MONTER
CAPITAL PARTNERSHIP LIMITED

NEWSLETTER

ISSUE No. Q1 2024

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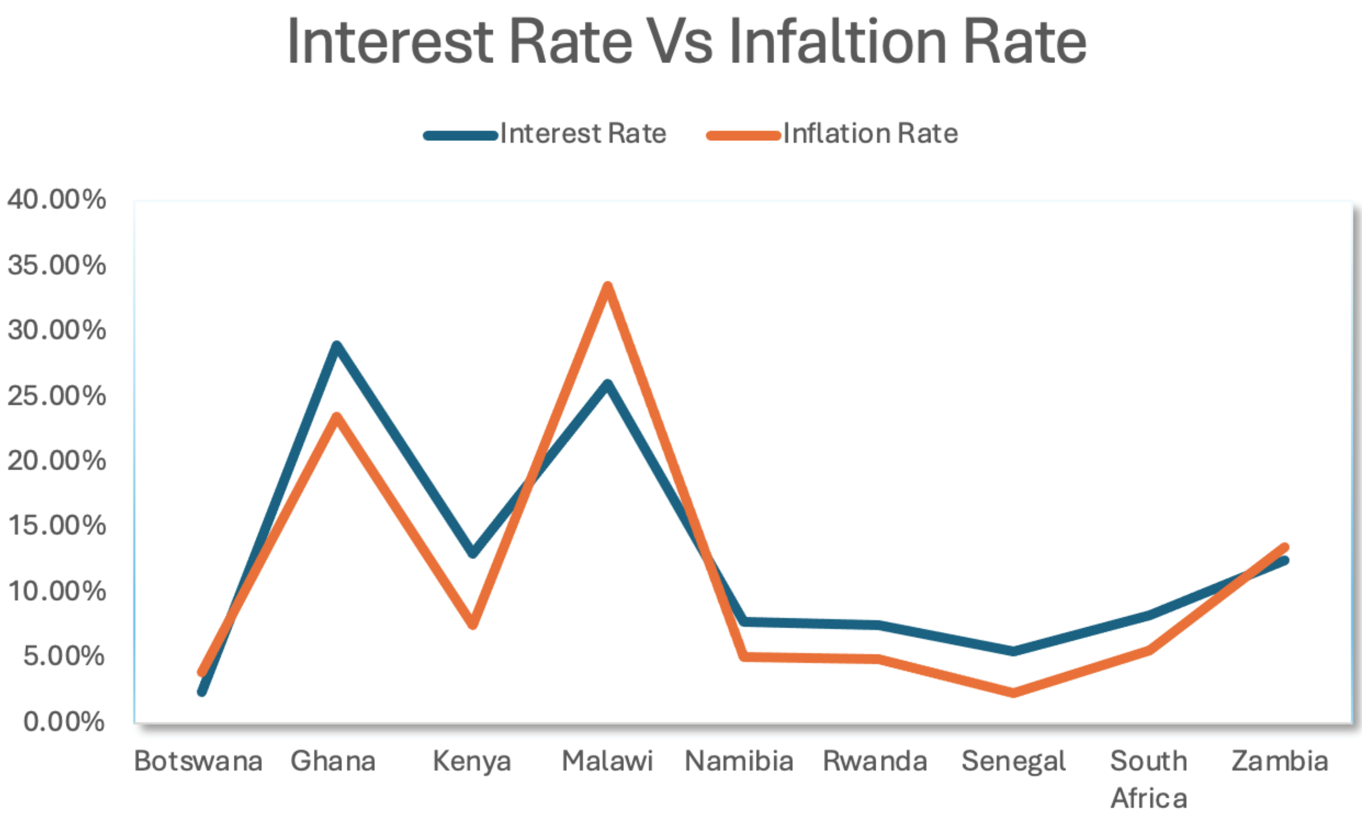
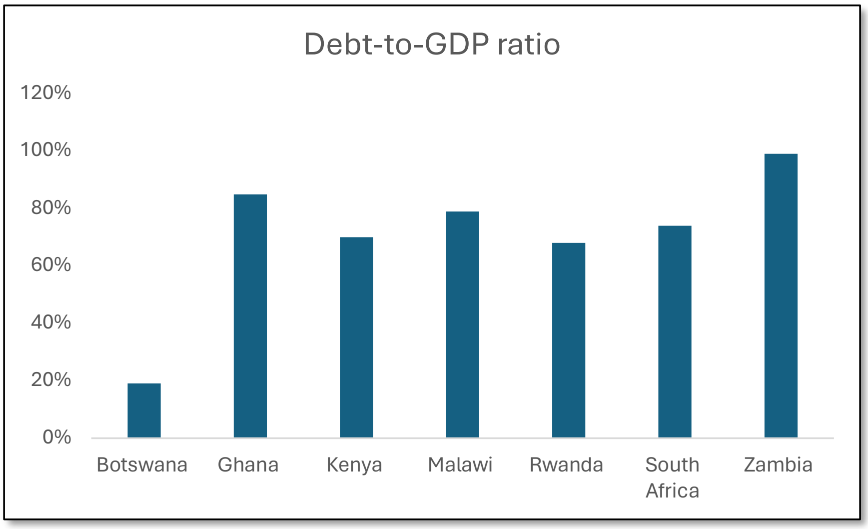
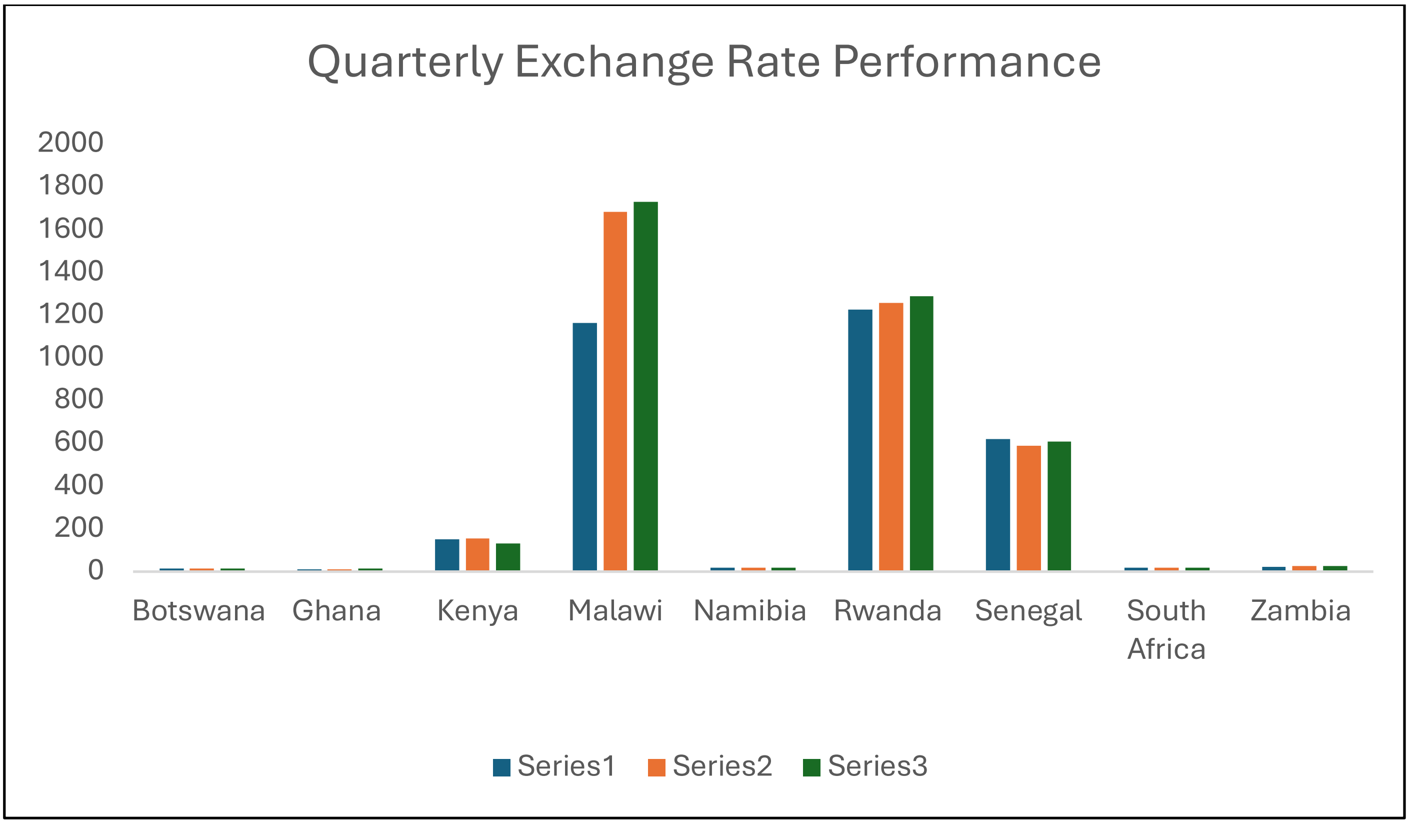
Country Stats:

Country	Interest rate	Inflation rate	Exchange rate/ USD
Botswana	2.40%	3.90%	13.75
Ghana	29%	23.50%	13.25
Kenya	13.00%	7.50%	132
Malawi	26%	33.50%	1729.47
Namibia	7.75%	5.05%	18.88
Rwanda	7.50%	4.90%	1289
Senegal	5.50%	2.30%	607.36
South Africa	8.25%	5.60%	18.74
Zambia	12.50%	13.50%	25.03



Country	Debt-to-GDP ratio
Botswana	19%
Ghana	85%
Kenya	70%
Malawi	79%
Rwanda	68%
South Africa	74%
Zambia	99%

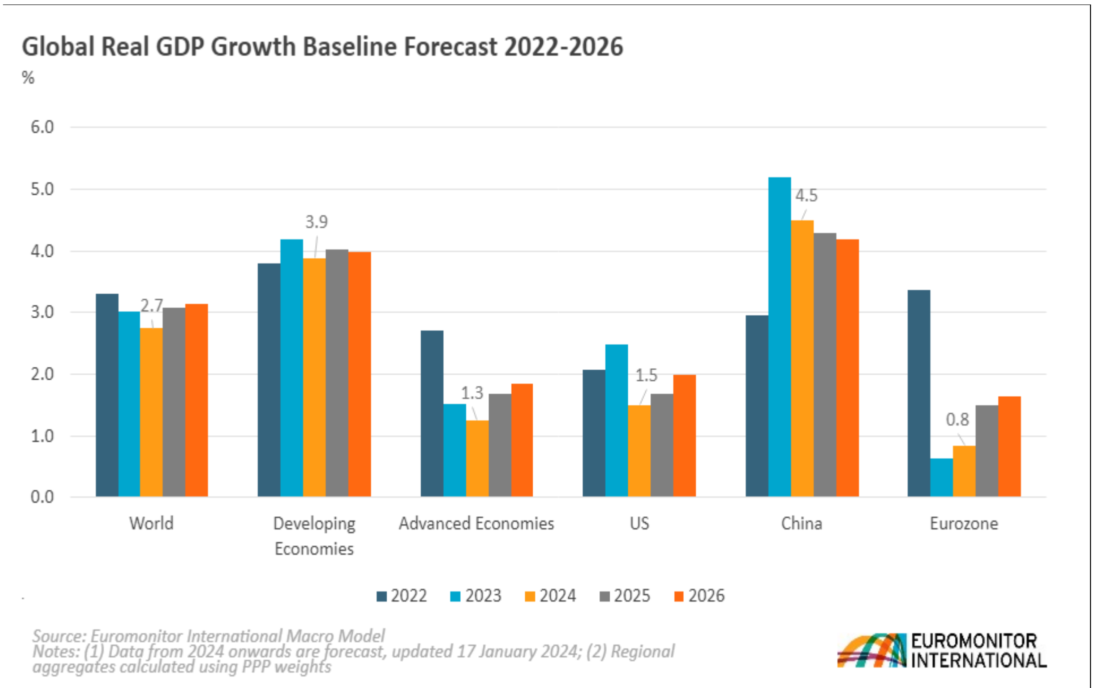




Global Overview:

In 2024, the global economic landscape is marked by a continuation of slowing growth, extending from the previous year. This deceleration primarily stems from the impact of elevated interest rates across major economies worldwide, coupled with a downturn in China, the globe's second-largest economy. However, this moderation follows a robust performance in 2023, where global growth exceeded expectations despite facing various challenges, notably escalating geopolitical strains.

Euromonitor International's projections indicate a forecasted global real GDP growth of 2.7% for 2024. This revision reflects a substantial upward adjustment in the US forecast, attributed to unexpectedly robust growth observed in the final quarter of 2023, with some of this vigor anticipated to persist into early 2024. Over the course of the year, the global economy is anticipated to gradually normalize from the disruptions witnessed in recent times, particularly gaining momentum in the latter half of 2024. This normalization is expected to coincide with a moderation in inflation and a relaxation of monetary policy, fostering a resurgence in global growth that is poised to strengthen further in 2025.



Regarding inflation, a continued downward trajectory is projected for 2024, albeit at a decelerated pace, with rates expected to dip to 5.4%. Emerging and developing economies are forecasted to maintain relatively stable growth, consistently outpacing advanced economies, with a real GDP growth rate of 3.9% anticipated for 2024, rising to 4.0% in 2025. Conversely, advanced economies are anticipated to experience a slowdown due to high interest rates before regaining growth momentum.

As of late November 2023, global economies exhibited unexpected resilience to heightened interest rates, with the US economy notably outperforming expectations. The substantial influx of liquidity stemming from pandemic support measures and fiscal stimuli has notably strengthened US household and corporate balance sheets. The surplus in consumer savings is poised to continue bolstering US economic growth moving forward.

Botswana:

Botswana's real GDP is anticipated to grow by 4.2 percent in 2024 from the estimated 3.2 percent in 2023. This expansion is expected to be primarily driven by advancements in the non-mining sectors, notably in areas such as electricity and water supply, as well as the Finance, Insurance, and Pension Funds sectors.

Recent data from the Bank of Botswana survey indicates a positive outlook for most sectors in the first quarter of 2024, excluding agriculture which remains neutral. This optimism is reinforced by government initiatives aimed at stimulating economic activity, including the implementation of a potentially expansive two-year Transitional National Development Plan and ongoing reforms targeting enhancements to the business environment.

Headline inflation witnessed a slight uptick from 3.5 percent in December 2023 to 3.9 percent in January 2024, with forecasts indicating a continued adherence to the Bank's objective range of 3 to 6 percent over the medium term.
Credit growth to both businesses and households has been sustainable, aligning with the prevailing accommodative monetary policy stance aimed at maintaining inflation within the Bank's specified objective range in the short-to-medium term.

Given the projection of higher inflation in Botswana compared to its trading partners and the economy's current sub-optimal performance, a deliberate devaluation of the Pula by 1.51 percent against its trading partners is deemed prudent. This strategy is seen as beneficial for bolstering domestic industry competitiveness and fostering growth prospects, with the Finance Ministry outlining plans for a gradual annual downward crawl in the exchange rate throughout 2024.

Regarding monetary policy, the Bank of Botswana took a proactive stance by easing policy at the close of 2023, aligning with expectations of inflation remaining within the targeted range of 3 to 6 percent. The Monetary Policy Committee opted to maintain the Monetary Policy Rate (MoPR) at 2.4 percent in February 2024.

Zambia:

The Zambian economy is poised for growth, driven by robust copper production, with real GDP expected to average 4.7 percent annually in 2024-25. This positive outlook hinges on stronger global copper demand and increased production levels. Looking ahead to the medium term (2024-26), there are favorable prospects for real GDP growth, particularly with anticipated recoveries in the mining, agriculture, and wholesale and retail trade sectors. However, risks such as the global economic slowdown, heightened geopolitical tensions, extreme weather events, and delays in external debt restructuring remain significant challenges to the growth trajectory.

Inflationary pressures have persisted, with rates rising to 13.2 percent in January 2024 from 13.1 percent in December of the previous year. The depreciation of the exchange rate continues to be the primary driver of inflation. Over the forecast period extending from the first quarter of 2024 to the fourth quarter of 2025, inflation is projected to deviate further from the target band. The ongoing depreciation of the exchange rate, coupled with elevated prices of maize grain, maize products, and fuel, are key factors contributing to this inflationary trend. These elements represent notable upside risks to the inflation outlook.

On the monetary policy front, interest rates have climbed following the November 2023 Monetary Policy Committee Meeting, aligning with the upward adjustment in the Monetary Policy Rate to 11.0 percent. Domestic credit expansion persisted in the fourth quarter of 2023, largely due to continued lending to the private sector. The recent decision by the Monetary Policy Committee (MPC) in its February 12-13, 2024 Meeting to raise the Policy Rate by 150 basis points to 12.5 percent reflects efforts to guide inflation towards the targeted 6-8 percent band and stabilize inflation expectations.

Furthermore, Zambia made progress in restructuring approximately $3 billion in international bonds, reaching a deal-in-principle with private commercial bondholders, western asset managers, and hedge funds on March 25. This development marks a significant step forward in the complex process of debt restructuring, after several delays.

South Africa:

Over the next three years, South Africa's economic trajectory is anticipated to demonstrate a measured upswing, with an average growth rate of 1.6%, surpassing the previously projected 1.4% as outlined in the 2023 MTBPS. This improved outlook is underpinned by several factors, including an anticipated rebound in household expenditure due to decreasing inflationary pressures and heightened investment in energy-related infrastructure.

South Africa's economic performance is expected to benefit from an anticipated uptick in global growth, albeit tempered by persistent challenges in freight and energy supply chains. These constraints, while gradually alleviating, remain key considerations that could potentially impede growth prospects.

The country continues to grapple with power outages and operational inefficiencies in transportation infrastructure, which disrupt economic activities and constrain export capabilities. Although comprehensive reforms are underway in these sectors, the full impact on growth recovery is expected to materialize over a more extended period.

Inflationary pressures are projected to ease, with headline inflation forecasted to decline from 6% in 2023 to 4.9% in 2024 and further to 4.6% in 2025, driven by diminishing food and fuel inflationary trends.

The Monetary Policy Committee of the South African Reserve Bank (SARB) maintained a steady stance during its initial 2024 meeting on 25 January, maintaining the repurchase rate at 8.25% for the fourth consecutive session, reflecting a cautious approach amidst evolving economic conditions.

According to LongForecast analysts, a gradual depreciation of the USD/ZAR exchange rate is anticipated throughout 2024, with projections indicating a decrease from 18.14 ZAR to 17.13 ZAR per USD by year-end. This analysis suggests a strengthening trend for the South African Rand against the US Dollar, offering a conservative outlook for long-term investment considerations.

The South African economy and financial markets remain exposed to various macroeconomic and political risks, both domestically and internationally, throughout 2024.

Kenya:

The Kenyan economy exhibits resilience amidst a challenging global environment, navigating both the aftermath of the COVID-19 pandemic and the severe multi-season drought of recent years. Despite these challenges, the near-term outlook remains robust, with anticipated growth hovering around 5 percent in 2024. This resilience is underpinned by ongoing adjustments in fiscal policy and external account management.

Inflationary pressures are expected to rise moderately in the first half of 2024, primarily driven by global oil price fluctuations and exchange rate pass-through effects. However, containment measures such as recent monetary policy tightening, coupled with efforts towards stronger fiscal consolidation, are poised to stabilize inflation and the overall public debt-to-GDP ratio.

The currency outlook for 2024 is relatively pessimistic. The Kenyan Shilling is forecasted to trade within a range of Kshs 183.2 to Kshs 189.6, with a projected depreciation of approximately 16.4% against the USD. This depreciation trend is primarily attributed to the persistent current account deficit, reflecting Kenya's status as a net importer, thus heightening demand for dollars and exerting pressure on the domestic currency.

Regarding monetary policy, the Central Bank is expected to maintain a tight stance in the short term to anchor inflation and address currency depreciation. However, medium-term stability is anticipated as the government fulfills coupon payments and redeems the 10-year Eurobond in June 2024, supported by concessional loans and commercial financing.

Ghana:

In 2024, economic growth is anticipated to remain subdued at 2.8%, primarily due to persistent fiscal consolidation measures, elevated inflation rates, increased interest rates, and ongoing macroeconomic uncertainties. These factors are expected to constrain private consumption and investment, thereby limiting growth in non-extractive sectors. Furthermore, the fiscal deficit is forecasted to decrease to 5% of GDP in 2024, driven by continued fiscal consolidation reforms and external debt restructuring efforts. The combination of high inflation levels and fiscal tightening is anticipated to weigh on domestic demand, further tempering economic expansion.

On January 29, 2024, the Bank of Ghana (BoG) announced a reduction in its monetary policy rate (base rate) by 100 basis points, lowering it from 30% to 29%. Governor Ernest Addison attributed this decision to the steady decline in headline inflation, which dropped from a peak of 54% in December 2022 to 23% in December 2023.

According to research firm Fitch Solutions, Ghana's economy is expected to operate below its full capacity throughout 2024. This projection is based on the forecasted GDP growth rate of 3.5% for the year, which falls below the average GDP growth rate of 5.3% recorded between 2015 and 2019.

Malawi:

In 2024, GDP growth is anticipated to rebound significantly, reaching 3.5%. This growth trajectory is propelled by the revival of key sectors such as agriculture, tourism, and exports, alongside increased foreign direct investment. The medium-term growth prospects for Malawi have notably improved, primarily attributable to the decisive economic stabilization measures implemented by the government in 2023. However, the economic landscape remains susceptible to several downside risks, including challenges associated with climate change, ongoing foreign exchange constraints, and potential delays in executing critical macro-fiscal and structural reforms.

The latest World Bank Malawi Economic Monitor (MEM) underscores the expectation of a moderate growth uptick in 2024. The International Monetary Fund's (IMF) recent approval of a $175 million Extended Credit Facility (ECF) arrangement reflects support for the government's commitment to fostering inclusive and sustainable growth through comprehensive economic reforms.

Against a backdrop of heightened inflationary pressures, Malawi's central bank opted to raise its benchmark interest rate by 200 basis points to 26.0%. This move was motivated by the imperative to address inflation concerns and restore price stability. In a statement released in February 2024, the Reserve Bank of Malawi noted that inflationary pressures are anticipated to persist before showing signs of easing.

Namibia:

Namibia is anticipated to witness notable sectoral economic growth, surpassing its current economic challenges, and addressing its high youth unemployment rate. The Bank of Namibia has projected a 3% GDP growth for 2024, reflecting an optimistic outlook. This upward revision in economic forecasts is accompanied by a reduction in the budget deficit projection, primarily driven by strong performances in the oil and mining sectors.

Inflation in Namibia saw a decline to 5.05% in February from 5.45% in January 2024, indicating a favorable trend. Governor Joahnnes Gawaxab expects headline inflation to average around 4.8% for the year, signaling a stable inflationary environment.

Governor Gawaxab also emphasized the resilience and stability of Namibia's financial system amidst global and domestic economic uncertainties. He highlighted the banking sector's robust capitalization and ample liquidity levels throughout 2023, surpassing regulatory requirements. Both banking and non-banking financial institutions reported profitability in 2023, with net interest income playing a significant role in driving sector-wide profitability.

Rwanda:

Rwanda's economic outlook for 2024 is characterized by a projected growth rate of approximately 6.6%, a notable increase from the previous year's 6.2%. This growth is anticipated to be propelled by the implementation of stricter fiscal and monetary policies, which are deemed necessary for economic stability. Looking at the demand side, the primary drivers of growth in the medium term are expected to be private consumption and investment, particularly as fiscal consolidation measures take effect.

Fitch's analysis underscores the expectation of sustained robustness in Rwanda's real GDP growth, with forecasts indicating rates of 6.5% in 2024 and 6.4% in 2025, following a high of 8.2% in 2023. The forecast horizon also anticipates support for economic activity from increased foreign investment, notably in projects such as the Bugesera airport construction. Additionally, improvements in net trade and a downward trend in inflation are anticipated contributors to economic momentum.

Forecasts suggest a decline in average inflation to 6.6% in 2024 and further to 5.9% in 2025, marking a significant reduction from the peak of 14.3% observed in 2023. This shift is attributed to various factors, including base effects, strengthened domestic food supply, and decreasing global prices of Brent crude and food commodities anticipated through 2025. Notably, headline inflation already demonstrated a significant decrease to 5.0% as of January 2024.

In the realm of monetary policy, the decision by the Monetary Policy Committee (MPC) to maintain the Central Bank Rate (CBR) at 7.5% reflects a commitment to managing inflation within the target band of 2 to 8 percent. The MPC's ongoing vigilance in monitoring macroeconomic developments underscores their dedication to ensuring economic stability and sustainable growth.

Senegal

In the medium term, Senegal is projected to experience robust economic growth, driven by the commencement of oil and gas production expected around mid-2024. The Economic Intelligence Unit projects a substantial increase in real GDP growth, forecasted at 9.2% for 2024 and an average of 5.9% from 2025 to 2028. This growth trajectory is underpinned by the initiation of LNG production and anticipated benefits from a new legislative framework, leading to enhanced revenues. Consequently, there is a marked improvement expected in both the current-account and fiscal deficits.

Senegal's economic landscape will also benefit from significant donor support, particularly within the existing US$1.9 billion IMF program. Moreover, diversified investments across sectors such as agriculture, electricity production, information technology, and transport are driving developmental momentum.

Inflation is expected to moderate, with a projected average of 4% for 2024. The stability of the CFA franc, pegged to the euro at 655.96 units per EUR1, aligns with movements in the EUR-USD exchange rate.

In the political arena, the recent presidential election in Senegal, held on Sunday, March 24, attracted substantial participation from the electorate. This election, originally slated for February 25 but delayed due to procedural adjustments, showcased the country's institutional resilience amidst a challenging political backdrop. Despite the postponement and ensuing constitutional discussions, Senegal's democratic foundations remained robust, a testament to its enduring multiparty political framework.

The election outcome saw Bassirou Diomaye Faye, the opposition candidate, sworn in as Africa's youngest democratically elected president at the age of 44, securing 54% of the votes.

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Monter Capital Secures Commitments from Zambian Pension Funds

Monter Capital is pleased to receive investment commitments into the Monter Capital Fund from Zambian Pension Funds following successful approvals from regulatory authorities in Zambia. This approval marks a significant milestone and provides the Pension Funds access to alternative assets driven by Monter Capital.

The commitment signifies a strong partnership between Monter Capital and institutional investors and other stakeholders, highlighting strategic alignment in investment objectives and a shared vision for sustainable growth and value creation.

Monter Capital
hosts AMG Global

Monter Capital Partnership Limited had the privilege of hosting AMG Global - the representatives of private investor groups from Zambia, at the offices in Mauritius last week.

Dr. Brian Malambo and Mr. Lulumbi Njeleka, Monter Capital's Chief Executive Officer and Principal, respectively were joined by senior executives from AMG Global, Dr. Friday Nyambe and Mr. Pfumai Nyambe.

The parties engaged in interactive discussions with various stakeholders, as well as the Monter Capital Fund's administrators, Animo Associates' executives, Mr. Lovy Bundhoo and Mr. Vishal Gokool with the primary objective of exploring further opportunities for collaborations and synergies.

Monter Capital remains committed to driving innovation and excellence in the Private Equity space, forging meaningful partnerships that foster growth and create lasting and sustainable value.

Analyst's View:

In 2024-25, Sub-Saharan Africa (SSA) is positioned for an upturn in growth, nearing the historical average of the past two decades. Projections suggest that by 2025, per capita incomes in SSA will marginally surpass 2019 levels but will notably lag in the larger economies. Moreover, the current account balances of many industrial commodity exporters are anticipated to deteriorate further throughout 2024-25.

SSA's growth trajectory is expected to accelerate to 3.8% in 2024 and firm up to 4.1% in 2025, driven by diminishing inflationary pressures and improved financial conditions. Although overall regional growth forecasts for 2024-25 remain relatively stable compared to earlier estimates, individual country performances vary significantly. While the largest SSA economies are poised to underperform compared to the rest of the region, non-resource-rich economies are anticipated to sustain growth rates exceeding the regional average. Excluding the top three economies in SSA, regional growth is forecasted to accelerate from 3.9% in 2023 to 5% in 2024, further reaching 5.3% in 2025.

The trajectory of interest rates in Sub-Saharan Africa indicates an impending policy easing phase during 2024. However, inflation dynamics diverge across the region, suggesting that rate adjustments will occur unevenly and without synchronized timing. The initial interest rate cuts in the current cycle are expected during the first half of 2024, potentially in Mozambique and South Africa. In contrast, Angola and Kenya may lean towards tightening monetary policies further.

Non-resource-rich countries are anticipated to witness strengthened growth, reaching 5.4% in 2024 and 5.7% in 2025. This growth surge is supported by increased investment, particularly in Kenya and Uganda, fueled by enhanced business sentiment. Uganda's growth prospects are further enhanced by infrastructure investments ahead of anticipated new oil production in 2025, while Kenya's investment environment benefits from expanded credit to the private sector as the government reduces domestic borrowing.

The region's external financing requirements have escalated post-pandemic, attributed partly to higher import expenditures and debt servicing outlays. Consequently, many economies continue to grapple with elevated current account deficits. To address these challenges, innovative debt-based financing instruments are gaining traction, exemplified by the European Investment Bank's commitment to supporting multiple debt-for-nature liability management exercises annually. Despite these efforts, mobilizing financing at the scale necessary for the region's climate transition remains a formidable task, necessitating broader adoption of financial instruments like green bonds to fund the energy transition effectively.

There are expectations for Ghana and Zambia to emerge from default on their foreign-currency debt in 2024, signaling potential improvements in their fiscal health. However, limited access to financing remains a hurdle for several sub-Saharan African states.

Analyst: Bupe Mparuri