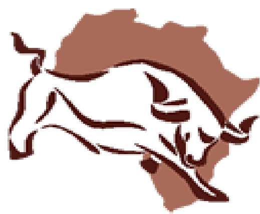


SECURITIES AFRICA

For week ending 17 February 2012

Weekly African Footprint

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

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

Currencies:

	17-Feb-12	WTD %	YTD %
Currency	Close	Change	Change
AOA	95.06	-0.01	-0.14
DZD	74.56	-0.50	0.91
BWP	7.18	-1.74	2.56
CFA	491.55	-1.34	0.64
EGP	6.02	-0.08	-0.05
GHS	1.70	-0.91	-4.75
KES	81.56	0.14	2.40
MWK	164.40	-1.14	-1.23
MUR	28.00	-0.40	0.48
MAD	8.50	-1.46	0.87
MZM	26,750.00	-0.26	-0.19
NAD	7.70	-3.36	5.42
NGN	157.22	0.50	1.60
ZAR	7.79	-2.83	4.63
SDD	266.01	-0.33	0.03
SDP	2,261.00	0.00	0.00
SZL	7.71	-3.35	5.40
TND	1.51	-1.20	-1.22
TZS	1,570.46	0.14	-0.64
UGX	2,287.60	-0.14	6.52
ZMK	5,129.73	0.01	-2.24

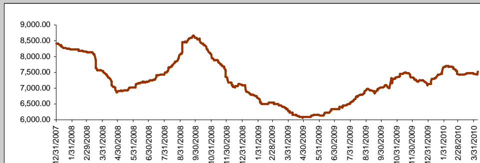
Source:oanda.com

African Stock Exchange Performance:

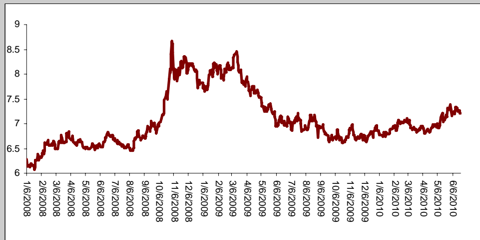
Country	Index	17 February 2012	WTD % Change	WTD % Change USD	YTD % Change	YTD % Change USD
Botswana	DCI	6,986.22	0.02%	-1.70%	0.22%	2.85%
Egypt	CASE 30	4,967.15	4.49%	4.41%	37.13%	37.05%
Ghana	GSE All Share	998.45	0.28%	-0.63%	3.04%	-1.63%
Ivory Coast	BRVM Composite	142.55	0.01%	-1.31%	2.64%	3.31%
Kenya	NSE 20	3,154.46	-0.19%	-0.05%	-1.58%	0.84%
Malawi	Malawi All Share	5,437.39	0.00%	-1.13%	1.27%	0.03%
Mauritius	SEMDEX	1,823.09	-0.53%	-0.93%	-3.46%	-2.99%
	SEM 7	343.34	0.17%	-0.23%	-2.00%	-1.52%
Morocco	MASI	11,396.90	0.38%	-1.06%	3.52%	4.42%
Namibia	Overall Index	918.00	0.00%	-3.25%	9.55%	15.82%
Nigeria	Nigeria All Share	20,411.17	-1.07%	-0.58%	-1.54%	0.06%
South Africa	All Share	33,801.64	-0.27%	-3.01%	5.64%	10.77%
Swaziland	All Share	277.72	0.00%	-3.24%	3.46%	9.36%
Tanzania	DSEI	1,310.29	0.51%	0.65%	0.54%	-0.10%
Tunisia	TunIndex	4,687.61	0.05%	-1.13%	-0.73%	-0.09%
Zambia	LUSE All Share	3,824.63	2.99%	3.01%	-8.28%	-10.02%
Zimbabwe	Industrial Index	147.25	2.85%	2.85%	0.95%	0.95%
	Mining Index	101.45	21.95%	21.95%	0.74%	0.74%

Botswana

Botswana Stock Exchange


Source: Reuters

BWP/USD


Source: Reuters

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-7.631	-16.259	-10.748
Current account balance (USD bn)	-0.825	-1.873	-1.304
GDP based on PPP per capita GDP	13,416.66	14,020.58	15,258.17
GDP based on PPP share of world total (%)	0.039	0.04	0.04
GDP based on PPP valuation of country GDP(USD bn)	24.186	25.568	28.149
GDP (current prices)	79.44	86.58	97.92
GDP (Annual % Change)	-10.347	4.124	8.542
GDP (US Dollars bn)	10.808	11.519	12.129
Inflation- Ave onsumer Prices(Annual % Change)	8.35	6.39	5.95
Inflation-End of Period Consumer Prices (Annual %)	6.65	6.21	5.73
Population(m)	1.80	1.82	1.85

Source: World Development Indicators

CPI Inflation

Stock Exchange News

The DCI gained a marginal +0.02% to close at 6,986.22 points. AF Copper gained +32.26% to BWP 0.41 while AFR and Cresta added 14.58% and 6.25% to close the week at BWP 2.75 and BWP 0.85 respectively. FSG was the main shaker, shedding -7.14% to BWP 1.30 while ABCH lost -5.43% to close at BWP 4.35 and Aviva was down -4.30% to BWP 0.89. Market turnover for the week amounted to BWP 12.51m.

Corporate News

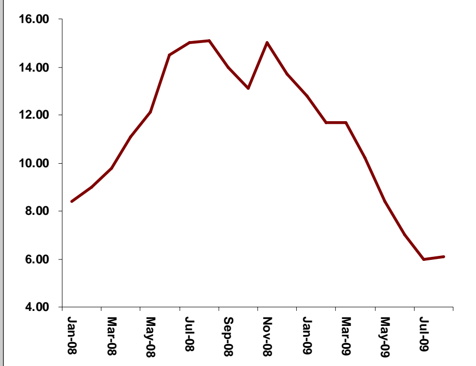
Preliminary results recovered from JSE-listed DiamondCorp's kimberlite site, in Botswana, have indicated insufficient grades to continue exploration, the company reported on Friday. The African diamond mine development and exploration company decided not to proceed with further exploration in this region and planned to return the rights to the tenement holder, Geoperspectives, following the recovery of low grades at both J-01 and J-05.

"Despite being located near to the richest diamond mine in the world and the encouraging mineral chemistry displayed by these kimberlites, mini bulk tests suggest they do not contain macrodiamond grades sufficient to support a large-scale commercial diamond mine," said DiamondCorp MD Paul Loudon. However, the company's management continued discussions with a number of parties about additional kimberlite projects in Botswana and other diamondiferous regions of Southern Africa.

Meanwhile, DiamondCorp reported a 7.5% valuation increase to USD 172/ct, up from a USD 160/ct valuation on the first 1 850 ct announced in October. The South African Diamond Exchange re-evaluated 2 168 ct recovered from a bulk test at the Lace mine, in the Free State. The company said that the increase in value was a reflection of slightly better overall diamond quality in the final 318 ct, as well as indicated a moderate firming of prices for Lace diamonds.

As a result, DiamondCorp restarted its tailings retreatment on an initial single shift basis. The shift would be monitored over the next 60 days to confirm that an increase to two shifts would generate a positive contribution to cash flow. *(Mining Weekly)*

Australian junior miner, African Energy Resources (AFR), has mined and prepared 15,000 tonnes of coal at its Sese project near Francistown as a sample to test target export markets as the project nears commercial development. In a presentation made available this week, AFR managing director Frazer Tabeart said the sample would also be used for bulk washing trials and to test key components such as the boiler.



Source: SAR

However, it is the export trials that have sparked investor interest; being potentially the first time coal from Botswana will leave the continent and be tested in world markets, a development eagerly awaited by government and other coal sector investors. Perhaps more importantly, the export trial could potentially illuminate an export route for other coal sector players for whom the absence of a route from mine to port has paralysed project development.

While AFR has not specifically said the coal sample will reach export markets via rail and port, the company's development plans include onem tonnes per annum through Zimbabwe and Mozambique to markets in India. According to its development plan, AFR plans to export up to onem tonnes per annum (mtpa) next year while producing another 600,000 tonnes for the domestic market from its thermal coal resources estimated at over 2.5bn tonnes.

By 2014, the Australian miner expects Sese to be producing four mtpa, with up to twom targeted for export while the balance will be for a local power project and the local market. According to the plans, by 2017, with new rail infrastructure in place, Sese targets the production of 12.4 mtpa with exports of 9.3m tonnes, a figure that is expected to rise to 14 mtpa by 2020. Said Tabeart at a conference last July:

"The challenge is infrastructure and we are taking a keen interest in this. We do not expect that a major railway line will be in place by 2017, and that’s something we have planned into our approach. "We are starting with one mtpa and perhaps by 2014/15 we could partner with a local independent power producer and ramp up to five mtpa. A much larger export operation is possible of even up to 30 mtpa if the infrastructure for exports is put in place."

In his presentation this week, Tabeart said a marketing consultant had been appointed to develop Sese's coal sales. He said the cost of railway infrastructure required for Botswana coal to reach port was competitive when compared with similar investments required for a rich coal region in Australia, which is also targeting the Indian market. According to Tabeart, Botswana's advantage is its lower sovereign risk, compared to Australia whose Galilee Basin is an emerging coal district jostling for space in lucrative Indian and Chinese markets.

Botswana's decision on an eastern or western coal export route has been held up by the need for full feasibility studies and other challenges such as the existence of national parks on the shortest routes. A decision is due later this year, with private sector coal investors expected to play a leading role in the development of the railway line. A dedicated coal coordinating unit is finalising government's role in the development of the railway line and port. *(Mmegi)*

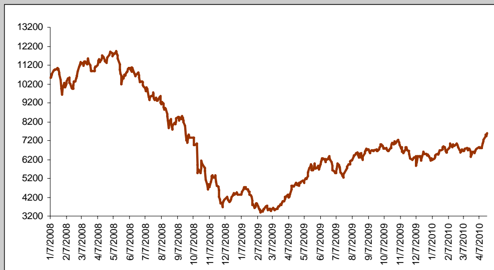
Economic News

Botswana's central bank on Tuesday left the bank rate unchanged at 9.5%, adding the inflation outlook in the medium term was favourable partly due low growth in local demand. "The current state of the economy and the inflation forecast, suggest that maintaining the prevailing level of interest rates is consistent with the achievement of the Bank's 3 - 6% inflation objective in the medium term." the bank said in a statement. The bank said inflation would return to the 3-6% range in the second half of 2012. *(Reuters)*

Botswana's consumer inflation slowed to 8.8% y/y in January from 9.2% in December, the Central Statistics Office said on Wednesday. The statistics agency said inflation went up to 0.5% month-on-month from 0.4%. *(Reuters)*

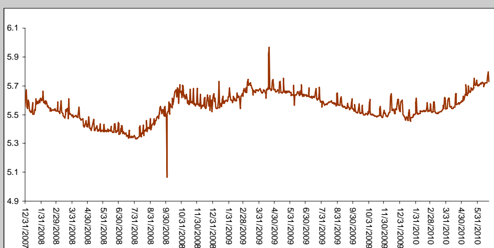
EGYPT

Cairo Alexandra Stock Exchange



Source: Reuters

EGP/USD



Source:SAR

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-2.354	-2.836	-2.72
Current account balance (USD bn)	-4.424	-5.912	-6.227
GDP based on PPP per capita GDP	6,147.12	6,393.94	6,676.47
GDP based on PPP share of world total (%)	0.658	0.666	0.681
GDP based on PPP valuation of country GDP(USD bn)	471.509	500.25	532.801
GDP (current prices)	2,450.41	2,664.41	2,868.74
GDP (Annual % Change)	4.7	4.498	5.008
GDP (US Dollars bn)	187.956	208.458	228.934
Inflation- Ave onsumer Prices(Annual % Change)	16.24	8.45	8.00
Inflation-End of Period Consumer Prices (Annual %)	9.96	8.00	8.00
Population(m)	76.70	78.24	79.80

Source: World Development Indicators

Stock Exchange News

The EGX CASE 30 Index gained +4.49% to 4,967.15 points. Medinet Nasr Housing led the movers after gaining +8.01% to EGP 16.45 followed by SODIC (+7.98%) and General Co for Land Reclamation Development and Reconstruction (+6.22%). Cairo Oils and Soap was the biggest loser after shedding -9.27% to close the week at EGP 20.35. Other notable losses were recorded in: United Arab Shipping (-3.90%) and Alexandria (-3.49%).

Corporate News

Egypt's Orascom Telecom Media Technology (OTMT) said on Monday it would give shareholders much of the USD 1bn it stands to gain by selling its stake in Mobinil and keep part of it for new business opportunities. OTMT said earlier it had reached a preliminary accord to sell most of its stake in the Egyptian telecom operator to fellow Mobinil shareholder France Telecom.

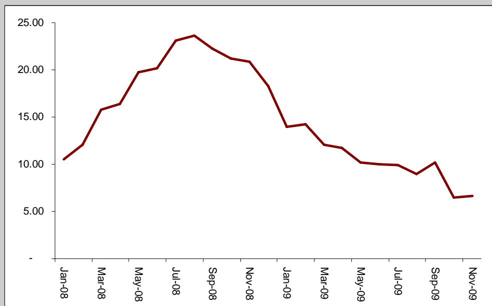
OTMT would retain a 5% stake in Mobinil and continue to manage the company under a contract with the French telecoms group, OTMT's chief executive Khaled Bichara said. OTMT would discuss the dividend with shareholders in the two months expected for the France Telecom deal to close, Bichara said. "We expect a big portion of that will be given out to our shareholders as dividends, and we will keep the money we need for specific business development opportunities, which are not very clear for now," he told reporters on a conference call.

Under the terms of the accord, France Telecom will buy the stake held by OTMT for EGP 202.5 (USD 33.55) per share, netting the Egyptian company about EGP 6bn. France Telecom will then make an offer at the same price to the minority shareholders of the listed portion of Mobinil, known as ECMS, in a transaction worth up to EGP 5.87bn. Bichara said OTMT would continue to manage Mobinil and would retain the same number of board seats as well as 30% of voting rights on Mobinil's board.

He pointed out that even after the sale; Mobinil would still have more Egyptian representation than the country's two other local telecom operators, owned by Vodafone and Abu Dhabi-based Etisalat. Bichara said OTMT would be looking for business opportunities in neighbouring Arab countries. "With the changes that have happened in the region, there are many countries that may do management contracts Syria, once the situation calms down, Libya, Yemen," he said.

"If you look at Libya, the government owns the two operators. So, for example,

CPI Inflation



Source: SAR

maybe they will decide to do like Lebanon, where the government owns the two operators but gives management contracts to two separate management companies." OTMT was formed from assets still controlled by Egyptian businessman Naguib Sawiris after he sold his stake in Orascom Telecom last year. It has investments in Egypt, North Korea, Pakistan, Lebanon and other North African and Middle Eastern countries, in mobile companies, media and technology and cable businesses.

The number of subscribers at its North Korean mobile operator just passed 1m, and OTMT recently renewed its mobile management licence in Lebanon, Bichara said. OTMT's share price jumped by 9.9% on Monday, just short of the maximum daily 10% allowed under Egyptian stock market rules. *(Reuters)*

Egyptian ceramics maker Lecico said on Thursday it made a EGP 35.4m (USD 5.87m) net loss in the fourth quarter, reversing its net profit from a year earlier. The audited consolidated figure compares to a net profit of EGP 11.1m in the fourth quarter of 2010. Lecico said the loss came after it took a EGP 47.6m provision in the quarter "for write offs against the likely deterioration in the quality and value of working capital assets in general and inventories in particular." *(Reuters)*

National Societe Generale Bank (NSGB), Egypt's second-biggest private bank by market capitalisation, reported that net income rose 11.3% in 2011, the stock exchange said on Thursday. Net income rose to EGP 1.49bn (USD 246.9m) from EGP 1.34bn one year earlier, it said. *(Reuters)*

Egypt stopped production at three companies affiliated with the Holding Company for Spinning and Weaving on Thursday, in anticipation of possible self-liquidation. Due to lack of liquidity, production was halted at El Sharkeya Linen, Port Said Spinning Company and General Jute Company, according to a report by Egynews.net, and will most likely undergo self-liquidation and shut down.

The Holding Company, overall, lost EGP 31m in 2010 compared to another EGP 82m from last year, according to the report, despite a corporate restructuring plan. Made up of 32 affiliated companies, the holding company has lost EGP 980m over the years, according to the report. The news has brought the question of privatization in the spotlight, with some economists saying a reformed privatization plan is a solution to liquidity problems even though the issue continues to raise the ire of public opinion.

The political unrest over the past year has taken a heavy toll on the economy, devouring almost half of the state's foreign reserves, which are currently at USD 16.1bn and widening the budget deficit. However, experts said national companies have been suffering long before the uprising caused a slow down in the economy.

"The holding company had prepared a study of corporate restructuring, spending about EGP 120m from the restructuring fund before the revolution, in order to develop companies like Mahalla Spinning, but it was not completed due to lack of liquidity," Abdel Hafeez Al-Toukhi, spokesperson for the Holding Company said in the report on Tuesday.

Hoping that parliament will address this ominous topic, Magda Kandil, executive director of the Egyptian Center for Economic Studies (ECES), told Daily News Egypt that these ongoing problems have continuously affected state-owned companies as well as their employees. Kandil pointed out that the one solution, which has been overlooked lately, is privatization. But with the recent political changes in the country, economic reform has been on hold, as are privatization plans, which are also quite contentious to implement.

State-owned companies have long been characterized by inefficiency, mismanagement, lack of resources and overstaffing. “They have been doing what they could, but these companies have come to a halt due to liquidity constraints. They should have been targeted for privatization, but the privatization program has not pressed ahead for a comprehensive agenda and it came to a halt even before the revolution,” she said.

Monette Doss, senior analyst at Prime Group, said, “I support the idea of privatization, but the state is unable to implement it because they have contradicting policies. “Minister of Planning Fayza Aboul Naga previously said the state would stop privatizing, then they changed their minds again and she announced that we welcome the idea; they have very vague policies.”

Doss stressed that with the “flip-flopping” ways of the current government, private investors would be afraid to buy local companies, fearing that laws or stipulations could easily change overnight. The former regime’s privatization program was heavily criticized for selling state assets at undervalued prices as well as sidelining workers’ rights. Protests over the past months have seen an increasing number of workers demanding better wages, more rights and an end to privatization.

Nonetheless, Kandil says a solid privatization plan that addresses the needs and rights of workers is long overdue in Egypt. With the kind of regulations that will work towards social justice, ensuring former and current employee rights, a readjusted privatization plan can boost these factories.

“Right now we are suffering from the same problem we tried to solve by not privatizing because the idea was looked down upon due to a lack for workers’ rights,” she said. “In the right political environment, privatization can work successfully.” Given the current liquidity constraints and the bulging deficit, Kandil foresees more factory and company closers in the coming months.

The ECES will reach out to the current parliament in order to discuss progressive economic strategies, she said. “If we are called upon by the parliament, we would gladly contribute, in the meantime we are trying to engage in an outreach strategy with them,” she said. *(The Daily News)*

France Telecom SA may spend about USD 2bn to buy most of billionaire Naguib Sawiris’s stake in their Egyptian wireless venture and delist the operator. France’s largest telecommunications company reached a preliminary agreement with Sawiris’s Orascom Telecom Media & Technology Holding SAE over Egyptian Co. for Mobile Services, the operator known as Mobinil, at EGP 202.5 (USD 33.54) a share, it said today. That’s 8.7% less than the price it would have paid under an earlier option agreement with Sariwis.

France Telecom will offer the same price for Mobinil shares traded on the Cairo exchange. Mobinil jumped by a daily limit of 10% today. France Telecom is refocusing its business on fast-growing emerging markets as mobile revenue in Europe stalls. The Paris- based company has announced the sale of its units in Switzerland and Austria, and in the past two years struck deals to enter Morocco, Iraq and the Democratic Republic of Congo.

“In the long run, Africa should be an interesting story,” said Tarkan Cinar, an analyst at WestLB AG. “In the short term there is a risk of extra capex, because we don’t know what investments France Telecom will have to make in Egypt to renew any damaged infrastructure.” Sawiris plans to retain a 5% “economic interest” in the Cairo-based operator, France Telecom said today. The Mobinil shares France Telecom aims to take over are valued at EGP 11.9bn (USD 2bn) based on the offer price. If the public tender succeeds, Mobinil will be delisted.

Mobinil, which competes with Vodafone Group Plc’s local unit, rose 10% to EGP 137.89 at 12:27 p.m. in Cairo. France Telecom added 0.2% to EUR 11.27 in Paris. As part of a settlement in April 2010, Sawiris gained an option to sell his stake in the operator to France Telecom during certain periods beginning in September 2012, at a price that would increase over time from EGP 221.7 per share later this year to EGP 248.5 next year.

Orascom holds a 20% stake in Mobinil, while about 29% is traded on the Cairo stock exchange. The holding company controlled by France Telecom and Orascom owns the rest. France Telecom owns about 71% of Mobinil Telecom Co., the holding company, while Orascom owns the remainder. Orascom confirmed the agreement in a separate statement today.

In 2010, France Telecom Chief Executive Officer Stephane Richard set a goal of doubling emerging market revenue by 2015, from about EUR 3.3bn (USD 4.4bn) in 2009. Revenue in Egypt has suffered as the economy stalls following last year’s violent ouster of former president Hosni Mubarak and subsequent clashes between pro-democracy activists and the interim military government.

Still, the country the Arab world’s most populous, with more than 80m inhabitants is among the largest developing economies in which France Telecom has a presence, and represents a key part of its Middle Eastern strategy, which includes operations in Jordan, Tunisia, and Bahrain.

For his part, Sawiris has become an important political figure in post-revolution Egypt, founding the pro-business Free Egyptians political party and criticizing Islamist influence in politics. He has recently pursued investments in Switzerland, where he bid for France Telecom’s local unit, and Austria, where he has teamed with investor Ronny Pecik to take a more than 20% stake in Telekom Austria AG. *(Business Week)*

Economic News

The number of mobile phone subscriptions in Egypt grew by 22% to 81.7m users in the year to November, government figures showed on Sunday. The number of mobile phone subscriptions in October was 80.9m. In

November 2010, Egypt's three mobile operators, Etisalat Egypt, Mobinil and the Egyptian unit of Vodafone, had 66.87m subscriptions. Egypt is the Arab world's most populous country, with more than 85m people. *(Reuters)*

Mumtaz El Saeed, Egypt's Finance Minister says the country needs USD 11bn to help it get through the next fiscal year, as well as help with economic reforms, according to a report in *Al Ahram*, a local newspaper. This comes as rating agency Standard & Poor's lowered its long-term foreign- and local-currency sovereign credit ratings on the country to 'B' from 'B+'; with a negative outlook. S&P said that Egypt's external position has deteriorated and is likely to weaken further, absent stabilisation in the domestic political situation alongside external financial support.

"Egypt's external financing risks have risen significantly, with foreign direct investment having declined sharply and net portfolio flows also having turned negative. Egyptian Central Bank interventions--to support the Egyptian pound in the face of significant capital outflows and double-digit annual inflation--have resulted in a sharp decline in net international reserves. These were USD 16bn at end-January 2012, down from USD 36bn at the start of 2011. Historically, S&P's assessment of Egypt's external score has been a relative strength to the rating; this is now being eroded.

It estimates that net international reserves, excluding gold, now cover less than three months of goods and services imports compared with more than six months at the start of 2011," the rating agency said. Meanwhile, at its meeting held on 2 February 2012, the Monetary Policy Committee (MPC) at the Central Bank of Egypt decided to keep the overnight deposit rate and overnight

lending rate unchanged at 9.25% 10.25%, respectively, and the 7-day repo at

9.75%. The discount rate was also kept unchanged at 9.5%.

"Looking ahead, the current political transformation may continue to have ramifications on both consumption as well as investment decisions, adversely weighing on key sectors within the economy. Moreover, downside risks surrounding the global recovery have mounted on the back of fiscal and banking sector challenges facing the Euro Area and possible spillovers to other regions. These factors, combined, pose downside risks to domestic GDP going forward," the Central Bank warned.

An IMF team visited the country in January for talks about the state of the economy. "We have had productive initial talks with the authorities on a possible IMF supported program to help stabilize Egypt's economy, restore confidence, lay the foundations for job creating growth and ensure that vulnerable households are protected during the transition," the fund said. *(Cpifinancial)*

Egypt's growth rate for the 2010/11 financial year reached 1.9%, Magdy Emam, head of the planning ministry's infrastructure division told a parliamentary committee on Monday. The country's economy grew by 5.1% in the 2009/10 fiscal year, up from 4.7% the previous year. Emam said growth between March and July 2011, the last quarter of the financial year, was 0.4%

compared to 5.4% in the previous year.

As for the following quarter, July to September 2011, growth rate reached 0.2%, a drop below the previous quarter, figures from the ministry of planning show. On a yearly basis, this quarter saw a significant drop in growth rate which had reached 5.5% in July to September 2010. The mentioned drop is mainly driven by shrinkage in industrial activities by 3.3%, construction by 2.8% and tourism by a whopping 10.4% below last year. These drops where partially offset by growths in Suez Canal revenues by 8.2%, Communications by 3.7 and public utilities by 5.2.

The Egyptian economy has been hit by ongoing instability since a popular uprising ousted President Hosni Mubarak in February 2011. Net international reserves fell by more than 50% during 2011. The economy will grow 2.4% in 2011/2 according to government estimates, added Emam. This estimate is in line with an earlier World Bank estimate that predicted growth of 2.3% in 2012.

He added that EGP 300m had been assigned for social housing in the coming year's financial plan. The plan entails building onem units; 30,000 of which are to be funded by the armed forces. Emam also indicated that despite budget cuts, the government is committed to finishing all infrastructure projects that are more than 80% complete. "We have already received EGP 1bn out of EGP 2bn that is assigned to this cause," Emam added. *(Ahram)*

The Egyptian government, seeking to head off a funding crisis, is preparing to raise about USD 2bn through its first issue of Islamic bonds, an Islamic scholar familiar with its planning said on Tuesday. "The Egyptian government is convinced that a foreign currency sukuk will fund the country's development projects and can also bridge the gap in its currency reserves," Sheikh Hussein Hamid Hassan told Reuters.

"The sukuk will be in dollars or euros or maybe a combination. It will be around USD 2bn, issued in several tranches targeting mainly Egyptians living outside Egypt." Sheikh Hussein is one of the leading scholars in the Islamic finance industry, which is built around religious principles such as the avoidance of interest payments. Based in Dubai, he chairs a series of boards which evaluate Islamic financial instruments.

He is not an official adviser to the Egyptian government but has been discussing the possibility of a sukuk issue with it. Sheikh Hussein said he had proposed four structures for the sukuk and the government would choose one. Asked when the debt might be issued, he said: "The date of issue is not final yet but Egypt is in urgent need of funding."

Hit by declines in foreign investment and tourism, the Egyptian central bank's foreign reserves fell USD 1.77bn to USD 16.35bn in January and are down by more than half since the uprising which ousted Hosni Mubarak in February last year. That threatens a sharp slide in the value of Egypt's currency. The government is also grappling with a large budget deficit that it is financing at high cost by issuing short-term Treasury bills to local banks at yields above 15%.

Last month Egypt said it was asking the International Monetary Fund for USD 3.2bn in emergency loans; a deal could encourage other foreign donors to aid

Cairo. But the IMF said it expected talks on an agreement to take two or three months. Islamic finance was not encouraged under Mubarak's secular government but it is expected to grow in Egypt after Islamist parties won well over half of the seats in parliamentary elections last month. The government has drafted legislation that would facilitate issues of sukuk.

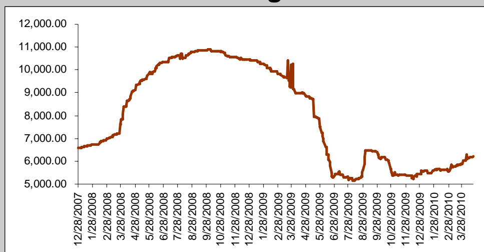
Because they attract pools of conservative Islamic investment money, sukuk have often proved to be more stable than conventional bonds during the global financial crisis, and they might be an effective way to attract some of the savings ofms of Egyptians living abroad. They might also be bought by Islamic investment funds in the wealthy Arab Gulf. *(Reuters)*

The World Bank approved on Tuesday a USD 240m loan to help Egypt develop the Giza North power project as it strives to meet growing demand for electricity. The funding is part of a USD 600m loan approved by the World Bank in June 2010 for the Giza North project near Cairo. "The project is the most effective way to quickly strengthen the ability of the power sector to cover the gap in electricity supply and serve more than fivem households," the World Bank said in a statement.

In 2010, the World Bank said the project involved a 1,500 megawatt gas turbine power plant, which would use natural gas as the main fuel and light diesel oil as a backup. It will be operated by the Cairo Electricity Production Company. The World Bank said on Feb. 2 that it was in talks with Egypt on a USD 1bn budget support loan. *(Reuters)*

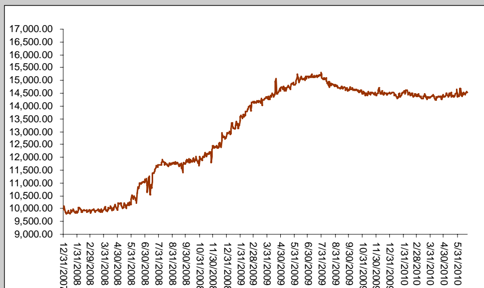
Ghana

Ghana Stock Exchange



Source: Reuters

GHC/USD



Source:SAR

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-12.662	-15.439	-9.157
Current account balance (USD bn)	-1.869	-2.362	-1.732
GDP based on PPP per capita GDP	1,571.83	1,633.76	1,979.53
GDP based on PPP share of world total (%)	0.051	0.052	0.052
GDP based on PPP valuation of country GDP(USD bn)	36.322	38.718	48.111
GDP (current prices)	638.80	645.71	778.16
GDP (Annual % Change)	14.761	15.302	18.913
GDP (US Dollars bn)	10.808	11.519	12.129
Inflation- Ave Consumer Prices(Annual % Change)	18.46	10.15	8.43
Inflation-End of Period Consumer Prices (Annual %)	14.56	9.21	8.00
Population(m)	23.11	23.70	24.30

Source: World Development Indicators

Stock Exchange News

The GSE All Share Index was up +0.28% to close at 998.45 points. Gains were recorded in BOPP (+5.36%), TLW (+3.23%) and Unilever (+1.21%) while AWL (-7.69%) and SIC (-2.78%) were on the losing front.

Corporate News

Third Quarter Report from the Vodafone Group indicates Vodafone Ghana recorded some 31.5% growth in service revenue on the back of strong growth in customer base and successful brand positioning. Vodafone reported on its website that it recorded +20% growth in service revenue in India, +8.0% in Vodacom, +23.5% in Turkey, and continued progress in the UK with +1.1% growth and in Germany with +0.7% growth.

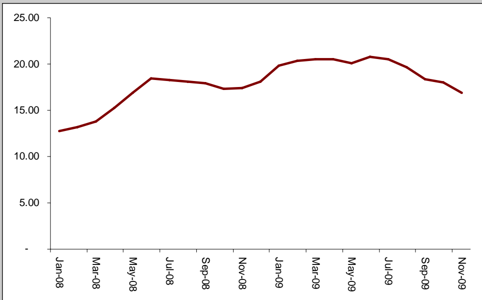
But all that was not enough to grow the Group's revenue within the quarter ending December 2011, as Group revenue declined by 2.3% to USD 18.45bn. This is attributable to declines recorded across other Vodafone operations. The report said organic service revenue for Africa, Middle East and Asia Pacific, for instance, declined by 4.1%. It noted that ongoing economic and political instability in Egypt led to a 1.5% decline in service revenue in that country, because it affected mainly inbound roaming revenue.

Vodafone Australia also recorded some 11.1% decline in service revenue, and that was in spite of improvements in the network and customer service; the company blames it on customer sentiment and a highly competitive market. The report said growth in service revenue in Qatar also slowed down to 13.9% due to intense price competition in that country. Italy recorded -4.9% decline in service revenue; whiles Spain recorded -8.8% decline.

But Vodafone does not report quarterly profits. The report quoted Group Chief Executive, Vittorio Colao as saying "we are continuing to make progress in the key strategic areas of data, enterprise and emerging markets." He said despite the further deterioration of the southern European economic environment during the quarter, Vodafone's broad geographic mix was delivering a resilient overall performance.

"Our improved value perception, strong cash generation and healthy balance sheet give us confidence that we can continue to execute well," Colao said. Within the quarter, the Group's Capital expenditure (CAPEX) was over USD 2.83bn, which is 5.2% lower than the same quarter last year. "Year to date capital expenditure was £4.1bn, a 3.6% increase on the prior financial year,

CPI Inflation



Source: SAR

reflecting enhancements to the transmission network in Vodacom and investment in LTE technology in Germany," the report said.

It noted that adjusted operating profit for the current financial year is expected to be in the £11.4 - £11.8bn range. But the company said they expect a full year EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) margin decline at a lower rate than that of the previous financial year. Decline in EBITDA indicates operational expenditure (OPEX) is growing faster than income.

Industry watchers in Ghana have said Vodafone and two other telecom operators in Ghana are not making profit, but are only breaking even, and the decline in EBITDA could be evidence of that assertion. Vodafone bought 70% shares in unprofitable Ghana Telecom in 2008 and promised to turn the fortunes of the company into a profitable one in two years, but it is still not clear if Vodafone Ghana is making profit after three clear years.

Meanwhile recent subscriber base report from the National Communication Authority (NCA) indicate Vodafone has come from third largest operator in 2008 to second largest operator by the close of December 2011. But long time second largest operator, Tigo insist, in spite of the NCA figures, it is still the second largest operator and Vodafone is still third, and suggestions by some Telecoms Industry Risk Managers could be an explanation to why Tigo could still be second. *(Reuters)*

CAL Bank Limited has posted a pre-tax profit of GHS 24.44m in 2011, up from its 2010 close of GHS 12.60m. The 2011 end-year pre-tax profit is a 94% leap from the bank's 2010 end-year figure. The unaudited financial results for full year ended December 31st 2011 show that CAL Bank's total income for 2011 also shot up by 32% in 2011 on the back of impressive growth posted in the bank's business segments.

The Group Chief Executive Officer (CEO) of CAL Bank, Mr Frank Adu, said the bank's impressive showing in 2011 was driven broadly by growth in total revenues accrued from all segments of the bank's businesses. "Specifically, our total income increased by 32% underpinned by 11% growth in core earnings (net interest income) and 58% increase in fees and commissions from increased trade finance," Mr Adu said.

The group CEO said his outfit was particularly proud of the bank's last year performance given the fact that the 2011 was marred by adverse global economic conditions which posed particular challenges to banks in developing countries. Building on the bank's impressive end-year showings in 2011, Mr Adu said "we are confidently on track to complete our GHS75m private placement within the second quarter of 2012".

"With our new capital, we are strategically focused on growing CAL into a strong top-tier Ghanaian bank to serve the banking needs of the fast expanding domestic corporate sector," he added. He said the bank was looking at widening its branch networks over the next three years into identified locations in a bid to serve the ever growing middle market retail clientele.

That, he said, will be done "with an emphasis on accessible and efficient service." CAL Bank is an indigenous Ghanaian bank with a focus on

manufacturing and export services as well as expansions into retail banking. It is among the few banks currently listed on the Ghana Stock Exchange. *(Ghana Web)*

Guinness Ghana Breweries Limited said on Wednesday it posted a net profit of GHS 11.98m (USD 7.13m) during the second half of 2011, compared to a GHS 1.03m cedi loss during the same period of 2010. It said the improvement was driven by increased consumer demand. Turnover rose 22% to GHS 146.79m and financial charges fell 50% to GHS 5.94m, the company said. *(Reuters)*

Economic News

Three subsidiary agreements, covering USD 1bn of the USD 3bn China Development Bank (CDB) loan, were laid before Parliament on Friday, February, 3, 2012 by Minister of Finance and Economic Planning, represented by his Deputy, Mr. Seth Terkper. The subsidiary agreements cover an amount of USD 150m to finance the ICT-enhanced Surveillance and Monitoring Facilities for the Oil and Gas Enclave and USD 850m to finance the Western Corridor Gas Infrastructure Development Project under the Master Facility Agreement (MFA) between the Republic of Ghana and the China Development Bank (CDB), which was approved by parliament in August 2011.

The third subsidiary agreement is an Offtaker Agreement between the Ghana National Petroleum Corporation (GNPC) and the Asia Company Limited, also under the MFA between Ghana and the CDB. The presentation of the subsidiary agreements covering the USD 1,000,000,000 was the second time as it had earlier been presented en bloc but had to be withdrawn following demands by Parliament that it was separated.

Parliament is expected to commence deliberations on the agreements this week and approve them in order to enable an early draw down on the facility, which will enable an acceleration of the gas infrastructure project that will process and transport natural gas, from the Jubilee Field, initially for power generation and other industrial uses. The Ghana National Gas Company (Ghana Gas), a fully-owned state organisation under the Ministry of Energy, is the implementing agency.

Ghana Gas has already engaged Sinopec International Petroleum Service Corporation of China, after it signed a Project Implementation Agreement with it in mid-November, under which the latter is responsible for the Engineering, Procurement, Construction and Commissioning (EPCC) of the 150 MMSCFD Gas Processing Plant. Sinopec, under the agreement with Ghana Gas, is pre-financing the ongoing work, to be re-imbursed from the CDB loan. *(Ghana Web)*

An estimated amount of USD 741.2m is needed from both public and private sector to develop all five of Ghana's airports as passenger and aircraft movements grow steadily, according to a document prepared by the Ghana Airports Company Limited (GACL) seen by ghanabusinessnews.com. The document, which gave a capital investment programme for all the airports, indicated that the Kotoka International Airport will require an amount of USD 405m, the Tamale Airport will need USD 173.2m

while the development cost of the Kumasi Airport will be USD 64m.

Both the Takoradi and Sunyani Airports need USD 63.5m and USD 35.5m investment requirements for development, the document noted. The GACL projects annual total aircraft movements to rise from 28,063 in 2010 to 36,510 in the year 2013 while passenger growth is expected to rise from 1,428,424 in 2010 to 1,710,884 in 2013. The company says there is currently a high demand for increase of flight frequencies by the thirty three (33) scheduled airlines servicing the airport. This can be attributed to the commencement of oil production in Ghana and also due to the democratic and good governance credentials of the country, it added. *(Spy Ghana)*

Mr Kwesi Ahwoi, Minister of Agriculture, on Monday expressed confidence that Ghana's non-traditional exports would increase if gains made in establishing quality post-harvest infrastructure, under the Millennium Challenge Account (MCA) programme, would be sustained. Speaking at the inauguration of a public pack house, an infrastructure for cooling and storing pineapples, at Mariakrom in the Akuapem-South Municipality of the Eastern Region, the Minister said the project would attract and retain the youth in agriculture, particularly horticultural farming.

Mr Ahwoi was in the company of government delegation and executive directors and administrators of the Millennium Challenge Corporation (MCC) and Millennium Development Authority (MiDA), the implementing and accountable entity for the MCA. He expressed dissatisfaction that the country's non-traditional export earnings plummeted after admirable gains in 2004 and since the decline, Ghana had not been able to significantly increase her export volumes.

Mr Ahwoi expressed the hope that the 50 metre-square pack storage facility would guarantee good quality produce to meet the standards of the high-end market, increase incomes for small holders and exporters as well as increase packing efficiency of the pineapple produce. According to recent reports, Ghana's leading horticultural product, fresh-cut pineapple, has suffered a steep decline in export and income over the past half-decade.

Since 2004, pineapple export volumes have dropped from a peak of 71,000 tonnes to about 29,000 tonnes in 2009, a decline of over 59%. Reasons attributed to the poor performance over the years, included a drop in Ghana's competitiveness due to an increased cost of production, caused by high costs of imported raw materials, and production inputs, low production volumes of key produce due to local producers' inability to supply the quantities required by industry, and for export as well as short term, high interest credit facilities from the financial institutions.

Ms Hanna Tetteh, Minister of Trade and Industry, called on local farmers to take advantage of the economic prospects the project presented and to form organizations to enable them to better access credit from the now-established Export and Agriculture Development Investment Fund. She praised the Government of the United States of America for providing the MCA grant. Dr Kwasi Akyem Appeah-Kubi, Eastern Regional Minister, called on operators in the private sector enterprises to invest in agriculture and non-traditional export sector.

He said he was hopeful the project would empower local farmers to engage fully in pineapple plantation, particularly the MD2 fruit variety, and to attract the youth to agriculture. Mr Daniel W. Yohannes, Chief Executive Officer of the MCC, applauded the efforts of the Ghana Government to ensure the successful execution of the MCA compact and that the country had proven to be worthy of MCC partnership. He expressed satisfaction that the beneficiary and prospective farmers would make use of the facilities to enhance their economic status.

By virtue of funds from the MCA, the pack house has been refurbished and equipped with modern packing line and cooling facility to the tune of 1.4m dollars for use by exporters and farmers' groups in the district. Improved road networks, funded through the MCA, as well as connection to the national grid have been provided to ease the transportation of fresh pineapples for exports with attendant benefits for the rural folks, social and business activities. The inauguration forms part of activities MiDA has undertaken to inspect projects and to formerly hand them over to appropriate authorities.

The USD 547,009,000 United States Government-sponsored five-year MCA compact is a pro-poor performance-based and results-driven programme, which started on February 15, 2007 to reduce poverty through economic growth in Ghana. The objective was to increase production and productivity of high-value cash and food staple crops, and to enhance the competitiveness of Ghana's high-value cash and food crops at both local and international markets.

Ghana signed the compact on Tuesday, August 1, 2006 with the Millennium Challenge Corporation, a representative of the US Government, and it would end on February 16, 2012. The programme was implemented under three key activities: agriculture, transportation and rural development projects. *(GBN)*

The Bank of Ghana's Monetary Policy Committee announced a 1 percentage point increase to 13.5% in its prime lending rate on Wednesday, the first hike in three years, citing risks from the euro zone debt crisis and currency volatility. The decision surprised some analysts who had expected tame inflation to prompt the central bank to keep rates on hold until later in the year after a series of cuts that shaved 600 points off the rate since 2009.

"In taking the decision, the committee took into consideration the euro zone impact, fiscal pressures and unusual volatilities in the foreign exchange market observed in the last few weeks," central bank Governor Kwesi Amissah-Arthur said during a press conference. The hike was the first since February 2009, when the bank had boosted interest rates to 18.5% from 17%.

Euro zone finance officials are examining ways of delaying parts, or even all of the second bailout programme for Greece while still avoiding a disorderly default, EU sources said on Wednesday. Earlier in the day, Ghana's statistics office said y/y inflation in the West African cocoa, gold and oil producer rose slightly to 8.7% in January from 8.58% in December due to higher fuel prices and currency weakness. The government targets inflation at 9%.

Ghana's cedi has plumbed all-time lows against the dollar in recent weeks due

to strong corporate demand for greenbacks, and the country became the latest African nation to cut state subsidies on fuel products in December, leading to a 15% hike at the pumps. Analysts said higher fuel prices, along with public sector wage hikes and an increase in the minimum wage could add to inflationary pressures in the coming months.

"The MPC has recognised there are notable overheating/inflation risks on the horizon," said Koblay Nyaletey, an analyst at Barclays Ghana Treasury. "I believe this sends the correct signals and the yield curve will react appropriately in due time," , adding he though the hike was "very bold". *(Reuters)*

Annual inflation in Ghana rose to 8.7% in January from 8.58% recorded in December, Ghana's national statistics office said on Wednesday. *(Reuters)*

President John Evans Atta Mills on Thursday disclosed that Ghana earned a total of USD 444,124,724 from the sale of Ghana Group's oil lifting of 3,930,189 barrels of crude oil. He said some challenges in production at the Jubilee Oil Field had been scaled down pending the completion of a remedial programme. Speaking on the energy sector in the State of the Nation Address, President Mills said government would continue to make full public disclosure of all oil lifting and revenues accrued as Government sought for successes in on-going oil and gas exploration in other areas of the country.

President Mills said the Ministry of Energy and the newly established Petroleum Commission were positively keeping a close eye on the matter. He noted that Ghana National Gas Company Limited (Ghana Gas) which was charged with responsibility to build, own and operate infrastructure required for gathering, processing, transporting and marketing of natural gas resources in the country had commenced with the development of gas infrastructure.

President Mills said completion of the project would stimulate diversification of the national economy. On electricity, he said Government had installed an additional 378 megawatts to the 1,800 megawatts of energy generation capacity inherited in 2009. "By the end of 2013, power generation should reach about 3,300Mw, an over 80% increase in the generation capacity we came to meet."

"In all honesty, the phenomenon of "dumsor, dumsor" is not as bad as it used to be at the time we took over the management of affairs of the State and it is our determination to continue to work to make the situation much better than it is currently." He noted that from 2009 to date, over 1,700 communities had been connected to the national power grid under the various rural electrification projects initiated by government. "We are aiming to extend electricity to a further 4,000 or more communities covering all the Regions in the country."

President Mills reiterated government's commitment towards the provision of street lights to all Regional capitals and eventually to all municipal and district capitals in the country. On water provision, he said Government would construct 20,000 boreholes across the country within the next four years in an effort to improve on access to potable water in the country President Mills said the water production facility at Kpong was expected to produce 40m

gallons of water daily to the inhabitants of Accra, Tema and its environs this year to ease the perennial water shortages that usually hit those areas.

He said Government had absorbed the five% contribution by communities to the capital cost of construction of rural water systems in rural communities. “The Kpong Water Expansion Project is also expected to add 40m gallons of water daily to the Accra-Tema Metropolis.” President Mills said the many interventions had been developed to increase urban water production from the present 62% to 80% in 2015. . *(Ghana News)*

Ghana's total debt rose by 34.09% rising to GHS 23.6bn (over USD 14bn), equivalent to 44.2% of Gross Domestic Product, the central bank governor announced. Domestic debt increased by 43% year-on-year to GHS 11.84bn in 2011, from GHS 8.3bn the previous year, while external debt stock also increased by 20.1% compared the corresponding period in 2010.

Presenting a report from the Monetary Policy report, central bank governor, Kwesi Amissah-Arthur, on Wednesday said fiscal operations saw revenue and grants in 2011 amounting to GHS 10.7bn, compared to GHS 7.5bn in 2010. Total expenditure, on the other hand, was GHS 12.7bn in 2011, compared to GHS 9.2bn in 2010 with wages, salaries and related expenditures surging from a little over GHS 2bn to GHS 5.2bn.

"Fiscal operations in 2011, therefore, resulted in a narrow budget deficit of GHS 2.1bn and was financed mainly through the issuance of domestic bonds," the governor said. Net Domestic Financing of GHS 2.1bn was within the projected target of GHS 2.4bn. On the external front, the country's overall balance of payments recorded a surplus of GHS 941.07m in 2011, significantly down from the GHS 1.5bn surplus recorded in 2010. Amissah-Arthur attributed the decline to the widening of the current account deficit.

The current account balance worsened in 2011 as a result of increased net outflows in the Services and Income Account, which rose to USD 3.1bn in 2011 from USD 2.1bn in 2010. Total merchandise exports grew by 60.6% in 2011 to USD 12.7bn, supported by oil exports and favourable commodity prices. ??Gold exports amounted to USD 4.9bn while cocoa beans totalled USD 2bn and the value of crude oil exports was USD 2.7bn over the same period.

Total merchandise imports grew by 46.2% in 2011 to USD 15.9bn. Crude oil imports amounted to USD 1.4bn while imports of refined oil products were USD 1.7bn and gas imports were estimated at USD 172.8m. Total non-oil imports amounted to USD 12.7bn and by end-use, capital imports were USD 2.7bn, intermediate imports amounted to USD 6.1bn, consumption goods, USD 3.0bn and others constituted USD 900m.

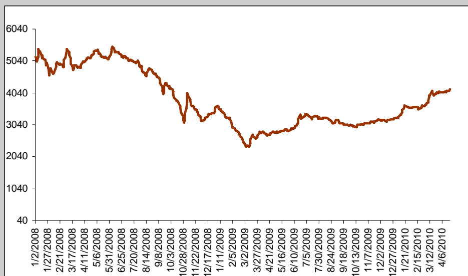
The governor noted that the rapid growth in imports 2011 and the unusual surge in demand for foreign exchange during the last quarter of the year created a misalignment in the bank's foreign exchange cash flow. The Capital and Financial Account surplus improved to USD 4.5bn in 2011 from a surplus of USD 4.3bn in 2010, driven by net inflows of private capital investments mainly into the oil sector.

Gross international Reserves of the Bank of Ghana improved to USD 5.4bn in 2011 from USD 4.7bn in 2010, but Amissah-Arthur said that declined to GHS

4.6bn as at January 2012 due to the increased demand for foreign exchange resulting from the higher than normal surge in seasonal demand to support trade. *(Ghana Web)*

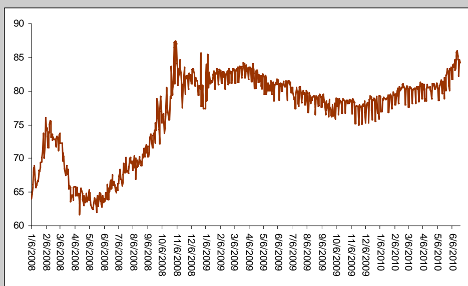
Kenya

Nairobi Stock Exchange



Source: Reuters

KES/USD



Source:SAR

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-8.098	-6.348	-5.734
Current account balance (USD bn)	-2.447	-2.198	-2.33
GDP based on PPP per capita GDP	1,750.82	1,817.49	1,902.47
GDP based on PPP share of world total (%)	0.091	0.093	0.094
GDP based on PPP valuation of country GDP(USD bn)	62.826	66.353	70.647
GDP (current prices)	841.95	944.07	1,094.40
GDP (Annual % Change)	2.486	4.024	4.972
GDP (US Dollars bn)	30.212	34.466	40.64
Inflation- Ave Consumer Prices(Annual % Change)	12.00	7.77	5.00
Inflation-End of Period Consumer Prices (Annual %)	11.50	7.19	5.00
Population(m)	35.88	36.51	37.13

Source: World Development Indicator

Stock Exchange News

The NSE 20-Share Index gained +0.68% to close the week at 3,182.14 points. OCH led the movers after gaining +9.09% to KES 3.60 followed by Carbacid which rose +8.89% to KES 98. Other notable gains were recorded in Barclays Kenya up +7.35% to KES 13.15 and BOC (+6.03%). CFCI was the main loser, shedding -7.89% to KES 7.00 followed by ACCS (-7.69%) and MSC which lost -7.14% to KES 4.55. Market turnover was up +13.79% to KES 0.99bn with Safaricom and Bamburi dominating after recording trades worth KES 252.37m and KES 136.09m respectively.

Corporate News

Deacons, the clothing, and lifestyle goods retailer, will close its operation in Tanzania in the next two weeks due to a hostile business environment. The firm's board decided to exit the country after its subsidiary, Tanzanian Fashion Stores, incurred loss worth Sh13m in the full year ending December 2011, marking a fifth straight year of losses despite efforts to turn it around.

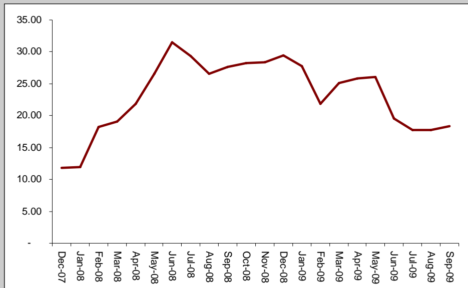
The Nairobi-based retail chain will close three stores in Tanzania Truworths, Identity and 4u2 branded stores, and in the process shed 15 jobs."Doing business in Tanzania has been extremely difficult. The cost is 30 to 40% higher compared with other markets. The middle class is also not as big and the uptake of our brands was also not as big," Deacons chief executive Muchiri Wahome told our sister publication, the East African, adding that the cost of rental space in Tanzania is USD 40 per square foot compared with USD 18 in the rest of the region.

The fact that Deacons has found the going tough in Dar es Salaam highlights the challenges of doing business in Tanzania, which is ranked fourth in the five member states in terms of the ease of doing business within the East African Community, according to the International Finance Corporation's Ease of Doing Business report 2011. The company said the decision to close shop was due to the high cost of doing business in Tanzania, especially the high rental charges, and the target market the middle to upper income being very small compared to other countries.

Tanzania's middle class, those earning between USD 2 and USD 20 per day, makes up just 12% of the total population, which is smaller compared with Kenya's 44.9% and Uganda's 18.7% of the population. Rwanda's middle class represents 7% of its population. Dar es Salaam has only two shopping malls

compared with Kenya, Uganda, and Rwanda, which are experiencing a boom in the construction of shopping malls, and hence rapid growth of the shopping mall concept.

CPI Inflation



Source: SAR

Also, long supply chain lead times in Dar es Salaam, where it can take up to five times longer by air to clear and deliver goods compared with the rest of the region weighed in considerably, Deacons said. The firm will be looking to have a fire-sale before it closes down by the end of February. However, the company will have to write-off Sh20m (USD 237,500) in assets and inventories. But the firm said the Tanzanian operations will lie dormant for now as it assesses its future strategy.

Deacons holds the franchise of a number of global fashion brands in the region including Woolworths in Kenya, Mr Price in Kenya, Uganda and Rwanda, Truworths in Kenya and Tanzania, Adidas in Kenya and Identity in Kenya and Tanzania. It also has the Life Fitness brand, the commercial fitness equipment manufacturer in its stable. The company also has its own brands 4U2 and Angelo.

Although its Tanzanian operations have been operating at a loss, Deacons expects to make profits in Kenya, and Uganda, boosting its overall profitability. Rwanda, where the retailer opened two stores in December, has been a good market. In the six months to June 2011, Deacons' sales grew by 38% to USD 11.7m compared with the same period last year.

Profits after tax grew 51% to USD 507,700 compared with the previous year. The company said operations in Uganda were doing well with a 44% growth in revenues contributing seven% of the total group revenue for the 2011 financial year. Swedfund International is the main shareholder in Deacons, publicly traded firm, with a 19.45% stake. Others are Pinpoint Investment Limited (12.06), Charles Mwangi Gathuri (11.04) and Diana Bird (11.03). *(Nation)*

Kenya's largest sugar miller Mumias Sugar Company stands to lose close to Sh400m in revenue after piracy and port congestion delayed completion of its ethanol production plant. The listed firm said the plant, which was supposed to start operations last month, will now begin production in May with the lost production time slashing full-year output projections by two thirds.

Finance director Peter Kebati said the plant was supposed to contribute KES 600m in revenue, but the figure for the financial year has been revised to between KES 200m and KES 250m. The delay is mainly a result of imported parts for the western Kenya-based plant taking a longer time than expected to reach the site. "We have had issues with logistics, mainly due to Indian Ocean piracy and congestion at the port," Mr Kebati told the Business Daily.

Local sugar millers are racing to diversify their income streams ahead of expiry of the Common Markets for Eastern and Southern Africa (Comesa) quantitative import quotas in two years time. Mumias is already selling power to Kenya Power and is in the process of installing a water processing plant. The ethanol plant's delay comes as a blow to the sugar miller whose half-year top line was affected by reduced cane supply.

Piracy off the coast of Somalia has seen ships redirected to other ports.

Congestion at Kenya's only sea port means that the imported parts cannot get to the site in good time. Up to 80% of the ethanol plant's parts are being imported, leaving little room for alternative solutions. Mumias Sugar, whose financial year ends in June, said that the delay of its ethanol production plant operations will see the company earn sales from ethanol production for only two months.

The majority of sales from the ethanol plant are now expected to contribute more to the group's total revenues beginning the next financial year. Mumias Sugar started building the KES 3.4bn (USD 45m) ethanol production plant in 2009 as part of the company's diversification strategy and hired Avant-Grade Engineers and Consultants Limited to construct it . It is forecast to produce up to 25m litres of ethanol annually.

The ethanol is to be produced from the 100,000 tonnes of molasses churned out every year. Analysts at Standard Investment Bank said that in the absence of sales from ethanol, the miller would lose KES 334m and for now will have to rely on the sale of molasses. The investment banker also said that the bulk of revenues from ethanol will start streaming in from the next financial year. "We, therefore, only factor ethanol sales starting 2013 (financial year) and assume continued sale of molasses for the second half of 2012," said a note on Mumias.

Earlier this month, Mumias Sugar announced that it will raise additional cash from shareholders through a rights issue and international banks to help establish a USD 400m (KES 33.6bn) milling factory in Tana Delta, a geographical and product diversification move. Sugar matures faster in Tana Delta than in western Kenya, assuring Mumias of higher turnover.

In the six months to December, Mumias posted a net profit of KES 866.6m, a 4.5% growth over the previous year. Its revenue dropped to KES 6.9bn from KES 7.3bn and the marginal profit growth was pushed by a KES 240m cut in marketing and distribution costs. Renaldo DeSouza, a research analyst at Genghis Capital, said that the ethanol amount is significant, especially at this time when its core business is straggling in a tough operating environment. *(Business Day)*

Kenya Power has increased the fuel cost segment on its billing, signalling that electricity prices that had fallen in November are unlikely to sink further. The power distributor has served notice to consumers that the fuel cost adjustment a varying item on the bill linked to power generated from diesel engines on their March power bills will rise to KES 5.60 per kilowatt hour (kWh) from this month's rate of KES 5.44.

Consumers have enjoyed cheaper power in the past two months on increased generation from hydropower, and it was expected that electricity prices would continue to fall on reduced fuel prices. This also cancels out the gains of the stronger shilling on the power bills, or foreign exchange (forex) adjustments, which is set to drop to KES 1.30 a unit from this month's KES 1.40.

Consumers will pay an extra 60 cents per unit of power or an additional KES 400m cumulatively to Kenya Power next month. "The increase is due to a rise in generation from thermal sources since fuel costs and the dollar are now favourable to consumers," said Kaburu Mwirichia, the Director-General at the Energy Regulatory Commission (ERC).

Diesel is retailing at KES 107 per litre from KES 114.50 in December while the shilling is trading at KES 82 to the dollar compared an average of KES 100 in November.The twin commodities pushed electricity prices to record highs in November when the fuel cost and foreign exchange adjustments rose to KES 9.02 per kWh and KES 2.74 per kWh.

The government and Kenya Power had previously signalled that power costs would further drop this quarter on increased hydro production and strengthening of the shilling and latest prices look set to disappoint consumers. The largest power producer Kenya Electricity Generating Company (KenGen) had said it is able to generate two-thirds of electricity from cheaper hydro plants due to heavy rains witnessed recently.

KenGen's managing director Eddy Njoroge said water levels at the Seven Forks dams have risen to near spilling levels, enabling more power generation capacity from the hydro sources. The rains have since ceased. Apart from the adverse impact on household budgets, the fuel surcharge and forex adjustment costs have a domino effect on the economy.

The fuel adjustment is influenced by the amount and price of petroleum used on thermal power generation while forex adjustments is mainly based on foreign currency-denominated loans held by Kenya Power and electricity generators. The bulk of the foreign loans in Kenya's power sector are held in Japanese yen and euros and local currency has lost more ground against the two units than to the dollar – 30% and 33% to the European and Japanese currency respectively.

As the cost of commodities rise across the board, consumers are realigning their spending to focus on necessities such as food items, cutting back their consumption of other non-essentials such as alcohol and entertainment. This has the potential of reducing profitability of businesses that could react by freezing new hiring or laying off existing workforce in the fragile economy.

Inflation has eroded the earnings of workers after climbing steadily from 5.4% in January last year to 19.7% in November before dropping to 18.3% last month. Manufacturers have warned that the rising cost of electricity will be reflected in higher prices of goods, further inflating the cost of living for consumers. Local manufacturers have over the years complained of high electricity bills, saying it hurts the competitiveness of Kenyan-made goods in the local and external markets.

Kenya's industrial sector has recently come under increased competitive pressure from the opening up of the economy through international trade agreements. The high electricity prices are expected to hold in the short term as Kenya Power deepens its reliance on expensive thermal power to match rising demand and compensate for lower hydro-power generation due to lower water levels.

Monthly demand for power has increased to about 640m kWh, compared to about 560m last year as more households are wired to the national grid and growth of industries pushes demand for power higher. *(Business Day)*

Barclays Bank of Kenya posted an 11% rise in underlying pretax profit to KES 12.01bn (USD 144.95m) in 2011 and said it was raising the total dividend per share by 10%. Majority owned by Barclays Plc, the bank said

conditions were tough last year, after inflation surged to almost 20% as the currency lurched from one low to another as policymakers dithered on how to respond.

Managing Director Adan Mohamed told an investor briefing that gross pretax profit slid by 11%, due to a one-off item, the sale of its custody business in the previous year. Barclays had reduced its cost-to-income ratio to 52% from 54% and increased the dividend for the year to KES 1.50 per share, Mohamed said. *(Reuters)*

Agriculture firm, Williamson Tea, has postponed its highest dividend payout citing compliance with stock market regulations. In a letter addressed to the Nairobi Securities Exchange on Wednesday, the company said it would be closing its register on March 12. Last week on Wednesday, the company had given February 15 as the cut-off date. It has now emerged that last week's declaration was in contravention with the listing manual, which directs companies to give a 21-day window between the declaration of a dividend and the close of the register.

"The purpose of the 21-day period is to make sure that everyone in the market makes informed decisions. It gives adequate time for investors to decide on the price of the security and have it settle at a new equilibrium," said NSE head of market and product development, Mr Donald Ouma.

The KES 50 interim dividend for the year ending March 31 is the highest the company has ever declared and has been attributed to high profits made last year, and the sale of a building in Nairobi. Williamson Tea announced a 76% jump in half-year results 2011/2012 after selling 50% of its hold of Williamson House to Lion of Kenya. *(The Standard)*

East African Breweries, a unit of Britain's Diageo, posted a 9% growth in first half pretax profit to KES 6.67bn, from the year ago period, after its total revenue shot up by 36%, it said on Friday. The firm, which leads the Kenyan market with brands like Tusker beer, said regional markets like Uganda had recorded huge growth during the six months ended December.

While revenue leapt to just under KES 28bn, profit growth was cut by increased investments in plants, higher financing costs and a depreciation of the Kenyan currency. It maintained its interim dividend at KES 2.50 per share. EABL has plants in Kenya, Uganda and Tanzania with distribution networks in Rwanda and South Sudan. *(Reuters)*

Power distributor Kenya Power has invested KES 1bn in expanding distribution facilities to meet growing demand for electricity. Kenya Power Managing Director Eng Joseph Njoroge said the funds have been committed in building power lines and sub-stations in various parts of the country. He said the facilities will enable the company meet electricity demand that is currently peaking at 1,215 MW compared to 1,194 MW at the end of June last year.

Speaking during the commissioning of a new sub-station in Naivasha, Njoroge said the demand is largely driven by growth in customer base and improved economic development in the country. He said energy distributor aims to increase the number of Kenyans with access to electricity from 1.9m to about 3m

by 2015. Kenya Power has also initiated preparation of a master plan that will serve as the roadmap for implementing power distribution projects in the country's 47 counties in line with Vision 2030.

"The process involves assessment of power distribution requirements in the country, and development of strategies to implement a least cost power distribution system, ensure adequate capacity, and maintain a reliable power supply system in all the counties," he said. He reported that by end of June last year, a total of 35 distribution system reinforcement projects and upgrade projects valued at Sh9.6bn, were at various stages of completion in different parts of the country. *(The Standard)*

Economic News

Kenya wants to involve private investors in plugging a gap of over USD 44bn in funds needed to build new ports, roads and railways and to improve water and electricity supply over the next five to eight years, a senior finance ministry official said on Monday. Joseph Kinyua, permanent secretary at the Treasury, said a bill will go before parliament next month aimed at attracting private investors through streamlined contracts clarifying the legal basis for public-private partnerships.

Kenya has invested heavily in roads and power transmission since President Mwai Kibaki took office in late 2002, but much of the country is still without sufficient infrastructure. Businesses complain of inadequate roads to reach markets and frequent power cuts which slow down economic growth. Kinyua told a meeting of government departments and private sector representatives that the Treasury would raise some funds for these projects from the private sector.

"It is currently estimated that there is a funding gap of approximately USD 44bn that is needed to address the infrastructure requirements in the next five to eight years," he said. "The PPP (Public-Private Partnership) arrangements, therefore, offer an opportunity for Kenya to attract enhanced private sector participation in financing, building and operating infrastructure services and facilities in order to close this huge funding gap."

Under a development plan - Vision 2030 - the government forecasts the economy to grow by 10% a year by 2030, the year in which it hopes to become a middle-income country, and it is banking on improving infrastructure to achieve this. The government expects the economy to grow by 5% or more in 2012, up from an estimated 4.5% last year.

In its 2011/12 (July-June) fiscal budget, the government said it plans to raise KES 35.85bn (USD 432.7m)in infrastructure bonds, up from KES 30.5bn the previous year. The government is also in the process of getting a USD 600m two-year syndicated international loan that the government says will be used for financing infrastructure, including ongoing road projects and new projects in the irrigation and energy sectors. *(Reuters)*

Kenya's tourism revenues rose 32% to KES 98bn (USD 1.18bn) last year after the country attracted visitors from new markets, but the tourism minister Najib Balala warned that the euro zone crisis would curb growth this year. Arrivals rose 15.4% to 1.26m, just shy of a targeted 1.3m visitor in

2011.

The 2011 revenue figure also fell short of a KES 100bn target for the year. "I don't expect any growth in 2012. The economic crisis is seriously biting... Growth in 2012 is expected to be at the same level as 2011 at KES 98bn," Balala told reporters. *(Reuters)*

Kenya is seeking nearly 408,000 tonnes of oil products for March and April, slightly more than the previous volumes, due to higher demand in east Africa where economies are growing and a shortfall in refining capacity persists. The energy ministry wants 108,566 tonnes of jet fuel, 107,923 tonnes of gasoline and 190,952 tonnes of gasoil for delivery in March and April, as per a spot tender seen by Reuters on Tuesday.

Kenya's Ministry of Energy imports oil products on behalf of other economies in the region, which depend on diesel for transport, power production and agriculture, and many homes use kerosene for lighting. Kenya is seeking two jet fuel cargoes of 60,000 tonnes and 48,566 tonnes for delivery over April 9-11 and April 25-27 and two cargoes of gasoline of 53,900 tonnes and 54,023 tonnes for delivery over April 5-7 and April 21-23 respectively.

It is also seeking three gasoil cargoes, two of them at 85,000 tonnes and 85,350 tonnes for delivery into Kipevu Oil Terminal over April 15-17 and May 1-3 respectively. One of the cargoes, at 20,602 tonnes, is for delivery into Shimamnzi Oil Terminal over Mar 15-17. The tender closes on Feb 16 and is valid until Feb 17. Kenya in January bought nearly 400,000 tonnes of oil products for February and March, slightly more than previous volumes, to match higher demand in the region. *(Reuters)*

Projections by the Central Bank of Kenya (CBK) that inflation would drop to a single digit this year is unfeasible, a fund management firm has said. British American Asset Managers (BAAM) said that although inflation has been easing after an unprecedented increase last year, the decline would be gradual closing 2012 at about 12%. This is way high compared to CBK projection that inflation would decline to about five% by end year.

"In 2012, we expect inflation to drop as maize production and energy prices stabilise," said Andrew Kasaine, a Portfolio Manager at BAAM. "But it will still remain at two digits of 12% away from the CBK target." The decline, though gradual, will nonetheless ease the pressure on Kenyans who had to endure a steady surge in inflation for the better part of last year to a high of 19.72% in November before easing to 18.93% in December and 18.31% last month.

Despite the relatively high inflation expected this year, the economy is projected to rebound after a sluggish performance last year due to numerous shocks that included high fuel price, drought, depreciation of the shilling and turmoil in global economy. According to BAAM, gross domestic product growth last year stood at 4.5% down from 5.2% in 2010.

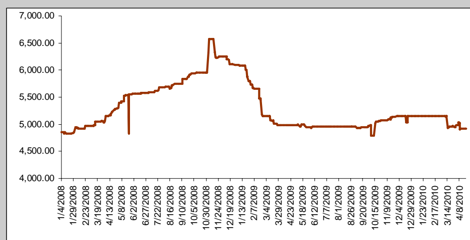
This year, the economy is projected to expand by 5.3%. "Prospects of rainfall, falling inflation risks and lower energy prices are likely to improve the 2012 growth prospects while the recent stability of the shilling has tampered inflationary expectations," said BAAM managing director Edwin Dande. He, however, urged caution because 2012 is a transition year and the stability of the

economy will largely depend on how the country manoeuvres the general election.

"We are cautious of how things will unfold but we are hopeful of peaceful elections," he observed. BAAM, which offers investment management and advisory services to individuals and institutions clients, has over KES 21bn in assets under its management. *(The Standard)*

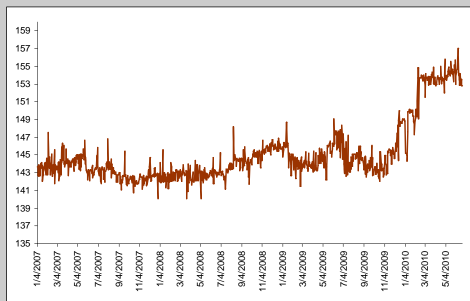
Malawi

Malawi Stock Exchange



Source: Reuters

MWK/USD



Source:SAR

Economic indicators

Stock Exchange News

The index closed flat at 5,437.39 points, with thin trades across both local and foreign boards. Active counters were; OML, Standard Bank, Real, NITL, NICO, NBS, NBM, MPICO, Illovo and FMB generating MWK 47m in market turnover, most of which went through OML on the foreign board.

Corporate News

No Corporate News this week

Economic News

Malawi is facing a USD 121m budget shortfall in the current financial year due in part to suspension of an International Monetary Fund loan programme with the impoverished southern African nation, Finance Minister Ken Lipenga said. Malawi has been by hit a freeze in aid since last year as international donors withheld funds due to concerns about creeping autocracy under President Bingu wa Mutharika, a former World Bank economist.

The collapse in donor funding, which normally accounts for 40% of the budget, has put pressure on the kwacha, forcing a 10% devaluation last year to 166 to the dollar although it remains well shy of a black market rate of 250. Lipenga told Reuters the decline in donor funding was turning out to be worse than projected in the June budget, which forecast total taxes and foreign assistance of USD 1.8bn.

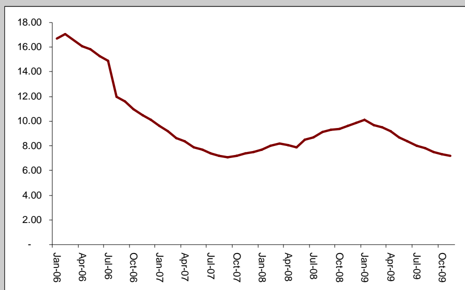
"It appears there is no end yet in sight to our economic woes," he said. The government was still in talks with development partners such as the IMF and World bank, he added. The aid freeze has compounded an acute dollar shortage caused by a sharp decline in tobacco sales, Malawi's main source of foreign exchange.

The IMF has a USD 79m, 3-year loan programme with Malawi, although it is currently on hold due to disagreements between Lilongwe and Washington over Mutharika's handling of the economy.*(Reuters)*

Economy	2009	2010	2011
Current account balance(% of GDP)	-4.073	-5.502	-4.791
Current account balance (USD bn)	-0.2	-0.306	-0.3
GDP based on PPP per capita GDP	880.88	916.63	940.29
GDP based on PPP share of world total (%)	0.018	0.018	0.018
GDP based on PPP valuation of country GDP(USD bn)	12.271	13.027	13.632
GDP (current prices)	352.37	390.91	432.14
GDP (Annual % Change)	5.878	4.557	3.175
GDP (US Dollars bn)	4.909	5.555	6.265
Inflation- Ave Consumer Prices(Annual % Change)	8.60	8.24	9.31
Inflation-End of Period Consumer Prices (Annual %)	7.76	8.35	9.73
Population(m)	13.93	14.21	14.50

Source: World Development Indicator

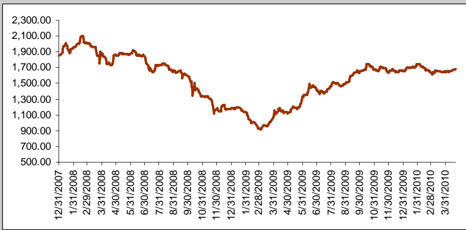
CPI Inflation



Source: SAR

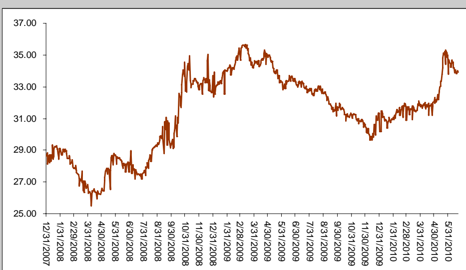
Mauritius

Mauritius Stock Exchange



Source: Reuters

MUR/USD



Source:SAR

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-9.308	-10.579	-9.758
Current account balance (USD bn)	-0.852	-0.947	-0.931
GDP based on PPP per capita GDP	12,356.23	12,699.51	13,389.07
GDP based on PPP share of world total (%)	0.023	0.023	0.023
GDP based on PPP valuation of country GDP(USD bn)	15.831	16.391	17.406
GDP (current prices)	7,146.27	6,935.94	7,339.15
GDP (Annual % Change)	2.065	1.98	4.695
GDP (US Dollars bn)	9.156	8.952	9.541
Inflation- Ave Consumer Prices(Annual % Change)	6.40	4.05	5.00
Inflation-End of Period Consumer Prices (Annual %)	3.10	5.00	5.00
Population(m)	1.28	1.29	1.30

Source: World Development Indicators

CPI Inflation

Stock Exchange News

The SEMDEX was down by -0.53% to close at 1,823.09 points while the SEM 7 gained +0.17% to close the week at 343.34 points respectively. MSM was the main mover, gaining +7.1% to MUR 15.00 followed by SBM and PBL which rose by +3.2% and +1.0% to MUR 81.00 and MUR 200 respectively. Air Mauritius led the losers after shedding -11.1% to MUR 12.00 while Dale lost -10.1% to MUR 14.20 and Caudan shed -10.7%.

Corporate News

Mauritius-based conglomerate Rogers on Tuesday posted a 12.7% increase in first quarter pretax profit, boosted by the performance of the hotel and property sectors. The group which operates in the island's financial, property, hotel, aviation and logistics sectors said profit before tax rose to MUR 253.8m (USD 8.75m)for the quarter to Dec. 31 2011.

Earnings per share rose to MUR 8.20 from MUR 6.41 a year earlier. However, revenue fell 6.0% from the same quarter in 20011 to MUR 2.63bn, the company said in a statement. Debt troubles in the euro zone, a key source market for Mauritius' main economic sectors, are however clouding growth prospects on the island known for its white sandy beaches and luxury spas. *(Reuters)*

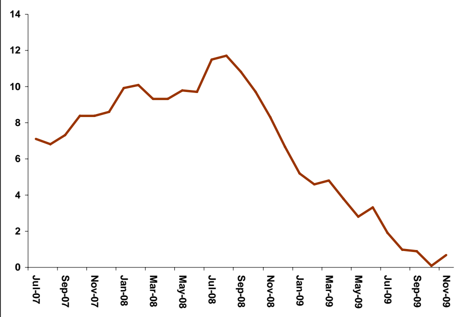
Air Mauritius swung to a nine-month pretax loss and warned on Tuesday results for the full year ending March 31 would be "significantly impacted" by a worse-than-expected economic environment. The national carrier said persistent high fuel prices, volatility in the euro/dollar exchange rate and Europe's festering debt crisis were hurting demand in its main markets.

"The current situation is worse than (the) initial forecast and the Company's results for the Financial Year ending 31 March 2012 will be significantly impacted," it said in a cautionary announcement. The group posted a 21.1m euro pretax loss in the nine months to Dec. 31 compared with a 6.3m euro profit during the same period a year earlier, due partly to a 14% increase in operating expenses.

"This increase is mainly attributable to a 39% average increase in the price of jet fuel," the airline said, adding it would suspend a number of loss-making routes. The results were released before the 0600 GMT market opening. Air Mauritius' share price has fallen 31% in the last 12 months, the second-worst performer on the island's benchmark SEMDEX index, closing at 13.50 rupees (USD 0.47) on Monday, Thomson Reuters data showed. *(Reuters)*

The State Bank of Mauritius (SBM), the Indian Ocean island's second-largest bank, said on Tuesday first-half pretax profit rose 17%, boosted by rising fees and commission income. SBM, which has about a 25% market share, posted pretax profit of MUR 1.61bn (USD 55.52m) for the six months to December 2011, up from MUR 1.38bn a year earlier.

Earnings per share rose to MUR 5.18 from MUR 4.41. The shares closed on Tuesday at MUR 78.50 before the results were released. The bank said net fee



Source: SAR

and commission income rose to MUR 590m from MUR 389m a year ago. SBM said it would boost efforts to manage costs and diversify its revenue streams. The bank is involved in retail and corporate banking, currency and securities trading, e-Business, leasing and asset management. *(Reuters)*

Mauritius Commercial Bank's (MCB) first-half pretax profit inched up 2% to MUR 2.43bn (USD 83.8m), helped by rising fees and commissions, the bank said on Tuesday. MCB, the biggest bank by market value in east Africa and the Indian Ocean region, said it expected its full-year results to be in line with those of the same period last year, but the long-running debt crisis in the euro zone could affect the Mauritius economy and in turn hurt the bank's bottom line.

"Should the situation in the euro zone worsen even more, there is a real danger of further deterioration in economic activity and the performance of productive sectors," it said in a statement. The bank said net fee and commission income rose 11% to 1bn rupees, driven mainly by strong revenue growth from regional trade finance activities.

Net interest income increased to MUR 3.2bn from MUR 2.89bn in the same period last year. Earnings per share rose to MUR 8.45 from MUR 8.29 a year ago. Shares in MCB closed flat at 165 rupees before the results were released. *(Reuters)*

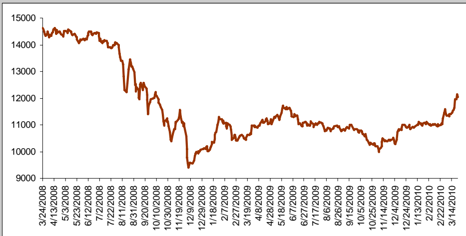
Economic News

Tourist arrivals in Mauritius fell 3% in January from a year earlier, hurt by sagging economies in its key European markets, official figures showed on Thursday. Tourism typically generates about 10% of the gross domestic product of Mauritius' USD 11bn economy. European tourists account for some two-thirds of arrivals.

Statistics Mauritius said 98,837 tourists visited the Indian Ocean island, famed for its white sands and luxury spas, in January, down from 101,887 a year ago. Visitor numbers from Europe fell 6% to 59,038 visitors, while holidaymaker numbers from Asia jumped. *(Reuters)*

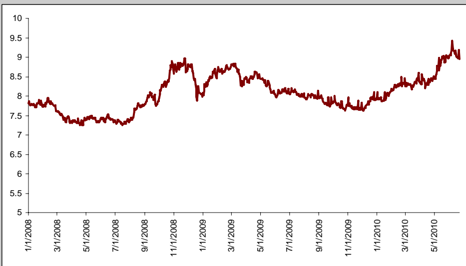
Morocco

Casablanca Stock Exchange



Source: Reuters

MAD/USD



Source:SAR

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-5.468	-4.736	-4.065
Current account balance (USD bn)	-4.963	-4.656	-4.269
GDP based on PPP per capita GDP	4,587.11	4,740.77	4,955.07
GDP based on PPP share of world total (%)	0.204	0.207	0.209
GDP based on PPP valuation of country GDP(USD bn)	146.231	153.257	162.44
GDP (current prices)	2,847.50	3,041.02	3,203.28
GDP (Annual % Change)	5.003	3.226	4.5
GDP (US Dollars bn)	90.775	98.308	105.012
Inflation- Ave Consumer Prices(Annual % Change)	2.80	2.80	2.60
Inflation-End of Period Consumer Prices (Annual %)	2.80	2.80	2.60
Population(m)	31.88	32.33	32.78

Source: World Development Indicators

CPI Inflation

Stock Exchange News

The MAS gained +0.38% to close the week at 11,396.90 points. Gains were recorded in Timar (+12.09%) to MAD 407, Maroc Leasing (+6.00%) and Auto Hall (+5.77%). On the losing front we had Dic Salaf down -26.55% to MAD 72.00, SMI which shed -10.56% to MAD 3,530 and Med Paper (-6.73%).

Corporate News

Lydec, a unit of France's Suez Environment which provides utility services for Morocco's biggest city, said it had been ordered to pay MAD 546m (USD 64.2m) by Casablanca's city council for alleged breach of contract. "On February 10, (Casablanca's City Council) sent a letter to Lydec requesting that a payment for the said amount be paid," Lydec said in a statement, noting that the claimed amount related to "technical and economic commitments specified" under a 30-year concession contract which began in 1997.

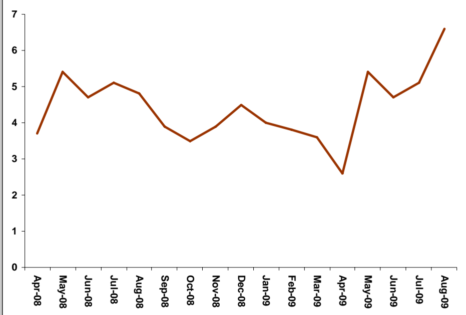
Lydec, 51% owned by Suez Environment, said it "has always objected to both the proceedings and the findings of the audit" conducted by Casablanca's city council. "Under the provisions of the services management contract ... Lydec will resort to a complementary expertise by a specialized and independent firm," it added. *(Reuters)*

AttijariWafa Bank, Morocco's biggest lender, posted a 12% rise in 2011 net profit as market share gains in loans offset the effects of political instability in Tunisia and Ivory Coast and tight liquidity in Morocco. The net profit was below a forecast the bank's Chief Executive Mohamed Kettani made last August for an increase in net profit of 15% in 2011, matching the performance clocked during the first half of 2011.

AttijariWafa shares rose by as much as 1.6% after the bank reported net consolidated income of MAD 5.3bn (USD 620m) for 2011 against MAD 4.7bn in 2010. The bank, in which a conglomerate controlled by the Moroccan royal family is a key shareholder, said net operating income rose 8.3% to MAD 15.9bn. Private investment bank Casablanca Finance Group (CFG) said AttijariWafa's earnings were below its estimates, which were for a 10.9% rise in its net operating income in 2011.

But CFG also said the earnings "outperform the sector figures in terms of deposits and loans growth, which demonstrates (AttijariWafa) group's resilience and strong fundamentals in a challenging environment". The bank is pushing to raise penetration in Morocco, currently at about 40% and has also been using income from domestic operations to expand in Africa over the past decade.

It has subsidiaries in Tunisia, Ivory Coast, Senegal, Mauritania, Mali, Cameroon,



Source: SAR

Gabon and Congo Brazzaville, plus branches in Europe catering mainly for Moroccan expatriates. CFG said in a note a "good surprise" in AttijariWafa's earnings came from a 38.5% drop in the cost of risk.

"The drop in the cost of risk comes from an improvement by 0.4 (percentage) point in the non-performing loans' ratio to 4.9%," it said, noting that it likely came from a write-back of provisions for non-performing loans on the Tunisian and Ivory Coast subsidiaries that totalled 325m dirhams in 2010.

Shares in AttijariWafa fell 14% in 2011, slightly underperforming Casablanca's all-share index which dropped 13% last year. The bank will propose a MAD 8.5 dividend for 2011, up 6.3% from 2010, it said in a statement posted on the Casablanca bourse's website. *(Reuters)*

Economic News

Morocco may tap the international bond market in 2012 after its current account deficit surged last year to the highest since the 1980s, although the country is not under pressure to borrow, government ministers said on Monday. Higher energy and food import bills coupled with weaker growth in tourism receipts and some exports pushed the current account deficit to 6.5% of gross domestic product in 2011 versus 4.3% in 2010, Finance and Economy Minister Nizar Baraka said at a news conference.

Based on Reuters' calculations, the balance of payments shortfall rose 59% to 53.2bn dirhams in 2011 from its level in 2010. Asked if the widening current account deficit gap would force Rabat to tap international bond markets, Baraka told Reuters: "There is no pressing need ... but we remain eligible for a potential issue". Idriss Azami al-Idrissi, minister in charge of the budget, told Reuters: "A bond issue in 2012 is not on the agenda as we speak but it's not to be excluded. "We enjoy a better sovereign risk assessment than many countries that have higher ratings," Idrissi said.

Morocco, the biggest recipient of European Union financial aid outside Europe, raised about 1bn euros via its most recent international bond issue in 2010. It carries low investment-grade BBB- ratings from Standard & Poor's and Fitch, and is rated Ba1 by Moody's, just one notch lower but into "junk" territory. A finance ministry official familiar with debt management issues said Rabat may "opt for a dollar-denominated issue the next time it taps international bond (markets), to diversify its debt portfolio".

Morocco's sovereign foreign debt as a%age of GDP stood at 12.1% by the end of 2011, unchanged from 2010. Euro-denominated debt accounted for 77% of total foreign debt, while foreign debt denominated in dollars and currencies pegged to the greenback accounted for 18%. Including domestic debt, the debt/GDP ratio rose to 52.9% in 2011 from 50.3% in the previous year. The average coupon paid by the treasury for all sovereign debt fell to 4.4% in 2011 against 4.7% in 2010 and 6.8% in 2000, Idrissi told reporters.

The North African country's economy is likely to have posted real growth of 5% in 2011, against 4% in 2010 when GDP stood at 779.13bn dirhams (USD 92.2bn). Inflation stood at 0.9%, unchanged from 2010. Baraka attributed the rise in the current account deficit to a 25% surge in the 2011 trade deficit, with

higher crude oil and grain prices accounting for 70% of the net increase in the trade shortfall. Slackening economic growth in the European Union hit demand for Moroccan exports. EU imports of Moroccan goods grew 7.8% in 2011, slowing from 19.8% in 2010.

"There is a strong correlation between EU growth and demands on our exports," Baraka said. Tourism receipts also recorded a significant slowdown, especially in the fourth quarter, which coincides with Christmas and new year celebrations, usually a boon for tourism. They rose an annual 0.3% in the fourth quarter, compared with 11% in the second quarter. "The event in Marrakesh (April 26 bomb attack) and the slowdown in Europe are to blame for this decline in tourism receipts growth," Baraka said. Tourism receipts closed 2011 with a 4% increase at 58.7bn dirhams.

Morocco relies on tourism, remittances and investment to mitigate any destabilising impact from a net outflow of foreign exchange caused by a surge in the trade deficit. The dirham currency is not fully convertible, which means the authorities have to keep a check on the trade deficit to avoid straining the country's foreign currency reserves. *(Reuters)*

Morocco posted a current account deficit equivalent to 6.5% of gross domestic product in 2011, Finance Minister Nizar Baraka told a news briefing on Monday, a significant increase on a deficit of 4.3% of GDP in 2010. *(Reuters)*

Morocco posted a current account deficit equivalent to 6.5% of gross domestic product in 2011, Finance Minister Nizar Baraka told a news briefing on Monday, a significant increase on a deficit of 4.3% of GDP in 2010. *(Reuters)*

European Union lawmakers approved a new trade deal with Morocco on Thursday that will significantly extend duty-free sales of agricultural, food and fisheries products between the North African kingdom and the 27-nation bloc. The EU's agriculture chief, Dacian Ciolos, described the deal as both economically and politically significant. "It is a balanced agreement, which opens new opportunities for our producers in Europe paves the way for a real reinforcement in our relations with Morocco," he said.

But critics said the deal would threaten the livelihoods of small-scale agricultural producers in Morocco and Europe and prolong a decades-old dispute over control of the Western Sahara. "Those MEPs who endorsed this agreement today should be under no illusion: the agreement is not in the interest of the average Moroccan citizen and not in the interest of the people of Western Sahara," French activist and Green EU lawmaker Jose Bove said in a statement.

"By failing to exclude the non-self-governing territory Western Sahara from the agreement, as the U.S. has done, the EU is adding to the difficulties preventing a peaceful resolution of this conflict," he said. Morocco's agriculture and fisheries Minister Aziz Akhannouch dismissed these accusations saying many small farmers affiliated to giant exporting cooperatives would benefit of the deal, which he said ensures greater balance in trade exchanges with the European Union.

"Eighty% of farms here are less than five hectares (12 acres) big. You can't expect them to export their produce by themselves, that's why they join bigger

cooperatives," he told reporters in Rabat. Campaign group Western Sahara Resource Watch said the deal would encourage the continued expansion of tomato plantations near the town of Dakhla in the southern part of the territory, which it said are all owned either by the Moroccan king, Moroccan conglomerates or French multinational firms.

The plantations extract their water from non-renewable underground water basins and operate without the consent of the local Sahrawi population, they added. Akhannouch said Rabat was "satisfied that the deal imposed no restrictions that affect our territorial unity", in apparent reference to plantations located in the disputed area.

The agreement will allow 70% of EU agricultural exports to enter Morocco duty-free within the next decade. This includes oilseeds and cereals, with the exception of common wheat and durum wheat, for which Morocco would apply improved rates. In return, the EU will immediately lift all its current duties on 55% of imports from Morocco.

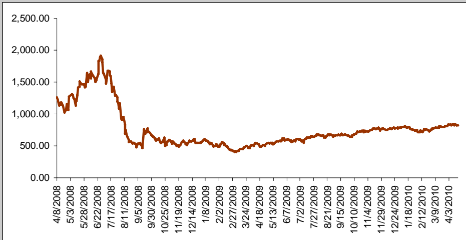
Some safeguards were agreed as part of the deal to limit the impact of granting improved access to unprocessed fruit and vegetables from Morocco, which currently account for 80% of total EU imports from the country. The agreement will allow only moderate increases in import quotas for certain sensitive products, such as tomatoes, strawberries, cucumbers and garlic, and includes seasonal import quotas to avoid oversupply on the EU market.

But Spanish farm unions said the deal would put at risk 450,000 jobs that depend on growing fruit and vegetables in a country that already has the highest unemployment rate in Europe. The COAG union said in a statement it would challenge the agreement at the European Court of Justice on the grounds that imports from countries that do not adhere to EU labour and environmental standards distorts the market.

"We will not stand idly by while the EU abandons Spanish fruit and vegetable farmers to their fate while allowing the uncontrolled entry of Moroccan produce grown at starvation wages," COAG spokesman Andres Gongora said. The deal is expected to be formally adopted by EU ministers in the coming weeks before entering force in May or June. *(Reuters)*

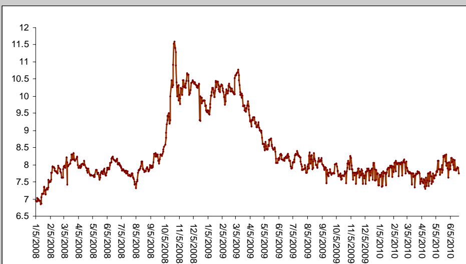
Namibia

Namibia Stock Exchange



Source: Reuters

NAD/USD



Source:SAR

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-1.049	-2.055	-1.225
Current account balance (USD bn)	-0.095	-0.19	-0.118
GDP based on PPP per capita GDP	6,610.35	6,771.73	6,964.03
GDP based on PPP share of world total (%)	0.016	0.016	0.016
GDP based on PPP valuation of country GDP(USD bn)	13.764	14.217	14.742
GDP (current prices)	4,341.36	4,406.65	4,530.72
GDP (Annual % Change)	-0.739	1.736	2.234
GDP (US Dollars bn)	9.039	9.251	9.591
Inflation- Ave Consumer Prices(Annual % Change)	9.12	6.77	5.45
Inflation-End of Period Consumer Prices (Annual %)	7.34	6.19	4.71
Population(m)	2.08	2.10	2.12

Source: World Development Indicators

Stock Exchange News

The NSX overall Index was relatively flat at 918 points. On the NSX local and DevX, XEM was the top mover after adding +20% to NAD 0.06 while FSY and FNB added +12.16% and +4.47% to NAD 0.83 and NAD 12.46 respectively. MMS led the losers after shedding -11.76% to NAD 0.30 followed by BMN, down -4.35% to NAD 0.22.

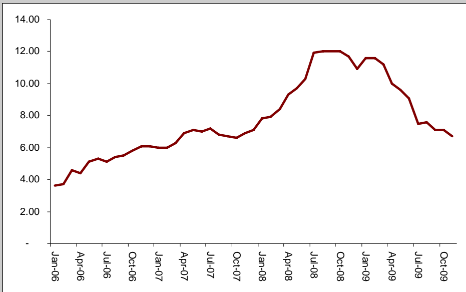
Corporate News

No Corporate News this week

Economic News

Namibia's consumer inflation slowed to 6.6% year-on-year in January from 7.2% in December, the Central Bureau of Statistics said on Tuesday. Month-on month inflation however quickened to 1.3% from 0.8% as prices increased in all sectors except clothing and footwear. *(Reuters)*

CPI Inflation

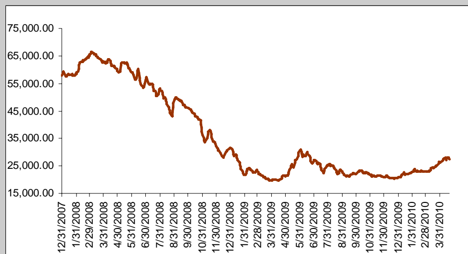


Source: SAR

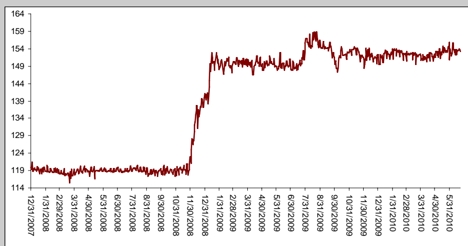
SECURITIES AFRICA

Nigeria

Nigeria Stock Exchange


Source: Reuters

NGN/USD


Source:SAR

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	6.939	13.792	14.278
Current account balance (USD bn)	11.48	25.631	28.488
GDP based on PPP per capita GDP	2,199.08	2,281.27	2,369.35
GDP based on PPP share of world total (%)	0.475	0.489	0.499
GDP based on PPP valuation of country GDP(USD bn)	333.983	355.995	379.907
GDP (current prices)	1,089.30	1,190.86	1,244.37
GDP (Annual % Change)	2.905	4.985	5.215
GDP (US Dollars bn)	165.437	185.835	199.526
Inflation- Ave Consumer Prices(Annual % Change)	11.96	8.80	8.50
Inflation-End of Period Consumer Prices (Annual %)	9.12	8.50	8.50
Population(m)	151.87	156.05	160.34

Source: World Development Indicators

Stock Exchange News

The NSE All Share index lost -1.07% to close at 20.411.17 points. Etena Oil gained +20.97% to close at NGN 3.75 while Skye Bank was up +16.09% to close at NGN 3.68. Other notable gains were recorded in Japaul Oil (+15.94%), Access (+15.19%) and Continental Re (+14.29%). On the losing front we had Dangote Sugar (-18.55%), Julius Berger (-14.19%) and Honeywell Flour (-13.68%).

Corporate News

Agusto & Co., Nigeria's credit ratings agency has recently re affirmed it's 'A' rating for Flour Mills of Nigeria plc's (FMN) N37.5bn Senior Unsecured bond. Justifying its position, Agusto & Co. in its release stated "the rating implies that the issue is of good quality with low credit risk". FMN successfully raised the NGN 37.5bn Senior Unsecured Bond in December, 2010 and the proceeds were applied to refinance the company's existing term loans, expand business operations and augment working capital.

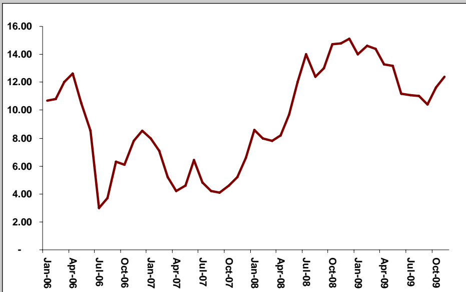
Commenting on the 'A' rating re-affirmation, FMN's Group Managing Director, Emmanuel A. Ukpabi, stated that the Agusto's report would help the company to continually maintain its leading position in the market and remain steadfast in ensuring that the strong brand which had enjoyed high patronage among the Nigerian consumers, continues to remain a "Promise of Quality." FMN also tapped into the Nigerian Capital Market in December 2011, to raise additional long term funds to the tune of NGN 28.245bn via a Equity Rights Issue.

FMN a (NGN114bn Market Capitalisation) Nigerian Blue chip company with a well diversified product base that includes the food and Cement sectors, had revenues of N144bn in the nine months till December 2011 a 17.4% rise compared to the same period in 2010. The independent opinion expressed by Agusto & Co ratings agency will likely reassure investors that FMNs business strategies are robust, effective and able to withstand the vagaries of the current economic climate. *(Business Daily)*

Nigeria's biggest listed company, Dangote Cement, opened a USD 1bn cement plant on Thursday, raising its production capacity in Africa's most populous nation by more than 40%. The new plant is situated in Ibese, Ogun State in southeast Nigeria, just outside the commercial hub Lagos. It will produce 6m metric tonnes of cement per annum (mtpa), which along with Dangote Cement's two other plants will take total production to 20.25 mtpa.

"We are working towards making the company one of the eight biggest producers of cement in the world," Dangote'sbnaire owner Aliko Dangote said at the plant opening. "With the commissioning of the Ibese plant, Nigeria has been transformed from major importer of cement to self sufficient in production and export." Dangote said in the next two years the company's Obajana plant, in

CPI Inflation



Source: SAR

Kogi state, would have its capacity upgraded to 15 mtpa from 10.25 mtpa currently, which would make it the world's biggest cement plant. *(Reuters)*

The operations of Ecobank Nigeria and former Oceanic Bank International have been fully integrated to form the new Ecobank Nigeria. The merger of the two banks make Ecobank Nigeria one of the top four banks in the country with more than 600 branches and 890 ATMs, the fourth largest network in Nigeria. The integration means that former customers of Oceanic Bank can now conduct business in any of the merged branch network. The same applies to all existing customers of Ecobank Nigeria.

This ensures that customers of the merged bank can now use any Ecobank ATM without the payment of transactional fees of N100 usually charged for ATM use. Commenting on the new single Ecobank branch and ATM network, Managing Director of Ecobank Nigeria, Jubril Aku said “Ecobank intends to be a major player in Nigeria, just as our determined growth in other countries has made us one of Africa’s largest financial institutions.” *(Daily Trust)*

Leading brewery firm, Guinness Nigeria Plc has declared a profit after tax of NGN 7.147bn for the half year (H1) ended December 31, 2011; showing a marginal decline of 2.5% compared with N7.339bn recorded in the corresponding period of 2010. Unaudited results of the company made available by the Nigerian Stock Exchange (NSE) showed that the company H1 of 2011 was NGN 62.542bn, up from NGN 59bn in H1 of 2010.

Apart from the decline in profit after tax, the brewer’s net margins fell from 12.4% in H1 2010 to 11.4% in 2011. Commenting on the results, analysts at Afrinvest (West Africa) Limited, said that despite the modest growth in turnover, the brewer’s top line revenues came in 13.3% below their estimate.

“Profit before tax and profit after tax also fell short of our expectations by 20.5%. These results suggest that Guinness has not been able to compete effectively in the 'lager beer' space, especially in the low priced segment. As such, it continues to record a decline in Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA) margin despite the year-on-year increase in its gross margin,” they said.

According to them, Guinness’ recent play in sports relationship marketing might have driven a larger part of the 20.3% increase in marketing and distribution expense, albeit with insignificant impact on revenues in the short term. “Based on these results, Guinness trades at a trailing price earnings ratio of 18.3x. We maintain our reduced rating on Guinness, with a six -month target price of N210.02, representing a 4.7% downside from the current market price of N220.30.

"We, however, remain optimistic on the long-term prospects of the brewer, premised on Nigeria’s huge beer market potentials and the opportunities for growth in the high end non-lager market segment, even as the brewer ramps up recent capacity additions in its plants,” they said. *(This Day)*

The Nigerian Stock Exchange (NSE) last week listed NGN 4.6bn bonds floated by Tower Funding Plc on its daily Official list. The bonds, series one tranche A and series one tranche B, were raised by Tower Aluminium Group from the capital market under its N9bn (Medium Term Note) last year. The

company issued N3.630bn bond due on September 9, 2018 (series one tranche A) with a floating rate of Monetary Policy Rate(MPR) plus seven% and the N1bn MPR plus five% floating rate bond due September 2018 (series one tranche B).

The funds were raised through a book-building exercise spear headed by Dunn Loren Merrified (DLM) Limited, which acted as financial adviser, issuing house and lead book runner to the transaction. The N9bn MTN programme is undertaken by Tower Funding Plc, which is a captive finance vehicle for the Tower Aluminium Group. The Series NGN 3.63bn was 331/3 guaranteed and assigned an 'A-'rating by Global Credit Rating and DataPro Limited while the N1bn bonds was 100% guaranteed with a provisional rating of AA- and AAA from Global Credit Rating and DataPro Limited respectively.

According to the Chief Executive Officer (CEO) of DML, Mr. Sonnie Ayere, the proceeds of the bond were applied towards the funding of the member companies of the Tower Aluminium Group comprising: Tower Aluminium (Nigeria)Plc; Queensway Aluminium Limited; Asaba Aluminium Limited; Tower Roofing Systems Limited; Borno Aluminium Limited and Kolorkote Nigeria Limited. "The rich history of the Tower Aluminium Group spanning over 50 years in Nigeria contributed in no small measure to the success of the Series 1 bond issuance," Ayere had said.

Ayere noted that the bonds were the first internationally guaranteed bond by a real sector corporate entity in Nigeria. The guarantee was given by GuarantCo Limited, a development finance institution regulated by the Financial Services Commission (FSC) of Mauritius with the key objectives of encouraging private sector involvement in the local currency financing of infrastructure projects and promoting local capital market development in low-income countries.

Chairman of GuarantCo, said: "This ground-breaking financing is a material advance in developing the local corporate bond market. Nigerian companies deserve the same access to long term funding from their capital markets as in other major economies and we look forward to more issuers accessing the market."

Specfically, the Tower Group had explained that the proceeds of the bonds would be used for the refinancing of maturing bank debt obligations utilised by the Group to build the multi-million-dollar aluminium factory at Otta in Ogun state. According to the company, the factory has been designed to convert scrap aluminium into new and usable aluminium hence reducing its reliance on imports and therefore significantly reduces cash flow vulnerability due to exchange rate fluctuations. *(This Day)*

The process of selling the three nationalized banks - Enterprise bank, Mainstreet bank, and Keystone bank is to commence this month, the Assets Management Corporation of Nigeria (AMCON) has said. AMCON has recovered NGN 600bn debt from the banks debtors and targeting to recover N1 trillion this year, its Managing Director, Mustapha Chike-Obi said yesterday in Lagos.

The three banks, formally Spring bank; Afribank; and BankPHB respectively were nationalized by the Nigeria Deposit Insurance Corporation in August last year and handed over to AMCON to manage. Chike-Obi said at a sideline of a

Bankers' Committee that the process of selling the three banks would take between 12 and 18 months and that the Corporation would be transparent as much as possible during the transition period.

Five financial institutions have shown willingness to own the banks, but Chike-Obi said all the procedures and transactions would be monitored and supervised by the Central Bank of Nigeria to ensure that lay down rules are applied. He said the Corporation is looking for options of compensating the shareholders of the three banks.

Meanwhile, chief executives of banks said yesterday that the date put in place by the central bank to start implementing cashless policy in Nigeria would not be extended from the June deadline. The pilot phase of the new cash policy, which seeks to limit daily cash withdrawal/lodgement by individual and corporate organisations to NGN 150, 000 and NGN 1m respectively, commenced had in Lagos on January 1, and is expected to extend to other state by June.

The central bank had explained that the decision to extend the date for the implementation of charges/fees to March ending was to give people time to migrate to electronic channels and experience the infrastructure that had been put in place. *(Daily trust)*

Flour Mills of Nigeria said on Thursday it successfully raised NGN 34.97bn (USD 220.80m) in a rights issue of shares. Shares in Flour Mills closed down 2.73% at 57.54 naira per share. The rights issue was meant to raise NGN 28.24bn through the sale of 455.56m ordinary shares at NGN 62 per share, but shareholders bought NGN 564.04m shares in the offer, the company said.

Proceeds from the issue are expected to be used primarily to finance the company's food and cement business expansion, Flour Mill treasury director, Vlassis Liakouris told Reuters in September. Flour Mills in December raised NGN 37.5bn in five-year bonds, the first tranche of a NGN 70bn programme, Nigeria's first corporate debt issue outside the banking sector in recent years. *(Reuters)*

UNIC Insurance management said it has completed arrangement to raise N2bn from the nation's capital market. The fresh fund will be used to boosts its finances as part of strategy to write more risk, retain and play prominent roles in businesses, the company said. Chairman of the company, Ernest C. Ebi, at the company's annual general meeting in Lagos also assured shareholders of a bright future despite various challenges in the sector.

"We have fine-tuned our products, with focus on reducing reliance on products that are sold on credit, and which become receivable issues, and have strengthened our risk pricing systems, to improve margins," he said. He said plans were underway to restructure its balance sheet in line with NAICOM guidelines.

The company recorded a profit after tax of N168.7m for the third quarter ended September 30, 2011, as against N357.8m within the same period in 2011 while its gross premium dropped from N1.3bn in 2010 to N882.3m as at September 2011.

Cash and bank balances as at September 2011 stood at N20.749m compared

to N66.699m with net assets at N2.5bn while the short term borrowing was N875.295m within the period under review compared with N400.502m in the previous year. *(Daily Trust)*

Economic News

Electricity tariffs in Nigeria will increase up to 88% under reforms designed to revive the power sector and attract outside investors. The proposed new rates, seen by the Financial Times, will be announced in the coming weeks, before the privatisation of 18 state-run power generation, distribution and transmission companies this year.

But the move is likely to cause controversy, coming just a month after the removal of fuel subsidies, which caused petrol prices to more than double. The price increase prompted street protests and a weeklong nationwide strike, forcing Goodluck Jonathan's administration partly to backtrack. Nigeria's government said the higher "cost-reflective tariffs" for residential and commercial electricity customers were necessary to ensure that investors could make a profit.

Under the new pricing regime, due to become effective in April, tariffs will rise 25-88%, though most customer classes will see a 50% increase in their bills. The government hopes that cushioning the blow for the poorest consumers a policy absent during the fuel subsidy removal – will ensure that there is no repeat of the public outcry. "We are making sure that the urban poor and rural dwellers be provided a subsidy so that they don't see a significant increase in tariff," Bart Nnaji, the minister of power, said in an interview in Abuja. "The rest should be able to pay for it."

Nigeria sells power below cost at an average of about 10 naira, or six US cents, per kilowatt hour, one of the cheapest rates in Africa. But despite having large reserves of natural gas that can fire thermal plants, the country's electricity supply and service is among the world's worst, with half of the 160m population lacking access to the grid. Peak output is little over 4,000MW, with per capita consumption just 3% that of South Africa, Nigeria's rival for the continent's biggest economy.

Frequent blackouts mean that most of Nigeria's power comes from privately owned petrol and diesel generators, greatly increasing business costs and deterring potential investors. It is hoped that privatisation will greatly improve service and output, with the government targeting 18,000MW output by 2016. The new tariff was calculated to reflect the real cost of supplying electricity, with a return of investment factored in, according to the Nigerian Electricity Regulatory Commission. This comes to about 23 naira/kWh, which Mr Nnaji said was near the average price in Africa and less than half the cost of self-generated power in Nigeria.

The biggest consumers of electricity, wealthy individuals and businesses, will pay the highest rates, cross-subsidising the less well-off. The government will also provide a 60bn naira subsidy this year, allowing the tariff for the poorest customers to be fixed at 3.3 naira. Previous attempts to reform the power sector have foundered, despite the injection ofbns of dollars. But these efforts appear to have momentum.

Bolanle Onagoruwa, director-general of the Bureau of Public Enterprises, charged with selling the six state-owned power generation and 11 distribution companies carved out of the Power Holding Company of Nigeria, told the Financial Times that privatisation should be finished by the end of the year.

Hundreds of companies have expressed interest in investing, according to the bureau of public enterprises. Nigeria's transmission company will also be privately managed, with Canada's Manitoba Hydro and Power Grid Corporation of India shortlisted to submit bids.The World Bank, which is providing partial risk guarantees to investors, said Nigeria's power sector reform was one of the most complex undertaken in Africa. *(Reuters)*

With the inauguration of Dangote's USD 1bn Ibese cement plant by President Goodluck Jonathan in Ogun State, indications are now rife that the Nigerian government may soon place a ban on cement, fertilizer, rice soon. Jonathan during the inauguration of the plant, called on major manufacturing firms in the country to invest more on local produce so as to fast track government plans to stop importation of fertilizer, rice , cement among others.

He reiterated government plans to review the Bi-courtney contract on the construction of Lagos, Ibadan express road as it has become necessary because the road is vital for industrialisation and the economic growth of the country. Speaking at the commissioning of the Dangote Ibese USD 1bn Cement plant in Ogun State. The President while responding to the request raised by the Ogun State Governor, Ibikunle Amosun on the need for government to pay attention during the commissioning of the Dangote Ibese USD 1bn Cement plant in Ogun State, Lagos-Ibadan express road, said government will soon review its stand on the project , adding that this is necessary because the road is vital for industrialisation and the economic growth of the country.

This he said is part of plans to create employment for Nigerians as job creation remains key to his administration. He said government will do everything possible to stop the nation from been a dumping ground of substandard goods. The President said the security challenge going on across the country will not deter government from encouraging investors to come and invest in the country. On the government policies, the President said Nigerians will soon start to enjoy the positive effect of some of his hard policies.

“No government will want to put policy that will cause hardship for his people. We know what the people are passing through, but I can assure you that Nigerians will benefit more from the polices. We are also aware that some people are trying to frustrate the policies, but we assure Nigerians that everything will work out according to plans,' he said. The President commended Aliko Dangote for his efforts in creating jobs and building up of the nation, adding that government will continue to encourage him and the Organised Private Sector (OPS) boost local production of Nigeria made goods.

“When I gave him theDangote the GCON, some people called me and complained. They said why I should give that title meant for the VicePresident. But, some of them don't understand. I think we can all see that the man deserves it. We need to encourage people like this,” he said. The Ogun State governor, Senator Ibikunle Amosun, while commending Dangote for creating

jobs for the people of Ogun State said one of the cardinal programme of his government is to promote industrialisation as he would continiue to create the enabling environment for potential and existing investors in the State.

The President, Dangote Group, Aliko Dangote said the achivement is the fruit of the Federal Government 2002 backward integration policy for the cement sector which was designed to transform Nigeria from net importer to self sufficient and export of cement. He said the project is expected to create 7,000 jobs and will in addition, substantially boost the supply of cement in Nigeria market.

He pointed out that in another few weeks, the company will start the contruction of another sixm metric tonnes per annum, making it 12m metric tonnes. The new Dangote Ibese cement plant is a modern plant with an installed cpacity of 6m metric tonnes of cement pe annum and currently ranks as the largest cment in the sub-sahara Africa. *(Business Day)*

Output of cocoa from Nigeria, the fourth-biggest producer, may fall by 20% this season due to rain-induced losses at the start of the growing period, according to Olam International Ltd. Cocoa bean purchases from the beginning of the main-crop season on Oct. 1 to Feb. 7, declined 29% to 110,000 metric tons, compared with 155,000 tons a year earlier, Anant Patil, a business development manager at agricultural commodity trading company Olam Nigeria Ltd., said by phone from Lagos on Feb. 9.

“Cocoa is coming out slowly, so I think that the crop is not as much as last year’s,” Patil said. Rain damaged flowers on the trees, preventing them from maturing and washing away fertilizers, he said. Nigeria ranks behind Ivory Coast, Ghana and Indonesia in cocoa production, according to the International Cocoa Organization. *(Business Week)*

The Deputy Consul -General of China to Nigeria, Qui Jian has said that the current volume of trade between the two countries totalled USD 10bn. He was optimistic that the figure will improve in the months ahead. Jian who gave the hint in an exclusive chat with THISDAY in Lagos last weekend, stressed that with the two countries currently experiencing relative economic boom in this period when most nations of the world are going through economic recession, the potential of increasing business volumes between both nations was very feasible.

The Chinese envoy explained that with a relatively wide gap between Nigeria and China in the area of infrastructure, there was a major opportunity in the two nations for investment in the development of infrastructure in Nigeria to meet global standards and expectations. According to him, “I can say the trade volume between the two countries is more than USD 10bn. And we would want to still do more because we need each other to grow. We are open to not just Nigeria but other African countries as well, because most of them are under-developed so there is a need to invest in them in order to bring about progress and development, we need progress and we need improvement, this leaves us with plenty room to actually do more.”

The Chinese ambassador stressed China’s interest in Nigeria’s infrastructure development, saying “you know china is very good at building infrastructure, if you look at china, you will see the advancement in the area of constructing highways, buildings and other infrastructure. In just ten years china became the

number one highway builder in the world, Chinese companies are very good in the building of these infrastructure."

"And President Jonathan is very committed to providing infrastructure for Nigerians in the areas of education, roads, medical facilities and communications. These are areas of possible cooperation for Nigeria and China in which I can see a good future," he added. Highlighting the sections where Nigerian businesses can benefit from the Chinese market he said the areas of manufactured products and machines were sections that Nigerian businesses were exploiting.

"I believe it is in the area of manufactured products, a lot of Nigerian people go to china every year just for trade, which is a very good sign for our bi-lateral trade progress. China also produces a lot of products specially customised for the Nigerian market, which is a good thing because it serves the needs of the people better and in a specific way too. "Every quality is dependent on how much energy or money that is spent on it. In china goods are sometimes customized to meet the taste of different consumption levels. If you are willing to pay a high price then you can expect a high end product that will be suited to your taste because it will require the use of expensive raw materials for its production.

There are also goods which are produced as substitutes for these high end products by using different raw materials which will not be as expensive as the ones used in the production of the high end goods," the envoy stressed. The major difference in our products, lie in the durability of these products and not in the quality because the high end products are actually made from raw materials that guarantee durability and are more expensive, while in terms of functionality, you will see that all products are made to function efficiently. *(This Day)*

The Central Bank of Nigeria (CBN) yesterday intervened with USD 250m at the Foreign exchange market, 11 of its series since the beginning of the year. In a memo to all authorized dealers signed by the central bank's acting director, financial market department, E.U Ukeje, the bank asked authorized dealers to submit their bid requests to the CBN, Abuja

They were also reminded that their current accounts with the CBN must be adequately funded at the time of disbursement, failing which the bids would be disqualified "Further to our circular reference FMD/FED/CIR/GEN/01/082/10 of December 29, 2010, the CBN hereby intervene with an offer of USD 250m for sale at the Foreign Exchange auction No 11 on Monday, February 13, 2012", it said.

Of the total USD 250m offered, all were sold with 21 banks participated and the naira closed at 156.50 to a dollar. All the 21 banks that bidded were successful. The last time the apex bank intervened in the FOREX market was on February 1, 2012 with USD 250m where it invited bids for 1-month tenor maturing on March 5.

The highest so far this year was USD 450m offered on February 8 where the naira closed at 156.50 to the dollar. The weighted average rate was 156.96 against USD. The highest bid rate was 157.15, while the lowest bid rate was 156.50 against USD. *(Daily trust)*

Federal Inland Revenue Services (FIRS) says it collected NGN 4.62tn as tax revenue in 2011, as against NGN 3.63tn target it set for itself for the year. It realized NGN 2.83tn in 2010. Out of these, NGN 3.11tn was realized from oil and gas taxes as against NGN 1.31tn collected in 2010. Petroleum Profit Tax accounted for NGN 3.07tn, while gas income was NGN 45.22bn.

The revenue agency said it collected NGN 1.51tn in non-oil taxes in the year under review, compared to NGN 1.31tn recorded in 2010. "This performance is as a result of the ongoing reform in the service's drive to reposition the Nigerian tax system and make taxation the pivot of the nation's sustainable development," the agency's Director, Corporate Communications Department, Emmanuel Obeta said.

The breakdown of the non-oil taxes shows that NGN 663.02bn was collected as Company Income Tax; NGN 77m from Capital Gains Tax; NGN 6.42bn as Stamp Duty; and NGN 659.15bn from Value Added Tax. The VAT revenue represents non-import VAT of NGN 492.06bn and the Nigeria Customs Service import VAT of NGN 167.09bn.

Education Tax recorded NGN 130.74bn while, National Information Technology Development Fund (NITDF) accounted for NGN 8.67bn. Personal Income Tax accounted for NGN 43.47bn and Pre-Operational Levy yielded NGN 0.40bn. The Executive Chairman of FIRS, Ifueko Omoigui Okauru said the agency is determined to raise the tax revenue base of the country this year. *(Daily Trust)*

Revenue from Nigeria's oil offshore is estimated to hit NGN 54tn by the end of the year, the Minister of Petroleum Resources, Mrs. Diezani Allison-Madueke has said. She said both the indigenous and international oil service firms in the country are currently working to strategically position it for the emerging massive investment profile in the global offshore petroleum sector.

Madueke said this on Monday during her visit to the Ladol Free Zone in Lagos, where she also said oil service firms have continued to display sophisticated offshore support facilities which would position Nigeria to reap from the massive offshore spends and make Nigeria a hub of the continent. She said the shallow water productions would increase by 20%; and deepwater by 99%. She said that deepwater investment is estimated to hit USD 152bn (N22.8 trillion) in the next five years.

She said: "For Nigeria to grow and progress in the oil and gas sector in the way and manner that government intended to grow, we need the combined efforts of stakeholders and visionaries such as those who are behind the operations at Ladol, because I think we can ensure by the next two years that we really and truly bring Nigerian content into its own.

"The capabilities that these companies are impacting through Nigerians, as seen at the whole places we visited, where a number of Nigerians are being trained to meet international standards, are great." Speaking, the Managing Director of Ladol, Amy Jadesimi said that several initiatives covering human capital development, facility upgrade and hi-tech integration programme would boost the country's participation in the sector and boost national earnings.

According to her, given suitable deepwater support facilities, Nigeria can become the oil and gas hub for Africa which will attract tens ofbns of dollars into

the country. She said her company has invested over USD 125m in the last ten years when it commenced operation, adding that plans are underway to improve on the investment portfolio.

"Through the hard work and sacrifice of many Nigerians, we have now created Nigeria's first and only 100% indigenous deep offshore logistic base. Over N10bn in Customs duties have been collected, while over 500 jobs have been created and this is just the beginning," she said. *(Daily Trust)*

Fertiliser production in Nigeria is set to get a major boost as a new fertiliser production outfit, First Premium Fertiliser Company is set to commence the production, sales and distribution of fertiliser in Calabar, Cross River state. Paul Kaizer, the managing director of the company,who led a management team on a courtesy to call to Samuel Ortom, minister of state for Trade and Investment, yesterday said the company was willing to put USD 100m into the plant in the next 18 months.

According to Kaizer, the company is ready to partner with the ministry and other relevant agencies of government, to bring down the prices of fertiliser, create jobs for Nigerians and enhance the productive capacity of Nigerian farmers. "You know agriculture employs about 60% of the country's population but we also know that the sector needs a lot of support, especially in the area of having easy access to fertiliser at cheaper rates"

He continued: "We are building a pan African brand that will serve the entire West African sub region. The raw materials are here, the huge market is here and the favourable economic climate too. This is our way of keying into the transformation agenda of the present administration." Kaizer however sought the assistance of the Federal Government in the dredging of the Calabar Port to enable the importation of big vessels.

Another challenge his company may face, he said, was the cumbersome process of clearing of goods at the ports, since 13 agencies have to be passed through. Responding, the minister, who was represented by Dauda Kigbu, the Permanent Secretary, informed the visitors that the issue of dredging the Calabar Port would be handled alongside the ministry of transport.

On the issue of delay in the clearance of goods, the minister said it had been resolved by the Federal Government. He added that the timeline for clearing goods was recently reduced from 35 days to 5 days even though that government was working on how to reduce it further. *(Business Day)*

Nigeria's foreign exchange reserves rose just over 4% on the month to USD 35.03bn on Feb. 13, their highest in six months, central bank data showed on Wednesday. Reserves a year ago stood at USD 34.44bn.

Reserves had been declining for the last three years despite record high prices for oil, the source of around 95% of Nigeria's foreign exchange earnings. But some of the broader pressure on the naira has eased, allowing the central bank to spend less of its reserves propping up the currency while global prices for crude surge toward USD 120 a barrel.. *(Reuters)*

The Federal government has said that it will continue to encourage investors and financiers willing to invest in the nation's power sector.

Minister of Power, Professor Barth Nnaji, who disclosed this in a statement expressed satisfaction with the support given by General Electric Corporation on its pledge to take up a minority interest in emerging power generation companies that employ its technology.

In the statement signed by his Special Assistant (Media), Ogbuagu Anikwe, the minister said GE Corporation has neither constructed nor agreed to construct a 10, 000 MW power plants in the country during his recent meeting with the company's officials. He said: "At various meetings with government officials, GE says it is ready to partner with credible core investors in the power generation subsector by supplying world class turbines capable of delivering a combined 10,000MW of electricity.

"Consequently, let it be noted that General Electric has not offered on its own to construct a power plant in Nigeria. The company is not in the business of constructing power plants anywhere in the world but, among other things, manufactures turbines which are a key component of power generation." *(Daily trust)*

To reduce fiscal deficit and minimise domestic borrowing, the Federal Government has slashed NGN 100bn from the 2012 budget, which will be transmitted to the National Assembly soon. The Co-ordinating minister of the Economy and Minister of Finance, Dr. Ngozi Okonjo-Iweala, disclosed this to reporters in Abuja yesterday. She said the revision became necessary as a result of the need to make provision for subsidy arising from the partial deregulation under which the price of Petroleum Motor Spirit (PMS) otherwise known as petrol, was reduced from NGN 141 per litre to NGN 97 per litre.

The reductions, which amounted about NGN 100bn, were taken from the recurrent expenditure. Areas affected include administrative, training capital votes, transport and other costs. Also, she said the campaign against waste and leakages has also notched up significant success as NGN 74bn has been saved through biometric verification of workers and pensioners. This has simultaneously led to a reduction in the pension budget and improved the processes for paying genuine pensioners.

The minister explained that the 2012 Fiscal Framework earlier submitted to NASS assumed 100% subsidy removal and only NGN 155bn was provided for carryover of 2011 subsidy payments. The estimated figure for 2012 is now NGN 888bn inclusive of some carry-over from last year. Following the controversy over the deregulation and government's decision to implement partial subsidy removal with PMS pump price of NGN 97/litre and kerosene still fully subsidised, the government had faced the challenge of achieving the objectives of the budget within the context of reduced revenues.

"The savings made and the cuts achieved underscore the seriousness with which the Federal Government views its mandate to make a difference in the lives of the people against all odds," says the minister. The minister listed the steps taken to minimise the fiscal deficit and domestic borrowing, to include the squeezing of further resources from revenue generating agencies, which has led to the Internally Generated Revenue (IGR) to increase by NGN 53.3bn from NGN 393.46bn to NGN 446.78bilion and the recovery of about NGN 151bn by the Pension Task Force of which NGN 74bn has already been reflected in the 2012 budget.

Others include cuts in aggregate expenditure with transfers reduced by NGN 25.34bn; Service Wide votes cut by NGN 24.39bn from NGN 337.08bn to NGN 312.69bn while overhead vote was slashed by NGN 17.75bn. Besides, she said Capital vote was reduced by NGN 35.53bn from NGN 1.319tn to NGN 1.284tn, as a result of the removal of administrative capital items. "These efforts resulted in savings of about NGN 100bn, with aggregate expenditure coming down from NGN 4.749tn to NGN 4.649tn," she explained.

She said fiscal deficit increased slightly from 2.77% of Gross Domestic Product (GDP) as in the original budget proposal to 2.97per cent of GDP under the revised budget. This deficit, she explained, will be financed through the traditional sources such as privatisation proceeds and signature bonus. In line with the focus on prudence, domestic borrowing requirement is kept constant at NGN 794.4bn. Also, the additional amount required to finance the deficit will come from the Excess Crude Account, she added. *(Daily Trust)*

Nigeria has revised upwards its outlook for the budget deficit this year due to the cost of partially reinstating petrol import subsidies and will pay for the move with crude oil savings. The finance ministry said on Thursday the 2012 deficit would reach 2.97% of gross domestic product, up from 2.77% in its previous fiscal plans outlined in December.

Nigeria's government removed fuel subsidies on January 1 but was forced to reinstate them partially after tens of thousands took to the streets in more than a week of protests over the increased cost of petrol. The budget revisions show that the spending plans put to lawmakers in December included no provision for paying fuel subsidies this year, although Finance Minister Ngozi Okonjo-Iweala had refused to confirm this up until now.

The subsidy will soak up 888bn naira out of the 2012 budget. The federal government will be giving up 309bn naira for the subsidies, while the rest will be taken out of spending for state and local government. The federal government will make up the shortfall by taking almost USD 2bn from the excess crude account (ECA). Africa's biggest oil producer saves money it earns from crude exports over a benchmark price into the ECA to help cushion its economy from potential oil price shocks.

The ECA contained more than USD 20bn in 2007 but despite a period of record high oil prices since, the account has been drained and only contained USD 3bn at the end of last year. "The latest revisions may not sit wholly comfortably with investors," said Razia Khan, head of Africa research at Standard Chartered. "First, there was never any real transparency or clarity around the treatment of the fuel subsidy in the first version of budget 2012. Now, the market is told that the failure to remove it in full has necessitated these amendments."

The Finance Ministry said it would fund the rest of the increased deficit from privatisation proceeds, oil signature bonuses and by cutting costs and squeezing out more revenues from government offices. Domestic borrowing remains at 794bn naira, as in the last proposal. Total expenditure in the new budget plan will be 4.649 trillion naira, down from 4.749 trillion in December.

"Ordinary this (subsidy reinstatement) would have resulted in a very large deficit ... (but) the government has taken very strenuous steps both on revenue and

expenditure to reduce the impact of partial deregulation," the finance ministry proposal said. Nigeria passed a law in May last year to set up a sovereign wealth fund (SWF) but powerful state governors have tried to block its launch and there is no clarity on its status.

The SWF was supposed to replace the ECA, which can be too easily dipped into by government. The SWF is supposed to save money for future generations, finance infrastructure projects and provide a stabilisation fund to defend the economy against commodity price shocks.

"Given that Nigeria is an oil-exporting country, fiscal savings during times of high oil prices are vital to smooth unexpected external shocks," said Samir Gadio, Africa economist at Standard Bank. "The ratio of fiscal savings-to-GDP is well below the ratios displayed by other oil-exporting peers ... The imbroglio over the SWF needs to be urgently addressed," Gadio added. *(Reuters)*

The Chairman House Committee on Capital Market and Institutions, Mr. Herman Hembe said Thursday that the law that would encourage more companies in the oil gas and telecommunications sectors of the Nigerian economy to list on the Nigerian Stock Exchange (NSE) would be ready this year. Hembe stated this at the Capital Market Solicitors Association (CSMA) members' forum with theme: 'Reawakening the Capital Market through Participation of Key Players in the Economy', hosted by Babalaki & Co in Lagos.

According him, the bill was already before the House of Representatives. He assured that the committee would work with its counterpart in the Senate to ensure that the bill became law before the end of 2012. "Parliament needs to lead the fray and is doing so to ensure that national economic growth is engendered via capital market. We are in the process of looking at the bill, having useful engagements within parliament and with other stakeholders that will lead to the passage of the bill to an act we can all be proud of," he said.

According to him, contrary to apprehension that the bill would make it compulsory for the telcos and upstream oil firms to list their shares on the exchange, the committee was working towards a law that would encourage those firms to list and enjoy numerous benefits. "To engender a willingness to participate, we should provide a legislation that covers incentives, unbundling of stringent eligibility requirements that create high barriers for potential entrants and hinder participation by willingness business and the adoption of options that promote foreign investment in our economy under terms that support our national interest without exposing the market to the dangers of the past," he said.

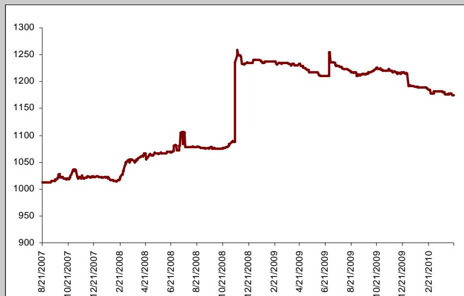
He noted that the overall goal of the project (legislation) was to deepen the equities market and support the wealth creation initiatives of the NSE in a manner that allowed it to reflect and complete economic loop between key economic sectors and market segments on the bourse. "The House Committee intends to work closely with the NSE, Securities and Exchange Commission (SEC), Ministry of Trade and Commerce and the Ministry of Finance on providing fiscal and legislative backing for clear and unambigous set of rules that local and foreign players can relate to using best practice benchmarks," Hembe said.

Meanwhile, trading at the stock market continued on a bearish note as the NSE

All-share Index fell further by 0.08% to close at 20,314.08, while the market capitalisation of equities closed lower at N6.402 trillion. Investors traded 700,827m shares valued at N2.276bn exchanged in 3,513 deals. *(This Day)*

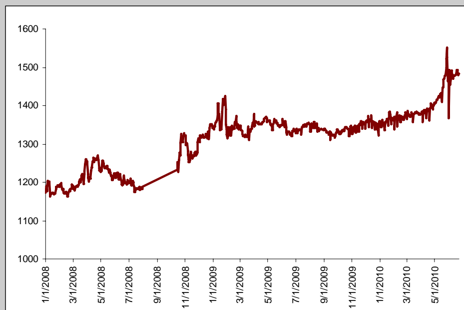
Tanzania

Dar-es Salaam Stock Exchange



Source: Reuters

TZS/USD



Source:SAR

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-9.907	-9.086	-9.7
Current account balance (USD bn)	-2.195	-2.15	-2.477
GDP based on PPP per capita GDP	1,414.36	1,487.35	1,578.68
GDP based on PPP share of world total (%)	0.082	0.085	0.088
GDP based on PPP valuation of country GDP(USD bn)	57.335	61.5	66.582
GDP (current prices)	546.63	572.25	605.346
GDP (Annual % Change)	4.954	5.649	6.74
GDP (US Dollars bn)	22.159	23.862	25.531
Inflation(Annual % Change)	7.251	7.028	7.126
Inflation (Annual % Change)	6.659	6.423	5.5
Population(m)	38.2	38.964	39.743

Source: World Development Indicator

Stock Exchange News

The DSEI gained a marginal 0.51% to close at 1,310.29 points. Tanzania Breweries was the only counter that recorded a price change after gaining +9.09% to close the week at TZS 2,400. All the other counters remained unchanged.

Corporate News

Norwegian oil and gas firm Statoil has encountered indications of natural gas in a "good quality reservoir" in the Zafarani-1 well in Block 2 offshore Tanzania, it said on Friday. The firm added that it was too early to give any indication on the size and commerciality of the find. Statoil holds 65% of the bloc while ExxonMobil has the remaining 35%. *(Reuters)*

Economic News

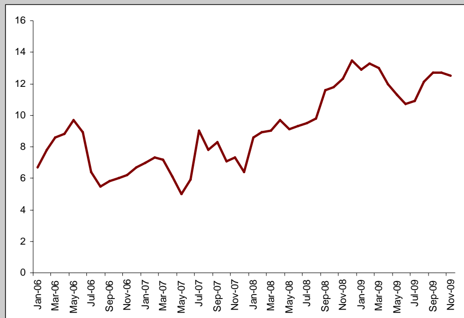
Tanzania's central bank said on Friday it plans to launch the country's first credit reference databank in September, in a move aimed at tackling high lending rates in east Africa's second biggest economy. Tanzania's average deposit rate stood at 2.6% in October, up from 2.3% in September, while lending rates were at 14.9%, up from 14.8% a month earlier.

The central bank said it would administer the databank, while it would issue licences to private credit reference agencies. It invited companies last year to apply for licenses to set up credit reference bureaus. The hope is that the pooling of credit information will reduce the risks of lending, and so bring down loan rates and increase the supply of credit to businesses to fuel growth.

"Borrowers may use their positive credit history as collateral to access loans at better rates and seek more competitive terms from different lending institutions," the Bank of Tanzania's deputy governor in charge of financial stability, Lila Mkila, said in a statement. "Some credit reference bureau operators, including some renowned international credit bureaux, have shown interest and we expect to receive applications from some of them in the very near future," said Mkila. Mkila said the database would be tested in June and was expected to go live in September. The central bank said a credit reference bureau was required to have a minimum paid-up capital of 650m shillings (USD 407,000) to be eligible for a licence.

"By addressing the problem of information asymmetries, the credit information sharing system is expected to promote increasing levels of trust between lenders and borrowers, resulting in an increased volume of credit in the

CPI Inflation



Source: SAR

economy." Credit to the private sector grew at an annual rate of 31.9% in October compared to 20.3% a year ago. *(Reuters)*

Tanzania's y/y inflation rate eased marginally to 19.7% in January from 19.8% a month before, driven lower by energy prices, but analysts said the decline was likely a temporary reprieve. The National Bureau of Statistics (NBS) said on Wednesday energy prices rises slowed to 30.1% y/y in January from 41.0% in December, pushing the inflation rate lower.

However, consumer prices are expected to sustain an upward movement in the coming months, analysts said. "I can't say this is the turning point for the inflation rate... calculations for the annual inflation rate for January did not take into consideration the electricity tariff increase that took effect from mid January," Ephraim Kwesigabo, director of population census and social statistics at NBS told Reuters.

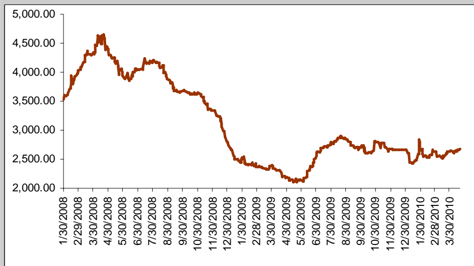
Tanzania's state-run power company raised electricity tariffs by 40.29% on Jan. 15, citing rising costs of energy generation from oil-fired turbines and fuelling inflationary expectations. "Electricity is a key factor in production... prices will continue to rise in the coming months if we don't solve the power crisis," said Aloyce Mwamanga, president of the Tanzania Chamber of Commerce, Industry and Agriculture.

Inflation rose throughout east Africa for most of 2011, drawing aggressive tightening measures, that have driven interest rates through the roof, unsettling local bond markets, and causing social tension and street protests in Uganda. However, the rates of inflation in Uganda and Kenya appear to have turned the corner, analysts say, after an aggressive tightening of monetary policy in both economies.

Tanzania has taken some steps to tackle rising prices, but not the same monetary shock therapy administered by its neighbours. Tanzania President Jakaya Kikwete said in January he expects the y/y inflation rate to fall to single digits by June this year, but analysts are at odds with the forecast. *(Reuters)*

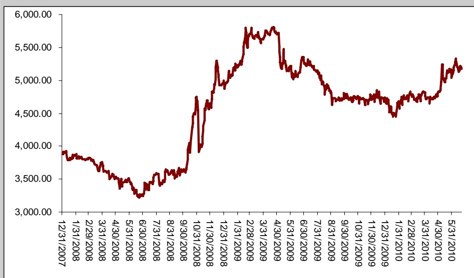
Zambia

Zambia Stock Exchange



Source: Reuters

ZMK/USD



Source:SAR

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-3.935	-2.871	-2.561
Current account balance (USD bn)	-0.484	-0.453	-0.469
GDP based on PPP per capita GDP	1,544.01	1,615.66	1,696.23
GDP based on PPP share of world total (%)	0.026	0.027	0.027
GDP based on PPP valuation of country GDP(USD bn)	18.482	19.711	21.091
GDP (current prices)	1026.921	1294.482	1472.322
GDP (Annual % Change)	4.537	5.042	5.495
GDP (US Dollars bn)	12.293	15.792	18.307
Inflation- Ave Consumer Prices(Annual % Change)	13.989	10.201	7.261
Inflation-End of Period Consumer Prices (Annual %)	11.996	8	7.017
Population(m)	11.97	12.2	12.434

Source: World Development Indicators

Stock Exchange News

The LuSE index gained +2.99% to close at 3,824.63 points. ZCCM, FQMZ and Zambia Sugar led the gainers after putting on +25%, +19.89% and +17.39% to close the week at ZMK 12,500, ZMK 5,395 and ZMK 270.00 respectively while Investrust was the only loser after shedding -0.52% to ZMK 19.10.

Corporate News

No Corporate News this week

Economic News

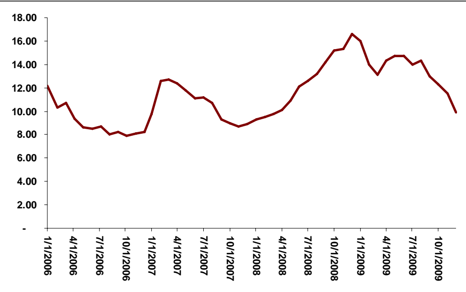
Copper production in Zambia, Africa's top producer of the metal, rose to 869,058 tonnes in 2011 from 852,566 tonnes the previous year, the central bank said on Monday. Exports between January and December also rose to 876,555 tonnes from 829,726 tonnes the previous year, the central bank said in a fortnightly statistics report. Cobalt production dropped to 7,701 tonnes in 2011 from 8,648 tonnes the previous year and exports also fell to 7,271 tonnes from 8,641 tonnes in 2010, the Bank of Zambia said. *(Reuters)*

Zambia and Zimbabwe have signed a memorandum of understanding (MoU) to jointly construct the 1,650 mega watts Batoka Hydro-power project which is estimated to cost in excess of USD 4bn. Energy and Water Development Minister Christopher Yaluma confirmed the development in Lusaka yesterday, saying the agreement was signed during the Council of Ministers which was held at Kariba in Siavonga last weekend.

Recently, the Zimbabwean government agreed to pay off more than USD 70m it owes Zambia for the sale of the Central African Power Corporation (CAPC) assets which were jointly owned by the two countries. Mr Yaluma said the agreement was dependant on Zimbabwe's commitment to pay off the debt it owed Zambia on time. He said the two countries had agreed in principle and was now going into capital sourcing. The minister said Government was already in talks with the possible funders, who would bankroll the project. "This means that Zimbabwe will have to pay off the debt without defaulting and this is expected to be paid within a period of three years," Mr Yaluma said.

Plans for the project were initially mooted in 1993, but the Zambian Government was reluctant because of the outstanding debts which it wanted Zimbabwe to clear first. The proposed Batoka Power project site is located below the Victoria Falls on the Zambezi River and once completed would

CPI Inflation



Source: SAR

boost power supply in the two countries.

Mr Yaluma said the Government had mandated Zambezi River Authority and Zimbabwe Electricity Supply Company to commence and conduct a feasibility study. He said the project was expected to commence soon when all logistics were in place.The meeting was attended by the Attorney General, Finance and Energy ministers from both Zambia and Zimbabwe. *(UK Zambians)*

Zambia has invited tenders for the supply of 1.4m tonnes of oil for a period of two years starting this year, the Zambia public procurement agency said on Thursday. The 1.4m tonnes of petroleum feedstock should be in cargo lots of 60,000 to 120,000 tonnes and delivered at evenly spread intervals, the agency said in a statement.

The oil should be configured to Zambia's 24,000 barrels-per-day Indeni refinery, which does not process pure crude oil. "Bidders should note that they will be expected to supply the first cargo by July 2012 in Dar-es-Salaam," it said. Zambia, Africa's top copper producer, imports all its petroleum requirements, mainly from the Middle East, through the port of Dar-es-Salaam in Tanzania.

The procurement agency will hold a pre-bidding meeting for all interested suppliers in Lusaka on Feb. 29, it said. Zambia previously contracted global trader Glencore to supply feedstock under a two-year contract from March 2010. *(Reuters)*

Zambian bond yields are expected to remain broadly flat at an auction today, the biggest of the year so far, though yields on more popular shorter-dated paper could fall marginally due to competitive bidding. The sale of ZMK 200bn (USD 38.5m) of bonds with tenors ranging from two to 15 years is likely to be fully subscribed, traders said. However, offshore interest may be modest given the more attractive yields on offer in Kenya and Uganda.

"It's likely to be fully subscribed," said one trader. "We see demand on the shorter end of the curve, the 2 to 5-year tenors. The market has a preference for the shorter-dated papers. The longer-dated paper can tend to be quite illiquid." The 2-, 3- and 5-year bonds would also be in shorter supply, as there were more bonds on offer and the auction size had not increased, the trader added.

"It will increase demand for those particular tenors," he said. "It will be more competitive to bid on the shorter end of the curve than it would be normally. Yields should be positioning to remain flat or come off marginally." Yields on the 2- and 3-year bonds eased to 12.41% and 13.04% respectively at a January auction, from 14.7% and 15.15% the previous month. The 5-year bond's yield fell to 14.20% from 15.42%.

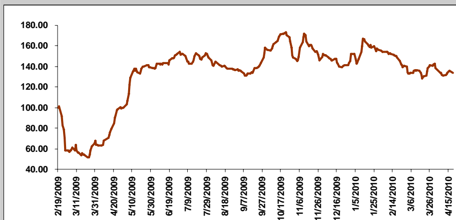
The bulk of demand at today's auction is likely to come from local banks and pension funds, said one senior trader, as foreign interest has been muted since presidential elections last September. The high yields on offer in Kenya and Uganda were also more appealing to offshore investors.

"At the moment, there's not much appetite," the senior trader said. "If you look at where we tend to be compared with Kenya and Uganda, where yields are a

bit on the high side right now so most of the capital should be flowing there." *(Reuters)*

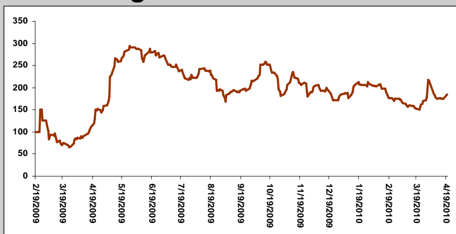
Zimbabwe

ZSE Industrial Index



Source: Reuters

ZSE Mining Index



Source: Reuters

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-21.357	-19.898	-19.582
Current account balance (USD bn)	-0.76	-0.84	-0.946
GDP based on PPP per capita GDP	303.146	359.739	411.761
GDP based on PPP share of world total (%)	0.004	0.005	0.005
GDP based on PPP valuation of country GDP(USD bn)	3.731	5.954	5.983
GDP (current prices)	303.146	359.739	411.761
GDP (Annual % Change)	3.731	5.954	5.983
GDP (US Dollars bn)	3.556	4.22	4.831
Inflation- Ave Consumer Prices(Annual % Change)	9.00	11.96	8.00
Inflation-End of Period Consumer Prices (Annual %)	0.813	8.731	7.4
Population(m)	11.732	11.732	11.732

Source: World Development Indicators

Stock Exchange News

The market closed the week on a positive note with Industrial Index gaining +2.85% to 147.25 while Mining Index rose +21.95% to 101.45 points. AFRE and Cains led the movers after gaining +162.96% and 60% to close the week at USD 0.071 and USD 0.008 respectively. Other gains were recorded in ZBFH up +46.15% to USD 0.19 and Hwange which put on +40% to USD 0.40. Bindura and Celsys led the losers after shedding -27.27% and 25% to USD 0.02 and USD 0.0003 respectively. Other notable losses were recorded in Powerspeed (-21.21 %), Border (-20.00%) and NMB (-11.02%)

Corporate News

Zimbabwe plans to put half of its electricity consumers under prepaid meters by year end, Public Works minister Joel Gabuza has said. He told a Government Works Programme in Harare last week that the country's power utility company, Zesa had mapped out a strategy to implement the project meant to bring an overhaul to the shambolic billing system through accurate reading and pay-as-you-consume costing as compared to the current exorbitant estimates.

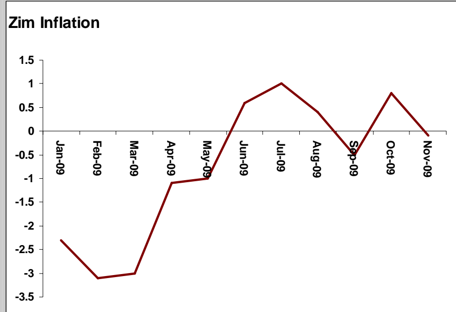
"The tender process has been completed and what remains is for it to be effected," he said. In a statement, Zesa announced that it had successfully concluded contract negotiations with successful bidders on the prepaid metering project. The company said installation of the smart meters will be done in the shortest time possible. "The plan is to have meters installed over a period of 18 months.

"We are also at the same time going to run a pilot project to test smart metering, with a view to employing this technology as part of our strategy towards establishing a smart grid, to address efficiency in electricity utilisation," Zesa said in a statement. The utility said the compact fluorescent lighting programme, which entails replacing inefficient incandescent lights, will soon be underway.

Zesa said it had upgraded its billing system, to include modules that will also be used with the smart metering system, amid concerns customers were being ripped off through the company's estimate charges. Gabuza, however, said implementation of all the projects was stalled by delays at the State Procurement Board (SPB). "There are a lot of projects that are being delayed at the SPB because they have so much to do."

Last year, Zesa was forced to reverse a public tender for purchasing the prepaid meters after it emerged that the winning bidder only intended to lease the equipment. The tender draw back resulted in Zesa having to reschedule implementation of the project to first quarter of 2012, from an initial 2011 target. Justin Mupamhanga, secretary for energy and power development, told

CPI Inflation



Source: SAR

Parliament's portfolio committee on Mines and Energy that the tender hiccup was stalling the critical power management project.

"The winning bidder actually wanted to lend the equipment to Zesa at a cost of USD 0,65 per transaction which would make power more expensive so they have gone back to the original list for reconsideration," he said. The compact fluorescent lighting project was also delayed by tendering problems. Mupamhanga said distribution of about 5,5m energy-saving bulbs across the country to reduce energy demand, initially slated for the last quarter of 2011, would also be done in the first quarter of 2012.

Power deficits in the country have resulted in constant power outages that have become a major challenge to industry. Latest reports indicate Zesa is reported to have capacity to generate about 1 200 megawatts (MW) compared to a rising national demand of about 2 200MW. Although there is a number of small independent power producers, their output is mostly for own consumption.

Zimbabwe Energy Regulatory Authority chairman Canada Malunga recently said New Zimsteel majority shareholder Essar Africa Holdings (Essar) has applied for a power generation licence, which could see the steel maker producing 600MW. Essar together with China Africa Sunlight which is seeking to produce 120MW submitted their applications last week. *(News Day)*

A board restructuring is imminent at Renaissance Merchant Bank after the National Social Security Fund gained control of the bank, having acquired an 84% controlling stake last week for a cash consideration of USD 24m. RMB curator Mr Reggie Saruchera on Friday announced that NSSA had completed the takeover of RMB, in a move likely to see the bank moving out of curatorship when the period lapses at the end of this month.

As the majority shareholder in the banking arm, NSSA is most likely going to make significant changes to the board in a bid to protect its investment. The transaction would see a cash injection of USD 9,8m into the bank, helping it to meet the Reserve Bank of Zimbabwe's minimal capital threshold of USD 10m for merchant banks. The agreement will result in the conversion into equity of a debt of USD 8,5m and the assumption of a debt of USD 5,7m owed to Econet by Renaissance Financial Holdings Limited and RMB.

Mr Saruchera said shares held by RFHL, Renaissance Investment Banking Corporation and Renaissance Securities in Afre would be transferred to RMB as settlement of USD 13,3m owed to RMB by RFHL. Econet Wireless, according to the transaction, is also expected to sell its shareholding in Afre to NSSA. Econet controlled 19% of Afre. "We are thankful that the requisite approvals for the agreement have been received from the relevant authorities," said Mr Saruchera.

Clearance has been received from the ministries of Finance; Labour and Social Services; Youth Development, Indigenisation and Empowerment; RBZ and the Registrar of Banking Institutions. "The parties are working towards obtaining a few outstanding approvals which we are confident shall be granted," said Mr Saruchera. The conclusion of the deal comes at a time when the two factions of the RFHL board issued conflicting statements regarding an EGM slated for January 17 2012 but subsequently postponed to January 25.

Shareholders representing 77% stake in the company went ahead with the

unsanctioned meeting to fire board chairman Professor Christopher Chetsanga, and two other directors, Mr Collin Kahuni and Mrs Monica Maitirwa Mukonoweshuro. But the Reserve Bank of Zimbabwe dismissed the firing of the three, arguing that the meeting was illegal as it had not been sanctioned by the central bank and the bank's curator, Mr Saruchera.

RMB was placed under curatorship for six months in June last year to facilitate investigations and to institute corrective measures following dealings that allegedly exposed the bank to a negative capital of USD 16m. The curatorship period was further extended to February 2012 and Mr Saruchera's tenure was also extended for the same period. *(Herald)*

The national Indigenisation and Economic Empowerment Board (NIEEB) has recommended Indigenisation minister Saviour Kasukuwere to cancel Masawara Plc's acquisition of BP & Shell Marketing Services (BPSMS) local assets. NIEEB in a 23-paged report in possession of businessdaily, said Masawara had misrepresented its shareholder composition and failed to implement an employee shareholder scheme among other conditions of acquiring the business.

"We recommend revocation of the approval. The legal implication will be that the two parties will not be legally able to conclude their agreement. Both parties will revert to status quo ante. "The company will continue to operate under BP and Shell through local management until properly indigenised," the report said. "The continuance of the transaction is ultra vires the indigenisation laws. The transaction approval was procured through misrepresentation and fraudulent non-disclosure of information, an imprisonable offence in terms of the regulations."

"It is not in the best interest of the country to allow the transaction to continue," the NIEEB Compliance department said in the document. The board said Masawara had deliberated misrepresented to the ministry the actual buyers of the fuel assets as the company that applied for regulatory approval and the eventual owner of the BPSMS assets were completely different."

"Therefore we are convinced that minister can now take action without further ado based on the information used to compile this report." "Further Ernest and Young London has attested to the veracity of these statements. The shareholding between the applicant and the eventual owner of the assets is different. The eventual owner (being MEM) through FMI Energy Zimbabwe) is offshore, yet the applicant is onshore, being FMI Zimbabwe," read part of the NIEEB investigative report.

"What is happening as a result is externalisation of business proceeds from the assets through possible supply contracts and transfer pricing." Business tycoon, Shingai Mutasa, for and on behalf of FMI Zimbabwe (Private) Limited in correspondence dated October 25, 2010 to Minister of Youth, Indigenisation and Empowerment said: "FMI Holdings (Private) Limited is an investment company incorporated in Zimbabwe in terms of the Companies Act (Chapter 24:03), under registration number 3181/90.

"The shareholders are Listerton Investments (Private) Limited, a company that is wholly owned by the Shingai Mutasa Family Trust; S Mutasa and L Mutasa." "The other shareholders in Masawara Plc are institutional and private investors,

primarily based in the United Kingdom. The only single shareholder is Invesco Plc which holds approximately 29,5% of Masawara. Invesco is an inactive shareholder in Masawara, with no representation on the Board of Directors, and no influence over the operations and investing activities of the Masawara Group."

The initial proposed structure provided for three entities, being Masawara Plc, Masawara Mauritius Limited and FMI Zimbabwe. FMI Zimbabwe is wholly owned by MML, while MML is wholly owned by Masawara Plc. As of March 24, 2011, Masawara Plc, through MML and an entity known as Alveir Management Ltd established a joint venture over an entity called Masawara Energy Mauritus Ltd (MEM).

The shareholding in MEM is given as 51% Masawara Plc and 49% Alveir Management. In terms of the current group structure MEM now wholly owns another entity, FMI Energy Zimbabwe. Mem now owns BP and Shell assets through FMI Energy Zimbabwe. "This is despite the fact that it was another entity FMI Zimbabwe which applied for approval to acquire the assets."

By June 2011, FMI Holdings share in Masawara Plc was diluted from 68% to 51%. "Alveir Management, holding 49% in MEM, is an unknown entity which was not disclosed during the application process. Their beneficial interest in BP and Shell is plus 49% equity plus USD 5,5m loan," reported NIEEB. NIEEB in the report said the shareholding of FMI holdings in the whole group had been diluted to 26%, below the approved threshold.

"Depending on the conditions of the loan advanced by Aveir Management to Masawara Plc for the purchase of the BP and Shell assets, the indigenous shareholding could further be diluted. "It should be noted that Mutasa, borrowed funds from an unknown bank on October 31, 2011 and offered USD 50m FMI Holding shares in Masawara Plc as security for the loan. This constitutes 79,36% of his entire shareholding in Masawara Plc."

"This could further dilute the indigenous shareholding of FMI Holdings in Masawara Plc," reported NIEEB. NIEEB says in light of the group shareholding structure, this scheme is not possible because the company that actually owns BP and Shell assets is offshore, based in Mauritius, and it is not possible to indigenise it.

"The indigenous partner in the group has possibly far less than 26%, with the balance being held by non-indigenous offshore groups. Mutasa has ceded 21% of the remaining 26% as security for an undisclosed loan. Therefore there is no room for an employee share scheme in the current structure." *(Daily News)*

Econet Wireless Zimbabwe yesterday disposed of its 19,7% stake in the Afre Corporation Limited stake in a special bargain transaction on the Zimbabwe Stock Exchange. The special bargain saw 42 798 497 shares sold at 18,42 cents in a deal worth USD 7,8m. Tawanda Nyambirai, who is chairperson of both Econet and Afre, confirmed the transaction. In yesterdays, trades Afre pushed 30 cents to 3 cents in normal trades.

The disposal follows the recent conclusion of the takeover of Renaissance Merchant Bank by the National Social Security Authority(NSSA). NSSA recently took over 84% stake in ReNaissance Merchant Bank in a USD 24m deal. Under

the deal shares by RFHL, ReNaissance Investment Banking Corporation, ReNaissance Securities nominees in Afre, were to be transferred to RMB to pay the USD 13,3m owed by RFHL. *(News Day)*

The Zimbabwe Stock Exchange is contemplating fixing the minimum capital for listed companies at USD 1m, which could see five firms being delisted. The listing committee discussed the matter on Monday and proposed that minimum value for listed firms be set at USD 1m, the first review since dollarisation, said sources close to the meeting.

"This was the case before dollarisation. In other markets, we see companies with values below certain thresholds being relegated to smaller exchanges. The listing committee will engage companies on this development," said a source who was in the meeting. Certain approvals have to be sought from regulators, with the possibility of "slight" amendments to the current listing requirements. ZSE chief executive Mr Emmanuel Munyukwi was not immediately available for comment.

Companies likely to be delisted include Zeco Holdings, with a market value of about USD 46 000 as of last Monday; Steelnet, currently under judicial management; Apex Corporation, Celsys and Gulliver. But this could be an opportunity for the establishment of a secondary exchange for firms that fail to meet the new requirement. "The review is likely to see some companies losing their ZSE listing status and this will obviously put pressure on management to deliver acceptable turnaround strategies," said an analyst with Imara Securities.

"But without an alternative stock exchange, it means they cease to be public-listed entities. But if we had a secondary stock exchange, then these companies would simply be relegated to secondary exchange." The ZSE last traded in Zimdollars in November 2008 and resumed trade in February 2009 soon after the formation of the inclusive Government following a three-month suspension in trading. The suspension was at the instruction of the Reserve Bank of Zimbabwe, which alleged that some traders were using fraudulent cheques to buy stocks.

Seventy-seven companies are listed on the ZSE, with 75 actively trading. Two counters - Barbican and Steelnet - are currently suspended. As of yesterday, the total market capitalisation stood at USD 3,62bn, with about 10 counters constituting 65% of the total value. *(Herald)*

MEIKLES Limited is exploring options to reduce its USD 62m debt to manageable levels in an effort to enhance profitability. The decision comes as the company tries to overturn a USD 7m loss recorded in the half-year to September. The group has expressed concern that the loss position had not changed materially in the third quarter to December.Meikles attributed the poor performance in three months to December to low levels of liquidity and disposable incomes in the country.

"The group borrowings at approximately USD 62m have remained high and options are being explored to reduce the debt to manageable levels," said the company. Group turnover increased by 29% in the nine months to December, albeit significantly lower than the 36% increase achieved in the 12 months to March 2010. But, group performance could benefit from the USD 13m fresh capital injection into TM Supermarkets by Pick ‘n' Pay which raised its stake in

TM from 25% to 49%.

Meikles said the funding would be used for refurbishment of the supermarket chain and its branch network expansion in what should improve margins. The supermarket chain's performance has been improving since half-year. Year-on-year turnover has increased by 30%. At TM Stores, turnover was 59% year-on-year but Meikles contends the performance was below the targeted levels.

Low disposable incomes and liquidity constraints in the economy, said Meikles, affected performance in the Stores division. The Stores trading model was changed from maximising margins to increase volumes as a way to impact positively on profits. While earnings before interest charges, depreciation and tax have improved, the Stores will report a loss for the year ending March, mainly due to the interest burden on the business.

Hotels registered improvement in the quarter to December, especially Victoria Falls Hotel where occupancy averaged 57%. Meikles Hotel occupancy closed the year at 49% while Cape Grace was at 66% with revenue per available room increased by 43%, 10% and 5%, respectively. Meikles Limited said it would start refurbishment of Meikles Hotel next month and that would continue for the next seven months.

Generally, hotels are trading profitably and the group expects the division to report a profit in the full year to March 2012. But the group anticipates a loss at Tanganda in the full year to March after a combination of factors disrupted operations. Late and low rainfall, frostbite and a heat wave affected tea plantations. The heat wave destroyed about 50% of Macadamia. These factors have driven the company into a loss for the year ending March 2012.

But the plantation development is continuing. Post the half-year 32 hectares coffee, 40ha of macadamia and 34ha of avocados were planted. More land preparation is taking place while seedlings for coffee, avocados and macadamia for the next planting cycle have been acquired and are in the nursery. Going forward, the investment in TM Supermarkets will go a long way in restoring its status as the retailer of choice in Zimbabwe. Other operations are also expected to do well in the near future. *(Herald)*

Wines and spirits manufacturer African Distillers Limited (Afdis) posted a USD 1,2m profit in the half year to December 2011 compared to a USD 700 000 loss in the prior comparative period. According to the company's unaudited results, net revenues went up 39% to USD 11,1m compared to USD 7,9m at the end of 2010. Gross sales volumes increased by 36% to USD 14,3m, up from USD 10,2m in the previous period while gross margins also went up 12% to 33%.

The Zimbabwe Stock Exchange-listed group's earnings before interest tax depreciation amortisation (EBITDA) stood at USD 1,2m from a 2011 loss of USD 70 000.Cost of sales increased to USD 6,4m while other operating costs totalled USD 2,9m. Total tax stood at USD 460 000. "Whilst higher volumes and margins have impacted positively on revenue, cash generation has been hampered by the tight credit conditions prevailing in the economy," read part of the company's statement.

The company said working capital from its two major shareholders had enabled

the group to sustainably improve its ability to acquire essential raw material and finished goods. Going forward, the company targets continued sales growth and profitability into the second half of the financial year and beyond. “Trading margins should be maintained at near current levels (and) further reductions in the rand debt are planned despite the likelihood of on-going tight liquidity conditions.”

Afdis said government’s 25% surtax charge encouraged consumption of locally produced products. In its full year to June 2011, Afdis recorded a loss of USD 932 200 compared to USD 1,5m in 2010. Its full year sales increased by 32% to USD 19,4m from USD 14,m same period prior year.Annual gross margins went up to 29% from 20%. Group EBIDTA was USD 290 000 from USD 2,1m. *(Daily News)*

The Zimbabwe Allied Banking Group yesterday indicated that it had submitted its recapitalisation plan to the central bank after reaching an agreement with an international financial institution that will inject about USD 30m into the bank. Sources within the bank said the plan submitted to the reserve bank indicates that ZABG is seeking to raise funding in two phases which include funds to meet capital requirements and securing USD 100m in lines of credit.

Sources say the bank's recapitalisation plan will run parallel with other initiatives and major shareholders could also come up with another proposal. The deal is, however, still subject to approval by the central bank, Ministry of Finance and Ministry of Youth Development, Indigenisation and Empowerment. If the deal goes through it means major shareholders would be heavily diluted. Government has a 92% stake in ZABG, which it controls through Allied Financial Services. Reserve Bank Governor Dr Gideon Gono and Finance Minister Tendai Biti believe that shareholders needed to dilute their stake by inviting new shareholders who can inject fresh capital to save banks instead of clinging to their shareholding.

The Reserve Bank of Zimbabwe had given undercapitalised banks February 14, 2012 to finalise their recapitalisation plans or find credible suitors. Commercial banks are compelled to have a minimum capital threshold of USD 12,5m while merchant banks should have USD 10m. In a statement yesterday, ZABG said that it had submitted its plan in line with the call for banks to finalise recapitalisation initiatives. Royal Bank, ZABG and Genesis were the three commercial banks yet to meet minimum capital thresholds.

Meanwhile, Royal also issued a statement recently that it had submitted its revised plan to the RBZ. Presenting the 2012 monetary policy statement earlier this month, Dr Gono said there would be no further extensions to the February 14 deadline. This means that if the banks fail to meet the requirements or their plans are turned down, they will be forced to surrender their banking licences or merge operations. ZABG unbundled in 2010 from an amalgamation of Trust Bank, Royal and Barbican.

Barbican has failed to resume operations after it was re-issued with a licence in 2010. The bank's management is, however, confident of meeting the requirements after reaching an agreement with potential investors. China Development Bank, which has made major investments in Africa, has been linked with ZABG but bank officials refused to divulge the identity of the potential

investors.

Kingdom Bank, which was on the list of undercapitalised banks, has since concluded a deal with AfrAsia Bank to invest USD 9,5m thereby meeting the minimum capital requirements. The Mauritian financial institution will gain 35% in the bank. Renaissance Merchant Bank was last week taken over by the National Social Security Authority for a cash consideration of USD 24m which has helped the bank meet the RBZ's capital thresholds. The bank's curatorship expires at the end of the month and it is likely to be lifted following the takeover by NSSA. *(Herald)*

CFI Holdings has embarked on a massive expansion programme designed to improve capacity and efficiency of the group's operations. In an update of its operations yesterday, chief executive Mr Steve Kuipa said the expansion programme was "in full swing". It consisted of the installation of four environmentally-controlled housing for broilers at its Glenara Estates and the refurbishment of Victoria Foods.

Commissioning of the environmentally-controlled houses at the 2 000-hectare estate is expected at the end of March. "We got lines of credit of about USD 3,8m and of that amount, we are spending USD 2m on constructing broiler houses," he said. "About USD 1,4m will be spent on upgrading the Victoria Foods plant while the remainder (USD 400 000) will go towards upgrading Hubbard hatchery in Beatrice." CFI is involved in poultry, milling of stockfeeds, maize and flour, manufacture and distribution of agri-chemicals, farming and retail. The environmentally-controlled houses will have capacity to keep 160 000 birds per six-week cycle. The current housing facilities are open-sided with capacity of about 460 000 birds.

Managing director for Crest Poultry Group, a division of CFI, Dr Tapera Mpenezi, said studies have shown that mortality rates in conventional houses were higher than those in controlled houses. "On average, mortality rates in open-sided housing average between eight and 10% against between 2% and 3% in for environmentally-controlled housing," he said. "The new environmentally controlled housing facilities will be computerised and this should improve efficiencies and productivity."

Efficiency at its slaughtering division, Suncrest Chickens, is being affected by ageing equipment and there was need to upgrade the plant. Plans are underway to set up a second abattoir at Glenara Estate. The group is also targeting to increase capacity at Hubbard through upgrading the hatcheries. The company is looking at increasing capacity to about 500 000 day-old chicks from about 350 000. The current market share for chickens is stable as there were fewer imported products coming through. But there have been reports of smuggled chickens finding their way into the informal markets.

Demand for the table eggs remains high, with the company supplying 35% of the country's table eggs. At Glenara Estates, the group planted about 712 hectares of commercial maize which would guarantee Agrifoods, CFI's stockfeed operations a three months supply. More than 300 hectares of soya beans were also planted at the estate. Mr Kuipa said the group would consider doubling the hectarage next season to reduce the cost of importing soya beans and maize. "In future, we will also look at backward integration through contracting farmers in maize and soya beans production," said Mr Kuipa.

The milling division is seen as a growth opportunity, through value addition in bread-making and biscuit manufacturing divisions. Competition remains high on flour products due to the presence of imports. Victoria Foods is currently operating at 25% capacity. CFI operates two mills in Harare and Gweru with a capacity of 4 500 tonnes a month each for maize and wheat.

Mr Kuipa said while the group recapitalisation programme was progressing well, there was need to bring in new strategic partners, particularly in poultry and milling divisions. He said the group would further raise capital through asset disposal. Assets to be sold include CFI's 14% stake in Windmill, some agricultural land around Honeydew farm and the disposal Dore & Pitt. *(Herald)*

The government has blocked a bid by Econet Wireless to install a fibre optic cable linking Zimbabwe to high-speed undersea cables in Mozambique. Transport and Communications minister Nicholas Goche told our sister publication, The Zimbabwe Independent, recently the service was already being provided by Econet competitor and State-run TelOne. Government policy is that service providers must not compete for the provision of infrastructure, but on the provision of services, Goche said.

It is also government policy that the public sector must provide infrastructure such as national backbone and that mobile cellular companies ride on the infrastructure. That service is already being provided by TelOne, which is connected to the undersea cables in Mozambique. Therefore, it would not have made business sense to have another company providing the same service. But Information Communication Technology minister Nelson Chamisa said the move was not part of government ICT policy.

I am yet to talk to Minister Goche about it. It is government policy to make sure that we have access to the undersea cables as of yesterday, he said. However, Goche urged the countrys three mobile phone operators Econet, NetOne and Telecel to consider sharing infrastructure such as base stations. As alluded to earlier, government policy is that companies should share the infrastructure so that they can enhance the provision of services.

We are already persuading these service providers to share infrastructure through the Universal Services Fund. In terms of Section 4 of the Postal and Telecommunications Act (Chapter 12:05), the Postal and Telecommunications Regulatory Authority of Zimbabwe is mandated to exercise licensing and regulatory functions in respect of the allocation and use of satellite orbits and the radio frequency spectrum in Zimbabwe for all purposes, including the establishment of standards and codes relating to any matter in connection therewith.

Therefore, cellular companies should compete on service provision rather than on infrastructure, he said. Goche also said a strategic partnership deal between MTN and TelOne was still under discussion. Government is also into discussions with other possible strategic partners so as to have a comparative schedule of the offers before settling for one, he said. *(News Day)*

Zimbabwe Platinum Holdings Ltd has so far spent USD 89m on the USD 445m Ngezi Phase II expansion project. The money was used during the half-year to December 31, 2011. Zimplats chief executive officer Mr Alex Mhembere

said implementation of the project was within projected timelines. "Implementation of the Phase II project is progressing well and according to plan, with USD 89m having been spent by the half-year," said Mr Mhembere.

The Ngezi Phase II project consists of a twom tonnes per annum underground mine, two mtpa concentrator modules, a 35 000-megalitre dam, a 9km ore overland conveyor, and 1 125 employee houses. Production capacity ramp-up at the Ngezi Phase II is expected to raise the firm's annual platinum output from 180 000 to 270 000 ounces. Meanwhile, weaker metal prices (due to the prevailing eurozone crisis) had a negative impact on the company's financial performance during the half-year, despite the platinum producer's improved performance in respect of metal production.

Zimplats reported that the combination of higher production and lower metal prices resulted in turnover for the six months of USD 231m, down 7% on USD 250m for the comparative period. The company registered a profit before tax of USD 81m, a 29% decrease on USD 101m achieved during the previous period. Profit after tax amounted to USD 68m compared with USD 85m for the previous period. Generally, both Zimplats' mining and processing operations performed well in the period under review.

As at present all the company's three mines are now operating at full capacity and as a result ore mined totalled 2 289 000 tonnes, up 12% on the previous year. Ore milled at 2 170 000 tonnes was 4% above the tonnage for the same period last year owing mainly to higher milling rates and running time achieved at both concentrators. Mill grade was in line with expectations while concentrator recovery at 82,7% was positive and marginally higher than the previous year, reflecting the continued optimisation of processes.

4E (Four elements: platinum, palladium, gold and rhodium) metal production for the period totalled 183 000 ounces, an increase of 2% on the previous year's production. The lower than expected metal production was a result of metal in process, which was only released after end of period. *(Herald)*

Economic News

Zimbabwe is set to award tenders for its power generation expansion projects by July, Energy Minister Elton Mangoma has said. Presenting oral evidence before the parliamentary portfolio committee on mines and energy, Mangoma said 11 companies, comprising financiers and contracting firms, had expressed interest in projects that would increase electricity generation by about 600 megawatts at Kariba and Hwange power stations.

“From where we are sitting, we should be announcing successful bidders from July onwards. I have not been told if the State Procurement Board (SPB) requires extra time to go on,” Mangoma said. "A lot of the companies had the financial backing to be able to carry out their work (and) a final registration of proposals to SPB was done on February 3,” he added. The Energy minister said a final registration of proposals containing specific technical information on finance plans, equipment and implementation methodology is anticipated to be finalised within 90 days.

The adjudication process should be completed between 30 to 45 days. However,

Mangoma said the SPB had been tainted by corruption allegations arising from recent Zesa tenders. Although the tender for supplying and installing prepaid meters was concluded, unsuccessful bidders have lodged complaints with the Energy minister citing unfair competition. “There are already some people complaining that some of their vital documents were removed before the adjudication,” Mangoma said.

“At this point, it is not clear whether the documents were removed at the tender board or at Zesa but it brings this thing about the tender board,” he added. I think there are people at the tender board and Zesa who are working in cahoots to achieve whatever it is that want, the minister said. He said installation of the smart meters was meant to overhaul the current shambolic billing system by providing accurate reading and pay as you consume costing. *(Daily News)*

Zimbabwe's inflation slowed to 4.3% y/y in January compared with 4.9% in December, the national statistics agency said on Wednesday. On a month-on-month basis, inflation quickened to 0.5% from 0.2% in December. *(Reuters)*

Zimbabwe's tobacco production is set to continue its recovery this year, but output might be short of the projected 150m kg due to limited funding and erratic rainfall, farmers said as the auction season opened on Wednesday. Tobacco, which earned Zimbabwe about USD 400m in 2011, has fallen behind mining as the country's leading foreign currency earner, after President Robert Mugabe's seizure of white-owned farms saw production of most major crops plummeting.

Tobacco output declined to 48m kg in 2008, from a peak of 236m kg in 2000. Small-scale farmers have led a rebound, aided by the use of stable foreign currencies adopted by the government to replace a local unit destroyed by hyperinflation, and funding from China - which now dominates a market previously controlled by Western merchants.

The Tobacco Industry Marketing Board (TIMB), which regulates the sector in Zimbabwe, says it expects production to reach 150m kg this year, up from 131m kg previously, but farmers say that target is not likely to be achieved. "We will be happy if we could match last year's production. The rains were patchy and many growers dropped out due to lack of funding, so we are unlikely to see such a significant leap in output," Zimbabwe Farmers Union vice president Berean Mukwende told Reuters during a ceremony to mark the official start of the auctions.

Over 50,000 mostly small-scale black farmers have taken over production of the bulk of the crop, once the preserve of white commercial farmers Tobacco farmer Elphanos Mashingaidze said although output was unlikely to change from the previous year, farmers expected firmer prices this time around. "Today's opening prices, for what is typically lower grade tobacco, give us confidence that this year prices could be better," Mashingaidze said. "We need an average price of USD 4.50 per kg to farm profitably."

He said while Chinese firms were funding some farmers under contract growing schemes and purchasing about 75% of the crop, many farmers were still struggling to get bank loans to finance their operations. *(Reuters)*

Zimbabwe will limit the amount of cash local banks can hold in offshore

accounts, Finance Minister Tendai Biti said on Thursday, in its latest move to ease a dollar crunch in the wake of the collapse of its own currency. The southern African country has been battling a dollar shortage since the start of 2012 due to a lack of dollar inflows on foreign investor concerns over government policies. The country gave up using the Zimbabwe dollar in February 2009 after it was destroyed by hyperinflation that peaked at 500bn%. It switched to using foreign currencies instead, mostly the U.S. dollar.

Biti said on Thursday that banks will have to repatriate from March the bulk of funds they hold in so-called Nostro Accounts, or offshore accounts used for international payments and forex trades. "With effect from March 1, 2012, banks will, therefore, be required to maintain in their Nostro Accounts a maximum of 25% of their balances off-shore," Biti said in a statement, adding that the ratio of offshore balances would be raised to 30% from June 1.

Last month the central bank set limits on cash withdrawals and urged banks to inject some of their foreign cash holdings into the economy to help avert a dollar crunch. It also warned them that the government could compel them to do so if they did not comply. The central bank says local lenders, mostly those with international holding companies, have about USD 450m in offshore accounts. Barclays Bank Plc, Standard Chartered Plc and the Standard Bank groups are some of the major international firms operating in Zimbabwe.

Last month, Biti said Zimbabwe would draw down USD 110m from its allocation of a 2009 USD 500m IMF emergency fund in a bid to ease the foreign exchange shortage and bolster the country's USD 4bn 2012 budget. Biti also said the government would soon launch a USD 50m bond to raise funds for infrastructure projects.

Since 2009, Zimbabwe has toyed with the idea of issuing bonds to raise funds for projects it cannot fund through its meagre budget, but it has not followed through. Analysts say such plans would have limited success mainly due to the country's risk profile. *(Reuters)*

Notes

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