

Monetary Policy

Available data show that most Monetary Policy Committees (MPCs) across Africa retained or adopted an expansionary monetary policy rate in meetings held in May. Specifically, interest rates were retained in Nigeria at 14 percent¹, South Africa at 7 percent², Kenya at 10 percent³, Mauritius at 4 percent⁴, Republic of Congo at 14 percent⁵ and Democratic Republic of Congo at 2.95 percent⁵. In contrast, interest rates were lowered to 22.50 percent⁶ and 12.50 percent⁷ in Ghana and Zambia respectively, while Egypt (16.75 percent)⁸ and Tunisia (5.0 percent)⁹ adopted contractionary monetary policy rates in the review period. Synonymous with most countries that maintained interest rates, there was a decline in private sector credit, as well as low/lower inflationary pressure/prospects. The hike in interest rates in Egypt and Tunisia may be attributed to the MPCs efforts to contain inflation and the growing pressure on both prices and external payments. Interest rate was lowered in Ghana and Zambia to help spur growth following weaker domestic growth outcome and economic activities. The decisions of the various MPCs were influenced by improved global growth prospects and increased but volatile commodity prices. Monetary authorities in pursuing their price stability motives should try to mitigate the pass on effect on private sector credit to encourage domestic growth.



Inflation

Available data shows that in April 2017 consumer prices eased in most countries in the Africa. Precisely, headline inflation decreased in Nigeria (17.24 percent), South Africa (5.3 percent), Senegal (2.1 percent), Namibia (6.7 percent) and Rwanda (12.9 percent), while it grew in Ghana (13 percent), Kenya (11.48 percent) and Uganda (6.8 percent). Seychelles (-0.78 percent) remained in deflation while inflation rates in Tanzania (6.4 percent), Zambia (6.7 percent) and Republic of Congo (3.7 percent) remained unchanged within the review period¹⁰. The decrease in core sub-index outweighed the spike in food component of inflation in Nigeria, while all major components of Inflation decreased or remained the same in South Africa and Namibia. Reduced inflation rate in Zambia can be attributed to pass-through from the appreciation of the local currency and reduced fuel price⁷. Food component of inflation remained an issue in East Africa, however the price increase slowed-down in Ethiopia, Kenya and Tanzania relative to previous months in 2017 which maybe attributable to improvements in weather conditions and expectation of lower food price³. In a bid to curb the price increase, the Kenyan government have subsidized maize prices and availed more stocks to millers from the Strategic Food Reserve in May¹¹, as well as waiving the tariff for imported maize in April. African governments should collaborate with development partners to improve agricultural practices on the continent, hence increasing yield and



Stock Market

The All-Share Index (ASI) of major bourses across Africa continued to improve in the review period relative to May, 2017. Specifically, All-Share Index (ASI) increased in Nigeria (9.2 percent), Zimbabwe (6.98 percent), Kenya (4.63 percent), Malawi (4.13 percent), Mauritius (3.26 percent), Morocco (2.61 percent) and South Africa (1.74 percent)¹². In contrast, Bourse Régionale des Valeurs Mobilières (BRVM) (2.40 percent), Tanzania (1.62 percent), Namibia (0.61 percent) and Rwanda (0.22 percent) were the only countries that experienced depreciation in ASI in the review period. ASI of the Nigerian Stock Exchange appreciated the most reflecting improved investors' confidence following increased foreign exchange inflows through the central bank¹. Appreciation in the Malawi ASI can be attributed to increase in both Domestic and Foreign Share Indices, along with a 607.28 percent and 70.42 percent increase in share volume and value respectively¹². The decline in the ASI in the Tanzanian Stock Market may be attributed to investigations into the mining sector over possible alleged undeclared exports by mining companies in order to escape tax¹³. Going forward, African states should implement measures that improve investors' confidence to sustain gains recorded in the review period.



Business

Business activities in Africa decline in May 2016. The Purchasing Managers' Index (PMI) – an assessment of business conditions in the manufacturing sector – declined in most African countries with available data. Nigeria and South Africa – which account for 35 percent of the continental business activity – were the only countries that registered improvement in the review period. Specifically, Nigerian Manufacturing and Non-Manufacturing PMI improved to 52.5 index points and 52.7 index points respectively¹⁴. South African PMI rose to 51.5 index points in May from 44.7 index points in April¹⁵. Despite recording a decline in PMI, Uganda (51 index points)¹⁶ remained above the 50 index-point threshold. In contrast, business conditions in Kenya (49.4 index points)¹⁷ and Egypt's non-private sector (47.3 index points)¹⁸ decreased and remained below the threshold in the review period. Growth in South Africa's PMI is driven by improvements in Business Activity, New Sales Orders, Purchasing Price and Commitment Indices that outweighed the sharp decline in the Employment Index¹⁵. The increase in foreign exchange liquidity is partly responsible for the improved business confidence in Nigeria¹⁹. The decline in Uganda's business activities is attributable to weak exports resulting from regional trade disruptions following conflicts in neighboring countries²⁰. The deteriorating condition in Kenyan business activity continues to be associated with financial constraints and weaker consumer demand due to the upcoming August elections¹⁷. Addressing the declining private sector credit in the region could be key in reviving business activity in the region. Also, growth enhancing measures that improve aggregate demand could improve business activity.



DATA SUMMARY

Selected Market	Index Name	Average ASI		% Change
		Apr-17	May-17	
Bostwana	BSE DCI	9,291.42	9,360.24	0.74
BRVM	BRVM-CI	275.43	268.83	-2.40
Egypt	EGX 30	12,874.37	12,915.93	0.32
Ghana	GSE-CI	1,890.58	1,906.00	0.82
Kenya	NSE ASI	133.70	139.89	4.63
Mauritius	SEMDEX	1,990.17	2,055.14	3.26
Morocco	MASI	11,394.65	11,691.91	2.61
Malawi	MSE ASI	14,904.65	15,519.67	4.13
Namibia	NSX OI	1,061.89	1,055.38	-0.61
Nigeria	NGSE ASI	25,551.10	27,901.50	9.20
Rwanda	RSE ASI	127.70	127.42	-0.22
South Africa	JSE ASI	53,093.87	54,016.45	1.74
Tanzania	DSE ASI	2,303.33	2,265.94	-1.62
Tunisia	TUNINDEX	5,627.82	5,725.60	1.74
Uganda	USE ASI	1,561.54	1,604.73	2.77
Zambia	LuSE ASI	4,520.24	4,685.14	3.65
Zimbabwe	ZSE Ind.	141.55	151.42	6.98

Source: African-markets.com

Inflation Rate (%)				
Countries	Jan-17	Feb-17	Mar-17	Apr-17
Nigeria	18.72	17.78	17.26	17.24
Egypt	28.1	30.2	30.9	31.5
South Africa	6.6	6.3	6.1	5.3
Angola	39.66	38.32	36.52	34.8
Malawi	18.2	16.1	15.8	14.6
Kenya	6.99	9.04	10.28	11.48
Ethiopia	6.1	7	8.5	8.6
Tanzania	5.2	5.5	6.4	6.4
Tunisia	4.6	4.6	4.8	5
Ghana	13.3	13.2	12.8	13
Ivory Coast	1.1	1.5	0.4	0.1
Zambia	7	6.8	6.7	6.7
Uganda	5.9	6.7	6.4	6.8
Mozambique	20.56	20.88	21.57	21.27
Botswana	3.1	3.4	3.5	3.4
Zimbabwe	-0.65	0.06	0.21	0.48
Senegal	1.8	2	2.4	2.1
Mauritius	1.8	1.3	1.3	2.9
Namibia	8.2	7.8	7	6.7
Rwanda	12	13.4	13	12.9
Seychelles	-0.6	-0.6	-1.2	-0.78
Republic of Congo	6.3	4.2	3.7	3.7

Source: Trading Economics & IMF WEO, April 2017

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

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²South African Reserve Bank (2017). "Statement of the Monetary Policy Committee". Retrieved from, <https://www.resbank.co.za/Lists/News%20and%20Publications/Attachments/7812/Statement%20of%20the%20Monetary%20Policy%20Committee%20-%202015%20May%202017.pdf>

³Central Bank of Kenya (2017). "Press Release: Monetary Policy Committee Meeting" Retrieved from, https://www.centralbank.go.ke/uploads/mpc_press_release/1017399013_MPC%20Press%20Release%20-%20Meeting%20of%20May%2029%202017.pdf

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⁶Bank of Ghana (2017). "Bank of Ghana Monetary Policy Committee Press Release". Retrieved from, https://www.bog.gov.gh/privatecontent/MPC_Press_Releases/MPC%20Press%20Release%20-%20May%202017.pdf

⁷Bank of Zambia (2017). "Bank of Zambia Monetary Policy Committee Statement". Retrieved from, http://www.boz.zm/GovernorsMonetaryPolicyStatementMay_17_2017.pdf

⁸Central Bank of Egypt (2017). Press Release May 21, 2017. Retrieved from, <http://www.cbe.org.eg/Highlights%20Documents/MPC%20Press%20Release%2021%20May%202017.pdf>

⁹Central Bank of Tunisia (2017). "Press release of the BCT Executive Board meeting held on 23 May 2017". Accessed on May 30, 2017. <https://www.bct.gov.tn/bct/siteprod/actualites.jsp?id=361&la=AN>

¹⁰Trading Economics (2017). "Inflation Rate | Africa". Accessed on May 30, 2017. <https://tradingeconomics.com/country-list/inflation-rate?continent=africa>

¹¹Republic of Kenya: Ministry of Agriculture, Livestock and Fisheries (2017). "Government lowers maize flour by subsidizing maize prices". <http://www.kilimo.go.ke/index.php/2017/05/18/government-lowers-maize-flour-by-subsidizing-maize-prices/>

¹²African Markets (2017). "AM Weekly Market Commentary- May 5,12,19 and 22, 2017". Accessed on May 30, 2017. <https://www.african-markets.com/en/stock-markets/commentary>

¹²Malawi Stock Exchange (2017). "Monthly Market Report May 2017". Retrieved from, <http://mse.co.mw/index.php?route=market/download/report&rid=2823>

¹³All Africa (2017). "Tanzania: Dar es Salaam Stock Exchange Index On Steep Fall" Accessed June 5, 2017. <http://allafrica.com/stories/201705020345.html>

¹⁴Central Bank of Nigeria (2017). "Purchasing Managers' Index: May 2017 Report". Retrieved from, https://www.cbn.gov.ng/Out/2017/SD/PMI_Report_May%202017.pdf

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