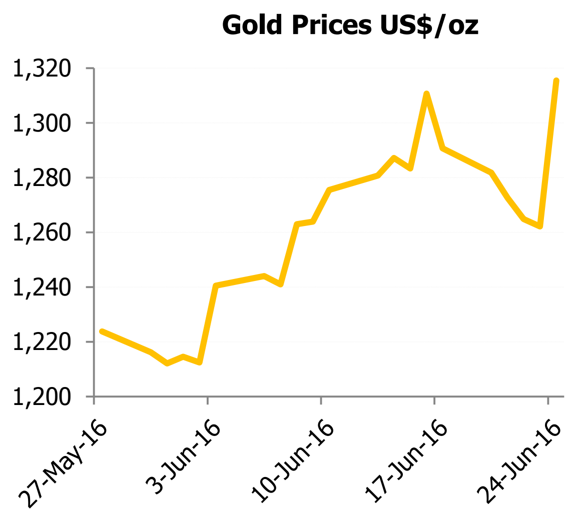
WEEKLY ECONOMIC REVIEW

Commodity 30-Day Price Chart

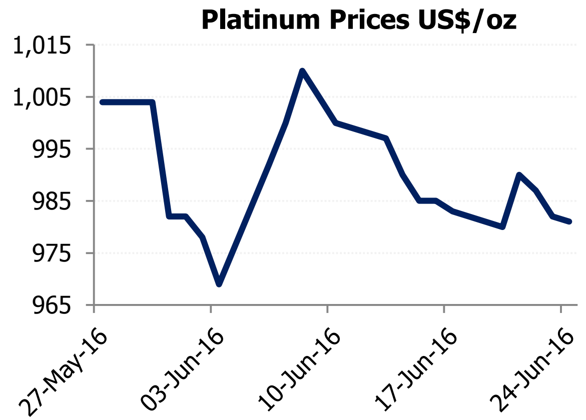


Commodity Prices

Daily	US$/oz	WoW %Δ
17-Jun-16	1,291	
20-Jun-16	1,282	
21-Jun-16	1,273	
22-Jun-16	1,265	
23-Jun-16	1,262	
24-Jun-16	1,316	
		1.9

Commodity Developments

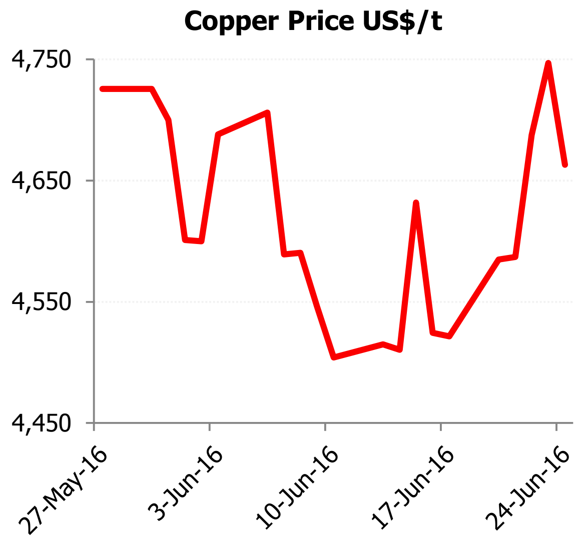
- Gold clocked up its biggest daily gain since the 2008 financial crisis on the 24th of Jun-16 as Britain's vote to leave the EU spread political uncertainty and global economic growth concerns.
- The 52% backing for leaving the 28-member bloc created the biggest global shock since the 2008 financial and economic crisis.
- The result reverberated worldwide, prompting more investors to rush to safety of gold and shun assets that would be weakened by a slowing global economy.
- In Zimbabwe, RioZim Limited anticipates gold production to increase by 50% this year largely driven by its Cam and Motor project, which is now in full production.
- The diversified mining group registered an 85% increase in gold output in 2015 at 1,200kg, after it commissioned Cam and Motor.



Daily	US$/oz	WoW %Δ
17-Jun-16	983	
20-Jun-16	980	
21-Jun-16	990	
22-Jun-16	987	
23-Jun-16	982	
24-Jun-16	981	
		-0.2

- Platinum prices have remained low and miners are cautious on the outlook for prices of the precious metal.
- SA producers however continue to be haunted by cost increases, which they say are not keeping up with production.
- SA is the world's biggest producer of platinum, followed by Zim and Russia. Zim is also home to some of the major platinum producers with Anglo American Platinum, Impala Platinum (Implats) and Sibanye Gold all having operations inside both SA and Zim.
- According to Johan Theron, spokesperson for Implats, ZAR weakness as well as lower global prices in oil and steel provided some reprieve early 2016, although the industry remains vulnerable to depressed metal prices and cost escalation.

Commodity 30-Day Price Chart

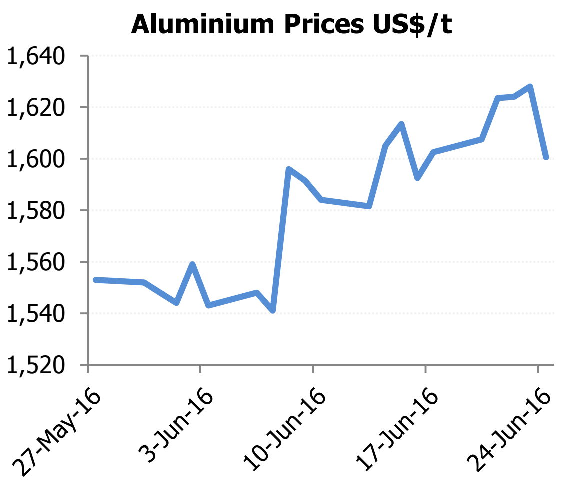


Commodity Prices

Daily	US$/t	WoW %Δ
17-Jun-16	4,522	
20-Jun-16	4,585	
21-Jun-16	4,587	
22-Jun-16	4,688	
23-Jun-16	4,747	
24-Jun-16	4,663	
		3.1

Commodity Developments

- The price of copper and other industrial metals fell on the 24th of Jun-16 as worries about economic growth rose following the British vote to leave the EU, and as the US dollar soared.
- But despite broad-based declines the fall in prices was not severe copper managed to end the week with positive gains partly due to the key role of China, the world's biggest metals consumer.
- Highlighting the impact that stimulus has had on the Chinese economy, a survey on the 24th of Jun-16 showed business confidence among entrepreneurs in China has picked up for the 1st time in more than 2 years in Q2:16.
- The relatively subdued reaction of base metals to Brexit may also be due to the fact that investors have already withdrawn a lot of capital from the downtrodden sector, where prices are stuck around the cost of production following years of oversupply.



Daily	US$/t	WoW %Δ
17-Jun-16	1,603	
20-Jun-16	1,608	
21-Jun-16	1,624	
22-Jun-16	1,624	
23-Jun-16	1,628	
24-Jun-16	1,601	
		-0.1

- Aluminium followed the copper trend. The metal is reeling with oversupply from China. China is the world's largest producer and consumer of aluminium, accounting 54.4% of global primary aluminium output in Apr-16.
- China has been exporting excess production of aluminium in the form of semi-manufactured products. Aluminium product exports from China of 4.2 million tonnes represent 17% of the rest of the world's output.
- There has been a strong reaction from other producing countries, which allege unfair subsidies to loss-making Chinese operators. The reaction is still building, particularly in the US, where the International Trade Commission (ITC) in Apr-16 opened an investigation into the production sector and global trade flows.
- Although China's aluminium smelter sector has its own share of problems, recent growth has been driven by a new generation of operators, widely viewed as among the most modern and lowest-cost operators.

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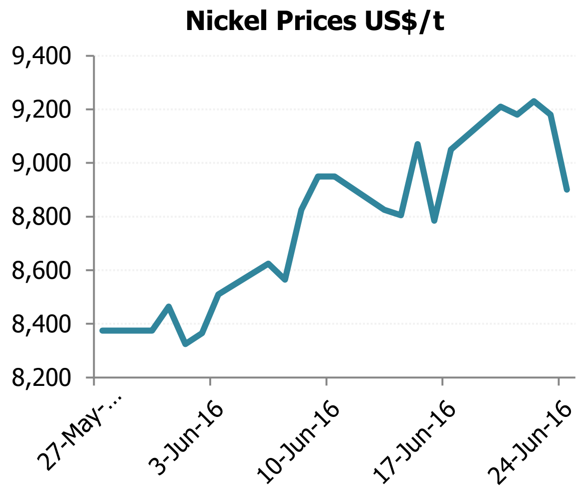
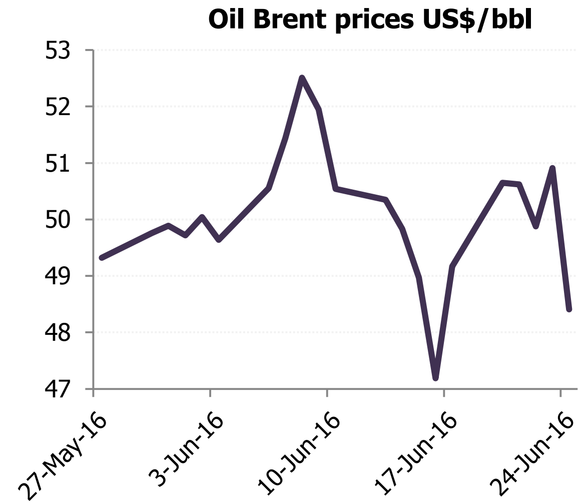


Commodity Prices

Daily	US$/t	WoW %Δ
17-Jun-16	9,050	
20-Jun-16	9,210	
21-Jun-16	9,180	
22-Jun-16	9,230	
23-Jun-16	9,180	
24-Jun-16	8,900	
		-1.7

Commodity Developments

- The incoming minister in charge of Philippine mining has slammed the use of open pits to extract minerals, posing a serious threat to China's Nickel Pig Iron.
- Nickel ore is largely produced by open pit mining, likely to be specifically targeted by the new Philippine administration.
- China's NPI sector, an integral part of the country's stainless steel supply chain, has become increasingly dependent on Philippine ore since 2014, when its previous main supplier, Indonesia, banned all exports of unprocessed minerals.
- The move will be positive for the metal price which has long been suffering due to excess capacity.



Daily	US$/bbl	WoW %Δ
17-Jun-16	49.17	
20-Jun-16	50.65	
21-Jun-16	50.62	
22-Jun-16	49.88	
23-Jun-16	50.91	
24-Jun-16	48.41	
		-1.5

- Oil prices settled lower on the 24th of Jun-16 after Britain's vote to leave the EU spurred massive risk aversion and a rally in USD.
- A rallying dollar makes oil and other commodities denominated in the greenback costlier for holders of the EUR and other currencies.
- Investors paid little heed to data showing the US oil rig count fell by seven over the week, the 1st weekly reduction in 4 weeks.

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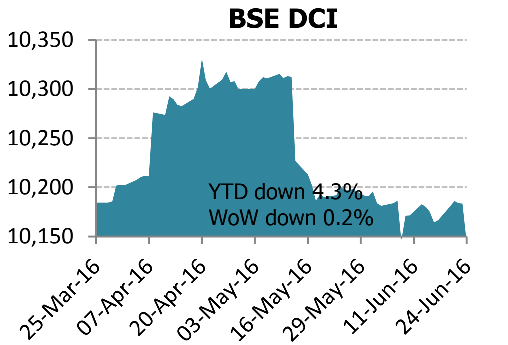
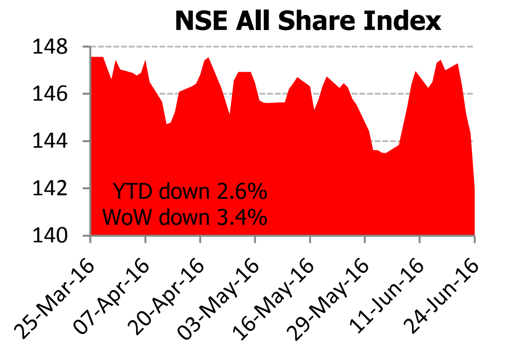
Equities 90-Day Index Charts

Botswana



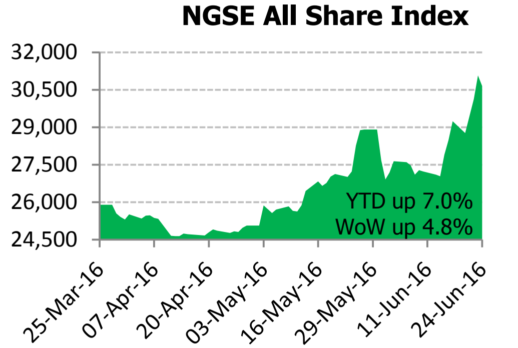
- Botswana's consumer inflation was unchanged at 2.8% year-on-year in May-16, compared to Apr-16.

Kenya



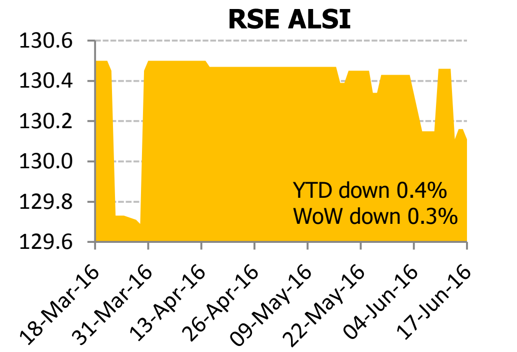
- Kenya may face higher borrowing costs abroad due to a bigger 2016/17 budget deficit but its improved management of domestic borrowing may avoid the kind of spike in Gvt debt yields locally.

Nigeria



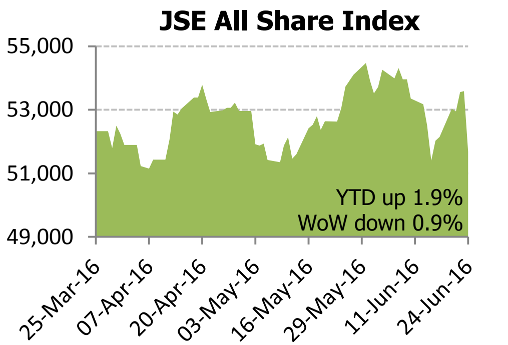
- Africa's richest man, Aliko Dangote, plans to launch Nigeria's first private crude oil refinery by 2019.

Rwanda



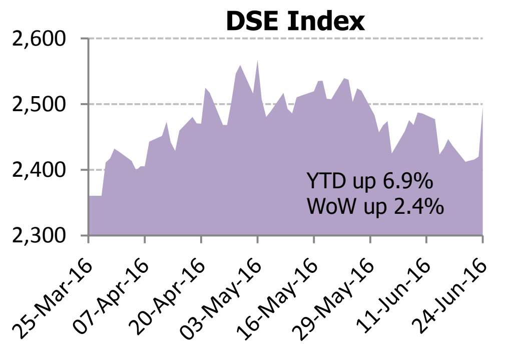
- Official foreign exchange reserves, hit by falls in the prices of its mineral exports are expected to fall to 2.5 months of import cover in 2017 from an estimated 3.2 months in 2016.

South Africa



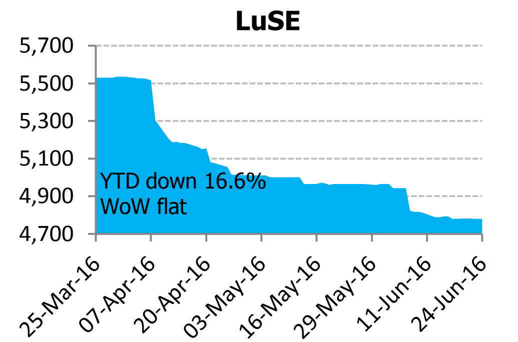
- A lot of SA firms are dual-listed in London and Johannesburg and thus inevitably suffered just as much as their peers on the LSE following the Brexit vote.

Tanzania



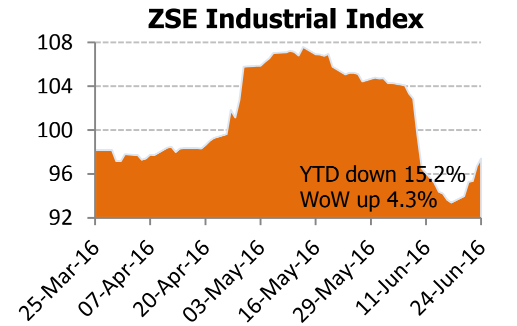
- The stock exchange's IPO was oversubscribed nearly five times. The DSE received bids worth TZS35.77bn (US$16.4m) for the 15 million shares on offer worth a total TZS7.5bn.

Zambia



- Copper production is expected to rise by 5.5% this year as companies optimise production and benefit from the revised royalty regime which takes account of international prices.

Zimbabwe



- Drought-hit Zim will import more than 250,000t of maize from Mexico to fill the shortfall caused by the severe drought sweeping through the southern Africa

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Foreign Exchange Markets

	USD to: BWP	NGN	MZN	RWF	TZS	ZMW	ZAR	EUR/USD	GBP/USD
Wk Ending									
17-Jun-16	11.05	197	62.14	781	2,195	10.92	15.20	1.126	1.429
Daily									
20-Jun-16	10.91	280	61.80	781	2,194	10.97	14.93	1.134	1.465
21-Jun-16	10.83	284	62.28	781	2,194	10.99	14.70	1.133	1.473
22-Jun-16	10.81	281	61.82	774	2,193	10.97	14.72	1.127	1.467
23-Jun-16	10.74	281	62.48	782	2,193	10.90	14.50	1.133	1.478
24-Jun-16	11.11	281	62.48	782	2,192	10.85	14.92	1.115	1.382
WoW %Δ	**0.56**	**42.6**	**0.55**	**0.19**	**-0.14**	**-0.63**	**-1.82**	**-0.97**	**-3.29**
YTD %Δ	**-1.11**	**42.6**	**-68.20**	**4.67**	**1.52**	**-1.18**	**-4.19**	**2.08**	**-6.89**

NB: Nigeria changed its exchange rate policy from a fixed regime to a flexible exchange rate policy on the 20th of Jun-16.

	ZAR/BWP	ZAR/MZN	ZAR/ZMW	ZAR/RWF	ZAR/TZS
Wk Ending					
17-Jun-16	0.721	4.08	0.717	51.1	141
Daily					
20-Jun-16	0.727	4.17	0.739	51.4	147
21-Jun-16	0.730	4.24	0.745	52.7	148
22-Jun-16	0.734	4.23	0.748	52.4	148
23-Jun-16	0.736	4.34	0.756	53.3	149
24-Jun-16	0.724	4.34	0.721	54.2	152
WoW %Δ	**0.42**	**6.37**	**0.50**	**6.16**	**7.80**
YTD %Δ	**0.14**	**50.69**	**2.17**	**12.84**	**9.35**

Exchange Rate Developments

- The UK vote to leave the EU spread chaos through global markets. The GBP became the worst performing currency over the week.
- Given slowing demand from China and flat commodity prices, the Brexit has heightened risks in African markets.
- Although the ZAR appreciated over the week, the currency seem to be vulnerable as the UK is the 4th largest exports destination for SA and investors fear that trade between the two countries may be hurt.
- For Africa's biggest economy, Nigeria, the Brexit just happens at the wrong moment. The Nigerian Gvt had just put policies in place to avoid a recession by removing strict currency controls and liberalising oil prices.
- Assuming that the Brexit will involve a slowdown in the British economy and that the resulting reduced trade and investment from Britain will not be covered by the rest of the EU, this could adverse effects for Nigeria and the rest of Africa.
- The newly liberalised Nigerian FX market may prove counter-productive in the wake of increased uncertainties.
- All Atlas Mara trading markets depreciated against the ZAR with the TZS, RWF and MZN suffering huge blows following Brexit.
- The TZS and ZMW are however expected to appreciate marginally, helped by a slowdown in demand for forex and a local currency liquidity squeeze as companies pay local taxes.

Appendix: Brexit Implications

ISSUE	Impact on UK	Impact on EU
Trade within Europe	Regulatory divergence grows over time increasing the cost of trade for UK.	In trade matters, both EU and UK need each other.
Foreign Direct Investment	The UK is less attractive as a gateway to Europe.	There is a risk that the UK will attempt to undercut the EU on standards to attract FDI.
Liberalisation and regulation	The UK loses influence over EU regulation.	The balance in the European Council shifts away from liberalisation.
Industrial policy	The UK gains flexibility over industrial policy.	There could be a weakening of competition policy.
Immigration	Immigration tightened, damaging competitiveness, particularly of London.	Some countries are affected by the impact on remittances or diverted migration, with possible contagion.
Financial services	UK retains a strong competitive edge but becomes hard to access some EU services.	Businesses and households may suffer from the loss of liquidity and increased cost of financial services.
Trade policy	UK has less leverage, is a lower priority partner in trade negotiations.	The EU is a less attractive trade partner without the UK.
International influence	UK loses the benefit from being able to influence both in and through the EU.	The EU loses substantial soft and hard power assets, but may be able to act more coherently externally.
Budget	UK gains financially, but how much depends on the model, and variation in the net impact of Brexit.	The EU loses a major net contributor, with the gap needing to be filled by higher contributions or less spending.
Uncertainty	Brexit is a protracted process lasting several years with uncertainty over the endpoint, impacting on businesses.	Uncertainty is bad for business in the EU, but the biggest risk is political contagion from the 'proof of concept' of leaving the EU.

Impact on Africa

- African economies—already struggling from slowing demand from China and flat commodity prices—have now been thrown into confusion along with the rest of the world.
- Brexit will derail efforts by most African countries to form monetary unions and free trade areas (FTAs).

South Africa

- Has strong trade ties with the UK and may be the worst affected by Britain's exit.
- The UK is the 4th largest destination for exports from Africa's most advanced economy.
- SA has in-turn strong economic ties with its neighbours Zimbabwe, Mozambique, Botswana and Zambia.
- When SA suffers, these nations are likely to suffer as well.

Nigeria

- Africa's largest economy is trying to fix an economy on the brink of a recession by removing strict currency controls and also liberalizing oil prices.
- Brexit will test the nerves of Nigeria's economic managers as global markets plummet.
- Bilateral trade between Nigeria and the UK, currently valued at US$8.3bn will be disrupted as trade agreements made under the umbrellas of the EU have to be renegotiated.

Kenya

- East Africa's largest economy faces capital flight as investors seek safe havens like US treasuries, falling exports, and pressure on the Kenyan shilling.
- One of Kenya's top exports, cut flowers, could suffer. Over a third of the EU's cut flower imports come from Kenya and UK and the Netherlands, another country threatening to leave the EU, are the top destinations.

NB: Impact Scale Moderate Significant Severe