

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:

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AFRICA STOCK EXCHANGE PERFORMANCE

Country	Index			WTD % Change		31-Dec-14	YTD % Change	
		21-Aug-15	28-Aug-15	Local	USD	31-Dec-14	Local	USD
Botswana	DCI	11035.41	10895.71	-1.27%	-2.22%	9,501.60	14.67%	6.76%
Egypt	CASE 30	7172.63	7078.83	-1.31%	-1.32%	8,942.65	-20.84%	-27.72%
Ghana	GSE Comp Index	2164.22	2155.43	-0.41%	-1.81%	2,287.32	-5.77%	-28.50%
Ivory Coast	BRVM Composite	296.33	296.98	0.22%	1.76%	258.08	15.07%	7.10%
Kenya	NSE 20	4405.29	4101.67	-6.89%	-7.15%	5,112.65	-19.77%	-29.90%
Malawi	Malawi All Share	15805.06	15848.78	0.28%	-3.00%	14,886.12	6.47%	-10.58%
Mauritius	SEMDEX	1959.39	1929.00	-1.55%	-0.48%	2,073.72	-6.98%	-16.37%
	SEM 10	376.31	368.06	-2.19%	-1.13%	385.80	-4.60%	-14.23%
Namibia	Overall Index	1025.70	1046.42	2.02%	0.60%	1,098.03	-4.70%	-15.54%
Nigeria	Nigeria All Share	29878.33	28814.62	-3.56%	-4.48%	34,657.15	-16.86%	-23.72%
Swaziland	All Share	306.63	307.41	0.25%	-1.14%	298.10	3.12%	-8.60%
Tanzania	TSI	4595.96	4614.52	0.40%	-1.17%	4,527.61	1.92%	-17.80%
Tunisia	TunIndex	5546.68	5494.04	-0.95%	-1.15%	5,089.77	7.94%	2.85%
Zambia	LUSE All Share	5851.23	5830.07	-0.36%	-6.48%	6,160.66	-5.37%	-29.06%
Zimbabwe	Industrial Index	135.82	135.53	-0.21%	-0.21%	162.79	-16.75%	-16.75%
	Mining Index	35.52	35.34	-0.51%	-0.51%	71.71	-50.72%	-50.72%

CURRENCIES

Cur- rency	21-Aug-15		28-Aug-15		WTD % Change	YTD % Change
	Close	Close	Close	Change		
BWP	10.02	10.12	0.98	6.37		
EGP	7.81	7.81	0.01	9.50		
GHS	4.13	4.19	1.43	29.94		
CFA	588.69	579.79	1.51	9.09		
KES	101.63	101.91	0.28	14.13		
MWK	533.38	551.38	3.37	15.18		
MUR	34.21	33.84	1.08	12.44		
NAD	12.91	13.09	1.41	11.26		
NGN	195.37	197.26	0.97	7.95		
SZL	12.91	13.09	1.41	11.26		
TZS	2,076.10	2,109.07	1.59	22.05		
TND	1.95	1.95	0.20	4.74		
ZMW	7.95	8.47	6.54	25.21		



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Botswana

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Botswana's projected 2.6 percent budget deficit for the 2015/16 financial year could turn out to be much wider due to the downturn in the diamond market, credit rating agency, Moody's said on Thursday. Diamonds account for almost 40 percent of Botswana's budgetary revenue and around 85 percent of exports in dollar terms. "We see risks for an even more pronounced deficit because of a prolonged downturn in world diamond demand specifically tied to China's economic rebalancing and lower luxury spending," Moody's said. A sustained weakness of the diamond market throughout the year has seen diamond prices softening while annual output targets have also been trimmed. Last week, Botswana's Finance Ministry forecast a deficit of 4.03 billion pula (\$393 million), or 2.6 percent of its gross domestic product for the 2015/17 fiscal year. Moody's also said that the lower diamond revenues in 2015-16 will add to existing pressures on the government budget, including drought-relief expenditures and higher-than-budgeted outlays on public-sector wages. *(Reuters)*

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Egypt

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Egypt's central bank sold 674.5 million in one-year, euro-denominated treasury bills at an average yield of 2.289 percent at its auction on Monday. The minimum yield was 2.26 percent and the maximum yield was 2.3 percent, the bank said. Egypt last sold \$728.5 million in one-year treasury bills at an auction in June at an average yield of 2.837 percent. The government has mostly relied on the local money market to finance its deficit since early 2011, when an uprising unleashed a prolonged period of political and economic volatility that deterred many foreign investors. *(Reuters)*

Egypt will ban rice exports again as of Sept. 1. to satisfy domestic consumption, the ministry of trade and industry said on Thursday. Egypt is expected to produce 2.7 million tonnes of white rice in the 2015-2016 season while its annual consumption is estimated at 3.6 million tonnes. The 750,000-tonne gap will be filled by stocks, the ministry said in a statement. Egypt had allowed the export of its medium-grain rice last October with a tariff payable to the government for every tonne exported. Thursday's statement said any export licenses granted according to the 2014 allowance could still be used. In October Egypt said it would allow the export of rice on condition that traders sell the government one tonne of rice at 2,000 Egyptian pounds (\$255.43) for every tonne of rice they export. Exporters also had to pay a tariff of \$280 on every tonne exported. Egypt produced around 4.3 million tonnes of rice in the 2014 season. Egyptian medium grain rice mainly competes with U.S., Russian and Italian rice on the international market. Traders had argued the tariff imposed made exports non-profitable. Egypt first imposed a ban on exports in 2008 saying it needed to save the rice for local consumption and wanted to discourage rice farmers from growing the crop to save water. Rice exporters have complained that the ban on free exports has led to illicit trading. *(Reuters)*

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Ghana

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The Bank of Ghana said the yield on its 91-day bill fell to 25.2129 percent at an auction on Friday, from 25.2296 percent at the last sale. The bank said it accepted all 614.28 million cedis (\$146.6 million) worth of bids tendered for the 91-day paper. (Reuters)

The Bank of Ghana (BoG) is attributing the sharp depreciation of the cedi over the past weeks to activities of speculators. The local currency from the beginning of this year has depreciated by about 20 percent. Some economists have attributed the free fall in value to the short fall in supply of dollars. But the BoG is contesting this. It rather believes that activities to some individuals and businesses that are aggressively buying dollars in anticipation of its declining in the future, but actually do not need the dollars being demanded. The BoG is projecting that the free fall in the cedi's value will halt by September. The Central Bank is basing its prediction on the expected inflows from donor partners, the Eurobond, Cocoa Loan syndication and IMF which will boost its foreign reserves and eventually drive the rates down. This should give some good indication to currency traders and banks that have required dollar reserves to support the cedi. The regulator said instead of a daily support, it will intervene in the market when the need arises. Checks with some commercial banks indicate that the BoG has not been consistent in terms amount of the amount of it releases to support the operations of Commercial Banks. Meanwhile some analysts believe that the Central Bank is being strategic on how its steps into the market to support cedi to ensure that it is able defend its intervention in the long term. (Ghana Web)

Ghana's cocoa industry regulator Cocobod will increase its free supply of cocoa seedlings to farmers next year to replace ageing trees and boost the crop, it said on Tuesday. Francis Oppong, Cocobod's deputy chief executive for agronomy and quality control, said that farmers will also be given hybrid and drought-resistant varieties to improve bean quality. Ghana, the world's second-largest cocoa producer behind Ivory Coast, launched the free seedlings scheme in 2011 in an effort to rehabilitate the crop. It has expanded the scheme steadily from 20 million seedlings in 2012 to 50 million this year. The country's cocoa output topped a record 1 million tonnes in 2011 but has since remained at an average 800,000 tonnes. Output for the 2014/15 season is running 23 percent below last year's because of erratic weather and poor agronomic practices, including inefficient disease control. "Next year, we will significantly increase the amount (of seedlings) to farmers because we want to turn the crop around," Oppong told Reuters. "It could be 60-70 million, or much more," he said, adding that Cocobod would announce details by the end of this year. About 40 percent of Ghana's cocoa trees are old and must be replaced, Oppong said. Cocobod also gave out free fertiliser to farmers last year. (Reuters)

Ghana's annual producer price inflation fell sharply to 10.6 percent in July from 23.1 percent the previous month, the national statistics office said on Wednesday. Still, the inflation level is high compared with the regional average, indicating the scale of economic challenges facing the West African country. Ghana is under a three-year International Monetary Fund (IMF) programme designed to restore fiscal stability. (Reuters)

Commercial banks in the country will soon be required to increase their capital in line with risks undertaken. They are currently required to have ₵60 million to aid their operations. However, new entrants are required to pay ₵120 million. According to the Central Bank, the move has become necessary because of current developments in the country. Speaking to Joy Business after the release of the 2015 Ghana

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Banking Survey results, Head of Banking Supervision at the BoG, Franklin Belnye says they are currently engaging the players on the possible implementation date. Mr Belnye also added that the Bank is optimistic the new banking laws being put together will improve regulations and Supervision. The new banking regulation which is currently before parliament awaiting approval, will among other things include new measures to protect depositors' funds, and enhance the Bank of Ghana's independence. Some players in the banking industry have welcomed the Bank of Ghana's decision to increase the minimum capital requirement. Managing Director of Stanbic Bank, Alhassan Andani said it is a more sensible approach to encourage banks to put in capital to match the extent of risk they want to take in the economy. In a related development, ECOBANK has once again emerged as the biggest bank in the country in terms of assets and deposits. That's according to the 2015 Price Water House Coopers Banking Survey Results. The results revealed that record performance in asset growth helped ECOBANK to retain its position. Indian bank, Baroda also came on top as the most profitable bank for the year 2014. *(Ghana Web)*

Ghana's annual producer price inflation fell sharply to 10.6 percent in July from 23.1 percent the previous month, driven mainly by a strong rally in the local currency, the national statistics office said on Wednesday. Still, the inflation level is high compared with the regional average, indicating the scale of economic challenges facing the West African country. Ghana is under a three-year International Monetary Fund (IMF) programme designed to restore fiscal stability. "We had declines in all the sub-sectors but the key driver was the strong appreciation of the cedi last month," government statistician Philomena Nyarko told reporters in Accra. The cedi rallied strongly last month after slumping 25 percent in the first half of the year but has since lost all the gains. Lower gold prices in July also contributed to the fall in the index, Nyarko said. Producer inflation for mining and quarrying fell by a sharp 28.5 percentage points, compared to the previous month, to 1.5 percent while the utilities sub-sector eased by 13.5 percentage points to 7.3 percent, she added. Manufacturing, which comprises petroleum refining, fell 8.4 percentage points to 13.5 percent. *(Ghana Web)*

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Kenya

Corporate News

Hotelier TPS Eastern Africa said it had signed a \$20 million loan agreement with French development institution Proparco, to support the refurbishment and redevelopment of its properties in Kenya. The company, which operates a chain of luxury hotels, lodges and tented camps across east Africa under the brand name of Serena, said the funding would support growth of its business in Kenya over two years starting in 2016. "The Nairobi Serena Hotel will undergo redevelopment and refurbishment commencing in year 2016 on a phased basis," the company said in a statement late on Monday. The project will include new conference and banqueting facilities, refurbished bedrooms and public areas, the company added. "Investments in other Serena properties in Kenya will continue to be implemented on an ongoing basis." Kenya's tourism industry is recovering from a slowdown triggered by attacks blamed on al Shabaab militants from neighbouring Somalia that led to warnings against non-essential travel to the coast by Western governments. Britain, the source of more than half the country's tourists, lifted a travel advisory covering most of the coast in June, boosting chances of a recovery. Bookings to coastal resorts have improved over the past few months. Visitor arrivals to east Africa's largest economy fell by a quarter in the first five months of this year, to 284,313 from 381,278 in the same period last year, data from the Kenya Tourism Board showed. TPS Eastern Africa swung posted a loss of 139 million shilling (\$1.34 million) in the six months through June, compared with a profit of 58 million shilling in the same period of 2014. *(Reuters)*

The Nairobi Stock Exchange on Monday reported a 22.3 percent rise in pretax profit for the first six months of the year, and said it was on track to launch a new derivatives market this year. The Kenyan bourse, which listed last year, said pretax profit in the period through June rose to 218 million shillings (\$2.1 million) from 179 million in the same period last year. Total income climbed 13.6 percent to 401 million shillings. "The board ... is optimistic of (a) continued good performance in the second half of 2015," the company said in a statement. It added that it planned to launch new products and services, including a derivatives market that would allow clients to hedge currency and interest-rate risks. *(Reuters)*

Kenya's TransCentury Ltd said on Wednesday it had narrowed its first-half loss to 646.3 million shillings (\$6.2 million) from a 1.53 billion shilling loss in the same period a year earlier, and said it expected a better second-half performance. The company said in a statement it attributed the loss to interruptions caused by refurbishment on its copper factory and the weakening of the local currency. In the year to date, Kenya's shilling has lost 13 percent so far this year against the dollar. It said revenue rose 5 percent to 5.21 billion shillings, supported by construction projects started in the first quarter of the year by its engineering division. "The outlook is positive for our core businesses with a strong pipeline of engineering projects now underway and a growing order book in our power division which will improve performance in the second half of the year," the company said. TransCentury, founded as an investment club in 1997 by a group of wealthy Kenyans, said a construction boom driven by infrastructure projects in the region will help improve its performance. "The demand for our power products also remains high and is expected to significantly increase with new government policies and measures on local content in the energy sector," the company said. TransCentury's loss per share narrowed to 2.16 shillings from a 5.92 shilling loss a year earlier. *(Reuters)*

Kenya's Uchumi Supermarkets has appointed a new chief executive to start in October after firing the previous CEO. Julius Kipnetich, now Chief Operating Officer at Equity Bank and previously director of the Kenya Wildlife Service, had been appointed, Uchumi's media consultant Kepha Bosire told Reuters. Former CEO, Jonathan Ciano, who helped revive Uchumi in 2006 when it was put into receivership and given a government-led bailout, was ousted along with the chief finance officer after the chain fell behind on supplier payments. The firm said in June when it announced Ciano had been fired that it was conducting an audit to see how cash from a rights issues was spent. Ciano had told Reuters at the time that he had handed in his notice but did not elaborate on reasons for his departure. "There is a business strategy review process going on," said Bosire. "There is a lot of work going on to try and improve stocks in the shops. There is also a reorganisation to try and get the right people on board to drive the business." *(Reuters)*

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East African Cables, which makes cables for the utility and telecoms industries, reported a loss of 97.6 million shillings (\$941,176) for the first six months of 2015, citing disruptions to output as it upgrades a factory in Kenya. The company reported a pretax profit of 326.5 million shillings in the same period last year. "The refurbishment is expected to be fully completed in September 2015 and thereafter the capacity of the factory will be significantly increased," it said, after reporting a 22 percent decline in group revenue in the first six months. It said the Kenya business remained profitable despite interruptions but said the Tanzania operation was heavily impacted by foreign exchange losses. "The directors expect improved financial performance in the last quarter of the year, driven by a strong order book and completion of the factory refurbishment," it said. *(Reuters)*

KCB Group and Airtel Kenya have signed a deal that will enable the telco's mobile money customers to deposit or withdraw money at KCB outlets. The partnership will also see Airtel's agents obtain 'float', the virtual money used in their transactions, from KCB outlets. KCB and Airtel see the development as a game-changer and said by leveraging on technology banking and telecommunications they can revolutionise access to finance for millions of people in emerging markets. KCB's Director of Retail Anastacia Kimtai said the partnership is part of the bank's strategy to provide innovative products and solutions. "As the mobile money market becomes more competitive, KCB will continue to anticipate shifts in the market structure and leverage goodwill in the industry to grow its customer base," said Mrs. Kimtai. Airtel Kenya CEO Adil El Youssefi said: "This partnership with KCB marks yet another milestone in deepening the accessibility of Airtel Money. We have launched the "#insidestoro" awareness campaign to enable customers to understand the benefits of using Airtel Money." Airtel allows customers to send funds across all networks for free, and is giving subscribers 25 per cent bonus on any airtime bought on Airtel Money. This has seen the number of Airtel money users climb to three million. KCB mobile-banking platform has accelerated the reach to the unbanked in the country in a convenient, easy and simple manner without personally visiting a branch to open a bank account supporting the financial inclusion agenda. Diversification of products and services has also seen the bank reap big profits. *(Business Daily)*

Oil marketer Total Kenya said its first-half pretax profit dropped by 5 percent due to inflation and volatility in international oil prices. The group, part of French oil major Total, posted an 891.7 million shilling (\$8.6 million) pretax profit in the six months to June 30, against 1 billion shillings in the same period in 2014. The company's turnover fell to 64 billion shillings from 90.4 billion shillings the previous year, due to lower sales volumes. Managing Director Ada Eze said the economic environment was challenging due to volatile petrol prices and the shilling's depreciation against the dollar. "However, the board is optimistic that with the planned investments and strategies in place, the performance for the second half of the year shall remain positive," Eze said in a statement late on Wednesday. Eze said the company invested 517 million shillings towards the improvement of its operations, compared to 500 million shillings over a similar period in 2014. The company directors did not recommend payment of an interim dividend. *(Reuters)*

Kenya's Bamburi Cement reported a 94 percent jump in first-half pretax profit from a year earlier to 4.5 billion shillings (\$43 million), and predicted a stable business environment in the second half. The company, which is controlled by France's Lafarge, attributed the strong performance to growth in demand in its two main markets, Uganda and Kenya, cost cutting and gains in its dollar-based liquid assets due to a steep weakening of the Ugandan and Kenyan currencies. Turnover grew to 19.3 billion shillings from 17.3 billion shillings as governments and others continued to invest in infrastructure projects that require cement. Exports to other African markets were also strong, Bamburi said. "The outlook for the rest of 2015 is stable, with projected and continued positive growth in all regional East African economies," the company added. It recommended an interim dividend of 6 shillings per share, unchanged from last year, on earnings per share of 7.77 shillings. Earnings per share were 4.38 shillings in the year ago period. *(Reuters)*

Kenyan media company Standard Group said on Friday it expected its full-year earnings to be at least 25 percent lower than last year, hurt by disruptions from a countrywide digital migration of television signals. Four Kenyan television stations, including one belonging to Standard Group, were off air for 19 days in February after the government switched off all analogue signals, leading to advertising losses for media companies, analysts said. "The migration from analogue to digital TV broadcasting negatively impacted viewership due to low penetration of set-top boxes at the time of migration. This resulted in a significant decline in TV revenues in the first quarter of the year,"

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Standard Group said in a statement. "In addition, the need to impair our In 2014, Standard, which also publishes newspapers, websites and owns a radio station, reported an 8.4 percent rise in profit before tax to 326 million shillings (\$3.14 million). It added that the company's performance will be hurt by increased provisions for bad debt, due to the likelihood that some of it will not be repaid. "The quick recovery of TV revenues and the growth in our Radio and Digital business lines means that we are confident of a better performance in the second half of the year," it said, adding that it also expected to achieve significant cost savings in production and other direct costs. (*Reuters*)

Economic News

The Central Bank has today ordered the closure of Dubai Bank for failure to pay its debtors and for flouting regulatory rules. The lender had on August 14 been put under receivership following "violations of banking laws and regulations, including failure to maintain adequate capital and liquidity ratios as well as provisions for non-performing loans and weak corporate governance structures". It said that such violations and indebtedness were detrimental to the interests of its depositors, creditors and public. The liquidation of the lender now marks the end of an era of a bank that has in the past three years been in the news on allegations of failing to pay its debtors, crediting the accounts of its clients for payments made. Cracks emerged when the lender's chairman and principal shareholder, Mr Hassan Zubeidi, fired his managing director, Ms Nereah Said, after she accused him of abetting fraud and theft of clients' funds at the bank. On Monday, the Kenya Deposit Insurance Corporation (KDIC) made a recommendation to the CBK to liquidate Dubai Bank. "The KDIC report indicates that considering the magnitude of weaknesses of Dubai Bank Kenya Limited, liquidation is the only feasible option," the CBK, which had tasked KDIC to review the lender and propose a way forward for its future, said. CBK has also appointed KDIC as liquidator of Dubai Bank Kenya. "At this point, all insured deposits shall be paid by KDIC up to a maximum of Sh100,000 per depositor. Any balances above this amount shall equitably be paid as and when the liquidator accumulates enough funds from sale of assets of the collapsed Bank and recoveries from outstanding loans and debts," the corporation's acting chief executive officer, Mr Aggrey Bett said recently in a statement. (*Nation*)

Kenya projects a doubling of foreign direct investment this year to over Sh200 billion on the back of renewed investor interest and confidence in the country. Speaking at the Kenya-Japan investment forum in Nairobi, Kenya Investment Authority (KIA) Managing Director Moses Ikiara, said the improving business environment coupled with recent and planned high profile investment forums continue to attract investors. "The FDI is growing very strongly. This year, we expect FDI inflows to grow by more than 100 per cent because of an improved business environment," he said. Last year, inflows into the country stood at over Sh115 billion according to the 2015 African Economic Outlook (AEO) 2015 launched by the African Development Bank (AfDB) on May 25. During the Global Entrepreneurship Summit (GES) held in Nairobi between July 24 and 26, a number of global firms announced multi-billion shilling deals that would see the value of FDI increase substantially this year.

The AfDB report indicated that Kenya is increasingly becoming a favoured business hub, not only for oil and gas exploration, but also for manufacturing, transport and information communication technology. Mr Ikiara was giving a presentation to the Japanese business delegation who were in Nairobi to explore investment opportunities. Japanese Ambassador to Kenya Tatsushi Terada said priority areas of his country's investment in Kenya include infrastructure, human resource and agriculture development, health and medical services and environmental conservation. The volume of trade between Kenya and Japan has, however, grown much slowly in the last five years, but heavily skewed in favour of the Far East country. According to the Kenya National Bureau of Statistics, the country's imports from Japan have grown from Sh58.2 billion in 2010 to Sh86.6 billion in 2014. Exports, on the other hand, have grown from Sh2.1 billion in 2010 to Sh3.5 billion in 2013. (*Nation*)

Kenya's shilling weakened on Monday, undermined by dollar demand from importers in the manufacturing and energy sectors and increased liquidity, traders said. At 0720 GMT, commercial banks quoted the shilling at 103.60/80 to the dollar, compared with Friday's close of 103.20/30. "There is some (dollar) demand and not much supply in terms of inflows. This has been from last week. There is still demand flowing into this week. Demand is from the importers ... oil and manufacturing," a senior trader at one commercial bank said. A

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second trader at a second commercial bank said the shilling was expected to remain under pressure during the week, with more importer dollar demand expected as the month draws to a close. The shilling is also under pressure from increased liquidity in the money markets, which has led the average interbank lending to drop to 15.3399 percent on Friday from 24.0373 percent on Aug. 13. Increased shilling liquidity makes it cheaper to hold dollars, which in turn weakens the local currency. "Shilling liquidity has improved quite some bit," the senior trader said. *(Reuters)*

Selling by foreign investors drove Kenyan shares to two-week lows on Monday as global markets fell. The shilling also weakened. Mobile operator Safaricom, often the most heavily traded stock and usually popular with foreigners, dropped 4.3 percent to close at 14.35 shillings. "The ones that took a hit were the ones that were held by foreign investors, such as Safaricom," said independent trader Aly Khan Satchu. "When your biggest cap stock is down 4.33 percent, there is not much hope for the All-Share index." The Nairobi All-Share index closed 2.2 percent lower at 146.40 points and the benchmark NSE 20 index slid 1.5 percent to 4,337.47 points. On the foreign exchange market, global worries also trumped domestic factors. One trader said increased shilling liquidity had been driving down overnight interbank rates since mid-August, which was adding to pressure on the currency. By the 1330 GMT close, the shilling was trading at 103.75/85, compared with Friday's close of 103.20/30. "This is mainly because of what we are seeing on emerging markets, where capital outflows are hurting local currencies," said Joshua Anene, a trader at Commercial Bank of Africa. "We are all in the same boat." He said extra shilling liquidity had helped drive overnight interbank rates down to about 15 percent, compared with more than 20 percent earlier in August. On the secondary market, government bonds valued at 580 million shillings (\$5.59 million) were traded, compared with 131 million shillings on Friday. *(Reuters)*

Kenya is targeting other African nations to shore up falling numbers of holidaymakers after attacks by Islamist militants discouraged tourists that originated in its traditional source markets from visiting. The \$1-billion-a-year industry is struggling to recover after a series of attacks in the past two years by insurgents loyal to the al-Shabaab movement in neighboring Somalia killed more than 500 people. Foreign visitors to the country fell 19 percent in the first half to 347,398, according to Kenya National Bureau of Statistics data. "We are looking at growing the pie from the African continent," Kenya Tourism Board Managing Director Muriithi Ndegwa said in an Aug. 22 interview in the Kenyan resort city of Mombasa. "We consider the regional market very crucial, we cannot ignore it." Increased air connections and marketing Kenya as a vacation spot have helped boost the number of African visitors, Ndegwa said. They made up 24 percent of tourist arrivals in 2014, he said. Kenya is famed for its safari and beach vacations. Tourism is the biggest generator of foreign exchange after tea exports and the decline in revenue has undermined the shilling, which has dropped 13 percent against the dollar this year. Nigeria posted the largest increase in visitors after 6,255 entered Kenya in the first half of 2015, compared with 5,765 during all of 2014, Ndegwa said. South Africa, Uganda and Tanzania remain key markets. "Our own people are an essential and fast-growing element within the tourism equation," Deputy President William Ruto said at the UN-WTO East Africa Tourism Development Forum in Mombasa on Aug. 22. "Gone are the days when the safari was the exclusive domain of the wealthy western tourist." *(Bloomberg)*

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Malawi

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Economic News

Mauritius' economy is expected to grow at an annual average rate of 5.5 percent from 2017 driven by higher investments and a focus on manufacturing goods, the country's prime minister said on Saturday. The Indian Ocean island state's \$10 billion a year economy depends on tourism, financial services and exports of agricultural goods. Anerood Jugnauth told a gathering of top government and private sector officials the island grew at an average rate of 3 percent annually over the past nine years. "We are targeting an average growth rate of 5.5 percent annually as from 2017," Jugnauth said. He said the objective is to reach a GDP per capita of above \$13,500 by the year 2018 from \$10,000 now. The manufacturing sector, which accounts for 18 percent of GDP, is expected to grow to 25 percent in the next three years. Mauritius is targeting increased manufacturing of pharmaceutical drugs, jewelry and fast moving consumer goods. Jugnauth said other pillars of the economy will be strengthened while new sectors like the ocean economy will be developed to create thousands of jobs. "There are, right now, some 40 major private sector investments projects to the tune of 183 billion rupees, of which foreign direct investment represent 140 billion rupees," the prime minister said. He said these projects have the potential of creating 100,000 new direct and indirect jobs within the coming five years. Some 16,000 new jobs will be created during the current financial year. Over the next five years government will invest 75 billion rupees (\$2.13 billion) in the water sector, electricity, waste water management, roads, port, airport and communication. *(Reuters)*

Mauritius' trade deficit widened by 1.2 percent to 32.90 billion rupees (\$939 million) during the first half of 2015 on the back of higher imports, official data showed on Friday. Imports rose 5.4 percent to 81.75 billion rupees, driven by higher costs of machinery and transport equipment which increased from 16.76 billion rupees a year earlier to 21.61 billion rupees. Exports rose to 48.84 billion rupees from 45.01 billion rupees in the six months to June 30, Statistics Mauritius said in a statement. The United Arab Emirates was the main buyer of Mauritius' goods in the period, accounting for 17.5 percent while India was the main supplier with 19 percent of the Indian Ocean island's total imports. The agency maintained its forecast for total exports at 106 billion rupees and imports of 185 billion rupees for this year, giving an expected trade deficit of around 79 billion rupees. *(Reuters)*

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TRADING

Nigeria

Corporate News

Skye Bank Plc has gone into partnership with RT Briscoe by providing financing for the Ford brand of cars for people who may not have the bulk amount needed to purchase such cars. Under the partnership arrangement, the bank will avail existing and prospective customers of the bank wishing to buy Ford cars during the six-month promo period of RT Briscoe by providing 70 per cent of the cost of such vehicles while the customer will contribute 30 per cent of the cost. The special arrangement was to complement RT Briscoe's attractive incentives for aspiring car owners in commemoration of its 10th year anniversary as Ford auto dealers in Nigeria. According to a statement issued by the bank at the weekend, the financing window would be available to Nigerians who earn a regular income, including business owners with viable and thriving businesses under its Skye Auto finance scheme. "All a prospective buyer needs do is make his or her choice from any RT Briscoe outlet and visit any Skye bank branch with the purchase invoice, 30 per cent of the purchase price and evidence of income", the bank explained. It further said customers who purchase Ford vehicles during the promo period through the bank will enjoy some exclusive benefits like discounted vehicle prices, two per cent interest rate discount on loans granted for vehicle acquisition, and 4-year free labour service on such cars. Other benefits include free car delivery on purchase, three-year warranty, eligibility to win another Ford vehicle in a raffle draw, among others. Skye Bank has an auto loan scheme for its customers through which such customers can buy a wide range of vehicles after paying their equity contribution of 30 per cent, leaving the bank to provide the balance of 70 per cent. Through the scheme, many Nigerians have acquired new cars of various brands which would have been impossible for them to acquire. *(This Day)*

PZ Cussons Nigeria suffered a 10.07 per cent drop in its profit after tax for the financial year ended May 31, 2015, the company's results for the period showed. The results, which the company filed with the Nigerian Stock Exchange, showed that its PAT fell from N5.083bn in the year ended May 31, 2014 to N4.571bn. PZ also witnessed a drop in its profit before tax with the PBT declining by 5.66 per cent year-on-year, from N6.949bn in the previous year to N6.557bn in the review year. The company, however, saw a marginal rise of 0.3 per cent in revenue. Revenue rose from N72.906bn to N73.126bn. In the year under review, PZ was able to cut its cost of sales by 1.93 per cent from N53.711bn to N52.672bn, but distribution, administrative and other expenses rose by 7.06 per cent from N12.893bn to N12.803bn. The company's basic earnings per share as well as fully diluted earnings per share declined by 11.72 per cent from N1.16 to N1.02. Despite the drop in profit the company's Board of Directors proposed the payment of 61 kobo as dividend for the year. According to the company, the closure date for the dividend payment is September 14 to 18, while the payment date is September 30, a day after the company's Annual General Meeting where the proposal is to be presented to the shareholders for approval.

In the financial year ended May 31, 2014, the company had reported a two per cent year-on-year growth in revenue. Its profit before tax was down by nine per cent year-on-year, while its profit after tax fell by four per cent year-on-year. At PZ's 66th AGM in October 2014, the Chairman of the company at the time, Prof. Emmanuel Edozien, said the company's focus was to drive shareholder value through improving the efficiencies in its supply chain, managing operational efficiencies in its supply chain, managing operational efficiencies and investing in brands that delight its consumers. Chief Kola Jamodu is the current chairman of the company. He was appointed chairman in November 2014. The Board had recommended to the shareholders for approval at the AGM, a final dividend payout of N2.4bn representing a payment of 61 kobo per share for the financial year. It had earlier paid an interim dividend of 20 kobo per share in February, which meant an annual increase in dividend payout of 45 per cent for the year ended May 31, 2014 when compared to the previous year dividend when a dividend of 56 kobo per share was paid. *(Punch)*

Flour Mills of Nigeria's first-quarter pretax profit fell 66.5 percent to 1.18 billion naira (\$6 million), the flour and pasta manufacturer said on Monday. Revenues declined by 1.98 percent during the three months to June 30 to 82.28 billion naira, the company said in a statement. Flour Mills had reported a one-off gain after the disposal of an investment in the first quarter of 2014, which was not repeated this year, leading to the fall in profit. *(Reuters)*

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Nigeria's Dangote Cement will sign \$4.34 billion worth of contracts with China's Sinoma International Engineering Co. on Wednesday to build cement plants across Africa, Nigeria's largest listed firm said. The plants to be built in Cameroon, Ethiopia, Kenya, Mali, Nepal, Niger, Senegal and Zambia, will add 25 million tonnes to Dangote's existing capacity of almost 50 million tonnes, Group Executive Director Edwin Devakumar said. *(Reuters)*

As exclusively reported by THISDAY three weeks ago, the Nigerian Stock Exchange (NSE), yesterday in Lagos launched a new listing platform - the Premium Board and the associated Premium Board Index (PBI). The board will feature companies that meet the Exchange's most stringent listing criteria of capitalisation, governance and liquidity. It aims at providing a platform for greater global visibility for eligible African corporates to make it easier for them to attract global capital flows and reduce the cost of funding. The companies that have qualified for the Premium Board are Dangote Cement Plc, FBN Holdings Plc, and Zenith International Bank Plc with market capitalisation of N2.87 trillion, N277.70 billion and N587.43 billion respectively. They all passed the CGRS before applying for the board. On the other hand, the PBI is an equity index designed to provide a benchmark to capture the performance of companies listed on the Premium Board. The index will also provide a basis for developing products (such as ETFs and equity index derivatives) that are tradable on the bourse. Commenting on the new listing Board, Chief Executive Officer, NSE, Mr. Oscar Onyema said the effort is in keeping with Exchange's commitment to promoting Africa's biggest companies, as well as influencing the economic growth and development of Nigeria. "The Exchange is a member of the United Nation's Sustainable Stock Exchange Initiative, which is designed to encourage stock exchanges to influence their ecosystem to adopt sustainable ways of doing business around Environmental, Social, and Governance dimensions."

The Premium Board is one result of our commitment to place corporate governance front and centre as a way to improve the climate for doing business in Africa. "We expect that companies on the Board will enjoy the highest levels of visibility and appeal to investors looking for large companies with the highest standards of corporate governance." The Premium Board Index would serve as a benchmark for investors looking to track the performance of large firms with excellent corporate governance and sustainable business models. Typically, similar indices outperform their market wide index by double digits. The NSE Premium Board Index had a four year average return of 17.65 per cent versus the All Share Index return of 11.31 per cent over the same period, "he said. "The Premium Board is for issuers with minimum market capitalization of N200 billion and highest corporate governance standards. Companies aspiring to be listed on the Premium Board must achieve a minimum score of 70 per cent on the stringent Corporate Governance Rating System (CGRS). In addition, they are required to maintain a minimum free float of 20 per cent of their issued share capital or a free float value equal to or above N40 billion, "said, Executive Director, Business Development, NSE, Mr. Haruna Jalo-Waziri. He added, "The launch of Premium Board and the Premium Board Index is in line with The NSE's commitment to promoting and continuously developing a more transparent, liquid, accessible market. " *(This Day)*

Nigerian conglomerate UAC will seek shareholder approval on Sept. 23 to raise up to 20 billion naira (\$100.5 million) in fresh capital through a rights issue or other instruments, it said on Wednesday. UAC of Nigeria said it is considering raising the capital through convertible securities or other methods, including global depository receipts and bonds. *(Reuters)*

Access Bank Plc on Wednesday said it had plans to raise additional capital in the future. The bank's Executive Director, Commercial Banking, Mr. Roosevelt Ogbonna, who disclosed this in a briefing in Lagos, however, did not say when it planned to raise the capital. Although Ogbonna said details would be provided in the future, he disclosed that the capital would be raised via a local currency instrument. "It will be an interesting instrument. Because of its nature, it will be very attractive for investors because it will be the first of its kind." The bank had recently raised N41.8bn via rights issue and the Access Bank executive director explained that local investors accounted for the bulk of it. Following the conclusion of the issue, the Group Managing Director, Access Bank, Mr. Herbert Wigwe, had said, "We are putting in place the building blocks for our future as we work to becoming a top three bank in Nigeria by 2017. The capital raised will allow us to retain our place among Nigeria's best-capitalised banks and underscores our continued commitment to prudent risk management as we seek growth opportunities both in Nigeria and abroad." According to Ogbonna, with the success the bank recorded with its \$400m Eurobond and rights issue, the bank is well positioned to become one of the top three banks in the industry in the year 2017. He added that the bank had generated the required capital needed for sustainable growth and profit enhancement.

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He said, "We have attracted capital for further impetus to take advantage of emerging business opportunities in the market. We can lend money and still have capital and customers to do more interesting business." The bank also said it had in the last one year offered more than N1bn in loans to 16 million women under its 'W' programme, which was designed to empower women across countries where it had operations. The bank also expressed support for President Muhammadu Buhari's directive that ministries, departments and agencies should operate single treasury accounts. Ogbonna said, "On the single treasury account, I think it is a reality. Government is trying to have better control of its revenue and I think it is something we should, as against getting overtly concerned about, applaud. "Because what it then does is that management of the nation's resources will be done centrally." He said what the market was concerned about was how it was going to be done. He urged that the move should be executed in a manner that would not disrupt the market. *(Punch)*

Shareholders of United Bank for Africa (UBA) Plc are to receive an interim dividend if the plan of the Board of the bank is approved.

THISDAY gathered that following the successful audit of its 2015 half year results ended June 30, the bank has notified the Nigerian Stock Exchange (NSE) about the meeting of its Board of Directors to consider the audited results as well probable interim dividend payment. With the meeting, the release of the result may be earlier than mid-September, which the management had earlier guided. Three banks, Zenith, GTBank and Access have already recommended interim dividends for their half year results. Whilst awaiting the results, most analysts are largely positive on the earnings performance of UBA in the period, with expectation of modest double digit growth in gross earnings and profit. This expectation has been largely hinged on UBA's 2015Q1 earnings run-rate and its asset quality, which suggests moderate impairment charge. The bank grew gross earnings and profit after tax by 22 per cent and 35 per cent in respectively in the first quarter of the year. More so, UBA management hinted on improving performance of UBA Africa subsidiaries and continued focus on cost efficiency initiatives, which moderated cost growth in the first quarter to three per cent, a good feat when put in the perspective of 9.2 per cent inflation rate. The half year results of banks have been somewhat mixed, with some banks posting positive growth numbers amid relatively weak performance of peers. Amongst several reasons, which may be responsible for the divergence in performance, two factors seem apparent- First, banks that have reported impressive performance thus far have relatively better asset quality, with less exposure to the lower-end of the market (corporate customers seems to have the ability to better manage their finances amid the macroeconomic pressures);

second, whilst the liquidity squeeze in the system has negative impact on all the banks, the tier-1 banks are more liquid, thus having better headroom to manage the funding cost. More so, the volatility in the interbank market, with rate speaking at 50 per cent within the period, was partly positive for the tier-1 banks. It is interesting to note that tight interbank market liquidity leads to a zero sum game; where the less liquid banks pay high rates for interbank funds being provided by the relatively liquid top lenders in the industry. *(This Day)*

Royal Dutch Shell's Nigeria operation has declared force majeure on its Bonny Light crude oil exports after shutting down two key pipelines due to a leak and oil theft, the company said on Thursday. Shell said in a statement it had closed the Trans-Niger Pipeline due to a leak and the Nembe Creek Trunkline to repair damage caused by oil thieves. *(Reuters)*

Economic News

Nigeria has restructured short-term commercial bank loans to its cash-strapped state governments into longer-term sovereign bonds as Africa's biggest economy seeks to reduce a growing backlog of domestic debt against a background of falling oil revenues. The Debt Management Office (DMO) has issued bonds in respect of debts owed by 11 states to address "fiscal imbalance", its director-general Abraham Nwankwo said. The bonds were issued to 14 commercial banks. Nwankwo said 22 out of Nigeria's 36 states had applied for a restructuring, and the debt office had asked them to reconcile their loan figures with the various lenders. Commercial lenders were issued 2034 (20-year) bonds at a yield of 14.8 percent, analysts said. The bond has a tax equivalent yield of 21.2 percent, analysts at Renaissance Capital said. Most lenders granted the state loans at interest rates of 18 to 20 percent. There were no details on the total value of loans restructured so far, or when they were due. Bank loans typically mature within two years. "DMO is now reviewing the additional submissions by states in the second phase of the program," Nwankwo told the National Economic Council, which is chaired by Nigeria's vice-

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president and attended by state governors. Nigerian states are in debt to the tune of 658 billion naira (\$3.3 billion), one of the governors has said. Several of them borrowed in the domestic bond market and from banks to fund infrastructure projects. But as the price of crude oil, which represents 70 percent of the country's revenues, has plunged, states have been unable to pay their bills including salaries. In July, pan-African lender Ecobank said it was working with the DMO on a restructuring plan for loans it made to various Nigerian states. It said it loaned \$150 million to state governments, of which \$45 million had been placed on a watch list as the finances of the states grew more precarious. *(Reuters)*

Nigeria's stock index fell to a five-month low on Monday as worries over the persistent decline in crude prices and a China-led global economic slowdown spooked frontier market investors. The bourse, which has the second-biggest weighting after Kuwait on the MSCI frontier market index, fell 2.2 percent to 29,214 points, its lowest since March 19, as investors sold off shares in relatively liquid consumer goods and banking sectors. *(Reuters)*

Nigeria's economic growth slowed to 2.35 percent in the second quarter of 2015 from 6.54 percent a year earlier as a result of lower oil prices, the Nigerian Bureau of Statistics (NBS) said on Tuesday. The NBS said oil production was 2.05 million barrels per day in the second quarter of the year, lower than 2.21 million barrels recorded in second quarter of last year. *(Reuters)*

Nigeria will start reforming its oil industry using existing laws before it can pass a long-awaited Petroleum Industry Bill (PIB), which will take a while to fine-tune, the new head of the state-oil company NNPC said on Tuesday. Emmanuel Kachikwu, a former Exxon executive was appointed by President Muhammadu Buhari last month with a brief to root out corruption at the state oil firm. He has started restructuring the NNPC and will review all production-sharing contracts. "Because of the volume of extensive consultation and time required to make the bill a workable document, it is only natural to kick start the reforms in the industry with the existing laws while waiting for the eventual passage of the proposed law," Kachikwu said in a statement. It has taken more than five years to bring the bill, which is expected to reform Africa's top producer's oil taxes and licences and overhaul the Nigerian National Petroleum Corporation, to a vote due to political wrangling. Kachikwu said the current bill, pending before lawmakers, would need to be fine-tuned to address all the issues such as cost especially after crude prices have declined to their lowest since early 2009. "Sometimes people don't realise that the problem hasn't been NNPC, it is a problem of political will to ... implement the outcome of research and reports that have been done," he said. "This time around ... the President has strong political will to see this through." Earlier President Buhari approved the cancellation of controversial offshore processing and crude swap deals for refined oil products between state-oil firm NNPC and oil traders. *(Reuters)*

Nigerian overnight lending rate was quoted as high as 100 percent on Tuesday from 40 percent previous day on cash shortages, sending bond yields higher as commercial banks sold bonds to meet naira obligations, traders said. Traders were quoting for rates at between 70 to 100 percent as the overnight money market was experiencing low liquidity after Nigeria's president directed all state agencies to maintain one treasury account, sucking up cheap government cash from the banking system. Yields on the benchmark 2024 bond, which is also listed on the JP Morgan government bond index, opened at 15.87 percent on Tuesday, a level it closed at on Monday, up from 15.45 percent on Friday. *(Reuters)*

The World Bank yesterday said it was ready to commence disbursement of an additional sum of \$140 million (about N30 billion) to 26 states of the federation and the Federal Capital Territory (FCT) to boost community projects in Nigeria. Already, the sum of \$200 million had been disbursed in the first phase of the project. The project had disbursed US\$ 200 million from 2009 to 2014 in the first phase of the Bank's Community and Social Development Project (CSDP) between 2009 and 2014. States benefiting the additional financing would need to focus on the most vulnerable households in poor communities in their region. Other states including Anambra, Kaduna and Sokoto were said to have finalised their resolve to participate in the new financing. World Bank acting Country Director, Indira Konjhodzic said in a statement: "The Bank is happy to approve additional funds for this project to scale up the impact on more communities in Nigeria and, particularly, the vulnerable in the society. It is also another step towards helping those affected by conflicts, especially in the North Eastern part of Nigeria." The additional financing is expected to among other things fund micro-project facilities such as rehabilitation and construction of school

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class rooms, health centers and clinics, skills acquisition, rural electrification, rural transport, community water schemes, community housing schemes, and rural market infrastructure.

The vulnerable groups would also benefit from special grants in the projects. These include internally displaced poor persons, marginalised or chronically poor households, widows and the physically challenged. The first phase of the funding of the CSDP which benefited over 5,600 communities and about 2 million people in 26 states of the federation was fully disbursed by December 2014. World Bank Task Team Leader for the project, Mr. Foluso Okunmadewa said: "This project will not only help vulnerable people in the short term, including those in conflict-affected areas, but will also help build and rebuild long-lasting partnership between local governments and communities. In addition, it will help integrate communities as well as make smart investments in people for the future." (*This Day*)

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Tanzania

Corporate News

TANZANIA Portland Cement Company (TPCC) net profit has slowed down by 18 per cent in the first half (H1) of this year, blaming the trend on shilling's depreciation. The TPCC, which trades as Twiga on the Dar es Salaam Stock Exchange (DSE), posted a net profit of 22.17bn/- down from 27.14bn/- recorded during the corresponding period last year. The statement issued over the weekend shows that revenue in the H1 went up by 18 per cent to 135.74bn/- as sales increased but cost of sales chewed up revenue by almost two-third. Twiga Chairman, Mr Jeanmarc Junon, said apart from increased cost of sales, insurance proceeds also had toll on the profitability. "The operating profit for the period was impacted by increased production costs especially on raw materials and fuel due to depreciation of shilling," Mr Junon said. He added: "Twenty per cent decrease in operating profit is mainly due to insurance proceeds of 5bn/- in 2014." The Chairman said competition in the cement market is expected to further increase in the second half of this year: "nevertheless, TPCC enjoys a good market position." The profit slow down impacted negatively on earnings per share to dip by 18 per cent to close the first half at 123/22 a share. However, Twiga cement, declared an interim dividend of 95/- a share up from 70/- of same period last year payable at the very end of October. Since, Twiga share price depreciated by almost 6.0 per cent to 3,800/- a share of last Friday. The Chairman said previous cement industry prospects are positive as consumption in the country and East Africa bloc has continued to grow over the last few years. (*Daily News*)

Economic News

TANZANIA made great strides throughout the last decade in improving its infrastructure and communications networks with the cement industry being a key beneficiary of the building boom despite the country's power crisis. Up to five years ago the country had three cement plants with a combined installed capacity of 4.65 million tonnes a year, but to date there are seven cement producers. Nigeria's Dangote Cement, scheduled to start production before the end of this year, will be the eighth and expected to push up production capacity to over 6.0 million tonnes annually. Developments in the cement industry in the recent days are said to have impact on the two listed companies on Dar es Salaam Stock Exchange (DSE). The two giant manufacturers - Tanzania Portland Cement Company (Twiga Cement) and Tanga Cement Company (Simba Cement)- shares plunged at the time when a number of new firms set plants. DSE cement manufacturers share prices depreciated by between 6.0 and 11 per cent since the beginning of this year. Twiga cement went down by 6.5 per cent to 3,740/- a share while Simba cement depreciated by 10.8 per cent to 3,780/-. Both companies shares trade at almost the same price. Twiga net profit for the first half of this year went down by 18 per cent 22.17bn/- due to raising operations pushed by depreciation of shilling against the US dollars. Thus earnings per share also dipped by the same 18 per cent to close the first half at 123/22 a share. Brokers have it that the cement's firms share drop is seen as a result of shareholders who are reluctant to invest more in the sector fearing dividends drop as many players are coming up.

However, investors' fears are unfounded. Twiga cement, declared a interim dividend of 95/- a share up from 70/- of same period last year. Also Twiga says that its production targets of 1.5 million tonnes are set to be met this year 2015, up from 1.4 million tonnes in 2014. Twiga Cement Managing Director, Mr. Alfonso Rodriguez, says the target capacity follows last year's commissioning of a new 700,000 tonnes production line. Simba Cement, on other hand, last year's net profit declined by 12 per cent of 28.4bn/- as a result of the once off impairment of goodwill and other market challenges. "We experienced some set-backs in terms of overall equipment efficiencies (OEEs) due to some equipment failure during the year." "Improving on OEEs will be a significant focus during 2015," Simba's Chairperson, Mr. Lau Masha says. Though the industry is blossoming, at the same time, cheap imports from the Middle East countries have continued to enter Tanzanian markets. These cheap imports are creating unfair competition as they benefit from widespread acts of tax evasion through under declaration of prices and volumes delivered into local markets. Also, increased smuggling of cement across the border into Kilimanjaro and Arusha added to pressure to local markets and prices. Simba Chairperson Mr. Masha says "we are lobbying with government as well as the

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Fair Competition Commission on control of cheaper imports including manufacturing substitutes". At the end of the 2012, Tanzania had seven cement companies namely Twiga cement, Simba Cement, Rhino Cement, Camel Cement, Lake Cement, and Lee Building Materials.

These seven companies have a combined installed capacity of 4.650 million tonnes per year. However, they only produced 4.4 million tonnes in 2012. According to the Ministry of Industry and Trade there are ongoing construction of eight cement companies across the country. Among them, Nigeria's Dangote Cement, a US\$ 500 million factory that is set to begin production before the end of the year. Owned by Africa's richest man Aliko Dangote, the factory is being built in Mtwara, with an annual capacity of 3.0 million tonnes a year and will double the country's annual output of cement to over six million tonnes. Among the top challenges the cement firms are facing in the country is the higher costs of production which is propelled up by energy costs. The industrial costs of cement production are mainly energy which is said to consume between 20 and 35 per cent of total expenses of production. But in Tanzania the costs on average reaches 50 per cent-the energy sources ranging from electricity, coal, natural gas, and heavy fuel oil (HFO). This is said to push up the cost of producing a 50kg bag of cement of ordinary cement to 9,800/- at the end of 2013, up from 6,950/- of 2005.

The good thing is that, despite high costs of producing cement in Tanzania, the market is still huge as the sector is also feeding neighbouring countries such as Democratic Republic of Congo (DRC), Burundi and Rwanda. However, the local manufacturers are not complaining of the increase of industries rather for level playing field. Manufactures said through Tanzania Chapter of East African Cement Producers Association (EACPA) that they are now facing collapse due to the continued influx of cheap imported products in an already saturated market. They urged that their situation was being made worse because, they were competing with cheap imports at a time when their margins are squeezed by overcapacity in the market. EACPA welcomed the entry of new players in the cement market, saying they would stimulate development in the industry. Tanzania's cement producers support the government campaign to help local industries grow by using local coal, gypsum and other materials, but that the government was not reciprocating the gesture. There are also bright prospects linked to several infrastructure in pipeline including the ongoing expansion of the Dar es Salaam and Mtwara ports, proposed construction of Mbegani and Bagamoyo ports as well as several flyovers in Dar es Salaam and upgrading of the central railway line and many highways in the near future. *(Daily News)*

FINANCIAL analysts have blamed dwindling business on the Dar es Salaam Stock Exchange (DSE) on the election fever, among other factors. "The election campaigns have created a lot of uncertainties in the market...although we at least know what CCM (Chama Cha Mapinduzi) aspires to do, nobody knows the contents of Ukawa's election manifesto," Core Securities Managing Director, Mr. George Fumbuka, told the 'Daily News' in Dar es Salaam yesterday. Trading on DSE has been on the decrease in the recent weeks due to reduced participation of foreign investors in response to the economic turmoil in China. According to DSE report for the week ending August 21, trading in ten equities generated 1.74bn/- compared with about 29bn/- posted a week earlier. Foreign investors' participation, the report showed, accounted for 0.31m/- compared with 28bn/- in the previous week, with total trading volume running about 72 per cent below the previous week's. "Foreign investors play a significant role in DSE trading," said Mr. Fumbuka, noting that the dismal participation of foreigners have adverse impact on the general performance of the bourse. Mr. Fumbuka further said that pension funds, another category of major players in the market, have diverted attention from the stock market to what he described as "their other priorities." An official with the stock market was, however, optimistic that the bourse is likely to recover by next week, subject to the normalisation of financial markets in China.

Meanwhile, Mwalimu Commercial Bank (MCB) is scheduled for official listing on DSE next week, Mr. Fumbuka, the listing sponsoring broker said yesterday. "We are almost done with all the preliminary works and hopefully we will officially list the bank next week," he said. The bank, according to its prospectus, was to enter the stock market on June 8, 2015 but the listing has so far been postponed for at least three times due to what was described as changing listing requirements by DSE. Mr. Fumbuka was earlier quoted as saying that compiling the banking information of over 230,000 prospective investors who bought MCB shares had been difficult, delaying the listing as a result. "The listing has been delayed due to a record high number of share buyers...the 235,000 people who bought shares in MCB is ten times bigger than all past IPOs (Initial Public Offers) put together," Mr. Fumbuka was once quoted by this paper as saying. *(Daily News)*

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OVER 100 Chinese investors will invest in the country's manufacturing sector backed up by China Africa Development Fund (CADFund). Deputy Permanent Secretary at Prime Minister's Office, Ms Regina Kikuli and Tanzania Investment Centre (TIC) Executive Director, Ms Juliet Kariuki, said in Dar es Salaam yesterday that China signed an agreement with Tanzania during last year's visit of President Jakaya Kikwete to the Asian nation.

"Industrialisation was one of the issues agreed upon by President Kikwete and his Chinese counterpart during his visit last year. The CADFund is an investment fund of the Chinese government which focuses on Africa," said Ms Kikuli who officiated a China Tanzania Industrial Development and Poverty Reduction meeting in Dar es Salaam yesterday. She pointed out that as the country prepares its next Five Year Development Plan with focus on industrialisation, China's support is of paramount importance. Ms Kikuli noted that growth of the manufacturing sector is an important milestone towards job creation and poverty reduction, pointing out that the Asian nation has proved that industrial and agricultural growth are vital to wean millions of people from poverty. "This cooperation will also enable us to boost our bilateral trade which has grown by 56 per cent in the past decade," the Deputy Permanent Secretary at PMO's said. Earlier, TIC's Executive Director, Ms Kairuki pointed out that CADFund will not only assist with funding of the private investments in industries, but also help the centre identify genuine Chinese investors. "This is the first group of Chinese investors that CADFund is introducing to us so that they can find local partners and invest in industries," Ms Kariuki said.

Ms Kairuki urged the private sector and public institutions such as National Development Corporation (NDC), Export Processing Zones Authority (EPZA) to exploit the opportunity provided by the CADFund, which has potential to transform the local manufacturing and agriculture sectors. "As government we are providing a conducive environment by putting in place investment friendly policies and laws," Kairuki pointed out. Speaking during the meeting, Vice- President of CADFund, Yang Aiwu and Deputy Director of International Poverty Reduction Centre, Tan Weiping pledged Chinese government's commitment to work with local partners in boosting industrial growth to tame poverty. "We are more than willing to invest more in Tanzania because of the sustained economic growth and population increase," Mr. Aiwu said. He emphasised that CADFund is entirely dedicated to help growth of Africa's industrial sector as a means of ending poverty especially in rural areas where agriculture is a major occupation. On his part, Mr. Weiping pointed out that China has a lot of experience in taming poverty through industrial and agriculture development. "China has invested a lot in manufacturing and agriculture sectors which have assisted to reduce the number of people living in poverty," Weiping said as he promised to make sure that such expertise will be transferred to Tanzania and other African countries. The two days meeting which brought together over 200 people including government officials, Confederation of Tanzania Industries, Tanzania National Business Council and Tanzania Private Sector Foundation ends today. (*Daily News*)

ANNUAL Foreign Direct Investment (FDI) should double within the next five years thanks to an influx of Chinese investors backed by China Africa Development Fund (CADFund). Deputy Executive Secretary at President's Office Planning Commission, Ms Happiness Mgalula, said the government is regularly addressing policies and legislation to attract more foreign investors especially from China. "Because of improved investment climate in the country, FDI inflows have increased from 700 million US dollars in 2010 to 2.1 billion US dollars in 2013," said Engineer Mgalula. She said in the next five year development plan, the government will focus on industrial growth which the Chinese government has pledged to support through CADFund. "Deliberations from this meeting will be used as input in our next Five Year Development Plan which is currently under preparation," Eng Mgalula during an address to China Tanzania investment meeting under the theme of industrialisation for poverty reduction. She urged the country's private sector to partner with Chinese peers to boost the manufacturing sector and agriculture production which are labour intensive sectors. "Thousands of our people are already employed by Chinese investors in the country," the Deputy POPC Executive Secretary noted. Deputy Permanent Secretary at Prime Minister's Office, Regina Kikula said Chinese investors should choose destination Tanzania because the country is strategically positioned. "If you invest here, you have access to SADC and EAC markets to which we belong," Ms Kikula pointed out.

She pointed out that apart from having huge natural resource potential, the country has a strong workforce of youths engaging in agriculture production. "A strong manufacturing sector will create jobs for youth who will have income thereby reducing poverty," the

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Deputy PS noted. Tanzania Investment Centre Executive Director, Juliet Kariuki said the country's private sector has an opportunity to tap into Chinese financial and technical prowess through CADFund. "Not only that CADFund will encourage, recommend and support Chinese enterprises to make investments into Tanzania but also CADFund will provide TIC with information on Chinese enterprises that intend and are willing to invest here," Ms Kagaruki noted. She said the China Tanzania industrial development cooperation was one of the agreements signed between Beijing and Dar es Salaam during President Jakaya Mrisho Kikwete's visit to the Asian nation last year. The CADFund was established by former Chinese President Hu Jintao during China Africa Forum held in Beijing in November, 2006 and is aimed at supporting Chinese companies develop stronger cooperation with Africa and exploit the African market. In June, 2007 CADFund launched its operations with 1 billion US dollars (2trn/-) provided by China Development Bank which will eventually reach 5 billion US dollars. *(Daily News)*

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Zambia

Corporate News

No Corporate News This Week

Economic News

Zambia plans to narrow its budget deficit to about 5 percent of economic output next year even after lowering its 2015 growth forecast for the second time since June. The shortfall will shrink from an expected 6.9 percent this year, Deputy Finance Minister Christopher Mvunga said in an interview at his office in Lusaka, the capital. That's higher than an earlier government estimate of 4.6 percent. Sliding commodity prices and a power crisis have prompted Africa's second-biggest copper producer to trim its growth outlook to 5 percent, about two percentage points lower than the initial target in the budget, he said. The government plans to moderate spending by reducing the public-sector wage bill and scaling back road-construction projects, said Mvunga. "We are scrutinizing expenditure very rigorously," Mvunga said. "We now understand exactly where our pain points are." Zambia's government is trying to turn around a struggling economy as power utilities prepare to ration supplies to mining operations after water levels at hydropower dams declined because of a drought. Changes to the mining tax-regime that were reversed earlier this year have affected investor confidence and the government should pursue predictable policies, according to Fitch Ratings, which has assigned the country a credit rating of B, five rungs below investment grade. The price of copper, which accounts for about 70 percent of Zambia's export earnings, has fallen by 20 percent in London this year to \$5,065 per metric ton on Tuesday. Reduced inflows from the mining industry have put pressure on the kwacha, which has lost about a quarter of its value against the dollar in 2015, making it Africa's worst-performing currency. The finance ministry is proposing a copper-price benchmark for 2016 at \$4,500 per ton on average, said Mvunga. Prices for the metal are anticipated to start rising by 2017-18 as higher-cost producers cut back on output and demand increases, Mvunga said.

"Although there is a sluggish growth in China, at some point there will be an exponential lift, in the sense that when things start auto-correcting the supply will be behind the demand," he said, referring to the copper market. The government is auditing its payroll to eliminate payments to nonexistent employees in the hope of finding "huge savings," Mvunga said. As many as one in five people earning state salaries are fake workers or getting paid multiple times, pushing up the wage bill, which stands at about half of state revenue. Zambia will further reduce the budget shortfall to 3 percent in 2017 and 2 percent the next year, said Mvunga, a former Standard Chartered Bank regional head before he was appointed by President Edgar Lungu in March. The inflation rate will be about 8.5 percent by the end of the year, higher than the government's 7 percent target and 7.1 percent recorded in July, he said. New power-generation projects due to start producing electricity within the next six months should help alleviate the country's current power deficit, estimated by the state-owned utility Zesco Ltd. at 580 megawatts. Generating capacity is normally about 2,300 megawatts. "We've got a problem that we're dealing with for the next six months, after which things should stabilize," said Mvunga. "That impact in my view is short-term." The currency's depreciation makes it cheaper for the government to repay kwacha-denominated debt using dollars converted from its \$1.25 billion Eurobond sold in July, Mvunga said. Zambia owes 20.5 billion kwacha (\$2.4 billion) in domestic debt, according to data provided by the government in June. *(Bloomberg)*

Zambia's inflation quickened to 7.3 percent year-on-year in August from 7.1 percent in July, the Central Statistical Office (CSO) said on Thursday. "The increase was mainly attributed to the rising of inflation in transport," the statistics agency said in a statement. *(Reuters)*

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Zimbabwe

Corporate News

Econet Wireless Zimbabwe, the country's largest mobile operators said to date it has saved \$70 million after undertaking a number of cost containment measures. In June the mobile operator ordered its suppliers, foreign and local, to cut costs by 15% adding that its staffers had voluntarily agreed a 20% salary cut as the company moved to contain rising costs. "We have cut costs by almost \$70 million to date and restored strength and stability to our cost structure. We are ready to weather any storm as a company. It's part of our DNA," chief executive officer Douglas Mboweni said. Mboweni said the 46 employees released by the mobile operator "had other issues related to their contractual obligations" which he was not at liberty to disclose quashing claims Econet had dismissed "hundreds" of employees. He said the release of the employees was not part of the cost cutting measures. "We as a company opted to cut all salaries by 20% rather than undertake wholesale retrenchments. This we did after full consultations and consent of the majority of our staff. The small number of people we released had other issues related to their contractual obligations, which I'm not at liberty to discuss," Mboweni said. He said given that Zimbabwe primarily uses the United States dollar and yet gets most of its consumer imports from South Africa, whose currency has tumbled more than 40% over the last five years to the dollar, the impact of salary cuts was not as serious as people feared. "We did a deep analytical study of this and concluded that a 20% salary cut was the best approach. In Zimbabwe we need to remember that the United States dollar is a double edged sword for this country. We should really consider quoting goods in rands, even when paying in dollars. It could help ease our liquidity situation." The Econet boss said whilst no one liked to cut salaries given the current economic environment it was a better option than wholesale retrenchments. "We all need to try and protect jobs but regulators like Potraz need to play their part by not unnecessarily destabilising industries that are stable," he said.. (*News Day*)

NICOZ Diamond Insurance Limited has recorded a 42% growth in gross premiums written to \$25,5 million for the seven months ended July attributed to the incorporation of the premium from its Malawi subsidiary. In 2014 the group recorded \$17,9 million in gross premiums written. In the period under review, the Zimbabwean entity recorded a commendable growth of 6% compared to June 2014 while claims and operating expenses declined by 3% before incorporating the Malawi subsidiary. "As at the end of July, this time last year we were at \$17,9 million and we have seen a 42% growth to \$25,5 as a result of the UGI (Malawi subsidiary) factor, but if we discount the UGI factor its 4% growth, it came down marginally because in June we were sitting on 6% growth. We know what other companies are going through and we are happy with our 4% growth and we know it's modest," managing director Grace Muradzikwa told an analysts briefing on Friday. The group said the operating environment had been characterised by company closures and job losses, which significantly affected the uptake of insurance products by both corporates and individuals.

Muradzikwa said despite the environment, the group should be able to collect premiums in order to pay claims. In the period under review, profit from insurance underwriting declined by 39% to \$694 215 from prior year while profit after tax for the period amounted to \$1,3million an increase of 71% as compared to the same period last year. "The Zimbabwean entity's underwriting profit declined by 54% compared to prior year due to long term nature of policies written in the period which had a high portion of unearned premium," Muradzikwa said. "The Malawi operation contributed negatively to underwriting profit because of an increase in claims experienced in the period. The Uganda operation had a slight positive contribution to underwriting profits." During the period under review, income from properties and other investments contributed the balance of \$532 747 to operating profit. Profit before tax for the group amounted to \$1,6 million inclusive of share of losses from the group's associates amounting to \$589. "This is an increase of 30% from prior year despite the reduction in operating profit mentioned above. This is because included under other gains in an unrealised gain of \$462 609 recognised on purchase of the Malawi operation," Muradzikwa said. Muradzikwa said the group's subsidiary in Uganda, Fico was expected to break even as the issue of competitive capital was still to be addressed. (*News Day*)

The \$1,3 billion project to increase Hwange Thermal Power Station's electricity generation by 600 megawatts is awaiting financial closure, a Zimbabwe Electricity Transmission and Distribution Company (ZETDC) official has said. Hwange, the country's oldest coal-

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powered station is producing about 650 megawatts from an installed capacity of 920 MW but government awarded Sino Hydro Corporation the tender to add two 300MW units in June last year after another Chinese company, China Machinery and Engineering Company, had failed to secure funding more than a year after getting the contract. The parastatal in January this year said it expected talks with China Eximbank for a \$1,1 billion loan, which started in October last year, to drag into the last quarter of the year. Funding for the project was among the nine major agreements signed by President Robert Mugabe when he visited China in August year. "The construction of Hwange 7 and 8 is awaiting financial closure (but) pre-commencement work is underway," ZETDC commercial director Ralph Katsande told The Source last week. In addition to Hwange, Sino Hydro is also undertaking the expansion of Kariba South Power Station to add 300 megawatts to its the current output of 750 MW at a cost of \$355 million, also funded through a China Exim Bank loan.

Katsande said tenders for the \$30 million Gairezi hydro power station on the Gairezi River in Nyanga, which will produce 30MW, have been closed with construction expected to be complete in three and half years. The completion of the power projects in 2018 is expected to plug a huge energy deficit due to limited investment in the capital intensive energy sector and ease the rolling power cuts that have hit hard on agriculture, manufacturing and mining sectors. Zimbabwe requires about 2,200 megawatts daily, but currently generates only 1,300MW, while imports are not enough to meet demand. Meanwhile, theft and vandalism of equipment is costing the power utility dearly which is facing costs of \$50 million annually to repair and replace equipment. "Over 1,500 distribution transmitters are damaged and over 5,000 kilometres of conductors stolen (annually on average)," said Katsande. The power company is owed over \$1 billion by creditors. (Source)

Mwana Africa's Zimbabwe gold mine posted a 26 percent rise in production to 16,985 ounces in the first quarter but nickel output fell 34 percent due to lower ore grades and equipment upgrades, the company said on Tuesday. Mwana Africa's Freda Rebecca mine is the largest single gold mine in Zimbabwe and its output in the three months to the end of June was up from 13,443 ounces during the fourth quarter, thanks to better gold ore grades. The mine cut its costs by 24 percent to \$1,093 per ounce, which made up for the decline in gold prices. Spot gold has rebounded nearly 8 percent from last month's low, but remains down 2 percent on the year. Mwana Africa also owns the Trojan nickel mine in Bindura through locally-listed Bindura Nickel Corporation. Nickel production at Trojan fell to 1,394 tonnes from 2,032 tonnes in the fourth quarter due to lower ore grades and interruptions to underground mining because of ongoing equipment upgrades. "The result was slower mining rates, though these should improve sharply during the current quarter," Yat Hoi Ning, Mwana Africa's executive chairman, said in a statement. Lower nickel production also resulted in a 39 percent decline in sales to 1,267 tonnes, the company said. Bindura is Africa's only integrated nickel company with a mine, smelter and refinery. The smelter is undergoing an upgrade and is expected to be in operation in the first quarter of 2016. (Reuters)

Agro-processing concern United Refineries says it will attempt to revive exports after making inroads into the local market, aided by government's imposition of punitive levies on cooking oil imports. Government recently removed the travellers rebate on grocery items, saying there was no justification for their continued import since the local industry was producing such goods. For cooking oil, it raised customs duty to 40 percent and a 25 percent Surtax or \$0,50 per litre, whichever is higher. United Refineries is on a recovery path after securing credit last year to refurbish machinery at its Bulawayo factory and reviving production of several brands. Chief executive officer, Busisa Moyo told The Source that business in the first half of the year 'was good' and that the company had been "able to do significant things, especially in the southern part of the country, that is, Matabeleland, Masvingo and Midlands provinces." "That's where we are strongest but we are now going beyond that. Last week we have been getting messages from Chipinge and people are now getting our products there. We are a countrywide company as we have been always," Moyo said. "We were also exporting and we want to go back there. Our soaps (wrappers) are in English and Portuguese because we are aiming at Mozambique, Botswana, Zambia and further afield, the Democratic Republic of Congo. All those were the markets that we supplied before."

United Refineries Limited is the second largest cooking oil refinery in Zimbabwe and has a refining capacity of 8,000 metric tonnes of oil seeds per month. Some of the product lines back in production since last year include the cooking oil lines as well as toilet rines such as Bath & Basin, Vogue, Image and Fresh Health Joy. Recently Moyo, who is also Confederation of Zimbabwean Industries president, told The Source that Zimbabwe's cooking oil producers would be able to meet the country's demand for edible oils by September as capacity utilisation in

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the sector was improving after government imposed punitive levies on imports. The country which has a monthly requirement of 11,500 metric tonnes of cooking oil has previously relied on cheaper imports mainly from neighbouring South Africa. He said cooking oil production locally currently stands at 10,500 metric tonnes a month and would surpass local demand by September. Imports of cooking oil have over the past years contributed heavily to the country's bill, with \$41 million worth of edible oils being imported in 2014. About \$19 million was spent between January and June. Zimbabwe has four oil producing firms — ETG Parrogate, Surface Investments, Olivine and United Refineries. *(The Source)*

NMB Bank on Wednesday reported an impressive set of results, showing a 128 percent leap in after-tax profit to \$3,17 million in the six months to June 30, driven by a broader market segment, cost containment and tighter credit control. The bank has evolved beyond its traditional high end market to embrace a broader market. Total income was \$28,8 million, up from \$23,3 million in the first half of 2014, with 61 percent of that being interest income (65 percent in HY2014). Fee and commission income contributed more to total income in the first half of 2015, compared to the same period of 2014. NMB's total assets grew 20 percent from the end of 2014 to \$344 million at the close of the first half. However, the growth in assets was not matched by the expansion of credit as the bank imposed strict credit management amid worsening economic conditions. NMB's bad loan ratio improved to 15.43 percent in the first half of 2015, from 18.97 percent at the end of 2014. The bank's liquidity position improved over the six months, with the liquidity ratio standing at 34.56 percent at the close, compared to 32.38 percent in December 2014. The mandatory ratio, stipulated by the central bank, is 30 percent. *(New Zimbabwe)*

ZB Financial Holdings has posted a \$4,1 million profit for the half-year-ended June 2015 compared to a loss of \$1,2 million in the same period last year, attributed to a raft of cost-cutting measures, an executive has said. This is the first time in two years that the company has recorded a profit. "We have also embarked on space rationalisation and we are consolidating our business to reduce rentals. In total, we have saved \$7 million through cost-cutting measures," group CEO Ronald Mutandagayi said on Wednesday. He said the group had remodelled its business and closed non-performing units such as ZB Asset Management, ZB Securities, the small custodial business and it's now outsourcing cleaning services. Mutandagayi told an analyst briefing that revenue margins during the period reduced further with asset creation having slowed substantially on the back of a lethargic liquidity outturn and diminished credit absorption capacity in the productive sector. "We do expect that our second half will be much better than our first half. In an environment where liquidity is tight, we have decided to manage our costs. We are looking at sustaining the profit and all our business segments contributed positively," he said. Mutandagayi said interest income for the group stood at \$13 million during the six-month period from \$16 million in the same period last year. Operating expenses were down 19% to \$23,4 million during the period under review from \$29 million. The company is waiting for the approval of its application from Mozambique's Instituto de Supervisão de Seguros de Moçambique (ISSM) for its regional insurance unit.

Mutandagayi said: "Our application is now with ISSM, a regulator in Mozambique which is the equivalent of Insurance and Pensions Commission [IPEC] and we are waiting for them to get back to us; they have engaged IPEC and we believe we will get a favourable recommendation." He said the opening of the insurance unit in Mozambique had been delayed due to regulatory processes. The company is still searching for a technical partner to boost its capital. Mutandagayi said the company does not have the lee-way to raise capital like its competitors and the profit that they are making might not make the company reach the \$100 million required in five years. *(News Day)*

Stanbic Bank Zimbabwe on Wednesday reported a 10 percent surge in profit to \$10,5 million in the half year to June 30, 2015 from \$9,6 million profit recorded in the prior corresponding period. The bank's chairman Stenford Moyo said the improved performance was driven mainly by the 11 percent growth in interest earning assets from \$332 million in December 2014 to \$367 million. "The bank's fee and commission income grew by 13 percent to \$17,7 million due to an increase in transaction volumes being processed through our service channels," he said. Moyo added that Stanbic's operating expenses increased by five percent to \$25,1 million because of the increase in transaction processing costs experienced during the period under review due to the impact of business growth. As at June 30, the bank, a Zimbabwean unit of South Africa's Standard Bank, had a core capital of \$81,6 million against a regulatory minimum requirement of \$25 million. "The bank is on course to meet the regulatory minimum core capital of \$100 million by 2020," Moyo said. *(The Source)*

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ZIMBABWE Stock Exchange-listed alcoholic beverage maker, African Distillers Limited (Afdis) has recorded a 5% growth in revenue to \$25 million for the year ended June 30 2015 due to increased volumes, value chain cost reduction activities and the depreciating rand. In the period under review after-tax profit increased to \$3,1 million from \$2,1 million in 2014. In a statement accompanying the company's audited financial results for the year-ended June 30 2015, Afdis board chairman Joe Mutizwa said the company delivered a strong set of results in a very difficult economic and trading environment. Mutizwa said revenue growth in the last half slowed down due to rapidly declining consumer disposable income. However, the company continues to exploit market opportunities to enhance shareholder value into the future. "Revenue at \$25 million grew by \$1,1 million and is 5% above prior year. Operating income at \$3,8 million is 28% above last year due to increased volume, value chain cost-reduction activities and the depreciated rand," Mutizwa said. He said the reduction in finance cost by 67% to \$0,07 million was driven significantly by lower interest rates used for foreign credit facilities. During the period under review, volumes grew by 18% due to increased contribution of relatively lower priced ciders and targeted market place price interventions taken in order to protect market share.

"The 18% volume growth reflects the successful localisation of ciders, which grew by an impressive 56% and are expected to spearhead the business future volume growth strategy. Spirits, which grew by 8% in an overall decline segment, remain a major contributor to the business," he said. However, the group said further economic decline seems inevitable in the short term. The company will, however, continue to focus on delivering growth and value for its shareholders volume and revenue growth, cost containment and improved efficiencies, product development and innovation. During the period under review, the company declared a final dividend of 0,36 cents per share. *(News Day)*

Turnall Holdings Limited has posted a gross profit of \$3 million in the half-year-ended June 30 2015, which is 254% up from the same period last year due to better overhead recovery and procurement savings initiatives. Turnall managing director Caleb Musodza told an analyst briefing on Wednesday the group was working on reducing costs and ensuring that it was paid for what it sells. "In our business, it was very clear that our costs were driven by how we are buying our raw materials, running the plant and utilising those raw materials and also overhead costs and we have relentlessly focused on these ones," Musodza said. "On the revenue side, we have focused on capturing quality sales, make sure you get paid for what you sell and that is exactly what we did so that you minimise the chances of provision for bad debts. So, we focused on our revenue and cost side and this is the benefit that we have seen and we are going to continue on that till the end of the year." Expenses were down by 42% on last year's figures while revenue was up 9% to \$14 million. As a result, profit before tax was up by 114% to \$489 738 over the same period. Turnall Holdings capacity utilisation year to date for its fibre cement and concrete tile plants was 45% and 65% respectively.

Musodza said the company was also managing two key loans from BancABC and FBC Bank that they expect would be fully paid by 2017, managing to reduce the interests' rates. "We have got two key loans, FBC and BancABC because of our payment history where we were coming from we had actually gone into the punitive range in terms of interest rates. So, we managed to sit down with them and restructure the terms. Coming out of those discussions we have been able to take down the interest rates to 16%," Musodza said. Last month, the company also benefitted from getting fibre from Russia which is 20% cheaper compared to the one coming from Brazil. Fibre is one of the main raw materials that the company uses to manufacture most of its products. "We have started using the cheaper fibre and this is going to be key in driving our profitability in the second half. We have come up with a system where every quarter we place orders for fibre for the incoming quarter and within that process we choose the supplier with the best terms," Musodza said. "It just so happened that the fibre in Russia tends to be cheaper and there are more suppliers in Russia than Brazil which is why we made that switch." *(News Day)*

FBC Holdings has requested all its suppliers and service providers to effect a 20% discount on the current contractual obligations and future businesses as it moves to contain costs due to the harsh operating environment. In a statement, group chief executive officer John Mushayavanhu said the move will go a long way in allowing the company to maintain relationships going forward without straining viability prospects. "As you are no doubt aware, our operating environment is under siege with persistent company closures, job cuts, unsustainable operating costs, industry wide high non-performing loans and subsequently major declines in revenues across all the businesses.

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Consequently, budgets have been slashed drastically in order to remain viable," Mushayavanhu said. FBC Holdings becomes the second Zimbabwe Stock Exchange-listed entity to ask suppliers for a review in prices. Last month, Econet Wireless Zimbabwe asked its local and international suppliers to cut prices by at least 15%, failure of which they would be blacklisted. It also cut the salaries of its workers by 20%.

"We ourselves were forced to lower our prices by 40%, so if our suppliers don't cut their own prices, we will go out of business. We do not think 15% is too much to ask others for," Econet chief executive officer Douglas Mboweni said. Cost-cutting has become the buzzword within corporates as they try to stay afloat in the harsh economic environment. This has seen companies shedding "excess" labour riding on the July 17 Supreme Court ruling that allows employers to terminate workers' contracts on three-months' notice. Over 25 000 workers have been retrenched as a result. Econet reported last week that it had managed to save \$70 million through cost-cutting measures. Mboweni said while no one enjoyed to cut salaries given the current economic environment, it was a better option than wholesale retrenchments. (News Day)

Listed financial services group FBC Holdings on Thursday says it registered \$8,2 million after tax profit in the half-year to June, a 21 percent increase on the prior year, spurred by higher net interest income. John Mushayavanhu, the group's chief executive, told analysts that the group recorded total income of \$39,9 million, virtually standstill as the group recorded \$40 million in the same period last year. "Net interest income at \$14,9 million contributed 37 percent to total income. This was however 11 percent below the same period last year," he said. Fees and commission contributed 31 percent to total income with no real growth due to a downward revision in fees as the group moved towards e-channel transactions, which are high in volume and low in value. Total assets currently stand at \$381,7 million down from \$393,9 million recorded prior period. Loans disbursed during the period increased to \$262,8 million from \$250,3 million. Deposits were \$332,3 million down from \$353 million while the non-performing loans ratio surged to 16,5 percent, similar to the market average, from 15,9 percent last year. The Zimbabwe Stock Exchange-listed group declared an interim dividend of 0,149 cents. (Source)

Economic News

Zimbabwe's agricultural sector is collectively losing nearly \$5 million per month due to power shortages, a government official has revealed. Zimbabwe is battling to plug a huge energy deficit due to limited investment in the capital intensive energy sector. The country requires about 2,200 megawatts daily, but currently generates only 1,300MW resulting in rolling power cuts that have hit hard on agriculture, manufacturing and mining sectors. Ringson Chitsiko, the secretary for Agriculture, Mechanisation and Irrigation Development, told delegates to a farmers' indaba this week that the persisting power shortages in the sector have forced many farmers to abandon the production of strategic crops such as wheat. He said in the case of wheat, which is a strategic food crop, while the national requirement is 450,000 tonnes annually, the country is only able to produce 12 percent of demand with the remainder being met through imports of unprocessed wheat and wheat flour. "This limited production capacity is increasingly being undermined by unreliable power supply for irrigation. The crop, being entirely dependent on irrigation, faces the high risks associated with power cuts and its production decreased from 324,000 tonnes in 2000 to less than 60,000 tonnes in 2014 on the back of a reduction in funding from financial institutions, potential contractors and even Government due to power shortages. Many farmers are now abandoning production of the crop. But this is not without a cost to the nation."

The total energy consumption in Zimbabwe between 2011 and 2015 has ranged between 7,939.8001 gigawatts hour (GWh) and 8,891.8320 GWh. The agriculture sector consumes six percent, or 467.823 GWh of the national requirement, said Chitsiko. National energy consumption is expected to fall from 8,891.8320 GWh in 2014 to 8,253.7068 GWh this year while that for the agricultural sector is predicted to decrease to 442.982 GWh, about five percent of total consumption. "The reduction in consumption implies a reduction in agricultural activity," said Chitsiko. Studies have shown that the opportunity cost of not producing and importing stands at \$237 million per annum and 22 percent of the figure \$52 million is attributed to power challenges, he said. "Collectively, the agricultural sector is losing nearly \$5 million per month due to power shortages." (Source)

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Zimbabwe narrowed its trade deficit to \$337,5 million in July from \$362 million in June, latest data from the country's statistics agency shows. Zimbabwe National Statistics Agency (Zimstat) data show that exports in July were up 17 percent to \$226 million compared to the previous month. Some of the exports include beef, tobacco and other agricultural produce as well as wines, minerals and scrap metal. Imports in July were up marginally from \$555 million the previous month to \$563 million. Cumulatively to July, Zimbabwe's imports stand at \$3,6 billion while exports amount to \$1,4 billion indicating the country's continued reliance on imported goods as local industry remains depressed. Some of the imported products include fish, milk, cheese, sausage casings, agricultural products including maize, sugar related confectionaries, biscuits, electrical energy, chemicals, fertilisers, vehicles and generators. Finance minister Patrick Chinamasa last month proposed a number of measures including duty hikes on non-essential products to try curb reliance on imports. In 2014 the country recorded a \$3 billion trade deficit. *(Source)*

The International Monetary Fund (IMF) said on Wednesday the performance of mining, agriculture and manufacturing posed risks to Zimbabwe's growth forecast as the nation grapples with a drought and economic slowdown. Zimbabwe has been struggling for five years to recover from a catastrophic recession that was marked by billion percent hyperinflation and widespread food shortages, and some analysts say Zimbabwe could tip back into a downturn this year. On Tuesday, President Robert Mugabe - the 91-year-old, who has presided over economic collapse and diplomatic isolation since he came to power in 1980 - predicted a major economic take-off with China's help. He also reiterated Zimbabwe's 2015 growth target of 1.5 percent, a forecast halved last month based on the effects of the drought and weak commodity prices. Manufacturing is suffering as lower-priced South African goods flood the market, and electricity shortages as well as the high cost of capital are forcing companies to close, with the consequent loss of jobs. "These are all factors, depending on how it continues, that may pose risks to that (growth) outlook," IMF resident representative, Christian Beedies, told reporters.

The IMF's own projection of 2.8 percent growth was "impossible" to achieve and was likely to be lowered when an IMF team visits between Aug 31. and Sept. 11 to review Zimbabwe's progress under a staff monitoring programme, he said. Zimbabwe, with foreign debt of \$9 billion, owes the Fund \$111 million and makes token monthly payments of \$150,000. The drought's impact is looking particularly serious for Zimbabwe, which has a history of food shortages that, independent analysts say, are partly due to Mugabe's seizures of farmland from white farmers in 2000. A government and multi-donor report seen by Reuters on Wednesday showed that 1.5 million Zimbabweans, 16 percent of the population, will require food aid by next January. The figure is three times the number of people who needed help last year, due to a poor harvest of the food staple, maize. "This assessment estimates the total requirements for all households deemed to have inadequate resources to feed themselves to be equivalent to 112,007 metric tonnes of maize," the report said. Zimbabwe plans to import 700,000 tonnes of maize this year. *(Reuters)*

The Zimbabwe Power Company (ZPC) will cut electricity generation by a third to 475 megawatts (MW) at the Kariba hydro power plant due to low water levels, the company said on Thursday, likely worsening daily power cuts. Kariba produces half of Zimbabwe's electricity. The cut back will also affect Zimbabwe's northern neighbour Zambia, which draws water from Kariba Dam. The southern African country is producing a maximum 1,345 MW of power, half its peak demand, forcing local industries to use costly diesel generators to keep operations running. Electricity shortages have been blamed for keeping away potential investors. ZPC said in a statement that generating power at current levels of 705 MW would lower water at Kariba Dam below minimum accepted levels before the start of the rainy season in November. This would result in "a possible shut down of the station for the next two months," ZPC said. Chinese company Sino Hydro is adding another 300 MW to Kariba, a project which should be completed by the end of 2018. ZPC has previously said Zimbabwe plans to build new power stations to generate 3,500 megawatts at a cost of \$5 billion to end chronic power cuts that have damaged the economy. *(Reuters)*

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