



EX AFRICA

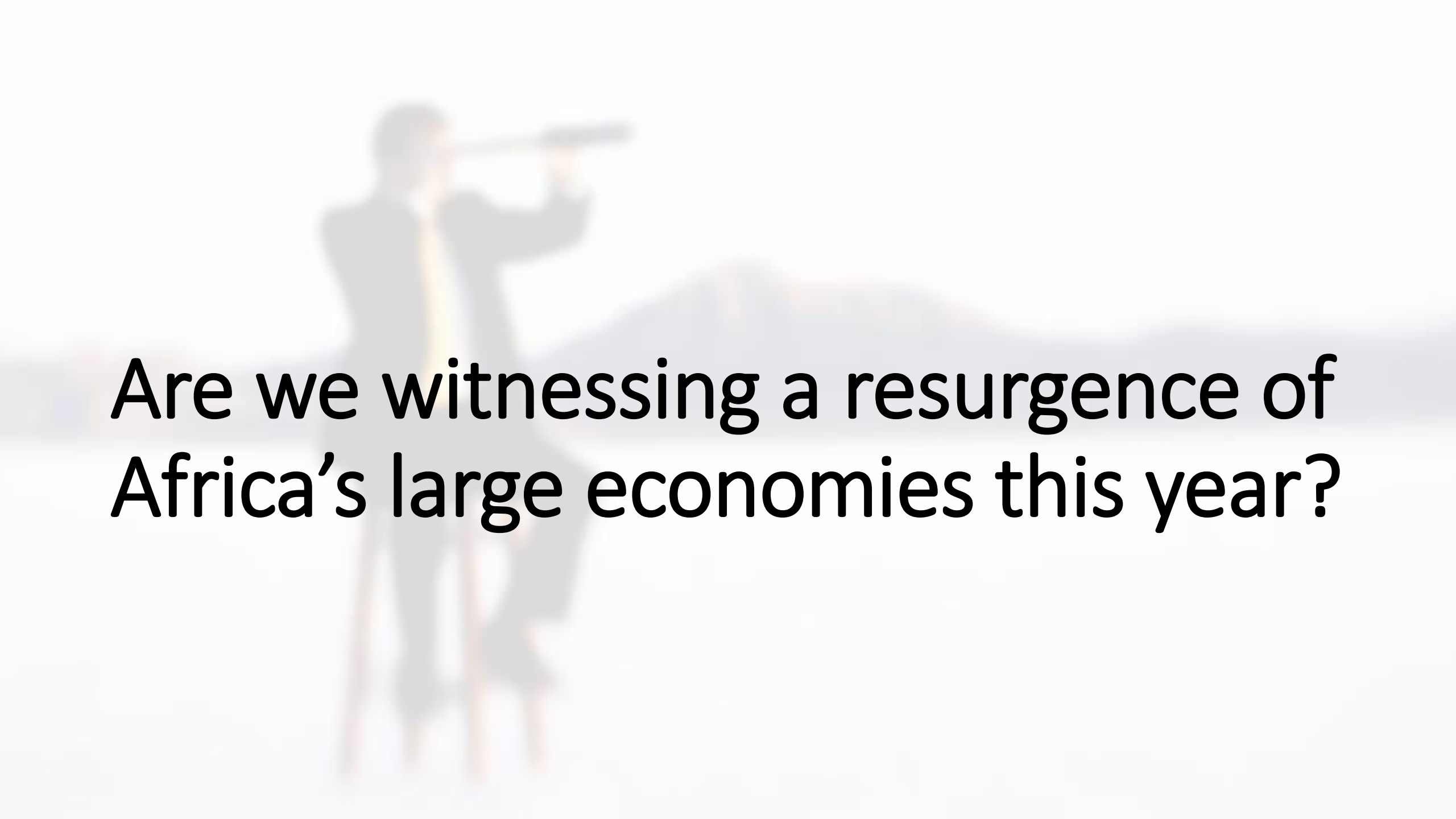
BUSINESS RISK INTELLIGENCE

AFRICA REGIONAL RISK SNAPSHOT

SEPARATING FACT FROM FICTION

Dr Robert Besseling, Executive Director, EXX Africa

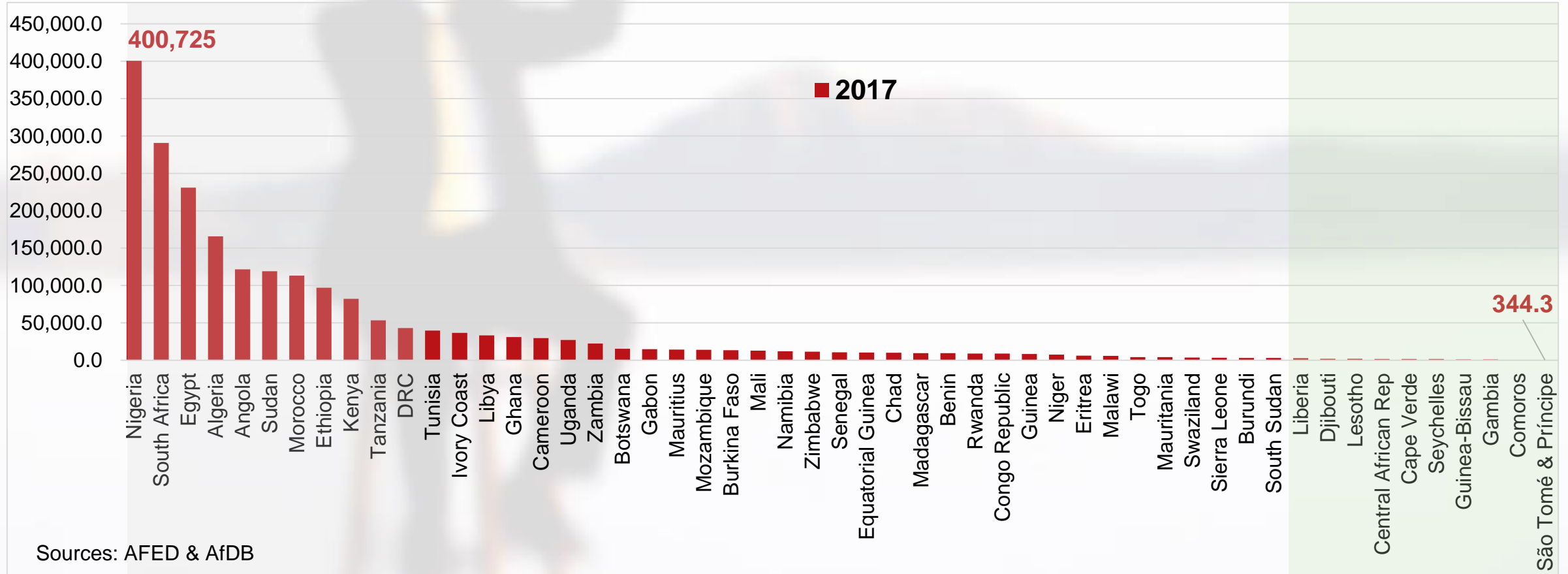


A blurred background image of a person in a dark suit and light-colored shirt, holding a telescope to their eye and looking towards the right. The person is standing on a beach or a similar outdoor setting with a bright, hazy background. The overall image is out of focus, emphasizing the text overlaid on it.

Are we witnessing a resurgence of
Africa's large economies this year?

Africa: Size of the Economy

(Nominal GDP: \$,millions)



Sources: AFED & AfDB

Polling Question 1 -

- Will we witness a resurgence of Africa's large economies this year?
 1. Yes
 2. No
 3. I don't know

A blurred background image of a man in a dark suit and yellow tie, standing on a beach and looking through binoculars. The background shows a calm sea and distant hills under a bright sky.

Country Focus

South Africa, Nigeria, Angola, Kenya



South Africa

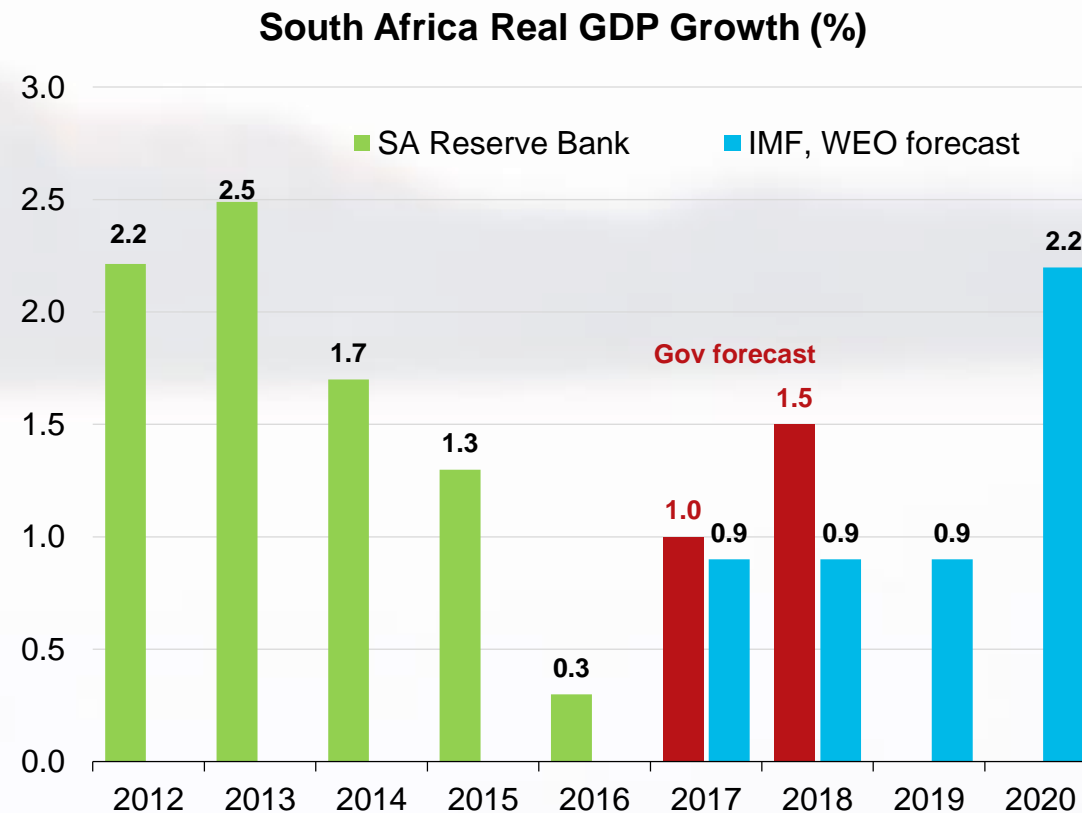
How long can the 'Ramaphosa Honeymoon' last?

Polling Question 2 -

- To what extent are you feeling more confident about South Africa's outlook since the leadership change in February?
 1. Very confident, I will now sign any deal that comes across my desk...
 2. Moderately more confident
 3. No change
 4. Still downbeat and uncertain

South Africa: The limits of 'Ramaphoria'

- Business confidence is on the up
- 'Tough but hopeful' budget
- SOE reform is a key priority
- Further credit downgrades loom
- 2019 elections may pivot policy
- Land reform as a political football



Sources: AFED, Local Sources & IMF, WEO Oct 17

Land expropriation as a 'political football'

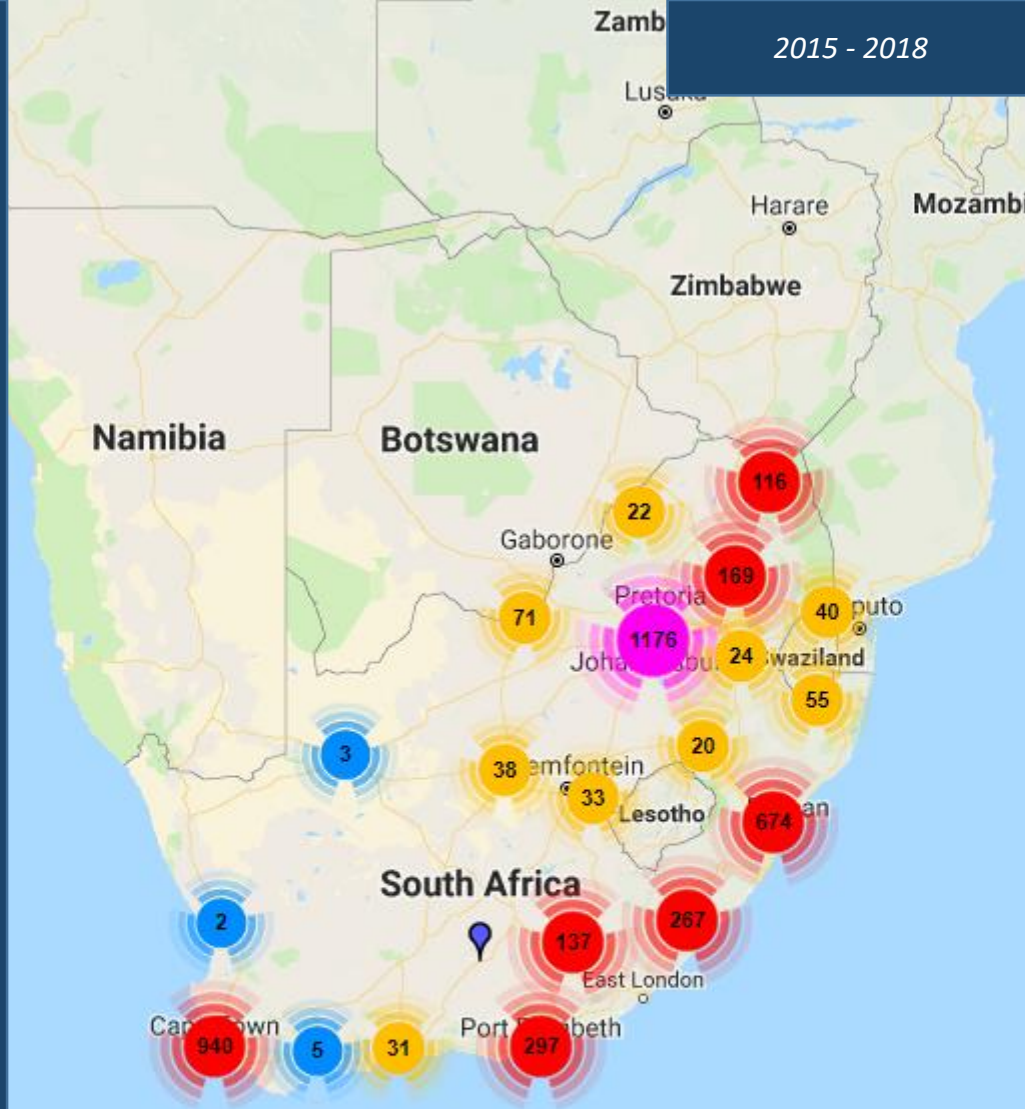
1. Land reform is not aimed at white or foreign-owned commercial agricultural holdings. Populist rhetoric targeting such farms is politically expedient, but harmful to South Africa's international investment reputation
2. State expropriation of land without compensation is unconstitutional, illegal, and in breach of multiple multilateral treaties.
3. ANC policy of land reform is aimed at undercutting the political campaign of the radical leftist EFF opposition ahead of the 2019 national elections.
4. The real expropriation target is land ownership by traditional authorities, particularly the Ingonyama Trust of Zulu King Goodwill Zwelithini, which owns 60% of KwaZulu-Natal province



Security Incidents In South Africa

2015 - 2018

2017 - 2018





Nigeria

Elections, debt, and the oil sector

Nigeria shifts into election mode

- Is President Buhari the man to beat in 2019?
- Government inertia and stalled economic reform

What is needed to ensure economic recovery?

- Unifying multiple currency exchange rates
- Economic Growth and Recovery Plan
- Oil industry reform and Niger Delta compromise

The Nigerian economy's tentative recovery may be frustrated by electioneering

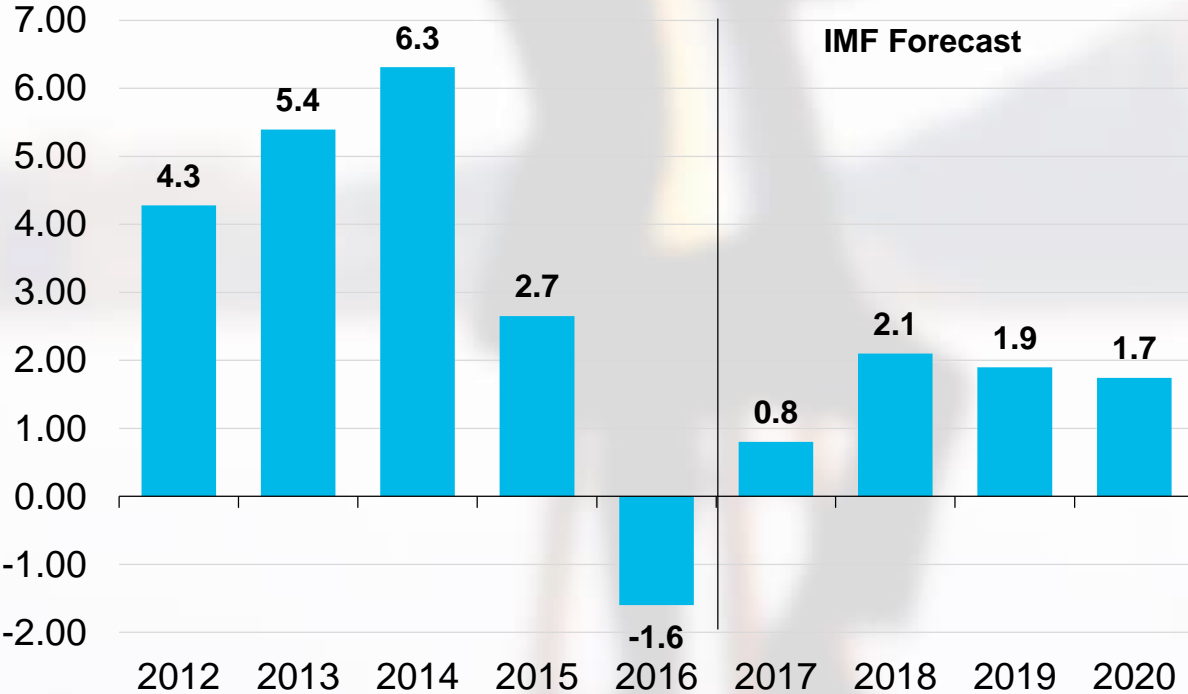


Polling Question 3 -

- Should Nigeria continue to raise debt to finance its gaping budget deficit?
 1. Yes, both more Eurobonds and local currency debt issuance
 2. Yes, but only if the oil price continues to recover
 3. No, Nigeria has already piled up too much debt
 4. I have no opinion

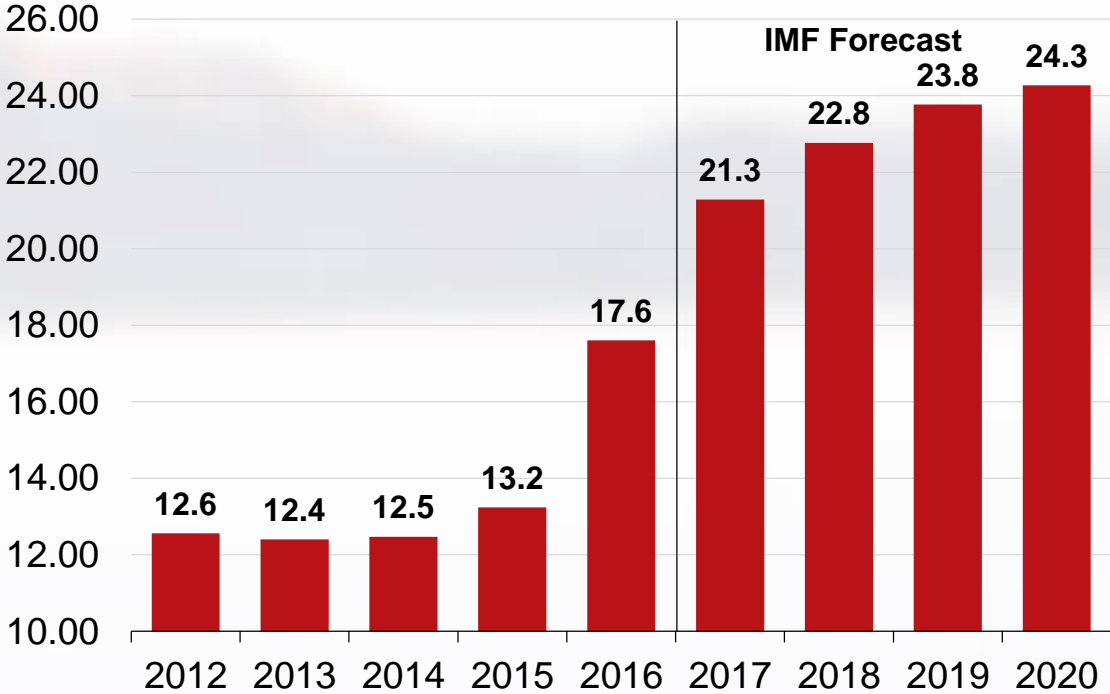
Nigeria Growth and Public Debt:

Nigeria Real GDP Growth (%)



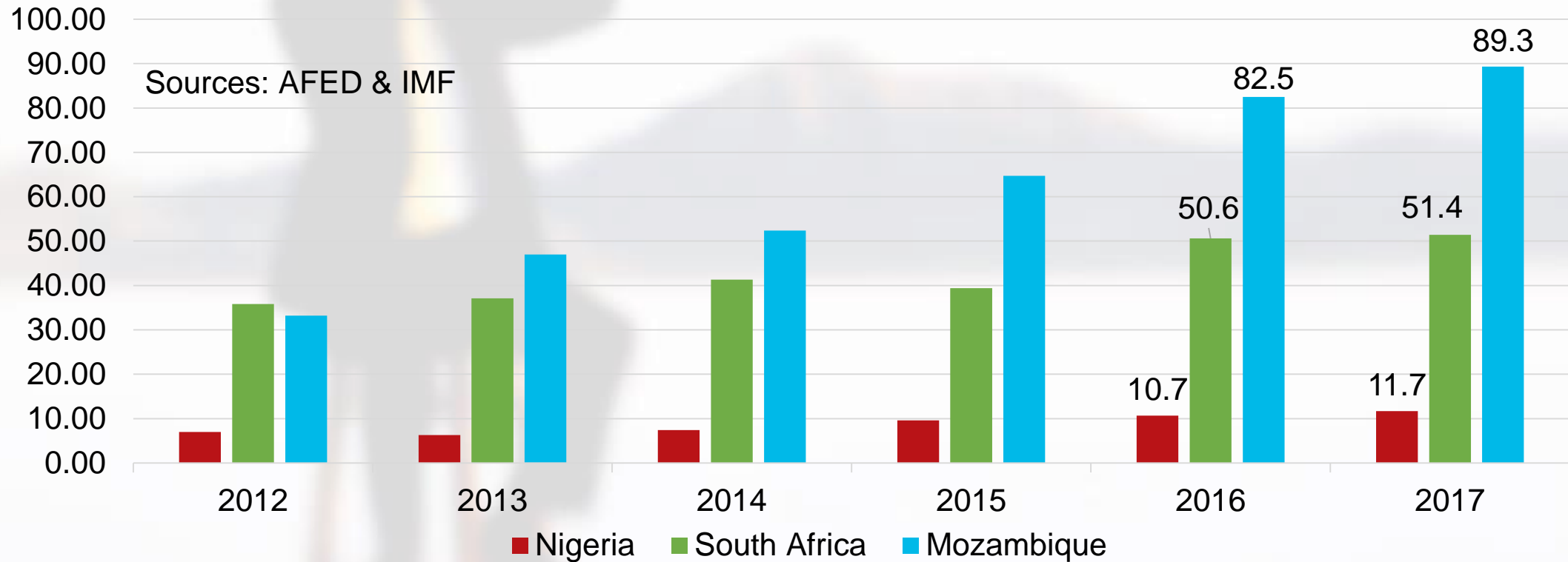
Sources: AFED & IMF, WEO Oct 17

Nigeria Total Public Debt (% of GDP)



Sources: AFED & IMF, WEO Oct 17

Total External Debt (% of GDP): Nigeria, South Africa & Mozambique



Key sectors to watch out for in 2018

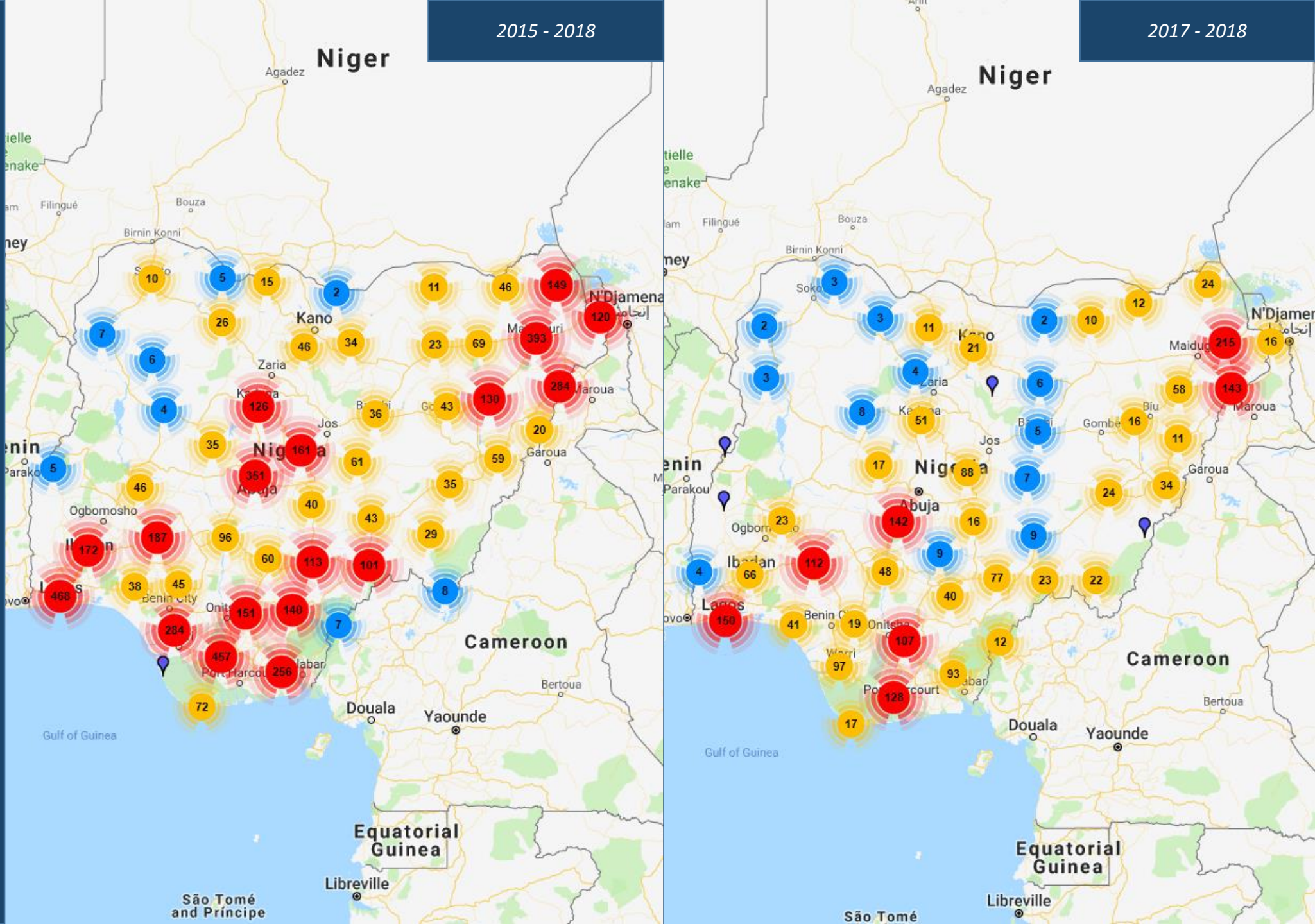
- Oil & Gas Development Projects in Niger Delta, including refineries
- Military & Defence after sign-off of US procurement deal
- Massive infrastructure boost commits new transport, water, and power projects
- Nigeria has the most valuable intra-regional trade, although it is dominated by crude oil exports.



Security Incidents In Nigeria

2015 - 2018

2017 - 2018

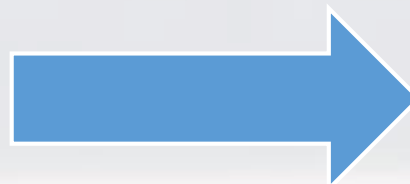




3. Angola

A New Dawn for Sonangol and the banks

The implications of Angola's political transition



The political transition has triggered the most significant shift in influence dynamics since the 1970s, while taking place in an increasingly tense socio-economic environment.

The battle over Sonangol & the banking sector



The first political battle of the transition will be over the future of the struggling state oil company and extensive oil sector restructuring plans.

This contest will determine the new government's policy on the oil sector, transparency, and the potential return of the IMF.



Kenya

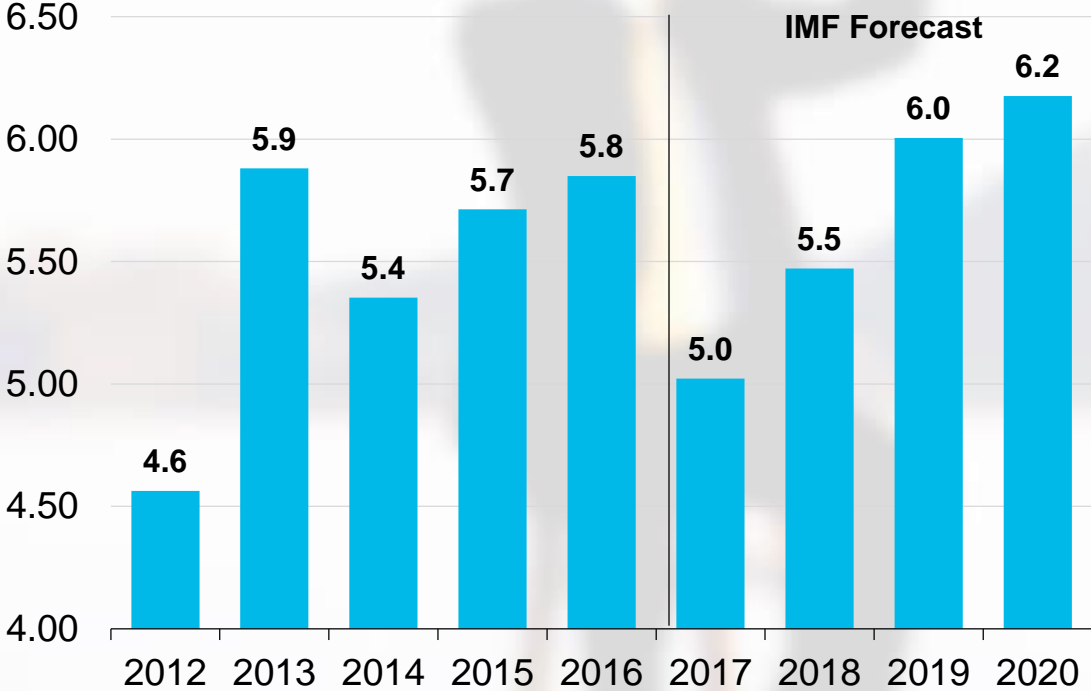
Moving beyond the 2017 elections and finding new avenues for growth

Polling Question 5 -

- How badly tarnished was Kenya's investment reputation by last year's elections and subsequent political crisis?
 1. Disastrous, it will take years to recover
 2. It was a bad year, but things will come right in 2018
 3. It's Kenya, what did you expect? It makes no difference.

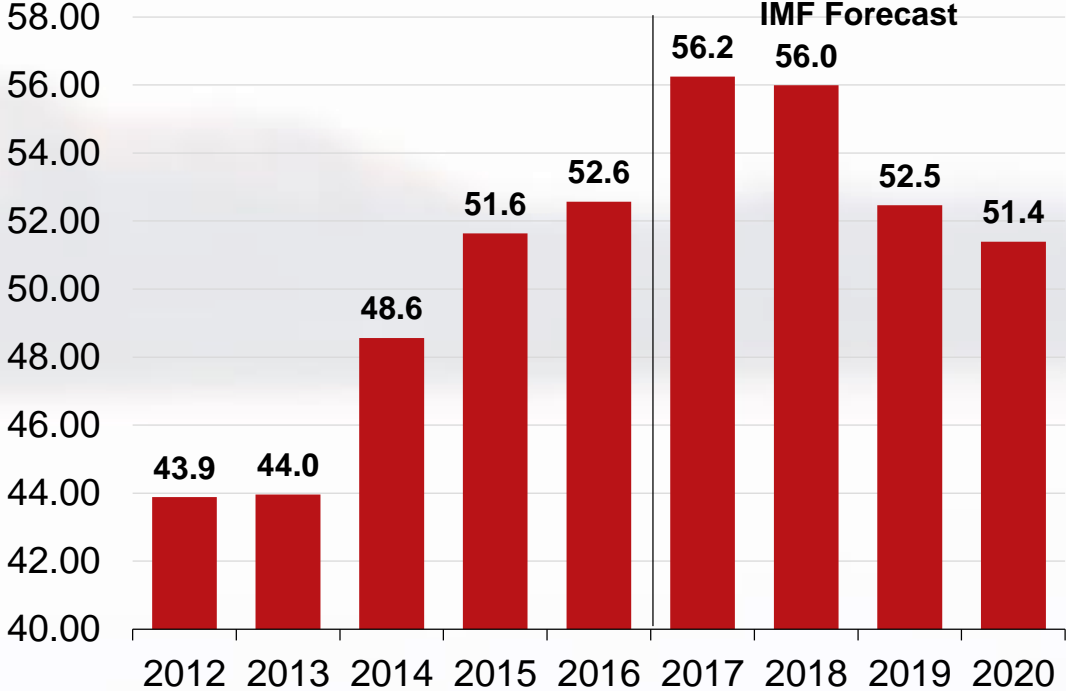
Kenya Growth and Public Debt:

Kenya Real GDP Growth (%)



Sources: AFED & IMF, WEO Oct 17

Kenya Total Public Debt (% of GDP)



Sources: AFED & IMF, WEO Oct17

Exchange Rates: Kenyan Shilling to US Dollar

Kenyan Shilling to 1 US Dollar



Key sectors to watch in 2018

- **Banking** – Growing pressure to uncap interest rates
- **Infrastructure** will be part of the ‘Kenyatta Legacy’
- **Kenya & Brexit** – will there be new opportunities?
- **The oil game changer** – oil and pipeline construction



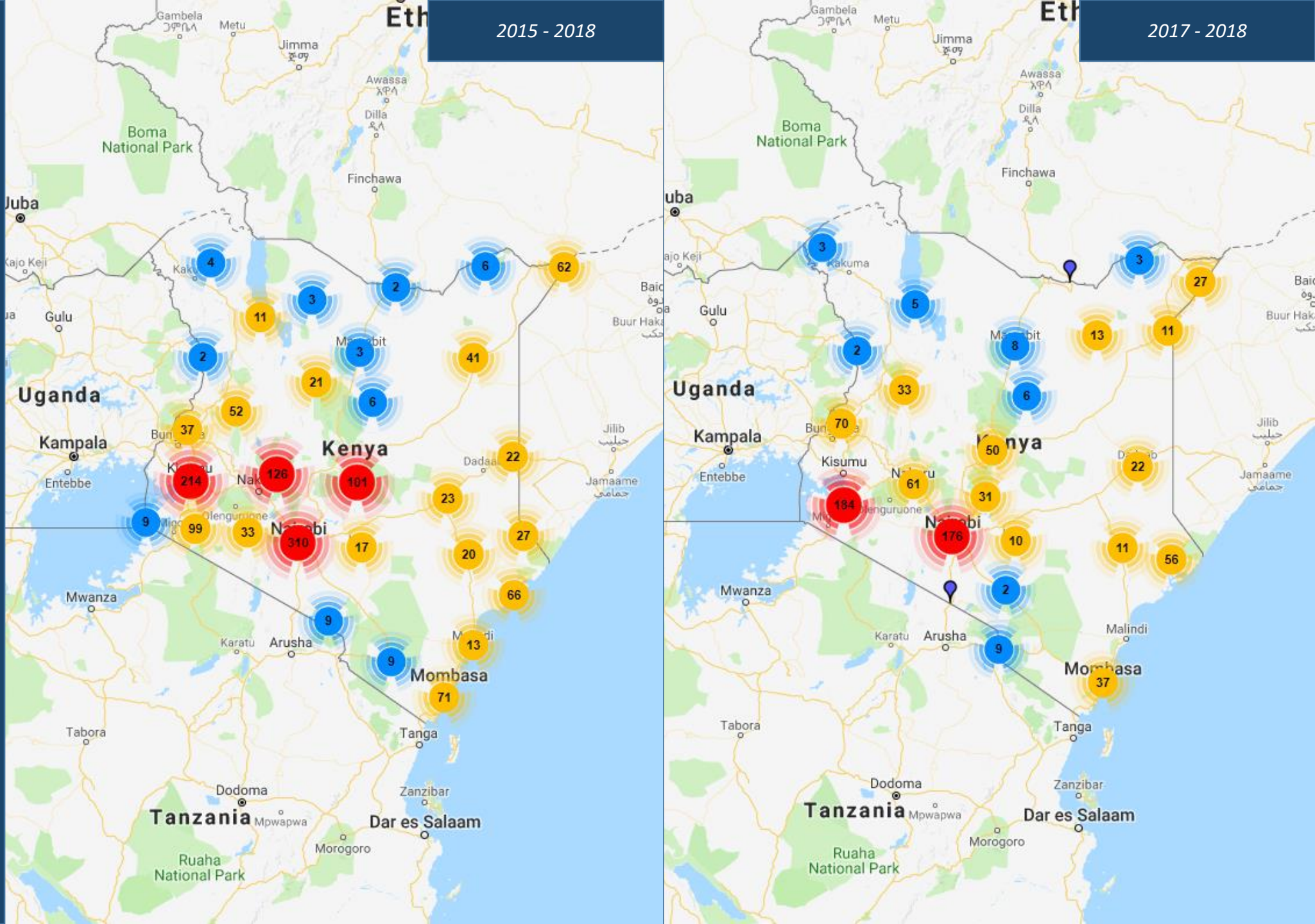
Kenya: Already looking towards 2022...



Security Incidents In Kenya

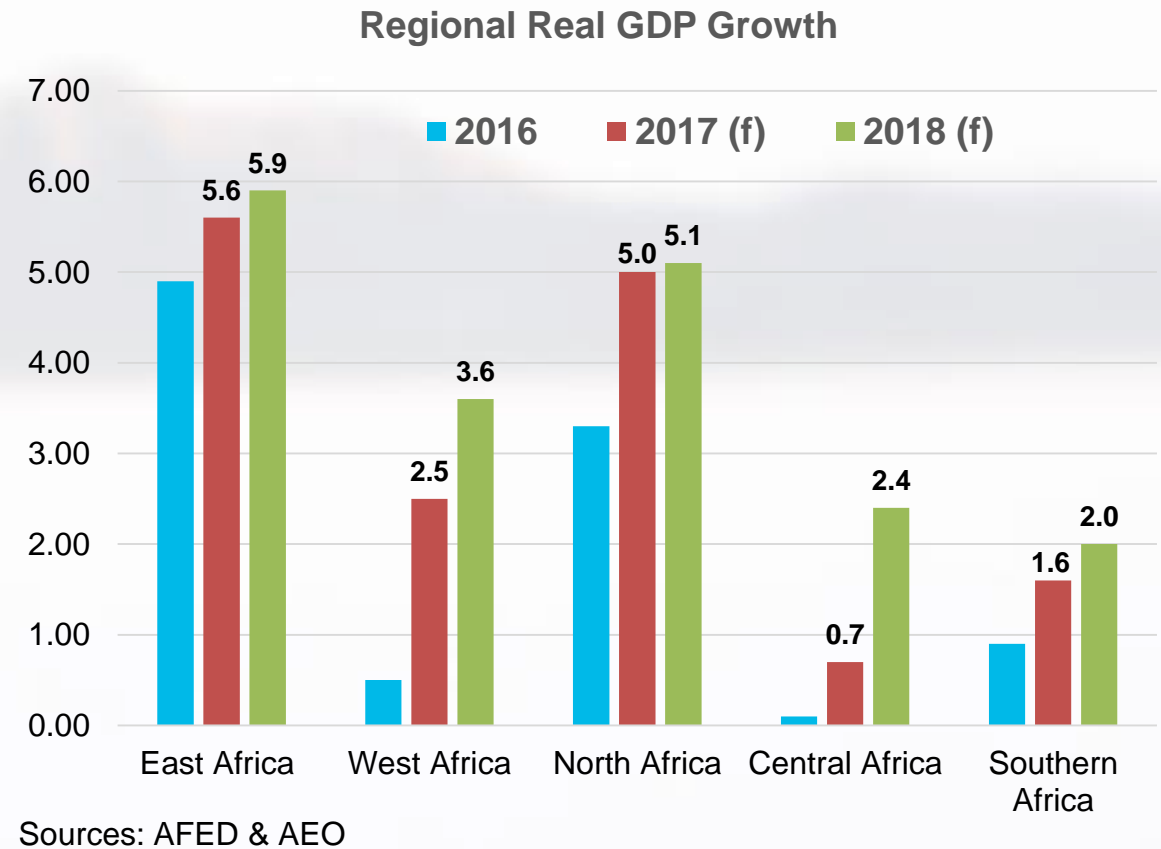
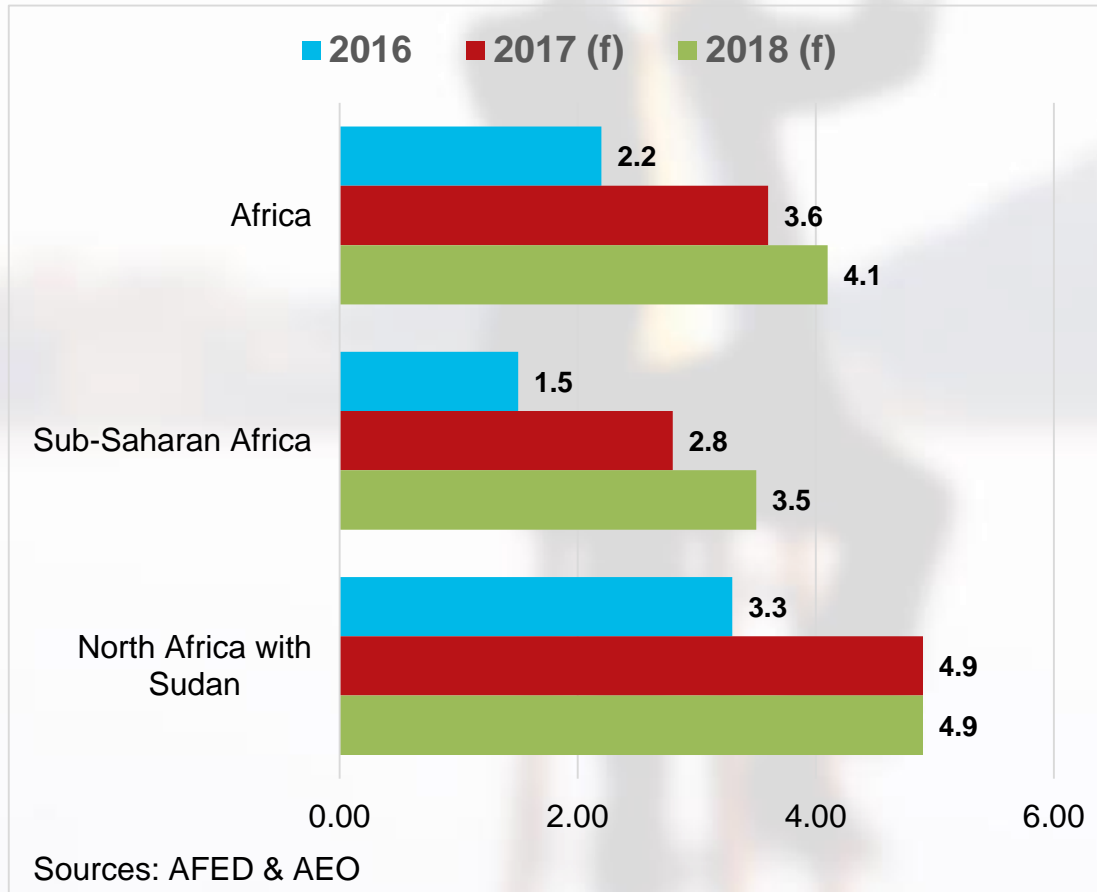
2015 - 2018

2017 - 2018



Real GDP Growth: Aggregates and Regions

(year-on-year % growth)



Key trade corridors: East & Southern Africa

Kenya has the most diverse intra-regional flows in Africa

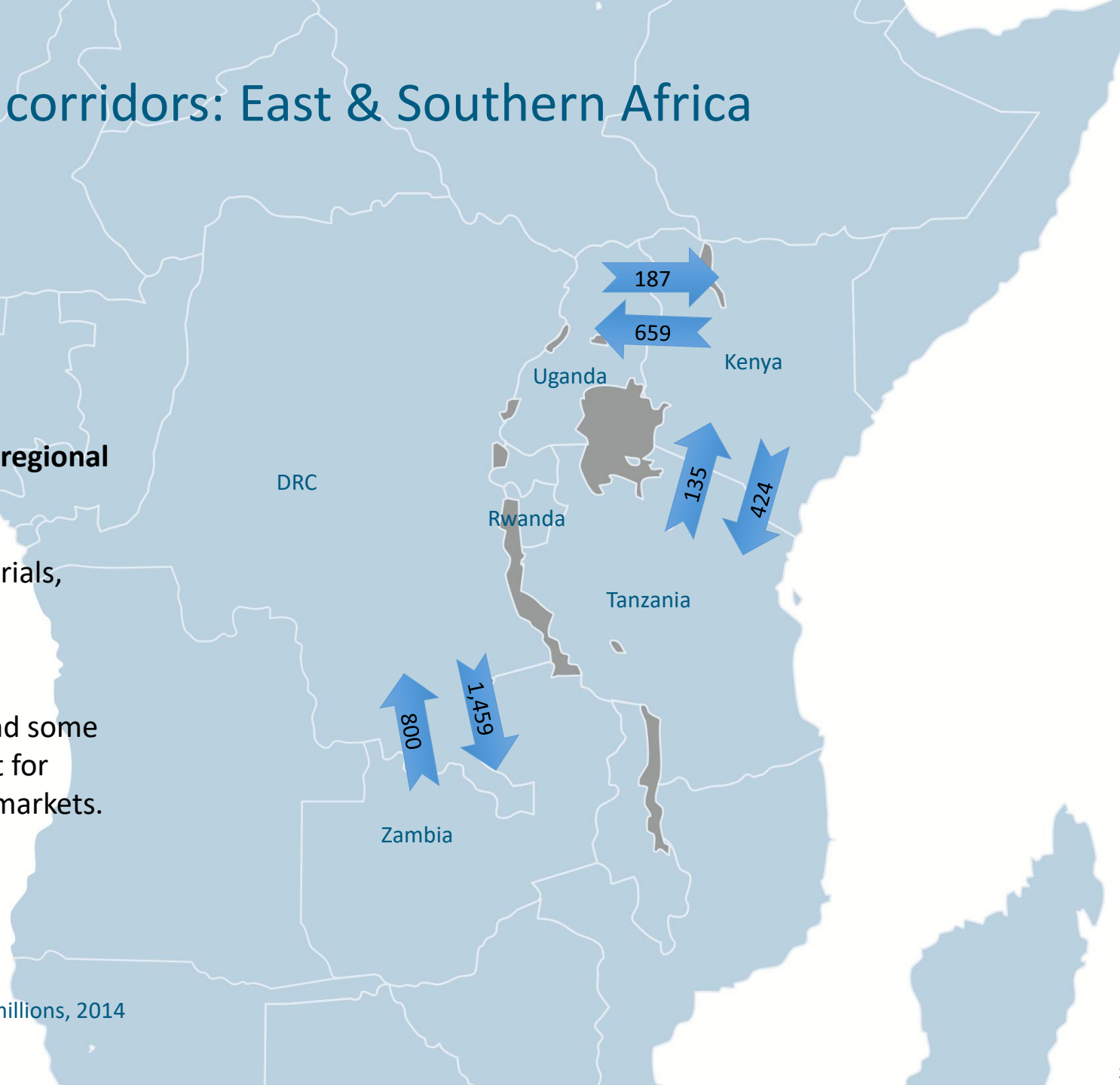
Kenya exports industrial raw materials, food, and consumer goods to its neighbours.

Kenya imports tobacco and some food, for which it acts as a conduit for exports of commodities to world markets.

Source: Ecobank Research



Trade flows, USD millions, 2014





Which African countries face the highest political risk?

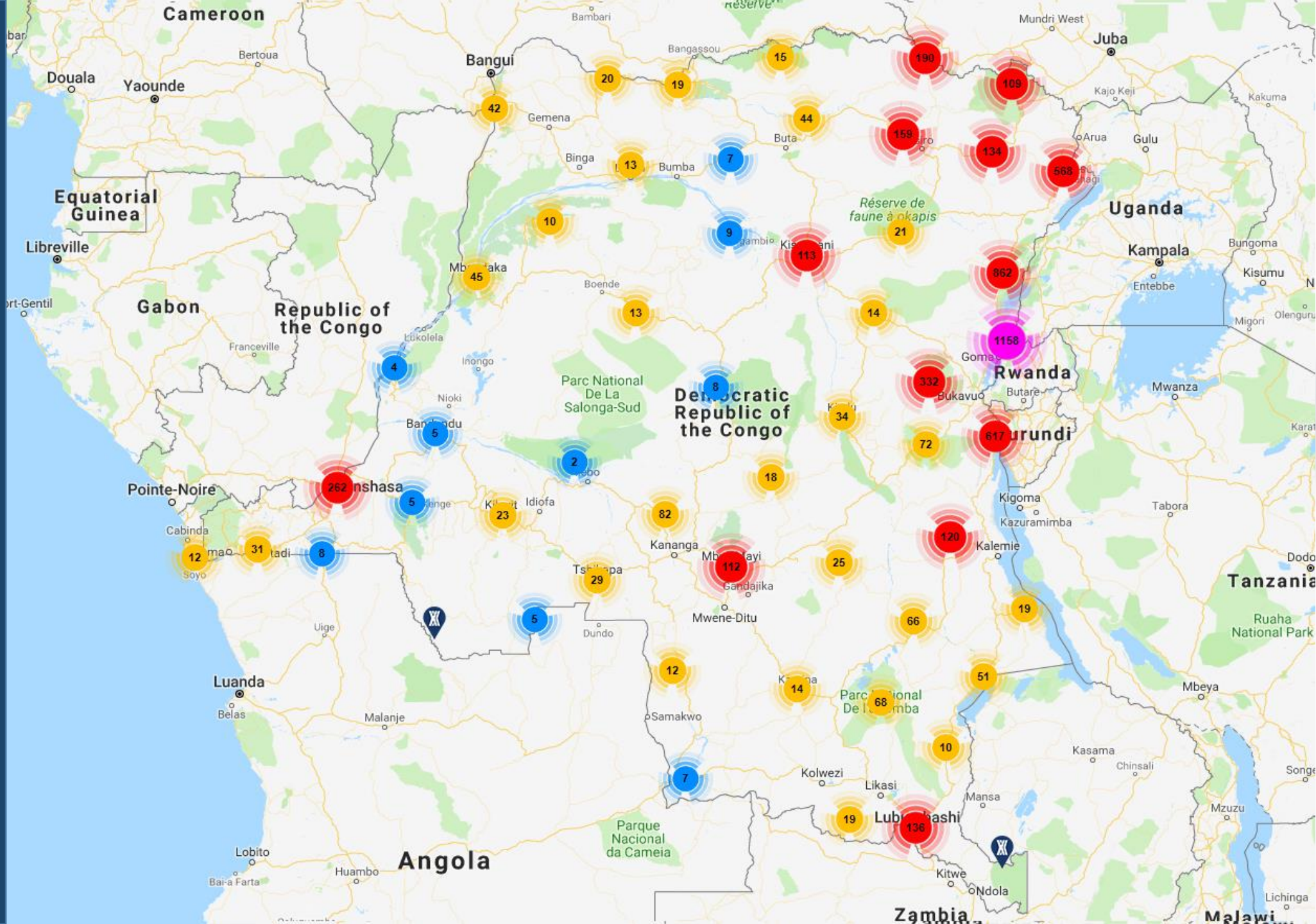
2015 - 2018

Heaviest concentration of security incidents around Goma, North Kivu.

High density of security incidents remains focused on the Northeast.

High density population centres also reflect higher concentration of incidents – Kinshasa, Lubumbashi, Kisangani, etc.

Uptick in violence around Mbuyi-Mayi and Kananga.



Scenario Analysis for DRC in One Year Outlook

SCENARIO ONE

Elections take place in December 2018

Probability: **60%**

Commercial Impact:

'Kabila third term' improves political certainty and supports economic recovery as sanctions are lifted and fresh FDI is encouraged

SCENARIO TWO

Elections are yet again postponed beyond 2018

Probability: **30%**

Commercial Impact:

Kabila fears an opposition win and delays the vote, thus extending the status quo of political uncertainty, economic weakness, and sanctions

SCENARIO THREE

Unconstitutional transfer of power before the vote

Probability: **10%**

Commercial Impact:

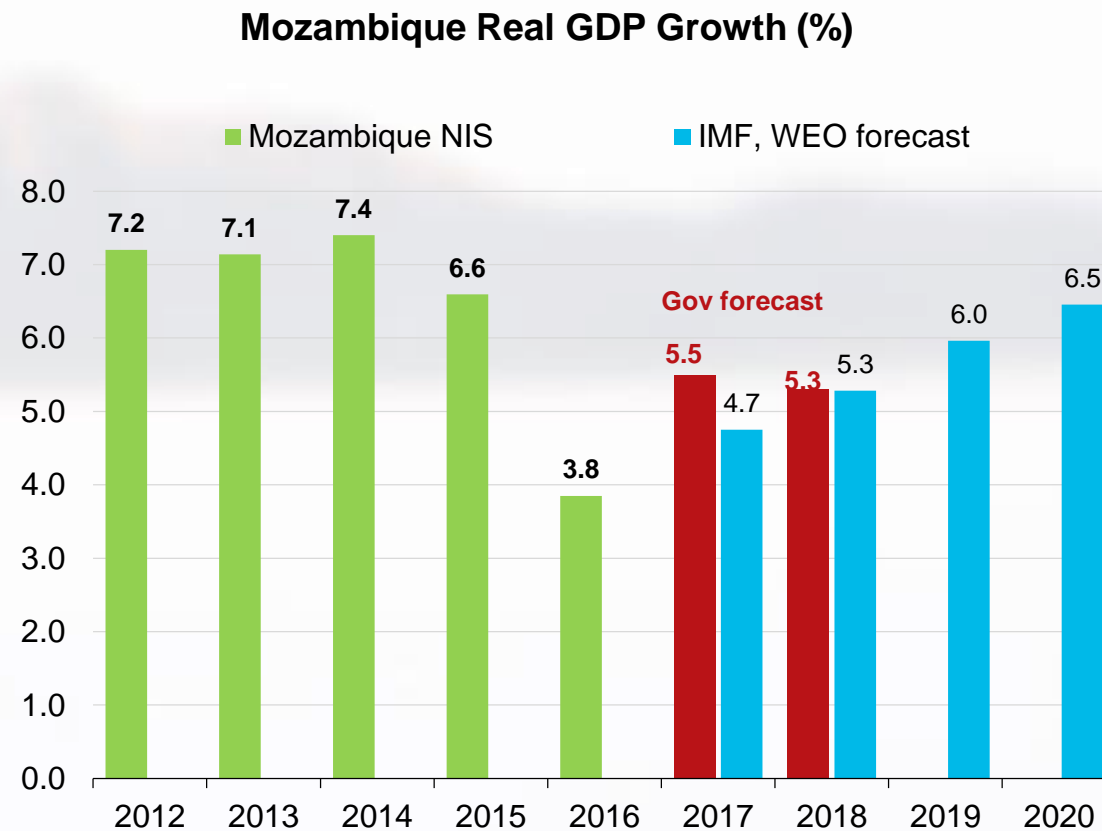
Socio-economic protests and political unrest force the military and/or regional countries to intervene, possibly triggering further conflict.

Mozambique: Still in limbo with no debt deal...

- Structural indicators improving
- Prospect of peace with RENAMO
- Gas sector development on track

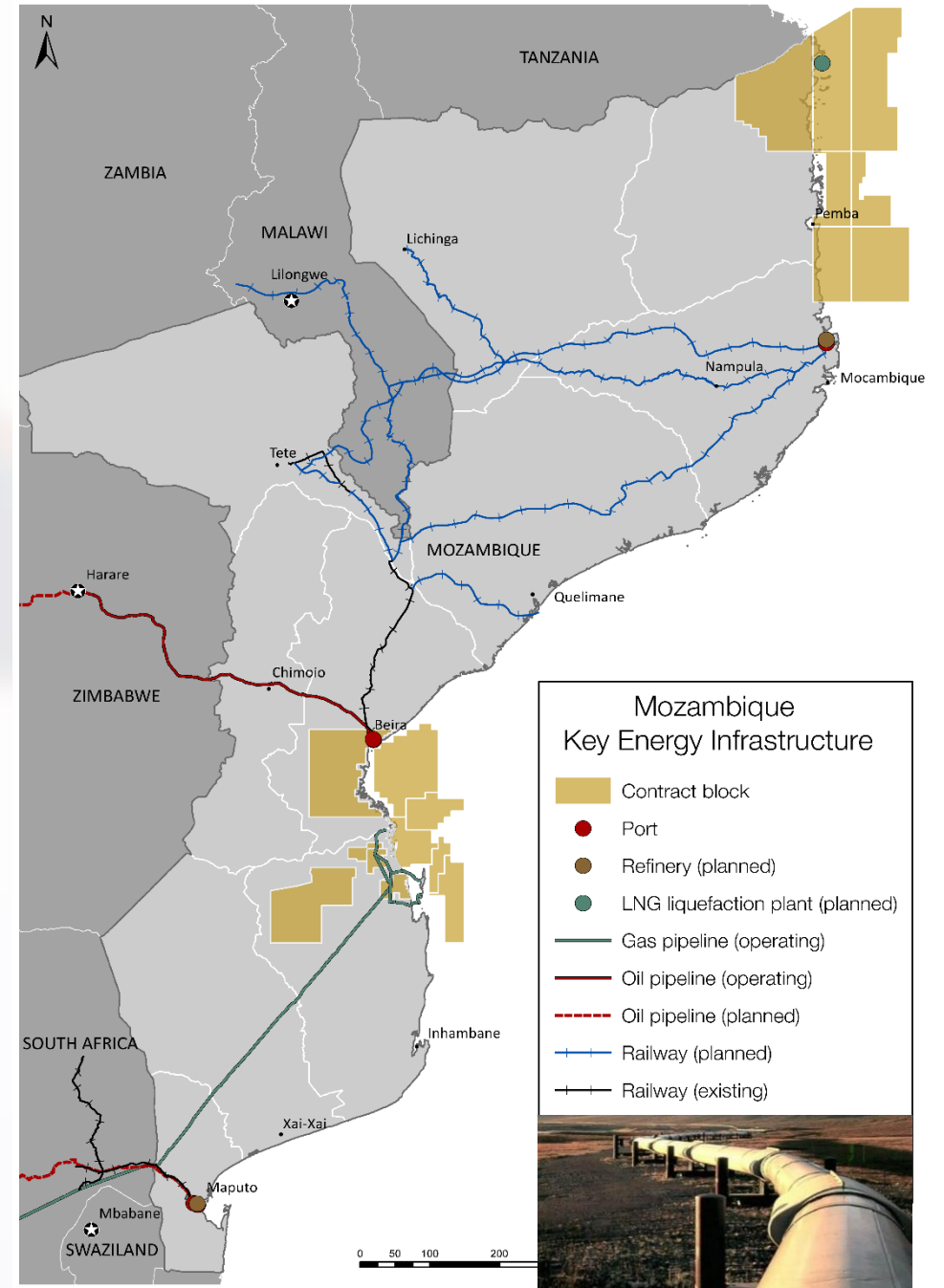
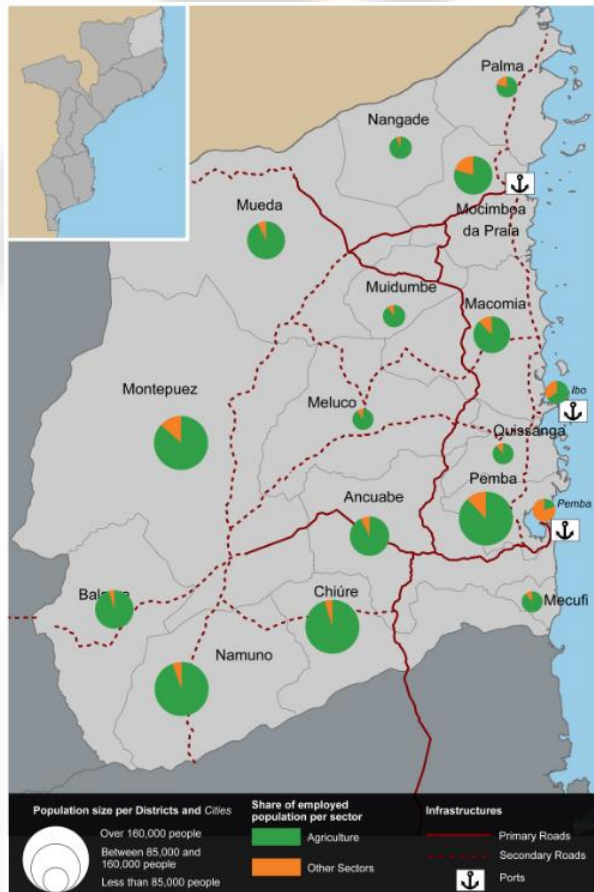
BUT

- Unsustainable debt outlook
- Little confidence from donors



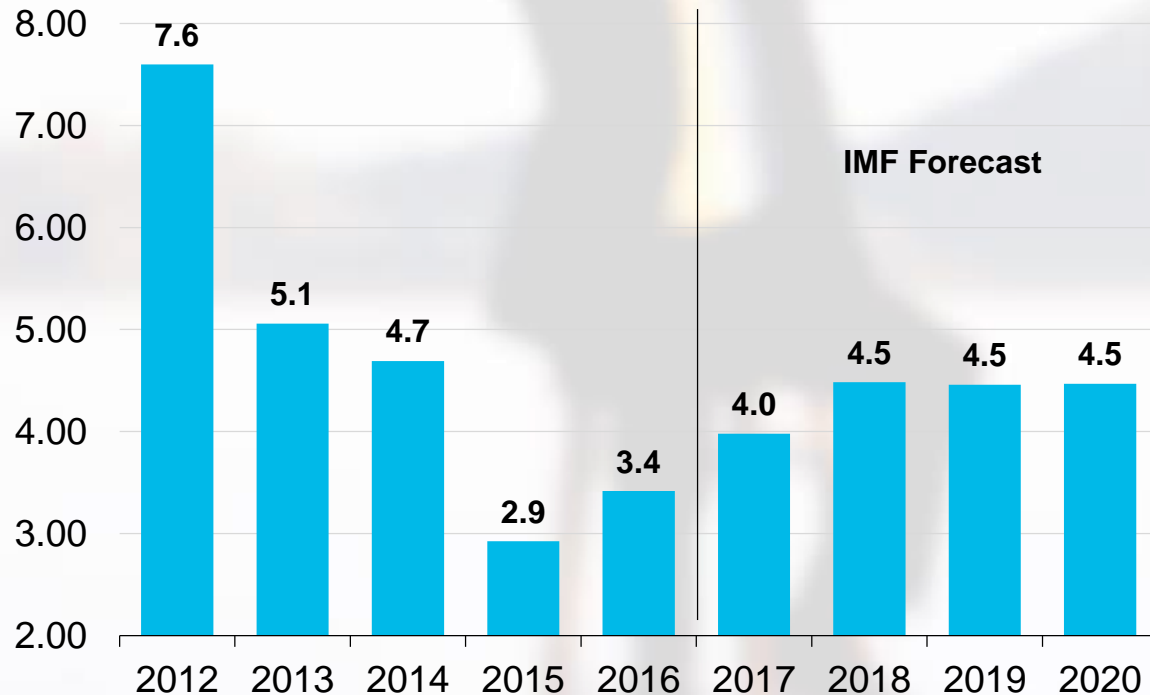
Sources: AFED, Local Sources & IMF, WEO Oct 17

Security risk along Mozambique railways and pipelines



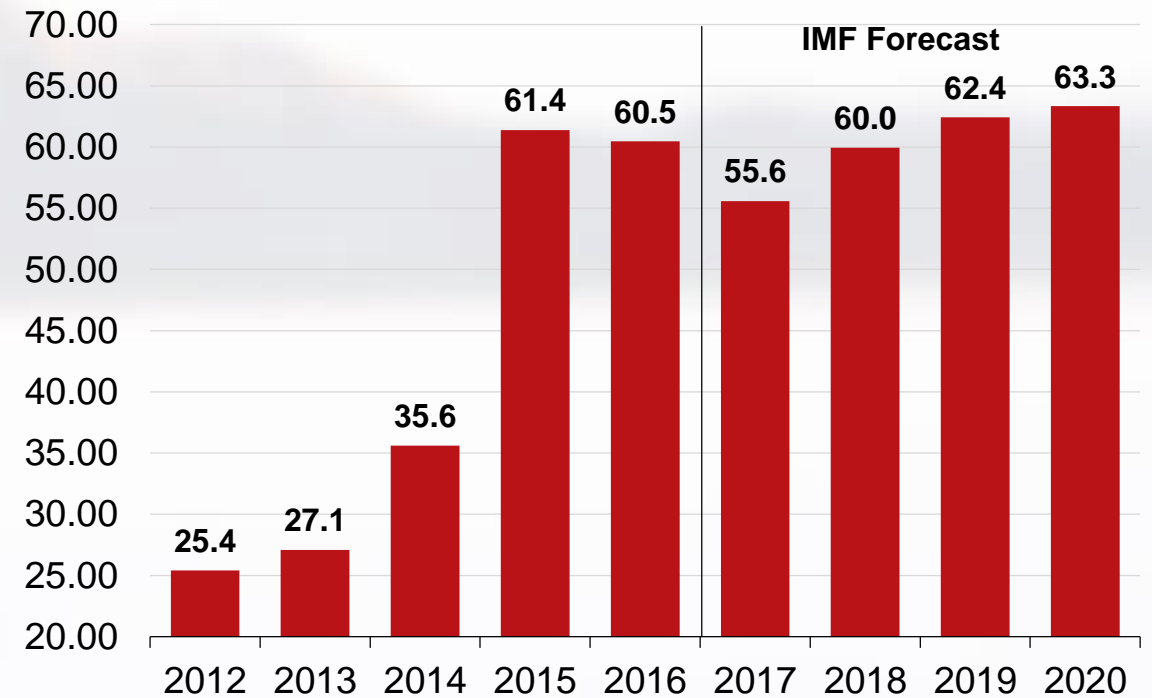
Zambia Growth and Public Debt:

Zambia Real GDP Growth (%)



Sources: AFED & IMF, WEO Oct 17

Zambia Total Public Debt (% of GDP)



Sources: AFED & IMF, WEO Oct 17

Zambia's lost opportunity

- Perceptions of government authoritarianism, arbitrary lawsuits in the copper mining sector, and intensifying political intrigue are likely to cast a dark cloud over upcoming negotiations with the IMF
- **Growing political risk may undermine Zambia's chance of economic recovery on the back of rising global copper prices.**





The Rise of Africa's 'New Nationalism'

Underlying socio-economic grievances are steering usually business-friendly governments into a more nationalist and authoritarian direction that will begin to limit the sustainability of their success.

Tanzania: Magufuli's Way



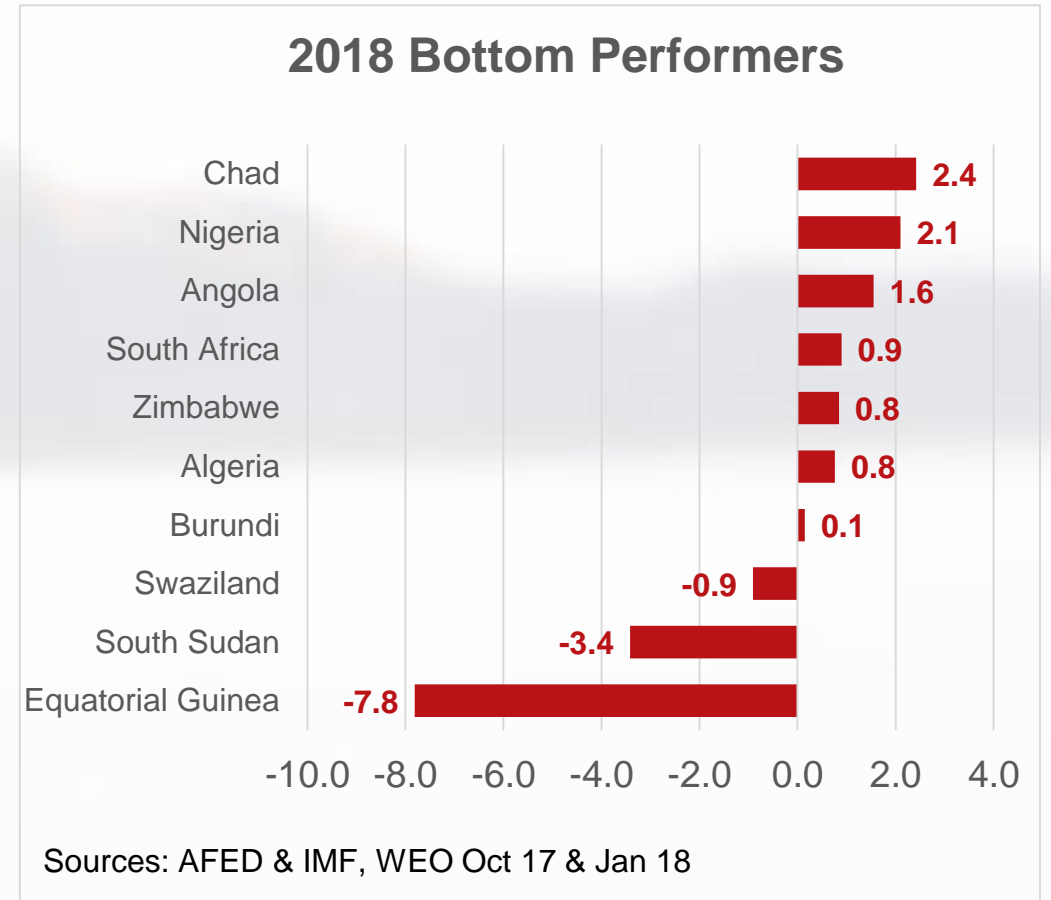
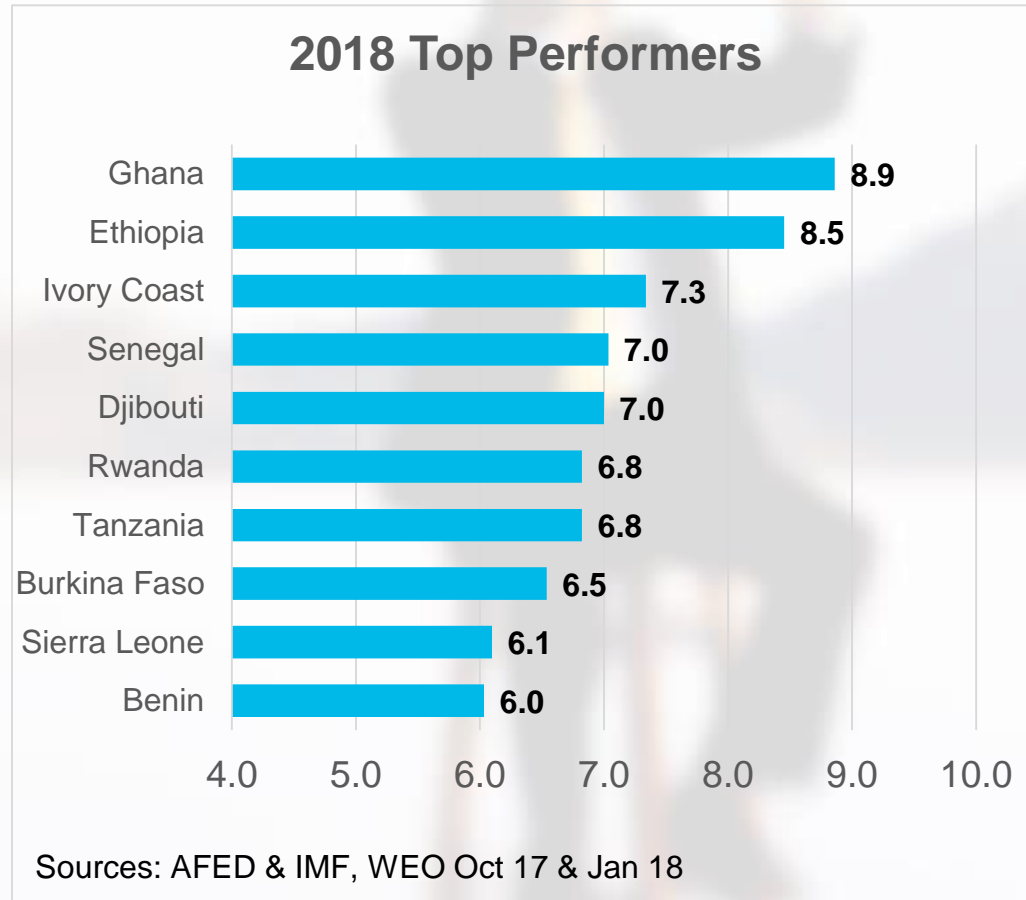
- Magufuli's self-styled 'economic war' has targeted the mining, power, and LNG industries.
- Examples include export bans, mine shut-downs, visa suspensions, contract cancellations, and unrealistic fines.
- Magufuli is stacking key state institutions with ideologically-aligned loyalists.
- Opposition warnings of a fall in the value of the shilling against the dollar as gold exports slump are falling on deaf ears.



Where are the remaining
African success stories?

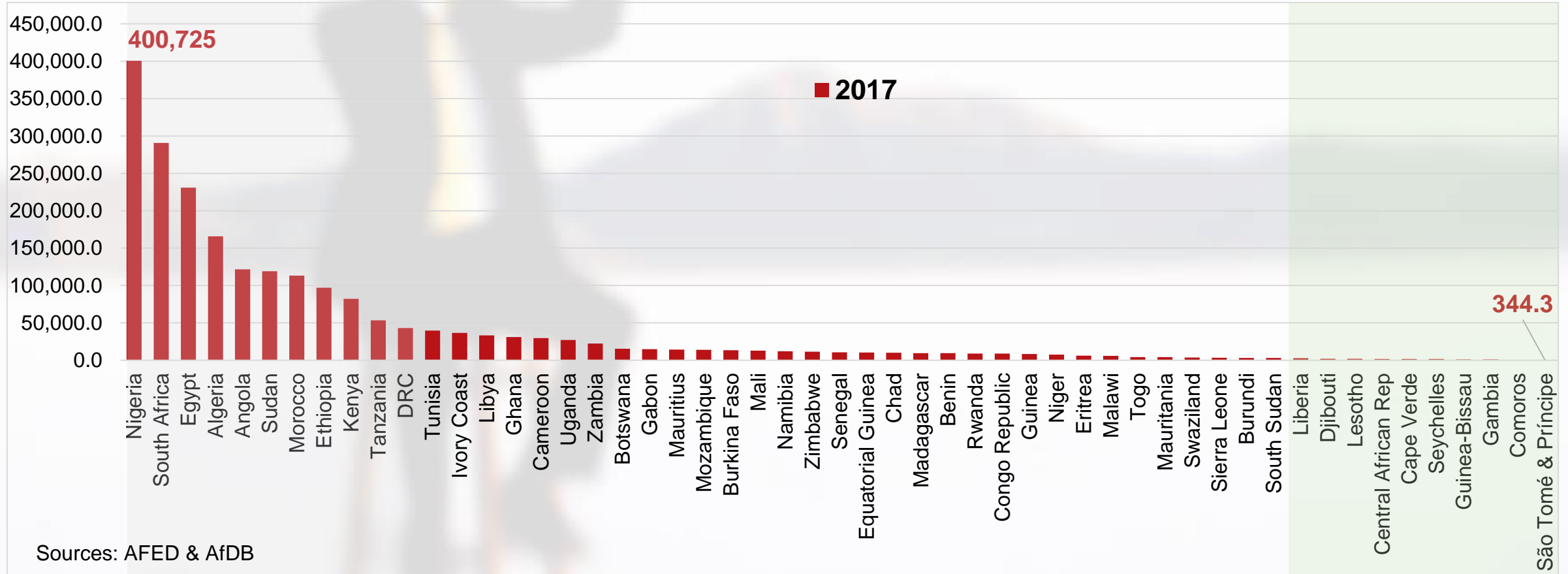
Africa Real GDP Growth: 2017 Top & Bottom Performers (excl. Libya)

(year-on-year % growth)




Africa: Size of the Economy

(Nominal GDP: \$,millions)



Sources: AFED & AfDB

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Economic recovery in Africa's
large economies underpins the
entire continent's success

Any Questions?

EX AFRICA
BUSINESS RISK INTELLIGENCE

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EX AFRICA
INSIGHT

SOUTH AFRICA

ETHIOPIA

Country	Total	Security	Govt	Other
2017-18 (Total)	27,746	17,246	10,500	0
2017-18 (Security)	17,246	17,246	0	0
2017-18 (Govt)	10,500	0	10,500	0
2017-18 (Other)	0	0	0	0

The Value of Intelligence is in the Factor of Surprise



EX AFRICA

BUSINESS RISK INTELLIGENCE