

## Monthly Macro Overview: Africa

**May 2017**

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### Monthly updates

#### Angola

- ◆ Oil output dropped in March, but higher export prices brought revenue up.
- ◆ Angola to grow 1.3% in 2017, according to the IMF, after stagnating in 2016.
- ◆ Moody's confirmed B1 rating, also maintaining its negative outlook.
- ◆ General elections to occur on August 23rd 2017.

#### Mozambique

- ◆ IMF expects 4.5% GDP growth in 2017, gradually accelerating henceforth.
- ◆ The start of operations in the floating LNG platform should provide a boost to economic activity in 2022.
- ◆ Renamo leader extended a permanent ceasefire.

#### South Africa

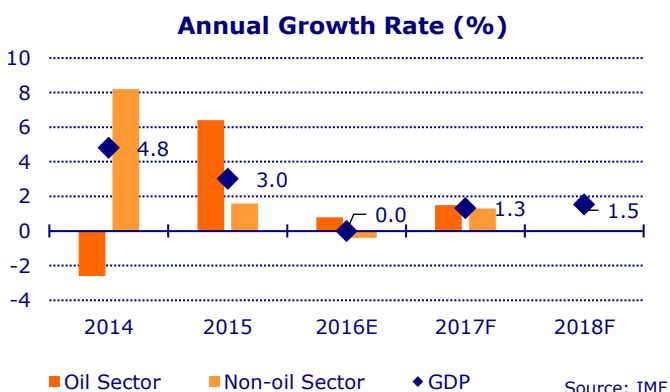
- ◆ IMF still expecting 0.8% GDP growth in 2017; 1.6% in 2018.
- ◆ The Fund advised the country to implement structural reforms.
- ◆ March annual inflation dropped to 6.1%, close to the target interval defined by the SARB of 3%-6%.

# Angola

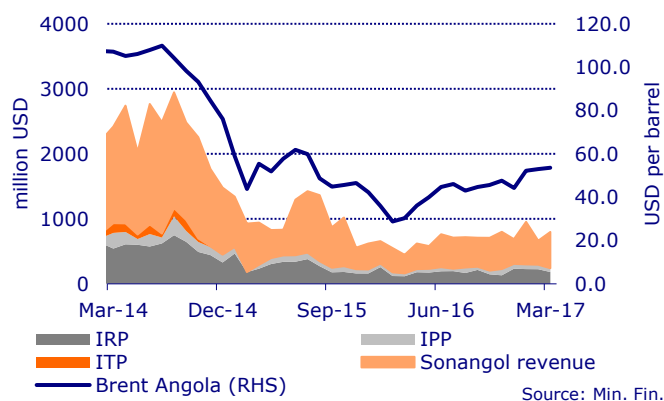
## Oil output decreases, higher prices pull revenue up

- ◆ **Oil exports dropped in March, both compared with the previous month and with March 2016.** Exports amounted to 1.53 million barrels per day (mbd), a year-on-year decrease of 1.5% (-3.0% mom). In the first quarter, the number of barrels exported was 8.2% lower than in the same period of 2016. Prices, on the other hand, were up, averaging USD 53.58 per barrel in March (USD 52.89 in the previous month); the average price increased 77.1% yoy. Consequently, export revenue in dollars was up 74.5% yoy (+1.6% mom). Oil tax revenue also surged up (+79.1% yoy). For the whole quarter, export revenue rose 53.3% yoy, while oil tax revenue increased 46.2% yoy.
- ◆ **According to the IMF, the Angolan economy will grow 1.3% in 2017, following a year of stagnation.** For the remainder of the period up to 2022, the oil-exporting country should see its economy expand at an average rate of 1.4%, well below the better performance of the years before the decrease in oil prices. Moreover, the Fund expects inflation to start decelerating throughout 2017, however still averaging 27%. The institution predicts the budget deficit to enlarge, at 5.8% of GDP this year, from an expected 4.1% in 2016.
- ◆ **Moody's confirmed the sovereign rating at B1, having also kept a negative outlook.** The agency mentions various positive factors sustaining the current rating: an improvement in the macroeconomic outlook, in part due to rising oil prices, broad fiscal consolidation, allowing to keep the budget deficit and public debt at a similar level to other B1-rated economies; also, the preservation of a buffer in international reserves, along with a decrease in external vulnerabilities. There are, however, still some risks that, if confirmed, could lead to further downgrades: financing needs are still high, leaving the Government vulnerable to debt rollover difficulties in the case of another currency devaluation; public spending faces upward pressures in the context of this year's elections; finally, there is still a very much alive dilemma, regarding how to sustain the current level of international reserves and ensure at the same time a steady flow of dollars to the economy.
- ◆ **General elections are now scheduled to occur on August 23rd, according to a decision by President Dos Santos.**

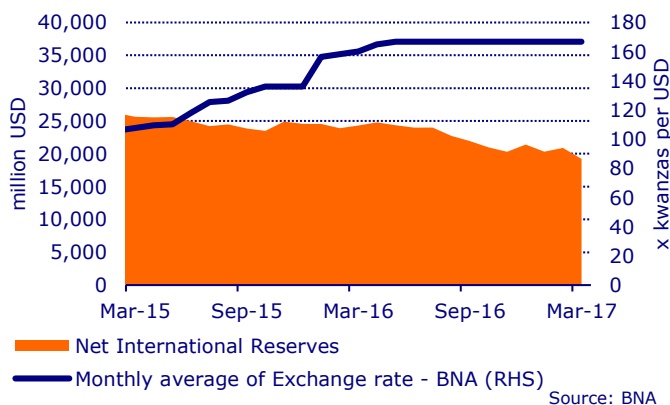
Growth will be slower henceforth, according to the IMF.



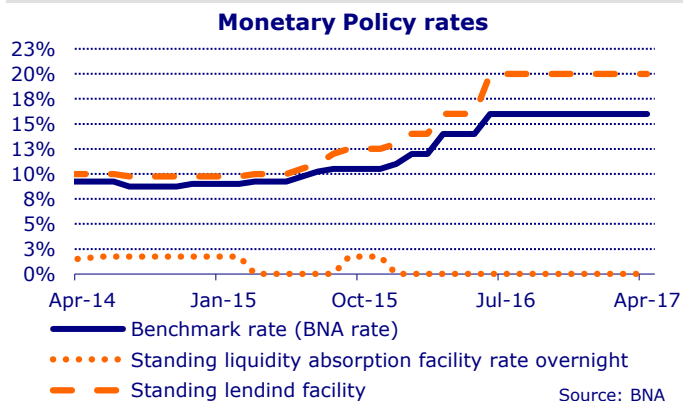
Oil tax revenue rose year-on-year in March.



Reserves dropped in March to USD 19.2 billion, its lowest level since April 2011.



Monetary policy rates remained stable again in the end-April meeting.



# Mozambique

## IMF less optimistic in short-term, expects economic boom in 2022

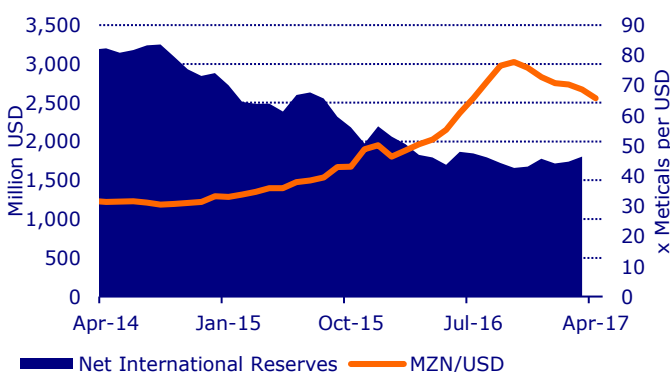
- ◆ **The IMF is now slightly less optimistic regarding the short-term outlook for the Mozambican economy.** At its World Economic Outlook April report, the Fund revised down its economic growth forecasts, expecting a 4.5% expansion in 2017 (-1.0 percentage point (p.p.) in comparison with the October 2016 scenario), which nevertheless still entails an acceleration in the pace of growth, following the less bright performance in 2016. According to the Washington-based institution, Mozambique should see a scenario of gradual increase of pace, as its economy expands 5.5% in 2018, 6.0% in 2019 and 6.5% both in 2020 and 2021; on the other hand, the Fund expects a very robust expansion in 2022, when economic activity will grow 14.9% - this prediction relies on the expectation that the new floating liquefied natural gas (LNG) platform starts to operate around that time. This platform, which is to be built in Area 4 (Coral), should be the object of a final investment decision until the end of this year. Public debt is expected to have peaked in 2016 (at 115.2% of GDP), and to gradually decrease from that year on, amounting to 106.9% of GDP in 2017 and 79.0% in 2022. The reduction in public debt will benefit from a period of fiscal consolidation: the budget deficit is to decrease in the period between 2017 and 2022, from 6.2% this year to 2.4% in the last year forecasted. Inflation should also present a much more benign behavior, at an average of 19% in 2017, further dropping to 10.6% in 2018, and then remaining below 6% throughout the remainder of the forecasted period.
- ◆ **Afonso Dhlakama, leader of Mozambique’s Renamo opposition party and rebel movement extended a permanent ceasefire, as part of an agreement reached with the government.** There have been episodes of violence between to two sides since Renamo contested the results of the 2014 elections. There had been previous ceasefires during peace talks between Renamo and the ruling party Frelimo; however, these were 60-days ceasefires which were subsequently renewed. According to Dhlakama, “this truce will be different from those we announced in the past. I am now declaring a truce without deadline”. This, in turn, is likely to be a significantly positive factor for the Mozambican economy, decreasing uncertainty and making the country more appealing to foreign investment, while allowing for the normal development of economic activity.

### IMF expects a gradual improvement of the economic situation.

		IMF forecasts					
		2017	2018	2019	2020	2021	2022
Real growth rate	%	4.5	5.5	6	6.5	6.5	14.9
WEO October 2106		5.5	6.7	6.7	6.8	6.8	-
Inflation rate	%, period average	19.0	10.6	5.8	5.5	5.6	5.6
WEO October 2106		15.5	8.0	5.6	5.6	5.6	-
Budget balance	% GDP	-6.2	-5.7	-5.0	-4.0	-3.1	-2.4
WEO October 2106		-4.0	-4.0	-2.8	-3.0	-2.4	-
Gross public debt	% GDP	106.9	103.6	99.9	95.4	90.1	79.0
WEO October 2106		103.2	96.1	90.3	86.0	81.8	-
Current account balance	% GDP	-34.8	-64.3	-99.7	-125.3	-151.2	-140.8
WEO October 2106		-28.3	-62.4	-96.0	-123.1	-146.4	-

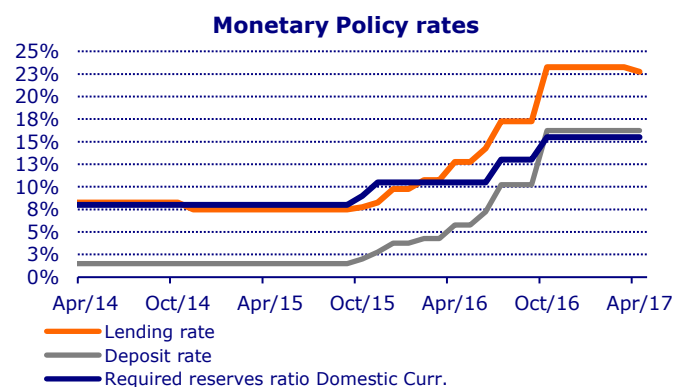
Source: IMF (WEO April 2017 & October 2016).

### Net International Reserves have been increasing, while the Metical appreciated against USD.



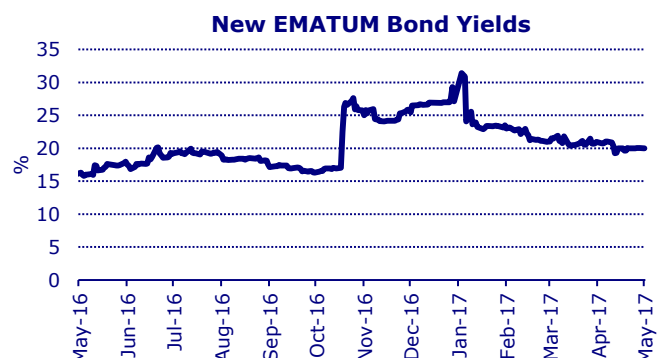
Source: Bank of Mozambique; Bloomberg

### Bank of Mozambique decreased the marginal lending facility rate.



Source: Bank of Mozambique

### Yield stabilized around 20%, far from the peak set at the beginning of the year (31%).



Source: Bloomberg

## South Africa

### IMF keeps economic growth forecasts unchanged

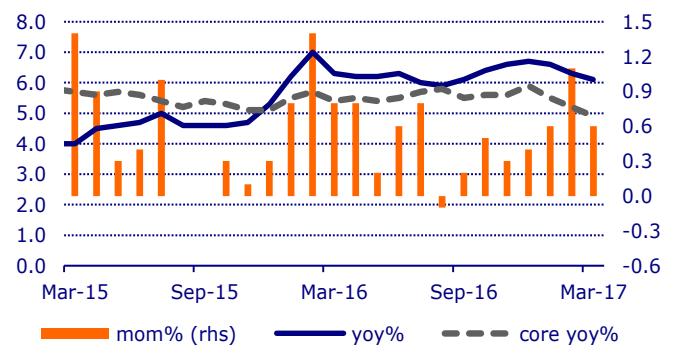
- ◆ **The IMF kept its growth outlook unchanged, regarding 2017 and 2018.** At the April 2017 World Economic Outlook, the IMF affirmed its prediction of an economic recovery of the South-African economy this year and the next, although at a moderate pace. Economic activity is expected to increase 0.8% in 2017, and to surge 1.6% in 2018. This year, the recovery is likely to be supported by a set of 3 different factors: firstly, there should be an increase in commodity prices this year; also, the drought experienced by the country in the previous year is expected to become much less severe; finally, electricity generation capacity is forecast to increase in 2017. The Fund underlines the need for the country to adopt structural reforms, in order to boost the confidence of economic agents, and to promote private investment and economic growth. This is all the more important given the restrictions faced by the monetary and fiscal arms, respectively regarding the control of inflation and the public debt level.
- ◆ **Annual inflation decelerated again in March, coming closer to the target interval defined by the South African Reserve Bank (3%-6%).** The year-on-year increase in prices dropped 0.2 percentage points (p.p.) to 6.10% in March, the third month in a row of decreases. Core inflation also decelerated, from 5.2% yoy in February to 4.9% yoy in March. In comparison with the previous month, the consumer price index rose 0.6%. One of the main contributions for the upward pressure felt lately in prices has been the food component, mostly due to the drought which has been affecting production; thus, it is positive to verify that this effect has been waning in the last few months—in March only 3 (out of 9) categories of food prices recorded monthly increases, as compared with 6 categories in February. The overall foods inflation rate dropped to 8.7% yoy in March, from 10.0% yoy in the previous month.

#### IMF expects gradual acceleration in economic growth.

		IMF forecasts			
		2016 Prel.	2017 F	2018 F	2019 F
Real GDP growth rate	yoy chg., %	0.3	0.8	1.6	2.2
Inflation rate	period avg., %	6.3	6.2	5.5	5.5
Unemployment rate	%	26.7	27.4	27.7	27.8
Budget balance	% GDP	-3.5	-3.5	-3.4	-3.3
Gross Public Debt	% GDP	50.5	52.4	54.0	54.5
Current Acc. Balance	% GDP	-3.3	-3.4	-3.6	-3.8

Source: IMF (WEO April 2017)

#### Annual inflation rate has been decreasing for the 3<sup>rd</sup> consecutive month, bring closer the 3%-6% target



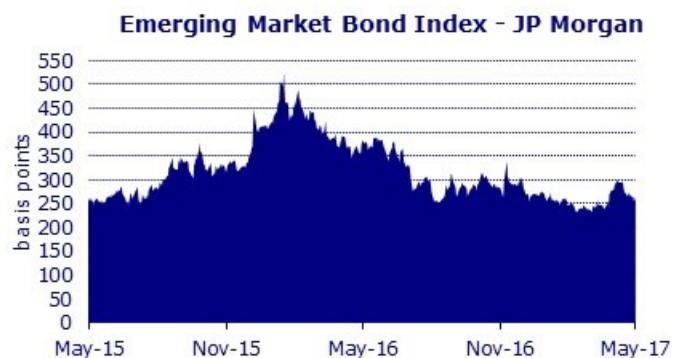
Source: Bloomberg

#### Central bank sees inflation coming down to its interval target.

		Central bank forecasts										
y/y%		2016 Q1	Q2	Q3	Q4	2017 Q1	Q2	Q3	Q4	2018		
Inflation		6.3	6.4	5.8	5.8	5.6	5.9	5.2	5.4	5.5	5.5	5.4
Core		5.6	5.4	5.5	5.4	5.3	5.4	5.1	5.1	5.2	5.3	5.2
GDP		0.3	-	-	-	-	1.2	-	-	-	-	1.7
Current Acc. Balance (% GDP)		-3.3	-	-	-	-	-3.2	-	-	-	-	-3.9

Source: SARB

#### Investors are concerned about political turmoil.



Source: Bloomberg

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