



Research

EA Macro Trends and Outlook

Context in a post-Covid-19 economy

May 2022

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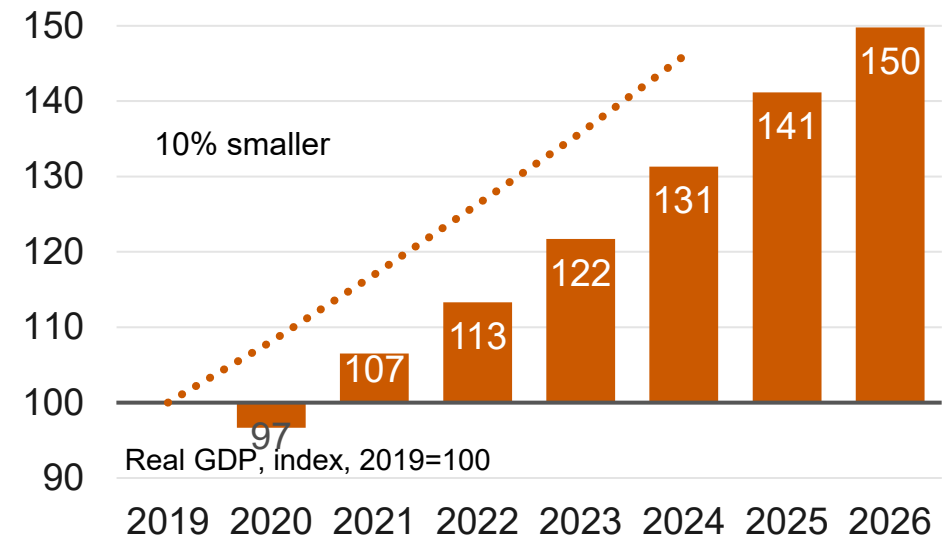
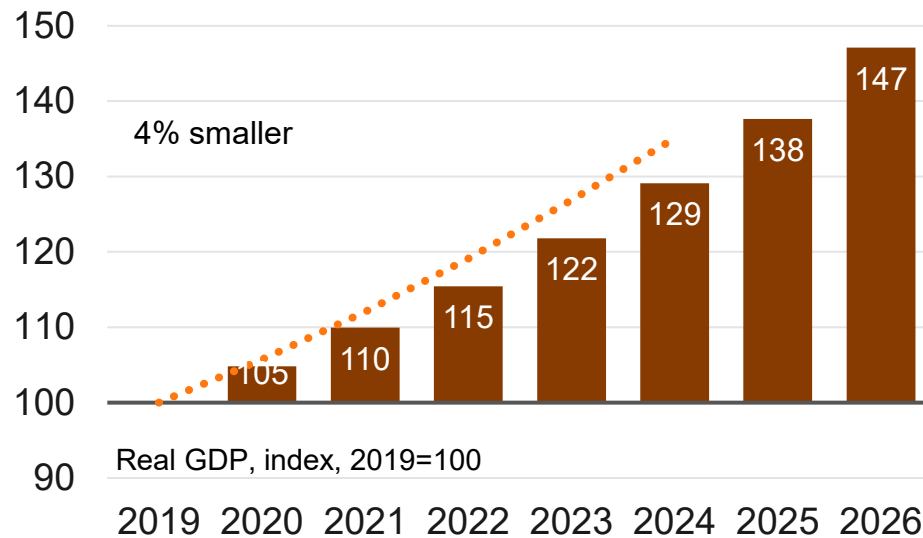
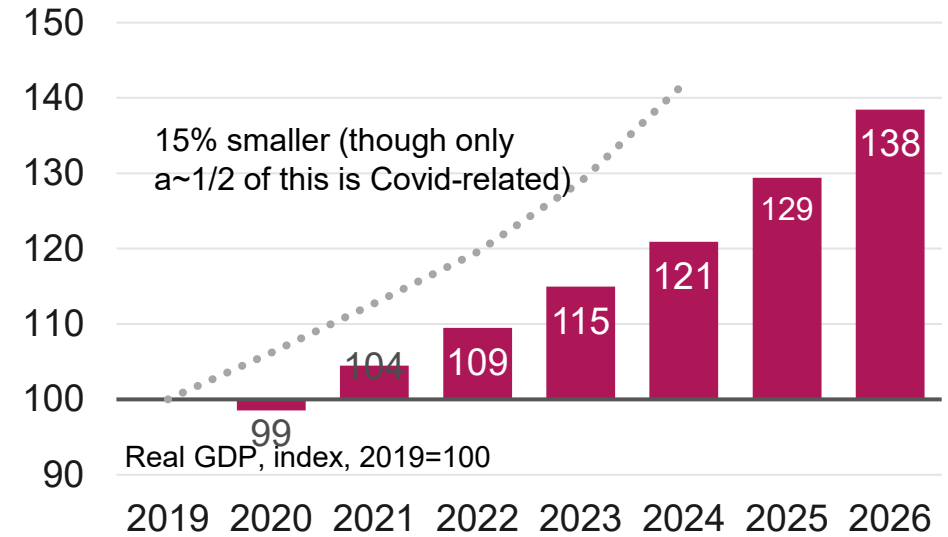
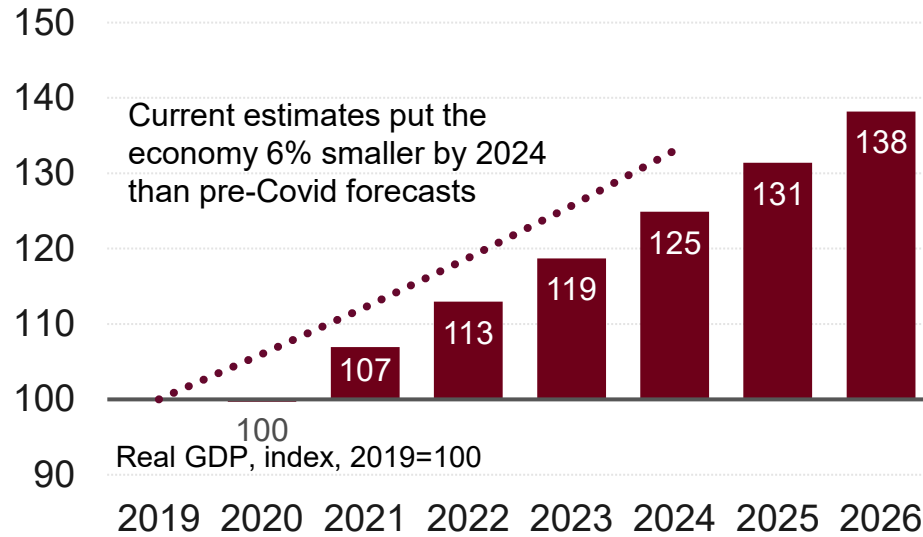
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The covid challenge to regional economies has been significant



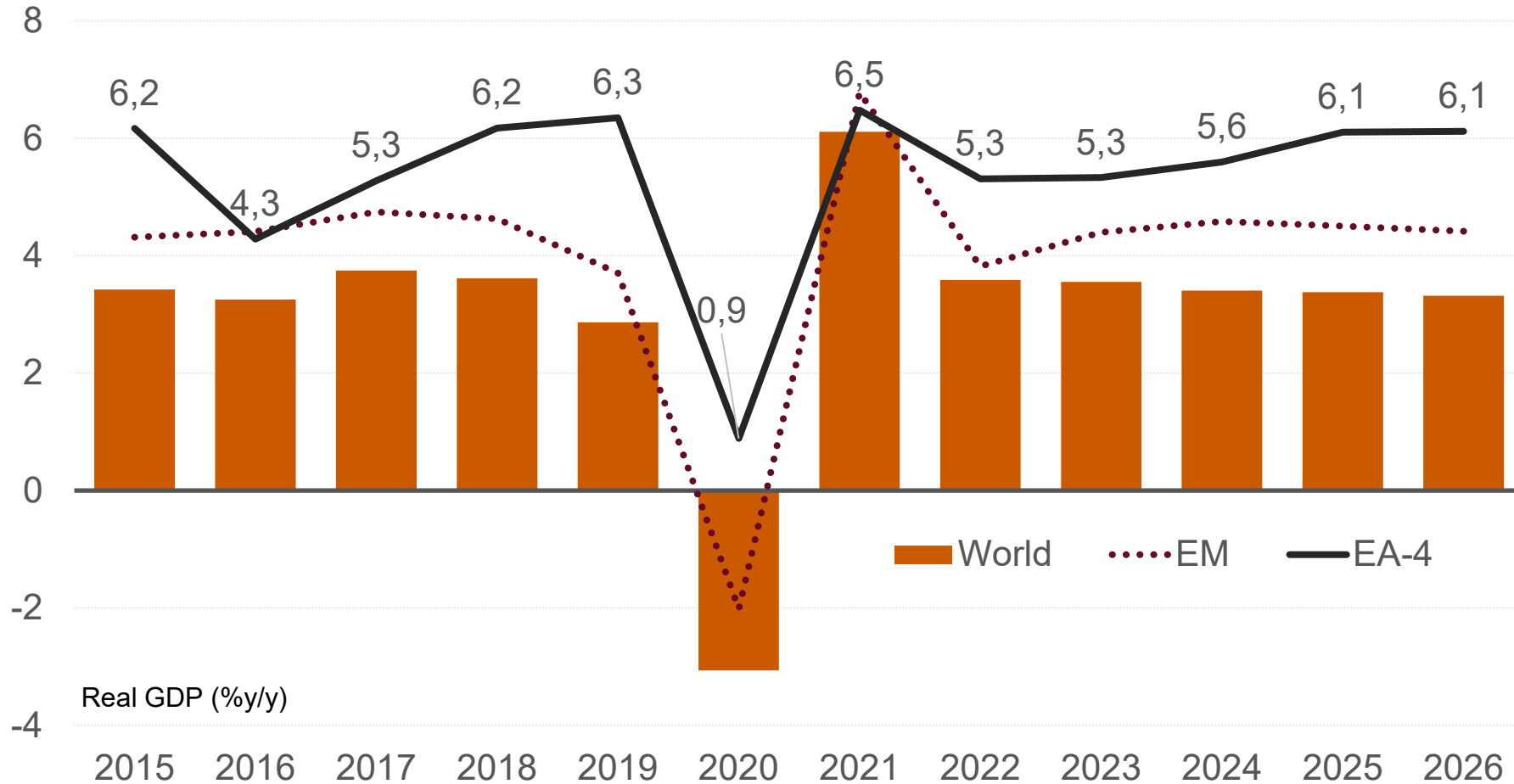
As measured by the “lost opportunity”, Covid has cost EA countries an estimated 4-10% of output



East Africa's economic outperformance



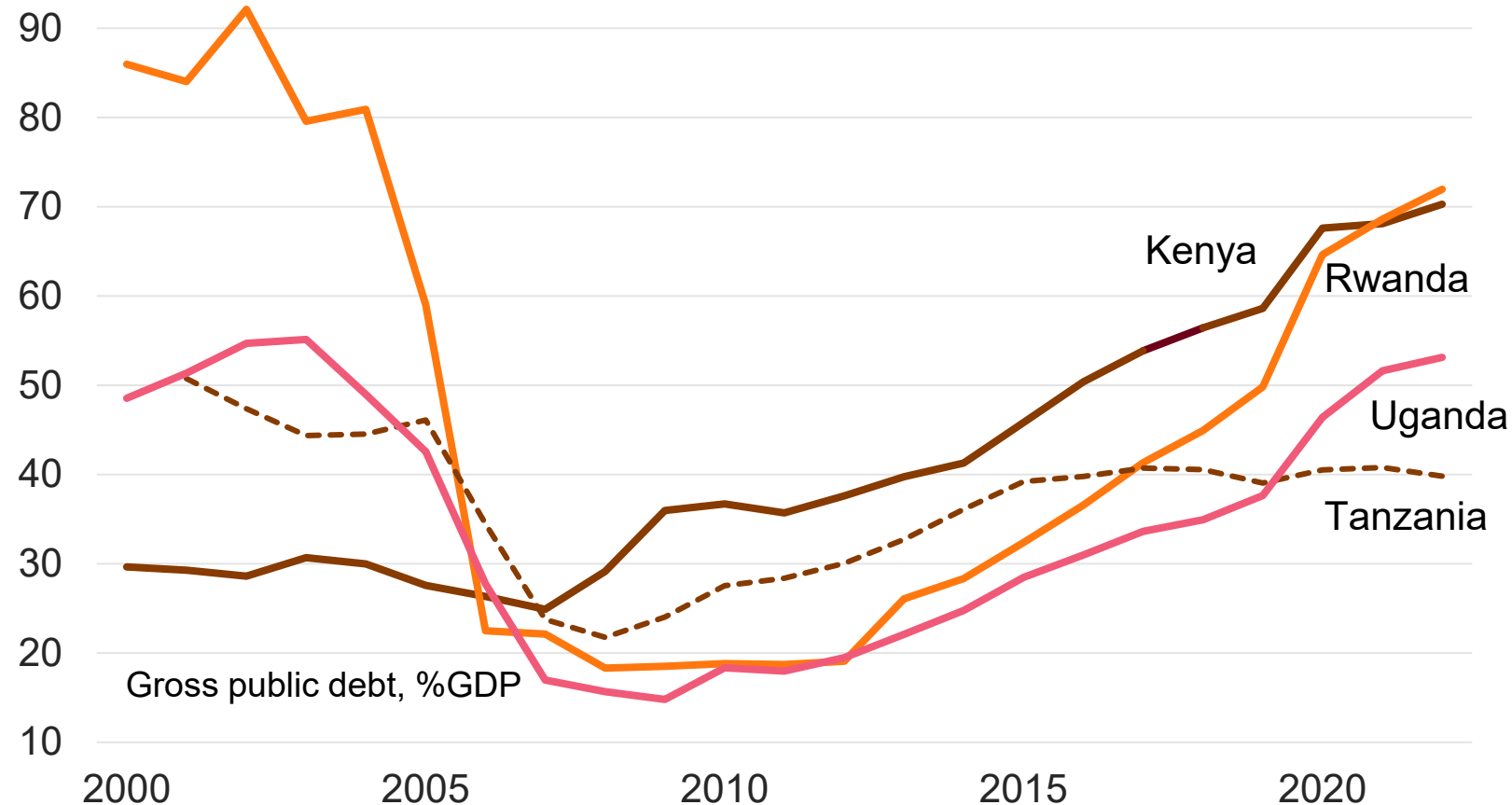
Through the turbulent environment, East Africa has maintained a growth edge over its regional and global peers



Despite the strong economic performance, sharp rises in public debt create important challenges for the periods ahead



Public debt was rising even before the pandemic, and has jumped higher since

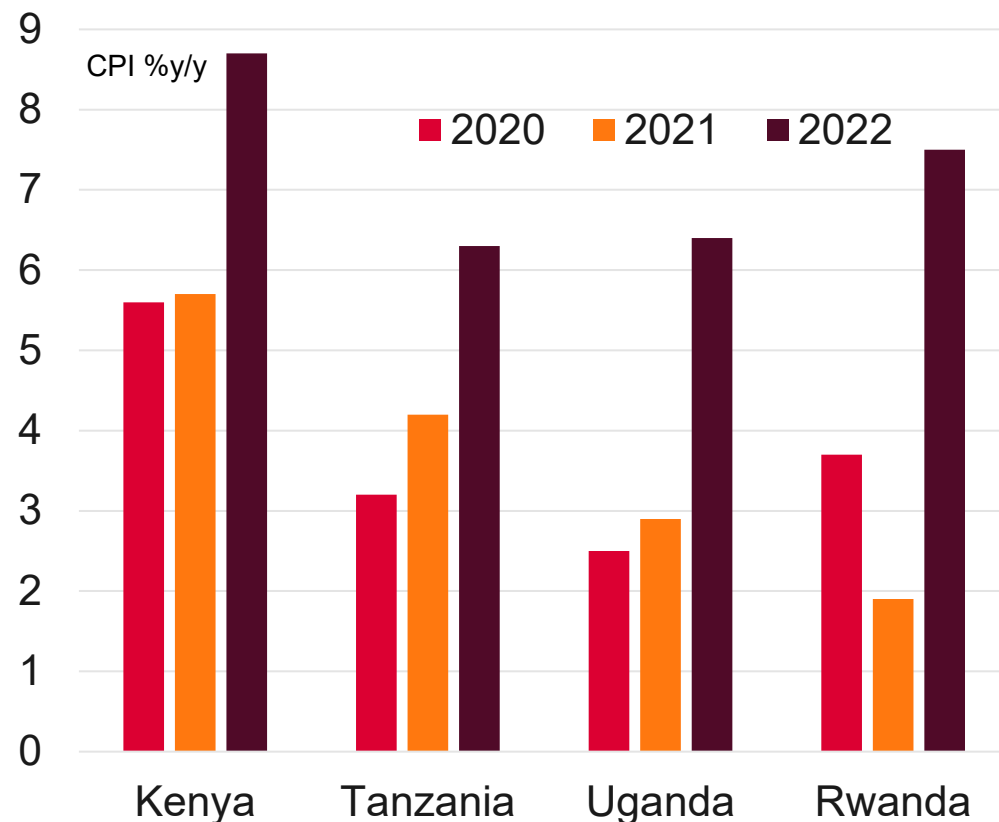


Rising debt limits space for further government led investment and infrastructure and raises the risk of sharp market moves

Higher inflation and higher US policy rates together are likely to see domestic interest rates rise



Even with policies to ease the passthrough of higher fuel/food prices, inflation is set to jump higher



Ultra-low policy rates are set to shift higher

% eop	End 2021	Current	mid-2023
Kenya	7.0	7.0	8.0
Tanzania	5.0	5.0	6.0
Uganda	6.5	6.5	9.0
Rwanda	4.5	5.0	?

Direct trade linkages to Russia and Ukraine are generally small, except for cereals and fertilisers

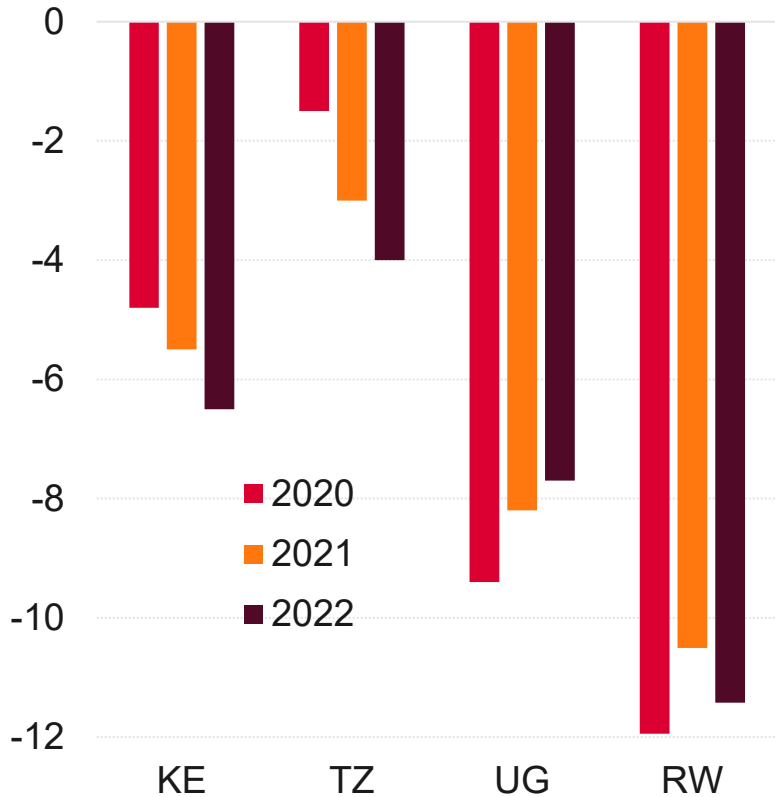


%EA imports from:	Russia			Ukraine		
	KE	TZ	UG	KE	TZ	UG
Total	2	2	1	0	1	0
Cereals	18	59	19	1	5	7
Iron and Steel	13	3	3	4	1	2
Chemical fertilisers	16	13	16		11	
Copper	27					
Wood	3		6			1
Paper	6	8	7			
Aluminium	7	4	7			
Salt and sulphur	1					
Fruit and vegetable				12		
Meat and animal products					3	
Diamonds and precious stones		2	2			
Edible oils					9	
Glues and enzymes				3		

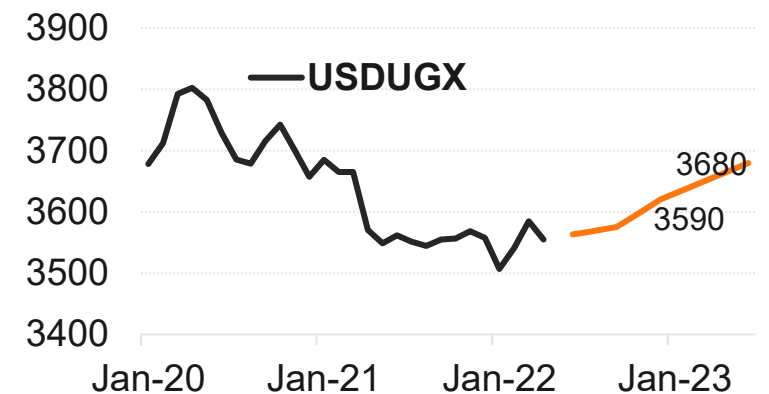
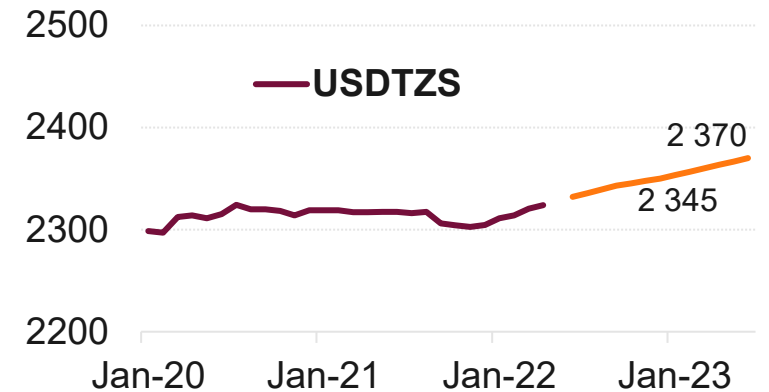
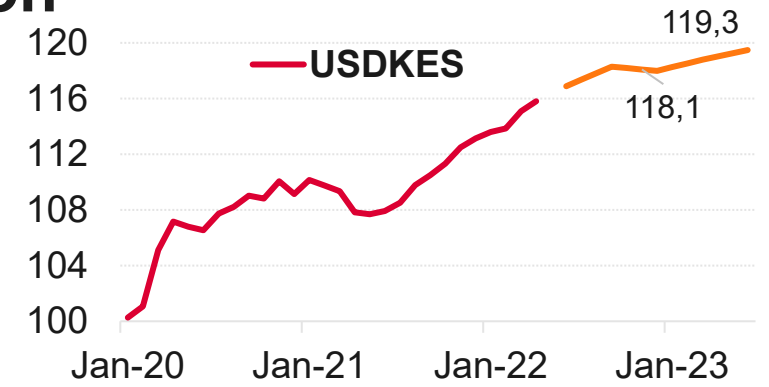
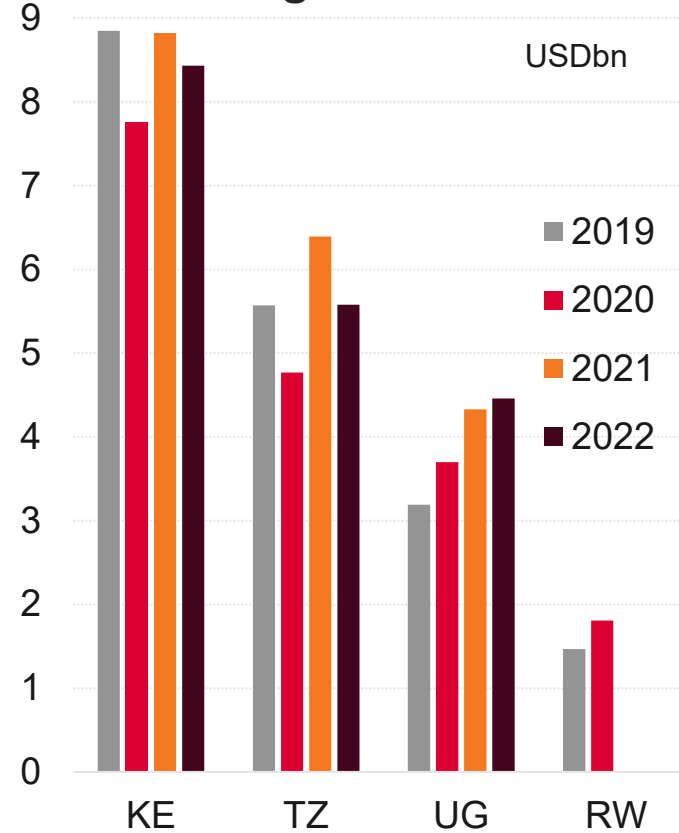
%EA exports to:	Russia			Ukraine		
	KE	TZ	UG	KE	TZ	UG
Total	1	0	0	0	0	0
Cereals						2
Coffee, tea, spices	3	3	1			
Fruit, vegetable	4					1
Trees and flowers	3					
Meat and animal products		1	1			
Plastics					2	1
Aircraft parts						6
Tobacco		1				

FX likely to move weaker, but in a well-managed fashion

Current account deficits large and likely to remain so



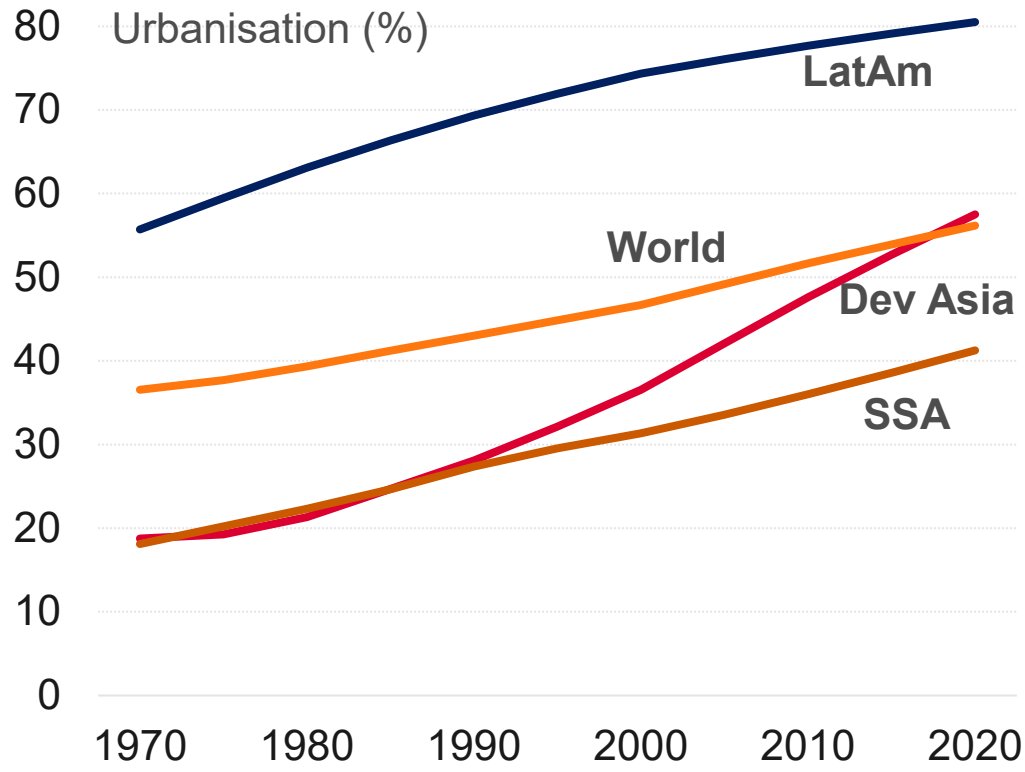
FX Reserves comfortable across the region



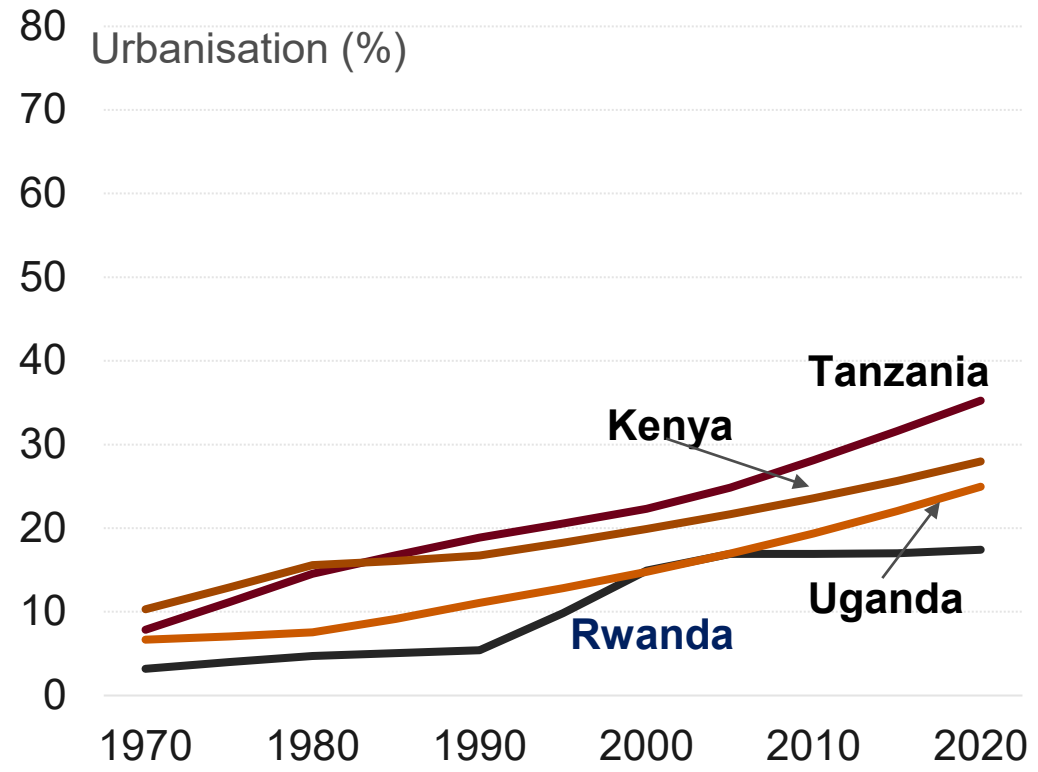
Demographics, urbanization and the East African opportunity



Sub Saharan Africa cities are playing catch-up to global peers



And East African urbanization rates are playing catch-up to SSA



Absa Africa Financial Markets Index 2021



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