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:

- Botswana
- Egypt
- Ghana
- Kenya
- Malawi
- Mauritius
- Nigeria
- Tanzania
- Zambia
- Zimbabwe

AFRICA STOCK EXCHANGE PERFORMANCE

Country	Index	23-Sep-16	30-Sep-16	WTD % Change Local	WTD % Change USD	31-Dec-15	YTD % Change Local	YTD % Change USD
Botswana	DCI	9766.95	9796.69	0.30%	0.01%	10602.32	-7.60%	-1.07%
Egypt	CASE 30	7913.94	7881.11	-0.41%	-0.41%	7006.01	12.49%	-1.06%
Ghana	GSE Comp Index	1775.12	1774.90	-0.01%	0.02%	1994.00	-10.99%	-14.25%
Ivory Coast	BRVM Composite	285.35	284.82	-0.19%	-0.01%	303.93	-6.29%	-3.77%
Kenya	NSE 20	3174.15	3243.21	2.18%	2.11%	4040.75	-19.74%	-18.96%
Malawi	Malawi All Share	13631.48	13744.12	0.83%	0.69%	14562.53	-5.62%	-15.11%
Mauritius	SEMDEX	1809.13	1829.66	1.13%	1.37%	1,811.07	1.03%	2.93%
	SEM 10	345.96	350.48	1.31%	1.55%	346.35	1.19%	3.10%
Namibia	Overall Index	1037.25	1027.13	-0.98%	-2.44%	865.49	18.68%	33.07%
Nigeria	Nigeria All Share	28247.11	28335.40	0.31%	1.47%	28,642.25	-1.07%	-37.11%
Swaziland	All Share	368.21	368.21	0.00%	-1.48%	327.25	12.52%	26.16%
Tanzania	TSI	3867.02	3855.90	-0.29%	-0.53%	4478.13	-13.89%	-14.70%
Zambia	LUSE All Share	4456.74	4320.35	-3.06%	-1.47%	5734.68	-24.66%	-15.47%
Zimbabwe	Industrial Index	98.88	98.96	0.08%	0.08%	114.85	-13.84%	-13.84%
	Mining Index	25.64	26.61	3.78%	3.78%	23.70	12.28%	12.28%

CURRENCIES

Cur-rency	23-Sep-16 Close	30-Sep-16 Close	WTD % Change	YTD % Change
BWP	10.28	10.31	0.29	7.06
EGP	8.88	8.88	-0.01	-12.05
GHS	3.95	3.95	-0.03	-3.66
CFA	585.60	584.57	-0.18	2.69
KES	99.49	99.55	0.06	0.97
MWK	713.97	714.93	0.13	-10.06
MUR	34.13	34.05	-0.24	1.88
NAD	13.53	13.73	1.50	12.13
NGN	313.94	310.35	-1.14	-36.43
SZL	13.53	13.73	1.50	12.13
TZS	2,130.88	2,135.99	0.24	-0.94
ZMW	9.91	9.75	-1.61	12.21

SECURITIES AFRICA

Botswana

Corporate News

No Corporate News This Week

Economic News

Botswana's trade balance swung to a 175.9 million pula ($16.78 million) deficit in July from a 2.6 billion pula surplus the previous month, mainly due to a fall in diamond and copper exports, the statistics agency said on Wednesday. Total exports slipped to 5.1 billion pula in July from 8.5 billion pula in June. Imports fell to 5.3 billion pula from 5.9 billion pula previously. *(Reuters)*

Botswana's economy contracted 1.3 percent quarter-on-quarter in the three months to end-June versus a 1.6 percent expansion in the first quarter, data from the statistics office showed. On a year-on-year basis, gross domestic product (GDP) growth was at 1.6 percent in Q2 after expanding by 2.7 percent in Q1. *(Reuters)*

Egypt

Corporate News

Telecom Egypt, the state fixed-line monopoly, said on Monday it was considering buying more spectrum, weeks after acquiring a fourth-generation (4G) licence that will allow it to directly offer mobile phone services for the first time. "Telecom Egypt has presented a request to the National Telecom Regulatory Authority to understand the terms and conditions related to any other spectrum on offer so it can be studied and evaluated," it said in a statement on the stock exchange website. Egypt is selling four 4G licences as part of a long-awaited plan to reform the telecoms sector and raise much-needed dollars for depleted government coffers. It gave its existing four operators priority to acquire 4G licences, but the only company that took up the offer was Telecom Egypt, which has long sought a way to offer mobile services directly. Telecom Egypt bought its licence for 7.08 billion Egyptian pounds ($797 million) last month. The country's three existing mobile phone operators - Orange, Vodafone and Etisalat - all turned down the licences saying the amount of spectrum on offer was not sufficient to allow them to offer 4G services efficiently. Egypt's telecom regulator said last week it would consider an international auction of the licences in light of the rejections. Kuwait's Zain, China Telecom, Saudi Telecom and Lebara KSA have all expressed interest in Egypt's market. It was not clear if Telecom Egypt was looking to buy spectrum left available should any of the remaining three licences find no taker or if it was hoping to secure entirely new frequencies. *(Reuters)*

Economic News

Egypt's spending on petroleum subsidies dropped by 28.7 percent in the 2015-16 financial year to compared to one year earlier, Petroleum Minister Tarek El Molla said on Sunday, a greater decline than previously announced. Egypt has been trying to wean itself off costly energy subsidies that eat up a large portion of the state budget. Tarek al-Hadidi, head of state oil company EGPC, told Reuters in August that the subsidies had fallen by 23 percent, to 55 billion pounds ($71.36 billion) for the 2015-16 financial year, which ended in June. Molla said on Sunday that the figure was actually 51 billion pounds. In 2014 the government cut spending on energy subsidies, causing domestic prices of natural gas, diesel and other fuels to rise by as much as 78 percent, but has delayed further cuts amid low energy prices that have kept spending down. The state's 2016-17 budget aims to reduce subsidy expenditure further, targeting 35.04 billion Egyptian pounds. Egypt made 38 new petroleum discoveries in 2015-16, including 24 for crude oil and 14 for natural gas, Molla added. *(Reuters)*

Egypt hopes to attract $10 billion in foreign direct investment (FDI) next year and will automate the process of establishing a company, its investment chief said, highlighting efforts to revive the economy and earn much-needed hard currency. The most populous Arab country has been scrambling to attract investment needed to restore growth since the 2011 uprising, which ushered in protracted political turmoil and scared away tourists and foreign investors - key sources of hard currency. Mohmmed Khodeir, CEO of the General Authority for Investment and Free Zones (GAFI), said Egypt drew over $6.8 billion in FDI in the 2015-16 fiscal year and hoped for $10 billion in 2016-17 after big upgrades to ageing road and power infrastructure. Khodeir said that not all the targeted FDI might come in dollars but all of it would be fresh investment. "Egypt has had a very difficult five years preceded by a historical baggage of things that needed to be done and were not done, and Egypt has taken a decision to confront this," he told Reuters in an interview. "So you have issues such as subsidies being tackled, issues such as electricity infrastructure, files that have been left alone for so many years."

Egypt's cabinet approved a long-awaited draft law on investment last year aimed at making deals less vulnerable to legal disputes or changes in government, and reducing stifling bureaucracy. But the law was widely criticised over a lack of clarity on issues including taxes and the role of GAFI. Khodeir said authorities were seeking feedback on the law, and this could form the basis for possible amendments. "Learning from experience, we are adopting a very inclusive approach, making sure our stakeholders contribute their thoughts. We asked investors for their wish list..." Khodeir would not say which aspects of the law might change. "There will be amendments if there is consensus within the market and the stakeholders that a new law is needed." The government hopes a raft of new legislation will help slice through notorious red tape and make it easier and quicker for investors to do business. Khodeir said the process of incorporating a company had been simplified through the introduction of a one-stop-shop, though securing regulatory licences remained slow. "If you're a factory, you need certain specific regulatory approvals...That's the second phase that we're trying to embed into the one-stop-shop." Khodeir said it would also be possible to incorporate a business online as early as next year. "We're working and doing everything we can to have it automated in 2017." *(Reuters)*

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Ghana

Corporate News

Fidelity Bank Ghana Limited has been assigned a credit rating of "A-" and "A1-" covering a period of one year and beyond by the Global Credit Rating Co, South Africa. The rating which is valid until the end of the year also accorded the Bank a stable outlook. According to the Global Credit Rating Co, the assigned rating reflects the prudent management and resilient financial performance of Fidelity Bank for the year under review. Fidelity Bank's rating puts the bank in great stead to strengthen its competitive position in the financial market with strong financial metrics in terms of profitability, asset quality, and capitalization. In an interview, Managing Director of the Bank Mr. Jim Baiden acknowledged that the rating will increase investor confidence and put the bank in a good position for more growth in the future. He added that it is also a guarantee to all customers of Fidelity Bank that their investment with the bank is secured. Mr. Baiden further explained that the Bank has worked assiduously through strategic improvement of its business operations in the areas of electronic and agency banking to grow with their customers and shareholders over the last 10 years. He emphasised that in the coming years the bank will continue to peruse its inclusive banking agenda through its Smart Account and agent points to make world class banking accessible to more Ghanaians. GCR rates more banks and other financial institutions in Africa than any other rating agency. Their expertise in this market is widely recognized and highly regarded by investors, as they have an unparalleled track record for rating accuracy in Africa. *(Ghana Web)*

MTN Group Ltd., Africa's largest mobile-phone operator by sales, is considering selling about $500 million in shares of its Ghana business, according to people familiar with the matter. The company is approaching high-net-worth individuals in the country about a private placement of a 35 percent stake in the Ghana unit, valuing it at about $1.5 billion, the people said, asking not to be identified because the deliberations are private. No final decisions have been made, they said. The sale would help MTN meet conditions it agreed to last year when it spent $67.5 million for the right to use spectrum that can carry high-speed mobile data for customers in Ghana. The company was granted a 15-year license for fourth-generation spectrum on the condition that 35 percent of the business would be owned by Ghanaian investors. A representative for Johannesburg-based MTN declined to comment. MTN said earlier this month it raised more than $1.3 billion from loan agreements as it works to improve its debt structure and support its credit rating. MTN's move to attract funding comes after the company reported its first-ever half-year loss in August, partly caused by an agreement to settle a record 330 billion naira ($1.1 billion) fine in Nigeria for missing a deadline to disconnect customers. MTN said Wednesday that it "strongly refutes" an accusation by Nigerian lawmakers that the wireless carrier illegally moved almost $14 billion out of the country over 10 years as the company tries to quell the latest controversy in its largest market. *(Bloomberg)*

Economic News

The Bank of Ghana said the yield on its weekly 91-day bill edged up to 22.8675 percent at an auction on Friday from 22.8668 percent at the last sale on Sept 16. The bank said it had accepted all 648.49 million cedis ($162.43 million) worth of bids tendered for the 91-day paper, which will be issued on Sept 26. *(Reuters)*

Ghana's gold output rose 38.6 percent in the first half of 2016 to 1,993,850 ounces from 1,438,656 ounces a year ago, boosted mainly by new mining operations, the Ghana Chamber of Mines said on Tuesday. Africa's second-largest gold miner after South Africa earned $2.43 billion from gold in the first six months compared with $1.75 billion in the same period last year, the Chamber said. Ghana's active gold miners include Newmont Gold Corporation and South Africa's Gold Fields. Asanko Gold started production this year. Gold is the single biggest revenue earner for the West African country which also exports cocoa. It is currently under a three-year aid deal with the International Monetary Fund to restore fiscal balance to an economy dogged by public debt and high inflation. The country is just recovering from a crippling energy crisis and lower gold prices that forced mining firms to cut output and send hundreds of employees home. Diamond production dipped to 96,880 carats in the first half of this year from 106,061 carats last year while manganese rose to 752,782 tonnes compared with 553,549 tonnes, the Chamber said. *(Reuters)*

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Ghana will close its 2015/16 cocoa season on Thursday after a year in which dry weather contributed to around an 8.2 percent production shortfall against a 850,000 tonne target set by industry regulator Cocobod. The timing of Cocobod's decision is to allow buyers and farmers to prepare for the 2016/17 crop which is expected to open in early October. "All licensed buying companies are kindly requested to wind up all operational activities of the 2015/16 cocoa crop season before the opening of the 2016/17 main crop season," the regulator said in a statement. The 2015/16 season in Ghana, the world's second biggest cocoa producer after Ivory Coast, began last Oct. 2 and total output is expected at about 780,000 tonnes, up 11 percent on last season, government sources told Reuters. Cocobod Chief executive Stephen Opuni said Cocobod would purchase 850,000 to 900,000 tonnes of beans in the new season. Cocobod, which markets and exports cocoa and cocoa products produced in Ghana, signed a $1.8 billion loan with international banks last week to finance the purchases. *(Reuters)*

The International Monetary Fund approved the release of a $116 million installment to Ghana after a review of economic and monetary reforms that are part of an almost $1 billion bailout plan for the West African nation. The total disbursements under the program amount to $465 million so far, the Washington-based lender said in an e-mailed statement on Wednesday. Ghana turned to the IMF in April 2015 after lower prices for its gold, cocoa and oil exports caused debt to balloon and its currency to decline against the dollar. Regular power cuts have also weighed on the economy. President John Dramani Mahama, who will run for a second term in office in December elections, has pledged that Ghana won't seek further IMF bailouts. The disbursement comes as Ghana's second-quarter economic growth slowed to its lowest in two years following a slump in the country's crude production. The economy will expand between 4.1 percent and 4.3 percent this year, Finance Minister Seth Terkper said in July. West Africa's second-largest economy raised $750 million at a yield of 9.25 percent earlier this month in an auction that was more than four times oversubscribed. About $400 million of the bond proceeds will be used to refinance the nation's first 10-year bond which matures in 2017 while the rest will be used for capital projects, according to Terkper. *(Bloomberg)*

Ghana's economy grew at the slowest pace in two years in the second quarter as mining and oil output slumped. Gross domestic product expanded 2.5 percent in the three months through June 30 from a year earlier, compared with a revised 4.8 percent in the previous quarter, Philomena Nyarko, government statistician at the Ghana Statistical Service, told reporters in the capital, Accra, on Wednesday. The economy grew 0.6 percent from the first three months of the year, she said. Defects on the FPSO Kwame Nkrumah, the vessel used for production, storage and offloading crude at the Jubilee oil field, adversely affected crude oil and gas output in the first half of 2016, the Ministry of Finance said in July. Oil production fell 49 percent in the second quarter from a year earlier, Nyarko said. "The FPSO was shut down, so that is causing the decline in oil and gas," Nyarko said. "It was the major contributory factor to the fall in overall GDP growth." Industry, which includes mining, oil and gas production and accounts for about a quarter of GDP, contracted by 5 percent , the statistics office said. Farming output in the world's second-biggest cocoa producer expanded 4.1 percent and services by 6 percent, it said.

The Ghanaian economy expanded 3.9 percent in 2015, the slowest pace in 15 years, according to International Monetary Fund data as the global slump in crude oil prices hit government revenue in West Africa's second-largest economy. Growth will accelerate to between 4.1 percent and 4.3 percent this year as new oil projects start contributing to output, the finance ministry said in July. "Growth conditions are expected to improve over the medium term supported by the sustained improvement in the power sector and increased oil and gas production," Bank of Ghana Governor Abdul Nashiru Issahaku said on Sept. 19 as the central bank left the key lending rate at 26 percent. "The headwinds to growth include tighter fiscal consolidation, declining private-sector credit and delayed recovery in commodity prices." Ghana, which has presidential and parliamentary elections in December, agreed to an almost $1 billion program with the International Monetary Fund in April last year to help rein in the budget deficit and arrest declines in its currency, the cedi. The deficit may be 4.8 percent of GDP this year, the IMF said in May, compared with 6.7 percent in 2015. The nation raised $750 million in a Eurobond auction earlier this month. *(Bloomberg)*

WEEKLY AFRICAN FOOTPRINT

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Kenya

Corporate News

Kenya Airways is talking to "about three or four" foreign institutional investors and airlines about buying a stake to raise cash for the lossmaking carrier, its chief executive said on Monday. The airline, 27 percent-owned by Air France KLM, has been reducing the size of and modernising its fleet, selling land and cutting jobs to recover from losses caused by a slump in tourism. "We are talking to about three or four parties," Mbuvi Ngunze, the CEO of Kenya Airways, told Reuters. The search for a strategic investor is part of a plan, drawn up with the help of U.S. investment bank PJT Partners, to raise new debt and equity funds. Ngunze did not say how much they planned to raise but the company previously said it would need about 70 billion shillings ($692 million). The carrier is also talking to its creditors, including banks, to amend terms of its debt and provide it with sufficient funds for operation in the short term, he said. The Kenyan government, which has a 29.8 percent stake, said it was still examining the proposals for recapitalisation. "There is ongoing work to determine the nature of the restructuring that is going to take place," said Esther Koimmett, the public investment secretary without offering more details. No one at Air France KLM was immediately available to comment. Ngunze said they were encouraged by the interest the business has received from potential suitors, attributing it to Nairobi's status as a major African hub airport.

Kenya Airways has an extensive route network on the continent, operating numerous flights a week to cities like Lusaka in the south and Accra in the west. "We have a fantastic business across Africa ... Africa is where things will grow and it shows you that people have an interest in the business of Kenya Airways in spite of the fact that we have had these hurdles," he said. Forward Keys, a firm that predicts future travel patterns by studying bookings, said last week air travel to Kenya was up 14.9 percent in the first eight months of this year, outpacing a 5.6 percent growth rate for the entire continent. Ngunze attributed the higher demand to some recovery in tourism in Kenya after a spate of Islamist attacks since 2012 had deterred holidaymakers, and more international meetings being hosted by the country. Kenya's attractions have also been highlighted by several famous visitors this year, including music superstar Madonna, who enjoyed a holiday in the summer, and Facebook founder Mark Zuckerberg, who went on a game drive during a visit earlier this month. Ngunze cautioned, however, that there was a lot that still needed to be done before the sector can fully recover. "We are still significantly behind where we wanted to be," he said. "We have to be patient." *(Reuters)*

KCB Group Ltd., Kenya's biggest bank by assets, is in talks with companies including Facebook Inc., Apple Inc. and Alibaba Group Holding Ltd. about collaborating on digital payments through its new financial-technology unit, Chief Executive Officer Joshua Oigara said. The discussions, which are also being held with Alphabet Inc. and Tencent Holdings Ltd., form part of the lender's efforts to double the number of customers on its mobile-phone platform to 20 million by the end of 2017, Oigara said in an interview at his office in the capital, Nairobi, on Wednesday. The unit, known as KCB Fintech, will officially begin operations in June 2017, he said. The subsidiary will "partner with different players, whether it is M-Pesa, Facebook, Google, Apple and that business will have a new digital-payments platform," he said. M-Pesa is the mobile-phone payments system pioneered by Vodafone Plc unit Safaricom Ltd., which handled 5.29 trillion shillings ($52 billion) of transactions last year, equivalent to more than 80 percent of the country's gross domestic product. Banks in East Africa's biggest economy are scrambling for market share in digital transactions with 25 million mobile-money subscribers spending 312 billion shillings ($3.1 billion) on goods and services in the three months through March, according to data compiled by the Communications Authority of Kenya. Lenders are seeking new sources of revenue after the government capped lending rates, pressuring margins. KCB is doubling capacity on its mobile-phone systems so it can handle 600 transactions per second by next year, Oigara said. A surge in demand for loans caused the platform to collapse last week. KCB is also in talks with Paypal Holdings Inc., Samsung Electronics Co. and Twitter Inc., Chief Digital Officer Edward Ndichu, who will head KCB Fintech, said in an interview. "This is the journey we are going through," Ndichu said. "We need to benchmark with the needs of the customer." Shares in KCB Group have fallen 38 percent this year to 27 shillings by close of Thursday trading in Nairobi. *(Bloomberg)*

WEEKLY AFRICAN FOOTPRINT

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Economic News

The Central Bank of Kenya (CBK) has disclosed that banks from eight countries are looking to enter the Kenyan market even after capping interest rates and at a time the regulator's suspension of new lenders still stands. CBK said banks were being lured to the country by relatively high returns and the country's geographical location, which makes it an entry point to the African economy. "I get a lot of banks which want to enter into our jurisdiction, from at least eight jurisdictions among them Japan, as a result of the TICAD conference, the United States, the UAE and South Africa," said CBK governor Patrick Njoroge who, however, did not name the specific banks. He noted that the average return on equity of an average topping 30 per cent enjoyed by Kenyan lenders was a key attraction and even if this was to fall following capping of interest rates, it would still be higher than in other markets. A return on equity of 30 per cent indicates that an investor is likely to recoup their equity input in just over three years. Kenya passed a law to regulate interest rates a month ago in a move which was expected to repulse investors. Following President Uhuru Kenyatta's assent to the law, prices of listed banking stocks slumped as investors sought to offload their shares in fear of a sudden drop in revenues. *(Nation)*

The Kenyan shilling was seen to be under pressure against the dollar during Monday's session with demand for dollars from oil importers being met by increased remittances, traders said. At 0800 GMT, commercial banks quoted the shilling at 101.20/30 to the dollar compared with 101.15/25 at Friday's close. *(Reuters)*

Motorists have been handed a two-year relief with the deferment of value added tax (VAT) on petroleum products, which pushes forward fuel price increases to September 2018 at the earliest. The Finance Act 2016 assented to a week ago extended the exemption of the 16 per cent tax offering relief to motorists who had feared the new levy would once again push petrol prices above Sh100 per litre. Treasury Secretary Henry Rotich had in his June 8 budget speech indicated that the tax would be deferred for one year but this has now been extended to two years. "The exemption shall be extended by a further two years from 1st September, 2016," the Act says. VAT on fuel products including petrol, diesel and jet fuel was introduced in the VAT Act in 2013, with a three-year grace period that would have seen it come into force early this month. The Treasury however raised the road maintenance levy charged on each litre of petrol and diesel by Sh6 to Sh18. Fuel is one of the most heavily taxed items with about 42 per cent of what is paid for a litre of petrol going to the State in terms of taxes. Consumer Federation of Kenya Secretary-General Stephen Mutoro said the deferment was good news for consumers but added VAT on fuel needs to be scrapped entirely. "Any measure to remove or delay (the tax) will have a positive multiplier effect by making fuel affordable for motorists and pulling down inflation," he said. "We have always asked the president to lower the cost of living and fuel, which

Transportation of goods to markets, running of diesel-powered machinery, operating farm machines like tractors and movement of people across the country are among everyday activities that would be heavily hit by a 16 per cent price increase at the pump. The price of fuel is a key determinant of the cost of goods in the market and carries an 8.61 per cent weight in the basket of goods used to determine the country's inflation. Other items that will eventually be captured by VAT when it comes into force are white spirit, mainly used as a paint thinner, and premium gas oil used for high speed engines. Motorists have over the last one-and-a-half years enjoyed lower prices driven by low global crude oil prices. A litre of petrol currently retails at Sh91.39 while diesel costs Sh82.46 in Nairobi. Introduction of VAT on fuel would have seen the prices rise by 16 per cent denying motorists dividends of the low crude oil prices. *(Nation)*

Kenya's shilling was seen staying within a narrow band after slow demand for the dollar from multinational corporations on Wednesday, and traders expected a period of market stability to continue. At 0845 GMT, a commercial bank quoted the shilling at 101.25/35 to the dollar, unchanged since its close on Tuesday. *(Reuters)*

Kenya's economy will hit the government's growth target of 6 percent this year on the back of private sector performance, the central bank governor said on Wednesday. Patrick Njoroge also told Reuters that a new rule capping commercial lending rates - a move the governor opposed - made setting the benchmark rate more complicated as it was not clear how any rate cut would affect commercial bank lending decisions. The decision to cap commercial lending rates at 400 basis points above the central bank's benchmark rate, now at 10 percent, sent shockwaves through the market and bank shares tumbled.

The government said it had to force banks to lower commercial rates, often above 18 percent, after non-legislative efforts failed. Experts said it could stop banks offering loans to the kind of small businesses that help drive growth and create jobs. "The economy is doing relatively well," Patrick Njoroge told Reuters in his office, saying it was on target for the 6 percent expansion forecast by the government. "This is the time for investors to actually place a long term bet on the economy." But he said the Monetary Policy Committee now faced a tougher job determining how policy, such as last week's rate cut by 50 basis points, would feed through into the wider economy since the decision to cap commercial lending rates. "You are not perfectly sure whether lowering rates increases or decreases credit growth. If that doesn't complicate monetary policy, I don't know what does," he said, adding that lower rates could simply encourage banks to shun borrowers deemed more risky even more than before because the returns would be lower.

Elsewhere in the financial sector, he said, banks had to boost transparency in accounting and classification of bad debts, and ensure strong board oversight of operations, after three small and mid-tier banks were taken over by the state receiver due to various financial failings in the past year. Non-performing loans in Kenya's banking sector, the biggest in the East African region, with more than 40 licensed banks, rose to 9.3 percent in August from 5.7 percent in December. The rise was partly attributed to stricter reporting requirements. "The landscape is changing. If you want to be a bank in the new landscape, you better change now," the governor said, adding that building a strong financial sector was vital to Kenya's goal of becoming an international financial centre. In a bid to better ensure liquidity is evenly distributed in a market dominated by a handful of banks, Njoroge said the central bank planned to introduce an interest rate corridor either side of the benchmark rate to guide any intervention. "Liquidity management has been complicated by it being very lopsided. Seven banks have something like 80 percent of our liquidity so it kind of messes things up," Njoroge said. Without giving the parameters of the planned corridor, he said if interbank lending rates rose to the top of the corridor it would prompt the central bank to inject shillings, while liquidity would be mopped up if rates slipped to a lower limit. On plans for Chase Bank, one of the three banks which was closed and taken over by the state receiver, he said the process of due diligence was being finalised so another institution would take control. He did not give a date for completion but said the next step was for another bank, institution or group to step in. "Let's say it will offer us a good sense of where we need to go," he said of the due diligence process.*(Reuters)*

Kenya will retain duty-free access to the European Union for its products, its trade minister said on Thursday, reassuring exporters who feared problems in clinching a deal between the EU and the East African Community could lead to tariffs. Kenyan businesses have been alarmed by delays in signing the trade pact, known as the Economic Partnership Agreement (EPA), between the EU and five-nation East African Community (EAC), after reservations raised by Tanzania. Kenya stood to lose most as it would have lost duty- and quota-free access, whereas other EAC member states are categorised as poorer nations who keep that access whether or not the more comprehensive trade deal is signed. The deadline for the EAC to finalise the agreement was Oct. 1 and there were fears that Kenyan goods could be locked out or become subject to tariffs. "Come next week Kenyan exports will still have access to the EU market without paying any duties, as it was before," Aden Mohamed, the Kenyan minister for trade and industrialisation, told Reuters. Kenya, which exports coffee, tea and horticultural products to Europe, secured the continued free access to EU markets after it signed the deal with the EU, despite Tanzania holding back. Kenya has also already ratified the pact in parliament and it presented a copy to the EU in Brussels on Wednesday. EAC heads of state are scheduled to discuss the EPA with the EU in January but Mohamed said Kenyan goods would maintain their access regardless of the outcome. "We are hopeful everybody will come on board and then rather than just having a window of access into the EU, we will enjoy a much more comprehensive agreement that has some benefits of development infrastructure that will come as a result of that agreement being signed," he said. Mohamed also said on Thursday that the government had revoked a rule in the 2015 companies law demanding that foreigners investing in Kenya offer a 30 percent stake to a Kenyan party. Foreign investors had criticised the new rule. "The spirit of what we want to do in the country is to have an economy that is open for business and doesn't want to impose pressure," he said. *(Reuters)*

Kenya's removal of excise duty on locally assembled cars will boost the industry, but the government must make power supplies cheaper and address other concerns to draw more investment, the automobile industry association chief said on Thursday. With little growth in mature markets, automakers are looking to tap into emerging African markets, but there is plenty of competition on the continent for where they might invest.

Kenya's East African neighbour Ethiopia, for example, is building an assembly industry and boasts rapidly improving transport links and plentiful, cheap hydro-electric power. Kenya currently mostly assembles trucks, pick-ups and buses from kits supplied by foreign manufacturers. Some 2,258 vehicles were assembled in the first four months of this year, the statistics office said. However Volkswagen said this month it would resume car assembly in Kenya after closing a plant in the 1970s. Rita Kavashe, the chairwoman of the Kenya Vehicle Manufacturers Association (KVMA), said scrapping excise duty offered an incentive to investors in Kenya, where economic growth of 6 percent a year is helping drive vehicle demand. "We are anticipating now an increase in purchases of motor vehicles as a result," she said, although the slow start to the year meant sales of both imported and locally assembled vehicles would be 14,000 in 2016 compared to 19,500 last year. But she told Reuters the government had to address other issues that deterred manufacturers, by making electricity supplies cheaper and more reliable and improving efficiency at Mombasa port, a heavily congested regional trade gateway. "Cost of electricity has not gone down at all ... The cost is still very high in Kenya so that is a real challenge that needs to be addressed," said Kavashe, who is also head of General Motors East Africa, a big assembler in Kenya. Sales of locally assembled cars plunged 30 percent in the first six months of this year, partly due to the excise duty introduced in January at a flat rate of 150,000 shillings ($1,483) on each assembled vehicle. The government reversed that decision this month saying it wanted to foster local assembly of vehicles, in which kits supplied by foreign brands are bolted together. Kavashe said investors also needed reassurance about next year's election in Kenya, a nation that has long suffered from political strife.*(Reuters)*

Kenya's inflation rose slightly to 6.34 percent year-on-year in September from 6.26 percent a month earlier, the statistics office said on Friday. The Kenya National Bureau of Statistics said in a statement that on a month-on-month basis, inflation was at 0.34 percent. Rising food prices outweighed consumer gains from falling fuel prices, it said. *(Reuters)*

Malawi

Corporate News

No Corporate News this week

Economic News

No Economic News this week

Mauritius

Corporate News

MCB Group's pre-tax profit for the full year to June rose 21 percent to 8.34 billion rupees ($236 million), driven by higher net interest income, it said on Friday. MCB, the biggest bank by market value in East Africa and the Indian Ocean region, said net interest income rose 9 percent to 8.89 billion rupees on the back of increased revenue from investments in government securities. Earnings per share rose from 24.04 rupees a year earlier to 27.82 rupees on June 20, MCB said in a statement. "Whilst the retail segment is anticipated to sustain its growth momentum, further expansion of credit will be largely dependent on regional economic performance and on the implementation of public and private sector projects in the wake of recent budgetary measures," the group said. Moderate growth is expected in operating profits for the coming year, it said. *(Reuters)*

Economic News

No Economic News This Week

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Nigeria

Corporate News

Access Bank Plc is set to issue the first Eurobond from Nigeria in almost two years after choosing banks to arrange a new deal. Nigeria's fourth-largest lender by assets will meet investors in the United States and Europe from Tuesday through October 3rd, and plans to sell five-year debsetups Chief Executive Officer, Herbert Wigwe told Bloomberg. Barclays Plc, Citigroup Incorporated and JPMorgan Chase & Co would arrange the deal, he said. "It will be for working capital, for lending to investment-grade names," including Nigerian companies seeking to expand their exports, Wigwe said. But he didn't say how much Access Bank intends to raise. It would be the first Eurobond out of Nigeria since October 2014, when oil company Seven Energy Finance Limited issued $300 million of securities. That year, Nigerian companies and banks including Access Bank, Zenith Bank Plc and FBN Holdings Plc sold $2.55 billion of dollar debt. The Nigerian government, which is planning to raise $1 billion this year, last tapped the Eurobond market in 2013. Access Bank, which has $12 billion of assets, has two deals outstanding; one of $350 million due in July next year and another of $400 million maturing in June 2021. *(This Day)*

In a bid to boost its bottom-line and meet shareholders' expectations, the management of Diamond Bank Plc has reinforced its business strategy and strengthened. A statement yesterday explained that apart from beefing up its human capital, the bank has deployed cutting edge digital mobile technology, which reduced cash cycle and consolidated its hold on the MSME segment while still growing its corporate market. According to the bank, these helped in expanding its local market share and deepened its global reach. Also, in order to align with current business realities and point the future direction of its service delivery, the bank said it recently refreshed and renamed some of its financial products. The Chief Executive Officer, UzomaDozie, affirmed that although the industry is going through numerous challenges due to a lot of internal and external influences such as the slump in crude oil price in the international market, foreign exchange volatility and regulatory headwinds, Diamond Bank is continually on the lookout to optimise new opportunities for growth presented by these realities. "Our growth drive begins from the inside as we have put in place a human capacity development system that ensures that we attract the best people in the business, train them to be able to perform at the best level in their jobs and motivate them well enough to stay with us.

We are aware that the future of banking is digital and Diamond Bank is recognised for its innovative value added solutions that have changed the banking system to suit the customer lifestyle. These include Diamond Mobile App, Diamond Y'ello Account, Diamond Xclusive and Beta Proposition," he was quoted to have said. According to the CEO, the bank recognises the place of MSMEs as the engine that catalysis economic production and therefore, will continue to deepen the market segment by improving MSMEs stakeholders' access to funds, market and advisory services. "We are well recognised for our commitment to the MSMEs and even play an advisory role to government and many development partners in this regard. We currently do business with over 500,000 MSME customers in the key areas of access to financing, access to markets and advisory services. We also provide them with specialised technical support from institutions such as the International Finance Corporation (IFC), Women Banking, European Development Agency and others. These, we are leveraging on for our future growth and consolidation," he added. KPMG, a leading global advisory and consultancy firm, in its recent survey, ranked Diamond Bank among the three best in Nigeria in the customer satisfaction index (CSI). *(This Day)*

South African telecoms giant MTN on Wednesday denied an allegation that it had illegally repatriated $13.92 billion from Nigeria, saying the claim was without merit. Lawmakers in the upper house of Nigeria's parliament agreed on Tuesday to investigate the allegation that MTN, Africa's biggest telecoms company, illegally transferred the money out of the West African country. "The allegations made against MTN are completely unfounded and without any merit," MTN Nigeria chief executive Ferdi Moolman said in brief statement. The allegation threatens to raise tensions between Nigeria and MTN just three months after the South African firm agreed to pay a reduced fine of 330 billion naira in a settlement with Abuja over unregistered SIM cards. MTN is the largest mobile phone operator in Nigeria, which accounts for around one third of the company's revenues. The company had threatened to pull out of Nigeria during the dispute over unregistered SIM cards. "It's not a good development but it may stem from the forex crunch in Nigeria. They don't want forex to leave the country unnecessarily," said Cobus de Hart, an analyst at NKC African Economics.

"It highlights the fact that the Nigerian central bank wants to maintain a firm grip on the forex market and this will obviously not bode well for investor sentiment," he said. MTN shares fell more than 3 percent on Tuesday but opened 1 percent firmer on Wednesday. *(Reuters)*

Nigeria's Dangote Cement has turned to locally-mined coal to power its plants in a bid to end disruptions caused by gas shortages and lower its production costs. "All our cement plants have been converted to coal," Aliko Dangote, the company's billionaire majority owner and chairman, told a business conference on Thursday, adding they would use 12,000 metric tonnes of coal each day. Dangote's move is unusual in an era when power generation is shifting away from coal. Coal used to generate U.S. power fell in April to its lowest monthly level since 1978, the U.S. Energy Information Administration said in a June report. Natural gas, meanwhile, surpassed coal as the United States' top fuel source for the third straight month, the EIA said. However, gas shortages have plagued the West African nation, with militants in the oil heartland of the Niger Delta regularly disrupting Nigeria's oil and gas production. Dangote, Africa's biggest cement producer, has an annual production capacity of 43.6 million tonnes and targets output of between 74 million and 77 million tonnes by the end of 2019 and 100 million tonnes of capacity by 2020. The company has invested more than $5 billion to expand outside its home market in the past few years. Dangote said Nigeria has become a cement exporter generating $1.25 billion of sales as against annual imports of $2.5 billion which the country would have spent before the sector was liberalised in 2002. *(Reuters)*

Economic News

The Nigerian National Petroleum Corporation, NNPC, yesterday, announced a deficit of N24.18 billion for the month of July 2016. The NNPC, in its Monthly Financial and Operations Report for July 2016, stated that compared to a loss of N26.51 billion recorded in June. the deficit was in spite of an improvement in its operating revenue to N128.43 billion in the month of July, compared to a revenue of N118.39 billion in June 2016, and representing 49.84 per cent and 54.07 per cent respectively of monthly budget. The report said,"Similarly, operating expenditure for the same periods were ₦144.9 billion and ₦149.97 billion respectively, which also represents 69.10 per cent and 72.78 per cent of budget for the months respectively. "A deficit of N26.51billion and N24.18billion were recorded for the months of June and July 2016 respectively. The net cash flow improved by 8.77 per cent or N2.32billion in July 2016. This improvement was largely due to increase in revenue stream from NPDC and PPMC, despite the upsurge in upstream and downstream vandalized points. "NPDC, substantial portion of crude oil sales for the month estimated to be in excess of N27 billion could no - Commenting on the performance of the refineries, the NNPC, "The combined value of output by the three refineries, at import parity price, for the month of July 2016 amounted to ₦20.09 billion while the associated crude plus freight cost was ₦19.31 billion, giving a surplus of ₦0.780 billion after considering overhead of ₦7.38 billion. "Despite these challenges, such as irregular crude supply and impact of pipeline vandalism, the domestic refineries have a consolidated positive cash flow for the month under review due to favorable products price variance and ongoing restoration of t " *(Van Guard)*

Nigeria will spend an equivalent of its 2016 budget to service debts as its currency, the naira, continues to lose value against the United States dollar. Devaluation has put the real value of the country's debt stock at around N18.9 trillion, when considered at the official rate of N307.79 per dollar, according to figures from the Debt Management Office. The additional naira stock (per dollar) that would be needed to service existing debt will cause the country to lose about N6.33 trillion, a near-equivalent of the 2016 budget, when compared to N12.6 trillion at N197 per dollar as at December 31, 2015. It is also a disincentive for future external borrowing despite a positive debt-to-GDP ratio. "Hiding under the mantra of low debt-to-Gross Domestic Product is deceitful," a public sector financial analyst, who asked not to be named, told The Guardian in Lagos at the weekend. "The economy is in recession and cannot churn out those activities anymore. "If we compare our debt service bill without revenue earnings ratio, it is not sustainable and that is where foreign investors will be looking at to price our international bonds," the public sector analyst said. "With more than 21 per cent of the entire budget dedicated to debt service and more than 33 per cent of the total budget being in deficit, the budget performance is now made worse with near-non-activities called recession.

The reality is daunting," the source said. The additional N6.33 trillion required to pay off Nigeria's external debt represents 20.58 per cent, a one-fifth of its estimated $296 billion, or N91 trillion GDP. The national debt stock consists of external obligations for both federal and state governments estimated at $11.3 billion (about N3.5 trillion); domestic obligations of $37.5 billion (about N11.5 trillion) and $12.7 billion (about N3.9 trillion) for federal and states respectively. The devaluation was necessitated by the plummeted foreign exchange earnings, which created huge unmet demand due to the shortage of dollar and naturally erased the value of the local currency through speculations. The debt report released by the Debt Management Office came two weeks behind schedule and put the debt stock by June 30, 2016 at $61.45 billion. The report stressed that the figure was higher in naira value than the $71.66 billion posted on March 31, 2016. The amount, also at current official rate of N307.93 per dollar is higher than the estimated $65.43 billion debt worth N12.6 trillion as at December 31, 2015, at N197/$. With a planned N1.8 trillion borrowing to fund the N2.2 trillion deficit in 2016 budget, from a mix of dollar-denominated and local debts, the country's obligations and associated service bill will rise to new record high soon. Already, the 2016 budget had a debt service provisioning in excess of N1.4 trillion, representing more than one-fifth of the entire budget plan.

The combined forces of devaluation and inflation, also took toll on the nation's economic activities between December 2014 and 2015, eroding naira value, as well as pushing the sovereign debt stock to ₦12.12 trillion. The Central Bank of Nigeria (CBN) had in November 2014, tactically devalued the naira and barely three months later, it devalued the local unit further to ₦199/$. Besides the concern for eroded value of the currency, which requires more naira to offset the debt stock when denominated in dollar terms, a conservative estimate of about N920 billion was lost to the then exchange rate, occasioned by devaluation, even at lower debt stock of $63.5 billion (June 2015), compared to $67.7 billion in December 2014. The national debt stock as at then showed that the Federal and States external obligations as at December 31, 2014, stood at ₦11.2 trillion ($67.7 billion), but moved to ₦12.06 trillion ($63.5 billion) three months later and ₦12.12 trillion ($63.8 billion) as at June 30, 2015. Given the eroding value, Nigeria lost about ₦920 billion to devaluation, with respect to the debt stock, representing 8.2 per cent loss over the actual value in six months. Also within the period under review, the inflationary trend has been on persistent upward movement. Although still in single digit, it moved from eight per cent to 9.4 per cent, trend, defying all liquidity tightening measures of the Central Bank of Nigeria. Still, the estimation of ₦920 billion loss appears to be conservative, given the fact that the domestic debts of sub-national governments (states) were denominated in dollar at the 2013 exchange rate of ₦155.7/$, which is not attainable now. For example, if the states' domestic debt profiles were denominated in current dollar exchange rate at ₦307.79, the total estimate would push losses far beyond N1 trillion mark. *(Guardian)*

Nigeria is in talks with the African Development Bank (AfDB) for a $1 billion dollar loan to help cover its 2016 budget deficit, the finance minister said on Monday. The loan would be concessional with an interest rate of 1.2 percent, Kemi Adeosun told reporters following a meeting with AfDB head Akinwumi Adesina. *(Reuters)*

India plans to buy more crude oil from Nigeria, Nigeria's presidency on Tuesday quoted India's vice president as saying during a visit to Abuja. "His country, which is the leading buyer of Nigeria's crude oil, will increase its purchase of the commodity in addition to natural gas," India's Vice President Hamid Ansari told Nigerian President Muhammadu Buhari, according to the presidency. Separately, the upper house, the Senate, rejected a call by its president to sell oil assets to help plug a budget deficit and boost the country's foreign reserves hammered by a fall in oil revenues. Last week, Senate President Bukola Saraki said Nigeria should sell stakes in oil and gas joint ventures with oil majors and other state assets to raise funds in hard currency and help fund the 2016 budget. "The Senate should reject the sale of our national assets," said a motion filed by one senator, which was accepted by the upper house. The Senate also urged the government to launch a stimulus to drag the country out of recession. Nigeria's 2016 budget was the largest in the nation's history, but an oil price drop and militant attacks on oil pipelines in the Niger Delta have left the government scrambling for funds. *(Reuters)*

The value of ticket sales owed to foreign airlines in Nigeria has been reduced by over 50 percent since June, the International Air Transport Association said on Tuesday, adding it is making progress to recoup billions of dollars in revenues blocked by some countries. IATA, the trade association of the world's airlines, said it wants to develop a "common strategy" where carriers act in tandem to recuperate ticket sales revenue being withheld in Venezuela.

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

"Up to now, we haven't been able to have a unified approach without breaking anti-trust rules," IATA Chief Executive Alexandre de Juniac told reporters in Montreal, on the sidelines of United Nations-led climate talks for the aviation sector. "The question is (whether you can have) a unified approach to say to the state: 'You are not fulfilling your basic obligations to pay us,'" he said. IATA last week requested anti-trust immunity from the United States to allow the association to legally discuss routes to Venezuela, which is blocking $3.78 billion in ticket revenues from leaving the country. Airlines are banned from coordinating routes and pricing with rivals under U.S. antitrust rules. Several major carriers, including American Airlines, Delta Air Lines and Lufthansa AG, have cut back on routes or stopped flying to Venezuela altogether. In June, IATA said that airline revenues then worth $5 billion were being blocked by countries with tight currency exchange rate controls. Venezuela was the biggest culprit followed by Nigeria, which was withholding $591 million. Since June, the value of ticket sales revenue owed to foreign airlines in Nigeria has been reduced by over 58 percent since June to $246 million, IATA spokeswoman Mona Aubin said. "Talks continue toward establishing a realistic and achievable payment schedule to settle the remaining amount," she said. *(Reuters)*

Nigeria, heading for its first full-year economic contraction in 25 years and in need of funding to cover a record budget deficit, may take heart from the performance of its dollar debt as it prepares to tap the Eurobond market for the first time since 2013. Gains in the nation's U.S. currency-denominated securities drove yields to the lowest in 15 months, handing investors returns above the emerging market average this year. In contrast, local-currency bonds are the worst performers among peers, according to data compiled by Bloomberg. The dollar bonds have been helped by the clamor for yield as developed nations from the U.S. to Japan hold interest rates at or near record lows. The performance of Nigeria's dollar notes signals investors are comfortable the government has sufficient reserves to cover its foreign obligations. And high demand for Ghana's Eurobond earlier this month bodes well for Nigerian Finance Minister Kemi Adeosun's plan to issue $1 billion this year, according to NN Investment Partners in The Hague."There's appetite for African risk," Marco Ruijer, who oversees about $8 billion of emerging-market debt at NN Investment, including Nigerian Eurobonds, said by phone on Sept. 27. "They could do a deal quickly, even next week, if the oil price stays stable. And they could issue more than $1 billion if they wanted, depending on the price." Nigeria is he continent's second-biggest oil producer, and relies on crude for 90 percent of exports. The 50 percent slump in oil prices since 2014 has left the government with a funding shortfall of 1.8 trillion naira ($5.7 billion). Yields on Nigerian securities due in July 2023 have dropped to 6.61 percent from a record 9.37 percent on Jan. 15, a gain of 23 percent for bondholders in the period. That compares with average profits on emerging market sovereign Eurobonds of 16 percent, according to Bloomberg indexes. Nigeria's local-currency securities, meanwhile, have lost 7.7 percent this year, the only debt to decline in 31 emerging markets tracked by Bloomberg. Nigeria last sold a Eurobond in July 2013. A deal this year would come in the wake of West African neighbor Ghana's sale of $750 million of debt on Sept. 8, which was more than four times oversubscribed. Nigeria would probably have to offer a yield of around 7.25 percent to 7.35 percent on a $1 billion 10-year bond, and closer to 7.5 percent on a bigger deal, Ruijer said.

Investors would be forgiven for steering clear. The economy IS set to contract 1.8 percent this year, according to the International Monetary Fund. Oil production has fallen to AN about a three-decade low as militants bomb pipelines in the Niger River delta, and Islamist militant group Boko Haram's insurgency has left people in the northeast of the country facing the world's worst food shortages, according to the United Nations Children's Fund. But with $24.6 billion of reserves, investors aren't concerned that Nigeria would default on its $1.5 billion of outstanding Eurobonds. Its debt is equivalent to 13 percent of gross domestic product, the lowest among major economies in sub-Saharan Africa, according to the IMF. The dollar bonds "could easily be redeemed from existing reserves and are even more easily serviced, at a cost of $91 million annually," Alan Cameron, an economist in London at Exotix Partners LLP, which recommends that clients hold the securities, said in a note on Sept. 26. "If Nigeria took full advantage of the current sentiment and liquidity conditions globally, we think it could easily issue $2 billion." Not all investors are convinced the securities yield enough to make up for the risks. While Nigeria may have little debt, the downturn has hammered its revenue and it could end up spending as much as 35 percent of income servicing its interest obligations, including naira bonds and loans to multilateral lenders, according to the Budget and National Planning Ministry. 'While Nigeria's debt levels are low, its debt-service costs relative to government revenue are relatively high compared with those of other oil producers sch as Angola and Gabon, Ken Colangelo, a fixed income economist at AllianceBernstein LP, which oversees almost $500 billion of assets, said in an interview in New York on Sept. 19.

That "makes the credit less solid and does not justify the much tighter spreads," he said. Angola's bonds due in November 2025 yield 9.53 percent, while those of Gabon maturing in June 2025 have yields of 8.25 percent. There should still be enough demand to ensure Nigeria's deal goes smoothly, according to Lagos-based Vetiva Capital Management Ltd. "This is a relatively good time for Nigeria" to tap the market given the rally in its bonds since January, Michael Famoroti, an economist at Vetiva, said by phone on Sept. 26. "We will be expecting a yield of somewhere around 7 percent." *(Bloomberg)*

The Federal Government on Wednesday announced plans to boost earnings from mining sector with a view to increasing its GDP contribution from 0.33 per cent to seven per cent over the next 15 years. The Minister of Mines and Steel Development, Dr Kayode Fayemi, announced this at the National Council on Finance and Economic Development Conference in Abeokuta. The minister said it had become imperative for Nigeria to diversify its revenue sources in the light of the prevailing decline in the global price of crude oil. Fayemi expressed regrets that in spite of the huge mineral resources in the country, the mining sector had remained underdeveloped with a contribution level of 0.33 per cent to the GDP in 2015 He said, "The 0.33 per cent is a reversal from historically higher but still poor percentage levels of between four and five per cent in the 1960s to 1970s "Our policy goal, however, is to return to a contribution level of five to seven per cent in the next 10 to 15 years." He recalled that Nigeria could boast of a very rich mining history as far back as 1902 that was once globally renowned. He said, "Up till 1960, Jos was the sixth largest producer of tin in the world while the eastern city of Enugu became known as coal city due to robust mining activities introduced under the British rule." He listed the most promising mineral resources as gold, iron ore, barite, bitumen, tin, zinc, coal and limestone.

Fayemi identified major challenges which had confronted the mining sector as poor policy choices, inadequate data required by investors and insufficient financing and fiscal incentives. Others according to him, are infrastructure deficit and poor partnership with critical stakeholders. He said that the Federal Government had marshalled plans to reposition the sector, to unlock its potentials. Fayemi disclosed that plans were underway to establish the Nigeria Solid Minerals Investment Fund in partnership with the private sector to enhance the financing of mining projects. The minister also announced a 13 per cent derivation sharing from mining revenue to states as part of efforts to promote "co-operative federalism". "Our goal is to provide a better deal for the local communities where these minerals are located to ensure communal buy-in and benefits," he said. Fayemi also announced plans to rebuild key institutions like the mining school in Jos to become fit for purpose and train the next generation of mining specialists, innovators and entrepreneurs. *(Punch)*

Nigerian banks are finding it difficult to raise capital as a shrinking economy cuts revenue and deters investors, the industry's regulator said. "It's been tough," Umaru Ibrahim, managing director of the Nigerian Deposit Insurance Corp., said in an interview in the southwestern city of Abeokuta on Tuesday. Banks require "adequate capital that would help them cushion any adverse effect of loan defaults or losses," he said. Ibrahim's comments come as Access Bank Plc, the country's fourth-largest lender by assets, starts marketing the first sale of Eurobonds from Nigeria in almost two years. Africa's most populous nation is struggling to cope with oil prices that have more than halved since 2014, curbing the biggest source of government income. The economy is mired in a recession as it battles the fallout of an almost 16-month long currency peg that dried up dollar supplies, crippled output and hampered the ability of companies to service their debts. The NDIC and the central bank are finalizing the findings of a periodic review of the country's banks to determine the health of the industry and whether they are sticking to minimum capital and liquidity levels, Ibrahim said.

"Let us not pretend there are no issues,'' he said. "Nigerian banks are challenged like all of us in the sense that they will now have to do everything to weather the storm. They have to become more creative to mobilize deposits." Nigeria's central bank said in July "a few" banks breached regulations on capital adequacy after it dismissed the board of Skye Bank Plc, the nation's worst-performing bank stock. Non-performing loans in the industry may increase to 12.1 percent in 2016 from 4.9 percent this year, mainly because banks have high credit-concentration risks in the oil and gas industry, Lagos-based Afrinvest West Africa Ltd. said in a report this month. "The economic slowdown has clearly taken its toll on bank fundamentals and things may get worse before we see a meaningful recovery,'' Tolu Alamutu, an analyst at London-based Exotix Partners LLP, said in note. "In most cases, asset quality and capital metrics are weaker than at the start of the year.'' Lenders need to assist customers who are struggling to repay loans, Ibrahim said.

"They have to support their customers through restructuring of their loans to give them breathing space, given the experience that we are all having," he said. The Nigerian Stock Exchange Banking Index, which measures the performance of the country's biggest lenders, rose 0.1 percent to 280.54 at 2:25 p.m. in Lagos.*(Bloomberg)*

The World Bank has sanctioned Nigeria's tight monetary policy environment, saying it would help stabilise the naira, strengthen real interest rates, and encourage a return of international investment in the economy. The Bank also stated that Nigeria's exchange rate adjustment which was effected in June this year, coupled with the modest improvement in oil prices would help boost the country's oil revenues in naira terms. This, in turn, should enable the federal and state governments to meet their financial obligations, including the clearance of salary arrears, and help boost demand, the multilateral donor institution added. The World Bank stated this in its latest 'Africa's Pulse", the Bank's twice-yearly analysis of issues shaping Africa's economic future, for October 2016, which was released yesterday. The Central Bank of Nigeria (CBN) ditched its 16-month-old peg on the naira in June and introduced a flexible exchange rate regime to allow the currency to trade freely on the interbank market. But perennial dollar shortage in the economy appear to have frustrated the objective of the central bank as the gap between the interbank FX market and the parallel market has continued to widen. For instance, while the spot rate of the naira on the interbank FX market closed at N305.31 to the dollar, the naira hit an all-time low of N480 to the dollar on the parallel market yesterday, compared with the N460 to the dollar from the previous day.

The CBN at its Monetary Policy Committee (MPC) a fortnight ago, maintained the benchmark Monetary Policy Rate (MPR) at 14 per cent. Endorsing the tightening stance adopted by the CBN, the World Bank in the report stated that although the Nigerian economy was facing some challenges, "the economy is expected to rebound moderately in 2017 as the long-delayed expansionary budget begins to be implemented, oil prices stabilise, and oil production increases". It noted that policy reforms in the country were helping to improve the environment for private investment, adding that the fuel shortages that had severely impacted activity in the first half of 2016 had eased following an increase in fuel prices. In its forecast for the continent, the Bank noted that after slowing in 2015, growth in sub-Saharan Africa was expected to weaken further in 2016. "Growth is projected to fall to 1.6 per cent, from three per cent in 2015, reflecting the effects of an unfavourable external environment and domestic headwinds. "This represents a downward revision from the growth projection of 3-2 per cent for the region in the April issue of Africa's Pulse. "The less favourable forecast reflects the disappointing economic activity in the first half of the year and continued headwinds since then. The outlook for 2017 and beyond is only slightly favourable. "Despite a recent uptick, commodity prices are expected to remain at low levels, reflecting continuing weak global demand.

Although commodity exporters across the region have begun to adjust to lower commodity revenues, the adjustment remains incomplete and at varying speeds. "Against this backdrop, a modest recovery is expected in the region. Real GDP in sub-Saharan Africa is forecast to grow 2.9 per cent in 2017, before rising moderately to 3.6 per cent in 2018. However, these aggregate growth rates will continue to hide considerable heterogeneity across the region—continuing the pattern of divergent growth speeds. "While the larger economies and other commodity exporters are expected to see a modest uptick in growth, activity is expected to continue to expand at a solid pace in the rest of the region. "Private consumption growth in commodity exporters, which weakened significantly over the past two years, is expected to improve gradually. "The increase in headline inflation and hike in the interest rate by the Central Bank of Nigeria (CBN), which have accompanied the shift to a more flexible exchange rate, have weighed on private consumption in the country," the World Bank added. It further stated that Nigeria's shift to a more flexible exchange rate regime, coupled with the stabilisation of oil prices, was expected to give a boost to government revenue and alleviate public investment cuts, while phasing out fuel subsidies should help contain current expenditures. Among the region's three largest economies, Nigeria is expected to endure an economic contraction in 2016, as declining oil production and manufacturing weigh on activities, it added. The shift to a more flexible exchange rate regime is also expected to encourage some FDI to return. "Underlying the weak aggregate regional performance is deteriorating economic performance in sub-Saharan Africa's largest economies – Nigeria and South Africa – which together account for 50 per cent of the region's output. "Both countries faced challenging macroeconomic conditions in the first half of the year. "In Nigeria, the fiscal deficit is projected to widen by more than a third from the 2.8 per cent of GDP recorded in 2015. Excluding Nigeria, fiscal deficits in oil exporters are expected to deteriorate noticeably in 2016," it added.

Meanwhile, as part of efforts to halt the sustained slide of the naira, commercial bank customers this week received text messages from their respective banks notifying them of a recent regulatory guidance from the CBN on the use of their accounts. The CBN mandated all customers of financial institutions to use their accounts only for direct personal or company-related transactions and to desist from engaging in any activity that could be perceived as international money transfer operations or bureau de change activities without its approval. The aim of this directive appears to be geared towards improving foreign exchange supply to the interbank market by discouraging the growing use of personal domiciliary accounts for currency trading. Commenting on the directive, CSL Stockbrokers Limited said: "Aside these measures, we maintain our view that the CBN needs to allow the naira to truly float freely – which it appears to not be, judging by the increasing spread between the parallel and official markets – for the currency to adjust to a level where demand and supply can and will be balanced." *(This Day)*

Nigeria plans to lower taxes for small and medium-sized companies to create more jobs, the finance ministry said on Thursday. Africa's biggest economy is struggling with recession as low oil prices have hammered public finances, halting construction work of firms which have been laying off workers. "The federal government is set to reduce the income tax rates payable by Small, Micro and Medium Enterprises (SMMEs) in the country to encourage more start-ups in Small, Micro and Medium Enterprises, boost the profitability of the existing ones, generate new jobs and make higher contribution to the Gross Domestic Product (GDP)," the ministry said. *(Reuters)*

Tanzania

Corporate News

TANZANIA Breweries Limited (TBL) has said government's ambition to build an industrial economy is achievable if the government would remain committed in creating and sustaining attractive investment environment. TBL Group and East Africa Technical Director, Mr. Gavin Van Wijk said in Dar es Salaam yesterday that to realise the plan, the country should learn from other countries with successful industrial development and note the good points on board. "Key to achieving the ambitious plan is the government commitment to continue creating an enabling environment for establishing robust industrial sector in the country," he said. The Bank of Tanzania (BoT) quarterly economic review shows that manufacturing sector has posted strong growth in the year ended June 2016 with revenues generated rising to 1.5 billion US dollars. He noted that, it was interesting to see Tanzanians were eager and ready to learn various strategies which have brought efficiency and productivity in industrialised countries. He said TBL Group has shown the way with its chain of industries emerging as the best producers among SABMiller industrial portfolio located in various parts in Africa. "For six consecutive years, TBL Group plants in Tanzania have been scooping various awards and become threat to other beer brewing plants in Africa," he said. He added, the award for best beer brewer plant in this year has been won by TBL Mbeya plant and the second position has been taken by Mwanza plant. Arusha plant and Dar es Salaam also ranks high," he said. He said, the success story has been attributed to number of factors which include the company's production system that take into consideration the issue of productivity which meet international standards. "TBL Group is currently implementing SABMiller's Manufacturing Way Strategy which insists on efficiency," he said. Statistics from the Ministry of Industry, Trade and Investment shows that Tanzania had 50,656 industries by the end of 2012, employing over 133,231 people. Out of 1,769 industries relative to 3.5 percent are large and medium scales while 48,887, equivalent to 96.5 percent are small and micro enterprises. *(Daily News)*

Economic News

AS liquidity tightness eases, investors' demand for the treasury bills has improved to register an over-subscription after weeks of poor performance. According to the NMB e-markets report, liquidity tightness slightly improved as banks are now willing to rollover maturities. The overnights rates are still at 14 per cent to 16 per cent levels. In the short term government paper auctioned by the Bank of Tanzania (BoT) last week shows that total bids of 141.62bn/- were tendered compared to 138bn/- offered to the market for bidding and at the 116.31bn/-became successful amount. Yield rates declined slightly across all tenures but did not affect the performance of the short term government note to attract more bids, the situation implying the easing liquidity squeeze in the market. The two tenures 364 and 182 days contributed about 99 per cent of the total bids while 91 and 35 shared less than one per cent. The 364 and 182 days offer attracted bids worth 84.42bn/- and 57.04bn/- respectively against 80bn/-and 50bn/- offered to the market for bidding while the 91 days and 35 days offer attracted 51.49m/- and 101.90m/- respectively. Yield rates for the 364 and 182 days offer was 15.86 per cent as in the previous session and 15.49 per cent compared to 15.68 per cent and of the previous session held two weeks ago. The 91 days tenure interest rate was 7.50 compared to 7.46 per cent of the preceding session. The highest and lowest bid/100 for the 364 and 182 days offers were 87.10 / 83.50 and 93.04/ 15.68 respectively while for the 91 and 35 days tenor had 98.16 / 93.00. The minimum successful price/100 for the 364, 182 and 91 days offer were 86.09, 92.70 and 98.16 respectively. The weighed average price for successful bid for the 364 tenure was 86.34, the 182 days offer was 92.83 and 91 days offer was 98.16. Major investors in the one year treasury bills are commercial banks, pension funds, insurance companies and some micro-finance institutions. *(Daily News)*

INVESTORS are taking advantage of low market prices of most stocks on the Dar es Salaam Stock Exchange (DSE), with expectation of picking up again to their normal prices. For example, the Tanzania Breweries Limited (TBL) and CRDB were the top trading equities that dominated the market share last week at 92.44 percent and 5.97 percent respectively. Zan Securities Limited Chief Executive Officer (CEO) Mr. Raphael Masumbuko said in Dar es Salaam yesterday that share prices of most stocks are currently down driven by global market trends.

"It's a good buy time for investors after discovering that stock prices are presently down thus expecting bright future of prices to return to their normal," he said, adding that some companies have good performance but prices are down. On his part, Orbit Securities Limited General Manager Mr. Simon Juventus said there has been an active foreign investor's participation on the DSE since January this year. He said as it was in the first six months, the second half of the year will continue to be active and post outstanding performance compared to the corresponding period last year. During the week under review, the equity market closed with the highest weekly turnover in September after posting 16.28bn/- compared to 1.75bn/- of the preceding week. "Equities turnover on the DSE gained marginally during the week as key indices dropped, signaling better tidings for investors in the coming weeks," stated the Zan Securities Limited Weekly Wrap-Ups report. Similarly, total market capitalization increased by 3.92 percent closing at 21.59tri/- while domestic market capitalization decreased by 0.51 percent 8.13tri/-. The Tanzania Share Index (TSI) capped at 3,867.02 points down by 0.51 while the All Share Index (DSEI) closed at 2,478.81 points, up by 3.94 percent compared the previous period. Industrial and Allied closed at 4,910.36 points down by 0.27 percent compared to previous week at 4,923.44 points. Banks, Finance and Investment Index experienced a decrease, closing at 2,874.82 points up by 1.20 percent compared 2,909.71 points. Commercial Services Sector remained the same as last week at 3,538.83 points. Most domestic stocks registered no change in share price including TBL that traded at 12,800/- per share, DSE at 1,300/- per share, CRDB at 280/- per share, TCC at 11,740/- per share. Others are the NMB traded at 2,750/- per share, TPCC at 2,290/- per share and TCCL at 1,860/- per share.*(Daily News)*

Tanzania plans to issue separate licences to mobile phone companies running money transfer services in a move to secure customers' interests. The unbundling of mobile money from telephone companies is expected to come into effect from next year, after telcos filed applications to form new subsidiaries to comply with a July 1 ultimatum issued by the Bank of Tanzania. Tanzania becomes the first country in East Africa to require a curtain wall between money transfer and mobile phone services. The matter has proven controversial in Kenya following proposals for M-Pesa, which competitors believe helps Safaricom retain subscribers, to be run as an independent company that offers mobile money services to all telcos. "All the companies that were requested to create a trustee to manage their mobile money business have done so. The trustee will hold customers' money," said Bernard Dadi, manager of National Payment Systems at Bank of Tanzania. The directive followed the coming into force of the National Payment Systems Act, 2015 and the Electronic Transactions Act, 2015 last year. The laws require a payment system provider, that is not a bank or a financial institution, to establish a separate legal entity to manage electronic payment accounts. The subsidiary is then required to set up a trust. Tanzania becomes the first country globally to achieve wallet-to-wallet interoperability, which is the transfer of money between all mobile operators. There are six mobile phone operators including the latest entrant Halotel, whose mobile money platform is called V Money. The others are Bharti Airtel (Airtel Money), Tigo (Tigo Pesa), Vodacom (M-Pesa), Zantel (Z-Pesa) and Smart Tanzania, which has not ventured into the mobile money business yet. Bank of Tanzania Governor Benno Ndulu said five mobile money service providers in the country have over 63 million subscribers, a third of whom are active -- meaning they made a transaction at least once a month. "Besides the current mobile phone operators, there are others that have applied for mobile money transfer licences including banks and other financial institutions. They all have to meet the stringent conditions set out in the Act," said Mr. Dadi.

The central bank in collaboration with the bankers appointed by the applicants and the Tanzania Communications Regulatory Authority is now evaluating the applications on the basis of their financial soundness. The appointed bankers will act as the trustees. "The applicants have to provide details that are aimed at safeguarding customers' money. We want to finish the exercise by the end of this year," said Mr. Dadi. The central bank has already issued a licence to Halotel. "In the case of Halotel it has been easy for us to evaluate their submissions because they are quite new in the market and did not have as many issues as those firms that have been in existence for much longer," said Mr. Dadi. The verification process also requires the Tanzania Revenue Authority to confirm an applicant's tax compliance status. Kenya has introduced regulations to deal with dominant players in the telecommunication sector whose enforcement could see giant mobile operator Safaricom spin off its mobile money business trading under the brand name M-Pesa. The M-Pesa platform has over 16 million subscribers with rivals Airtel having about 4.2 million, Orange 196,335 and Equity Bank's Equitel with 1.52 million subscribers during the period between January and March this year. However, the proposed regulations dubbed Fair Competition and Equality of Treatment 2015 Regulations, which are in the Communications Act, are yet to be debated in parliament. Under the proposed regulations, Safaricom could be required to separate its mobile money unit from its mobile phone services and infrastructure businesses, which could weaken its position in the market. However, the Communications Authority of Kenya said such regulations must be informed by findings and also if current competition laws fail to deal with a perceived market failure. *(East African)*

THE Tanzania-Zambia Railway Authority (TAZARA) needs about US$250 million of investments in the short term and about US$1.2 billion in the long term, to get back to peak performance, Managing Director, Bruno Ching'andu, has said. He said in Dar es Salaam on Tuesday that with that level of investment in the track, equipment and rolling stock, the target was a breakeven volume of freight of 600,000 tonnes per annum in the short-run and two million tonnes in the next five years. "The private sector can take advantage of the Public-Private Partnership (PPP) models to partner with us in the running of the Dar es Salaam Commuter Train, whose demand is massive and cannot be satisfied at the moment, he said during a presentation to the 7th East and Central Africa Roads and Rail Summit 2016. He called on private investors to partner with TAZARA in order to achieve the desired investments, assuring the gathering that the two shareholding governments were in the process of revising the TAZARA Act in order to make the company more commercially viable and attractive to private players. "We are also open to PPPs in the installation of the signaling and telecommunication systems, which have been vandalised over the years and are currently non-existent," he said. The Managing Director also highlighted PPP investment opportunities in TAZARA's quarries and workshops, which he pointed out as having huge potential but required re-investment in equipment. Eng Ching'andu informed the audience about a number of measures that TAZARA had taken in the last six months with a view to reclaiming the market share of the available cargo destined to or originating from Malawi, Zambia and the Democratic Republic of Congo, cargo that was directly captive to TAZARA.

Amongst the measures, Eng Ching'andu stated that TAZARA had transformed the application of freight rates by adopting a more flexible tariff regime that was responsive to macro economic conditions and market trends. He highlighted that the firm had also enhanced rebranding efforts, position itself closer to the customers and forging strategic alliances with neighbouring railway operators, the Port of Dar es Salaam, shippers and other logistics firms. The Managing Director pointed out that TAZARA's most desired goal was to make meaningful contributions to the development of the economies of Tanzania and Zambia. "With the current level of interactions and closer dealings with the various stakeholders, we are optimistic that TAZARA's huge potential to contribute to the economies of Tanzania and Zambia will be realised soon," said Eng Ching'andu. He said that not only was he aware that TAZARA required substantive investment in many areas in order to achieve the goals that have been set out, but he was also confident that there were enough interventions in the pipeline to address the challenges that would enable TAZARA to perform at its peak. *(Daily News)*

Tanzania's gross domestic product grew to 7.9 percent in the second quarter of 2016, compared with 5.8 percent during the same time last year, state-run National Bureau of Statistics said in a statement said on Thursday. *(Reuters)*

TANZANIA is among a few countries in Africa with robust growth of economy as the continent is expecting growth to fall to its lowest level in two decades due to a slump in commodity prices and continuing weakness in global growth, a World Bank report says. With economy on track to expand by 7.2 percent in 2016, up from 7 percent in 2015, the East African country joins Ethiopia, Rwanda, and Ivory Coast as few bright spots in Africa of countries that have continued to record growth rates of above 6 percent, according to "Africa's Pulse", the Bank's twice-yearly analysis of economic trends. The report, which was unveiled in Ivory Coast's commercial capital Abidjan, said Tanzania registered strong growth, underpinned by expansion in construction and services sectors. However, it singled out Ivory Coast and Senegal as top performers in the continent. The report said economic growth in sub-Saharan Africa is likely to slip to 1.6 percent this year, its lowest level in two decades, due to continuing woes in the continent's largest economies South Africa and Nigeria. Africa has been one of the world's fastest growing regions over the past decade, but a commodities slump has hit its oil and mineral exporters hard, bringing growth down to 3 percent in 2015. "Our analysis shows that the more resilient growth performers tend to have stronger macroeconomic policy frameworks, better business regulatory environment, more diverse structure of exports, and more effective institutions," said Albert Zeufack, World Bank Chief Economist for Africa. According to the report, there were some bright spots, mostly among oil importers, where economic activity remained robust. "Côte d'Ivoire saw broadbased growth, supported by a favourable policy environment, rising investment, and increased consumer spending," "Ethiopia and Rwanda continued to post solid growth, supported by public infrastructure investment, private consumption, and a growing services sector. Elsewhere, growth remained buoyant in Kenya, amid improving economic stability." Meanwhile the National Bureau of Statistics said yesterday that economy grew 7.9 per cent in the second quarter of 2016, compared to 5.8 percent during the same time last year. "The growth of GDP in the second quarter was driven by mining, manufacturing and energy sectors," Albina Chuwa, the Director General of the bureau, told a news conference. "The increased production of natural gas has significantly boosted electricity generation in the country." Tanzania's growth in the first quarter was 5.5 percent. *(Daily News)*

Zambia

Corporate News

No Corporate News This Week

Economic News

Zambia and Zimbabwe have appointed the African Development Bank as lead financial advisers for the construction of the 2,400-megawatt Batoka Gorge hydro-power project that's expected to cost $4 billion, an official said. The two southern African nations face severe power shortages as years of under-investment are amplified by low water levels at the Kariba dam hydro-power station that they each rely on for about half of total supplies. "Only yesterday, we were talking to the AfDB after Zambian and Zimbabwean governments appointed them as the lead financial arranger on this project," Munyaradzi Munodawafa, Chief Executive Officer of Zambezi River Authority, said Tuesday in Victoria Falls after touring Batoka Gorge. The authority intends to build it on the same arrangement as the Kariba Dam was constructed, which involves loans, grants, with the two governments also funding it, he said. Executives from both nations have been to Beijing and met officials from the China Export & Credit Insurance Corp, known as Sinosure, Export-Import Bank of China, contractors and individual financiers, Munodawafa said. Officials were also in France where there was "good reception and a lot of interest" during meetings with representatives from BNP Paribas SA, Societe General SA, the European Investment Bank, he said. In South Africa, there were talks with DBS Holdings Ltd., Barclays Africa Group Ltd., the International Finance Corp. and a consortium of local investors. Financial mobilization for the project is scheduled to start in 2018, but could begin earlier than that, he said. The dam will have a capacity of 1.2 billion cubic meters of water on completion. Kariba, the world's biggest man-made reservoir by volume, holds 181 billion cubic meters of water. "After we have completed Batoka Gorge, we will start planning for something at Devil's Gorge," Munodawafa said of the valley that's further upstream on the Zambezi River. "This is still a plan." Other hydro plans in Africa include four dams for a total 850 megawatts in Cameroon, a 147-megawatt dam in Togo and the Democratic Republic of Congo is working on a 240-megawatt facility at Busanga.*(Bloomberg)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Zimbabwe

Corporate News

NMBZ Holdings said the legal processes for the $15 million line of credit from two European development finance institutions (DFIs) were still on-going and the money would be accessed at a later stage. In an interview, NMBZ chief financial officer Benson Ndachena said the funds, which were supposed to be utilised by the end of this month, would be accessed by mid-October. "We should be getting the money by next month around mid-October. It was the legal processes that took a long time. While for the $10 million line of credit (education sector), due diligence has been postponed and they will be coming in October," he said. The company announced during its analysts briefing that it was going to access $35 million from a regional bank and two European DFIs. During the first-half of the year, the group secured $20 million from a regional bank and the money was being drawn down. The group said they would also be funding small and medium enterprises with money obtained from the DFIs. The country has more than 75% of its population employed in the informal sector and most of them require funding, which is not easily accessible in the market. FMO and Norfund, who jointly own 17,98% of NMBZ have joined forces with Rabobank of Netherlands and pooled investments in financial services in 20 African countries into an investment vehicle called Arise. He said Banco Montepio, a Portuguese financial group, was expected to join the partnership in the near future. "NMBZ will be able to benefit from a wide network of other African banks that are part of the partnership. The partnership will assist us in our quest for lines of credit to serve the smes and the financially excluded and marginalised groups," he said. For the first six months ended June 30, NMBZ posted a profit after tax of $2,6 million, which showed a 17% decline compared to the same period in 2015. *(News Day)*

ZIMRE Property Investment Limited has recorded a 56% increase in after tax profit to $571 907 for the half-year ended June 30, 2016 spurred by an increase in revenue and a reduction in staff costs. In the same period last year, the company posed an after tax profit of $366 164. Revenue grew by 13% to $2 764 705 from $2 449 041. Staff costs came down to $603 635 in the period under review from $657 578 realised in the comparable period in 2015. In a statement accompanying the financial results, Zimre Property Investment Limited board chairperson Jean Maguranyanga said the operating environment deteriorated further during the period under review and as a result, effective demand for leased space and other real estate products remained subdued. "In the short-to-medium term, declining rental revenues, voids and debtors will remain a significant risk in the property sector. Property values are likely to continue to decline," she said.
"Demand for real estate will remain relatively weak in tandem with the overall economic performance. However, pockets of opportunities exist which your company is actively pursuing in order to diversify income. Cost containment will remain key to maintaining a positive performance." In the period under review, projects income increased by 75% to $1,08 million from $0,62 million realised in the comparable period in 2015 buoyed by the availability of new stands stocks at Zimre Park Ruwa. Total administration costs were $1,34 million compared to $1,42 million. In the period under review, voids rose to an average of 25% for the period under Commenting on projects, Maguranyanga said servicing of Ruwa-Zimre Park extension was practically complete and the project was currently selling and to date 10% of the project has been sold. The project has a total market value of around $6 million. She said the Masvingo project continues to sell although at a much slower rate. Maguranyanga said the full cost of the project has been recovered and the total market value of the remainder of the project was$2,38 million. *(News Day)*

RioZim Ltd chose a state-owned Chinese company to design a $2,1 billion power plant it plans to build in Zimbabwe and is lobbying South Africa's electricity utility to buy from the facility to help attract investors. State Nuclear Electric Power Planning Design and Research Institute, based in Beijing, "has already come in to design the generators" for the 2 800-megawatt coal-fired Sengwa plant. RioZim non-executive director Caleb Dengu said RioZim has written to South African Energy Minister Tina Joemat-Pettersson asking that Eskom Holdings SOC Ltd buy 2 000 megawatts. RioZim is working on raising funds through equity and debt for the facility, chief executive officer Noah Matimba said in May last year. *(Bulawayo24)*

WEEKLY AFRICAN FOOTPRINT

TRADING

This Week's Leading Headlines Across the African Capital Markets

Bindura Nickel Corporation says sales increased 53 percent to 2 852,17 tonnes in the first five months of the year compared to 1 864 tonnes sold in the same period last year. In the period to June 30, 2016, Trojan Mine produced 97 689 tonnes of ore and milled 101 433 tonnes. The mine has an estimated 6,410 million tonnes of ore reserves, an average grade of 1,61 percent and life of mine of about nine years. Average nickel price for the quarter was $5 728 per tonne, which was 3 percent higher than the average price of $5 520 per tonne which was realised during the quarter to March 30. The group anticipates average nickel price per tonne will be $6 304 by end of this month. Nickel prices had remained depressed last year on the back of historical high nickel stocks, lack of producer supply cuts and replacement of Indonesian ore by Philippine ore. The Philippines accounts for 24 percent of global nickel demand. Average LME cash settlement price fell by 22,63 percent to $9 412 per tonne compared to $12 175 per tonne during the same period last year. LME metal prices fell to seven year lows before regaining to a nine month high in July 2016. Like many companies operating in challenging environments, cost containment measures have proven to be one of the ways of preserving cash.

Last December, BNC retrenched 300 employees and outsourced development services in the mining department to a contractor company effective June 1 2016, resulting in the company saving close to half a million dollars. "This has resulted in cost savings worth $400 000 which would otherwise have been incurred in retrenchment costs. "A new culture, anchored on the principle of improved accountability is emerging," said BNC chairman Yim Chiu Kwan. Meanwhile the Hunters Road Mine open pit is expected to have a production rate of 0,72 million tonnes per annum during the first four years of production. The figure is expected to increase to 1,2 million per year as it gradually rumps up to full production of 1,2 million tonnes in ten years time. "This will give Hunters Road a life of mine of 22 years," said Mr. Kwan. The sector sees bright prospects as the recent increase in prices has resulted in increased interest in commodities by traders. According to the International Nickel Study Group, global nickel market will be in deficit this year due to reduction in supply, increased production of austenitic stainless steel grades and a sustained positive trend in demand in the battery sector. Analysts believe nickel is entering into a bull cycle. *(Herald)*

RAINBOW Tourism Group (RTG) says the remodelling of its pricing and reduced expenditure, driven by the domestic market, resulted in the group posting an operating profit of US$50 000 for the first time since 2012. The favourable trading position also saw revenue, for the first half of 2016, increasing by four percent to US$11,8 million from US$11,3 million during the same period in 2015. Group chief executive officer, Tendai Madziwanyika, said the price remodelling was out of necessity to suit the current macro-economic environment in order to remain viable. "In response to the market liquidity challenges the group custom designed packages to suit the evolving customer and market dictates. These included a high volume-low yield strategy as well as menu re-engineering and the market responded positively as evidenced by the 16 percent growth in occupancy to 54 percent from 47 percent against an average of 44 percent," said Madziwanyika while presenting the group's interim results. During the period under review, hotel resorts occupancy grew to 56 percent from 46 percent, thus strengthening the group's strategy to focus on growing foreign markets, which will support the fragile domestic market. Room nights sold went up 15 percent to 98 517 compared to 85 719 during the same period of 2015. As a result, Revenue per Available Room (RevPar) grew three percent to US$36 from US$35 recorded in 2015.

"The gain in the group's RevPar was due to a higher occupancy, which outweighed the negative impact of the market-led softening of rates," he said. During the period, market share increased 19 percent to 31 percent compared to prior year same period share of 26 percent. The market environment resulted in the group focusing more on cost reduction and as a result the cost of sales per room sold reduced 20 percent resulting in gross margin growth of five percent from 64 percent in 2015 to 67 percent. The group's earnings before interest, taxes, depreciation, and amortisation margin was 57 percent up at US$1,1 million compared to US$US700 000 million in the corresponding period last year. "The various cost saving initiatives deployed across the business continued to drive operating margins and will remain a strategic focus given the current operating environment," said Madziwanyika. During the period under review, the group exited the Rainbow Beitbridge Hotel following perennial losses. The group would also exit Mozambique, by September 30 2016, due to poor results. "As a result of the impact of the discontinued operations, the group posted a loss of US$2,9 million compared to a loss of US$1,9 million recorded same period last year of which US$1,6 million was from discontinued operations," he said. During the period staff costs reduced 12 percent to US$5,01 million compared to US$5,71 million same period prior year. *(Financial Gazette)*

WEEKLY AFRICAN FOOTPRINT

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TRADING

INNSCOR Africa's revenue increased to US$586 million for the year to June 30 2016 a six percent increase from US$554 million achieved during the same period last year. The increase was driven by a growth in volumes across its business units. Earnings before income tax and depreciation was up two percent to US$67 million, while profit before tax declined six percent to US$44,9 million. Chief executive, Julian Schonken, said the company would conclude its restructuring by disposing its Zambian operations – Spar and The River Club – before year end to focus on its Zimbabwe businesses. "Once we have concluded the disposal of the Zambian operations we are essentially Zimbabwean centric. We do need to look abroad, but before we do that we have a lot of work to do in Zimbabwe," he said. Nationals Foods (Natfood), a subsidiary of Innscor, registered a 13 percent increase in volumes to 560 000 tonnes, while the bakery business sold 141,7 million loaves during the year a 30 percent increase on prior year. Going forward, Natfood said the environment was expected to become increasingly challenging for the foreseeable future. "The group will continue to focus on creating a sustainable and competitive light manufacturing business. Our tan will be a key enabler of this and to this end we would continue to invest heavily in the growth and development of our people. Optimisation of the company's cost base will also remain a key theme," said Chairman Todd Moyo. "We have seen too many instances of good Zimbabwean operations ourselves included going into the region and really battling because educational levels are completely different, the infrastructure is not what we are used to and there is bureaucracy. So we are going to be careful about the way we do business before we go to other geographies," said Schonken. Looking ahead, Schonken said the group would have to address a ballooning cost base. "We still have a long way to go in getting our costs down to really where they should be. We want to be able to compete in an open economy and we know that our cost base is too high. We need to migrate our costs from a fixed component and get our structures absolutely as lean as possible," said Schonken. In 2014, Innscor became the first Zimbabwean company to breach the US$1 billion turnover mark. The company's performance has somewhat tapered down since the conglomerate was restructured to focus on light manufacturing. *(Financial Gazette)*

Simbisa Brands on Tuesday reported a 23 percent drop in after tax profit at $3 million for the nine months to June 30 2016 compared to $3,9 million in the prior period last year after regional operations performed below expectations. Simbisa is a separately listed Quick Service Restaurant unit of Innscor Africa Limited with operations that span across 6 African countries. It recently entered the Mauritian market but group performance is largely anchored on Zimbabwe's operations. Its financial year started from October 1 after unbundling from Innscor, but has adopted a June 30 year end. Simbisa Brands chief executive, Basil Dionisio told analysts this afternoon that the group's brands have remained strong despite adverse trading environments in the markets it operates in. "We are growing in store coverage and we believe Simbisa is set to provide compelling shareholder returns over the long run. In the past financial year alone, our net growth in counters was 56 across all our markets taking store count to 414," he said. Group revenue for the period declined five percent to $108,3 million compared to $114 million same period in 2015 largely as a result of loss of value in regional currencies against the US Dollar which is the company's accounting currency. Zimbabwe's operations contributed 62 percent to total revenue at $67 million while regional operations came in at $41 million. Locally the group has 188 counters and 196 counters in the region.

Dionisio said during the period, the group introduced new innovative products across the major brands and is consistently re-engineering the menus so that they appeal to the ordinary citizen in order to counter the expected drop in average spend. During the nine months, Simbisa opened seven new counters in Zimbabwe but said new store roll-outs will be limited to locations with potential of achieving average profitability margins. In the region, operations in Kenya, Zambia, Ghana, DRC and Mauritius contributed 38 percent of group revenue but unfavourable foreign currency movements against the USD continue to affect earnings. Regionally, Simbisa opened 17 new counters in Kenya which is the second largest market after Zimbabwe. The company also opened seven new counters but closed five in Ghana to bring total in that country to 20 while 13 were opened in Mauritius. In DRC, Simbisa has 10 counters after opening two in the period under review. *(Source)*

Hippo Valley Estates, the local unit of South African sugar processor Tongaat Hulett says it anticipates production levels to recover on the completion of Tokwe Mukosi dam which is expected to be operational in time for the rainy season. Earlier this year, Hippo reported a 10 percent decline in annual production due to restricted irrigation and a drop in sugarcane yields. The low production volumes pushed the company to an after tax loss of $8, 5 million in the full-year to March from a profit position of $7, 3 million previously.

"The out turn for next year will reflect some improvement. From a production estimate we will produce between 180,000 and 220,000 tonnes of sugar," chief executive Sydney Mtsambiwa told reporters at the company's annual general meeting on Tuesday. Total industry sugar production for the 2016/17 season is estimated between 379,000 tonnes and 440,000 tonnes. "Having experienced a couple of hiccups, the main contractor subsequently moved back to site to date all the expected works are in progress and we anticipate that the dam will be completed by the beginning of next raining season… it is anticipated that the dam will impound water during the 2016/17 rainy season, further mitigating irrigation water risk," said Mtsambiwa. Construction of Tokwe-Mukosi, in Chivi, Masvingo province, began back in 1998 but work has progressed slowly because of funding constraints. The Italian constructor, Salini Impregilio then moved out of site in 2014 but returned in May to complete the works after government released $35 million. With storage capacity of 1,8 billion cubic metres, the dam will have the potential to irrigate over 25,000 hectares. *(Source)*

Fidelity Life Assurance reported a 66 percent decline in after tax profit from $2, 9 million to $985 000 in the six months to June weighed down by an increase in finance costs and claims. The company's borrowings doubled from $13, 3 million to $26,7 million after it assumed CFI Holding Limited's bank loans amounting to $16 million last year when it acquired Langford Estates – a 834-hectare piece of undeveloped urban land located in Harare South in a land-for-debt swap arrangement. Finance costs in the half year period jumped to $857,000 from $78,000 last year. The group posted an operating profit of $2, 1 million compared to $3, 3 million achieved last year. "This level of performance was due to an industry wide surge in claims attributable to massive retrenchments and other challenges bedevilling the economy. In all there was a 171 percent rise in claims and benefits payments in the period under review," said chairman Fungai Ruwende in statement accompanying company results on Tuesday. The group's total income closed the period at $1, 4 million down from $1, 8 million.
"The year 2016 is expected to remain challenging. For the core business we remain focused on cost control, business acquisition and retention of existing clients." Gross premium income was 4 percent down to $8,7 million. Basic earnings per share was down from 2,77 cents to 0,93 cents. *(Source)*

Axia Corporation has reported a net profit of $2,3 for the three months to June 30, its first set of financial results since unbundling from Innscor Africa. Axia, which adopted June 30 as its financial year end, said on a pro forma basis, profit increased to $14,5 million in the full year from $10,6 million in same period in 2015 when the company was still under Innscor. It listed separately on the Zimbabwe Stock Exchange on May 17. The group's operations include TV Sales and Home, Transerv and Distribution Group Africa Zimbabwe. Chief executive, John Koumides told analysts on Wednesday that the group's performance was being driven by higher sales at Transerv. Revenue in the three months was $49,557 million and profit before tax at $3,1 million. On a yearly basis, revenue at $197,505 million was 28 percent up from $154, 854 million in the same period last year. Koumides said the group has managed to strengthen its businesses despite the tough operating environment and is looking at consolidating the current status core. Transerv, Loumides said, has potential to generate revenue at minimal costs, resulting in huge profits. It currently has 43 branches, and has a core capital of between $35 and $40 million while generating at least $4 to $5 million profit per month. The group has a 26 percent shareholding in the unit. TV Sales and Home has 38 outlets around the country and its turnover is around 25 to 30 percent of group revenue. DGA has a balance sheet at close to $100 million in Zimbabwe and $25 million in its regional operations. Koumides said the company, despite performing well in the region, is being affected by the volatility and depreciation of regional currencies against the United States dollar.

Finance director Ray Rambanapasi said in the three months' period, Transerv had a difficult period with revenue dropping 15 percent on the comparative period, largely as a result of prevailing cash shortages.DGA Zimbabwe achieved a turnover growth of 28 percent but depressed margins, together with increased provision for doubtful debts resulted in a decline of three percent in profit before tax. DGA Africa operations saw turnover and operating profit declining 29 percent and 50 percent respectively. TV Sales and Home recorded a 13 percent increase in revenue driven mainly by a 24 percent rise in cash sales as demand for extended credit continued to wane. *(The Source)*

Zimre Holdings has posted a 63 percent growth in operating profit to $2,5 million driven by positive performance in reinsurance and general insurance units. Zimre's portfolio includes reassurance, short-term insurance, life reassurance and property. Total revenue dipped by 10 percent to $32,5 million but net profit at $1,25 million was 45 percent higher on the prior year.

Operating and administrative expenses went down by 22 percent but the group said it also lost $1,71 million due to restructuring an agro-industrial associate. "Group profitability was, however adversely affected by the $1,71 million share of loss from an agro-industrial associate which is being restructured to improve future performance," said Zimre chairman Benjamin Kumalo on Thursday. Gross Premium Written (GPW) was 8,3 percent down to $38,5 million, driven by market contraction in the domestic insurance business. Most of the group's units performed negatively, with Life and Pensions' profit before tax 40 percent lower to $1,28 million after experiencing a 170 percent increase in claims and a surge in finance costs. Total assets marginally increased by four percent to $149,5 million. The group did not declare a dividend citing a need to grow its capital base. *(The Source)*

Perennial loss-making sugar manufacturer, StarAfrica Corporation has continued to default on payments to its creditors in terms of the company's Scheme of Arrangement and is considering a debt-equity swap arrangement to restructure the company's balance. The company's Scheme was sanctioned in August 2013 and was premised on the company disposing of its transport unit Blue Star Logistics and its 33 percent stake in Tongaat Hulett Botswana as well as on increased volumes of sugar from its Gold Star sugar plant in Harare. To date only Blue Star Logistics was disposed this year resulting in the company failing to settle with its creditors. Chairman Joe Mtizwa told the company's shareholders at an annual general meeting that part of the balance sheet restructuring also involves debt to equity conversion, among other options. "As a result, a Circular to Shareholders is being worked on with a view to holding an Extraordinary General Meeting (EGM) of shareholders in the second week of November 2016 to approve the proposed restructuring," he said. StarAfrica has continued to report significant losses in the last six years. It recorded a net loss of $10,2 million for the year ended March 2016. As at the date, its current liabilities exceeded assets by $62,7 million. Meanwhile, in a trading update for the five months to August 2016, chief executive Regis Mutyiri said tonnes of sugar sold were 300 percent above the comparative period last year. Sugar production at the sugar plant is now at 400 tonnes per day and the company is targeting 600 tonnes per day upon commissioning targeted for November this year. Currently, sales are 80 percent in favour of industrial sales with the balance in retail. Due to the company's indebtedness, the Harare sugar plant is subjected to frequent water disruptions by the City of Harare. Mutyiri said in order to regain lost market share, the company will continue to review prices of sugar supplied to industrial customers in line with prevailing conditions in the market. *(The Source)*

Chloride Zimbabwe, a subsidiary of Amalgamated Regional Trading (ART) Corporation says its production capacity has increased by 50 percent following the installation of a new battery making plant. Chloride is the sole manufacturer of batteries in Zimbabwe. ART chairman, Thomas Utete on Thursday told journalists during a tour of the factory that the new plant had been sourced from Korea under a $3 million facility arranged by major shareholder Taesung Chemicals. The Korean firm, through its wholly owned subsidiaries Cranbal Investments, Silvermine Investments and Zadmab (Private) Limited, holds a 55.33 percent stake in ART Corporation. "Before the investment the factory was producing 240,000 batteries per annum but the new plant will push production to 360,000 batteries per year. We estimate that the current market size is at 300,000 batteries so we are also looking at regional markets such as Zambia, Malawi and Mozambique," he said. Ushe added that the factory was now working at full capacity up from 70 percent since government banned battery imports. The new plant will also enable Chloride to manufacture maintenance free batteries. *(The Source)*

Lafarge Cement's loss position nearly doubled from $1, 3 million to $2, 2 million in the six months to June on soft demand as competition in the cement sector increased, the company said on Thursday. Competition from cheaper imports remains a challenge at a time local cement manufacturers have also increased production. Zimbabwe's cement industry mainly comprises of three players: PPC, Lafarge Zimbabwe and Sino-Zim, all with a combined installed capacity of 1,46 million tonnes per annum. PPC has 760,000 tonne capacity, Lafarge 450,000 tonnes and Sino-Zim Cement 250,000 tonnes. PCC expects to add 700,000 tonne capacity from its new Harare plant, which it expects to commission later this year. The country's demand for cement for the year is estimated at 1,17 million tonnes. "The volumes of cement sales remained subdued due to increased competitive activity in the total market following the influx of cement imports into the country as well as the entry of a major competitor into the Harare market," said board chair Kumbirayi Katsande in a statement accompanying unaudited financial results on Thursday. Sales revenue for the half-year under review increased marginally from $25, 4 million to $26, 5 million. The company incurred a loss before interest, tax, depreciation and amortisation of $1, 5 million from $1, 3 million last year.

Finance costs were down from $442,000 last year to $127,000 as the company did not have any borrowings during the six months. Going forward, Katsande said the company anticipates soft volume sales for the balance of the year. "The market continues to experience intense competitive pressure as key players in the industry seek to protect share in the core Harare market which remains the single largest market by geography and volume in the country," said Katsande. *(The Source)*

Economic News

The Zimbabwe Stock Exchange has shed $1.1 billion between July 2015 and July 2016 as foreign investor skepticism saw the local bourse register large divestments, the Reserve Bank of Zimbabwe has said. As a result of the divestments, the central bank pointed out that net foreign capital outflows had risen from $4.5 million as at June 2016 to $5.2 million at the end of July as the market remained bearish. RBZ also pointed out that market turnover had registered a 34.44 percent slump from $18 million in June 2016 to $11.8 million in July 2016. *(Bulawayo24)*

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