



## Middle East and Africa Morning Review | Nov 11, 2019

This e-mail is intended for **Metodi Tzanov** only. Note that systematic forwarding breaches subscription licence compliance obligations. [Open in browser](#) | [Edit Countries on Top](#)

### MIDDLE EAST & N. AFRICA

#### BAHRAIN

Government sells debt worth BHD 316mn this week

#### EGYPT

High-level Chinese delegation arrives in Cairo

**KEY STAT** Urban CPI inflation slows to 3.1% y/y in Oct, lowest rate in 14 years

#### SAUDI ARABIA

Aramco to start bidding for shares on Nov 17, bidding ends on Dec 4

#### UNITED ARAB EMIRATES

Foreign investors buy USD 142.5mn shares on DFM Nov 3 - 7

### SUB-SAHARAN AFRICA

#### ANGOLA

Govt to sign USD 580mn financing agreement with Dutch ING bank

Ruling party committed to hold local elections in 2020

#### GABON

President Bongo makes another mini cabinet reshuffle

#### GHANA

Securities commission revokes licences of 53 fund managers

T-bill yields largely stable at latest auction

Gold Fields reports 4.9% y/y growth in gold production in Q3

#### KENYA

Rate caps removal is credit positive for banks – Moody's

President sings into law data protection bill

## BAHRAIN

## Government sells debt worth BHD 316mn this week

Bahrain | Nov 09, 08:39

- Interest rates decrease

The Central Bank of Bahrain (CBB) sold debt worth BHD 316mn (USD 838.3mn) during the week that ended November 8, the institution said. This week's BHD 70mn issue of three-month government treasury bills was oversubscribed by 156%. The weighted average rate of interest was 2.65%, down from 2.79% for the previous issue on October 30. Similarly, the monthly issue of six-month Islamic leasing bonds, Sukuk Al-Ijara, worth BHD 26mn was oversubscribed by 468%. The expected return on the issue was 2.65%, down from 2.86% for the previous issue on Oct 10. Meanwhile, the BHD 35mn monthly issue of six-month government treasury bills was oversubscribed by 226%. The weighted average rate of interest was 2.63%, down from 2.85% for the previous issue on Sep 29.

Separately, the central bank also sold a five-year government development bond worth BHD 185mn that was subscribed by 100%. The expected interest rate on the issue is 4.00%.

Interest rates for the country's debt have been decreasing almost without interruption since the start of 2019. Rates increased generally without interruption from 2016 until the end of 2018. The recent decreases are due to the fact that in October, 2018, Bahrain was promised USD 10bn (about 26% of 2018 GDP) of financial support from Kuwait, Saudi Arabia, and United Arab Emirates. Bahrain received the first instalment of USD 2.3bn before the end of 2018 and subsequently interest on the country's debt began decreasing in 2019. Bahrain will receive an instalment of USD 2.28bn in 2019.

## Debt issues during week ended November 8

Auction	BHD mn	% yield
3M T bills	70	2.65
6M Islamic bonds	26	2.65
6M T_bills	35	2.63
60 M T-bills	185	4.00
<b>Total</b>	<b>316</b>	
Average Yield		2.9825
Weighted Yield		3.44
Weighted Yield		3.44
Weight 3M		22%
Weight 6M		8%
Weight 6M		11%
Weight 60M		59%

Ask the editor

Back to contents

## EGYPT

### High-level Chinese delegation arrives in Cairo

Egypt | Nov 11, 09:47

- **Delegation will discuss cooperation in various fields, role of state institutions**
- **Chinese financial institutions have extended more than USD 7bn in loans to projects in Egypt**

A high-level Chinese delegation arrived on official three-day mission in Cairo on Sunday. The delegation is headed by Wang Yan, a member of the Politburo and chairman of the national political consultative conference following an invitation by Egypt's Parliament Speaker Ali Abdel-Aal. The delegation will discuss bilateral cooperation in various fields, the role of state institutions as well as legislation to boost Chinese investments in Egypt. The partnership between China and Egypt has been on the rise since 2014, when the countries' bilateral relations were upgraded to a comprehensive strategic partnership. There are currently more than 1,600 China-funded companies operating in Egypt, with a total investment of about USD 7bn, usually funded by Chinese financial institutions. Chinese companies are active players in the construction of major state-funded strategic infrastructure projects in Egypt, such as the Suez Canal Economic Zone, the new administrative capital, national power grid, and major transport projects.

Ask the editor

Back to contents

### KEY STAT Urban CPI inflation slows to 3.1% y/y in Oct, lowest rate in 14 years

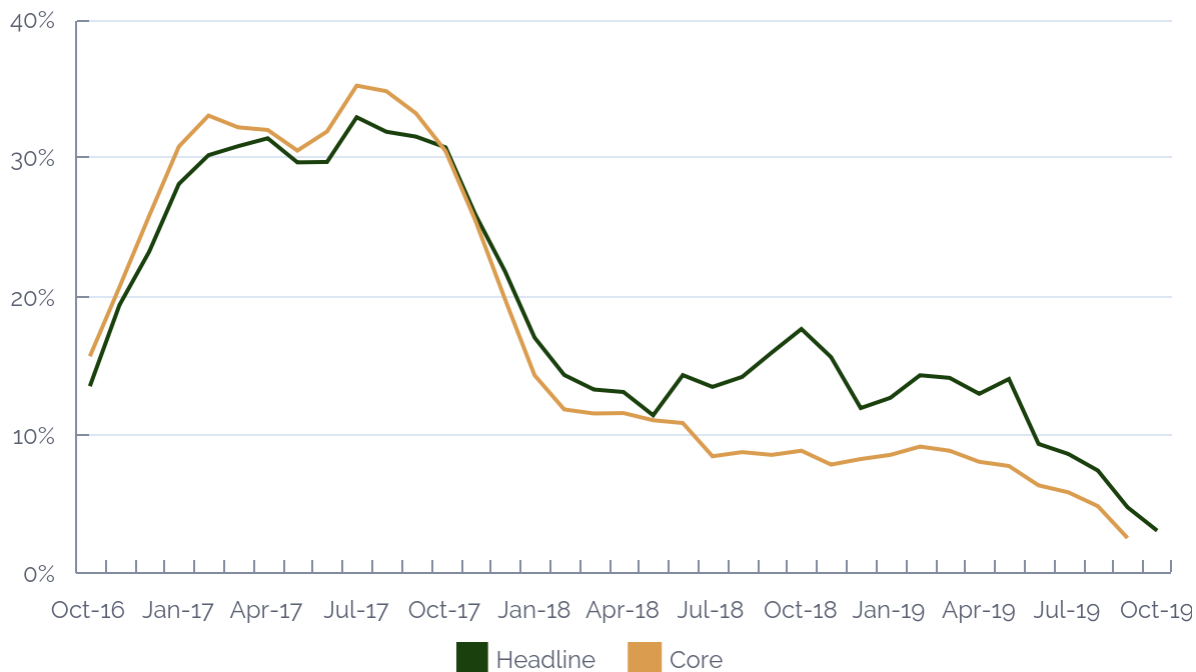
Egypt | Nov 11, 05:30

- **Inflation has slowed sharply despite fuel price hikes implemented in July**
- **Deceleration reflects subdued demand-side pressure, firmer pound and weaker oil prices**
- **Food has been major driver of inflation, together with utilities and transport**
- **Continuous disinflation leaves room for further rate cut on Nov 14**

Urban CPI inflation decelerated to 3.1% y/y in October from 4.8% y/y in September, which is the lowest print since Oct 2005 (3.0% y/y), according to stats office Capmas. The deceleration was due to sharp 4.8% y/y drop in food prices, which offset sharp y/y increase in transport and light-weight education costs. The drop in food prices was underpinned by second consecutive drop in prices on monthly terms, which is most likely due to vegetable prices. Utilities and housing inflation was relatively stable at 4.4% y/y, despite recent electricity tariff adjustments. Food, utilities and housing and transport are the three major drivers of inflation in Egypt, which had a combined weight of nearly two-thirds in the basket. The subdued utilities inflation and relatively muted acceleration in transport inflation following the fuel price hike in July, suggest the underlying inflationary pressures have moderated. Food inflation is traditionally driven by structural inefficiencies in the domestic agricultural sector, reflecting low yields, limited storage capacity and transportation costs.

## Urban and Core CPI (% y/y)

Source | CAPMAS



In m/m terms, the general price level rose 1.0% after holding steady in the preceding month. As noted, food prices fell for second month in a row, by 1.8% m/m following 1.7% m/m decline previously, due to seasonal effects. Utilities charges inched up 0.1% after a surprising drop of 3.4% m/m. We had expected the removal of tap water subsidies and electricity price adjustments earlier this year would put inflationary pressure on the consumers, while rents have been on the rise following limited increase in supply. It seems the category reflects weaker energy prices, as oil and gas are the primary sources of electricity in the country. Transport prices dropped 0.4% m/m following strong 7.6% m/m increase previously, which we had attributed to the protests that erupted in major cities in September and probably fuelled panic buying. Most of the remaining categories exhibited seasonal price movements. Overall, despite the fuel price hikes, the continuous moderations in food and core inflation suggest urban inflation will remain contained in Q4.

Tight monetary stance has helped tame inflation, and risks to the inflation outlook appear to have eased. The continuous disinflation should reflect private consumption that is still under pressure, the appreciation of the Egyptian pound and weaker commodity prices. Money supply growth has decelerated due to fiscal consolidation. External risks have eased recently as oil prices fell and portfolio investors have returned to the debt market seeking attractive yields. Thus, the continuous disinflation leaves room for further rate cuts following the cumulative 250bps cut in August and September. Many analysts expect the MPC to cut rates by 100bps on Nov 14 and another 150-300bps during 2020.

### Consumer Price Index, % y/y

	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19
<b>CPI (y/y)</b>	<b>9.4%</b>	<b>8.7%</b>	<b>7.5%</b>	<b>4.8%</b>	<b>3.1%</b>
Food, beverages	10.4%	9.0%	6.9%	0.3%	-4.8%
Tobacco, related	10.1%	2.5%	2.1%	2.1%	1.6%
Clothing, footwear	8.4%	7.0%	6.9%	6.5%	6.1%

Housing, water, gas, etc.	7.6%	9.8%	8.2%	4.3%	4.4%
Furnishings, household equip.	3.6%	1.6%	1.2%	1.6%	1.9%
Medical care	5.7%	5.5%	7.5%	11.3%	11.6%
Transport	2.1%	8.7%	8.9%	16.7%	16.3%
Communications	0.1%	0.1%	0.2%	2.0%	2.0%
Recreation, culture	17.8%	14.0%	14.1%	7.3%	15.3%
Education	14.7%	14.7%	14.7%	14.5%	21.9%
Hotels, restaurants	12.9%	10.7%	10.0%	9.8%	11.5%
Other goods, services	8.2%	6.7%	6.8%	6.1%	5.9%
<b>CORE (y/y)</b>	<b>6.4%</b>	<b>5.9%</b>	<b>4.9%</b>	<b>2.6%</b>	<b>-</b>
CPI (m/m)	-0.8%	1.8%	0.7%	0.0%	1.0%

Source: Capmas

[Ask the editor](#)

[Link to source](#)

[Back to contents](#)

## SAUDI ARABIA

### Aramco to start bidding for shares on Nov 17, bidding ends on Dec 4

Saudi Arabia | Nov 11, 06:51

- **IPO prospectus did not reveal size of stake to be floated nor price range**
- **Aramco lists risks including terrorist attacks, international trade litigation, disputes or agreements**

Saudi Aramco will start the bidding for shares on Nov 17 and will close it on Dec 4 for institutional investors and on Nov 28 for retail and individual investors, according to the IPO Prospectus issued on Sunday. Analysts think the long-delayed IPO would value Saudi Aramco at around USD 1.5tn. Investors hoped the prospectus will throw some light on the size of the stake to be floated. The document however does not reveal that, nor does it specify price range. It said Aramco would allocate up to 0.5% of the stock to individual investors. Overall, the prospectus revealed few details, and listed potential risks related to the company's operations (namely volatile oil market), regulatory environment and the IPO. Saudi Aramco's list of risks include terrorist attacks, international trade litigation, disputes or agreements, regulatory changes, political and social instability and unrest in the MENA region.

[Ask the editor](#)

[Link to source](#)

[Back to contents](#)

## UNITED ARAB EMIRATES

### Foreign investors buy USD 142.5mn shares on DFM Nov 3 - 7

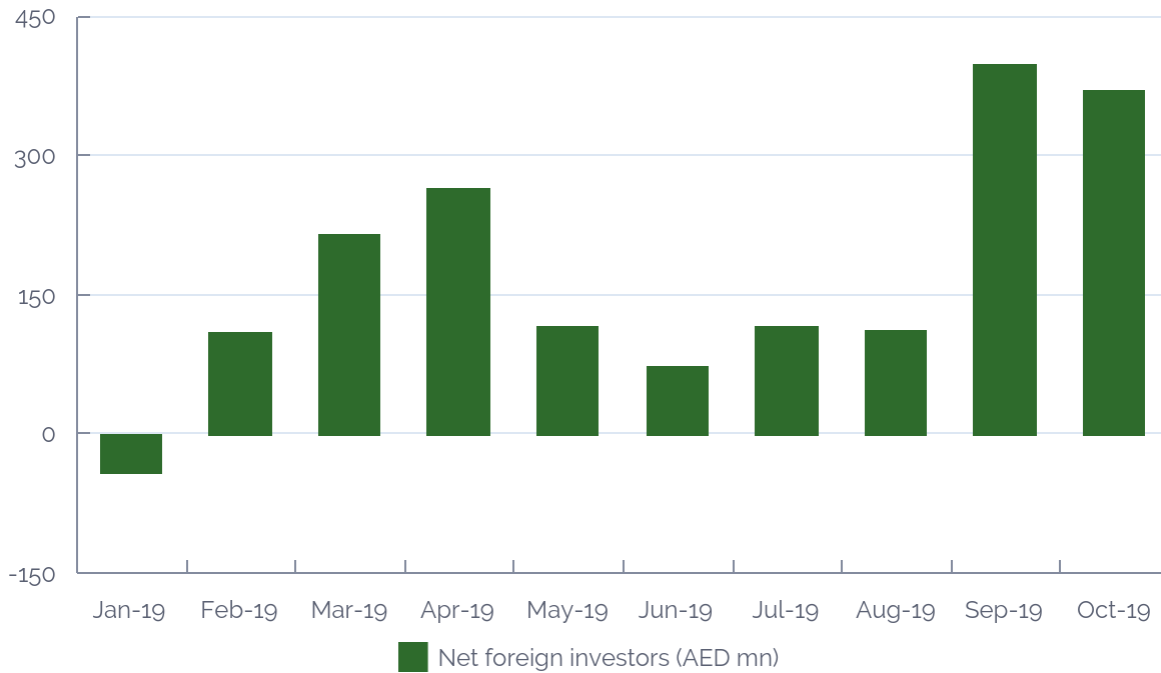
United Arab Emirates | Nov 09, 09:24

- **Foreign investors purchased shares worth USD 6bn in Jan - Oct**

Foreign investors purchased shares worth AED 523.2mn (USD 142.5mn) on the Dubai Financial Market (DFM) during the week ended November 7, and sold shares worth AED 507.8mn, according to weekly DFM data. Consequently, net foreign investment was an inflow of AED 15.4mn.

## Net foreign investment on DFM (AED mn, 3m ma)

Source | DFM, own calculations



The total value of equity deals was AED 1.03bn during the review week. Thus, the value of shares bought and sold by foreign investors accounted for 52.6% and 51.1% of the total value of shares traded during the week, respectively. Institutional investors bought and sold shares accounting for 52.4% and 47% of the total value of equity purchases during the week, with individual investors accounting for the balance.

During the first ten months of 2019, foreign investors purchased shares worth AED 22bn (USD 6bn) and sold shares worth AED 19.8bn. Consequently, net foreign investment was an inflow of AED 2.3bn. By comparison, net foreign investment during the first ten months of 2018 was an outflow of AED 1.2bn.

Meanwhile, the three-month moving average (including data from October) shows that foreign investors purchased shares worth AED 2.1bn (USD 578mn) and sold AED 1.8bn, meaning net foreign investment was an inflow of AED 370mn.

[Ask the editor](#)

[Link to source](#)

[Back to contents](#)

## ANGOLA

### Govt to sign USD 580mn financing agreement with Dutch ING bank

Angola | Nov 11, 09:37

- Funding is for expansion of photovoltaic infrastructure construction in eastern provinces
- Govt aims to increase generation capacity with focus on areas where supply is poor
- Plans envisage share of renewable energy in mix to grow to 5% from below 1% currently

President Lourenco has authorized finance minister Vera Daves to sign a USD 580mn financing agreement with Dutch ING Bank, according to a note on the finance ministry website. The funding is for expansion of photovoltaic

infrastructure construction in the eastern provinces of the country, in turn aimed at boosting access to electricity and reducing electricity costs in the country.

Angolan govt targets the addition of 600MW of solar, wind and biomass energy to the country's electricity grid by 2022 with the focus on areas of the country where the power supply is poor. Currently the country's generation capacity stands at about 6,000MW, which is said to be adequate to meet demand, though some areas frequently suffer black-outs. The electrification rate was estimated at 36% as of end-2018 (43% in urban and below 10% in rural areas) with the govt targeting to increase it to 60% by 2025. Hydropower accounts for more than 60% of the installed capacity, and thermal energy for almost all of the remainder 40%. The share of other sources of renewable energy stands at below 1%, and should increase to 5% by 2022 upon materialization of solar energy plans, which envisage the installation of some 30,000 solar power generation systems.

[Ask the editor](#)

[Link to source](#)

[Back to contents](#)

## Ruling party committed to hold local elections in 2020

Angola | Nov 11, 09:23

- **World Bank has been providing technical and financial assistance towards implementation of decentralization agenda**
- **Plans envisage polls in some of country's municipalities in 2020 replacing centrally appointed governors with elected mayors**

The ruling MPLA party is committed to hold the country's first local elections in 2020, the state-run news agency Angop reported, citing top officials from the party. The affirmation comes in response to concerns expressed by representatives of the opposition in the status of preparedness for a poll next year.

We note decentralization was high on the list of the party's pre-election pledges and the World Bank has been providing technical and financial support towards the implementation of this agenda. The plans envisage local elections in some of the country's municipalities to be held in 2020 so that the municipal administrators currently appointed by the president may be replaced by democratically elected mayors and municipal assemblies. A municipal legislative package has been submitted for discussion in Parliament. The package comprises eight laws, two of which have already been passed. In addition, the govt has undertaken steps towards enhancing the country's public finance management at the local level, with most of the provincial administrations said to have been included in the single state payment reference system.

[Ask the editor](#)

[Back to contents](#)

## GABON

### President Bongo makes another mini cabinet reshuffle

Gabon | Nov 08, 16:24

- **Changes see demotion of former presidential chief of staff, exit of his close aide**

President Ali Bongo made another minor cabinet reshuffle with the main change being that Brice Laccruche Alihanga was moved from his position as president's chief of staff to a newly created ministry, in charge of

monitoring the human investment strategy and sustainable development objectives. The reassignment is seen as demotion for Laccruche Alihanga, moreover as the changes also include the dismissal of his close ally Justin Ndoundangoye from his position as minister of transport, equipment, infrastructure and public works. Another one of Laccruche Alihanga's aides, Emmanuel Norbert Tony Ondo Mba, retained his ministerial post but his portfolio was reduced to just energy and hydraulic resources, excluding mines (or valorization and industrialization of mineral resources). Laccruche Alihanga was replaced by the former deputy general manager of Olam, Théophile Ogandaga, while Ndoundangoye was replaced by new entrant Hugues Mbadinga Madiya.

Among the other changes was the replacement of Arsene Edouard Nkoghe as minister-delegate to the minister of interior and justice by Christian Menvie M'obame, and the entry of Gisèle Akoghet as Minister-delegate to the minister of employment, public service, labour and vocational training in charge of social dialogue, which is a newly created position. We also note that the mines portfolio was added to the ministry of oil, gas and hydrocarbons headed by Noel Mboumba.

While it was not immediately clear what the reason behind the changes was, it has been reported that Bongo does not view positively the political ambitions of Laccruche Alihanga, who heads the political association AJEV.

[Ask the editor](#)

[Back to contents](#)

## GHANA

### Securities commission revokes licences of 53 fund managers

Ghana | Nov 11, 09:42

- **More than half of these are operating firms, 21 are non-operational**
- **Affected companies estimated to manage GHS 1bn assets**
- **Cleanup part of ongoing reforms in financial sector**

The Securities and Exchange Commission (SEC) announced it had revoked the operating licences of 53 fund managers, of which 32 are operating and 21 non-operating. The revocation was said to be aimed at protecting the integrity of the securities market and investors. Local media commented that the cleanup in this section of the financial market will result in an immediate loss of about 250 jobs but the total loss could exceed 1,200 jobs. The fund managers that had their licences revoked are estimated to have around 56,000 investors and manage assets of around GHS 1bn. The claims validation of the affected clients will start this week, the SEC's deputy secretary-general Paul Ababio told Joy Business.

The cleanup of the fund management sector follows the similar exercises conducted in the commercial banking, microfinance and specialized deposit-taking and non-bank financial institutions sectors. The total cleanup is expected to cost over GHS 20bn, of which GHS 11bn already spent in the commercial banking sector.

[Ask the editor](#)

[Back to contents](#)

### T-bill yields largely stable at latest auction

Ghana | Nov 11, 09:30

- **Demand remains strong and government again sells T-bills above target**



## Yields have largely stabilised on subdued inflationary pressures, stable currency

T-bill yields remained largely stable at the primary auction held by the Bank of Ghana on Nov 8. The weighted average 91-day T-bill yield was flat at 14.69% and the 182-day T-bill yield remained at 15.13%. The 364-day T-bill yield inched up by less than 2bps compared to the last sale of this maturity on Oct 18 to 17.92% now. The government also sold GHS 615.9mn in two-year notes at 19.5%, up 50bps from the last sale of this maturity on Sep 27. The demand in the auction increased and the government again sold T-bill above the target - GHS 914mn vs. offered GHS 700mn. No target was set for the two-year notes but the issuance calendar of the finance ministry indicated that a total of GHS 1,500mn of this tenor was intended to be sold in November.

T-bill yields have largely stabilised over the past few months thanks to the relative stability of the cedi and subdued inflationary pressures. The total amount of T-bills sold this year so far has reached GHS 33.5bn which is 118% of the target set for Jan-Nov. If bonds are added, the total amount sold so far is GHS 38bn which is 86.4% of the target set for Jan-Nov. The next auction will be held on Nov 15 offering GHS 500mn in 91-, 182- and 364-day T-bills.

### T-bill auction results

	Nov 08			
	91-day	182-day	364-day	2-year
Bids (GHS mn)	608.56	88.74	216.74	615.86
Allocated (GHS mn)	608.56	88.74	216.74	615.86
Weighted average yield, %	14.6880	15.1294	17.9197	19.5000

Source: Bank of Ghana

[Ask the editor](#)

[Back to contents](#)

## Gold Fields reports 4.9% y/y growth in gold production in Q3

Ghana | Nov 08, 16:59

- **Cumulative production grows by 17% in Jan-Sep thanks to addition of Asanko asset**

Gold Fields released its Q3 financial results showing that its gold production in Ghana increased by 4.9% y/y to 205,100 ounces. In q/q terms, production decreased by 5.4% as it was impacted by the lower feed grade at the Damang and Tarkwa projects. At the same time, production from the Asanko project increased slightly in Q3. In Jan-Sep, Gold Fields' gold production in Ghana rose by 17.0% y/y to 642,900 ounces which was thanks to the addition of Asanko to the company's assets following a joint venture agreement signed in March 2018. Gold Fields owns 90% of the Damang and Tarkwa projects and 45% of the Asanko one.

[Ask the editor](#)

[Back to contents](#)

## KENYA

### Rate caps removal is credit positive for banks – Moody's

Kenya | Nov 11, 09:58

- **Agency sees gradual recovery of credit growth, banks' profitability**

- **Interest rates not expected to return to pre-caps levels**
- **Equity, Co-op bank to benefit most in terms of loan growth**

The removal of the rate caps, which was finalized last week as president Kenyatta signed into law Finance Bill 2019, would be credit positive for Kenyan banks, Moody's said. The agency's note is similar to the one already issued end-October when the repeal of the caps was close to materialization. Moody's again notes the rate caps legislation was a significant contributor to the sluggish credit growth in the country, and to the decline in banks' profitability. It further projects credit growth will pick up following the removal of the caps, which coupled with the possibility for higher margins, should result in improved profitability. Of the three Kenyan banks the agency rates, KCB, Co-op and Equity, the latter two are expected to benefit the most from the change in terms of loan growth, while Equity will benefit the most also in terms of higher margins with its interest rate spreads having shrunk the most under the caps regime.

[Ask the editor](#)

[Back to contents](#)

## President sings into law data protection bill

Kenya | Nov 11, 09:49

- **Bill to support the further expansion of the ICT sector in the country**
- **World Bank recently pointed the need for alignment of legislation with needs of fast growing sector**

President Kenyatta signed into law the Data Protection Bill 2019, according to a note on the presidency website. The bill provides for the establishment of the office of data commissioner and outlines requirements for the protection of personal data processed by public and private entities, key principles to govern data processing as well as the rights and duties of data subjects and processors. The bill is hoped to go a long way towards supporting the further expansion of the ICT sector in the country with the World Bank recently pointing out the need for update of the country's legislation aligning it with the fast growing sector. Following the assent president Kenyatta met with executives of Amazon Web Services, which expressed satisfaction with the adoption of the new law. The two sides discussed Amazon's plans to invest in the establishment of Amazon edge location in Nairobi.

[Ask the editor](#)

[Link to source](#)

[Back to contents](#)

## ZAMBIA

### President Lungu says payment for South African electricity to be made soon

Zambia | Nov 11, 09:59

- **Government has agreed on 300MW power imports from South Africa but needs to pay USD 44mn upfront**
- **Lungu says imports only stop-gap measure until two major power projects become operational in 2020**

President Edgar Lungu said that the government would soon make the needed payments to South Africa's Eskom to get the needed electricity. In an address to media made on Nov 8, he explained that of the total USD 44mn (two months' worth) that the state should pay to get the agreed electricity imports, USD 10mn had already been paid, USD 14mn will be paid this week, and the rest would be paid "anytime soon thereafter". He added that these expensive imports were a stop-gap measure until the 750MW Kafue Gorge Lower power plant becomes

operational in early March 2020. A 120MW solar power project is also expected to come online in Q3 2020. Lungu also said that the 2019/20 rainy season is expected to offer normal to above normal rainfall which means hydropower plants should revert to normal levels of generation next year.

[Ask the editor](#)

[Back to contents](#)

---

Written by CEEMarketWatch. The report is based on sources, which we believe to be reliable, but no warranty, either express or implied, is provided in relation to the accuracy or completeness of the information. The views expressed are our best judgement as of the date of issue and are subject to change without notice. Any redistribution of this information is strictly prohibited. Copyright © 2019 CEEMarketWatch, all rights reserved.