AFRICA CAPITAL MARKETS REPORT

2022 Review
2023 Outlook

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MESSAGE FROM OUR GROUP CEO

I am delighted to present the second edition of our Emerging Africa Group Africa Capital Markets Report. This report provides a comprehensive and in-depth analysis of the macroeconomic environment and the performance of the major capital markets across the continent of Africa for the past year (2022) and offers our outlook for the upcoming year (2023). The report includes detailed analysis of the performance of major capital markets in Africa, including stock markets, bond markets, primary capital markets, FX, development finance, ESG, amongst others. Additionally, it highlights key investment opportunities for current and prospective stakeholders.

As Africa has now almost fully recovered from the COVID-19 pandemic, the world is now approaching another recession, witnessing geopolitical upheaval, supply chain disruptions, high inflation, and high interest rate environments. Despite this, access to capital markets is vital for economic and industrial growth, making countries less dependent on donor aid and loans from foreign governments to finance investment and expenditure.

African Capital Market activities picked up significantly in 2022 and are poised to do even better in 2023, creating opportunities and attractive returns for investors in the process.

At the Emerging Africa Group, we are fully dedicated to our mission of being the leading catalyst for Africa's emergence as a key global investment origin and destination. We are committed to providing insightful and valuable information for investors looking to capitalize on the opportunities in Africa's capital markets. We believe that Africa's capital markets have the potential to generate attractive returns for investors, and we are committed to helping them navigate this complex and dynamic environment.

Our report is an essential guide for investors looking to gain a deeper understanding of the African economy and capitalize on the opportunities in the region's capital markets.

Mrs. Toyin F. Sanni
Executive Vice Chair / Group CEO
Emerging Africa Group

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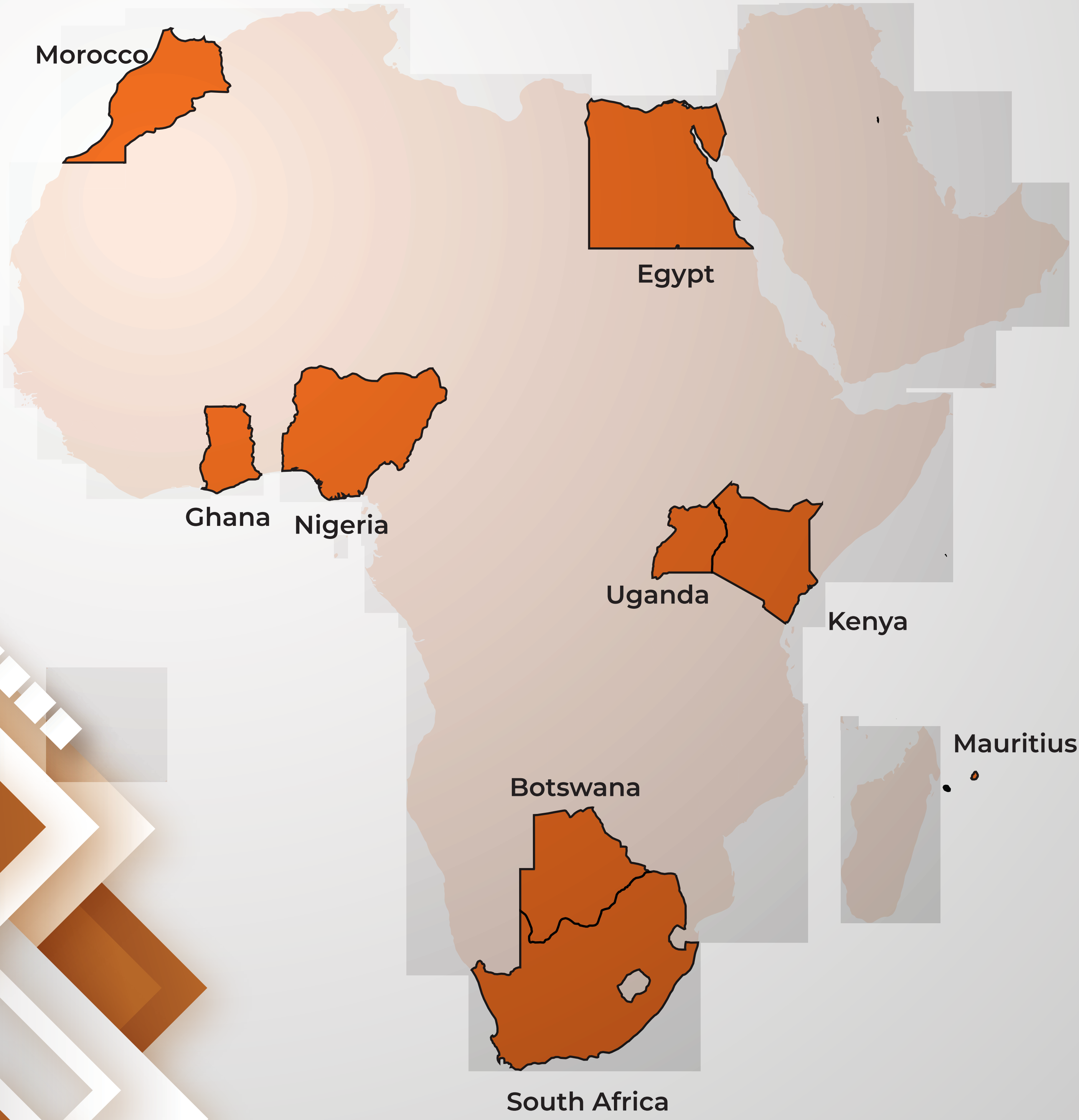
COUNTRIES COVERED



Introduction: Purpose and Scope of the Report

The Africa Capital Markets Report is a comprehensive analysis of the current state and future potential of the capital markets in Africa. The report aims to provide an in-depth understanding of the various segments of the capital markets, including equities, bonds, and derivatives, and the role of key participants such as investment banks, asset managers, and stock exchanges. The report will also provide detailed information on the regulatory environment and investment opportunities in different sectors across Africa, as well as identifying the challenges facing capital markets in Africa and potential opportunities for growth and development.

> "The report will cover 9 African countries spread across the different regions in Africa."

The report will cover 9 African countries spread across the different regions in Africa. Some of these countries have well-developed capital markets, with a strong track record of attracting foreign investment, and are considered to be the most advanced markets in Africa.

The report will also examine the regional and global economic trends that are impacting the development of capital markets in Africa, providing valuable insights for investors, policymakers, and other stakeholders.
The report will examine the various segments of the capital markets in Africa, providing an in-depth analysis of the size, growth prospects, and investment opportunities in each segment. The equity markets in Africa have grown significantly in recent years, with many companies listing on stock exchanges to raise capital for growth and expansion. The report will provide detailed information on the performance of different sectors, such as banking, mining, and technology, and identify the best investment opportunities.

The bond markets in Africa have also grown in recent years, with many countries issuing sovereign bonds to raise capital for infrastructure development and other projects. The report will provide an analysis of the bond markets, including the size, growth prospects, and investment opportunities in different sectors.

The report will also examine the role of key participants in the development of the capital markets in Africa, such as regulators, stock exchanges, investment banks and asset managers. Investment banks play an important role in providing access to capital for companies and governments, while asset managers provide valuable services to investors, such as portfolio management and risk management. Stock exchanges provide a platform for companies to raise capital and for investors to trade securities. The report will provide an analysis of the performance and potential of these key participants in the capital markets in Africa.

The report will also provide a detailed analysis of the challenges facing capital markets in Africa, such as lack of liquidity, inadequate infrastructure, and weak legal and regulatory frameworks. These challenges can make it difficult for companies and governments to raise capital, and for investors to trade securities. The report will also highlight the opportunities for growth and development, such as the increasing integration of African capital markets with global markets and the rise of new technologies like fintech.

Overall, the Africa Capital Markets Report will serve as a valuable resource for investors, policymakers, and other stakeholders interested in understanding the current state and future potential of capital markets in Africa. This report will enable stakeholders to make informed decisions about investing in or working with the African Capital Markets.

> “The Africa Capital Markets Report will serve as a valuable resource for investors, policymakers, and other stakeholders interested in understanding the current state and future potential of capital markets in Africa.”

ACMR WORD CLOUD

The larger the word, the more times it appears in this report.

The World Right Now: Key Events, Macroeconomy and Markets

Key Events

Russia Ukraine Conflict

It has been almost a year since Russia's invasion of Ukraine and the situation is likely to remain a significant global issue in 2023. The outcome of the conflict is uncertain, with possibilities ranging from a ceasefire to a nuclear escalation.

The G7 countries and NATO will be closely watched in terms of their support for Ukraine in terms of both military and financial aid. Russia is expected to continue seeking economic partnerships with other nations, including those in the CIS, BRICS, and OPEC.

The conflict will also have a significant impact on the global economy. This includes changes to energy and agricultural markets, inflation, and defense spending. Additionally, changes in the use of various currencies, such as the US dollar and the euro, may also occur as a result of continued sanctions. Especially worth keeping an eye on is the shifting regional role of the US dollar, the euro and other currencies given their continued sanction 'weaponisation'

> "The conflict will also have a significant impact on the global economy."

China Zero-Covid Policy

In an effort to combat COVID-19, China implemented strict mobility restrictions, closing half of the country's highways and causing inefficiencies at ports. In November 2022, widespread protests erupted due to dissatisfaction with the policy and its economic consequences. The government responded by revising and loosening many regulations, including those related to detention and mandatory PCR tests, on December 7, 2022.

However, there are potential negative impacts associated with the rise of COVID-19 cases in the last quarter of 2022 and this trend is likely to continue in the first quarter of 2023. This may negatively affect both retail and production, even if some local governments ease restrictions.

> "The government's decision on when to further relax COVID-19 measures is crucial for forecasting."

The government's decision on when to further relax COVID-19 measures is crucial for forecasting. They may gradually shift the focus away from case numbers to prevent further economic decline. A full reopening may only occur when the government is confident that hospital systems will not be overwhelmed by COVID-19 cases, which is likely to be in 2024 rather than 2023. The economy is expected to see faster growth in 2024 and 2025 as China fully reopens, construction of unfinished homes is completed, and external demand improves.

USA China Taiwan Conflict

The conflict between China and Taiwan began in 1949 when they were separated in a civil war, which ended in the victory of the Communist Party led by Mao Zedong. Taiwan, which has since been independently governed, is officially known as the "Republic of China" while the mainland is called the "People's Republic of China". Despite this, China still claims Taiwan as its own and advocates for gaining control over it. Taiwan, on the other hand, sees itself as a separate country.

The United States is considered Taiwan's most important ally. Relations between the two countries were close until 1979, when the then US President Jimmy Carter broke diplomatic ties with Taiwan to strengthen relations with China. However, the US Congress responded by passing the Taiwan Relations Act, which allowed for the supply of military weapons to Taiwan and stated that the US would take any Chinese aggression towards Taiwan seriously. Former President Donald Trump was a vocal supporter of Taiwan, and current President Joe Biden has also indicated his support.

Under China's "One-China Policy," it claims Taiwan as part of its territory and expects other countries to end diplomatic relations with Taiwan if they wish to establish diplomatic relations with China. The situation between China and Taiwan is delicate, and recent actions such as US House Speaker Nancy Pelosi's visit to Taipei, Taiwan's capital, have heightened tensions. China has warned that the US will "pay the price" for these actions.

"As we enter 2023, the tension between these three countries is nearing a breaking point,"

As we enter 2023, the tension between these three countries is nearing a breaking point, with potential severe consequences for the global economy given the centrality of these nations.

India-China Dispute

India and China have been experiencing a deterioration in their relationship. The two nations are currently in a face-off along their disputed border in the Himalayan region. The primary cause of this is the undefined, 3,440 km-long disputed border. The border is made complex by rivers, lakes, and snowcaps, which can cause the line to shift, bringing soldiers face to face at many points and leading to confrontations.

In December 2022, troops from both countries clashed for the first time in over a year, resulting in minor injuries on both sides. These nations have only fought one war, in 1962, in which India suffered a significant defeat. However, the current tensions carry the risk of escalation, which could be devastating as both nations possess nuclear weapons. The global economy could be significantly affected as China is one of India's major trading partners. Both countries account for a combined 35% of the world's population.

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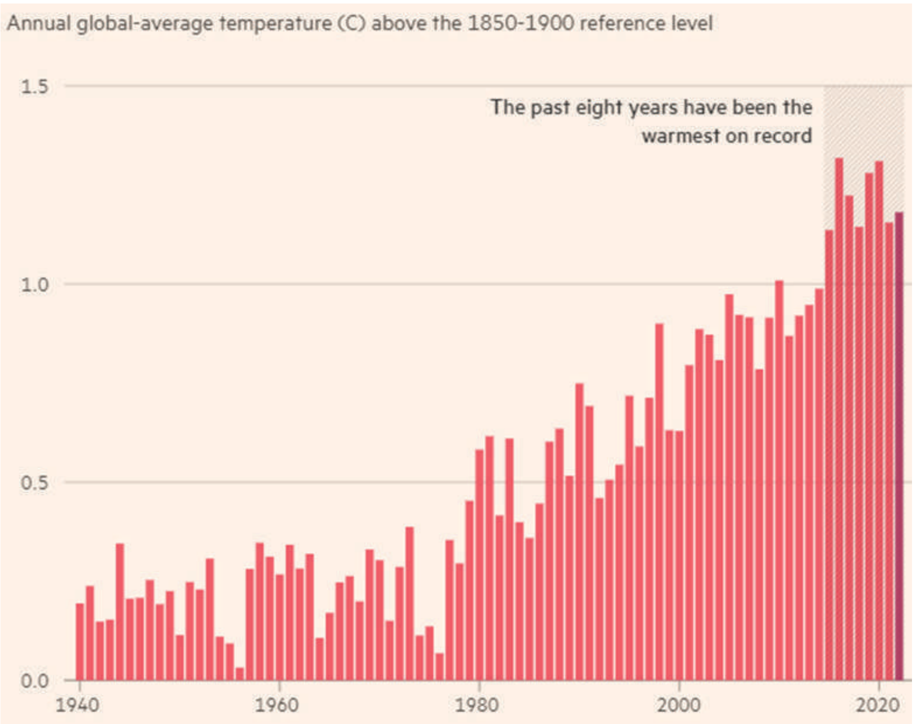
Climate Change

In 2022, average global temperatures were nearly 1.2C above pre-industrial levels, resulting in extreme weather events such as floods, fires, and heatwaves that devastated communities worldwide. Europe experienced its hottest-ever summer, while Pakistan faced catastrophic flooding, and the UK reached a record high of more than 40C in the summer. Simultaneously, Europe, China, and the US all faced droughts. In Africa, there were numerous climate events including heavy flooding in Nigeria, Ghana, and South Africa, a wildfire in Algeria, and record high drought in Kenya, and Northern Nigeria among others.

However, there were some positive developments in the fight against climate change. In August, the US Congress passed the Inflation Reduction Act, which aims to significantly reduce emissions of heat-trapping gases that cause climate change, and was signed into law by President Joe Biden. Additionally, scientists made technological advances that could potentially help to reduce humanity's dependence on fossil fuels. However, government action continued to fall short of what is needed. The COP27 meeting in Sharm El Sheikh, Egypt, resulted in an agreement for wealthy countries to compensate poor countries harmed by climate change, but no significant progress was made in cutting emissions. As a result, the concentration of carbon dioxide in the atmosphere continued to increase in 2022.

> “there were some positive developments in the fight against climate change.”



Macroeconomy

GDP

According to the World Bank, global economic growth is expected to slow to 2.9% in 2022 from 5.9% in 2021 and then decline significantly in 2023, reaching only 1.7 percent. This would be the third-weakest growth rate in nearly three decades, surpassed only by the global recessions caused by the COVID-19 pandemic and the global financial crisis. This forecast is 1.3 percentage points lower than previous estimates, reflecting the impact of policies aimed at controlling high inflation, deteriorating financial conditions, and ongoing disruptions from Russia's invasion of Ukraine.

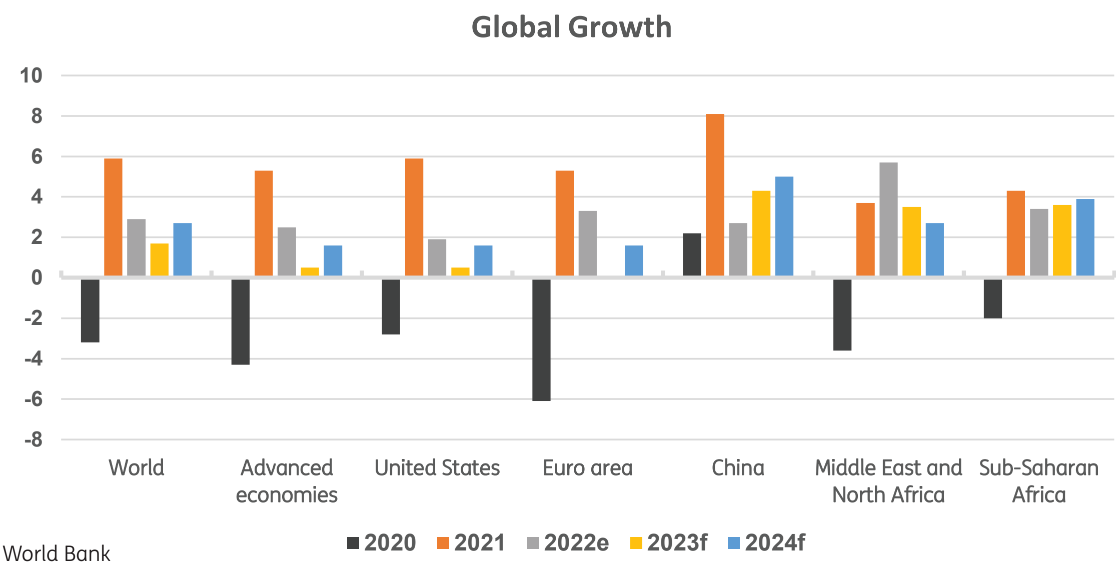
The economies of the United States, the Euro area, and China are all experiencing significant weakness, and this is exacerbating challenges faced by emerging market and developing economies (EMDEs). The combination of slow growth, tighter financial conditions, and high levels of debt is likely to reduce investment and lead to corporate defaults.

> "Negative developments such as higher inflation, stricter policies, financial stress, further weakness in major economies, or escalating geopolitical tensions could push the global economy into a recession."

Additional negative developments such as higher inflation, stricter policies, financial stress, further weakness in major economies, or escalating geopolitical tensions could push the global economy into a recession.

Inflation and Interest Rates

In 2022, inflation increased globally due to a combination of factors including increased demand and supply disruptions. On the demand side, prolonged government monetary policies and increased government



Source: World Bank

spending during the COVID-19 pandemic led to more money in consumers' pockets. On the supply side, both the COVID-19 pandemic and Russia's invasion of Ukraine disrupted global supply chains, causing shortages of various goods.

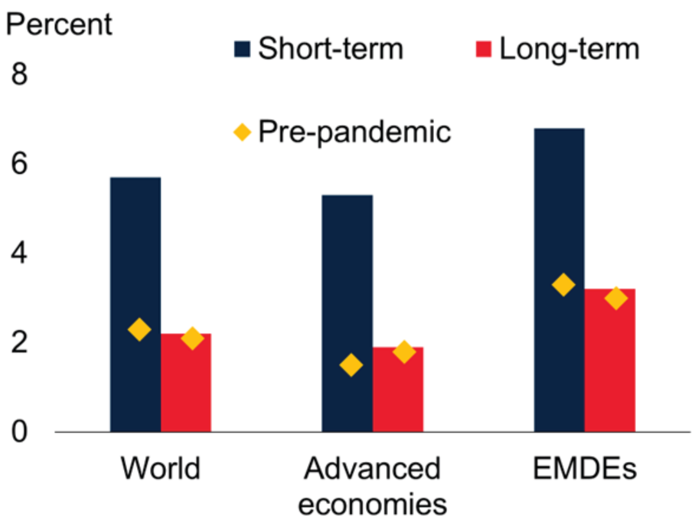
The rising prices have led to political unrest in both developed and developing countries, as leaders attempt to address public dissatisfaction. The traditional solution to inflation is raising interest rates, but this does little to address supply chain disruptions and could potentially lead to another economic recession. Central banks, such as the U.S. Federal Reserve, are trying to achieve a "soft landing" by avoiding a recession. However, the rising interest rates are already causing debt crises in many developing countries.

The key question for 2023 is whether inflation will continue to decrease and if so, at what rate. As we have seen in the recent years, inflation outlooks vary across regions. We do see inflation cooling as spending patterns normalize and energy prices relent – but we see it persisting above policy targets in coming years.

> Central banks may need to tighten more than expected to bring inflation under control.

Central banks may need to tighten more than expected to bring inflation under control. Given already-weak global growth, this could result in a sharper slowdown or even a global recession
this year.

Inflation Expectations (World Bank)



Markets

Equity Capital Markets

- **Primary**
    - IPOs

We've all read about high inflation, rising interest rates and the gloomy economic outlook – but what does that mean for companies?

Well, among other things, it makes it difficult for them to raise money. That's why 2022 has not been a good year for companies looking to transition to public ownership.

Most companies like to carry out an Initial Public Offering (IPO) when it looks like they'll get a good take-up of the shares they are offering. Because 2022 has been a turbulent economic year, that has made investors more wary of taking risks and less likely to invest. Global IPO volumes fell by 44% in January-September compared with a year earlier, and the proceeds from these IPOs dropped by 57%, according to research from EY. Activity fell in each of the regions tracked.

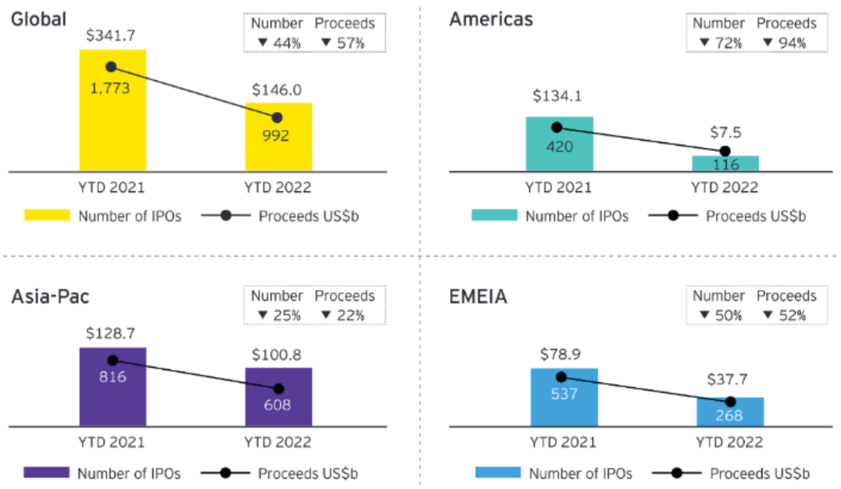
> "IPO outlook for 2023 is not healthy"

But 2022 hasn't just been a brutal year for IPOs – investors in assets around the world have suffered losses amid the turbulent economy, rising inflation and central banks tightening monetary conditions.

2021 was a bumper year globally, as companies took advantage of low interest rates and pent-up demand after the pandemic. There were 2,341 new issues around the world in 2021, raising $428.9 billion – that's the most ever recorded, according to data compiled by law firm White & Case.

However, the IPO outlook for 2023 is not healthy, according to the Financial Times, describing it as "sluggish at best and comatose at worst for at least the first half of 2023". Depressed equity markets are seen as the biggest hurdle that IPOs need to overcome.

Nine months YTD 2022 regional IPO activity



Stock Markets

We expect a high degree of volatility and uncertainty for global equities in 2023, as stubbornly high inflation and interest rate rises lead to a rough landing for large parts of the global economy.

For global equities, multiples will continue to decline as discount rates rise. Corporate profits and earnings will need to adjust further to reflect the uncertain economic picture, which is likely to persist near term. Valuations are likely to come down further as companies publish annual earnings numbers and expectations in the first quarter.

However, earnings expectations are diverging across different economies, allowing investors to capitalize on select opportunities.

“Earnings expectations are diverging across different economies, allowing investors to capitalize on select opportunities.”

Debt Capital Markets

Fixed Income

Fixed income finally offers “income” after yields surged globally in 2022. This has boosted the allure of bonds after investors were starved for yield for years.

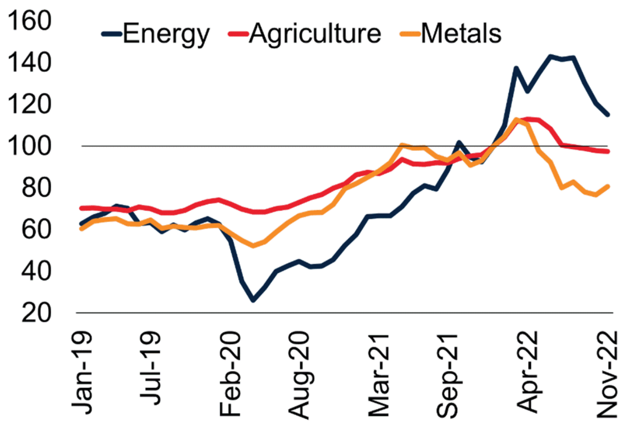
Central banks continue to tighten financial conditions. Even if policymakers are forced to back down by markets and the scale of the prospective slowdown, we believe interest rates will settle far higher than they have been at any point over the past decade.

This should be good for bonds, which have struggled through a decade of zero yields, but these are the first signs of cracks in financial systems in response.

Commodities

This year has been extraordinary for commodity markets. Supply risks led to increased volatility and elevated prices. However, demand concerns took the driving seat towards year-end. Next year is set to be another year plagued by uncertainty, with plenty of volatility.

> In 2022, the U.S. dollar saw significant strength compared to other major currencies, reaching levels not seen in decades



Sources: Bloomberg; World Bank.

Foreign Exchange

In 2022, the U.S. dollar saw significant strength compared to other major currencies, reaching levels not seen in decades due to the Federal Reserve raising interest rates to combat inflation. The dollar index, which measures the dollar's value against a basket of widely used international trade currencies, appreciated by 12% in 2022. As a result, other central banks and governments took action to raise their own currency values relative to the dollar.

As we move into 2023, it is expected that the dollar will continue to be strong, but at a lower level and with different factors contributing than in 2022. A weak economy outside of the U.S. will continue to support the dollar's strength in 2023. However, there are potential challenges to the

dollar's strength from external factors such as unexpected economic downturns, actions taken to address Europe's energy crisis, and currency manipulation. Despite these potential obstacles, the overall outlook for the dollar is positive for 2023.

The current state of Africa's Capital Markets

The current state of Africa's capital markets is characterized by a mix of both challenges and opportunities.

On the one hand, Africa's capital markets have been growing rapidly in recent years. This growth has been driven by factors such as increased foreign investment, economic growth, and a growing middle class. Moreover, Africa has been experiencing a steady growth in GDP- the continent has the second-highest economic growth rate in the world, with an average of 3.5% annually over the last decade. This economic growth has led to an increase in the number of middle-class households and more disposable income for them to invest in the capital markets.

> "Africa's capital markets are still relatively underdeveloped and face several challenges."

Challenges

Africa's capital markets are still relatively underdeveloped and face several challenges.

According to the World Bank, Africa's capital markets are relatively small and illiquid compared to other regions, with low levels of participation by retail investors and high levels of concentration among a few large firms.

Additionally, Africa's capital markets are often characterized by poor governance and weak regulatory frameworks, which can create barriers to entry for foreign investors and hinder the development of local markets.

The infrastructure of many African stock exchanges is not as developed as in other regions, which makes it difficult for companies to list and for investors to trade.

Another challenge is the lack of diversification, most African stock markets are dominated by a few sectors such as banking, telecommunications, and oil and gas, which makes them vulnerable to fluctuations in those specific sectors.

Furthermore, the lack of transparency and disclosure standards on many African exchanges can make it difficult for investors to assess the true value of a stock.

Opportunities

Africa's capital markets have been growing rapidly in recent years, and there are several opportunities for investors to consider. The continent's economy is on the rise, and the potential for growth is significant. However, it's important for investors to conduct thorough due diligence and research before making any investments and to be aware of the regulatory environment and political risks in each country and the different investment opportunities that exist in each market.

Infrastructure Development: Africa's infrastructure is in need of significant investment, especially in areas such as transportation, energy, and telecommunications. This presents opportunities for investors to invest in projects that will support economic growth and development. Such investments can include highways, railroads, ports, airports, power plants, and telecommunications networks.

Infrastructure Development: According to the AfDB, Africa faces an infrastructure gap of up to **$108bn** annually.

Real Estate: There is a growing demand for housing and commercial real estate in Africa, driven by population growth and urbanization. This presents opportunities for investors to invest in real estate development and construction. This can include residential, office, retail, and industrial properties.

Real Estate: Real estate projects in Africa in Africa are valued at about **$143bn.** Opportunities abound in countries such as Egypt, Kenya, Nigeria, Ghana and South Africa.

Financial Services: Africa's financial services sector is underdeveloped, providing opportunities for investors to invest in banks, insurance companies, and other financial institutions. This can include investments in payment systems, microfinance, and mobile banking.

Financial Services: According to McKinsey, Africa's financial services market could grow at about 10% per annum reaching **$230bn** in revenues by 2025.

Technology and Innovation: Africa's digital economy is growing with an estimated size of **$115bn** expected to reach **$712bn** by 2050.

Technology and Innovation: Africa has a growing technology sector, with opportunities in areas such as mobile banking, e-commerce, and renewable energy. This can include investments in fintech, online platforms, and tech-enabled services.

Natural Resources: Nearly half of the world's gold and one-third of all minerals are in Africa. In 2019, the continent produced almost 1bn tonnes of mineral worth **$406bn.**

Natural Resources: Africa is rich in natural resources, including oil, gas, and minerals. This presents opportunities for investors to invest in mining, oil and gas exploration, and other resource-related industries.

Agriculture: The size of africa's agriculture market is currently **$313bn** and estimate to rise to over $1 trn by 2030.

Agriculture: Africa has a large agricultural sector that presents opportunities for investment in areas such as crop production, livestock, and agribusiness. This can include investments in fertilizers, seeds, equipment, and storage facilities.

Private Equity: The total value of PE deals in Africa reached a record high of **$7.4bn** in 2021. As more businesses scale, this will continue to climb.

Private Equity: The increasing interest in Africa's economy and growth potential, is also attracting private equity investors to the continent, providing opportunities for growth-stage and later-stage companies to raise capital and scale their operations.

Consumer Goods and Services: Growing at a compound annual rate of 3.9% since 2010, Africa's consumer market is expected to reach **$2.1 trn** in value by 2025.

Consumer Goods and Services: Africa's rapidly growing population and rising incomes are creating opportunities for investments in the consumer goods and services sector, such as retail, food and beverage, healthcare and education.

Renewable Energy: The global renewable energy market size was estimated at **$US 1.1 trn** in 2022. It is expected to hit over **$2 trn** by 2030 with a CAGR of **8.6%**. Africa is poised to benefit from this growth.

Renewable Energy: Africa's need for energy is growing rapidly and the continent has abundant potential for renewable energy sources such as solar, wind, and hydro power. This presents opportunities for investors to invest in renewable energy projects and companies.

Impact Investing: The Global Impact Investing Network (GIIN) estimate the global impact investing market to be **$1.2 trn**. Impact investing is one of the most important vehicles for the closing of Africa's development gap and as such, this market will continue to grow.

Impact Investing: As Africa's economy continues to grow, there is also an increasing opportunity for impact investing which aligns financial returns with positive social and environmental outcomes. This includes sectors such as affordable housing, healthcare, and education.

Frontier Markets

Frontier Markets: Africa's capital markets are still considered as frontier markets and it presents opportunities for investors to gain exposure to an under-researched and under-explored market with relatively low correlations to other markets.

In summary, Africa's capital markets offer a wide range of opportunities for investors, across various sectors. However, as with any investment, it's important to conduct thorough research and due diligence to understand the potential risks and rewards involved.

Africa's economic and policy environments and the African Capital Markets

The economic and political environment in Africa plays a crucial role in the development and growth of capital markets on the continent. Factors such as economic growth, political stability, and government policies have a direct impact on the size, development, and attractiveness of capital markets for investment.

Economic growth is a crucial driver for the development of capital markets in Africa. Countries that have a strong and stable economic growth tend to have larger and more developed capital markets as there is a greater demand for capital to fund economic expansion. However, economic growth in Africa has been uneven, with some countries experiencing rapid growth while others have struggled to grow their economies. This has led to a wide range of variation in the size and development of capital markets across the continent.

> "The economic and political environment in Africa plays a crucial role in the development and growth of capital markets on the continent"

Political stability is also a crucial factor in the development of capital markets in Africa. Countries that are politically stable tend to have more developed capital markets as investors are more likely to invest in markets that are perceived to be safe and predictable. Political instability, on the other hand, can lead to uncertainty and a lack of investor confidence, making it difficult for capital markets to develop and attract investment. This is a challenge that many African countries have had to contend with, as there have been many instances of political instability on the continent. Government policies also have a significant impact on the development of capital markets in Africa. Policies such as market liberalization, deregulation, and privatization can create a more favorable environment for capital markets to develop and attract investment. However, governments in some countries may also implement policies that are not conducive to the development of capital markets, such as heavy regulation and state control of key industries. For example, some countries have strict regulations that make it difficult for foreign investors to participate in the capital markets, this limits the liquidity and size of the markets.

Infrastructure development is also key to the growth of capital markets in Africa. The lack of proper infrastructure such as reliable electricity, internet connectivity, and transport can make it difficult for capital markets to function efficiently. This can make it difficult for companies to raise capital and for investors to trade securities.

Regulatory environment is also a key challenge facing African capital markets, as weak legal and regulatory frameworks can make it difficult for capital markets to operate effectively. This can lead to a lack of investor protection and a lack of transparency, which can discourage investment in the capital markets.

To conclude, the economic and political environment in Africa plays a crucial role in the development and growth of capital markets on the continent. Factors such as economic growth, political stability, government policies, infrastructure development, and regulatory environment all have a direct impact on the size, development and attractiveness of capital markets for investment. However, for capital markets in Africa to thrive, addressing these challenges and creating an enabling environment for the markets to develop and attract investment is crucial.

Recessions and Africa Capital Markets

A global recession is a period of economic decline that occurs across multiple countries, characterized by a decline in gross domestic product (GDP), high unemployment, and decreased trade and investment. There is now a consensus among the major economic actors across the world that a recession is around the corner and will likely to materialize in the year 2023.

Africa's capital markets are relatively underdeveloped compared to those in other regions, with a small number of stock exchanges and limited liquidity. However, they have been growing in recent years and are considered to have significant potential for growth. Despite this potential, Africa's capital markets have been affected by past global recessions and are likely to be affected by future ones. The question is, to what extent?

Historical reactions of Africa's capital markets to global recessions

> "Overall, Africa's capital markets performed better than those in other regions, reflecting the continent's relative insulation from the global financial system."

A. 2008 Financial Crisis

The financial crisis had a severe impact on African economies, with many countries experiencing declining GDP and rising unemployment. The crisis also led to a reduction in foreign direct investment (FDI) and a decline in commodity prices, which further exacerbated the economic downturn. The crisis also led to a decline in the level of foreign investment in Africa, which affected the capital markets.

The response of Africa's capital markets to the crisis was mixed. Some markets, such as South Africa's Johannesburg Stock Exchange (JSE), experienced significant declines in stock prices, while others, such as Ghana's stock exchange, remained relatively stable. Despite the decline in stock prices, overall, Africa's capital markets performed better than those in other regions, reflecting the continent's relative insulation from the global financial system. However, it is important to note that the performance of Africa's capital markets can vary greatly depending on the country and sector, and the impact of the crisis was not evenly distributed. The African countries that were more integrated to the global financial system were the ones that were hit the hardest.

B. 2020 COVID-19 Pandemic

The COVID-19 pandemic had a severe impact on African economies, with many countries experiencing a decline in GDP, rising unemployment, and increased poverty. The pandemic has also led to a decline in trade and investment, as well as reduced access to financing for small and medium-sized enterprises (SMEs). The pandemic also affected the commodity prices that are a vital source of revenue for many African countries.

Similar to the 2008 financial crisis, the response of Africa's capital markets to the COVID-19 pandemic has been mixed. Some markets, such as the Nigerian Stock Exchange, saw a significant decline in stock prices, while others, such as the Egyptian Stock Exchange, remained relatively stable. The performance of Africa 's capital markets was also affected by the decline in commodity prices, which hit many of the continent's economies hard. In addition, the lack of liquidity in many of Africa's capital markets made it difficult for investors to exit their positions, exacerbating the impact of the crisis. However, some African stock markets managed to maintain stability or even recover during the pandemic, thanks to the measures taken by governments and central banks to mitigate the economic impact of the pandemic.

Predicted reaction of Africa's capital markets to a global recession today
The potential impact of a global recession on Africa's capital markets will depend on a number of factors, including the extent of the economic downturn, the severity of the financial crisis, and the ability of governments and central banks to respond.

> "Countries that are more dependent on oil, tourism, and other sectors that are highly affected by the recession would likely be hit harder."

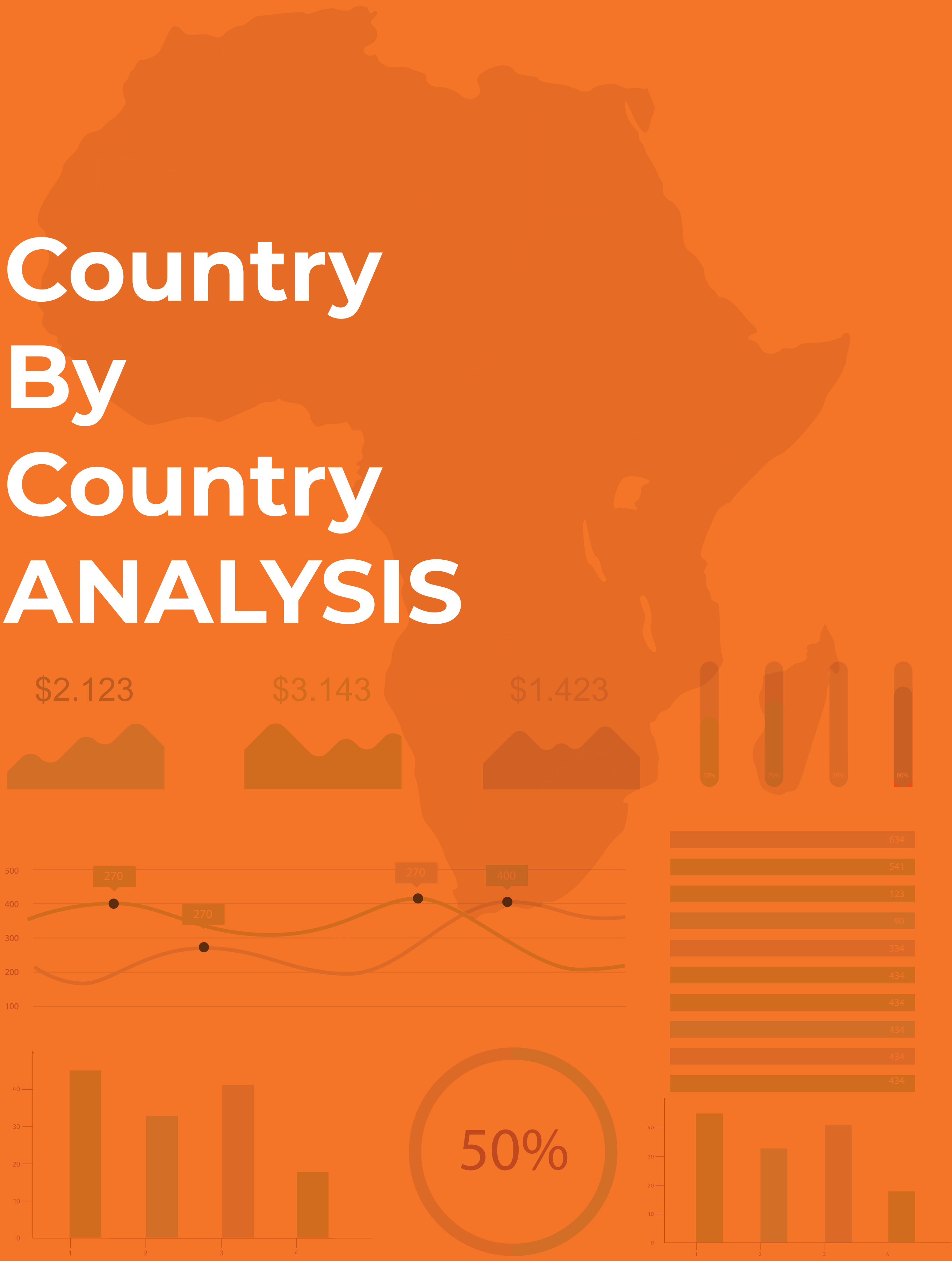
A global recession would likely have a severe impact on African economies, with many countries experiencing a decline in GDP, rising unemployment and increased poverty. The decline in commodity prices and reduced access to financing for SMEs would also likely exacerbate the economic downturn. Countries that are more dependent on oil, tourism, and other sectors that are highly affected by the recession would likely be hit harder. The response of Africa's capital markets to a global recession would likely depend on the specific circumstances of the crisis, but it is likely that stock prices would decline, as investors would be likely to reduce their risk exposure. Governments and central banks in Africa may implement measures such as monetary policy easing, fiscal stimulus, and liquidity provision to mitigate the impact of the recession on the capital markets. However, the effectiveness of these measures would depend on the specific circumstances of the crisis and the ability of the government to implement them effectively.

Moreover, some African countries may have limited resources or capacity to implement such measures, making them more vulnerable to the effects of a recession. Additionally, the measures that were effective during the pandemic, such as monetary policy easing, may not be as effective during a recession and different measures may need to be taken.

The potential impact of a global recession on Africa's capital markets highlights the need for investors to diversify their portfolios and for policymakers to implement measures to strengthen the resilience of the continent's capital markets.

Additionally, policymakers should focus on implementing measures to boost economic growth and promote economic diversification to mitigate the impact of future global recessions. This would include developing the necessary infrastructure and institutions to support a more diversified economy, as well as improving access to financing for SMEs and increasing foreign investment. This will not only help the capital market but also the entire economy to be more resilient to global recession.

Country By Country ANALYSIS



NIGERIA

$60.55bn
Equity Market Capitalization

$50.48bn
Debt Market Capitalization

157
Numbers of Listed Companies

19.3%
Equity Market Cap/GDP

16.1%
Domestic Debt Market/GDP

63,887.43 million
Equity Market Share Volume Traded

Macroeconomic Overview

GDP

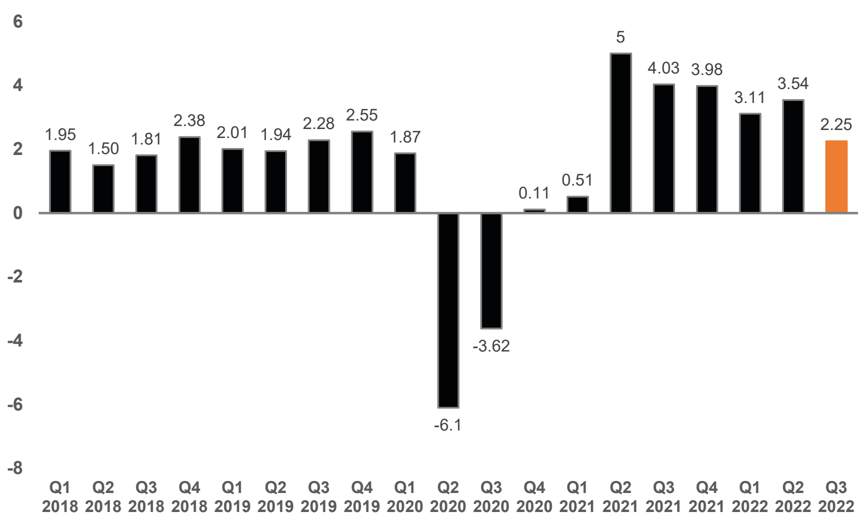
Despite the global economic turmoil and Nigeria's various economic challenges in 2022, the economy remained resilient, evidenced by the three consecutive quarters of growth in 2022.

Real GDP growth increased by 2.25% in the third quarter of 2022, the eight consecutive quarters of growth since Nigeria emerged from a short recession in 2020 pandemic year.

The growth was a slow down when compared to the previous quarters, where the economy expanded by 3.54% and 4.03% growth in Q3 2021. The slowdown in economic activities in Q3 2022 was exacerbated by the frequent collapse of the nation's power grid, fuel scarcity, rising inflation, volatile naira, and the recent flooding event that affected 33 out of 36 states in the country.

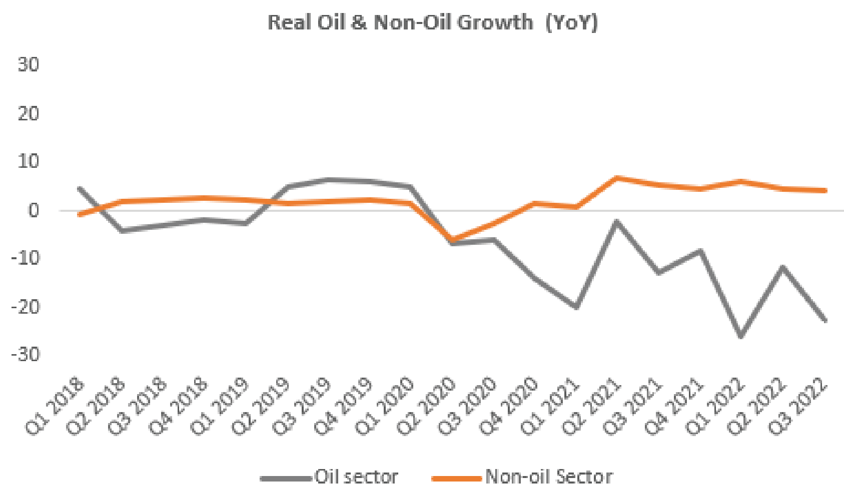
> Despite the global economic turmoil and Nigeria's various economic challenges in 2022, the economy remained resilient.

Real GDP Growth Rate (%)



Source: National Bureau of Statistics

The growth continued to be driven by the non-oil sector (+4.27%), with main positive contributions from information and communication; finance and insurance; transportation; agriculture and manufacturing.
The non-oil sector contributed 93.34% to Nigeria's GDP in Q3 2022, while the Oil sector contributed 5.66%.



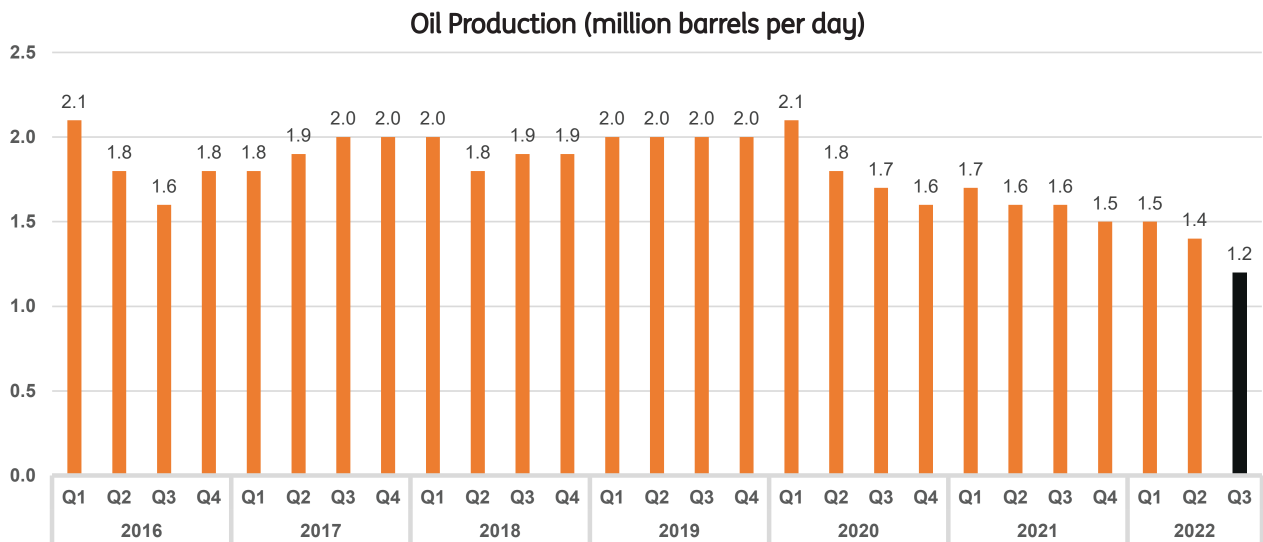
Source: National Bureau of Statistics

> Nigeria's oil production plummeted below 1 mbpd in September 2022, the worst production performance in over a decade.

The oil sector on the other hand, recorded a decline of 22.67% after a 11.77% plunge in the previous quarter, reflecting lower oil output as the average daily crude oil production stood at 1.2 million barrels per day in Q3 against 1.6 a year ago.

Nigeria's oil production plummeted below 1 mbpd in September 2022, the worst production performance in over a decade, thereby losing its position as the top producer of crude oil in Africa.

The country has continued to underperform in terms of production capacity and expected quota by the OPEC due to operational challenges amid limited investments in the oil and gas sector, rising costs, decaying infrastructure, insecurity, and theft.



Source: National Bureau of Statistics

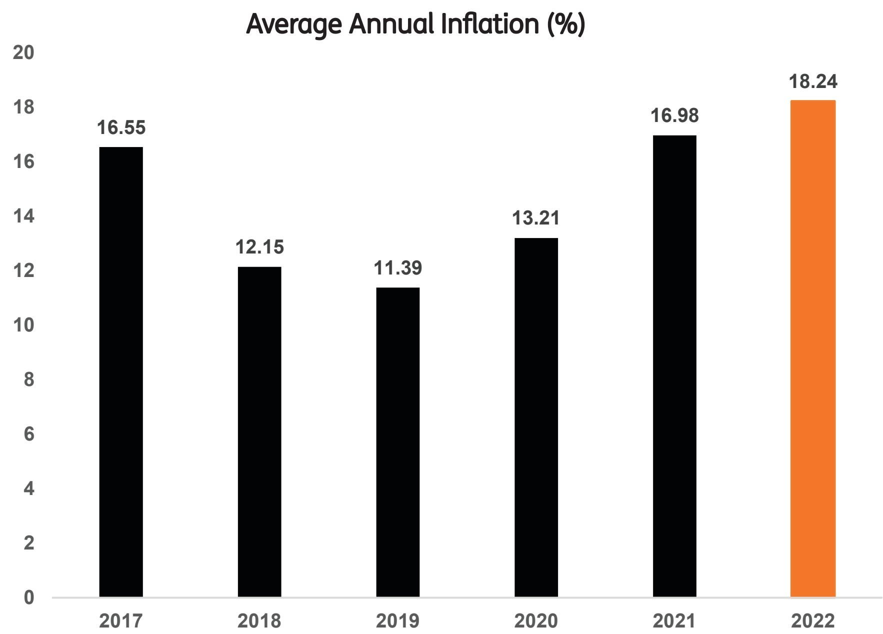
Outlook: We expect that Nigeria's economic growth will slow in 2023 as a result of the expectations of further rate hikes in 2023, the lingering FX challenges, flood damages on agricultural lands, unsolved fuel scarcity issues, and power supply issues.

The IMF recently revised Nigeria's growth outlook to 3% in 2023 from its previous projection of 3.2%. The world bank also revised its outlook for Nigeria to 2.9% in 2023 from a previous projection of 3%.

Inflation and Interest Rate

Inflation in Nigeria increased to a 17-year high in 2022 peaking at 21.09% in October 2022, the highest since September 2005. Both food and core inflation peaked at new highs as cost of living and misery index worsened. Rising inflation in Nigeria was caused by the ripple effect of the Russia-Ukraine war, exchange rate volatility, rising energy and transportation costs, and rising food prices.

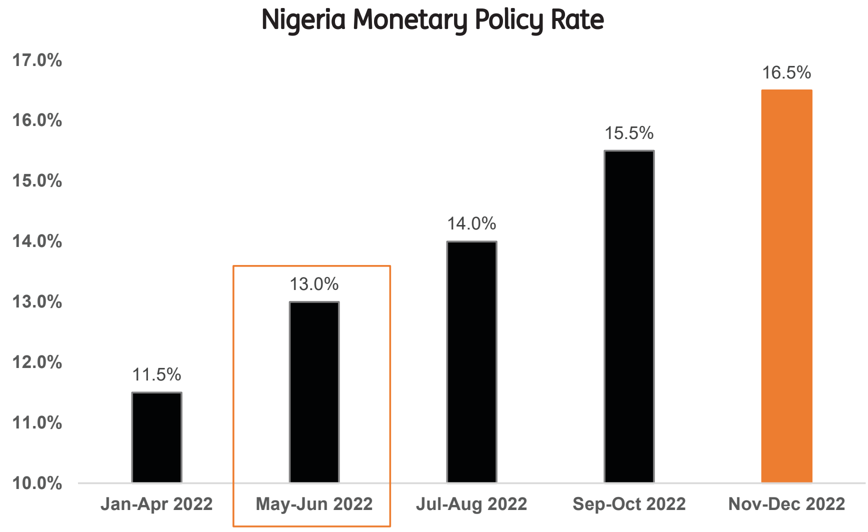
"Inflation in Nigeria increased to a 17-year high in 2022"



Source: National Bureau of Statistics

Amid the persistent inflationary pressure in Nigeria, the Central Bank of Nigeria increased the benchmark interest rate four times in 2022. However, inflation has continued to trend upward as systemic problems within the country and the high level of money supply has continued to add inflationary pressure on the economy.

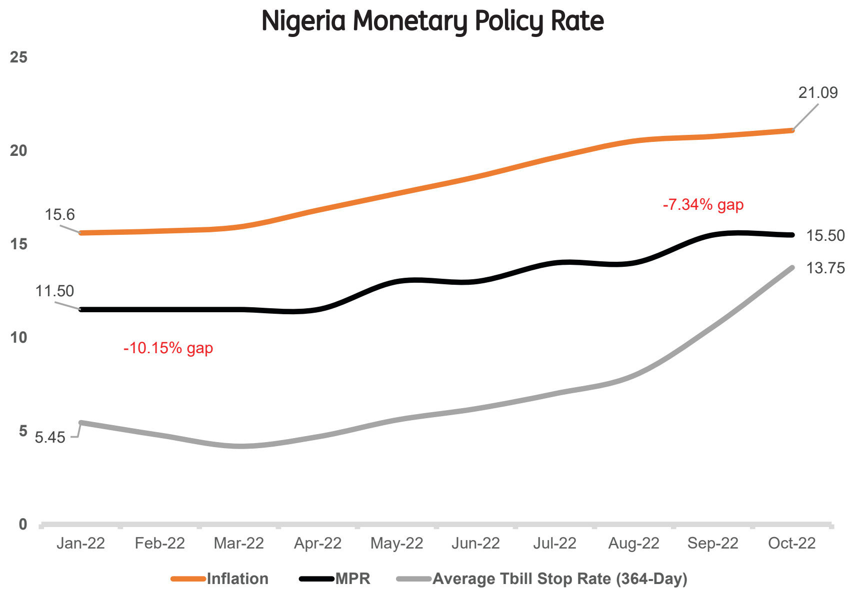
The major goals of the apex bank remain to stabilize prices as inflation in Nigeria has been in the double digit since 2016, way above the CBN's target of 6% - 9%, reignite the dwindling capital flows into the country, and limit currency volatility.



Source: National Bureau of Statistics, Central Bank of Nigeria

> Inflation in Nigeria has been in the double digit since 2016, way above the CBN's target of 6% - 9%.

Despite the 500bps addition to the monetary policy rate in 2022, real returns have remained negative owing to the consistent increase in inflation rate in Nigeria.



Source: National Bureau of Statistics, Central Bank of Nigeria

Outlook: We expect Inflation to continue to trend upwards in the short to medium term due to the intensified fuel scarcity across the country with little or no clarity on possible solutions, the ripple effect of the flood event on agriculture outputs, and the scarce and expensive foreign exchange. The world bank has projected that inflation in Nigeria will average 18.9% by the end of 2022, before easing to 17.3% in 2023.

As a result of this, the Central bank will launch additional rate hikes to reign in rising inflation. In addition, it might emulate the moves of advanced central banks. Also, we believe the rate hike exercise will moderate later in 2023, compared to the apex bank's aggressive stance in 2022.

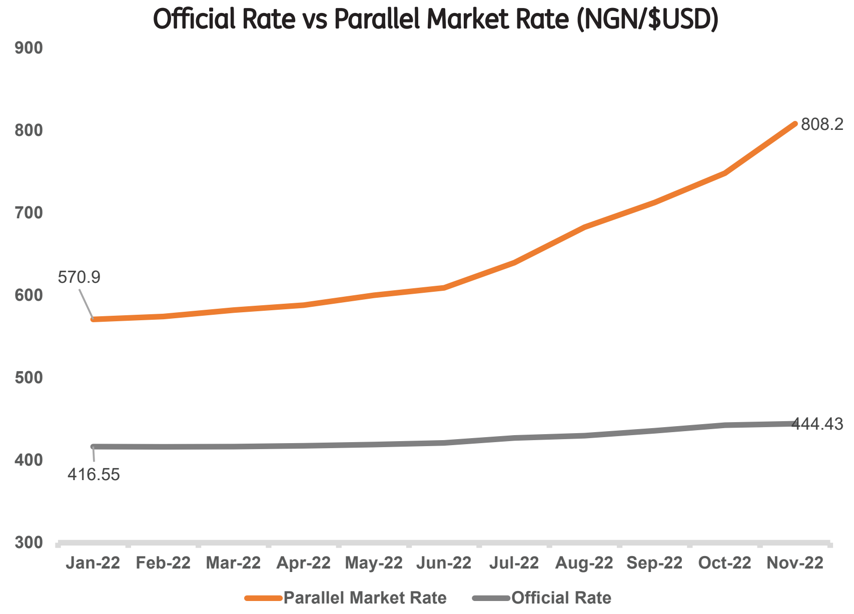
Foreign Exchange

Demand pressure at the FX market and limited foreign currency inflows in Nigeria pressured the naira in 2022.

“Demand pressure at the FX market and limited foreign currency inflows in Nigeria pressured the naira in 2022.”

While the naira was somewhat stable at the official market and is said to be among the best performing currencies across the world deprecating by just 7.2% against the dollar, the naira depreciated significantly against the dollar by over 30% at the parallel (black) market in 2022.

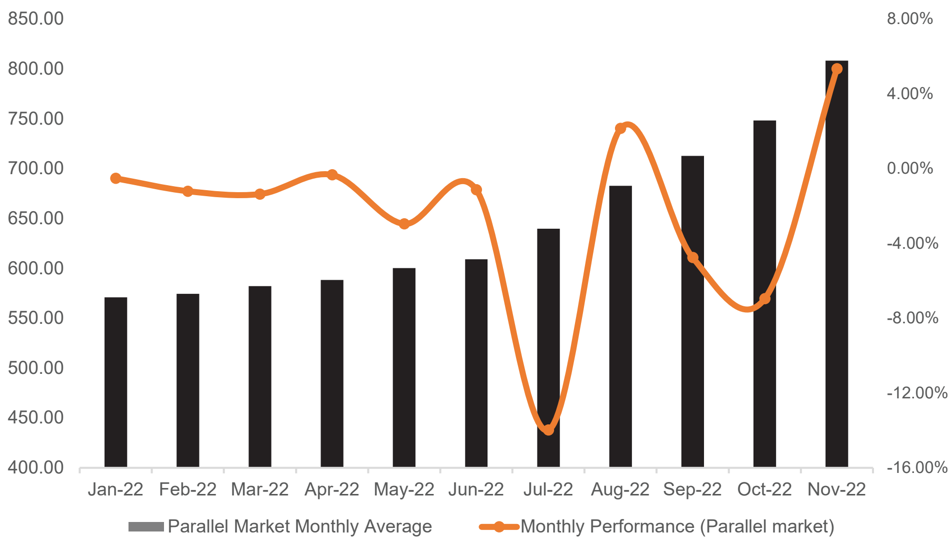
The failure to meet the demands at the official market, has forced many to turn to the black market, causing wide difference between the official and parallel market rate.



Source: CBN, Abokiprice.com

The heavy volatility of the naira can be attributed to the multiple exchange rate windows that have been adopted by the Central bank, the eradication of AbokiFX a platform that aggregated market rates to provide near perfect market information, discontinuation of sales of forex to Bureau De Change Operators and the heavy dependence of the Nigerian economy on importation.

Parallel Market Exchange Rate (NGN/$USD)



Source: abokiprice.com

Outlook: We expect that Nigeria will continue to experience FX challenges in 2023. Nigeria's foreign external reserves fell to $36.96bn in December 2022 from its all-time high of $62.08bn in 2008 as a result of declining capital inflows, shortfalls in diaspora remittances and decline in inflows of sales of crude oil.

We believe that there is a possibility of another devaluation of the naira by the central bank in 2023, to enable the reflection of current economic realities.

We expect the trend of falling reserves to be sustained in 2023 on the back of the limited foreign investment inflows and increasing FX demand barring any major structural reforms in the Nigerian FX market.

However, the possible removal of fuel subsidy will improve the growth of the reserves and provide the CBN with resources to defend the naira.

Fiscal Policy and Public Debt

Nigeria has consistently reported a negative fiscal stance because of its ceremonial aggressive revenue projections, volatility in the oil market and the inability of the government to widen its revenue base.

Nigeria's fiscal deficit to GDP has grown significantly from 1% in 2014 to 6.1% as of August 2022. This is significantly above the 3% of GDP recommended by the Fiscal Responsibility Act.

As of August 2022, the estimated fiscal deficit was N5.33 trillion, with oil income significantly falling short of projections by 72.9% and non-oil revenue only slightly outperforming by 2.9%.

Corporate Income tax revenue exceeded projection by 36.3%, while other sources of revenue remained depressed. While the government spent less on capital and recurring (non-debt) expenses, debt servicing performed worse than expected. This trend of rising cost of servicing debt will likely persist in the near term, barring any radical fiscal change.

> "This trend of rising cost of servicing debt will likely persist in the near term, barring any radical fiscal change."

NGN'Billion	Pro Rata (Jan-Nov)	Actual (Jan-Nov)	Variance
Total revenue (including Top 10 GOEs)	9,138.4	6,498.0	-28.9%
Revenue to GOEs	1,584.4	639.3	-59.7%
Retained revenue (excluding top 10 GOEs)	7,554.0	5,858.7	-22.4%
Oil	2,007.8	586.7	-70.8%
Non-Oil	**1,505.6**	**1,549.9**	**2.9%**
Corporate Income Tax	833.5	1,081.8	29.8%
FGN Share Customs Revenue	764.6	639.7	-16.3%
Value Added Tax (VAT)	290.3	295.2	1.7%
Independent revenue	2,398.2	1,318.4	-45.0%
Other Sources of Financing	1,259.6	1,937.0	53.8%
Total Expenditure	16,627.6	12,871.7	-22.6%
Recurrent (non-debt) Expenditure	6,516.2	5,007.3	-23.2%
Debt service (including sinking fund)	3,646.6	5,241.5	43.7%
Aggregate Capital Expenditure	5,715.3	1,877.7	-67.1%
Statutory transfers	749.6	745.2	-0.6%
Fiscal deficit	(7,489.2)	(7,013.0)	-6.4%
Deficit/GDP	5.7%	5.3%	1.0%
Debt service/Retained Revenue	48.3%	89.5%	47.8%
Recurrent non-debt Expenditure/ Retained Revenue	86.3%	128.2%	15.0%
Debt service/GDP	2.5%	3.6%	0.9%
Revenue/GDP	6.3%	4.5%	-2.5%
Expenditure/GDP	11.5%	8.9%	-2.1%

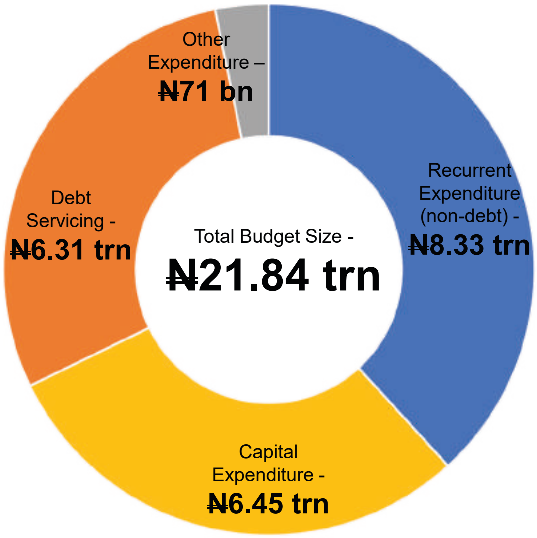
Source: Budget Office, National Bureau of Statistics

2023 Budget Overview

The federal government of Nigeria has approved a total budget size of N21.84 trillion for its 2023 fiscal year.

Total revenue available to fund the 2023 FGN Budget is estimated at N11.05 trillion, bringing the fiscal deficit to N10.78 trillion (49.4% of total budget) Debt service payment and recurrent expenditure (non-debt) will account for 67% of the entire expenditure in 2023.

Budget Breakdown



Source: Budget Office

Assumptions underlying the approved budget

Fiscal Parameter	2022 Approved Budget	2023 Approved budget
Benchmark oil price	US$62	US$70
Oil production volume (bpd)	1.88 million	1.69 million
Inflation Rate (%)	13%	17.16%
Average exchange rate	₦410.15	₦435.57
GDP growth rate	4.20%	3.75%

Source: Budget Office

Public Debt

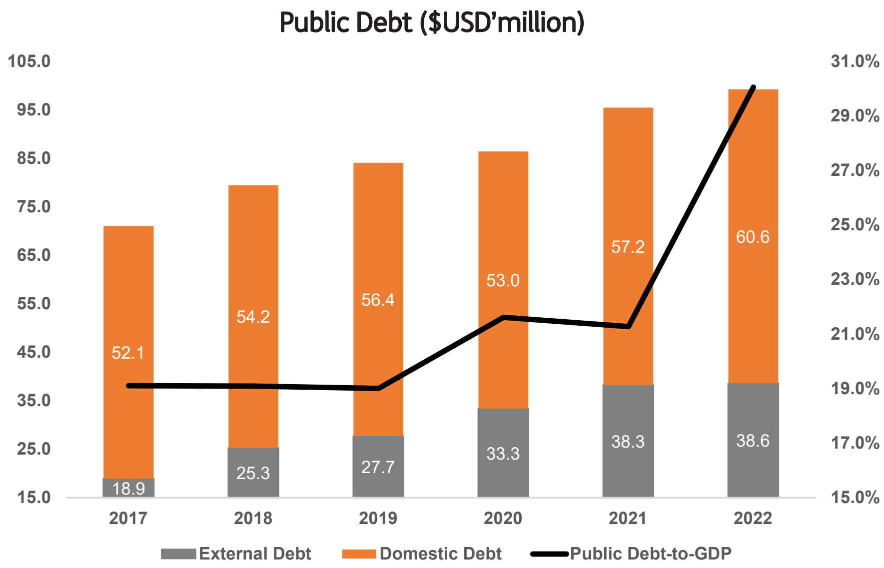
Nigeria's public debt level (domestic & external) have in recent time maintained an upward trajectory due to high-interest payments which has continued to absorb a sizable portion of federal government revenues.

Nigeria's total public debt (DMO) currently stands at 30.1% of GDP as of September 2022 from 21.3% in 2021. While this remains lower than most SSA peers - Ghana (75.9% of GDP) and Kenya (72.7% of GDP), its likely to breach the 40% IMF benchmark in the medium term.

The government of Nigeria has also continued to seek bailout from the Central Bank of Nigeria through its ways and means facility. The total debt owed by the government of Nigeria to the CBN currently stands at N22 trillion (USD$49.53 billion).

The Debt Management Office (DMO) of Nigeria is currently in the process of restructuring the ways and means loan, which could increase Nigeria's total public debt stock to about N77 trillion.

"The total debt owed by the government of Nigeria to the CBN currently stands at N22 trillion (USD$49.53 billion)."



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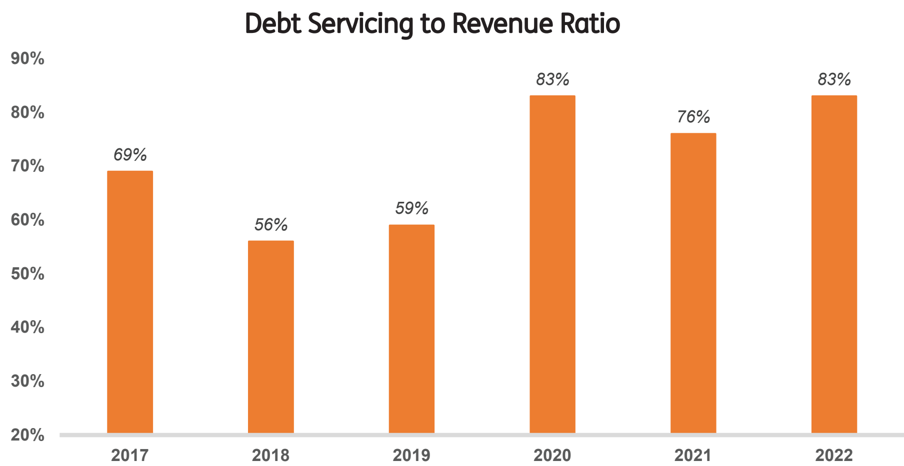


Source: DMO, National Bureau of Statistics

Outlook: Due to the Nigerian government's limited income sources and significant fiscal deficit in the 2023 budget, we believe that there will be renewed pressure to borrow in 2023.

The fiscal deficit in Nigeria's 2023 budget is estimated to be N10.78 trillion, or 53% of the total budgeted expenditures. As a result, the government will have to borrow more funds to finance the 2023 budget.

However, the expensive interest rate environment could limit the government's borrowing activities.

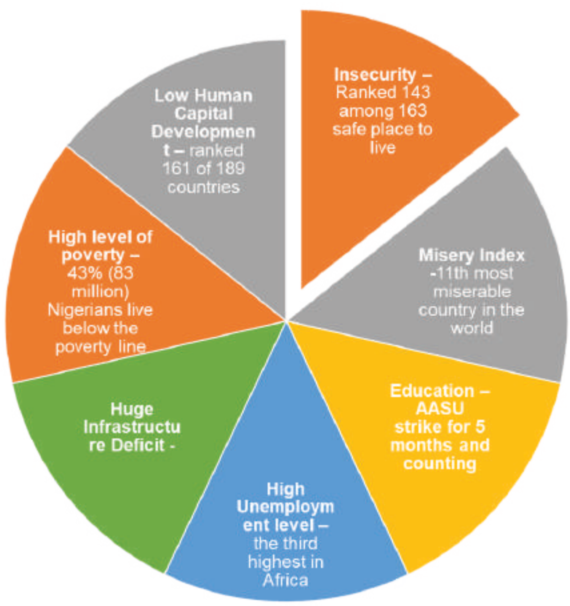
Nigeria 2023 Presidential Election

Nigeria's 2023 general election is receiving strong attention and is scheduled to hold on the 25th of February 2023.

We believe that the power of incumbency will no longer hold great advantage due to how the economy has deteriorated under the present administration.

Unlike previous elections, the major parties (APC & PDP) now have strong contenders; Peter Obi from Labour Party and Rabiu Musa Kwankwaso of the NNPP.

This election is coming at a period where economic challenges are at their worst levels in decades.



However, we believe that tides could turn in the 2023 presidential election as a result of anger and frustration from the general citizenry. The impact of incumbency is declining, and this is glaring as seen in the cases of Osun and Edo state where incumbent parties lost governorship elections during the course of the year. Vote buying, police purchase, compromising INEC & ballot box stuffing will be more difficult in 2023.

Where do the three presidential candidates stand on the key issues?

	Atiku Abubakar (PDP)	Bola Tinubu (APC)	Peter Obi (Labour Party)
Private sector driven growth	✓	✓	✓
Fully liberalised, single exchange rate	✓	✗	✓
Reduce public debt/GDP ratio	✓	✗	✓
Print money to finance budget	✗	✓	✗
Remove the fuel subsidy	✓	✓	✓
Increase headcount of security services	✓	✓	✓
Reform the civil service	✓	✓	✓
Introduce subnational state police	✓	✓	✓
Decentralise power sector	✓	✓	✓

Equities Market

Nigeria's stock exchange closed the year positive at 51,251.06 points with a year-to-date gain of 19.98% at the end of 2022 against 6.07% that was recorded in 2021. The gain on the Nigerian equities market was attributed to,

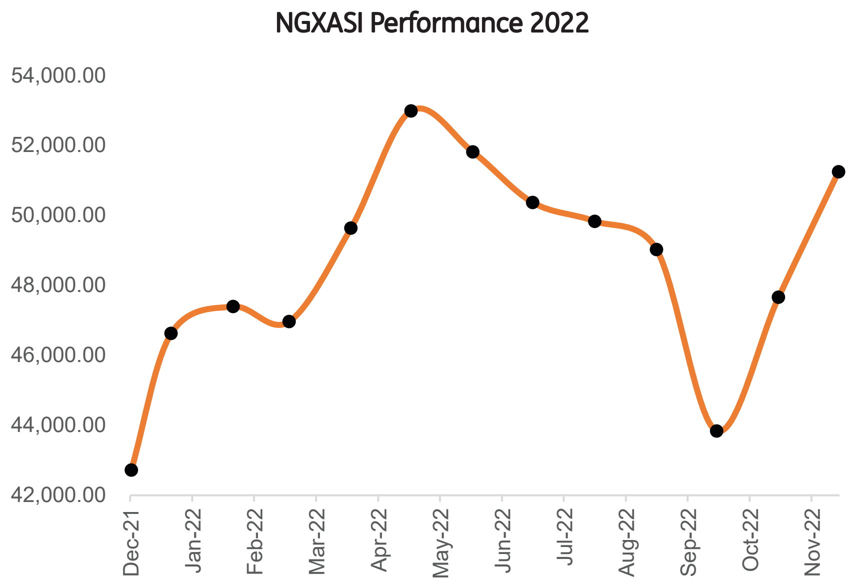
i. The dominance of domestic investors in the bourse which limited the impact of the usual capital flight when Central banks in advanced countries hike rates.

ii. New listings on the exchange that boosted market capitalization (BUAFOODS (+62.5%) and GEREGU Power (+49%)).

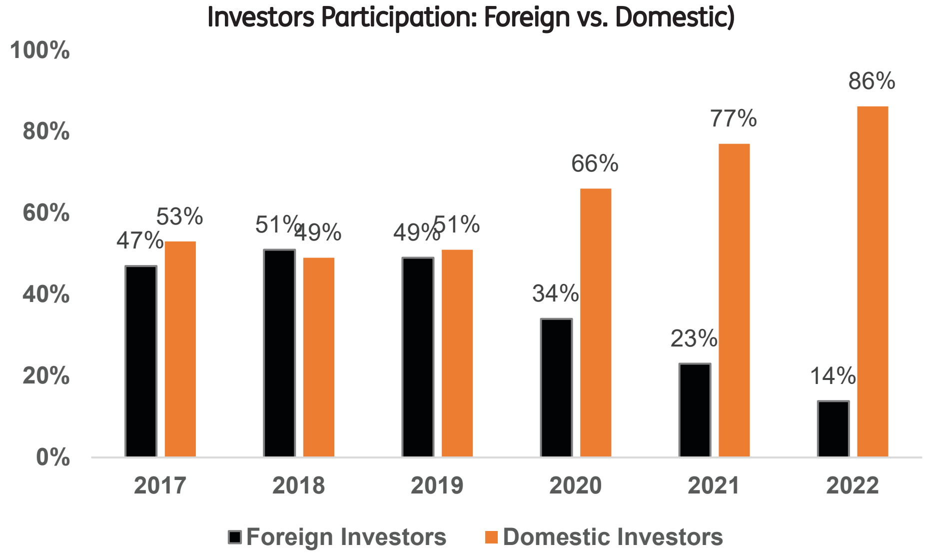
iii. Activities and gains on the heavily weighted stocks such as AIRTELAFRI (+71.20%), SEPLAT (+69.23%), and BUAFOODS (+62.5%).

iv. The strict rule on foreign capital flows also forced institutional investors to rebalance their portfolios.

Nigeria's stock market capitalization rose to $60.55 billion in 2022 from $48.37 billion in 2021.



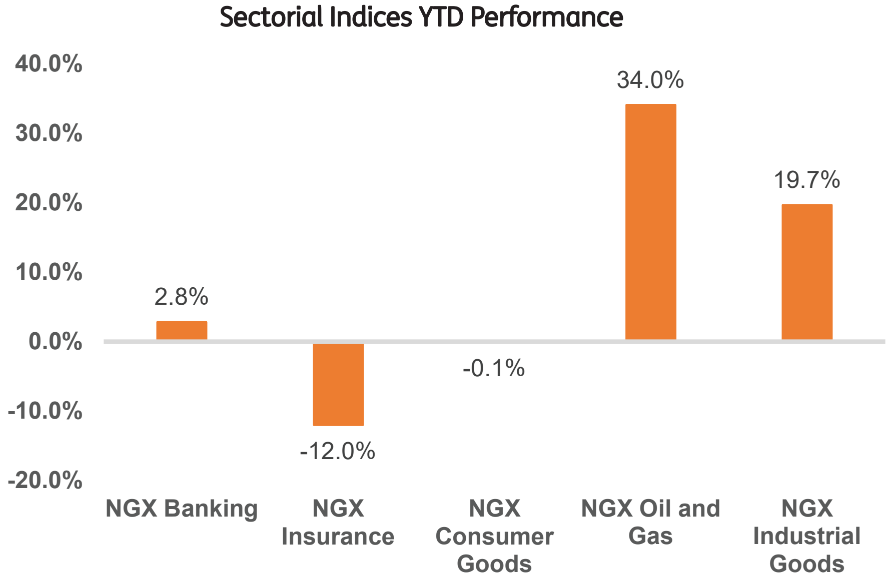
Despite the stellar performance, the market was pressured by rising

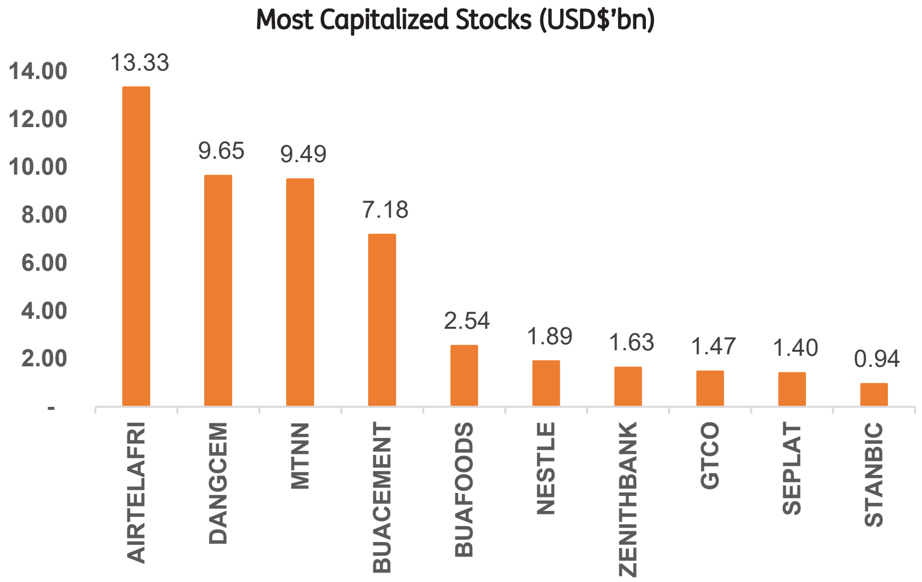


inflation that resulted in interest rate hikes by the Central bank of Nigeria. The effects of rising cost of doing business were more pronounced on the financial performance of consumer good companies.

The Oil and Gas sector remained the best performing sector in 2022, recording its second consecutive year of leading market gains.

Airtel Africa Plc flipped Dangote Cement Plc to become the most capitalized stock on the Nigerian Stok Exchange, while Seplat plc also joined the top 10 most capitalized stocks in 2022.





Major Market Events in 2022

- Three companies were delisted on the Nigeria Exchange: Studio Press Nigeria Limited, Union Diagnostic and Clinical Services Plc, and Access Bank Plc

- The market conducted three new listings on the bourse: Bua Foods Plc, Access Holdings Plc, and Geregu Power Plc.

- Listed companies on the Nigeria are now prohibited from holding unauthorized shares.
- The Securities and Exchange Commission of Nigeria approves NGX Technology Board Listing Rules.
- Nigeria Stock Exchange joined 13 others exchanges to commence cross-border securities trading.
- Nigerian Exchange Launched West Africa's first Exchange Traded Derivatives (ETD).

Outlook: we expect that the Nigerian stock market would maintain its positive trend in the near term to be backed by positive corporate financial performance and impressive dividend payments from the dividend paying stocks. However, the positive sentiment could be short-lived by the outcome of the 2023 general election, further rate hikes by the CBN and the general economic uncertainties.

IPOs and FOs in Nigeria

Initial public offerings (IPOs) in Nigeria have been relatively active in recent years. Many companies have gone public, and many more are expected to do so in the future. For example, in 2019, the telecommunications company, MTN Nigeria, raised around $500 million in an IPO. The government has also been pushing for more state-owned companies to go public as part of its economic reform program. The NSE also offers different listing requirements for small and medium-sized enterprises (SMEs) to make it easier for them to go public. The NSE also offers dual listings for companies to raise capital from the international market.

Further offerings (FOs) are also relatively frequent in Nigeria. These are typically done by companies that have already gone public and are looking to raise additional capital. FOs can be done through a variety of instruments such as secondary offerings of shares, rights issues, and private placements. The NSE also offers different types of bond listings, such as government bonds and corporate bonds, to raise capital for companies.

The Nigerian government has taken several steps to encourage more companies to go public and to develop the capital markets. For example, in 2019, the government introduced new regulations to make it easier for small and medium-sized enterprises (SMEs) to list on the NSE. Additionally, the Securities and Exchange Commission (SEC) has been working to develop the market infrastructure and to increase transparency and investor protection.

Foreign Investments

In terms of foreign investment, Nigeria has an open economy and welcomes foreign investment. The Nigerian government has also implemented various measures to attract foreign investment such as tax exemptions and subsidies. The NSE also allows foreign investors to trade on the exchange and own shares in Nigerian companies. The NSE also has a dedicated platform for foreign portfolio investors known as the Nigerian Automated Foreign Exchange (NAFEX) window, which allows for the free flow of foreign exchange in and out of the country.

However, the NSE is facing several challenges, including a lack of liquidity, volatility in the political and economic environment and a lack of investor confidence. Additionally, the market infrastructure and regulatory framework need to be further developed to attract more foreign investments. The NSE is also facing increasing competition from other exchanges in the region such as the Ghana Stock Exchange and the Johannesburg Stock Exchange.

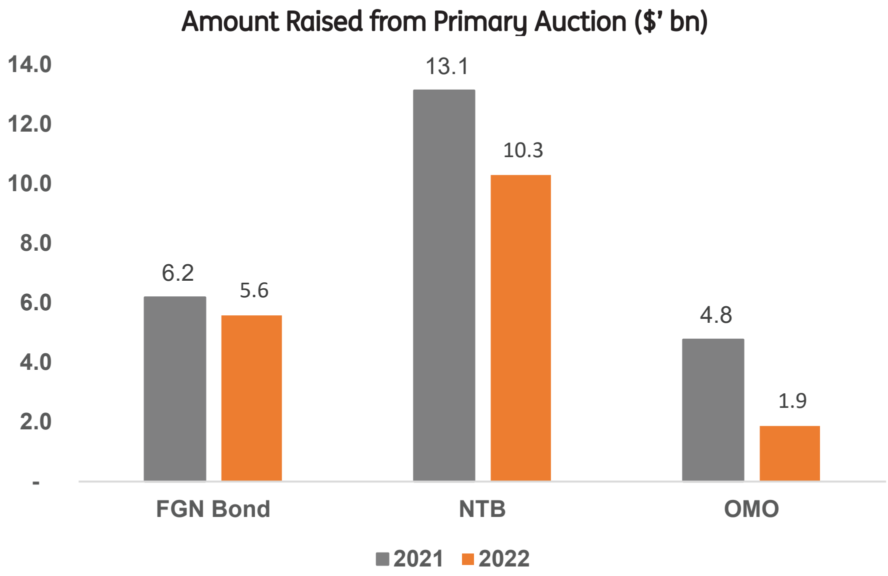
Debt Capital Market

A total of \$15.2 billion (N7,011bn) debt instrument was sold at primary debt market (FGN Bond, NTB, and OMO) in 2022, a decline of 36.9% from the \$24.1 billion (N11,104bn) that was raised in 2021.

A total of \$5.6 billion (N2,571bn) was raised by the federal government through the Debt Management Office in 2022, a 9.9% decline from what was raised (\$6.2 bn) in 2021.

The auction results from the FGN bond auctions for 2022 showed that borrowings increased by 10.6% - higher than the \$5.04 billion (2,324bn) borrowed in 2021.

The federal government's 2022 budget stood at \$37.57bn (N17.32trn) with a deficit of \$15.94bn(N7.35trn), leaving opportunity for a fresh borrowing of N6.1 trillion.



Source: CBN, DMO

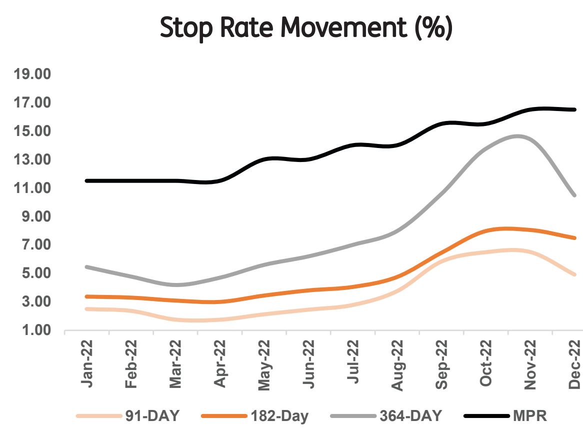
> The apex bank increased the monetary policy rate by a total of 500 basis points.

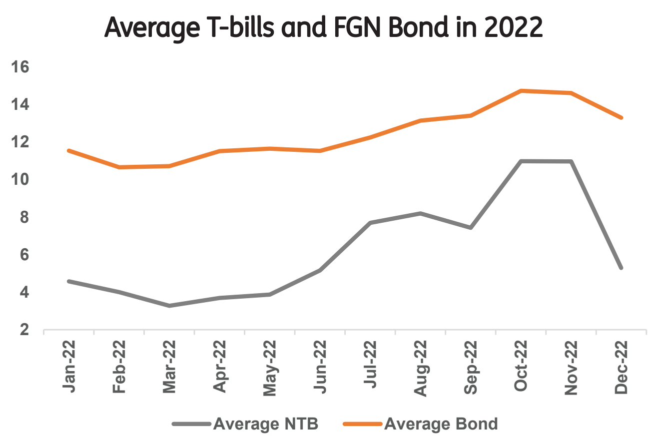
The DMO offered to raise 2.48 trillion in the bond market but eventually raised 2.57 trillion.

The course of the fixed income market in 2022 was determined by the central bank's monetary policy decision and the overall macroeconomic situation.

To tackle multi-decade high inflation in 2022, the apex bank increased the monetary policy rate by a total of 500 basis points.

The demand for higher yield and the tight interbank liquidity caused fixed income yield to maintain an upward trend in 2022.
The market experienced rising yields both at the primary and secondary





markets in 2022. However, the solid system liquidity in December caused yields to fall across the various fixed income instruments.

The consecutive rate hikes by apex banks in advanced countries, the macroeconomic uncertainties and the heavy fiscal pressure on the federal government of Nigeria triggered selloffs on Nigeria Eurobond instruments. Nigeria also suffered a rating downgrade on its credit rating from Moody, as its local currency and foreign currency long-term issuer ratings as well as its foreign currency senior unsecured debt ratings fell to B3 from B2, placing them on review for further downgrade.

The Federal Government of Nigeria also halted its $950 million debt issuance plan at the international market in 2022 due to high cost of borrowing.

The government of Nigeria has also hinted that it has no plan to raise fund at the international market in 2023.

Average yields on Eurobonds increased by 430bps to 11.5% in 2022, from 7.2% in December 2021.

Outlook: We anticipate that fixed income yields will trend higher in 2023, although with frequent fluctuations on the back of demand and supply activities.

Yields will remain elevated in 2023 as a result of the federal government of Nigeria's intention to finance a substantial portion of its 2023 fiscal deficit through the debt market.

Also, we expect that the Central bank will launch additional rate hikes in the first half of the year shadowing the decisions of the FED and other major central banks in the world who are projected to hike rates early on until the terminal interest rate is reached (the interest rate required to see inflation decline on autopilot without further interest rate hikes).

GHANA

$6.75 billion
Equity Market Capitalization

$230.68 billion
Debt Market Instrument Volume Traded

31
Numbers of Listed Companies

12.8%
Equity Market Cap/GDP

220.76 billion
Debt Total Transaction Value

1.34 billion
Equity Market Share Volume Traded:

Macroeconomic Overview

GDP

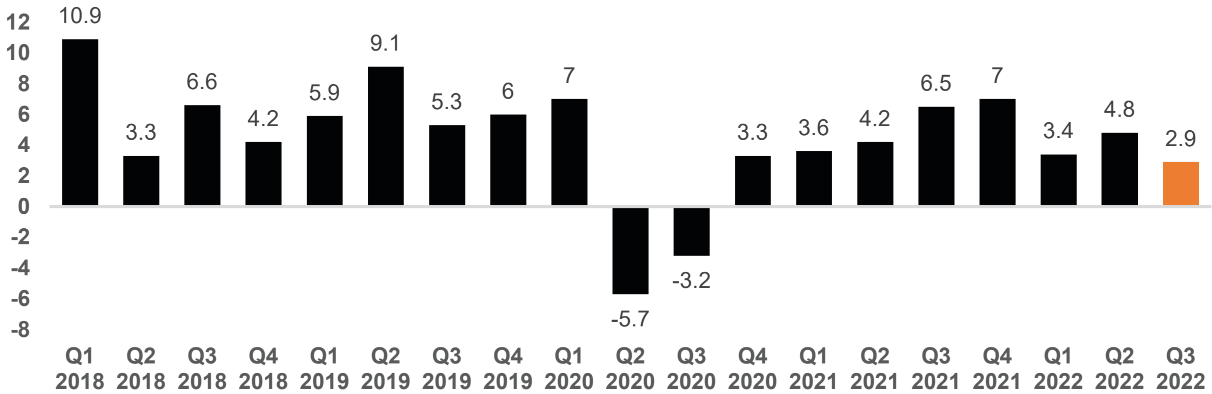
Ghana's recovery from the shock of the COVID-19 pandemic was hampered by the Russia-Ukraine crisis, which plunged the economy into one of its worst economic crisis in decades. Ghana operates a Guggisberg economy where the economy is designed to focus on the export of raw materials and importation of finished goods. As a result of its economic model, the country has experienced both fiscal and monetary challenges in 2022.

Despite the numerous challenges, Ghana grew on a quarterly basis in 2022, recording a growth of 2.9% and 4.8% in Q3 and Q2 2022 respectively.

It was the weakest expansion since a contraction was recorded in the third quarter of 2020, hampered by subdued growth in industry (0.9%), as a strong rise in mining (14.9%) was partly offset by a decline in manufacturing (-7.4%).

Agriculture, however, saw a notable 4.6% rise, whilst the services sector registered a growth rate of 3.9%.

Real Gdp Growth (%)



Source: Ghana Statistical Service, Bank of Ghana

Outlook: Ghana's economy showed resilience despite its fiscal troubles in 2022. We expect the country to continue its growth trajectory in 2023, however at a slower pace as rising prices and further rate hikes by the Bank of Ghana will weigh on private consumption and investments. Fiscal spending by the government is expected to be limited due to rising debt servicing cost as less spending by the government will weigh on consumption and spending. We also expect that the expensive local debt market will limit corporate borrowings for growth and expansion.

The world bank has also revised its growth projection for Ghana in 2023 to 2.7% from its previous projection of 2.8%.

Inflation and Interest Rate

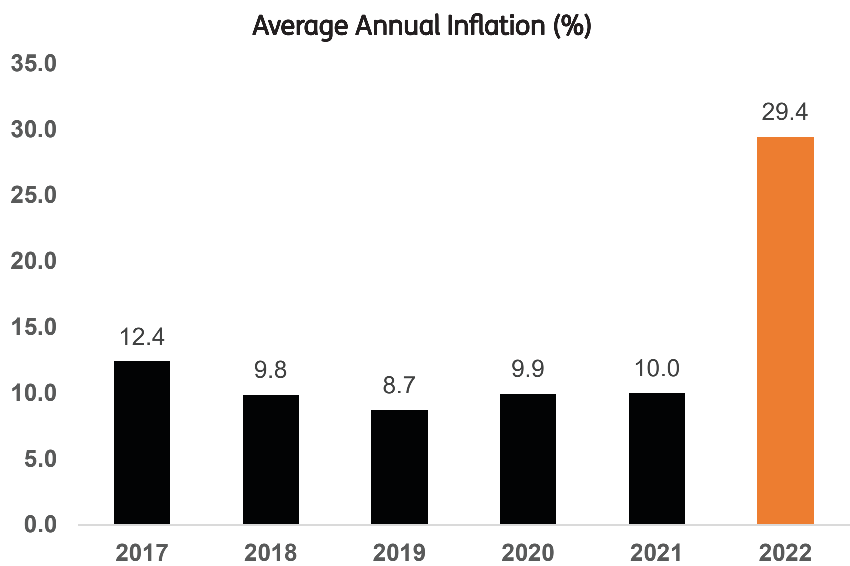
Ghana's annual inflation rate accelerated for the 18th straight month to 54.1% in December 2022, up from 50.3% in November. It was the highest reading since July of 2001 and well above the top of the central bank's target band of 6% to 10%, amid a strong depreciation of the cedi.

Cost of living in Ghana has risen to a 21-year high and economist believe that the actual inflation figure is more than twice the official rate.

The freefall of the cedi has continued to fuel inflationary pressure across the country. Petrol and diesel prices have jumped by more than 80% and 120% respectively.

Most public transport fares have increased by over 100% since January 2022. Likewise, water and electricity tariffs rose by over 20% respectively during the year.

According to the World Bank, Ghana has the highest food prices in sub-Saharan Africa, with prices soaring by 122% since January.

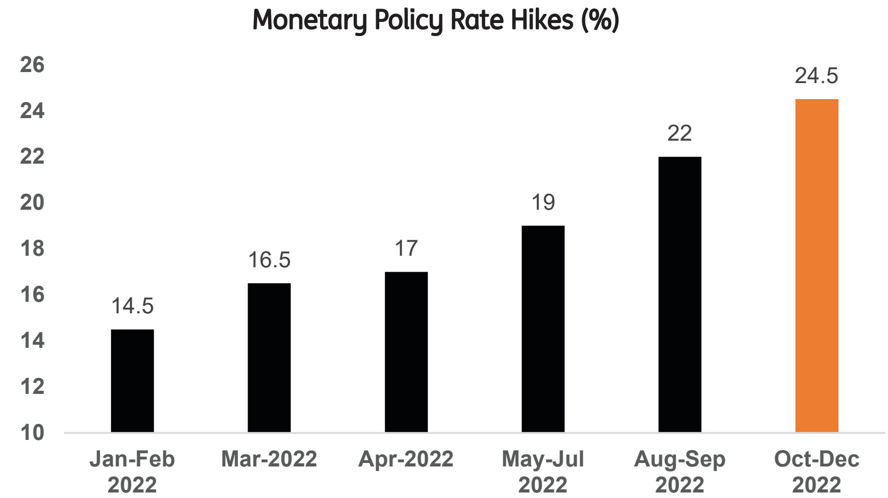


Source: Bank of Ghana

The world bank projected an annual inflation of 27.2% for Ghana in 2022, while inflation is expected to ease to about 20.9% in 2023.

However, the average annual inflation of Ghana stood at 29.4% in November 2022, double of what was recorded in 2021 and higher than the 27.2% estimated by the world bank.

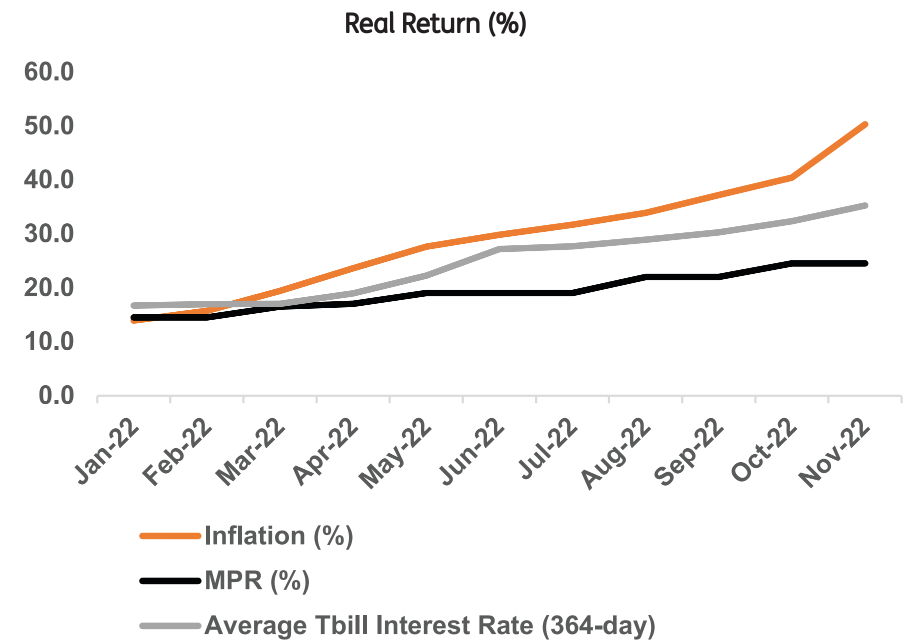
In response to the ravaging inflation in Ghana, the Bank of Ghana raised its interest rate aggressively. The Bank of Ghana increased its benchmark monetary policy rate by a total of 1000bps in 2022 in order to contain the strong inflationary pressures and support the cedi from further depreciation.



Source: Bank of Ghana

Monetary policy rate was increased to 24.5% in November from 22% in August the highest since 2017 as inflation remains elevated, stemming largely from pass-through effects of the currency depreciation, the recent upward adjustment in utility tariffs, and rising inflation expectations.

Despite rising interest rates, real interest rate has widened from a positive zone (+2.80% on Tbills and 0.60% on MPR) to a negative zone (-15% on Tbills and -25.80% on MPR) in November because of a faster increase in inflation rate.



Source: Bank of Ghana

Outlook: We expect that inflation will continue to trend upwards in the short-term, however in the medium term we expect it to begin to slow down.

The projected slow down is as a result of the newly secured staff-level agreement with the IMF for a $3 billion, three-year support package and the progress made on the restructuring of its bilateral debt under the G20 common framework platform.

We expect that as soon as Ghana's secures the IMF bailout, it will be able to support the cedi which has been fueling inflationary pressure and bring respite to rising cost of living.

Foreign Exchange

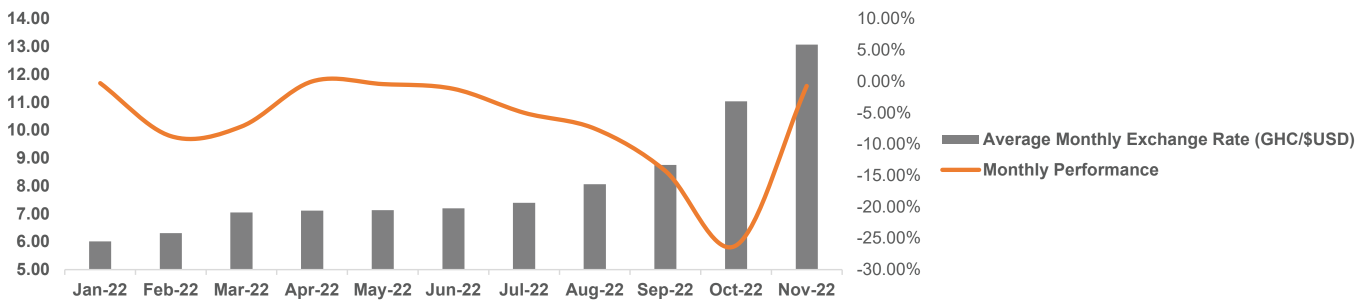
> "The cedi experienced severe volatility because of the resumption of business activities which caused an increase in demand for foreign currencies."

The depreciation of the cedi has always been a seasonal occurrence. The Cedi is usually at its worst between February and March, when international corporations with offices in Ghana repatriate profits and local companies who purchased products on credit before the end-of-year holiday season settle their debts.

The exchange rate was quite stable during the peak of the COVID-19 period (2020-2021), because imports slowed due to border closures by most countries. But as of the end of February 2022, the Ghanaian cedi experienced severe volatility. The cedi experienced severe volatility because of the resumption of business activities which caused an increase in demand for foreign currencies. The US Federal Reserve's rate hikes worsened the nation's reserve position as the nation's sovereign bonds were sold off. Additionally, Ghana was unable to generate sufficient forex as a result of limited inflows from exports and its inability to borrow money from the international capital market in 2022.

The cedi recorded its worst performance in October 2022 where it depreciated against the dollar by 26%.

Average Annual Inflation (%)



Source: Bank of Ghana

Outlook: The cedi is expected to remain volatile in the medium-term, however bailouts by the IMF will limit its freefall and bring it subtle stability. However, we believe that the government of Ghana will need to put in place a strong currency policy to ensure long-term stability of its currency.

Fiscal Policy and Public Debt

Ghana has consistently recorded a fiscal deficit, particularly in its election year. The budget deficit for the first half of 2022 outperformed budgeted estimate by 28.1% and currently stands at 4.8% of its entire gross domestic product (GDP).

Ghana has consistently recorded deficit in its fiscal budget due to its weak revenue mobilization capacity as a result of tax exemptions for large corporations, government cronies and corruption.

> "Ghana has consistently recorded deficit in its fiscal budget due to its weak revenue mobilization capacity"

As of June 2022, the estimated fiscal deficit was GHC37.8 trillion, with all revenue parameters falling short of projections.

Recurrent Expenditure and Interest payment (domestic and external) now accounts for 91% of the entire expenditure for the first half of the year. This trend of rising cost of servicing debt will likely persist in the near term, barring any radical fiscal change.

(GHC'Billion)	Pro Rata (Q1 + Q2)	Actual (Q1 + Q2)	Variance
Revenue	**43.4**	**37.8**	**-12.9%**
Taxes on Income and Property	16.6	15.3	-7.6%
Taxes on Domestic Goods and Services	14.0	12.4	-11.8%
International Trade Taxes	4.2	4.2	-1.9%
Non-Tax Revenue	7.1	5.5	-22.8%
Grants	0.3	0.2	-22.2%
Other Revenue	2.2	1.8	-15.9%
Total Expenditure	62.2	61.9	-0.5%
Recurrent Expenditure	39.6	36.4	-7.9%
Interest Payment (Domestic+External)	19.1	20.5	7.4%
Capital Expenditure	6.2	7.1	15.5%
Grants to Other Government Units	11.8	10.1	-13.7%
Fiscal deficit	(18.8)	(24.1)	28.1%
Deficit/GDP	-3.7%	-4.8%	-1.1%
Debt service/ Revenue	43.9%	54.2%	10.3%
Recurrent Expenditure/ Revenue	91.1%	96.4%	5.3%
Debt service/GDP	3.8%	4.1%	0.3%
Revenue/GDP	8.6%	7.5%	-1.1%
Expenditure/GDP	12.4%	12.3%	-0.1%

Source: Ministry of Finance Ghana

2023 Budget Overview

Ghana's government aims to aggressively mobilize revenue in 2023, through its tax measures and tax policies. Its primary revenue-generating strategies for 2023 include raising the VAT rate, reforming the excise tax, and restoring import benchmark prices.

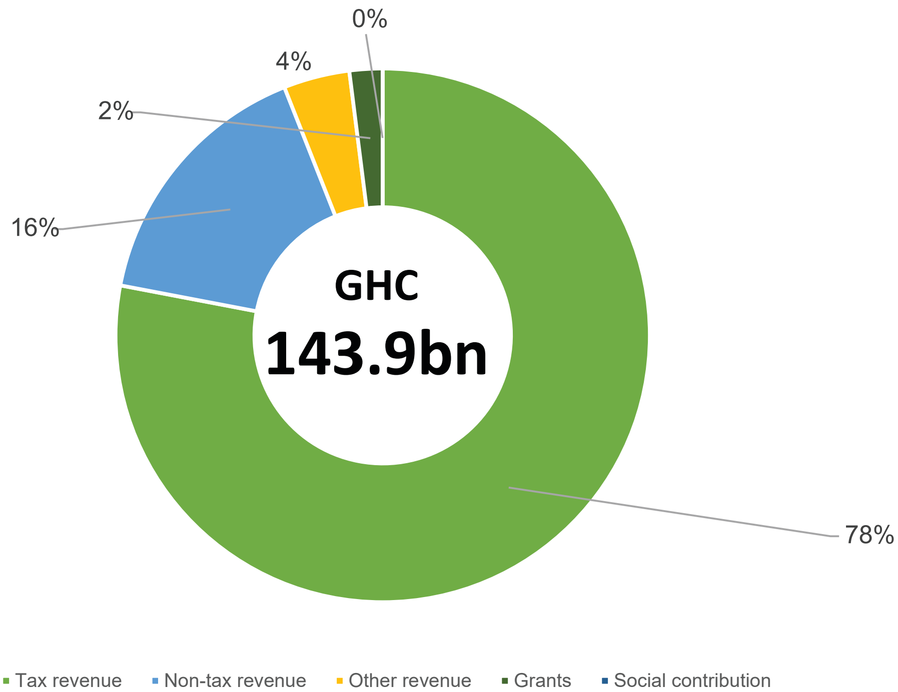
Although these policies may boost income, they are also likely to increase the cost of products and services for end users, which will aggravate the inflation situation.

Total revenue for 2023 is projected at GHS 143.9 billion compared to a revised revenue budget of GHS 96.8 billion in 2022 representing a 49% increase.

> The revenue projections for 2023 (48% over the amended budget for 2022) remains ambitious

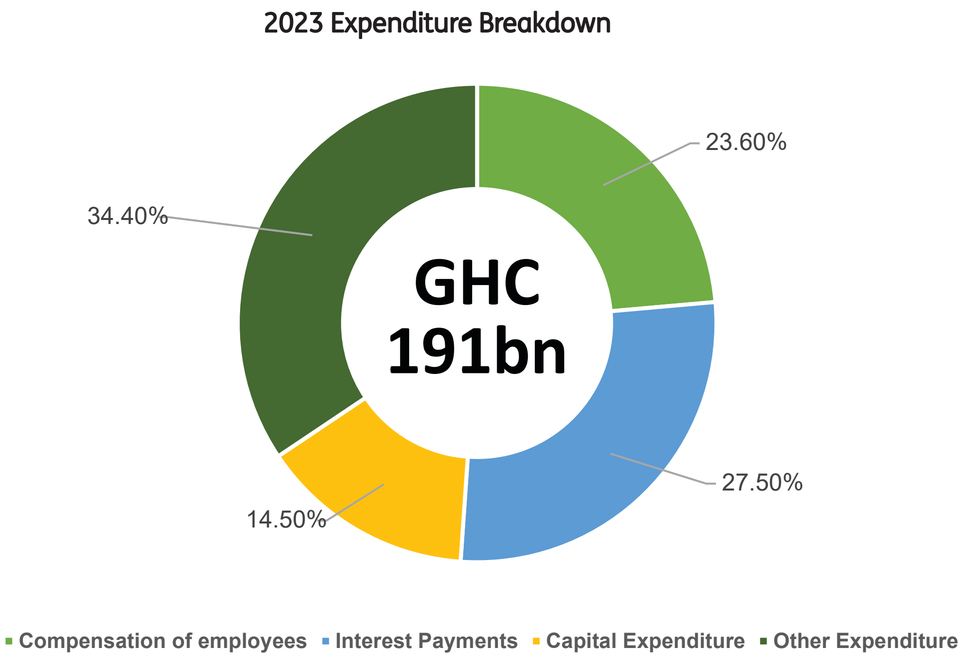
The revenue projections for 2023 (48% over the amended budget for 2022) remains ambitious as we expect that the further increases of taxes on business may result in overburdening of corporate entities amidst increased operating cost of businesses.

2023 Revenue Mobilization (GHS billion)



Source: Ministry of Finance, Ghana

The total estimated expenditure for 2023 is GHC191.0 billion, which is higher than the 2022 projected revenue outturn by 39.5%. The main drivers of the increase in budgeted expenditure are interest payments, compensation of employees, and grants to other government units.



Source: Ministry of Finance, Ghana

Public Debt

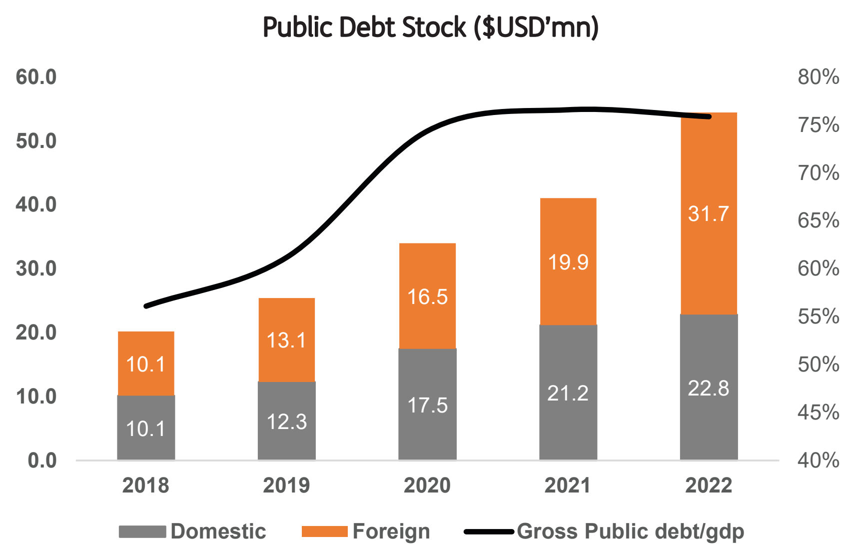
The provisional debt data as at end-September 2022 show a significant increase in Ghana's public debt stock largely due to exogeneous factors which had dire impact on the Ghanaian economy, putting immense pressure on the local currency.

> "Ghana's debt market was turbulent in 2022 as the debt level rose beyond a sustainable level."

Ghana's debt market was turbulent in 2022 as the debt level rose beyond a sustainable level. As a result of these, the country suffered multiple downgrades to junk status due to its unsustainable and growing debt.
The relegation denied access to global capital markets and prevented the raising of the US$2-3 billion Eurobond required to service its debts and support the Ghana cedi, which then went into freefall.

Ghana's debt now stands above 70% of its GDP and is projected to exceed 100% when the overall debt figure for 2022 is released. Debt now takes about 70% of its total revenue, leaving little room for other statutory obligations or investments in education, health, and infrastructure.

Ghana has begun restructuring its debt after defaulting on interest by rolling out a plan to swap $10.5 billion in local bonds with new ones, seeking IMF help, and it has prepared a proposal to restructure its foreign debt.



Source: Ministry of Finance, Ghana

Outlook: We expect Ghana's fiscal deficit to rise further in 2023 due to its ambitious revenue mobilization strategy. We believe that the current period of rising cost of doing business and the increment of taxes on corporates could increase the burden on business and slow business growth.

Ghana on the long run will need a solid economic overhaul to build a sustainable revenue pipeline. The government of Ghana will need to restore the Fiscal Responsibility Act cap that was suspended in 2020 due to COVID-19, reduce government size and discontinue all allowances and bonus, and also map out a national industrialization plan.

Nevertheless, we believe the governments revenue goal for 2023 will be attained through a radical and innovative tax compliance policies.

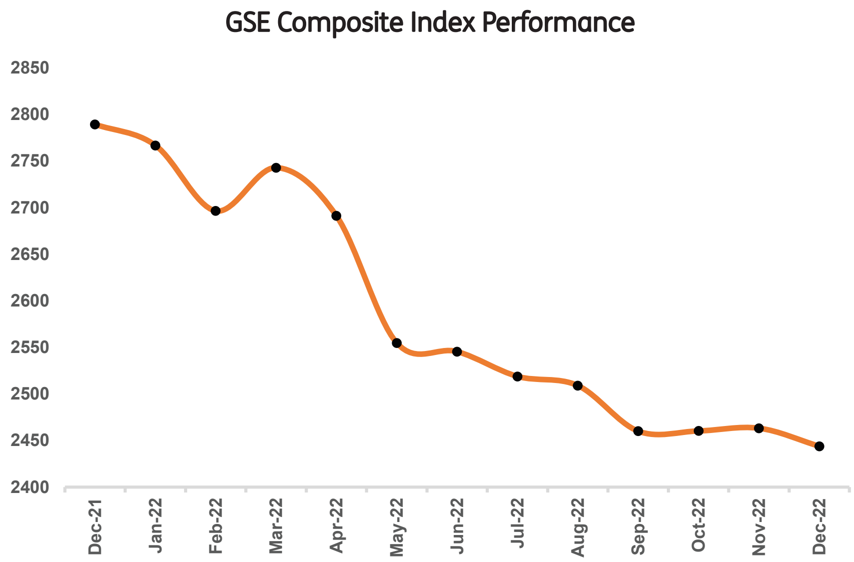
Equities Capital Market

Ghana Stock Exchange closed 2022 in red zone. The GSE Composite index, the most widely watched index closed the year at 2,443.91 points, down by 12.4% against 2789.34 points and a gain of 46.38% in 2021.

The rise in interest rates and inflation around the world had an impact on market performance, notably in Ghana, where the Bank of Ghana raised its benchmark interest rate by 1000 basis points in reaction to growing inflation.

Market sentiment was mostly negative in 2022 as a result of foreign investors fleeing for safety and the general unfavorable macroeconomic climate.

"Market sentiment was mostly negative in 2022 as a result of foreign investors fleeing for safety"



Source: Ghana Stock Exchange

Tullow Oil Plc flipped Anglo Gold Ashanti Limited to become the most capitalized stock on Ghana Stock Exchange in 2022. Likewise, Asante Gold Corp, Agricultural Development Bank, and Societe Generale Ghana Limited joined the topmost capitalized stock in the period under review.

Source: Ghana Stock Exchange

Major Market Events in 2022

i. The Ghana Stock Exchange (GSE) launched its ESG Disclosures Guidance Manual.
ii. Asante Gold Corporation Listed by Introduction on GSE.
iii. Ghana Stock Exchange (GSE) signed a historic Memorandum of Understanding (MoU) with the Jamaica Stock Exchange (JSE) to forge a stronger relationship across the stock markets.

Outlook: we expect the fixed income space to dictate the performance of the Ghana's stock exchange in 2023. We believe market sentiment will be negative in 2023 as a result of the current economic uncertainties, rising inflation and expected rate hikes by the Bank of Ghana.

IPOs and FOs in Ghana

Initial public offerings (IPOs) in Ghana have been relatively limited in recent years. A few companies have gone public, but the number of IPOs is relatively low compared to other markets in the region. For example, in 2020, the Agricultural Development Bank Limited, raised around $5.5 million in an IPO.

Further offerings (FOs) are also relatively rare in Ghana. These are typically done by companies that have already gone public and are looking to raise additional capital. FOs can be done through a variety of instruments such as secondary offerings of shares, rights issues, and private placements.

The Ghanaian government has taken several steps to encourage more companies to go public and to develop the capital markets. For example, in 2019, the government introduced new regulations to make it easier for small and medium-sized enterprises (SMEs) to list on the GSE. Additionally, the Securities and Exchange Commission (SEC) has been working to develop the market infrastructure and to increase transparency and investor protection.

Foreign Investments

In terms of foreign investment, Ghana has an open economy and welcomes foreign investment. The Ghanaian government has also implemented various measures to attract foreign investment such as tax exemptions and subsidies. The GSE also allows foreign investors to trade on the exchange and own shares in Ghanaian companies.

However, the GSE is facing several challenges, including a lack of liquidity, and volatility in the political and economic environment. Additionally, the market infrastructure and regulatory framework need to be further developed to attract more foreign investment.

Debt Capital Market

Ghana's fixed income market was turbulent in 2022 as yields trended upward for most of 2022. The consecutive rate hikes by apex banks in advanced countries, the debt crisis, multiple creditworthiness downgrades, multi-year high inflation among others caused selloffs on Ghana's fixed income instruments.

Ghana also suffered a multiple downgrade rating on it credit rating from Moody, Fitch and the S & P, as a result the country was to raise capital at the international market to service its debt and support the Cedi from a freefall.

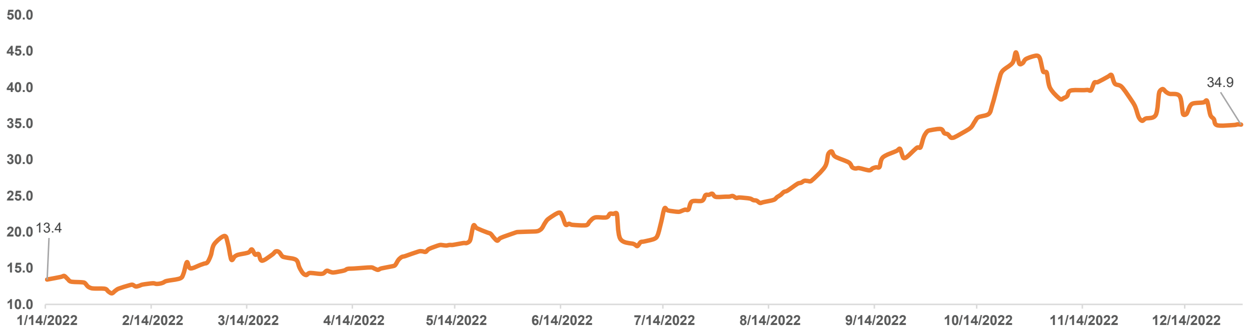
Average yields on Eurobond instrument increased by 1600bps to 34.9% as of December 2022, from 13.4% at the start of 2022.

> Ghana also suffered a multiple downgrade rating on it credit rating from Moody, Fitch and the S & P

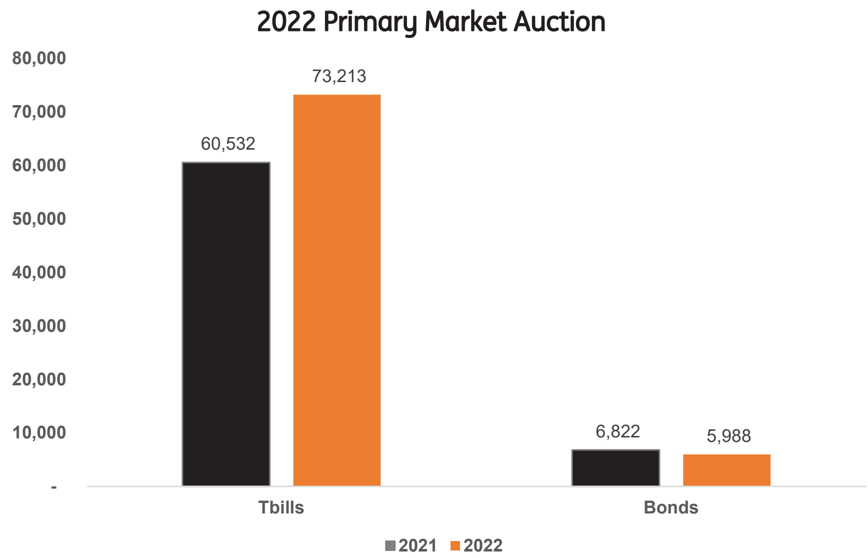
Ghana's Fixed Income Market (GFIM) recorded four (4) corporate issuances against seven (7) corporate issuances, showing a decline in corporate issuances in 2022. These can be attributed to the high interest rate environment which deterred private companies from raising funds in the debt market.

Bank of Ghana Treasury bills issuances increased by 21% (GHC 73,213m) in 2022, from GHC60,532 million that was issued in 2021. The issuance of bond on the other hand declined by 12% (GHC5,988m) in 2022, from the GHC6,822 million that was issued in 2021.

Ghana Eurobond Yield (%)



Source: Bloomberg



Source: Bank of Ghana

Outlook: We anticipate that the fixed income yield will trend higher in 2023, although with frequent fluctuations on the back of demand and supply activities.

Yields will remain elevated in 2023 as a result of the government of Ghana intention to finance a substantial portion of its 2023 fiscal deficit through the debt market.

Also, we expect that the Bank of Ghana will launch additional rate hikes in 2023, as inflation has continued to rise sporadically.

SOUTH AFRICA

$1,268.89 billion
Equity Market Capitalization
(as of November 2022)

$249.27 billion
Debt Market Capitalization
(as of November 2022)

350
Numbers of Listed Companies

340.2%
Equity Market Cap/GDP

66.8%
Domestic Debt Market/GDP

456,297 million
Debt Market Instrument Volume Traded
(11 months)

76.251 million
Equity Market Share Volume Traded
(11 months)

Macroeconomic Overview

GDP

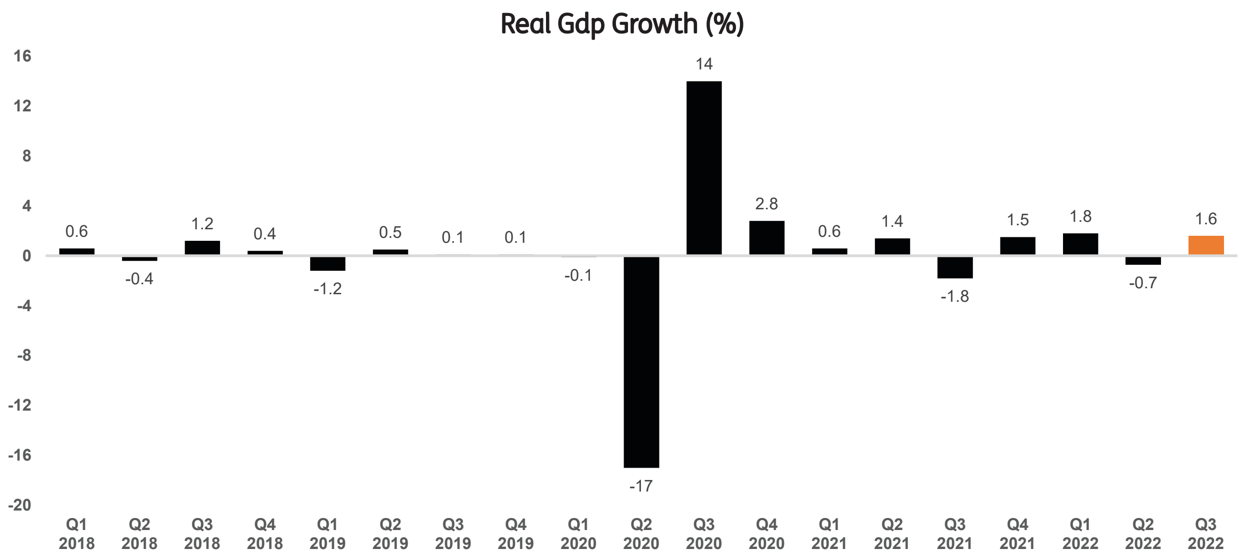
South Africa's economy grew by 1.6% in the third quarter of 2022 after declining by -0.7% in the second quarter of the year. Growth has been unstable due to structural constraint and the impact of the risks and uncertainties in the global economic climate.

In 2022, South Africa experienced more than usual Industrial actions from workers, intensified and continuous load shedding by the electricity supplier, fuel price pressures, flooding in some parts of the country, lingering political uncertainty, and higher interest rates all contributing to the dwindling level of activities in many primary and secondary sectors.

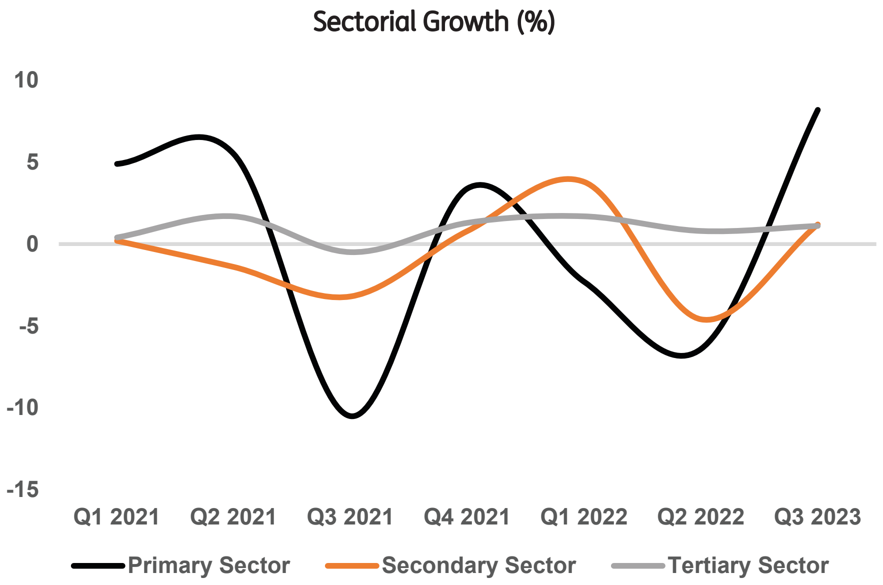
> "The size of the economy now exceeds pre-pandemic levels"

The size of the economy now exceeds pre-pandemic levels. Real gross domestic product (GDP), measured by production, was R1,161 billion (constant 2015 prices) in the third quarter, which is above the previous peak of R1,152 billion recorded in the fourth quarter of 2018.

In Q3 2022, the primary sector saw an 8.2% increase and contributed 0.6% to overall GDP growth after two consecutive quarters of decline. This improvement was driven by increased output in both the mining and agricultural industries. Additionally, the secondary and tertiary sectors also experienced growth during this time.



Source: Statistics South Africa



Source: Statistics South Africa

Outlook: The economic outlook for South Africa in 2023 will be largely influenced by global factors, the state of Eskom, and the government's ability to implement policies. However, businesses and individuals in South Africa are expected to face another difficult year, characterized by high inflation, rising interest rates, high unemployment, power outages, and limited growth, creating a difficult economic environment.

We expect growth to continue to perform below potential in 2023. The World Bank has also projected a growth of 1.4% for South Africa in 2023.

Inflation and Interest Rate

South Africa's annual inflation rate eased for the second month to 7.4% in November of 2022, from 7.6% in October, matching market expectations but still above the upper limit of the South African Reserve Bank's target range of 3%-6%.

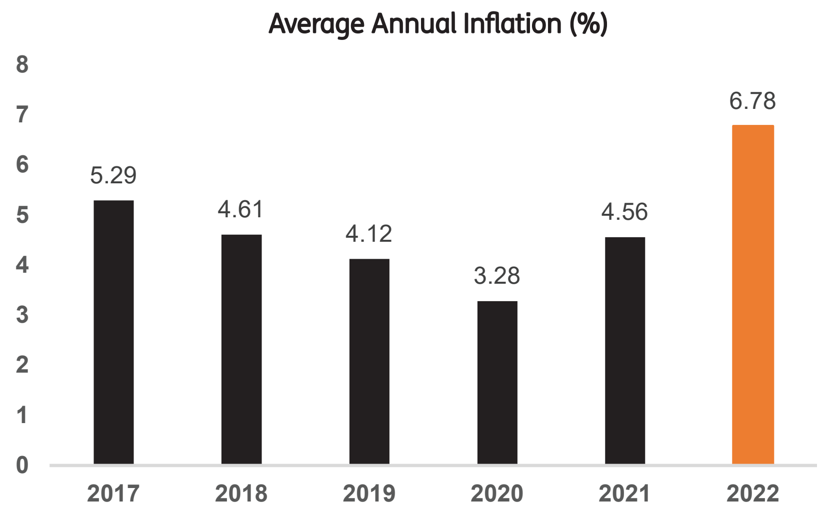
South Africa's annual inflation rate eased to 7.6% in August of 2022, from an over 13-year high of 7.8% in July, above market expectations of 7.5% and the upper limit of the South African Reserve Bank's target range of 3%-6% for a fourth straight month.

Core inflation has remained relatively high, while food inflation has continued to rise in South Africa, offsetting some of the effects of softening fuel price pressures.

South Africa's average annual inflation peaked at 6.78% as of November 2022, the highest since 2008.

"South Africa's average annual inflation peaked at 6.78% as of November 2022, the highest since 2008."

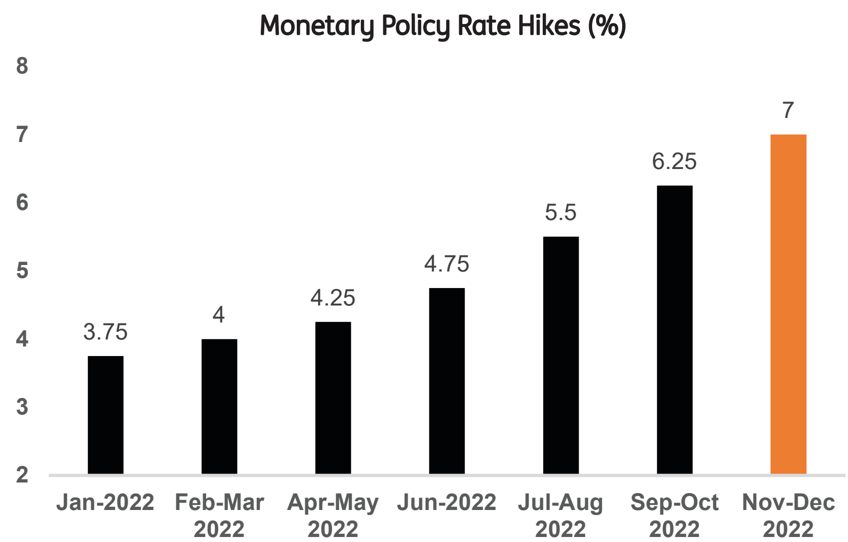
The world bank projected a 6.7% annual inflation for South Africa in 2022 and has also projected that inflation will ease to 5.1% in 2023.



Source: Statistics South Africa, Reserve Bank of South Africa

> The national government financed the deficit primarily by issuing long-term bonds in domestic financial markets

The South African Reserve Bank raised its benchmark repo rate by a total of 325bps in 2022. The apex bank launched its 6th consecutive hike in October, to anchor inflation expectations more firmly around the mid-point of the target band and achieve the inflation target in 2024.



Source: Reserve Bank of South Africa

Outlook: We believe the current high inflation trend will stretch into 2023 in the medium term as the performance of the South African rand will shape the inflationary trajectory for the next fiscal year.

While some global producer prices and food inflation have decreased, the ongoing conflict in Ukraine and Russia continues to affect global prices, and the oil market is predicted to remain tight, which could further push prices up. Additionally, prices for electricity and other administered prices by the government also present a potential risk in the medium-term.

We expect that advanced economies will continue to hike rates as inflation continues to be way above their targeted limit. Likewise in South Africa, we expect the reserve bank of South Africa to continue its rate hike exercise until inflation reaches its desired target.

The world bank has projected that inflation will ease in South Africa to 5.1% in 2023, from a projection of 6.7% in 2022.

Foreign Exchange

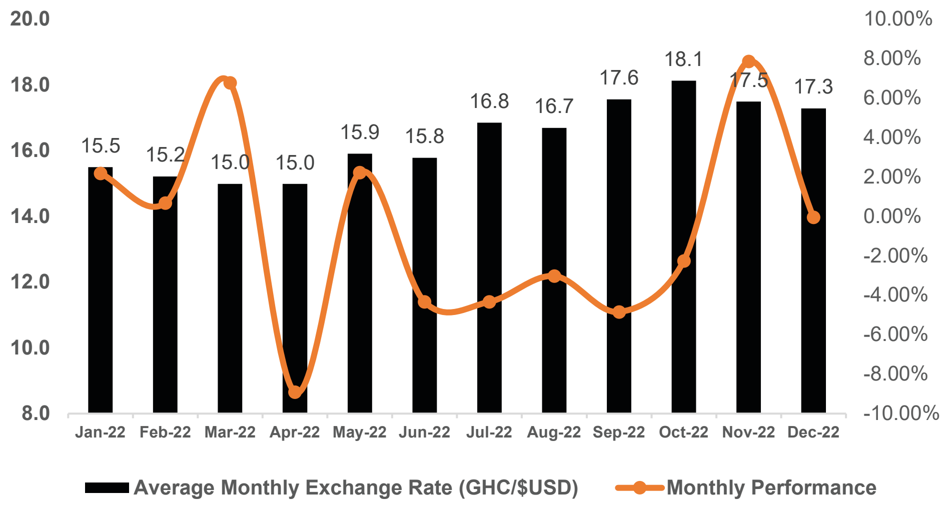
The South African rand was volatile in 2022 and it peaked at a monthly average of R18.1/USD in October, the highest since 2020.

The biggest loss was recorded in April 2022 (-8.93%), however the Rand recovered but the gains were impeded by the US federal reserve's rate tightening to tame rising inflation in the US as well as the associated global tide of risk-off sentiment, on the back of the ongoing war between Russia and Ukraine, which has affected global trade flows and commodity prices. Also, On the domestic front, the South African rand weakened as the country grappled with prolonged worker strikes arising from wage disputes and load shedding due to production failures at several Eskom power stations.

> "The Rand was down against the dollar by -6.44% on a year-to-date basis by 2022 ending."

The Rand was down against the dollar by -6.44% on a year-to-date basis by 2022 ending.

Foreign Exchange Rate (ZAR/$USD)



Outlook: We expect the global and domestic economic events to shape the performance of the rand in 2023.

Fiscal Policy

The national government's deficit for the first half of fiscal year 2022/23 (April-September 2022) was R38.5 billion lower compared to the same period in the previous year, due to a faster growth in revenue relative to growth in expenditure, reaching a total of R164.0 billion.

The national government financed the deficit primarily by issuing long-term bonds in domestic financial markets. Additionally, the primary deficit also decreased significantly compared to the same period of the previous fiscal year.

During the first half of fiscal year 2022/23, the national government's total expenditure rose by 2.7% year-over-year to R948.6 billion, primarily due to increased equitable share transfers to provinces and increased interest payments on national government debt.

While revenue performance against benchmark was below performance in the first half of 2022/23 fiscal year, fiscal position improved against the previous fiscal period.

(R'Billion)	Pro-rated (Apr-Sep)	Actual (Apr-Sep)	Variance
Revenue	**847.3**	**784.6**	**-7.4%**
Taxes on Income and Profit	485.2	465.8	-4.0%
Taxes on Property	11.5	11.4	-0.9%
Taxes on goods and services	296.3	264.5	-10.7%
Taxes on International trade and transaction	37.3	33.0	-11.4%
Other revenue	17.0	9.9	-41.8%
Total Expenditure	1,009.1	948.6	-6.0%
Current Payment	131.6	121.4	-7.7%
Debt Service Cost	153.8	147.7	-3.9%
Payments for capital assets	8.5	5.0	-40.8%
Transfer and Subsidies	377.7	369.8	-2.1%
Fiscal deficit	(161.9)	(164.0)	1.3%
Deficit/GDP	-3.7%	-4.8%	-1.1%
Debt service/ Revenue	18.1%	18.8%	0.7%
Transfer and subsidies/ Revenue	44.6%	47.1%	2.6%
Gross Loan debt	11.1%	11.9%	0.8%
Revenue/GDP	8.5%	8.7%	0.2%
Expenditure/GDP	7.0%	2.7%	-4.3%

Source: National Treasury, South Africa, South Africa's fiscal year runs from 1st of March to 28th of February

Public Debt

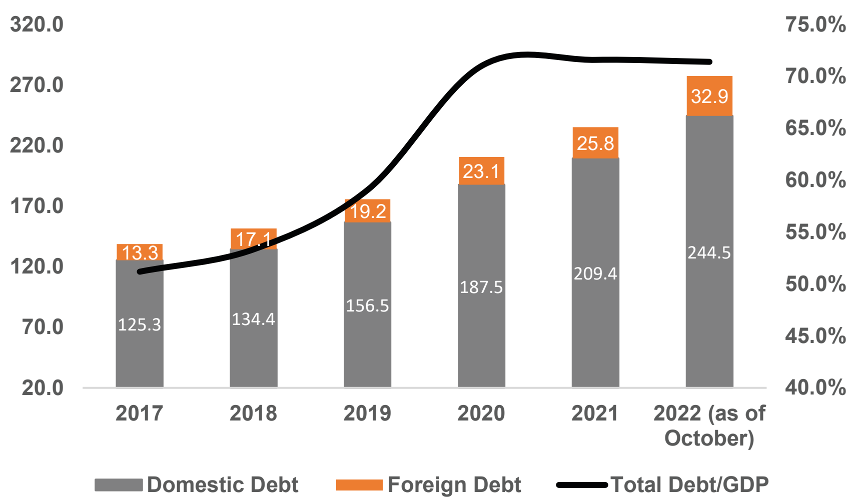
South Africa's public debt stock increased by 18% on a year-on-year on basis as borrowings by the government intensified.

The national government's domestic debt (marketable and non-marketable) increased by $21.34billion year on year to $ 244.5 billion as of 30 September 2022. The increase in domestic debt was primarily due to an increase in the net issuance of total domestic marketable debt, particularly bonds.

The total outstanding balance of national government's foreign debt (marketable and nonmarketable) amounted to $32.9 billion as of 30 September 2022, an increase of $7.78 billion (or 32.1%) from a year earlier. The significant increase could be attributed to net borrowing in foreign markets through a combination of bonds and loans as well as currency revaluation.

> "The significant increase could be attributed to net borrowing in foreign markets through a combination of bonds and loans as well as currency revaluation."

Total Public Marketable & Non-Marketable Debt Stock ($ billion)



Source: Reserve Bank of South Africa, National Treasury, South Africa

Equities Capital Market

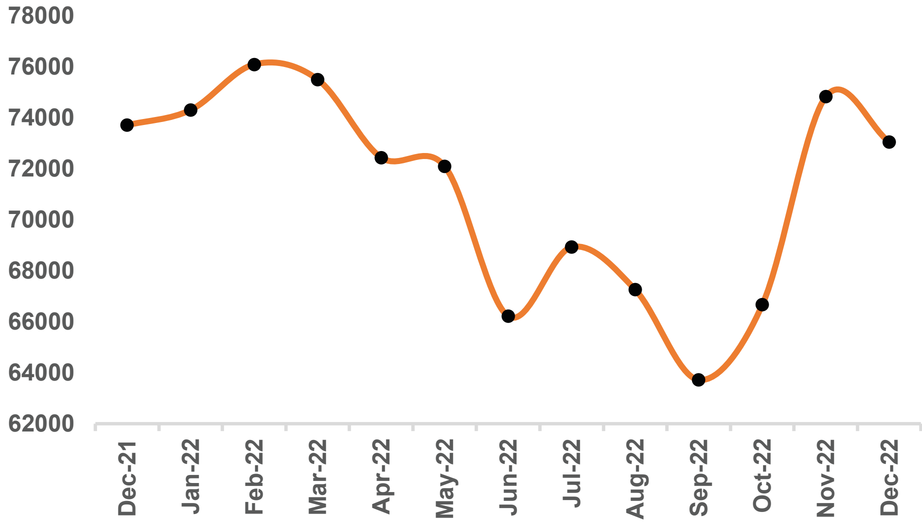
The South African Stock Market measured by the JSE All-Share Index recorded a marginal annual decline of 0.9% for 2022. The South African exchange recorded a back and forth swing particularly in the second quarter of the year, where it recorded its worst quarterly performance (-12.3%) since the outbreak of the COVID-19 pandemic in the first quarter of 2020.

However, the market rebounded in the last quarter of the year, recording a quarterly gain of 14.6%

> Many companies have gone public, and many more are expected to do so in the future.

The decline was in line with the trend on international stock exchanges, where investors' confidence in the market waned as a result of the war in Ukraine which led to much higher inflation and monetary policy tightening by most central banks, along with heightened recession concerns.

Monetary Policy Rate Hikes (%)



Source: African-Market, Johannesburg Stock Exchange (JSE)

Outlook: We expect that the stock market will mirror the events that play out in the domestic and global economy in 2023.

We believe that the Reserve Bank of South Africa will launch extra rate hikes in 2023, which could trigger a weak sentiment in the stock market, and the risk of further capital flight as advanced economies also raise rates impacting the market.

Lastly, we believe that the policies and developments as regards electricity in the country will also shape investors sentiment.

IPOs and FOs in South Africa

In terms of initial public offerings (IPOs), South Africa has seen a relatively active market in recent years. Many companies have gone public, and many more are expected to do so in the future. For example, in 2019, the real estate investment trust, Redefine Properties, raised around $1 billion in an IPO. Additionally, the government has been pushing for more state-owned companies to go public as part of its economic reform program. The JSE also offers different listing requirements for small and medium-sized enterprises (SMEs) to make it easier for them to go public. The JSE also offers dual listings for companies to raise capital from the international market.

Further offerings (FOs) are also relatively frequent in South Africa. These are typically done by companies that have already gone public and are looking to raise additional capital. FOs can be done through a variety of instruments such as secondary offerings of shares, rights issues, and private placements. The JSE also offers different types of bond listings, such as government bonds and corporate bonds, to raise capital for companies. The Financial Sector Conduct Authority (FSCA) has been working to develop the market infrastructure and to increase transparency and investor protection. The JSE offers different products and services to cater to the different needs of the companies such as listing on the main board, AltX, and the bond exchange. The JSE also offers a wide range of indices to track the performance of different sectors of the market.

Foreign Investment

In terms of foreign investment, South Africa has an open economy and welcomes foreign investment. The South African government has also implemented various measures to attract foreign investment such as tax exemptions and subsidies. The JSE also allows foreign investors to trade on the exchange and own shares in South African companies.

> “South Africa has an open economy and welcomes foreign investment.”

However, the JSE like most emerging markets is facing challenges such as volatility in the political and economic environment, and the need to further develop the market infrastructure and regulatory framework to attract more foreign investment. The JSE is also facing increasing competition from other exchanges in the region such as the Nigerian Stock Exchange and the Egyptian Exchange.

Debt Capital Market

As of October 2022, the domestic bond market saw a 10.1% year-on-year increase in the nominal value of outstanding debt securities issued by both residents and non-residents, totaling R5.7 trillion.

A majority of these securities were fixed-rate debt and had original maturities of more than 10 years, accounting for 67.8% and 71.0% respectively of the total outstanding amount.

In the 10 months leading up to October 2022, the net issuance of bonds by the general government represented the majority of funding activity, accounting for 66.4% of total net issuance in the domestic primary bond market. The R304 billions of bond issuance was 13.9% lower than the same period in 2021, as the government's borrowing needs had decreased

> Africa's first Shariah-compliant sustainability-linked Sukuk bond was listed on the JSE Limited (JSE)

significantly due to an improved fiscal position.

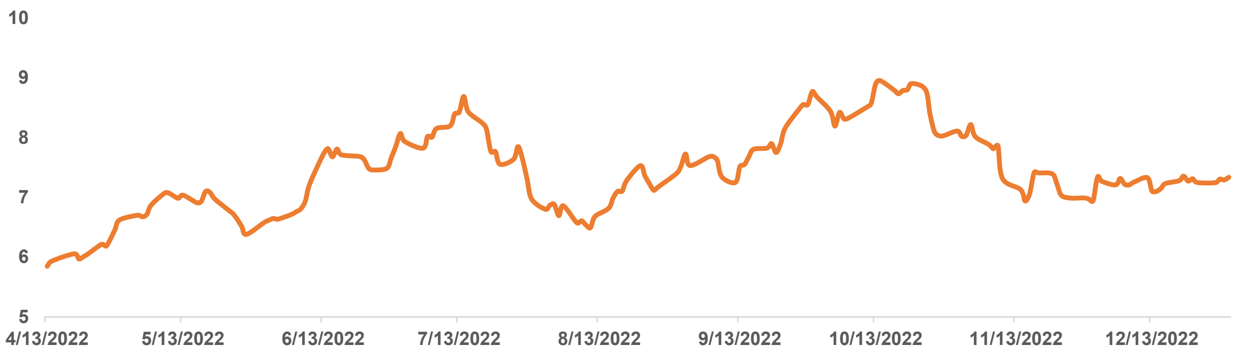
By contrast, net issuance of rand-denominated debt securities in the domestic primary bond market by financial corporations increased from only R2.1 billion in the first 10 months of 2021 to R148 billion during the same period in 2022.

Notably, Africa's first Shariah-compliant sustainability-linked Sukuk bond was listed on the JSE Limited (JSE) in its Sustainability Segment in October 2022 and will provide additional funding for the agricultural sector.
South African fixed income instruments yields trended upward in 2022 due to the high interest rate environment both at the local and international market.

10-year Government bond yield (%)

Source: Investing.com

South Africa Eurobond Yield Trend (%)



Source: Bloomberg

Outlook: We predict that the fixed income market performance will mirror the monetary policies of the Reserve Bank of South Africa and events in the domestic environments. The trend of rising yield will extend into 2023 as we predict that the Reserve Bank of South Africa will carry out more interest rate hike exercises.

BOTSWANA

$3.17 billion
Equity Market Capitalization

30
Numbers of Listed Companies

22%
Equity Market Cap/GDP

433 million
Equity Market Share Volume Traded
(10-months volume traded)

Macroeconomic Overview

GDP

Botswana is among the few sub-Saharan African countries where output has recovered to pre-COVID levels.

Botswana's economy expanded by 5.6% year-on-year in the second quarter of 2022, following an upwardly revised 7.1% rise in the previous three-month period. It was the sixth consecutive quarter of economic expansion, mainly boosted by diamond traders and utilities, as the local electricity production went up by 85.5% due to improved coal uptake by Morupule Power Station.

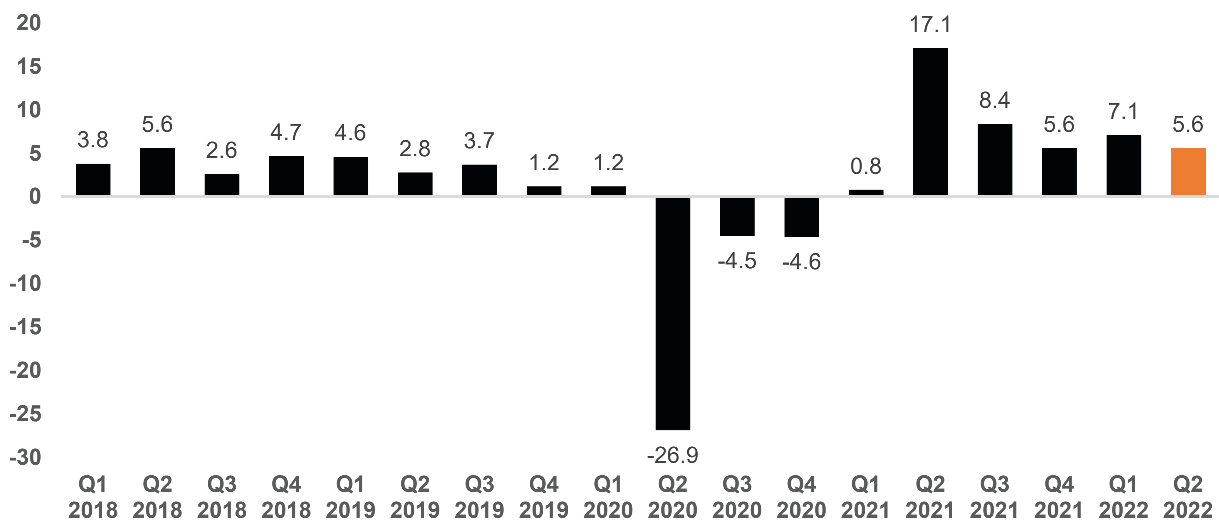
Rough diamond demand gained traction after the incremental relaxation of COVID-19 travel restrictions, which impeded the sightholder calendar. All other mining sub-sectors also recorded an increase in output.

> "The world bank estimated that Botswana economy will expand by 4.1% in 2022, while growth is expected to ease to 4% in 2023."

Significant contributions also came from other sectors, including manufacturing, information & communication technologies, public administration, accommodation & food services, and transport & storage.

The world bank estimated that Botswana economy will expand by 4.1% in 2022, while growth is expected to ease to 4% in 2023.

Real Gdp Growth (%)



Source: Central Statistics Office, Botswana

Outlook: We expect that Botswana's economy will continue to expand in 2023, however at a slower pace as we expect the global economy and the structural issues in South Africa (a country it has very close economic ties with) to impact its economic performance.

Rising inflation and interest rate will also likely slow down economic activities and limit growth.

The newly commissioned state-owned coal mine with a production capacity of 4.2 million tonnes per annum will contribute to the country's commodities export. However, gains on diamond exports will be the main mining sector contributor.

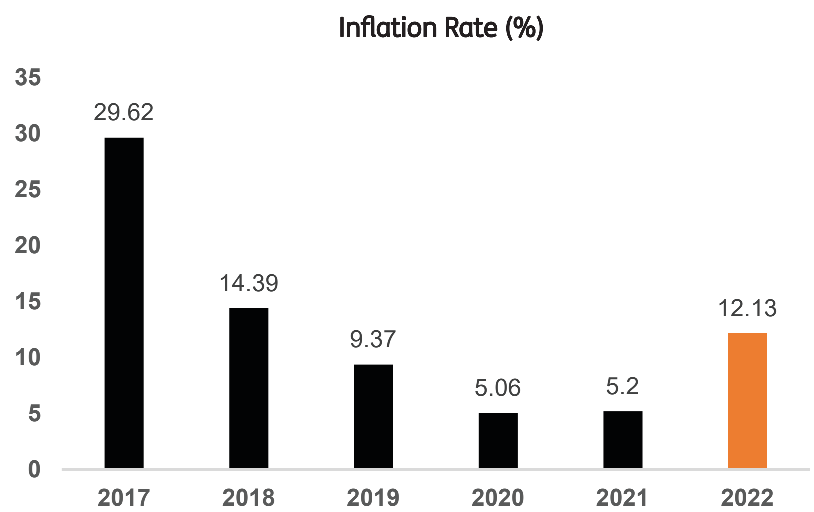
The world bank has predicted a 4% growth for Botswana in 2023, from a projected growth of 4.15% in 2022.

Inflation and Interest Rate

The average annual inflation rate in Botswana peaked at 12.13% as of November 2022, the highest since 2017, reflecting the impact of the Russia-Ukraine conflict on its economy. In November 2022, inflation eased for the third month to 12.2%, the lowest reading in about six months, compared to 13.1% that was recorded in October.

“The average annual inflation rate in Botswana peaked at 12.13% as of November 2022, the highest since 2017”

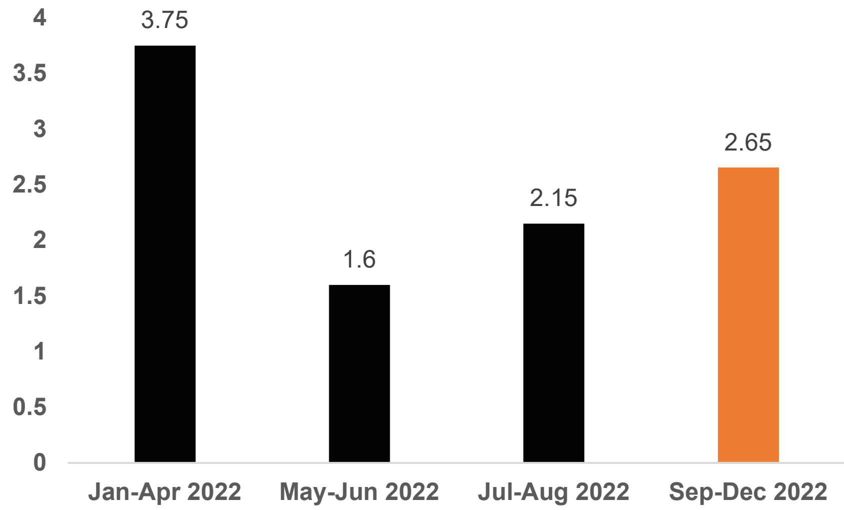
The price increase reflected the increase in prices for most categories of goods and services and in particular the upward adjustment in domestic fuel prices effected on June 2022.



Source: Central Statistics Office, Botswana

The Central Bank of Botswana left its benchmark interest rate steady at 2.65% during its December 2022 meeting. The decision was aimed at continuing to support the ongoing economic recovery against a backdrop of strong inflationary pressures and uncertainty. The Bank projects that inflation will continue to trend downwards and fall within the objective range in the third quarter of 2024. The Bank also announced that it will withdraw some of the COVID-19 relief measures introduced in April 2020, with effect from January 1, 2023.

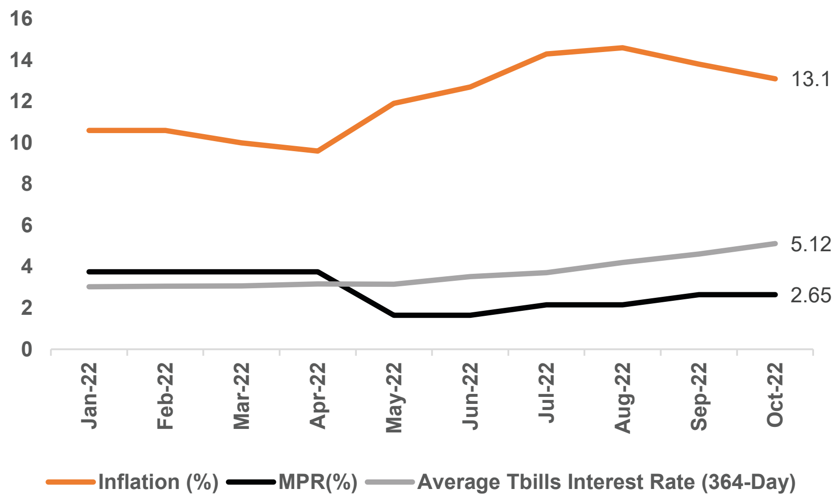
Monetary Policy Rate (%)



Source: Bank of Botswana

Inflation continues to outrun the official benchmark rate and the interest rate on average 364-day bill.

Real Interest Rate Return (%)



Source: Bank of Botswana, Central Statistics Office, Botswana

Outlook: We believe that the high inflation trend will stretch into 2023 as a result of the ripple effect of the ongoing war between Russia and Ukraine will continue to affect the price of fuel and food items.

However, inflation will grow at a slower pace compared to 2022, as we believe that Bank of Botswana will launch additional rate hikes to control rising inflation.

The world bank has projected that annual inflation in Botswana will decline to 5.2% in 2023 from 11.2% in 2022.

Foreign Exchange

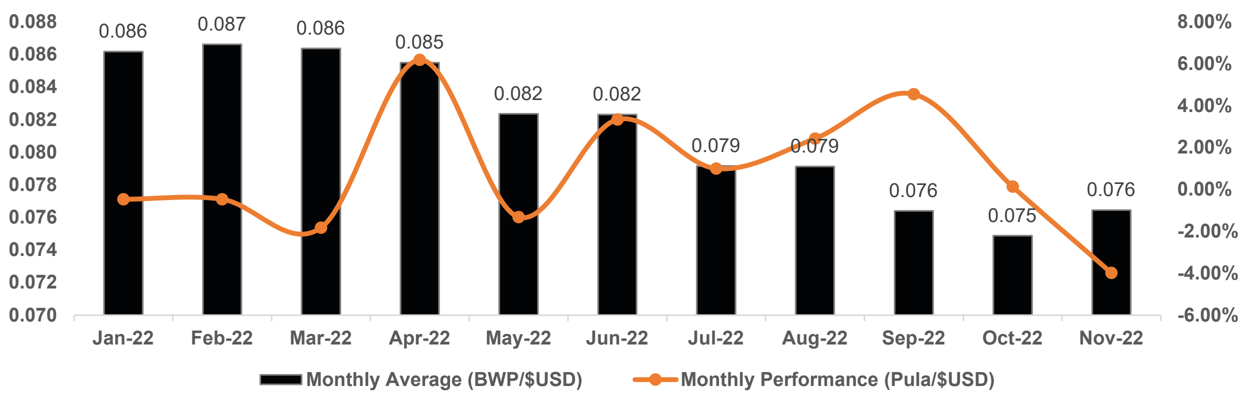
Despite the strong dollar in 2022, the Pula showed resilience and was relatively strong against the US dollar in 2022. The Pula was up against the dollar by 8.8% on a year-to-date basis and down against the South Africa Rand by 1.97%.

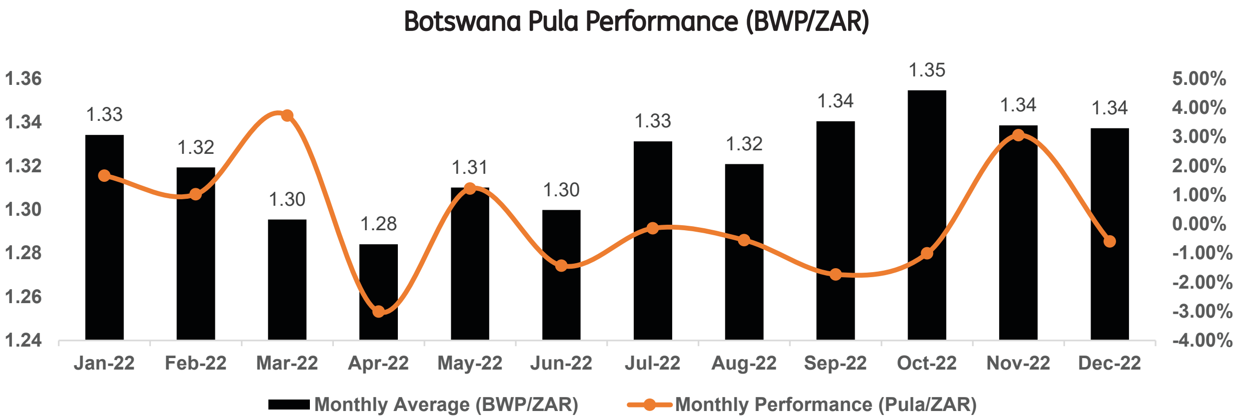
> "The Pula was up against the dollar by 8.8% on a year-to-date basis and down against the South Africa Rand by 1.97%."

This is as a result of South Africa being the major trade partner of Botswana-most large companies in Botswana source for raw material from South Africa.

On average, imports from South Africa accounts for over 60% of imported items. These were mostly fuel, food, beverages and tobacco, and diamonds, followed by machinery & electrical equipment and chemicals & rubber products.

Botswana Pula Performance (BWP/$USD)



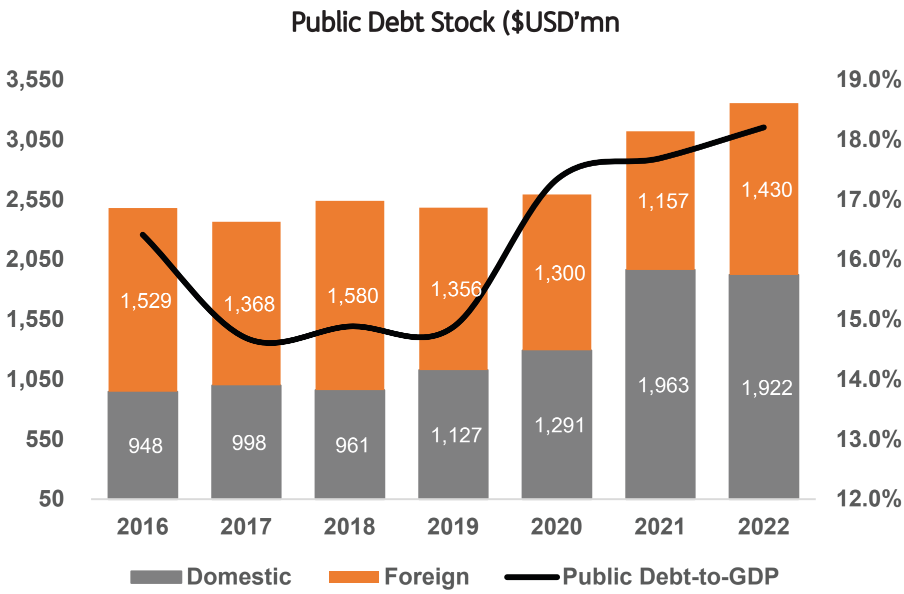


Outlook: The performance of the Pula will be largely influenced by its domestic economic environment and South Africa's economic environment.

Public Debt

Botswana's public debt increased in 2022 due to increased borrowing by the government to cover its fiscal expenses.

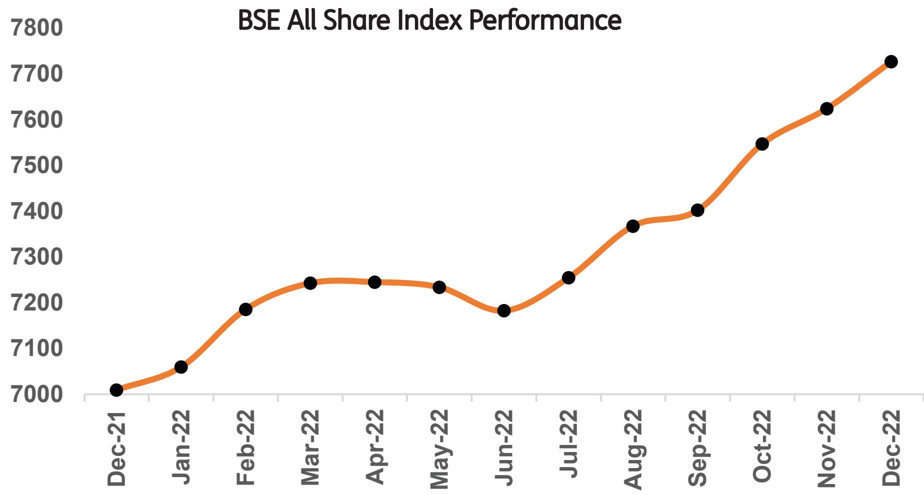
A significant portion of the public debt is dominated in Pula with domestic debt accounting for 57% of the total debt stock, while foreign debt makes up the remaining 43%. The overall public debt to GDP currently stands at 18.2%.



Equities Capital Market

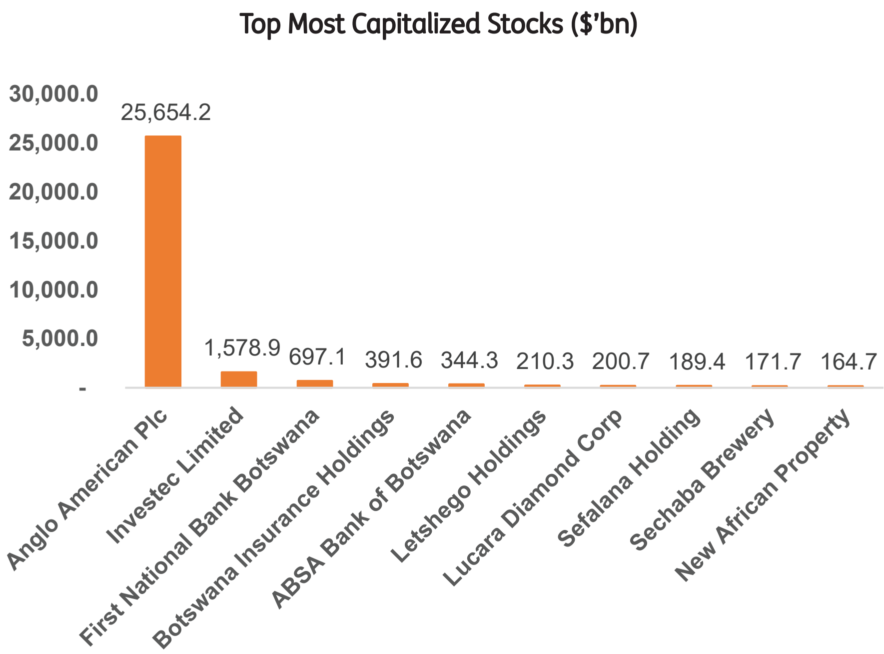
Botswana All Share Index closed the year in a positive territory, recording an annual gain of 10.23% (7,726.39 points in 2022 against 7,009.61 in 2021), against 1.89% annual growth in 2022.

On a year-to-date basis, the domestic companies index outperformed foreign companies index with a gain of 8.56%, compared to 0.76% gain on foreign companies' index.



Source: Botswana Stock Exchange (BSE)

Anglo American Plc and Investec limited accounts for 88.23% of the entire market capitalization on Botswana Stock Exchange.



Source: Botswana Stock Exchange (BSE)

Outlook: We anticipate that the elevated yield environment local and foreign fixed income market will lead to weak sentiment in the stock market.

IPOs and FOs in Botswana

Initial public offerings (IPOs) in Botswana have been relatively limited in recent years. A few companies have gone public, but the number of IPOs is relatively low compared to other markets in the region. For example, in 2020, the insurance firm, Letshego Holdings Botswana, raised around $10 million in an IPO.

Further offerings (FOs) are also relatively rare in Botswana. These are typically done by companies that have already gone public and are looking to raise additional capital. FOs can be done through a variety of instruments such as secondary offerings of shares, rights issues, and private placements.

The Botswanan government has taken several steps to encourage more companies to go public and to develop the capital markets. For example, in 2018, the government introduced new regulations to make it easier for small and medium-sized enterprises (SMEs) to list on the BSE. Additionally, the Botswana Stock Exchange and Development Authority (BSEDA) has been working to develop the market infrastructure and to increase transparency and investor protection.

Foreign Investment

In terms of foreign investment, Botswana has an open economy and welcomes foreign investment. The Botswanan government has also implemented various measures to attract foreign investment such as tax exemptions and subsidies. The BSE also allows foreign investors to trade on the exchange and own shares in Botswanan companies.

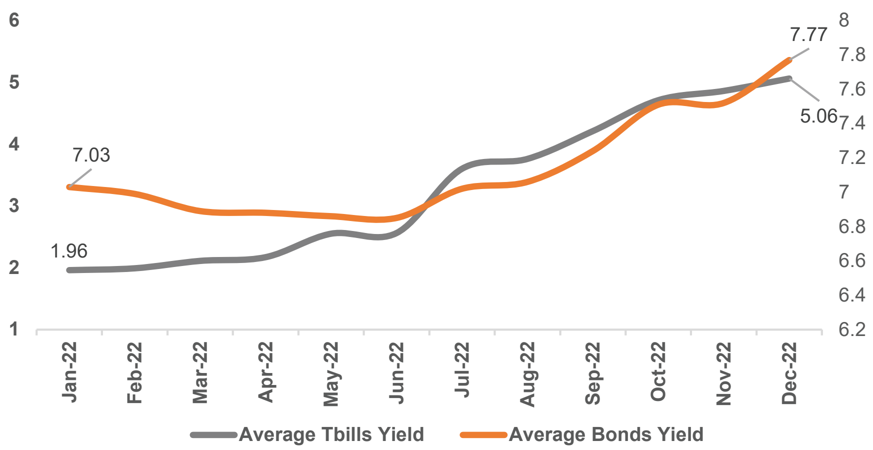
However, the BSE is facing several challenges, including a lack of liquidity, and volatility in the political and economic environment. Additionally, the market infrastructure and regulatory framework need to be further developed to attract more foreign investment.

Debt Capital Market

In 2022, the fixed income market experienced an upward trend in yields due to an interest rate hike by the Bank of Botswana and a general global trend of high interest rates. Specifically, average yields on government bonds rose 72 basis points from 7.03% at the beginning of the year to 7.77% at the end, and average yields on T-bills increased 309 basis points from 1.965% to 5.06% by December.

The government raised more at the treasury bills market, compared to the bond market in 2022. However, T-bills issuance marginally decreased by 2.8%.

Average Tbills & Bond Yield Trend 2022



Source: Bank of Botswana

> The government raised more at the treasury bills market, compared to the bond market in 2022.

Outlook: We anticipate that yields in the fixed income market will remain elevated in 2022 due to the likelihood of additional interest rate hikes by the Bank of Botswana aimed at bringing inflation to target levels. Additionally, borrowing is predicted to rise, though not dramatically, and the government is expected to raise more of it from the treasury bills market.

UGANDA

$5.68 billion
Equity Market Capitalization

$7.29 billion
Debt Market Capitalization

16
Numbers of Listed Companies

62%
Equity Market Cap/GDP

79%
Domestic Debt Market/GDP

362.51 million
Equity Market Share Volume Traded
(10 months total volume traded)

Macroeconomic Overview

GDP

Uganda's economy expanded to $42.18 billion (UShs 162.7 trillion) in FY 2021/2022 from $38.45 (UShs 148.3 trillion) in FY 2020/2021 representing a 4.7% growth in real terms, from the 3.5% that was recorded in the previous financial year.

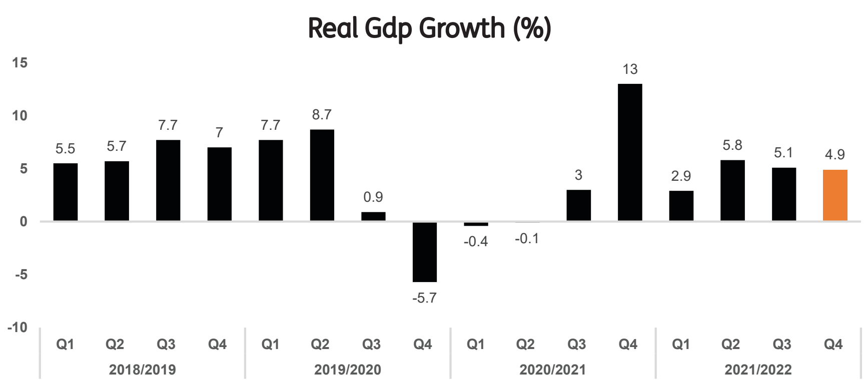
The economic improvement was on the back of a sustained recovery in aggregate demand when the economy re-opened fully in January 2022. Despite the growth achieved, Uganda's performance remains below its pre-pandemic growth level as a result of the spill-over effect of the Russia-Ukraine crisis, however, growth is much better than the last two years (2019/20: 2.90% and 2020/21: 3.9%).

In FY 2021/22, all three economic sectors recorded growth, with a strong recovery in the industry and services sectors.

The services sector continues to contribute the most to GDP (41.5%), followed by the industrial sector (26.7%) and the agriculture, forestry, and fisheries sector (24.1%).

Uganda outperformed the World Bank projection of 4.4% real GDP growth in 2022 by 0.3% (4.7%) showing a year of resilient in the face of a global macro upheaval. The economy is projected to grow to 5.9%.

> "Despite the growth achieved, Uganda's performance remains below its pre-pandemic growth level"



Source: Uganda Bureau of Statistics

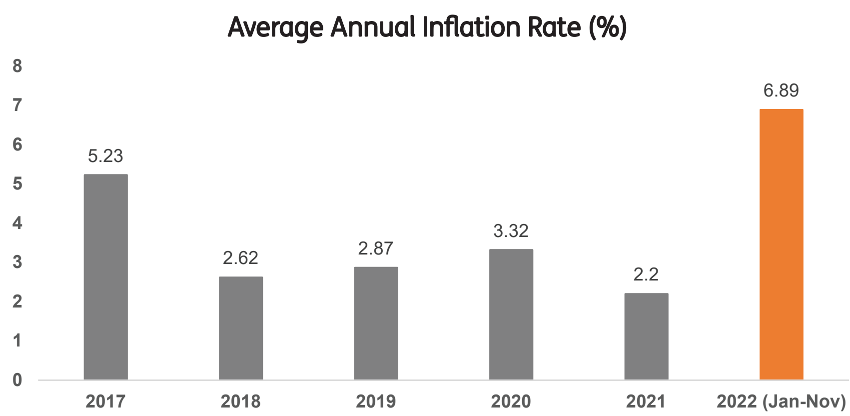
Outlook: The world bank has projected that Uganda will further grow by 5.95 in 2023 from an estimated growth of 4.4% in 2022. We also predict that economic activities will continue to grow and improve despite the global macroeconomic. Our prediction is premised on the notable progress on the ongoing construction work on the Lake Albert Oil project (The facility is expected to play a key role in the region's oil infrastructure, increasing Uganda's oil storage capacity and reducing freight costs, as transportation of petroleum products is moved from roads to the lake) and the recent moderation in prices which is expected to bolster consumer's confidence in the long term. We also believe that the service sector will be one of the major drivers of growth in 2023.

Inflation and Interest Rate

> "Uganda's annual inflation peaked at 6.89% as of November 2022."

Uganda's annual inflation peaked at 6.89% as of November 2022, as cost of living continues to rise due to the spill-over effect of the Russia-Ukraine war and a significant rise in the price of transport, education, and basic household items.

The annual inflation rate in Uganda eased marginally to 10.6% in November of 2022, from 10.7% in the previous month, but still holding close 2012-highs. Main upward pressure continued to come primarily from prices of food & non-alcoholic beverages, furnishings & household equipment, and education. On a monthly basis, consumer prices were up by 0.1%, the least since January, after increasing by 0.8% in the prior month.



Source: Uganda Bureau of Statistics

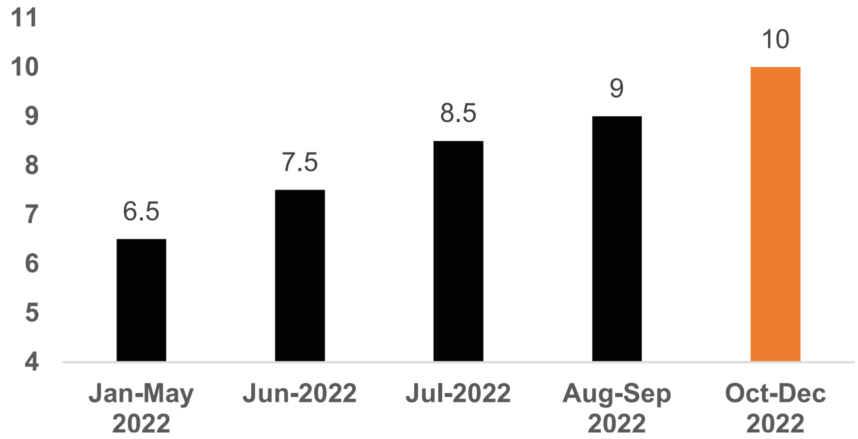
Outlook: Inflation is expected to fall between 6%-8% next year before stabilizing around the medium-term target of 5% by the end of 2023.

Bank of Uganda embarked on a series of rate hike exercises to tame rising inflation. The bank increased its monetary policy rate in June 2022, the first time since June 2021.

The apex bank has increased rate by a total of 350bp from 6.5% in January to 10% in December 2022.

Risk of rising inflation still holds as a result of the possibility of rising commodity prices in the absence of disruptions to the tight global supply chain.

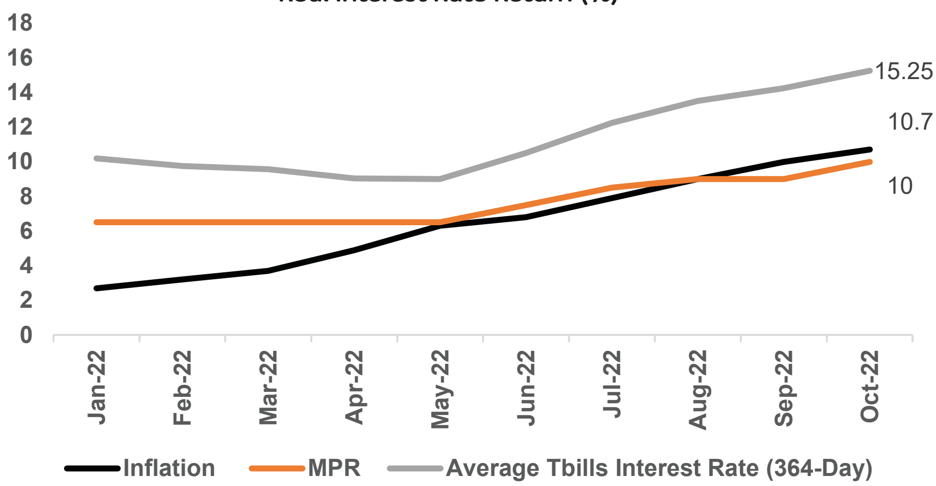
Monetary Policy Rate Hikes (%)



Source: Bank of Uganda

The positive real return achieved by Uganda has shrunk due to a fast-rising inflation.

Real Interest Rate Return (%)



Source: Uganda Bureau of Statistics, Bank of Uganda

Outlook: We expect that the high inflation trend will stretch into 2023. However, this will be at a much slower pace as the Bank of Uganda continues to launch high interest rate to control inflation.

We also believe that the country could be at risk of rising inflation as a result of the risk of a global recession, the Russia vs Ukraine unending war and extreme weather events in 2023.

Foreign Exchange

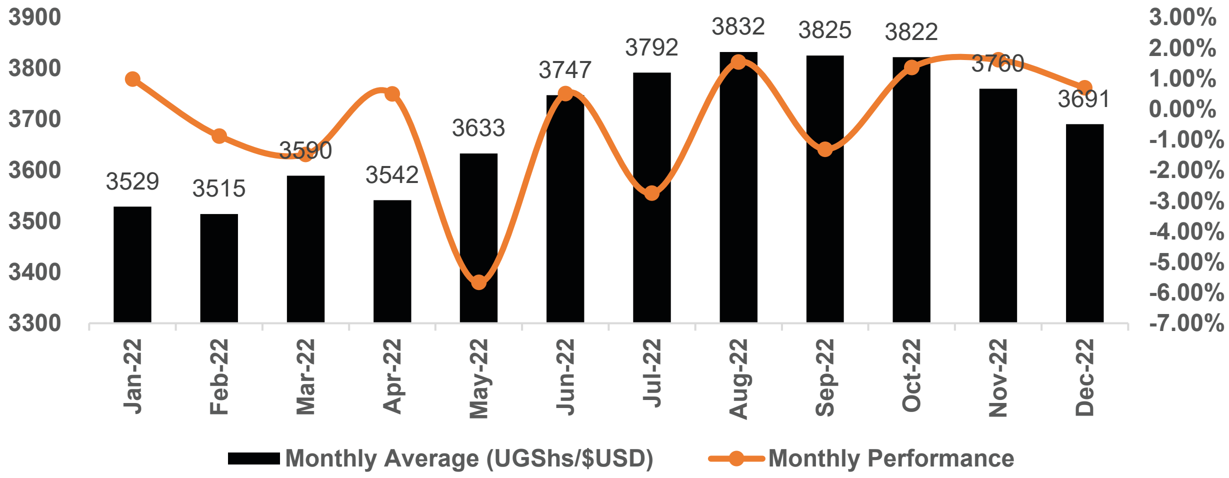
The shilling was pressured in 2022 and it experienced its largest depreciation in 2022 in May, depreciating by 5.7%.

> "Depreciation against the dollar was caused by a rise in demand for the dollar"

Depreciation against the dollar was caused by a rise in demand for the dollar as private sector imports increased over the course of the fiscal year. This coincided with forex outflows into more lucrative markets as advanced economies tightened monetary policy to combat high inflationary pressures.

On a year-to-date basis, the shilling was down by -6.52% as at 2022 ending.

Foreign Exchange Rate Performance (UGShs/$USD)



Source: Bank of Uganda

Outlook: The Uganda Shilling performance will largely be determined by the height of demand for imports in 2023 and the capital flight by foreign investors when central banks in advanced economies commence their interest rate hike exercise.

Fiscal Policy

Uganda's actual expenditure for its 2021/22 fiscal year exceeded the budgeted expenditure of UShs 34,233bn as result of an additional UShs 734bn supplementary expenditure to various MDAs.

Actual revenue was below the country's budgeted prediction by 3.6% as a result the inability of the government to enact some of its revenue mobilization reforms. Also, income from VAT and Excise duty underperformed due to a suppressed aggregate demand in the economy. Shortfalls were recorded on corporate income tax, withholding, Excise duty, VAT, and rental income tax.

> "Actual revenue was below the country's budgeted prediction by 3.6%."

Fiscal Deficit-to-GDP remains above the 3% recommended by the Charter for Fiscal Responsibility as a result of increased expenditure and revenue shortfalls. Fiscal deficit-to-GDP outpaced budget by 1%, however it is a decline from 9.0% that was recorded in the previous financial year, showing an improved fiscal stance.

(UShs'Billion)	Budget FY2021/22	Actual FY2021/22	Variance
Revenue	**23,850.0**	**22,993.0**	**-3.6%**
Tax Revenue	20,877.0	20,426.0	-2.2%
Non-Tax Revenue	1,548.0	1,406.0	-9.2%
Oil Revenue	-	-	0.0%
Grant	1,425.0	1,162.0	-18.5%
Total Expenditure	34,233.0	34,967.0	2.1%
Recurrent Expenditure(non-debt)	14,269.0	16,358.0	14.6%
Interest Payment (Domestic+External)	4,690.0	4,966.0	5.9%
Capital Expenditure	14,755.0	12,785.0	-13.4%
Fiscal deficit	(10,383.0)	(11,974.0)	15.3%
Fiscal Deficit/GDP	-6.4%	-7.4%	1.0%
Debt service/ Revenue	19.7%	21.6%	1.9%
Recurrent Expenditure/ Revenue	59.8%	71.1%	11.3%
Revenue/GDP	13.8%	13.5%	-0.3%
Expenditure/GDP	21.1%	21.6%	0.5%

Source: Ministry of Finance, Planning and Economic Development (Uganda); Uganda's fiscal year runs between July and June.

Fiscal Debt

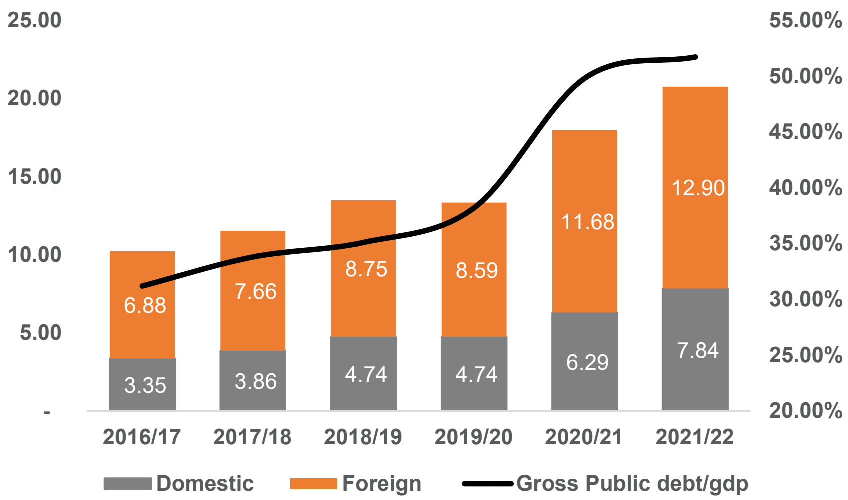
Uganda's public debt reached a new high in 2021/22 fiscal year as total debt increased by 15% from USD$19.97bn in the previous fiscal year to USD$20.74bn.

Despite Government's continued interventions to reduce public debt, the negative effects of the Covid 19 pandemic on Domestic Revenue Mobilization and the Russia-Ukraine's conflict on cost of living, necessitated increased domestic and external borrowing to finance expenditures related to economic recovery and stability.

Total public debt-to-GDP crossed 50% in 2021/22 fiscal year, however, Uganda Ministry of Finance has revealed that debt remain sustainable in the medium to long term.

> "Uganda's All share Index, the most watched index closed the year 2022 in a negative zone"

Public Debt Stock ($USD'bn)



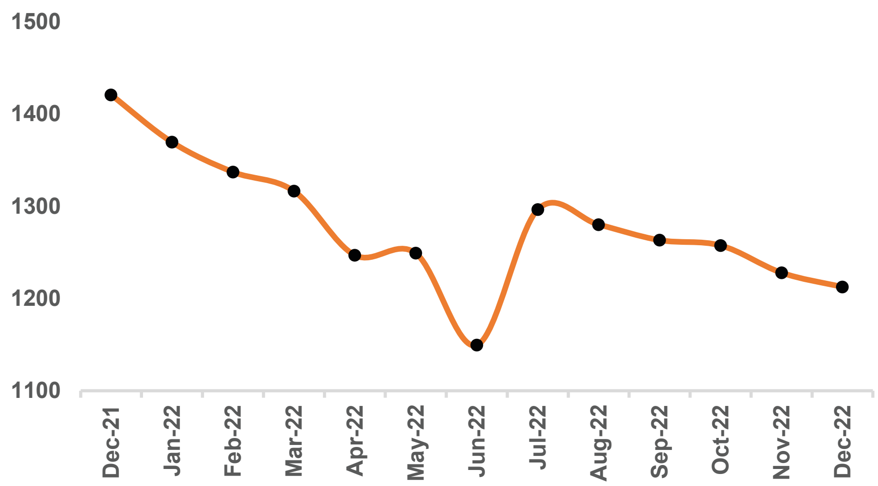
Source: Ministry of Finance Planning and Economic Development, Uganda

Equities Capital Market

Uganda's All share Index, the most watched index closed the year 2022 in a negative zone as USE-ASI declined by 14.6% on a year-to-date basis against an 8.46% increase in 2021.

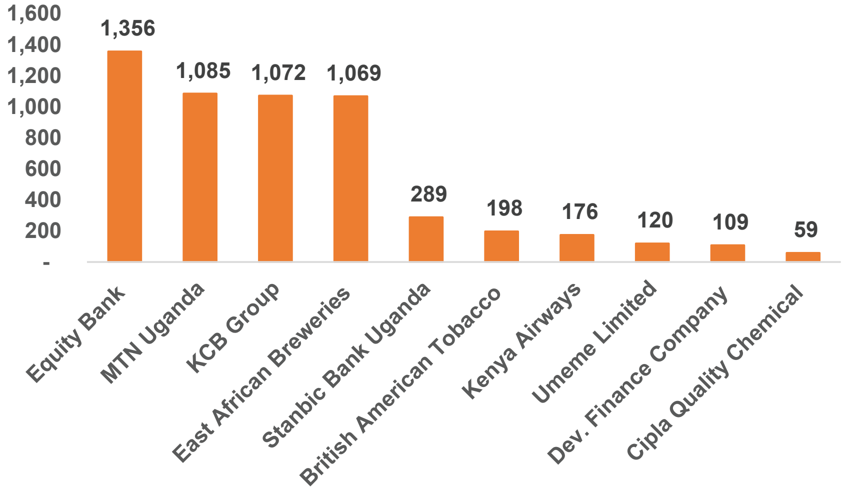
The USE Local Share Index (LSI) started the year at 324.66 points, and closed the year at 268.6 points, implying a decline of 17.3%. The decline in USE-LSI was as a result of the general negative sentiments on local listed stocks on the exchange.

USE All Share Index Perofrmance



Source: Uganda Stock Exchange

Top Most Capitalized Stocks ($'mn)



Source: Uganda Stock Exchange

IPOs and FOs in Uganda

Initial public offerings (IPOs) in Uganda have been relatively limited in recent years. A few companies have gone public, but the number of IPOs is relatively low compared to other markets in the region. For example, in 2020, the construction firm, KCB Uganda, raised around $2.2 million in an IPO. The limited number of IPOs could be due to the small size of the market, the lack of awareness and education of the market among companies, and the lack of a robust legal and regulatory framework.

> "A few companies have gone public, but the number of IPOs is relatively low compared to other markets in the region."

Further offerings (Fos) are also relatively rare in Uganda. These are typically done by companies that have already gone public and are looking to raise additional capital. Fos can be done through a variety of instruments such as secondary offerings of shares, rights issues, and private placements. The limited number of Fos could be due to the small number of companies that have gone public, and the lack of liquidity in the market.

The Ugandan government has taken several steps to encourage more companies to go public and to develop the capital markets. For example, in 2019, the government introduced new regulations to make it easier for small and medium-sized enterprises (SMEs) to list on the USE. Additionally, the Capital Markets Authority (CMA) has been working to develop the market infrastructure and to increase transparency and investor protection. The CMA has also been working to improve the market infrastructure by introducing new products and services, strengthening the regulatory framework and promoting market education and awareness.

However, the USE is facing several challenges, including a lack of liquidity, and volatility in the political and economic environment. Additionally, the market infrastructure and regulatory framework need to be further developed to attract more foreign investment. The limited number of IPOs and Fos could also be attributed to the lack of investor awareness and education, and the limited capacity of the market infrastructure to support the listing process.

> “Fixed income yields in Uganda trended upward for the most part of 2022”

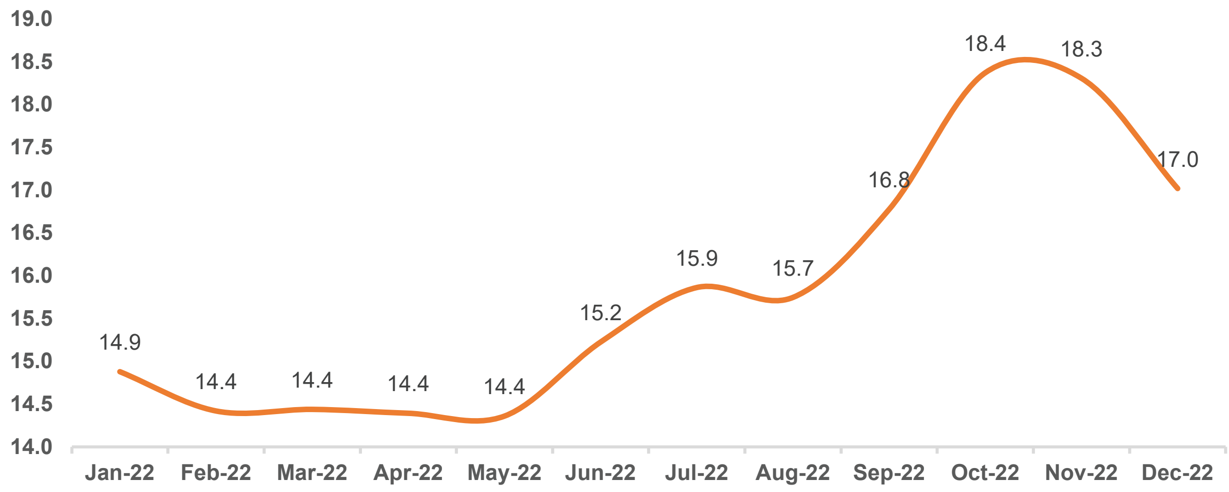
Overall, the Ugandan stock market is relatively underdeveloped compared to other markets in the region, and the number of IPOs and Fos are relatively low. The government and the regulator are taking steps to develop the market and attract more companies to list, but the market has a long way to go before it becomes a major player in the region's capital markets. The government and the regulator's efforts to improve the market infrastructure, increase transparency and investor protection, and attract more foreign investment will be the key factors in the development of the stock market in Uganda. The USE has a lot of potential to grow and develop, but it will take time and continued efforts from the government and the regulator to fully realize that potential, especially when it comes to the Initial Public Offerings and Further Offerings

Debt Capital Market

Fixed income yields in Uganda trended upward for the most part of 2022 due to the high interest rate environment. The Bank of Uganda hiked interest rate by a total 450bps to control a multi-year high inflation. The Bank increase monetary policy rate from 6.5% at the start of the year to 10% at the end of 2022.

Yields on its 10-year government bond increased from an average of 14.9% in January 2022 to 17% at the end December 2022.

Top Most Capitalized Stocks ($'mn)



Source: Investing.com

KENYA

$16.59 billion
Equity Market Capitalization

62
Numbers of Listed Companies

19%
Equity Market Cap/GDP

Macroeconomic Overview

GDP

Kenya's economy has continued to demonstrate remarkable resilience in real growth despite the global economic slowdown. The economy grew by 5.2 percent in the second quarter of 2022 compared to a growth of 6.8 percent in the first quarter of 2022.

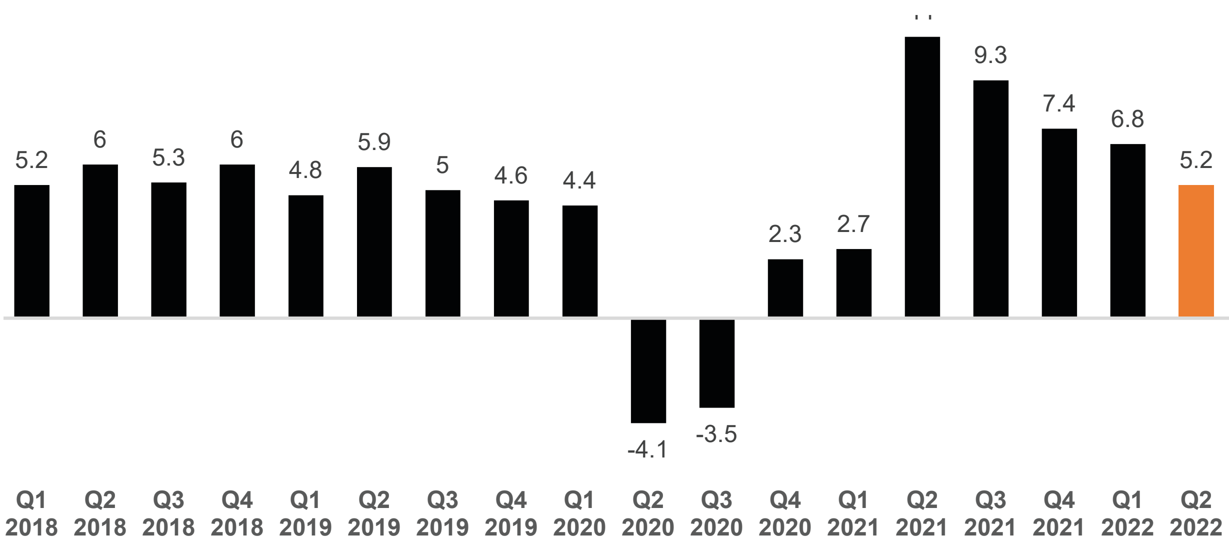
The growth momentum slowed down in the second quarter of 2022, however, it makes the seventh consecutive quarter of growth since the economy emerged from the COVID-19 induced recession in 2020.

> "Kenya's economy has continued to demonstrate remarkable resilience in real growth"

The growth was supported by the non-agricultural sectors particularly strong activity in financial and insurance, transportation and storage, wholesale and retail trade, real estate, and construction sub-sectors.

However, performance of the agriculture sector remained subdued due to unfavorable weather conditions.

Real Gdp Growth (%)



Source of the chart below is Kenya National Bureau of Statistics

Outlook: We expect that growth will slow in 2023 as a result of decline in private consumption due to lower disposable income and increased cost of food and fuel. We also expect activity to slow at the supply side of the economy due to increased cost of doing business.

The world bank has predicted Kenya to grow by 5.0% in 2023, a decline from the previously projected 5.1%.

Inflation and Interest Rate

Inflation in Kenya has been on a consistent increase since March 2022 and is holding close to a near 5 and a half year high. Inflation printed at 9.5% in November 2022 a decline from 9.6% that was recorded in October 2022.

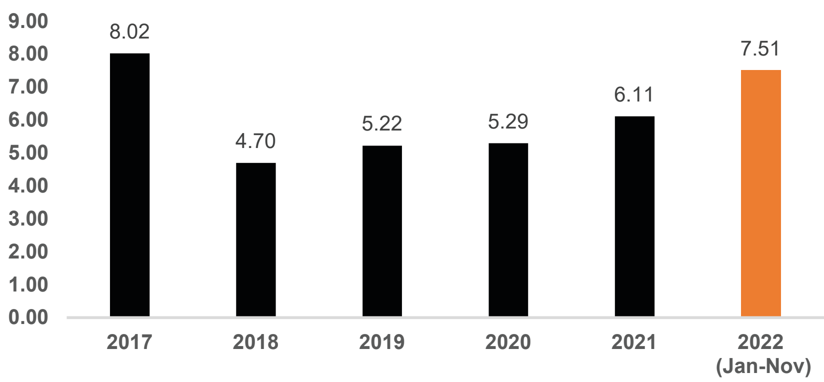
Food inflation was the main driver of overall year-on-year inflation in Kenya. The increase due to the dry weather conditions and supply constraints that resulted in a rise in prices of key food items particularly maize flour (loose), sugar, aromatic unbroken rice, carrots and beans.

> The central bank of Kenya raised its benchmark interest rate thrice in 2022 to respond to rising inflation.

Fuel inflation also contributed to rising inflation in Kenya as prices of fuel and gas (LPG) spiked on account of higher international oil prices.

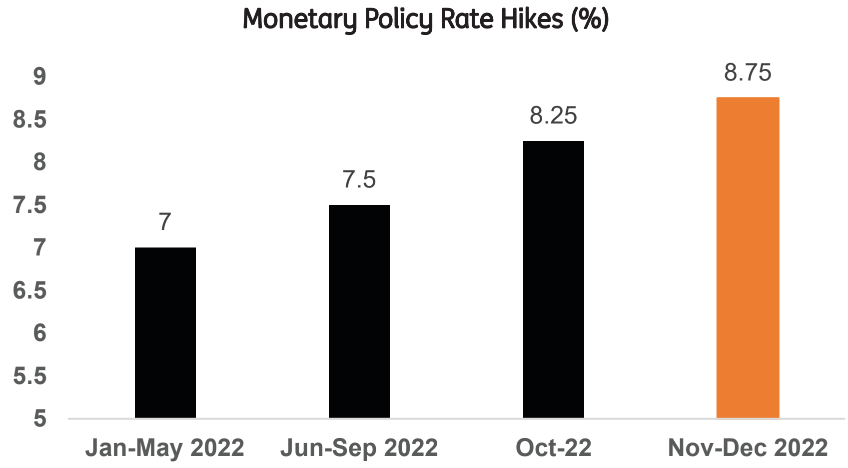
Core Inflation on the other has been low and stable, consistent with the muted demand pressures in the economy on account of prudent monetary policies.

Average Annual Inflation (%)

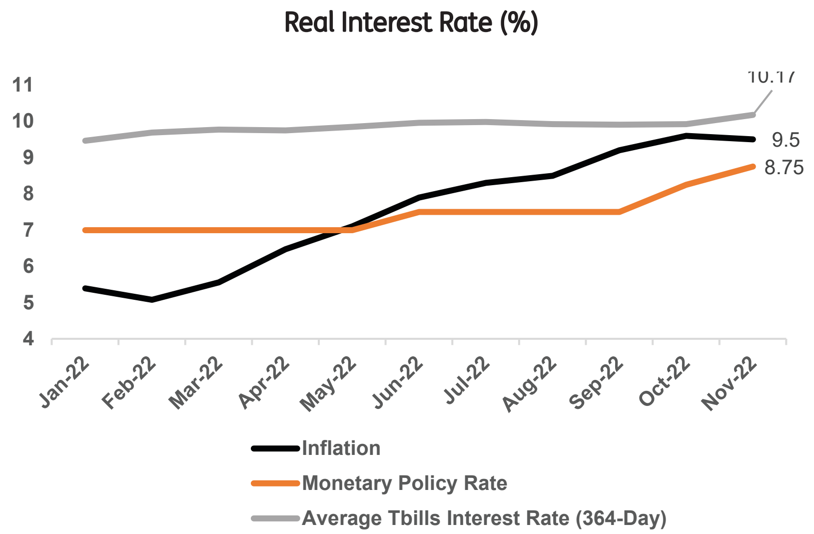


Source: Kenya National Bureau of Statistics

The central bank of Kenya raised its benchmark interest rate thrice in 2022 to respond to rising inflation. The apex bank increased rates by a total of 175bps bringing benchmark rate to 8.75% in November 2022, the highest since late 2019. The rate increase was as a result of the sustained inflationary pressures, the elevated global risks and their potential impact on the domestic economy.



Source: Central Bank of Kenya



Source: Central Bank of Kenya, Kenya National Bureau of Statistics

> The Shilling recorded unusual volatility against the dollar in 2022.

Outlook: The world bank has projected that Kenya's inflation will average at 7.4% in 2022 and will ease further to 6.6% in 2023. We predict that inflation would remain high for most of 2023 due to the continued Russia-Ukraine war and the risk of a severe climate change (extreme draught) event on the country's agriculture sector.

Foreign Exchange

The Shilling recorded unusual volatility against the dollar in 2022. The shilling depreciated to an all time high of 123.5 in December 2022 as a result of the following factors.

i. Uncertainty and lack of faith in the newly elected Deputy President

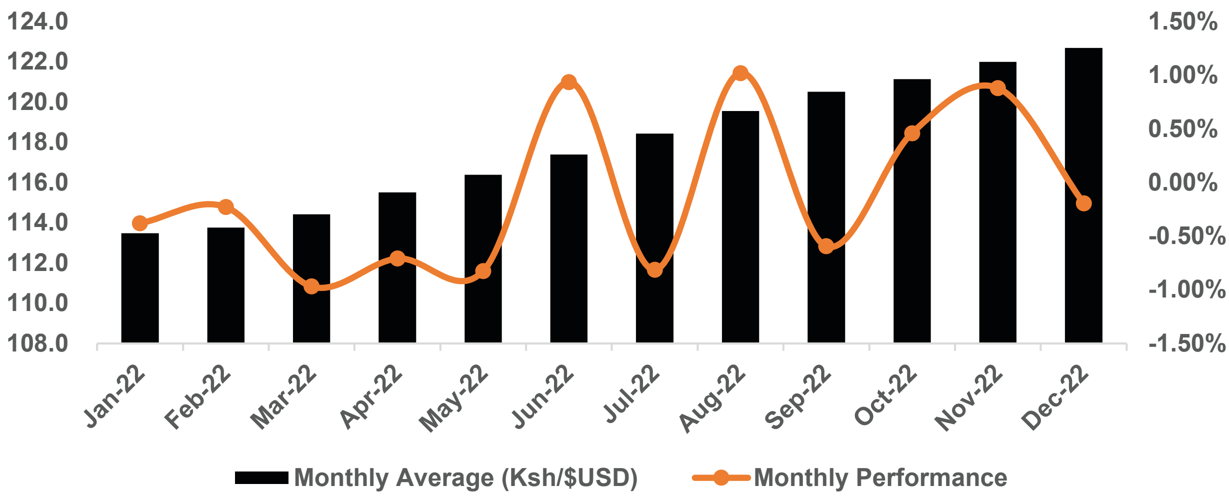
William Ruto added pressure to the already weakened Kenyan shilling.

ii. High cost of critical commodities for the economy (oil products, palm oil and machinery) causing an increased amount of dollar outflows

iii. Debt servicing as about 67% of the country external debt is denominated in US dollar.

iv. The rate hike by the Federal Reserves to curb rising inflation which caused outflows to developed market

Kenya Shilling Performance (Ksh/$USD)



Source: Central Bank of Kenya

> **Outlook:** The Kenyan shilling is at risk of continuing its volatile trend in 2023 as a result of risk of further flight to safety by foreign portfolio investors, increased debt service cost and further increase in interest rate.

Fiscal Policy and Public Debt

Kenya's actual recurrent expenditure for Jan-Sept 2022 exceeded target by 25.3% as a result of higher than predicted cost of operations and maintenance. Capital expenditure also outpaced budget by 46.50% in the period under review however, interest payment (domestic + foreign) on public debt declined by 11.4%.

Actual revenue was slightly higher than the country's budgeted prediction by 1.6% as a result the surplus collection of the ministerial A-I-A. Positive performance was recorded on Non-tax revenue (up by 73.3% and other revenue (+27.1%), however, shortfall was recorded on Tax revenue (-4.3%) and Grant (-69.8%).

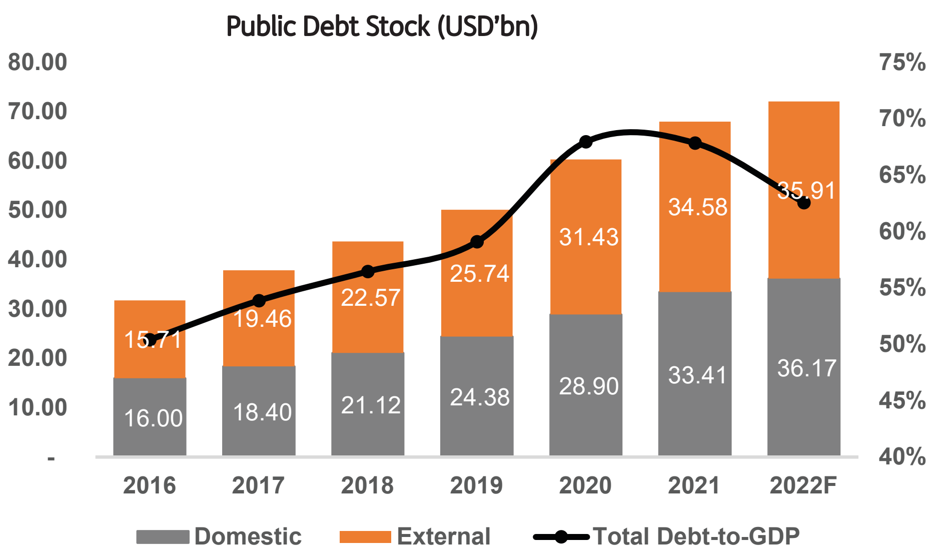
Fiscal deficit-to-GDP for the period was -1.4%, higher than the -0.9% that was budgeted.

The gross public debt as of September 2022 increased by USD$6.24bn (KSh. 752.7bn) to amount to USD$72.48bn (KSh.8,748.9bn) compared to USD$66.24(KSh.7,996.3bn) as at end of September 2021.

The gross public debt comprised of 50.1 percent external debt and 49.9 percent domestic debt.

(KSh'million)	Budget (Jan-Sep)	Actual (Jan-Sep)	Variance
Revenue	**561.2**	**570.2**	**1.6%**
Tax Revenue	481.7	461.0	-4.3%
Non-Tax Revenue	14.1	24.4	73.3%
Other Revenue	8.4	10.6	27.1%
Grant	2.1	0.6	-69.8%
Total Expenditure	693.5	759.5	9.5%
Recurrent Expenditure(non-debt)	329.8	413.2	25.3%
Interest Payment (Domestic+External)	170.2	150.8	-11.4%
Capital Expenditure	79.1	115.9	46.5%
Fiscal deficit	(132.3)	(189.3)	43.0%
Fiscal Deficit/GDP	-0.9%	-1.4%	0.4%
Debt service/ Revenue	30.3%	26.5%	-3.9%
Recurrent Expenditure/ Revenue	58.8%	72.5%	13.7%
Revenue/GDP	4.0%	4.1%	0.1%
Expenditure/GDP	4.9%	5.5%	0.5%

The increase in Kenya's public debt is attributed to external loan disbursements, exchange rate fluctuations and the uptake of domestic debt during the period.

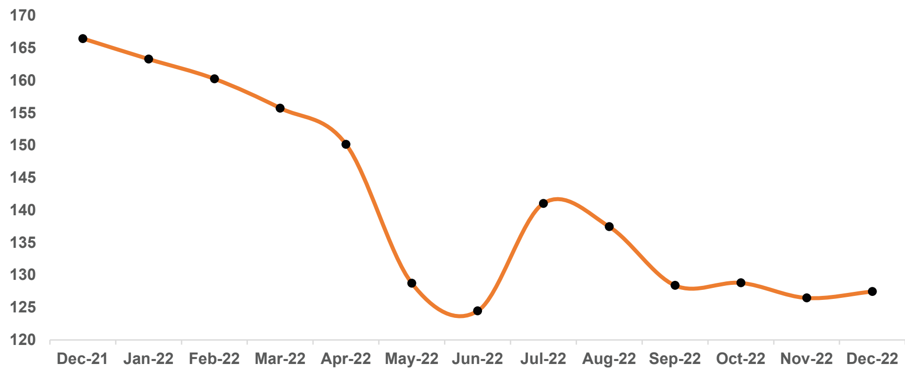


Equities Capital Market

Kenya's NSE All Share Index, the most widely monitored index closed 2022 on a negative note, as it recorded an annual loss of 23.24%. The stellar loss was as a result of the dominance of foreigners on the Nairobi's stock exchange which caused a heightened level of capital flight from the exchange as interest rates in advanced economies increased.

According to official data, foreigners account for 55% of turnover on Nairobi stock exchange .The lack of restrictions on foreign capital flow also boosted the risk of capital flight on Kenya's stock exchange.

NSE All Share Index Performance



Source: Nairobi Stock Exchange

> "Kenya's NSE All Share Index, the most widely monitored index closed 2022 on a negative note."

Nearly half of Nairobi Securities Exchange (NSE) listed firms did not pay dividends in the last financial year cycle revealing muted returns for investors in the bourse. Market data shows 28 of 59 listed companies with ongoing operations did not pay dividends for their latest respective financial years, with some extending their payout drought to years.

The lack of cash distributions at firms like Kenya Airways, HF Group, Home Afrika and WPP Scan group have exposed investors to major losses as their share prices have declined significantly.

Outlook: The stock market will maintain its negative trajectory for most of 2023 as a result of the level of dominance of foreign investors in the market. However, we believe local investors are likely to take advantage of the discounted stocks on the Exchange.

Also, rising inflation, rising interest rates and increasing yields will likely discourage investment in the stock market.

IPOs and FOs in Kenya

Initial public offerings (IPOs) in Kenya have been relatively active in recent years. Several companies have gone public, and many more are expected to do so in the future. For example, in 2019, the mobile telecom company, Safaricom, raised around $624 million in an IPO. Additionally, the government has been pushing for more state-owned companies to go public as part of its economic reform program. The government has been encouraging more companies to go public as a way to raise capital, increase transparency, and to mobilize savings and investments.

Further offerings (FOs) are also relatively frequent in Kenya. These are typically done by companies that have already gone public and are looking to raise additional capital. FOs can be done through a variety of instruments such as secondary offerings of shares, rights issues, and private placements.

> “Several companies have gone public, and many more are expected to do so in the future.”

The Kenyan government has taken several steps to encourage more companies to go public and to develop the capital markets. For example, in 2016, the government introduced new regulations to make it easier for small and medium-sized enterprises (SMEs) to list on the NSE. Additionally, the Capital Markets Authority (CMA) has been working to develop the market infrastructure and to increase transparency and investor protection. The CMA has also been working to improve the market infrastructure by introducing new products and services, strengthening the regulatory framework and promoting market education and awareness.

In terms of foreign investment, Kenya has an open economy and welcomes foreign investment. The Kenyan government has also implemented various measures to attract foreign investment such as tax exemptions and subsidies. The NSE also allows foreign investors to trade on the exchange and own shares in Kenyan companies. The NSE has also been working to improve its market infrastructure to attract more foreign investment.

However, the NSE is facing several challenges, including a lack of liquidity, volatility in the political and economic environment, and the need to further develop the market infrastructure and regulatory framework to attract more foreign investment. Additionally, the NSE is facing competition from more established markets in the region such as South Africa and the United Arab Emirates.

Overall, the Kenyan stock market is showing signs of growth and development in recent years. The government and the regulator are taking steps to develop the market and attract more companies to list, and the market has a lot of potential for growth in the future. The government and regulator's efforts to improve the market infrastructure, increase transparency and investor protection, and attract more foreign investment will be the key factors in the development of the stock market in Kenya. The NSE has a lot of potential to grow and develop, but it will take time and continued efforts from the government and the regulator to fully realize that potential.

One of the main challenges facing the NSE is the lack of liquidity. The NSE's daily trading volume is relatively low compared to other exchanges in the region. This lack of liquidity can make it difficult for investors to buy or sell shares, which can make the market less attractive to investors. To address this, the NSE has been working to increase the number of listed companies and to promote more trading activity on the exchange.

> "the NSE is showing signs of growth and development in recent years, but it still has a long way to go"

Another challenge facing the NSE is the need to further develop the market infrastructure and regulatory framework to attract more foreign investment. The NSE has been working to improve its market infrastructure and regulations to make it more attractive to foreign investors. The CMA has been working to improve the market infrastructure by introducing new products and services, strengthening the regulatory framework and promoting market education and awareness. However, more needs to be done to attract foreign investment.

The NSE is also facing competition from more established markets in the region such as South Africa and the United Arab Emirates. These markets have more developed infrastructure, regulations, and trading volumes. To attract more foreign investment and to compete with these other markets, the NSE needs to continue to improve its market infrastructure and regulations.

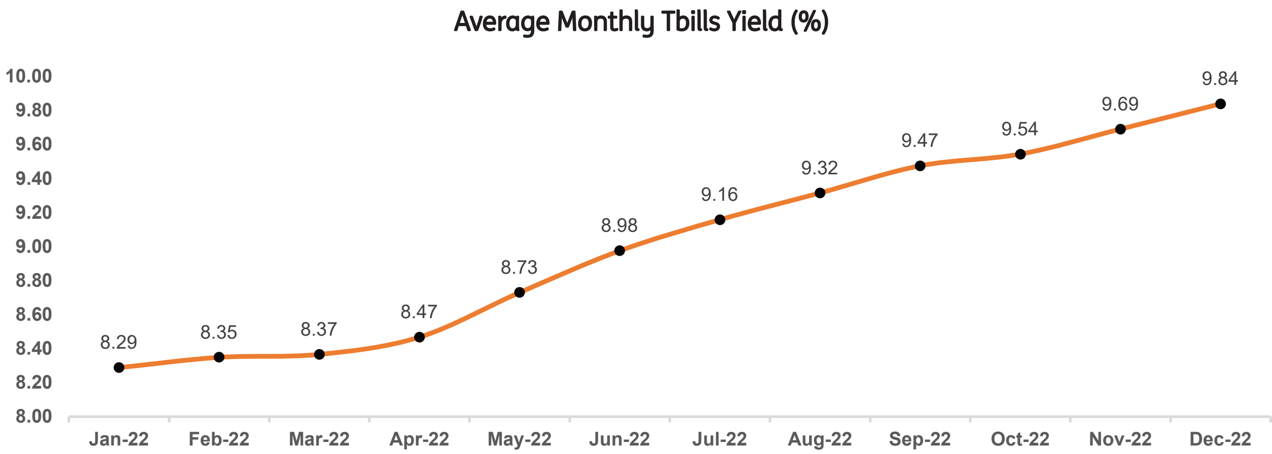
In conclusion, the NSE is showing signs of growth and development in recent years, but it still has a long way to go before it becomes a major player in the region's capital markets. The government and the regulator are taking steps to develop the market and attract more companies to list, but it will take time for the market to fully mature. The NSE has a lot of potential for growth, but it will take continued efforts from the government and the regulator to improve the market infrastructure, increase transparency and investor protection, and attract more foreign investment to fully realize that potential. In addition, the NSE needs to work on increasing liquidity, and also develop a more robust regulatory framework that can attract more foreign investment and also support the growth of the local companies. The NSE also needs to focus on increasing awareness and education of the market to attract more local investors, and to increase trading activity on the exchange. By addressing these challenges, the NSE can continue to develop and grow, becoming a more important player in the region's capital markets.

Debt Capital Market

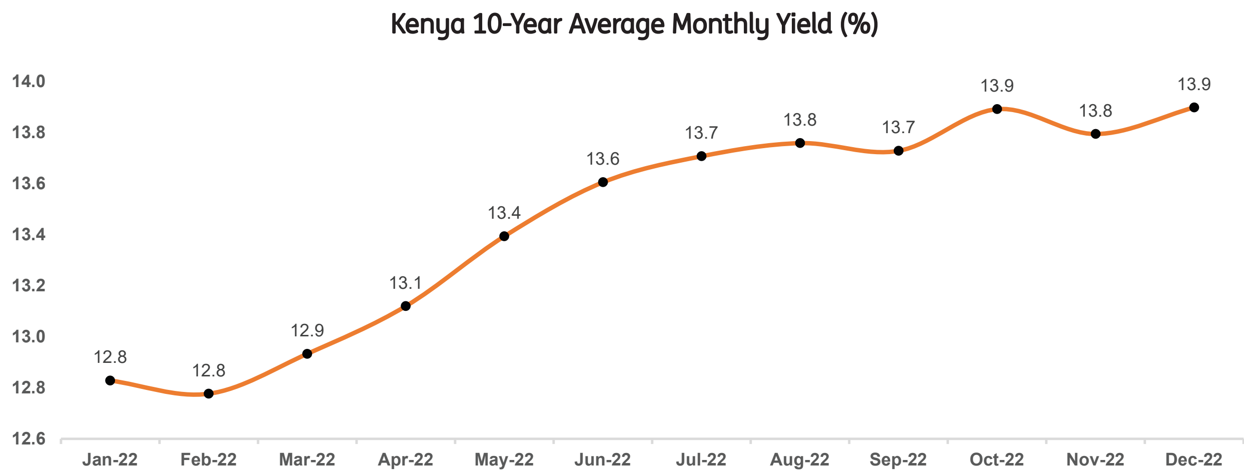
The Central Bank of Kenya started an initiative that involved three rate increases in an effort to curb multi-year high inflation. Yields on Kenya's fixed income instruments trended upward due to the country's growing interest rate environment.

The government of Kenya also turned to the domestic market to raise debt to finance its 2021/22 fiscal year deficit as a result of the expensive international borrowing market.

Average yield on Tbills climbed by 173bps to close the year at 9.84%. likewise yields on the average 10-year bond yield climbed by 110bps to close the year at 13.95.



The source of the data below is Central Bank of Kenya



Source: Investing,com

Eurobonds

The increase in interest rates globally, caused by the aggressive rate hikes by apex banks across the world and the scuffle that occurred as a result of its presidential election triggered selloffs on Kenya Eurobonds.

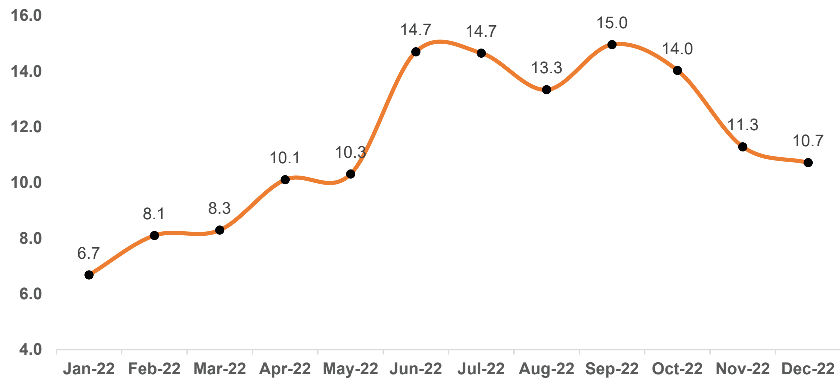
Kenya's credit rating was lowered by Fitch from B+ to B, citing higher default risks brought on by tighter liquidity in light of higher repayments. The downgrade was due to elevated debt repayment requirements in the forthcoming fiscal year, including the maturity of a $2 billion (Sh245.6 billion) Eurobond in June 2024 and high financing costs at the global market.

> Kenya's credit rating was lowered by Fitch from B+ to B

Kenya declared at the beginning of its 2021/22 (July-June) fiscal year that it would issue a new sovereign bond to partially close a 7.5% budget deficit. However, due to the high cost of borrowing at the global market, it decided not to sell its $982 million (Ksh 11tbn) Eurobond.

The average yield on Eurobond increased by 450bps to 10.7% in 2022, from 6.2% in December 2021.

Kenya Eurobond Average Yield Movement (%)



Outlook: We expect that yields will continue to trend upward in Kenya as a result of further rate hikes by apex banks of advanced economies and the central bank of Kenya.

EGYPT

$38.81 billion
Equity Market Capitalization

218
Numbers of Listed Companies

10%
Equity Market Cap/GDP

1,1 million
Equity Market Share Volume Traded
(11 months)

Macroeconomic Overview

GDP

The ongoing conflict in Ukraine has exacerbated Egypt's economic difficulties by driving up the cost of imports, essential staples such as wheat and oil, and damaging tourism from major markets like Ukraine and Russia.

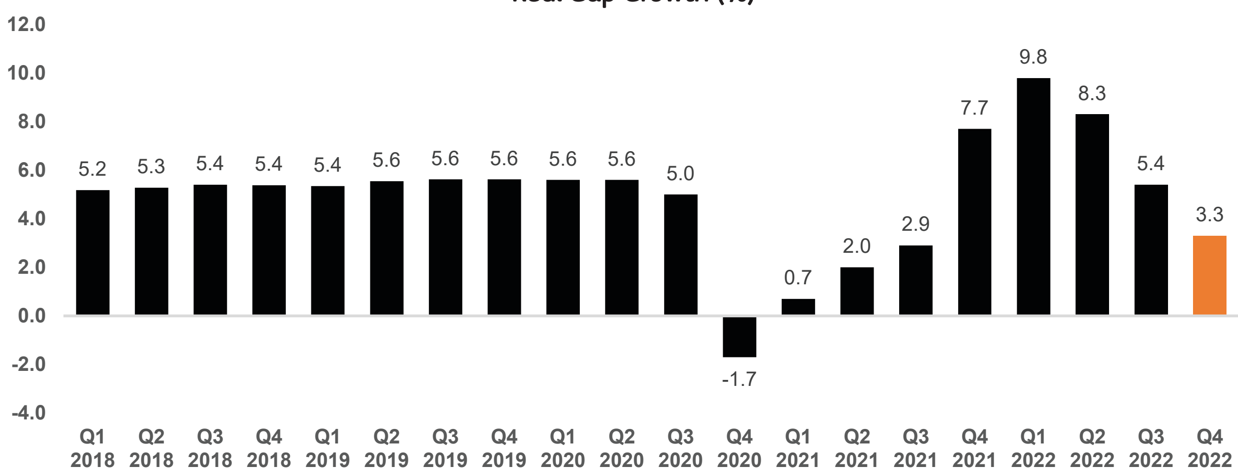
The economy grew by 3.3% in Q2 2022, marking its eighth consecutive quarterly growth since Q4 2020. However, the growth was a slow down when compared to the first three quarters for its 2022 fiscal year.
The slowdown reflected the impact of the inflationary environment, high interest rate amid restrictions on importation and the deliberate depreciation of the Egyptian pounds.

Earlier in 2022, the Central Bank of Egypt implemented a new requirement indicating that Egypt will only accept Letters of Credit (LCs) in the execution of import operations, while permitting exception only to multinationals, branches, and subsidiaries of multinationals in Egypt.

Prior to the requirement, importers use a cash-against-documents system that traders say requires less payment in advance.

As a result of the country's significant dependence on import, price of goods and services in the country skyrocketed and economic activities recorded slowdown as many import -dependent businesses were unable to effectively carryout their businesses.

Real Gdp Growth (%)



Source: Ministry of Planning and Development, Egypt

Outlook: We anticipate that Egypt's economy will continue to grow in 2023, but at a slower pace due to the expectation of further rate tightening as inflation has continue to increase. Additionally, the lifting of import restrictions and the government's decision to open certain economic activities to the private sector, as part of the conditions for receiving an IMF $3 billion support package, and the eventual receipt of the IMF's support package is expected to spur economic growth. The World Bank's projection of 4.5% annual growth for Egypt in 2023, down from 4.8%, supports our outlook of a slowdown in economic activity in the 2023 fiscal year.

Inflation and Interest Rate

Inflation in Egypt trended upward in 2022 as global prices of food items and energy products rose as the Russia-Ukraine crisis intensified.

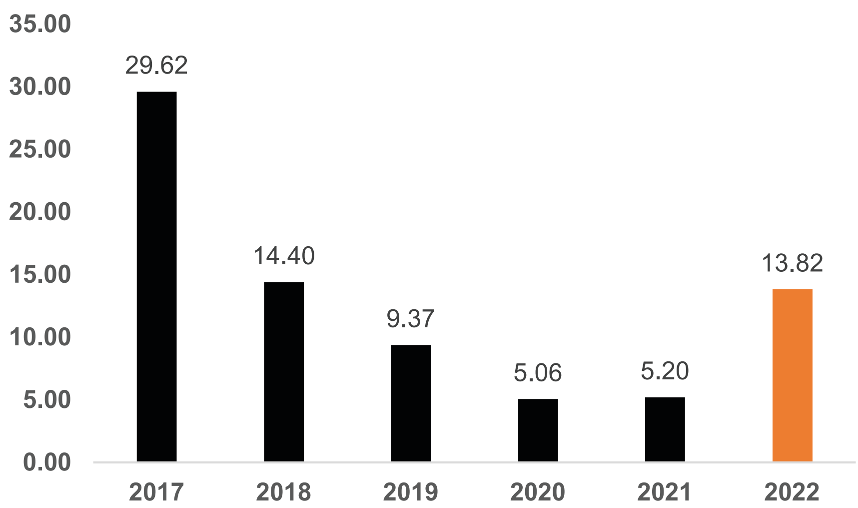
Inflation surged to a multi-decade high and printed at 21.3% in December on the back of incrtease in the price of food items. Annual inflation peaked at 13.82% in 2022, the highest since 2018.

> "Inflation surged to a multi-decade high and printed at 21.3% in December"

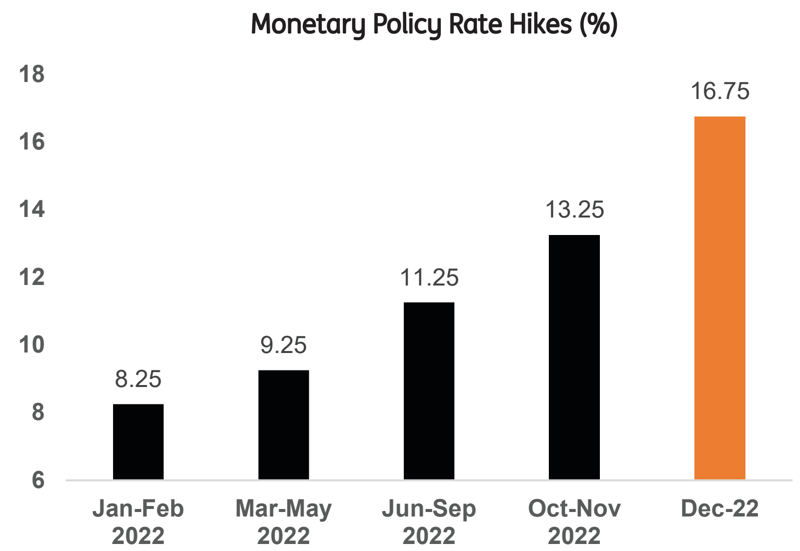
The rise from 18.7% in November followed a currency devaluation in October and restrictions on imports.

In December 2022, the Central Bank of Egypt unexpectedly raised its key overnight deposit rate by 300 basis points to 16.25%, significantly higher than market predictions of a 100-basis point increase. This follows a series of 400 basis point hikes since March, when the bank began its tightening cycle. Despite these increases, inflation remains above the bank's target range of 5-9%. The total hike in interest rates is 850 basis points.

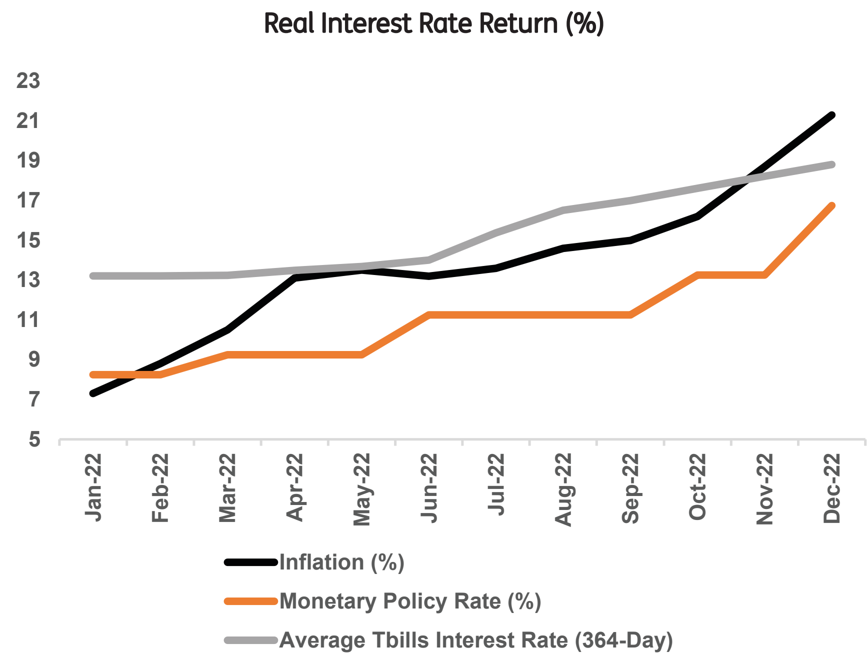
Average Annual Inflation (%)



Source: Central Bank of Egypt



Source: Central Bank of Egypt

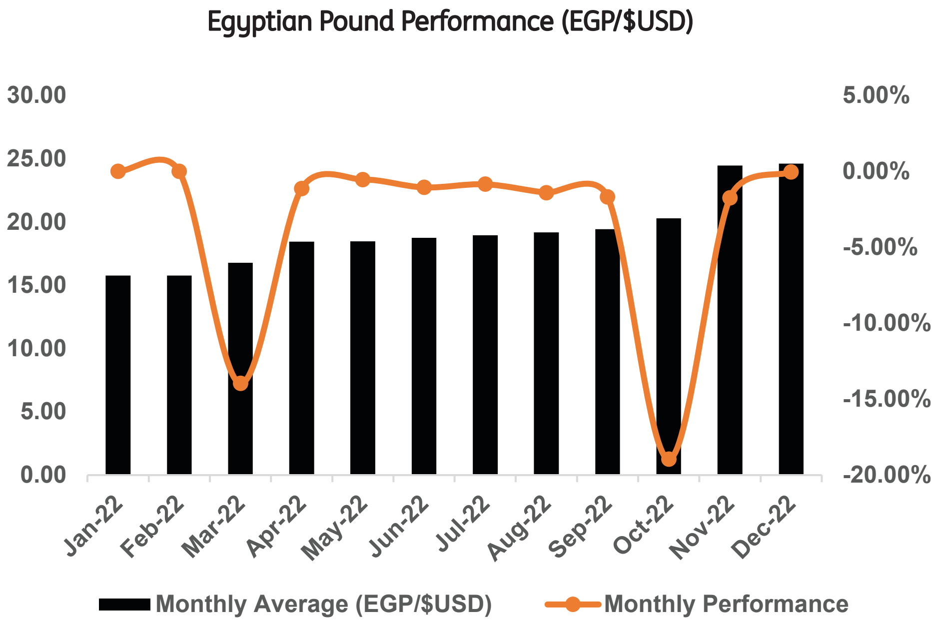


Source: Central Bank of Egypt

Outlook: We expect that the high inflation trend will stretch into 2023 as the risk of an upside in global commodity prices persists. Inflation came in stronger in December 2022, so we anticipate that the Central Bank of Egypt will increase interest rate further in 2023 to keep inflation under control. Also, its policy in managing the Egyptian Pounds will also influence inflation trend in 2023.

Foreign Exchange

The value of the Egyptian pound dropped significantly in 2022, with a 14% depreciation in March after the government-imposed import restrictions. The central bank also contributed to the devaluation of the currency, cutting its value by 14.5% in October and allowing it to continue to weaken. By the end of the year, the Egyptian pound had lost 57.2% of its value against the dollar.



Outlook: We expect the Egyptian Pounds to remain volatile against the dollar as we anticipate that import bills will rise as a result of a lift on its previously imposed import restrictions and sustained high commodities prices. Also, any further deliberate depreciation of the pounds by the Central Bank of Egypt will weaken the currency in 2022.

Fiscal and Public Debt

Egypt, which has exceeded its lending quota from the IMF, has been in talks with the global lender since March about obtaining another extended fund facility. However, the negotiations have been unsuccessful as the IMF is requesting steps that Egypt does not agree with.

Egypt's previous agreements with the Fund have included reforms and austerity measures, such as a sharp currency floatation and phasing out of subsidies, which are still ongoing.

> "To weaken. By the end of the year, the Egyptian pound had lost 57.2% of its value against the dollar."

However, with the ongoing war in Ukraine affecting a large portion of the poor population in Egypt, the country has slowed down the implementation of these measures. The budget for fiscal year 2022/2023, which began in July, includes allocations for subsidies and social programs amounting to over $26 billion, an increase of 69% in seven years.

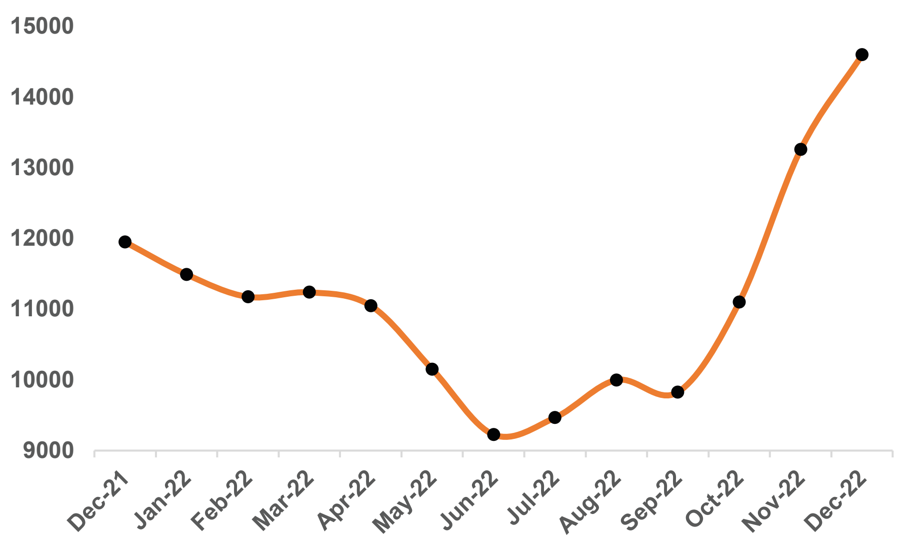
Equity Capital Market

The EGX30 index that tracks the 30 most weighted stocks on the Egyptian stock exchange closed 2022 on a positive terrain, after recording an annual gain of 22.17%.

The market recorded a loss for the first two quarters of the year before rebounding in the last two quarters of 2022.

The turnaround in market sentiment was as a result of the deal with the International Monetary Fund and central bank support to allow lenders greater flexibility in currency trading.

EGX30 Performance



Source: Central Bank of Egypt

Outlook: In the same way that economic policies and events influenced the market in 2022, we anticipate this trend to continue in 2023. We anticipate that domestic policies and events will have a significant impact on the performance of the Egyptian stock exchange in 2023.

IPOs and FOs in Egpyt

Initial public offerings (IPOs) in Egypt have been relatively active in recent years. Several companies have gone public, and many more are expected to do so in the future. For example, in 2020, the largest IPO in the history of the Egyptian stock market occurred when Emaar Misr for Development, a subsidiary of the Dubai-based real estate giant Emaar Properties, raised around $1.4 billion in an IPO. The government has also been pushing for more state-owned companies to go public as part of its economic reform program.

Further offerings (FOs) are also relatively frequent in Egypt. These are typically done by companies that have already gone public and are looking to raise additional capital. FOs can be done through a variety of instruments such as secondary offerings of shares, rights issues, and private placements.

The Egyptian government has taken several steps to encourage more companies to go public and to develop the capital markets. For example, in 2017, the government introduced new regulations to make it easier for small and medium-sized enterprises (SMEs) to list on the EGX. Additionally, the EFSA has been working to develop the market infrastructure and to increase transparency and investor protection. The government has also implemented a number of economic reforms, including the floating of the Egyptian pound in 2016, that helped boost investor confidence and attract foreign investment.

Foreign Investment

In terms of foreign investment, Egypt has an open economy and welcomes foreign investment. The Egyptian government has also implemented various measures to attract foreign investment such as tax exemptions and subsidies. The EGX also allows foreign investors to trade on the exchange and own shares in Egyptian companies. The EGX has also been working to improve the market infrastructure and regulations to attract more foreign investment.

However, like most emerging markets, the EGX is facing several challenges, including a lack of liquidity, and volatility in the political and economic environment. Additionally, the market infrastructure and regulatory framework need to be further developed to attract more foreign investment. The government also needs to continue with the structural reforms to improve the business environment, which will attract more foreign investment.

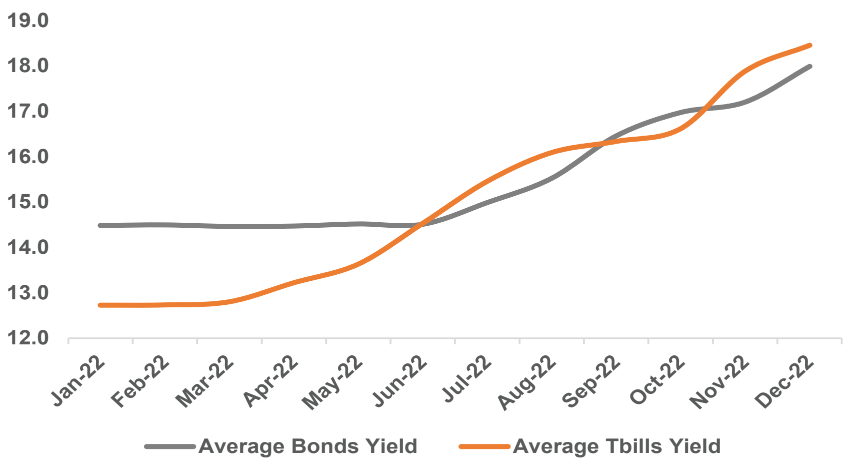
Debt Capital Market

Amidst the impact of the Russia-Ukraine war, lingering supply chain disruptions, and tightening global financial conditions, Egypt is experiencing a spike in inflation and has suffered abrupt large-scale portfolio outflows, adding pressures to the country's already stretched public finances and external accounts.

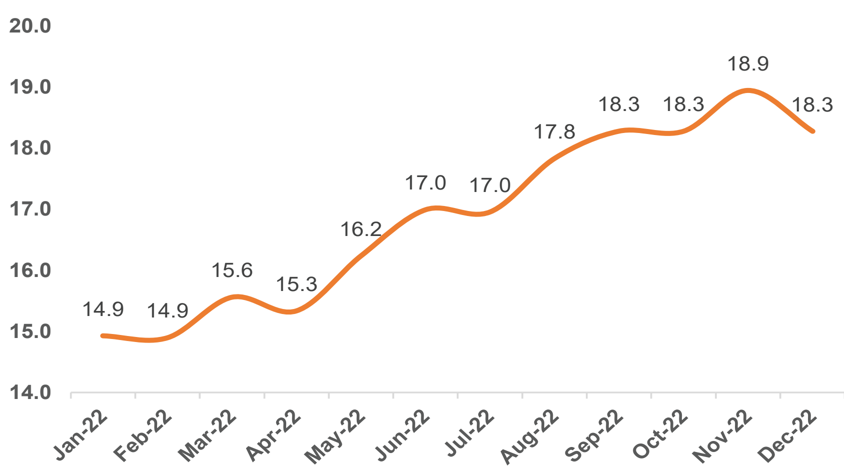
The Central bank of Egypt increased its monetary policy rate to slow the fast-rising inflation. As a result of the high interest rate, the heavy selloffs and the low patronage rate at the domestic fixed income market, yields trended upward.

Yields at the primary market auction for treasury bills increased by 570bps while that of bond has increased by 350. Likewise, yields on its 10-year government bond also increased by 341bps in 2022.

Average T-bills and Bond Yield in 2022



Egypt 10-Year Government Bond Yield (%)



Outlook: We anticipate that yields will continue to trend upward due to our expectation of further rate hikes as inflation remain above the apex bank's target of 5% and 9%. The continued rate hike will also determine the market sentiment and level of patronage in 2023.

MOROCCO

$53.69 billion
Equity Market Capitalization
(as of November 2022)

78
Numbers of Listed Companies

37.5%
Equity Market Cap/GDP

55 billion
Equity Market Share Volume Traded
(from 21st of Jan 2022-30 Dec 2022)

Macroeconomic Overview

GDP

Morocco's economy suffered a slowdown of 1.6% in the third quarter of 2022, compared to a 2% growth in the second quarter of the year.

The slowdown was as a result of a massive decline in the value added of agriculture activities in the country, following its worst drought in decades. The value added of agriculture declined by 15.1% in the reviewed quarter. Non-agriculture value added on the other hand increased by 3.6%.

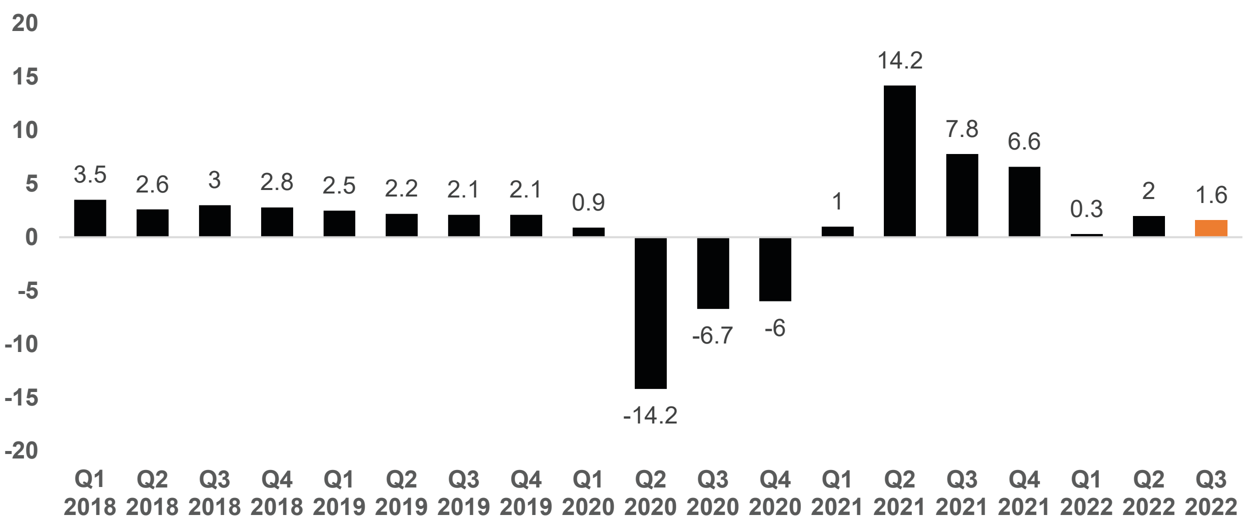
The decelerated growth is largely due to the slowdown in secondary industries, industries that convert raw materials provided by primary industries into commodities and consumer products.

Morocco faced its worst drought in 30 years in 2022. The drought caused severe water shortages and a notable drop in agricultural output in 2022. Its dam water level also crashed to 25% compared to 2021's year low of 40%.

Morocco faced its worst drought in 30 years in 2022.

The global supply disruptions also affected the foreign demand for Moroccan-made goods. The demand for Moroccan-made goods regressed to 4.3% in the third quarter of 2022, compared to 7.3% in the previous quarter.

Real Gdp Growth (%)



Source:

Outlook: We expect that the global and domestic economic events will shape the performance of Morocco's economic performance in 2023. We expect growth to slow further in 2023 as a result of the unending war between Russia and Ukraine, the risk of a global recession, the tight global supply chain, and the effect of climate change on its agriculture sector.

Nevertheless, we expect a positive shift in world economic sentiment to positively impact Morocco's economy.

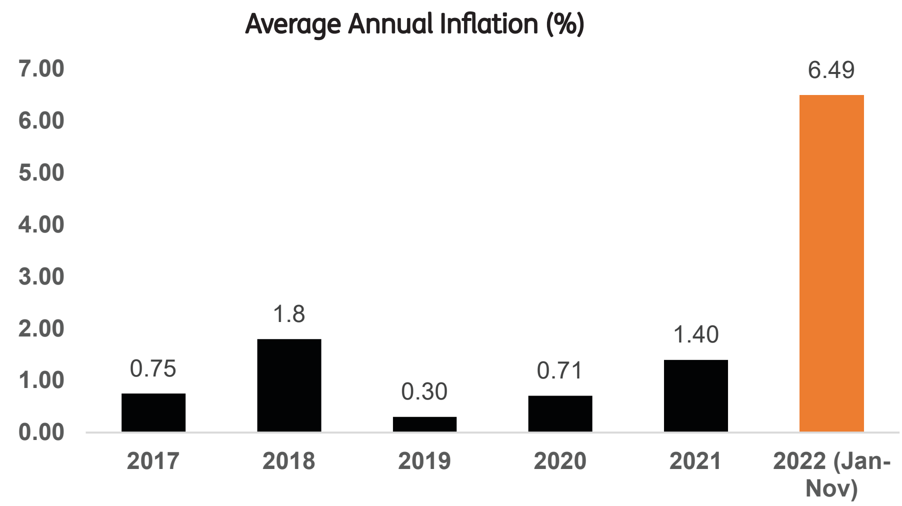
The world bank expects that Morocco's economy will grow by 3.5% in 2023, this is a decline from its previous projection of 4.3%.

Inflation and Interest Rate

> Inflation in Morocco increased sharply in 2022

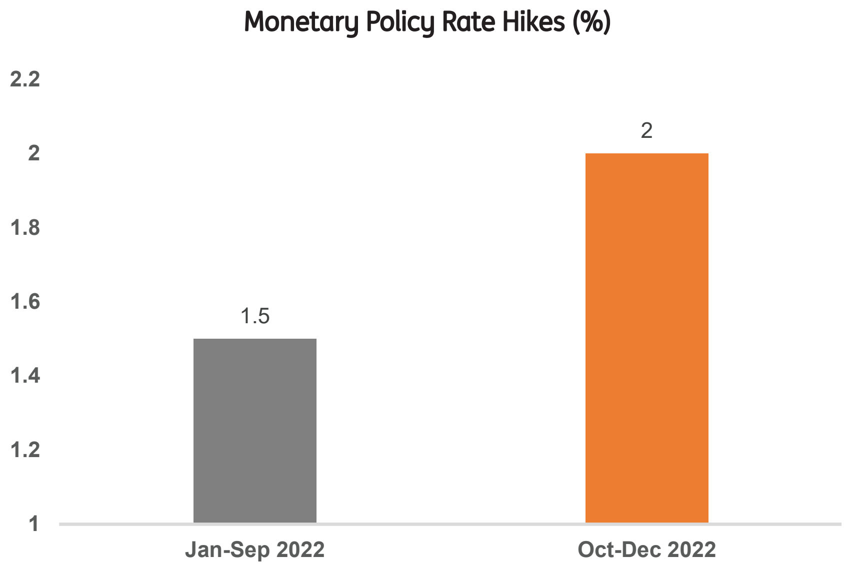
Inflation in Morocco increased sharply in 2022 as a result of the ripple effect of the Russia-Ukraine war and the tight global supply chain.

Inflation surged to a multi-decade high and printed at 8.3% in November on the back of higher foodstuff and fuel prices in the international market. Also, the country's agriculture suffered setbacks in 2022 as it recorded its worst drought in decades.

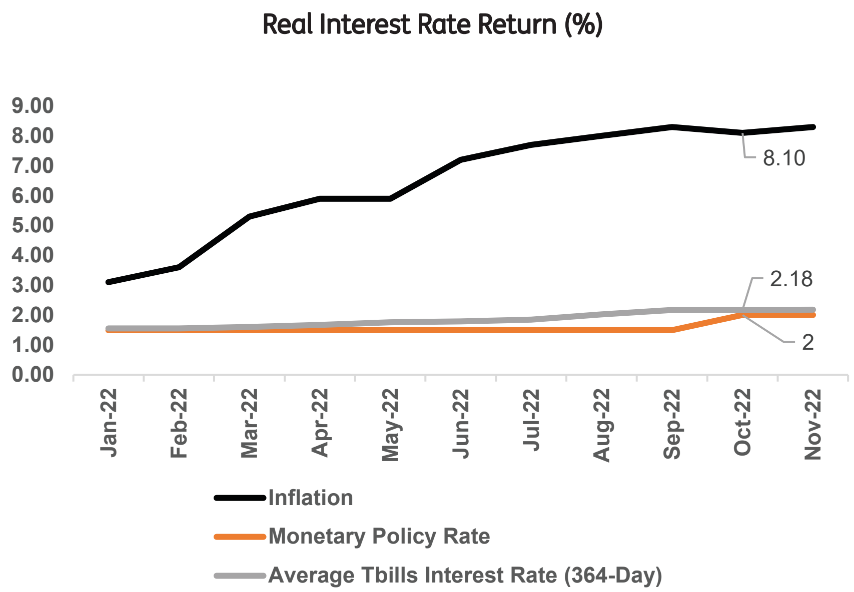


Source: Bank Al-Maghrib (Central Bank of Morocco)

The Central bank of Morocco (Bank Al-Maghrib) raised its benchmark rate to respond to rising inflation in 2022. The apex bank increased interest rate by 50bps to 2% at its September 2022 meeting. It was the first-rate hike since 2008, and it was launched to prevent any de-anchoring of inflation expectations and ensure price stability amid soaring inflation.



Source: Bank Al-Maghrib (Central bank of Morocco)



Source: Bank Al-Maghrib (Central bank of Morocco), Haut Commissariat au Plan, Morocco

Outlook: We expect the trend of rising inflation to stretch into 2023 as a result of the unresolved Russia-Ukraine war which is expected to put a strain on the global supply chain. The probability of a further extreme weather conditions in 2023 also heightens the risks of low agriculture output.
As a result, we expect that the Central Bank of Mauritius (Bank Al-Maghrib) will launch further rate hikes in 2023 to control rising inflation.

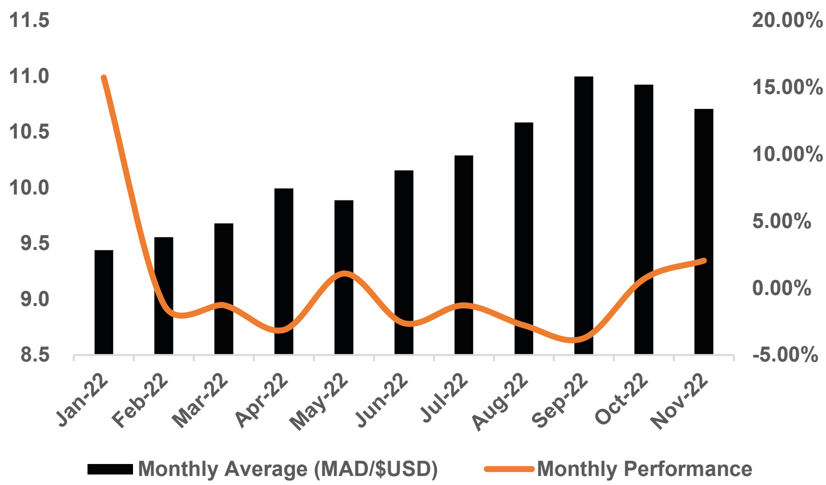
Foreign Exchange

The Dirham was impacted by the severe disruption of global recovery by the Russia-Ukraine war. Energy prices reached historical levels, pushing the value of Moroccan imports higher as the country imports 90% of its energy needs.
Also, the suboptimal agriculture season on the backdrop of drought and its impact on the harvest forced the country to boost its grain imports and other food items import.

As a result, the higher import drained the Morocco's foreign currency reserves and caused the Dirham to weaken against the dollar.

> "The higher import drained the Morocco's foreign currency reserves and caused the Dirham to weaken against the dollar."

Moroccan Dirham Performance (MAD/$USD)



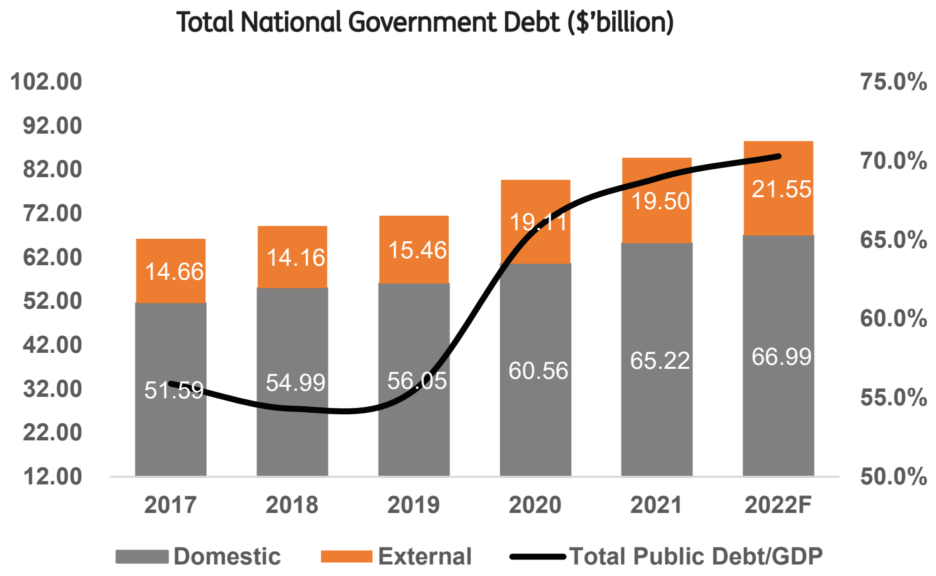
Source: Bank Al-Maghrib (Central Bank of Morocco)

Outlook: We expect the Dirham to experience a back-and-forth swing against the dollar in 2023 as a result of the continued war between Russia and Ukraine and its ripple effects.

Public Debt

Morroco's national government debt as of the end of the third quarter of 2022 increased by 6.5% when compared to the corresponding period in 2021. Total national debt stood at $88.53 billion (MAD925bn) against $83.17 billion (MAD869.09bn) in Q3 2021.

Debt level increased as a result of an increase in government expenditure to further stimulate the economy and boost spending on public investments, education, health and social care.



Source: Ministry of Economy and Finance, Morocco

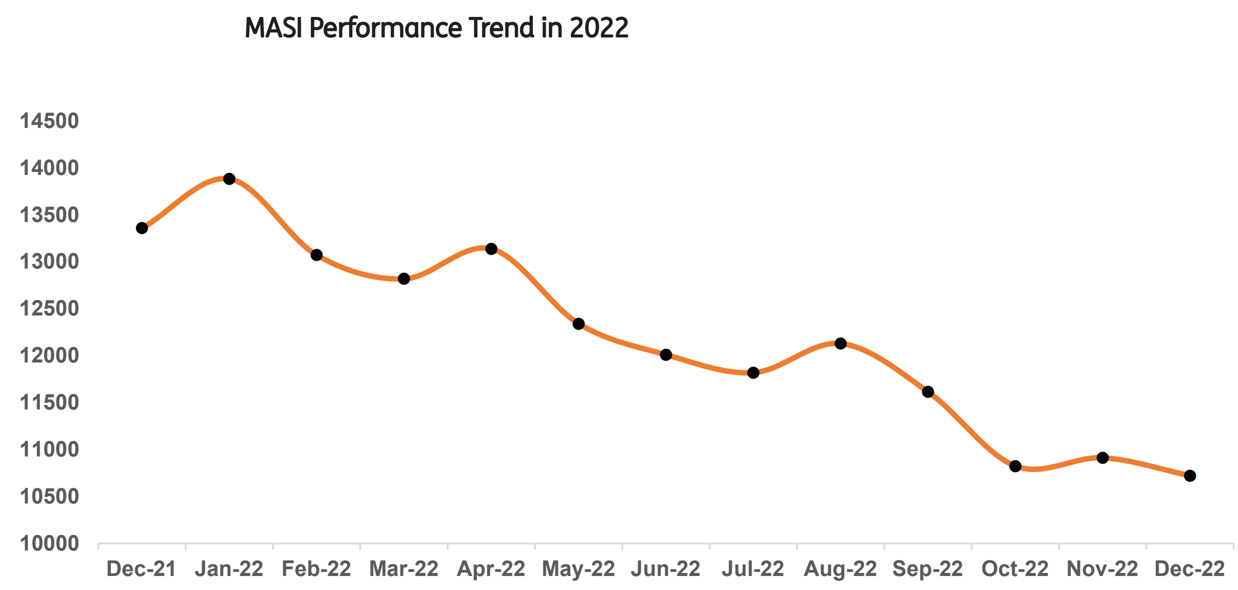
Equities Capital Market

Morocco's All Share Index (MASI), the most widely watched index trended downward for most of 2022, as the market recorded a year-on-year loss of 19.75% following a gain of 18.35% in 2021.

> The market recorded a decline for each of the four quarters in 2022,

The market recorded a decline for each of the four quarters in 2022, with Q4 (-7.7%) being the worst quarter of the year.

The decline was as a result of the general negative market sentiments as apex banks in advanced economies increased interest rate.



Source: Casablanca Stock Exchange

Outlook: We anticipate that the stock market will continue its downward trend into 2023 as central banks in developed countries begin to raise interest rates. Additionally, the actions of the Central Bank of Morocco and broader macroeconomic developments will shape market sentiment.

IPOs and FOs in Morocco

Initial public offerings (IPOs) in Morocco have been relatively slow in recent years. Companies have been reluctant to go public due to various reasons such as lack of awareness of the benefits of listing, lack of access to capital and high costs of listing. However, there have been a few IPOs in recent years such as the state-owned railway company, ONCF, which raised around $450 million in an IPO in 2019.

Further offerings (FOs) are also not very frequent in Morocco. These are typically done by companies that have already gone public and are looking to raise additional capital. FOs can be done through a variety of instruments such as secondary offerings of shares, rights issues, and private placements.

“The market is also facing competition from other more developed markets in the region such as Egypt and Tunisia.”

The Moroccan government has taken some steps to encourage more companies to go public and to develop the capital markets. For example, in 2018, the government introduced new regulations to make it easier for small and medium-sized enterprises (SMEs) to list on the CSE. Additionally, the AMMC has been working to develop the market infrastructure and to increase transparency and investor protection.

Foreign Investment

In terms of foreign investment, Morocco has an open economy and welcomes foreign investment. The Moroccan government has also implemented various measures to attract foreign investment such as tax exemptions and subsidies. The CSE also allows foreign investors to trade on the exchange and own shares in Moroccan companies.

However, the market has its own challenges, the regulatory framework is still not fully developed and more work needs to be done to improve the market infrastructure, increase liquidity and attract more companies to list. Furthermore, the market is also facing competition from other more developed markets in the region such as Egypt and Tunisia.

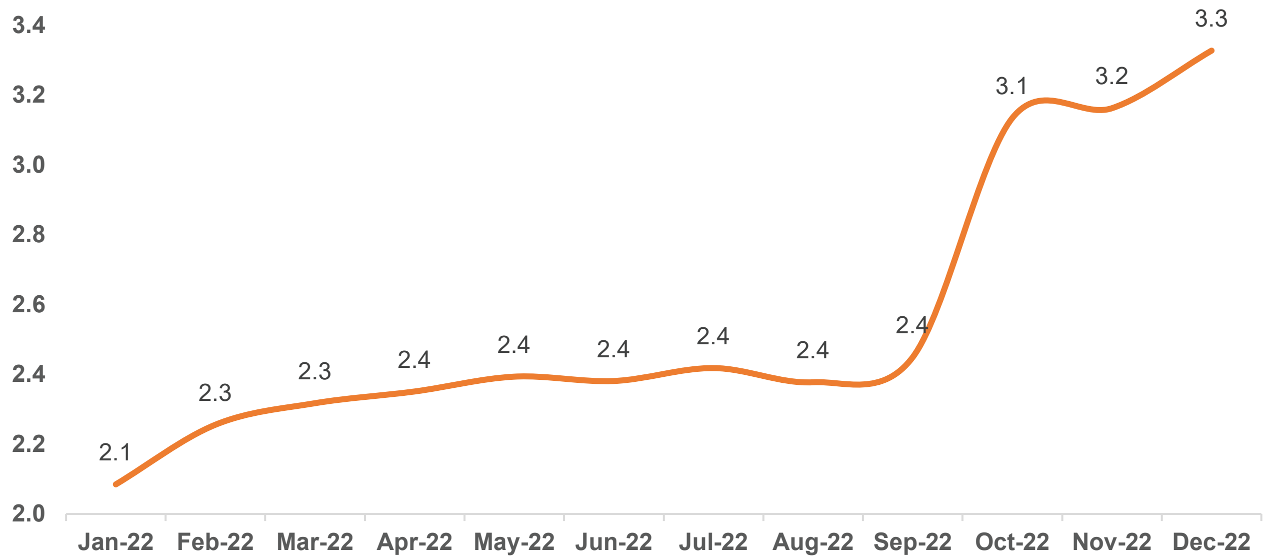
Overall, the Moroccan stock market is slowly developing, but it still has a long way to go before it becomes a major player in the region's capital markets. The government and the regulator are taking steps to develop the market and attract more companies to list, but it will take time for the market to fully mature

Debt Capital Market

Despite the high inflationary environment in Morocco, the government was slow to respond, causing inflation to rise faster than the interest rate. In response, the Central Bank of Morocco took its first action to address rising inflation in September by raising interest rates by 50 basis points to 2%. As a result of the rate hike, yields in Morocco fixed income space started to trend upward compared to the flat trend recorded for the first nine months of the year.

On a year-on-year basis, yields on its 10-year bond is up by 110bps to 3.3% at the end of 2022.

Morocco 10-Year Government Bond Yield



Source: investing.com

Outlook: We anticipate that the direction of yields will be determined by the actions of the Central Bank of Morocco (Bank Al-Maghrib) in upcoming monetary policy meetings in 2023. Due to continued inflation, we anticipate additional interest rate increases in 2023, which will likely result in higher yields in the fixed income market.

MAURITIUS

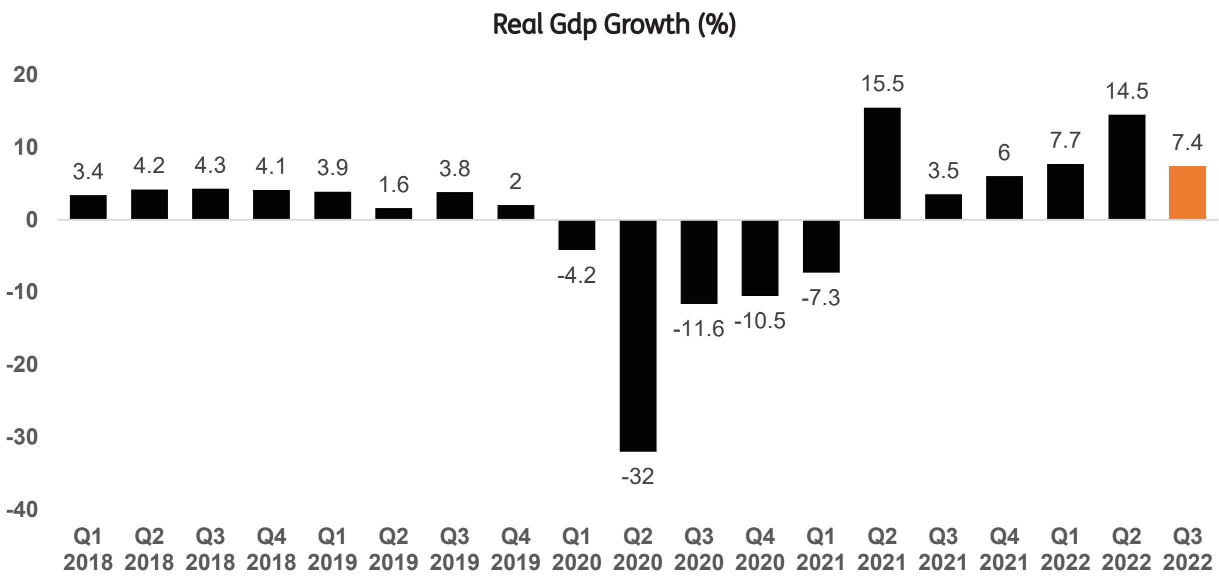
58
Numbers of Listed Companies

639 million
Equity Market Share Volume Traded
(Jan-Nov 2022)

Macroeconomic Overview

GDP

The economy of Mauritius experienced a 7.4% year-on-year growth in the third quarter of 2022, following a 14.5% increase in the previous quarter. This marked the sixth consecutive quarter of expansion. Growth was boosted by the accommodation and food service activities, increase in tourist visits, manufacturing activities and the wholesale and retail trade.



Source: Statistics Mauritius

Outlook: The world bank has predicted that Mauritius' economy will expand by 5.5% in 2023, this is a slow down when compared to its previous forecast of 6%. We also iterate that the economy will record slow down as a result of further monetary tightening by the Bank of Mauritius.

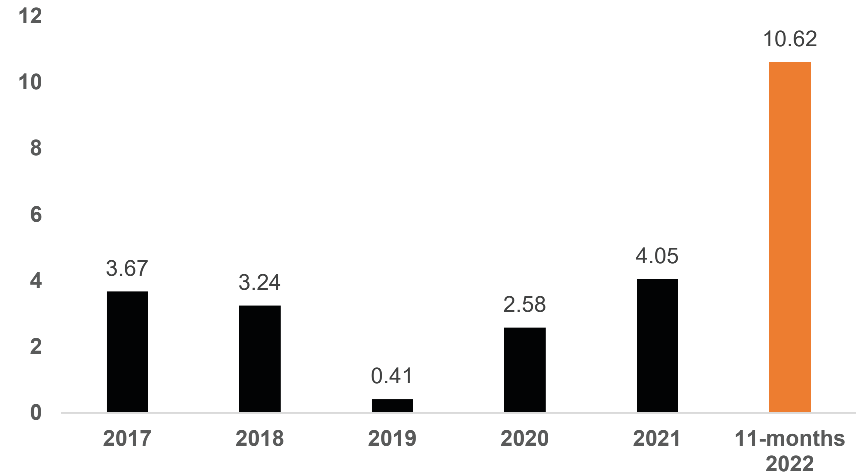
Inflation and Interest Rate

In 2022, inflation in Mauritius reached a multi-year high as the cost of living increased due to rising global prices. As an island nation with limited land for agriculture, Mauritius heavily relies on imports for food. The country's self-sufficiency level for producing food for its citizens is currently less than 30%.

"In 2022, inflation in Mauritius reached a multi-year high as the cost of living increased due to rising global prices."

Rising prices of commodities in the global market have led to significant increases in the cost of food and energy in Mauritius.

Average Annual Inflation (%)



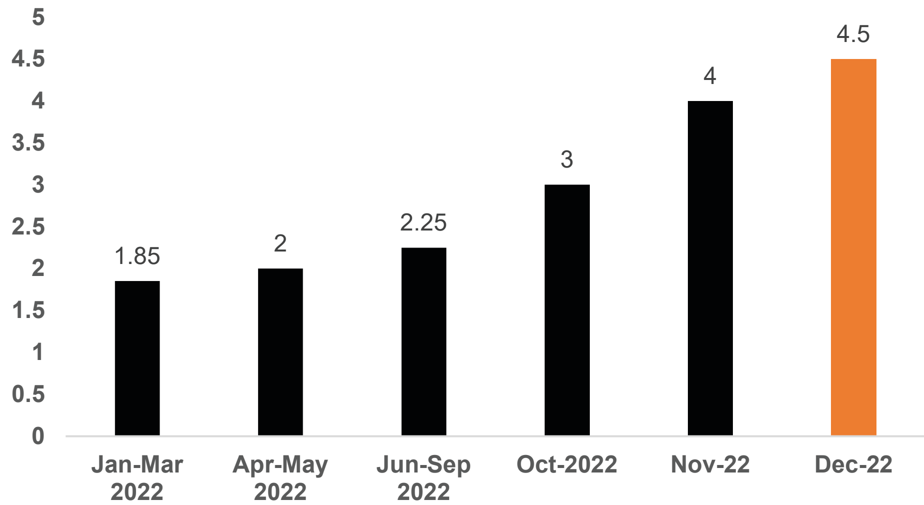
Source: Statistics Mauritius

In an effort to control rising inflation, the Central Bank of Mauritius raised its interest rate multiple times in 2022, the first-rate hikes since 2011. Additionally, the bank aims to narrow the gap in interest rates and reduce volatility in the foreign exchange market.

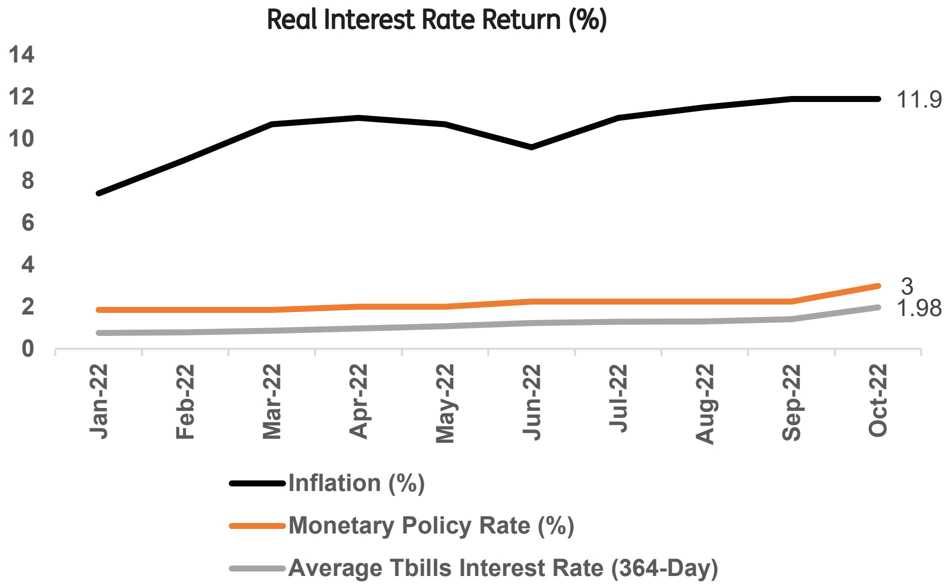
“In an effort to control rising inflation, the Central Bank of Mauritius raised its interest rate multiple times in 2022, the first-rate hikes since 2011.”

The bank accelerated its normalization process due to the observed economic recovery, which provided more flexibility and the objective of keeping inflation below 10% and reach its target range of 5-6% in 2023.

Monetary Policy Rate Hikes (%)



Source: Bank of Mauritius



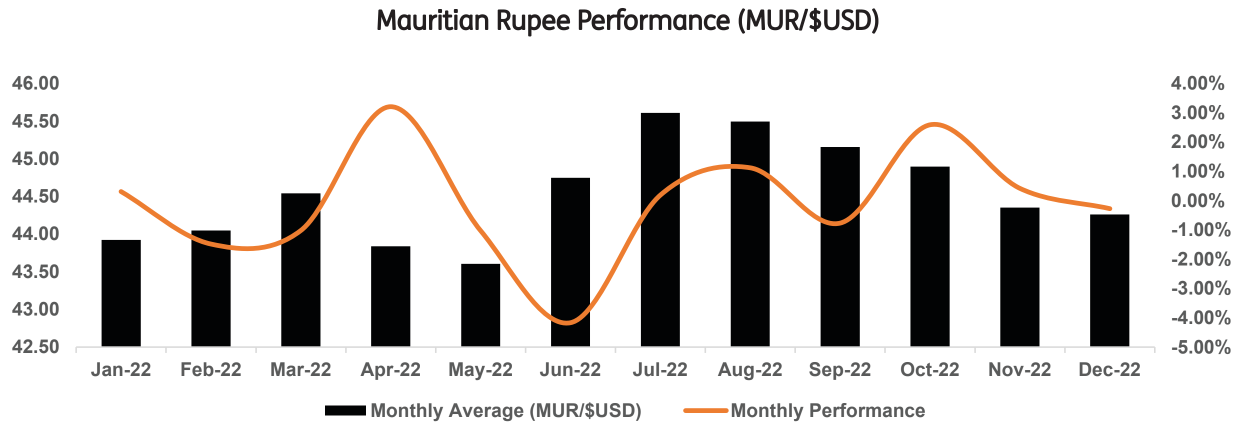
Source: Bank of Mauritius, Statistics Mauritius

Outlook: We expect that inflation will continue to rise in the meantime due to the dependence of the country on import of energy and food items. Also, the US Federal Reserve's hawkish stance and Mauritius's still elevated inflation will encourage the Bank of Mauritius to continue to pursue monetary tightening in 2023.

Foreign Exchange

The Mauritian Rupee was volatile against the dollar in 2022 as a result of elevated cost of importing essential items. This caused its foreign exchange currencies to plummet as prices continued to rise at the international market.

On a year-to-date basis, the Mauritian Rupee depreciated against the dollar by 1.11% in 2022.



Source: Bank of Mauritius

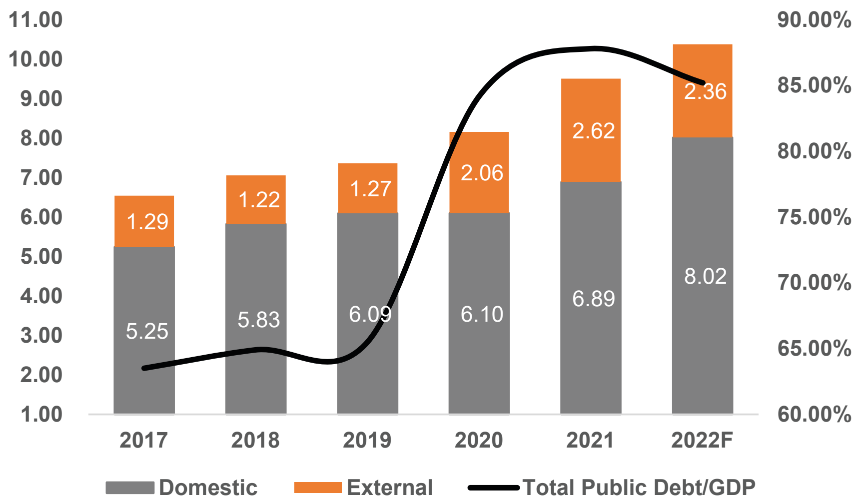
Outlook: We expect that the performance of the Rupee will be largely determined by exogenous factors (commodities prices and global economy recession) in 2023.

Public Debt

Mauritius' total public debt as of September 2022 increased by 9.2% to $10.38 billion (R461 billion) from a total public debt of $9.51 billion (R422 billion) in the corresponding period of the previous year.

The increase was as a result of a 16.4% ($8.02bn against $6.89bn in 2021) increase in domestic debt as the need for fiscal expenditures increased during the course of the year. External debt on the other hand recorded a decline of 9.8% ($2.36bn vs $2.62bn in 2021) as the international debt market became expensive in 2022.

Mauritius Government Total Public Debt ($bn)



Source: Ministry of Finance and Economic Development, Mauritius

Equities Capital Market

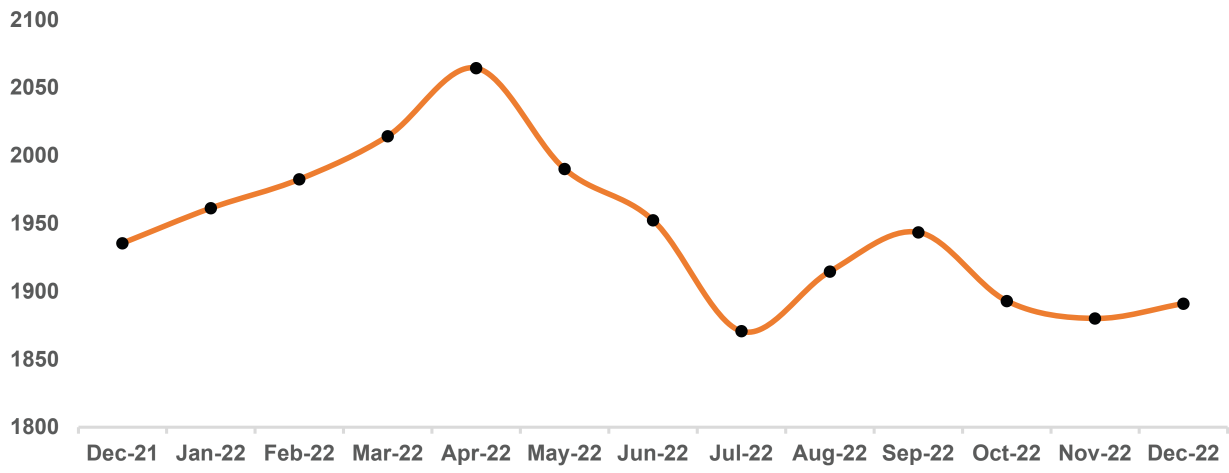
SEM All Share Index the most widely watched index experienced fluctuations in 2022 amidst rising inflation and interest rates.

The sentiment in the stock market was weak due to the high interest rate environment, which led investors to seek safety at the fixed income market.

The market recorded its worst performance in the last quarter of the year as the Bank of Mauritius became aggressive with its rate hike exercise.

The market returned an annual loss of 2.3% in 2022 after recording an annual gain of 27.26% in 2021.

Government Tbills Yield Trend (%)



Source: Stock Exchange of Mauritius

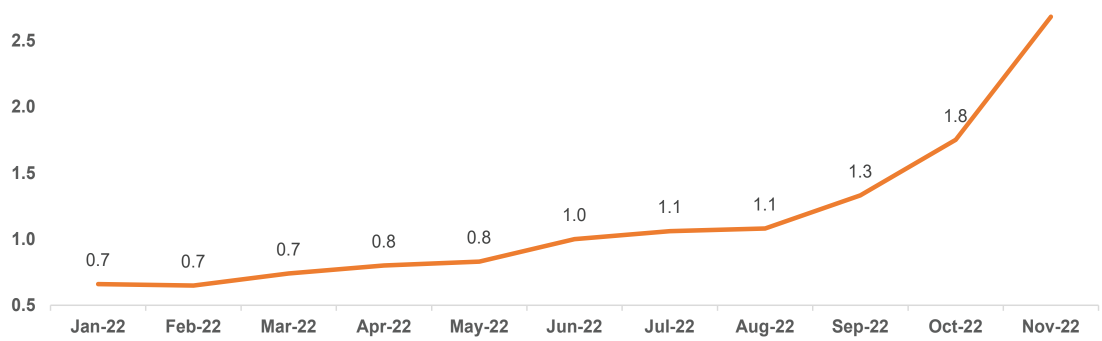
Outlook: We expect the fluctuations to continue into 2023 as a result of the predicted hike in interest rate by the Bank of Mauritius in 2023.

Debt Capital Market

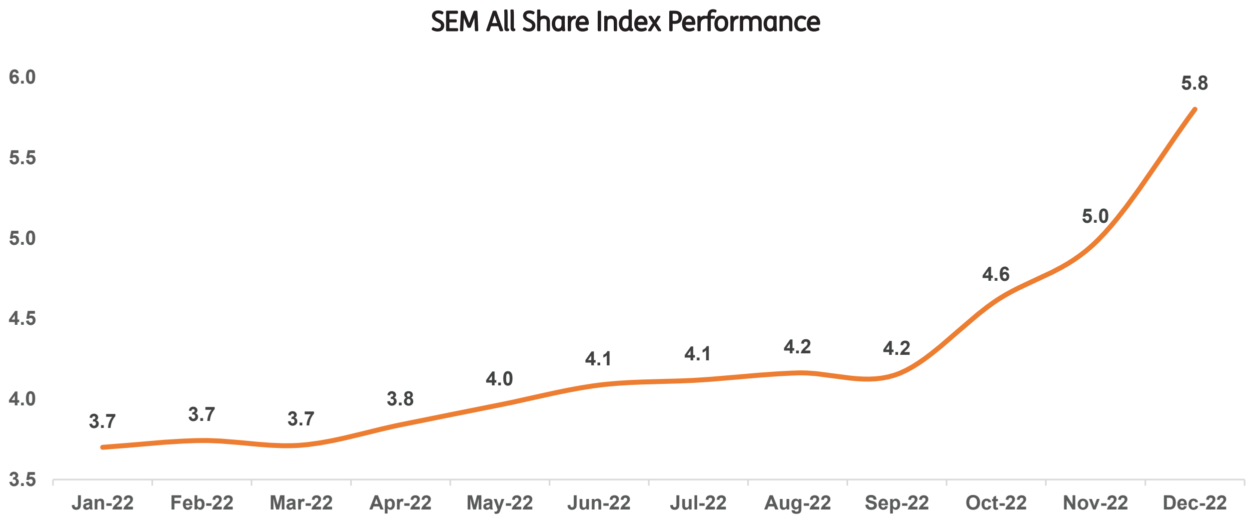
Fixed income instruments yields trended upward as the Bank of Mauritius launched several rate hikes in 2022. The average yields on Mauritius Government T-bills auctions at the primary market increased by 200bps to 2.7% as of the end of November 2022 from 0.7% at the start of the year.

Likewise, yields on its 10-year bond increased by 232bps to 6.11% from 3.79% at the start of 2022.

Mauritius Government 10-year Bond Yield (%)



Source: http://investing.com/



Source:

Outlook: We expect that yields will maintain their upward trend due to the possibility of further rate hikes in 2023.

Mauritius IPOs and FOs

> "Real estate and Technology sectors have been the most active in listing in the SEM in recent years."

The current state of initial public offerings (IPOs) and further offerings in Mauritius is considered as developing, with a steady increase in the number of companies listing on the Stock Exchange of Mauritius (SEM) in recent years. However, the number of IPOs and further offerings remains relatively low compared to more developed markets. This is partly due to the fact that the market is relatively small and not as developed as other markets. Additionally, the economic conditions and the level of investor confidence also play a crucial role in the number of IPOs and further offerings in the country.

In terms of sectors, Real estate and Technology sectors have been the most active in listing in the SEM in recent years. The government has also been encouraging more companies to list on the exchange through various initiatives such as the Capital Markets Development Plan, which aims to promote the capital market and to attract more companies to list on the exchange. The government's efforts have been successful in increasing the number of listings on the SEM, but the number of IPOs and further offerings remains relatively low.

There are also some challenges facing the market for IPOs and further offerings in Mauritius. The market is considered as a small market, and the SEM has limited liquidity, which can make it difficult for issuers to raise large amounts of capital. Additionally, the market is also relatively illiquid, and the lack of trading activity can make it difficult for investors to exit their positions. The cost of listing can also be a significant barrier for smaller companies looking to go public, as the process can be costly and time-consuming.

Another challenge is the lack of awareness and education about the capital market among the general public. This lack of knowledge can lead to a lack of interest in investing in the market and can also lead to a lack of understanding of the risks and benefits of investing in the market. The Financial Services Commission (FSC), the regulator of the capital market in Mauritius, has been actively trying to address this issue through initiatives such as the SEM Investor Education Program, which aims to educate the public about the capital market and the benefits of investing in the market.

Capital Market Transactions

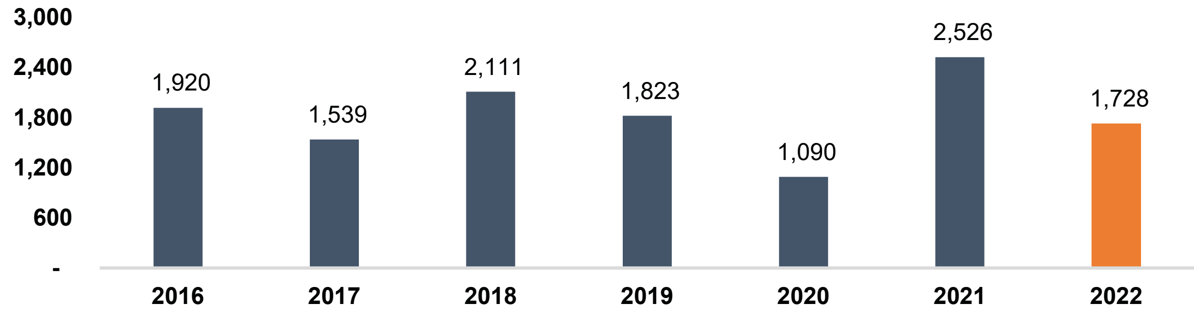
Summary of Global Capital Market Transac-tions

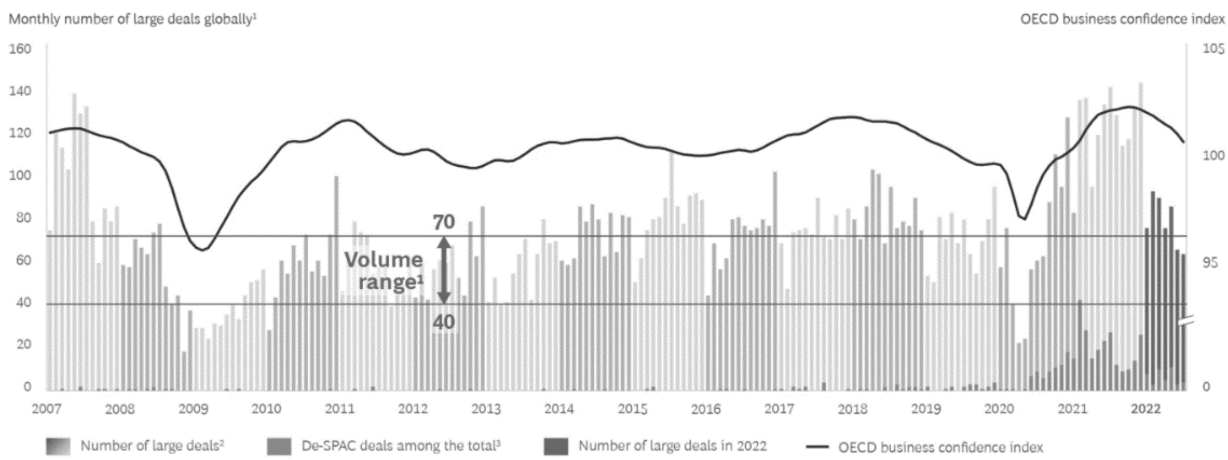
Mergers & Acquisitions (M&As)

M&A activity has recovered since the financial crisis in 2008-2009 but slowed during COVID-19 lockdowns. As of July 2022, deal volume dropped 13% compared to 2021, but the US M&A market has been active, particularly in the energy, technology, and healthcare sectors. The number of M&A deals valued at over $500 million in 2022 has returned to pre-pandemic levels. The three largest M&A deals as of September 2022, include:

1. The acquisition of Activision Blizzard, a gaming company by Microsoft
2. Unilever's &68.4 billion bid for GSK Consumer Healthcare
3. Broadcom' s bid for Vmware, a US-based cloud computing and virtualization technology company for $68.1 billion

SEM All Share Index Performance



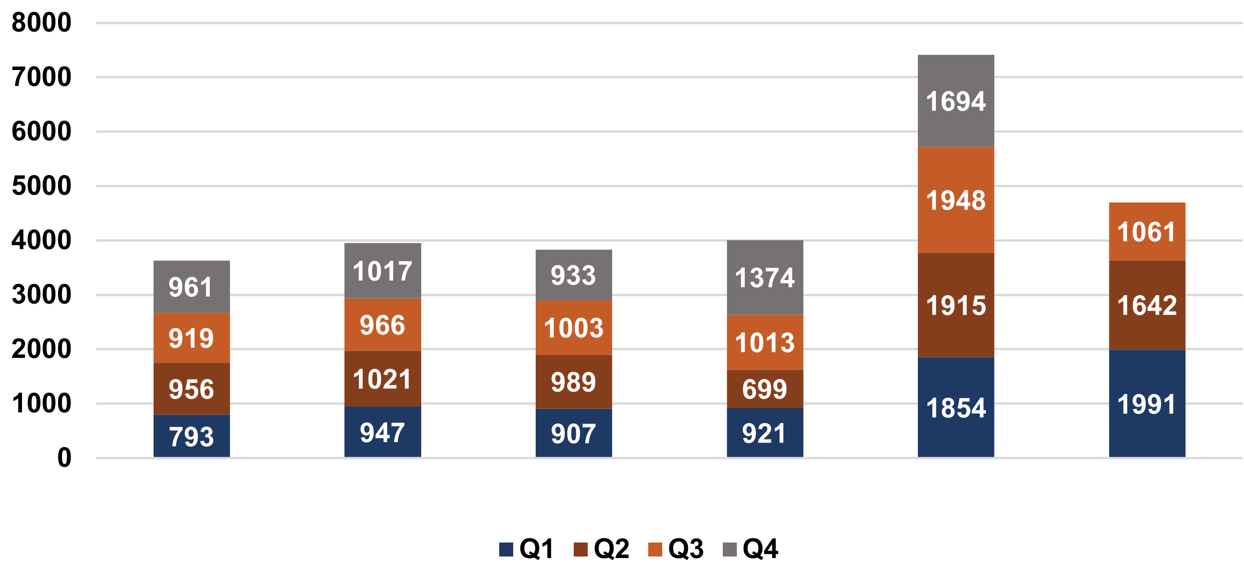


Source: Mergermarket, Preqin, EACA Research

Private Equity

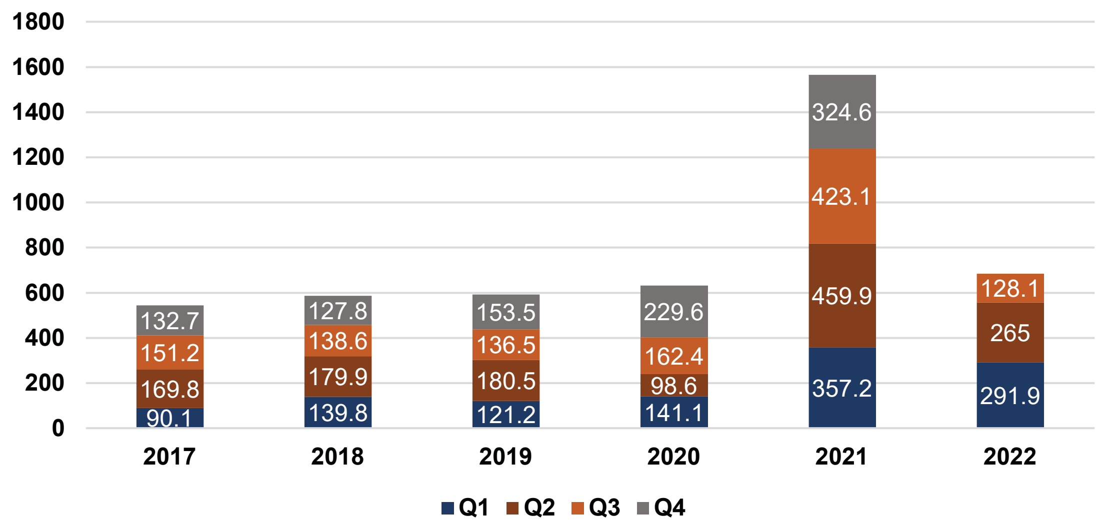
According to Refinitiv, global private equity (PE) deal activity has remained above pre-pandemic levels and the market share of PE transactions as a proportion of global M&A activity has continued to steadily increase, reaching a record 23% as of Q3 2022. The rising cost of capital was a major factor in global PE activity. The number of deals decreased by 18% year on year, with a total of 4,694 deals in the first three quarters of 2022. The total value also dropped significantly, almost halving from $1.2tn in Q1-Q3 of 2021 to $685bn in the same period of 2022. There were only 1,061 PE deals globally in Q3, a significant decrease compared to the previous two quarters (1,991 in Q1 and 1,642 in Q2).

Number Of Global PE Deals, 2017- Q3 2022



Source: Mergermarket, Preqin, EACA Research

Number Of Global PE Deals, 2017- Q3 2022



Source: Mergermarket, Preqin, EACA Research

Venture Capital

Global venture funding saw a significant decrease in 2022, with a drop of 35% to $415.1B, compared to the record of $638.4B in 2021. However, the number of deals only fell by 4% YoY in 2022, reaching 36,177 deals from 37,669 deals in 2021. Q1 2022 had the highest funding size of $150.4B, while Q4 had the lowest funding of $65.9B.

Rising interest rates due to inflationary threats from major central banks led to declining valuations, which reduced investors' appetite for IPOs. As a result, the number of global IPOs dropped by 31% in 2022 to 716.

The number of new unicorn companies also decreased sharply, with a drop of 52% from 539 to 258 between 2021 and 2022.

Mega-rounds of $100M+ funding collectively accounted for $190.1B in 2022, a 49% decrease from 2021. The number of global mega-rounds also fell by 42% to 923 in 2022.

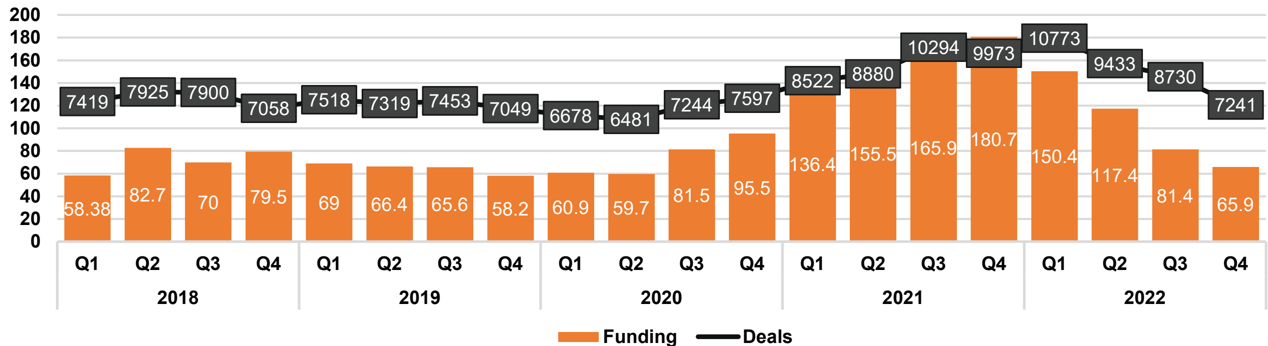
M&A deals also saw a slight decrease, dropping by 8% to 10,037, and SPAC deals saw the largest drop in 2022, falling by 44% from their peak in 2021 (140) to 78.

The digital health sector saw the sharpest drop in funding, with $25.9B raised across 2,122 deals. Digital health was the only sector where both funding and deals in 2022 dropped below 2020 levels.

Fintech companies raised $75.3B across 5048 deals in 2022, marking a 46.14% funding drop YoY and a 7.78% drop in number of deals from 5474 in 2021.

The African market saw an increase in annual venture funding in 2022, with funding jumping 35% YoY to reach $ 3.1B, a new record for the continent.

Global funding (US$B) and deals



Source: Mergermarket, Preqin, EACA Research

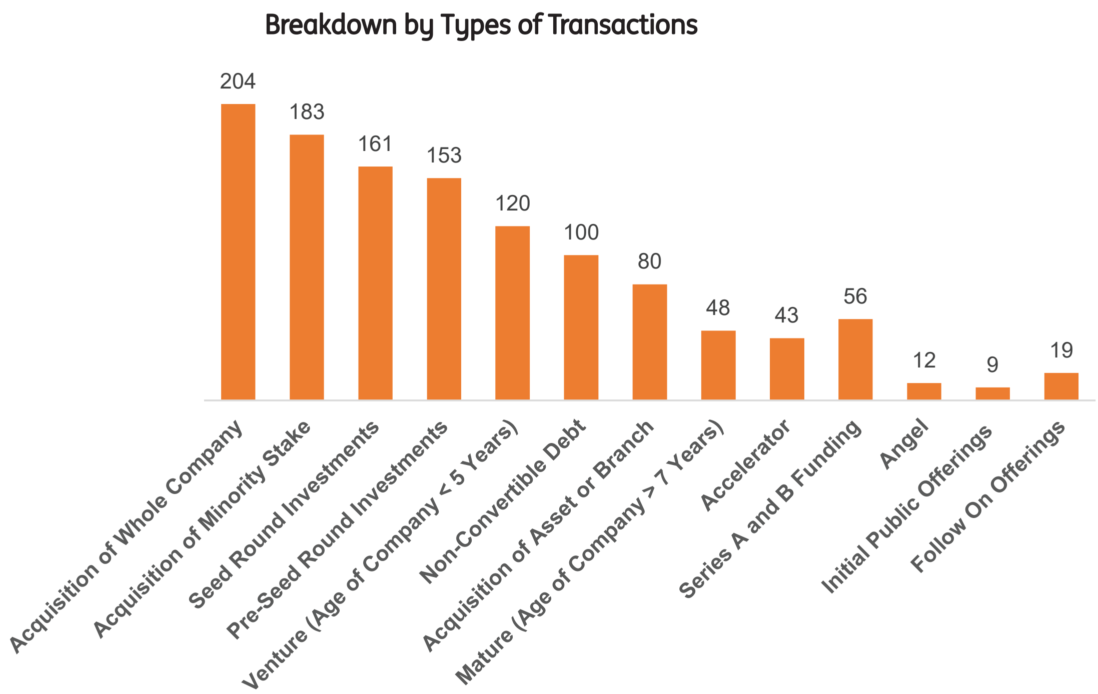
African Capital Market Transactions

1,486 Total Number of Private Capital Market Transactions that were initiated and closed in 2021

16% Drop in private capital market transactions Y-o-Y

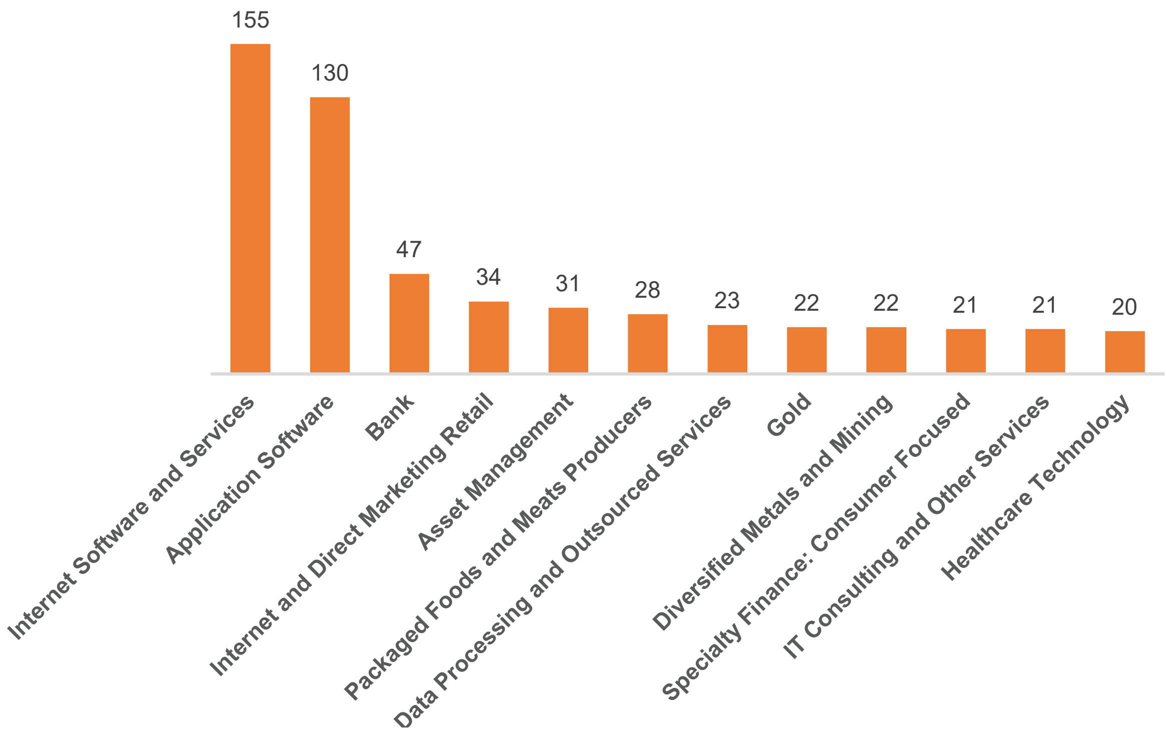
1,251 Total Number of Private Capital Market Transactions that were initiated and closed in 2022

Breakdown of 2o22 Private Capital Market Transactions



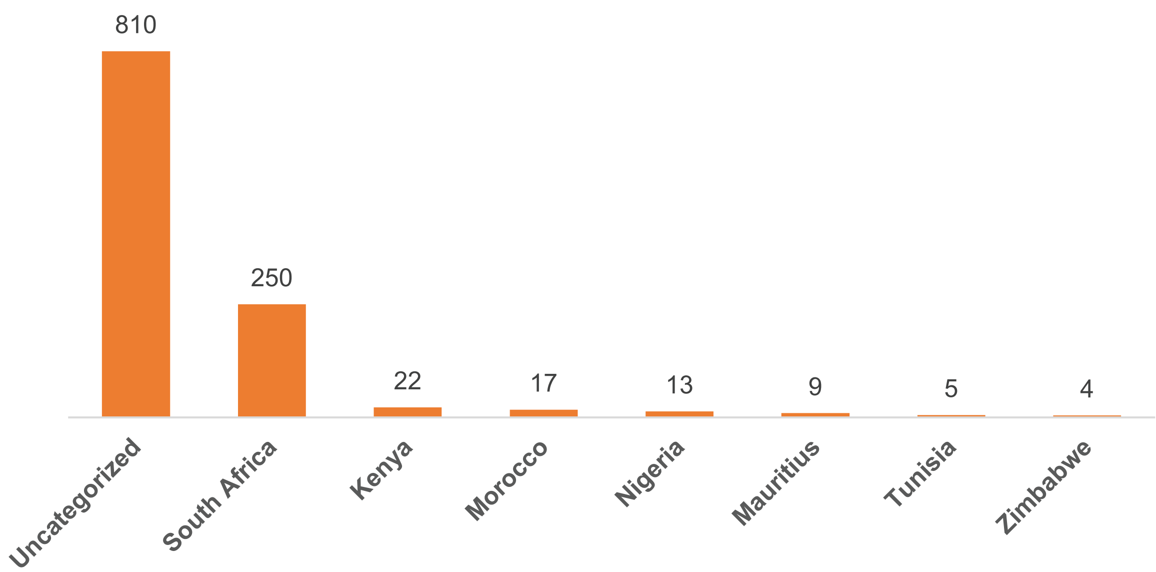
Source: Mergermarket, Preqin, EACA Research

Breakdown by Industry of Transactions

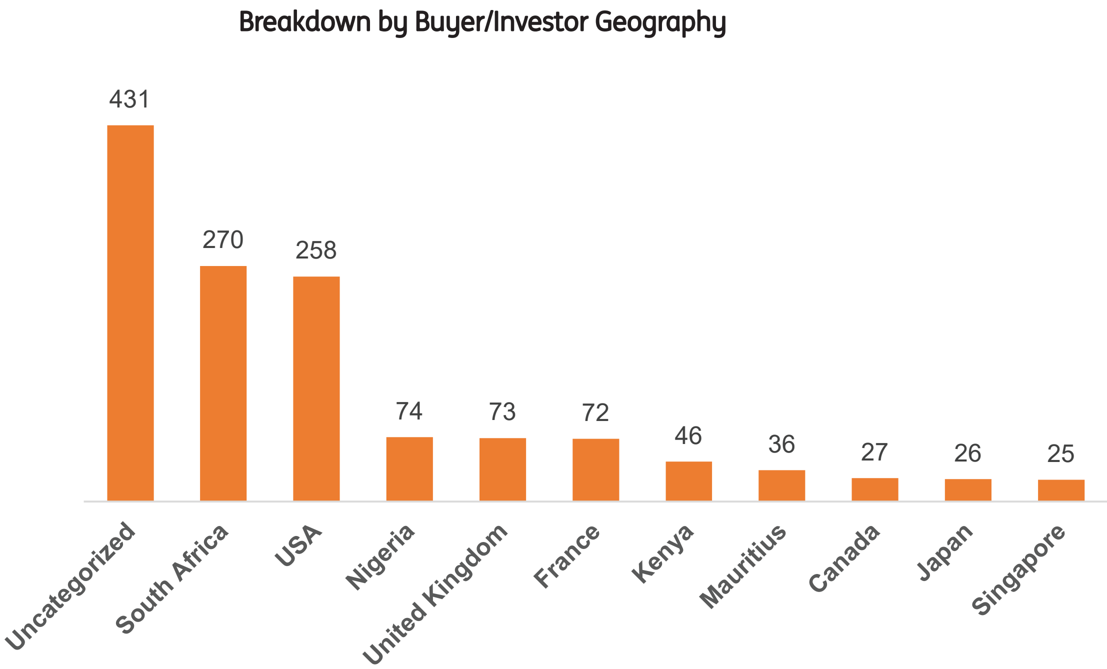


Source: Mergermarket, Preqin, EACA Research

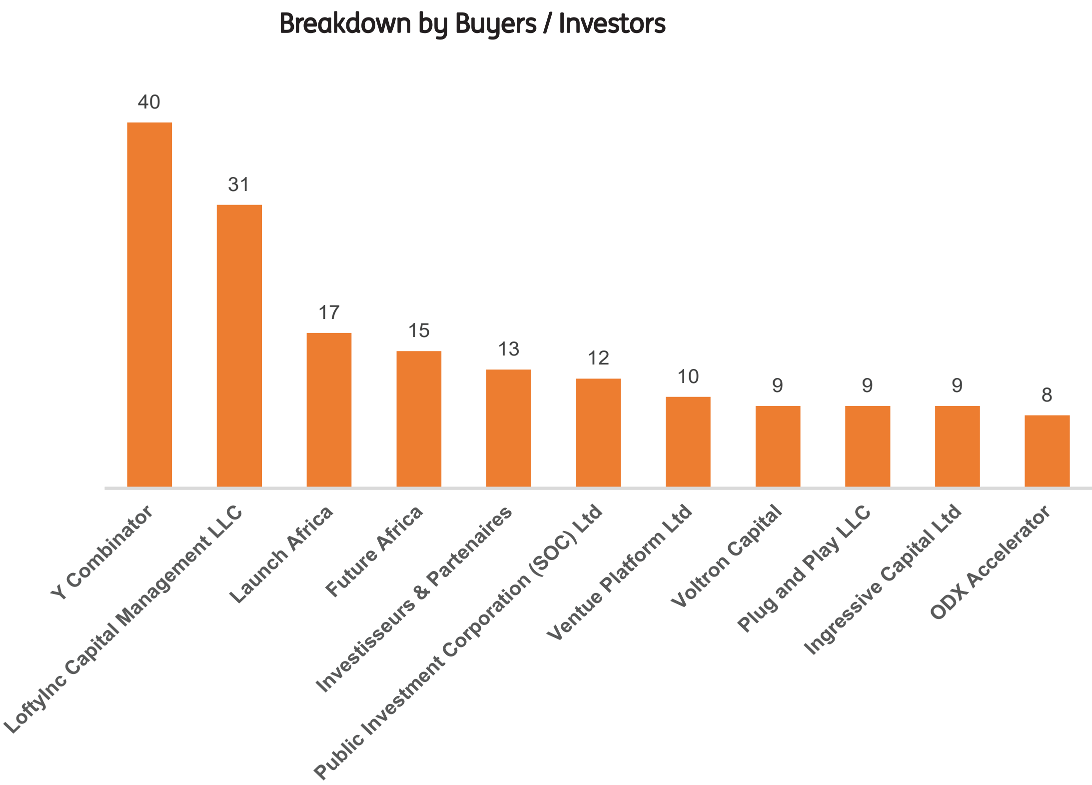
Breakdown by Seller Geography



Source: Mergermarket, Preqin, EACA Research



Source: Mergermarket, Preqin, EACA Research



Source: Mergermarket, Preqin, EACA Research

Mergers & Acquisitions (M&As)

The African M&A market has seen growth in deal volumes after the challenges faced by the continent in 2020 and early 2021 due to COVID-19. As economies reopen, African countries are eager to attract investment. Sanctions on the Russian economy may impact the volume of M&A transactions, as many dealmakers have business ties with Russia. The estimated values of M&A transactions in Sub-Saharan Africa stood at $24.4 billion in the first nine months of 2022, a 61% decrease compared to the previous year. The Energy & Power sector was the most active, accounting for 39% of Sub-Saharan African M&A transactions, followed by Healthcare at 20%. South Africa and Egypt were the most active target nations, with the US and UK being the most active corporate acquirers.

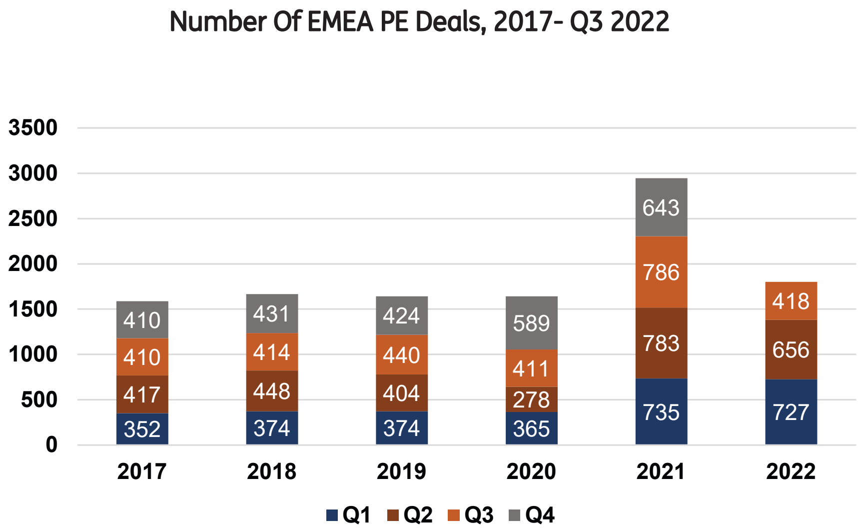
Macroeconomic conditions such as inflation and rising interest rates may test the resilience of the M&A market in 2023. Companies may focus on balance sheets of target companies because of the weakening economy. Sectors such as airlines and tourism are still recovering from the pandemic, and geopolitical tensions may also drive dealmaking.

> "Macroeconomic conditions such as inflation and rising interest rates may test the resilience of the M&A market in 2023."

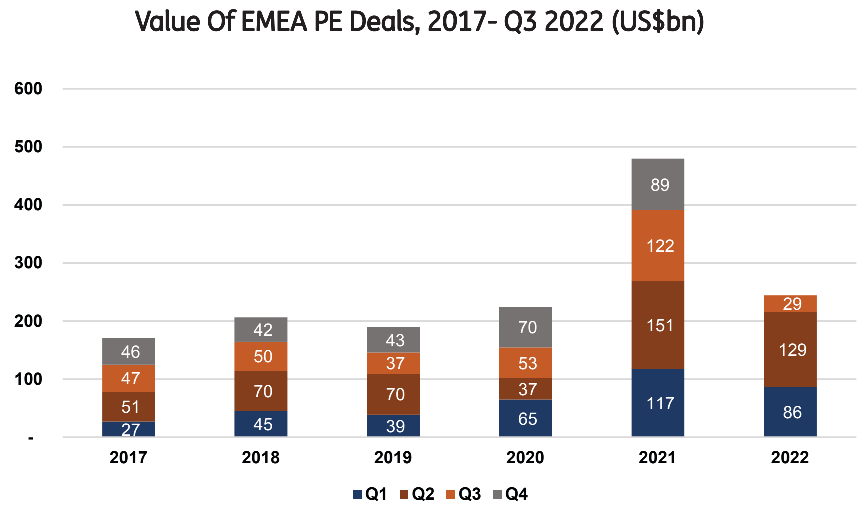
Private Equity

The EMEA private equity (PE) market saw a decrease in activity from Q1-Q3 2021 to the same period in 2022. The number of transactions fell by 22%, with 1801 deals in the first three quarters of 2022, a decrease of 21.83% from the previous year. The total value also dropped by 37.47%, going from $390.7bn in Q1-Q3 2021 to $244.3bn in the same period in 2022. There were only 418 PE deals in Q3, significantly lower than the previous two quarters (727 in Q1 and 656 in Q2).

All sectors saw a decline in deal value, except for the transportation and real estate sectors, which saw a marked increase of 5399% and 124% respectively. The TMT sector remains the largest sector in the region with a deal size of $59.53bn in 2022, while the Defense sector is the smallest by deal value - $28mn. The largest deal by transaction size in the region was the takeover of Atlantia by Blackstone and the Benetton family holding company Edizione, valued at $46.4bn. The TMT sector remains the dominant sector in the region by far, with a total value of $59.53bn in deal size in 2022. The Defense sector recorded the least PE activity by transaction value in the first three quarters of 2022 - $28.0mn.



Source: Mergermarket, Preqin, EACA Research

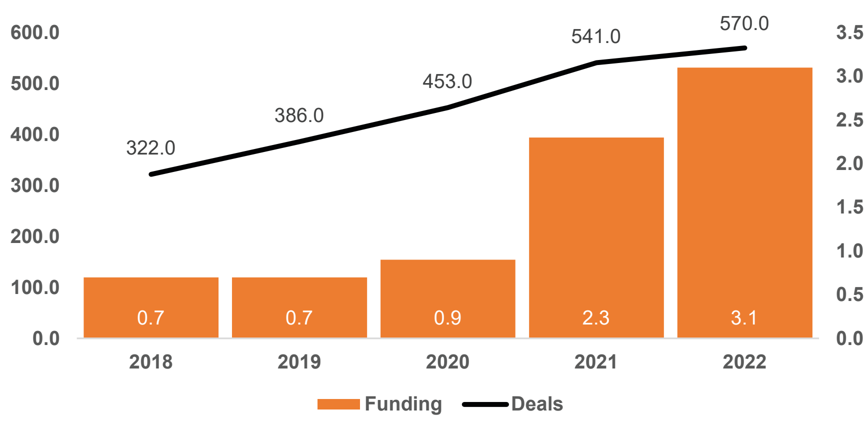


Source: Mergermarket, Preqin, EACA Research

Venture Capital

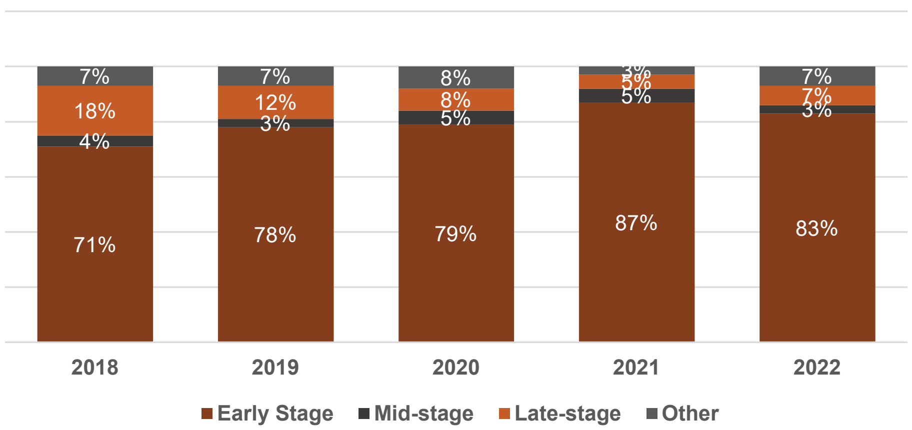
In 2022, venture funding in Africa reached a record of $3.1B, an increase of 35% from 2021, despite the global decline in funding. The number of deals to African startups also rose slightly to 570, compared to 541 in 2021. Early-stage deals decreased while late-stage deals increased YoY. African startups accounted for 0.75% of global venture funding and African fintech funding amounted to 1.46% of global fintech funding. The median deal size in Africa increased to $1.5M in 2022 and Africa's mega-round funding of $100M+ amounted to 0.53% of global mega-round deals. By the end of 2022, Africa had 5 unicorns and 1 new unicorn was added during the year. M&A deals in Africa rose by 23% YoY, while IPOs decreased from 3 in 2021 to 1 in 2022.

Africa Venture Funding and Deals in 2018 - 2022 (US$B)



Source: Mergermarket, Preqin, EACA Research

Africa Deals by Stage 2018 - 2022



Source: Mergermarket, Preqin, EACA Research

Outlook: Inflation and lower appetites for risk would lead to investors being far more discerning about where and to whom they allocate their capital. We expect to see strict capital rationing across sectors with resilient sectors picking up most of the funding.

We foresee that H1 2023 will be similar to the last quarter in 2022 with the mix of factors. Easing inflationary threats will likely help to see an end to high rates regime helping to allay fears of a global recession. As a result, we expect an extremely strong acceleration of deals in H2 2023 across various stages with more of it to be seen at the early stage level.

Due to rising presence of Fintech startups in Africa, we are likely to see further increase in funding to this region going into the year 2023 as well as to Asian startups.

Top 15 Capital Market Transactions in Africa in 2022

1. **Company Name:** African Development Bank
   Offering Type: Senior Debt
   Gross Amount Offered: $2 billion
   Transaction Summary:
   The Bonds are a series 1100 Tranche 01 and are listed on the Luxembourg stock exchange as of November 3, 2022. Interest is paid semi-annually on May 3 and November 3, starting May 3, 2023. The bonds have a Common code of 255181572 and an estimated value of $1,990,140,000 with a reoffer yield of 4.458%. They are issued under the Global Debt Issuance Facility.
   Completion Date: 11/3/2022

2. **Target**: Teraco Data Environments (Pty) Ltd.
   Buyer: Digital Realty Trust, Inc.
   Transaction Type: Acquisition
   Transaction Value: $1.7 billion
   Transaction Summary:
   Digital Realty Trust Inc. has taken over 55% of Teraco Data Environments (Pty) Ltd. from a group of investors including Berkshire Partners LLC, Columbia Capital LLC, Van Rooyen Group, Permira Advisers LLP, Tde Luxco, BPESAL V2 S.a r.I, and Teraco Connect Trust. Teraco Data Environments (Pty) Ltd. is a data center platform that is interconnected.
   Completion Date: 8/1/2022

3. **Company Name:** Transnet SOC Ltd
   Offering Type: Rounds of Funding- Non Convertible Debt
   Gross Amount Offered: $1.5 billion
   Buyer: Deutsche Bank Aktiengesellschaft
   Completion Date: 7/12/2022

4. **Target**: Gaia Energy
   Buyer: Marom Group Ltd
   Transaction Type: Acquisition
   Transaction Value: $1.2 billion
   Transaction Summary:
   On March 10, 2022, MAROM GROUP LTD acquired a 30% stake in Gaia Energy for $1.2 billion. Christophe Bachelet of DLA Piper Casablanca S.A.R.L. acted as the legal advisor for Marom Group Ltd. in the transaction.
   Completion Date: 3/10/2022

5. **Company Name**: Greenko Wind Projects (Mauritius) Ltd
   Offering Type: Private Placement - Senior Debt
   Gross Amount Offered: $750 million
   Transaction Summary:
   The semi-annual interest payments for the notes will begin on October 06, 2022. The notes are guaranteed on a senior basis by Greenko Energy Holdings. The notes will be listed and quoted on the Bonds Market starting April 07, 2022.
   Completion Date: 4/6/2022

6. **Target**: Tango FLNG Floating Liquefaction Facility
   Buyer: Eni S.p.A
   Transaction Type: Asset Acquisition, Corporate Divestiture, Corporate Acquisition, Merger
   Transaction Value: $694 million
   Transaction Summary:
   Eni S.p.A. (BIT:ENI) bought Tango FLNG Floating Liquefaction Facility from Exmar NV (ENXTBR:EXM) for around $690 million on August 5, 2022. The final price of the deal ranges between $572 million and $694 million, depending on the facility's performance in the first half of the year.
   Completion Date: 8/5/2022

7. **Distributed Company (Target)**: PSG Group Ltd
   Parent Company (Seller): PSG Konsult Limited
   Primary Feature: Spinoff or Splitoff
   Distribution Value: $721 million
   Transaction Summary:
   PSG Group Ltd (JSE:PSG) agreed to spin-off 61.1% of its stake in PSG Konsult Limited (JSE: KST) for ZAR 11.1 billion on March 1, 2022. The spin-off was subject to regulatory, court and shareholder approvals, which were obtained by August 2, 2022. The transaction closed on September 12, 2022 and was valued at ZAR 8.6 billion. BDO Corporate Finance Proprietary Limited served as an independent expert, charging a fee of ZAR 0.8 million, while Computershare Investor Services (Proprietary) Limited acted as the transfer agent for PSG Group, with a fee of ZAR 0.1 million.
   Completion Date: 9/12/2022

8. **Company Name**: Axian Telecom
   Offering Type: Private Placement - Senior Debt
   Gross Amount Offered: $420 million
   Transaction Summary:
   The Interest on the Notes will be paid twice a year on February 16th and August 16th, starting from August 16, 2022. The listing and admission of the Notes on the International Stock Exchange was sponsored by Appleby Securities (Channel Islands) Ltd. The Notes will be fully and unconditionally guaranteed by Telma, Honora Holdings, TowerCo of Africa, TowerCo of Madagascar, Silver Links, Stellar-IX Data Centers, Axian Financial Services, Discovery Place, Meta Market and Axian Support Services. J.P. Morgan Securities plc, Société Générale and Standard Bank are appointed as the Stabilization Managers..
   Completion Date: 2/9/2022

9. **Target**: Asia Credit Opportunities I (Mauritius) Ltd/Link Capital I (Mauritius) Limited
   Buyer: Nippon Steel Corporation
   Transaction Type: Acquisition
   Transaction Value: $419 million
   Transaction Summary:
   Nippon Steel Corporation (TSE:5401) completed the acquisition of Asia Credit Opportunities I and Link Capital I from Kendrick Global Limited for $420 million on February 21, 2022. The deal included 19,885,955 shares in Asia Credit Opportunities, representing 100% of the issued and paid-up share capital, 5,710,236 shares in Link Capital, representing 100% of the issued and paid-up share capital and certain loans. The transaction was completed in February 2022 and Deloitte Tohmatsu Financial Advisory LLC acted as financial advisor for Nippon Steel, while Morgan Stanley Asia Limited acted as financial advisor for Kendrick Global Limited.
   Completion Date: 2/21/2022

10. **Company Name**: Cliffton II Limited
    Offering Type: Private Placement - Senior Debt
    Gross Amount Offered: $400 million
    Transaction Summary:
    The notes, with a total value of $900 million, are set to be listed on the Singapore Stock Exchange on January 19, 2022. Interest on the notes will be paid semi-annually on April 18 and October 18 every year, starting from October 18, 2022.
    Completion Date: 1/6/2022

11. **Company Name**: Africa Finance Corporation
Offering Type: Rounds of Funding - Non Convertible Debt
Gross Amount Offered: $389 million
Buyer: The Gunma Bank, Ltd.; The Norinchukin Bank; The Shiga Bank, Ltd.
Completion Date: 11/3/2022

12. **Company Name**: Zimbabwe Power Company Limited
Offering Type: Rounds of Funding - Non Convertible Debt
Gross Amount Offered: $310 million
Completion Date: 10/2/2022

13. **Company Name**: Bank of China Limited Johannesburg Branch
Offering Type: Senior Debt
Gross Amount Offered: $300 million
Transaction Summary:
The Notes, with series number 122 and tranche number 1, will have semi-annual interest payments on February 16th and August 16th starting on August 16, 2022 and ending at maturity. The issue date is set for February 16, 2022 and are guaranteed by Bank of China Limited.
Completion Date: 2/16/2022

14. **Company Name**: PAC Capital Limited
Offering Type: Rounds of Funding - Mature
Gross Amount Offered: $300 million
Transaction Summary:
PAC Capital Limited announced that it has received $300,000,000 in a round of funding on June 16, 2022. The transaction included participation from African Export-Import Bank.
Completion Date: 6/16/2022

15. **Company Name**: Metrofibre Networx (Pty) Ltd
Offering Type: Rounds of Funding - Non Convertible Debt
Gross Amount Offered: $297.6 million
Buyer: Standard Bank
Completion Date: 7/25/2022

ESG and the African Capital Market

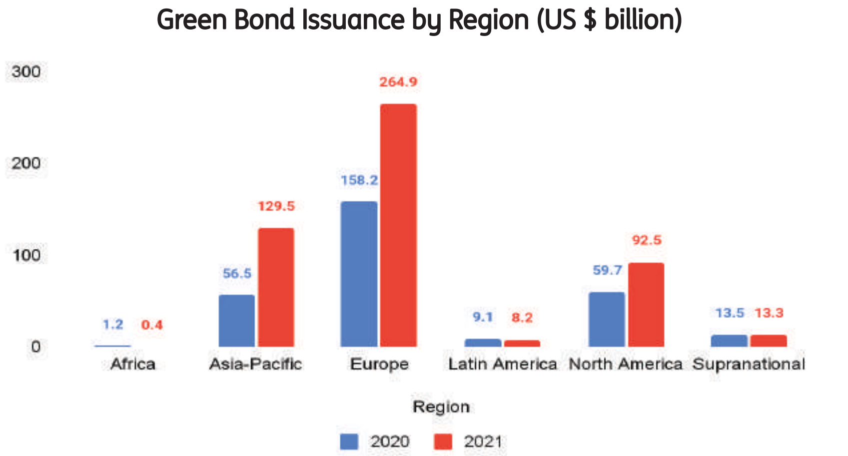
Environmental, social, and governance (ESG) factors have become increasingly important for companies listed on capital markets in Africa. These factors can have a significant impact on a company's performance and valuations, and investors and analysts are increasingly taking them into account when evaluating companies. In this section, we will provide an in-depth overview of the current state of ESG in Africa, and explain why it is important for companies to address these issues.

Environmental Factors

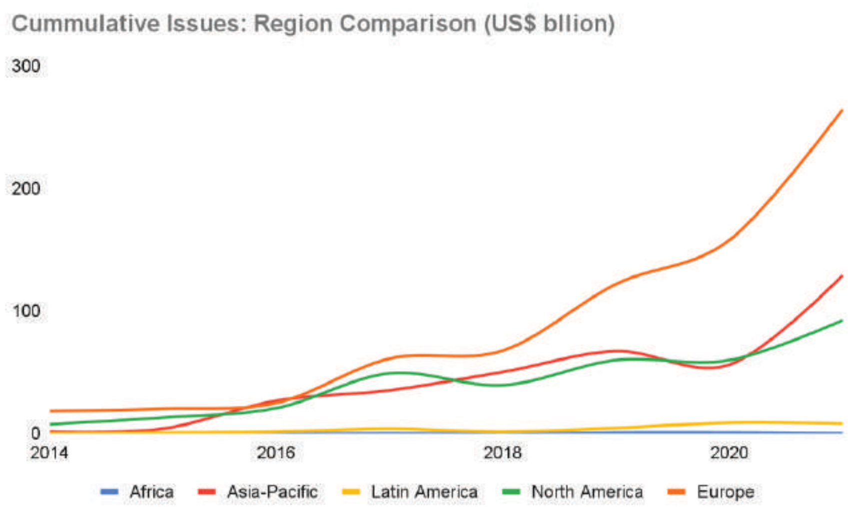
Environmental issues such as climate change and pollution can have a significant impact on the performance of companies in Africa. Climate change is a particular concern for countries on the continent, as they are particularly vulnerable to the impacts of rising temperatures and extreme weather events. For example, companies in the extractive industries may face increased regulatory scrutiny and pressure from stakeholders to reduce their environmental footprint. In addition, companies that are heavily dependent on fossil fuels may be at risk as the world moves towards cleaner sources of energy.

One example of an African company that has made significant progress in addressing environmental issues is Standard Bank Group, a leading financial services provider in Africa. Standard Bank has implemented a number of initiatives to reduce its environmental footprint, including a target to reduce its carbon emissions by 30% by 2020. The company has also invested in renewable energy projects and is a signatory to the United Nations Global Compact, which promotes responsible business practices. The bank also has a Green Finance Framework in place, which is used to evaluate and finance green projects, this is a great example of how African companies are incorporating environmental considerations into their operations.

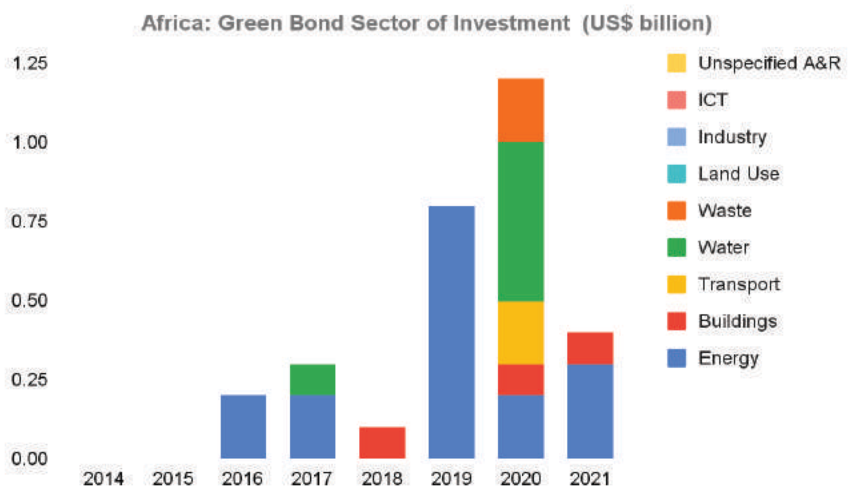
Another African company that has been recognized for its efforts to address environmental issues is Sasol, a leading energy and chemicals company based in South Africa. Sasol has implemented a number of initiatives to improve its environmental performance, including a target to reduce its greenhouse gas emissions by 30% by 2025. The company has also invested in renewable energy projects, including a wind farm and a solar power project. Additionally, Sasol has also developed a comprehensive environmental management system (EMS) to ensure that all of its operations comply with relevant environmental regulations and standards.



Source: Climate initiative



Source: Climate initiative



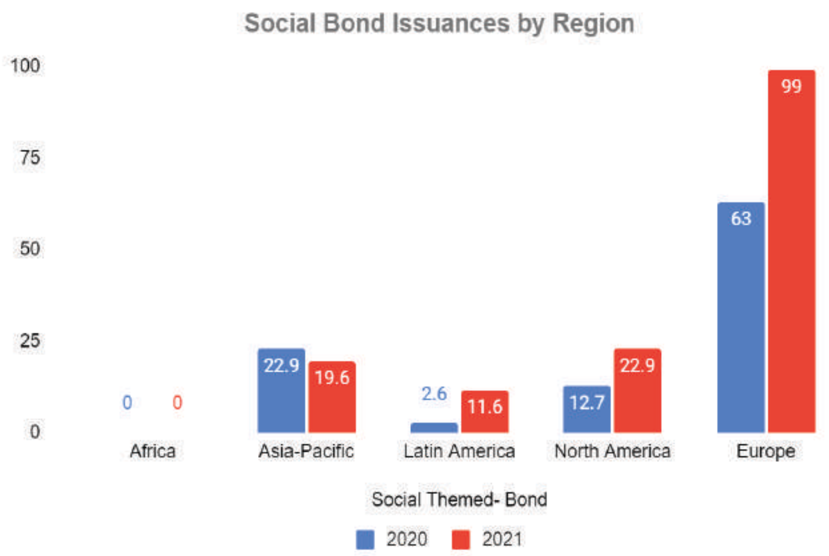
Source: Climate initiative

Social Factors

Social issues such as human rights, labor standards, and community relations can have a significant impact on the performance of companies in Africa. For example, companies that are perceived as not treating their employees or communities fairly may face reputational risks and pressure from stakeholders.

An example of an African company that has made progress in addressing social issues is MTN Group, a leading telecommunications company in Africa. MTN has implemented a number of initiatives to promote diversity and inclusion within the company, including a target to increase the proportion of women in leadership positions to 30% by 2025. The company also has policies in place to promote responsible sourcing and to respect human rights throughout its supply chain. Furthermore, MTN has also set up a community development fund that is used to support initiatives that benefit the communities in which it operates.

Another African company that has been recognized for its efforts to address social issues is Shoprite Holdings, one of the largest retailers in Africa. Shoprite has implemented a number of initiatives to improve the rights and conditions of workers, including a living wage policy and a program to improve working conditions in its suppliers' factories. The company also has a comprehensive social and ethics committee that is responsible for ensuring that all of its operations comply with relevant laws, regulations, and standards.



Source: Climate initiative

Governance Factors

Governance Factors play a crucial role in the performance and reputation of companies in Africa. Governance issues such as corruption, transparency, and accountability can have a significant impact on how companies are perceived by stakeholders and investors. To address these issues, companies have implemented a number of initiatives to improve corporate governance.

For instance, many companies in Africa have appointed independent non-executive directors as Chairman of the company, which helps to ensure a balance of power and objectivity in decision making. Additionally, companies have established robust code of ethics and compliance programs to ensure that all operations are conducted in an ethical and transparent manner. Furthermore, they also have independent internal audit functions to monitor and evaluate the effectiveness of internal controls.

Companies such as Dangote Cement and FirstBank of Nigeria have been recognized for their efforts to address governance issues and have implemented initiatives such as appointment of independent non-executive directors, Strong risk management framework and dedicated corporate governance and sustainability committee to ensure compliance with laws, regulations and standards.

Overall, it is important for companies in Africa to prioritize governance factors in order to maintain a positive reputation and performance in the long-term.

ESG SCORECARD FOR EXCHANGES IN AFRICA					
Exchanges	Has Annual Sustainability Report	ESG reporting required as a listing rule	Has written guidance on ESG reporting	Market covered by sustainability-related index	Has sustainability bond listing segment
Botswana – Botswana Stock Exchange	YES	NO	YES	NO	NO
BRVM (Regional Securities Exchange)	NO	NO	NO	NO	NO
Egypt – Egyptian Exchange	YES	YES	YES	YES	NO
Ghana – Ghana Stock Exchange	NO	NO	YES	NO	NO
Kenya – Nairobi Securities Exchange	YES	YES	YES	NO	NO
Mauritius – Stock Exchange of Mauritius	NO	NO	NO	NO	NO
Morocco – Bourse de Casablanca	NO	YES	YES	NO	NO
Namibia – Namibian Stock Exchange	NO	YES	NO	NO	NO
Nigeria – Nigerian Exchange (NGX)	YES	YES	YES	NO	YES
Rwanda – Rwanda Stock Exchange	NO	NO	NO	NO	NO
South Africa – Johannesburg Stock Exchange (JSE)	YES	YES	YES	YES	YES
Tunisia – Bourse des Valeurs Mobilières de Tunis	NO	NO	YES	NO	NO
Uganda – Uganda Securities Exchange	NO	NO	NO	NO	NO
Tanzania – Dar es Salaam Stock Exchange	NO	NO	NO	NO	NO
Zimbabwe – Zimbabwe Stock Exchange	NO	YES	NO	NO	NO

Impact of ESG on African Capital Markets

The impact of ESG factors on the performance and valuations of African companies is becoming increasingly apparent. Companies that are able to effectively address ESG issues are likely to be well-positioned to perform well in the future, as they may be able to avoid reputational risks and regulatory pressures.

One example of this is the increased demand for sustainable investments in Africa. This suggests that investors are becoming increasingly interested in companies that are able to address ESG issues effectively. This trend is likely to continue as more and more investors become aware of the potential risks and opportunities associated with ESG factors.

In addition, there are increasing number of African countries taking steps to improve the sustainability of their Capital markets. For example, in Kenya, Capital Markets Authority (CMA) has developed a framework that guides companies on how to report on their sustainability performance. Similarly, in South Africa, Johannesburg Stock Exchange has developed a sustainability index that is used to measure the performance of companies based on their ESG performance. This is a great example of how governments are playing a role in promoting sustainable capital markets.

ESG Focused Capital Market Transactions in Africa

In recent years, there has been a growing trend of ESG-focused capital market transactions in Africa, as more companies and investors recognize the importance of integrating environmental, social, and governance considerations into their investment decisions. These transactions are designed to help companies raise capital while also addressing environmental, social, and governance issues.

One example of an ESG-focused capital market transaction in Africa is the issuance of green bonds. Green bonds are debt securities that are issued to raise capital for projects that have environmental benefits such as renewable energy, clean transportation, and sustainable water management. For example, in 2018, Standard Bank issued a green bond in South Africa to raise capital for renewable energy projects and it raised $200m. This is a great example of how African companies are able to access capital while also addressing environmental issues and providing investors the opportunity to align their investments with their environmental values. Another example of an ESG-focused capital market transaction in Africa is the issuance of social bonds. Social bonds are debt securities that are issued to raise capital for projects that have social benefits such as affordable housing, education, and healthcare. For example, in 2019, the African Development Bank issued a social bond in Kenya to raise capital for affordable housing projects, which raised $500m. This is a great example of how African companies are able to access capital while also addressing social issues and providing investors the opportunity to align their investments with their social values.

In addition, there are also increasing number of African companies that are accessing capital through impact investments. Impact investments are investments made in companies, organizations, and funds with the intention to generate measurable social and environmental impact alongside a financial return. For example, in 2018, a Kenyan clean energy company, M-KOPA Solar , raised $80m in an impact investment round. The company provides pay-as-you-go solar power to off-grid households in East Africa and it's a great example of how companies are able to access capital while also addressing environmental and social issues. Impact investments are becoming increasingly popular in Africa as they allow investors to align their investments with their values and make a positive impact in the communities in which they invest.

COP 27- 2022 United Nations Climate Change Conference

The United Nations Climate Change Conference, also known as COP27, was held in Sharm El Sheikh, Egypt from November 6 to November 20, 2022. The conference was led by Egyptian Minister of Foreign Affairs Sameh Shoukry and was attended by more than 92 heads of state and 35,000 representatives from 190 countries. This was the first climate summit held in Africa since 2016. The conference is held annually and is used by governments to make agreements on ways to limit global temperature rises and adapt to the effects of climate change. As a result of this conference, the first fund for loss and damage was created.

Here are key takeaways from the COP27 climate summit, and where the world needs to go next:

1) Fund Established to Aid Countries Facing Severe Damage from Climate Change

COP27, the United Nations Climate Change conference, was held in Sharm El Sheikh, Egypt, where countries reached a breakthrough consensus to establish funding arrangements, including a dedicated fund for loss and damage to help vulnerable countries deal with the impacts of climate change. Despite this progress, the conference did not achieve significant new steps to curb emissions or progress on adaptation. The conference also saw other notable progress such as the visit of the Brazilian President-elect, greater attention to Barbados Prime Minister's Bridgetown Agenda and the resumption of climate discussions between China and the United States. The next step is to design and fill the fund and countries will work on selecting the host organization, electing members of the Advisory Board, and hiring the secretariat for the Santiago Network.

2) Progress on Adaptation, but not at the Scale or Speed Necessary

COP27, the United Nations Climate Change conference, achieved a breakthrough on loss and damage funding but fell short on progress for adaptation. Developed countries did not make significant progress towards honoring the commitment to double adaptation finance by 2025 and failed to define the Global Goal on Adaptation, which is the Paris Agreement's equivalent to the 1.5-degree-C target for mitigation. A framework for the goal's formulation will be considered and adopted at COP28 next year. The Adaptation Fund received $230 million in pledges to help countries vulnerable to climate impacts. The COP27 Egyptian Presidency also launched the Sharm El-Sheikh Adaptation Agenda, a joint action plan to accelerate solutions through systems interventions and targets. Over 2023, attention will be on whether parties adopt a strong framework for the Global Goal on Adaptation, whether financial pledges are fulfilled, and if progress is made towards doubling adaptation finance

3) Climate Finance Reforms Gained Traction

At COP27, climate finance was a key focus in negotiations, with developing countries expressing concern that the developed countries' commitment to provide $100 billion annually has not been met and dissatisfaction with the way finance is being provided, including a large percentage in loans, lack of accountability and transparency. Developing countries called for reform of the public financial system including multilateral development banks. Despite this, new climate finance pledges were limited, and progress on important agenda items such as the new finance goal for 2025 was not made. In 2023, it will be seen whether developed countries fulfill their commitment to provide $100 billion annually to developing countries, and if they make up for the shortfall in prior years. COP28 will also enhance the understanding of the scope of Article 2.1(c) and ways to achieve it by building on the two workshops on the topic to be held in 2023.

4) Emission Cuts Didn't Add Up

At COP27, countries agreed to outcomes that reflected only modest progress in reducing emissions despite the gap between current national climate plans and the Paris Agreement's goal to limit temperature rise to 1.5 degrees C. The Glasgow Climate Pact requested countries to "revisit and strengthen their 2030 targets" but only 34 out of 194 parties submitted new or updated NDCs. COP27 also urged countries to develop long-term strategies for net-zero emissions by COP27, but only 11 new strategies were submitted. COP27 also saw progress on the Mitigation Work Programme, adopted at COP26, but it stopped short of allowing the process to establish new goals to reduce emissions. In 2023, countries must put forward robust and ambitious climate plans and pursue stronger policies to cut emissions, especially in sectors and methane, to limit temperature rise to 1.5 degrees C. COP28 will serve as an opportunity for countries to collectively agree on paths forward for cutting emissions in key sectors.

5) Debate Lingered on Accelerating the Energy Transition

During COP27, the transition away from fossil fuels became a hot topic. India proposed extending the phase-down of fossil fuels to all fossil fuels, gaining support from 80 countries, but ultimately excluded from the final COP27 outcome. The issue is likely to resurface at COP28. The COP cover decision included a call to accelerate renewable energy deployment but added language on deploying low-emissions energy, which was interpreted as referring to natural gas. Just energy transition partnerships

(JETP) gained increased attention, including plans for Indonesia and Vietnam, with questions remaining on the types of finance they involve and support for workers and communities. COP28 will likely see continued debate on phasing down or out all fossil fuels.

6) The Global Stocktake Shifts from the Technical to the Political

COP27 saw the halfway point of the first Global Stocktake process under the Paris Agreement, which assesses progress towards the agreement's goals every five years. Countries agreed on the need to prepare for the final political phase of the process, which will conclude at COP28 in UAE. The Global Stocktake will be critical in driving further sectoral action, cooperation, and support in this decade and beyond, and nations should push for a politically relevant outcome rather than an information-sharing exercise with vague recommendations. A climate ambition summit will be held in 2023 ahead of the conclusion of the first Global Stocktake.

7) Important New African Initiatives Launched

COP27, held in Egypt, spotlighted several African-led initiatives, such as AFR100, an initiative where 32 African governments committed to restoring over 120 million hectares of degraded land by 2030, and received a $2 billion blended finance mechanism. The African Cities Water Adaptation Fund (ACWA) was also launched at COP27 and aims to provide funding and support to implement innovative solutions to water issues in 100 African cities by 2032, delivering $222 million in grants and $288 million in direct investments. These initiatives demonstrate a growing interest in using blended finance to mobilize capital for resilience investments in Africa and the importance of scaling such vehicles and investing in local capacities to meet the challenge.

8) Carbon Market Rules Raise Concerns

COP27 struggled with the technical details of carbon markets, and no decisions were made on the operational details, including double counting of emission reductions between countries and non-state actors, and ensuring safeguards and human rights. The UN Secretary-General's report suggested high-quality carbon credits should not substitute for emissions cuts and should only be used for emissions beyond a corporation's own value chain. The negotiations will continue over the next two years, with multi-stakeholder initiatives focusing on promoting carbon credit quality and corporate claims based on carbon credit use.

9) Nature-Based Solutions are Elevated

COP27 included nature-based solutions in a UN climate negotiations cover decision for the first time and encouraged Parties to consider nature-based solutions or ecosystem-based approaches while ensuring relevant social and environmental safeguards. Outside the negotiations, the Forest and Climate Leader's Partnership was launched to halt and reverse forest loss and degradation by 2030, and countries announced $2.67 billion has already been spent of the $12 billion pledged at COP26 for protection, restoration, and sustainable management of forests over five years. Additionally, private entities added $3.6 billion to the $7.2 billion committed in Glasgow for protection and restoration. Next year, attention will be on whether governments prioritize the UN's Biodiversity Conference and create a Paris Agreement-like treaty to address biodiversity loss.

Development Finance and the African Capital Market

Development finance plays a crucial role in supporting sustainable economic growth and poverty reduction in Africa. It involves the mobilization of financial and technical resources to support development projects and promote sustainable growth in the continent. The African capital market, which includes stock exchanges, bond markets, and other financial markets, can play a significant role in development finance by leveraging private sector resources and expertise to support development projects. Development finance can come in different forms such as grants, loans, and impact investing, each with its own advantages and disadvantages.

Types of Development Finance in Africa

Concessional loans: These are typically provided at lower interest rates and with longer repayment periods than commercial loans, and are intended to support development projects in low-income countries. Development finance institutions such as the African Development Bank and World Bank are some of the main providers of concessional loans.

Impact Investing: This type of development finance aims to generate both financial returns and measurable social and environmental impact. Impact investments are made in companies, organizations, and funds that have a positive impact on society and the environment. Some of the sectors where impact investing is prevalent in Africa include renewable energy, agriculture, and healthcare.

Blended finance: This type of development finance combines various types of finance, including grants, debt, and equity, to mobilize private sector investment in development projects. Blended finance can help bridge the gap between commercial and development finance, by providing risk reduction and technical assistance to attract private investors to projects that would otherwise be considered too risky or unviable.

Each type of development finance has its own advantages and disadvantages, and the appropriateness of each type will depend on the project, the stage of development and the specific context of the country and sector.

Development Finance in the African Capital Market

The African capital market is relatively small in comparison to other regions, but it is growing rapidly. The market includes a variety of development finance products, such as green bonds, social bonds, and impact funds. Development finance institutions and impact investors play a significant role in the African capital market, providing financial and technical assistance, capacity building, and policy dialogue. However, there are still several challenges that need to be addressed in order to fully leverage the potential of the African capital market for development finance. These include:

- The need for an appropriate regulatory and legal framework that fosters transparency, investor protection and encourages private sector participation.
- The need for capacity building and technical assistance to support project preparation and risk management, particularly for small and medium-sized enterprises (SMEs)
- The need for innovative financial products and services that respond to the needs of different actors in the development finance ecosystem.

Case Studies of Development Finance in the African Capital Market

There are several successful development finance projects in the African capital market, such as renewable energy projects, infrastructure projects, and small and medium enterprise (SME) finance. For example, in 2018, the African Development Bank issued a green bond in South Africa to support renewable energy projects and raised $200m. In another example, in 2019, the International Finance Corporation (IFC) invested $15m in a fund that provides debt and equity financing to SMEs in West Africa. These projects have demonstrated the potential of the African capital market to support sustainable economic growth and poverty reduction. Factors that have contributed to the success of these projects include strong project preparation, effective risk management, and the involvement of multiple stakeholders such as development finance institutions, private sector investors and local communities.

Additionally, there are also examples of successful impact investments in Africa. For example, a Kenyan clean energy company, M-KOPA Solar, raised $80m in an impact investment round in 2018. The company provides pay-as-you-go solar power to off-grid households in East Africa and it's a great example of how companies are able to access capital while also addressing environmental and social issues.

Conclusion

In conclusion, development finance plays a crucial role in supporting sustainable economic growth and poverty reduction in Africa. The African capital market can play a significant role in development finance by leveraging private sector resources and expertise to support development projects. The African capital market is growing and presents opportunities for development finance, but also faces challenges that need to be addressed, including the need for an appropriate regulatory and legal framework, capacity building, project preparation, and risk management. Development finance institutions and impact investors play a critical role in addressing these challenges and in catalyzing private sector resources to support development projects.

Africa Exchange Linkage Project

The Africa Exchange Linkage Project (AELP) is a multi-stakeholder project aimed at promoting the integration and development of Africa's capital markets. The project is led by the African Securities Exchanges Association (ASEA) and is supported by the African Development Bank (AfDB) and the International Finance Corporation (IFC). The AELP was launched in 2014 with the main objective of increasing cross-border investment and improving the liquidity and efficiency of Africa's capital markets. The project is focused on helping African stock exchanges to connect and develop new financial products and services that will attract international investors and increase the range of investment options available in Africa.

Objectives of the AELP

- Increase cross-border investment in Africa's capital markets
- Improve the liquidity and efficiency of Africa's capital markets
- Promote the integration of African stock exchanges
- Develop new financial products and services
- Increase the capacity and expertise of market participants and regulatory authorities in Africa

Strategies for Achieving Objectives

The AELP uses several strategies to achieve its objectives, including:

- Development of cross-listing and cross-trading agreements between African stock exchanges. This allows for the listing and trading of securities on multiple African stock exchanges, which can increase liquidity and reduce transaction costs for investors.

- Implementation of harmonized regulatory frameworks. This can help to improve the efficiency and stability of Africa's capital markets by creating a level playing field for all market participants.

- Promotion of new financial products and services such as ETFs and derivatives to increase the range of investment options available to investors and encourage innovation in the capital markets.

- Capacity building and technical assistance to support the development of Africa's capital markets. This includes training programs and workshops to improve the knowledge and skills of market participants and regulatory authorities.

Impact of the AELP

The AELP has had a positive impact on Africa's capital markets since its launch in 2014. Several cross-listing and cross-trading agreements have been established between African stock exchanges, and new financial products and services such as ETFs and derivatives have been developed.

One of the most notable achievements of the AELP is the establishment of the BRVM Regional Financial Market, which connects the stock exchanges of eight West African countries and allows for cross-listing and cross-trading of securities. This has increased liquidity and reduced transaction costs for investors, making it more attractive for foreign investors to invest in the region.

The AELP has also supported the development of new financial products, such as exchange-traded funds (ETFs), which are becoming increasingly popular in Africa as they provide investors with an efficient way to access a diversified portfolio of securities. The AELP also helped to develop local currency bond markets in several African countries, which helps to deepen local capital markets and reduce the currency risk for investors.

The AELP has also supported the capacity building of market participants and regulatory authorities, through the development of training programs and workshops to improve the knowledge and skills of market participants. This has helped to improve the efficiency and stability of African capital markets, making them more attractive for foreign investors.

The AELP Trading Link

The African Exchanges Linkage Project (AELP) went live on November 18, 2022 after a period of beta testing. The system is being implemented in partnership with DirectFN Ltd. and is being rolled out in phases.

In the first phase, seven African stock exchanges are participating: Bourse Regionale des Valeurs Mobilieres (BRVM), Bourse de Casablanca, The Egyptian Exchange (EGX), Johannesburg Stock Exchange (JSE), Nairobi Securities Exchange (NSE), Nigerian Exchange Limited (NGX), and Stock Exchange of Mauritius (SEM).

These exchanges are based in 14 African countries, including Morocco, Egypt, Nigeria, Kenya, Mauritius, South Africa and the West Africa Economic and Monetary Union.

At the launch, 33 stockbrokers had connected to the system. A ceremonial launch of Phase 1 took place at the 2022 ASEA Annual General Meeting & Annual Conference in Abidjan, Côte d'Ivoire. The African Development Bank is a partner in the project and sees it as an opportunity for investors and issuers across the continent and aligned with the bank's High 5 priorities.

Future phases may include automated cross-border payment systems and the participation of more ASEA member exchanges and brokers. The Botswana Stock Exchange (BSE) and Ghana Stock Exchange (GSE) will kick off Phase 2 of the AELP with technical connectivity to the Link expected to commence in 2023.

Conclusion

In conclusion, the Africa Exchange Linkage Project (AELP) is a long-term project aimed at promoting the integration and development of Africa's capital markets. The project has had a positive impact on Africa's capital markets by increasing cross-border investment and improving the liquidity and efficiency of African capital markets. The AELP has also played an important role in developing new financial products and services, and in building the capacity and expertise

African Market Ratings

Description	Moody's	Fitch	S&P
Prime	AAA	AAA	AAA
High grade	Aa1	AA+	AA+
	Aa2	AA	AA
	Aa3	AA-	AA-
Upper medium grade	A1	A+	A+
	A2	A	A
	A3	A-	A-
Lower medium grade	Baa1	BBB+	BBB+
	Baa2	BBB	BBB
	Baa3	BBB-	BBB-
Non-investment grade speculative	Ba1	BB+	BB+
	Ba2	BB	BB
	Ba3	BB-	BB-
Highly Speculative	B1	B+	B+
	B2	B	B
	B3	B-	B-
Substantial risks	Caa1	CCC+	CCC+
	Caa2	CCC	CCC
	Caa3	CCC-	CCC-
Extremely speculative	Ca	CC	CC
			C
In default with little prospect for recovery		SD	RD
In default	C	D	D
			DD
			DDD
Not Rated	WR	NR	

Conclusion

In conclusion, the Africa Capital Markets Report is a comprehensive analysis of the current state and future potential of the capital markets in Africa. The report provides an in-depth understanding of the various segments of the capital markets, including equities, bonds, and derivatives, and the role of key participants such as investment banks, asset managers, and stock exchanges. The report also provides detailed information on the regulatory environment and investment opportunities in different sectors across Africa, as well as identifying the challenges facing capital markets in Africa. The report covers 9 African countries spread across different regions and examines the regional and global economic trends impacting the development of capital markets in Africa.

The report highlights a range of opportunities for growth and development in various sectors, including infrastructure development, real estate, financial services, technology and innovation, natural resources, agriculture, private equity, consumer goods and services, renewable energy and impact investing. These sectors present opportunities for investors to invest in projects and companies that will support economic growth and development across Africa. In addition, the report also highlights the potential of Africa's frontier markets, which offer opportunities for investors to gain exposure to an under-researched and under-explored market with relatively low correlations to other markets.

Overall, the Africa Capital Markets Report serves as a valuable resource for investors, policymakers, and other stakeholders interested in understanding the current state and future potential of capital markets in Africa. This report will enable stakeholders to make informed decisions about investing in or working with the African Capital Markets.

Who we are.

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Emerging Africa is an impact focused investment group with a diverse portfolio.

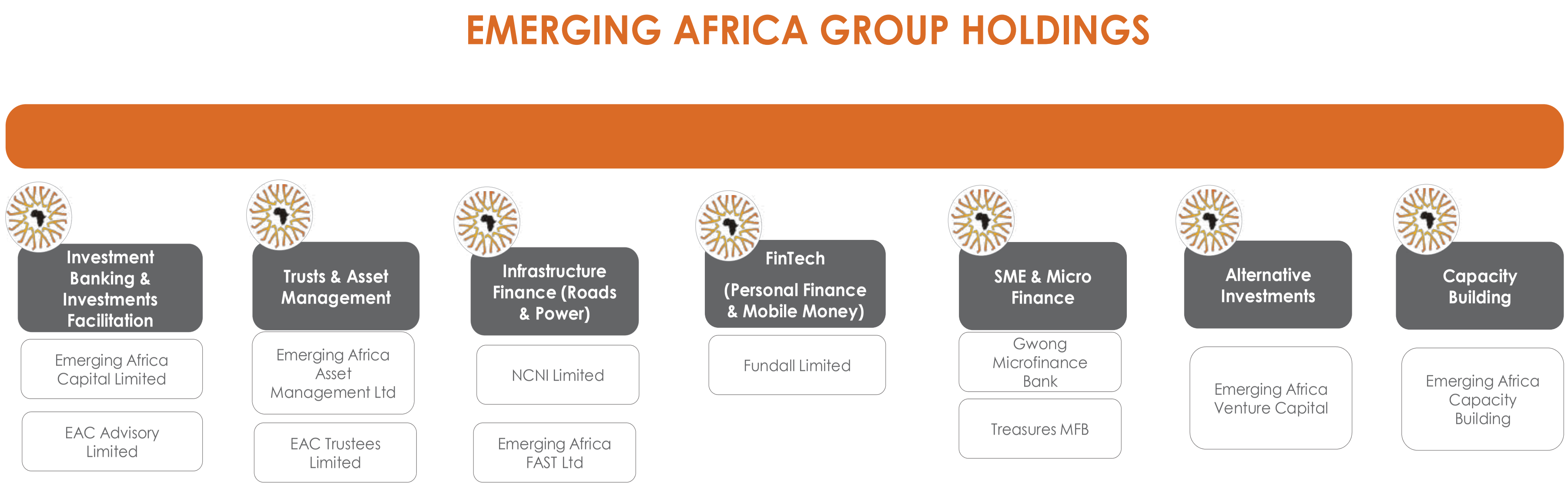
- Established in January 2018, Emerging Africa is an Investment Banking and Financial Services Group committed to advancing the growth of African businesses and communities through Environmental, Social and Governance led solutions, leveraging talent, innovation and growth.
- We value for stakeholders through a combination of direct equity investments in our subsidiary companies and by arranging / facilitating debt and equity capital financing for Corporate and Institutional clients .
- Our subsidiary companies operate in Investment Banking, Infrastructure Finance, Financial Technology, Microfinance Banking & Capacity Building.
- We are largely sector agnostic, however, our debt and equity investments currently cut across the Sustainable Development Goals (SDGs) 1, 4, 5, 7, 8 & 9

Key Numbers

Over $1bn	$90mn	$85mn	$1.8mn
Total Funds Raised for Clients So Far	Total Assets	Funds Under Management	Profit Before Tax (FY2022)

December 2022 figures except otherwise stated
• Exchange Rate: N452.09/$ (FY 2022)

Group Member Companies



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