EAST AFRICAN DEVELOPMENT BANK

ECONOMIC AND MARKET ANALYSIS

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ECONOMIC PERFORMANCE WITH OUTLOOK FOR 2013

GLOBAL ECONOMIC DEVELOPMENT

The year 2012 experienced slow global economic growth. World Output grew by 3.2 percent only as compared to 3.9 percent in 2011. The Euro zone went into a recession as growth in other advanced economies was too low to make a substantial dent in unemployment. In emerging and developing economies growth decelerated. According to the World Economic Outlook (WEO) update, Jan 2013, Global growth will strengthen gradually through 2013 to an average growth rate of 3.4 (See Table 1). Global economy weaknesses weigh on growth in Africa. The African Development Bank estimates that a 2 percent slowdown in global economies implies a 1 percent decline in Africa's Annual Growth.

Policy actions on fiscal consolidation in the **Euro area** have improved financial conditions for sovereigns in the periphery of the Euro area and thus lowered acute risks but still posing large downside risks to global outlook. The Euro area will continue to experience a recession with activity expected to contract by 0.2 percent in 2013 before picking up slightly again in 2014.

A supportive financial market environment and turnaround in housing environment have seen the **US economy** rising above trend in second quarter of 2012 thus registering a growth rate of 2.3 percent in 2012. Excessive near-term fiscal consolidation poses a major downside risk to growth. The United States may avert the fiscal cliff but has not fully addressed the national debt currently at USD16.4 trillion (a debt to GDP ratio of 103 percent) and excessive Government spending. Fiscal withdrawal is anticipated from the second quarter of 2013 and is likely to affect aggregate demand and dampen growth to 2 percent in 2013.

ECONOMIC GROWTH FOR EADB MEMBER STATES

East Africa is among the fastest growing regions; for the past three years from 2010, the **EADB Member States** have sustained high GDP growth outpacing the Sub-Saharan African (SSA) countries. Based on January 2013 data from Member States, the GDP growth for Member States was more than 6 percent as compared to SSA average growth of 5.1 percent.*(Continued in page 2)*.

Highlights for 2012

- In 2012 Global Output grew by dismal 3.2%, driven mostly by growth in emerging and developing economies; Euro zone in recession as output declined by 0.4%. 2013. Output to increase by 3.4% in 2013.
- Advanced Economies grappling with high unemployment and fiscal instability.
- External Sector for EADB Member States deteriorates as exports remittances, foreign direct investment dwindles.
- EADB Member States registers higher growth than rest of Sub-Saharan Countries. In 2012, the Member States registered growth rate of 5.9% as compared to the average of 4.8% for Sub-Saharan Countries
- Member States experienced severe inflation pressure from fourth quarter of 2011 through to the second quarter of 2012
- Though disinflationary policies were effective in reducing inflation to single digit, for some Member States rapid monetary tightening dampened credit growth and slowed economic growth.
- On account of aid unpredictability some Member States were forced to look for new financing sources and spending cuts.
- There is Mixed Outcome on domestic revenue mobilization: Kenya & Tanzania shows impressive revenue collection.

<u>Outlook for 2013</u>

- Growth prospects remains high for Member with average GDP growth estimate to grow by 6.7% for three years from 2013.
- Foreign Direct Investment to boost infrastructure growth in energy sector following world class discoveries of hydrocarbons.
- Some Member States to delay government investments; adopt austerity measures and or seek new sources of financing government deficit following aid reduction.
- The EADB to embark on aggressive resource mobilization strategy to grow its books.

(Continued from page 1)

In 2012, Rwanda and Tanzania registered higher economic growth than other Member States as they registered growth rates of 8.0 and 7.2 percent respectively (See Table 1 & Figure 2). Monetary tightening and worsening global economy slowed down economic growth in Kenya and Uganda as they registered growth rates of 5.1 and 4.2 percent respectively (Jan 2013 estimates by Authorities). The region is expected to sustain average growth rates of 6.7 percent for the coming three years from 2013 (Table 1).

The slowdown in global economy and in particular the recession in the Euro has, however, impacted negatively on growth in East Africa in 2012. Declining external demand, foreign direct investment and remittances are key transmission mechanisms through which growth was affected in 2012. The trend will continue in 2013. In particular the contraction of the Eurozone remains a major external risk for the East African economies as this will likely reduce aid, export receipts, remittances and foreign direct investment to EADB member states. Regional peace, security and domestic politics remain downside risks in various degrees for different member states. Potential fiscal instability due to aid freeze remains high for Rwanda and Uganda. If these risks are realized, growth will be revised downward for Rwanda and Uganda.

Table 1: Economic Growth (World, Selected Regions and Countries) and Prices

					Estimates			
		2010	**2011**	**2012**	**2013**	**2014**	**2015**	**Av 3 years**
World Output *1/*		**5.1**	**4.0**	**3.2**	**3.3**	**4.0**	**4.37**	**3.9**
Advanced Economies *1/*		**3.0**	**1.6**	**1.2**	**1.2**	**2.2**	**2.6**	**2.0**
United States		2.4	1.8	2.2	1.9	3.0	3.5	**2.8**
Japan		4.5	-0.6	2.0	1.6	1.4	1.1	**1.4**
Euro Area		2.0	1.4	-0.4	-0.2	1.0	1.5	**0.8**
United Kingdom		1.8	0.9	0.2	0.7	1.9	1.8	**1.5**
								0.0
Emerging & Developing Economies *1/*		**7.4**	**6.3**	**5.1**	**5.3**	**5.7**	**6.0**	**5.7**
Middle East and North Africa		5.0	3.3	5.3	3.6	3.8	4.3	**3.9**
Sub-Saharan Africa	Sub-Saharan Africa	5.3	5.3	4.8	5.6	6.1	5.9	**5.8**
East Africa *2/*	**East Africa 2/**	**6.6**	**6.0**	**5.9**	**6.4**	**6.8**	**6.8**	**6.7**
Kenya *4/*	Kenya	5.8	4.4	5.0	5.6	6.4	6.2	**6.1**
Rwanda	Rwanda	7.2	8.2	8.0	7.6	7.2	7.0	**7.3**
Tanzania *3/*	Tanzania	7.0	6.4	6.5	6.8	7.1	7.1	**7.0**
Uganda *5/*	Uganda	6.2	5.1	4.2	5.7	6.5	7.0	**6.4**
Commodity Prices (USD) *1/*								
Oil		27.9	31.6	2.1	-1			
Nonfuel *(Average based on world*								
Commodity export weights)		26.3	17.8	-9.5	-2.9			
Consumer prices *1/*								
Advanced		1.5	2.7	2.0	1.6	2.0	2.0	
London Interbank Offered Rate (%) *1/*								
On USD deposits		0.5	0.5	0.7	0.5	0.6		
On Euro deposits		0.8	1.4	0.6	0.1	0.3		
On Japanese Yen Deposits		0.4	0.3	0.3	0.2	0.2		

Sources:

1/ WEO Update, April 2013 for all data except for East Africa

2/ Simple Average of Growth rates for EADB Member states

3/ Ministry of Finance- Kenya, Budget Policy Statement, January 2013

4/ Ministry of Finance and Economic Planning – Rwanda, January 2013

5/ Ministry of Finance- Tanzania, January 2013

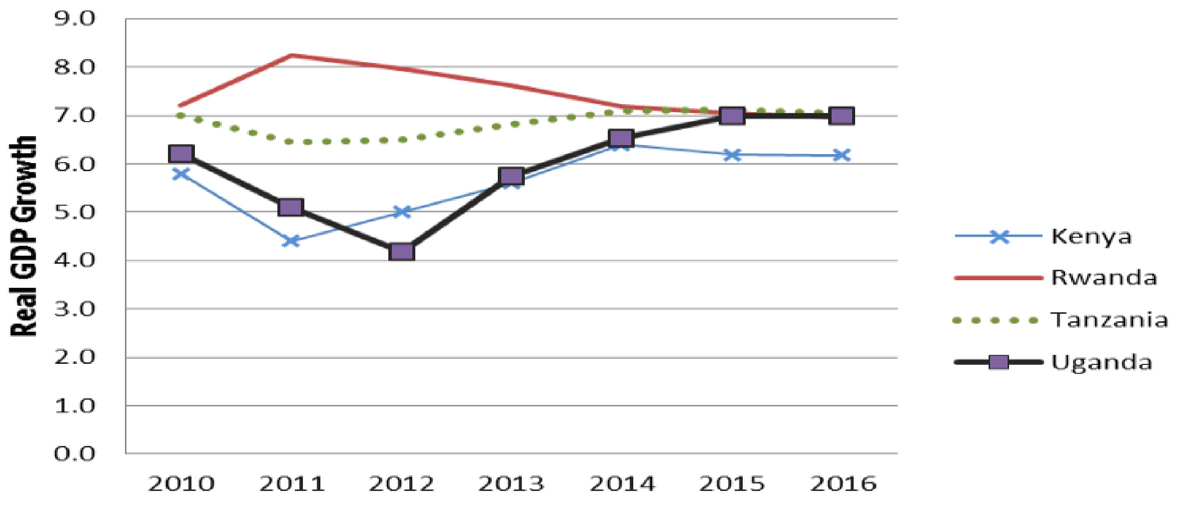
6/ Ministry of Finance Planning and Economic Development- Uganda, January 2013

ECONOMIC GROWTH FOR EADB MEMBER STATES *(continued from page 2)*

Kenya GDP growth rate rebounded in 2012 to 5 percent as compared to 4.4 percent in 2011. The first half of 2012 experienced weakening growth across key sectors such as agriculture, building and construction, hotels as well as in trade. Favourable weather and improved macro environment mainly (easing of inflation and loosened monetary policy) saw the economy beginning to recover during the second half of 2012. Increased domestic demand in the run up to general election and improved credit access were key drivers to growth during the last quarter of 2012 and first quarter of 2013. The Euro crisis is likely to affect horticulture export and tourism sector. Regional security risks remain elevated.

For the past five years **Rwanda** was, on average, the fastest growing Economy amongst the EADB member states (See Table 1 & Figure 2). The economy grew by 8.0 percent in 2012 and is expected to grow by 7.5 percent in 2013. Risks to growth remain high following delay or suspension of aid which has led to delays in Government spending and adoption of austerity measures. If the suspension is prolonged the Government will likely recourse to non-concessional and sovereign bond is financing which will push up interest rates and push

Figure 1: Real GDP Growth for EADB Member States



Source: National Bureau of Statistics and Ministries of Finance for Member State
Data from 2012 are based on estimates

down private investment thus further slowing down growth.

Economic activities in **Tanzania** remain robust following average growth rate of 7 percent in 2012. Growth was particularly strong in transport and communications, financial intermediation, trade and manufacturing. Each of these sectors recorded a growth rate of more than 10 percent as at the end of the third quarter of 2012. Electricity generation picked-up significantly during the third quarter of 2012 by recording a growth rate of 15.3 percent. The economy is expected to grow by 6.8 percent in 2013. However, erratic power supply remains a major risk to growth for the coming two years. Increased electricity tariff is likely to exert pressure on inflation and prices in general impacting negatively on growth.

In 2012, **Uganda** registered its slowest economic growth in more than 12 years, which was mainly accountable to rapid monetary tightening; fiscal contraction and deteriorating external environment which disrupted business plans of the private sector and dampened credit growth. Administrative hindrance to importation of goods through Mombasa impacted on trade and revenue collections particularly during the last half of 2012. Risks to growth in 2013 remain higher with the IMF projecting growth to slow down by 0.7 percent (against IMF projections of 5 percent) in fiscal year 2012/13 should the donors continue with aid suspension. Anticipated reduced economic growth is partly due to the private sector crowding out effect following disorderly domestic borrowing, reduced development spending and investor sentiments. Depletion of buffers and likelihood of repatriation of capital will further dampen growth prospects for 2013.

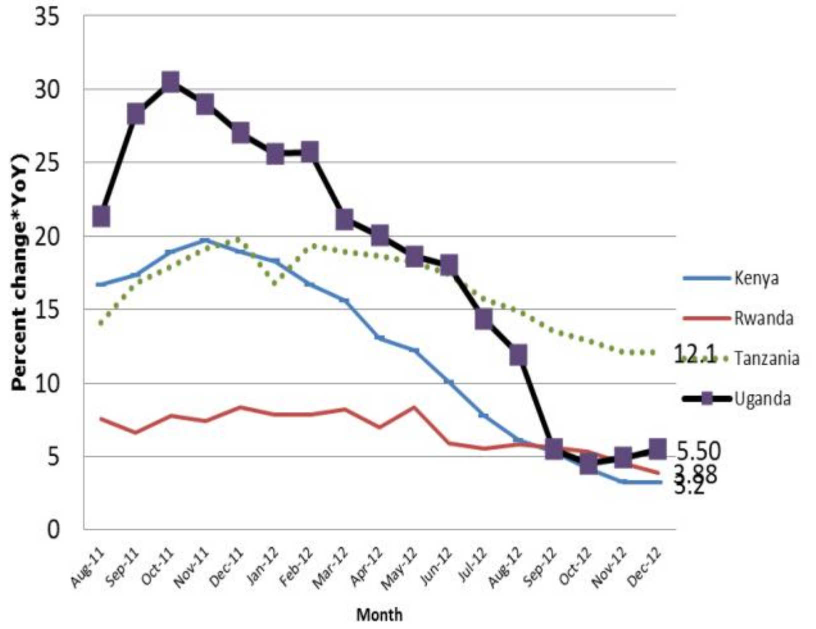
PRICES AND MONETARY POLICY

EADB Member States experienced severe inflation pressure towards the end of the fourth quarter of 2011 and throughout the first half of 2012. High levels of inflation were a result of lagged impact of high fuel and food prices and loosened monetary policy in 2011. With the exception of Tanzania, inflation in all other Member Countries decreased to single digit by the third quarter of 2012 and continued to remain low. Figure 2 shows Inflation Trend for EADB Member States from the last quarter of 2011 to the end of 2012: The figure shows that Inflation rates for Kenya, Uganda and Rwanda were restored to single digit levels by the end of December 2012.

Kenya: The country registered the lowest inflation rate by the end of 2012 having recorded inflation rate of 3.2 percent, from the high of 19.7 percent in November 2011. The decline reflects effective monetary policy supported by stable exchange rate; drop in food inflation on account of conducive weather and use of hydro generated electricity.

Inflation in **Rwanda** as measured by all Urban CPI on average remains the lowest in the region. Inflation rate slowed to 3.9 percent by end December 2012. However all Rwanda CPI remain high with annual growth rate of 9.16 percent as at the end of December 2012. The inflation rate is expected to remain at single digit and within the programmed range in 2013. Fiscal policies, in attempt to cover for aid reduction, could distort monetary policies.

Figure 2: Inflation trend for EADB Member States in 2012

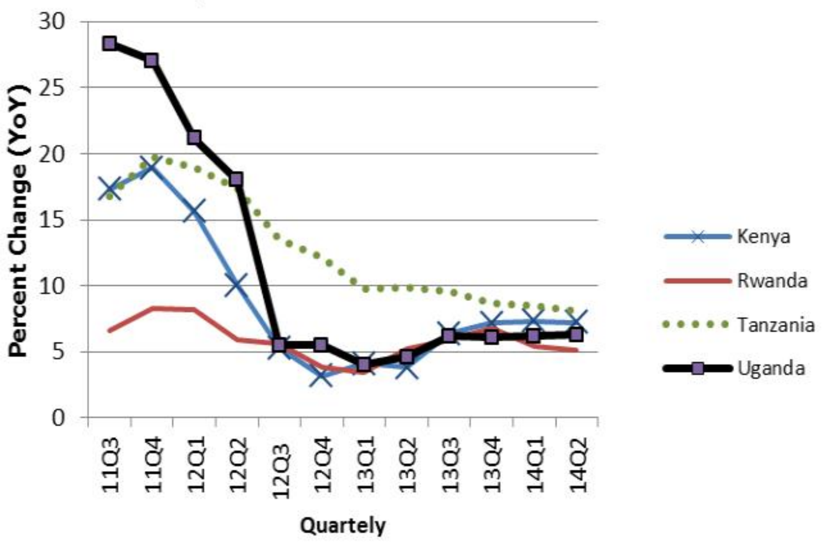


Source of Data: Bureau of Statistics of EABD Member States,

Tanzania: Inflation reached its peak in December 2011 at the rate of 19.8 and remained relatively sticky downward as compared to other Member States. By the end of December 2012 inflation slowed down to its lowest level in 17 months at the rate of 12.1 percent. Tanzania will likely attain single digit inflation by Mid-2013 and thereafter maintain the rate of about 5 percent in medium term. Sustained high levels of inflation are a result of delayed and less pronounced disinflationary policies as compared to other partner states.

During the first quarter of 2013, inflation rates in all the Member States with the exception of Tanzania will continue to be registered at single digit. The outlook for the remainder of the year 2013 is for inflation to remain at single digit and within programmed range for all EADB Member States (See figure).

Figure 3: Inflation Outlook for EADB Member States

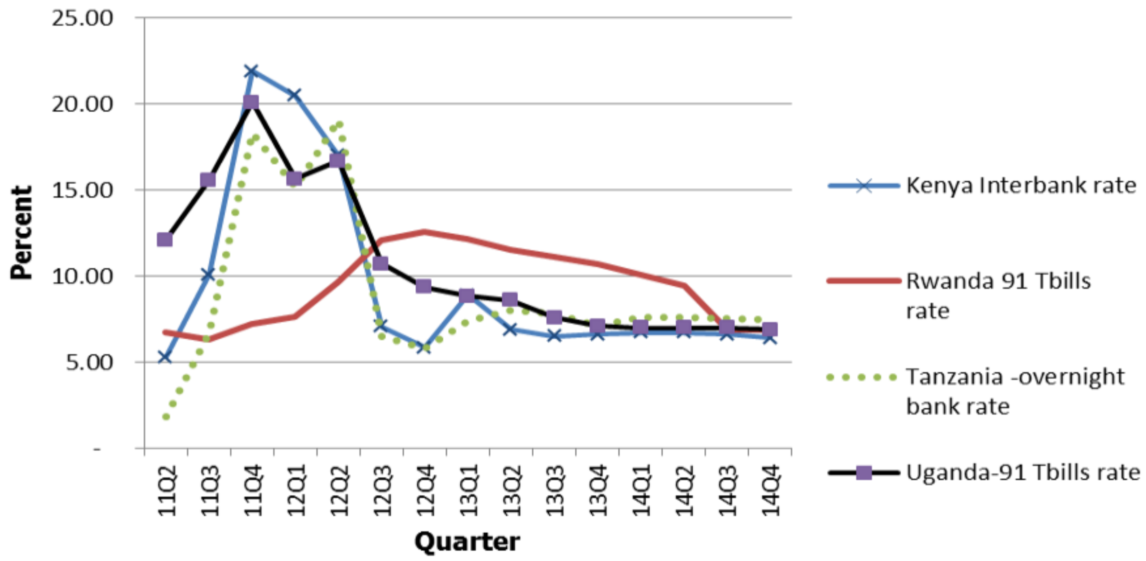


Source of data: TCX - the currency exchange fund, Jan 2013

PRICES AND MONETARY POLICY *(continued from page 4)*

There are no serious external risks to inflation outlook. Overall, world oil demand for 2013 will remain unchanged according to OPEC, at 800,000 bpd. The risk of oil supply disruptions due to escalating tensions in the Middle East is likely to be dampened by increased oil supply by the USA. The U.S oil supply in 2013 is expected to increase by nearly 5 percent to 10.44 million bpd (OPEC report, January 2013). Oil prices are expected to decrease by 1 percent while prices for non-fuel commodities are expected to decline by 2.9 percent. Disruptions in aid flow and fiscal policies in Uganda and Rwanda could render monetary policies ineffective and lead to higher than anticipated inflation and disruptions in growth.

Figure 4: Outlook on Key Policy Rates



Source: EADB Member States' Central Banks for data up 2013Q1 and TCX- the curency exchange fund for projections

In general, monetary policies for all Member States were effective in bringing down inflation from its highest rates experienced from the fourth quarter of 2011. Key policy rates for Central Banks remained high from the last quarter of 2011 and throughout most of 2012. Uganda maintained the highest central bank rate as compared to other countries having raised the central bank rate to 23 percent; Uganda continued to cautiously lower the central bank rate in line with inflation easing to reach 12 percent by end of December 2012 (Figure 4).

Apart from disinflationary purposes, the interest rates in Uganda and Tanzania had to remain high in order to contain foreign exchange market pressure as both countries experienced higher currency volatility month on month (See Figure 9) as compared to Kenya and Rwanda.

DEVELOPMENTS IN MONEY AND CAPITAL MARKETS

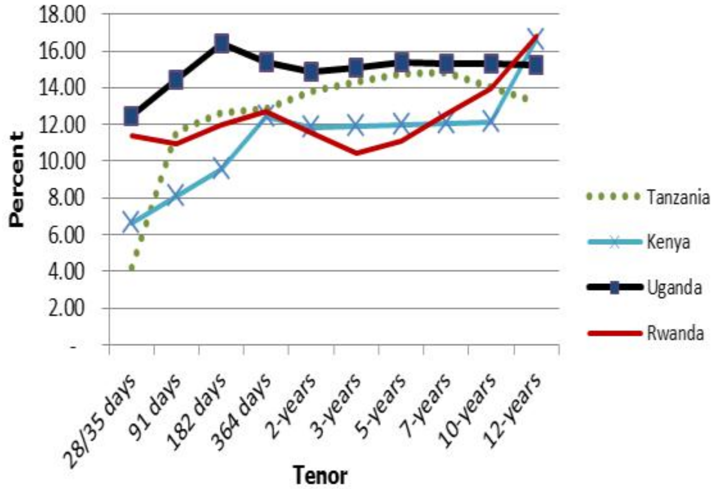
The **EADB Member States** experienced high interest rates from the first quarter of 2012 to the third quarter of 2012. The markets maintained high interest rates in order to realize positive returns on investment. Figure 5 depicts the pattern of the yield curve by June 2012. In general long term instruments had yields above 10 percent with Uganda experiencing the highest yield on debt instruments followed by Tanzania. High interest rates in the region severely affected the Bank's resource mobilization activities. On account of high yields on money and capital instruments, the Bank had to maintain a less aggressive stance in its efforts to issue a regional bond targeting to raise the equivalent of US$ 125 million in its four Member States.

Following effective monetary policy, inflation began to recede during the fourth quarter of 2012 and yield curves for member states shifted downward and started to behave normally from the fourth quarter of 2012. The lagged impact of the cooling effect of monetary policy for East African Member States will be felt throughout the beginning of 2013 assuming there are no external shocks. Major threats to rising inflation and money market yields include the current increase in global world food prices, and for some Member States distortionary fiscal policies which could push rates upward.

Recent developments in the Money and Capital Markets suggest that the financial markets in the East Africa region will continue to see lower rates as compared to rates registered during the period beginning fourth quarter of 2011 up until the third quarter of 2012. Key central banks' policy rates will also remain lower in 2013 as compared to 2012 (See figure 4).

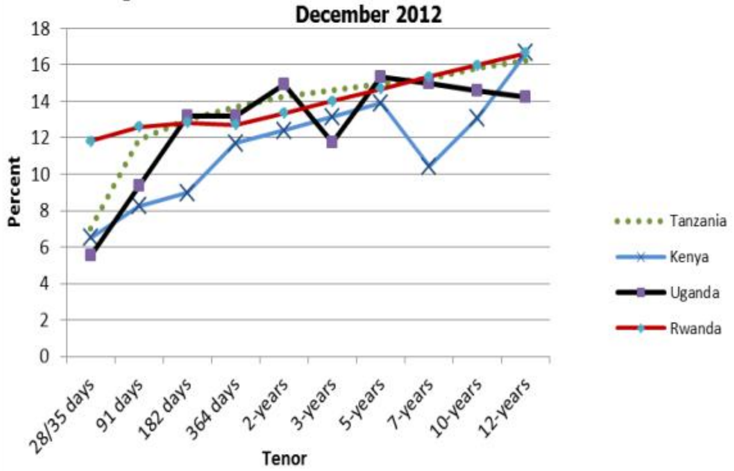
Figure 6 shows the yield curves for the EADB Member States in December 2012. Yields in **Kenya** were generally lower as compared to its neighbours suggesting that the Bank could access the markets in Kenya earlier than other markets in its effort to mobilise resources from Member States. A number of caveats exist on the yield curve for Kenya. The seven year bond seems to earn lower yield than 2 and 5 years bonds. This is on account of a seven year bond that was issued at the time of lower interest rates (July 2007). The 12 year bond is an outlier. Special (infrastructure) bond was issued at the time when interest rates were rising in October 2011.The bond was issued at fixed coupon rate and has been reopened several times. Fiscal policies will influence yields on securities. Fiscal expansion will stem mainly from increased domestic borrowing by 29 percent in 2013/13 to finance a 10 percent increase in salaries for civil servants and expenditure on internal security. The spread between CBK rate and the treasury bills rate will remain high for 2013 as bills rate edges higher.

Figure 5: Yield Curve for EADB Member states in June 2012



Source of Data: EADB Member States Central Banks

Figure 6: Yield Curve for EADB Member states as at End-December 2012



Source of Data: EADB Member States Central Banks

Since no long term bonds have been issued in **Rwanda** recently, the yield curve is estimated using long term deposit rates as proxy for yield. Deposit rates in Rwanda have recently increased to 15-20 percent as compared to 9.3 percent (Nov 2012). Treasury bills rates will likely increase should the Government have recourse to domestic financing following aid freeze.

Tanzania seems to have a well behaved yield curve (upward sloping) showing higher returns for long term instruments than short term. However the rates are generally higher than rates in Kenya and Rwanda. Downward rigid inflation will keep rates high up until mid-2013.

DEVELOPMENTS IN MONEY AND CAPITAL MARKETS *(continued from page 6)*

Uganda: By end of 2012, short term instruments (364 day bills and 2 year bond) had higher yields than five year bonds. This could be pointing to investors' lack of confidence in long term instruments. Despite lowering the central bank rate to 12 percent in line with inflation easing, Treasury bond rates are likely to be maintained at current levels while commercial rates are likely to be slightly lowered in tandem with the Central Bank Rate assuming inflation will remain at the same level. The Central Bank will maintain key policy rate at the level of 12 percent with a margin of +/-3 percent for the first half of 2013 in order to control on inflation and foreign exchange market pressures. Expansionary fiscal policies through domestic financing could push rates up.

Fiscal Development

Fiscal performance has been strong in the region with increasing revenue to GDP ratio. Annex 3 present selected Fiscal indicators for the EADB member states. Over the years Revenue mobilisation has been particularly impressive for Kenya and Tanzania but less dramatic improvement has been observed in Rwanda and Uganda. Figure 7 shows high revenue to GDP ratio for Kenya and Tanzania. Following freezing of aid both Rwanda and Uganda are adopting austerity measures for the year 2012/13. EADB Member States are yet to attain the fiscal deficit to GDP convergence criteria of less than 5 percent. The debt burden in Kenya and Tanzania could grow significantly in the medium term if no fiscal consolidation measures are taken to address the growing debt burden.

Kenya has the highest revenue to GDP (excluding grant) ratio as compared to its neighbours (above 22 percent in medium term outlook). The deficit (before grants) to GDP ratio remains the lowest (between 6 to 7 percent) in 2011/12 and 2012/13 respectively. The Government has been pursuing a fiscal stimulus to boost economic growth leading to rising expenditure. In particular the ratio of recurrent expenditure to GDP has increased to 22. 4 percent (2012/13) as compared to 19.6 (2011/12) reflecting partly higher outlays on public-sector wages. Financing for programs to implement the new constitution and infrastructure financing, partly through borrowing, has pushed up the debt to GDP ratio to 44.4 percent in 2012. The Public debt is likely to increase in the short run as it approaches the uncomfortable zone of 50 percent. The Government is expected to pursue fiscal consolidation measures from 2014.

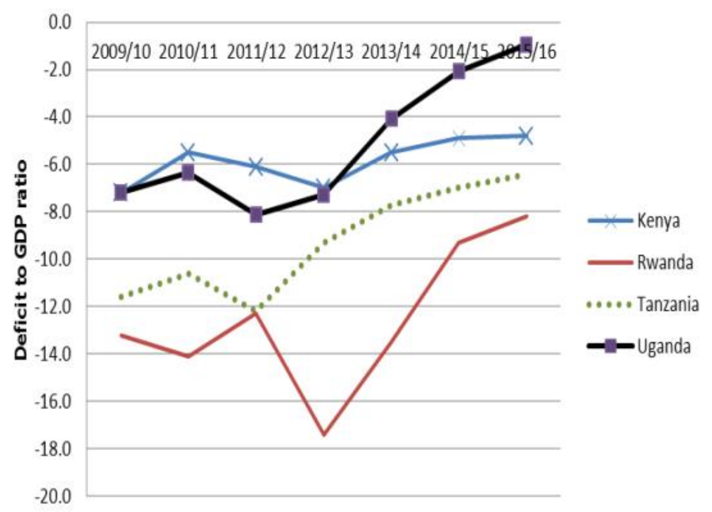
Rwanda: The ratio of revenue to GDP has been rising over time signaling improvement in tax administration. Rwanda has a higher proportion of development expenditure to GDP than the rest of the Member States. In the year 2011/12, Rwanda spent about 11.7 percent of GDP in development expenditure. The current budget deficit (before grants) to GDP ratio is 17.4 percent (see Figure 8). The excessive deficit to GDP ratio could be a sign of high level of aid dependency. Budgetary grants as percentage of total revenue was about 25 percent in 2011/12. (Continue in next column)

Fiscal Development *(continued from previous column)*

The ratio has decreased to 20.4 percent in 2012/13. The country has the lowest nominal debt to GDP ratio of about 18.7 percent but will likely increase significantly in the medium term following reduction in aid flow from July 2012. The Government is already adopting austerity measures and mobilising resources domestically. Both measures will have negative consequences on growth. Reduction in public expenditure would delay investments aimed at improving productive capacity. Recourse to domestic financing is likely to push interest rates high and crowd out private sector investment. The ultimate outcome of these developments will be low economic growth and slow rate of poverty reduction.

Tanzania has been registering consistent increase in revenue to GDP ratio rising from 15.4 percent in 2009/10 to 17.6 percent in 2011/12. However the ratio of recurrent expenditure to GDP remains the same as revenue to GDP ratio indicating that domestic resources are used mainly to finance recurrent expenditure. The debt to GDP ratio is sustainable but increasing over time. In 2011/12 the ratio was around 38.5 percent but is expected to grow above 45 percent in the medium term in anticipation of increased external (including issuing of Euro bond) and domestic borrowing. Budget deficit (before grants) to GDP grew to 12.2 percent in 2011/12 from 10.6 percent in 2010/11. The

Figure 8: Budget defit/GDP



Source of data: Ministry of Finances of EADB Member States

Government is expected to begin lowering fiscal deficit to GDP ratio from 2013/14.

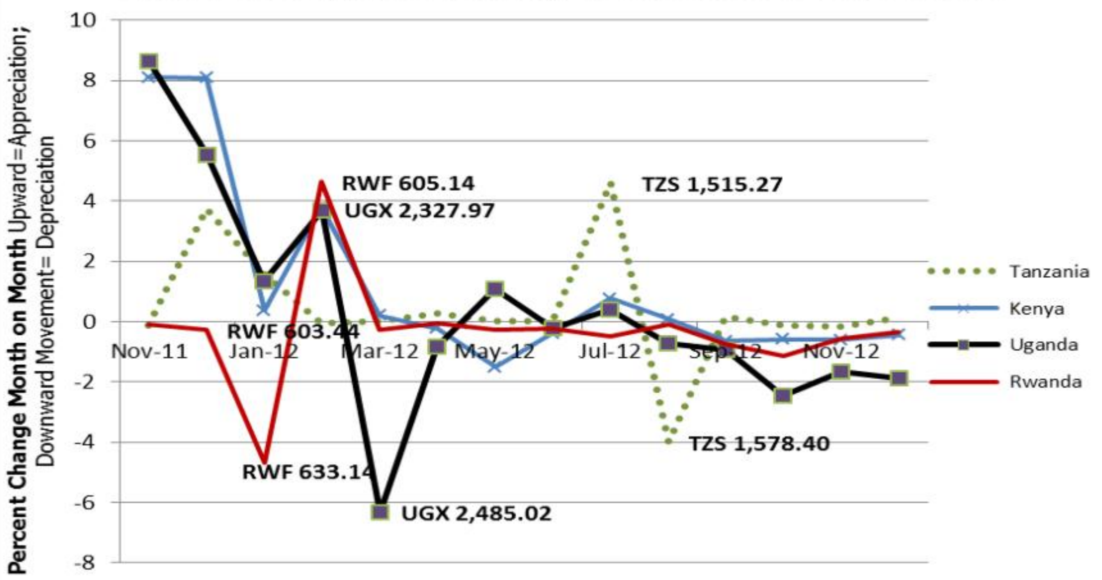
Uganda has the lowest domestic revenue to GDP ratio of about 13.10 percent. In 2010/11 Uganda experienced rapid growth of its revenue when revenue grew by more than 40 percent from the previous year and hitting record revenue to GDP ratio of 16.4 percent. The ratio has slumped to 13.3 percent in 2011/12. During the last half of 2012 Uganda has experienced weakening fiscal sustainability with the Uganda Revenue Authority achieving below target by close to 9 percent and donors curtailing of aid. The Government will likely delay implementing fiscal stimulus and investment to keep the deficit in check and reprioritize its investment options as well as using less concessional financing and private sector participation to cover deficit. The IMF estimates real GDP growth to decrease by 0.7 percent if aid flow does not resume before mid-2013.

EXTERNAL SECTOR AND TRADE IN EAST AFRICA

Foreign Exchange Markets in East Africa

Monetary authorities for the EADB Member States have maintained stability in foreign exchange markets despite minor currency volatilities. Figure 9 depicts currency volatility for the Member States against the US dollar. Upward movement represents appreciation while downward movement shows depreciation. Member State's currencies did not appreciate or depreciate by more than 10 percent month on month. **Rwanda** experienced highest depreciation of its Franc in January 2012 when the Franc hit a record low level against the US dollar at an average exchange rate of RWF 633.15 per the US dollar. **Uganda** experienced the highest depreciation (month on month) in March 2012 when the Uganda shilling depreciated by 6.3 percent against the US dollar. The Ugandan shilling remains the most volatile as it continued to fall against the major currencies during the last quarter of 2012. **Tanzanian shilling** was stable during the first half of 2012 but experienced high volatility during the third quarter of 2012 when in July it appreciated against the USD to an average of TZS 1,515.27 before depreciating again in August to TZS 1,578.40 against the USD. The **Kenyan** shilling appeared to be the most stable currency throughout the year with relatively lower volatility as compared to other currencies. The Kenyan shilling showed signs of losing against the US dollar during the last quarter of 2012.

Figure 9: Exchange Rate Volatility for EADB Member States in 2012



Source of data: EADB Member States' Central Banks

Current Account and Foreign Reserves

In 2012, the external sector for all the Member States remained health as they recorded a surplus in overall balance of payments despite widening current account deficit. All the Member States have maintained optimal reserves to ensure against shocks. Reserves coverage for the Member States have converged around 5 months of imports in line with the EAC convergence criteria (Table 3). Given that there is no agreed methodology for assessing reserve adequacy in Low Income Countries the optimal reserve requirement for some EADB Member States could be lower than the current levels.

In **Kenya** current deficit widened significantly in 2011 and early 2012 mainly on account of oil imports and a drop in the tourism sector due to problems facing the Eurozone and a decline in exports. Table 2 shows that the current account to GDP ratio grew to -10.2 in 2011 and decreased mildly in 2012 to -9.6. The overall balance of payments position, however, improved significantly in 2012 as the surplus in capital and financial account more than offset deficit in current account. The surplus is attributed to increased FDI mainly from investments from China and the discovery of oil in the Turkana region. In 2012 the Central Bank of Kenya maintained sufficient levels of reserve equivalent to more than 4 months of import cover.

EXTERNAL SECTOR AND TRADE IN EAST AFRICA *(continued from page 8)*

Table 2: Current Account/GDP Ratio for EADB Member States

	2009	2010	2011	2012	2013	2014	2015	2016	2017
Kenya	-5.52	-7.80	-10.20	-9.60	-8.10	-7.00	-5.60	-4.50	-3.20
Rwanda	-7.3	-5.9	-7.30	10.00	10.20	-9.00	-6.8	-5.9	-5.4
Tanzania	-14.4	-16.1	-34.7	-13.30	-12.10	-11.40	-11.90	-12.90	-13.00
Uganda	-7.56	-10.49	-12.60	-11.50	-12.10	-13.00	-14.00	-10.40	-11.70

Table 3: International Reserves (Months of Import)

	2009	2010	2011	2012	2013	2014	2015	2016	2017
Kenya	4.09	3.83	3.80	4.00	3.80	4.10	4.20	4.30	4.60
Rwanda	5.4	4.5	5.1	5.0	4.6	4.6	4.6	4.2	4.0
Tanzania	5.20	3.73	3.90	3.90	3.70	3.50	3.30	3.30	
Uganda	6.74	5.06	4.20	4.00	4.00	3.90	3.70	3.40	3.10

Source: Central Banks of EADB Member states

Rwanda: External sector has performed well for the past three years. Although the current account deficit has widened over the years, the overall balance of payment was posting a surplus. In 2012 the country posted a record surplus of USD 237 million. However, in 2012 the balance of payment was anticipated to record a mild deficit of USD 8 million. The external current account deficit to GDP will increase to 10 percent as compared to 7.3 in 2012.

Tanzania: Over the past three years Tanzania recorded high current account deficit to GDP as compared to other Member States. In 2012 the current account to GDP ratio was around 13.3 percent. The overall balance of payment remained positive over the past years.

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