

Botswana Market Watch

6 April 2021

GMT		International and Local Data	Period	Exp	Previous
	BO	Nothing on the cards			-6.0%
08:30	EZ	Sentix investor confidence index	Apr	6.70	5.00
09:00	EZ	Unemployment rate	Feb	8.10%	8.10%

Africa	What happened?	Relevance	Importance	Analysis
Long-lasting fiscal impact of COVID	Pandemic containment measures have driven fiscal trajectories significantly higher in Sub-Saharan Africa as government revenues cratered and spending spiked as policymakers deployed a raft of fiscal stimulus measures aimed at cushioning the economic blow of the pandemic	Public finances on the continent for the most part were already weak prior to the global outbreak of the coronavirus. The pandemic amplified the fiscal problems on the continent	5/5 (fiscal)	Africa's major economies are expected to be 5% smaller by 2030 than they would have been if the pandemic never occurred as the impact of the pandemic on investment and productivity weighs on long-term growth prospects. Lingering effects of the pandemic suggest that the riskiest period for Africa's fiscal challenges is still ahead
China debt relief for Africa	A research piece published by Johns Hopkins University showed that China has played a significant role in helping African countries manage their debts in recent months as the COVID-19 pandemic continues to take its toll on public finances	Due to the coronavirus pandemic, many low-income African countries have been left in a precarious fiscal state and in desperate need of debt relief and will continue to require fiscal aid	4/5 (fiscal)	The researchers reported 16 cases of debt restructuring worth \$7.5bn in 10 African countries between 2000 and 2019, and found that China wrote off the accumulated arrears of at least 94 interest-free loans amounting to over \$3.4. Chinese lenders have not pursued lawsuits in cases of debt default or asset seizures
Africa vaccines	Johnson & Johnson announced an advance purchase agreement with the African Vaccine Acquisition Trust (AVAT) to make available up to 220mn doses of its single-shot coronavirus vaccine	The pace of economic recovery remains dependent on how quickly countries are able to build up immunity to the coronavirus	3/5 (economy)	The doses will be available to the 55 AU member states with delivery beginning in Q3 of 2021. AVAT has the potential to order an additional 180mn doses, for a combined total of up to 400mn doses through 2022

Global	What happened?	Relevance	Importance	Analysis
Chinese services	China's recovery in the services sector gained ground in March as firms hired more, and business optimism surged. The services PMI rose to 54.3 from 51.5	The recovery in China is ongoing and will gather momentum as global lockdown restrictions ease	3/5 (economy)	Although inflationary pressures persisted, there was more good news than bad in this release, led by the rise in employment. The theme of margin compressions remains concerning.
RBA decision	As anticipated, the RBA decision has resulted in the cash rate remaining unchanged at 0.10%, but will be keeping one eye on housing prices	Highly supportive monetary policy will be left intact, but it is clear that the risks of doing so are rising	4/5 (monetary policy)	Central banks around the globe believe that the risk of not doing enough outweighs the risk of overheating and are erring on the side of leaving policy unchanged despite price distortions
US Services	ISM services industry PMI rises to a whopping 63.7 in March which is a surge to a record high as businesses gear up for a very strong H2 2021	As vaccinations allow the government to open up, the full effects of stimulus efforts will be felt	4/5 (economy)	The second half of 2021 is gearing up to be one of the strongest on record for many countries if headway continues to be achieved through vaccinations and easing of restrictions

Local FX Opening Rates and Comment

	CUSTOMER				CUSTOMER				CUSTOMER				CUSTOMER			
	BUY		SELL		BUY		SELL		BUY		SELL		BUY		SELL	
	CASH		CASH		TT		TT		CASH		CASH		TT		TT	
BWPZAR	1.2619	1.3854	1.2862	1.3721	Benchmark Yield Curve				Forward Foreign Exchange							
BWPUSD	0.0866	0.0947	0.0883	0.0938	6m	1.2100			1m	-1.9500	BWPUSD		BWPZAR			
GBPZAR	16.0266	14.6124	15.6799	14.9168	3y	4.6750			3m	-6.1913	0.0000		0.0000			
BWPEUR	0.0733	0.0805	0.0751	0.0789	5y	5.3250			6m	-13.2210	0.0000		0.0000			
JPYBWP			9.7759	10.2462	22y	6.6250			12m	-33.1208	0.0000		0.0000			
USDZAR	13.9906	15.1741	14.3185	14.8458	Equities								Economic Indicators			
EURUSD	1.1331	1.2279	1.1596	1.2014	BSE Domestic Index	6528.38	GDP	-6	Bank Rate	3.75						
GBPUSD	1.3341	1.4456	1.3654	1.4143	BSE Foreign Index	1550.93	CPI	2.4								

- Data released on Friday will be welcomed by policymakers and economists alike as it showed that Botswana recorded its first trade surplus since January 2020 for the January 2021 period as diamond sales rebounded. Trade surpluses contribute to the

building of reserves and create a framework for fiscal resilience and as such the news is very welcome. Statistics Botswana released data on Friday showing exports in January 2021 amounting to some P8.5bn, with diamond exports measuring P8bn, while imports amounted to R7.1bn over the period which resulted in a trade surplus of R1.4bn.

- According to news sources the 4Q GDP reading was not published yesterday and there is has been no indication given of when we can expect the release. The CSO website is also unavailable at present to gain any further insight.
- Internationally, the big news on the macro front out of Asia has been the recovery in the Chinese Services sector which picked up speed in March. The Caixin/Markit Services PMI rose to 54.3 which is the highest reading since December from 51.5 in February as businesses hired more workers and business optimism rose. A sub index of the reading which measures employment rose back into positive territory which has been applauded. The private sector measurement of business activity is largely in-line with the official reading last week which adds additional credibility to the numbers. "The Covid-19 flare-ups that occurred in the fall and the winter have basically died down, and the services sector has quickly recovered with supply and demand expanding," said Wang Zhe, senior economist at Caixin Insight Group, in a statement accompanying the data release.
- In addition, the news that has captured the headlines this morning is US Treasury Secretary Yellen calling for a minimum corporate tax rate the world over, to prevent as she put it, a race to the bottom. Although the announcement came as a surprise, such an objective is in itself, not all that surprising given the mountains of debt that governments around the world have amassed as they battled against Covid 19 lockdowns. Governments are acutely aware of the damage to their respective economies and the manner in which their fiscal positions have deteriorated. The debt hangover that will dominate fiscal policy through the next decade will need to be tackled and the extraction of taxes in order to pay down ballooning debt piles is paramount. Ahead of the US seeking to raise corporate taxes in order to help pay for an infrastructural plan, and given the colossal build up in debt, the move appears to be a defensive one on the part of the US, but one which many other countries might be quite quick to sign up for as a means of imposing a tax increase and claiming that it was part of a global initiative rather than being a localised political decision.
- Moving onto the FX markets, The USD has become hyper-sensitive to the performance of the bond market and with yields having retreated on the 10yr, the USD has found itself on the defensive once more. Technically, it was overdue a correction and that correction now appears to be unfolding. The weekly chart shows that the USD is about to embark on a multi week correction back down again and for both fundamental and technical reasons, there is plenty of justification for this to occur.
- We start the session after the Easter break with the USD very much on the back foot and with most month end USD demand out of the way, in addition we have the news of a positive trade balance for January and the thoughts are that we a stronger start for the local unit. 0.0900 remains the pivot for now.

ZAR and Associated Comments

- The ZAR rounded up last week with a 0.90% gain on Thursday, heading into the long Easter weekend on the front foot alongside a generally upbeat emerging market basket of currencies. Spurred on by positive domestic data releases at the end of the week, the local unit traded to a two-week high against the USD to close at 14.6200/\$.
- On the data front, the Absa manufacturing PMI released on Thursday surprised to the upside, rising to 57.4 in March from 53 in the month prior. Survey results showed that the March reading was supported by an increase in all five key subcomponents in comparison to the prior month. Notably, new sales orders rose to the highest level since October supported by an improvement in export sales. Overall, the rising PMI figure suggests the manufacturing sector continues to recover, however the headline figure should be taken with a pinch of salt given that long supplier delivery times from COVID-19 related disruptions feed positively into the model. The sub-indices have thus generally offered a better perspective that the headline figure since lockdown restrictions began. Most notable in the latest print, an improvement in export sales suggests an improving global economy and explains part of the resilience that the ZAR enjoyed towards the back end of Q1.
- Following on, Friday saw the ZAR hold relatively steady against a stronger USD as the official US employment report showed strong hiring took place in March, with non-farm payrolls rising 916k from 379k in February. Notwithstanding a strong signal that the US' nascent economic recovery is picking up pace, this strong hiring was largely expected and support to the USD has thus been short-lived. With local markets closed yesterday, external trade saw the ZAR continue to gain on the back of a broadly softer dollar as it headed for the 14.5500/\$-handle in the latter half of the day, while it was also reported that South Africa has finally rounded up negotiations with Pfizer Inc. for 20 million vaccine shots to be delivered starting mid-April.
- For the day thus far, strong China PMI prints earlier this morning showed a strong recovery in the country's services sector and has provided some support to Asian EM currencies. The remainder of the EM basket has traded mixed due to a recovering USD overnight, with the ZAR lagging behind at the start of a shortened domestic trading week. In terms of data releases, the domestic data card kicks off tomorrow with the economy-wide Standard Bank PMI and SACCI business confidence index. February's manufacturing production print is scheduled for Thursday, while net and gross reserves round up the week on Friday..

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