Cytonn Annual Markets Review - 2024

Sub-Saharan Africa Regional Review

According to the World Bank, the Sub-Saharan African economy is projected to grow at a rate of 3.0% in 2024, 0.6% points higher than the 2.4% recorded in 2023. Notably, the projection was revised downwards from the earlier forecast of 3.4%. The downward revision of the regional growth by the IMF is mainly due to the destruction of Sudan's economy in a civil war, weak external demand, tight global financial conditions and high inflationary pressures in most countries. Additionally, public debt is expected to remain high due to increased debt serving costs as a result of continued currency depreciation in the region and high interest rates in developed economies. The decline in the region's economic growth is attributable to;

i. The heightened inflationary pressures following the Russia-Ukraine conflict which has prompted higher interest rates worldwide leading to slowing international demand, elevated spreads, and ongoing exchange rate pressures,
ii. Rising risk of debt distress in the region is expected to weigh down on the region's growth due to increased debt-serving costs as a result of continued currency depreciation and high interest rates in developed economies, and,
iii. High interest rates in developed economies have led to a decline in foreign capital in the region further fueling the economic decline in the SSA.

Currency Performance

In 2024, most of the select Sub-Saharan currencies depreciated against the US Dollar, mainly attributable to the elevated inflationary pressures in the region, high debt servicing costs that continue to dwindle foreign exchange reserves, and monetary policy tightening by advanced economies. The high interest rates in developed countries have led to massive capital outflows from the region as investors, both institutional and individual seek to take advantage of the higher returns offered in developed economies. Further, the elevated inflationary pressures in most economies in the region puts pressure on the value of local currencies due to expensive importation. The table below shows the performance of select African currencies against the USD;

Cytonn Report: Select Sub-Saharan Africa Currency Performance vs USD

Currency	Dec-22	Dec-23	Dec-24	2023 y/y change (%)	2024 y/y change (%)
Kenyan Shilling	123.4	156.5	129.3	(26.8%)	17.4%
Tanzanian Shilling	2334.0	2540.0	2394.8	(8.8%)	5.7%
Ugandan Shilling	3683.0	3815.0	3670.3	(3.6%)	3.8%
South African Rand	17.4	18.3	18.7	(5.1%)	(2.3%)

Cytonn Report: Select Sub-Saharan Africa Currency Performance vs USD

Currency	Dec-22	Dec-23	Dec-24	2023 y/y change (%)	2024 y/y change (%)
Malawian kwacha	1026.6	1683.4	1734.0	**(64.0%)**	**(3.0%)**
Botswana Pula	12.8	13.4	13.9	**(5.1%)**	**(3.9%)**
Senegal CFA Franc	601.3	602.8	638.9	**(0.2%)**	**(6.0%)**
Mauritius Rupee	44.4	44.5	47.5	**(0.2%)**	**(6.7%)**
Zambian Kwacha	19.0	25.7	27.9	**(35.2%)**	**(8.4%)**
Ghanaian Cedi	8.6	11.9	14.7	**(38.5%)**	**(23.7%)**
Nigerian Naira	448.1	899.4	1535.3	**(100.7%)**	**(70.7%)**

Key take outs from the table include:

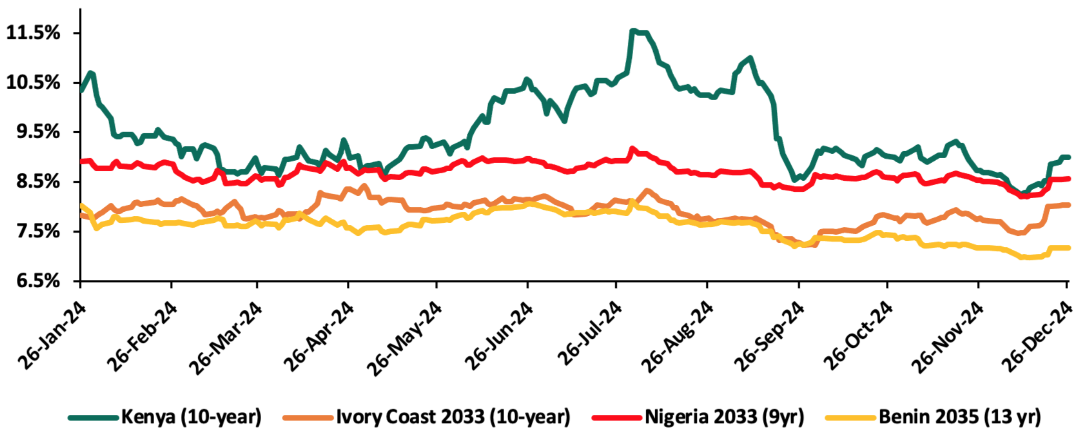
i. The Kenya Shilling appreciated the most by 17.4% in 2024 to close at Kshs 129.3 against the US Dollar, compared to Kshs 156.5 recorded at the beginning of the year, driven by improved forex reserves currently at USD 9.0 bn (equivalent to 4.6-months of import cover), which is above the statutory requirement of maintaining at least 4.0-months of import cover and the EAC region's convergence criteria of 4.5-months of import cover coupled with the successful issuance of a USD 1.5 billion Eurobond in February 2024 to refinance the maturing June 2024 Eurobond which reduced Kenya's immediate repayment risks, and,

ii. The Nigerian Naira was the worst performer during the year, depreciating by 29.1% against the dollar, attributable to the deteriorated macroeconomic environment, evidenced by its elevated inflation, with the December 2024 inflation rate coming in at a record of 34.6% compared to 28.9% recorded in December 2023. Further, the recent decision by the Central Bank of Nigeria to adopt floating exchange rate regime, where the currency value of the Naira is allowed to vary according to the foreign exchange market hence making the overvalued naira to undergo a massive devaluation, broadly aligning the currency with its black-market rate.

African Eurobonds:

Africa's appetite for foreign-denominated debt has increased in recent times with the latest issuers during year being Ivory Coast, Benin, Kenya, Senegal and Cameroon raising a total of USD 2.6 bn, USD 0.8 bn, USD 1.5 bn, USD 0.8 bn and USD 0.6 bn respectively. Notably, all the bonds were oversubscribed with the high support being driven by the yield hungry investors and also the outlook of positive recovery in the regional economies. It is good to note that there was a general decline in the yields of the various bonds from different countries due to general improvement in investor sentiment as the economy recovers and the easing inflationary pressures in the region. The yields of the Benin's 13-year Eurobond maturing in 2032 decreased marginally by 0.9% points to 7.2% as at the end of December 2024 from 8.0% recorded at the beginning of the year. Similarly, the yields of the Kenya's 10-year Eurobond maturing in 2028 decreased by 1.4% points to 9.0% as at the end of December 2024 from 10.4% at the beginning of the year, partly attributable to improved investor confidence following the successful buy-back of the 2024 Eurobond maturity, increased IMF Credit funding and the strengthening of the Kenyan shilling against the dollar. Below is a graph showing the Eurobond secondary market performance of select Eurobonds issued by the respective countries.

Cytonn Report: Select SSA Eurobonds



Equities Market Performance:

Sub-Saharan Africa (SSA) stock markets recorded mixed performance in 2024, with the Nairobi All Share Index (NASI) being best performing market gaining by 61.8% in 2024 largely driven by gains in the large-cap stocks in the financial sector following improved earnings during the period, well supported by easing inflation and a stronger Shilling. In addition, the improved macroeconomic environment supported by the IMF financial assistance has continued to accelerate investor confidence in the country. Notably, Nigeria all share index declined by 20.9% in 2024, due to the aggressive depreciation of the Nigerian Naira against the dollar having depreciated by 29.1% in 2024 which has resulted to increased capital outflows in the country. Additionally, the reduction in oil production in Nigeria has led to the contraction of many key sectors of the economy considering that the country's economy is highly dependent on crude oil exports. Below is a summary of the performance of the key SSA indices;

Cytonn Report: Equities Market Performance

Country	Index	Dec-22	Dec-23	Dec-24	2023 y/y change (%)	2024 y/y change (%)
Kenya	NASI	1.0	0.6	1.0	(42.9%)	61.8%
Uganda	USEASI	0.3	0.2	0.3	(32.0%)	45.4%
Zambia	LASILZ	389.5	420.6	577.1	8.0%	37.2%
Ghana	GSECI	195.5	254.5	330.7	30.2%	29.9%
Tanzania	DARSDEI	0.8	0.7	0.9	(15.6%)	25.3%
South Africa	JALSH	4,317.1	4,137.9	4,494.3	(4.2%)	8.6%
Rwanda	RSEASI	0.1	0.1	0.1	(15.7%)	(7.1%)
Nigeria	NGEASI	114.6	84.9	67.1	(26.0%)	(20.9%)

***The index values are dollarized for ease of comparison**

The tough macroeconomic environment experienced in the region is expected to slow down economic growth. As such, subdued GDP growth rate in Sub-Saharan Africa is expected to continue in 2024, in line with the rest of the global economy. Elevated inflation rates, debt sustainability concerns, and supply chain constraints in the region are expected to persist in 2024, and this will continue to weigh down its economic growth. Additionally, the continued weakening of local currencies will even make debt servicing costlier, and this will lead to increased perceived risks in the region, resulting in reduced investor confidence in the region.