EMERGING
AFRICA

The African Capital Market Report

2024 in Review
2025 in Focus.

Reforms in Action: Strength in the Strain.

Your goals should be achieved.

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The Emerging Africa Group

MESSAGE FROM OUR GROUP CEO

As we unveil the fourth edition of the Emerging Africa Capital Market Report, it is with great pride that I reflect on our journey to becoming a trusted voice in analyzing Africa's dynamic financial landscape. 2024 has been a year of resilience, adaptation, and transformation for economies worldwide, including Africa, as the global community navigates the persistent challenges of geopolitical tensions, climate crises, and economic realignment.

The global economy showed resilience, especially in services and trade driven by China's modest economic rebound. Oil prices averaged $79.8/b per barrel, influenced by slower demand from China, strong U.S. supply, geopolitical tensions, and OPEC's production cuts. While the aftershocks of monetary policy tightening linger, inflationary pressures have gradually eased, especially in advanced economies, paving the way for cautious optimism. However, climate change continues to demand urgent action, with Africa remaining both a victim and a beacon of potential solutions.

We saw in 2024; record-breaking temperatures and unpredictable weather patterns, which underscores the need for environmentally sustainable efforts. Africa's unique position as a frontier for green finance and renewable energy presents an unparalleled opportunity for investors committed to sustainability.

Despite global uncertainties, Africa remains a continent of immense promise. The latest IMF report forecasts that sub-Saharan Africa's economic growth is projected to reach 4.2% in 2025 driven by economic recovery efforts. We acknowledge that growth is not without hurdles. Structural deficits, currency volatility, and fiscal pressures remain critical challenges, underscoring the need for strategic, patient capital and forward-thinking reforms.

At Emerging Africa Group, our unwavering mission remains to catalyze Africa's transformation into a premier global investment destination. Therefore, this report serves as more than a compendium of data; it is a roadmap for navigating the complexities of the region's investment climate. Looking ahead to 2025, we are committed to driving conversations and actions that align with Africa's growth story. We believe in the power of innovation, collaboration, and sustainability to reshape the continent's financial landscape.

To all our partners, stakeholders, and investors, we invite you to join us in this transformative journey, as Africa continues to emerge not only as a growth engine for the global economy but also as a hub for solutions to some of the world's most pressing challenges.

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Key Events that shaped 2024

Russian-Ukraine Crisis spills into the third year

The Russia-Ukraine conflict continued in 2024, with both sides suffering significant casualties. The overall situation remained largely unchanged, with neither side making any major breakthroughs.

Western allies, particularly the U.S. and Europe, have provided substantial military and financial support to Ukraine. However, with Donald Trump's re-election as U.S. president, there is uncertainty about the future of American support for Ukraine. Trump's administration has signaled a potential reduction in aid, which could impact Ukraine's ability to sustain its defense efforts.

The conflict has also had wider geopolitical repercussions, influencing global energy markets, international relations, and security dynamics. It has exacerbated tensions between Russia and the West, with continued sanctions and diplomatic standoffs.

Upheaval in the Middle East- Israel-Hamas conflict

The Israel-Hamas conflict, which began on October 7, 2023, continued through 2024, marked by a series of attacks and counterattacks with significant repercussions throughout the Middle East. In April, the situation escalated when suspected Israeli warplanes bombed Iran's embassy in Syria, killing seven of Iran's military advisers, according to Iranian sources. This attack could be linked to Iran's role in supporting various proxy groups hostile to Israel. In retaliation, Iran launched missile and drone strikes on Israel, which were intercepted by Israel's defense systems.

As of 2024, the Hamas Gaza Health Ministry estimated that approximately 40,000 Palestinians had been killed since the conflict began, though the ministry did not differentiate between civilians and combatants. Efforts to negotiate a ceasefire between Israel and Hamas were still ongoing ahead of Donald Trump's expected presidential inauguration in January 2025. President-elect Trump issued an ultimatum to Hamas regarding the release of hostages, warning of severe consequences if they failed to comply.

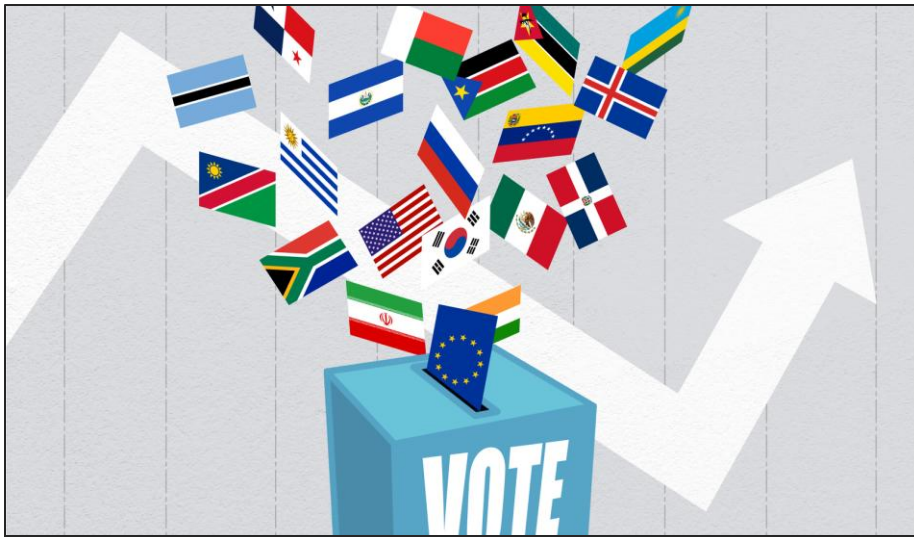
Key Events that shaped 2024

Sudanese Civil War: No signs of abating in 2024

The ongoing civil war in Sudan, which erupted in April 2023, persisted throughout 2024 as the power tussle between the Sudanese Armed Forces (SAF), led by Gen. Abdel Fattah al-Burhan, and the Rapid Support Forces (RSF), commanded by Mohamed Hamdan raged on.

The war has inflicted severe hardship on the Sudanese population. Estimates suggest around 20,000 deaths, potentially exceeding 60,000 when accounting for war-related. disease and starvation. War crimes are widespread, and a famine has been declared in Darfur. The conflict has displaced approximately 11 million people out of a total population of nearly 50 million. International mediation efforts, including a recent UN Security Council meeting, have made little headway to remedy the situation.

2024 was an Unprecedented Year of Elections



The year 2024 was a pivotal one for global politics, with elections held in over 60 countries, including eight of the ten most populous nations. While the fairness and transparency of these elections varied, their outcomes had a profound impact on the global political landscape.

Notable elections took place in the United Kingdom, India, South Africa, Japan, and the United States, among others. In many of these countries, voters expressed dissatisfaction with those in power. Long-standing political parties in nations such as India, Japan, and South Africa entered the elections hoping to solidify their dominance, only to lose seats and end up forming coalition governments. In the UK and the US, voters decisively ousted the incumbent parties.

BRICS Expansion

Following the BRICS summit in 2023, where new members were approved, Egypt, Ethiopia, Iran, and the United Arab Emirates officially joined the bloc at the start of 2024, expanding BRICS membership from five to nine countries. Saudi Arabia, however, delayed its membership.

BRICS organizers framed the expansion as part of a larger strategy to build a competing multipolar world order, utilizing Global South countries to challenge the existing Western-dominated structure. On 24 October 2024, 13 more countries, Algeria, Belarus, Bolivia, Cuba, Indonesia, Kazakhstan, Malaysia, Nigeria, Thailand, Turkey, Uganda, Uzbekistan, and Vietnam, were invited to become "partner countries." This status would allow these countries to engage with and benefit from BRICS initiatives. However, it remains unclear whether these countries have received official membership invitations.

With the addition of the four new members, BRICS' share of global GDP, as measured in US dollars, increased from 24.5% to 25.9%. The bloc now represents roughly half of the global population, estimated at 44.0%. The inclusion of the nine new partner countries in 2025 is expected to push BRICS' share of global GDP beyond 41%.

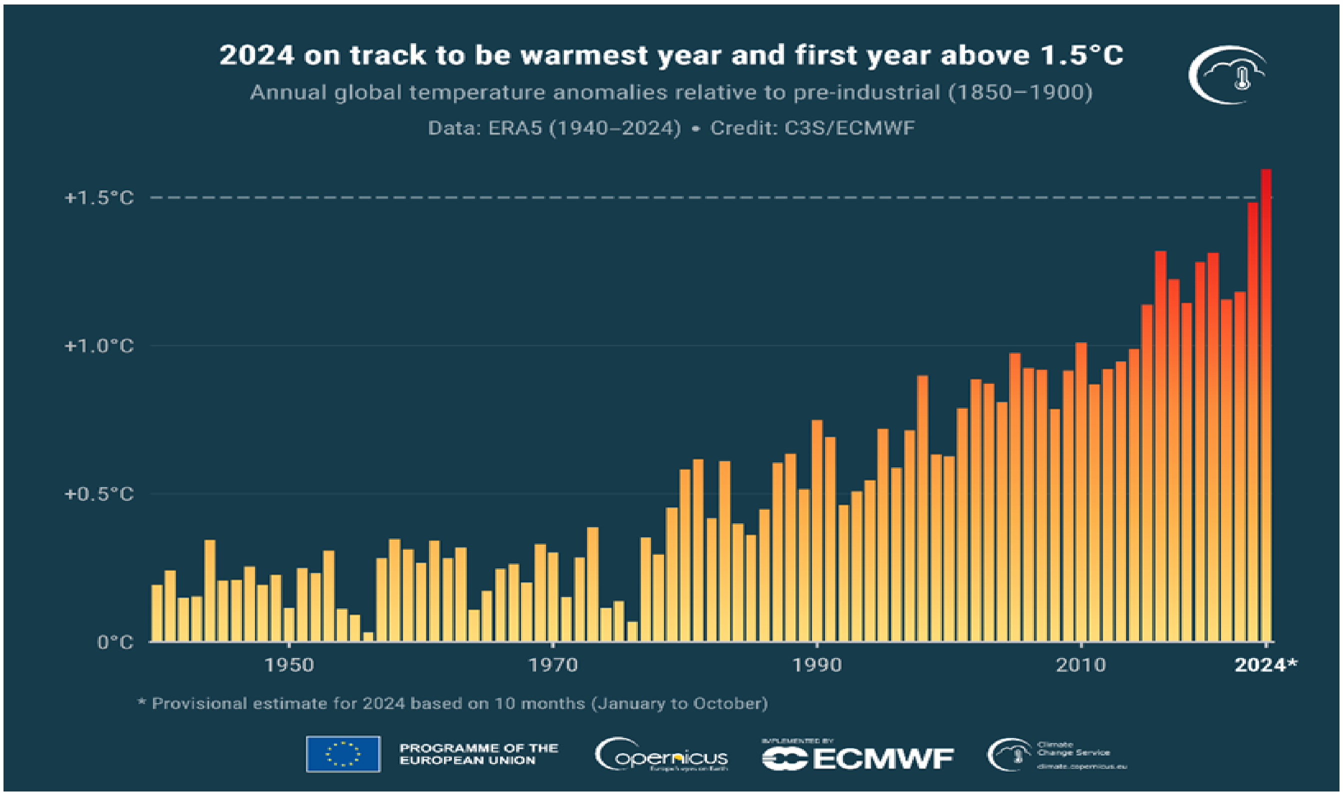
Although de-dollarization has been a key topic of discussion among BRICS members, substantial progress has yet to be made. However, there is potential for BRICS countries to settle more international transactions in their local currencies. The US President-elect has strongly opposed these efforts, threatening to impose 100% tariffs on BRICS nations if they attempt to establish or support an alternative currency.

2024 saw a rise in worldwide temperatures

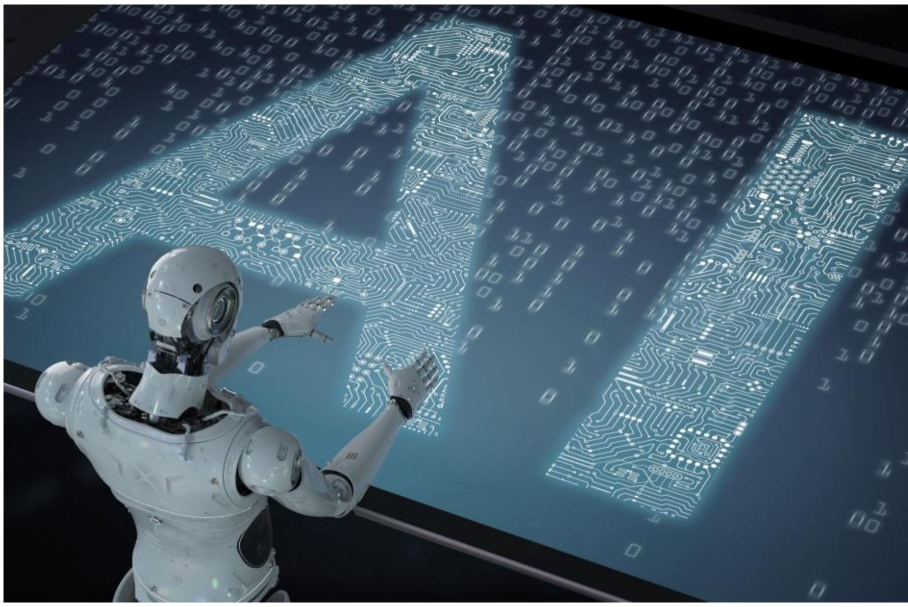
Extreme weather events dominated headlines in 2024, with devastating floods in South Asia and record-breaking heatwaves in Europe. The year was the hottest on record, according to data from Copernicus Climate, due to consistently high global temperatures observed each month. Global temperatures in 2024 were 0.71°C above the 1991-2020 average, breaking all previous records and surpassing the same timeframe in 2023 by 0.16°C.

This marked the first year with an average temperature clearly exceeding 1.5°C above pre-industrial levels, a threshold set by the Paris Agreement to reduce the risks and impacts of climate change. Throughout the year, various devastating weather events, such as deadly wildfires, extreme heatwaves, droughts, heavy rainfall, and floods, affected multiple continents. These events were driven by human-induced factors and the El Niño weather pattern, which increased their frequency and severity.

The economic toll of these events reached billions of dollars, while the human cost was immeasurable. Climate change moved from a distant threat to an immediate crisis, forcing businesses and governments to prioritize sustainability and resilience.



Developments in Artificial Intelligence (AI) Continue to Grow



In 2024, AI is expected to continue to advance across industries like healthcare, productivity, content creation, and regulation, demonstrating its potential to reshape sectors and enhance outcomes. AI models became more sophisticated, enabling businesses to optimize operations and innovate faster than ever before.

However, concerns about AI misuse, particularly in spreading misinformation, led to global debates on ethical guidelines and regulation.

Notably, on 1 August 2024, the European Artificial Intelligence Act (AI Act) entered into force, marking a significant step towards regulating AI development. The year highlighted that while AI is a powerful tool, its development must be approached responsibly. Overall, 2024 saw significant AI innovation in healthcare, chip design, content creation, and ethics, driving efficiency and raising important questions about its responsible use.

The Global Economy

In 2024, the global economy demonstrated resilience despite navigating significant challenges and uncertainties. These included elections, geopolitical tensions, extreme weather events that disrupted supply chains and impacted energy and food markets, sluggish economic growth in China, and a high-interest-rate environment. While growth remained modest, it was sluggish but steady.

Global economic growth is projected to reach 3.2% in 2024, down slightly from 3.3% in 2023, and below the pre-pandemic average of 3.6% between 2000 and 2019. This resilience was underpinned by sustained disinflation, particularly in the latter half of the year, which prompted global central banks to implement rate cuts.

The U.S. economy remained robust, with growth buoyed by strong private and public spending, healthy unemployment figures, and income growth. This occurred despite persistent pressures from elevated inflation and high interest rates. Similarly, the Eurozone exceeded expectations, driven by strong exports and private consumption. In contrast, the UK economy experienced slow growth as the lingering impact of past events and policies, combined with weak labor productivity, continued to weigh on economic activity. China's economy also remained subdued, with weak demand and an ailing property sector dragging down broader economic performance. To counteract these challenges, the Chinese government introduced a series of stimulus packages and rate cuts aimed at boosting economic activity and supporting the disinflation trend.

Global trade proved resilient during the year as it made a remarkable recovery, peaking at a record high of $33.00trn, which is $1 trillion above the performance of 2023.

Table 1: Real GDP Growth (%). 2024-2026

Real GDP %	2024	2025	2026
World output	**3.2**	**3.3**	**3.3**
United States	2.8	2.7	2.1
Euro Area	0.8	1.0	1.4
United Kingdom	0.9	1.6	1.5
China	4.8	4.6	4.5
India	6.5	6.5	6.5
Nigeria	3.1	3.2	3.0
South Africa	0.8	1.5	1.6

Source: IMF, EAG Research

This performance was driven by stable demand and improving business conditions of developed economies.

The World trade organization projects that global trade will grow by 3.0% in 2025, up from 2.7% in 2024. Declining inflationary pressures, which will give room for more rate cuts, which will boost consumption and investments, is expected to continue to support this growth. However, the shifts in the US trade policy stance serves as a risk to this outlook.

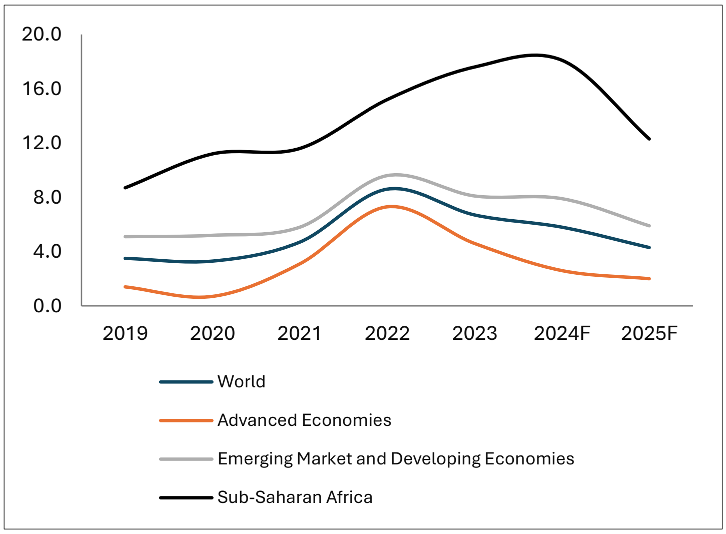
The global economy is projected to maintain its resilience into 2025, with the IMF forecasting a growth rate of 3.3%, a slight improvement from 3.2% in 2024. This growth is largely driven by the strong performance of the United States, which offsets downward revisions in other major economies. Emerging Markets and Developing Economies are also expected to sustain their resilience as well, supported by favorable fiscal policies.

However, risks to this outlook persist, including policy uncertainty and ongoing structural adjustments. Key challenges include tariffs and immigration policies in the United States, energy concerns in Europe, and issues in China's real estate sector. These factors could heighten trade tensions, dampen investment, reduce market efficiency, distort trade flows, and further disrupt global supply chains.

Inflation and Interest rates

The year 2024 witnessed a declining trend in inflation across major economies, following "the great tightening" that happened after the pandemic and Russia-Ukraine war that triggered an uprise in inflation. Inflation continued its downward trend and moved closer to the targets of global central banks, as a result of declining food and energy prices, normalization of labor markets and the recovery of global supply chains. The restrictive monetary policies adopted by central banks further contributed to this moderation. However, despite these improvements, in most countries across the world, inflation remains above pre-pandemic levels. In the final quarter of 2024, inflation reversed its downward trajectory, as prices remained sticky in selected countries, highlighting the complexities of achieving sustained trend of disinflation.

Chart 1: Global Inflation (%)-(2019-2025)



Source: IMF, EAG Research

Global central banks adopted a more cautious approach to monetary easing in the first half of 2024, carefully monitoring economic activity, labor market conditions, and exchange rate movements. Some central banks started to implement rate cuts in second half of the year 2024, as inflation got closer to the central bank's targets, paving the way for a much-needed policy pivot and marking a point of divergence in monetary policy from previous years.

However, in other economies, inflation remained elevated, defying the broader downward trend, causing their central banks to maintain restrictive monetary policies in 2024, prioritizing inflation control as a key mandate.

The global inflation trajectory is expected to continue its steady decline in 2025, declining from an annual average of 6.7% in 2023 to 5.8% in 2024 and 4.3% in 2025 with advanced economies returning to their inflation targets sooner than emerging market and developing economies. This decline will be aided by the tight monetary policy measures and declining commodity prices. However, the risk to this outlook remains adverse weather conditions, the possibility of geopolitical tensions escalating, the effects of the tariffs of the trump administration and its impact on global trade and a tight labor market exacerbated by expected immigration restriction from the US. As regulators try to balance out achieving growth and price stability, we expect central banks to continue to ease policies in 2025 albeit cautiously as they closely monitor parameters and market indicators as the risk of renewed inflationary pressures persists.

The Global Commodities market

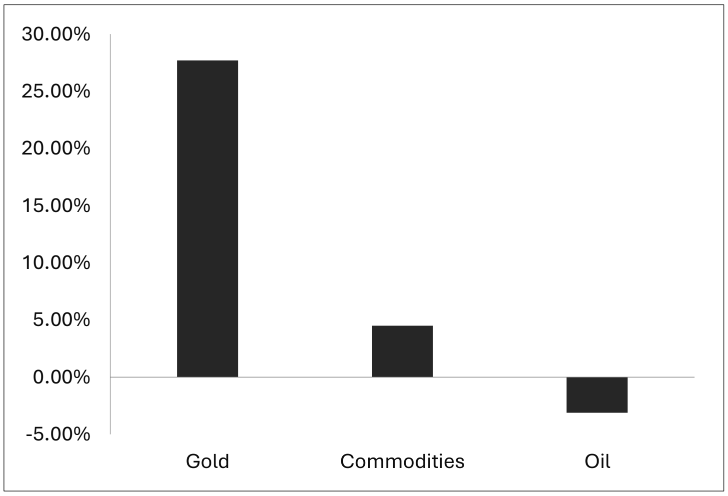
The commodities market recorded a positive performance in 2024 despite the challenges to market dynamics, as elevated interest rate, geopolitical tensions, weaker than expected activity from China and government policies, OPEC+ production cuts, oversupply from non-OPEC+ members and US sanctions continue to affect and drive performance in the market.

Gold emerged as a standout performer in the commodities market in 2024, solidifying its status as a safe-haven asset and its expanding role across various industries. It achieved one of its strongest annual performances in over a decade, advancing by 27.7%, following a 13.1% gain in 2023. This impressive growth was driven by heightened geopolitical tensions in the Middle East, uncertainties surrounding the U.S. elections, and increased demand from central banks seeking to bolster their gold reserves. On the other hand, brent crude oil declined by -3.1% as weak demand from China coupled with oversupply in the market overshadowed the uncertainties following geopolitical tensions and OPEC+ production cuts.

We expect the commodities to come under pressure in 2025. The World Bank has projected that the commodity price index will decline by 5% in 2025 and 2% in 2026. This would bring overall commodity prices to their lowest levels since 2020, and this is due to slower than expected global growth, a stronger dollar and improving supply conditions in the market, however, gold and gas prices are poised to remain resilient.

However, the uncertainty stemming from geopolitical tensions and global trade policies, has the potential to disrupt supplies and heighten price volatility, particularly in energy markets.

Chart 2: The Global Commodities market (%)



Source: IMF, EAG Research

Energy

The performance of the global oil benchmark was challenged by several headwinds in 2024. From escalating geopolitical tensions in the middle east to weak demand from China, increased oil reserves, adverse weather conditions to OPEC+ production cuts.

Despite these headwinds, the price of brent remained elevated, peaking at $90/b in April on concerns over escalating tensions from the Isreal and Hamas war. However, going into the 4th quarter, the market turned bearish as weak demand and oversupply concerns weighed on prices. The oversupply largely reflects a significant shift in China, where oil demand has flatlined since 2023, driven by a slowdown in industrial production and increased adoption of electric vehicles (EVs) and liquefied natural gas (LNG)-powered trucks.

Looking ahead, oil prices are projected to remain challenged in 2025 averaging between $70-$80/b in 2025. This forecast is on the back of weak demand following trade tensions, particularly from China, and OPEC's modest output targets. Additionally, non-OPEC+ producers are expected to increase oil output, further contributing to the surplus. This slowdown in demand is expected to tip the market into a surplus next year, barring any unforeseen issues. To stabilize prices in an oversupplied market, OPEC+ may need to extend production cuts well into 2025r

Food

The Food Price Index increased in 2024, rising from 117.65 points in January to 127.0 points in December, according to FAO data. This increase was driven by elevated food prices, with significant pressures from supply disruptions caused by adverse weather conditions in major food-producing regions and geopolitical tensions. Looking ahead to 2025, we anticipate that average food commodity prices will be stable, supported by a more favorable supply outlook, improved agricultural production, and the easing of supply chain bottlenecks. Additionally, better weather conditions are expected to enhance global food supply stability.

However, significant upside risks remain. Extreme weather events such as heatwaves, floods, storms, droughts, hurricanes, wildfires, and worsening water scarcity could exert upward pressure on agricultural commodity prices. Furthermore, ongoing geopolitical crises continue to pose threats to food supply chains. Also, despite the predicted cooling effect of La Niña in 2025, is expected to be among the three hottest years in record and this could continue to affect food markets and contribute to price volatility. Lastly, the likely trade war that will follow the tariffs imposed by the US might contribute to increased prices of food items.

African Markets

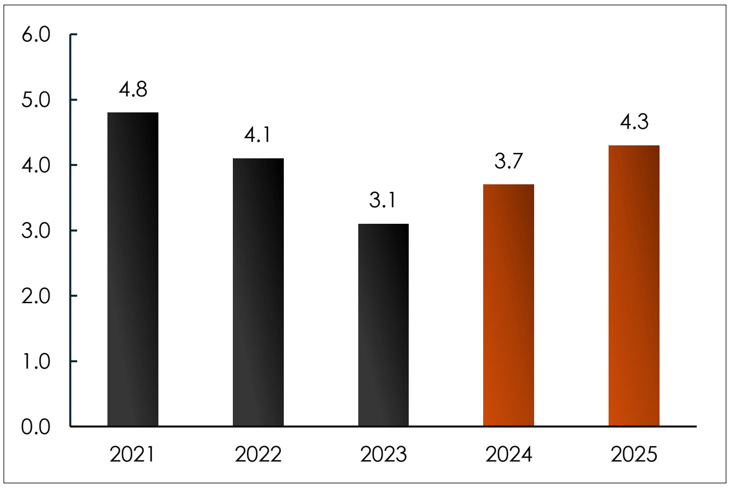
- Nigeria
- South Africa
- Kenya
- Ghana
- Egypt

Growth Performance

Africa's economic and political influence expanded notably in 2024, as the continent continued its recovery from internal and external macroeconomic pressures. Economic growth is projected to reach 3.7% in 2024, up from 3.1% in 2023, solidifying Africa's position among the fastest-growing regions globally. This progress comes despite the ongoing challenges posed by rising geopolitical tensions and structural vulnerabilities.

The growth trajectory has been underpinned by the recovery of its three largest economies, Nigeria, Egypt, and South Africa, moderating inflation in many countries, alongside improved private consumption and investment. African nations have actively tackled pressing issues such as climate change, supply chain disruptions, and energy transitions by adopting localized and innovative solutions. Additionally, structural reforms across the continent have played a pivotal role in rebuilding public trust and strengthening investor confidence in Africa's economic potential.

Chart 3: Africa's GDP Growth Rate (%)-(2021-2025)



Source: Africa Development Bank (AfDB), EAG Research

However, despite the recovery seen across Africa, its geopolitical environment recorded renewed pressure in 2024. Electoral activity was at the forefront, with more than 19 of Africa's 54 countries recording significant electoral activities. These elections were intensely contested, leading to the loss of majority rule by some incumbent governments and triggering notable shifts in power. Meanwhile, military junta led countries (Burkina Faso, Chad, Guinea, and Mali) stalled promised elections, delaying transitions to civilian rule and denying citizens a voice in shaping their nations' futures.

Demonstration and rioting were seen across the continent including Kenya, Ghana, Uganda, Nigeria and Mozambique, driven by dissatisfaction with leadership and deep-seated issues such as poverty, unemployment, corruption, and weak governance.

Sudan's civil war escalated, tensions between Rwanda and the Democratic Republic of the Congo grew, and militants in the Sahel continued to spread south toward coastal states. The humanitarian consequences of these dynamics are stark. For the 13th consecutive year, the number of forcibly displaced Africans rose, reaching over 45 million, a 14% increase from 2023.

Unemployment in Africa Picked up in 2024

Labor markets in Africa continue to face significant challenges, characterized by a high prevalence of informal and subsistence employment and limited job opportunities to match the demands of a growing population.

Following a slight decline between 2022 and 2023, unemployment rates began rising again in early 2024, particularly in Angola and South Africa, according to data from the United Nations. This trend highlights the ongoing issue of insufficient job creation, as economic growth remains unable to keep pace with population growth.

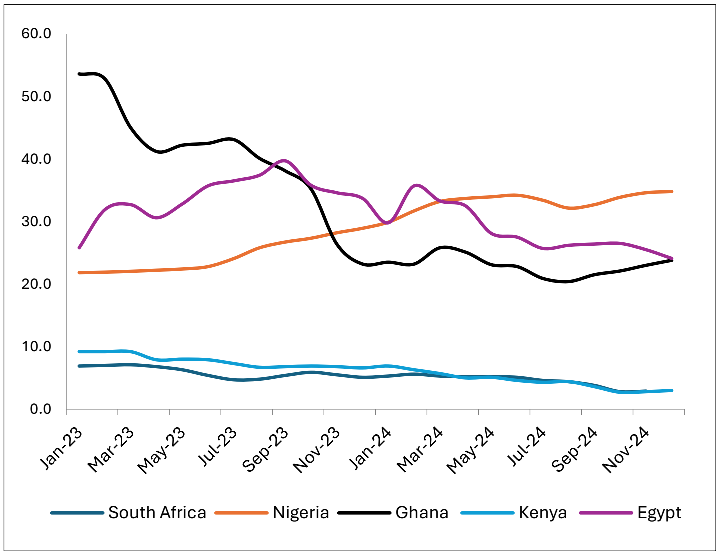
The International Monetary Fund (IMF) estimates that Africa needs to create up to 15 million new jobs annually to meet the demands of its expanding workforce.

Inflation rate movement and Interest Rates directions

Inflation eased across many African economies in 2024, supported by tighter monetary and fiscal policies, relatively stable currencies, and improved supply chain dynamics. However, the decline was uneven, with inflation remaining in double digits in nearly one-third of African countries, including Angola, Ethiopia, and Nigeria. Among the six largest African economies by GDP and population, three of them experienced inflation rates exceeding 20 percent throughout the year, with Nigeria at 34.8%, Ethiopia at 29.3%, and Egypt at 24.1% at the end of 2024.

The African Development Bank (AfDB) has projected that inflation in Africa will fall to a single digit from 11.3% in 2023 to 8.4% in 2024.

Chart 4: Inflation in select African Countries (%)-(2023-2024)



Source:: Trading Economics, EAG Research

In 2024, most central banks across Africa adopted a less aggressive approach to monetary policy, particularly in countries where inflation showed signs of moderation. In nations with high inflation, contractionary monetary policy proved ineffective in curbing inflation due to uncoordinated fiscal policies. Conversely, countries with lower inflation experienced successful disinflation, aided by effective coordination between fiscal and monetary policies.

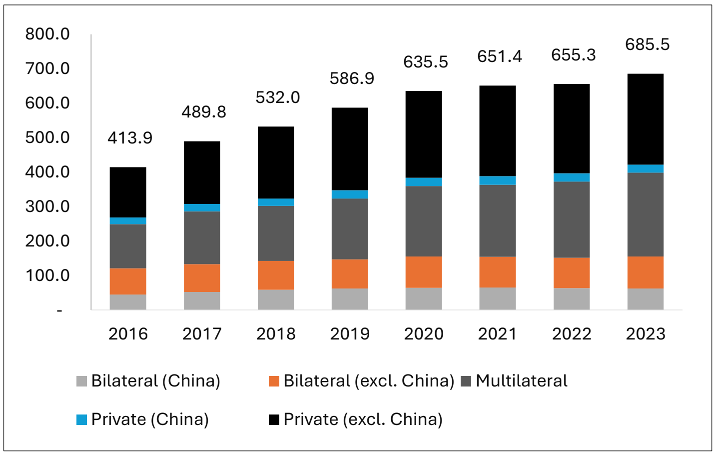
The hard-pegged currency regimes of the West African Economic and Monetary Union (WAEMU) and the Economic and Monetary Community of Central Africa (CEMAC) also played a significant role in containing inflation.

Countries such as Kenya, South Africa, Ghana, Uganda, Morocco, Rwanda, and Mozambique reduced interest rates, guided by prudent considerations of inflationary expectations remaining well-anchored within their target bands. Meanwhile, high-inflation economies like Egypt, Nigeria, and Angola responded with rate hikes alongside reforms in monetary and exchange rate policies to address volatility and stabilize their economies.

Africa's Debt

Countries in Africa continue to face tight fiscal spaces and high levels of domestic and external debt in 2024. According to the World Bank's 2024 International Debt Statistics, African countries owed $685.5 billion in external debt in 2023, the highest level in over a decade. This new figure marks a 4.6% growth when compared to $655.3 billion recorded in 2022 and accounts for 24.5% of the continent's combined GDP.

Chart 5: Total external debt owed by African countries (USD'Bn)-(2016-2023)



Source:: Trading Economics, EAG Research

For many African countries, interest payments represent a crippling share of government revenues. Notably, external debt service payments have increased substantially in the past decade, in part due to higher interest payments on private loans. Even before the pandemic, more than 30 African countries spent more on debt service than on vital public services and investments. African economies are expected to pay a combined $102.6 billion in external debt service in 2024, as external debt pressure continue to mount.

The United Nations has projected a decline in the GDP-weighted average public debt-to-GDP ratio in Africa, from 68.9% in 2023 to 67.5% in 2024, with further reductions expected to reach 64.3% in 2025, driven by continued fiscal consolidation efforts.

After a two-year break from the international debt market, African countries, including South Africa, Nigeria, Benin, Ivory Coast, Kenya, Cameroon, and Senegal, returned to the market, raising a total of $11.6 billion. The issuance was oversubscribed by more than four times on average, signaling strong investor confidence in African economies and a high appetite to invest on the continent.

Outlook

African Economies to dominate the list of fastest growing economies in 2025

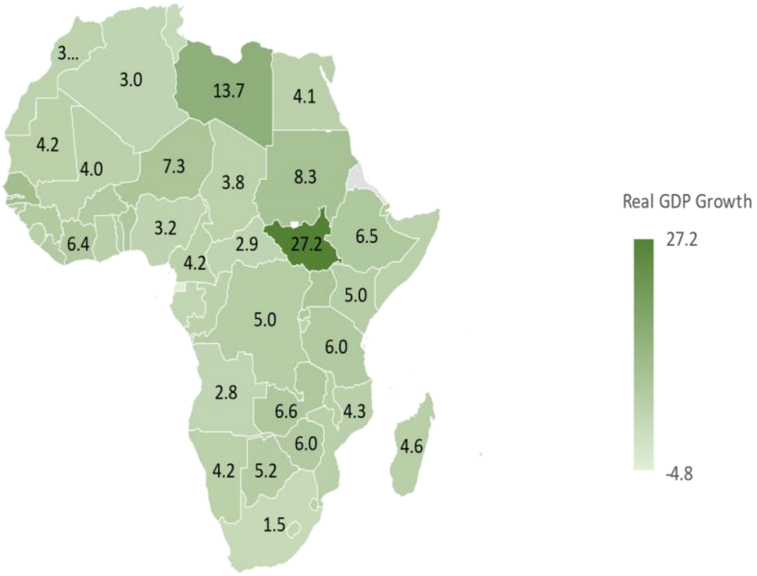
In 2024, Africa's economic and political importance grew significantly, laying a strong foundation for 2025 to be a transformative year for the continent. According to the IMF, 44 African countries are predicted to grow faster than the global average (3.3%) in 2025, and nine African countries are projected to be among the world's 20 fastest-growing economies in 2025.

Economic growth in Africa is projected to rise slightly from 3.4% in 2024 to 3.7% in 2025 and 4% in 2026. This growth is driven by recoveries in major economies like Egypt, Nigeria, and South Africa.

East Africa is expected to grow the fastest among subregions in 2025, at 6%, due to strong performances in countries like Ethiopia, Kenya, Rwanda, Uganda, and Tanzania.

Growth in North Africa is forecast at 3.4%, West Africa at 4.1%, Central Africa at 3%, and Southern Africa at 2.2%. Among the best performers, Côte d'Ivoire, Tanzania, Senegal, Benin, and Rwanda remain terribly underrated as investment destinations. In Uganda, GDP growth is projected to surge during the period 2025–2026 with the commencement of crude oil exports.

African Economies Growth, 2025 (Real GDP Growth)



Source: IMF, Emerging Africa Research

Inflation is expected to continue to moderate across Africa in 2025, to be supported by stabilizing currency rate, base year effect, as well as the tight monetary policy environment, however, risk of uptrend in inflationary trend persists due to currency fluctuations, high import dependency, ongoing food insecurity, climate change vulnerabilities, rising energy costs, policy shifts like subsidy removals.

Monetary policy direction are expected to vary in 2025, countries that are already able to anchor inflation around their desired level are likely to adopt a less aggressive policy stance, while countries like Nigeria, Egypt, and Angola, are expected to adopt a more restrictive stance in their monetary policy direction for 2025.

While there will be fewer national elections in 2025 than in 2024, there are still over a dozen set to occur. Most national elections are in more authoritarian countries, making them less likely to result in significant change. However, there are several key races to watch in the second half of 2025 including, Gabon (August 2025), Cameroon (October 2025), Tanzania (October 2025), and Cote d'Ivoire (October 2025). The military juntas in Burkina Faso, Mali and Niger will continue to delay national elections, deeming them less of a priority and extending their control and, in their words, providing national security.

In 2025, debt levels in Africa are expected to remain elevated, however, the gradual decline in global interest rate in the internation debt market will support a decline in debt service cost. According to the United Nations, Africa's average public debt-to-GDP ratio is expected to continue its downward trend, reaching 64.3% in 2025, compared to 67.5% in 2024. This improvement will be as a result of ongoing efforts in fiscal discipline.

African countries will remain at risk of disruption linked to large-scale protests and demonstrations, and even rioting, in 2025, as government budget deficits and debt levels will remain large across much of the region and many African states will continue to face the difficult choice of raising taxes or cutting spending in 2025.

Nigeria

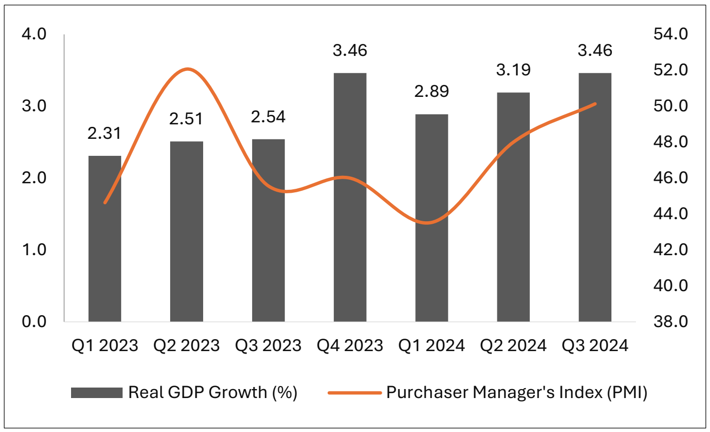
The Nigerian economy faced significant headwinds in 2024, as the lingering effects of the twin policies implemented in mid-2023 continued to strain economic and business activities. These challenges were further compounded by spiraling inflation, exchange rate volatility, amid other structural issues that disrupted economic activities and affected economic output. As a result, Nigeria dropped from being the third largest economy in Africa in 2023 to the fourth position in 2024, trailing behind South Africa, Egypt, and Algeria.

The challenging macroeconomic environment led to the further exit of major multinational corporations such as Kimberly-Clark and Diageo PLC, while companies like Microsoft and Total Energies reduced their investments through divestments. Business confidence remained largely subdued throughout the year, staying below the 50-point benchmark that signifies expansion. The restrictive monetary policy further compounded the situation, making access to credit difficult for businesses and raising the cost of doing business. Household incomes were not spared as well, as inflation eroded the purchasing power, thus reducing the disposable income of households.

Despite these challenges, Nigeria's economy remained resilient and grew by an average of 3.18% in the first nine months of 2024, marking an improvement from the 2.5% growth achieved during the same period in 2023. This growth was primarily driven by the services sector which grew by 5.19% and contributed 53.58% to aggregate GDP, maintaining its position as the largest contributor to economic activity.

The oil sector, a cornerstone of Nigeria's economy that accounts for most of the

Chart 6: GDP Growth Vs PMI (%)-(Q1'23-Q2'24)

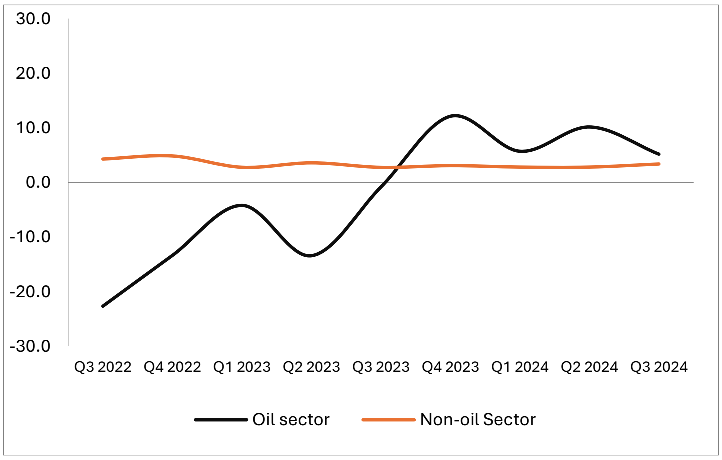


Source: NBS, CBN, EAG Research

government revenue and foreign exchange earnings, grew by 5.17% and this is the third quarter of growth following quarters of contractions. Average daily oil production rose marginally to 1.49 million barrels per day in Q3 2024, compared to 1.45 million bpd recorded during the corresponding period in 2023. This growth, which averaged 7.1% in 9months 2024, was higher than the –6.16% contraction recorded in the corresponding period of 2023. This improvement can be attributed to the continued efforts of the government to improve crude oil production and curb oil theft and vandalism.

The non-oil sector also grew by 3.4%, accounting for 94.4% of total GDP. This growth was driven by positive performances of the financial services, ICT, and agriculture sectors, which occurred despite the challenging macroeconomic environment in the period under review.

Chart 7: Real Oil & Non-Oil Growth (%)



Source: National Bureau of Statistics, EAG Research

Monetary policy shifts

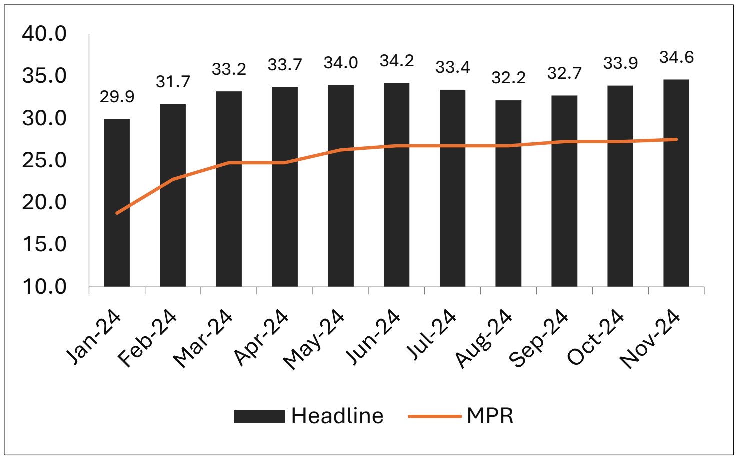
Inflation remained elevated

Inflation persisted at elevated levels throughout 2024, driven by rising food and energy prices. Headline inflation surged from 28.9% at the end of 2023 to 34.8% in Decmeber2024, marking the highest level since 1996. This sharp rise was driven by the depreciation of the naira, insecurity in food-producing regions, logistics bottlenecks, and flooding in key food producing regions that disrupted supply chains. Energy costs also played a significant role, as increases in electricity tariffs and Premium Motor Spirit (PMS) prices raised transportation costs, compounding price pressures and straining household budgets.

Amid growing concerns over escalating inflation, the Monetary Policy Committee (MPC) adopted an aggressively restrictive stance in 2024, raising the Monetary Policy Rate (MPR) by a cumulative 875 basis points, significantly higher than the 230 basis points implemented in 2023. This brought the MPR from 18.75% in January to 27.50% by its last meeting in November 2024. The monetary policy direction in 2024 was largely premised on taming inflation and attracting foreign capital into the economy.

The Federal Government also removed import tariffs on selected food items as a response to the protest that broke out in the latter half of the year as Nigerians took to the streets to protest the cost-of-living crisis.

Chart 8: Inflation Vs MPR (%)



Source: Central Bank of Nigeria, EAG Research

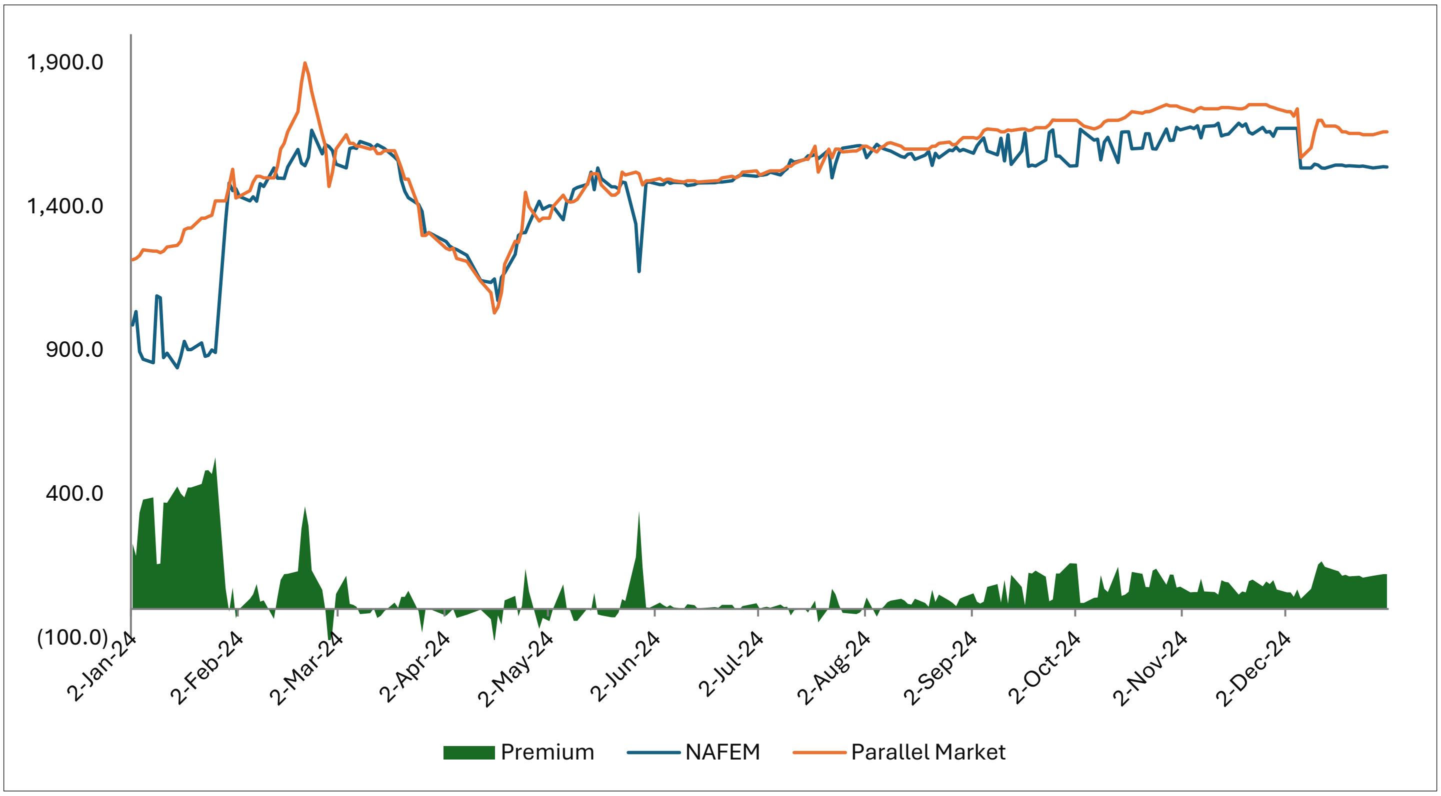
The tariff waiver was aimed at reducing inflationary pressures from imports and easing the financial strain on households. However, despite this aggressive stance, inflationary pressures persisted, underscoring the enduring structural challenges within the economy and the need for broader, coordinated policy interventions.

Exchange Rate

The foreign exchange (FX) market experienced volatility in 2024, especially during the first quarter as the continued shortages for FX amidst rising demand continued to amplify market fluctuations. However, the situation gradually improved in the second quarter of 2024, as targeted policy measures by the central bank began to stabilize the market. Increased capital inflows into the FX market which buoyed the FX reserves, reform of the Bureau de Change (BDC) operators, the coordinated sales of FX to BDC operators by the CBN, the i introduction of the Dutch auction system in Q3, and the introduction of the Electronic Foreign Exchange Matching System (EFEMS) in December 2024 promoted stability in the market as these initiatives collectively enhanced liquidity, improved market transparency, and curbed speculative activities in the foreign exchange market.

Furthermore, the CBN's restrictive monetary policy, characterized by elevated interest rates, attracted significant inflows especially from foreign portfolio investments (FPIs), providing additional support to the naira. The naira therefore closed the year 2024 at 1,538.25/1USD on the NAFEM window and 1,660/1USD on the parallel market. This indicates a depreciation of -41.0% at the NAFEX window and 26.8% in the parallel market. The reforms adopted by the CBN not only help manage volatility in the FX market, but it also promoted greater efficiency and promoted confidence in the system.

Chart 9: Exchange rate (NGN)



Source: Central Bank of Nigeria, EAG Research

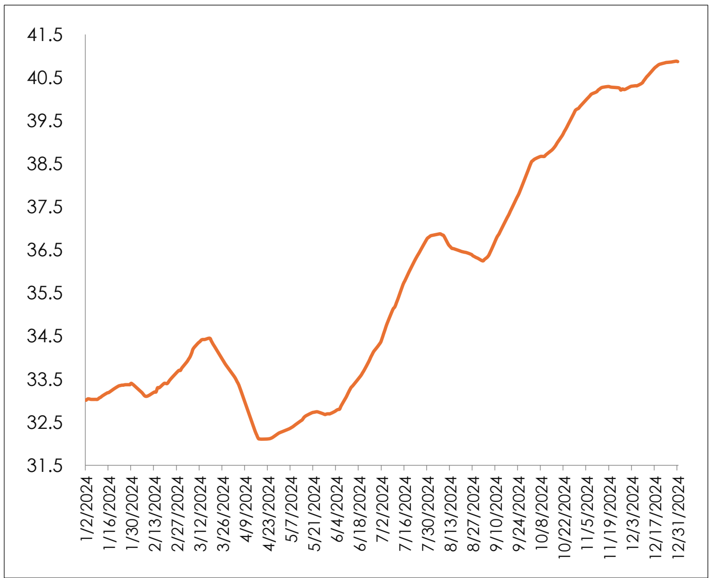
Premium: The difference between the official (NAFEM) and the parallel market rate.

Foreign Reserves

External reserves increased by 23.8% from $33.01bn recorded in January to close at $40.87bn at end December 2024. The increase in FX reserves can be attributed to improved diaspora remittances via International Money Transfer Operators (IMTOs), multilateral loans from institutions like the World Bank and Afrexim Bank, and debt issuances, including a $500 million domestic dollar bond and a $2.2 billion Eurobond. By year-end, reserves provided 8.7 months of import cover, significantly above the international benchmark of three months.

Oil, a key driver of Nigeria's foreign exchange earnings, experienced price volatility in 2024 due to geopolitical tensions in the Middle East, subdued demand from major importers like China, the Russia-Ukraine conflict, and OPEC+ decisions. While Nigeria saw notable improvements in oil production, output remained below OPEC's quota of 1.5mbpd and the fiscal budget benchmark of 1.7mbpd. According to NUPRC data, oil production averaged 1.3mbpd (excluding condensates) for the year. Despite these challenges, the Federal Government has set an ambitious target of 2.06mbpd for 2025.

Chart 10: Gross External Reserves ($Bn)

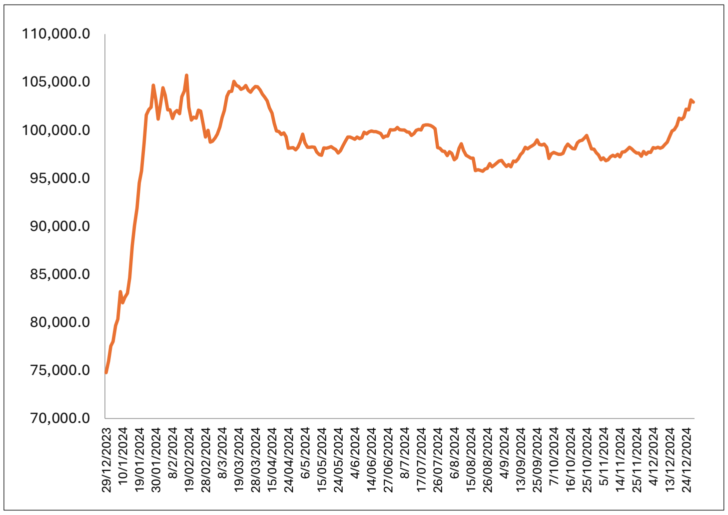


Source: Central Bank of Nigeria, EAG Research

The Nigerian Stock Market

The Nigerian stock market commenced 2024 on a strong note, with a rapid bull run in January as the market gained 35.3%, propelling the NGXASI past the historic 100,000-point threshold for the first time. This remarkable rally fueled by positive investor sentiment and optimism lingering from 2023. However, sustaining this momentum proved challenging as the year progressed, as investor sentiment waned following the announcement of the banking sector recapitalization, high yields from the fixed income market, weaker-than-expected corporate earnings due to adverse macroeconomic conditions on company performances. Also, the challenging macroeconomic environment led to a flurry of exits, with the likes of GlaxoSmithKline, Flour Mills, and others delisted from the market. In Major Clean-up, the NGX also delisted 14 Companies for Non-compliance with post listing requirements as well.

Chart 11: NGX-ASI Performance Trend

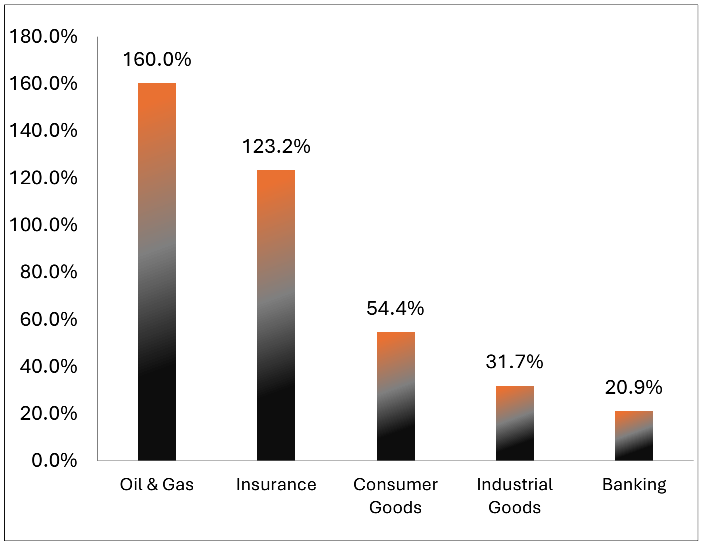


Source: Central Bank of Nigeria, EAG Research

Despite this, the market remained resilient, supported by notable corporate actions and increased participation from both domestic and foreign investors.

The NGX All-Share Index (NGXASI) closed 2024 in positive territory, recording a year-to-date (YTD) gain of 37.7%, albeit lower than the 45.9% growth achieved in 2023. All sectoral indices ended the year on a strong note, with the Oil and Gas sector leading the performance charts for the second consecutive year, surging by an impressive 160.0% following positive corporate actions by industry players. The Insurance sector followed with a remarkable gain of 123.2%, while Consumer Goods, Industrial Goods, and Banking sectors posted returns of 54.4%, 31.7%, and 20.9%, respectively. Market capitalization also rose to NGN62.6trn compared to NGN40.9trn in 2023FY.

Chart 12: NGX Sectorial Indices Performance (%)



Source: NGX, EAG Research

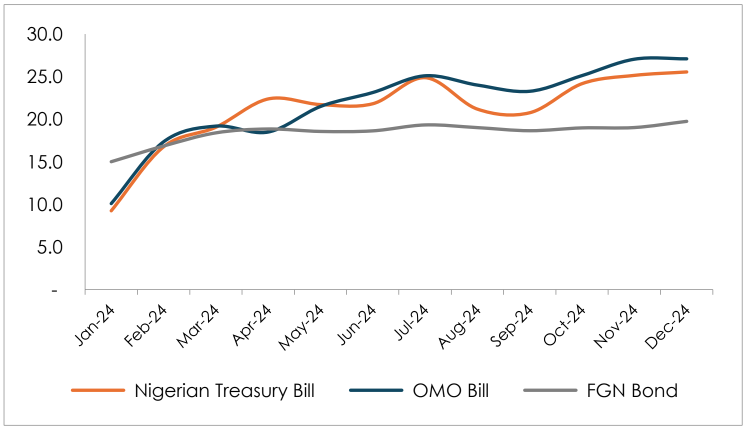
The market recorded over ₦8.1trn worth of shares traded during the year and new listings also providing a boost to market activities. ARADEL Holdings Plc debuted with shares valued at ₦3.05trn, followed by Transcorp Power Plc, which listed ₦1.8trn worth of shares by introduction, and Haldane McCall, which added 3.12bn ordinary shares to the exchange. The market saw increased activity as several companies, particularly within the financial services sector, leveraged the capital market to raise fresh funds.

The Fixed Income Market

The Nigerian fixed-income market witnessed sustained growth in activity in 2024, buoyed by the continued need to finance a widening budget deficit and reforms aimed at economic stabilization. The federal government approved a record budget of N28.78trn ($18.62bn) for 2024, with projected revenues of N19.6trn ($12.68bn), resulting in a significant deficit of N9.18trn ($5.94bn) which was expected to be financed by new borrowings totaling c.N7.80trn ($5.04bn). At the primary market for FGN Bonds in 2024, the DMO raised N5.38trn ($3.48bn) worth of instruments through its issuances. As a result, FGN Bond sales accounted for 88.24% of estimated domestic debt borrowing pegged at N6.10trn ($3.94bn).

System liquidity remained robust for much of the year, as reflected in heightened investor interest across key instruments. Nigerian Treasury Bills (NTB) auctions experienced a 47.12% increase in subscriptions, reaching a total of N34.59trn. The CBN, in a bid to address the challenges of excess liquidity and persistent inflationary pressures, maintained its active stance on liquidity management. This was achieved through the issuance of Open Market Operation (OMO) bills amounting to N13.50trn ($8.73bn) in 2024. Yields in the secondary market across fixed-income instruments reflected the prevailing tight monetary conditions. The average yield on FGN bonds rose by +562bps to close the year at 19.75%, while Nigerian Treasury Bill and OMO Bill yields increased by +1926bps and +158bps, closing at 25.55% and 27.09%, respectively.
The fixed-income market in 2024 continued to offer opportunities for institutional and retail investors, particularly considering elevated interest rates and heightened government borrowing needs.

Chart 13 Secondary Market: Average Yield Trend (%)



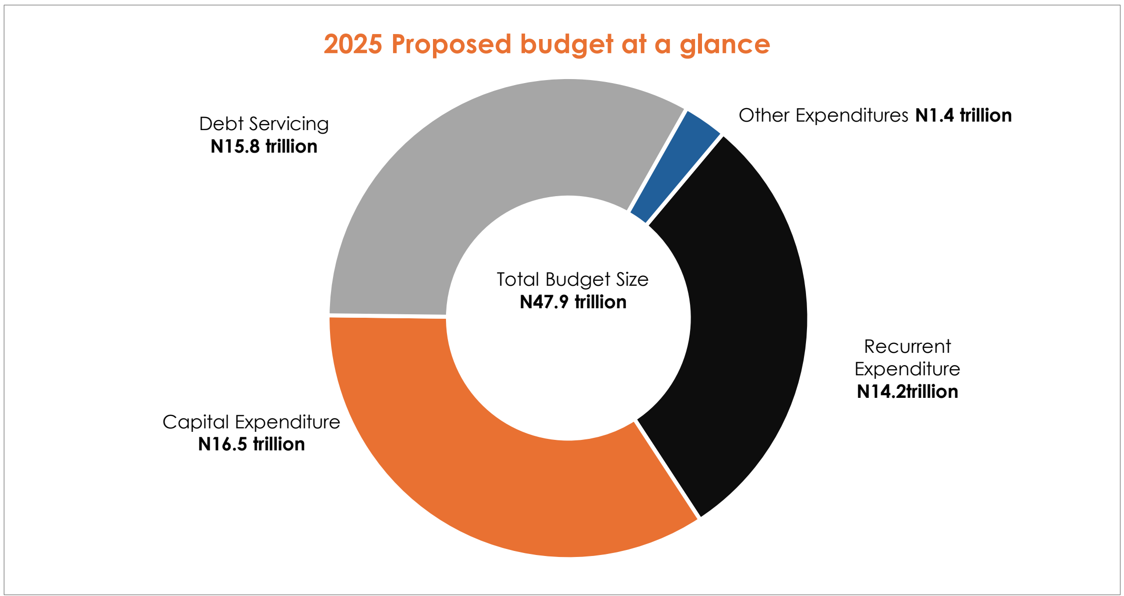
Source: FMDQ, EAG research

performance charts for the second debt servicing of N16.33trn (, capital expenditure (N14.85trn), and statutory transfers (N4.44trn). Revenue is projected at N36.35trn, comprising projected oil revenue of N27.48trn, FGN independent revenue (N3.46trn), and other sources. The deficit of N13.39trn is expected to be financed through debt (N9.2trn), asset sales and privatization (N312.33bn), and project-tied loans (N3.79trn).

The assumption for the budget includes an oil benchmark of $80/b, oil production level projected at 2.06mbpd, an Exchange rate estimated at N1500/$, and inflation expected to significantly decline to 15% from 34.6% recorded in 2024.

In our view, achieving the proposed revenue target of N36.35trn in 2025 would require deliberate efforts towards tackling challenges in the oil sector. Based on data from the Nigerian Upstream Regulatory Commission (NUPRC), average oil production in 2024 stood at 1.55mbpd, below the benchmark of 1.78mbpd previously projected for the 2024 budget. We also expect the FGN to increase its tax mobilization initiatives through the proposed tax reform bills and further enhance independent revenue generation and collection efforts, especially from Government Owned Enterprises (GOEs).

Assumptions	2025 Proposed Budget	2024 Budget	Percentage change (%)
Benchmark oil price (USD/b)	80.00	77.96	2.62
Oil production (mbpd)	2.06	1.78	15.73
Exchange rate (N/$)	1500	800	87.50
Target inflation (%)	15.00	21.4	-29.91



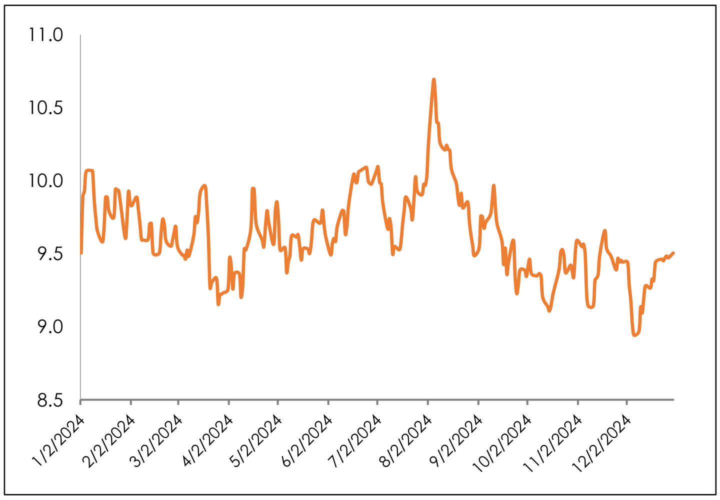
***Source**: Budget Office of the Federation, EAG Research*

The Fixed Income Market

In 2024, the Eurobond market in Nigeria continued to show positive trends, driven by renewed investor confidence and ongoing economic reforms. The government's successful issuance of Eurobonds was oversubscribed by 413%, raising $9.1bn, significantly surpassing the initial target of $2.2bn. This oversubscription was a strong signal of investor optimism about Nigeria's economic recovery1.

Despite concerns about low external reserves and currency depreciation, the government took proactive steps to maintain investor confidence. These measures included the successful redemption of its $1bn Eurobond that matured in September 2024. Average yields on Nigeria's Eurobonds increased marginally by +6bps to close at 9.68% at the end of 2024, reflecting the positive sentiment among investors.

Chart 14: Eurobond Average yield (%)



Source: Debt Management Office (DMO), EAG research

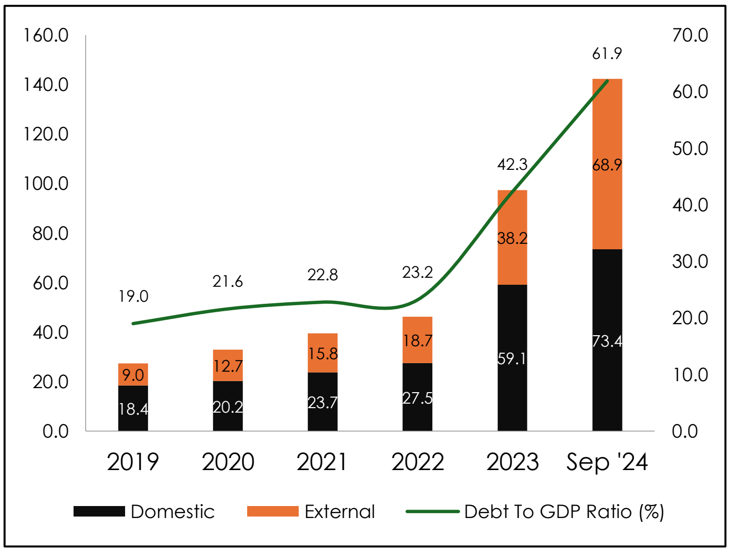
Public debt

According to the Debt Management Office (DMO), Nigeria's total public debt rose by 61.88% YoY to N142.31trn ($92.12bn) at the end of September 2024 from N87.91trn ($56.43bn) as of September 2023. Domestic debt stock increased by 31.28% to N73.43trn ($47.53) at the end of September 2024 compared with N55.93trn ($36.20bn) recorded in the corresponding period of the previous year.

External debt stock also increased by 115.38% to close at N68.88trn ($44.58bn) in September 2024 from N31.98trn ($20.70bn) recorded in September 2023.

The widening fiscal deficit, the naira depreciation, the Increased borrowings through the central bank, and the ways and means of securitization drove the increase in total debt. Public debt was equivalent to 61.90% of nominal GDP as of September '24, exceeding the DMO self-imposed debt ceiling of 40% and the IMF's 60% benchmark for emerging economies. Turning to debt servicing, the FGN spent N3.58trn ($2.3bn) on debt servicing; N1.43trn ($925.66m) on domestic and N2.15trn {$1.39bn} for external debt as of the end of September 2024. Furthermore, the Projected debt service at 16.33trn for 2025 (N9.27trn which would largely be from debt financing) indicates that the FGN intends to utilize the domestic/foreign debt market to plug the deficit.

Chart 15: Public Debt (N'trillion)



Source: Debt Management Office (DMO), EAG research

Fiscal Policy

Proposed 2025 budget in focus

The budget for the 2025 fiscal year is projected with an aggregate expenditure of N49.74trn ($32.19bn), 72.7% higher than the 2024 budget of N28.8trn ($18.64). The proposed expenditure comprises recurrent non-debt spending of N14.12trn ($9.14bn),

Outlook

The Nigerian economy is expected to remain resilient in 2025. The international monetary Fund (IMF) projects growth to improve from 2.9% in 2024 to 3.2% in 2025 and this 0.2% upward revision was on the back of macroeconomic and fiscal reforms gradually yielding results.

The non-oil sector is expected to remain a key growth driver, supported by improved macroeconomic conditions, projected exchange rate stability and relief from fiscal reforms such as tax and import tariffs waivers. The oil sector also holds much promise as the efforts of the government to curb theft and vandalism in the sector continue to yield results. The commencement of operations at the Dangote, Warri, and Port Harcourt refineries is also set to boost refining capacity and output. Furthermore, the GDP rebasing exercise will better capture all sectors, and is expected to provide a more accurate representation of the economy.

Inflation is projected to remain elevated though its intensity is expected to be minimal compared to 2024, and this is on the back of exchange rate stability, high base year effect, the rebasing of the CPI basket, and normalized PMS prices. However, the risk of upside persists as high energy costs, the weak naira, low agricultural output amongst other structural challenges persist. Hence, the Central Bank is likely to remain less restrictive in its policy stance although aggressive than 2024, focusing on inflation control and naira stability. Also, the introduction of the Foreign Exchange Matching System (EFEM) is expected to improve transparency, curb speculation, and improve stability in the FX market. External reserves, which will be supported by higher oil revenues, remittances, and bilateral funding, is expected to sustain its growth as well.

The Nigerian capital market is expected to sustain its growth momentum in the year ahead buoyed by positive investor sentiment and increased participation from both domestic and foreign investors. Improvements in macroeconomic conditions are expected to drive better company performance, corporate actions and improve the overall performance of the bourse. We also expect capital-raising activities to continue in the market, particularly from banks and insurance companies that are yet to meet regulatory requirements. The possibilities of the NNPC and Dangote refinery listing could also help enhance market depth. The fixed-income market will remain robust, with government borrowing needs driving increased issuance of bonds and bills, hence yields are expected to stay elevated, particularly in the first half of 2025, as the CBN prioritizes attracting foreign inflows and inflation control.

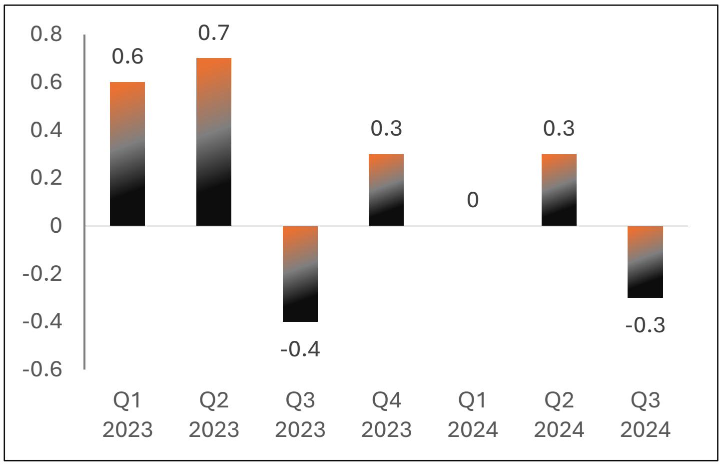
While challenges such as inflation, debt sustainability, and oil sector inefficiencies persist, 2025 offers opportunities for growth for Nigeria. We expect the government to continue to implement policies aimed at economic diversification, revenue improvement via an efficient tax system, infrastructure development, and so on, improving the standard of living and setting the stage for long-term economic recovery.

South Africa

Economic activity in South Africa stagnated at an average of 0% in the first three quarters of 2024, a decline from the 0.3% growth recorded during the corresponding period in 2023. The economy posted 0% growth in Q1 2024, expanded by 0.3% in Q2 2024, and contracted by 0.3% in Q3 2024.

The Absa Purchasing Managers' Index (PMI), a key indicator of business conditions, averaged 48.7 points in 2024, as Seven out of the twelve months recorded PMI values below the 50-point threshold that normally indicate expansion in economic activity. The persistent sluggishness in South Africa's economy can be attributed to structural challenges, including deteriorating infrastructure, logistical bottlenecks in transport and ports, and weak business confidence. However, 2024 has unfolded more positively than anticipated. Notably, the country has seen an end to power cuts, thanks to the deployment of private generation facilities and the restoration of several Eskom power stations which led to the

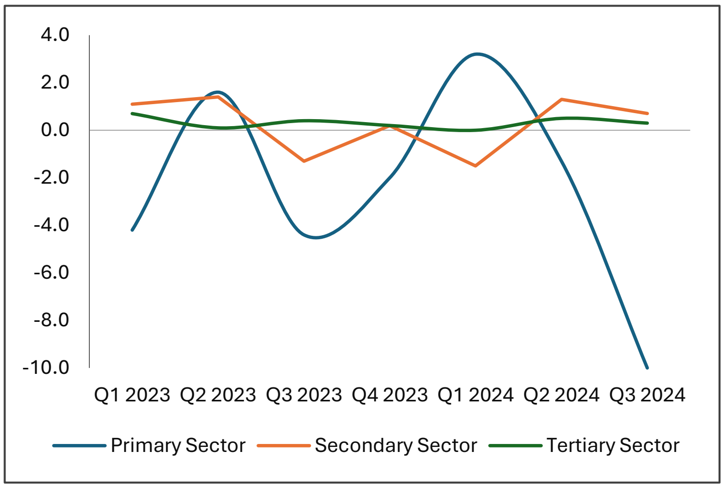
Chart 16: **Real GDP (%)**



Source: Statistics South Africa (SSA), EAG Research

suspension of load shedding since late March 2024. Also, the positive sentiment following the 2024 general elections has helped boost confidence in South Africa's economy.

Chart 17: Sector Growth (%)



Source: Statistics South Africa (SSA), EAG Research

The primary sector of South Africa, comprising agriculture and mining, contracted by an average of -2.7% in the first three quarters of 2024, a notable decline from the -2.3% recorded during the same period in 2022. The decline can be attributed to a significant decline in the output from the agricultural sector. The secondary sector, which includes manufacturing and construction, and the tertiary sector, encompassing services, both grew marginally, with averages of 0.2% and 0.3%, respectively. The sluggish growth across all sectors mirrors the weak economic activity in South Africa.

South Africa's Transition to a Government of National Unity (GNU).

For the first time since it came to power in 1994, the African National Congress (ANC) failed to secure an absolute majority in Parliament during the May 2024 general election, and instead of forming a coalition with a single party to maintain power, the ANC opted to establish a government of national unity. This government includes ten political parties and excludes populist groups.

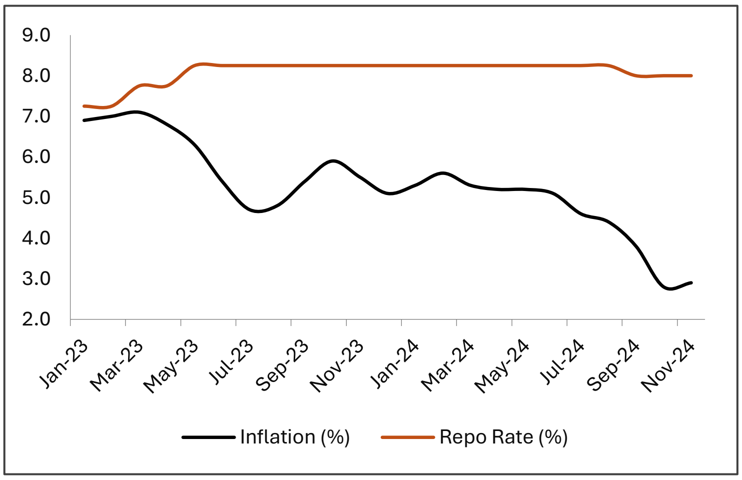
This significant shift in South Africa's political landscape can be attributed to the country's prolonged period of low economic growth, exacerbated by the economic impact of the COVID-19 pandemic, high inflation, and tighter monetary policies. Between 2013 and 2023, the economy grew at an average annual rate of only 1%, far below the population growth rate of 1.8%. Additional challenges include poor infrastructure in the power and transport sectors, persistently high unemployment, deep economic inequality, widespread corruption, inadequate public service delivery, and a high crime rate.

Despite these challenges, political risk in South Africa has decreased following the 2024 general election, as reflected in the decline of the sovereign risk premium on government bonds. However, uncertainties persist. The formation of a government of national unity without any party holding an absolute majority represents an unprecedented scenario for the country.

Inflation & Key Interest Rates

In 2024, South Africa's inflation rate showed a significant decline, reaching 2.9% by November, down from 5.1% in December 2023, the lowest level in over four years. Since June 2024, consumer price inflation has consistently remained within the 3-6% target range, and it eventually dipped below the lower end of the target in October 2024.

Chart 18: Real Return: Inflation Vs Repo Rate (%)



Source: South African Reserves Bank (SARB), EAG Research

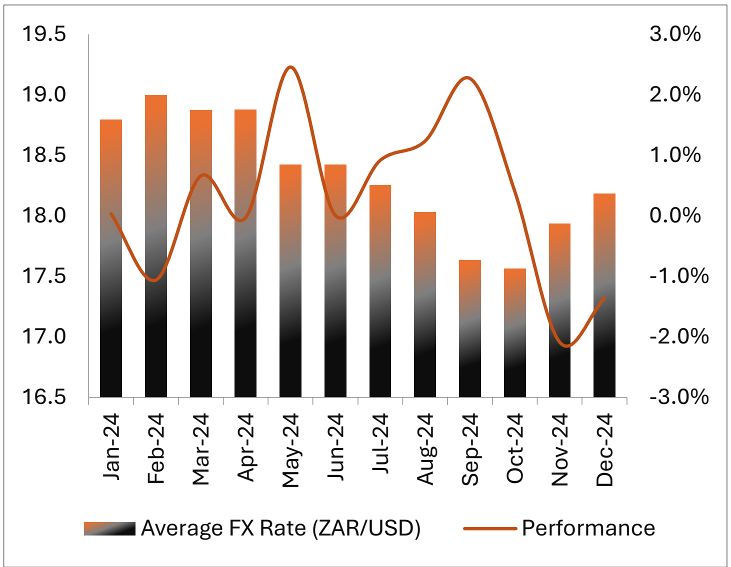
This drop can be largely attributed to a sharp reduction in goods price inflation, a more moderate slowdown in services price inflation, lower fuel prices, and the strengthening of the rand. These factors have collectively contributed to a more favorable inflationary environment.

In 2024, the Monetary Policy Committee (MPC) of the South African Reserve Bank took a more cautious approach to monetary policy. Mirroring the timing of the US Federal Reserve's actions, the MPC reduced the repo rate by 25 basis points in September 2024 and an additional 25 basis points in November 2024, bringing it down to 7.75% from a 15-year high of 8.25% at the start of the year. This decision was driven by lower inflation outcomes and a more favorable inflation outlook.

Foreign Exchange & Reserves

Overall, the rand has been among the best-performing emerging market currencies against the US dollar in 2024, appreciating by 3.0% in 2024. The rand appreciated to its strongest level against the dollar in almost two years in September 2024, although it has lost some of these gains as a result of the US dollar strengthening, post US elections.

Chart 19: Foreign exchange rate(USD/ZAR)

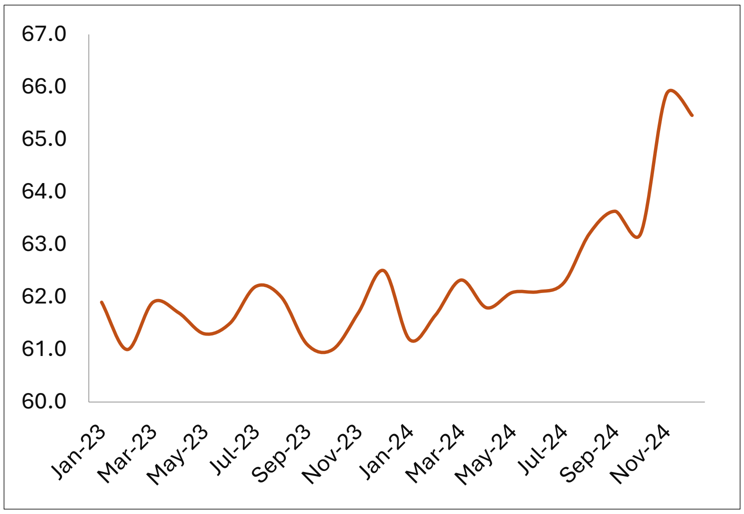


Source: South African Reserve Bank, EAG Research

While there are still some domestic factors inhibiting economic growth, the improvement in investor sentiment amid the continued suspension of electricity load-shedding and the timely formation of the government of national unity have contributed to the appreciation in the exchange value of the rand against the US dollar for most of 2024.

South Africa's gross international reserves increased by 4.7% in 2024, rising from $62.5 billion in 2023 to $65.5 billion by the end of the year. The reserves reached a record high of $65.9 billion in November 2024, driven by a sustained rise in the US dollar gold price, which outweighed foreign exchange payments.

Chart 20: Gross Foreign Reserves ($'bn)



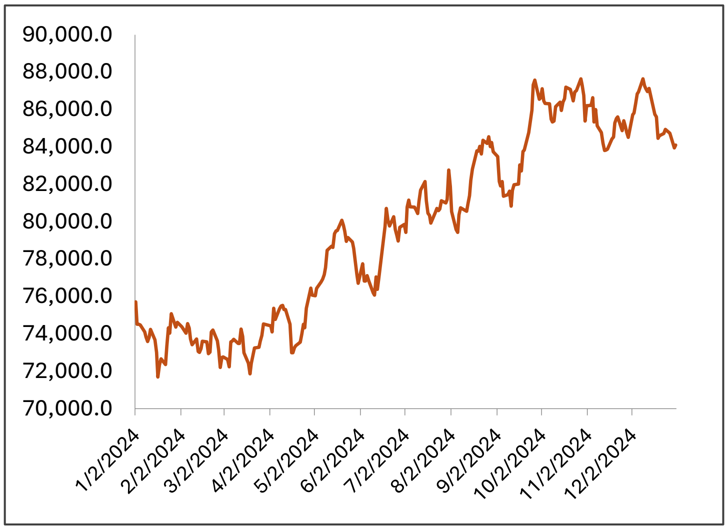
Source: South African Reserve Bank, EAG Research

The Nairobi Stock Market

The FTSE/JSE All Share Index grew by 9.4% in 2024, supported by positive momentum from South Africa's elections. The index experienced a 3.1% decline in the first quarter but rebounded with a 6.9% increase in the second quarter as investor confidence improved following the elections. This was followed by an 8.6% growth in the third quarter.

Key drivers of market performance in the second and third quarters included the anticipation and subsequent realization of policy easing in both the US and South Africa, as well as progress toward implementing market-friendly reforms under the newly formed Government of National Unity (GNU). However, sentiment weakened in the fourth quarter, resulting in a 2.8% decline, which tempered the year's overall gains.

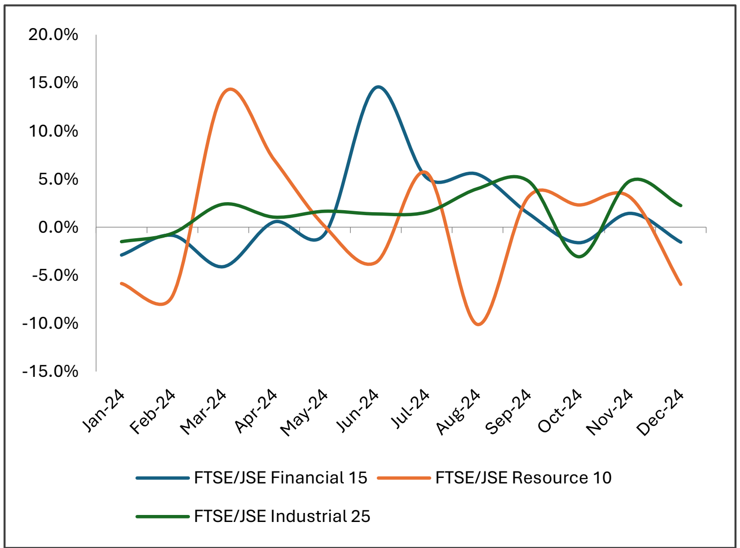
Chart 21: FTSE/JSE All Share Performance



Source: Investing.com, EAG Research

In 2024, the FTSE/JSE Financial 15 emerged as the best-performing sector index, recording a growth of 15.3%. This was followed by the FTSE/JSE Industrial 25, which posted a solid increase of 14.4%. In contrast, the FTSE/JSE Resource 10 underperformed, declining by 9.8% over the year.

Chart 22: Sector Index Performance Trend (%)



Source: Investing.com, EAG Research

Fixed Income Market

The yield on 10-year South African rand-denominated government bonds issued and traded in the domestic market declined considerably by 232 basis points to a recent low of 9.91% on 27 September 2024 following a high of 12.23% on 16 April. The decline in South African bond yields tracked international bond yields and was influenced by, among other factors, the appreciation in the exchange value of the rand, lower consumer price inflation, monetary policy easing and improved investor sentiment since the formation of the Government of National Unity (GNU). Subsequently, the 10-year South African government bond yield increased by 73 basis points to 10.64% on 23 October, along with the depreciation in the exchange value of the rand and higher international bond yields. Thereafter, the yield moved lower to 10.06% on 29 November.

Chart 23: South African 10-year Bond Yield (%)

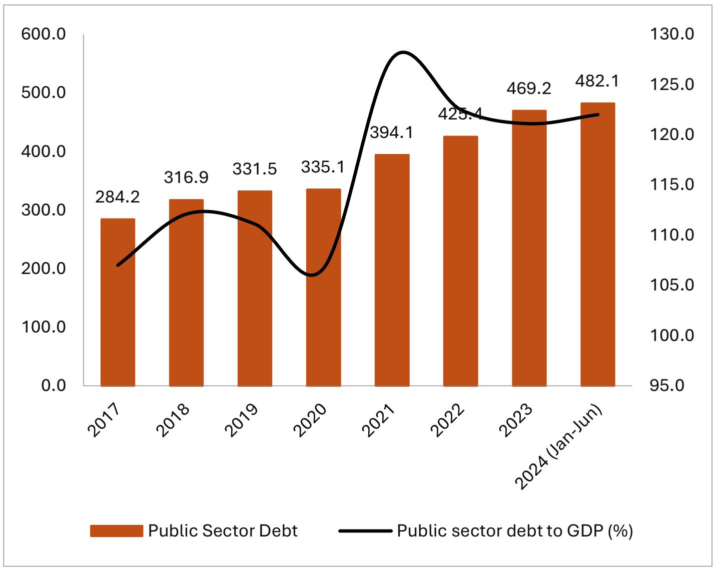
Source: Investing.com, EAG Research

Public Debt

South Africa's debt pressure increased in 2024, with total public sector debt (both foreign and domestic) rising to $482 billion, or 122% of GDP, as of June 2024. This represents an increase of $12.9 billion compared to the previous year. While this increase raises concerns, the sustainability of public debt is not yet a major issue, at least in the short term.

However, state-owned companies continue to strain public finances. Eskom, in particular, received R76 billion (US$'4.2 billion) in debt relief support from the government in the 2024 financial year to help meet its obligations.
The easing of the benchmark interest rate will help reduce borrowing costs for the government, and South Africa is also expected to benefit from a recent drop in the sovereign risk premium, driven by the formation of the Government of National Unity (GNU).

Chart 24: Total Public Sector Debt ($'bn)



Source: South African Reserves Bank, EAG Research

Outlook

South Africa's economy is projected to improve gradually in 2025 as the Government of National Unity (GNU) continues to implement structural reforms, particularly in the energy and logistics sectors. Operation Vulindlela (OV), launched in 2020, has played a key role in addressing supply-side constraints. While progress has been slow, the initiative's first phase, focused on energy, rail, water, and telecommunications, has already attracted over R390 billion (US$21.4 billion) in energy sector investments.

The IMF forecasts a growth rate of 1.5% for 2025, up from 1.1% in 2024, supported by recovering domestic demand, improved electricity supply (with no load-shedding since March 2024), and lower interest rates. However, unemployment remains a significant concern, though ongoing reforms are expected to create additional economic opportunities.

Reforms in the energy sector and initiatives to attract private investment through Public-Private Partnerships (PPPs) are expected to drive economic growth. The government has also amended PPP regulations to streamline processes and attract more private capital for public projects. Innovative financing mechanisms, such as asset-backed securities, are being explored to address long-term infrastructure funding needs.
Inflation is forecast to remain slightly above the South African Reserve Bank's target range of 3-6%, settling at 4%, with risks stemming from food, electricity, water costs, and wage pressures. In response, the Reserve Bank is expected to adopt a more accommodative policy stance in 2025, potentially implementing further interest rate cuts to support economic growth.

South African equities are poised to benefit from renewed investor optimism as the government advances reforms in critical sectors. The Johannesburg Stock Exchange (JSE) is expected to offer broad-based opportunities, with share prices likely to align with improved earnings, particularly in the banking sector. In the fixed income market, yields are projected to decline due to improved fiscal metrics, including higher corporate tax revenues, reduced Eskom bailout risks, and a lower probability of sovereign debt default.

These combined reform efforts, coupled with post-election confidence and progress in key sectors, contribute to a more optimistic economic outlook for South Africa in 2025.

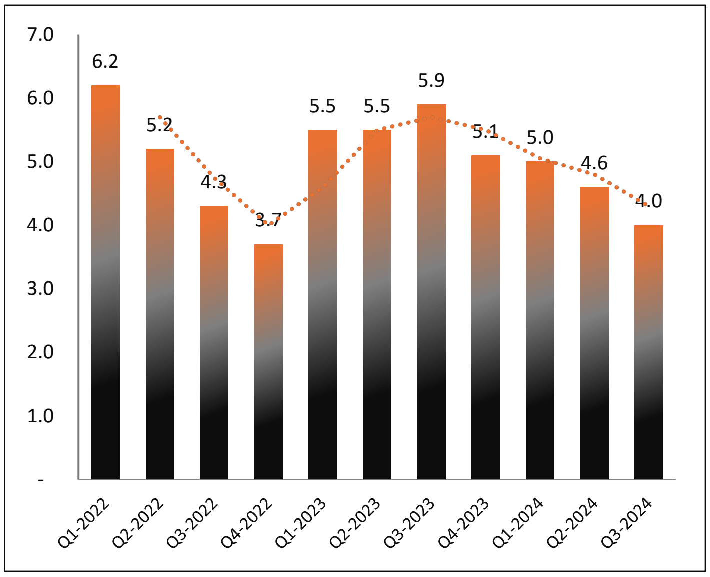
Kenya

Kenya's economy grew by an average of 4.5% in the first nine months of 2024, a slowdown from the 5.6% growth during the same period in 2023. This decline in growth was driven by a combination of policy adjustments, external shocks, and political instability. While certain sectors demonstrated resilience, the overall growth momentum was constrained and sectors like Construction and mining recorded contractions.

High interest rates, alongside fiscal consolidation measures aimed at stabilizing the economy, dampened investment and private consumption. Business confidence weakened as concerns over governance, rising costs, and growing uncertainty led to instability. Public protests over proposed tax hikes further disrupted economic activities, exacerbating dissatisfaction with governance and contributing to a volatile operating environment. Despite the government eventually cancelling the proposed tax increase, the instability continued to stain economic activities. Severe flooding during the period also negatively impacted agriculture and households, compounding existing challenges.

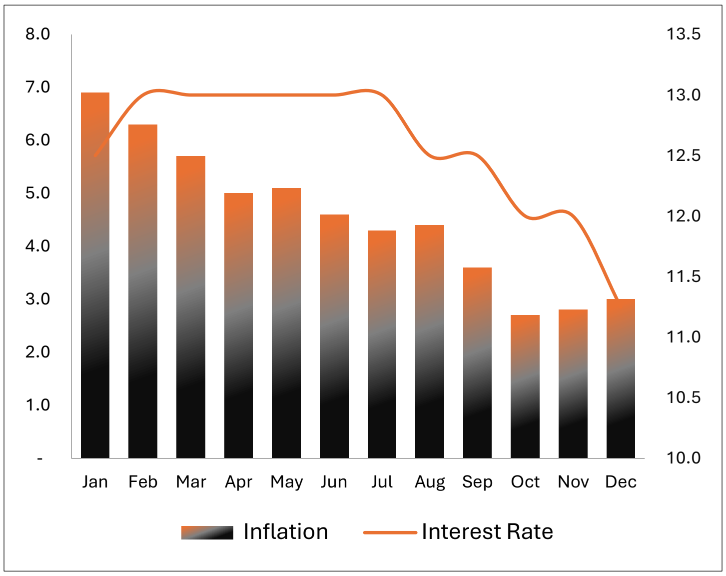
However, despite these headwinds, the economy posted growth. Agriculture, the largest contributor to economic growth, grew by 5.0% in the nine months of 2024, a moderation from the 6.8% recorded in the prior year, as flooding hindered production. Nevertheless, gains in sugarcane, milk, and fruit exports provided support. Manufacturing (2.3%), financial services (5.1%), and ICT (7.5%) were also key drivers of growth. The industrial sector, on the other hand, faced significant pressures, with construction shrinking by an average of -1.6% and mining and quarrying contracting by -8.8% due to elevated borrowing costs.

Chart 25: Real GDP Growth (%)



Source: Kenya National Bureau of Statistics, EAG research.

Chart 26: Inflation Vs Interest rates (%)



Source: Central Bank of Kenya, EAG research.

Inflation and Monetary Policy

According to the Kenya's National Bureau of Statistics, annual inflation rate showed a declining trend in 2024, averaging 4.5%, from 7.7% in 2023. Year on year, inflation fell from 6.6% in December 2023 to 3.0% in December 2024, moving closer to the lower end of the central bank's target range of 2.5% - 7.5%. The decline was primarily driven by reduced food inflation, the largest component of the inflation basket, and a drop in fuel inflation. Food inflation eased to 4.8% in December 2024, down from 7.7% in December 2023, attributed to improved weather conditions enhancing food supply.

Fuel inflation also declined from 8.3% in Dec 2023 to -0.2% in December 2024, following a reduction in pump prices by the Energy and Petroleum Regulatory Authority (EPRA). As a result, monetary policy decisions were less restrictive compared to 2023. The Central bank of Kenya cut rates by 125bps during the year compared to the 375bps rate hike implemented in 2023. In its final meeting for 2024, Kenya's central bank cut its benchmark lending rate by 75bps to 11.25% stating that there was room for looser policy to support economic growth; supported by stable inflation and exchange rate stability.

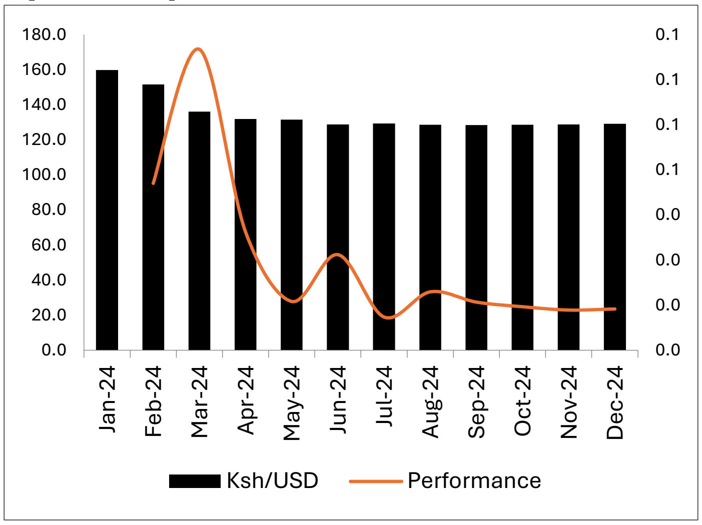
Foreign Exchange and External Reserves

The Kenyan shilling made a remarkable recovery in 2024, following 4 years of consecutive depreciation against the US dollar. The currency rebounded significantly by 28.6% after declining by -21.3% in 2023FY. The consecutive declines were due to issues of capital flight by international investors and reduced FX inflows from exports amid high demand for the dollar given that the economy is import dependent.

The turnaround which started around February 2024, was driven by positive investor sentiment stemming from the successful settlement of the $2billion Eurobond buyback in February 2024. This was further supported by the Kenyan central bank's dovish stance in response to declining inflation and, the implementation of policies by the CBK (Central bank of Kenya) aimed at stabilizing the Shilling. By year-end, the Kenyan Shilling closed at Ksh128.9/$, a significant improvement from Ksh157.4/$ recorded at the beginning of the year.

This development offers much-needed relief to businesses previously burdened by import challenges and high foreign exchange costs.

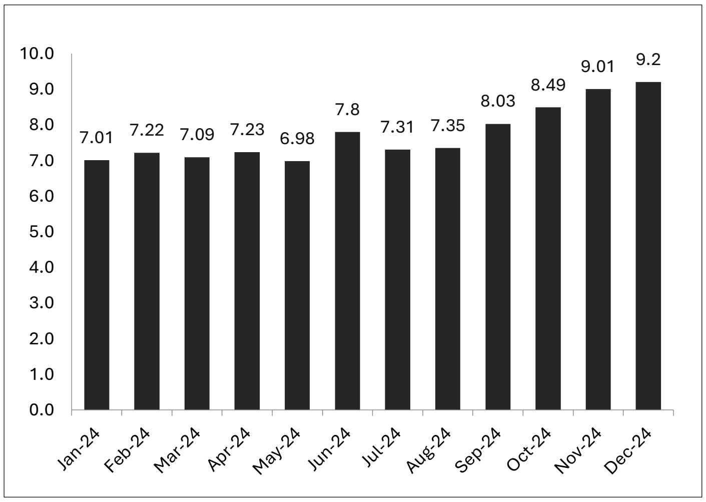
Chart 27: Foreign Exchange Performance (KSH/USD)



Source: Central Bank of Kenya, EAG research.

Kenya's foreign exchange reserves experienced significant growth in 2024, ending the year at a three-year high of $9.2billion, well above the central bank's minimum threshold of four months of import coverage. This marked a 31.2% increase from $7.0 billion recorded at the start of the year. According to the Central Bank of Kenya (CBK), the robust growth in reserves was driven by the regulator's strategic acquisition of surplus dollars in the FX market, increased remittances and inflows into the economy, stronger export revenues, and funding disbursements from the International Monetary Fund (IMF). In November, the IMF disbursed KSh78.4billion ($606.1 million) under a structural reform program to support the Kenyan economy.

Chart 28: Foreign Exchange Reserves (USD'Bn)



Source: Central Bank of Kenya, EAG research.

Kenya's stable currency, improved capital inflows and growing foreign exchange reserves underscore the CBK's sustained efforts at managing economic activities and maintain confidence in the country's economic stability.

The Nairobi Stock Exchange

The Nairobi Stock Exchange All Share index (ASI) delivered an impressive recovery in 2024, rebounding from its position as the second-worst performing stock market in Africa in 2023. The Index surged by 34.3%, marking its best return since 2013. This strong performance was underpinned by gains across all sectoral indices, driven by renewed investor confidence, as market resilience and positive momentum encouraged reduced exits from the market.

The equities market recorded increased activity, with Ksh3.2billion ($24.9 million) worth of shares traded over the first 9 months of the year, a notable improvement from the Ksh2.9 billion ($22.6 million) registered in the previous year. This performance was fueled by positive corporate earnings, favorable government policies aimed at attracting foreign investment, improved macroeconomic fundamentals, enhanced market liquidity for foreign investors, and robust capital allocation especially in the financial services, telecommunications, and manufacturing sectors.

Chart 29: NSE-ASI Performance Trend

Source: Nairobi Stock Exchange, EAG research.

The energy and petroleum sector led the fold in capital gains, buoyed by significant price appreciation in Kenya Power and KenGen stocks. The banking, construction, telecommunications and other sectors also demonstrated resilience as well. Safaricom, Kenya's telecommunications leader, remained the most capitalized stock on the exchange, driving positive performance, followed by Equity Group Holdings.

Foreign investor participation in the first nine months of 2024 averaged 55.2%, a significant increase of 8.87 percentage points from the 44.35% average recorded in the corresponding period of 2023 further underscoring the improvement in the confidence of investors in the Kenyan capital market. Market Capitalization hence saw significant growth of 64.1% to close the year at $14.98billion from $9.13billion in 2023.

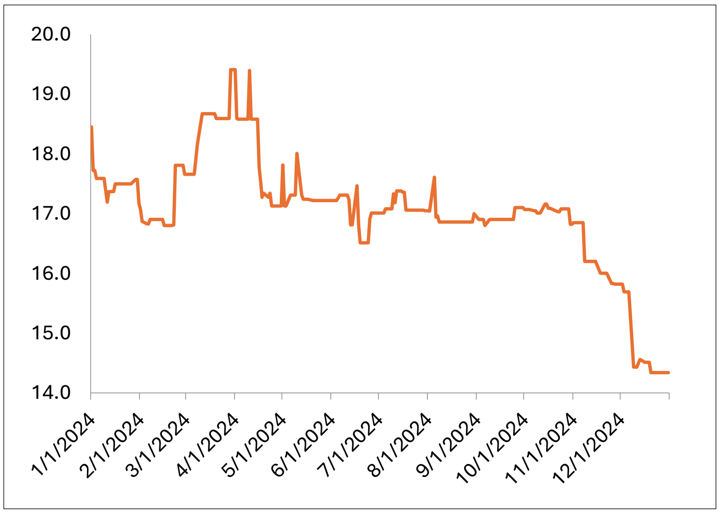
The Fixed Income Market

The fixed-income market in 2024 witnessed heightened activity, with bond trading gaining significant momentum. Bond transaction volumes soared by 132% in the first nine months, reaching KES 1,173 billion ($9.1 billion) compared to KES 506 billion ($3.9 billion) in the same period of 2023. This exceptional growth was fueled by oversubscriptions in treasury bill auctions and increased turnover in the Infrastructure Bond (IFB) segment, reflecting a positive market outlook. Also, the total number of bond deals rose by 10.8% to 23,489 transactions during the same period.

In February, the Kenyan government returned to the international bond market for the 1st time since 2021 to raise cash and buy back a 10-year Eurobond of $2 billion. The $1.5 billion bond, which will mature in 2031, was oversubscribed four times as the issuance defied expectations that the government would finance the planned buyback using foreign exchange reserves or loans from multilateral lenders. This fueled optimism in the market and caused the Shilling to appreciate. Investors were particularly drawn to Kenyan bonds due to the favorable interest rate environment. However, there was a noticeable preference for shorter-tenor instruments as investors sought to minimize duration risk.

However, despite the favorable yield environment, government bond yields declined during the period. The yield on a 10-year bond, for instance, dropped by 22.3% year-on-year to 14.3% on Dec 31st from 18.5% at the beginning of the year and this was due to the downward trend of policy rates. The improved macroeconomic environment marked by easing inflationary pressures, currency appreciation, and improved liquidity conditions contributed to driving down yields.

Chart 30: Kenya's10-Year Bond Yield (%)



Source: Central Bank of Kenya, EAG research

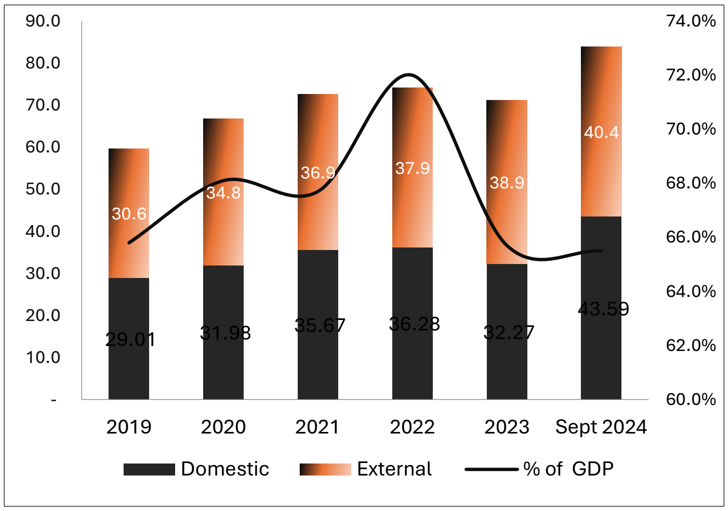
Public Debt

Kenya's public debt reached a historic high of Ksh10.9trillion ($85.97 billion) in September 2024, marking a 1.9% increase from Ksh10.5 trillion ($82.4 billion) recorded in September 2023. This rise was primarily driven by a 13.9% growth in domestic debt, while external debt declined by 8.5% year-on-year and this was due to the repayment of the $2.0billion Eurobond in February 2024.

Persistent fiscal deficits have continued to fuel the country's rising debt levels. For the first time, domestic debt accounted for 51.9% of the total debt, surpassing external debt at 48.1% and this surge in domestic debt is attributed to the increased issuance of Treasury bonds, which comprised 85.23% of total domestic debt by the end of 2023.

Kenya's debt-to-GDP ratio was estimated at 65.5% in June indicating a 15.5% increase from the International Monetary Fund's (IMF) threshold of 50.0% for developing economies and this has raised concerns about the impact of these elevated debt levels on macroeconomic stability. These concerns have seen credit rating agencies such as Fitch, Moody's and S&P Global maintaining Kenya's credit outlook at negative, resulting in higher borrowing costs in the international market. While the government has made efforts to improve debt sustainability, the persistent challenges in managing fiscal deficits and balancing domestic and external borrowing to support economic growth continue to weigh on economic activities.

Chart 31: Kenya's10-Year Bond Yield (%)



Source: Central Bank of Kenya, EAG research

Outlook

Kenya's economy is poised for more growth in 2025, albeit at a slower pace, with the services sector expected to remain the primary driver of this performance. The aftermath of the anti-tax riots, which led to the rejection of the Finance Bill, is anticipated to continue to weigh on economic activities. In light of this, the International Monetary Fund (IMF) revised Kenya's growth forecast for 2025 to 5%, down from an earlier projection of 5.3%. This adjustment highlights subdued investor confidence, weather-related shocks, and reduced public investment due to fiscal consolidation measures.

Despite these challenges, Kenya's growth outlook remains relatively strong, exceeding the sub-Saharan Africa average of 3%, and global average of 3.3%. Macroeconomic indicators showed improvements in 2024, including inflation, interest rates, and exchange rates and this resilience is expected to continue to drive steady economic growth in 2025 barring any significant policy or macroeconomic shocks. Inflation is expected to continue to decline, and this is on the back of reduced pressure from food and fuel inflation. The CBK also stated that there is more room for accommodated policies, hence monetary policy is expected to be accommodative due to expectation of stable inflation and exchange rates

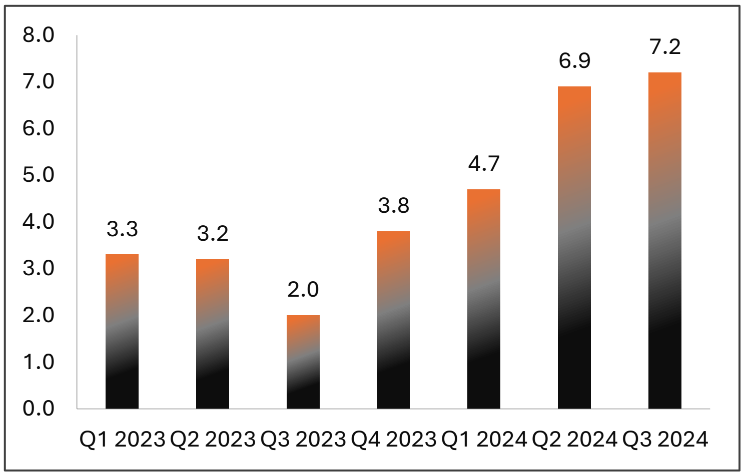
The capital market is expected to sustain its positive momentum in 2025, buoyed by improved liquidity and investor confidence in the market and improved company performances and results. In the fixed-income market, robust activity is expected as well as investors capitalize on attractive yields. We expect demand to remain concentrated on short-tenor instruments, reflecting improved macroeconomic stability and a reduced likelihood of the Central Bank of Kenya (CBK) adopting a tighter monetary policy stance in 2025.

Ghana

Ghana has made commendable progress in addressing the significant macroeconomic imbalances that surfaced in 2022. The country's economic trajectory has shown marked improvement, boosted by deliberate measures to restore fiscal and debt sustainability, stabilize inflation, and strengthen financial systems.

According to data from the Ghana Statistical Service (GSS), the economy expanded at an average rate of 6.3% over the first three quarters of 2024, a substantial rebound from the 2.6% growth recorded during the same period in 2023. This robust performance was driven by sustained quarterly expansions, with GDP growing by 4.8% in the first quarter, 7.0% in the second quarter, and an exceptional 7.2% in the third quarter. Notably, the third-quarter growth rate represents the highest quarterly GDP growth achieved in the past five years, signaling a strong recovery and renewed economic momentum

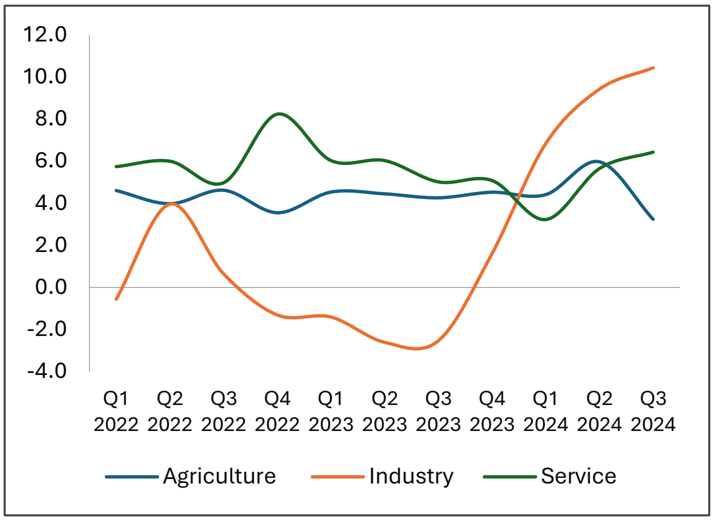
Chart 32: Year-on-Year Real GDP Growth (%)



Source: Ghana Statistical Service (GSS), EAG Research

The resilience of Ghana's economy has also been reflected in the performance of its private sector, as indicated by the Purchasers' Manager Index (PMI). The PMI, which measures private sector activity, remained in the expansion zone (above 50%) for ten consecutive months in 2024, highlighting sustained economic recovery and confidence.

Chart 33: Sectorial GDP Growth Rate (%)



Source: Ghana Statistical Service (GSS), EAG Research

Sectoral GDP growth further supported Ghana's economic performance in 2024. The most significant expansion was recorded in the industrial sector, which grew by an average of 8.9% during the first three quarters of 2024, a remarkable turnaround from the contraction of -2.2% during the same period in 2023. This growth was primarily driven by rapid expansions in the mining and quarrying, construction, and oil and gas subsectors.

The services sector also contributed positively, growing at an average rate of 5.1% in 2024, although slightly below the 5.7% growth recorded in 2023, with strong performances in information and communication as well as financial and insurance activities. Meanwhile, the agricultural sector recorded steady growth, averaging 4.5% in 2024 compared to 4.4% in 2023, supported by continued expansion in the crop and livestock subsectors.

Elections outcome

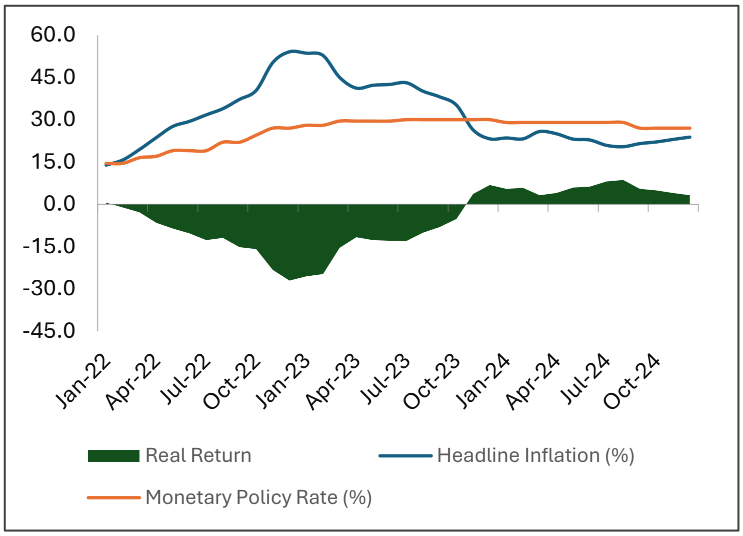
President John Mahama, in the fashion of an impressive comeback kid, led his party, the National Democratic Congress (NDC) to victory with the biggest margin of victory ever in Ghana's electoral process in 24 years. President John Dramani Mahama on his second return to the country's helm of affairs. Mahama was President of Ghana from 2012-2016.

The ongoing cost-of-living crisis was the major concern for voters and influenced the election outcome significantly. The new president has outlined his vision for improving life for the average Ghanaian

Inflation and Monetary Policy

After beating inflation below 30% in 2023, Ghana maintained a relatively stable inflationary environment in 2024. While inflation figures fluctuated during the first half of the year, ranging between 25% and 20.9%, inflation fell to its lowest level in August 2024 at 20.4%. Since then, inflation in Ghana has consistently trended higher, reaching 23.8% by December 2024, fueled by the rise in prices of food and non-alcoholic beverages caused by unfavorable weather conditions as well as the downward trend of the Ghanaian cedi. Other factors that have made inflation stubborn include the upward revision of transport fares, adjustments in utility tariffs, and higher ex-pump prices.

Chart 34: Inflation & Policy rate (%)



Source: Bank of Ghana (BOG), EAG Research

The Bank of Ghana implemented a total of 300 basis points in rate cuts in 2024, following the sustained disinflation experienced in the latter part of 2023 and the early part of 2024. This brought Ghana's benchmark rate from 30% at the end of 2023 to 27% by the end of 2024. Ghana's real interest rate return turned positive in November 2023, after the Bank of

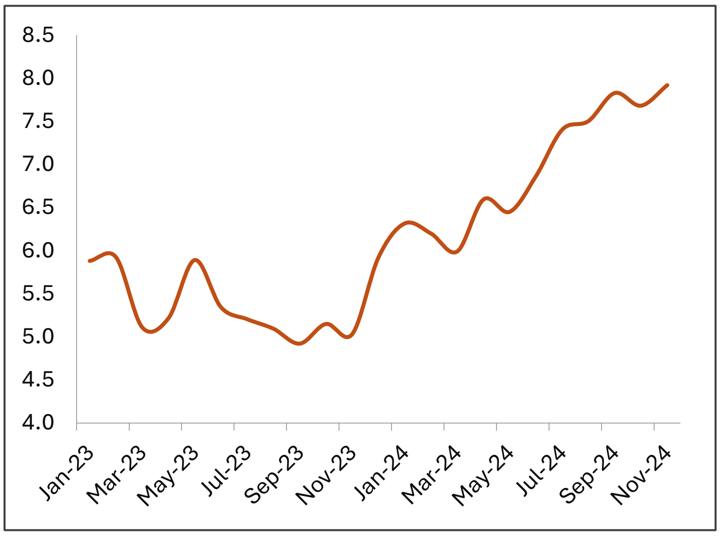
Ghana adopted an aggressive stance, raising rates by a total of 1,550 basis points since March 2022. In 2024, the country managed to maintain its positive real return environment despite rising inflation in the second half of the year and the rate cuts implemented by the Bank of Ghana during the year.

Foreign Exchange and External Reserves

Ghana's external reserves improved in 2024, with strong current account surplus supported by increased gold and crude oil exports, robust remittance inflows, the two tranches of the IMF bailout and the strong performance of the domestic gold purchase Programme contributing to the growth.

The country's gross international reserves (GIR) increased throughout the year, reaching $7.92 billion by the end of November, implying a growth of 33.7% from $5.9 billion December 2023 and November 2024, enough to cover 3.5 months of imports.

Chart 35: Gross International Reserves ($'bn)



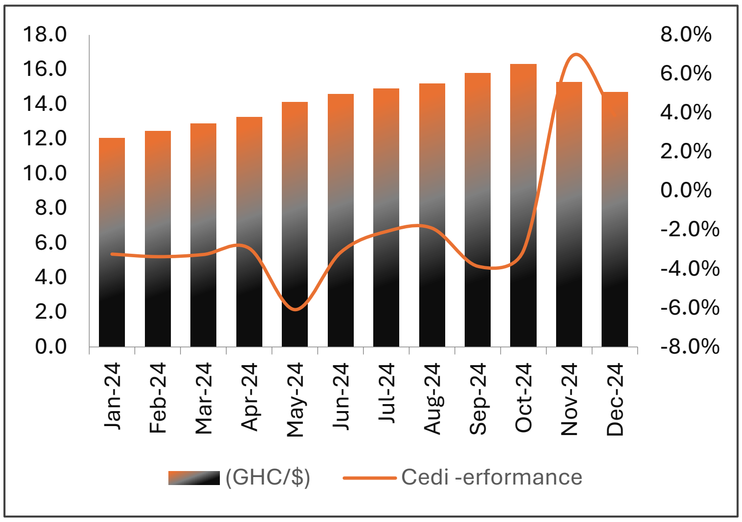
Source: Bank of Ghana (BOG), EAG Research

Despite the build-up in gross international reserves, the Cedi faced continuous and significant depreciation pressures in the first half of 2024, particularly in the month May, where it depreciated by 6.1%. Overall, in 2024, the Cedi lost -20.7% against the dollar as a result of increased demand for higher imports and energy sector payments.

The Bank of Ghana's currency stabilization efforts have been a combination of tight monetary policy, the introduction of a dynamic Cash Reserve Ratio (CRR) to manage liquidity, improved sentiment from the third tranche of the IMF's Extended Credit Facility and agreement with external creditors, and revised regulations on advance payments for imports.

Nevertheless, the Cedi gained strength in the last two months of the year, closing the year at GH₵14.7 mark to US$1.

Chart 36: Exchange Rate Performance (%)



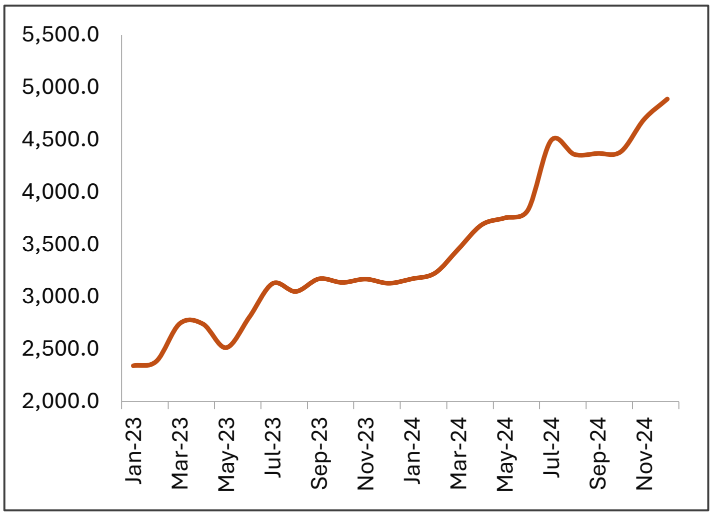
Source: Bank of Ghana (BOG), EAG Research

Stock Market

Ghana's equity market has demonstrated remarkable strength in 2024, with the Composite Index closing the year at 56.2%, significantly outpacing the 33.6% gain recorded in 2023. This performance was fueled by a recovery in the financial sector and robust investor interest in the telecommunications and FMCG sector.

The financial Stock Index posted a healthy gain of 25.2%, marking a dramatic turnaround from the previous year's contraction of -7.4%. Total market capitalization crossed the GH₵100billion ($6.8 billion) mark for the first time in 2024, climbing 50.69% to reach GHc111.4billion ($7.6 billion), outpacing the 14.55% growth witnessed in 2023.

Chart 37: GSE Composite Index Performance



Source: Ghana Stock Exchange (GSE), EAG Research

Despite the robust performance, trading activity declined sharply in 2024, trading volume plummeted by 92.9%, falling from 131.71 million shares in November 2023 to just 9.35 million shares.

The contrasting trends between market performance and trading activity suggest a shifting dynamic in Ghana's equity market, with strong price appreciation occurring despite substantially reduced trading volumes.

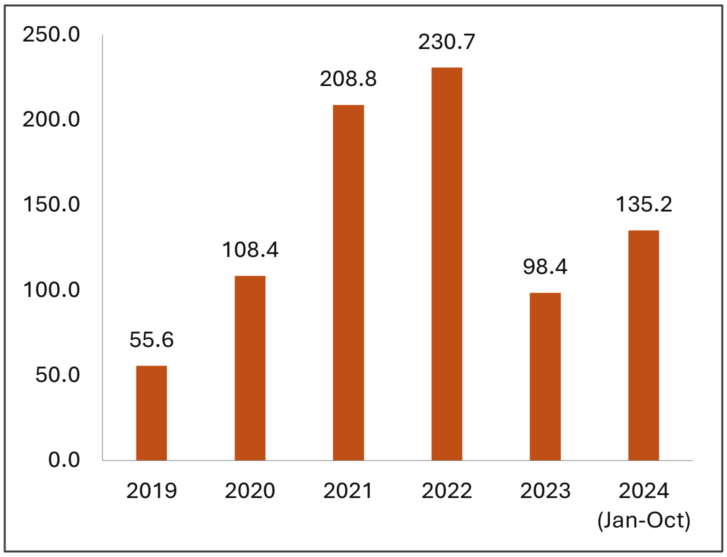
Foreign investors demonstrated a revived interest in the Ghanaian stock market in the first 10 months of 2024, increasing by 103.6%.

Fixed Income

Trading volume improved significantly on Ghana's Fixed Income market in 2024, after falling sharply by 57.3% to GHc98.4 billion ($6.7 billion), following the Domestic Debt Exchange Program (DDEP) in 2023. It improved to GHc135.2 billion ($9.2 billion) in the first 10 months of 2024.

The composition of traded instruments in August was dominated by Treasury bills at 64.28 percent, followed by Government Bonds at 34.08 percent and Corporate Bonds accounting for the remaining 1.64 percent. The recovery in fixed income trading volumes suggests improved market liquidity and potentially stabilizing expectations regarding the nation's fiscal management.

Chart 38: Fixed Income Trading Volume (GHc'billion)



Source: Ghana Fixed Income Market, EAG Research

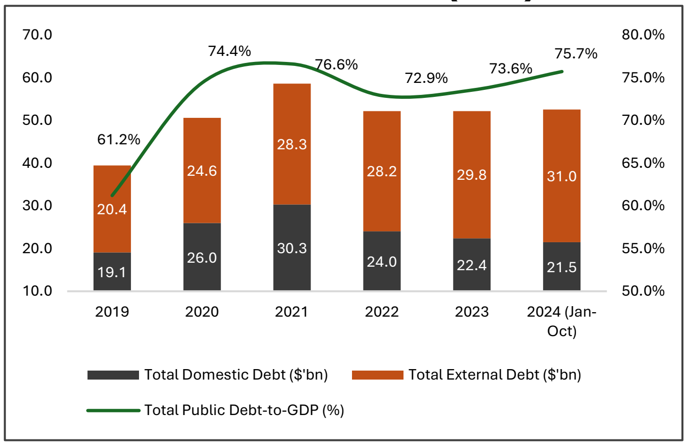
Public Debt

Ghana's public debt increased marginally by 0.7% between January and October 2024, rising to $52.6 billion from $52.2 billion in 2023. External debt now accounts for 59.1% of total debt, up from 57.0% in December 2023. Ghana's external debt stock comprises obligations to multilateral lenders such as the IMF and World Bank, bilateral loans, commercial loans like Eurobonds, and other export credits. Notably, the country's external debt rose to $31 billion in 2024 from $29.8 billion. The country's total public debt increased from 73.7% of GDP at the end of December 2023 to 75.7% of GDP as of September 2024, reflecting a moderation in the pace of debt expansion.

Fiscal performance in 2024 was robust, with the primary deficit at 0.2% of GDP and the overall deficit lower than planned. While revenue and grants slightly underperformed, expenditure remained below target due to spending cuts. Debt restructuring deals were successfully concluded for $5.4 billion in bilateral debt and $13 billion in Eurobond debt.

Ghana's creditworthiness improved significantly following upgrades by Moody's and Fitch to the country's long-term local and foreign currency issuer ratings. These upgrades followed the successful

Chart 39: Public Debt Stock ($'bn)



Source: Ghana Stock Exchange (GSE), EAG Research

restructuring of its Eurobond debt in Q3 2024. Moody's raised its rating from "Caa3" to "Caa2" and assigned a positive outlook, while Fitch upgraded Ghana's USD bond rating from "CCC" to "CCC+."

After completing the Domestic Debt Exchange Programme (DDEP) in 2023, the government of Ghana reached a Memorandum of Understanding with its Bilateral Creditors Committee in June 2024 and finalized the Eurobond (commercial debt) exchange. This paved the way for the disbursement of the third tranche of the Extended Credit Facility (ECF).
By the end of 2024, the IMF had disbursed a total of $1.92 billion under its $3 billion ECF Programme, following the successful completion of three reviews of Ghana's economic performance.

Outlook

Ghana's economy is expected to sustain its growth trajectory in 2025 as the combined effects of its debt and fiscal reforms continue to take shape. The successful 2024 election has brought optimism to the economy, and the new administration's "24-hour economic policy," aimed at transforming Ghana into an export-driven economy, is expected to focus on strengthening the local mining sector to boost gold production. This initiative will likely contribute to the steady rise in gold reserves, which reached 37.52 metric tones by the end of Q2 2024, and support the Ghanaian cedi's stability in 2025.

The IMF projects economic growth of 4.4% for Ghana in 2024, up from the 3.1% forecast for 2023. This growth will be led by the services sector, bolstered by the removal of taxes on electronic money transfers and imported goods, followed by the industrial sector, particularly gold mining and emerging spodumene concentrate (lithium) production.

While the agriculture sector is also expected to grow, challenges such as cocoa smuggling, climate change, and limited sector financing may constrain its expansion. Inflation in Ghana is expected to remain elevated in 2025, given the recent upward trend. Nonetheless, the Bank of Ghana is anticipated to prioritize inflation control and adopt a cautious policy approach in the fiscal year.

The ongoing rally in Ghana's equities market is projected to extend into 2025, driven by favorable market conditions and a recovery in corporate earnings. Dividend payouts, which will be returned in 2024, are expected to enhance investor interest, particularly in bank stocks. Beyond banking, growth in the telecommunications, consumer goods, and industrial sectors is anticipated to contribute to broad-based market performance.

The debt capital market is also expected to continue its recovery as the country progresses towards economic stabilization. Improved local and foreign currency issuer ratings are likely to bolster fixed-income market participation in 2025. While yields are expected to normalize, they will remain elevated as Ghana works to rebuild investor confidence in its sovereign debt instruments.
Although the outlook for 2025 is positive, potential political and economic uncertainties associated with the transition to a new administration post-2024 elections could pose short-term risks. However, the International Monetary Fund has expressed a willingness to renegotiate Ghana's $3 billion financing program with the incoming administration, provided that key reforms are upheld.

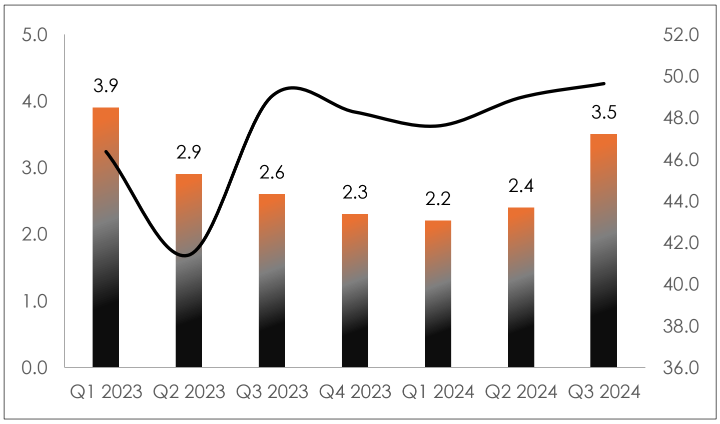
Egypt

Egypt's economy demonstrated resilience in 2024 despite facing significant challenges, including heightened geopolitical tensions in the Middle East. These tensions severely impacted Egypt's tourism sector, disrupted Red Sea trade routes, and weighed on external trade, affecting critical revenue streams such as Suez Canal receipts. Additionally, the comprehensive reforms implemented by the government presented further economic pressures.

The economy grew at an average rate of 2.7% during the first three quarters of 2024, a decline from the 3.1% growth recorded in the corresponding period of 2023. Quarterly growth figures reveal a gradual improvement, with 2.2% growth in Q1 2024, 2.4% in Q2 2024, and 3.5% in Q3 2024, the strongest quarterly growth since Q2 2023.

The performance of Egypt's non-oil sector, reflected in the Purchasing Managers' Index PMI), highlights the economy's challenges. The PMI remained below the 50-point threshold, indicating contraction for more than three years. However, in 2024, the index averaged 48.7 points, showing an improvement compared to the 46.3 points recorded in 2023. These figures underline the resilience of Egypt's economy amid ongoing reforms and external shocks, although the pace of recovery remains subdued.

Chart 40: Real GDP Growth (%)



Source: Ministry of Planning and Economic Development, Egypt, EAG Research

Key Economic Reforms in Action

The Egyptian government has taken bold strides aimed at restoring economic stability and improving the lives of its average citizen. After stalling on its program with the Internation Monetary Fund (IMF), in March 2024, Egypt secured an expanded $8 billion loan from the International Monetary Fund (IMF), building on a $3 billion, 46-month agreement reached in December 2022. This expansion was necessitated by significant macroeconomic challenges, exacerbated by spillovers from the Gaza-Israel conflict and disruptions in the Red Sea. These disruptions reduced Suez Canal revenues, a vital source of foreign exchange and fiscal income.

The new agreement outlines several key reforms, including adopting a flexible exchange rate regime, increasing the tax-to-GDP ratio by 2% over the next two years through improved tax collection, accelerating the divestment of state-owned enterprises (SOEs) to foster private sector participation and attract foreign investment, streamlining subsidies, enhancing social safety nets for vulnerable populations, and reducing public debt to ensure fiscal sustainability. The Egyptian government has already begun implementing some of these measures as part of its commitment to the agreement.

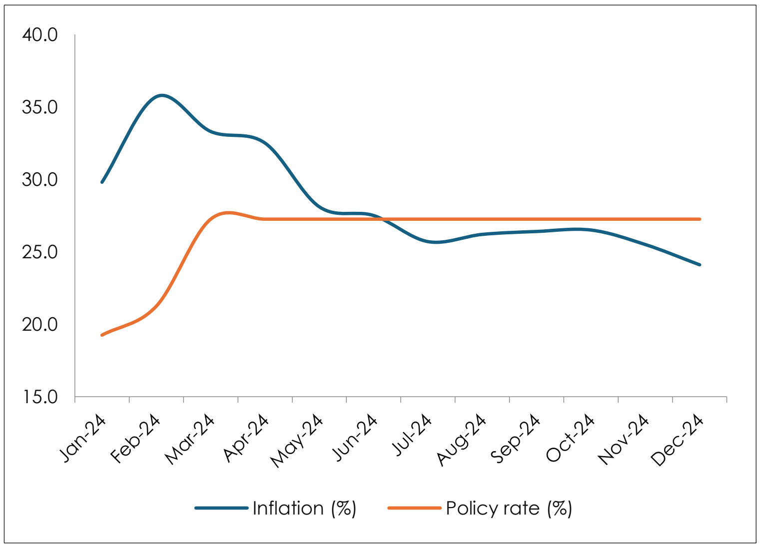
In June 2024, the President ordered a cabinet reshuffle to strengthen the government's capacity to address economic challenges, improve governance, and manage regional security concerns. Notable changes included new appointments in critical ministries such as Defense, Foreign Affairs, Finance, and Petroleum.

Following the IMF's fourth review of the program in December 2024, Egypt is set to receive a $1.2 billion tranche in January 2025 as part of the $8 billion Extended Fund Facility (EFF).

Inflation and monetary policy rate

Inflation in Egypt moderated by 5.4% to close at 24.1% at the end of 2024, down from the high of 33.7% recorded in FY 2023. This is despite the significant depreciation seen in the Egyptian Pound following the adoption of a flexible exchange rate regime. This moderation is largely attributed to the positive base effects, declining food prices, the Central Bank of Egypt restrictive policy stance and stabilized exchange rate among other factors. However, inflation remains in double-digits and well above the Central Bank of Egypt's (CBE) target band of 5-9%.

Chart 41: Inflation (%) & Policy rate (%)



Source: CAMPAS, Egypt, EAG Research

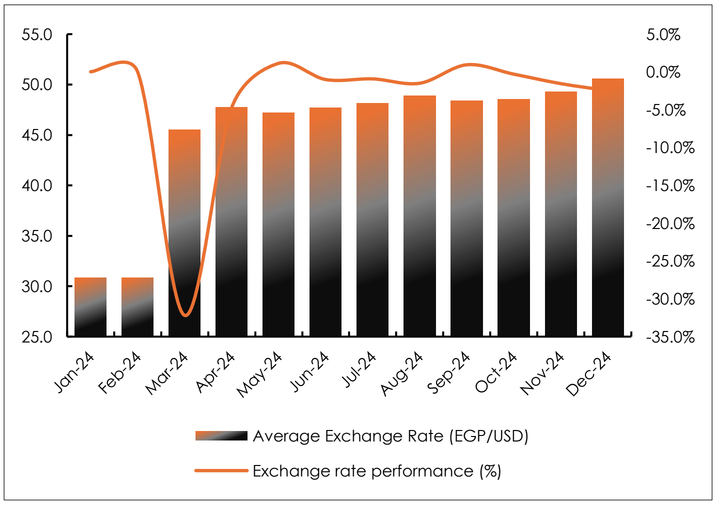
Inflation continues to be fueled by currency devaluation, increased money supply and subsidy cuts and price adjustments (which were implemented as part of the conditions to access the International Monetary Fund (IMF) financial aid to support the ailing economy).

The IMF had forecasted an average inflation rate of 33.3% for Egypt in 2024. However, the actual average inflation rate was 28.4%, indicating a faster-than-expected deceleration. In line with elevated inflation, the Central Bank of Egypt adopted a restrictive stance towards inflationary pressure in 2024, hiking rates by a cumulative of 800bps in 2024, compared to the 300bps points in 2023, bringing its benchmark interest rate from 19.25% at the end of 2023 to 27.25% at the end of 2024. This rate hike was implemented in the first quarter of the year; however, the disinflationary trend prompted the bank to hold rate constant at 27.25% for the rest of the year.

Foreign exchange and reserves

The Egyptian Pound depreciated significantly by 32.2% in March 2024 in its official market, following the FX market unification and transition to a flexible exchange rate regime. This move was part of the agreement to secure the IMF's Extended Facility Loan and a broader strategy to stabilize the economy by stifling speculative activities in the FX market. This decision aimed to eliminate the multiple exchange rates that had previously existed and pave the way for attracting foreign investments through transparency in its FX market.

Chart 42: Foreign Exchange Performance (%)

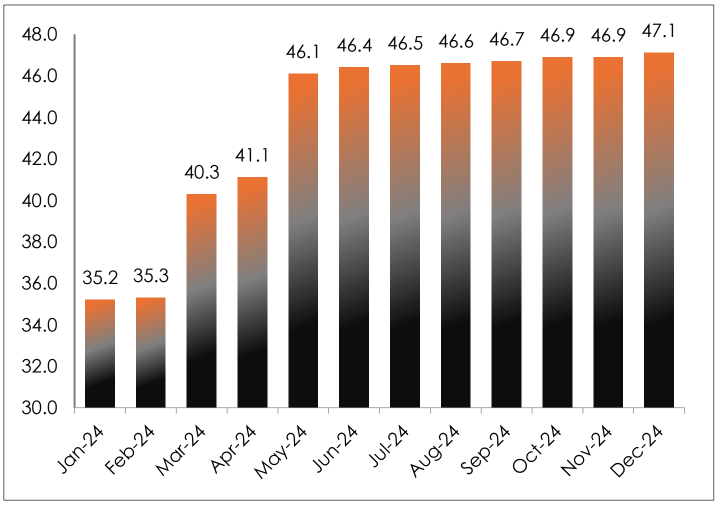


Source: Central Bank of Egypt, EAG Research

Overall, in 2024, the Egyptian Pound depreciated by 38.94%, moving from an average of EGP30.9/$ to EGP50.6/$ in December 2024. However, it is worth noting that the Egyptian Pound (EGP) has remained relatively stable since the unification of FX by the Central Bank of Egypt in March 2024. The disparity between the official and parallel market rates has converged considerably since the new exchange rate regime took effect. The key reforms implemented in Egypt's foreign exchange market have contributed to the significant increase recorded in the FX market in 2024.

Egypt's net foreign exchange reserves recorded consistent increases throughout 2024, growing by 33.8% ($11.9 billion) to $47.1 billion in December 2024, compared with $35.2 billion recorded in January 2024. This upward trend is attributed to a significant rise in remittances from Egyptians working abroad. In the first ten months of 2024 alone, remittances surged by 45.3%, reaching $23.7 billion, compared to $16.3 billion during the corresponding period in 2023. This was followed by the $1.2 billion IMF bailout fund received in 2024, an increase in gold reserves, which rose by 26.1% from $8.4 billion in 2023 to $10.6 billion at the end of 2024, and the conclusion of the Ras El Hekma mega deal, where Egypt entered into a significant agreement with the UAE's sovereign fund, ADQ, granting development rights for real estate along its Mediterranean coastline for $24 billion.

Chart 43: Net International reserves ($'bn)



Source: Central Bank of Egypt, EAG Research

The significant boost to external reserves has helped Egypt manage and stabilize the impact of the heavy depreciation of its currency following the reforms implemented in March 2024, contributing to a sustained decline in its inflationary trend.

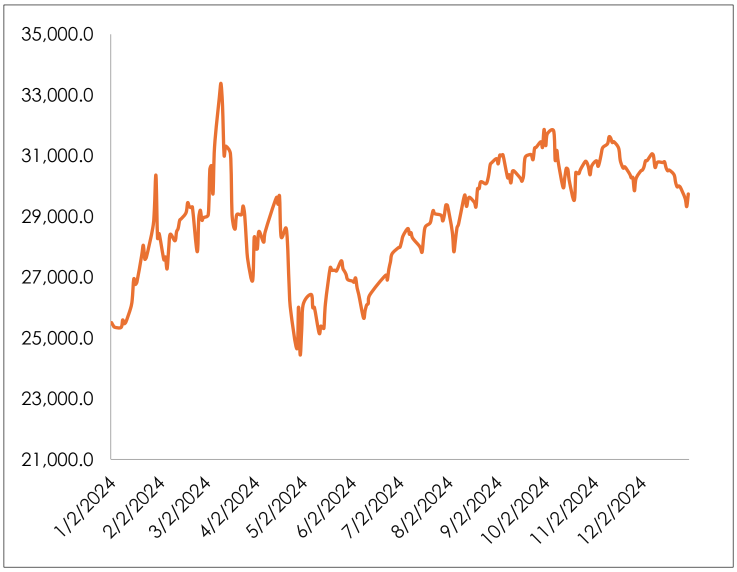
Given that Egypt imports an average of $7 billion worth of goods and services monthly, the current FX reserves cover seven months of imports, exceeding the global benchmark of three months.

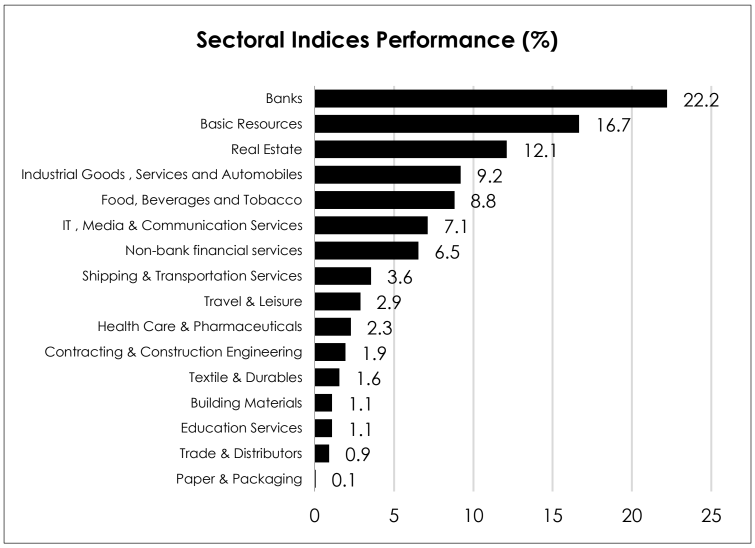
Stock Market

The Egyptian Exchange (EGX) ended 2024 on a high note, adding nearly EGP 30 billion ($255 million) to its market capitalization. This strong performance highlights a year of strategic growth and renewed investor confidence in Egypt's capital markets.

The EGX 30 benchmark index, a key measure of blue-chip companies, climbed by 19.5% in 2024. This growth was driven by improvements in macroeconomic indicators and government policies focused on stabilizing the economy and stimulating investments.

Chart 44: EGX-30 Index Performance Trend





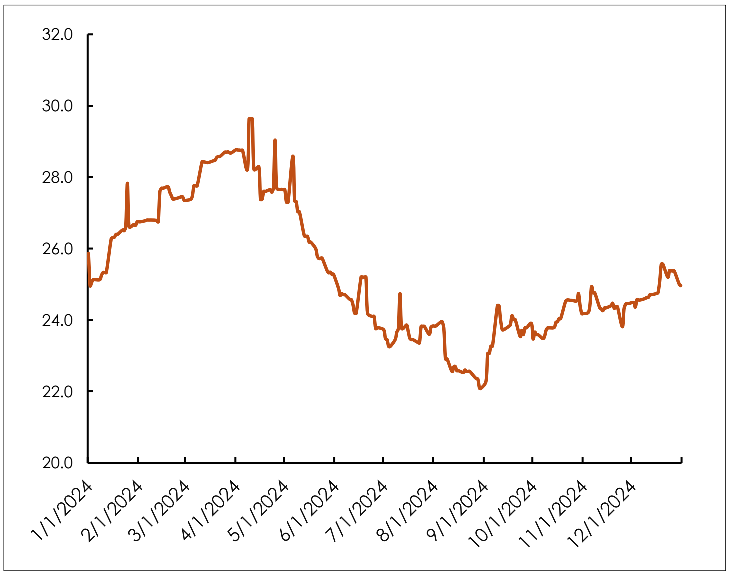
Source: The Egyptian Exchange (EGX), EAG Research

All the sectorial indices on the Egyptian Exchange closed the year on a positive note with the banking sector recording the highest gain in the period under review, growing by 22.1%, while paper & packing sector recording the least gain in 2024, growing by 0.06%.

Fixed Income

The Egyptian fixed-income market in 2024 was marked by high yields, with the 10-year bond yield ranging between 23% and 26%. These elevated yields reflected the risk premium demanded by investors in response to the country's economic challenges. Yields were particularly elevated in the first quarter, driven by the foreign exchange market reform, the high-interest-rate environment, rising regional geopolitical tensions in the Middle East, and disruptions to Red Sea trade routes, which adversely affected Egypt's external trade and key revenue streams, including Suez Canal receipts.

Chart 45: 10-year bond yield (%)



Source: Investing.com, EAG Research

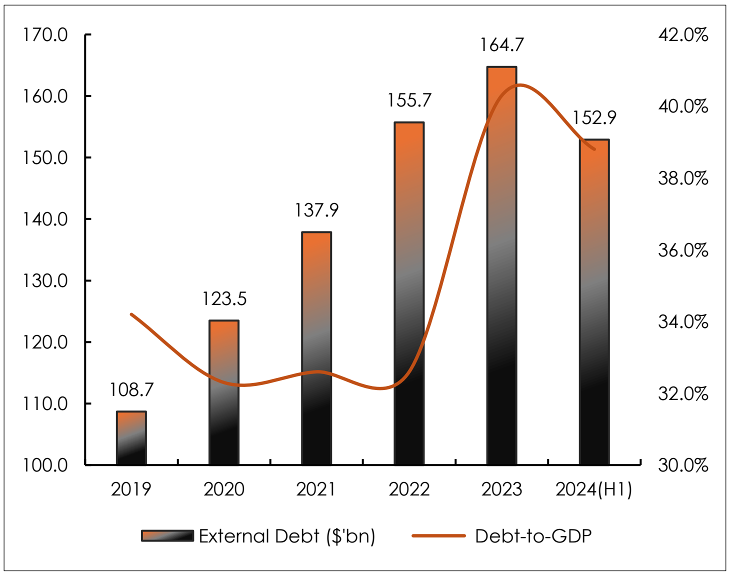
However, yields began to moderate later in the year as macroeconomic indicators improved, driven by the implementation of key foreign exchange reform that supported a 33.8% growth in its foreign reserves and the receipt of a bailout tranche from the IMF. By the end of 2024, the yield on Egypt's 10-year bond eased by 24 basis points, settling at 24.9%.

Public Debt

Egypt's external debt at the end of the first half of 2024 stood at $152.9 billion, representing a 7.9% decline from $165 billion recorded in the same period of 2023. This marks the lowest level in two years. The reduction in debt is attributed to $23.8 billion in debt repayments made between July 2023 and March 2024, according to the Central Bank of Egypt. This includes the conversion of approximately $11 billion in deposits from the United Arab Emirates into investments for the Ras El Hekma development project and a $1.1 billion reduction due to the depreciation of most borrowing currencies against the US dollar. During this period, Egypt settled $8.1 billion in the first quarter, $7.3 billion in the second quarter, and $8.3 billion in the third quarter.

Additionally, Egypt remains the second-largest debtor to the International Monetary Fund (IMF), with an outstanding balance of $14.9 billion, as reported in the 2024 Global Debt Monitor. Egypt's gross total debt-to-GDP ratio is projected to reach 90.4% in 2024, exceeding the IMF's recommended threshold of 60–70% for emerging economies. Meanwhile, the external debt-to-GDP ratio showed a slight decline from 40.3% in FY 2023 to 38.8% in Q2 2024.

Chart 46: Public Debt (USD'Bn)



Source: Central Bank of Egypt, EAG Research

Outlook

Egypt's economy is expected to face continued challenges in 2025 due to the lingering effects of implemented reforms and the anticipated impact of new measures. Key government reform priorities include increasing domestic revenues, enhancing the business environment, accelerating the divestment of state-owned enterprises, and improving governance and transparency. The government has pledged to phase out fuel subsidies by the end of 2025 and gradually eliminate electricity subsidies over the next four years. Additionally, there are plans to transition from commodity subsidies to direct cash payments for the poorest citizens by mid-2025. While these measures aim to stabilize the economy, they are likely to increase inflationary pressures and affect household consumption patterns.

Geopolitical tensions, particularly the ongoing Gaza-Israel conflict, may disrupt trade routes like the Suez Canal, further impacting fiscal revenues and external stability. Consequently, the IMF projects Egypt's economic growth at 3.6% in 2025, down from an earlier forecast of 4.1%. This growth, however, represents an improvement from the 2.7% estimated for 2024, as the benefits of prior reforms, improving macroeconomic indicators, and enhanced investor confidence begin to materialize.

Inflation is projected to moderate to 16% in 2025, down from over 20% in 2024, driven by favorable base effects and reduced volatility in the Egyptian pound following foreign exchange market reforms. Nonetheless, inflationary risks remain due to the country's dependence on imports, currency devaluation, and climate-related impacts on agriculture. The Central Bank of Egypt (CBE) is expected to maintain a tight monetary policy stance to sustain disinflation and stabilize the currency, with potential rate adjustments carefully managed to balance growth and inflation control.

The Egyptian pound is likely to face continued pressure in 2025, with depreciation risks tied to external financing availability and the progress of economic reforms. Despite recent stabilization efforts by the CBE, the currency remains vulnerable to global market dynamics and domestic fiscal challenges.

Debt levels remain a significant concern, with public debt projected to exceed 90% of GDP in 2025. External debt is expected to rise as Egypt continues to rely on international financing to meet its foreign currency needs.

To address its budget deficit and refinance existing debt, the CBE plans to borrow EGP 1.98 trillion ($39 billion) from the domestic market in Q1 2025. Ultimately, Egypt's economic performance in 2025 will hinge on the resolution of the Gaza-Israel conflict, the outcomes of ongoing reforms, and the government's ability to accelerate efforts to improve the business environment and empower the private sector as the primary driver of growth.

Emerging Africa was established in January 2018 as 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.

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Awards in 2024

Invisible Impact Awards in Resilience and Entrepreneurship at The NECA Annual Employers Excellence Awards

The Most Outstanding ESG Focused Investment Group in the Year Under Review at Peak Performer Awards

Best ESG Focused Investment Group of the Year at the BusinessDay Bafi Awards

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