

Sovereign Rating Trends in Sub-Saharan Africa

Live Webcast and Q&A

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September 7, 2016

African Sovereign Foreign Currency Ratings

	<i>7st September 2016</i>	<i>31 July 2015</i>	<i>31 July 2014</i>
Angola	B / Negative	B+ / Stable	BB- / Stable
Botswana	A- / Negative	A- / Stable	A- / Stable
Burkina Faso	B- / Positive	B- / Stable	B / Stable
Cameroon	B / Stable	B / Stable	B / Stable
Cape Verde	B / Negative	B / Stable	B / Stable
Congo (Democratic Republic of)	B- / Negative	B- / Stable	B- / Stable
Congo (Republic of)	B- / Stable	B / Stable	B+ / Stable
Egypt	B- / Negative	B- / Positive	B / Stable
Ethiopia	B / Stable	B / Stable	B / Stable
Ghana	B- / Stable	B- / Stable	B / Negative
Kenya	B+ / Negative	B+ / Stable	B+ / Stable
Morocco	BBB- / Stable	BBB- / Stable	BBB- / Stable
Mozambique	CCC/ Negative	B- / C.W. Negative	B / Stable
Nigeria	B+ / Negative	B+ / Stable	BB- / Negative
Rwanda	B+ / Negative	B+ / Stable	B / Stable
Senegal	B+ / Stable	B+ / Stable	B+ / Stable
South Africa	BBB- / Negative	BBB- / Stable	BBB- / Stable
Uganda	B / Stable	B / Stable	B / Stable
Zambia	B / Negative	B / Stable	B+ / Negative

Africa ratings changes since July 2015

Angola:

12-Aug-2016: Angola Outlook Revised To Negative on slower economic growth: Rating affirmed at 'B/B'

12-Feb-2016: Angola Downgraded To 'B/B' On Weakening External Position; Outlook Stable

14-Aug-2015: Angola Outlook Revised To Negative On Widening Fiscal And External Deficits; 'B+/B' Affirmed

Botswana:

29-Apr-2016: Republic Of Botswana Outlook Revised To Negative; 'A-/A-2' Ratings Affirmed

Burkina Faso:

27-May-2016: Burkina Faso 'B-B' Ratings Affirmed, Outlook Revised To Positive On Improving Political Stability

Cape Verde:

08-Apr-2016: Cape Verde Outlook Revised To Negative On Fiscal Risks; 'B/B' Ratings Affirmed

Republic of Congo (Congo-Brazzaville):

09-Aug-2016: Republic of Congo Foreign Currency Ratings Raised To 'B-/B' On Payment of Past Due U.S. Dollar Notes interest and Principal: Outlook stable

02-Aug-2016: Republic of Congo Foreign Currency Ratings Lowered To 'SD/D' after Missed Payment On U.S. Dollar Notes

25-Mar-2016: Long-Term Ratings On The Republic of Congo Lowered To 'B-' On Rising External and Fiscal Vulnerabilities; Outlook Stable

Democratic Republic Of Congo (Congo-Kinshasa):

05-Aug-2016: Democratic Republic Of Congo Ratings Affirmed at 'B-/B': Outlook remains Negative

05-Feb-2016: Democratic Republic Of Congo Revised To Negative On Weakening External Liquidity; 'B-/B' Ratings Affirmed

Egypt:

13-May-2016: Arab Republic Of Egypt Outlook Revised To Negative; 'B-/B' Ratings Affirmed

Africa ratings changes since July 2015

Ghana:

22-Apr-2016: Ghana Ratings Affirmed At 'B-/B' On Planned Fiscal Consolidation: Outlook Stable

23-Oct-2015: Ratings On Republic of Ghana Affirmed At 'B-/B': Outlook Stable

Kenya:

15-Apr-2016: Republic of Kenya Ratings Affirmed At 'B+/B': Outlook Remains Negative

16-Oct-2015: Outlook On Republic Of Kenya Revised To Negative On Increased Budgetary Pressures; 'B+/B' Ratings Affirmed

Mozambique:

05-Aug-2016: Mozambique 'CCC' For. Currency And 'B-' Local Currency Ratings Affirmed; Off CreditWatch Negative; Outlook Negative

27-May-2016: Mozambique Foreign Currency Ratings Lowered To 'CCC/C'; All Ratings Placed On CreditWatch Negative

15-Apr-2016: Mozambique Foreign Currency Sovereign Ratings Raised To 'B-/B' Post-Debt Restructuring; Outlook Stable

01-Apr-2016: Mozambique Foreign Currency Sovereign Ratings Lowered To 'SD/D' On Announced Debt Exchange Offer Results

15-Mar-2016: Mozambique Foreign Currency Ratings Lowered To 'CC' On Announcement Of Debt Exchange Offer; Outlook Negative

Nigeria:

18-Mar-2016: Federal Republic Of Nigeria Outlook Revised To Negative On Oil Price Pressures; 'B+/B' Ratings Affirmed

Rwanda:

11-Mar-2016: Republic Of Rwanda Outlook Revised To Negative On Rising Balance Of Payments Risks; 'B+/B' Ratings Affirmed

South Africa:

03-Jun-2016: South Africa Ratings Affirmed; Outlook remains negative

04-Dec-2015: Outlook On South Africa Revised To Negative On Continued Slow Growth; Ratings Affirmed

Zambia:

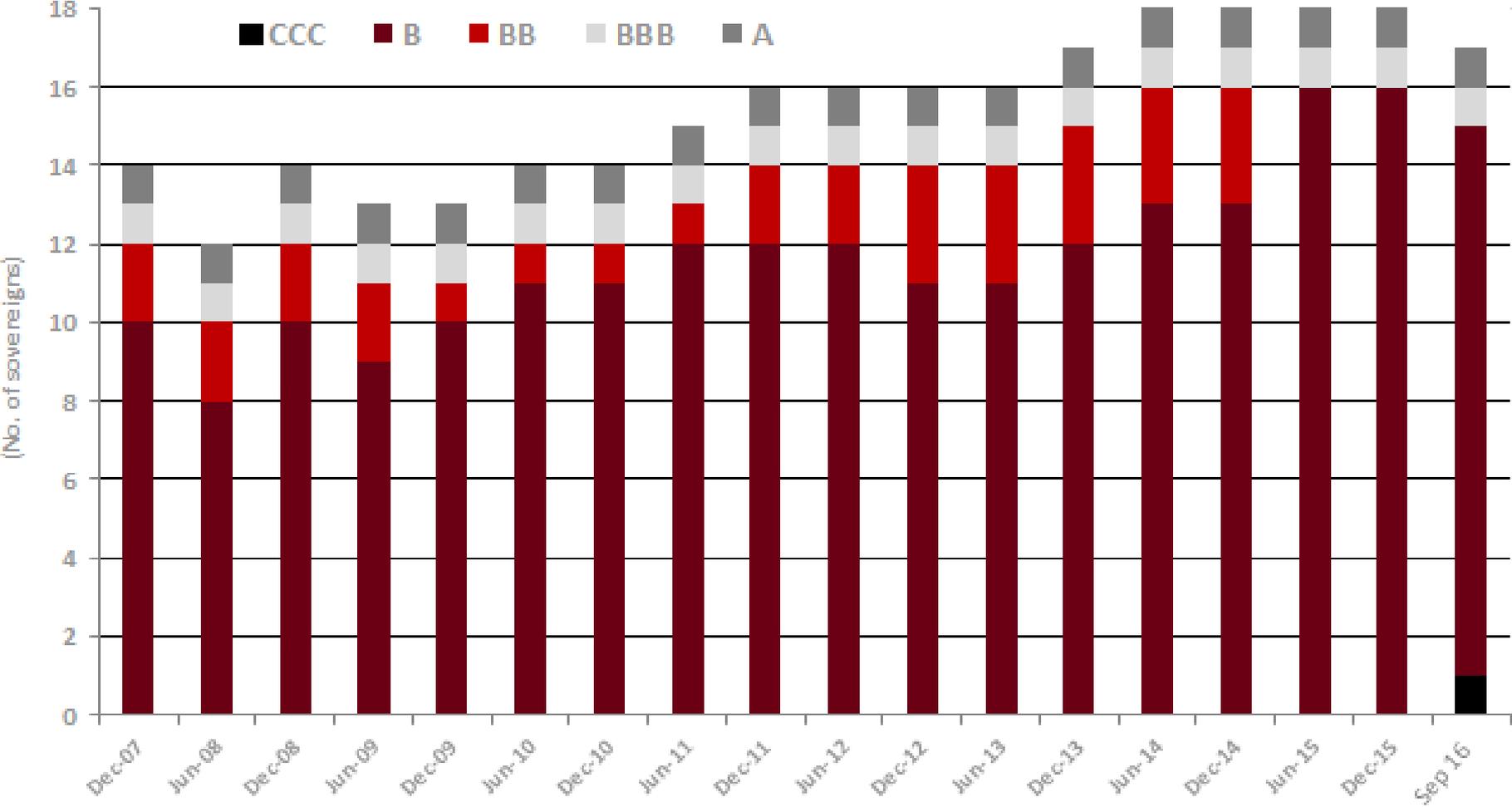
26-Aug-2016: Republic of Zambia 'B/B' Ratings Affirmed: Outlook remains negative

18-Mar-2016: Republic Of Zambia Outlook Revised To Negative On Weak Growth; 'B/B' Ratings Affirmed

S&P Global

Ratings

Snapshot of our ratings distribution on Sub-Saharan Africa Sovereigns (excl. Morocco, Egypt)



Macroeconomic developments: SSA continues to be hit hard by oil and other commodity price falls

- 2015 and 2016 have proved very challenging for African Sovereigns; low oil and commodity prices have hit hard; plus US Fed rate hike made EM and Frontier assets less attractive. Relatively low growth in main trading partners, China and Europe, continue to hamper SSA's growth prospects.
- Lower oil and commodity prices have also hit public and external balances. BOP and fiscal issues have become more visible.
- In 2H 2016 and 2017, the above challenges will remain, and we expect fiscal and external imbalances to persist and challenge Africa's key oil exporters' finances. In addition, the political uncertainty and elections that some of the countries in the region will face will also contribute to weak economic growth.
- So far in H1 2016, no country in the region has issued in the international capital markets with the exception of South Africa (4.875% \$1.25 billion 10-year) and Mozambique restructuring. Nevertheless, we do expect some bond issuances in H2 2016 due to need, as budget consolidation efforts may prove insufficient, particularly with major oil exporters.

South Africa – Sluggish growth puts pressure on the rating

BBB-/ Negative Outlook

- South Africa faces a period of political instability: transfer of former Finance Minister and appointment of a relative novice, constitutional court ruling on Nkandla (President Jacob Zuma's rural home), the poor performance of the ruling ANC party in the last municipal elections and the recent police investigation over the current Finance Minister, Mr. Pravin Gordhan.
- The country has experienced anaemic real GDP growth in recent years and 2016 also looks to be poor, although Q2 2016 saw somewhat of a rebound. Commodity prices, severe drought, labour strikes and electricity-supply shortages have contributed to low growth.
- Fiscal position: Expenditure ceilings and the three-year wage settlement in the public sector may help, among other factors (e.g. trade and excise duties rise), but slow growth could be an obstacle to the targeted fiscal and debt trajectory. State-owned Eskom and other SOEs with weaker balance sheets pose contingent liabilities.
- Our Negative Outlook reflects the low growth environment and the downward revision of our 2016 and 2017 GDP growth forecast, partially driven by the low level of private sector investment amid heightened political risk. Ratings history: We maintained the negative outlook in June 2016 following the revision in December 2015. Our next scheduled publication is in December 2016.

Nigeria – Oil price and volumes continue to pressure fiscal and external accounts

B+/Negative outlook

- The negative outlook reflects our view of the impact of low oil prices and FX controls on the Africa's largest economy and on its fiscal and external fronts. The Nigerian economy contracted in the first two quarters of 2016. Despite the revised budget, many state governments are running arrears forcing central government support.
- Nigeria's fixed exchange rate policy with strict capital controls on current and capital transactions has proved highly detrimental to GDP growth, plunging the country in to recession. However, a policy U-turn saw the exchange rate partially liberalized in June. This was positively received by markets and should help improve growth prospects.
- 'Niger Delta Avengers' in the south pose a significant threat to oil production levels.
- Some mildly positive developments on the institutional side with President Buhari replacing several senior officials, including the board and head of state-owned Nigerian National Petroleum Corporation, as well as the head of FIRS.
- Ratings history: Following a downgrade in March 2015, we revised the outlook to negative in March 2016.

Mozambique and Congo (Brazzaville) Default

Mozambique

CCC/Negative Outlook

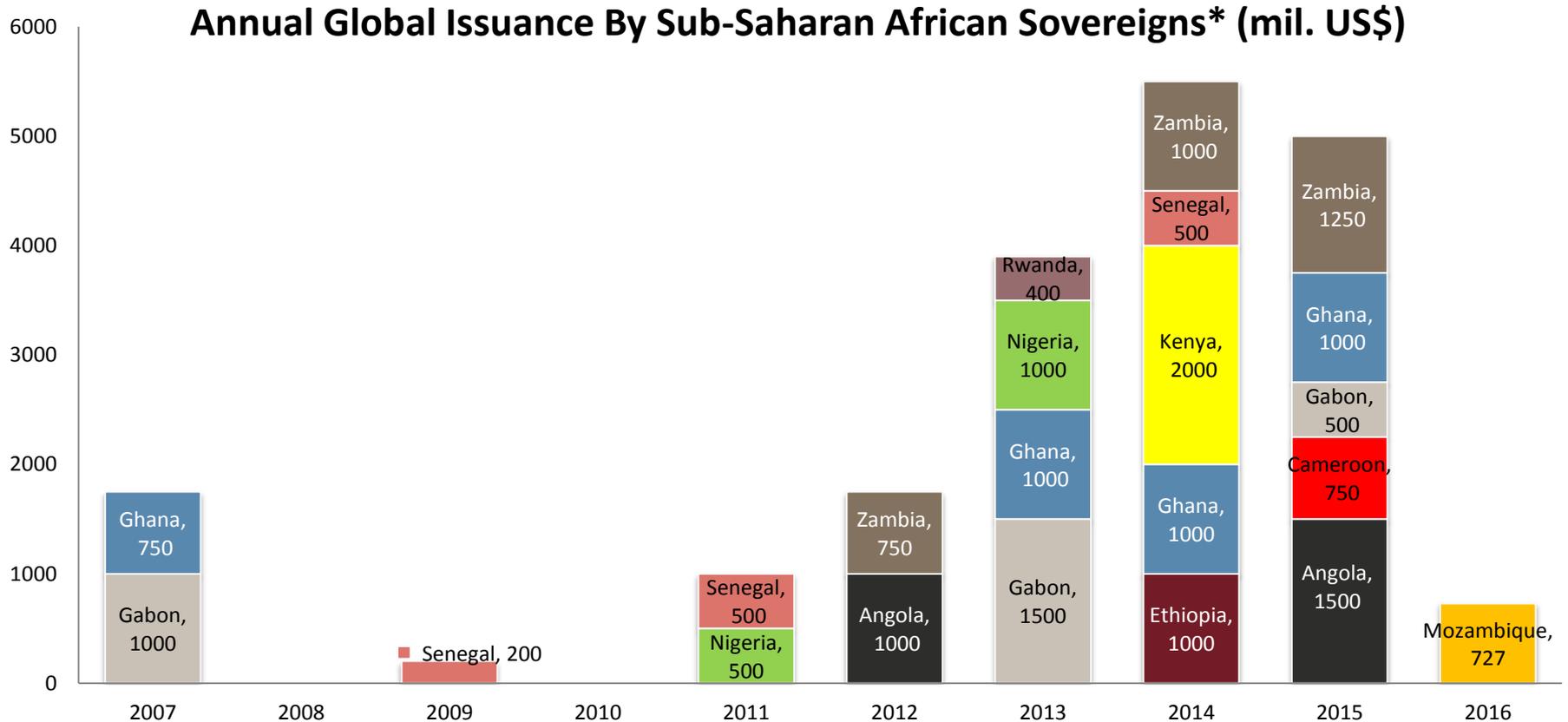
- Details on Ematum restructuring classified as distressed exchange tantamount to default. Then came the undisclosed debt issues. In May 2016, Mozambique's authorities disclosed material new information regarding state guarantees of the external debt of several enterprises, amounting to more than \$1 billion (10% of GDP forecast for 2016). Another potential default may still be on its way depending how they resolve the missed payment on behalf of an SOE.

Congo-Brazzaville

B-/Stable Outlook

- On June 30, 2016, the Republic of Congo failed to make a principal and interest payment on its \$478 million notes due 2029 (not rated). The notes provide for a 30-day grace period for payment. The grace period expired with bondholders not receiving their payment.
- On August 2, 2016, we lowered our long- and short-term foreign currency sovereign credit ratings on the Republic of Congo to 'SD/D' (selective default) from 'B-/B'.
- The Republic of Congo later completed the principal and interest payment on its notes. As a result, we raised our foreign currency ratings on the Republic of Congo to 'B-/B' from 'SD/D' and affirmed the 'B-/B' local currency ratings. The stable outlook reflects our expectation that over the next 12 months, the Republic of Congo's current and fiscal account deficits will not widen substantially beyond our projections.

Sub-Saharan Africa Eurobond Issuances (SSA excluding South Africa)



*Excluding South Africa. The Senegal \$200 mil. 2009-2014 bond was exchanged with a \$500 mil 10-year bond in May 2011.

Mozambique issued Eurobond in 2016 as part of state-owned tuna-fishing company, Ematum

Source: Bloomberg

Thank you

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