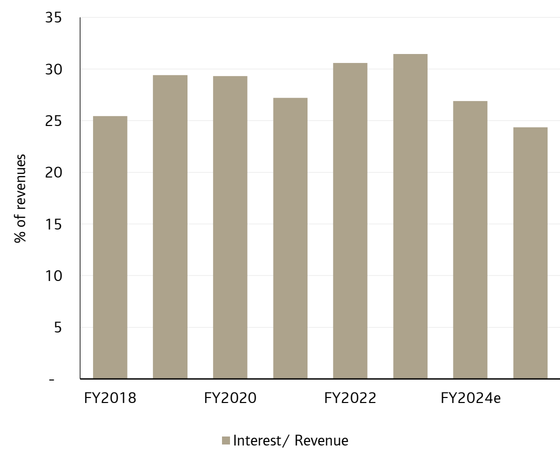
Source: Ministry of Finance and National Planning; Standard Bank Research

Foreign holdings of domestic debt



Source: Bank of Zambia; Standard Bank Research

Interest payments



Source: Ministry of Finance and National Planning; Standard Bank Research

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Annual indicators

	2020	2021	2022	2023	2024e	2025f	2026f
Output							
Population (million)	18.4	19.5	20.0	20.6	21.3	21.9	22.5
Nominal GDP (ZMW m)	332 223	443 362	493 964	557 406	654 853	799 191	939 660
Nominal GDP (USD bn)	18.1	21.6	28.7	27.6	25.0	27.7	30.9
GDP / capita (USD)	983	1 108	1 437	1 338	1 174	1 263	1 371
Real GDP growth (%)	-2.80	3.60	4.24	5.40	2.20	5.75	5.50
Copper production ('000 tons)	931	903	880	779	790	869	956
Central Government Operations							
Budget balance / GDP (%)	-16.2	-8.8	-14.6	-7.7	-6.4	-4.2	n/a
Domestic debt / GDP (%)	39.2	43.1	41.3	39.5	34.4	30.1	n/a
External debt / GDP (%)	87.5	65.3	48.7	51.5	59.9	54.2	n/a
Balance of Payments							
Exports of goods and services (USD bn)	8.6	11.7	12.4	11.5	11.5	12.1	13.4
Imports of goods and services (USD bn)	5.8	7.7	10.0	10.9	10.7	10.3	10.8
Trade balance (USD bn)	2.7	4.0	2.4	0.6	0.8	1.8	2.6
Current account (USD bn)	2.2	2.6	1.1	-0.3	-0.1	0.9	1.7
- % of GDP	12.0	12.2	3.7	-1.1	-0.6	3.4	5.5
Financial account (USD bn)	-2.4	-2.1	-2.9	-0.7	-2.4	-1.0	-1.1
- FDI (USD bn)	0.3	-0.6	-0.3	-0.1	0.2	1.0	1.5
Basic balance / GDP (%)	0.4	-1.5	-1.8	-1.0	-2.6	-0.1	0.6
FX reserves (USD bn) pe	1.2	2.8	3.0	3.3	4.1	5.0	5.6
- Import cover (months) pe	2.5	4.3	3.6	3.6	4.7	5.8	6.2
Sovereign Credit Rating							
S&P	SD	SD	SD	SD	SD	C	CCC-
Moody's	Ca	Ca	Ca	Ca	Caa2	Caa2	Caa2
Fitch	SD	SD	SD	SD	CCC+	CCC+	CCC+
Monetary & Financial Indicators							
Consumer inflation (%) pa	15.7	22.1	11.1	10.9	15.0	15.4	11.4
Consumer inflation (%) pe	19.2	16.4	9.9	13.1	16.7	13.7	9.5
M3 money supply (% y/y) pa	34.9	28.6	6.2	24.3	25.3	22.0	17.6
M3 money supply (% y/y) pe	46.4	3.7	24.5	24.6	27.8	20.0	17.0
Policy interest rate (%) pa	9.7	8.5	9.0	9.8	13.4	14.5	12.3
Policy interest rate (%) pe	8.0	9.0	9.0	11.0	14.0	14.5	11.5
1-y rate (%) pe	25.8	9.5	15.0	15.5	16.2	16.6	17.0
5-y rate (%) pe	33.0	21.8	28.0	22.5	21.0	21.2	21.5
USD/ZMW pa	18.4	19.6	17.2	20.2	26.2	28.9	30.4
USD/ZMW pe	21.2	16.7	18.1	25.7	27.6	29.7	30.9

Source: Bank of Zambia; Zambia Statistics Agency; Bloomberg; Standard Bank Research; Ministry of Finance and National Planning

Notes: pa - period average; pe - period end

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Glossary

For brevity, we frequently use acronyms that refer to specific institutions or economic concepts. For reference, below we spell out these and provide definitions of some economic concepts that they represent.

14-d	14-day, as in 14-d deposit, which denotes 14 day deposit
10-y	10-year
16 Jan 24	16 January 2024
3-m	3 months
3m	3 million, as in USD3m, which denotes 3 million US dollars
3bn	3 billion, as in UGX3bn, which denotes 3 billion Ugandan shillings
3tr	3 trillion, as in TZS3.0tr, which denotes 3 trillion Tanzanian shillings
AOA	Angola Kwanza
BAM	Bank Al Maghrib
BCC	Banque Central du Congo (Central Bank of Congo)
BCEAO	Banque Central des États de L'Afrique de l'Ouest (Central Bank of West African States)
BCT	Banque Central de Tunisie
BM	Banco de Moçambique
BNA	Banco Nacional de Angola
BOB	Bank of Botswana
BOG	Bank of Ghana
BOM	Bank of Mauritius
BON	Bank of Namibia
BOP	Balance of payments – a summary position of a country's financial transactions with the rest of the world. It encompasses all international transactions in goods, services, income, transfers, financial claims and liabilities.
BOT	Bank of Tanzania
BOU	Bank of Uganda
BOZ	Bank of Zambia
BR	Bank Rate (Reserve Bank of Malawi)
BRVM	Bourse Régionale des Valeurs Mobilières (Regional Securities Exchange)
BWP	Botswana Pula

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C/A	Current account balance. This is the sum of the visible trade balance and the net invisible balance of a country. The latter includes net service, income and transfer payments.
Capital account	Captures the net change in investment and asset ownership for a nation by netting out a country's inflow and outflow of public and private international investment.
CBE	Central Bank of Egypt
CBK	Central Bank of Kenya
CBR	Central Bank Rate
CDF	Congolese Franc
CPI	Consumer Price Index – An index that captures the average price of a basket of goods and services representative of the consumption expenditure of households within an economy.
Discount rate	Policy rate for Bank of Uganda
Disinflation	A decline in the rate of inflation. Here prices are still rising but with a slower momentum.
Disposable income	After tax income
DM	Developed markets
ECB	European Central Bank
ECF	Extended Credit Facility is an IMF facility. It assists PRGT-eligible countries with a protracted balance of payments problem to implement economic programs that make significant progress toward a stable and sustainable macroeconomic position consistent with strong and durable poverty reduction and growth.
EFF	Extended Fund Facility is an IMF facility. It provides assistance to countries experiencing serious payment imbalances because of structural impediments or slow growth and an inherently weak balance-of-payments position
EGP	Egyptian pound
EM	Emerging markets
ETB	Ethiopian Birr
Eurobond	A bond denominated in a currency other than the home currency of the issuer.
Exports	The monetary value of all goods and services produced in a country but consumed broad.
FMDQ	FMDQ OTC Securities Exchange, Nigeria
FX	Foreign Exchange
FY2024/25	2024/25 fiscal year
GCE	Government Consumption Expenditure - Government outlays on goods and services that are used for the direct satisfaction of the needs of individuals or groups within the community. This would normally include all non-capital government spending.
GDE	Gross domestic expenditure, the market value of all goods and services consumed in a country – both private and public – including imports but excluding exports. This is measured over a period of time – usually a quarter/year.

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GFCF	Gross Fixed Capital Formation – this is investment spending, the addition to capital stock such as equipment, transportation assets, electricity infrastructure, etc to replace the existing stock of productive capital that is used in the production of goods and services in a given period of time, usually a year/quarter. Normally, the higher the rate of capital, the faster an economy can grow.
GDP	Gross Domestic Product – the monetary value of all finished goods and services produced in a country in a specific period, usually a year/quarter.
GHS	Ghanaian Cedi
H1:24	First half of 2024
Imports	The monetary value of goods and services produced abroad and consumed locally.
Inflation	The rate at which the general level of prices of goods and services are rising. It is usually measured as the percentage change in the consumer price index over a specific period, usually a month/year.
Invisible trade balance	The value of exports of services, income and transfers, less imports of same.
Jan 24	January 2024
KBRR	Kenya Bankers' Reference Rate
KES	Kenya Shilling
KR	Key Rate (Bank Al Maghrib)
KRR	Key Repo Rate
m/m	Month on month, in reference to a rate of change
MAD	Moroccan Dirham
MLF	Marginal Lending Facility
MOF	Ministry of Finance
MPC	Monetary Policy Committee, the committee that makes the decision on policy rates
MPR	Monetary Policy Rate
MUR	Mauritian Rupee
MWK	Malawian Kwacha
MZN	Mozambican Metical
NAD	Namibian Dollar
NBE	National Bank of Ethiopia
NBR	National Bank of Rwanda
NEER	Nominal Effective Exchange Rate. This is the weighted average rate at which a country's currency exchanges for a basket of currencies, usually trading partner currencies. It is measured in index format.

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NGN	Nigerian Naira
Nominal GDP	The monetary value of all finished goods and services produced in a country in a specific period, usually a year/quarter, measured in current prices.
NPL	Non-Performing Loans
Parity	Refers to the par or nominal value of a debt instrument. This is usually the price at which the said instrument is redeemed on maturity.
PCE or HCE	Personal or Household Consumption Expenditure: The monetary value of household purchases of durable goods, non-durable goods, semi durables and services within a given period of time, usually a year/quarter.
PR	Policy Rate
Prime rate	key lending rate
q/q	quarter on quarter, in reference to a rate of change
Q1:24	First quarter of 2024
RBM	Reserve Bank of Malawi
Real GDP	The monetary value of all finished goods and services produced in a country in a specific period, usually a year/quarter, measured in constant prices.
REER	Real Effective Exchange Rate. This is the weighted average rate at which a country's currency exchanges for a basket of currencies - usually trading partner currencies – while taking into account any changes in relative prices between the host country and its trading partners. It is often measured in index format.
RSF	Resilience and Sustainability Facility is an IMF facility. It provides longer-term financing to strengthen economic resilience and sustainability by (i) supporting policy reforms that reduce macro-critical risks associated with climate change and pandemic preparedness, and (ii) augmenting policy space and financial buffers to mitigate the risks arising from such longer-term structural challenges
RWF	Rwandan Frank
SARB	South African Reserve Bank
SDF	Standing Deposit Facility (Mozambique)
SLF	Standing Lending Facility (Mozambique)
T-bill	Treasury bill – A short-dated, government backed security that yields no interest but is issued at a discount over a period of less than one year.
TND	Tunisian Dinar
Treasury bond	A marketable government debt security with a maturity of a year or longer
TZS	Tanzanian Shilling
UGX	Uganda Shilling
USD	US Dollar
VAT	Value Added Tax

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Visible trade balance	The value of exports of visible goods less imports.
WAEMU	West African Economic and Monetary Union, also known as Union Economique et Monetaire Ouest Africaine (UEMOA)
XAF	Central African Franc
XOF	West African Franc
y/y	Year on year, in reference to a rate of change
Yield	The return on an investment, usually expressed as a percentage over a period of time, usually a year.
YTD	Year to date
ZAR	South African Rand
ZMW	Zambian Kwacha

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4 All Personal Information which the Client provides to SBR is voluntarily provided;

5 SBR shall determine the Services and means of Processing any Personal Information that is provided by the Client;

6 Personal Information may be processed by SBR and/ or, The Standard Bank of South Africa Limited and/or its associated entities or duly authorised third-party service providers.

7 The Client consents to SBR processing its Personal Information in order to:

7.1 create and administer the Client's profile as contemplated by regulation;

7.2 carry out statistical and other analysis to identify potential markets and trends;

7.3 develop new products and services; and/or

7.4 any other purpose SBR reasonably believe is required to fulfil its obligations in accordance with regulation or this agreement.

8 The Client has consented to the Processing of its Personal Information for the purpose of clause 7 above.

9 The Client hereby expressly consents that SBR may disclose to or share its Personal Information with duly authorised third parties, which may be located in the Republic of South Africa or other jurisdictions, where it is necessary in order for SBR to fulfil its obligations in accordance with the regulation and/or this agreement.

10 SBR will require any third-party service providers to whom the Client's Personal Information is provided to agree to SBR' data privacy principles policy and practices in accordance with the prevailing regulations including data privacy laws.

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