



# Absa Africa Financial Markets Index 2020

15 October 2020

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**Africa's possibility**  
is in the detail





## Presentation of findings

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# Testing resilience

When the index was launched in 2017, only six out of 17 countries scored above 50. This year, 14 out of 23 countries scored above 50.

Ghana, Nigeria, Morocco and Seychelles were the largest climbers. Mauritius remained in second but closed the gap on South Africa by two points.

Rank				Score		Comments
2020	2019			2020	2019	
1	1		South Africa	89	88	Foreign exchange controls eased but ratings downgrade hits liquidity
2	2		Mauritius	79	75	Market infrastructure and tax environment favourable to foreign investment
3	6		Nigeria	65	63	Firm on close-out netting rules set to boost repo and derivatives markets
4	5		Botswana	63	64	T-bill issuance reform expected to deepen bond market
5	4		Namibia	61	65	Large pension fund assets under management, but illiquid markets
6	13		Ghana	59	50	Active foreign exchange market and stronger legal framework
7	3		Kenya	58	65	Improving corporate action governance structure
8	12		Morocco	56	51	Improving market and business environment
9	8		Zambia	53	55	Stronger framework for resolving insolvency
10	10		Uganda	52	52	New primary dealer system set to spur bond market activity
11	14		Seychelles	51	47	Rapid growth in market capitalisation and number of equity listings
12	7		Tanzania	50	55	High transparency in stock market and low tax on dividend income
13	9		Rwanda	50	53	Strong macroeconomic outlook and healthy banking assets
14	11		Egypt	50	51	Liquid equity and foreign exchange markets
15	-		Eswatini	49	-	Large pool of domestic assets and growing stock exchange
16	16		Ivory Coast	43	41	Expanding bond market and positive macroeconomic outlook
17	15		Mozambique	43	44	Growing stock exchange and attractive tax environment for listed securities
18	-		Malawi	37	-	Improving transparency and financial stability after IFRS and Base E1 adoption
19	18		Senegal	37	35	Promising regional market growth but lacking local institutional investors
20	-		Lesotho	33	-	Securities exchange still awaiting inaugural listings
21	19		Cameroon	32	35	Bond and equity markets filled by regional merger of exchanges
22	17		Angola	30	36	Debt crisis overshadows positive tax reforms
23	20		Ethiopia	27	27	Development of market infrastructure in progress

Score increased 10 points = 100. The 5-point difference in the index adds three new countries, Eswatini, Lesotho and Malawi.



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# Overall pillar scores max = 100

## Pillar 1: Market depth

South Africa	<b>100</b>
Nigeria	<b>70</b>
Mauritius	<b>70</b>
Botswana	<b>55</b>
Kenya	<b>52</b>
Ghana	<b>48</b>
Namibia	<b>48</b>
Egypt	<b>45</b>
Uganda	<b>42</b>
Zambia	<b>41</b>
Mozambique	<b>41</b>
Senegal	<b>38</b>
Morocco	<b>37</b>
Ivory Coast	<b>36</b>
Tanzania	<b>35</b>
Angola	<b>34</b>
Seychelles	<b>34</b>
Rwanda	<b>30</b>
Cameroon	<b>28</b>
Eswatini	<b>24</b>
Malawi	<b>23</b>
Ethiopia	<b>11</b>
Lesotho	<b>11</b>

## Pillar 2: Access to foreign exchange

South Africa	<b>80</b>
Uganda	<b>67</b>
Rwanda	<b>66</b>
Seychelles	<b>65</b>
Egypt	<b>64</b>
Botswana	<b>60</b>
Zambia	<b>60</b>
Tanzania	<b>59</b>
Lesotho	<b>58</b>
Kenya	<b>57</b>
Namibia	<b>54</b>
Ghana	<b>54</b>
Mauritius	<b>54</b>
Morocco	<b>49</b>
Ivory Coast	<b>47</b>
Senegal	<b>46</b>
Eswatini	<b>45</b>
Mozambique	<b>45</b>
Cameroon	<b>36</b>
Malawi	<b>32</b>
Angola	<b>30</b>
Ethiopia	<b>30</b>
Nigeria	<b>22</b>

## Pillar 3: Market transparency, tax and regulatory environment

South Africa	<b>94</b>
Nigeria	<b>89</b>
Mauritius	<b>88</b>
Ghana	<b>83</b>
Botswana	<b>82</b>
Uganda	<b>80</b>
Rwanda	<b>80</b>
Zambia	<b>75</b>
Kenya	<b>74</b>
Morocco	<b>74</b>
Tanzania	<b>73</b>
Namibia	<b>71</b>
Ivory Coast	<b>66</b>
Egypt	<b>66</b>
Seychelles	<b>62</b>
Malawi	<b>62</b>
Mozambique	<b>59</b>
Eswatini	<b>58</b>
Senegal	<b>54</b>
Angola	<b>51</b>
Cameroon	<b>40</b>
Ethiopia	<b>37</b>
Lesotho	<b>33</b>

## Pillar 4: Capacity of local investors

Namibia	<b>92</b>
Mauritius	<b>90</b>
South Africa	<b>86</b>
Morocco	<b>67</b>
Eswatini	<b>64</b>
Botswana	<b>61</b>
Nigeria	<b>54</b>
Seychelles	<b>48</b>
Kenya	<b>41</b>
Tanzania	<b>34</b>
Ghana	<b>27</b>
Egypt	<b>26</b>
Mozambique	<b>20</b>
Malawi	<b>20</b>
Angola	<b>16</b>
Uganda	<b>15</b>
Cameroon	<b>14</b>
Rwanda	<b>14</b>
Ivory Coast	<b>14</b>
Senegal	<b>12</b>
Lesotho	<b>12</b>
Zambia	<b>12</b>
Ethiopia	<b>10</b>

## Pillar 5: Macroeconomic opportunity

South Africa	<b>78</b>
Egypt	<b>78</b>
Botswana	<b>72</b>
Mauritius	<b>72</b>
Morocco	<b>72</b>
Uganda	<b>70</b>
Namibia	<b>70</b>
Eswatini	<b>68</b>
Malawi	<b>67</b>
Nigeria	<b>67</b>
Kenya	<b>67</b>
Seychelles	<b>66</b>
Lesotho	<b>65</b>
Ghana	<b>65</b>
Rwanda	<b>62</b>
Tanzania	<b>59</b>
Ivory Coast	<b>58</b>
Ethiopia	<b>55</b>
Cameroon	<b>54</b>
Mozambique	<b>51</b>
Senegal	<b>49</b>
Zambia	<b>47</b>
Angola	<b>41</b>

## Pillar 6: Legality and enforceability of standard financial markets master agreements

Mauritius	<b>98</b>
South Africa	<b>94</b>
Nigeria	<b>87</b>
Zambia	<b>83</b>
Ghana	<b>78</b>
Kenya	<b>57</b>
Rwanda	<b>50</b>
Botswana	<b>46</b>
Tanzania	<b>43</b>
Mozambique	<b>40</b>
Uganda	<b>39</b>
Morocco	<b>36</b>
Ivory Coast	<b>35</b>
Eswatini	<b>33</b>
Seychelles	<b>32</b>
Namibia	<b>31</b>
Senegal	<b>24</b>
Egypt	<b>23</b>
Lesotho	<b>21</b>
Cameroon	<b>21</b>
Malawi	<b>21</b>
Ethiopia	<b>19</b>
Angola	<b>10</b>



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# Interactive databank

## Absa Africa Financial Markets Index 2020



Overall scores Max = 100		Pillar 1: Market depth		Pillar 2: Access to foreign exchange		Pillar 3: Market transparency, tax and regulatory environment		Pillar 4: Capacity of local investors		Pillar 5: Macroeconomic opportunity		Pillar 6: Standard financial markets master agreements	
South Africa	89	South Africa	100	South Africa	80	South Africa	94	Namibia	92	South Africa	78	Mauritius	98
Mauritius	79	Nigeria	70	Uganda	67	Nigeria	89	Mauritius	90	Egypt	78	South Africa	94
Nigeria	65	Mauritius	70	Rwanda	66	Mauritius	88	South Africa	86	Botswana	72	Nigeria	87
Botswana	63	Botswana	55	Seychelles	65	Ghana	83	Morocco	67	Mauritius	72	Zambia	83
Namibia	61	Kenya	52	Egypt	64	Botswana	82	Eswatini	64	Morocco	72	Ghana	78
Ghana	59	Ghana	48	Botswana	60	Uganda	80	Botswana	61	Uganda	70	Kenya	57
Kenya	58	Namibia	48	Zambia	60	Rwanda	80	Nigeria	54	Namibia	70	Rwanda	50
Morocco	56	Egypt	45	Tanzania	59	Zambia	75	Seychelles	48	Eswatini	68	Botswana	46
Zambia	53	Uganda	42	Lesotho	58	Kenya	74	Kenya	41	Malawi	67	Tanzania	43
Uganda	52	Zambia	41	Kenya	57	Morocco	74	Tanzania	34	Nigeria	67	Mozambique	40
Seychelles	51	Mozambique	41	Namibia	54	Tanzania	73	Ghana	27	Kenya	67	Uganda	39
Tanzania	50	Senegal	38	Ghana	54	Namibia	71	Egypt	26	Seychelles	66	Morocco	36
Rwanda	50	Morocco	37	Mauritius	54	Ivory Coast	66	Mozambique	20	Lesotho	65	Ivory Coast	35
Egypt	50	Ivory Coast	36	Morocco	49	Egypt	66	Malawi	20	Ghana	65	Eswatini	33
Eswatini	49	Tanzania	35	Ivory Coast	47	Seychelles	62	Angola	16	Rwanda	62	Seychelles	32
Ivory Coast	43	Angola	34	Senegal	46	Malawi	62	Uganda	15	Tanzania	59	Namibia	31
Mozambique	43	Seychelles	34	Eswatini	45	Mozambique	59	Cameroon	14	Ivory Coast	58	Senegal	24
Malawi	37	Rwanda	30	Mozambique	45	Eswatini	58	Rwanda	14	Ethiopia	55	Egypt	23
Senegal	37	Cameroon	28	Cameroon	36	Senegal	54	Ivory Coast	14	Cameroon	54	Lesotho	21
Lesotho	33	Eswatini	24	Malawi	32	Angola	51	Senegal	12	Mozambique	51	Cameroon	21
Cameroon	32	Malawi	23	Angola	30	Cameroon	40	Lesotho	12	Senegal	49	Malawi	21
Angola	30	Ethiopia	11	Ethiopia	30	Ethiopia	37	Zambia	12	Zambia	47	Ethiopia	19
Ethiopia	27	Lesotho	11	Nigeria	22	Lesotho	33	Ethiopia	10	Angola	41	Angola	10

Note: Eswatini, Lesotho and Malawi are new additions to the index.



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## Pillar 1:

### Market depth

Pillar 1 considers the size and liquidity of local financial markets, as well as the diversity of products available.

The impact of Covid-19 was felt mostly in Pillar 1. On average, countries' scores dropped by 0.6 from last year.

#### Top risers

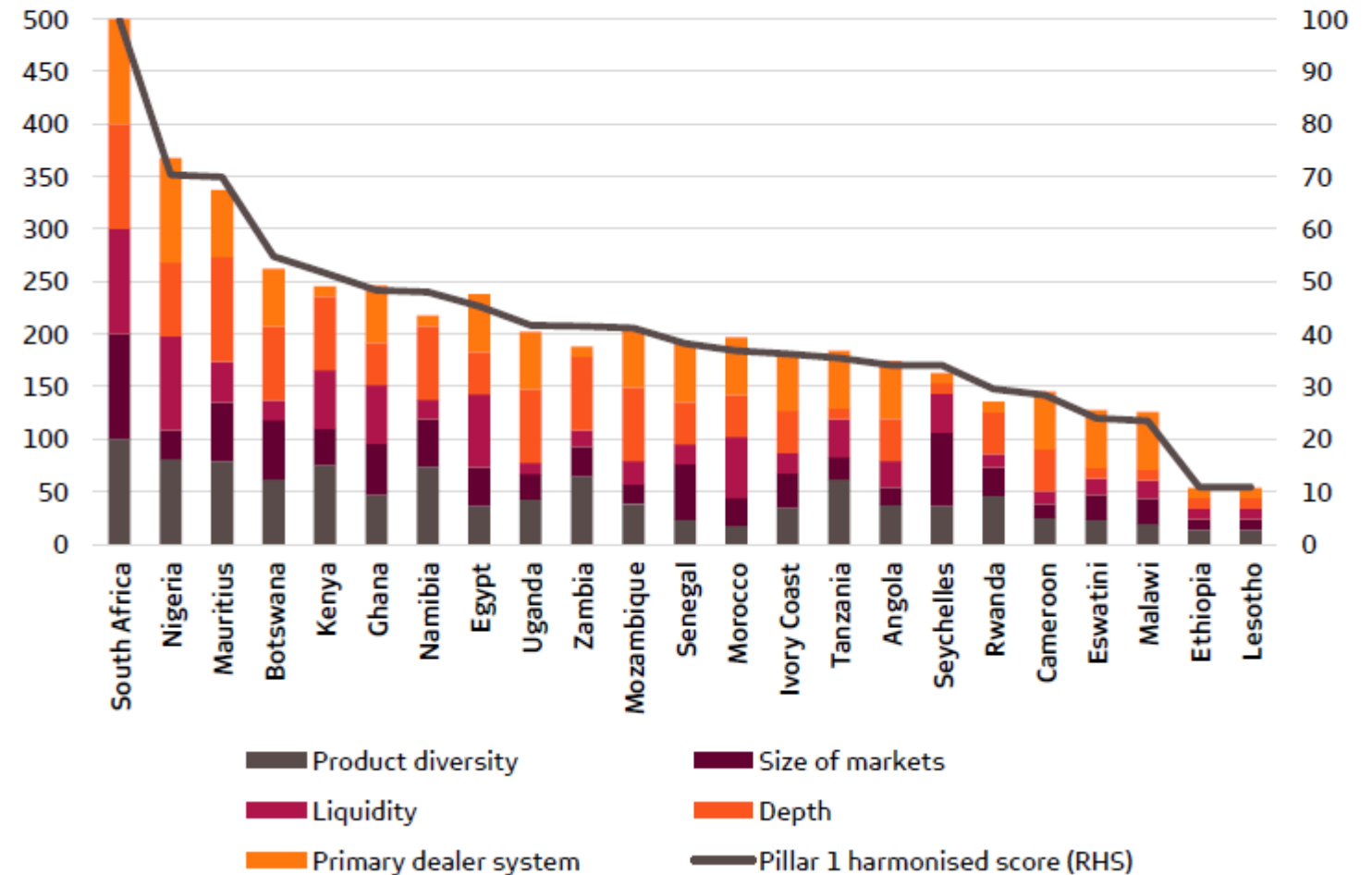
Seychelles (up 2 to 17<sup>th</sup>)  
Tanzania (up 1 to 15<sup>th</sup>)  
Ghana (up 1 to 6<sup>th</sup>)

#### Top fallers

Zambia (down 2 to 10<sup>th</sup>)  
Angola (down 1 to 16<sup>th</sup>)  
Rwanda (down 1 to 18<sup>th</sup>)

Figure 1.1: Greater market capitalisation improves Seychelles' performance

Scores for Pillar 1 categories, max=500; harmonised score, max=100 (RHS)

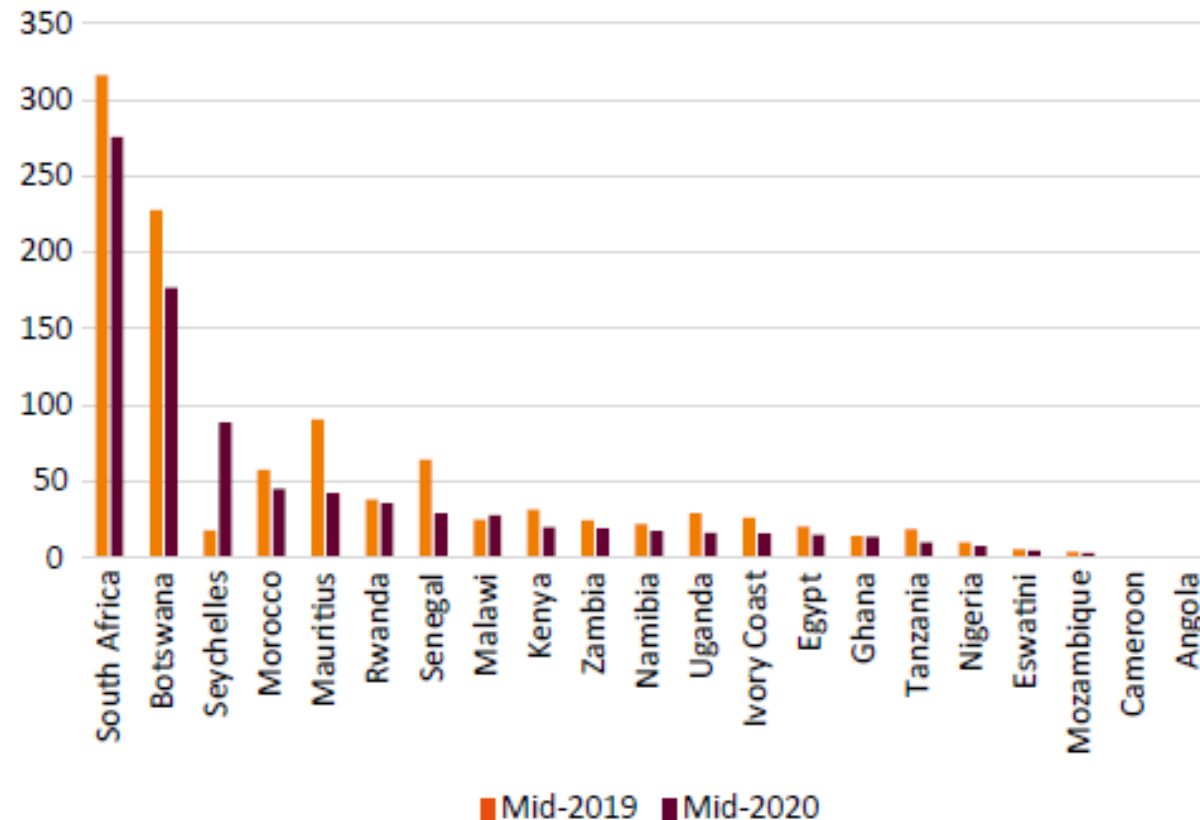




- Seychelles climbed two places to 17<sup>th</sup> after strong growth in market capitalisation. Capitalisation on the rebranded Merj Exchange rose to 89% of GDP from 21% of GDP following a number of listings.
- Zambia dropped two places to 10<sup>th</sup> due to declines in market liquidity and market size in dollar terms after a steep fall in the kwacha.

**Figure 1.3: Seychelles, Malawi and Cameroon trump decline in equity market capitalisations**

Market capitalisation, % of GDP





- Stock Exchange of Mauritius opened its market to International Central Securities Depositories. It came close to overtaking Nigeria to second.
- Tanzania climbed one place to 15<sup>th</sup> following a rise in equity market liquidity. Survey respondents said it had been helped by less strict lockdown measures.
- Uganda finished reforming its primary dealer system to enhance price discovery and secondary market liquidity.
- The Africa Exchange Linkages Project, which aims to link trading on seven regional bourses, has received funding from the African Development Bank has begun commissioning for order-routing technology.
- Survey respondents said foreign investors were less active in local markets, which weighed on market capitalisations and liquidity. Market liquidity was also hit by ratings downgrades in countries such as South Africa. However, respondents praised the actions of central banks for supporting money market and bond market liquidity throughout March and April.





## Pillar 2:

### Access to foreign exchange

Pillar 2 evaluates African markets' openness to foreign investment based on the ease of moving capital, liquidity of foreign exchange markets, rigidity of foreign exchange regimes and availability of reliable foreign exchange data.

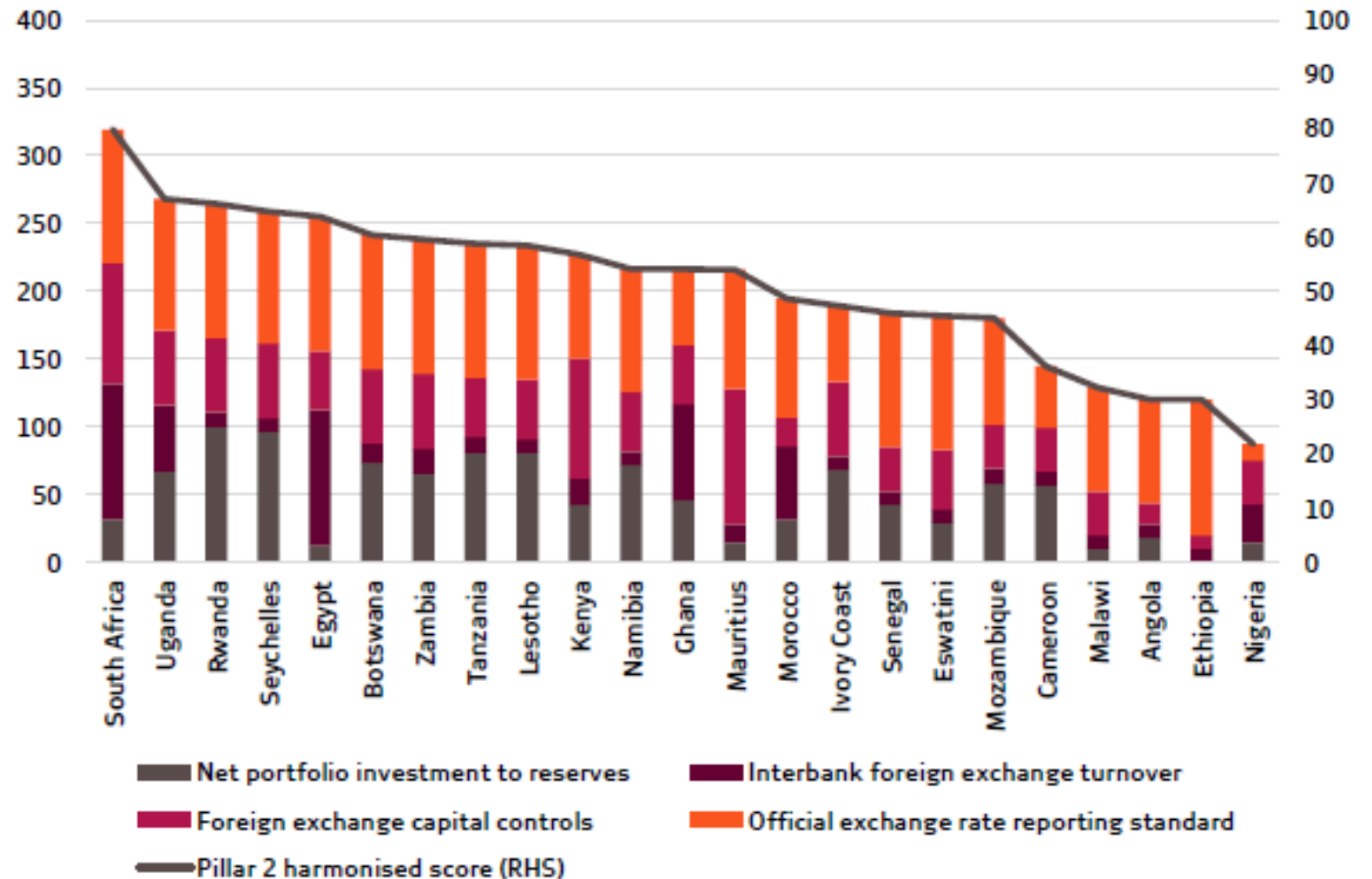
#### Top risers

Ghana (up five to 12<sup>th</sup>)  
Seychelles (up three to 4<sup>th</sup>)  
Namibia (up two to 11<sup>th</sup>)

#### Top fallers

Nigeria (down five to 23<sup>rd</sup>)  
Kenya (down five to 10<sup>th</sup>)  
Ivory Coast (down four to 15<sup>th</sup>)

Figure 2.1: Active foreign exchange market improves Ghana's standing  
Scores for Pillar 2 indicators, max=400; harmonised score, max=100 (RHS)







- A lower ratio of portfolio flows to reserves (for 2019) and higher interbank foreign exchange turnover lifted Ghana five places in Pillar 2 to 12<sup>th</sup>. Interbank fx turnover has been rising since Ghana loosened surrender and repatriation requirements for exporters in 2016.
- Namibia's ratio of net portfolio flows to reserves dropped to 3.4% at end-2019 from 8.9%, lifting it two places. A lower lifted Seychelles three places.
- A higher portfolio flows to reserves ratio had a negative impact on the rankings of Kenya (down five to 10<sup>th</sup>), Nigeria (down five to 23<sup>rd</sup>), Egypt (down three to 5<sup>th</sup>) and Ivory Coast (down four to 15<sup>th</sup>).
- Angola introduced new rules at the start of 2020 that encourage oil companies to sell foreign exchange directly to commercial banks rather than the central bank. Bloomberg trading infrastructure has also been implemented and these should encourage greater trading volumes in the interbank market.
- Nigeria reiterated its commitment to unify its multiple exchange rates and South Africa took steps to remove controls on foreign exchange transactions for the broader economy.





## Pillar 3:

### Market transparency, tax & regulatory environment

Pillar 3 scores countries based on regulatory frameworks, tax systems and market transparency. Countries scored 67 out of 100 on average, unchanged from last year.

#### Top risers

Morocco (up six to 10<sup>th</sup>)

Uganda (up three to 6<sup>th</sup>)

Kenya (up two to 9<sup>th</sup>)

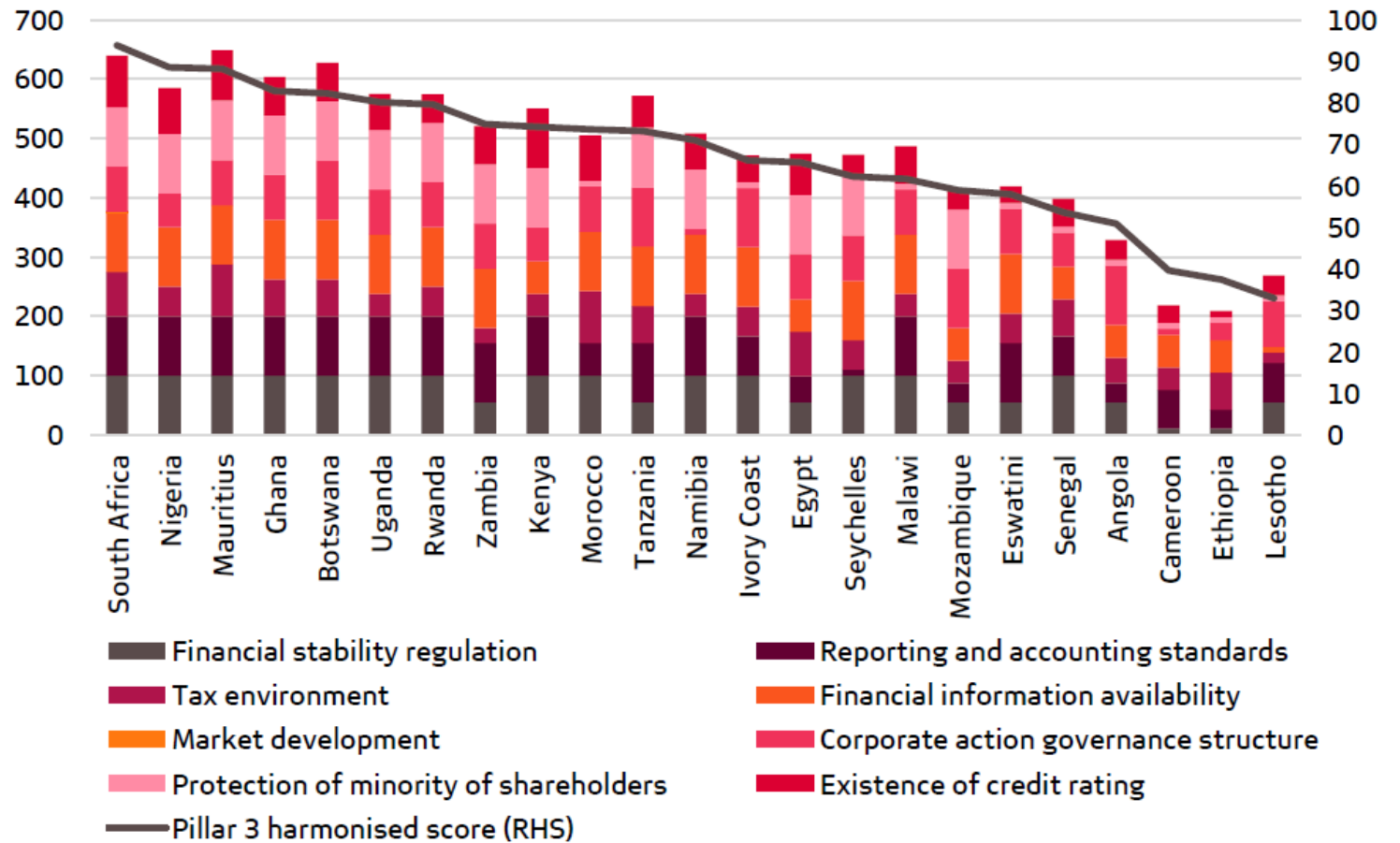
#### Top fallers

Angola (down six to 20<sup>th</sup>)

Rwanda (down three to 7<sup>th</sup>)

Tanzania (down three to 11<sup>th</sup>)

Figure 3.1: Nigeria improves ranking with greater number of corporates rated  
Scores for Pillar 3 categories, max=800; harmonised score, max=100 (RHS)







- Morocco rose six places following an increase in corporate ratings from international ratings agencies as well as improved protection of minority shareholders. As of September, there were nine corporate ratings, a new high for Morocco since the index began.
- Kenya climbed two places following improvements in corporate governance structure after the Kenyan Capital Markets Authority issued guidance allowing firms purchase their own shares. It also gained extra points for coverage from a local ratings agency.
- Uganda climbed three places due more corporate ratings and more favourable perception of capital market development policies from survey respondents.
- Angola's first tax treaty, signed with Portugal, came into force in late 2019. It is no longer the only country in the index without a double taxation agreement. However, it dropped six places due to new entrants coming in above it and others overtaking it.
- Large corporates in Seychelles are gradually taking up IFRS accounting standards and Ethiopian banks have until end-2021 to transition from GAAP to IFRS.



## Pillar 4:

### Capacity of local investors

Pillar 4 measures local investor capacity based on the amount of pension fund assets available in the country relative to the population and market capitalisation.

It's the lowest scoring pillar but fastest growing, with country scores rising by an average of 3.2 as more countries expand pension provision.

#### Top risers

Namibia (up three to 1<sup>st</sup>)

Egypt (up one to 12<sup>th</sup>)

Mozambique (up one to 12<sup>th</sup>)

#### Top fallers

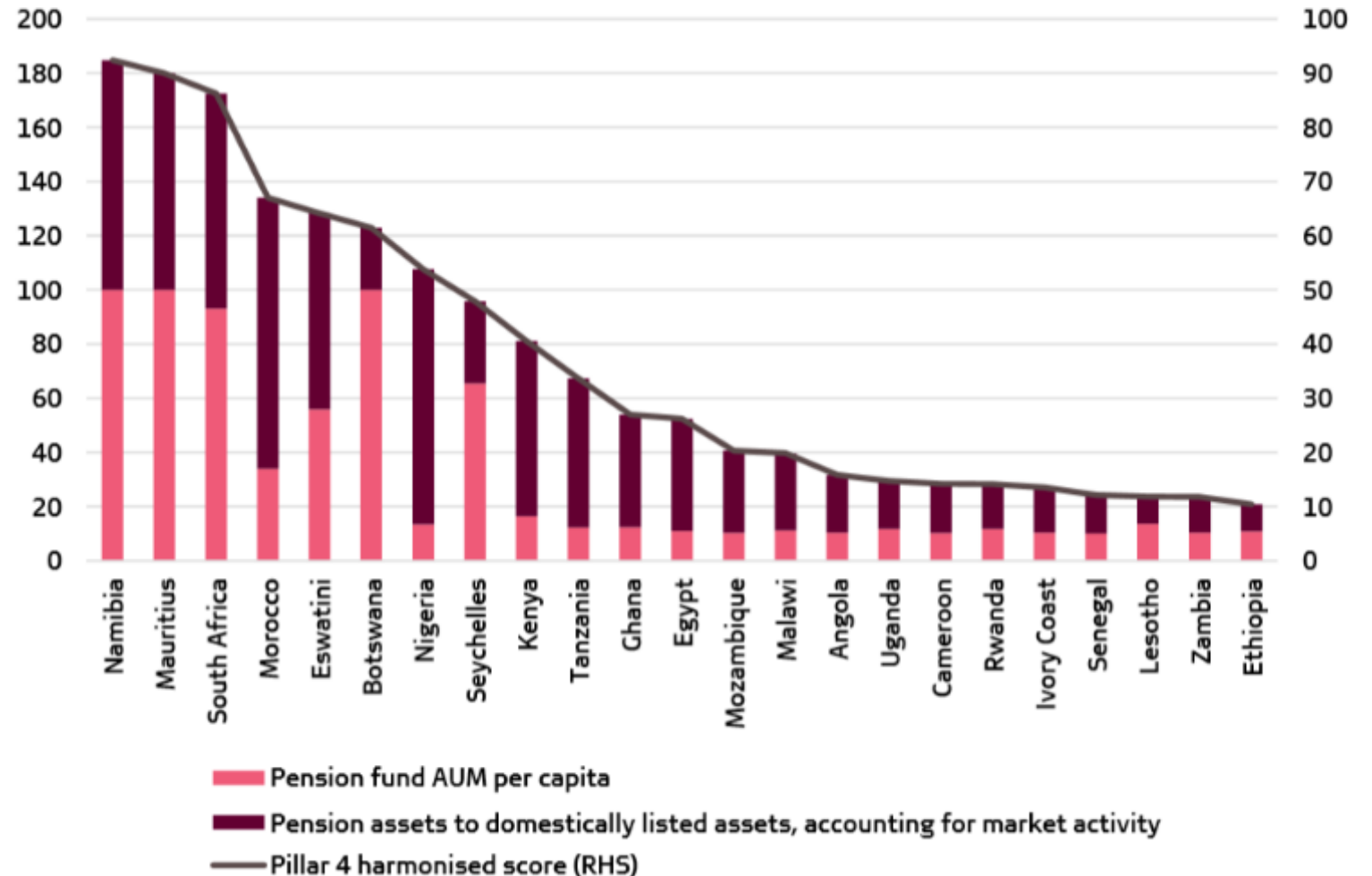
Cameroon (down five to 17<sup>th</sup>)

Angola (down four to 15<sup>th</sup>)

Zambia (down four to 22<sup>nd</sup>)

Figure 4.1: Namibia tops pillar with high concentration of pension assets

Scores for Pillar 4 indicators, max=200; harmonised score, max=100 (RHS)

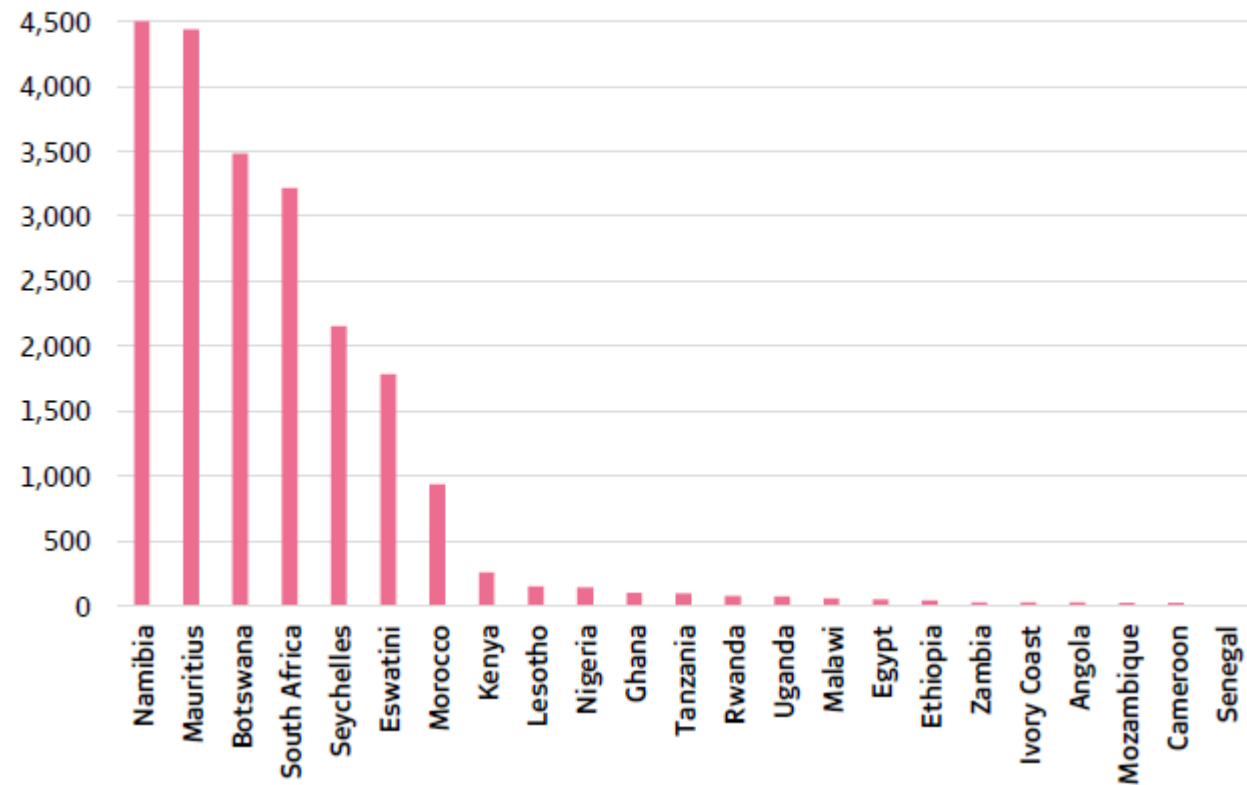




- Namibia climbed three places to the top of Pillar 4. Its pension assets rose on the back of strong market performance in 2019. Pension assets per capita climbed 9.6% year-on-year to \$4,582 at the end of 2019. Total assets are nearly twice the size of local market capitalisation, indicating Namibian pension funds can play an important role in spurring market activity.

Figure 4.2: Namibia has largest pension pool relative to population

Pension fund AUM per capita, \$





- Eswatini entered Pillar 4 in fourth place. It joins Namibia, South Africa, Seychelles and Mauritius as countries with over \$1000 of pension AUM per capita. Morocco is just below \$938, while all others are significantly lower; 12 countries have pension assets per capita below \$100. Eswatini has the highest ratio of pension assets to local market capitalisation.
- Egypt rose one place to 12<sup>th</sup> after registering the largest year-on-year increase in pension assets per capita in the index. Egypt's pension assets per capita grew 30% to \$48.
- Respondents highlighted numerous effective financial inclusion policies involving fintech companies. Mauritius launched the MauCas payments system, which will create opportunities for fintechs in the payments market, similar to open banking policies undertaken in other countries. In Nigeria, fintechs are providing competition for established banks in Nigeria.
- Angola's Kwenda project, primarily an income distribution project, earned praise for bringing low income Angolan's into the formal financial system for the first time. Rwanda published results of a Finscope survey, showing 93% of Rwandan adults are now financially included, up from 72% in 2012.





## Pillar 5:

### Macroeconomic opportunity

Pillar 5 assesses countries' macroeconomic performance, export competitiveness and banking sector health. It evaluates the quality of governance based on external debt management and financial sector transparency. On average, country scores improved by 1.1, subdued partly by adjusted growth forecasts reflecting the impact of Covid-19.

#### Top risers

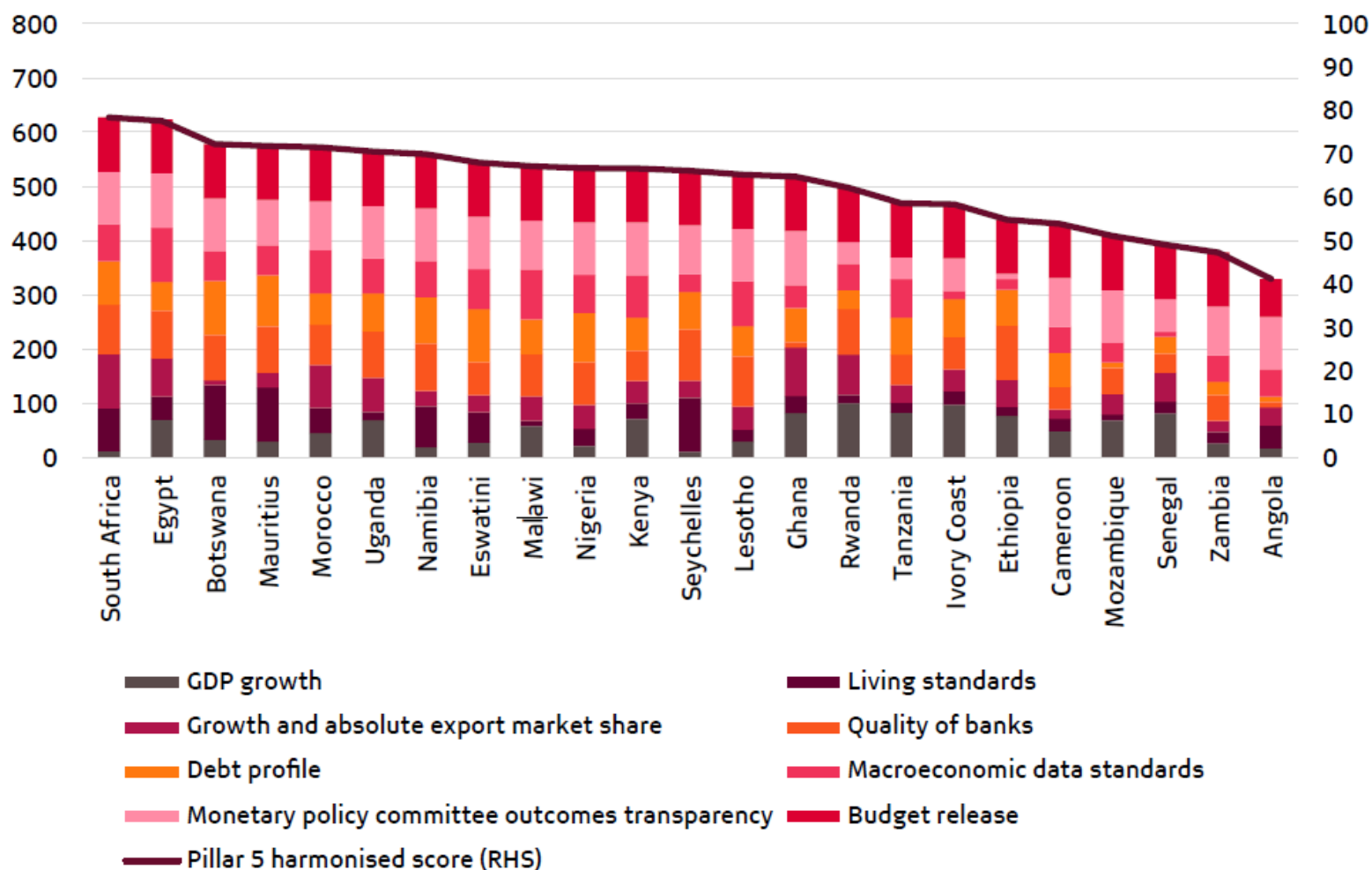
Mauritius (up four to 4<sup>th</sup>)  
Ivory Coast (up one to 17<sup>th</sup>)  
South Africa (up one to 1<sup>st</sup>)

#### Top fallers

Rwanda (down six to 15<sup>th</sup>)  
Ethiopia (down six to 18<sup>th</sup>)  
Cameroon (down five to 19<sup>th</sup>)

Figure 5.1: South Africa regains top spot despite economic struggles

Scores for Pillar 5 indicators, max=800; harmonised score, max=100 (RHS)





- Ivory Coast climbed one place to 17<sup>th</sup> despite all three new countries coming in above it. It has the second-highest economic growth outlook in the index. Over the last five years it has achieved a CAGR of 7.4% and is forecast to be one of the least badly hit by Covid-19.
- Despite a worse outlook for the economy and oil prices, Nigeria kept 10<sup>th</sup> place. It received an offsetting boost from its non-performing loans ratio, which fell to 6% at end-2019 from 12% a year before. This was due to diversification of lending by banks away from the oil and gas sector.
- Ethiopia and Rwanda both fell six places in Pillar 6. This was partly due to all three new additions coming above them. Rwanda's external debt profile was less favourable while Ethiopia was hindered by its economic growth outlook.
- Large Pillar 5 impacts are expected in 2021 when full-year 2020 data will be included.





## Pillar 6:

### Legality and enforceability of standard financial markets master agreements

Strong legal frameworks, clear rules on property rights and the recognition of internationally accepted legal standards build an attractive investment environment.

#### Top risers

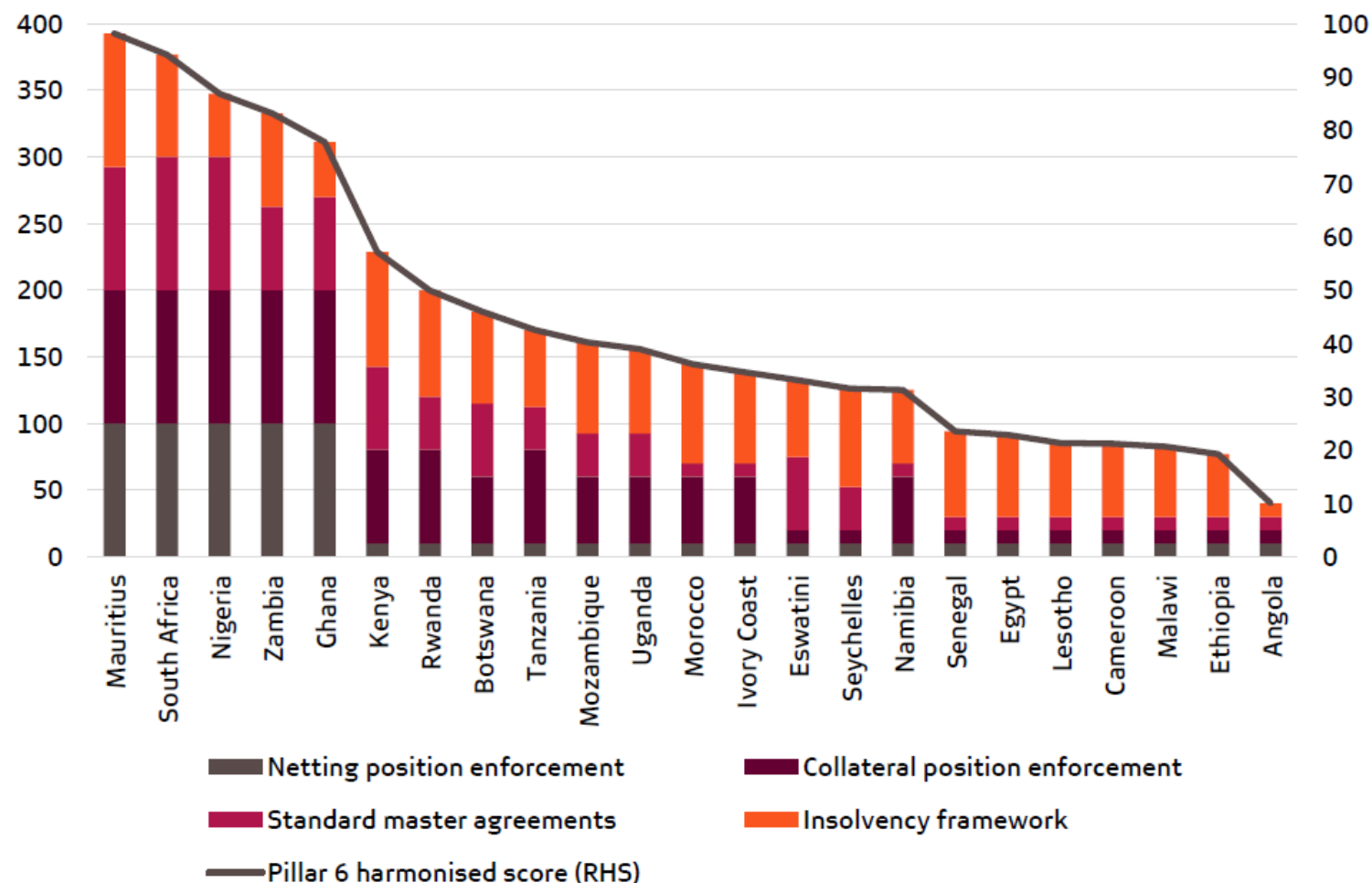
Ghana (up five places to 5<sup>th</sup>)  
Zambia (up three places to 5<sup>th</sup>)  
Nigeria (up three places to 3<sup>rd</sup>)

#### Top fallers

Namibia (down 12 to 16<sup>th</sup>)  
Angola (down 7 to 23<sup>rd</sup>)  
Kenya (down four to 6<sup>th</sup>)

Figure 6.1: Greater adoption of close-out netting rules and GMRA documentation observed across countries

Scores for Pillar 6 indicators, max=400; harmonised score, max=100 (RHS)





- Ghana climbs five places to 5th. This follows full adoption in Ghana of the Global Master Repurchase Agreement, which will be mandatory for transactions in Ghana's repo market. Key to full adoption was making close-out netting fully enforceable earlier this year.
- Close out netting allows debts with a defaulting counterparty to be settled on a net basis, reducing systemic risk.
- Nigeria enacted netting legislation earlier this year, lifting it three places to third. FMDQ, Nigeria's fixed income and derivatives exchange, said the legislation was "game changing" for Nigeria's capital markets.
- Uganda is encouraging banks to use GMRA. It is in the process of making close-out netting and collateral provisions of standard master agreements enforceable. Egypt, Morocco and the Seychelles are also in the early stages of drafting netting legislation.





- The International Swaps and Derivatives Association is close to commissioning legal opinions for Ghana, Nigeria and Zambia. Positive legal opinions will encourage greater international participation in their repo and derivatives markets.
- Pillar scoring was adjusted in the 2020 edition. Close out netting was based on the International Swaps and Derivatives Association's data and commissioned legal opinions. This had a negative impact on the rankings of Angola, Botswana, Kenya, Namibia and Tanzania.

	Close out netting enforceability	ISDA netting opinion
Mauritius 	Yes	Yes
South Africa 	Yes	Yes
Ghana 	Yes	ISDA in pre-commissioning process
Nigeria 	Yes	ISDA in pre-commissioning process
Zambia 	Yes	ISDA in pre-commissioning process
Egypt 	Under consideration	No
Morocco 	Under consideration	No
Seychelles 	Under consideration	No
Uganda 	Under consideration	No
Botswana 	No	No
Kenya 	No	No
Tanzania 	No	No
Angola 	No	No
Cameroon 	No	No
Eswatini 	No	No
Ethiopia 	No	No
Ivory Coast 	No	No
Lesotho 	No	No
Malawi 	No	No
Mozambique 	No	No
Namibia 	No	No
Rwanda 	No	No
Senegal 	No	No







**Thank you**

