SECURITIES AFRICA
RESEARCH & CAPITAL MARKETS

PAN-AFRICA

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

We have included summaries for the countries listed below, please click on the country name should you wish to navigate to it directly:

AFRICA STOCK EXCHANGE PERFORMANCE

				WTD % Change		YTD % Change	
Country	Index	10-Jan-14	17-Jan-14	Local	USD	Local	USD
Botswana	DCI	9,104.54	9,175.00	0.77%	17.03%	22.17%	23.81%
Egypt	CASE 30	6,887.48	7,143.62	3.72%	19.01%	30.78%	30.84%
Ghana	GSE Comp Index	2,184.82	2,186.94	0.10%	21.82%	82.29%	78.90%
Ivory Coast	BRVM Composite	232.16	237.86	2.46%	-6.97%	42.79%	33.03%
Kenya	NSE 20	5059.52	5018.60	-0.81%	2.46%	21.43%	25.95%
Malawi	Malawi All Share	12,581.74	12,581.74	0.00%	61.89%	109.16%	150.85%
Mauritius	SEMDEX	2,134.25	2,125.30	-0.42%	-4.87%	22.70%	22.90%
	SEM 7	409.58	409.50	-0.02%	-4.49%	21.41%	21.61%
Namibia	Overall Index	980.65	1,007.70	2.76%	34.73%	2.17%	5.29%
Nigeria	Nigeria All Share	41,480.62	41,751.55	0.65%	1.63%	48.69%	48.50%
Swaziland	All Share	294.27	294.27	0.00%	31.79%	3.01%	6.47%
Tanzania	TSI	2,849.01	2,881.71	1.15%	3.38%	93.97%	97.74%
Tunisia	TunIndex	4,360.02	4,380.78	0.48%	3.12%	-4.35%	-8.03%
Zambia	LUSE All Share	5,332.74	5,155.38	-3.33%	8.64%	38.39%	46.89%
Zimbabwe	Industrial Index	204.00	202.73	-0.62%	-0.62%	33.02%	33.02%
	Mining Index	41.97	38.82	-7.51%	-7.51%	-40.39%	-40.39%

CURRENCIES

Cur-rency	10-Jan-14 Close	17-Jan-14 Close	WTD % Change	YTD % Change
BWP	8.77	8.85	0.95	15.67
EGP	6.94	6.91	- 0.51	14.10
GHS	1.87	2.37	0.38	24.47
CFA	482.77	485.10	0.48	- 2.07
KES	85.24	85.46	0.25	- 0.16
MWK	433.31	422.20	- 2.56	31.53
MUR	29.14	29.30	0.57	- 4.08
NAD	10.78	10.86	0.71	28.14
NGN	157.82	160.00	1.38	2.50
SZL	10.78	160.00	0.71	28.41
TZS	1,579.08	1,605.00	1.64	1.90
TND	1.65	1.65	- 0.15	6.58
ZMW	5.49	5.51	0.39	6.28

SECURITIES AFRICA

Botswana

Corporate News

No Corporate News This Week

Economic News

No Economic News This Week

Egypt

Corporate News

Orascom Construction Industries has suspended payment of a December 31 installment of a 7.1 billion Egyptian pound tax settlement with Egypt's government, its Amsterdam-listed parent company OCI NV said on Wednesday. The settlement was agreed last April, when Islamist President Mohamed Mursi was still in office, and related to claims the company had failed to pay 14 billion pounds of taxes on the 2007 sale of Orascom Building, an OCI subsidiary, to French firm Lafarge. The Egyptian army removed Mursi from power in July after mass protests against his rule. The suspension was part of "the appeals and reinstated litigation process of OCI's ongoing dispute with the Egyptian Tax Authority", OCI NV's investor relations department said in an emailed response to a query from Reuters. The government's tax dispute with OCI led to a travel ban on the firm's chief executive officer, Nassef Sawiris, and his father. The firm and its management were cleared of any wrongdoing. OCI had been due to pay an instalment of 900 million pounds in December, according to a previous announcement. OCI NV is a global producer of natural gas-based chemicals and an engineering and constructing contractor. Responding to a local media report that OCI had been referred to the prosecutor over the issue, the firm issued a statement to the stock market on Tuesday saying it had not been informed of any new formal legal complaints from the tax authorities. *(Reuters)*

Economic News

Egypt aims to procure 4 million tonnes of wheat from its farmers' 2014 crop, Supplies Minister Mohamed Abu Shadi said in a statement on Sunday. "The target is to receive around 4 million tonnes of local wheat this year given that the government raised the price per ardeb to 420 Egyptian pounds which is support and encouragement for farmers to grow wheat and supply it to the state," Abu Shadi said in the statement. Last year, Egypt raised the fixed price it pays for local wheat to 420 pounds per ardeb (150 kg) - around $400 a tonne - from 400 pounds, to lessen reliance on imports. *(Reuters)*

Egypt's central bank kept its official interest rates on hold as expected at a monetary policy committee meeting on Thursday, as the government tries to stimulate the economy while keeping inflation in check. Egypt's economy has been battered by three years of political instability since a popular uprising ousted autocrat Hosni Mubarak in 2011, causing tourists and investors to flee. Egypt's gross domestic product (GDP) grew a meagre real 1.04 percent in the first quarter of this fiscal year - the three months to September 30 - compared with 2.1 percent in the same quarter of last year, the central bank said in a statement. GDP grew 2.1 percent in the previous fiscal year, too little to make an impact on youth unemployment, estimated at over 20 percent. "The pronounced downside risks to domestic GDP combined with the persistently negative output gap since 2011 will limit upside risks to the inflation outlook going forward," the bank said. "Given the mixed balance of risks surrounding the inflation and the GDP outlooks at this juncture, the Monetary Policy Committee judges that the current key CBE rates are appropriate," it said. The bank kept its deposit rate at 8.25 percent and its lending rate at 9.25 percent. It also kept its discount rate and the rate it uses to price one-week repurchase and deposit operations at 8.75 percent, the bank said in a statement on its website. Five of seven economists in a Reuters survey had forecast the bank would leave its overnight rates unchanged. Two expected another 50 basis point reduction. At its previous monetary policy meeting on December 5 the central bank had unexpectedly cut its key interest rates by 50 basis points, saying it was more concerned about boosting growth than taming inflation. Core inflation dipped slightly to 11.91 percent in the year to December from 11.95 percent in November. However, the central bank is also under pressure to keep interest rates high to attract foreign funds into the Egyptian pound. The bank has spent tens of billions of dollars supporting its currency since the 2011 uprising which hammered tourism revenues and foreign investment. Egypt's cabinet, appointed after the ouster of the Islamist President Mohamed Mursi from power on July 3 following mass protests against him, has announced a 29 billion Egyptian pound stimulus package to revitalise the economy. Finance Minister Ahmed Galal in December said Egypt plans to spend around 30 billion pounds on a second stimulus package that will be launched in January. Gulf countries have pledged more than $12 billion in aid to Egypt since July. *(Reuters)*

Ghana

Corporate News

No Corporate News This Week

Economic News

Smugglers have trafficked around 40,000 tonnes of Ghanaian cocoa beans into top grower Ivory Coast since November to take advantage of a drop in Ghana's cedi currency, exporters and merchants said. Cocoa smuggling between the two countries is common but over the past decade it has mainly involved Ivorian beans being taken illegally to Ghana, the world's second largest producer, where the government buys output at a fixed price. However, Ivory Coast abandoned a decade of sector liberalisation last season and introduced a minimum price for farmers, a measure that has helped to reduce illicit exports. Exporters said the Ivorian price is now seen as more attractive by Ghanaian farmers, who can make bigger profits selling their output to smugglers. While the volumes of beans being smuggled into Ivory Coast currently represent only a fraction of total output, Ghana risks losing millions of dollars in cocoa revenues if it fails to stabilise its struggling currency. "We estimate everything that has come in (from Ghana) at 40,000 tonnes at least," the purchasing manager of an Abidjan-based exporter said on Friday. Two other exporters estimated volumes smuggled from Ghana at between 30,000 and over 40,000 tonnes. "It is possible and probably more. Exchange rate differentials make Ivory Coast's price lucrative," a leading Ghanaian cocoa buyer in Accra told Reuters.

A senior official with Ghana's marketing board, Cocobod, said that the regulator was aware of reports of smuggling. "We are investigating," the official said, declining to comment further. Ivory Coast's October-to-March main crop opened on October 2 with its sector regulator, the CCC, fixing a minimum guaranteed farmer price of 750 CFA francs per kg. Later that month, Ghana announced it would buy cocoa at 3,392 cedis per tonne, a price which at the time was roughly the same as the Ivorian price. But the cedi, which Ghana's government has struggled to prop up, has since lost nearly 7 percent of its value against the dollar, while Ivory Coast's euro-pegged CFA franc has gained ground on the greenback. "Currently there's a gap of 60 to 70 CFA francs between the two countries if we take into account inflation and currency fluctuations in Ghana. For small middlemen that's not insignificant," said the exporter based in Abidjan. Both country's have seen robust starts to the 2013/14 season. Ivory Coast port arrivals topped 900,000 tonnes in the first half of the October-to-March main crop - the highest level on record - according to exporter estimates. Cocoa purchases in Ghana were at 527,214 tonnes by December 19, up 37 percent on last year. Exporters and merchants in Ivory Coast said small amounts of smuggled beans began arriving from Ghana in November, with illicit shipments increasing in the run up to Christmas. "We're still getting cocoa from Ghana, but it slowed down a bit after the December holidays when there really was a lot of movement on motorcycles all along the border," said Eric Koffi, an Ivorian middleman based near the border. "It's still coming, but it's decreased," he said. Sector liberalisation and a decade-long political crisis saw a steady increase in smuggled Ivorian beans over the past decade. Industry estimates suggest as much as 200,000 tonnes of Ivorian cocoa were exported illegally during the 2010/11 harvest. In addition to introducing a guaranteed minimum price for farmers, Ivory Coast's CCC has now also requested that the government post soldiers along its western borders to stem the flow of smuggled cocoa to Liberia and Ghana. The marketing board announced at the start of the 2013/14 season that it would open discussions with Ghanaian authorities on how the two countries could work together to combat illegal trafficking. *(Reuters)*

The Bank of Ghana said on Friday the yield on its 91-day bill rose to 19.4085 percent at a January 10 auction from 19.2330 percent at the last auction. The Bank said 440.5 million cedis worth of bids for the 91-day paper were accepted at the auction out of a total 441.6 million cedis of bids tendered. *(Reuters)*

Ghana will allow banks to quote yuan rates and sell the Chinese currency this year as more businesses in West Africa's second-biggest economy trade with the Asian nation. "Many more people are traveling to China to do business and we think we should make life a bit easier for them," Bank of Ghana Governor Kofi Wampah said by phone today from the capital, Accra. "It will also ease pressure on the cedi as this will decrease the demand for dollars." Ghana's cedi has dropped 20 percent against the dollar since the start of 2013 as companies demanded the U.S. currency to pay for imports in one of the continent's fastest-growing economies. Traders heading to China need to take dollars that would later be converted to yuan, according to Wampah. The cedi weakened 0.4 percent to 2.3888 per dollar by 1:33 p.m. in Accra and traded at 0.39 cedis per Chinese renminbi, according to data compiled by Bloomberg. The central bank introduced new currency-trading regulations for banks to improve liquidity and boost transparency, Wampah said, without giving details on the rules. *(Bloomberg)*

Ghana's stock exchange, which had Africa's best-performing index in 2013, may have three share listing this year as the market expects the rally to continue, Managing Director Kofi Yamoah said. Vanguard Assurance Co. may become the third insurer on the exchange as it considers an initial public offering, Yamoah told reporters at the bourse in the capital, Accra, today. Agricultural Development Bank Ltd., a state-owned lender, may also list shares and Mega African Capital, a private investment company owned by Accra-based Oak Partners Ltd., may sell stock by March, he said. "We are still talking to local companies to consider the market and over time we will see the fruits," Yamoah said. "We expect the flow of funds from private pension funds onto the market to be steady." Looser rules on pension funds that curbed the dominance of the state retirement manager, Social Security and National Insurance Trust, helped drive demand for Ghanaian shares in 2013, pushing the composite gauge up 79 percent. Nigeria's All-Share Index climbed 47 percent. Sonia Ofosu-Appiah, Vanguard's human resources manager, wasn't at her desk to answer calls, according to a woman who answered the phone. Daniel Koomson, a spokesman for ADB, didn't answer a call made to his mobile phone. A move to sell the government's stake in the lender was put on hold in 2012, even as the company said in its 2011 annual report it was interested in listing. Kwesi Amonoo-Neizer, Oak Capital's partner in charge of investments, declined to comment, according to a person who answered the phone and referred questions to IC Securities, the share sale's manager. Kwabena Osei Boateng, IC's managing director, wasn't available to comment, said a woman who answered the phone at the company and didn't give her name. The Ghanaian exchange raised the minimum capital requirement for brokers to 1 million cedis ($423,000) from 100,000 cedis, Yamoah said. The bourse may issue shares to members through demutualization within three years, Deputy Managing Director Ekow Afedzie said. Even with the index's rally, a 20 percent depreciation in the cedi that propelled the inflation rate to 13.5 percent in December, weighed on the gauge that year, Yamoah said. "If inflation and interest-rate trends improve this year and the exchange-rate stabilizes, market performance this year can be better than last year," he said. *(Bloomberg)*

Ghana's annual consumer price inflation rose to a fresh three-year high of 13.5 percent in December, up from 13.2 percent in November, the West African nation's statistics office said on Wednesday. The December CPI pushes the West African state's inflation even further outside the government's end-year target of 11 percent set for 2013. *(Reuters)*

The Ghana Stock Exchange (GSE), one of the best performing bourses on the continent, says it is targeting six listings this year. Mega African Capital, an investment fund; Processed Food and Spices Limited; Meridian Marshalls Limited, an educational institution; Juaben Oil Mills Limited; Intravenous Infusions Limited; DanAdams Pharmaceuticals; Vanguad Assurance Limited; and Agricultural Development Bank are some of the targeted companies. Three are expected to list on the main bourse, with the rest expected to list on the Ghana Alternative Exchange (GAX). "We are targeting three for the main market and, of course, three for the GAX," Mr. Ekow Afedzie, Deputy Managing Director of the GSE, said at a forum to discuss the performance of the exchange last year. *(Ghana Web)*

Kenya

Corporate News

British-American Investments Co., Kenya's biggest publicly trader money manager, is in talks to buy an asset-management company, according to a person familiar with the transaction. The purchase will add to the Nairobi-based company's acquisition in November of 25 percent of Acorn Group, a real-estate developer, and 99 percent of general insurer Real Insurance Co. the following month. The person asked not to be identified because the talks are private. Britam's investor relations manager, Carol Karugu, said she would respond to e-mailed questions later today. Britam plans to expand in Africa and is targeting to become the "market leader in the region in the provision of inclusive financial services," Managing Director Benson Wairegi said in a statement published on the company's website on Dec. 11. The company's asset management unit plans to triple funds under management to 100 billion shillings ($1.2 billion) by 2016, Edwin Dande, managing director of British American Asset Managers said on Sept. 19. Shares in Britam climbed 1.9 percent to a record 16.45 shillings today. Volume was 1.4 times the three-month daily average, with 1.43 million shares traded. "There is a lot of optimism regarding the company because it is becoming a one-stop shop," Moses Waireri, head of research at Nairobi-based Sterling Capital Ltd., said by phone. "They are looking around to buy an asset manager." *(Bloomberg)*

British oil explorer Tullow Oil Plc said it had made two new oil discoveres in Kenya, boosting discovered resources there to 600 million barrels, and it was working with government to start developing the finds within three years. The Africa-focused explorer made its name in the last decade discovering huge oil fields in Ghana and Uganda, but after a string of disappointing drilling results it lost a quarter of its value in 2013 and was the worst performing stock in the FTSE 100 outside the mining sector. In a trading statement on Tuesday, Tullow guided that annual revenues would come in at $2.6 billion with gross profits of $1.4 billion. It will announce its full-year results on February 12. The company posted annual production of 84,200 barrels of oil equivalent per day (boepd), at the lower end of the 84,000 to 88,000 boepd it forecast, and said taking into account the disposal of some fields in Bangladesh, output next year would be between 79,000 and 85,000 boped. *(Reuters)*

The Kenya Electricity Generating Company (KenGen) plans to open a Sh15 billion rights issue by the end of this year, marking its first cash call since listing on the Nairobi bourse in 2006. The State-owned power generator is seeking to raise cash to fund building of new power plants that will grow its installed capacity to 3,000 megawatts by 2018 from the current 1,239 megawatts. KenGen Wednesday said that it had set aside 2.21 billion new shares to existing shareholders for the cash call, valuing the fresh stocks at Sh30.6 billion. The shareholders will be entitled to one new share for every one held if KenGen opts to use the entire stocks for the rights. "We plan to raise Sh15 billion from our equity holders by the end of the year," said Albert Mugo, who was tapped Wednesday as the new KenGen chief executive. "We will use the current financial arrangers for the bond. We will borrow from lenders to maintain a debt to equity capital structure of 70:30," added Mr. Mugo. This means the consortium led by Barclays, Dyer and Blair Investment Bank, KPMG and law firm Hamilton Harrison & Mathews — currently arranging a Sh430 billion ($5 billion) through bonds and loans — will shepherd the cash call. Mr. Mugo was speaking Wednesday in Nairobi when he officially assumed the corner office at KenGen. The position fell vacant in June following the retirement of former chief executive Eddy Njoroge. Simon Ngure has been the acting CEO while Mr. Mugo was the head of strategy and business development at the power firm.

KenGen appears to be going slow on plans to cede a significant stake to a strategic investor as part of the fund raising plan. "It is something we'll look at but not now," said Mr. Mugo in reference to the sale of a stake to new shareholders. The firm in December received shareholder approval to create 7.78 billion shares of which up to 2.21 billion will be offered to its owners through the rights issue. KenGen did not explain how it intends to use the remaining 5.56 billion shares, but the firm earlier talked of plans to sell stakes to equity investors in the race to raise the Sh430 billion in debt and equity between now and 2018. The Sh15 billion rights issue is one of the biggest cash calls at the Nairobi bourse and ranks behind Kenya Airways' Sh20.7 billion rights issue held in 2012. The KQ issue raised Sh14.48 billion. Energy Cabinet Secretary Davis Chirchir had earlier told the Business Daily that the government would fully take up its shares in the offering. The

Treasury owns 70 per cent of KenGen and would require Sh10.7 billion to participate fully in the rights issue. But it could also buy a portion of the rights enough to keep its stake above 50 per cent, which is necessary to maintain KenGen's status as state owned firm. "The government intends to defend its position in KenGen, but a final decision on the State's next move will be made by the cabinet," said Mr. Chirchir without giving details. KenGen's share has shed a quarter of its value over the past three months to settle at Sh13.85.*(Business Daily)*

Mumias Sugar Company is turning to cost-cutting in a bid to reverse the Sh1.6 billion net loss it posted in the year ended June. Chief executive officer Peter Kebati said the miller will undertake a number of measures to reduce its costs that may include a further cut on cane prices. "Ways of reducing costs are being explored," Mr. Kebati said in an e-mail response to the Business Daily. "We shall monitor the cane price in line with the sugar prices before making any adjustments." Mumias recently reduced the price at which it is buying cane from Sh3,825 per tonne to Sh3,385. Its rivals have also reduced their prices by between 11.5 per cent and 27 per cent in what is seen as signal of increased cane supply. West Kenya and Butali are currently paying Sh2,700 per tonne of cane deliveries, down from the previous Sh3,700. Mumias' loss has been linked to high operation costs and reduced sugar production brought by increased competition for cane among sugar millers. Its sales dropped 20 per cent to Sh14.9 billion in the year ended June, with the firm further suffering from cheap sugar imports. Mumias Sugar processed 1.72 billion tonnes of sugarcane, 10 per cent lower than in 2012. Its share price at the Nairobi Securities Exchange has dropped 25 per cent over the past six months to trade at Sh3.35. *(Business Daily)*

Kenya's leading bank by assets, KCB, will continue its operations in South Sudan despite weeks of fighting that has underscored the risks companies face expanding into one of Africa's last barely-tapped markets. KCB has a network of 22 branches in the country which gained independence from Sudan to the north in 2011, and they generated 9 percent of the group's 15.2 billion shillings pretax profit for the first nine months of last year. "Most of the bank branches are operational ... with only three remaining closed in Bor, Bentiu and Malakal," said Charity Muya-Ngaruiya, chair of the board of KCB South Sudan, referring to three towns that have seen the worst violence. The scope for banks to expand into South Sudan could be huge as there is no banking at all in most rural areas of the country of 11 million people. The recent conflict has left the world's newest state at risk of sliding into civil war. It erupted in mid-December, tearing open ethnic fault lines and may have killed as many as 10,000 people in the desperately poor nation according to one independent estimate, while the United Nations has said that well over 1,000 people have died. Peace talks between the warring factions are making slow progress in neighbouring Ethiopia. Even so Muya-Ngaruiya said KCB was encouraged by the negotiations between the government and rebels loyal to former Vice President Riek Machar. "We are confident that the process will result in a settlement that will allow us to resume our investment programme, and help us contribute in the development of the country," she said in a statement released on Wednesday. *(Reuters)*

Economic News

The Kenyan shilling strengthened against the dollar on Monday and traders said it was likely to test the 86.00 level, as the dollar fell globally following weaker than expected U.S. jobs data on Friday. At 0730 GMT, commercial banks posted the shilling at 86.20/40 per dollar, up from Friday's close of 86.30/50. "It looks like we could test 86.00 but in the absence of that, we could see some buying activity come back," said Duncan Kinuthia, head of trading at Commercial Bank of Africa. Activity has yet to pick up in the market after the holidays, traders said. *(Reuters)*

The Kenyan shilling held steady against the dollar on Tuesday as the market anticipated that good flows from offshore investors would keep it well-supported in the short-term. At 0650 GMT, commercial banks posted the shilling at 86.15/35 per dollar, barely moved from its closing level on Monday. "If you look at the fundamentals they still favour a strong shilling," said Robert Gatobu, a trader at Bank of Africa Kenya, citing the upcoming sale of a 10-year Treasury bond worth up to 10 billion shillings. The auction for the bond is scheduled for January 22. Traders expect the bond to attract foreign investors keen on relatively higher yields. Officials are planning to start marketing the country's debut Eurobond for at least $1.5 billion later this month or in February. Coupled with stable inflation and foreign exchange rates, the anticipated good hard currency inflows have curbed demand for dollars, as importers wait for the shilling to firm further, Gatobu said. "They know maybe in a months time we could see the shilling getting stronger," he said. Traders said the bank's rate-setting meeting on Tuesday was not likely to have much impact on markets. Its monetary policy committee is expected to hold rates at 8.50 percent, with inflation on target at a little more than 7 percent and the exchange rate stable, they said. *(Reuters)*

Kenya's tax revenue in the first half of fiscal 2013/2014 rose almost 24 percent over the same period a year earlier, the tax agency said, helped by an economic recovery and tax reforms. East Africa's biggest economy, which had slowed before the March 2013 elections, has been implementing reforms to seal loopholes and cut widespread non-compliance. Its economy is expected to have grown by between 5.5 and 6 percent in 2013, up from 4.6 percent in 2012. The government collected 470.8 billion shillings during the period against a target of 470.2 billion, Edward Njiraini, commissioner general of taxes, told a news conference. The tax year runs from July to June. The figure represented a growth of 23.7 percent over the same period in the previous fiscal year. "We have done strongly partly because of the VAT act," Njiraini said, referring to a new value-added tax law that came into force last September. The law cut the number of exempted items, raising prices of nearly all commodities. Njiraini said a plan to reform income tax - which normally makes up the biggest share of total state revenue - would take longer because it was more complex and would require the appointment of a commission to guide the process. A proposed single customs territory bringing together east African states could help cut cases of dumping of goods in transit through Kenya, a practice that has been blamed for choking local manufacturers' ability to compete, Njiraini said. Importers bring in goods such as dry-cell batteries through the Kenyan port of Mombasa, avoid duty by declaring they are destined for neighbouring nations, then sell them locally at low prices. "We are a major transit country and we believe that when importers from those other countries start paying duty at the first port of duty (Mombasa), it removes the incentive for people to dump," he said. The tax agency is also planning to establish a unit dedicated to the nascent mining and oil industries to ensure the country collects its fair share of revenue. Tullow Oil struck promising oil finds in the north of the country in 2012, while Australia's Base Resources will start shipping titanium from its mine at the coast this month. "We are not well prepared. If you look at the extractive industry, it is a whole new ball game for Kenya," Njiraini said. *(Reuters)*

Kenya's central bank held its benchmark lending rate at 8.50 percent for the fourth policy meeting in a row on Tuesday, saying inflation was steady. Year-on-year inflation fell to 7.15 percent in December from 7.36 a month earlier, within the government's target band of 3.5-7.5 percent. East Africa's biggest economy, which plans to start marketing a debut Eurobond worth up to $2 billion later this month or in February, has also enjoyed a relatively stable exchange rate for the last two years. "The Committee concluded that the monetary policy stance had anchored inflationary expectations and continues to deliver the desired objective of price stability," the Monetary Policy Committee (MPC) said in a statement. The committee, which meets every two months to set interest rates, has kept rates on hold since last July after halting an easing cycle that began in September 2012. Kenya's economy is expected to have expanded by 5.5-6 percent last year, compared with 4.6 percent growth in 2012. It has gained momentum since a presidential election in March passed smoothly, and could gather more steam this year. "Confidence in the economy remains strong," the MPC said, citing a stock market rally and the endorsement of the country's management of the economy last week by the International Monetary Fund. This year's growth is expected to be driven by the financial services, manufacturing and construction sectors. The committee said there was room for commercial banks to increase lending to the private sector even though lending accelerated in November, the latest available data, to 20 percent year-on-year from 18 percent year-on-year in October. *(Reuters)*

The top price of the highest grade Best Broken Pekoe Ones tea at auction in Kenya this week rose to $4.56 per kg from $4.30 last week, Africa Tea Brokers East Africa said on Wednesday. Kenya is the world's leading exporter of black tea and the crop is a major foreign exchange earner in east Africa's largest economy, together with horticulture and tourism. Broken Pekoe Ones tea sold at $3.56-$4.56 per kg compared with $3.52-$4.30 per kg last week. Brighter Pekoe Fanning Ones fetched $2.86-$3.16 per kg, compared to $2.54-$2.90 at the previous auction. The sale was held on January 13-14, while the last auction was held on January 6-7. ATB said 103,466 packages were offered for sale, compared with 99,710 packages at the previous auction. Most of the tea sold at the Mombasa auction is from Kenya, but it also offers tea from Uganda, Tanzania, Rwanda, Burundi and other regional producers. *(Reuters)*

Kenya is likely to pay a higher price for the planned Eurobond if the US central bank cuts supply of cheap money to the financial markets, the World Bank has predicted. The Treasury is expected to issue a sovereign bond later this month or in early February to raise about Sh172 billion (between $1.5 billion to $2 billion) to partly go towards financing a Sh330 billion deficit in the national budget. Kenya's capital market has been a major beneficiary of America's loose monetary policy that has seen foreign investors drive a share price rally, but it is also set to feel the heat of the planned tapering of the US stimulus programme. "Frontier countries such as Kenya and Nigeria, which have seen significant portfolio inflows into local securities markets, would also be affected by the reversal of capital flows; and countries that are planning to tap the international bond markets are likely to face higher coupon rates," said the World Bank in a report titled Global Economic Prospects 2014; Coping with Policy Normalisation in High-income Countries. The Treasury has stepped up preparations for issuance of the international bond with the realisation that it will be forced to pay investors higher returns once liquidity in the global markets tightens. A year ago analysts at London-based Capital Economics had priced the Kenyan bond at 7.5 per cent. The country has since discovered oil reserves whose commercial viability has also been confirmed, a factor that could impact on the coupon rates. With the American economy showing signs of strong growth recovery, the Federal Reserve Bank has said it will gradually end its $85 billion-per-month stimulus package that has injected cheap money to the markets. The Treasury has already appointed lead transaction advisers JP Morgan Chase and Arnold & Porter LLP, based in the US, as lead counsel for the Eurobond sale. African countries that have tapped the international market in recent past include Rwanda which issued a $400 million bond priced at 6.8 per cent last year. Nigeria and Ghana each raised $1 billion at a cost of 6.6 per cent and 7.8 per cent respectively last year. The Kenyan government early this month put a request to the International Monetary Fund for a loan accessible on call to help the country sail through any headwinds that may come from turbulence in the global markets. IMF has fanned Kenya's ambition of issuing the sovereign bond which the country will use to offset a syndicate loan taken up in 2012 and boost its foreign currency reserves. *(Business Daily)*

Kenya's economy is likely to expand 5.8 percent in 2014 after below-target growth of 5.1 percent last year, the Ministry of Finance said on Wednesday. The economy faces risks such as weak growth in advanced economies that could affect exports and tourism, as well as public spending pressures such as public sector wages and interest rate payments, the ministry said in a statement. The government's forecast is higher than the World Bank's latest outlook for growth of 5.1 percent this year in Kenya, which would leave East Africa's biggest economy lagging those of its neighbours. "Growth is expected to pick up gradually across most sectors," the ministry said in a presentation on the economy, projecting 7 percent growth in 2017. The ministry said in November it expected the economy to grow 5.6 percent in 2013.
The budget deficit in the fiscal year starting in July is likely to be 5.9 percent of gross domestic product, the ministry said, down from 7.9 percent targeted in the current year to the end of June. Government spending in 2014/2015 is projected at 1.52 trillion shillings - or 32.9 percent of GDP - from a previously forecast 1.47 trillion shillings, the ministry said. Kenya's government expects revenues next fiscal year of 1.17 trillion shillings, or 25.3 percent of GDP. The ministry said the central bank will remain focused on reducing annual inflation to 5 percent and keeping it there. The central bank kept its main interest rate on hold on Tuesday citing steady inflation, which eased to 7.15 percent in December from 7.36 percent the month before. *(Reuters)*

Malawi

Corporate News

No Corporate News this week

Economic News

No Economics News This Week

Mauritius

Corporate News

No Corporate News this week

Economic News

The weighted average yield on Mauritius' 273-day Treasury bills fell to 3.60 percent at auction on Friday from 3.65 percent at the previous sale, the central bank said. The Bank of Mauritius sold all the 600 million rupees worth of debt it had offered. It received bids worth 2.130 billion rupees at yields ranging from 4.90 percent to 3.60 percent. The bank rate posted was 3.56 percent. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

Nigeria

Corporate News

The equity of Oando Plc led the price gainers at the close of trading at the stock market last Friday as investors reacted positively to information that the integrated energy company is on the verge of completing the acquisition of ConocoPhillips (COP)'s entire Nigerian business for $1.66 billion. The share price of Oando advanced from N23.89 to close at N26.33, indicating the maximum daily gain of 10 per cent, to lead 41 other price gainers. Market operators said investors are bullish on Oando based on the information that the company has amassed the funds required to seal the deal, ahead of the January 31 closing date for the COP acquisition. An oil and gas analyst at SBG Securities Limited, Mr. Gbenga Sholotan had disclosed that Oando had succeeded in securing all financing required towards the acquisition of COP assets. "Oando recently raised an aggregate of $442 million through the sale of the East Horizon Gas Company (EHGC) for $250 million, and a special placement of 2.05 billion shares for $192 million. All funding sources have now been secured to be in a position to close the COPN asset acquisition. We do not consider the need to obtain the minister of petroleum's consent as a major risk to this transaction, given antecedents of divestments over the last three years," Sholotan had said. Commenting on the development, a stockbroker, Mr. Ayo Oguntayo said: "given the fact the Oando had initially deposited $450 million and has received additional funds ($815 million) through debt commitment before the recent $442 million from special placing and sale of EHGC, many investors are optimistic that the deal is almost sealed and are taking position. Hence, the surge in the share price." Once concluded, the CON transaction will substantially boost Oando Energy Resources' (OER) operations, with production of 50,000boepd post acquisition, generating extensive growth in revenue and profitability. *(This Day)*

Oando Plc, a Nigerian energy company, said it raised $1.63 billion to purchase ConocoPhillips' assets in the country. "Barring any adjustments," Oando should be near completion of the transaction, due to close at the end of the month, Tokunbo Akindele, its head of investor relations, said in an interview in Lagos, the commercial capital. "We are looking at a total acquisition cost of $1.65 billion." ConocoPhillips' holdings include interests in oil-production leases and stakes in offshore prospects. Oando said in December 2012 it agreed to buy the assets for $1.79 billion as it seeks to become the top explorer and producer for Africa's biggest oil exporter. The acquisition was adjusted downward after the Brass liquefied natural gas asset was taken out, Akindele said. The company paid a $435 million initial deposit and an additional $15 million in December. It raised $119 million in a private placement, got commitments from banks worth $815 million and also realized $250 million from the sale of East Horizon Gas Co., according to Akindele. The acquisition is expected to boost production of unit Oando Energy Resources to about 50,000 barrels per day from 5,000, Akindele said. As the government of Africa's second-biggest economy sold its power plants to private investors in September to end frequent electricity cuts, Oando plans to spend $600 million on power generation to boost supply, chief executive of Oando Gas and Power, Bolaji Osunsanya, said in the same interview on Jan. 9. The "400 to 500-megawatt plant to be set up by acquisition or direct development is currently in the evaluation stage," and expected to start in one to three years, he said. Nigerian President Goodluck Jonathan handed control of 14 power companies to new owners including Siemens AG (SIE), Korea Electric Power Corp. (015760) and Transnational Corp. of Nigeria Plc on Sept. 30 to boost supply and end blackouts in the West African country where electricity demand is almost double its 4,000 megawatt capacity. South Africa, with less than a third of Nigeria's population of 160 million, has the capacity to generate about 40,000 megawatts of power. "With the unbundling of the power sector, we're hopeful we can get counterparties and credit engagements," Osunsanya said. "We'll explore debt and equity for the projects." *(Bloomberg)*

Ecobank Transnational Incorporated (ETI) Monday said it has taken steps to strengthen its corporate governance structure. The pan-African bank in a statement also pledged to work with the Securities and Exchange Commission (SEC) and our other regulators to ensure that the feat is achieved. SEC, at the end of an investigation over alleged corporate governance lapses in the bank had last Thursday directed ETI to implement a remedial plan to strengthen its governance. The capital market regulator had last August commenced investigations into allegations of breaches of corporate governance against the Board of Directors and certain principal officers of ETI. SEC had also hired the services of KMPG Professional Services to complement its efforts in the investigations. But Ecobank said in the statement that it was taking very seriously the findings by SEC, adding that changes had already been made on the initiatives under way to strengthen further ETI's corporate governance. We continue nonetheless to be committed to work with the SEC and our other regulators in this important task. "In order to further improve its governance practices, ETI has indeed engaged the Global Board Center of the renowned Swiss business school, the International Institute for Management Development (IMD), to undertake a review of its corporate governance, including the size and constitution of ETI's Board, its procedures for managing related party transactions as well as its committee structures and incentive policies. "We expect this report to become available by the end of this month and to serve along with the SEC report as a basis to make the improvements needed to strengthen our governance further," Ecobank explained. According to the bank, previous lapses on internal control and audit had been identified by the board and management and had been addressed. Also, it explained that the potential impact of such lapses was also being reviewed by Ernst & Young (EY), the global international professional services firm. It added: "When we have received all reports (within the next few weeks), the Company will convene a meeting of its shareholders as implementation of some of the recommendations could require their approval. "The Nigerian SEC and each of our other regulators in Ghana and Cote d' Ivoire are fully aware of the foregoing. We wish to reiterate that ETI has a focused strategy which has enabled us to grow into one of the largest banks on the continent. The strong performance of the institution in 2013 is a successful demonstration of the implementation of this strategy."*(This Day)*

Dangote Group has disclosed that not less than five of its cement plants spread across five countries in Africa will be completed this year. The Group President and Chief Executive, Aliko Dangote said that the company will add about 13.5mmt of cement per annum to the existing capacity, when completed. The on-going plant projects are Zambia, 1.5mmtpa; Tanzania, 1.5mmtpa; South-Africa 3mmtpa; Republic of Congo, 1.5mmtpa; and Gabon 1.5mmtpa. Information available to Vanguard revealed that Dangote Cement is already working on additional third and fourth production lines to the existing 6mmtpa in Ibese, Ogun state to bring the total capacity to 12mmtpa and another 3mmtpa line currently being added to the Obajana cement plant in Kogi state. Addressing a group of African businessmen in his office at the weekend, Dangote said the Group's core business focus is to provide local, value-added products and services that meet the basic needs of the populace through construction and operation of large scale manufacturing facilities across Africa. According to him, the Group is focused on building local manufacturing to generate employment, prevent capital flight and provide locally produced goods for the people. He disclosed that presently, Obajana is the largest cement plant in sub-saharan Africa with a current capacity of 10.25mmtpa and an additional 3mmpa planned before the end of this year. Dangote stated that the Group would continue to lead other investors to ensure Nigeria becomes an industrial giant nation that is self-sufficient in production rather than being a leader in importations. Stressing on the need for investments in the real sector, he said "This indeed, shows that Africa is gradually taking its destiny in its own hands rather than wait for investors from outside Africa. Investment in the real sector of the economy is the only way that our continent can achieve the much desired accelerated growth and development that we have yearned for. "The developmental challenges of Africa are quite tremendous. According to a report by the McKinsey Global Institute issued in June 2010, Africa requires at least $46 billion in spending annually to meet infrastructural needs.*(Vanguard)*

Economic News

The market share of the Nigerian banking industry remained largely dominated by six banks as at the end of June 2013, a report has revealed. Although the Central Bank of Nigeria's (CBN) "Financial Stability Report for June 2013," that stated this did not disclose the identities of the six Deposit Money Banks (DMBs), they are expected to be among the eight banks that had been designated as Systemically Important Banks (SIBs). The central bank had last year identified First Bank of Nigeria Limited, Guaranty Trust Bank Plc (GTBank), Zenith Bank Plc, United Bank for Africa Plc (UBA), Access Bank Plc, Skye Bank Plc, Ecobank Nigeria and Diamond Bank Plc as SIBs. Continuing, the report posted on the central bank's website at the weekend, showed that the average market share of assets and deposits of the six largest banks stood at 56.8 and 59.0 percent respectively. In addition, it stated that the market share of the largest bank, with respect to assets and deposits, stood at 13.57 and 15.17 percent respectively, at the end of the review period, compared to the 14.99 and 13.47 per cent respectively it was at the end of the preceding period of 2012. It however pointed out that the banking industry remained competitive in both deposits and assets as revealed by the respective Herfindahl-Hirschman Index (HHI) of 797.36 and 748.55 for total deposits and assets, compared to 790.66 and 741.43, respectively, in the preceding period. "The Nigerian banking sector continued to record improvements in key performance indicators. For instance, capital adequacy and tier I capital to risk-weighted assets ratios increased to 19.2 and 17.2 per cent at end-June 2013, from 18.1 and 16.1 percent, respectively, at end-December 2012. "The improvement in the ratios was due, mainly, to retained profits and the raising of additional tier II capital by some banks," it added.

Furthermore, total loans increased to N8.814 trillion, from N8.150 trillion as at end-December 2012, reflecting an increase of N664 billion or 8.1 per cent at end-June 2013. Also, non-performing loans (NPLs) to total loans deteriorated to 3.7 per cent at end-June 2013, from 3.5 per cent at end- December 2012. The NPL ratio, however, remained within the five per cent threshold as at the end of June 2013. The NPL coverage ratio improved to 71.2 per cent at the end of June 2013, from 68.7 percent as at the end of December 2012, indicating a reduction in the risk exposure of the sector. Also, total deposits increased to N15.157 trillion as at the review period, from N14.386 trillion as at the end of December 2012, reflecting an increase of N771 billion or 5.35 per cent. The report also revealed that during the review period, the CBN executed an MoU with the Bank of Tanzania, and was in discussions with the central bank of Sudan and the Swiss Financial Market Authority with the aim of executing MoUs on supervision and information sharing. Also, the CBN continued its collaboration with regulatory authorities in the sub-region towards the harmonisation of supervisory standards in West Africa. "At end-June 2013, 10 banks had complied with the requirement for divestment from non-banking activities, in line with the Regulation on the Scope of Banking Activities and Ancillary Matters. Six of the compliant banks were issued with commercial banking licences, while four were being considered for the issuance of licences. "Three other banks opted for a holding company structure and were granted approval to restructure their operations. At end-June 2013, two of the three banks had fully complied with the provisions of the regulation and were granted holding company licences as other financial institutions, while the third bank was granted an extension of the deadline for compliance. However, seven other banks were yet to fully comply," it added. *(This Day)*

Nigeria's consumer inflation rose marginally to 8 percent year-on-year in December, against 7.9 percent in November, the statistics bureau said on Tuesday. Food inflation, which is the biggest contributor to the headline index, rose 9.3 percent year-on-year in December, unchanged from the previous month. Nigeria's central bank wants to keep consumer inflation between 6 and 9 percent this year and has a longer term goal of reducing inflation to around 5 percent by the end of 2015. Consumer inflation in Africa's second largest economy and top oil exporter hit a five-year low of 7.8 percent in October. *(Reuters)*

The first equity Exchange Traded Fund (ETF) will soon be listed on the Nigerian bourse following the approval given by the Securities and Exchange Commission (SEC) for the floatation of the Vetiva Griffin 30 Exchange Traded Fund (VG 30 ETF). To be managed by Vetiva Fund Managers Limited, public offer for subscription of the fund has opened in line with SEC Rule 301. The fund managers, last week, notified the Nigerian Stock Exchange (NSE) of the SEC's approval. The Nigerian bourse had in 2011 listed the first ETF (New Gold Exchange Traded Fund0, which is a commodity based. It was gathered that the VG 30 ETF will be based on the NSE 30 Index (an index of the most capitalised and liquid stocks listed on The Nigerian Stock Exchange). It is believed that the ETF will represent a convenient investment vehicle for exposure to the Nigerian equities market via a single security. An ETF is an investment vehicle traded on a stock exchange, much like shares. Many ETFs are passively managed index funds which normally track an index, with their main objective being to participate in the economic growth of an industry, sector or commodity. ETFs provide the attraction of the returns of a traditional tracker fund (like unit trusts) with the liquidity of a listed security. ETFs are traded at prevailing market prices, which are approximately the same price as the Net Asset Value (NAV) of their underlying assets over the course of the trading day. *(This Day)*

The Nigerian Stock Exchange (NSE) will introduce a world-class surveillance programme this year that will support plans to launch new listings and products as part of efforts to make the market more attractive to investors. Speaking on the future plans for the market and outlook for 2014, the Chief Executive Officer of the NSE, Mr. Oscar Onyema said NSE's focus from 2011 to 2013 was on restructuring, improving technology, product development, and advocacy for changes to policy, going forward the focus will shift towards driving innovations centred on increasing global visibility into the Nigerian capital market, developing a larger footprint on the continent, and ultimately, targeting emerging market status. To target that status, he said, there would be an improved surveillance programme that would march the new innovations and products expected to be introduced this year and beyond. According to him, the NSE will increase the number of new listings across five asset classes, operate a fair and orderly market based on just and equitable principles, and diversify income streams, among other things.

He said achieving this will involve introducing new products such as a premium board, adoption of Generation 'Y' trading tools and introducing a world-class surveillance programme, among other things. Apart from introducing a surveillance programme, he said the NSE will equally deploy a risk framework to safe-guard the market venue in preparation for achieving emerging market status. He said projections for the Nigerian capital market are largely positive for 2014 the coming year in spite of our concerns about Nigeria's political, currency and interest rate risks. "We expect Nigeria to be a key beneficiary of the MSCI 2013 annual market classification review, which will see Qatar and UAE (together accounting for 30 per cent), transition from the MSCI Frontier Markets Index to the MSCI Emerging Markets Index," he said. Meanwhile, trading at the stock market remained bullish as the NSE All-Share Index rose by 0.31 per cent to close at 41,740.77. *(This Day)*

Tanzania

Corporate News

No Corporate News this week

Economic News

No Economics News This Week

WEEKLY AFRICAN FOOTPRINT

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TRADING

Zambia

Corporate News

NIGERIAN High Commissioner to Zambia Sifawu Momoh says the opening of the Dangote Group Cement manufacturing plant next month will strengthen economic ties between the two countries. Dangote Group is set to complete the establishment of a cement factory in Zambia at a cost of US$400 million in February. According to a statement issued by the Technical Aids Corps (TAC) information to EIN News on Thursday and obtained by the Daily Mail, Mrs. Momoh said the establishment of the factory is part of that Government's plan to strengthen economic ties between the two countries. Mrs. Momoh said when fully operational, Dangote cement factory will offer direct employment to the citizens. She said this when she received the TAC team from Nigeria led by Salmon Shittu. "As part of the efforts to help Zambia develop, the Nigeria directors of TAC has sent its medical personnel to further boost the Zambian health industry," she said. The high commissioner also said Nigeria has a lot to learn from Zambia in the areas of agriculture and tourism. She said the two countries have been discussing ways of sustaining and increasing direct investment. Mrs. Momoh said investors from the two countries will soon meet to share ideas on how to strength economic growth in Zambia. Earlier, Mr. Shittu called for increasing cooperation between the two governments to strengthen their bilateral relationships. He urged TAC members to be good ambassadors of Nigeria and not to generate bad publicity for their country, adding that they should abide by the laws of their host country. Mr. Shittu said the volunteers will be given adequate protection provided they operated within the ambit of the law. *(Daily Mail)*

Economic News

GOVERNMENT has granted approval for ZSIC Limited to proceed with plans to be quoted the Lusaka Stock Exchange (LuSE). Meanwhile, the Securities and Exchange Commission (SEC) in partnership with LuSE will soon launch an alternative investment market (AIM) to attract small and medium-scale enterprises (SMEs) enterprises to list on the local bourse. SEC board chairperson Chintu Mulendema said the authorisation by Ministry of Finance to have ZSIC quoted on the exchange is a positive step towards the growth of the capital market. "I want to thank Government on the recent correspondence copied to SEC where the Minister of Finance Alexander Chikwanda granted approval for ZSIC to precede with its intention of quoting on the market. We are delighted by this and we encourage the likes of Zesco Limited and Zamtel to quickly follow suit and benefit from cheaper long-term capital accessible through capital markets," he said. Mr Mulendema was speaking at the second chairman's breakfast forum whose theme is "Capital Market Issues and Best Practice Remedies," in Lusaka yesterday. On the AIM, he said the Private Sector Development Programme under the Cabinet office has recently funded the commission to undertake a joint project with LuSE to sensitise and launch the AIM on LuSE. Mr Mulendema said the level of support is another clear demonstration of Government's keen interests in the development of the capital markets. SEC also intends to develop additional guidelines on issues regarding corporate governance, competence and capability requirements inform of detailed rules. He said SEC will continue to sensitise all players on various requirements of the Securities Act, particularly on continuing obligations. "Already, we have approached Zambia Institute of Chartered Accountants to partner in sensitising auditing firms about the reporting requirement of the Securities Act," he said. He said effective regulation is the only way to ensure markets are reliable and efficient to necessity growth of capital markets. Earlier, International Finance Corporation vice president Ethiopis Tafara said developing capital markets is a key priority as it creates finance to support infrastructure development and reduces dependence on foreign debt. *(Daily Mail)*

GOVERNMENT has received US$115 million from the World Bank to finance the Irrigation Development and Support project (IDSP) in three districts across the country. The project, whose main objective is to commercialise and improve performance of irrigated smallholder agriculture is currently being implemented in Chibombo, Mufulira and Siavonga through the public-private partnership arrangement. Ministry of Agriculture and Livestock IDSP national project coordinator Barnabas Mulenga said in an interview that the programme, which will be executed on a seven year period, is expected to increase income from irrigated agriculture among smallholder farmers thereby alleviate poverty in rural areas. "In pursuit of the National Irrigation Policy, Government sought credit from the International Development Association (IDA) to finance the project. The programme will be implemented in selected areas with high potential for irrigation development with an initial budget of US$115 million," he said. Dr Mulenga said the project focuses on the provision of bulk water infrastructure through construction of dams, establishment of canals and irrigation schemes, including pumping of water from abundant network of perennial rivers and streams in the country to expand irrigation. He said plans are underway to construct an estimated 65 million cubic metres dam in Chibombo, particularly in Chisamba. Dr Mulenga said the irrigation site in Mufulira's Musakashi area will pump water from the Kafue River while Lusitu in Siavonga will pump water from the Zambezi River for irrigation purposes. He said so far, technical and financial feasibility studies for the schemes have been carried out while detailed designs for the schemes are being done. The designs are scheduled to be concluded in the second quarter of 2014. Government has already secured about K10 million to compensate households who will be relocated to pave way for the construction of irrigation infrastructure in the selected sites. "About 265 households will be resettled from all the selected districts and compensated by providing decent accommodation for the displaced community," he said. He said Government also identified four more potential sites for irrigation development in Solwezi, Mpika, Mkushi and Petauke. Government plans to replicate the project soon in all provinces. *(Daily Mail)*

THE Kwacha is this week expected to gain ground as corporates convert United States (US) dollars to meet monthly tax obligations, financial analysts say. Meanwhile, the price of copper on London Metal Exchange(LME) has also witnessed a marginal gain lifted by a weaker dollar after US labour market data. Zanaco Bank says the Kwacha that posted a marginal gain on Friday, closing at between K5.51 and K5.52, is expected to consolidate on the gains and is expected to trade between K5.48 and K5.55 as corporates meet their mid-month tax obligations. "The Kwacha is likely to see support from corporates converting to meet mid- month tax obligations," the bank says in its daily treasury. On Friday, the market witnessed very little activity but interbank selling cushioned the local unit to gain by 0.5 ngwee. Similarly, Barclays Bank Zambia says the local unit is expected to appreciate on the back of a weak greenback (dollar), which has been triggered by low job numbers in the US. "During the week ahead, the Kwacha may receive some support from local currency obligations falling due, as well as a relatively weaker dollar following the lower-than-expected US jobs numbers announced on Friday," the bank says in its treasury newsletter. The bank says the Kwacha has witnessed a marginal appreciation at the beginning of the year gaining 10 points. *(Daily Mail)*

Zambia hired Deutsche Bank AG (DBK) and Barclays Plc (BARC) as joint book runners for its planned second Eurobond, Ministry of Finance Permanent Secretary Felix Nkulukusa said. Africa's biggest copper producer extended the contract of the banks that arranged the $750 million bond it sold in 2012, Nkulukusa said today by mobile phone from Lusaka, the capital. Demand was 24 times higher than supply in that debt sale. "We are looking at the projects that need to be funded and the market conditions," which will determine how big the bond sale will be and when it will happen, said Nkulukusa. Yields on Zambia's debut Eurobond rose two basis points, or 0.02 percentage point, to 7.75 percent by 1:14 p.m. in Lusaka. The spread over African sovereign debt tracked by JPMorgan Chase & Co. has widened to 184 basis points from 81 basis points since the issuance in September 2012. Fitch Ratings cut Zambia's credit rating by one level to B in October, as the country's budget deficit grew more than expected. That shortfall widened to 8.5 percent of gross domestic product last year, almost double government projections. Zambia joins other African nations including Ghana and Kenya in selling dollar-denominated debt this year. Countries in the continent may sell as much as $5 billion in bonds by June, according to Johannesburg-based ETM Analytics Ltd. The southern African nation plans to borrow 5.5 billion kwacha ($1 billion) in foreign program loans to partially fund the 2014 budget deficit, some of which will come from a Eurobond, Nkulukusa said. The amount will be determined by how much Zambia can raise from export-import banks and through concessional loans, he said. *(Bloomberg)*

Copper production in Zambia, Africa's largest producer of the metal, rose to 915,773 tonnes between January and November 2013, from 755,359 tonnes in the corresponding period of 2012, the central bank said on Wednesday. Cobalt production also increased to 5,857 tonnes between January and November last year from 5,051 tonnes in 2012, the central bank said in its fortnightly statistics report. Copper exports peaked at 904,308 tonnes in the first 11 months of 2013 from 807,162 tonnes the previous year. Cobalt exports dropped to 5,817 tonnes from 8,892 tonnes in 2013, the report said. *(Reuters)*

Future Zambian presidents will have to garner at least 50% of the popular vote to be elected and their powers will be significantly curbed, according to an apparent leaked draft of the new constitution. The text - published by online publication Zambian Watchdog and the Lusaka Times - appears to be a final draft drawn up by a team of experts, which President Michael Sata has sought to keep unpublished.
The proposed law would significantly curb the power of his office, and demand winning presidential candidates "receive more than fifty percent of the valid votes cast." If no candidate manages to secure 50% of the vote, a two-person run-off will be held. The switch from a first -past-the-post to a run-off system and moves to set up a constitutional court have elated civil society organisations, which described the text as "beautiful". The constitutional court would have the power to hear cases involving the president and vice-president. Would-be presidents would also have to appoint a running mate, rather than appointing the vice president after assuming office. The leak appears designed to force the hand of Sata, who fought calls from civil society and religious groups to have the technical committee publish their draft.

"Clearly, there are provisions within the draft that Sata does not like and just as clearly, he was hoping to bury it - or use the time to rewrite the offending sections," said Zarina Geloo of the Open Society Institute for Southern Africa. Earlier this month Sata said his Patriotic Front government was "duty bound to protect the masses" from those that have "hijacked" the drafting process. "It will be highly irresponsible for us as people's representatives to authorize the release of this document before it goes through cabinet," he said. Presidential aides said the government had not yet received the draft. "We urge the technical committee to come out clean on claims that the document [it is] entrusted with has been leaked," said presidential advisor George Chellah. Civil groups in Zambia welcomed the draft. "This is a beautiful document and it meets the aspirations of the Zambian people," said Andrew Ntewewe of the NGO Yali. "If this document is authentic, then it explains the PF's adamant [refusal] to release it." *(AFP)*

THE continued weakness in the South African rand has had a negative toil on the Kwacha performance, an analyst says. Citibank says, South Africa being one of Zambia's trading partners has seen its currency depreciate with the rand, weakening to a five-year low against the dollar on Wednesday, a move that has also affected the Kwacha. The bank says in its market commentary that the Kwacha, which on Wednesday lost ground closing at K5.51and K5.52 on the bid at offer respectively is expected to weaken further due to increased Kwacha supply in market that has outraced dollar supply. Corporate organizations have also settled their mid-month tax obligations reducing the demand for the local unit by the corporates. Similarly, Standard Chartered Bank says the Kwacha is expected to remain volatile against the dollar due to reduced greenback selling. Meanwhile, Zambia recorded an increase in copper production last year to over 900,000 tonnes from over 700,000 recorded in the same period the previous year. Reuters reports that copper production in Africa's largest copper producer rose to 915,773 tonnes between January and November 2013 from 755,359 tonnes in the corresponding period of 2012. *(Daily Mail)*

WEEKLY AFRICAN FOOTPRINT

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Zimbabwe

Corporate News

Zimbabwe Stock Exchange listed TSL Limited is set to acquire a majority stake in Premier Forklifts, a Harare based company to complement its logistics division. TSL Limited is a conglomerate with interest in logistics, tobacco, agro inputs and properties. Its logistics division, BAK, one of the largest in the country – is involved in port handling, storage, distribution, transportation, contract management, car rentals and tours. "As you may know, TSL owns one of the largest logistics companies in Zimbabwe and by acquiring Premier Forklift, it makes a lot of business sense since this will complement its logistics division," said one source who requested not be identified. "The company also needs forklift services for its auction floor (Tobacco Sales Floor. "They have agreed on most of the critical issues and the deal looks certain," the source added. On Thursday last week, TSL issued a statement that the group intended to acquire a strategic business in transport and logistics within the next two months on the basis of a share swap arrangement.

The transaction will result in less than 2 percent equity dilution if concluded. This means that the total consideration of the transaction using the group's market cap would be circa. US$2,7 million. At its last analyst briefing, chief executive Washington Matsaira said they now had a clearer understanding of the logistics business. He said the group will expand the customer base and product range with greater focus on containing handling, freight forwarding, FMCG handling and distribution, bulk grain handling and distribution. The group said it would search for the right technical partner. Premier Forklifts are the official agents and distributors of Toyota, Clark and Kalmar Forklifts in Zimbabwe. They are also agents and distributors of BT Lifting Equipment, Bolzoni Aromo Clamps and Forklift attachments and various brands of forklift tyres. Already, BAK Logistics has a fleet of forklifts ranging from one to four tonnes for hire. The BAK logistics fleet is not only operational locally but also caters for the regional market. The logistics business has remained one of the most profitable business under TSL. During 2012 financial year, the division reported a 22,8 percent in revenue growth from US$11,7 million to US$14,4 million. *(Herald)*

LISTED hotel group African Sun says the debt restructuring process will be complete before the end of the first half. Chief executive Mr Shingi Munyeza said; "Our major goal before the half year is to restructure our debt as promised; first of all by liquidating the Dawn stake," he said. The Dawn Properties transactions involves the disposal of a 12 percent shareholding or 294 705 134 shares by African Sun at a premium from. The group will also undertake a rights offer which is expected to raise US$6 million. Commitment to underwrite the rights offer has already been secured from major shareholders of the company. The goal will be to reduce gearing from the current 51 percent to a long term target of 30 percent. Post the first sale of the 12 percent in Dawn, gearing is expected to reduce down to 45 percent, which will go down further to 35 percent after the sale of the remaining 16,4 percent in Dawn Properties. The reduction of the short term debt is expected to boost earnings by saving an estimated US$3 million in finance charges which the company has been paying over the last two financial years. "This will eliminate the debt overhang that has been there over the years," he said. Overall, Mr Munyeza said the group will achieve a slight increase in turnover in 2014 buoyed by growth in the contribution of international markets. However domestic contribution will shrink to 55 percent from 61 percent owing to the current depressed economy.

International market contribution to the group's revenue will increase to 45 percent up from 39 percent last year and therefore will have an impact on both volumes and yield. "There will be slight increase in turnover because of improvements on the international market but our goal is to achieve a reasonable growth in the domestic market but judging by the current constraints, we would think that we are over ambitious, we need to wait until something really happens," he said. He said because growth usually moves in tandem with economy; "we are seeing a lot of resistance in the domestic market, but we are still targeting to achieve a 12 percent or more on EBITDA which we achieved last year." Mr Munyeza said the group would launch the newly refurbished city hotels in the first quarter. *(Herald)*

INNSCOR Africa Limited has moved its headquarters to Mauritius as part of a calculated move to enhance access to cheaper finance to support its domestic and foreign expansion programme. The conglomerate already has a footprint in Mauritius through Innscor International Limited, incorporated in 1998, the same year Innscor Africa listed on the Zimbabwe Stock Exchange. Zimbabwean firms have struggled to raise offshore capital due to the perceived risk profile attached to the country because of the country's high debt overhang. While it was not clear how much the firm would raise, sources said Innscor wants to continue expanding its fast foods business and recapitalise other operations in and outside Zimbabwe. Recapitalisation of its business in Zimbabwe will include its Spar Supermarket chain, crocodile business, furniture and appliances operations. There is also a strong thrust toward supporting operations in countries across the entire region. According to a strategy document seen by The Herald Business, "Innscor intends to materially increase the footprint of its operations outside Zimbabwe in the few years and the financial springboard available through IIL in Mauritius will help facilitate this expansion by a major Zimbabwean company". The document says that 20 percent of Innscor Africa's revenues are generated outside Zimbabwe in countries such as Zambia, Kenya, Ghana, Senegal, Malawi, DRC, Nigeria, Lesotho and Swaziland. The revenues are generated through fast foods, distribution and supermarkets. Several other companies, foreign and local, invested in Zimbabwe have targeted Mauritius, a reputable international tax haven, as the gateway to accessing cheaper capital and lines of credit. Firms with interests in local entities that have used Mauritius as the springboard for their investment projects on the continent include ADC Mauritius (ABC Holdings), AfrAsia (AfrAsia Zim), Essar Africa (Zisco) and businessman Tawanda Nyambirai's Lifestyle Holdings. "Innscor seeks to enhance access to cheaper sources of funding through Mauritius and has assigned one of its directors to look after the Mauritius HQ," said a source privy to developments. "IIL was incorporated in Mauritius to enable access to cheap and plentiful finance and ease of investment into the rest of Africa and beyond. This motivation remains unchanged and is more relevant than ever given the massive amounts of finance available from banks based in Mauritius." *(Harare)*

ZB Financial Holdings says plans to merge its bank and building society are at an advanced stage and the completion of the process is expected in the next few months. ZB Bank acting managing director, Mr Shadowsight Chiganze told The Herald Business that they were going through the required approval processes that involve various stakeholders and that they were happy with the progress achieved so far. "The merger of our two units (ZB Bank and ZB Building Society) has reached a very advanced stage and we envisage completion in the months to come as we are currently engaging various stakeholders on the processes," said Mr Chiganze in an interview. "The fact is that a transaction of this nature requires the group to go through an approval process that covers regulators, including the Reserve Bank of Zimbabwe, the Securities and Exchange Commission of Zimbabwe and stakeholders of both entities." Mr Chiganze said the merger will ensure compliance with the minimum capital requirements for both the bank and the building society. ZB Bank is already compliant while the merger will see the merged entity complying with the all requirements. The minimum capital thresholds set by then RBZ governor Dr Gideon Gono in August 2012 require commercial banks to raise their capital base to at least US$100 million by June this year. Merchant banks are also required to have a US$100 million minimum capital and US$80 million is required for building societies. The capitalisation process was, however, laid down in phases where in the first phase banks were supposed to have minimum capital of US$25 million by December 31, 2012 followed by US$50 million by June 30, 2013 and US$75 million by December 31, 2013 and eventually US$100 million by June 30, 2014. ZBFH also said the move was a strategic one that will see the two units being able to harness economies of scale that include managing the cost of doing business better. As such this would mean better returns for the shareholders and improved service delivery to customers. At the moment the group says there is so much complementarity that exists between the bank and building society hence the need to eliminate replication especially in terms of infrastructure and resources. *(Herald)*

THE Zimbabwe Stock Exchange listed Willdale Limited has terminated its negotiations with a Chinese investor, the company has said. According to reports, the company planned to lease out its factory for five years as it intended to suspend production due to mounting competition in the brick-making industry. In a statement yesterday, Willdale said: "We advise that negotiations with a potential investor that were the subject of cautionary statements issued from June 2013 have been terminated. "The board is now pursuing another refinancing initiative. Shareholders are therefore, advised to continue to exercise caution and to seek professional advice when dealing in the company's shares expected." Willdale Limited recorded a loss of $613 585 during the six months to March 31, 2013, extending its loss position from the $516 991 incurred during the same period last year. During the period under review, the company experienced production challenges due to shortages of working capital, breakdowns in fixed and mobile plants and plans were underway to raise funds to address these shortages. The company said negotiations with a long-term financier to provide funding to refurbish its plant and acquire sufficient mobile equipment was at an advanced stage. Willdale Limited is involved in the manufacture and sale of a range of clay bricks and related products, such as face-bricks — which include rustic face-bricks, smooth face bricks and brushed face-bricks — the ground solutions division offers solutions for pavements, driveways, walkways, patios, swimming pool surrounds and general hard landscaping areas, and the decorative building solutions segment offers decorative building materials. *(News Day)*

ZIMBABWE Stock Exchange-listed alcoholic beverage maker, African Distillers (Afdis) majority shareholder, African Distillers Holdings, has increased its shareholding following the conclusion of a $5 million rights offer Afdis Holdings was the underwriter during the capital-raising intiative. The company, according to a statement yesterday, successfully raised the targeted capital despite recording a 67,83% subscription rate on the back of liquidity constraints besetting the economy. The company last month announced that the fresh capital was expected to commission a new cider manufacturing plant this year as it seeks to grow domestic and regional market share. The rights offer shares are expected to be listed on the Zimbabwe Stock Exchange from January 20, 2013. A rights offer is an offer to existing holders of securities to subscribe for or purchase further securities in proportion to their holdings made by means of the issue of a renounceable letter or other negotiable documents which may be traded (as either fully paid or nil paid rights) for a period before payment for the securities is due. Afdis marketing, sales and distribution director Albert Chitapi last year said the company was currently importing two million litres of ciders (Savanna and Hunters) annually and the new plant could increase the production ready-to-drink alcoholic beverages to 6,5 million litres. Currently, the firm is producing spirit coolers — Sting and Espirit. Out of these volumes, the company foresees half of this being consumed in Mozambique, Zambia and Malawi. The company currently has six depots in Bulawayo, Harare, Kwekwe, Masvingo, Mutare and Victoria Falls. The company, an associate of ZSE heavyweight, Delta Corporation, according to the rights offer circular to shareholders, has over the years been importing and distributing cider products from South Africa. An increase in duties on imported products, the company said, resulted in margins and sales volumes on these products declining. Demand for ciders, however, slowed down towards the last half of the year due to the 25% surtax levied on the products in 2012. Afdis Limited after-tax-profit for the six months to June 2013 declined to $808 767 from $1,1 million recorded during the same period last year due to rising costs. Earnings per share decreased to 0,85 cents from 1,2 cents. Despite achieving growth in revenue, administrative costs rose to $1,2 million from $900 000 while distribution and other operating costs also increased. Revenue was up 16% to $22 million from $19,5 million. *(News Day)*

Economic News

Government has proposed to give us$5 million to legislators under the Constituency Development Fund even though the Ministry of Justice, Legal and Parliamentary Affairs is yet to complete an audit into previous possible abuse of the facility by Members of Parliament.The delay in auditing previous cdf allocations has stalled prosecution of lawmakers fingered in alleged looting of the fund. The Anti-Corruption Commission has stopped all investigations into the alleged pilfering of tax-payers' money. This means legislators who may have looted previous disbursements and converted the money to personal use could once again get their hands on taxpayers' money without having been brought to book for past abuses. In the 2014 National Budget proposals, Finance Minister Patrick Chinamasa earmarked us$5 million for constituency development projects. In 2012, around 200 National Assembly representatives were given us$50 000 each from Treasury to develop their constituencies, but it was reported that several pocketed the money. Since then, little progress has been made in bringing culprits to book. Zimbabwe Anti-Corruption Commission chairperson Mr Denford Chirindo, whose department spearheaded investigations that saw the arrest and arraigning before magistrates' courts of some legislators accused of abusing the cdf, said they had stopped all investigations. He said this was after the then Ministry of Constitutional and Parliamentary Affairs, headed by Advocate Eric Matinenga (mdc-t), said it was carrying out a full audit in respect of all constituencies to establish if money was used for its intended purposes. "We have held investigations in abeyance pending finalisation of that audit. There were complaints by some of those arrested who said there was selective application of the law because they knew other legislators who had abused the money but were not arrested. "They complained that only a few MPs were being targeted while leaving influential legislators whom they knew had abused the money," said Mr Chirindo. "It was then agreed at policy level that there be a wholesale approach to the matter to avoid selective application of the law. We have not received that audit report from the Ministry. It is the ministry carrying out the audit, they are the complainants," said Mr Chirindo.

Secretary for Justice, Parliamentary and Legal Affairs, Mrs Virginia Mabhiza, whose ministry now handles the CDF, could not comment on Friday saying she was attending a funeral. Mrs Mabhiza was the Secretary for Constitutional and Parliamentary Affairs during the inclusive Government. Prosecutor-General Mr Johannes Tomana said they could only act on getting a wholesale audit from Government and after police investigations. "Give us a wholesale report and see whether we will not act. What we refused was a piecemeal, we want a full meal. Give us that and see whether we will not eat," said Mr Tomana. He said there were complaints from legislators fingered in the alleged scam that they were victims of politically-motivated investigations. "As the prosecuting authority we want to do away with politics, we just do our job professionally. This is why we said give us a full report. We want a full audit and criminal investigations and a complete docket," he said. Mr Tomana said arresting a few people while waiting to pounce on others created problems. "There were some grey areas in the method they had used (in disbursing the money). CDF should be controlled and regulated. We need a person who says I gave this person money for this purpose but he used it for that purpose," he said. Government has started working on a CDF Bill to regulate the use of the money. Legislators from Zanu-PF and the MDC formations were arrested for allegedly abusing the CDF allocations. *(Herald)*

A proposed sovereign wealth fund in Zimbabwe will be bankrolled by as much as a quarter of royalties and special dividends earned on minerals such as diamonds, gold and platinum, according to a draft bill seen on Monday. Finance Minister Patrick Chinamasa said in October Harare planned a sovereign wealth fund law by February but hinted at the time the government might not have any money at first due to the need to overhaul crumbling infrastructure. But a Sovereign Wealth Fund of Zimbabwe Bill seen by Reuters on Monday said a "portion, not exceeding a quarter of royalties" from seven minerals, including gold, platinum and diamonds, would be paid into the fund. It would also benefit from "a portion, not exceeding one quarter of the 'special dividend' on the sale of diamonds, coal-bed methane gas, granite and other extractable minerals" by the state-owned Minerals Mining Corporation of Zimbabwe. The southern African country has said it wants a fund to buy shares in foreign-owned companies, including mines, under President Robert Mugabe's controversial black economic empowerment programme. However, there were no provisions for this in the bill. The bill is guaranteed to pass the two chambers of parliament where Mugabe's ZANU-PF party enjoys a commanding majority after a landslide victory in presidential and parliamentary elections held last July. Mugabe is set to be the trustee and patron of the fund, whose board will be appointed by the finance minister. *(Reuters)*

THE tight liquidity pervading the entire economy could significantly improve in a few months due to anticipated tobacco export inflows with the tobacco marketing season scheduled to begin in mid-February. According to the Tobacco Industry and Marketing Board, the flue-cured tobacco marketing season will start on February 19, although TIMB is yet to come up with a projected earnings figure. Last year, the country earned more than half a billion dollars from tobacco exports. Zimbabwe could surpass last year's earnings after deliveries of 166,5 kilogrammes, considering that the 97 000 hectares under crop represent 25 percent increase on prior year. Traditionally, the tobacco marketing season has been associated with improved liquidity on the market even during the prosperity years of the mid 90s when the central bank would battle to control excess liquidity in the market induced by foreign currency inflows from the golden leaf. Tobacco had a positive effect on domestic liquidity as forex inflows were liquidated into Zim dollars usually pushing down local interest rates. The open market purchases also boosted the Reserve Bank of Zimbabwe's forex reserves, allowing the apex bank to build a foreign currency buffer for the economy for selling back to the market during the leaner months. This could come in handy for Zimbabwe as tobacco exports have grown to become a major foreign currency earner at a time when most other traditional sources have significantly waned. TIMB chief executive Dr Andrew Matibiri corroborated the assertion in an interview yesterday saying the onset of the selling season could ease liquidity as exports bring in fresh liquidity. "The money buyers use has to be fresh money and when new money comes into the economy the liquidity issue will be addressed, buyers are not allowed to borrow from local banks," he said. "According to foreign exchange rules, they have to bring money from outside," Dr Matibiri said.

The TIMB CEO said the tobacco industry regulatory board conducts regular checks on the buyers' bank accounts to see if they are still liquid and if not they are quickly de-registered. Dr Matibiri said TIMB expected deliveries of early planted tobacco, usually irrigated crop planted in early September, in February, but it was too early to know how much the crop will rake in this year. This was because Zimbabwe had experienced a delayed rainy season, meaning that a significant proportion of the crop was still in the early stages. However, TIMB expects to have a picture of potential tobacco export earnings this year in the next four weeks. Overall, the benefits from the increased tobacco export earnings may be short-lived for a country that imports the bulk of products it consumes due to constrained agricultural and industrial production. The country's trade deficit in the 11 months to November 2013 rose to US$3,89 billion. In the 11 months, the Zimbabwe National Statistical Agency said, the country imported products worth US$7,15 billion dominated by fuel, fertilisers, second-hand car imports and textiles. According to Finance Minister Patrick Chinamasa tobacco output increased by 15 percent from the 2012 production level of 144,5 million kg, to about 166,6 million kg in 2013, from some 88 623 hectares put under crop. Last year, Zimbabwe produced 153,3 million kg of tobacco, realising US$877 million in revenue. In 2014, tobacco production is projected at 170 million kg, a 2,6 percent increase from the 2013 output. This growth is mainly on account of increased planted area of about 90 000ha from the 88 600ha in 2013. Furthermore, 86 000 farmers registered to grow flue-cured tobacco in the 2013 /14 summer cropping season, from the 64 700 registered in the 2012 /13 season. Tobacco seed sales also increased from 803 000 grammes last year, to 1 024 000 grammes this year. The seed is expected to cover close to 170 600 hectares. In terms of financing, production will be underpinned by farmers' own resources, contract farming and bank funding arrangements. Contractors include the Chinese company — Midriver Enterprises — which is expected to contract nearly 80 000 farmers to produce flue-cured tobacco. While the tobacco marketing season is set to start on February 19, contract tobacco sale will begin the next day. Bookings will start on the 5th and deliveries from February 12. For the rest of 2014, all tobacco is required to be booked first before delivery, TIMB said. *(Herald)*

INVESTIGATIONS into suspected cases of share price manipulation involving three listed counters are yet to be concluded amid indications that the net could close in on some fund managers, NewsDay Business has learnt. The Securities and Exchange Commission of Zimbabwe (SECZ) last month announced that it was carrying out a probe into the trading of financial services group ABC, insurance group Fidelity and agro-industrial concern Zimplow following a significant jump in shares at year end. Sources said the capital markets regulator asked the Zimbabwe Stock Exchange (ZSE) to probe the three firms after their share prices gained an average of 20% within a week last December. SECZ chief executive officer Tafadzwa Chinamo said: "The investigations are still ongoing. We are primarily looking at the year-end movements of share prices." An observation of the trend that emerged in December indicates that a handful of ZSE-listed companies recorded remarkable share movements towards the end of the year despite having a lukewarm performance throughout the year. Turnover on the local bourse for the whole year is normally driven by heavyweight counters such as Delta and Econet. Market manipulation is described as a deliberate attempt to interfere with the free and fair operation of the market to create artificial, false or misleading appearances with respect to the price of or market for a security, commodity or currency. Section 96 of the Securities Act, legislation regulating Zimbabwe's capital markets, outlaws price manipulation, stating that "no person shall, by means of any false statement or fictitious or artificial transaction or device, maintain, inflate or depress, or cause fluctuations, in the price of any securities on a registered securities exchange". In 2012, SECZ launched investigations into suspected cases of share price manipulation involving three counters. The Securities Commission is currently pushing for the automation of the domestic bourse whose trading is currently a call-over system, critics say is fraught with risks. *(News Day)*

Zimbabwe's economy will grow by 4.2 percent this year, well short of the government's more upbeat projection as weaker global metal prices weigh on expansion, the World Bank said on Wednesday. Finance Minister Patrick Chinamasa said last month the economy was expected to grow by 6.4 percent in 2014 up from 3.4 percent last year, buoyed by mining, agriculture and construction. But Nadia Piffaretti, the World Bank's senior country economist for Zimbabwe, told a forum in Harare that mining could be hit by softening metal prices and subdued investment. "Amidst uncertainty around mineral prices and recovery in the agricultural sector, the baseline projections forecast economic growth at 4.2 percent in 2014," she said. Agriculture is critical for the livelihood of a majority of Zimbabweans, since 80 percent of the working-age population do not hold a formal job. A million people in rural Zimbabwe benefiting from United Nations World Food Programme (WFP) aid are also facing hunger as a lack of funding has caused deep cuts in assistance. Piffaretti said 46 percent of Zimbabwe's 13 million people now ran an informal business. This would likely include those hawking everything from mobile phone recharge cards to vegetables on the streets. (*Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Zimbabwe's consumer inflation slowed to 0.33 percent year-on-year in December from 0.54 percent in November, the national statistics agency said on Wednesday. On a month-on-month basis, prices dipped by 0.08 percent in December after edging up by 0.1 the previous month. The government expects year-on-year inflation to average 1.5 percent this year. *(Reuters)*

THE underperformance of local firms has forced institutional investors to shift to the money market from the equities market as foreign investors have continued to drive the buy side of trades on the Zimbabwe Stock Exchange, analysts have said. While historically the equities market has had a higher return in investment and continues to outshine compared to the money market, institutional investors have in recent years opted for the latter to meet their urgent cash obligations. The industrial index last year recorded a 32% yield year-on-year compared to 12% for the money market. Traditionally, institutional investors like pension funds have had more exposure on the equities market resulting in them being main drivers of the local exchange. Experts, however, say capital constraints besetting the economy have left them rethinking. The money market is a segment of the financial market in which financial instruments with high liquidity and very short maturities are traded. The money market is used by participants as a means for borrowing and lending in the short term, from several days to just under a year. On the ZSE, State-owned National Social Security Authority and insurance giant Old Mutual remain the biggest institutional investors. With companies shutting down on the back of limited domestic and foreign direct investments, many firms have been defaulting their cash contributions at a time pensioners are demanding their benefits. Local stockbroker Itai Chirume said the money market provided an avenue for pension funds to meet their urgent obligations at a time when companies are struggling to pay their pension contributions.

The Zimbabwe Congress of Trade Unions last year said the economy would be hit by massive company closures, projecting that 300 firms are folding each week. The Insurance and Pension Commission (IPEC) last year took local companies to task over the non-payment of pension contributions after it emerged that arrears on self-administered funds were on the rise. The insurance industry's total assets grew by about 20% from $2,99 billion in December 2012, to $3,6 billion as at September 30, 2013. "Activity by locals will remain subdued as the liquidity constraint continues to take its toll on consumers' pockets. We maintain our view that foreign interest will continue to be heavily skewed towards stocks with solid operating fundamentals. We advocate for a defensive strategy in 2014 in the light of the obtaining operating environment which remains constrained for growth (tight liquidity, low capitalisation in industry), said MMC Capital in its weekly market report. In its market report for this week, AfrAsia Kingdom said the issue of debt continued to confront most companies. "Several local companies have had to renegotiate their loans in a development that has diminished the quality of most banking institutions' loan books," the report said. "The poor country rating, which has deteriorated due to political factors, has destroyed international financiers' confidence in the nation. Foreign direct investments as well as other forms of offshore capital have remained little as the nation lost its appeal as a safe investment destination." According to the International Finance Corporation, a unit of the World Bank Group, Zimbabwe is one of the worst investment destinations in the world despite being endowed with vast natural resources. *(News Day)*

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