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External Financial Flows

External Financial Flows in Africa—a highlight of Investment, remittances and official development assistance—reduced to $177.7 billion in 2016 from $182.8 billion in 2015[1]. Precisely, Foreign Direct Investment (FDI) in Africa increased to $56.5 billion 2016 from $51.3 billion in 2015. Portfolio Investment decreased to $6.5 billion in 2016 from $15.7 billion in 2015, while remittances and official development assistance decreased to $64.6 billion from $64.8 billion and to $50.2 billion from $51 billion respectively in the period under review. The decrease in External Financial Flows was driven by the decrease in Portfolio Investment, Remittances and official development assistance which offset the increase in FDI. The Portfolio Investment recorded is the lowest since 2008, as investors responded to global shocks by buying fewer developing countries assets. Conversely, the increase in FDI may be attributable to African countries adjusting to commodity price shocks by diversifying from volatile mineral resources to consumer goods and services. Total Foreign Inflow is expected to increase to $179.7 billion in 2017, with FDI and Remittances accounting for most of this increase. FDI and Remittances are projected to grow by the end of 2017 to $57.5 billion and $66.2 billion respectively, while the forecast for portfolio investment has been lowered to $5.2 billion within the same period. African economies need to enhance efforts towards economic diversification to sustain FDI growth.

Inflation

Available data shows that headline inflation reduced in most countries in the region in May 2017 relative to preceding months[2]. Notably, headline inflation decreased in Nigeria (16.25 percent), Ghana (12.26 percent), Tanzania (6.1 percent), Senegal (1.8 percent), Namibia (6.3 percent) and Rwanda (11.7 percent), while it grew in South Africa (5.4 percent), Kenya (11.7 percent), Ethiopia (8.7 percent) and Uganda (7.2 percent). Cote d'Ivoire (-0.4 percent) recorded consumer price deflation. The decrease in consumer price in Nigeria[3], Tanzania[4] and Ghana[5] can be attributed to decreases in both food and non-food components of inflation. Regionally, all countries in Southern Africa recorded single digits inflation, however consumer price marginally increased in South Africa, for the first time in 2017 owing to spike in food prices[6], and Botswana (both by 0.1 percent). In East Africa, price increase is slower compared to early 2017 when consumer prices began to pick up pace. High food prices remained the main driver of inflation increase in Kenya and Ethiopia as both countries recover from drought. Major West African countries (Nigeria, Ghana and Cote d'Ivoire) experienced price decrease. Inflation rate in Cote d'Ivoire in 2017 has been low (below 1.6 percent) till it recorded deflation in May. Deflation in Cote d'Ivoire is as a result of decrease in food, transport, housing and utilities prices[7]. The tight monetary policy adopted by most Central Banks on the continent seems to be recording gains on driving inflation to independent country targets, albeit at a slow rate. Hence, monetary policy should be coupled with infrastructural improvements that enhance the tradability of goods and services and thereby decrease food and transport prices.

Stock Market

The All-Share Index (ASI) of major bourses across Africa continued to improve in June 2017 relative to May, 2017. Specifically, All-Share Index (ASI) increased in Zimbabwe (21 percent), Nigeria (16.38 percent), Kenya (8.68 percent), Egypt (4.45 percent), Uganda (4.44 percent), Malawi (4.13 percent), Tunisia (2.61 percent), Mauritius (2.15 percent), Ghana (1.66 percent), and Morocco (1.1 percent). In contrast, Tanzania (4.36 percent), Namibia (3.74 percent), South Africa (3.63 percent), Bourse Régionale des Valeurs Mobilières (BRVM) (3.03 percent), Tanzania (1.62 percent) and Rwanda (1.34 percent) were the only countries that experienced depreciation in ASI in the review period[8]. Zimbabwe ASI appreciated the most courtesy of a massive increase in the mining index[9]. Appreciation in Nigerian ASI may have been boosted by improvements in the banking and cement sectors, as well as growing optimism of an exit from recession[10]. Malawi ASI appreciated on the back of increased Domestic Share Index and a steady Foreign Share Index[11]. Similarly, Uganda Stock Exchange may have experienced appreciation in ASI due to its monetary authority's decision to cut interest rate to spur investments[12]. In contrast, the decline in the ASI in the Johannesburg Stock Market may be attributed to poor domestic performance following a technical recession, increased unemployment rate and various credit rating downgrades[13]. Going forward, improvements in the economic environment in addition to enabling conditions that increase investor confidence will enhance trading activities on African markets.

Business

Business conditions in Africa continued to decline in June 2017. The Purchasing Managers' Index (PMI) – an assessment of business conditions in the manufacturing sector – declined in most African countries with available data. Nigeria and Uganda were the only countries that recorded improvements and remained above the 50 index-point threshold in the review period. Zambia PMI remained unchanged at 51.5 index points. Specifically, Nigerian Manufacturing and Non-Manufacturing PMI improved to 52.9 index points and 54.2 index points respectively[14]. Uganda PMI rose to 52.8 index points in June from 51.0 index points in May.[15] In contrast, business conditions in South Africa (46.7 index points),[16] Kenya (47.3 index points)[17] and Egypt's non-private sector (47.2 index points)[18] decreased and remained below the threshold in the review period. The decrease in South Africa PMI is driven by domestic uncertainties following reduced domestic growth and business confidence. In addition, the possible strike in the steel and engineering sub-sectors of the manufacturing sector may have exacerbated the decline. The marginal contraction in Egypt's PMI was mainly driven by falls in output and new orders sub-indices. Similarly, the deteriorating business conditions in Kenya is attributable to political uncertainty and reduced access to private sector credit that have led to subdued domestic demand. In contrast, the improvements recorded in Nigeria continue to be linked with increased FOREX supply and optimism in economic growth rebound. The increase in Uganda's PMI is attributable to improvements in service and industry sectors which offsets the decline in other sectors. African economies need to create enabling environments for businesses to thrive by improving access to credit and inputs in the productions process.

DATA SUMMARY

Selected Market	Index Name	Average ASI May-17	Average ASI Jun-17	% Change
Bostwana	BSE DCI	9,360.24	9,282.54	-0.83
BRVM	BRVM-CI	268.83	260.67	-3.03
Egypt	EGX 30	12,915.93	13,490.98	4.45
Ghana	GSE-CI	1,906.00	1,937.56	1.66
Kenya	NSE ASI	139.89	152.03	8.68
Mauritius	SEMDEX	2,055.14	2,099.42	2.15
Morocco	MASI	11,691.91	11,820.40	1.10
Malawi	MSE ASI	15,519.67	15,671.93	0.98
Namibia	NSX OI	1,055.38	1,015.95	-3.74
Nigeria	NGSE ASI	27,901.50	32,471.98	16.38
Rwanda	RSE ASI	127.42	125.71	-1.34
South Africa	JSE ASI	54,016.45	52,055.29	-3.63
Tanzania	DSE ASI	2,265.94	2,167.18	-4.36
Tunisia	TUNINDEX	5,725.60	5,874.88	2.61
Uganda	USE ASI	1,604.73	1,675.96	4.44
Zambia	LuSE ASI	4,685.14	4,696.27	0.24
Zimbabwe	ZSE Ind.	151.42	183.22	21.00
Source: African-markets.com				

Inflation Rate (%)				
Countries	Feb-17	Mar-17	Apr-17	May-17
Nigeria	17.78	17.26	17.24	16.25
Egypt	30.2	30.9	31.5	29.7
South Africa	6.3	6.1	5.3	5.4
Angola	38.32	36.52	34.8	32.58
Malawi	16.1	15.8	14.6	12.3
Kenya	9.04	10.28	11.48	11.7
Ethopia	7	8.5	8.6	8.7
Tanzania	5.5	6.4	6.4	6.1
Tunisia	4.6	4.8	5	4.8
Ghana	13.2	12.8	13	12.6
Ivory Coast	1.5	0.4	0.1	-0.4
Zambia	6.8	6.7	6.7	6.5
Uganda	6.7	6.4	6.8	7.2
Mozambique	20.88	21.57	21.27	20.24
Botswana	3.4	3.5	3.4	3.5
Zimbabwe	0.06	0.21	0.48	0.75
Senegal	2	2.4	2.1	1.8
Mauritius	1.3	1.3	2.9	5.9
Namibia	7.8	7	6.7	6.3
Rwanda	13.4	13	12.9	11.7
Seychelles	-0.6	-1.2	-0.78	3.18
Source: Trading Economics				

ENDNOTES

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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