Standard Bank

AMR

AFRICAN MARKETS REVEALED

JUNE 2025

ABOUT THE COVER IMAGE

Lagos, Nigeria: West Africa's Beating Heart

Lagos transcends being just a city — it's the powerhouse of West Africa, a vibrant epicenter of commerce, culture and innovation. Home to the Nigerian Exchange Group, major banks and over 80% of the country's foreign trade, its ports at Apapa and Tin Can Island rank among the busiest on the continent.

But Lagos's energy goes beyond economics. It's the birthplace of Afrobeat, the epicenter of Nollywood, and a melting pot where Yoruba traditions blend with modern cosmopolitan flair.

As Africa's own 'Silicon Valley', Lagos's tech ecosystem embodies entrepreneurial spirit, while ambitious projects such as the Lagos Rail Mass Transit and Lekki Deep Sea Port signal a city on the rise. With its dynamic blend of tradition and progress, Lagos offers unparalleled opportunities for growth in a rapidly evolving African landscape.

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Africa's uneven response to a World in Flux

African economies are grappling with the ripple effects of global trade tensions, US policy shifts, and geopolitical risks, which are reshaping their growth trajectories and fiscal stability. The re-election of President Trump in 2024 has heightened global policy uncertainty, with US tariffs rising sharply from 2% in 2017 to 18% currently. This has disrupted global supply chains, weakened growth expectations, and introduced inflationary pressures. While global GDP growth is projected to remain below 3% in 2025 and 2026, African economies are experiencing indirect impacts through commodity price volatility, reduced external demand, and funding pressures.

The expiration of the African Growth and Opportunity Act (AGOA) in September 2025 poses significant risks for countries like Lesotho, Kenya, Mauritius, South Africa, and Ghana, which rely heavily on AGOA-supported exports to the US. Lesotho, with 27% of its exports tied to AGOA, faces the highest exposure, while other economies may experience trade imbalances and slower growth if AGOA is not renewed. Additionally, escalating trade wars between developed nations could depress commodity prices, further impacting African economies reliant on exports.

Oil price volatility remains a critical risk for Angola and Nigeria, two economies heavily reliant on oil exports. Angola’s growth outlook has been revised downward due to declining oil production and fiscal pressures, with GDP growth expected to slow to 2.9% in 2026 under a moderate oil price scenario. Conversely, Nigeria’s structural reforms, including the reconstitution of the Nigerian National Petroleum Company (NNPC) and regulatory approvals for onshore asset divestments, provide resilience. Nigeria’s GDP growth is forecast to remain steady at 3.5% in 2025, supported by improved FX liquidity and spillover benefits from the Dangote refinery. However, both economies remain vulnerable to oil price fluctuations, with downside risks if prices fall below fiscal budgeted levels.

The US government’s decision to cut foreign aid, including the shutdown of USAID, poses fiscal and external risks for aid-dependent African nations. Malawi, Ethiopia, and DRC are among the most vulnerable, with US aid accounting for a significant share of their fiscal revenues and FX reserves. Malawi, for instance, relies on US aid equivalent to 248% of its gross international reserves, highlighting its heavy dependence on concessional inflows to support external stability. Countries like Mauritius, Egypt, Angola, and Botswana, with lower aid reliance, are better positioned to absorb the impact. Multilateral funding from the World Bank and IMF remains uncertain, though IDA replenishment commitments are expected to hold steady in the near term.

Several African countries remain reliant on IMF programmes for budget and external financing support, with eight currently under arrangements and others such as Kenya, Uganda, and Malawi having seen theirs lapse or end prematurely. New programmes are under discussion in Kenya and Uganda amid high external debt service obligations, though delays in reforms and political constraints have complicated progress. While rising FX reserves in both countries offer some near-term buffer, non-concessional borrowing remains costly and unsustainable. Zambia and Ghana may benefit from programme extensions as debt service peaks approach, while Nigeria and Angola illustrate that credible homegrown reforms can restore investor confidence without IMF involvement. Still, repeated recourse to the IMF without lasting fiscal consolidation raises concerns about both programme effectiveness and long-term policy discipline.

The proposed US remittance tax introduces uncertainty for African economies reliant on diaspora inflows, particularly those with strong linkages to the US. Ghana, Kenya, and Nigeria are among the most exposed, with remittances playing a critical role in supporting household livelihoods and external buffers. While the tax may not significantly reduce remittance volumes, it could shift inflows toward informal channels, complicating financial transparency and macroeconomic monitoring.

Fixed income and currency markets in Africa offer opportunities despite global volatility. Zambia's kwacha has seen strong gains, prompting tactical exits from trades, while Uganda's 15-year government bond trade has delivered solid returns despite risks from upcoming elections. Nigeria's treasury bills and OMO's remain attractive despite gradual naira depreciation. Egypt's carry trade remains attractive, though large maturities later this year raise rollover risks. Kenya is expected to issue a new infrastructure bond in the second half of the year, with yields likely to be higher given increased domestic financing needs. Ghana is expected to reopen its bond market, supported by easing inflation and robust FX reserves from gold exports.

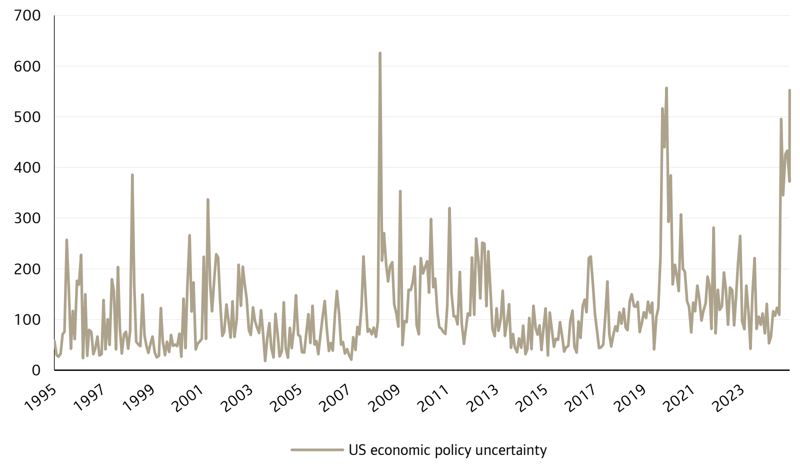
Much more uncertainty

It was widely predicted that a victory for President Trump in the November 2024 election would usher in a period of high policy uncertainty and increased financial asset volatility. This is exactly what has happened. The surge in policy uncertainty has led to a marked downturn in 'soft' survey data relating not just to the US economy, but to other developed countries as well. We wait to see whether 'hard' data, such as GDP, is adversely affected in the way that the soft data implies. Growth expectations for the global economy have, rightly, been marked down as a result, with global GDP likely to fall short of 3% growth this year and next. That's quite poor when you consider that global growth has averaged 3.4% over the past 20 years, which, of course, includes the huge hits to growth from the 2008/9 global financial crisis and the 2019 pandemic.

Global inflation is likely to ease down moderately but this may disguise the US as likely to see at least a short-term spurt in inflation as US tariffs force firms to lift prices. The lack of tariff retaliation from other countries (such retaliation has been limited to Canada and China) suggests that inflation outside of the US will fall for cyclical reasons. However, we would point out that the rise in deglobalisation over the past decade or so has been associated with a general, if modest, rise in global inflation. And if, as seems likely, US tariffs put a rocket under deglobalisation, as they produce costly shifts in supply chains, so the upward tilt in global inflation will likely be re-established as this more structural price pressure eventually supersedes any near-term cyclical downturn in prices.

Nowhere is this 'stagflationary' environment, of weaker growth and higher inflation, more prevalent than in the US, the instigator of tariffs and the associated rise in US policy uncertainty. Hence, it is of little surprise that many believe that the period of so-called US 'exceptionalism' is coming to an end. This period of exceptionalism has not just been reflected in more robustness in US growth, but outperformance of US assets such as stocks and the dollar. If exceptionalism is pausing, or perhaps even going into reverse, the consequence would seem to be underperformance of US assets such as the dollar, and stocks – and that's pretty much what we've seen since President Trump launched his tariff drive.

Figure 1: Soaring US policy uncertainty



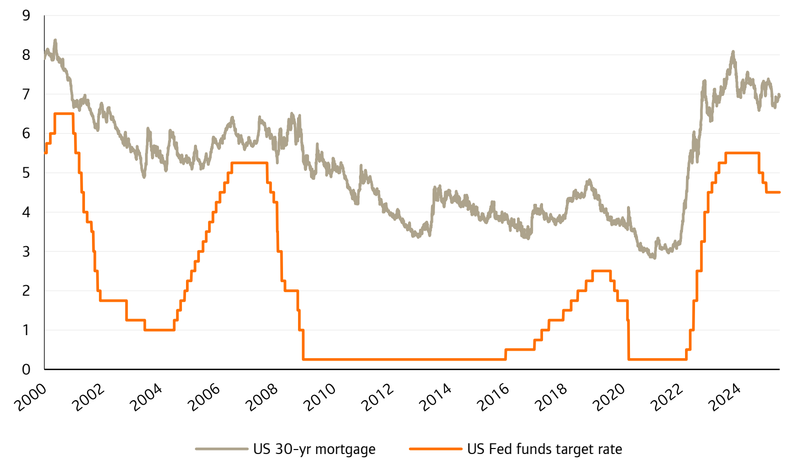
Source: Bloomberg

The downturn in the US economy is expected to see growth fall from a near 3% pace in 2024 (2.8%) to just 1% this year. Quite clearly, much depends on how tariff policy evolves, how US fiscal policy counterbalances the hit to growth from the tariffs, and whether the Federal Reserve will add some stimulus of its own. The final landing point for US tariffs will be significant to other countries as well. Right now, the US's effective tariff rate has risen to around 18%, from just over 2% before President Trump's inauguration in January. While we think that this could come down as more trade deals are negotiated, we doubt that it will fall back below 10%, and that would represent a significant shock to the global economy, even if it is smaller than the nightmare scenario that accompanied Trump's 'liberation day' tariff announcement on 2 April.

An unenviable position for the Federal Reserve

The surge in US-generated policy uncertainty creates an unenviable environment for central banks around the world, particularly the Federal Reserve. The Fed not only faces a larger rise in policy uncertainty than others as the Trump administration flip-flops on tariff policy. It also faces the biggest stagflation threat as surveys suggest that firms are passing on tariff increases, while most other countries have eschewed retaliatory tariffs on the US. To this list we can add the peculiar political problems the Federal Reserve faces as Trump pressures the bank to cut rates. And finally, we can add the parlous fiscal position in the US where budget deficits in the region of 6%, at a time of full employment, bode ill, even without the US administration seeking a budget bill that is said to add close to USD2.5tn to government debt over the next decade. The consequence of this, alongside other factors such as the Fed's quantitative tightening, is that longer-term Treasury yields are not falling in the way we might expect during an easing cycle. As a result, rate cuts from the Fed might prove to be of no more use than pushing on a piece of string given that it is longer-term yields that are key to mortgage rates, not the fed funds rate. Figure 2 shows how past easing cycles have seen a notable reduction in mortgage rates, but very limited in the current easing cycle.

Figure 2: Stubborn mortgage rates



Source: Bloomberg

Worse still, the Fed could be forced into rate hikes if tariffs lead to a price surge that then becomes embedded in inflation expectations. We doubt that this will happen, but it is a scenario that does not have a zero probability. The market believes that the Fed will be able to re-engage policy easing in the September/October period – but we believe that the Fed will have to wait until the end of the year for the next 25 bps rate cut.

Further reductions seem likely in 2026, although we see the base of the easing cycle as being in the 3.5-3.75% region, which exceeds the 3% level that Federal Reserve members see as the so-called long-term 'neutral' rate. Stopping short of neutral is governed by inflation being likely to remain sticky above the 2% target, even after the initial lift to prices from tariffs has passed. Further policy easing by the Fed should encourage lower treasury yields but we expect declines here to lag far behind Fed easing. For instance, while we see the Fed cutting the fed funds target by up to 100 bps over the coming year, we see a far more modest 25-50-bps fall in 10-year treasury yields over the period.

More central bank clarity outside the US

Other developed-country central banks have more freedom to ease policy right now than the Fed, with the notable exception of the Bank of Japan. Part of this is down to the better inflation outlook outside the US and, in addition, central banks are not likely to face the same constraints that they might have done in the past because steep rate cuts have not induced currency weakness. In the current environment, non-US central banks have been able to cut rates and not worry about currency weakness against the dollar; this has been especially beneficial across most emerging market nations.

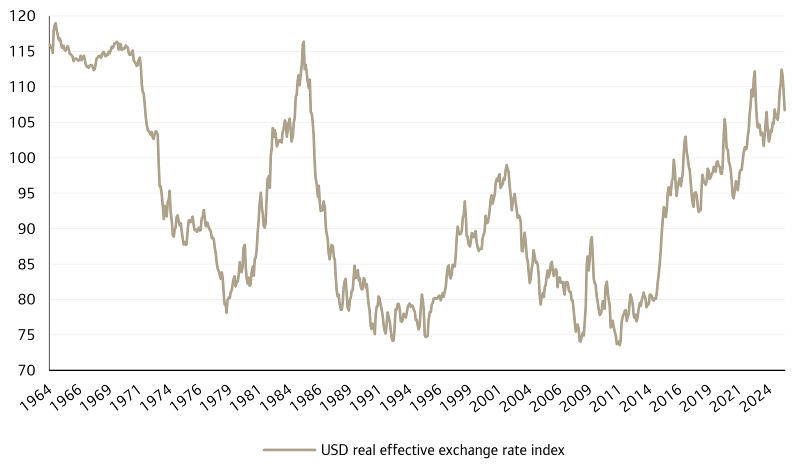
Looking ahead, we doubt that this will change. Indeed, further currency strength against the dollar could depress price pressure and force many central banks to push policy rates not just to neutral, but into an accommodative setting. The ECB, for instance, has set the key deposit rate at, or close to, neutral right now at 2%, but we believe that the base of the cycle could be as low as 1.5% given weak growth, good inflation performance, and likely strength in the euro against the dollar.

Long-term dollar downtrend sets in

Falling policy rates outside of the US (except for Japan) has given the US the sort of interest rate advantage that we might ordinarily associate with dollar strength, not weakness. The fact that this has not happened is testament to US rates likely being higher than elsewhere, but so too are the risks associated with the greenback. One such risk relates to the impact of tariffs, which is unambiguously bad for the US relative to other countries, at least through this year, if not 2026 as well.

A second risk factor in the US is that equity prices have substantially outperformed peers in the past decade or more and has left global investors somewhat overexposed to US risk. It appears that investors have started to pare this risk by eschewing US equities in favour of other markets, in Europe, Asia, and within emerging markets. We see more rebalancing in the future. At the same time, this US 'exceptionalism', as it has been called, has lifted the dollar to very high levels in historical terms and, by many calculations, left the greenback overvalued.

Figure 3: Elevated dollar



Source: BIS

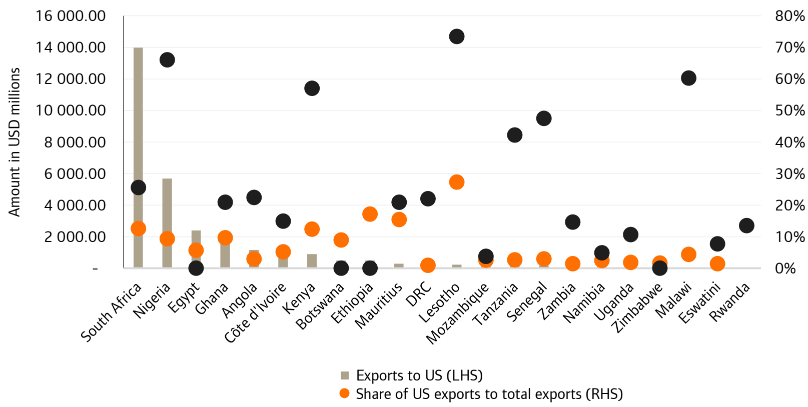
Figure 3 shows that the dollar tends to move in long-term cycles, usually between five and 10 years. The uptrend since 2011 has been unusually long. We anticipate a multi-year decline that takes the euro towards 140 and dollar/yen to 100. While some policymakers might be concerned by the prospect of such currency weakness, we expect that the US administration, or at least President Trump, will embrace it, and may even encourage it as a means to achieve the balance in trade that forms the centrepiece of the tariff policy. But while the US administration will likely accept a decline in the value of the dollar, they would not want to see a decline in the status of the dollar as a key reserve currency, a magnet for international debt issuance, an invoicing currency for trade, and more. We do not believe that the dollar will see a notable decline in its international usage – but it can still fall even if it remains the dominant global currency, and that's exactly what we expect to happen.

The global trade wars will largely have an indirect impact on economic growth in SSA

Weaker global growth concerns will inevitably induce downside risks for some of the African economies under our coverage over the coming year, influenced primarily by global trade tensions and financial market volatility. The 90-day pause on tariffs is expected to expire in early Jul 2025 for most economies, while it falls in early Aug 2025 for China. A further escalation in trade wars between developed nations may also result in external funding pressures for African governments looking to either roll over existing external debt or issue new debt for development spending.

The direct impact on most African economies over the near- to medium term from the shifting posture of the new US administration will likely come via the African Growth and Opportunity Act (AGOA), which is set to expire in Sep 2025, nearly 25 years since inception. It remains unclear whether an extension will be granted but the AGOA Renewal and Improvement Act of 2024 which was introduced in the US Senate proposes to extend the agreement to 2041. Per Figure 4 below, Lesotho, Kenya, Mauritius, South Africa and Ghana perhaps stand to lose the most, should the AGOA agreement not be extended. These economies' exports to the US as share of total exports stand in double digits, with a large share of this being conducted under the AGOA agreement. At 27%, Lesotho has the highest exposure and is thus susceptible to greater risks to macroeconomic stability. However, an abrupt stop in AGOA may initially create trade imbalances by weighing down net exports and growth for other markets too.

Figure 4: Africa exports to the US, share of exports to US vs total exports, share of AGOA exports to US exports



Source: US International Trade Administration; AGOA.info; ITC

But, as we had emphasized in the Jan 2025 AMR publication, the indirect, or second-round, impact of a global trade war, may perhaps prove more detrimental to African economies than the direct impact of the tariffs imposed by the US government. For instance, considering that direct US Africa trade is somewhat limited, a tit-for-tat trade war, with reciprocal tariffs between the US and the EU and/or China, may trigger downside risks for commodity prices and perhaps even subdue external demand for Africa's exports.

Just weeks ago, the market was bracing for oil prices falling further, potentially to USD50/bbl, or even lower. These expectations weren't just formed due to the 'liberation' day tariffs in early Apr 2025 but also due to the posture by OPEC+ where they continue relaying their commitment to increase production despite declining international oil prices. But, with oil prices recently abruptly rising closer to USD80/bbl following the Israel-Iran war, which could disrupt supply via the Strait of Hormuz, we have no choice but to consider a variety of oil price scenarios to assess the macroeconomic impact for economies such as Nigeria and Angola.

While we acknowledge that forecast risk is elevated amidst the uncertain trajectory of international oil prices, we have downwardly revised our GDP growth forecast for Angola to 3.1% y/y, from 3.4% y/y in 2025. Similarly, for 2026 we now see GDP growth at 2.9% y/y, from our previous forecast of 3.6% y/y. Angola's economy remains highly reliant on the oil sector, with GDP growth rising to 4.4% y/y in 2022 when international oil prices rose notably from 2.3% y/y in the previous year. Conversely, when oil prices decline below fiscal budgeted levels, FX liquidity pressure typically arise, denting the performance of the non-oil economy too. Of course, it doesn't help that maturing oil fields and lack of investments have resulted in subdued oil production, which we expect won't change over the next 2-y. Oil production from Jan to May 2025 averaged 1.032m bpd, which was 8.1% y/y lower than what was produced in the first 5-m of 2024.

In our downside oil prices scenario, at the USD50/bbl price level, GDP growth contracts by 0.7% y/y. The USD65/bbl oil scenario sees GDP growth slowing to 2.9% y/y, from 4.4% y/y in 2024. Both scenarios show Angola's high vulnerability to oil price volatility, with multiple impacts, including on FX supply, the exchange rate, and inflation.

For the two upside oil price scenarios for Angola, we assess one at USD80/bbl and one at USD100/bbl. In both scenarios, we forecast oil output at 1.053m bpd. The USD80/bbl scenario sees GDP growth at 3.3% y/y, and the USD100/bbl scenario sees higher GDP growth, at 3.9% y/y.

Table 1: Angolan oil price scenarios

	Unit	2022 Actual	2023 Actual	2024 Actual	2025 Fiscal base	2025 S1:USD 50/bbl	2025 S2:USD 65/bbl	2025 S3:USD 80/bbl	2025 S4:USD 100/bbl
Oil price (pa)	USD/bbl	101.8	81.3	79.8	70	50	65	80	100
Oil output (pa)	m bpd	1.137	1.098	1.124	1.098	1.08	1.108	1.053	1.053
C/A	USD bn	11.8	4.2	6.3		-4.7	1.8	4.5	8.1
C/A	% of GDP	8.2	3.8	5.4		-3.7	1.4	3.3	5.8
FX reserves	USD bn	14.7	14.7	15.8		12.1	14.1	16.3	19.1
Fiscal surplus (-deficit)	% of GDP	0.8	-2.3	0.4	-1.7	-5.9	-2.9	-1.3	1.8
Debt service to revenue (*)	%	55.7	133.4	110.4	85	123.5	95.7	85.3	71.7
Debt serv. to FX reserves (*)	%	48.8	62.8	47.9		84.4	74.2	69.8	62
GDP growth (pa)	%; y/y	4.2	1	4.4	4.1	-0.7	2.9	3.3	3.9
Inflation (pe)	%; y/y	13.9	20	27.5	16.6	27.8	25.2	17.7	16.3
FX rate (pe)	USD/AOA	503.7	837.1	921.1		1,131.4	1,085.4	898.1	829
FX rate (pe)	%; y/y	-9.2	66.2	10		22.8	17.8	-2.5	-10

Source: Ministério das Finanças; Standard Bank Research; Note: (*) Interest plus principal

Meanwhile, we have retained our GDP growth forecast of 3.5% y/y for Nigeria for 2025. Strong structural reform impetus amid better external buffers, compared to Angola, may anchor growth and foster resilience, even should oil prices fall again. We maintain our bullish stance on oil production over the coming year, broadly underpinned by the reconstitution of the Nigerian National Petroleum Company (NNPC) and the ongoing regulatory approvals for onshore asset divestments. In the 5-m to May, crude oil production averaged 1.67m bpd. We retain our view of 1.65m bpd crude oil production average for 2025. Moreover, spillover from the Dangote refinery will likely continue to support the manufacturing sub-sector, which is already benefiting from improved FX liquidity conditions.

In a scenario where international oil prices average USD65/bbl, we see GDP growth at 3.3% y/y in 2025. If oil prices average USD50/bbl, growth will likely fall to 2.9% y/y, while at an average of USD80/bbl, growth may reach 3.8% y/y.

Table 2: Nigeria - Scenario Summary at Different Oil Prices

	Oil @100	Oil @90	Oil @80	Oil@75	Oil @65	Oil @50
C/A (USDm)	15,754.00	12,353.10	8,952.20	7,251.75	3,850.85	(1,250.50)
C/A (% of GDP)	8.60%	6.80%	4.90%	4.00%	2.10%	-0.70%
Fiscal Deficit (NGNbn)	11,901.29	14,035.17	16,169.04	17,235.98	20,930.84	23,817.84
Fiscal Deficit (% of GDP)	3.50%	4.20%	4.80%	5.10%	5.70%	6.70%
USD/NGN	1281	1326	1495	1697	1,900	2,122
GDP Growth	4.50%	4.10%	3.80%	3.50%	3.30%	2.90%

Source: Standard Bank Research

Weaker economic conditions from escalating global trade wars may also place downside pressure on copper prices should economic growth in China deteriorate as a result. Lower copper prices may potentially stall the pace of increase in new investment in Zambia's copper mines, notwithstanding the expected boost to production from the Konkola Copper Mines (KCM) and Mopani mine following government divestment.

However, despite global growth concerns, copper prices are up 9.9% YTD, even after briefly declining in early Apr 2025. Also, despite concerns that the La Niña rains may be sub-optimal for crop production in Zambia, the Northen and Eastern food belts of the country received above-normal rainfall, which should be positive for crop production, even though the southern part received below-average rainfall.

Hence, we now see GDP growth reaching 6.0% y/y in 2025, from our earlier forecast of 5.8% y/y in the Jan AMR.

Despite La Niña weather risks also receding in the East African region, which had threatened to reduce agricultural productivity via a prolonged dry spell, our economic growth outlook for some of these key economies is marginally lower for 2025. We downgrade our growth forecast for Kenya to 4.9% y/y for 2025 from 5.0% y/y previously. The government released payments to road contractors following the securitization of the fuel levy which. Road contractors comprise the lion's share of government arrears that were last reported above KES700bn. This should underpin a recovery in domestic demand. However, downside risks to this outlook persist, with real income declining due to higher taxes and statutory deductions from salaried workers, while the unpredictable taxation environment continues to subdue growth in the manufacturing sub-sector. Furthermore, the indirect impact on Kenya from a further escalation in global trade wars would most likely emanate from weaker diaspora remittances given that North America accounts for nearly 60% of remittances into Kenya. Also, should growth in the UK and the Eurozone falter, demand for Kenya's floriculture and horticulture exports may subside. Kenya also relies on tourist arrivals predominantly from the Eurozone area. But Iran also remains a notable source market for Kenya's tea exports, which could also drag down net exports and growth, particularly since other key export markets for tea, such as Sudan and Pakistan, are also facing heightened political uncertainty.

Our growth outlook for Uganda is marginally lower for FY2024/25, at 6.4% y/y, from 6.5% y/y previously. For FY2025/26, we now see growth at 6.8% y/y, from 7.5% y/y previously. We now only see first oil in 2027 at the earliest, although the government has finalized financing for the East Africa Crude Oil Pipeline (EACOP) earlier this year, which should continue to support public investment in infrastructure and underpin economic activity. But the ongoing trade wars and elevated geopolitical tensions may support gold prices. This should be positive for growth in Uganda via higher net exports. Gold exports rose by 55% y/y in the 4-m Apr 2025, compared to the same period in the year before.

Another economy that could be set to benefit from higher gold prices is Ghana. We see growth at 5.5% y/y in 2025, up from our earlier forecast of 5.4% y/y. But, we now see growth at 6.1% y/y in 2026, from 5.7% y/y before. The Ghana Chamber of Mines expects gold production to reach closer to 5m ounces in 2025, underpinned by higher output from Newmont's Ahafo South mine and Shandong's Namdini mine. The government is optimistic that gold output will continue to rise following the restructuring of the Precious Minerals Marketing Company (PMMC) into the Ghana Gold Board (GoldBod). Although it remains uncertain how small-scale miners, which have been notable drivers of higher output in 2024, will fare with this new structure that seeks to accelerate formalisation in the sector. A stronger GHS, which should drive inflation lower, should also be supportive of improving private consumption expenditure.

Botswana's GDP outlook for 2025 has taken a sharp downturn, with real GDP now expected to contract by 1.5% y/y, a stark reversal from the earlier forecast of a 3.7% recovery in the Jan edition of the AMR. This decline reflects not only domestic fiscal constraints and a deepening recession in the diamond sector but also the broader repercussions of escalating global trade tensions. The ongoing trade war, particularly between major economies such as the US and China, will likely disrupt global supply chains and dampen demand for luxury goods, in addition to accelerating structural changes within the diamond sector. As a result, Botswana's diamond industry, a cornerstone of its economy, is facing significant headwinds, with production expected to fall to 15 million carats in 2025, down from the earlier projection of 18 million carats. Temporary shutdowns at key mines, including Jwaneng and Orapa, are compounding the sector's struggles.

Household consumption, which accounts for 40% of GDP, is under strain as government liquidity issues threaten disposable income. Rising borrowing costs, driven by elevated lending rates, are further dampening consumer spending. Businesses are also scaling back investments in buildings, machinery, and equipment due to economic uncertainty and high financing costs. Meanwhile, major infrastructure projects, such as the Zambezi River Water Pipeline and the Jwaneng Solar Power Station, are facing delays and funding shortfalls, limiting growth in gross fixed capital formation.

Figure 5: Revisions in GDP Forecast: January vs June AMR editions

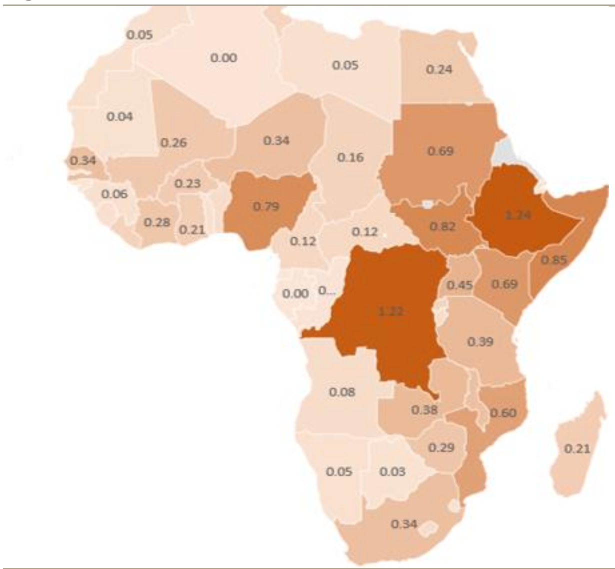
Source: Standard Bank Research

Aid funding cutback and the risks to African economies:

Earlier this year, President Trump ordered cutbacks to US funded foreign aid by shutting down the US Agency for International Development (USAID). Notably, USAID has played a pivotal role in Africa, even though the importance is perhaps somewhat nuanced, according to many development experts. Indeed, the Agency has made meaningful and material contributions in healthcare, humanitarian relief and development. However, the efficacy with respect to driving structural transformation has been debatable.

The Agency, under the President's Emergency Plan for AIDS Relief (PEPFAR) initiative launched in 2003, has been instrumental in saving millions of lives by preventing HIV transmission. USAID funding has also supported in the distribution of mosquito nets and malaria treatment. And there is evidence that life expectancy in Africa and child survival rates have improved markedly because of this support. On humanitarian relief too, the US government via USAID has been one of the largest donors during periods of famines, droughts and conflicts on the African continent.

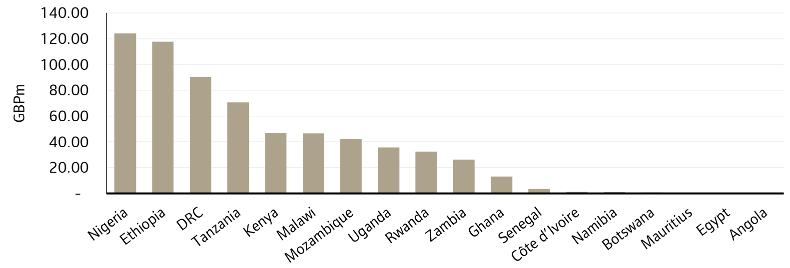
Figure 6: US ODA 2024 (USD bn)



Source: ForeignAssistance.gov

According to recent data as at end 2024, the notable recipients of USAID include Ethiopia (USD1.2bn), DRC (USD.1.2bn), Nigeria (USD0.79bn), Kenya (USD0.69bn), Mozambique (USD0.60bn), and Uganda (USD0.45bn). Per Figure 7, even UK Aid to Africa has been on a declining to trend to Africa since the turn of the century. In fact, the UK government is also looking to slash its foreign aid budget to 0.3% of GDP, from 0.5% of GDP, further adding to funding pressures for African economies. The UK government is looking to relocate more resources towards defence spending instead.

Figure 7: UK aid



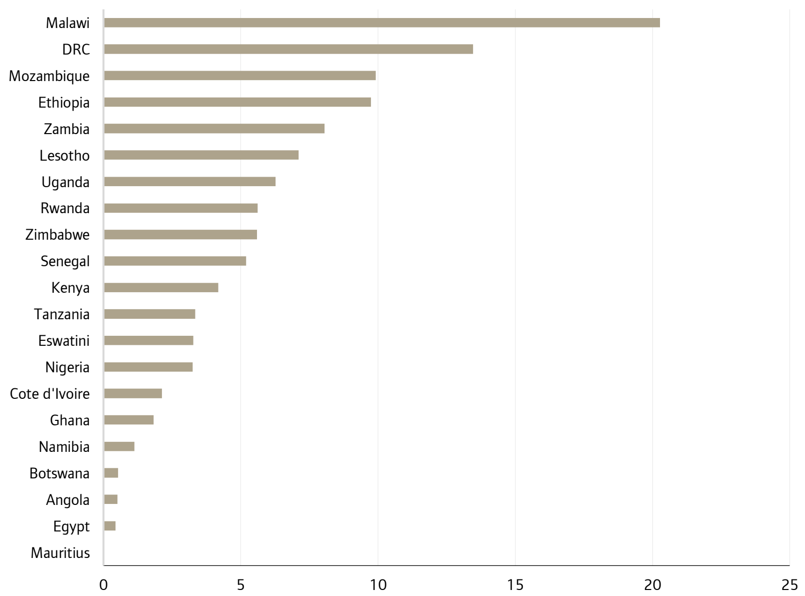
Source: DevTracker

A complete halt, or reduction, to this aid financing will likely have a mixed impact on different economies, both on the fiscal and external fronts. On the fiscal front perhaps, the impact may be more concerning in the near term, considering that most African economies in our coverage already have strained fiscal positions, with somewhat limited capacity to absorb these additional expenditure pressure that may rise with the cutback in aid from developed economies.

Indeed, the fiscal strain may be considerable for some and negligible for others. The extent of impact depends on how large US aid is relative to each country's domestic revenue base. Malawi would face the sharpest fiscal adjustment, with US aid accounting for over 20% of its tax revenue. Replacing this shortfall through domestic resources would be extremely challenging given limited fiscal space.

Other highly exposed countries include DRC (13.5%), Mozambique (9.9%), Ethiopia (9.7%), and Zambia (8.1%). In these economies, US assistance constitutes a fair share of budgetary resources. Absorbing the shock internally would either widen fiscal deficits or necessitate abrupt fiscal tightening, both of which could have macroeconomic and social implications. In Ethiopia and DRC, such adjustments could also intersect with politically sensitive reform processes, amplifying downside risks.

Figure 8: US ODA % of government revenue



Source: IMF; ForeignAssistance.gov; Standard Bank Research

By contrast, countries such as Mauritius (0.01%), Egypt (0.4%), Angola (0.5%) and Botswana (0.5%) may see negligible fiscal disruption. Their low aid reliance means that the withdrawal of US funding would not materially affect the fiscal position. These countries are better positioned to manage the change without needing to adjust fiscal policy or seek compensatory financing.

To assess the potential BOP impact from the halting of US aid, we would need to know how much of the actual foreign currency from USAID is received onshore. But this is cumbersome to ascertain in most cases. Hence, we assess the broad BOP impact by measuring US aid as a percentage of FX reserves.

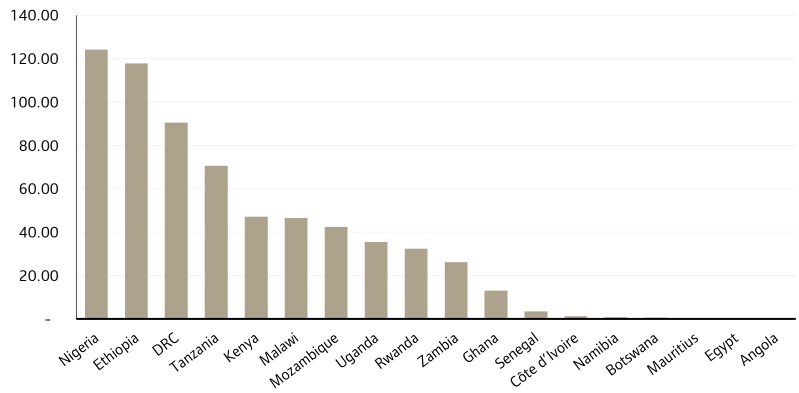
Malawi again emerges as the most externally vulnerable. US aid in 2024 was equivalent to roughly 248% of Malawi's gross international reserves, highlighting the country's heavy dependence on concessional inflows to support external stability. Even if only a portion of that aid is disbursed in foreign currency or indirectly supports the balance of payments, the scale of exposure is notable. A sudden drop-off in aid flows, whether direct or through donor-funded imports, could exacerbate foreign currency shortages and limit the country's ability to finance essential imports, particularly food, fuel, and medicines.

Ethiopia (82.8%) and DRC (21.0%) also reflect elevated external vulnerability. In Ethiopia, FX reserves have improved since 2024, such that US aid as a percentage of FX reserves have halved. In DRC, where reserves have improved in recent years, the withdrawal of donor inflows could still have meaningful implications for FX liquidity, especially given ongoing security-related import demand and structurally weak export diversification.

By contrast, countries such as Mauritius (0.005%), Egypt (0.52%), Angola (0.53%) and Botswana (0.63%) remain well positioned. Their reserve buffers are large relative to any US aid received, suggesting that a shift in donor inflows would have little to no bearing on overall external stability.

While we think that not all US aid flows contribute directly to reserve accumulation, their indirect support to external liquidity and macroeconomic stability cannot be overlooked in aid-dependent contexts. For countries with already fragile external positions, any material disruption may reinforce FX constraints.

Figure 9: US ODA % FX reserves



Source: ForeignAssistance.gov; Standard Bank Research

Could multilateral funding also be scaled back after USAID cuts?

Given the recent significant cut back on USAID funding, investors have been contemplating if this perhaps signals a broader trend that may affect multilateral funding from the likes of the World Bank and the IMF too.

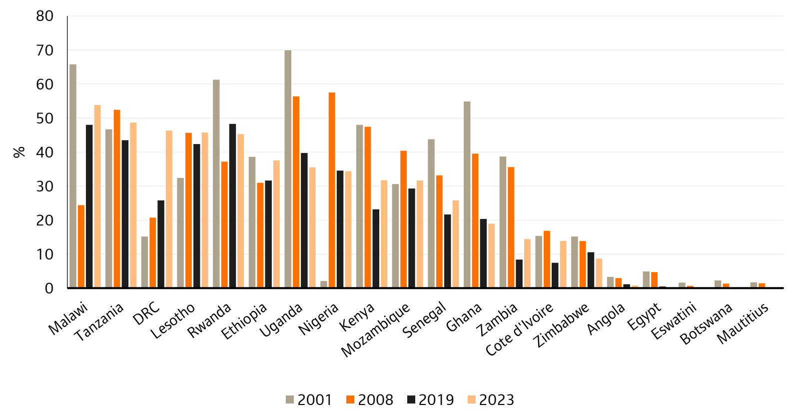
World Bank President Ajay Banga recently expressed his concern about the uncertainty regarding US support for International Development Association (IDA) replenishment. He further warned that if the US government don't follow through on their prior USD4.0bn pledge from the Biden administration, and worse if other Eurozone nations also follow with a similar posture, total IDA replenishment could fall by a whopping USD15.0-20.0bn.

However, despite these concerns on multilateral aid funding by the US government, President Trump asked Congress to approve USD3.2bn as the government's contribution to the IDA pool, which is only USD800m lower than what was pledged by the Biden administration. The final size of contribution still needs to be approved by the US congress in the budget, with the US government previously hinting that their support for the World Bank and the IMF would be contingent on these multilateral agencies re-focusing their mandates on their core missions.

As our baseline assumption, we expect the US and other large donors from the Eurozone to remain steadfast on their IDA replenishment commitments for the next three years, even should the World Bank's target of USD100bn for the replenishment perhaps fall short.

However, should IDA replenishments decline faster than we anticipate, per Figure 10, which looks at the IDA debt stock as a share of the total external stock, Malawi (53.9%), Tanzania (48.7%), DRC (46.3%), Lesotho (45.7%) and Rwanda (45.2%) are the largest exposed. Ghana (18.9%), Zambia (14.4%), Côte d'Ivoire (13.8%) and Angola (0.8%) would perhaps be affected to a lesser extent.

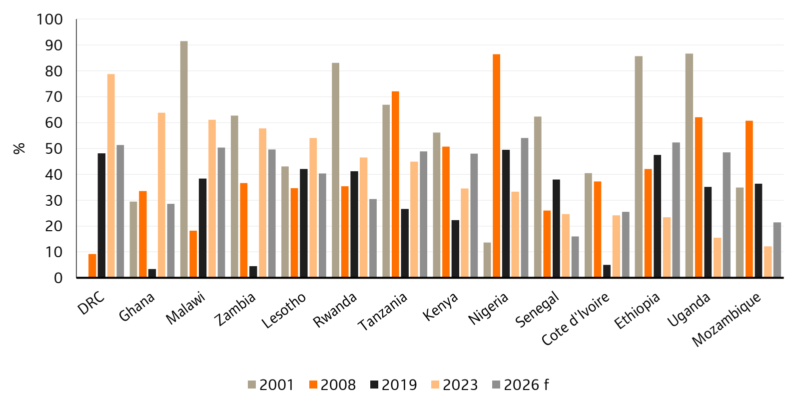
Figure 10: IDA debt as share of total external debt



Source: World Bank

But when looking at planned IDA disbursements in 2026 as a share of total external funding, most African economies could be exposed should IDA replenishments fall short. This ratio stands at 51.4% for DRC, 50.4% for Malawi, 49.6% for Zambia, 48.9% for Tanzania, 47.9% for Kenya, and 54.1% for Nigeria.

Figure 11: IDA disbursements as share of total external debt disbursements



Source: World Bank

Notably, World Bank funding in some cases tends to require IMF programmes to be in place concurrently. However, in some cases the World Bank may still opt to disburse funding for budget support, if they receive a letter of confidence from the IMF underscoring macroeconomic adequacy.

Amidst the quick succession of shocks since 2020, eight out of 18 countries in our coverage are currently on IMF-funded programmes, while four recently ended their programmes. These programmes have not only been crucial in providing budget and balance of payments support for governments, but also serve as catalysts in most cases in unlocking financing from other multilateral partners. Furthermore, countries on IMF programmes tend to also have access to other commercial markets such as Eurobonds in some cases compared to those that don't, but this also depends on a confluence of other factors.

The IMF funded programmes of Zambia, Tanzania, Ghana, Egypt and Côte d'Ivoire expire over the coming year. Kenya, Uganda, and Mozambique had their programmes ended before a final review of the arrangement could be completed. Whereas Malawi's programme ended prematurely in May 2025 after only receiving one disbursement under the programme.

Kenya and Uganda have confirmed that they are discussions for a new IMF programme, which seems reasonable given that both these economies may experience deteriorating fiscal positions amidst relatively elevated external debt service obligations over the next few years.

Since Kenya's IMF programme ended earlier this year, World Bank budget support funding has also been delayed under the Development Policy Operation (DPO). However, the World Bank delay is not linked to the IMF programme per se but instead due to the Kenya government's failure to meet key reforms under the DPO arrangement. Still, thanks in large part to the CBK purchasing USD from the market, gross FX reserves have been bolstered, rising to USD10.9bn on 19 Jun 2025, from USD8.9bn at end Jan 2025 and USD7.3bn at end Aug 2024. Reserves also received a boost from the Eurobond issuance in Q1:25, with new funding of c.USD900m received.

This sharp increase in FX reserves gives the government time in securing a new facility with the IMF and perhaps the investment community will also give Kenya the benefit of doubt if they decided to raise additional funding from the Eurobond market too, due to the improving balance of payments position. But with external debt service obligations of over USD4.5bn on average for the next 3-y, the government may benefit from a funded IMF programme, which may also then reduce their reliance on expensive non-concessional financing, which will ensure that debt sustainability metrics improve over the medium term.

FX reserves in Uganda had been on the decline since mid-2023 as World Bank financing was halted following the controversial passing of an LGBTQ law. The premature ending of Uganda's IMF programme, and subsequent delays in securing a new one, forced the government to rely on relatively expensive commercial debt, while initially also prompting the government to increase their overdraft at the BoU (which has now been cleared). But FX reserves were up to USD3.8bn in Apr 2025, from USD3.3bn in Jan 2024, after averaging USD3.4bn in 2024. The government is keen to secure a new funded programme worth USD475m with the IMF, but the Fund retains reservations on Uganda fiscal deficit trajectory. Nevertheless, similar to Kenya, Uganda's external debt service also remains on the higher side over the next 2-y, which perhaps make it paramount to receive a new funded programme. Positively, the World Bank loan ban for Uganda was also recently lifted.

But that said, there are enough examples of homegrown reform programmes in Africa without IMF involvement. Nigeria is a good example where FX and monetary reforms over the last few years have restored investor confidence, while Angola has also shown commitment to reform after the expiry of their recent IMF programme.

Zambia's IMF programme ends in Oct this year, with the government keen to extend the programme in order to be eligible for the Resilience and Sustainability Facility (RSF) which requires a country to have an IMF programme with at least 18 months running. Fiscal slippage risks ahead of elections in 2026 may also be important for a new programme to be in place. Ghana's IMF programme also ends in 2026. However, the impressive FX reserve accretion here courtesy of the BoG's domestic gold purchase programme perhaps indicates limited balance of payment concerns. However, with external debt service requirements rising in 2027 and 2028, the government may still benefit from renewing their IMF programme to ensure public finances remain in check.

But still, countries that get into IMF programmes don't always restore their public finances to good health. And in most cases, they keep going back to the IMF for new funding. While the blame here may in large part have to be borne by the governments, the investment community increasingly questions whether the IMF's credibility is also at risk now.

In essence, when a country gets into an IMF programme, their paramount aim should be to exit this programme as quickly as possible. To use an analogy, when a sickly patient is admitted into the Intensive Care Unit (ICU) at a hospital, the medical team aims to restore their health so they can either be moved to general ward or go home. While IMF programmes have their benefits and cannot be discounted, African governments can also drive their own homegrown economic reform programmes.

Table 3: IMF programmes

Country	Programme Status	Expiration Date	Amount Agreed (USD bn)	Amount Drawn (USD bn)	Amount Outstanding (USD bn)
Angola	Not on a programme				
Botswana	Not on a programme				
Cote d'Ivoire	Active	Sep 23, 2026	4.800	2.619	2.182
DRC	Active	Mar 14, 2028	2.767	0.260	2.507
Egypt	Active	Oct 15, 2026	9.722	3.207	6.515
Ethiopia	Active	Jul 28, 2028	3.494	1.660	1.834
Ghana	Active	May 16, 2026	3.000	2.355	0.645
Kenya	Programme in discussion				
Malawi	Programme suspended May 2025				
Mauritius	Not on a programme				
Mozambique	Programme suspended May 2025				
Namibia	Not on a programme				
Nigeria	Not on a programme				
Rwanda	Not on a programme				
Senegal	Frozen	Jun 25, 2026	1.880	0.510	1.370
Tanzania	Active	May 17, 2026	1.904	0.836	1.068
Uganda	Programme in discussion				
Zambia	Active	Oct 30, 2025	1.738	1.357	0.381

Source: IMF

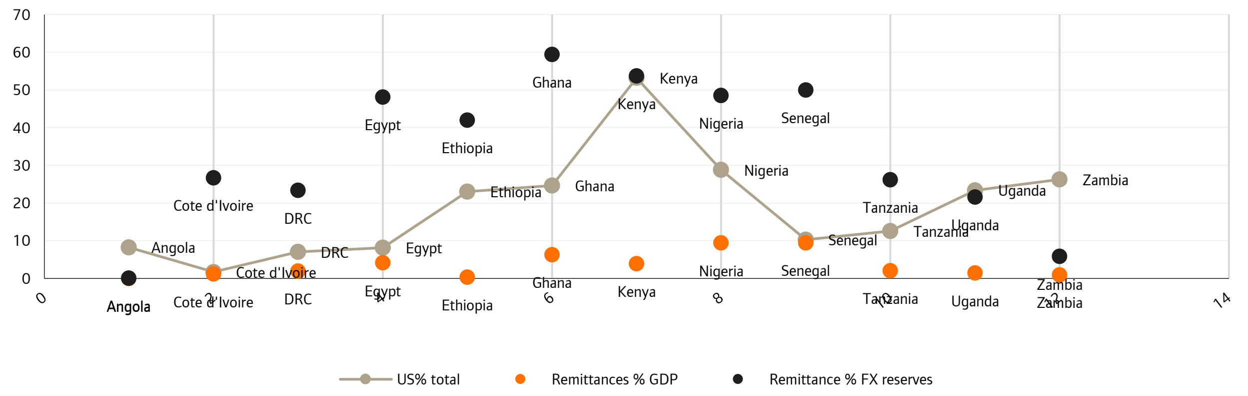
US tax could drive more remittances towards the informal market:

While the impact of diaspora inflows on African economies is well understood, we note the proposed 3.5% remittance tax in the US introduces a layer of uncertainty, particularly for countries with a large share of remittance inflows originating from North America.

Indeed, remittances continue to play a critical role in many African economies, not only in supporting household livelihoods but increasingly in strengthening external buffers. In several countries, inflows rival or exceed traditional sources of foreign exchange, such as commodity exports or aid. In 2024, remittances to Kenya reached USD 4.9bn, equivalent to 3.9% of GDP and nearly 53.7% of FX reserves at the time. In Ghana, inflows totalled USD4.6bn, making up 6.3% of GDP and almost 59% of FX reserves in that year. In Nigeria, remittances reached nearly USD19.8bn, while in Senegal, inflows topped USD3.1bn, representing sizable shares of both external receipts and household income. Egypt stands out, with one of the highest inflows in the region, receiving nearly USD22.6bn in 2024. This accounted for around 4.1% of GDP and nearly 48% of FX reserves.

The proposed 3.5% US remittance tax reintroduces a layer of uncertainty, particularly for countries with strong remittance linkages to the US. Ghana, for instance, received 59.4% of its remittances from the US in 2021, while Kenya's exposure stood at 60%. Côte d'Ivoire displayed an even greater concentration, with 69% of its remittance inflows sourced from the US, followed by Ethiopia (32%), Nigeria (29%), and Zambia (26%), and Egypt (17%); however, remittances overall play an insignificant role in Côte d'Ivoire and Zambia's macroeconomic fundamentals. These shares suggest the headline cost to affected countries could range from USD35k to over USD200.0m, depending on the size of their US-sourced inflows. Though Egypt's US exposure is somewhat lower than others, the sheer volume of remittances received means any marginal disruptions from a tax shock could still translate into a notable headline figure.

Figure 12: Remittance



Source: UNCTAD; Remitscope; CBK

That said, the actual impact depends on how remitters respond. Anecdotally, most senders are reluctant to reduce the amount received by beneficiaries. Instead, they tend to absorb fees and charges, including FX spreads or bank transfer fees, in order to maintain the intended net amount. This suggests that, in many cases, the tax may not reduce remittance volumes directly, though it does place added financial pressure on diaspora workers, many of whom are already navigating elevated living costs in host countries. Furthermore, various research done on remittances into Africa suggests that Africans working abroad largely send money back to support the basic needs of their dependents rather than investing in local debt, equities or real estate. Hence, a higher tax will probably not dissuade them from sending the money.

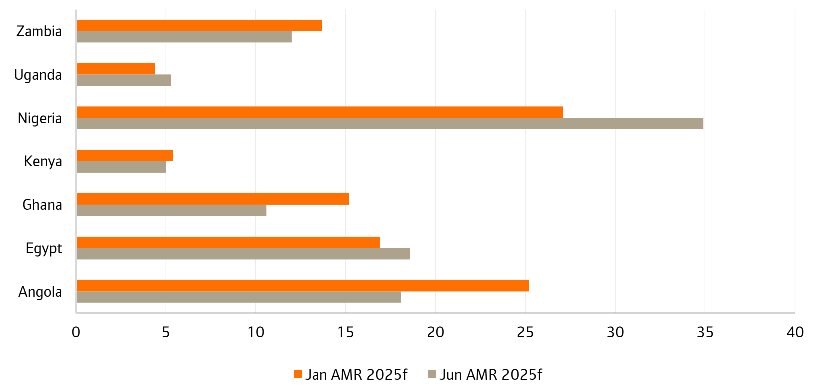
Where the tax could have a more lasting impact is in channel choice. If remitters begin to perceive formal corridors as too costly, some may opt to re-route funds through informal means. This presents a policy challenge: such unregulated flows undermine financial transparency, complicate macroeconomic surveillance, and weaken the ability of governments to mobilize diaspora capital for development purposes. However, this risk may be partly limited. Unofficial channels especially for long-distance, cross-border transfers from the US to Africa often involve higher transaction costs, longer delivery times, and reduced reliability. In countries with mature digital payment systems and competitive money transfer sectors, the switching cost away from formal platforms may remain too high to justify the move.

Ultimately, the introduction of the tax is unlikely to trigger a sharp drop in inflows, but it does raise the risk of gradual erosion in the formal visibility of remittances, especially in countries with high exposure to US flows. While the macro-level impact remains contained for now, the broader concern lies in the potential dilution of remittances' developmental role if they drift further into the informal space.

Fixed income and currency strategy

We still expect a bias for further monetary policy easing across most of the economies under our coverage for the remainder of 2025. Further, despite volatile global economic risk conditions that we had broadly anticipated in the Jan AMR, we still see compelling fixed income and currency trading opportunities. The USD index lost around 11% between 13 Jan and 21 Apr 2025 and 4.3% between 12 May and 26 Jun 2025. Year-to-date (YTD) the GHS has appreciated by around 40%, while the UGX has appreciated by around 2.4% against the USD. The KES remains range-bound at around 129 levels, while the NGN and EGP have been benefiting as global risk conditions eased again.

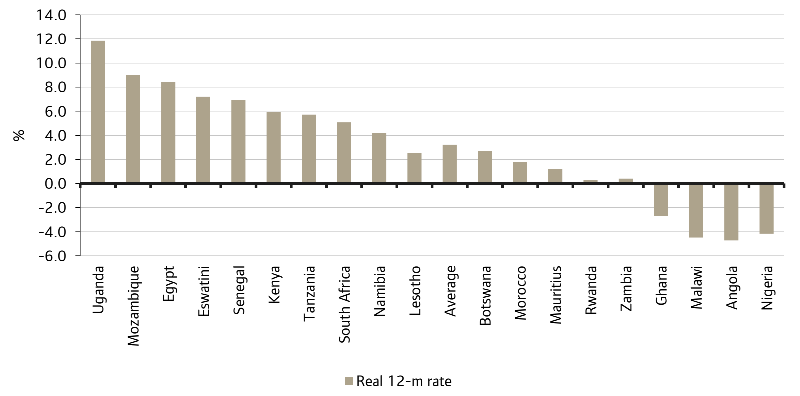
Figure 13: Inflation forecast



Source: Standard Bank Research

The EGP carry trade that we rolled over and re-opened in our shadow portfolio in Mar 2025 has since returned 8.2% in USD terms. The EGP has appreciated by around 1.9% YTD against the USD. Despite concerns that rollover risks for EGP T-bills were high, particularly in Mar 2025, portfolio investors broadly re-entered the carry trade, with some even opting to lengthen duration via short-dated EGP bonds. This was our baseline assumption in the Jan AMR. We continue to hold this position in our shadow portfolio.

Figure 14: Real 12-m rate



Source: Bloomberg; Standard Bank Research

However, foreign positioning in local EGP debt remains relatively elevated, with large T-bill maturities falling due in Jul 2025 (c.USD12.4bn), Sep 2025 (c.USD16.6bn), and Dec 2025 (c.USD11.5bn). Thus, the EGP will likely remain susceptible to weakness should global risk conditions turn volatile again. Moreover, Suez Canal traffic and receipts likely recovered in Q1:25, which should help ameliorate the external account position that had deteriorated during 2024. However, should regional instability flare up again, Suez Canal activity may be again disrupted. Further, declining domestic gas production may keep the trade balance under strain.

The Uganda duration trade via the 15-y government that we recommended at the end of May 2025 has since produced a direct return of 1.9%. Our FX entry level for this trade was 3,638, but USD/UGX had fallen to 3,592 at the time of writing. Two options present themselves here: be tactical on this trade and potentially take profit ahead of the Jan 26 elections; or, rather, be strategic and hold it for longer.

Despite elevated external debt service obligations amidst a decline in external funding receipts from multilaterals, the BoU's USD purchases from the market likely counterbalance these concerns. Further, the BoU's robust credibility anchors our relatively constructive view on the UGX despite the risk of further supplementary budgets keeping UGX bond yields elevated ahead of the Jan 2026 elections. Our 17.7% yield entry level on this trade assures us that our carry will not be eroded over the next 6-m or 1-y.

We are closing our Aug-24 Zambia 12-m T-bill trade ahead of maturity, after booking a 26.7% USD total return, 16.5 pp from roll-down/price compression and 10.2 pp from ZMW strength against the USD, with only 2.5 pp of theoretical carry left on the table. The currency's 20% rally has outrun the fundamental data. Firstly, the balance-of-payments shows a negligible USD10m current-account surplus in Q1:25 despite a 15% y/y rise in copper-export tonnage year-to-date – because higher FX-debt service and electricity imports have partly offset copper exports earnings. Secondly, inflation is easing but is still set to average above 14% y/y in 2025; our REER valuation estimates the 'fair value' of the USD/ZMW pair at around 26.6 versus 23.7 spot as at writing, implying a 12% overvaluation. Therefore, risk-reward argues for taking profits, rather than stretching for the last few basis points of carry.

Short-term flows appear to support the tactical exit as signs emerge that ZMW strengthening against the USD has plateaued. Specifically, offshore USD/ZMW is trading around one kwacha above onshore, as at writing. The Bank of Zambia's newly announced USD-for-bonds swap intends to source up to USD400m from offshore, while off-loading long-dated bonds on its balance sheet. This has caused NDF shorts to rebuild, which may trickle down to some weakening of onshore kwacha against USD.

To be clear, the medium-term backdrop still favours Zambia. For foreign portfolio investors, real carry on the longer end is increasing as inflation decelerates and the prospect of an IMF programme extension into the 2026 election year could keep global real-money buyers engaged. However, foreign positioning remains one of the highest on the continent, at around 24% of outstanding bonds.

In Nigeria, the 364-d T-bill we added to our shadow portfolio on 26 Feb 2025, at an entry yield of 21.36%, is down around 2.1%. We are comfortable with retaining this trade in our shadow portfolio because, even as the NGN is expected to depreciate gradually against the USD, we do not expect such depreciation to erode the return on this trade when held to maturity. We believe the CBN will maintain its FX support, especially in periods of excessive volatility, thereby helping to reduce the pace of depreciation. Private OMOs expected to start maturing from Sep 2025, and the associated rollover risk with this, as well as the external environment, remain key risks for the NGN. Notably, sustained lower oil prices, geopolitical tensions, and the lingering uncertain global policy environment may still weigh down the NGN.

We still expect Kenya to likely issue a new Infrastructure Bond (KENIB) between Aug and Oct 2025. Secondary market yields on the current KENIB's have declined to around 12.4-12.7%, implying limited duration gains from this point. The MPC has already cut their key policy rate by a cumulative 150 bps this year, and may cut a by a further 50-75 bps by year-end.

The USD/KES remains stable around the 129 levels despite the CBK remaining net buyers of USD from the market, which, impressively, has underpinned FX reserves despite still high external debt repayments. We remain constructive on the KES over the next 6-m, with FX reserves at over USD10.5bn. However, ongoing delays in securing multilateral financing from the World Bank DPO loan and further delays in securing a new IMF programme may push the authorities to issue a KENIB in H2:25 to raise budgetary support funding. Should a new KENIB be issued in H2:25, the yield on this paper may prove higher than current yields in the secondary market due to the higher net domestic borrowing target of KES635.5bn for FY2025/26, compared to KES597.0bn for FY2024/25. We would likely be keen to re-enter the duration trade via a new primary KENIB auction in H2:25.

In Ghana, the government is widely expected to re-open the GHS bond market, perhaps between Sep and Dec 2025. Despite the sharp rally in the GHS since Apr 2025, which we now estimate to be around 48% overvalued per the REER, GHS bonds will still likely see interest from foreign portfolio investors once primary bond auctions resume. Headline inflation is still likely to edge lower, and the BoG's Monetary Policy Committee will probably soon begin easing their stance. Furthermore, with international gold prices expected to remain elevated due to volatile geopolitical risks, FX reserves via the BoG's domestic gold purchase programme should remain robust and thereby support the overall balance of payments position.

Table 4: Open trades

Positions	Entry Date	Entry Yield, %	Entry FX	Latest yield, %	Latest FX	Total return, %
						Since inception
Egypt: buy Egypt 364-d	18-Mar-25	25.1	50.47	25.13	49.91	8.2
Nigeria: buy Nigeria 364-d	26-Feb-25	21.4	1536.55	21.56	27.8	-2.1
Uganda: buy Uganda 15-y	28-May-25	17.73	3638.7	17.28	3592.26	1.9

Source: Bloomberg, Standard Bank Research

African Eurobonds:

Angola (neutral)

Since Jan 2025, Angola's curve has widened across tenors, as well as steepened. 2028 yields have risen roughly 100 bps, to 11.13%, while the 2048-49 segment is c.90bps wider, at 12.35–12.40% as at writing. Angola has been extremely volatile, with the curve having widened 353 bps on average when oil prices fell to c.USD60/bbl as markets priced in a tariff-induced global economic slowdown, OPEC+ surpluses, and fiscal stress. However, since bottoming in early May, crude prices have risen 30%; they may remain elevated should geopolitical tensions in the Middle East persist – or even escalate further. While this may create some fiscal space for Angola, interest-plus-principal payments still comprise close to 85% of government revenue. Therefore, the opportunity to bolster FX buffers may be muted – unless oil prices rise even further. Nevertheless, a higher oil price environment argues for overweighting the 2028-29 bucket where liquidity and risk-reward ratios are higher, while being neutral- to underweight beyond 2032. Angola may use the recent rally to compensate for having missed the opportunity to issue during Q1:25, implying higher supply risk as likely in the belly of the curve.

Egypt (neutral)

Year-to-date, front-end yields have tightened by 90–105 bps, whereas the long end (2047-61) is only 25 bps wider, leading to the curve steepening significantly. On a total return basis, bonds in the 2027-32 segment have outperformed the 2047-61 bucket by 400 bps year-to-date. Tactically, that makes the short end of the curve's look the richest, compared to similarly rated credits. Given this relative richness, the short end of the curve looks the most vulnerable to widening, should oil prices maintain their current upward trajectory due to the escalating geopolitical conflict risk because Egypt's energy import bill would increase and FX earnings from the Suez again be compromised from geopolitical spillover. With the front end now expensive, and fundamentals turning less accommodating at the margin, IMF and GCC support remains key to supporting the credit. We recommend a neutral position on Egypt by way of a market-weight in the 2027-28 segment, an overweight in the 2030-36 belly, and maintaining an underweight in ultra-long bonds to limit duration risk, while maintaining an overall market weight for the issuer.

Kenya (neutral)

Kenya's returned a modest 0.16% YTD, with alpha from the issuer likely going to investors who had gone overweight straight after the early-Apr tariff shock. As Kenya recovered from the sell-off, the front end (2-y to 5-y yields) tightened 400-500 bps from 11 Apr peaks, compared to about 200 bps tightening on the long end, leaving the curve steeper. This leaves the front end looking relatively rich and thus the most exposed to any negative macro surprise, especially as the fundamentals still warrant caution. The FY25/26 Treasury financing plan would benefit significantly from a successor-IMF deal and a USD750m World-Bank DPO to help fund an average of around USD4.5bn of external credit redemptions annually over the next couple of years. Further, debt servicing is above 30% of revenue, and primary surpluses remain elusive. Lastly, with the deficits stuck near 5% of GDP ahead of 2027 elections, fiscal slippage and protest risk remain elevated despite incremental tax-admin and payroll reforms. Even so, the 2027s, 2028s and 2031s sit in the top 10 of yield-per-unit-of-duration among B- credits, suggesting much of that risk is priced in – as well as limiting the case for an outright belly/long-end overweight funded by a short-end underweight. As such, we recommend staying market-weight on Kenya overall and, within that, being neutral in the short end, adding on dips, while being slightly overweight in the belly, and avoid the 2048s.

Nigeria (neutral)

Nigeria is up 1.3% YTD, with yields 90-105 bps lower for bonds maturing up until 2028. The 2029-31 belly is 50-70 bps lower, while the 2047-51 segment is largely unchanged. Nigeria has been viewed very positively this year, with investors warming to the increased visibility of rising net FX-reserves and a flexible FX rate regime that can absorb oil-price shocks. However, the fundamentals suggest caution. Nigeria has tabled a USD24bn 2025-26 external-borrowing plan; further, it must roll over the USD1.18bn Nov-25 bond, signalling higher new-issue supply risk. Long-dated Nigerian bonds trade tight to Kenya and Egypt. We therefore stay market-weight overall, expressed as overweight in the 2025-31s, neutral in 2034-47s, and underweight the longer end.

Ghana (overweight)

Ghana has been a star performer, rising 8.93% YTD, with yields at all points on the curve tightening by 112 bps on average. Yields per unit of risk (modified duration) remain attractive for the 2029s and 2035s, while the macro backdrop remains favourable. The current account has shown rising surpluses since Q4:22, averaging USD586m, and peaking at USD1.4bn in Q4:24, with buoyant gold exports supporting the external accounts. On the fiscal front, the USD13.1bn Eurobond restructuring, and a decisive shift to expenditure-led consolidation, have already slashed interest-to-revenue to 25% in 2025 (from 48% in 2021) as well as put the primary balance on track for a 0.5%-of-GDP surplus, according to Fitch that had recently upgraded Ghana to B-/stable, echoing the constructive stance from S&P.

With debt-to-GDP now approaching 60%, from a 2022 peak of 93%, and commodity pricing still supportive, we stay overweight Ghana.

Mozambique (underweight)

Twin deficits and creeping domestic arrears keep the macro picture precarious despite the 2.12% YTD gain and the 13% recovery from the post-Apr tariff shock lows. FX reserves slipped to USD3.6bn in Mar (3.3-m cover) and could fall to USD3.4bn by Dec, with the FX backlog exceeding USD600m. The current account gap narrowed to 9.6% of GDP in Q1:25 but is forecast to widen to 27% in 2025 as coal prices decline. LNG final investment decisions should restart in H2:25, yet meaningful fiscal relief will likely be delayed until 2033; therefore, positioning stays defensive.

Côte D'Ivoire (overweight)

Côte D'Ivoire is one of the few issuers to have seen widening across the curve year-to-date. On average, yields have widened 21 bps, and the issuer is down 0.87% YTD. Political risk notwithstanding, credit fundamentals remain broadly on a positive trajectory; we maintain our overweight position across the curve. Fitch's Jun affirmation at BB-/stable corroborates our stance, highlighting 6.1% real GDP growth in 2024, with momentum at 6-6.5% in 2025-26. Further, the central government deficit has declined to 4% of GDP, and may reach 3% by 2026 due to cocoa-driven revenue, thereby improving leverage ratios. Debt peaked at 60% of GDP in 2024 but may decline to 55%, with the interest-to-revenue burden easing to 15.5% by 2026, according to Fitch. Moreover, external buffers are rebuilding, with BCEAO reserves up to USD29.6bn (about 5-m import cover). The Oct presidential election, if smooth, should prove a positive catalyst.

Senegal (neutral)

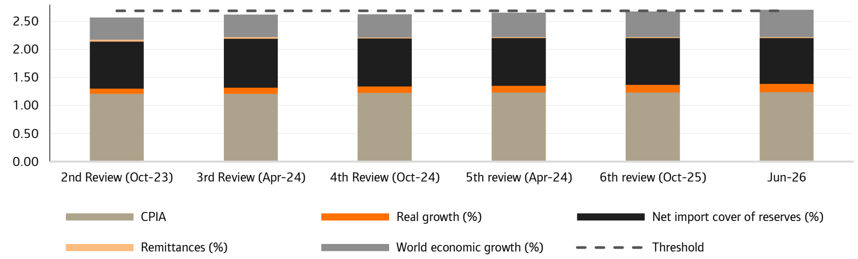
Senegal is the worst performer in the index, down 14.5% YTD, with spreads in the 2031s and 2033s wider by roughly 350 bps on average, while the 2048s are 133 bps wider. While IMF resolution may meaningfully reverse this trend, macro fundamentals paint a positive picture. First-oil from Sangomar now is now around 100kbpd, and 2025 growth is on course to exceed 9% y/y. Further, this may drive a projected 30% y/y surge in exports, thereby narrowing the current account deficit to c.8% of GDP in 2025, from 13% in 2024, and likely rebuilding reserves at USD5.4bn. However, Eurobond service rachets up to USD1.8bn in 2028 as maturities hit, likely pushing the Treasury to lean harder on increasingly crowded local funding. Further, a tax-compliance drive and delayed budget data may test transparency.

Zambia (overweight)

Zambia's 2053 bonds have two state-contingent upside triggers. Trigger 1 activates when the IMF-World Bank Composite Indicator (CI) is either equal or more than 2.69 in two back-to-back semi-annual reviews. Trigger 2 activates when both the 3-y rolling average of USD exports and USD equivalent fiscal revenue (ex-grants) exceed the IMF's Dec 2023 forecasts. If either trigger is activated during the observation window, 1 Jan 2026 - 31 Dec 2028, the coupon rate increases from 0.50% to about 7.5%, and the bullet principal goes to four equal USD454m payments from 2032 to 2035, from three equal payments of USD450m from 2051 and 2053.

Regarding Trigger 1, the composite indicator has already been improving. The score climbed +0.05, from 2.57 to 2.62 between the second (Oct 2023) and fourth (Oct 2024) reviews. This was driven by improvements in the 10-y rolling average import cover metric (FX reserves-to-imports ratio), Zambian and global real GDP growth measures, and the CPIA.

Figure 15: Composite indicator components



Source: IMF; Standard Bank Research

The upcoming fifth review will use 10-y averages based on the 2021-30 window, which, for the first time, does not include the low outturns during the 2020 Covid-induced recession. We estimate that this base effect will likely lift the CI to at least 2.65 in the fifth review. Indeed, we concede that, while the balance of risk is to the upside for the import-cover metric in the fifth review, we prefer to take a conservative stance. We do this by firstly by stripping out commercial banks' USD deposits held in statutory reserve (around USD616m) from the central bank's reported gross FX reserves figure (USD4.5bn in Mar 2025). Secondly, we raise the value of imports to include the IMF-flagged misclassified services imports, which historically have been classified incorrectly in the financial account.

Even under our conservative reserve treatment, the CI trajectory likely reaches 2.69 by the first observation point (Jun 2026) and stays above that level; thereafter, activating the upside case trigger in late 2026 and unlocking the higher coupon as soon as Jun 2027, the first possible date of this happening under the state-contingent mechanism.

By contrast, Trigger 2 is doubtful. The 3-y rolling export average under the fourth review lags the second review baseline in 2026, 2027, and 2028. While fiscal revenue is performing better, this two-factor trigger is failing in aggregate.

Investment implications. As at writing, the clean price of 2053 bond was 62.353, implying a YTM of 12.8% if the upside trigger is indeed activated in Dec 2026. This is relatively attractive, representing the highest yield among African Eurobonds with comparable durations of around 7.0.

As such, we remain overweight 2053s despite the current price implying an approximately 82% probability that the upside trigger will be activated. We base this on present values calculated using a 10% discount rate.

From a fiscal perspective, the upside trigger seems manageable at first glance. The stepped-up coupon has a cash component and a payment-in-kind (PIK) component. The PIK component is accrued and added to the principle, which amortizes between 2032 and 2035. The cash portion of the stepped-up coupon increases the government's debt servicing bill by about USD27m between 2027 and 2028, an extra 0.3% of revenue, based on the IMF's fourth review. However, the true overall fiscal impact will include stepped-up servicing of 2053 Eurobonds and other restructured loans, such as bilateral loans, which unfortunately have less disclosure than the Eurobonds but also have embedded state-contingent optionality.

Table 5: African Eurobonds

					Spread, bps		Spread change, bps			Total Return, %		
Name	**Moody's/S&P/Fitch**	**Mid Price**	**Mod Dur**	**Yield, %**	**Over UST**	**Z-Spread**	**1 wk**	**YTD**	**12mths**	**1 wk**	**YTD**	**12mths**
ANGOL 8 1/4 09-May-28	B3/-/B-	93.10	2.46	11.12	726.3	749.37	-26.3	111.2	94.6	0.86	-2.07	-0.32
ANGOL 8 26-Nov-29	B3/B-/B-	88.98	3.54	11.23	726.4	760.38	-1.9	60.8	62.8	0.28	-1.55	-0.18
ANGOL 8 3/4 14-Apr-32	B3/B-/B-	86.64	4.77	11.64	726.2	793.72	-4.2	64.1	40.5	0.42	-2.95	-1.02
ANGOL 9 3/8 08-May-48	B3/-/B-	76.87	7.79	12.45	754.5	848.10	-11.6	92.6	92.4	1.15	-7.38	-6.89
ANGOL 9 1/8 26-Nov-49	B3/B-/B-	75.01	7.86	12.39	749.4	842.56	-7.5	93.2	95.8	0.83	-7.45	-7.19
BENIN 7.96 13-Feb-38	B1/BB-/-	93.45	7.10	8.83	445.0	498.46	-0.7	15.4	-1.2	0.22	-1.49	-0.06
BENIN 8 3/8 23-Jan-41	B1u/BB-/B+	94.86	7.85	8.99	461.5	505.69	-3.7	-	-	0.48	-	-
REPCAM 9 1/2 31-Jul-31	-/B-/B	92.82	3.06	11.15	718.8	815.47	3.5	61.4	-	0.06	-2.58	-
REPCON 6 30-Jun-29	-/-/CCC+	84.02	1.61	11.03	712.2	1211.96	-1.5	85.6	157.3	0.26	1.74	-0.16
EGYPT 7 1/2 31-Jan-27	Caa1/-/B	100.76	1.44	6.99	307.8	316.83	8.8	-107.7	-133.2	0.00	1.50	3.13
EGYPT 5.8 30-Sep-27	Caa1/B-/B	96.90	2.05	7.30	339.6	362.73	6.6	-91.8	-122.3	0.00	2.64	5.58
EGYPT 6.588 21-Feb-28	Caa1u/B-/B	98.17	2.34	7.35	349.1	370.71	11.2	-85.7	-161.8	-0.13	2.71	6.37
EGYPT 7.6003 01-Mar-29	Caa1u/B-/B	98.35	3.08	8.12	416.1	451.04	14.9	-23.4	-143.1	-0.31	0.80	6.28
EGYPT 8 5/8 04-Feb-30	-/B-/B	99.05	3.61	8.88	491.5	524.81	19.1	-	-	-0.52	-	-
EGYPT 5 7/8 16-Feb-31	Caa1/B-/B	86.14	4.50	9.06	510.2	540.52	12.3	6.7	-72.1	-0.38	2.33	7.89
EGYPT 7.0529 15-Jan-32	Caa1u/B-/B	88.02	4.86	9.55	517.2	585.59	14.6	-25.3	-99.5	-0.53	1.58	6.65
EGYPT 7 5/8 29-May-32	Caa1u/B-/B	89.13	5.13	9.82	544.3	611.37	18.5	-10.9	-94.8	-0.76	0.74	6.37
EGYPT 9.45 04-Feb-33	-/B-/B	97.30	5.11	9.96	558.2	622.34	10.8	-	-	-0.36	-	-
EGYPT 7.3 30-Sep-33	Caa1/B-/B	85.02	5.76	10.00	562.4	623.75	19.3	8.7	-62.7	-0.93	-0.34	4.93
EGYPT 6 7/8 30-Apr-40	Caa1/B-/B	75.45	8.14	10.10	572.1	612.97	9.9	26.4	-7.4	-0.62	2.31	5.82
EGYPT 8 1/2 31-Jan-47	Caa1/-/B	76.68	7.98	11.43	652.6	744.17	12.0	23.5	-3.2	-0.74	-2.07	0.36
EGYPT 7.903 21-Feb-48	Caa1u/B-/B	72.50	8.28	11.28	638.2	729.54	11.0	26.7	14.7	-0.70	-2.34	-0.79
EGYPT 8.7002 01-Mar-49	Caa1u/B-/B	77.41	8.12	11.49	659.2	750.95	15.0	28.4	7.9	-1.00	-2.46	-0.28
EGYPT 8 7/8 29-May-50	Caa1u/B-/B	78.58	8.37	11.50	659.9	751.97	12.2	26.7	4.5	-0.81	-2.41	-0.05
EGYPT 8 3/4 30-Sep-51	Caa1/B-/B	77.31	8.29	11.50	660.4	752.99	15.8	29.6	15.5	-1.11	-2.64	-0.99
EGYPT 8.15 20-Nov-59	Caa1u/B-/B	72.60	8.75	11.32	642.4	737.76	14.5	25.8	22.4	-1.06	-2.47	-1.72
EGYPT 7 1/2 16-Feb-61	Caa1/B-/B	68.33	8.75	11.08	618.6	714.21	12.6	13.4	12.7	-0.90	-1.38	-0.87
ETHOPI 6 5/8 11-Dec-24	WR/D/D	90.78	0.00	7.30	314.0	-	-4.3	-95.7	-	0.64	13.64	26.31
GABON 9 ½ 18-Feb-29	Caa2/-/CCC	90.28	2.50	12.91	905.1	974.98	2.8	-	-	0.16	-	-
GABON 6 5/8 06-Feb-31	Caa2/-/CCC	77.92	3.56	12.16	819.9	956.76	-0.2	-33.3	37.3	0.24	2.95	2.03
GABON 7 24-Nov-31	Caa2/-/CCC	77.68	4.13	12.10	813.5	922.13	0.7	-25.1	21.2	0.20	2.48	2.31
GHANA 5 03-Jul-29	Caa2/CCC+/B-	92.34	1.96	7.46	355.2	525.78	-9.2	-129.7	-	0.46	8.76	-
GHANA 5 03-Jul-35	Caa2/CCC+/B-	75.80	5.44	9.37	499.4	655.96	-3.7	-74.1	-	0.44	10.01	-
GHANA 0 03-Jul-26	Caa2/CCC+/B-	97.31	0.50	2.68	-122.5	119.77	2.1	-155.4	-	0.04	3.94	-
GHANA 0 03-Jan-30	Caa2/CCC+/B-	82.51	2.00	4.29	38.7	531.80	-5.9	-82.8	-	0.34	6.11	-
IVYCST 6 3/8 03-Mar-28	Ba2/BB/BB-	99.90	1.53	6.41	250.2	266.75	-1.0	-5.1	-53.1	0.15	-0.08	2.50
IVYCST 5 3/4 31-Dec-32	-/BB/BB-	94.69	2.79	7.63	376.3	395.47	-2.9	52.6	4.7	0.23	2.19	1.18
IVYCST 7 5/8 30-Jan-33	Ba2/BB/BB-	97.29	5.20	8.11	372.9	441.45	2.5	6.8	1.2	0.02	-0.66	-0.15
IVYCST 6 1/8 15-Jun-33	Ba2/BB/BB-	89.28	5.44	7.97	358.8	446.26	-0.5	6.6	-0.2	0.18	-0.31	0.68
IVYCST 8 1/4 30-Jan-37	Ba2/BB/-	94.45	6.42	8.88	450.5	511.44	-0.1	-	-	0.18	-	-
KENINT 7 1/4 28-Feb-28	Ba2/BB/BB-	94.21	6.80	9.06	468.6	521.85	1.1	45.1	40.3	0.09	-3.50	-3.04
KENINT 9 3/4 16-Feb-31	Caa1u/B-/B-	100.04	1.31	6.97	306.7	312.69	-3.7	-78.9	-115.2	0.19	1.67	4.49
KENINT 8 22-May-32	Caa1u/B-/B-	97.53	2.33	8.29	442.9	464.47	13.4	-41.7	-138.8	-0.16	1.58	5.81
KENINT 6.3 23-Jan-34	Caa1u/B-/B-	100.50	3.53	9.63	566.7	596.84	19.0	-25.0	-59.7	-0.60	0.86	3.23
KENINT 9 1/2 05-Mar-36	Caa1u/B-/B-	92.28	4.49	9.55	558.7	608.37	16.7	22.8	-29.8	-0.67	0.98	4.60
KENINT 8 1/4 28-Feb-48	Caa1u/B-/B-	79.84	5.73	9.83	545.1	623.51	26.6	-0.3	-42.2	-1.41	0.45	4.22
MOROC 2 3/8 15-Dec-27	Caa1u/B-/B-	92.50	5.89	10.69	631.0	695.14	17.1	-	-	-0.86	-	-
MOROC 5.95 08-Mar-28	Caa1u/B-/B-	79.10	8.53	10.72	581.7	672.55	19.0	51.1	0.6	-1.42	-4.49	0.31
MOROC 3 15-Dec-32	Ba1u/BB+/BB+	93.94	2.36	5.01	110.0	136.02	0.1	-57.9	-57.7	0.09	2.65	5.16
MOROC 6 1/2 08-Sep-33	Ba1u/BB+/-	102.20	2.44	5.06	120.3	142.80	-2.2	-53.9	-51.1	0.15	1.31	1.54
MOROC 5 1/2 11-Dec-42	Ba1u/BB+/BB+	83.72	6.48	5.71	132.8	196.24	-3.2	-21.8	-21.8	0.31	2.19	3.29
MOROC 4 15-Dec-50	Ba1u/BB+/-	104.48	6.23	5.80	142.6	203.70	-2.9	-23.3	-21.3	0.29	0.97	0.68
MOZAM 9 15-Sep-31	-/BB+/BB+	88.85	10.66	6.58	168.1	254.53	-2.1	0.4	0.2	0.36	-0.06	0.08

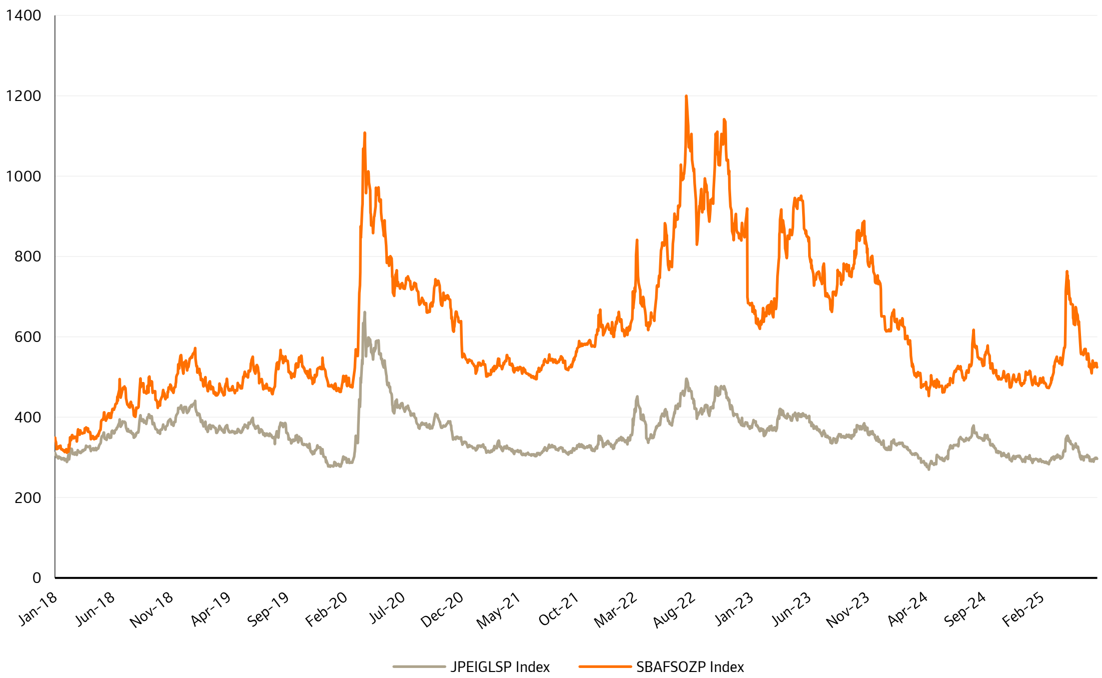
Continues the next page

African Eurobonds (continued)

					Spread, bps		Spread change, bps			Total Return, %		
Name	Moody's/S&P/Fitch	Mid Price	Mod Dur	Yield, %	Over UST	Z-Spread	1 wk	YTD	12mths	1 wk	YTD	12mths
NGERIA 6 1/2 28-Nov-27	B3/B-/B	98.41	2.19	7.22	331.5	356.0	-19.8	-108.7	-158.3	0.58	2.87	6.23
NGERIA 6 1/8 28-Sep-28	B3/B-/B	94.59	2.84	8.04	417.8	442.3	-17.7	-78.9	-144.7	0.66	3.43	7.61
NGERIA 8 3/8 24-Mar-29	B3/B-/B	99.94	3.10	8.39	442.5	477.5	-9.2	-65.4	-159.4	0.45	2.06	6.57
NGERIA 7.143 23-Feb-30	B3/B-/B	93.84	3.76	8.78	481.5	514.9	-8.3	-49.7	-144.9	0.48	2.41	8.18
NGERIA 8.747 21-Jan-31	B3/B-/B	98.88	4.17	9.01	504.3	535.0	-10.3	2.8	-94.2	0.60	1.41	6.50
NGERIA 9 5/8 09-Jun-31	B3/B-/B	102.29	4.47	9.12	515.4	545.0	-9.7	-4.2	-	0.61	1.61	-
NGERIA 7 7/8 16-Feb-32	B3/B-/B	92.55	4.86	9.40	502.7	570.6	-11.2	-34.0	-116.7	0.73	1.73	6.98
NGERIA 7 3/8 28-Sep-33	B3/B-/B	87.10	5.77	9.67	529.6	591.0	-10.1	-9.9	-97.6	0.77	0.70	7.03
NGERIA 10 3/8 09-Dec-34	B3/B-/B	102.41	5.96	9.97	559.6	617.3	-11.0	-0.2	-	0.85	-0.53	-
NGERIA 7.696 23-Feb-38	B3/B-/B	84.24	7.29	9.90	552.7	598.8	-10.1	-30.5	-116.8	0.93	2.12	9.37
NGERIA 7 5/8 28-Nov-47	B3/B-/B	77.09	9.10	10.25	534.8	624.9	-6.7	1.7	-77.0	0.81	-0.30	7.27
NGERIA 9.248 21-Jan-49	B3/B-/B	90.42	8.55	10.34	543.9	634.5	-5.4	12.3	-37.8	0.66	-1.24	3.52
NGERIA 8 1/4 28-Sep-51	B3/B-/B	80.26	8.98	10.47	556.7	647.9	-2.7	3.1	-58.4	0.44	-0.43	5.64
RWANDA 5 1/2 09-Aug-31	B2/B+/B+	83.54	4.84	9.06	509.7	538.4	10.3	86.7	14.8	-0.33	-1.57	3.50
SENEGL 7 3/4 10-Jun-31	B3/B/-	76.11	3.74	13.75	978.6	1111.2	3.8	393.2	-	0.09	-15.81	-
SENEGL 6 1/4 23-May-33	B3/B/-	67.71	4.99	12.87	849.4	992.5	-8.7	312.5	393.6	0.73	-15.90	-19.31
SENEGL 6 3/4 13-Mar-48	B3/B/-	61.27	8.31	11.62	671.9	770.4	-15.3	133.6	188.2	1.51	-11.08	-15.25
SOAF 4 7/8 14-Apr-26	Ba2/-/BB-	99.19	2.09	5.23	132.5	155.7	8.2	-	-66.4	-0.07	1.57	2.98
SOAF 4.85 27-Sep-27	Ba2/BB-/BB-	96.22	3.00	5.57	170.5	195.4	7.7	-	-66.0	-0.13	2.51	4.42
SOAF 4.3 12-Oct-28	Ba2/BB-/BB-	95.78	3.74	5.98	202.1	237.0	4.3	-49.1	-54.0	-0.05	2.42	3.86
SOAF 4.85 30-Sep-29	Ba2/BB-/BB-	99.11	4.27	6.08	212.2	245.6	4.1		-55.0	-2.94	2.98	0.40
SOAF 5 7/8 22-Jun-30	Ba2/BB-/BB-	96.94	5.47	6.44	205.7	272.9	3.9		-63.4	-0.09	2.74	3.99
SOAF 5 7/8 20-Apr-32	Ba2/BB-/BB-	97.92	7.63	7.37	299.4	348.2	3.9	-6.0	-	-0.16	0.09	-
SOAF 7.1 19-Nov-36	Ba2/BB-/BB-	85.58	9.18	7.86	296.0	386.2	4.3	13.3	6.9	-0.24	-1.16	-0.33
SOAF 6 1/4 08-Mar-41	Ba2/BB-/BB-	74.61	10.26	7.99	308.6	394.4	5.1	-	18.3	-0.38	-0.90	-1.42
SOAF 5 3/8 24-Jul-44	Ba2/BB-/BB-	68.69	10.98	8.11	320.7	406.1	6.0	9.3	29.4	-0.50	-0.83	-2.74
SOAF 5 12-Oct-46	Ba2/-/BB-	73.98	10.75	8.21	330.9	417.4	4.6	-	26.0	-0.34	-1.54	-2.52
SOAF 5.65 27-Sep-47	Ba2/BB-/BB-	79.31	10.72	8.34	343.3	430.5	6.5	-	34.6	-4.31	-2.12	-6.78
SOAF 6.3 22-Jun-48	Ba2/BB-/BB-	73.64	10.94	8.29	338.8	425.5	6.1	-	35.0	-0.51	-2.16	-3.19
SOAF 5 3/4 30-Sep-49	Ba2/BB-/BB-	88.48	10.70	8.38	348.6	437.4	6.5	-	28.3	-0.53	-2.86	-2.69
SOAF 7.3 20-Apr-52	Ba2/BB-/BB-	93.47	10.72	8.56	366.1	456.5	5.6	-	-	-0.44	-2.92	-
SOAF 7.95 19-Nov-54	Caa1/NR/WD	100.57	1.97	7.96	404.8	426.9	4.7	-373.0	-	0.06	-	-
TUNIS 8 1/4 19-Sep-27	Caa2u/CCC+/CCC+	91.82	2.72	7.47	360.7	512.9	-4.8	-39.5	-	0.43	-	-
ZAMBIN 5 3/4 30-Jun-33	Caa2u/CCC+/CCC+	66.54	24.84	2.06	-284.2	-196.1	-25.3	-52.6	-	6.73	-	-
ZAMBIN 0 1/2 31-Dec-53	B3/B-/B	98.41	2.19	7.22	331.5	356.0	-19.8	-108.7	-158.3	0.58	2.87	6.23
SB Africa Eurobond (incl. SA)										0.23	4.48	10.27
SB Africa Eurobond (excl. SA)										0.32	4.54	10.66

Source: Bloomberg; Standard Bank Research

Figure 16: Spread over UST: SB African Eurobond index vs EMBI Global



Source: Bloomberg

Figure 17: SBAFSO total return index vs 10-Y UST yield

Source: Bloomberg

Table 6: Open trades

Positions	Entry Date	Entry Yield, %	Entry FX	Latest yield, %	Latest FX	Total return, %
						Since inception
Egypt: buy Egypt 364-d	18-Mar-25	25.1	50.47	25.13	49.91	8.2
Nigeria: buy Nigeria 364-d	26-Feb-25	21.4	1536.55	21.56	27.8	-2.1
Uganda: buy Uganda 15-y	28-May-25	17.73	3638.7	17.28	3592.26	1.9

Source: Bloomberg, Standard Bank Research

Table 7: Closed trades

Positions	Entry Date	Exit date	Entry Yield	Entry FX	Latest yield, %	FX	Total return, %	
Uganda: buy UGANGB '24	11-Apr-19	30-Apr-19	15.00	3760.000	14.70	3735.000	2.40	57.65
Egypt: buy 12-m T-bill	01-May-18	30-Apr-19	16.92	17.704	17.52	17.183	18.42	18.48
Zambia: sell USD/ZMW 6-m NDF	30-Oct-18	25-Apr-19	34.27	11.570	5.00	12.350	9.62	20.85
Malawi: buy 12-m T-bill	02-May-18	02-May-19	15.00	725.500	9.35	736.740	11.25	11.25
Ghana: sell USD/GHS 12-m NDF	07-Jun-18	03-Jun-19	19.40	4.740	5.00	5.350	5.73	5.79
Kenya: buy INF 14	18-Feb-19	28-Jun-19	11.80	100.200	10.95	102.200	6.33	18.82
Angola: sell USD/AOA 12-m NDF	09-Jan-19	27-Sep-19	18.77	311.620	17.97	375.120	-6.14	-8.48
Angola: sell USD/AOA 12-m NDF	09-Jan-19	10-Oct-19	18.77	311.620	28.25	390.760	-11.52	-15.04
Egypt: buy 12-m T-bill	06-Nov-18	29-Oct-19	19.78	17.920	5.00	16.134	30.60	31.39
Nigeria: buy 12-m T-bill	01-Nov-18	31-Oct-19	16.82	363.000	5.00	363.000	14.78	14.82
BEAC: sell USD/XAF 2-y NDF	24-Nov-17	21-Nov-19	4.25	550.620	5.00	592.342	0.82	0.41
Kenya: buy INF 2035	28-Oct-19	31-Jan-20	12.40	103.600	11.35	100.560	13.20	61.02
Nigeria: buy NIGB '27	27-Feb-18	17-Mar-20	13.70	361.000	13.38	368.170	25.44	11.68
Zambia: sell USD/ZMW 6-m NDF	10-Dec-19	20-Mar-20	25.02	15.250	38.34	17.150	-8.27	-26.81
Nigeria: buy NIGB '27	27-Feb-18	17-Mar-20	13.70	361.000	13.38	368.170	25.44	11.68
Zambia: buy ZAMGB '26	18-Nov-16	14-Apr-20	24.50	9.810	33.81	18.403	-6.15	-1.85
Zambia: sell USD/ZMW 6-m NDF	10-Dec-19	14-Apr-20	25.02	15.250	32.63	18.400	-11.74	-30.36
Uganda: buy Uganda '29	14-Oct-19	15-Jun-20	14.90	3700.000	14.80	3720.000	8.75	13.31
Ghana: buy GHGB '20	31-Oct-16	23-Jun-20	20.00	3.985	15.60	5.791	24.87	6.28
Kenya: KenGB '29	08-Apr-20	20-Aug-20	12.10	106.000	10.60	108.000	10.41	30.96
Nigeria: sell USD/NGN 12-m NDF	22-Jun-20	13-Jan-21	18.06	387.800	20.96	393.180	6.37	11.61
Angola: buy USD/AOA 12-m NDF	09-Sep-20	13-Jan-21	26.15	620.750	17.57	652.500	-7.46	-20.11
Kenya: buy KenGB '31	24-Aug-20	17-Jan-21	11.24	108.000	11.00	110.080	3.93	10.12
Zambia: buy ZAMGB '24	22-Feb-21	07-Dec-21	34.50	21.675	19.00	17.525	43.97	58.70
Ghana: buy Ghana '29	03-Dec-20	04-Jan-22	21.00	5.940	21.95	6.420	11.30	10.35
Ethiopia: buy USD/ETB 24-m NDF	06-Aug-20	06-Aug-22	12.10	35.420	15.05	52.480	17.17	8.25
Nigeria: sell USD/NGN 12-m NDF	25-May-22	18-Aug-22	18.56	416.750	23.71	428.880	-2.41	-2.41
Uganda buy Uganda 15-y	27-Jun-23	10-Jan-24	15.6	3675	15.6	3800.88	15.10	11.29
Egypt: buy Egypt '27	23-Nov-17	10-Jan-24	15.88	17.69	17.92	30.85	130.22	32.03
Egypt: buy Egypt 364-d	24-Jan-23	24-Jan-24	21.95	29.8325	21.95	30.89	19.97	15.87
Zambia: buy Zambia 10-y	11-Aug-23	22-Dec-23	26.75	19.075	25.21	26.51	21.44	-12.60
Angola: buy USD/AOA 12-m NDF	02-Sep-24		27.60	1120		1125		0.44
Kenya: buy Kenya IFB '32	14-Feb-24	03-Sep-24	18.46	145.25	17.79	128.90		36.10
Tanzania: buy USD/TZS 12-m NDF	14-Sep-23	13-Sep-24	17.00	2473.22		2701		8.43
Ethiopia: buy USD/ETB 24-m NDF	21-Jan-23	21-Jan-25	19.00	53.93		126.03		57.37
Nigeria: buy Nigeria 364-d	12-Apr-24	21-Jan-25	23.30	1202.5	22.00	1551.410	12.7	-12.6
Egypt: buy Egypt 364-d	28-Mar-24	28-Mar-25	25.90	47.70	25.90	49.64	21.2	16.7
Zambia: buy Zambia 364-d	22-Aug-24	26-Jun-25	19.00	26.11	14.50	23.687	15.0	26.7

Source: Bloomberg, Standard Bank Research

Angola: reliance on government spending for growth

Medium-term outlook: poor oil sector performance brings downside risks to growth

We forecast GDP growth decelerating to 3.1% y/y in 2025 and to 2.9% y/y in 2026, from 4.4% y/y in 2024. This is below our Jan AMR forecasts of 3.4% y/y for 2025 and 3.6% y/y for 2026 because we foresee oil production declining further.

Despite oil sector reform progress and increased licencing rounds, ongoing investments remain insufficient to counter the impact of maturing oil fields and operational challenges. Cumulative oil production from Jan to May 2025, at 155.9m bbl (average of 1.032m bpd), is 8.1% y/y lower than what was produced in the first 5-m of 2024, impacting GDP growth.

From a production perspective, we see GDP growth mostly reflecting non-oil growth. Indeed, the government has been targeting growth acceleration in agriculture, mining, electricity, transport and logistics. Progress in the development of Lobito and Namibe corridors should gain momentum, which, alongside progress in privatizations, may also support non-oil production.

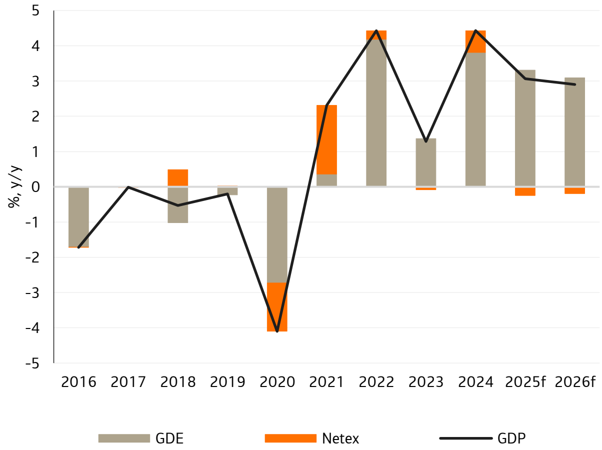
From a demand perspective, net exports' contribution to GDP growth will likely turn negative in 2025 and remain there in 2026 due to government spending lifting imports in 2025 and softer oil prices lowering exports in 2026. Therefore, GDP growth in 2025 and 2026 may become heavily reliant on general domestic expenditure (GDE), a metric that captures personal and government spending, as well as on investment.

Boosting consumer spending requires job creation and improvements in disposable income – but this remains a challenge in the context of high inflation. Therefore, and considering the approaching 2027 general election, we foresee a higher reliance on government spending to lift GDP, but without much fiscal space, this implies fiscal deficits kept high.

Despite public debt easing to 54% of GDP, or USD62.5bn in 2024, from 58% of GDP, or USD80.7bn in 2017, debt service remains high, with interest plus principal consuming 85% of government revenue in 2025. This is because in absolute terms, both domestic debt and external rose between 2017 and 2024, with kwanza weakness and nominal GDP revisions helping improve debt to GDP ratios. Therefore, there is no fiscal space.

As a result, boosting government spending implies growing public debt, which would keep debt service pressures high. In the past, kwanza depreciation helped lift oil sector revenue contribution, which is earned in USD, and accounting for 60% of government revenue. However, the pending 2027 general election may see the government not tolerating any meaningful correction of the kwanza, which has remained stable at the USD/AOA level of 921.1 since Nov 2024. Factoring in the kwanza weakening at a much softer pace than we did in the Jan AMR, we now cut our 2025 year-end inflation forecast to 18.1% y/y, from 25.2% y/y.

GDP by demand



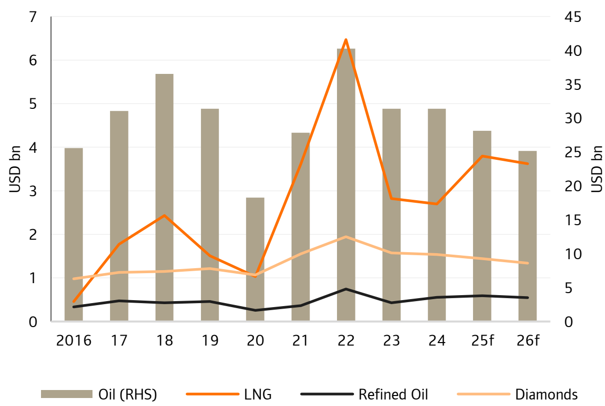
Source: Instituto Nacional de Estatística; Standard Bank Research

Contribution of GDP by sector (% of total)

	2016	2022	2023	2024
Agriculture	8.5	9.7	9.9	9.8
Fishing	1.4	1.6	1.6	1.7
Oil	33.1	21.9	21.1	20.8
Extractive (excl. oil)	1.8	1.9	2.1	2.9
Manufacturing	3.9	4.4	4.6	4.6
Electricity and water	1.4	1.7	1.7	1.7
Construction	9.6	7.4	7.2	7.0
Trade	11.2	13.4	13.6	13.5
Accommodation	0.9	0.7	0.7	0.7
Transport and storage	5.6	6.3	6.3	6.6
Courier and comm.	1.7	1.5	1.5	1.4
Financial and insurance	1.4	1.1	1.0	1.0
Real estate	7.4	8.0	7.8	7.8
Public administration	4.4	4.7	4.8	4.7
Other services	5.7	7.6	7.8	7.8
Taxation	1.4	1.9	2.1	2.0
Subsidies	-0.7	0.0	0.0	0.0
Stat. discrepancies	1.3	6.2	6.2	6.0
GDP	100.0	100.0	100.0	100.0

Source: Instituto Nacional de Estatística; Standard Bank Research

Principal exports



Source: Banco Nacional de Angola; Standard Bank Research

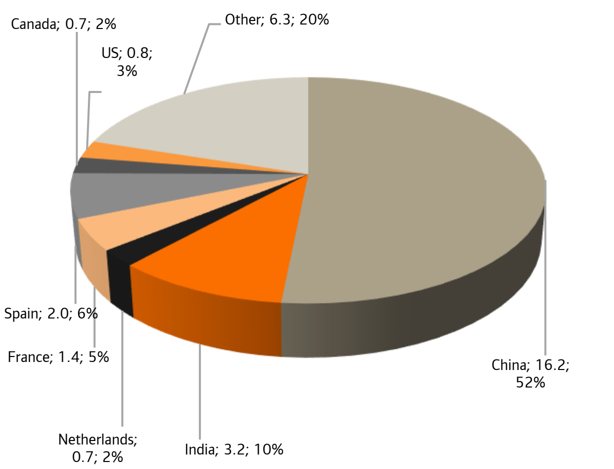
Medium-term economic growth forecasts

	Q1:25	Q2:25	Q3:25	Q4:25	Q1:26	Q2:26	Q3:26	Q4:26	Q1:27	Q2:27	Q3:27	Q4:27	Q1:28	Q2:28	Q3:28	Q4:28
GDP (% y/y) pa	3.5	2.8	2.9	3.1	3.2	2.6	2.8	2.9	3.2	3.3	3.5	3.2	2.8	2.9	2.7	2.8
CPI (% y/y) pe	23.9	19.6	17.9	18.1	17.1	17.2	17.5	16.6	16.4	16.2	16.1	15.8	16.9	17.9	19.0	19.6
Policy rate (%) pe	19.50	19.50	18.50	18.50	17.50	17.50	17.50	17.50	16.50	16.50	16.50	16.50	17.50	17.50	18.50	19.50
3-m rate (%) pe	17.5	11.7	11.1	11.1	10.5	10.5	10.5	10.5	9.9	9.9	9.9	9.9	10.5	10.5	11.1	11.7
6-m rate (%) pe	9.5	12.7	12.0	12.0	11.4	11.4	11.4	11.3	10.7	10.7	10.7	10.7	11.3	11.4	12.0	12.7
USD/AOA pe	921.1	921.1	921.1	932.1	934.9	937.7	960.4	983.6	995.5	1,007.5	1,019.6	1,031.9	1,069.5	1,108.5	1,148.8	1,190.7

Source: Banco Nacional de Angola; Bloomberg; Instituto Nacional de Estatística; Ministério das Finanças; Standard Bank Research

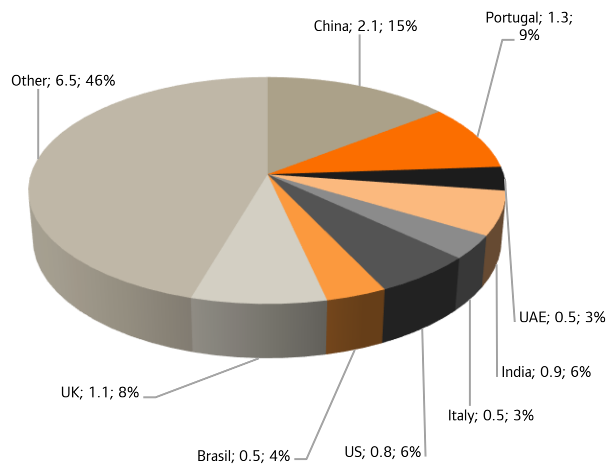
Notes: pa - period average; pe - period end

Exports destinations (USD bn)



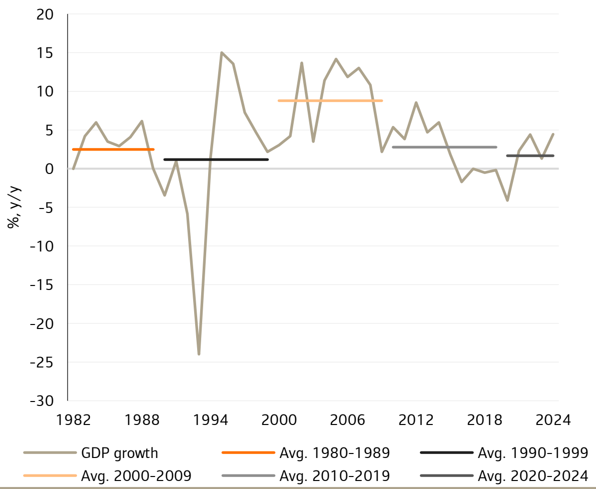
Source: Banco Nacional de Angola; Standard Bank Research

Imports origins (USD bn)



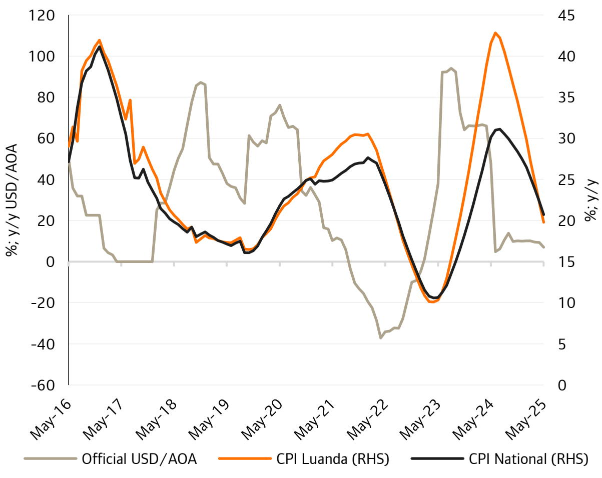
Source: Banco Nacional de Angola; Standard Bank Research

Long-term GDP performance



Source: Instituto Nacional de Estatística; Standard Bank Research

Annualised FX rate changes versus inflation



Source: Banco Nacional de Angola; Instituto Nacional de Estatística; Standard Bank Research

Balance of payments: softer C/A surplus

We see the current account (C/A) surplus declining to 2.4% of GDP in 2025 and to 0.6% of GDP in 2026, from USD6.3bn, or 5.4% of GDP, in 2024. This reflects goods and services exports declining in 2025 and 2026, with imports still rising in 2025.

We see oil exports, accounting for c.85.3% of exports, declining due to softer production and prices. Foreign direct investment (FDI) has remained low. While FDI is mostly directed towards the oil and gas (O&G) sector, it is insufficient to lift oil output.

Oil production collapsed by 10.2% y/y in May, to 1.015m bpd. We now see oil output stabilizing at around 1.05m bpd this year, below our Jan AMR forecasts of 1.10m bpd.

The Middle East crisis may lift oil prices temporarily, however, as global growth decelerates, oil prices may soften. Even if oil trades at around USD80/bbl in H2:25 average oil prices for 2025 would still come softer than the 2024 average of USD79/bbl, which is negative for oil export revenue.

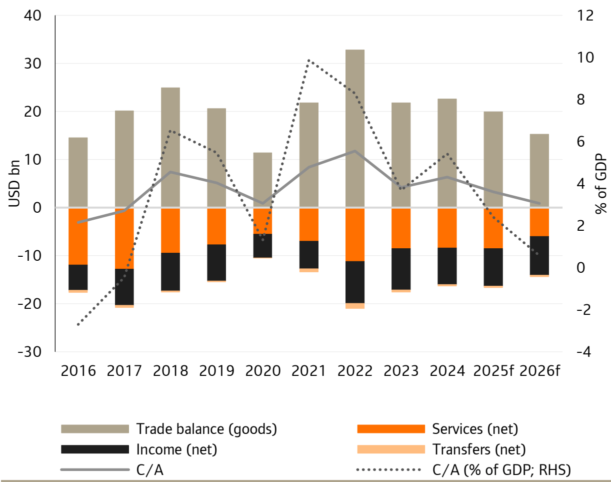
Therefore, we forecast overall goods and services exports down by 6% y/y in 2025 to USD34.7bn and by 9.5% y/y in 2026 to USD31.4bn.

Oil prices averaged USD72.9/bbl from Jan to May, which is above the 2025 government budget assumption of USD70/bbl, however, Q1:25 data shows oil exports down by 12.6% q/q, or 19.7% y/y, to USD6.4bn, due to softer oil output and prices.

As a result, the C/A surplus fell to USD602m, or 1.8% of GDP, in Q1:25, from USD2.1bn, or 7.1% of GDP, in Q1:24. We foresee goods and services imports up by 2.8% y/y in 2025 to USD23.3bn, in part due to a rapid growth in government spending, which alongside softer exports pressurises the C/A.

Limited FX sales by the BNA, has seen FX reserves stable, at USD15.7bn in May, or over 8-m of imports. We see FX reserves closing 2025 at USD15.9bn, or 8.2-m of imports, up 0.9% y/y, which reflects low FX sales by BNA to help protect FX reserves.

Current account developments



Source: Banco Nacional de Angola; Standard Bank Research

FX reserves

Source: Banco Nacional de Angola; Standard Bank Research

FX outlook: softer depreciation for the kwanza

Even though government external debt service pressures have remained high, consuming most of revenues earned in the oil sector, the BNA FX reserves still rose by 7.1% y/y in 2024, to USD15.8bn, or over 8-m of imports. This suggests that the Treasury serviced most of its external debt from FX earned in oil sector taxation and borrowings in FX, therefore not selling much FX. As a result, the FX market supply-demand imbalances are still manifest in an FX backlog exceeding USD500m.

While this still underpins a depreciating bias for the kwanza, we may see the government not tolerating any meaningful correction of the kwanza before the general election in 2027. The kwanza depreciated by 9.1% y/y to the USD in 2024, after a sharp depreciation of 39.8% y/y in 2023. We now forecast the kwanza depreciating 1.2% y/y this year, which is softer than the Jan AMR 15.1% y/y. This may well help further ease inflation pressures.

USD/AOA: forwards versus forecasts

Source: Bloomberg; Standard Bank Research

Monetary policy: easing bias

The BNA MPC has kept the BNA rate on hold at 19.5% since May 2024 and signalled at the last MPC in May 2025 that would be monitoring the economy performance before announcing any revision to the 2025 year-end inflation forecast of 17.5% y/y.

A stable kwanza since Nov 2024 has helped to see a decline in inflation to 20.7% in May, from a peak of 31.1% y/y in Jul 2024.

Our FX forecast update now sees inflation falling below 20% y/y from Jun onwards, which is consistent with our year-end inflation forecasts of 18.1% y/y this year and 16.6% y/y in 2026. Off course, this remains premised on a relatively stable kwanza, and slow progress in the fuel subsidy reform.

Should this materialize, we may see the BNA starting to cut interest rates, which would go a long way in alleviating borrowing costs for the government. We now see the BNA rate being cut by at least 100 bps this year, to 18.5%.

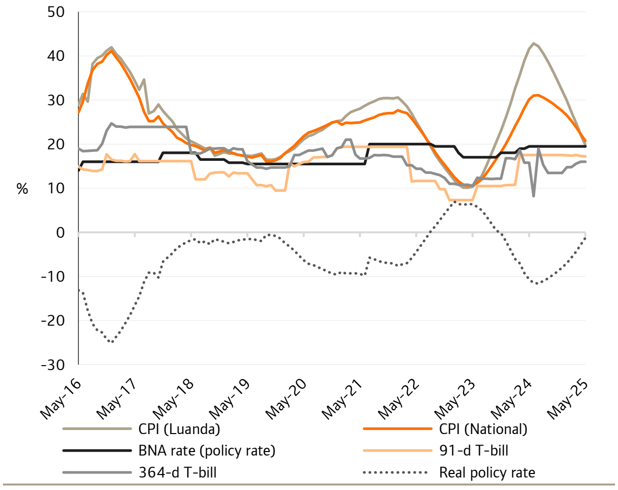
Any major kwanza weakness or rapid removal of fuel subsidies would imply much higher inflation rates, and the BNA staying put.

In the past 2-y, the kwanza depreciated faster in the middle of the year. This time around, we may see kwanza stability extending into H2:25, after a stable H1:25.

We are not convinced of any significant seasonality factor driving mid-year kwanza weakness in 2023 and 2024, but rather mounting fiscal pressures which tend to see the government limiting domestic borrowing by means of converting oil sector revenue contribution at a weaker kwanza to limit the fiscal deficit.

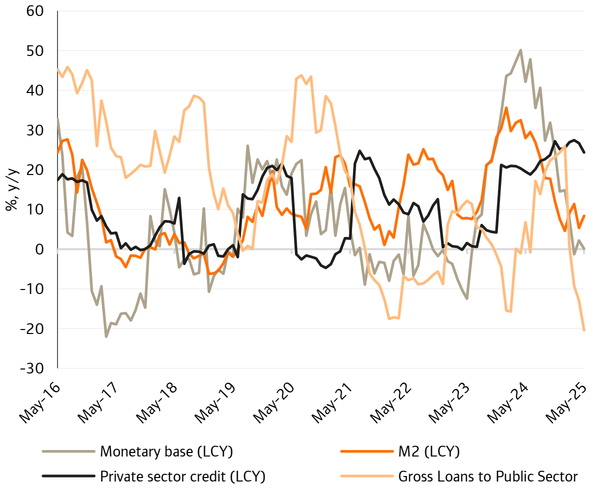
Softer government domestic borrowing in the past 12-m has seen local currency (LCY) monetary base, the BNA monetary policy operational variable, and LCY money supply (M2), monetary policy intermediary variable, growing at much softer rates, at respectively 0.1% y/y and 8.4% y/y in May, helping contain inflation pressures and supporting the kwanza.

Inflation and interest rates



Source: Banco Nacional de Angola; Instituto Nacional de Estatística; Standard Bank Research

Monetary statistics



Source: Banco Nacional de Angola; Standard Bank Research

Yield curve outlook: downward pressure

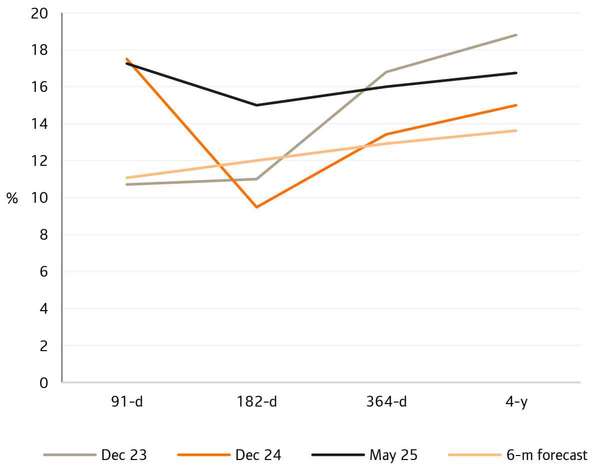
Even though we see government domestic debt growing at a faster pace than what was considered in the 2025 debt plan, as oil sector revenue underperforms, and external financing conditions remain tight, we may still see a downward shift in the yield curve.

The government wants to contain borrowing costs towards easing debt service pressures, which has seen the Treasury issuing short-term and longer-dated debt at interest rate levels well below inflation rates.

In part, this is achieved by offering to investors, mostly commercial banks, some access to purchase FX from the Treasury as they accept lower yields for the government paper.

Cut-off yields for the 364-d T-bill fell to 16% in Jun, with the 4-y bonds at 16.75%.

Yield curve changes



Source: Banco Nacional de Angola; Standard Bank Research

Fiscal policy: recurrent fiscal deficits

Fiscal slippage risks in the FY2025 (12-m ending Dec 2025) budget remain high, considering possibly oil sector revenue underperformance as oil output falters. This year, oil prices may well average at levels below 2024 prices of USD79/bbl, even if they come near of above the government budget assumption of USD70/bbl. This would add downward pressure to revenue.

Therefore, preserving primary surpluses, to help create fiscal space and rebuild fiscal buffers, remains important in an economy heavily reliant on oil and therefore heavily exposed to oil price volatility.

The medium-term fiscal framework signals a primary deficit in 2026, which may reflect fuel subsidies being prolonged and higher spending ahead of the 2027 election.

Despite public debt ratios declining, last reported at 54% of GDP in 2024, Angola still displays debt service pressures, with interest plus principal consuming at least 85% of government revenue.

Anecdotal evidence suggests that the Treasury has relied partly on FX depreciations in mid-2023 and mid-2024 to manage the fiscal deficit. This lifted inflation above 20% y/y since Dec 2023.

Therefore, prospects of a relatively stable kwanza for 2025 imply government revenue underperformance risks as remaining high. This informs our views of government domestic borrowing in 2025 exceeding the 1.2% y/y nominal growth target to a balance of AOA15tn assumed in the debt plan. We would also not be surprised if growth in external debt exceeds the debt plan of 1.2% y/y target towards a central government external debt balance of USD43.3bn by year-end.

The government has signalled that they would tap Eurobonds when borrowing costs have eased. Therefore, Eurobond issuances by this sovereign in 2025 remains uncertain.

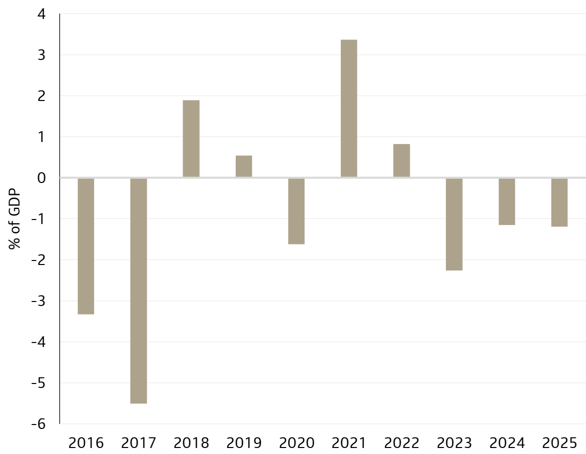
Debt service pressures tend to remain elevated, as government debt balances continues to grow, in nominal terms.

Central government finances

% of GDP	2022	2023	2024	2025
Total revenue	20.4	16.8	16.4	15.9
- Oil	11.8	9.9	9.9	8.7
Total expenditure	19.6	19.1	17.6	17.1
- Recurrent	14.3	15.2	14.1	12.2
- Interest	3.5	5.2	4.9	3.5
- Of which domestic	1.8	2.0	1.8	1.4
- Of which external	1.7	3.3	3.1	2.1
- Wages	3.6	3.5	2.9	3.4
- Development	5.3	3.9	3.5	4.9
Overall balance (commitment)	0.8	-2.3	-1.2	-1.2
Net domestic borrowing (-saving)	3.5	5.8	2.9	1.7
Net external borrowing (-saving)	-0.2	-0.6	-1.4	-0.5
Statistical discrepancy	-4.1	-2.9	-0.4	0.0

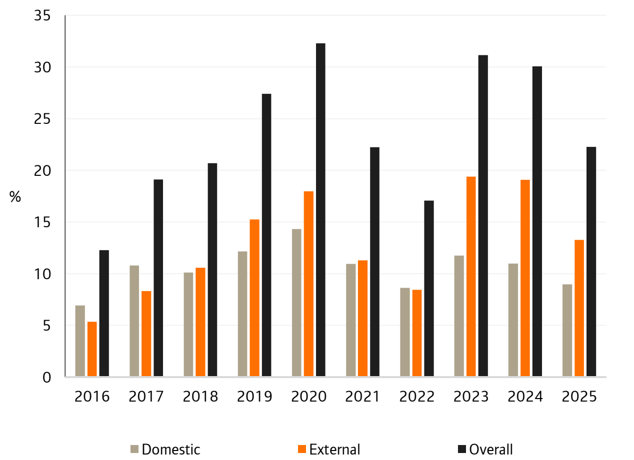
Source: Ministério das Finanças; Standard Bank Research

Fiscal deficits



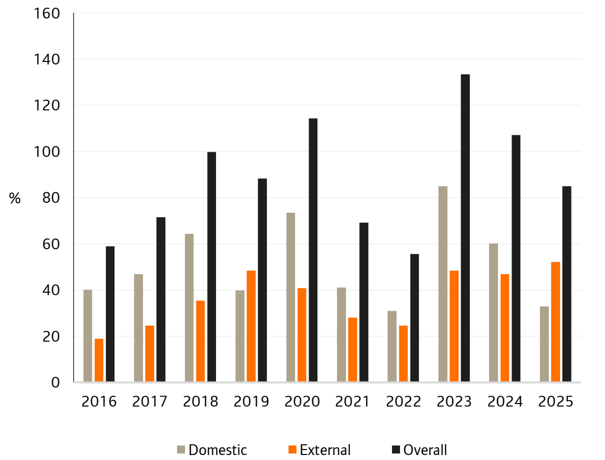
Source: Ministério das Finanças; Standard Bank Research

Interest to revenue



Source: Ministério das Finanças; Standard Bank Research

Debt service to revenue



Source: Ministério das Finanças; Standard Bank Research

Annual indicators

	2020	2021	2022	2023	2024	2025f	2026f
Output							
Population (million)	31.1	32.1	33.1	34.1	35.1	36.2	37.3
Nominal GDP (AOA bn)	38 147.4	53 121.6	65 248.0	77 932.2	101 279.9	124 982.7	150 620.8
Nominal GDP (USD bn)	66.0	85.1	141.9	113.5	116.4	135.5	158.6
GDP / capita (USD)	2 118.9	2 651.6	4 289.3	3 329.2	3 315.2	3 746.5	4 256.3
Real GDP growth (%)	-4.1	2.3	4.4	1.3	4.4	3.1	2.9
Oil output ('000 bpd)	1,271	1,124	1,137	1,098	1,124	1,053	1,048
LNG output ('000 BOE/d)	146	121	84	94	118	133	137
Central Government Operations							
Budget balance / GDP (%)	-1.6	3.4	0.8	-2.3	-1.2	-1.2	-4.0
Domestic debt / GDP (%)	30.4	20.3	15.3	17.3	13.2	17.5	17.2
External debt / GDP (%)	76.1	60.1	36.7	44.2	41.1	37.3	33.7
Balance of Payments							
Goods and services exports (USD bn)	21.0	33.7	50.1	37.0	36.9	34.7	31.4
Goods and services imports (USD bn)	-15.1	-18.8	-28.6	-23.7	-22.7	-23.3	-22.1
Trade balance (USD bn)	5.9	14.8	21.6	13.3	14.2	11.4	9.3
Current account (USD bn)	0.9	8.4	11.8	4.2	6.3	3.3	0.9
- % of GDP	1.3	9.9	8.3	3.7	5.4	2.4	0.6
Capital and financial account (USD bn)	-2.9	-6.2	-7.8	-4.6	-6.2	-3.3	-0.9
- FDI (USD bn)	-2.0	-3.3	-6.6	-2.2	-1.1	-0.5	-0.6
Basic balance / GDP (%)	-3.1	2.6	2.8	-0.4	0.1	0.0	0.0
FX reserves (USD bn) pe	14.9	15.5	14.7	14.7	15.8	15.9	15.4
- Import cover (months) pe	11.8	9.9	6.2	7.5	8.3	8.2	8.4
Sovereign Credit Rating							
S&P	CCC+	CCC+	B-	B-	B-	B-	B-
Moody's	Caa1	B3	B3	B3	B3	B3	B3
Fitch	CCC	CCC	B-	B-	B-	B-	B-
Monetary & Financial Indicators							
Headline inflation (%) pa	22.3	25.8	21.4	13.6	28.2	20.4	17.2
Headline inflation (%) pe	25.1	27.0	13.9	20.0	27.5	18.1	16.6
M2 LCY money supply (% y/y) pa	11.9	13.4	17.5	15.6	24.4	14.2	17.8
M2 LCY money supply (% y/y) pe	20.7	1.0	18.6	30.4	7.6	18.8	17.5
Policy interest rate (%) pa	15.50	17.75	19.83	17.46	19.17	19.17	17.67
Policy interest rate (%) pe	15.50	20.00	19.50	18.00	19.50	18.50	17.50
3-m rate (%) pe	19.0	19.4	7.3	10.7	17.5	11.1	10.5
1-y rate (%) pe	20.8	17.1	11.0	16.8	13.4	12.9	12.2
USD/AOA pa	578.4	624.1	459.8	686.6	869.8	922.3	949.8
USD/AOA pe	656.2	555.0	503.7	837.1	921.1	932.1	983.6

Source: Banco Nacional de Angola; Bloomberg; Instituto Nacional de Estatística; Ministério das Finanças; Standard Bank Research

Notes: pa - period average; pe - period end; na - not available; nr – not rated

Botswana: fiscal drag, and deepening diamond recession

Medium-term outlook: counter-cyclical fiscal policy stifled by low liquidity

Botswana's 2025 growth outlook has darkened since our Jan AMR. We now forecast a 1.5% y/y decline in 2025 real GDP, from a 3.7% y/y recovery in our Jan AMR.

Fiscal expansion catalysed a 4% y/y (+BWP7.2bn) growth in the domestic economy in 2024 but this failed to offset the c.BWP17bn decline in real GDP in net exports. Our Jan 2025 AMR view, that domestic spending would offset a decelerating diamond sector decline, has now changed. Fiscal liquidity constraints are limiting counter-cyclical fiscal policy, and the diamond recession will likely not decelerate as expected.

Debswana now projects 2025 output at 15mcts, rather than 18mcts in our Jan 2025 AMR. It will do this through a temporary 3-m production pause at Jwaneng Cut 9, from May to July, as well as a combined temporary pause at the Orapa mine pit and Orapa no. 2 plant.

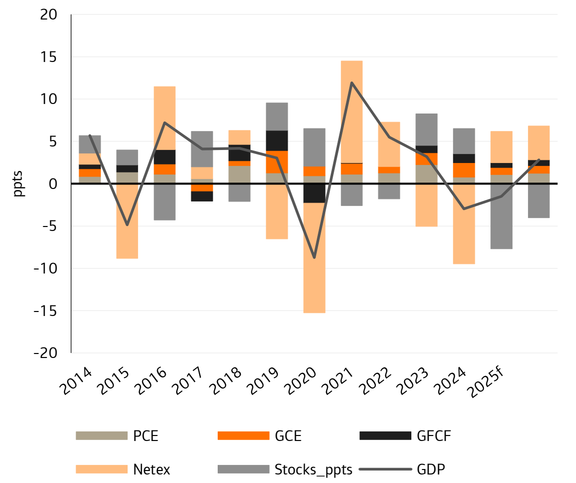
Household consumption, 40% of GDP, grew 1.9% y/y in 2024, supported by government wage payments and social transfers helping to keep consumer spending afloat, even as private sector income came under strain. But, with government cash buffers nearly exhausted, potential delays in supplier and salary payments risk eroding overall household disposable income; the government directly and indirectly employs around 48% of the formally employed population. At the same time, household credit growth has slowed to 1.6% YTD, compared to 4.6% y/y in 2024. In May, due to the liquidity crunch, commercial banks offered deposit rates of c.15%, raising the cost of funding and subsequently lending rates, making borrowing more expensive for consumers.

Average household borrowing rates remain elevated in real terms; 10.4% in Q1:25 versus the 6.3% historical average. Although inflation remains anchored within the 3-6% target, real purchasing power is under pressure as mining-sector layoffs have reduced jobs and informal earnings, while both retail and wholesale activity have begun to stall.

According to the Mar 2025 Business Expectations Survey, firms expect investment in buildings, plant and machinery as well as equipment to decline in H1:25. Elevated lending rates and caution over the economic outlook have led firms to either postpone or scale back capital projects. On the government side, capital outlays have been scaled back sharply.

Major infrastructure projects, such as the Zambezi River Water Pipeline (USD1bn) and the Jwaneng Solar Power Station (USD700m), are facing execution delays, scope-variation overruns, and funding shortfalls as cash buffers dwindle. Public–private partnership initiatives, once poised to attract external finance, remain in limbo as the PPP unit lacks resources, and fiscal commitments are deferred. As a result, GFCF is unlikely to rebound sufficiently in 2025 to offset the impact from both diamond-sector weakness and fiscal drag.

Composition of GDP growth by demand



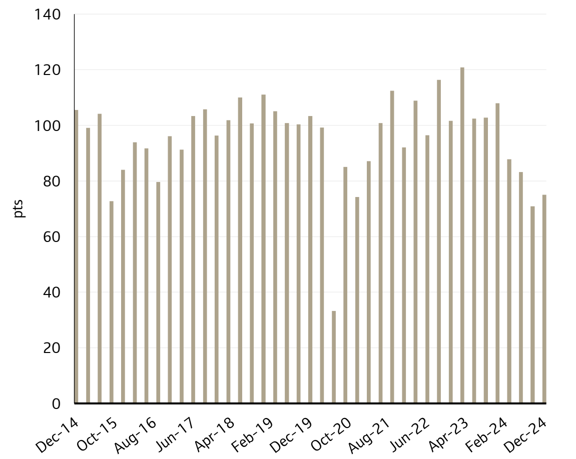
Source: Statistics Botswana; Standard Bank Research

Contribution to GDP by sector

%of GDP	2014	2019	2024
Agric, Forestry & Fishing:	1.8	1.8	1.6
Mining & Quarrying:	27.5	22.7	16.9
Manufacturing:	7.5	5.9	5.4
Water and Electricity:	1.1	0.9	1.3
Construction:	8.5	9.8	9.3
Wholesale & Retail:	6.9	9.0	11.3
Diamond Traders:	3.2	2.4	1.5
Transport & Storage:	1.7	1.8	1.8
Accommodation & Food Services:	2.4	2.6	1.9
Information & Comm Technology:	2.3	2.4	2.7
Fin, Insur & Pension Funding:	3.5	4.7	5.1
Real Estate Activities:	4.0	4.6	5.0
Prof, Sci & Tech Activities:	1.6	1.6	1.8
Admin & Support Activities:	1.6	1.6	1.6
Public Administration & Defence:	13.8	15.5	18.6
Education:	4.7	4.5	5.0

Source: Statistics Botswana; Standard Bank Research

Diamond production



Source: Statistics Botswana; Standard Bank Research

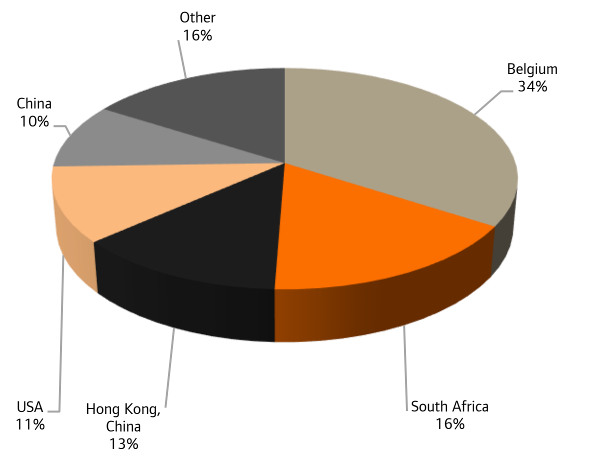
Medium-term economic growth forecasts

	Q1:25	Q2:25	Q3:25	Q4:25	Q1:26	Q2:26	Q3:26	Q4:26	Q1:27	Q2:27	Q3:27	Q4:27	Q1:28	Q2:28	Q3:28	Q4:28
GDP (% y/y) pa	-1.04	-3.61	0.49	-1.79	2.77	2.80	2.81	2.84	3.02	3.05	3.07	3.09	2.77	2.80	2.81	2.84
CPI (% y/y) pe	2.80	2.50	2.90	3.00	3.13	3.25	3.38	3.50	3.75	4.00	4.25	4.50	4.53	4.55	4.58	4.60
MoPR (%) pe	1.90	1.90	1.90	1.90	1.90	1.90	2.15	2.15	2.15	2.40	2.40	2.40	2.40	2.65	2.65	2.65
6-m rate (%) pe	4.25	4.44	4.62	4.80	4.73	4.65	4.58	4.50	4.44	4.38	4.31	4.25	4.19	4.13	4.06	4.00
USD/BWP pe	13.680	13.505	13.512	13.520	13.561	13.603	13.645	13.687	13.748	13.809	13.871	13.933	13.999	14.065	14.132	14.198
BWP/ZAR pe	1.3366	1.3402	1.3358	1.3314	1.3301	1.3288	1.3274	1.3261	1.3266	1.3270	1.3274	1.3278	1.3287	1.3295	1.3303	1.3311

Source: Bank of Botswana; Statistics Botswana; Ministry of Finance; Standard Bank Research; Bloomberg

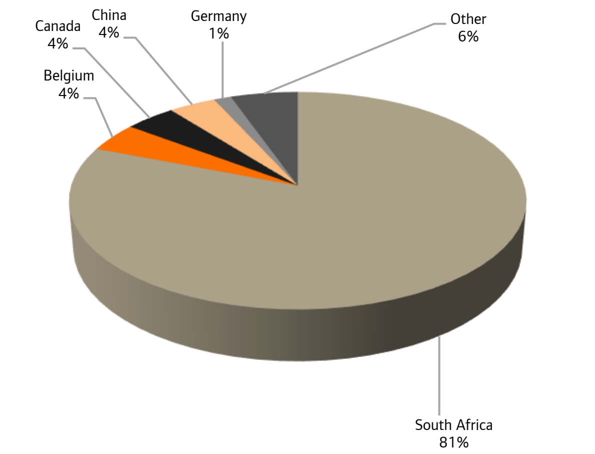
Notes: pa - period average; pe - period end

Share in Botswana's exports (%)



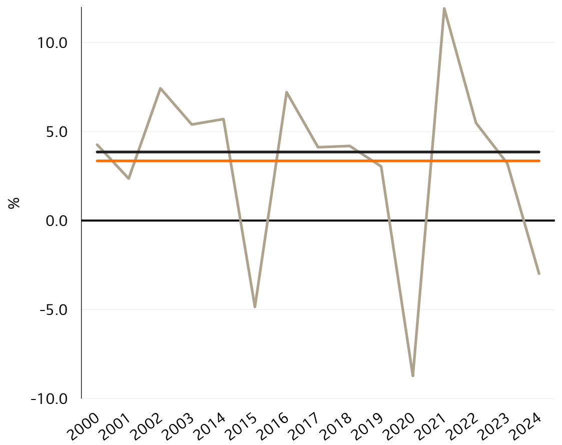
Source: ITC

Share in Botswana's imports (%)



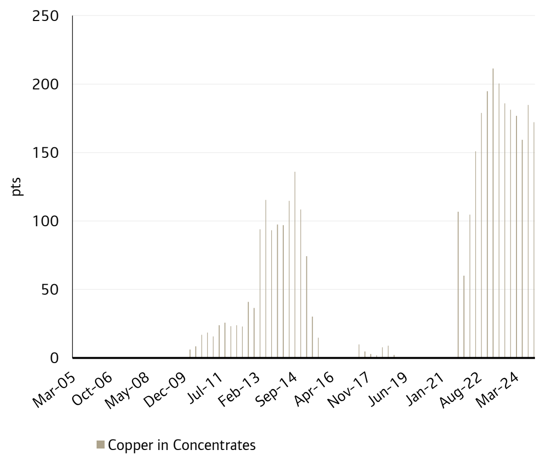
Source: ITC

Long-term GDP performance



Source: Statistics Botswana; Standard Bank Research

Copper production



Source: Statistics Botswana; Standard Bank Research

Balance of payments: smaller deficit in 2025

The 2024 C/A deficit was 4.7% of GDP (Jan AMR: 1.3%). The deficit had turned progressively worse throughout the year. Q4:24 saw the deficit reaching 12.7%, or BWP13bn, compared to BWP3.8bn in Q1:25. Diamonds caused most of the decline, with export volumes declining another 5% q/q in Q4:24, after the 53% y/y decline in the first 9-m of 2024. Import demand for machinery, vehicles and consumer goods remained sticky. Services and primary-income shortfalls compounded the pressure in H2:25 as tourism receipts slowed and profit repatriation accelerated, adding roughly BWP2.5bn to the 2024 deficit, versus 2023. The BWP7.3bn SACU transfer cushion in Q4:24 was the only positive element in C/A statistics.

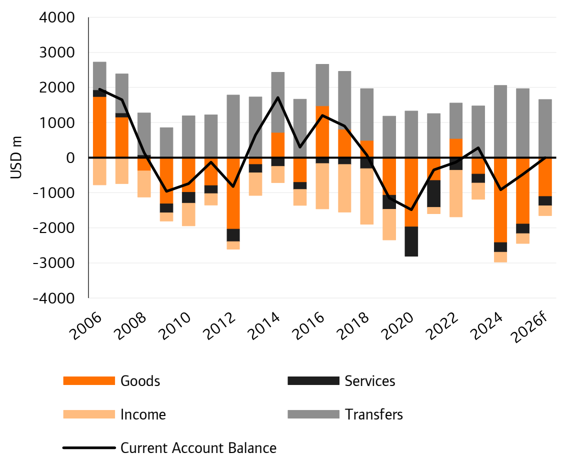
While Q1:25 may show a markedly improved C/A balance q/q, the underlying diamond sector challenges imply that the full-year picture may show a more moderate improvement once the impact of mine shutdowns is reflected in the numbers. We forecast a C/A deficit of 2.4% of GDP in 2025.

Monthly trade data for Q1:25 shows net diamond trade surging 48% q/q but down 31% y/y. This likely reflects inventory clearing rather than a genuine recovery given that De Beers is scaling back production. Debswana has initiated a 3-m production pause at Jwaneng Cut 9 between May and Jul. This, combined with and shutdowns at Orapa mine pit and Orapa no. 2 plant, implies that the 1Q:25 improvement won't persist throughout 2025. Positively, 1Q:25 trade data shows copper exports rising 21% y/y, providing a partial buffer against diamond decline; lower oil prices should also ease import pressures in H1:25.

The financial account moved from a BWP0.4bn inflow in 2023 to a BWP6.7bn outflow. FDI declined 38% y/y in 2024 as diamond sector investment was pulled back. Pension funds' net foreign asset valuations rose more than the rate of repatriation, leading to a net outflow on FPI of BWP4.8bn in 2024.

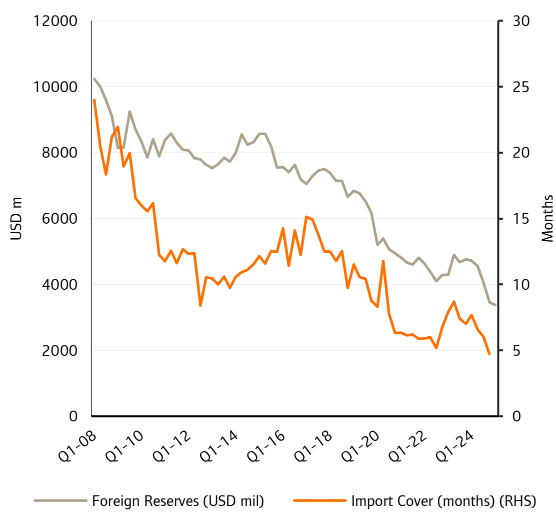
This led to a 27.3% y/y decline in FX reserves, to BWP46.7bn (4.7-m import cover) in 2024. Reserves were flat in Q1:25, at BWP46.6bn.

Current account developments



Source: Statistics Botswana; Bank of Botswana; Standard Bank Research

FX reserves



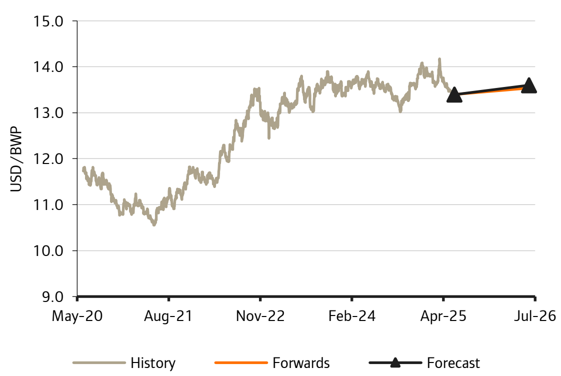
Source: Bank of Botswana; Statistics Botswana; Standard Bank Research

FX outlook: new weights and crawl warranted as current FX regime causing reserve depletion

The pula appreciated against the dollar by 1.2% year-to-end of May 2025, and 0.5% y/y. Against the rand it depreciated 0.8% year-to-end of May and strengthened by 1.2% y/y. Botswana's exchange-rate framework remains managed, with a 1.51% annual depreciation crawl. Because this crawl is likely less than the depreciation warranted by the widening balance-of-payments deficit, any depreciation shortfall forces the central bank to sell FX to defend the glide path.

Maintaining a mis-weighted basket and a managed glide path with a crawl that undershoots fundamentals potentially accelerates FX reserve losses, and risks import cover sliding lower. This dynamic points to a weight adjustment and a crawl increase. A heavier ZAR anchor, plus sustained depreciation via a higher crawl, would let the nominal pula exchange rate absorb more adjustment, thereby easing reserve burn.

USD/BWP forwards versus forecasts



Source: Bloomberg; Standard Bank Research

Monetary policy: inflation below central bank target range

Headline inflation averaged 2.4% y/y year-to-May 2025, down from an average of 2.8% y/y in 2024. This was driven by subdued overall demand and deflation in the transportation sub-index which declined 52 bps y/y on a weighted basis, offsetting the accelerating inflation pressure in the food sub-index.

On a weighed basis, food inflation is 11 bps higher so far in 2025, relative to 2024. Import price pressures have been subdued so far in 2025, limited by the 1.51% depreciation crawl sent by the central bank and ministry of finance in Dec 2024. Average inflation in 2025 will likely remain below the Bank of Botswana's (BOB) medium-term objective of 3-6%.

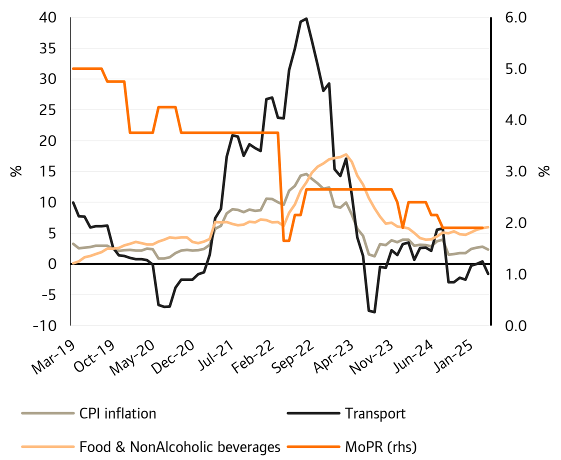
In this environment, the MPC held the monetary policy rate (MoPR) at 1.9% at both the Feb and Apr meetings, with the standing deposit and credit facility rates set at respectively 100 bps below and above the MoPR. Primary reserve requirements remain at zero.

Concerns flagged by the Financial Stability Council, especially dwindling bank liquidity buffers and funding concentration, have also shaped BOB interventions, such as extending repo maturities from overnight to seven days to smooth money-market functioning.

The Council further emphasized structural issues, including sustained low liquidity conditions and substantial foreign currency holdings among commercial banks, creating vulnerabilities that impede monetary policy transmission.

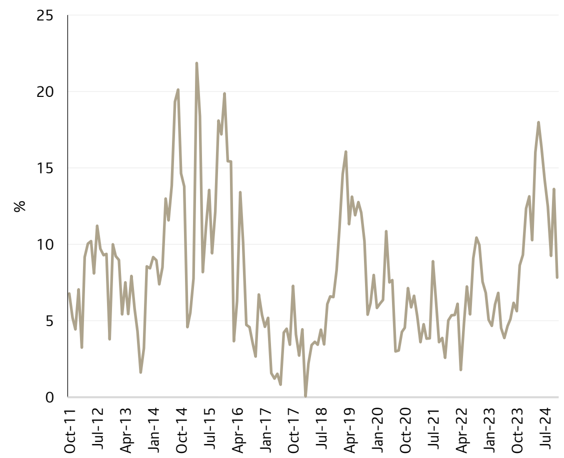
Looking ahead, assuming no change in the FX regime, the BOB is likely to prioritize market liquidity support through further fine-tuning of its monetary operations rather than reducing the policy rate. For instance, the central bank might lengthen repo maturities beyond current durations. At the same time, the BOB will likely sustain its cautious stance on policy rates, keeping them accommodative.

Inflation and interest rates



Source: Bank of Botswana; Standard Bank Research

Money Supply



Source: Bloomberg; Standard Bank Research

Yield curve outlook: more bear-steepening ahead

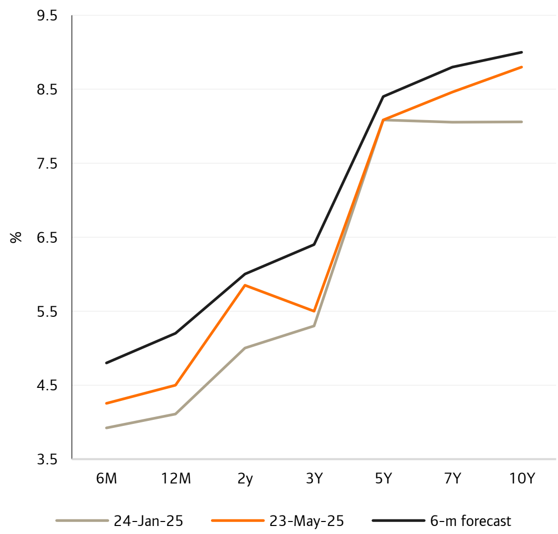
In our Jan AMR, we anticipated a bear-steepening yield curve through to mid-2025, forecasting six-month bills at 3.8% and 10-y bonds at 8.5%.

Actual outcomes by late May revealed even sharper increases in short-term yields, reflecting greater-than-expected liquidity constraints; 6-m and 12-m yields reached 4.3% and 4.5% respectively, exceeding our forecasts by 50–60 bps.

Conversely, the intermediate curve flattened notably, with 3-y yields rising to just 5.5%, undershooting our projected 6.6%, as pension-fund inflows eased shorter-term pressures but fell short for longer maturities.

Meanwhile, longer-dated bonds slightly exceeded forecasts, with the 10-y yield reaching 8.8%. We expect further steepening into Dec 2025, driven by fiscal pressures and persistent liquidity tightness.

Changes in yield curve



Source: Bloomberg; Standard Bank Research

Fiscal policy: deficit widens sharply amid mineral revenue slump

The fiscal deficit for FY24/25, ending Mar 2025, expanded to around 9.0% of GDP, significantly exceeding the prior year's 4.5%. This deterioration primarily reflects sharply lower mineral revenue, which collapsed from 9.3% of GDP to just 3.2%. Despite modest resilience in customs and VAT collections, these improvements were insufficient to counterbalance plunging diamond exports.

The FY25/26 budget, tabled in Feb, had initially pencilled in a BWP22bn deficit, assuming mineral receipts of around BWP17bn. However, updated submissions to Parliament in Jun indicate an even wider deficit, driven by persistent shortfalls in diamond income, corporate taxes and VAT collections amid ongoing economic headwinds.

Financing this wider deficit remains problematic. In Apr–May 2025, the first 2-m of the current fiscal year, the government issued BWP4.07bn of debt in the form of Treasury bills and bonds against maturities of BWP3.7bn, resulting in just BWP0.38bn net raised. This is only a fraction of the required BWP3.7bn pro rata deficit financing under the yet to be increased BWP22bn FY25/26 budget deficit. To plug this widening gap, the authorities undertook a BWP3bn private placement with pension funds and raised BWP4.1bn in budget support from the AfDB.

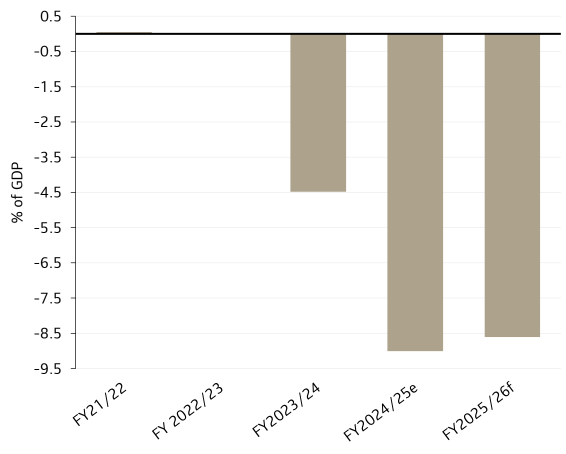
Further financing pressures have driven depletion of fiscal buffers. The Pula Fund's balance fell sharply — by BWP14bn (-36% q/q; -46% y/y) in Q1:25 alone, reflecting intensified fiscal pressures. Additionally, government deposits shrank sharply, from BWP12bn to just BWP4.8bn by Feb 2025, further highlighting liquidity stress. With domestic and external borrowing each capped at 20% of GDP, the Ministry notes that domestic debt stands at BWP42.61bn, 18.69% of GDP, leaving just 1.31 percentage points of headroom, while foreign debt is BWP25.74bn, approximately or 9.7% of GDP, with roughly 10.3 pp still available.

Central government budget

% of GDP	FY23/24	FY24/25e	FY25/26f
Total revenue	28.21	23.21	23.19
Total expenditure	32.69	32.21	31.80
Recurrent	24.81	24.45	26.88
- wages	13.42	13.22	13.76
-interest	0.97	0.96	1.18
Development	7.84	7.72	4.92
Overall balance (+ grants)	-4.5	-9.0	-8.6
Overall balance (- grants)	-5.4	-10.4	-10.1
Net external borrowing	1.0	1.5	6.0
Net domestic borrowing	3.5	7.5	2.6

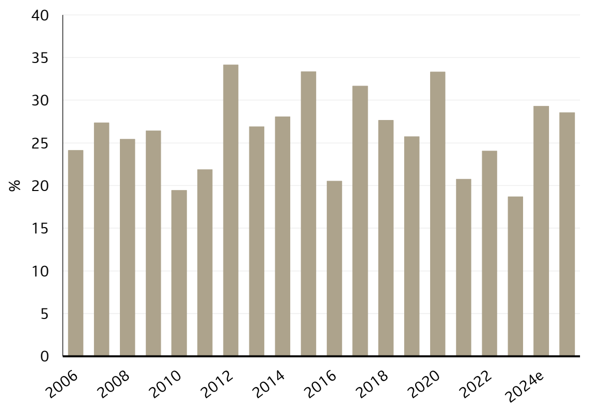
Source: Ministry of Finance; Statistics Botswana; Bank of Botswana; Standard Bank Research

Fiscal deficit



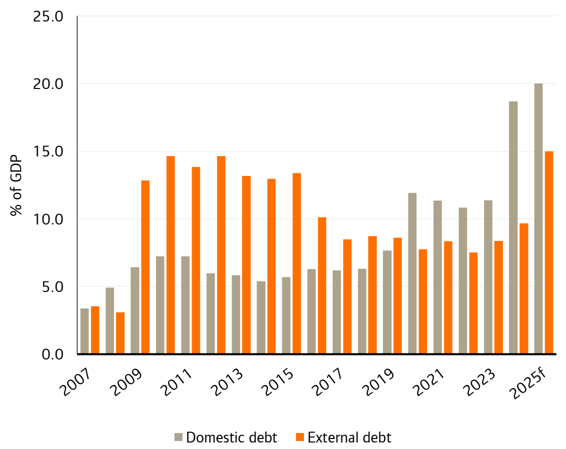
Source: Ministry of Finance; Standard Bank Research

Sacu revenue share of total revenue



Source: Ministry of Finance; Standard Bank Research

Domestic and external debt



Source: Ministry of Finance

Annual indicators

	2020	2021	2022	2023	2024e	2025f	2026f
Output							
Population (million)	2.4	2.4	2.4	2.3	2.3	2.3	2.3
Nominal GDP (BWP bn)	179.9	171.4	207.7	263.9	263.3	266.4	282.7
Nominal GDP (USD bn)	16.7	15.0	18.7	19.77	19.42	19.57	20.77
GDP / capita (USD)	6 969	6 233	7 807	8 594	8 443	8 508	9 032
Real GDP growth (%)	3.00	-8.70	11.90	2.7	-3.0	-1.5	2.8
Diamond ('000 carats)	23 687	16 868	22 696	25 095	18 328	15 000	15 000
Coal (thousand tons)	n.a	n.a	11 742	54 808	48 868	51 311	53 877
Central Government Operations							
Budget balance / GDP (%)	-6.16	-9.45	-0.05	-2.55	-4.49	-9.00	-8.61
Domestic debt / GDP (%)	7.64	11.92	11.32	11.38	18.69	20.00	20.00
External / GDP (%)	8.60	7.75	8.36	8.37	9.66	15.00	20.00
Balance of Payments							
Exports of goods and services (USD bn)	6.23	4.66	7.87	6.63	5.44	4.57	4.86
Imports of goods and services (USD bn)	-7.70	-7.53	-9.27	-7.37	-8.13	-7.83	-7.83
Trade balance (USD bn)	-1.47	-2.87	-1.40	-0.74	-2.69	-3.26	-2.97
Current account (USD bn)	-1.16	-1.54	-0.33	0.29	-0.92	-0.47	0.00
- % of GDP	-6.91	-10.29	-1.75	1.45	-4.71	-2.42	0.00
Capital & Financial account (USD bn)	-0.44	-0.67	-0.46	0.03	-0.50	-0.20	-0.22
- FDI (USD bn)	0.11	0.10	-0.29	0.76	0.46	0.36	0.39
Basic balance / GDP (%)	-6.23	-9.62	-3.28	5.27	-2.32	-0.56	1.86
FX reserves (USD bn) pe	6.17	4.94	4.81	4.76	3.46	3.00	3.10
- Import cover (months) pe	8.77	6.32	5.87	7.0	4.7	4.6	4.7
Sovereign Credit Rating							
S&P	A-	BBB+	BBB+	BBB+	BBB+	BBB	BBB-
Moody's	A2	A2	A3	A3	A3	Baa1	Baa2
Fitch	NR	NR	NR	NR	NR	NR	NR
Monetary & Financial Indicators							
Consumer inflation (%) pa	2.79	1.89	6.68	5.26	2.86	2.71	3.31
Consumer inflation (%) pe	2.20	2.20	8.70	2.50	3.00	3.00	3.50
M3 money supply (% y/y) pa	7.99	5.89	5.02	5.88	12.36	3.00	3.66
M3 money supply (% y/y) pe	7.99	5.89	5.02	9.31	4.80	1.21	6.12
BOB policy rate (%) pa	4.92	3.92	3.75	2.65	2.11	1.90	2.03
BOB policy rate (%) pe	4.75	3.75	3.75	2.40	1.90	1.90	2.15
6-mnth rate (%) pe	1.80	1.30	1.50	6.50	3.29	4.80	4.50
5-yr rate (%) pe	4.20	5.10	6.64	7.45	7.75	8.40	8.50
USD/BWP pa	10.75	11.44	11.07	13.35	13.56	13.62	13.61
USD/BWP pe	10.63	10.79	11.74	13.51	13.68	13.52	13.69

Source: Bank of Botswana; Statistics Botswana; Ministry of Finance; Standard Bank Research; Bloomberg

Notes: pa – period average; pe – period end

Côte d'Ivoire: cocoa and mining to underpin GDP growth

Medium-term outlook: cocoa sector rebound complemented by a boost in mining production

The expected rebound in cocoa and coffee sector, due to improved weather conditions this year, complemented by the ongoing development of the hydrocarbon sector and new gold mines that are coming online, should see Ivorian GDP growth remaining strong over the medium term, averaging 6.5% over 2025-2029. We project GDP growth of 6.6% y/y in 2025 and 7.0% y/y in 2026, from 6.1%y/y in 2024.

2025 will usher in the launch of work on the 2026–2030 National Development Plan (NDP), building on the attainments of the current 2021-2025 NDP, aimed at moving the country towards upper-middle-income status by 2030, supported by the ongoing IMF EFF/ECF/RSF programmes. The NDPs are premised largely on infrastructure investment and improving the business environment, as well as job creation.

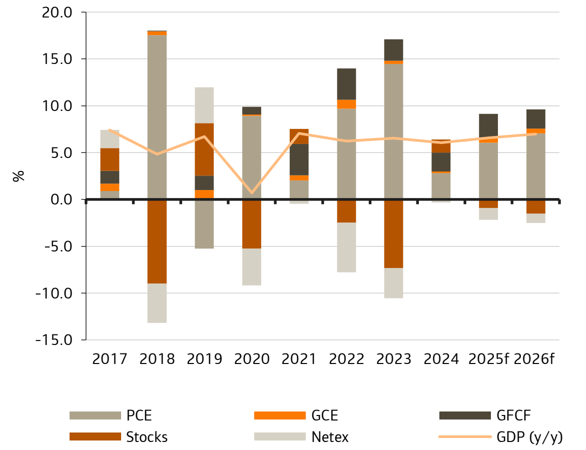
Growth in 2024 was underpinned by secondary and tertiary sectors, with primary industries only growing by 3.5% y/y. The Conseil du Café-Cacao, the regulator, expects the main crop (Oct-Mar) to increase by as much as 10%, with this optimism stemming from good weather prospects for the crop through to Sep 2025; the mid-crop (Apr-Sep) too is likely to get a boost. Though there are concerns that insufficient rainfall could constrain both the quality and size of the mid-crop, international cocoa prices remain relatively supportive. Further, the 2024/25 mid-crop cocoa price farmgate price was increased by 22% in Apr, to 2,200 CFA francs, to incentivize and boost farmers' revenue.

The continued robust activity in the mining sector, especially in gold mining, amid the still high gold prices in 2025, should see economic activity supported. Furthermore, new gold mines, including the Koné project, are scheduled to come online in the next 2-y. Exploration licences were granted to several firms, thus building prospects for new mines likely to start operations in the medium term. Oil output is expected to rise following investment at the Baleine offshore oilfields. Eni plans to increase output further over the coming years. The extractive industries, as one of the best-performing sectors in 2024, were up 16.4% y/y.

On the expenditure front, exports growth should remain strong, supported by mining, oil, and agricultural exports. The regional central bank has delivered its first rate cut of the current cycle during the Jun meeting, which should support household consumption. We forecast further rate cuts into H1:26.

2025 is an election year; any protracted disruption to economic activity that could arise around the Oct elections present downside risks to our growth outlook. The unpredictable weather pattern's impact on the agricultural sector is another risk. The US is one of Côte d'Ivoire's largest export markets for cocoa (9.6%); thus, additional reciprocal tariffs, currently paused while it is under review, present some risks. Notably, the Netherlands remains the largest cocoa destination (23.6%).

Composition of GDP by demand



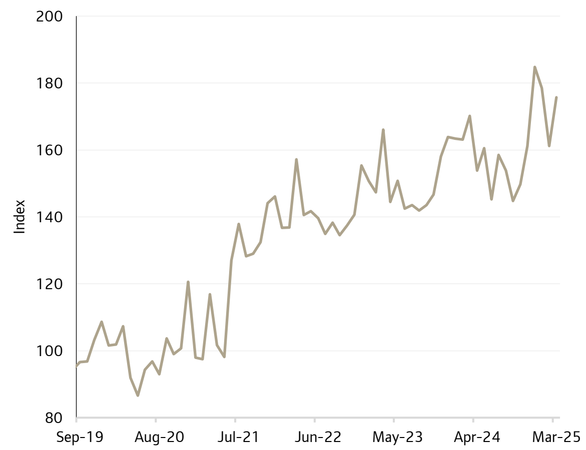
Source: Banque Centrale des Etats de l'Afrique de l'Ouest; International Monetary Fund; Standard Bank Research

Composition of GDP by sector

	2015	2020	2024
Food crops	4.6	5.2	4.1
Export crops	10.3	9.1	8.4
Livestock and hunting	0.5	0.5	0.3
Forestry	0.6	0.4	0.4
Fishing	0.5	0.6	0.5
Mining and quarrying activities	3.3	3.0	4.6
Agrifood activities	5.8	5.8	4.5
Petroleum industries	0.5	1.4	0.3
Electricity and water	0.9	1.3	1.1
Construction and public works	4.5	4.3	5.2
Transport	10.1	8.5	6.7
ICT	2.7	2.1	1.9
Trade and repair	14.0	17.0	17.6
Financial and Insurance activities	1.9	1.5	2.0
Other services	18.5	18.0	14.7

Source: Agence Nationale de la Statistique, Standard Bank Research

Harmonised index of industrial production



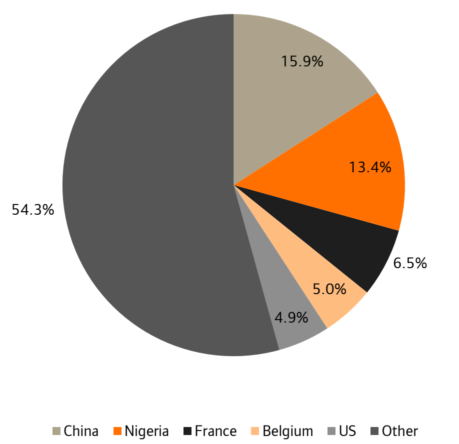
Source: Agence Nationale de la Statistique

Medium-term economic growth forecasts

	Q1:25	Q2:25	Q3:25	Q4:25	Q1:26	Q2:26	Q3:26	Q4:26	Q1:27	Q2:27	Q3:27	Q4:27	Q1:28	Q2:28	Q3:28	Q4:28
GDP (% y/y) pa	7.4	3.8	8.6	6.7	8.2	7.4	5.8	6.7	5.4	6.5	5.7	7.7	8.2	3.6	8.5	4.6
CPI (% y/y) pe	0.5	-0.1	-0.4	-0.3	0.7	1.0	1.1	1.3	1.7	2.0	2.4	2.6	3.0	3.2	3.6	4.0
Policy interest rate (%) pe	5.50	5.25	5.00	4.75	4.50	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.50	4.50	4.50
3-m rate (%) pe	6.5	6.2	6.0	5.7	5.5	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.5	5.5	5.5
6-m rate (%) pe	5.7	5.4	5.2	4.9	4.7	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.7	4.7	4.7
USD/XOF pe	606.5	580.5	571.6	570.4	553.6	551.5	551.3	551.2	555.3	555.8	555.9	555.9	551.2	551.2	551.2	551.2

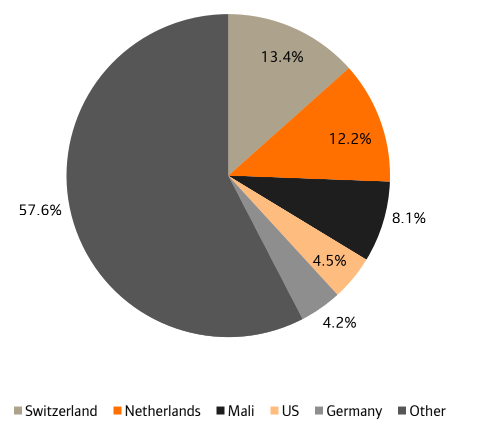
Source: Banque Centrale des Etats de l'Afrique de l'Ouest; Institut National de la Statistique; Bloomberg; Standard Bank Research

Top 5 imports origin markets (% of total) - 2024



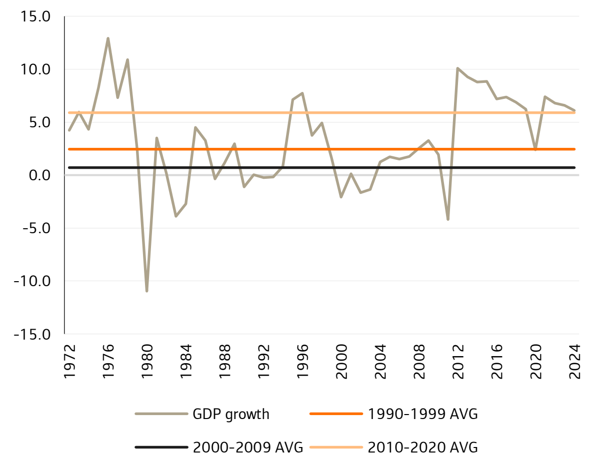
Source: International Trade Centre

Top 5 exports destination markets (% of total) - 2024



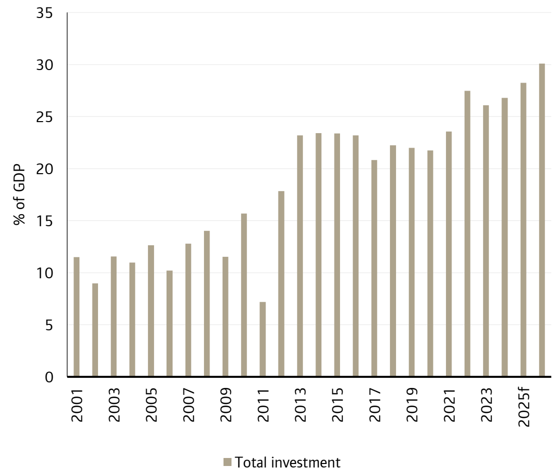
Source: International Trade Centre

Long-term growth performance



Source: Banque Centrale des Etats de l'Afrique de l'Ouest; Agence Nationale de la Statistique

Investment spending



Source: International Monetary Fund

Balance of payments: C/A deficit to narrow on continued trade surplus

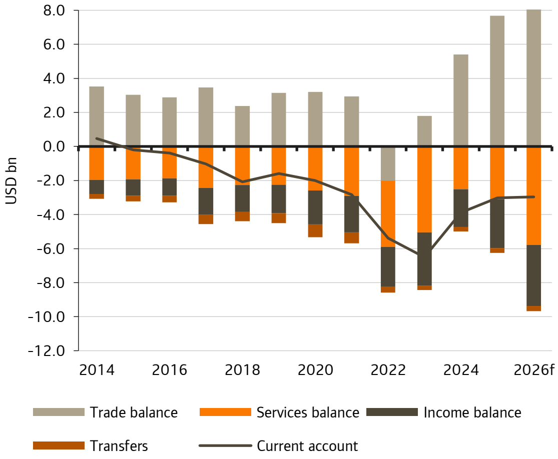
We anticipate that increased export earnings from cocoa, coffee, oil and mining exports will see the C/A deficit narrowing, to 3.1% of GDP in 2025, then decline to 2.7% of GDP in 2026. The C/A deficit narrowed to 4.5% of GDP in 2024, from 8.3% of GDP in 2023.

Exports growth is likely to remain strong into 2025 and 2026, supported by higher mining earnings as new gold mines come online and boost gold production further. Export earnings in 2025 will likely be boosted by crude oil, cocoa and cashew nuts exports, with optimism stemming from favourable weather conditions. Global cocoa prices are not as high as in 2024 but are still relatively supportive. Mining exports too should remain steady this year, particularly gold earnings, which were up 33% y/y in 2024. Gold exports should benefit from higher gold prices this year, at USD3,392/oz at the time of writing. Coffee exports were robust last year and increased 65.1% y/y, and we foresee similar trends in 2025. Oil output is expected to rise following further investment at the Baleine offshore oilfields. Moreover, Eni plans to increase oil output further over the coming year. Though oil production and oil exports are likely to increase in 2025, the relatively lower international oil prices, may offset this increased oil exports.

Increased investment in public infrastructure and a rebound in consumer demand due to an accommodative monetary policy stance may bump up imports – but may still lag exports growth.

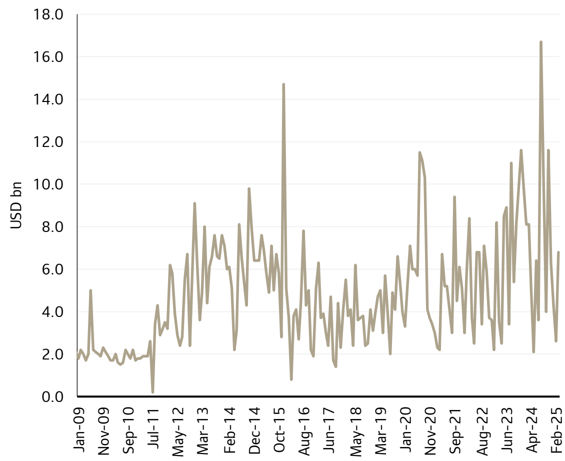
Adequate funding sources via the capital account, structurally in surplus, as well as financial account, should underpin the funding of the C/A deficit. Performance has been strong under the IMF programme thus far. In 2025, Côte d'Ivoire will receive a cumulative c.USD1.3bn – subject to successful reviews and board approval. The country successfully issued a USD1.75bn Eurobond in Mar, with demand more than double. The budget proposes another Eurobond issuance, of XOF350bn (c.USD614m), in 2026.

Current account developments



Source: Banque Centrale des Etats de l'Afrique de l'Ouest; International Monetary Fund; Standard Bank Research

FX reserves



Source: Bloomberg, International Monetary Fund

FX outlook: still likely to be determined by movements in EUR/USD

With the adoption of the proposed common currency, the "eco", by 2027, likely to face further delays due to non-convergence of most ECOWAS countries with the macroeconomic criteria thus far, under the new MCSP (macroeconomic convergence and stability pact), the USD/XOF outlook is therefor still likely to be determined by movements in EUR/USD given the XOF's peg to the euro.

Our view is that the dollar will remain relatively weak. Furthermore, if events do conspire to give the dollar some support, such as a positive development in US/China trade talks, we still suspect that any rise in the dollar would be short-lived.

We forecast the EUR/USD pair to end this year at 1.15, from 1.14 currently, then averaging 1.19 in 2026. Thus, we project USD/XOF at 570.4 by Dec 2025 and 551.2 by Dec 2026.

USD/XOF: forwards versus forecasts

Source: Bloomberg; Standard Bank Research

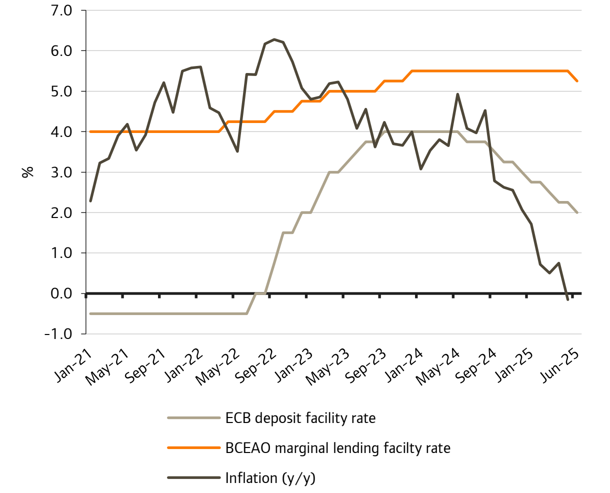
Monetary policy: first rate cut of the cycle

Due to food prices in the WAEMU bloc moderating at a slower pace than expected, the regional central bank, the BCEAO, delayed the first rate cut to this Jun and reduced the liquidity calls and marginal lending window by 25 bps, to 3.25% and 5.25% respectively.

Bar Mali and Guinea-Bissau, inflationary pressures are gradually subsiding across most of the regional WAEMU bloc member countries, and headline inflation is likely to remain within the targeted 1-3% range in the near- to medium term, supported by favourable weather which should see improved food supply during the 2024/25 agricultural season. As a net oil importer, the relatively softer international oil prices should also see fuel inflation, and overall inflation ease further in the bloc. We pencil in a further 50 bps cut in the key policy rate in H2:25, then a similar margin in H1:26, with increments of 25 bps cuts, at the very least, possibly at each of the BCEAO's upcoming policy meetings. The BCEAO now projects inflation in the bloc to average 2.2% in 2025 (2.7% previously), then 2.3% in 2026, from a 3.5% average in 2024 and levels of 2.3% y/y in March 2025. Core inflation too dropped, to 1.3% y/y in Q1:25, from 2.0% y/y in Q4:24. Upside risks to the inflation outlook include security crisis in the region which may impede supply-chains. Volatile geopolitical and trade tensions, the introduction of new customs tariffs by the US at the end of the 3-m suspension, as well as recurring climate shocks, also poses risk to the inflation outlook.

In Côte d'Ivoire, headline inflation has moderated meaningfully, also due to the CPI rebasing, declining to -0.2% y/y (0.1% m/m) in May, from 0.7% y/y (0.6% m/m) in Apr and 2.1% y/y at the end of 2024; with the decline attributable to the transport, recreation and culture as well as the food and non-alcoholic beverages subindices, particularly lower costs for food items such as fish, fruits, vegetable oils though there was still some price pressure for plantains and tubers. We forecast base effects driving down headline inflation further, coupled with softer transport inflation, likely reaching -0.3% y/y this Dec.

Inflation and interest rates

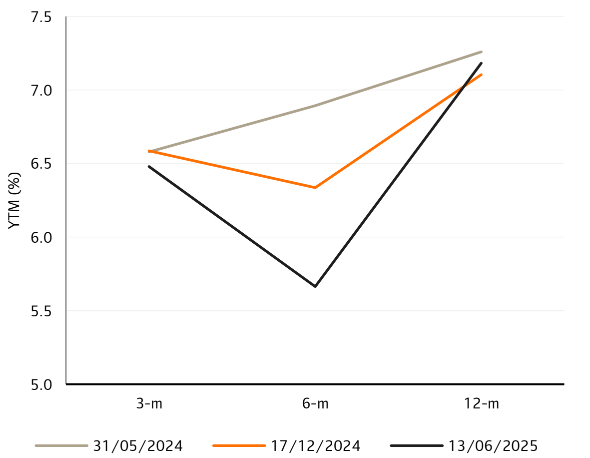


Source: Banque Centrale des Etats de l'Afrique de l'Ouest; Agence Nationale de la Statistique; European Central Bank

Money supply growth (M2)

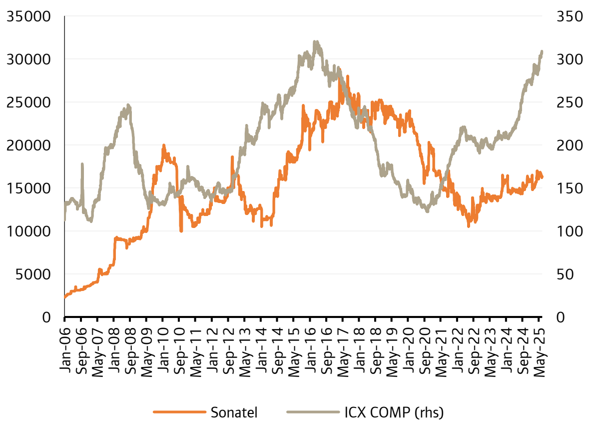
Source: Banque Centrale des Etats de l'Afrique de l'Ouest

Yield curve changes



Source: Bloomberg

Capital market overview



Source: BRVM; Bloomberg

Fiscal policy: revenue-based fiscal consolidation

The government's stance remains to continue consolidating finances, with the fiscal deficit (incl. grants) for FY2025 to converge to the WAEMU deficit target of 3% of GDP this year, from an estimated 3.9% of GDP in 2024 and 5.2% of GDP in 2023.

Total revenue is seen rising to 17.3% of GDP in 2025, from 16.3% of GDP in 2024, then increasing to an average of 17.9% during 2026-2028, courtesy of the MTRS aimed at converging tax revenue with the WAEMU floor level of 20% of GDP. For 2025, total tax revenue as a percentage of GDP is projected at 15.4%, then increasing to 15.9% in 2026, up from an estimated 14.4% of GDP in 2024.

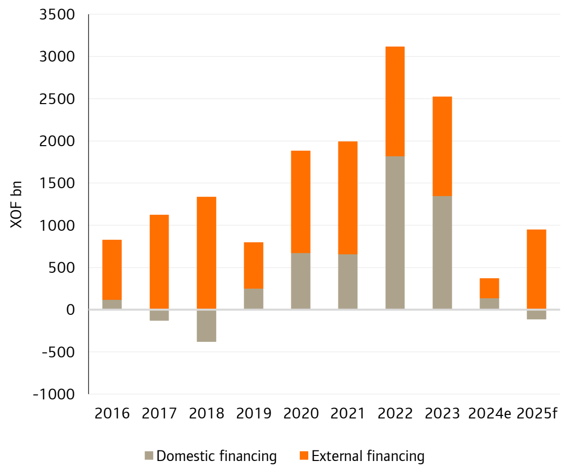
To achieve a 3% of GDP fiscal deficit, the government's plans will focus on increasing domestic revenue by optimizing the tax system and broadening the tax base. Furthermore, the authorities plan to tighten control on operating expenses. Amongst other planned revenue mobilization measures, the introduction of a 4% tax on gold exports, in alignment to regional practices, coupled with an increase in excise duty on tobacco (from 49% to 70%), should mobilize an additional estimate of XOF73.4bn cumulatively in 2025. The reforms in land identification processes may potentially delay some of the expected real estate taxes, but the outstanding identifications only accounts for a small portion of the budgeted XOF21bn. Therefore, the shift to a market value-based property assessments on the already certified land should still compensate for the expected increase in property taxes for 2025. Furthermore, the real estate capital gains are set to increase to 17%, from 15% previously, and expected to add an additional XOF12.6bn in revenue to 2025 fiscus. As of Apr, tax authorities had collected XOF2,513.9bn, up 18.5% y/y, from XOF2,121.5bn in Apr 2024. This is 31% of the budgeted XOF8,304.5bn in the tax revenue projected for 2025. Non-tax revenues collections over this period were up 3.5% y/y. Improved spending efficiency should complement consolidation efforts by phasing out the 2020 to 2022 crisis-era blanket food and fuel subsidies. As the fiscal deficit decreases, public debt accumulation should decline over the near- to medium term.

Central government budget

(%of GDP)	2023	2024e	2025f
Tax revenue	13.6	14.4	15.4
Non-tax revenue	2.0	1.9	1.9
Grants	0.7	0.5	0.5
Total expenditure	21.5	20.8	20.8
Recurrent expenditure	14.7	13.7	14.1
- Of which: interest due	2.6	2.4	2.6
- Of which: wages	4.7	4.5	4.4
Capital expenditure	6.8	7.2	6.7
Budget deficit (incl. grants)	-5.2	-3.9	-3.0
Budget deficit (excl. grants)	-5.9	-4.5	-3.5
Domestic financing	2.8	0.5	-0.1
External financing	2.4	0.2	1.6
Expected financing (excl.IMF)	..	2.2	0.6
IMF funding	..	1.1	1.0

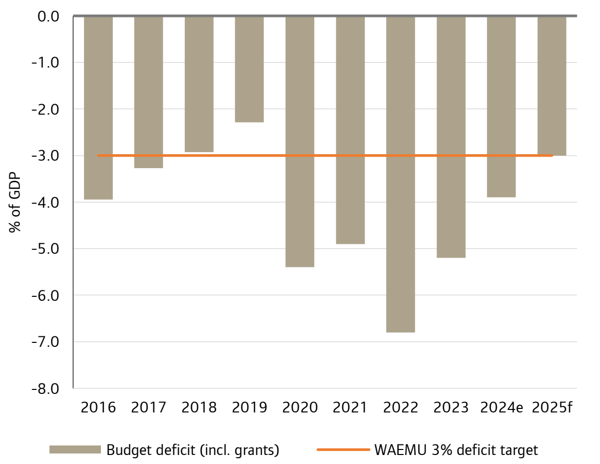
Source: Ministère de l'Economie et des Finances

Financing the fiscal deficit



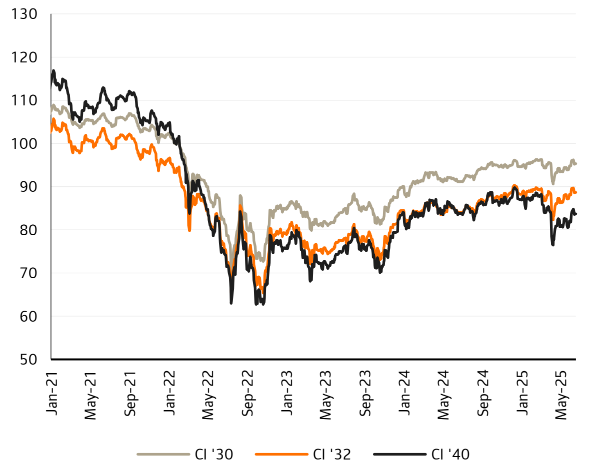
Source: International Monetary Fund, Ministère de l'Economie et des Finances

Budget deficit (incl. grants)



Source: Ministère de l'Economie et des Finances

Eurobonds overview



Source: Bloomberg

Annual indicators

	2020	2021	2022	2023	2024	2025f	2026f
Output							
Population (million)	28.6	29.4	30.2	31.1	32.0	32.9	33.8
Nominal GDP (XOF bn)	36278.0	40366.9	43771.2	48554.7	53178.7	56738.7	61228.1
Nominal GDP (USD bn)	63.7	71.6	70.0	80.1	87.1	97.4	110.9
GDP / capita (USD)	2229.4	2435.9	2316.4	2575.1	2722.6	2962.2	3278.7
Real GDP growth (%)	0.7	7.1	6.2	6.5	6.1	6.6	7.0
Oil production (m bbl)	15.0	15.5	15.7	16.2	16.5	17.3	18.2
Cocoa production (m tonnes)	2.1	2.2	2.3	2.0	1.7	1.9	2.0
Central Government Operations							
Budget balance (excl. grants) / GDP (%)	-6.0	-5.4	-7.4	-5.9	-4.5	-3.5	-3.2
Budget balance (incl. grants) / GDP (%)	-5.4	-4.9	-6.8	-5.2	-3.9	-3.0	-3.0
Domestic debt / GDP (%)	13.3	13.4	22.2	22.2	23.0	21.0	18.2
External debt / GDP (%)	29.7	30.9	34.5	35.9	37.0	35.7	36.8
Balance of Payments							
Exports of goods (USD bn)	12.6	15.1	16.3	17.1	20.4	22.7	25.9
Imports of goods (USD bn)	-9.6	-12.1	-15.2	-15.4	-15.0	-13.3	-12.7
Trade balance	3.0	3.0	-1.1	1.8	5.4	9.4	13.1
Current account (USD bn)	-2.0	-2.8	-5.4	-6.5	-3.9	-3.0	-3.0
- % of GDP	-3.1	-3.9	-7.7	-8.3	-4.5	-3.1	-2.7
Capital & Financial account (USD bn)	3.1	4.8	4.9	4.5	6.8	6.6	6.7
- FDI (USD bn)	0.7	1.1	1.4	2.0	3.2	4.1	6.0
Basic balance / GDP (%)	-2.0	-2.4	-5.6	-5.6	-0.8	1.1	2.8
FX reserves (USD bn) pe	3.4	5.3	4.9	2.9	5.8	6.1	6.3
- Import cover (months) pe	4.2	5.3	3.8	2.3	4.6	5.5	6.0
Sovereign Credit Rating							
S&P	nr	BB-	BB-	BB-	BB	BB	BB
Moody's	Ba3	Ba3	Ba3	Ba3	Ba2	Ba2	Ba2
Fitch	B+	BB-	BB-	BB-	BB-	BB-	BB-
Monetary & Financial Indicators							
Consumer inflation (%) pa	2.4	4.2	5.2	4.4	3.5	0.1	0.9
Consumer inflation (%) pe	2.3	5.6	5.1	4.0	2.1	-0.3	1.3
M2 money supply (% y/y) pa	15.7	22.8	11.7	8.0	6.3	18.0	18.9
M2 money supply (% y/y) pe	21.1	18.3	9.4	3.3	13.6	17.2	18.1
Marginal lending facility (%) pe	4.00	4.00	4.75	5.50	5.00	4.75	4.25
USD/XOF pa	569.5	563.9	625.1	606.4	610.7	582.2	551.9
USD/XOF pe	537.6	576.8	612.8	601.0	633.6	570.4	551.2

Source: Banque Centrale des Etats de l'Afrique de l'Ouest; Agence Nationale de la Statistique; Ministère de l'Economie et des Finances; International Monetary Fund; Bloomberg; Standard Bank Research

DRC: resilient growth despite numerous shocks

Medium-term outlook: mining growth softer

DRC growth has been resilient. This despite multiple shocks, ranging from an escalation of M23 violence in the eastern parts of the country, to climate change events.

Under US and Qatar mediation, DRC and Rwanda agreed to the terms of a peace accord to be signed in Washington DC in Jun. Recurrent conflicts have displaced large parts of the population, creating a humanitarian crisis, with public finances under pressure as a result.

Nevertheless, GDP growth was robust, at 6.5% y/y in 2024, supported by the extractive sector which grew 12.2% y/y, with copper and cobalt leading this expansion.

Copper production, accounting for over 70% of mining sector output and exports, grew 9.1% y/y, to 3.1 mtpa in 2024. Cobalt, accounting for nearly 15% of mining output and exports, grew 43.2% y/y, to 200.3k tonnes, supporting the economy.

We forecast GDP growth at 5.1% y/y in 2025, down from 6.3% y/y in the Jan AMR edition. For 2026, we forecast growth at 5.4% y/y, down from 6.2%. This would reflect the mining and extractive sector, accounting for nearly 40% of GDP, 45% of government revenue, and over 97% of exports growing at a slower pace, consistent with our views of copper output settling at c.3.1 mtpa.

From a demand perspective, we see government spending contribution to growth easing in 2025 as the cities occupied by M23 imply a decline in government revenue and spending. We also see net exports' contribution turning negative as imports temporarily grow faster than exports because of the requisite humanitarian relief as well as security and defence imports.

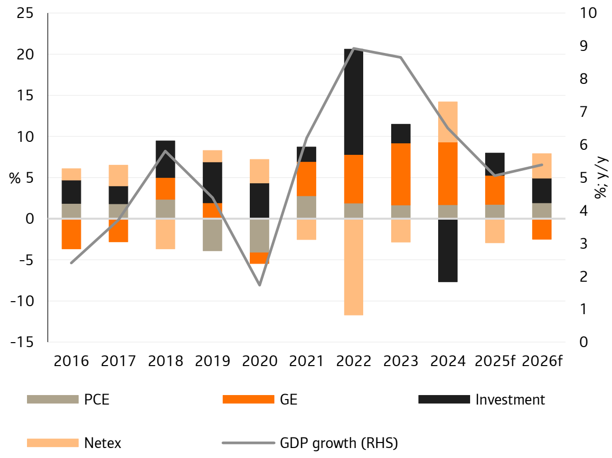
Even though oil prices bring inflation risks, we see inflation, last reported at 9.1% y/y in May, which declined from a peak of 23.8% y/y in Dec 2023, easing further in 2026, thereby supporting disposable income and personal consumer expenditure (PCE).

Further, we forecast net exports' contribution to growth turning positive in 2026, which, alongside PCE and investment (mostly mining sector FDI) contribution, would compensate for the impact of some progress on fiscal consolidation.

DRC secured in Jan 2025 an IMF funding package of USD2.8bn, comprising a 38-m ECF of USD1,729m (125% of quota) and a 38-m RSF of USD1,038m (75% of quota).

These facilities aim to extend the reform progress already achieved under the previous ECF of USD1.5bn, as well as support DRC's agenda in dealing with climate change effects. DRC wants to participate in the global supply of critical minerals, relevant for transitioning to a low-carbon global economy.

GDP by demand



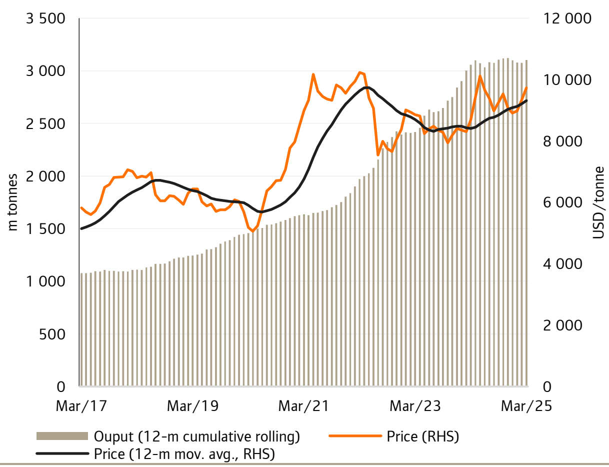
Source: Standard Bank Research

Contribution of GDP by sector (% of total)

	2016	2022	2023	2024
Agriculture, forestry, fishing & hunting	16.8	14.2	13.2	13.0
Mining and quarrying	25.0	34.8	37.9	39.9
Manufacturing	12.2	9.6	9.1	8.8
Electricity, gas and water	0.6	0.6	0.6	0.5
Construction	2.7	4.1	4.3	4.1
Wholesale and retail trade, hotels and restaurants	15.1	12.8	12.1	11.7
Transport, storage and communication	12.5	12.4	12.4	12.0
Finance, real estate and business services	9.3	8.1	7.1	6.9
General government services	3.7	2.9	2.8	2.7
Other	2.1	0.5	0.5	0.4
GDP	100.0	100.0	100.0	100.0

Source: Banque Centrale du Congo; Institut National de la Statistique; Standard Bank Research

Copper production and prices



Source: Banque Centrale du Congo; Haver Analytics; Standard Bank Research

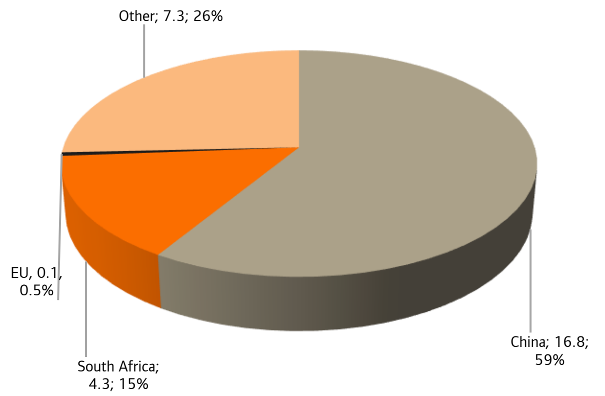
Medium-term economic growth forecasts

	Q1:25	Q2:25	Q3:25	Q4:25	Q1:26	Q2:26	Q3:26	Q4:26	Q1:27	Q2:27	Q3:27	Q4:27	Q1:28	Q2:28	Q3:28	Q4:28
GDP (% y/y) pa	5.1	5.1	5.1	5.1	5.4	5.4	5.4	5.4	5.7	5.7	5.7	5.7	5.9	5.9	5.9	5.9
CPI (% y/y) pe	10.1	8.3	7.5	7.8	6.9	6.5	6.4	6.3	6.9	6.8	6.7	6.7	6.3	6.7	6.8	6.9
Policy rate (%) pe	25.00	25.00	25.00	25.00	20.00	14.50	14.50	14.50	14.50	14.50	14.50	14.50	14.50	14.50	14.50	14.50
USD/CDF pe	2,861.5	2,862.4	2,879.6	2,896.9	2,923.1	2,949.5	2,976.1	3,003.0	3,021.0	3,039.2	3,057.4	3,075.8	3,085.1	3,094.3	3,103.6	3,112.9

Source: Banque Centrale du Congo; Institut National de la Statistique; Standard Bank Research

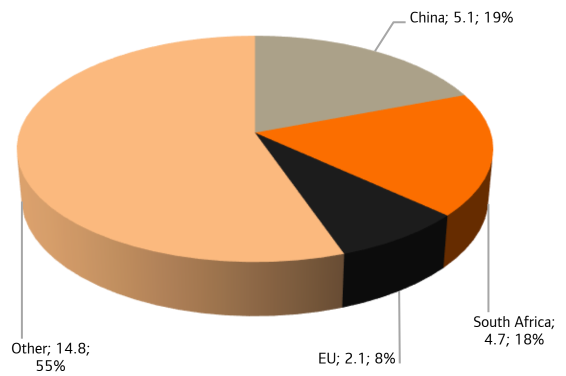
Notes: pa - period average; pe - period end

Exports destinations (USD bn)



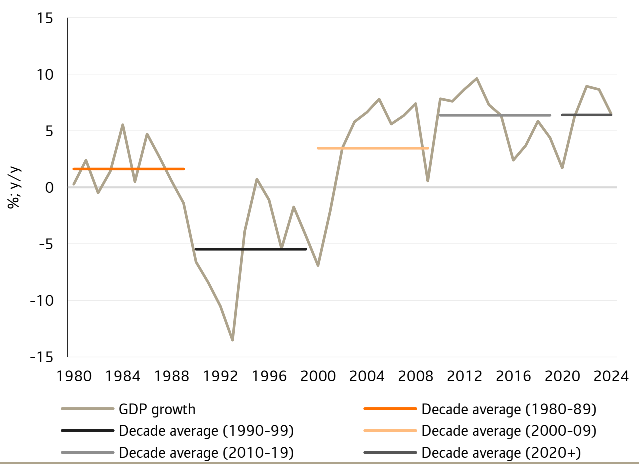
Source: Banque Centrale du Congo; Standard Bank Research

Imports origins (USD bn)



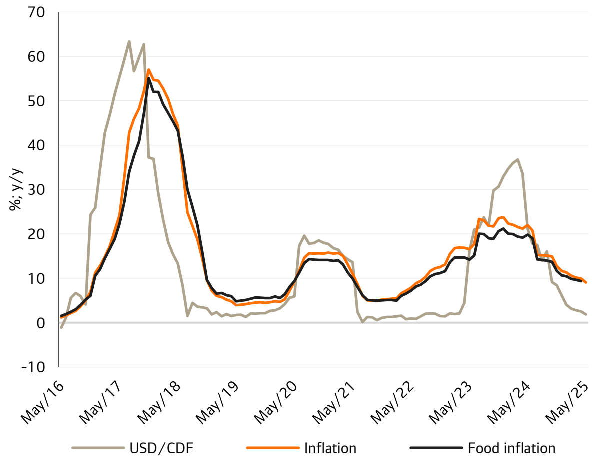
Source: Banque Centrale du Congo; Standard Bank Research

Long-term GDP growth



Source: IMF; Institut National de la Statistique; Banque Centrale du Congo; Standard Bank Research

Annualised nominal FX rate changes versus inflation



Source: Institut National de la Statistique; Banque Centrale du Congo; Standard Bank Research

Balance of payments: growth exports softer

Even though we remain constructive on the prices for most of the relevant DRC export commodities, including copper, we see growth in copper and cobalt output volumes flatlining, which may soften exports growth.

In Jun 2025, Ivanhoe Mines announced the restart of underground operations on the western side of the Kakula mine, which had been affected by seismic activity. Most of the growth in copper production from 2022 to 2024 reflects the production ramp-up at the Kamoa-Kakula mining complex. DRC's copper output settling at current levels of 3.1 mtpa would imply limited upside for exports in the short term.

This, alongside goods and services imports temporarily growing faster than exports in 2025, and the decline in US development assistance, informs our forecast of an increase in the current account (C/A) deficit to USD2.1bn, or 2.7% of GDP, in 2025, from an estimated deficit of USD1.4bn, or 2% of GDP, in 2024.

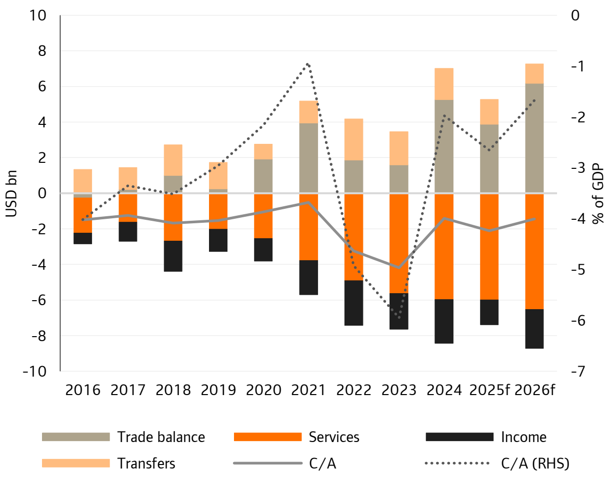
We foresee the C/A deficit easing to 1.7% of GDP in 2026 due to our positive outlook for copper and cobalt, which combined account for more than 85% of exports. Further, we expect an improvement in security in the eastern parts of DRC, which should alleviate the pressure on imports.

We see foreign direct investment (FDI), mostly destined to the resources sector, at USD2.7bn in 2025 and USD1.7bn in 2026, which too should support this economy.

FX reserves, last reported at USD6.7bn in May 2025, or just over 2.2-m of imports, rose by 14.1% y/y, supported by strong mining sector performance.

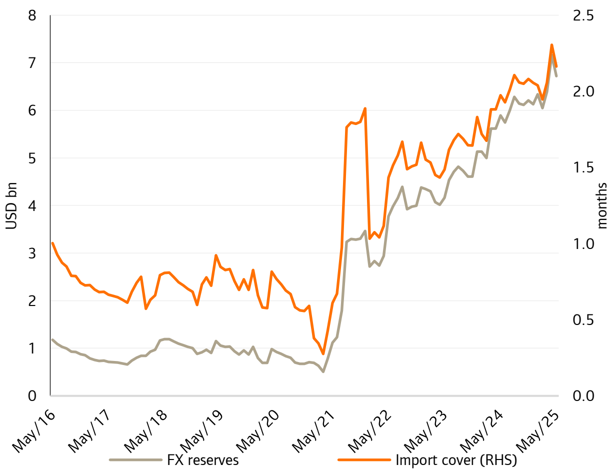
We see FX reserves closing around USD7.5bn by Dec 2025, up by 22.1% y/y, with import cover of 2.4-m, supported by the IMF programme and the mining sector. Nevertheless, it may take time for import cover to reach the minimum threshold of 3-m.

Current account developments



Source: Banque Centrale du Congo; Standard Bank Research

FX reserves



Source: Banque Centrale du Congo; Standard Bank Research

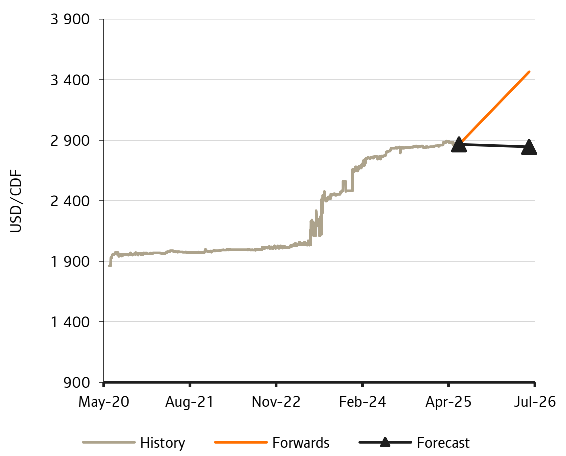
FX outlook: the CDF depreciates at a softer pace

Despite material improvements in FX supply, the Congolese franc continues to depreciate, although at a much softer pace than in 2024 and 2023. Strong export performance since mid-2024, and some containment in imports, have helped to clear the FX backlog.

We forecast for the USD/CDF pair at 2,896.9 by end 2025. This would represent a CDF depreciation of 1.8% y/y in 2025, below 5.8% in 2024 and 24.8% in 2023.

Commercial bank FX sales, accounting for over 99% of FX sales in the market, rose by some 25.2% y/y in May, to USD589.7m, supported by the mining sector performance. For the first 5-m of 2025, cumulative commercial bank FX sales reached USD3.1bn, up 12.9% y/y. During that period, the central bank helped absorb FX supply, with its purchases up by 44.1% y/y, to USD833m.

USD/CDF: forwards versus forecasts



Source: Bloomberg; Standard Bank Research

Monetary policy: policy rate cuts in 2026

Prudent macroeconomic management since 2024, following election overspending in 2023, alongside supportive copper prices, have helped to increase FX supply, stabilize the CDF, and reduce inflation, last reported at 9.1% y/y in May 2025, down from a peak of 23.8% y/y in Dec 2023.

Even though our forecasts imply inflation easing to 7.8% y/y by end 2025, and falling below the 7% target in 2026, we see the Banque Centrale du Congo (BCC) maintaining a prudent monetary policy stance. This would imply the policy rate kept at 25% into this Dec, with a cumulative cut of 1,050 bps in 2026, to 14.5%.

This implies real interest rates being kept high for longer, to support the CDF and keep inflation in single digits.

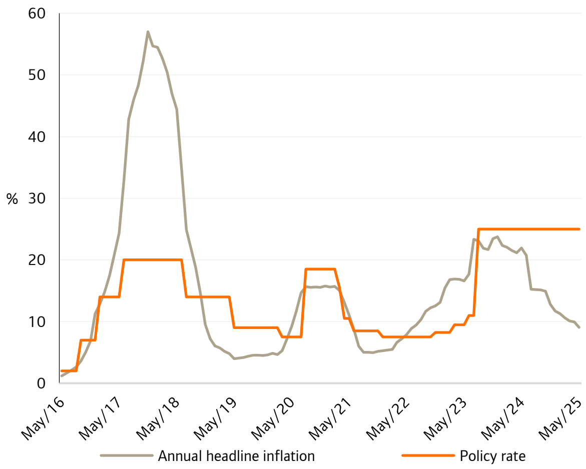
The conflict in the Middle East could still bring inflation risks via oil prices. DRC's exposure to commodity prices volatility remains elevated. As before, a collapse in commodity prices could bring about FX rate pressures, with a strong passthrough to imported inflation.

Exposure to climate change effects and M23 conflict too would bring risks to the inflation outlook. Furthermore, the BCC may target some financial sector reform progress before effecting any material cuts in the policy rate.

DRC still displays a high level of dollarization with 90% of deposits held in foreign currency, and 97% of loans granted in foreign currency. DRC also lacks capital markets development.

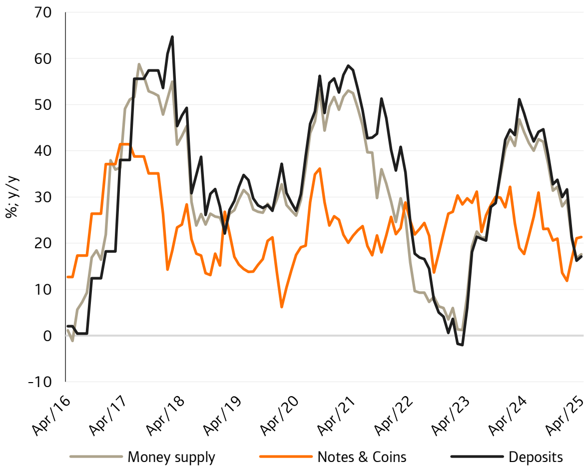
Monetary aggregates serve as the official nominal anchor in DRC, with the BCC aiming to keep reserve money growth broadly in line with nominal GDP growth. Reserve money and money supply growth, last reported at respectively 29.4% y/y and 17.6% y/y in Apr, eased considerably in the past 12-m, but both remain elevated. Reform progress under the IMF programme may help to improve coordination between fiscal and monetary policies in supporting inflation stability around the 7% y/y target.

Inflation and policy rate



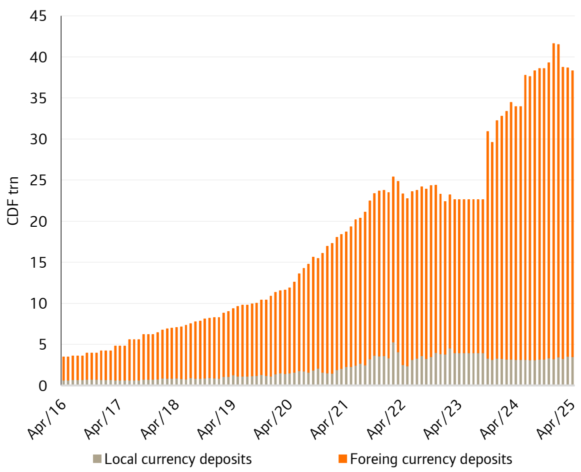
Source: Banque Centrale du Congo; Institut Nationale de la Statistique; Standard Bank Research

Money supply growth



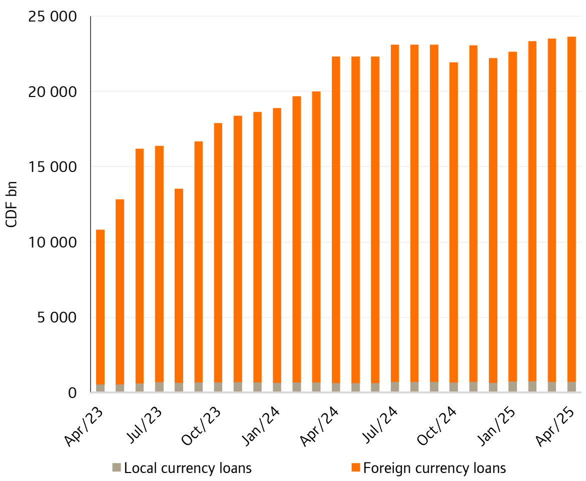
Source: Banque Centrale du Congo; Standard Bank Research

Deposits



Source: Banque Centrale du Congo; Standard Bank Research

Loans



Source: Banque Central du Congo; Standard Bank Research

Fiscal policy: fiscal consolidation targeted

The IMF ECF targets reform progress to support the government's efforts in creating fiscal space by means of (i) mobilizing domestic revenue; (ii) prioritizing and improving the quality of spending; and (iii) implementing a resource based fiscal framework to reduce procyclicality in spending as well as create buffers.

In May, the IMF reached a Staff Level Agreement (SLA) for the first review under the ECF, noting that credible revenue-enhancing measures had been put in place and that the programme objectives are recalibrated to consider the impact of the conflict in the eastern parts of the country. The humanitarian crisis adds pressure to the fiscus.

Possible peace accord signature between DRC and Rwanda in Washington DC in Jun, mediated by the US and Qatar may see some ease in fiscal pressures.

The FY2025 budget for the 12-m ending Dec 2025 foresees the central government deficit (including grants) easing by 32.2% y/y, to CDF4,082.4bn, or 1.8% of GDP, implying the first decline in the deficit in 3-y, signalling that some fiscal consolidation is being targeted.

Nevertheless, we see fiscal slippage risks as remaining elevated, in the context of military spending increases, which implies budget spending overruns.

On the revenue side, we foresee strong mining sector revenue performance helping limit government debt, which should remain below 25% of GDP.

Domestic debt, reported at USD3.5bn, or 4.3% of GDP in Q1:25, mostly reflect exposures to BCC at 2.5% of GDP and certified budget arrears of 1.2% of GDP. External debt, at near 17% of GDP, remains mostly concessional.

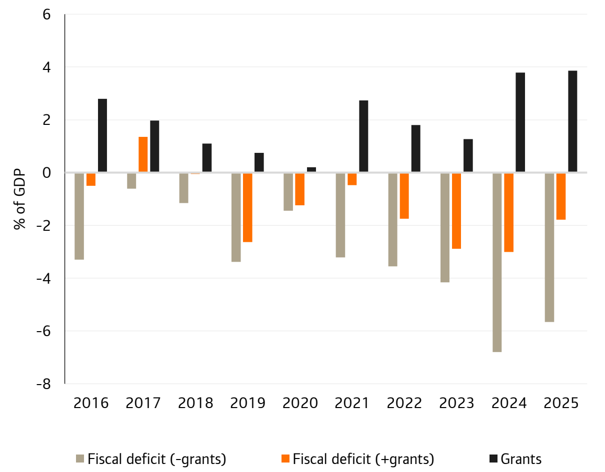
DRC has relatively low public debt levels, with the bulk being concessional, which implies limited debt service pressures.

Central government finances

% of GDP	2022	2023	2024	2025
Total central govt. revenue	12.6	15.0	14.6	15.4
Total central govt. expenditure	16.2	19.2	21.4	21.1
- Recurrent	9.5	11.1	9.6	9.6
- Interest	0.2	0.4	0.4	0.1
- Wages	4.8	4.7	4.4	4.4
- Development	5.5	7.1	10.3	9.9
Overall balance (ex. grants)	-3.6	-4.2	-6.8	-5.7
Overall balance (incl. grants)	-1.8	-2.9	-3.0	-1.8
Net domestic borrowing (saving)	-0.2	0.0	0.2	-0.1
Net external borrowing (saving)	2.0	2.9	2.8	1.9
Grants	1.8	1.3	3.8	3.9
Balancing figures	0.0	0.0	0.0	0.0

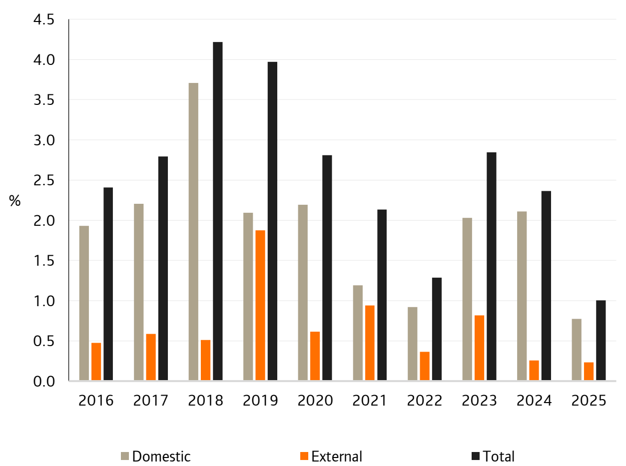
Source: Ministère du budget; Standard Bank Research

Fiscal deficits



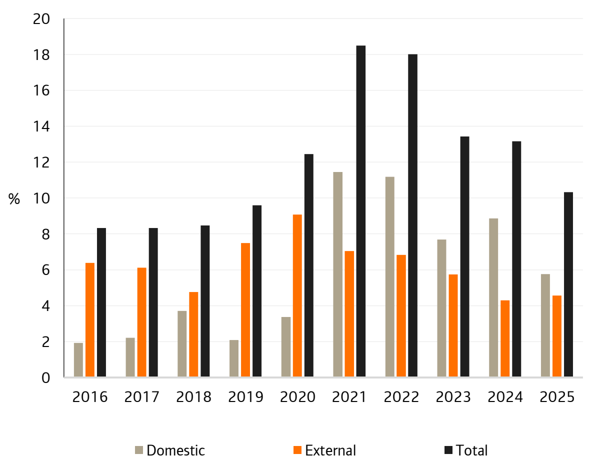
Source: Ministère du Budget Ministère des Finances; Standard Bank Research

Interest-to-revenue



Source: Ministère du Budget; Ministère des Finances; Standard Bank Research

Debt-service-to-revenue



Source: Ministère du Budget; Ministère des Finances; Standard Bank Research

Annual indicators

	2020	2021	2022	2023	2024e	2025f	2026f
Output							
Population (million)	96.0	99.1	102.4	105.8	109.0	112.2	116.5
Nominal GDP (CDF bn)	90,181.1	110,114.7	132,063.7	163,777.4	199,917.2	228,349.5	256,510.0
Nominal GDP (USD bn)	48.7	55.4	65.8	70.3	71.0	79.6	86.8
GDP / capita (USD)	507.3	558.8	642.6	664.5	651.5	709.1	745.7
Real GDP growth (%)	1.7	6.2	8.9	8.6	6.5	5.1	5.4
Crude oil ('000 barrels)	8,736.5	8,577.7	8,316.9	8,430.4	6,878.8	7,164.5	7,454.3
Copper ('000 tonnes)	1,601.2	1,802.9	2,394.6	2,842.0	3,100.2	3,133.6	3,143.2
Cobalt ('000 tonnes)	86.6	93.1	115.4	139.8	200.3	196.2	219.0
Gold (Kg)	31,501.0	31,663.0	28,308.0	34,526.0	27,937.0	21,467.8	21,032.2
Central Government Operations							
Budget balance (excl. Grants) / GDP (%)	-1.4	-3.2	-3.6	-4.2	-6.8	-5.7	-2.5
Budget balance (incl. Grants) / GDP (%)	-1.2	-0.5	-1.8	-2.9	-3.0	-1.8	-1.7
Domestic debt / GDP (%)	8.0	9.1	6.7	6.2	4.5	3.4	1.9
External debt / GDP (%)	15.5	15.4	14.3	16.2	16.0	17.5	18.9
Balance of Payments							
Exports (USD bn)	13.8	22.2	28.6	29.6	35.1	35.2	36.3
Imports (USD bn)	-14.4	-22.0	-31.6	-33.6	-35.8	-37.3	-36.7
Trade balance (USD bn)	-0.6	0.2	-3.0	-4.0	-0.7	-2.1	-0.4
Current account (USD bn)	-1.1	-0.5	-3.2	-4.2	-1.4	-2.1	-1.5
- % of GDP	-2.2	-0.9	-4.9	-5.9	-2.0	-2.7	-1.7
Financial account (USD bn)	0.4	-0.5	-2.0	-2.6	-0.7	0.0	-0.7
- FDI (USD bn)	-1.5	-1.7	-1.4	-2.4	-2.1	-1.4	-1.8
Basic balance / GDP (%)	-1.4	-1.8	-7.9	-9.7	-3.0	-2.7	-2.5
FX reserves (USD bn) pe	0.7	3.5	4.4	5.1	6.1	7.5	8.1
- Import cover (months) pe	0.6	1.9	1.7	1.8	2.1	2.4	2.6
Sovereign Credit Rating							
S&P	CCC+	CCC+	CCC+	B-	B-	B-	B-
Moody's	Caa1	Caa1	B3	B3	B3	B3	B3
Fitch	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Monetary & Financial Indicators							
Headline inflation (%) pa	11.4	9.0	9.3	19.9	17.7	8.7	6.6
Headline inflation (%) pe	15.8	5.3	13.1	23.8	11.7	7.8	6.3
Money supply (% y/y) pa	39.1	42.3	12.9	19.4	39.2	16.5	12.3
Money supply (% y/y) pe	51.7	29.0	3.5	40.4	28.0	14.2	12.3
Policy bank rate (%) pa	12.33	11.00	7.63	16.00	25.00	25.00	17.63
Policy bank rate (%) pe	18.50	7.50	8.25	25.00	25.00	25.00	14.50
USD/CDF pa	1,851.8	1,987.6	2,007.0	2,329.7	2,816.0	2,869.3	2,954.0
USD/CDF pe	1,963.0	1,987.8	2,016.0	2,679.6	2,845.1	2,896.9	3,003.0

Source: Banque Centrale du Congo; Bloomberg; Haver Analytics; IMF; Institut National de la Statistique; Ministère du Budget; Ministère des Finances; Standard Bank Research

Notes: pa - period average; pe - period end; na - not available; nr – not rated

Egypt: regional instability clouding the economic recovery

Medium-term outlook: Suez Canal and gas production downside risks

We now see GDP growth recovering to 4.3% y/y in FY2024/25 (exceeding our 4.0% y/y forecast from the Jan 2025 AMR), up from 2.4% y/y in FY2023/24. GDP growth may then reach 4.6% y/y in FY2025/26.

Growth recovered to 4.3% y/y in Q2 of FY2024/25, from 3.5% y/y in Q1 of FY2024/25. Growth in the manufacturing sub-sector recovered to 13.8% y/y in Q2 of FY2024/25, from an average of 4.2% y/y in the previous 2-q. Previously, growth in this sector had contracted by an average of 8.0% y/y in H1:24. Following the recent escalation in tensions between Israel and Iran, gas imports from Israel were disrupted again. This will likely lead to the government announcing power rationing across the country, which would not bode well for the manufacturing sector.

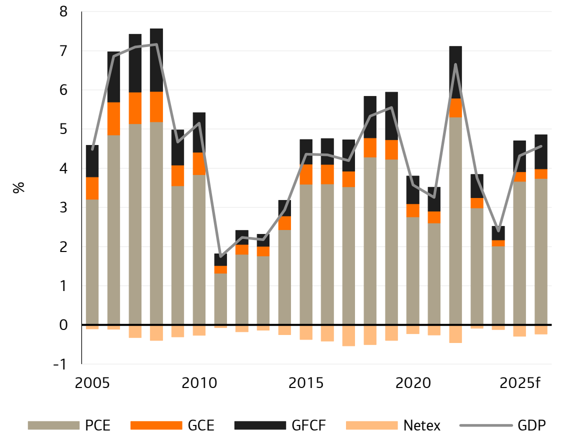
However, while gas imports have now resumed after a six-day disruption, the government is looking to rekindle economic ties with Qatar to boost gas supply from alternative sources via an import agreement. Additionally, amidst declining domestic gas production in Egypt, the two governments have agreed to increase cooperation for increased exploration and development of Egypt's gas fields.

In 2024, the Suez Canal sub-sector contracted by an average of 64.5% y/y, from growth of 16.2% y/y in 2023. However, the ceasefire between Israel and Hamas in Jan 2025 aided a recovery in Suez Canal traffic from early Feb 2025. This should be supportive of output in this sub-sector for Q3 of FY2024/25, at the minimum. However, the durability of such a recovery would be precarious after recent tensions between Israel Iran which threaten to again disrupt commercial shipping routes. The Houthi militant group is reportedly backed by Iran. Although, it remains unclear if only Israeli vessels will be targeted by the Houthi, as, even after the ceasefire in Jan 2025, Israeli shipping companies were still being targeted.

Positively, easing inflationary pressures, which will likely embolden the Central Bank of Egypt's MPC to begin cutting interest rates from H2:25, may anchor private consumption expenditure over the coming year.

Furthermore, the government has agreed to a package of USD7.5bn in direct investment with counterparts in Qatar. This, and other investments planned by the Saudi Arabia government along the Mediterranean coast, should boost foreign direct investment (FDI) and economic growth over the medium term.

GDP by expenditure



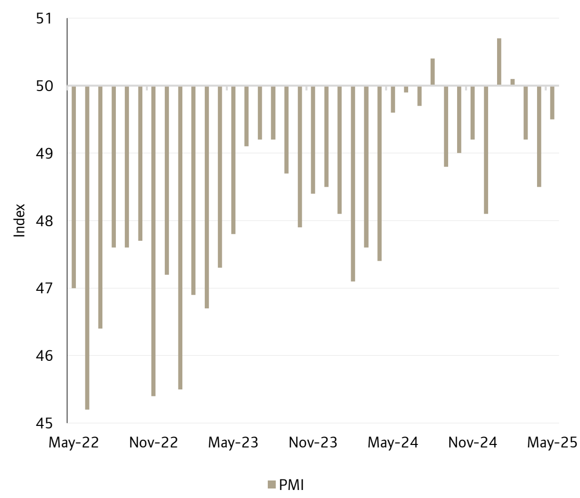
Source: Ministry of Planning; Standard Bank Research

Contribution to GDP by sector

% of GDP	FY2008/09	FY2010/11	FY2022/23	FY2023/24
Agriculture	13.6	14.5	11.2	14.4
Petroleum	6.2	6.2	3.9	3.9
Natural gas	8.3	8.3	2.7	2.3
Manufacturing	16.6	16.5	15.9	14.6
- Petroleum refinement	1.0	1.1	3.3	2.7
Construction	4.4	4.6	8.3	10.0
Transport	4.1	4.1	5.1	4.8
Wholesale and retail trade	11.4	11.5	14.0	14.4
Financial intermediation	3.6	3.4	3.3	3.4
Real estate	2.7	2.6	10.3	8.6
General government	9.9	10.2	5.9	5.4

Source: Ministry of Planning

Egypt PMI



Source: Bloomberg

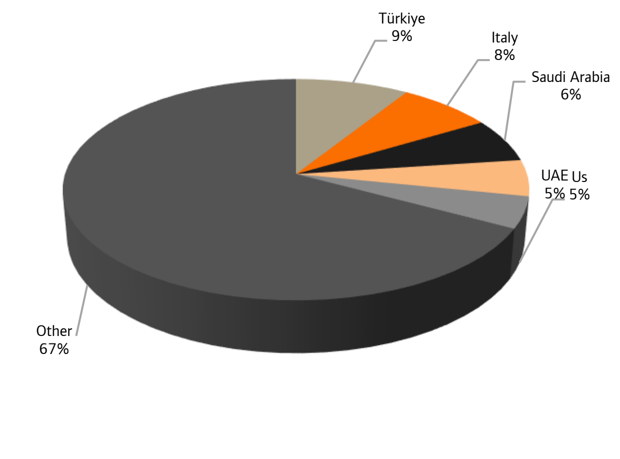
Medium-term economic growth scenarios

	Q1:25	Q2:25	Q3:25	Q4:25	Q1:26	Q2:26	Q3:26	Q4:26	Q1:27	Q2:27	Q3:27	Q4:27	Q1:28	Q2:28	Q3:28	Q4:28
GDP (% y/y) pa	4.5	5.0	4.1	3.6	5.2	5.3	5.5	5.6	5.0	5.5	5.6	5.6	4.6	3.6	3.5	3.5
CPI (% y/y) pe	13.59	14.86	15.72	18.61	17.46	15.99	14.06	11.52	9.38	8.87	6.78	6.13	6.30	6.43	6.61	6.76
CBE prime lending rate (%) pe	28.25	26.00	24.00	22.25	20.25	18.25	16.00	16.00	14.00	14.00	14.00	14.00	12.00	12.00	12.00	12.00
3-m rate (%) pe	28.02	28.40	28.00	26.74	24.11	24.94	23.16	22.02	20.04	20.67	19.33	18.46	16.81	17.33	16.21	15.48
6-m rate (%) pe	26.64	27.37	28.00	26.63	26.13	24.63	23.60	22.33	18.70	17.73	16.60	15.79	15.10	15.40	14.81	13.80
USD/EGP pe	50.57	50.80	50.59	52.00	52.50	52.93	53.12	54.14	55.71	57.08	56.79	57.99	61.09	63.86	63.27	65.71

Source: Central Bank of Egypt; Central Agency for Public Mobilisation and Statistics; Bloomberg; Ministry of Finance; Standard Bank Research

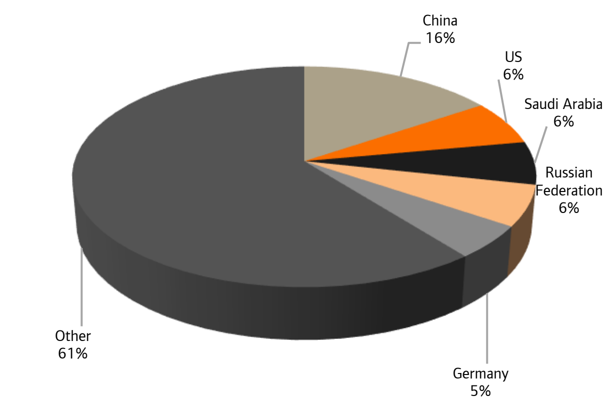
Notes: pa - period average; pe - period end

Share in Egypt's exports (%)



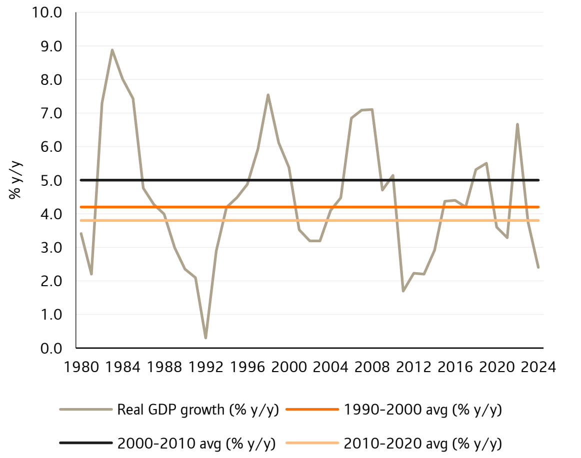
Source: ITC

Share in Egypt's imports (%)



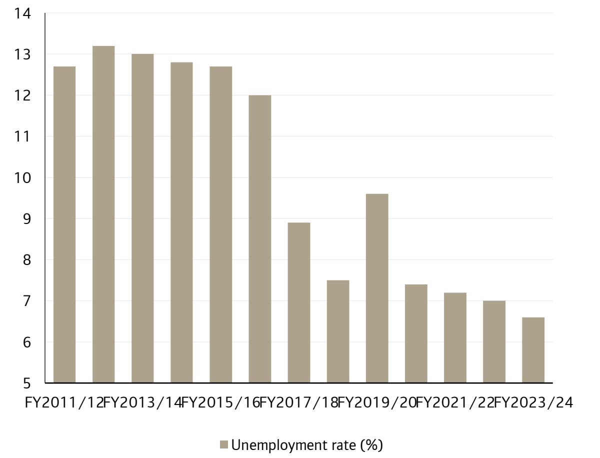
Source: ITC

Long-term GDP performance



Source: World Bank

Unemployment rate



Source: Ministry of Finance

Balance of payments: gas production key for C/A trajectory

We still see the C/A deficit narrowing to 1.4% of GDP and 1.0% of GDP in FY2024/25 and FY2025/26 respectively. In the Jan 2025 AMR, we had noted that, despite concerns about large T-bill maturities falling due in Q1:25, we were confident that foreign portfolio investors would predominantly re-invest their maturing EGP debt. Even as other large T-bill maturities fall due over the coming year, we still see limited pressure on the overall BOP because we would expect portfolio investors to favour rolling over their investments.

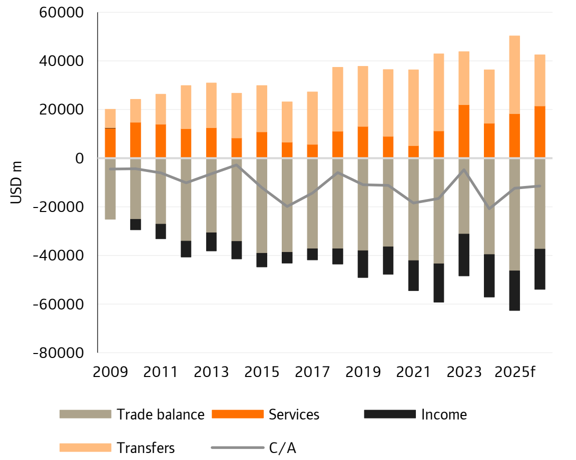
FX reserves have risen marginally, to USD48.1bn in Apr 2025, after averaging USD47.5bn in Q1:25. Despite elevated external debt service requirements in both 2025 and 2026, the government should be able to maintain and preserve robust external buffers via inflows from foreign portfolio investors, Gulf partners, and multilaterals such as the IMF.

At the time of writing, the CBE hadn't published BOP data for Q1:25. However, we retain our view that the services balance under the C/A will have received a boost from the recovery in Suez Canal traffic since early Feb 2025. However, such a recovery may still be dented in H2:25, should the renewed regional instability between Iran and Israel escalate further.

Moreover, a further delay in boosting domestic gas production may further strain the C/A balance, with the government now resorting to fossil fuel imports for power generation. Despite the recent agreement with the Qatari government to support exploration in fields that could spur gas production, this may only transpire over the medium term, which would imply C/A pressure from increased gas imports as likely to persist over the next 2-y.

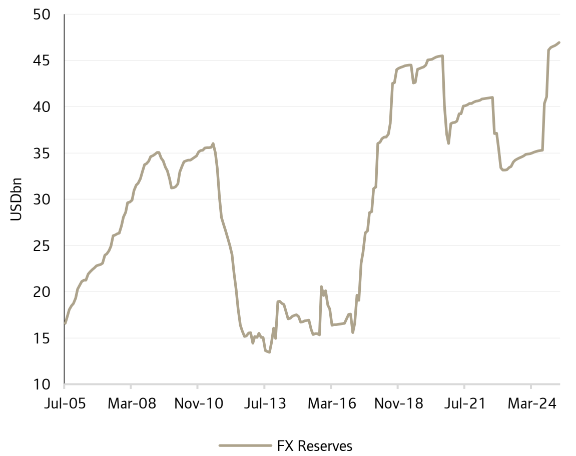
Hence, we acknowledge risks to our C/A balance projections despite the likelihood that services receipts could notably recover from the Suez Canal, while diaspora remittances could also continue to bolster net current transfers.

Current account developments



Source: Central Bank of Egypt; Standard Bank Research

Net FX reserves (USD bn)



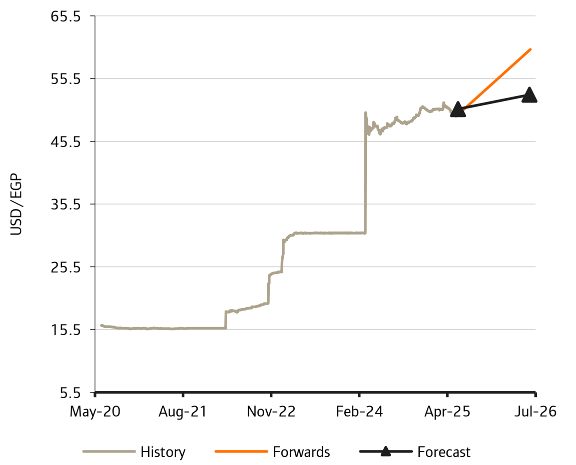
Source: Central Bank of Egypt

FX outlook: measured EGP weakness

We expect the USD/EGP to edge higher, to 51.9-52.5 by Dec 2025. The EGP came under pressure in Apr 2025 when global trade tensions accelerated. This was not surprising given that foreign positioning in EGP local debt is relatively large. Ergo, the EGP may weaken whenever the USD index rises.

While a recovery in Suez Canal receipts may ease the relatively large C/A deficit over the coming year, financial inflows into the capital financial account may remain adequate, even should regional instability derail the recent recovery in Suez Canal traffic. In the IMF staff report for the fourth review under the current EFF programme, the Fund emphasised that the exchange rate would need to remain flexible as well as continue to reflect any demand and supply imbalances.

USD/EGP: forwards versus forecasts



Source: Bloomberg; Standard Bank Research

Monetary policy: further easing still expected

We now expect the MPC to cut the key benchmark rate by a cumulative 500-700 bps in 2025, from our earlier expectation of 400-600 bps in the Jan 2025 AMR.

The MPC began easing their policy stance in Apr 2025 by cutting all key benchmark rates by 225 bps despite the elevated global risk volatility driven by deteriorating global trade tensions in that month. The MPC then followed this move with a further 100 bps cut at the May 2025 meeting.

In line with our and the broader market expectation, headline inflation dropped sharply, to 12.8% y/y in Feb 2025, from 23.9% y/y in Jan 2025 and an average of 25.4% y/y in Q4:24. This was largely due to favourable base effects unwinding.

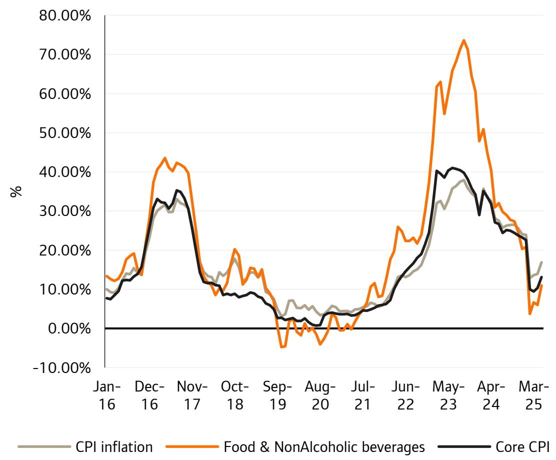
However, headline inflation surprised to the upside, reaching 16.9% y/y in May 2025, from 13.9% y/y in Apr. This jump may have been due to the broad impact of the ongoing removal of bread subsidies, which may continue over the next year or so. The IMF still favours the removal of energy subsidies, which may place moderate upside pressure on inflation, should the government opt to implement these reforms.

We see headline inflation easing to 15.7% y/y in Sep 2025, then rising to 18.6% y/y by Dec 2025. Headline inflation will likely average 15.5% y/y in 2026, allowing the MPC room to keep cutting rates.

However, should Suez Canal receipts falter again after the resurgence of regional instability, and should global trade tensions escalate further, the MPC may become concerned about external risks placing upside pressure on USD/EGP.

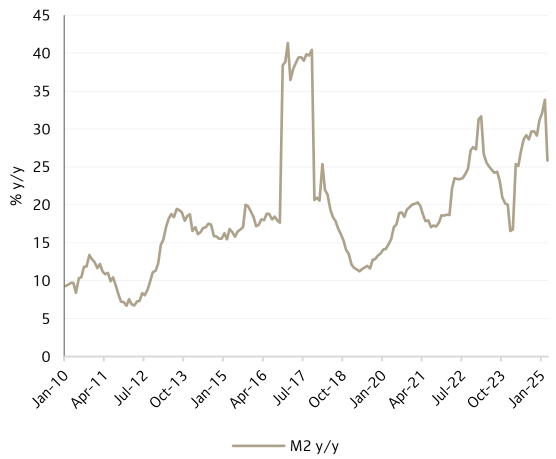
Hence, the MPC may prefer to remain circumspect about the pace of policy easing in order to keep inflation expectations anchored.

Inflation and interest rates



Source: Central Bank of Egypt

M2 money supply growth



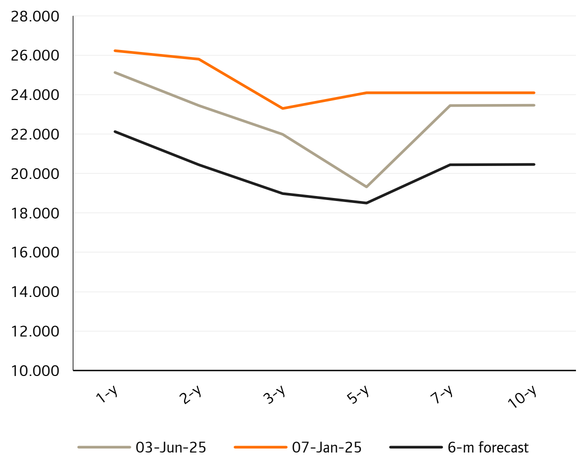
Source: Central Bank of Egypt

Yield curve outlook: rollover risk stemming T-bill yields decline

Contrary to our expectations from the Jan 2025 AMR, T-bill yields didn't decline after the sharp drop in inflation in Q1:25. This was likely due to large T-bill rollover risks the government faced, particularly in Mar 2025.

Looking ahead, large T-bill maturities fall due in Jul 2025 (c.USD12.4bn), Sep 2025 (c.USD16.6bn), and Dec 2025 (c.USD11.5bn). Thus, T-bill yields may remain elevated during those months. Also, despite the huge increase in real EGP yields since Feb 2025, due to the uncertain global economic environment the authorities may favour caution about allowing T-bill yields to decline sharply. Nevertheless, given our expectation that the MPC will continue to cut rates, T-bills may decline over the coming year.

Changes in the yield curve



Source: Standard Bank Research; Bloomberg

Fiscal policy: external debt service pressures still hefty

In Mar 2025, Egypt's cabinet approved a draft FY2025/26 budget worth EGP4.6tn. Total revenue is seen at EGP3.1tn, which equates to a fiscal deficit of EGP1.5tn. The FY2024/25 budget deficit is expected to have widened to 7.3% of GDP, from 4.0% of GDP in FY2023/24.

The FY2025/26 budget targets a primary surplus of 4.0% of GDP, from the 3.5% of GDP target in the FY2024/25. This target is consistent with the IMF programme which has set a higher target of 5.0% of GDP for 2026.

After approval from the IMF executive board in Mar 2025, the government received a USD1.2bn disbursement under the fourth review of the EFF programme. The outstanding balance under the EFF programme is now c.USD4.8bn. However, in Mar 2025, the government received executive board approval of c.USD1.3bn under the Resilience and Sustainability Facility (RSF).

The Ministry of Finance plans to issue USD2.0bn worth of Sukuk bonds over the coming year. Additionally, the Ministry of Finance will explore debt-for-investment swaps with similar formats as the UAE deal in Ras El Hekma. Further, the European parliament has disbursed a loan of EUR4.0bn, to be repaid over the next 35-y.

Egypt's external debt service requirements remain large over the next 2-y. Hence, attracting external capital will be critical, and at a time when global financing conditions remain precarious.

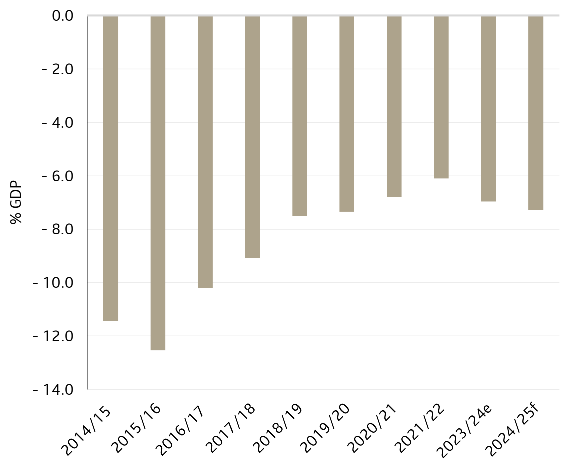
Furthermore, to meet fiscal targets under the IMF programme, expenditure pressures would need to be scaled back, such as reeling in subsidies. The IMF programme will likely serve as anchor and catalyst for other external funding.

Central government budget

% of GDP	FY2022/23	FY2023/24	FY2024/25
Total Revenue	15.4	18.1	15.3
Total Expenditure	21.6	22.1	22.6
Wages and salaries	4.1	4.0	3.4
Interest payments	7.7	9.5	10.8
Subsidies	4.4	4.5	3.7
Cash deficit	-6.2	-4.0	-7.3

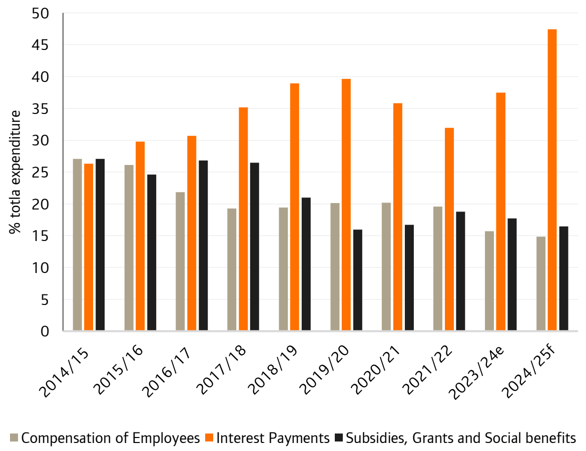
Source: Ministry of Finance

Fiscal deficit including grants (% of GDP)



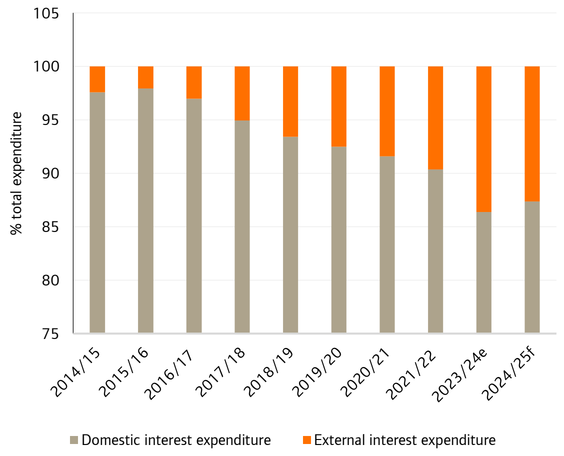
Source: Ministry of Finance

Components of expenditure



Source: Ministry of Finance

Composition of interest expenditure



Source: Ministry of Finance

Annual indicators

	2020	2021	2022	2023	2024e	2025f	2026f
Output							
Population (million)	100.6	102.1	103.6	105.2	106.8	108.3	109.9
Nominal GDP (EGP bn)	5879.6	6336.7	7457.1	9646.0	13236.3	15980.5	19190.6
Nominal GDP (USD bn)	402.8	461.9	458.7	391.5	549.2	863.8	1115.7
GDP / capita (USD)	4004.0	4524.2	4427.3	3721.7	5142.5	7976.1	10152.3
Real GDP growth (%)	3.6	3.3	6.7	3.8	2.4	4.3	4.6
Oil Production ('000 b/d)	586.9	560.5	567.5	564.25	536.92	521.98	522.97
Central Government Operations							
Budget balance (incl. grants) / GDP (%)	-7.9	-7.7	-6.1	-6.20	-4.00	-7.30	n/a
Budget balance (excl. grants) / GDP (%)	-7.9	-7.7	-6.1	-6.20	-4.00	-7.30	n/a
Domestic debt / GDP (%)	83.9	79.6	80.5	83.2	85.6	89.0	n/a
External debt / GDP (%)	18.1	19.5	17.5	25.8	31.5	32.9	n/a
Balance Of Payments							
Exports of goods and services (USD bn)	47.7	44.7	70.8	74.2	62.8	68.4	72.4
Imports of goods and services (USD bn)	-75.2	-81.6	-103.1	-83.4	-88.0	-90.5	-85.0
Trade balance (USD bn)	-27.5	-36.9	-32.2	-9.23	-25.22	-22.11	-12.56
Current account (USD bn)	-11.17	-18.44	-16.55	-4.71	-20.8	-12.4	-11.4
- % of GDP	-2.77	-3.99	-3.61	-1.20	-3.8	-1.4	-1.0
Capital & Financial account (USD bn)	5.4	23.4	11.8	8.9	30.0	22.8	26.5
- FDI (USD bn)	7.453	5.214	8.937	10.04	46.0	21.3	23.8
Basic balance / GDP (%)	-1.4	1.1	-1.0	1.1	1.7	1.2	1.4
FX reserves (USD bn) pe	40	41	34	35.2	47.1	50.3	53.5
- Import cover (months) pe	6.4	6.0	4.0	5.1	6.4	6.7	7.6
Sovereign Credit Rating							
S&P	B+	B+	B	B-	B-	B-	B
Moody's	B2	B2	B2	Caa1	Caa1	Caa2	B3
Fitch	B+	B+	B+	B-	B	B	B
Monetary & Financial Indicators							
Consumer inflation (%, y/y) pa	5.1	5.2	13.9	33.8	28.5	16.4	15.5
Consumer inflation (%, y/y) pe	2.2	8.7	12.4	33.6	24.1	18.6	11.5
M2 money supply (%, y/y) pa	17.4	17.1	23.7	24.8	26.4	26.9	24.1
M2 money supply (%, y/y) pe	19.7	18.3	27.1	19.9	31.1	25.5	26.4
CBE overnight lending rate (%) pa	10.00	9.25	12.75	19.25	28.25	25.13	17.63
CBE overnight lending rate (%) pe	9.25	9.25	16.25	20.25	28.25	22.25	16.00
3-m rate (%) pe	12.6	11.6	18.0	25.7	28.7	26.7	22.0
1-y rate (%) pe	12.7	13.2	18.8	27.6	26.2	22.1	19.3
5-y rate (%) pe	14.1	14.3	18.2	23.5	24.1	18.5	17.2
USD/EGP pa	15.8	15.7	19.7	30.78	45.58	50.69	52.93
USD/EGP pe	15.73	15.70	24.71	30.89	50.84	52.00	54.14

Source: Central Bank of Egypt; Central Agency for Public Mobilisation and Statistics; Bloomberg; Ministry of Finance; Standard Bank Research

Notes: pa - period average; pe - period end

Ethiopia: IMF support serving as anchor

Medium-term outlook: structural realignment and export tailwinds

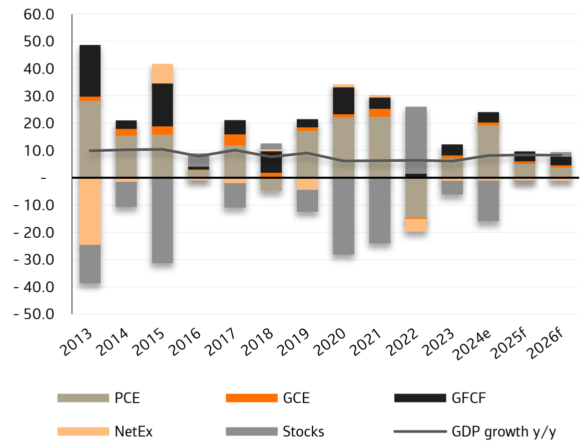
We see Ethiopia's GDP growth easing slightly, to 8.3% y/y in FY2025/26, down from the government's estimate of 8.4% y/y in FY2024/25, which was the fastest expansion since Covid19. FY2024/25 GDP growth substantially overshot our expectations, driven by higher-than-anticipated agricultural output, transport and communication, continued export gains, and the broadly successful implementation of macroeconomic stabilization policies.

Given the current momentum, we expect growth to remain firm, supported by ongoing reforms to modernize monetary, trade, and investment regulations. Agricultural output will likely remain a key driver, particularly as coffee export volumes, up 70% y/y in the first 10-m of FY2024/25, continue to benefit from high prices and strong coordination across the value chain. While much of the recent coffee export growth has been supported by inventory drawdowns, we still see upside risks building. Arabica coffee prices had reached USD 3.70/lb by mid-May, up from USD2.10/lb in July 2024. However, with expectations of increased supply from Brazil, prices had eased slightly to around USD3.49/lb by mid-June. With both volume and price effects aligned, export earnings are on track to reach a record USD2.0bn in FY2024/25, according to the government. Looking ahead to FY2025/26, international prices may face downward pressure from Brazilian supply, while domestic volumes could remain vulnerable to security risks, particularly in regions such as Amhara, where escalating violence involving armed groups like the Fano militias continues to disrupt activity. The mining sector remains too small to significantly move the needle at a national level. Nonetheless, formalized gold exports are expected to support net exports and FX liquidity.

While the government forecasts real GDP growth of 8.9% in FY2025/26, some discrepancies may arise between headline data and anecdotal evidence. Businesses are reporting subdued sales and excess inventories, raising questions about the breadth of private sector expansion. Nominal price declines in cement imply underlying softness in aggregate demand, if not increased production (due to announced USD400m investment and expected doubling capacity of the Mugher cement plant). These inconsistencies may signal that headline growth is being supported disproportionately by agriculture, while consumption and formal sector activity remain subdued. Nevertheless, improved FX availability and investment sentiment, following the IMF programme and continued programme implementation, may impel a stronger performance in the industrial and services sectors. Still, the planned removal of the 14% credit growth ceiling by Sep 2025 should unlock private credit growth.

Indeed, structural transformation remains a key objective. Yet, achieving inclusive growth would depend on ensuring that reform momentum translates into job creation and real wage recovery. While some data warrants caution, Ethiopia's macroeconomic reform has been gaining traction. Should current policies hold, and structural challenges are tackled, Ethiopia may transition from post-crisis stabilization to a new phase of sustained, broad-based growth.

Composition of GDP by demand



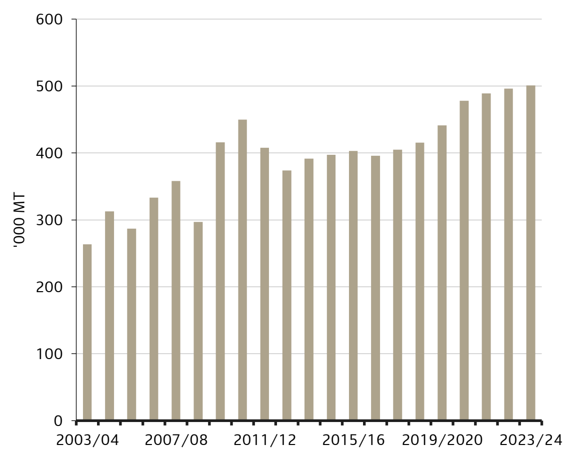
Source: National Bank of Ethiopia; Standard Bank Research

Contribution to GDP by sector

% of GDP	2010/11	2016/17	2021/22	2023/24
Agriculture, hunting, fishing, and forestry	44.60	36.30	32.40	30.70
Mining and quarrying	1.40	0.20	0.51	0.48
Manufacturing	4.00	6.40	6.67	6.53
Electricity and Water	1.00	0.70	0.77	0.87
Construction	4.00	16.40	20.58	20.36
Wholesale and retail trade	14.50	13.80	14.38	15.39
Hotels and restaurants	3.60	2.70	2.41	2.44
Transport and communication	4.20	5.20	5.45	13.20
Real Estate, Renting and Business activities	9.30	4.50	4.54	4.59
Public admin and defence	5.40	4.50	4.11	3.75

Source: National Bank of Ethiopia

Coffee production



Source: National Bank of Ethiopia

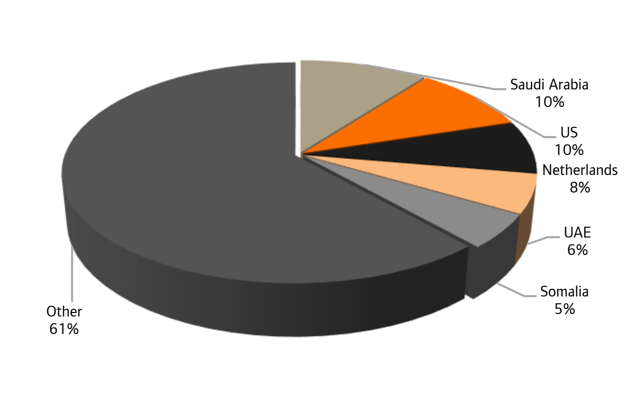
Medium-term economic growth forecasts

	Q1:25	Q2:25	Q3:25	Q4:25	Q1:26	Q2:26	Q3:26	Q4:26	Q1:27	Q2:27	Q3:27	Q4:27	Q1:28	Q2:28	Q3:28	Q4:28
GDP (% y/y) pa	8.40	8.40	8.30	8.30	8.30	8.30	8.50	8.50	8.50	8.50	9.00	9.00	9.00	9.00	8.80	8.80
CPI (% y/y) pe	13.60	15.88	13.34	8.32	8.21	9.67	10.52	11.58	11.71	11.83	11.46	10.81	9.62	9.64	9.15	8.75
Policy rate (%) pe	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00
3-m rate (%) pe	15.83	15.83	15.83	15.83	15.83	15.83	15.83	15.83	12.83	12.83	12.83	12.83	12.83	12.83	12.83	12.83
6-m rate (%) pe	14.47	16.47	16.47	16.47	16.47	16.47	16.47	16.47	13.47	13.47	13.47	13.47	13.47	13.47	13.47	13.47
USD/ETB pe	131.1	134.6	138.5	145.3	148.86	152.84	156.79	163.71	168.2	173.2	178.2	186.9	191.6	196.9	202.1	211.2

Source: National Bank of Ethiopia; Central Statistics Agency; Standard Bank Research; Bloomberg

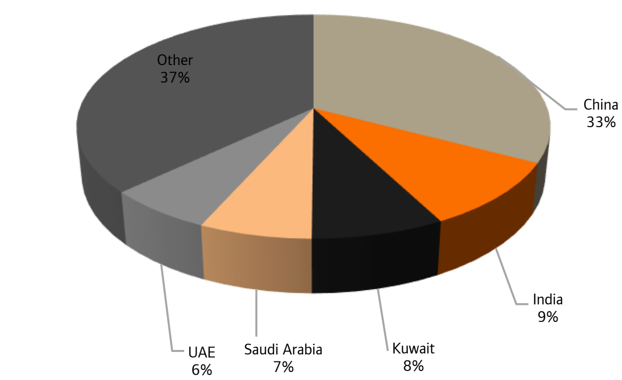
Notes: pa - period average; pe - period end

Ethiopia's top 5 exports destination (% of total)



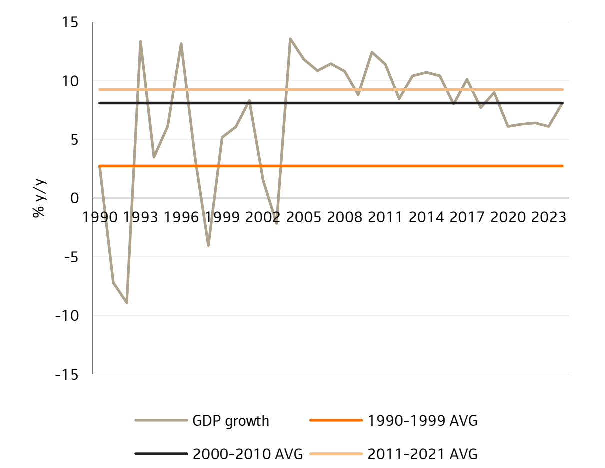
Source: International Trade Centre

Ethiopia's top 5 imports origin (% of total)



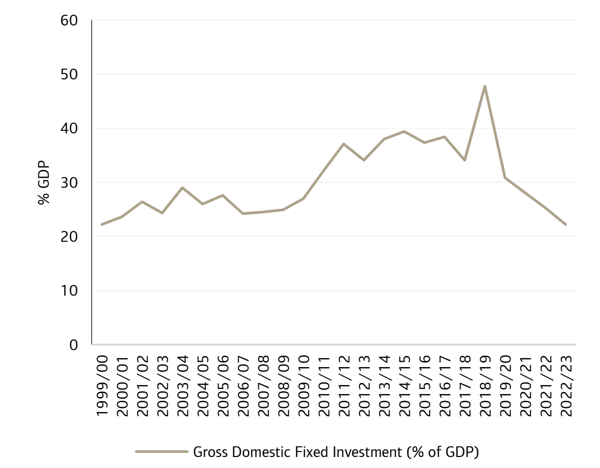
Source: International Trade Centre

Long-term GDP performance



Source: National Bank of Ethiopia

Domestic fixed investment



Source: National Bank of Ethiopia

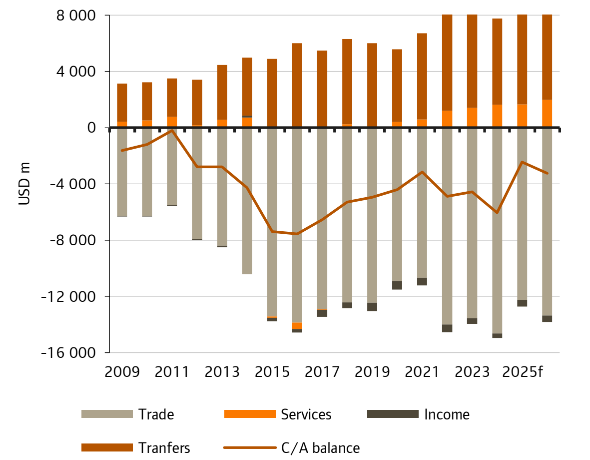
Balance of payments: C/A deficit likely to widen again, after a sharp narrowing

We expect the C/A to remain stable, but widen in FY2025/26, supported by strong exports performance and anchored by ongoing macroeconomic reforms, but let down by high imports, a higher primary deficit, and lower transfers. Robust commodity prices and gold exports formalization efforts have elevated FX earnings, with coffee exports on track to reach USD2.0bn in FY2024/25 and gold exports likely to exceed USD2.5bn, up fivefold from FY2023/24. These gains have enabled the central bank to rebuild FX reserves, and conduct FX auctions, even though parallel market distortions have resurfaced.

However, the external position remains vulnerable to fiscal dynamics. The capital-intensive budget (capital budget of approximately USD3.3bn), as outlined in the FY2025/26 budget, should drive near-term import demand. In addition, fuel imports, financed through short-term supplier credit arrangements, continue to exert recurrent pressure on FX liquidity. This pressure persists despite international oil prices remaining on the lower side (albeit now increasing due to the Israel-Iran conflict). Furthermore, the need to service debt after the restructuring agreement, including a likely MoU with the OCC and a Eurobond restructuring in H2:25 that may be burdensome without nominal haircuts, and the cessation of U.S. aid amounting to USD 1.7bn pose significant challenges to the C/A. With aid flows from the US equivalent to about 47% of FX reserves, the suspension of this support could create a substantial gap, though much of the aid is likely transmitted in kind.

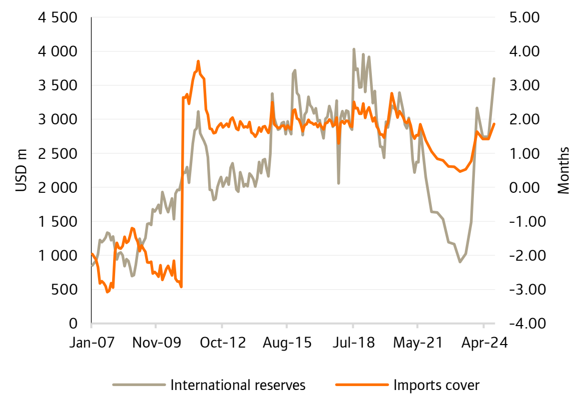
We anticipate FDI inflows and inflows from the IMF and World Bank to finance the C/A deficit. However, delays in disbursements and/or reforms could weigh on external buffers. Then again, the authorities have reached a staff-level agreement with the IMF for the third review of its USD3.4bn extended credit facility. Subject to executive board approval, this would unlock access to USD260m. However, board approval will likely depend on the finalization of a MOU with official creditors, likely to be secured and thereby paving the way for the disbursement.

Current account developments



Source: National Bank of Ethiopia; Standard Bank Research

FX reserves



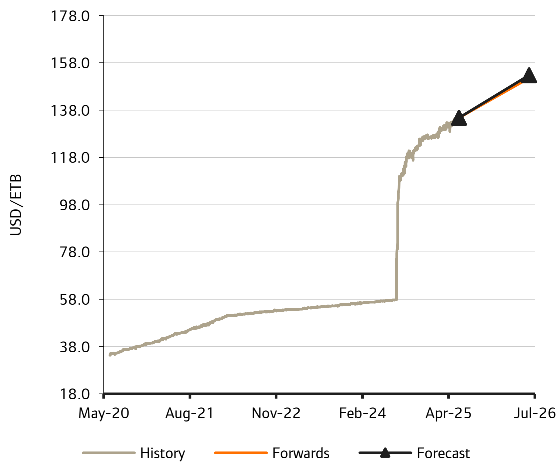
Source: Bloomberg; National Bank of Ethiopia; Standard Bank Research

FX outlook: IMF-supported transition progresses amid persistent market fragmentation

We expect Ethiopia's foreign exchange regime to remain under transitional strain until FY2025/26 despite recent improvements in FX availability and reserve buffers. While FX inflows from gold and coffee exports have allowed the NBE to stage regular auctions, the premium between the official and parallel market has widened again, implying that official channels still fall short of meeting aggregate demand.

Anecdotally, informal pricing remains dominant, with many trades still executed at significant premiums to the official rate. We estimate that the parallel market premium widened to over 16% in early 2025, reversing some gains from H2:24. Bar deeper market reform, parallel channels will likely continue to meet a significant portion of FX demand. Our baseline view is that Ethiopia remains within striking distance of FX market equilibrium, with official FX rate likely to continue depreciate at a slower pace, albeit not ruling out IMF-sponsored devaluation.

USD/ETB: forwards versus forecast



Source: Bloomberg; Standard Bank Research

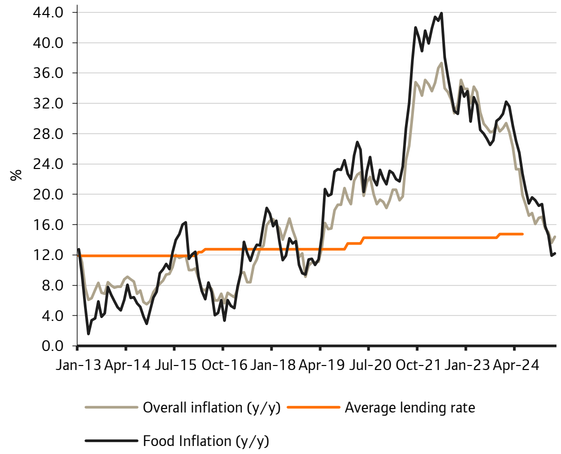
Monetary policy: credit growth ceiling likely to be relaxed

We now expect Ethiopia's monetary policy to remain largely unchanged throughout 2025, with the benchmark rate held at 15%. Despite clear disinflationary trends, the NBE may opt for no policy rate adjustments, largely due to a preference for administrative control over interest rates signalling, possibly due to the limited transmission mechanism. While headline inflation had moderated to 14.4% by Apr 25, from 23.3% in same period last year, underpinned by improved agricultural supply and subdued private demand, the risk of resurgence remains. Price pressures from exchange rate, energy costs, and pending fuel price reforms could challenge the recent trend.

The government plans to remove the 14% credit growth ceiling by September 2025, a pivotal development. Once lifted, banks will likely increase lending meaningfully, raising the risk of demand-side inflation, though our forecast now peaks at 15.9% in June 2025. In response to rising excess liquidity, we anticipate the NBE to scale up open-market operations as a liquidity management tool. At present, OMO rates are fixed, limiting their signalling function. However, transitioning towards competitively priced auctions would offer a more transparent gauge of liquidity conditions, and could gradually decouple short-term market rates from the official policy rate. Indeed, a shift in OMO design could lay the groundwork for eventual modernization of monetary policy tools. The reliance on OMOs, in the absence of broader institutional reforms and improved monetary policy independence, may prove insufficient to anchor inflation expectations.

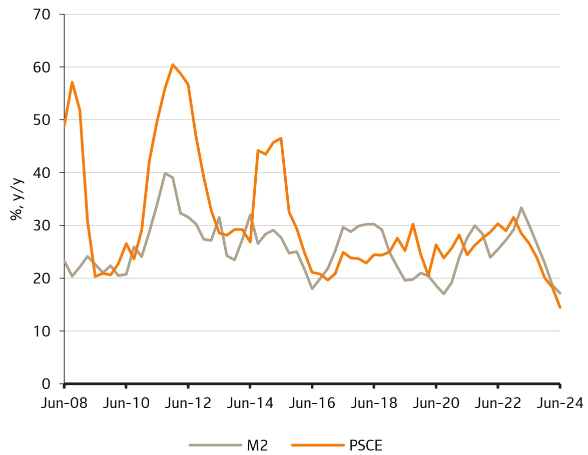
Any reluctance to adjust rates may continue to distort price signals as well as reduce transparency. Still, we see no change in the benchmark rate until end 2025. However, while the harvest season typically brings disinflation, this did not occur last year. If disinflation does materialize this time, we expect inflation to end the year at 8.3% by Dec. However, we flag upside risks to inflation if credit expansion and liquidity injections are not sterilized and substantial risk due to suspension of fuel subsidies.

Inflation and interest rates



Source: National Bank of Ethiopia; Central Statistics Agency

Money supply

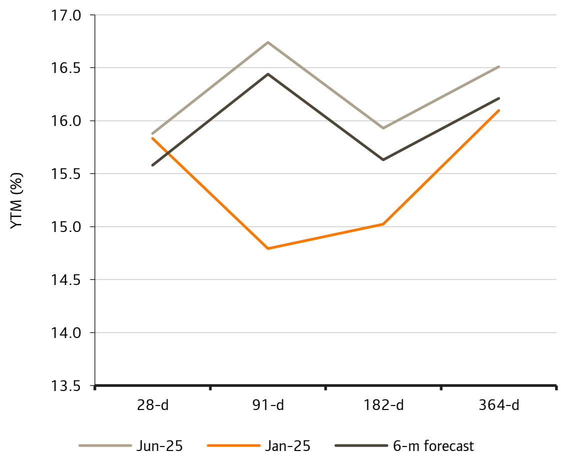


Source: National Bank of Ethiopia

Yield curve outlook: liquidity pressures and credit policy shifts to drive yield-curve dynamics

We now expect Ethiopia's T-bill yields to decline gradually over the coming quarters. The benchmark policy rate has remained unchanged at 15%, with no formal signal of imminent adjustment. However, the planned removal of the 14% credit growth ceiling in September 2025 marks a pivotal policy shift. As credit supply rises, liquidity is likely to shift toward the private sector, potentially tightening funding conditions for government securities. This crowding-in of private borrowers could exert upward pressure on short-term yields. However, we believe this effect may be counterbalanced by disinflation. If inflation falls into single digits by December, real interest rates would become significantly positive creating scope for yields to decline despite stable nominal policy rates. We also anticipate that the National Bank of Ethiopia may increase the frequency and flexibility of open market operations, potentially shifting toward competitively priced auctions. These developments would provide more nuanced control over liquidity, while supporting market-based price discovery.

Change in the yield curve



Source: National Bank of Ethiopia; Standard Bank Research

Fiscal policy: cautiously expansionary

Ethiopia's fiscal policy is expected to remain expansionary in FY2025/26, consistent with the draft federal budget of ETB1.93tn, an estimated 54% y/y increase from the FY2024/25 expenditure likely outturn of ETB1.25tn (including the supplementary budget). The allocation reflects continued commitment to post-conflict recovery, infrastructure, service delivery, and resilience-building, anchored by the 10-Year Development Plan. Notably, ETB415bn is allocated to capital investment, and ETB315bn to regional transfers.

Execution risks are inherent in a budget of this scale. However, performance in the first half of FY2024/25 suggests improving implementation capacity, with the budget recording a surplus of ETB8.9bn over the period. Revenue collection grew by 113.5% y/y in H1 FY2024/25, supported by tax policy reforms and improved compliance under the National Medium-Term Revenue Strategy. Tax revenue rose by 78.2%, and non-tax revenue grew by 152%.

Funding was boosted by front-loaded budget support from the World Bank and IMF, contributing meaningfully to fiscal space. While expenditure pressures may rise in H2 FY2024/25 due to supplementary allocations, continued momentum in revenue growth may contain the fiscal deficit. We expect the deficit to widen modestly but remain manageable, particularly if budget support disbursements remain timely.

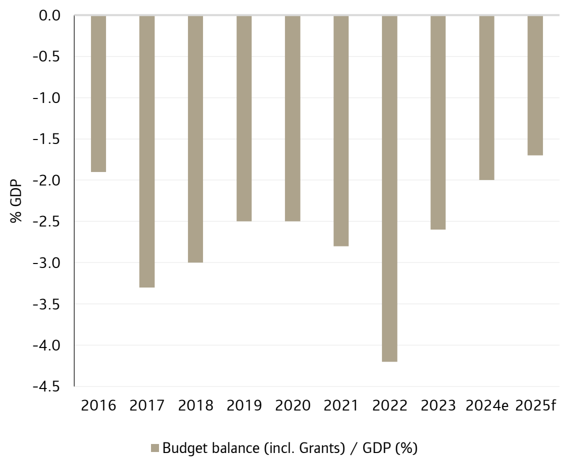
In addition to the budget support, the deficit is likely to be financed primarily through domestic sources. Ethiopia's T-bill market remains shallow, with bid-cover ratios typically below 1. With the removal of the 14% credit growth ceiling in Sep, liquidity may shift toward the private sector, potentially tightening the funding environment for government securities and posing some financing challenges. However, the government plans to begin issuing short-term bonds through the Ethiopian Securities Exchange in Jul, aiming to attract foreign and diaspora investors to broaden the domestic financing base.

Central government budget

% of GDP	FY2021/22	FY2022/23	FY2023/24	FY2024/25
total revenue	8.50	8.20	7.90	9.80
tax revenue	7.10	6.80	6.30	7.30
current expenditure	8.40	6.70	5.90	7.80
capital expenditure	4.30	4.10	4.00	3.70
total expenditure	12.70	10.80	9.90	11.50
Deficit incl. grants	-4.20	-2.60	-2.00	-1.70

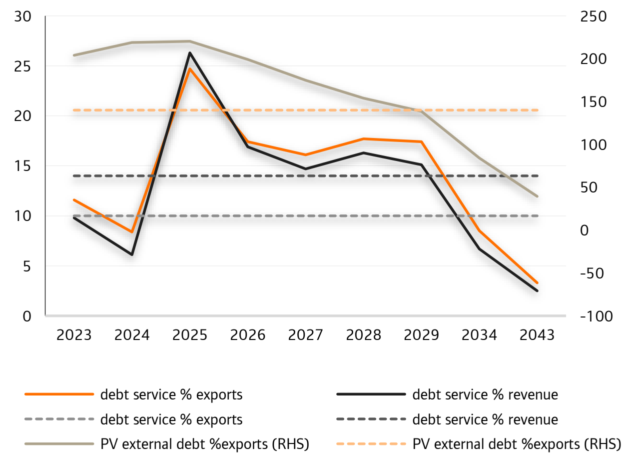
Source: Ministry of Finance

Fiscal deficit (incl. grants/GDP %)



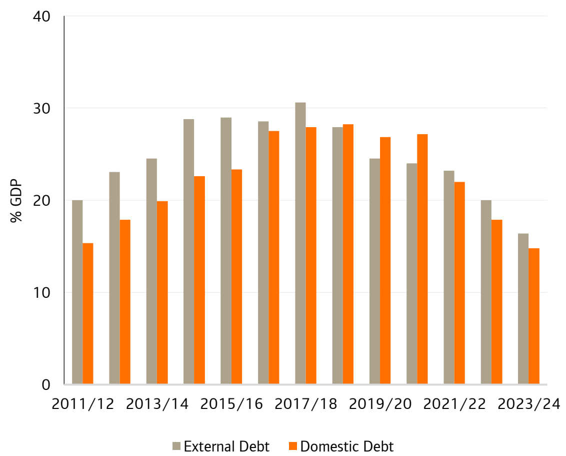
Source: Ministry of finance

Debt sustainability



Source: IMF

Domestic and external debt



Source: Ministry of Finance

Annual indicators

	2020	2021	2022	2023	2024e	2025f	2026f
Output							
Population (million)	99.75	101.90	104.10	105.70	107.81	109.97	112.17
Nominal GDP (ETB bn)	3374.75	4341.39	6157.54	8722.30	11272.12	13708.05	16247.29
Nominal GDP (USD bn)	107.67	111.27	126.78	158.94	178.02	199.38	223.30
GDP / capita (USD)	1080.00	1091.80	1218.00	1503.71	1651.13	1813.01	1990.75
Real GDP growth (%)	6.13	6.27	6.36	6.10	8.10	8.40	8.30
Coffee production ('000 MT)	441.00	478.00	489.00	496.20	501.00	519.54	538.76
Central Government Operations							
Budget balance (excl. Grants) / GDP (%)	-3.70	-3.60	-4.60	-3.00	-2.40	-3.00	-2.60
Budget balance (incl. Grants) / GDP (%)	-2.50	-2.80	-4.20	-2.60	-2.00	-1.70	-2.10
Domestic debt / GDP (%)	24.52	24.00	22.00	20.00	16.40	n/a	n/a
External debt / GDP (%)	26.84	27.16	22.00	17.90	14.80	n/a	n/a
Balance of payments							
Exports (USD bn)	7.67	8.51	10.44	10.79	11.65	15.29	14.42
Imports (USD bn)	-18.17	-18.60	-23.22	-22.93	-24.67	-25.87	-25.83
Trade balance (USD bn)	-10.50	-10.08	-12.79	-12.13	-13.02	-10.58	-11.41
Current account (USD bn)	-4.40	-3.15	-4.89	-4.56	-6.06	-2.45	-3.25
- % of GDP	-4.09	-2.83	-3.86	-2.87	-3.40	-1.23	-1.46
Financial and Capital account (USD bn)	4.33	3.82	2.76	3.50	3.73	3.39	3.80
- FDI (USD bn)	2.42	3.96	3.31	3.43	3.90	4.47	5.39
Basic balance / GDP (%)	-1.84	0.72	-1.25	-0.71	-1.21	1.01	0.96
FX reserves (USD bn) pe	3.02	1.60	1.50	1.00	1.50	3.80	5.20
- Import cover (months) pe	2.00	1.03	0.78	0.52	0.73	1.76	2.42
Sovereign Credit Rating							
S&P	B	CCC	CCC	SD	SD	CCC	CCC
Moody's	B2	Caa2	Caa2	Caa3	Caa3	Caa2	Caa2
Fitch	B	CCC	CCC	RD	RD	CCC	CCC
Monetary & Financial Indicators							
Consumer inflation (%) pa	20.41	26.48	34.03	30.43	21.13	13.21	10.22
Consumer inflation (%) pe	18.20	35.10	33.90	28.70	17.00	8.32	11.58
M2 money supply (% y/y) pa	23.74	24.86	26.26	29.81	18.21	22.74	20.68
M2 money supply (% y/y) pe	17.02	29.94	27.22	26.56	18.69	23.88	19.06
Policy rate (%) pa	16.00	16.00	16.00	17.00	15.00	15.00	15.00
Policy rate (%) pe	16.00	16.00	16.00	18.00	15.00	15.00	15.00
USD/ETB pa	35.25	44.26	52.13	54.88	82.02	135.40	153.88
USD/ETB pe	38.70	49.37	53.56	56.30	126.65	145.28	163.71

Source: National Bank of Ethiopia; Central Statistics Agency; Standard Bank Research; Bloomberg; Reuters

Notes: pe – period end; pa –a period average

Ghana: largely positive developments

Medium-term outlook: likely supported by renewed macroeconomic stability

We now see GDP growth at 5.5-5.7% y/y in 2025 and then 6.0-6.2% y/y in 2026. Increased investment in the mining sector should continue to spur growth, while a stronger GHS and lower inflation should continue to underpin economic activity.

GDP growth reached 5.8% y/y in 2024, undershooting our 6.2% y/y forecast in the Jan 2025 AMR. However, in Q1:25, GDP growth rose to 5.3% y/y, from 3.6% y/y in Q4:24, driven largely by the agricultural sub-sector expanding by 3.9% y/y in Q1:25, from 2.8% y/y in Q4:24.

The government had hinted at restructuring the Ghana Cocoa Board (COCOBOD) in the run-up to the Dec 2024 elections, which may see increased involvement of the private sector. Output in the cocoa sub-sector remains weighed down by issues linked to illegal mining which has destroyed many hectares of farmland, and the smuggling of cocoa beans. If the government is successful in addressing this, productivity in the cocoa sector may benefit over the medium term.

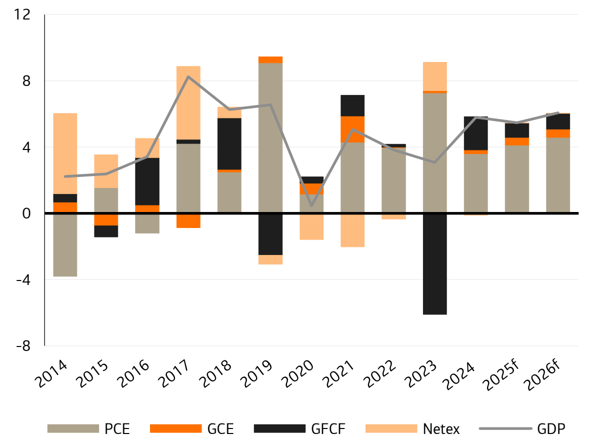
Growth in the mining and quarrying sub-sector recovered to 1.4% y/y in Q1:25, from a contraction of 8.2% y/y in Q4:24. However, growth in this sector averaged 16.9% y/y in the 9-m to Sep 2024, buoyed largely by rising gold prices and recovering production at key mines.

The Ghana Chamber of Mines expects gold production to reach c.5m ounces in 2025, underpinned by higher output from Newmont's Ahafo South mine and Shandong's Namdini mine.

However, while the government is optimistic that gold output will continue to rise following the restructuring of the Precious Minerals Marketing Company (PMMC) into the Ghana Gold Board (GoldBod), it remains uncertain how small-scale miners, which have been notable drivers of higher output in 2024, will be affected because the GoldBod seeks to drive increased formalisation in the sector.

Furthermore, the sharp appreciation of the GHS in H1:25 should continue to support disinflation over the coming year, which will likely continue to support a recovery in private consumption, as the Bank of Ghana's MPC will also probably begin to lower interest rates. Additionally, in the FY2025 budget, the government took steps to lower certain taxes that has been hindering private sector activity. This too should bode well for economic activity over the coming year.

Composition of GDP by demand



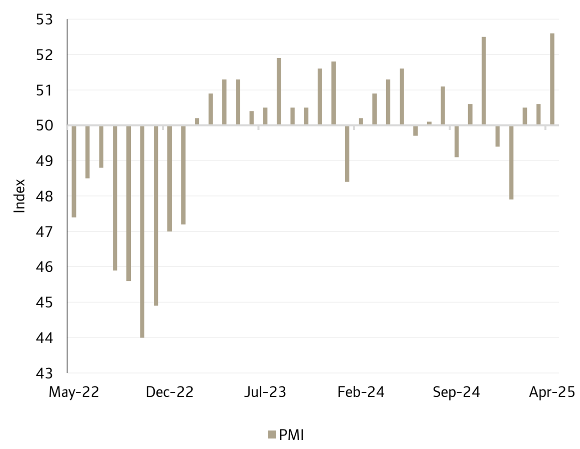
Source: Ghana Statistical Service; Standard Bank Research

Contribution to GDP by sector

% of GDP	2013	2018	2024
Crops	15.7	15.3	19.8
- Cocoa	2.2	2.0	1.4
Livestock	2.6	1.8	1.0
Mining and Quarrying	13.1	13.7	13.9
- Oil and gas	8.8	6.7	4.9
Manufacturing	12.2	10.9	10.8
Construction	8.8	6.7	4.9
Trade	11.7	15.6	22.3
Hotels and Restaurants	4.0	3.8	1.7
Transport and Storage	6.0	7.3	6.0
Financial services	5.0	4.0	3.6
Public administration	3.9	3.5	3.3
Education	4.5	3.5	1.9

Source: Ghana Statistical Service

Ghana PMI



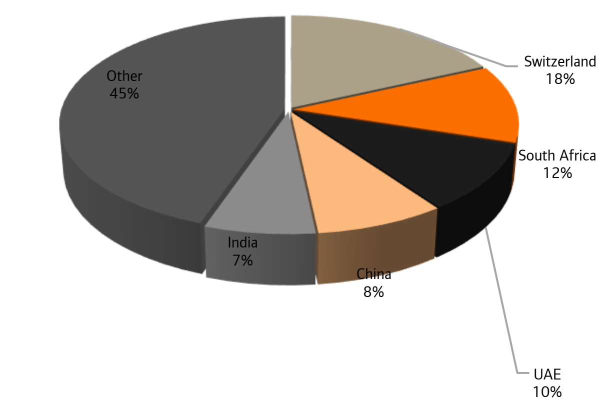
Source: Bloomberg

Medium-term economic scenarios

	Q1:25	Q2:25	Q3:25	Q4:25	Q1:26	Q2:26	Q3:26	Q4:26	Q1:27	Q2:27	Q3:27	Q4:27	Q1:28	Q2:28	Q3:28	Q4:28
GDP (% y/y) pe	5.29	4.84	5.24	6.51	6.69	5.73	5.87	5.97	6.18	7.07	6.93	6.84	7.47	6.93	6.93	6.65
CPI (% y/y) pe	22.42	16.69	13.58	10.63	10.25	11.98	11.77	11.39	11.10	10.65	10.53	10.31	10.02	9.58	9.46	9.24
BOG MPR (%) pe	28.00	28.00	27.00	24.00	21.00	18.00	16.00	16.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00
3-m rate (%) pe	15.71	13.76	11.98	12.32	12.65	11.23	11.52	11.87	11.98	10.56	10.85	11.20	11.31	15.35	15.63	15.98
6-m rate (%) pe	16.93	14.56	12.78	13.02	13.45	12.03	12.32	12.67	12.78	11.36	11.65	12.00	12.11	16.15	16.43	16.78
USD/GHS pe	15.50	10.28	11.10	11.50	11.56	12.00	12.30	12.70	12.90	13.14	13.40	13.57	13.84	14.61	14.82	15.38

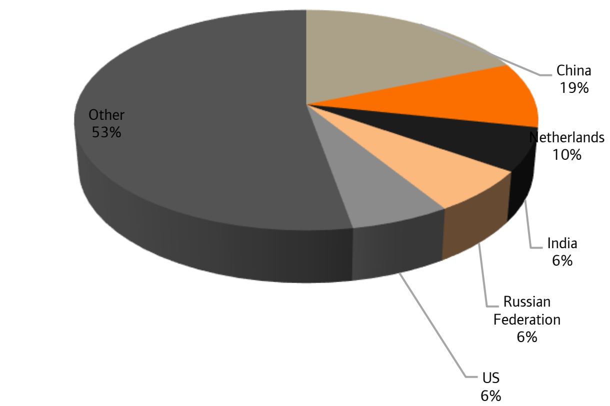
Source: Bank of Ghana; Ghana Statistical Service; Bloomberg; Ministry of Finance; Standard Bank Research

Ghana's top 5 exports destination (% of total)



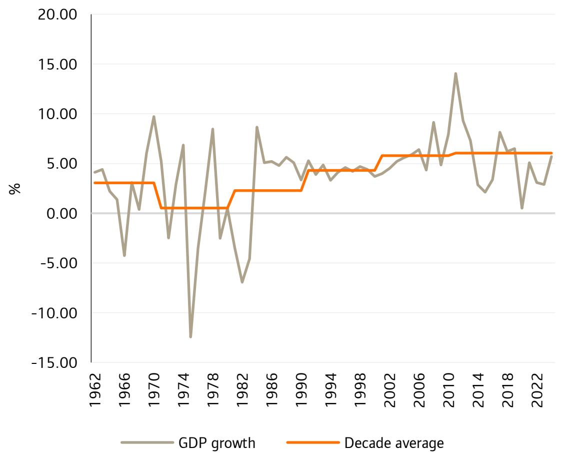
Source: International Trade Centre

Ghana's top 5 imports origin (% of total)



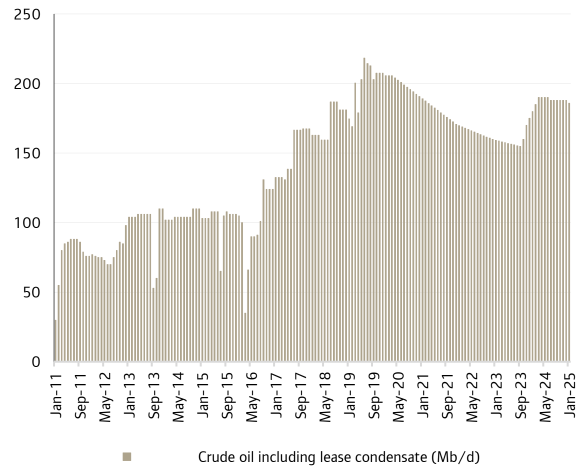
Source: International Trade Centre

Long-term GDP performance



Source: World Bank

Oil production



Source: US Energy Information Administration

Balance of payments: larger C/A surplus

In 2025, the C/A surplus may exceed the USD2.0bn we had forecast in the Jan 2025 AMR. We now see the C/A surplus at USD7.3bn in 2025 and USD3.5bn in 2026 (our forecast was USD0.5bn before).

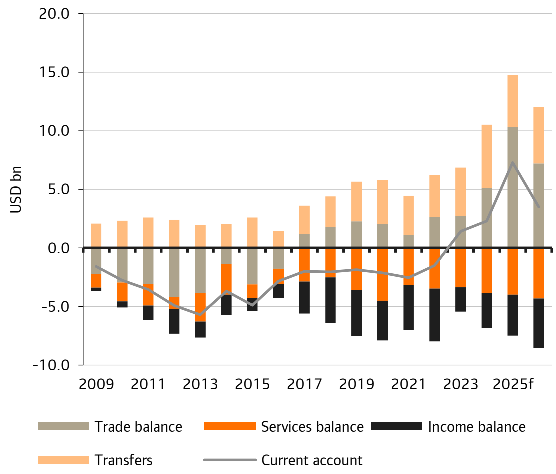
In the 4-m to Apr 2025, cumulative gold exports rose to USD5.2bn, from USD3.0bn during the same period in the year before. The government is confident that formation of the GoldBod will boost gold exports through increased formalisation of the sector. We expect gold exports to remain elevated over the coming year in large part due to our view that international prices will likely remain high amidst ongoing geopolitical risks.

Cocoa exports too were robust in the first 4-m of 2025, rising to a cumulative USD1.8bn, from USD580m in the same period the year before. With cocoa prices expected to remain elevated, cocoa exports may remain on an upward trajectory over the coming year. However, domestic production of cocoa beans remains a concern, and may drag exports lower, should issues such as illegal mining not be addressed.

Cumulative imports of goods increased marginally, to USD5.2bn in the 4-m to Apr 2025, from USD5.1bn in the 4-m to Apr 2024. With inflationary pressures expected to ease over the coming year and the MPC therefore likely to lower interest rates, we expect consumer goods imports to continue to rise over this period.

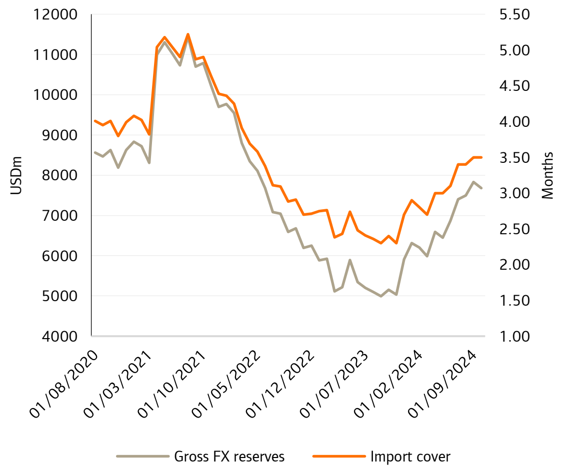
Gross FX reserves have remained on upward trajectory, rising to USD10.7bn (4.7-m of import cover) in Apr 2025, from USD9.0bn (4.0-m) in Dec 2024. Further funding under the current IMF programme, which expires in 2026, and the Bank of Ghana's (BoG) ongoing domestic gold purchase programme should underpin FX reserves despite higher external debt service over the coming year.

Current account developments



Source: Bank of Ghana; Standard Bank Research

FX reserves



Source: Bank of Ghana

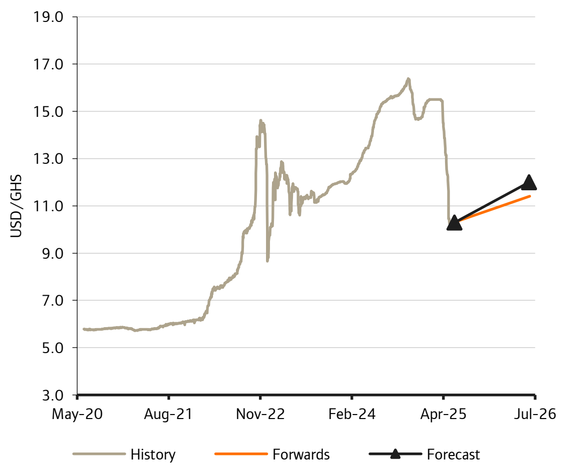
FX outlook: bias for moderate GHS weakness

We expect the USD/GHS to edge higher to 11.5-12.0 by Dec 2025. The GHS has appreciated by around 35% since Apr 2025 against the USD, driven in large part by the BoG's FX sales to the market via funded forwards.

At the time of writing, the BoG continued to intervene via 2-d, and now more recently 7-d, FX funded forwards. However, despite intervention amounts remaining unchanged, profit-taking from foreign portfolio investors perhaps stemmed the rapid decline in USD/GHS.

Per our REER model, the GHS is now around 48% overvalued. However, a gradual uptick in import demand, the domestic gold purchase programme, which should support FX reserves, and a further recovery in foreign portfolio investment should continue to ensure measured GHS depreciation.

USD/GHS: forwards versus forecasts



Source: Bloomberg; Standard Bank Research

Monetary policy: easing still expected

We still expect the MPC to cut they key policy rate by around 400-600 bps in H2:25.

The MPC surprised the market by hiking the Monetary Policy Rate (MPR) in Mar 2025 by 100 bps, to 28.0%. This pre-emptive move was probably to ensure that disinflation remains on course. Additionally, the BoG probably had to maintain a hawkish posture after falling behind in Q1:25 on their inflation targets under the current IMF programme.

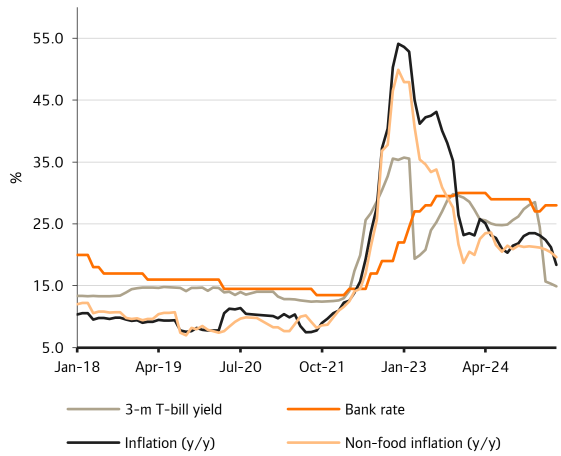
Broadly in line with our expectations from the Jan 2025 AMR, headline inflation eased to 18.4% y/y in May 2025, from 22.4% y/y in Mar 2025 and 23.5% y/y in Jan 2025. We see headline inflation declining further, to 13.6% y/y in Sep 2025 and 10.6% y/y in Dec 2025. Thereafter, headline inflation will likely average 11.0% y/y in H1:26.

However, with the IMF pushing the authorities to address the inefficiencies in the energy sector amidst a notable arrears backlog, power tariffs may still be adjusted further upwards over the coming year, which may fuel second-round effects and drive higher other prices within the economy. Electricity prices were increased by an average of 14.75% in May.

That said, following the recent sharp GHS appreciation since Apr 2025, upside pressure on imported inflation will likely be curtailed, and therefore bode well for inflation dynamics.

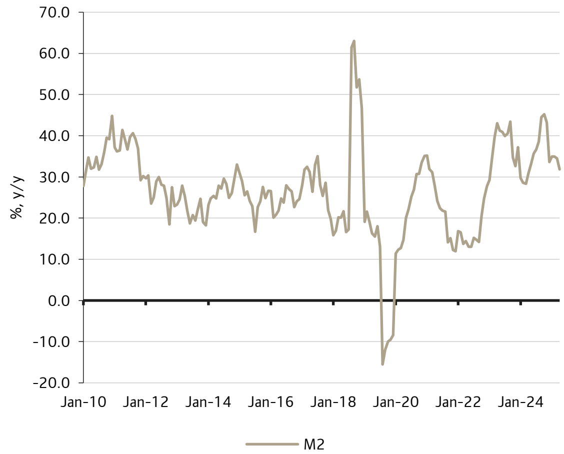
While the BoG's FX sales to banks may be viewed as a contractionary monetary policy stance, the BoG is likely utilising the GHS they purchase for their domestic gold purchase programme, where miners receive GHS. Indeed, this would imply that the BoG would still have to remain nimble to sterilise any excess GHS liquidity build-up, which perhaps explains the introduction of the 273-d OMO in Jun 2025.

Inflation and interest rates



Source: Bank of Ghana; Ghana Statistical Service

M2 money supply growth



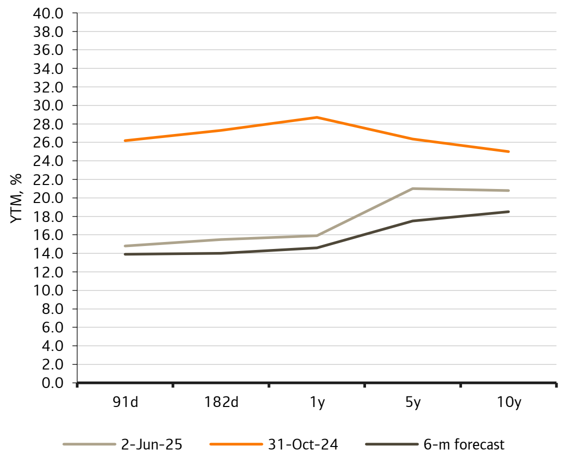
Source: Bank of Ghana

Yield curve outlook: likely to decline further

We expect yields across the curve to edge further down in H2:25. T-bill yields fell sharply in H1:25 as commercial banks were initially concerned that the authorities would mop up public sector deposits from the banking system. While this didn't transpire, local investors piled into T-bills in anticipation that yields would drop because the government's domestic funding needs might have eased.

Now, with headline inflation expected to continue easing in H2:25, and the MPC likely to lower the MPR, T-bill yields will probably continue to ease over this period. The government is still expected to re-open the GHS bond market in H2:25, which may also ease some of the issuance burden from the T-bill market. Foreign portfolio investment may increase in GHS bonds, albeit moderately, following the recent appreciation of the GHS.

Changes in the yield curve



Source: Bank of Ghana; Standard Bank Research

Fiscal policy: near-term consolidation likely

In the FY2025 budget, which had been delayed to Mar 2025, the government noted the fiscal deficit on a cash basis as likely to decline to 4.1% of GDP, from 5.2% of GDP in FY2024.

On a commitment basis, the fiscal deficit is seen easing to 3.1% of GDP in FY2025, from 7.9% of GDP in FY2024. Notably, the stock of the government's domestic arrears has been reported at GH67.5bn (5.7% of GDP). However, this is subject to an audit for validation.

Per the FY2025 budget speech, unpaid legacy arrears owed to Independent Power Producers (IPP) stood at USD1.3bn as at end 2022. The COCOBOD also has outstanding debt amounting to GHS32.5bn, with c.GHS9.7bn due to be repaid at end Sep 2025.

Total revenue and grants are seen at GHS224.9bn (16.1% of GDP) in FY2025, from GHS186.6bn (15.9% of GDP) in FY2024. Meanwhile, total expenditure on a commitment basis is seen at GHS268.8bn (19.2% of GDP) in FY2025, from 23.7% of GDP in FY2024. Capital expenditure is expected to rise to GHS32.9bn, from GHS28.7bn. The government still has USD3.0bn in undisbursed loans that were affected by the recently concluded bilateral debt restructuring, which has stalled 55 development projects across the country.

Net domestic financing reduces to GHS36.9bn in FY2025, from GHS41.5bn in FY2024. The Ministry of Finance is concerned about the large domestic debt service requirements in 2027 and 2028, which rise to GHS57.6bn and GHS52.5bn respectively, from GHS18.4bn in FY2025 and GHS21.8bn in FY2026.

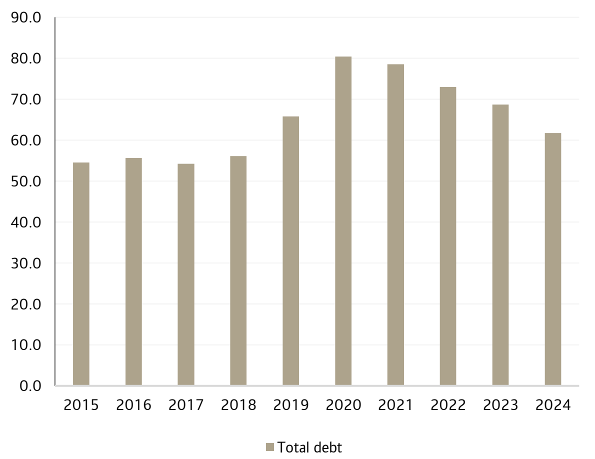
Meanwhile, net foreign financing is still stable, at GHS21.4bn in FY2025, but then slows to GHS -11.4bn in FY2026, largely due to a sharp rise in external debt amortization of GHS23.0bn, from GHS9.1bn in FY2025.

Central government budget % GDP

	FY2023	FY2024	FY2025
Total revenue and grants	16.20%	15.90%	16.10%
Total expenditure	19.90%	23.70%	19.20%
Wages	6.04%	5.70%	5.50%
Interest payments	3.49%	4.00%	4.60%
Development expenditure	2.51%	2.50%	2.40%
Overall Balance (Commitment)	-3.70%	-7.90%	-3.10%

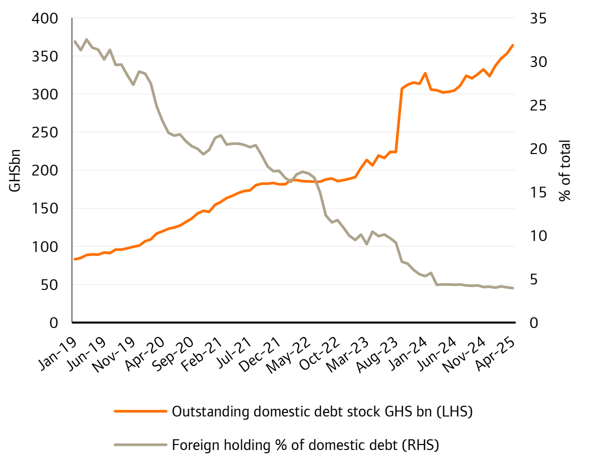
Source: Ministry of Finance

Total debt (% of GDP)



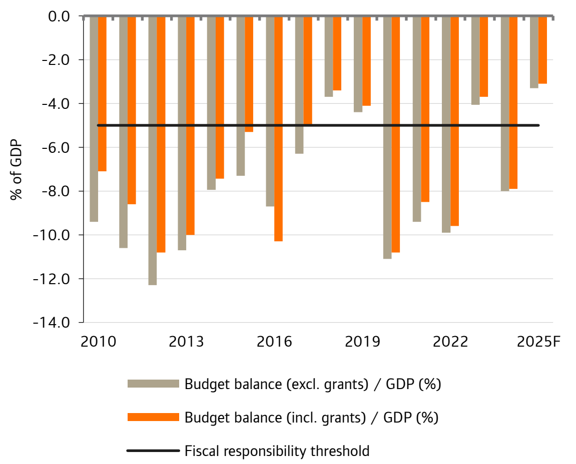
Source: Ministry of Finance

Foreign holdings of domestic debt



Source: Central Securities Depository

Fiscal balance



Source: Ministry of Finance

Annual indicators

	2020	2021	2022	2023	2024e	2025f	2026f
Output							
Population (million)	30.7	31.3	32.1	32.9	33.7	34.5	35.2
Nominal GDP (GHS bn)	392	462	614	887	1176	1443	1693
Nominal GDP (USD bn)	68	78	66	76	81	119	139
GDP / capita (USD)	2 228	2 491	2 071	2 295	2 390	3 457	3 967
Real GDP growth (%)	0.5	5.1	3.8	3.1	5.8	5.5	6.1
Cocoa bean production ('000 MT)	771	1 047	822	1050	630	1 137	1 059
Oil production (k bpd)	199	180	165	160	188	162	157
Central Government Operations							
Budget balance (excl. grants) / GDP (%)	-11.1	-9.4	-11.8	-4.1	-8.0	-3.3	-0.8
Budget balance (incl. grants) / GDP (%)	-10.8	-8.5	-9.6	-3.7	-7.9	-3.1	-0.6
Domestic debt / GDP (%)	40.7	41.9	33.6	29.0	26.3	28.90	31.60
External debt / GDP (%)	39.7	36.6	39.4	39.7	35.4	25.23	23.03
Balance Of Payments	80.4						
Exports (USD bn)	14.5	14.7	17.3	16.7	20.5	26.2	24.7
Imports (USD bn)	-12.4	-13.6	-14.6	-14.0	-15.4	-15.9	-17.5
Trade Balance	2.0	1.1	2.7	2.7	5.1	10.3	7.2
Current account (USD bn)	-2.1	-2.5	-1.5	1.4	2.3	7.3	3.5
- % of GDP	-3.1	-3.3	-2.3	1.9	2.8	6.1	2.5
Capital & Financial account (USD bn)	2.9	3.3	-1.9	-0.7	0.8	1.3	2.1
- FDI (USD bn)	1.3	2.4	1.5	1.3	1.4	1.7	1.9
Basic balance / GDP (%)	1.1	1.0	-5.1	0.9	3.8	7.2	4.0
Gross FX reserves (USD bn) pe	8.6	9.7	6.1	5.9	8.9	11.3	10.6
- Import cover (months) pe	4.0	4.3	2.6	2.7	4.0	5.1	4.8
Sovereign Credit Rating							
S&P	B-	B-	SD	SD	SD	B-	B-
Moody's	B3	B3	Ca	Ca	Caa2	B3	B3
Fitch	B	B	C	RD	RD	B-	B-
Monetary & Financial Indicators							
Consumer inflation (%) pa	9.9	10.0	31.5	40.3	22.9	17.2	11.3
Consumer inflation (%) pe	10.4	12.6	54.1	23.2	23.8	10.6	11.4
M2 money supply (% y/y) pa	23.0	19.8	17.1	38.1	35.7	33.6	32.6
M2 money supply (% y/y) pe	35.1	11.9	27.8	37.2	33.6	39.8	27.5
BOG prime rate (%) pa	14.9	14.0	21.3	29.8	28.0	26.8	17.8
BOG prime rate (%) pe	14.5	14.5	27.0	30.0	27.0	24.0	16.0
3-m rate (%) pe	14.1	12.6	35.4	32.4	28.0	12.3	11.9
1-y rate (%) pe	17.0	16.6	36.1	32.5	28.7	13.6	13.0
2-y rate (%) pe	19.1	20.3	55.0	29.0	28.0	16.0	15.7
5-y rate (%) pe	19.7	21.7	67.5	29.0	26.4	17.5	17.0
USD/GHS pa	5.73	5.92	9.24	11.75	14.60	12.10	12.14
USD/GHS pe	5.87	6.18	10.10	11.96	14.70	11.50	12.70

Source: Bank of Ghana; Ghana Statistical Service; Bloomberg; Ministry of Finance; Standard Bank Research

Kenya: recovery underway – but IMF/World Bank in limbo

Medium-term outlook: aggregate demand to bounce back on stable macro environment

We lower our forecast for GDP growth to 4.9% y/y for 2025 and increase growth for 2026 to 5.4% y/y. Aggregate domestic demand is anticipated to recover modestly in 2025 amid lower inflation, lower interest rates, and a stable political and social environment relative to 2024 – though headwinds prevail.

While high-frequency indicators have pointed to growing momentum in H1:25, the economy is in a fragile state. Consumer confidence remains weak, with household consumption still constrained by increased taxes and statutory deductions as well as increased uncertainty about prospects.

The agrarian sector could weaken in 2025 due to lower rainfall and drier conditions in Q4:24 and H1:25 affecting production. Indeed, tea production in Q1:25 dropped 18.8% due to harsher weather in tea-growing areas. Still, projected above-average rainfall for Q3:25 could be favourable for short-term crops, cereal and sugar production in western Kenya. Further, state interventions may support activity. The government has leased out sugar factories in western Kenya to private sector operators and has written-off debt of KES65.78bn to revitalise the sector.

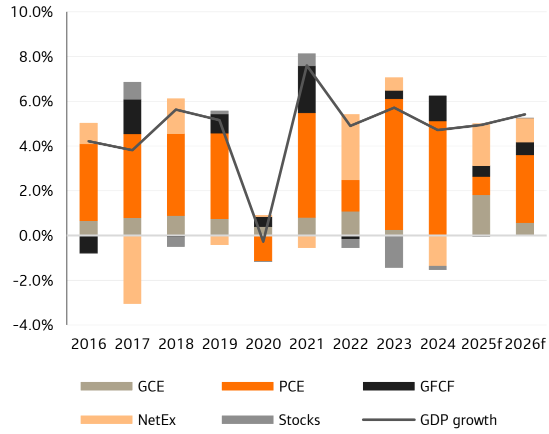
Infrastructural development could pick up from H2:25 following recent Kenya-China high-level discussions to extend the Standard Gauge Railway (SGR) between Naivasha-Kisumu-Malaba. Further, the dualling of the major roads, such as Nairobi-Nakuru-Malaba highway, may revitalise the construction sector.

In the roads sector, the government has securitized pending bills owed to road contractors totalling c.USD7bn, or 10% of outstanding pending bills, though this potentially increases the debt burden of the country over the medium term as it ringfences a portion of the fuel levy, implying that the government would need to raise additional resources to fund future infrastructure and/or increase the cost of fuel if they hike the levy further and pass it on to consumers. The government is likely to continue pursuing creative strategies to invest in infrastructure.

Downside risks to our view include still limited fiscal space, slow progress on pending bills, the possibility of weather-related shocks, a larger-than-expected impact of trade tensions, and the withdrawal of aid. Of concern as well is the deterioration in business conditions and the increased cost of doing business, which the government would need to rectify to encourage investment. Further, a flare-up of social tensions could dent growth.

Growth in 2024 was confirmed at 4.7% y/y, from 5.7% y/y in 2023, reflecting a broad slowdown in several sectors spanning agriculture, services and industrial subsectors. This slowdown was due to a decline in public spending on development as government consolidates the fiscus as well as tight monetary environment amidst social pressures.

GDP contribution by demand



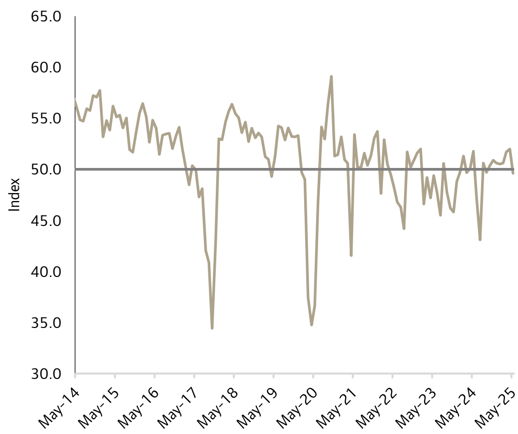
Source: Kenya National Bureau of Statistics

Contribution to GDP by sector

% of GDP	2022	2023	2024
Agriculture	21.0	21.5	22.5
Mining & quarrying	0.9	0.7	0.7
Manufacturing	7.7	7.5	7.3
Electricity & water	1.8	2.2	2.2
Construction	7.1	6.7	6.3
Wholesale & retail trade	7.7	7.7	7.5
Accommodation	1.1	1.3	1.6
Transport & storage	13.2	13.2	12.7
ICT	2.3	2.3	2.2
Financial & insurance	7.4	7.8	7.9
Public administration	5.0	4.9	5.0
Real estate	8.5	8.4	8.4
Education	4.0	3.8	3.8

Source: Kenya National Bureau of Statistics

Stanbic Kenya PMI



Source: S&P Global

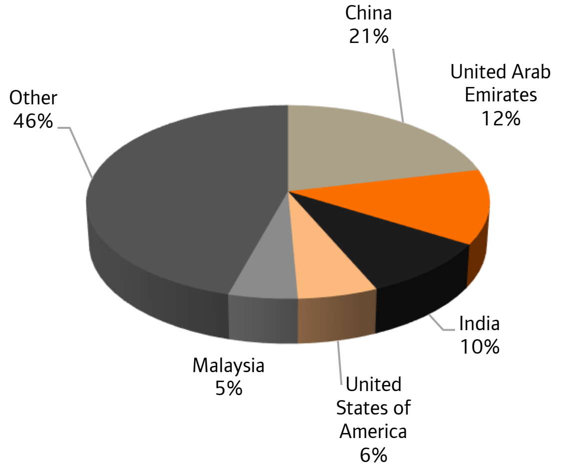
Medium-term economic growth forecasts

	Q1:25	Q2:25	Q3:25	Q4:25	Q1:26	Q2:26	Q3:26	Q4:26	Q1:27	Q2:27	Q3:27	Q4:27	Q1:28	Q2:28	Q3:28	Q4:28
Base scenario																
GDP (% y/y) pa	5.3	4.9	4.8	4.6	6.2	6.6	4.3	4.6	3.8	3.3	6.7	3.9	5.4	5.4	4.2	6.7
CPI (% y/y) pe	3.6	4.0	4.8	5.0	5.7	6.1	5.9	6.2	5.9	5.7	5.8	5.8	6.6	7.3	7.4	7.8
CBK policy rate (%) pe	10.75	9.75	9.50	9.25	9.00	9.00	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	9.00	9.00
3-m rate (%) pe	8.8	7.8	8.2	8.2	8.3	8.8	8.7	8.9	8.8	8.4	7.8	7.6	7.7	8.1	8.6	8.9
6-m rate (%) pe	9.1	8.3	8.5	8.9	9.7	10.5	10.2	9.6	9.7	10.1	10.0	10.0	9.9	9.4	9.6	9.6
USD/KES pe	129.4	129.9	130.7	130.7	130.6	130.2	129.9	129.9	132.3	135.9	137.7	137.8	138.4	140.4	142.7	142.7

Source: Central Bank of Kenya; National Treasury; Kenya National Bureau of Statistics; Bloomberg; Standard Bank Research

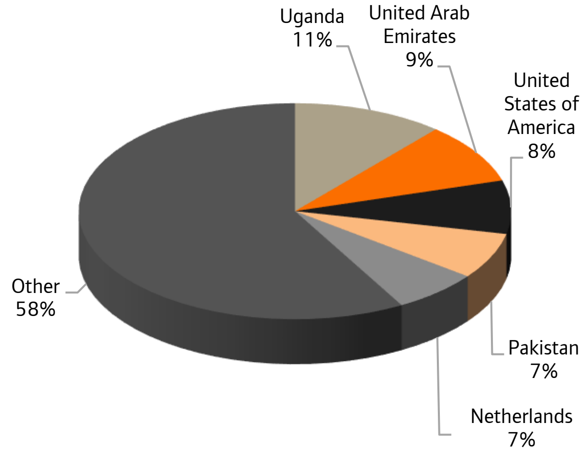
Notes: pe – period end; pa –a period average

Kenya's top 5 imports origins (% of total)



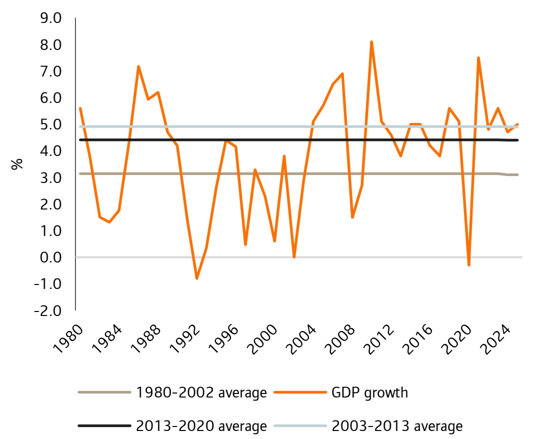
Source: International Trade Centre

Kenya's top 5 exports destinations (% of total)



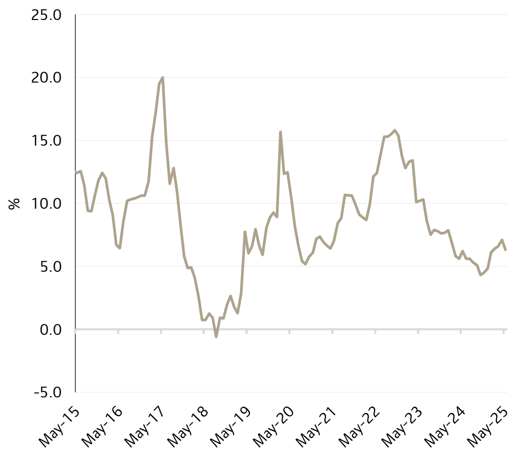
Source: International Trade Centre

Long-term GDP performance



Source: Kenya National Bureau of Statistics, World Bank

Food inflation



Source: Kenya National Bureau of Statistics

Balance of payments: wider C/A deficit in the near term; FX reserves to be boosted by central bank purchases and external financing

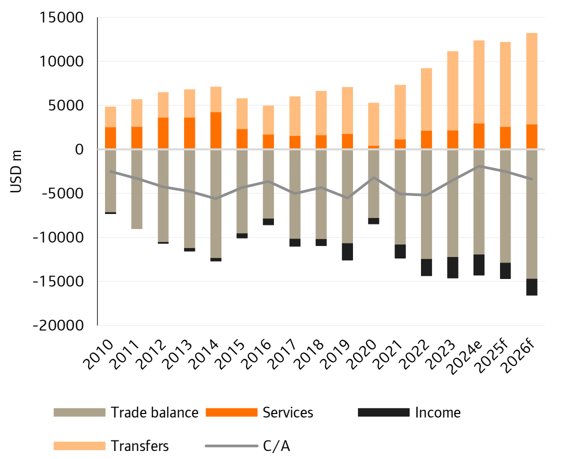
We now trim our C/A deficit forecasts to 1.8% of GDP in 2025 and 2.2% in 2026. The trade balance could widen by 7.8% y/y, driven by higher rate growth for imports of goods compared to growth rate for exports amid an anticipated recovery in aggregate demand.

Exports may now increase at a modest pace of 4.8-5% y/y in 2025 because of weaker export sales volumes for Kenya's key agricultural commodities such as tea, vegetables, fruit and cut flowers. For instance, in Q1:25, tea production and auction sales declined by 18.8% and 16.2% respectively, while horticultural exports declined by 3%, reflecting lower-than-expected rainfall and dry weather in Q1:25. Besides, diaspora remittances growth weakened to 3% y/y in the 4-m in 2025, compared to 20% y/y in 2024. The risks are skewed to the downside from weaker spending power in source markets for remittances due to weaker global growth expectations. Imports may rise 6.1% in 2025, reflecting increased imports of machinery, transport equipment, wholesale and retail goods as well as inputs for manufacturing. Further, heightened geopolitical tensions in the Middle East may result in having to increase oil imports.

Gross FX reserves may hover at USD9-11.5bn in H2:25. Whereas external debt service to be paid in H2:25 is estimated at USD2-2.5bn, the authorities could receive USD600-800m from a delayed World Bank Development Policy Operation (DPO) budget support loan. The government could access a commercial loan from the UAE of c.USD1bn, additionally, a Panda bond, Samurai bond and a sustainability-linked bond may be issued in FY2025/26, which would underpin FX reserves. There is still the possibility of a funded IMF programme later in the year.

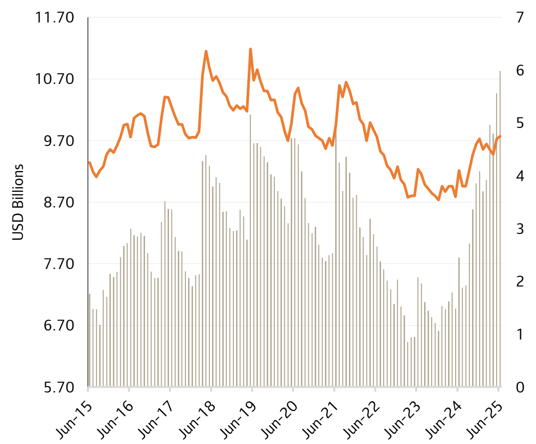
The risks would be heightened significantly, were the government not to receive multilateral support, specifically from the World Bank DPO and a new IMF programme in H2:25.

Current account developments



Source: Kenya National Bureau of Statistics, Standard Bank Research

Foreign exchange reserves



Source: Central Bank of Kenya, Bloomberg

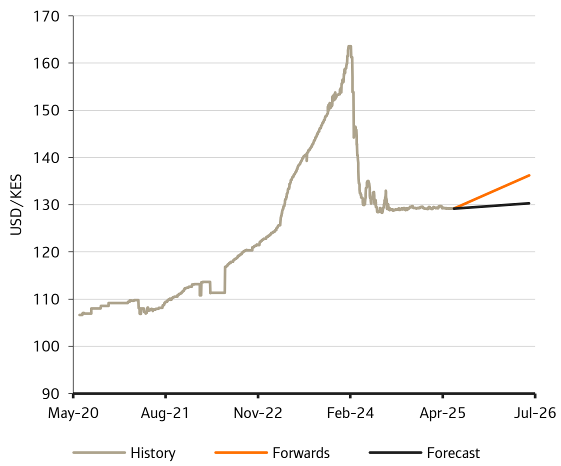
FX outlook: further currency stability in H2:25

We still expect the USD/KES pair to trade around 129-130 in H2:25, possibly closing at 130.7 in Dec 2025 and 129.9 in Dec 2026.

USD/KES will likely be underpinned by a favourable current account position, expectations of portfolio inflows, and a pipeline of external funding leading to balance of payments surplus. Thus, FX supply could outweigh demand in H2:25 due to resilient exports of tea, tourism receipts and remittances, at a time when import demand remains subdued. In Q3:25, dividend repatriation by corporates may increase FX demand.

With FX reserves projected at USD9-11bn in H2:25, the KES may trade within a narrow range over the next 6-m. However, there may be upside risk from any escalation of geopolitical tensions in the Middle East and were Kenya to fail to secure a World Bank DPO and/or a funded IMF programme beyond Dec 2025.

USD/KES: forwards versus forecasts



Source: Bloomberg; Standard Bank Research

Monetary policy: easing cycle to end in H2:25

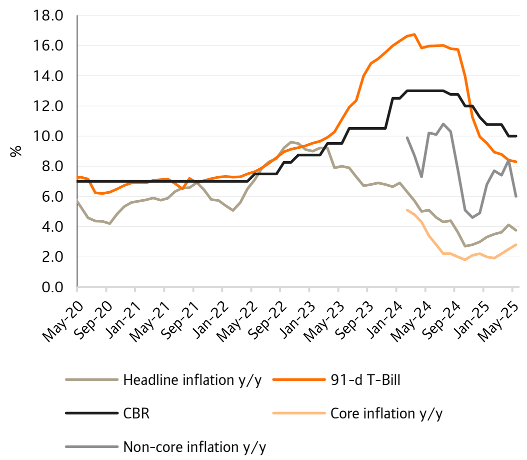
The MPC may cautiously lower the policy rate by 75 bps in H2:25 as the MPC may be nearing the end of this cycle. Since the start of 2025, the central bank has adjusted the central bank rate (CBR) by 150 bps, from 11.25%, to 9.75%, and lowered the cash reserve ratio by 100 bps, to 3.25%, to complement lowering the policy rate.

The task ahead will be to spur economic growth given the slow pace of recovery. The MPC would want to offer further stimulus but ensure that the gains, made on containing inflation and inflation expectations, are not eroded. Of concern will be still rising non-performing loans ratio that are linked to the government's struggle in addressing pending bills, estimated at KES705bn as of Dec 2024. Additionally, the MPC would want to see stronger private sector credit growth in H2:25. A narrow interest rate differential between the CBR and the US federal funds rates or US treasuries relative to KENIBs could be come into play, likely restraining how low the MPC may cut the policy rate.

We see inflation rising to 5.0% y/y in Dec 2025 and 5.8-6.2% y/y by Jun 2026. The IGAD Climate Prediction and Applications Centre (ICPAC) projects 55% above-average rainfall in parts of western Kenya, implying favourable outcomes for the agrarian sector in H2:25, which might mean that food inflation could trend lower in H2:25. However, the ongoing tensions in the Middle East pose upside risk. Further, inflation and inflation expectations may rise due to volatile international oil prices putting pressure on the exchange rate, resulting in higher fuel inflation.

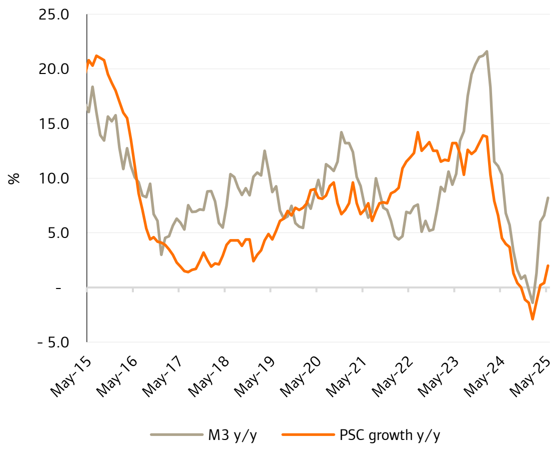
Private sector credit growth and money supply growth should recover back above the 10-y average of 7.6% y/y and 9% y/y respectively in H2:25, following improvements to 2% and 8.2% y/y H1:25.

Inflation and interest rates



Source: Kenya National Bureau of Statistics, Central Bank of Kenya

Monetary aggregates



Source: Central Bank of Kenya

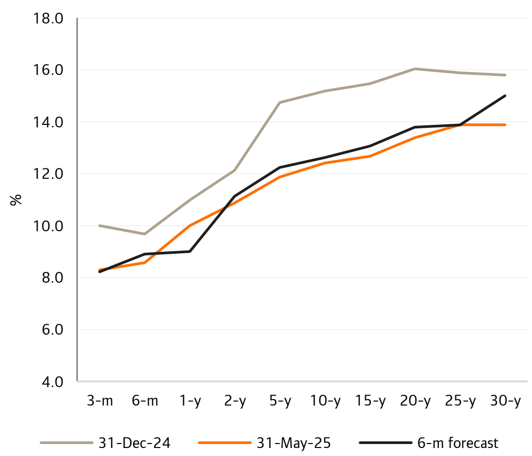
Yield curve outlook: stable curve in H2:25

We project a stable curve in H2:25. We believe that the abundance of liquidity in the system should keep interest rates across the curve steady in H2:25, even though the government has increased the net domestic borrowing requirement for FY2025/26 to KES635.5bn, or 3.3% of GDP.

It is conceivable that the authorities may issue another infrastructure bond in Aug 2025 to coincide with the coupon payments for KENIBs 2032s. Debt redemptions are lower in H2:25, at KES674bn, down from KES771bn, which should keep yields steady.

However, upside risks to our view could be the government failing to secure external financing from both the IMF and the World Bank in H2:25, implying that the government may need to increase the net domestic borrowing requirement, thereby putting upward pressure on yields.

Changes in the yield curve



Source: Standard Bank Research

Fiscal policy: wider budget deficit in H2:25

The government has presented an expansionary budget amid underperforming revenue from a weak economy. The fiscal consolidation path was revised wider, considering increased spending pressures from social sectors such as education and healthcare.

For FY2025/26, the fiscal deficit including grants is estimated to narrow to 4.8% of GDP, from a projected outturn of 5.7% for FY2024/25. Total revenue is set to rise to KES3.32tn, or 17.5% of GDP in FY2025/26, while total expenditure has been bumped up to KES4.29tn, or 22.3% of GDP.

Notably, the government is focused on rolling out a raft of reforms, such as the unified payroll system, meant to weed out ghost workers, and mandatory e-procurement for the public sector. This is in line with reform conditions that would help to unlock funding from the World Bank early in the fiscal year. Other conditions include the adoption of the Conflict-of-Interest Bill and Social Protection Bill.

For deficit financing, the government targets receiving c.USD750bn from World Bank DPO funding. Other funding pencilled in includes commercial financing of USD1bn, which could be UAE funding, a Samurai bond, Panda bond and/or sustainability-linked bond.

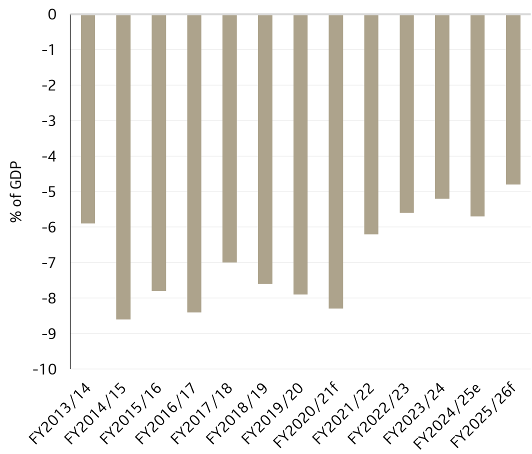
Total debt service is still high estimated at 9-10% of GDP, with interest payments alone at 5.7% of GDP, while external debt service over the near term is bulky, at c.USD4.5bn in FY2025/26. Therefore, having a funded IMF programme, however small, as well as sound liability management, remain critical. Alternatively, without an IMF programme, the government would need to demonstrate fiscal prudence over the medium term. However, with an election due in 2027, climate-related risks and still elevated social and political pressures, the risks of fiscal slippage remain high.

Central government budget

% of GDP	FY2023/24	FY2024/25e	FY2025/26f
Total revenue	16.8	17.3	17.5
Total expenditure	22.4	23.0	22.3
Recurrent	16.6	16.9	16.2
Wages	3.6	3.6	3.3
Interest	5.2	5.7	5.7
Development	3.4	3.5	3.3
Overall balance (+ grants)	-5.2	-5.7	-4.8
Overall balance (- grants)	-5.6	-6.0	-5.0
Net external borrowing	1.4	1.6	1.5
Net domestic borrowing	3.7	4.1	3.3
Donor support	0.1	0.3	0.2

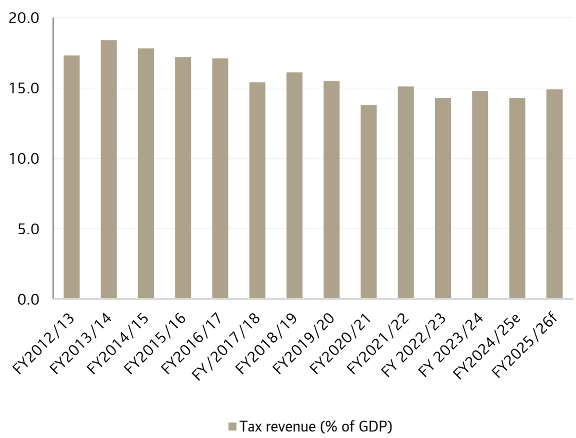
Source: National Treasury

Fiscal deficit including grants



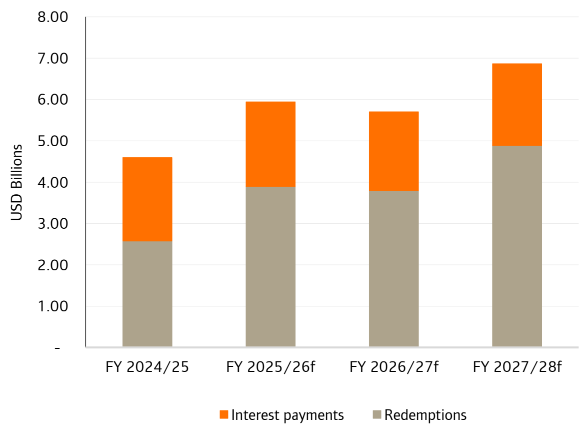
Source: National Treasury

Tax revenue (% of GDP)



Source: National Treasury

External debt service in USD bn



Source: National Treasury

Annual indicators

	2020	2021	2022	2023	2024e	2025f	2026f
Output							
Population (million)	48.8	49.7	50.6	51.5	52.4	53.3	54.2
Nominal GDP (KES bn)	10 715.1	12 027.7	13 489.6	15 033.6	16 224.5	17 759.3	19 841.9
Nominal GDP (USD bn)	100.6	109.1	114.1	104.2	125.0	136.4	152.4
GDP / capita (USD)	2 062	2 195	2 254	2 024	2 386	2 559	2 812
Real GDP growth (%)	-0.3	7.6	4.9	5.7	4.7	4.9	5.4
Coffee production ('000 tons)	24.4	28.2	41.9	32.4	44.9	39.0	40.0
Tea production ('000 tons)	569.5	537.8	533.3	570.4	598.5	608.8	627.5
Central Government Operations							
Budget balance (excl. grants) / GDP (%)	-8.1	-8.5	-6.5	-6.1	-5.6	-6.0	-5.0
Budget balance (incl. grants) / GDP (%)	-7.8	-8.4	-6.2	-5.6	-5.2	-5.7	-4.8
Domestic debt / GDP (%)	26.3	27.6	33.9	33.8	34.2	34.5	35.0
External debt / GDP (%)	34.6	35.4	37.5	38.1	32.5	31.2	29.7
Balance of Payments							
Exports of goods (USD bn)	7.5	9.0	11.5	14.1	15.4	16.2	17.7
Imports of goods (USD bn)	15.3	19.9	24.0	26.4	27.4	29.1	32.4
Trade balance (USD bn)	-7.8	-10.8	-12.5	-12.3	-12.0	-12.9	-14.7
Current account (USD bn)	-3.2	-5.1	-5.2	-3.5	-1.9	-2.5	-3.4
- % of GDP	-3.2	-4.6	-4.5	-3.4	-1.3	-1.8	-2.2
Financial account (USD bn)	1.9	5.5	4.2	2.7	5.3	4.5	4.3
- FDI (USD bn)	0.7	0.4	0.4	0.2	0.4	0.6	0.6
Basic balance / GDP (%)	-2.5	-4.2	-4.2	-3.1	-1.2	-1.4	-1.8
FX reserves (USD bn) pe	7.8	8.8	7.4	6.6	9.2	11.2	12.1
- Import cover (months) pe	4.8	5.4	4.2	3.5	4.7	5.9	6.7
Sovereign Credit Rating							
S&P	B+	B	B	B	B-	B-	B-
Moody's	B2	B2	B2	B3	Caa1	Caa1	Caa1
Fitch	B+	B+	B+	B	B-	B-	B-
Monetary & Financial Indicators							
Consumer inflation (%) pa	5.4	6.2	7.9	7.6	4.2	4.4	6.0
Consumer inflation (%) pe	5.6	5.7	9.1	6.6	3.0	5.0	6.2
M3 money supply (% y/y) pa	9.9	9.4	11.1	10.4	10.0	11.3	10.5
M3 money supply (% y/y) pe	13.2	8.7	14.5	12.6	0.8	15.2	18.6
Policy interest rate (%) pa	7.3	7.0	7.9	10.8	12.2	9.8	8.6
Policy interest rate (%) pe	7.0	7.0	8.8	12.5	11.3	9.3	8.3
3-m rate (%) pe	6.9	7.3	9.4	16.0	9.9	8.2	8.9
1-y rate (%) pe	8.3	8.9	10.4	16.1	14.8	10.0	11.8
2-y rate (%) pe	9.3	9.8	12.4	17.9	14.9	11.4	12.9
5-y rate (%) pe	10.5	11.4	13.8	17.5	15.0	12.5	13.7
USD/KES pa	106.5	110.2	118.3	144.2	129.8	130.2	130.2
USD/KES pe	109.6	113.1	123.4	156.1	129.3	130.7	129.9

Source: Central Bank of Kenya; National Treasury; Kenya National Bureau of Statistics; Bloomberg; Standard Bank Research

Notes: pe – period end; pa –a period average

Malawi: loss of IMF programme a low blow

Medium-term outlook: presidential race draws near

The upcoming presidential election, scheduled for 16 Sep 2025, add an element of political uncertainty to the economic landscape. Incumbent President Lazarus Chakwera of the Malawi Congress Party (MCP) has secured his party's support for a second term bid. However, his chances of retaining power may depend on his party finding a strong alliance partner, as the United Transformation Movement (UTM) has withdrawn from the coalition following the death of former vice president Saulos Klaus Chilima. Former president Peter Mutharika, of the Democratic Progressive Party (DPP), is aiming for a political comeback. With no clear frontrunner, coalition-building will be crucial.

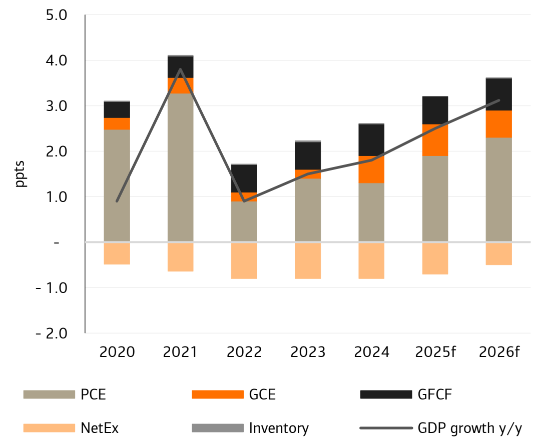
We forecast Malawi's economy to grow by 2.5% y/y in 2025, following growth of 1.8% y/y in 2024. Malawi's economic outlook for 2025 presents a cautiously optimistic picture. Growth is expected to be driven primarily by a rebound in agriculture and tourism, alongside increased investments in the mining sector. Malawi's economy in 2025 remains structurally anchored in agriculture, though efforts towards diversification are gradually reshaping its sectoral composition.

Agriculture accounts for 20-23% of Malawi's GDP and employs over 80% of the population. The sector is primarily rain-fed and therefore highly vulnerable to climate shocks, such as droughts and floods, which can significantly affect national output and food security. Key crops include maize, tobacco, tea, sugar and groundnuts. Tobacco remains the largest export earner.

The services sector contributes approximately 50-55% of GDP, making it the largest in terms of output. Tourism, a promising sub-sector, is recovering, and the government is investing in digital infrastructure and financial inclusion to boost productivity and access to services. In 2025, industrial growth is being constrained by foreign exchange shortages, limiting the importation of raw materials and machinery.

Fiscal and monetary policies have faced significant challenges, culminating in the termination of Malawi's USD175m Extended Credit Facility programme with the International Monetary Fund (IMF), after only USD35m was disbursed. The ECF programme, initiated in Nov 2023, automatically expired after no review has been completed over an 18-m period, due to the government's failure to meet programme targets, including maintaining fiscal discipline. The IMF cited unsustainable external debt, incomplete debt restructuring, and a problematic foreign exchange system as key issues. In response, the Malawian government plans to negotiate a new IMF programme after the presidential election, aiming to restore macroeconomic stability.

Composition of GDP by demand



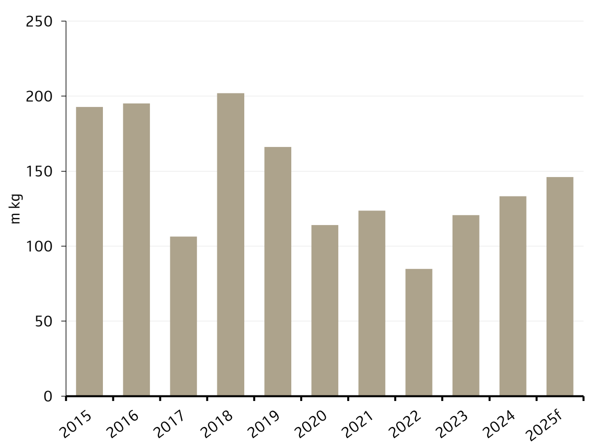
Source: Reserve Bank of Malawi; National Statistical Office; Standard Bank Research

GDP composition by sector

	2017	2020	2023
Agriculture, forestry & fishing	22.9	22.6	22.2
Mining & quarrying	0.7	0.7	0.7
Manufacturing	11.3	12.2	11.7
Electricity gas &water supply	2.7	3.0	2.8
Construction	3.1	3.3	3.4
Wholesale and retail trade	12.7	12.5	11.5
Transport and storage	4.5	4.3	4.5
Accommodation and food	1.5	1.1	1.2
Information and communication	5.2	5.9	6.2
Financial and insurance services	5.9	6.2	6.7
Real estate activities	7.1	6.6	6.6
Professional & support services	1.2	1.2	1.2
Public administration & defence	3.1	3.2	3.4
Education	4.3	4.0	4.1
Health and social work activities	5.9	5.8	5.7
Other services	1.7	1.8	1.9
Plus: Taxes less Subsidies on products	6.2	5.4	6.1
GDP	100.0	100.0	100.0

Source: Reserve Bank of Malawi, National Statistical Office, Standard Bank Research

Tobacco sales volume



Source: Reserve Bank of Malawi, Ministry of Agriculture

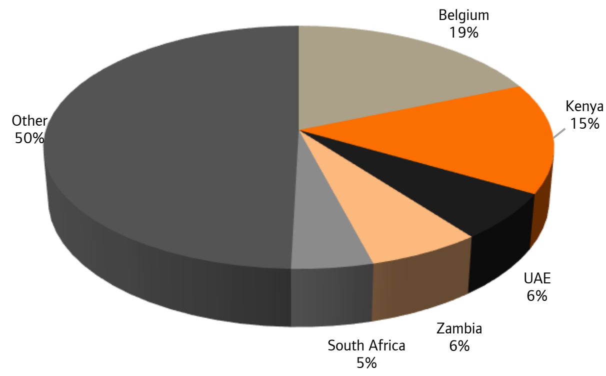
Medium-term economic growth forecasts

	Q1:25	Q2:25	Q3:25	Q4:25	Q1:26	Q2:26	Q3:26	Q4:26	Q1:27	Q2:27	Q3:27	Q4:27	Q1:28	Q2:28	Q3:28	Q4:28
GDP (% y/y) pa	1.8	2.9	3.0	2.2	2.6	3.3	4.0	2.5	2.6	3.7	3.0	4.2	2.4	3.5	2.8	4.0
CPI (% y/y) pe	30.5	26.9	24.3	31.3	29.5	30.3	31.4	27.1	23.1	19.6	20.1	22.3	19.9	20.1	18.6	17.5
Policy rate (%) pe	26.0	26.0	26.0	26.0	25.5	25.5	25.0	25.0	24.5	24.5	24.0	24.0	23.5	23.5	23.0	23.0
3-m rate (%) pe	16.0	16.0	16.0	16.0	15.5	15.5	15.0	15.0	14.5	14.5	14.0	14.0	13.5	13.5	13.0	13.0
6-m rate (%) pe	20.0	20.0	20.0	20.0	19.5	19.5	19.0	19.0	18.5	18.5	18.0	18.0	17.5	17.5	17.0	17.0
USD/MWK pe	1751.0	1751.0	1958.0	1958.0	1958.0	2171.0	2205.5	2240.0	2275.5	2310.8	2345.8	2380.7	2415.7	2450.6	2485.6	2520.5

Source: Reserve Bank of Malawi, Malawi Statistical Service; Bloomberg; Ministry of Finance; Standard Bank Research

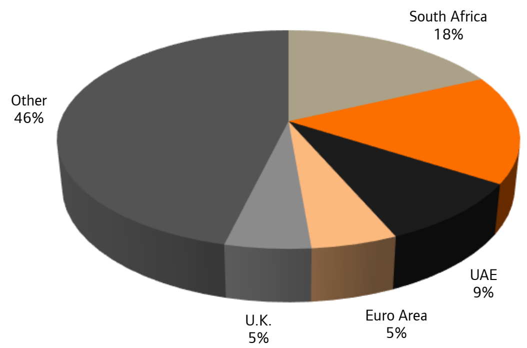
Notes: pa - period average; pe - period end

Share in Malawi's exports (%)



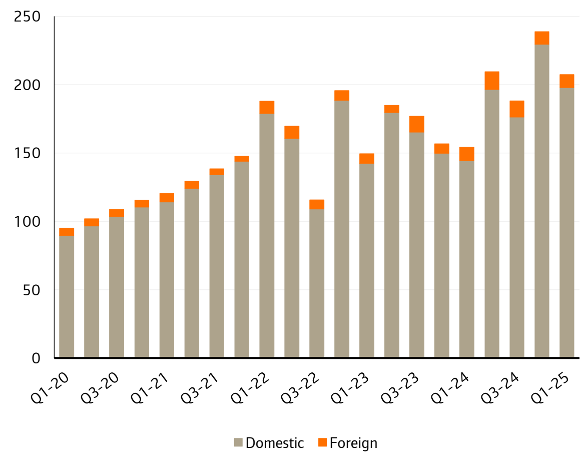
Source: IMF

Share in Malawi's imports (%)



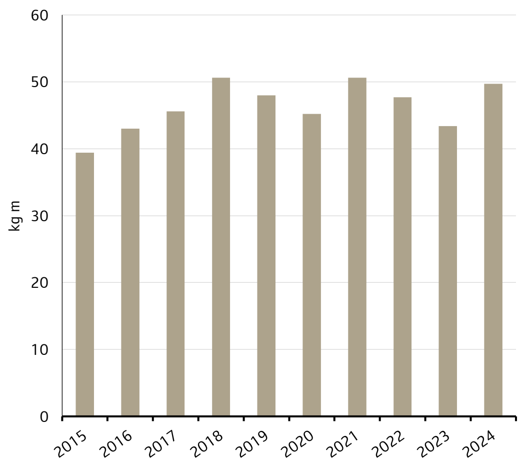
Source: IMF

Debt service payments share of GDP



Source: Reserve Bank of Malawi

Tea production



Source: Reserve Bank of Malawi

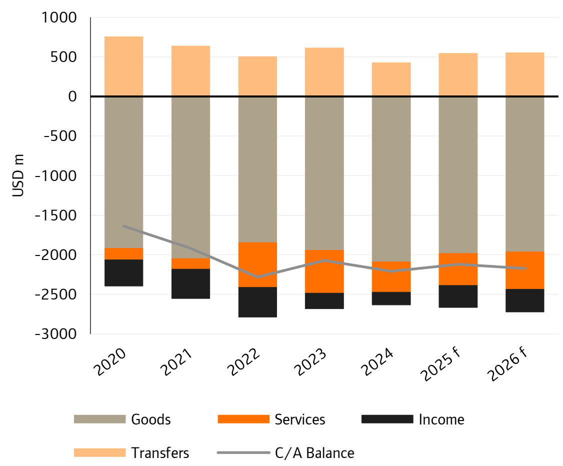
Balance of payments: reserves dwindling and external pressure mounting

An improvement in Malawi's external balances in 2025 is contingent on a better agricultural season, which would reduce the need for food imports, and sustained external support through grants and donations. However, both agricultural production and external funding have faced multiple challenges this year. Though agricultural production looks set to improve from last year, the rains in 2025 were late, limiting domestic food production potential and leading to an increased need for food imports. External funding took a knock when Malawi's ECF programme with eh IMF expired automatically in mid-May because no review had been completed over an 18-m period.

The lack of dollar supply had led to the MWK trading at a premium of 45-50% in the parallel market. Official foreign exchange reserves remain under pressure, hovering at 0.5-m to 1-m of import cover. Malawi's external position has been under increasing pressure due to its narrow export base and resilience on capital inflows such as project loans and budget support from international donors, to finance persistent current account deficits. This makes the economy particularly vulnerable to external shocks.

Tobacco remains Malawi's main source of foreign exchange earnings; it is the world's largest producer of the Burley variety of leaf. In recent years, revenue from Malawi's key export commodities, such as tobacco and tea, has been insufficient to cover the necessary fuel and fertilizer imports. This foreign exchange shortfall is exacerbated by the seasonal nature of Malawi's primary export products, constraining the accumulation of foreign exchange reserves. Further, according to the Tobacco Commission (TC), in the initial weeks of the tobacco selling season prices dropped to USD2.28 per kg by week three of the 2025 marketing season, from USD2.67 per kg in 2024. The cost of production has also surged, further constraining farmers.

Current account developments



Source: Reserve Bank of Malawi

FX reserves and import cover

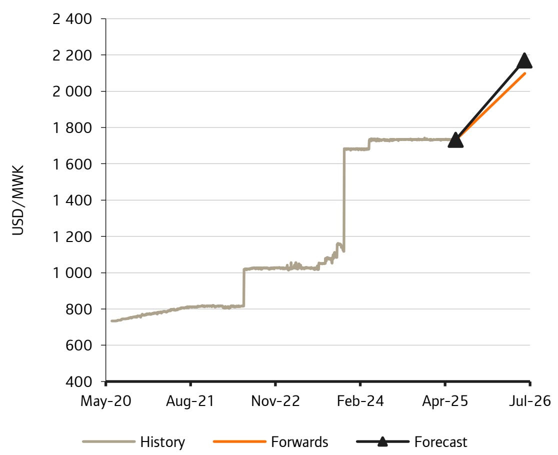
Source: Reserve Bank of Malawi

FX outlook: MWK likely steady until Sep election

We forecast that the MWK will remain steady against the USD, at least until the general election on 16 Sep 2025. Currently, the MWK is trading at 1751 against the USD despite mounting pressure due to a poor harvest in 2024 which necessitated increased food imports. At present, the MWK is trading at 1,958 against the USD, a premium of c.11-12%, at Bureau rates which is much narrower than the premiums seen before the two most recent devaluations – c.25% in May 2022 and c.50% in Oct 2023.

If there is any movement in the MWK, we expect it to be no more than the rate at which the MWK is trading at Bureaus. However, a risk to our forecast is that the Bureau rate could widen in the run-up to the elections, potentially leading to a larger than 11% stepwise adjustment in the MWK after 16 Sep.

USD/MWK: forwards versus forecasts



Source: Bloomberg; Standard Bank Research

Monetary policy: inflation risks post-election

In Q1:25, Malawi's headline inflation averaged 29.9% y/y. We forecast headline inflation to continue its steady downward trend due to base effects and a recovery in agricultural production, then reaching 26.9% y/y by end H1:25.

Headline inflation eased to29.2% y/y in Apr, versus 30.5% y/y in Mar. Consumer prices contracted 2.9% m/m in Apr, after rising 0.8% m/m in Mar. The slowdown in headline inflation and sharp m/m contraction are largely due to the seasonal trend of increased food supply during Apr, after the harvest.

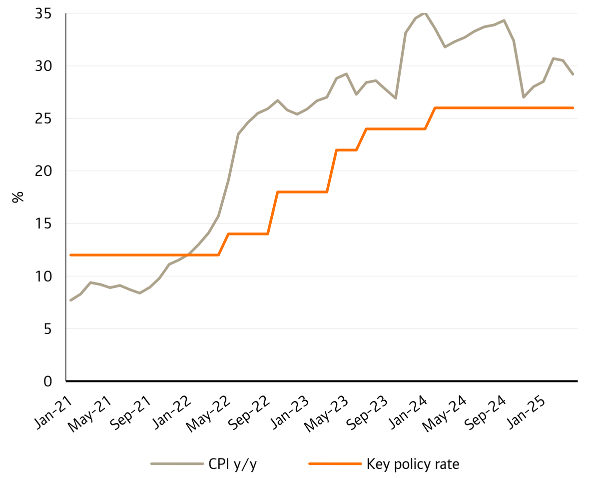
Food inflation slowed to 35.8% y/y in Apr, from 37.7% y/y in Mar. Food prices contracted 4.9% m/m in Apr, after rising 0.5% m/m in Mar. With food comprising 53.7% of the consumer basket in Malawi, headline inflation is sensitive to any form of shock (external or domestic) to food prices. Further, non-food inflation (46.3% of the consumer basket) rose marginally, to 19.4% y/y (0.7% m/m) in Apr, from 19.2% y/y (1.4% m/m) in Mar.

Though headline inflation is showing signs of easing, we expect inflation to trend higher in Q4:25, were there to be a depreciation in the USD/MWK post-election, which would affect imported inflation.

In May, at the second Monetary Policy Committee (MPC) meeting for this year, the MPC kept the policy rate at 26.0%, with the Lombard rate set at 20 basis points above the policy rate. Further, the liquidity reserve requirement (LRR) ratios were kept unchanged at 10.0% for local currency deposits and 3.75% for foreign currency deposits. The MPC noted inflationary pressures as having moderated but the risks related to agricultural output and fiscal imbalances as remaining rampant.

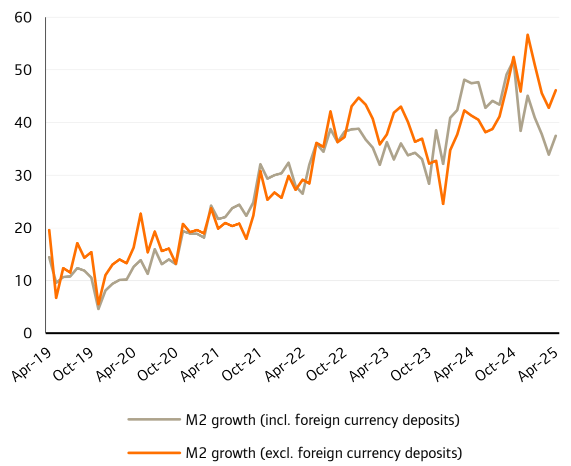
The next MPC meeting is scheduled for 30 and 31 Jul 2025, and the decision on 31 Jul. We expect the MPC to keep the key policy rate unchanged at 26.0% this year.

Inflation and key policy rate



Source: Reserve Bank of Malawi; Standard Bank Research

Money supply growth



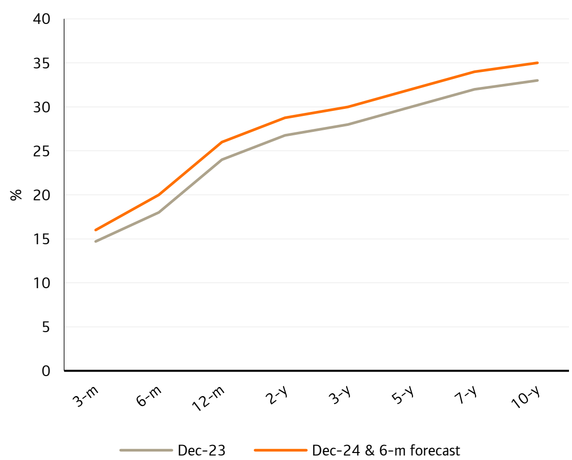
Source: Reserve Bank of Malawi; Standard Bank Research

Yield curve outlook: yields likely still steady

We expect yields to continue to move in sync with any adjustment in the key policy rate. With the MPC having kept the policy rate flat, we'd therefore not expect any significant moves in the yield curve as we expect the key policy rate being kept at 26.0% throughout 2025.

At the time of writing, of the debt maturing in the next twelve months, 43% are longer-dated issuances, while 57% are short-dated issuances. Further, Q1:26 has the most debt maturing, of which c.70% are short-dated bonds.

Yield curve changes



Source: Reserve Bank of Malawi; Standard Bank Research

Fiscal policy: debt continues to increase

The government's budget for FY2025/26 is an ambitious MWK8.05tn. This budget aims to balance economic stabilisation, infrastructure development and social protection. However, Malawi faces significant debt challenges, with public debt now at 86.4% of GDP. Of this, external debt accounts for c.46% and domestic debt c.54% of total debt.

High debt-servicing costs continue to strain Malawi's fiscal space, limiting the government's ability to allocate resources towards development priorities. In response, the authorities have prioritized fiscal consolidation, debt restructuring, and improved domestic revenue mobilization. However, we believe that success here would depend on factors such as economic growth, external funding, and the government's ability to implement structural reforms.

However, Malawi's external funding expectations took a turn for the worse when, on 14 May 2025, Malawi's ECF programme with the IMF expired automatically because no review had been completed over an 18-m period. This programme (to the value of USD175m) was approved on 14 Nov 2023.

In accordance with IMF financing policies for low-income countries, an IMF programme expires after no review has been completed over an 18-m period.

The IMF statement notes that macroeconomic stability was not achieved, and that programme implementation faced numerous challenges. Elevated spending pressures and insufficient revenue mobilization efforts led to the government missing the fiscal targets stipulated by the ECF programme.

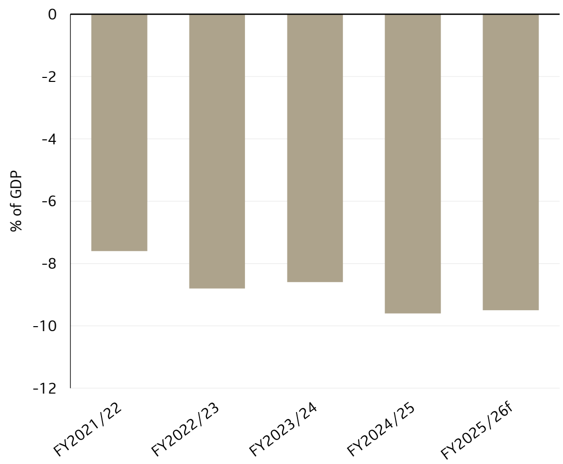
While the ECF arrangement has expired, the IMF recently concluded its Article IV consultation with the Malawian authorities. Further, the Malawi aims to negotiate a new programme with the IMF after the elections in Sep.

Central government budget

% of GDP	FY2023/24	FY2024/25	FY2025/26f
Total revenue	16.7	23.2	21.5
Total expenditure	25.4	32.8	31.0
- Recurrent	19.5	24.1	14.9
- Development	5.9	8.6	7.7
Overall balance (- grants)	-11.6	-13.8	-13.9
Overall balance (+grants)	-8.7	-9.6	-9.5
Net domestic borrowing	7.6	8.5	9.0
Net foreign borrowing	0.9	1.1	0.5

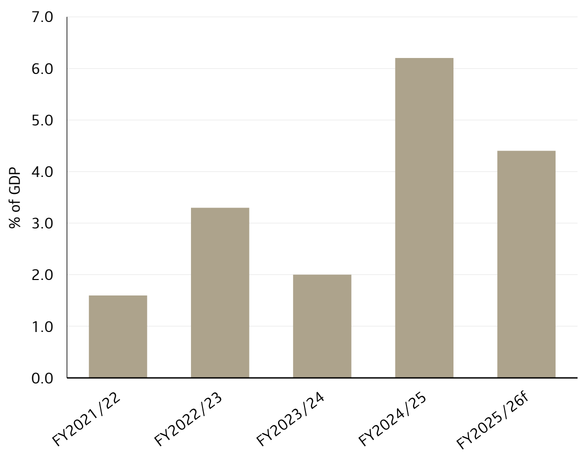
Sources: Ministry of Finance; IMF

Budget deficit



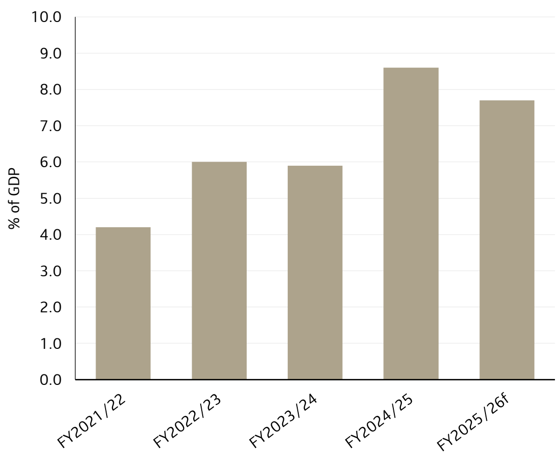
Source: Ministry of Finance; Standard Bank Research

Budget grants



Source: Ministry of Finance; Standard Bank Research

Development spending



Source: Ministry of Finance; Standard Bank Research

Annual indicators

	2020	2021	2022	2023	2024e	2025f	2026f
Output							
Population (million)	20.9	21.5	22.1	22.7	23.4	24.1	24.8
Nominal GDP (MWK bn)	8815.34	9975.5	11795.7	15516.48	19711.84	24298.8	27943.6
Nominal GDP (USD bn)	11.8	12.4	12.4	13.4	11.3	13.4	13.3
GDP / capita (USD)	563.5	576.4	562.6	588.0	482.9	555.0	537.0
Real GDP growth (%)	0.8	4.6	0.9	1.9	1.8	2.5	3.1
Tobacco auction sales (million kgs)	114	123.7	84.8	120.6	133.3	180.0	161.3
Tea production (million kgs)	45.2	50.6	47.7	43.4	49.7	47.3	48.1
Central Government Operations							
Budget balance (excl. Grants) / GDP (%)	-6.0	-9.6	-10.8	-11.6	-13.8	-13.9	n/a
Budget balance (incl. Grants) / GDP (%)	-4.5	-7.0	-9.6	-8.7	-9.6	-9.5	n/a
Domestic debt / GDP (%)	21.9	30.0	40.9	42.0	45.6	46.5	n/a
External debt / GDP (%)	32.9	31.5	34.8	39.3	40.8	40.9	n/a
Balance of Payments							
Exports (USD m)	866.7	1125.1	1022.8	1051.8	1020.5	1055.1	1037.5
Imports (USD m)	2786.2	3173.5	2868.1	2995.9	3106.3	3035.9	3001.6
Trade balance (USD m)	-1919.6	-2048.4	-2765.2	-1944.2	-2085.7	-1980.9	-1964.0
Current account (USD m)	-1638.7	-1917.6	-2282.0	-2071.4	-2209.4	-2120.1	-2170.7
- % of GDP	-13.9	-15.5	-18.4	-15.5	-19.5	-15.8	-16.3
Financial account (USD m)	-638.2	-473.0	-855.8	-478.4	-801.0	-652.0	-710.0
- FDI (USD m)	252.2	129.5	198.7	214.0	220.4	190.6	205.9
Basic balance / GDP (%)	-11.8	-14.4	-16.8	-13.9	-17.6	-14.4	-14.8
FX reserves (USD m) pe	584.64	456.05	293.6	236.4	135.0	145.0	150.0
- Import cover (months) pe	4.0	1.7	1.2	0.9	0.5	0.7	0.7
Sovereign Credit Rating							
S&P	nr	nr	nr	nr	nr	nr	nr
Moody's	nr	nr	nr	nr	nr	nr	nr
Fitch	nr	nr	nr	nr	nr	nr	nr
Monetary & Financial Indicators							
Consumer inflation (%) pa	8.6	9.3	21.0	28.7	32.1	28.3	30.6
Consumer inflation (%) pe	7.6	11.5	25.4	34.9	25.4	31.3	27.1
M2 money supply (% y/y) pa	13.9	23.7	34.5	33.8	45.1	43.5	44.7
M2 money supply (% y/y) pe	16.7	30.0	38.8	32.2	45.2	42.9	45.2
Policy interest rate (%) pa	13.3	12.0	14.3	22.0	25.8	26.0	25.3
Policy interest rate (%) pe	12.0	12.0	18.0	24.0	26.0	26.0	25.0
3-m rate (%) pe	9.5	9.4	13.0	14.7	16.0	16.0	15.0
USD/MWK pa	749.5	805.9	949.0	1161.1	1721.3	1820.0	2102.6
USD/MWK pe	773.1	819.4	1034.7	1697.9	1 734.1	1 958.0	2240.0

Source: Reserve Bank of Malawi; National Statistical Office; Ministry of Finance; International Monetary Fund; Bloomberg; Standard Bank Research

Notes: pe – period end; pa – period average; na – not available; nr – not rated

Mauritius: fiscal and monetary tightening amid tariff risks

Medium-term outlook: robust construction and household spending, but downside risks from tourism flatlining and the trade war

2024 real GDP growth came in at 4.7% y/y, which was strong, albeit slightly weaker than our 5.1% y/y forecast in our Jan AMR. Growth last year remained investment driven. The construction sector was once again a major driver of growth in 2024, increasing 13.3% y/y.

From an expenditure perspective, this was reflected by the 8.3% y/y increase in gross fixed capital formation (GFCF), with sub-components, such as residential capital formation, increasing by 21% y/y.

Real household expenditure grew 3.6% y/y, driven by average real wages increasing 3.1% y/y and unemployment rates reaching a historically low rate of 6.1%. Government spending, in part due to elections but also public sector investment, grew by an impressive 5.7% y/y in 2024. However, growth in tourist arrivals halved in 2024, rising 15.6% y/y, compared to 30% y/y in 2023.

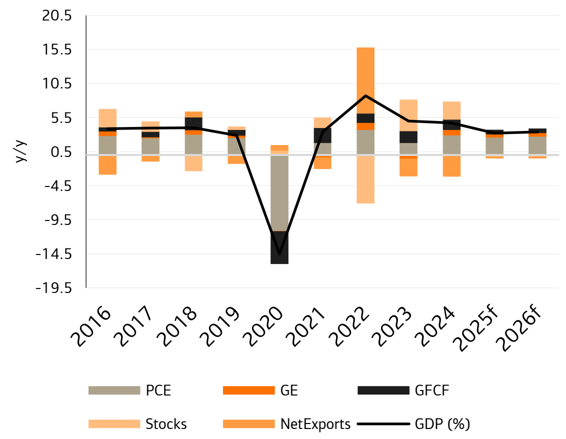
We forecast growth of 3.2% y/y in 2025. Infrastructure and social housing construction investment will remain a pillar of growth, as will financial services, but tourism arrivals growth will likely be flat. Household consumption growth will be supported by fiscal measures such as VAT exemptions on key food items and a higher tax threshold.

Tariff-induced shocks are a primary threat to Mauritius's growth outlook as trade pattern disruptions could undermine export sector (41% of 2024 real GDP) performance and deepen the current account deficit. As a highly open economy with substantial import dependency, Mauritius faces exposure through multiple direct and indirect transmission channels.

Regarding the direct goods export channel, textile exports were already, pre-tariff shock, in a secular decline due to rising production costs and reduced global competitiveness. This contributed to goods exports falling 8.2% y/y in volume terms in 2024. Further, textile and clothing related exports made up 25% of total goods exported in 2024; the US is Mauritius's fourth-largest export destination. Additional headwinds include uncertainty surrounding the Africa Growth and Opportunity Act (AGOA), which could further constrain export opportunities. Under AGOA, eligible Mauritian exports to the US, particularly textiles, enjoyed zero tariffs. The potential tariff increase to 40% may exacerbate the challenges in this sector, negatively affecting employment and growth.

More indirectly, the tourism sector may also be impacted. To the extent that tariffs could cause a negative growth impulse globally as consumers face higher prices for tradable goods, this may reduce spending in discretionary services such as travel. Mauritius relies heavily on European travellers comprising 65% of total tourism arrivals. Notably, European arrivals declined by 2.0% y/y in Q1:25.

Composition of GDP growth by demand



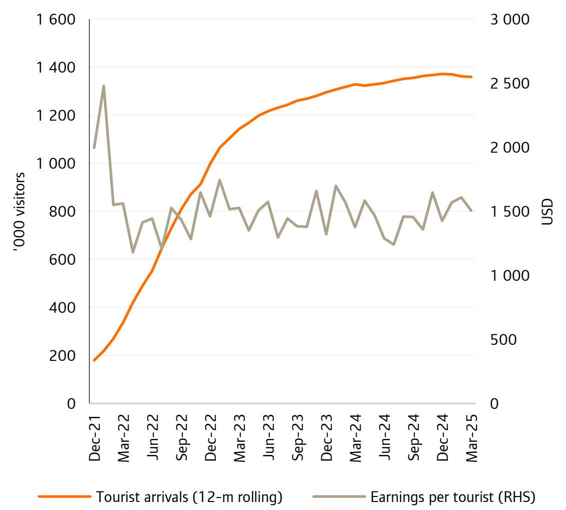
Source: Statistics Mauritius; Standard Bank Research

Contribution to GDP by sector

% of GDP	2022	2023	2024
Agriculture	3.38	3.67	3.72
Manufacturing	12.72	12.35	12.00
Food excl. Sugar	4.85	4.81	4.75
Textiles	2.90	2.48	2.23
Electricity	1.55	1.55	1.54
Construction	4.58	4.76	5.16
Wholesale & retail trade	11.73	11.51	11.38
Transportation and storage	5.35	5.47	5.49
Accommodation and food service	6.19	7.41	7.49
ICT	5.16	5.11	5.12
Financial and insurance	14.29	14.15	14.18
Real estate activities	5.95	5.77	5.63
Professional activities	5.33	5.28	5.26
Public administration	6.45	6.09	6.17
Education	4.77	4.60	4.57
Health	5.01	4.73	4.77
Entertainment	2.46	2.45	2.44
Other	5.09	5.09	5.08

Source: Statistics Mauritius

Tourism trends



Source: Statistics Mauritius; Standard Bank Research

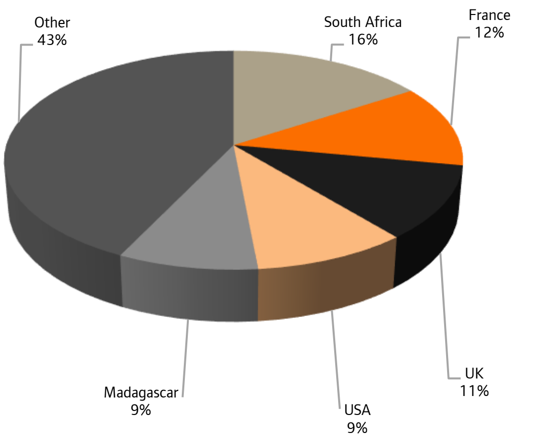
Medium-term economic growth forecasts

	Q1:25	Q2:25	Q3:25	Q4:25	Q1:26	Q2:26	Q3:26	Q4:26	Q1:27	Q2:27	Q3:27	Q4:27	Q1:28	Q2:28	Q3:28	Q4:28
GDP (% y/y) pa	2.9	3.1	3.2	3.5	3.1	3.3	3.4	3.7	3.3	3.5	3.6	4.0	3.5	3.7	3.8	4.2
CPI (% y/y) pe	1.8	4.1	4.0	3.5	3.6	3.6	3.7	3.7	3.7	3.8	3.8	3.8	3.7	3.7	3.6	3.5
BoM policy rate (%) pa	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.25	4.25	4.25	4.25	4.00	4.00	4.00	4.00	4.00
3-m rate (%) pe	4.80	4.73	4.67	4.60	4.50	4.40	4.30	4.20	4.20	4.20	4.20	3.95	3.95	3.95	3.95	3.95
6-m rate (%) pe	5.00	4.93	4.87	4.80	4.70	4.60	4.50	4.40	4.40	4.40	4.40	4.15	4.15	4.15	4.15	4.15
USD/MUR pe	46.53	45.76	45.66	45.53	45.45	45.36	45.28	45.20	45.14	45.07	45.01	44.95	44.96	44.96	44.96	45.07

Source: Bank of Mauritius; Statistics Mauritius; Ministry of Finance; Bloomberg; Standard Bank Research

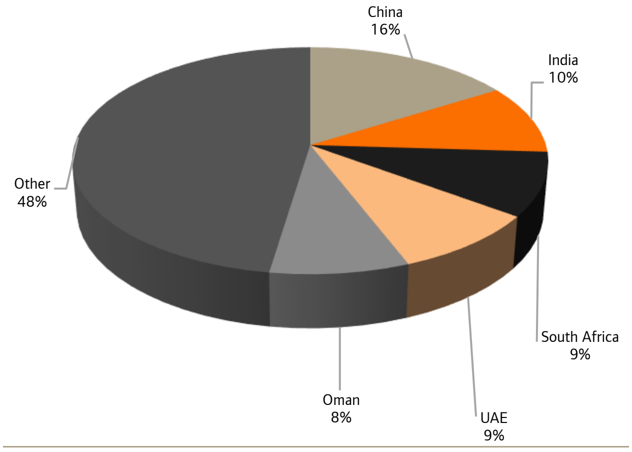
Notes: pa - period average; pe - period end.

Share in Mauritius's exports (%)



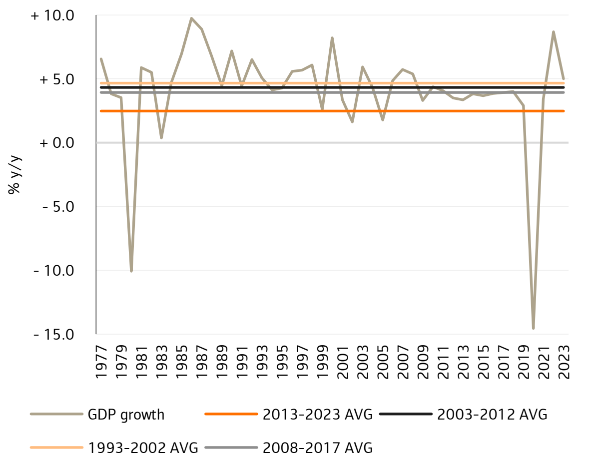
Source: ITC

Share in Mauritius's imports (%)



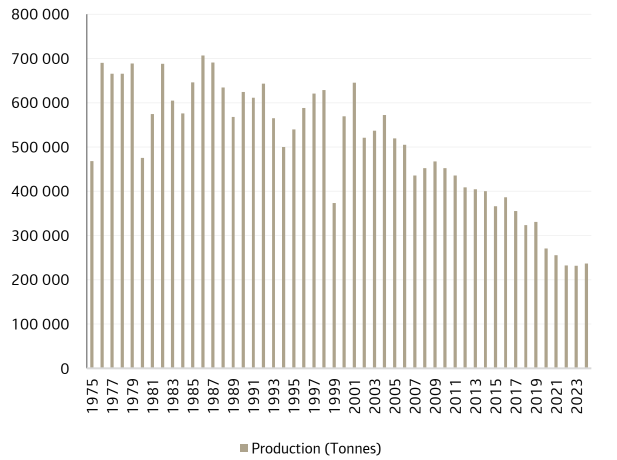
Source: ITC

Long-term GDP performance



Source: Statistics Mauritius; Standard Bank Research

Sugar production



Source: Statistics Mauritius; Standard Bank Research

Balance of payments: FPI inflows offset trade deficit

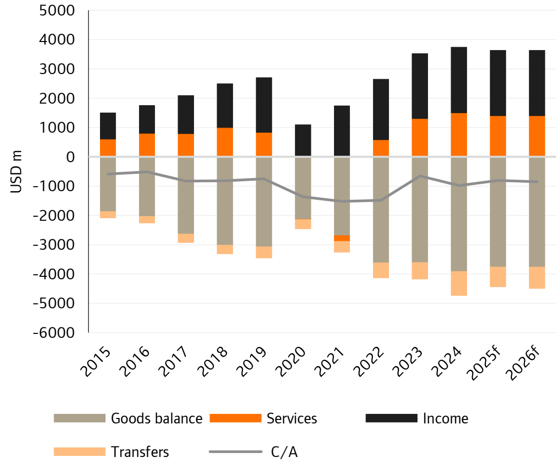
Mauritius's current account deficit in 2024 was 6.6% of GDP (USD984m), compared to our Jan AMR forecast of 5.9% of GDP (USD890m). The goods balance deficit deteriorated, from USD4.4bn in 2023, to USD 5.3bn in 2024, due to exports declining by USD115m (-6.2% y/y), while imports surged USD750m (+12.0% y/y).

The decline in exports was concentrated in the manufactured goods categories. Clothing and accessories dropped by USD49m, or 14.4% y/y, while pearls and precious stones collapsed by USD60m, or 65% y/y. Import growth was dominated by energy and capital goods. Fuels imports increased USD297m (26.5% y/y). Machinery and transport equipment imports also rose, by USD182m (12.3% y/y), reflecting infrastructure investment growth.

The pattern reflects Mauritius's structural import dependence for energy and capital goods, combined with weakening competitiveness in traditional export sectors. Paradoxically, economic growth worsened the trade balance by stimulating import demand, while export sectors faced declining global competitiveness, a trend that is likely to continue into year end. We forecast a current account deficit of 5.0% of GDP in 2025, or USD804m, driven by a continued deterioration of the goods trade balance and a flatlining of tourism service receipts.

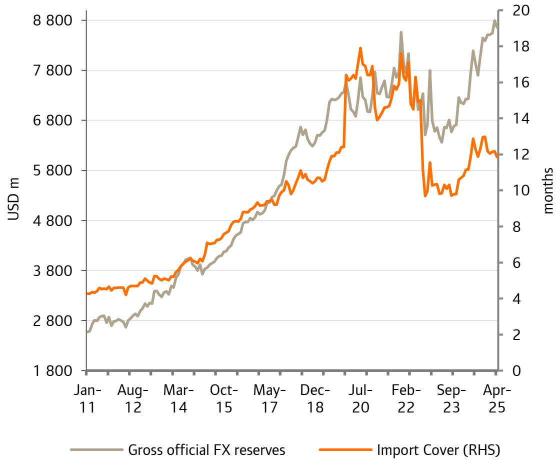
After two years of net foreign portfolio investment (FPI) outflows, 2024 saw FPI inflows of USD3.2bn (2023: USD731m outflows). This largely comprised an increase in commercial bank FX deposits placed with the central bank, which are included in FX reserve figures. With only USD370m reported intervention sales by the central bank, gross FX reserves grew by USD1.3bn in 2024, with underlying drivers continuing in 2025. Indeed, as of Apr 2025, reserves were up USD148m, representing 11.9-m import cover.

Current account developments



Source: Bank of Mauritius; Standard Bank Research

FX reserves



Source: Bank of Mauritius

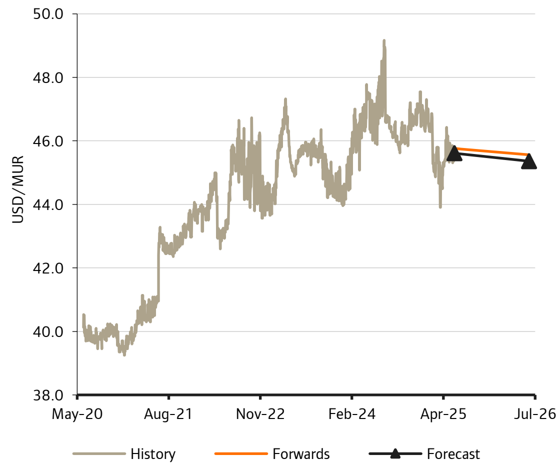
FX outlook: modest MUR appreciation against the USD likely into year-end

The rupee's outlook appears moderately positive despite potential tariff-related balance of payments headwinds. The BOM's 50bps rate hike has partially corrected the negative USD yield differentials. This, combined with continued gross reserve accretion, has driven 2.6% in rupee appreciation against the dollar year-to-date.

However, the wide current account deficit, declining tourism earnings, and global trade uncertainty from US tariffs pose downside risks. As such, exchange rate outcomes become increasingly dependent on external developments that are beyond domestic policy control.

We forecast a modest 0.6% y/y MUR appreciation against the USD on average for 2025.

USD/MUR: forwards versus forecasts



Source: Bloomberg; Standard Bank Research

Monetary policy: BOM likely to adopt a wait-and-see approach for the remainder of 2025

The Bank of Mauritius is likely to maintain policy rates at 4.50% for the remainder of 2025. This will anchor short-end yields higher than previously anticipated.

Headline inflation averaged 2.4% y/y in the year to May 2025. However, the CPI has been very volatile. Inflation accelerated sharply, from 0.09% y/y in Feb, to 4.18% y/y in May, primarily due to food price volatility which ranged between -1.20% y/y to +2.26% y/y. Transportation deflation, driven by lower oil prices, has averaged -0.22% y/y YTD and has offset inflationary pressures.

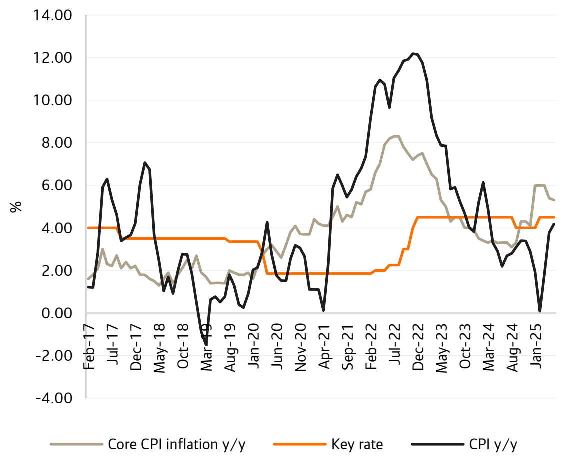
Core inflation stickiness reveals structural inflationary momentum. The “CORE2” inflation measure (excluding volatile food, energy, and administered prices) averaged 5.74% y/y in year to May 2025, while headline inflation averaged 2.4% y/y over the same period.

This divergence reflects labour market tightness, with unemployment falling to a two-decade low in Q4:24, creating an undercurrent of cost-push wage inflation pressures reflected more in the CORE2 measure than in headline numbers.

Attribution analysis shows that imported inflation has likely bottomed out. The BOM revised its end-2025 inflation forecast down, from 3.7% to 3.5%, despite acknowledging the upside risks from US tariff policies, geopolitical tensions, supply-chain disruptions and wage pressures.

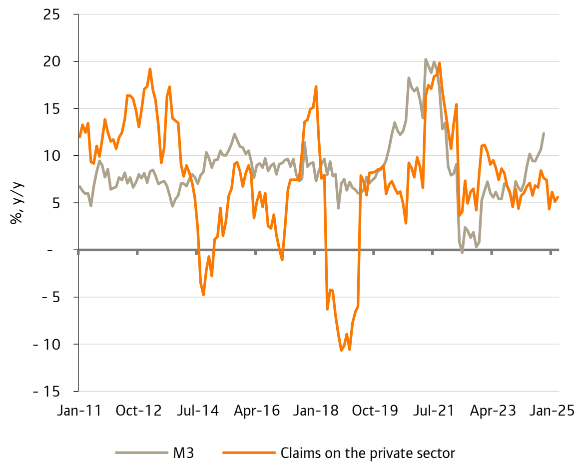
The Feb 2025 rate hike (50 bps, to 4.50%) successfully compressed excess liquidity in the banking system, which supported rupee stability against the USD.

Inflation and interest rates



Source: Bank of Mauritius; Standard Bank Research

Money supply



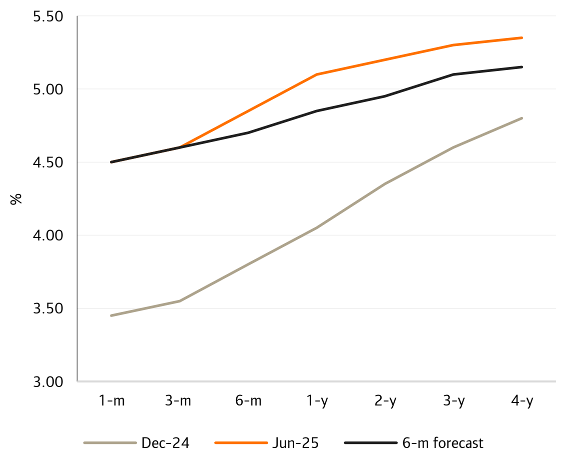
Source: Bank of Mauritius

Yield curve outlook: bull-flattening as fiscal consolidation lowers supply pressure on bond yields

In our Jan AMR, we anticipated bear-steepening. Instead, the curve bear-flattened, with short rates rising 105 bps across tenors, while longer yields increased by less. This reflected the BOM's 50 bps hike in Feb 2025.

The dramatic 47.8% y/y reduction in government borrowing requirements, from MUR75.9bn to MUR39.6bn, should meaningfully alleviate supply pressures across the curve, particularly in bonds. However, should the Bank of Mauritius hold policy rates at 4.5% into year-end, short-term yields may be anchored. As a result, the curve should flatten moderately as fiscal consolidation reduces the extreme supply pressures of FY2024/25.

Changes in the yield curve



Source: Bloomberg; Standard Bank Research

Fiscal policy: revenue-based fiscal consolidation tabled for FY2025/26

The government's revised fiscal deficit for FY2024/25 is estimated to have reached MUR70.0bn, or 9.8% of GDP, versus an earlier estimated MUR26.8bn (3.4% of GDP). This variance was driven by pressure from revenue underperformance of MUR26.0bn and expenditure overruns of MUR14.9bn.

Revenue shortfalls in 2024/25 were mostly concentrated in tax receipts, which came in at MUR159.6bn, 12.6% lower than the MUR182.6bn budgeted. Recurrent expenditure overruns of MUR15.5bn were caused predominantly by overspending on social benefits (MUR6.1bn over budget), grants to parastatal bodies (MUR2.6bn over budget), and civil service compensation (MUR2.4bn over budget). These were likely due to election-related expenditure. Interest payments exceeded budget by MUR1.7bn.

In the fiscal year FY2025/26, the ministry of finance targets a 4.9% deficit to GDP, or MUR37.4bn. This will likely be driven by revenue of MUR223.1bn, up 23.4% y/y, due to a likely tax receipt projection of MUR189.1bn (+18.5% y/y), Chagos Archipelago receipts of MUR10.0bn, and social contributions of MUR16.3bn (+14.0% y/y). The budget aims to contain overall recurrent expenditure increases at just 4.4% y/y. This is planned to be driven by not increasing employee compensation, while slightly reducing social benefits by 2.6% y/y, from MUR83.7bn, to MUR81.5bn. Interest expenses are expected to rise to 11.5% of revenue, to around MUR26bn, from MUR21bn in FY2024/25.

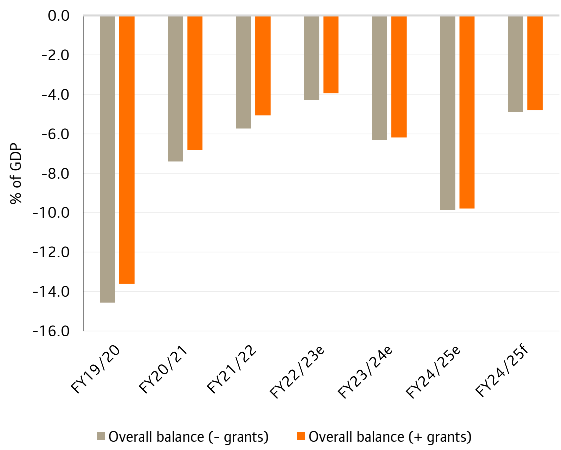
The financing structure demonstrates increased domestic dependency and reduced foreign currency exposure, while relying heavily on debt rollover operations through the government securities market. Government borrowing requirements for FY2025/26 total MUR39.6bn, a 47.8% y/y reduction from MUR75.9bn in FY2024/25. Domestic financing dominates, at MUR37.0bn, primarily through government securities issuances. Foreign financing contracts sharply, to MUR2.6bn, from MUR10.7bn in FY2024/25, reflecting reduced external borrowing appetite.

Central government budget

% of GDP	FY2024/25e	FY2025/26f
Total revenue	25.3	28.7
Total expenditure	35.0	33.5
- Interest	3.0	3.4
- Wages	6.2	5.7
- Capital expenditure	3.5	3.2
Overall balance (- grants)	-9.8	-4.9
Overall balance (+ grants)	-9.8	-4.8
Net external borrowing	1.5	0.3
Net domestic borrowing	7.6	4.4
Donor support (grants)	0.06	0.10

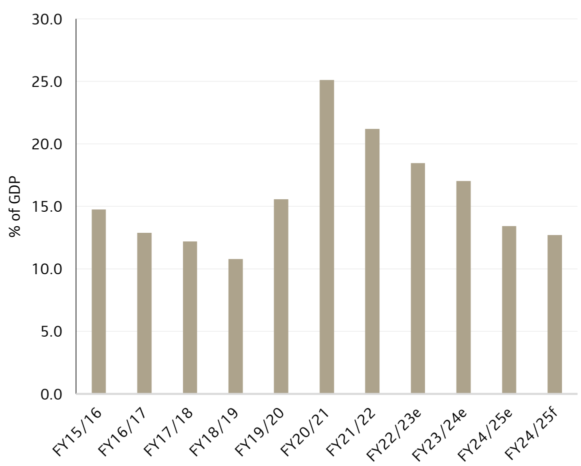
Source: Ministry of Finance and Economic Development

Fiscal deficit



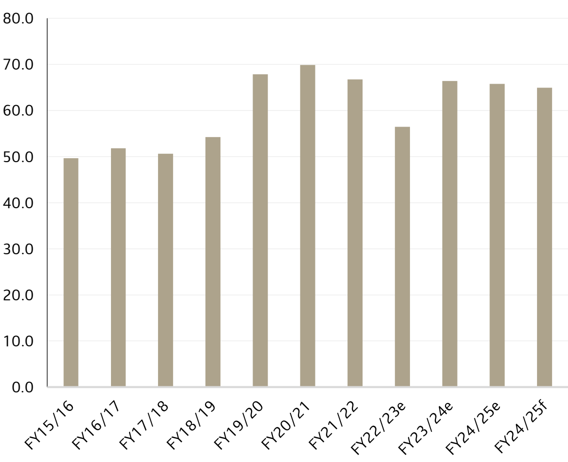
Source: Ministry of finance and Economic Development

External debt



Source: Ministry of Finance and Economic Development

Domestic debt



Source: Ministry of Finance and Economic Development

Annual indicators

	2020	2021	2022	2023	2024	2025f	2026f
Output							
Population (million)	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Nominal GDP (MUR bn)	449	479	570	641	694	739	791
Nominal GDP (USD bn)	11.7	11.4	12.9	14.2	15.00	16.06	17.43
GDP / capita (USD)	9241	8991	10039	11063	11718	12550	13621
Real GDP growth (%)	-14.5	4.1	8.7	5.6	4.7	3.2	3.4
Sugar production ('000 Tonnes)	271	256	233	232	214	216	218
Tourism arrivals ('000)	309	180	997	1295	1497	1500	1515
Central Government Operations							
Budget balance (excl. Grants) / GDP (%)	-14.6	-7.4	-5.7	-4.3	-9.8	-4.9	n/a
Budget balance (incl. Grants) / GDP (%)	-13.6	-6.8	-5.1	-3.9	-9.8	-4.8	n/a
Domestic debt/GDP (%)	67.9	69.9	66.8	56.4	65.7	65.0	n/a
External debt/GDP (%)	15.6	25.1	21.2	18.5	13.4	12.7	n/a
Balance of Payments							
Exports of goods and services (USD bn)	3.1	3.2	5.0	5.7	6.1	6.3	6.9
Imports of goods and services (USD bn)	-5.2	-6.1	-8.0	-7.4	-8.6	-8.7	-9.2
Trade balance (USD bn)	-2.1	-2.9	-3.0	-1.7	-2.4	-2.4	-2.4
Current account (USD bn)	-1.4	-1.5	-1.4	-0.7	-1.0	-0.8	-0.9
- % of GDP	-11.7	-13.1	-11.1	-4.7	-6.6	-5.0	-4.9
Capital & Financial account (USD bn)	-1.2	-1.6	-1.4	-0.7	1.0	-0.8	-0.9
- FDI (USD bn)	-2.8	-3.6	2.3	0.4	-1.0	1.0	0.9
Basic balance / GDP (%)	-22.3	-27.1	-22.3	-9.6	0.1	-9.9	-9.8
FX reserves (USD bn) pe	7.3	8.6	7.8	7.3	8.4	8.0	7.9
- Import cover (months) pe	16.9	17.6	13.3	11.7	12.2	11.0	10.3
Sovereign Credit Rating							
S&P	nr	nr	nr	BBB-	BBB-	BBB-	BBB-
Moody's	Baa1	Baa2	Baa3	Baa3	Baa3	Baa3	Baa3
Fitch	nr	nr	nr	nr	nr	nr	nr
Monetary & Financial Indicators							
Consumer inflation (%) pa	2.5	4.3	10.8	7.1	3.6	3.3	3.6
Consumer inflation (%) pe	2.7	6.7	12.2	3.8	2.9	3.5	3.7
M2 money supply (% y/y) pa	13.2	16.4	3.3	6.2	9.8	9.2	9.2
M2 money supply (% y/y) pe	16.8	8.8	5.3	7.3	12.7	9.2	9.2
BoM Policy rate (%) pa	1.85	1.85	2.94	4.50	4.33	4.50	4.44
BoM Policy rate (%) pe	1.85	4.50	4.50	4.50	4.50	4.50	4.25
3-m rate (%) pe	0.3	0.6	1.0	3.6	3.6	4.6	4.2
USD/MUR pa	39.4	41.9	44.4	45.3	46.3	46.0	45.4
USD/MUR pe	39.7	43.8	44.3	44.3	47.2	45.5	45.2

Source: Bank of Mauritius; Statistics Mauritius; Ministry of Finance; Bloomberg; Standard Bank Research

Notes: pe – period end; pa –a period average

Mozambique: merely muddling through

Medium-term outlook: LNG to boost foreign direct investment (FDI) and growth

We retain our Jan AMR edition growth forecasts for 2025 and 2026 at respectively 3% y/y and 3.1% y/y. This reflects a slow recovery from the post-general election fallout which saw growth slowing to 2.1% y/y in 2024, from 5.5% y/y in 2023.

From a production perspective, the extractive sector (natural gas and mining) leads the recovery. Here, as mining production resumes its normal course, free from the protests-led interruptions that characterised Q4:24 and part of Q1:25, favourable base effects should lift growth.

The GDP contraction softened to 3.9% y/y in Q1:25, from an upwardly revised contraction of 5.7% y/y in Q4:25. The softer growth contraction in Q1:25 mostly reflects extractive growth turning positive, at 6.5% y/y, up from a contraction of 18.6% y/y in Q4:24. Even though liquified natural gas (LNG) output has not been affected, and remains relatively stable at its nominal capacity of 3.4 mtpa, mining production, including coal is recovering, which too should lift GDP.

We see the non-extractive growth recovery as much slower than the extractive sector, which is mostly exports-driven, and therefore relatively insulated from ongoing onshore foreign exchange (FX) liquidity pressures. Even though both are still being affected by government arrears, especially the accumulation of VAT repayment delays, the non-extractive economy remains the most affected by fiscal pressures, which includes arrears to suppliers and a cloudy fiscal outlook.

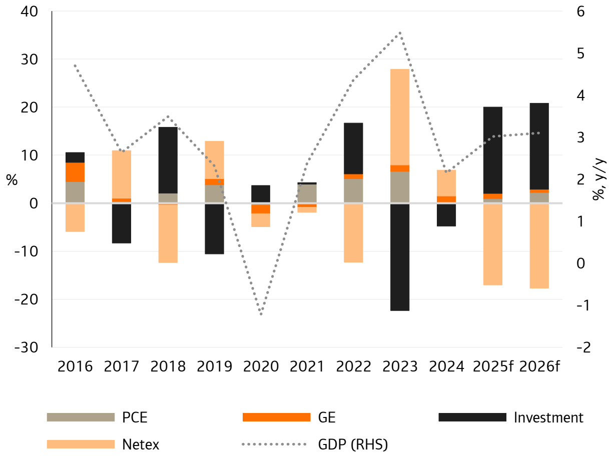
Indeed, non-extractive growth went deeper into contraction, at 5.3% y/y in Q1:25, from a contraction of 3.3% y/y in Q4:24, which implies a protracted recovery period after the 2024 general election fallout when non-extractive growth slowed to 1.2% y/y in 2024, from 2.2% y/y in 2023, well below population growth of 2.7% y/y.

From a demand perspective, our modelling implies GDP growth led by FDI inflows into the various LNG projects approved by the government, exceeding USD60bn.

Q1:25 data already shows an uptick in FDI of 111.6% q/q, or 108.6% y/y, to USD1.6bn, mostly into the resources sector. Net exports will likely remain negative on softer exports and large imports as Area1 LNG construction resumes.

Despite low inflation, and declining interest rates, limited job creation will likely continue to subdue disposable incomes, personal consumer spending and demand. With no fiscal space, and external support declining, government spending's contribution to growth will remain limited, implying an economy muddling through until another IMF programme has been secured.

GDP by demand



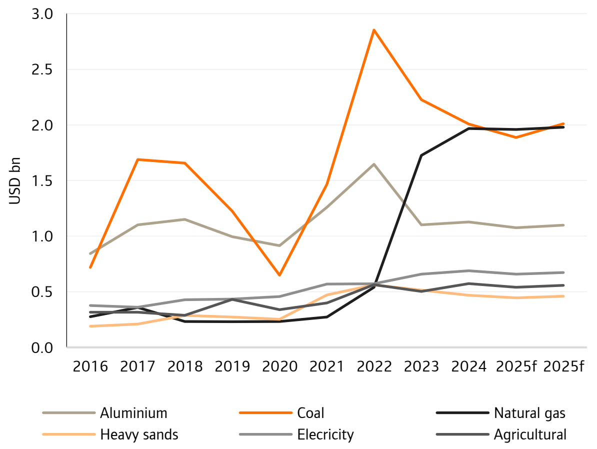
Source: Instituto Nacional de Estatística; Standard Bank Research

Contribution of GDP by sector (% of total)

	2016	2022	2023	2024
Agriculture & forestry	23.3	25.3	24.9	25.0
Fishing	1.3	1.3	1.3	1.3
Extractive	9.8	10.1	12.9	13.7
Manufacturing	9.2	8.4	7.6	7.0
Electricity & gas	3.0	2.5	2.4	2.3
Water supply	0.3	0.3	0.3	0.3
Construction	1.4	1.2	1.1	1.1
Trade	11.0	9.5	9.1	8.8
Transport & storage	6.2	6.4	6.4	6.3
Accommodat. & food	1.7	1.3	1.3	1.3
Information & comm.	2.8	3.1	3.0	3.0
Financial	4.1	4.1	4.1	4.1
Real estate	3.5	3.3	3.2	3.3
Public administration	6.7	6.2	6.2	6.2
Education	3.5	3.3	3.2	3.2
Health	1.4	1.6	1.5	1.5
Other	0.7	0.7	0.6	0.6
Taxation minis subs.	10.1	11.4	10.9	11.0
GDP	100.0	100.0	100.0	100.0

Source: Instituto Nacional de Estatística; Standard Bank Research

Principal exports



Source: Banco de Moçambique; Standard Bank Research

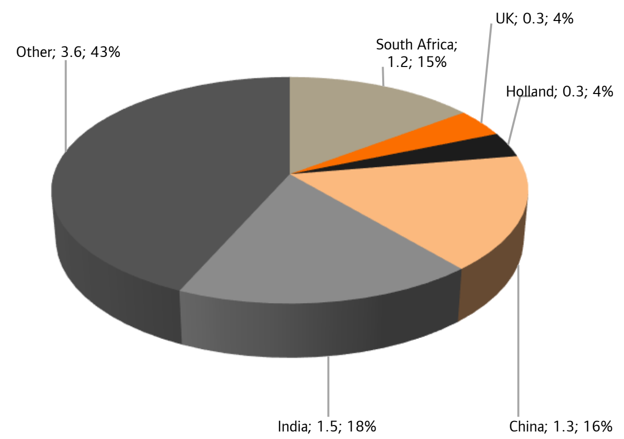
Medium-term economic growth forecasts

	Q1:25	Q2:25	Q3:25	Q4:25	Q1:26	Q2:26	Q3:26	Q4:26	Q1:27	Q2:27	Q3:27	Q4:27	Q1:28	Q2:28	Q3:28	Q4:28
GDP (% y/y) pa	-3.9	2.6	2.7	10.7	4.2	2.5	2.6	3.1	4.1	4.4	4.2	4.2	5.3	5.1	5.4	10.7
CPI (% y/y) pe	4.8	3.9	4.1	4.1	3.7	4.0	4.7	5.6	5.7	5.8	6.1	6.1	6.5	6.6	6.7	6.6
Policy rate (%) pe	11.75	11.00	9.75	9.50	9.25	9.25	9.25	9.25	9.25	9.25	9.75	9.75	9.75	9.75	9.75	9.75
3-m rate (%) pe	13.4	12.6	10.5	10.3	9.9	10.0	10.2	10.5	10.5	10.5	11.1	11.1	11.2	11.3	11.3	11.2
6-m rate (%) pe	13.1	12.9	10.7	10.5	10.1	10.2	10.4	10.7	10.8	10.8	11.4	11.4	11.5	11.6	11.6	11.6
USD/MZN pe	63.9	63.9	63.9	63.9	63.9	63.9	64.1	64.4	64.7	65.0	65.3	65.6	65.9	66.2	66.5	66.8

Source: Banco de Moçambique; Instituto Nacional de Estatística; Ministério da Economia e Finanças; Standard Bank Research

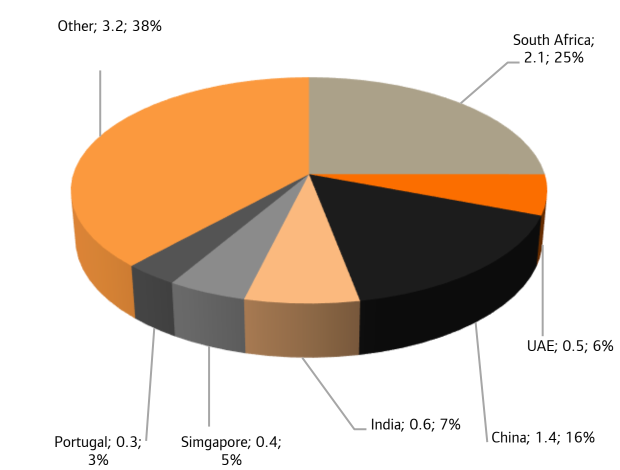
Notes: pa - period average; pe - period end

Exports destinations (USD bn)



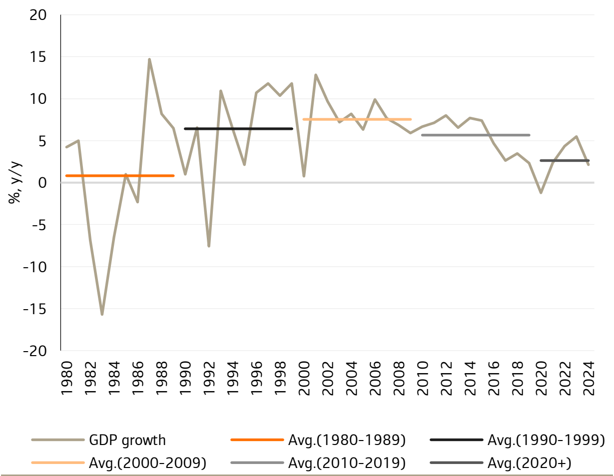
Source: Banco de Moçambique; Standard Bank Research

Imports origins (USD bn)



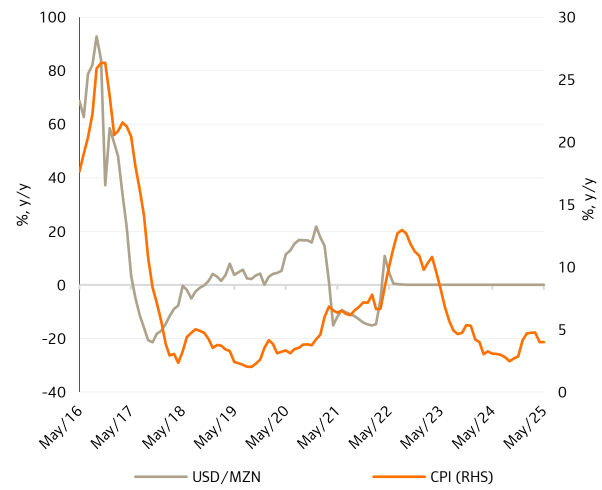
Source: Banco de Moçambique; Standard Bank Research

Long-term GDP performance



Source: Instituto Nacional de Estatística; Standard Bank Research

Annualised FX rate change versus inflation



Source: Banco de Moçambique; Instituto Nacional de Estatística; Standard Bank Research

Balance of payments: C/A deficit deepening

We forecast the current account (C/A) deficit widening by 1.6x in 2025, to USD6.6bn, or 27.3% of GDP, from USD2.5bn, or 11% of GDP in 2024, then widening further, by 49.3% y/y in 2026, to USD9.9bn, or 37.8% of GDP, on LNG progress.

This would mostly reflect LNG projects goods and services imports rising fast, typical of the construction phase. Foreign direct investment (FDI) inflows into LNG projects should limit the C/A deficit's impact on the economy.

We maintain our expectations of TotalEnergies lifting *force majeure* on its over USD20bn LNG project in H2:25, resuming on-the-ground construction. Similarly, Eni's more than USD7bn Coral North FLNG project will likely take final investment decision (FID) in H2:25, with the USD25bn Rovuma LNG project, led by ExxonMobil, likely taking FID in H1:26.

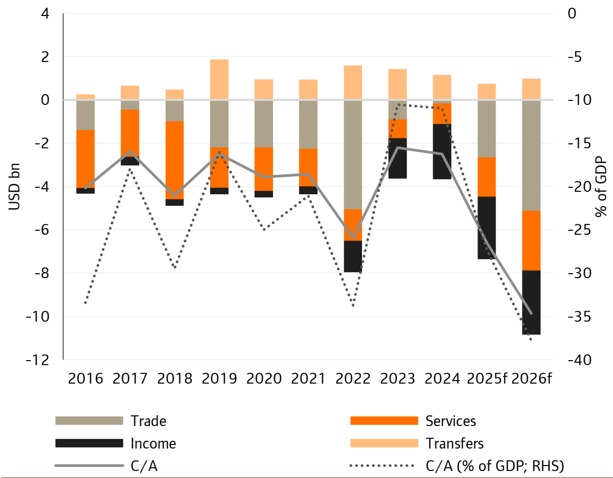
We see Coral North exports beginning in 2028, with Mozambique LNG exports led by TotalEnergies starting in 2029. The Rovuma LNG project, led by ExxonMobil, could surprise with exports from the late part of 2028, or early 2029, as some of its Area4 12 modular LNG trains, each with 1.5 mtpa capacity, may be completed before Area1 large two LNG trains are completed.

Our double-digit GDP growth forecasts from Q4:28 reflect the beginning of this next wave of LNG projects exports. We forecast goods and services exports to temporary fall by 2.9% y/y, to USD9.1bn in 2025, on softer commodity prices, after having remained steady at USD9.4bn a year from 2022 to 2024.

We see FDI rising 80.1% y/y in 2025, to USD6.4bn, as LNG projects advances, after having grown by 41.6% y/y, to USD3.6bn in 2024, mostly into the coal and natural gas projects.

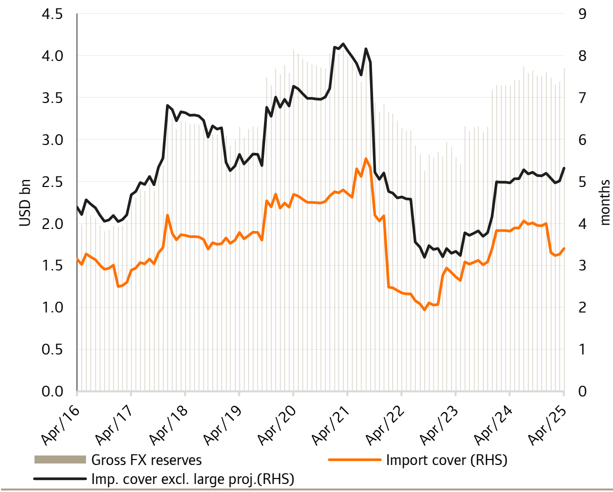
FX reserves, which rose 5.9% y/y in 2024, to USD3.8bn or 5.2-m of imports, after rising by 26.1% y/y in 2023, will likely fall in 2025, due to the collapse of the IMF programme in Apr, the decline in US assistance, and rising external public debt service.

Current account developments



Source: Banco de Moçambique; Standard Bank Research

FX reserves



Source: Banco de Moçambique; Standard Bank Research

FX outlook: USD/MZN stable

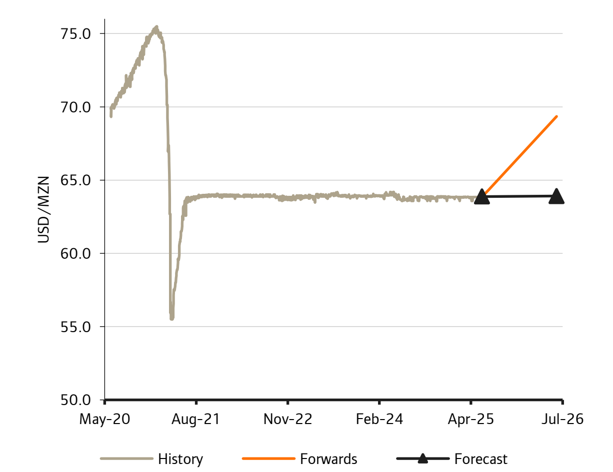
The USD/MZN pair has been stable since mid-2021. We maintain that this pair will remain steady into year-end, even with the foreign exchange (FX) market still experiencing an FX backlog exceeding USD600m.

This reflects our view that the disconnect between the USD/MZN pair and FX market supply-demand imbalances will persist and that the government is unlikely to tolerate a change in the FX market status quo in the short term.

Even though we foresee reform progress towards a more flexible metical over time, we do not foresee any material depreciation, especially if this coincides with a boost in LNG FDI.

In the short-term, any material correction of the USD/MZN pair may trigger a spike in inflation and affect social stability.

USD/MZN: forwards versus forecasts



Source: Source: Bloomberg; Standard Bank Research

Monetary policy: more cuts likely

Inflation has eased, last reported at 4% y/y in May 2025, down from a peak of 13% y/y in Aug 2022, the year that Russia's invasion of Ukraine caused fuel and food prices to rocket.

Despite the crisis in the Middle East brining upside risks for oil prices, we cut our 2025 year-end inflation forecasts by 2 percentage points, to 4.1% y/y, from 6.1% y/y in the Jan edition of the AMR, as GDP data from a demand perspective now implies consumer demand as weaker than initially anticipated.

As a result, we see the Banco de Moçambique (BOM) MPC delivering further policy rate cuts. The BOM begun the current monetary policy easing cycle in Jan 2024, having cut the MIMO policy rate by 450 bps in 2024, to 12.75%. Further cuts of 175 bps followed during H1:25, lowering the MIMO rate to 11%.

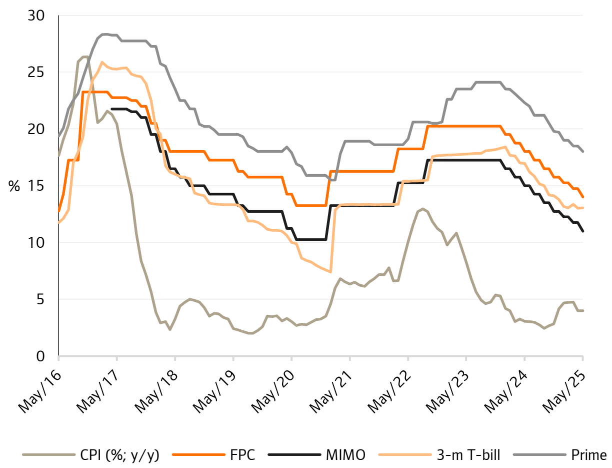
We foresee the MIMO policy rate being cut further, to 9.5% this year, which implies further cumulative cuts of 150 bps, with one final 25 bps cut likely in Q1:26, followed by a pause when the policy rate reaches 9.25% next year. These policy rate cuts imply the banking sector prime lending rate, currently at 18%, declining further, to just below 16% by year-end.

Despite falling interest rates, financing conditions are tight, manifest in cash required reserves (CRR) kept high at 29% for local currency deposits and 29.5% for foreign currency deposits, both lowered by 10 percentage points each in Jan 2025.

We may see the CRR being kept at these levels for longer, as the BOM may use the CRR as a prudential tool, in the wake of an increased fiscal pressure, and large financial sector exposures to the government. Tight financing conditions helped to sterilize the impact of government operations and kept inflation under control.

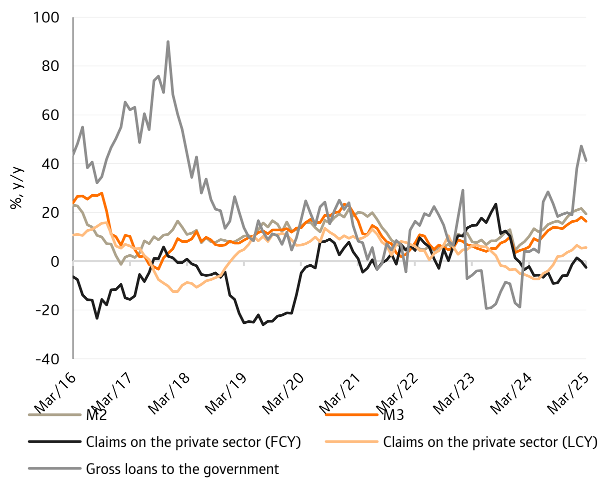
Money supply growing fast (above real GDP plus inflation), at 15.4% y/y in Apr, to MZN809.7bn, or 52.4% of GDP, reflects rapid government debt growth as well as limited FX supply seeing a build-up in local currency deposits.

Inflation and interest rates



Source: Banco de Moçambique; Instituto Nacional de Estatística; Standard Bank Research

Monetary statistics



Source: Banco de Moçambique; Standard Bank Research

Yield curve outlook: a downward shift

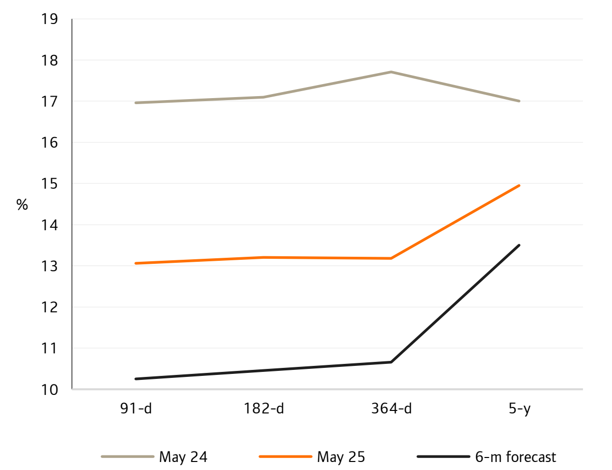
As the BOM likely continues to cut interest rates, we see yields declining, implying a downward shift in the yield curve, despite persistent government domestic debt pressure.

The government faces large domestic bond repayments this year and next year, which is being done mostly via central bank financing and T-bills, with two switch auctions performed in H1:25 and some switch auctions planned for H2:25.

The BOM policy rate cuts go a long way in helping ease borrowing costs for the government, which implies yields declining.

While T-bill issuances remain frequent and well subscribed, we see recent sovereign rating downgrades and frequent domestic arrears limiting the market appetite for government bonds. This implies high rollover rates on short-term government debt.

Yield curve changes



Source: Banco de Moçambique; Standard Bank Research

Fiscal policy: relentless public debt pressure

Fiscal pressures in Mozambique are not abating. They increased at the end of 2022 with the beginning of the wage bill reform, then became more pronounced in 2024 with general election fiscal slippage and the impact of post-election fallout on revenue.

Following the suspension of an IMF funded programme in Apr, the government has requested for a new programme that would be more aligned to the new government vision for the economy. Nevertheless, it may take time for a new IMF programme to be approved, which implies that it may take time before there is more clarity on how ongoing fiscal challenges will be dealt with.

The FY2025 (12-m ending Dec 25) government budget, approved in May, with the delay mostly reflecting the government transition, does not provide any clear path to retore fiscal sustainability.

With no decisive policies disclosed in the budget, revenue underperformance risks remain elevated in the context of slow GDP recovery. This implies fiscal slippage risks remaining high. Growing grants by 38% y/y, to MZN58.2bn, seems unrealistic, in the context of declining external assistance.

The wage bill plus benefits rose by 50.1%, to MZN209bn in or 14.4% of GDP in 2024, from MZN139.2bn, or 13.2% of GDP in 2021. The 2025 budget sees this figure up by 0.9% y/y, to MZN210.8bn, or 13.6% of GDP, consuming 65.5% of tax revenue, or 54.6% of government revenues excluding grants.

Adding an interest bill of 11.5% of GDP in 2025 sees salaries, benefits, pensions and interest consuming an alarming 91.6% of tax revenue, or 74.6% of government revenue.

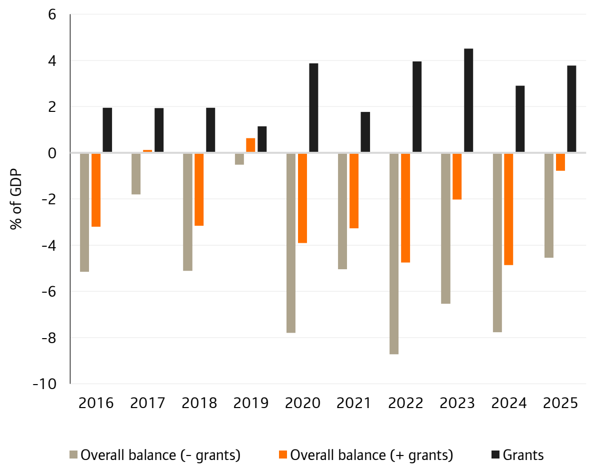
This implies overspending risks remaining high, which culminates in a higher risk of a domestic debt default. An exacerbating factor is the external funding squeeze after the collapse of the IMF programme. Recurrent domestic debt pressures need to be fixed. Otherwise, it would be hard not to see a higher risk of default in 2028, when Eurobond principal repayment begins.

Central government finances

% of GDP	2022	2023	2024	2025
Total revenue	23.7	24.5	24.2	25.0
Total expenditure	32.4	31.1	31.9	29.5
- Recurrent	26.2	25.6	25.1	22.7
- Domestic interest	2.0	3.0	3.3	3.3
- External interest	0.9	0.8	0.8	0.8
- Wages	16.1	15.2	14.4	13.6
- Development	6.0	5.2	6.6	6.4
- Net lending to SOEs	0.2	0.2	0.2	0.4
Overall balance (-grants)	-8.7	-6.5	-7.8	-4.5
Overall balance (+grants)	-4.8	-2.0	-4.9	-0.8
Grants	4.0	4.5	2.9	3.8
Net domestic borrowing (-saving)	4.2	1.6	6.3	1.1
Net external borrowing (-saving)	0.8	-0.6	-0.6	-0.6
Previous years revenue allocation	1.1	1.5	0.0	0.2
Changes in balances	-1.4	-0.5	-0.9	0.0

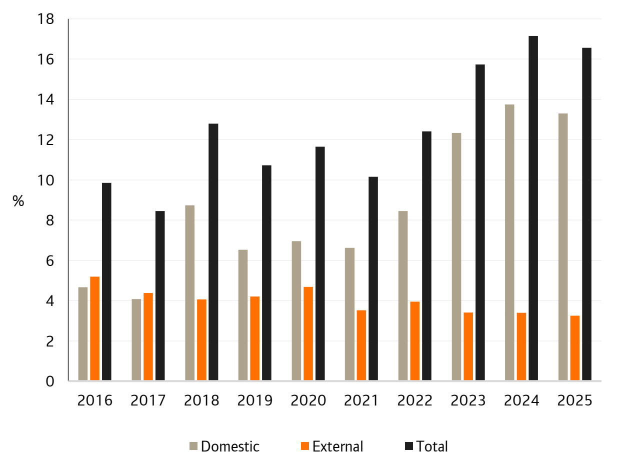
Source: Ministério das Finanças; Standard Bank Research

Fiscal performance



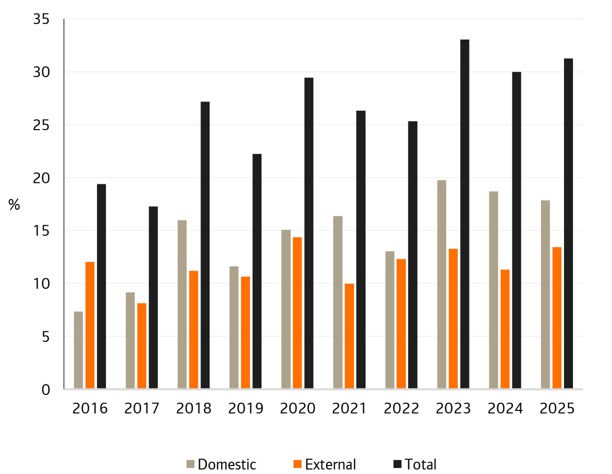
Source: Ministério das Finanças; Standard Bank Research

Interest to revenue



Source: Ministério das Finanças; Standard Bank Research

Debt service to revenue



Source: Ministério das Finanças; Standard Bank Research

Annual indicators

	2020	2021	2022	2023	2024	2025f	2026f
Output							
Population (million)	30.1	30.8	31.6	32.4	33.2	34.1	35.0
Nominal GDP (MZN bn)	988.9	1,058.4	1,205.7	1,336.6	1,453.5	1,544.4	1,670.8
Nominal GDP (USD bn)	14.2	16.2	18.9	20.9	22.7	24.2	26.1
GDP / capita (USD)	473.4	526.5	597.4	645.3	684.2	708.9	746.5
Real GDP growth (%)	-1.2	2.4	4.4	5.5	2.1	3.0	3.1
Coal output ('000 000 tonnes)	8.0	11.1	14.8	15.0	16.3	16.5	16.8
LNG output ('000 BOE/d)			0.004	0.067	0.082	0.086	0.079
Central Government Operations							
Budget balance (- grants)/ GDP (%)	-7.8	-5.0	-8.7	-6.5	-7.8	-4.5	-2.3
Budget balance (+ grants)/ GDP (%)	-3.9	-3.3	-4.8	-2.0	-4.9	-0.8	0.6
Domestic debt / GDP (%)	22.6	24.1	25.5	25.1	29.4	32.5	33.1
External debt / GDP (%)	89.4	83.1	56.4	50.2	45.0	43.4	39.8
Balance of Payments							
Exports (USD bn)	4.5	6.5	9.4	9.4	9.4	9.1	9.3
Imports (USD bn)	-8.7	-10.5	-15.9	-11.2	-10.5	-13.6	-17.2
Trade balance (USD bn)	-4.2	-4.0	-6.5	-1.8	-1.1	-4.5	-7.9
Current account (USD bn)	-3.6	-3.4	-6.4	-2.2	-2.5	-6.6	-9.9
- % of GDP	-25.0	-21.1	-33.7	-10.5	-11.0	-27.3	-37.8
Capital and financial account (USD bn)	3.8	3.4	6.6	2.3	2.6	6.6	9.9
- FDI (USD bn)	3.0	5.1	2.5	2.5	3.6	6.4	9.3
Basic balance / GDP (%)	-3.7	10.3	-20.7	1.4	4.6	-0.8	-2.1
FX reserves (USD bn) pe	4.0	3.4	2.9	3.6	3.8	3.5	3.4
- Import c. excl. large proj. (months) pe	7.2	4.9	3.7	4.8	5.7	4.8	4.5
Sovereign Credit Rating							
S&P	CCC+	CCC+	CCC+	CCC+	CCC+	CCC+	CCC+
Moody's	Caa2	Caa2	Caa2	Caa2	Caa2	Caa2	Caa2
Fitch	CCC	CCC	CCC+	CCC+	CCC+	CCC	CCC
Monetary & Financial Indicators							
Headline inflation (%) pa	3.1	5.7	10.3	7.1	3.2	4.1	4.3
Headline inflation (%) pe	3.5	6.7	10.9	5.3	4.2	4.1	5.6
M2 money supply (% y/y) pa	15.4	15.2	6.0	9.1	13.7	20.5	21.2
M2 money supply (% y/y) pe	18.1	5.6	11.2	4.5	20.2	20.6	21.3
Policy interest rate (%) pa	11.04	13.25	15.58	17.25	14.63	10.75	9.29
Policy interest rate (%) pe	10.25	13.25	17.25	17.25	12.75	9.50	9.25
3-m rate (%) pe	7.6	13.4	17.7	18.3	13.8	10.3	10.5
1-y rate (%) pe	7.3	13.4	17.7	18.6	13.8	10.7	11.0
USD/MZN pa	69.5	65.2	63.8	63.9	63.9	63.9	64.0
USD/MZN pe	74.9	63.8	63.9	63.9	63.9	63.9	64.4

Source: Banco de Moçambique; Bloomberg; Instituto Nacional de Estatística; Ministério da Economia e Finanças; Standard Bank Research

Notes: pa - period average; pe - period end; na - not available; nr – not rated

Namibia: further upside likely – but there are risks

Medium-term outlook: still supportive

We still expect the economy to continue to grow in 2025 and 2026 but at a slightly slower pace than previously envisioned, largely reflective of the shifts in global trade policies uncertainty as well as the continued poor performance in the diamond sector. The Namibian economy grew by 3.7% y/y in 2024, marginally overshooting the 3.5% y/y growth we had forecast. We now trim our GDP growth forecast for 2025 to 4% y/y, 4.1% y/y previously, and we project 4.3 % y/y (4.6% y/y initially) growth in 2026.

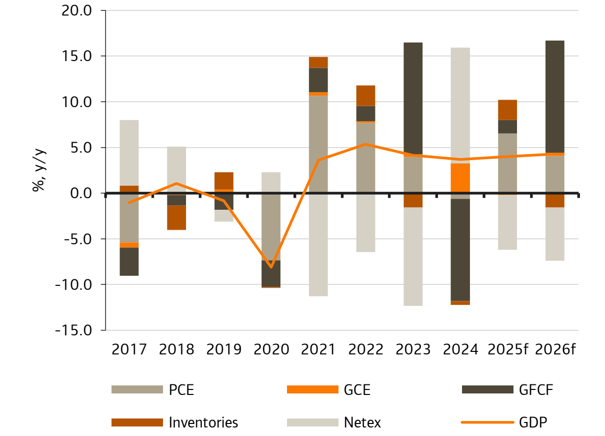
Domestic drivers supporting growth this year include the recovery in the agricultural sector due to likely improved weather this year. There was a 2.7% contraction in 2024 due to severe drought. Uranium mining too should remain strong due to continued global demand. The resumption of exploration activities should see the mining and quarrying sector remaining upbeat – and offset the expected downturn in the diamond sector attributable to less demand for natural diamonds.

Notwithstanding Shell's announcement earlier this year to write down USD400m on the offshore oil it had discovered, deeming it commercially unviable due to high amounts of gas in the fields – more oil majors have continued to channel resources into Namibia's offshore for oil explorations. The energy ministry expects TotalEnergies to reach a final investment decision (FID) on its Venus discovery in late 2026, with first oil in 2030. On the green hydrogen front, a major milestone was reached in Q1:25 after the HyIron Oshivela Project, aimed at using renewable energy to produce zero-emissions iron for green steel, successfully produced its first green hydrogen using 12MW of electrolyser capacity. By way of the larger USD10bn investment Hyphen project, Namibia aims to export green hydrogen, in the form of green ammonia, to markets such as Europe, Japan and South Korea. Annual production is targeted at 1 MTPA by end 2028.The secondary and tertiary sectors too are likely to remain robust. Improved rainfall expected this year should see the electricity and water sub-sector benefit, particularly electricity generation at the Ruacana hydropower plant.

Regarding expenditure, the current accommodative policy stance, that began in H2:24, and a relatively favourable inflation outlook, should support household consumption. The minimum wage salary increase, effective 1 Jan, may further spur private consumption. Additionally, the FY2025/26 budget proposes increased allocation for development expenditure, following years of cutting this allocation, which should see government expenditure improve and thereby boost sectors such as construction.

The risks to our growth outlook include weaker rainfall than anticipated, geopolitical tensions, and weaker global commodity demand. The tensions between the US and SA, including the prospects for AGOA, present risk given Namibia's close trade ties with SA and the currency peg. Any resulting economic challenges could negatively affect Namibia's economy.

Composition of GDP by demand



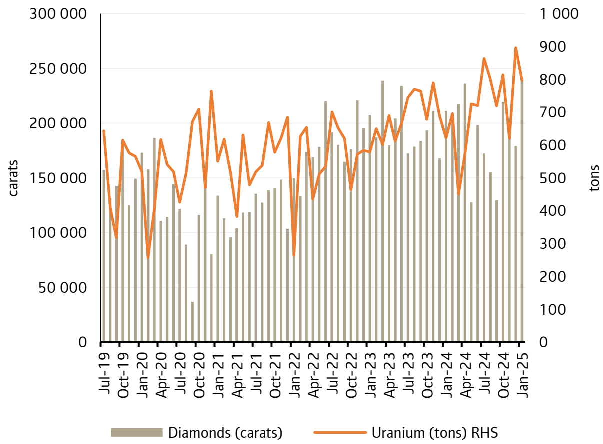
Source: Namibia Statistics Agency; Standard Bank Research

Contribution to GDP by sector

% of GDP	2016	2020	2024
Agriculture, forestry & fishing	6.7	9.2	7.3
-Fishing	2.9	2.6	2.7
Mining and quarrying	9.4	9.3	13.3
Manufacturing	11.7	11.0	10.6
Electricity and Water	3.3	3.6	3.6
Construction	3.1	1.9	1.4
Wholesale and retail trade	10.6	9.8	11.4
Hotels and restaurants	2.0	1.4	1.6
Transport & storage	3.2	2.8	3.5
ICT	1.5	1.7	1.1
Financial and insurance	6.9	7.0	7.7
Real estate	5.2	5.9	4.7
Professional, scientific & technical	0.8	0.6	0.5
Administrative and support	1.1	1.0	1.0
Arts and Entertainment	1.7	1.8	1.5
Public administration and defence	11.2	11.6	8.6
Education	9.4	10.8	9.1
Health	3.6	3.6	3.3

Source: Namibia Statistics Agency

Diamond and uranium production



Source: Namibia Statistics Agency

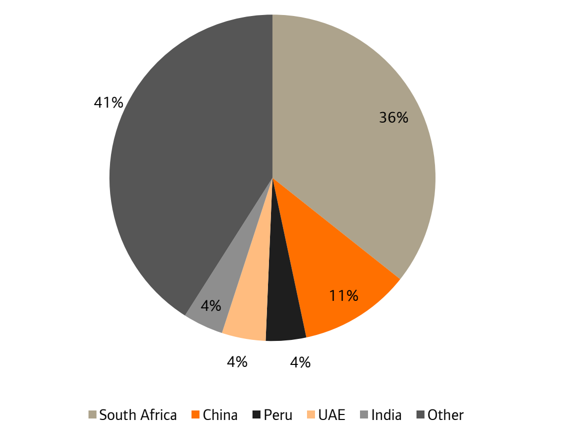
Medium-term economic growth forecasts

	Q1:25	Q2:25	Q3:25	Q4:25	Q1:26	Q2:26	Q3:26	Q4:26	Q1:27	Q2:27	Q3:27	Q4:27	Q1:28	Q2:28	Q3:28	Q4:28
GDP (% y/y) pa	3.7	4.2	4.1	4.1	4.2	4.3	3.9	4.7	3.3	4.5	5.5	4.3	5.0	4.3	4.1	4.2
CPI (% y/y) pe	4.2	3.9	4.4	4.2	4.2	4.5	4.6	4.6	4.4	4.7	4.8	4.9	4.9	4.6	4.5	4.4
Policy interest rate (%) pe	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.50
3-m rate (%) pe	7.51	7.54	7.54	7.54	7.54	7.54	7.54	7.54	7.54	7.54	7.54	7.54	7.54	7.54	7.54	7.29
6-m rate (%) pe	7.59	7.65	7.65	7.65	7.65	7.65	7.65	7.65	7.65	7.65	7.65	7.65	7.65	7.65	7.65	7.40
USD/NAD pe	18.28	18.10	18.05	18.00	18.04	18.08	18.11	18.15	18.24	18.33	18.41	18.50	18.60	18.70	18.80	18.90

Source: Namibia Statistics Agency; Bank of Namibia; Ministry of Finance; Bloomberg; Standard Bank Research

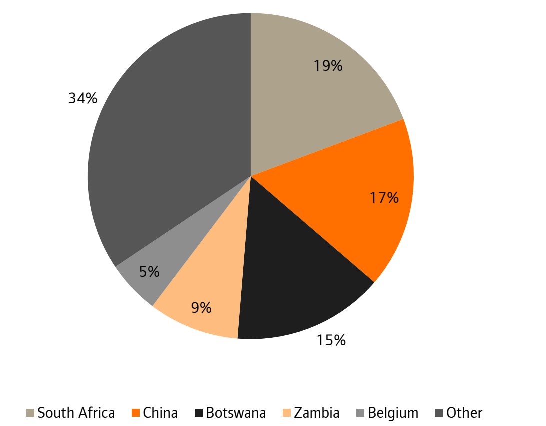
Notes: pa - period average; pe - period end

Top 5 imports origin markets (% of total) - 2024



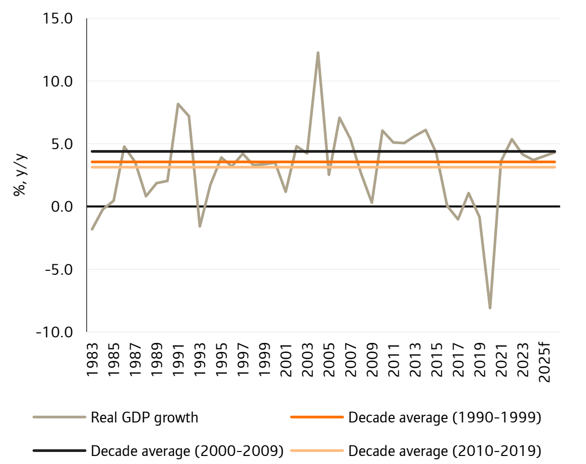
Source: International Trade Centre

Top 5 exports destination markets (% of total) - 2024



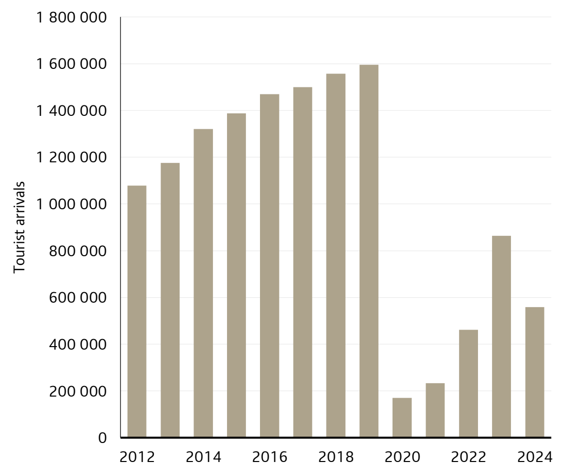
Source: International Trade Centre

Long-term growth performance



Source: Namibia Statistics Agency; Standard Bank Research

Tourist arrivals



Source: Ministry of Environment, Forestry and Tourism, Bank of Namibia

Balance of payments: C/A deficit may narrow

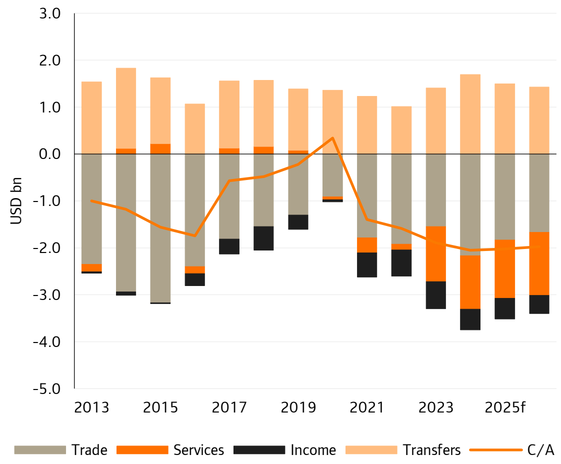
We still forecast the C/A deficit to narrow this year but remain elevated, at 13.9% of GDP, from an estimated 15.3% of GDP in 2024. Thereafter, narrowing further, to 12.4% of GDP in 2026.

The improved C/A deficit in 2025 is owing to a lower trade account deficit attributable to an uptick in exports of other commodities such as uranium, gold, copper and zinc, whilst diamond export earnings will likely keep underperforming. Still, gold production has been increasing, as proxied by the gold bullion production index increasing by an average of 27.4% y/y during the first 4-m of this year. Alongside still higher international gold prices, at USD3,392/oz at the time of writing, this should see gold exports earnings higher in 2025. Gold mining houses' forecasts still show robust volumes for this year. Uranium production too should remain supported, up 58.7 % y/y as at Apr, due to increased demand from the growing use of nuclear power globally as well as new mines coming online. Other notable expected increased exports for this year include fish and fish products as well as livestock. Regarding exposure to the tariffs with the US, only marble exports remain heavily exposed to the US market, at 88.7% of goods exported to the US.

Though the development of the hydrocarbons sector and ongoing explorations may put pressure on capital goods imports, we still see imports growing less this year, perhaps by 8% on average, compared to 17% in the last 4-y, offset by a lower oil import bill due to softer crude oil prices. Food imports too should moderate on the back of better crop production this year due to likely improved rainfall.

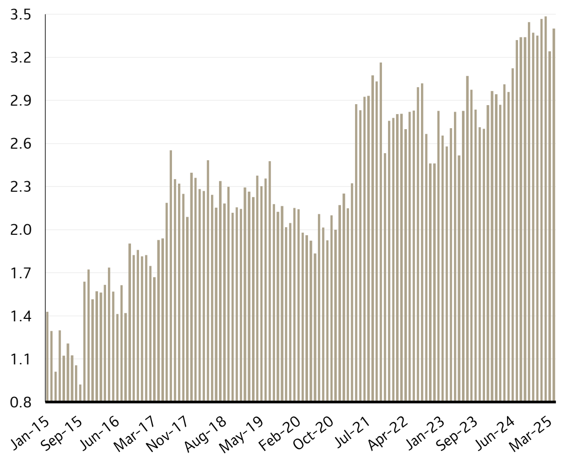
The expected decline in SACU receipts in FY2025/26 may be countered by lower net services outflows due reduced outflows related to oil exploration as well robust tourism boosting net travel services. Gross FX reserves were USD3.4bn (4.2-m of import cover) in Apr; we forecast USD3.56bn by Sep due to SACU receipts, increased exports growth, and flows into the hydrocarbons sector. This would be in time for the RepNam'25 redemption this October.

Current account developments



Source: Bank of Namibia; Standard Bank Research

FX reserves



Source: Bank of Namibia

FX outlook: limited rand gains from here

The rand faces idiosyncratic risks and numerous global headwinds. This would imply implies some risk to the Namibian dollar (NAD) too given the prevailing peg with the rand. Investors are uncertain about the durability and sustainability of South Africa's Government of National Unity (GNU) as well as SA's weak growth trends and fiscal sustainability, although the uncertainty about the latter has lessened.

Our houseview is for the rand to continue to take its cue from domestic challenges and global economic developments, particularly those around the US trade war. On a real trade-weighted basis, limited rand gains are foreseen. The USD/ZAR is forecast to end this year at 18.00, from 17.91 at the time of writing, then closing 2026 at 18.15.

USD/NAD: forwards versus forecasts

Source: Bloomberg; Standard Bank Research

Monetary policy: an end to the easing cycle

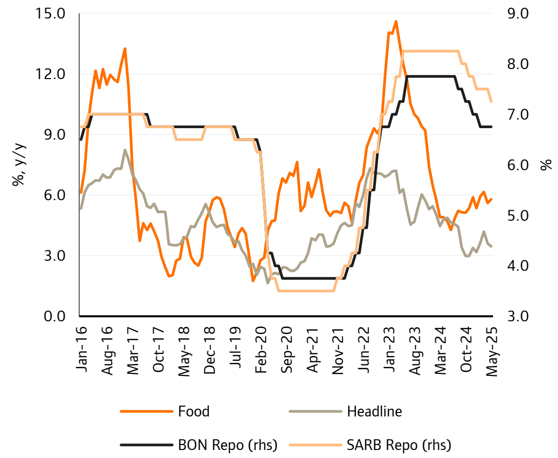
We still infer that the 25 bps repo rate cut at the Feb meeting, to the current 6.75%, may be the last in the current cycle given Namibia's inflation outlook.

The pressures in food prices have started to creep into the headline number, particularly for food items such fruit (15.5% y/y), fish (9.1% y/y), oil and fats (9.1% y/y) as well as meat (8.8% y/y). Headline inflation averaged higher in the 4-m to May 2025, to 3.7% y/y, compared to a 3.1% y/y average in the 4-m prior, with food inflation at 6.1% y/y and 5.6% y/y respectively over those periods. Even if volatile items, such as food and energy prices, which tend to experience significant price fluctuations, are excluded, core inflation was still higher, at 4.1% y/y as at May – surpassing headline inflation of 3.5% y/y. Encouragingly, lower international oil prices have helped to offset transport costs. We foresee inflation heading higher in coming months, reaching 4.4% y/y by Sep, then ending this year at 4.2% y/y due to the likely continued pressure on food prices, coupled with the passthrough effect of the recently approved 3.8% increase in electricity tariffs that will take effect from 1 Jul. Thereafter, inflation may reach 4.6% y/y by end 2026. Combined, the food and the housing subindices account for 45% of the CPI basket. The latest white maize grain production forecasts still show a likely shortage until Oct 2025, and therefore a likelihood of maize imports, amid the still sticky prices for white maize. Upside risks to our inflation outlook include any increase in international oil prices given Middle East tensions, especially if coupled with currency weakness. Further, a weaker La Niña may inflate food prices.

The MPC would want to ensure orderly capital flows given the repo rate differential between the BON and the SARB, currently at 50 bps, after the SARB lowered its repo rate to 7.25% in Jun.

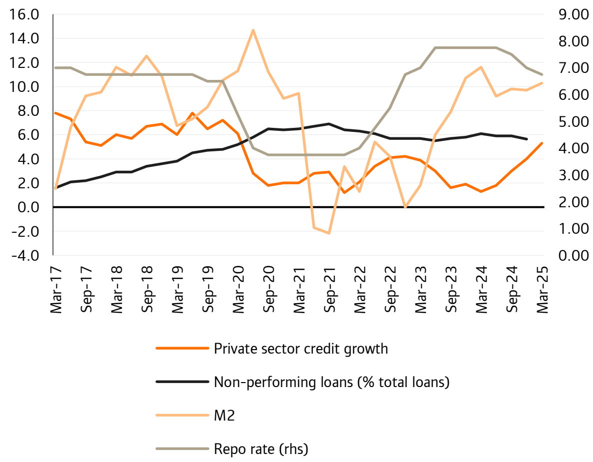
The BON has had a head-start in cutting the key policy rate, and trends with the SARB tend to favour a 25-50 bps differential. Encouragingly, private sector credit extension (PSCE) growth has picked up, at 5.3% y/y as of Mar 2025, from 4.0% y/y in Dec 2024 – supportive of the economy.

Inflation and interest rates



Source: Bank of Namibia; South African Reserve Bank; National Statistics Agency

Monetary statistics, policy rate



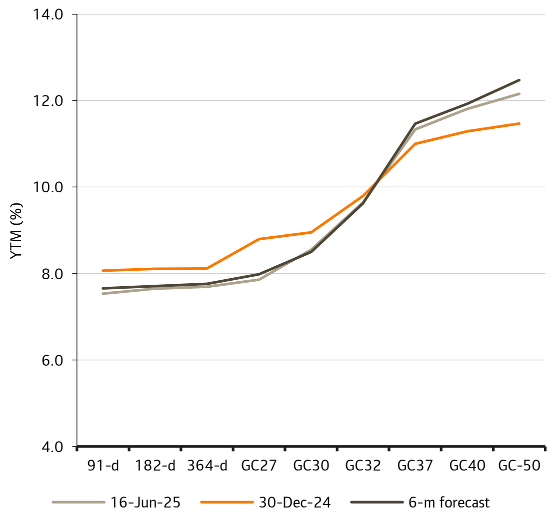
Source: Bank of Namibia

Yield curve outlook: may hold steady into year-end

If indeed the BON's 25 bps rate cut in Feb is the last in the current easing cycle, T-bill yields may hold relatively steady into this year-end. Asset quality, as measured by the non-performing loans (NPL) to gross loans ratio, has improved, supported by accommodative monetary policy since H2:24. This, coinciding with a pickup in PSCE, implies commercial banks channelling a smaller portion of their excess liquidity into the short end of the curve.

The government still intends to fund most of its FY2025/26 net borrowing requirements domestically (NAD21.2bn, or 71% of total net borrowing requirement); split between issuances of fixed-rate bonds (62%), T-bills (30%), and inflation-linked bonds (8%). Fixed-rated bond issuances remain tilted towards longer-dated bonds, with almost 60% of planned issuances earmarked for GC40-GC50s. Given inflation expectations now being higher, investors may seek much higher yields at coming bond auctions – more so given lower bids at recent auctions due to liquidity and comparatively better benchmarking in ZAR bonds.

Yield curve changes



Source: Bank of Namibia; Standard Bank Research

Fiscal policy: slower revenue growth projected

The fiscal deficit for FY2025/26 is now envisioned at 4.6% of GDP, wider than the 3.9% of GDP that the government had projected in the mid-year budget review presented last Oct, then may narrow to 4.0% of GDP in FY2026/27.

In nominal terms, total revenue should grow at a slower pace of 0.5%, to NAD92.6bn, during FY2025/26 due to lower company taxes expected from diamond mining companies as the sector is experiencing a slowdown due to low prices amid subdued global demand. That said, diamond sector revenue accounts for only c.4.8% of total revenue. SACU revenue too are set for a downturn, declining by about 24.1%, to NAD21.7bn; however, this would exceed the average of NAD17.1bn in SACU proceeds over the last five fiscal years. Further, SACU revenue should recover in the next 3-y, albeit unevenly so. From FY2026/27, total revenue should grow steadily, mainly on the back of income tax on individuals, non-mining company tax, and VAT.

Expenditure increases by 4.9%, to NAD106.3bn, in FY2025/26, then peaking at NAD115.9bn in FY2027/28. Salaries remain sticky, accounting for a third of total expenditure, followed by debt service payments which are projected at 13% of expenditure (14.8% of revenue). Following the redemption on the USD750m (c.NAD13.9bn) Eurobond due in Oct 2025, external interest payments are forecast to drop by 25% in FY2026/27. For this redemption, the government has set aside funds from SACU proceeds to a dedicated sinking fund, with a total of USD463.4m accumulated in the fund by Feb 2025, and a further USD162m expected from SACU receipts over the next 3-q. Namibia is due to receive c.NAD16.3bn in SACU receipts (circa USD898m) during Apr-Dec 2025. The balance of USD125m will likely be funded from the domestic market.

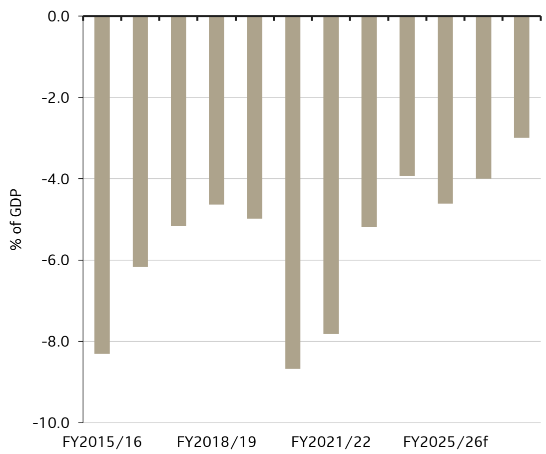
To fund the fiscal deficit, domestic financing constitutes over 80% of total financing – and should remain strong relative to external financing. In the MTEF, the funding deficit is similarly rationed.

Central government budget

	FY2023/24	FY2025/26	FY2026/27
% of GDP	**Actual**	**Budgeted**	**Budgeted**
Total revenue and grants	36.2	33.3	31.3
Total expenditure	40.3	38.2	35.6
- Operational	31.0	28.7	26.5
- Salaries	11.9	11.4	10.5
- Interest	5.1	4.9	4.5
- Development	4.2	4.6	4.6
Budget deficit (excl. grants)	-4.5	-5.2	-4.7
Budget deficit (incl. grants)	-3.9	-4.6	-4.0
Primary balance	1.2	0.3	0.5
Foreign Financing	0.5	-4.1	0.8
Domestic Financing	5.1	6.2	4.2
Domestic debt	51.4	52.9	52.7
Foreign debt	14.6	9.1	9.0
Total debt	66.0	62.0	61.8

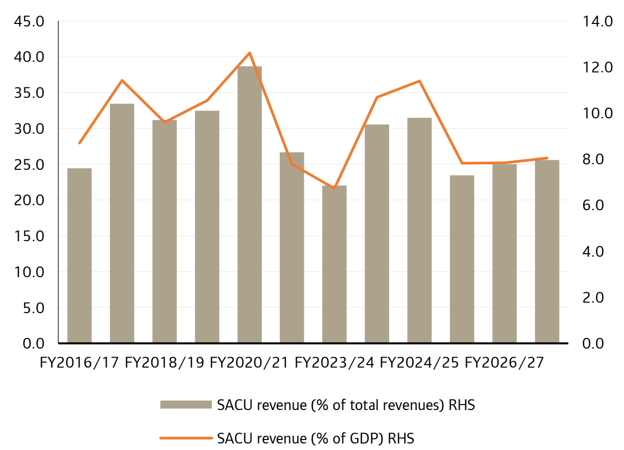
Source: Ministry of Finance

Fiscal deficit



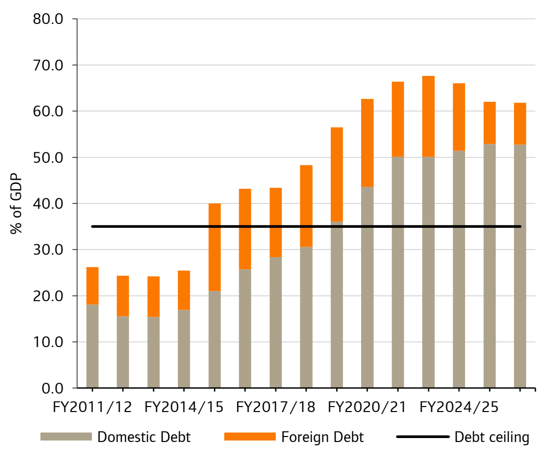
Source: Ministry of Finance

SACU revenue



Source: Ministry of Finance, Standard Bank Research

Composition of total debt stock



Source: Ministry of Finance

Annual indicators

	2020	2021	2022	2023	2024e	2025f	2026f
Output							
Population (million)	2.4	2.5	2.5	3.0	3.1	3.1	3.2
Nominal GDP (NAD bn)	174.2	183.9	206.2	227.4	245.5	265.1	288.2
Nominal GDP (USD bn)	10.6	12.4	12.6	12.3	13.4	14.6	16.3
GDP / capita (USD)	4 409	4 976	4 944	4 109	4 383	4 685	5 150
Real GDP growth (%)	-8.0	3.6	5.4	4.4	3.7	4.0	4.3
Diamonds ('000 carats)	1452	1475	2065	2891	2741	2691	2641
Uranium (MT)	6861	6782	6618	6757	6892	7030	7171
Central Government Operations							
Budget balance (excl. Grants) / GDP (%)	-8.2	-7.9	-5.1	-3.2	-4.5	-5.2	-4.7
Budget balance (incl. Grants) / GDP (%)	-8.7	-7.9	-5.1	-3.2	-3.9	-4.6	-4.0
Domestic debt / GDP (%)	36.1	43.6	50.7	49.0	46.6	45.1	45.1
External debt / GDP (%)	20.4	19.0	16.5	17.1	15.8	15.1	15.1
Balance of Payments							
Exports (USD bn)	3.2	3.7	4.4	4.7	4.6	5.0	5.5
Imports (USD bn)	4.1	5.5	6.3	6.2	6.8	6.9	7.2
Trade balance (USD bn)	-0.9	-1.8	-1.9	-1.5	-2.2	-1.8	-1.7
Current account (USD bn)	0.3	-1.4	-1.6	-1.9	-2.1	-2.0	-2.0
- % of GDP	3.2	-11.2	-12.6	-15.3	-15.3	-13.9	-12.4
Financial account (USD bn)	0.3	-1.5	-1.6	-0.3	-0.3	-0.3	-0.3
- FDI (USD bn)	0.7	1.4	1.2	2.2	3.4	3.5	3.6
Basic balance / GDP (%)	9.8	0.1	-3.1	2.5	10.1	34.3	34.3
FX reserves (USD bn) pe	2.2	2.8	2.8	3.1	3.5	3.5	3.6
- Import cover (months) pe	6.4	5.8	5.9	5.1	4.3	4.3	4.4
Sovereign Credit Rating							
S&P	nr	nr	nr	nr	nr	nr	nr
Moody's	Ba3	Ba3	Ba3	B1	B1	B1	B1
Fitch	BB	BB	BB	BB-	BB-	BB-	BB-
Monetary & Financial Indicators							
Consumer inflation (%) pa	2.2	3.6	6.1	5.9	4.2	3.9	4.5
Consumer inflation (%) pe	2.4	4.5	6.9	5.3	3.4	4.2	4.6
M2 money supply (% y/y) pa	11.2	11.9	12.6	12.1	10.6	10.4	10.2
M2 money supply (% y/y) pe	8.8	11.0	10.4	10.6	11.6	12.6	12.3
BON bank rate (%) pa	4.19	3.75	5.25	7.46	7.56	6.75	6.75
BON bank rate (%) pe	3.75	3.75	6.75	7.75	7.00	6.75	6.75
3-m rate (%) pe	4.3	4.6	7.2	8.7	8.1	7.5	7.5
5-y rate (%) pe	9.4	9.9	10.3	9.1	8.8	7.5	7.5
USD/NAD pa	16.47	14.79	16.42	18.45	18.34	18.20	17.68
USD/NAD pe	14.87	15.89	17.29	18.63	18.25	18.00	18.15

Source: Namibia Statistics Agency; Bank of Namibia; Ministry of Finance; Bloomberg; Standard Bank Research

Notes: pa - period average; pe - period end

Nigeria: still a reforms story, though now with less pressure

Medium-term outlook: likely higher economic growth – but downside risks remain

We retain our forecast of 3.5% y/y GDP growth for 2025; growth was 3.4% y/y in 2024. Industries should now contribute more to medium-term economic growth amid structural reforms and higher crude oil production.

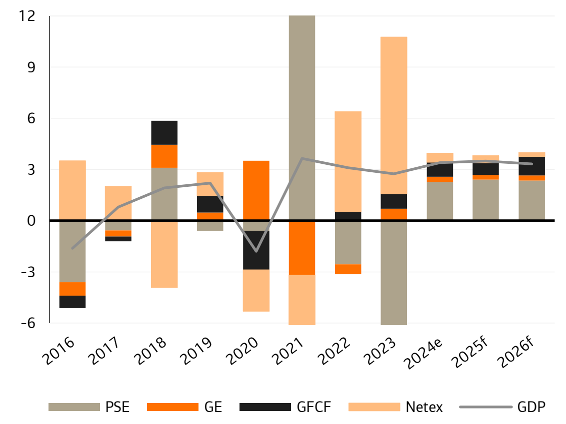
The recent improvement in regulatory approvals involved in onshore assets divestments should boost sentiment in Nigeria's oil sector in the medium term, likely propelling crude oil production in that time. Further, the reconstitution of the NNPCL's Board bodes well for Nigeria's oil sector in view of board members' private sector experience and their collective extensive performance records. Crude oil production averaged 1.67m bpd in 5-m 2025; we retain our 1.65m bpd average production forecast for 2025. The 2024 average was 1.55m bpd. Data from the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) shows that most of the y/y gains in crude oil production in Q1:25 came from the Bonny (+29.1% y/y), Bonga (+12.7% y/y) and Qua Iboe (+3.1% y/y) terminals, all of which compensated for the declines in the Forcados (-4.0% y/y), Egina (-24.3% y/y) and Agbami (-19.9% y/y) production terminals. The NNPCL expects gas production to feature prominently in its oil and gas reform agenda over the medium term.

The manufacturing sector should benefit from the spillover effect of the Dangote Refinery as the oil refining sub-sector is expected to sustain its growth trend after contracting from Q1:19 to Q3:24. Further, improvement in FX liquidity conditions, moderate FX depreciation, softening price pressures and likely lower interest rates should support an improvement in the manufacturing sector. Out of the 13 sub-sectors that comprise the manufacturing sector, we are most constructive on oil refining, cement, food production, chemical & pharmaceutical products and motor vehicles & assembly sub-sectors.

The financial institutions and ICT sectors have been major carriers of Nigeria's broad service sector's growth consistently since Q3:21. However, we expect trade and real estate to provide additional support in the short- and medium term. Notably, Nigeria formally gazetted and transmitted the ECOWAS Schedule of Tariff Orders for Trade under the African Continental Free Trade Area (AfCFTA) on 14 Apr. This move sets the foundation for implementing zero duties on 90.0% of tariff lines under AfCFTA, effectively positioning Nigeria's goods for improved access and competitiveness across African markets.

However, the outlook still faces risks from exchange rate uncertainties, lower-than-expected crude oil production, high inflationary pressures, unfavourable weather shocks, and elevated energy costs constraining production in the non-oil sector.

GDP by expenditure



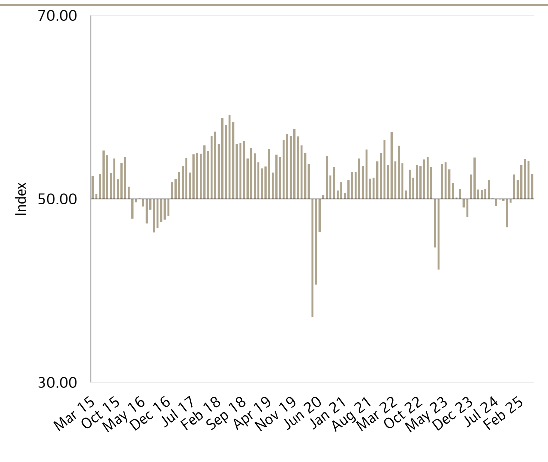
Source: National Bureau of Statistics; Standard Bank Research

GDP by sector (%) contribution

	2010	2021	2022	2023	2024
Agriculture	40.87	25.88	25.58	25.18	24.64
Mining and Quarrying (Oil)	15.88	7.41	5.88	5.56	5.64
Manufacturing	4.16	8.98	8.92	8.81	8.64
Electricity, Gas, Steam and Air	0.4	0.47	0.45	0.46	0.45
Water Supply, Sewerage, Waste	0.08	0.21	0.23	0.25	0.26
Construction	1.99	3.49	3.54	3.56	3.49
Trade	18.69	15.68	16	15.83	15.46
Accommodation	0.5	0.72	0.73	0.73	0.74
Transportation and Storage	1.27	1.32	1.48	1.00	1.03
Information and Communication	4.55	15.56	16.51	17.34	17.68
Financial and Insurance	3.56	3.57	4.03	4.97	6.22
Real Estate	1.74	5.6	5.64	5.59	5.45
Professional and Scientific Services	3.13	3.24	3.22	3.21	3.14
Public Administration	3.66	2.03	2	1.99	1.97
Education	1.51	1.8	1.77	1.75	1.72
Other Services	6.82	3.12	3.06	3.77	3.47
GDP	100	100	100	100	100

Source: National Bureau of Statistics; Standard Bank Research

Stanbic IBTC Purchasing Managers Index



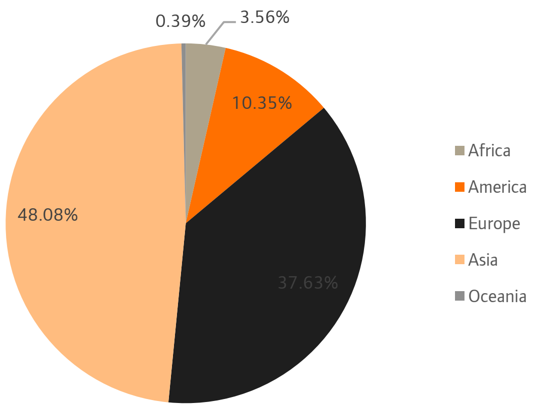
Source: S&P Global

Medium-term economic growth forecasts

	Q1:25	Q2:25	Q3:25	Q4:25	Q1:26	Q2:26	Q3:26	Q4:26	Q1:27	Q2:27	Q3:27	Q4:27	Q1:28	Q2:28	Q3:28	Q4:28
GDP (% y/y) pa	3.7	3.3	3.6	3.5	3.2	3.4	3.0	3.4	4.0	3.9	3.9	4.1	3.5	3.7	3.7	3.6
CPI (% y/y) pe	24.2	22.5	21.4	34.9	19.4	18.2	17.2	19.9	21.3	21.3	21.2	21.0	20.7	20.2	19.8	19.4
CBN policy rate (%) pe	27.5	27.5	26.5	26.0	25.0	24.0	23.5	23.5	23.5	23.5	23.5	23.0	22.0	22.0	21.0	21.0
3-m rate (%) pe	17.8	19.2	18.1	17.9	17.1	16.8	17.1	16.8	16.4	16.6	16.0	15.8	15.6	15.7	15.1	15.4
6-m rate (%) pe	19.9	20.8	19.3	19.1	18.9	18.5	18.1	18.0	17.6	17.9	17.0	16.3	16.1	16.8	16.4	16.1
USD/NGN pe	1536.8	1569.3	1644.5	1697.5	1782.1	1844.2	1878.7	1913.8	2138.7	2190.3	2188.5	2182.7	2398.1	2549.6	2579.0	2565.6

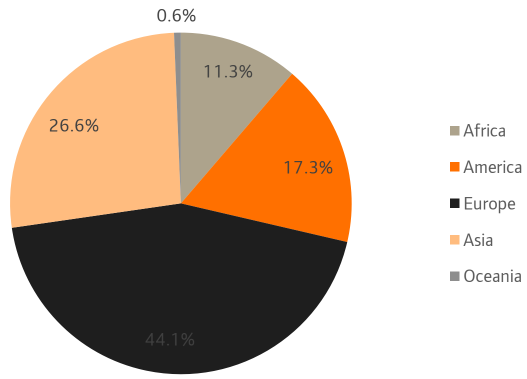
Source: Central Bank of Nigeria; National Bureau of Statistics; Bloomberg; Ministry of Finance; Standard Bank Research Notes: pa - period average; pe - period end

Import source markets



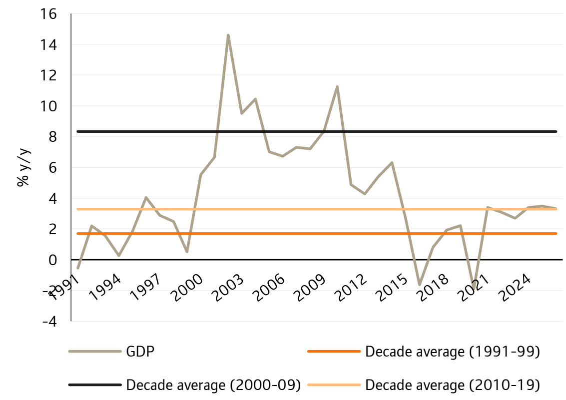
Source: NBS; Standard Bank Research

Export destination markets



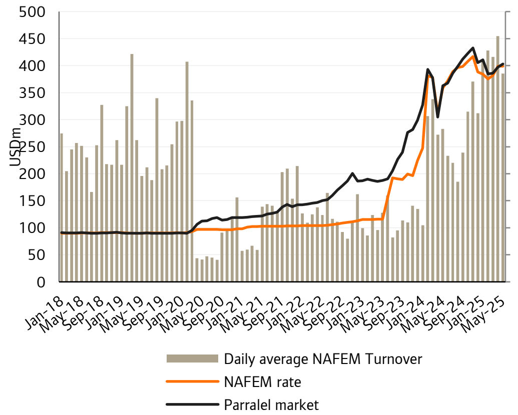
Source: NBS; Standard Bank Research

Long-term GDP growth rate



Source: Bloomberg

USD/NGN rate and NAFEM turnover



Source: FMDQ; Standard Bank Research

Balance of payments: a modest C/A surplus

We forecast the current account (C/A) surplus at USD7.25bn (or 4.0% of GDP) at USD75.0/bbl oil prices and USD3.85bn (or 2.1% of GDP) if oil prices average USD65.0/bbl. Global policy uncertainties and geopolitical tensions are likely to ensure crude oil prices remain volatile in H2:25.

While non-oil exports are likely to improve amid international competitiveness borne of FX reforms, we expect oil exports to decline. Our expectation of lower oil exports hinges on volatile oil prices and Nigeria's channeling of crude oil to local refineries, which reduces oil export volume.

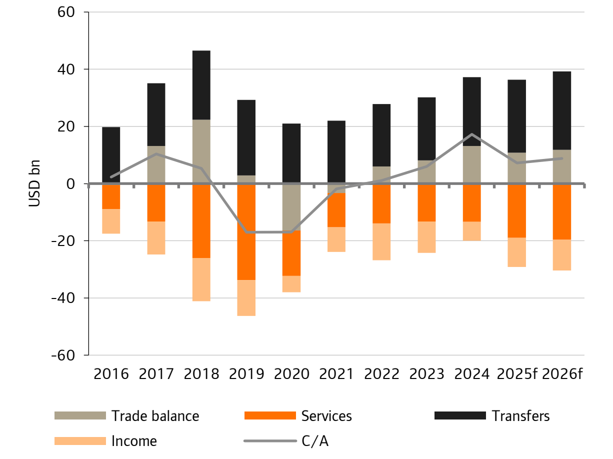
We see only a modest decline in non-oil imports (c 62.0% of total imports), which should partly counterbalance a potentially sharp decline in oil imports (c.38.0% of imports) and lead to a likely overall 1.0% decline in aggregate imports in 2025. Still, Dangote Refinery securing part of its crude oil from international sources may partly negate the anticipated significant reduction in refined petrol products imports occasioned by higher domestic refining.

Although payments for services imports are expected to increase y/y, higher travel costs exacerbated by a weak domestic currency are likely to continue to constrain the growth of services imports to pre-Covid levels. Also, the CBN's remittance reforms, market-reflective exchange rate and significantly improved FX liquidity should continue to support higher remittance inflows.

Structurally, the contribution of oil into FX reserves have been dwindling since 2017, with oil reserve inflows contributing 26.3% on average to the CBN's reserve inflows between 2017 and 2023, from an average 78.8% contribution between 2010 and 2016. As of 2023, oil reserve inflows contributed 33.3% of the CBN's total reserve inflows, from a 28.8% contribution in 2022.

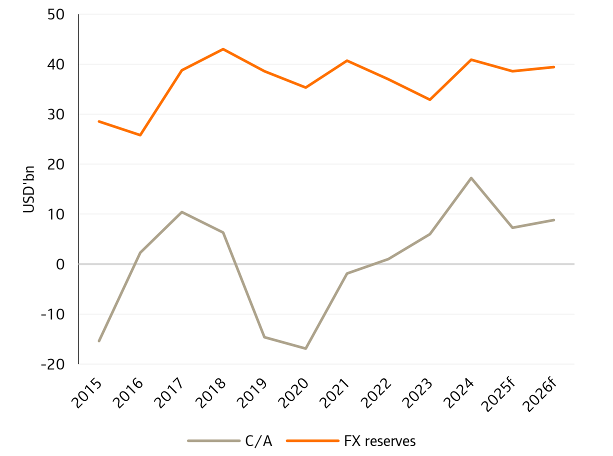
We believe that the contribution of oil declined further in 2024 given that bulk of the increase in the FX reserves last year was due to FPI inflows, dollar-denominated debt issuances and higher remittance flows. Thus, the impact of oil on the CBN's FX reserve inflows may not be as much as pre-2017.

Current account developments



Source: Central Bank of Nigeria; Standard Bank Research

FX reserves and current account



Source: Central Bank of Nigeria; Standard Bank Research

FX outlook: USD/NGN likely to end year at 1697.5

We retain our USD/NGN forecast at 1697.5 by Dec 2025, implying a 9.5% likely depreciation compared to 40.9% depreciation in 2024.

Notably, the external environment remains volatile with the balance of risks still tilted to the downside. Hence, the behavior of foreign investors (30.4% of FX inflows into the NAFEM in 5-m 2024) has been largely in line with shifting sentiment in the global space. Indeed, the naira depreciated to as high as 1660 against the USD in Apr due to the spillover effect of tariff hikes and higher oil output on crude oil prices. However, the USD/NGN pair has been between 1580/1540 in June amid higher oil prices induced by the Isreal-Iran conflict.

Private OMOs issued from late Q3:24 is expected to start maturing from Sep 2025, posing as additional downside risk for the USD/NGN pair should the CBN not refinance these maturities. The CBN has sold USD4.72bn year to date (as of 20 June) – 63.6% of the FX (USD7.42bn) sold in 2024. Nonetheless, our expectations

USD/NGN: forwards versus forecasts

Source: Bloomberg; Standard Bank Research

Monetary policy: MPC likely to start cutting rates from late Q3:25

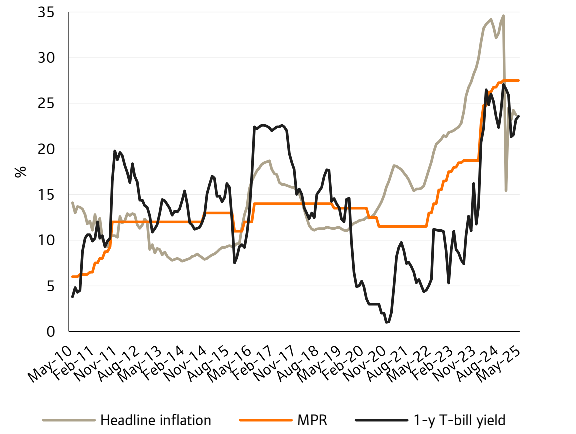
In line with the recently rebased CPI, we now see headline inflation settling at an average of 23.5% in 2025 – lower than 30.5% in our Jan AMR. We also expect the inflation rate to end 2025 at 34.9% y/y, up from 15.4% y/y in Dec 2024, primarily due to the unfavourable base effect from last year. To get a year-end inflation rate of c.20.0% y/y, the m/m inflation rate in Dec 2025 would have to fall to -11.9%. Further, 10.68% m/m inflation in Jan 2025 creates a high base effect for inflation in Jan 2026, implying that inflation may then drop sharply during Jan 2026.

Given volatile m/m inflation outcomes and the limited near-term clarity on inflation post-CPI rebasing, the MPC of the CBN may wait until the Sep/Nov policy meeting before switching to an accommodative monetary policy stance. Nonetheless, we may still see the MPC opt to narrow the asymmetric corridor from the current +500bps/-100bps around the MPR before Sep to flag an accommodative monetary policy stance in case inflation moderates further this year, compared to 2024.

The MPC has left the MPR unchanged at 27.50% so far this year, compared to the cumulative 875bps increase in 2024. Also, the asymmetric corridor was retained at +500bps/-100bps around the MPR; CRR kept at 50.0%; liquidity ratio at 30.0%. At the May policy meeting, the MPC provided no forward guidance on future policy path – but the tone at that meeting implies that the CBN is determined to maintain the current reform momentum given the progress with FX and monetary policy reforms so far. Further, the CBN governor reiterated the apex bank's mission to restore both confidence and trust in the institution.

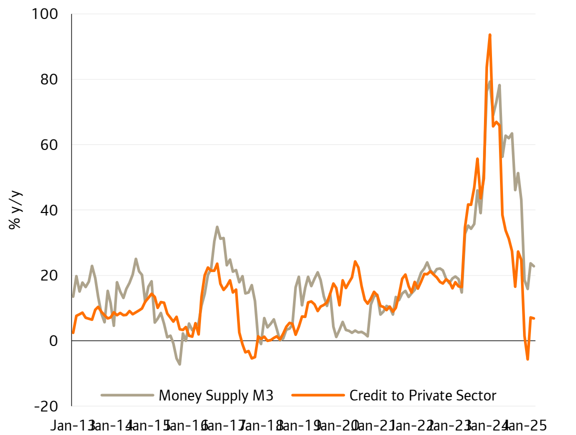
The impact of tight monetary policies has been materializing on broad money supply (M2) in 2025. This is as the y/y growth of M2 moderated sharply in 4-m 2025, to an average 21.0%, compared to 64.2% y/y average M2 growth in 2024. Growth in credit to the private sector too softened significantly, to an average 2.4% in 4-m 2025, from growth average of 47.9% in 2024.

Inflation and interest rates



Source: Central Bank of Nigeria; FMDQ, National Bureau of Statistics, Standard Bank Research

Monetary statistics



Source: Central Bank of Nigeria; Standard Bank Research

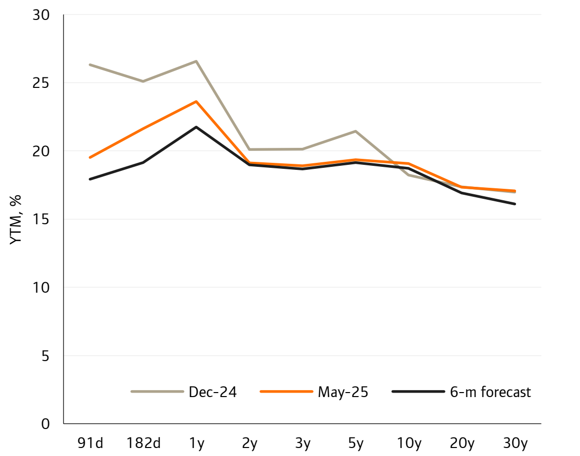
Yield curve outlook: lower than H1:25

We expect NGN yields to moderate from current levels (average NTB yields as of 30 May: 20.7% | one-year bill: 23.3%) in H2:25 amid anticipated softening of price pressures towards 20.0% levels, likely shift in the current monetary policy stance, and reduced government appetite for domestic borrowing. A likely spike in inflation in Dec will be seen as one-off and therefore may not affect market dynamics.

Despite implied high fiscal deficit amid overly optimistic revenue targets, the Debt Management Office (DMO) has not been keen to allot bills/bonds during auctions as much as they did in 2024, even as subscription levels have been significantly higher than amounts on offer. This implies lower bonds/bills supply than demand, further buttressing the view that yields are biased for compression in H2:25, relative to H1:25.

The most significant risk to this outlook is worsening of global uncertainties which may necessitate renewed selloffs in naira assets, implying higher bonds/bills yields.

Yield curve changes



Source: FMDQ; Standard Bank Research

Fiscal policy: external borrowing in focus

On 9 May, the Nigerian Senate and the House of Representatives adopted the harmonized versions of the tax reform bills and the President is expected to sign these bills into law on 26 June. Notably, these bills aim to modernize the country's tax administration, enhance revenue collection and stimulate economic growth by promoting the ease of doing business. In these bills, VAT and CIT were retained at 7.5% and 30.0% respectively. A look into the other aspects of the bills do not look exciting from a revenue generation standpoint, implying that upside to the government's revenue may be limited. Indeed, while the government expects additional revenue of up to 2.5% of GDP from these tax reforms, the IMF is more modest, at 0.4-0.5% of GDP annually over time.

With volatile crude oil prices and lower oil production compared to budget, the risks that the government will underperform in its spending plan amid lower revenue is now much higher than previously anticipated. Should the government go ahead with its spending plan amid lower-than-budgeted revenue, we estimate the fiscal deficit widening to 5.4% of GDP in 2025 compared to the budget deficit of 3.9% of GDP. However, as the government has not been aggressive in domestic borrowing so far in the year than implied by revenue underperformance and given that the authorities are not willing to revert to the CBN's ways & means advances, we believe that the government may embark on more external borrowing in H2:25. Already, the government intends to issue FX-denominated local debt, and tap into the Eurobond market later this year. During an investor roadshow in Jan, the Debt Management Office (DMO) stated that they were considering international sukuk and samurai bonds.

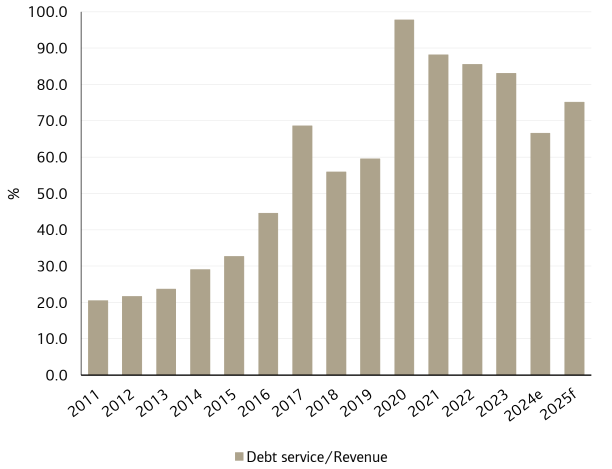
Given our expectation of additional external debt issuance, moderate USD/NGN pair depreciation, and increase in domestic borrowing to fund the 2025 budget, we estimate the public debt profile to rise to NGN170.16tn (or 54.9% of estimated nominal GDP) in 2025, from NGN144.67tn (or 53.7% of GDP) in 2024. Nonetheless, the estimated debt-to-GDP ratio did not account for the impact of GDP rebasing, which may subdue this ratio.

Federal government budget

% of GDP	FY2023	FY2024e	FY2025f
Revenue	5.4	7.8	8.4
Capital expenditure	2.1	2.5	2.7
Recurrent expenditure	6.1	6.9	8.3
Statutory transfers	0.5	0.6	1.3
Service debt	3.7	3.6	4.7
Total expenditure	10.0	11.6	13.8
Oil price assumption (US$/bbl)	75.0	78.0	75.0
Oil price actual (US$/bbl) pa	83.0	79.8	na
Oil production assumption (m bbl)	1.7	1.8	2.1
Exchange rate assumption	435.6	800	1500
Exchange rate actual (pa)	648.5	1484.1	na
Domestic financing	2.6	2.6	2.2
External financing	0.0	0.7	0.5
Fiscal deficit	-4.6	-3.7	-5.4

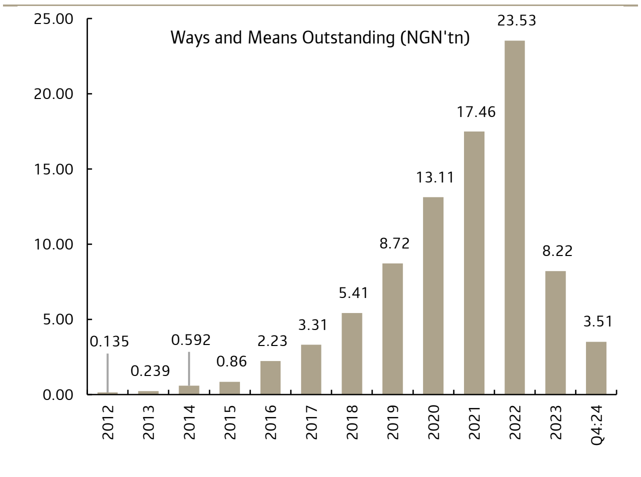
Source: Federal Ministry of Finance; Standard Bank Research

Debt-service-to-revenue



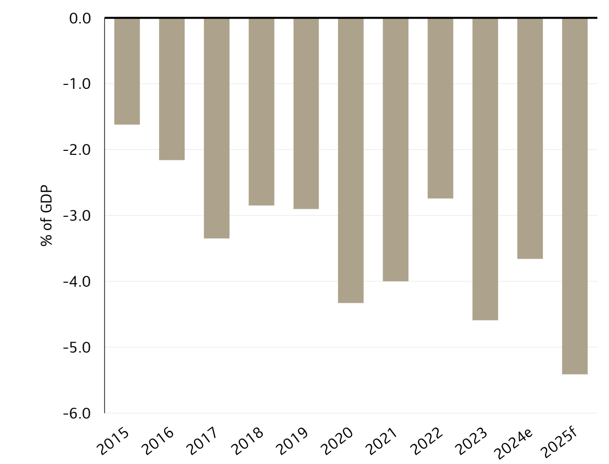
Source: Federal Ministry of Budget and National Planning; Standard Bank Research

CBN's ways & means outstanding (NGN tn)



Source: Central Bank of Nigeria, Standard Bank Research

Fiscal deficit



Source: Federal Ministry of Budget and National Planning; Standard Bank Research

Annual indicators

	2020	2021	2022	2023	2024e	2025f	2026f
Output							
Population (million)	197.3	202.5	207.7	213.1	218.7	224.4	230.2
Nominal GDP (NGN bn)	152324.1	173527.7	199336.0	229912.9	269290.4	343210.6	420227.0
Nominal GDP (USD bn)	403.9	430.5	465.4	354.5	181.5	213.6	230.2
GDP / capita (USD)	2046.7	2126.1	2240.3	1663.3	829.7	952.1	1000.1
Real GDP growth (%)	-1.92	3.4	3.10	2.74	3.40	3.5	3.3
Crude oil production (mbpd) pa	1.7	1.6	1.37	1.47	1.55	1.65	1.72
Central Government Operations							
Budget balance / GDP (%)	-4.3	-4	-2.7	-4.6	-3.7	-5.4	na
Domestic debt / GDP (%)	13.3	13.7	13.8	25.7	27.6	28.2	na
External debt / GDP (%)	8.3	9.1	9.4	16.6	26.1	26.7	na
Excess crude account/SWF (USD bn)	0.036	0.036	0.00	0.00	0.00	0.00	0.00
Balance of Payments							
Exports (USD bn)	35.9	46.9	64.2	55.8	53.0	50.2	53.2
Imports (USD bn)	52.4	51.4	58.2	47.7	39.8	39.4	41.4
Trade balance (USD bn)	-16.4	-4.6	6.0	8.1	13.2	10.8	11.8
Current account (USD bn)	-17.0	-1.9	3.5	6.0	17.2	7.3	8.8
- % of GDP	-4.2	-0.4	0.7	1.7	9.8	4.0	3.8
Financial account (USD bn)	1.0	-6.2	-6.5	-18.5	12.1	2.1	3.9
FDI (USD bn)	1.0	0.7	0.5	1.9	1.1	1.2	1.4
Basic balance / GDP (%)	-0.3	0.1	-0.7	-3.5	16.2	2.8	4.0
FX reserves (USD bn) pe	36.5	40.2	36.6	32.9	40.9	38.6	39.4
Import cover (months) pe	7.7	8.4	6.8	7.3	9.2	8.8	9.0
Sovereign Credit Rating							
S&P	B-	B-	B-	B-	B-	B	B
Moody's	B2	B2	B3	Caa1	Caa1	B3	B3
Fitch	B	B	B-	B-	B-	B	B
Monetary and financial Indicators							
Headline inflation pa	13.2	17.0	18.8	24.5	31.6	23.5	19.1
All items less farm produce CPI pa	10.8	13.1	16.0	20.5	25.0	25.4	22.4
Food CPI pa	16.1	20.6	20.8	26.9	37.3	21.3	18.6
M2 money supply (% y/y) pa	20.3	20.1	21.4	29.5	64.2	22.4	21.8
M2 money supply (% y/y) pe	31.0	16.2	18.1	52.3	43.8	20.3	16.4
Policy interest rate (%) pa	12.3	11.5	13.7	18.4	25.5	26.9	24.0
Policy interest rate (%) pe	11.50	11.50	16.50	18.75	27.50	26.00	23.5
3-mth rate (%) pe	0.4	5.0	4.4	3.5	26.3	17.9	16.8
1-yr rate (%) pe	1.0	5.3	8.5	11.8	26.6	21.8	21.1
3-yr rate (%) pe	3.9	9.2	11.8	13.0	20.1	18.7	18.6
5-yr rate (%) pe	6.3	12.3	12.9	14.5	21.4	19.4	19.0
USD/NGN pa	381.9	409.0	428.3	648.5	1484.1	1606.5	1825.3
USD/NGN pe	395.0	415.0	461.5	907.1	1535.8	1697.5	1913.8

Source: Central Bank of Nigeria; Federal Ministry of Finance; National Bureau of Statistics; International Monetary Fund; Bloomberg; Standard Bank Research

Notes: pe — period end; pa — period average; nr — not rated; na — not available

Rwanda: PCI fifth review completed

Medium-term outlook: robust growth, supported by services sector

We forecast the Rwandan economy to grow by 7.7% y/y in 2025. Continued growth in the services sector, as well as increased construction activity, should see GDP growth remaining robust.

The services sector (c.50% of GDP) will remain a key driver of Rwanda's economic growth in 2025. Tourism, trade and telecommunication services are pillars in the services sector.

The industry sector (c.19% of GDP) should record increased activity, especially in the construction sub-sector, as large infrastructure projects, such as the Bugesera Airport, take shape.

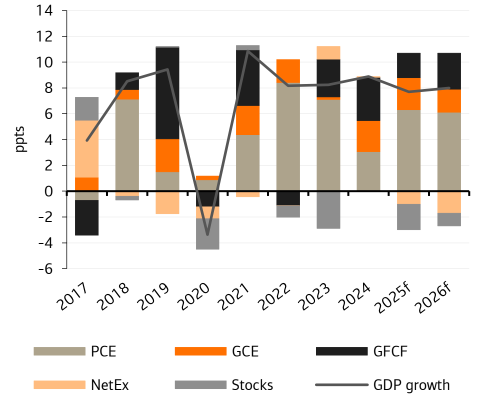
The IMF recently concluded the fifth review of the Policy Coordination Instrument (PCI) programme on which Rwanda is. Though growth expectations remain high, and debt-risks are merely modest, the IMF highlighted that downside risks for Rwanda's economy include global trade fragmentation, volatility in global energy and food prices, reduced aid flow, and increases in the cost of external financing. Further, any shock to Rwanda's predominantly rain-fed agricultural sector (c.21% of GDP) may hinder economic activity and exacerbate inflationary pressures.

Furthermore, the ongoing conflict with the DRC has seen countries such as the US, UK, Canada and Belgium enacting measures such as sanctioning high-profile individuals and/or cutting funding to Rwanda.

Ratings agencies Moody's and Fitch too have taken note of these downside risks. On 26 Mar 2025, Moody's changed Rwanda's outlook from stable to negative and affirmed the long-term local and foreign currency issuer ratings as B2. Shortly thereafter, on 4 Apr 2025, Fitch revised the outlook on Rwanda's Long-Term Foreign-Currency Debt rating from stable to negative and affirmed the rating at B+. Both ratings agencies attribute the negative outlook as reflecting the risks to Rwanda's credit profile associated with the ongoing conflict in eastern DRC.

In early Jun, Rwanda left the Economic Community of Central African States (Eccas). Rwanda was supposed to take up the chairman role of Eccas, which rotates between its 11 members. Eccas leaders at the summit acknowledged the aggression against DRC by Rwanda and ordered Rwanda to withdraw its troops from Congolese soil. This row comes as efforts to end fighting in eastern DRC continue. Rwanda has been accused of supporting M23 rebels in eastern DRC. The M23 group made major advances at the beginning of the year, occupying the key regional cities Goma and Bukavu.

Composition of GDP by demand



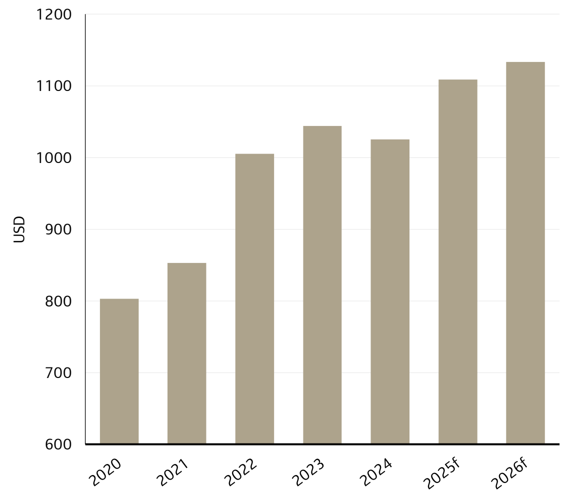
Source: National Institute of Statistics of Rwanda; Standard Bank Research

Contribution to GDP by sector

% of GDP	2009	2014	2019	2024
AGRICULTURE	30.0	27.7	24.7	21.1
Food crops	19.0	18.0	15.6	12.8
Forestry	6.4	5.3	4.6	4.3
INDUSTRY	15.8	17.6	18.4	18.6
Mining & quarrying	1.5	2.0	1.9	1.7
Manufacturing	9.1	7.5	8.2	8.9
Construction	4.9	6.6	7.0	6.5
SERVICES	43.4	45.9	47.9	51.0
Wholesale & retail trade	6.9	7.6	8.9	10.3
Transport services	3.8	4.1	5.2	5.0
Hotel & restaurants	1.7	1.7	1.8	2.3
Information & communication	1.3	1.5	1.8	4.1
Financial services	1.8	2.4	2.5	2.7
Real estate activities	9.6	7.3	6.7	5.5
Professional activities	2.6	1.9	2.2	1.9
Admin	3.6	3.3	3.3	2.7
Public admin	4.4	5.8	5.5	5.6
Education	3.1	3.4	2.7	2.8
TAXES LESS SUBSIDIES	10.8	8.8	9.0	9.3

Source: National Institute of Statistics of Rwanda

GDP per capita



Source: Rwanda Development Board

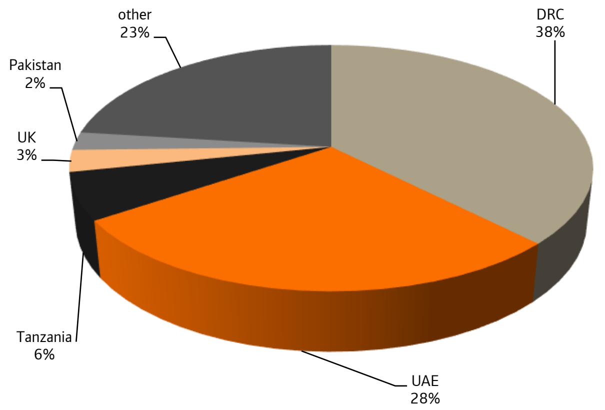
Medium-term economic growth forecasts

	Q1:25	Q2:25	Q3:25	Q4:25	Q1:26	Q2:26	Q3:26	Q4:26	Q1:27	Q2:27	Q3:27	Q4:27	Q1:28	Q2:28	Q3:28	Q4:28
GDP (% y/y) pa	7.8	7.4	8.7	7.1	9.2	9.9	7.0	6.1	7.2	7.1	7.2	7.1	7.8	7.7	7.5	7.2
CPI (% y/y) pe	6.5	7.3	6.8	6.1	5.9	5.2	5.9	5.1	4.2	4.5	4.3	4.5	4.7	5.0	4.8	4.9
Policy rate (%) pe	6.50	6.50	6.50	6.50	6.50	6.25	6.25	6.00	6.00	6.00	5.75	5.75	5.75	5.50	5.50	5.50
3-m rate (%) pe	6.8	5.5	5.4	5.3	5.3	5.2	5.2	5.1	5.1	5.2	5.2	5.1	5.0	5.0	5.1	5.1
6-m rate (%) pe	7.3	5.7	5.6	5.5	5.4	5.4	5.3	5.3	5.3	5.4	5.4	5.3	5.3	5.2	5.2	5.2
USD/RWF pe	1414.7	1425.3	1449.1	1473.4	1497.1	1521.7	1545.3	1569.7	1593.5	1617.8	1641.3	1665.4	1689.6	1713.2	1737.1	1761.3

Source: Standard Bank Research

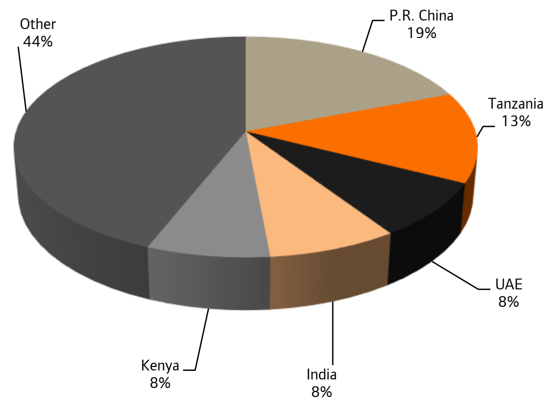
Notes: pa - period average; pe - period end

Share in Rwanda's exports (%)



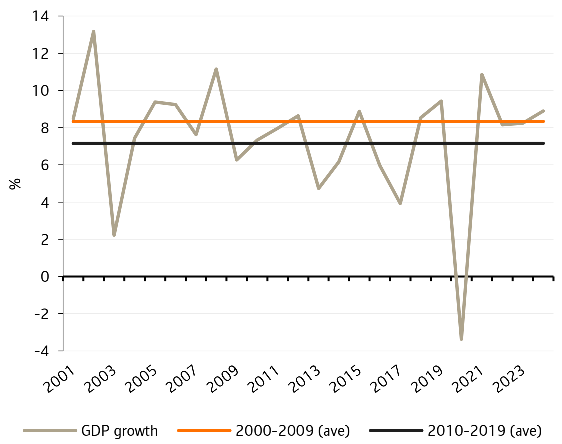
Source: IMF

Share in Rwanda's imports (%)



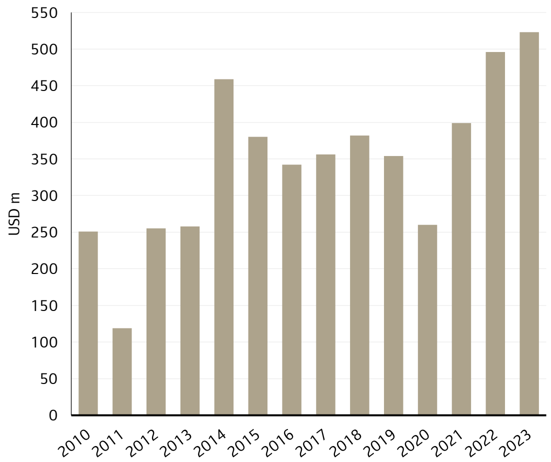
Source: IMF

Long-term GDP performance



Source: National Institute of Statistics of Rwanda; Standard Bank Research

Foreign direct investment inflows



Source: Unctad

Balance of payments: external position still under pressure

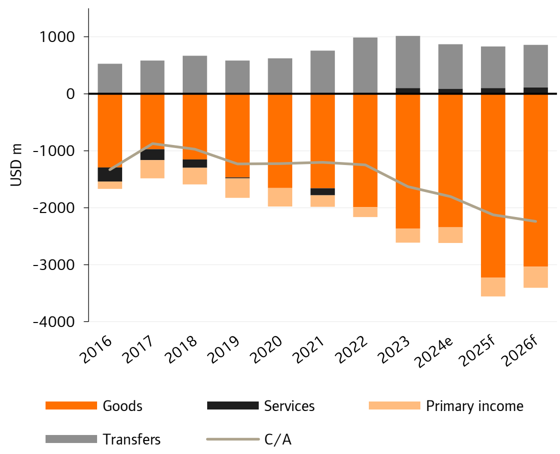
We forecast a current account (C/A) deficit of 13.5% of GDP in 2025. Rwanda's external sector faces pressure from rising import demand and global economic volatility. The trade deficit remains significant, driven by the need for capital goods and energy imports. Remittances and tourism receipts have provided some reprieve – but the current account deficit still poses challenges.

The Rwanda Development Board (RDB) reported that tourism revenue grew by 4.3% y/y, to USD647m in 2024, and that the RDB aims to increase tourism revenue to over USD700m in 2025. Further, investments into Rwanda reached USD3.2bn in 2024, up from USD2.4bn in 2023, with the manufacturing sector attracting the most investment (USD1.35bn), the financial insurance sector attracting the second-most investment (USD811.2m), followed by real estate (USD377.7m) in 2024. Further, in a strategic move to diversify reserves and strengthen monetary stability, Rwanda has announced plans to begin purchasing gold, which should provide a hedge against currency fluctuations, thereby contributing to long-term financial resilience.

In early Jun, Rwanda announced that it would be pulling out of Eccas after a diplomatic fracas over its involvement in the conflict in eastern DRC. Rwanda was supposed to take up the chairman role of Eccas but was prevented from doing so during a meeting on 7 Jun in Equatorial Guinea.

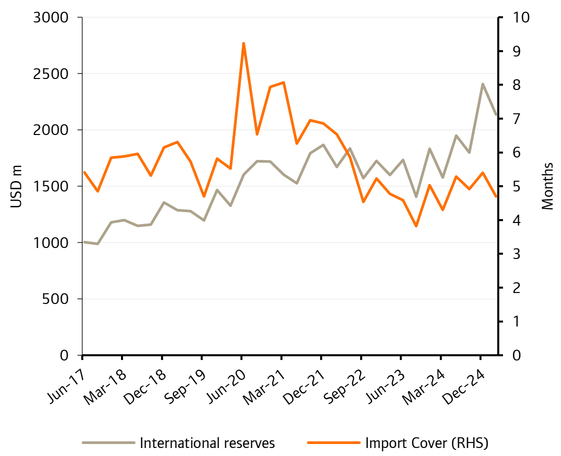
The row comes as efforts to end fighting in eastern DRC continue. According to reports, until the dispute has been resolved, Equatorial Guinea will remain in the chairman role. Of all the Eccas members, Rwanda's trades the most with neighbouring DRC and Burundi. Rwanda's trade with Eccas members is not as significant as its trade with East African Community (EAC) members. Burundi and DRC are the only Eccas members that buy Rwanda's exports – and, in the case of DRC, also re-exports. We believe that the impact on Rwanda's trade account due to leaving Eccas will be negligible.

Current account developments



Source: National Institute of Statistics of Rwanda; Standard Bank Research

FX reserves & import cover



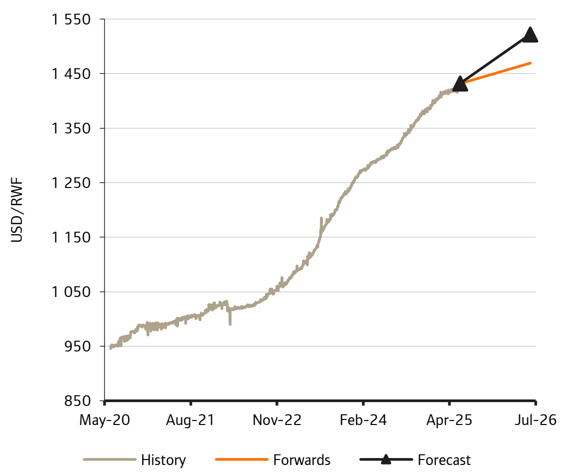
Source: National Bank of Rwanda

FX outlook: likely remaining under pressure

We forecast the RWF to remain under pressure for the remainder of 2025 due to the structural nature of Rwanda's current account deficit, exacerbated by increased imports for infrastructure projects. In the first 5-m of 2025, the RWF depreciated 2.6%, to reach RWF1,471.2 to the USD at end May 2025. We foresee the RWF depreciating by a total of 6.6% y/y in 2025, likely closing the year at RWF1,473.4 against the USD.

Under the PCI programme, the IMF highlights that continued real effective exchange rate adjustment to external imbalances are needed. The efficient functioning of the FX market is challenged by macroeconomic imbalances because the financing sources of the current account deficit are inadequate to meet FX funding shortages.

USD/RWF: forwards versus forecasts



Source: Bloomberg; Standard Bank Research

Monetary policy: inflation to test upper bound, while central bank rate kept unchanged

We upwardly adjust our forecast for Rwanda's urban inflation in 2025 to 6.5-7.0% y/y, from an average forecast of 5.8-6.2% y/y in the Jan AMR. Rwanda's urban inflation persistently surprised to the upside in the first 5-m of 2025, and averaged 6.7% y/y.

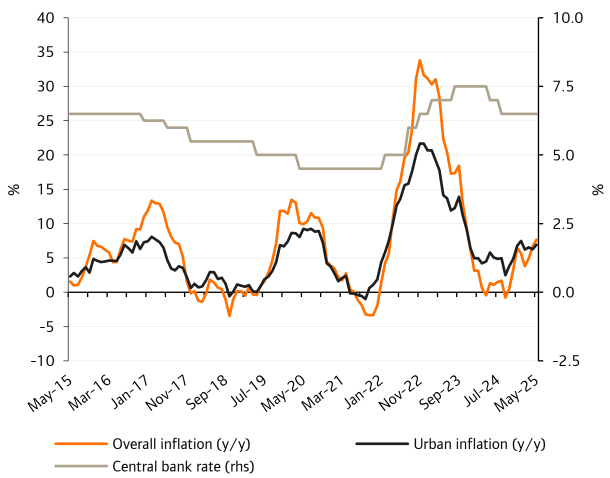
Sharp increases in meat and dairy prices contributed to the food and non-alcoholic beverages sub-index averaging 7.0% y/y in the first 5-m of 2025. Some news outlets described it as a symptom of disruption in regional and global supply. Both the local goods index (77% of urban index) and imported goods index increased sharply in May. We forecast that Rwanda's urban inflation to trend above 7.0% y/y in the next 3-m, before ticking lower, to 6.1% y/y by Dec.

The National Bank of Rwanda's (NBR) monetary policy framework targets inflation within a band of 2-8% y/y for urban CPI. This framework is based on the IMF's PCI programme, which sets a mid-point target of 5.0%, with a ±3 percentage point tolerance band, assessed using a 2-m moving average. We expect the MPC to keep the policy rate unchanged for the remainder of 2025 to keep inflation within its target band.

Data from the BNR shows a sharp drop in M2 growth y/y, further indicating that the BNR is trying to cool down demand in the economy. In Jan 2025, M2 growth contracted 13.4% m/m (-0.1% y/y), thereafter m/m growth was muted, averaging 0.3% m/m from Feb to Apr.

Private sector credit continued to show strong growth, averaging 14.9% y/y between Jan and Apr 2025. Sustained credit expansion, together with inflation remaining within the target band, should create favourable conditions for both economic growth and private sector development.

Inflation and central bank rate



Source: National Bank of Rwanda; National Institute of Statistics of Rwanda

Money supply

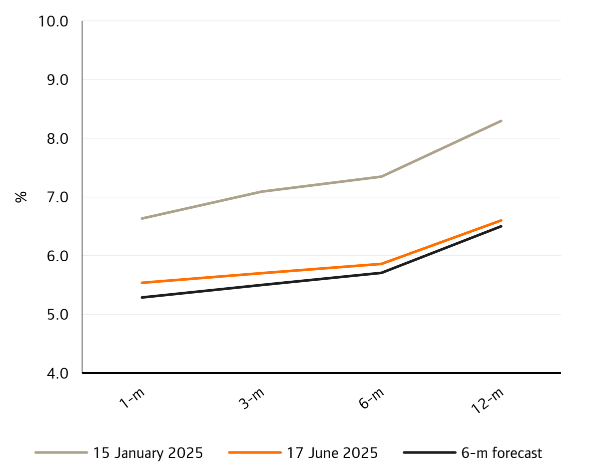
Source: National Bank of Rwanda

Yield curve outlook: downward trend to continue

Since mid-Jan 2025 the short end has rallied harder than we pencilled in. the 1-m T-bill tightened from 6.63% on 15 Jan, to 5.54% on 17 Jun, while the 12-m fell from 8.30% to 6.60%. the curve therefore bull-flattened as the 1-to-12-m spread narrowed by a significant 103-106bps. We still see another 20-30bps grind lower across tenors by year-end, leaving the 12-m near 6.50% and the front end anchored around 5.30%. That implies a gentler bull-steepening from current levels.

Rwanda has a moderate maturity profile with RWF143.6bn maturities for the remainder of 2025. This comprises RWF83.6bn (58%) in T-bills and RWF60.0bn (42%) in government bonds. Domestic debt maturing in the remainder of 2025 represents 8.4% of total domestic debt of RWF1,717bn.

Yield curve



Source: Bloomberg; National Bank of Rwanda; Standard Bank Research

Fiscal policy: debt pressure likely to increase

Rwanda's finance minister has tabled a budget to the value of RWF7.03tn for FY2025/26, a 21% jump from the RWF5.82tn in the revised FY2024/25 budget. According to the government, the likely increased spending will be directed to investments such as the Bugesera Airport.

The IMF warned that the risk of overruns on large infrastructure projects would need to be monitored. For example, the IMF highlights that the cost of the planned Bugesera Airport construction will significantly intensify debt service pressure and raise public debt to 86.3% of GDP in 2026.

The government plans to prioritize concessional borrowing and implement new tax measures to maintain debt sustainability. Public debt remains within sustainable limits, with a large share of concessional loans and a medium-term strategy focused on reducing refinancing risks and boosting exports. The IMF's latest debt sustainability analysis (DSA) of Rwanda shows that c.60% of Rwanda's total debt is held by multilateral creditors, while c.10% of total debt is held by bilateral creditors. Further, when looking at the external debt thresholds of the IMF DSA Rwanda is well within the thresholds of debt service as share of exports (21%) and debt service as share of revenue (23%), where these ratios for Rwanda in 2025 are predicted to be 7.7% and 14.3%, respectively.

The IMF executive board recently concluded the fifth review under the PCI for Rwanda. Rwanda's performance under the PCI remains strong, meeting all quantitative targets and implementing most of the reform commitments.

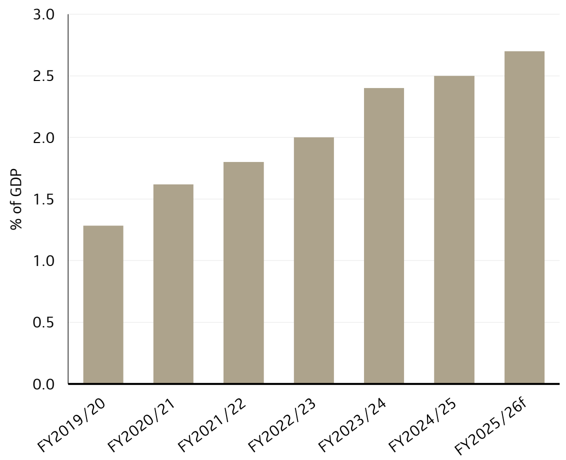
Further, Rwanda's cabinet approved Rwanda's Green Taxonomy, which is a policy that aligns investments with environmental and climate priorities. The policy framework will standardize green project guidelines and promote green financing and serve as a guide for investing in environmentally sustainable projects. The IMF continues to support Rwanda through programmes that provide technical assistance and policy guidance.

Central government budget

% of GDP	FY2023/24	FY2024/25	FY2025/26f
Total revenue & grants	21.5	21.4	21.4
Total expenditure	27.8	26.9	28.8
- Wages	2.7	2.8	3.0
- Interest	2.4	2.5	2.7
- Capital expenditure	9.9	8.4	7.5
Overall fiscal deficit	-6.9	-5.5	-7.4
Net domestic borrowing	0.7	-0.9	-0.6
Net foreign borrowing	6.2	6.4	8.0
Donor support (grants)	4.3	3.1	2.6

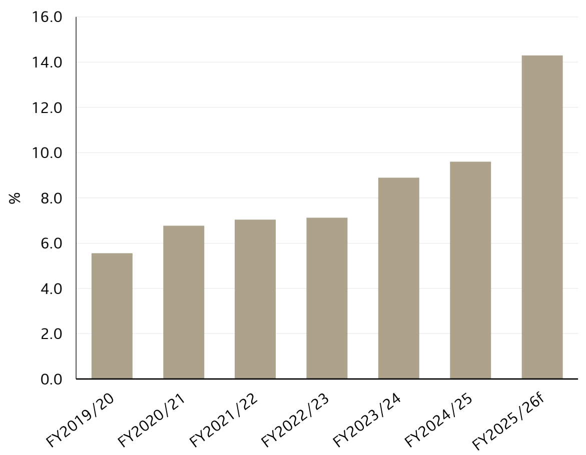
Source: Ministry of Finance and Economic Planning; Standard Bank Research
*original budget forecasts

Interest expenditure



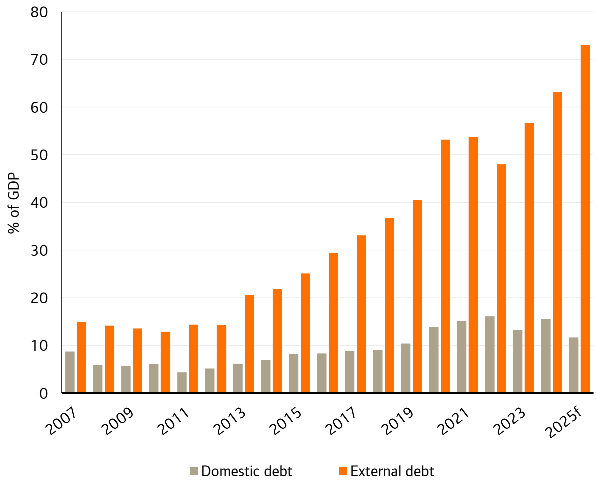
Source: Ministry of Finance and Economic Planning, Standard Bank Research

Debt-service-to-revenue ratio



Source: Ministry of Finance and Economic Planning, Standard Bank Research

Public debt



Source: Ministry of Finance and Economic Planning, Standard Bank Research

Annual indicators

	2020	2021	2022	2023	2024e	2025f	2026f
Output							
Population (million)	12.66	12.96	13.25	13.50	13.90	14.16	14.47
Nominal GDP (RWF bn)	9597	10943	13720	16622	18785	21359.7	24430
Nominal GDP (USD bn)	10.17	11.08	13.31	14.33	14.25	15.7	16.4
GDP / capita (USD)	803	853	1005	1044	1025.18	1108.8	1133.4
Real GDP growth (%)	-3.4	10.9	8.2	8.2	8.9	7.7	8.0
Central Government Operations							
Budget balance (incl. Grants) / GDP (%)	-4.00	-7.07	-6.0	-6.2	-6.9	-5.5	-7.4
Budget balance (excl. Grants) / GDP (%)	-8.96	-12.20	-11.21	-10.9	-11.2	-8.6	-10.0
Domestic debt / GDP (%)	13.9	15.1	16.1	13.3	15.6	11.7	8.1
External debt / GDP (%)	53.2	53.8	48.0	56.7	63.1	73.0	78.2
Balance of payments							
Exports of goods (USD m)	1407.51	1530.83	2111.89	2465.95	3201.0	3317.7	3404.2
Imports of goods (USD m)	3057.79	3189.53	4100.43	4834.71	5545.0	6545.2	6438.4
Trade balance (USD m)	-1650.27	-1658.70	-1988.53	-2368.76	-2344.0	-3225.5	-3034.2
Current account (USD m)	-1227.53	-1203.08	-1246.43	-1632.85	-1807.0	-2124.24	-2240.28
- % of GDP	-12.1	-10.9	-9.4	-11.6	-12.7	-13.5	-13.7
Financial account (USD m)	-786.73	-953.72	-833.43	-1207.94	-1106.5	-1114.5	-1110.7
- FDI (USD m)	152.61	233.38	305.10	459.17	563.0	700.0	912.0
Basic balance / GDP (%)	-10.6	-8.8	-7.1	-8.2	-8.7	-9.1	-8.1
FX reserves (USD m) pe	1720.0	1867.0	1726.0	1834.0	2083.0	2270.0	2140.0
- Import cover (months) pe	7.90	6.80	5.20	4.0	4.7	4.6	4.6
Sovereign Credit Rating							
S&P	B+	B+	B+	B+	B+	B+	B+
Moody's	B2	B2	B2	B2	B2	B2	B2
Fitch	B+	B+	B+	B+	B+	B+	B+
Monetary & Financial Indicators							
Urban consumer inflation (%) pa	7.7	0.8	13.9	14.0	4.8	6.7	5.5
Urban consumer inflation (%) pe	3.7	1.9	21.7	6.4	6.8	6.1	5.1
M3 money supply (% y/y) pa	17.10	16.28	17.89	18.0	17.2	15.7	15.2
M3 money supply (% y/y) pe	17.97	15.68	22.59	15.3	15.2	15.1	14.8
Policy interest rate (%) pa	4.67	4.50	5.39	7.12	7.0	6.5	6.25
Policy interest rate (%) pe	4.50	4.50	6.50	7.50	6.5	6.5	6.0
3-m rate (%) pe	6.3	6.5	7.3	8.9	7.3	5.3	5.1
1-y rate (%) pe	8.0	7.7	8.7	9.7	7.7	5.5	5.3
USD/RWF pa	943.3	988.9	1030.6	1160.1	1321.3	1440.6	1533.2
USD/RWF pe	972.5	1009.6	1070.7	1263.9	1381.8	1473.4	1569.7

Source: National Bank of Rwanda; National Institute of Statistics of Rwanda; Ministry of Finance and Economic Development; IMF; Bloomberg; Standard Bank Research

Notes: pa – period average; pe – period end

Senegal: oil production should still boost GDP growth

Medium-term outlook: hydrocarbon sector on course to pave the way to higher growth

We now trim our 2025 real GDP growth forecast to 9.4%, from 10.6% in the Jan AMR, after accounting for the lower-than-expected 2024 real GDP growth of 6.9%. Growth should continue to be driven predominantly by the oil sector, with support from extraction of other minerals (metal ores and natural phosphates) and the agricultural sector. The services sector too should benefit from oil sector growth, with sub-sectors such as trade, financial services, and transport anticipated to benefit the most.

Crude oil production from the Sangomar deep-water (Senegal's first offshore oil field) averaged 98.70k bpd in Q1:25, and the country exported 93.0% of total production in the quarter. Further, Senegal's Ministry of Energy, Petroleum, and Mines expects crude oil production to be sustained at 100.0k bpd throughout 2025. Given that crude oil production started in late Q2:24 and ramped up from Q3:24, the oil sector should keep growing rapidly and contribute significantly to overall GDP growth – until at least Q4:25 when the impact of low base effects would have faded and y/y oil sector growth might have slowed.

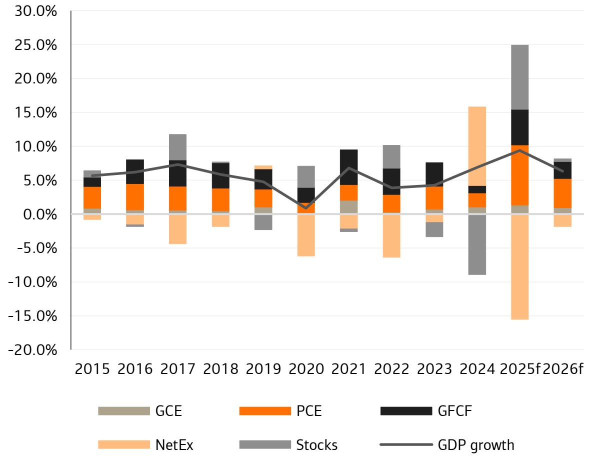
Continued large-scale infrastructure projects, including urban development and ports, are expected to keep enhancing long-term prospects. This, in addition to low inflation, should support an improvement in non-oil sector activities, relative to 2024. Consequently, we see higher growth in trade, real estate, construction, transportation, and general manufacturing. Agriculture's growth may be propped up by the low statistical base effects from 2024 when this sector contracted by 1.0% y/y. On balance, we forecast the non-oil sector to grow by 4.4% in 2025, from 2.7% in 2024.

The Senegalese economy grew by 11.6% y/y in real terms in Q4:24, from 10.0% y/y in Q3:24, taking 2024 GDP growth to 6.9%, from 4.3% in 2023, as hydrocarbon production continues to spur overall economic growth. Excluding the oil sector, real GDP growth was only 3.3% y/y, from 2.3% y/y in Q3:24, implying that the oil sector contributed 71.2% of GDP growth in Q4:24 despite only accounting for 7.4% of GDP.

Analysing the sectoral breakdown in 2024, the industrial sector grew by a record 20.0% y/y (vs 2023: 5.2% y/y), boosted by extractive activities (220.7% y/y vs 2023: -9.1% y/y). Services too grew, albeit modestly, with growth at 3.3% y/y, from 3.8% y/y in 2023. However, agriculture declined by 1.0% y/y in 2024, from 5.9% y/y growth in 2023; this low base effect should benefit the sector in 2025.

Key risks that could derail our medium-term growth forecasts include unfavourable weather conditions, unexpected shocks/delays to crude oil production, regional insecurity, (unlikely) social unrest, a deterioration in Senegal's terms of trade, and risks that the government cannot mobilize the necessary resources to undertake the necessary development plans.

Composition of GDP by demand



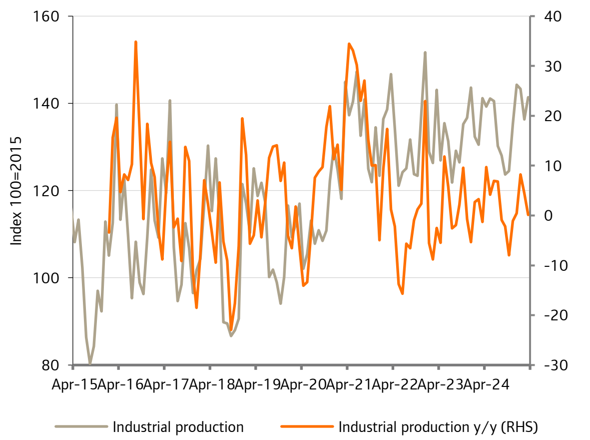
Source: Agence Nationale de la Statistique et de la Demographie; Standard Bank Research

GDP contribution by sector (%)

	2020	2022	2023	2024
Agriculture	11.1	10.0	10.4	9.3
Breeding and Hunting	3.5	3.5	3.5	3.4
Forestry	0.4	0.4	0.4	0.4
Fishing	1.0	0.8	0.8	0.8
Mining and Quarrying Activities	2.3	2.3	1.9	5.7
Manufacturing	15.9	15.9	16.0	14.9
Electricity/Gas	1.1	1.2	1.3	1.4
Construction	2.6	2.3	2.4	2.4
Trade	13.0	12.7	12.7	12.2
Transport Network	3.2	3.4	3.3	3.1
Information and Communication	4.5	4.7	4.5	4.8
Financial and Insurance Activities	2.3	2.6	2.6	2.5
Real Estate Activities	8.1	7.9	7.8	7.7
Business Services	5.7	6.4	6.7	4.6
Professional activities	4.0	4.4	4.6	3.7
Public Administration Activities	6.1	6.0	6.0	6.2
Education	3.7	4.2	4.2	4.1

Source: Agence Nationale de la Statistique et de la Demographie

Harmonised index of industrial production



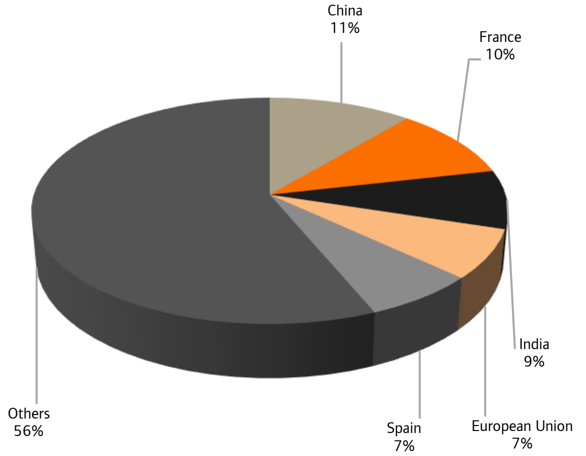
Source: Agence Nationale de la Statistique et de la Demographie

Medium-term economic growth forecasts

	Q1:25	Q2:25	Q3:25	Q4:25	Q1:26	Q2:26	Q3:26	Q4:26	Q1:27	Q2:27	Q3:27	Q4:27	Q1:28	Q2:28	Q3:28	Q4:28
GDP (% y/y) pa	11.9	13.2	6.8	5.6	6.0	6.2	6.8	6.2	6.5	5.1	5.7	6.8	6.4	6.6	7.3	7.0
CPI (% y/y) pe	-0.18	0.48	3.01	3.53	2.89	2.96	3.05	3.13	4.69	4.50	2.75	3.20	3.34	3.37	3.73	3.66
Marginal lending facility (%) pe	5.50	5.25	5.00	4.75	4.50	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.50	4.50	4.50
USD/XOF pe	606.5	580.5	571.6	570.4	553.6	551.5	551.3	551.2	555.3	555.8	555.9	555.9	551.2	551.2	551.2	551.2

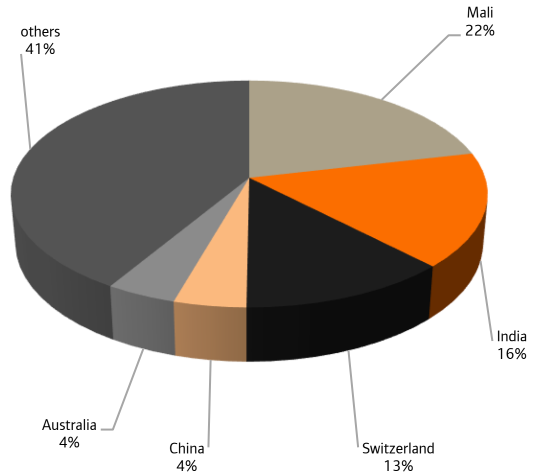
Source: International Monetary Fund; Ministère de l'Economie et des Finances; Agence Nationale de la Statistique et de la Demographie; Banque Centrale des Etats deNotes: pa - period average; pe - period end

Import source markets



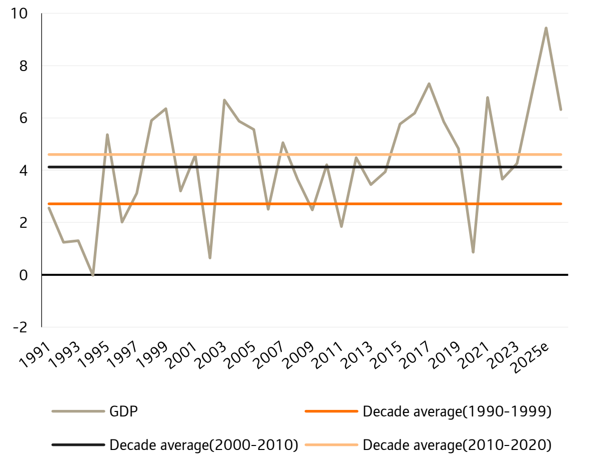
Source: ITC

Export destination markets



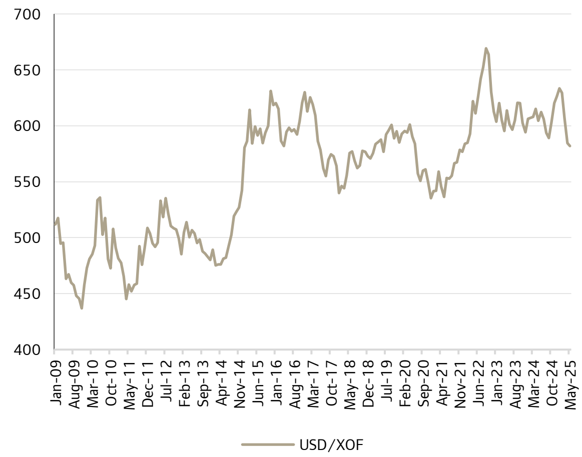
Source: ITC

Long-term GDP performance



Source: Bloomberg; Standard Bank Research

Historical USD/XOF



Source: Bloomberg; Standard Bank Research

Balance of payments: structural C/A deficit should narrow due to higher exports

The structural C/A deficit should narrow to 8.4% of GDP in 2025, from 12.9% of GDP in 2024, as oil and gas exports should ease trade balance deficits. While crude oil prices have been lower than 2024 levels, 100k bpd in sustained crude oil production and export should support total exports in 2025. This, in addition to LNG exports from the Greater Tortue Ahmeyim LNG project, should lift exports and ease the trade balance deficit in 2025. Therefore, we expect a 32.4% y/y increase in aggregate exports in 2025.

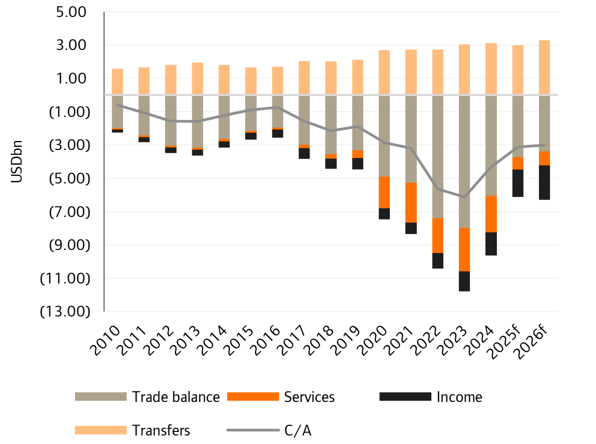
Simultaneously, imports, which include FPSO imports, may rise further, in tandem with growth in oil and gas developments. Robust current transfers from significant inward diaspora remittances and budgetary aid too should support the C/A balance. However, the repatriation of significant fees and profits, particularly linked to payment of interest on debt and the oil & gas operations, may see negative income and service balances persisting.

In 2024, the C/A deficit was lower, at USD4.31bn (or 12.9% of GDP), from USD6.13bn (or 18.9% of GDP) in 2023. Notably, exports increased by 20.1% y/y, while imports declined 2.1% y/y, thereby moderating the trade balance deficit to a 4-y low of USD6.06bn. This, in addition to lower services balance deficit and higher current transfers, helped to temper the increase in the income balance deficit, leading to an overall lower C/A deficit in 2024.

Foreign investments have increased in the past few years, partly related to oil and gas investments. Gross FX reserves have also been supported by exports of oil & gas and higher gold prices. This should help in financing the C/A deficit.

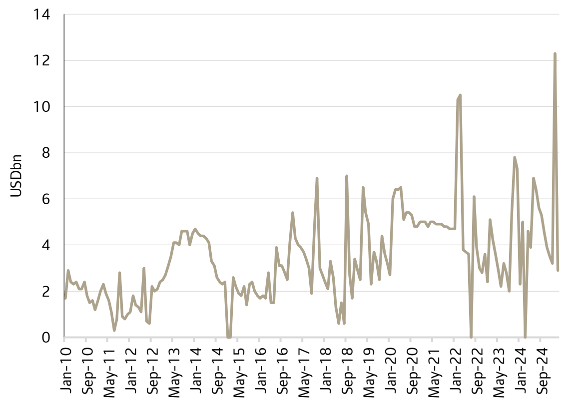
Nonetheless, the lack of a new IMF support programme, amid the discrepancies in previously report fiscal deficits and debt figures, poses significant risks to gross FX reserves accumulation.

Current account developments



Source: Agence Nationale de la Statistique et de la Demographie; Banque Centrale des Etats

FX reserves



Source: Bloomberg

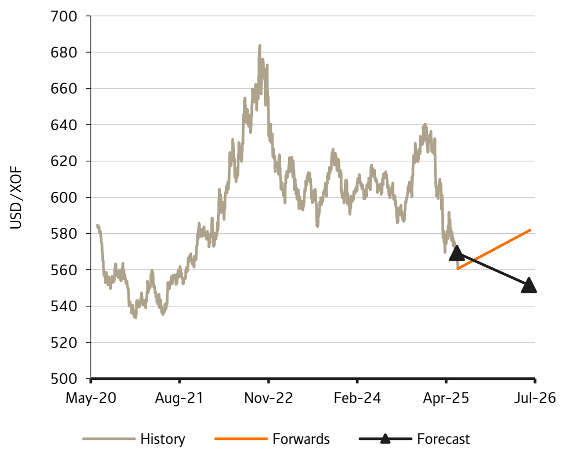
FX outlook: still likely to be determined by movements in EUR/USD

With the adoption of the proposed common currency, the "eco", by 2027, likely to face further delays due to non-convergence of most ECOWAS countries with the macroeconomic criteria thus far, under the new MCSP (macroeconomic convergence and stability pact), the USD/XOF outlook is therefor still likely to be determined by movements in EUR/USD given the XOF's peg to the euro.

Our view is that the dollar will remain relatively weak. Furthermore, if events do conspire to give the dollar some support, such as a positive development in US/China trade talks, we still suspect that any rise in the dollar would be short-lived.

We forecast the EUR/USD pair to end this year at 1.15, from 1.14 currently, then averaging 1.19 in 2026. Thus, we project USD/XOF at 570.4 by Dec 2025 and 551.2 by Dec 2026.

USD/XOF: forwards versus forecasts



Source: Bloomberg; Standard Bank Research

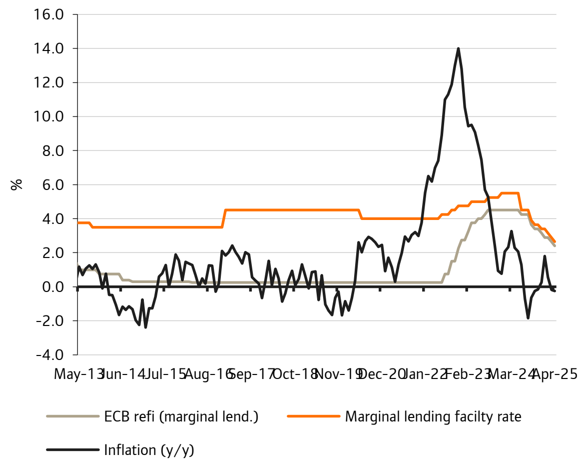
Monetary policy: first rate cut of the cycle starts

Due to food prices in the WAEMU bloc moderating at a slower pace than expected, the regional central bank, the BCEAO, delayed the first rate cut to this June and reduced the liquidity calls and marginal lending window by 25 bps, to 3.25% and 5.25% respectively. Bar Mali and Guinea-Bissau, inflationary pressures are gradually subsiding across most of the regional WAEMU bloc member countries, and headline inflation is likely to remain within the targeted 1-3% range in the near- to medium term, supported by favourable weather which should see improved food supply during the 2024/25 agricultural season. As a net oil importer, the relatively softer international oil prices should also see fuel inflation, and overall inflation ease further in the bloc.

We pencil in a further 50 bps cut in the key policy rate in H2:25 then a similar margin in H1:26, with sizes of 25 bps cuts, at the very least, possible at each of the BCEAO's upcoming policy meetings. The BCEAO now projects inflation in the bloc to average 2.2% in 2025 (2.7% previously), then 2.3% in 2026, from a 3.5% average in 2024 and levels of 2.3% y/y in March 2025. Core inflation too dropped, to 1.3% y/y in Q1:25, from 2.0% y/y in Q4:24. Upside risks to the inflation outlook include security crisis in the region which may impede supply-chains. Volatile geopolitical and trade tensions, the introduction of new customs tariffs by the US at the end of the three-month suspension, as well as recurring climate shocks also poses risk to the inflation outlook.

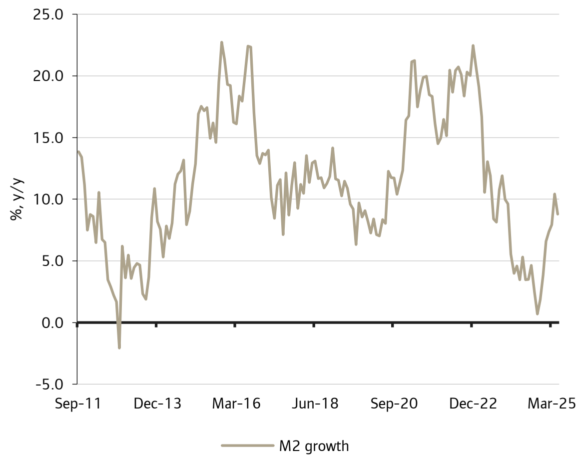
After peaking at an average 9.6% y/y in 2022, Senegal's headline inflation has been moderating, averaging 0.8% y/y in 2024 and settling at 0.3% y/y in May 2025 from -0.2% y/y inflation recorded in April. We understand that the government has continued to retain its costly energy subsidies and maintained administrative measures to cap prices on selected food items. This should keep consumer prices benign in 2025, at likely 1.7% average inflation. Nonetheless, inflation may rise in H2:25, compared to H1:25, amid the low base effects in H2:24 when Senegal witnessed price deflation from Jul to Nov 24. We forecast inflation at 3.5% y/y by Dec 2025.

Inflation and interest rates



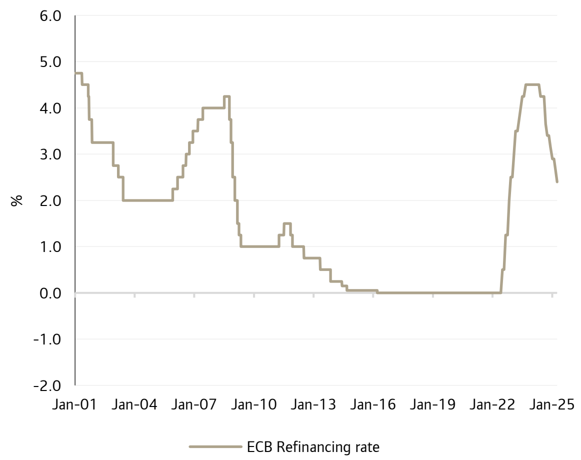
Source: Agence Nationale de la Statistique et de la Demographie; Standard Bank Research

Money supply growth



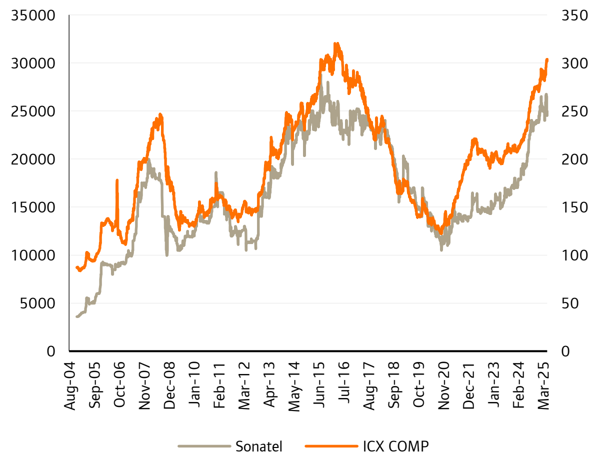
Source: Banque Centrale des Etats de l'Afrique de l'Ouest

Historical ECB refinancing rate



Source: Bloomberg

Capital markets



Source: BRVM; Bloomberg

Fiscal policy: higher fiscal deficit and debt

We retain our expectation of a likely increase in tax revenue in 2025, supported strong economic growth; however, spending may exceed budget amid a likely higher-than-budgeted increase in capital expenditure and debt servicing, implying that the fiscal deficit may remain above 3.0%.

Already in 9-m of 2024, the fiscal deficit settled at 7.5% of estimated nominal GDP given the underperformance across government revenue and expenditure. Notably, aggregate revenue recorded a 61.5% execution rate due to lower-than-expected receipts across tax revenue (63.5% execution rate), non-tax revenue (59.9% execution rate), and capital gifts (40.9% execution rate). Further, total expenditure achieved an 81.8% execution rate; this better performance than revenue reflects a high execution rate in interest payments (98.2%) and capital expenditure (92.1%).

Senegal had an estimated USD19.35bn external debt outstanding as of 2024, with Eurobonds outstanding accounting for 29.8% of this outstanding debt. The next Eurobond maturity is in March 2028 (EUR1.24bn, or USD1.49bn). We estimate an average USD348.45m annual Eurobond coupon payments from 2025 to 2027. When we include the coupon payments for 2028, the Eurobond debt service obligation (coupon + amortization) in 2028 comes to USD1.80bn. As at end 2022, the IMF noted that the largest sources of government debt were multilateral institutions (34.0%), domestic issuances (23.0%), and Eurobonds (22.0%).

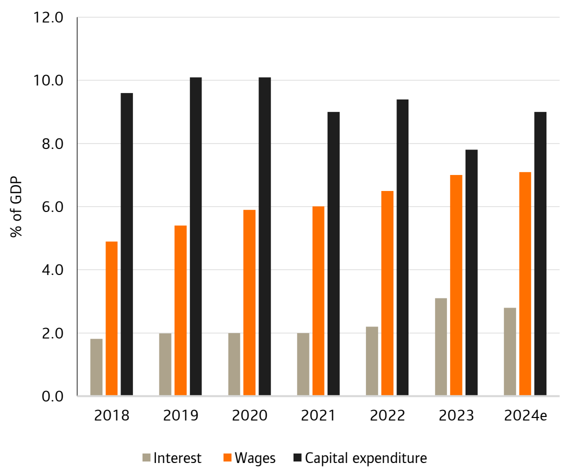
Given deep fiscal deficits, the government would need to ramp up local debt issuance and seek concessional financing as it now has very limited access to the Eurobond market amid the deterioration of Senegal's fiscus and debt. Indeed, the domestic borrowing trend since February suggests that the government is looking to borrow as much as they can in the local market to fund the 2025 budget gap. Besides, having up to 10-year bonds in recent bond issuances, unlike the previous 3 to 5-year bonds issued so far this year likely, implies a government trying to spread out and manage debt maturities over the long term.

Central government budget

% of GDP	2021	2022	2023	2024e
Revenue	19.4	21.5	19.9	20.1
Grants	0.7	0.7	0.8	0.8
Expenditure	25.4	28.2	26.3	28.3
- Salaries	6.0	6.5	7.0	7.1
- Interest	2.0	2.2	3.1	2.8
- Capital	9.0	9.4	7.8	9.0
Fiscal deficit (incl. grants)	-11.5	-12.7	-12.3	-8.1
Primary balance	-4.0	-4.5	-3.4	-3.4

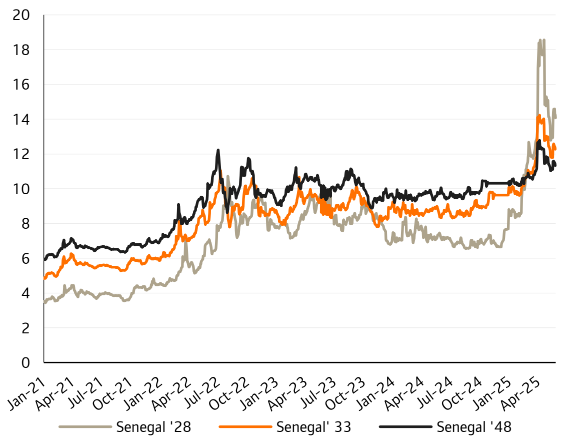
Source: Ministre de l'Economie et des Finances et du Plan

Components of expenditure



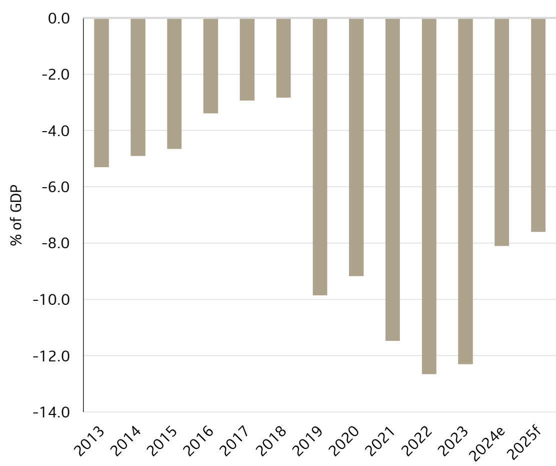
Source: Ministre de l'Economie et des Finances et du Plan

Eurobonds yields



Source: Bloomberg

Fiscal deficit (incl grants)



Source: Ministre de l'Economie et des Finances et du Plan

Annual indicators

	2020	2021	2022	2023	2024	2025f	2026f
Output							
Population (million)	16.4	16.9	17.3	17.8	18.1	19.1	19.6
Nominal GDP (XOF bn)	14,119.4	15,261.1	17,330.1	18,619.5	20,365.6	22,597.7	24,270.0
Nominal GDP (USD bn)	24.5	27.5	27.6	30.7	33.5	38.8	44.0
GDP / capita (USD)	1492.5	1630.7	1595.0	1728.6	1850.0	2034.6	2246.6
Real GDP growth (%)	1.3	6.5	3.9	4.3	6.8	9.4	6.3
Central Government Operations							
Budget balance (excl. grants) / GDP (%)	-9.2	-11.5	-12.7	-12.3	-8.1	-7.6	-5.2
Primary balance / GDP (%)	-4.9	-4.0	-4.5	-3.4	-3.4	-3.0	-3.0
Domestic debt / GDP (%)	20.6	25.2	28.6	36.0	38.6	42.0	40.6
External debt / GDP (%)	54.9	58.4	58.0	63.7	62.3	60.7	59.1
Balance of Payments							
Exports of goods (USD bn)	5.1	6.7	7.4	7.1	7.8	10.4	12.7
Imports of goods (USD bn)	-9.7	-12.1	-14.2	-14.5	-12.5	-14.2	-16.2
Trade balances	-4.6	-5.4	-6.7	-7.4	-4.7	-3.8	-3.5
Current account (USD bn)	-2.9	-3.2	-5.6	-6.1	-4.3	-3.3	-3.0
- % of GDP	-11.7	-11.6	-20.4	-18.9	-12.9	-8.4	-6.8
Capital & Financial account (USD bn)	2.4	3.2	4.7	3.4	3.5	4.3	5.0
- FDI (USD bn)	1.9	2.4	2.6	2.6	2.6	3.3	3.8
Basic balance / GDP (%)	-1.8	0.1	-3.4	-8.8	-2.4	2.8	4.5
FX reserves (USD bn) pe	3.2	2.8	5.0	7.3	3.5	5.4	6.3
- Import cover (months) pe	5.1	4.1	2.8	6.0	3.4	4.5	4.7
Sovereign Credit Rating							
S&P	B+	B+	B+	B+	B+	B	B
Moody's	Ba3	Ba3	Ba3	Ba3	B1	B3	B3
Fitch	nr	nr	nr	nr	nr	nr	nr
Monetary & Financial Indicators							
Consumer inflation (%) pa	2.5	2.4	9.6	6.1	0.8	1.4	2.8
Consumer inflation (%) pe	2.4	3.8	12.8	0.8	0.3	3.1	3.1
M2 money supply (% y/y) pa	9.7	18.3	19.0	12.6	3.6	10.2	11.8
M2 money supply (% y/y) pe	12.3	12.3	22.5	9.6	3.9	10.3	12.0
Marginal lending facility (%) pe	4.00	4.00	4.75	5.50	5.50	4.8	4.3
USD/XOF pa	569.5	563.9	625.1	606.4	607.6	582.2	551.9
USD/XOF pe	537.6	576.8	612.8	601.0	626.0	570.4	551.2

Source: Banque Centrale des Etats de l'Afrique de l'Ouest; Agence Nationale de la Statistique et de la Demographie; Ministère de l'Economie et des Finances; International Monetary Fund; Bloomberg; Standard Bank Research

Notes: pe — period end; pa — period average; nr — not rated; na — not available

Tanzania: strong growth – but liquidity constraints resurge

Medium-term outlook: mining and transport ambitions should spur growth

We still forecast growth of 5.8-6.1% for both 2025 and 2026, driven by favourable demand conditions, investments in the mining and transport infrastructure sub-sectors, as well as growth in agriculture, tourism and other services.

The agricultural sub-sector should have another strong year, aided by promising weather during 2025 as well as by government interventions such as the provision of free seed, and fertilizer subsidies targeted at staple and cash crops. The government has invested in several tobacco and cashew nut processing factories to support value addition. The Tanzania Cashew Nut board forecasts 32.5% growth in production, to 700,000 tonnes in 2025/26, from 528,260 tonnes. We view this as bullish; we assume more modest production of 450,000-520,000 tonnes. Maize production may decline by 3%, or 200,000 metric tonnes, in 2025/26, due to the poor short rains season between Oct and Dec 2024.

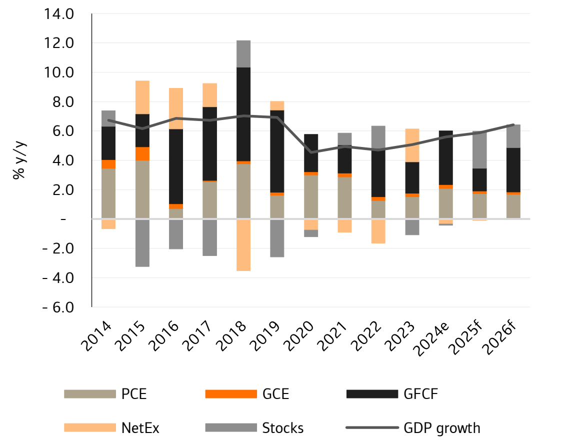
The mining sub-sector should benefit from increased investment from ongoing and new mining projects. For instance, the USD523m project being developed in Nyanzaga over the next 3-y. Additionally, we anticipate strong global demand for gold to support this sector.

We also anticipate strong output from services in particular, ICT, finance and insurance. With an accommodative stance, we foresee strong private sector credit growth lifting the financial sector in H2:25 by way of healthy credit uptake. ICT has grown by an average 8.6% over the last 5-y, with improved access to power with the completion on the Julius Nyerere hydroelectric power plant and the laying of ICT infrastructure; this sector should continue generating double-digit performance in 2025.

Downside risks are posed by an increasingly volatile political environment that could slow investment, and sluggish decision-making on projects such as the Liquefied Natural Gas (LNG). Further, corporates still face difficulties in accessing foreign exchange as well as local currency liquidity hindering business. While the authorities have taken steps to improve the functioning of the foreign exchange market, there have been instances of dollar liquidity shortages in H1:25 that detract from growth momentum in this market.

Nonetheless, the government remains committed to investing in transportation infrastructure, which should buoy growth over the medium term. Projects, such as the East Africa Crude Oil Pipeline, (EACOP), Standard Gauge Railway (SGR), and the rehabilitation of the Tanzania-Zambia Railway Authority (TAZARA) Railway, should further underpin the energy and transport sub-sectors.

Composition of GDP by demand



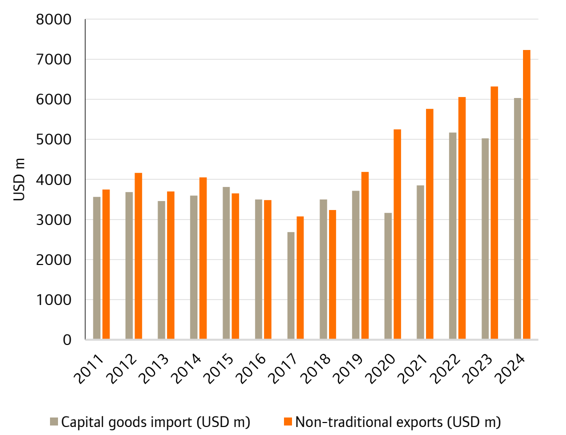
Source: National Bureau of Statistics, Standard Bank Research

Contribution to GDP by sector

% of GDP	2022	2023	2024
Agriculture	26.1	26.5	25.9
Mining & quarrying	9.0	9.0	9.5
Manufacturing	7.2	7.0	6.7
Electricity & gas	0.1	0.1	0.2
Construction	13.7	13.2	12.8
Wholesale & retail trade	8.2	8.3	8.6
Transport & storage	6.7	7.2	7.7
Hotels & restaurants	1.1	1.2	1.1
ICT	1.5	1.4	1.5
Finance & insurance	3.2	4.5	4.1
Real estate	2.8	2.7	2.7
Public administration	3.7	3.5	3.3
Education	2.3	2.2	2.2

Source: National Bureau of Statistics

Capital goods imports vs non-traditional exports



Source: Bank of Tanzania

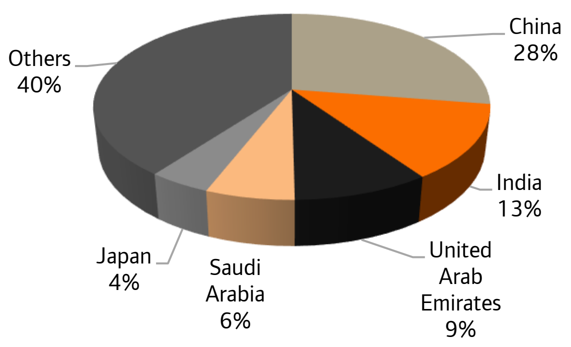
Medium-term economic growth forecasts

	Q1:25	Q2:25	Q3:25	Q4:25	Q1:26	Q2:26	Q3:26	Q4:26	Q1:27	Q2:27	Q3:27	Q4:27	Q1:28	Q2:28	Q3:28	Q4:28
GDP (% y/y) pa	5.5	6.0	5.0	7.1	5.7	7.4	6.9	5.6	5.0	4.8	5.9	6.8	6.3	6.4	5.4	6.8
CPI (% y/y) pe	3.3	3.7	4.5	4.8	4.6	4.1	3.8	3.4	3.7	3.8	3.2	3.3	3.5	3.6	3.6	3.7
BoT policy rate	6.0	6.0	6.0	6.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.5	5.5	5.5	5.5
3-m rate (%) pe	7.4	7.7	7.8	8.6	8.2	7.8	7.2	7.8	7.6	7.4	6.9	7.2	7.6	7.7	7.7	8.4
6-m rate (%) pe	8.3	8.8	9.1	9.5	9.2	8.6	8.5	8.7	8.5	8.3	8.3	8.3	8.6	9.1	9.2	9.0
USD/TZS	2647.7	2645.3	2656.9	2673.7	2699.6	2709.1	2730.0	2736.9	2756.8	2766.6	2783.5	2787.4	2809.9	2821.1	2840.1	2844.6

Source: Bank of Tanzania; Ministry of Finance; National Bureau of Statistics; Bloomberg; Standard Bank Research

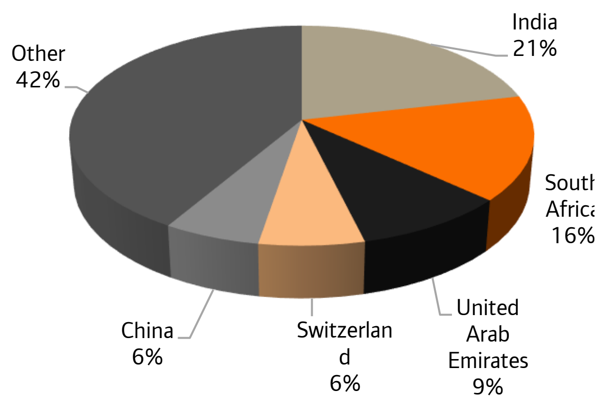
Notes: pe – period end; pa –a period average

Top 5 imports origins (% of total)



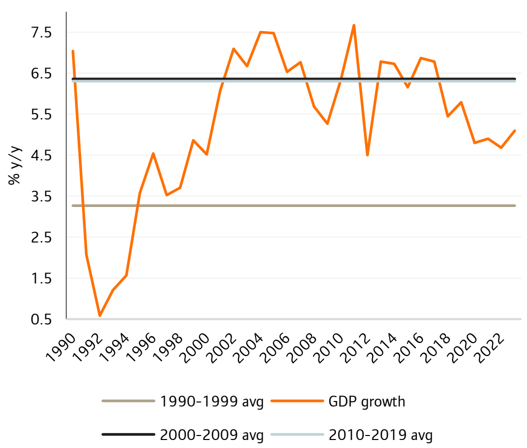
Source: International Trade Centre

Top 5 exports destinations (% of total)



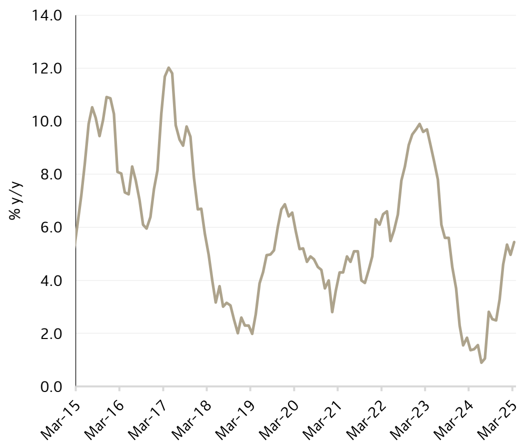
Source: International Trade Centre

Long-term GDP growth



Source: World Bank

Food inflation



Source: National Bureau of Statistics

Balance of payments: C/A deficit should narrow

We revise our C/A deficit forecast to narrow to 2.2% of GDP for 2025 and 2.2% of GDP for 2026 if traditional exports and services receipts extend their robust performance in H2:25.

We assume 11% y/y growth in service exports, and 6% y/y growth in goods exports. Gold, cashew nut, tobacco and coffee exports should extend their bullish performance in H2:25, especially as we enter the cyclical harvest season for cashew nuts and tobacco. Capital goods imports may rise in 2025 as the government makes progress on ongoing infrastructure projects such as the development of East Africa Crude oil pipeline and the Standard Gauge Railway.

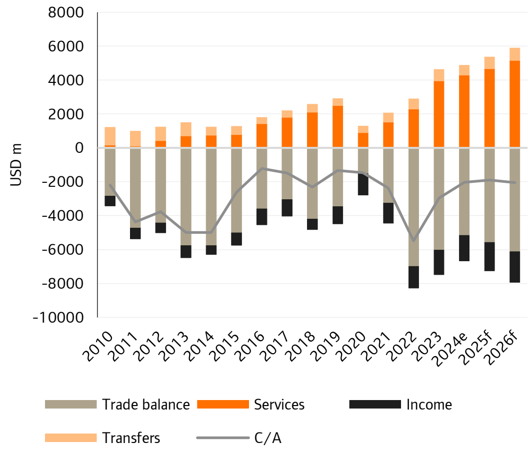
In the first 3-m of 2025, exports grew by 19%, surpassing exports received in the last 3-y from strong gold prices and volumes.

On the imports side, capital goods imports grew 13% and service imports went up by 25%, while imports of intermediate goods such as petroleum and consumer goods declined by 4% and 1.8% respectively. The current account could widen if agricultural and service exports underperform. However, imports should be robust due to spending on infrastructure projects.

We estimate FX reserves at USD6-6.4bn by Dec 2025, supported by net external financing and the Bank of Tanzania's Gold Purchase programme. Positively, the authorities have reached a staff-level agreement with the IMF on the completion of the fifth review under the extended credit facility (ECF) and the second review of the resilience and sustainability facility (RSF). Once approved by the IMF executive board, it should allow for an immediate disbursement of c.USD440.8m (SDR326.47m) for budget support.

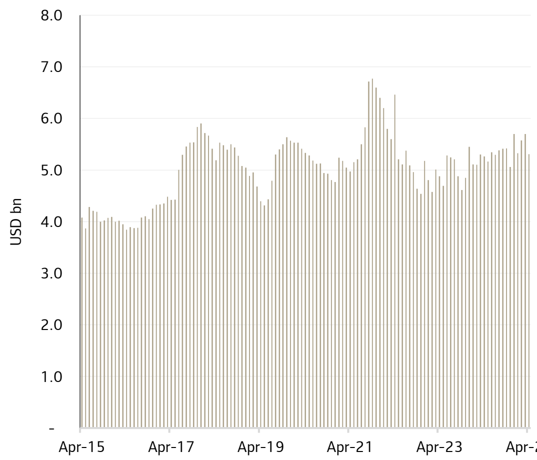
We foresee further IMF ECF/RSF support in H2:25, likely in Dec 2025, World Bank and AFDB support in 2025, and a syndicated loan of USD200-500m.

Current account developments



Source: Bank of Tanzania, Standard Bank Research

FX reserves



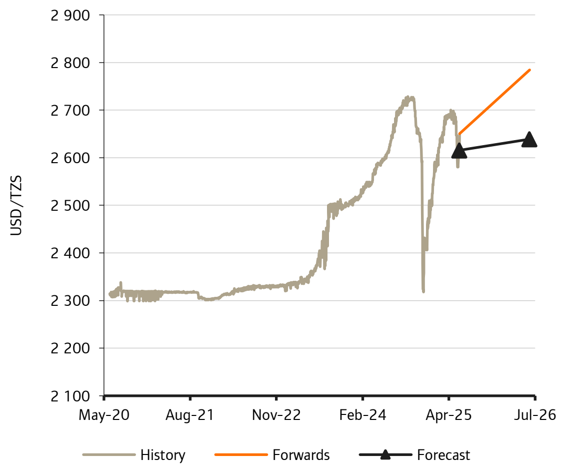
Source: Bank of Tanzania

FX outlook: stable currency after volatile H1:25

We see the USD/TZS pair trading around 2,673.7 by end Dec 2025 and 2,709.1 by Jun 2026, from current price action of 2,645.3. Cyclically, FX supply may increase in H2:25 from tourism receipts, cashew nuts, and tobacco and gold exports. However, with a slate of infrastructure projects ongoing, capital goods imports may also remain elevated. Upside risks could come from higher crude oil prices, weakening gold prices in global markets, and/or weaker-than-forecast production of cashew nuts and tobacco crimping FX inflows, as well as FX illiquidity resurging – driving TZS weaker.

TZS depreciated 11.5% in the first 5-m to May due to weaker exports of cashew nuts and tobacco, while FX demand from importers increased, especially in Mar 2025. Positively, the parallel market has converged with the official rates despite corporates' persistent dollar liquidity concerns.

USD/TZS: forwards versus forecasts



Source: Bloomberg; Standard Bank Research

Monetary policy: accommodative

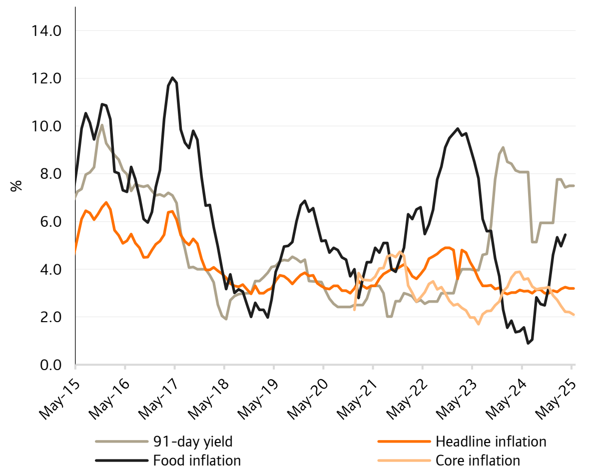
We foresee the MPC keeping the policy rate unchanged during H2:25. At the meetings in Jan 2025 and Apr 2025, the MPC held the policy rate at 6.0%. In H1:25, TZS liquidity tightened, likely owing to subdued government spending. This can be seen via in the longer-dated cash markets where the 91 to 180-day cash rates increased by 413 bps, from 7.87% in Dec 2024 to 12% in Apr 2025, while the overnight and 7-day interbank rates remain within the interest rate corridor. Given that the longer-dated cash rates are not the operational targets for the MPC, the central bank did not intervene to lower the cash rates.

We now project headline inflation to increase to 4.8% y/y by Dec 2025 before cooling to 4.1% y/y by Jun 2026, from 3.2% y/y in May 2025, due to increasing geopolitical tensions in the Middle East causing an increase in fuel inflation from higher crude oil prices and poor FX liquidity. Upside risks to inflation in H2:25 may come by way of currency depreciation due to any further escalation of global geopolitical tensions.

Money supply growth (M3) and private sector credit (PSC) growth should be elevated in H2:25 due to a revaluation of foreign currency deposits, after the depreciation of TZS during H1:25. By Apr 2025, M3 growth stood at 20.9% y/y, above the 13.3% 3-y average and the highest level since Jul 2023. PSC increased to 14.9% y/y, still below the 3-y average of 18.4%.

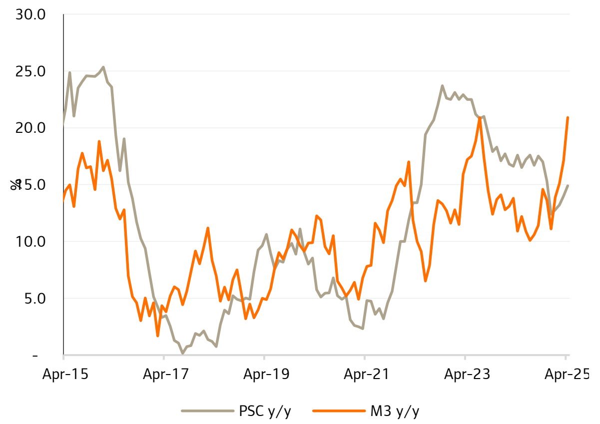
The MPC may keep the policy rate stable as inflation and inflation expectations are well below their target, and economic activity is projected to grow at a healthy pace. The risk to this view is from increased global uncertainty that could lead to a higher adjustment in the policy stance. More so, if money supply growth increases demand-driven inflation.

Inflation and interest rates



Source: Bank of Tanzania, National Bureau of Statistics

Monetary aggregates



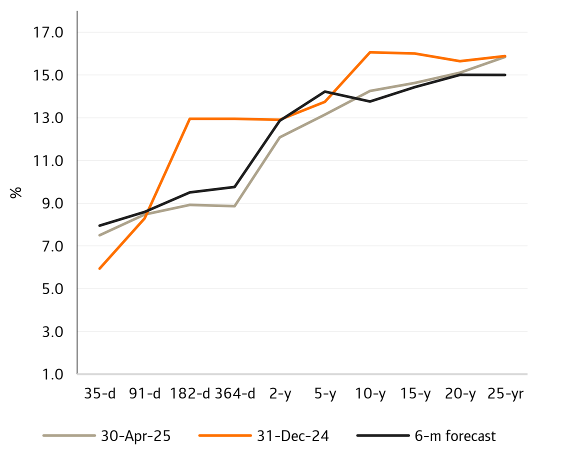
Source: Bank of Tanzania

Yield curve outlook: modest bear-flattening

The authorities have maintained a prudent borrowing approach, which we expect to continue in H2:25. Maturities are estimated to decline to TZS1.2tn in H2:25, from TZS2.1tn in H1:25, implying that the authorities may be under less pressure to take up bonds at higher yields, which could see yields compressing lower at the longer end.

Upside risks may emerge from sustained tight liquidity conditions that could keep rates at present levels, as in H2:24. Yields could bear-flatten in H2:25, driven by a misalignment at the front end of the curve. Funding rates currently signal a tightening of liquidity in the market; however, the 3-m and 6-m Treasury bills do not reflect this. Assuming that funding markets remained tight in Q3:25 due to a lack of spending by government, we could see the markets adjusting higher at the front end to take account of liquidity tightness.

Change in yield curve



Source: Bank of Tanzania; Standard Bank Research

Fiscal policy: prudence after elections

The authorities deviated from the fiscal consolidation path in FY2024/25 as they increased expenditure via a supplementary budget totalling TZS945.7bn, or c.0.4% of GDP, to cater for social spending sectors such as health and education as well as spending towards environmental initiatives, tourism and the general elections expenditure. Further, the government announced a 35.1% wage increase for the public service in May 2025.

For the first 9-m of FY24/25, total revenue collected stood at TZS25.63tn, against a target of TZS25.57tn, reflecting tighter tax administration by the Tanzania Revenue Authority, and strong economy growth translating into higher collections. However, total expenditure for the first 9-m was TZS30.82tn, against a target of TZS31.92tn. Recurrent expenditure totalled TZS19.77tn, meeting 97.1% of the target. Development expenditure totalled TZS11.06tn, or 74.9% of the target, for FY24/25.

The Tanzanian authorities may re-target fiscal consolidation in FY2025/26, likely after the elections in Q4:25. Total expenditure for FY2025/26 now is TZS57.04tn, from TZS50.3tn, or a 13.4% increase in expenditure. Of this, TZS14.2tn will go to debt service. Though we are still concerned by expenditure slippage continuing in Q3:25, the government should have the requisite fiscal space to absorb unexpected expenditure.

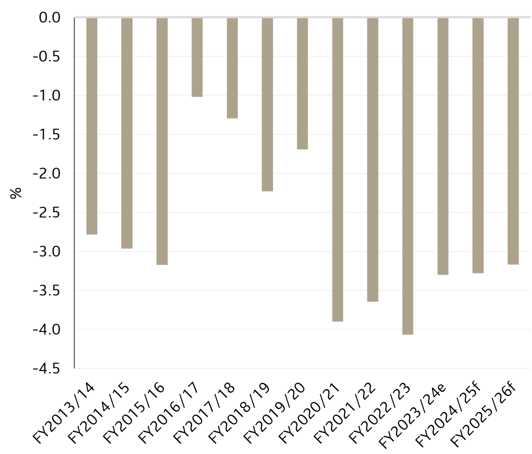
In H2:25, the government's external financing requirements will still be financed largely via multilateral, bilateral and commercial sources. Concessional financing will include the 6th review and 3rd reviews of the IMF ECF/RSF programmes, the World Bank programme, and project loans. Further, the government foresees a syndicated loan in FY25/26.

Central government budget (% of GDP)

	FY2023/24	FY2024/25e	FY2025/26f
Total revenue	15.0	15.8	16.0
Total expenditure	18.3	19.1	19.2
Wages	5.0	5.4	5.1
Interest	2.3	2.5	2.4
Development	7.0	6.7	6.7
Overall balance (-grants)	-3.3	-3.3	-3.2
Overall balance (+grants)	-3.0	-2.9	-2.8
Net domestic borrowing	1.1	1.2	1.1
Net external borrowing	1.9	1.7	1.5
Donor support (grants)	0.3	0.4	0.4

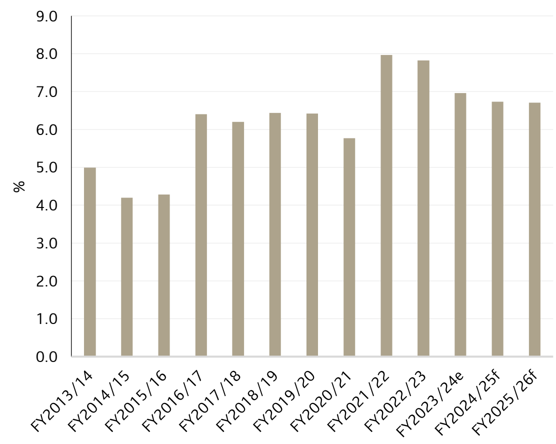
Source: Ministry of Finance

Fiscal deficit excluding grants



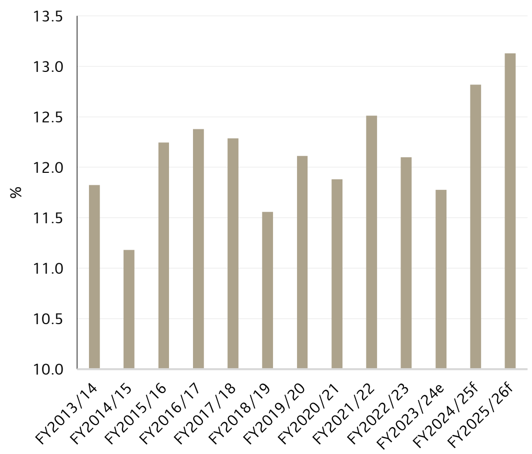
Source: Ministry of Finance

Developmental expenditure (% of GDP)



Source: Ministry of Finance

Tax revenue



Source: Ministry of Finance

Annual indicators

	2020	2021	2022	2023	2024e	2025f	2026f
Output							
Population (million)	55.9	57.7	61.7	64.4	66.3	68.2	70.8
Nominal GDP (TZS bn)	145 384	156 167	170 820	188 788	208 021	229 239	253 623
Nominal GDP (USD bn)	62.8	67.8	73.4	77.5	80.6	86.3	93.3
GDP / capita (USD)	1 157	1 213	1 272	1 256	1 215	1 266	1 369
Real GDP growth (%)	4.8	4.8	4.7	5.1	5.6	5.9	6.4
Gold production ('000 Kg)	55.8	59.6	56.9	56.1	63.7	65.3	67.9
Tobacco production ('000 MT)	37.5	58.5	70.7	122.9	148.4	180.5	193.1
Coffee production ('000 MT)	232.7	210.8	240.2	254.4	528.3	483.7	593.6
Central Government Operations							
Budget balance (excl. Grants) / GDP (%)	-1.7	-3.9	-6.3	-3.9	-3.3	-3.3	-3.2
Budget balance (incl. Grants) / GDP (%)	-1.4	-3.5	-3.8	-4.7	-3.0	-2.9	-2.8
Domestic debt / GDP (%)	10.7	12.6	14.7	16.0	15.3	14.9	17.5
External debt / GDP (%)	28.0	30.1	28.1	29.5	31.7	30.1	30.9
Balance of Payments							
Exports of goods and services (USD bn)	8.8	10.0	11.6	14.0	16.0	16.8	17.9
Imports of goods and services (USD bn)	8.9	11.7	16.7	16.1	-16.9	-17.7	-18.9
Trade balance (USD bn)	-0.1	-1.8	-5.1	-6.0	-5.2	-5.6	-6.1
Current account (USD bn)	-1.0	-2.4	-5.5	-3.0	-2.0	-1.9	-2.0
- % of GDP	-1.5	-3.5	-7.5	-3.8	-2.5	-2.2	-2.2
Financial account (USD bn)	0.9	4.0	3.6	3.6	1.4	3.1	3.1
- FDI (USD bn)	0.9	1.2	1.4	1.6	1.7	1.8	2.2
Basic balance / GDP (%)	-1.0	-2.9	-6.9	-3.5	-2.1	-1.8	-2.0
FX reserves (USD bn) pe	4.7	6.4	5.2	5.5	5.7	6.4	7.0
- Import cover (months) pe	6.2	5.4	4.7	4.5	4.7	5.7	6.0
Sovereign Credit Rating							
S&P	nr	nr	nr	nr	nr	nr	nr
Moody's	nr	B2	B2	B2	B2	B2	B2
Fitch	nr	nr	nr	B+	B+	B+	B+
Monetary & Financial Indicators							
Consumer inflation (%) pa	3.3	3.7	4.4	3.7	3.1	4.1	4.0
Consumer inflation (%) pe	3.2	4.2	4.9	3.0	3.1	4.8	3.4
M3 money supply (% y/y) pa	8.8	10.2	11.7	15.6	12.1	18.4	14.9
M3 money supply (% y/y) pe	5.7	15.5	11.6	14.1	11.1	22.9	11.3
BoT discount rate (%) pa	5.5	5.0	5.0	5.0	5.9	6.0	5.0
BoT discount rate (%) pe	5.0	5.0	5.0	5.0	6.0	6.0	5.0
3-m rate (%) pe	2.5	3.0	3.0	9.1	7.8	8.6	7.8
1-y rate (%) pe	4.3	4.2	6.6	11.0	13.0	13.8	13.0
2-y rate (%) pe	7.1	7.7	8.5	11.6	12.9	14.5	13.6
5-y rate (%) pe	9.1	9.4	9.1	10.1	13.8	14.2	13.8
USD/TZS pa	2313.6	2303.8	2327.1	2435.5	2582.5	2655.9	2718.9
USD/TZS pe	2319.0	2297.8	2329.1	2511.3	2408.8	2673.7	2736.9

Source: Bank of Tanzania; Ministry of Finance; National Bureau of Statistics; Bloomberg; Standard Bank Research

Notes: pe – period end; pa –a period average

Uganda: still strong growth – but elections loom early next year

Medium-term outlook: oil investment should continue supporting growth

High-frequency indicators show still strong demand in the private sector in H1:25, implying still robust growth. However, we now trim our GDP growth forecast from 6.5-6.7% y/y to 6.2-6.5% for FY2024/25 and 6.5-6.8% y/y for FY2025/26.

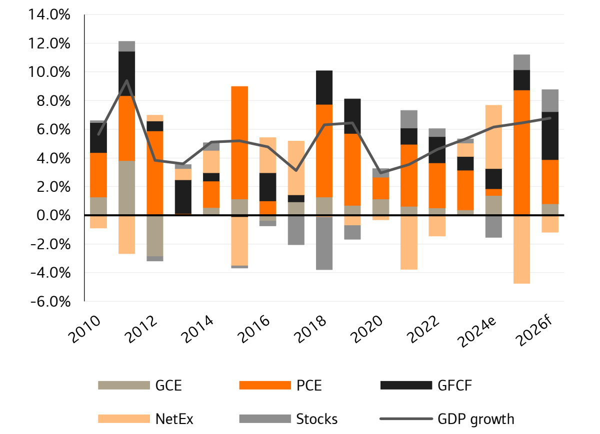
Our now more modest growth outlook is due to increased uncertainty surrounding the timely completion of oil-related infrastructure. Positively, the government in H1:25 received the first tranche of funding estimated at USD75m for the East Africa Crude Oil Pipeline (EACOP), assisting progress on this oil pipeline project. We estimate that the EACOP project is c.60% complete. Both the transport and construction sub-sectors should benefit meaningfully despite the delays in securing funding for several planned projects. Spending in the oil and infrastructure sectors is likely to continue and thereby support economic activity. Our baseline assumption now foresees first oil in either late 2026 or early 2027.

We still anticipate a strong performance from the agrarian sub-sector and the industrial sector in H2:25 due to still robust aggregate demand and favourable weather conditions. The weather outlook by the IGAD Climate Prediction and Applications Centre (ICPAC) implies a 55% probability of the eastern parts receiving above-normal rainfall from Jun to Sep. Further, a 45% chance of western Uganda seeing wetter-than-average conditions. This would bode well for agrarian, water and energy sector output in H2:25. However, it also increases the risks of flooding, to which the transport sector is particularly vulnerable.

The services sector should continue performing briskly in H2:25 due to a stable business environment, supportive government policies, and favourable aggregate demand conditions. We also foresee increased government expenditure sustaining strong demand conditions in H2:25 ahead of the elections early next year. With an ambitious plan to grow the Uganda economy by more than 10x its current size, increased investment in education and upskilling the population would be crucial in transitioning Uganda from an agrarian economy to an industrial and services-based one. Further, investments in education, to skill a young population and enhance labour productivity, would encourage economic activity.

Downside risks to our outlook include the impact of higher interest rates putting pressure on economic activity in H2:25. A dip in coffee exports could arise due to EU deforestation regulations. Furthermore, delays in securing concessional financing, such as a new IMF funding, may dampen growth in the near term. Another concern is increased regional tensions such as the conflicts in eastern DRC and in South Sudan denting trade and economic activity in Uganda.

GDP by expenditure



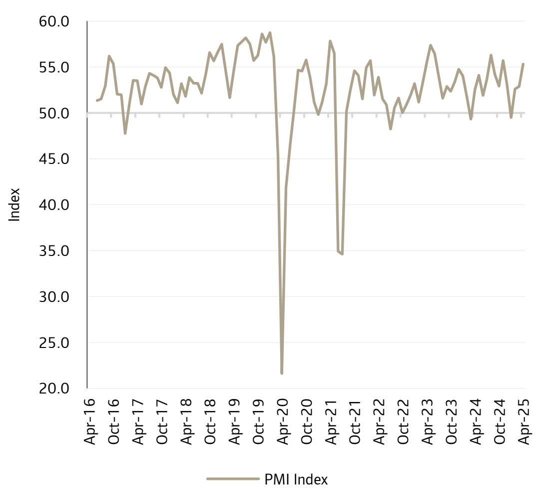
Source: Uganda Bureau of Statistics; Standard Bank Research

Contribution to GDP by sector

% of GDP	2008	2015	2024
Agriculture	27.1	23.2	24.7
Mining	1.2	1.0	1.3
Manufacturing	8.7	16.1	15.2
Construction	5.5	5.1	5.2
Trade & repairs	13.3	9.7	9.5
Transport	2.6	3.3	3.6
Accommodation & food	2.1	2.5	2.3
ICT	4.2	1.6	1.9
Financial & insurance	2.4	2.8	2.8
Real estate	5.5	6	6.0
Public administration	2.8	2	2.9
Education	5.3	5.2	3.6

Source: Uganda Bureau of Statistics

Stanbic Bank Uganda PMI



Source: Stanbic Bank Uganda

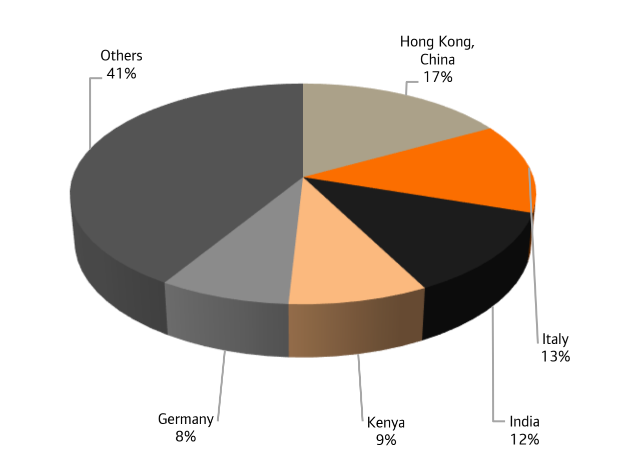
Medium-term economic growth forecasts

	Q1:25	Q2:25	Q3:25	Q4:25	Q1:26	Q2:26	Q3:26	Q4:26	Q1:27	Q2:27	Q3:27	Q4:27	Q1:28	Q2:28	Q3:28	Q4:28
GDP (% y/y) pa	6.7	5.3	8.6	5.1	5.7	7.7	5.9	7.8	8.4	9.4	6.1	5.9	6.5	5.8	4.8	9.9
CPI (% y/y) pe	3.4	4.1	5.4	5.3	5.2	5.3	5.3	5.3	5.4	5.0	4.9	4.8	4.8	4.8	5.5	5.7
BOU policy rate (%) pe	9.8	9.8	9.8	9.8	9.5	9.0	9.0	9.0	8.8	8.5	8.5	8.5	8.5	8.5	8.5	8.8
3-m rate (%) pe	11.3	11.5	11.3	10.8	10.3	10.1	10.3	9.9	8.4	8.0	8.6	9.2	9.0	8.9	9.0	8.4
6-m rate (%) pe	13.2	12.6	13.3	14.0	13.8	12.6	11.8	11.4	10.9	10.5	11.1	11.7	11.5	11.4	11.3	10.9
USD/UGX	3659.5	3604.5	3602.5	3609.7	3642.4	3656.8	3692.0	3666.4	3607.2	3529.2	3461.2	3509.4	3475.5	3460.5	3424.9	3450.4

Source: Bank of Uganda; Uganda Bureau of Statistics; Ministry of Finance; Bloomberg; Standard Bank Research

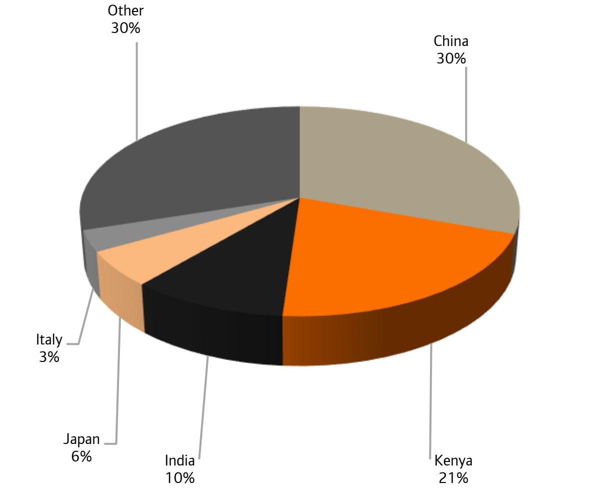
Notes: pa - period average; pe - period end

Uganda's top 5 exports destinations (% of total)



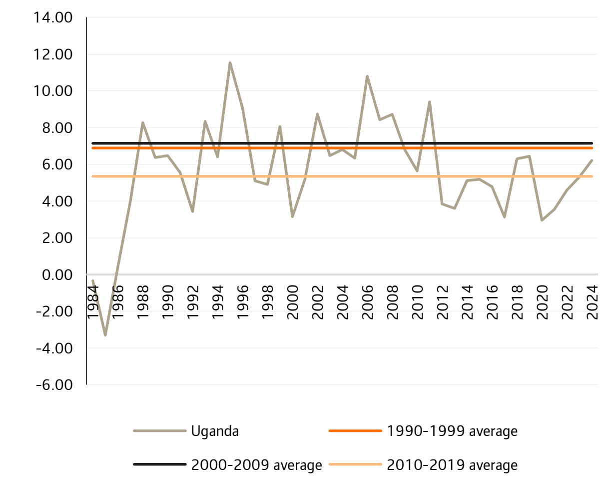
Source: International Trade Centre

Uganda's top 5 imports origins (% of total)



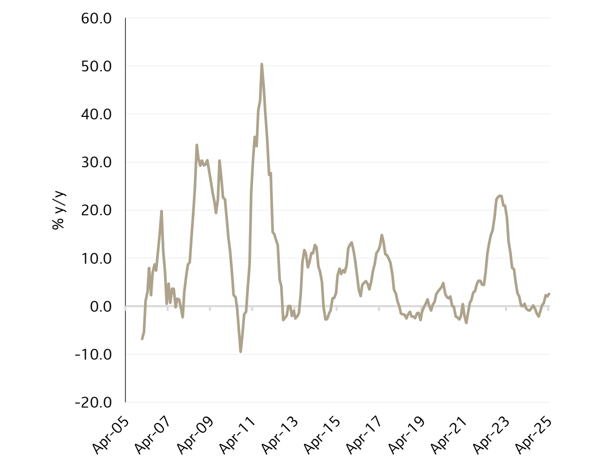
Source: International Trade Centre

Long-term GDP performance



Source: World Bank; Standard Bank Research

Food inflation (%)



Source: Uganda Bureau of Statistics

Balance of payments: higher exports in H2:25

We now also trim our C/A deficit forecast for 2025 to 7.6% of GDP and 7.0% of GDP for 2026 because we expect that growth in goods exports in 2025 will overshoot our Jan AMR expectation because of favourable international commodity prices and volumes. Indeed, coffee exports in the first 3-m of 2025 are up 124.5%, to USD522.8m, compared to USD232.9m in 2024. Gold exports too were up, 43.5%, to USD1bn in the first 3-m, and tobacco exports were up by 75.5%, sugar exports by 89.9%, and cocoa beans by 129.3% in the first 3-m of 2025.

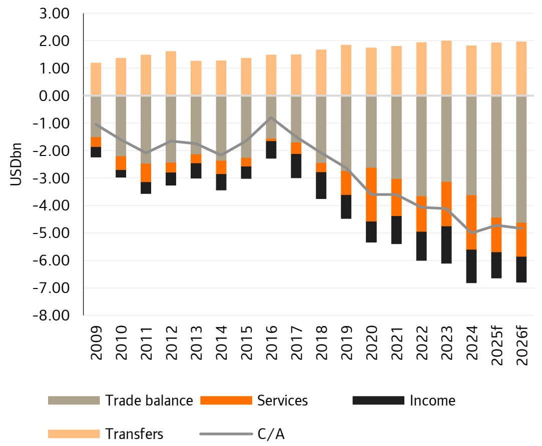
We anticipate goods and services imports to increase at c.13-17% in 2025 due to investments in the oil sector and other infrastructure projects. Oil imports fell by 12% y/y in the first 4-m of 2025 due to lower international oil prices and supply difficulties in Kenya. A further escalation between Iran and Israel may lead to higher international crude prices and a wider trade balance.

Should goods exports improve in H2:25, FX reserves may exceed USD4bn due to sustained dollar purchases by the Bank of Uganda, notwithstanding external debt service of USD733m needing to be covered between Jun and Dec 2025. Further, elevated UGX yields offer attractive carry for offshore investors; this may increase portfolio inflows during H2:25, further supporting FX reserves.

Positively, the Bank of Uganda has purchased USD1.5bn on a net basis from the interbank market since Jul 2024. According to the Bank of Uganda, FX reserves stood at USD3.8bn in mid-May 2025. The bank intends to commence its gold purchase programme in H2:25, which too implies support for FX reserves.

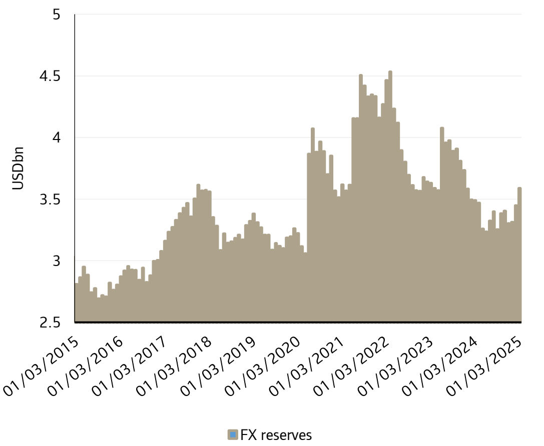
We foresee the government re-establishing relations with the World Bank and securing a new IMF programme in H2:25.

Current account developments



Source: Bank of Uganda; Standard Bank Research

FX reserves



Source: Bank of Uganda

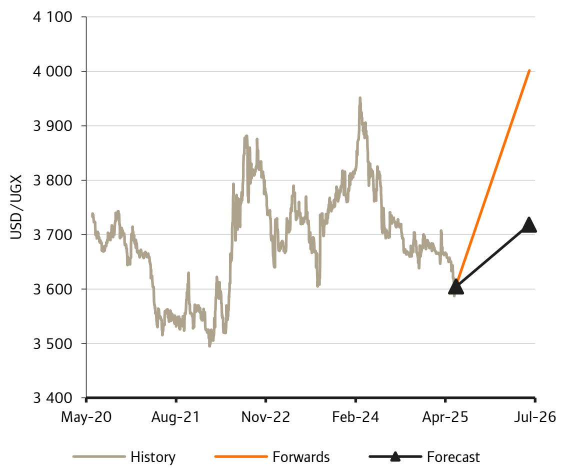
FX outlook: UGX likely to steady in H2:25

We expect UGX stability in H2:25, with a bias for strengthening due to the cyclical increase in commodity exports, especially coffee, amid continuing capital goods imports for infrastructure investment projects. The UGX will likely trade at 3,600-3,670 in H2:25.

UGX could face upside risks from an uncertain and volatile global environment. Recent developments in the Middle East point to a global environment susceptible to sudden swings in sentiment as well as commodity prices that could weigh on UGX.

Still, coffee exporters and portfolio investors could capitalise on any spikes in USD/UGX spot, thereby likely supporting a reversal in the pair. However, should commodity prices decline abruptly, USD flows from coffee and other commodity earnings may dwindle and thereby weigh on the UGX.

USD/UGX: forwards versus forecasts



Source: Bloomberg; Standard Bank Research

Monetary policy: cautious stance for H2:25

We expect the MPC to keep the policy rate steady in H2:25, with a bias to adjust the policy rate lower into Dec if the MPC deems the volatility in global financial markets as likely to moderate.

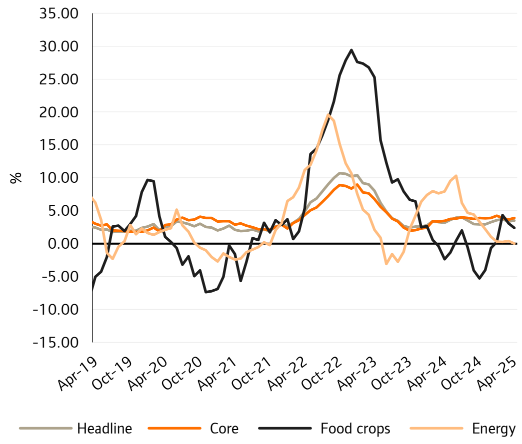
The MPC kept the policy rate steady in Q1 and Q2 as the global environment became highly volatile after a flurry of policy changes made by the new US administration that affected markets and global trade. Further, geopolitical tensions have increased in the Middle East after Israel attacked Iran and the United States bombed nuclear facilities in Iran.

The MPC now sees core inflation rising to 4.5-5.0% y/y this year, still below the 5% y/y mid-point target. This reflects a decline in oil prices and a stable exchange rate, though there is upside risk to core inflation from domestic demand overshooting expectations.

We see headline inflation rising to 5.4% y/y in Sep 2025, then moderating to 5.3% y/y by Dec 2025. Downside risks for inflation may come from a promising weather outlook, and a stronger exchange rate due to favourable exports of coffee and gold. However, upside risks to our view are posed by ongoing geopolitical tensions in the Middle East affecting oil prices and regional tensions in eastern DRC and South Sudan affecting the movement of goods, ongoing trade tensions, and swings in climate conditions.

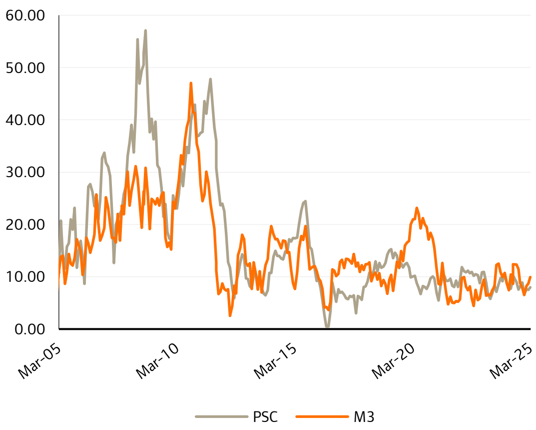
Private sector credit growth will probably remain soft if the MPC remains cautious in H2:25 and if fiscal policy remains expansionary. PSC grew by 8.0% y/y in Mar 2025, but slowed to 7.7% in Q1:25, from an average of 7.9% y/y in Q4:24 and a 5-y average of 8.9% y/y.

Inflation and interest rates



Source: Bank of Uganda; Uganda Bureau of Statistics

Monetary aggregates



Source: Bank of Uganda

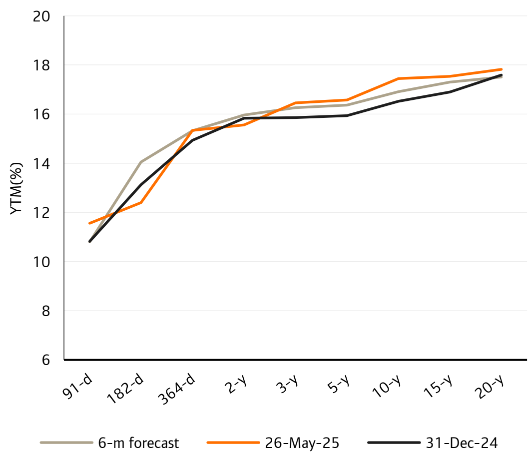
Yield curve outlook: large maturities in H2:25

We forecast yields likely remaining elevated in H2:25 due to still elevated net domestic borrowing requirements amid slow progress with external concessional funding.

The government will need to refinance UGX5tn in H2:25, of which UGX385bn will be for a bond, which is lower than bond issuances of UGX3tn in H1:25; however, elevated net borrowing requirements will keep rates high in an environment of uncertain external financing. However, re-engagement with the World Bank, and the likelihood of a new programme with the IMF, may nudge yields lower in H2:25.

However, the general elections being held early next year implies a high chance of fiscal slippage over the next 6-m. We thus still foresee interest rates remaining elevated on account of government spending in the lead-up to next year's elections.

Changes in the yield curve



Source: Bank of Uganda; Standard Bank Research

Fiscal policy: likely higher deficits ahead of elections

The fiscal deficit, including grants, is seen widening to 7.6% of GDP in FY2024/25, overshooting budget estimates, because of increased spending via UGX5.2tn supplementary budget – before a return to fiscal consolidation from FY25/26 and over the medium term. This remains a sticking point in discussions with the IMF for a new programme.

In the first 10-m of FY2024/25, revenue and expenditure outcomes matched their targets; the government raised UGX23.1tn, against a target of UGX23.2tn in tax revenue, and UGX25.6tn in total revenue, against a target of UGX24tn, while total expenditure performance over the first 10-m of FY2024/25 was on target, with UG X30tn spent, against a target of UGX31tn.

In FY25/26, parliament approved a total expenditure of UGX56.5tn. The government's gross financing need is estimated at UGX32.7tn, of which 68% will be financed via the domestic bond market, with the remaining 32% financed externally.

The government has pencilled in support from the World Bank and IMF, among other multilaterals and bilateral partners. The authorities also pencil in commercial debt, which includes the possibility of a Samurai Bond, or Sukuk Bond, or Panda Bonds, as well as syndicated loans from commercial banks.

We still see fiscal slippage risk as elevated in H2:25, with the government likely to increase pre-election expenditure ahead of the coming elections.

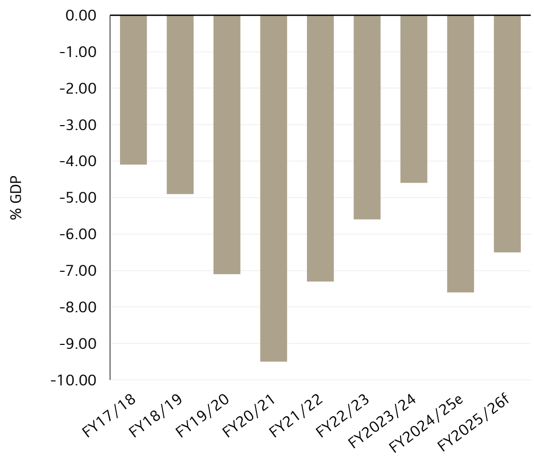
Further, with recent tensions in neighbouring South Sudan and the eastern DRC, plus policy shifts by the United States affecting sectors such as security, healthcare, educations and refugee support, the government may increase expenditure to sustain key initiatives in those sectors.

Central government operations

% of GDP	FY2023/24	FY2024/25e	FY2025/26f
Total revenue	14.4	15.2	15.7
Total expenditure	18.9	22.8	22.2
Wages	3.6	3.5	3.5
Interest	3.2	4.3	3.5
Development expenditure	5.2	6.9	7.6
Overall balance (- grants)	-5.3	-8.9	-7.6
Overall balance (+ grants)	-4.5	-7.6	-6.5
Net domestic borrowing	3.9	6.0	4.3
Net external borrowing	0.0	1.6	2.2

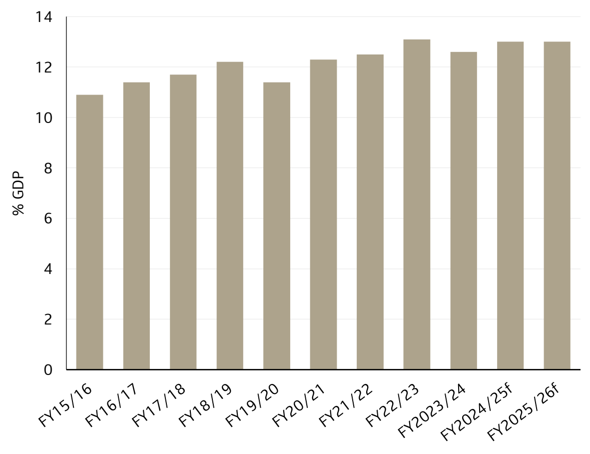
Source: Ministry of Finance

Fiscal deficit (including grants)



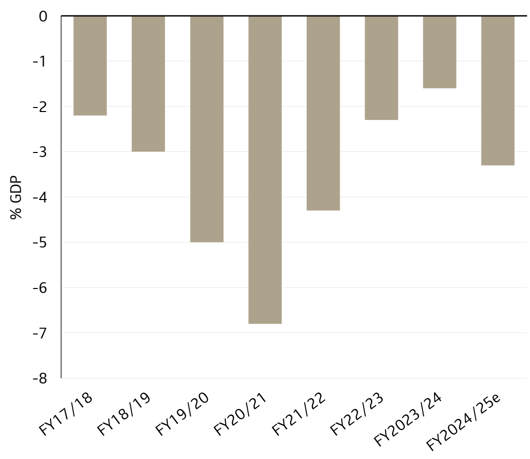
Source: Ministry of Finance

Tax revenue



Source: Ministry of Finance

Primary balance



Source: Ministry of Finance

Annual indicators

	2020	2021	2022	2023	2024e	2025f	2026f
Output							
Population (million)	41.6	42.9	44.2	45.6	45.9	47.2	48.5
Nominal GDP (UGX bn)	139 689	148 310	162 750	183 004	202 725	224 797	251 710
Nominal GDP (USD bn)	38.9	42.8	45.5	49.0	53.9	62.0	68.9
GDP / capita (USD)	935.0	998.8	1028.3	1 075	1 175	1 315	1 421
Real GDP growth (%)	3.0	3.5	4.6	5.3	6.2	6.4	6.8
Coffee production ('000 Tonnes)	360.1	414.0	337.8	366.8	381.0	413.1	416.5
Central Government Operations							
Budget balance (excl. Grants) / GDP (%)	-8.0	-10.8	-8.1	-8.1	-5.3	-8.9	-7.6
Budget balance (incl. Grants) / GDP (%)	-7.1	-9.5	-7.4	-7.4	-4.5	-7.6	-6.5
Domestic debt / GDP (%)	13.1	17.2	18.8	18.7	18.1	20.3	22.2
External debt / GDP (%)	27.9	29.7	29.6	28.2	29.3	27.4	27.3
Balance Of Payments							
Exports of goods and services (USD bn)	5.6	6.2	6.1	9.1	11.0	12.9	13.4
Imports of goods and services (USD bn)	-10.2	-10.6	-11.1	-13.9	-16.6	-18.6	-19.3
Trade balance (USD bn)	-4.6	-4.4	-5.0	-4.8	-5.6	-5.7	-5.9
Current account (USD bn)	-3.6	-3.6	-4.1	-4.1	-5.0	-4.7	-4.8
- % of GDP	-9.3	-8.4	-8.9	-8.4	-9.3	-7.6	-7.0
Financial account (USD bn)	-3.5	-3.5	-4.0	-3.8	-3.3	-4.3	-4.4
- FDI (USD bn)	1.2	1.6	3.0	3.0	3.2	3.7	4
Basic balance / GDP (%)	-6.2	-4.6	-2.4	-2.3	-3.3	-1.6	-1.2
FX reserves (USD bn) pe	3.8	4.3	3.6	3.7	3.3	4.3	5.5
- Import cover (months) pe	3.9	4.6	4.1	3.5	2.9	2.8	3.4
Sovereign Credit Rating							
S&P	B	B	B	B-	B-	B-	B-
Moody's	B2	B2	B2	B2	B3	B3	B3
Fitch	B+	B+	B+	B+	B	B	B
Monetary & Financial Indicators							
Consumer inflation (%) pa	2.8	2.3	7.2	5.4	3.3	4.5	5.2
Consumer inflation (%) pe	2.5	2.9	10.2	2.6	3.3	5.3	5.3
M3 money supply (% y/y) pa	19.8	9.2	6.9	8.3	9.6	8.3	8.5
M3 money supply (% y/y) pe	17.1	5.1	7.5	10.9	6.5	9.8	8.6
BOU policy rate (%) pa	7.5	6.6	8.3	9.8	10.0	9.8	9.1
BOU policy rate (%) pe	7.0	6.5	10.0	9.5	9.8	9.8	9.0
3-m rate (%) pe	8.5	6.5	11.0	9.8	10.4	10.8	9.9
1-y rate (%) pe	14.0	10.4	12.5	12.8	13.0	15.3	14.3
2-y rate (%) pe	16	10.7	13.3	13.1	14.2	15.7	14.5
5-y rate (%) pe	16.5	13.9	15.0	14.80	15.3	15.9	14.7
USD/UGX pa	3593	3462	3580	3737	3759	3624	3652
USD/UGX pe	3650	3544	3716	3780	3679	3610	3666

Source: Bank of Uganda; Uganda Bureau of Statistics; Ministry of Finance; Bloomberg; Standard Bank Research
Notes: pa - period average; pe - period end

Zambia: recovery gaining ground

Medium-term outlook: 2025 recovery intact – but electricity still a medium-term bottleneck

Real GDP growth surprised positively in 2024, recording 4.0% y/y, compared to our Jan AMR forecast of 2.5% y/y and the IMF's 1.2% y/y projection. A material proportion of 2024 growth was driven by the information and communication technology (ICT) sector which grew 17.4% y/y, while mining and construction grew 8.8% y/y and 6.6% y/y respectively.

We now anticipate real GDP growth accelerating to 6.0% y/y in 2025, compared to 5.75% y/y in our Jan AMR. This optimism is driven by a large agricultural recovery. The maize harvest is likely to be around 3.6m MT, representing a 140% y/y increase on 1.5m MT in the 23/24 season and significantly exceeding our previous 2.5m MT forecast. Over 80% of Zambia's agricultural output is rural and small-scale.

This bumper harvest is likely to boost farmer incomes, stimulate domestic consumption, and moderate food inflation, thereby enhancing overall household purchasing power throughout 2025 and into 2026. Strong agricultural output also positively affects the truck transport and wholesale trade sub-sectors.

Mining prospects are similarly robust. We now expect copper exports to reach around 922k MT in 2025 (Jan AMR: 869k MT) and exceed 1m MT tons in 2026. These updates reflect accelerated capital investments and operational enhancements at major mines such as Kansanshi's S3 expansion, Mopani, and Konkola Copper Mines, as well as steady performance from mid-tier operators. Nevertheless, execution risks around these key projects and continued electricity importation remain significant drags on mining growth potential and therefore warrant close monitoring.

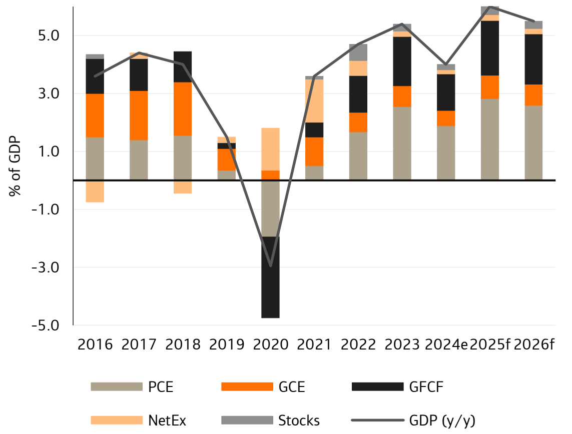
The electricity generation sector, severely affected by drought in 2024, has also begun recovering. ZESCO's Q1:25 generation was up 36% q/q but down 28% y/y as the worst of the drought impact occurred in Q3:24 and Q4:24. Generation for Mar 2025 was 65% higher than the lows in Oct 2024.

Further improvement is anticipated over the remainder of this year, supported by new solar projects and coal plant expansions. However, a full recovery will likely only materialize from 2026 onwards as additional generation capacity gradually becomes operational, underscoring electricity supply as a critical determinant of Zambia's medium-term growth outlook.

Our upgraded growth outlook aligns with the Bank of Zambia's (BOZ's) updated growth outlook of 5.6% y/y (previously 4.4% y/y), reflecting strong early-year momentum.

Key downside risks persist, particularly around electricity reliability, mining project execution timelines, and climate-related vulnerabilities.

Composition of GDP growth by expenditure



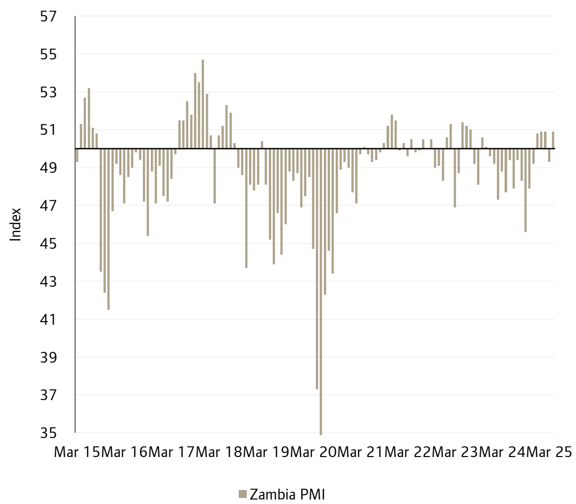
Source: Zambia Statistics; Standard Bank Research

Contribution to GDP by sector

	2014	2019	2024
Wholesale and retail trade	23.38	21.76	19.96
Transportation and storage	3.85	9.02	13.13
Mining and quarrying	15.70	15.36	18.45
Construction	9.57	11.89	10.14
Manufacturing	7.32	7.35	9.83
Financial and insurance	3.37	7.68	6.25
Public administration and defence	4.74	4.60	4.47
Information and communication	2.46	2.76	2.79
Agriculture, forestry, and fishing	7.27	3.10	1.91
Education	8.40	4.02	3.65
Real estate activities	4.41	4.00	2.13

Source: Zambia Statistics Agency

Stanbic Zambia PMI



Source: HIS Markit; Bloomberg

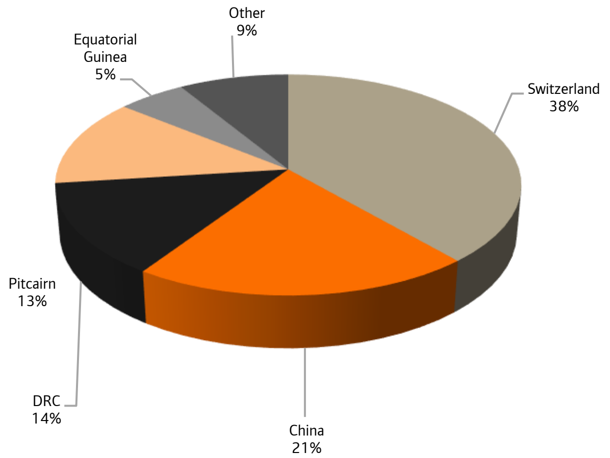
Medium-term economic growth forecasts

	Q1:25	Q2:25	Q3:25	Q4:25	Q1:26	Q2:26	Q3:26	Q4:26	Q1:27	Q2:27	Q3:27	Q4:27	Q1:28	Q2:28	Q3:28	Q4:28
GDP (% y/y) pa	5.7	5.9	6.1	6.2	5.2	5.4	5.6	5.7	4.3	4.4	4.6	4.7	4.1	4.2	4.4	4.4
CPI (% y/y) pe	16.5	14.1	13.4	12.0	11.3	10.5	9.8	9.0	8.8	8.5	8.2	8.0	7.9	7.8	7.6	7.5
BOZ policy rate (%) pe	14.50	14.50	13.50	12.00	11.25	10.50	10.50	9.00	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50
3-m rate (%) pe	11.1	11.0	10.8	10.0	9.9	9.8	9.6	8.5	8.4	8.3	8.1	8.0	7.9	7.8	7.6	7.5
6-m rate (%) pe	12.0	12.0	11.8	11.0	10.9	10.8	10.6	9.5	9.4	9.3	9.1	9.0	8.9	8.8	8.6	8.5
USD/ZMW	28.17	24.27	23.92-25.40	24.31-25.81	24.70-26.22	25.08-26.63	25.47-27.04	25.85-27.45	26.24-27.86	26.63-28.27	27.01-28.68	27.40-29.09	27.78-29.50	28.17-29.91	28.56-30.32	28.94-30.73

Source: Bank of Zambia; Zambia Statistics Agency; Bloomberg; Standard Bank Research; Ministry of Finance and National Planning

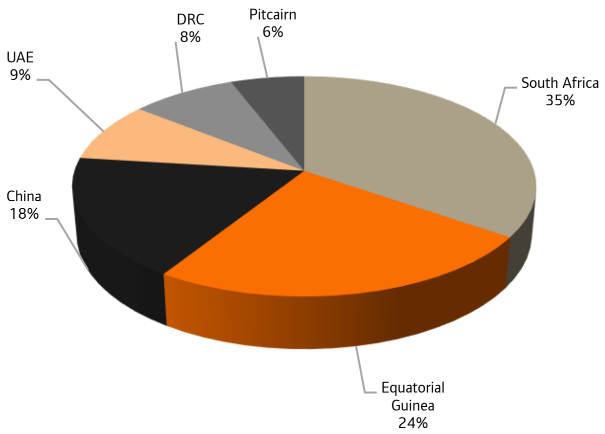
Notes: pa - period average; pe - period end

Share in Zambia's exports (%)



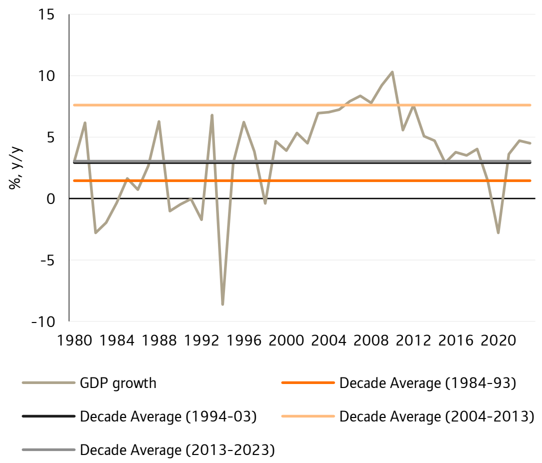
Source: ITC

Share in Zambia's imports (%)



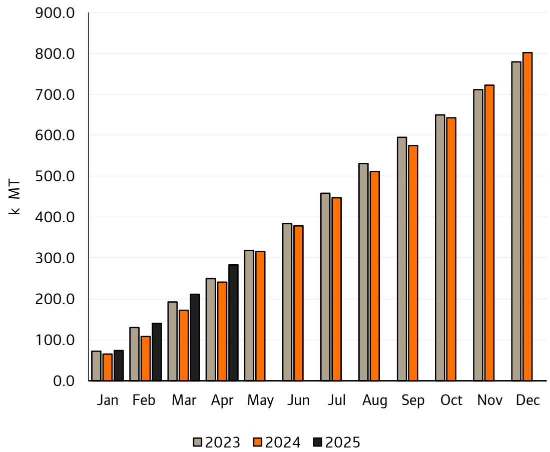
Source: ITC

Long-term GDP performance



Source: World Bank; Standard Bank Research

Cumulative export volumes of refined copper



Source: Zambia Statistics

Balance of payments: outlook clouded by data quality issues, continued electricity imports, and debt service resumption

We now downgrade our 2025 current account (C/A) surplus forecast, from a surplus of 3.4% of GDP (USD900m) in our Jan AMR, to a 0.5% of GDP surplus (USD147m).

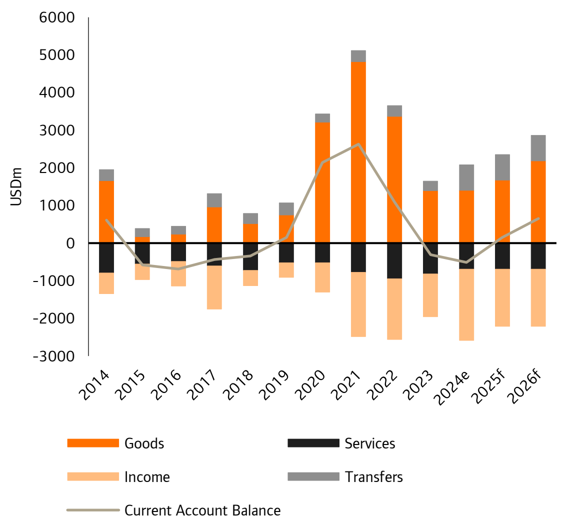
In late May, BOZ revised lower the preliminary USD186m current account surplus it had published for Q3:24 with a USD200m deficit and, for the first time, released Q4:24 and Q1:25 outturns which surprised negatively with a deficit of approximately USD340m in Q4:24 and a minor surplus of USD10m in Q1:25.

The downward revision Q3:24 current account data likely stems from a lower than originally reported goods trade balance, in part due to higher than originally accounted for maize and electricity imports in H2:24. This is reflected in the approximately 30% drop in the goods balance in H2:24, compared to H1:24.

The primary income balance saw the largest revision, with initial Q3:24 data released in Feb 2025 showing a -USD153.4m balance, but data in BOZ's May 2025 Monetary Policy Report showing a balance of approximately -USD550m, a figure more closely aligned with the reality of increased debt servicing of post-default Eurobonds.

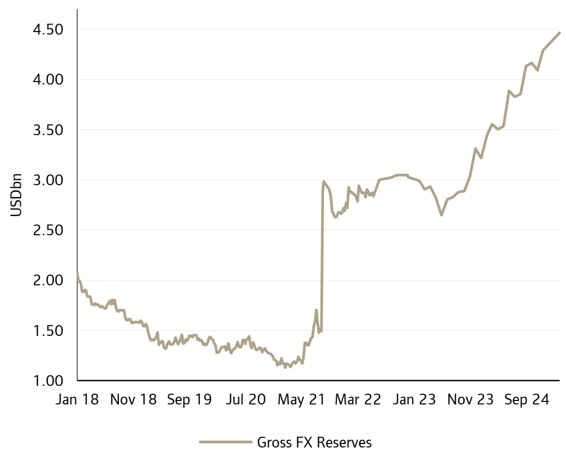
Preliminary 1Q:25 data showed an 8% y/y and 36% q/q improvement in the goods trade balance, reflecting slightly less electricity importation. Copper exports were 7% lower on a q/q basis, albeit 23% higher y/y. The -USD300m primary income balance in 1Q:25 negated the goods trade surplus, highlighting the core challenge Zambia faces in this year's external accounts, only partial gains from improved copper exports due to an only partial recovery in electricity generation, and full resumption of external debt servicing as reprofiled external claims to the public sector begin performing.

Current account developments



Source: Bank of Zambia; Standard Bank Research

Gross FX reserves

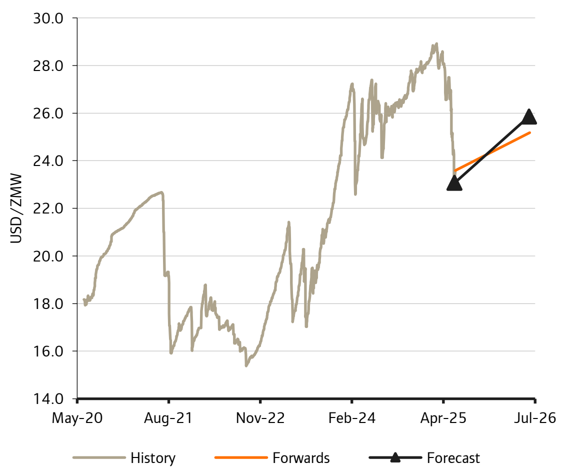


Source: Bank of Zambia; Standard Bank Research

FX outlook: kwacha rally ahead of fundamentals

YTD, the kwacha has rallied 15% against the USD. This is stronger than fundamentals would suggest. Revised 2024 data shows larger C/A deficits, and 1Q:25 data shows a miniscule surplus. Further, inflation, though easing, averaged 16.4% YTD. Even supportive fundamental metrics appear insufficient. M2 has contracted 2% YTD while usable FX reserves have risen 6%. A more justifiable fundamental tailwind may lie in unreleased financial account revisions for Q3:24 through Q1:25, but, absent that data, the move looks technical. An initial move in May, driven by corporate and BOZ sales, has continued as hedge funds sold NDFs, and onshore USD longs hedged, triggering a self-reinforcing squeeze. Further, offshore FPIs converted ahead of bond auctions, while corporates held back demand. Technical or not, the move is strong enough to prompt us to revise our forecasts while widening the band. We see the USD/ZMW pair at 25.1 at year end, averaging 26.2 for 2025.

USD/ZMW: forwards versus forecasts



Source: Bloomberg; Standard Bank Research

Monetary policy: lower inflation gives BOZ room to cut

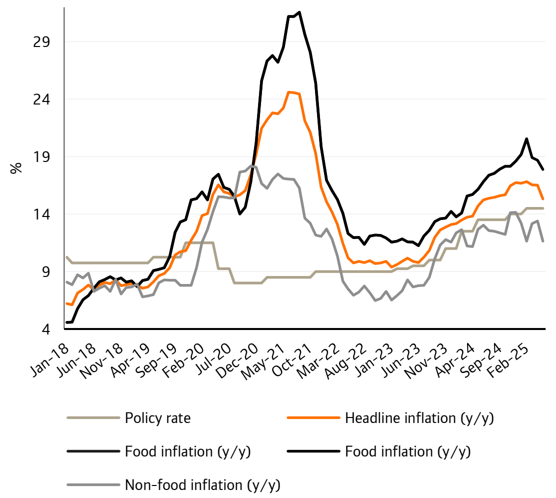
We now expect Zambian consumer prices to average 14.7% y/y in 2025 and end this year at 12.0% y/y. This is an improvement on our Jan AMR forecast of 15.4 % y/y on average and 13.7% y/y at year-end.

Headline CPI has slipped from a peak of 16.8% y/y in Feb 2025 to 14.1% y/y in June, the sharpest 3-m month disinflation since in almost 3-y. This is due to three drivers. First, a record maize harvest dragged 3-m rolling grain prices down by 38% in May. Second, petrol prices are down 12% y/y on a softer international crude backdrop. Third, the kwacha gained 5% in May, dampening any imported cost pass-through. Non-food CPI consequently eased to 11.7% y/y in May, with emergency electricity-tariff increases becoming overshadowed by cheaper transport and food.

The MPC held the policy rate at 14.5% in May and has maintained negative real rates (-2.81% on average) since Sep 2021. Further, since Aug 2024, BOZ has preferred looser monetary and liquidity conditions to foster growth and "financial stability". This is confirmed by the central bank's latest quarterly-projection model, the monetary-conditions index (MCI), which shows that the gap between the real policy-rate and the real exchange-rate remains negative, an indicator of loose conditions, albeit less so than in late 2024.

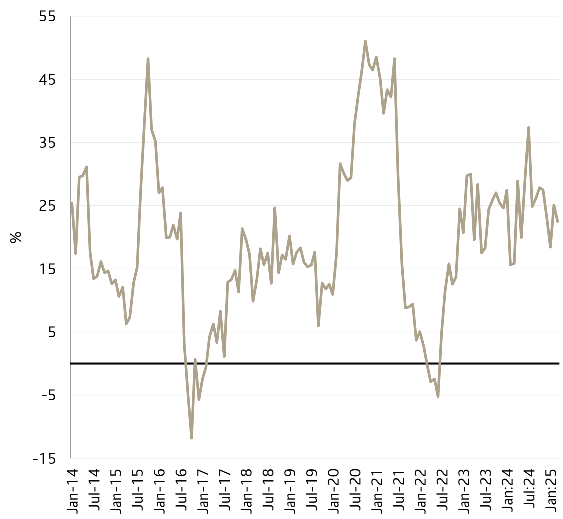
The challenge for the MPC is that, on ours and more so on their trajectory, inflation could fall rapidly by year-end. Without an offsetting rate cut, the real policy stance would move from loose to restrictive just as the growth rebound gains traction, risking liquidity strains and a premature cooling of credit growth. We therefore expect BOZ to pursue neutrality rather than large positive real yields. Our forecast rate-cutting path would anchor the real rate at roughly 0.4% on average over the next 18-m, positive enough to keep inflationary expectations anchored and low enough to protect the recovery as well as safeguard treasury funding conditions.

Inflation and interest rates



Source: Bank of Zambia; Standard Bank Research

Money supply growth

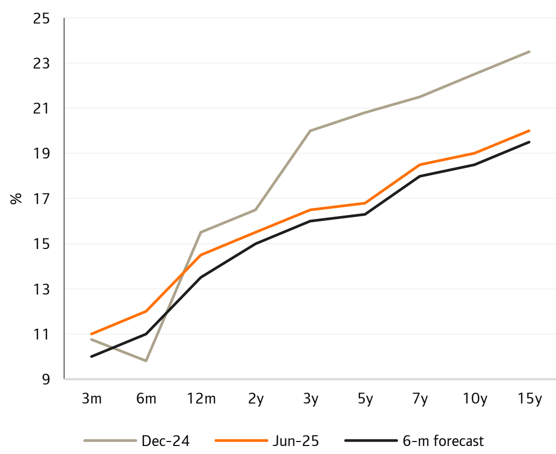


Source: Bank of Zambia; Standard Bank Research

Yield curve outlook: bull-steepening in H2:25

Our Jan AMR bear-flatten call proved wrong: while inflation did spike and the policy rate rose, a flood of bank liquidity drove one of Africa's sharpest bull-flatteners. A late-cycle bull-steepener now looks more plausible than further flattening. We expect T-bills to fall 100 bps as the MPC cuts, while long-term bonds ease by a milder 50 bps. Four forces underpin this view. First, the completion of the debt-restructuring and an IMF successor programme by year-end may cap election risk-premia and support offshore demand. Second, commercial bank excess liquidity remains robust, while BOZ's OMO mop-ups are mostly overnight, so, cash quickly finds its way back into auctions, limiting upward pressure on rates. Third, upside risk to issuance may be mitigated by adequate balance-sheet capacity at banks and pension funds. Lastly, should domestic demand soften, the authorities can again deploy last year's liability-management tool that let banks swap sterilised reserves for bonds. Together, these cushions will likely restrain bearish impulses while keeping the rally modest.

Changes in the yield curve



Source: Bloomberg; Standard Bank Research

Fiscal policy: US health aid withdrawal may slow down the rate of consolidation

The Q1:25 budget outturn showed revenue and grants growing by 18% y/y, to ZMW38.2bn, representing 21% of the 2025 approved budget. This was driven by a 23% y/y jump in tax intake on stronger copper output. Spending rose 20% y/y, to ZMW43.0bn, driven by wages (+16% y/y), while interest outlays climbed 9% y/y.

The cash deficit widened to ZMW4.9bn (-0.6 % GDP), yet Treasury pre-funded it, raising a net ZMW7.5bn and preserving a ZMW2.6bn buffer for early 2Q:25 maturities. Issuance between Jan and May covers 42% of the 2025 domestic financing plan. Average 12-m, T-bill yields have fallen 100 bps, to 14.5%, reflecting a strong domestic funding environment.

We believe that the balance of risk is for a slightly larger deficit in 2025 than that approved in late 2024. This will be driven by two main factors. Firstly, the government is likely to take on health related expenses to compensate for the United States pulling back on aid, with a reduction in capital expenses likely insufficient to completely offset the aid shortfall. Losses of up to USD400m in US health aid could lift spending by up to 1.3% of GDP – unless other aid partners step in.

Secondly, debt servicing costs are likely to rise as past-due external coupons restart on the back of the completion of lingering external commercial debt restructuring. We still foresee a gradual consolidation until 2027.

Debt workouts are advancing. Commercial term-sheets are in the legal drafting stage, with Ministry of Finance guiding completion as by year-end.

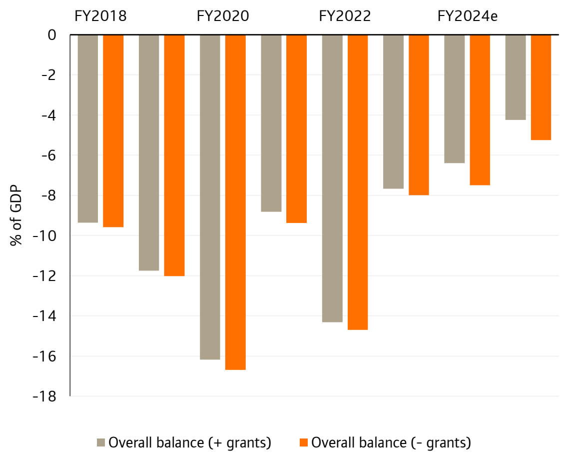
While pre-election spending pressure also looms, our core view incorporates reasonable potential for a successor IMF programme to the current ECF (which expires in Oct 2025).

Central government budget

% of GDP	FY2023	FY2024e	FY2025f
Total revenue and grants	21.3	18.8	22.3
Total exp. (- amort)	-28.9	25.2	-26.5
- Interest	6.7	6.2	5.4
- Salaries	8.7	8.3	7.2
Overall balance (+grants)	-7.7	-6.4	-4.2
Overall balance (-grants)	-8.0	-7.5	-5.2
Net domestic borrowing	2.9	2.8	1.9
Net external borrowing	4.7	3.6	2.4
Donor support (grants)	0.3	1.1	1.0
Domestic debt service	5.7	5.1	4.6
Ext. debt service	3.4	0.9	2.0

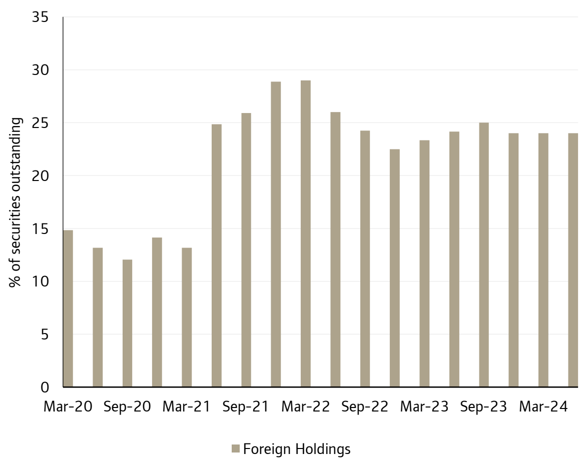
Source: Ministry of Finance and National Planning

Fiscal deficit



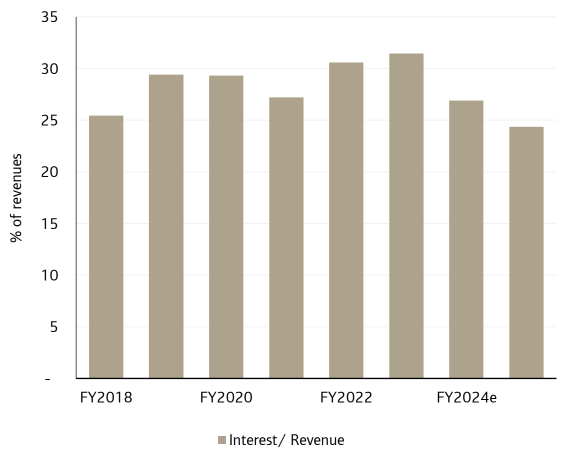
Source: Ministry of Finance and National Planning; Standard Bank Research

Foreign holdings of domestic debt



Source: Bank of Zambia; Standard Bank Research

Interest payments



Source: Ministry of Finance and National Planning; Standard Bank Research

Annual indicators

	2020	2021	2022	2023	2024e	2025f	2026f
Output							
Population (million)	18.4	19.5	20.0	20.6	21.3	21.9	22.5
Nominal GDP (ZMW m)	332 223	443 362	493 964	557 406	688 851	837 166	974 843
Nominal GDP (USD bn)	18.1	21.6	28.7	27.6	26.4	32.0	38.7
GDP / capita (USD)	983	1 108	1 437	1 338	1 240	1 460	1 717
Real GDP growth (%)	-2.80	3.60	4.24	5.40	4.00	6.00	5.50
Copper production ('000 tons)	931	903	880	779	802	922	1 015
Central Government Operations							
Budget balance / GDP (%)	-16.2	-8.8	-14.6	-7.7	-6.4	-4.2	n/a
Domestic debt / GDP (%)	39.2	43.1	41.3	39.5	32.7	28.8	n/a
External debt / GDP (%)	87.5	65.3	48.7	51.5	56.7	45.9	n/a
Balance of Payments							
Exports of goods and services (USD bn)	8.6	11.7	12.4	11.5	11.6	13.8	16.5
Imports of goods and services (USD bn)	5.8	7.7	10.0	10.9	10.9	12.9	15.0
Trade balance (USD bn)	2.7	4.0	2.4	0.6	0.7	1.0	1.5
Current account (USD bn)	2.2	2.6	1.1	-0.3	-0.5	0.1	0.7
- % of GDP	12.0	12.2	3.7	-1.1	-1.9	0.5	1.7
Financial account (USD bn)	-2.4	-2.1	-2.9	-0.7	-3.9	-1.0	-1.1
- FDI (USD bn)	0.3	-0.6	-0.3	-0.1	1.0	1.0	1.0
Basic balance / GDP (%)	0.4	-1.5	-1.8	-1.0	-4.4	-0.9	-0.4
FX reserves (USD bn) pe	1.2	2.8	3.0	3.3	4.3	5.0	5.1
- Import cover (months) pe	2.5	4.3	3.6	3.6	4.7	4.7	4.1
Sovereign Credit Rating							
S&P	SD	SD	SD	SD	SD	C	CCC-
Moody's	Ca	Ca	Ca	Ca	Caa2	Caa2	Caa2
Fitch	SD	SD	SD	SD	CCC+	CCC+	CCC+
Monetary & Financial Indicators							
Consumer inflation (%) pa	15.7	22.1	11.1	10.9	15.0	14.7	10.4
Consumer inflation (%) pe	19.2	16.4	9.9	13.1	16.7	12.0	9.0
M3 money supply (% y/y) pa	34.9	28.6	6.2	24.3	25.3	21.5	16.4
M3 money supply (% y/y) pe	46.4	3.7	24.5	24.6	27.8	20.0	17.0
Policy interest rate (%) pa	9.7	8.5	9.0	9.8	13.1	14.0	10.8
Policy interest rate (%) pe	8.0	9.0	9.0	11.0	14.0	12.0	9.0
1-y rate (%) pe	25.8	9.5	15.0	15.5	15.5	13.5	13.0
5-y rate (%) pe	33.0	21.8	28.0	22.5	20.8	16.3	16.0
USD/ZMW pa	18.4	19.6	17.2	20.2	26.1	26.2	25.2
USD/ZMW pe	21.2	16.7	18.1	25.7	27.9	25.1	26.7

Source: Bank of Zambia; Zambia Statistics Agency; Bloomberg; Standard Bank Research; Ministry of Finance and National Planning

Notes: pa - period average; pe - period end

Glossary

For brevity, we frequently use acronyms that refer to specific institutions or economic concepts. For reference, below we spell out these and provide definitions of some economic concepts that they represent.

14-d	14-day, as in 14-d deposit, which denotes 14 day deposit
10-y	10-year
16 Jan 24	16 January 2024
3-m	3 months
3m	3 million, as in USD3m, which denotes 3 million US dollars
3bn	3 billion, as in UGX3bn, which denotes 3 billion Ugandan shillings
3tr	3 trillion, as in TZS3.0tr, which denotes 3 trillion Tanzanian shillings
AOA	Angola Kwanza
BAM	Bank Al Maghrib
BCC	Banque Central du Congo (Central Bank of Congo)
BCEAO	Banque Central des États de L'Afrique de l'Ouest (Central Bank of West African States)
BCT	Banque Central de Tunisie
BM	Banco de Moçambique
BNA	Banco Nacional de Angola
BOB	Bank of Botswana
BOG	Bank of Ghana
BOM	Bank of Mauritius
BON	Bank of Namibia
BOP	Balance of payments – a summary position of a country's financial transactions with the rest of the world. It encompasses all international transactions in goods, services, income, transfers, financial claims and liabilities.
BOT	Bank of Tanzania
BOU	Bank of Uganda
BOZ	Bank of Zambia
BR	Bank Rate (Reserve Bank of Malawi)
BRVM	Bourse Régionale des Valeurs Mobilières (Regional Securities Exchange)
BWP	Botswana Pula

C/A	Current account balance. This is the sum of the visible trade balance and the net invisible balance of a country. The latter includes net service, income and transfer payments.
Capital account	Captures the net change in investment and asset ownership for a nation by netting out a country's inflow and outflow of public and private international investment.
CBE	Central Bank of Egypt
CBK	Central Bank of Kenya
CBR	Central Bank Rate
CDF	Congolese Franc
CPI	Consumer Price Index – An index that captures the average price of a basket of goods and services representative of the consumption expenditure of households within an economy.
Discount rate	Policy rate for Bank of Uganda
Disinflation	A decline in the rate of inflation. Here prices are still rising but with a slower momentum.
Disposable income	After tax income
DM	Developed markets
ECB	European Central Bank
ECF	Extended Credit Facility is an IMF facility. It assists PRGT-eligible countries with a protracted balance of payments problem to implement economic programs that make significant progress toward a stable and sustainable macroeconomic position consistent with strong and durable poverty reduction and growth.
EFF	Extended Fund Facility is an IMF facility. It provides assistance to countries experiencing serious payment imbalances because of structural impediments or slow growth and an inherently weak balance-of-payments position
EGP	Egyptian pound
EM	Emerging markets
ETB	Ethiopian Birr
Eurobond	A bond denominated in a currency other than the home currency of the issuer.
Exports	The monetary value of all goods and services produced in a country but consumed broad.
FMDQ	FMDQ OTC Securities Exchange, Nigeria
FX	Foreign Exchange
FY2024/25	2024/25 fiscal year
GCE	Government Consumption Expenditure - Government outlays on goods and services that are used for the direct satisfaction of the needs of individuals or groups within the community. This would normally include all non-capital government spending.
GDE	Gross domestic expenditure, the market value of all goods and services consumed in a country – both private and public – including imports but excluding exports. This is measured over a period of time – usually a quarter/year.

GFCF	Gross Fixed Capital Formation – this is investment spending, the addition to capital stock such as equipment, transportation assets, electricity infrastructure, etc to replace the existing stock of productive capital that is used in the production of goods and services in a given period of time, usually a year/quarter. Normally, the higher the rate of capital, the faster an economy can grow.
GDP	Gross Domestic Product – the monetary value of all finished goods and services produced in a country in a specific period, usually a year/quarter.
GHS	Ghanaian Cedi
H1:24	First half of 2024
Imports	The monetary value of goods and services produced abroad and consumed locally.
Inflation	The rate at which the general level of prices of goods and services are rising. It is usually measured as the percentage change in the consumer price index over a specific period, usually a month/year.
Invisible trade balance	The value of exports of services, income and transfers, less imports of same.
Jan 24	January 2024
KBRR	Kenya Bankers' Reference Rate
KES	Kenya Shilling
KR	Key Rate (Bank Al Maghrib)
KRR	Key Repo Rate
m/m	Month on month, in reference to a rate of change
MAD	Moroccan Dirham
MLF	Marginal Lending Facility
MOF	Ministry of Finance
MPC	Monetary Policy Committee, the committee that makes the decision on policy rates
MPR	Monetary Policy Rate
MUR	Mauritian Rupee
MWK	Malawian Kwacha
MZN	Mozambican Metical
NAD	Namibian Dollar
NBE	National Bank of Ethiopia
NBR	National Bank of Rwanda
NEER	Nominal Effective Exchange Rate. This is the weighted average rate at which a country's currency exchanges for a basket of currencies, usually trading partner currencies. It is measured in index format.

NGN	Nigerian Naira
Nominal GDP	The monetary value of all finished goods and services produced in a country in a specific period, usually a year/quarter, measured in current prices.
NPL	Non-Performing Loans
Parity	Refers to the par or nominal value of a debt instrument. This is usually the price at which the said instrument is redeemed on maturity.
PCE or HCE	Personal or Household Consumption Expenditure: The monetary value of household purchases of durable goods, non-durable goods, semi durables and services within a given period of time, usually a year/quarter.
PR	Policy Rate
Prime rate	key lending rate
q/q	quarter on quarter, in reference to a rate of change
Q1:24	First quarter of 2024
RBM	Reserve Bank of Malawi
Real GDP	The monetary value of all finished goods and services produced in a country in a specific period, usually a year/quarter, measured in constant prices.
REER	Real Effective Exchange Rate. This is the weighted average rate at which a country's currency exchanges for a basket of currencies - usually trading partner currencies – while taking into account any changes in relative prices between the host country and its trading partners. It is often measured in index format.
RSF	Resilience and Sustainability Facility is an IMF facility. It provides longer-term financing to strengthen economic resilience and sustainability by (i) supporting policy reforms that reduce macro-critical risks associated with climate change and pandemic preparedness, and (ii) augmenting policy space and financial buffers to mitigate the risks arising from such longer-term structural challenges
RWF	Rwandan Frank
SARB	South African Reserve Bank
SDF	Standing Deposit Facility (Mozambique)
SLF	Standing Lending Facility (Mozambique)
T-bill	Treasury bill – A short-dated, government backed security that yields no interest but is issued at a discount over a period of less than one year.
TND	Tunisian Dinar
Treasury bond	A marketable government debt security with a maturity of a year or longer
TZS	Tanzanian Shilling
UGX	Uganda Shilling
USD	US Dollar
VAT	Value Added Tax

Visible trade balance	The value of exports of visible goods less imports.
WAEMU	West African Economic and Monetary Union, also known as Union Economique et Monetaire Ouest Africaine (UEMOA)
XAF	Central African Franc
XOF	West African Franc
y/y	Year on year, in reference to a rate of change
Yield	The return on an investment, usually expressed as a percentage over a period of time, usually a year.
YTD	Year to date
ZAR	South African Rand
ZMW	Zambian Kwacha

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