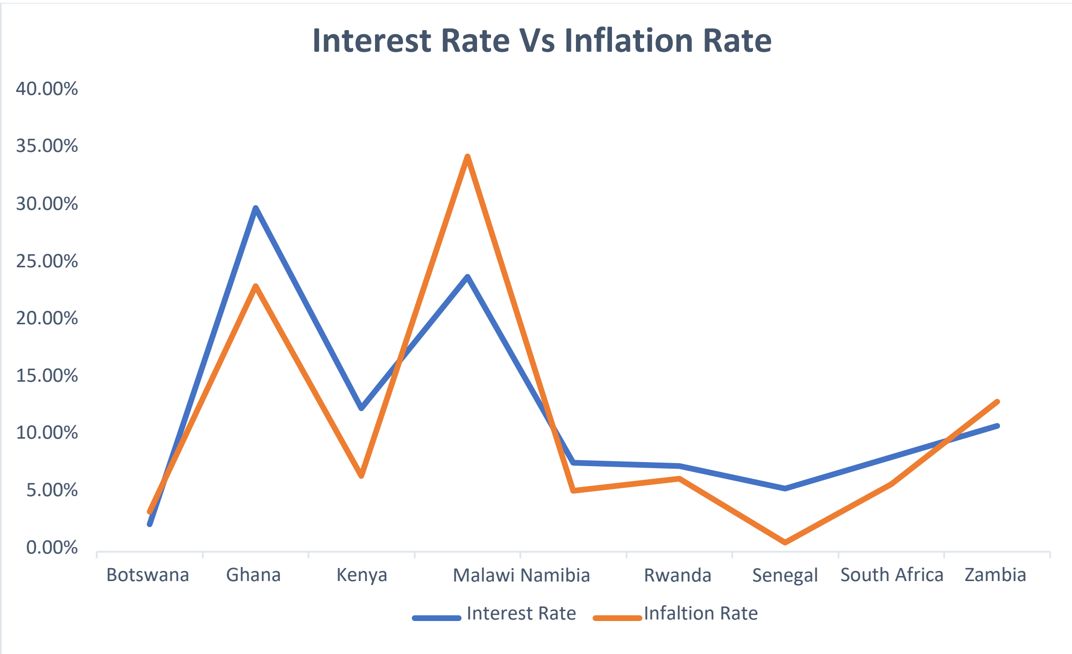
MONTER
CAPITAL PARTNERSHIP LIMITED

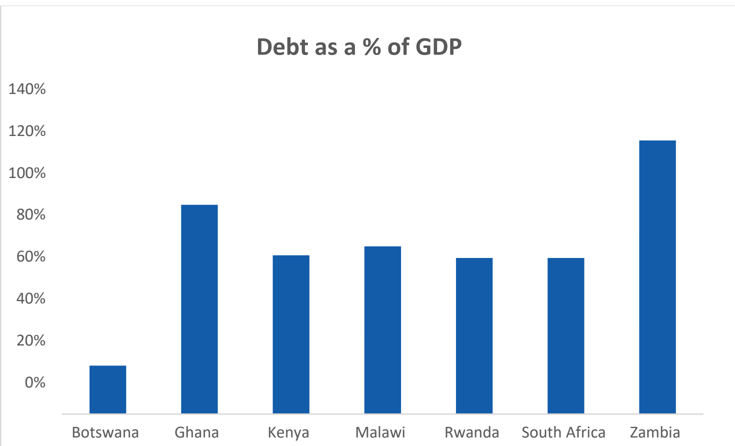
Q4 NEWSLETTER
December 2023

Table Of Contents

Country Stats

Country	Interest rate	Inflation rate	Exchange rate/ USD
Botswana	2.40%	3.50%	13.38
Ghana	30.00%	23.20%	11.69
Kenya	12.50%	6.63%	157.01
Malawi	24.00%	34.50%	1683.46
Namibia	7.75%	5.30%	18.39
Rwanda	7.50%	6.40%	1257.00
Senegal	5.50%	0.80%	590.48
South Africa	8.25%	5.90%	18.31
Zambia	11.00%	13.10%	25.82





Country	Debt-to-GDP ratio
Botswana	21%
Ghana	91%
Kenya	69%
Malawi	73%
Rwanda	68%
South Africa	68%
Zambia	119%

Global Overview

In the latest assessment of global economic conditions, the 2023 global real GDP growth forecast has undergone a marginal upward revision, now standing at 2.6%. Anticipated acceleration in global economic growth is projected for the subsequent year, 2024, albeit maintaining a subdued trajectory at 2.9%. This restrained growth is primarily attributed to the lingering repercussions of heightened borrowing costs resulting from factors such as the rapid tightening of monetary policies.

The tightening monetary policy measures have exerted significant pressure on pivotal sectors such as housing, finance, and manufacturing. Nevertheless, this strain is counterbalanced by the resilience exhibited by the services sector. Concerns pertaining to financial stability persist at an elevated level due to conditions observed earlier in the second quarter of 2023.

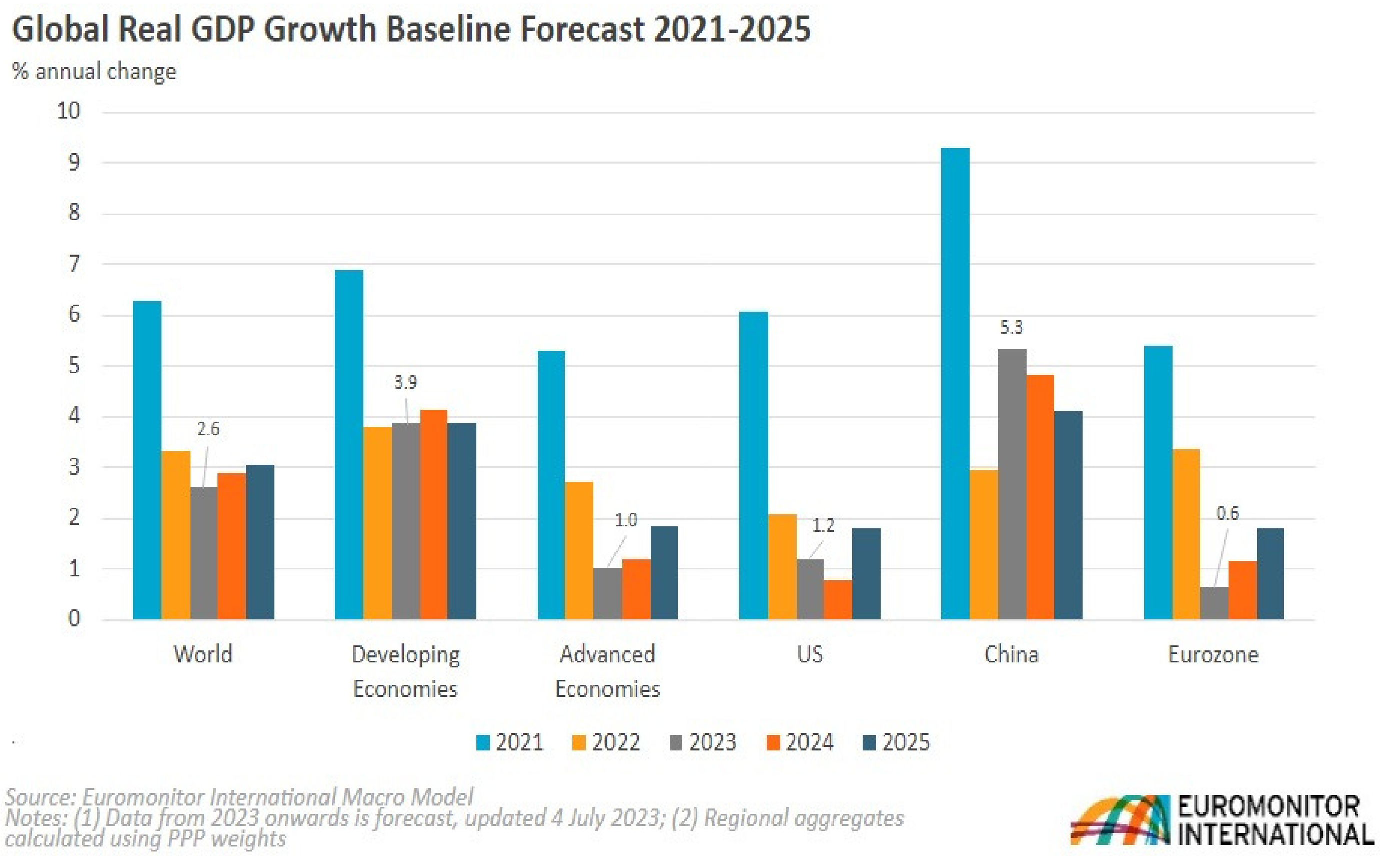
A noteworthy development underscoring the fragility of current financial conditions is the recent surge in global bond yields, signaling the potential abruptness with which financial parameters can constrict. Although tensions within the global banking sector have abated, emerging signs of distress in other sectors have emerged, particularly in response to escalating global interest rates. Consequently, this trend is exerting pressure on the repayment capacity of both corporate entities and household borrowers.

The repercussions of elevated global interest rates extend to the financing landscape of emerging markets and developing economies. Although major emerging markets have demonstrated resilience, a notable segment of frontier and low-income sovereign issuers is anticipated to grapple with persistent financing challenges.

While global core inflation has exhibited some deceleration throughout the year, its elevation remains a pertinent concern.

The imperative of achieving sustainable growth compels economies grappling with persistent inflation to adopt a restrictive stance until tangible evidence emerges of a sustained movement towards predefined targets in inflation. Advanced economies are experiencing a gradual moderation in inflation concerns, exemplified by the Euro Area's deceleration to 4.3 percent in September from 5.2 percent in August.

Global growth expectations have ticked up, but the improvements have been largely confined to the US. Investors had hoped that the pace of rate hikes would gradually decrease and eventually cease by year-end. However, persistently high inflation rates, stable employment figures, and still 'above-trend' economic growth forced the market to accept that the Federal Reserve was likely to raise rates in November and would maintain higher interest rates through 2024.



Botswana

Botswana's growth is expected to slow to 3.8% in 2023 due to a projected decline in diamond production, before picking up over the following two years. GDP growth is projected to moderate at 4.0% in 2023, supported by anticipated higher economic activity from the liberalized beef sector, higher diamond prices, and ramped-up copper and vaccine production. The forecast hinges on the fast-tracked implementation of the government's Economic Recovery and Transformation Plan.

Inflation has fallen since August 2022, and is now sitting at 3.2% which is below the lower bound of the central bank's objective range. The MPC projects that inflation will remain below the lower bound of the objective range temporarily and revert to within the objective range from the first quarter of 2024 into the medium term. The projected low inflation is due to, among others, subdued domestic demand and the downward revision in recent forecasts of international food prices and trading partner countries' inflation.

The Central Bank of Botswana held its benchmark interest rate steady at 2.65% at its meeting on August 24th, 2023, saying the slowdown in inflation was likely to be temporary. The Botswanan financial sector is broadly sound, stable, and resilient.

The authorities plan a fiscal expansion in FY2023 followed by two years of substantial fiscal adjustment to reach a small fiscal surplus by FY2025. This adjustment should support rebuilding of foreign exchange reserves and government cash deposits.

Growth is forecast to rebound gradually in 2024 and 2025, to above 4 percent, due to higher prices and quantities of diamonds produced. Inflation is projected to revert to and remain within the central bank's objective range.

FX reserves are projected to stabilize at 5 ½ months of imports over the medium term. The outlook remains heavily dependent on demand for diamonds and the global economic cycle.

In addition, the recent announcement of agreement in principle between the Government of Botswana and De Beers Group on a new Debswana Mining License and new Sales Agreement is expected to be positive for medium-term growth.

Zambia

Zambia, during the third quarter of 2023, witnessed a deceleration in its Gross Domestic Product (GDP) growth, marking a decline from 2.3% in the previous quarter to 2.1%.

Responding to escalating inflationary pressures, the Bank of Zambia increased the monetary policy rate by 50 basis points, elevating it from 9.5% to 10% as of November 2023. This strategic move is geared towards mitigating the adverse effects of inflation, which has exceeded the target, surging from 9.8% in July 2023 to 10.2% in the current quarter.

In light of the prevailing economic conditions, inflation in Zambia is anticipated to persist, projecting an average rate of 10.2% for the remainder of 2023. This forecast reflects the ongoing challenges in maintaining price stability within the national economy.

The Zambian Kwacha experienced a noteworthy depreciation against the US Dollar, depreciating by 11% in Q3. Presently, the exchange rate stands at K25.817/USD. This trend underscores the influence of external factors on the country's currency valuation, necessitating a vigilant approach to foreign exchange management.

As of October 12, 2023, the International Monetary Fund (IMF) acknowledged significant advancements in Zambia's long-awaited memorandum on debt restructuring. Notably, consensus is growing on critical issues, including the comparability of treatment between private and public creditors. This positive development positions Zambia as a potential model for future debt restructuring agreements, garnering attention on the international economic stage.

World Bank observations affirm the progress made in Zambia's debt relief efforts, indicating the country's imminent signing of a deal. This recognition reinforces the potential ripple effect of Zambia's case, serving as a benchmark for subsequent debt restructuring agreements globally.

Zambia's economic landscape in Q3 2023 reflects a nuanced interplay of domestic and international dynamics. As the nation navigates through challenges, strategic policy decisions and international collaborations are pivotal for fostering economic resilience and sustainable growth in the quarters ahead.

Kenya

In the second quarter of 2023, Kenya's economy exhibited robust growth, expanding by 5.4% surpassing market expectations of a 4.6% increase. The agricultural sector, a pivotal component of the nation's economic framework, experienced accelerated growth, registering a 7.7% expansion compared to the first quarter's 6%. Favorable weather conditions played a pivotal role in augmenting the production of key agricultural commodities, including tea, coffee, vegetables, fruits, and milk.

Concurrently, other sectors played instrumental roles in propelling the overall economic trajectory. The finance and insurance sector exhibited a surge of 13.5%, surpassing the previous quarter's 5.8% growth, while accommodation and food services posted a growth of 12.2%, a moderation from the previous quarter's robust 21.5%.

Improved performances in sectors such as accommodation and food services, coupled with notable contributions from manufacturing, were pivotal in bolstering the GDP development. The overall economic landscape witnessed a commendable growth rate, supported prominently by the sustained rebound of the agricultural sector, which recorded a notable uptick from 5.2% in the corresponding quarter of the previous year to the current 5.4%. Furthermore, the services sector exhibited resilience, underpinned by robust growth in financial and insurance, real estate, wholesale and trade, information and communication, and accommodation and food services.

Inflationary dynamics in Kenya exhibited a mild surprise as the annual inflation rate increased to 6.9% in October 2023, marking a second consecutive uptick from the previous month's 6.8%. Nevertheless, this remained within the central bank's targeted range of 2.5% to 7.5%. The Monetary Policy Committee (MPC), in its October 3, 2023 meeting, expressed confidence that inflation would stay within the target range, citing lower food prices and an anticipated decline in non-food non-fuel inflation, indicative of easing underlying inflationary pressures.

On the currency front, the Kenyan shilling displayed relative stability against major international and regional currencies. Trading at KES157.01/USD, compared to KES145.28 at the end of Q2 2023, the currency's resilience is noteworthy. Additionally, the nation's usable foreign exchange reserves, standing at USD 6,913 million as of October 5, provide a robust buffer, meeting the statutory requirement of maintaining at least 4 months of import cover.

South Africa

In the second quarter of 2023, the South African real gross domestic product (GDP) exhibited a modest expansion of 0.6%, building upon the 0.4% rise witnessed in the preceding quarter. Six out of the ten industries constituting the supply side of the economy reported positive growth rates during this period. The manufacturing and finance sectors emerged as key drivers, contributing significantly to the overall upward momentum.

On the demand side, South Africa experienced a beneficial surge in investments, particularly in machinery and equipment. This uptick included notable contributions from products associated with renewable energy, aligning with the global trend towards sustainable practices.

However, the fiscal environment of South Africa has undergone a deterioration since the publication of Budget 2023 in February. In recent months, mounting concerns have arisen regarding the anticipated shortfall in government revenues for the fiscal year 2023/2024, coupled with a broader deterioration in the macroeconomic landscape.

Investor apprehensions persist concerning the fiscal deficit, prompting the Central Bank to signal a prolonged period of elevated local interest rates. The nation's budgetary challenges are attributed less to excessive spending and more to a decline in revenue collection. Factors such as sluggish economic growth, diminished commodity prices, and declining exports of coal and iron ore due to infrastructure deficits collectively contribute to South Africa's impending fiscal crunch.

The South African rand continues to face downward pressure, adversely affecting import prices. The current exchange rate is sitting at ZAR18.39/USD, compared to ZAR17.87/USD at the close of the second quarter.

Headline inflation in South Africa rose from 4.8% year-on-year in August to 5.4% year-on-year in September, aligning with projections. The primary driver behind this inflationary uptick was the notable surge in petrol prices, while annual food inflation exhibited relative stability during this period. The economic landscape in South Africa presents a complex interplay of factors, necessitating a vigilant approach to navigate the challenges and capitalize on emerging opportunities.

Rwanda

Rwanda's Gross Domestic Product (GDP) displayed a commendable growth rate of 6.3% by the end of Q3 of 2023. Sectoral analysis reveals a robust expansion in the services industry by 10%, while the industrial sector demonstrated a growth rate of 6%. However, the agricultural sector exhibited stagnation, failing to register any discernible growth.

Despite going through recent climatic adversities such as persistent droughts and severe floods in May 2023, Rwanda maintained resilience in its economic growth, underscoring the nation's capacity to withstand overlapping shocks. Nevertheless, discernible imbalances, both domestic and external, have become more pronounced.

Headline inflation decelerated in the initial semester but resurfaced in August 2023, predominantly attributed to escalating food prices. The annual inflation rate surged to 18.4% in September 2023, up from 17.4% in the previous month, primarily propelled by soaring prices in the food and non-alcoholic beverages segment.

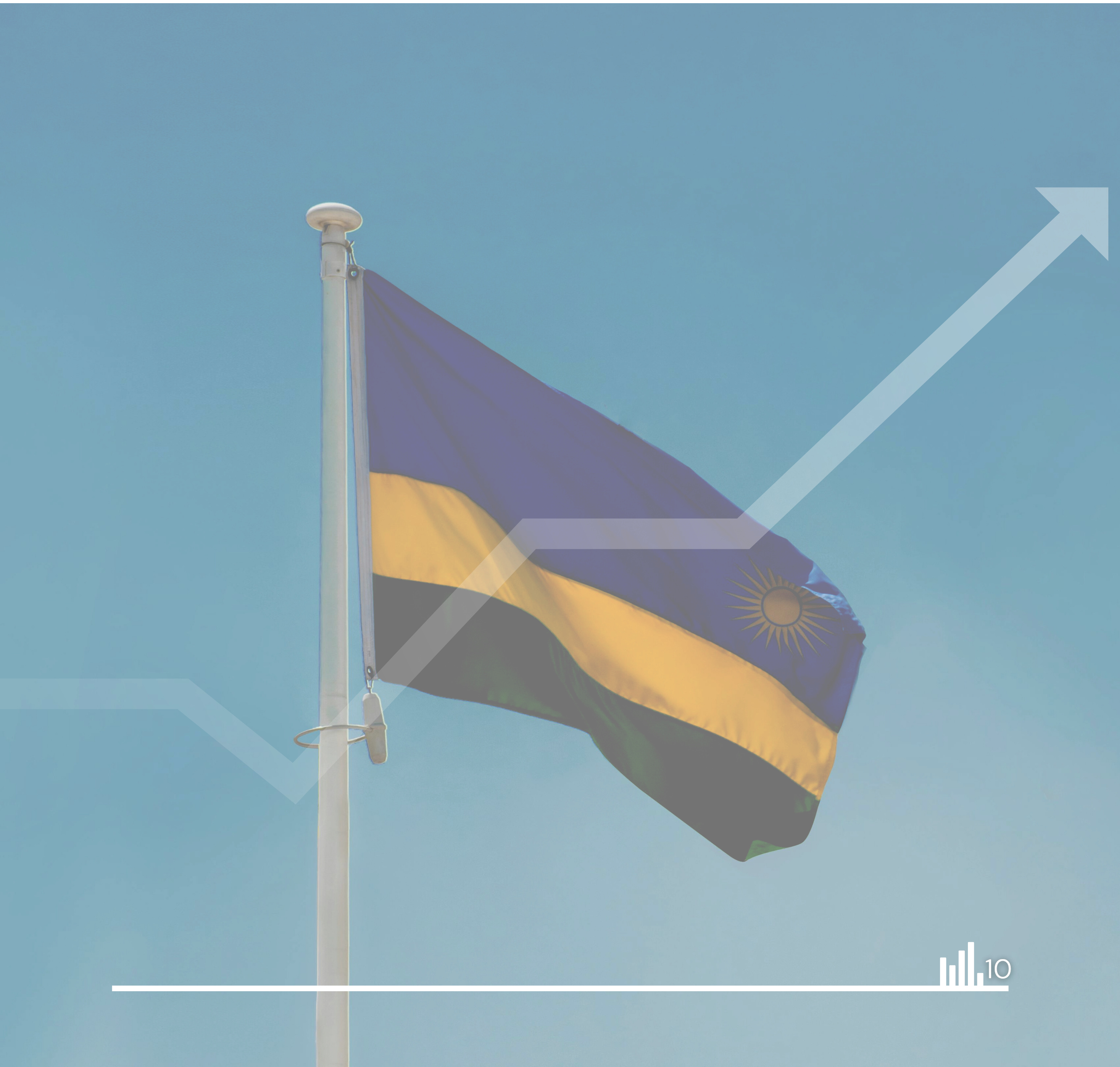
Currency markets witnessed a depreciation of the Rwandan Franc against the US Dollar. As of November 2023, the currency was trading at RWF1227.68/USD, in contrast to RWF1190.04 at the close of the second quarter of 2023.

The financial sector, against a challenging economic backdrop, continued its expansionary trajectory. Total assets in this sector experienced an 18.3% surge, reaching FRW 9,635 billion by the end of June 2023, reflecting growth across all sub-sectors. Lending institutions, comprising Banks and Microfinance Institutions, played an active role in supporting economic recovery by augmenting lending to the private sector.

The current account deficit (CAD) expanded significantly to USD 784 million, a 73.9% increase from USD 451 million, primarily driven by deteriorations in trade in goods and secondary income accounts. The deficit in the trade of goods widened due to an elevated import bill outpacing export receipts, influenced by global factors such as persistent high oil and food prices, coupled with increased imports of capital and intermediate goods reflective of robust domestic economic activities.

Amidst global economic challenges, the financial sector's resilience has been conspicuous. This resilience is attributed to robust capitalization, with regulated institutions consistently maintaining capital and liquidity levels surpassing regulatory requirements.Lending institutions, comprising Banks and Microfinance Institutions, have fortified their capital base through a combination of retained earnings and capital injections, concurrently improving asset quality.

In a significant development, Rwanda is poised to receive $262 million from the International Monetary Fund (IMF). A staff-level agreement has been reached on policies crucial for completing the second reviews of Rwanda's Policy Coordination Instrument and Program under the Resilience and Sustainability Facility. This financial injection is expected to further fortify Rwanda's economic resilience in the face of external challenges.



Ghana

The Ghanaian economy is displaying signs of gradual recuperation. Robust GDP growth, surpassing initial projections, coupled with a notable decline in inflation, albeit persistently elevated, underscores the resilience of the economic landscape. The growth trajectory is expected to decelerate to 1.5% in 2023, with a muted outlook persisting into 2024 at 2.8%. Fiscal consolidation measures, corrective monetary policies, elevated inflation and interest rates, coupled with prevailing macroeconomic uncertainties, are projected to restrain private consumption and investment. Notably, extractive sectors, buoyed by new gold mines and a resurgence in small-scale mining, are poised for robust growth, while non-extractive sectors may experience subdued expansion.

Fiscal advancements are also evident, highlighted by commendable budget execution in the initial half of the year and the successful completion of a domestic debt restructuring initiative. However, the lingering default on external debt persists, despite support from the International Monetary Fund (IMF), leaving the nation vulnerable to potential external shocks.

The recently concluded first review of the extended 3-year credit facility, totaling USD3 billion, and its associated program signify a concerted effort to fortify macroeconomic stability and reinstate debt sustainability. The government's revised forecast, anticipating a primary deficit of 0.5% of GDP for 2023, underscores the ongoing fiscal recalibration in response to evolving economic dynamics.

The balance of payments is slated to witness continued deterioration in 2023, primarily driven by persistent capital outflows, before envisaging a recovery in the medium term. Regrettably, this economic scenario is anticipated to exacerbate poverty levels, projecting an increase to nearly 34% by 2025, aligning with subdued growth expectations in the services and agriculture sectors, coupled with escalating prices outpacing income growth for those at the lower echelons of the economic spectrum.

Turning to other economic stats, Ghana's annual inflation rate has experienced a noteworthy decline, reaching a one-year low of 38.1% in September 2023. Forecasts suggest a further reduction to 32% by the end of the current quarter. Concurrently, the Ghanaian Cedi depreciated against the US Dollar at the end of November 2023 where it was trading at GHS11.93/USD, down from GHS11.43 at the close of Q2 2023.

Various risks loom large on the economic horizon, ranging from financial sector stress post-Debt and Debt Service Payment (DDEP), contingent liabilities in the energy and cocoa sectors, potential domestic policy deviations during the 2024 elections, delays in external debt restructuring, external shocks including commodity price fluctuations, and unanticipated tightening of monetary policies in advanced economies.

Against this backdrop, the African Development Bank's recent approval of a $102.6 million budget support program assumes significance, focusing on fiscal consolidation and economic recovery. Aligned with Ghana's ongoing extended credit facility with the IMF, this initiative aims to facilitate economic recovery reforms, emphasizing enhanced public finance, increased productivity, and job creation. The successful implementation of these measures is crucial for steering Ghana towards sustained economic revival amidst a complex and challenging global economic landscape.

Malawi

The economic landscape of Malawi continues to grapple with considerable uncertainty as it navigates through a series of challenges in the 2023-24 fiscal year. Factors such as persistent high inflation, exchange-rate volatility stemming from a substantial 25% currency devaluation in May 2022, and a deceleration in economic growth pose significant hurdles. Moreover, the adverse impact of the cholera outbreak and Cyclone Freddy in early 2023 has exacerbated the economic strain, contributing to a contraction in growth.

In response to the economic challenges, the government has embarked on a debt restructuring endeavor with the primary objective of securing an Extended Credit Facility (ECF) program with the International Monetary Fund (IMF). The success of this initiative is critical in mitigating the prevailing economic vulnerabilities.

GDP growth is expected to gain traction from 2024 onwards. This optimism hinges on the successful establishment of funding lines through the ECF and the resurgence of output in the mining and agricultural sectors.

Malawi experienced a marginal alleviation in annual inflation, recording a three-month low of 27.8% in September 2023, down from 28.6% the preceding month. This development, while encouraging, is overshadowed by the broader economic challenges. The devaluation of the Malawian kwacha by 44%, driven by a scarcity of dollars impacting fuel and commodity imports, poses a significant economic adjustment. The kwacha's new valuation at MWK1,700 per dollar, compared to MWK1,180.29 previously, underscores the severity of the situation, rendering the currency two-thirds less valuable than at the outset of the year.

Furthermore, the central bank's recent decision to devalue the kwacha by approximately 30% underscores the persistent challenges in the currency market. This second devaluation, following the initial move in May 2022, is justified by the need to rectify supply-demand imbalances and counter arbitrage opportunities that have resurfaced in the market.

The forthcoming meeting of the International Monetary Fund's Executive Board holds significant implications for Malawi. Discussions center on a potential 48-month Extended Credit Facility that could unlock $174 million over four years.

Namibia

In its latest economic forecast, the Bank of Namibia projects a gradual expansion of the Gross Domestic Product (GDP), anticipating growth rates of 3.3% in 2023, 3.0% in 2024, and 2.9% in 2025. This trajectory, though promising, is subject to the prevailing uncertainties in the global economic landscape.

The Bank's Monetary Policy Committee has maintained the repo rates at a stable 7.75%. It is noteworthy that Namibia's repo rates persist at 50 basis points below those of its regional counterpart, South Africa, where the repo rate stands at 8.25%. While some observers express optimism that this differential may signify a peak, the overall economic outlook remains contingent on multifaceted factors.

The inflationary landscape of Namibia witnessed an uptick, with the annual inflation rate accelerating for the third consecutive month to 6% in October 2023, marking the highest level in five months. Contributing to this uptrend were notable increases in prices across recreation and culture, food and non-alcoholic beverages, alcoholic beverages and tobacco, restaurants and hotels, as well as transportation.

As of the end of Q2 2023, the Bank of Namibia's Monetary Policy Committee opted to maintain the repo rate at 7.75%, anticipating a deceleration in inflation beyond previous projections. The year-end inflation estimate stands at 5.6%, reflecting the committee's cautious optimism regarding future price dynamics.

The Namibian Dollar has experienced a depreciation against the US Dollar, currently trading at NAD19.22/USD, compared to NAD18.51/USD at the conclusion of Q2 2023. This fluctuation underscores the susceptibility of the currency to external market forces.

The Namibia Quarterly Economic Review highlights the country's standing in Foreign Direct Investment (FDI). According to the Namibian Investment Promotion and Development Board (NIPDB), Namibia secured the top rank in Africa and 13th globally on the Greenfield FDI Performance Index. This index gauges FDI attracted relative to a nation's economic size, signalling Namibia's appeal to international investors.

Senegal

Senegal's economy anticipates a robust expansion of the real GDP by 4.9% in 2023, with a subsequent upward trajectory to an average annual growth rate of 6.9% spanning the years 2024 to 2027. This optimistic outlook is poised to significantly ameliorate both the current-account and fiscal deficits. The prevailing political landscape is marked by heightened uncertainty following President Macky Sall's unequivocal declaration that he will refrain from any attempts to subvert constitutional limitations for a third presidential term in February 2024.

A noteworthy validation of Senegal's economic vitality comes from Bloomberg, which has reported that, according to the International Monetary Fund's projections in the World Economic Outlook, Senegal is anticipated to exhibit the most substantial economic expansion in Sub-Saharan Africa in the year 2023.

In the realm of price dynamics, the nation witnessed a favorable development as the annual inflation rate receded to 2.4% in October 2023, down from 3.8% in the preceding month. This decline, marking the seventh consecutive month of softening, is attributable to moderated prices across nearly all sub-indices.

Turning our attention to the foreign exchange market, the West African Franc currently stands at 603.3XOF/USD, indicating a notable improvement from the 611.13XOF/USD recorded at the conclusion of the second quarter of the fiscal year. This exchange rate adjustment bears testament to the currency's resilience and highlights its stability in the face of economic fluctuations.

Senegal's economic landscape appears poised for substantial growth and stability, bolstered by positive GDP projections, prudent political decisions, and favorable inflation and exchange rate dynamics.

MCPL NEWS: MCPL FLAGSHIP INVESTMENT

Monter Capital Invests in Botswanan Female-Led Financial Institution.

Monter Capital Partnership Limited is proud to announce its flagship investment in Prolude Capital (Pty) Limited, a trailblazing women-led financial institution headquartered in Gaborone, Botswana.

In many respects, Prolude Capital stands as a beacon of empowerment, being a women-led financial institution. With a visionary approach, Prolude Capital is dedicated to creating wealth for Small and Medium Enterprises and individuals through a strategic blend of cutting-edge financial solutions. Leveraging the latest fintech, data analytics and research methodologies, Prolude Capital is poised to redefine the financial landscape in Botswana and beyond.

The company was founded by two distinguished Motswana women both of whom are accomplished leaders in the Banking and Financial services industry bringing a wealth of experience across Finance, Treasury, Credit, Customer Service, Business Strategy Development, and Leadership. Monter Capital is honored to embark on this transformative journey with Prolude, committing to infuse unparalleled knowledge of the commercial and financial sector to foster unprecedented growth.

Kelebongile Mading, one of the founders and CEO of Prolude Capital stated that, “The investment in Prolude by Monter Capital stands as a shining example of faith in local enterprises and the Botswana Financial Services sector. We are thrilled to embark on this journey with Monter Capital as it paves way for us to invest in the dreams and aspirations of countless entities that often struggle to secure funding. Their triumphs will ripple through our communities, bringing new opportunities for all.”

Dr. Brian Malambo, CEO of Monter Capital, emphasized the firm's long-term investment strategy, underscoring a dedication to investing in impact and growth companies across Sub-Saharan Africa. Monter Capital is unwavering in its pursuit of enterprises with proven business models, showcasing substantial potential for operational and Environmental, Social and Governance improvements. Importantly, this investment is marked by a deliberate commitment to generating measurable ESG impact.

As Monter Capital and Prolude Capital join forces, a new chapter unfolds—a chapter marked by innovation, empowerment, and sustainable growth. Together, we envision a future where nancial and investment excellence converge with social and environmental responsibility, setting new benchmarks for success in the African nancial landscape.

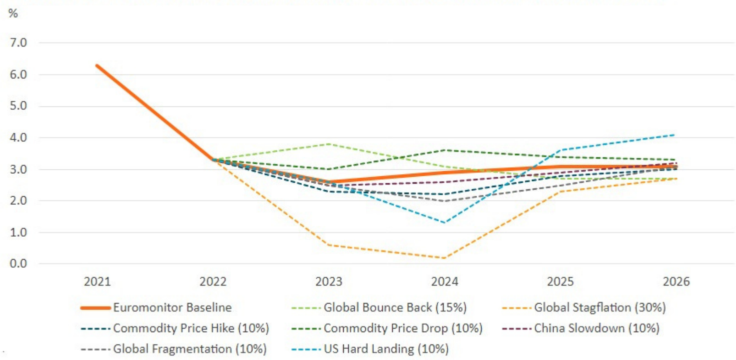
Analyst's View

According to the World Economic Forum, global economic growth is expected to slow even more in 2024 due to high interest rates, increased energy prices and a slowdown in the world's top two economies. Geopolitical risk and wars in Ukraine and the Middle East could also contribute to a worsening global financial outlook.

Global growth could slow to 2.6% next year from 2.9% this year, according to a Reuters poll forecast. However, Goldman Sachs Research expects the global economy to outperform expectations in 2024 — just as it did in 2023. The global economy is expected to slow down but likely to avoid recession in 2024. They have however flagged possibilities of "mild recessions" in Europe and the UK.

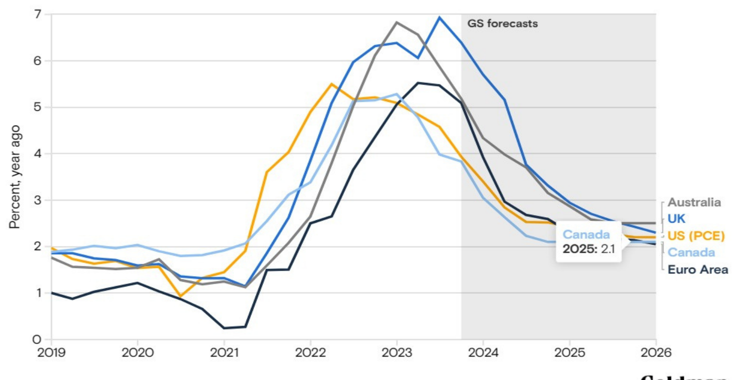
That outlook is based on their economists' prediction for strong income growth (amid cooling inflation and a robust job market), their expectation that rate hikes have already delivered their biggest hits to GDP growth, and their view that manufacturing will recover. Central Bank, meanwhile, will have room to reduce interest rates if they're concerned about the economy slowing.

Global Real GDP Growth Forecasts: Baseline and Scenario Forecasts 2021-2026



Source: Euromonitor International Macro Model
Notes: (1) Data from 2023 onwards is forecast, updated 4 July 2023 (2) Scenario probability is in bracket next to scenario name

Core inflation forecast to cool to broadly target-consistent levels by end-2024



Source: Haver Analytics, Goldman Sachs Research

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