

Botswana Market Watch

12 February 2021

GMT		International and Local Data	Period	Exp	Previous
	BO	Nothing on the cards			
07:00	GB	GDP y/y	4Q P	-8.20%	-8.60%
07:00	GB	Industrial production y/y	Dec	-3.80%	-4.70%
07:00	GB	Manufacturing production y/y	Dec	-3.40%	-3.80%
07:00	GB	Visible trade balance (GBP)	Dec	-15250mn	-16012mn
07:00	GB	Total trade balance (GBP)	Dec	-5500mn	-4995mn
15:00	US	Michigan consumer confidence	Feb P	80.80	79

Africa	What happened?	Relevance	Importance	Analysis
Africa investment	A UK development finance institution, CDC Group, is planning to invest about \$1bn into Africa this year in infrastructure and finance. The group is targeting markets including Ethiopia, Kenya, Egypt and Nigeria	In the midst of the pandemic, which has weighed heavily on government funds for infrastructure projects, any investment should be seen in a positive light by investors	3/5 (economy)	The UN Conference on Trade and Development reported that the continent is expected to have suffered a 25% to 40% decline in foreign direct investment last year as a result of the COVID-19 pandemic. As such, the UK investment into Africa at the start of the new year is encouraging
SSA debt	Fitch said in a report that the coronavirus pandemic has driven interest-to-revenue ratios among sovereigns in Sub-Saharan Africa close to levels seen before debt relief was extended in the 2000s	As the second wave of the pandemic emerges, fiscally constrained sovereigns have less room to provide stimulus than other economies	4/5 (Fiscal)	Fitch said that the fiscal constraints would weigh on the region's economic recovery as governments are unable to offer additional support to cushion the economic blow of the second wave of the coronavirus
AfCFTA	Members of the African Continental Free Trade Area (AfCFTA) should complete their tariff reduction schedules and finalise essential rules of origin by July according to a senior official. Recall that the new trade agreement came into effect on January 1	Members must phase out 90% of tariff lines over the next 5-10 years while the 7% that is considered sensitive will be granted more time and 3% will be allowed to be placed on an exclusion list	3/5 (economy)	Silver Ojokol, chief of staff at the AfCFTA Secretariat, announced that nearly 90% of the rules of origin have now been agreed and the remaining 10% which involves key issues such as infrastructure interconnectivity will have until July. While the AfCFTA is seen boosting trade and growth, there are still major challenges to be overcome

Global	What happened?	Relevance	Importance	Analysis
Italian politics	Members of Italy's 5-Star movement voted to support PM designate Draghi in a move that will allow him to build a government of national unity	Today he will present his list of ministers to President Mattarella to allow him to form a new government	5/5 (politics)	It is unclear what path of renewal Draghi will take his government on given that he reportedly opposed implementing fiscal austerity, despite the colossal and unsustainable debt pile Italy faces
US-China relations	President Biden and President Xi Jinping held their first phone call yesterday and it appears as though Biden and Xi Jinping were at odds on most issues	Although less confrontational, it is unlikely relations will improve much under Biden	4/5 (politics)	Biden has listed China as America's biggest competitor and vowed to improve US infrastructure in order to become more efficient and competitive on the global stage
Brexit	Britain and the EU stressed their commitment to resolving a post-Brexit trade frictions concerning the Northern Ireland border, in the wake of the vaccine row	Significant disruptions to trade between N Ireland and the UK should start to ease	4/5 (economy, geopolitics)	N Ireland remains in the EU by virtue of its open land border with Ireland, implying that a customs border will then materialise in the Irish Sea, and that is a hurdle that needs to be tackled

Local FX Opening Rates and Comment

CUSTOMER	CUSTOMER		CUSTOMER		CUSTOMER						
	BUY	SELL	BUY	SELL	Benchmark Yield Curve		Forward Foreign Exchange				
	CASH	CASH	TT	TT							
BWPZAR	1.2930	1.4100	1.3179	1.3965	6m	1.1260		BWPUSD	BWPZAR		
BWPUSD	0.0884	0.0963	0.0901	0.0954	3y	3.8750		1m	-1.7453	0.0000	
GBPGBP	15.5763	14.2994	15.2393	14.5973	5y	5.1250		3m	-5.9621	0.0000	
BWPEUR	0.0730	0.0795	0.0747	0.0779	22y	6.2650		6m	-13.6744	0.0000	
JPYBWP			9.4811	9.8698				12m	-31.0830	0.0000	
USDZAR	14.0392	15.2276	14.3683	14.8981							
EURUSD	1.1636	1.2610	1.1909	1.2337							
GBPUSD	1.3239	1.4347	1.3550	1.4036							
					Equities		Economic Indicators				
					BSE Domestic Index	6860.02	GDP	-6.0	Bank Rate	3.75	
					BSE Foreign Index	1548.3	CPI	2.2			

- The government will be keeping a close eye on the COVID-19 pandemic and its spread given that vaccines are only likely to make local landfall towards the end of March. Francistown is in the spotlight currently as cases are starting to ramp up rapidly. Some 105 cases were recorded on Tuesday alone, and 227 people are currently in the Ntsho Clinic and Matsiloje isolation centres. A further 147 people are self-isolating at home.
- BOPA reporting - *President Dr Mokgweetsi Masisi says the Mining Indaba initiative is of paramount importance to Botswana. Addressing a virtual meeting of the 2021 indaba recently, Dr Masisi said the initiative had created critical networks among the world's mining community necessary for productivity and performance enhancement as well as cementing the country's footprints in the mining industry. He said this year's conference was significant as it was held during the COVID-19 pandemic which had greatly devastated the world economy with mining industry as one of the key economic sectors severely affected.*
- We have commented in several notes that the diversification strategy both in mining and in the broader economy will pay dividends in the years to come. Regionally Botswana presents a strong case for investors and this is likely to gain momentum following a number of endeavours by government to designed to support the investment community.
- Internationally its hard to ignore the goings on in the United States. The Democrats put forward their case at the impeachment trial and it is very clear that the most pressing objective is to prevent Trump from running in the next elections. They pressed their point that Trump incited the insurrection and should be held accountable. The majority of Republicans will not however vote in favour of conviction and will soon hear from the Republicans that will no doubt continue questioning its constitutionality but will also highlight the double standards applied by the Democrats. The concern is that US politics was already well divided before this, and will be even more divided after this.
- So divided are US politics currently, that a splinter group within the Republican party is considering forming a third party. Whether this ever gains enough support from a nation that has always been split across two main parties is questionable, but it does highlight just how fractious US politics have become. The current impeachment trial is making matters worse not better and while the Democrats might feel like a more cohesive party for now, a rejuvenated form of the Republican party that comes out of this might be an even larger threat in the next elections come 2024.
- Richmond Fed president Barkin has reiterated his view that the US economy is set to recover through 2021 regardless of whether herd-immunity has been reached or not. As more people are vaccinated and gain the confidence to normalise their consumptive habits, that normalisation will be reflected in an improved economic performance. On that point, President Biden has warned that not enough vaccines will be available to vaccinate everyone by the summer, but that a further 200mn doses have been ordered.
- The BWP-USD has closed below the 0.0920 mark yesterday and we may experience some pressure at the open today given that the USD is broadly in the green. The longer term outlook is still USD negative and this will undoubtedly impact higher beta currencies of which the BWP is one.

ZAR and Associated Comments

- Last night, President Cyril Ramaphosa delivered an account of his government's performance over the last year at the annual State of the Nation Address (SONA). Consistent with the theme of SONAs in years gone by, the president also went on to promise South Africans a plethora of ambitious reforms, most of which need solid implementation to materialise. As such, the ZAR was unmoved by the president's speech, with the market remaining sceptical of government's ability to deliver on its promises. And it's no wonder considering that many of the promises made last night were repeats from last year's SONA.
- Naturally, the president focussed on COVID-19, which he maintained was the biggest challenge the country faces at present. Unfortunately, he had very little new information to offer on how SA's vaccination programme would be accelerated, with the whole process remaining concerningly opaque. However, the president did announce that the R350 monthly social grant to unemployed South Africans would be extended by three months, and that the UIF's TERS scheme would be extended to workers in industries that had been closed in the latest lockdown.
- Regarding structural reforms, President Ramaphosa reiterated his commitment to unlock SA's economic potential with changes to energy policy and the rollout of high-value internet spectrum. He announced government would open bids for 2,600MW of wind and solar power in the "coming weeks", and - perhaps most notably out of the whole address - amend the Electricity Regulation Act to allow greater self-generation by private firms without the need to obtain a licence, within the next three months. This is expected to unlock up to 5,000MW of additional capacity and ease the economic impact of load-shedding.
- On SOEs, precious little was said on expecting operational improvements beyond the reforms at Eskom. That being said, he did announce the development of a standardised governance, financial management, and operational performance framework for all SOEs. What this entails, however, remains to be seen.
- And, finally, what would a SONA be without discussing SA's corruption problem. President Ramaphosa acknowledged that corruption remains "one of the greatest impediments to the country's growth and development", and would receive renewed focus with work continuing to improve law-enforcement bodies weakened by state capture. He announced that government was establishing a new, independent anti-corruption body that would report to parliament rather than the executive. This holds some promise in theory, although, here too, as with the rest of the pledges made last night, implementation and avoiding political interference will be key.
- The USD-ZAR was unmoved by last night's SONA, consolidating a 0.55% decline through the session prior to the address. The pair primarily found its directional cues from external developments and global sentiment dynamics, with broader USD moves by and large driving it in recent sessions.

Contacts

Mogamisi Nkate	+267 3674335	email: mnkate@bancabc.com
Phillip Masalila	+267 3674621	email: pmasalila@bancabc.com
Kefentse Kebaetse	+267 3674336	email: kkebaetse@bancabc.com
Maungo Sebonego	+267 3674338	email: msebonego@bancabc.com

Report produced by ETM Analytics for BancABC Botswana.

Disclaimer

The information provided herein has been prepared solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell the securities or instruments mentioned or to participate in any particular trading strategy. These materials have been based upon information generally available to the public from sources believed to be reliable. No representation is given with respect to their accuracy or completeness, and they may change without notice. BancABC on its own behalf and on behalf of its affiliates disclaims any and all liability relating to these materials, including, without limitation, any express or implied representations or warranties for statements or errors contained in, or omissions from, these materials.