

East African economic overview

The tide has turned

April 2024

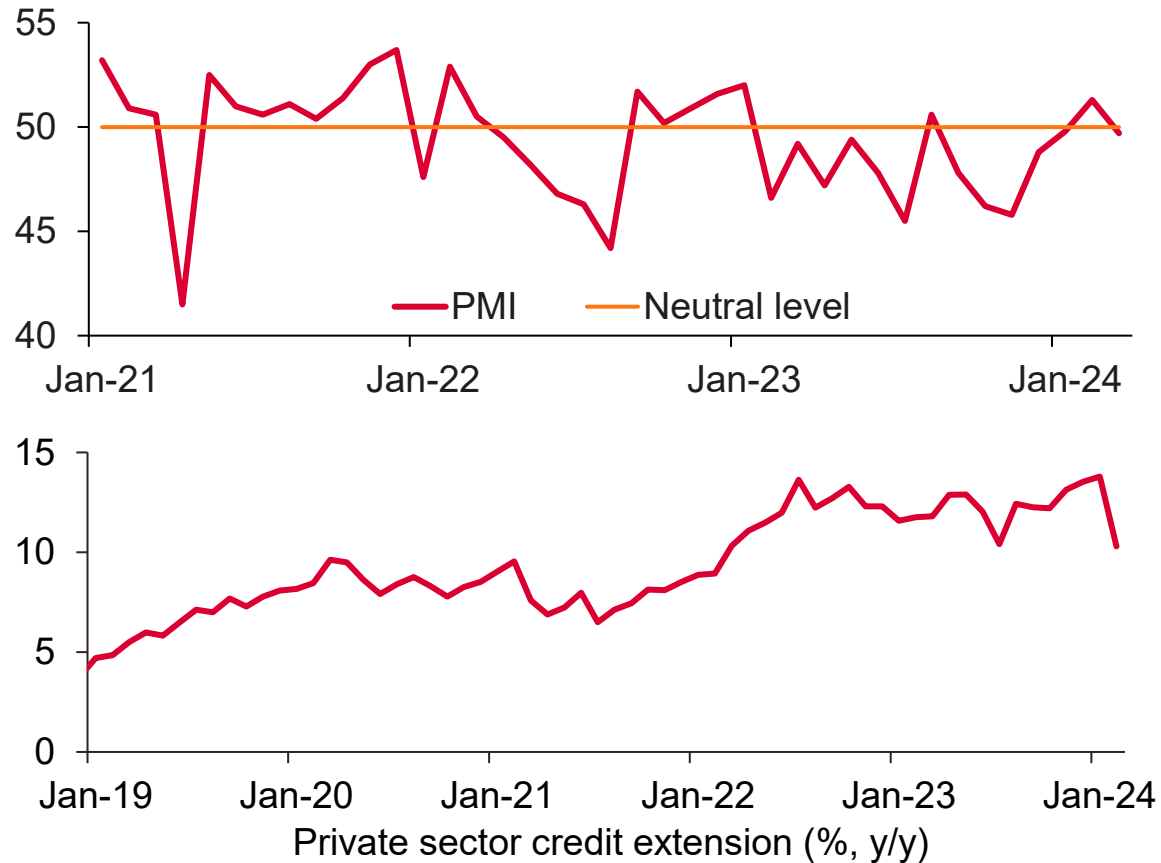
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IMPORTANT DISCLOSURES BEGINNING ON SLIDE 20

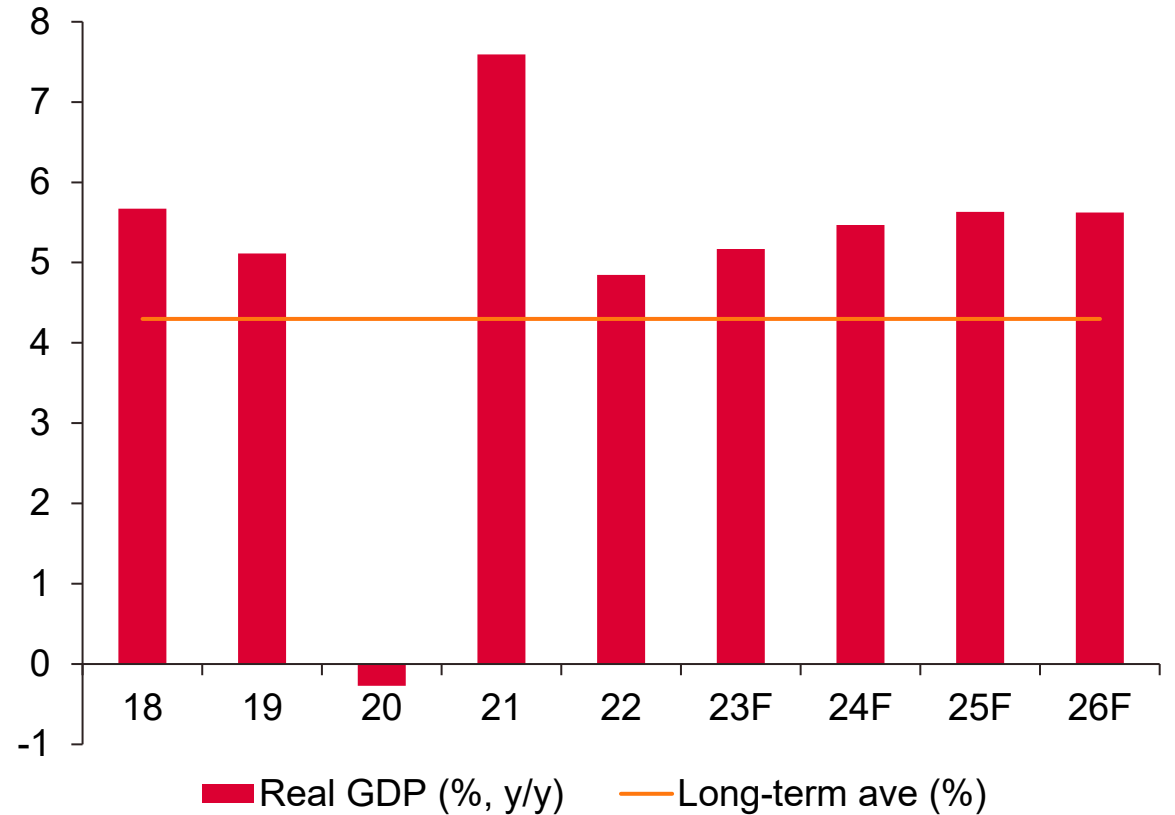
Kenya's economic momentum is gaining traction



Private sector business conditions have been challenging



Kenya's longer-term growth forecasts beating historical average

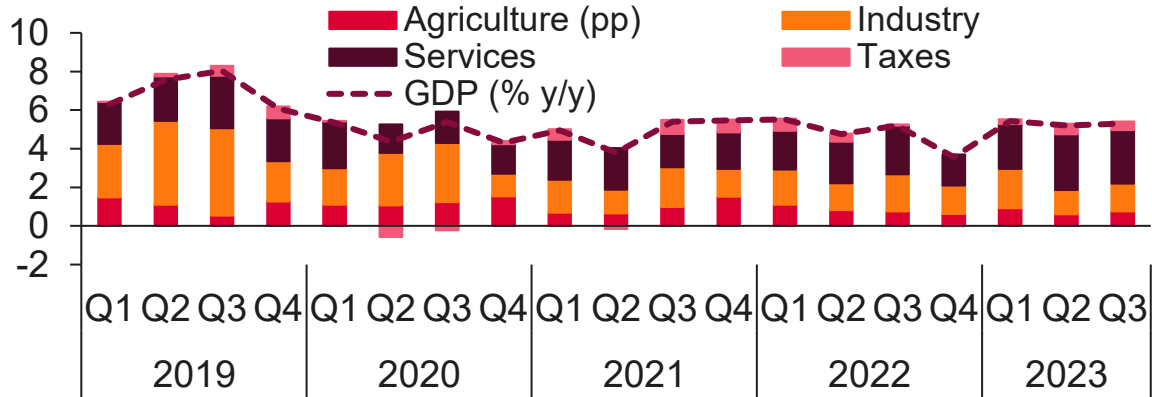


Source: KNBS, S&P Global, IMF, Absa Research

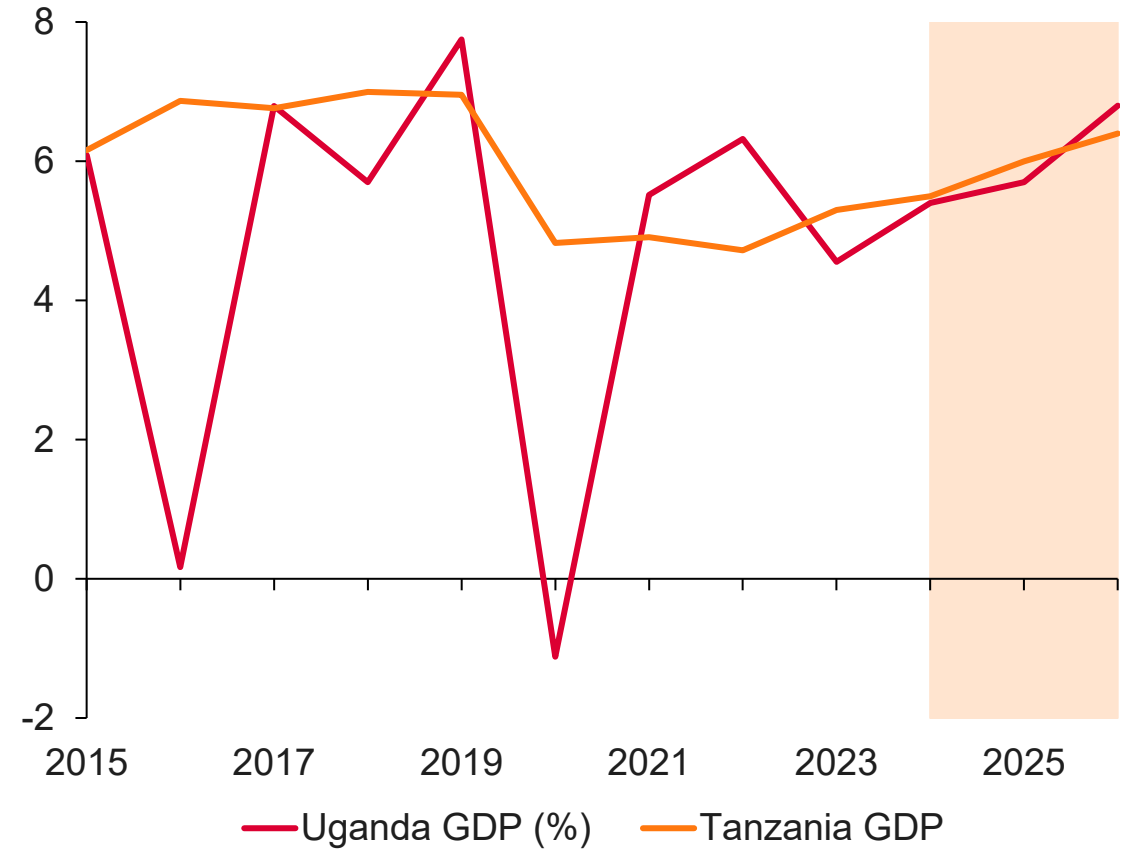
Uganda and Tanzanian economic prospects also strong



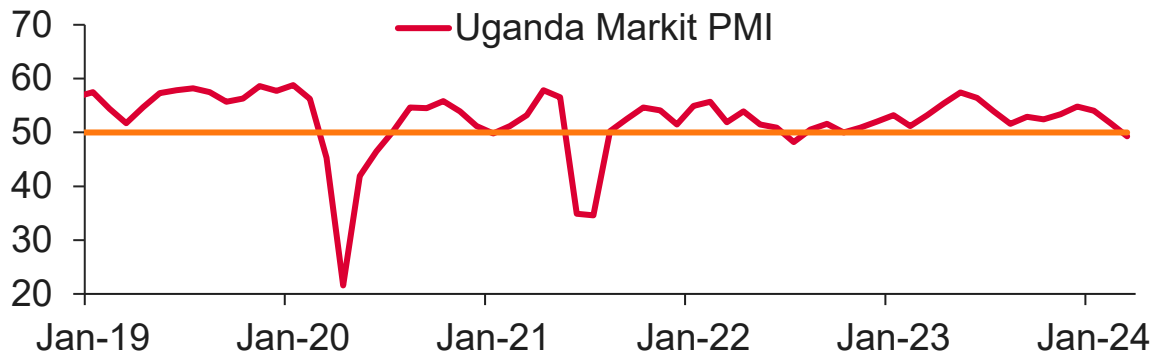
Tanzania's economic recovery continues steadily



Outlook for both markets remains promising



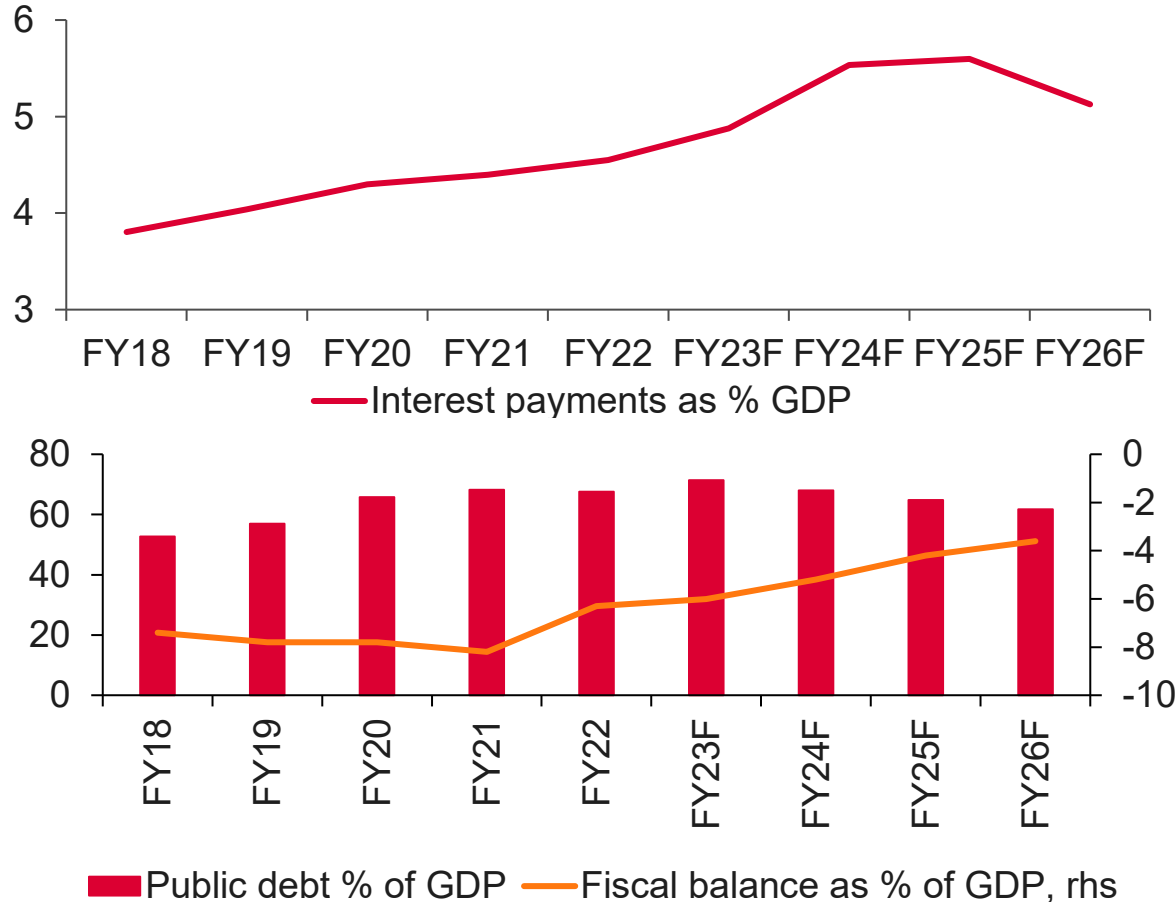
Uganda's recovery has not been smooth



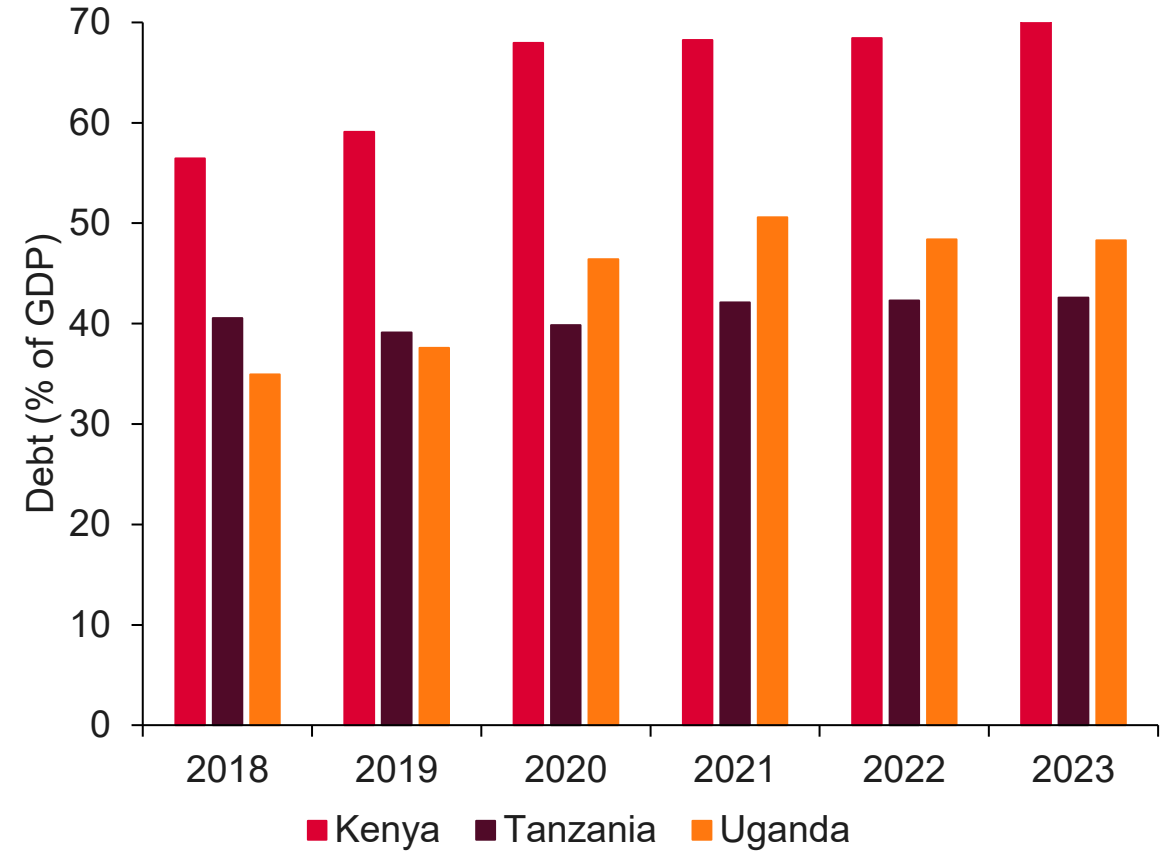
Source: TNBS, S&P Global, UboS, Absa Research

Fiscal vulnerabilities remain across the region

Kenya's fiscal risks have increased in recent times



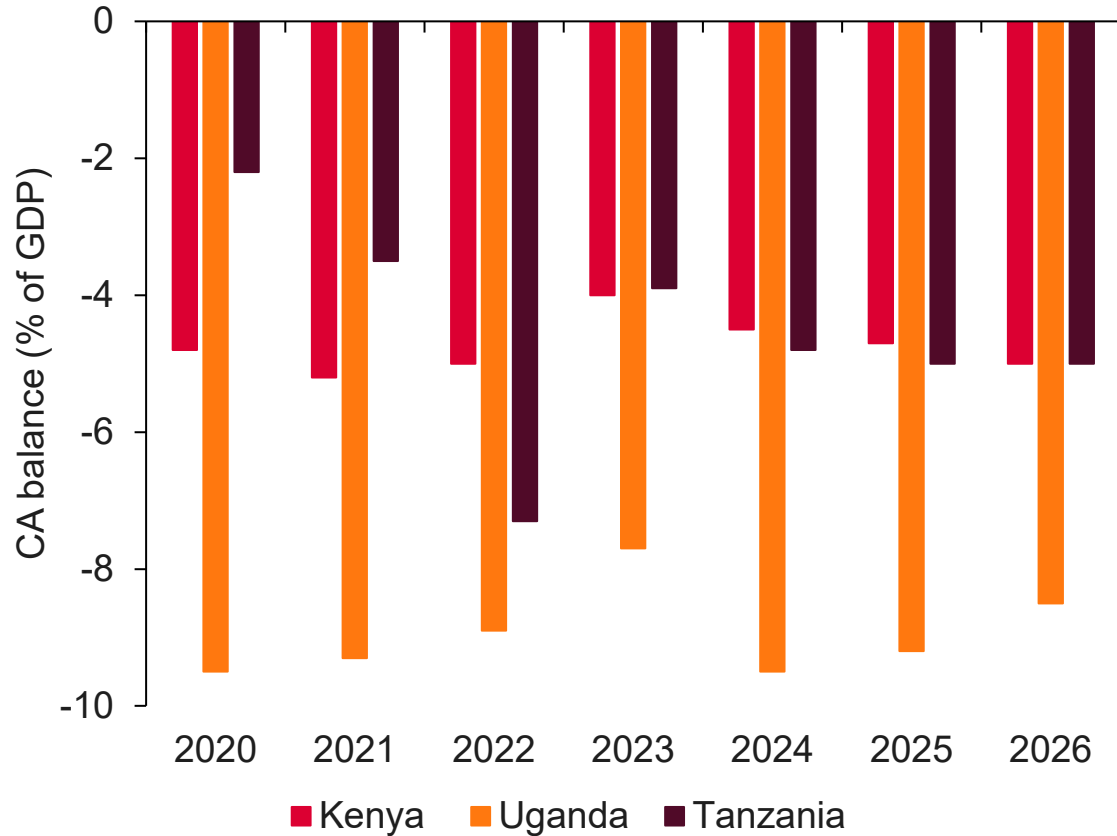
Other EA markets have also seen an increase in debt



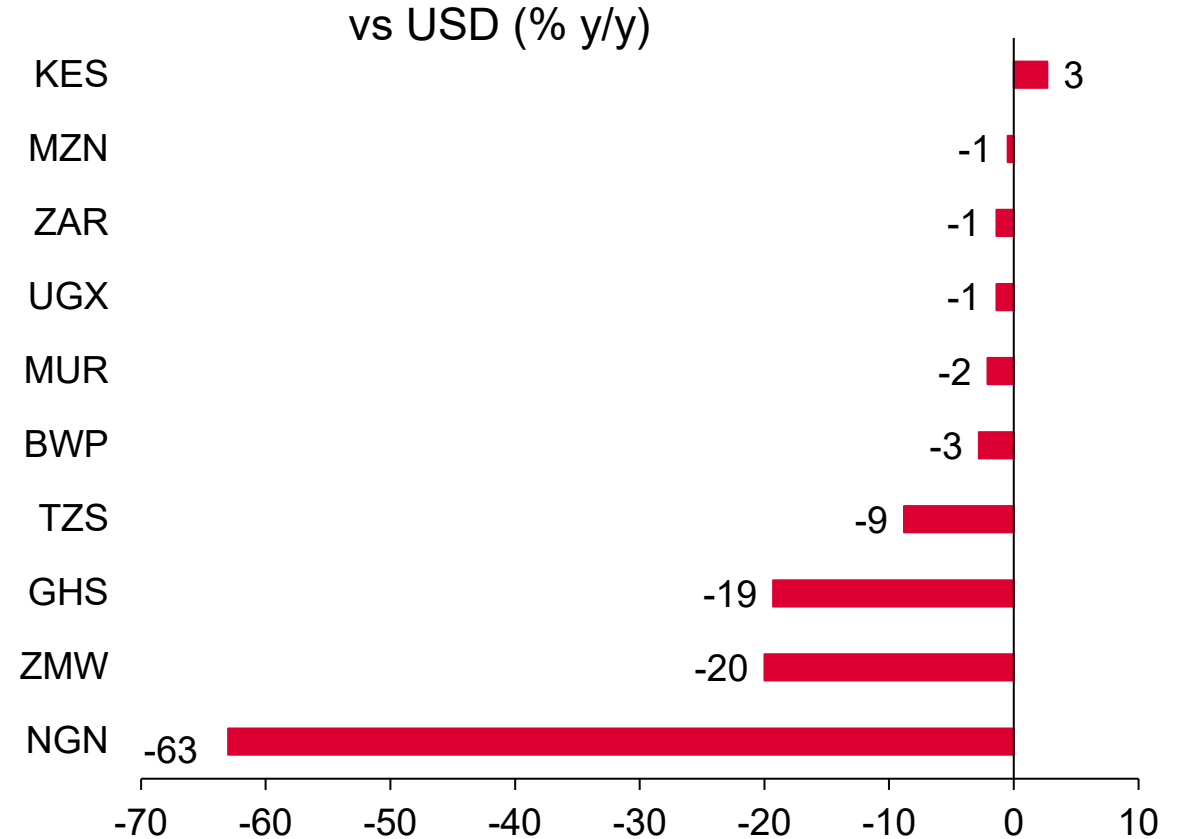
Source: Kenya NT, IMF, Absa Research

External account imbalances a risk to FX

Sizeable current account deficits a feature of the EA region



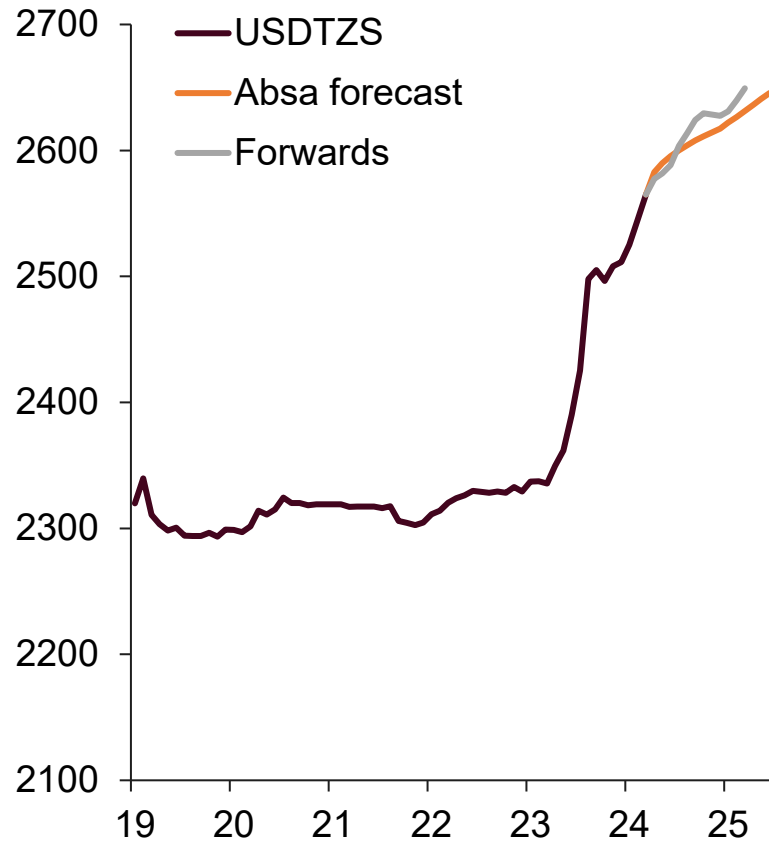
KES has appreciated while TZS is under some pressure



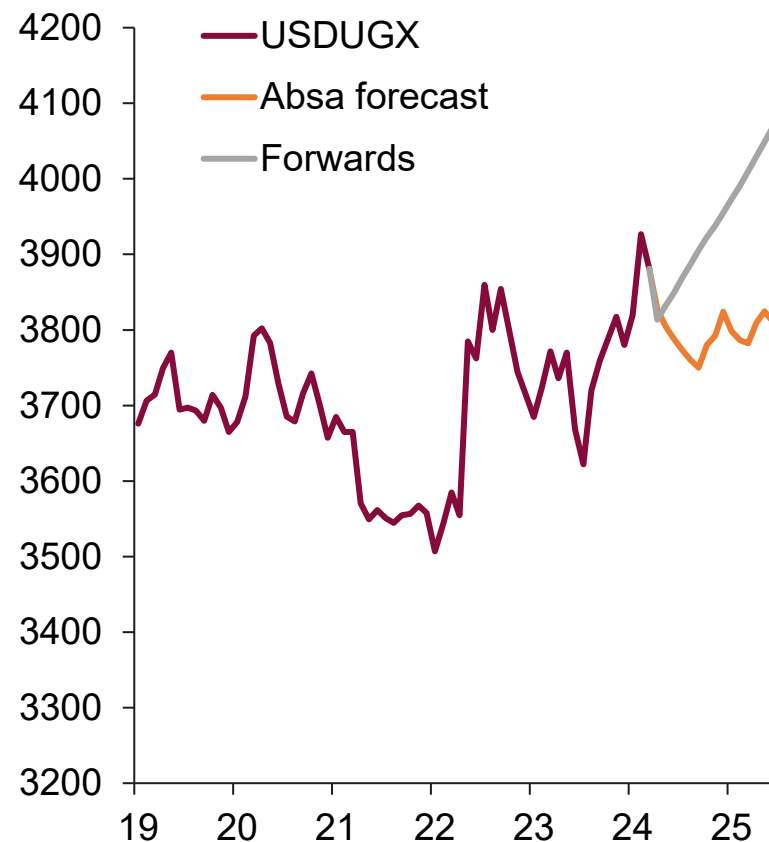
Source: Bloomberg, BoU, BoT, CBK, Absa Research

Most currencies remain vulnerable

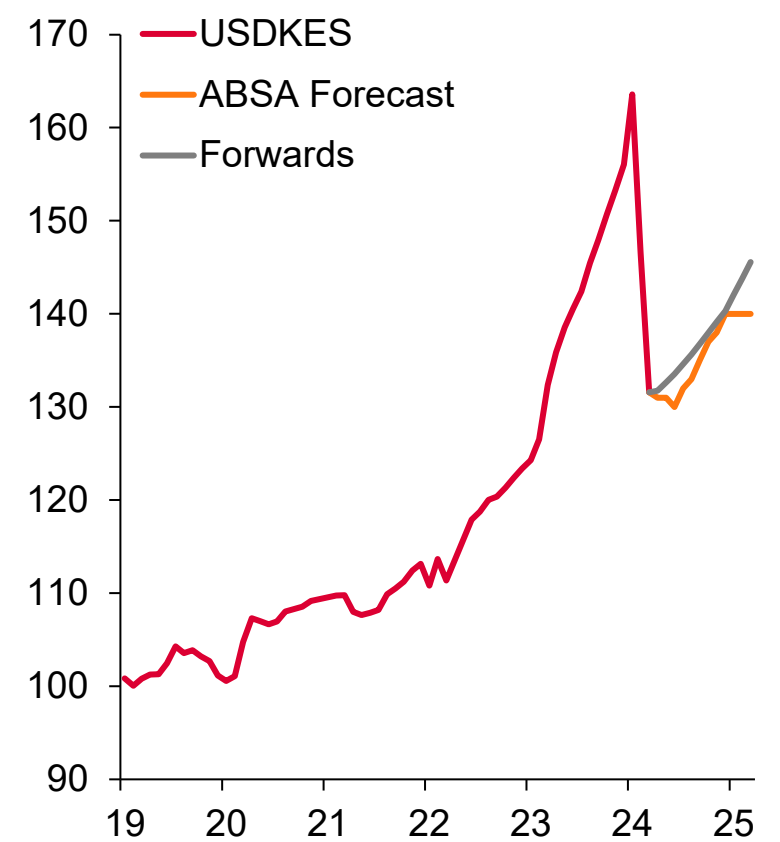
FX shortages drive TZS weaker



UGX recovered somewhat but risks remain



KES has limited scope for further strength

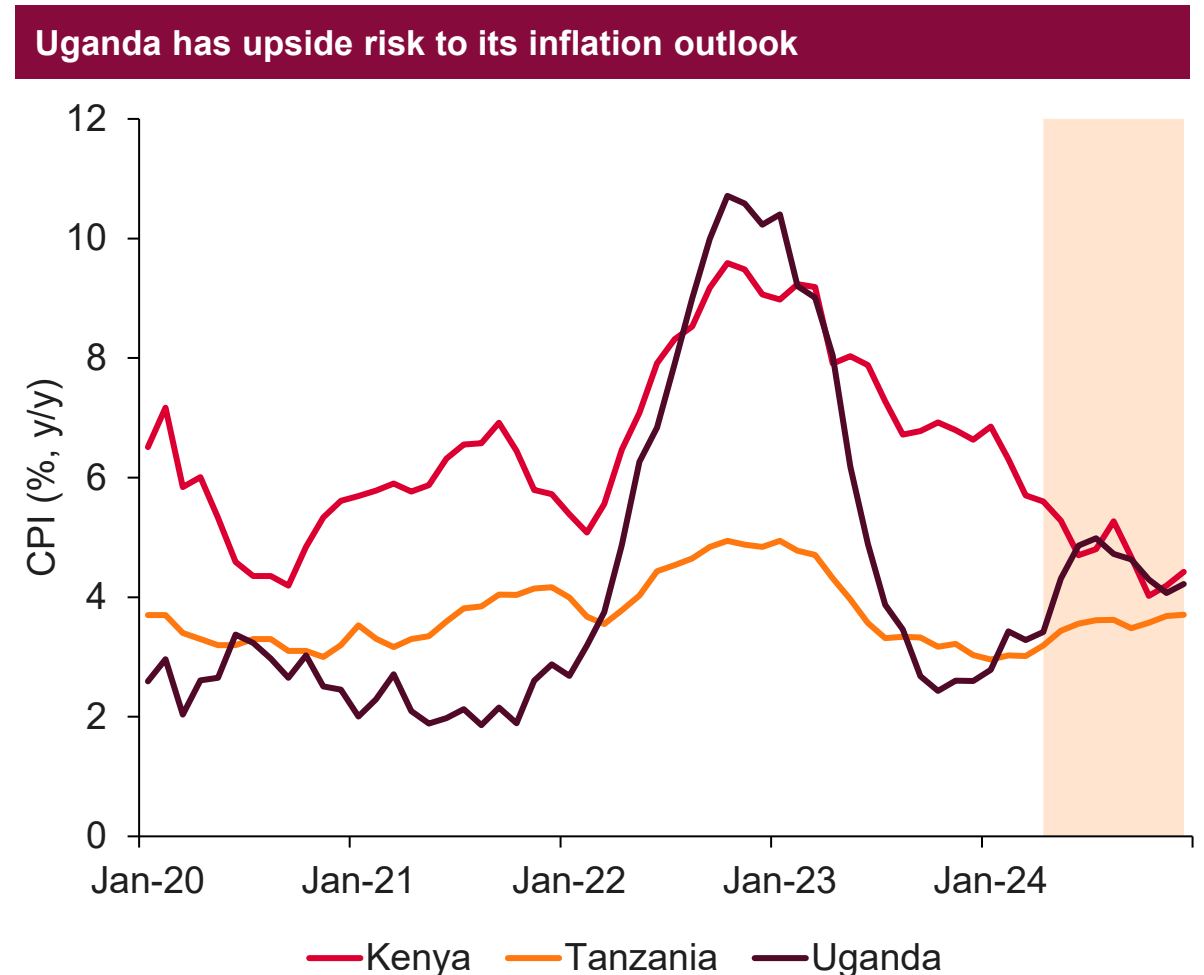


Source: Bloomberg, Absa Research

Inflationary pressures have moderated



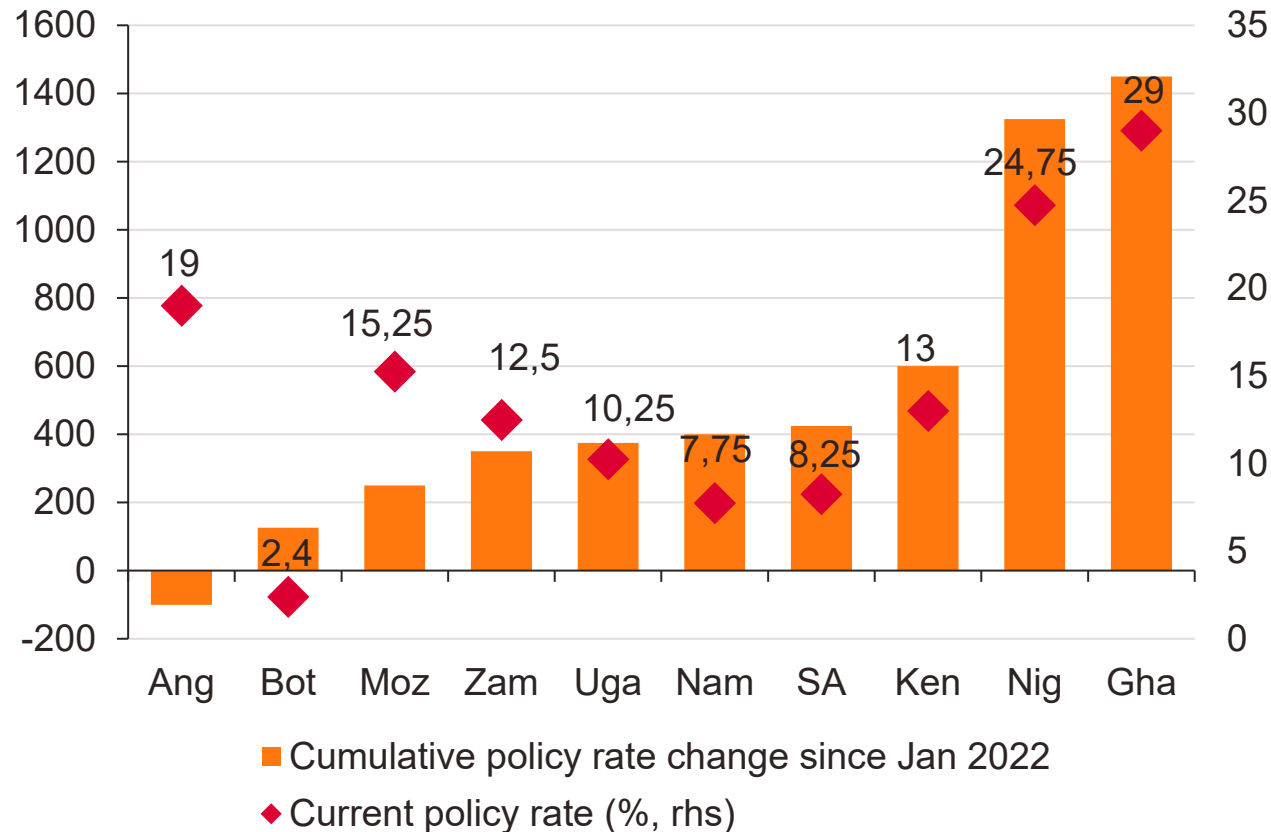
March 2024	Kenya	Tanzania	Uganda
Food	5.8	1.4	-0.5
Alcohol & tobacco	8.5	4.3	3.5
Clothing & footwear	3.7	2.4	3.1
Housing & utilities	8.0	4.8	4.5
Furnishing	4.3	3.6	2.8
Health	2.6	2.1	6.7
Transport	9.7	4.4	3.1
Communication	1.3	1.9	1.8
Recreation and culture	4.8	3.4	5.0
Education	2.3	2.8	11.1
Restaurants & accommodation	4.5	4.1	4.7
Miscellaneous	0.9	7.3	5.9
Headline CPI	5.7	3.0	3.3



Source: KNBS, UBoS, TNBS, Absa Research

Monetary policy to remain tight in near-term

TZS continue to experience FX shortages



- The **Central Bank of Kenya's** MPC kept its policy rate unchanged at its April meeting, citing the stronger FX, lower inflation and re-anchored inflation expectations
- We expect no further change in the policy rate in the near-term. However, policy rate cuts are likely in H2
- The **Bank of Uganda** hiked its policy rate by 25bp at its April meeting amid mounting concerns about the FX and inflation outlook
- Although additional policy rate hikes are unlikely, the bias remains in favour of further tightening
- The **Bank of Tanzania** hiked its policy rate by 50bp at its April meeting to support the shilling
- With the inflation outlook remaining benign, we do not expect further policy rate hikes. However, should the currency continue to weaken, additional policy action is likely

Source: CBK, BoT, BoU, Absa Research

Macroeconomic forecasts



	Real GDP (% y/y)			Inflation % (avg)			Policy rate (%)			FX/USD		
	2023F	2024F	2025F	2023	2024F	2025F	Current	2024F	2025F	Spot	2024F	2025F
Kenya	5.2	5.5	5.6	7.7	5.1	5.7	13.0	11.5	10.0	130	140	145
Tanzania	5.3	5.5	6.0	3.8	3.4	3.5	6.0	6.0	6.0	2,575	2,617	2,674
Uganda	4.6	5.4	5.7	5.4	4.1	3.7	10.25	10.0	10.0	3,804	3,824	3,921

Source: KNBS, TNBS, UBoS, CBK, BoT, BoU, IMF, Bloomberg, Absa Research

Top of mind

General risks

- Geopolitical risks (Russia/Ukraine/ME)
- Resilient global growth and higher commodity prices
- Monetary policy in advanced markets and the latest inflationary risks
- Looser global financing conditions
- FX availability
- Debt sustainability concerns in key markets
- EA budgets and fiscal challenges
- Adverse and volatile weather conditions
- Insecurity (and elections)

) Thank you (



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