

## Inflation

Available data show that headline inflation rates remained high in most countries in the region, but slightly eased in January 2017. Specifically, inflation rate increased in Nigeria (18.72 percent), Egypt (28.1 percent), Sudan (32.86 percent), and Congo (33.89 percent) <sup>1</sup>, while it eased in Ghana (13.3 percent), South Africa (6.6 percent), Ethiopia (6.1 percent), Zambia (7 percent). Zimbabwe (-0.65 percent) and Seychelles (-0.65 percent) remained in deflation in the review period. Food component of inflation remained the main driver of inflation in the region. Most CFA countries recorded single digit which may be attributed to currency stability from the peg of the CFA Franc to the Euro. Relative to other regions, inflation rate in East Africa (below 7 percent in Kenya, Tanzania, Uganda, and Ethiopia) remained low but increased in most countries in the region attributable to El-Niño related drought experienced within the same period. Major oil exporters in the region continue to experience high inflationary pressure – above 18 percent in Nigeria, Egypt and Angola. More investment is needed in yield-enhancing practices in the agriculture sector to increase performance and ensure that the growth in the sector keeps up with rising demand.



## Business

Business activities in Africa slightly improved in February 2017 albeit at a slow rate. Sales Managers Index (SMI) for Africa – an assessment of business condition in Pan-African Economy – increased by 0.4 index points from 52.2 points in January 2017 to 52.6 points in February 2017<sup>2</sup>. Sub-Saharan African countries experienced better business activities than North Africa in the review period. The two largest economies in the region, Nigeria (48.5 index points) and South Africa (49.2 Index points) registered contraction in the review period as Nigeria remained in recession while high unemployment remained a problem in South Africa. The growth in SMI recorded in the review period is driven by improvement in business confidence and sales price which outweighed the fall in other components – market growth, sales output and staffing level. Another business performance indicator, the manufacturing Purchasing Managers' Index (PMI) contracted in Nigeria (44.6 index points) and Egypt (46.7 index points) as it remained under 50, while manufacturing PMI in South Africa (52.5 percent) and Kenya (50.1) expanded. This may be attributed to job loss and inflationary pressure as majority of the countries in the region are plagued with double digits inflation rate above their respective Central Banks' bandwidth. In line with efforts aimed at economic recovery, African states need to enhance their institutional and infrastructural capacities to improve the business environment and allow existing businesses to thrive as well as encourage the establishment of new ones.



## Exchange Rate

Available data shows most African currencies appreciated against the dollar in February 2017. The Egyptian Pound appreciated the most by 8.85 percent<sup>3</sup> signifying stability after the currency depreciated by about 50 percent, following the adoption of a flexible exchange rate policy in November 2016 to enable Egypt access IMF \$12 billion bailout fund. Other currencies that strengthened within the review period include: South African Rand (3.01 percent), Namibian Dollar (2.86 percent) and Botswanan Pula (1.29 percent). The Ghanaian Cedi depreciated the most in the review period attributable to increased demand by importers and announcement of spending incurred by the previous administration<sup>4</sup>. Also the Gambian Dalasis (1.37 percent), the Nigerian Naira (0.93 percent) and the Tanzanian Shillings (0.69 percent) depreciated within the review period. Given the recent performance of the Egyptian Pound against the US dollar, Nigerian monetary authority should consider adopting a fully flexible exchange rate policy.



## Stock Market

The All-Share Index of major stock markets across Africa declined in the review period relative to January, 2017. ASI of the Nigerian Stock Exchange (NGSE) declined by 3.61 percent<sup>5</sup> following low investors' confidence over poor quarterly performance report by listed companies<sup>6</sup>. ASI of the Johannesburg Stock Exchange (JSE) also decline by 0.35 percent occasioned by falling prices of resource shares<sup>7</sup> and conclusion into the currency probe involving 17 banks<sup>8</sup>. ASI of Egypt Stock Exchange (EGX-30) declined by 2.2 percent attributable to recommendation by the finance minister to impose stamp duty tax on bourse deals<sup>9</sup>. Other countries that experienced decline in ASI in the review period include; Morocco, Zimbabwe, Tunisia. In contrast, ASI increased in Ghana (4.92 percent) attributable to increased investors' appetite<sup>10</sup>. Mauritius (3.89 percent), Tanzania (2.85 percent), BRVM (1.25 percent), Zambia (1.07 percent) also experienced increase in ASI. For stock markets around the continent to experience relative resilience in stress periods, African economies need to deepen their financial markets, strengthen macroeconomic fundamentals<sup>11</sup>, and implement tighter macro-prudential policies.



Bourse Régionale des Valeurs Mobilières (BRVM) is the regional stock market for 8 member countries. These countries include: Benin, Burkina Faso, Cote d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo.

**Compiled by the Information and Data Management Unit (IDM), CSEA**

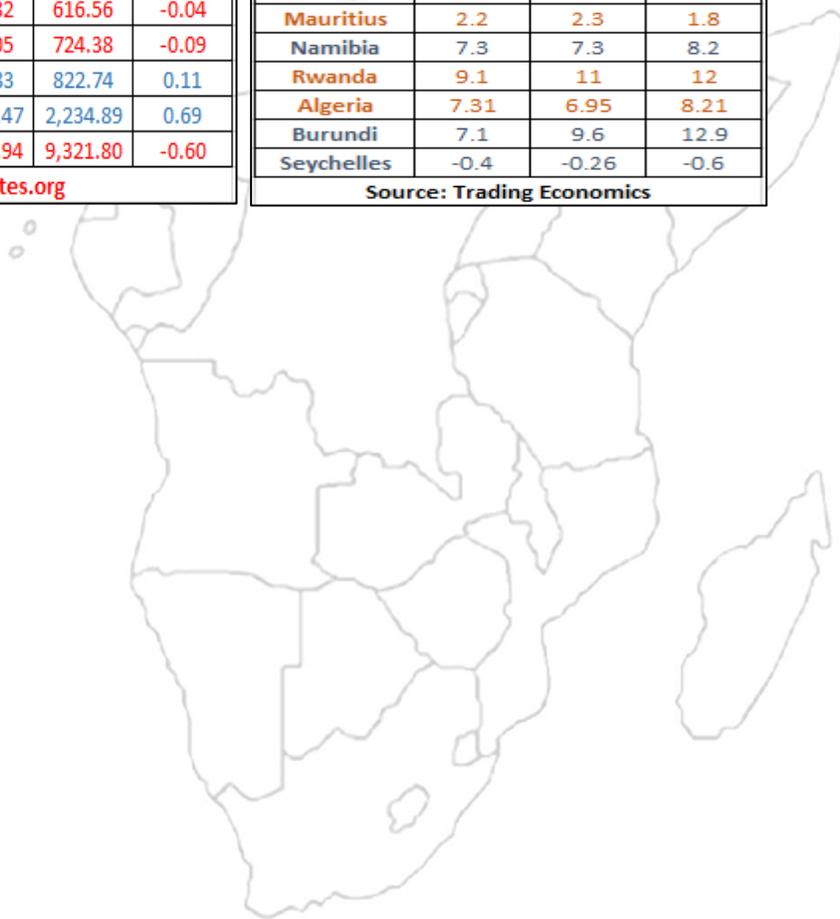
## DATA SUMMARY

Average Monthly Exchange Rate (Currency/1US\$)				
	Dec-16	Jan-17	Feb-17	% Change
Libyan Dinars	1.43	1.41	1.40	-0.78
Tunisian Dinars	2.31	2.30	2.29	-0.69
Ghanaian Cedi	4.25	4.30	4.48	4.17
Moroccan Dirham	10.12	10.07	10.07	-0.04
Botswana Pula	10.72	10.58	10.44	-1.29
South African Rand	13.86	13.58	13.17	-3.01
Namibian Dollar	13.88	13.57	13.18	-2.86
Egyptian Pound	18.45	18.63	16.98	-8.85
Ethiopian Birr	22.41	22.57	22.66	0.36
Gambian Dalasis	42.82	43.87	44.47	1.37
Kenyan Shillings	102.21	103.75	103.63	-0.11
Algerian Dinars	110.83	110.04	109.89	-0.13
Angolan Kwanzas	165.77	165.75	165.76	0.01
Nigerian Naira	315.01	311.07	313.95	0.93
CFA Franc (XAF)	622.54	616.82	616.56	-0.04
Malawi Kwachas	725.89	725.05	724.38	-0.09
Rwanda Franc	815.62	821.83	822.74	0.11
Tanzanian Shillings	2,180.56	2,219.47	2,234.89	0.69
Guinea Francs	9,293.31	9,377.94	9,321.80	-0.60

Source: [Exchange-rates.org](http://Exchange-rates.org)

Inflation Rate (%)			
Countries	Nov-16	Dec-16	Jan-17
Nigeria	18.48	18.55	18.72
Egypt	19.4	23.3	28.1
South Africa	6.6	6.8	6.6
Angola	41.15	41.95	40.39
Sudan	29.49	30.47	32.86
Kenya	6.68	6.35	6.99
Ethiopia	7	6.7	6.1
Tanzania	4.8	5	5.2
Tunisia	4	4.2	4.6
Ghana	15.5	15.4	13.3
Congo	15.27	31.11	33.89
Ivory Coast	0.4	-0.2	1.1
Zambia	8.8	7.5	7
Uganda	4.6	5.7	5.9
Mozambique	26.83	25.27	20.56
Botswana	2.9	3	3.1
Zimbabwe	-1.09	-0.93	-0.65
Senegal	0.2	2.1	1.8
Mauritius	2.2	2.3	1.8
Namibia	7.3	7.3	8.2
Rwanda	9.1	11	12
Algeria	7.31	6.95	8.21
Burundi	7.1	9.6	12.9
Seychelles	-0.4	-0.26	-0.6

Source: [Trading Economics](#)



<sup>1</sup>Trading Economics (2017). “Data on African Countries”. <http://www.tradingeconomics.com/>  
<http://www.worldeconomics.com/SMI/Africa-SalesManagersIndex.efp>

<sup>2</sup>World Economics (2017). “The Sales Managers Index: Africa”. Accessed on February 23, 2017.

<sup>3</sup>Exchange-rates (2017). “World Currency Exchange Rates and Currency Exchange Rate History”. Accessed on March 7, 2017, [www.exchange-rates.com](http://www.exchange-rates.com)

<sup>4</sup>Ghana Web (2017) “Cedi Depreciates at 5.2% So Far”. Accessed on March 7, 2016, <http://www.ghanaweb.com/GhanaHomePage/NewsArchive/Cedi-depreciates-at-5-2-so-far-514357>

<sup>5</sup>African Markets (2017). “AM Weekly Market Commentary- February 3,10,17 and 24, 2017”. Accessed on March 20, 2017. <https://www.african-markets.com/en/stock-markets/commentary>

<sup>6</sup>Trwstockbrokers (2017). “Market Update for week ended Feb 10 and Outlook for Feb 13 2017”. Accessed February 13, 2017. <https://trwstockbrokers.wordpress.com/2017/02/13/marketupdate-for-week-ended-feb-10-and-outlook-for-feb-13-2017/>

<sup>7</sup>Thebe Stockbroking (2017). “Stock Select Monthly for February 2017”. Retrieved March 20, 2017. <http://www.thebestockbroking.co.za/downloads/StockSelectMonthly.pdf>

<sup>8</sup>Bloomberg (2017). “JP Morgan to HSBC Face Fines in S. Africa Rand Rigging Probe”. [www.bloomberg.com/amp/news/articles/2017-02-15/south-africa-to-prosecute-banks-for-collusion-on-forex-trading](http://www.bloomberg.com/amp/news/articles/2017-02-15/south-africa-to-prosecute-banks-for-collusion-on-forex-trading)

<sup>9</sup>African Markets (2017). “AM Weekly Market Commentary- February 24, 2017”. Accessed on March 20, 2017. <https://www.african-markets.com/en/stock-markets/commentary/am-weekly-market-commentary-february-24-2017>

<sup>10</sup>African Markets (2017). “Ghana Stock Exchange: Investors’ appetite for Ghanaian equities rise”. Accessed on March 20, 2017. <https://www.african-markets.com/en/stock-markets/gse/ghana-stock-exchange-investors-appetite-for-ghanaian-equities-rise>

<sup>11</sup>Good macroeconomic fundamentals entail having a lower budget deficit, lower public debt, a higher level of international reserves, and higher economic growth.