AFRICA QUARTERLY

May 2025

In partnership with FNB

Contents

For important disclosures, refer to the Disclosure Section located at the end of this report.

Global backdrop

Manqoba Madinane and Samantha Singh-Jami

Global growth is expected to perform more poorly than we had anticipated earlier in the year, mainly due to higher-than-expected United States (US) tariffs weighing on global trade flows and momentum. Meanwhile, the US-China trade tensions adds further uncertainty to the outlook. Downside risks to global growth outlook are concentrated in the US and China – the world's two largest economies. Although US growth exceptionalism has diminished — partly because front-loading of imports arithmetically contributed to a contraction in US growth in the first quarter — real economic activity indicators still suggest resilience in the US economy, somewhat mitigating the drag on global growth from trade policy uncertainty.

Furthermore, while macroeconomic data still shows scant evidence of a reflationary impulse from higher tariffs, elevated inflation levels constrain the Fed from cutting interest rates as swiftly as we had previously anticipated. Moreover, risks to the near-term inflation outlook remain skewed to the upside, given the underlying resilience in US economic activity, while potential tax cuts could yet rekindle reflationary pressures. In response, Fed funds futures have repriced to reflect a market view that anticipates steady interest rates through the first half of the year. This view aligns with our core macroeconomic outlook, posing risks of US stagflation as prolonged high interest rates incrementally weigh on economic activity.

The plethora of industrial and fiscal policy adjustments being introduced by the Trump administration adds uncertainty to the outlook. Although tax cuts and energy reforms aim to boost economic activity, structural constraints — such as depleted post-pandemic household savings and high corporate and federal debt — could still lead to a hard landing, given that interest rates appear set to remain restrictive. The US trade and immigration policies, which could precipitate renewed wage inflationary pressures, are likely to remain in the spotlight throughout the year. While the recent de-escalatory trajectory in the US trade impasse with other major economies is encouraging, the risk of a global trade war remains fluid given President Trump's 90-day recess period which ends on 9 July. US President Trump's position is to impose reciprocal tariffs, reverting to the measures announced on 2 April for all countries that fail to reach new agreements with the US — risking a retaliatory response from these economies.

To reflect the uncertainty surrounding the growth outlook, we present a downside scenario in which US growth slows sharply from a revised baseline forecast of 1.5% this year to 0.0%. Such a scenario could materialise if tariffs are increased again, which is plausible should the currently paused reciprocal tariff regime be reinstated after the 90-day recess. The immediate implications would include a detrimental impact on global market risk sentiment, which would weigh on global growth.

In China, a deepening deflationary impulse—reflecting the ongoing malaise caused by entrenched weak economic confidence — combined with risks to export volume growth from elevated US tariffs, weighs on the country's growth outlook. A mitigating factor for China is its relatively low export dependency on the US, which limits the potential shock from the imposition of extensive US import duties. The de-escalatory environment has seen US reciprocal tariffs on Chinese goods reduced from an initial 145% to 30%. China's continued joint fiscal and monetary policy activism is also helping to contain steep downside risks.

Geopolitical shocks, such as the ongoing Russia–Ukraine conflict and persistent hostilities between Israel and Palestine, have significantly disrupted global economic momentum. These tensions have led to supply chain disruptions, elevated commodity prices, and, in some cases, increased systemic financial risks. Encouragingly, a recent de-escalation — with a ceasefire implemented in the Middle East and the US applying pressure on Russia and Ukraine to end their military conflict — offers some reprieve for the global economic outlook.

Nonetheless, we are monitoring several global risks, including fiscal challenges in France that could affect European markets, and the unsustainable trajectory of US debt and deficits. For the US, this has resulted in Moody's downgrading the sovereign's credit rating from a triple-A status to align with similar actions taken by S&P and Fitch.

We expect persistent geo-economic uncertainty to continue driving inflows into safe-haven assets, although the US dollar is increasingly being excluded from this trend due to rising fiscal risks and economic uncertainty. Furthermore, growing US fiscal concerns have pushed up US Treasury yields, with adverse implications for global capital markets. However, a weakening bias in the US dollar has positive implications for high-beta emerging market currencies and commodities.

Global growth

The IMF's revised World Economic Outlook (22 April) forecasts global growth at 2.7% for 2025, down from 3.3% in January. Downside risks dominate, with growth potentially falling below 1% if trade tensions, tighter financial conditions, and global uncertainty persist.

Tariff-related uncertainty has already likely harmed many economies, primarily through weakened confidence. Economic data in the coming months may appear bleak, with some countries potentially entering recession by 2Q25. Even if tariffs ease, a technical recession—defined as two consecutive quarters of contraction – remains possible. Business sentiment has been particularly affected.

Policy responses could help cushion the blow. Europe is currently implementing expansionary measures, and markets are hopeful that the US and China will follow, especially during the current 90-day pause in reciprocal tariffs.

We have revised our US growth forecasts down to 1.5% for 2025 from 2.2% previously, though base effects mask underlying weakness, with 2Q25 and 3Q25 growth expected to be minimal. The IMF estimates a 37% chance of a US technical recession this year. We also model a downside scenario where growth falls to 0%.

Uncertainty around US fiscal policy remains high. Tariffs act as a tax on the economy, and unless offset by tax cuts or increased spending, they will be contractionary. While expectations are shifting towards tax cuts, legislative delays could prolong uncertainty.

The eurozone economy showed resilience ahead of the tariff shock, with 1Q25 data outperforming expectations – unlike the US. Coincidentally, fiscal policy is turning highly stimulatory just as tariff hikes begin to take effect. Germany's election outcome has triggered a significant fiscal expansion in Europe's largest economy. Inflationary pressures in the eurozone were already subdued prior to the tariff disruptions and have eased further due to falling oil prices. This has given the European Central Bank (ECB) room to continue cutting interest rates. The ECB has reduced rates by 175bp since the peak of the cycle last year and is priced to cut by a further 50bp this year. As a result, ECB rates remain not only below those of the Federal Reserve but are also declining more rapidly. This divergence continues to act as a major constraint on further EUR/USD upside.

Figure 1: US economic policy uncertainty index

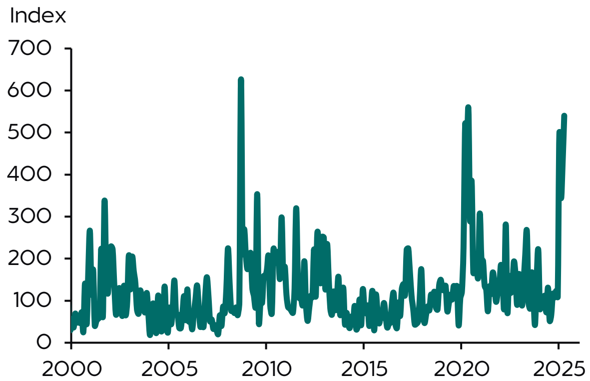
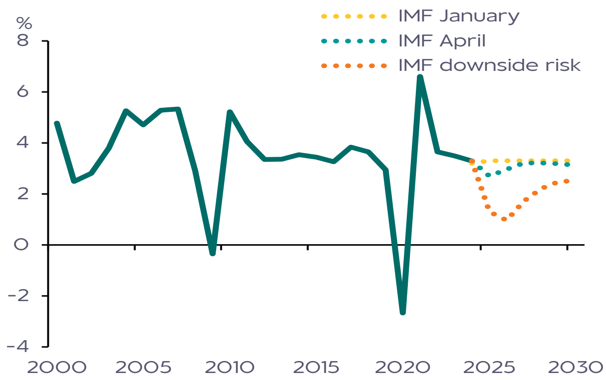


Figure 2: IMF global GDP growth forecasts



Note: The index value spiked to almost 1,000 on 3 April but receded after the pause in reciprocal tariffs was announced.
Source: Bloomberg, RMB Global Markets Research

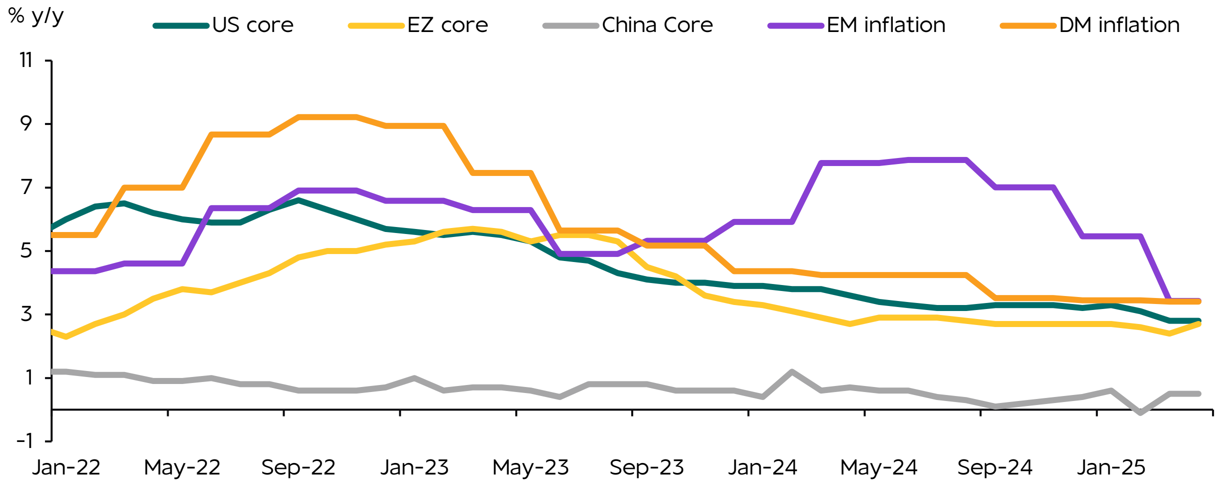
Global inflation and rates

The global disinflationary trend accelerated in 2H24, as inflation moderated in the US and other developed markets. However, uncertainty surrounding global trade policy continues to cloud the outlook. We expect slowing employment and wage growth – particularly in the US – alongside subdued energy inflation, to help return headline inflation in developed markets to long-term targets. Nonetheless, persistent services inflation and rising global maritime freight costs pose risks to the core inflation trajectory, complicating monetary policy decisions. Geopolitical tensions and supply chain disruptions further threaten the disinflationary process, while the inflationary impact of tariffs remains highly uncertain. The IMF projects global inflation to decline to 4.3% y/y (average) in 2025 and 3.6% in 2026, down from an estimated 5.7% in 2024.

Inflation is broadly expected to continue to decline, with the eurozone rate stabilising below target, but the US rate falling to only the 2.5% area. This will allow for continued rate cuts on both sides of the Atlantic. The US Federal Reserve (Fed) is lagging behind other major central banks in easing interest rates, largely due to elevated wage inflation. After delivering 100bp of rate cuts in 2024, we now expect only one further 25bp cut in 2025, as higher US tariffs pose renewed risks to the inflation outlook. Although we project US inflation to average 2.9% y/y this year – remaining above the 2.0% target – wage inflation is expected to have a limited impact on overall inflation dynamics, despite a tight labour market. This should allow the Fed some room for policy accommodation once the inflationary effects of tariffs become clearer.

Risks to this outlook include potential reflationary pressures from tariffs and rising fiscal concerns, which could push up term premia, keeping Treasury yields elevated and increasing financial stress for households and businesses. Despite a range of inflation risks, we expect the disinflationary trend to continue. Falling energy prices have already returned inflation to pre-pandemic levels in several developed and emerging markets. In the UK, headline inflation has also declined towards the 2.0% target, prompting the Bank of England to ease policy. Given the ongoing disinflationary momentum, we expect the ECB to cut rates by a further 75bp in 2025, following 100bp of cuts in 2024.

Figure 3: Disinflation has been varied



Source: Bloomberg, RMB Global Markets Research

Global FX

Global currencies have been shaken by US President Trump's 2 April "Liberation Day" tariffs. The previous narrative of US growth exceptionalism and dollar resilience has now unravelled, giving way to rising concerns over US stagflation.

The VIX volatility index surged from 14 to 60, testing the US dollar's traditional safe-haven appeal under the "dollar smile" theory. However, this theory failed to hold during recent market turbulence, as the dollar struggled to attract haven inflows. The trade-weighted US dollar index (DXY) fell by over 10 percentage points from its cyclical January peak, dropping below 100 amid growing fears of a US recession.

The DXY has now reversed all its late-2024 gains, falling from 110 to around 99 – close to its 10-year average of 98. Further weakness is possible as US economic risks evolve. Fed funds futures have been aggressively repriced, now anticipating a 50bp rate cut in line with the Fed's median dot-plot guidance for this year. We expect continued market pricing for Fed rate cuts, alongside rising inflation risks from higher import tariffs, to compress real dollar yield spreads – placing further downward pressure on the dollar. Additionally, the greenback remains weighed down by a rising sovereign risk premium, exacerbated by Moody's recent downgrade of the US credit rating.

Figure 4: Bullish dollar positioning has waned

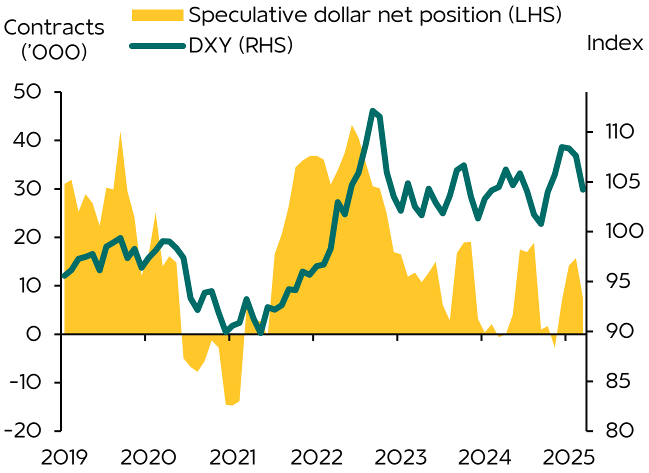
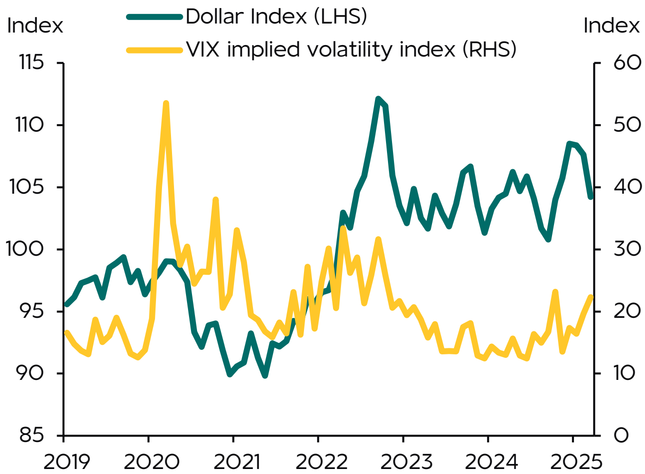


Figure 5: Dollar weakened through market stresses



Source: Bloomberg, RMB Global Markets research

Commodities

Manqoba Madinane

The upturn in global financial markets' volatility reverberated across commodities. This was precipitated by a resurgence of global trade policy risks in the lead up to and aftermath of US President Trump's 2 April import tariffs blitz. The tidal wave of higher-than-anticipated US tariffs effectively curtailed expectations around sustained US growth exceptionalism, instead replacing this narrative with the spectre of a potential economic recession. The cyclical downward shift in near-term global economic growth expectations carries negative implications for both the global economy and demand for industrial commodities.

We believe the current environment calls for continued divergence in performance between precious metals and industrial commodities. Our secular thematic posture for commodities overall, which favours relative precious metals outperformance, has progressed, and we expect this trend to remain intact. Slowing growth is a headwind to global trade volume flows, and increased global economic uncertainty should sustain inflows into haven assets.

Gold remains one of our top commodity picks after emerging as the leading beneficiary of recent cyclical global economic shifts. Its price recently lifted to record levels above US$3,500/oz and looks set to remain well supported above US$3,000/oz for longer. We remain broadly bullish on the prospects for precious metals due to the progressive developments in the gold market. Although gold remains the preferred safe-haven trade, we expect investors to begin diversifying their exposure into other precious metals as gold's comparative relative valuation becomes further stretched. In this regard, depressed platinum group metals' valuation relative to fundamentals suggests upside.

We continue to see platinum group metals (PGMs) as offering a deep value play across commodities, with potential for asymmetric returns as above-ground inventories progressively decline in the second half of the year. Downstream demand for PGMs is benefitting from a developing curtailed global renewable energy transition trend, particularly outside China, tampered by the negative effects of slowing global growth momentum as well as curtailed capital investment appetite after US President Trump instituted an executive order to remove the US from the Paris Agreement, a United Nations global climate accord. This has anchored downstream PGM demand from the global automotive industry and supported overall market balances for PGMs. This will possibly increase the investment appetite of platinum-backed exchange-traded funds (ETFs), which should subsequently translate into higher metal prices.

Global industrial commodities that are already exhibiting structural surpluses are likely to face the greatest downside risks and price volatility from an increasingly uncertain and fluid global economic environment. In particular, we remain wary of exposure to bulk commodities related to the steel value chain that is likely to face headwinds from the long-term curtailment in China's downstream steel output amid steep domestic surpluses and ESG-related constraints. Not only is China's steel industry exhibiting the highest carbon emissions intensity among the country's industries, but steel mill profitability has also been weighed by steep excess to industrial supply driven by a slowdown in domestic aggregate demand and an entrenched real estate sector crisis.

In the industrial commodity complex, we selectively prefer copper exposure. However, volatility in global markets and uncertainty now mean prices could climb back above US$10,000/t later than previously expected. Our outlook for copper is anchored by a steep global refined market deficit, estimated to be 300,000t in 2025 from 500,000t in 2024, driven by the proliferation of AI technologies and associated electrification requirements that could add up to 3 million tonnes per annum in global copper requirements.

We remain bearish on the outlook for Brent crude oil. Downside risks are accelerated by the faster-than-expected unwinding of voluntary production cuts by OPEC+. The global slowdown from growing trade risks will swing the global market into a structural surplus from 2Q25 and into 2026, weighing on market prices. We expect prices to stay below US$70/bbl and end 2025 around US$65/bbl.

Table 1: Historical rates and forecasts

	2024 (actual)				2025 (forecast)				2026 (forecast)			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gold (US$/Oz)	2,230	2327	2,635	2624	3,123	3,300 (+200)	3,240 (+100)	3,200 (+200)	3,100 (+100)	3,050 (+40)	3,020	3,030
Platinum (US$/Oz)	911	996	982	908	997	1,070	1,140	1,200	1,230	1,250	1,280	1,300
Palladium (US$/Oz)	1,016.60	977.1	1,003.30	912.63	990	1,100	1,125	1,160	1,200	1,150	1,050	1,050
Copper (US$/t)	8867	9,599	9,829	8,821.50	9,710	9,500 (-500)	9.700 (-447)	10,033 (-500)	10,380 (-200)	10,780	10,980	11,080
Iron ore (US$/t)	101.5	106	109.5	99.5	101	94	90	88	90	92	93	93
Thermal coal (US$/t)	100	95	115	110	106	103	101	99	98	96	94	90
Aluminium (US$/t)	2,337	2,524.50	2,611.50	2,551	2,650	2,415 (-300)	2,470 (-300)	2,475 (-100)	2,480 (-100)	2,530 (-100)	2,590 (-100)	2,600 (-100)
Brent Oil (US$/bbl)	87	86	72	75	73	63.6 (-7.4)	63 (-9.0)	64.1 (-8.9)	64.7 (-8.3)	65.6 (-9.4)	65.7 (-9.3)	65.4 (-9.6)

Source: RMB Global Markets Research, Bloomberg

Africa[1] outlook

Samantha Singh-Jami

- Most African economies under our coverage are likely to see an acceleration in economic activity in 2025 amid a myriad of risks. Our forecasts for the eleven markets under our coverage1 suggest that the weighted average growth for those economies will increase from 2.7% y/y in 2024 to 3.2% in 2025 and further to 3.6% in 2026. This is, on average, about 0.2ppt lower than our previous forecast.
- Many African countries are easing monetary policy after a period of high inflation and high interest rates. This is largely due to falling inflation driven by currency stability, weaker domestic demand, and base effects. However, some nations still face inflation from subsidy cuts, high food and energy costs, and currency depreciation. Disinflation and policy easing remain uneven and slower than expected.
- Policymakers across the continent are balancing growth, social needs, and stability. Some are building fiscal and external buffers, with fiscal consolidation helping to lower debt ratios. However, high debt servicing costs in some countries are straining fiscal-monetary coordination. Declining aid and rising borrowing costs are limiting the ability to fund health and support vulnerable groups, especially in nations facing severe financing constraints.
- The US dollar has weakened year-to-date (YTD), with the trade-weighted US dollar index DXY falling from 104.2 to 99.6, easing pressure on African currencies. Despite partial tariff rollbacks, April's sell-off and inflation concerns continue to weigh on the dollar. Further USD softness may support EM currencies, though mild depreciation is expected in some African currencies due to local factors.
- On fixed income, Egypt is probably the market where duration is appealing. Nigeria's OMO bills still look interesting, but the country has seen a decent amount of portfolio outflows of late. In Kenya, the infrastructure bond yields have come off quite a bit and are unlikely to move much. Zambia's bond yields have also come off, and the potential for further currency weakness is unlikely to bring in new flows.

A RELATIVELY LIGHT ELECTION CALENDAR

There is still political risk in some of the markets we monitor owing to upcoming elections. For the remainder of 2025, general elections are set to take place in Burkina Faso, Cameroon, Côte d'Ivoire, Malawi and Tanzania. Legislative elections are scheduled to take place in Burundi, Egypt, Namibia and Tunisia.

In Malawi, President Lazarus Chakwera is seeking re-election as the candidate for the governing Malawi Congress Party. He will, however, face stiff competition from former Presidents Peter Mutharika (2014-2020) and Joyce Banda (2012-2014). Côte d'Ivoire's general elections are scheduled for October this year, with significant attention on the presidential race. Incumbent President Alassane Ouattara seeks a controversial fourth term while opposition party leaders are having difficulty getting on the ballot paper. Cameroon also has elections this year, and President Paul Biya looks set to bid for the presidency for an eight consecutive term. In Tanzania, elections will be held on the back of stalled electoral reforms, leaving the administration of the elections under the control of the ruling Chama Cha Mapinduzi (CCM). As such, CCM along with its presidential candidate, incumbent Samia Suluhu Hassan are expected to dominate the elections.

AFRICA'S ECONOMIC GROWTH TO ACCELERATE AMID A MYRIAD OF RISKS

Drought conditions significantly hindered agricultural growth across many southern African economies throughout most of 2024. Although signs of recovery began to emerge towards the end of the year, new global risks also started to surface. The external economic landscape has become increasingly unsettled, largely due to a series of substantial tariff measures imposed by the United States and retaliatory actions by its trading partners. This has contributed to an anticipated slowdown in the global economy, driven in large part by turbulent market conditions, generally weaker external demand and subdued commodity prices. Global economic uncertainty remains high. Rising trade tensions or tighter financial conditions in advanced economies could weaken regional confidence, raise borrowing costs, and hinder financing critical infrastructure across the continent. Similarly, although most countries on the continent have seen inflationary

[1] Our aggregate data covers Sub-Saharan Africa and Egypt, unless indicated otherwise.

pressures ease, several countries continue to struggle with elevated inflation, necessitating a prolonged period of tight monetary policy, which could weigh on real incomes and economic growth.

Both global and idiosyncratic issues pose significant threats to our outlook. In addition to the consequences of trade wars, potential escalations in geopolitical tensions, climate-related vulnerabilities, further deterioration in regional political stability, and an increased risk of debt distress are factors that may undermine growth. We will monitor for any major policy changes or reversals in response to political pressures such as social unrest or rising populism. Despite these major risks, we expect the continent's growth to accelerate, partly driven by the positive effects of market reforms as well as broader economic reform momentum.

Our forecasts for the eleven markets under our coverage[1] suggest that the weighted average growth for those economies will increase from 2.7% y/y in 2024 to 3.2% in 2025 and further to 3.6% in 2026. This is on average about 0.2ppt lower than our previous forecasts.

We anticipate a recovery in economic activity for major economies on the continent, such as South Africa (1.2% y/y growth in 2025), Nigeria (3.8%), and Egypt (4.2%). Kenya, Uganda, and Zambia are all expected to grow above 5.0% y/y this year. We expect strong economic activity in Ghana, but base effects will temper the growth rate in 2025. We expect subdued economic activity in Mozambique until later in the year when there is progress on gas developments. Following a contraction of 3.0% y/y in 2024, we expect another contraction of 0.9% in diamond-producing Botswana this year. After a strong recovery in 2024 (4.6% y/y), we estimate that economic growth in Angola will slow to 2.1% in 2025.

Meanwhile, in its April 2025 World Economic Outlook, the IMF estimates sub-Saharan Africa's (SSA) growth for 2024 was 4.0% y/y, and now projects growth to ease to 3.8% in 2025 before picking up again to 4.2% in 2026. The 2025 forecast is 0.4ppt lower than the IMF's January projections, while the 2026 projection remains unchanged. Nigeria's 2025 and 2026 growth forecasts were revised down by 0.2ppt and 0.3ppt, respectively, with the IMF now projecting growth of 3.0% y/y in 2025 and 2.7% in 2026. For South Africa, the IMF lowered its previous forecast by 0.5ppt to 1.0% for 2025, and by 0.3ppt to 1.3% for 2026.

Figure 6: Mild improvements in growth prospects

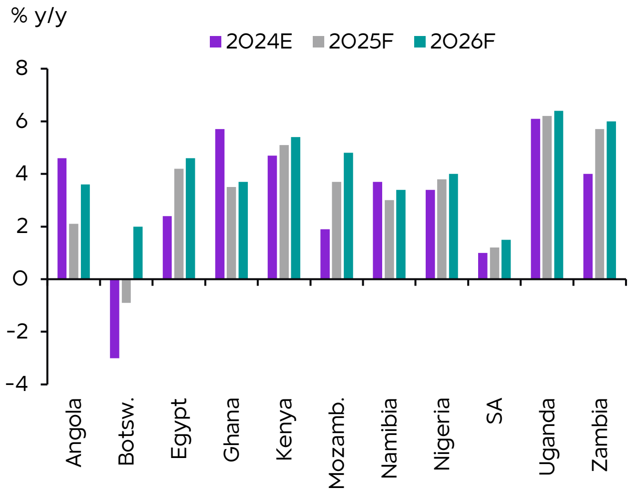
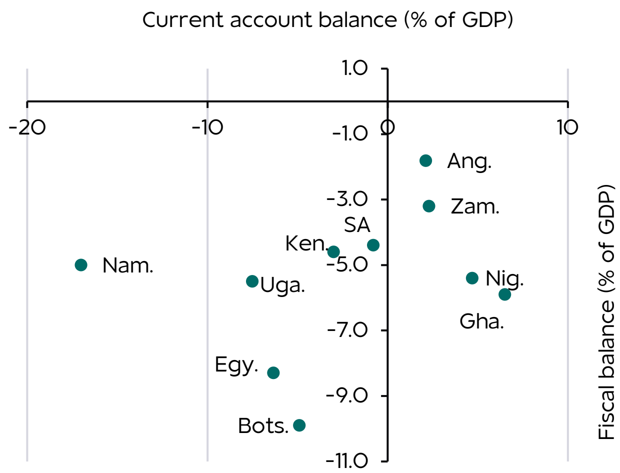


Figure 7: All fiscal balances in deficit



Source: Central banks, Bloomberg, RMB Global Markets Research

FISCAL STRAINS PERSIST, UNDERSCORING THE NEED FOR CONTINUED REFORM

Post pandemic and more recently in response to ongoing global uncertainty, African policymakers are prioritising a balance between growth, social development, and macroeconomic stability. Efforts are increasingly focused on strengthening fiscal and external buffers while maintaining policy credibility. Fiscal consolidation has progressed across much of the region, helping to stabilise and reduce public debt-to-GDP ratios. However, in some countries, already high debt servicing costs are intensifying friction between fiscal and monetary policy, as inflation control measures risk further increasing the burden on public finances. Moreover, the likelihood of continued aid flows – particularly through official development assistance – is expected to decline, increasing pressure on governments to fund critical health initiatives and placing additional strain on their ability to support the region's most vulnerable populations.

These developments unfold against a backdrop of persistent vulnerabilities, particularly in countries grappling with funding constraints and elevated borrowing costs, which are increasingly limiting their capacity to finance essential services and development priorities. Many governments in our coverage economies continue to face fiscal pressures, driven by weak revenue collection, high social spending, and the adverse impact of currency depreciation on external debt servicing. In response, countries such as Kenya, Nigeria, Uganda, and Zambia have approved supplementary budgets over the past year to realign fiscal frameworks with evolving macroeconomic and socio-economic conditions. Looking ahead, fiscal policy is expected to remain constrained in some markets due to large fiscal deficits, the slow pace of subsidy reforms, and still-elevated funding costs – underscoring the critical need for sustained fiscal discipline.

Several of these countries are in IMF programmes to enhance macroeconomic stability. Ghana was largely meeting its targets under the current ECF; however, the scale of election-related spending in the second half of 2024 was substantial, leading to arrears accumulation and the non-fulfilment of several IMF benchmarks. Nonetheless, Ghana and the IMF reached a staff-level agreement on the ECF programme in April, and board approval would result in a disbursement of US$370m. Egypt's programme has been progressing well following foreign exchange reforms and increased investment inflows in 2024. In March 2025, the IMF board approved the fourth review under the current EFF arrangement, granting the country access to US$1.2bn.

Kenya's seventh and eighth reviews under the ECF and EFF facilities were finalised in October 2024, following delays due to protests. However, this year both parties agreed that the ninth review under the programme would not proceed. Subsequently, Kenya has requested a new programme, though execution risks remain due to the election cycle. Similarly, for Mozambique, the parties decided in April not to complete the review under the programme, following significant fiscal slippage in 2024. In our view, successor programmes for both Kenya and Mozambique will be crucial, as both countries are at high risk of debt distress. Zambia's programme is set to conclude in October this year. We expect further IMF support for Zambia through a successor programme, although this is unlikely to materialise immediately—more likely after the elections. Debt sustainability remains an issue that warrants close monitoring. Achieving a primary surplus for the likes of Kenya, Mozambique, Ghana, Uganda and Zambia will be crucial to reduce their debt levels and ensure long-term fiscal stability. Angola and Egypt are likely to maintain primary surpluses, in our view.

While there has been significant progress on external debt restructuring in Ghana and Zambia, the process is not complete. We do not anticipate any sovereign defaults this year, even though Mozambique is experiencing both foreign and local currency liquidity issues. In Mozambique, we anticipate the government to undertake various options (debt swaps, restructure) to avert an outright sovereign default.

Figure 8: A mixed debt picture

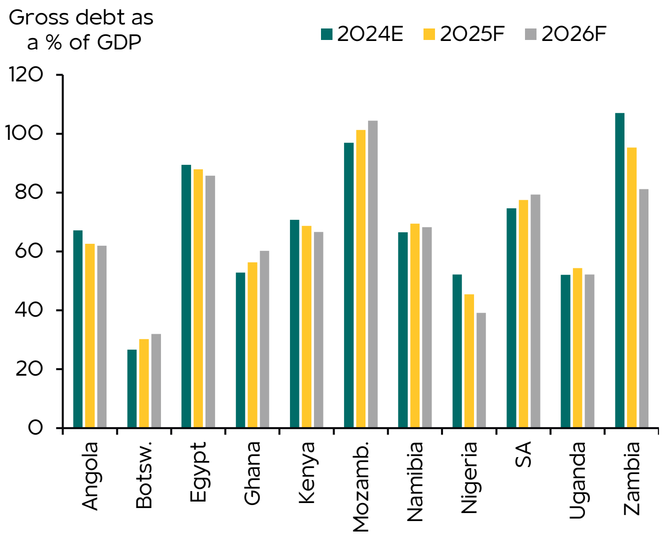
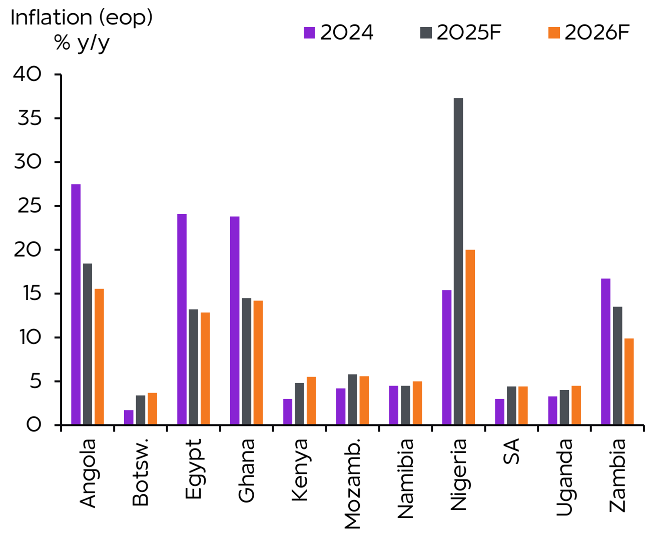


Figure 9: Unsynchronised moves in inflation



Source: Central banks, Bloomberg, RMB Global Markets Research

A MIXED INFLATION PICTURE, BUT GENERALLY MORE POLICY RATE CUTS ARE EXPECTED

Many African countries have entered, or are entering, a phase of monetary policy easing following a period of elevated global inflation and interest rates. This shift is supported by declining inflation in several markets, driven by currency stability, reduced domestic demand due to previously tight monetary policy, and, to some extent, favourable base effects. However, in a smaller number of countries, inflationary pressures persist due to subsidy cuts, elevated food and energy prices linked to ongoing drought conditions, and necessary currency depreciation. The pace of disinflation and monetary easing is expected to remain uneven across the continent and is progressing more slowly than anticipated at the start of the year.

Egypt is the country where we expect the largest magnitude of policy rate cuts this year. With inflation falling sharply – down to 13.9% y/y in May from a 2024 peak of 35.7% in February – and currency stability improving, we expect the Central Bank of Egypt to cut its policy rate by a total of 825bp this year, with 325bp already delivered in April and May.

Almost done

For Kenya, inflation has been inching higher over the past six months and given that the central bank has already cut the policy rate by 300bp since 2H24, we only expect another 50bp cut in the CBR this year, taking it to 9.50%.

In Uganda, we expect inflation to stay below the central bank target (4%-5%) for most of this year, leading to a policy rate of 9.0% by year-end from 9.75% currently.

In Namibia, we expect inflation to average 3.9% y/y in 2025 from 4.2% in 2024 and for the Bank of Namibia to leave the policy rate unchanged at 6.75% for the remainder of the year. For South Africa, we have revised our 2025 average inflation forecast down to 3.5% y/y from 3.7%, reflecting updated CPI assumptions following reweighting and rebasing of the CPI basket and a revised outlook on food and fuel prices. We expect the SARB to reduce the repo rate by a cumulative 50bp in 2025.

In Mozambique, although we expect inflation to tick up, we believe that the Banco de Moçambique still has scope to cut the MIMO rate. We expect the policy rate to be at 10.75% by the end of the year from 11.75% currently.

Delayed monetary policy easing

In Angola, inflation peaked at 31.1% y/y in July 2024 and has since decreased. The Banco Nacional de Angola is likely to start cutting policy rates by late 2H25. We expect the rate to drop from the current 19.50% to 18.0% by year-end. In Ghana, inflation is expected to ease due to currency appreciation and favourable base effects. We project year-end inflation at 14.5% y/y, down from 23.8% at the end of 2024, with 100bp worth of rate cuts in 2H25, bringing the MPR to 27.00% by year-end.

In Nigeria, since the rebasing exercise concluded earlier this year, inflation has moved unevenly rather than following the steady downward path we had anticipated. As a result, easing monetary policy in the near term may be challenging for the CBN, although we generally expect a disinflationary path to persist. The Central Bank of Nigeria has implemented cumulative rate hikes of 1,600bp since May 2022, but we expect the policy rate to be held at 27.50% until the second half of 2025, when we anticipate a cumulative 200bp of cuts.

In Zambia, inflation has moderated since the start of the year but remains close to its cyclical peak. We expect the Bank of Zambia to delay rate cuts until August. Overall, we forecast a cumulative reduction of 100bp in 2025, bringing the policy rate down to 13.00% by year-end.

AFRICA LOCAL MARKETS: FOREIGN EXCHANGE AND FIXED INCOME

Samantha Singh-Jami and Oyinkansola Samuel

Still some currency depreciation ahead

The US dollar has mainly weakened YTD, with the DXY falling from 104.2 at end-1Q25 to around 99.6 currently, offering some relief to African currencies. The April sell-off, triggered by tariff announcements, continues to weigh on the dollar despite partial rollbacks. Market concerns over economic fallout and inflation persist. Further USD softness is possible as US economic risks evolve, which could support broader EM currencies. However, we anticipate mild depreciation in several currencies ahead, driven in part by country-specific factors.

Ghana has been an exception, as both USD weakness and strong external sector performance – particularly through the gold sector – have driven the USD/GHS exchange rate down by 26.5% YTD, from 14.70 at the start of the year to below the 11.00 levels currently. We expect the pair to settle around 13.90 by year-end. While foreign exchange inflows from the gold sector are likely to remain robust, we anticipate reduced FX sales from the Bank of Ghana going forward. We estimate that the central bank has sold approximately US$2.3bn into the market so far this year. Granted, the risk to our view is for more appreciation of the GHS against USD in the near term rather than depreciation.

The Egyptian pound (EGP) has also performed well against the USD, supported by renewed portfolio inflows driven by the relatively high yields on Treasury bills and bonds. The USD/EGP pair has mostly traded between 50.1 and 51.7 this year but dipped to a low of 49.9 by mid-May. We view this move as temporary and expect the pair to return to around 51.8 by year-end. Nonetheless, improved FX supply via the financial account should continue to limit significant upside in the exchange rate.

The KES was the best-performing currency against the USD in 2024 among those we closely track. However, it is unlikely that USD weakness alone will drive the pair significantly lower from current levels. We forecast USD/KES to reach 135.7 by year-end from the current level of 129.4. While our projection of a narrower current account deficit suggests limited FX volatility, this outlook assumes Kenya successfully meets all its gross external financing needs.

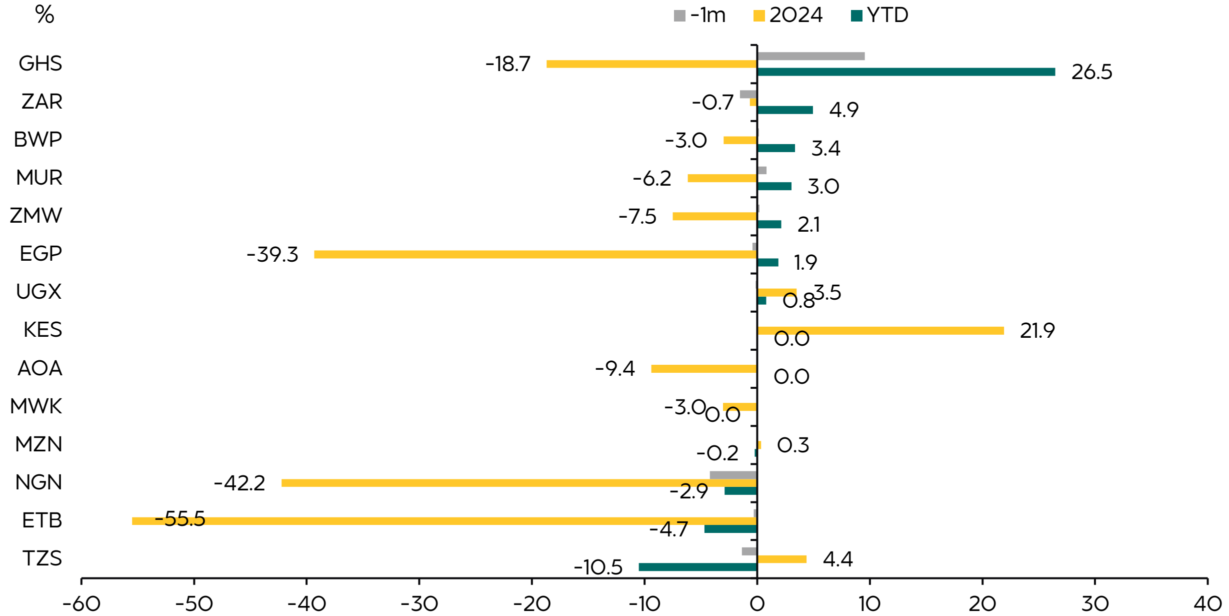
USD/ZMW has been volatile and is likely to remain so for some time due to ongoing market inefficiencies. We project the USD/ZMW exchange rate to reach around 30.1 by year-end, up from current levels of 27.3. Throughout the year, demand for foreign exchange – particularly from the manufacturing and energy sectors – is expected to stay strong. Meanwhile, inflows into the bond market are likely to remain limited due to the drop in yields.

We maintain our end of 2025 USD/NGN forecast at 1,600 from the current rate around 1,590. In early April, the naira weakened and the CBN intervened by selling FX to meet corporate demand and support foreign portfolio investor (FPI) repatriation. The CBN has since been intervening in the market to stabilise the exchange rate. However, currency risks remain, especially if oil prices fall below US$60/bbl for a longer period of time – potentially straining external reserves.

We see USD/ZAR at 18.30 at year-end, from current levels of 17.96. Elevated global trade risks as well as domestic idiosyncratic risks cloud the rand's outlook. Both domestic political and fiscal risks, amid funding shortfalls following the cancellation of the VAT increase, are lingering concerns that suggest an increase in the rand's risk premium.

In other markets, we expect relative stability for the USD/UGX and expect the pair at 3,702 by year-end, from 3,652 currently. We expect that a lower oil price environment with less steady financial flows will warrant a move in USD/AOA from 925 currently to about 1,020 by December.

Figure 10: Some YTD appreciations (against USD)



Source: Central banks, Bloomberg, RMB Global Markets Research

Fixed income is a mixed bag for our more liquid markets

Egypt is probably the market where duration is appealing. Nigeria's OMO bills still look interesting, but the country has seen a decent amount of portfolio outflows of late. In Kenya the infrastructure bond yields have come off quite a bit and are unlikely to move much. In Zambia, yields have also come off and the potential for further currency weakness is unlikely to bring in new flows.

Duration in Egypt appears attractive, given our expectation of subdued inflation following a substantial decline this year and our view for rate cuts. Combined with strong financial inflows, rate cuts should create room for yields to decline further, arguably easing pressure on domestic borrowing. The one-year T-bill yields have fallen by 140bp over the past six months, with an average bid-to-cover ratio of 4.5 since the start of the year. Demand for Egyptian bonds has also been strong. The average bid-to-cover ratio across all tenors stands at 9.1. While authorities have primarily issued two- and three-year bonds, a five-year auction held in May was nearly 13 times oversubscribed, with a bid-to-cover ratio of 1.3.

Nigeria's OMO bills yields have increased, and while they may be appealing, lower oil prices and an uncertain global environment have resulted in outflows. We still think these are attractive and do not expect any major FX depreciation or worsening FX liquidity issues over the next year.

The Ministry of Finance is yet to release the finalised 2025 budget, leaving limited clarity on the government's borrowing plans for the year. Nonetheless, the draft budget released late last year indicates a domestic borrowing target of NGN7.4trn out of the NGN13.1trn required to finance the projected fiscal deficit. So far this year, the DMO has raised NGN2.2trn through FGN bonds, with no incremental issuance of NTBs beyond what was maturing. Recent global developments, including the US tariff announcement and the OPEC+ decision to increase oil production, which triggered a decline in oil prices, have driven yields on the long end of the OMO and NTB curve higher. T-bills are currently trading about 150bp higher than where they traded in late March, largely due to foreign portfolio investor outflows. In contrast, bond yields have remained relatively stable given minimal FPI participation in that segment. We view oil in the US$60/bbl area as less supportive for FPI re-entry, and as such, we expect demand across all instruments to remain domestically driven. Ample maturities (particularly from OMOs), which are set to average at least NGN1.5trn monthly for the remainder of the year (except in July), continue to support domestic liquidity and demand. Despite elevated borrowing needs, local investor appetite has held firm at current yield levels, which remain well above recent historical averages. Looking ahead, we see room for a gradual moderation in rates towards the end of the year, especially as inflation slows further, potentially paving the way for policy rate cuts later in 2H25.

In Zambia, despite the drought, the authorities managed to limit the fiscal deficit to 3.7% of GDP in 2024, outperforming the target of 4.8% of GDP. This narrower deficit reflects effective expenditure rationalisation and stronger-than-expected government revenue performance. For 2025, the authorities are continuing their fiscal consolidation efforts, aiming to reduce the fiscal deficit further to 3.1% of GDP.

The fiscal consolidation momentum, coupled with increased money market liquidity, has supported lower yields. Commercial banks' average current account liquidity positions have increased by c.170% from in 1Q24 to ZMW4.3bn by mid-May, from about ZMW1.6bn a year ago. Similarly, the average overnight interbank rate fell to 14.5% from over 18.0% a year ago. Yields on bills have fallen sharply, with a 150bp drop in the 1-year T-bill rate from about six months ago, while yields on bonds have declined on average by about 350% from six months earlier. Given constraints on external borrowing and dependence on domestic borrowing, it is unlikely that the anticipation of monetary policy will bring yields down much further. We expect the curve to be mainly flat over the next six months.

Kenya seems to have met its domestic borrowing target for the current fiscal year, and we are likely to see yields mainly flat for this year. By mid-May, we estimate that net domestic borrowing for FY24/25 stood at KES696bn, representing 115% of the annual target of KES605bn. Anticipating good external financing flows, the National Treasury also cut its domestic borrowing target for FY25/26 to KES592bn from KES720bn.

Figure 11: Egypt yield curve developments

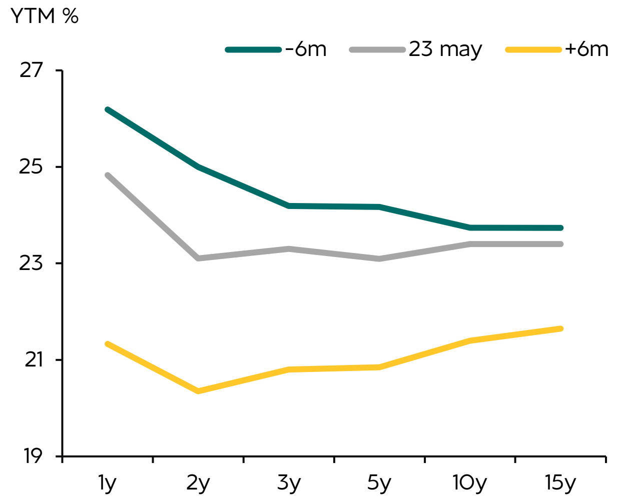


Figure 12: Kenya yield curve developments

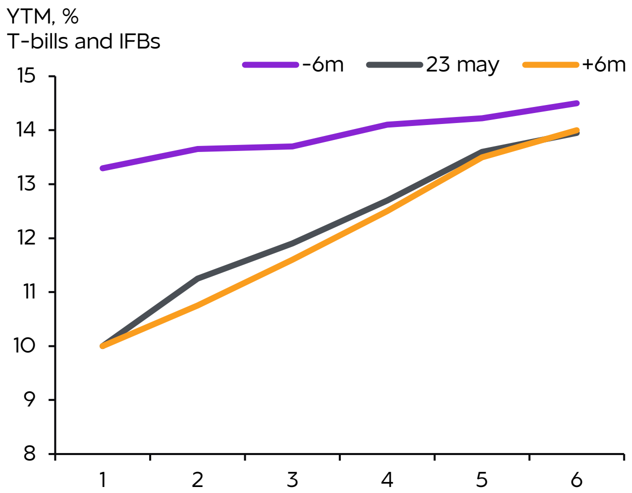


Figure 13: Nigeria yield curve developments

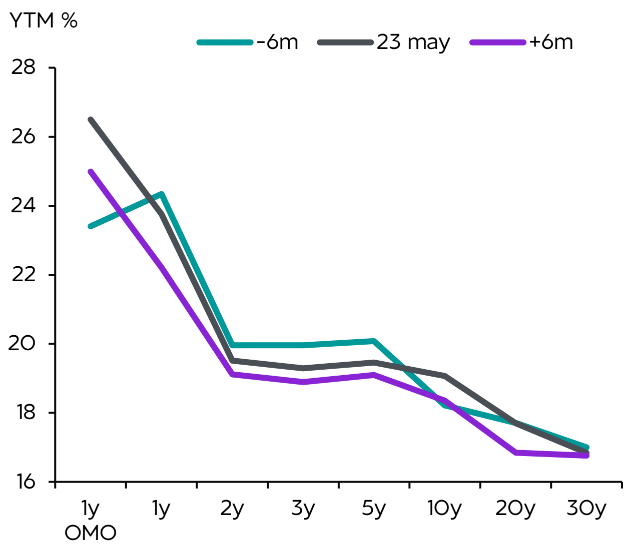
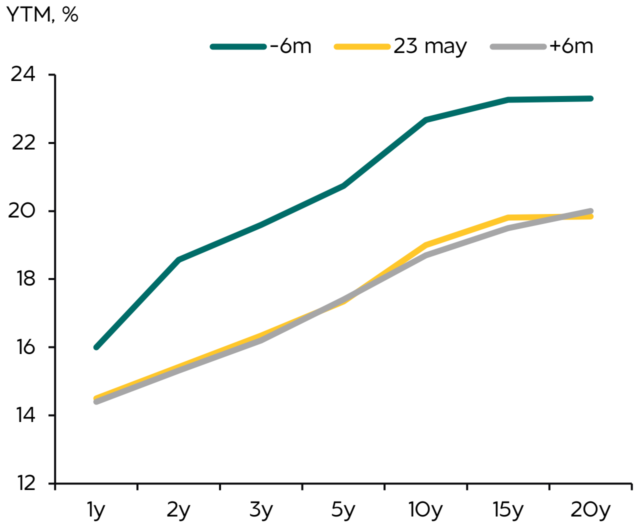


Figure 14: Zambia yield curve developments



Source: Central banks, Bloomberg, RMB Global Markets Research

Insight: Impact of the US tariffs on African countries

Precious Dube

Already grappling with aid funding cuts from the US, Africa is now contending with the added strain of blanket trade tariffs. The recent announcement of new trade tariffs by the US, under the Trump administration, marked a significant shift in the trade dynamics between African countries and the US. African countries export raw materials to the US. In 2023, the US's total imported value of goods from Africa amounted to US$40.0bn. This makes up approximately 6% of Africa's total exports. The biggest trading partners for the US on the continent were South Africa, Nigeria, Algeria, Egypt and Morrocco.

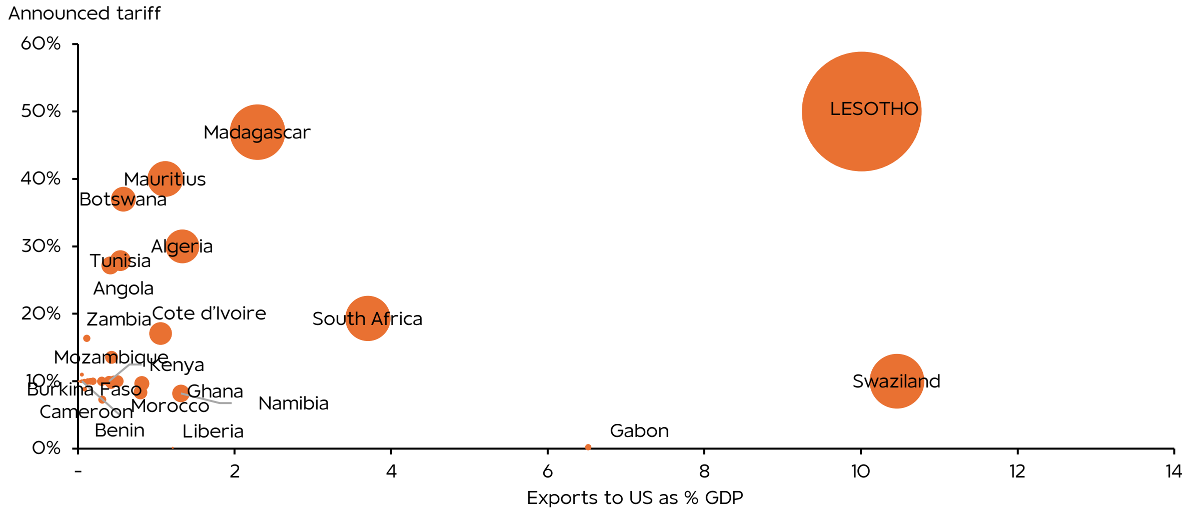
South Africa, the US's largest trading partner on the continent, exports minerals, chemicals, pharmaceuticals, vehicles, citrus and wine to the US market. In terms of concentration, despite being the largest exporter to the US from Africa, South African exports are relatively diversified (see our SA Macro Insight: US tariffs on South Africa, 17 April 2025 document for more details). For some of the smaller economies (Liberia 43.5% and Lesotho 27.8%), exports to the US account for a large share of the countries' total exports. The continent's island economies (Madagascar 22.8%, Mauritius 16.1%, Cabo Verde 14.5%) also have their total exports concentrated to the US.

Historically, the US was Africa's third-largest export destination; however, in the last few years, the US was displaced due to gradual shifts towards other developing countries. This was driven in part by a steady decline of Africa's oil exports to the US as the rise in US shale oil production cut oil imports from African countries. Meanwhile, increased trade with Asian economies, led by China and India, and the Middle East economies has enabled African countries to deepen the geographical diversification of their trading partners. This relative diversification of African trade partners is likely to provide some reprieve from the severe economic impact of the tariffs. Nevertheless, increased uncertainties on the tariffs will lead to increased volatilities in the financial markets and commodity prices, indirectly impacting African economies.

Uncertainty on the tariffs

On 2 April 2025, US President Trump imposed blanket tariffs of at least 10% on most African countries, with higher tariffs applied to some countries identified as having high barriers to US goods. However, certain goods from key industries are exempt from these rates and will be tariffed at rates yet to be determined. Following record volatility across financial markets, on the 9th of April, the US announced a 90-day pause of tariffs to all countries, except China – in effect reducing the universal duty on all US imports from almost all countries to 10%. While most African countries fall within this baseline tariff of 10%, some countries were imposed significantly higher tariffs. Lesotho was levied a 50% tariff, the highest for any African sovereign, in response to Lesotho's 99% tariffs on American goods. Other countries with significantly higher tariffs imposed include Madagascar (47%), Mauritius (40%), Botswana (37%), Angola (32%) and South Africa (30%).

Figure 15: GDP impact from effective US tariffs – Southern African countries most vulnerable



Source: International Trade Centre, Trade, RMB Global Markets Research
*size of the bubble indicates the size of the impact

Direct and indirect economic impact on African economies

The impact of US tariffs on goods exported from African economies will be dependent on numerous factors. These factors include the ultimate effective tariffs that will be levied, the relative tariffs imposed on competitors in other regions, and the response of the respective domestic currencies.

Broadly, tariffs will impact African countries negatively by undermining export opportunities to the US – which is a significant trading partner for most of the markets. Smaller economies such as Lesotho and Madagascar are particularly vulnerable and are expected to face significant socio-economic consequences from the implementation of tariffs, which could distress their economies. Moreover, the negative impact of the tariffs will further compound fiscal challenges from the withdrawal of USAID donor funding to the region. Agricultural commodities exporters, which make up a significant share in the region, are also particularly vulnerable as no agricultural products are exempted. Considering that the agricultural sector accounts for a substantial share of employment in most countries, the impact is likely to be far-reaching. However, in certain instances and for certain product categories where countries have been imposed the baseline 10% tariff, it may provide them with a competitive edge over other countries with higher tariffs. The overall impact of the tariffs is also likely to depend on the exposure to the US market, the imposed tariff level, and whether a country's export commodity to the US is tariff-exempt.

While the direct effects of US tariffs on most African countries will be minimal, the more significant risk is probably the indirect effects that the tariff uncertainty is having on the global economy and financial markets. The tariff hikes imposed by the US are likely to have pronounced inflationary effects and a cooling in the growth of the American economy in the near term. The inflationary impact is expected to prompt the US Federal Reserve to raise interest rates, keeping the interest rates higher for longer. Consequently, a major concern for African economies is the contagion from high inflation, high interest rates and US dollar strength. Higher interest rates in the US often result in capital outflows from emerging markets like African countries, as investors seek safer returns in US dollar-denominated assets. This could lead to weaker African currencies, increased borrowing costs, and exacerbate existing economic and fiscal challenges. Given the limited access to external financing at favourable interest rates for many economies in the region, higher-for-longer global interest rates will heighten the risk of government debt distress.

Meanwhile, African countries will also be impacted by an escalation of trade wars involving the US and other major trading partners such as China. Sustained tensions will have growth-dampening effects and may also disrupt supply chains.

UNCERTAIN FATE FOR AGOA

Several African countries benefit from the African Growth and Opportunity Act (AGOA). Since its enactment in 2000, AGOA has been at the core of US economic policy and cooperation with Africa. AGOA provides eligible sub-Saharan African countries with duty-free access to the US market for over 1,800 products.

US imports under AGOA provisions for 2023 totalled US$8.7bn. Nigeria, South Africa, Kenya and Ghana were the major beneficiaries of the AGOA, having collectively accounted for about 84.1% of total exports to the US under the programme. South Africa's exports under AGOA totalled US$3.2bn, and these consisted mostly of vehicles and parts, fruits, precious metals, and chemicals. Nigeria's exports under AGOA totalled US$3.6bn (mostly crude oil), while those from Kenya totalled US$476m were mostly apparel. Other leading AGOA beneficiaries included Madagascar (US$338m, mostly textiles), Côte d`Ivoire (US$141m, mostly cocoa products), Lesotho (US$166m; mostly textiles) and Angola (US$232m, exclusively crude oil).

Figure 16: Top African exporters to the US under AGOA

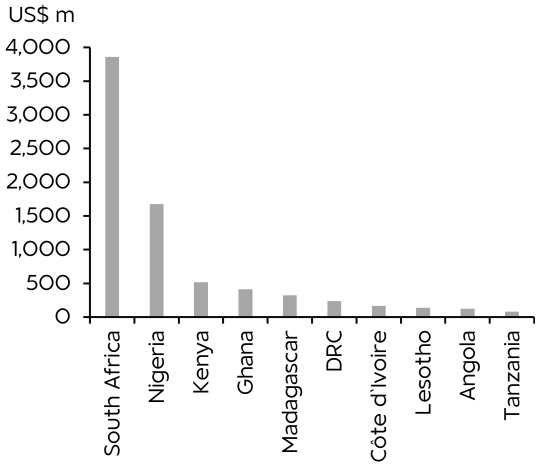
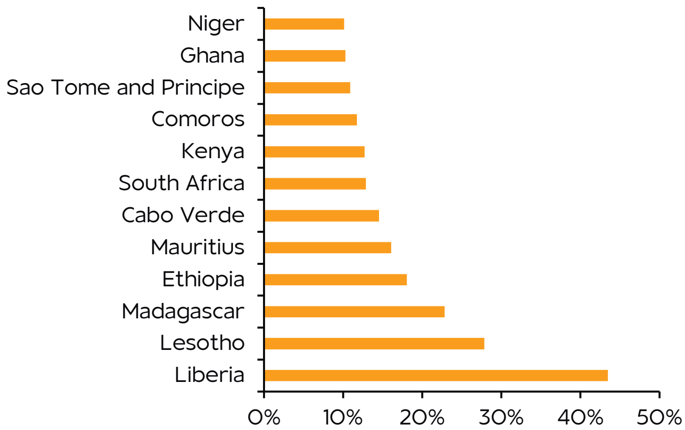


Figure 17: African exports to the US as a percentage of total exports



Source: US International Trade Commission, RMB Global Markets Research

AGOA is set to expire in September 2025. In its current form, in which the US runs a trade deficit, the Act is vulnerable to being revoked, especially considering the bilateral tariffs imposed on all African countries. There is increased uncertainty around the renewal of the Act. ***Therefore, there is a high likelihood that the act might not be renewed in its current form or could be revised to better align with US economic priorities.***

The small, landlocked markets of Eswatini and Lesotho remain highly reliant on the AGOA programme for their exports to the US relative to their total exports to the US and economic sizes. In terms of concentration, the DRC and Eswatini had the highest share of AGOA exports as a proportion of total exports to the US in 2023 at 88% and 78%, respectively. Another five markets – Kenya, Togo, Lesotho, Malawi and Benin – had a ratio above 60% in 2023, highlighting the relative significance of the programme for exports originating from these markets too. African countries that rely heavily on AGOA will be negatively impacted if it is not renewed, resulting in wider economic impacts, including increased unemployment.

How is it likely to end?

It is unclear what the final tariffs for African countries will be. Since the announcement of the tariffs, most countries have been engaging the US to negotiate lower and outright removal of the imposed tariffs. On trade, the Trump administration has a focus on bilateral trade deals rather than multilateral agreements, mostly tilted towards the US's favour, and this will likely disadvantage smaller African economies that lack individual negotiation powers.

Should AGOA be revoked, we expect African countries to immediately pivot to other export markets. Countries that have been removed from AGOA previously have faced challenges but managed to broaden their export base. For example, Ethiopia was removed from AGOA in 2022 and immediately pivoted its export markets, broadened its export base and diversified. Consequently, Ethiopia has since doubled their exports to China.

Overall, we are of the view that President Trump's protectionist policies are likely to push African countries to reduce dependency on the US and to diversify strategic alliances. This may see African countries strengthening their alliances and economic cooperation with other global powers like China and Russia and other non-traditional partners such as Saudi Arabia, India, Turkey and the United Arab Emirates. All these countries have been increasing their influence in Africa through infrastructure and foreign direct investments. A reduced US economic footprint across the African continent could accelerate the trend of other countries gaining more influence on the continent. Importantly, reduced trade with the US will provide African countries with the opportunity to accelerate expansion of trade partnerships and increase intra-African trade through the African Continental Free Trade Area.

ANGOLA

Muddling through without the IMF for now

Samantha Singh-Jami

- **We expect GDP growth to slow to 2.1% y/y in 2025 from 4.6% in 2024.**
- **Lower oil prices highlight elevated fiscal and external vulnerabilities. Persistently lower oil prices may eventually lead to an IMF programme, in our view. However, we have not factored a programme for this year.**
- **We expect gradual currency depreciation and steady disinflation to continue for the rest of the year.**

GDP GROWTH: A YEAR OF TEMPERED GROWTH

The Angolan economy is facing challenges due to lower oil prices, which may hinder reforms requiring significant financing. Additionally, the current election cycle adds complexity to potential reform momentum. Implementing the National Development Plan 2023–27, which aims to reduce Angola's dependence on the oil sector, will be challenging in the near term due to likely constraints on fiscal policy from lower oil revenues. Nevertheless, given the political cycle with the 2027 presidential elections approaching, we expect the government to try to boost capital spending and social expenditure. However, this may delay other key reforms, such as the phasing out of fuel subsidies and boosting non-oil domestic revenue. Unless we see another material leg lower in oil prices, we do not expect Angola to enter a traditional IMF programme this year.

Overall, we anticipate some strain on public finances and a still-strained consumer base. This, combined with reduced but persistent foreign exchange shortages and base effects from strong GDP growth in 2024, is likely to slow economic activity in 2025. We forecast GDP growth to slow to 2.1% y/y in 2025 from 4.4% in 2024. Risks to our outlook for Angola remain to the downside due to the country's reliance on the oil sector as global uncertainty persists. The risk of sticky inflation and limited progress on privatisation could hamper broader growth initiatives going into the medium term.

We expect Angola's non-oil sector to expand by 2.7% y/y in 2025, down from 5.1% in 2024. Even though it is slowing down, the non-oil sector will continue to expand, driven by investment in critical infrastructure from some secured investment sources. The government expects strong private sector investment in diversification efforts over the medium term. And given strategic initiatives to boost production, we expect a robust performance from the agriculture sector in 2025 and 2026. The overall policy goal is to increase the contribution of agriculture to GDP to 12.1% by 2027, up from 9.8% in 2023. The NDP emphasises infrastructure investments in transport and port logistics, energy, and utilities, as well as human capital development, to foster long-term economic growth and create jobs. Although there has been a lot of focus on the Lobito corridor, the extension of the Benguela rail line and the Luanda Light Rail project will add to construction activity this year. There is also funding for the country's transmission and distribution of electricity and water projects. Additionally, the power sector will benefit from solar projects and hydroelectric power plant projects this year, as well as the ongoing construction of a high-voltage transmission line (400kV) for the Caculo Cabaça hydroelectric dam (2,172MW), which is expected to be completed in 2026.

We project oil extraction and refining sector growth to slow to 0.2% in 2025 from our estimate of 3.4% in 2024, with oil production relatively stagnant this year and with growth largely driven by improved refining capacity. We expect Angola's monthly oil production to average around 1.11mbpd until the later part of 2026, from our estimate of 1.14mbpd in 2024. Between 2026 and 2028, we expect to see the planned increase in production of approximately 150kbpd materialise. The increased production should come from the Agogo West Hub oil project (120kbpd, with peak capacity of 175kbpd), which is set to start operations in 2026. The 70kbpd Kaminho offshore oil project is scheduled to start in 2028. There are a few projects waiting for appraisals or final investment decisions, including the PAJ (100kbpd). To sustain long-term oil production in Angola, significant investments and new discoveries are needed due to aging fields. However, the country's near-term production potential looks promising. We note that there is also a large growth potential for gas production. Gas production should be given a boost from associated gas projects, while the non-associated Quiluma and Maboqueiro projects (9.35m cubic meters) should be completed by 2026. Angola also aims to improve its oil refining capacity, with the first phase of Cabinda (30kbpd) coming online this year. There have been persistent delays with the Soyo (100kbpd) and Lobito (200kbpd) refinery projects, which would be transformative for Angola. This should also initially boost non-oil sectors like construction and manufacturing once operational.

To recall, GDP growth accelerated sharply to 4.4% y/y in 2024 from 1.1% in 2023. The oil sector reversed losses to grow by 2.8% y/y in 2024 after contracting 2.4% in 2023. Production was up for most of the year, but there were some operational problems in the last quarter. A recovery in the diamond treatment plant saw the mining sector grow by 44.8% y/y in 2024 from 12.2% in 2023. However, the sector's contribution to overall economic activity is still minor, only contributing about 2% to nominal GDP. Larger sectors in the economy, like agriculture, also recovered, with growth accelerating to 3.5% y/y from 2.7% in 2023. Construction (2.2% y/y in 2024 vs. -1.5% in 2023), transport and communication (10.4% vs. 0.2%) and trade (4.6% vs. 2.4%) all showed solid improvement compared to 2023. However, quarterly GDP growth in Angola slowed to 3.6% y/y in 4Q24 from 5.5% in the third quarter of 2024. All the sectors showed positive growth in 4Q24, except the oil (-0.8% y/y) and financial services (-18.6%) sectors, derailing overall growth momentum in the quarter.

Angola is currently in the process of rebasing its national accounts from the 2002 base year to 2019. The rebasing process is expected to be completed by the end of 2025.

PUBLIC FINANCE: FISCAL DEFICITS TO ENDURE

We estimate that the fiscal balance reached a deficit of 1.7% of GDP in 2024 (MoF estimated outcome: -1.5% of GDP) from a deficit of 2.8% of GDP in 2023. We expect the fiscal deficit at 1.8% of GDP in 2025, similar to the targeted deficit (1.7% of GDP) from the MoF. Although we do not expect the authorities to meet all of the planned development spending targets this year, partly due to slightly lower-than-expected oil revenues, robust recurrent expenditure ahead of elections is likely to weigh on the deficit this year and sustain mild fiscal deficits going into 2027.

To recall, the 2025 budget, presented towards the end of last year, is largely expansionary. In its budget assumptions, the MoF forecasts GDP growth of 4.1% and average inflation at 19.3% for 2025. An oil price of US$70/bbl and average daily production of 1.1mbpd were used for the 2025 budget. Although the production target seems reasonable in our view, we expect the price of crude oil (Brent) to average US$66/bbl this year. The ministry targets a fiscal deficit of 1.7% of GDP and a primary surplus of 3.2%. The targeted deficit encompasses a nominal increase in revenues of 19.3% y/y (compared to the MoF's estimated 2024 outcome) to AOA19.8trn. Oil revenues are planned to increase by 7.9% y/y to AOA10.8trn (c.US$11.8bn) at 12.0% of GDP and make up 55% of revenues. Expenditure is targeted to increase by 19.9% y/y to AOA21.3trn. Domestic interest is budgeted at AOA1.8trn (2.0% of GDP), while external interest is at AOA2.6trn (US$2.9bn or 2.9% of GDP). Public sector wage increases are budgeted at 44.0% y/y to AOA4.3bn, while the MoF plans to decrease subsidies by 71.9% y/y to AOA793bn (approximately US$860m). Transfers (including subsidies) are targeted at AOA2.2trn, a 42.9% y/y decrease from the estimated outcome for 2024. In relation to GDP, it falls from 4.8% of GDP in 2024 to 2.4% of GDP in 2025. However, we expect still relatively high social spending to control the growth of social inequalities and vulnerabilities and see this together with the savings from subsidy reform at under 1.0% of GDP for this year.

As it stands, the authorities plan to finance the AOA1.5trn budget deficit for 2025 mainly with net domestic borrowing of AOA2.1trn and have net external redemptions at AOA623bn (approximately US$700m). In terms of overall amortisations, there are AOA4.7trn in domestic liabilities due and about AOA7.7trn (c.US$8.4bn) in external amortisations for 2025. In our view, Angola is unlikely to issue a eurobond in 2025, despite its refinancing needs, including the US$864m bond maturing in November, unless there is a substantial improvement in market conditions.

Angola did a private placement of the US$1.2bn 2030 bonds at the end of 2024 and tapped it for US$728m in January. The transaction was heavily collateralised and allowed the government to receive about US$1.0bn in financing. Due to missing opportunities to issue a eurobond earlier in the year and a reluctance to swiftly enter an IMF programme, the authorities are exploring various financing alternatives. The MoF has been considering a debt-for-nature swap, discussing financing opportunities with various banks, and engaging in new bilateral discussions with various countries, including those in the Middle East and Asia. Authorities see about US$700m in financing (combined) from the World Bank and AfDB. As a last resort, the sovereign wealth fund, which is not very liquid, has about US$2.0bn, which could be used by the MoF if really needed.

In the medium term, we expect the fiscal deficit to persist despite our expectation for revenue growth to pick up between 2026 and 2028 on improvements in oil and gas production. The relatively high debt servicing outlays, pushing through a diversification agenda, and increased spending ahead of the 2027 elections are likely to weigh on the deficit. Nevertheless, we expect a primary surplus of around 2.0% of GDP over the medium term, which should see Angola's public debt-to-GDP decline to 58.9% at the end of 2027 from our estimate of 67.2% at the end of 2024. Angola has been deleveraging its external debt, with nominal debt falling to US$46.8bn by the end of 2024 from US$49.6bn in 2023 and US$52.1bn in 2022. Debt to China stood at US$14.3bn, US$17.9bn and US$20.9bn in those years, respectively. To facilitate payments to China, we estimate that the escrow account had a balance of US$1.7bn at the end of 2024, which is unlikely to have grown much since then. On domestic debt, Angola has been doing some switch auctions to ease near-term pressures on its debt repayment profile.

We reiterate that an IMF programme is unlikely before the elections due to stringent recommendations and reluctance over conditionalities. However, a shorter programme like a Stand-by Arrangement (SBA) may be considered, but it seems more likely if oil prices dip and remain below US$60/bbl for an extended period. The IMF and Angolan authorities maintain a strong relationship, with the latest engagement being Angola's 2025 post-financing assessment, which was concluded on 12 May.

EXTERNAL ACCOUNTS: CURRENT ACCOUNT SURPLUS TO NARROW IN 2025

The current account (C/A) surplus increased to US$6.3bn in 2024 or 6.8% of GDP from US$4.2bn or 4.7% of GDP in 2023. We expect the surplus for 2025 to narrow significantly to 2.1% of GDP, largely on the back of lower oil prices and stagnant oil production volumes. It is likely that the imports of goods and services will slowly adjust to the lower export revenues, which will mean that the current account will remain in surplus but narrow this year. We expect higher oil production (+150kbpd) to help widen the surplus in 2026 and 2027.

We estimate that oil production averaged 1.14mbpd in 2024 and expect it to be marginally lower at 1.13mbpd in 2025, partly due to field maintenance. We expect the lower international oil price (our forecast is for an average of US$66/bbl in 2025 from an actual average of US$80/bbl in 2024) to weigh on the trade surplus in 2025 and, consequently, the C/A balance. Capital imports are likely to remain robust as funded oil and non-oil sector projects continue. Our forecast is for the trade surplus (goods) to narrow from US$22.6bn in 2024 to US$15.9bn in 2025. On the other components of the C/A, a still sizeable primary income deficit and a large service deficit due to ongoing payments for external services in the oil, transport, and construction sectors will likely contribute to a narrower C/A surplus in 2025.

Notably, approximately US$8.4bn in external debt amortisations is due in 2025. We estimate that about US$4.0bn of this is oil-backed credit. Although amortisation payments should remain manageable, they are likely to be tight given our expectation for a narrower current account surplus.

New borrowings, including support from the World Bank and moderate improvements in foreign direct investment (FDI) inflows, are expected to maintain foreign exchange reserves at relatively healthy levels despite a much lower C/A surplus. By the end of 2025, we anticipate gross reserves to be around US$14.4bn, down from US$15.3bn (equivalent to 8.1 months of import cover) at the end of 1Q25 and US$15.8bn reported at the end of 2024.

INFLATION AND MONETARY POLICY: DISINFLATION TO CONTINUE

In 2024, inflation reached a peak of 31.1% y/y in July. Since then, we have seen a trend of disinflation, which we expect to persist. We forecast inflation to fall to 18.4% y/y by the end of 2025, from 26.5% at the start of this year and the last print of 22.3% in April. Given disinflation, we expect the BNA to start easing monetary policy in 4Q25. Specifically, we anticipate the policy rate at 18.0% by year-end.

The lagged and multi-layered impact of significant depreciation of the kwanza (against USD), together with related supply constraints caused by reduced imports, import substitution policies, and adverse weather, have been the main drivers of inflation. The gradual removal of fuel subsidies is also a contributing factor. To mitigate high food prices, the government lowered VAT on certain food products from 14% to 5% in 2024 and reduced VAT on agricultural inputs, contributing to the disinflation trend, as did the stability of USD/AOA since 4Q24. Authorities continue to promote incentives to boost domestic food production, including securing more fertiliser and increasing budget allocations for the sector, focusing partly on supporting smallholder farmers, and improving market access. These incentives, as well as better weather, are likely to continue leading to increased availability of essential products, easing food price pressures. To recall, food inflation fell to 23.2% y/y by April 2025 from a recent peak of 35.5% in June 2024.

The gradual and prolonged nature of subsidy reform is unlikely to deter the disinflation trend but will keep inflation at still elevated levels. A low oil price environment would make it easier to accelerate subsidy removal (currently, about 40% of fuel subsidies are still in place). Although diesel subsidies were removed in

March, the translation of this to taxi fares will be gradual, as there were already sharp increases in public transport and collective taxi fares in 2024. Further removal of subsidies, which would include petrol and illuminating oil, is likely to end in 2026. However, we have not factored in the removal of liquefied petroleum gas subsidies into our forecasts at this stage. This will likely be the hardest for the authorities to implement. Subsidy reform could accelerate if oil prices dip further and remain low for longer. The first phase of the Cabinda refinery opening, scheduled for this year, should help reduce reliance on refined fuel imports and could supply about 10% of the local fuel demand.

The Banco Nacional de Angola (BNA) has increased its main policy rate (BNA rate) by a cumulative 250bp in the latest tightening cycle that began in 2023. It has also tightened interbank liquidity conditions substantially. However, since May 2024, the BNA rate has been 19.5%. The permanent liquidity provision facility remains at 20.5%, but at the MPC meeting in March 2025, the BNA reduced the permanent liquidity absorption facility by 100bp to 17.5%, citing bringing “dynamism” to the interbank market. At, its latest meeting in May it reduced the local currency reserve requirement from 20.0% to 19.0%.

Under the IMF’s recommendation, for monetary policy to move to an inflation targeting framework, the standing lending and deposit facilities would create a ±200bp corridor around the policy rate to streamline liquidity management. The BNA is still working on the transition in monetary policy from targeting M1 money supply to inflation targeting, but we only expect this to be concluded toward the latter part of 2026 at the earliest. For now, the BNA has indicated that it would work toward single-digit inflation while the IMF advised it to carefully assess the risks of premature monetary easing before a sustained reduction in inflation is achieved. At this stage, Angola’s monetary policy will continue to aim to lower inflation through relatively high interest rates and less so through further use of the reserve ratio requirement. Additionally, the BNA will absorb excess liquidity through its short-term instruments.

CURRENCY OUTLOOK: GRADUAL UPSIDE FOR USD/AOA

In 2024, the upside in USD/AOA was primarily linked to large debt repayments. Although there was some stability in the currency in the last quarter of last year, USD/AOA increased by 10.3% in 2024 to end the year at 923. We anticipate a gradual depreciation of the kwanza against the USD in 2025, expecting the pair to reach 1,020 by year-end from the current level of 922. Beyond 2025, lower external debt servicing and mild improvements to the overall current account balance should help enhance FX market liquidity conditions, which would also stem the pace of currency depreciation over the medium term.

There are still signs of FX stress in the market, leading us to expect some currency weakness, especially in light of the dip in oil prices. This is supported by our view for a narrower current account surplus and a decline in Angola’s FX reserves this year. Positively, the gap between the official and parallel exchange rate remains relatively stable. In the parallel market, USD/AOA has been in the region of 1,100-1,175 over the past year, around 20% above the official rate. Despite some recent improvements in the supply of FX to the market, suppliers and contractors in Angola are still struggling to access and repatriate foreign exchange. The central bank still intervenes occasionally in the FX market, while FX supply is largely from oil companies.

We estimate that the FX backlog has reduced from approximately US$1.0bn in 1H24 to under US$750m currently. However, it is unlikely to fall significantly further in a low oil price environment. The BNA noted that commercial banks purchased a total of US$10.82bn in FX in 2024, a slight increase from the previous year’s US$9.85bn. About US$5.50bn was purchased on the Bloomberg platform and US$1.97bn from the Treasury. The BNA supplied US$953.49m, up from a little more than half of that in 2023. The remaining amount of US$2.39bn was purchased from miscellaneous clients outside the Bloomberg platform. We estimate that FX supply from the BNA increased in 1Q25, with FX sales of around c.US$250m. At this point, we expect FX supply to remain relatively stable this year. Currently, the main risk is that international oil prices might drop lower than expected and remain low for an extended period.

Notably, the authorities introduced a new regulation in September 2024 aimed at reducing FX concentrations. The rule mandates commercial banks to resell 30% of FX purchased from oil and diamond companies to the interbank market. Due to stringent compliance standards imposed by international oil companies, not all banks have direct access to primary FX inflows from the oil sector. The BNA has reiterated its commitment to limiting FX interventions in the market and stressed that it would conduct reserve accumulation cautiously to avoid creating excess kwanza liquidity.

Angola macroeconomic forecasts

	2021	2022	2023	2024	2025F	2026F	2027F
Real GDP (% y/y)	1.2	3.0	1.0	4.4	2.1	3.6	3.0
Nominal GDP (US$ bn)	70.6	113.3	89.1	91.6	104.4	113.4	124.2
Oil Production mbpd	1.14	1.14	1.11	1.14	1.13	1.30	1.35
Current account (% of GDP)	11.9	10.4	4.7	6.8	2.1	4.3	4.0
Fiscal balance (% of GDP)	3.8	1.0	-2.8	-1.7	-1.8	-1.7	-1.2
Gov't debt (% of GDP)	83.0	65.0	83.9	67.2	62.6	62.0	58.9
CPI (% eop)	27.0	13.9	20.0	27.5	18.4	15.6	10.1
CPI (% avg.)	25.7	21.7	13.6	28.2	21.2	17.0	13.1
Policy rate (%, eop)	20.00	19.50	17.50	19.50	18.00	14.50	14.00
USD/AOA (eop)	556.1	509.3	837.1	922.6	1,020	1,100	1,150
USD/AOA (avg.)	626.3	460.9	704.9	885.1	958.2	1,063	1,127
ZAR/AOA (avg.)	41.99	28.03	38.11	48.18	51.16	57.26	59.60

Source: Banco Nacional de Angola, Ministry of Finance, INE, Bloomberg, RMB Global Markets Research
1. Gross government debt

Figure 1: Reserves remain close to US$15bn

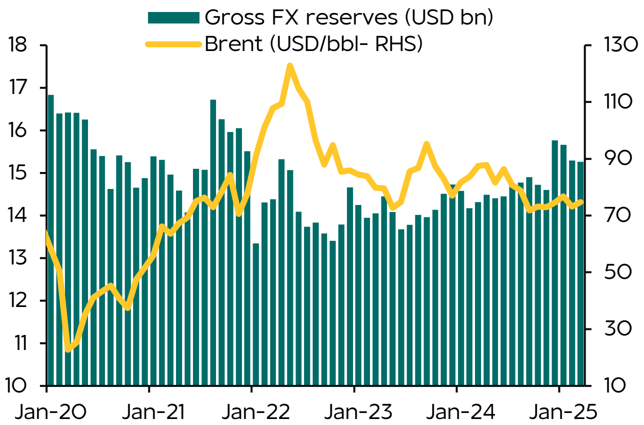


Figure 2: 2025 external debt servicing outlook

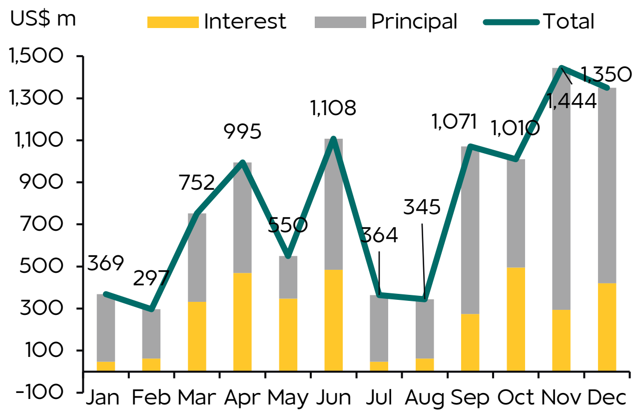


Figure 3: Disinflation to continue

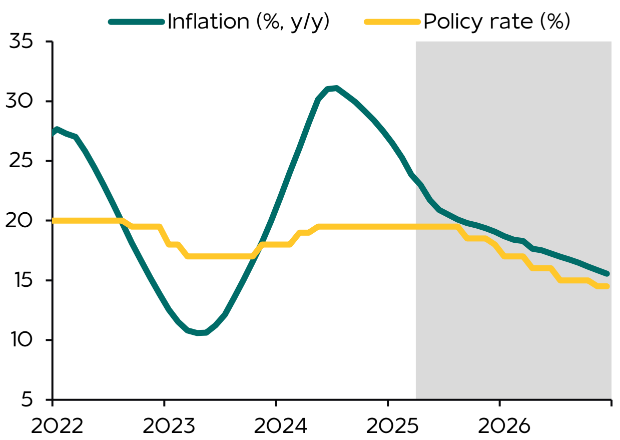
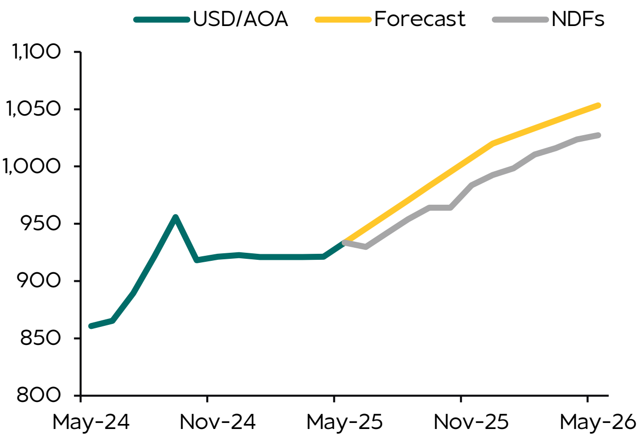


Figure 4: 12m NDFs are lower than our forecasts



Source: Banco Nacional de Angola, Ministry of Finance, INE, RMB Markets Research, Bloomberg

BOTSWANA

Tepid growth through to 2027

Gomolemo Basele

- **Limited diversification will cap growth prospects over the medium term.**
- **We expect government spending to be limited by an undiversified revenue base; borrowing pressure is expected.**
- **The monetary policy rate is likely to remain flat through to 2027.**
- **We expect USD/BWP at 13.71 by year-end from 13.64 currently, driven by movements in USD/ZAR.**

GDP GROWTH: A PRECARIOUS OUTLOOK AHEAD

Botswana's real gross domestic product (GDP) contracted by 3.0% y/y in 2024 (against our -2.3% expectation), according to data released by Statistics Botswana. This is relative to a growth rate of 3.2% in 2023. All sectors, apart from those associated with diamond mining activity and agriculture, registered positive growth rates. A subdued global diamond market led to contractions in mining (-24.1% y/y), manufacturing (-2.5%) and diamond trading activity (-34.1%). However, non-mining GDP was resilient, clocking in growth of 2.8% y/y in 2024 (versus 3.3% in 2023), with the non-mining private sector expanding by 2.0% (2.2% in 2023). Utilities registered the highest growth rate in this sector at 20.2%. Private sector activity remains positive, but the slowdown in activity is likely a result of mounting pressure being experienced by firms that provide services to the mining sector. Furthermore, cuts in public spending have led to a slowdown in public procurement, which has negatively impacted government suppliers.

The rough diamond market continues to be undermined by the expansion of the synthetic diamond sector, which is exerting downward pressure on natural diamond production and prices. The growth in synthetic diamonds is largely driven by a generational change in consumer preferences, where the opportunity cost of extracting rough diamonds is perceived to surpass their marginal value. Unless mitigated through strategic marketing initiatives or technological advancements, this trend is likely to persist. This stands to negatively affect planned infrastructure investment by constraining the government's tax revenue. The drag on GDP growth induced by fiscal austerity measures will impact businesses that rely on government projects, which, in turn, will restrain their cash flows and deposit growth in the banking sector. Additionally, there is now the potential negative global growth implications brought about by increased US protectionist policies. This adds another layer of uncertainty to our already downbeat longer-term GDP growth forecast for Botswana.

Progress in developing alternative sectors (such as agriculture, manufacturing, tourism) has been slow, with the government instituting the Economic Inclusion Act to try and improve local participation in Botswana's economy. This includes alternative tourism sites being considered for development, to boost Botswana's offering. The government is currently reviewing a host of policies aimed at diversifying the economy. We expect recommendations from their review processes to feature as part of the National Development Plan (NDP) 12, due for implementation from November 2025.

From a consumption standpoint, consumer spending should receive a reprieve from policy rate cuts made in 2024 and some currency strength, while some private sector fixed investment is expected, in line with ongoing infrastructure delivery. However, infrastructure delivery is likely to slow. This underpins our view of a continued decline in local economic growth. Further, the likely US-induced tariff slowdown in global growth is a key risk to the outlook for diamond activity, which is likely to bring Botswana's GDP growth outcome to -0.9% in 2025.

Beyond this year, our average growth projection of around 1.2% between 2025 and 2027 rests heavily on several factors, including improving global growth, the recent renewal of mining licences, boosting capex, and ultimately mining output. We expect this growth profile to be supported by the government completing some outstanding infrastructure projects under the transitional NDP (i.e., finalising works on the North-South Water Carrier project, the construction of new solar PV and coal power plants, as well as the construction of several major road links across the country). Additionally, a recovery in household consumption, supported by low inflation and salary increases for civil servants, would support a moderately positive growth outlook. Better weather should also see a notable recovery in agricultural output. The ever-growing share of lab-grown diamond sales, at the expense of natural diamonds, poses downside risk to our already downbeat longer-term GDP growth prospects.

PUBLIC FINANCE: PERSISTENT BUDGET DEFICITS AND HIGHER BORROWING COSTS

Botswana is estimated to have registered a budget deficit of approximately 9.0% of GDP (BWP24.7bn c.US$1.8bn) in FY24/25 against a target of 2.9% of GDP. The deterioration is largely due to severely reduced mineral revenues (BWP8.7bn c.US$650m from an estimate of BWP25.2bn or c.US$1.9bn at the time of crafting the FY24/25 budget). As a result of this strain, austerity measures saw expenditure for FY24/25 being cut down to BWP93.4bn (c.US$7.0bn) from BWP102.6bn (c.US$7.7bn) in the original budget. To help plug this significant funding gap, the government accessed a short-term advance from the central bank worth BWP2.9bn.

In the FY25/26 budget presented in February 2025, the Ministry of Finance (MoF) highlighted the nation's focus areas, which include modernising and transforming infrastructure, improving the quality of life for Batswana, innovation and digital transformation, and supporting private sector-led growth. These key priorities are aligned with Botswana's National Transformation Strategy, Vision 2036 and other regional and global agendas.

The expected expenditure for FY25/26 is BWP97.6bn (c.US$7.3bn) – a slight increase from FY24/25's BWP93.4bn or c.US$7.0bn – comprising BWP72.6bn (c.US$5.4bn) and BWP23.8bn (c.US$1.8bn) in recurrent and development spending, respectively. Total revenues and grants for FY25/26 are projected to reach BWP75.5bn (c.US$5.6bn) (BWP68.7bn or c.US$5.1bn in FY24/25), with Southern African Customs Union (SACU) receipts being the largest revenue source. With diamond activity projected to remain subdued for a protracted period, mineral revenues are expected to remain under pressure in FY25/26.

Value-added tax (VAT) and the Income Tax Act will be repealed and re-enacted to broaden their scope and incorporate more modern business operations. This will see VAT being applied to digital services, including the introduction of electronic VAT invoicing solutions. In an effort to improve tax revenues, both corporate and personal income (for top earners) taxes have been increased by 1.5% from April 2025.

The government expects a budget deficit of 7.6% of GDP (BWP22.1bn or c.US$1.6bn) in FY25/26 (down from an estimated 9.0% in FY24/25), which will continue to be financed through a combination of domestic and external borrowing. On the domestic front, the government seeks to issue BWP8bn in bonds and BWP2bn worth of T-bills, across 11 auctions. This is lower than the BWP10.3bn and BWP4bn in bonds and T-bills, respectively, that the government issued in FY24/25. Due to structural liquidity challenges, government auctions have not been fully subscribed from August 2024. The reduced issuance for FY25/26 is likely a result of the government's expectation of improved mineral revenues this fiscal year, reducing their funding requirement.

With public debt currently at approximately 26% of GDP, the government has the capacity to ramp up borrowing before reaching the statutory limit of 40% of GDP. Given constrained local market liquidity, in part due to a widening current account deficit, we believe the government has scope to increase its external debt stock. In this regard, Botswana could take advantage of its current sovereign credit rating and approach external funding partners for assistance.

Given that domestic borrowing is the government's preferred avenue for resource mobilisation, domestic debt will continue to make up the bulk of the government's total outstanding debt. As it is, the government's deteriorating fiscal position has seen it substantially increase bond issuance to meet its funding requirements, with bond yields rising (156bp on average across the curve) in the 12 months to April 2025. However, recent auctions have not been fully allotted due to liquidity challenges that have limited participation by local players. In a bid to alleviate local liquidity pressures, the central bank has been offering repos since 4Q24, coupled with cutting the primary reserve requirement to 0% to inject liquidity back into the market.

We anticipate the budget deficit to be wider (8.7% of GDP) than the government's estimate (7.6% of GDP) in FY25/26. Our view is substantiated by the government's increased borrowing requirement since 2H24, brought on by poor diamond sales. In FY26/27, we expect the deficit to narrow only to 6.0% of GDP as mineral revenues remain below FY22/23 levels. According to the medium-term fiscal framework, government salaries and subventions to key SOEs reflect growth over the medium term, pointing to continued significant budgetary allocations. Public servants are likely to receive inflation-linked salary increases over the medium term as inflation ticks back up to an average of approximately 3.6% through to 2027. Further, the budget deficit could be wider than current forecasts if SACU receipts underperform based on the current outlook, coupled with uncertainties surrounding a recovery in diamond activity, which could stifle mineral revenue.

In March 2025, S&P Global Ratings affirmed Botswana's long-term local and foreign currency issuer ratings at BBB+ but changed the outlook from stable to negative. This outlook change reflects subdued diamond demand and prices that are keeping Botswana's export earnings and fiscal revenues depressed. As a result, Botswana's external and public balance sheets could be eroded further if current pressures persist. The BBB+ rating for Botswana, however, remains supported by the country's strong institutional framework, which has underpinned prudent resource wealth management. The rating is constrained by Botswana's narrow economic base, which is still heavily reliant on the diamond sector, leaving it vulnerable to fiscal and external shocks. Given the likelihood for the diamond sector to remain depressed for a protracted period, and the impact this could have on Botswana's GDP growth, tax revenue and current account balance, the possibility of further negative rating action cannot be excluded.

EXTERNAL ACCOUNTS: EXPORT REVENUE CONCERNS

We forecast Botswana's current account to register a sizeable deficit of approximately 6.3% of GDP in 2025, from an estimated 4.7% deficit in 2024. This is on the back of headwinds in export earnings, primarily based on the slowdown in diamond and exports. Given our expectation of only a protracted recovery in natural diamond demand, we anticipate the current account balance to narrow gradually through to 2027, as the decline in global demand for diamonds and consequently diamond prices continue to weigh on the trade balance.

In 2024, diamond exports (both rough and polished) reached c.US$3.0bn compared to approximately US$4.6bn in 2023. This drop in diamond exports (-35.9%) reflects the headwinds that mining related sectors experienced in 2024 – consumer demand was spread between lab-grown diamonds as well as other stores of wealth, such as gold. As a result of this slowdown in demand and sales, diamond inventories built up in 2024, keeping prices suppressed.

Botswana's increasing copper production capacity is, however, expected to marginally offset the anticipated drop in exports from lower diamond sales. This will be further supported by increased tourism activity. On the import side, our projection for stable inflation, coupled with last year's policy rate cuts, will support private consumption and the demand for imported goods. Higher consumption will, however, present headwinds to Botswana's foreign exchange holdings through to 2027 as imports continue to outstrip exports. Foreign exchange reserves fell from approximately US$4.9bn in February 2024 to US$3.4bn in February 2025. This fall in reserves represents a reduction in import cover from approximately ten months to seven months' worth of non-diamond import cover. Despite the current balance of payments pressures, we do not expect Botswana's import cover to drop below three months' cover, which is the IMF's recommended minimum import coverage level for countries that have a fixed exchange rate regime. As a result, we expect that Botswana will be able to maintain the pula crawling peg mechanism.

We expect the current account to gradually narrow as both diamond and copper exports recover with the improving global outlook over the medium term. SACU receipts and the anticipated increase in service exports, as a result of the continued recovery of the tourism sector, will also act as a boon to the country's secondary income and service exports. The impact of the recent change in the weights of the currencies in the pula basket could also have an adverse impact on bulk importers – the rand's weight being increased to 50% (from 45%), is negative for importers. Lastly, given the headwinds to growth this year, SACU receipts could register lower levels than expected, further deteriorating Botswana's foreign exchange reserves.

INFLATION AND MONETARY POLICY: ACCOMMODATIVE RATES

The central bank expects inflation to average 2.5% y/y in 2025, providing some backing for a relatively loose monetary policy environment. This is grounded in the central bank's expectation for the domestic economy to operate below full capacity in the short term given the limited prospects for significant economic growth. The BoB highlighted that its inflation outlook could, however, be challenged to the upside by commodity prices exceeding their current expectations as well as persistent production, supply and logistical constraints owing to heightened geopolitical tensions.

Since the December MPC meeting, the central bank has maintained the Primary Reserve Requirement (PRR) at 0% (from 2.5% previously). This action supports Botswana's structural liquidity by reducing pressure on commercial banks to hold a portion of their deposits with the central bank, which had been constrained since 4Q24. As a result of this action, credit extension has remained positive (5.8% y/y as at February 2025), albeit having cooled from 9.8% in January 2024 as economic activity slowed. Credit extended to businesses reflected the largest slowdown (2.0% in January 2025 from 18.2% in January 2024), with household advances declining by a modest 0.9ppt from 5.4% to 4.5%, respectively, over the same period.

Botswana's inflation registered 2.3% y/y in April from 2.8% the previous month and 1.7% at the end of 2024, with muted price growth driven by lower food and non-alcoholic beverage and fuel prices effected in 2024,.

Over the course of 2025, we anticipate that inflation will revert to the central bank's objective range (3.0%-6.0%), driven by higher utility tariffs and due to low base effects in 2H24. We expect inflation to end this year at 3.2% y/y, with average inflation at approximately 3.0% in 2025 from an average of 2.8% in 2024. Given this view and the BoB's inflation expectation, we expect the central bank to remain accommodative by keeping the MoPR at 1.90% in 2025. We expect that the next change in the policy rate will occur only in 2028. With liquidity remaining a challenge in the market, the central bank currently offers repo (repurchase) and reverse repo agreements to commercial banks. These transactions are carried out at MoPR (1.90%).

CURRENCY OUTLOOK: PULA VALUE LED BY DYNAMICS IN SOUTH AFRICA

Given that the rand remains the single largest weighted currency in the pula basket at 50%, it will continue to dominate the pula outlook, with USD/BWP movements being driven by pass-through effects from political and economic events in the US and South African markets. The rate of crawl, on the other hand, has been maintained at -1.51% p.a. in a bid to maintain inflation differentials between Botswana and its trading partners at a minimum. We expect USD/BWP and BWP/ZAR to average 13.74 and 1.34, respectively, this year.

Botswana macroeconomic forecasts

	2021	2022	2023	2024	2025F	2026F	2027F
Real GDP (% y/y)	11.9	5.5	3.2	-3.0	-0.9	2.0	2.5
Nominal (US$ bn)	13.7	14.5	14.9	14.5	14.4	14.7	15.0
Diamond prod (m carats)	22.7	24.0	24.4	17.8	14.0	14.3	14.8
Current account (% of GDP)	-1.4	2.9	0.9	-4.7	-6.3	-4.1	-3.8
Fiscal balance (% of GDP)	-9.4	-5.1	-2.0	-2.8	-9.9	-8.7	-6.0
Public debt[1] (% of GDP)	22.3	20.7	22.0	26.7	32.9	34.4	34.2
CPI (% eop)	8.7	12.4	3.5	1.7	3.2	3.9	4.0
CPI (% avg.)	6.7	12.1	5.2	2.8	3.0	3.5	3.9
Policy rate (% eop)	3.75	2.65	2.40	1.90	1.90	1.90	1.90
USD/BWP (eop)	11.75	12.76	13.38	13.62	13.71	13.90	14.18
USD/BWP (avg.)	11.15	12.40	13.38	13.50	13.74	13.97	14.27
ZAR/BWP (avg.)	1.34	1.32	1.38	1.40	1.34	1.34	1.33

Source: Bank of Botswana, Statistics Botswana, Ministry of Finance, Bloomberg, RMB Global Markets Research, FNB Botswana

Figure 1: GDP growth (% y/y)

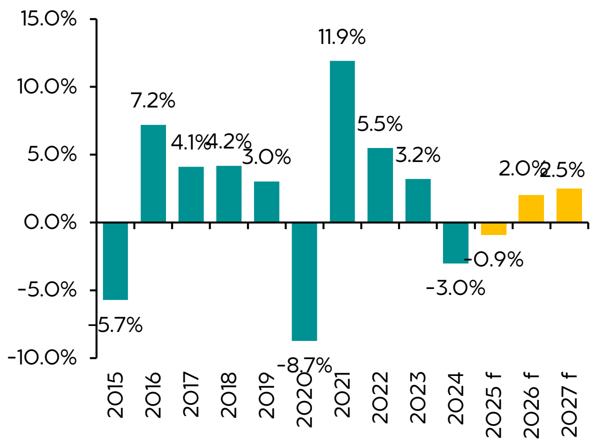


Figure 2: Headline inflation (y/y) vs. MoPR

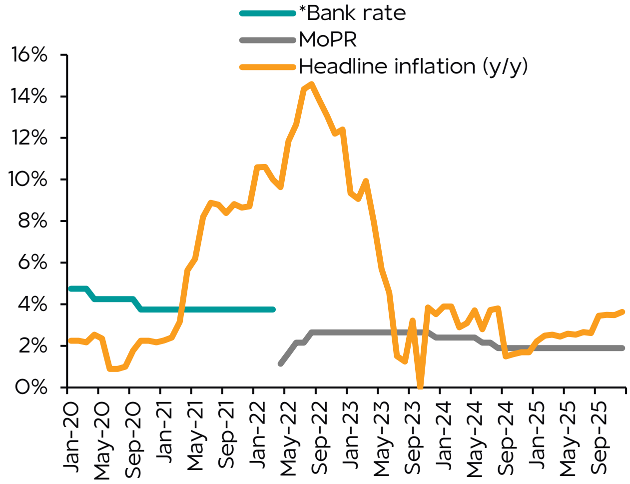


Figure 3: Reserves vs. USD/BWP

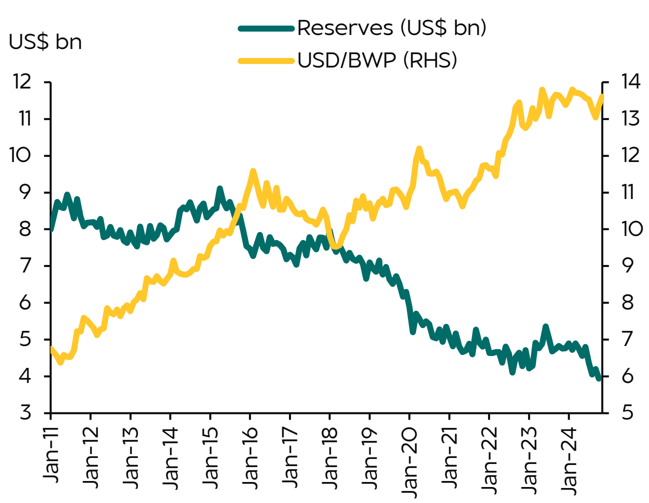
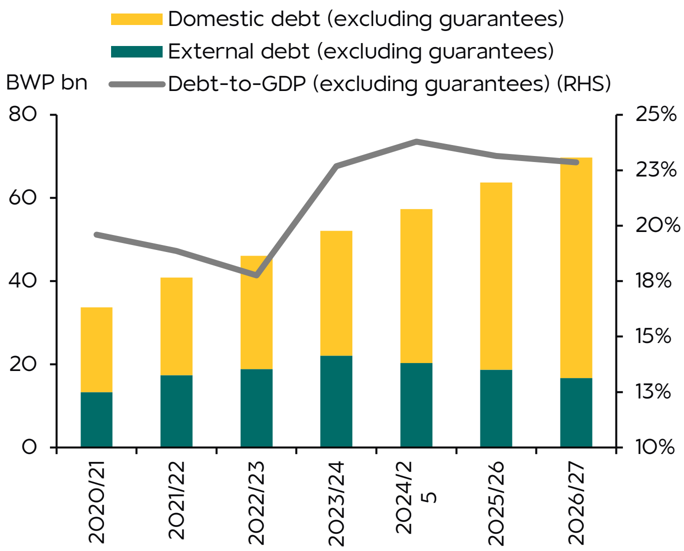


Figure 4: Public debt (BWP)



Source: Bank of Botswana, Ministry of Finance, Bloomberg, RMB Global Markets Research

EGYPT

Recovery and reform continue

Samantha Singh-Jami

- **We expect real GDP growth to accelerate to 4.2% in FY24/25 and 4.6% in FY25/26 from 2.4% y/y in FY23/24.**
- **We anticipate Egypt's current account deficits to remain wide; gross external funding needs remain large over the medium term**
- **There are still some FX market rigidities that necessitate mild USD/EGP upside.**

GDP GROWTH: WE EXPECT GROWTH TO BOUNCE BACK

We estimate that GDP growth will accelerate to 4.2% y/y in FY24/25, up from 2.4% in FY23/24. We maintain our forecast for further acceleration to 4.6% in FY25/26, driven by easing regional tensions, a recovery in Suez Canal revenues, strong infrastructure investment, and ongoing divestment efforts. Egypt is targeting a growth rate of 4.5% in FY25/26.

In the first half of FY24/25 (July–December 2024), we observed an increase in economic activity, which we expect to remain robust in the coming quarters. Growth reached 3.9% y/y, up from 2.4% in the same period of FY23/24. Some key sectors such as mining, gas, and the Suez Canal (under services) experienced contractions of 9.0% y/y, 19.2%, and 69.2%, respectively in 1H of FY24/25. However, there were notable improvements in construction (5.1% y/y compared to 4.7% in 1H of FY23/24), electricity (5.7% vs. 5.3%), transport (12.5% vs. 3.4%), manufacturing (9.8% vs. -8.5%), and financial services (9.7% vs. 3.7%). Despite the slowdown, some sectors demonstrated resilience in 1H of FY24/25, these included tourism (13.1% y/y growth compared to 14.4% in the previous quarter), agriculture (2.1% vs. 3.6%), ICT (3.8% vs. 4.0%) and social services (4.6% vs. 5.7%).

We anticipate that overall economic activity will improve in the coming quarters, supported by enhanced foreign exchange liquidity, stronger private consumption, and sustained investor confidence in Egypt following the renewal of the IMF programme and the large-scale investment secured in 2024. Lower inflation and our expectations for aggressive interest rate cuts over the next year should support private consumption. Meanwhile, higher social support programmes, such as the Takaful and Karama programme and its integration with initiatives like Hayah Karima, are anticipated to boost consumption through 2026. Additionally, in March 2025, Egypt raised the private sector minimum wage to EGP7,000 per month from EGP6,000 — the sixth increase in three years. The public sector will match this rate starting in July.

Public investment is expected to rise gradually but will be limited in the near term by fiscal consolidation efforts (investment still capped and at EGP1.2trn for FY25/26). Egypt is seeking private sector support for key projects like the Upper Egypt Development Programme and dry ports, using asset divestment to boost efficiency and attract investment. Proceeds help close funding gaps and meet fiscal targets, enhancing stability. While major deals like the Ras El-Hekma sale are rare, new Red Sea developments could offer further financial gains.

In the near term, we do not expect a major contribution from Netex on GDP growth. We expect a slow recovery in net exports over the medium term as non-gas exports increase and there is a reduced reliance on both domestic and imported gas for electricity production. Numerous projects are already focused on renewable energy, aligning with a broader strategy to achieve 10GW of renewable energy capacity by 2030.

Sectors such as tourism have shown resilience despite regional conflict and security concerns. Egypt has welcomed 3.9 million tourists during 1Q25, marking a 25% y/y increase. We expect continued tourism growth, though risks from regional conflict remain. We also expect activity in the Suez Canal to recover gradually, with positive growth expected from FY25/26. Construction activity is also likely to be strong from various investments in the energy and transport sectors.

Geopolitics pose a risk to economic growth, the persistent tensions in the region — particularly between Israel/Palestine and Israel/Iran — pose ongoing threats to stability. There is also a continued risk of further security disruptions in the Red Sea. While US tariffs have limited direct impact on Egypt due to low export volumes there, indirect effects may include weaker demand in key markets, reduced Suez Canal traffic, and subdued foreign investment amid global uncertainty.

PUBLIC FINANCE: STRONG PRIMARY SURPLUSES

In the FY23/24 budget, the Ministry of Finance (MoF) originally targeted an overall fiscal deficit of 7.0% of GDP and a primary surplus of 2.5% of GDP. The overall fiscal balance came in at -3.6% of GDP in FY23/24 from -6.0% in FY22/23, while the primary surplus was recorded at 6.1% of GDP from 1.6% in FY22/23. To recall, the strong fiscal performance in FY23/24 was attributable to a surge in non-tax revenues by 186.8% y/y to EGP876bn (about US$24.3bn), largely due to proceeds from state asset sales in both local and foreign currencies. This followed a cabinet decree mandating that 50% of IPO proceeds go to the Treasury to reduce debt. The Ras El-Hekma deal alone contributed around 3.4% to overall GDP.

In FY24/25, the government is targeting an overall deficit of around 7.3% of GDP (EGP1,243bn or c.US$24.9bn) and a primary surplus of around 3.5% of GDP, excluding divestment proceeds, which it estimates at an additional 1.0% of GDP. The MoF has set an annual maximum limit on the general government's debt in nominal terms and as a percentage of GDP (about EGP16.0trn or 96.4% of GDP for FY24/25). Egypt's medium-term strategy aims to reduce public debt-to-GDP to below 80% by June 2027.

The MoF has implemented various tax reforms that focus on improving tax administration and simplifying tax procedures. These measures have positively impacted fiscal performance from July to March of FY24/25. Tax revenues increased by 37.8% y/y in the period, to EGP1,441bn, compared to EGP1,046bn in the same period in FY23/24. Expenditure climbed by 27% y/y to EGP2.5trn. The overall fiscal deficit stood at 6.3% of GDP in July to March of FY24/25, compared to 6.7% of GDP for the same period in FY23/24. Similarly, the primary surplus was at 2.5% of GDP compared to 1.7%. At this stage, a rationalisation of spending may be necessary to meet deficit targets; however, we anticipate that the overall deficit for the 2024/25 financial year will fall short of the target, coming in at 8.3% of GDP. A narrower deficit depends on how quickly authorities can increase divestment proceeds, implement timely energy subsidy cuts, and recovery of Suez Canal receipts.

We anticipate that Egypt's fiscal position will improve over the medium term, primarily through revenue-based fiscal reforms and the use of divestment proceeds to reduce public debt. Achieving sustainable increases in primary surpluses will be challenging; however, reasonable efforts should result in a downward trajectory for debt. Expenditure will be influenced by changes in subsidies, grants, social benefits, and wages. The MoF targets budget deficits of 7.3% of GDP and 5.5% in FY25/26 and FY26/27, respectively, and primary surpluses of 4.0% in FY25/26 and 4.5% in FY26/27. We project the overall deficit to be 7.1% of GDP in FY25/26 and 6.6% in the following year. We expect a primary surplus of 3.8% of GDP and 4.0% of GDP, respectively, over the same fiscal years.

EXTERNAL ACCOUNTS: WIDE CURRENT ACCOUNT DEFICITS BUT RESERVES TO REMAIN STRONG

During the first half (July-December 2024) of FY24/25, Egypt's current account (C/A) deficit widened to US$11.1bn (3.3% of GDP) from US$9.6bn (2.5% of GDP) in the same period of FY23/24. This outcome was driven by a 47.4% y/y increase in the trade deficit, which reached US$27.5bn, and a 21.2% decline in the services surplus, falling to US$7.2bn. However, contributing to C/A inflows was an 81.6% y/y surge in net current transfers, rising to US$17.1bn – largely due to higher remittances from Egyptians abroad. Positively, the investment income deficit narrowed by 17.2% y/y to US$7.9bn. Meanwhile, the capital and financial account recorded a net inflow of US$7.9bn during the first half of FY24/25, (against US$8.4bn in the same period of the previous year), as the FDI in Egypt registered a net inflow of US$6.0bn, while portfolio investments in Egypt recorded a net outflow of US$3.7bn.

For FY24/25, we expect the deficit to widen to 6.3% of GDP from 5.5% in FY23/24. This will largely be due to a wider trade deficit. Declining domestic gas output has turned the country into a net LNG importer. In the medium term, Egypt is likely to use both imported and domestic gas to produce electricity. We expect the overall import bill to rise as FX liquidity improves. However, energy sector demand will remain the primary driver of imports for now.

We expect the current account deficit to narrow to 5.6% of GDP in FY25/26. This will be driven by strong remittance flows, mild improvements in tourism receipts and a gradual recovery in Suez Canal service flows. The canal typically generates more than 10% of the country's goods and services exports. In May, Egypt's Suez Canal Authority cut transit fees for some categories of container ships for 90 days, aiming to attract traffic back amid improving Red Sea stability. Egypt received a record US$32.6bn in remittances from March 2024 to February 2025, up 72.4% y/y. February alone saw over US$3bn – more than double the US$1.3bn in

Feb 2024. We expect strong remittance flows to continue. We do only expect substantial improvements in the trade (goods) deficit but the prospects for non-gas exports looks brighter and a shift to long-term gas purchasing contracts should ease the import growth. However, high external interest payments are likely to weigh on the current account.

However, we believe that increased exchange-rate flexibility and a more competitive exchange rate will support portfolio flows and FDI although Egypt is vulnerable to swings in investor sentiment. We estimate gross external financing needs in the region of US$39bn in FY25/26. We still expect strong net FDI inflows of around US$10.3bn and net portfolio inflows of US$3.1bn, while the rest of the financing is expected to come from other asset sales, multilateral support (IMF and World Bank) and funding from key international partners like the EU, bilateral project support, as well as the issuance of long-term debt. To recall, Egypt returned to the eurobond market at the end of January with a US$2.0bn issuance (5- and 8-year bonds) and may be opportunistic to come to market again this year with US$2.25bn in maturities due for the remainder of this year.

We anticipate a modest decline in reserves, projecting foreign exchange reserves to stand at US$46.4bn by the end of FY25/26 from US$47.1bn at the end of 2024 and below the record high of US$48.1bn reported this April.

INFLATION AND MONETARY POLICY: DISINFLATION TO CONTINUE

Disinflation has largely persisted since inflation peaked at an all-time high of 38.0% y/y in September 2023. Over the past year, deviations from this trend in certain months have been driven by increases in administered prices, various supply-side constraints – including food, electricity, and foreign exchange – and base effects. We expect the general disinflation trend to continue, although inflation is likely to remain well above the Central Bank of Egypt's (CBE) upper target band of 7.0% (±2.0%) until 2027.

Egypt's urban inflation rose to 13.9% y/y in April, following a sharp drop from 24.0% in January to 12.8% in February. Inflation edged up in the subsequent two months, reaching 13.6% in March and 13.9% in April, driven by higher food and beverage prices, subsidy cuts, and base effects. Food and beverage inflation increased to 6.2% y/y in April from 6.0% in March. The government raised fuel prices by up to 15% in April, contributing to the rise in inflation. Transport inflation saw a notable jump, climbing to 37.4% y/y in April from 34.0% in March. Core inflation, which excludes volatile items such as food and energy, also increased –to 10.4% y/y in April from 9.4% in March.

We expect inflation to rise further in the near term, partly due to base effects and higher energy prices. While additional increases in administered prices are anticipated later in the year, we forecast inflation to ease back to around 13.2% by year-end.

After cutting its key policy rates by a cumulative 325bp in April and May this year, we expect the CBE to reduce the overnight lending rate by another 500bp this year, taking it to 20.0% by the end of the year.

CURRENCY OUTLOOK: IMPROVING FX MARKET

The USD/EGP has mostly traded between 50.1 and 51.7 this year, but by mid-May, the pair dipped to a low of 49.9. We expect this move to be short-lived, with the USD/EGP likely returning to 51.8 by year-end. However, improved FX supply via the financial account will continue to limit too much upside in the pair. Given the CBE's strong reserve position (US$48.1bn or 5.8 months of import cover in April 2025), we expect any volatility in USD/EGP to be contained.

This year has been marked by a largely risk-off sentiment, driven by global uncertainty stemming from trade tensions and threats to global growth. Despite this, Egypt has seen some inflows–particularly recently. A bout of risk-on sentiment, combined with Egypt's high real yields, has attracted portfolio inflows and helped to strengthen the EGP against the USD.

Notably, the current account deficit has widened more than we expected in FY24/25, and there is still relatively strong demand for FX in the market, despite an improved supply of liquidity. The gradual recovery in domestic demand is likely to drive a marginally weaker currency. There is still some evidence of liquidity constraints in the market although, it is felt more by importers of goods and services rather than portfolio investors. However, we note that the uncertain global environment could also ignite a sell-off in Egyptian T-bills, of which foreigners own about US$35.3bn as of January 2025.

Egypt macroeconomic forecasts[1]

	2021	2022	2023	2024	2025F	2026F	2027F
Real GDP (% y/y)	3.3	6.6	3.8	2.4	4.2	4.6	5.0
Nominal GDP (US$ bn)	42	471	387	381	336	375	420
Gas production (bcm)	74.8	66.9	63.4	61.8	62.1	63.7	64.1
Current account (% of GDP)	-43.7	-3.5	-1.2	-5.5	-6.3	-5.4	-4.4
Fiscal balance (% of GDP)	-6.8	-6.1	-6.1	-3.9	-8.3	-7.1	-6.6
Public debt (% of GDP)	84.9	87.6	95.7	89.4	87.9	85.7	81.5
CPI (% eop)	5.9	21.3	33.7	24.1	13.2	12.9	8.4
CPI (% avg.)	5.2	13.8	33.8	28.4	15.7	11.5	11.3
Policy rate (% eop)	9.25	17.25	20.25	28.25	20.00	13.00	10.00
USD/EGP (eop)	15.70	24.71	30.89	50.84	51.83	53.54	55.50
USD/EGP (avg.)	15.69	19.72	30.78	45.58	50.46	52.76	54.60
ZAR/EGP (avg.)	1.05	1.20	1.66	2.48	2.69	2.84	2.89

Source: Central Bank of Egypt, Ministry of Finance, Bloomberg, RMB Global Markets Research
Note: 1. All data is fiscal year except for CPI, policy rate and the exchange rates

Figure 1: FDI flows support BoP but growth lags

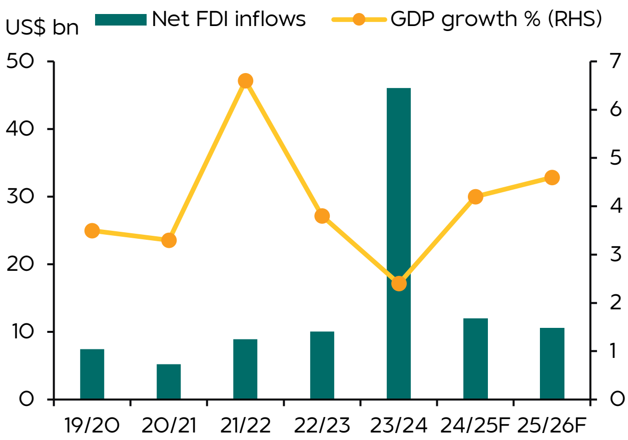


Figure 2: Debt-to-GDP levels to drop

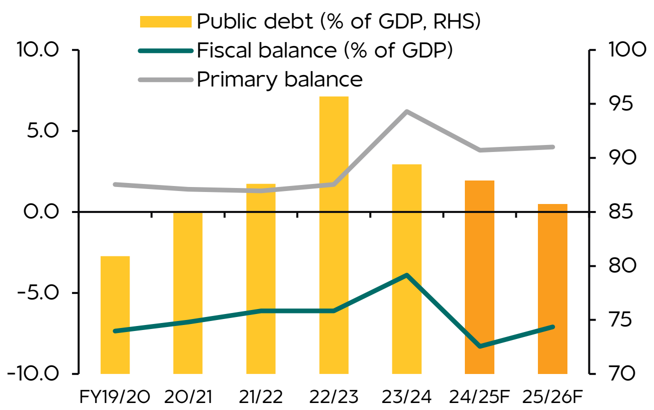


Figure 3: Inflation to fall further

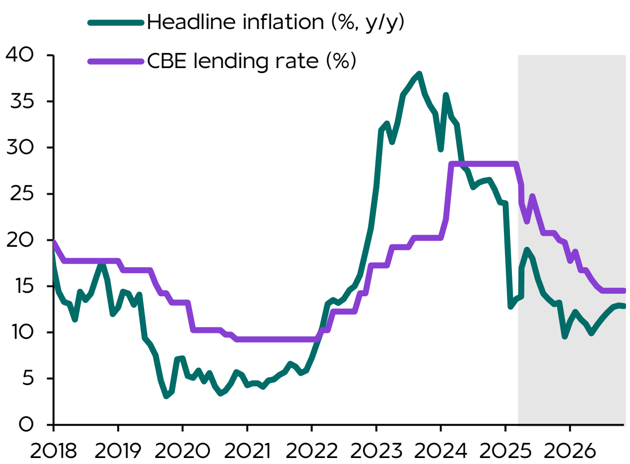
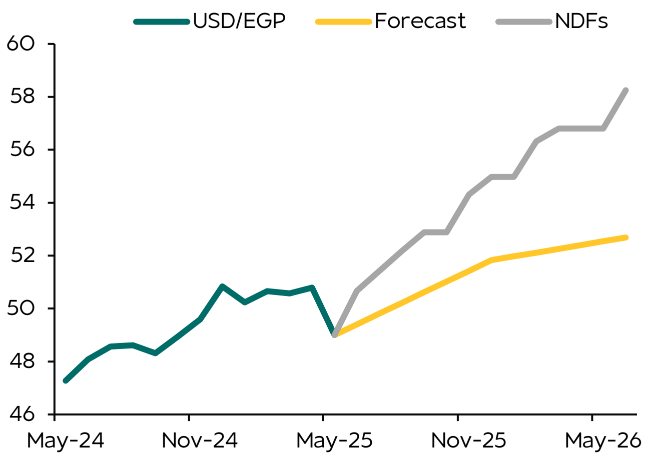


Figure 4: Our forecasts remain inside the NDFs



Source: RMB Global Markets Research, Bloomberg

GHANA

Reset, resilience and risk – the 2025 economic crossroads

Oyinkansola Samuel
Caleb Ayodele

- **We expect GDP growth to slow to 3.5% y/y in 2025 from 5.7% in 2024, partly due to strong base effects and subdued government spending.**
- **Ghana is eyeing a fiscal reset. However, execution risks and a persistent debt overhang are clouding the fiscal outlook.**
- **The recent USD/GHS moves have been sharp and rapid, and it is uncertain where the pair will settle. That said, we expect to see USD/GHS at 13.9 by end-2025.**

GDP GROWTH: LIMITED GOVERNMENT SPENDING IS EXPECTED TO DETRACT FROM REAL GDP GROWTH

After an impressive GDP growth rate of 5.7% y/y in 2024, we expect growth to moderate to 3.5% (previous forecast: 4.6%) this year, partly due to the high base of last year and the limited productive spending from the new government, necessitated by the fiscal slippages of the previous administration. The government targets GDP growth of at least 4.0% y/y this year. The stringent budget is expected to detract from growth in government-dependent subsectors, including construction, real estate, public administration, defence and social security, health and social work, which together account for c.14% of GDP. Also, given the need to tame the persistently high inflation rate, the central bank's hawkish stance is expected to adversely impact private consumption. Similarly, we expect a decline in government consumption expenditure due to the fiscal consolidation required from the new administration.

We expect the industry sector to drive growth in 2025, bolstered by mining and quarrying activities. Gold, the primary output from mining, is expected to sustain its growth momentum in 2025, it is further supported by favourable prices. We expect increased production output from the artisanal and small-scale gold miners following its c.40% contribution to total gold production in 2024, largely due to favourable prices. Also, the newly established Gold Board (GOLDBOD) is expected to curb gold smuggling, ensuring proper reporting through the official channel. Given the recent global disruptions, the status of gold as a safe haven has been reinforced, fuelling bullish sentiments in the Ghanaian market and other gold-producing countries. Over and above that, the ramping up of production by some of the large-scale miners bodes well for production growth. The Cardinal Namdini mine, Ghana's third-largest gold mine, is expected to commence operation by mid-2025, following its first gold pour milestone in 2024. The mine is expected to produce 350,000 ounces of gold annually. Also, in the second half of 2025, the Newmont Ahafo North mine is expected to be commissioned, potentially contributing an additional 300,000 ounces of gold to Newmont's production output. Other gold mines, including the Black Volta Gold project and the Bibiani mine, are expected to continually support the increase in gold output. For 2025, we expect production output to rise to 5.0 million ounces of gold from the 4.4 million ounces achieved in the preceding year.

For the 2024/25 cocoa season, we expect a gradual recovery in production output, largely due to favourable weather conditions and improved cocoa tree management. Furthermore, the adequate supply of fertilizers and pesticides from the Ghanaian government and the effective pruning exercise underway are expected to support a rebound in production. We expect an output of 600,000 metric tons (t) for the 2024/25 season, up from the 530,000t achieved in the prior season. Our forecast is below the COCOBOD's projection of 650,000t. Key risks to our growth forecasts may stem from illegal gold mining, smuggling, and diseases.

Ghana's crude oil production recorded its first growth in 2024 following five consecutive years of contraction. Domestic crude oil production increased by 3.5% y/y to 133kbpd in 2024, driven largely by the Jubilee South-East project. Given the recent global crude oil price crash, we are cautiously optimistic about the recovery path for 2025 as oil producers' margins are being pressured, which could potentially result in producers scaling back on production.

We expect the services sector to remain resilient in 2025, with the financial services and telecommunication sub-sectors anchoring growth. With a 15.8% growth rate in 2024, the telecommunication subsector ranks as the fastest-growing industry in Ghana. According to the Global System for Mobile Communication Association (GSMA), as of January 2025, Ghana's mobile connection stood at 110.0%, while data penetration was 69.9%, which is considered major progress towards a digital economy, according to the World Bank. We expect the telecommunication industry to maintain a double-digit growth rate in 2025, supported mainly by an increased population and value-added services. On the other hand, the financial services subsector is expected to support growth on the back of increased lending to the private sector. As of February 2025, the private sector credit grew by 3.1% y/y, signalling a recovery from the 14.7% decline in the prior year.

PUBLIC FINANCE: RESETTING UNDER PRESSURE

The new government inherited a deeply stressed fiscal environment – 2024 closed with a deficit of 7.9% of GDP, far exceeding the -4.2% government target and our forecast of -5.5%. While some degree of slippage in the final quarter was expected given the electoral cycle, the scale of deterioration observed in the second half of 2024 far exceeded our projections. This was driven by overspending, arrears accumulation, and unmet IMF benchmarks. Buoyed by oil receipts and improved tax compliance, revenue mobilisation stood at 15.9% of GDP, marginally exceeding the nominal target by 5.3%, while expenditure overshot by 27%. Inflation closed the year at 23.8% (vs. the IMF ceiling of 18%), and the government is now contending with arrears worth c. US$4.41bn, alongside structural liabilities in the energy (US$1.73bn owed to Independent Power Producers (IPPs)), cocoa, and financial sectors. The sharp widening of the deficit raises renewed concerns over Ghana's fiscal discipline, especially in light of ongoing debt restructuring efforts and the stringent conditionalities under the IMF-supported programme. The IMF has, however, indicated that approximately 80% of the projects responsible for some of the fiscal slippages have not yet commenced. Authorities have since halted these projects and launched an audit to enhance transparency and accountability.

On 11 March 2025, Finance Minister Cassiel Ato Forson delivered the first full-year budget under President Mahama's administration, themed "Resetting the Economy for the Ghana We Want". This followed a c.US$4.42bn interim budget which financed first quarter operations and facilitated the early activities of the new administration. The approved 2025 budget outlines several strategic policy interventions, including an expenditure-led fiscal consolidation plan anchored on arrears auditing and procurement reforms. It also includes the launch of the 24-Hour Economy initiative to boost productivity and employment, the establishment of the GOLDBOD to leverage gold exports in support of cedi stabilisation, and the rollout of a US$10bn "Big Push" infrastructure programme to drive long-term growth.

This budget aims to reset Ghana's fiscal path. It targets a reduced overall deficit of 3.1% of GDP and a primary surplus of 1.5%. The Ministry of Finance targets revenue of GHS223.8bn (17.2% of GDP), driven largely by non-oil tax collections. In a bid to provide relief to individuals and businesses, several unpopular taxes have been abolished; these include the 1% e-levy, 10% betting tax, VAT on vehicle insurance, emission levy, and the 15% withholding tax on small-scale gold. To compensate for the revenue loss, the government will enforce tighter compliance, lower the tax refund ceiling, and increase levies on mining firms. In addition, the government has amended the Public Procurement Act, which now requires MDAs to obtain commencement authorisation before initiating any procurement processes. As part of broader fiscal reforms, the authorities will also implement a 15% increase in electricity tariffs to curb the accumulation of arrears in the energy sector.

Total expenditure for 2025 is projected at GHS269.1bn (20.7% of GDP), marginally below the 2024 outturn, signalling an intent toward fiscal restraint. However, execution risks remain elevated. Notwithstanding these concerns, the IMF reached a staff-level agreement with Ghana under the fourth ECF review in April, unlocking a potential disbursement of US$360m and reaffirming multilateral support for Ghana's macroeconomic recovery. That said, the road ahead remains uncertain, with weak fiscal discipline, limited execution capacity, and persistent revenue mobilisation gaps posing significant risks to the success of the 2025 fiscal plan. In light of these challenges, we maintain a cautious outlook, projecting a 2025 fiscal deficit of 5.9% of GDP.

Ghana's public debt-to-GDP ratio fell to 55.0% in March 2025 from 61.8%at the end of 2024, primarily reflecting a higher nominal GDP base. This outturn is in line with the government's 2028 target under IMF programme. However, the country's debt sustainability remains under pressure due to elevated refinancing requirements, estimated at GHS150bn in domestic debt and US$8.7bn in external amortisations through to 2028.

The near exhaustion of the Sinking Fund underscores persistent liquidity constraints. Nonetheless, the recent resumption of coupon payments and plans to re-engage the domestic bond market suggest a cautious return to market-based financing. Fiscal support continues to hinge on multilateral inflows, with IMF and World Bank disbursements contributing approximately US$1.3bn to bridge budgetary shortfalls.

Looking ahead, we have revised our forecast to reflect marginal decline in the debt-to-GDP ratio to 61.5% by end-2025 (previously 67.7%) from 61.8% at end-2024. This projection factors in a discounted view of outstanding arrears to IPPs, ECG, COCOBOD, and several contracts awarded by MDAs currently under audit. When adjusted for these contingent exposures, the gross public debt stock is expected to rise from GHS726.7bn to approximately GHS890bn.

While the policy direction is well-articulated, budget execution has traditionally been challenging. Against this, investor confidence in fiscal management will be a key determinant of pricing dynamics. Should implementation risks persist, or arrears management weaken further, we expect upward pressure on yields for domestic debt, particularly as the government leans more heavily on the local bond market to plug financing gaps amid constrained external options. This calls for the need to reinforce a sustained commitment to fiscal consolidation and structural reforms.

EXTERNAL ACCOUNTS: INCREASED CA SURPLUS LARGELY DUE TO GOLD EXPORTS

We expect a current account surplus of US$6.0bn (6.5% of GDP) in 2025, up from US$3.6bn (4.3% of GDP) in the preceding year. Growth in gold production, particularly from the new mines coming online in the second half of 2025, is expected to impact the trade surplus significantly. In the year to April 2025, Ghana recorded a trade surplus of US$4.1bn from US$0.8bn in the previous year, spurred by gold exports. Total gold exports amounted to US$5.2bn, driven by increases in both price and production. Gold prices reached an all-time high of US$3,424/oz in April, gaining 28.5% year-to-date after a 26.4% rise in 2024. In the oil sector, while we expect a mild increase in oil output in 2025, softer crude oil prices pose a downside risk to oil receipts. In the first four months of 2025, the Bank of Ghana (BoG) data showed that oil exports declined by 24% y/y to US$972m, driven by a drop in crude oil prices. Crude oil prices declined to an average of US$73/bbl in the year to April from US$84/bbl in the corresponding period in 2024. Meanwhile, cocoa exports increased by more than 200% y/y to US$1.8bn in the first four months of the year from US$580m in the same period last year. This outcome is attributed to increases in both prices and production. Production output increased by about 11.2%, largely due to the high rainfall levels during September and October, the early part of the current season's main crop harvest.

Meanwhile, total imports increased slightly by 2.7% y/y to US$5.2bn in the first four months of the year, partly due to currency weakness. On a year-on-year basis, the local currency depreciated by about 17%. In the first four months of 2025, both oil imports and non-oil imports increased by 7% and 1%, respectively.

Ghana's gross reserves stood at US$10.7bn in April 2025, up from US$8.9bn recorded in December 2024. This is equivalent to 4.7 months of import cover. This is mainly driven by continued gold and other commodity exports. As of April 2025, the central bank's gold reserves stood at 31.37 tonnes (t), up from 21.35t in the prior year. In a similar vein, Net international reserves increased by US$1.2bn, reaching US$7.9bn in April. We expect a further accretion of reserves, with our year-end forecast of US$11.2bn, buoyed by increased commodity exports and subsequent disbursement from the IMF under the ECF-supported programme, remaining well above the IMF's generally recommended three-month import cover target.

INFLATION AND MONETARY POLICY: BOG TIGHTENS CAUTIOUSLY AS INFLATION EASES BUT LINGERS

The BoG maintained the policy rate at 28.00% at its May meeting. This followed a calculated but cautious 100bp hike at its March 2025 meeting – the first adjustment since the 300bp cumulative easing in 2024. Since March, the MPC's moves reflect a measured shift toward a mildly hawkish stance, aimed at re-anchoring inflation expectations and managing emerging macroeconomic risks, rather than signalling the start of an aggressive tightening cycle.

Headline inflation continued its downward trend in April, easing to 21.2% y/y from 22.4% in March and marking an eight-month low. The decline was supported by a further slowdown in food inflation, which moderated to 25.0% from 26.5% previously, driven by easing prices in key items such as vegetables, cereals, and fish. Non-food inflation also fell to 17.9%, aided by a stronger cedi, which helped reduce import-related costs. However, on a month-on-month basis inflation ticked up to 0.8% m/m from 0.2% in March, pointing to some lingering pressures, particularly from domestic supply constraints. Given the improving disinflation trend and currency strength, we now forecast the year-end inflation rate at 14.5% y/y from 15.8% previously. That said, the path remains uneven, with potential risks from food supply volatility, global commodity prices, and expected currency stabilisation in the second half of the year.

To better manage liquidity conditions, the Bank of Ghana is set to introduce several initiatives in the coming months. These include a 273-day liquidity sterilisation instrument, stricter net open position monitoring, and a planned review of the cash reserve ratio framework. Additionally, the central bank has stepped up transparency by publishing individual MPC voting records and enhancing forward guidance – a move that strengthens policy credibility.

Looking ahead, we expect the policy rate to be held at 28.00% until 2H25, when we expect the BoG to reduce the policy rate. This is premised on our view of continued disinflation, reduced fiscal risks, and relative FX stability.

CURRENCY OUTLOOK: USD/GHS TO REMAIN SUPPORTED BY THE BOG

The cedi has rallied considerably against the USD since mid-April, mainly due to the BoG's consistent interventions through the sale of forwards to local corporates facilitated by the build-up in external reserves. Official data shows that gross reserves grew by 61.8% y/y to US$10.7bn by April, while the BoG revealed gold reserves increased by 47% y/y to the equivalent of 31.4t (US$3.4bn) by the end of April. The cedi has also been supported by Ghana's insulation from FX outflows given limited foreign investor participation in the bond market. Toward the end of May, the USD/GHS currency pair was trading below the 11.00 levels from 14.75 a month earlier.

To recall, the BoG commenced interventions via the forward sales in late 2024 which resulted in a sharp downward move in the USD/GHS exchange rate to 14.70 by the end of that year from earlier highs close to 17.00. Subsequent depreciation of the local currency against the USD from a reduction in the frequency of interventions and policy uncertainty in the immediate aftermath of elections was eventually met with signals from the new BoG governor that exchange rate stability will remain a priority. Authorities have since reaffirmed that the BoG will continue its FX forward auctions to support the cedi.

Nevertheless, the moves in USD/GHS over the past month have been sharp and rapid and at this stage, it is uncertain where the pair will settle. That said, this has necessitated a relook at our forecasts. The movement in gold prices has created a new tailwind for the currency. Also, the newly established GOLDBOD which aims to enhance FX generation and reserve accumulation by supporting FX inflows and gold reserve build-up, has delivered so far and has quickly generated substantial dollar inflows from gold exports. We now expect USD/GHS to end the year at 13.90 from our earlier forecast of 16.02. While we believe there is still room for further strengthening of the cedi against the USD, we maintain our view of a mild depreciation in the latter half of the year as the gold rally appears largely done. For now, it appears that the BoG can sustain interventions, especially following the IMF staff-level agreement on the fourth review of the 36-month Extended Credit Facility (ECF) programme on 15 April - much earlier than we anticipated. Upon approval by the IMF executive board, Ghana will gain access to a US$370m disbursement, bringing total disbursements under the programme to about US$2.36bn since May 2023.

Ghana macroeconomic forecasts

	2021	2022	2023	2024	2025F	2026F	2027F
Real GDP (% y/y)	5.1	3.1	2.9	5.7	3.5	3.7	4.0
Nominal (GHS bn)	462	614	888	1,176	1,446	1,720	2,033
Nominal GDP (US$ bn)	79.5	73.8	74.1	80.5	103.3	121.4	138.5
Gold output (million oz.)	2.8	3.7	3.9	4.4	5.0	5.7	6.4
Crude oil output (million barrels)	55.4	51.8	48.3	52.8	56.3	60.2	64.7
Current account (% of GDP)	-2.2	-2.1	1.4	4.3	6.5	6.1	5.5
Fiscal balance (% of GDP)	-9.6	-11.8	-3.3	-7.9	-5.9	-4.4	-3.1
Public debt (% of GDP)	79.5	77.5	68.7	61.8	61.5	59.6	56.7
CPI (% eop)	12.6	54.2	23.2	23.8	14.5	14.2	14.3
CPI (% avg.)	9.8	31.5	40.3	22.9	18.3	14.9	14.0
Policy rate (% eop)	14.50	27.00	30.00	27.00	27.00	25.00	23.00
USD/GHS (eop)	6.18	10.10	12.20	14.70	13.90	14.41	14.92
USD/GHS (avg.)	5.92	9.23	11.80	14.61	14.00	14.17	14.68
ZAR/GHS (avg.)	0.39	0.56	0.64	0.80	0.74	0.76	0.78

Source: Bank of Ghana, Ministry of Finance, Bloomberg, RMB Global Markets Research

Figure 1: Real GDP growth (%y/y)

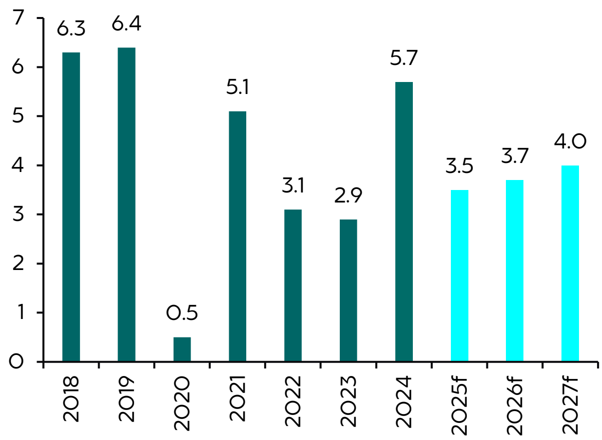


Figure 2: Current account (% of GDP)

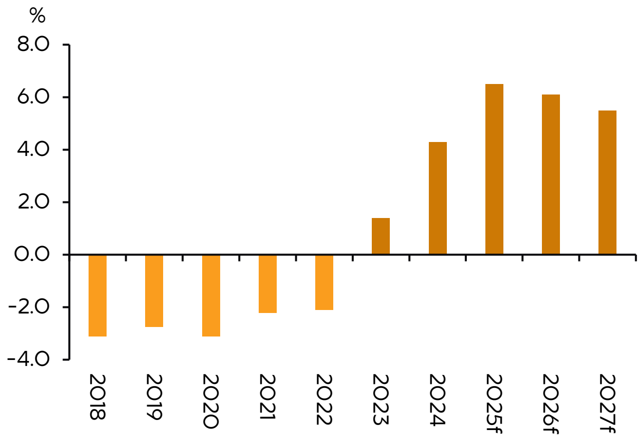


Figure 3: Gross reserves and exchange rate

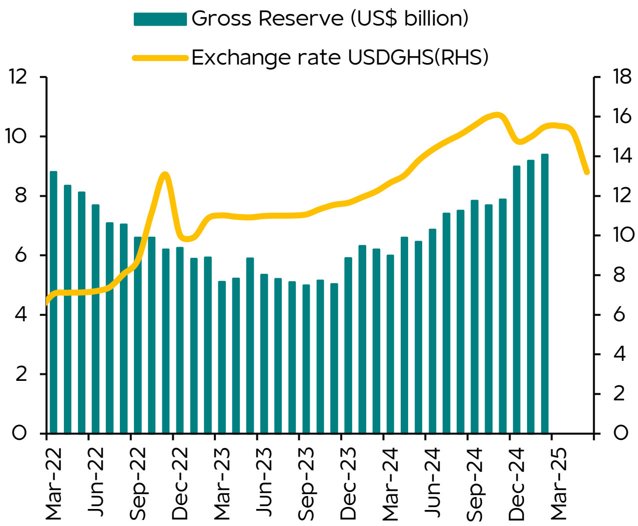
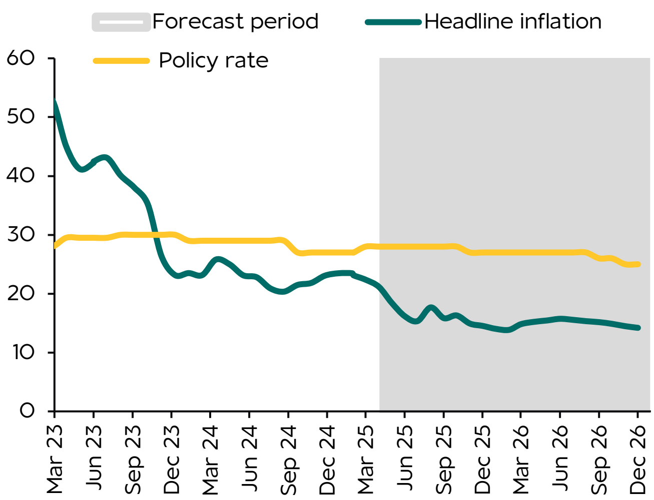


Figure 4: CPI and Interest rate outlook



Source: Bank of Ghana, Ministry of Finance, RMB Markets Research, Bloomberg

KENYA

Optimistic outlook, but public finances remain a blemish

Precious Dube

- **We project real GDP growth to pick up to 5.1% y/y in 2025 from 4.7% in 2024.**
- **Inflation is increasing and we forecast it to reach 4.8% by year-end.**
- **The fiscal outlook continues to be challenging due to revenue underperformance and only modest expenditure cuts.**
- **The Kenyan shilling has been stable, supported by robust external flows.**

GDP GROWTH: ECONOMIC GROWTH TO PICK UP IN 2025

In the fourth quarter of last year, Kenya's real GDP grew by 5.1% y/y, the fastest pace in 2024, compared to an upwardly revised 4.2% (4.0% previously) in 3Q24. Growth was primarily driven by service sectors such as accommodation and food services (10.9% y/y), public administration (9.2%), wholesale and retail trade (6.4%), transportation and storage (5.6%), information and communication (5.6%), and finance and insurance (6%). The agriculture sector also grew by 4.3% y/y, slightly up from 4.2% in the previous quarter.

On an annual basis, 2024 GDP growth came in at 4.7% y/y, down from 5.7% in 2023, reflecting a deceleration of economic activities in the first three quarters of 2024 amid disruptions from political unrest and the slowdown in private sector credit growth to key sectors of the economy. In 2024, most economic sectors registered growth, except for construction and mining and quarrying, which contracted. Growth in the agriculture, forestry, and fishing sector slowed to 4.6% y/y in 2024, from 6.6% in 2023. This was largely attributed to varied weather patterns during the year, with long rains being above average while the short rains were below average, leading to mixed performance of the various crops. The financial and insurance sector also experienced a slower growth rate of 7.6% y/y in 2024, down from 10.1% in 2023. Despite the moderation, growth in this sector was underpinned by increased earnings from government securities and a rise in net premiums within the insurance subsector. Other key sectors that posted significant growth in 2024 were accommodation and food services (25.7% y/y), public administration (8.2%), information and communication (7.0%), real estate (5.3%), transportation and storage (4.4%), and wholesale and retail trade (3.8%). Construction and mining and quarrying activities contracted by 0.7% and 9.2%, respectively. Mining production declined due to the closure of Kwale Titanium mine. While the construction sector was severely constrained by a surge in pending bills from public works.

Leading indicators of economic activity point to improved performance in the first quarter of 2025. For 2025, we expect GDP growth to pick up, driven by resilience in the services sector, enhanced agricultural productivity on the back of favourable weather conditions, and improved export performance. Given relatively low inflation and the continued easing of monetary policy conditions, we expect expenditure growth in households and increased credit to the private sector to also support growth. However, government consumption growth will dampen overall GDP growth as we forecast it to be subdued, as the government continues to implement fiscal consolidation measures. Net exports will also continue to drag on growth due to a structural trade deficit, but investor sentiment will support stronger economic performance in 2025. We forecast GDP growth to pick up to 5.1% in 2025, lower than the National Treasury's projection of 5.3%.

Going into the medium term, we expect strong growth momentum to continue, averaging 5.5% over 2026-2027, driven by private consumption and fixed investment. Growth will also be supported by broad-based digitalisation and deeper regional integration.

Overall, growth will be subject to downside risks from domestic and external factors. Domestic risks include the possible impact of adverse weather conditions on agricultural production. External risks largely stem from US protectionist policies. The direct impact of the US tariffs – with Kenya imposed a baseline tariff of 10% – is expected to be limited due to the US accounting for a small component of Kenya's total exports (8.0% of total exports). Moreover, Kenya is at a competitive advantage considering that its key export products to the US (tea and textiles) could benefit as competitor countries face steeper tariffs. However, indirect impacts, which include weaker global growth, will have a negative impact on Kenyan growth prospects. We expect that risks related to the suspension of the USAID funding, which accounted for KES50bn in 2023, will be more significant. The funding was mostly allocated to health initiatives. Considering that the funding was not part of the national government's budget, a full withdrawal of the funding will severely impact employment in non-profit organisations. Moreover, authorities will need to divert funds to plug the gap in some health initiatives.

PUBLIC FINANCE: STILL CONSTRAINED PUBLIC FINANCES

Kenya faces elevated fiscal risks following the withdrawal of the 2024 Finance Bill in June last year. Budget implementation in the first half of FY24/25 was impeded by protests that led to a slowdown of economic activities and the withdrawal of Finance Bill 2024, which was expected to raise additional revenue amounting to KES344.3bn.

In the first half of FY24/25, total revenue collected was KES1.3trn, less than the target by KES107.7bn due to the underperformance in all revenue categories. Meanwhile, total expenditure amounted to KES1.8trn, in line with the target. The fiscal deficit amounted to KES461.2bn in the first half of FY24/25. The deficit was financed mostly from domestic borrowing, which amounted to KES408.4bn. In the Supplementary Budget II, the deficit is expected to be 5.1% of GDP, from 5.3% of GDP in FY23/24. This is in line with our expectations and reflects a high probability for revenue collection to continue to underperform, owing to the government's inability to implement significant tax hikes due to the risk of further social unrest. Nevertheless, while some tax measures were reinstated in late 2024, those measures will only raise KES70bn annually, significantly below the planned KES170bn. Moreover, the sale of state-owned enterprises (SOEs), which could have added revenues, has stalled owing to legal challenges.

Overall, the deficit figures mask a large run-up in arrears. Persistent shortfalls in revenue collection, coupled with spending rigidities, have led to an accumulation of arrears. In the first half of FY24/25, total outstanding government arrears amounted to KES528.4bn (c.US$4.1bn). These comprise of KES410.7bn (77.7%) for state corporations and KES117.7bn (22.3%) for ministries, state departments and other government entities. Out of the total arrears, 53.3% accrue from development expenditure and 46.7% are from recurrent expenditures. The arrears are mainly historic and include payments to contractors, suppliers, unremitted statutory and other deductions and pension arrears. The government has formed an arrears verification committee to analyse the stock of government arrears that have accumulated from June 2005 to June 2022, to confirm the arrears and advise the government on the settlement of the arrears. Upon completion of the verification, the committee is expected to release a report with proposals on a clearance strategy. The final report is expected to be tabled by June 2025. Overall, the total outstanding arrears are substantial and will pose upside spending risks going forward.

For FY25/26, National Treasury projects revenues to increase to KES3.5trn from KES3.1trn in FY24/25. Of this amount, ordinary revenue is projected to rise by 7% to KES2.8trn. Meanwhile, in line with declining donor funding, grants are projected to be 11% lower at KES46.9bn. The budget also takes into account KES149bn from anticipated privatisation proceeds. Considering the legal challenges to privatising SOEs, we expect these proceeds to come in lower than expected. Total expenditure is projected at KES4.2trn, from KES4.0trn in the current fiscal year. National Treasury is targeting a narrower fiscal deficit of 4.5% (we forecast 4.6% of GDP) compared to the previous fiscal year, due to continued fiscal consolidation measures. To finance the fiscal deficit, which is projected at KES876.1bn, the National Treasury plans to increase borrowing from the domestic market while reducing reliance on external sources. The financing of the deficit for FY25/26 is projected to be KES591.9bn from the domestic market and KES221.2bn from external sources.

Kenya's total public debt decreased to KES10.9trn (US$84.2bn) in December 2024 from KES11.1trn in December 2023. The moderation in total public debt was due to a decline in external debt from KES6.1trn in December 2023 to KES5.1trn in December 2024, attributed to the appreciation of the shilling against major foreign currencies. However, domestic debt uptake has continued to accelerate, reflecting the increasing reliance on the domestic market for funding. Domestic debt increased to KES5.9trn at the end of last year from KES5.0trn in December 2023.

The IMF and Kenya agreed in March 2025 to cancel the ninth and final review under the US$3.6bn Extended Fund Facility and Extended Credit Facility programmes. This led to the programmes lapsing with about US$830m undisbursed. This was likely due to Kenya's failure to meet revenue and budget deficit targets. The government of Kenya has since requested a new IMF programme, but this has yet to be finalised. We are of the view that the objective of a new IMF programme would be to reduce Kenya's large public debt stock and make debt repayments sustainable over the medium term. However, given the local political context and the anticipation that the discussions may be protracted due to Kenya's slow pace to implement fiscal consolidation measures to rein in the wide fiscal deficit, it is unlikely that a new programme will be agreed before 3Q25.

EXTERNAL ACCOUNTS: ROBUST REMITTANCE INFLOWS AND LOWER OIL PRICES SUPPORTING EXTERNAL ACCOUNTS

The current account deficit was recorded at US$4.5bn in 2024 (3.6% of GDP) compared to US$4.3bn (4.4% of GDP) in 2023, reflecting the strong performance of export of goods and increased remittances. The improvement in the current account balance was also partly attributable to a slowdown in imports due to muted demand by households and businesses last year. The capital account balance increased by US$48.9m to register a surplus of US$176.5m in 2024 compared to US$127.6m in 2023. Net financial inflows improved to US$6.0bn in 2024 from US$2.6bn in 2023, reflecting an increase in investment inflows.

The Kenya National Bureau of Statistics has revised the balance of payments data to improve the recording of cross-border transactions related to imports and re-exports of petroleum products under the government-to-government contracts. Based on the revised balance of payments data, the current account deficit narrowed to 3.1% of GDP in the 12 months to February 2025 compared to 3.3% of GDP over a similar period in 2024, reflecting improved exports of goods and services and resilient diaspora remittance inflows, and a lower oil import bill. Goods exports increased by 13.1% y/y, due to higher agricultural commodities and re-exports. Goods imports rose by 10.6% y/y, reflecting increases in intermediate and capital goods imports. Services receipts increased by 14.0% y/y, mainly supported by increased receipts from transport and travel services. Diaspora remittances increased by 14.5% in the 12 months to February 2025.

For 2025, the Central Bank of Kenya (CBK) projects that the current account deficit will narrow to 2.8% of GDP. Our estimate shows a slightly wider deficit of 3.0%, reflecting a wider trade balance deficit due to the expectation for import growth to pick up in 2025. The current account deficit will be fully financed by financial account inflows.

Kenya's foreign reserves have continued to accelerate in 2025, supported by a significant increase in foreign inflows. Foreign reserves increased from US$8.9bn in January to US$10.3bn by mid-May 2025. At these levels, FX reserves are sufficient to cover 4.4 months of imports; they continue to provide adequate cover and a buffer against any short-term shocks in the foreign exchange market. Going forward, we expect funding from bilateral partners and multilateral institutions to bolster FX reserves. The Kenyan government has confirmed the commitment of a US$1.5bn loan with the United Arab Emirates, with the country likely to drawdown the facility in full in 2025 – Kenya accessed US$500m in April from the facility. The country also has potential external funding from other multilaterals, with likely project funding from the World Bank and the African Development Bank.

INFLATION AND MONETARY POLICY: INFLATION TRENDING HIGHER, BUT TO REMAIN WITHIN TARGET

Headline inflation increased to 4.1% y/y in April from 3.6% in March, marking the sixth consecutive increase since November 2024. The higher headline inflation rate has been driven by an increase in the food and non-alcoholic beverages index. Food and non-alcoholic beverages inflation, which contributes a third to headline inflation, increased to 7.1% y/y in April from 6.6% in March. Core inflation also increased to 2.5% in April from 2.2%, reflecting underlying inflationary pressures.

The CBK projects that inflation will increase towards the higher band of its 2.5%-7.5% target range by year-end. We also forecast inflation to continue accelerating for the rest of 2025, due to fading base effects and the impact of a planned increase in gasoline and diesel prices, to cover new charges for oil marketing companies and petroleum transporters, which will drive fuel inflation. We project inflation to increase and peak at 4.8% y/y by year-end. However, there are upside risks to our inflation forecast from climate change-related shocks, and disruptions in trade and global supply chains from US policies.

At the last Monetary Policy Committee (MPC) meeting in April 2025, the Central Bank Rate (CBR) was lowered by 75bp to 10.00%. This brought cumulative easing since August 2024 to 300bp. The MPC also approved the narrowing of the spread of the interest rate corridor around the CBR from 150bp to 75bp. This was implemented to enhance the stability of the interbank rate and to align rates closer to the CBR. Considering accelerating inflation, which is set against a backdrop of elevated global uncertainty, we anticipate that the MPC will slow the pace of monetary easing. Nevertheless, we expect the MPC to continue cutting interest rates to boost private sector credit, which has remained modest at 0.2% y/y in March 2025. We forecast a 50bp cut for the rest of 2025, bringing the policy rate to 9.5% by the end of the year.

CURRENCY OUTLOOK: KES HOLDING STEADY, SUPPORTED BY EXTERNAL FLOWS

Despite increased global uncertainties, the USD/KES exchange rate has been trading within a range between 129 and 130 levels for most of this year. The foreign exchange market was mainly supported by inflows from agricultural exports, remittances, and foreign investors. Going forward, despite a marginal improvement in the current account deficit in 2024, we expect FX demand to pick up — in line with our projection for higher import demand in 2025. Increased demand will provide depreciatory pressure for the shilling. We expect gradual depreciation and for the USD/KES pair to be at 135.7 by the end of 2025.

Kenya macroeconomic forecasts

	2021	2022	2023	2024E	2025F	2026F	2027F
Real GDP (% y/y)	7.6	4.9	5.7	4.7	5.1	5.4	5.5
Nominal GDP (US$ bn)	109	112	101	123	134	139	144
Current account (% of GDP)	-5.5	-5.2	-4.4	-3.6	-3.0	-2.9	-2.8
Fiscal balance (% of GDP)	-8.3	-6.3	-5.5	-5.1	-4.6	-4.1	-3.7
Public debt (% of GDP)	67.4	67.3	72.9	70.8	68.7	66.6	63.0
CPI (% eop)	5.7	9.1	6.6	3.0	4.8	5.5	5.0
CPI (% avg.)	6.1	7.6	7.7	4.5	4.4	5.2	5.0
Policy rate (% eop)	7.00	8.75	12.50	11.25	9.50	9.00	8.00
USD/KES (eop)	113.1	123.4	157.0	129.3	135.7	145.2	154.77
USD/KES (avg.)	110.7	120.9	149.0	134.2	131.7	140.9	150.4
ZAR/KES (avg.)	7.48	7.39	8.08	7.31	7.14	7.60	7.96

Source: Central Bank of Kenya, National Treasury, Bloomberg, RMB Global Markets Research

Figure 1: Growth to improve over the medium term

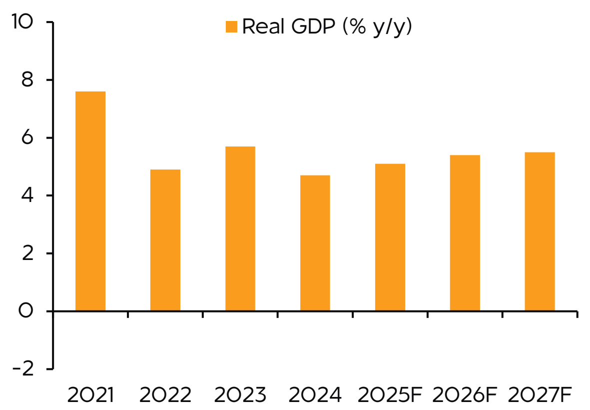


Figure 2: Twin deficits to persist

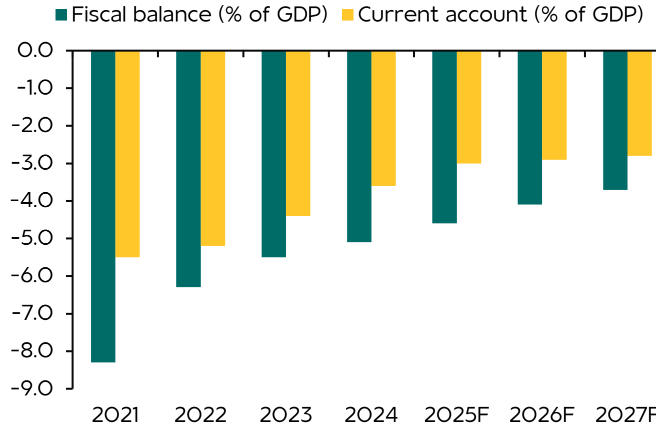


Figure 3: Inflation to tick up in 2025

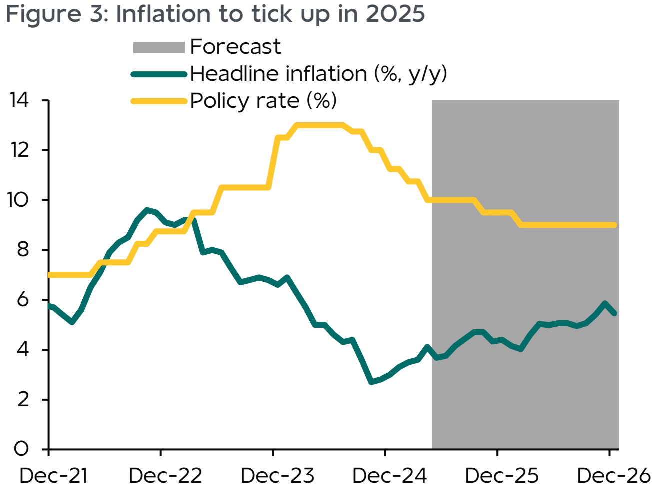
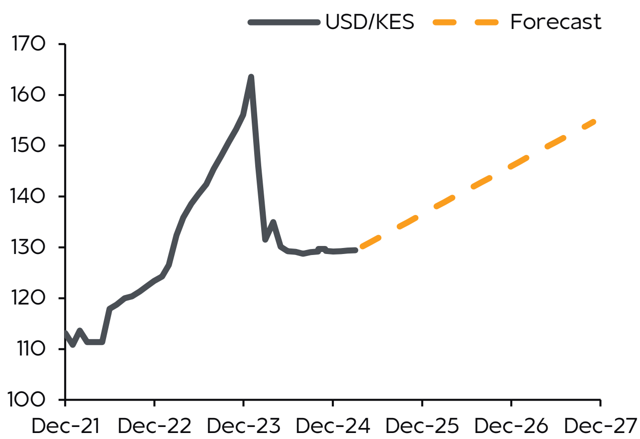


Figure 4: USD/KES depreciatory bias



Source: RMB Global Markets Research, Central Bank of Kenya, National Treasury of Kenya, Bloomberg

MOZAMBIQUE

Political tensions have eased but macroeconomic risks remain

Precious Dube

- **We expect real GDP to recover in 2025, however, it is subject to downside risks.**
- **Uncertainty around a new IMF programme increases fiscal risks.**
- **We expect inflation to be higher in 2025.**
- **New regulations to address intensifying FX shortages.**

GDP GROWTH: WE EXPECT GROWTH TO RECOVER IN 2025, THOUGH RISKS LOOM

Mozambique's real GDP growth contracted by 4.9% y/y in 4Q24, a significant deterioration compared to the 3.7% and 4.8% growth recorded in 3Q24 and 4Q23, respectively. This marked the first contraction in economic activity since the fourth quarter of 2020. The contraction in 4Q24 was broad-based, driven by negative growth in the primary (-4.8% y/y), secondary (-8.9%), and tertiary (-3.8%) sectors, due to the intensification of political demonstrations after the disputed October elections, which disrupted economic activities.

In 4Q24, nine out of fifteen sectors made negative contributions to overall GDP growth. The secondary sector recorded the sharpest output decline. Within the secondary sector, manufacturing posted a notable contraction of 11.1% y/y from a contraction of 0.2% in 3Q24 and 7.8% in 4Q23. The contraction was due to disruptions in supply chains owing to protest activity. The agriculture sector posted growth of 1.6% y/y in 4Q24, compared to 2.2% in the previous quarter and 0.9% in 4Q23. The growth observed was attributed to continued recovery in the sector from drought conditions in the previous year. Activity in the extractive sector contracted by 10.1% y/y in 4Q24, deteriorating from growth of 13.6% in 3Q24 and 22.4% in 4Q23 due to fading base effects owing to the ramping up of production in LNG production in 2023 and lower than planned production of some minerals, particularly precious stones. Growth in the tertiary sector also contracted, broadly driven by disruptions to economic activities during the quarter due to protests which affected business operations and resulted in routine closures.

On an annual basis, economic growth slowed significantly to 1.9% y/y in 2024 from 5.4% in 2023. The lower annual growth was driven by disruptions to economic activities in 4Q24 and fading base effects following the ramp-up in gas production in 2023.

For 2025, growth prospects have deteriorated, with escalating political tensions having continued to have a detrimental impact on economic activities in the first quarter. We anticipate that there was another contraction in 1Q25 but expect a gradual recovery of economic activity in the subsequent quarters. We have revised our GDP growth forecast for 2025 from 4.8% y/y (published in February 2025) to 3.7%. We expect growth to be driven by investments in the gas sector, with Eni set to begin work on a second offshore gas project, and TotalEnergies also expected to resume its liquefied natural gas (LNG) project in 2H25. Prospects for the gas sector remain strong, TotalEnergies, ExxonMobil and Eni have all expressed continued interest in reviving their respective LNG projects.

Overall, growth in 2025 will be subject to normalisation of the political environment and the implementation of structural reforms in the country, with elevated fiscal risks likely to cap government spending. Key risks to the macro outlook include re-escalation of political tensions, adverse climate shocks and further substantial delays in large LNG projects. Additional risks also relate to the likely negative implications following the latest aggressive increases in US import tariffs, as well as the recent suspension of USAID funding at a time when Mozambique's fiscal position is already precarious.

US policies pose downside risks to Mozambique's growth outlook, however, there is a marginal direct impact. While Mozambique is subject to a 16% tariff from the US, the country's main exports (coal and hydrocarbons) are exempt, which should limit the direct economic impact. However, the indirect impact of weaker global growth in key trading partners remains substantial.

Over the medium term, economic prospects are favourable; we project GDP growth to average 5.2% over 2026-2027. We expect growth to be underpinned by large gas projects that are evolving as planned and supported by strong momentum in the transport and communication sectors, given investments made in railway-port corridors, roads, and air mobility. Although our economic outlook is broadly positive over the medium term, it is subject to considerable uncertainty. These largely stem from prolonged political tension and any further delays to Mozambique's LNG production.

PUBLIC FINANCE: ELEVATED FISCAL RISKS DRIVEN BY DOMESTIC PUBLIC DEBT PRESSURES

Mozambique's fiscal position remains weak as spending pressures continue to mount. Ongoing revenue shortfalls, higher security spending, and weaker growth related to the post-election protests have added to pressures. Government revenue reached MZN351.3bn in 2024, representing nominal growth of 7.6% compared to 2023. Although revenue recorded modest growth for the full year, it was still below the target of MZN383.5bn, due mostly to the negative impact of post-election demonstrations that resulted in routine disruptions of economic activities. Expenditure stood at MZN507.1bn in 2024, up from MZN471.9bn in 2023. For the full year of 2024, the budget deficit was MZN155.8bn (estimated at 11.1% of GDP excluding grants) due to revenue collection underperformance, increased public investment, election-related expenses, and high domestic debt service costs. This was wider than our initial estimate of 10.4% of GDP.

For 2025, the government is projecting revenues at MZN385.9bn (25% of GDP). Of this amount, MZN5.0bn will be derived from LNG revenues from the Coral Sul project in the Rovuma Basin. Total expenditure is projected to be 9% less than the budget expenditure for 2024 at MZN512.8bn (33.2% of GDP). Lower expenditure will be achieved through budget cuts to a number of departments, including the military, education, health, environmental protection and economic affairs. In addition, the government is planning to reduce the wage bill from 15% of GDP in 2024 to 13.7% over the medium term through to 2027. The expenditure containment reflects the government's commitment to fiscal consolidation and sustainability of public finances, while maintaining the capacity to respond to the country's socio-economic needs.

Government is targeting the fiscal deficit excluding grants at MZN126.9bn (8.2% of GDP). The 2025 budget projects grants of MZN58.2bn, up from the outturn of MZN42.2bn in 2024. When including grants, the 2025 budget is targeting a budget deficit of 4.3% of GDP. Considering the recent trend of declining grants and the US decision to freeze foreign aid, we expect grants to turn out lower than 2025 budget expectations. We expect the fiscal deficit excluding grants to be slightly wider at 8.5% of GDP and we expect lower grants outturn; accordingly, we expect the fiscal deficit including grants to be 4.7% of GDP. However, risks to our forecast are substantial, with a high likelihood of revenue underperformance due to weaker economic activity and higher than budgeted spending on reconstruction costs. The government intends to finance the budget deficit through concessional external borrowing from institutions like the World Bank and African Development Bank, alongside domestic bond issuance. We expect that financing of deficit will continue to be mostly from domestic sources due to limited access to external funding. This will exacerbate pressures on the domestic debt market.

Pressure on domestic public debt continues to worsen. This has been demonstrated by delayed payments on servicing domestic debt. To alleviate the apparent tight domestic conditions, the Mozambican government has undertaken Liability Management Operation (LMO) exercises. Mozambique exchanged local currency bonds worth MZN3.7bn (US$54m), which were due to mature in March 2025, in return for longer-dated, lower-yielding bonds maturing in March 2030. This was the second LMO in local markets, with the government having previously exchanged MZN5.7bn (US$89m) four-year bonds maturing in October 2024 for five-year bonds due in October 2029. However, despite the LMO, a large sum of debt is due to be amortised over the next two years. As such, the government has stated plans for four additional debt switches this year, totalling MZN26.2bn (US$406.4m). Domestic debt increased by MZN36.2bn from December 2024 to MZN443.2bn (approx. 31.5% of GDP) at the end of March 2025 due to an increase in the issuance of new treasury bonds.

External debt decreased from MZN636.5bn (c.US$ 10.0bn or 61.0% of GDP) in December 2024 to MZN628.7bn (c.US$9.8bn) in March 2025, reflecting debt service aimed at reducing non-concessional debt. Risks related to external debt are lower as debt repayments are expected to remain modest until the eurobond starts amortising from 2028. We estimate total debt-to-GDP to have increased to 96.9% in 2024 due to the acceleration in domestic debt. For 2025, we forecast the total debt to continue accelerating and reach 101.3% of GDP.

Mozambique's public debt service costs are expected to increase by 17.3% to MZN120.6bn this year. Overall, public debt service and the wage bill will continue to crowd out other expenditures and, on average, should absorb around 85% of tax revenues.

Going forward, increased external risks and the still weak macroeconomic backdrop will weigh on the government's efforts to consolidate its fiscal position. Compounding the situation is the cancellation of the USAID funding and the decision by the Mozambican authorities to not proceed with the remaining reviews under the current IMF Extended Credit Facility programme. This means the programme that was set to end in May will lapse with about US$126m remaining under the final two reviews, undisbursed. While the Mozambican authorities have requested for discussions for a new IMF programme, our baseline view is that the discussions may be protracted due to Mozambique's slow pace of the reform implementation. We do not foresee an agreement before 3Q25.

EXTERNAL ACCOUNTS: DEFICIT TO BE FUNDED BY FDI

The current account deficit was recorded at US$2.5bn (11.7% of GDP) in 2024, wider than US$1.5bn in the same period of the previous year. The worsening of the current account deficit was due to a deterioration in the trade balance. In 2024, export revenues were recorded at US$8.2bn, meanwhile imports reached US$8.4bn. In 2025, we forecast that the current account deficit will widen more sharply to US$8.7bn (40.6% of GDP), resulting from a deterioration of the trade account, as we expect a surge in imports for the mega LNG projects, particularly the anticipated resumption of the construction of TotalEnergies' LNG project in 2H25. This projection, however, is subject to LNG projects resuming this year and evolving as planned. We expect the current account deficit to be fully financed by FDI and to have limited impact on Mozambique's international reserves.

Regarding FDI, in 2024, stock reached US$3.5bn from US$2.8bn in 2024, reflecting a sharp acceleration in inflows to the LNG sector. For 2025, the government projects growth to US$5.1bn owing to the implementation of structural projects in the Rovuma Basin. We also anticipate a surge in FDI inflows following the government's approval of the US$7.2bn Coral Norte LNG project, which is expected to produce 3.5 million metric tons per annum and the anticipated resumption of the TotalEnergies project.

Mozambican international reserves have remained adequate at US$3.3bn in March 2025, sufficient to cover five months of imports of goods and services, excluding imports for mega LNG projects. Going forward, we expect FX reserves to remain broadly adequate despite the lapsing of the IMF programme.

INFLATION AND MONETARY POLICY: INFLATION TO TREND HIGHER

Headline inflation slowed for the first time in four months to 4.0% y/y in April, down from 4.8% in March. The slowdown was largely driven by a decrease in food and non-alcoholic beverage prices, which account for 28.1% of the CPI basket. Food and non-alcoholic beverages inflation eased to 8.8% y/y in April from 12.1% in March. Inflation was also moderated by lower prices for recreation and culture (from 3.2% y/y to 2.7%) and clothing and footwear (from 1.8% to 1.4%) compared to the previous month.

Despite the downward surprise in the April inflation outcome, we maintain our expectation for inflation to increase in 2025. The near-term outlook points to an acceleration in annual inflation, reflecting mostly base effects, the intensification of FX shortages and the impact of worsening fiscal risks. However, following the downside surprise in the April CPI print, we have revised our year-end forecast lower; now expect inflation to moderate to 5.8% y/y (previously 6.5%). Nonetheless, a sharp currency correction, adverse commodity price changes, especially for food and energy, and resumption of political protests remain upside risks to our inflation outlook.

The Banco de Moçambique's (BdM) Monetary Policy Committee (MPC) continued its cutting cycle with another 50bp reduction in the MIMO rate from 12.25% to 11.75% in March 2025 (adding to a 50bp cut in January). The MPC also decided to reduce the Standing Lending Facility rate from 15.25% to 14.75% and cut the Standing Deposit Facility rate from 9.25% to 8.75%. Underpinning the central bank's monetary easing stance was the continued outlook for a single-digit inflation over the medium term and the objective to support economic growth prospects.

Despite the eased monetary policy, the overall stance remains restrictive. Real interest rates remain high, and this, coupled with the still high reserve requirement, constitutes a tight monetary stance. Going forward, considering the BdM's expectation for inflation to remain contained within the target in 2025, weak private sector credit growth and the objective to support the still weak economic growth prospects, the MPC has scope to continue cutting the MIMO rate in 2025. We anticipate a further 100bp cut in the MIMO rate at the next two MPC meetings in May and July. We forecast the MIMO rate at 10.75% by the end of 2025.

CURRENCY OUTLOOK: NEW FX REGULATIONS AIMED AT EASING FX MARKET PRESSURES

Since the beginning of 2025, the Mozambican exchange rate has remained stable against the US dollar, with USD/MZN trading around 63.9. However, FX liquidity pressures have persisted. The FX backlog has increased from US$408m in January 2025 to about US$650m in April 2025. The FX supply deficit is partly due to the BdM's discontinuation of the FX window to cover fuel imports and lower export proceeds on the back of lower coal and aluminum prices. The growing shortage of foreign exchange has had notable detrimental economic effects such as companies battling to obtain inputs required for manufacturing, gaps in project completion schedules, rising implementation costs and has also triggered bottlenecks in the supply of essential imports such as fuel and wheat.

In an effort to ease the foreign currency shortages, the BdM introduced a raft of measures in April, including increasing the proportion of revenues that exporters must exchange to local currency from 30% to 50%. Additionally, the BdM will also be implementing a measure requiring full conversion of income from the re-export of petroleum products. These measures are expected to be in force for 18 months. The new FX regulations aim to provide commercial banks with better access to foreign currency to alleviate mounting foreign currency and economic pressures.

The USD/MZN rate remaining stable implies real exchange rate appreciation and suggests the metical is overvalued. In the months ahead, we expect the metical to come under pressure as the current account deficit widens, although the BdM is likely to stem the pace of depreciation. In view of the growing FX supply constraints, we forecast USD/MZN to weaken to 72 by end-2025. Over the medium term, we expect the USD/MZN pair to climb further as the country's weak balance of payment position and large external debt service weigh on the overvalued currency.

Mozambique macroeconomic forecasts

	2021	2022	2023	2024e	2025F	2026F	2027F
Real GDP (% y/y)	2.4	4.2	5.4	1.9	3.7	4.8	5.5
Nominal GDP (US$ bn)	16.2	19.1	20.9	21.9	22.1	23.1	24.2
Current account (% of GDP)	-23.2	-37.9	-11.8	-11.7	-40.6	-29.9	-24.8
Fiscal balance excl. grants (% of GDP)	-9.2	-13.9	-10.0	-11.1	-8.5	-6.5	-5.0
Public debt (% of GDP)	104.3	100.3	93.9	96.9	101.3	104.4	103.9
CPI (% eop)	6.7	10.9	4.3	4.2	5.8	5.6	5.5
CPI (% avg.)	5.7	10.3	7.0	3.2	4.9	5.1	4.8
Policy rate (% eop)	13.25	17.25	17.25	12.75	10.75	9.50	9.00
USD/MZN (eop)	63.8	63.2	63.9	63.7	72.0	77.6	79.2
USD/MZN (avg.)	65.5	63.2	64.0	64.0	69.4	73.4	78.5
ZAR/MZN (avg.)	4.39	3.84	3.46	3.48	3.71	3.95	4.15

Source: Banco de Moçambique Ministry of Finance, Bloomberg, RMB Global Markets Research

Figure 1: Real GDP decelerating in the near term

Figure 2: Fiscal performance

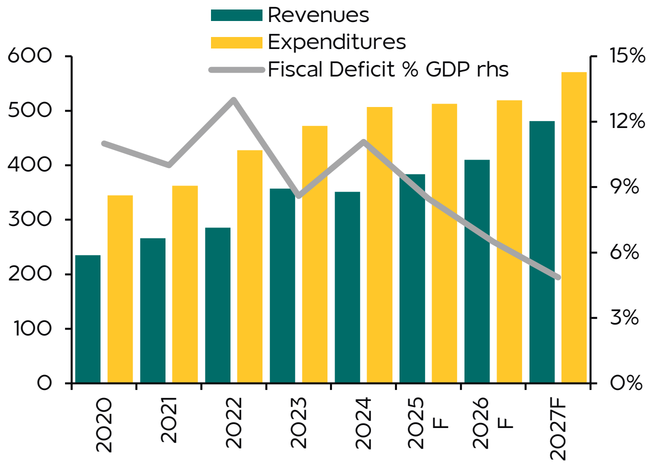


Figure 3: Inflation trending higher, monetary easing continues

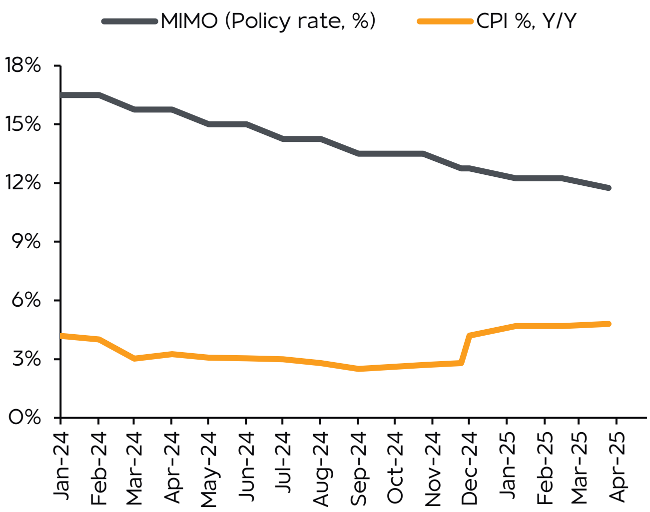
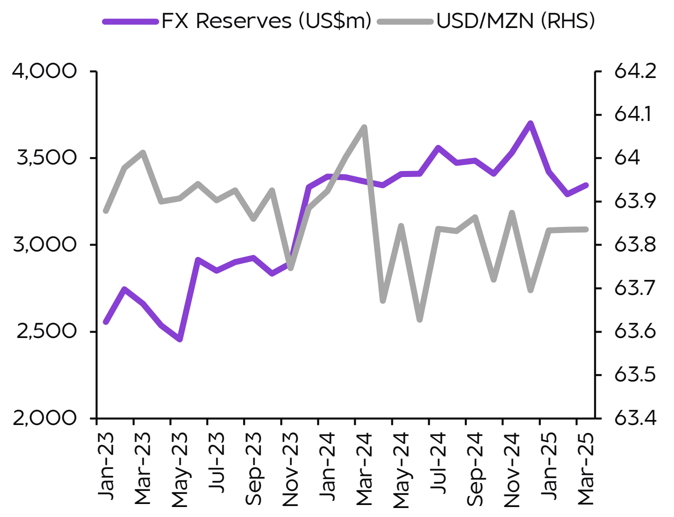


Figure 4: Stable exchange rate and adequate FX reserves



Source: BdM, Ministry of Finance, RMB Global Markets Research, Bloomberg

NAMIBIA

Mounting risks amid slowing growth and twin deficits

Helena Mboti
Cheryl Emvula

- **We expect GDP growth to decrease to 3.0% y/y in 2025 from 3.7% in 2024.**
- **Namibia's current account deficit is expected to remain elevated in 2025 due to a sizeable trade and services deficit and lower SACU receipts. The US$750m eurobond redemption will add strain on FX reserves this year.**
- **Inflationary pressures remain muted; we expect inflation to end 2025 at 4.5% y/y and average 3.9% this year.**
- **We expect the Bank of Namibia to maintain the repo rate at 6.75% throughout 2025. However, a drastic decrease in FX reserves could prompt a hike.**

GDP GROWTH: MOMENTUM SLOWS BUT REMAINS POSITIVE

Namibia's real GDP growth remains resilient, with a post-pandemic (2022–2024) average of 4.5% y/y, notably stronger than the pre-pandemic (2017–2019) average of -0.2%. GDP growth moderated slightly to 3.7% y/y in 2024 from 4.4% in 2023, marginally outperforming our forecast of 3.5%. The 2024 expansion was primarily driven by final consumption and services demand, with tertiary sector growth accelerating to 4.9% y/y from 3.0% in 2023—marking the second-highest annual print since 2015. The performance of the tertiary sector was led by transport and storage 11.4% y/y) amid expanded regional transit activity and a 15.8% rise in port service. Wholesale and retail trade (9.1%) and financial services (5.7%) also posted solid gains on improved consumer spending, aided by foreign demand, disinflation, and lower interest rates. The secondary sector accelerated to 3.0% y/y (from 2.4% in 2023), buoyed by a rebound in manufacturing (2.8% from -2.1%)—notably beverages, leather, non-metallic minerals, and non-ferrous metals—and a turnaround in construction (6.4% from -2.4%). The rebound in construction is welcomed as the sector has seen eight consecutive yearly contractions. Nonetheless, construction remains a concern as its contribution to secondary industries has steadily declined, accounting for just 9.0% of total secondary industry activities in 2024, down significantly from 25.1% a decade earlier. This trend highlights ongoing structural shifts within the sector despite the recent rebound that was driven by government-led projects. By contrast, the primary sector remained in contraction, weighed down by drought-related agricultural declines, ongoing weakness in diamond mining, and slower growth in uranium and metal ores.

Household consumption recorded robust growth in 2024, rising by 13.3% y/y—a notable acceleration from 4.7% in 2023—supported by civil service wage increases, personal income tax bracket adjustments, and interest rate cuts. Much of the consumer support experienced in the previous year, has now faded, as the rate-cutting cycle has ended, and no further tax relief is expected in 2025. Despite headline growth, household conditions remain fragile, characterised by high levels of unemployment and high levels of indebtedness.

Looking ahead, GDP growth is expected to moderate to 3.0% in 2025, before accelerating to 3.4% in 2026 and easing slightly to 3.1% in 2027. The expansion will be supported by fiscal stimulus, which is expected to lift consumption and gross fixed capital formation, helping to counterbalance continued weakness in the primary sector—though a rebound in agriculture is anticipated. Infrastructure-led demand should also boost activity in sectors such as tourism, trade, electricity, and water, while financial and professional services stand to benefit from oil sector activities, particularly as TotalEnergies targets a final investment decision on commercial feasibility by end-2026. As such, growth in 2025 is likely to be driven primarily by foreign capital inflows and public sector investment, while private consumption and non-resource sector firms continue to lag—reflected in weak private sector credit extension (PSCE) and persistent pressure in non-performing loans (NPLs). Notably, NPLs in key sectors remain well above the 6% regulatory distress threshold, as at 4Q24, with construction at 14.3% and manufacturing at 8.1%. Household NPLs also remain elevated at 6.82%, underscoring ongoing financial strain in the domestic economy as at 4Q24. While we expect these levels to subside slightly this year, they are likely to remain elevated, reflecting continued pressure on borrowers and weak credit quality across several segments.

PUBLIC FINANCE: OPTIMISTIC BUDGET HINGES ON EFFICIENCY

The FY25/26 national budget presents a high-stakes balancing act amid rising fiscal vulnerabilities and increasingly optimistic macroeconomic assumptions. The government anticipates real GDP growth of 4.5% in 2025 and 4.7% in 2026, driven largely by buoyant mining sector activity, favourable commodity prices, and consumer sentiment uplifted by targeted tax relief. Fiscal revenue is projected to rise to NAD92.6bn (33.3% of GDP) from the Ministry of Finance's estimated NAD90.9bn (36.2% of GDP) for 2024, supported by tax administration reforms – including VAT e-invoicing – corporate tax rate adjustments, and once-off non-tax revenue linked to SOE restructuring. On the expenditure side, total spending is budgeted to increase to NAD106.3bn (38.2% of GDP). This is about a 4.9% increase from the estimated outcome of 2024. Expenditure reflects a 22.6% rise in development spending to NAD12.8bn (4.6% of GDP), prioritising infrastructure, youth programmes, and health services. Nonetheless, the revenue outlook appears ambitious and exposed to downside risks, particularly amid a sharp 24.1% decline in SACU receipts and structurally weaker diamond sector revenue.

We expect the fiscal deficit to widen to 5.0% of GDP in FY25/26 – surpassing the MoF's target of 4.6%—due to underperformance in revenue collection, rising interest payments, and mounting operational expenditure pressures. Interest costs alone are projected to rise by 6.2% y/y to NAD13.7bn, equivalent to 14.8% of total revenue—a figure we view as conservative given the prevailing interest rate dynamics. This increase comes as the government turns heavily to domestic markets to meet a NAD21.2bn financing requirement—the largest in nominal terms and the second highest as a share of GDP in Namibia's history since FY21/22. This heavy reliance is likely to tighten domestic liquidity and crowd out private sector credit, particularly as local pension funds have already exceeded their 45% domestic asset allocation threshold. Moreover, we expect the government to run a primary deficit this year for the first time since FY22/23, reversing the primary surpluses of recent years—a clear deterioration in fiscal sustainability that could elevate sovereign risk concerns.

In parallel, we expect the debt-to-GDP ratio to increase in FY25/26, reversing the steady stagnation observed since FY21/22. We project total debt to reach 69.4% of GDP, higher than the government's 62.0% forecast, and this could edge higher should fiscal slippage or interest rate shocks materialise. The MoF's assumption that domestic borrowing costs will decline may prove optimistic; if interest rates remain elevated, then debt service obligations could rise significantly, placing further strain on public finances. With no credible consolidation measures—such as tighter spending controls, more realistic growth assumptions, and structural revenue reforms—the government risks deteriorating fiscal metrics, arrears accumulation, and weakening investor confidence. With no confirmed final investment decision in the oil sector to anchor medium-term revenue optimism, Namibia's ability to sustain countercyclical policy support is diminishing. A timely recalibration of fiscal strategy is therefore essential to prevent deeper macroeconomic instability.

EXTERNAL ACCOUNTS: RESERVES TO PLUNGE ON EUROBOND REPAYMENT AMID GLOBAL TENSIONS

In 2024, Namibia's external sector remained relatively resilient despite a record combined merchandise and services trade deficit of US$3.3bn (24.8% of GDP); however, it remained flat compared to 2023. The trade deficit was driven by an 8.1% y/y increase in imports—mainly machinery, pharmaceuticals, and vehicles—while exports declined by 2.2% due to weak diamond performance. As a result, the current account deficit widened by 8.3% to US$2.0bn from US$1.9bn in 2023. Nonetheless, the financial account posted net inflows of US$1.7bn, which supported growth in international reserves. Reserves increased by US$547m in 2024 and ended the year at US$3.3bn (4.2 months import cover). Strong growth in secondary income (+20.0% y/y) and increased earnings from metal production helped to offset some of the sharp losses from diamonds, which fell by 32.9% y/y amid weak global demand and rising competition from lab-grown alternatives. Uranium export earnings also declined despite a 36.2% surge in global prices, due to constrained export volumes.

Looking ahead, deteriorating global sentiment is expected to weigh on external demand this year, putting downward pressure on key commodity prices—particularly diamonds and uranium—further challenging Namibia's external position. Import growth is likely to remain elevated, keeping the trade deficit at record levels. In addition, a significant decline in SACU receipts (approximately 20%) will likely keep the current account deficit elevated (estimated at 17.0% of GDP), requiring continued external financing. Foreign direct investment inflows are projected to slow relative to the past two years, as oil exploration activity decelerates amid weakening sentiment in the oil and gas sector. Elevated geopolitical risk, protectionist trade policies, and market volatility further compound downside risks. Meanwhile, with the looming repayment of the US$750m eurobond, reserves are expected to decline by approximately US$617m, placing additional pressure on Namibia's external buffers.

INFLATION AND MONETARY POLICY: INFLATION RISKS REMAIN MUTED WHILE MONETARY POLICY PRESENTS UPSIDE RISKS

Namibia's headline inflation eased to 3.6% y/y in April 2025, down from 4.2% in March, driven primarily by a decline in transport inflation following fuel price cuts. Food and non-alcoholic beverage inflation also softened but remained the largest contributor to overall inflation. Core inflation, however, edged higher to 4.0% y/y and has remained consistently above headline inflation since late 2024, highlighting persistent underlying price pressures, particularly in non-volatile categories such as housing and utilities.

While transport inflation is expected to moderate on the back of weaker domestic demand, pressures in housing and utilities are likely to persist, in our view. Notably, after subsidising NamPower's proposed 8% tariff increase in 2024, government support is expected to ease, potentially resulting in a steeper tariff hike in 2025 to recover deferred costs. In addition, ongoing upward pressures in house prices could reinforce inflation in this category. As a result, although the annual average inflation for 2025 has been revised down to 3.9%, risks remain tilted to the upside, particularly in the second half of the year.

The Bank of Namibia maintained the repo rate at 6.75% at its April 2025 Monetary Policy Committee (MPC) meeting, in line with our expectations, preserving the 75bp policy differential with the South African Reserve Bank (SARB). The SARB left its repo rate steady at 7.50% in March 2025 and maintains guidance toward a 7.25% terminal rate. We anticipate a lower endpoint of 7.00%, supported by subdued inflation and weak domestic growth in South Africa, though risks related to currency volatility and geopolitical tensions – particularly with the US – may delay the easing cycle.

The central bank highlighted a notable decline in the country's foreign exchange reserves, which fell to US$3.3bn in March 2025 from US$3.5bn in the previous quarter – equivalent to approximately 3.94 months of import cover. This represents a quarterly contraction of 5.25% in 1Q25 and marks the largest drawdown since 1Q22. Despite this decline, we agree with the BoN's assessment that the reserve position is adequate to maintain the currency peg with the South African rand and to meet international financial obligations. However, the central bank reiterated potential downside risks in the second half of the year stemming from upcoming external debt maturities and heightened global trade disruptions. Against this backdrop, we expect the MPC to maintain a data-dependent approach, keeping rates unchanged in the near term. As the interest rate differential with South Africa gradually normalises over the course of the year, this approach aims to navigate global uncertainty while supporting capital alignment between the two countries.

CURRENCY OUTLOOK: RAND FACES HEADWINDS FROM DOMESTIC AND GLOBAL UNCERTAINTY

We now forecast the USD/ZAR exchange rate to remain above 18.00, ending the year at 18.30, reflecting persistent sovereign risk premia. the outlook for the rand remains fragile despite the recent weakening of the US dollar. While improving terms of trade provide some support, elevated global uncertainty and heightened perceptions of domestic political risk, particularly concerning the stability of the Government of National Unity (GNU), are expected to keep the rand under pressure. Moreover, the narrative of US growth exceptionalism and dollar resilience has shifted towards increasing concerns about stagflation and recession. The breakdown in the "dollar smile" theory highlights broader shifts in investor sentiment. Nevertheless, the rand remains vulnerable to global risk aversion and macro-financial stress, limiting its capacity to fully benefit from dollar weakness.

Namibia macroeconomic forecasts

	2021	2022	2023	2024	2025F	2026F	2027F
Real GDP (% y/y)	3.6	5.4	4.4	3.7	3.0	3.4	3.1
Nominal (U$ bn)	12.4	12.6	12.4	13.4	14.1	15.4	16.4
Diamond production ('000 carats)	1,496	2,189	2,413	2,322	1,974	2,052	2,160
Current account (% of GDP)	-11.2	-12.6	-15.3	-15.4	-17.0	-15.7	-15.1
Fiscal balance (% of GDP)	-8.7	-7.8	-5.2	-3.9	-5.0	-4.5	-4.2
Public debt (% of GDP)	64.2	65.7	66.3	66.5	69.4	68.3	67.3
CPI (% eop)	4.5	6.9	5.3	4.5	4.5	5.0	4.3
CPI (% avg.)	3.6	6.1	5.9	4.2	3.9	4.6	4.3
Policy rate (% eop)	3.75	6.75	7.75	7.00	6.75	6.75	6.75
USD/NAD (eop)	15.87	17.28	18.62	18.84	18.30	18.80	19.00
USD/NAD (avg.)	14.79	16.37	18.45	18.35	18.44	18.55	18.90

Source: Namibia Statistics Agency, Bank of Namibia, Ministry of Finance, Bloomberg, RMB Global Markets Research

Figure 1: Mining output expected to drag GDP growth

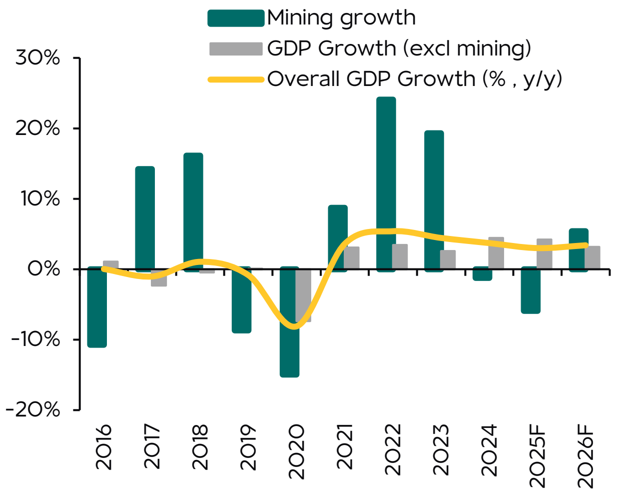


Figure 2: Fiscal balances between South Africa and Namibia normalise

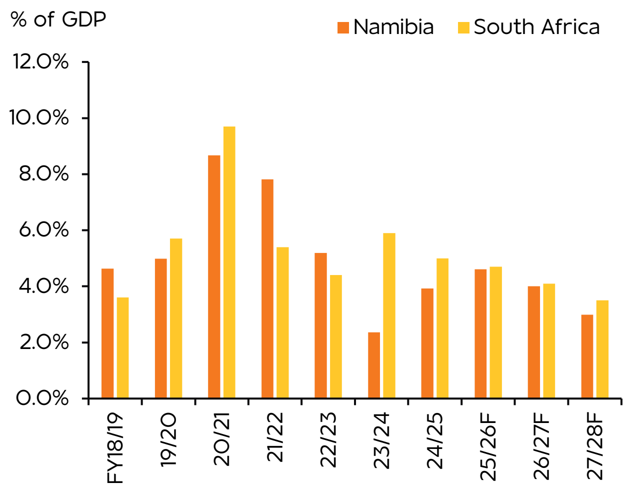


Figure 3: Namibia's external financing flows

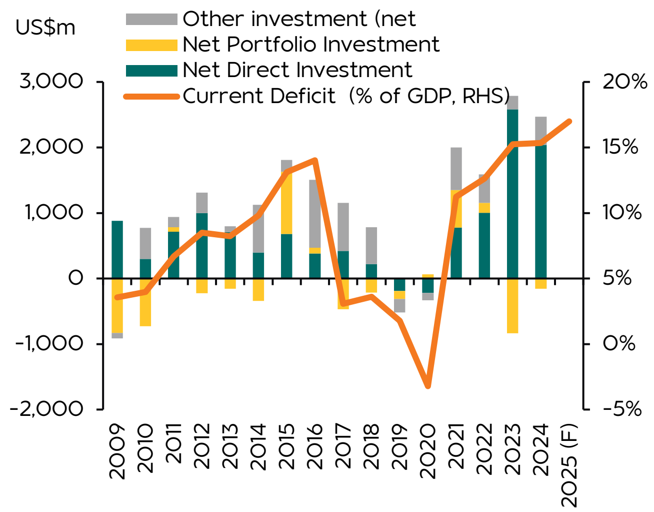
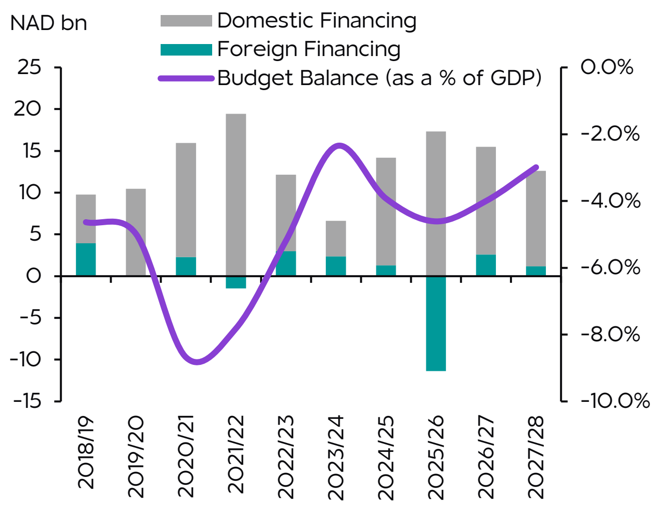


Figure 4: Large domestic financing needs (MoF estimates)



Source: Bank of Namibia, Namibia Statistics Agency, Ministry of Mines and Energy, RMB Global Markets Research

NIGERIA

Domestic stability is improving, but external risks could hinder progress

Oyinkansola Samuel
Caleb Ayodele

- **We expect a wider budget deficit in 2025 due to the anticipated oil revenue shortfall.**
- **In our view, the central bank has adequate buffers to maintain naira stability for now, despite external volatilities.**
- **Inconsistencies in the inflation historical data may lead to future revisions.**

GDP GROWTH: GDP REBASING; A CATALYST FOR GROWTH

We retain our real GDP growth forecast of 3.8% y/y in 2025 from 3.4% in 2024, largely driven by stronger output from the services and industry sectors. We expect a mild recovery in consumption and investments by 2H25 from better operating conditions due to a tamer inflation profile, improved foreign exchange liquidity following broader reform progress, and implementation of the minimum wage of NGN70,000/month. The Tinubu administration has remained steadfast in executing key reforms on the naira's foreign exchange rate, improving market liquidity, and terminating fuel subsidies. Following the legislative approval of the tax reform bills early in May 2025, we expect the harmonisation and presidential assent of the bills by the end of 1H25, barring any concerns from the presidency. As such, we expect the implementation of the bills late in 2H25, which should positively impact tax revenues for 2026.

In 2024, the services sector remained the growth anchor, expanding by 4.7% y/y compared to 4.2% in the prior year. Key service subsectors, including financial services and ICT, bolstered growth in 2024. The industry and agriculture sectors recorded growth rates of 2.5% y/y and 1.2%, respectively, in 2024, relative to 0.7% and 1.1% in 2023. Growth in the industry sector reflects the commencement of oil-refining activities, largely from the Dangote Refinery. Oil refining grew by 9.6% y/y in 4Q24 after over a decade of contraction.

In 2025, we project similar growth rates from the services sector; financial services is expected to remain in double-digits, supported by relatively high interest rates and the deployment of capital by some of the fully capitalised banks. We expect a mild uptick in ICT output, to 8% y/y in 2025 (2024: 6.3%), to be largely driven by increased investment in the sector on the back of the tariff adjustment in 1Q25. Improved data penetration, social media monetisation, and value-added services are expected to support our growth forecast. We also expect a significant rebound in trade output from improvements in foreign exchange liquidity and value-added trade from crude oil refined product exports (AGO, PMS).

We forecast mild improvements in agriculture and manufacturing output, expanding by 1.6% y/y and 2.5% (2024: 1.2% and 1.4%, respectively). Output in the agriculture sector remains overly weighted by crop production, which is still largely unautomated. While domestic farmers have reportedly begun to return to their farmlands as a result of abating insecurity, increased domestic output will be based on several factors, ranging from infrastructure gaps, reduced costs of inputs, and improved access to credit facilities. We expect an uplift in manufacturing GDP from increasing output in the Dangote Oil Refinery, which we project to add c.NGN12trn to 2025 manufacturing GDP.

We anticipate a sustained, albeit gradual, recovery in crude oil output to average 1.63mbpd in 2025 from 1.55mbpd in 2024, largely supported by the authorities' efforts to beef up security in the oil-producing regions as well as mutually beneficial engagements with host communities. Furthermore, increased investment in the sector from key industry players like Seplat and Renaissance supports our forecasts. In 2024, the oil sector expanded by 5.5% y/y following a contraction of 2.2% in 2023, reflecting gradually improving security measures in oil-producing regions. In the first four months of 2025, Nigeria's crude oil production averaged 1.67mbpd, despite contractions in February and March, as a result of management changes in some of the major oil pipelines and the Trans-Niger pipeline explosion. The current administration is cognisant of how crucial the oil sector is in achieving its fiscal and monetary targets; as such, it has been promptly responsive to oil-related matters. We expect a slight decline in the oil sector growth, to 4.0% in 2025 from 5.5% in 2024, due to the significant increase in economic activities in the non-oil sector.

We have lowered our average oil price forecast to US$66/bbl for 2025 from US$72/bbl before, which is significantly below the government's proposed 2025 budget benchmark of US$75/bbl. At current oil price levels, we do not see much impact on crude production levels, but we would be more concerned if oil prices approached US$55/bbl and were sustained there. Nigeria's other key growth risks mainly revolve around the upstream and downstream oil sectors and include significant disruptions to crude oil production and/or potential disruptions to oil refining – this would adversely impact both oil and non-oil GDP. We maintain our peak output estimate to 1.75mbpd through our forecast horizon (2025-2027), supported by more investment/M&A activity, and the government's efforts in securing pipelines and wellheads around host communities.

The Nigerian Bureau of Statistics (NBS) announced a GDP rebasing exercise in January 2025, with the first print expected in May. In its revision, the base year will change from 2010 to 2019. We will assess the newly captured subsectors and see if they necessitate revisions to our near-term and longer-term forecasts. The NBS is looking to include "illegal activity", uncaptured mining, and oil-refining activity in the country-recognised economic activity. At this point, we expect a mild increase in the contribution to nominal GDP from services and a larger increase in industry, which will result in a decline in the contribution from agriculture.

PUBLIC FINANCE: WIDER BUDGET DEFICIT DUE TO OIL REVENUE SHORTFALL

In 2024, the Presidency put forward a 2025 budget which set the revenue target at NGN34.8trn, up 34.9% from the 2024 budget, and expenditure at NGN47.9trn, up 36.5% from the 2024 budget, resulting in a budget deficit of NGN13.1trn (3.9% of GDP). Subsequently, in February 2025, the House of Representatives approved a NGN5.2trn increase to the proposed 2025 budget, up by NGN0.7trn from a request made by the president. The House of Representatives stated that the additional NGN0.7trn was a result of the extra funding requested by some ministries and agencies, including the INEC and DSS, among others. The proposed budget is in the final stage, and approval is expected in 2Q25. Also, a provision of US$200m was included in the proposed 2025 budget to close the USAID funding gap, following the funding freeze by the US president. Data from the US Foreign Assistance by Country showed that the Nigerian government receives an average of US$800m annually from the USAID.

The proposed 2025 budget assumes a crude oil production average of 2.06mbpd and an oil price of US$75/bbl. In the first four months of 2025, Nigeria's total crude oil production averaged 1.67mbpd, while crude oil prices have plunged by 15% YTD, with Brent prices currently around US$64/bbl. These declines pose a downside risk to the proposed budget deficit, hence, we expect a revised crude oil production output and price in the approved 2025 budget. Considering the anticipated adjustments to the initial budget proposal, we forecast the fiscal deficit to expand to 5.4% of GDP in 2025, up from our 2024 estimate of 5.2%.

Also, in March, the finance minister announced that of the NGN9.2trn new borrowings earmarked to fund part of the NGN13.1trn 2025 budget deficit, 40% will now be sourced from domestic borrowing as against 80% that was stated in the draft budget. External borrowing will now account for 40% of planned debt, from 20% prior; the balance will be derived from other sources. On the external deficit financing, while we anticipate the Nigerian government will approach the international capital market in 1H25, the US import tariff policy, coupled with the production hike from OPEC, dampens the possibility. As such, we expect the government to tap into the international capital market by 2H25, as the current risk premium demanded by investors is expected to decline in the near term.

As of December 2024, Nigeria's public debt stood at NGN144.7trn (52% of GDP), up from NGN97.3trn in the preceding year. New foreign borrowings, along with currency depreciation, drove the year-on-year growth in the country's overall debt. This growth was largely driven by external debt, which surged by 83.9% y/y to NGN70.3trn (c.US$45.8bn using a USD/NGN rate of 1,535) in 2024, up from NGN38.2trn in 2023. Domestic debt grew by 25.8% y/y to NGN74.4trn in 2024, up from NGN59.1trn in 2023. For 2025, we expect debt-to-GDP to narrow to 45.5% due to the expected nominal rise in GDP from relatively high inflation and the expected real GDP growth.

The House of Representatives has approved the tax reform bills, including the Nigeria Tax Bill 2024, the Joint Revenue Board Establishment Bill, the Nigeria Revenue Service Establishment Bill, and the Nigeria Tax Administration Bill, which are expected to be consolidated and passed for presidential assent. Barring any opposition from the presidency, we expect final approval by the end of 1H25. We foresee a minimum allowance period of 60 days following the presidential assent to sensitise the public on the new bills and expect implementation of the bills by the end of 2H25. We expect these bills to positively impact non-oil revenue in 2026.

EXTERNAL ACCOUNTS: EXTERNAL POSITION REMAINS SUPPORTED IN THE NEAR TERM

The central bank released provisional data showing a current account surplus of US$17.2bn (9.3% of GDP) in 2024, significantly higher than the US$6.4bn (2% of GDP) and US$3.5bn (0.7%) recorded in 2023 and 2022, respectively. This performance was bolstered by an increase in the goods trade surplus of US$13.2bn in 2024 from US$8.1bn in 2023. Gas and non-oil exports increased substantially by 48.3% y/y and 24.5%, respectively. Meanwhile, petroleum product and non-oil imports shrunk by 23.2% y/y and 12.6% in 2024, largely due to the operational ramp-up of the Dangote Refinery. The refinery began supplying petrol to the domestic market in the second half of 2024 and has significantly expanded its production capacity to more than 80% of its total 650kbpd capacity. It now supplies a sizeable share of Nigeria's petrol demand, reducing the need for fuel imports and strengthening the external trade balance. Additionally, the Dangote Refinery started exporting refined products, including petrol to other African markets, as well as diesel and jet fuel to European markets.

On the financial account, Nigeria recorded a net acquisition of financial assets amounting to US$12.1bn in 2024, compared to a net incurrence of financial liabilities of US$18.5bn in 2023. This shift was largely driven by a substantial increase in reserve assets and a sharp rise in foreign currency holdings by residents, which climbed to US$5.4bn from US$0.9bn in the prior year. Foreign portfolio investment inflows surged by 106.5% y/y to US$13.35bn in 2024, up from US$6.47bn in 2023, reflecting improved investor confidence following FX reforms as well as higher yields in debt instruments. In contrast, foreign direct investment inflows declined by 42.3% to US$1.08bn from US$1.87bn in the previous year.

Overall, Nigeria recorded a balance of payments surplus of US$6.8bn in 2024, marking a sharp turnaround from the deficits of US$3.4bn in 2023 and US$3.3bn in 2022.

This strong external position was reflected in the central bank's net reserve, which stood at US$23.11bn at the end of 2024, up from US$4bn in 2023. The net reserve figure adjusts gross reserves to account for near-term liabilities such as FX swaps and forward contracts. The increase reflects improved external liquidity, reduced short-term obligations, and renewed investor confidence. In 2024, the central bank also began a swap exit strategy, particularly with domestic banks, where correlation risks were deemed high. This led to the unwinding of US$10bn in 2024 and an additional US$2.3bn so far in 2025. Our estimates suggest the CBN's total swap book was closer to US$20bn before the central bank commenced its swap exit strategy. Now, we estimate that the bulk of the remaining exposure is with foreign banks. As of mid-May, gross reserves had declined slightly to US$38.1bn (eight months of import cover), from US$40.9bn at the end of 2024. Reserves continue to be supported by improved crude oil production, the return of remittances (US$500m–US$600m monthly) through the CBN window, and prior to the broader EM sell-off, strong net portfolio inflows driven by foreign exchange liberalisation reforms.

Looking ahead, we have revised our current account surplus projection to 4.7% of GDP in 2025, down from 5% previously, primarily due to weaker crude oil prices. In April, oil prices fell to their lowest level in four years around US$60/bbl as fears of a tariff-induced global recession weighed on markets and OPEC+ raised output. Our oil price forecast has been revised to US$66/bbl for 2025, from US$72/bbl previously. From a broader balance of payments perspective, global risk-off sentiment has triggered selloffs in Nigerian debt instruments. As a result, we expect foreign portfolio investment inflows in 2025 to reach only about 60% of 2024 levels. Consequently, we now forecast gross reserves to fall below our earlier estimate of US$44bn.

An important consideration is the potential impact of new US tariffs on Nigeria's external position. The US consistently ranks among Nigeria's top 10 export partners, with the value of exports averaging around US$4bn over the past three years. In 2024, exports to the US accounted for approximately 7% of Nigeria's total exports. Notably, crude oil, which makes up over 90% of Nigeria's exports to the US, is expected to remain unaffected by the revised tariffs under the Harmonized Tariff Schedule. The remaining exports to the US include fertilizers, urea, and lead. The greater risk, however, lies in the broader implications of US tariffs on China and the potential spillover effects on global trade and commodity markets, which could indirectly impact Nigeria. The Minister of Industry, Trade and Investment has noted that Nigeria is actively engaging with US counterparts and the WTO to develop mutually beneficial solutions.

INFLATION AND MONETARY POLICY: INFLATION TO TAPER IN 2025, THOUGH DATA INCONSISTENCIES COULD LEAD TO REVISIONS

Since the rebasing exercise concluded earlier this year, Nigeria's inflation rate has moved unevenly rather than following the steady downward path we anticipated. The new CPI weights, with food now representing just under 29% of the basket, have reduced sensitivity to food price swings in the headline figure. Limited detail on other CPI components makes it challenging to isolate the key drivers, adding uncertainty to the inflation outlook. Also, some inconsistencies in the historical data suggest the series may need further review and possible restatement. In January and February, the NBS estimates that headline inflation in Nigeria was 24.5% y/y and 23.2%, respectively, attributable to the currency appreciation seen in February and improvement in food supply. In March, however, headline inflation unexpectedly rose to 24.3% y/y. For the first time in over a decade, core inflation at 24.4% y/y outpaced food inflation at 21.8%. Also, the food index printed below the headline index. In April, headline inflation moderated to 23.7% y/y.

We maintain our expectation of a slowdown in inflation this year, largely from base effects. While we expect electricity tariff adjustments in 2H25, relative currency stability as well as a gradual decline in fuel prices are expected to support our inflation forecast. We forecast headline inflation to moderate to 18.2% y/y in November, while the December year-end figure is expected to print at 37.3%. Note that our December 2025 projection is impacted by the restated December 2024 print of 15.4% y/y. The risks to our inflation view stem from continued currency weakness, particularly in the context of weaker oil prices. Additionally, global uncertainty regarding tariffs poses risks to our inflation forecast from an import-dependent perspective, particularly in the second half of the year, should they materialise even more severely than currently anticipated.

The Monetary Policy Committee (MPC) voted to maintain the policy rate at 27.50% at the May meeting, marking the second pause in monetary policy tightening after cumulative hikes of 1,600bp since May 2022. Other monetary policy tools were held steady: the Cash Reserve Ratio (CRR) at 50.00% for commercial banks and 16.00% for merchant banks, the asymmetric corridor around the MPR at +500bp/−100bp, and the Liquidity Ratio at 30.00%. The committee's decision was hinged on improving macroeconomic indicators, which are expected to support price moderation in the near to medium term. The MPC noted the gradual moderation in fuel prices, the convergence of the FX rate between the official and parallel markets, the positive balance of payment, and the gradual decline in fuel pump prices as supportive factors. However, the non-linear inflation path observed so far in 2025 may reduce the MPC's inclination to begin monetary easing at this stage. We now expect rate cuts to materialise in the second half of 2025. We also anticipate that the committee will maintain a cautious stance in light of evolving global dynamics.

CURRENCY OUTLOOK: RELATIVE STABILITY, STILL

The impact of softer crude oil price expectations on our currency forecast is counterbalanced by sufficient buffers, as reflected in the central bank's net foreign exchange reserve (NFER) position as well as balance of payment data. As such, we maintain our 2025-year-end USD/NGN forecast of 1,600. Amid the crude oil market volatility at the start of April, when oil prices dipped below US$60/bbl, the FX market experienced some fluctuations with the local currency weakening to a low of 1,650 against the USD from around 1,550 levels prior. This prompted the central bank to intervene by selling about US$830m within a week to meet demand from local corporates and facilitate FPI repatriation. By our estimates, the central bank has sold US$2bn into the FX market since the start of April. The USD/NGN exchange rate has since settled around 1,610. However, we highlight the risk of the CBN remaining the primary supplier in the FX market for a prolonged period, particularly as inflows from IOCs have been sporadic. This could place additional pressure on external reserves, especially if oil prices fall below US$60/bbl again.

Nigeria macroeconomic forecasts

	2021	2022	2023	2024	2025F	2026F	2027F
Real GDP (% y/y)	3.4	3.1	2.7	3.4	3.8	4.0	4.2
Nominal (NGN bn)	176,075	202,365	234,426	277,494	352,417	445,103	551,037
Nominal GDP (US$ bn)	430.0	474.0	360.9	185.4	224.9	282.6	361.3
Oil production (m bpd)	1.62	1.38	1.47	1.55	1.63	1.70	1.75
Current account (% of GDP)	-3.2	0.7	2.0	9.3	4.7	4.0	3.0
Fiscal balance (% of GDP)	-4.2	-7.0	-6.5	-5.2	-5.4	-3.6	-3.3
Public debt (% of GDP)	22.8	22.9	40.70	52.2	45.5	39.1	34.0
CPI (% eop)	15.6	21.3	28.9	15.4	37.3	20.0	19.1
CPI (% avg.)	17.0	18.9	24.7	31.6	23.2	22.3	19.9
Policy rate (% eop)	11.50	16.50	18.75	27.50	25.50	25.00	24.00
USDNGN (eop)	424.1	461.1	951.8	1549	1600	1550	1500
USDNGN (avg.)	409.5	426.9	649.6	1497	1567	1573	1523
ZARNGN (avg.)	27.47	25.97	35.08	81.54	85.72	88.14	83.88

Source: Central Bank of Nigeria, Ministry of Finance, Bloomberg, RMB Global Markets Research

Figure 1: Crude oil production (thousand bpd)

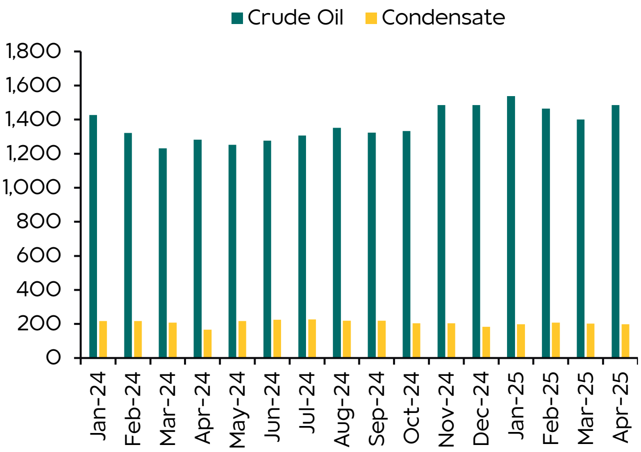


Figure 2: Real GDP growth (y/y)

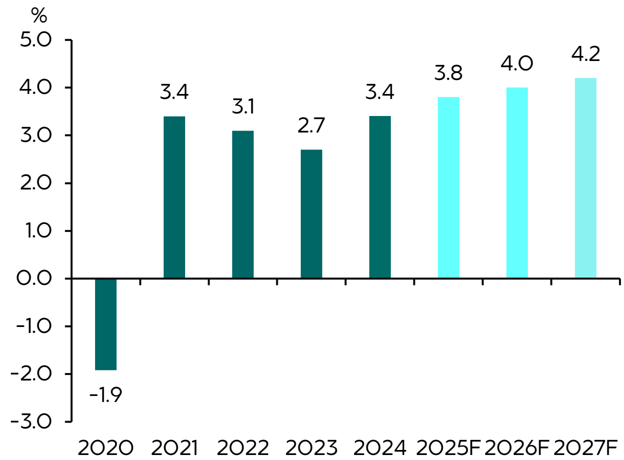


Figure 3: Inflation and policy rate

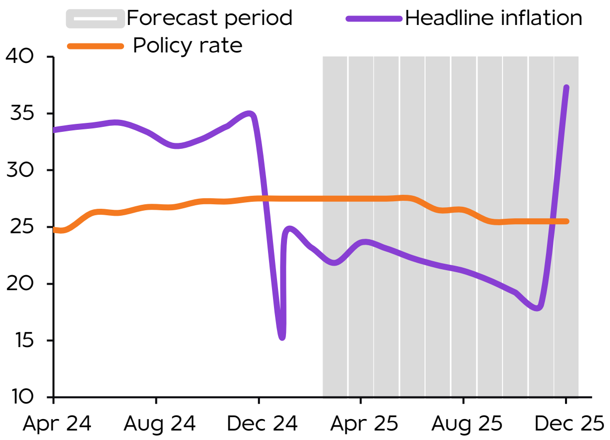
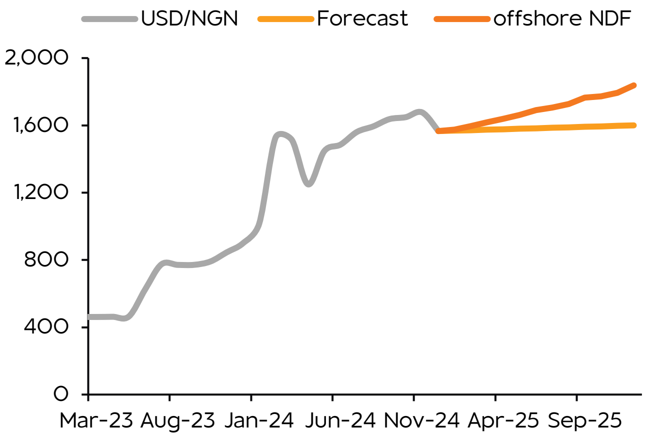


Figure 4: Exchange rate USD/NGN



Source: Central Bank of Nigeria, Ministry of Finance, Bloomberg, RMB Global Markets Research

SOUTH AFRICA

Reforms intact, recovery tarrified

Keabetswe "KB" Mojapelo

- **Our 2025 growth forecast has been revised down to 1.2% (prior: 1.6%), reflecting domestic uncertainty, global trade risks, and a weak base from 2024. Medium-term projections are lowered to 1.5% for 2026 (prior: 1.7%) and 1.8% for 2027 (prior: 2.0%).**
- **While household consumption remains a key driver, diminished monetary policy stimulus, waning liquidity from pension withdrawals, deteriorating consumer and business confidence, structural bottlenecks in logistics and energy, and rising political instability pose material downside risks to the growth outlook.**
- **We have revised our 2025 inflation forecast slightly lower to 3.5% (prior: 3.7%) due to rebased CPI weights, softer food and fuel price assumptions, and subdued core inflation pressures, though risks remain tilted to the upside from tariffs, administered prices, and a volatile rand.**
- **On monetary policy, our baseline forecast includes 50bp of cuts in 2025, heightened uncertainty and potential currency pressure may delay or reduce the extent of policy loosening.**

GDP GROWTH: DOWNWARD REVISION TO GROWTH AMID MOUNTING HEADWINDS

Our growth outlook reflects a fragmented global environment and increasing domestic political instability. The intensification of trade tensions, now extending beyond the US and China, has led to a broader adoption of protectionist measures by various economies. Domestically, increased discord within the Government of National Unity (GNU), has reduced economic confidence and further slowed growth momentum. Consequently, we have revised our 2025 growth forecast down to 1.2% (prior: 1.6%). This downgrade continues into the medium term, with projections at 1.5% for 2026 (prior: 1.7%) and 1.8% for 2027 (prior: 2.0%). These adjustments reflect a more cautious evaluation of the external environment and growing domestic challenges.

This year's growth is primarily driven by a recovery in household consumption, supported by low inflation. The influence of monetary policy and pension withdrawals on consumption may decrease over time. Sentiment indicators reveal rising global and domestic uncertainties. Consumer confidence declined significantly in early 2025 due to concerns about fiscal policy and economic instability. Business sentiment remained stable, with firms taking a cautious stance on capital investment. This indicates that investment activity may stay limited, posing risks to overall economic growth.

Structural reforms are ongoing, but logistics issues and energy supply challenges restrict export growth. While there is optimism about a consumer-led recovery, the risks have increased. Global trade fragmentation introduces uncertainty, with significant developments anticipated in July. Domestically, tensions within the Government of National Unity are affecting policy coherence and potentially delaying reforms. This could impact medium-term growth, particularly in logistics and energy supply improvements. In summary, both global and local risks raise questions about the pace and resilience of the recovery.

PUBLIC FINANCE: FISCAL BALANCING FACES HEADWINDS FROM WEAK GROWTH AND STATIC VAT

Forgoing a VAT increase has immediate repercussions for revenue collection. The National Treasury (NT) estimates a shortfall of R13.50bn for the current fiscal year, with the gap widening to R74.96bn over the medium term. Our baseline scenario, which incorporates weaker economic growth and softer revenue collection, suggests that the absence of a VAT adjustment will contribute to a fiscal deterioration of approximately R55.33bn this year. Should economic conditions worsen (downside scenario), the revenue gap could expand to R81.48bn.

Over the medium term, the downside scenario could yield a cumulative revenue shortfall of approximately R201.28bn, nearly three times NT's projected gap. Our house view offers a more tempered yet concerning outlook, estimating a shortfall of R95.43bn over the medium term.

If expenditure levels remain unchanged, revenue underperformance alone will significantly weaken the main budget balance. Under NT's scenario, the main budget deficit would widen from R353.90bn to approximately R367.39bn (-4.5% of GDP). Our baseline projection, incorporating more conservative revenue assumptions, suggests the deficit could expand further to R375.36 bn (-4.7% of GDP). In the downside scenario, with persistent weak growth and declining revenue, the main budget deficit could reach R387.99bn (-4.9% of GDP).

Nonetheless, the widening deficits alter the funding landscape, pushing gross borrowing requirements higher. NT's baseline scenario, which does not yet reflect post-budget developments, estimates a borrowing need rising from R581.96bn to approximately R595.45bn. Our revised projections, accounting for weaker revenue performance and heightened macroeconomic risks, suggest a further increase to R603.40bn. Under the downside scenario, exacerbated by global trade fragmentation, the borrowing requirement could escalate to R616.05bn.

NT has not indicated immediate changes to its debt issuance strategy. In the near term, liability management efforts, particularly more aggressive R186 bond switches, could mitigate redemption pressures. Nonetheless, flexibility in short-term financing is increasingly constrained, as NT has already escalated treasury bill issuance. Should economic conditions further deteriorate, NT's options will become limited. Historically, NT has relied on once-off fiscal solutions (i.e. GFRECRA), but this time there is no obvious silver bullet.

To address the fiscal gap, we foresee the necessary elimination of the expansion to zero-rated VAT items and the reinstatement of the fuel levy. Additional budget-neutral savings can be achieved through procurement and supply chain efficiencies, rationalization of state-owned enterprises, and operational cost reductions within government departments. Nonetheless, implementing these expenditure cuts will require substantial political commitment.

EXTERNAL ACCOUNTS: CURRENT ACCOUNT NARROWS, BUT DEMAND-SIDE RISKS REMAIN

On the external front, exports have experienced a slight recovery, but the outlook remains uncertain due to factors such as global demand fluctuations, evolving tariff risks, and lingering logistics bottlenecks. Imports are also projected to decrease slightly, reflecting weaker domestic growth and a cautious approach from the business sector, with investment momentum having mostly paused. Domestic and external uncertainties continue to affect confidence.

On the current account, we project a continued narrowing in the short term, improving slightly to -0.8% of GDP in 2025 from -1.1% in 2024, before widening modestly again to -1.7% in 2026 and -1.5% in 2027 as import demand recovers and export growth remains uneven.

INFLATION AND MONETARY POLICY: LOWER INFLATION PATH

We have revised our 2025 inflation forecast down to 3.5% from 3.7%. This reflects a rebased CPI basket, softer food and fuel prices, and improved weather boosting agricultural output, easing pressure on grain and meat prices. Lower global oil prices and reduced administered price effects also contribute to this adjustment. Core inflation remains stable due to subdued domestic demand and limited pass-through from a volatile rand, with import disinflation, especially from China, providing additional relief. However, inflation risks are skewed upwards due to supply-side factors like rising import tariffs, higher municipal prices, and currency volatility. In our downside scenario, we expect inflation to average 3.2%, influenced by weaker domestic demand and global risk aversion impacting the rand, offset by weaker oil prices amid recession concerns.

Our baseline assumes 50bp of cumulative cuts in 2025, but elevated exchange rate volatility makes the timing uncertain. On the downside, if we see renewed capital outflows and sharper rand depreciation, the MPC may keep rates unchanged throughout the year to keep the outlook anchored.

CURRENCY OUTLOOK: RAND FACES HEADWINDS FROM DOMESTIC AND GLOBAL UNCERTAINTY

We now forecast the USD/ZAR exchange rate to remain above 18.00, ending the year at 18.30, reflecting persistent sovereign risk premia. the outlook for the rand remains fragile despite the recent weakening of the US dollar. While improving terms of trade provide some support, elevated global uncertainty and heightened perceptions of domestic political risk, particularly concerning the stability of the Government of National Unity (GNU), are expected to keep the rand under pressure. Moreover, the narrative of US growth exceptionalism and dollar resilience has shifted towards increasing concerns about stagflation and recession. The breakdown in the "dollar smile" theory highlights broader shifts in investor sentiment. Nevertheless, the rand remains vulnerable to global risk aversion and macro-financial stress, limiting its capacity to fully benefit from dollar weakness.

South Africa macroeconomic forecasts

	2021	2022	2023	2024E	2025F	2026F	2027F
Real GDP (% y/y)	4.7	1.9	0.7	0.7	1.2	1.5	1.8
Nominal GDP (R' bn)	6,231	6,655	7,023	7,372.9	7,924.7	8,466.6	9,096.7
Nominal GDP (US$ bn)	418.9	411.5	422.3	391.34	445.21	461.14	480.55
Current account (% of GDP)	3.7	-0.5	-1.6	-1.1	-0.8	-1.7	-1.5
Fiscal balance (% of GDP)	-5.1	-4.5	-4.6	-4.7	-4.4	-3.7	-3.3
Public debt (% of GDP)	67.8	70.9	72.0	74.7	77.5	79.3	80.9
CPI (% eop)	5.9	7.2	5.1	3.0	4.4	4.4	4.6
CPI (% avg.)	4.6	6.9	5.9	4.4	3.5	4.5	4.5
Policy rate (% eop)	3.75	7.00	8.25	7.75	7.00	7.00	7.00
USD/ZAR (eop)	15.87	17.28	18.62	18.84	18.30	18.80	19.00
USD/ZAR (avg.)	14.79	16.37	18.45	18.35	18.44	18.55	18.90
EUR/ZAR (avg.)	17.49	17.21	19.96	19.93	20.25	20.31	20.98

Source: Bloomberg, SARB, National Treasury, Stats SA, Bloomberg, BER, RMB Global Markets Research

Figure 1: South Africa economic growth outlook

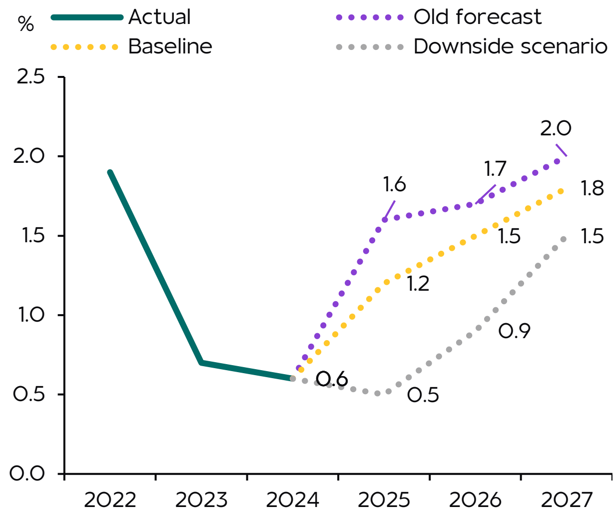


Figure 2: South Africa central bank rate outlook

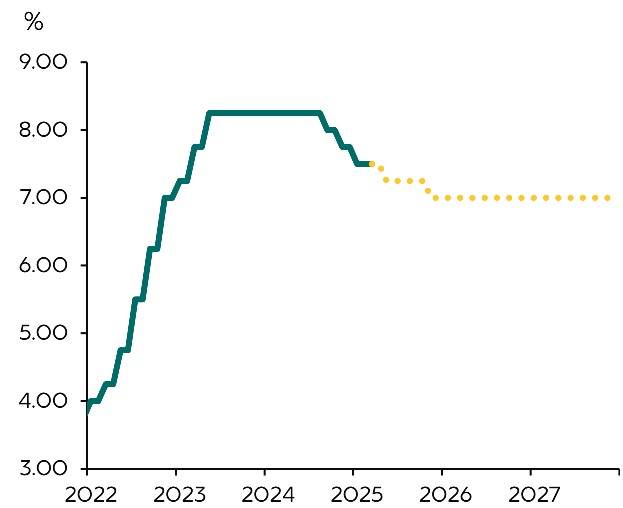


Figure 3: South Africa main budget deficit outlook

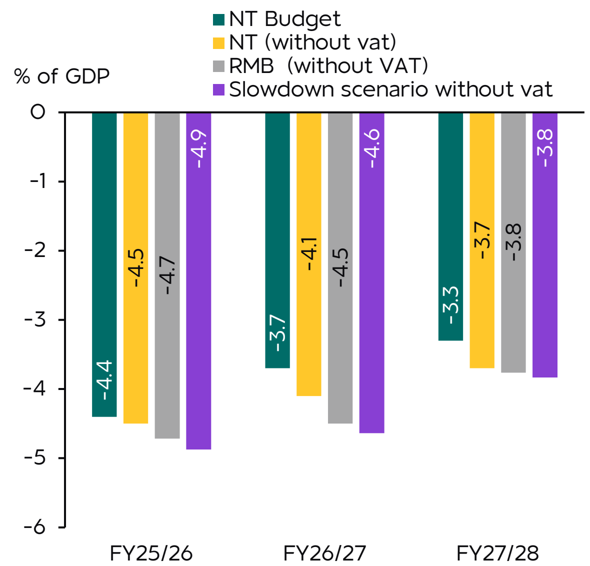
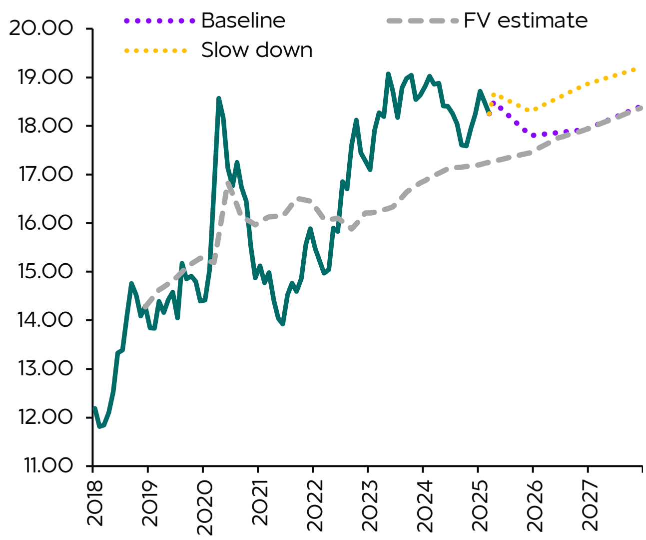


Figure 4: South Africa's rand forecast



Source: SARB, National Treasury, Stats SA, Bloomberg, RMB Global Markets Research

UGANDA

Robust economic outlook, albeit facing headwinds

Precious Dube

- **We have revised our GDP growth for 2025 to 6.2% y/y from 7.0% previously.**
- **Increasing reliance on domestic and non-concessional funding poses risks.**
- **Import growth from oil projects-related infrastructure spending will keep the current account deficit elevated.**
- **We expect inflation to increase but remain within the Bank of Uganda target.**

GDP GROWTH: AGRICULTURE AND INVESTMENTS TO BOOST NEAR-TERM PROSPECTS

Real GDP growth slowed to 5.3% y/y in 4Q24 from 6.7% in 3Q24 and 5.8% in 4Q23. The slowdown was driven by dampened activity in the services sector, which slowed to 2.0% y/y in 4Q24 from 9.0% in 4Q23. Meanwhile, growth in the agriculture sector accelerated by 7.2% y/y in 4Q24 from 1.7% in the same period of the previous year, due to food crop growing activities, which registered a growth rate of 8.0% y/y in 4Q24 from a contraction of 0.7% in 4Q23. The industry sector grew by 8.4% y/y in 4Q24, up from 3.8% in 4Q23, supported by an increase in manufacturing activities. On an annual basis, growth was 6.3% y/y in 2024 from 6.1% in 2023 and was largely underpinned by investments in the oil sector.

In 2025, investments in the oil sector will continue ramping up, further underpinning growth. However, in 1Q25, a slowdown in high frequency indicators points to a more cautious growth outlook. The Purchasing Managers' Index for January 2025 dipped to 49.5, pointing to a contraction in the manufacturing sector due to weaker demand and a decline in new orders. While the PMI improved to 52.9 in March, it was still below the 53.1 recorded in December 2024. In addition, the global backdrop is increasingly uncertain, with prospects for weaker global growth. Hence, we anticipate slower growth in 2025 due to fading base effects, weaker government expenditure and external demand. We have revised our forecast for 2025 to 6.2% from 7.0% previously. The still resilient outlook is supported by increased investments in the development of the oil sector and strategic government initiatives aimed at fostering economic expansion.

However, near-term risks to the growth outlook remain tilted to the downside, stemming from both domestic and global challenges. On the domestic front, risks include a high risk of adverse weather conditions which could disrupt food crop production and may compromise agricultural output; risks associated with political instability in the lead up to the January 2026 general election could also deter growth. Additionally, tight domestic financing conditions, exacerbated by strained relationships with multilateral partners, will continue to constrain public finances. On the external front, risks are mostly related to US policies. While the direct impact may be limited, the indirect impact may be significant. Uganda was levied a baseline tariff of 10% and considering the low levels of exports to the US, the impact will be minimal. Nevertheless, trade disruptions from the trade wars may heighten uncertainty about future trade policies which may discourage investment and weigh on consumer demand.

Over the medium term, economic prospects are more favourable, and we project GDP growth to reach 10.0% in 2027. We expect growth to be underpinned by the oil sector. Oil production is expected to resume in 1Q27, and the oil refinery is also set to be operational in 2027. Uganda has an estimated 6.5 billion barrels of crude oil under Lake Albert. The reserves are expected to last up to 30 years.

PUBLIC FINANCE: ELEVATED FISCAL CONCERNS

The FY25/26 fiscal framework projects domestic revenues to increase by UGX1.5trn to UGX33.7trn. This increase is attributable to revenue gains due to the implementation of the domestic revenue mobilisation strategy and higher nominal growth. Total expenditure and net lending in FY25/26 are projected to decrease from an estimated UGX47.6trn in FY24/25 to UGX46.5trn. Consequently, the fiscal deficit is expected to narrow to UGX9.8trn (approx. 5.3% of GDP). We expect the fiscal deficit to continue to be funded largely from domestic sources.

The FY25/26 fiscal framework prioritises development expenditure relative to recurrent expenditures. Development expenditure is projected to increase from UGX15.5trn in FY24/25 to UGX17.9trn, while current expenditure is expected to be lower at UGX28.2trn from UGX31.7trn in the previous fiscal year. Development expenditure will be allocated to support key projects such as the Standard Gauge Railway, the Greater Kampala Metropolitan Area Programme, the East Africa Crude Oil Pipeline (EACOP), oil refinery, and the Busega-Mpigi expressway.

Over the last few years, concessional financing has declined significantly, impacting the government's ability to secure low-cost financing. Relationships with development partners continue to be strained due to limited progress in addressing long-standing governance weaknesses, and more recently, by the enactment of the Anti-Homosexuality Act, which violates some lender partners' human rights policies. Therefore, the government continues to rely heavily on the domestic debt market and borrowing at higher costs from external commercial creditors. The FY24/25 budget allocated an increase in non-concessional funding to UGX3.1trn from UGX1.8trn in the previous fiscal year. For FY25/26, the government will continue to rely on domestic borrowing. Nevertheless, in an effort to ease pressure on domestic financial markets and reduce government borrowing crowding out private sector borrowing, the Ministry of Finance plans to reduce domestic borrowing by UGX4.96trn to UGX4.0trn, compared to the previous fiscal year.

Uganda's nominal debt-to-GDP ratio increased to 52.1% in 2024 from 48.4% of GDP in 2023. The debt structure remains favourable, with multilateral lenders (as debt is at relatively lower interest rates with longer maturities) accounting for 65.4% of total external debt. However, the latest trend of increasing non-concessional debt increases risks. We expect total debt as a percentage of GDP to increase to 54.3% in 2025 for it to trend downwards from 2026. While we forecast the total debt as a percentage of GDP to trend downwards owing to higher nominal GDP growth, we anticipate that debt structure will increasingly be dominated by domestic debt and non-concessional external debt, considering the strained relations with multilaterals and given constraints on accessing the concessional funding.

Debt servicing costs remain elevated. The FY24/25 budget projects total interest payments to increase from UGX6.6trn to UGX9.6trn. Principal repayments of external debt are projected to rise from UGX2.6trn (US$707m) in FY23/24 to UGX3.1trn (US$827m/ 1.4% of GDP). For FY25/26, interest payments on public debt are projected to decline to UGX9.2trn. Despite the projected decline in interest payments, it is important to note that they consume almost a third of tax revenues. External debt repayments are expected to increase from UGX3.25trn to UGX4.0trn. This persistent growth in debt servicing costs underscores the fiscal stress confronting the country.

EXTERNAL ACCOUNTS: OIL PROJECT IMPORTS DRIVING CURRENT ACCOUNT DEFICIT

The current account deficit widened to US$4.8bn in 2024 (8.5% of GDP), from US$3.8bn in 2023 (7.2% of GDP), driven by a widening trade and services deficit and a contraction in the secondary income surplus. The trade deficit widened by 16.3% y/y to US$3.7bn, primarily reflecting a significant rise in imports, which increased by 20.3% to US$12.2bn in 2024. The import growth was fuelled by private sector investments in machinery, mostly related to oil projects. However, despite the widening of the trade deficit, exports maintained an upward trajectory. Export earnings amounted to US$8.6bn in 2024, buoyed by higher earnings from coffee and minerals exports. The volume of coffee exported as well as coffee prices increased significantly over the period. The services account deficit widened by 22.3% to US$2.0bn, primarily driven by increased payments for transport and other business services, which offset gains from higher tourism receipts. The secondary income surplus contracted by 3.3% to US$1.9bn. The decline was attributed to reduced inflows from personal transfers, shifting investor sentiment in financial markets, and lower donor inflows.

We expect the current account deficit to narrow to 7.5% of GDP in 2025, reflecting higher export revenues from higher coffee prices and a lower import bill. The lower oil prices are expected to suppress the import bill. Additionally, increased remittances are anticipated to support the current account. Meanwhile, the primary income account is likely to weaken further due to ongoing interest payments on public debt. Moreover, recent US policy on a reduction of aid may negatively impact non-government organisation inflows.

In the medium term, developments in the oil sector are expected to significantly influence the trajectory of Uganda's current and financial accounts. The current account deficit is projected to remain elevated until the construction projects in the oil sector are completed. We expect the current account deficit to remain elevated given the continued investments in the oil sector; we only expect it to resume narrowing gradually once oil exports start coming onstream and oil refinery becomes operational. Moreover, the import bill for goods and services is expected to decline once the construction of oil projects is completed. Oil production is set to begin early in 2027 and the oil refinery is expected to become operational by the end of 2027. This will reduce some of the country's oil import needs. The elevated deficit is partly financed through Foreign Direct Investment (FDI), related to investments in infrastructure and oil sector developments.

FDI remained robust, increasing by 12.5% to US$3.7bn in 2024. The bulk of the FDI came from oil-related activities. However, despite the strong FDI inflows, other financial inflows weakened substantially. As such, the surplus in the financial account was insufficient to fully cover the deficit in the current account.

Foreign-exchange reserves rose to US$3.6bn in March 2025 (3.3 months' import coverage), from US$3.3bn at the end of 2024. The increase in the reserves was partly attributable to higher gold prices. In 2025, we expect Uganda's FX reserve position to weaken due to large scheduled debt service obligations amid limited access to external financing.

INFLATION AND MONETARY POLICY: INFLATION TO REMAIN WITHIN TARGET

Inflation has continued to moderate below the medium-term target, supported by past Central Bank Rate (CBR) adjustments, a stable exchange rate, and lower global inflationary pressures. However, in April 2025, headline inflation ticked up to 3.5% y/y from 3.4% in March 2025. This was primarily driven by a rise in core inflation, which increased to 3.9% y/y in April, compared to 3.6% in March. This was primarily due to higher other goods inflation, which increased to 3.0% y/y from 2.6% in March, driven by rising beef prices which increased by 10.1% in April compared to 4.2% in the previous month. Additionally, inflation in the services sector rose to 5.0% y/y in April, up from 4.9% in March, largely due to increased costs in food and beverage serving services and housing charges. Overall, headline inflation was moderated by a decline in food crops and related items and energy fuel and utilities inflation which decelerated to 2.4% y/y and 0.0% in April from 3.1% and 0.3%, respectively, in March. This was largely due to a significant fall in vegetables and electricity prices. While overall headline inflation remains moderate, pressures from core inflation, particularly in services and other goods, suggest underlying price pressures.

Going forward, the inflation outlook remains highly sensitive to domestic and global risks, with an overall upward bias in price pressures. Possible exchange rate depreciation, due to global uncertainty, could exacerbate inflationary pressures. Meanwhile, lower global oil prices, stemming from a slowdown in global economic growth, could ease domestic cost pressures. Overall, the risks to the inflation outlook remain tilted to the upside. Our inflation expectations are aligned with those of the BoU, which forecasts inflation of between 4% and 5% this year. We saw a moderate rise in the early months of 2025 due to seasonal factors, but this is expected to stabilize around the central bank's target by the second quarter of the year due to fading base effects and seasonal factors which typically lead to higher prices for some food commodities. We expect inflation to increase to 4.0% by the end of 2025.

In May 2025, the Monetary Policy Committee (MPC) maintained the CBR at 9.75% following a cumulative 75bp cut in the CBR throughout 2024. Consequently, the MPC maintained the bands on the CBR at ±2ppt and the margins on the CBR for the rediscount and commercial bank lending rates at 3.0ppt and 4.0ppt, respectively. The rediscount rate was maintained at 12.75% and commercial bank lending rates at 13.75%. The decision was based on a balanced view of heightened geopolitical and policy uncertainty, which could contribute to increased volatility in economic activity in the near term, despite domestic inflation being projected to remain below target in the short term. This led to a more cautious stance on monetary policy. Looking ahead, with inflation expected to remain within the BoU target in 2025, we expect the MPC to resume the easing cycle in 2H25 when inflation stabilises and we forecast cumulative interest rate cuts worth 75bp in 2025, taking the policy rate to 9.00% by year-end on account of the still relatively low inflation outlook.

CURRENCY OUTLOOK: DEPRECIATION BIAS FOR THE UGX

The Ugandan shilling was relatively strong against the US dollar in 2024; the pair ended the year at 3,679, reflecting the tight monetary policy. Since the beginning of 2025, the Ugandan shilling has exhibited resilience against the US dollar despite global uncertainties, supported by higher export revenue from coffee, steady remittance inflows, and capital inflows. Year to date, USD/UGX has been trading within a range of 3,645–3,710.

Going forward, we anticipate the UGX to sustain the depreciatory pressure for the remainder of our forecast horizon, pressured by wide external account balances. Moreover, the Bank of Uganda has limited scope to intervene in the FX market to defend the currency, considering the relatively low FX reserves. We see the local unit gradually weakening to USD/UGX3,702 by the end of 2025 and we expect the shilling to remain on a depreciatory path in 2026.

Uganda macroeconomic forecasts

	2021	2022	2023	2024E	2025F	2026F	2027F
Real GDP (% y/y)	4.6	5.3	6.1	6.3	6.2	6.4	10.0
Nominal (US$ bn)	42.8	47.3	51.9	56.8	62.5	69.2	79.3
Current account (% of GDP)	-9.6	-8.4	-7.2	-8.5	-7.5	-5.2	-4.4
Fiscal balance (% of GDP)	-7.4	-5.5	-4.8	-5.8	-5.5	-5.4	-4.7
Public debt (% of GDP)	48.4	46.9	48.4	52.1	54.3	52.2	51.9
CPI (% eop)	2.9	10.2	2.2	3.3	4.0	4.5	4.8
CPI (% avg.)	2.2	7.6	5.4	3.3	3.9	4.3	4.6
Policy rate (% eop)	6.50	10.00	9.50	9.75	9.00	8.00	8.00
USD/UGX (eop)	3,558	3,715	3,780	3,679	3,702	3,714	3,833
USD/UGX (avg.)	3,586	3,709	3,734	3,759.	3,697	3,709	3,792
ZAR/UGX (avg.)	242.5	226.6	202.4	204.9	200.5	199.9	200.6

Source: Bank of Uganda, Ministry of Finance, Bloomberg, RMB Global Markets Research

Figure 1: Robust growth over the medium term

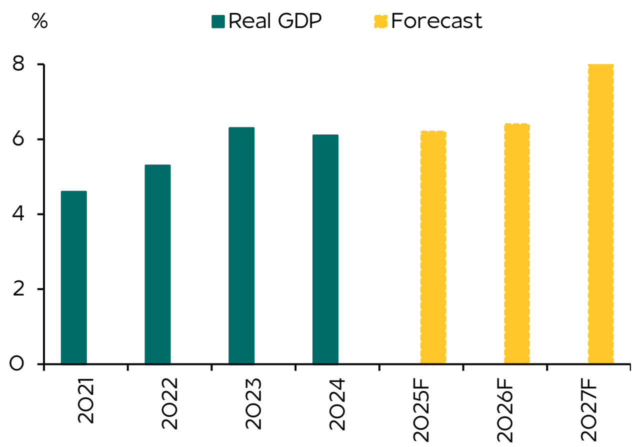


Figure 2: Fiscal deficit to remain wide

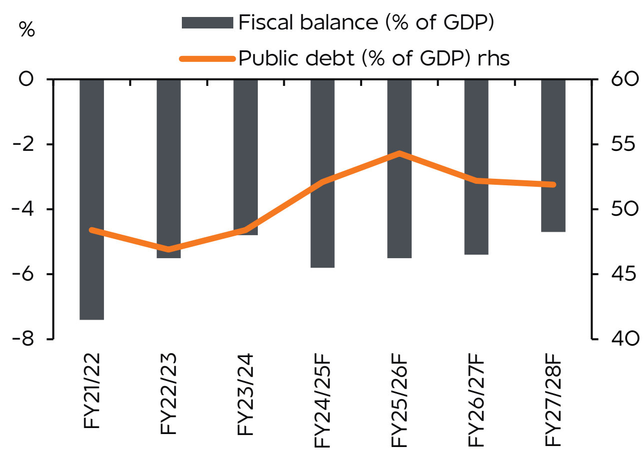


Figure 3: Inflation projected to remain within BoU target

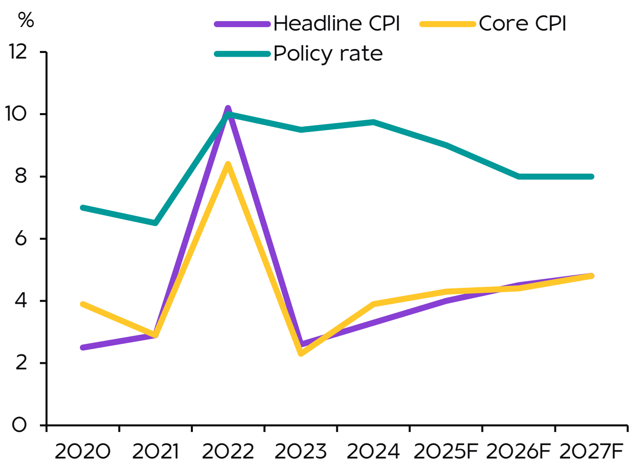
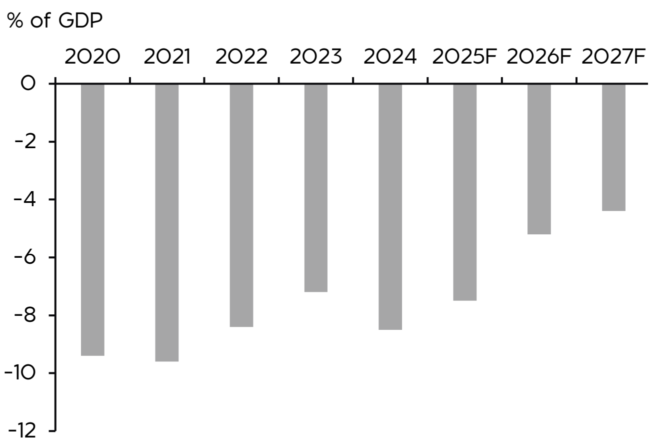


Figure 4: Oil projects related imports to keep the current account deficit wide



Source: RMB Global Markets Research, Bank of Uganda, Ministry of Finance, Bloomberg

ZAMBIA

Economic recovery on course; US foreign policy is a key risk to our outlook

Chileshe Moono

- **Mining sector recovery to steer the economy to 5.7% y/y growth in 2025.**
- **Fiscal consolidation to continue, but risks remain. We forecast the fiscal deficit to narrow to 3.2% of GDP in 2025 from 3.7% in 2024.**
- **Disinflation is on course; we expect the central bank to commence a cutting cycle in August.**
- **The local currency has shown some recovery but will continue to face pressure. We expect USD/ZMW at 30.1 by year end from current levels around 26.8.**

GDP GROWTH: 2025 GDP GROWTH FORECAST REVISED HIGHER

The Zambian economy grew by 8.6% y/y in 4Q24, up from 3.0% in 3Q24 and 7.8% in 4Q23. The key drivers of growth were the agricultural, ICT, mining, transport, and manufacturing sectors, which grew by 27.6% y/y, 27.4%, 26.8%, 9.1%, and 8.1%, respectively. Collectively, these five sectors made up 8.2ppt of the 4Q24 growth rate. On the other hand, the electricity sector, other services, water supply, professional services, wholesale and retail trade all contracted by 50.9% y/y, 11.9%, 11.2%, 5.2% and 0.1%, respectively. The recovery in agriculture during the fourth quarter of last year was expected as rainfall conditions improved at the beginning of the 2024/25 rainy season, supporting an uptick in activity.

The 4Q24 growth rate pushed the full-year 2024 GDP to 4.0% y/y from 5.4% in 2023. Growth was mainly driven by the ICT (17.4% y/y), tourism (13.2%), financial services (10.3%), public administration (9.5%) and mining (9.5%) sectors. These sectors combined to contribute 3.8ppt of the total 4.0% growth for last year. The ICT sector accounted for close to 45% of the total growth. Meanwhile, sectors such as electricity supply, admin services, water supply and wholesale and retail trade all detracted from growth, contracting by 28.9% y/y, 23.9%, 12.2%, and 0.9%, respectively.

Economic recovery looks to be on course in the first quarter of this year, as evidenced by an above-neutral Purchasing Manager's Index (PMI) average reading of 50.3; the trend has continued in 2Q25 with a 50.9 reading in April. Supporting this is improved electricity supply on the back of the emergency tariffs instituted to support power imports in November 2024 and extended for a further three months at the end of January and April. Even though we expect the tariffs to be discontinued in July, we still anticipate more stable power supply for the remainder of the year as water levels at the Kariba dam improve and support increased local electricity generation albeit insufficient to meet total demand,

From a sectoral perspective, we maintain that mining, ICT, and tourism will continue to steer growth over the medium term. Specifically, we expect the investment in the mining sector over the last few years to catalyse activity across the value chain. Given its relative importance, we expect the multiplier effect from this sector to be strong and anchor broad growth across the economy. The sector is currently the second largest and accounts for c.30% of total government revenue, per estimate from the Zambia Revenue Authority; hence, strong performance from the mining sector tends to have a broader impact on the rest of the economy. As evidenced by the 2024 performance, the recovery in the mining sector is much stronger than we had projected; consequently, we have revised our 2025 GDP forecast higher to 5.7% y/y from 5.0% previously.

The key risk to our forecast is a continuation of the drought and the downside spillover effects from the Trump administration's foreign policy shifts. We expect the most significant risk to come from the suspension of foreign aid that could cost Zambia c.US$600m (or c.2% of GDP) in funding annually; c.80% of this aid goes to life-saving health initiatives, particularly in the fight against HIV and AIDS. A full withdrawal of the aid could see the authorities divert funding from some growth-related projects, which could hamper economic growth. In addition, the withdrawal may also impact consumption levels due to job losses in the not-for-profit sector. The trade related policies, on the other hand, are unlikely to have a significant direct impact, given that Zambia's exports to the US account for less than 1% of total exports, thereby limiting the impact of the 17% tariff levied by the Trump administration. However, we could see a significant indirect impact if the trade war is prolonged and further impacts global demand and trade patterns. Specifically, if the impact on Chinese production is substantial the trade war may reduce demand for commodities like copper. Consequently, this could push copper prices lower and adversely affect the recovery of Zambia's mining sector.

PUBLIC FINANCE: 2024 FISCAL OUTTURN OUTPERFORMS EXPECTATIONS; TRUMP'S AID FREEZE THREATENS FISCAL EFFORTS GOING FORWARD

Despite the drought, the authorities were able to limit the fiscal deficit to 3.7% of GDP in 2024 against the targeted 4.8% of GDP and our forecast of 6.2% of GDP. The narrower fiscal deficit reflects expenditure rationalisation and an outperformance on government revenue targets. Recall that the Ministry of Finance had issued a supplementary budget in June 2024, which was meant to address the challenges brought about by the drought. The supplementary budget indicated an intention to spend an additional ZMW24.7bn, which was going to take total expenditure for the 2024 fiscal year to ZMW201.7bn. According to the final estimate from the MoF, the government only spent ZMW197.8bn, which was 2.0% below the updated spending target. On the revenue side, the authorities exceeded their revenue and grants target by 4.8% (ZMW152.6 vs ZMW144.5bn). The performance in 2024 affirmed the authority's commitment to fiscal consolidation.

For 2025, the authorities have continued with fiscal consolidation efforts, spending 2.7% below the budgeted ZMW44.2bn (US$1.56bn) in 1Q25. This was coupled with a 0.2% outperformance on the revenue end where the authorities raised ZMW38.2bn (US$1.35bn) against the target of ZMW38.1bn (US$1.34bn) over the same period, The performance so far is encouraging given that authorities aim to reduce Zambia's fiscal deficit to 3.1% of GDP this year: we forecast it to land at 3.2%.

The fiscal consolidation momentum, coupled with increased money market liquidity, has supported a reduction in the cost of domestic borrowing. We note that relative to 1Q25, commercial banks' average current account liquidity positions have increased by c.170% from ZMW1.6bn in 1Q24 to ZMW4.3bn. The higher liquidity and relatively muted growth in private sector credit extension has seen most commercial banks and asset managers increase their appetite for government debt. At the end of April, bond yields had dropped by an average of 300bp across the curve from their levels in January 2025, with the largest reduction being in the 5-year note, which is down 400bp. This reduction in yields, coupled with relatively higher inflation, has taken real yields on shorter-dated paper to negative and narrowed the real return on longer-dated paper. We, therefore, do not expect yields to trend much lower in the near term. In the coming months, we expect yields to remain fairly flat with a slight bias towards a marginal increase going into year end.

In April, Moody's Ratings affirmed its local and foreign currency long-term issuer rating on Zambia at Caa2 and changed its outlook from stable to positive. The agency noted the strong growth momentum of the economy as a determining factor for its decision but also cautioned that debt metrics remained at uncomfortable levels as Zambia's debt-to-GDP remains above 100% and is susceptibility to external shocks and extreme weather events. Recall that, Moody's was the first agency to lift Zambia's foreign currency issuer rating from default after the successful eurobond debt exchange in June 2024. S&P and Fitch kept the foreign currency rating in default territory. We expect S&P and Fitch to lift their credit rating after Zambia concludes its external debt restructure, which we anticipate in 4Q25. Since our last update in February, the Secretary to the Treasury has advised that of the US$3.2bn commercial debt that was outstanding, Zambia has signed agreements with ZTE, Huawei, Credit Suisse and Paramount for US$8.4m, US$15.3m, US$33.3m, and US$2.3m, respectively; this follows agreements in principle with ICBC and CDB that were announced last year. Good faith negotiations with all commercial creditors are ongoing. On the bilateral front, the authorities confirmed that they have only signed deals with India, France and Saudi Arabia; final deals with critical stakeholders such as China are yet to be finalised.

On restructured debt, the review period for Zambia's debt carrying capacity will commence in January 2026 and run till December 2028. For the upside on Bond B to be triggered, either Zambia's composite indicator will have to meet or exceed a score of 2.69 for two consecutive semi-annual reviews, or the 3-year rolling average of its USD exports and the USD equivalent of fiscal revenues (before taking into consideration grants) exceeds the IMF's projections as laid out in the second review of the IMF's Extended Credit Facility. Since the assessment by the IMF in December 2023, Zambia's CI score has increased from 2.57 to 2.62 in December 2024. The largest drivers for the increase are the World Bank CPIA score, real growth rate and the import coverage of reserves. We would argue that the sooner the trigger is achieved, the less prepared Zambia would be to face accelerated debt repayments.

The uncertainty of US foreign policy presents significant risk for the fiscal posture of the country. In the 2025 budget, the authorities outlined intent to spend ZMW23.2bn (US$814m) on the health sector. However, this healthcare budget may have to increase by around 55% if the US fully withdraws funding from Zambia, which we estimate to be US$600m (75% of which is targeted at lifesaving health initiatives). In the absence of

US funding, the government will have to reallocate resources from other budget items, as they did during the drought last year, and increase domestic funding to plug the gap. An increase in net domestic funding from the Ministry of Finance's target of ZMW15.4bn could put some upward pressure on yields.

EXTERNAL ACCOUNTS: CURRENT ACCOUNT SHIFTS TO SURPLUS IN 3Q24

In 2025, we expect the current account surplus to widen to 2.3% of GDP from our estimated outcome of a US$393m (or 1.5% of GDP) surplus in 2024. We expect improved copper exports to support a wider surplus on goods as growth in imports remains subdued, particularly as domestic electricity generation and food supply increase. We expect the increase in the goods surplus to outweigh the downside risks posed by the potential removal of US donor financing on the secondary income account (which recorded a cumulative balance of US$580.2m through the first three quarters of 2024) and increased interest payments as Zambia reaches more debt restructuring deals with creditors.

The cumulative current account balance for the first three quarters of 2024 was a surplus of US$213.7m (c.0.8% of GDP) from a deficit of US$437m (1.6% of GDP) over the same period in 2023. The current account surplus widened from US$162m in 2Q24 to US$184m in 3Q24 – a marked improvement given the drought experienced last year. The wider current account surplus was supported by a decrease in the deficit on services and the deficit on primary income from US$177m to US$158.4m and US$467.7m to US$153.4m, respectively, from 2Q24 to 3Q24. This outweighed the narrower surplus on goods from US$550.2m to US$317.6m over the same period.

Given the performance over the first three quarters of 2024, we now estimate the full-year current account balance at 1.5% of GDP; this is much higher than our initial expectation and reflects the very strong performance of exports and a muted increase in imports relative to our expectation. We note that over the first three quarters of 2024, imports only grew by 3%, while exports, which we had expected to recede given the drought, expanded by 2%. The positive performance of exports was mainly supported by an increase in copper exports on the back of increased output. We estimate a similar performance was recorded in 4Q24 and therefore project a full-year current account surplus. Over the same period, we also saw the deficit on the financial account narrow from US$939m to US$120.7m.

Gross International Reserves (GIR) rose to US$4.350bn (4.6 months of import cover) at the end of January 2025, from US$4.1bn in September 2024. The increase was on the back of continued funding from the mining sector and multilateral partners, especially the IMF which disbursed US$184m in December as part of the ECF programme.

INFLATION AND MONETARY POLICY: DISINFLATION ON COURSE; MONETARY POLICY TO PIVOT IN AUGUST

Inflation in Zambia has moderated since the start of the year, but it remains close to its cyclical peak. Headline inflation held steady at 16.5% y/y in April. This follows a reduction in food inflation from 18.9% y/y in March to 18.7% in April and an increase in non-food inflation from 13.2% to 13.4% over the same period. The food index was the largest driver of inflation in April, accounting for 11.0ppt of the total 16.5%.

As expected, supportive base effects have been apparent this year, as evidenced by the deceleration in food prices. The year-on-year change in maize grain recently reflected an increase of 1.1% in April 2025 from 64.8% in April 2024 – we expect this trend to continue as food supply continues to increase. However, the April outturn was 0.2ppt higher than our forecast of 16.3% y/y – we had expected inflation to continue decelerating. This was mainly due to an increase in the non-food index, which reflected a higher currency pass-through relative to our expectation. Given the April CPI print, we have revised our inflation forecast for December 2025 to 13.5% y/y from 13.4% previously.

In line with our expectations, the Bank of Zambia kept rates unchanged at its May MPC meeting. We see the central bank delaying rate cuts until August as the MPC recognises that inflation still remains significantly outside the target band of 6% to 8%. We expect a 50bp cut in August which follows the hiking cycle that began in February 2023. Thereafter, we expect the easing cycle to continue with another 100bp cut in November and a cumulative 400bp reduction in 2026. We expect the BoZ to keep the Statutory Reserve Ratio elevated at 26.0% for the remainder of the year; the SRR is used also used as a tool to mitigate foreign exchange rate pressures, which we expect to continue this year.

CURRENCY OUTLOOK: PERSISTENT WEAKNESS; LIQUIDITY CONDITIONS MUCH IMPROVED

In 2024, the kwacha experienced significant weakening, with USD/ZMW breaking the 28.0 mark in November. The weakness persisted into 2025 as USD/ZMW crossed 29.0 in February (a historic peak). Subsequently, there was some reprieve toward the end of May 2025 on the back of central back support, offshore inflows, and mining tax receipts. The currency pair was trading around 26.8 on 16 May 2025

Since most mining-related flows are not converted back into local currency, we do not anticipate that the larger current account balance will push USD/ZMW lower. We estimate that only 20% of the mining sector flows are converted into local currency, thereby limiting the impact on the direction of the USD/ZMW pair. We anticipate that throughout the year, the demand for foreign exchange, particularly from the manufacturing and energy sectors, will exceed the total supply and push USD/ZMW to an end December level of 30.1.

Despite the historic depreciation experienced last year, liquidity shortages have been less pronounced as the central bank has allowed for a flexible exchange rate mechanism, which responds to demand and supply conditions to dictate market dynamics. The flexibility of the exchange rate mechanism allows for the domestic foreign exchange market rates to align with offshore trading rates and unlocks offshore liquidity to flow into the market; this dynamic has been critical in easing liquidity concerns over the last 12 months. In addition, support from the Bank of Zambia has also helped to ease liquidity shortages in critical sectors such as energy (procurement of fuel and electricity imports), agriculture, and health. The Bank of Zambia has provided US$899m to the foreign exchange market throughout 2024 on the back of improved flows from the mining sector. Given the adequate reserve buffer, the BoZ's position on a flexible exchange rate mechanism and, our view that copper production will continue to increase this year, we do not expect any prolonged liquidity challenges to persist.

On the proposed de-dollarization measure, the Bank of Zambia is yet to provide an update on whether it will proceed with implementation. We had expected this to be implemented at the start of 2025.

Zambia macroeconomic forecasts

	2021	2022	2023	2024	2025F	2026F	2027F
Real GDP (% y/y)	6.1	5.2	5.4	4.0	5.7	6.0	6.5
Nominal (US$ bn)	21.2	29.8	27.2	26.8	27.9	34.2	42.1
Copper production ('k MT)	803.7	763.6	698.1	770	850.0	1,017	1,160
Current account (% of GDP)	9.7	3.7	-1.9	1.5	2.3	3.0	3.5
Fiscal balance (% of GDP)	-13.1	-5.4	-5.6	-3.7	-3.2	-2.0	-2.6
Public debt[1] (% of GDP)	112	110	133	107	95.3	81.2	74.2
CPI (% eop)	16.5	9.9	13.1	16.7	13.5	9.9	9.7
CPI (% avg.)	22.1	11.1	10.9	15.0	15.4	11.3	9.3
Policy rate (% eop)	9.0	9.0	11	14.0	13.0	9.0	8.5
USD/ZMW (eop)	16.7	18	25.5	27.9	30.1	27.9	26.6
USD/ZMW (avg.)	19.7	17	20.5	26.2	28.5	28.3	27.4
ZAR/ZMW	1.32	1.03	1.11	1.43	1.59	1.53	1.42

Source: Bank of Zambia, Ministry of Finance, Bloomberg, RMB Global Markets Research

Figure 1: Growth recovery on course

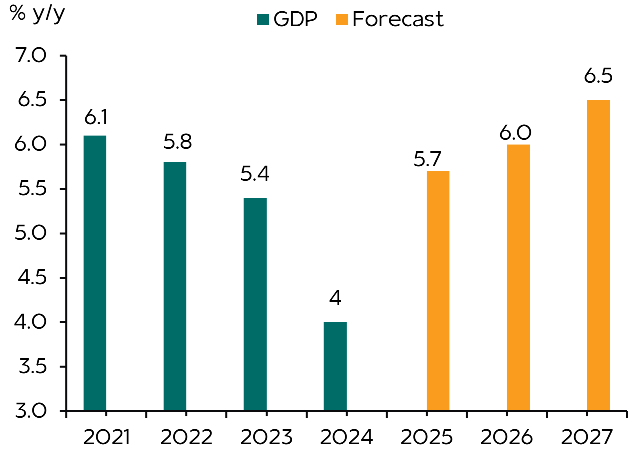


Figure 2: Softer monetary conditions ahead

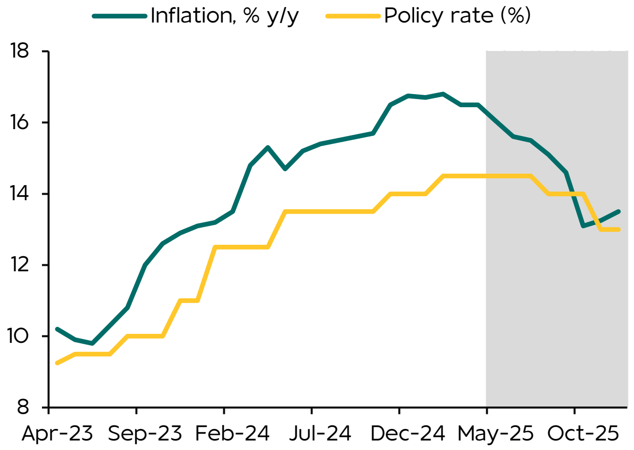


Figure 3: Copper production to anchor current account performance

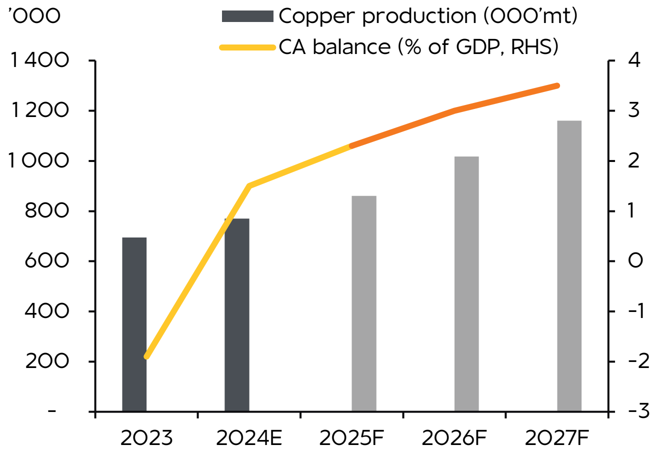
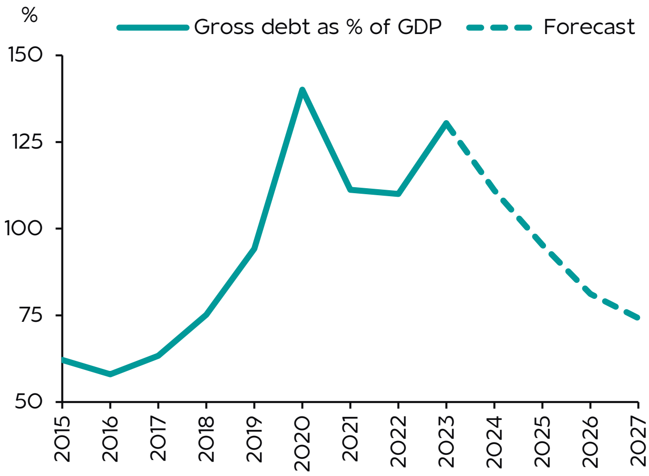


Figure 4: Gross debt position to improve as economic growth recovers



Source: RMB Global Markets Research, Bloomberg, Bank of Zambia, Ministry of Finance

Africa macroeconomic forecasts

	GDP growth (%)			Inflation (end of period % y/y)			Budget balance (%)			Current account (%)		
	2024	2025F	2026F	2024	2025F	2026F	2024	2025F	2026F	2024	2025F	2026F
Angola	4.4	2.1	3.6	27.5	18.4	15.6	-1.7	-1.8	-1.7	6.8	2.1	4.3
Botswana	-3.0	-0.9	2.0	1.7	3.2	3.9	-2.8	-9.9	-8.7	-4.7	-6.3	-4.1
Egypt	2.4	4.2	4.6	24.1	13.2	12.9	-3.9	-8.3	-7.1	-5.5	-6.3	-5.4
Ghana	5.7	3.5	3.7	23.8	14.5	14.2	-7.9	-5.9	4..4	4.3	6.5	6.1
Kenya	4.7	5.1	5.4	3.0	4.8	5.5	-5.1	-4.6	-4.1	-3.6	-3.0	-2.9
Mozambique	1.9	3.7	4.8	4.2	5.8	5.6	-11.1	-8.5	-6.5	-11.7	-40.6	-29.9
Namibia	3.7	3.0	3.4	4.5	4.5	5.0	-3.9	-5.0	-4.5	-15.4	-17.0	-15.7
Nigeria	3.4	3.8	4.0	15.4	37.3	20.0	-5.2	-5.4	-3.6	9.3	4.7	4.0
South Africa	0.6	1.0	1.5	3.0	4.4	4.4	-4.7	-4.4	-3.7	-1.1	-0.8	-1.7
Uganda	6.3	6.2	6.4	3.3	4.0	4.5	-5.8	-5.5	-5.4	-8.5	-7.5	-5.2
Zambia	4.0	5.7	6.0	16.7	13.5	9.9	-3.7	-3.2	-2.0	1.5	2.3	3.0
World*	3.3	2.8	3.0	5.7	4.3	3.6						
Sub-Saharan Africa*	4.0	3.8	4.2	18.3	13.3	12.9						

	Nominal GDP (US$bn)			Government debt (% of GDP)			Benchmark central bank rate		
	2024	2025F	2026F	2024	2025F	2026F	2024	2025F	2026F
Angola	91.6	104.4	113.4	67.2	62.6	62.0	19.50	18.00	14.50
Botswana	14.5	14.4	14.7	26.7	32.9	34.4	1.90	1.90	1.90
Egypt	381.5	335.8	375.3	89.4	87.9	85.7	28.25	20.00	13.00
Ghana	80.5	103.3	121.4	61.8	61.5	59.6	27.00	27.00	25.00
Kenya	123.3	134.0	139.0	70.8	68.7	66.6	11.25	9.50	9.00
Mozambique	21.9	22.1	23.1	96.9	101.3	104.4	12.75	10.75	9.50
Namibia	13.4	14.1	15.4	66.5	69.4	68.3	7.00	6.75	6.75
Nigeria	185.4	224.9	282.6	52.2	45.5	39.1	27.50	25.50	25.00
South Africa	391.3	445.2	461.1	74.7	77.5	79.3	7.75	7.00	7.00
Uganda	56.8	62.5	69.2	52.1	54.3	52.2	9.75	9.00	8.00
Zambia	26.8	27.9	34.2	107	95.3	81.2	14.50	12.50	9.00

Source: RMB Global Markets Research (data as at May 2025)
Note: The world forecasts and SSA aggregates are from the IMF, (inflation here is period average)

ANALYSTS CONTACTS

Isaah Mhlanga
Chief Economist
isaah.mhlanga@rmb.co.za

South Africa

John Cairns
Research Lead: Macroeconomics and Strategy
john.cairns@rmb.co.za

Keabetswe Mojapelo
Macroeconomist: South Africa
keabetswe.mojapelo@rmb.co.za

Keorapetse Leballo
Fixed Income Strategist
Keoraptse.leballo@rmb.co.za

Manqoba Madinane
FX and Commodities Strategist
manqoba.madinane@rmb.co.za

Ntuthuko Tsokodibane
Credit Quant Analyst: South Africa
ntuthuko.tsokodibane@rmb.co.za

Broader Africa

Sam Singh-Jami
Research Lead: Broader Africa
Macroeconomics and Strategy
samantha.singh-jami@rmb.co.za

Precious Dube
Macroeconomist: Africa
precious.dube@rmb.co.za

Oyinkansola Samuel, CFA
Research Analyst: West Africa
oyinkansola.samuel@rmb.com.ng

Caleb Ayodele
Research Analyst: Nigeria
caleb.ayodele@rmb.com.ng

Helena Mboti
Economist: Namibia
helena.mboti@fnbnamibia.com.na

Cheryl Emvula
Economist: Namibia
Cheryl.Emvula@fnbnamibia.com.na

Chileshe Moono
Economist: Zambia
chileshe.moono@fnbzambia.co.zm

Gomolemo Basele
Economist: Botswana
gomolemo.basele@fnbbotswana.co.bw

GLOBAL MARKETS CONTACTS

Research

research@rmb.co.za

Please email your name, company name, publication request and the name of your RMB relationship manager to research@rmb.co.za.

If you are already subscribed to receive our publications and want to change your subscription requirements, you can click on the 'Manage your subscriptions' tab on the right-hand side of the screen on your emailed document and choose the publications you want to receive accordingly.

Trading

Fixed income

Money Markets	+27 11 269 9075
Bond Spot	+27 11 269 9040
Bond Repo	+27 11 269 9050
IR Derivatives	+27 11 269 9065
IR Options	+27 11 269 9040
Inflation	+27 11 269 9300

Currency

FX Spot	+27 11 269 9110
FX Forwards	+27 11 269 9130
FX Cross-Currency	+27 11 269 9130
Derivatives	+27 11 269 9130
FX Options	+27 11 269 9150

Commodities

Soft	+27 11 269 9800
Metals and Energy	+27 11 269 9140

Credit

Trading and Structuring	+27 11 269 9254

Africa

Fixed Income and Currency	+27 11 269 9126

Sales and Structuring

Corporates

Africa	+27 11 269 9910
FX and Money Market	+27 11 269 9230 / 9190 / 9175
Global Markets Structuring	+27 11 269 9150 / 9030 and +27 21 446 9340

Institutions

Fixed Income Sales	+27 11 269 9040 / 9100 and +27 21 446-9375
Foreign Exchange Sales	+27 11 269 9040
Structured Sales	+2711 269-9335

Prime Services

Equities Prime Broking	+27 11 282 1941
Fixed Income Prime Broking	+27 11 282 1473
Futures Clearing	+27 11 282 8375
RMB Stockbroking Operations	+27 11 282 8401
Securities Lending	+27 11 269 9719
Trustee Services	+27 87 311 2284
Custody Services	+27 87 577 8716

Markets offices

South Africa

Johannesburg	+27 11 269 9040
Cape Town	+27 21 446 9333
Durban	+27 31 580 6390
Gqeberha	+27 41 394 2511

Broader Africa

Botswana	+267 37 64 2657
Eswatini	+268 2404 2833
Ghana	+233 501 546 469
Kenya	+254 20 490 8201
Mozambique	+258 84 315 6860
Namibia	+264 61 299 8899
Nigeria	+234 1 463 7990
Zambia	+260 211 366 800

Europe, America and Asia

China	+86 216 210 0909
India	+91 22 6625 8600
United Kingdom	+44 20 7939 1700
United States of America	+1 917 947 3131

DISCLOSURE SECTION

This document has been compiled by the analyst(s) named therein within FirstRand Limited (“FirstRand”), including but not limited to RMB Markets within FirstRand Bank Limited and FirstRand EMA (Pty) Limited, which are wholly owned subsidiaries of FirstRand.

While all care has been taken by FirstRand in the preparation of the opinions and forecasts and provision of the information contained in this report, FirstRand does not make any representations or give any warranties as to their correctness, accuracy or completeness; nor does FirstRand assume liability for any losses arising from errors or omissions in the opinions, forecasts or information, irrespective of whether there has been any negligence by FirstRand, its affiliates or any officers or employees of FirstRand and whether such losses be direct or consequential. Nothing contained in this document is to be construed as guidance, a proposal or a recommendation or advice to enter into, or to refrain from entering into, any transaction or an offer to buy or sell any financial instrument, or otherwise.
This document is compiled specifically for use by FirstRand’s eligible clients and not for the public. This document is the intellectual property of FirstRand. Irrespective of whether you are the intended recipient or not, you may not copy, distribute, publish, rely on or otherwise use anything contained herein without our prior written consent. Some of our communications may contain information that could be a contravention of the law for you to disclose or use without permission. If you have received this communication in error, please notify us immediately at research@rmb.co.za and destroy all electronic and paper copies. Mis-transmission is not intended to waive confidentiality or privilege.

This communication is not intended, nor should it be taken, to create any legal or contractual relationships. FirstRand Bank Limited is an Authorised Financial Services Provider and is also regulated by the Prudential Authority under South African law. In the United Kingdom, FirstRand Bank Limited acting through its London branch is authorised by the Prudential Regulation Authority (“PRA”) and is subject to regulation by the Financial Conduct Authority (FRN 476154) and limited regulation by the PRA. Details on the extent of FirstRand Bank Limited’s regulation by the PRA are available on request.

Additional information for US persons

This debt research report, which is provided only to eligible institutional investors (as described below), has been compiled by the analyst(s) named therein, who are individuals employed by (or who render services to) FirstRand Limited (“FirstRand”), including but not limited to RMB Markets within FirstRand Bank Limited and FirstRand EMA (Pty) Limited, which are wholly owned subsidiaries of FirstRand.

Definition of Ratings	
Rating	**Meaning**
Buy (overweight)	The analyst expects that the security offers sufficient value and is likely to outperform related securities.
Sell (underweight)	The analyst expects that the security offers no value and is likely to underperform related securities.
Hold (market weight)	The analyst expects that the security is likely to perform in line with market expectations and is unlikely to outperform related securities.

Research Analyst(s) Certification

The Research Analyst(s) certify, with respect to the issuers or securities under analysis, that:
All of the views expressed in this report accurately reflect their personal views about any and all of the subject securities or issuers; and
No part of their compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in the research report.

While all care has been taken by FirstRand in the preparation of the opinions and forecasts and provision of the information contained in this report, FirstRand does not make any representations or give any warranties as to their correctness, accuracy or completeness; nor does FirstRand assume liability for any losses arising from errors or omissions in the opinions, forecasts or information, irrespective of whether there has been any negligence by FirstRand, its affiliates or any officers or employees of FirstRand and whether such losses be direct or consequential.

This document is compiled specifically for use by FirstRand’s clients that are eligible institutional investors, and not for the public. This document is the intellectual property of FirstRand. Irrespective of whether or not you are the intended recipient, you may not copy, distribute, re-distribute, publish, rely on or otherwise use anything contained herein without our prior written consent. Some of our communications may contain information that could be a contravention of the law for you to disclose or use without permission. If you have received this communication in error, please notify us immediately at research@rmb.co.za and destroy all electronic and paper copies. Mis-transmission is not intended to waive confidentiality or privilege.

This communication is not intended, nor should it be taken, to create any legal or contractual relationships. FirstRand Bank Limited is an Authorised Financial Services Provider and is also regulated by the Prudential Authority under South African law. In the United Kingdom, FirstRand Bank Limited acting through its London branch is authorised by the Prudential Regulation Authority (“PRA”) and is subject to regulation by the Financial Conduct Authority (FRN 476154) and limited regulation by the PRA. Details on the extent of FirstRand Bank Limited’s regulation by the PRA are available on request.

Important disclosures

FirstRand and/or its affiliates, their directors and employees may from time to time: (a) have long or short positions in, and buy or sell the securities of the issuer (s) mentioned herein, (b) be engaged in one or more transactions involving such securities and earn brokerage or other compensation or act as a market maker or liquidity provider in the financial instruments of the issuer(s) covered under this report, (c) act as an advisor or lender/borrower to, or have financial interest in, such issuer(s), (d) lead manage or co-lead manage a public offering of securities of the issuer(s) covered under this report, © receive compensation for investment banking services of the issuer(s) covered under this report, (f) provide non-investment banking services, which include sales and trading services to the issuer(s) covered under this report or (g) considering the nature of business/activities in which FirstRand Limited is engaged, have potential conflicts of interest at the time of publication of this report on the subject issuer(s).
The Research Analyst(s) principally responsible for the preparation of this research report or their immediate relatives: (a) may from time to time hold long or short personal positions in a class of common equity securities of the company(ies) covered under this report, (b) has not received any compensation from the company(ies) covered under this report, or from any third party, in connection with this report in the past 12 months and (c) do not have any other material conflict of interest at the time of publication of this report. Research Analyst(s) are prohibited from serving as an officer, director or employee of the issuer(s) covered under this report.

Additional disclosure only for US persons

This report is intended for distribution in the US solely to "major US institutional investors" as defined in Rule 15a-6 promulgated under the US Securities Exchange Act of 1934 ("Exchange Act"), as supplemented by applicable SEC staff guidance, that are also Qualified Institutional Investors ("QIB"), as defined in Rule 144A promulgated under the US Securities Act of 1934 ("Securities Act"). This report is not intended for use by any person or entity that is not a major US institutional investor and a QIB. Each US person that is furnished this report represents and agrees, by virtue of its acceptance thereof, that it:

1) is a major US institutional investor and QIB;
2) is capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies involving a debt security or debt securities; and
3) understands that this report is intended for institutional investors and are not subject to all of the independence and disclosure standards applicable to debt research reports prepared for retail investors;
4) understands that this report may not be independent from FirstRand's (or its affiliates' and subsidiaries') proprietary interests; they may trade securities covered in this report for their own account and on a discretionary basis on behalf of certain clients, and such trading interests may be contrary to the recommendations offered in this report; and
5) understands the risks involved in executing transactions in the securities and/or instruments referenced in the report.

Any US recipient of this report that wishes further information regarding, or to effect any transaction in, any of the securities discussed in this report, must contact, and deal directly through a registered representative of a broker-dealer registered with the US Securities and Exchange Commission ("SEC") and a member of Financial Industry Regulatory Authority, Inc. ("FINRA"). In the US, FirstRand has an affiliate that is an SEC-registered broker-dealer and FINRA member, called RMB Securities (USA), Inc. ("RMB Securities"), located at 75 Rockefeller Plaza, Suite 23A, New York, NY 10019, Telephone +1 (914) 987-8668. RMB Securities is a member of the Securities Investor Protection Corporation ("SIPC").

The report was prepared by the analyst(s) named therein, each of who is a non-US analyst of FirstRand Bank Limited acting through its Rand Merchant Bank division ("RMB") and, as such, may not be subject to all requirements applicable to US-based analysts. RMB is neither registered as a broker-dealer with the SEC nor a member of FINRA or any other US self-regulatory organization. RMB Securities, which is an SEC-registered broker-dealer and FINRA member, did not participate in the preparation of this report and it accepts no responsibility with respect to, and disclaims all liability relating to, the contents of the report.

To the extent that the report relates to non-US securities, investing in non-US securities may entail particular risks. Such securities may not be registered under the Securities Act and the issuer of such securities may not be subject to US reporting and/or other requirements. Financial statements included in the report with respect to such securities, if any, may have been prepared in accordance with non-US accounting standards that may not be comparable to the financial statements of US companies. Available information regarding the issuers of such securities may be limited, and such issuers may not be subject to the same auditing and reporting standards as US issuers. Fluctuations in the values of national currencies, as well as potential governmental restrictions on currency movements, can significantly erode principal and investment returns. Market rules, conventions and practices may differ from US markets, adding to transaction costs or causing delays in the purchase or sale of such securities. Securities of some non-US issuers may not be as liquid as securities of comparable US issuers.

The report may include forward-looking statements within the meaning of US federal securities laws that are subject to risks and uncertainties. Factors that could cause a company's actual results and financial condition to differ from expectations include, without limitation: political uncertainty, changes in general economic conditions that adversely affect the level of demand for the company's products or services, changes in foreign exchange markets, changes in international and domestic financial markets and in the competitive environment, and other factors relating to the foregoing. All forward-looking statements contained in the report are qualified in their entirety by this cautionary statement.

Ratings disclaimer

Ratings are not a recommendation or suggestion, directly or indirectly, to any person to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer. Ratings do not comment on the adequacy of market price, the suitability of any investment, loan or security for a particular investor (including without limitation, any accounting and/or regulatory treatment), or the tax-exempt nature or taxability of payments made in respect of any investment, loan or security.

The ratings agencies (Fitch Ratings, Moody's Investor Service, S&P Global and Global Credit Rating Co.) are providing neither financial advice nor legal, auditing, accounting, appraisal, valuation or actuarial services. A rating should not be viewed as a replacement for such advice or services. Ratings may be raised, lowered, placed under review or withdrawn at any time for any reason at the sole discretion of the agencies. The assignment of a rating by the agencies does not constitute consent by the ratings agencies to the use of its name as an expert in connection with any registration statement or other filings under US, UK or any other relevant securities laws.

CORPORATE AND INVESTMENT BANKING

1 Merchant Place
Cnr Fredman Dr and Rivonia Rd
Sandton 2196

PO Box 786273
Sandton 2146

Switchboard +27 11 282 8000
Website rmb.co.za