INSIDE AFRICA

26 April 2016

Now is the time to invest in Africa

EAGLESTONE SECURITIES

CONTENTS

BRIEFS

Angola

- Angola approves merger of banks Banco Millennium Angola and BancoPrivado Atlântico
- Sonangol discovers more oil in Angola
- Mining projects in Angola require investment of US$1.58 billion

Egypt

- France signed deals worth 2bln Euros with Egypt
- Egypt to launch new oil exploration round next week

Ghana

- Ghana's ADB Said to Raise 450 Million Cedis in Initial Offering
- Ghana's Dollar-Starved Currency Market Eyes Gold, Cocoa Boom
- Govt To Borrow GH¢500m
- Ghana names monetary policy specialist as deputy central bank governor

Morocco

- Morocco to Decide Next Month on Flexible Exchange-Rate Steps
- Food prices push Morocco annual inflation up to 1.8 pct in March

Mozambique

- Mozambique's inflation at 13.61 percent y/y in March: stats office
- Investors want answers from Mozambique, banks over loan mystery
- Mozambique's central bank raises key lending rate to 12.75 pct

Nigeria

- Nigeria Dangote asks FG to invest in infrastructure, housing to support growth
- Shell pays Nigerian govt $42b oil revenue in four years
- Total lifts Nigeria’s gas output with $5.7bln investment

South Africa

- Starbucks Opens First Store in South Africa

Zambia

- Zambia, IMF agree on steps towards aid programme by fourth quarter

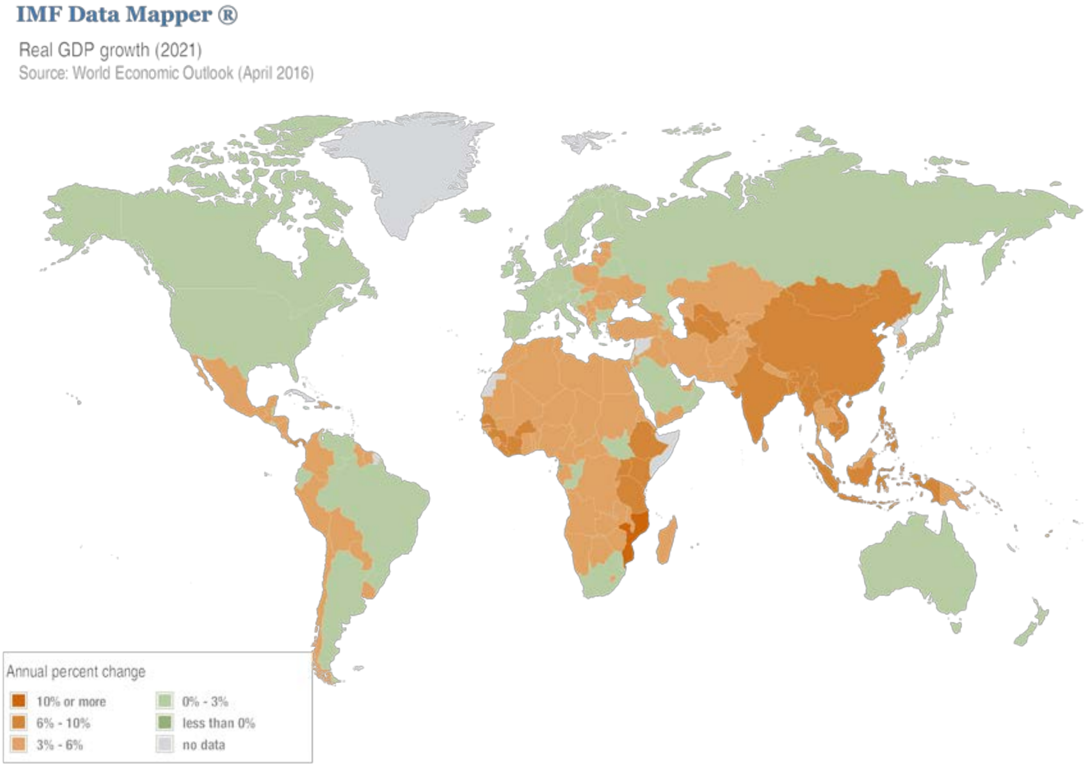
Zimbabwe

- Old Mutual urges diversification after drought, poor mineral prices put Zim economy in recession
- Lafarge reports $1,9mln FY15 loss after debt pay-off
- Willdale sets up logistics unit, production now at 160mln bricks annually

In-depth:
10 things the IMF wants you to know about Africa's economy

Angola this week started negotiations with the IMF for financial support, pushed into the arms of the multilateral lender by a crash in the price of oil, on which it depended for more than half its government receipts.

It is usually a painful process—in exchange for its help the International Monetary Fund usually requires disciplined reforms, which often include cuts in spending, hurting the incumbent regime's standing with voters.



The southern African country in 2012 emerged from a three-year $1.4 billion plan with the IMF, which helped stabilise its debt position and strengthen its international reserves.

Luanda, which is often accused of being opaque, is now promising to toe the line, after its state oil and gas company reported $14.38 billion in 2015 earnings, 34% lower than in 2014. Oil accounts for 95% of its export earnings.

"There is a strong belief within the government that the continued drive towards enhanced transparency can be accelerated by partnering with an institution like the IMF," the government said last week.

In its latest economic outlook, the IMF projects the economy of Angola—the continent's second biggest oil producer—will grow just 2.5% this year, falling from 3% posted in 2015.

The continent's biggest oil producer, Nigeria, will see its economy grow 2.3% this year, the IMF projects, continuing a reversal that saw it expand 2.7% last year. In 2014, its economy grew 6.3%.

Oil prices have fallen more than 70% since June 2014, with few willing to bet their house on a substantive recovery any time soon. Another oil producer, Equatorial Guinea, last year saw its economy shrink 12.2%, while Sierra Leone contracted a staggering 21.5%, following its battle with the Ebola fever.

Such reversals inform the gist of the IMF's cloudy outlook, in which positive messages are scant. M&G Africa looked at 10 key messages that hold some import for the continent's economy.

1| It's all about hanging on

Growth in sub-Saharan Africa is projected to reach 3% this year, half a percentage point lower than in 2015. Last year, the IMF forecast the region's economy would grow 4.3%.

"The ongoing slowdown is driven by unfavourable external conditions: resource-intensive countries have suffered from the decline in commodity prices while the region's frontier markets are adversely affected by tighter global financing conditions," it says.

However there is a ray of hope—growth is projected to tick up to 4.0% next year—above the global average.

2 | But its not all about the economy

As the debate over the leaked 'Panama Papers' continues, the world is starting to increasingly look inward, the IMF says, citing "complex" causes that "reflect income inequality as well as structural shifts, some connected with globalisation, that are seen as having favoured economic elites while leaving others behind."

Migration and the fear of terrorism are also affecting the global economy, while processes such as the UK's planned referendum on its membership to the EU could disrupt trading relationships, further depressing world commerce.

"The result could be a turn toward more nationalistic policies, including protectionist ones."

3| China, China, China

Perhaps no single country has roiled the world economy as much as the Asian country, now the world's largest economy on a purchasing-power-parity basis. It is a top 10 trading partner of more than 100 economies—which all account for 80% of world GDP—including a sizeable number in Africa.

Beijing's ongoing rebalancing from a credit and investment-led economy to one focused on services and consumption is keenly tracked all over the world. The success of this could head off a generalised global slowdown. China's economy grew 6.9% last year, in 2016 it will fall to 6.5%, and 6.2% in 2017, the IMF forecasts. It could get very nervy.

4 | Africa, diversify

IMF figures show that for the countries where energy and mining exports accounted for a larger share of GDP, investment growth was notably weak during 2014-15. A large number of African commodity exporters would solidly fall here. With commodity prices projected to remain low—investment in oil and gas in major energy exporters for example fell 24% last year—these countries will need to make "sizeable adjustments" to their domestic spending.

Even major oil companies are learning, the report notes—they are increasingly diversifying into natural gas and renewable technologies.

Latest growth projections

Global recovery continues, but at an ever-slowing and fragile pace.
(GDP, percent change)

		Projections		Difference from January 2016 *WEO Update* 1/	
	2015	2016	2017	2016	2017
World Output	**3.1**	**3.2**	**3.5**	**−0.2**	**−0.1**
Advanced Economies	**1.9**	**1.9**	**2.0**	**−0.2**	**−0.1**
United States	2.4	2.4	2.5	−0.2	−0.1
Euro Area	1.6	1.5	1.6	−0.2	−0.1
Germany	1.5	1.5	1.6	−0.2	−0.1
France	1.1	1.1	1.3	−0.2	−0.2
Italy	0.8	1.0	1.1	−0.3	−0.1
Spain	3.2	2.6	2.3	−0.1	0.0
Japan	0.5	0.5	−0.1	−0.5	−0.4
United Kingdom	2.2	1.9	2.2	−0.3	0.0
Canada	1.2	1.5	1.9	−0.2	−0.2
Other Advanced Economies 2/	2.0	2.1	2.4	−0.3	−0.4
Emerging Market and Developing Economies	**4.0**	**4.1**	**4.6**	**−0.2**	**−0.1**
Commonwealth of Independent States	−2.8	−1.1	1.3	−1.1	−0.4
Russia	−3.7	−1.8	0.8	−0.8	−0.2
Excluding Russia	−0.6	0.9	2.3	−1.4	−0.9
Emerging and Developing Asia	6.6	6.4	6.3	0.1	0.1
China	6.9	6.5	6.2	0.2	0.2
India 3/	7.3	7.5	7.5	0.0	0.0
ASEAN-5 4/	4.7	4.8	5.1	0.0	0.0
Emerging and Developing Europe	3.5	3.5	3.3	0.4	−0.1
Latin America and the Caribbean	−0.1	−0.5	1.5	−0.2	−0.1
Brazil	−3.8	−3.8	0.0	−0.3	0.0
Mexico	2.5	2.4	2.6	−0.2	−0.3
Middle East, North Africa, Afghanistan, and Pakistan	2.5	3.1	3.5	−0.5	−0.1
Saudi Arabia	3.4	1.2	1.9	0.0	0.0
Sub-Saharan Africa	3.4	3.0	4.0	−1.0	−0.7
Nigeria	2.7	2.3	3.5	−1.8	−0.7
South Africa	1.3	0.6	1.2	−0.1	−0.6
Low-Income Developing Countries	4.5	4.7	5.5	−0.9	−0.4

Source: IMF, *World Economic Outlook*, April 2016.
Note: Real effective exchange rates are assumed to remain constant at the levels prevailing during February 2–March 1, 2016. Economies are listed on the basis of economic size.
1/ Difference based on rounded figures for the current and January 2016 World Economic Outlook Update.
2/ Excludes the G7 (Canada, France, Germany, Italy, Japan, United Kingdom, United States) and euro area countries.
3/ For India, data and forecasts are presented on a fiscal year basis and GDP from 2011 onward is based on GDP at market prices with FY2011/12 as a base year.
4/ Indonesia, Malaysia, Philippines, Thailand, Vietnam.

5| Not yet Post Oil

Amid all the hand-wringing in oil exporters, the IMF notes that oil prices have somehow firmed, giving hope to exporters even as clean energy becomes the buzz word.

But in the meantime, another effect has been more important. "On the upside, the recent decline in oil prices may boost demand in oil-importing countries more strongly than currently envisaged, including through consumers' possible perception that prices will remain lower for longer". China's demand for oil in 2015 was certainly brisk and steady.

Add to that the demand growth by the global emerging middle class for transportation services—for which oil finds most use and you wouldn't write it off just yet.

In addition, the IMF notes that the disappointing performance of the global economy over the past year has led some to question whether an oil price decline is truly a shot in the arm for world growth. In other words, a case can be made for higher prices, especially after inflation and a strong dollar cut benefits for importers, meaning there may still be life left in oil, after all.

6| One man's beef…

Ivory Coast, Kenya, Rwanda, Senegal and Tanzania have all been pouring money into infrastructure, and notching up strong consumption numbers. As such, they are all expected to grow at quite impressive rates of between 6-7% or more this year and next. There are seemingly many ways to skin the economic cat.

7| Ethiopia's staggering reversal

Last year Ethiopia was the world's fastest growing economy, banking growth of 10.2% (it's reporting year runs between July and June). But the Horn of Africa country is currently battling its worst drought in 30 years, with a fifth of its approximately 100 million people in need of food aid, with the rescue bill estimated at $1.4 billion. The adverse weather is linked to the ocean-warming effects of El Nino. As a result the IMF says, Ethiopia's economy will this year decline substantially to 4.5%—it had projected 8.1% this year—with recovery to 7% seen in 2017. The country over the last decade posted average growth of more than 10% annually.

Prime minister Hailemariam Desalegn is however holding out, projecting growth of between 7-10% this year.

8| Confidence does matter

A major risk to the global economy this year is the "self-confirming negative feedback loop", the IMF says. Essentially, a return to financial turmoil impairs confidence and demand, cutting investment and trade, reinforcing itself in a never-ending cyclical loop. A sharp slowdown in China could for example have strong effects on among other factors global confidence, further hurting expectations of future income.

"If national policymakers were to clearly recognise the risks they jointly face and act together to prepare for them, the positive effects on global confidence could be substantial". It is a really important premise of the report—the word appears at least a dozen times in the opening chapter.

9| As do policies

The IMF released its risk-assessing Global Financial Stability Report on April 13, sub-titled "Potent Policies for a Successful Normalisation". Noting that the economic outlook has deteriorated due to everything from uncertainty to declines in prices, the lender is calling for a "broad-based policy response" to stabilise the world economy, or risk market turmoil.

Take South Africa. Fresh off weak 1.5% growth in 2014 and 1.3% last year, it is expected to further decline by half to 0.6% this year. The reason for the serious case of the blues? "Lower export prices, elevated policy uncertainty (emphasis ours) and tighter monetary and fiscal policy". Investors in the country are certainly voting with their feet.*

10| Resilience really is an African word

It's tough for everyone: the world's growth this year also been revised downward to 3.2%, from 3.4%. Weak recovery to 3.5% next year is expected. But sub-Saharan Africa's growth is expected to pick up to 4% in 2017, helped by a recovery in commodity prices—but also significantly, timely policy intervention.

This will help lift the overall world economy, the IMF says, while helping offset the effects of China's dominant role. Last week, the continent's economic technocrats and its economic and finance ministers huddled together in Addis Ababa to craft solid policies for the continent's growth. The resolve at the African Development Week was apparent. *(World Economic Forum)*

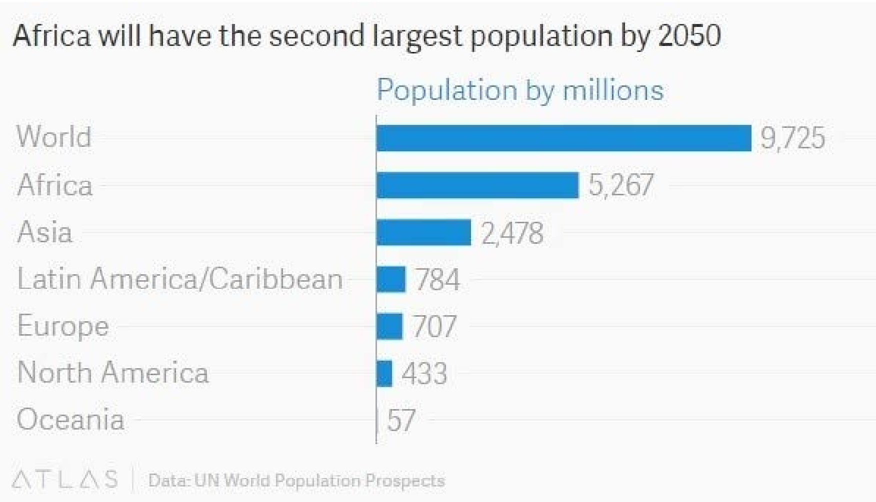
Business is booming in Africa - these 5 charts show how

Tumbling commodity prices and falling Chinese demand have hit African economies hard. But for all the bad news, the continent's huge and young population still holds plenty of promise.

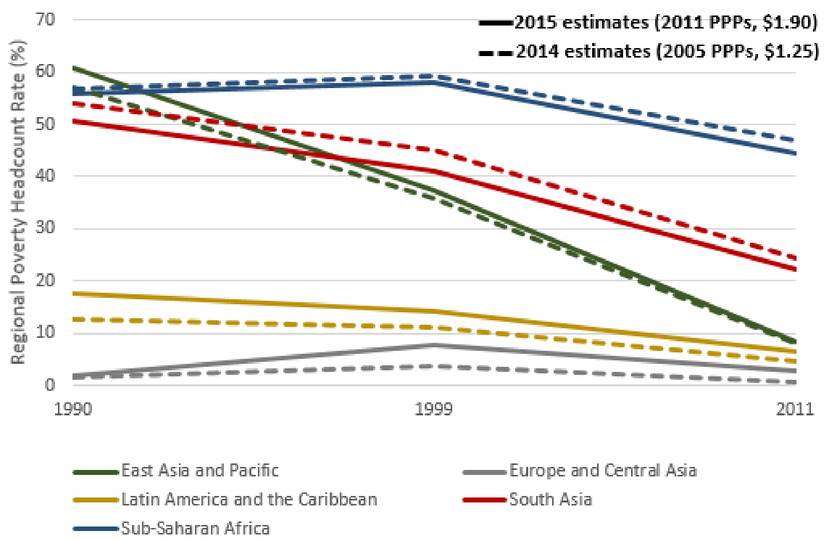
Here are five charts that show some of the bright spots for business in Africa.

The demographic dividend

In recent years, Africa has seen rapid population growth. By 2050 the UN predicts there will be 2.5 billion Africans, about a quarter of the global population. And 10 of the youngest countries in the world will be on the continent.



This explosion in working-age population presents a big opportunity – as young Africans move into the workforce with fewer dependents to care for, they will have the chance to accumulate wealth, savings and purchasing power, and boost economic growth. The demographic dividend is expected to generate 11% to 15% GDP growth for Africa between 2011 and 2030, the World Bank says. If sub-Saharan Africa takes

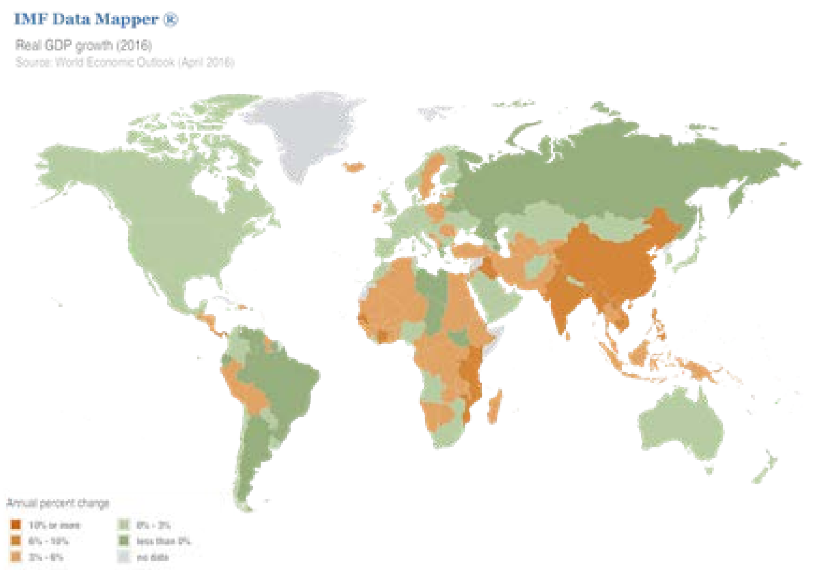


advantage of this and is able to provide its expanding workforce with skills and jobs, it could add up to $500 billion per year to its economies for up to 30 years – the equivalent of one-third of Africa's GDP.

Moving out of poverty

While many of Africa's economies still face massive challenges, including poverty, disease and illiteracy, there are reasons to be hopeful that things will be different for future generations. Africa's young people are better educated than ever before. Primary school enrollment has risen to 80% and youth literacy rates in sub-Saharan Africa, which are the lowest of any region, have improved over the past 20 years and are now about 70%.

They are also likely to be better off than their parents. In sub-Saharan Africa, the proportion of people living on less than $1.90 a day fell from 56% in 1990 to 35% in 2015, according to the World Bank.



Meanwhile, the fight against diseases such as HIV and malaria that have cut short life expectancy and productivity is slowly being won.

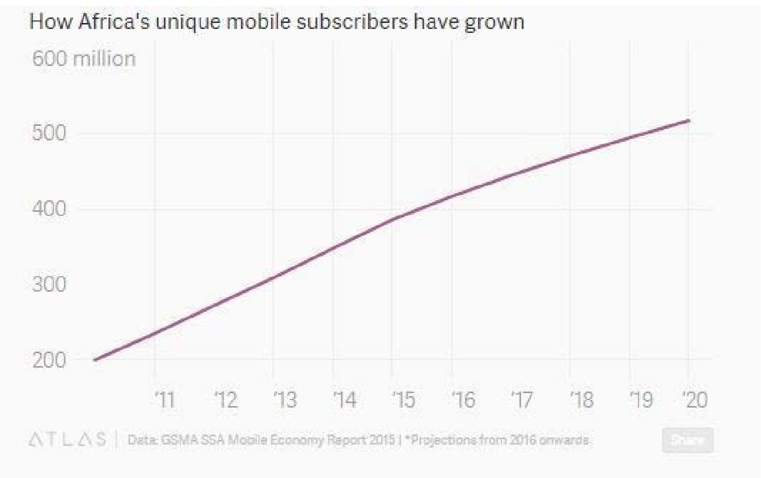
Fast growth in some countries

The slump in commodity prices has dragged down growth rates – GDP in many African countries is projected to grow by over 2% in 2016. This is down from 7-8% a decade ago, but as this map from the IMF highlights it is still relatively high compared with much of the developed world.

And some African economies are growing rapidly, according to the IMF's latest World Economic Outlook. The Ivory Coast's GDP is expected to grow by 8.5% this year – the second fastest rate in the world after Myanmar. Tanzania and Senegal are eighth and 10th on the list.

The rise of mobiles

Although oil and metals still remain the lifeblood of economies such as Nigeria, Angola and Zambia, there are other developments taking place above ground that are helping to drive up economic activity.



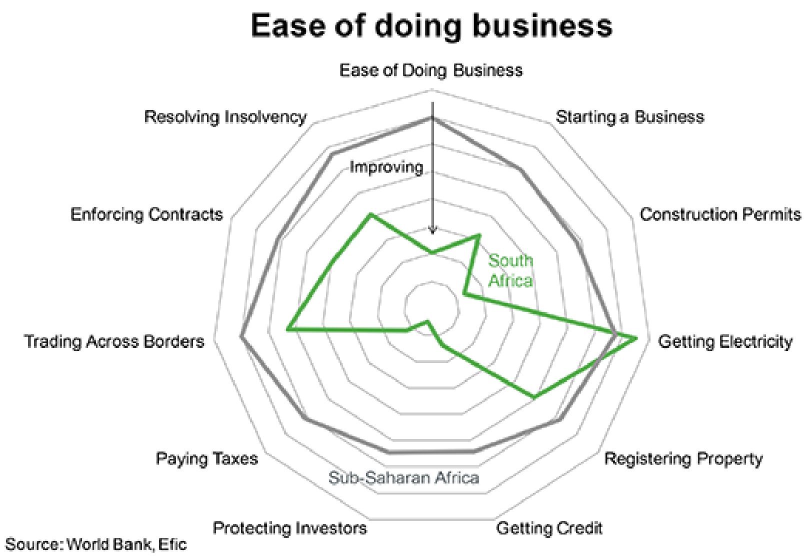
As this chart shows, the number of mobile phone subscribers across the continent has surged.

This in turn has driven the rise of mobile money systems such as Kenya's M-Pesa, which are helping people manage their finances, set up businesses and move out of poverty.

Starting businesses

With a string of barriers to overcome, from high interest rates on bank loans to patchy electricity, setting up and running a company in Africa can be tough.

However, things have been getting better recently, according to the World Bank, which



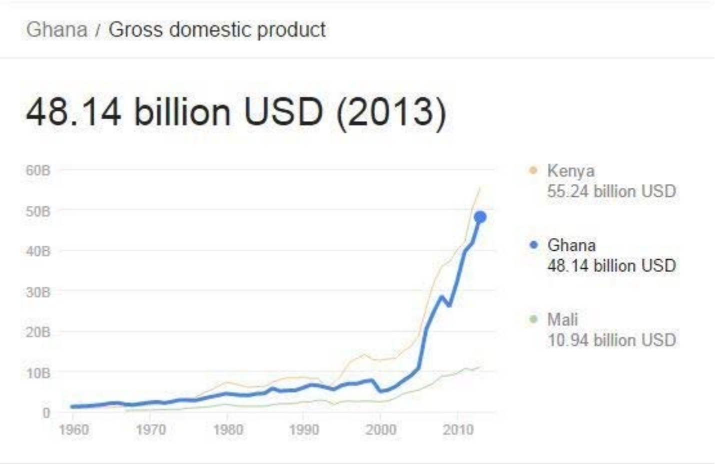
compiles a ranking of countries' business environments.

Five of the 10 fastest reformers in the Bank's latest report on the ease of doing business are African.

The trouble with GDP and emerging markets

Is Africa poor? Yes, compared to other regions of the world. But this apparently straightforward question is harder to answer than it seems. This shows why the technicalities involved in constructing GDP statistics matter a lot.

Specifically, take the question of whether or not Ghana is officially a poor country. Aid organizations use a threshold in terms of real GDP per capita set by the World Bank to designate whether a country is "low-income" or "middle-income," and this in turn determines the kind of assistance it gets in aid and cheap loans. Until November 2010, Ghana was considered "low-income," that is, a poor country. But between 5 and 6 November 2010, its GDP increased by 60% overnight, turning it officially into a "low-middle-income" country. The reality had not changed, but the GDP statistics had, because the country's statistical agency had updated the weights used in calculating the price index, and consequently real GDP, for the first time since 1993.



Likewise, when Nigeria "rebased" its GDP calculations in 2014, it overtook South Africa to become the continent's largest economy. A shift to take more account of booming industries such as mobile telecommunications and Nollywood movies, because of how much more significant they had become, increased the country's GDP by 89% in one swoop. So Africa as a whole is probably not as poor as we've long thought. The trouble with using old weights is that the structure of the economy changes quite dramatically over time. In many African, Asian, and Latin American economies, the GDP calculations take no account of phenomena such as globalization, or the mobile phone revolution in the developing world.

Donors to the poor countries have been funding efforts to improve the way real GDP is calculated — there is an initiative known as PARIS21 (Partnership in Statistics for Development in the 21st Century) — but the planned improvements stretch out to 2020 and beyond. There are fundamental weaknesses with the collection of basic statistics such as what businesses there are, what they are selling, or what goods and services households spend their incomes on. The surveys needed to collect this information are carried out only infrequently. In fact, a recent study found that in the data set frequently used by economists to make international comparisons, 24 out of 45 countries had no price survey data at all.

Sub-Saharan Africa: growing three times faster than thought?

Some countries are using weights that have not been changed since 1968, and only ten sub-Saharan African countries use weights less than a decade old. In each case, where old weights have been used for years, there will be large upward revisions in estimated real GDP when the weights are updated. This could profoundly change our impression of the character and weakness or strength of these economies; one estimate suggests that for twenty years, sub-Saharan African economies have been growing three times faster than suggested by the "official" data.

For this reason, the developed economies' national accounts for the most part now use a "chain-weighted" price index in the calculation of real GDP, meaning that the weights used to combine the separate prices into one index change steadily year by year. Otherwise, as just described, the weights in any given base year would diverge further and further from the actual pattern of the economy.

The main catch with this method is that the “real terms” components of GDP no longer add up to the total: the equation C + I + G + (X – M) = GDP((consumer spending plus investment spending plus government spending plus exports less imports (the trade surplus or deficit)) no longer holds for the chain-weight inflation-adjusted figures.

Chain-weighting also tells a different big-picture story about the economy, just as rebasing does. For example, historic GDP statistics such as those developed by Angus Maddison for the Organization for Economic Cooperation and Development (OECD) have not been recalculated using chain weights. To do so would change the accepted picture of international growth patterns. Maddison noted, “Acceptance of the new measure for this period [pre-1950] would involve a major reinterpretation of American history.”

It would show U.S. productivity lower than the United Kingdom’s in 1914, for example, and much lower U.S. growth and level of GDP than the United Kingdom’s by 1929. This is certainly not the received wisdom among economic historians, which matters because their explanations of what drives growth—with great relevance for policies now—could turn out to be based on an inaccurate understanding of what the economy was “really” doing in the nineteenth and twentieth centuries.

Just as with developing countries now, changing the method of calculating a price index presents a different pattern of growth. The seemingly technical issue of how best to calculate a price index has some profound implications. In short, the choice of techniques completely alters even the broad outlines of the big picture on economic growth.

This is an extract from Diane Coyle’s book, GDP: A Brief but Affectionate History, published by Princeton University Press. *(World Economic Forum)*

South Africa: Country Outlook

POLITICAL STABILITY: The ruling African National Congress (ANC) will remain the dominant political force and is likely to retain power at the next election in 2019, although the fate of the president, Jacob Zuma, is less clear. His tenure officially ends at the conclusion of his second (and final) five-year term in 2019, but a series of scandals could see his term cut short. A Constitutional Court ruling on March 31st that Mr Zuma had breached the constitution by making taxpayer-funded improvements to his private Nkandla homestead--and earlier allegations that the Gupta brothers (businessmen who are close to Mr Zuma) were directly influencing cabinet appointments--has damaged the president's credibility.

Moreover, a pending court ruling could see the reinstatement of earlier corruption charges against Mr Zuma, which were controversially dropped prior to the 2009 election. The ANC's large majority in parliament defeated an opposition-led motion to impeach Mr Zuma over Nkandla, but his hold on power has slipped. Mr Zuma's resignation, or his recall by the ANC, are both possibilities, especially if the ruling party performs badly in municipal elections scheduled for August 3rd.

ELECTION WATCH: Key municipal elections, to be held on August 3rd, are likely to show a further dip in support for the ANC, which peaked in 2004 before declining. The Democratic Alliance (DA, the official opposition) will hope to build on its increased 22.2% share of the vote in the 2014 general election and gain control of additional municipalities (alongside Cape Town, which it has held since 2006). Julius Malema's radical Economic Freedom Fighters (EFF), which took 6.4% of the vote in 2014, will contest its first municipal polls. ANC support will probably dip below 60% (for the first time) in 2016, although the party's main concern is the possible loss of another major metropolitan area (such as Johannesburg) to the opposition. Such an outcome would put further pressure on Mr Zuma and the ANC.

INTERNATIONAL RELATIONS: South Africa, with the most advanced economy in Africa, will play an important role in regional and world affairs. The country will remain deeply engaged with Africa, particularly Southern Africa, and will continue to support peacekeeping operations in the continent's conflict zones. Alongside fellow members of the Southern African Development Community, South Africa will also seek to build closer "South-South" ties, especially with fellow members of the BRICS grouping (Brazil, Russia, India and China), and with other African trade blocs. South Africa will also prioritise the maintenance of close relations with the EU and the US.

POLICY TRENDS: Policymakers face the difficult task of facilitating economic growth within a context of global uncertainty, while avoiding macroeconomic imbalances. Adding to the challenge, monetary policy will become tighter, to curb inflationary pressures, while the pace of fiscal consolidation will be accelerated, to guard against the loss of South Africa's investment-grade credit rating. Spending curbs and additional possible tax hikes have negative implications for growth, although targeted industrial incentives will remain in place and infrastructure investment will continue to be a priority. To limit the fiscal risk posed by troubled parastatals, the government will seek injections of private-sector capital, although the details have still to be finalised. The main medium-term growth challenge is to overcome structural constraints such as inadequate infrastructure and skills shortages. The expected completion of major infrastructure projects will boost business activity later in the forecast period, but costlier electricity tariffs will pose a challenge.

ECONOMIC GROWTH: South Africa's growth outlook remains fairly bleak and the economy is forecast to expand by just 0.7% in 2016 because of an array of domestic and global constraints. These include persistent power shortages, a serious drought, rising interest rates, policy uncertainty and a slowdown in China, which has dented demand and prices for key minerals. The risk of strikes will remain elevated and the high, 25% unemployment rate may increase, thereby depressing aggregate demand. More positively, tourism may experience a modest rebound (after the government agreed to ease visa restrictions imposed in 2014-15), and higher real wages for those in work will help to support household consumption. Cheaper oil will also facilitate growth in 2016, but rising electricity tariffs will offset some of the benefits. Growth will edge up in 2017, helped by a recovery from drought, despite the persistence of global uncertainties, including the prospect of a further slowdown in China.

Electricity supplies will benefit from the commissioning of additional units at new base-load coal-fired power stations, although there is a risk of further delays, and power tariffs will remain on an upward trajectory, adding to business and household costs. Other persistent constraints include sluggish private investment (because of strike threats and policy uncertainty), fiscal consolidation and progressively tighter money (in line with expected global trends). Structural constraints such as skills shortages, high employment and inefficient parastatals will also weigh on economic activity. Prospects for 2018-20 are a little brighter, with growth rising to an average of 2.7% a year, helped by the progressive easing of power supply constraints and transportation bottlenecks as major projects are completed. A modest pick-up in job creation and real wages will underpin the expansion of the black middle classes and spur consumer outlays on goods and services. Nonetheless, tighter fiscal and monetary policy will continue to inhibit growth, as will political and policy uncertainties surrounding the 2019 election. A negative external balance will continue to weigh on economic growth in 2016-20.

INFLATION: The Economist Intelligence Unit forecasts that average annual inflation will remain just within the central bank's 3-6% target range during the forecast period--despite temporary breaches--helped by prudent monetary policy and sluggish demand.

Nonetheless, we expect inflation to rise to 6% in 2016 (revised up from 5.8% last month) because of a drought-related increase in food prices, a 9.4% rise in electricity tariffs and the depreciation of the rand, although lower oil prices will afford some relief. Inflation will remain at the upper end of the official target of 3-6% throughout the forecast period--reflecting slightly stronger oil prices (in 2017-18) and additional real-term annual increments in electricity tariffs, which will both feed through into other price categories. Higher real wages, driven in part by labour militancy, may also be inflationary, although demand-side pressures will be fairly muted, especially given the phased tightening of monetary policy. Efficiency gains arising from infrastructure investment, stricter competition policy and a progressively slower pace of rand depreciation in 2017-20 will help to keep annual average inflation within the official range.

EXCHANGE RATES: The rand rallied in March, for the second consecutive month, to R15.43:US$1, although it remained significantly weaker (by 27.9%) than a year earlier. The rebound, from a record monthly low of R16.33:US$1 in January, stems from several factors including interest-rate rises in January and March (totalling 75 basis points), a comparatively prudent budget in February, expectations that US rates will rise fairly slowly and monetary loosening in the euro zone. Nonetheless, the rand will continue to display significant daily volatility and will remain vulnerable to global developments, such as the slowdown in China (a major trade partner) and weaker commodity prices. In addition, the sluggish pace of real GDP growth and a persistent current-account deficit, which requires inflows of volatile foreign portfolio investment to fill the gap, will continue to weigh on sentiment, as will the risk of a sovereign credit downgrade to junk status by ratings agencies. The rand's recent rally could justify a revision to our 2016 exchange-rate forecast of R16.75:US$1, but the currency's volatility (and the chance of a fresh decline) means our projection is currently unchanged. We expect a more gradual slide during the remainder of the forecast period, to R17.91:US$1 in 2017 and R20:US$1 in 2020, helped by monetary tightening, barring shocks or unwelcome policy shifts.

EXTERNAL SECTOR: After falling to a provisional 4.4% of GDP in 2015, because of a smaller merchandise trade shortfall in the wake of lower oil prices, the current-account deficit is expected to be broadly similar in 2016, at 4.3% of GDP. Demand and prices for most minerals--which account for more than half of export earnings--will remain subdued because of the slowdown in China and global fragilities. Non-mineral exports (such as automobiles) will nonetheless benefit from rand depreciation and from South Africa's retention of trade preferences under the African Growth and Opportunity Act. Import growth will be driven by food (in 2016), costlier oil (in 2017) and capital equipment for infrastructure projects in both years, although consequent improvements in logistics capacity and power supply will facilitate exports in the medium term. Notably, the invisibles deficit (on services, income and current transfers) will remain far wider than the goods deficit, and will account for most of the current-account shortfall in 2016-17. We expect the current-account deficit to continue to widen in 2018-19, before easing slightly to 5.4% of GDP in 2020. Imports will grow faster than exports in 2018-19, thereby pushing up the merchandise trade deficit, although the situation will reverse in 2020, as faster global growth boost exports and oil prices weaken. The invisibles deficit will remain larger than the trade shortfall in 2018-20, underpinned by income payments to foreign investors and transfers to fellow members of the Southern African Customs Union. These will offset growth in tourism inflows and income earned by outward investors. The persistent current-account shortfall will leave South Africa reliant on external capital to fill the gap. *(Economist Intelligence Unit)*

SOVEREIGN RATINGS

North and South America - Asia

	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
26-04-2016	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Argentina	Ca	SD	RD	NP	D	RD
Australia	Aaa	AAAu	AAA	NR	A-1+u	F1+
Brazil	Ba2	BB	BB+	NR	B	B
Canada	Aaa	AAA	AAA	NR	A-1+	F1+
China	Aa3	AA-	A+	NR	A-1+	F1
Colombia	Baa2	BBB	BBB	NR	A-2	F2
Cuba	Caa2	NR	NR	NR	NR	NR
Hong Kong	Aa1	AAA	AA+	NR	A-1+	F1+
India	Baa3	BBB-u	BBB-	NR	A-3u	F3
Japan	A1	A+u	A	NR	A-1u	F1
Macau	Aa2	NR	AA-	NR	NR	F1+
Mexico	A3	BBB+	BBB+	WR	A-2	F2
Singapore	Aaa	AAAu	AAA	NR	A-1+u	F1+
Uruguay	Baa2	BBB	BBB-	NR	A-2	F3
Venezuela	Caa3	CCC	CCC	NR	C	C
United States	Aaa	AA+u	AAA	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory

Eurozone

	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
26-04-2016	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Austria	Aaa	AA+	AA+	P-1	A-1+	F1+
Belgium	Aa3	AAu	AA	NR	A-1+u	F1+
Cyprus	**B1**	BB-	B+	NP	B	B
Estonia	A1	AA-	A+	NR	A-1+	F1
Finland	Aaa	AA+	AA+	NR	A-1+	F1+
France	Aa2	AAu	AA	NR	A-1+u	F1+
Germany	Aaa	AAAu	AAA	NR	A-1+u	F1+
Greece	Caa3	B-	CCC	NP	B	C
Ireland	Baa1	A+	A	P-2	A-1	F1
Italy	Baa2	BBB- u	BBB+	P-2	A-3u	F2
Latvia	A3	A-	A-	NR	A-2	F1
Lithuania	A3	A-	A-	NR	A-2	F1
Luxembourg	Aaa	AAA	AAA	NR	A-1+	F1+
Malta	A3	BBB+	A	NR	A-2	F1
Neherlands	Aaa	AAAu	AAA	P-1	A-1+u	F1+
Portugal	Ba1	BB+u	BB+	NR	Bu	B
Slovakia	A2	A+	A+	NR	A-1	F1
Slovenia	Baa3	A-	BBB+	NR	A-2	F2
Spain	Baa2	BBB+	BBB +	P-2	A-2	F2
United Kingdom	Aa1	AAAu	AA+	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory

Region - Africa/Middle East

26-04-2016	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Angola	Ba2*-	B	B+	NR	B	B
Bahrain	Ba1*-	BB	BBB-	NR	B	F3
Benin	NR	NR	WD	NR	NR	WD
Botswana	A2	A-	NR	NR	A-2	NR
Burkina Faso	NR	B-	NR	NR	B	NR
Cameroon	NR	B	B	NR	B	NR
Cape Verde	NR	B	B	NR	B	B
Egypt	B3	B-	B	NR	B	B
Emirate of Abu Dhabi	Aa2 *-	AA	AA	NR	A-1+	F1+
Ethiopia	B1	B	B	NR	B	B
Gabon	Ba3 *-	NR	B+	NR	NR	B
Ghana	B3	B-	B	NR	B	B
Iran	NR	NR	NR	WR	NR	NR
Iraq	NR	B-	B-	NR	B	B
Israel	A1	A+	A	NR	A-1	F1
Ivory Coast	Ba3	NR	B+	NP	NR	B
Jordan	B1	BB-	NR	NR	B	NR
Kenya	B1	B+	B+	NR	B	B
Kuwait	Aa2*-	AA	AA	NR	A-1+	F1+
Lebanon	B2	B-	B	NP	B	B
Lesotho	NR	NR	BB-	NR	NR	B
Libya	NR	NR	WD	NR	NR	WD
Mali	NR	NR	WD	NR	NR	NR
Mauritius	Baa1	NR	NR	NR	NR	NR
Morocco	Ba1	BBB-	BBB-	NR	A-3	F3
Mozambique	Caa1	B-	B	NR	B	B
Namibia	Baa3	NR	BBB-	NR	NR	F3
Nigeria	Ba3*-	B+	BB-	NR	B	B
Oman	A3*-	BBB-	NR	NR	A-3	NR
Qatar	Aa2*-	AA	AA	NR	A-1+	F1+
Republic of Congo	B1*-	B-	B	NR	B	B
Republic of Zambia	B3	B	B	NR	B	B
Rwanda	NR	B+	B+	NR	B	B
Saudi Arabia	Aa3*-	A-	AA-	NR	A-2	F1+
Senegal	B1	B+	NR	NR	B	NR
Seychelles	NR	NR	BB-	NR	NR	B
South Africa	Baa2*-	BBB-	BBB-	P-2*-	A-3	F3
Tunisia	Ba3	NR	BB-	NR	NR	B
Uganda	B1	B	B+	NR	B	B
United Arab Emirates	Aa2*-	NR	NR	NR	NR	NR

Sources: Bloomberg, Eaglestone Advisory

AAA' and 'AA' (high credit quality) and 'A' and 'BBB' (medium credit quality) are considered investment grade. Credit ratings below these designations ('BB', 'B', 'CCC', etc.) are considered low credit quality, and are commonly referred to as "junk bonds".

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

Africa's Pulse: Global Economic Weakness Continues to be a Drag on Africa's Economic Growth

- The latest Africa's Pulse shows economic growth in Sub-Saharan Africa decelerated to 3.0% in 2015 from 4.5% in 2014
- The plunge in global commodity prices, particularly in the price of oil underpin the region's subdued performance
- Urbanization and well-managed cities provide an opportunity for economic diversification and growth

WASHINGTON, April 11, 2016 – Amid falling commodity prices and continuing weakness in global growth, Sub-Saharan Africa's gross domestic product (GDP) growth decelerated to an estimated 3.0% in 2015 from 4.5% in 2014, according to the latest World Bank projections. This low pace of growth, which translates into an increase in the region's GDP per capita of less than 0.5%, was last seen in 2009 following the global financial crisis, and contrasts sharply with the robust 6.8% average annual GDP growth in Sub-Saharan Africa (SSA) from 2003-2008.

These latest figures are outlined in the World Bank's new Africa's Pulse, the twice-yearly analysis of economic trends and the latest data on the continent. The analysis shows that the slowdown comes amidst a sharp drop in global commodity prices, weak global growth that was underpinned by a slowing of growth in emerging market economies, including China, and volatile financial markets.

The fall in commodity prices represents a significant shock for the region, as fuels, ore and metals account for more than 60% of the region's exports. The impact is seen most in oil-exporting countries, where average growth is estimated to have slowed from 5.4% in 2014 to 2.9% in 2015. Growth fell sharply in Nigeria, the Republic of Congo, and Equatorial Guinea. Activity also weakened significantly in non-energy mineral-exporting countries, including Botswana, Sierra Leone, South Africa and Zambia. In several commodity exporters, adverse domestic developments, such as electricity shortages, severe drought conditions, policy uncertainty, and security threats, exacerbated the direct impact of declining commodity prices.

There were some bright spots, mostly among oil importers, where economic activity remained robust. Côte d'Ivoire saw broad-based growth, supported by a favorable policy environment, rising investment, and increased consumer spending. Ethiopia and Rwanda continued to post solid growth, supported by public infrastructure investment, private consumption, and a growing services sector. Elsewhere, growth remained buoyant in Kenya, amid improving economic stability; Tanzania registered strong growth, underpinned by expansion in construction and services sectors.

Africa's Pulse finds that the recent commodity price drops have deteriorated the region's terms of trade in 2016 by an estimated 16%, with commodity exporters seeing large terms-of-trade losses. Some 12 countries, housing nearly 36% of the region's population and representing about half of its economic activity, are considered vulnerable in terms-of-trade losses that are expected to exceed 10%. About 17 countries with more than 25% of SSA's population, fall into the group of countries with terms-of-trade gains.

With commodity prices expected to remain low for longer amid a gradual pickup in global activity, the Pulse forecasts that average growth in the region will remain subdued at 3.3% in 2016. For 2017–18, growth is projected to average 4.5%. The projected pickup in activity in 2017–18 reflects a gradual improvement in the region's largest economies—Angola, Nigeria, and South Africa—as commodity prices stabilize and policies become more supportive of growth. "With external conditions likely to remain less favorable than in the past, African countries need to accelerate the pace of structural reforms aimed at boosting competitiveness and diversification," said Punam Chuhan-Pole, World Bank Africa acting chief economist and author of the report. "In most countries this will mean improving the business climate, reducing the cost of cross-border trade, reforming the energy sector to ensure affordable, reliable, and sustainable energy services, and making the financial sector more inclusive."

Looking Ahead

The rapid decline in oil and commodity prices has signaled an urgent need for economic diversification in Africa. Africa's Pulse examines the spatial development of African cities, and finds that well-managed cities provide a major opportunity for much needed economic diversification. Today cities in Africa are crowded, disconnected, and costly for families and for companies, according to World Bank research. To build cities that work policy makers will need to direct attention toward the deeper structural problems that misallocate land, fragment development, and limit productivity.

The Report's Key Messages

Global growth has been weak, and the external environment facing Sub-Saharan Africa is expected to remain difficult in the near-term. Commodity prices are expected to remain low and volatile and external financing conditions are expected to tighten. Key policy challenges to the region's economies include adjusting to a new, lower level of commodity prices, addressing economic vulnerabilities, and developing new sources of sustainable, inclusive growth.

Africa now has a narrow window of opportunity to harness the power of cities as engines of economic growth. But for urbanization to bring the benefits that it should, governments should reform land markets and urban regulations to enable investment and development, and coordinate early infrastructure investments. Cities must offer services, amenities, and housing for the poor and the middle class. Successful urbanization will also support Africa's agricultural and rural transformation by effectively absorbing the labor being released by these sectors; by providing a market for agricultural produce; and by financing further transformation and commercialization.

For most countries in the region, the adjustment to the low commodity prices will need to include stronger efforts to strengthen domestic resource mobilization to reduce overdependence on revenue from the resource sector. Sharp commodity price drops have deteriorated the region's terms of trade in 2016 by an estimated 16%, with commodity exporters seeing large terms-of-trade losses.

World Bank Predicts 'Lackluster' Growth for Sub-Saharan Africa

A stronger recovery would have to wait until between 2017 and 2018, the Bank said.

Sub-Saharan Africa's economies have lost steam because of the collapse of global commodity prices and will continue to struggle to regain momentum this year, The World Bank warned.

The average growth rate in the region came in at 3% last year, a severe slowdown of 1.5 percentage points from the year before, The World Bank said in its twice-yearly Africa Pulse economic update. That is the slowest rate of economic expansion since 2009, when sub-Saharan Africa suffered delayed blowback form the global financial crisis.

In 2016, growth is seen accelerating a little, to 3.3% points, a performance the Bank calls “lackluster.”
The report blamed “low commodity prices, weak global growth, rising borrowing costs, and adverse domestic developments in many countries” for the slowdown across the region, noting that worst-hit were “the region’s largest commodity exporters.” Still, the World Bank singled out some “bright spots” on the continent, naming Ivory Coast and Kenya as good performers. Ivory Coast is a major cocoa exporter and hasn’t been affected by the commodities crash, while Kenya, east Africa’s biggest economy, is a net importer of energy, meaning it is set to benefit from low oil prices.
A stronger recovery would have to wait until between 2017 and 2018, the World Bank said, predicting a return to a 4.5% average growth rate hinging on the economic recovery of the continent’s biggest economy, Nigeria, as well as South Africa and Angola.
Angola last week announced it was in talks to secure a bailout from the International Monetary Fund, weeks after Kenya had said it had renewed and even boosted a precautionary loan agreement. The Fund is helping Mozambique and Ghana with loans, too, and is expected to begin talks in earnest with Zambia later this year.
The increased IMF lending activity across the continent highlights the higher borrowing costs these countries are facing in international capital markets, a sharp change since 2013 when Eurobond issuance by African sovereigns was becoming a growing trend.
It also marks an about turn for many of these countries now rushing to get IMF expertise in economic policy-making, having in recent years concluded IMF programs and pledged never to look back. The World Bank report warned of “downside risks,” meaning that its predictions for growth this year and next were still vulnerable because of the global economic environment, in particular commodity prices, but also China’s industrial slowdown. *(Wall Street Journal)*

World Bank set to provide Egypt with first $1 billion of $3 billion loan
The World Bank will provide the first $1 billion tranche of a $3 billion loan to Egypt after parliament approves the government's economic programme, World Bank vice president Hafez Ghanem said at a news conference. Parliament is expected to pass the program in April. Egypt has been negotiating billions of dollars in aid from various lenders to help revive an economy battered by political upheaval since the 2011 revolt and ease a dollar shortage that has crippled import activity and hampered recovery. The lender had agreed to provide the first $1 billion in December but is waiting for the government's economic programme, which outlines the broad strokes of its reform plans, to be passed by parliament. The government presented a programme to parliament in late March that aimed to reduce the budget deficit while protecting the poor. The World Bank told Reuters in December that the first tranche was focused on "10 prior actions for policy and institutional reforms" already implemented. The second and third tranches are linked to additional reforms the government plans.
A long-delayed Value Added Tax (VAT) that has yet to be implemented but was included in the government programme was one of the reforms agreed to as part of the first tranche, Ghanem said. Ghanem said that there would not be specific conditions placed on future tranches but highlighted certain changes the lender would like to see, such as a shift in food subsidy policy away from reduced prices to direct cash transfers for the poor. Egypt has delayed a number of difficult reforms, from a VAT that would increase government revenues and a civil service law that would trim the country's public workforce, to an ambitious plan to wean the country off costly energy subsidies that has since been scaled back.
Egypt's economy is currently growing at around 4.2 %with a budget deficit of about 11.5 percent, the prime minister said last month. Saudi Arabia, along with other Gulf oil producers, have pumped billions of dollars, including grants, into Egypt's flagging economy since the army toppled President Mohamed Mursi of the Muslim Brotherhood in 2013 after mass protests against his rule. But Egypt has said it would rely less on grants from its neighbours moving forward and would focus instead on attracting foreign investment that could relaunch its dollar starved economy. Last week it signed an agreement with Saudi Arabia to set up a 60 billion Saudi riyal ($16 billion) investment fund among other investment agreements including an economic free-zone to develop Egypt's Sinai region. ($1 = 3.7488 riyals) *(Reuters)*

AfDB and GEF boost renewable energy projects across Africa and urban planning in Cameroon
The Global Environment Facility (GEF) announced on April 15, 2016, the approval of USD 18 million in funding for two projects co-financed with the African Development Bank (AfDB). The first project aims at supporting African countries to shift toward renewable energy (RE) infrastructure through the preparation of RE projects, while the second seeks to help Cameroon to improve its urban planning and waste management.
About USD 10 million will support the preparation of RE projects to be eligible for financing under the AfDB private and public sector windows. The remaining USD 8 million, channeled through the AfDB, will help to provide technical assistance to boost capacity of city management in urban planning and integrated transport management. It will establish controlled landfills, prohibiting hazardous waste management practices, backed by policy and legal frameworks that encourage sustainable chemical and waste management in Cameroon.
The AfDB’s participation in this initiative was described as critical. Kurt Lonsway, the Bank’s Manager for Environment and Climate Change, stated, “The AfDB’s increasing role as a major GEF implementing agency reflects our capacity to combine these projects with our own investments, in addition to public and private financing to achieve

mutually shared goals of green and inclusive growth. Through our combined efforts we will be more successful in addressing the region's renewable energy and sustainable urban development challenges."
Statistics indicate that more than 640 million people in Sub-Saharan Africa (almost two-thirds of the population) live without electricity. As populations grow, the continent is likely to fall short of achieving universal access to energy by 2030. Renewable energy resources could potentially cover the energy requirements of the entire continent if the right investments are made, further stimulating the region's rapid economic and social development. Analysts say for African countries to shift towards a more sustainable model, financing must target renewable energy infrastructure. In order for this to happen, technological, institutional, environmental, social, and financial barriers to private sector involvement in renewable energy investment on the continent must be eased. You need to attribute this statement.
In addition to the USD 10 million GEF support, other instruments such as the Sustainable Energy Fund for Africa (SEFA) – a USD 955 million initiative that invests in the preparation and development of renewable energy projects – also focuses on tackling financial barriers by enhancing available resources for renewable energy projects in Africa.
Besides addressing energy challenges, urgent reforms are needed to tackle waste management and urban transportation, which will halt further increases in hazardous air, water, soil pollution, floods, and water-borne diseases in Cameroon. The country's population nearly doubled between 1998 and 2010, resulting in increased greenhouse gas emissions and pollution, among other challenges, particularly in its two main cities of Douala and Yaoundé.
Further to GEF's USD 8 million contributed through the AfDB for waste management, a USD 168 million project – Integrated Sustainable Urban Development and Environmentally Sound Management of Municipal Solid Waste in Cameroon – is working to address the root causes of environmental degradation in the country's urban areas. The project aims to reduce pollution and greenhouse gas emissions through the introduction of integrated and environmentally sound urban management practices. Since 2007, the growing partnership between the GEF and the AfDB has focused on generating environmentally smart and transformational change in Africa. By March 2016, the overall portfolio of projects funded by GEF and managed by the AfDB amounted to USD 303 million, leveraging more than USD 2.7 billion in co-financing. This has been allocated to 36 projects and programs covering 27 countries in Africa.

AfDB's approval of US $25-million Trade Finance Facility to CABS to boost Zimbabwe's local firms
The Board of Directors of the African Development Bank (AfDB) approved a US $25-million Trade Finance Line of Credit facility to Central Africa Building Society (CABS) of Zimbabwe on April 20, 2016. This medium-term facility will help to support the expansion of CABS' operations as a provider of trade finance to local firms as well as Small and Medium-sized Enterprises within Zimbabwe's tradable sector.
The resultant credit support will provide for the importation of critical inputs such as agro chemicals, pesticides, farm machinery, spares and equipment, which Zimbabwe is in dire need of to revive its agricultural and manufacturing sectors. The credit support will also foster financial sector strengthening and generate more tax revenue through import duties and higher corporate profits. Including roll-overs, it is projected that the facility will finance approximately US $150 million of trade over a three and half year period.
This facility contributes to scaling up of AfDB's interventions in supporting the economic turnaround necessary to reposition Zimbabwe as a major productive centre in the Southern African region. The Bank Group is currently engaged in a number of initiatives in the country. They include supporting the external debt and arrears clearance process, in addition to infrastructure rehabilitation in the Energy and Water and Sanitation sectors through the ZimFund. Other initiatives are: improvements of governance through the Governance and Institutional Support Programme (GISP), and indirectly supporting the private sector through regional financial institutions that operate and invest in the country. This will be AfDB's first non-sovereign intervention in Zimbabwe's financial sector in recent years. It is a strategic milestone expected to provide greater comfort to other international lenders to offer additional support.

INVESTMENTS

Renault and partners to invest $1 bln in Morocco
French carmaker Renault and component suppliers will invest 10 billion dirhams ($1.04 billion) in Morocco to build an "industry ecosystem", the country's industry minister said. Renault's ecosystem and its new plants will raise Renault's local sourcing of components to 65 %from 32 %and are projected to generate 20 billion dirhams in revenues, Moulay Hafid Elalamy told Reuters. Renault already has two car plants in the kingdom. It has a modern plant in Tangier producing cars and body pressings for export and anoher, older assembly plant in Casablanca.
"Renault ecosystem means that around Renault plants in Tangier and Casablanca, many other companies are coming to invest and make the parts that will shape a Renault car," the minister said, though he declined to say to give an exact figure on Renault's investment in the project. The director of the company's Africa, Middle East and India region, Bernard Cambier, also declined to give details but said that at least 15 component makers are commited to invest in the project. Cambio and Elalamy signed the deal inside the royal palace in Rabat. Renault's Tangier car factory, the biggest in North Africa, required initial investment of 600 million euros ($683.70 million) and is expected to reach an annual production capacity of 400,000 vehicles in the coming years. Morocco expects auto industry exports to reach 100

billion dirhams a year by 2020 as a result of PSA Peugeot Citroen's decision last year to build a 557 million euro factory in the country, slated to produce 200,000 vehicles a year. The kingdom has attracted a number of big auto and aerospace investors in recent years, including Delphi, Bombardier and Eaton Corp.. Unlike many countries in the region, Morocco has managed to avoid a big drop in foreign investments in the wake of the global financial crisis and the Arab Spring uprisings of 2011, partly by marketing itself as an export base for Europe, the Middle East and Africa. ($1 = 9.5845 Moroccan dirham) ($1 = 0.8776 euros) *(Reuters)*

Ivory Coast to seek over $7 bln from donors for development plan

Ivory Coast will seek to raise 4.425 trillion CFA francs ($7.65 billion) during a meeting with donor partners next month to help fund an ambitious 5-year development programme, the government's spokesman said. The West African nation is aiming to invest a total of around 30 trillion CFA francs from 2016 to 2020 as part of efforts to foster economic development and reduce poverty. Around 18 trillion CFA francs is expected to come from private sector investment with the government's contribution making up the remaining 11 trillion CFA francs. Bruno Kone said that an advisory group headed by President Alassane Ouattara will meet in Paris on May 17 and 18. "It will aim to mobilise the sum of 4,425 billion francs for public investments planned for the period of 2016-2020," he said. "This is part expected from external partners." Having emerged from a decade of political turmoil following the civil war in 2011, Ivory Coast, the world's top cocoa grower and French-speaking West Africa's largest economy, is increasingly turning the heads of foreign investors. Under the stewardship of Ouattara, who won re-election in a landslide victory in October, its economy has expanded by an average of around 9 %in each of the past three years. But the former senior International Monetary Fund official is under pressure to make that growth more inclusive in his second, and final, five-year term. ($1 = 578.6000 CFA francs) *(Reuters)*

Government incentives attract R57bn in investments, says Davies

The government's R10bn tax and industrial incentives attracted investments of R57bn last year, Trade and Industry Minister Rob Davies said. Of the support provided by the government, R6bn came from the Department of Trade and Industry’s budget and R4bn from tax incentives. Mr Davies said at a media briefing ahead of his budget vote speech in the National Assembly that the departmental incentives’ emphasis would shift more and more to sectoral incentives, which had proved more successful than generic programmes such as the manufacturing competitiveness enhancement programme (MCEP). However, the department did have funds to continue with the MCEP. Mr Davies noted that there were pockets of manufacturing strength in the economy, despite the negative picture painted by macro statistics on the sector, which were clouded by the slump in the steel industry. Growing sectors were automobiles, clothing and textiles, agroprocessing, film and rail. Mr Davies stressed the importance of SA retaining its capacity to produce primary steel, saying government was using a combination of policy tools including tariff protection and localisation to secure this in the face of a global glut of cheap steel. The measures adopted could not harm the downstream industries. He said talks were under way with steel producers on preventing job losses, future pricing policies and government support. Without a domestic steel industry, SA would be vulnerable to the vagaries of international steel prices. Mr Davies said he would launch the eighth iteration of the industrial policy action plan for 2016/17-2018/19 early next month. Emphasis would be placed on local procurement. So far, the department of trade and industry has designated more than 16 sectors or products where public entities are required to procure local products produced in this country. These include rail rolling stock, work wear and uniforms, and furniture. *(BDLive)*

Mozambique expects decline in foreign direct investment in 2016

The Director of the Mozambique Investment Promotion Centre (CPI), Lourenço Sambo, has warned that in 2016 there may be a drop in foreign direct investment (FDI) as a result of the economic difficulties of the countries that invest in Mozambique, daily newspaper O País reported. Sambo recently revealed that foreign direct investment in Mozambique in 2015 was around US$1.3 billion, a significant drop compared to the US$7 billion registered in 2014. The director of the CPI said that in addition to the internal affairs of Mozambique which reduced investment, the international scenario was decisive for the amounts invested. “We have to look at the political environment in Brazil, the situation in South Africa (Brazil is the tenth largest investor in Mozambique and South Africa the fifth) not to mention Russia and India. All this affects the economy,” he said. *(Macauhub)*

Starbucks Opens First Store in South Africa

Seattle-based coffee chain seeks access to Africa’s growing consumer markets

Starbucks Corp. joined the deluge of international food and retail chains establishing a presence in South Africa, in an effort to tap the continent’s expanding consumer class.

The Seattle-based coffee chain is the latest in a string of big-name franchises and retailers of everything, from pizza to skinny jeans, to open doors in the continent’s second-largest economy after Nigeria, long seen as a gateway to African markets. The company’s first retail store in sub-Saharan Africa, where it sources coffee from nine countries, opened in a posh shopping district of Johannesburg, where people had been lined up since 6 a.m. Prince Ndlovu, a 26-year-old music artist manager who heard about the opening on Facebook, waited more than two hours for his Grande cappuccino. "For a beautiful thing, you need to wait," said the Zimbabwean native, who tasted a Starbucks coffee for the first time. "It's more than what I was expecting," said Yahya Madhi, 21, another first-time customer. The move aims to give the coffee giant a firm foothold in a region replete with opportunity and risk. Executives see South Africa as a steppingstone into a continent that housed three of the world's five fastest-growing economies in 2015, according to the World Bank.

But Starbucks' move comes at a time when South Africa, like many commodity-rich nations across the continent, is struggling to grow its economy amid myriad issues ranging from government missteps to social unrest and drought. Many retailers, like South Africa-based Massmart Holdings Ltd., which is majority-owned by Wal-Mart Stores Inc., have tried to expand out into the broader continent in recent years, but have run into roadblocks that have significantly slowed their progress. Some brands have also struggled to recalibrate to a market very different from the U.S. or Europe. In South Africa, Spain's Zara, owned by Inditex SA, opened its first retail outlet in Johannesburg in late 2011, but growth hasn't been too robust.

Into Africa

Starbucks opened its doors in Johannesburg, its first foray in southern Africa. The company is following a long line of brands that have used South Africa as a gateway to the continent.

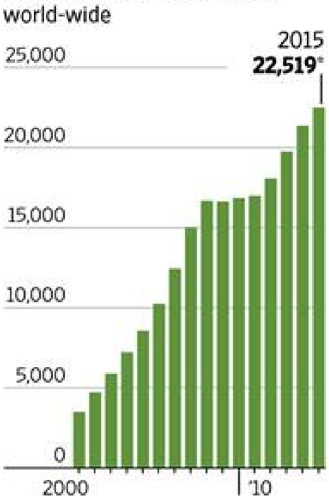
Source: the company *2015 data through June 28
THE WALL STREET JOURNAL.

"In the South African context, it's actually quite expensive," said Unathi Loos, retail analyst at Investec Asset Management in Cape Town. "It's fallen into a completely different category here than it has abroad."

However, Ms. Loos doesn't fear the same fate for Starbucks. "There's quite a coffee culture that is developed in South Africa. People are willing to part with a good amount of money for a good cup of coffee." South Africa was historically under-penetrated by international brands, which avoided the country due to international sanctions during apartheid rule, which ended in 1994. But recent decades have seen an influx of investment into the country's major cities, which draw well-to-do shoppers from elsewhere on the continent because of well-developed roads and a comparatively wide range of retailers, from mass-discount stores to high-end international brands. Taste Holdings Ltd., which is the licensee for South Africa's Starbucks stores, also has a licensee deal with Domino's Pizza in Southern Africa, where it now operates more than 75 stores, the first of which opened in late 2014. Swedish retailer Hennes & Mauritz AB opened its first H&M stores in South Africa late last year, and Krispy Kreme Doughnuts, Inc. plans to open more than 30 outlets in South Africa within five years, the first of which arrived in late 2015.

Brewing Up

Number of Starbucks stores, world-wide



*As of June 28, 2015 Source: the company
THE WALL STREET JOURNAL.

But expanding on the continent has proved difficult for many blue-chip retailers. When Wal-Mart acquired a majority stake worth about $2.4 billion in Massmart in 2011, the former had hoped to rapidly expand Massmart's low-cost, high-volume chains outside of South Africa. Yet Massmart's planned expansion to the broader continent has been slower than expected; partly because of the amount of time it takes to acquire land and proper licenses, according to Guy Hayward, the company's chief executive. Massive fluctuations in African currencies have also undermined efforts to expand across the region. In 2011, the company had 313 stores, 26 of which were outside South Africa. At the end of 2015, Massmart's 403 stores included 38 stores outside South Africa. South Africa itself still presents many challenges. The country grew an anemic 1.3% last year and is expected to grow just 1.4% in 2016, according to the World Bank. In December, President Jacob Zuma replaced the country's finance minister twice in a four-day period, sending South Africa's rand currency plunging to all-time lows against the U.S. dollar and British pound.

That put additional pressure on businesses, including retailers, which rely heavily on imports. Foreign direct investment in South Africa plummeted from 62.6 billion rand ($4.38 billion) in 2014 to 22.6 billion rand last year. Currency weakness has also sparked higher inflation, which means consumers have less money to spend on things like sweaters and pumpkin-spiced lattes. Strikes have plagued mines and factories as well as public services like garbage collection, firefighters and the postal service, while a dilapidated power grid prompted nationwide rolling blackouts for months last year. And now, a record-breaking regional drought is threatening agricultural output, food security and water supplies.
Starbucks plans to open just 12 to 15 South African stores in the next two years, despite an estimated capacity of 150 stores, Carlo Gonzaga, chief executive of Taste Holdings, Starbucks' licensee in South Africa, said. "There's the expectation that consumption per capita will just increase exponentially, but in the short term, it's hard to see why people would be excited about consumer expenditure," said Meryl Pick, an analyst at Old Mutual Equities. "In 15 years' time, these might look like good investments." *(Wall Street Journal)*

President of Mozambique wants more investment by Belgian entrepreneurs
The President of Mozambique, Filipe Nyusi said in Brussels he would like Belgium to become on of the largest foreign investors in Mozambique, taking advantage of the opportunities that the country offers and of bilateral cooperation. Speaking in Brussels at the Forum of businesspeople at the Belgium-Luxembourg Chamber of Commerce, Industry and Agriculture and the African, Caribbean and Pacific (ACP) countries, as part of his two-day working visit to the country, Nyusi once again invited local businesspeople to invest in Mozambique, stressing that there can be no sustainable development without the participation of the private sector. "We want to Belgium among the largest investors in the country," he said. Cooperation with Belgium covers several areas, notably health, agriculture, education, food security, infrastructure, transport and communications. In recent years, Belgium has supported the area of energy, particularly rural electrification. *(Macauhub)*

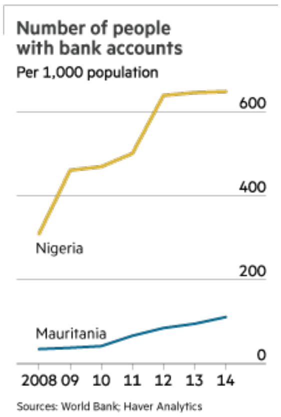
Mozambique seeks investments from South Africa
The Mozambican Minister of Transport and Communications, Carlos Mesquita, said in Johannesburg that the country needs US$11.6 billion in 2016 for construction of roads, bridges, railways and airports. Mesquita called on businesspeople to invest in development of transport and communications infrastructure in Mozambique. The minister, who was speaking at a seminar sponsored by the Mozambican embassy in South Africa, acknowledged that Mozambique faces enormous challenges due to a lack of infrastructure in the transport and communications sector but considered these challenges as "opportunities for investors." The Mozambique government official said that "the prevailing political tension in the country has its days numbered", but acknowledged that it had a negative impact. In the next few days Mozambique and South Africa are due to sign a memorandum of understanding for the transport and communications sector. *(Macauhub)*

BANKING
Banks

Patrice Motsepe launches African Rainbow Capital
Billionaire businessman Patrice Motsepe launched African Rainbow Capital (ARC), an investment company focused on financial services and private equity. The company, jointly headed by former Sanlam CEO Johan van Zyl and Sanlam Investments CEO Johan van der Merwe, has already quietly made investments in insurance broker Indwe Broker Holdings and backed JSE-listed special purpose acquisition company Capital Appreciation, but it was only officially introduced to the business community. ARC is a subsidiary of Ubuntu-Botho Investments, Sanlam's empowerment partner. Its 14.5% stake in the insurer is now valued at R17bn. Mr Motsepe says some of this capital is now being invested in ARC. Mr Motsepe chairs the investment company, while former Sanlam finance chief Machiel Reyneke joins Mr Van Zyl and Mr Van Der Merwe on the executive committee as a director. Ubuntu-Botho CEO Rejoice Simelane, African Rainbow Minerals director Andrew Matube and former Nedbank CEO Tom Boardman round out the rest of the board. It has been a long journey for Mr Motsepe and Ubuntu-Botho. During a panel discussion at the launch, he described how ARC was born. "We started many, many years ago," he said. "We bought noncore unprofitable mines…." These mines were later turned around, and some of the proceeds used to gain a foothold in the financial services industry. "We started Ubuntu-Botho from some of the shares that we got from mining," he said. *(BDLive)*

Islamic banks hope to attract Mauritania's deposit-wary consumers
Mauritania is turning to Islamic finance to modernise its banking sector, trying to raise the number of people with accounts from its meagre levels today and in turn increase liquidity so banks can lend more to companies. Many of the Islamic republic's citizens are uncomfortable with western banking, opting for informal banking collectives or just "keeping money under the bed", says one local banking executive. Officials say that by encouraging Islamic finance, which follows religious principles such as bans on interest and gambling, it will entice more people to enter the formal financial sector, crucial to the wider economy. Dieng Adama Boubou, director of banking supervision at the Mauritanian central bank, says that the goal was to increase the number of people with bank accounts from 10 per cent today to 25 per cent by 2018, partly by promoting Islamic banking. "We have a strategy of financial inclusion," he says,

adding that only 4 per cent of people had accounts in 2006. “Developing Islamic finance is a key part of that.” Moulay Abbas, president of Banque Mauritanienne pour le Commerce International, a commercial and retail bank based in Nouakchott, says: “We are pushing more into Islamic finance, targeting traditional commercial agents who are not formally banked.” The idea is that the push will help a still relatively under-developed financial sector. It would increase the amount of money banks hold, which would help them support the local economy by giving more long-term loans and letters of credit.



One complaint often made against the Mauritanian financial system is that it is too much driven by relationships, with tribal background and personal connections crucial to getting credit. Mr Abbas says that way of doing business is a thing of the past. “Perhaps this was true 20 years ago, but not today,” he says.

But many entrepreneurs still feel securing long-term credit is tougher than it should be. If there were more money in the system, with more consumer bank accounts, it could help alleviate the problem, say analysts. Islamic lenders such as Banque Muamelat As Sahiha and Banque Islamique de Mauritanie have launched in Mauritania in the past few years. The country now has 15 banks and 186 branches, up from 90 in 2011.

But the industry has been tested by the low iron ore price. The IMF mission this year wrote that while there were no immediate problems “liquidity [in the banks] is declining and the sector remains vulnerable to shocks”. The IMF urged the central bank to continue its policy of the past few years of improving the regulatory framework, which was relatively undeveloped during the period of a tough military government in the 1980s and 1990s. European banks have been attracted to Mauritania in recent years, but have had limited success in getting a foothold. Société Générale and BNP Paribas both launched operations in the country in 2007. But BNP has since sold its stake in its Mauritanian operation to two Moroccan lenders, Attijariwafa Bank and Banque Centrale Populaire, which are turning their attention to Islamic finance. *(Financial Times)*

Angola approves merger of banks Banco Millennium Angola and BancoPrivado Atlântico

The Angolan authorities – the government and the National Bank of Angola – have approved the merger of bank Banco Millennium Angola with Banco Privado Atlântico. The resulting bank will be the fifth largest Angolan bank by assets, according to Portuguese financial newspaper Diário Económico. Portugal’s Banco Comercial Portugues (BCP), which controls 50.1 %of Banco Millennium Angola through BCP Africa, SGPS, announced last year it had reached an agreement with the shareholders of Banco Privado Atlântico (BPA) for a merger with Banco Millennium Angola. “BCP will strengthen its expansion capacity in Angola through the merger of Banco Millennium Angola with Banco Privado Atlântico, thus enabling them to grow in adverse conditions and simultaneously adapt to the implications of changes to supervision equivalence”, said the statement issued by BCP in October 2015.

Under the memorandum of understanding signed by the two banks, BCP is expected to keep a 20% stake in the future Banco Millennium Atlântico. The remaining shareholders of Millennium Angola are state oil company Sonangol with 29.9 percent, Banco Privado Atlântico with 15 %and Globalpactum – Gestão de activos with 5 percent. Banco Privado Atlântico’s shareholders are Interlagos Equity Partners (47.5 percent), Carlos José Silva (23.2 percent), Jasper Capital Partners (9.5 percent), Banco Millennium Angola (6.7 percent), Quadros – Gestão de Activos (6.5 percent),Equipa de Gestão (3.5 percent) and Geomcorp Fund (3.0 percent). *(Macauhub)*

Markets

Kenya central bank to help banks that face liquidity pressure

Kenya's central bank will provide a facility to any bank or microfinance institution that faces liquidity problems through no fault of its own, Governor Patrick Njoroge said. Njoroge said the facility, for which he did not give the amount but said had no upper limit, would be available for as long as necessary to provide a sense of calm and reiterated that the financial sector was stable. "We will avail a facility to any bank or microfinance institution that comes under liquidity for no fault of its own. We will avail this facility for as long as is necessary," Njoroge told a news conference. Last week, the central bank put Chase Bank Kenya into receivership after its gross non-performing loans rose sharply last year. The mid-sized bank was the third lender to be taken over by the central bank in nine months, fuelling worries over the health of the sector. President Uhuru Kenyatta said he supported central bank Njoroge's actions to protect depositors' money. "We are really dealing with any fear, anxiety that is out there," Njoroge said. *(Reuters)*

Russian bank VTB lends US$134 million to Angola through its Austrian branch

Russian banking group VTB will lend Angola about US$134 million through its branch in Austria, reported Portuguese news agency Lusa citing a document to which it had access. The funding will be used to support the Angolan state budget and will be the second loan provided in the past two years. In 2014 the Angolan government obtained a loan of US$1.5 billion from VTB Capital PLC, of the same Russian banking group, to finance the state budget. Since mid-2014 Angola has been experiencing a strong financial, economic and currency crisis due to the fall in oil export revenues. It has issued debt to ensure state operations and the implementation of various public projects. *(Macauhub)*

Ghana's ADB Said to Raise 450 Million Cedis in Initial Offering

Agricultural Development Bank Ltd. raised 450 million cedis ($119 million), the largest initial public offering in Ghana’s history, last month, according to two people familiar with the deal.

The bank raised more than the target of almost 400 million cedis, said the people, who asked not to be identified because regulators are still reviewing the results. ADB will use 300 million cedis for capital and the rest to pay shareholders, including the nation’s central bank, which owns 48 percent. The government sold some of its 52 %stake, one of the people said.

The IPO marks the end of eight months of wrangling in courts that ended up delaying the sale. The government and bank leadership got approval for the sale after shareholders and workers’ unions sought to block it. The bank funds farmers, processors and traders. The IPO was the first in Ghana in about two years.

Ghana has struggled to boost trading and lure companies to go public because of a lagging economy and trading volumes that have plunged. The economy of the world’s second-largest producer of cocoa expanded at the slowest pace in about 20 years in 2015 and inflation has remained above 15 %in the past two years, curbing investor sentiment. Volume of stocks traded dropped to 4.3 million shares in March from 13.3 million a year earlier, according to data compiled by Bloomberg. Ghana’s stock exchange index has dropped 5.8 %this year, outperforming Nigeria’s main index, which has fallen 14 percent. Kenya’s has dropped 1.4 %during the same period. *(Bloomberg)*

South Africa economy: Quick View - New Eurobond oversubscribed

South Africa sold a sovereign bond worth US$1.25bn on April 8th, in an issue that was more than twice oversubscribed, according to a Treasury statement.

The new sovereign bond, the first for almost two years, was in line with financing plans outlined in the budget for fiscal year 2016/17 (April to March), although the timing was determined by relatively favourable market conditions, despite the challenges besetting South Africa, such as slow growth and the possible loss of its investment-grade credit rating. Indications that US monetary tightening will now proceed at a much slower pace-along with monetary loosening in the euro zone-have boosted the appeal of high-yielding emerging-market assets. South Africa's new ten-year Eurobond will pay a coupon rate of 4.875%, approximately 335 basis points higher than equivalent US Treasury securities. This is greater than the spread on South Africa's 2014 sovereign bonds, but is much lower than would have been obtained earlier this year, when the rand was falling and bond yields were rising.

However, the recovery in the rand, by 3.7% to R15.77:US$1 in February, and by a further 2.2% to R15.43:US$1 in March-accompanied by expectations of a slow rise in US interest rates-has improved perceptions towards South Africa, especially among US and European investors (the main buyers of the bond). Moreover, in a virtuous cycle, the successful bond sale gave further impetus to the rand, which climbed to R14.69:US$1 on April 12th (according to South African Reserve Bank-central bank-daily figures), the strongest rate since before the president, Jacob Zuma, controversially sacked his then finance minister, Nhlanhla Nene, in early December, and appointed a relative unknown in his place. Although Mr Zuma backtracked four days later and brought Pravin Gordhan back to the Treasury, the saga led to a sustained loss of confidence and pushed the rand to an all-time daily low of R16.89:US$1 on January 20th. However, the relatively prudent budget for 2016/17 (announced in February), combined with South Africa's stated determination to avoid a downgrade to junk, has improved investor confidence, leading to a stronger rand and lower bond yields. *(Economist Intelligence Unit)*

Guinea Bissau to issue a six-month 12 bln CFA bond on April 29

Guinea Bissau will issue a six-month, 12 billion CFA franc ($20.63 million) bond on April 29, the West African regional debt planning agency UMOA-Titres said. The bond, with multiple interest rates, will be sold in units of 1 million CFA francs to investors across the region's eight-nation CFA franc currency zone. ($1 = 581.7800 CFA francs) *(Reuters)*

Bank of Mozambique raises interest rates

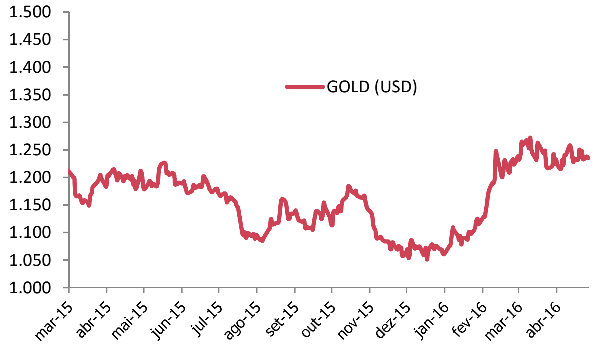
The Bank of Mozambique raises interest rates once again, as a measure to control inflation, according to Mozambican state news agency AIM. In a statement the Bank of Mozambique announced that the interest rate on the liquidity facility (interest rate paid by commercial banks to the central bank for the money borrowed on the interbank money market) increased 200 basis points to 12.75 percent. This rate has gradually fallen since the end of 2012 and reached to 7.5 %in November 2014, and remained at that level for a year, but rose again four consecutive times in the months of October, November and December 2015 and in February 2016, and now stands at 10.75 percent. The rate remained unchanged in March but in April resumed its upward trend. The Monetary Policy Committee noted that monetary policy continues to be characterised by pronounced risks of inflationary pressure, reflecting the effects of the depreciation of the national currency, the metical, the drought in south and central Mozambique, as well as excessive rainfall in the north and politico-military tension affecting the free movement of people and goods in some of the country’s major highways.” *(Macauhub)*

MARKET INDICATORS

26-04-2016

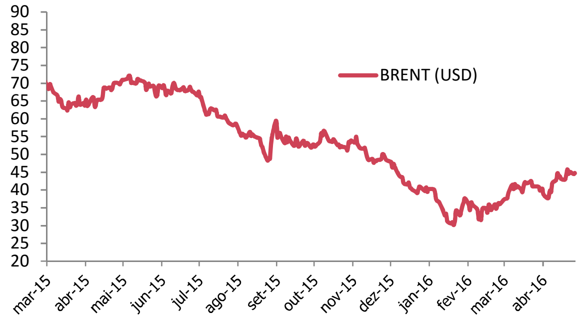
STOCK EXCHANGES		
Index Name (Country)	**26-04-2016**	**YTD % Change**
Botswana Gaborone Domestic Index (Botswana)	10.309,57	-2,76%
Bourse Régionale des Valeurs Mobilières (Ivory Coast)	318,34	4,74%
Case 30 Index (Egypt)	7.842,90	11,95%
FTSE NSE Kenya 15 Index (Kenya)	186,04	-0,32%
Morocco Casablanca Stock Exchange CFG 25 (Morocco)	20.370,90	7,20%
Nigerian Stock Exchange All Share Index (Nigeria)	24.765,10	-13,54%
FTSE/JSE Africa All Shares Index (South Africa)	53.062,89	4,67%
Tunindex (Tunisia)	5.335,45	5,82%

Source: Bloomberg and Eaglestone Securities



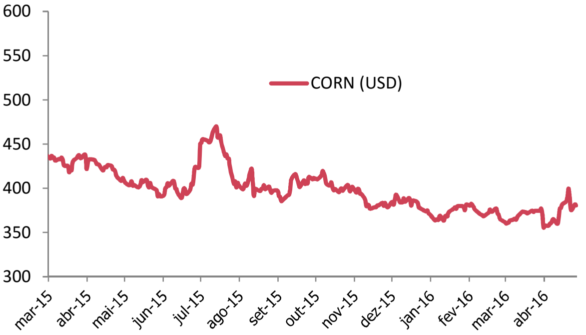
METALS		
	Spot	**YTD % Change**
Gold	1.235	16,33%
Silver	17	22,72%
Platinum	1.012	13,35%
Copper $/mt	4.998	6,23%

Source: Bloomberg and Eaglestone Securities



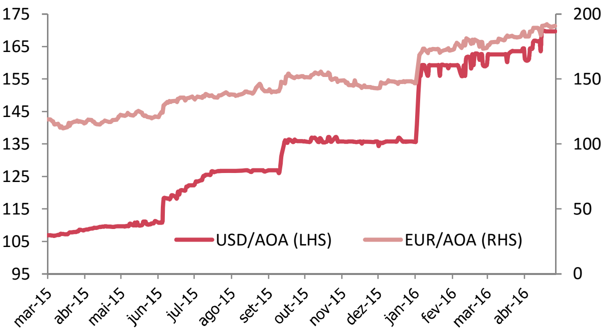
ENERGY		
	Spot	**YTD % Change**
NYMEX WTI Crude (USD/barril)	42,9	15,93%
ICE Brent (USD/barril)	44,8	20,14%
ICE Gasoil (USD/cents per tonne)	391,5	17,13%

Source: Bloomberg and Eaglestone Securities



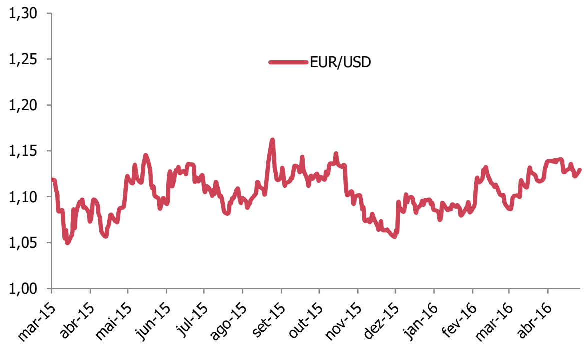
AGRICULTURE		
	Spot	**YTD % Change**
Corn cents/bu.	380,8	6,13%
Wheat cents/bu.	478,0	1,70%
Coffee (KC) c/lb	124,5	-1,74%
Sugar#11 c/lb	15,9	4,20%
Cocoa $/mt	3167,0	-1,37%
Cotton cents/lb	64,3	1,55%
Soybeans c/bsh	1008,5	16,69%

Source: Bloomberg and Eaglestone Securities



CURRENCIES	
	Spot
KWANZAS	
USD	169,209
EUR	190,970
GBP	246,384
ZAR	11,675
BRL	47,594
NEW MOZAMBIQUE METICAL	
USD	49,250
EUR	59,803
GBP	77,163
ZAR	3,398
SOUTH AFRICAN RAND SPOT	
USD	14,482
EUR	16,357
GBP	21,089
BRL	4,077
EUROZONE	
USD	1,13
GBP	0,78
CHF	1,10
JPY	125,22
GBP / USD	1,46

Source: Bloomberg and Eaglestone Securities



Selected Sovereign African Eurobond Data for April 21

Southern Africa	21-04-2016	20-04-2016	19-04-2016	18-04-2016	15-04-2016	14-03-2016	13-03-2016
Angola							
7.000%; 08/16/2019	100,708	100,647	100,446	99,919	99,938	100,125	99,750
Yld	6,900%	6,975%	7,052%	7,186%	7,148%	7,084%	7,211%
Moody's rating	Ba2/*-						
S&P rating	B						
Namibia							
5.500%; 11/03/2021	105,958	106,156	106,188	105,113	105,623	105,613	105,647
Yld	4,351%	4,320%	4,312%	4,542%	4,454%	4,432%	4,439%
Moody's rating	Baa3						
Fitch rating	BBB-						
Republic of Congo							
4.000%; 06/30/2029	73,500	72,313	74,500	74,000	74,000	74,000	73,875
Yld	9,488%	9,526%	9,299%	9,379%	9,378%	9,377%	9,352%
Fitch rating	B						
South Africa							
5.875%; 09/16/2025	108,983	109,573	109,350	108,690	108,666	108,747	108,542
Yld	4,718%	4,641%	4,674%	4,758%	4,763%	4,755%	4,782%
Moody's rating	Baa2/*-						
S&P rating	BBB-						
Fitch rating	BBB -						
Zambia							
8.500%; 04/14/2024	83,833	84,760	84,958	84,083	84,727	84,500	84,483
Yld	11,771%	11,535%	11,521%	11,703%	11,582%	11,621%	11,636%
Fitch rating	B						
S&P rating	B						
East Africa	**21-04-2016**	**20-04-2016**	**19-04-2016**	**18-04-2016**	**15-04-2016**	**14-03-2016**	**13-03-2016**
Ethiopia							
6.625%; 12/11/2024	92,784	92,784	92,739	92,142	92,330	92,150	92,167
Yld	7,862%	7,861%	7,876%	7,973%	7,938%	7,961%	7,967%
Moody's rating	B1						
S&P rating	B						
Fitch rating	B						
Kenya							
6.875%; 06/24/2024	96,250	96,000	96,542	95,708	96,167	96,375	96,042
Yld	7,580%	7,617%	7,530%	7,672%	7,593%	7,558%	7,586%
Fitch rating	B+						
S&P rating	B+						
Rwanda							
6.625%; 05/02/2023	97,159	97,159	97,250	96,159	96,773	97,000	97,000
Yld	7,244%	7,248%	7,231%	7,398%	7,320%	7,277%	7,276%
Fitch rating	B+						
S&P rating	B+						
Seychelles							
7.000%; 01/01/2026	97,167	96,105	96,873	96,823	95,168	95,168	95,334
Yld	8,438%	8,827%	8,528%	8,475%	9,049%	9,049%	9,047%
Fitch rating	BB-						
West Africa	**21-04-2016**	**20-04-2016**	**19-04-2016**	**18-04-2016**	**15-04-2016**	**14-03-2016**	**13-03-2016**
Gabon							
6.375%; 12/12/2024	87,292	87,031	86,917	85,583	85,750	85,750	85,383
Yld	12,443%	12,556%	12,646%	12,920%	12,855%	12,716%	12,657%
Fitch rating	B+						
S&P rating	NR						
Ghana							
7.875%; 08/07/2023	78,958	78,500	78,167	77,042	77,333	77,813	78,000
Yld	12,993%	12,931%	13,009%	12,690%	12,357%	12,233%	12,229%
Moody's rating	B3						
S&P rating	B						
Fitch rating	B-						
Ivory Coast							
6.375%; 03/03/2028	95,958	95,875	95,833	95,417	95,417	95,708	95,667
Yld	6,942%	6,952%	6,958%	7,012%	7,012%	6,963%	6,968%
Moody's rating	Ba3						
Fitch rating	B+						
Nigeria							
6.375%; 07/12/2023	93,599	93,835	93,842	93,170	93,662	93,909	93,613
Yld	7,624%	7,581%	7,584%	7,720%	7,615%	7,553%	7,604%
Fitch rating	BB-						
S&P rating	B+						
Senegal							
6.250%; 07/30/2024	94,333	94,406	94,542	93,958	94,193	94,542	94,208
Yld	7,246%	7,229%	7,203%	7,301%	7,265%	7,202%	7,276%
Moody's rating	B1						
S&P rating	B+						

NOTE: Angola in 2012 sold $1 billion of 7 percent securities due August 2019 to selected investors in an agreement brokered by Moscow-based VTB Bank OJSC.

Pricing source is the Composite Bloomberg Bond Trader (CBBT)

Yld = Bid Yield to Maturity.

ENERGY

How can Africa make its power supply more reliable?

Afrobarometer, a pan-African, non-partisan research network, recently released a report highlighting Africa's electricity challenges. Power shortages can hamper socioeconomic development, but they also have implications for health and education. The Conversation Africa's energy and environment editor Ozayr Patel spoke to Peter Penar, one of the researchers.

How serious is the electricity crisis in Africa?

One of the most glaring disparities is that across the 36 countries surveyed, 94% of urban dwellers have access to the electric grid, whereas only 45% do in rural areas. The urban-rural divide is most pronounced in Guinea, Mali and Niger. This suggests that major cities, including capitals, have fairly good grid coverage, but the outlying rural areas remain severely wanting.

The problem of accessing electricity varies greatly across countries. Many North African and island countries achieve high rates of access. But several countries have extended the electric grid to only a third or less of the country. Examples include Burundi (17%), Burkina Faso (25%), Sierra Leone (29%), Niger (30%), Guinea (31%), Liberia (31%) and Mali (32%).

West and East African countries lag behind other regions in extending the grid. Southern Africa is a mixed picture, with many countries falling below the 36-country average (66%). These include Zimbabwe (62%), Namibia (62%), Zambia (50%), Mozambique (50%) and Malawi (42%).

The next step is whether the electricity grid actually connects to citizens. In some instances, the electricity grid is in the area but connections to dwellings are not present.

But even being connected to the grid doesn't ensure electricity supply. This is because power is intermittent. In South Africa 14% of those with an electric connection suggest that power never or only occasionally works, with even higher proportions in Zimbabwe (44%), Zambia (33%), Botswana (23%), Namibia (19%) and Kenya (15%).

Why is providing electricity so important?

Electricity is central to the broader development agenda. Without electricity it is unlikely that development projects and public investments, such as schools and community centres, can achieve their intended goals. The expansion of technology initiatives in rural areas, such as supplying laptops to students, will not be sustainable without reliable connections to electricity. Electricity is also essential for basic things like charging one's mobile phone or powering a household water pump and heater.

It has broader implications too. A lack of electricity prevents efforts to improve election quality, as the equipment for biometric registration and identification requires a reliable connection. For example, biometric voters lists couldn't be managed in some areas in Kenya's 2013 elections because computers ran out of battery power by midday. The were unable to be charged at polling stations.

Any similar effort to employ technology in state administration in areas without the power grid, a connection or supply will be futile under the current constraints in many African countries. A larger concern is that many countries, even more developed countries such as South Africa, have failed to engage in long-term energy resource planning.

Would it be better to extend the electricity grid in rural areas or to pursue renewable energy initiatives?

Renewable energy initiatives should definitely be part of national energy plans. Renewable energy production is generally good for the environment and may not require large-scale infrastructural projects and investments. But some initiatives need to be complemented by traditional approaches. For renewable energy projects to work systematically, they must provide rural dwellers and the poor the same coverage and quality as on-the-grid electricity flows.

Another consideration is who is supporting and initiating these renewable energy solutions. African citizens and states must be equal partners and innovators in the energy sector, particularly as cooperation with other countries, such as the US (through Power Africa), increases.

How have North African countries and Mauritius done so well? Are there lessons for other countries?

These countries benefit from their geography and population distribution, and higher levels of economic development.

The fact that Mauritius and Cape Verde are doing well is most likely due to the fact that they are fairly small and easy to connect to a grid system.

In North Africa one factor is that, on average, the population is more urbanised and geographically centralised than in most sub-Saharan African countries. This means that there's no need for extensive rural electrification efforts and the focus can be on urban areas. In addition, higher levels of economic development may contribute to electrification.

Unfortunately this suggests that the solutions to rural electrification will be hard to extend to sub-Saharan African countries.

Electricity isn't high on many African countries' priority lists. Why is this? What can be done about it?

Employment, effective health care, water supply, and agriculture and farming were all rated as more pressing problems than electricity. These are all highly tangible and involve basic issues of livelihoods.

The fact is that electricity is important to all of them. For example, investments in energy have the potential to create jobs to build and maintain the energy infrastructure. In addition, advancements in health care and water management will involve technology applications, with electricity being a prerequisite.

This is why it's important that civil society and grassroots associations explain to their governments that electricity should be a pillar of national development plans and that improvements in electricity supply support investments in other development areas.
Some countries are connected to the grid but still have electricity issues. In Nigeria, for example, 96% of households are connected but only 18% of these connections function more than about half the time. What can be done to improve this?
The gaps between grid extension and electricity supply are sizable for many countries, such as Nigeria, Ghana and Cameroon. Although it is hard to generalise, part of the problem is government mismanagement of electricity resources and the failure to develop a feasible national energy plan. This involves seeking out a diversified supply of energy to meet increasing demand. In the case of Ghana, citizens clearly blame government mismanagement for failing to supply electricity. This is clear from the fact that the proportion of Ghanaians saying they approve of the government's performance declined from 48% in 2012 to 23% in 2014.
The neglect from government is also rooted in inequalities in the countries. For example, in Nigeria the energy supply burden is shifted from the government to individuals. To maintain electricity, those who can afford it invest in generators run on gas or diesel. Only citizens who can afford to purchase fuel for the generator and can find time to wait in long lines at gas stations – or hire someone to wait for them – are able to maintain electricity in the house. *(World Economic Forum)*

New Development Bank to lend $180m to SA for clean-energy projects

THE New Development Bank, a multilateral lender formerly known as the Brics Development Bank, will provide $811m in a first round of loans for clean-energy projects in four nations, one of which is SA, who will borrow $180m. Brazil's Banco Nacional de Desenvolvimento Economico e Social will receive the biggest loan, worth $300m, to help build 600MW of renewable energy capacity, the New Development Bank said. The bank will also provide a $250m loan to India's Canara Bank, with $75m earmarked for 500MW of renewable-energy projects. The New Development Bank, which started in Shanghai last year, is made up of Brics member nations — Brazil, Russia, India, China and SA. The bank has said clean energy will be part of its core focus. Eskom secured a loan of $180m for power lines that can transmit 670MW and transform 500MW of renewable energy generation. China's Shanghai Lingang Hongbo New Energy Development also got an $81m loan, approved by the bank's board of directors last week, to fund 100MW of rooftop solar power The loans will run for 12 to 20 years. More plans are at various stages of consideration in the development bank's pipeline, including loans to Russia, according to the e-mail. *(BDLive)*

INFRASTRUCTURE

Nigeria says China offered $6bn loan for infrastructure

China has offered Nigeria a loan worth $6-billion to fund infrastructure projects, the Nigerian foreign minister said. The announcement came as both countries signed a currency swap deal to boost trade. Nigeria has been in talks with China on an infrastructure loan for months.
Nigeria is Africa's largest economy and its top oil producer. But its public finances have suffered as the price of crude oil dropped around the world. Although President Muhammadu Buhari wants to triple capital spending in 2016, he also needs to plug a projected deficit of $11.1-billion. "It is a credit that is on the table as soon as we identify the projects," Nigerian Foreign Minister Geoffrey Onyeama told reporters after Buhari met Chinese President Xi Jinping. "It won't need an agreement to be signed. It is just to identify the projects and we access it." There was no immediate comment from China. Lin Songtian, director general of the Chinese foreign ministry's African affairs department, had earlier said Nigeria would be able to benefit from a $55-billion package for Africa, which mostly consists of concessional grants or export lines. The Industrial and Commercial Bank of China Ltd (ICBC), the world's biggest lender, and Nigeria's central bank also signed a deal on yuan transactions. "It means that the renminbi (yuan) is free to flow among different banks in Nigeria, and the renminbi has been included in the foreign exchange reserves of Nigeria," Lin said. Nigeria had said it was looking at panda bonds - yuan-denominated bonds sold by overseas entities on the mainland - to fund the deficit, saying they that would be cheaper than Eurobonds. TRADE Nigeria's central bank has said it plans to diversify its foreign exchange reserves away from the dollar by switching some into yuan. It converted up to a tenth of its reserves into yuan five years ago. Lin said a framework on currency swaps has been agreed with Nigeria, making it easier to settle trade deals in yuan. China has signed similar swap agreements with countries ranging from Kazakhstan to Argentina to promote wider use of its yuan. Beijing also signed agreements to develop infrastructure in Nigeria, part of a drive to deepen its ties with Africa. ICBC agreed a $2-billion loan to Dangote, the company owned by Africa's richest man, Aliko Dangote, to fund two cement plants it plans, he told Reuters. China's Xi told Buhari there was huge potential for economic cooperation in areas like oil refining and mining, according to Xinhua, China's official news agency. In a speech to business leaders, Buhari said both countries wanted to work together in agriculture, fishing and the manufacturing of cars, construction materials and textiles. *(Engineering News)*

Government of Mozambique prepares legal framework of coastal shipping service

The committee responsible for drafting the proposal for a legal framework for the resumption of coastal shipping (cabotage) services in Mozambique should submit the final version in the next few days, according to a source from the

Ministry of Transport and Communications. The source, cited by daily newspaper Notícias, said that the committee is currently collecting contributions to add to the proposal, which when it is completed will be submitted to the Cabinet for approval. With this in mind, a meeting of technical staff for marine transport took place a few days ago in Maputo and an announcement was made that the government wants the private sector to be the “main player in the revitalisation process of the cabotage service in the country.” The Confederation of Economic Associations of Mozambique (CTA) recommended, in a study published in 2015, the revision of the legal framework and design of a strategy and action plan to make cabotage a factor for generation and part of the dynamics of socio-economic growth in the country. This recommendation from the private sector recognises that Mozambique, which has a coastline of about 2,700 kilometres, has not properly harnessed this potential for transporting people and goods. *(Macauhub)*

Two thirds of work to build Lauca dam in Angola completed

Civil engineering works on the Lauca hydroelectric dam in the municipality of Cambambe, in the Angolan province of Kwanza Norte, has been executed to a level of 77 percent, while electromechanical work is around 46 %complete, according to the project manager of the hydroelectric complex, Elias Estevão said, cited by Angolan news agency Angop. Estevão said the project, which will cost US$5 billion, will start producing electricity in the first half of 2017 and will have a capacity of 2,071 megawatts (MW). The main power plant will have six turbines of 334 megawatts and the ecological plant will produce 65.5 megawatts, and the latter will only start operating in 2018. The Lauca dam occupies an area of 24,000 hectares, including the reservoir of 18,000 hectares and will be 135 metres high, or the equivalent of a 44-storey building. The dam will use concrete to the equivalent of of building 40 stadiums, 2,800 homes and 465 eight-storey buildings. Construction of the dam will use 30,000 tons of steel or the equivalent of building five Eiffel Towers. The Lauca dam, the third under construction on the Kwanza River, after the Cambambe and Capanda dams, is the largest civil engineering project in Angola and will benefit more than 5 million people. In addition to Brazilian construction company Odebrecht, which is responsible for the work, Portuguese companies Somague Angola, Teixeira Duarte, EPOS, Tecnasol, IBERGRU and COBA were also contracted. *(Macauhub)*

MINING

Mauritania’s mining industry hit by commodity price fall

Towering over the low-rise buildings that make up Mauritania’s capital is the empty shell of a 15-storey skyscraper, a bleak monument to the recent crisis in the commodity markets. It was supposed to be the new headquarters of Mauritania’s state-owned iron-ore company SNIM, started when the price of the country’s main resource was close to $190 a tonne in 2011. Today the building stands empty, flanked by two still cranes, after the iron ore price fell below $40 a tonne in December and the company wrangled over costs with its Spanish builders. This is not the only project to be put on hold in a mining industry that as little as two years ago made up more than 60 per cent of the country’s exports and 20 per cent of tax revenue, according to the World Bank.

Canadian miner Kinross, which bought the Tasiast gold mine in 2010 as part of a $7.1bn takeover of Australia’s Red Back Mining, said last year it would not proceed with a planned $1.6bn expansion because of the fallen gold price. It has since announced it will push ahead with a much smaller expansion. “We bought the assets when prices were high with a view to expand,” says J. Paul Rollinson, chief executive of Kinross. “Then the party ended, so to speak.”

Last year Swiss-based group Glencore announced it had abandoned the remote Askaf iron ore project, saying it was no longer economically viable. The company had already reportedly spent hundreds of millions of dollars on rail and port infrastructure. Several smaller prospectors left as soon as prices began to fall. Today, the only miners still operating in the country of significant size are Kinross, SNIM and First Quantum Minerals, which has a copper and gold operation at Akjoujt.

The challenge for these miners is to reduce costs until prospects recover and prices rise. “The fall in the iron ore price happened very fast, nobody saw it coming,” says Mohamed Abdellahi Ould Oudaa, chief executive of SNIM, which accounted for 25 per cent of the country’s gross domestic product before the iron ore price fall, but closer to 15 per cent now. “The only thing we can do now is cut costs, and that is what we have done,” he adds.

The costs of production at the state controlled group have fallen by a third from 2014, Mr Ould Oudaa says, in part because of the drop in oil prices but also due to general efficiency savings and by suppressing wages.

The company is also shedding activities that it deems “non-core”, such as its insurance, marble and granite businesses. “We are cleaning up non-strategic assets,” says Mr Ould Oudaa. Cost cutting has caused some tensions in the industry. Last year 400 workers at SNIM went on a two-month strike over salaries. Recovery in the iron ore market does not seem close. Chinese iron ore prices are not expected to pick up for at least two years as a result of long-term overproduction at Chinese steel mills.

Mauritania is especially vulnerable as it produces an iron ore product called TZFC, which European importers tend to avoid due to its high silica content, but is popular in China.

But there are some mining expansions planned. Kinross said last month it would expand its mine’s capacity by half to 12,000 tonnes a day at a cost of around $300m, with the possibility of 30,000 tonnes at a later date.

Mr Rollinson says the environment for investing in Mauritania is positive. "We have not had issues dealing with the government, they have always been helpful," he says. He adds that given the government's history in commodities it "understands the commodity cycle" and also that the focus on security by President Mohamed Ould Abdel Aziz means that "we feel safe". The main challenge, he adds, was getting clarity on taxes and the tax code. He says that Kinross worked with the government on this issue and that in the end it "should be easier for the next person". Still, Kinross has had some problems. In 2014 and again last year the company received subpoenas from the US Securities and Exchange Commission over allegations of improper payments made to government officials in relation to its west African operations, including the Tasiast gold mine. Kinross says it is complying with the investigation. Just as for the rest of the economy, Mauritania's government has been trying to create an industry around its mineral extraction, not just through selling the raw material abroad. The state has also attempted to exploit other minerals such as rare earths, phosphate, salt, gypsum, zinc, uranium and industrial minerals to add to its iron ore and gold staple. *(Financial Times)*

Botswana's BCL Mine plans $250m bond to pay for acquisitions

Botswana's largest copper and nickel producer, BCL Mine Limited plans to raise $250 million through a bond open to both local and foreign players to finance acquisitions, the state owned company said. Acting divisional manager Tobokani Mosetlha told a media briefing that the firm has engaged Barclays Africa group to facilitate the bond issuance planned for later this year. He did not give an exact date for the bond issue. "The funds would be used to settle a $100 million facility we recently acquired from Barclays as well as finalise the acquisition of a 50 %stake in Nkomati Mine in South Africa," Mosetlha said. "Due to the size of the bond, the plan is to open it to both foreign and local investors." BCL mine incurred a 1.2 billion pula ($116 million)loss in operating costs in 2015 due to a slump in commodity prices, said Mosetlha. He also said that at the end of February, the copper and nickel miner owed its 620 listed suppliers 595 million pula with 452 million pula owed to local suppliers and 143 million pula to foreign companies. ($1 = 10.6610 pulas) *(Reuters)*

Mining projects in Angola require investment of US$1.58 billion

Mining projects that have been identified and are ready to be launched in Angola will require an investment of US$1.58 billion, said the minister of Geology and Mining, Francisco Queiroz, in an interview with newspaper Expansão.

The project for iron ore exploration in Cutato-Cuchi, in the province of Kuando Kubango, has an initial investment of US$250 million and will create 3,500 jobs. Another one involving phosphates extraction in Lucunga, Zaire province, will cost the same amount of money, US$250 million, and is due to start before the end of the year.

The gold mining project in Mpompo, in Huila province, is at an advanced stage and will involve an investment of US$280 million and the create 300 jobs.

There are also diamond mining projects in Luaxi in Lunda Sul, which, according to Francisco Queiroz will be the largest of diamond mine in Angola and one of the world's largest. This project has planned investments of US$800 million and is expected to create 2,500 new jobs.

The minister of Geology and Mining also said that the implementation of the National Geology Plan (Planageo), at an estimated cost of US$405 million, is feeling the financial constraints that Angola is experiencing and is therefore only likely to be completed in 2018, compared to a previous forecast of 2017.

China and Spain are Angola's two partners in this endeavour, but the Angolan government is waiting for a third country to open another credit line for the programme, said Queiroz, cited by Angolan news agency Angop. *(Macauhub)*

Sibanye investing R3.9bn in gold mines

Mining company Sibanye Gold is forecasting a capital expenditure of R3.9-billion ($250-million) on its gold assets in its 2016 financial year. Sibanye CEO Neal Froneman told the European Gold Forum in Zurich that capital investment of R1.6-billion ($115-million) had been approved for below ground infrastructure projects at the Kloof and Driefontein gold mines on the West Wits, and R1.7-billion ($120-million) for development of the new Burnstone gold mine on the South Rand.

Declared reserves currently provided a quarter century of operating life for the company's gold mines, where there was also considerable uranium potential, Froneman added. Moreover, the company's surface tailings at the 55-year-old Cooke operation in Randfontein have high uranium reserves of 14.7-million pounds and uranium reserves at the 33-year-old Beatrix mine in the Free State, which last year produced 315 000 oz at all-in sustainable costs (AISC) of $865/oz, total another 11.7-million pounds. Permitting and detailed engineering work were also continuing on the West Rand Tailings Retreatment Project, the gold forum heard. The custodian of the world's ninth biggest gold reserve of 31-million ounces, which ranks third in AISCs after Newcrest and Barrick Gold, expects to produce 1.6-million ounces or 50 000 kg of gold in 2016, at an AISC of $840/oz or R425 000/kg. Its 64-year-old Driefontein gold mine, which produces at a level of 553 000 oz at an AISC of $780/oz, still has a mine life of 27 years and reserves of 19.8-million ounces of gold. The 48-year-old Kloof gold mine, which last produced 488 000 oz at an AISC of $825/oz and grade of 15.4 g/t, still has a mine life of 18 years and reserves of 6.5-million ounces. Bloomberg and INet report that Sibanye's shares are outperforming those of gold mining companies Barrick, Newmont, Gold Fields, AngloGold Ashanti and Harmony Gold. Since listing at $10.58 a share in February 2013, Sibanye reports that shareholders have received a total percentage return of 194% from a company that is leveraged to the rand/dollar exchange rate. With a market capitalisation of R53-billion, Sibanye has a wide geographic shareholder distribution that includes the US at 36%, South Africa at 31% and China at 20%. Its imminent entry into platinum mining is set to be the next step on its journey of “multi-commodity value creation”, facilitated by mining companies selling mines to cut debt. “We believe the platinum fundamentals remain positive, robust and sound,” Froneman told the forum. Sibanye is intent on removing the farm fences that keep Kroondal away from the suite of Rustenburg platinum mines that it is acquiring from Anglo American Platinum. It foresees operational synergies, direct cost savings and shared service benefits as it consolidates the acquired Rustenburg and Aquarius assets to become a top-five platinum producer with reserves of 15.2-million ounces of platinum, palladium, rhodium and gold, or four element (4E), which is a smidgen ahead of where calculations from company documents position Northam’s 15.1-million 4E reserves. Sibanye falls into sixth position globally when it comes to resources, but jumps back into fifth place on potential production of 1.1-million ounces of 4E a year, 0.7-million ounces of which will be platinum. *(Engineering News)*

South Africa may extend mining empowerment law talks

South Africa could extend consultations over a new draft law that has been opposed by mining companies who say it will impose unfair conditions on black ownership, the mining minister said.

The new draft of the Mining Charter says companies must be at all times at least 26 %black-owned, even if some of the black shareholders choose to sell out, in an ongoing effort to redress the imbalances of white apartheid rule. Mining companies argue that after they have complied with the 26 %black empowerment rule it shouldn't be their responsibility to continually monitor the balance of ownership. An initial 30 day consultation period began on Feb. 15 but the mining industry has argued that this is not long enough.

"Should it be necessary for us to go beyond 30 days that call will be made as the necessity arise," Mosebenzi Zwane told a business briefing. "Rather than us complaining about time, let's engage." The Chamber of Mines, which represents firms such as Anglo American and Glencore, says it was not consulted and the law comes at a difficult time for commodity producers due to depressed prices and rising costs. "We are saying it's a tough time and for us to regulate and go through these processes right now, the industry is taking strain," the chamber's president Mike Teke told Reuters. Failure to meet the empowerment targets could result in mining permits or rights being revoked. "This draft seems to me like all stick and no carrot for the industry. The whole situation adds another layer of confusion and ideally you want to have certainty," said a fund manager at a large South African firm.

A court process is underway to clarify the issue of "once-empowered, always-empowered" principle and this could have an impact on the draft bill. Zwane said investors should not be spooked by the bill as the process would be transparent and inclusive. "I don't foresee a situation where investors should be scared of people practicing their democratic right to engage," he told Reuters. "Let’s get real with the issues, let’s talk." *(Reuters)*

OIL & GAS

Sonangol discovers more oil in Angola

Angolan state oil company Sonangol has found oil and natural gas reserves in the basins of the Kwanza and Congo rivers that may total 2.2 billion barrels of oil equivalent, the company said in a statement. Sonangol said that those reserves, if they are confirmed, are sufficient to produce 2 million barrels of oil per day for three years and, in this period, allow Angola to reach its production target of 2 million barrels per day. These discoveries were made in the Lira-1 well of block 15/14 in the Lower Congo basin and Lontra 1 of block 20/15 in the Kwanza basin. “The test results confirm the presence of gas and condensate, and estimated post-drilling resources of 139 million barrels of condensate and 2.5 trillion cubic feet of gas, for a total of 570 million barrels of oil equivalent”, the statement said. Sonangol also announced the commercial viability of the Katambi-1 well in block 24/11, in the Kwanza basin, whose production will be shared with BP. The Angolan state company also said Katambi-1 has estimated reserves of 280 million barrels of condensate, 8 billion cubic feet of gas, for a total of 1.7 billion barrels of oil equivalent. *(Macauhub)*

State oil company announces new hydrocarbons

Angola's state-owned oil company, Sonangol, says that it has found significant new oil and gas reserves in several blocks in the country's Kwanza and Congo basins. According to the firm, these could yield as much as 2.2bn barrels of oil equivalent. If the reserves are confirmed, they would enable Angola to reach its production target of 2m barrels/day (b/d) of oil, according to Sonangol. The firm's often cited 2m-b/d target has been repeatedly pushed back, because of technical problems and rapid depletion of existing reserves-and since mid-2014 production targets have been further threatened as international operators scale back their Angolan business to cut costs.

However, although these new discoveries are positive, and certainly present a significant opportunity for Angola's oil industry, it takes several years to move from oil exploration to revenue-delivering production. Significant capital investment-currently in short supply among the international operators, which are also struggling because of the low price of oil-will also be required. Much of Angola's oil and gas is found in deep and ultra-deep water, where the need for highly specialised equipment and skilled employees makes drilling expensive. Expenditure onshore (for example for workers' accommodation and local services) can also be significant, and paperwork delays cause regular headaches. Although most contracts are based on cost recovery, the large initial outlay can be a deterrent for firms. During these lean times, despite its potential, Angola is likely to lose oil business to other countries where operations are cheaper and processes smoother. All of which suggests that the latest 2m-b/d output target-in 2017-is also likely to be missed. In 2015 Angola had an average oil production rate of 1.76m b/d, and Sonangol expects this to rise to a probably over-optimistic 1.88m b/d in 2016. *(Economist Intelligence Unit)*

Nigeria Grapples With Abrupt End to Rapid Growth

Dwindling oil revenue puts brakes on Africa's top economy, sparks a currency crisis and long lines for gasoline

In Africa's top economy, the oil bust is beginning to hit the streets. With 187 million people, and trillions of dollars in untapped crude oil, Nigeria was meant to power Africa's rise. Instead, it is becoming—for the moment—a symbol of how fast and far low oil prices have dragged emerging markets down.

Months of dwindling oil revenue have prompted a scarcity of dollars here, as the government hoards foreign currency to safeguard shrinking reserves. That is starting to hit Nigerians rich and poor alike: On the 18th April, the country's stock market fell almost 3% on news that MSCI is considering removing the country from its benchmark frontier markets index.

Meanwhile, the World Bank said Nigeria's economic growth slid to 2.8% in 2015 from 6.3% the year before, and the International Monetary Fund says this year's growth will slip to 2.3%, slower than the population, which adds 13,000 people daily. Factories are closing because they can't find dollars to import parts. Supermarkets are struggling to keep shelves stocked. Power plants have virtually stopped producing electricity because they can't pay for maintenance. New shopping malls are empty and ordinary citizens are going to lengths to find some basic goods. To keep his economy growing, President Muhammadu Buhari is traveling to China this week, hoping to secure a multibillion-dollar loan for new infrastructure, including railroads, spokesman Garba Shehu said. This year, Nigeria may issue its first yuan-denominated bond, Finance Minister Kemi Adeosun said on Saturday. Back home, Africa's top oil producer is unable to import enough gasoline. Drivers in this city of 21 million have spent days inching through miles-long lines to fill their tanks at the few pumps still operating. To keep order, soldiers snap whips at oil can-toting line-jumpers and break up fights between exasperated drivers. "We are hungry and angry," said Victor Eten, a taxi driver who slept in his cab for three days to buy gas. "No shower, no toothbrush.…If this continues, there will be big trouble."

Until recently, Nigeria and its economic capital were symbols of Africa's new consumer class. Cineplexes, car dealerships and a fast-food arms race—KFC and Domino's, among others, opened here—spoke to the aspirations of the continent's largest city, Lagos. A decade of 7% economic growth brought Nigeria close to entering the world's 20 largest economies. It also lured home Nigerian talent from jobs and schools in the U.S. and Europe.

These days, the euphoria has dimmed in Africa's most populous nation. The government, which sees the downturn as an opportunity to industrialize—breaking Nigeria's dependence on imports in an economy that relies on oil for three-quarters of revenue—also concedes that its constituents could face years of pain. "It will take a minimum of 18 months before we begin to see a recovery," said presidential spokesman Femi Adesina. "Through deft economic engineering, things will bounce back, but it's not going to be magic. It's not going to be overnight."

Mr. Buhari has made progress in beating back the jihadist insurgency Boko Haram since taking office in May. Soldiers now hold down towns and highways once controlled by the Islamist group, whose violence occurs far from the country's economic nerve center.

He is also making moves against corruption: Each day at 3 p.m., the new finance minister calls a different government agency and combs through its expenditures, item by item.

But on the streets, daily frustrations are mounting. Electricity is so scarce that the country's national power plants didn't produce a single watt for several days last week—they couldn't import parts and services, said two senior members of Mr. Buhari's administration. Internet providers face similar woes.

Nigerians abroad are stuck with ATM cards they can't use because the central bank has limited withdrawals outside the country. Bitcoin trades are up as Nigerian professionals scrounge for ways to move money—and increasingly, themselves—out of the country. "The structural worry I see is the middle class," said Keith Richards, a Guinness executive who has worked in Nigeria for four decades. “We could see an exodus of the future of this country. People are already leaving.”

Mr. Buhari says he hopes the scarcity of foreign goods will lead Nigerians to buy from their own farms and factories, sparking an industrial renaissance. Many new regulations encourage people to use Nigerian steel, eat local rice, and spend within the country’s borders. To show his commitment, the central bank governor recently buried his mother in a made-in-Nigeria funeral, with food, drink and decorations all sourced locally: “The central bank governor practiced what he preached,” said one senior bank official.

Civil servants have been particularly hit: Mr. Buhari says his government inherited an empty treasury after crude prices collapsed starting in 2014. Twenty-seven of the country’s 36 states are struggling to pay civil servants, he has said. He has asked lawmakers to cut spending, but they have balked, leaving the president without a budget he is willing to sign.

Revenue recently took a second hit when saboteurs went underwater to break open a pipeline that carries 130,000 barrels of crude a day. The government says that attack, which it sees as a political move to undermine the president, cost the state $122 million in February alone.

Aggravating the oil shock is a mounting foreign-currency crisis. In a bid to defend the naira, Nigeria’s central bank has sharply restricted the availability of dollars. A weekly committee stipulates which banks are allowed to sell dollars and to whom, for what purchases, and at what price.

The result: Businesses are increasingly unable to get the foreign exchange they need to import spare parts, pay off foreign lenders, travel internationally, and keep the economy running. Nigerians entrepreneurial enough to find dollars sell them for as much as twice the official exchange rate in back-alley trading shops, restaurants and on the street.

Mr. Buhari’s administration, which rode into power in May 2015 with a pledge to oust corruption, is running out of political room to act. Last year, his supporters danced at rallies waving his campaign logo—a broom—signifying a clean start. In recent months, newspapers have run stories about disenchanted voters burning brooms in bonfires. “They’ve got to get started,” said Bismarck Rewane, managing director of Lagos research firm Financial Derivatives Co. “People are getting a bit impatient. That means there has to be action…There’s some tension growing.” From her laptop emporium in a four-story Lagos mall, saleswoman Joyce Nwando has watched young professionals who were meant to power her country’s rise vanish. A year ago, selfie-snapping shoppers packed the food court: “It used to be that everything that happens in Lagos happens here,” she said. Now, many stores are vacant, the lights are often off and some shopkeepers say they may close in the next few months. On Friday, a 3-D theater upstairs was about to screen the debut of “Batman v. Superman.” Not a single customer was there. “People really don’t have the money,” said the theater’s general manager, Franson Davis. “Everybody is just waiting for the light at the end of the tunnel.” *(Wall Street Journal)*

The case for gas as South Africa prepares way for gas-to-power procurement

The Department of Energy (DoE) says development of South Africa’s gas industry could be anchored on the demand from its imminent gas-to-power programme.

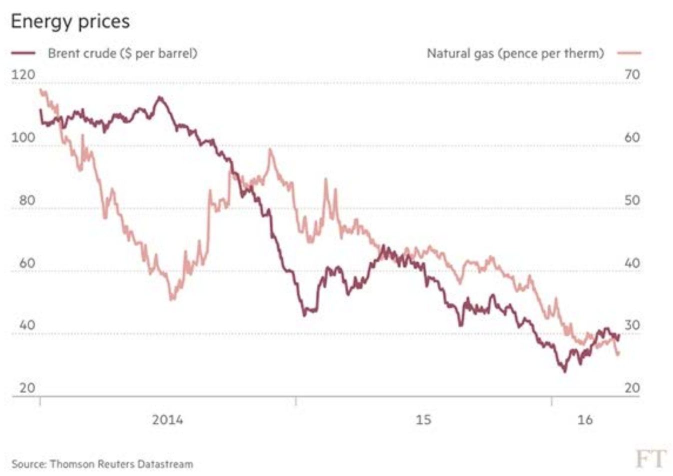
That makes Gas-to-Power a milestone not just for power generation, but also for South African industry to access a natural, cleaner and cheaper fuel with which to drive economic growth and industrialisation. It could position the country as an African gas leader, ready to take advantage of the continent’s rapid discovery and adoption of gas. The DoE’s gas-to-power Independent Power Producer Programme plans to procure 3 126 MW of energy, and says it is an opportunity for the private sector to partner with government. Consortia of bidders will have the opportunity to bid for the programme in the ports of Saldanha, Richards Bay and Coega, according to DoE. The department estimates that private sector investment related to the gas-to-power programme will be R64-billion over the next four to five years, including port, pipeline, power generation and transmission infrastructure. A further 1 500 MW of gas-to-power has also been approved by the national energy regulator.

Government policy and planning is now aligned behind gas, and rapid implementation of gas-to-power will be enabled with private sector technology, experience and investment. There will never be a better time for South Africa to adopt gas as a reliable and cost-effective source of power. Gas-to-power is a proven technology deployed in thousands of installations worldwide, reliably delivering power and security of supply at competitive prices for peak demand periods. It is quick to install and has a favourable carbon footprint. Gas power becomes even more competitive as coal prices rise, gas prices fall, and carbon taxes are implemented. Gas can be used as a less expensive alternative to diesel to meet peak demand, as a very flexible supply to complement fluctuating power supplied by South Africa’s renewable-energy sector, or for baseload power. In its September 2015 study, ‘South Africa’s big five bold priorities for inclusive growth’, McKinsey says natural gas would not just diversify South Africa’s energy mix but also unlock new industries. Decisive moves to encourage investment in gas-to-power would position South Africa well for down-stream manufacturing and servicing for a burgeoning sub-Saharan African gas sector. The capital costs for gas turbine power stations are much lower than their coal and nuclear equivalents. Gas-fired power plants can be quickly powered up and down to meet fluctuating demand. This means gas can increase the flexibility already provided by the country’s existing hydropower capacity and pumped storage schemes. Open-cycle gas turbine power stations can be built in less than two years, and combined cycle plants in less than three years. And because gas turbine power stations tend to be smaller, the benefits of localisation can be spread more evenly around the country. Gas is a reliable power source. It will also add to South Africa’s reserve capacity, and contribute to improving grid stability whilst reducing carbon emissions. It is a critical existing proven technology and forms the basis of industrial development in its own right. The Department of Trade and Industry's 2015 Industrial Policy Action Plan refers to the profound potential for transformative gas industrial policy, and calls for "ongoing work to develop a roadmap for gas-based industrialisation". The National Development Plan includes gas in its proposed energy mix. Gas-to-power generation featured in President Jacob Zuma's 2016 State of the Nation address, and in Finance Minister Pravin Gordhan's recent Budget. The 2013 update to the 2010 Integrated Resource Plan (IRP) explicitly recognises the case for gas-to-power infrastructure. Eskom currently runs four open-cycle gas turbine (OCGT) power stations with a combined capacity of 2 400 MW. The two biggest are Ankerlig (1 327 MW) in Atlantis, Western Cape, and Gourikwa in Mossel Bay (740 MW). They currently run on diesel, at vast expense. Based on last year's load factor the capital cost of converting Ankerlig and Gourikwa to run on gas could be recouped through the savings on diesel in less than a year, and both plants would be 10% more efficient. New combined cycle gas turbine power stations produce less than half the carbon emissions of new coal plants (388 kg/MWh as compared with 947 kg/MWh for coal). Gas-to-power produces 30% less CO_2 emissions than the diesel or petrol equivalent. A new power station built in Düsseldorf, Germany, and commissioned in January 2016 recently broke three world records as the most efficient and environment-friendly gas-fired power plant on Earth. The Düsseldorf facility burns natural gas with an overall efficiency rate of 85% and is helping Düsseldorf to reach its goal to become climate-neutral by 2050. In South Africa, government has a key role in the unlocking of the full potential of gas, including regulation to encourage investment, facilitation of infrastructure, and skills development. And South Africans would do well to look abroad at the thousands of gas-fired turbines in service internationally, delivering hundreds of thousands of hours of reliable service, at low environmental cost, and to economies which we should aspire to be like. Globally, 20% of electricity is generated by gas. In South Africa it is close to zero. But it looks as if we might be about to start catching up. *(Engineering News)*

Gas find on Mauritania-Senegal border comes with challenges

When Mauritania first struck oil 15 years ago, many hoped the country would join the big league of African energy exporters. However, oil has been a huge disappointment. The Chinguetti field, lying just off the Atlantic coast, produces a fraction of what was initially hoped. There is excitement, however, about the future of Mauritanian energy because of confirmation this year of the discovery of a large gasfield on the country's border with Senegal.

US company Kosmos Energy said in March that it had made a fourth significant gas find offshore, and would be developing a large liquefied natural gas (LNG) project. The latest find extended estimates of the field's gross resource from 11tn to 15tn cubic feet of gas and could turn the desert nation of Mauritania into a significant natural gas exporter.



The challenges are considerable, however. First, the gasfield is split almost exactly in half by Mauritania's border with Senegal, so it will require both governments to work closely together to bring the project to life.

They will have to co-operate over the costs and spoils of the development, as well as over security, social and environmental issues. A model would be the Frigg gasfield between the UK and Norway, which share spending and output. This year, Kosmos signed an agreement with Société des Pétroles du Sénégal and Société Mauritanienne Des Hydrocarbures et de Patrimoine Minier, the national oil companies of Senegal and Mauritania. This set out the principles on which a formal agreement will be based. "The two governments recognise the potential benefits of the project — they know what is at stake — and they are motivated and working together very well. We have been pleased by their engagement and level of co-operation," Kosmos said in a statement. Thierno Alassane Sall, Senegal's energy minister, told state television this year after the find: "This is the best news possible for our country," adding it would allow Senegal "to be self-sufficient in energy and also export gas to the rest of the world".

Kosmos, a New York-listed group, said that the new LNG project would provide international exports and domestic supply to the two countries. But whether Kosmos goes for an onshore or offshore LNG facility, infrastructure to transport the gas into Mauritania will need to be built so it can be used domestically, not just for export.

The Mauritanian government, with funding from the World Bank, is already working on a project to turn gas from the Banda field, just off the coast near Nouakchott, into electricity with an 180MW power plant and a 120MW second phase extension.

The plan is to use the electricity for domestic consumption but also to develop the infrastructure to export it to Senegal and Mali.

But these are complex projects and analysts say that the development of the power infrastructure will not be easy.
Gaston Sorgho, country head for the World Bank, says that the gas find was “a huge opportunity” for Mauritania but also “potentially a threat” if policymakers do not respond well. He says it could lead the government to reduce its focus on diversifying the wider economy. One consultant based in Mauritania says the gasfield is an opportunity for the country to show international investors that it can manage big projects. The gas, however, is unlikely to be of any benefit to the country until at least the early 2020s.
The Kosmos discovery has also boosted hopes for oil finds in the basin. “Based on our well results and seismic data, we are confident in the basin’s potential to hold both significant gas and oil resources,” the company said in a statement.
Western oil companies are still searching for oil around Mauritania, among them France’s Total. Privately, many in the government are not hopeful about transformational finds there given the disappointing outcome of the Chinguetti field. *(Financial Times)*

RETAIL

AB InBev Pledges South African Fund to Ease SABMiller Deal
Brewer to create $69 million investment fund, offer other commitments

Anheuser-Busch InBev NV said it reached an agreement with the South African government to create a $69 million investment fund and other commitments designed to help it secure regulatory approval of its acquisition of rival SABMiller PLC.
The roughly $108 billion deal between the world’s two largest brewers is being evaluated by South Africa’s Competition Commission. The agency recently asked for an extension of its review because it had concerns about the merger. Among the things it is evaluating is the deal’s impact on so-called public interest, which includes unemployment.
AB InBev’s commitment appears to address potential unemployment concerns. The company said it has agreed that no employees in South Africa would lose their jobs as a result of the merger. It also committed to maintain the same number of employees SABMiller has in South Africa for the five years after the deal closes.
Additionally, AB InBev said it would invest $69 million to support farmers, local manufacturing, jobs and the reduction of harmful alcohol use. Some of that money will fund 800 new “emerging farmers” and 20 new commercial farmers, who will produce barley, hops, maize and malt for the company.
AB InBev also committed to expanding barley production so that South Africa can become an exporter of malted barley used in beer. Currently, it imports barley.
South African regulators still need to approve the deal, but South African Minister of Economic Development Ebrahim Patel said in a statement that the commitments meet the requirements of the country’s competition laws. He said AB InBev’s commitments “ensure that the (SABMiller) transaction has a net benefit for the country. The commitments made by the company are the most extensive merger-specific undertakings made to date in a large merger.”
AB InBev said the commitment agreement will be provided to South Africa’s Competition Commission for consideration in its review of the merger’s effects on competition and public interest. Following its review, the commission is expected to take a position on the merger. The Competition Tribunal, a separate body, will consider that position and determine whether the merger can proceed.
By striking a commitment agreement, AB InBev is trying to avoid a protracted regulatory review in South Africa. The country’s emphasis on protecting jobs after a merger has contributed to lengthy reviews of other global deals such as the soft-drink bottling tie-up among Gutsche Family Investments, Coca-Cola Co. and SABMiller. The deal was agreed to in November 2014 but hasn’t been completed.
CLSA analyst Caroline Levy said the agreement is a positive step and puts the AB InBev-SABMiller deal on schedule to close in the second half of the year. The company also needs regulatory approval in the U.S., Europe and China. “They still have a lot to do, but…this is a big one because South Africa is a lot of the reason they want this deal,” Ms. Levy said.
SABMiller has a strong presence in Africa, one of the few global beer markets expected to grow in the coming years with a compound annual growth in volume of 3.7% through 2020, according to industry tracker Plato Logic. “We are excited about the growth opportunities and the role South Africa will play in our combined business,” AB InBev Chief Executive Carlos Brito said in a statement. He added that the company’s “commitments seek to build on” SABMiller’s history in South Africa. *(Wall Street Journal)*

AGRIBUSINESS

GWK invests R400m in Northern Cape agriprocessing facility

Farmer-owned agribusiness GWK unveiled its R400-million GWK Farm Foods wheat mill, pasta plant and biscuit factory in Modder River, the Northern Cape, which was was completed on time and within a deviation of less than 2% of original cost projections. Of the R400-million, R60-million was invested in expanded silo capacity to service the new facility. More than 400 temporary employment opportunities were created during construction, with 88 contractors and 48 subcontractors involved at different times. More than 100 permanent jobs were created at the new plant. The new

agroprocessing plant boasted a capacity of 25 t/h for wheat flour, 1.3 t/h for biscuits and 1 t/h for pasta. GWK Farm Foods, a subsidiary of GWK, would initially produce wheat flour, pasta and biscuits under the new Nature’s Farms brand, in addition to its already established maize meal products. Print Send to Friend 0 0 GWK MD Pieter Spies revealed that other food products from GWK farms would also be brought to market under the new brand as consumer demand dictated, or where the GWK team identified opportunities to enter more categories with new products. Spies added that the company was very selective in terms of the new product line’s route to market.
“As part of GWK’s business strategy, implementing the best technology to produce Nature’s Farms products and honouring the farmer produce was crucial in the planning phase. This has allowed us to take ownership of the value chain, to implement product diversification and to produce premium goods while keeping cost as low as possible,” he said. *(Engineering News)*

Guinea Bissau sets cashew farmgate price at 61 cents per kg
Guinea Bissau has set the farmgate price to 350 CFA francs ($0.6067) per kg for cashews for the April-to-September commercial campaign, a 40 %increase over the price last season. Cashew is the main export crop for Guinea Bissau and aims to export at least 200,000 tonnes this season, up about 11 %from 2015, Prime Minister Carlos Correia said at the launch of the cashew season. Guinea-Bissau's main trading partner for its crop is India, itself a cashew producer, but it will enter the markets of China and Vietnam this season. ($1 = 576.9200 CFA francs) *(Reuters)*

Cotton in Mozambique already has prices for 2015/2016
The National Forum of Cotton Producers (FONPA) of Mozambique and the Cotton Association of Mozambique (AAM) agreed at a meeting held in Nampula, to present cotton prices to the government for the current year, in which the harvest is expected to reach 70,000 tons The two institutions have agreed that for the present marketing year the price charged will be 14.50 meticais per kilo of top quality seed cotton and 10.50 meticais for second grade seed cotton. In 2014/2015 first grade seed cotton was traded at a price of 11.75 meticais and second grade at a similar price to the one proposed for this year. The Mozambican Cotton Institute forecasts that cotton production will reach 200,000 tons in 2020. In 1972/1973 cotton production reached 144,000 tons but these values have been decreasing over the years. China and Bangladesh remain the largest importers of cotton from Mozambique. *(Macauhub)*

Namibe tomato concentrate factory in Angola postpones launch
The beginning of tomato concentrate factory production in Giraúl de Baixo in the Angolan province of Namibe, has been postponed due to a lack of raw materials, Angolan news agency Angop reported. The head of the factory, Vicente Monder Jar, said the shortage of tomatoes is causing a price increase in the product affecting the viability of the plant. The same official said that the start of production had now been shifted to the month of June. The plant cost 600 million kwanzas and is planned initially to produce concentrated canned tomatoes in 50 litre drums and packs for household use. In addition to tomato concentrate, the plant will also produce juices and tomato jam. *(Macauhub)*

Angola wants to be self-sufficient in poultry production
Angola’s minister for agriculture, Afonso Pedro Canga has called on chicken producers to produce more in order to reduce the existing deficit, according to newspaper Jornal de Angola. Canga, who was speaking at a meeting with businesspeople, considered that Angola can be self-sufficient in the sector but that the producers have to invest and produce more. In 2015, the country imported 360,000 tons of chicken, which cost the government US$450 million. “If, by next year, there is no additional investment in the poultry sector, national coverage will be only at around five per cent,” he said. The minister said that although Angola has immense potential to achieve self-sufficiency in this sector, the country spends large sums of foreign exchange on importing chicken. The provinces of Bengo, Kwanza Sul, Benguela and Luanda are those with the highest levels of chicken production, however, this does not cover the needs of the domestic market. The president of the Angolan Investment Association (AIA), José Severino, said poultry meat must also be produced in the interior of Angola and not just the coastal cities or in areas linked to the coast, because these areas have a larger amount of grains. *(Macauhub)*

UPCOMING EVENTS

World Economic Forum on Africa 2016 Kigali, Rwanda 11 - 13 May 2016
http://www.weforum.org/events/world-economic-forum-africa-2016

2016 AfDB Annual Meetings to focus on energy and climate change will take place from Monday, May 23 to Friday, May 27, 2016 at the Mulungushi International Conference Centre in Lusaka, Zambia.
Full details on registration will be announced shortly, and a dedicated website will follow.

The 3rd Annual Egypt Power Infrastructure & New Energy Investment Conference May 31 and June 1, 2016 in Cairo
administration@euroconventionglobal.com

FT Oil & Gas Transformation Strategies - Beyond Fossil Fuels? Surviving and Thriving in a New Energy Order London 01 June 2016
https://live.ft.com/Events/FT-Oil-Gas-Transformation-Strategies

West African Mining and Power Exhibition (WAMPEX) 2016 1 to 3 June 2016 at the Accra International Conference Centre in Accra, Ghana
www.exhibitionsafrica.com

Africa Oil & Power: 6–7 June 2016, Cape Town – South Africa - The Westin Cape Town
Register: register@africaoilandpower.com
www.africaoilandpower.com

18th annual Africa Energy Forum (AEF) 21-24 June 2016 2016 - The Intercontinental 02 London
http://africa-energy-forum.com/

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Disclosures

Eaglestone was founded in December 2011 with the aim to be a committed partner for the development of businesses located primarily in Sub-Saharan Africa and to support the development of renewable energy projects on a global basis.

The company has three business activities - financial advisory services, asset management and brokerage - and currently has offices in Amsterdam, Cape Town London, Lisbon, Luanda and Maputo

Eaglestone is committed to operating and behaving according to the highest standards of corporate governance. Its subsidiary in the United Kingdom is authorized and regulated by the Financial Conduct Authority.

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