

Economic Outlook – East Africa

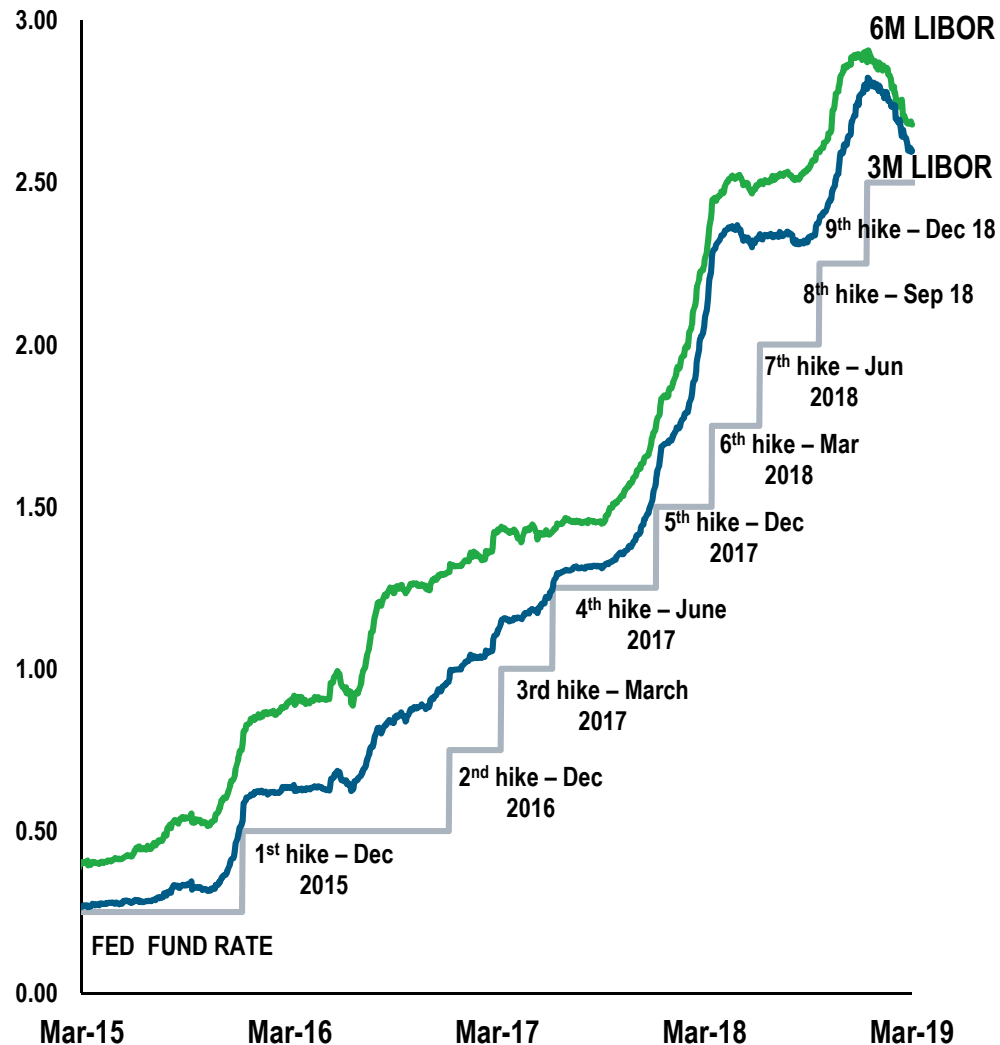
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March 2019

Global markets

Global outlook – Navigating uncertainty

3M and 6M US LIBOR vs Fed fund rate, %



*US - China
trade
negotiations*

*A more
patient FED*

*Brexit concerns
GBP-USD impact*

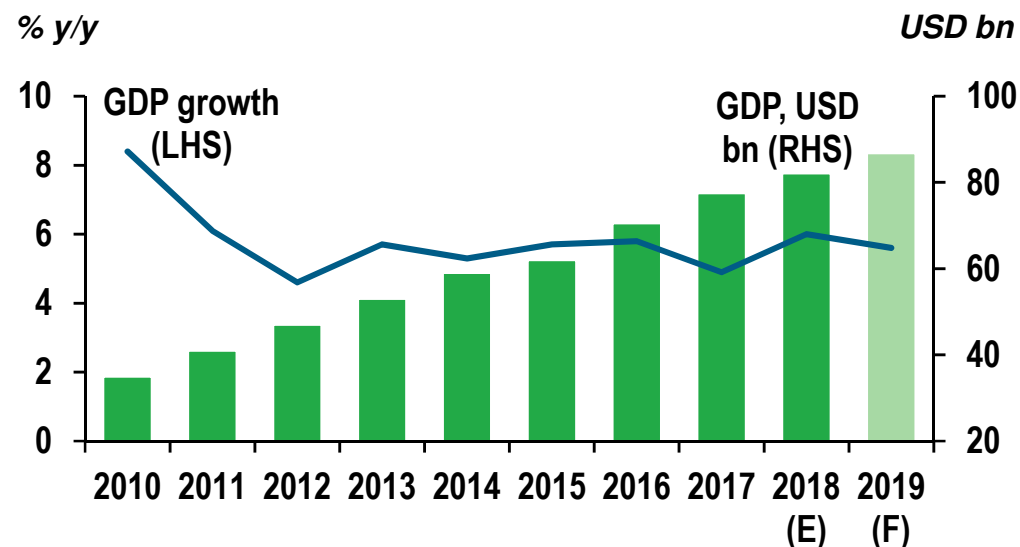
*ECB
Is it the end
of QE?*



Kenya

Kenya – 2019 Growth to be more private-sector dependent

Kenya's economic growth

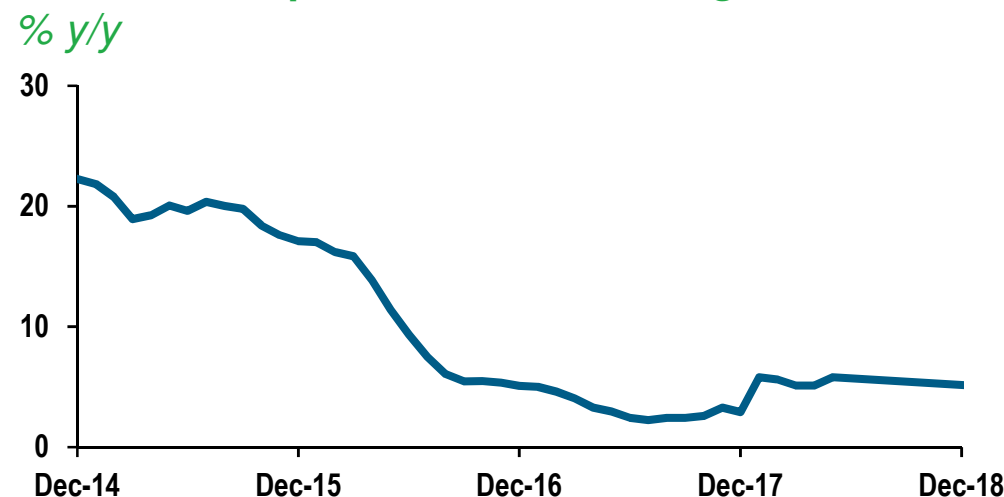


- Growth to soften to just under 6% in 2019
- Fiscal consolidation curb development expenditure
- Priority to projects aligned to Big Four Agenda
- Private-sector credit growth & corporate performance slow

Kenya macroeconomic forecasts

	2018	2019	2020
GDP growth (real % y/y)	6.0	5.6	5.8
CPI (% annual average)	4.7	4.9	6.3
Policy rate (%)	9.00	9.50	9.00
Current account balance (% GDP)	-5.2	-5.5	-5.6
Fiscal balance (% GDP)	-7.2	-6.3	-5.9

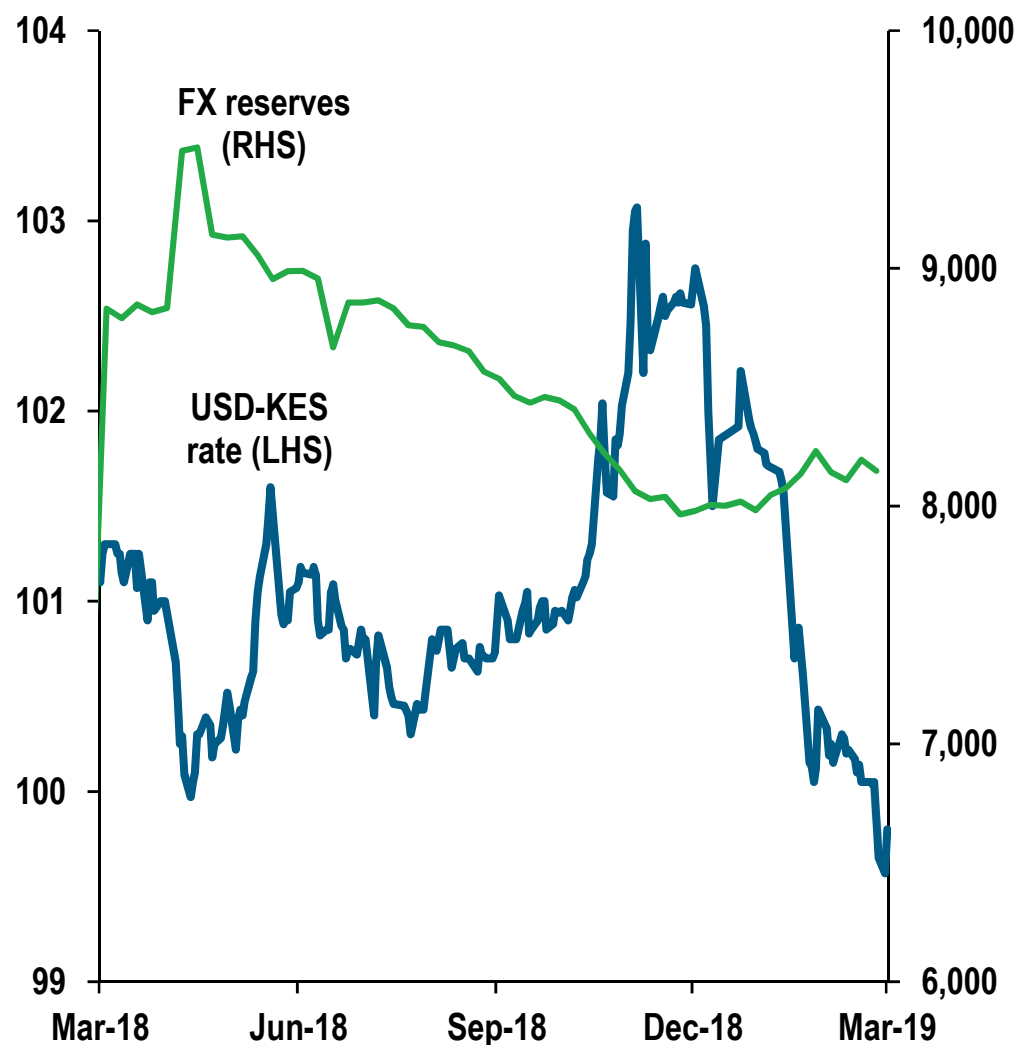
Slowdown in private-sector credit growth



KES continues to outperform

USD-KES versus FX reserves

USD-KES (LHS); FX reserves, USD mn (RHS)



Seasonal factors

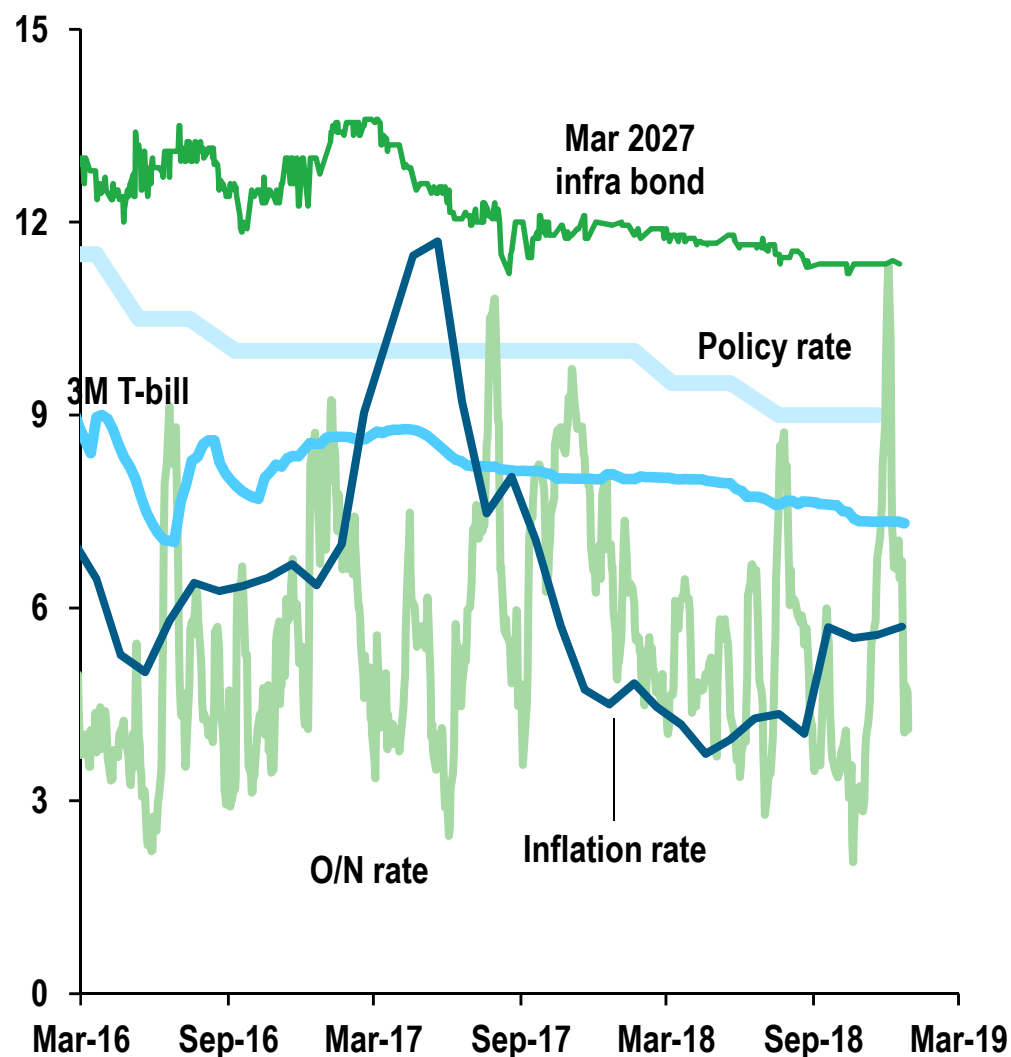
Diaspora remittances

Supportive oil prices

Slow private-sector credit growth

Rate cap complicates monetary policy transmission

Rates and inflation (%)



Inflation to remain contained

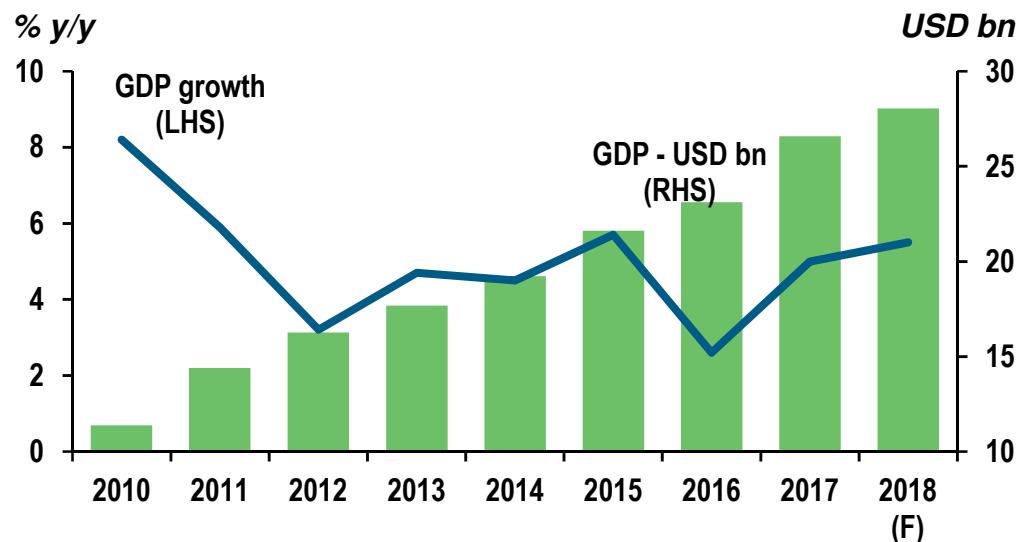
Monetary policy expectations

Disorderly move in rates unlikely

Uganda

Uganda – Robust growth (with or without oil)

Uganda's economic growth

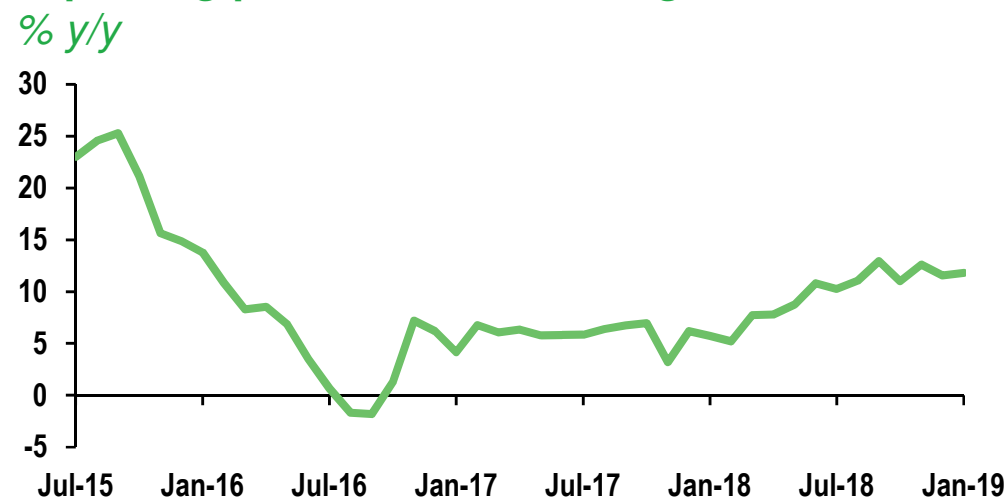


- Infrastructure spending to support growth
- Favorable agriculture outlook to boost growth
- Growth to accelerate with oil production (first oil – 2021)
- Bank of Uganda (BoU) easing underscores improvement in private-sector credit growth

Uganda macroeconomic forecasts

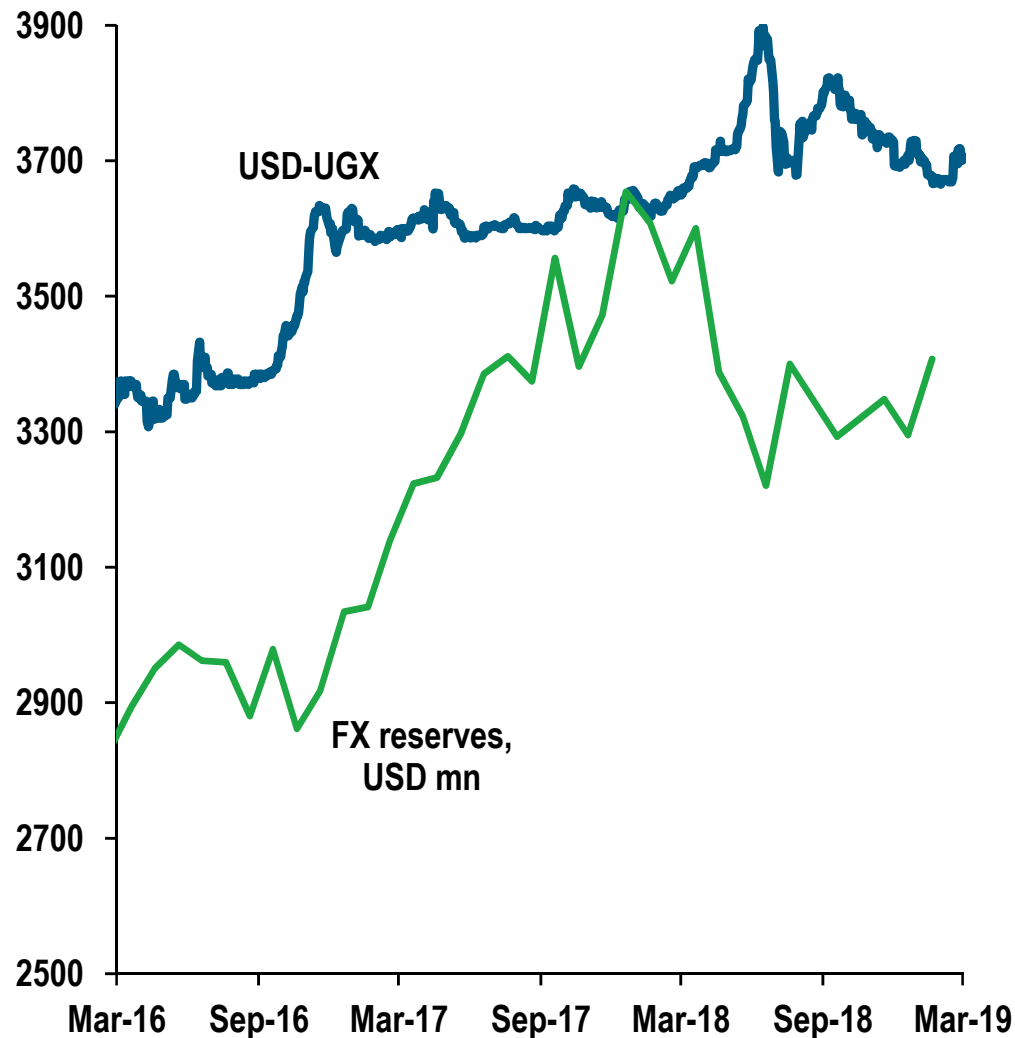
	2018	2019	2020
GDP growth (real % y/y)	6.0	5.8	6.2
CPI (% annual average)	2.7	4.8	6.7
Policy rate (%)	10.00	12.00	13.50
Current account balance (% GDP)	-6.1	-8.0	8.8
Fiscal balance (% GDP)	-4.7	-6.6	6.1

Improving private-sector credit growth



USD strength pressures the UGX

USD-UGX versus FX reserves



UGX vulnerable to USD strength

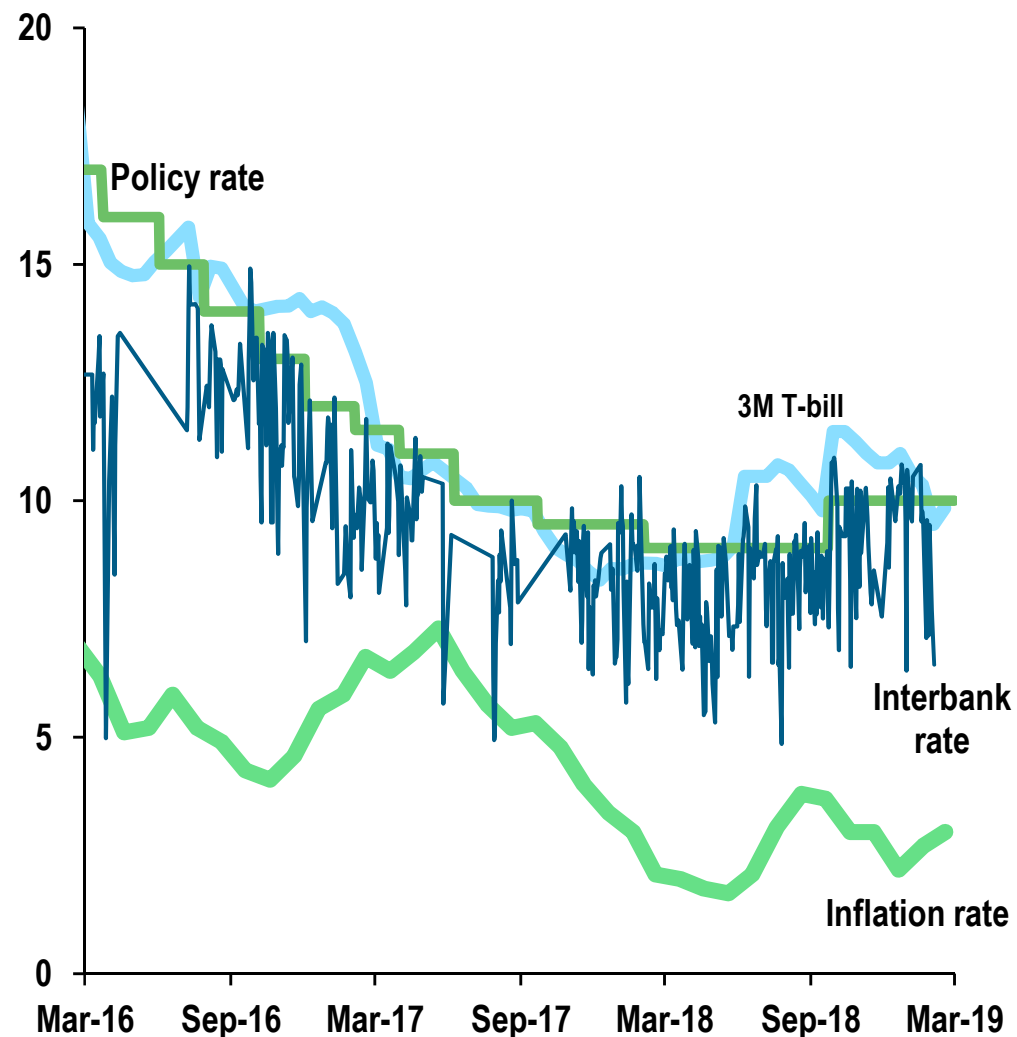
Upside risks to USD-UGX rate

*BoU
USD purchases to continue*

Uganda – Liquidity supports local demand and rates

Rates and inflation

%



Liquidity continues to build up

Authorities have met their borrowing target

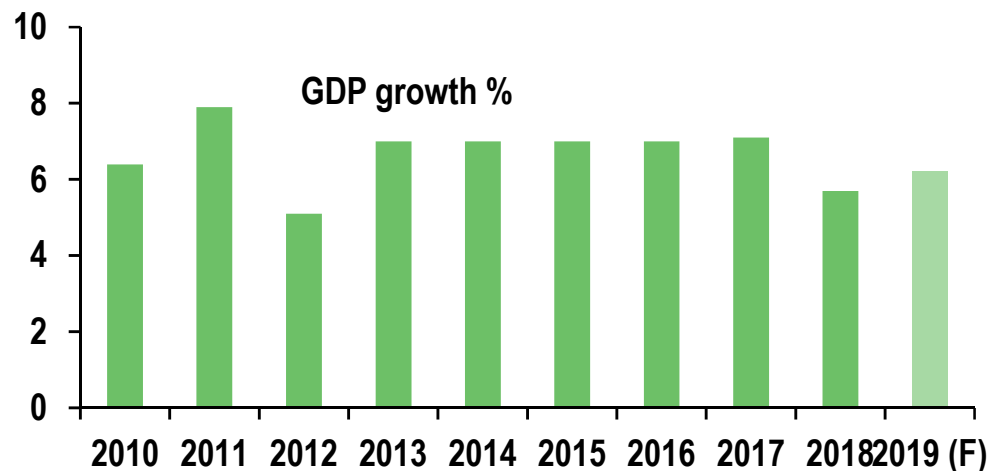
Further policy rate hikes possible

Tanzania

Tanzania – Rising risks in 2019

Tanzania's economic growth

% y/y



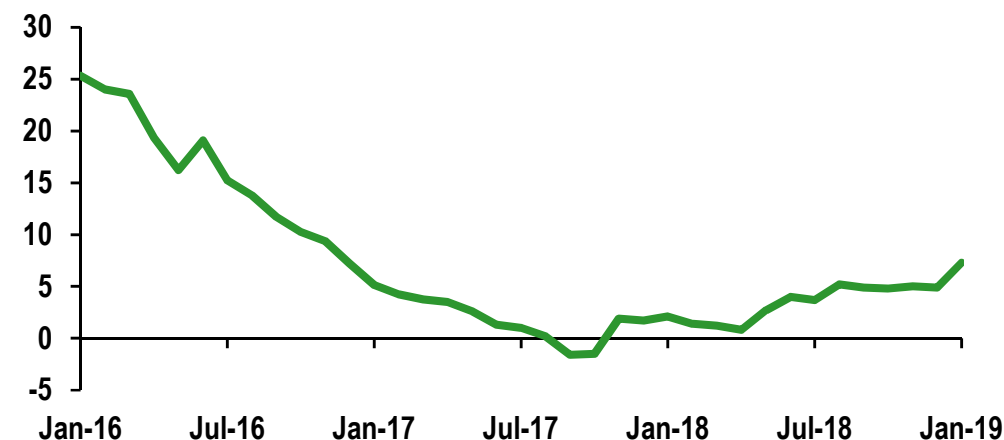
- Data holding up for now despite slowdown in private-sector investment
- Stronger public spending to support growth
- Declining donor funding and foreign investor appetite are key risks for 2019.

Tanzania macroeconomic forecasts

	2018	2019	2020
GDP growth (real % y/y)	5.7	6.2	6.5
CPI (% annual average)	3.6	4.4	6.1
3M T-bill (%)	4.00	5.00	7.00
Current account balance (% GDP)	-6.0	-5.6	5.5
Fiscal balance (% GDP)	-2.1	-2.9	2.5

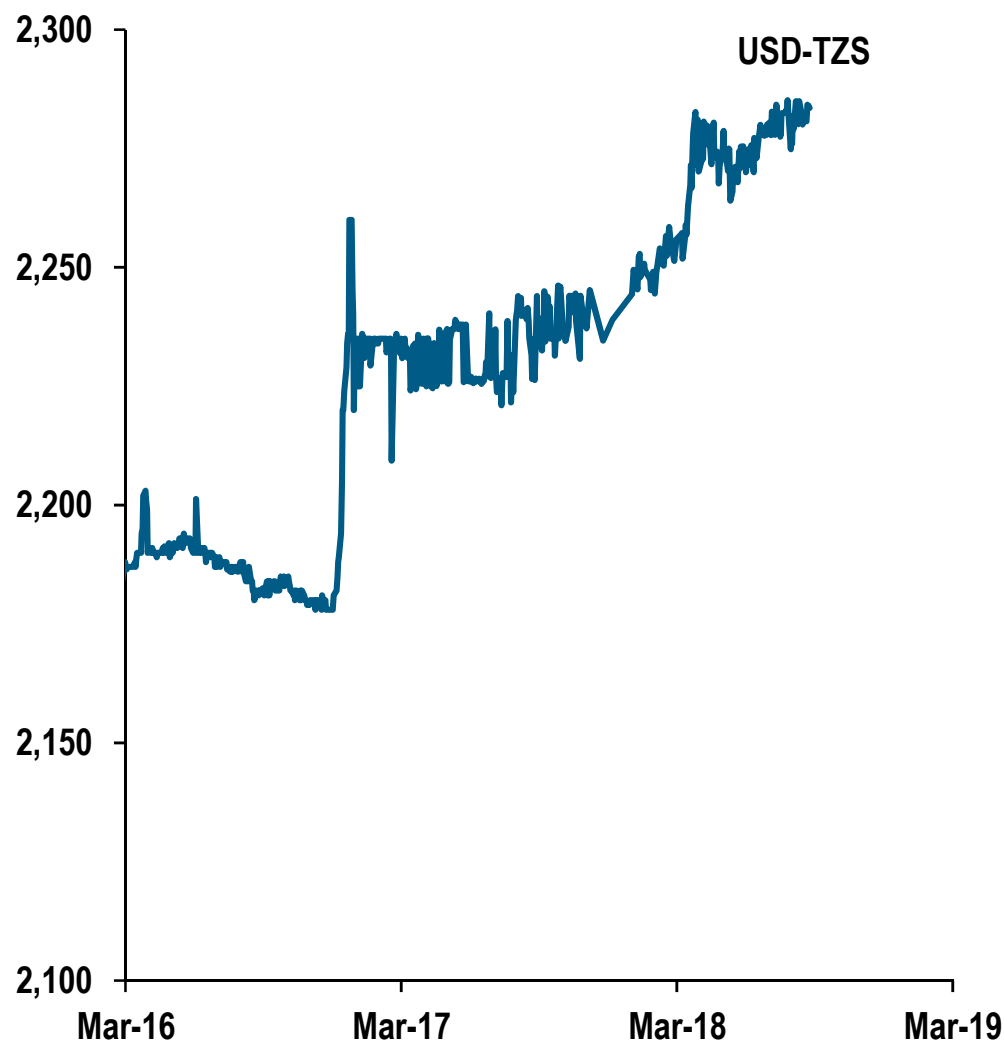
Marginal pick-up in private-sector credit growth

% y/y



Regulatory focus caps USD-TZS upside

USD-TZS



Seasonal factors to blame

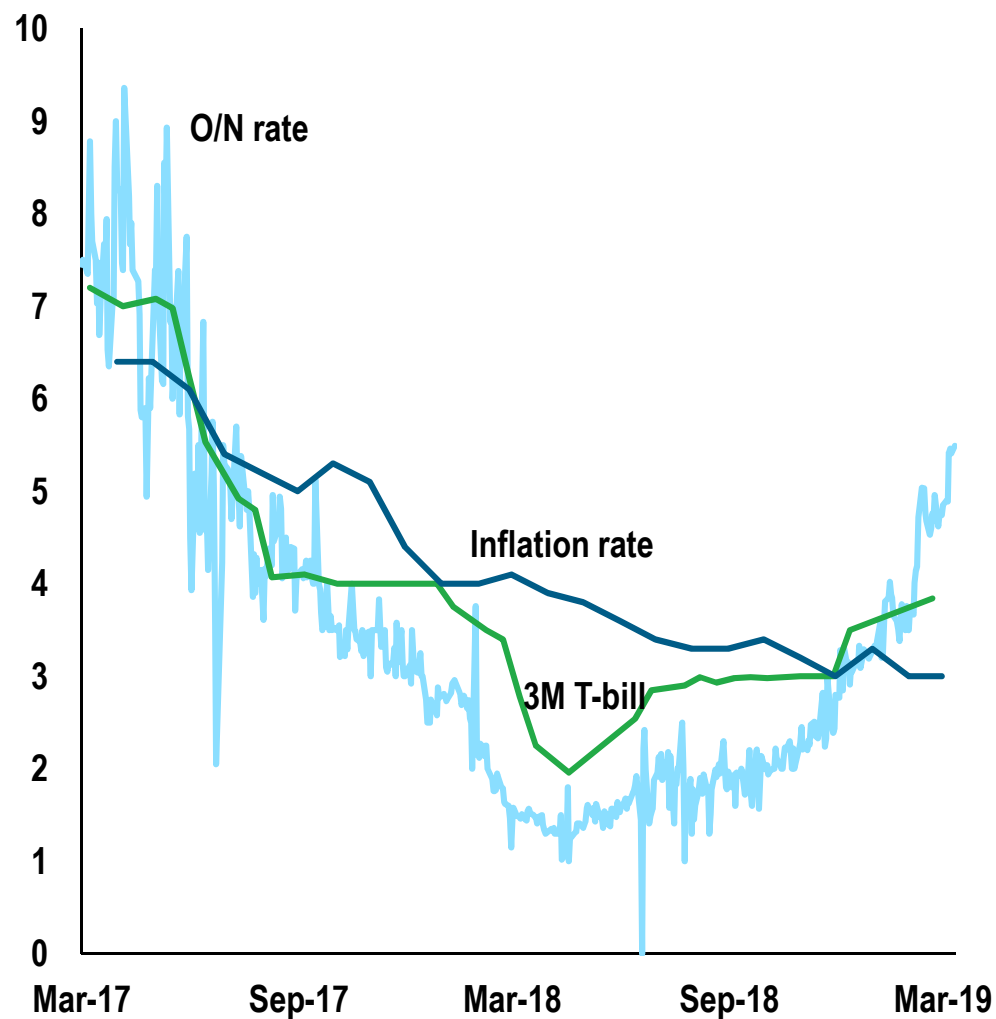
Possible widening of C/A deficit

Parallel FX market persists

Likely upward correction in yields

Rates and Inflation

%



*Inflation rate
to remain low*

*Short-dated
rates remain
depressed*

*Higher bond
yields*

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